

MORANT WRIGHT MANAGEMENT LIMITED

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Morant Wright Sakura Fund August 2017 Newsletter

NAV at 31st August 2017: Euro: €15.00, Japanese Yen: ¥1,571.78, Sterling: £15.02
Swiss Franc: CHF14.73, US Dollar: \$15.19

Returns	Month	Year to date	Since Inception (7 th May 2013)
Yen (unhedged)	+0.8%	+7.2%	+57.2%
TOPIX Net Total Return	-0.1%	+7.6%	+46.1%
Euro (hedged)	+0.8%	+6.5%	+50.0%
Sterling (hedged)	+0.8%	+7.1%	+50.2%
Swiss Franc (hedged)	+0.7%	+6.3%	+47.3%
US Dollar (hedged)	+0.9%	+7.7%	+51.9%

Performance given for accumulation shares

Sources: Bloomberg and Capita Financial Managers

TOPIX traded in a narrow range during August and finished almost unchanged in yen terms despite North Korea firing a test missile over northern Japan. Foreign investors have been consistent sellers over the last six weeks while the Bank of Japan and Japanese companies were steady buyers, as they have been for some time. Japan Post Bank, which currently only invests in equities through passive funds, announced plans to spend an initial ¥100bn buying directly.

Second quarter GDP growth produced a positive surprise, rising by 4% on an annualised basis led by private consumption and capital spending. This was the sixth consecutive quarter of growth. However, Tokyo has had 21 consecutive days of rain in August, one day short of the record set in 1977, which has raised concerns this might hurt domestic demand in the current quarter. Nationwide core CPI (which excludes fresh food) increased by 0.5% year-on-year in July, better than in June but still well below the Bank of Japan's 2% inflation target.

First quarter results were good and in aggregate 73% of companies exceeded consensus forecasts. Overall profit forecasts have been revised up by almost 2% even though revisions are unusual at this early stage of the financial year. Highlights from our portfolio included Fuji Machine, which reported good results and revised up for the full year, and Toyota Motor which also upgraded their forecasts. In addition, Toyota announced a new business alliance with Mazda which included buying a 5% stake. The two companies will establish joint production in the US and will collaborate on technologies for electric vehicles.

Share buybacks have fallen this year mainly due to the absence of a few large repurchases carried out in 2016. Since April, however, there has been a sharp rise in the number and value of buybacks and several more were announced with recent results. Sumitomo Warehouse announced a share buyback of 2.8% of the company while Fujifilm will repurchase nearly 4% of their shares. Fujifilm also released a new mid-term plan aimed at improving margins in the healthcare business and strengthening their document solutions segment, as well as committing to a shareholder return policy of ¥300bn over three years.

Valuations in the portfolio remain cheap and are well supported by strong balance sheets, where the average holding has nearly 50% of its market cap in net cash and investments. For example, one of the fund's largest holdings is Tokyo Broadcasting System, a TV broadcasting company. It owns valuable real estate in central Tokyo on which the company has large unrealised profits. Nonetheless, the shares stand at just 0.7x stated book value (excluding the gains on property) and the market cap is less than the cash and securities on the balance sheet. 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
Nippon Television Network	2.9
Fuji Media Holdings	2.8
Toyota Industries	2.8
Kinden	2.8
Sumitomo Electric Industries	2.6
Sumitomo Mitsui Trust	2.5
Sumitomo Mitsui Financial Group	2.5
Canon Marketing	2.5
Mitsubishi UFJ Financial Group	2.5
Number of Holdings	61
Fund Size	\$590m

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 August 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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