

MORANT WRIGHT MANAGEMENT LIMITED

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Morant Wright Sakura Fund September 2018 Newsletter

NAV at 28th September 2018:

Euro: €16.49, Japanese Yen: ¥1,735.89, Sterling: £16.65
Swiss Franc: CHF16.11, US Dollar: \$17.07, Yen B shares: ¥1,029.22

Returns	Month	Year to date	Since Inception (7 th May 2013) (Yen B: 17 th Apr 2018)
Yen (unhedged)	+4.9%	-2.8%	+73.6%
TOPIX Net Total Return	+5.4%	+1.7%	+68.2%
Euro (hedged)	+4.8%	-3.0%	+64.9%
Sterling (hedged)	+4.9%	-2.5%	+66.5%
Swiss Franc (hedged)	+4.9%	-3.4%	+61.1%
US Dollar (hedged)	+5.1%	-1.5%	+70.7%
Yen B shares (unhedged)	+4.9%	N/A	N/A

Performance given for accumulation shares

Sources: Bloomberg and Link Asset Services

September was a strong month for the Japanese stock market with TOPIX rising by around 5% in local currency terms. Overseas investors turned large buyers during the month, predominantly through the futures market. The Nikkei 225 reached a 27-year high.

As widely expected Prime Minister Abe was re-elected as LDP leader for a new three-year term to 2021. He secured 69% of the vote within his party and will become Japan's longest-serving prime minister if he completes his term of office. He also addressed the UN General Assembly in New York to advocate the benefits of free trade, emphasising the advanced negotiations to form a free trade zone within Asia.

Second quarter GDP growth was revised up to 3% from an initial 1.9% as capital investment was even stronger than previously assessed. Capex rose by 13% in Q2 and continues to grow; August machinery orders increased by 14%. Employment also remains buoyant, with last month's figures showing 66.6m people in work, exceeding the previous record in 1997. Interestingly, retail sales have also been stronger recently, increasing by 2.7% in August.

The real estate market remains robust. The latest government survey showed national land prices rising for the first time since 1991, led by large moves in the three major conurbations where prices have been rising for six years. Other big cities, such as Fukuoka, Hiroshima, Sendai and Sapporo, which are popular with overseas visitors, also saw increases. The most recent data for the Tokyo office market showed the vacancy rate down to 2.45% whilst average rents rose by 7% – the largest increase in 10 years.

Share buybacks have been an important part of corporate governance changes in Japan. So far this year the value of shares bought back by companies has risen by 37% compared to last year. This month saw a huge buyback by Kyorin Pharmaceutical which repurchased 24% of its shares, including the 19% stake held by its largest shareholder, Teijin. Like many stocks in Japan, Kyorin has a very strong balance sheet with net cash equivalent to just over half of its market cap. There was also an example of a Japanese company using its shares to make an acquisition, taking advantage of the change in tax rules from April; Taiyo Yuden announced that it would buy in the rest of its listed subsidiary Elna.

We have long argued that Japan offers exceptional opportunities for value investors. According to CLSA almost 40% of TOPIX companies trade below tangible book value, compared to around 10% for the UK, France and Germany and 3% for the US. For the portfolio, the valuation argument is even more compelling with around 75% of stocks standing below tangible book value. Furthermore, the balance sheets, as we have commented previously, are extremely strong with our companies having on average around 55% 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 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	3.0
Nippon Television Network	3.0
Tokio Marine Holdings	2.9
Sumitomo Mitsui Financial Group	2.9
Tokyo Broadcasting System	2.9
Mitsubishi UFJ Financial Group	2.9
Toyota Industries	2.9
Sumitomo Mitsui Trust	2.8
Kyocera	2.8
Kinden	2.7
Number of Holdings	61
Fund Size	\$1,100m

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 28th September 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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