

MORANT WRIGHT

MANAGEMENT LIMITED

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WS Morant Wright Japan Fund October 2025 Newsletter

£ Returns	Month	Year to Date	Since Inception (23 rd May 2003)
B Accumulation	+1.2%	+23.9%	+716.5%
TOPIX Net Total Return	+4.4%	+18.6%	+464.7%

Sources: Bloomberg and Waystone Management (UK) Ltd

TOPIX Net Total Return rose by 6.2% in October in local terms and finished the month at a new high, led by significant moves in large cap technology stocks.

Sanae Takaichi won a surprise victory in the LDP leadership election. Komeito, which has been the LDP's coalition partner since 1999, ended their partnership, reportedly due to a dispute over reforms to political donations. The LDP has instead entered into an alliance with the centre-right Japan Innovation Party which prioritises fiscal discipline. Ms. Takaichi was subsequently confirmed by parliament as Japan's first female prime minister and begins her tenure with the highest cabinet approval rating since 2002 at 74%. It is not yet clear what the two parties have agreed in their coalition pact. In any case, they are just short of majorities in both houses of parliament so will need to negotiate to pass legislation.

The Bank of Japan left its 0.5% policy rate unchanged at its October meeting, which contributed to the yen weakening to an eight month low of ¥154. Inflation accelerated in September to 2.9% and with Japan's largest trade union federation announcing it will seek another 5% wage hike next year it seems likely that the Bank of Japan will continue normalising interest rates.

Companies have begun reporting interim results. The picture has been generally positive with an improved pricing environment benefitting automobile parts and construction companies in particular. In the portfolio, auto parts company Tokai Rika revised up its operating profit forecast by 45% thanks to healthy production volumes at its main customer, Toyota Motor. Steel maker Yamato Kogyo raised its net profit forecast thanks to strong performance at its US joint venture in Arkansas and announced a 2% buyback.

Sumitomo Electric Industries reported strong results and raised forecasts in all segments thanks to robust growth in energy infrastructure, optical components, and automobile wire harnesses. It was also encouraging to see the company tidy up more listed subsidiaries, announcing a 21% premium bid to buy in rubber parts maker Sumitomo Riko at 1.3x PBR, and the sale of its electrical engineering subsidiary Sumitomo Densetsu to Daiwa House at a 28% premium representing a valuation of 3.0x PBR. The company visited us in London this month on its first overseas IR trip in a decade, where the president emphasised improving capital efficiency by unwinding cross-shareholdings, withdrawing from loss-making areas, and expanding capacity to meet growing demand from data centres.

M&A is clearly on the rise, providing another avenue for unlocking the value in our portfolio. It was interesting to see Taiwanese electronics company Yageo prevail in the bidding war for Shibaura Electronics, buying it for 3.1x PBR and paying a 130% premium to the initial undisturbed price. This illustrates the benefits that can accrue to shareholders from competitive bids and that there are now fewer barriers to acquisitions by foreign companies. Research group Recofdata reported that acquisitions in Japan by investment funds totalled ¥5trn in the nine month period to September, an 80% increase on last year.

The FSA has begun discussions to revise the Corporate Governance Code next year. One proposed change is to require companies to disclose plans for using their cash, thereby increasing the pressure on those with inefficient balance sheets. It may also seek to ensure that independent directors are suitably qualified. We believe our portfolio is well placed to benefit from the trend of improving corporate governance in Japan and we see ample scope to improve returns by returning cash to shareholders and divesting non-core assets, while earnings multiples remain modest.

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

Fund	
Fund size	£898m
Number of holdings	65

Valuations	
Average PBR	1.05
Median EV/OP* (3/26e)	8.4
Weighted Average P/E (3/26e)	14.0
Net cash as % of market cap*	41%

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

Top Ten Holdings	% Fund
Sumitomo Electric Industries	3.8
Kinden	3.4
Sumitomo Mitsui Trust	3.0
Tokyo Broadcasting System	3.0
Nippon Television Network	2.9
Mitsubishi UFJ Financial Group	2.9
Inpex	2.8
Sumitomo Mitsui Financial Group	2.8
Honda Motor Co. Ltd	2.8
Toyota Industries Corp	2.8

Market Cap Breakdown	% Fund
Large cap (>\$5bn)	53.5
Mid cap (\$1-5bn)	39.4
Small cap (<\$1bn)	2.5
Cash	4.6

NAV at 31 st October 2025	
B Accumulation	816.52p
B Income	668.77p

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	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%	+716.5%
TOPIX Net Total Return	+10.1%	+12.3%	-5.0%	+1.9%	+9.1%	+15.2%	+464.7%

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 October 2025 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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