

Japan Value Equity Green

January 2025

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

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	%
MITSUBISHI UFJ FINANCIAL GRO	5.00
SUMITOMO MITSUI FINANCIAL GR	3.41
TOYOTA MOTOR CORP	3.10
NIPPON TELEGRAPH & TELEPHONE	2.62
DAIKIN INDUSTRIES LTD	2.46
PANASONIC HOLDINGS CORP	2.38
MURATA MANUFACTURING CO LTD	2.29
MEBUKI FINANCIAL GROUP INC	2.04
EAST JAPAN RAILWAY CO	2.04
TAKEDA PHARMACEUTICAL CO LTD	1.91
Total	27.25

Characteristics		
	Portfolio	Benchmark
P/E	12.61x	13.86x
P/B	0.98x	1.36x
ROE	7.74%	9.79%
Dividend Yield	3.20%	2.55%

Market Cap		
	Portfolio	Benchmark
Large	46.2%	67.3%
Mid	46.5%	25.2%
Small	6.7%	7.5%
Others	0.0%	-

Composite Summary

Composite Name	Sompo Japan Green Mother Fund	
Benchmark	TOPIX Total Return**	
Inception Date	July 2006	
Number of Holdings	78	
Bloomberg Code	SNAMGRN	
Assets Under Management	Strategy Total	JPY 49.5B (USD 320M)

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

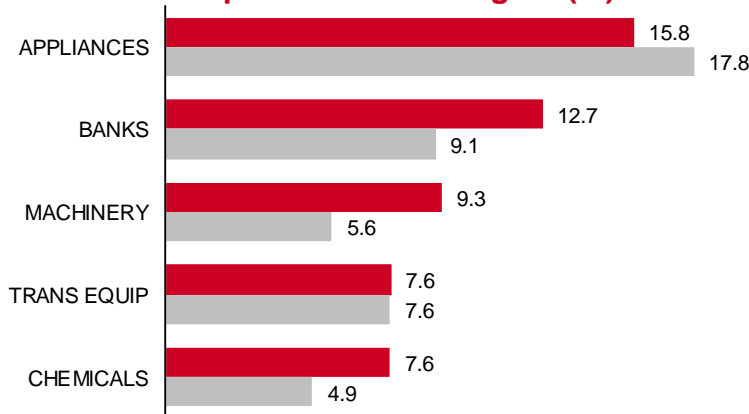
** TOPIX Total Return Index includes the dividends paid by the index constituents.

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 (%)



■ Portfolio ■ Benchmark



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, underweighting (UW) of Wholesale and Insurance and overweighting (OW) of Banks contributed to performance, while UW of Other Prod and Securities and OW of Chemicals detracted. In stock selection, UW of Tokio Marine Holdings and OW of Mebuki Financial Group and Mitsubishi UFJ Financial Group contributed to performance, while UW of Nintendo, Mizuho Financial Group, and Tokyo Electron detracted. Last month we increased holdings of Kao, artience, and Nabtesco Corporation and decreased holdings of Toray, Iyogin Holdings, and Shimizu Corporation

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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