

# Japan Value Equity Income

November 2024

## Strategy

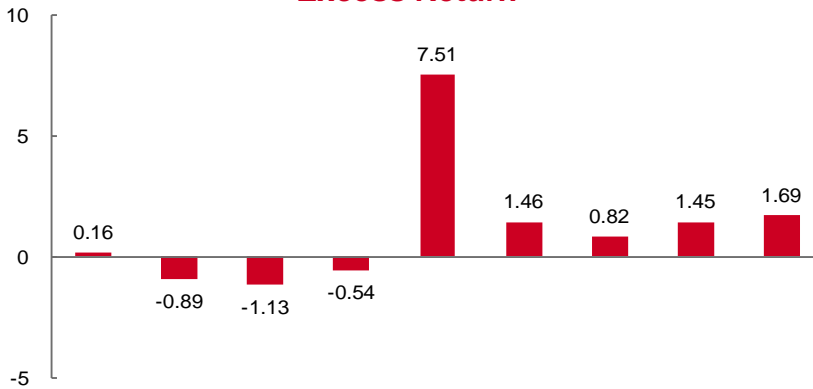
Income Strategy invests in Japanese equities that pay above-market average dividends and aims to beat the benchmark in the mid- to long-term. The portfolio is built by investing in undervalued stocks with careful consideration of risk/return. A bottom-up approach is used. The Japanese equity research team analyzes the intrinsic value of individual stocks and compares it with the market price to identify undervalued stocks. The portfolio is not constrained by sector weights and market caps.

## Market Review

Share prices were dragged on by JPY appreciation versus USD, which was caused by concerns over protectionist policies from President-elect Donald Trump, such as increased tariffs, and the shrinking interest rate gap between the two countries. The Banks, Securities, and Insurance sectors rose as investors were positive on increasing domestic interest rates, while the Transportation Equipment and Chemicals sectors fell as investors were negative on potential increased tariffs from Trump.

Share prices were up in the first half of the month as the market was positive on Trump's victory in the US election given his stimulus policies of lowering corporate and income tax. This was despite a slight downtick caused by concerns of additional rate hikes by the BoJ. Concerns over protectionist policies from Trump, such as increased tariffs, and domestic earnings results coming in below investor expectations then weighed on the market. Share prices continued to fall through the end of the month on the release of actual details of tariffs, the drop in US interest rates after Trump publicly picked fiscal hawk Scott Bessent as next Secretary of the Treasury, and JPY appreciating to below JPY150 to 1USD.

### Composite Performance (%) Excess Return\*



Top Ten Holdings	%
SUMITOMO MITSUI TRUST GROUP	3.02
NIPPON EXPRESS HOLDINGS INC	2.87
NIPPON TELEGRAPH & TELEPHONE	2.78
AGC INC	2.55
mitsui chemicals inc	2.46
NIPPON ELECTRIC GLASS CO LTD	2.35
ARE HOLDINGS INC	2.25
BELLSYSTEM24 HOLDINGS INC	2.10
HONDA MOTOR CO LTD	2.05
TAIYO YUDEN CO LTD	1.99
Total	24.41

Characteristics		
	Portfolio	Benchmark
P/E	10.76x	13.56x
P/B	0.82x	1.33x
ROE	7.64%	9.82%
Dividend Yield	4.21%	2.59%

Market Cap		
	Portfolio	Benchmark
Large	22.8%	67.0%
Mid	52.9%	25.4%
Small	21.9%	7.6%
Others	0.0%	-

	Nov	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	-0.35	0.47	14.67	15.00	21.95	13.68	9.31	10.55	8.20
Benchmark	-0.51	1.36	15.80	15.54	14.44	12.22	8.48	9.11	6.50

### Composite Summary

Composite Name	Sompo Japan High Dividend Japanese Equity Mother Fund		
Benchmark	TOPIX Total Return**		
Inception Date	July 2005		
Number of Holdings	94		
Bloomberg Code	SNAMINC		
Assets Under Management	Composite (T9891)	JPY 50.3B (USD 335M)	

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

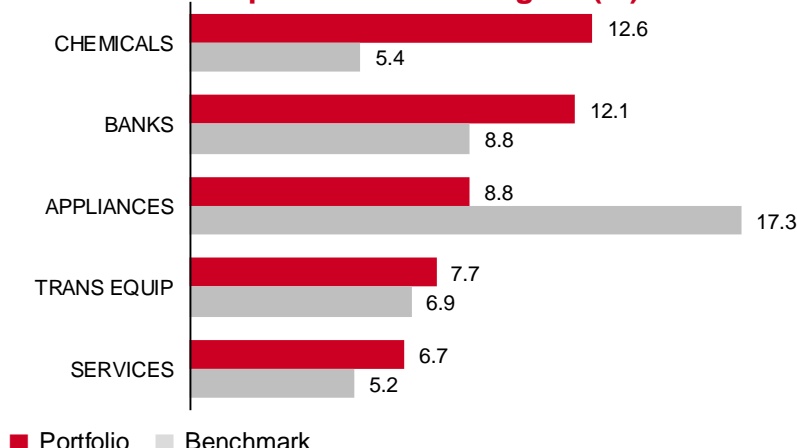
\*\* TOPIX Total Return Index includes the dividends paid by the index constituents.

