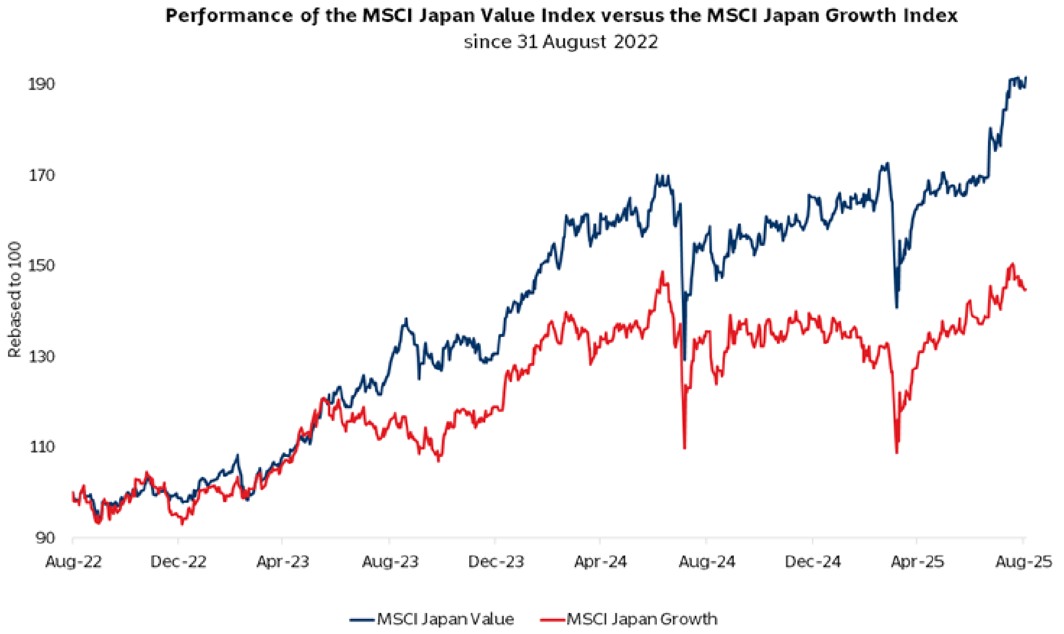
Global Matters Weekly

08 Sep 2025

Value in Japan

Jonathan Nicholls



Source: Momentum Global Investment Management, Bloomberg Finance L.P. Data to August 31 2025. Rebased to 100, Local Currency.

What this chart shows

This chart shows how the MSCI Japan Value Index has outperformed the MSCI Japan Growth Index over the past three years. The Value Index focuses on large and mid-cap companies with attractive valuations, stable fundamentals, and traditional sector exposure, while underweighting high growth or less established firms. In contrast, the Growth Index targets large and mid-cap securities exhibiting strong growth characteristics.

Despite limited domestic support, foreign investors have driven a rally since April 2025 that pushed the Nikkei Index to record highs, coinciding with a strengthening yen. These investors have been significant sellers of Japanese government bonds, shifting into equities instead. This rotation has pushed 30-year bond yields to new highs.

What are the Stimuli?

Japan's tariff problems appear largely resolved. In July, President Trump announced a deal to lower US tariffs on Japanese imports, including automobiles and parts, from 25% to 15%. In exchange, Japan committed to a substantial $550 billion investment in US industries and agreed to expand market access for US goods such as rice and agricultural products.

The country is emerging from decades of stagnation and deflation. Nominal wage growth reached a 33-year high in late 2024 and the Bank of Japan has been adjusting interest rates to maintain sustainable inflation. This has created stronger corporate earnings within a healthier macroeconomic environment, setting the stage for strong GDP growth potential.

Against this backdrop, the MSCI Japan Value has outperformed its growth-centred counterpart. A driving factor has been the Tokyo Stock Exchange's initiative targeting low price-to-book companies, launched in March 2023. Working with regulators and corporate leaders, the TSE urged companies to improve their P/B ratios to at least 1x, not as an end goal, but as a minimum level.

The TSE has led corporate behaviour change by encouraging companies to unwind cross-shareholdings, enhance board diversity and independence, and increase dividends and share buybacks, from plentiful corporate cash reserves. These favourable corporate measures, from erstwhile highly conservative organisations, have enticed foreign investment through improved transparency and shareholder returns.

At Momentum, we've capitalised on these trends through our active, mid-cap Japanese equity specialists, Morant Wright. They focus on undervalued companies with solid balance sheets and improving corporate governance. By avoiding speculative growth, focusing instead on firms with tangible assets and stable cash flows, the Morant Wright team has outperformed the value index by approximately 25% over the same period.

Belvest 研富

Global Matters Weekly

08 Sep 2025

For more information, please contact your adviser or alternatively contact:

Belvest Investment Services Limited
研富投資服務有限公司
9th Floor, Centre Mark II
305-313 Queen's Road Central
Sheung Wan, Hong Kong

Tel +852 2827 1199
Fax +852 2827 0270
belvest@bis.hk
www.bis.hk