SOMPO ASSET MANAGEMENT

Japan Value Equity Large Cap

June 2026

Strategy

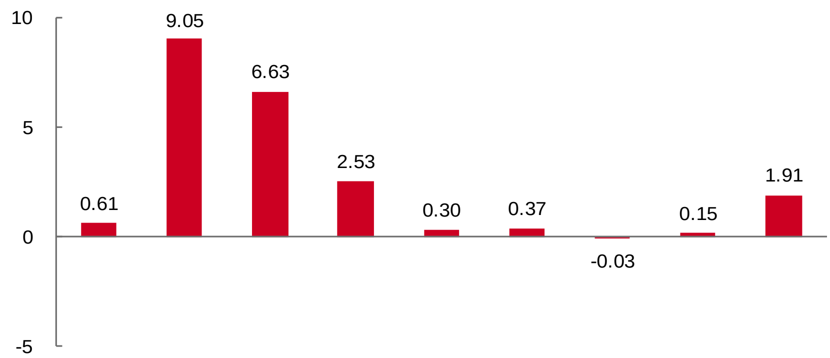
Large Cap Strategy is a focused, Japanese large/mid-cap equity strategy that aims for above-benchmark return in the mid- to long-term. The portfolio managers build the portfolio by investing in undervalued stocks with careful consideration of risk/return. A bottom-up approach is used. The Japanese equity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

The market lacked a clear sense of direction with mixed trading influenced by media reports of the Middle East situation and semiconductors for generative AI. The electric appliances sector rose on expectations for demand growth for generative AI, and the bank sector performed well as its profits are poised to improve from rising domestic interest rates. Meanwhile, the wholesale and mining sectors fell on reduced expectations for earnings growth given the eased tension in the Middle East.

In the first part of the month, the Japanese market fell due to heightened fears over the Middle East situation following an Israeli strike on Lebanon and expectations for early rate hikes stemming from the BoJ Governor Ueda's speech. The market then bounced back, driven by tech stocks as reports of progress in ceasefire negotiations between the US and Iran improved investor sentiment. Subsequently, the market's upside was capped by increased expectations for US rate hikes within the year after the release of the FOMC's dot plot. In the latter part of the month, Asian stock markets saw a decline due to concerns over overheating in AI-related stocks, and this selling extended to the domestic market. As the month drew to a close, the market experienced choppy trading, primarily driven by position adjustments ahead of the quarter-end.

Composite Performance (%)
Excess Return*



	Jun	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	0.71	17.33	23.48	55.92	29.11	25.42	20.67	18.03	9.38
Benchmark	0.10	8.28	16.85	53.39	28.82	25.05	20.70	17.88	7.47

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 105.7B (USD 651M)

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

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

Top Ten Holdings	%
HONDA MOTOR CO LTD	4.77
NTT INC	4.43
TOYOTA MOTOR CORP	4.33
SUMITOMO MITSUI TRUST GROUP	4.17
WEST JAPAN RAILWAY CO	3.63
DENSO CORP	3.50
ASAHI GROUP HOLDINGS LTD	3.32
MITSUBISHI UFJ FINANCIAL GRO	3.12
MITSUI CHEMICALS INC	3.00
JFE HOLDINGS INC	2.96
Total	37.23

Characteristics

	Portfolio	Benchmark
P/E	12.67x	13.12x
P/B	0.99x	1.24x
ROE	7.79%	9.46%
Dividend Yield	3.21%	2.86%

Market Cap

	Portfolio	TOPIX
Large	60.7%	67.6%
Mid	38.3%	25.4%
Small	0.0%	6.9%
Others	0.0%	-

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

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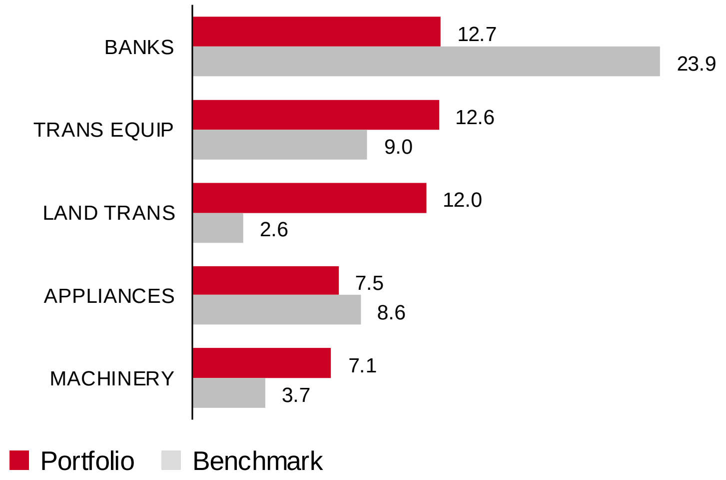
Japan Value Equity Large Cap

Top Five Sector Weights (%)



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

Attribution Analysis

Sector allocation contributed to performance, while stock selection detracted. In sector allocation, underweighting (UW) of Wholesale and overweighting (OW) of Retail and Foods contributed to performance, while UW of Banks and Insurance and OW of Trans Equip detracted. In stock selection, UW of Mitsui & Co., Mitsubishi Corporation, and OW of Sumitomo Mitsui Trust Group contributed to performance, while UW of Panasonic Holdings, Mitsubishi UFJ Financial Group, and Mizuho Financial Group detracted. Last month we increased holdings of Sekisui House, East Japan Railway, and Daikin Industries and decreased holdings of Kyocera, Sumco, and Murata Manufacturing.

Outlook

We expect the market to remain firm. Valuation (forward P/E), which reflects overall market expectations, is currently at a high level compared to historical averages, primarily driven by some AI and semiconductor names amid diminishing uncertainty in the Middle East. Although the market has already priced in expectations for AI and semiconductor names to a large extent, these expectations are likely to be sustained as there are no immediate signs of a decline in semiconductor demand and AI-related investments. We expect the market to remain robust, driven by improvement in earnings forecasts for FY26. Crude oil prices have now stabilized, and the situation has eased more than previously, despite likely cost increases stemming from the Middle East. We should remain vigilant about a potential market correction, given that share prices have risen rapidly so far. That said, we don’t expect a large market correction as there is strong equity demand from a high level of share buybacks and the BoJ has relatively accommodative monetary policy compared to the US and Europe.

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