

Japan Value Equity Sustainable

November 2024

Strategy

Sustainable Strategy is a smart-beta Japanese equity strategy that tracks the proprietary Sompo Sustainability Index. 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 invests in widely diversified stocks high in ESG-quality. ESG research is conducted by Sompo Risk Management, a leading domestic ESG research company.

Market Review

Share prices were dragged on by JPY appreciation versus USD, which was caused by concerns over protectionist policies from President-elect Donald Trump, such as increased tariffs, and the shrinking interest rate gap between the two counties. The Banks, Securities, and Insurance sectors rose as investors were positive on increasing domestic interest rates, while the Transportation Equipment and Chemicals sectors fell as investors were negative on potential increased tariffs from Trump.

Share prices were up in the first half of the month as the market was positive on Trump's victory in the US election given his stimulus policies of lowering corporate and income tax. This was despite a slight downtick caused by concerns of additional rate hikes by the BoJ. Concerns over protectionist policies from Trump, such as increased tariffs, and domestic earnings results coming in below investor expectations then weighed on the market. Share prices continued to fall through the end of the month on the release of actual details of tariffs, the drop in US interest rates after Trump publicly picked fiscal hawk Scott Bessent as next Secretary of the Treasury, and JPY appreciating to below JPY150 to 1USD.

Composite Performance (%) Excess Return*



Top Ten Holdings	%
TOYOTA MOTOR CORP	2.30
MITSUBISHI UFJ FINANCIAL GRO	2.15
SUMITOMO MITSUI FINANCIAL GR	1.53
SONY GROUP CORP	1.47
HITACHI LTD	1.30
NIPPON TELEGRAPH & TELEPHONE	1.26
MIZUHO FINANCIAL GROUP INC	1.22
ITOCHU CORP	1.02
MITSUBISHI CORP	1.02
TOKYO ELECTRON LTD	1.01
Total	14.27

	Nov	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	-0.88	0.24	15.66	15.31	17.21	13.15	8.96	9.95	14.82
Benchmark	-0.51	1.36	15.80	15.54	14.44	12.22	8.48	9.11	13.74

Composite Summary

Composite Name	SNAM Sustainable Investment Mother Fund		
Benchmark	TOPIX Total Return**		
Inception Date	September 2012		
Number of Holdings	301		
Bloomberg Code	SNAMSUS		
Assets Under Management	Composite (T9915)	JPY 36B (USD 240M)	
	Discretionary Mandate	JPY 184.1B (USD 1226M)	
	Strategy Total	JPY 220.1B (USD 1465M)	

Characteristics		
	Portfolio	TOPIX
P/E	12.03x	13.56x
P/B	1.08x	1.33x
ROE	9.01%	9.82%
Dividend Yield	3.03%	2.59%
Market Cap		
	Portfolio	TOPIX
Large	46.6%	67.0%
Mid	42.9%	25.4%
Small	9.0%	7.6%
Others	0.0%	-

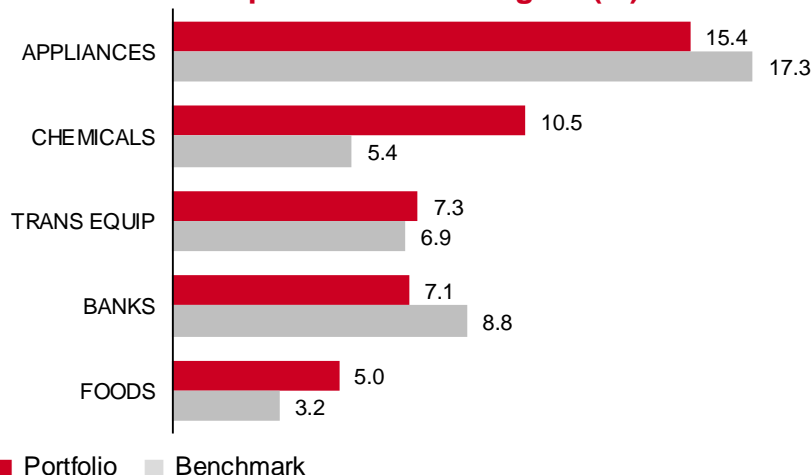
* Excess return figures are annualized for three years and longer.

** TOPIX Total Return Index includes the dividends paid by the index constituents.

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Top Five Sector Weights (%)



Masako Chikuma, CMA, CFA
Senior Portfolio Manager
20 years investment experience
9 years at Sompo AM

Attribution Analysis

In stock selection, share price increases for Mitsubishi UFJ Financial Group, Mizuho Financial Group, and Sumitomo Mitsui Financial Group contributed to performance, while share price declines for Honda Motor, Mitsubishi Corporation, and Toyota Motor detracted.

Outlook

We expect the market will face heavy upside resistance over the near term.

While concerns about the slowing US economy remain, Japanese corporate earnings will likely grow on the back of a recovery in domestic real wages and capital efficiency improvement measures implemented by companies following pressure from the Tokyo Stock Exchange (TSE). Share prices do not look overvalued given current general valuation metrics such as forward P/E. However, downward pressure on share prices will likely increase because of concerns of increased tariffs from the US and worries that JPY will continue to appreciate on the back of divergent monetary policy between the US and Japan. That said, it is difficult to envision a large correction to the Japanese market given strong equity demand from the high level of large-scale share buybacks seen recently and the BoJ's relatively accommodative monetary policy compared to the US and Europe.

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