

MORANT WRIGHT

MANAGEMENT LIMITED

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LF Morant Wright Nippon Yield Fund July 2023 Newsletter

£ Returns	Month	Year to Date	Since Inception (1 st October 2008)
B Accumulation	+4.5%	+12.1%	+504.0%
TOPIX Net Total Return	+1.4%	+7.7%	+183.3%

Sources: Bloomberg and Link Fund Solutions Limited (LFS)

TOPIX rose by 1.5% in local terms during July. A feature of the month was that mid-sized and smaller companies outperformed, reversing a trend in place since the start of the year.

The Bank of Japan announced a relaxation to its long-standing policy of Yield Curve Control (YCC) at its month end policy meeting. It has introduced more flexibility into the process, reflecting significant uncertainty about prices in its Outlook Report. The previous 0.5% ceiling at which the Bank would conduct fixed rate purchases is now a 'reference' and not a 'rigid' limit and the new cap on the 10-year JGB is 1%. It increased its forecast for core CPI growth to 2.5% in FY23, up from 1.8%, but kept its forecasts for the following two years largely unchanged at 1.9% in FY24 and 1.6% in FY25. This means that the Bank's 2% inflation target has not quite been achieved, which justifies retaining its YCC policy.

Although it is early days, the tone of the first quarter results announcements has been generally positive. Speciality chemical company Zeon revised up full year profits mainly because of lower raw material prices. Tokai Rika, a Toyota car parts supplier, also revised up on the back of a recovery in car production volumes and a weaker yen. Canon Marketing Japan, which reported second quarter results, revised up its full year forecasts and raised the dividend on the back of stronger sales of higher margin software. We have also been encouraged by a flurry of share buyback announcements. The standout was Mitsubishi Logistics which announced another share buyback for up to 4.5% of its outstanding shares and then plans to cancel them all. The company has regularly bought back shares every year since 2019 when it came under pressure from an activist to do so. Over the past four years it has already reduced its outstanding shares by 11%.

Toyota Motor announced plans to sell ¥250bn (\$1.8bn) of its KDDI shares back to the company, about one-fifth of its shareholding. Toyota described the purpose of the change as improving governance and making more effective use of its assets in order to invest in EVs. In our meetings, the company has always impressed us operationally and we are excited about its latest solid state battery technology for EVs, but on corporate governance it has perhaps lagged so this is a positive change.

Nidec, which is not held in the funds, announced an unsolicited takeover bid for Takisawa Machine Tool, at an 80% premium. Historically unsolicited bids have been rare but this time Nidec's founder, Nagamori-san, has cited draft M&A guidelines from the Ministry of Trade and Industry (METI) to justify its hostile offer.

Interest in low PBR companies continues to grow and there are signs of Japanese retail investors buying. With our current bias towards mid-sized companies, the portfolio is well placed if market interest continues to broaden out. The valuation of our portfolio remains compelling at a time when interest rates are starting to normalise, and our cash rich companies are continuing to improve their returns to shareholders.

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

Fund	
Fund size	£403m
Number of holdings	59

Valuations	
Average PBR	0.82
Median EV/OP* (3/24e)	6.2
Weighted Average P/E (3/24e)	10.7
Net cash as % of market cap*	43%

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

Top Ten Holdings	% Fund
Mitsubishi UFJ Financial Group	3.6
Sumitomo Mitsui Financial Group	3.5
Sumitomo Mitsui Trust	3.4
Fuji Media Holdings	3.2
Honda Motor Co. Ltd	3.2
Dai-ichi Life Holdings Inc	2.8
Inpex	2.7
Canon Marketing	2.7
Inabata	2.3
MS&AD Insurance Group	2.3

Market Cap Breakdown	% Fund
Large cap (>\$5bn)	34.7
Mid cap (\$1-5bn)	49.7
Small cap (<\$1bn)	13.7
Cash	1.9

NAV at 31 st July 2023	
B Accumulation	581.90p
B Income	402.04p

Dealing
If you would like to deal in the fund, please contact Link Fund Solutions Limited. 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
Fund currency	Sterling	Dealing frequency	Daily
Launch date	October 2008	Deal cut-off point	12pm
Geographic exposure	100% Japanese equities	Valuation point	12pm
AMF	1.0%	Settlement	T+4 (subscriptions/redemptions)
OCF	1.18%	ACD	Link Fund Solutions Limited
Share types	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
B Accumulation	CFMWNBA LN	B42MKS9	GB00B42MKS95
B Income	CFMWNYB LN	B2R83B2	GB00B2R83B20

Performance	2022	2021	2020	2019	2018	Since inception (1 st October 2008)
B Accumulation Shares	+8.8%	+11.6%	-5.9%	+11.9%	-12.4%	+504.0%
TOPIX Net Total Return	-5.0%	+1.9%	+9.1%	+15.2%	-9.3%	+183.3%

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 31st July 2023 and accurate as at that date.

Dividends

Ex-Dividend Date	30 Apr 2018	31 Oct 2018	30 Apr 2019	31 Oct 2019	30 Apr 2020	31 Oct 2020	30 Apr 2021	31 Oct 2021	30 Apr 2022	31 Oct 2022	30 Apr 2023
Dividend per 'B' Income Share	5.1862	4.2703	5.7753	5.1285	6.2359	4.1192	5.8480	5.0278	6.8290	5.631	7.0071

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 (<http://www.linkfundsolutions.co.uk/uk/morant-wright-management-limited/lf-morant-wright-nippon-yield-fund>) or ourselves, along with the Fund Prospectus and the latest report and accounts.

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