

# Japan Value Equity Large Cap

January 2025

## Strategy

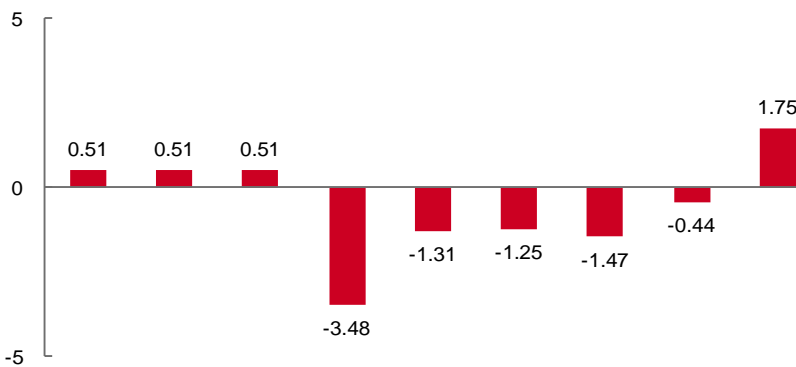
Large Cap Strategy is a focused, Japanese large/mid-cap equity strategy that aims for above-benchmark return in the mid- to long-term. The portfolio managers build the portfolio by investing in undervalued stocks with careful consideration of risk/return. A bottom-up approach is used. The Japanese equity 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 ended January roughly unchanged MoM as positives, like retracted concerns of tariffs as US President Donald Trump did not implement them the moment he took office, and negatives, like concerns of a drop in demand for semiconductors following the release of a low-cost AI model from China, balanced out. The Securities & Commodities Futures and Banks sectors rose on the back of a BoJ rate hike and the Marine Transportation sector fell on a drop in expectations for heightened freight rates after strikes were avoided at US ports.

The market fell in the first half of the month as investors were negative on retreating expectations for rate cuts after both US jobs data and ISM Manufacturing PMI beat expectations. Despite heightened expectations for rate cuts on the back of US CPI not meeting expectations, tighter restrictions on US semiconductor exports to China then weighed on share prices. The market then rose through the rest of the month despite the release of Chinese startup DeepSeek's low-cost AI model temporarily acting as a drag by igniting concerns over the future of demand for semiconductors, concerns over Trump tariffs abated as he did not immediately implement any after taking office.

### Composite Performance (%) Excess Return\*



Top Ten Holdings	%
HACHIJUNI BANK LTD/THE	4.24
MITSUBISHI UFJ FINANCIAL GRO	4.18
NIPPON TELEGRAPH & TELEPHONE	3.99
ASAHI KASEI CORP	3.96
SUMITOMO MITSUI TRUST GROUP	3.74
MITSUBISHI ESTATE CO LTD	3.73
OJI HOLDINGS CORP	3.55
TORAY INDUSTRIES INC	3.45
HONDA MOTOR CO LTD	3.43
NIPPON EXPRESS HOLDINGS INC	3.15
Total	37.40

	Jan	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	0.87	0.87	0.87	13.47	22.06	16.24	9.56	10.47	7.28
Benchmark	0.36	0.36	0.36	16.96	23.37	17.49	11.03	10.91	5.53

### 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 68.5B (USD 442M)

Characteristics		
	Portfolio	Benchmark
P/E	11.75x	10.92x
P/B	0.79x	0.96x
ROE	6.74%	8.77%
Dividend Yield	3.37%	3.25%

Market Cap		
	Portfolio	TOPIX
Large	42.2%	67.3%
Mid	57.2%	25.2%
Small	0.0%	7.5%
Others	0.0%	-

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

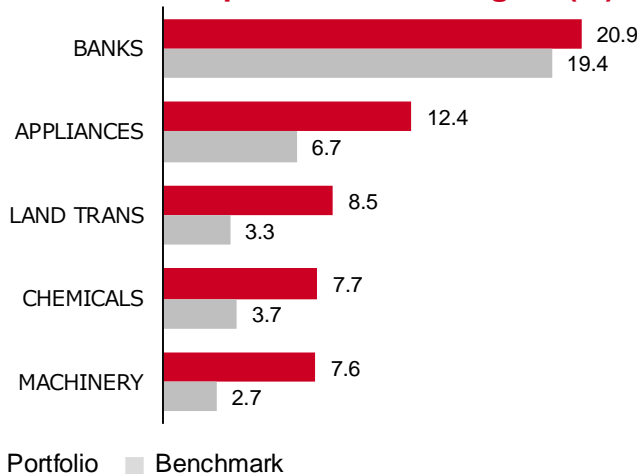
\*\* Russell/Nomura Large Cap Value Index includes the dividends paid by the index constituents.

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

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## Japan Value Equity Large Cap

### Top Five Sector Weights (%)



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

### Attribution Analysis

While sector allocation contributed to performance, stock selection detracted. In sector allocation, underweighting (UW) of Wholesale and Trans Equip and overweighting (OW) of Textiles contributed to performance, while UW of Securities and Services and OW of Appliances detracted. In stock selection, UW of Toyota Motor and Mitsui & Co and OW of Toray contributed to performance, while UW of Mizuho Financial Group and Mitsubishi UFJ Financial Group and OW of Asahi Kasei detracted. Last month we increased holdings of Asahi Group Holdings, Aisin, and Omron and decreased holdings of Toray, Mebuki Financial Group, and Sumitomo Mitsui Financial Group.

### 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.

### Contact Information

Daniel Robbins  
+81 3 5290 3414

Takuya Orime  
+81 3 5290 3406

Group email: [global@sompo-am.co.jp](mailto:global@sompo-am.co.jp)

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