

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 May 2024 Newsletter

% Returns	Month	Year to Date	Since Inception (7 th May 2013) (Yen B: 17 th April 2018)
Yen (unhedged)	+2.1%	+25.0%	+225.9%
TOPIX Net Total Return	+1.1%	+18.2%	+187.7%
Euro (hedged)	+2.4%	+27.0%	+213.1%
Sterling (hedged)	+2.5%	+27.4%	+228.4%
Swiss Franc (hedged)	+2.2%	+25.8%	+193.7%
US Dollar (hedged)	+2.6%	+27.7%	+258.2%
Yen B shares (unhedged)	+2.0%	+24.5%	+93.7%

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

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 13% and are anticipating 5% 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 Y144/\$ 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 23% last year and further growth of 10% 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. Sekisui Jushi, which bought back over 20% of its outstanding shares last year, recently announced a further buyback of 4.6% and a commitment to pay out over 100% of its earnings until March 2027.

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, which is held in the portfolio. 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 their 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 Kinden and TBS, 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	\$1,260m
Number of holdings	66

Valuations	
Average PBR	0.89
Median EV/OP* (3/25e)	6.9
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	3.7
Concordia Financial Group	3.5
Kinden	3.3
Sumitomo Mitsui Trust	3.3
Dai-ichi Life Holdings Inc	3.3
Sumitomo Electric Industries	3.1
Tokyo Broadcasting System	3.0
Mitsubishi UFJ Financial Group	3.0
Honda Motor Co. Ltd	3.0
Inpex	2.8

Market Cap Breakdown	% Fund
Large cap (>\$5bn)	41.9
Mid cap (\$1-5bn)	52.1
Small cap (<\$1bn)	2.8
Cash	3.2

NAV at 31 st May 2024	
Yen	¥3,258.79
Sterling	£32.84
US Dollar	\$35.82
Euro	€31.31
Swiss Franc	CHF29.37
Yen B	¥1,937.28

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	1.21% (JPY B Class: 0.96%)		
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 31st 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 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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