

MORANT WRIGHT MANAGEMENT LIMITED

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Morant Wright Sakura Fund July 2020 Newsletter

NAV at 31st July 2020: Euro: €11.87, Japanese Yen: ¥1,278.57, Sterling: £12.08
Swiss Franc: CHF11.56, US Dollar: \$12.89, Yen B shares: ¥761.57

Returns	Month	Year to Date	Since Inception (7 th May 2013) (Yen B: 17 th Apr 2018)
Yen (unhedged)	-6.6%	-22.1%	+27.9%
TOPIX Net Total Return	-4.0%	-12.1%	+43.4%
Euro (hedged)	-6.7%	-23.1%	+18.7%
Sterling (hedged)	-6.6%	-23.2%	+20.8%
Swiss Franc (hedged)	-6.7%	-23.1%	+15.6%
US Dollar (hedged)	-6.6%	-22.2%	+28.9%
Yen B shares (unhedged)	-6.6%	-22.0%	-23.8%

Performance given for accumulation shares

Sources: Bloomberg and Link Fund Solutions Ireland Limited (LFSI)

A sharp fall on the final day of the month meant that TOPIX finished July down 4% in local terms. Although Japan ended its state of emergency in May, a recent increase in Covid-19 infections has raised concerns that the government may need to reimpose tighter restrictions. So far, most of those affected recently have been under 60 and many cases have been linked to restaurants and nightclubs. As a result, the Tokyo government has requested restaurants and bars in the city to close at 10pm from 3rd August, with a subsidy for those establishments that comply.

Unsurprisingly, the economy remains weak although it has started to recover from the nadir in May. Industrial production in June rose nearly 3% from the previous month although it was still down by 17% year-on-year. Construction orders and housing starts both fell by 13%. There were more positive signs elsewhere, however, as unemployment fell slightly to 2.8% as some companies began hiring workers again. Similarly, retail sales in June rose sharply from May and were down only 1% compared to the previous year. The steady trend towards more online shopping has also accelerated in recent months; May marked the first month in which over half of all households purchased products online.

Corporate activity has continued to be buoyant, despite the uncertainty caused by Covid-19. There were more instances of companies buying in their listed subsidiaries; a trend which has long been encouraged by the Tokyo Stock Exchange. Convenience store operator Familymart was the subject of a \$5bn bid by Itochu at a 31% premium to buy in the 49.9% of the company not already owned. Fujitsu, which has been undergoing corporate restructuring, announced a bid for Fujitsu Frontech, while Sumitomo Bakelite made a bid for 21% owned affiliate Kawasumi Laboratories at more than double the current share price. There was also a hostile takeover bid by restaurant operator Colowide for sushi chain Otoyaya, having already bought a 19% stake from the founding family in October last year. It was interesting to see Blackstone buying four logistics centres for \$500m from Daiwa House, adding to the \$1bn it has spent on logistics centres in 2019.

Companies have begun reporting results for the first quarter to 30th June, which have been understandably weak. Many companies have only just released profit and dividend forecasts for the full year, having been reluctant to do so in May. As we have mentioned before, dividends are expected to fall by much less than the decline in profits given that many companies have prioritised the payment of a stable dividend. Although share buybacks fell sharply in the last quarter when cash preservation became important, some companies have started to announce new buyback programs. Perhaps in response to low approval ratings for management, TV company Fuji Media announced a repurchase of 5% of its shares, its first buyback for 13 years, with the shares currently valued at less than net cash and investments. Mitsubishi Logistics also declared a 6% share buyback, only a month after defeating a shareholder proposal calling for the same action. The company also announced a profit of ¥37bn on the sale of land near Nagoya station, another reminder that it has unrealised gains of at least ¥274bn on its property portfolio against a market cap of ¥243bn.

Value stocks fared relatively poorly in July, bringing the underperformance against growth stocks this year to over 17%. Recent research by Mitsubishi UFJ Morgan Stanley shows that the valuation of high PBR stocks is at an all-time high relative to low PBR stocks – a larger gap even than at the height of the Internet bubble in March 2000. Our portfolio stands at a PBR of only 0.6 times, which is a bigger discount to TOPIX than at any time in the last decade. If you would like to deal in the Fund, please contact Link Fund Solutions Ireland (LFSI). Their telephone number is **+353 1 400 5300**.

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

The Fund is eligible for pensions and ISAs. Please contact Link Fund Solutions Ireland Limited (LFSI) 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 other shares) 0.75% Management Fee (Yen B shares) <i>No performance fee except Yen B shares</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 Fund Administrators Ireland Limited (LFAI) 1 st 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 Accumulating Hedged Class	MWSKEUR
Euro Unhedged Distributing Class	
Japanese Yen Accumulating Unhedged Class	MWSKYEN
Japanese Yen B Accumulating Unhedged Class	MWSKYBA
Sterling Accumulating Hedged Class	MWSKSTL
Sterling Unhedged Distributing Class	
Swiss Franc	MWSKCHF
US Dollar Accumulating Hedged Class	MWSKUSD
US Dollar Unhedged Distributing Class	
SEDOL	
Euro Accumulating Hedged Class	B7ST847
Euro Unhedged Distributing Class	
Japanese Yen Accumulating Unhedged Class	B9140F8
Japanese Yen B Accumulating Unhedged Class	
Sterling Accumulating Hedged Class	B840XH9
Sterling Unhedged Distributing Class	
Swiss Franc	B93V6N7
US Dollar Accumulating Hedged Class	B8JTQR2
US Dollar Unhedged Distributing Class	
ISIN	
Euro Accumulating Hedged Class	IE00B7ST8472
Euro Unhedged Distributing Class	IE00BYWNV454
Japanese Yen Accumulating Unhedged Class	IE00B9140F89
Japanese Yen B Accumulating Unhedged Class	IE00BF1FZN69
Sterling Accumulating Hedged Class	IE00B840XH97
Sterling Unhedged Distributing Class	IE00BYWNV348
Swiss Franc	IE00B93V6N72
US Dollar Accumulating Hedged Class	IE00B8JTQR23
US Dollar Unhedged Distributing Class	IE00BYWNV561

Top Ten Holdings	% Fund
Nippo Corp	3.6%
Kinden	3.3%
Tokyo Broadcasting System	3.2%
Toyota Industries	3.1%
Toppan Printing Co Ltd	3.0%
Toda Corp	2.9%
Sumitomo Mitsui Financial Group	2.8%
Nippon Television Network	2.8%
Canon Marketing	2.8%
Mitsubishi UFJ Financial	2.7%
Number of Holdings	55
Fund Size	\$493m

All performance information is calculated by Morant Wright Management Limited using share price data provided by Link Fund Solutions Ireland Limited (LFSI). Index data are taken from Bloomberg.

Performance is based on the Fund nav data as at 31st July 2020 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 Fund Solutions Ireland Limited (LFSI), 1st Floor, 2 Grand Canal Square, Dublin 2, Ireland or ourselves.

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