

MORANT WRIGHT

MANAGEMENT LIMITED

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Morant Wright Fuji Yield Fund December 2023 Newsletter

	Month	Year to Date	Since Inception	TOPIX Net TR since inception*	Inception date
Yen (unhedged)	+0.0%	+35.3%	+147.6%	+106.0%	4 Nov 2014
TOPIX Net Total Return	-0.2%	+27.8%			
Sterling (hedged)	+0.5%	+40.5%	+150.0%	+106.0%	4 Nov 2014
US Dollar (hedged)	+0.5%	+41.8%	+166.2%	+100.0%	28 Nov 2014
Swiss Franc (hedged)	+0.2%	+36.3%	+58.2%	+47.5%	11 Dec 2017
Yen B shares (unhedged)	+0.0%	+33.3%	+114.5%	+82.1%	12 Mar 2015

Sources: Bloomberg and Waystone Management Company (IE) Limited
 Performance and NAV given for accumulating shares; available distributing shares are shown overleaf

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

TOPIX finished the year with a gain of 27.8% in local terms. A major reason for the strong performance of the market and the fund was the announcement by the Tokyo Stock Exchange in January about companies trading below their book value. Partly as a result, investor flow data showed that companies buying back shares were the biggest purchasers of Japanese equities during the year. The yen strengthened during the month as confidence grew that US interest rates may be peaking, although the yen has still fallen significantly over the year. The Bank of Japan left monetary policy unchanged at its December meeting.

Core CPI (excluding fresh food) dropped from 2.9% to 2.5% in November, partly due to a sharp drop in energy prices which are benefiting from both government subsidies and the lower oil price. The rate excluding fresh food and energy fell from 4.0% to 3.8%. The consensus now seems to anticipate that the BoJ may end its policy of negative interest rates in April provided that early signs on wage increases are supportive.

There were further encouraging developments on corporate governance. The TSE announced that it will ask companies with listed subsidiaries and affiliates to explain the rationale for keeping them listed. It is seeking to ensure the independent governance of subsidiaries and the protection of minority investors. According to CLSA, 247 companies in Topix are more than 40% owned by another company (11% of the index). Shares in listed subsidiaries generally rose on the news including our holding in Canon Marketing Japan, which is 58% owned by Canon. Toho Movie announced a bid for its listed affiliate Tokyo Rakutenchi at a 52% premium.

Companies in the Toyota group announced more sales of cross-shareholdings. Denso sold its entire stakes in three group companies while Toyota Motor announced the sale of its 4.6% stake in Harmonic Drive. Toyota was also in the news after its subsidiary Daihatsu Motor admitted falsifying data for safety and emissions tests. Daihatsu, which makes up less than 5% of Toyota's total profit, has suspended global production at least until the end of January.

An activist investor announced that it has taken a 5% stake in Fuji Media, a TV advertising and property group which we hold in the fund. The investor has stated that it may make proposals to management. Given that the shares trade at just above 40% of book value and investment securities are worth 120% of the market capitalisation, there is considerable scope for improvement.

The value of domestic M&A reached ¥7.7trn in 2023, its highest level since 2005. In December there were competing takeover bids for Benefit One, an employee benefit outsourcing company. Dai-Ichi Life has made an offer of ¥1,800 per share to buy the company, exceeding an existing bid of ¥1,600 from M3. It then improved the bid to ¥2,123 by combining it with a tax efficient buyback by Benefit One. The proposed deal looks quite expensive to us, but the \$2bn cost is small relative to the size of Dai-Ichi Life and management has assured us that the company will continue to buy back shares despite this acquisition.

Despite the strong rise in share prices over the last year, the prospective PE ratio of 9.7x is similar to a year ago as higher profits have matched share price gains. Given the continued acceleration of shareholder returns and the substantial net cash of our stocks, we remain optimistic about the outlook.

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

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 REGISTERED IN ENGLAND NUMBER 3692692

Fund	
Fund size	\$312m
Number of holdings	58

Valuations	
Average PBR	0.79
Median EV/OP* (3/24e)	6.2
Weighted Average P/E (3/24e)	9.7
Net cash as % of market cap*	49%

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

Top Ten Holdings	% Fund
Sumitomo Mitsui Financial Group	3.3
Fuji Media Holdings	3.2
Mitsubishi UFJ Financial Group	3.2
Sumitomo Mitsui Trust	3.0
Honda Motor Co. Ltd	3.0
Dai-Ichi Life Holdings Inc	2.9
Impex	2.9
Kandenko	2.7
Toda Corp	2.5
Canon Marketing	2.3

Market Cap Breakdown	% Fund
Large cap (>\$5bn)	31.5
Mid cap (\$1-5bn)	50.3
Small cap (<\$1bn)	18.3
Cash	-0.1

NAV at 29 th December 2023	
Yen	¥2,476.01
Sterling	£25.00
US Dollar	\$26.62
Swiss Franc	CHF15.82
Yen B	¥2,145.09

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	MWFGYGAH	BQ5BN22	IE00BQ5BN223
Sterling Dist Hedged	MWFGYGDH	BQT49F2	IE00BQT49F20
Sterling Dist Unhedged	MWFGYGDU	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 29th December 2023 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/>.

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