

MORANT WRIGHT

MANAGEMENT LIMITED

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Morant Wright Sakura Fund November 2024 Newsletter

% Returns	Month	Year to Date	Since Inception (7 th May 2013) (Yen B: 17 th April 2018)
Yen (unhedged)	+2.1%	+23.4%	+221.7%
TOPIX Net Total Return	-0.5%	+15.4%	+180.8%
Euro (hedged)	+2.3%	+26.8%	+212.7%
Sterling (hedged)	+2.4%	+27.7%	+229.2%
Swiss Franc (hedged)	+2.1%	+24.4%	+190.4%
US Dollar (hedged)	+1.7%	+27.4%	+257.3%
Yen B shares (unhedged)	+1.7%	+22.8%	+91.2%

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

The stock market fell slightly in November with TOPIX down by 0.5% in yen terms. Yields on 10-year JGBs climbed back above 1% while the yen strengthened against the dollar and sterling.

Mr. Ishiba has remained as prime minister with support from smaller parties and has already announced a new fiscal stimulus package which incorporates some of their policies. One of the key measures would significantly raise the income tax threshold which has remained unchanged for 29 years. The proposal would increase the tax-free threshold by 75% to ¥1.78m (\$1,750) with the aim of encouraging more part-time workers to increase their hours. Meanwhile, total wages grew by 2.8% in September and base pay grew at the fastest rate since 1993. UA Zensen, a trade union representing almost 2m workers in the retail and restaurant industries, announced that it will push for a 6% rise in full-time wages next spring and 7% for part-time workers.

Quarterly results to 30th September highlighted clear differences in the outlook for company profits. Car manufacturing and capex-related companies saw some weakness in demand and many firms revised down their outlook for sales and orders. Construction and financial companies, however, generally saw better profitability. Banks and insurers, in particular, revised up profits and continued to demonstrate strong shareholder return policies. Mitsubishi UFJ Financial Group, for example, increased its dividend by 20% and announced another 2% buyback, its second of the year, while Sumitomo Mitsui Financial Group, Sumitomo Mitsui Trust and Sampo also announced buybacks. Many of the banks also pledged to increase the pace of cross-shareholding selling.

One notable trend in recent results has been the faster pace of dividend rises and the greater size and proliferation of share buybacks. We have highlighted this many times since the start of 2023 when the Tokyo Stock Exchange began encouraging companies to raise their ROE. Dividends from our companies are now forecast to grow by 17% this fiscal year, following dividend growth of 23% last year. Similarly, 60% of companies in the portfolio have announced buybacks since April with an average size of over 5% of shares outstanding. Adding up buybacks and dividends makes the total return to shareholders almost 7%. Sizable buybacks announced in November included Piolax (12% of shares outstanding) and THK (16%).

Figures recently released showed that private equity acquisitions reached a record level of ¥5.9trn (\$42bn) in 2023, almost double the previous high. Private equity activity continued in November with a bidding war between KKR and Bain for software developer FujiSoft, currently valued at \$4bn. Also in the software sector SCSK offered to buy competitor Net One Systems for \$2.4bn, valuing the target at a PBR of 4.5x. There was a further development at retailer Seven & I where the founding Ito family has made a bid to take the company private, funded by a consortium of banks and trading company Itochu Corp. Seven & I has also received at least seven bids for its non-core operations, which it recently separated out into a holding company. Private equity groups Bain and KKR were amongst the bidders.

There has never been more pressure on Japanese companies to improve their capital allocation, with the result that shareholder returns have accelerated. This has been confirmed by the many company meetings we have had recently in London. In addition, Tom had a productive trip to Japan this month with a number of positive meetings. We continue to believe that the trend towards better corporate governance, assisted by increased shareholder activism and M&A, has created a favourable outlook for share prices.

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

Fund	
Fund size	\$1,283m
Number of holdings	64

Valuations	
Average PBR	0.86
Median EV/OP* (3/25e)	6.3
Weighted Average P/E (3/25e)	10.8
Net cash as % of market cap*	53%

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

Top Ten Holdings	% Fund
Sumitomo Mitsui Financial Group	3.9
Sumitomo Mitsui Trust	3.5
Concordia Financial Group Lt	3.4
Mitsubishi UFJ Financial Group	3.4
Sumitomo Electric Industries	3.3
Dai-ichi Life Holdings Inc	3.2
Tokyo Broadcasting System	3.2
Honda Motor Co. Ltd	2.8
Toyota Industries Corp	2.7
Kinden	2.7

Market Cap Breakdown	% Fund
Large cap (>\$5bn)	38.3
Mid cap (\$1-5bn)	54.8
Small cap (<\$1bn)	3.2
Cash	3.7

NAV at 29 th November 2024	
Yen	¥3,217.28
Sterling	£32.92
US Dollar	\$35.73
Euro	€31.27
Swiss Franc	CHF29.04
Yen B	¥1,911.86

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 29th November 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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