

# Matthews Japan Fund

I (Acc)

## Commentary

Period ended 31 March 2025

### Market Environment

- Sentiment toward Japanese equities was impacted by concerns that a stronger Japanese yen, along with rising interest rates, may dampen export demand. We are mindful, however, that Japan is less dependent on exports than it was in the past. More and more, Japanese companies conducting business abroad are doing so through direct investment in subsidiaries or in international partnerships.
- Japanese companies' earnings were generally robust in the quarter; stock buybacks and increasing dividend yields eased but continued to support total returns. Equity valuations have retracted back to long-term averages which also helped support stock prices.
- During the period, we found opportunities in quality domestic businesses shielded from negative tariff sentiment in areas like communication services, consumer discretionary, health care, industrials and real estate.

### Contributors and Detractors

- For the quarter ended March 31, 2025, the Japan Fund returned -0.49%, (I Acc USD) while its benchmark, the MSCI Japan Index, returned 0.50% over the same period.
- On a sector basis, the top three contributors to relative performance were materials, communication services and consumer discretionary due to stock selection. The top three detractors were industrials, consumer staples and financials due to stock selection.
- The largest contributors to absolute performance included Sony, an electronics company, Mitsubishi UFJ Financial Group, a leading financial firm, and NEC, an information technology (IT) company. The top three detractors included Recruit Holdings, a human resources (HR) company, Tokyo Electron, an electronics and semiconductor company, and Shin-Etsu Chemical, a chemicals company.

### Outlook

- Japan's macro and external outlook is mixed. As a global cyclical economy, Japan depends on sectors such as autos and consumer electronics. Many Japanese companies also have production hubs in Southeast Asia. Thus, U.S. tariffs, whether directly and indirectly impacting Japan, could be a significant influence on market sentiment.
- That said, given Japan's history of direct investing in the U.S., particularly in autos, and its capacity to reduce its trade surplus through increased spending in areas like defense, may render it less exposed to U.S. tariffs than other major global economies.
- Japan also has a large and diverse domestic economy with robust levels of demand that is not exposed to global headwinds. Ongoing Japanese wage negotiations could serve as a potential tailwind for demand, supporting domestic consumption and corporate earnings.
- In our view, selective stock picking remains key—to identify companies with strong earnings outlooks and good dividend yields, supported by stock buybacks and attractive valuations.

### Rolling 12 Month Returns For the period ended 31/03/2025 - I (Acc)

Name	2025	2024	2023	2022	2021	Inception Date
Matthews Japan Fund (USD)	0.88%	28.54%	-8.39%	-11.08%	51.61%	30/04/2015
MSCI Japan Index (USD)	-1.74%	26.20%	-4.83%	-6.14%	40.18%	
Matthews Japan Fund (GBP)	-1.58%	25.75%	-2.87%	-6.68%	35.92%	30/04/2015

<b>MSCI Japan Index (GBP)</b>	-3.84%	23.52%	1.34%	-1.64%	25.98%	
<b>Matthews Japan Fund (USD Hedged)</b>	2.73%	53.67%	3.72%	-2.34%	55.00%	03/04/2017
<b>MSCI Japan Index 100% Hedged to USD (USD Hedged)</b>	1.84%	50.98%	8.62%	3.11%	44.05%	

Sources: Brown Brothers Harriman (Luxembourg) S.C.A, Matthews Asia, FactSet Research Systems, Bloomberg

Performance figures discussed in the Fund Manager Commentary above reflect that of the Institutional Accumulation Class Shares and has been calculated in USD. Performance details provided for the Fund are based on a NAV-to-NAV basis, with any dividends reinvested, and are net of management fees and other expenses. Past performance information is not indicative of future performance. Investors may not get back the full amount invested.

The information contained herein has been derived from sources believed to be reliable and accurate at the time of compilation, but no representation or warranty (express or implied) is made as to the accuracy or completeness of any of this information. Matthews Asia and its affiliates do not accept any liability for losses either direct or consequential caused by the use of this information.

Information contained herein is sourced from Matthews Asia unless otherwise stated. The views and opinions in this commentary were as of the report date, subject to change and may not reflect the writer's current views. They are not guarantees of performance or investment results and should not be taken as investment advice. Investment decisions reflect a variety of factors, and the managers reserve the right to change their views about individual stocks, sectors, and the markets at any time. As a result, the views expressed should not be relied upon as a forecast of the Fund's future investment intent. It should not be assumed that any investment will be profitable or will equal the performance of any securities or any sectors mentioned herein. The information does not constitute a recommendation to buy or sell any securities mentioned.

Investors should not invest in the Fund solely based on the information in this material alone. Please refer to the Prospectus for further details of the risk factors.

An investment in Matthews Asia Funds may be subject to risks, such as social and political instability, market illiquidity, exchange-rate fluctuations, a high level of volatility and limited regulation. Additionally, investing in emerging and frontier securities involves greater risks than investing in securities of developed markets, as issuers in these countries generally disclose less financial and other information publicly or restrict access to certain information from review by non-domestic authorities. Emerging and frontier markets tend to have less stringent and less uniform accounting, auditing and financial reporting standards, limited regulatory or governmental oversight, and limited investor protection or rights to take action against issuers, resulting in potential material risks to investors. Pandemics and other public health emergencies can result in market volatility and disruption.

Fund holdings are subject to change and risk. For current holdings, please visit each Fund's individual overview page.

Matthews Asia is the brand for Matthews International Capital Management, LLC and its direct and indirect subsidiaries.

Your use of this website confirms that you have read and agree to the [Terms and Conditions of Use](#) of this website.

The information on this website is for informational purposes only and does not constitute an offer to sell or a solicitation of an offer to buy any security that may be referenced on or through this website. Unless otherwise specified, it is not intended to be directed to any person(s) in particular. Information from this website must not be used in any jurisdiction where prohibited by law and must not be used in a way that would be contrary to local law or legislation. No investment advice, tax advice, or legal advice is provided through this website, and you agree that this website will not be used by you for these purposes. No representation is given that shares, products, or services identified on, or accessible through, this website are suitable for any particular investor. An investment in the Matthews Asia Funds is not available to investors in all jurisdictions; it is not available to U.S. Persons.

Investors should ascertain from their professional advisers the consequences of investing in the Fund under the relevant laws of the jurisdictions to which they are subject, including the tax consequences and any exchange control requirement. Investors should carefully consider the investment objectives, risks, charges and expenses of the Fund before making an investment decision. The current [prospectus](#), [Key Information Document](#), [Key Investor](#)

[Information Document](#), or [other offering documents](#) ("Offering Documents") contain this and other information. Applications for shares may only be made on the Fund's most recent [Offering Documents](#) which are available from Matthews International Capital Management, LLC. Please read the [Offering Documents](#) carefully before investing.

In Singapore, this website is available to, and intended for Institutional Investors under Section 304 of the Securities and Futures Act. It should not be circulated or distributed to the retail public in Singapore.

In the UK, this website is only made available to professional clients and eligible counterparties as defined by the Financial Conduct Authority ("FCA"). Under no circumstances should this document be forwarded to anyone in the UK who is not a professional client or eligible counterparty as defined by the FCA. Issued in the UK by Matthews Global Investors (UK) Limited ("Matthews Asia (UK)"), which is authorised and regulated by the FCA, FRN 667893.

If you are a resident of any other country, please go to [matthewsasiasia.com](https://matthewsasiasia.com)

©2025 Matthews International Capital Management, LLC