



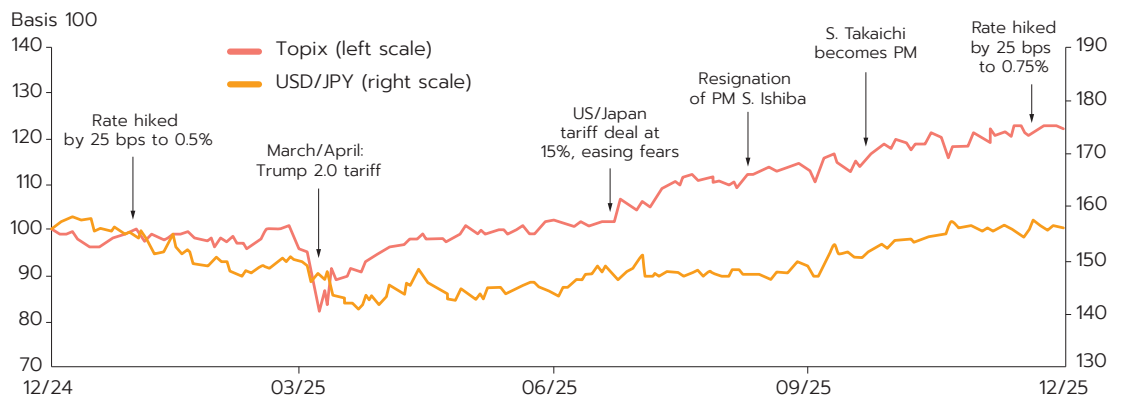
## Japanese Equities

### A resilient 2025 in a shifting environment

#### POSITIONING AND 2025 PERFORMANCE

**Following a particularly strong 2024, Japanese equities extended their upward trajectory in 2025. The TOPIX advanced by 22.4%<sup>(1)</sup> and the Nikkei 225 by 26%<sup>(1)</sup> in local currency, marking a third consecutive year of solid gains. Despite a backdrop shaped by economic and political uncertainties, the market demonstrated notable adaptability throughout the year.**

#### JAPANESE EQUITIES VERSUS USD/JPY IN 2025



Source: Ofi Invest Asset Management as of 31/12/2025.

#### MONETARY POLICY: THE BANK OF JAPAN BEGINS A SLOW NORMALIZATION

A major development came from the Bank of Japan, which took decisive steps toward unwinding decades of ultra-loose monetary policy. The policy rate was lifted to 0.5%<sup>(1)</sup> in January, followed by another 25-basis-point increase in December, bringing it to 0.75%<sup>(1)</sup>.

These moves were widely anticipated and reflected the Bank's assessment that inflation hovering near 2%<sup>(2)</sup> is becoming more entrenched, supported by gradual wage growth and an economy that remains on a stable footing.

#### TRADE TENSIONS: A U.S. SHOCK ABSORBED FASTER THAN EXPECTED

On the geopolitical front, the most significant event originated in the United States. In April, Donald Trump announced a sharp increase in tariffs on Japanese imports, setting a general rate of 24%<sup>(3)</sup>. The announcement triggered an immediate market pullback, unsurprising

given the depth of bilateral trade ties. As negotiations progressed, tensions gradually subsided. After three months, both countries reached an agreement capping tariffs at 15%<sup>(4)</sup>, helping safeguard Japan's key export sectors and reduce volatility<sup>(5)</sup>.

<sup>(1)</sup> Source: Bloomberg as of 31/12/2025 · <sup>(2)</sup> Source: Bank of Japan · <sup>(3)</sup> Source: White House, April 2025 · <sup>(4)</sup> Source: <https://www.nippon.com/fr/in-depth/a10404/> · <sup>(5)</sup> Volatility is an indicator that measures the magnitude of increases and decreases in the value of a stock.

## DOMESTIC POLITICS: SANAЕ TAKAICHI MARKS A TURNING POINT

Japan also experienced a major political shift in 2025. After the ruling coalition lost the upper-house elections, Prime Minister Ishiba stepped down, and Sanae Takaichi became the first woman to lead the country.

Upon taking office, she set a clear direction for economic policy, combining fiscal discipline, support for contained inflation, and continuity of existing reforms. Her stimulus plan follows a coherent approach:

improving household purchasing power, enhancing tax efficiency, and strengthening strategic areas such as energy, food supply, and national security.

This political transition has brought greater clarity to Japan’s policy framework. By blending stability with pragmatic reform, Takaichi has helped bolster investor confidence and reinforce the operating environment for Japanese companies.

