

Japan Value Equity Sustainable

December 2024

Strategy

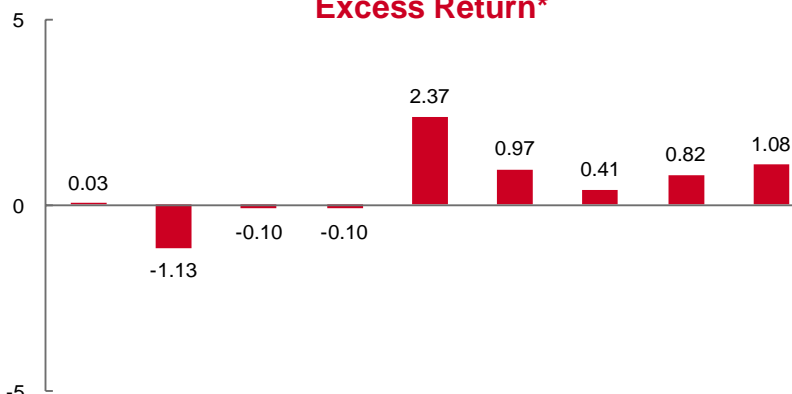
Sustainable Strategy is a smart-beta Japanese equity strategy that tracks the proprietary Sampo Sustainability Index. A bottom-up approach is used. The Japanese equity research team analyzes intrinsic value of individual stocks and compares it with market price in order to identify undervalued stocks. The portfolio invests in widely diversified stocks high in ESG-quality. ESG research is conducted by Sampo Risk Management, a leading domestic ESG research company.

Market Review

The Japanese market rose during the month as investors were positive on significant JPY depreciation against USD caused by the expanding interest rate gap between the two countries. Transportation equipment names were a large driver of the growth. They benefited from the significant depreciation of JPY, expectations surrounding the merger of the two domestic automobile majors of Honda and Nissan, and reports that Toyota aims to roughly double its ROE.

The market rose in the first half of the month as China's Caixin PMI beat expectation and hopes grew for the GPIF (Government Pension Investment Fund) to raise its allocation to equity following reports the Ministry of Health, Labour and Welfare will raise the investment return target for the largest pension fund in the country. The market then dropped somewhat as although the BoJ left rates unchanged and the central bank governor Kazuo Ueda stated he would not be rushing into rate hikes, the market was negative on the prospect of slow rate cuts by the Fed in 2025 despite the US central bank lowering rates 25bps during the month. Share prices then picked up again through the end of the month on the retreat of excessive fears of slower Fed rate cuts following weaker-than-expected core PCE inflation numbers and JPY depreciation versus USD.

Composite Performance (%) Excess Return*



Top Ten Holdings	%
TOYOTA MOTOR CORP	2.83
MITSUBISHI UFJ FINANCIAL GRO	1.93
SONY GROUP CORP	1.45
HITACHI LTD	1.33
SUMITOMO MITSUI FINANCIAL GR	1.33
HONDA MOTOR CO LTD	1.24
NIPPON TELEGRAPH & TELEPHONE	1.18
MITSUBISHI CORP	1.10
ITOCHU CORP	1.08
MIZUHO FINANCIAL GROUP INC	1.02
Total	14.49

Characteristics

	Portfolio	TOPIX
P/E	12.42x	14.01x
P/B	1.11x	1.38x
ROE	8.97%	9.87%
Dividend Yield	2.98%	2.52%

Market Cap

	Portfolio	TOPIX
Large	46.8%	67.3%
Mid	43.6%	25.2%
Small	8.9%	7.5%
Others	0.0%	-

Composite Summary

Composite Name	SNAM Sustainable Investment Mother Fund	
Benchmark	TOPIX Total Return**	
Inception Date	September 2012	
Number of Holdings	300	
Bloomberg Code	SNAMSUS	
Assets Under Management	Composite (T9915)	JPY 37.4B (USD 238M)
	Discretionary Mandate	JPY 191.3B (USD 1217M)
	Strategy Total	JPY 228.7B (USD 1455M)

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

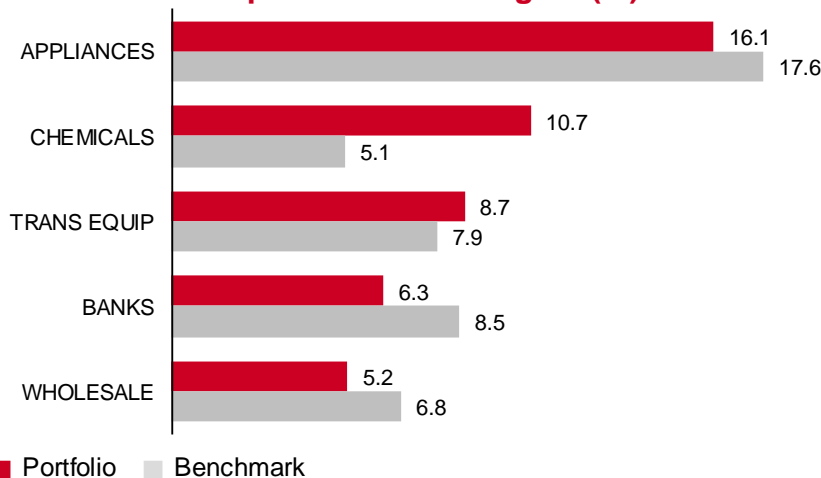
** TOPIX Total Return Index includes the dividends paid by the index constituents.

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 (%)



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 Toyota Motor, Honda Motor, and Sony Group contributed to performance, while share price declines for Daiichi Sanyo, Shin-Etsu Chemical, and Resona Holdings detracted.

Outlook

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

Japanese corporate earnings will likely grow on the back of a recovery in domestic real wages, a cyclical recovery to the manufacturing sector, 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 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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