

MORANT WRIGHT MANAGEMENT LIMITED

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Morant Wright Sakura Fund April 2018 Newsletter

NAV at 27th April 2018: Euro: €16.54, Japanese Yen: ¥1,739.80, Sterling: £16.63
Swiss Franc: CHF16.18, US Dollar: \$16.94, Yen B shares: ¥1,029.99

Returns	Month	Year to date	Since Inception (7 th May 2013)
Yen (unhedged)	+5.7%	-2.6%	+74.0%
TOPIX Net Total Return	+4.3%	-1.4%	+63.1%
Euro (hedged)	+5.7%	-2.8%	+65.4%
Sterling (hedged)	+5.8%	-2.6%	+66.3%
Swiss Franc (hedged)	+5.7%	-2.9%	+61.8%
US Dollar (hedged)	+5.8%	-2.2%	+69.4%

Performance given for accumulation shares

Sources: Bloomberg and Link Asset Services

It was a better month for the market as TOPIX rose steadily to register a gain of 4.3% in local currency terms. Foreigners, who had been large sellers of the market so far this year, turned net buyers whilst the Bank of Japan, which was a big buyer during the first quarter, only purchased general ETFs on three occasions. The yen weakened steadily against the dollar, falling from above ¥106/\$ at the start of the month to below ¥109/\$.

News on the economy remains encouraging. Japan recorded a sizeable current account surplus of ¥2trn in February and has now recorded a surplus every month since June 2014. Unemployment remains low at 2.5% and industrial production figures were ahead of expectations in March and suggest the steady growth is continuing. Even inflation is showing signs of picking up with the core CPI (ex-fresh foods) rising by 1% year-on-year in February and 0.9% in March, the highest level in three years. The suggestion that the BOJ will soon have to change its ultra-loose monetary policy has been firmly rebuffed by Governor Kuroda. The good economic news is partially offset by the continuing slide in PM Abe's popularity. It is now low enough to raise a question about his re-election at the LDP leadership contest in September.

The real estate market continues to perform well. In Tokyo's 23 wards the office vacancy rate fell to 2.8% in March, a ten-year low, and average rents rose by 5.2% yoy. This is partly because the supply of new offices was limited last year, with only 760,000m² of floorspace added compared to the 20-year average of 1.05m m². In 2018 it is expected to reach 1.47m m². Condominiums sold in the capital are up 19.8% yoy and the average price per square metre is up 14.8%. This is despite news that the Japanese population has recorded its seventh straight year of decline and has now fallen below 125m. Interestingly the foreign population was up 145,000 to 2.05m.

Companies have begun to report full year results and, whilst it is still early days, there are some interesting points. The first is the strength of the construction sector where the fund has a large position. Buoyant demand and favourable pricing has led to Kinden reporting record earnings while Toda revised up significantly. The auto sector has also had a good year as Honda and Denso's results illustrate, helped at the net profit level by US tax reforms. Their forecasts were more downbeat, however, based on assumptions of a decline in car production and a higher exchange rate of ¥105/\$.

For us the most significant trend is the continued increase in share buybacks and dividends. Kyocera, which has 72% of its market cap in net cash and securities, announced a share buyback of nearly 2%, its first in nine years, which sent the shares up 12%. Honda and TSI Holdings also announced buybacks. The list of dividend increases is long. Shinmaywa's shares rose 40% over the month as a well-known activist appeared on its shareholder register and, perhaps in response, the company has increased its dividend to ¥23 this year, well above the original forecast of ¥14, and is forecasting ¥36 for next year. Although leaving its full year forecasts unchanged, disappointing first quarter numbers sent Canon Marketing shares down 20%.

M&A is another way in which value is being unlocked in Japan. Itochu has announced that it will make FamilyMart a consolidated subsidiary by increasing its shareholding to 50.1%, paying a 13% premium to a share price standing at an all-time high. Blackstone, the US private equity group, recently announced that it intends to spend nearly \$5bn buying Japanese companies over the next 3-5 years, which may accelerate this trend. We would hope that our portfolio of cash-rich companies, which still trades comfortably below book value, should be well placed to benefit from these trends of increasing shareholder returns and further M&A activity. 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.

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 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	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
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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
Mitsubishi UFJ Financial Group	3.0
Tokyo Broadcasting System	2.9
Tokio Marine Holdings	2.9
Sumitomo Mitsui Trust	2.9
Nippon Television Network	2.9
Kinden	2.8
Sumitomo Mitsui Financial Group	2.8
Kyocera	2.8
Sumitomo Electric Industries	2.8
Fuji Media Holdings	2.7
Number of Holdings	65
Fund Size	\$1,145m

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 as at 27th April 2018 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 Asset Services, 2nd Floor, 2 Grand Canal Square, Dublin 2, Ireland or ourselves.

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