

AMUNDI FUNDS EQUITY JAPAN TARGET

Monthly
Portfolio
Update

28/02/2026

Meet the Team



Naofumi Harukawa

Portfolio manager

Market Review

The Japan equity market posted a strong February and was the best performer among major equity markets. Japanese equity indices renewed closing records after the ruling coalition/LDP landslide in the lower-house election. Political clarity and higher expectations that the Takaichi administration can more effectively execute policy supported risk appetite and attracted noticeable buying, particularly from overseas investors.

Cyclicals led the rally. Commodity-related, construction and real-estate names drove performance, while JGB yields and USD/JPY remained range-bound after the landslide, offering some market relief. Mid-month, broad gains were interrupted by narratives originating in the US—principally AI-related disruption and talk of the “death of SaaS”—which contributed to notable underperformance in the information Technology & communications sector and some industrial electronics stocks versus TOPIX.

Domestically, demand for AI-related capex broadened investor focus into hardware plays, including semiconductor production equipment and data-center-related products, supporting selective strength in those segments. The announcement of BOJ policy board candidates on 25 February, viewed as reflationary, encouraged futures buying by short-term overseas investors. Concurrently, stronger US tech earnings and improved sentiment prompted short covering in tech names.

By month-end, uncertainty over US tariff policy and heightened tensions in Iran, together with signs of short-term overheating and profit-taking, weighed on the market and capped further gains.

Portfolio Review

The portfolio outperformed its benchmark, TOPIX, in February. The strongest sector contributions came from Information Technology and Communication Services, while Consumer Discretionary and Consumer Staples lagged. At the stock level, Kyocera delivered notable strength. The company—a major electronic-components group with competitive expertise in semiconductor ceramic packages—announced a plan to sell approximately ¥250 billion of KDDI shares and to execute share buybacks totalling around ¥500 billion over the next two fiscal years. The market welcomed management's clear commitment to improve capital efficiency, alongside robust earnings momentum from its semiconductor-related businesses. Nippon Densetsu Kogyo, a principal railway electrical contractor affiliated with JR East, was another contributor after upgrading its full-year earnings forecast and dividend plan, supported by a high-margin backlog and the ability to pass through higher material costs.

On the downside, Subaru declined after lowering its full-year earnings forecast amid tariff-related headwinds, and Denso revised down operating profit guidance reflecting US tariff pressure and rising input costs. In response to valuation changes, we completed a full divestment of Denso after its PBR exceeded our internal threshold.

Portfolio activity in February included seven new initiations and two exits. One new position was Alps Alpine, a leading maker of electronic components and in-vehicle information equipment; we expect the company to benefit from increased demand for high value-added smartphone components and potential market-share gains in automotive electronics.

Outlook

Despite limited incremental positive newsflow, equity markets have continued to grind higher. The structural case for equities remains intact: corporate balance sheets are generally healthy, policy settings from major central banks remain supportive, and inflation is subdued across many regions. The central challenge today is valuation—market leadership is more concentrated, so selectivity is paramount.

We remain constructive on Japan equities given idiosyncratic opportunities from capital-efficiency improvements and ongoing governance reform. This year's corporate-governance revisions should increase scrutiny on cash hoarding by Japanese corporates and reinforce pressure to deploy capital more proactively, which could be a catalyst for further shareholder-friendly actions.

We will monitor developments in the Middle East closely; the immediate effect has been on energy prices, but any sustained impact on inflation and central-bank policy would weigh on equity valuations. Our bottom-up investment process remains unchanged: identify fundamentally attractive, idiosyncratic opportunities and use short-term volatility to add positions at compelling valuations while maintaining diversified risk exposure.

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Monthly
Portfolio
Update

28/02/2026

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AMUNDI FUNDS EQUITY JAPAN TARGET

Monthly
Portfolio
Update

28/02/2026

Important information

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AMUNDI FUNDS EQUITY JAPAN TARGET

Monthly
Portfolio
Update

28/02/2026

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