

WS Morant Wright Nippon Yield Fund May 2024 Newsletter

£ Returns	Month	Year to Date	Since Inception (1 st October 2008)
B Accumulation	+1.5%	+14.3%	+632.2%
TOPIX Net Total Return	-0.5%	+6.6%	+215.1%

Sources: Bloomberg and Waystone Management (UK) Limited

TOPIX rose 1.1% in local currency terms over the month even though foreign investors were net sellers for the last three weeks. Despite the Japanese authorities spending ¥9.8trn in May to defend the yen, it only strengthened a little against the dollar and actually weakened against sterling and the euro. Bond yields on both 10-year and 30-year JGBs rose considerably to 1.1% and 2.2% respectively, the highest levels for over 10 years.

Recent wage settlements suggest that the upward trend in prices will continue. A Nikkei survey reported that 94% of companies receiving trade union demands for higher wages had accepted them, up on last year's figure of 88%. Keidanren, Japan's largest business federation, confirmed that its members had agreed to an increase of 5.6% for base wages, a rise on last year's figure of 4.0%. Share-based compensation is also becoming more common with around half of Japan's 4,000 listed companies having now introduced such schemes for officers. This increases to 70% for companies with a market cap above ¥100bn. Over 800 companies are now offering share-based remuneration to regular employees as well, including Mitsui OSK which has introduced a bonus scheme based on ROE for 1,700 of its 8,750 employees.

All companies with a March year end have now reported and the results are encouraging. Companies in the portfolio grew recurring profits last year by 21% and are anticipating 7% growth for the year to March 2025. Companies tend to be conservative at the start of the year and furthermore they are assuming an FX rate of ¥144/\$ on average, which could imply some upside if exchange rates remain at current levels.

Shareholder returns continue to improve with data from Morgan Stanley suggesting over 50% of market earnings were returned to shareholders last year through a combination of share buybacks and dividends. Dividend growth for our companies was particularly impressive with aggregate dividends growing 22% last year and further growth of 11% is forecast for this fiscal year. Both of these growth rates are significantly ahead of comparable numbers for Topix. Amongst our holdings, Sumitomo Electric Industries raised its dividend by 54% while Honda increased its payout by 70% and also announced a buyback of 3.7% of its shares. It is not just larger companies implementing such changes and in many ways the improvements at smaller companies can be more remarkable. Kureha, which bought back 6% of its outstanding shares last year, recently announced another buyback of 10%.

The value on offer in Japan remains appealing and continues to attract the interest of private equity groups. KKR announced the acquisition of Alps Logistics at 3.6x tangible book value from Alps Alpine. Carlyle recently launched a takeover bid for KFC Japan for \$835m and also announced that it had raised \$2.8bn for its fifth and largest Japan buyout fund. Bain has invested \$5bn in Japan over the past 5 to 10 years and is looking to double the scale of its investments in the coming years.

Most Japanese companies will hold their AGMs in June. We are already aware of shareholder proposals at several of our companies, including Yodogawa Steel and Kyokuto Kaihatsu, which will add to the pressure on management to improve their capital allocation. It was also interesting to see Fuji Media receive a suggestion from an activist recently that it should consider an MBO. All of this will help focus further attention on the considerable value at our cash rich companies.

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

Fund	
Fund size	£774m
Number of holdings	67

Valuations	
Average PBR	0.89
Median EV/OP* (3/25e)	6.9
Weighted Average P/E (3/25e)	11.6
Net cash as % of market cap*	42%

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

Top Ten Holdings	% Fund
Sumitomo Mitsui Financial Group	3.8
Sumitomo Mitsui Trust	3.4
Dai-Ichi Life Holdings Inc	3.4
Mitsubishi UFJ Financial Group	3.4
Concordia Financial Group	3.3
Impex	3.1
Honda Motor Co. Ltd	3.0
Sumitomo Electric Industries	2.9
MS&AD Insurance Group	2.6
Fuji Media Holdings	2.5

Market Cap Breakdown	% Fund
Large cap (>\$5bn)	36.8
Mid cap (\$1-5bn)	52.7
Small cap (<\$1bn)	7.1
Cash	3.4

NAV as at 31 st May 2024	
B Accumulation	705.43p
B Income	473.63p

Dealing
 If you would like to deal in the fund please contact Waystone Management (UK) Limited. Their telephone number is 0345 922 0044 and their email is 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	October 2008	Deal cut-off point	12pm
Geographic exposure	100% Japanese equities	Valuation point	12pm
AMF	1.0%	Settlement	T+4 (subscriptions/redemptions)
OCF	1.18%	ACD	Waystone Management (UK) Limited
Share types	Accumulation and Income	Fund administrator	Link Fund Administrators Limited 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	CFMWNBA LN	B42MKS9	GB00B42MKS95
B Income	CFMWNYB LN	B2R83B2	GB00B2R83B20

Performance (%)	2023	2022	2021	2020	2019	Since inception (1 st October 2008)
B Accumulation Shares	+18.9	+8.8	+11.6	-5.9	+11.9	+632.2
TOPIX Net Total Return	+12.3	-5.0	+1.9	+9.1	+15.2	+215.1

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 May 2024 and accurate as at that date.

Dividends

Ex-Dividend Date	30 Apr 2019	31 Oct 2019	30 Apr 2020	31 Oct 2020	30 Apr 2021	31 Oct 2021	30 Apr 2022	31 Oct 2022	30 Apr 2023	31 Oct 2023	30 Apr 2024 (est)
Dividend per 'B' Income Share	5.7753	5.1285	6.2359	4.1192	5.8480	5.0278	6.8290	5.631	7.0071	5.7134	7.0283

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-nippon-yield-fund/ws-morant-wright-nippon-yield-fund/>) or ourselves, along with the Fund Prospectus and the latest report and accounts.

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