

MORANT WRIGHT MANAGEMENT LIMITED

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Morant Wright Fuji Yield Fund July 2020 Newsletter

NAV at 31st July 2020: Yen: ¥1,133.44, Sterling: £10.94, US Dollar: \$11.41
Euro: €11.33, Swiss Franc: CHF7.31, Yen B shares: ¥998.62

	Month	Year to Date	Performance since inception	TOPIX Net TR since inception*	Inception date
Yen (unhedged)	-6.7%	-22.7%	+13.3%	+21.4%	4 Nov 2014
TOPIX Net Total Return	-4.0%	-12.1%			
Sterling (hedged)	-6.6%	-23.9%	+9.4%	+21.4%	4 Nov 2014
US Dollar (hedged)	-6.7%	-22.9%	+14.1%	+17.8%	28 Nov 2014
Euro (hedged)	-6.7%	-23.7%	+13.3%	+27.2%	7 Apr 2016
Swiss Franc (hedged)	-6.7%	-23.7%	-26.9%	-13.0%	11 Dec 2017
Yen B shares (unhedged)	-6.7%	-22.6%	-0.1%	+7.3%	12 Mar 2015

Sources: Bloomberg and Link Fund Solutions Ireland Limited (LFSI).
Performance and NAV given for accumulating shares; available distributing shares are shown overleaf
* Performance of TOPIX Net TR index since inception is shown in yen

A sharp fall on the final day of the month meant that TOPIX finished July down 4% in local terms. Although Japan ended its state of emergency in May, a recent increase in Covid-19 infections has raised concerns that the government may need to reimpose tighter restrictions. So far, most of those affected recently have been under 60 and many cases have been linked to restaurants and nightclubs. As a result, the Tokyo government has requested restaurants and bars in the city to close at 10pm from 3rd August, with a subsidy for those establishments that comply.

Unsurprisingly, the economy remains weak although it has started to recover from the nadir in May. Industrial production in June rose nearly 3% from the previous month although it was still down by 17% year-on-year. Construction orders and housing starts both fell by 13%. There were more positive signs elsewhere, however, as unemployment fell slightly to 2.8% as some companies began hiring workers again. Similarly, retail sales in June rose sharply from May and were down only 1% compared to the previous year. The steady trend towards more online shopping has also accelerated in recent months; May marked the first month in which over half of all households purchased products online.

Corporate activity has continued to be buoyant, despite the uncertainty caused by Covid-19. There were more instances of companies buying in their listed subsidiaries; a trend which has long been encouraged by the Tokyo Stock Exchange. Convenience store operator Familymart was the subject of a \$5bn bid by Itochu at a 31% premium to buy in the 49.9% of the company not already owned. Fujitsu, which has been undergoing corporate restructuring, announced a bid for Fujitsu Frontech, while Sumitomo Bakelite made a bid for 21% owned affiliate Kawasumi Laboratories at more than double the current share price. There was also a hostile takeover bid by restaurant operator Colowide for sushi chain Otoy, having already bought a 19% stake from the founding family in October last year. It was interesting to see Blackstone buying four logistics centres for \$500m from Daiwa House, adding to the \$1bn it has spent on logistics centres in 2019.

Companies have begun reporting results for the first quarter to 30th June, which have been understandably weak. Many companies have only just released profit and dividend forecasts for the full year, having been reluctant to do so in May. As we have mentioned before, dividends are expected to fall by much less than the decline in profits given that many companies have prioritised the payment of a stable dividend. Although share buybacks fell sharply in the last quarter when cash preservation became important, some companies have started to announce new buyback programs. Perhaps in response to low approval ratings for management, TV company Fuji Media announced a repurchase of 5% of its shares, its first buyback for 13 years, with the shares currently valued at less than net cash and investments. Mitsubishi Logistics also declared a 6% share buyback, only a month after defeating a shareholder proposal calling for the same action. The company also announced a profit of ¥37bn on the sale of land near Nagoya station, another reminder that it has unrealised gains of at least ¥274bn on its property portfolio against a market cap of ¥243bn.

Value stocks fared relatively poorly in July, bringing the underperformance against growth stocks this year to over 17%. Recent research by Mitsubishi UFJ Morgan Stanley shows that the valuation of high PBR stocks is at an all-time high relative to low PBR stocks – a larger gap even than at the height of the Internet bubble in March 2000. Our portfolio stands at a PBR of only 0.6 times, which is the biggest discount to TOPIX since it was launched in 2014. If you would like to deal in the Fund, please contact Link Fund Solutions Ireland (LFSI). Their telephone number is **+353 1 400 5300**.

Stephen Morant, Ian Wright, Richard Phillips, Tom Mermagen, Andrew Millward, Denis Clough and Nick Sinclair

The Fund is eligible for pensions and ISAs. Please contact Link Fund Solutions Ireland (LFSI) for details.

Your attention is drawn to the important regulatory information on the reverse of this document.

