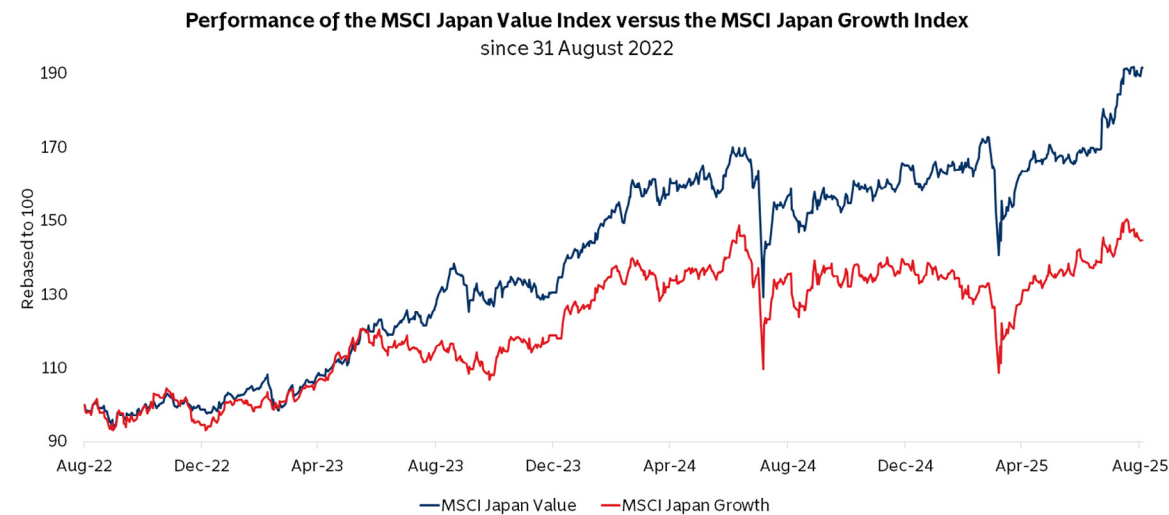


Chart of the Week

8 September 2025



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



Value in Japan

Jonathan Nicholls
Distribution Services Operations Executive

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.

Weekly market update

week ending 5 September 2025

momentum

global investment management

Markets are balancing political turbulence, fiscal uncertainty, and protectionist pressures, with US tech gains and bond issuance, UK leadership upheaval, EU industrial protection calls, China's financial manoeuvres, and wider geopolitical risks shaping sentiment.



US

- » September began with investors on edge as markets reopened after Labor Day, stoked by concerns over Federal Reserve independence and uncertainty in Trump-era tariff.
- » The S&P 500 hit a new high during the week but closed with modest gains (0.3%), leading analysts to warn of a potential 10-15% correction ahead.
- » US firms unleashed a deluge of bond issuance- about \$56.4 billion in investment-grade debt and \$9.6 billion in high-yield - as companies aimed to lock in yields before anticipated Fed rate cuts.
- » Oil rose after OPEC+ said it would restart 137,000 barrels a day of output from October, much smaller than the increments scheduled for the previous two months.



UK

- » Deputy Prime Minister Angela Rayner's resignation, prompted by her own committee's tax misstep, unravelled into a high-stakes cabinet reshuffle and leadership contest, putting renewed pressure on Prime Minister Starmer's authority and testing markets' confidence in governance and fiscal consistency
- » The Bank of England issued a discussion paper proposing measures to bolster the resilience of the gilt repo market, including central clearing and minimum haircuts. 30-year gilts hit '98 highs at 5.75%.
- » Burberry Group and Metlen Energy & Metals were added to the FTSE 100, while Taylor Wimpey and Unite Group were downgraded to the FTSE 250 as part of the quarterly rebalancing.
- » The UK's S&P composite PMI rose to 54.2 in August (a 16-month high), driven by strong service sector performance, even as concerns grew over public finances ahead of the November budget.



Europe

- » France's finance minister told the FT the government would have to compromise on plans to cut the budget deficit even if the PM is toppled at the no-confidence vote on the 8 September, one he is posed to lose
- » European steel industry leaders are urging the Commission to impose US-style 50% tariffs and origin rules to shield against cheap steel imports, particularly from China, amid rising energy costs and global oversupply.
- » The EU's VAT in the Digital Age (ViDA) package, aimed at modernising VAT via e-invoicing, platform economy rules, and single VAT registration, came into force earlier in April and continues to shape EU-wide tax policy.
- » Analysts note September's reputation as the underperforming month for European equities, though 2025 may diverge depending on market breadth signals and potential policy moves.



