

Japan Value Equity Income

June 2026

Strategy

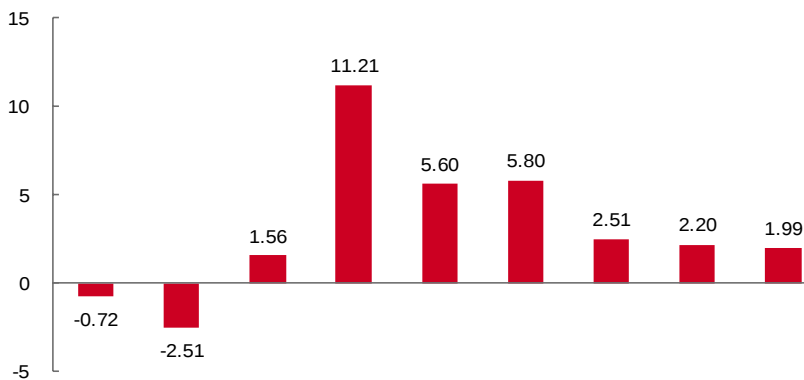
Income Strategy invests in Japanese equities that pay above-market average dividends and aims to beat the benchmark in the mid- to long-term. The portfolio is built by investing in undervalued stocks with careful consideration of risk/return. A bottom-up approach is used. The Japanese equity research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

The market lacked a clear sense of direction with mixed trading influenced by media reports of the Middle East situation and semiconductors for generative AI. The electric appliances sector rose on expectations for demand growth for generative AI, and the bank sector performed well as its profits are poised to improve from rising domestic interest rates. Meanwhile, the wholesale and mining sectors fell on reduced expectations for earnings growth given the eased tension in the Middle East.

In the first part of the month, the Japanese market fell due to heightened fears over the Middle East situation following an Israeli strike on Lebanon and expectations for early rate hikes stemming from the BoJ Governor Ueda's speech. The market then bounced back, driven by tech stocks as reports of progress in ceasefire negotiations between the US and Iran improved investor sentiment. Subsequently, the market's upside was capped by increased expectations for US rate hikes within the year after the release of the FOMC's dot plot. In the latter part of the month, Asian stock markets saw a decline due to concerns over overheating in AI-related stocks, and this selling extended to the domestic market. As the month drew to a close, the market experienced choppy trading, primarily driven by position adjustments ahead of the quarter-end.

Composite Performance (%) Excess Return*



Top Ten Holdings	%
TOYOTA MOTOR CORP	3.86
SUMITOMO MITSUI TRUST GROUP	3.61
NTT INC	2.90
mitsui chemicals inc	2.88
AGC INC	2.72
OTSUKA CORP	2.49
ASAHI GROUP HOLDINGS LTD	2.20
ZEON CORP	2.03
SEKISUI HOUSE LTD	1.97
RENGO CO LTD	1.95
Total	26.63

	Jun	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	0.33	11.89	20.12	54.47	28.86	24.14	19.77	17.23	10.22
Benchmark	1.05	14.40	18.56	43.26	23.27	18.34	17.25	15.03	8.23

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		
	Domestic	JPY 81.6B (USD 502M)	

Characteristics		
	Portfolio	Benchmark
P/E	13.11x	16.30x
P/B	1.11x	1.75x
ROE	8.46%	10.74%
Dividend Yield	3.42%	2.23%

Market Cap		
	Portfolio	Benchmark
Large	36.2%	67.6%
Mid	47.4%	25.4%
Small	14.5%	6.9%
Others	0.0%	-

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

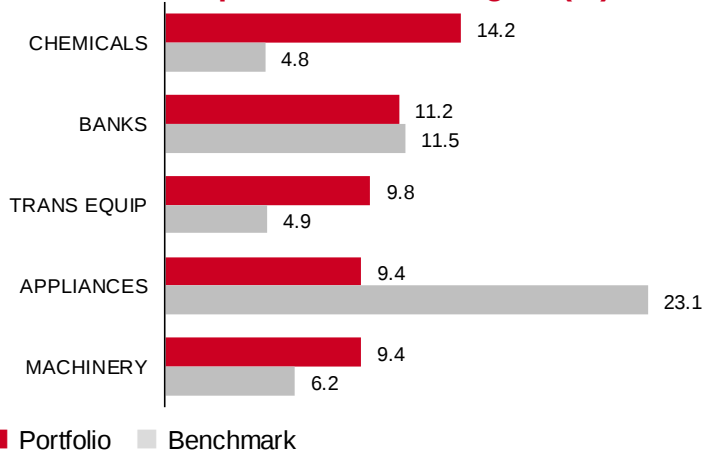
** TOPIX Total Return Index includes the dividends paid by the index constituents.

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
10 years investment experience
10 years at Sompo AM

Attribution Analysis

Both sector allocation and stock selection detracted from performance. In sector allocation, underweighting (UW) of Wholesale and overweighting (OW) of Glass & Ceramic and Foods contributed to performance, while UW of Appliances and OW of Trans Equip and Chemicals detracted. In stock selection, UW of SoftBank Group and Hitachi and OW of Sumitomo Mitsui Trust Group contributed to performance, while UW of Tokyo Electron, Advantest, and Murata Manufacturing detracted. Last month we increased holdings of KDDI, Sumitomo Metal Mining, and Komatsu and decreased holdings of Hirose Electric, Kyocera, and Kirin Holdings.

Outlook

We expect the market to remain firm. Valuation (forward P/E), which reflects overall market expectations, is currently at a high level compared to historical averages, primarily driven by some AI and semiconductor names amid diminishing uncertainty in the Middle East. Although the market has already priced in expectations for AI and semiconductor names to a large extent, these expectations are likely to be sustained as there are no immediate signs of a decline in semiconductor demand and AI-related investments. We expect the market to remain robust, driven by improvement in earnings forecasts for FY26. Crude oil prices have now stabilized, and the situation has eased more than previously, despite likely cost increases stemming from the Middle East. We should remain vigilant about a potential market correction, given that share prices have risen rapidly so far. That said, we don't expect a large market correction as there is strong equity demand from a high level of share buybacks 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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