

Allianz

Japan Equity

Monthly commentary

Investment Objective

The Fund aims at long-term capital growth by investing in Japanese equity markets in accordance with environmental and social characteristics.

What Happened in March

The Japanese equity market declined slightly in March, pulled back towards month end on news of President Trump's 25% auto tariff and heightened uncertainty surrounding the president's self-dubbed "Liberation Day" of sweeping tariffs on 2 April.

The Bank of Japan (BoJ) held rates at 0.5% at its March meeting, as expected. Headline inflation eased to 3.7% in the year to February from 4.0% in January, while annual core inflation slowed to 3.0% from 3.2% in January. The BoJ Governor confirmed the central bank's desire to "respond nimbly to stabilise markets" faced with increased downside risks and uncertainties surrounding inflation, trade tariffs and long-term yield movements. Preliminary data from the Japanese Trade Union Confederation, indicated that the spring "shunto" wage negotiations reflect the biggest pay hike in 34 years, with an average figure of 5.46%.

Within the market, domestic-related sectors such as Real Estate and Consumer Staples outperformed amid growing concerns over US tariffs. On the other hand, Information Technology and Communication Services underperformed.

Portfolio Review

The Fund underperformed the benchmark TOPIX index in March, mainly due to negative stock selection in Industrials and Materials.

MARCH 2025

At the individual stock level, defence-related stocks such as an industrial group, and a manufacturer of electrical and electronic products strongly outperformed due to positive expectations that the defence budget in Japan will be expanded in the future. Non holdings of those stocks impacted relative performance. In addition, semi-related stocks such as a computer and peripheral equipment manufacturer, a microcontroller producer, and a precision tool maker also underperformed due to a more negative outlook for artificial intelligence (AI) investment growth slowdown. On the other hand, an underweight position in a video game company contributed positively, and financial stocks like a regional bank and an insurance group also outperformed.

Market Outlook

In the near term, the stock market is expected to be volatile. After month end, the US administration announced the application of additional tariffs on Japan, which was more negative than market expectations. Until this announcement, another rate hike had been expected in June or July. However, unless the tariff situation changes rapidly, the existing rate environment is now more likely to be maintained for the time being.

Many Japanese companies have a fiscal year ending in March, and new guidance will be announced during the March fiscal year-end earnings announcements. Exporters will have to conservatively estimate the impact of tariffs due to the potential shrinkage of the global economy. In addition, considering the impact of yen appreciation, initial guidance is expected to fall significantly below market expectations.

Notwithstanding this, we have a constructive longer-term view on the Japan equity market. We believe that structural drivers remain in place for a more positive outlook. In particular, the combination of higher inflation as well as ongoing governance reforms should contribute both to improved earnings as well as a greater focus on shareholder value. The spring wage negotiations are seen as having concluded successfully and are potentially expected to contribute to the improvement of the consumption environment going forward.

Under these circumstances, in response to the announcement of strict tariff policies, we aim to maintain a balanced portfolio, combining growth stocks with higher earnings visibility as well as selective value-oriented stocks with potential positive catalysts, such as turnaround prospects and an improvement in shareholder returns. The portfolio also has a relatively close-to-benchmark sector positioning, so that we expect stock selection to be the consistent driver of returns.

Connect with Us | sg.allianzgi.com | +65 6438 0828 | Search more  Allianz Global Investors



Like us on Facebook [Allianz Global Investors Singapore](#)



Connect on LinkedIn [Allianz Global Investors](#)



Subscribe to YouTube channel [Allianz Global Investors](#)

All data are sourced from Allianz Global Investors and Bloomberg as of 31 March 2025 unless otherwise stated.

The information presented here is intended for general circulation and does not constitute a recommendation to anyone; it also has not taken into account the specific investment objectives, financial situation or particular needs of any particular person. Information herein is based on sources we believe to be accurate and reliable as at the date it was made. We reserve the right to revise any information herein at any time without notice. No offer or solicitation to buy or sell securities and no investment advice or recommendation is made herein. In making investment decisions, investors should not rely solely on this publication but should seek independent professional advice. However, if you choose not to seek professional advice, you should consider the suitability of the product for yourself. Past performance of the fund manager(s) and the fund is not indicative of future performance. Prices of units in the Fund and the income from them, if any, may fall as well as rise and cannot be guaranteed. Distribution payments of the Fund, where applicable, may at the sole discretion of the Manager, be made out of either income and/or net capital gains or capital of the Fund. As a result of the payment, the Fund's net asset value is expected to be immediately reduced. The dividend yields and payouts are not guaranteed and might change depending on the market conditions or at the Manager's discretion; past payout yields and payments do not represent future payout yields and payments. Investment involves risks including the possible loss of principal amount invested and risks associated with investment in emerging and less developed markets. The Fund may invest in financial derivative instruments and/or structured products and be subject to various risks (including counterparty, liquidity, credit and market risks etc.). Past performance, or any prediction, projection or forecast, is not indicative of future performance. Investors should read the Prospectus obtainable from Allianz Global Investors Singapore Limited or any of its appointed distributors for further details including the risk factors, before investing. The duplication, publication, extraction, or transmission of the contents, irrespective of the form is not permitted, except for the case of explicit permission by Allianz Global Investors. This publication has not been reviewed by the Monetary Authority of Singapore (MAS). MAS authorization/recognition is not a recommendation or endorsement. The issuer of this publication is Allianz Global Investors Singapore Limited (79 Robinson Road, #09-03, Singapore 068897, Company Registration No. 199907169Z).