Rest of the World/Asia

- » The yen fell and Japanese stocks gained after PM Shigeru Ishiba resigned, with a 4 October leadership contest. Trump signed an order implementing the US-Japan trade deal, with a 15% tariff rate on most imports.
- » China will allow major Russian energy companies to issue renminbi-denominated "panda bonds" in its domestic bond market - a workaround amid Western sanctions.
- » Regulators are considering curbs on stock speculation to rein in China's \$1.2 trillion market rally and prevent overheating.
- » Russia launched a record mass drone attack on Ukraine, adding geopolitical risks that may influence markets, especially in Europe and beyond.

| Cumulative returns | | | | | |
|-------------------------------------|----------|-------------------------|---------------|----------|-----------|
| Asset Class / Region | Currency | Week ending 5 September | Month to date | YTD 2025 | 12 months |
| Developed Markets Equities | | | | | |
| United States | USD | 0.4% | 0.4% | 10.9% | 18.9% |
| United Kingdom | GBP | 0.3% | 0.3% | 15.9% | 15.5% |
| Continental Europe | EUR | -0.1% | -0.1% | 10.6% | 9.2% |
| Japan | JPY | 1.0% | 1.0% | 13.1% | 21.5% |
| Asia Pacific (ex Japan) | USD | 1.2% | 1.2% | 19.7% | 21.3% |
| Australia | AUD | -0.7% | -0.7% | 11.5% | 15.1% |
| Global | USD | 0.4% | 0.4% | 14.2% | 19.1% |
| Emerging Markets Equities | | | | | |
| Emerging Europe | USD | 0.2% | 0.2% | 41.6% | 31.9% |
| Emerging Asia | USD | 1.6% | 1.6% | 19.5% | 22.0% |
| Emerging Latin America | USD | 1.7% | 1.7% | 36.6% | 15.8% |
| BRICs | USD | 1.7% | 1.7% | 19.3% | 21.9% |
| China | USD | 1.9% | 1.9% | 31.5% | 54.0% |
| MENA countries | USD | -0.7% | -0.7% | 1.1% | 2.6% |
| South Africa | USD | 1.3% | 1.3% | 40.8% | 34.3% |
| India | USD | 1.4% | 1.4% | 2.7% | -5.0% |
| Global emerging markets | USD | 1.4% | 1.4% | 20.7% | 21.0% |
| Bonds | | | | | |
| US Treasuries | USD | 0.9% | 0.9% | 5.3% | 1.8% |
| US Treasuries (inflation protected) | USD | 0.7% | 0.7% | 6.9% | 4.8% |
| US Corporate (investment grade) | USD | 1.1% | 1.1% | 6.6% | 4.2% |
| US High Yield | USD | 0.3% | 0.3% | 6.6% | 8.2% |
| UK Gilts | GBP | 0.7% | 0.7% | 1.9% | -1.9% |
| UK Corporate (investment grade) | GBP | 0.4% | 0.4% | 3.6% | 3.0% |
| Euro Government Bonds | EUR | 0.4% | 0.4% | 0.2% | 0.8% |
| Euro Corporate (investment grade) | EUR | 0.2% | 0.2% | 2.6% | 4.4% |
| Euro High Yield | EUR | 0.0% | 0.0% | 4.0% | 7.0% |
| Global Government Bonds | USD | 0.5% | 0.5% | 7.2% | 2.0% |
| Global Bonds | USD | 0.7% | 0.7% | 8.2% | 3.6% |
| Global Convertible Bonds | USD | 0.5% | 0.5% | 16.5% | 22.3% |
| Emerging Market Bonds | USD | 0.8% | 0.8% | 8.7% | 7.8% |

| Cumulative returns | | | | | |
|--------------------------------|----------|-------------------------|---------------|----------|-----------|
| Asset Class / Region | Currency | Week ending 5 September | Month to date | YTD 2025 | 12 months |
| Property | | | | | |
| US Property Securities | USD | 0.4% | 0.4% | 3.2% | -0.6% |
| Australian Property Securities | AUD | -1.5% | -1.5% | 10.3% | 8.4% |
| Asia Property Securities* | USD | -0.8% | 0.8% | 18.4% | 17.5% |
| Global Property Securities | USD | 0.2% | 0.2% | 10.6% | 5.0% |
| Currencies | | | | | |
| Euro | USD | 0.3% | 0.3% | 13.4% | 5.7% |
| UK Pound Sterling | USD | 0.1% | 0.1% | 8.0% | 2.7% |
| Japanese Yen | USD | -0.2% | -0.2% | 6.9% | -2.5% |
| Australian Dollar | USD | 0.3% | 0.3% | 6.1% | -2.5% |
| South African Rand | USD | 0.4% | 0.4% | 7.5% | 0.8% |
| Swiss Franc | USD | 0.3% | 0.3% | 13.9% | 6.1% |
| Chinese Yuan | USD | 0.0% | 0.0% | 2.3% | -0.6% |
| Commodities & Alternatives | | | | | |
| Commodities | USD | -1.3% | -1.3% | 2.4% | 7.9% |
| Agricultural Commodities | USD | -2.2% | -2.2% | -3.9% | -1.2% |
| Oil | USD | -3.8% | -3.8% | -12.2% | -9.9% |
| Gold | USD | 4.0% | 4.0% | 36.7% | 42.9% |

*data to 1 August 2025. Source: Bloomberg Finance L.P. Past performance is not indicative of future returns.

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