

# MORANT WRIGHT

## MANAGEMENT LIMITED

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### Morant Wright Fuji Yield Fund May 2024 Newsletter

% Returns	Month	Year to Date	Since Inception	TOPIX Net TR since inception*	Inception date
Yen (unhedged)	+3.3%	+26.6%	+213.5%	+143.6%	4 Nov 2014
TOPIX Net Total Return	+1.1%	+18.2%			
Sterling (hedged)	+3.7%	+29.1%	+222.8%	+143.6%	4 Nov 2014
US Dollar (hedged)	+3.8%	+29.4%	+244.4%	+136.4%	28 Nov 2014
Swiss Franc (hedged)	+3.4%	+27.4%	+101.5%	+74.4%	11 Dec 2017
Yen B shares (unhedged)	+3.0%	+26.1%	+170.4%	+115.2%	12 Mar 2015

Sources: Bloomberg and Waystone Management Company (IE) Limited  
 Performance and NAV given for accumulating shares; available distributing shares are shown overleaf

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

TOPIX rose 1.1% in local currency terms over the month even though foreign investors were net sellers for the last three weeks. Despite the Japanese authorities spending ¥9.8trn in May to defend the yen, it only strengthened a little against the dollar and actually weakened against sterling and the euro. Bond yields on both 10-year and 30-year JGBs rose considerably to 1.1% and 2.2% respectively, the highest levels for over 10 years.

Recent wage settlements suggest that the upward trend in prices will continue. A Nikkei survey reported that 94% of companies receiving trade union demands for higher wages had accepted them, up on last year's figure of 88%. Keidanren, Japan's largest business federation, confirmed that its members had agreed to an increase of 5.6% for base wages, a rise on last year's figure of 4.0%. Share-based compensation is also becoming more common with around half of Japan's 4,000 listed companies having now introduced such schemes for officers. This increases to 70% for companies with a market cap above ¥100bn. Over 800 companies are now offering share-based remuneration to regular employees as well, including Mitsui OSK which has introduced a bonus scheme based on ROE for 1,700 of its 8,750 employees.

All companies with a March year end have now reported and the results are encouraging. Companies in the portfolio grew recurring profits last year by 21% and are anticipating 9% growth for the year to March 2025. Companies tend to be conservative at the start of the year and furthermore they are assuming an FX rate of ¥144/\$ on average, which could imply some upside if exchange rates remain at current levels.

Shareholder returns continue to improve with data from Morgan Stanley suggesting over 50% of market earnings were returned to shareholders last year through a combination of share buybacks and dividends. Dividend growth for our companies was particularly impressive with aggregate dividends growing 22% last year and further growth of 13% is forecast for this fiscal year. Both of these growth rates are significantly ahead of comparable numbers for Topix. Amongst our holdings, Sumitomo Electric Industries raised its dividend by 54% while Honda increased its payout by 70% and also announced a buyback of 3.7% of its shares. It is not just larger companies implementing such changes and in many ways the improvements at smaller companies can be more remarkable. Kureha, which bought back 6% of its outstanding shares last year, recently announced another buyback of 10%.

The value on offer in Japan remains appealing and continues to attract the interest of private equity groups. KKR announced the acquisition of Alps Logistics at 3.6x tangible book value from Alps Alpine. Carlyle recently launched a takeover bid for KFC Japan for \$835m and also announced that it had raised \$2.8bn for its fifth and largest Japan buyout fund. Bain has invested \$5bn in Japan over the past 5 to 10 years and is looking to double the scale of its investments in the coming years.

Most Japanese companies will hold their AGMs in June. We are already aware of shareholder proposals at several of our companies, including Yodogawa Steel and Kyokuto Kaihatsu, which will add to the pressure on management to improve their capital allocation. It was also interesting to see Fuji Media receive a suggestion from an activist recently that it should consider an MBO. All of this will help focus further attention on the considerable value at our cash rich companies.

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

Fund	
Fund size	\$352m
Number of holdings	58

Valuations	
Average PBR	0.91
Median EV/OP* (3/25e)	6.8
Weighted Average P/E (3/25e)	11.5
Net cash as % of market cap*	43%
*Net cash (including investment securities) and EV/OP figures exclude financials	

Top Ten Holdings	% Fund
Sumitomo Mitsui Financial Group	4.0
Mitsubishi UFJ Financial Group	3.5
Sumitomo Mitsui Trust	3.4
Dai-ichi Life Holdings Inc	3.3
Concordia Financial Group Ltd	3.1
Fuji Media Holdings	2.9
Impex	2.9
Honda Motor Co. Ltd	2.9
NHK Spring	2.6
Obayashi	2.4

Market Cap Breakdown	% Fund
Large cap (>\$5bn)	34.2
Mid cap (\$1-5bn)	48.3
Small cap (<\$1bn)	16.8
Cash	0.7

NAV at 31 <sup>st</sup> May 2024	
Yen	¥3,135.22
Sterling	£32.28
US Dollar	\$34.44
Swiss Franc	CHF20.15
Yen B	¥2,704.36

**Dealing**  
 If you would like to deal in the fund, please contact Waystone Management Company (IE) Limited. You can contact them by telephone on +353 1 400 5300 or by emailing [investordealing@linkgroup.ie](mailto:investordealing@linkgroup.ie).

