

Japan Value Equity Large Cap

December 2024

Strategy

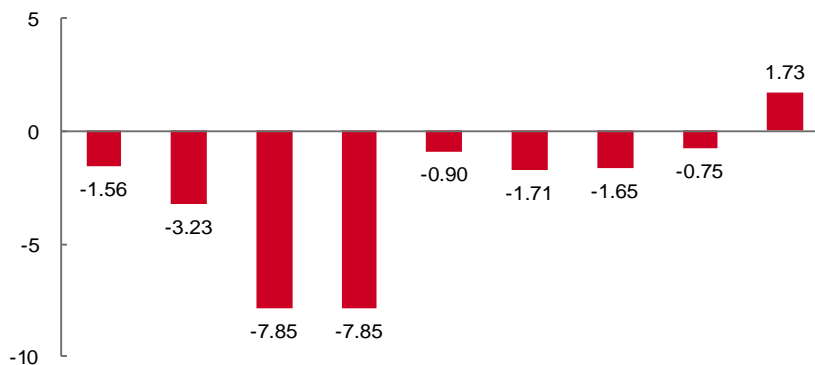
Large Cap Strategy is a focused, Japanese large/mid-cap equity strategy that aims for above-benchmark return in the mid- to long-term. The portfolio managers build the portfolio by investing in undervalued stocks with careful consideration of risk/return. A bottom-up approach is used. The Japanese equity 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

The Japanese market rose during the month as investors were positive on significant JPY depreciation against USD caused by the expanding interest rate gap between the two countries. Transportation equipment names were a large driver of the growth. They benefited from the significant depreciation of JPY, expectations surrounding the merger of the two domestic automobile majors of Honda and Nissan, and reports that Toyota aims to roughly double its ROE.

The market rose in the first half of the month as China's Caixin PMI beat expectation and hopes grew for the GPIF (Government Pension Investment Fund) to raise its allocation to equity following reports the Ministry of Health, Labour and Welfare will raise the investment return target for the largest pension fund in the country. The market then dropped somewhat as although the BoJ left rates unchanged and the central bank governor Kazuo Ueda stated he would not be rushing into rate hikes, the market was negative on the prospect of slow rate cuts by the Fed in 2025 despite the US central bank lowering rates 25bps during the month. Share prices then picked up again through the end of the month on the retreat of excessive fears of slower Fed rate cuts following weaker-than-expected core PCE inflation numbers and JPY depreciation versus USD.

Composite Performance (%) Excess Return*



Top Ten Holdings	%
HACHIJUNI BANK LTD/THE	4.23
NIPPON TELEGRAPH & TELEPHONE	4.15
ASAHI KASEI CORP	4.12
MITSUBISHI UFJ FINANCIAL GRO	3.92
TORAY INDUSTRIES INC	3.88
MITSUBISHI ESTATE CO LTD	3.64
HONDA MOTOR CO LTD	3.58
SUMITOMO MITSUI TRUST GROUP	3.58
OJI HOLDINGS CORP	3.43
SUMITOMO MITSUI FINANCIAL GR	3.36
Total	37.89

	Dec	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	3.10	4.96	20.23	20.23	23.15	15.02	9.41	10.07	7.27
Benchmark	4.66	8.18	28.08	28.08	24.05	16.73	11.06	10.82	5.54

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 68.1B (USD 433M)

Characteristics		
	Portfolio	Benchmark
P/E	12.18x	11.01x
P/B	0.80x	0.98x
ROE	6.60%	8.93%
Dividend Yield	3.38%	3.22%

Market Cap		
	Portfolio	TOPIX
Large	41.3%	67.3%
Mid	57.8%	25.2%
Small	0.0%	7.5%
Others	0.0%	-

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

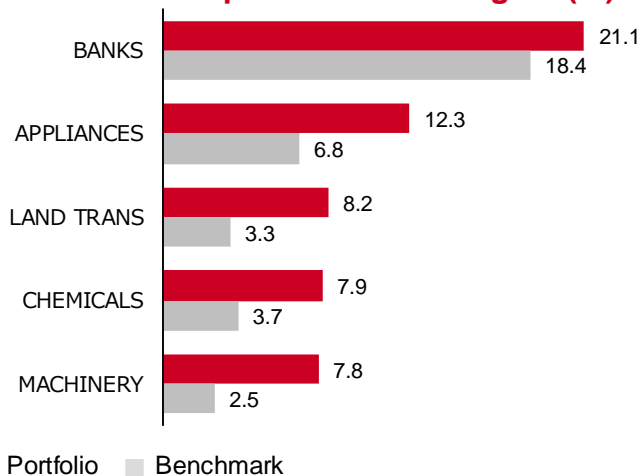
** Russell/Nomura Large Cap Value Index includes the dividends paid by the index constituents.

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 (%)



Yasuhiro Kano, CMA
Senior Portfolio Manager
31 years investment experience
27 years at Sompo AM

Attribution Analysis

Both sector allocation and stock selection detracted from performance. In sector allocation, overweighting (OW) of Paper and Appliances and underweighting (UW) of Elec Power & Gas contributed to performance, while UW of Trans Equip and OW of Land Trans and Metal Prod detracted. In stock selection, OW of Honda Motor, Oji Holdings, and Nabtesco contributed to performance, while UW of Toyota Motor and OW of Nippon Express Holdings and The Hachijuni Bank detracted. Last month we increased holdings of Asahi Group Holdings, Omron, and Keisei Electric Railway and decreased holdings of Toray, Sohgo Security Services, and Panasonic Holdings.

Outlook

We expect the market will face heavy upside resistance over the near term.

Japanese corporate earnings will likely grow on the back of a recovery in domestic real wages, a cyclical recovery to the manufacturing sector, and capital efficiency improvement measures implemented by companies following pressure from the Tokyo Stock Exchange (TSE). Share prices do not look overvalued given current general valuation metrics such as forward P/E. However, downward pressure on share prices will likely increase because of concerns of increased tariffs from the US and worries that JPY will appreciate on the back of divergent monetary policy between the US and Japan. That said, it is difficult to envision a large correction to the Japanese market given strong equity demand from the high level of large-scale share buybacks seen recently and the BoJ's relatively accommodative monetary policy compared to the US and Europe.

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