Japan Value Equity Large Cap

October 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

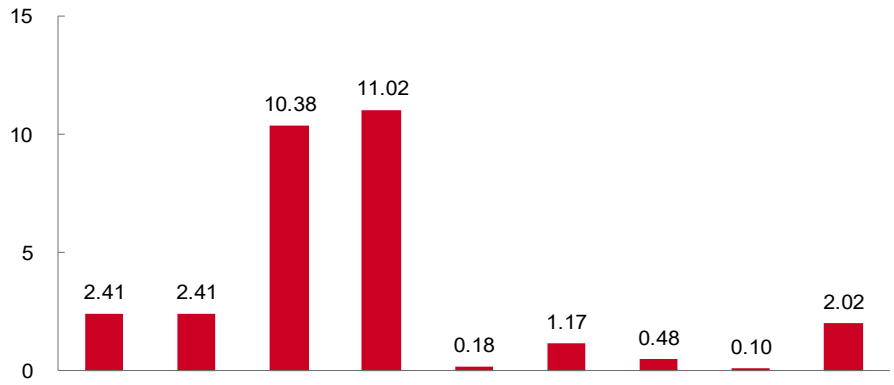
Concerns over financing risks for AI-related businesses weighed on the market. The services sector, which comprises a high concentration of domestic demand-oriented stocks rose amid an uncertain external environment. Mining also gained, supported by rising expectations for earnings improvements driven by surging crude oil prices. Conversely, non-ferrous metals and machinery, which include AI semiconductor-related names, underperformed as fears mounted over the profitability of AI-related investments.

At the beginning of the month, the market started higher as weaker-than-expected US employment data dampened expectations for early rate hikes. However, stock prices subsequently retreated as US long-term rates surged to historical highs following the release of the FOMC meeting minutes.

In the middle of the month, a sharp decline in bond prices for an emerging US cloud company triggered concerns over financing risks for AI-related businesses, leading to a major sell-off, particularly in high-tech names. Although the market temporarily saw a partial recovery driven by buying on weakness, escalating attacks on Saudi Arabia by pro-Iranian militant groups sent crude oil prices soaring and weighed on stock prices late in the month.

Toward the end of the month, earnings reports from major US tech companies reignited concerns over the heavy financial burden of massive AI investments, causing the market to test lower levels.

Composite Performance (%)
Excess Return*



	Oct	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	-0.84	-0.84	32.03	40.41	28.82	26.37	20.69	16.47	9.57
Benchmark	-3.25	-3.25	21.66	29.39	28.64	25.21	20.21	16.37	7.55

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 108.2B (USD 687M)

Top Ten Holdings	%
HONDA MOTOR CO LTD	5.37
NTT INC	4.95
TOYOTA MOTOR CORP	4.81
SUMITOMO MITSUI TRUST GROUP	4.24
WEST JAPAN RAILWAY CO	3.85
JFE HOLDINGS INC	3.40
ASAHI GROUP HOLDINGS LTD	3.31
DENSO CORP	3.25
MITSUI FUDOSAN CO LTD	3.20
MITSUI CHEMICALS INC	3.19
Total	39.56

Characteristics	Portfolio	Benchmark
P/E	12.39x	12.15x
P/B	1.04x	1.26x
ROE	8.36%	10.39%
Dividend Yield	3.20%	2.95%

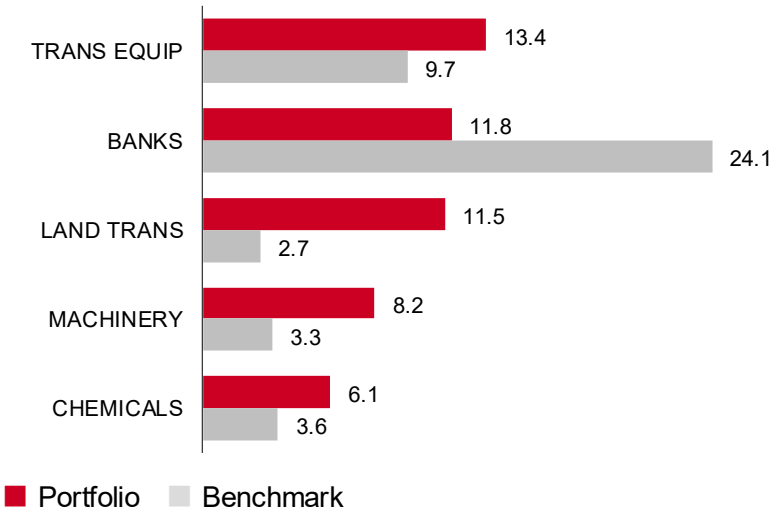
Market Cap	Portfolio	TOPIX
Large	55.2%	69.7%
Mid	42.8%	23.4%
Small	0.0%	6.9%
Others	0.0%	-

* Excess return figures are annualized for three years and longer.
** Russell/Nomura Large Cap Value Index includes the dividends paid by the index constituents.

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 (%)





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

Attribution Analysis

Both sector allocation and stock selection contributed to performance. In sector allocation, underweighting (UW) of Banks and overweighting (OW) of Land Trans and Retail contributed to performance, while OW of Machinery and UW of Insurance and Wholesale detracted. In stock selection, UW of Mizuho Financial Group, and Panasonic, and OW of Nitori Holdings contributed to performance, while OW of OMRON, SUMCO, and Sumitomo Mitsui Trust Group detracted. Last month we increased holdings of Takeda Pharmaceutical, Hirose Electric, and Tohoku Electric Power and decreased holdings of Kyocera and Mebuki Financial Group.

Outlook

We expect the market to bottom out and look for a rebound. Due to valuation corrections led by AI-related stocks, the overall market's forward P/E ratio has dropped to undervalued levels. While concerns over the sustainability of AI investments will likely linger, we believe the current valuation levels can be maintained given that there are no signs of a major downturn in the global economy and that any negative impacts on non-AI names will be limited. Even if AI-related demand slows down, earnings for this fiscal year are projected to remain robust, and we expect the market to return to focusing on earnings fundamentals. We should remain vigilant about a potential market correction, given that the recent rise in 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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