

# MORANT WRIGHT

## MANAGEMENT LIMITED

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## Morant Wright Sakura Fund August 2024 Newsletter

% Returns	Month	Year to Date	Since Inception (7 <sup>th</sup> May 2013) (Yen B: 17 <sup>th</sup> April 2018)
Yen (unhedged)	-5.8%	+20.4%	+213.9%
TOPIX Net Total Return	-2.9%	+15.8%	+181.8%
Euro (hedged)	-5.9%	+22.8%	+202.8%
Sterling (hedged)	-6.1%	+23.3%	+217.7%
Swiss Franc (hedged)	-5.9%	+21.2%	+183.1%
US Dollar (hedged)	-5.9%	+23.8%	+247.4%
Yen B shares (unhedged)	-6.0%	+20.3%	+87.2%

Performance given for accumulation shares

Sources: Bloomberg and Waystone Management Company (IE) Limited

In a period of increased volatility for the stock market and continued strength in the yen, TOPIX recorded a decline of 2.9% for August in local terms. In the first three trading days of the month the index fell over 20%, which included its second largest daily fall ever, as investors digested the BoJ's increase in short term interest rates to 0.25% announced at the end of July and due to a concern over a potential slowing in the US economy. A speech by Deputy Governor Uchida, who indicated that the Bank would maintain its easy monetary policy whilst global markets remained volatile, then prompted a recovery.

Prime Minister Kishida, influenced by his poor approval ratings, announced that he would not contest September's LDP leadership election. At this stage, there is no clear candidate to succeed him but the government's main policies seem unlikely to change whoever wins.

Second quarter GDP rose by 3.1% on an annualised basis driven mainly by stronger consumer spending and capex. Wages grew by 4.5% in June thanks to bonuses and, although only a single month, this is the highest rate of growth since 1997. In addition, the National Personnel Authority recommended that wages should rise by 4.4% for Japan's public sector workers in the current fiscal year. This rise would be the highest for over thirty years and applies to just over 3m public employees. In particular, starting salaries for new graduates will rise by 15% following a 6% rise last year.

Corporate results for the first quarter of the new fiscal year have been slightly better than expected. More of our companies revised up than down, although the majority left their full year forecasts unchanged. Specialty chemicals company Adeka revised up its profit estimate for March 2025 after reporting recurring profit growth of 19% in the quarter. Honda reported a record quarter for profits thanks to strong sales of its hybrid cars, which are second only to Toyota globally. Notably, companies in the TOPIX index are still using an FX assumption of ¥145/\$ on average, similar to the current level.

Shareholder returns continued to rise at our companies as they make better use of their cash rich balance sheets. Even at this early stage of the year, a handful of companies have already revised up their estimated dividends. Dividend growth in aggregate for the portfolio is now forecast to be 11% this year. Share buybacks have also been substantial both in number and size. Almost half of the companies in the portfolio have announced them since April and the average size has been 5% of shares outstanding. In August there were large buybacks from Artience (8%) and Inpex (5%), both of which have been regular and significant buyers of their own shares.

Canadian retailer Alimentation Couche-Tard has made a preliminary bid for Seven & I, which has a market cap of \$37bn. If this offer succeeds it would be the largest foreign takeover of a Japanese company. The unsolicited bid is being assessed by a special committee set up by Seven & I in line with the new corporate takeover guidance issued in 2023 by METI. So far this year there have been 14 takeovers of listed Japanese firms by foreign companies. A second significant deal announced this month was the \$4bn agreed acquisition of Fujisoft, a software developer, by private equity firm KKR at a PBR of 4.3x. Interestingly, an activist investor had proposed that the company should go private at last year's AGM, an option that was subsequently recommended by a special committee set up to assess the proposal.

Valuations remain attractive with the portfolio standing at a PBR of 0.83x and a PER of under 11x. Our companies are continuing to improve their shareholder returns, spurred by pressure from investors and the TSE, while a more active M&A market will also help to realise the value in the portfolio.

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

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Fund	
Fund size	\$1,291m
Number of holdings	67

Valuations	
Average PBR	0.83
Median EV/OP* (3/25e)	6.2
Weighted Average P/E (3/25e)	10.6
Net cash as % of market cap*	56%

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

Top Ten Holdings	% Fund
Sumitomo Mitsui Financial Group	3.6
Tokyo Broadcasting System	3.4
Sumitomo Mitsui Trust	3.4
Dai-ichi Life Holdings Inc	3.4
Concordia Financial Group Ltd	3.2
Mitsubishi UFJ Financial Group	3.1
Kinden	3.1
Sumitomo Electric Industries	3.1
Honda Motor Co. Ltd	3.0
Inpex	2.9

Market Cap Breakdown	% Fund
Large cap (>\$5bn)	40.6
Mid cap (\$1-5bn)	55.7
Small cap (<\$1bn)	2.8
Cash	0.9

NAV at 30 <sup>th</sup> August 2024	
Yen	¥3,138.78
Sterling	£31.77
US Dollar	\$34.74
Euro	€30.28
Swiss Franc	CHF28.31
Yen B	¥1,872.41

**Dealing**  
The fund is now closed to new investors but existing investors can deal in the fund by contacting Waystone Management Company (IE) Limited. You can contact them by telephone on +353 1 400 5300 or by emailing [wfs-investordealing@waystone.com](mailto: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	May 2013	Deal cut-off point	11.00am (Irish time)
Geographic exposure	100% Japanese equities	Valuation point	12.00pm (Irish time)
AMC	1.00% (JPY B Class 0.75%)	Settlement	T+4 (subscriptions/redemptions)
OCF	1.20% (JPY B Class: 0.95%)		
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 wfs-dublinta@waystone.com Tel: +353 1 400 5300 Fax: +353 1 400 5350

Share Identifiers	Bloomberg code	SEDOL	ISIN
Euro Acc Hedged	MWSKEUR	B7ST847	IE00B7ST8472
Euro Dist Unhedged		BYWNV45	IE00BYWNV454
Yen Acc Unhedged	MWSKYEN	B9140F8	IE00B9140F89
Yen B Acc Unhedged	MWSKYBA	BF1FZN6	IE00BF1FZN69
Sterling Acc Hedged	MWSKSTL	B840XH9	IE00B840XH97
Sterling Dist Unhedged		BYWNV34	IE00BYWNV348
Swiss Franc Acc Hedged	MWSKCHF	B93V6N7	IE00B93V6N72
US Dollar Acc Hedged	MWSKUSD	B8JTQR2	IE00B8JTQR23
US Dollar Dist UnHedged	MWSUSDD	BYWNV56	IE00BYWNV561

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 at 30<sup>th</sup> August 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 at <https://www.morantwright.co.uk/morant-wright-sakura-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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