

MORANT WRIGHT MANAGEMENT LIMITED

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Morant Wright Fuji Yield Fund May 2018 Newsletter

NAV at 31st May 2018: Yen: ¥1,443.50, Sterling: £14.12, US Dollar: \$14.09
Euro: €14.76, Swiss Franc: CHF9.56, Yen B shares: ¥1,264.94

	Month	Year to date	Performance since inception	TOPIX Net TR since inception*	Inception date
Yen (unhedged)	-4.0%	-6.2%	+44.3%	+35.8%	4 Nov 2014
TOPIX Net Total Return	-1.7%	-3.1%			
Sterling (hedged)	-3.9%	-6.1%	+41.2%	+35.8%	4 Nov 2014
US Dollar (hedged)	-3.8%	-5.6%	+40.9%	+31.8%	28 Nov 2014
Euro (hedged)	-4.0%	-6.4%	+47.6%	+42.3%	7 Apr 2016
Swiss Franc (hedged)	-4.0%	-6.6%	-4.4%	-2.7%	11 Dec 2017
Yen B shares (unhedged)	-3.9%	-5.9%	+26.5%	+20.0%	12 Mar 2015

Sources: Bloomberg and Link Asset Services.

Performance and NAV given for accumulating shares; distributing shares are available in the same currencies

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

Having been up for most of the month, TOPIX ended a little under 2% down in local currency terms as the machinations of Italian politics spilt over into world equity markets. This concern also carried over into the currency markets where the perceived "safe-haven" status of the yen saw it increase against all major currencies. Our relative performance was disappointing as value continued to underperform growth significantly and, unlike last year where our small and medium stocks helped us to buck the trend and outperform, there has been no salvation so far this year.

After eight consecutive quarters of GDP growth, the economy declined in the first quarter due to weak business spending, lower residential investment and stagnant consumption. However, economists see little need for concern as a rebound is anticipated in the second quarter helped by stronger production and continued growth in exports. The tight labour market may at last be feeding through to wages which grew by 2.0% in March – the highest growth since 2004.

The full year results season has concluded. Sales grew by 7%, recurring profit by 14% and net profit by 21% – all to record highs. The growth in recurring profit was mostly driven by the manufacturing sector while the US tax cuts boosted net income. Return on Equity is now just under 10%. Forecasts for the new fiscal year have been generally cautious, with most companies using a conservative exchange rate of ¥105/\$. The current consensus amongst analysts, however, is for further growth of 2% in sales and 7% in recurring profit. Dividends rose by 13% in aggregate to ¥12.7trn with 60% of companies raising their dividend. So far in 2018, the value of announced share buybacks is 9% ahead of the corresponding period last year.

Shareholder activism is on the rise. Tokyo Broadcasting which has an excessively strong balance sheet including a very large shareholding in Tokyo Electron which now represents almost 19% of its total assets. Asset Value Investors has proposed that 40% of this stake be distributed to shareholders, which amounts to a distribution of ¥344 per share against TBS's current share price of around ¥2,300. The Directors are opposing this shareholder motion and, given the 20% limit on foreign ownership of broadcasting companies, it may be difficult to achieve a majority. Nevertheless, it still puts significant pressure on the Board to change the company's capital structure. Another activist investor has taken a 5% stake in Olympus.

It is interesting to see Comsys and Kyowa Exeo, both telecom engineering companies, using their shares trading well above book value to take over much more cheaply rated smaller companies in the sector. They are taking advantage of new tax rules which mean that takeovers using shares instead of cash no longer give rise to an immediate capital gain for shareholders.

Nomura's forecast EPS for TOPIX is ¥123 which means that the P/E multiple for the market is around 14 times. The P/B is 1.3 times. By comparison, our portfolio is on 0.85 times book value and has a lower P/E despite the net cash position of our non-financials representing, on average, 50% of their market capitalisation. Our stocks may currently be out of favour but they can hardly be considered to be expensive. 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 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
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UK tax status	Approved Reporting Fund by HMRC
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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	MWFYGAH
Sterling Distribution Hedged	IE00BQT49F20	BQT49F2	MWFYGDH
Sterling Distribution Unhedged	IE00BYWNV678	BYWNV67	MWFYGDU
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
Tokio Marine Holdings	3.1
Sumitomo Mitsui Trust	2.9
Sumitomo Mitsui Financial Group	2.9
Sumitomo Electric Industries	2.7
Mitsubishi UFJ Financial Group	2.6
MS&AD Insurance Group Holdings	2.6
Toyota Motor	2.5
Fuji Media Holdings	2.5
Chudenko	2.4
Hitachi Capital	2.4
No. of Holdings	67
Fund AUM	\$277m

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 May 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.

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