**Please refer to the further fund details and important regulatory information on the reverse of this document**

Fund Information		Dealing Information	
Fund type	UCITS OEIC, authorised in Ireland	Minimum investment	¥1,000,000 (Japanese Yen shares) US\$5,000 (US Dollar shares) £5,000 (Sterling shares) CHF5,000 (Swiss Franc shares) €5,000 (Euro shares)
Fund currency	Japanese Yen Hedged classes available in £, \$, €, CHF Unhedged classes available in ¥, €, £ and \$	Dealing frequency	Daily
Launch date	November 2014	Deal cut-off point	11.00am (Irish time)
Geographic exposure	100% Japanese equities	Valuation point	12.00pm (Irish time)
AMC OCF	1.00% (JPY B Class 0.75%) 1.29% (JPY B Class: 1.04%)	Settlement	T+4 (subscriptions/redemptions)
Share types	Accumulation and Distributing	Fund administrator	Link Fund Administrator Ireland Limited (LFAI) (A Waystone Group Company) 35 Shelbourne Rd, Ballsbridge, Dublin 4, D04 A4E0 Ireland Tel: +353 1 400 5300 Fax: +353 1 400 5350

Share Identifiers	Bloomberg code	SEDOL	ISIN
Euro Acc Hedged	MWFYEAH	BQ5BN33	IE00BQ5BN330
Euro Dist Hedged	MWFYEDH	BQT49G3	IE00BQT49G37
Euro Acc Unhedged	MWFYEAU	BDRKVZ5	IE00BDRKVZ52
Euro Dist Unhedged	MWFYEDU	BD1LVV0	IE00BD1LVV03
Yen Acc Unhedged	MWFYJAU	BQ5BN44	IE00BQ5BN447
Yen Dist Unhedged	MWFYJDU	BQT49H4	IE00BQT49H44
Yen B Acc Unhedged	MWFJBUH	BVOLL84	IE00BVOLL840
Sterling Acc Hedged	MWFGYGAH	BQ5BN22	IE00BQ5BN223
Sterling Dist Hedged	MWFGYGDH	BQT49F2	IE00BQT49F20
Sterling Dist Unhedged	MWFGYGDU	BYWNV67	IE00BYWNV678
Swiss Franc Acc Hedged	MWFYCAH	BQ5BN66	IE00BQ5BN660
Swiss Franc Dist Hedged	MWFYCDH	BQT49K7	IE00BQT49K72
US Dollar Acc Hedged	MWFYUAH	BQ5BN55	IE00BQ5BN553
US Dollar Dist Hedged	MWFYUDH	BQT49J6	IE00BQT49J67
US Dollar Dist Unhedged	MWFYUDU	BD9BP98	IE00BD9BP985

Ex-Dividend Date	26 Apr 2019	31 Oct 2019	30 Apr 2020	30 Oct 2020	30 Apr 2021	29 Oct 2021	28 Apr 2022	28 Oct 2022	28 Apr 2023	31 Oct 2023	30 Apr 2024
Euro Distributing (hedged)	0.2396	0.1470	0.1946	0.1272	0.1929	0.1663	0.2372	0.2173	0.2523	0.2400	0.3130
Euro Distributing (unhedged)	0.1653	0.1474	0.1693	0.1092	0.1589	0.1354	0.1869	0.1681	0.1873	0.1603	0.1972
Sterling Distributing (hedged)	0.2318	0.0454	0.1836	0.1244	0.1960	0.1637	0.2344	0.2086	0.2541	0.2418	0.3182
Sterling Distributing (unhedged)	0.1786	0.1894	0.1745	0.1179	0.1679	0.1387	0.1880	0.1726	0.1968	0.1656	0.2020
Yen Distributing	82.9239	14.7551	19.7063	12.9515	19.6050	17.2094	23.7748	22.8376	26.0838	24.2228	32.3163
Dollar Distributing (hedged)	0.2338	0.1589	0.2139	0.1397	0.2195	0.1888	0.2706	0.2597	0.2868	0.2859	0.3650
Dollar Distributing (unhedged)	0.1462	0.1325	0.1629	0.1095	0.1667	0.1402	0.1828	0.1494	0.1734	0.1512	0.1844

TOPIX Net Total Return is used for the purpose of performance comparison only as it is a widely used benchmark which includes reinvestment of dividends (net of withholding tax) and which most closely reflects the type of companies in which the fund invests. All performance information is calculated by Morant Wright Management Limited using share price data provided by Waystone Management Company (IE) Limited. Index data are taken from Bloomberg. Performance is given in sterling terms based on the Fund NAV. Data are as at 31<sup>st</sup> May 2024 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 must read the KIID which can be obtained from Waystone Management Company (IE) Limited or ourselves <https://www.morantwright.co.uk/mw-fuji-yield-fund>, along with the Fund Prospectus and the latest report and accounts. The Fund Manager, Waystone Management Company (IE) Limited, a company incorporated under the laws of Ireland having its registered office at 35 Shelbourne Rd, Ballsbridge, Dublin, D04 A4E0 Ireland which is authorised by the Central Bank of Ireland has appointed Morant Wright Management Limited as Investment Manager to this fund. Waystone Management Company (IE) Limited, has the right to terminate the arrangements made for the marketing of funds in accordance with the UCITS Directive. A summary of investors rights may be found here: <https://www.waystone.com/waystone-policies/>

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