

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 Fuji Yield Fund August 2018 Newsletter

NAV at 31st August 2018: Yen: ¥1,437.73, Sterling: £14.09, US Dollar: \$14.11
Euro: €14.70, Swiss Franc: CHF9.51, Yen B shares: ¥1,260.67

| | Month | Year to date | Performance since inception | TOPIX Net TR since inception* | Inception date |
|-------------------------|-------|--------------|-----------------------------|-------------------------------|----------------|
| Yen (unhedged) | -2.1% | -6.5% | +43.8% | +35.1% | 4 Nov 2014 |
| TOPIX Net Total Return | -1.0% | -3.6% | | | |
| Sterling (hedged) | -2.0% | -6.3% | +40.9% | +35.1% | 4 Nov 2014 |
| US Dollar (hedged) | -1.9% | -5.4% | +41.1% | +31.1% | 28 Nov 2014 |
| Euro (hedged) | -2.1% | -6.7% | +47.0% | +41.6% | 7 Apr 2016 |
| Swiss Franc (hedged) | -2.1% | -7.0% | -4.9% | -3.2% | 11 Dec 2017 |
| Yen B shares (unhedged) | -2.0% | -6.3% | +26.1% | +19.4% | 12 Mar 2015 |

Sources: Bloomberg and Link Asset Services.

Performance and NAV given for accumulating shares; available distributing shares are shown overleaf

* Performance of TOPIX Net TR index since inception is shown in yen

The stock market declined by 1% in local currency terms during the month. Continued concerns about possible trade tariffs as well as some softer economic data may have contributed to the decline. Volumes were low, which is typical of August, while overseas investors were consistent net sellers. Prime Minister Abe has confirmed his intention to stand for re-election in the LDP leadership contest which will take place on 20th September. If he is successfully re-elected, as seems currently likely, it would probably come as a relief to the market.

Industrial production fell marginally in July, with a notable drop in car production after a number of factories were shut down in Western Japan due to very heavy rain. In contrast, second quarter GDP growth showed a good rebound after the weak first quarter, rising by 1.9%. It was encouraging to see the improvement being driven by a recovery in consumption and continued strength in capital investment despite a small drag from net trade. Corporate capex is being supported by a combination of rising sales and strong cashflow, while the tight labour market has also prompted companies to focus on increasing automation.

The latest labour market data showed no change to the trend of the last few years. Although the headline unemployment rate rose slightly to 2.5%, the number of people employed actually increased and the job-offers-to-applicants ratio rose again to 1.63x. Interestingly, June wages grew 3.6% which was the fastest rate of increase in 20 years. It is too early to be sure but perhaps there is finally some evidence of the tight labour market boosting wage growth. Elsewhere, one of Japan's credit rating agencies upgraded its outlook for Japan's sovereign debt citing stronger tax revenue. For the year ended March 2018 central government tax revenue rose by 5.9% and was 1.9% ahead of the budget.

Corporate results for the first quarter to the end of June showed aggregate sales up 5% and operating profit up by 8%. This looks healthy compared to full year company forecasts for only 2% operating profit growth but understandably few companies revised forecasts this early in the financial year. Two exceptions were NHK Spring, a car parts company, and Toei, a film and entertainment group. In both cases this mostly reflected cautious initial forecasts. Toyo Ink revised down its operating profit forecasts as the higher oil price squeezed its margins. The results from Toyota Motor were perhaps typical of the conservative attitude amongst Japanese companies. Toyota's first quarter operating profits rose by 19% although they are still forecasting a decline of 4% for the full year.

In what is normally a seasonally quiet period, there were a number of corporate actions. Mitsui Fudosan made a bid for Mitsui Home, another example of a parent company buying in a listed subsidiary. The bid price of ¥980 compares with ¥668 at the end of June and represents a 30% premium to book value. Fuji Corp acquired Fasford, a small unlisted manufacturer of semiconductor production equipment, and Wacoal, an underwear maker, announced an alliance with sportswear company Descente.

