

**MORANT WRIGHT MANAGEMENT LIMITED**

[www.morantwright.co.uk](http://www.morantwright.co.uk)

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London, SW1A 1NS  
United Kingdom

This brochure provides information about the qualifications and business practices of Morant Wright Limited (“MW” or the “Firm”). There have been no material changes since the Firm’s last annual amendment. If you have any questions about this brochure please contact us at (212) 446-1760 *or* [info@moranwright.co.uk](mailto:info@moranwright.co.uk). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authorities. Additional information about Morant Wright is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **I. ADVISORY BUSINESS**

### *a) Background*

Morant Wright Management Limited (“MWM,” “We” or the “Firm”), was founded in 1999 by Stephen Morant and Ian Wright and specializes in Japanese equities and equity related securities. The Firm provides investment advice to certain collective investment funds (the “Funds”) and separated accounts for a range of clients. The Firm also manages the assets of several individually managed accounts comprised in part of US Foundations and other US corporate entities. The Firm also acts as a sub-adviser to the assets of other investment advisers.

As of December 31, 2010 the Firm had \$3,032,641,827 under management.

### *b) Principal Investment Strategies*

The Firm focuses its investment strategy on Japanese equities through a disciplined research-based approach to stock selection. The Firm seeks to generate absolute returns by investing in undervalued Japanese companies that have strong balance sheets and/or business franchises. Stock selection is based on bottom up, fundamental analysis and starting with the balance sheet. Price to Book and Enterprise Value/Operating Profit ratios are given prominence. MWM are value investors with a keen interest in preserving capital. The Firm looks to identify companies whose share prices offer potential for significant appreciation over the longer term, but without undue risk.

### *c) Management Team*

Stephen Morant - CEO and Finance Director

Ian Wright - Director

Tom Mermagen - Director

Richard Phillips - Director

Alasdair McKerrell - Director, COO, CCO

Andrew Millward - Fund Manager

Denis Clough - Fund Manager

## II. FEES AND COMPENSATION

### *a) Funds Fees*

The Firm receives from each Fund an Investment Management Fee and, in the case of the MW Japan Fund only, a Performance Fee.

For the MW Japan Fund the Investment Management Fee is 1% per year of the Fund's Net Asset Value. The Fund may charge an initial charge of up to 3% which may be waived or discounted at the directors' discretion. The Performance Fee in respect of the A Shares is equal to 10 per cent of the appreciation of the Net Asset Value of the A Shares in excess of the Benchmark Return above the highest Net Asset Value of the A Shares achieved as of the end of any previous Calculation Period (or the date on which the Fund commenced business if there has not been any previous Calculation Period) and adjusted for subscriptions and redemptions of A Shares during the Calculation Period. The "Benchmark Return" is 103 per cent of the aggregate notional return which would have accrued during the Calculation Period had a sum equal to the Net Asset Value of the A Shares at the start of the Calculation Period been invested in the stock constituting TOPIX (the Tokyo Stock Price Index) and converted into US Dollars throughout the Calculation Period.

For each Calculation Period, the Performance Fee in respect of the B Shares is equal to 10 per cent of the appreciation in the Net Asset Value of the B Shares above 110 per cent of the highest Net Asset Value of the B Shares achieved as of the end of any previous Calculation Period (or the date on which the Fund commenced business if there has not been any previous Calculation Period) and adjusted for subscriptions and redemptions of B Shares during the Calculation Period.

For the CF Morant Wright Japan Fund and the CF Morant Wright Nippon Yield Fund the Annual Management Charge is 1.5% on the A shares and 1% on the B shares. The Authorised Corporate Director may, at its discretion, levy an initial charge of up to 5% on the purchase of A or B shares.

Without prejudice to the above, the Investment Manager may from time to time and at its sole discretion and out of its own resources decide to rebate to some or all investors or to intermediaries part or all of the Management Fees and/or the Performance Fees.

### *b) Separated Account Fees*

MWM charges separately managed accounts fees which are similar in nature and amount to those charged to the Funds. The fees may be negotiable depending on the account size, the total investment by that client in all products, the aggregate investment by related accounts, the complexity of any additional guidelines provided by the client and other discretionary factors.

The Management Fee and Performance Fee are negotiable. The Firm, in its sole discretion, may waive or reduce the Management Fee and/or the Performance Fee or amend any other restrictions

with regard to investors that are employees or affiliates of the Firm, relatives of such persons, and for certain strategic investors.

*c) Performance Based Fees and Side-by-Side Management*

Performance-based compensation may create an incentive for the Firm to make investments that are riskier or more speculative than would be the case in the absence of the performance-based compensation. In addition, the performance on which performance-based compensation is calculated will include unrealized appreciation and depreciation of investments that may not ultimately be realized.