Morant Wright Fuji Yield Fund Information

Fund type	UCITS OEIC, authorised in Ireland
Fund currency	Base currency: Japanese Yen Hedged classes available in £, \$, €, CHF Unhedged class available in ¥, €, £ and \$
Launch date	November 2014
Geographic exposure	100% Japanese equities

Share types	Accumulating and Distributing
Share fees	1.0% Management Fee (all other shares) 0.75% Management Fee (Yen B shares) <i>No performance fee except Yen B shares</i>
Minimum investment	€5,000 (Euro shares) ¥1,000,000 (Japanese Yen shares) US\$5,000 (US Dollar shares) £5,000 (Sterling shares) CHF5,000 (Swiss Franc shares)

Fund administrator	Link Fund Administrator Ireland Limited (LFAI) 1 st Floor, 2 Grand Canal Square Grand Canal Harbour Dublin 2 Ireland Tel: +353 1 400 5300 Fax: +353 1 400 5350
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UK tax status	Approved Reporting Fund by HMRC
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Dealing frequency	Daily
Deal cut-off point	11.00am (Irish time)
Valuation point	12.00pm (Irish time)
Settlement	T+4 (subscriptions/redemptions)

Share Class	ISIN	SEDOL	Bloomberg
Euro Accumulation Hedged	IE00BQ5BN330	BQ5BN33	MWFYEAH
Euro Distribution Hedged	IE00BQT49G37	BQT49G3	MWFYEDH
Euro Accumulation Unhedged	IE00BDRKVZ52	BDRKVZ5	MWFYEAU
Euro Distribution Unhedged	IE00BD1LVV03	BD1LVV0	MWFYEDU
Japanese Yen Accumulating Unhedged	IE00BQ5BN447	BQ5BN44	MWFYJAU
Japanese Yen Distributing Unhedged	IE00BQT49H44	BQT49H4	MWFYJDU
Japanese Yen B Accumulating Unhedged	IE00BV0LL840	BV0LL84	MWFJBUH
Sterling Accumulation Hedged	IE00BQ5BN223	BQ5BN22	MWFYGAH
Sterling Distribution Hedged	IE00BQT49F20	BQT49F2	MWFYGDH
Sterling Distribution Unhedged	IE00BYWNV678	BYWNV67	MWFYGDU
Swiss Franc Accumulation Hedged	IE00BQ5BN660	BQ5BN66	
Swiss Franc Distribution Hedged	IE00BQT49K72	BQT49K7	
US Dollar Accumulation Hedged	IE00BQ5BN553	BQ5BN55	MWFYUAH
US Dollar Distribution Hedged	IE00BQT49J67	BQT49J6	MWFYUDH
US Dollar Distribution Unhedged	IE00BD9BP985	BD9BP985	MWFYUSU

Top Ten Holdings	% Fund
Honda Motor	3.2%
Toda Corp	3.2%
Sumitomo Mitsui Financial Group	3.1%
Inabata	3.0%
Toyota Industries	2.9%
Mitsubishi UFJ Financial Group	2.9%
Nippon Road	2.8%
Sumitomo Mitsui Trust	2.8%
Hitachi Capital Corp	2.8%
Chudenko	2.7%
No. of Holdings	56
Fund AUM	\$188m

All performance information is calculated by Morant Wright Management Limited using share price data provided by Link Fund Solutions Ireland Limited (LFSI). Index data are taken from Bloomberg. Performance is based on the Fund NAV. Data are as at 31st July 2020.

Dividends

Ex-Dividend Date	30 Apr 2016	31 Oct 2016	28 Apr 2017	31 Oct 2017	27 Apr 2018	31 Oct 2018	26 Apr 2019	31 Oct 2019	30 Apr 2020
Euro Distributing share	0.1404	0.1064	0.1528	0.0969	0.1753	0.1353	0.2396	0.1470	0.1946
Euro Distributing (Unhedged) share					0.0551	0.0969	0.1653	0.1474	0.1693
Sterling Distributing (hedged) share	0.5322	0.0912	0.1495	0.1181	0.1854	0.1291	0.2318	0.0454	0.1836
Sterling Distributing (unhedged) share				0.0747	0.0551	0.1121	0.1786	0.1894	0.1745
Yen Distributing share	14.6482	11.3457	15.7944	12.9441	17.5837	12.8844	82.9239	14.7551	19.7063
Dollar Distributing (hedged) share	0.1405	0.1058	0.1509	0.1276	0.1760	0.1367	0.2338	0.1589	0.2139
Dollar Distributing (unhedged) share				0.0892	0.1054	0.1065	0.1462	0.1325	0.1629

This document is issued and approved by Morant Wright Management Ltd. which is authorised and regulated by the Financial Conduct Authority.

Disclaimer

Please remember that past performance is not a guide to future performance. The value of the Fund and any income from it can fall as well as rise as a result of both market and currency fluctuations and investors may not get back the amount originally invested. Investors must be willing to accept some risk to their capital.

Consequently, the fund may be suitable for investors who are looking to set aside their capital for the longer term (i.e. at least 5 years). Before making an investment in the Fund you are strongly advised to read the Full Fund Prospectus and any other regulatory information, which can be obtained from Link Fund Solutions Ireland Limited (LFSI), 1st Floor, 2 Grand Canal Square, Dublin 2, Ireland or ourselves.

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