

Japan Value Equity Impact

June 2025

Strategy

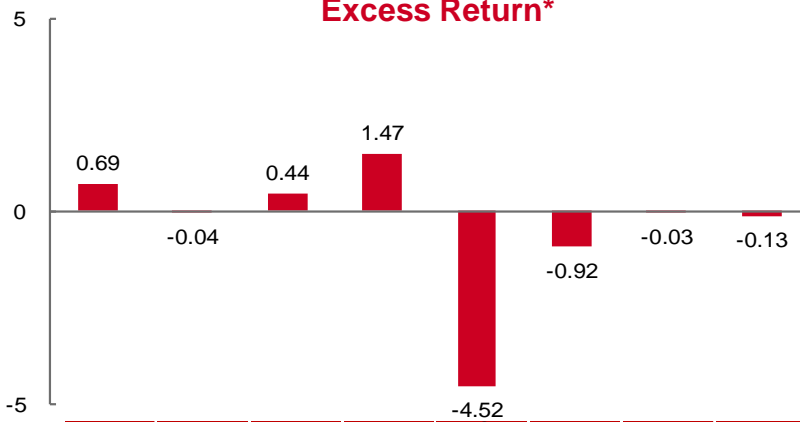
Impact Strategy takes concentrated and long-term positions in Japanese equities proactively rethinking traditional work practices, e.g. through the promotion of female participation in the workforce and diversification, and those with highly stable and profitable businesses top in value-add creation. 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 rose on increased expectations for rate cuts in the US following the drop in geopolitical risk in the Middle East. Growth outperformed value as long-term interest rates fell on the increase in expectations for the Fed to cut rates.

The market ended the first half of the month little changed. It was weighed down by concern over harsher tariff policy out of the US but was supported by decreased concerns over a potential recession in the US following better-than-expected US jobs data. For most of the second half of the month the market continued to seesaw back and forth. While investors were negative on increased geopolitical risk in the Middle East following Israeli attacks on Iranian nuclear facilities, they were positive on progress in talks between the US and China to reduce trade tensions. The market then rose at the end of the month despite the US attacking Iran as investors were positive on the ceasefire agreement between Israel and Iran and a Fed official stating support for early rate cuts.

Composite Performance (%) Excess Return*



Top Ten Holdings	%
KDDI CORP	5.24
SHIN-ETSU CHEMICAL CO LTD	5.23
TOKYO ELECTRON LTD	4.94
ITOCHU CORP	4.43
DENSO CORP	4.17
DAIKIN INDUSTRIES LTD	3.90
MURATA MANUFACTURING CO LTD	3.90
FANUC CORP	3.31
KOMATSU LTD	3.02
BRIDGESTONE CORP	2.86
Total	40.99

Characteristics		
	Portfolio	TOPIX
P/E	14.97x	14.44x
P/B	1.56x	1.39x
ROE	10.45%	9.62%
Dividend Yield	2.89%	2.62%

Market Cap		
	Portfolio	TOPIX
Large	58.9%	66.4%
Mid	33.6%	25.9%
Small	6.0%	7.6%
Others	0.0%	-

	Jun	QTD	YTD	1Y	3Y	5Y	7Y	SI
Composite	2.65	7.48	4.27	5.57	13.49	14.66	9.99	11.06
Benchmark	1.96	7.52	3.83	4.10	18.00	15.58	10.02	11.20

Composite Summary

Composite Name	Japan Value Equity Impact
Benchmark	TOPIX Total Return**
Inception Date	October 2016
Number of Holdings	40
Assets Under Management	JPY 11.2B (USD 77M)

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

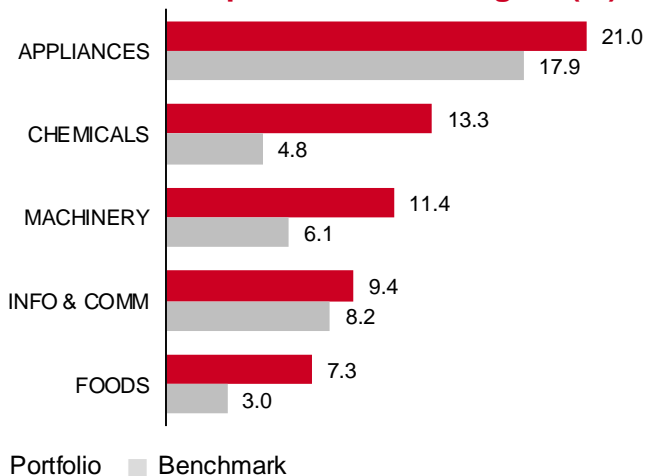
** TOPIX Total Return Index includes the dividends paid by the index constituents.

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
10 years investment experience
8 years at Sompo AM

Attribution Analysis

In stock selection, share price increases for Tokyo Electron, Taiyo Holdings, and Hamamatsu Photonics contributed to performance, while share price declines for Itochu, Bridgestone, and Pigeon detracted.

Outlook

We expect the market will continue to face heavy upside resistance. There is an increasing likelihood that Japanese corporate earnings will enter a period of stagnation as despite positives from a recovery in domestic real wages and capital efficiency improvement measures implemented by companies following pressure from the Tokyo Stock Exchange (TSE), additional Trump tariffs are expected to have a negative impact. Valuation metrics like forward P/E are already above undervalued levels despite there still being no clear outlook on how tariffs will ultimately end up as the overall market has been pushed up by a small number of stocks. We believe caution is needed over the short term as there is a growing opinion amongst investors that the Fed will cut rates early to counter a slowdown in the US economy. That said, 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.

Contact Information

Daniel Robbins
+81 3 5290 3414

Group email: global@sompo-am.co.jp

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