*d) Other Expenses*

Clients are responsible for and do incur other expenses separate and apart from the Firm's investment management and performance fees. These expenses typically include fees charged by each Fund such as custody fees, trading and brokerage service fees, other transaction fees, and/or other expenses associated with the Fund or investment vehicle in which assets are invested.

*e) Other Compensation*

Neither the Firm nor any of its employees or affiliates accepts additional compensation for the sale of securities or other services. The Firm or its affiliates and employees do not receive compensation for other services besides the investment advisory services we provide.

### **III. TYPES OF CLIENTS**

MWM, together with its affiliated entities, provides advisory and investment management services to a number of collective investment schemes (the “Funds”) and separately managed accounts tailored to specific client mandates. Some of the Funds qualify for exemption from the definition of “investment company” under the Investment Company Act of 1940, as amended (the “Investment Company Act”) under Section 3(c) (1) or Section 3(c) (7) of the Investment Company Act. Only qualified investors may acquire interests in the Funds.

The Firm’s separately managed accounts may include pension funds, insurance companies, banks, foundations, endowments, trusts, estates, family offices and other institutions. Investors in the collective investment vehicles primarily include US and non-US individuals, estates, charitable organizations, banks and corporations.

The firm also provides investment advisory services for offshore public funds registered on foreign exchanges and with foreign Regulatory Authorities.

The firm provides investment advisory services to US Foundations and charities along with other US and foreign institutional clients as individually managed accounts.

The minimum investment amount for each Fund is typically disclosed in the Fund’s prospectus. Minimum investment amounts may be waived in the sole discretion of the Firm.

The Firm normally requires a minimum \$50,000,000 for the management of individual or segregated accounts.

#### IV. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

##### *a) Methods of Analysis*

The Firm focuses its investment strategy on Japanese equities primarily by investing in strong but undervalued Japanese securities through a disciplined research-based approach to stock selection.

The Firm's stock selection is based on bottom up, fundamental analysis starting with the balance sheet. Price to Book and Enterprise Value/Operating Profit ratios are given prominence. MWM are value investors with a keen interest in preserving capital. MWM looks to identify companies whose share prices offer potential for significant appreciation over the longer term, but without undue risk.

##### *b) Investment Strategies*

The Firm seeks to generate absolute returns for its clients by investing in equity and equity related securities of undervalued Japanese companies that have strong balance sheets and/or business franchises. The Firm may invest in stocks and related instruments (convertible bonds and warrant bonds).

##### *a) Investing Risks*

Investing in securities in general involves risk of loss that clients should be prepared to bear. Each Fund has risks which are specific to its particular investment strategies. For more information about the risks of each Fund, please see the offering memorandum for that particular fund. Generally, however, investors in MWM managed Funds are exposed to the following risks:

*Stock Market Volatility.* The prices of stocks in general, including those in which the Firm invests, may decline unexpectedly in response to negative economic, political, or industry specific developments. If you must sell when stock prices are depressed, your shares may be worth less than what you paid for them.

*Stock Selection Risks.* The price of one or more of the stocks the Fund owns could decline due to the adviser's error in judgment as to the true value of the company or adverse company developments the Firm fails to anticipate.

*Small and Mid-Size Company Risks.* Small and mid-size company stocks have historically been subject to greater investment risk than large company stocks. The prices of small and mid-company stocks tend to be more volatile than prices of large company stocks.

*Foreign investment risk.* To the extent the fund invests in companies based outside the US or the UK, it faces the risks inherent in foreign investing. Adverse political, economic or social developments could undermine the value of the fund's investments or prevent the fund from realizing their full value. Financial reporting standards for companies based in foreign markets differ from those in the US. Additionally, foreign securities markets generally are smaller and less liquid than US markets. To the extent that the fund invests in non-US dollar denominated foreign securities, changes in currency exchange rates may affect the US dollar value of foreign securities or the income or gain received on these securities. Foreign governments may restrict investment by

foreigners, limit withdrawal of trading profit or currency from the country, restrict currency exchange or seize foreign investments. The investments of the fund may also be subject to foreign withholding taxes. Foreign transactions and custody of assets may involve delays in payment, delivery or recovery of money or investments.



## **V. DISCIPLINARY INFORMATION**

The Firm and its supervised persons have not been involved in any legal or disciplinary events that are material to a client's or potential client's evaluation of our advisory business or the integrity of the Firm's management.

## **VI. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Cascade Investments, LLC is part owner of the Firm, having an ownership interest through MWML Washington Inc.