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

This document has been prepared solely for informational purposes and does not constitute an offer to sell securities in any jurisdiction. Actual performance achieved by a client portfolio may be affected by a variety of factors, including the initial balance of the account, the timing and amount of any additions to or withdrawals from the portfolio, changes made to the account to reflect the specific investment needs or preferences of the client, duration and timing of participation as a client, and a client portfolio's risk tolerance, investment objectives and investment time horizon. The returns presented above are gross and do not reflect the deduction of investment advisory fees which will reduce returns.

# Japan Value Equity Income

## Top Five Sector Weights (%)



**Yasuhiro Kano, CMA**  
Senior Portfolio Manager  
31 years investment experience  
27 years at Sompo AM

## Attribution Analysis

While sector allocation contributed to performance, stock selection detracted. In sector allocation, overweighting (OW) of Banks and Textiles and underweighting (UW) of Appliances contributed to performance, while OW of Chemicals and UW of Retail and Insurance detracted. In stock selection, OW of Sumitomo Mitsui Trust Group, The Hachijuni Bank, and Exeo Group contributed to performance, while UW of Sony Group and Mitsubishi UFJ Financial Group and OW of Honda Motor detracted. Last month we increased holdings of Taiyo Yuden, Kyocera, and Inpex and decreased holdings of Toray, Exeo Group, and Mizuho Financial Group.

## Outlook

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

While concerns about the slowing US economy remain, Japanese corporate earnings will likely grow on the back of a recovery in domestic real wages 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 continue to 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.

## Contact Information

Daniel Robbins  
+81 3 5290 3414

Takuya Orime  
+81 3 5290 3406

Group email: [global@sompo-am.co.jp](mailto:global@sompo-am.co.jp)

### Important Notice

This material is being made available to you by SOMPO ASSET MANAGEMENT CO., LTD, "Sompo AM". Sompo AM is not licensed or registered in any jurisdiction except in Japan. You are not permitted to copy this material or pass it to anyone else. This material does not constitute an offer to sell securities in any jurisdiction. This material is not, and must not be treated as, investment advice or investment recommendations. Before making any investment decision, you should seek independent investment, legal, tax, accounting or other professional advice as appropriate, none of which is offered to you by Sompo AM. No investment service will be provided in or into any jurisdiction except to the extent permitted by local law. Sompo AM makes no representation or warranty, express or implied, except as required by law or in the case of fraud, regarding the accuracy, completeness or adequacy of the information in this material. Past performance is not a guarantee of future results.

### For the attention of investors in the US

This report is for the use of non-U.S. persons.

### For the attention of investors in the United Kingdom:

To the extent that this material is being issued by any persons who are not authorised under the Financial Services and Markets Act 2000 (the "Act"), it is being issued in the United Kingdom only to, and/or is directed only at, persons who are of a kind to whom it may lawfully be issued or directed under the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, including persons who are authorised under the Act ("authorised persons"), certain persons having professional experience in matters relating to investments, high net worth companies and high net worth unincorporated associations or partnerships. This material is only available to such persons in the United Kingdom and this material must not be copied or distributed to any other person without seeking prior consent from Sompo AM.

### For the attention of investors in Abu Dhabi:

This material and the information contained herein, does not constitute, and is not intended to constitute, a public offer of securities or other form of investments in the UAE and accordingly should not be construed as such. The portfolio management services detailed herein are only being offered to a limited number of sophisticated investors in the UAE: (a) who are willing and able to conduct an independent investigation of the risks involved in the related investments and (b) upon their specific request. The investments and services detailed herein have not been approved by or licensed or registered with the UAE Central Bank, the Securities and Commodities Authority or any other relevant licensing authorities or governmental agencies in the UAE. This material is for the use of the named addressee only and should not be given or shown to any other person (other than employees, agents or consultants in connection with the addressee's consideration thereof). No transaction will be concluded in the UAE and any enquiries regarding the investments and services detailed herein should be made to Sompo AM.

Sompo AM is a registered Financial Instruments Firm with the Director General of Kanto Local Finance Bureau ("KLFB") of the Japan Ministry of Finance, KLFB (KINSYO) No. 351, and is a member of the Japan Investment Advisers Association, and The Investment Trusts Association, Japan.