

MORANT WRIGHT

MANAGEMENT LIMITED

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WS Morant Wright Japan Fund June 2024 Newsletter

£ Returns	Month	Year to Date	Since Inception (23 rd May 2003)
B Accumulation	-0.8%	+11.4%	+518.1%
TOPIX Net Total Return	-0.1%	+6.5%	+360.6%

Sources: Bloomberg and Waystone Management (UK) Limited

TOPIX rose by 1.4% in local currency terms during the month but the yen continued to decline. Japanese individual investors have been buying local equities in recent weeks but it is also the case that part of the flow into NISAs has been into global stocks, particularly in the US, perhaps encouraged by the continued favourable returns especially in yen terms.

A recent report by SMBC highlighted that the spring wage increases will mostly hit monthly wage packets in June and July which may help consumption. Department store sales have already been very strong supported by the boom in overseas visitor numbers which continue to grow and are now comfortably surpassing pre-covid highs. Inflation figures remain ahead of the Bank of Japan's 2% target and most commentators expect at least one rise in interest rates in the second half of the year.

The unwinding of cross shareholdings has been an established trend for some time but the pace is accelerating. During the month, city bank SMFG and insurer MS&AD announced a substantial sale of their holdings in trading company Mitsui. There were further divestments within the Toyota group. A number of group companies, including Toyota Motor, Denso and Toyota Industries, will be selling a large portion of their shares in Aisin. Aisin also unveiled a share buyback, albeit smaller in size than the selling by the group companies. Similarly, Toyota Motor sold some of its shares in Toyota Industries as part of the latter's ¥180bn buyback. Despite this acceleration in share sales, non-financial corporates remain net buyers of the market as share buybacks are in aggregate outweighing the cross-shareholding unwinding. According to Tachibana Securities, share buybacks announced in May exceeded ¥7trn, a record amount for a single month.

The acceleration is a direct result of the corporate governance improvements and commitments by management to improve return on equity. It may also in the long run encourage more M&A, which started to see increased activity in June. Kirin announced the acquisition of cosmetics company Fancl, of which it already owned 33%. The offer price was a 43% premium to Fancl's share price and valued the company at just over \$2bn. In the transportation sector, trucking company Seino acquired 70% of Mitsubishi's Electric's logistics subsidiary for \$380m while Chilled & Frozen Logistics received a \$790m offer from SG Holdings, which trumped an earlier bid from another company.

Results of voting at company AGMs are starting to come through. Once again there was a record number of shareholder proposals, with 113 companies receiving a total of 419 proposals. We voted in favour of shareholder proposals at 6 of our holdings, most of which were for share buybacks. Historically an approval rating for directors below 80% has often triggered some response from boards, and a sharp decrease in support can also prompt action. Fuji Media, which we highlighted last year as having only 58% support for the president, saw a rise to 72% this year, perhaps reflecting some progress on cross shareholding unwinding and share buybacks. Construction and real estate company Toda Corporation, however, saw the approval rating of its chairman fall to 71%. Within the fund, we voted against the re-election of directors at 10 companies, mostly due to a lack of sufficient progress on shareholder returns and capital allocation.

Overall, the pressure on management to improve their returns on equity and raise their price to books is showing little sign of abating. As a result of this trend and the continued modest valuations of the portfolio we remain positive on the outlook.

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

Fund	
Fund size	£671m
Number of holdings	63

Valuations	
Average PBR	0.88
Median EV/OP* (3/25e)	7.1
Weighted Average P/E (3/25e)	12.2
Net cash as % of market cap*	54%

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

Top Ten Holdings	% Fund
Sumitomo Mitsui Financial Group	3.9
Dai-ichi Life Holdings Inc	3.3
Mitsubishi UFJ Financial Group	3.3
Concordia Financial Group Ltd	3.3
Tokyo Broadcasting System	3.2
Sumitomo Mitsui Trust	3.2
Inpex	3.0
Kinden	3.0
Sumitomo Electric Industries	2.9
Honda Motor Co. Ltd	2.9

Market Cap Breakdown	% Fund
Large cap (>\$5bn)	41.0
Mid cap (\$1-5bn)	52.1
Small cap (<\$1bn)	4.9
Cash	2.0

NAV at 28 th June 2024	
B Accumulation	618.08p
B Income	515.91p

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@linkgroup.co.uk.

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	Link Fund Administrators Limited (A Waystone Group Company) Central Square 29 Wellington Square Leeds, LS1 4DL investorservices@linkgroup.co.uk 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	2023	2022	2021	2020	2019	2018	Since inception (May 2003)
B Accumulation Shares	+21.4%	+4.3%	+6.3%	-6.3%	+10.8%	-12.3%	+518.1%
TOPIX Net Total Return	+12.3%	-5.0%	+1.9%	+9.1%	+15.2%	-9.3%	+360.6%

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 June 2024 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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