

MORANT WRIGHT

MANAGEMENT LIMITED

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WS Morant Wright Nippon Yield Fund June 2025 Newsletter

| £ Returns | Month | Year to Date | Since Inception (1 st October 2008) |
|------------------------|-------|--------------|---|
| B Accumulation | -1.2% | +5.2% | +705.0% |
| TOPIX Net Total Return | +0.0% | +3.1% | +235.6% |

Sources: Bloomberg and Waystone Management (UK) Limited

TOPIX Net Total Return rose by 1.9% in local terms. Overseas investors have been net buyers of Japanese equities for each of the last eleven weeks but have still been net sellers in aggregate so far this year.

Core inflation rose by 3.7% in May, the highest level in two years. Particularly noticeable for consumers has been the price of rice which has doubled over the last year to an all-time high. The newly appointed agricultural minister, Mr Koizumi, has taken a series of measures to reduce the rice price, including releasing some of the government's stockpile, which has led to an improvement in Prime Minister Ishiba's popularity from a very low base ahead of upper house elections later this month. The government has also proposed a ¥20,000 payment to all individuals and an additional ¥20,000 to low income households.

About 60% of listed Japanese companies held their AGMs in June. At Taiyo Holdings, a chemicals company with a \$3bn market cap, the president failed to achieve 50% approval from shareholders and as a result lost his job. Taiyo had received several buyout offers but major shareholders, including the founding family, had become frustrated that these were not being properly considered. This is a rare event in Japan as change often happens before the AGM takes place, as was the case at portfolio holding Fuji Media where President Shimizu was the only existing director to be re-appointed alongside 10 new directors, including 6 external candidates. Having spoken to the company at length ahead of the AGM, we voted against the president and in favour of some of the candidates proposed by an activist investor as we believe that much more can be done to address Fuji Media's excessive holdings of cash and investment securities. Pressure from an activist also led to chemicals company Kureha announcing a 21% buyback carried out off-market, into which we sold most of the portfolio's holding.

A formal takeover bid was announced for Toyota Industries, the former parent company and largest shareholder of Toyota Motor. The \$34bn bid is being made by unlisted Toyota Fudosan and equates to the current book value, a lower price than had been previously rumoured. The takeover is being used as an opportunity for Toyota Motor and other group companies to buy back their shares and tidy up cross-shareholdings. We believe that the bid undervalues the company considerably, however, and have written to both Toyota Industries and Toyota Motor to voice our specific concerns. We also raised various issues with the takeover process in a recent meeting with Mr. Yamaji, head of the Tokyo Stock Exchange.

Mr. Yamaji has been responsible for the TSE's measures to improve the ROE and PBR of Japanese companies which has prompted so much positive change in the last two years. Interestingly, he believes that we are only 15% to 20% through the process, a view that he also discussed with the Nikkei newspaper in a recent interview. He felt that Japanese companies had broadly accepted this initiative, which builds on the foundations of the Japanese Corporate Governance and Stewardship Codes established ten years ago. Further evidence came from recent figures which showed listed companies sold around ¥4trn of cross-held shares in the year ending March 2025, a record high. Firms also sold off around 420 of their subsidiaries and business units over the year, an encouraging sign that companies are increasingly focusing on their core businesses.

Japan saw a record \$232 billion of M&A deals in the first half of 2025, more than three times in the same period last year. Valuations and financing costs remain low and there are still plentiful opportunities to buy companies with cash rich balance sheets. Our companies have net cash and investments worth almost half of their market cap on average (excluding financials), while the average P/E is still below 12x. We also believe, like Mr. Yamaji, that the improvements in corporate governance have got much further to go.

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

| Fund | |
|--------------------|-------|
| Fund size | £837m |
| Number of holdings | 65 |

| Valuations | |
|------------------------------|------|
| Average PBR | 0.88 |
| Median EV/OP* (3/26e) | 6.8 |
| Weighted Average P/E (3/26e) | 11.7 |
| Net cash as % of market cap* | 43% |

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

| Top Ten Holdings | % Fund |
|---------------------------------|--------|
| Sumitomo Mitsui Financial Group | 3.4 |
| Sumitomo Mitsui Trust | 3.4 |
| Dai-ichi Life Holdings Inc | 3.3 |
| Concordia Financial Group Ltd | 3.0 |
| Mitsubishi UFJ Financial Group | 3.0 |
| Sumitomo Electric Industries | 3.0 |
| Honda Motor Co. Ltd | 3.0 |
| Fuji Media Holdings | 2.8 |
| Inpex | 2.6 |
| Yamato Kogyo Co Ltd | 2.5 |

| Market Cap Breakdown | % Fund |
|----------------------|--------|
| Large cap (>\$5bn) | 40.0 |
| Mid cap (\$1-5bn) | 51.3 |
| Small cap (<\$1bn) | 4.2 |
| Cash | 4.5 |

| NAV as at 30 th June 2025 | |
|--------------------------------------|---------|
| B Accumulation | 775.55p |
| B Income | 502.92p |

| 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@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 | October 2008 | Deal cut-off point | 12pm |
| Geographic exposure | 100% Japanese equities | Valuation point | 12pm |
| AMF | 1.0% | Settlement | T+4 (subscriptions/redemptions) |
| OCF | 1.16% | 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 | CFMWNBA LN | B42MKS9 | GB00B42MKS95 |
| B Income | CFMWNYB LN | B2R83B2 | GB00B2R83B20 |

| Performance (%) | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | Since inception (1 st October 2008) |
|------------------------|-------|-------|------|-------|------|-------|---|
| B Accumulation Shares | +19.4 | +18.9 | +8.8 | +11.6 | -5.9 | +11.9 | +705.0% |
| TOPIX Net Total Return | +10.1 | +12.3 | -5.0 | +1.9 | +9.1 | +15.2 | +235.6% |

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 30th June 2025 and accurate as at that date.

Dividends

| Ex-Dividend Date | 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 | 31 Oct 2024 | 30 Apr 2025 |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Dividend per 'B' Income Share | 6.2359 | 4.1192 | 5.8480 | 5.0278 | 6.8290 | 5.631 | 7.0071 | 5.7134 | 7.0283 | 7.5343 | 8.8519 |

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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