## **VII. CODE OF ETHICS, PARTICIPATION OR INTERESTS IN CLIENT TRANSACTIONS, AND PERSONAL TRADING**

### *a) Code of Ethics*

MWM believes that (i) high ethical standards are essential for its success and to maintain the confidence of its clients; (ii) its long-term business interests are best served by adherence to the principle that the interests of clients come first; and (iii) it has a fiduciary duty to its clients to act solely for their benefit. All personnel of the Firm must put the interests of the Firm's clients before their own personal interests and must act honestly and fairly in all respects in dealings with clients. All personnel of the Firm must also comply with all U.S. federal securities laws.

Clients or prospective clients may obtain a copy of the Code of Ethics by contacting us by e-mail at [inquiries@morantwright.com](mailto:inquiries@morantwright.com) or by telephone at +44 20 7499 9980.

### *b) Participation or Interests in Client Transactions*

MWM, its officers, members and employees may invest in any Fund for which the Firm serves as investment manager or adviser and in other investment opportunities such as an IPO, in which the Funds are participating. All such deals require prior authorization. The Firm will maintain records of all securities bought or sold by the Funds, the Firm, its associated persons and related entities. Files of securities transactions affected for related persons of the Firm will be maintained for review to detect and resolve any conflicts. The Chief Compliance Officer of the Firm will review all securities transactions of related persons of the Firm to ensure no conflicts exist with the Funds or individually managed account clients. Besides owning interests in the same Funds, however, no person related with the Firm is permitted to buy from, sell to, borrow from or lend to the any Fund.

The Firm also retains the discretion to invest for its own account in such investment vehicles, including the Funds, as it may choose.

### *c) Personal Trading*

The Firm has adopted a Code of Ethics imposing on each related person a duty to place the interests of the Funds first, to report to the Firm any actual or potential conflict of interest. The Code of Ethics requires each officer and employee of the Firm with access to the investments or portfolio information of the Funds (each an "Access Person") to report quarterly theirs and their immediate family member's securities holdings and transactions to the Firm's Chief Compliance Officer. In addition, each Access Person must pre-clear any personal trades with the Chief Compliance Officer. The Code of Ethics also imposes restrictions and safeguards on the use of material nonpublic information. A copy of the Adviser's Code of Ethics may be obtained by writing to the Firm or calling +44 20 7499 9980.

## VIII. BROKERAGE PRACTICES

### *a) Selection of Broker-Dealers*

The Firm has no obligation to deal with any particular broker-dealer in the execution of transactions for its clients. In selecting broker-dealers with whom to place orders for purchases and sales of securities on behalf of our clients, the Firm's primary objective is to obtain best price and execution – that is, prompt, errorless, execution of orders at the most favorable prices reasonably obtainable. In doing so, the Firm considers a number of factors, including, without limitation:

- the overall direct net economic result to the client (including commissions, which may not be the lowest available but which ordinarily will not be higher than the generally prevailing competitive range),
- the financial strength of the broker-dealer,
- the reputation and stability of the broker,
- the efficiency with which transactions are generally executed,
- the ability to effect the particular transaction,
- the availability of the broker-dealer to stand ready to execute difficult transactions in the future, and
- other matters involved in the receipt of brokerage and research services.

MWM will also consider the quality of firms with which it seeks to execute client orders, the adequacy of lines of communication, timeliness of reports of order execution, the capacity to accommodate unusual trading volume and the preservation of client anonymity, among other factors.

### *b) Soft-Dollars Arrangement*

As a matter of policy, the Firm does not pay a commission in order to receive research or other services and, except in unusual circumstances, the commission negotiated would not exceed the Firm's normal rate. Research or other services which may be received as a result of transactions executed in client accounts are used to benefit all of the Firm's investment advisory clients. MWM presently does not participate in soft dollar arrangements.

### *c) Brokerage for Client Referrals*

Subject to its obligation to obtain "best execution", the Firm may also execute trades on behalf clients or the Funds through other broker-dealers, including broker dealers who refer investors to the Firm.

### *d) Directed Brokerage*

The Firm does not accept clients who require us to execute transactions through a specified broker-dealer. Clients may recommend that we use their preferred broker-dealer(s). The Firm will use such broker-dealer(s) subject to our determination that said broker-dealer provides best execution of client transactions.

*e) Aggregation (Bunching) of Trades*

Securities transactions in investment advisory accounts are normally implemented on a consistent basis across accounts. In order to accomplish this, orders are aggregated (bunched) and allocated pro-rata to the nearest round lot. In addition to considerations of equity, bunching avoids placing competing orders, improves order management, and may, because of larger order size, permit some degree of price improvement relative to a series of individually placed orders. The Firm has an allocation policy which ensures fair treatment between clients in respect of executed trades.