## MARKET FOUNDATIONS STRENGTHENED THROUGH 2025

With monetary policy tightening gradually, trade relations becoming clearer, and a smooth political transition, Japanese equities ended 2025 on more stable ground. The shift

toward more conventional policy settings has supported Japan’s economic credibility without undermining growth, continuing to attract international investment.

## SECTOR PERFORMANCE: BENEFICIARIES OF THE INVESTMENT CYCLE LEAD THE WAY

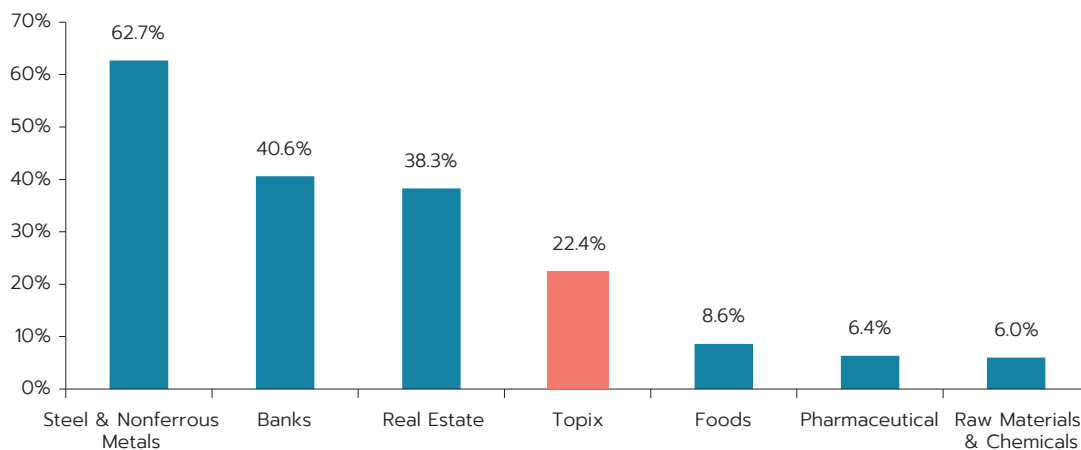
Market performance was driven by sectors most exposed to the investment cycle. Construction, non-ferrous metals, and financials delivered strong contributions, supported by infrastructure momentum, favorable conditions for raw materials, and the positive impact of rising rates on bank margins. Real estate also held up well amid a reflationary environment.

Conversely, defensive sectors lagged in a market characterized by increased risk appetite.

Food producers faced higher cost pressures, pharmaceuticals operated in a less supportive commercial environment, and several industrial segments, including chemicals and basic materials, struggled with softer demand.

At the same time, technology remained a key driver. Strong interest in artificial intelligence boosted semiconductor-related names, which ranked among the year’s best performers alongside major Japanese tech groups.

### TOPIX AND SECTOR PERFORMANCES PRICE RETURN



2025 Performance in JPY (topix-17 classification). Sources: Bloomberg and Ofi Invest Asset Management as of 31/12/2025.

## PORTFOLIO STRATEGY<sup>(6)</sup>: NAVIGATING LONG-TERM CONVICTIONS AND MARKET DYNAMICS

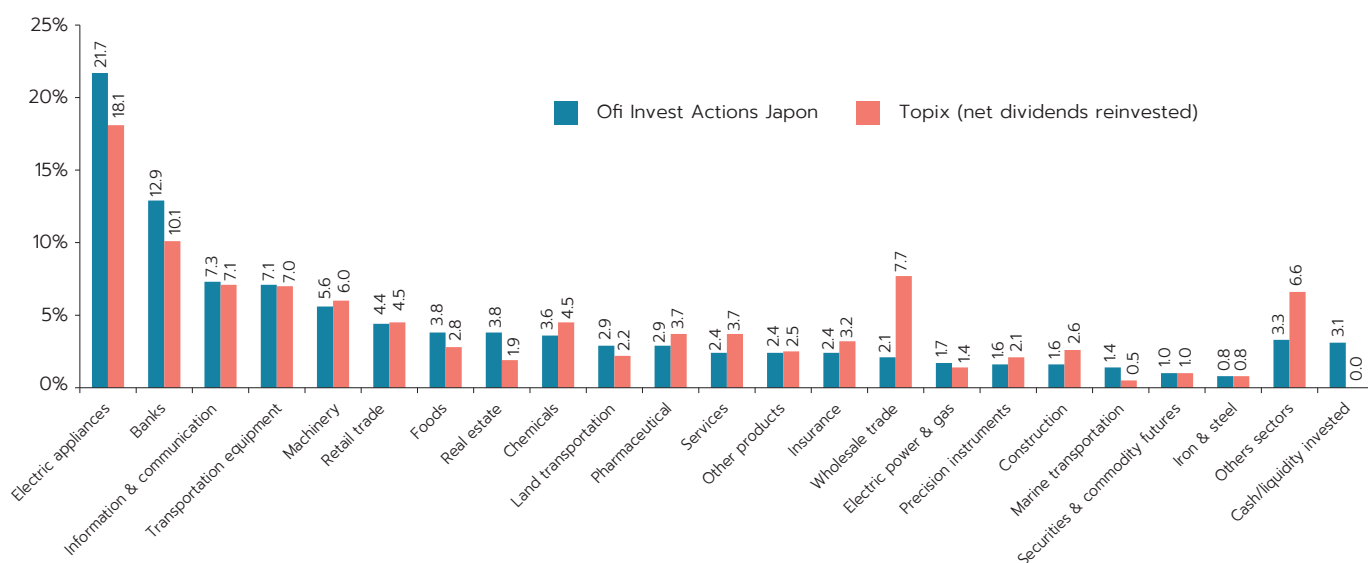
Several elements influenced the 2025 performance of the Ofi Invest Actions Japon portfolio. A limited allocation to small-caps reduced exposure to their significant rally, fueled by domestic demand and governance reforms.

