

Monthly Report

March Market Outlook

March 2018
Daiwa Asset Management Co.Ltd.

Japanese Equities: After the cycle of adjustments, favorable corporate earnings expected to be in the limelight again

| Nikkei Stock Average | February end | MoM |
|----------------------|---------------|--------|
| | 22,068.24 Yen | -4.46% |

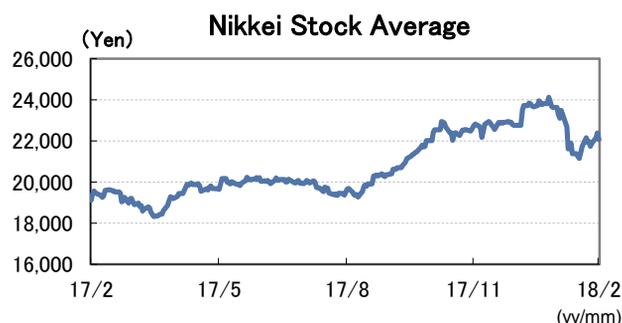
[Market review in February]

Equity markets in Japan dropped. People became conscious about the overheating of the U.S. economy after the U.S. employment statistics for January published at the beginning of the month showed a more-than-expected rise in hourly wages by the market. As a result of this, with the drop in U.S. equities along with the rise in U.S. long-term interest rates, equity prices in Japan also decreased. While there were some reactionary rises after the middle of the month, equity prices remained unstable partly due to a stronger yen in the foreign exchange market.

[Outlook]

In the Congressional testimony at the end of February, FRB (Federal Reserve Board) Chairman Powell expressed a bullish view about the U.S. economy and inflation, prompting concerns about the speed of the rise in U.S. interest rates again at the moment. On the other hand, with the global economy and corporate earnings in Japan still continuing to be favorable, we maintain the view that these will become factors to support equity prices. While we need to pay attention to developments in the foreign exchange market, equity prices are likely to return to the trends in line with the increase in corporate earnings sooner or later.

| Positive Factors | Negative Factors |
|---|--|
| <ul style="list-style-type: none"> ● Solid economic activities and corporate earnings ● Perceived good value of equity prices | <ul style="list-style-type: none"> ● Retreat from monetary easing and accelerated tightening by central banks in Japan, Europe, and the US ● Stronger yen ● Heightened geopolitical risks |



*Source: data from Nikkei Inc. prepared by Daiwa Asset Management

* Copyright, intellectual property rights and all other rights relating to the Nikkei Stock Average (Nikkei 225) belongs to the Nikkei Inc. The company has the right to change the contents of the Nikkei Stock Average (Nikkei 225) and to stop the publication.

Disclaimer: Warning before handling this material

- This material was prepared by Daiwa Asset Management Co.Ltd to provide reference information for investment. It should not be construed as an offer or a solicitation to purchase or subscribe to any fund products. Potential investors should refer to and read the prospectus of each fund product for more detailed information prior to their investment decision.
- The information, statements, forecasts and projections contained herein, including any expression of opinion, are based upon sources believed to be reliable, but their accuracy, correctness or completeness are not guaranteed. The performance of investments, if referred herein, is based on past data and is neither necessarily an indication nor a guarantee of future performance of investments. Daiwa Asset Management Co.Ltd. made all reasonable efforts to ensure that the information contained herein is current, but it is subject to change without notice. Daiwa Asset Management Co.Ltd., or any of its respective affiliates, accepts no liability whatsoever for any direct or consequential loss arising from any use of this material or its content.