

MORANT WRIGHT MANAGEMENT LIMITED

43 St James's Place, London, SW1A 1NS
Telephone: 020 7499 9980 Facsimile: 020 7499 9981 Website: www.morantwright.co.uk

Morant Wright Sakura Fund October 2017 Newsletter

NAV at 31st October 2017: Euro: €16.48, Japanese Yen: ¥1,727.18, Sterling: £16.50
Swiss Franc: CHF16.17, US Dollar: \$16.71

Returns	Month	Year to date	Since Inception (7 th May 2013)
Yen (unhedged)	+4.5%	+17.8%	+72.7%
TOPIX Net Total Return	+5.4%	+18.2%	+60.6%
Euro (hedged)	+4.6%	+16.9%	+64.8%
Sterling (hedged)	+4.6%	+17.6%	+65.0%
Swiss Franc (hedged)	+4.5%	+16.7%	+61.7%
US Dollar (hedged)	+4.7%	+18.5%	+67.1%

Performance given for accumulation shares

Sources: Bloomberg and Capita Financial Managers

It was another good month for the Japanese stock market with TOPIX rising 5.4% in yen terms. Records have been broken with the Nikkei rising for 16 consecutive days, beating the 14 day gain which dates back to 1961, although the more broadly based TOPIX only managed to rise for 12 consecutive days. Foreigners have continued to buy on a large scale and have invested ¥5.3trn since they started buying in early September.

The result of the lower house election provided ample justification for Mr Abe's decision to call an early poll and thus his standing has increased both within the LDP and the country. The coalition retained its super (two-thirds) majority as the opposition was unable to offer any credible alternative policies with Ms. Koike's newly-formed "Party of Hope" running a particularly disappointing campaign. Abenomics will thus continue with a further ¥2trn economic stimulus package due by the end of the year. In addition, if the planned consumption tax goes ahead in October 2019 the proceeds would largely be used to support the economy rather than repaying debt. Given his strong position, the issue of constitutional reform, dear to Mr Abe's heart, is likely to receive considerable attention.

There has been a big increase in shareholder activism this month. Bain Capital launched a tender for advertising company Asatsu-DK at a premium of 15%, although there was criticism of the deal from the two largest shareholders including WPP which holds a 25% stake. KKR has raised its bid for Hitachi Kokusai Electric by 16% while a Hong Kong fund is urging shareholders to vote against the proposed merger of Alps and Alpine Electronics as it believes it undervalues Alpine. Private equity group MBK Partners has offered a 35% premium to take Kuroda Electric private and has the support of a number of shareholders and the Board. Two foreign shareholders have asked Tokyo Broadcasting System, which is the fund's largest holding, to sell some of its cross-shareholdings and return the proceeds to shareholders. In particular the company has a very large position in Tokyo Electron for historical reasons, representing over a third of its market cap.

So far, the interim results for the half year to September have been ahead of expectations and there have been a number of upward profit revisions for the full year including Denso, H2O Retailing and Kyocera. Toyota Industries revised up its profit forecast and, like many other companies, also increased its full-year dividend, which is now almost three times higher than the dividend paid five years ago. Share buybacks worth almost ¥600bn were announced during the month, a significant increase on last year, including Shimachu buying back 4.3% of its outstanding equity. Nomura has recently revised up its earnings expectations for TOPIX and is now forecasting EPS of ¥115 for 3/18 and ¥122 for 3/19. In both years ROE is forecast to be over 9%.

Sentiment in the stock market has definitely improved and this has more than outweighed the negative publicity surrounding the recent scandal at Kobe Steel. Our portfolio still trades below book value, with balance sheets supported by significant cash and investments. Despite this financial strength the P/E ratio is roughly in line with the market on 15 times. If you would like to deal in the Fund, please contact Capita Financial Managers (Ireland) Limited. 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 Capita Financial Managers Limited 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	Capita Financial Managers (Ireland) 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	3.0
Mitsubishi UFJ Financial Group	3.0
Toyota Industries	2.8
Fuji Media Holdings	2.8
Nippon Television Network	2.8
Sumitomo Mitsui Trust	2.8
Sumitomo Electric Industries	2.7
Kinden	2.7
Tokio Marine Holdings	2.7
Toda Corp	2.6
Number of Holdings	60
Fund Size	\$627m

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

Performance is based on the Fund nav data as at 31st October 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 Capita Financial Managers (Ireland) Limited, 2nd Floor, 2 Grand Canal Square, Dublin 2, Ireland or ourselves.

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