Our exclusion policy also shaped the portfolio. By avoiding coal-related activities, we remain outside certain segments that still play a meaningful role in Japan’s energy mix, especially since the reduction in nuclear capacity post-Fukushima increased reliance on coal and gas. This exclusion may generate short-term opportunity costs but aligns with our long-term

positioning and our focus on companies whose practices we consider sustainable.

On the other hand, several strategic tilts supported performance. Overweight positions in financials, strong stock selection within technology, and contributions from names such as Mitsubishi Estate\*, Advantest\*, SoftBank Group\*, and Mizuho Financial\* helped drive results. Looking ahead to 2026<sup>(7)</sup>, we maintain an overweight in technology and banking, while remaining mindful of the uncertainties linked to the significant financing needs of artificial intelligence.

### POSITIONING OF OFI INVEST JAPAN EQUITY AS OF 12/31/2025<sup>(8)</sup>



Source: Ofi Invest Asset Management as of 31/12/2025.

#### OFI INVEST ACTIONS JAPON

**Ofi Invest Actions Japan is a conviction based fund invested in Japanese equities.** Its objective is to **capture the growth potential of the Japanese economy** and deliver performance in line with the Japanese equity market over a recommended investment horizon of five years.

The fund may also diversify its exposure through other asset classes -such as non Japanese equities (including emerging markets), bonds and money market instruments- and may use derivatives to adjust its market exposure, in accordance with the limits and conditions set out in the prospectus.

<sup>(6)</sup> Our views on asset classes provide a broad and forward-looking discussion framework that can guide conversations among Ofi Invest AM’s investment teams. The investment horizon for these views is short term and may change at any time. This framework therefore does not constitute guidance for building a long-term asset allocation.

<sup>(7)</sup> The investment being promoted relates to acquiring units or shares of a fund, and not to purchasing any specific underlying asset—such as real estate or shares of a company—which are merely assets held within the fund.

<sup>(8)</sup> As an illustration only, the portfolio allocation is likely to change over time.

### A constructive backdrop for Japanese equities.

As 2026 begins, Japan has clearly moved beyond its “lost decades.” The recovery observed in recent years is no longer just a rebound; it is now backed by a solid earnings cycle and structural changes enhancing corporate competitiveness.

The end of persistent deflation has been transformative. Companies now enjoy improved pricing power, stronger margins, and greater capacity to reinvest. Simultaneously, rapid improvements in corporate governance -supported by government initiatives- continue to align management and shareholder interests, contributing to rising returns on equity and improving capital discipline. Together, these shifts underpin the market’s re-rating.

The overall market trend remains positive. Corporate governance reforms have encouraged more efficient capital allocation and share buyback programs have reached record levels over the past two years, creating strong underlying demand. Meanwhile, a stable global backdrop -supported by moderate U.S. growth- continues to benefit Japan’s external sector.

Valuations sit slightly above long-term averages but remain reasonable given margin expansion and improved profitability. As return on equity continues to strengthen, room for multiple expansion remains.

In this environment, Japanese companies are gaining visibility among global investors, supported by improving fundamentals and ever-stronger governance frameworks. As we enter 2026, the Japanese market is undergoing meaningful transformation -stronger, better valued, and backed by fundamentals that continue to support future growth. At the same time, several risks remain: yen volatility, a rapid rise in long-term interest rates, and ongoing geopolitical uncertainty could all introduce more fluctuations in Japanese equities.

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