

Morant Wright Sakura Fund July 2017 Newsletter

NAV at 31st July 2017: Euro: €14.89, Japanese Yen: ¥1,559.75, Sterling: £14.91
Swiss Franc: CHF14.62, US Dollar: \$15.06

Returns	Month	Year to date	Since Inception (7 th May 2013)
Yen (unhedged)	+0.2%	+6.4%	+56.0%
TOPIX Net Total Return	+0.4%	+7.6%	+46.2%
Euro (hedged)	+0.0%	+5.6%	+48.9%
Sterling (hedged)	+0.2%	+6.3%	+49.1%
Swiss Franc (hedged)	+0.1%	+5.6%	+46.2%
US Dollar (hedged)	+0.2%	+6.8%	+50.6%

Performance given for accumulation shares

Sources: Bloomberg and Capita Financial Managers

TOPIX eked out a modest gain of 0.4% over the month in local currency terms. Once again, the yen strengthened against the dollar, continuing the trend of this year. This contrasts with recent years when a weak currency has been associated with a strong equity market.

The Japanese economy continues to perform well prompting the Bank of Japan to raise its expectations for real GDP growth in FY2017 and FY2018. However, it pushed out its hope of achieving its inflation target of 2% to sometime in FY2019 and lowered its forecast for CPI in FY2017 and FY2018. Yet the labour market remains very tight with unemployment falling to 2.8% and the ratio of job offers to applicants reaching another 40-year high. There were some signs of wages rising with the news that summer bonuses for service sector workers are up 5.5% y/y and that several companies are raising starting salaries for graduates. Mizuho Securities plans to raise starting salaries by 15%, Ajinomoto by 12% and Nippon Life will increase them for the first time in 12 years.

In spite of the encouraging news on the economy, PM Abe's approval rating continues to fall, reaching a record low for his current tenure of 26%. He was forced to appear in front of parliament to respond to allegations of cronyism relating to two land transactions. In addition, his Defence Minister resigned. The opposition party is also in disarray and, ironically, it was its leader who tendered her resignation at the end of the month!

Over a third of companies have now reported results for the first quarter and progress is encouraging with earnings up 41% in aggregate for March year end companies albeit in comparison with a weak quarter last year. Although progress towards full year targets is good, few companies have revised their forecasts. Exceptions include Tokai Rika and Denso, which both revised up.

JAFCO reported strong results but more importantly announced a major reorganisation of its cross-shareholdings. It will buy back over 13m shares (about 28% of the total) from Nomura Holdings and Nomura Research Institute and sell its stake in NRI back to the company. The net cost of the transaction still only represents around 40% of JAFCO's net cash. Similarly, Alps Electric has offered to buy in the 60% of Alpine which it does not own, valuing Alpine's shares at a 29% premium to the undisturbed price.

M&A activity remains robust. The value of deals in the second quarter was up over 21% y/y with the largest increase in the number of deals being in domestic companies buying other domestic companies. This follows a report highlighting the record number of 297 companies, both listed and unlisted, which were bought by private equity firms last year. Given the low valuations of the market, and more particularly our portfolio, we hope this trend continues. 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
Toyota Industries	2.9
Fuji Media Holdings	2.8
Nippon Television Network	2.7
Sumitomo Electric Industries	2.7
Sumitomo Mitsui Trust	2.7
Kinden	2.6
Mitsubishi UFJ Financial	2.6
Sumitomo Mitsui Financial Group	2.6
Tokio Marine Holdings Inc	2.5
Number of Holdings	61
Fund Size	\$589m

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 July 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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