

# MORANT WRIGHT

## MANAGEMENT LIMITED

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### Morant Wright Sakura Fund July 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)	+1.4%	+27.8%	+233.2%
TOPIX Net Total Return	-0.5%	+19.3%	+190.2%
Euro (hedged)	+1.6%	+30.6%	+221.9%
Sterling (hedged)	+1.8%	+31.3%	+238.3%
Swiss Franc (hedged)	+1.5%	+28.8%	+200.7%
US Dollar (hedged)	+1.8%	+31.6%	+269.4%
Yen B shares (unhedged)	+1.8%	+27.9%	+99.1%

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

TOPIX fell by 0.5% in local terms. This small change belies the dramatic moves of both the index and the yen during July which have continued into August. TOPIX surpassed its 1989 high hitting 2,929 on 11<sup>th</sup> July. The currency initially remained weak, reaching ¥161/\$ at one point, a 38 year low, despite intervention by the authorities. Sentiment then turned, possibly because speculative short yen positions were the second largest since the record set in 2007. The currency began to appreciate and ended the month at ¥150.5.

The Bank of Japan surprised most economists by raising interest rates from a range of 0-0.1% to 0.25%, which only 26% of forecasters were anticipating. It also outlined plans to halve the purchase of JGBs from ¥6trn a month to under ¥3trn by April 2026. It believes the risks to inflation over the next two years are to the upside, but it emphasised flexibility in policy to deal with events as they unfold.

Japan's unemployment rate (seasonally adjusted) fell slightly to 2.5% in June, while the job openings-to-applicants ratio was 1.23x. The Japanese government agreed to hike the minimum average hourly pay by 5% to ¥1,054, the largest annual rise on record.

Although it is early days, the tone of the first quarter results announcements has been generally positive. Electrical engineering company Kandenko announced a strong first quarter with profits up 53% year on year on the back of increased renovation work. Canon Marketing Japan, which reported second quarter results, revised up full-year sales forecasts on the back of stronger revenue from its higher margin IT business, which is now almost 50% of total sales. It also announced a huge share buyback, 17% of shares outstanding, the majority of which is being purchased from its parent company Canon. Canon Marketing will remain a subsidiary of Canon for now, but the decline in the number of parent-subsidiary listings continues; the Nikkei reported that the total fell to 190 as at March 2024, down 10% on the previous year and half of the peak level in 2007.

The unwinding of cross-shareholdings continues apace. There was a placing of 5.7% of Honda shares sold by the non-life companies and several banks. Toyota Motor announced it will buy back ¥800bn (\$5.2bn) of its stock from major Japanese banks and insurers through a tender offer at a discount. Toyota and Denso also announced that they will reduce their holdings in another group company, Aisin. According to TSE data, companies excluding financial institutions sold ¥2.6trn (\$16.6bn) of shares in the first half of the year, up 53% from the same period last year.

Elsewhere, Honda, Nissan and Mitsubishi announced a planned strategic partnership. Tohokushinsha, a film and TV distribution company, received a bid from an activist to take the firm private.

The valuation of our portfolio remains attractive at a time when interest rates are starting to normalise. Our cash rich companies are continuing to improve their returns to shareholders and increase their ROE.

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

Fund	
Fund size	\$1,337m
Number of holdings	69

Valuations	
Average PBR	0.90
Median EV/OP* (3/25e)	7.1
Weighted Average P/E (3/25e)	12.0
Net cash as % of market cap*	54%

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

Top Ten Holdings	% Fund
Sumitomo Mitsui Financial Group	3.8
Dai-ichi Life Holdings Inc	3.5
Concordia Financial Group Lt	3.4
Tokyo Broadcasting System	3.4
Sumitomo Mitsui Trust	3.4
Mitsubishi UFJ Financial Group	3.1
Kinden	2.9
Toyota Industries Corp	2.9
Honda Motor Co. Ltd	2.9
Sumitomo Electric Industries	2.7

Market Cap Breakdown	% Fund
Large cap (>\$5bn)	41.5
Mid cap (\$1-5bn)	53.4
Small cap (<\$1bn)	2.8
Cash	2.3

NAV at 31 <sup>st</sup> July 2024	
Yen	¥3,332.13
Sterling	£33.83
US Dollar	\$36.94
Euro	€32.19
Swiss Franc	CHF30.07
Yen B	¥1,991.13

**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 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	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 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 31<sup>st</sup> July 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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