SOMPO ASSET MANAGEMENT

Japan Value Equity Income

August 2025

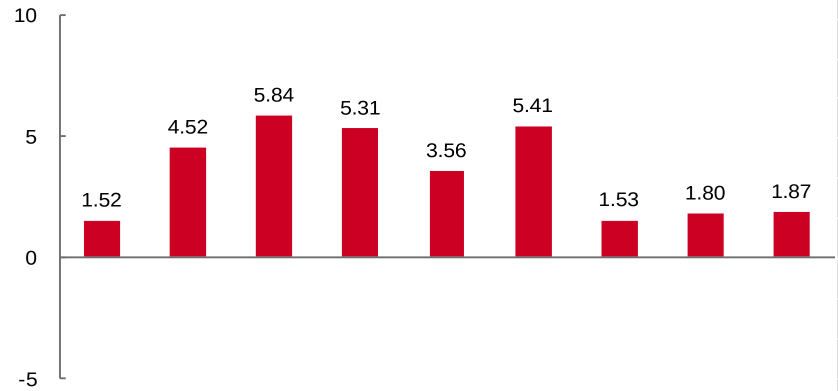
Strategy

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 rose on increased expectations for a fed rate cut and a drop in Trump tariff policy concerns. Value outperformed growth as Japanese long-term interest rates rose on the back of expectations for the BoJ to hike rates. Prices rose in the first half of the month despite a brief slip caused by weak US jobs data. Expectations rose for rate cuts in the US and investors were positive on the US promising Japan it will fix the double tariff oversight. The market rose further in the middle of the month as the US once again delayed the implementation of additional tariffs on China following US-China trade talks, easing investor concerns around Trump tariff policy. The market then seesawed through the end of the month, supported by comments from Fed chair Jerome Powell at the Jackson Hole symposium hinting at a rate cut, but buffeted by heightened concerns over Fed independence following the announcement from US President Donald Trump that he will fire Fed governor Lisa Cook.

Composite Performance (%)
Excess Return*



	Aug	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	6.04	12.35	17.80	21.54	22.62	21.87	12.70	11.51	8.93
Benchmark	4.52	7.83	11.95	16.23	19.06	16.46	11.17	9.71	7.06

Composite Summary		
Composite Name	Sompo Japan High Dividend Japanese Equity Mother Fund	
Benchmark	TOPIX Total Return**	
Inception Date	July 2005	
Number of Holdings	96	
Bloomberg Code	SNAMINC	
Assets Under Management	Composite (T9891)	JPY 60B (USD 409M)

Top Ten Holdings	%
TOYOTA MOTOR CORP	3.45
SUMITOMO MITSUI TRUST GROUP	2.88
NTT INC	2.84
TAIYO YUDEN CO LTD	2.41
MITSUI CHEMICALS INC	2.39
ASAHI GROUP HOLDINGS LTD	2.32
JAPAN POST BANK CO LTD	2.21
HONDA MOTOR CO LTD	2.21
AGC INC	2.14
NIPPON EXPRESS HOLDINGS INC	1.95
Total	24.78

Characteristics	Portfolio	Benchmark
P/E	12.24x	15.18x
P/B	0.93x	1.49x
ROE	7.63%	9.84%
Dividend Yield	3.78%	2.48%

Market Cap	Portfolio	Benchmark
Large	33.1%	65.9%
Mid	47.4%	26.4%
Small	18.2%	7.7%
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.

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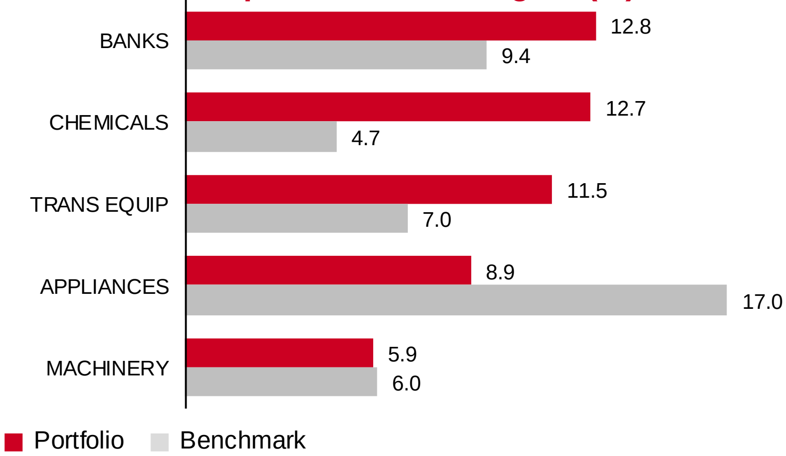
Top Five Sector Weights (%)



Satoshi Sasaki, CMA
Portfolio Manager
9 years investment experience
9 years at Sompo AM

Attribution Analysis

Both sector allocation and stock selection contributed to performance. In sector allocation, underweighting (UW) of Appliances and overweighting (OW) of Nonferrous and Construction contributed to performance, while UW of Info & Comm, Wholesale, and Real Estate detracted. In stock selection, UW of Hitachi and Tokyo Electron and OW of Infroneer Holdings contributed to performance, while UW of SoftBank Group and Sony Group and OW of Nippon Express Holdings detracted. Last month we increased holdings of Shin-Etsu Chemical, Toyota Motor, and Asahi Group Holdings and decreased holdings of Aisin, Orix, and Shizuoka Financial Group.

Outlook

We expect the market will continue to face heavy upside resistance. We urge caution over the near term given that valuation metrics like forward P/E look overall somewhat overheated, having been pulled upwards by a small number of stocks. However, corporate earnings forecasts for this fiscal year may now be revised upwards given the heightened likelihood they will not fall as much as originally expected following the easing of Trump's tariffs. In addition, 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. While we do expect investors to more readily make predictions of earnings growth as the negative impacts of the Trump tariffs fade away in the second half of the coming fiscal year, we believe it will still take some time before we see serious fundamentals-driven market growth.

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