SOMPO ASSET MANAGEMENT

Japan Value Equity Concentrated

August 2026

Strategy

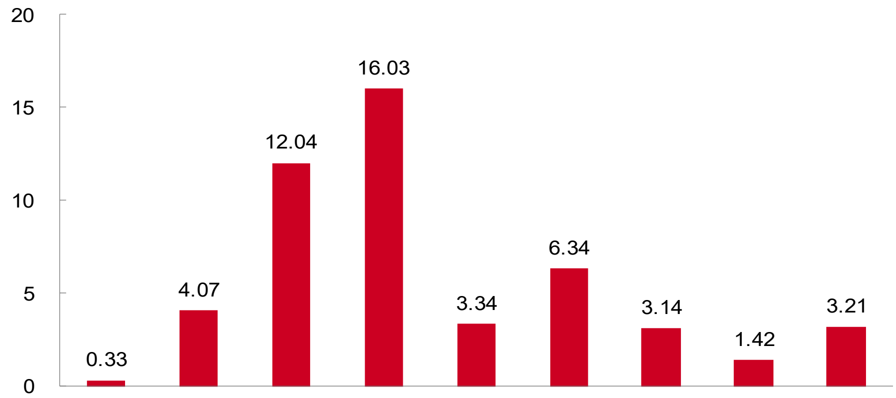
Concentrated Strategy is a focused Japanese equity strategy that aims for above-benchmark return in the mid- to long-term. The portfolio is constructed through investment in undervalued stocks, with careful consideration of risk/return. The strategy takes a bottom-up approach in which the research team 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 market was primarily driven by tech stocks, as excessive concerns over AI-related funding eased. The service sector rose on confirmed earnings expansion by the use of generative AI. The marine transportation sector also rose due to favorable shipping rates on the back of escalated tensions in the Middle East. Meanwhile, the insurance sector declined as shareholder returns announced at earnings reports fell short of market expectations. The glass & ceramic sector also saw a decline due to concerns over surging raw material prices.

In the first part of the month, the Japanese market rose, fueled by a series of strong earnings results. In the middle of the month, the market rose further as fears over AI-related funding eased following a major U.S. semiconductor company's announcement of a framework to support AI data center construction. The market was also supported by lower-than-expected U.S. CPI, which reduced expectations for early Fed rate hikes. Subsequently, the market plummeted due to heightened geopolitical risks in the Middle East. However, the market then recovered, supported by a drop in U.S. long-term rates following the US Treasury's announcement of increased purchases of long-term government bonds. Towards the end of the month, despite easing concerns over the Middle East situation, hawkish remarks by Fed Chair Walsh regarding rate hikes weighed on the market, which ended below its mid-month high.

Composite Performance (%)
Excess Return*



	Aug	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	4.18	8.15	35.43	54.30	27.47	25.41	21.49	16.15	11.66
Benchmark	3.85	4.08	23.39	38.28	24.12	19.07	18.35	14.73	8.45

Composite Summary		
Composite Name	SJAM Value Mother Fund	
Benchmark	TOPIX Total Return**	
Inception Date	January 2004	
Number of Holdings	66	
Bloomberg Code	SNAMCON	
Assets Under Management	Domestic	JPY 93.4B (USD 585M)
	Overseas	JPY 0B (USD 0M)
	Strategy Total	JPY 93.4B (USD 585M)

Top Ten Holdings	%
NTT INC	4.45
TOYOTA MOTOR CORP	4.41
SUMITOMO MITSUI TRUST GROUP	4.27
OMRON CORP	4.16
DAIKIN INDUSTRIES LTD	3.44
DENSO CORP	3.39
HONDA MOTOR CO LTD	3.20
ASAHI GROUP HOLDINGS LTD	3.14
HIROSE ELECTRIC CO LTD	2.98
FANUC CORP	2.66
Total	36.09

Characteristics	Portfolio	Benchmark
P/E	14.54x	15.91x
P/B	1.19x	1.76x
ROE	8.19%	11.06%
Dividend Yield	2.80%	2.22%

Market Cap	Portfolio	Benchmark
Large	45.7%	68.2%
Mid	45.8%	24.7%
Small	6.3%	7.2%
Others	1.4%	-

* Excess return figures are annualized for three years and longer.
** TOPIX Total Return Index includes the dividends paid by the index constituents.

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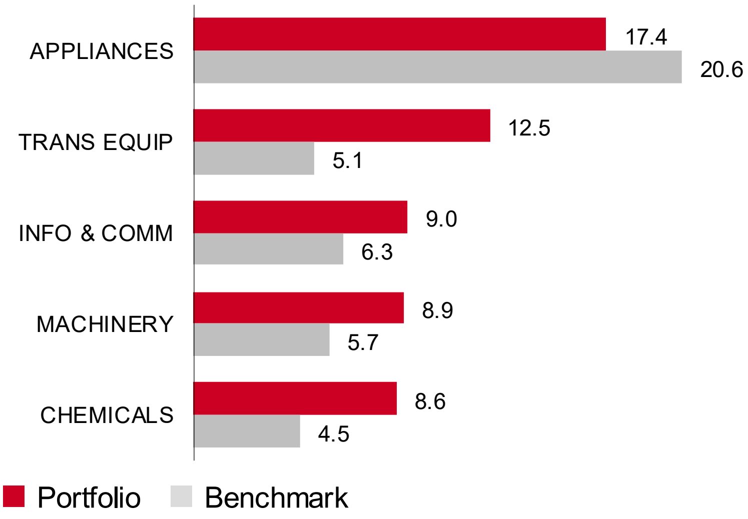
Top Five Sector Weights (%)



Kenji Ueno, CMA
Senior Portfolio Manager
34 years investment experience
29 years at Sompo AM

Attribution Analysis

Stock selection contributed to performance, while sector allocation detracted. In sector allocation, underweighting (UW) of Insurance, Appliances, and Glass & Ceramic contributed to performance, while UW of Nonferrous and Other Prod and overweighting (OW) of Land Trans detracted. In stock selection, OW of Omron, NTT, and Nitori Holdings contributed to performance, while UW of Recruit Holdings, and OW of Daikin Industries and Fanuc detracted. Last month we increased holdings of Fanuc, Asahi Group Holdings, and Hirose Electric and decreased holdings of Sumitomo Metal Mining and Daishi Hokuetsu Financial Group, and Hirogin Holdings.

Outlook

We expect the market to remain firm. Valuations (forward P/E) already reflect market expectations to a considerable extent and suggest limited upside potential. FY26 earnings forecasts will likely be less impacted by rising costs driven by the Middle East situation than initially expected. We expect a firm market, driven by solid earnings, with improvements

expected across broader sectors beyond AI and semiconductors. We believe there is significant room for a re-rating of non-AI related stocks, while AI-related stocks have already priced in considerably high expectations. We should remain vigilant about a potential market correction, given that the recent rise in domestic long-term rates could put downward pressure on valuations. That said, we don't expect a large market correction as there is strong equity demand from a high level of share buybacks and the BoJ has relatively accommodative monetary policy compared to the US and Europe.

Contact Information

Daniel Robbins
+81 3 5290 3414

Group email: global@sompo-am.co.jp