

LF Morant Wright Japan Fund October Newsletter

£ Returns	Month	Year to Date	Since Inception (23 rd May 2003)
A Accumulation	-5.6%	+4.8%	+295.6%
B Accumulation	-5.5%	+5.3%	+333.5%
TOPIX Net Total Return	-5.4%	+1.1%	+302.2%

Sources: Bloomberg and Link Fund Solutions Limited (LFS)

Topix declined by 1.4% in local terms over the month while the yen fell sharply against both sterling and the US dollar. Expectations grew that short term interest rates would rise in the UK and US whereas no change is anticipated in Japan.

Economic news was mixed. Weak domestic spending in September reflected Covid restrictions while industrial output fell by 5.4% largely due to a 28% drop in car production. Car companies have been forced to reduce output sharply due to a combination of global semiconductor shortages and Covid related plant suspensions including at suppliers in Vietnam, Malaysia and Thailand.

It is still early in the results season for the first half to the end of September, but so far we have seen fewer positive surprises than the last few quarters. Nonetheless more companies are still revising their guidance up than down; for example, steel manufacturer Yamato Kogyo revised up for the second successive quarter while car parts supplier Tokai Rika revised down.

The outlook, however, looks brighter. The number of new Covid cases in Japan has fallen to only a few hundred per day over the past two weeks after the national state of emergency was ended on 30th September. This, combined with a vaccination rate of over 80% of the adult population, should be positive for domestic demand. Every month Toyota releases forecast production plans for the next three months which currently show a strong recovery. At its low in September, monthly production dropped by 39% to 513,000 units but is expected to rise sharply in October to 850,000-900,000 units with a further increase in November. Toyota cites an easing of the Covid related parts production problems in Asia as the main factor behind the improvement.

The takeover battle between Shinsei Bank and SBI continues. Shinsei's board has said that they would support the bid and consider abandoning their plan for a poison pill if the ¥2,000 bid price is revised to a "sufficient level" and the maximum number of shares for the bid is removed, i.e. not limiting SBI's ownership to 48% of the bank. Elsewhere, Oasis and other shareholders have publicly rejected the takeover offer by ENEOS for Nippo as they believe it does not fully reflect the value of the company.

The clear LDP victory in the election at the end of the month provides political continuity, while the moderate headwinds from semiconductor shortages and Covid restrictions seem likely to ease. Meanwhile the valuations of the fund remain highly attractive. We anticipate further improvements in dividends and share buybacks through the results season next month.

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

Fund	
Fund size	£372m
Number of holdings	49

Valuations	
Average PBR	0.68
Median EV/OP* (3/22e)	3.8
Weighted Average P/E (3/22e)	10.3
Net cash as % of market cap*	77%

*Net cash (including investment securities) and EV/OP figures exclude financials

Top Ten Holdings	% Fund
Mitsubishi UFJ Financial Group	3.6
Dai-ichi Life Holdings	3.5
Sumitomo Mitsui Financial Group	3.4
Tokyo Broadcasting System	3.3
Honda Motor	3.2
Kinden	3.1
Toyota Motor	3.1
Nippon Television Network	3.0
Sumitomo Mitsui Trust	3.0
Canon Marketing	3.0

Market Cap Breakdown	% Fund
Large cap (>\$5bn)	36.6
Mid cap (\$1-5bn)	50.5
Small cap (<\$1bn)	9.3
Cash	1.6

NAV at 29 th October 2021	
A Accumulation	395.55p
B Accumulation	433.48p
A Income	374.71p
B Income	380.32p

Dealing
 If you would like to deal in the fund, please contact Link Fund Solutions. Their telephone number is 0345 922 0044
Please refer to the further fund details and important regulatory information on the reverse of this document

Fund Information		Dealing Information	
Fund type	UK authorised OEIC	Minimum investment	£5,000 (A and B shares)
Fund currency	Sterling	Dealing frequency	Daily
Launch date	May 2003	Deal cut-off point	12pm
Geographic exposure	100% Japanese equities	Valuation point	12pm
AMF	A Shares: 1.5% B Shares: 1.0%	Settlement	T+4 (subscriptions/redemptions)
OCF	A Shares: 1.68% B Shares: 1.18%	ACD	Link Fund Solutions
Share types	A Shares: Accumulation and Income B Shares: Accumulation and Income	Fund administrator	Link Fund Administrators Limited Central Square 29 Wellington Square Leeds, LS1 4DL Tel: 0345 922 0044 Fax: 0113 224 6001

Share Identifiers	Bloomberg code	SEDOL	ISIN
A Accumulation	CFMWJAA LN	3301001	GB0033010017
B Accumulation	CFMWJBA LN	3301012	GB0033010124
A Income	CFMWJAI LN	3359798	GB0033597989
B Income	CFMWJAI LN	3359806	GB0033598060

Performance	2020	2019	2018	2017	2016	Since inception (May 2003)
A Accumulation Shares	-6.8%	+10.3%	-12.7%	+16.3%	+26.2%	+295.6%
B Accumulation Shares	-6.3%	+10.8%	-12.3%	+16.9%	+26.8%	+333.5%
TOPIX Net Total Return	+9.1%	+15.2%	-9.3%	+15.3%	+24.0%	+302.2%

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 LFS. Index data are taken from Bloomberg. Performance is given in sterling terms based on the Fund NAV. Data are as at 29th October 2021 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 LFS or ourselves, along with the Fund Prospectus and the latest report and accounts.

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