

KEY DETAILS

Launch Date	24 April 2023
No of Holdings	40
IA Sector	Japan
Domicile	UK
Structure	UK OEIC
Dividend Frequency	Biannually

FUND MANAGERS



JAMES SALTER
CIO/LEAD MANAGER

James spent his early career managing Japanese equities initially at Foreign & Colonial before stints at Martin Currie and Schroders. He joined Polar Capital as a founding partner in 2001, where he subsequently worked for 19 years before founding Zennor Asset Management in 2020.

James graduated from Reading University with a degree in Classics, and studied for a Masters in Japan Area Studies at the School of Oriental and African Studies. He is a member of the CFA Institute.






DAVID MITCHINSON
FUND MANAGER

David started his career at Framlington in 1998, managing a Japan fund before joining JPMorgan and moving to Tokyo in 2004. On leaving JPMorgan in 2013, he spent just over two and a half years with the Abu Dhabi Investment Authority, returning to the UK with TT International in 2016. He joined Zennor in 2020.

He graduated from Cambridge University with a degree in Economics. David is a CFA Charter holder.

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MANAGER COMMENTARY

Performance

After another strong month the Japanese broader market has produced the best quarter since the bubble ended in 1989. A close to +20% move ranks as one of the strongest the Zennor team have ever witnessed. The Yen weakened marginally despite the Bank of Japan (BOJ) ending negative interest rates. Value outperformed growth by close to 300 basis points. A more domestic feel to the market saw Real Estate, Construction and Insurance sectors perform particularly well. Rising real estate prices and a belief that the hiking of interest rates will be a gradual process saw interest come back to the sector. Banking stocks fell initially on the news but rallied thereafter as some investors thought that Mr Ueda, the BOJ governor sounded more hawkish in the press conference after the announcement. Alpha generation this month was very strong. We look forward to speaking in more detail about specific performance next month after the fund's one year anniversary.

Portfolio

We established a new position in a regional bank called Hachijuni (8359). Its stock portfolio is worth ¥700bn versus its own market capitalisation of ¥534bn. One of their stock portfolio holdings, Shin-Etsu Chemical, is worth ¥380bn alone. Shin-Etsu is a leading silicon wafer and PVC producer which at over 20x earnings and a dividend yield of 1.5% is not cheap enough for the portfolio. Through buying the bank we are hedging ourselves against further performance from the technology sector where we are underweight. Hachijuni yields 2.3% and trades on less than 0.5x book value. We continued to add to HI-LEX (7279), which is somewhat controversial as part of their business is open to threat from electrification of vehicles and the door modules and window regulator business is lower margin than electric cabling. However, the balance sheet is very robust, and the shares are the cheapest rated in our EV/OP technical screening. HI-LEX yields 2.4%, trades at 0.3x book and holds ¥112bn of cash and investments compared to a market capitalisation of only ¥64bn.

The portfolio overall trades on 14x earnings and 0.85x book, which are both decent discounts to the overall market.

Market Snippets

We found out from an interview with one of our largest holdings, MS&AD (8725) that they will be selling down close to \$3bn of strategic holdings over the next four years. The extra return to shareholders will equate to a further 3% total payout ratio making an 8% annualised ratio now in sight. Further news of cross shareholding unwinding came on the last trading day of the month with Denso, an auto parts company in the Toyota group announcing that it will sell its entire 9% stake in Toyota Industries over 2½ years. Toyota Industries has 110% of its market capitalisation in long term securities. We expect that the company will look to buyback shares that become "loose" as a result of the Toyota group restructuring, and that the company will in turn look to unwind its large war chest of securities.

We were encouraged by the initial "Shunto" wage negotiations which indicate headline wage growth of +5.3%. On March 19th the BOJ officially ended its negative interest rate policy and removed all mention of yield curve control. By moving to short term interest rates as a primary tool they signalled a clear departure from ten years of abnormal monetary policy. They also decided to cease buying exchange traded funds and REITs. Whilst policy will remain accommodative our suspicion is that this is a watershed moment which when we look back could prove pivotal for a stronger yen and have significant impact globally if Japanese investors decide to repatriate foreign assets.

