

MORANT WRIGHT MANAGEMENT LIMITED

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Morant Wright Sakura Fund March 2018 Newsletter

NAV at 29th March 2018: Euro: €15.65, Japanese Yen: ¥1,645.78, Sterling: £15.71
Swiss Franc: CHF15.31, US Dollar: \$16.01

Returns	Month	Year to date	Since Inception (7 th May 2013)
Yen (unhedged)	-3.5%	-7.8%	+64.6%
TOPIX Net Total Return	-2.9%	-5.5%	+56.4%
Euro (hedged)	-3.6%	-8.0%	+56.5%
Sterling (hedged)	-3.6%	-8.0%	+57.1%
Swiss Franc (hedged)	-3.7%	-8.2%	+53.1%
US Dollar (hedged)	-3.3%	-7.5%	+60.1%

Performance given for accumulation shares

Sources: Bloomberg and Link Asset Services

The Japanese market remained weak during March falling by 2.9% in local currency terms. Some commentators blamed the fall on a decline in Prime Minister Abe's approval rating as the Moritomo school scandal received more attention. The continued outperformance of defensive and growth segments of the market, however, suggest that probably a greater concern was the growing trade dispute between the US and China. Overseas investors continued to sell at a significant pace and have now sold nearly ¥8trn this year.

Following President Trump's announcement of tariffs on steel and aluminium, China has responded with a range of taxes on imports from the US such as wine and pork. The immediate impact of the steel and aluminium levy on Japan is negligible but the concern is for a potential escalation. Japan, perhaps because of its trade surplus with the US rather than its own tariff barriers, was not exempted from the US tariffs unlike other trading partners such as Canada, Mexico or the EU.

The initial indications are that this year's spring wage hikes have increased at a faster pace than last year. Toyota gave a 3.3% rise versus 3.0% last year and the Japanese Trade Union Confederation released data showing an increase, including seniority pay, of 2.42% versus 2.27%. Given the very tight labour market, this seems surprisingly modest. News about property prices remains positive. In 2017 annual land prices rose by 0.4% which is the strongest performance since 2008. As usual, the major metropolitan areas outperformed the countryside and commercial prices also outstripped residential. Despite the stronger yen versus the dollar, tourist numbers continue to climb. The number of foreign visitors to Japan in January and February rose by 15.7% compared with a year ago. This has helped department store sales which continue to grow, although other consumer indicators such as domestic car sales fell.

As most companies in Japan close their books at the end of March, this is typically a quiet month. There was a modest upward revision to earnings from TV Asahi and Nagase raised its dividend by approximately 15%. Nagase's payout ratio is just over 30% so there should still be scope for more growth in the future. Disappointingly share buybacks have fallen for the second year in a row with 539 companies (672 last year) announcing ¥4.4trn in share buybacks (¥4.8trn). Following the rise in the market, it would appear that more companies are shifting the emphasis of shareholder returns to higher dividends.

As we approach the results season, most analysts are relaxed about the year which has just ended but have concerns over the likely rate of growth for the year ending March 2019. For most of the last fiscal year the yen was about ¥112 versus the dollar, as against the current rate of ¥106. On its own that move would probably only trim earnings estimates by around 4% but slowing global growth and the potential escalation of trade disputes could also lower expectations. These concerns appear to have been largely discounted in the valuations of the portfolio with the price to book now only a bit above 0.8x and the EV/OP (i.e. the net cash and securities adjusted PE before tax) less than 6x March 2018 profits. 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 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
Kinden Corp	2.9
Toyota Industries	2.8
Tokio Marine Holdings	2.8
Sumitomo Electric Industries	2.7
Sumitomo Mitsui Trust	2.7
Tokyo Broadcasting System	2.7
Sumitomo Mitsui Financial Group	2.7
Fuji Media Holdings	2.7
Nippon Television Network	2.7
Mitsubishi UFJ Financial	2.7
Number of Holdings	63
Fund Size	\$779m

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 29th March 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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