

Japan Value Equity Small Cap

September 2025

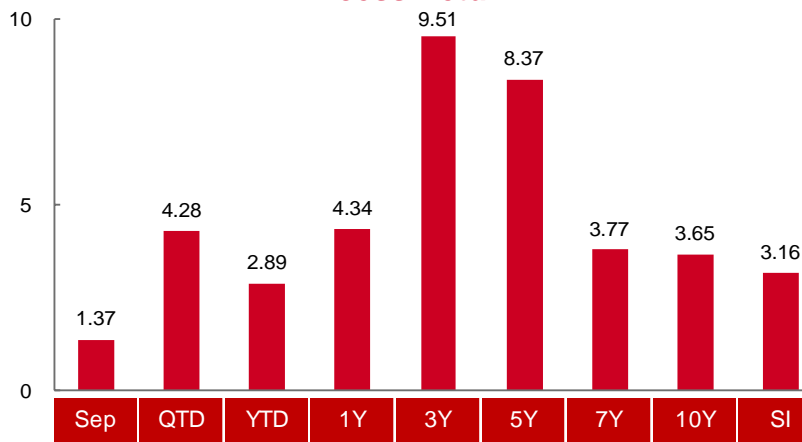
Strategy

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 on heightened expectations for Fed rate cuts and expansionary fiscal policy following the change in Prime Minister in Japan. Growth in the nonferrous and electric appliances, driven by increased expectations for AI investment expansion, pulled the overall market up. Share prices rose in the beginning of the month as expectations rose for rate cuts in the US following employment data undershooting market expectations and investors came to believe there could be an expansion in fiscal policy following the resignation announcement from standing Prime Minister Shigeru Ishiba. The market then remained strong through the middle of the month on the back of expectations for expanded investment in AI and forecasts for two Fed rate cuts in 2025. The market did briefly decline on the announcement that the BoJ will be selling its ETF and J-REIT holdings but then recovered as the pace of selling will be extremely slow. The market then fell at the end of the month as JPY appreciated on comments from BoJ officials about the increased need for the BoJ to hike rates as well as concerns over the possibility of a government shutdown in the US if the Senate is not able to pass a government services funding bill.

Composite Performance (%) Excess Return*



	Sep	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	3.41	16.51	22.20	29.03	29.95	22.78	12.19	13.75	10.59
Benchmark	2.04	12.23	19.31	24.69	20.44	14.41	8.42	10.09	7.43

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 27.1B (USD 184M)
	Overseas	JPY 13B (USD 88M)
	Strategy total	JPY 40.1B (USD 272M)

Top Ten Holdings	%
TOYOTA BOSHOKU CORP	3.92
JTEKT CORP	3.84
TOYODA GOSEI CO LTD	3.29
DAISHI HOKUETSU FINANCIAL GR	3.23
NIHON M&A CENTER HOLDINGS IN	3.08
SUMITOMO HEAVY INDUSTRIES	3.01
MABUCHI MOTOR CO LTD	2.94
RENGO CO LTD	2.78
K'S HOLDINGS CORP	2.76
SERIA CO LTD	2.48
Total	31.32

Characteristics

	Portfolio	Benchmark
P/E	12.27x	13.42x
P/B	0.86x	1.20x
ROE	6.97%	8.91%
Dividend Yield	3.43%	2.81%

Market Cap

	Portfolio	TOPIX
Large	0.0%	66.3%
Mid	54.5%	26.0%
Small	41.8%	7.7%
Others	2.5%	-

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

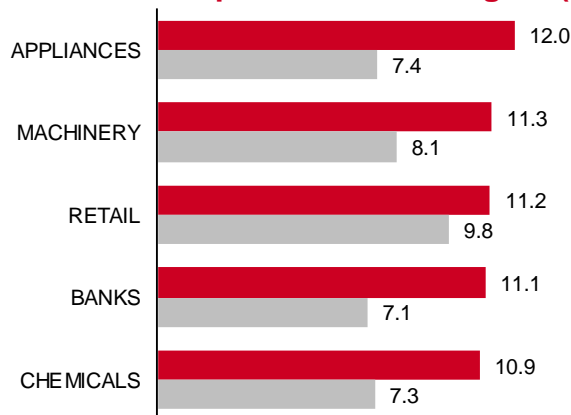
** Russell/Nomura Small Cap Index includes the dividends paid by the index constituents.

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 overweighting (OW) of Appliances and Banks contributed to performance, while OW of Services and UW of Nonferrous and Mining detracted. In stock selection, OW of Mandom, Daishi Hokuetsu Financial Group, and Sumitomo Heavy Industries contributed to performance, while OW of en Inc. and Yamato Holdings and UW of Takashimaya detracted. Last month we increased holdings of PALTAC, Nippon Kayaku, and Nippon and decreased holdings of Daishi Hokuetsu Financial Group, Toyoda Gosei, and Mandom.

Outlook

We expect the market will face heavier upside resistance going forward. We urge caution over the near term given that valuation metrics like forward P/E look overall somewhat overheated, having been pulled upwards by a small number of stocks on the back of the US rate cut and expectations for fiscal policy from the incoming government administration in Japan. However, corporate earnings forecasts for this fiscal year may now be revised upwards given the heightened likelihood they will not fall as much as originally expected following the easing of Trump's tariffs. In addition, 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. While we do expect investors to more readily make predictions of earnings growth as the negative impacts of the Trump tariffs fade away in the second half of the coming fiscal year, we believe it will still take some time before we see serious fundamentals-driven market growth.

Contact Information

Daniel Robbins
+81 3 5290 3414

Group email: global@sompo-am.co.jp

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