

MORANT WRIGHT

MANAGEMENT LIMITED

43 St James's Place, London, SW1A 1NS
 Telephone: 020 7499 9980 Email: enquiries@morantwright.co.uk Website: www.morantwright.co.uk

Morant Wright Sakura Fund December 2024 Newsletter

% Returns	Month	2024	Since Inception (7 th May 2013) (Yen B: 17 th April 2018)
Yen (unhedged)	+4.5%	+29.0%	+236.2%
TOPIX Net Total Return	+4.0%	+20.0%	+192.0%
Euro (hedged)	+4.8%	+32.9%	+227.6%
Sterling (hedged)	+4.9%	+34.0%	+245.4%
Swiss Franc (hedged)	+4.6%	+30.1%	+203.6%
US Dollar (hedged)	+4.9%	+33.6%	+274.8%
Yen B shares (unhedged)	+4.4%	+28.3%	+99.7%

Performance given for accumulation shares
 Sources: Bloomberg and Waystone Management Company (IE) Limited

Topix rose by 4.0% in local terms bringing the total gain in 2024 to 20% including dividends. The yen weakened to ¥157 against the dollar after the Bank of Japan left monetary policy unchanged.

Honda and Nissan have begun merger discussions to create the world's third largest carmaker. Honda, which is held in the portfolio, also announced plans to acquire up to 24% of its outstanding shares for ¥1.1trn, one of the largest ever buybacks by a Japanese company. Adjusting for its leasing business we calculate that Honda had net cash and investments worth around 80% of its market capitalisation at the year end, giving it ample firepower to buy back shares at a time when its PBR is at a historic low. Honda is taking the lead in the merger and is expected to contribute the president and a majority of directors to the board. The two companies hope to eventually add Mitsubishi Motors, of which Nissan is the largest shareholder, to the group. The Nikkei newspaper has reported a possible 5-to-1 share exchange ratio which would reflect the far weaker position in which Nissan finds itself. We are meeting with Honda's CFO in our offices in January to discuss the deal.

It was another record year for buybacks. According to the Nikkei, listed Japanese companies announced share repurchases worth ¥16.8trn (\$108bn), up 75% year-on-year, as companies unwind cross-shareholdings and try to improve capital efficiency. Among the portfolio holdings NHK Spring announced it will buy back and cancel shares worth almost 7% of its market capitalisation. Maruichi Steel Tube plans to repurchase 7% of its outstanding shares utilising some of its abundant net cash, worth 70% of its market capitalisation at the year end. Similarly, Canon Marketing Japan announced an additional 1% buyback, after buying back 17% of shares outstanding earlier in the year.

Bloomberg reported that activists bought at least ¥1trn of Japanese stocks in 2024. This trend is certainly apparent from our portfolio where this month activists raised their holdings to over 9% and 7% in Piolax and Fuji Media respectively. Hi-Lex received shareholder proposals for its January AGM from two separate investors calling for a higher dividend, share repurchases and the abolition of its poison pill. Hi-Lex has net cash and investments worth 170% of its market capitalisation. We have been engaging with the company on these issues for a number of years.

M&A activity continues apace. Nidec announced its second unsolicited takeover bid in as many years, this time for machine tool company Makino Milling, which is held in the portfolio. The cash bid represents a 42% premium and a price to tangible book ratio of 1.2x. Historically unsolicited or hostile bids have been rare in Japan but will add to the pressure on management to accelerate the restructuring of balance sheets and business portfolios. Elsewhere, Bain launched its second counter offer for Fuji Soft, escalating its bidding war with KKR.

Mitsubishi Heavy Industries has invited bids for its majority stake in logistics solutions subsidiary Mitsubishi Logisnext. Similar transactions for non-core businesses are attracting many bidders: brewing company Sapporo Holdings has received proposals from 10 different investors for its real estate portfolio.

The outlook for the portfolio is exciting with low valuations against both net assets and earnings, and better prospects for realising this value. Furthermore, there is scope for greater flows into Japanese equities after the Japanese government proposed a higher return target for the GPIF, the largest pension fund in the world, which may require it to increase its allocation to equities.

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

Fund	
Fund size	\$1,282m
Number of holdings	65

Valuations	
Average PBR	0.89
Median EV/OP* (3/25e)	6.6
Weighted Average P/E (3/25e)	11.4
Net cash as % of market cap*	51%

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

Top Ten Holdings	% Fund
Sumitomo Mitsui Financial Group	3.7
Honda Motor Co. Ltd	3.4
Mitsubishi UFJ Financial Group	3.3
Sumitomo Mitsui Trust	3.3
Tokyo Broadcasting System	3.2
Dai-ichi Life Holdings Inc	3.2
Sumitomo Electric Industries	3.1
Concordia Financial Group Ltd	3.1
Toyota Industries Corp	2.9
Nippon Television Network	2.8

Market Cap Breakdown	% Fund
Large cap (>\$5bn)	39.3
Mid cap (\$1-5bn)	54.8
Small cap (<\$1bn)	3.1
Cash	2.8

NAV at 31 st December 2024	
Yen	¥3,362.05
Sterling	£34.54
US Dollar	\$37.48
Euro	€32.76
Swiss Franc	CHF30.36
Yen B	¥1,996.52

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

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	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	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 31st December 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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