

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 Fuji Yield Fund January 2025 Newsletter

% Returns	Month	2024	Since Inception	TOPIX Net TR since inception*	Inception date
Yen (unhedged)	+0.8%	+29.5%	+223.4%	+147.7%	4 Nov 2014
TOPIX Net Total Return	+0.1%	+20.0%			
Sterling (hedged)	+1.2%	+34.7%	+240.7%	+147.7%	4 Nov 2014
US Dollar (hedged)	+1.2%	+35.3%	+264.2%	+140.3%	28 Nov 2014
Swiss Franc (hedged)	+0.8%	+30.6%	+108.2%	+77.3%	11 Dec 2017
Yen B shares (unhedged)	+0.8%	+29.0%	+178.8%	+118.8%	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

The equity market traded within a relatively narrow range during the month while Japanese government bond yields rose to their highest level in 14 years. The yen strengthened slightly but persistent weakness has made Japan a popular place for tourists: there were 37m foreign visitors in 2024, up 47% yoy, considerably higher than the previous record number of 31.9m in 2019.

The Bank of Japan (BOJ) raised its policy rate (overnight call rate) by 0.25% to 0.50%. Unlike the move last summer this had been well signalled and had little market impact. The accompanying Outlook Report was relatively hawkish with the BOJ revising up its inflation forecasts to above its target of 2% for the next three years citing labour shortages as a key upside risk to prices.

Japan's unemployment rate remained low at 2.4% in December, with total employment reaching a new record for the third consecutive month. Notably, employment among 15-24 year-olds saw a strong uptick. Base wages rose 2.7% in November, the largest increase in over 30 years. Aeon, the supermarket chain and the largest employer of part-time workers, is set to increase part time wages by 7%, the same as last year. Meanwhile, the number of foreign nationals working in Japan surged by 250,000 to 2.3 million, the largest year-on-year increase since records began in 2000.

We recently met with senior management of our two city bank holdings, MUFG and SMFG. Both highlighted expanding net interest margins following rate hikes and emphasised that achieving a price to book of 1x is "just the beginning." The expectation is for the BOJ to continue normalising interest rates and eventually raise them to 1% which bodes well for their profits.

Fuji Media, in which we are invested, saw its share price surge 27% during the month. The company has been embroiled in a scandal involving employee misconduct and an alleged cover up with the subsequent press conference described as a "car crash". Two directors have resigned so far and customers have been cancelling advertising contracts resulting in a downward revision to profits. We have engaged with the company for many years regarding capital management and board governance, voting against the re-election of directors. The scandal has raised hopes for a corporate governance overhaul and major strategic change. The stock still only trades at 0.5x book value, with net cash covering nearly 60% of its market capitalisation. This news has also led to speculation that other TV companies might come under pressure to realise their undervalued assets.

Last year was a record for Japan-related M&A, partly fuelled by private equity firms acquiring non-core assets as companies sharpen their focus on capital efficiency. This month Bain bid for aircraft parts manufacturer JAMCO and an activist launched an unsolicited tender offer to raise its stake in a JREIT. Recent transactions involving Sapporo and Seibu Holdings have highlighted the valuable real estate held within some Japanese companies.

The unwinding of cross-shareholdings is opening up shareholder registers with, for example, a large placing of Murata shares this month. Companies are increasingly conscious of their share prices announcing share buybacks at an unprecedented rate. NISAs are proving popular with ¥11.9trn invested in 2024 of which 38% was invested in Japanese shares.

In a recent interview with the Financial Times, Takeshi Niinami, president of Suntory and chairman of the Japan Association of Corporate Executives, suggested that Japan is reaching "a tipping point" and predicted that activism, private equity investment and domestic consolidation would continue. From a balance sheet perspective, the average net cash to market capitalisation in the portfolio remains 43%, underscoring the potential for greater shareholder returns. In addition, we see considerable scope for operating margins to improve. We believe corporate Japan is still in the early stages of a multi-year transformation which will result in a significant re-rating of our portfolio.

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

Fund	
Fund size	\$327m
Number of holdings	58

Valuations	
Average PBR	0.88
Median EV/OP* (3/25e)	6.5
Weighted Average P/E (3/25e)	11.6
Net cash as % of market cap*	43%

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

Top Ten Holdings	% Fund
Sumitomo Mitsui Trust	4.0
Sumitomo Mitsui Financial Group	3.9
Mitsubishi UFJ Financial Group	3.6
Concordia Financial Group	3.2
Dai-ichi Life Holdings	3.2
Honda Motor	3.2
Sumitomo Electric Industries	2.9
Fuji Media Holdings	2.9
NHK Spring	2.8
TV Asahi	2.8

Market Cap Breakdown	% Fund
Large cap (>\$5bn)	37.1
Mid cap (\$1-5bn)	46.1
Small cap (<\$1bn)	14.9
Cash	1.9

NAV at 31 st January 2025	
Yen	¥3,234.12
Sterling	£34.07
US Dollar	\$36.42
Swiss Franc	CHF20.82
Yen B	¥2,788.06

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 wfs-investordealing@waystone.com

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%) 1.28% (JPY B Class: 1.03%)	Settlement	T+4 (subscriptions/redemptions)
Share types	Accumulation and Distributing	Fund administrator	Waystone Fund Administrators (IE) Limited 35 Shelbourne Rd, Ballsbridge, Dublin 4, D04 A4E0 Ireland wfs-dublinta@waystone.com 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	MWFYGAH	BQ5BN22	IE00BQ5BN223
Sterling Dist Hedged	MWFYGDH	BQT49F2	IE00BQT49F20
Sterling Dist Unhedged	MWFYGDU	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	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	30 Apr 2024	31 Oct 2024
Euro Distributing (hedged)	0.1470	0.1946	0.1272	0.1929	0.1663	0.2372	0.2173	0.2523	0.2400	0.3130	0.3364
Euro Distributing (unhedged)	0.1474	0.1693	0.1092	0.1589	0.1354	0.1869	0.1681	0.1873	0.1603	0.1972	0.2101
Sterling Distributing (hedged)	0.0454	0.1836	0.1244	0.1960	0.1637	0.2344	0.2086	0.2541	0.2418	0.3182	0.3448
Sterling Distributing (unhedged)	0.1894	0.1745	0.1179	0.1679	0.1387	0.1880	0.1726	0.1968	0.1656	0.2020	0.2107
Yen Distributing	14.7551	19.7063	12.9515	19.6050	17.2094	23.7748	22.8376	26.0838	24.2228	32.3163	33.9451
Dollar Distributing (hedged)	0.1589	0.2139	0.1397	0.2195	0.1888	0.2706	0.2597	0.2868	0.2859	0.3650	0.3907
Dollar Distributing (unhedged)	0.1325	0.1629	0.1095	0.1667	0.1402	0.1828	0.1494	0.1734	0.1512	0.1844	0.1990

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 31st January 2025 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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