

Japan Value Equity Small Cap

November 2025

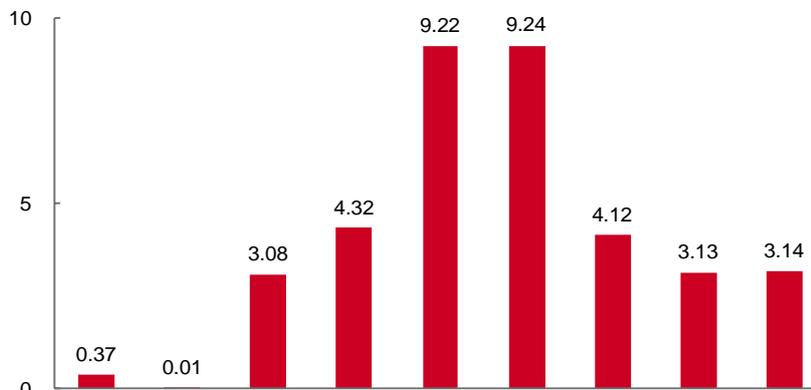
Strategy

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

The Japanese market remained firm in November, despite alarm over the high prices of AI and data centre stocks putting downward pressure on prices as expectations for a rate cut by the Fed in December supported sentiment. The mining and real estate sectors saw growth because of strong Jul-Sep earnings and the announcement of bolstered shareholder returns. The info & Comms sector fell because of heightened concerns of increased competition in the AI space. In the first half of the month, fears of an economic slowdown receded following the end of the US government shutdown. The Japanese market rose on the back of strong Jul-Sep earnings results. Share prices then fell as investors stood back in anticipation of results announcements from US semiconductor majors and top US finance professionals began to sound the alarm on stretched valuations. The market then bounced back upwards through the end of the month as expectations for a rate cut grew on comments from top Fed officials that they will support a cut at the December FOMC meeting. Long-term rates rose in Japan because of increased concerns over government finances caused by the Takaichi cabinet's economic support measures. Subsequent JPY depreciation focused investors buying activity mainly on exporters, leading to growth in the Japanese market.

Composite Performance (%) Excess Return*



Top Ten Holdings	%
JTEKT CORP	4.08
SUMITOMO HEAVY INDUSTRIES	3.70
TOYOTA BOSHOKU CORP	3.64
RENGO CO LTD	3.22
SERIA CO LTD	2.97
MABUCHI MOTOR CO LTD	2.96
NIHON M&A CENTER HOLDINGS IN	2.92
TAIYO YUDEN CO LTD	2.65
K'S HOLDINGS CORP	2.56
JGC HOLDINGS CORP	2.40
Total	31.10

Composite	5.29	6.20	29.78	35.19	30.11	24.69	14.75	12.73	10.86
Benchmark	4.92	6.19	26.70	30.87	20.90	15.44	10.63	9.60	7.72

Composite Summary

Composite Name	SJAM Small Cap Mother Fund	
Benchmark	Russell/Nomura Small Cap**	
Inception Date	October 2007	
Number of Holdings	79	
Bloomberg Code	SNAMSMC	
Assets Under Management	Domestic	JPY 29.3B (USD 188M)
	Overseas	JPY 13.8B (USD 89M)
	Strategy total	JPY 43.1B (USD 276M)

Characteristics	Portfolio	Benchmark
P/E	12.52x	13.70x
P/B	0.88x	1.23x
ROE	7.06%	8.98%
Dividend Yield	3.30%	2.72%

Market Cap	Portfolio	TOPIX
Large	0.0%	67.8%
Mid	51.9%	25.0%
Small	44.0%	7.2%
Others	3.0%	-

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

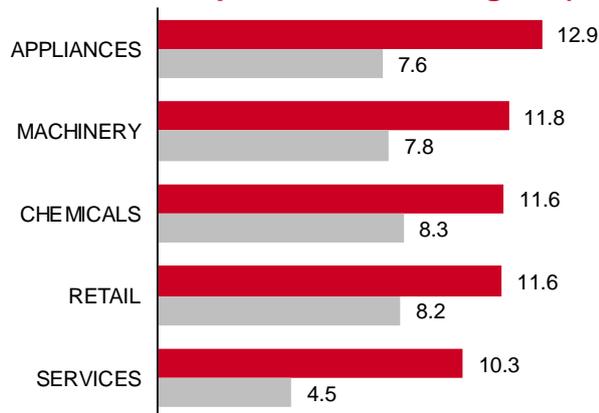
** Russell/Nomura Small Cap Index includes the dividends paid by the index constituents.

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



Attribution Analysis

Sector allocation detracted from performance, while stock selection contributed. In sector allocation, underweighting (UW) of Info & Comm and overweighting (OW) of Paper and Banks contributed to performance, while OW of Appliances and UW of Nonferrous and Construction detracted. In stock selection, OW of Rengo, JGC Holdings, and Star Micronics contributed to performance, while OW of Taiyo Yuden and KH Neochem and UW of Mitsui Kinzoku detracted. Last month we increased holdings of Nippon, SMS, and Taiyo Yuden and decreased holdings of Yamato Holdings, Toyoda Gosei, and Star Micronics.

Outlook

We urge caution over the near term given that despite the recent market correction centring on some overvalued AI stocks, valuation metrics like forward P/E are still not at undervalued levels given continued expectations around further rate cuts in the US and increased investment in AI. However, corporate earnings forecasts have been recovering since the Japan and the US came to an agreement on tariffs and we expect further improvements as companies revise their conservative assumptions. We do not foresee any large fall in the Japanese market as there is strong equity demand from a high level of large-scale share buybacks and the BoJ has relatively accommodative monetary policy compared to the US and Europe. We believe it will still take some time before we see serious fundamentals-driven market growth but given forecasts for earnings growth next year and beyond, we believe we are currently in the midst of a medium to long-term growth period.

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