

Japan Value Equity Concentrated

January 2025

Strategy

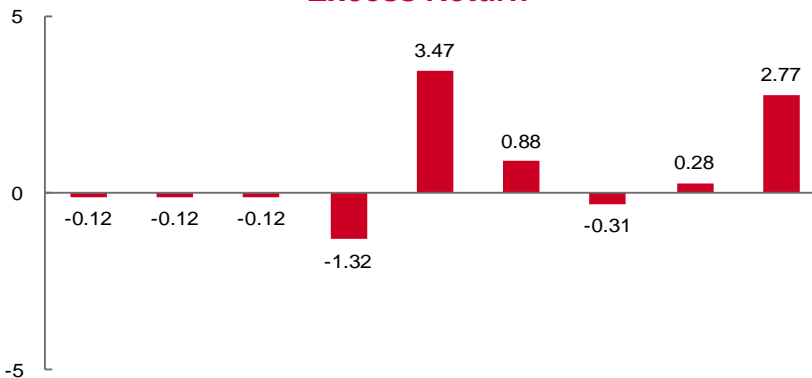
Concentrated Strategy is a focused Japanese equity strategy that aims for above-benchmark return in the mid- to long-term. The portfolio is constructed through investment in undervalued stocks, with careful consideration of risk/return. The strategy takes a bottom-up approach in which the research team 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

The Japanese market ended January roughly unchanged MoM as positives, like retracted concerns of tariffs as US President Donald Trump did not implement them the moment he took office, and negatives, like concerns of a drop in demand for semiconductors following the release of a low-cost AI model from China, balanced out. The Securities & Commodities Futures and Banks sectors rose on the back of a BoJ rate hike and the Marine Transportation sector fell on a drop in expectations for heightened freight rates after strikes were avoided at US ports.

The market fell in the first half of the month as investors were negative on retreating expectations for rate cuts after both US jobs data and ISM Manufacturing PMI beat expectations. Despite heightened expectations for rate cuts on the back of US CPI not meeting expectations, tighter restrictions on US semiconductor exports to China then weighed on share prices. The market then rose through the rest of the month despite the release of Chinese startup DeepSeek's low-cost AI model temporarily acting as a drag by igniting concerns over the future of demand for semiconductors, concerns over Trump tariffs abated as he did not immediately implement any after taking office.

Composite Performance (%) Excess Return*



Top Ten Holdings	%
SUMITOMO MITSUI TRUST GROUP	4.58
FANUC CORP	4.22
NIDEC CORP	3.90
KIRIN HOLDINGS CO LTD	3.64
TORAY INDUSTRIES INC	3.61
YAMATO HOLDINGS CO LTD	3.15
NIPPON TELEGRAPH & TELEPHONE	3.13
KYOCERA CORP	2.92
MURATA MANUFACTURING CO LTD	2.91
HONDA MOTOR CO LTD	2.62
Total	34.68

	Jan	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	0.03	0.03	0.03	10.56	20.08	14.18	8.40	9.78	9.65
Benchmark	0.14	0.14	0.14	11.88	16.61	13.30	8.71	9.50	6.88

Composite Summary

Composite Name	SJAM Value Mother Fund		
Benchmark	TOPIX Total Return**		
Inception Date	January 2004		
Number of Holdings	69		
Bloomberg Code	SNAMCON		
Assets Under Management	Domestic	JPY 64.9B (USD 419M)	
	Overseas	JPY 3.1B (USD 20M)	
	Strategy Total	JPY 68B (USD 439M)	

Characteristics		
	Portfolio	Benchmark
P/E	11.84x	13.86x
P/B	0.87x	1.36x
ROE	7.38%	9.79%
Dividend Yield	3.19%	2.55%

Market Cap		
	Portfolio	Benchmark
Large	42.8%	67.3%
Mid	45.7%	25.2%
Small	10.4%	7.5%
Others	0.4%	-

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

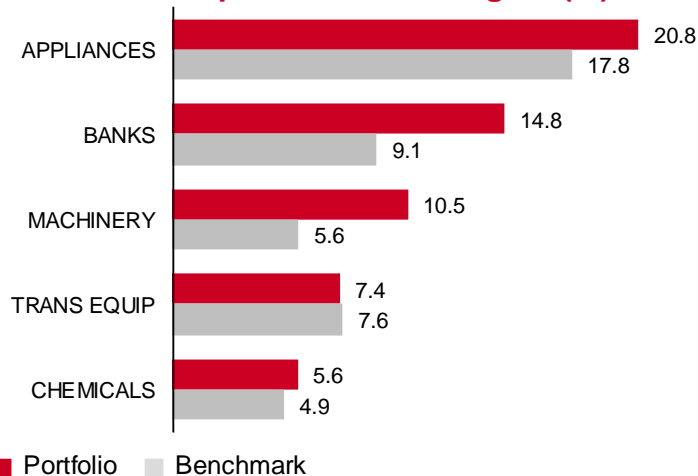
** TOPIX Total Return Index includes the dividends paid by the index constituents.

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 Sompo AM

Attribution Analysis

While sector allocation contributed to performance, stock selection detracted. In sector allocation, overweighting (OW) of Banks and underweighting (UW) of Wholesale and Insurance contributed to performance, while UW of Other Prod and Securities and OW of Foods detracted. In stock selection, OW of Fanuc and Toray and UW of Toyota Motor contributed to performance, while OW of Nidec and Osaka Gas and UW of Mitsubishi UFJ Financial Group detracted. Last month we increased holdings of Morinaga Milk Industry, Sumitomo Heavy Industries, and Mitsui Chemicals and decreased holdings of Toray, Fanuc, and Nippon Shokubai.

Outlook

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

Japanese corporate earnings will likely grow on the back of a recovery in domestic real wages, a cyclical recovery to the manufacturing sector, 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 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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