

# MORANT WRIGHT

## MANAGEMENT LIMITED

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### Morant Wright Sakura Fund March 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)	+5.4%	+20.1%	+213.0%
TOPIX Net Total Return	+3.6%	+17.2%	+185.2%
Euro (hedged)	+5.9%	+21.3%	+199.0%
Sterling (hedged)	+5.9%	+21.4%	+213.0%
Swiss Franc (hedged)	+5.7%	+20.6%	+181.6%
US Dollar (hedged)	+6.0%	+21.6%	+241.2%
Yen B shares (unhedged)	+5.4%	+20.1%	+86.9%

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

\*Month to 28<sup>th</sup> March

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 50% of the portfolio there is clearly considerable scope to do so, and earnings multiples are attractive.

Please note that the Morant Wright Sakura Fund is now closed to new investors. Existing investors are still able to add to their holdings in the fund.

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	\$1,174m
Number of holdings	64

Valuations	
Average PBR	0.92
Median EV/OP* (3/24e)	7.2
Weighted Average P/E (3/24e)	12.1
Net cash as % of market cap*	50%

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

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

Market Cap Breakdown	% Fund
Large cap (>\$5bn)	41.2
Mid cap (\$1-5bn)	51.1
Small cap (<\$1bn)	3.4
Cash	4.3

NAV at 28 <sup>th</sup> March 2024	
Yen	¥3,130.16
Sterling	£31.30
US Dollar	\$34.12
Euro	€29.90
Swiss Franc	CHF28.16
Yen B	¥1,869.45

**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	1.21% (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	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> 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 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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