

Japan Value Equity Large Cap

February 2025

Strategy

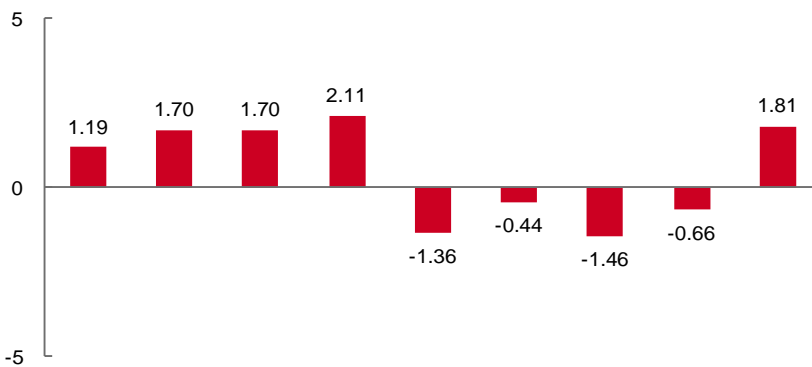
Large Cap Strategy is a focused, Japanese large/mid-cap equity strategy that aims for above-benchmark return in the mid- to long-term. The portfolio managers build the portfolio by investing in undervalued stocks with careful consideration of risk/return. A bottom-up approach is used. The Japanese equity 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 fell in February on the back of concerns over US tariffs and economic decline as well as JPY appreciation following the shrinking of the Japan-US interest rate gap. Growth stock were down because of harsher regulations on semiconductor-related sales to China and concerns of a slowdown in investment in AI.

The market fell in the first half of the month on executive orders from US President Donald Trump for further tariffs on Canada, Mexico, and China. The market did rebound after Trump said he would delay the activation of tariffs on Canada and Mexico, but uncertainty concerning tariffs once again spiked when he signed an executive order for 25% tariffs on all steel and aluminium imports. The market then trended sideways. Although strong domestic earnings acted to support the market, preliminary domestic GDP figures coming in higher than expected raised the spectre of further rate increases by the BoJ. Share prices then fell through the end of the month as JPY appreciated (on the shrinking Japan-US interest rate gap) and concerns over the economy grew on the back of US Services PMI falling below 50 (the point between expansion and contraction) for the first time in two years and US consumer confidence also falling significantly.

Composite Performance (%) Excess Return*



Top Ten Holdings	%
HACHIJUNI BANK LTD/THE	4.07
ASAHI KASEI CORP	3.90
NIPPON TELEGRAPH & TELEPHONE	3.87
SUMITOMO MITSUI TRUST GROUP	3.75
MITSUBISHI UFJ FINANCIAL GRO	3.68
MITSUBISHI ESTATE CO LTD	3.68
OJI HOLDINGS CORP	3.56
TAIYO YUDEN CO LTD	3.54
NIPPON EXPRESS HOLDINGS INC	3.38
HONDA MOTOR CO LTD	3.29
Total	36.71

	Feb	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	-1.67	-0.82	-0.82	9.10	20.79	18.62	9.79	8.87	7.16
Benchmark	-2.86	-2.51	-2.51	6.99	22.15	19.06	11.25	9.53	5.35

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 67.1B (USD 445M)

Characteristics		
	Portfolio	Benchmark
P/E	11.40x	10.43x
P/B	0.78x	0.93x
ROE	6.85%	8.88%
Dividend Yield	3.43%	3.39%

Market Cap		
	Portfolio	TOPIX
Large	44.7%	66.8%
Mid	55.0%	25.6%
Small	0.0%	7.6%
Others	0.0%	-

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

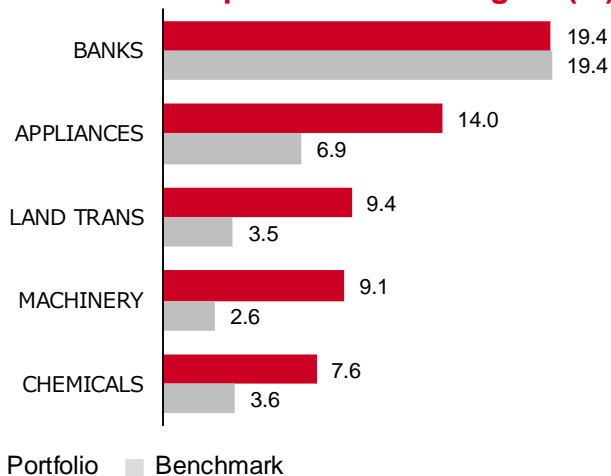
** Russell/Nomura Large Cap Value Index includes the dividends paid by the index constituents.

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 contributed to performance. In sector allocation, overweighting (OW) of Land Trans and Foods and underweighting (UW) of Trans Equip contributed to performance, while UW of Marine Trans and Insurance and OW of Machinery detracted. In stock selection, OW of Taiyo Yuden and UW of Toyota Motor and Softbank Group contributed to performance, while OW of JGC, Omron, and Toray detracted. Last month we increased holdings of Kubota, Nidec, and Osaka Gas and decreased holdings of Shimizu Corporation, Obayashi Corporation, and Mitsubishi UFJ 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). Valuation metrics like forward PER have fallen on concerns over further tariffs from the US and JPY appreciation caused by divergent monetary policy by the US and Japan. We expect market volatility (degree of movement in share prices) to increase as long as there is not a clear picture on coming tariff policy. As such, we believe it will take some time before valuations return to an upward trajectory. 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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