

# MORANT WRIGHT MANAGEMENT LIMITED

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## Morant Wright Sakura Fund June 2020 Newsletter

NAV at 30<sup>th</sup> June 2020: Euro: €12.72, Japanese Yen: ¥1369.38, Sterling: £12.92  
Swiss Franc: CHF12.39, US Dollar: \$13.80, Yen B shares: ¥815.48

Returns	Month	Year to Date	Since Inception (7 <sup>th</sup> May 2013) (Yen B: 17 <sup>th</sup> Apr 2018)
Yen (unhedged)	-1.8%	-16.5%	+36.9%
TOPIX Net Total Return	-0.2%	-8.4%	+49.4%
Euro (hedged)	-2.0%	-17.6%	+27.2%
Sterling (hedged)	-2.1%	-17.8%	+29.2%
Swiss Franc (hedged)	-1.9%	-17.6%	+23.9%
US Dollar (hedged)	-1.7%	-16.6%	+38.0%
Yen B shares (unhedged)	-1.8%	-16.4%	-18.5%

Performance given for accumulation shares

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

After several turbulent months, June was more subdued with TOPIX largely unchanged, falling by 0.3%, and with the yen flat against the dollar. Value stocks remain out of favour and have now underperformed growth stocks by over 15% year-to-date on a total return basis. Fears have emerged about a 'second wave' of the coronavirus but, for the time being, Japan is reporting only 54 new cases each day on average and there were only 81 deaths for the whole of June, even though the state of emergency had ended. Data from Google suggest that fewer workers in Tokyo worked from home during the state of emergency than other major conurbations such as London, New York, Paris or Singapore, and more employees are back in the workplace now that it has been lifted. Large companies such as Itochu and Keyence have reported that all their employees are back at work.

Economic data, however, are backward looking and highlight the difficult period through April and May. Industrial Production was down 15% y/y in April and 26% y/y in May. Many different areas of the economy have been affected, with housing starts down 12.3% y/y in May and machine tool orders down 52.8%. As a result, Mizuho is forecasting a sharp contraction in GDP of 22.7% for the second quarter and a fall of 4.7% for the fiscal year to March 2021, but a recovery of 4% growth for the following fiscal year.

Other aspects of the economy have been more encouraging. The labour market has held up well with the jobless rate only 2.9% and the jobs-to-applicants ratio at 1.2x in May. Headline inflation has turned negative but excluding the impact of food and energy ('core core' CPI) it has remained positive. Bank lending grew 4.8% y/y in May, its fastest pace since 1992, and encouragingly Concordia Financial, which was one of 17 companies we spoke to last month, suggested that so far bad debts have been less than their initial expectations. The BoJ has expanded the size of its lending program to support small and medium-sized companies, and has said that it expects to maintain the current zero interest rate policy until 2023 at the earliest.

A small number of companies reported delayed results in June. Amongst them was Toppan Printing which is one of the larger holdings in the fund. On a modest increase in sales, the company saw a 45% increase in operating profit to ¥66.4bn. About half the increase came from one-off changes to depreciation and pensions but the remainder came from cost cutting. Furthermore, it sold 29% of its shareholding in Recruit resulting in an extraordinary gain of ¥93bn. The company paid a special dividend of ¥20 to commemorate 120 years since it was founded, bringing the full year dividend to ¥60 which equates to a yield of 3.3%. The company has not made a forecast for the current financial year but net cash and investments were ¥600bn at the year-end versus a current market cap of ¥622bn, which should help to underpin the shares.

June is also the peak month for AGMs with 80% of March year end companies hosting their meetings in the week to 26<sup>th</sup> June. A total of 65 companies received shareholder proposals this year, including 22 from recognised activists many of which requested management to buy back shares. Activist proposals have increased significantly from last year, although the absolute number remains low. It is interesting that shareholders were successful in removing management at Sun Corp and Tenma. As we have highlighted before, greater shareholder engagement with companies is one of the ways in which the considerable value in Japan can be unlocked. 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.**

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

# 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 <sup>st</sup> Floor, 2 Grand Canal Square Grand Canal Harbour Dublin 2 Ireland <b>Tel: +353 1 400 5300</b> <b>Fax: +353 1 400 5350</b>
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UK tax status	Approved as a Reporting Fund by HMRC
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<b>Bloomberg Code</b>	
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	
<b>SEDOL</b>	
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	
<b>ISIN</b>	
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

<b>Top Ten Holdings</b>	<b>% Fund</b>
Nippo Corp	3.7%
Kinden	3.2%
Tokyo Broadcasting System	3.1%
Toppan Printing Co Ltd	3.1%
Toyota Industries	3.1%
Canon Marketing	2.8%
Sumitomo Mitsui Financial Group	2.8%
Toda Corp	2.7%
Toyota Motor Corp	2.7%
Mitsubishi UFJ Financial	2.7%
<b>Number of Holdings</b>	<b>56</b>
<b>Fund Size</b>	<b>\$521m</b>

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 30<sup>th</sup> June 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), 1<sup>st</sup> Floor, 2 Grand Canal Square, Dublin 2, Ireland or ourselves.**

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