

### WS Morant Wright Japan Fund July 2024 Newsletter

£ Returns	Month	Year to Date	Since Inception (23 <sup>rd</sup> May 2003)
B Accumulation	+4.7%	+16.7%	+547.4%
TOPIX Net Total Return	+4.5%	+11.3%	+381.5%

Sources: Bloomberg and Waystone Management (UK) Limited

There was a fast market adjustment of -1.7% applied to the month end NAV based on the futures market at the valuation point.

TOPIX fell by 0.5% in local terms. This small change belies the dramatic moves of both the index and the yen during July which have continued into August. TOPIX surpassed its 1989 high hitting 2,929 on 11<sup>th</sup> July. The currency initially remained weak, reaching ¥161/\$ at one point, a 38 year low, despite intervention by the authorities. Sentiment then turned, possibly because speculative short yen positions were the second largest since the record set in 2007. The currency began to appreciate and ended the month at ¥150.5.

The Bank of Japan surprised most economists by raising interest rates from a range of 0-0.1% to 0.25%, which only 26% of forecasters were anticipating. It also outlined plans to halve the purchase of JGBs from ¥6trn a month to under ¥3trn by April 2026. It believes the risks to inflation over the next two years are to the upside, but it emphasised flexibility in policy to deal with events as they unfold.

Japan's unemployment rate (seasonally adjusted) fell slightly to 2.5% in June, while the job openings-to-applicants ratio was 1.23x. The Japanese government agreed to hike the minimum average hourly pay by 5% to ¥1,054, the largest annual rise on record.

Although it is early days, the tone of the first quarter results announcements has been generally positive. Electrical engineering company Kandenko announced a strong first quarter with profits up 53% year on year on the back of increased renovation work. Canon Marketing Japan, which reported second quarter results, revised up full-year sales forecasts on the back of stronger revenue from its higher margin IT business, which is now almost 50% of total sales. It also announced a huge share buyback, 17% of shares outstanding, the majority of which is being purchased from its parent company Canon. Canon Marketing will remain a subsidiary of Canon for now, but the decline in the number of parent-subsidiary listings continues; the Nikkei reported that the total fell to 190 as at March 2024, down 10% on the previous year and half of the peak level in 2007.

The unwinding of cross-shareholdings continues apace. There was a placing of 5.7% of Honda shares sold by the non-life companies and several banks. Toyota Motor announced it will buy back ¥800bn (\$5.2bn) of its stock from major Japanese banks and insurers through a tender offer at a discount. Toyota and Denso also announced that they will reduce their holdings in another group company, Aisin. According to TSE data, companies excluding financial institutions sold ¥2.6trn (\$16.6bn) of shares in the first half of the year, up 53% from the same period last year.

Elsewhere, Honda, Nissan and Mitsubishi announced a planned strategic partnership. Tohokushinsha, a film and TV distribution company, received a bid from an activist to take the firm private.

The valuation of our portfolio remains attractive at a time when interest rates are starting to normalise. Our cash rich companies are continuing to improve their returns to shareholders and increase their ROE.

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

Fund	
Fund size	£702m
Number of holdings	64

Valuations	
Average PBR	0.89
Median EV/OP* (3/25e)	7.4
Weighted Average P/E (3/25e)	12.0
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	4.0
Dai-ichi Life Holdings Inc	3.6
Tokyo Broadcasting System	3.3
Mitsubishi UFJ Financial Group	3.3
Sumitomo Mitsui Trust	3.3
Concordia Financial Group Ltd	3.3
Kinden	2.9
Toyota Industries Corp	2.9
Inpex	2.9
Honda Motor Co. Ltd	2.9

Market Cap Breakdown	% Fund
Large cap (>\$5bn)	40.4
Mid cap (\$1-5bn)	54.4
Small cap (<\$1bn)	4.1
Cash	1.1

NAV at 31 <sup>st</sup> July 2024	
B Accumulation	647.42p
B Income	540.40p

**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](mailto: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%	+547.4%
TOPIX Net Total Return	+12.3%	-5.0%	+1.9%	+9.1%	+15.2%	-9.3%	+381.5%

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 31<sup>st</sup> July 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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