SOMPO ASSET MANAGEMENT

Japan Value Equity Large Cap

October 2025

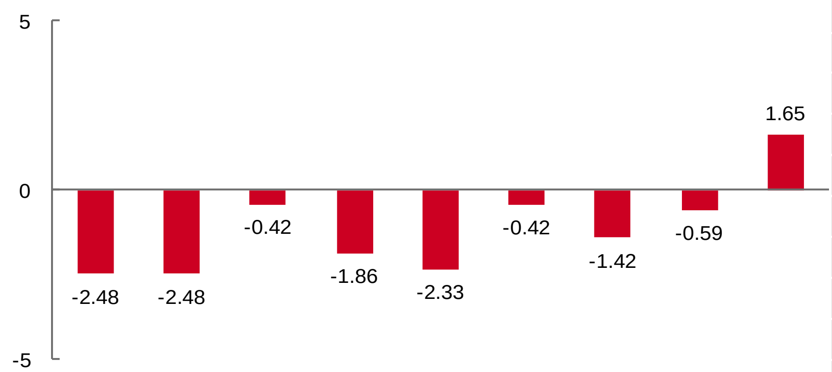
Strategy

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

Japanese market prices rose on expectations for expansionary fiscal policy and economic security enhancements by the incoming administration following the change in leadership of the Liberal Democratic Party (LDP) in Japan. Growth in the nonferrous and electric appliances sectors, driven by continued expectations for expanded AI investment globally and expectations for increased investment in advanced technology by the Takaichi administration, pulled the overall market up. Share prices rose in the beginning of the month as expectations rose for expansionary fiscal policy following the election of Sanae Takaichi as LDP leader. The market then briefly declined on reignited fears over trade frictions between the US and China triggered by Trump's remarks indicating additional tariffs on China and political uncertainty in Japan following the media reports of parliament facing difficulties selecting a prime minister. The market then rose on receded political uncertainty following Sanae Takaichi becoming prime minister. The market then maintained solid growth on a weakened JPY versus USD, caused by the BoJ keeping the policy rate unchanged at its end-of-month policy meeting and Fed chairman Jerome Powell indicating a cautious stance on additional rate cuts.

Composite Performance (%)
Excess Return*



	Oct	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	2.43	2.43	25.48	30.59	27.35	26.41	14.40	11.17	8.20
Benchmark	4.91	4.91	25.90	32.45	29.69	26.83	15.82	11.76	6.54

Composite Summary		
Composite Name	SJAM Large Cap Value Mother Fund	
Benchmark	Russell/Nomura Large Cap Value**	
Inception Date	April 2006	
Number of Holdings	41	
Bloomberg Code	SNAMLGC	
Assets Under Management	Composite (T9893)	JPY 108.3B (USD 703M)

Top Ten Holdings	%
TAIYO YUDEN CO LTD	5.13
NTT INC	4.38
HONDA MOTOR CO LTD	4.00
TOYOTA MOTOR CORP	3.93
ASAHI KASEI CORP	3.85
SUMITOMO MITSUI TRUST GROUP	3.74
SUMCO CORP	3.58
ASAHI GROUP HOLDINGS LTD	3.29
KYOCERA CORP	3.26
DENSO CORP	2.97
Total	38.11

Characteristics	Portfolio	Benchmark
P/E	13.91x	12.98x
P/B	0.95x	1.15x
ROE	6.84%	8.89%
Dividend Yield	3.14%	2.90%

Market Cap	Portfolio	TOPIX
Large	47.5%	68.7%
Mid	50.4%	24.4%
Small	0.0%	6.9%
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.

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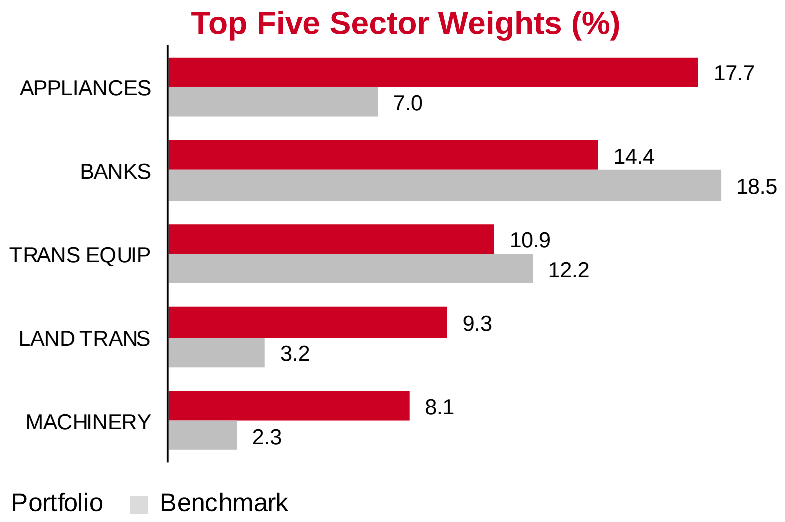

Kenji Ueno, CMA, CIIA
Senior Portfolio Manager
33 years investment experience
28 years at Sompo AM

Attribution Analysis

Both sector allocation and stock selection detracted from performance. In sector allocation, overweighting (OW) of Appliances and Nonferrous and underweighting (UW) of Insurance contributed to performance, while UW of Info & Comm and OW of Land Trans and Foods detracted. In stock selection, OW of Taiyo Yuden and Sumitomo Heavy Industries and UW of Mitsubishi UFJ Financial contributed to performance, while UW of SoftBank Group and OW of Keisei Electric Railway, and Asahi Group Holdings detracted. Last month we increased holdings of JFE Holdings, Kubota, and Meiji Holdings and decreased holdings of Air Water, Sumitomo Metal Mining, and Nabtesco.

Outlook

We expect the market will face heavier upside resistance going forward. We urge caution over the near term given that valuation metrics like forward P/E are no longer at undervalued levels having been pulled upwards by a small number of stocks on the back of additional US rate cuts and expectations for fiscal policy from the Takaichi administration in Japan. Stock-picking has been heavily concentrated in thematic areas such as generative AI and these stock are now at overheated valuation levels. However, corporate earnings forecasts for this fiscal year are bottoming out on the back of the easing of Trump's tariffs and will likely be revised upwards. In addition, we do not foresee any large fall in the Japanese market as there is strong equity demand from the high level of large-scale share buybacks seen recently and the BoJ has relatively accommodative monetary policy compared to the US and Europe. While we do expect investors to more readily make predictions of earnings growth as the negative impacts of the Trump tariffs fade away in the second half of the coming fiscal year, we believe it will still take some time before we see serious fundamentals-driven market growth.

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