Japan Value Equity Green

August 2026

Strategy

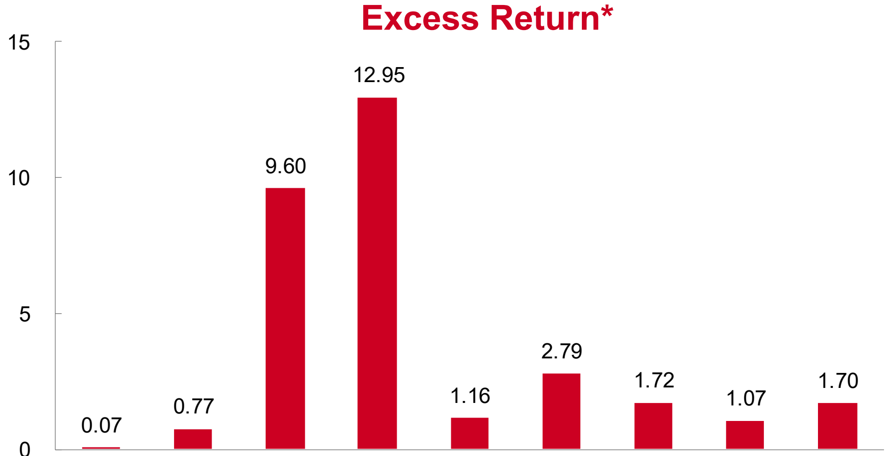
Green Strategy invests in Japanese equities that meet environmental management and investment value criteria, and aims to achieve above-benchmark return in the mid- to long-term. We use a bottom-up approach. The Japanese equity research team analyzes intrinsic value of individual stocks and compares 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 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	3.92	4.85	33.00	51.23	25.28	21.86	20.08	15.80	8.84
Benchmark	3.85	4.08	23.39	38.28	24.12	19.07	18.35	14.73	7.14

Composite Summary		
Composite Name	Sompo Japan Green Mother Fund	
Benchmark	TOPIX Total Return**	
Inception Date	July 2006	
Number of Holdings	75	
Bloomberg Code	SNAMGRN	
Assets Under Management	Strategy Total	JPY 78.4B (USD 491M)

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

Top Ten Holdings	%
TOYOTA MOTOR CORP	3.93
MITSUBISHI UFJ FINANCIAL GRO	3.90
SUMITOMO MITSUI FINANCIAL GR	3.61
MEBUKI FINANCIAL GROUP INC	2.79
SONY GROUP CORP	2.75
NTT INC	2.74
OTSUKA CORP	2.61
OMRON CORP	2.56
PANASONIC HOLDINGS CORP	2.54
MITSUI FUDOSAN CO LTD	2.53
Total	29.96

Characteristics	Portfolio	Benchmark
P/E	14.96x	15.91x
P/B	1.44x	1.76x
ROE	9.66%	11.06%
Dividend Yield	2.56%	2.22%

Market Cap	Portfolio	Benchmark
Large	56.6%	68.2%
Mid	37.7%	24.7%
Small	5.2%	7.2%
Others	0.0%	-

The data shown is of a representative account. Past performance is not a guarantee of future returns.
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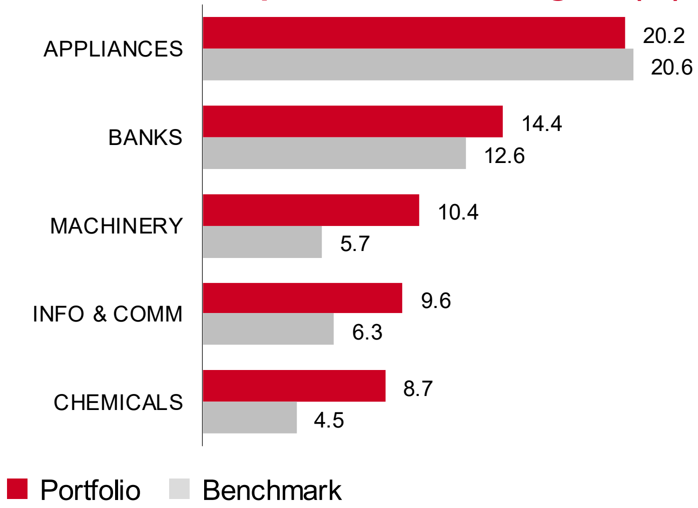
SOMPO ASSET MANAGEMENT

Japan Value Equity Green

Top Five Sector Weights (%)



Yuya Harashima, CMA, CFA
Portfolio Manager
13 years investment experience
10 years at Sompo AM

Attribution Analysis

Stock selection contributed to performance, while sector allocation detracted. In sector allocation, underweighting (UW) of Insurance and Retail, and overweighting (OW) of Info & Comm contributed to performance, while UW of Services and OW of Machinery and Real Estate detracted. In stock selection, OW of Omron, Sumitomo Metal Mining, and Mebuki Financial Group contributed to performance, while UW of Recruit Holdings and OW of Daikin Industries and Hirose Electric detracted. Last month we increased holdings of MinebeaMitsumi, Nippon Kayaku, and Kao and decreased holdings of Nomura Research Institute, Sumitomo Metal Mining, and Bridgestone.

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

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