

Japan Value Equity Small Cap

December 2025

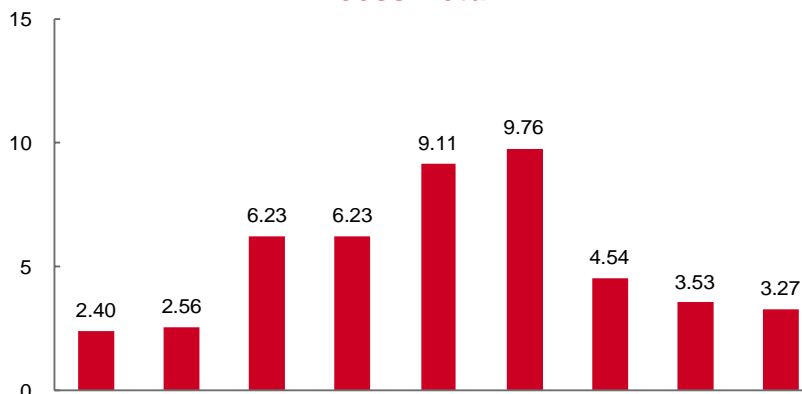
Strategy

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

Despite Japanese and US monetary policy creating reason for market movement, the reduction in market participants through the year-end kept TOPIX range-bound. By sector, insurance and banks rose on expectations for earnings improvements following the BoJ's decision to raise rates. The other products sector fell on concerns over earnings deterioration following the increase in price of semiconductors. The Japanese market was weak at the beginning of the month as expectations rose for a rate hike at the BoJ's December Monetary Policy Meeting following hints from Governor Kazuo Ueda. However, market prices then recovered on expectations for a Fed rate cut following the release of US economic data that hinted at an economic slowdown. Shares then fell again in the middle of the month despite a Fed rate cut due to a dry-up in catalysts. However, share prices held firm as expectations rose for further rate cuts in the US on weaker-than-expected US CPI. Buying activity was focused on exporters as despite the BoJ's decision to raise rates at its monetary policy meeting, comments from Ueda caused JPY to weaken versus USD. The market lacked any clear sense of direction through the end of the month given low trading volumes.

Composite Performance (%) Excess Return*



	Dec	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	3.41	9.82	34.20	34.20	31.62	24.81	17.48	13.41	11.01
Benchmark	1.00	7.26	27.97	27.97	22.51	15.05	12.94	9.88	7.74

Composite Summary

Composite Name	SJAM Small Cap Mother Fund	
Benchmark	Russell/Nomura Small Cap**	
Inception Date	October 2007	
Number of Holdings	81	
Bloomberg Code	SNAMSMC	
Assets Under Management	Domestic	JPY 30.3B (USD 194M)
	Overseas	JPY 14.2B (USD 91M)
	Strategy total	JPY 44.5B (USD 285M)

Top Ten Holdings	%
JTEKT CORP	3.91
TOYOTA BOSHOKU CORP	3.68
SUMITOMO HEAVY INDUSTRIES	3.51
RENGO CO LTD	3.41
SERIA CO LTD	3.07
MABUCHI MOTOR CO LTD	2.99
NIHON M&A CENTER HOLDINGS IN	2.93
TAIYO YUDEN CO LTD	2.79
K'S HOLDINGS CORP	2.56
SAWAI GROUP HOLDINGS CO LTD	2.53
Total	31.37

Characteristics		
	Portfolio	Benchmark
P/E	13.21x	13.65x
P/B	0.92x	1.24x
ROE	6.95%	9.07%
Dividend Yield	3.19%	2.73%

Market Cap		
	Portfolio	TOPIX***
Large	0.0%	68.0%
Mid	52.2%	24.8%
Small	43.9%	7.2%
Others	3.1%	-

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

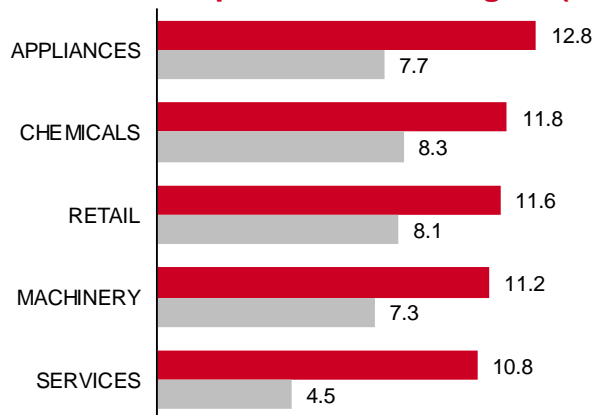
** Russell/Nomura Small Cap Index includes the dividends paid by the index constituents.

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 stock selection contributed to performance. In sector allocation, underweighting (UW) of Info & Comm and overweighting (OW) of Paper and Banks contributed to performance, while OW of Machinery and UW of Nonferrous and Rubber detracted. In stock selection, OW of Solast, Sawai Group Holdings, and Rengo contributed to performance, while OW of Takara Bio and Cosel and UW of Nippon Shinyaku detracted. Last month we increased holdings of Nippon, Keisei Electric Railway, and S Foods and decreased holdings of Daishi Hokuetsu Financial Group, Nishi-Nippon Financial Group, and Star Micronics.

Outlook

Corporate earnings forecasts have been rising since Japan and the US came to agreement on trade talks and it is looking likely that earnings will continue to rise in the coming fiscal year too. However, we believe caution is needed over the near term as valuations (forward P/E, etc) have been on a consistent upwards path recently, driven by positive factors like expectations for strong earnings, lower US rates, and increased investment in AI. That said, we believe market downside will be limited 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.

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