

# MORANT WRIGHT MANAGEMENT LIMITED

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## Morant Wright Sakura Fund February 2025 Newsletter

% Returns	Month	Year to date	Since Inception (7 <sup>th</sup> May 2013) (Yen B: 17 <sup>th</sup> April 2018)
Yen (unhedged)	-2.1%	-1.0%	+233.0%
TOPIX Net Total Return	-3.8%	-3.7%	+181.4%
Euro (hedged)	-1.9%	-0.6%	+225.7%
Sterling (hedged)	-1.8%	-0.3%	+244.2%
Swiss Franc (hedged)	-2.1%	-1.0%	+200.5%
US Dollar (hedged)	-1.8%	-0.4%	+273.5%
Yen B shares (unhedged)	-2.3%	-1.3%	+97.0%

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

TOPIX fell by 3.8% in local terms over the month. Rising expectations for Japanese interest rates led to the yen strengthening and the yield on the 10-year JGB reached 1.45%, its highest level since 2009.

Fourth quarter GDP growth was stronger than expected, recording an increase of 2.8% annualised on a real basis. This meant that nominal GDP grew by almost 3% in 2024. Similarly, core inflation for January was slightly higher than forecast at 3.2% driven by a rise in food prices and a reduction in fuel subsidies.

The Financial Services Agency published 2024 data for NISAs, the first full year after allowances were trebled last January. Investments made through NISAs totalled ¥17.4trn, more than three times the value invested the previous year. Interestingly, a survey released alongside the figures showed that 75% of NISA investors used "deposits, salaries and pensions" as the source of their funds, suggesting that money is starting to flow from cash and deposits into risk assets. Direct investment in Japanese equities accounted for ¥6.1trn of this total, a higher proportion than had been estimated initially, with a further ¥1.8trn going into global investment trusts including Japan.

Profit forecasts for the portfolio have been raised as a result of generally positive corporate earnings for the quarter ended 31<sup>st</sup> December. Recurring profits are expected to grow by 6% for the year to March and EPS to increase by 10%, the latter helped by share buybacks and profits on the sale of cross-shareholdings and other assets. Sumitomo Electric was one of many holdings that revised up its profit forecasts, having grown recurring profit by 42% so far this fiscal year thanks to its leading global positions in wire harnesses for cars, optical equipment for data centres and super-high voltage power cables. The company confirmed in a recent video call with us that the outlook remains positive; meanwhile the shares still stand at a PBR of 0.9x, not helped perhaps by the fact that the management have not undertaken any overseas IR trips for many years.

Once again it was the scale of shareholder returns that impressed. Dividends for the portfolio are now expected to grow by 24% after a raft of companies increased their payouts, including Canon Marketing and Sumitomo Mitsui Trust. Similarly, figures for share buybacks show that more than 70% of the companies in the portfolio have announced buybacks since April at an eye-catching average size of 6% of shares outstanding. Most Japanese companies have improved their corporate governance in the last few years, but these shareholder return figures are far higher than the average for TOPIX overall.

M&A activity has started to increase as business reorganisation across corporate Japan creates opportunities. Private equity group Bain announced the \$3.3bn acquisition of pharmaceutical subsidiary Mitsubishi Tanabe from Mitsubishi Chemical, which had itself fully acquired the business five years ago. Encouraged by the new METI guidelines on takeovers, Taiwanese company Yageo has made an unsolicited bid for Shibaura Electronics, a \$500m manufacturer of sensors. Supermarket chain Aeon announced the buy-in of listed subsidiaries Aeon Mall and Aeon Delight while the takeover battle between two private equity groups for IT services company Fujisoft was ended with a cash bid of \$4.4bn by KKR. Honda and Nissan announced that they were terminating their merger talks, but the situation remains fluid and Honda is nevertheless proceeding with its 24% share buyback.

More positive economic data and solid corporate results support the continued investment case for our portfolio. Recent company meetings and Nick's trip to Japan have also confirmed that our companies are prioritising shareholder returns, while PBR and EV/OP valuations both remain attractive. The strong cashflow at our companies means that net cash and investments is still worth over half of the market cap (excluding financials), suggesting plenty of scope for these growing shareholder returns to continue.

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

Fund	
Fund size	\$1,314m
Number of holdings	66

Valuations	
Average PBR	0.86
Median EV/OP* (3/25e)	6.4
Weighted Average P/E (3/25e)	10.6
Net cash as % of market cap*	52%

\*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
Sumitomo Mitsui Trust	3.4
Dai-ichi Life Holdings Inc	3.4
Tokyo Broadcasting System	3.3
Concordia Financial Group Ltd	3.2
Honda Motor Co. Ltd	3.1
Toyota Industries Corp	3.0
Sumitomo Electric Industries	2.9
Nippon Television Network	2.9

Market Cap Breakdown	% Fund
Large cap (>\$5bn)	40.6
Mid cap (\$1-5bn)	55.9
Small cap (<\$1bn)	2.6
Cash	0.9

NAV at 28 <sup>th</sup> February 2025	
Yen	¥3,329.85
Sterling	£34.42
US Dollar	\$37.35
Euro	€32.57
Swiss Franc	CHF30.05
Yen B	¥1,970.29

**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](mailto: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 OCF	1.00% (JPY B Class: 0.75%) 1.20% (JPY B Class: 0.95%)	Settlement	T+4 (subscriptions/redemptions)
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 28<sup>th</sup> February 2025 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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