SOMPO ASSET MANAGEMENT

Japan Value Equity Large Cap

January 2026

Strategy

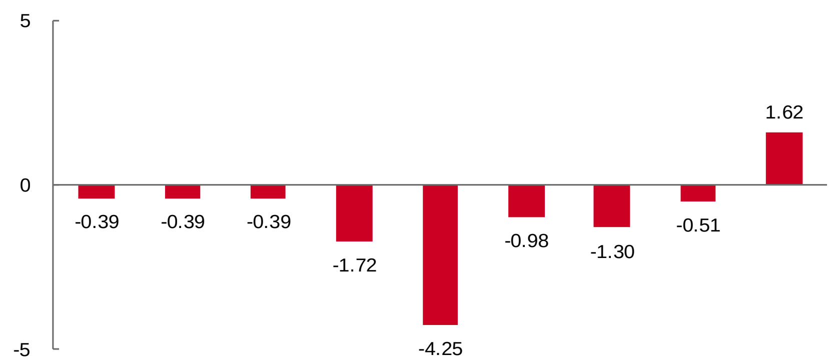
Large Cap Strategy is a focused, Japanese large/mid-cap equity strategy that aims for above-benchmark return in the mid- to long-term. The portfolio managers build the portfolio by investing in undervalued stocks with careful consideration of risk/return. A bottom-up approach is used. The Japanese equity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

Expectations for aggressive fiscal policy pushed the market up following reports of a snap general election. The non-ferrous and oil & coal products sectors rose on heightened expectations for earnings improvements following the increase in commodity prices. The services and information & communication sectors fell because of their high percentage of growth stocks when interest rate increases were creating headwinds.

The Japanese equity market rose in the first part of the month because of expectations for expansionary fiscal policy driven by the outlook that the Takaichi administration would call a snap general election. Share prices then fell in the middle of the month despite prospects for an LDP majority as long-term interest rates rose rapidly on alarm over fiscal expansion and oversupply of super-longs as well as tensions between Europe and the US concerning Greenland. The market fell further in the latter part of the month despite brief rises as JPY appreciated against USD on heightened concerns of currency intervention from Japanese and US authorities. Share prices then saw upside resistance through the end of the month as investors held off in the run-up to earnings season for both Japan and the US.

Composite Performance (%)
Excess Return*



	Jan	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	6.12	6.12	6.12	40.39	28.86	25.35	17.30	14.05	8.75
Benchmark	6.51	6.51	6.51	42.11	33.11	26.33	18.60	14.56	7.13

Top Ten Holdings	%
TOYOTA MOTOR CORP	4.42
SUMITOMO METAL MINING CO LTD	4.28
NTT INC	4.08
SUMITOMO MITSUI TRUST GROUP	4.06
HONDA MOTOR CO LTD	4.03
ASAHI KASEI CORP	3.76
MITSUI CHEMICALS INC	3.65
TAIYO YUDEN CO LTD	3.39
SUMCO CORP	3.30
KYOCERA CORP	3.28
Total	38.25

Characteristics

	Portfolio	Benchmark
P/E	14.59x	13.25x
P/B	1.05x	1.21x
ROE	7.20%	9.16%
Dividend Yield	2.94%	2.88%

Market Cap

	Portfolio	TOPIX
Large	46.9%	68.0%
Mid	52.3%	24.9%
Small	0.0%	7.1%
Others	0.0%	-

Composite Summary

Composite Name	SJAM Large Cap Value Mother Fund	
Benchmark	Russell/Nomura Large Cap Value**	
Inception Date	April 2006	
Number of Holdings	43	
Bloomberg Code	SNAMLGC	
Assets Under Management	Composite (T9893)	JPY 119.6B (USD 775M)

* 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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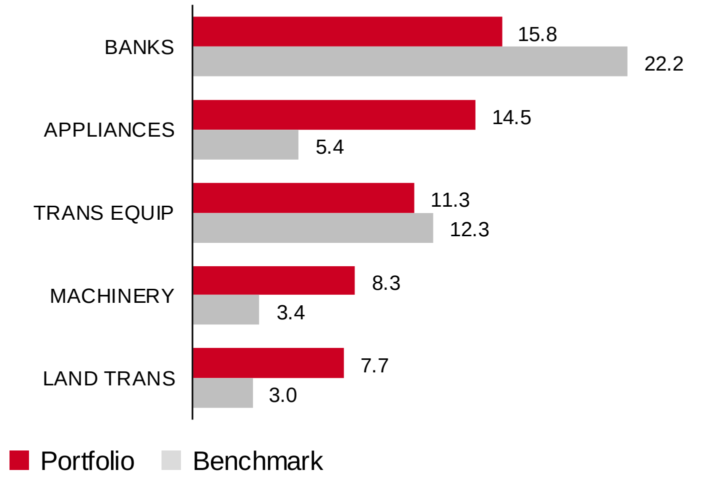
Top Five Sector Weights (%)



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

Attribution Analysis

Sector allocation detracted from performance while stock selection contributed. In sector allocation, overweighting (OW) of Nonferrous and underweighting (UW) of Insurance and Elec Power & Gas contributed to performance, while UW of Wholesale and OW of Land Trans and Foods detracted. In stock selection, OW of Sumitomo Metal Mining, Mitsui Chemicals, and Japan Post Bank contributed to performance, while OW of Taiyo Yuden and Yamato Holdings and UW of Mizuho Financial Group detracted. Last month we increased holdings of Daikin, Toyota Motor, and Tohoku Electric Power and decreased holdings of Sumitomo Metal Mining, NSK, and Japan Post Bank.

Outlook

We expect the market to fluctuate. Corporate earnings forecasts have been rising since Japan and the US came to agreement on trade talks and it looks highly likely that earnings will continue to rise in the coming fiscal year as well. However, we believe caution is needed over the near term as valuations (forward P/E, etc) are already at historical highs, driven by strong corporate earnings, prospects for a stable political situation following the general election, and expectations for increased investment in AI globally. That said, we believe market downside will be limited as there is strong equity demand from a high level of large-scale share buybacks and the BoJ has relatively accommodative monetary policy compared to the US and Europe.

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