

Japan Value Equity Small Cap

January 2026

Strategy

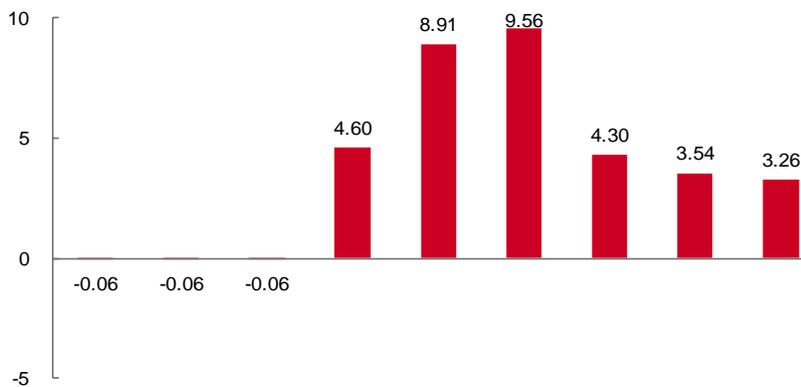
Small Cap Strategy invests in Japanese small cap equities and aims to achieve above-benchmark return in the mid-to long-term. The portfolio manager builds a portfolio by investing in undervalued stocks with careful consideration of risk/return. A bottom-up approach is used. The Japanese equity research 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

Expectations for aggressive fiscal policy pushed the market up following reports of a snap general election. The non-ferrous and oil & coal products sectors rose on heightened expectations for earnings improvements following the increase in commodity prices. The services and information & communication sectors fell because of their high percentage of growth stocks when interest rate increases were creating headwinds.

The Japanese equity market rose in the first part of the month because of expectations for expansionary fiscal policy driven by the outlook that the Takaichi administration would call a snap general election. Share prices then fell in the middle of the month despite prospects for an LDP majority as long-term interest rates rose rapidly on alarm over fiscal expansion and oversupply of super-long as well as tensions between Europe and the US concerning Greenland. The market fell further in the latter part of the month despite brief rises as JPY appreciated against USD on heightened concerns of currency intervention from Japanese and US authorities. Share prices then saw upside resistance through the end of the month as investors held off in the run-up to earnings season for both Japan and the US.

Composite Performance (%) Excess Return*



	Jan	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	4.19	4.19	4.19	38.24	31.91	25.50	17.29	14.63	11.20
Benchmark	4.25	4.25	4.25	33.64	23.00	15.93	12.99	11.10	7.95

Top Ten Holdings	%
SUMITOMO HEAVY INDUSTRIES	3.86
JTEKT CORP	3.75
TOYOTA BOSHOKU CORP	3.59
RENGO CO LTD	3.52
SERIA CO LTD	3.08
NIHON M&A CENTER HOLDINGS IN	2.91
MABUCHI MOTOR CO LTD	2.85
JGC HOLDINGS CORP	2.50
TAIYO YUDEN CO LTD	2.42
NIPPON KAYAKU CO LTD	2.42
Total	30.90

Characteristics			
	Portfolio	Benchmark	
P/E	13.66x	13.91x	
P/B	0.96x	1.30x	
ROE	7.01%	9.34%	
Dividend Yield	3.07%	2.65%	

Market Cap			
	Portfolio	TOPIX	
Large	0.0%	68.0%	
Mid	52.1%	24.9%	
Small	43.0%	7.1%	
Others	3.1%	-	

Composite Summary

Composite Name	SJAM Small Cap Mother Fund		
Benchmark	Russell/Nomura Small Cap**		
Inception Date	October 2007		
Number of Holdings	83		
Bloomberg Code	SNAMSMC		
Assets Under Management	Domestic	JPY 31.2B (USD 202M)	
	Overseas	JPY 14.8B (USD 96M)	
	Strategy total	JPY 46B (USD 299M)	

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

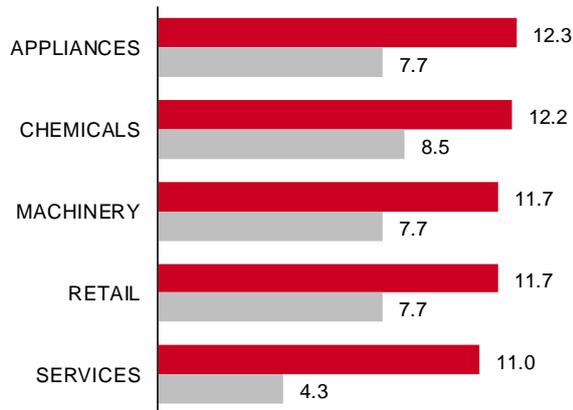
** Russell/Nomura Small Cap Index includes the dividends paid by the index constituents.

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

Sector allocation contributed to performance while stock selection detracted. In sector allocation, underweighting (UW) of Info & Comm and Land Trans and overweighting (OW) of Machinery contributed to performance, while OW of Services and Retail and UW of Nonferrous detracted. In stock selection, OW of Sumitomo Heavy Industries, OSG, and JGC contributed to performance, while OW of Taiyo Yuden, en Inc., and Japan M&A Center Holdings detracted. Last month we increased holdings of Izumi, Kakaku.com, Hamamatsu Photonics and decreased holdings of Nishi-Nippon Financial Holdings, Daishi Hokuetsu Financial Group, and North Pacific Bank.

Outlook

We expect the market to fluctuate. Corporate earnings forecasts have been rising since Japan and the US came to agreement on trade talks and it looks highly likely that earnings will continue to rise in the coming fiscal year as well. However, we believe caution is needed over the near term as valuations (forward P/E, etc) are already at historical highs, driven by strong corporate earnings, prospects for a stable political situation following the general election, and expectations for increased investment in AI globally. 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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