

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 Fuji Yield Fund March 2024 Newsletter

% Returns	Month*	Year to Date	Since Inception	TOPIX Net TR since inception*	Inception date
Yen (unhedged)	+5.7%	+20.0%	+197.0%	+141.5%	4 Nov 2014
TOPIX Net Total Return	+3.6%	+17.2%			
Sterling (hedged)	+6.2%	+21.4%	+203.5%	+141.5%	4 Nov 2014
US Dollar (hedged)	+6.2%	+21.5%	+223.5%	+134.4%	28 Nov 2014
Swiss Franc (hedged)	+6.0%	+20.5%	+90.6%	+72.9%	11 Dec 2017
Yen B shares (unhedged)	+5.7%	+20.0%	+157.5%	+113.4%	12 Mar 2015

Sources: Bloomberg and Waystone Management Company (IE) Limited
 Performance and NAV given for accumulating shares; available distributing shares are shown overleaf
 *Month to 28th March 2024

* Performance of TOPIX Net TR index since inception is shown in yen

Topix rose 3.6% in March in local terms. As widely expected the Bank of Japan ended its negative interest rate policy by raising rates for the first time in 17 years. It simultaneously abandoned yield curve control, ended purchases of ETFs and REITs (though in practice it had stopped buying some time ago) and pledged to gradually reduce its purchases of commercial paper and corporate bonds. Somewhat surprisingly the yen weakened modestly to its lowest level in 34 years, close to ¥152 against the dollar.

Inflation remains robust, as core CPI jumped to 2.8% from 2.0% in February, after the effect of government energy subsidies fell out of the calculation. Japan's largest trade union group, Rengo, announced that its member unions have secured pay rises of 5.3% on average in this year's negotiations, exceeding last year's 3.8%.

Payouts to shareholders from listed companies will reach another all-time high of ¥25trn (\$165bn) for the fiscal year ending March 2024 according to the Nikkei newspaper. Amongst our companies, we were pleased to see construction and civil engineering firm Obayashi upgrade its dividend policy and commit to a 10% ROE target. Despite a 24% rise this month the shares still yield 4%. This new policy actually goes further than an activist shareholder proposal in June 2023 for which we voted but which failed to pass. Similarly, Fuji Media announced a buyback of 4.6% of its shares using the proceeds of a ¥16bn gain on the sale of listed equity holdings citing the need to improve capital efficiency. We have engaged with both of these companies on their overcapitalised balance sheets. There was more good news on investment security sales at Sumitomo Electric, which recorded a large gain on the sale of shares in an Indian affiliate, and Zeon, which continues to sell down its stake in Yokohama Rubber.

Elsewhere, Dai-Ichi Life published its new mid-term plan with an enhanced shareholder return policy. The company upgraded its dividend payout ratio from 30% to 40% and announced a ¥100bn buyback for 5.3% of its outstanding shares. It will also cut its cross-shareholdings by 30% over three years to help it achieve an ROE of 10%.

The lack of a market for corporate control has historically depressed valuations in Japan but this is changing. Dai-Ichi Life made a rare unsolicited counterbid for Benefit One in December, which was successful, and this month Brother Industries made a counterbid to a proposed MBO at Roland DG at a slightly higher premium. Hostile takeovers are becoming more common too, as logistics company AZ-COM Maruwa Holdings offered a 47% premium for its competitor Chilled & Frozen Logistics Holdings after merger talks broke down. The asset rich balance sheets and modest valuations of many Japanese companies are attracting attention from private equity investors as well. Deal value in 2023 almost trebled compared to the annual average of the last five years according to Bain & Co.

Clients often ask us about the large "hidden" gains on real estate at Japanese companies. Hino Motors illustrated this well when it announced a ¥40bn gain on the sale of an idle piece of land with a book value of only ¥4.1bn. This came just six months after it announced a ¥50bn gain on the sale of land with a book value of ¥0.1bn. These gains, with a combined worth of ¥90bn, compare to a market capitalisation of just ¥300bn. We believe many of our holdings could also generate profits by selling real estate assets with low book values.

Our portfolio companies continue to improve capital efficiency under growing pressure from investors. With net cash worth 40% of the portfolio there is clearly considerable scope to do so, and earnings multiples are attractive.

