

MORANT WRIGHT MANAGEMENT LIMITED

43 St James's Place, London, SW1A 1NS
Telephone: 020 7499 9980 Facsimile: 020 7499 9981 Website: www.morantwright.co.uk

LF Morant Wright Japan Fund August 2020 Newsletter

NAV at 28th August 2020: Accumulation: A shares 355.23p, B shares 387.02p
Income: A shares 339.62p, B shares 344.30p

£ Returns	Month	Year to date	Since Inception (23 rd May 2003)
A Shares	+6.9%	-12.2%	+255.2%
B Shares	+6.9%	-12.0%	+287.0%
TOPIX Net Total Return	+5.3%	-3.5%	+252.0%

Performance given for accumulation shares

Sources: Bloomberg and Link Fund Solutions Limited (LFS)

It was a strong month for the stock market helped by growing evidence that the economy is beginning to recover. The daily rate of Covid-19 infections has stabilised and so far there is little sign of stress on hospitals. As a result, there has been no tightening of related restrictions in Tokyo or nationwide. Industrial output jumped by 8% in July versus the previous month, partly because car production began to improve, although output is still 16% lower than a year ago. Domestic car sales in July fell by 20% year on year but that compares to declines of 27% and 42% in the previous two months. GDP for the April to June quarter showed a 7.8% decline quarter on quarter because of a sharp drop in consumption and exports. For the fiscal year as a whole Nomura is now expecting a 6.4% decline followed by a 4.8% recovery in the year to March 2022.

At the end of the month Prime Minister Abe announced that he would be resigning for health reasons. Mr. Abe is Japan's longest-serving prime minister, having been elected in December 2012, and was due to step down next year. The new leader of the LDP is expected to be elected by the party in mid-September. A recent poll by the Nikkei newspaper showed that 74% of the public support Abe's performance so it seems unlikely that any of the candidates will offer a significant shift in economic policy. The governor of the Bank of Japan, Mr. Kuroda, will remain in place until April 2023 which should ensure the continuity of monetary policy. Importantly for the market the momentum of corporate governance improvement is well established. The LDP enjoys a large majority in both the upper and lower houses of Parliament and although the two largest opposition parties have recently announced merger discussions their combined support is less than 5% according to an NHK poll.

All the company results for the April to June quarter have now been released and CLSA, Jefferies and Nomura have all suggested that the quarterly figures were better than consensus numbers. Aggregate sales fell by 17% and recurring (pre-tax) profits by 50%. For the year to March 2021, 70% of companies have now made forecasts, up from around half in May. The aggregate of those companies that have made forecasts is for a sales decline of 9% and a recurring profit decline of 25%, while dividends are expected to fall by 12%. The market also seemed to take comfort from seeing what will probably be the low point for quarterly profits.

So far this year foreigners have sold more than \$70bn of Japanese equities, so it was particularly heartening when Berkshire Hathaway revealed that it had bought stakes of over 5% in each of Japan's five largest trading companies for a combined total investment of \$6.2bn. The shares reacted positively to the news and to the related announcement that it might increase its holdings up to 10%. These companies have a lot of debt so are not part of our portfolio but it is nevertheless encouraging that some global investors are at last appreciating the considerable value in Japan.

We continue to see good potential in the portfolio, which stands at a prospective PER of 14x and a PBR of below 0.7x, and we expect that earnings should see a gradual recovery over the next few quarters. If you would like to deal in the fund, please contact Link Fund Solutions Limited (LFS). Their telephone number is **0345 922 0044**.

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 Limited (LFS) for details.

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

LF Morant Wright Japan Fund Information

Fund type	UK authorised OEIC
Fund currency	Sterling
Launch date	May 2003
Geographic exposure	100% Japanese equities

Share types	A Shares: Accumulation and Income
	B Shares: Accumulation and Income
AMC	A Shares: 1.5% B Shares: 1.0%
OCF	A Shares: 1.66% B Shares: 1.16%
	<i>No performance fees</i>

Minimum investment	£5,000 (A and B shares)
Dealing frequency	Daily
Deal cut-off point	12pm
Valuation point	12pm

ACD	Link Fund Solutions Limited (LFS)
Fund administrator	Link Fund Administrators Limited (LFA)
	Central Square
	29 Wellington Street
	Leeds LS1 4DL
	Tel: 0345 922 0044
	Fax: 0113 224 6001

Bloomberg Code	
A Accumulation	CFMWJAA LN
B Accumulation	CFMWJBA LN
A Income	CFMWJAI LN
B Income	CFMWJBI LN

SEDOL	
A Accumulation	3301001
B Accumulation	3301012
A Income	3359798
B Income	3359806

ISIN	
A Accumulation	GB0033010017
B Accumulation	GB0033010124
A Income	GB0033597989
B Income	GB0033598060

Top Ten Holdings	% Fund
Tokyo Broadcasting System	3.6
Kinden	3.4
Toyota Industries	3.2
Toda Corp	3.1
Nippo Corp	3.1
Nippon Television Network	3.0
Sumitomo Mitsui Financial Group	3.0
Dai-ichi Life Holdings	3.0
Toyota Motor	2.9
Mitsubishi UFJ Financial Group	2.9
Number of Holdings	50
Fund Size	£351m

Performance

	2019	2018	2017	2016	2015	Since inception (May 2003)
A Shares	+10.3%	-12.7%	+16.3%	+26.2%	+21.3%	+255.2%
B Shares	+10.8%	-12.3%	+16.9%	+26.8%	+21.9%	+287.0%
TOPIX Net Total Return	+15.2%	-9.3%	+15.3%	+24.0%	+16.6%	+252.0%

Performance given for accumulation shares

TOPIX Net Total Return is used for the purpose of performance comparison only as it is a widely used benchmark which includes reinvestment of dividends (net of withholding tax) and which most closely reflects the type of companies in which the fund invests. All performance information is calculated by Morant Wright Management Limited using share price data provided by Link Fund Solutions Limited (LFS). Index data are taken from Bloomberg. Performance is given in sterling terms based on the Fund NAV. Data are as at 28th August 2020 and accurate as at that date.

This document is issued and approved by Morant Wright Management Limited 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 must read the KIID which can be obtained from Link Fund Solutions Limited (LFS) or ourselves, along with the Fund Prospectus and the latest report and accounts.

Copyright 2020. All rights reserved.