

# MORANT WRIGHT MANAGEMENT LIMITED

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## Morant Wright Sakura Fund September 2019 Newsletter

NAV at 30<sup>th</sup> September 2019: Euro: €14.08, Japanese Yen: ¥1,494.63, Sterling: £14.31  
Swiss Franc: CHF13.72, US Dollar: \$15.00, Yen B shares: ¥888.40

Returns	Month	Year to Date	Since Inception (7 <sup>th</sup> May 2013) (Yen B: 17 <sup>th</sup> Apr 2018)
Yen (unhedged)	+7.3%	+2.8%	+49.5%
TOPIX Net Total Return	+5.9%	+8.4%	+50.2%
Euro (hedged)	+7.2%	+2.1%	+40.8%
Sterling (hedged)	+7.3%	+2.7%	+43.1%
Swiss Franc (hedged)	+7.2%	+2.0%	+37.2%
US Dollar (hedged)	+7.5%	+4.3%	+50.0%
Yen B shares (unhedged)	+7.3%	+3.0%	-11.2%

*Performance given for accumulation shares*

*Sources: Bloomberg and Link Asset Services*

The Japanese stock market had its strongest month so far this year, with TOPIX rising by 5.9% in local currency terms. Foreign investors were substantial buyers in the futures market.

Retail spending in Japan has been strengthening recently, with car sales up by 6.7% in August. Some of this reflects front loading of demand ahead of the sales tax increase from 8% to 10% which came into effect on 1<sup>st</sup> October. Exports remain weak, especially to China, but there was positive news on the trade front as a partial agreement was signed between Japan and the US. Further negotiations are planned as the key issue of tariffs on cars is still outstanding. The Japanese real estate market remains healthy. In Tokyo, office vacancy rates are just 1.7% while rents have risen by 7.4% versus a year ago. Nationwide land prices rose by 0.4% for the year to July, marking the second successive annual increase and a faster pace than the previous year. The construction market also continues to see robust pricing. Prices per square metre for non-residential construction rose by 9.7% year on year while for the fiscal year to date average prices are up by 8.0%.

There were more interesting developments in M&A. Star Asia was successful in its bid to gain control of the Sakura Sogo REIT, despite a "white knight" counter-bid from Mirai Corporation. This marks the first hostile takeover in the real estate investment trust market. The battle for control of property company Unizo has further intensified as an unnamed third bidder has entered the fray. Unizo's shares were valued at just under ¥2,000 per share in July when travel company HIS made a hostile bid of ¥3,100. This was followed by a ¥4,000 bid from fund manager Fortress, which has itself been trumped by an offer of ¥5,000 from the unnamed bidder, described in the announcement as a "large global fund manager". Meanwhile two activist groups, Elliott and Ichigo, have built up stakes of 13% and 6% respectively. This illustrates again that when Japanese assets are perceived to be available for sale there is demand at a significant premium. Elsewhere, Yahoo Japan tabled a bid for control of Zozo which has the agreement of founder and largest shareholder Yusaku Maezawa. Yahoo offered a 21% premium to the previous closing price.

It was also encouraging to see the large share buyback announced by Dai Nippon Printing. Dai Nippon, along with Toppan Printing and others, sold part of its holding in Recruit last month and it will use the proceeds to buy back 10% of its shares. We have not yet heard anything from Toppan about its use of the money received, but we would like them to do the same. After last month's announcement about acquiring a stake in Suzuki Motor, Toyota has now agreed to increase its stake in Subaru to over 20% from the current 17%.

Tom's recent trip to Japan highlighted the exceptional value in companies such as Katakura, where unrealised gains on real estate are over ¥90bn versus a market cap of ¥47bn. Management is now really trying to transform the company in order to improve profitability. As we have commented previously, strong cashflow over the last few years has led to our companies having extremely healthy balance sheets; on average our holdings (excluding financials) have almost 65% of their market cap in net cash and investments. 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 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 Asset Services 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

Top Ten Holdings	% Fund
Toppan Printing	3.1
Toyota Industries	3.1
Mitsubishi UFJ Financial Group	2.9
Sumitomo Electric Industries	2.8
Canon Marketing	2.8
Sumitomo Mitsui Financial Group	2.8
Tokyo Broadcasting System	2.8
Sumitomo Mitsui Trust	2.7
Nippo Corp	2.7
Kinden	2.7
<b>Number of Holdings</b>	<b>55</b>
<b>Fund Size</b>	<b>\$565m</b>

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 30<sup>th</sup> September 2019 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, 1<sup>st</sup> Floor, 2 Grand Canal Square, Dublin 2, Ireland or ourselves.**

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