Japan Value Equity Concentrated

October 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

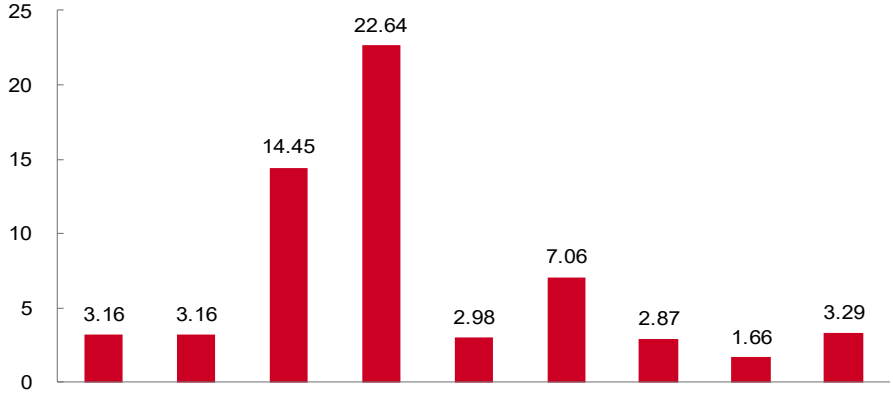
Concerns over financing risks for AI-related businesses weighed on the market. The services sector, which comprises a high concentration of domestic demand-oriented stocks rose amid an uncertain external environment. Mining also gained, supported by rising expectations for earnings improvements driven by surging crude oil prices. Conversely, non-ferrous metals and machinery, which include AI semiconductor-related names, underperformed as fears mounted over the profitability of AI-related investments.

At the beginning of the month, the market started higher as weaker-than-expected US employment data dampened expectations for early rate hikes. However, stock prices subsequently retreated as US long-term rates surged to historical highs following the release of the FOMC meeting minutes.

In the middle of the month, a sharp decline in bond prices for an emerging US cloud company triggered concerns over financing risks for AI-related businesses, leading to a major sell-off, particularly in high-tech names. Although the market temporarily saw a partial recovery driven by buying on weakness, escalating attacks on Saudi Arabia by pro-Iranian militant groups sent crude oil prices soaring and weighed on stock prices late in the month.

Toward the end of the month, earnings reports from major US tech companies reignited concerns over the heavy financial burden of massive AI investments, causing the market to test lower levels.

Composite Performance (%)
Excess Return*



	Oct	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	-0.32	-0.32	33.22	44.35	26.57	24.55	18.79	15.33	11.49
Benchmark	-3.48	-3.48	18.77	21.71	23.59	17.50	15.92	13.67	8.20

Top Ten Holdings	%
TOYOTA MOTOR CORP	4.37
NTT INC	4.32
SUMITOMO MITSUI TRUST GROUP	4.03
OMRON CORP	3.71
ASAHI GROUP HOLDINGS LTD	3.51
DAIKIN INDUSTRIES LTD	3.48
HONDA MOTOR CO LTD	3.41
DENSO CORP	3.32
FANUC CORP	3.21
HIROSE ELECTRIC CO LTD	3.05
Total	36.42

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 76.7B (USD 487M)
	Overseas	JPY 0B (USD 0M)
	Strategy Total	JPY 76.7B (USD 487M)

Characteristics	Portfolio	Benchmark
P/E	13.61x	14.23x
P/B	1.14x	1.73x
ROE	8.41%	12.13%
Dividend Yield	3.01%	2.41%

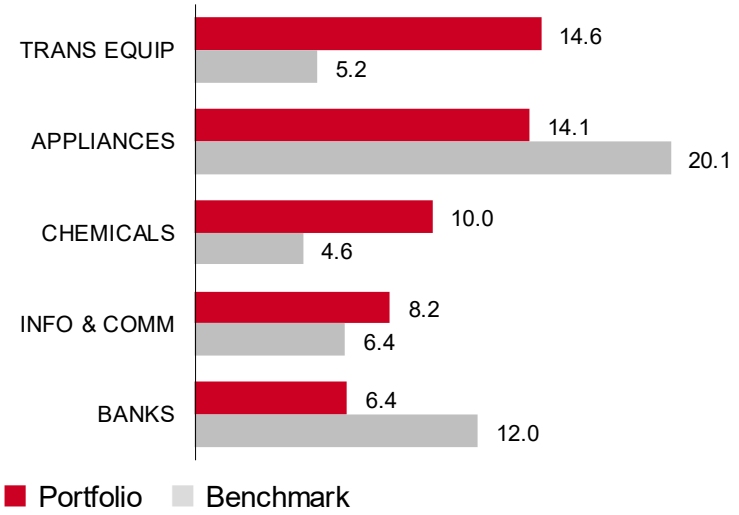
Market Cap	Portfolio	Benchmark
Large	41.3%	69.7%
Mid	49.1%	23.4%
Small	7.7%	6.9%
Others	0.0%	-

* 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
34 years investment experience
30 years at Sompo AM

Attribution Analysis

Both sector allocation and stock selection contributed to performance. In sector allocation, overweighting (OW) of Trans Equip and underweighting (UW) of Nonferrous and Banks contributed to performance, while UW of Insurance and Pharma, and OW of Machinery detracted. In stock selection, UW of SoftBank Group, and OW of Nomura Research Institute and Otsuka Corporation contributed to performance, while OW OMRON and SUMCO, and UW of Recruit Holdings detracted. Last month we increased holdings of SUMCO, DENKA, and FANUC and decreased holdings of NEC, Otsuka Corporation, and Nomura Research Institute.

Outlook

We expect the market to bottom out and look for a rebound. Due to valuation corrections led by AI-related stocks, the overall market's forward P/E ratio has dropped to undervalued levels. While concerns over the sustainability of AI investments will likely linger, we believe the current valuation levels can be maintained given that there are no signs of a major downturn in the global economy and that any negative impacts on non-AI names will be limited. Even if AI-related demand slows down, earnings for this fiscal year are projected to remain robust, and we expect the market to return to focusing on earnings fundamentals. We should remain vigilant about a potential market correction, given that the recent rise in 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.

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