

MORANT WRIGHT MANAGEMENT LIMITED

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Morant Wright Sakura Fund August 2020 Newsletter

NAV at 28th August 2020: Euro: €12.93, Japanese Yen: ¥1,394.25, Sterling: £13.16
Swiss Franc: CHF12.59, US Dollar: \$14.05, Yen B shares: ¥830.63

Returns	Month	Year to Date	Since Inception (7 th May 2013) (Yen B: 17 th Apr 2018)
Yen (unhedged)	+9.0%	-15.0%	+39.4%
TOPIX Net Total Return	+7.3%	-5.6%	+53.9%
Euro (hedged)	+8.9%	-16.3%	+29.3%
Sterling (hedged)	+9.0%	-16.3%	+31.6%
Swiss Franc (hedged)	+8.9%	-16.2%	+25.9%
US Dollar (hedged)	+9.0%	-15.1%	+40.5%
Yen B shares (unhedged)	+9.1%	-14.9%	-16.9%

Performance given for accumulation shares

Sources: Bloomberg and Link Fund Solutions Ireland Limited (LFSI)

It was a strong month for the stock market helped by growing evidence that the economy is beginning to recover. The daily rate of Covid-19 infections has stabilised and so far there is little sign of stress on hospitals. As a result, there has been no tightening of related restrictions in Tokyo or nationwide. Industrial output jumped by 8% in July versus the previous month, partly because car production began to improve, although output is still 16% lower than a year ago. Domestic car sales in July fell by 20% year on year but that compares to declines of 27% and 42% in the previous two months. GDP for the April to June quarter showed a 7.8% decline quarter on quarter because of a sharp drop in consumption and exports. For the fiscal year as a whole Nomura is now expecting a 6.4% decline followed by a 4.8% recovery in the year to March 2022.

At the end of the month Prime Minister Abe announced that he would be resigning for health reasons. Mr. Abe is Japan's longest-serving prime minister, having been elected in December 2012, and was due to step down next year. The new leader of the LDP is expected to be elected by the party in mid-September. A recent poll by the Nikkei newspaper showed that 74% of the public support Abe's performance so it seems unlikely that any of the candidates will offer a significant shift in economic policy. The governor of the Bank of Japan, Mr. Kuroda, will remain in place until April 2023 which should ensure the continuity of monetary policy. Importantly for the market the momentum of corporate governance improvement is well established. The LDP enjoys a large majority in both the upper and lower houses of Parliament and although the two largest opposition parties have recently announced merger discussions their combined support is less than 5% according to an NHK poll.

All the company results for the April to June quarter have now been released and CLSA, Jefferies and Nomura have all suggested that the quarterly figures were better than consensus numbers. Aggregate sales fell by 17% and recurring (pre-tax) profits by 50%. For the year to March 2021, 70% of companies have now made forecasts, up from around half in May. The aggregate of those companies that have made forecasts is for a sales decline of 9% and a recurring profit decline of 25%, while dividends are expected to fall by 12%. The market also seemed to take comfort from seeing what will probably be the low point for quarterly profits.

So far this year foreigners have sold more than \$70bn of Japanese equities, so it was particularly heartening when Berkshire Hathaway revealed that it had bought stakes of over 5% in each of Japan's five largest trading companies for a combined total investment of \$6.2bn. The shares reacted positively to the news and to the related announcement that it might increase its holdings up to 10%. These companies have a lot of debt so are not part of our portfolio but it is nevertheless encouraging that some global investors are at last appreciating the considerable value in Japan.

We continue to see good potential in the portfolio, which stands at a prospective PER of 14x and a PBR of below 0.7x, and we expect that earnings should see a gradual recovery over the next few quarters. If you would like to deal in the Fund, please contact Link Fund Solutions Ireland (LFSI). Their telephone number is **+353 1 400 5300**.

Stephen Morant, Ian Wright, Richard Phillips, Tom Mermagen, Andrew Millward, Denis Clough and Nick Sinclair

The Fund is eligible for pensions and ISAs. Please contact Link Fund Solutions Ireland Limited (LFSI) for details.

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 Fund Administrators Ireland Limited (LFAI) 1 st 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
Tokyo Broadcasting System	3.3%
Toyota Industries	3.3%
Kinden	3.1%
Nippo Corp	3.1%
Dai-ichi Life Holdings	2.9%
Sumitomo Mitsui Financial Group	2.8%
Toppan Printing	2.8%
Nippon Television Network	2.8%
Mitsubishi UFJ Financial Group	2.8%
Toyota Motor	2.8%
Number of Holdings	55
Fund Size	\$540m

All performance information is calculated by Morant Wright Management Limited using share price data provided by Link Fund Solutions Ireland Limited (LFSI). Index data are taken from Bloomberg.

Performance is based on the Fund nav data as at 28th August 2020 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 Fund Solutions Ireland Limited (LFSI), 1st Floor, 2 Grand Canal Square, Dublin 2, Ireland or ourselves.

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