

Japan Value Equity Large Cap

October 2024

Strategy

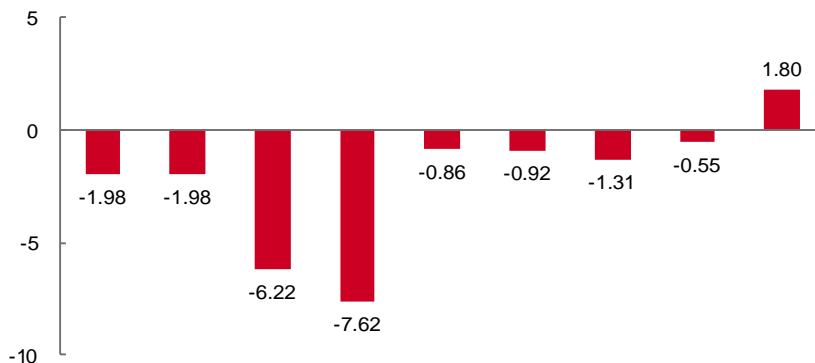
Large Cap Strategy is a focused, Japanese large/mid-cap equity strategy that aims for above-benchmark return in the mid- to long-term. The portfolio managers build the portfolio by investing in undervalued stocks with careful consideration of risk/return. A bottom-up approach is used. The Japanese equity research team analyzes the intrinsic value of individual stocks and compares it with market price to identify undervalued stocks. The portfolio is not constrained by sector weights.

Market Review

Share prices rose following the robust US economy and JPY depreciation versus USD, although the Japanese equity market was temporarily bearish on political uncertainty in the country given expectations for the ruling coalition of the Liberal Democratic Party (LDP) and its partner, Komeito, to lose a majority in the lower house election. Names in Banks, Securities & Commodity Futures, and Insurance rose as investors were bullish on an increase in domestic interest rates. However, Iron & Steel and Chemicals stocks fell due to fears over a recession in China.

Investors were concerned about heightened geopolitical risks in the Middle East in the first half of the month following Iranian strikes on Israel. However, Japanese equities rose as the market was supported by a higher-than-expected US job report, rising expectations for a soft landing of the US economy, and JPY depreciation versus USD arising from a widening interest rate gap between Japan and the US. The Japanese equity market then faced an upside resistance due to growing political uncertainty on the back of expectations for the ruling coalition to lose its parliamentary majority, ahead of the lower house election held on October 27th. However, after the election result revealed, Japanese equities rebounded towards the end of the month, helped by JPY depreciation and expectations for LDP/Komeito to plan economic stimulus policies to gain support from the opposition party, the Democratic Party for the People (DPFP).

Composite Performance (%) Excess Return*



Top Ten Holdings		%
TORAY INDUSTRIES INC		4.26
ASAHI KASEI CORP		4.09
NIPPON TELEGRAPH & TELEPHONE		3.97
MITSUBISHI ESTATE CO LTD		3.87
MITSUBISHI UFJ FINANCIAL GRO		3.85
HONDA MOTOR CO LTD		3.71
HACHIJUNI BANK LTD/THE		3.62
SUMITOMO MITSUI TRUST HOLDIN		3.34
TAIYO YUDEN CO LTD		3.27
NIPPON EXPRESS HOLDINGS CO L		3.23
Total		37.21

	Oct	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	0.85	0.85	15.53	16.58	20.68	15.26	9.55	10.31	7.11
Benchmark	2.83	2.83	21.74	24.20	21.54	16.18	10.87	10.85	5.30

Composite Summary

Composite Name	SJAM Large Cap Value Mother Fund								
Benchmark	Russell/Nomura Large Cap Value**								
Inception Date	April 2006								
Number of Holdings	44								
Bloomberg Code	SNAMLGC								
Assets Under Management	Composite (T9893)			JPY 65.2B (USD 428M)					

Characteristics		
	Portfolio	Benchmark
P/E	11.78x	10.92x
P/B	0.79x	0.94x
ROE	6.70%	8.61%
Dividend Yield	3.37%	3.21%

Market Cap		
	Portfolio	TOPIX***
Large	40.0%	67.0%
Mid	57.4%	25.4%
Small	0.0%	7.5%
Others	0.0%	-

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

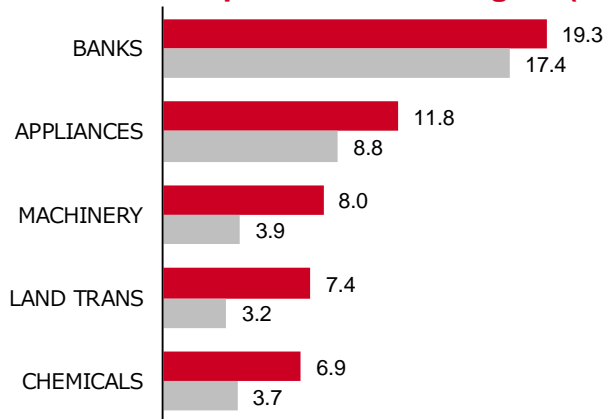
** Russell/Nomura Large Cap Value Index includes the dividends paid by the index constituents.

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 (%)



■ Portfolio ■ Benchmark



Yasuhiro Kano, CMA

Senior Portfolio Manager

31 years investment experience

27 years at Sampo AM

Attribution Analysis

Both sector allocation and stock selection detracted from performance. In sector allocation, underweighting (UW) of Wholesale and Iron & Steel and overweighting (OW) of Banks contributed to performance, while OW of Textiles, Chemicals, and Construction detracted. In stock selection, UW of Mitsubishi Corporation, Mitsui & Co., and Sekisui House contributed to performance, while UW of SoftBank Group and Mitsubishi UFJ Financial Group and OW of Taiyo Yuden detracted. Last month we increased holdings of Sumco, Taiyo Yuden, and Air Water and decreased holdings of Obayashi Corporation, East Japan Railway, and Makita.

Outlook

We expect the market will fluctuate around the recent bottom but show signs of a potential recovery.

While concerns about the slowing US economy remain, FY24 Japanese corporate earnings will likely grow on the back of Japan specific positive factors, such as a recovery in domestic real wages and capital efficiency improvement measures implemented by companies following pressures from the Tokyo Stock Exchange (TSE). Share prices do not look overvalued given their general valuation metrics such as forward P/E ratio. However, the Japanese market will unlikely see a full-scaled upward trend as long as uncertainty of policies of new governments in Japan and the US and fears over a sharp JPY appreciation linger. We believe that it is difficult to envision a large correction to the Japanese market given strong equity demand from the high level of large scale share buyback seen recently and the BoJ's relatively accommodative monetary policy compared to the US and Europe.

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