

MORANT WRIGHT MANAGEMENT LIMITED

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Morant Wright Sakura Fund August 2018 Newsletter

NAV at 31st August 2018: Euro: €15.73, Japanese Yen: ¥1,654.52, Sterling: £15.86
Swiss Franc: CHF15.36, US Dollar: \$16.24, Yen B shares: ¥980.78

Returns	Month	Year to date	Since Inception (7 th May 2013) (Yen B: 17 th Apr 2018)
Yen (unhedged)	-1.3%	-7.3%	+65.5%
TOPIX Net Total Return	-1.0%	-3.6%	+59.6%
Euro (hedged)	-1.3%	-7.5%	+57.3%
Sterling (hedged)	-1.2%	-7.1%	+58.6%
Swiss Franc (hedged)	-1.3%	-7.9%	+53.6%
US Dollar (hedged)	-1.1%	-6.2%	+62.4%
Yen B shares (unhedged)	-1.3%	N/A	N/A

Performance given for accumulation shares

Sources: Bloomberg and Link Asset Services

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 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 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
Sumitomo Electric Industries	3.1
Tokyo Broadcasting System	3.0
Kyocera	3.0
Nippon Television Network	2.9
Sumitomo Mitsui Financial Group	2.9
Mitsubishi UFJ Financial Group	2.8
Tokio Marine Holdings	2.8
Sumitomo Mitsui Trust	2.8
Toyota Industries	2.8
Kinden	2.8
Number of Holdings	62
Fund Size	\$1,069m

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 31st August 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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