

Japan Value Equity SRI

March 2025

Strategy

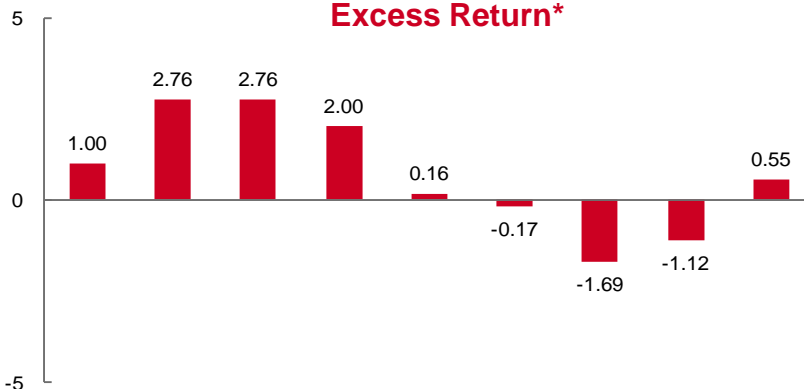
SRI Strategy invests in Japanese equities which meet the criteria of ESG (Environmental, Social, Governance) management and investment value, and aims to achieve above benchmark return in the mid- to long-term. Our equity investment takes a bottom-up approach in which the Japanese equity research team analyzes intrinsic value of individual stocks and compares it with market price in order to identify undervalued stocks. ESG research is conducted by Sompo Risk Management, which is a leading company in domestic ESG research.

Market Review

Japanese market prices finished the month almost unchanged as concerns over US President Donald Trump's tariff policy and US stagflation weighed on sentiment. Value stocks outperformed growth stocks because of the increase in long-term US interest rates.

The market was little changed in the first half of the month as although there was a period of growth when US tariff fears receded on delays to tariffs on certain products from Mexico and Canada, falls in US semiconductor stocks weighed on the market. The market then shifted upwards despite investor negativity on Trump refusing to clearly deny the possibility of a US recession as US CPI undershot market expectations, US retail data did not indicate a recession, and JPY stopped appreciating versus USD. The market then dropped through the end of month to come back in line with its previous month-end on increased fears of stagflation following announcements from the Trump administration of 25% additional tariffs on all imported automobiles and economic indicators signalling weak consumer spending and high expected inflation.

Composite Performance (%) Excess Return*



	Mar	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	1.22	-0.68	-0.68	0.46	13.93	16.21	7.36	6.95	6.96
Benchmark	0.22	-3.44	-3.44	-1.55	13.77	16.37	9.05	8.07	6.41

Composite Summary

Composite Name	Sompo Japan SRI Mother Fund	
Benchmark	TOPIX Total Return**	
Inception Date	January 2005	
Number of Holdings	39	
Bloomberg Code	SNAMSRI	
Assets Under Management	Strategy Total	JPY 2.1B (USD 14M)

Top Ten Holdings	%
MITSUBISHI ESTATE CO LTD	4.83
MURATA MANUFACTURING CO LTD	3.89
NIPPON TELEGRAPH & TELEPHONE	3.88
KAO CORP	3.85
MEBUKI FINANCIAL GROUP INC	3.82
KIRIN HOLDINGS CO LTD	3.71
SUMITOMO MITSUI TRUST GROUP	3.69
YAMATO HOLDINGS CO LTD	3.50
SAN-IN GODO BANK LTD/THE	3.48
TORAY INDUSTRIES INC	3.43
Total	38.07

Characteristics

	Portfolio	Benchmark
P/E	12.80x	12.82x
P/B	1.02x	1.28x
ROE	7.96%	10.00%
Dividend Yield	3.18%	2.75%

Market Cap

	Portfolio	Benchmark
Large	51.0%	66.5%
Mid	35.5%	25.8%
Small	11.7%	7.6%
Others	0.0%	-

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

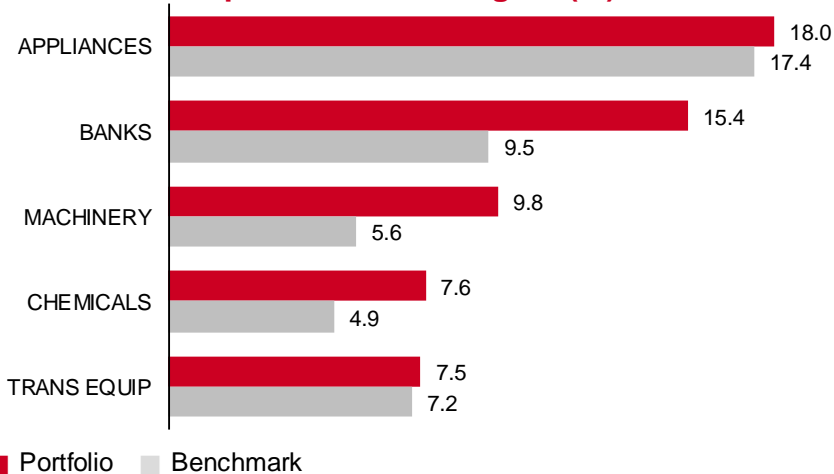
** TOPIX Total Return Index includes the dividends paid by the index constituents.

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 (%)



Masako Chikuma, CMA, CFA
Senior Portfolio Manager
20 years investment experience
9 years at Sompo AM

Attribution Analysis

Both sector allocation and stock selection contributed to performance. In sector allocation, overweighting (OW) of Banks and Real Estate and underweighting (UW) of Other Prod contributed to performance, while UW of Wholesale and Insurance and OW of Appliances detracted. In stock selection, OW of Mebuki Financial Group, Mitsubishi Estate, and Resona Holdings contributed to performance, while OW of Murata Manufacturing and Sumco and UW of Mitsubishi Heavy Industries detracted. Last month we increased holdings of Lintec, OSG, and Taikisha and decreased holdings of Fujitsu General, Shimizu Corporation, and Toray.

Outlook

We expect the market will face heavy upside resistance over the near term.

Japanese corporate earnings will likely be positively impacted by a recovery in domestic real wages and capital efficiency improvement measures implemented by companies following pressure from the Tokyo Stock Exchange (TSE) but may stagnate because of larger-than-expected negative impacts from additional Trump tariffs. We expect it will take some time before we see a pickup in valuation metrics like forward P/E as market volatility (degree of movement in share prices) will likely increase as long as the full extent of tariffs impacts is unclear. That said, we believe downside will be limited as share prices already reflect drops in earnings forecasts, 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.

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