

MORANT WRIGHT

MANAGEMENT LIMITED

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Morant Wright Sakura Fund February 2024 Newsletter

% Returns	Month	Year to Date	Since Inception (7 th May 2013) (Yen B: 17 th April 2018)
Yen (unhedged)	+5.3%	+13.9%	+196.8%
TOPIX Net Total Return	+4.9%	+13.1%	+175.2%
Euro (hedged)	+5.7%	+14.6%	+182.4%
Sterling (hedged)	+5.7%	+14.7%	+195.5%
Swiss Franc (hedged)	+5.5%	+14.1%	+166.5%
US Dollar (hedged)	+5.8%	+14.7%	+222.0%
Yen B shares (unhedged)	+5.3%	+13.9%	+77.3%

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

The price weighted Nikkei 225 finally exceeded its 1989 all-time high on 22nd February. The more representative market capitalisation weighted Topix rose 4.9% in yen terms over the month but was still 7% below its peak. Foreign investors continue to be net buyers, though at a slower pace than January.

Results at our companies for the period ending December 2023 were overwhelmingly positive. In aggregate, they have raised forecasts for recurring profit and EPS growth to 9% and 17% respectively. Notable results included Tokai Rika which upgraded forecasts thanks to a recovery in auto production at its main customer Toyota Motor, where hybrid vehicles now make up a third of vehicles sold.

Many companies within the portfolio also raised their dividends which in aggregate are now forecast to grow by 13% for the year ending March 2024. Furthermore, around two thirds of holdings have announced share buybacks so far this fiscal year. Speciality chemicals company Toagosei for instance announced a dividend hike and a share buyback for 4.3% of shares outstanding, which was in line with its 100% shareholder return policy adopted following an activist shareholder proposal last year. Components maker NHK Spring announced a 5.3% buyback following a ¥15bn gain on the sale of cross-shareholdings, while railway engineering firm Nippon Densetsu is to undertake its first repurchase since 2003 for 4.1% of its shares. The TV broadcasters jumped after Nippon Television Holdings said it would start paying dividends to foreign investors who hold unregistered shares above the 20% foreign ownership threshold. This will also make it much easier for NTV to buy back shares and the company has announced a 2% buyback, its first since 2009.

The Nikkei reported that the FSA has urged Japan's non-life insurers to accelerate the sale of cross-shareholdings to eliminate potential conflicts. Their share prices rose significantly as a result and it was therefore an interesting time for us to meet Sampo's CFO in London. We were subsequently pleased to see Sampo announce it would sell all of its shareholdings by fiscal 2030. At March 2023 these cross-shareholdings were worth ¥1.2trn, roughly 40% of the market capitalisation, though the current value is probably higher. Their sale will free up large amounts of capital to fund shareholder returns and other investments. Given the FSA's move, other financial institutions may find negotiations to unwind cross-shareholdings easier.

The Tokyo Stock Exchange continues to promote better governance standards. We are delighted that President Yamaji is visiting our office this week to exchange views. This month the TSE published examples of best practice for companies disclosing plans for raising their PBRs. We were pleased to see several of our holdings singled out for praise including Concordia Financial, Inpex, and Inabata. A further announcement stated that from April 2025 Prime Index companies must start releasing financial results in English at the same time as the Japanese versions.

Andrew's meetings in Japan last week and others in London have confirmed that Japanese management is increasingly responsive to investor feedback and the TSE initiatives. Many examples of positive outcomes following our engagement can be found in our 2023 Engagement Report which is now available on our website.

Net cash is worth 53% of the market capitalisation at our non-financial holdings and earnings multiples remain modest. Over half of our stocks have disclosed plans to address their undervaluation and momentum is building behind unlocking the considerable value in the portfolio.

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

Fund	
Fund size	\$994m
Number of holdings	62

Valuations	
Average PBR	0.87
Median EV/OP* (3/24e)	6.7
Weighted Average P/E (3/24e)	11.6
Net cash as % of market cap*	53%

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

Top Ten Holdings	% Fund
Tokyo Broadcasting System	3.6
Sumitomo Mitsui Financial Group	3.3
Toyota Industries Corp	3.3
Mitsubishi UFJ Financial Group	3.2
Sumitomo Mitsui Trust	3.0
Kinden	2.9
Concordia Financial Group	2.9
Honda Motor Co. Ltd	2.9
Obayashi	2.7
Dai-ichi Life Holdings Inc	2.6

Market Cap Breakdown	% Fund
Large cap (>\$5bn)	39.2
Mid cap (\$1-5bn)	53.9
Small cap (<\$1bn)	4.1
Cash	2.8

NAV at 29 th February 2024	
Yen	¥2,968.46
Sterling	£29.55
US Dollar	\$32.20
Euro	€28.24
Swiss Franc	CHF26.65
Yen B	¥1,773.14

Dealing
 If you would like to deal in the fund, please contact 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 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	MWSKEUR	B7ST847	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 February 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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