The recent dip in the stock market contrasts with profit forecasts which continue to edge higher. This means that valuations continue to improve, with the fund standing at a price-to-book ratio of only 0.8x. 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 Fuji Yield Fund Information

| | |
|----------------------------|--|
| Fund type | UCITS OEIC, authorised in Ireland |
| Fund currency | Base currency: Japanese Yen Hedged classes available in £, \$, €, CHF Unhedged class available in ¥, €, £ and \$ |
| Launch date | November 2014 |
| Geographic exposure | 100% Japanese equities |

| | |
|---------------------------|---|
| Share types | Accumulating and Distributing |
| Share fees | 1.0% 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) US\$5,000 (US Dollar shares) £5,000 (Sterling shares) CHF5,000 (Swiss Franc shares) |

| | |
|---------------------------|--|
| 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 |
|---------------------------|--|

| | |
|----------------------|---------------------------------|
| UK tax status | Approved Reporting Fund by HMRC |
|----------------------|---------------------------------|

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

| Share Class | ISIN | SEDOL | Bloomberg |
|--------------------------------------|--------------|----------|-----------|
| Euro Accumulation Hedged | IE00BQ5BN330 | BQ5BN33 | MWFYEAH |
| Euro Distribution Hedged | IE00BQT49G37 | BQT49G3 | MWFYEDH |
| Euro Accumulation Unhedged | IE00BDRKVZ52 | BDRKVZ5 | MWFYEAU |
| Euro Distribution Unhedged | IE00BD1LVV03 | BD1LVV0 | MWFYEDU |
| Japanese Yen Accumulating Unhedged | IE00BQ5BN447 | BQ5BN44 | MWFYJAU |
| Japanese Yen Distributing Unhedged | IE00BQT49H44 | BQT49H4 | MWFYJDU |
| Japanese Yen B Accumulating Unhedged | IE00BV0LL840 | BV0LL84 | MWFJBUH |
| Sterling Accumulation Hedged | IE00BQ5BN223 | BQ5BN22 | MWFGYAH |
| Sterling Distribution Hedged | IE00BQT49F20 | BQT49F2 | MWFGYDH |
| Sterling Distribution Unhedged | IE00BYWNV678 | BYWNV67 | MWFGYDU |
| Swiss Franc Accumulation Hedged | IE00BQ5BN660 | BQ5BN66 | |
| Swiss Franc Distribution Hedged | IE00BQT49K72 | BQT49K7 | |
| US Dollar Accumulation Hedged | IE00BQ5BN553 | BQ5BN55 | MWFYUAH |
| US Dollar Distribution Hedged | IE00BQT49J67 | BQT49J6 | MWFYUDH |
| US Dollar Distribution Unhedged | IE00BD9BP985 | BD9BP985 | MWFYUSU |

| Top Ten Holdings | % Fund |
|---------------------------------|---------------|
| Mitsubishi UFJ Financial Group | 3.1 |
| Sumitomo Electric Industries | 3.0 |
| Hitachi Capital Corp | 2.9 |
| Tokai Rika | 2.9 |
| Sumitomo Mitsui Financial Group | 2.8 |
| Inabata | 2.7 |
| Tokio Marine Holdings | 2.7 |
| MS&AD Insurance Group | 2.7 |
| Toyota Industries | 2.6 |
| Sumitomo Mitsui Trust | 2.6 |
| No. of Holdings | 57 |
| Fund AUM | \$238m |

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 are as at 31st August 2018 and accurate as at that date.

Dividends

| Ex-Dividend Date | 30 Apr 2015 | 31 Oct 2015 | 30 Apr 2016 | 31 Oct 2016 | 28 Apr 2017 | 31 Oct 2017 | 27 Apr 2018 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Dividend per Euro Distributing share | 0.1176 | 0.1148 | 0.1404 | 0.1064 | 0.1528 | 0.0969 | 0.1753 |
| Dividend per Sterling Distributing (hedged) share | 0.0055 | 0.0853 | 0.5322 | 0.0912 | 0.1495 | 0.1181 | 0.1854 |
| Dividend per Sterling Distributing (unhedged) share | | | | | | 0.0747 | 0.0551 |
| Dividend per Yen Distributing share | 12.9089 | 11.4072 | 14.6482 | 11.3457 | 15.7944 | 12.9441 | 17.5837 |
| Dividend per Dollar Distributing (hedged) share | 0.1286 | 0.1138 | 0.1405 | 0.1058 | 0.1509 | 0.1276 | 0.1760 |
| Dividend per Dollar Distributing (unhedged) share | | | | | | 0.0892 | 0.1054 |

This document is issued and approved by Morant Wright Management Ltd. 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 any other regulatory information, which can be obtained from Link Asset Services, 2nd Floor, 2 Grand Canal Square, Dublin 2, Ireland or ourselves.

Copyright 2018. All rights reserved.