

MORANT WRIGHT

MANAGEMENT LIMITED

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WS Morant Wright Japan Fund February 2025 Newsletter

£ Returns	Month	Year to Date	Since Inception (23 rd May 2003)
B Accumulation	-0.7%	+2.8%	+577.5%
TOPIX Net Total Return	-2.4%	+0.0%	+376.3%

Sources: Bloomberg and Waystone Management (UK) Limited

TOPIX fell by 3.8% in local terms over the month. Rising expectations for Japanese interest rates led to the yen strengthening and the yield on the 10-year JGB reached 1.45%, its highest level since 2009.

Fourth quarter GDP growth was stronger than expected, recording an increase of 2.8% annualised on a real basis. This meant that nominal GDP grew by almost 3% in 2024. Similarly, core inflation for January was slightly higher than forecast at 3.2% driven by a rise in food prices and a reduction in fuel subsidies.

The Financial Services Agency published 2024 data for NISAs, the first full year after allowances were trebled last January. Investments made through NISAs totalled ¥17.4trn, more than three times the value invested the previous year. Interestingly, a survey released alongside the figures showed that 75% of NISA investors used "deposits, salaries and pensions" as the source of their funds, suggesting that money is starting to flow from cash and deposits into risk assets. Direct investment in Japanese equities accounted for ¥6.1trn of this total, a higher proportion than had been estimated initially, with a further ¥1.8trn going into global investment trusts including Japan.

Profit forecasts for the portfolio have been raised as a result of generally positive corporate earnings for the quarter ended 31st December. Recurring profits are expected to grow by 6% for the year to March and EPS to increase by 10%, the latter helped by share buybacks and profits on the sale of cross-shareholdings and other assets. Sumitomo Electric was one of many holdings that revised up its profit forecasts, having grown recurring profit by 42% so far this fiscal year thanks to its leading global positions in wire harnesses for cars, optical equipment for data centres and super-high voltage power cables. The company confirmed in a recent video call with us that the outlook remains positive; meanwhile the shares still stand at a PBR of 0.9x, not helped perhaps by the fact that the management have not undertaken any overseas IR trips for many years.

Once again it was the scale of shareholder returns that impressed. Dividends for the portfolio are now expected to grow by 24% after a raft of companies increased their payouts, including Canon Marketing and Sumitomo Mitsui Trust. Similarly, figures for share buybacks show that more than 70% of the companies in the portfolio have announced buybacks since April at an eye-catching average size of 6% of shares outstanding. Most Japanese companies have improved their corporate governance in the last few years, but these shareholder return figures are far higher than the average for TOPIX overall.

M&A activity has started to increase as business reorganisation across corporate Japan creates opportunities. Private equity group Bain announced the \$3.3bn acquisition of pharmaceutical subsidiary Mitsubishi Tanabe from Mitsubishi Chemical, which had itself fully acquired the business five years ago. Encouraged by the new METI guidelines on takeovers, Taiwanese company Yageo has made an unsolicited bid for Shibaura Electronics, a \$500m manufacturer of sensors. Supermarket chain Aeon announced the buy-in of listed subsidiaries Aeon Mall and Aeon Delight while the takeover battle between two private equity groups for IT services company Fujisoft was ended with a cash bid of \$4.4bn by KKR. Honda and Nissan announced that they were terminating their merger talks, but the situation remains fluid and Honda is nevertheless proceeding with its 24% share buyback.

More positive economic data and solid corporate results support the continued investment case for our portfolio. Recent company meetings and Nick's trip to Japan have also confirmed that our companies are prioritising shareholder returns, while PBR and EV/OP valuations both remain attractive. The strong cashflow at our companies means that net cash and investments is still worth over half of the market cap (excluding financials), suggesting plenty of scope for these growing shareholder returns to continue.

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

Fund	
Fund size	£666m
Number of holdings	62

Valuations	
Average PBR	0.85
Median EV/OP* (3/25e)	6.4
Weighted Average P/E (3/25e)	10.6
Net cash as % of market cap*	52%

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

Top Ten Holdings	% Fund
Sumitomo Mitsui Financial Group	3.7
Sumitomo Mitsui Trust	3.6
Mitsubishi UFJ Financial Group	3.4
Tokyo Broadcasting System	3.2
Toyota Industries	3.2
Nippon Television Network	3.2
Dai-ichi Life Holdings	3.2
Concordia Financial Group	3.1
Fuji Media Holdings	2.9
Kinden	2.7

Market Cap Breakdown	% Fund
Large cap (>\$5bn)	38.3
Mid cap (\$1-5bn)	57.0
Small cap (<\$1bn)	4.1
Cash	0.6

NAV at 28 th February 2025	
B Accumulation	677.47p
B Income	565.48p

Dealing
If you would like to deal in the fund, please contact Waystone Management (UK) Limited. Their telephone number is **0345 922 0044** or by email ordergroup@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	UK authorised OEIC	Minimum investment	£5,000
Fund currency	Sterling	Dealing frequency	Daily
Launch date	May 2003	Deal cut-off point	12pm
Geographic exposure	100% Japanese equities	Valuation point	12pm
AMF	1.0%	Settlement	T+4 (subscriptions/redemptions)
OCF	1.19%	ACD	Waystone Management (UK) Limited
Share types	Accumulation and Income	Fund administrator	Waystone Fund Administrators Limited Central Square 29 Wellington Square Leeds, LS1 4DL wtas-investorservices@waystone.com Tel: 0345 922 0044 Fax: 0113 224 6001

Share Identifiers	Bloomberg code	SEDOL	ISIN
B Accumulation	CFMWJBA LN	3301012	GB0033010124
B Income	CFMWJBI LN	3359806	GB0033598060

Performance	2024	2023	2022	2021	2020	2019	Since inception (May 2003)
B Accumulation Shares	+18.8%	+21.4%	+4.3%	+6.3%	-6.3%	+10.8%	+577.5%
TOPIX Net Total Return	+10.1%	+12.3%	-5.0%	+1.9%	+9.1%	+15.2%	+376.3%

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 (UK) Limited. Index data are taken from Bloomberg. Performance is given in sterling terms based on the Fund NAV. Data are as at 28th February 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 (UK) Limited (<https://www.fundsolutions.net/uk/morant-wright-management-limited/ws-morant-wright-japan-fund/ws-morant-wright-japan-fund/>) or ourselves, along with the Fund Prospectus and the latest report and accounts.

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