

Japan Value Equity Green

November 2024

Strategy

Green Strategy invests in Japanese equities that meet environmental management and investment value criteria, and aims to achieve above-benchmark return in the mid- to long-term. We use a bottom-up approach. The Japanese equity research team analyzes intrinsic value of individual stocks and compares it with market price in order to identify undervalued stocks. Environmental research is conducted by Sompo Risk Management, a leading company in domestic ESG research.

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	%
MITSUBISHI UFJ FINANCIAL GRO	4.61
SUMITOMO MITSUI FINANCIAL GR	3.60
TOYOTA MOTOR CORP	2.71
NIPPON TELEGRAPH & TELEPHONE	2.68
MURATA MANUFACTURING CO LTD	2.37
DAIKIN INDUSTRIES LTD	2.26
PANASONIC HOLDINGS CORP	2.22
EAST JAPAN RAILWAY CO	2.19
TORAY INDUSTRIES INC	2.18
MEBUKI FINANCIAL GROUP INC	2.00
Total	26.82

Characteristics

	Portfolio	Benchmark
P/E	12.68x	13.56x
P/B	0.97x	1.33x
ROE	7.62%	9.82%
Dividend Yield	3.21%	2.59%

Market Cap

	Portfolio	Benchmark
Large	45.0%	67.0%
Mid	46.6%	25.4%
Small	6.8%	7.6%
Others	0.0%	-

	Nov	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	-0.25	0.73	11.75	10.56	16.35	12.07	7.89	9.43	6.44
Benchmark	-0.51	1.36	15.80	15.54	14.44	12.22	8.48	9.11	5.09

Composite Summary

Composite Name	Sompo Japan Green Mother Fund								
Benchmark	TOPIX Total Return**								
Inception Date	July 2006								
Number of Holdings	77								
Bloomberg Code	SNAMGRN								
Assets Under Management	Strategy Total			JPY 48.6B (USD 324M)					

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

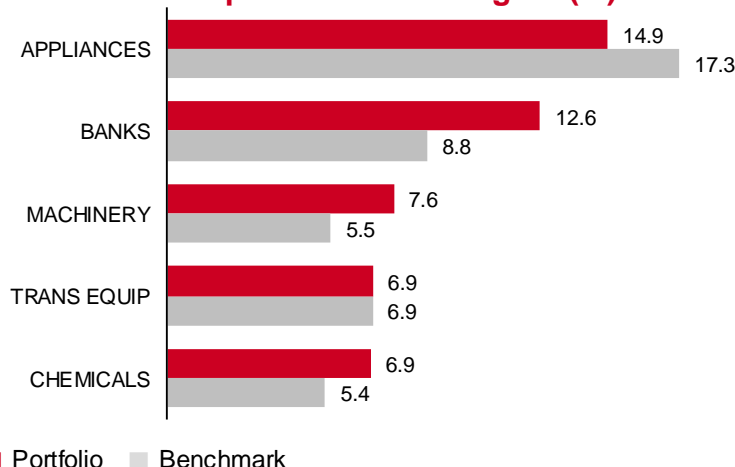
** TOPIX Total Return Index includes the dividends paid by the index constituents.

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 (%)



Yuya Harashima, CMA, CFA
Portfolio Manager
10 years investment experience
8 years at Sompo 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 Services, Securities, and Insurance detracted. In stock selection, OW of United Arrows, Panasonic Holdings, and Mebuki Financial Group contributed to performance, while OW of Omron and Sumco and UW of Sony Group detracted. Last month we increased holdings of Murata Manufacturing, Daikin Industries, and Japan Post Bank and decreased holdings of Net One Systems, Mitsubishi UFJ Financial Group, and Sumitomo Electric Industries.

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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