

Chart of the Month

The year is 1989. You are getting prepared to ring in a new decade, and you are thrilled! Why? Because you have been invested in Japan for the past 10 years, reaping an incredible +19.5% annualized return. Unfortunately, that was the last time you were probably excited about Japan for a long time. As soon as the calendar turned to 1990, the Japanese stock bubble began to burst, eventually bottoming out in March 2009—returning a negative 7.8% annualized from peak-to-trough for nearly 20 years. Fast forward 34 years to February 2024 and Japan, by way of the Nikkei 255 Index, has finally eclipsed that all-time high, as this month’s chart illustrates. There has been a recent uptick in intrigue around Japan in the past few years, but why?

1) Corporate Reform: Japanese companies have increased returns to shareholders via buybacks and reduced corporate cross holdings (which have historically protected management teams from investors).

2) Valuations: a large portion of Japanese companies trade below their book value (37% of Nikkei members per Bloomberg).¹ Going hand-in-hand with Corporate Reforms and why there are a number of firms doing buybacks.

3) The Yen: Japan’s currency has been weak. As an exporting country, this benefits many of the Japanese companies, as their products are cheaper for foreign buyers, increasing profits.

Given the fall from grace 30+ years ago, Japan remains the world’s 3rd largest economy, has produced annualized returns (measured in USD) of +8.1%,² and has grown earnings at an annualized rate of +7.5% (in Yen), which is slightly higher than the US at +7% (in USD) over the past decade.³ We like to remind clients that, no matter how hard you look, it is impossible to see the future. It is inevitable that something will change – like a sweeping overhaul of Corporate Governance – that can alter the path of performance. This is why we are advocates of a globally diversified portfolio.



Source: Bloomberg
Data: As of 2/28/2024; Nikkei 225 Index

1. Bloomberg – Japan Shares Open New Chapter as Nikkei Reclaims Its 1989 Peak (Sano, Hideyuki) – 2/22/2024
2. Total Return (USD) of Nikkei 225 Index 2/28/2014 – 2/28/2024 (Bloomberg)
3. TTM EPS (Yen) of TOPIX Index and TTM EPS (USD) of MSCI USA Index annualized over 10-years between 12/31/2013 – 12/31/2023 (Bloomberg)



A Priority on Wealth Preservation

Simple strategies to protect the wealth you’ve worked to build.

When it comes to the discussion on financial planning, words like “growth,” “build” and “maximize” are often heard. While it’s certainly important to ensure that your wealth appreciates, it’s equally critical to implement strategies to protect those assets, such as:

Regular Plan Review: Regularly monitor and adjust your financial plan to adapt to changing market conditions and life circumstances.

Emergency Fund: Maintain a savings buffer equivalent to three to six months of expenses to handle unforeseen costs without tapping into retirement funds.

Explore Alternative Investments: Diversify your portfolio with alternative investments like real estate or private equity to mitigate risk during market downturns.

Backup Plans: Consider long-term care insurance to cover future personal care needs and protect your family’s financial security.

Maximize Retirement Savings: Take advantage of catch-up contributions and delay withdrawals as long as possible to optimize tax-deferred growth.

Source: Bloomberg 2023

	February	YTD	2023	Benchmark	
Stocks	United States	5.3%	7.1%	26.3%	S&P 500
	Intl Developed	1.8%	2.4%	18.2%	MSCI EAFE
	Emerging Markets	4.8%	-0.1%	9.8%	MSCI Emerging Markets
Bonds	US Investment Grade	-1.4%	-1.7%	5.5%	Barclays US Aggregate
	US Municipals	0.2%	-0.4%	7.4%	Barclays Municipal Bond 15y
	Intl Investment Grade	-1.2%	-3.4%	5.7%	Barclays Global Aggregate xUSD
	Global High Yield	0.8%	0.6%	14.0%	Barclays Global High Yield
	Emerging Markets \$	0.4%	-0.2%	9.1%	Barclays Emerging Markets USD Aggregate
Other	Commodities	-1.5%	-1.1%	-7.9%	Bloomberg Commodity
	Gold	0.2%	-0.9%	13.1%	Gold New York Spot (\$/oz)
	Oil	3.2%	9.2%	-10.7%	Crude Oil WTI/Global Spot NYMEX

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