

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

WS Morant Wright Japan Fund December 2024 Newsletter

£ Returns	Month	2024	Since Inception (23 rd May 2003)
B Accumulation	+1.7%	+18.8%	+559.1%
TOPIX Net Total Return	+0.8%	+10.1%	+376.3%

Sources: Bloomberg and Waystone Management (UK) Limited

Topix rose by 4.0% in local terms bringing the total gain in 2024 to 20% including dividends. The yen weakened to ¥157 against the dollar after the Bank of Japan left monetary policy unchanged.

Honda and Nissan have begun merger discussions to create the world's third largest carmaker. Honda, which is held in the portfolio, also announced plans to acquire up to 24% of its outstanding shares for ¥1.1trn, one of the largest ever buybacks by a Japanese company. Adjusting for its leasing business we calculate that Honda had net cash and investments worth around 80% of its market capitalisation at the year end, giving it ample firepower to buy back shares at a time when its PBR is at a historic low. Honda is taking the lead in the merger and is expected to contribute the president and a majority of directors to the board. The two companies hope to eventually add Mitsubishi Motors, of which Nissan is the largest shareholder, to the group. The Nikkei newspaper has reported a possible 5-to-1 share exchange ratio which would reflect the far weaker position in which Nissan finds itself. We are meeting with Honda's CFO in our offices in January to discuss the deal.

It was another record year for buybacks. According to the Nikkei, listed Japanese companies announced share repurchases worth ¥16.8trn (\$108bn), up 75% year-on-year, as companies unwind cross-shareholdings and try to improve capital efficiency. Among the portfolio holdings NHK Spring announced it will buy back and cancel shares worth almost 7% of its market capitalisation. Maruichi Steel Tube plans to repurchase 7% of its outstanding shares utilising some of its abundant net cash, worth 70% of its market capitalisation at the year end. Similarly, Canon Marketing Japan announced an additional 1% buyback, after buying back 17% of shares outstanding earlier in the year.

Bloomberg reported that activists bought at least ¥1trn of Japanese stocks in 2024. This trend is certainly apparent from our portfolio where this month activists raised their holdings to over 9% and 7% in Piolax and Fuji Media respectively.

M&A activity continues apace. Nidec announced its second unsolicited takeover bid in as many years, this time for machine tool company Makino Milling, which is held in the portfolio. The cash bid represents a 42% premium and a price to tangible book ratio of 1.2x. Historically unsolicited or hostile bids have been rare in Japan but will add to the pressure on management to accelerate the restructuring of balance sheets and business portfolios. Elsewhere, Bain launched its second counter offer for Fuji Soft, escalating its bidding war with KKR.

Mitsubishi Heavy Industries has invited bids for its majority stake in logistics solutions subsidiary Mitsubishi Logisnext. Similar transactions for non-core businesses are attracting many bidders: brewing company Sapporo Holdings has received proposals from 10 different investors for its real estate portfolio.

The outlook for the portfolio is exciting with low valuations against both net assets and earnings, and better prospects for realising this value. Furthermore, there is scope for greater flows into Japanese equities after the Japanese government proposed a higher return target for the GPIF, the largest pension fund in the world, which may require it to increase its allocation to equities.

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

Fund	
Fund size	£646m
Number of holdings	60

Valuations	
Average PBR	0.89
Median EV/OP* (3/25e)	6.7
Weighted Average P/E (3/25e)	11.4
Net cash as % of market cap*	51%

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

Top Ten Holdings	% Fund
Sumitomo Mitsui Financial Group	3.6
Sumitomo Mitsui Trust	3.4
Mitsubishi UFJ Financial Group	3.3
Tokyo Broadcasting System	3.2
Toyota Industries Corp	3.1
Nippon Television Network	3.1
Concordia Financial Group	3.0
Dai-ichi Life Holdings Inc	3.0
Honda Motor Co. Ltd	2.9
Sumitomo Electric Industries	2.7

Market Cap Breakdown	% Fund
Large cap (>\$5bn)	36.0
Mid cap (\$1-5bn)	57.5
Small cap (<\$1bn)	4.2
Cash	2.3

NAV at 31 st December 2024	
B Accumulation	659.11p
B Income	550.15p

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%	+559.1%
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 31st December 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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