

MORANT WRIGHT

MANAGEMENT LIMITED

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WS Morant Wright Japan Fund May 2026 Newsletter

£ Returns	Month	Year to Date	Since Inception (23 rd May 2003)
B Accumulation	+4.4%	+16.5%	+893.0%
TOPIX Net Total Return	+5.6%	+15.5%	+541.5%

Sources: Bloomberg and Waystone Management (UK) Ltd

Topix continued to recover in May, rising 6.2% in yen terms to finish at an all-time high as foreign interest remained strong. The 10-year JGB yield reached 2.8%, its highest level in almost 30 years, on inflation concerns and expectations for further Bank of Japan rate hikes.

Prime Minister Takaichi announced a supplementary budget of just over ¥3trn to resume support for household electricity and gas bills, and to extend the petrol subsidies enacted in March. This can be funded without any revision of planned bond issuance thanks to Japan's shrinking fiscal deficit.

Results announcements for the year ending March 2026 have continued to impress. Aggregate recurring profit growth for the portfolio was 16% and a further rise of 10% is forecast for the fiscal year to March 2027. Speciality chemicals company Zeon reported operating profit growth of 24% and forecast further growth thanks to higher sales of optical films and battery materials. Regional bank Yokohama Financial announced upbeat results due to robust loan growth and expanding net interest margins.

Shareholder returns have been notably strong. Dividends for our portfolio grew 23% and almost every company increased its dividend. Dividend growth for March 2027 is forecast to be 11%. Trading company Inabata upgraded its shareholder returns policy to pay a dividend of 4.0-4.5% of equity while there were sizable share repurchases announced by Amada (8% of shares outstanding) and TBS (4%). The latter also raised its medium term targets for selling cross-shareholdings. According to the Nikkei newspaper, buybacks announced by listed Japanese companies in the year reached a record ¥22.3trn, up 18% year on year, which marked the fifth consecutive annual increase. In the portfolio, 70% of companies announced buybacks last year at an average size of 5.3% of shares outstanding, and already 20% of holdings have declared buybacks since April.

More companies have received shareholder proposals ahead of the June AGM season. Kyocera, TBS and Sekisui Jushi are all facing proposals to buy back 10% of their outstanding shares. Kyocera has committed to sell another ¥125bn of its large shareholding in mobile carrier KDDI and is under growing pressure to make more reforms. Elsewhere, an activist is proposing that NHK Spring make its board majority independent and hold its AGM later in the summer so investors can review the annual report (Yuho) before voting. Several of our holdings have recently asked to arrange meetings to discuss our voting intentions, illustrating the growing pressure that boards are facing.

There is considerable scope for consolidation in Japan to improve margins, so it was interesting to see bearing manufacturers NSK and NTN announce plans to merge. The two companies, which are no.1 and no.2 in the domestic industry, generated operating margins of 3.9% and 3.8% respectively in the year just ended. The combined firm will be comparable in scale to Sweden's SKF, the global leader, which generates margins of almost 10%.

Pharmaceutical wholesaler Medipal announced a bid for its listed subsidiary Paltac at a 43% premium. Asset rich Japanese companies are attracting more attention from overseas funds, as Bain Capital has formed a new \$10.5bn Asia fund with plans to allocate half to Japan. Meanwhile, Berkshire Hathaway increased its holdings in Sumitomo Corp and Marubeni to above 10%, meaning it now owns more than 10% of all five major Japanese trading houses.

Underlying profit performance is healthy while balance sheets are strong with net cash and investments worth close to 40% of market cap at our non-financial holdings. Meanwhile, we expect more M&A to help realise the value in the fund.

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

Fund	
Fund size	£1,083
Number of holdings	65

Valuations	
Average PBR	1.19
Median EV/OP* (3/27e)	8.9
Weighted Average P/E (3/27e)	13.4
Net cash as % of market cap*	39%

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

Top Ten Holdings	% Fund
Honda Motor Co. Ltd	3.3
Dai-Ichi Life Holdings Inc	3.3
Yokohama Financial Group Inc	3.1
Sumitomo Mitsui Financial Group	3.1
Sumitomo Mitsui Trust	3.0
Tokyo Broadcasting System	3.0
Mitsubishi Gas Chemical Co	2.9
Mitsubishi UFJ Financial Group	2.9
Nippon Television Network	2.8
Inpex	2.8

Market Cap Breakdown	% Fund
Large Cap (>\$10b)	39.5
Mid Cap (\$2b - \$10b)	45.0
Small Cap (<\$2b)	11.2
Cash	4.3

NAV at 29 th May 2026	
B Accumulation	992.96p
B Income	802.62p

Dealing
If you would like to deal in the fund, please contact Waystone Management (UK) Ltd. 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	1.15%	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	2025	2024	2023	2022	2021	2020	Since inception (May 2003)
B Accumulation Shares	+29.3%	+18.8%	+21.4%	+4.3%	+6.3%	-6.3%	+893.0%
TOPIX Net Total Return	+16.6%	+10.1%	+12.3%	-5.0%	+1.9%	+9.1%	+541.5%

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 29th May 2026 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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