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

Fund	
Fund size	\$362m
Number of holdings	59

Valuations	
Average PBR	0.92
Median EV/OP* (3/24e)	7.5
Weighted Average P/E (3/24e)	12.1
Net cash as % of market cap*	40%

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

Top Ten Holdings	% Fund
Sumitomo Mitsui Financial Group	3.5
Mitsubishi UFJ Financial Group	3.3
Sumitomo Mitsui Trust	3.1
Honda Motor Co. Ltd	3.1
Fuji Media Holdings	3.1
Dai-Ichi Life Holdings Inc	3.0
Impex	2.8
Kandenko	2.7
Concordia Financial Group Lt	2.5
Obayashi	2.4

Market Cap Breakdown	% Fund
Large cap (>\$5bn)	33.3
Mid cap (\$1-5bn)	48.1
Small cap (<\$1bn)	17.7
Cash	0.9

NAV at 28 th March 2024	
Yen	¥2,970.15
Sterling	£30.35
US Dollar	\$32.35
Swiss Franc	CHF19.06
Yen B	¥2,574.78

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 ¥, €, £ and \$	Dealing frequency	Daily
Launch date	November 2014	Deal cut-off point	11.00am (Irish time)
Geographic exposure	100% Japanese equities	Valuation point	12.00pm (Irish time)
AMC OCF	1.00% (JPY B Class 0.75%) 1.29% (JPY B Class: 1.04%)	Settlement	T+4 (subscriptions/redemptions)
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	MWFYEAH	BQ5BN33	IE00BQ5BN330
Euro Dist Hedged	MWFYEDH	BQT49G3	IE00BQT49G37
Euro Acc Unhedged	MWFYEAU	BDRKVZ5	IE00BDRKVZ52
Euro Dist Unhedged	MWFYEDU	BD1LVV0	IE00BD1LVV03
Yen Acc Unhedged	MWFYJAU	BQ5BN44	IE00BQ5BN447
Yen Dist Unhedged	MWFYJDU	BQT49H4	IE00BQT49H44
Yen B Acc Unhedged	MWFJBUH	BVOLL84	IE00BVOLL840
Sterling Acc Hedged	MWFYGAH	BQ5BN22	IE00BQ5BN223
Sterling Dist Hedged	MWFYGDH	BQT49F2	IE00BQT49F20
Sterling Dist Unhedged	MWFYGDU	BYWNV67	IE00BYWNV678
Swiss Franc Acc Hedged	MWFYCAH	BQ5BN66	IE00BQ5BN660
Swiss Franc Dist Hedged	MWFYCDH	BQT49K7	IE00BQT49K72
US Dollar Acc Hedged	MWFYUAH	BQ5BN55	IE00BQ5BN553
US Dollar Dist Hedged	MWFYUDH	BQT49J6	IE00BQT49J67
US Dollar Dist Unhedged	MWFYUDU	BD9BP98	IE00BD9BP985

Ex-Dividend Date	26 Apr 2019	31 Oct 2019	30 Apr 2020	30 Oct 2020	30 Apr 2021	29 Oct 2021	28 Apr 2022	28 Oct 2022	28 Apr 2023	31 Oct 2023
Euro Distributing (hedged)	0.2396	0.1470	0.1946	0.1272	0.1929	0.1663	0.2372	0.2173	0.2523	0.2400
Euro Distributing (unhedged)	0.1653	0.1474	0.1693	0.1092	0.1589	0.1354	0.1869	0.1681	0.1873	0.1603
Sterling Distributing (hedged)	0.2318	0.0454	0.1836	0.1244	0.1960	0.1637	0.2344	0.2086	0.2541	0.2418
Sterling Distributing (unhedged)	0.1786	0.1894	0.1745	0.1179	0.1679	0.1387	0.1880	0.1726	0.1968	0.1656
Yen Distributing	82.9239	14.7551	19.7063	12.9515	19.6050	17.2094	23.7748	22.8376	26.0838	24.2228
Dollar Distributing (hedged)	0.2338	0.1589	0.2139	0.1397	0.2195	0.1888	0.2706	0.2597	0.2868	0.2859
Dollar Distributing (unhedged)	0.1462	0.1325	0.1629	0.1095	0.1667	0.1402	0.1828	0.1494	0.1734	0.1512

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 as at 28th March 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 <https://www.morantwright.co.uk/mw-fuji-yield-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/>. Copyright 2024. All rights reserved.