

MORANT WRIGHT

MANAGEMENT LIMITED

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Morant Wright Fuji Yield Fund September 2024 Newsletter

% Returns	Month	Year to Date	Since Inception	TOPIX Net TR since inception*	Inception date
Yen (unhedged)	-0.6%	+20.4%	+198.0%	+134.6%	4 Nov 2014
TOPIX Net Total Return	-1.7%	+13.9%			
Sterling (hedged)	-0.3%	+23.7%	+209.2%	+134.6%	4 Nov 2014
US Dollar (hedged)	-0.3%	+24.3%	+230.9%	+127.7%	28 Nov 2014
Swiss Franc (hedged)	-0.6%	+21.2%	+91.7%	+68.0%	11 Dec 2017
Yen B shares (unhedged)	-0.8%	+20.2%	+157.8%	+107.3%	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 was down 1.7% in yen terms after a sharp drop on the final day of the month. Investors were wrong-footed by veteran politician Shigeru Ishiba's surprise victory in the LDP leadership election having previously expected that Sanae Takaichi, known to favour looser monetary policy, would win. Mr. Ishiba broadly supports normalisation of monetary policy and is considered hawkish on defence but we don't expect any dramatic departures from existing policy. He has since called a general election for the 27th October. The yen strengthened to ¥142 against the dollar at the month end on the news of his victory and after a narrowing of the interest rate differential following the Fed's rate cut two weeks earlier.

Core inflation accelerated in August to 2.8%, and real wages rose in July for the first time in 27 months thanks to higher bonus payments. Meanwhile, corporate capex rose by 7.4% in the second quarter. Tourist numbers reached a new record high for a single month in August.

Among our holdings, electrical engineering firm Kandenko raised its recurring profit forecast by 16% and its dividend by 19% thanks in part to strong private sector investment. We met with NHK Spring which makes springs for cars and electronic equipment and which had raised its operating profit forecast from ¥40bn to ¥48bn after a strong first quarter. It has recently completed a share buyback for ¥18bn and intends to repurchase a further ¥20bn worth of shares in the next couple of years. It is also selling cross-shareholdings but at a modest pace which we encouraged it to accelerate. The trend of selling cross-shareholdings received a boost this month after the General Insurance Association of Japan announced that non-life insurers will abolish the practice of cross-shareholdings and asked members not to acquire new stakes.

There were several instances of activist investors taking or adding to positions in our portfolio companies. An activist reported a 6% stake in specialty chemicals company Zeon for instance. Based on publicly disclosed ownership data, we know that there are at least 22 holdings in the fund, roughly 40%, with an activist invested.

Elsewhere in the market, Seven & I Holdings rejected an initial takeover bid from Canadian convenience store operator Alimentation Couche-Tard. It also secured a "core" national security designation from the Ministry of Finance, which is the highest ranking. This might be an attempt to thwart the bid but commentators suggest it is unlikely to prove a major barrier. Otherwise, dealmaking remains brisk. Bain launched a counteroffer for KKR target Fuji Soft and it is encouraging to see more competitive bids. Bain will also partner with management at Trancom, a major logistics company, to take the company private at a 41% premium and at a price to tangible book ratio of 2x.

The Nikkei published research this month that TOPIX companies collectively have ¥25trn (\$175bn) of unrealised gains on their real estate. This is reflected at our holdings where the market value of rental real estate can be significant and in some cases far exceeds the book value. For instance, Mitsubishi Logistics owns rental real estate with a book value of ¥143bn but has a market value of ¥415bn which compares to a market capitalisation of ¥395bn. The company is beginning to realise some of these gains by selling rental assets. Moreover, we expect there to be large unrealised gains on the land used in its core warehousing business. In addition to the rental real estate, the company has net cash and investments worth ¥145bn. There is clearly tremendous scope to realise value from such situations.

Valuations of the fund look very attractive against both net assets and earnings with an understated price to book ratio of 0.83x, EV/OP of 5.9x, and PER of just 10.1x. We see an increasing number of ways to realise this value thanks to rising activism and M&A transactions.

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

Fund	
Fund size	\$347m
Number of holdings	57

Valuations	
Average PBR	0.83
Median EV/OP* (3/25e)	5.9
Weighted Average P/E (3/25e)	10.1
Net cash as % of market cap*	46%

*Net cash (including investment securities) and EV/OP figures exclude financials

Top Ten Holdings	% Fund
Sumitomo Mitsui Trust	3.6
Sumitomo Mitsui Financial Group	3.5
Mitsubishi UFJ Financial Group	3.4
Fuji Media Holdings	3.2
NHK Spring	3.0
Honda Motor Co.	3.0
Concordia Financial Group	2.9
Dai-ichi Life Holdings	2.8
Inpex	2.6
Tsubakimoto Chain	2.4

Market Cap Breakdown	% Fund
Large cap (>\$5bn)	32.1
Mid cap (\$1-5bn)	50.5
Small cap (<\$1bn)	16.1
Cash	1.3

NAV at 30 th September 2024	
Yen	¥2,979.94
Sterling	£30.92
US Dollar	\$33.09
Swiss Franc	CHF19.17
Yen B	¥2,578.27

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 wfs-investordealing@waystone.com

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%) 1.28% (JPY B Class: 1.03%)	Settlement	T+4 (subscriptions/redemptions)
Share types	Accumulation and Distributing	Fund administrator	Waystone Fund Administrators (IE) Limited 35 Shelbourne Rd, Ballsbridge, Dublin 4, D04 A4E0 Ireland wfs-dublinta@waystone.com 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	MWFYGAH	BQ5BN22	IE00BQ5BN223
Sterling Dist Hedged	MWFYGDH	BQT49F2	IE00BQT49F20
Sterling Dist Unhedged	MWFYGDU	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 30th September 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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