

Japan Value Equity Small Cap

March 2025

Strategy

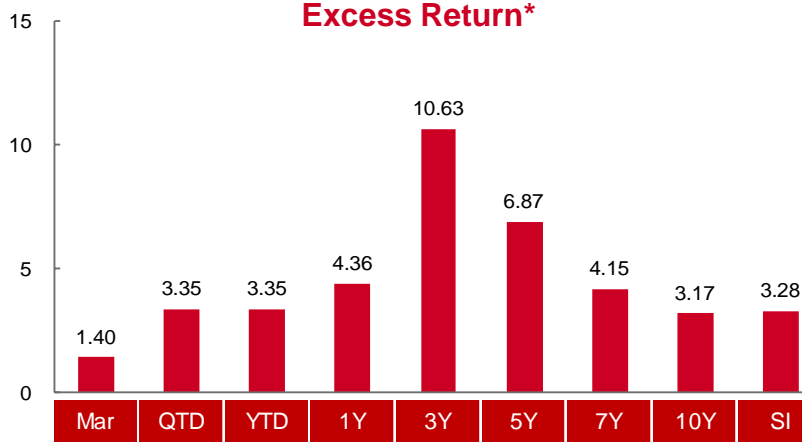
Small Cap Strategy invests in Japanese small cap equities and aims to achieve above-benchmark return in the mid-to long-term. The portfolio manager builds a portfolio by investing in undervalued stocks with careful consideration of risk/return. A bottom-up approach is used. The Japanese equity research team analyzes intrinsic value of individual stocks and compares it with market price in order to identify undervalued stocks. The portfolio is not constrained by sector weights.

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 | 3.51 | 2.29 | 2.29 | 7.27 | 24.59 | 21.28 | 10.23 | 11.00 | 9.79 |
| Benchmark | 2.12 | -1.06 | -1.06 | 2.91 | 13.96 | 14.42 | 6.07 | 7.83 | 6.51 |

Composite Summary

| | | |
|-------------------------|----------------------------|----------------------|
| Composite Name | SJAM Small Cap Mother Fund | |
| Benchmark | Russell/Nomura Small Cap** | |
| Inception Date | October 2007 | |
| Number of Holdings | 85 | |
| Bloomberg Code | SNAMSMC | |
| Assets Under Management | Domestic | JPY 27.3B (USD 182M) |
| | Overseas | JPY 6B (USD 40M) |
| | Strategy total | JPY 33.3B (USD 222M) |

| Top Ten Holdings | % |
|------------------------------|-------|
| JTEKT CORP | 3.75 |
| DAISHI HOKUETSU FINANCIAL GR | 3.60 |
| TOYODA GOSEI CO LTD | 3.48 |
| TOYOTA BOSHOKU CORP | 3.40 |
| NISHI-NIPPON FINANCIAL HOLDI | 3.22 |
| MABUCHI MOTOR CO LTD | 3.03 |
| CHUGIN FINANCIAL GROUP INC | 2.90 |
| NIHON M&A CENTER HOLDINGS IN | 2.75 |
| K'S HOLDINGS CORP | 2.75 |
| SAWAI GROUP HOLDINGS CO LTD | 2.71 |
| Total | 31.59 |

Characteristics

| | Portfolio | Benchmark |
|----------------|-----------|-----------|
| P/E | 9.89x | 11.63x |
| P/B | 0.70x | 1.02x |
| ROE | 7.10% | 8.75% |
| Dividend Yield | 3.77% | 3.00% |

Market Cap

| | Portfolio | TOPIX |
|--------|-----------|-------|
| Large | 0.0% | 66.5% |
| Mid | 50.2% | 25.8% |
| Small | 46.1% | 7.6% |
| Others | 1.9% | - |

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

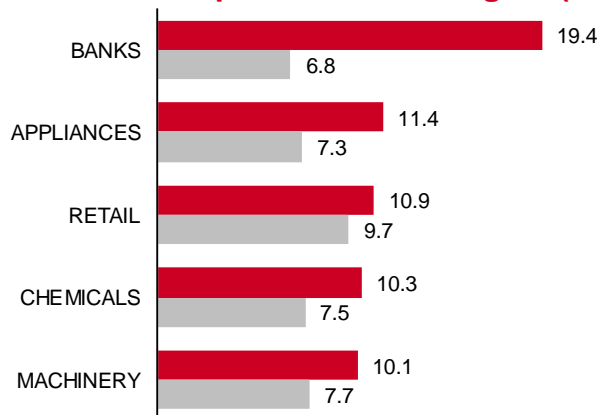
** Russell/Nomura Small Cap Index includes the dividends paid by the index constituents.

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 (%)



■ Portfolio ■ Benchmark



Shigeyoshi Fujiwara, CMA
Senior Portfolio Manager
18 years investment experience
18 years at Sompo AM

Attribution Analysis

Both sector allocation and stock selection contributed to performance. In sector allocation, overweighting (OW) of Banks and underweighting (UW) of Nonferrous and Glass & Ceramic contributed to performance, while UW of Construction and OW of Trans Equip and Machinery detracted. In stock selection, OW of Daishi Hokuetsu Financial Group, Hokuhoku Financial Group, and Nishi-Nippon Financial Holdings contributed to performance, while UW of Shinko Electric Industries and OW of OSG and Mabuchi Motor detracted. Last month we increased holdings of Sumitomo Heavy Industries, Oji Holdings, and Toyota Boshoku and decreased holdings of Hokuhoku Financial Group, The Hyakugo Bank, and The Shiga Bank.

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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