

MORANT WRIGHT MANAGEMENT LIMITED

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Morant Wright Sakura Fund December 2017 Newsletter

NAV at 29th December 2017: Euro: €17.01, Japanese Yen: ¥1,785.58, Sterling: £17.07
Swiss Franc: CHF16.67, US Dollar: \$17.32

Returns	Month	Year to date	Since Inception (7 th May 2013)
Yen (unhedged)	+1.9%	+21.8%	+78.6%
TOPIX Net Total Return	+1.5%	+21.8%	+65.5%
Euro (hedged)	+1.8%	+20.7%	+70.1%
Sterling (hedged)	+1.9%	+21.7%	+70.7%
Swiss Franc (hedged)	+1.7%	+20.4%	+66.7%
US Dollar (hedged)	+2.1%	+22.8%	+73.2%

Performance given for accumulation shares

Sources: Bloomberg and Link Asset Services

The market rose for the fourth consecutive month and TOPIX finished the year up about 20% in local currency terms. The index appreciation has neatly matched the rise in corporate earnings. Over the year growth significantly outperformed value, which lagged the index, but our performance was helped by the strong showing of small and mid-cap stocks. For the year there was not much change in the yen which was up slightly versus the dollar but down a little against the euro and sterling.

Third quarter GDP data was revised upwards to a 2.5% increase versus the initial estimate of 1.4% largely on higher private capital investment. Exports remain robust showing a 5.5% volume increase year on year in November. The Bank of Japan's core CPI, excluding fresh food, rose 0.9% in November year on year and has gradually risen through most of the year, although still well below the BoJ's 2% target. The labour market continues to tighten with unemployment in November down to a 24-year low at 2.7% and the job-offers-to-applicants ratio reaching 1.56.

There are continued signs that activists are becoming more involved with Japanese companies. A Hong Kong-based fund has increased its stake in Katakura, a property rich textile company, from 3% to 7.9%. It had already submitted proposals to management at the AGM earlier in the year, but its enlarged stake will enable it to apply more pressure.

During the month the logistics and trucking company SG Holdings was listed with a ¥500bn market capitalisation, the largest IPO of the year. Helped by signs of rising freight prices it rose by 20% from its issue price. On the other hand, the construction sector was weaker as an investigation was launched into orders related to work on the MAGLEV project, the next generation of high speed rail. Four major contractors are being investigated for possible antitrust violations by the Japanese Fair Trade Commission.

It was encouraging to see the Norwegian sovereign wealth fund make its first direct purchase of Japanese real estate. Together with local partner Tokyu Land, who will own 30%, they spent over \$800m on five Tokyo properties which are a mixture of retail and residential space.

The greater emphasis on governance by institutional shareholders combined with the growing presence of activists and private equity looks likely to intensify the pressure on management to achieve better returns and to have more sensibly structured balance sheets. As a result of this, and the good environment for profit growth, we remain optimistic about the outlook for 2018. If you would like to deal in the Fund, please contact Link Asset Services. Their telephone number is **+353 1 400 5300**.

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

The Fund is eligible for pensions and ISAs. Please contact Link Asset Services for details.

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

Morant Wright Sakura Fund Information

Fund type	Offshore OEIC, domiciled in Ireland
Fund currency	Base currency: ¥ Hedged classes available in: £, \$, €, CHF Unhedged class available in ¥
Launch date	May 2013
Geographic exposure	100% Japanese equities

Share types	Accumulation
Share fees	1% Management Fee (all shares) <i>No performance fees</i>
Minimum investment	€5,000 (Euro shares) ¥1,000,000 (Japanese Yen shares) £5,000 (Sterling shares) CHF5,000 (Swiss Franc shares) US\$5,000 (US Dollar shares)

Dealing frequency	Daily
Deal cut-off point	11.00am (Irish time)
Valuation point	12.00pm (Irish time)
Settlement	T+4 (subscriptions/redemptions)

Fund administrator	Link Asset Services 2 nd Floor, 2 Grand Canal Square Grand Canal Harbour Dublin 2 Ireland Tel: +353 1 400 5300 Fax: +353 1 400 5350
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UK tax status	Approved as a Reporting Fund by HMRC
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Bloomberg Code	
Euro	MWSKEUR ID
Japanese Yen	MWSKYEN ID
Sterling	MWSKSTL ID
Swiss Franc	MWSKCHF ID
US Dollar	MWSKUSD ID
SEDOL	
Euro	B7ST847
Japanese Yen	B9140F8
Sterling	B840XH9
Swiss Franc	B93V6N7
US Dollar	B8JTQR2
ISIN	
Euro	IE00B7ST8472
Japanese Yen	IE00B9140F89
Sterling	IE00B840XH97
Swiss Franc	IE00B93V6N72
US Dollar	IE00B8JTQR23

Top Ten Holdings	% Fund
Tokyo Broadcasting System	3.5
Mitsubishi UFJ Financial	3.0
Toyota Industries	2.8
Fuji Media Holdings	2.7
Tokio Marine Holdings Inc	2.6
Sumitomo Mitsui Financial Group	2.6
Sumitomo Mitsui Trust	2.6
Sumitomo Electric Industries	2.5
Kinden	2.5
Nippon Television Network	2.5
Number of Holdings	61
Fund Size	\$665m

All performance information is calculated by Morant Wright Management Limited using share price data provided by Link Asset Services. Index data are taken from Bloomberg.

Performance is based on the Fund nav data as at 29th December 2017 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 Full Fund Prospectus and Supplement, which can be obtained from Link Asset Services, 2nd Floor, 2 Grand Canal Square, Dublin 2, Ireland or ourselves.

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