

# MORANT WRIGHT

## MANAGEMENT LIMITED

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### Morant Wright Sakura Fund September 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)	-1.6%	+18.5%	+208.8%
TOPIX Net Total Return	-1.7%	+13.9%	+177.1%
Euro (hedged)	-1.4%	+21.2%	+198.6%
Sterling (hedged)	-1.3%	+21.7%	+213.6%
Swiss Franc (hedged)	-1.6%	+19.3%	+178.6%
US Dollar (hedged)	-1.3%	+22.2%	+243.0%
Yen B shares (unhedged)	-1.6%	+18.4%	+84.3%

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

Topix was down 1.7% in yen terms after a sharp drop on the final day of the month. Investors were wrong-footed by veteran politician Shigeru Ishiba's surprise victory in the LDP leadership election having previously expected that Sanae Takaichi, known to favour looser monetary policy, would win. Mr. Ishiba broadly supports normalisation of monetary policy and is considered hawkish on defence but we don't expect any dramatic departures from existing policy. He has since called a general election for the 27<sup>th</sup> October. The yen strengthened to ¥142 against the dollar at the month end on the news of his victory and after a narrowing of the interest rate differential following the Fed's rate cut two weeks earlier.

Core inflation accelerated in August to 2.8%, and real wages rose in July for the first time in 27 months thanks to higher bonus payments. Meanwhile, corporate capex rose by 7.4% in the second quarter. Tourist numbers reached a new record high for a single month in August.

Among our holdings, electrical engineering firm Kandenko raised its recurring profit forecast by 16% and its dividend by 19% thanks in part to strong private sector investment. Broadcaster TBS Holdings almost doubled its net profit forecast after reporting a ¥24.1bn gain on the partial sale of its shareholding in Tokyo Electron. This shareholding alone is worth around ¥410bn, more than two thirds of TBS's market capitalisation. The trend of selling cross-shareholdings received a boost this month after the General Insurance Association of Japan announced that non-life insurers will abolish the practice of cross-shareholdings and asked members not to acquire new stakes.

There were several instances of activist investors taking or adding to positions in our portfolio companies. An activist reported a 6% stake in specialty chemicals company Zeon for instance. Based on publicly disclosed ownership data, we know that there are at least 28 holdings in the fund, roughly 40%, with an activist invested.

Elsewhere in the market, Seven & I Holdings rejected an initial takeover bid from Canadian convenience store operator Alimentation Couche-Tard. It also secured a "core" national security designation from the Ministry of Finance, which is the highest ranking. This might be an attempt to thwart the bid but commentators suggest it is unlikely to prove a major barrier. Otherwise, dealmaking remains brisk. Bain launched a counteroffer for KKR target Fuji Soft and it is encouraging to see more competitive bids. Bain will also partner with management at Trancom, a major logistics company, to take the company private at a 41% premium and at a price to tangible book ratio of 2x.

The Nikkei published research this month that TOPIX companies collectively have ¥25trn (\$175bn) of unrealised gains on their real estate. This is reflected at our holdings where the market value of rental real estate can be significant and, in some cases, far exceeds the book value. For instance, Mitsubishi Logistics owns rental real estate with a book value of ¥143bn but has a market value of ¥415bn which compares to a market capitalisation of ¥395bn. The company is beginning to realise some of these gains by selling rental assets. Moreover, we expect there to be large unrealised gains on the land used in its core warehousing business. In addition to the rental real estate, the company has net cash and investments worth ¥145bn. There is clearly tremendous scope to realise value from such situations.

Valuations of the fund look very attractive against both net assets and earnings with an understated price to book ratio of 0.81x, EV/OP of 6.4x, and PER of just 10.0x. We see an increasing number of ways to realise this value thanks to rising activism and M&A transactions.

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

Fund	
Fund size	\$1,291m
Number of holdings	67

Valuations	
Average PBR	0.81
Median EV/OP* (3/25e)	6.4
Weighted Average P/E (3/25e)	10.0
Net cash as % of market cap*	58%

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

Top Ten Holdings	% Fund
Sumitomo Mitsui Financial Group	3.5
Tokyo Broadcasting System	3.4
Sumitomo Mitsui Trust	3.3
Concordia Financial Group	3.1
Dai-ichi Life Holdings Inc	3.1
Mitsubishi UFJ Financial Group	3.0
Sumitomo Electric Industries	3.0
Honda Motor Co. Ltd	2.9
Kinden	2.9
Toyota Industries Corp	2.8

Market Cap Breakdown	% Fund
Large cap (>\$5bn)	38.0
Mid cap (\$1-5bn)	57.9
Small cap (<\$1bn)	2.8
Cash	1.3

NAV at 30 <sup>th</sup> September 2024	
Yen	¥3,088.36
Sterling	£31.36
US Dollar	\$34.30
Euro	€29.86
Swiss Franc	CHF27.86
Yen B	¥1,842.62

**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 30<sup>th</sup> September 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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