

MORANT WRIGHT

MANAGEMENT LIMITED

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WS Morant Wright Nippon Yield Fund December 2023 Newsletter

£ Returns	Month	2023	Since Inception (1 st October 2008)
B Accumulation	+3.0%	+18.9%	+540.5%
TOPIX Net Total Return	+3.3%	+12.3%	+195.5%

Sources: Bloomberg and Waystone Management (UK) Limited

TOPIX finished the year with a gain of 27.8% in local terms. A major reason for the strong performance of the market and the fund was the announcement by the Tokyo Stock Exchange in January about companies trading below their book value. Partly as a result, investor flow data showed that companies buying back shares were the biggest purchasers of Japanese equities during the year. The yen strengthened during the month as confidence grew that US interest rates may be peaking, although the yen has still fallen significantly over the year. The Bank of Japan left monetary policy unchanged at its December meeting.

Core CPI (excluding fresh food) dropped from 2.9% to 2.5% in November, partly due to a sharp drop in energy prices which are benefiting from both government subsidies and the lower oil price. The rate excluding fresh food and energy fell from 4.0% to 3.8%. The consensus now seems to anticipate that the BoJ may end its policy of negative interest rates in April provided that early signs on wage increases are supportive.

There were further encouraging developments on corporate governance. The TSE announced that it will ask companies with listed subsidiaries and affiliates to explain the rationale for keeping them listed. It is seeking to ensure the independent governance of subsidiaries and the protection of minority investors. According to CLSA, 247 companies in Topix are more than 40% owned by another company (11% of the index). Shares in listed subsidiaries generally rose on the news including our holding in Canon Marketing Japan, which is 58% owned by Canon. Toho Movie announced a bid for its listed affiliate Tokyo Rakutenchi at a 52% premium.

Companies in the Toyota group announced more sales of cross-shareholdings. Denso sold its entire stakes in three group companies while Toyota Motor announced the sale of its 4.6% stake in Harmonic Drive. Toyota was also in the news after its subsidiary Daihatsu Motor admitted falsifying data for safety and emissions tests. Daihatsu, which makes up less than 5% of Toyota's total profit, has suspended global production at least until the end of January.

An activist investor announced that it has taken a 5% stake in Fuji Media, a TV advertising and property group which we hold in the fund. The investor has stated that it may make proposals to management. Given that the shares trade at just above 40% of book value and investment securities are worth 120% of the market capitalisation, there is considerable scope for improvement.

The value of domestic M&A reached ¥7.7trn in 2023, its highest level since 2005. In December there were competing takeover bids for Benefit One, an employee benefit outsourcing company. Dai-ichi Life has made an offer of ¥1,800 per share to buy the company, exceeding an existing bid of ¥1,600 from M3. It then improved the bid to ¥2,123 by combining it with a tax efficient buyback by Benefit One. The proposed deal looks quite expensive to us, but the \$2bn cost is small relative to the size of Dai-ichi Life and management has assured us that the company will continue to buy back shares despite this acquisition.

Despite the strong rise in share prices over the last year, the prospective PE ratio of 9.7x is similar to a year ago as higher profits have matched share price gains. Given the continued acceleration of shareholder returns and the substantial net cash of our stocks, we remain optimistic about the outlook.

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

Fund	
Fund size	£451m
Number of holdings	59

Valuations	
Average PBR	0.79
Median EV/OP* (3/24e)	6.6
Weighted Average P/E (3/24e)	9.7
Net cash as % of market cap*	46%

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

Top Ten Holdings	% Fund
Mitsubishi UFJ Financial Group	3.4
Sumitomo Mitsui Financial Group	3.3
Dai-ichi Life Holdings Inc	3.2
Honda Motor Co. Ltd	3.0
Sumitomo Mitsui Trust	3.0
Fuji Media Holdings	2.9
Inpex	2.9
Canon Marketing	2.8
Toda Corp	2.3
MS&AD Insurance Group	2.2

Market Cap Breakdown	% Fund
Large cap (>\$5bn)	34.1
Mid cap (\$1-5bn)	52.9
Small cap (<\$1bn)	12.0
Cash	1.0

NAV at 29 th December 2023	
B Accumulation	617.06p
B Income	420.59p

Dealing
If you would like to deal in the fund, please contact Waystone Management (UK) Limited. Their telephone number is **0345 922 0044**

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 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	2022	2021	2020	2019	2018	Since inception (1 st October 2008)
B Accumulation Shares	+8.8%	+11.6%	-5.9%	+11.9%	-12.4%	+540.5%
TOPIX Net Total Return	-5.0%	+1.9%	+9.1%	+15.2%	-9.3%	+195.5%

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 December 2023 and accurate as at that date.

Dividends

Ex-Dividend Date	31 Oct 2018	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
Dividend per 'B' Income Share	4.2703	5.7753	5.1285	6.2359	4.1192	5.8480	5.0278	6.8290	5.631	7.0071	5.7134

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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