PERFORMANCE SINCE LAUNCH (%)

Performance is not shown on this factsheet as the fund launched less than a year ago. Fund performance will be shown once the fund is at least 12 months old.

WS ZENNOR JAPAN EQUITY INCOME FUND

Monthly Fact Sheet | 31 March 2024



PORTFOLIO BREAKDOWN

Top 20 holdings

Ticker	Stock	Sector	Activity	% Weighting
8725	MS&AD Insurance	Financials	Insurance	4.8
6201	Toyota Industries	Industrials	Logistics	4.6
4216	Asahi Yukizai Corp	Materials	Deep value listed subsidiary	4.1
6339	Sintokogio	Industrials	Castings	3.9
8309	SMTH	Financials	Corporate bank	3.7
5602	Kurimoto	Materials	Cash rich castings firm	3.7
9216	Bewith	Industrials	Listed Pasona subsidiary	3.7
1860	Toda Corp	Industrials	Construction firm	3.5
4676	Fuji Media	Communication Services	Broadcast media	3.2
4634	Artience	Materials	Restructuring Printing Firm	3.1
5844	Kyoto Financial Group	Financials	Regional bank + stocks	2.7
7912	Dai Nippon Printing	Industrials	Technology materials	2.7
2168	Pasona	Industrials	Cash rich recruitment co	2.7
6137	Koike Sanso Kogyo	Industrials	Laser cutting machines	2.6
3608	Tsi Holdings	Consumer Discretionary	Apparel	2.5
5901	Toyo Seikan	Materials	Packaging	2.4
4041	Nippon Soda	Materials	Agricultural chemicals	2.4
6960	Fukuda Denshi	Health Care	Improving med tech co	2.4
6459	Daiwa Industries	Industrials	Refrigeration	2.3
6245	Hirano Tecseed	Industrials	Battery winding machinery	2.3

Sector breakdown

Sector	% of Portfolio
Industrials	42.2
Materials	18.4
Financials	14.8
Consumer Discretionary	8.3
Information Technology	5.2
Health Care	3.8
Communication Services	3.2
Real Estate	1.9

Market capitalisation



	% of Portfolio
>\$5 bn	18.5
\$1 - \$5 bn	26.4
<\$1 bn	52.9

SHARE CLASS DETAILS

Class	Latest price	Min investment	Management fee	OCF*	ISIN	SEDOL	Bloomberg ticker
B Acc GBP	£1.19	£1,000	0.75%	0.92%	GB00BQRH5997	BQRH599	LFZEIBA LN
B Inc GBP	£1.18	£1,000	0.75%	0.92%	GB00BQRH5B12	BQRH5B1	LFZEIBI LN
C Acc GBP	£1.19	£10m	0.65%	0.82%	GB00BQRH5C29	BQRH5C2	LFZEICA LN
C Inc GBP	£1.18	£10m	0.65%	0.82%	GB00BQRH5D36	BQRH5D3	LFZEICI LN

*As at 31 March 2024, capped

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For the most up to date information, please refer to the WS Zennor Japan Equity Income Fund and accumulation share class-specific Key Investor Information Documents, the Supplementary Information Document, the Annual or Interim Reports and the Prospectus, which are available using the contact details shown. Telephone calls may be recorded.

Source: Zennor Asset Management LLP. Zennor Asset Management LLP is authorised and regulated by the Financial Conduct Authority (FRN 218549)

The fund's Authorised Corporate Director is Waystone Management (UK) Limited. Prospectus, relevant Key Investor Information Document (KIID) can be obtained free of charge from Waystone Management (UK) Limited, 20-22 2nd floor, Bedford Row, WC1R 4EB or available on www.waystone.com.

DEALING & ADMINISTRATIVE DETAILS

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Waystone Management (UK) Limited

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Zennor Asset Management LLP

Fund Umbrella

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