## **IX. REVIEW OF CLIENT ACCOUNTS**

### *a) Client Account Reviews*

The Compliance Officer on a monthly basis prepares a checklist for each fund and segregated account. The checklist verifies that the portfolios are consistent with the investment objectives as set out in the prospectus and the investment advisory agreement. Trades from the previous day are entered into the firm's internal trade management system and crossed referenced with a handwritten trading table prepared by the firm. In addition, the Firm uses the Linedata trade management system to prepare an internal electronic trade blotter.

Executing broker e-mails confirming the trades are entered into the trade management system as a cross reference and a subsequent check of the trades are made with the receipt of the confirmations. Compliance reviews of the portfolios are performed on a monthly basis by the Chief Compliance Officer and daily trade reviews are conducted by the Fund Manager and the Chief Compliance Officer who check for best execution against the VWAP.

### *b) Client Reports*

The responsibility of reporting to clients on their accounts is with the Custodian for the managed accounts and the Administrator for the Funds. Both service providers deliver monthly account statements in satisfaction of this responsibility.

## **X. CLIENT REFERRALS AND OTHER COMPENSATION**

The Firm has no written solicitation arrangements with third parties. (each a “Solicitor”). Should the Firm enter into such agreements all such arrangements will comply with the conditions and requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940.

## **XI. INVESTMENT DISCRETION**

The Firm generally manages client assets in a discretionary basis with the authority to determine for each client what investments are made, as well as when and how they are made. For certain clients, their assets may be invested in one or more model portfolios, but clients may impose reasonable restrictions, limitations or other requirements with respect to their individual accounts.

### *a) Privacy Policy*

MWM is committed to maintaining the confidentiality, integrity and security of its clients' and Investors' personal information. It is the Firm's policy to collect only information necessary or relevant to its management business and use only legitimate means to collect such information. The Firm does not disclose any non-public personal information about our clients or Investors to anyone except for servicing and processing transactions, or as required by law.

The Firm restricts access to non-public personal information about its clients and Investors to those employees with a legitimate business need for the information. The Firm maintains security practices, physical, electronic, and procedural safeguards to guard each client's and Investor's non-public personal information. On an annual basis or upon request, the Firm will provide a copy of its written privacy policy and procedures to its clients.



## **XII. CUSTODY OF CLIENTS CASH & SECURITIES**

If needed, MWN will maintain the assets of the Advisory Clients in accounts with a “qualified custodian” pursuant to Rule 206(4)-2 under the Advisers Act and notify clients in writing of the qualified custodian’s name, address and the manner in which the assets are maintained promptly when the account is opened and following any changes to this information. In the services MWM provides currently to its Advisory Clients, MWM is of the view that it does not have custody of the assets of its Advisory Clients. MWM may have custody over Advisory Clients in the future and will maintain then such assets of the Advisory Clients in accounts with a “qualified custodian” pursuant to Rule 206(4)-2 under the Advisers Act.

### **XIII. VOTING CLIENT SECURITIES**

MWM has adopted Proxy Voting Policies and Procedures pursuant to Rule 206(4)-6 of the Advisers Act. The following is a summary of its Policies and Procedures:

□ The Firm is responsible for the voting of all proxies related to securities that it manages on behalf of its Funds.

□ The Firm believes proxy voting is included within its investment discretion and as such it will act prudently and in the Fund's best interest when voting proxies.

□ All conflicts of interest are resolved in the best interests of the clients (i.e., the Funds).

Conflicts can arise when the Firm or any of its employees has any financial, business or personal relationship with the issuer of a proxy proposal for a security held in a Fund. With respect to potential conflicts of interest, proxies will be voted in accordance with the Firm's predetermined guidelines in all instances where the Firm's guidelines state a vote "for" or "against" the particular proposal.

The Firm's policies describe a number of significant proxy proposals and how it will vote on these proposals. The Firm generally supports the ability of the management of a company soliciting proxies to run its business in a responsible and cost-effective manner while staying focused on maximizing shareholder value. Accordingly, the Firm generally votes proxies in accordance with management's recommendations. Nevertheless, the Firm reserves the right to make voting decisions on a case-by-case basis and may, from time to time, vote proxies against management's recommendations.

Investors may obtain a free copy of the Firm's Proxy Voting Policy upon request by telephone at +011 44 20 7499 9980. The Firm maintains copies of all proxies and a record of how they were voted so that it may respond to any questions investors may have regarding them.

#### **XIV. FINANCIAL INFORMATION OF THE ADVISER**

No financial events have occurred to MWM that would negatively affect the financial viability of the Firm. There is no financial condition of MWM that is reasonably likely to impair MWM's ability to meet contractual commitments to clients.