

Japan Value Equity Small Cap

July 2025

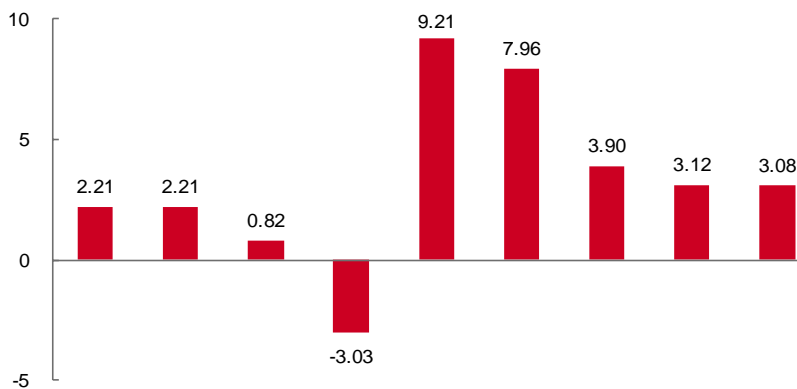
Strategy

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 rose as investors were positive on Japan-US trade talk finishing with a lower-than-expected tariff rate of 15%. Value stocks outperformed growth stocks as tariff talks came to an end and growth in Japanese long-term domestic rates. Share prices fell in the first half of the month because of increased uncertainty over tariffs following statements from US President Donald Trump that there would be additional tariffs on copper and pharmaceuticals and the market believed the ruling coalition would struggle in the upper house election. The market was largely unchanged in the middle of the month as despite support from strong earnings at global semiconductor manufacturers, tariff uncertainty and upper house election concerns continued to weigh on prices. The market did not move much in response to the results of the upper house election despite the ruling coalition losing its majority as that was what the market expected. Then going towards the end of the month share prices rose significantly, particularly for automakers, as Japan and the US lowered the final tariff rate to 15%, which would also include automobiles.

Composite Performance (%) Excess Return*



	Jul	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	7.18	7.18	12.41	11.32	26.65	23.64	11.62	11.35	10.18
Benchmark	4.97	4.97	11.60	14.35	17.44	15.68	7.72	8.23	7.10

Top Ten Holdings	%
JTEKT CORP	4.18
TOYODA GOSEI CO LTD	4.01
DAISHI HOKUETSU FINANCIAL GR	3.90
TOYOTA BOSHOKU CORP	3.86
NIHON M&A CENTER HOLDINGS IN	3.32
K'S HOLDINGS CORP	2.81
RENGO CO LTD	2.70
SUMITOMO HEAVY INDUSTRIES	2.68
MABUCHI MOTOR CO LTD	2.66
SAWAI GROUP HOLDINGS CO LTD	2.45
Total	32.57

Characteristics	Portfolio	Benchmark
P/E	12.02x	13.30x
P/B	0.79x	1.14x
ROE	6.58%	8.54%
Dividend Yield	3.68%	2.86%

Market Cap	Portfolio	TOPIX
Large	0.0%	66.1%
Mid	55.1%	26.1%
Small	41.0%	7.8%
Others	2.2%	-

Composite Summary

Composite Name	SJAM Small Cap Mother Fund		
Benchmark	Russell/Nomura Small Cap**		
Inception Date	October 2007		
Number of Holdings	84		
Bloomberg Code	SNAMSMC		
Assets Under Management	Domestic	JPY 28B (USD 186M)	
	Overseas	JPY 12B (USD 80M)	
	Strategy total	JPY 40B (USD 266M)	

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

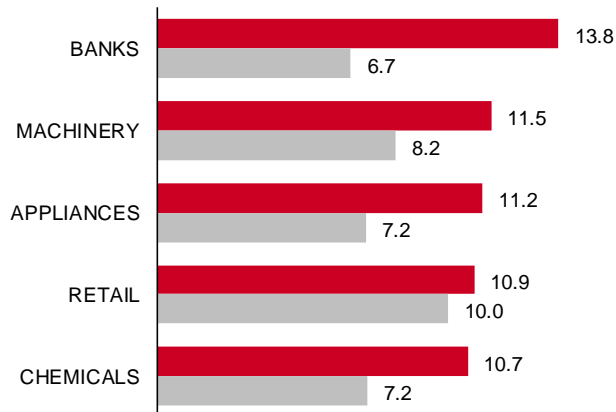
** Russell/Nomura Small Cap Index includes the dividends paid by the index constituents.

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
20 years investment experience
20 years at Sompo AM

Attribution Analysis

Both sector allocation and stock selection contributed to performance. In sector allocation, underweighting (UW) of Info & Comm and Foods and overweighting (OW) of Banks contributed to performance, while UW of Nonferrous and Construction and OW of Services detracted. In stock selection, OW of Toyoda Gosei, Daishi Hokuetsu Financial Group, and Jtekt contributed to performance, while OW of Izumi, Japan Lifeline and UW of Furukawa Electric detracted. Last month we increased holdings of Sumitomo Heavy Industries, Toyota Boshoku, and Ushio Electric and decreased holdings of Nishi-Nippon Financial Holdings, Chugin Financial Group, and North Pacific Bank.

Outlook

We expect the market will continue to face heavy upside resistance. Corporate earnings forecasts for this fiscal year have been weak, especially for foreign-demand, cyclical sectors, as they reflected the expected negative impacts of additional Trump tariffs. However, with trade talks now over and the final tariff rate coming in lower than initially expected we believe earnings forecasts will now rebound. Valuation metrics like forward P/E are already above undervalued levels, being overall pushed up by a small number of stocks from before the conclusion of trade talks. We believe that caution will be needed over the short term as expectations are increasing for the Fed to lower rates in response to the economic slowdown in the US. That said, we do not foresee any large fall in the Japanese market as 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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