

MORANT WRIGHT

MANAGEMENT LIMITED

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Morant Wright Sakura Fund September 2021 Newsletter

Returns	Month	Year to Date	Since Inception (7 th May 2013) (Yen B: 17 th April 2018)
Yen (unhedged)	+4.3%	+19.6%	+79.6%
TOPIX Net Total Return	+4.2%	+14.3%	+99.5%
Euro (hedged)	+4.3%	+19.1%	+65.3%
Sterling (hedged)	+4.3%	+19.3%	+68.7%
Swiss Franc (hedged)	+4.3%	+19.0%	+60.7%
US Dollar (hedged)	+4.3%	+19.7%	+81.2%
Yen B shares (unhedged)	+4.4%	+19.9%	+7.3%

Performance given for accumulation shares
 Sources: Bloomberg and Link Fund Solutions Ireland Limited (LFSI)

TOPIX increased by 4.2% in yen terms over the month and rose to a 30-year high after Prime Minister Suga announced that he would not stand in the LDP leadership election which took place at the end of the month. Having sold earlier in the year, foreign investors have become buyers of Japanese equities and futures, purchasing a net ¥2.1trn since late July.

Japan's new prime minister will be Fumio Kishida, a former foreign minister, who secured 60% support from his party in the second round of voting. He will now lead the LDP which is expected to win the lower house election that must take place before the end of November. Mr. Kishida has proposed a large fiscal package to revitalise the economy, continuing the expansionary fiscal and monetary policies of Abenomics. He has also emphasised the need for income redistribution by raising worker pay and a restart of nuclear power stations.

Following a sharp fall in the number of new Covid-19 cases, Mr. Suga lifted the state of emergency for Tokyo and 19 other prefectures on 30th September. The vaccination rollout has continued at a remarkable pace: over 70% of the adult population had been double-vaccinated by the end of the month.

There was significant M&A news for two of our holdings. Road paving company Nippo, which is 57% owned by oil refiner ENEOS, received a bid from its parent company to buy out the minority interests. The shares already stood at an all-time high due to strong profit performance, and the bid represents a further 17% premium. The takeover will be carried out through an SPC, which will reduce the capital gains liability and may encourage other companies to adopt a similar structure. Elsewhere, MUFG announced the sale of its American subsidiary Union Bank to U.S. Bancorp for \$17.6bn including special dividends. The sale price was 1.3x PBR, compared to MUFG's own valuation of 0.5x PBR, and the expected proceeds represent 25% of MUFG's market cap. MUFG has already indicated that it will conduct a share buyback when the transaction completes in mid-2022.

After two successful hostile takeovers last year, there have been seven further attempts so far in 2021. This month Shinsei Bank received a hostile bid from financial services company SBI Holdings which already owns 20% of the bank and now wants to increase its holding to 48%. The bid is being made at a 39% premium. Shinsei Bank has threatened to implement a poison pill but will have to hold an EGM to get shareholder approval.

Despite a strong month, valuations remain low. The fund stands at only 0.72x PBR, and, on average, net cash and investments are equal to 72% of market cap (excluding financials). Encouragingly, we are seeing more corporate activity which should help to realise the abundant value amongst our holdings, including continued bids by parent companies for their listed subsidiaries. Even more exciting perhaps is the growing number of hostile takeover bids.

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

Fund	
Fund size	\$693m
Number of holdings	58

Valuations	
Average PBR	0.72
Median EV/OP* (3/22e)	4.2
Weighted Average P/E (3/22e)	10.7
Net cash as % of market cap*	72%

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

Top Ten Holdings	% Fund
Dai-ichi Life Holdings	3.3
Mitsubishi UFJ Financial Group	3.1
Toyota Motor	2.9
Tokyo Broadcasting System	2.9
Kinden	2.8
Honda Motor	2.8
Sumitomo Mitsui Trust	2.8
Toyota Industries	2.8
Toppan Printing	2.7
Nippon Television Network	2.7

Market Cap Breakdown	% Fund
Large cap (>\$5bn)	38.2
Mid cap (\$1-5bn)	54.2
Small cap (<\$1bn)	5.4
Cash	2.2

NAV at 30 th September 2021	
Yen	¥1,795.54
Sterling	£16.87
US Dollar	\$18.12
Euro	€16.53
Swiss Franc	CHF16.07
Yen B	¥1,072.62

Dealing
 If you would like to deal in the fund, please contact Link Fund Solutions Ireland. Their telephone number is +353 1 400 5300

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%) 1.22% (JPY B Class: 0.97%)	Settlement	T+4 (subscriptions/redemptions)
Share types	Accumulation and Distributing	Fund administrator	Link Fund Administrator Ireland Limited (LFAI) 1st Floor, 2 Grand Canal Square Grand Canal Harbour Dublin 2 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 LFSI. Index data are taken from Bloomberg. Performance is given in sterling terms based on the Fund NAV. Data are as at 30th September 2021 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 LFSI or ourselves, along with the Fund Prospectus and the latest report and accounts.

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