

Japan Value Equity Income

September 2025

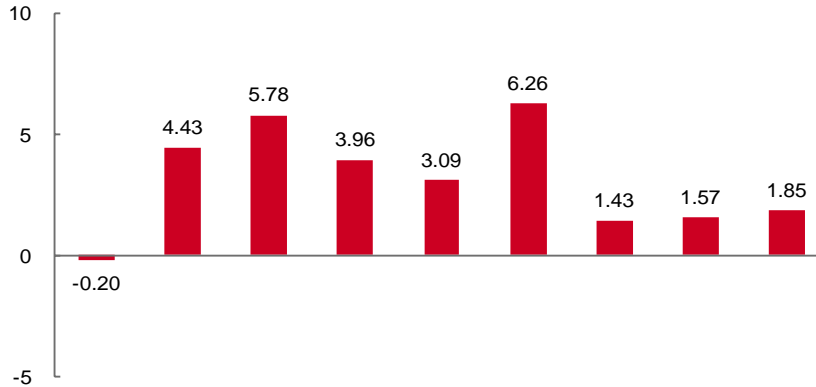
Strategy

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 heightened expectations for Fed rate cuts and expansionary fiscal policy following the change in Prime Minister in Japan. Growth in the nonferrous and electric appliances, driven by increased expectations for AI investment expansion, pulled the overall market up. Share prices rose in the beginning of the month as expectations rose for rate cuts in the US following employment data undershooting market expectations and investors came to believe there could be an expansion in fiscal policy following the resignation announcement from standing Prime Minister Shigeru Ishiba. The market then remained strong through the middle of the month on the back of expectations for expanded investment in AI and forecasts for two Fed rate cuts in 2025. The market did briefly decline on the announcement that the BoJ will be selling its ETF and J-REIT holdings but then recovered as the pace of selling will be extremely slow. The market then fell at the end of the month as JPY appreciated on comments from BoJ officials about the increased need for the BoJ to hike rates as well as concerns over the possibility of a government shutdown in the US if the Senate is not able to pass a government services funding bill.

Composite Performance (%) Excess Return*



Top Ten Holdings		%
TOYOTA MOTOR CORP		3.36
SUMITOMO MITSUI TRUST GROUP		2.87
NTT INC		2.74
TAIYO YUDEN CO LTD		2.54
MITSUI CHEMICALS INC		2.38
ASAHI GROUP HOLDINGS LTD		2.36
AGC INC		2.21
JAPAN POST BANK CO LTD		2.09
HONDA MOTOR CO LTD		2.03
SUMITOMO METAL MINING CO LTD		2.01
Total		24.61

	Sep	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	2.78	15.47	21.07	25.51	25.61	23.10	12.21	12.46	9.04
Benchmark	2.98	11.04	15.29	21.55	22.52	16.85	10.78	10.89	7.19

Composite Summary

Composite Name	Sompo Japan High Dividend Japanese Equity Mother Fund		
Benchmark	TOPIX Total Return**		
Inception Date	July 2005		
Number of Holdings	98		
Bloomberg Code	SNAMINC		
Assets Under Management	Composite (T9891)	JPY 61.9B (USD 419M)	

Characteristics		
	Portfolio	Benchmark
P/E	12.25x	15.19x
P/B	0.95x	1.49x
ROE	7.72%	9.84%
Dividend Yield	3.74%	2.48%

Market Cap		
	Portfolio	Benchmark
Large	32.1%	66.3%
Mid	47.9%	26.0%
Small	18.0%	7.7%
Others	0.0%	-

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

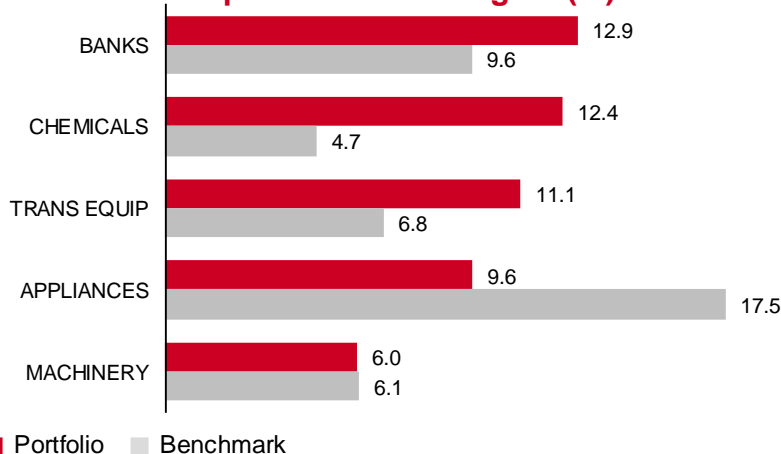
** TOPIX Total Return Index includes the dividends paid by the index constituents.

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

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Top Five Sector Weights (%)



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

Attribution Analysis

Sector allocation contributed to performance, while stock selection detracted. In sector allocation, overweighting (OW) of Nonferrous and underweighting (UW) of Insurance and Other Prod contributed to performance, while UW of Appliances and Wholesale, and OW of Trans Equip detracted. In stock selection, OW of Sumitomo Metal Mining and Taiyo Yuden and UW of Recruit Holdings contributed to performance, while UW of Tokyo Electron, SoftBank Group, and Advantest detracted. Last month we increased holdings of Omron, Morinaga Milk Industry, and Izumi and decreased holdings of Orix, ARE Holdings, and H.U. Group Holdings.

Outlook

We expect the market will face heavier upside resistance going forward. 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 on the back of the US rate cut and expectations for fiscal policy from the incoming government administration in Japan. 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 faded 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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