

Japan Value Equity Income

March 2025

Strategy

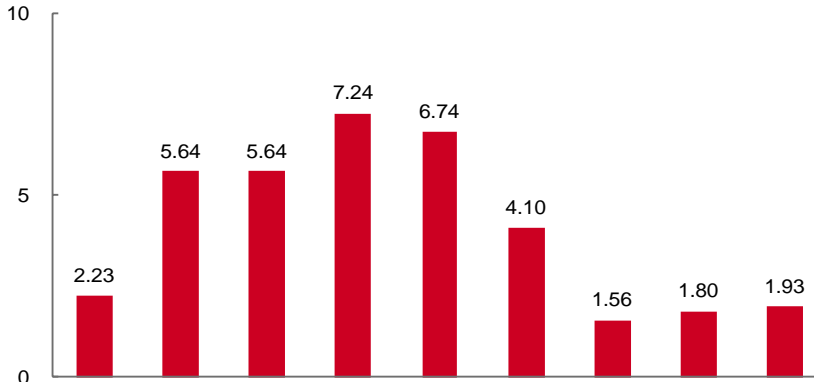
Income Strategy invests in Japanese equities that pay above-market average dividends and aims to beat the benchmark in the mid- to long-term. The portfolio is built by investing in undervalued stocks with careful consideration of risk/return. A bottom-up approach is used. The Japanese equity research 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

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*



	Mar	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	2.45	2.20	2.20	5.69	20.50	20.47	10.61	9.88	8.34
Benchmark	0.22	-3.44	-3.44	-1.55	13.77	16.37	9.05	8.07	6.42

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 52.3B (USD 350M)	

Top Ten Holdings	%
NIPPON EXPRESS HOLDINGS INC	2.89
SUMITOMO MITSUI TRUST GROUP	2.88
NIPPON TELEGRAPH & TELEPHONE	2.81
ARE HOLDINGS INC	2.46
AGC INC	2.38
MITSUI CHEMICALS INC	2.28
TAIYO YUDEN CO LTD	2.22
HONDA MOTOR CO LTD	2.05
INFRONEER HOLDINGS INC	2.04
BELLSYSTEM24 HOLDINGS INC	2.04
Total	24.07

Characteristics

	Portfolio	Benchmark
P/E	10.69x	12.82x
P/B	0.82x	1.28x
ROE	7.68%	10.00%
Dividend Yield	4.15%	2.75%

Market Cap

	Portfolio	Benchmark
Large	26.0%	66.5%
Mid	49.7%	25.8%
Small	21.5%	7.6%
Others	0.0%	-

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

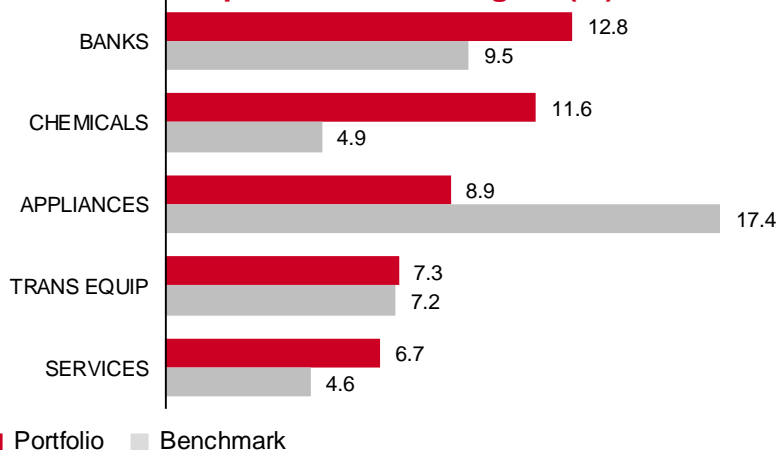
** TOPIX Total Return Index includes the dividends paid by the index constituents.

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

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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

Both sector allocation and stock selection contributed to performance. In sector allocation, underweighting (UW) of Appliances and Other Prod and overweighting (OW) of Banks contributed to performance, while UW of Insurance and Wholesale and OW of Services detracted. In stock selection, UW of Recruit Holdings and Hitachi and OW ARE Holdings contributed to performance, while UW of Mitsubishi Heavy Industries, Mitsubishi UFJ Financial Group and Tokio Marine Holdings detracted. Last month we increased holdings of Denso, Taikisha, and JFE Holdings and decreased holdings of Subaru, Toyo Tire, and Kajima Corporation.

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.

Contact Information

Daniel Robbins
+81 3 5290 3414

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

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