

Japan Value Equity Concentrated

November 2024

Strategy

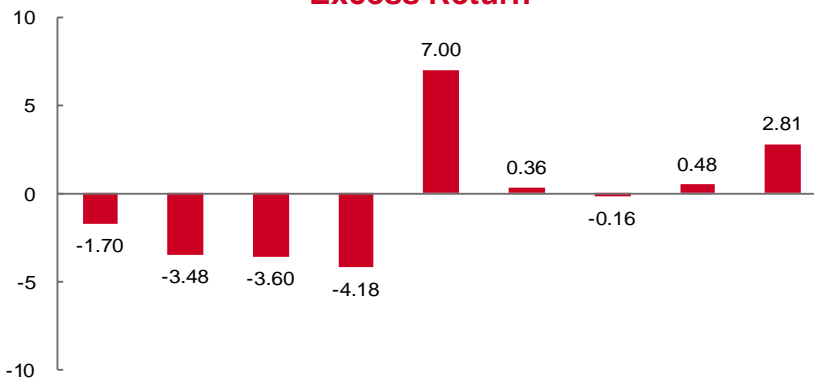
Concentrated Strategy is a focused Japanese equity strategy that aims for above-benchmark return in the mid- to long-term. The portfolio is constructed through investment in undervalued stocks, with careful consideration of risk/return. The strategy takes a bottom-up approach in which the research team analyzes the intrinsic value of individual stocks and compares it with market price in order to identify undervalued names. The portfolio is not constrained by sector weights or market caps.

Market Review

Share prices were dragged on by JPY appreciation versus USD, which was caused by concerns over protectionist policies from President-elect Donald Trump, such as increased tariffs, and the shrinking interest rate gap between the two countries. The Banks, Securities, and Insurance sectors rose as investors were positive on increasing domestic interest rates, while the Transportation Equipment and Chemicals sectors fell as investors were negative on potential increased tariffs from Trump.

Share prices were up in the first half of the month as the market was positive on Trump's victory in the US election given his stimulus policies of lowering corporate and income tax. This was despite a slight downtick caused by concerns of additional rate hikes by the BoJ. Concerns over protectionist policies from Trump, such as increased tariffs, and domestic earnings results coming in below investor expectations then weighed on the market. Share prices continued to fall through the end of the month on the release of actual details of tariffs, the drop in US interest rates after Trump publicly picked fiscal hawk Scott Bessent as next Secretary of the Treasury, and JPY appreciating to below JPY150 to 1USD.

Composite Performance (%) Excess Return*



Top Ten Holdings	%
SUMITOMO MITSUI TRUST GROUP	4.56
TORAY INDUSTRIES INC	4.48
NIDEC CORP	4.11
FANUC CORP	4.00
KIRIN HOLDINGS CO LTD	3.99
NIPPON TELEGRAPH & TELEPHONE	3.24
YAMATO HOLDINGS CO LTD	3.01
MURATA MANUFACTURING CO LTD	2.75
KYOCERA CORP	2.51
NSK LTD	2.51
Total	35.16

Characteristics		
	Portfolio	Benchmark
P/E	12.17x	13.56x
P/B	0.87x	1.33x
ROE	7.15%	9.82%
Dividend Yield	3.24%	2.59%

Market Cap		
	Portfolio	Benchmark
Large	41.4%	67.0%
Mid	46.5%	25.4%
Small	10.3%	7.6%
Others	0.4%	-

Composite Summary

Composite Name	SJAM Value Mother Fund	
Benchmark	TOPIX Total Return**	
Inception Date	January 2004	
Number of Holdings	70	
Bloomberg Code	SNAMCON	
Assets Under Management	Domestic	JPY 62B (USD 413M)
	Overseas	JPY 2.9B (USD 19M)
	Strategy Total	JPY 64.9B (USD 432M)

* Excess return figures are annualized for three years and longer.

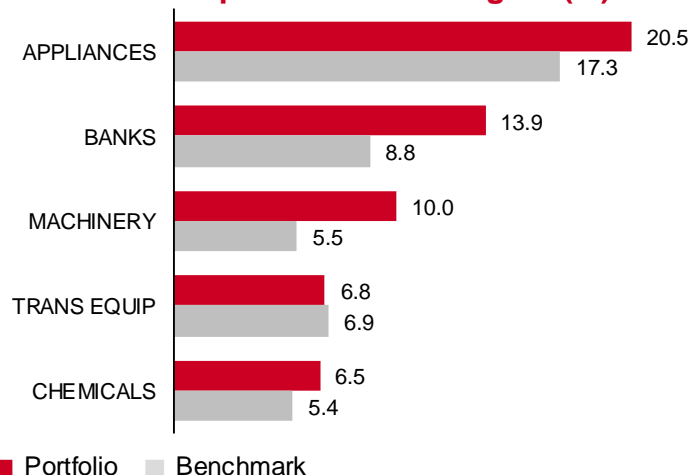
** TOPIX Total Return Index includes the dividends paid by the index constituents.

The data shown is of a representative account. Past performance is not a guarantee of future returns.

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Top Five Sector Weights (%)



Kenji Ueno, CMA
Senior Portfolio Manager
32 years investment experience
27 years at Sampo AM

Attribution Analysis

While sector allocation contributed to performance, stock selection detracted. In sector allocation, overweighting (OW) of Banks and Textiles and underweighting (UW) of Wholesale contributed to performance, while UW of Insurance and Securities and OW of Chemicals detracted. In stock selection, OW of Toray, Sumitomo Mitsui Trust Group, and Nishi-Nippon Financial Holdings contributed to performance, while OW of Omron, Sumco, and Nidec detracted. Last month we increased holdings of Sumco, Subaru, and Nidec and decreased holdings of Nippon Shokubai, Exeo Group, and Sumitomo Mitsui Financial Group.

Outlook

We expect the market will face heavy upside resistance over the near term.

While concerns about the slowing US economy remain, Japanese corporate earnings will likely grow on the back of a recovery in domestic real wages and capital efficiency improvement measures implemented by companies following pressure from the Tokyo Stock Exchange (TSE). Share prices do not look overvalued given current general valuation metrics such as forward P/E. However, downward pressure on share prices will likely increase because of concerns of increased tariffs from the US and worries that JPY will continue to appreciate on the back of divergent monetary policy between the US and Japan. That said, it is difficult to envision a large correction to the Japanese market given strong equity demand from the high level of large-scale share buybacks seen recently and the BoJ's relatively accommodative monetary policy compared to the US and Europe.

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