

# 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 Sakura Fund June 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)	+0.8%	+26.1%	+228.6%
TOPIX Net Total Return	+1.4%	+19.9%	+191.8%
Euro (hedged)	+1.1%	+28.5%	+216.7%
Sterling (hedged)	+1.2%	+29.0%	+232.4%
Swiss Franc (hedged)	+0.9%	+27.0%	+196.4%
US Dollar (hedged)	+1.2%	+29.3%	+262.7%
Yen B shares (unhedged)	+0.9%	+25.7%	+95.6%

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

TOPIX rose by 1.4% in local currency terms during the month but the yen continued to decline. Japanese individual investors have been buying local equities in recent weeks but it is also the case that part of the flow into NISAs has been into global stocks, particularly in the US, perhaps encouraged by the continued favourable returns especially in yen terms.

A recent report by SMBC highlighted that the spring wage increases will mostly hit monthly wage packets in June and July which may help consumption. Department store sales have already been very strong supported by the boom in overseas visitor numbers which continue to grow and are now comfortably surpassing pre-covid highs. Inflation figures remain ahead of the Bank of Japan's 2% target and most commentators expect at least one rise in interest rates in the second half of the year.

The unwinding of cross shareholdings has been an established trend for some time but the pace is accelerating. During the month, city bank SMFG and insurer MS&AD announced a substantial sale of their holdings in trading company Mitsui. There were further divestments within the Toyota group. A number of group companies, including Toyota Motor, Denso and Toyota Industries, will be selling a large portion of their shares in Aisin. Aisin also unveiled a share buyback, albeit smaller in size than the selling by the group companies. Similarly, Toyota Motor sold some of its shares in Toyota Industries as part of the latter's ¥180bn buyback. Despite this acceleration in share sales, non-financial corporates remain net buyers of the market as share buybacks are in aggregate outweighing the cross-shareholding unwinding. According to Tachibana Securities, share buybacks announced in May exceeded ¥7trn, a record amount for a single month.

The acceleration is a direct result of the corporate governance improvements and commitments by management to improve return on equity. It may also in the long run encourage more M&A, which started to see increased activity in June. Kirin announced the acquisition of cosmetics company Fancl, of which it already owned 33%. The offer price was a 43% premium to Fancl's share price and valued the company at just over \$2bn. In the transportation sector, trucking company Seino acquired 70% of Mitsubishi's Electric's logistics subsidiary for \$380m while Chilled & Frozen Logistics received an \$790m offer from SG Holdings, which trumped an earlier bid from another company.

Results of voting at company AGMs are starting to come through. Once again there was a record number of shareholder proposals, with 113 companies receiving a total of 419 proposals. We voted in favour of shareholder proposals at 7 of our holdings, most of which were for share buybacks. Historically an approval rating for directors below 80% has often triggered some response from boards, and a sharp decrease in support can also prompt action. Fuji Media, which we highlighted last year as having only 58% support for the president, saw a rise to 72% this year, perhaps reflecting some progress on cross shareholding unwinding and share buybacks. Construction and real estate company Toda Corporation, however, saw the approval rating of its chairman fall to 71%. Within the fund, we voted against the re-election of directors at 10 companies, mostly due to a lack of sufficient progress on shareholder returns and capital allocation.

Overall, the pressure on management to improve their returns on equity and raise their price to books is showing little sign of abating. As a result of this trend and the continued modest valuations of the portfolio we remain positive on the outlook.

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

AUTHORISED AND REGULATED BY THE FINANCIAL CONDUCT AUTHORITY  
REGISTERED IN ENGLAND NUMBER 3692692

Fund	
Fund size	\$1,247m
Number of holdings	67

Valuations	
Average PBR	0.9
Median EV/OP* (3/25e)	6.8
Weighted Average P/E (3/25e)	12.1
Net cash as % of market cap*	54%

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

Top Ten Holdings	% Fund
Sumitomo Mitsui Financial Group	3.8
Concordia Financial Group Lt	3.4
Dai-ichi Life Holdings Inc	3.3
Sumitomo Mitsui Trust	3.2
Tokyo Broadcasting System	3.2
Mitsubishi UFJ Financial Group	3.0
Sumitomo Electric Industries	3.0
Kinden	3.0
Toyota Industries Corp	2.9
Honda Motor Co. Ltd	2.8

Market Cap Breakdown	% Fund
Large cap (>\$5bn)	42.0
Mid cap (\$1-5bn)	51.1
Small cap (<\$1bn)	3.5
Cash	3.4

NAV at 28 <sup>th</sup> June 2024	
Yen	¥3,286.22
Sterling	£33.24
US Dollar	\$36.27
Euro	€31.67
Swiss Franc	CHF29.64
Yen B	¥1,955.54

**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 [investordealing@linkgroup.ie](mailto: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	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	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	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> June 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/>.

Copyright 2024. All rights reserved.