SOMPO ASSET MANAGEMENT

Japan Value Equity Large Cap

August 2026

Strategy

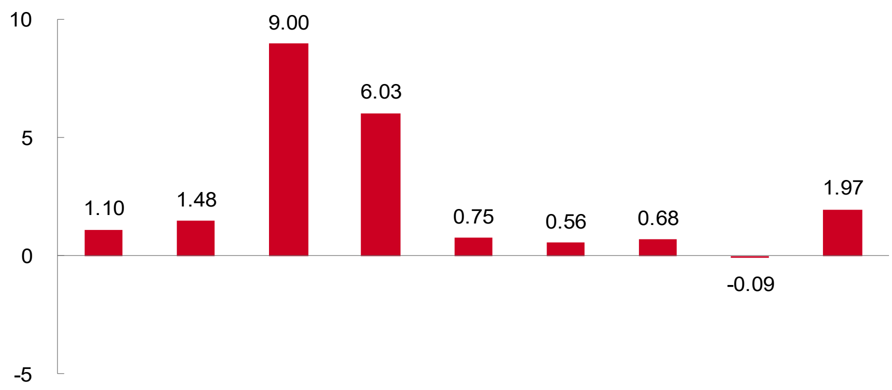
Large Cap Strategy is a focused, Japanese large/mid-cap equity strategy that aims for above-benchmark return in the mid- to long-term. The portfolio managers build the portfolio by investing in undervalued stocks with careful consideration of risk/return. A bottom-up approach is used. The Japanese equity 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 was primarily driven by tech stocks, as excessive concerns over AI-related funding eased. The service sector rose on confirmed earnings expansion by the use of generative AI. The marine transportation sector also rose due to favorable shipping rates on the back of escalated tensions in the Middle East. Meanwhile, the insurance sector declined as shareholder returns announced at earnings reports fell short of market expectations. The glass & ceramic sector also saw a decline due to concerns over surging raw material prices.

In the first part of the month, the Japanese market rose, fueled by a series of strong earnings results. In the middle of the month, the market rose further as fears over AI-related funding eased following a major U.S. semiconductor company's announcement of a framework to support AI data center construction. The market was also supported by lower-than-expected U.S. CPI, which reduced expectations for early Fed rate hikes. Subsequently, the market plummeted due to heightened geopolitical risks in the Middle East. However, the market then recovered, supported by a drop in U.S. long-term rates following the US Treasury's announcement of increased purchases of long-term government bonds. Towards the end of the month, despite easing concerns over the Middle East situation, hawkish remarks by Fed Chair Walsh regarding rate hikes weighed on the market, which ended below its mid-month high.

Composite Performance (%)
Excess Return*



	Aug	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	4.41	9.55	35.27	52.38	30.93	27.67	23.45	17.27	9.79
Benchmark	3.31	8.06	26.28	46.35	30.18	27.11	22.77	17.36	7.81

Composite Summary

Composite Name	SJAM Large Cap Value Mother Fund	
Benchmark	Russell/Nomura Large Cap Value**	
Inception Date	April 2006	
Number of Holdings	42	
Bloomberg Code	SNAMLGC	
Assets Under Management	Composite (T9893)	JPY 114.7B (USD 718M)

Top Ten Holdings	%
HONDA MOTOR CO LTD	5.02
NTT INC	4.80
TOYOTA MOTOR CORP	4.57
SUMITOMO MITSUI TRUST GROUP	4.45
WEST JAPAN RAILWAY CO	3.67
DENSO CORP	3.29
ASAHI GROUP HOLDINGS LTD	3.27
MITSUI CHEMICALS INC	3.27
MITSUBISHI UFJ FINANCIAL GRO	3.25
JFE HOLDINGS INC	3.19
Total	38.78

Characteristics

	Portfolio	Benchmark
P/E	13.00x	13.34x
P/B	1.05x	1.29x
ROE	8.06%	9.70%
Dividend Yield	3.01%	2.72%

Market Cap

	Portfolio	TOPIX
Large	58.9%	68.2%
Mid	39.9%	24.7%
Small	0.0%	7.2%
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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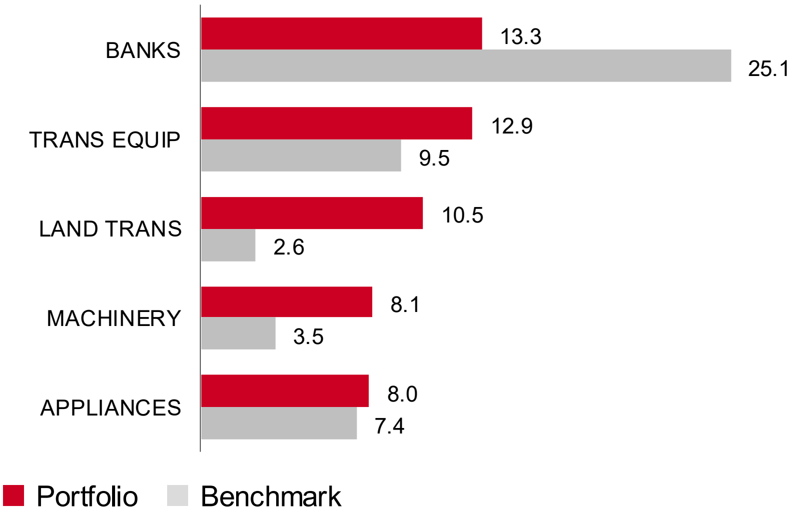
Top Five Sector Weights (%)



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

Attribution Analysis

Stock selection contributed to performance, while sector allocation detracted. In sector allocation, underweighting (UW) of Insurance and Wholesale, and overweighting (OW) of Info & Comm contributed to performance, while OW of Land Trans and Construction and UW of Banks detracted. In stock selection, OW of Sumitomo Metal Mining, Omron, and Nitori Holdings contributed to performance, while OW of Yamato Holdings, Daikin Industries, and Denso detracted. Last month we increased holdings of Daikin Industries, Mitsui Fudosan, and Hirose Electric and decreased holdings of Nippon Express Holdings, Kirin Holdings, and Sumitomo Metal Mining.

Outlook

We expect the market to remain firm. Valuations (forward P/E) already reflect market expectations to a considerable extent and suggest limited upside potential. FY26 earnings forecasts will likely be less impacted by rising costs driven by the Middle East situation than initially expected. We expect a firm market, driven by solid earnings, with improvements
expected across broader sectors beyond AI and semiconductors. We believe there is significant room for a re-rating of non-AI related stocks, while AI-related stocks have already priced in considerably high expectations. We should remain vigilant about a potential market correction, given that the recent rise in domestic long-term rates could put downward pressure on valuations. 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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