SOMPO ASSET MANAGEMENT

Japan Value Equity Green

September 2025

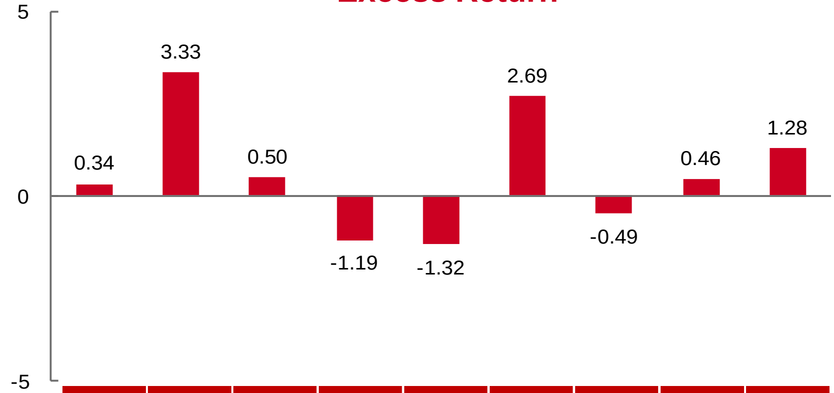
Strategy

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

Japanese market prices rose on heightened expectations for Fed rate cuts and expansionary fiscal policy following the change in Prime Minister in Japan. Growth in the nonferrous and electric appliances, driven by increased expectations for AI investment expansion, pulled the overall market up. Share prices rose in the beginning of the month as expectations rose for rate cuts in the US following employment data undershooting market expectations and investors came to believe there could be an expansion in fiscal policy following the resignation announcement from standing Prime Minister Shigeru Ishiba. The market then remained strong through the middle of the month on the back of expectations for expanded investment in AI and forecasts for two Fed rate cuts in 2025. The market did briefly decline on the announcement that the BoJ will be selling its ETF and J-REIT holdings but then recovered as the pace of selling will be extremely slow. The market then fell at the end of the month as JPY appreciated on comments from BoJ officials about the increased need for the BoJ to hike rates as well as concerns over the possibility of a government shutdown in the US if the Senate is not able to pass a government services funding bill.

Composite Performance (%)
Excess Return*



	Sep	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	3.31	14.37	15.78	20.36	21.20	19.53	10.29	11.35	7.14
Benchmark	2.98	11.04	15.29	21.55	22.52	16.85	10.78	10.89	5.86

Composite Summary		
Composite Name	Sompo Japan Green Mother Fund	
Benchmark	TOPIX Total Return**	
Inception Date	July 2006	
Number of Holdings	72	
Bloomberg Code	SNAMGRN	
Assets Under Management	Strategy Total	JPY 55.3B (USD 375M)

Top Ten Holdings	%
TOYOTA MOTOR CORP	4.14
MITSUBISHI UFJ FINANCIAL GRO	3.67
SUMITOMO MITSUI FINANCIAL GR	3.26
MURATA MANUFACTURING CO LTD	3.11
NTT INC	3.07
SHIN-ETSU CHEMICAL CO LTD	3.05
MITSUBISHI ESTATE CO LTD	2.64
DAIKIN INDUSTRIES LTD	2.50
PANASONIC HOLDINGS CORP	2.49
KYOCERA CORP	2.37
Total	30.31

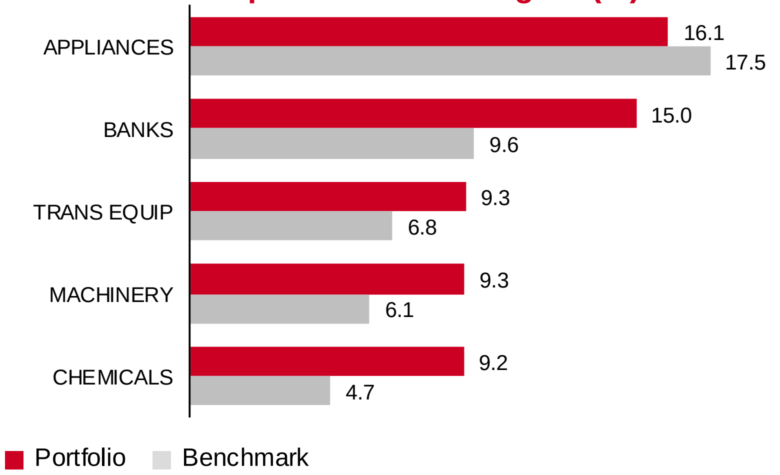
Characteristics	Portfolio	Benchmark
P/E	13.73x	15.19x
P/B	1.13x	1.49x
ROE	8.26%	9.84%
Dividend Yield	3.03%	2.48%

Market Cap	Portfolio	Benchmark
Large	52.0%	66.3%
Mid	39.4%	26.0%
Small	7.0%	7.7%
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.

Japan Value Equity Green

Top Five Sector Weights (%)



Yuya Harashima, CMA, CFA
Portfolio Manager
12 years investment experience
9 years at Sompo AM

Attribution Analysis

Both sector allocation and stock selection contributed to performance. In sector allocation, underweighting (UW) of Services and Insurance and overweighting (OW) of Banks contributed to performance, while UW of Wholesale and Appliances and OW of Trans Equip detracted. In stock selection, OW of Mandom, Sumco, and Murata Manufacturing contributed to performance, while UW of Tokyo Electron and SoftBank Group and OW of Nidec detracted. Last month we increased holdings of Sumitomo Corporation, Panasonic Holdings, and Mitsubishi Estate and decreased holdings of Takeda Pharmaceutical, Mandom, and Rengo.

Outlook

We expect the market will face heavier upside resistance going forward. We urge caution over the near term given that valuation metrics like forward P/E look overall somewhat overheated, having been pulled upwards by a small number of stocks on the back of the US rate cut and expectations for fiscal policy from the incoming government administration in Japan. However, corporate earnings forecasts for this fiscal year may now be revised upwards given the heightened likelihood they will not fall as much as originally expected following the easing of Trump's tariffs. In addition, we do not foresee any large fall in the Japanese market as there is strong equity demand from the high level of large-scale share buybacks seen recently and the BoJ has relatively accommodative monetary policy compared to the US and Europe. While we do expect investors to more readily make predictions of earnings growth as the negative impacts of the Trump tariffs fade away in the second half of the coming fiscal year, we believe it will still take some time before we see serious fundamentals-driven market growth.

Contact Information

Daniel Robbins
+81 3 5290 3414
Group email: global@sompo-am.co.jp