

Japan Value Equity Income

October 2025

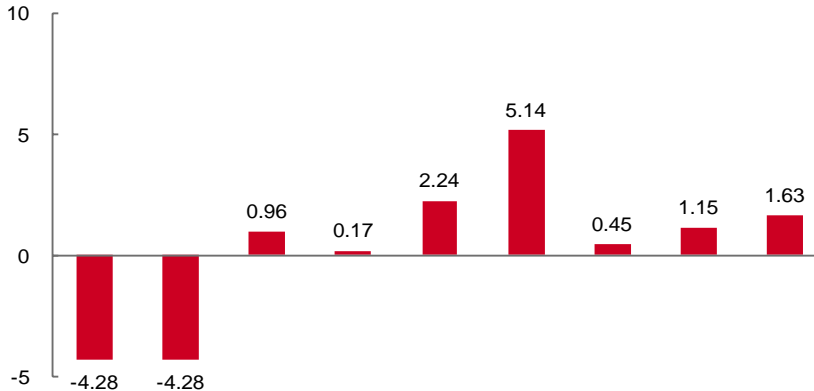
Strategy

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 expectations for expansionary fiscal policy and economic security enhancements by the incoming administration following the change in leadership of the Liberal Democratic Party (LDP) in Japan. Growth in the nonferrous and electric appliances sectors, driven by continued expectations for expanded AI investment globally and expectations for increased investment in advanced technology by the Takaichi administration, pulled the overall market up. Share prices rose in the beginning of the month as expectations rose for expansionary fiscal policy following the election of Sanae Takaichi as LDP leader. The market then briefly declined on reignited fears over trade frictions between the US and China triggered by Trump's remarks indicating additional tariffs on China and political uncertainty in Japan following the media reports of parliament facing difficulties selecting a prime minister. The market then rose on receded political uncertainty following Sanae Takaichi becoming prime minister. The market then maintained solid growth on a weakened JPY versus USD, caused by the BoJ keeping the policy rate unchanged at its end-of-month policy meeting and Fed chairman Jerome Powell indicating a cautious stance on additional rate cuts.

Composite Performance (%) Excess Return*



Top Ten Holdings	%
TOYOTA MOTOR CORP	3.62
TAIYO YUDEN CO LTD	3.00
SUMITOMO MITSUI TRUST GROUP	2.78
NTT INC	2.77
MITSUI CHEMICALS INC	2.46
ASAHI GROUP HOLDINGS LTD	2.18
AGC INC	2.14
SUMITOMO METAL MINING CO LTD	2.11
HONDA MOTOR CO LTD	2.02
JAPAN POST BANK CO LTD	1.97
Total	25.06

	Oct	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	1.92	1.92	23.39	26.87	25.19	24.08	13.78	11.61	9.10
Benchmark	6.20	6.20	22.43	26.70	22.95	18.94	13.32	10.46	7.47

Composite Summary

Composite Name	Sompo Japan High Dividend Japanese Equity Mother Fund		
Benchmark	TOPIX Total Return**		
Inception Date	July 2005		
Number of Holdings	97		
Bloomberg Code	SNAMINC		
Assets Under Management	Composite (T9891)	JPY 62.7B (USD 407M)	

Characteristics		
	Portfolio	Benchmark
P/E	12.27x	15.87x
P/B	0.96x	1.56x
ROE	7.80%	9.84%
Dividend Yield	3.71%	2.36%

Market Cap		
	Portfolio	Benchmark
Large	32.1%	68.7%
Mid	47.9%	24.4%
Small	18.4%	6.9%
Others	0.0%	-

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

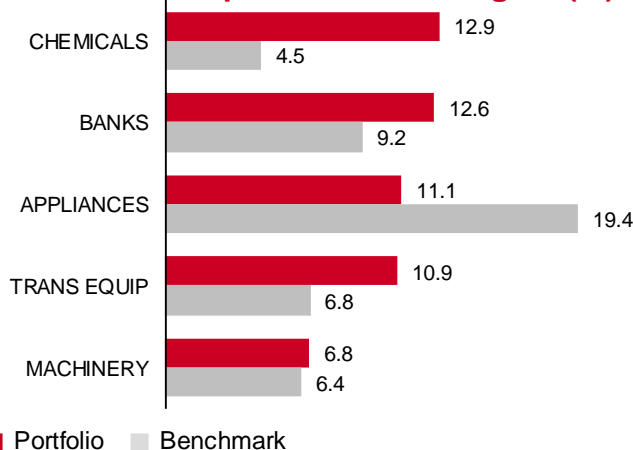
** TOPIX Total Return Index includes the dividends paid by the index constituents.

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 (%)



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

Attribution Analysis

Both sector allocation and stock selection detracted from performance. In sector allocation, overweighting (OW) of Nonferrous and underweighting (UW) of Insurance and Real Estate contributed to performance, while UW of Appliances and Info & Comm, and OW of Chemicals detracted. In stock selection, OW of Taiyo Yuden, and UW of Mitsubishi UFJ Financial and Tokio Marine contributed to performance, while UW of SoftBank Group, Hitachi, and Advantest detracted. Last month we increased holdings of Hirose Electric, Kubota, and Lintec and decreased holdings of Infronier Holdings, Inpex, and Aisin.

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 are no longer at undervalued levels having been pulled upwards by a small number of stocks on the back of additional US rate cuts and expectations for fiscal policy from the Takaichi administration in Japan. Stock-picking has been heavily concentrated in thematic areas such as generative AI and these stock are now at overheated valuation levels. However, corporate earnings forecasts for this fiscal year are bottoming out on the back of the easing of Trump's tariffs and will likely be revised upwards. 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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