

MORANT WRIGHT MANAGEMENT LIMITED

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CF Morant Wright Japan Fund May 2014 Newsletter

NAV at 31st May 2014:

Accumulation: A Shares 220.60p, B Shares 232.96p
Income: A Shares 217.34p, B Shares 220.90p

£ Returns	Month	Year to date	Since Inception (23 rd May 2003)
A Shares	+4.4%	-4.7%	+120.6%
B Shares	+4.5%	-4.5%	+133.0%
TOPIX Total Return	+4.9%	-5.1%	+96.7%

Sources: Bloomberg and Capita Financial Managers

Performance given for accumulation shares

The stock market rose during May despite a modest rise in the yen. Economic data, although inevitably affected by the sales tax increase, have been more resilient than some had feared.

GDP growth in the first quarter was an annualised 5.9% as consumer spending surged ahead of the sales tax increase although capital investment was also strong. This investment seems to have continued in the current quarter; Asahi Kasei, for example, announced it would spend Y3bn to increase synthetic fibre production in Japan, the first expansion of domestic production in 40 years. Machine tool orders for April rose by 48.7% year on year following a 41.8% rise in March, whilst construction orders, which are quite volatile, rose by 105% in April after an 8.8% drop in March. The labour market continues to tighten. The job offers to applicants ratio reached 1.08 times in April which is the highest level since 2007 and a Nikkei survey of larger companies suggested that summer bonuses would increase by an average of 8.8%, which would be the largest increase since the survey began in 1997.

Over the last year Japan's trade balance has continued to deteriorate as import growth has outstripped exports. In part this is because the strength of domestic consumption has led to robust growth in imports, but there has also been less of an impact on export growth from a weaker yen than hoped. It was therefore encouraging to see some signs of improvement in the trade numbers for April which showed a sharp drop in the trade deficit. There are also signs of the cheaper yen having a positive impact on tourism. Overseas visitor numbers hit another record level of 1.23 million (+33%) in April and, despite the current political situation, Chinese visitors rose by 90% to over 190,000.

The results season saw strong figures for the fiscal year ended March 2014. Companies listed on TOPIX reported sales growth of 11% and post tax profit growth of 70%. Forecasts for the coming year look quite dull by comparison, with companies guiding for 2% post tax profit growth, but after such a strong year the conservative outlook is not surprising.

Greater corporate confidence is evident from the growing number of share buybacks and higher dividends. Over half of listed companies raised their dividends for the year and the value of buybacks rose sharply, which included a number of our companies. A new shareholder friendly policy was announced by machine tool manufacturer Amada, where the President stated that the reason for the action was that the company was very disappointed not to be included in the new JPX-Nikkei 400 Index because of its low ROE. It has therefore decided to start paying out 100% of earnings in dividends and buybacks. We hope this is an example other companies will follow. There were also signs of greater corporate activity with electronic music equipment maker Roland subject to a management buy out and media company Kadokawa announcing a proposed merger with an internet content distributor Dwango.

We remain positive about the outlook. Our companies are seeing good profits growth and, crucially, returning more to shareholders in both dividends and share buybacks, while valuations remain low. If you would like to deal in the Fund, please contact Capita Financial Managers Limited. Their telephone number is 0845 9220044.

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

The Fund is eligible for pensions and ISAs. Please contact Capita Financial Managers Limited for details.

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

AUTHORISED AND REGULATED BY THE FINANCIAL CONDUCT AUTHORITY
REGISTERED IN ENGLAND NUMBER 3692692

CF Morant Wright Japan Fund Information

<i>Fund type:</i>	UK authorised OEIC	<i>Bloomberg code:</i>	
<i>Fund currency:</i>	Sterling	A Accumulation	CFMWJAA LN
<i>Launch date:</i>	May 2003	B Accumulation	CFMWJBA LN
<i>Geographic exposure:</i>	100% Japanese equities	A Income	CFMWJAI LN
		B Income	CFMWJBI LN
<i>Share types:</i>	A Shares: Accumulation and Income	<i>SEDOL:</i>	
	B Shares: Accumulation and Income	A Accumulation	3301001
		B Accumulation	3301012
<i>Share fees:</i>	A Shares: 1.5% Management Fee	A Income	3359798
	B Shares: 1.0% Management Fee	B Income	3359806
	<i>No performance fees</i>	<i>ISIN:</i>	
		A Accumulation	GB0033010017
<i>Minimum investment:</i>	£5,000 (A and B shares)	B Accumulation	GB0033010124
		A Income	GB0033597989
<i>Dividend Ex Dates:</i>	30 April	B Income	GB0033598060
<i>Dividend Pay Dates:</i>	30 June		
<i>Dealing frequency:</i>	Daily	Top Ten Holdings	
<i>Deal cut-off point:</i>	11:00 am	% Fund	
<i>Valuation point:</i>	11:00 am	Nippon Television	2.7
<i>Settlement:</i>	T+4 (subscriptions/ redemptions)	Inpex	2.7
		Hitachi High-Technologies	2.7
		Toyota Industries	2.6
		Mitsubishi UFJ Financial	2.6
<i>Fund administrator:</i>	Capita Financial Managers	Sumitomo Mitsui Financial Grp	2.5
	2 The Boulevard	Sumitomo Electric Industries	2.5
	City West One Office Park	Fujifilm Holdings	2.4
	Gelder Road	NKSJ Holdings	2.4
	Leeds, LS12 6NT	Tokio Marine	2.3
	Tel: 0845 922 0044		

Fund size: £637m
Number of holdings: 63

Performance

	2013	2012	2011	2010	2009	Since inception (May 2003)
A Shares	+24.7%	-0.5%	-8.8%	+17.1%	-6.5%	+120.6%
B Shares	+25.4%	-0.1%	-8.3%	+17.7%	-6.0%	+133.0%
TOPIX TR	+24.1%	+3.6%	-12.4%	+19.6%	-5.4%	+96.7%

Performance given for accumulation shares

All performance information is calculated by Morant Wright Management Limited using share price data provided by Capita Financial Administrators Limited. Index data are taken from Bloomberg.

Performance is given in £ terms based on the Fund nav. Data are as at 30th May 2014 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 are strongly advised to read the Simplified or the Full Fund Prospectus, which can be obtained from Capita Financial Managers Limited, Administration Office, 2 The Boulevard, City West One Office Park, Gelderd Road, Leeds, LS12 6NT or ourselves.

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