

MORANT WRIGHT

MANAGEMENT LIMITED

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Morant Wright Sakura Fund October 2024 Newsletter

% Returns	Month	Year to Date	Since Inception (7 th May 2013) (Yen B: 17 th April 2018)
Yen (unhedged)	+2.0%	+20.9%	+215.0%
TOPIX Net Total Return	+1.9%	+16.0%	+182.3%
Euro (hedged)	+2.3%	+24.0%	+205.6%
Sterling (hedged)	+2.5%	+24.7%	+221.4%
Swiss Franc (hedged)	+2.0%	+21.8%	+184.3%
US Dollar (hedged)	+2.4%	+25.2%	+251.3%
Yen B shares (unhedged)	+2.0%	+20.8%	+87.9%

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

Topix rose by 1.9% in local terms. The market was weak prior to the lower house election on 27th October but recovered sharply despite the inconclusive result. The ruling Liberal Democratic Party lost its majority in Japan's lower house for the first time since 2009, and now does not have a majority of seats even in combination with its traditional coalition partner Komeito. The LDP and Komeito will either try to find another coalition partner among the smaller parties or rule as a minority government. After the election the yen weakened to its lowest level since July.

Core CPI rose by 2.4% in September. Japan's largest trade union federation said it will seek another pay rise of at least 5% in the 2025 wage negotiations. Expectations are therefore building for another BoJ rate hike.

Results announcements so far for the quarter ending September have been mixed. Profits in the construction industry are recovering strongly with electrical engineering firm Kandenko, for instance, reporting a 62% increase in H1 operating profit. On the other hand there have been several guidance cuts in the autos sector due to weak demand in China and production stoppages for certain Toyota Motor models, though Toyota has since resumed production of the models in question. Similarly, a recovery in semiconductor-related demand for electronics companies has not yet materialised. Shareholder returns announcements, however, have been overwhelmingly positive. Possibly at the prompting of an activist investor, speciality chemicals company Zeon announced a new 4% dividend on equity policy, a doubling of its ongoing share buyback, and an ¥8.4bn gain on the sale of cross-shareholdings. As a result of the new policy it hiked its dividend by 50% for a yield of 5.2%. Auto parts company Tokai Rika, an exception in the auto parts sector, revised its profit forecasts upwards and amended its dividend policy to a 3% dividend on equity such that the shares now yield 4.1%. We have engaged with Tokai Rika on numerous occasions to improve shareholder returns and capital efficiency.

The Nikkei reported that the total value of share buybacks announced in the first half of the fiscal year was ¥10.7trn, a record high and double last year's amount. There were several buyback announcements from our holdings including steelmaker Yamato Kogyo, which now plans to repurchase shares worth 5.5% of its market capitalisation over the next year. This will be the company's largest buyback since 2010 and there is clearly scope for more given that it has net cash and investment securities equivalent to its market capitalisation. It was also encouraging to see more progress on cross-shareholding unwinding within the Toyota group, as Toyota Industries announced it would sell all its Denso shares, worth more than ¥400bn, over the next three years.

M&A continues with both technology company NEC and housebuilder Daito Trust announcing acquisitions of listed subsidiaries at significant premiums. Franco-Italian eyewear company EssilorLuxottica reported this month it had taken a 7.4% stake in Nikon, with which it has a small lens venture. In response to a higher takeover bid from Alimentation Couche-Tard, Seven & I Holdings announced it will establish a holding company for its supermarkets, specialty stores and other businesses with the possibility of spinning it off to focus on its convenience stores, something that activists have been advocating for years.

Valuations are attractive and there is large scope for the portfolio holdings to improve capital efficiency by returning their abundant net cash and investments to shareholders. Optimisation of business portfolios is increasingly featuring in our discussions with company management as well, where concentrating on lucrative core businesses could lead to major improvement in margins and ROEs.

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

Fund	
Fund size	\$1,209m
Number of holdings	65

Valuations	
Average PBR	0.83
Median EV/OP* (3/25e)	6.5
Weighted Average P/E (3/25e)	10.6
Net cash as % of market cap*	55%

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

Top Ten Holdings	% Fund
Sumitomo Mitsui Financial Group	3.8
Mitsubishi UFJ Financial Group	3.4
Tokyo Broadcasting System	3.3
Sumitomo Mitsui Trust	3.3
Dai-ichi Life Holdings Inc	3.2
Concordia Financial Group Lt	3.0
Honda Motor Co. Ltd	3.0
Kinden	2.9
Sumitomo Electric Industries	2.9
Inpex	2.7

Market Cap Breakdown	% Fund
Large cap (>\$5bn)	37.9
Mid cap (\$1-5bn)	56.9
Small cap (<\$1bn)	3.6
Cash	1.6

NAV at 31 st October 2024	
Yen	¥3,150.24
Sterling	£32.14
US Dollar	\$35.13
Euro	€30.56
Swiss Franc	CHF28.43
Yen B	¥1,879.47

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 October 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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