

Japan Value Equity Impact

March 2025

Strategy

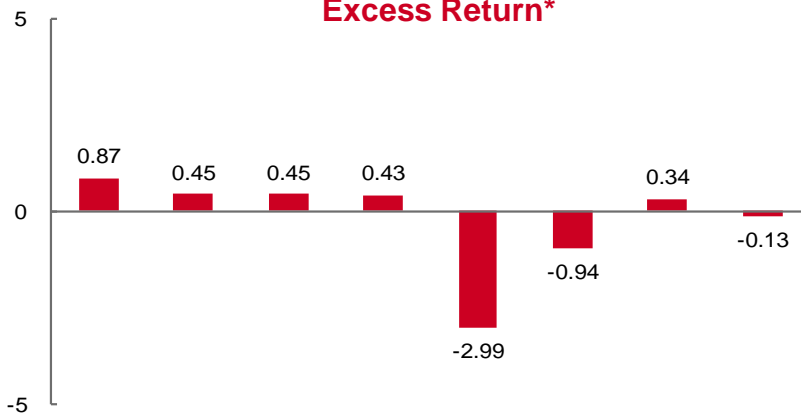
Impact Strategy takes concentrated and long-term positions in Japanese equities proactively rethinking traditional work practices, e.g. through the promotion of female participation in the workforce and diversification, and those with highly stable and profitable businesses top in value-add creation. These are important targets given Japan's declining population. Our equity investment takes a bottom-up approach in which the Japanese equity research team analyzes intrinsic value of individual stocks and compares it with market price in order to identify undervalued stocks.

Market Review

Japanese market prices finished the month almost unchanged as concerns over US President Donald Trump's tariff policy and US stagflation weighed on sentiment. Value stocks outperformed growth stocks because of the increase in long-term US interest rates.

The market was little changed in the first half of the month as although there was a period of growth when US tariff fears receded on delays to tariffs on certain products from Mexico and Canada, falls in US semiconductor stocks weighed on the market. The market then shifted upwards despite investor negativity on Trump refusing to clearly deny the possibility of a US recession as US CPI undershot market expectations, US retail data did not indicate a recession, and JPY stopped appreciating versus USD. The market then dropped through the end of month to come back in line with its previous month-end on increased fears of stagflation following announcements from the Trump administration of 25% additional tariffs on all imported automobiles and economic indicators signalling weak consumer spending and high expected inflation.

Composite Performance (%) Excess Return*



Top Ten Holdings	%
KDDI CORP	5.81
SHIN-ETSU CHEMICAL CO LTD	5.09
ITOCHU CORP	4.83
DAIKIN INDUSTRIES LTD	4.51
DENSO CORP	4.44
MURATA MANUFACTURING CO LTD	3.93
BRIDGESTONE CORP	3.35
FANUC CORP	3.29
KOMATSU LTD	3.01
ASTELLAS PHARMA INC	2.91
Total	41.18

Characteristics		
	Portfolio	TOPIX
P/E	14.10x	12.82x
P/B	1.49x	1.28x
ROE	10.56%	10.00%
Dividend Yield	2.89%	2.75%

Market Cap		
	Portfolio	TOPIX
Large	56.3%	66.5%
Mid	35.4%	25.8%
Small	6.1%	7.6%
Others	0.0%	-

	Mar	QTD	YTD	1Y	3Y	5Y	7Y	SI
Composite	1.09	-2.99	-2.99	-1.12	10.77	15.43	9.39	10.46
Benchmark	0.22	-3.44	-3.44	-1.55	13.77	16.37	9.05	10.59

Composite Summary

Composite Name	Japan Value Equity Impact
Benchmark	TOPIX Total Return**
Inception Date	October 2016
Number of Holdings	39
Assets Under Management	JPY 8.9B (USD 60M)

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

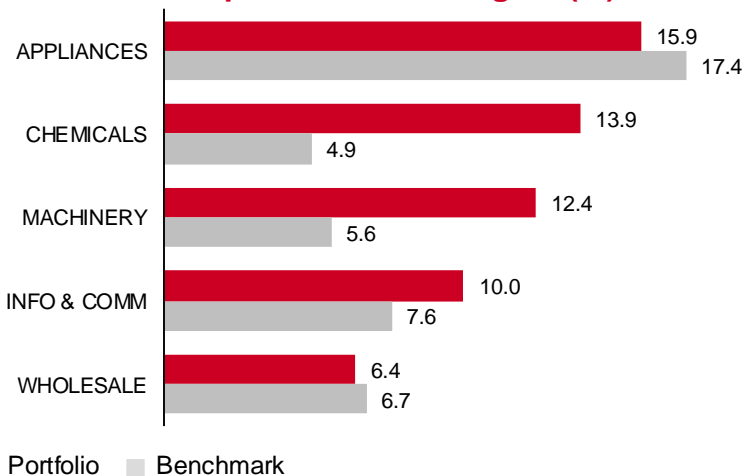
** TOPIX Total Return Index includes the dividends paid by the index constituents.

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

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Japan Value Equity Impact

Top Five Sector Weights (%)



Hiromasa Tatsuta, CMA
Portfolio Manager
9 years investment experience
8 years at Sompo AM

Attribution Analysis

In stock selection, share price increases for Taiyo Holdings Mitsubishi Estate, and Pigeon contributed to performance, while share price declines for Murata Manufacturing, Shin-Estu Chemical, and Fanuc detracted.

Outlook

We expect the market will face heavy upside resistance over the near term.

Japanese corporate earnings will likely be positively impacted by a recovery in domestic real wages and capital efficiency improvement measures implemented by companies following pressure from the Tokyo Stock Exchange (TSE) but may stagnate because of larger-than-expected negative impacts from additional Trump tariffs. We expect it will take some time before we see a pickup in valuation metrics like forward P/E as market volatility (degree of movement in share prices) will likely increase as long as the full extent of tariffs impacts is unclear. That said, we believe downside will be limited as share prices already reflect drops in earnings forecasts, 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.

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