

Japan Value Equity Sustainable

February 2025

Strategy

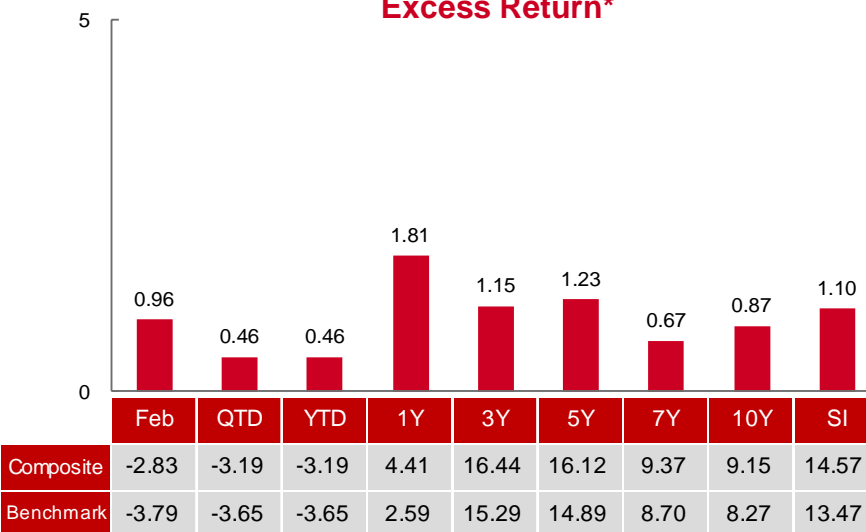
Sustainable Strategy is a smart-beta Japanese equity strategy that tracks the proprietary Sompo Sustainability Index. A bottom-up approach is used. The Japanese equity research team analyzes intrinsic value of individual stocks and compares it with market price in order to identify undervalued stocks. 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

The Japanese market fell in February on the back of concerns over US tariffs and economic decline as well as JPY appreciation following the shrinking of the Japan-US interest rate gap. Growth stock were down because of harsher regulations on semiconductor-related sales to China and concerns of a slowdown in investment in AI.

The market fell in the first half of the month on executive orders from US President Donald Trump for further tariffs on Canada, Mexico, and China. The market did rebound after Trump said he would delay the activation of tariffs on Canada and Mexico, but uncertainty concerning tariffs once again spiked when he signed an executive order for 25% tariffs on all steel and aluminium imports. The market then trended sideways. Although strong domestic earnings acted to support the market, preliminary domestic GDP figures coming in higher than expected raised the spectre of further rate increases by the BoJ. Share prices then fell through the end of the month as JPY appreciated (on the shrinking Japan-US interest rate gap) and concerns over the economy grew on the back of US Services PMI falling below 50 (the point between expansion and contraction) for the first time in two years and US consumer confidence also falling significantly.

Composite Performance (%) Excess Return*



Top Ten Holdings	%
TOYOTA MOTOR CORP	2.24
MITSUBISHI UFJ FINANCIAL GRO	1.96
SONY GROUP CORP	1.49
SUMITOMO MITSUI FINANCIAL GR	1.45
HITACHI LTD	1.33
MITSUBISHI CORP	1.16
NIPPON TELEGRAPH & TELEPHONE	1.14
HONDA MOTOR CO LTD	1.09
MIZUHO FINANCIAL GROUP INC	1.08
TAKEDA PHARMACEUTICAL CO LTD	1.02
Total	13.95

Characteristics

	Portfolio	TOPIX
P/E	11.84x	13.11x
P/B	1.05x	1.29x
ROE	8.88%	9.88%
Dividend Yield	3.14%	2.69%

Market Cap

	Portfolio	TOPIX
Large	46.8%	66.8%
Mid	43.6%	25.6%
Small	9.0%	7.6%
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 36B (USD 239M)
	Discretionary Mandate	JPY 185.1B (USD 1229M)
	Strategy Total	JPY 221.1B (USD 1467M)

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

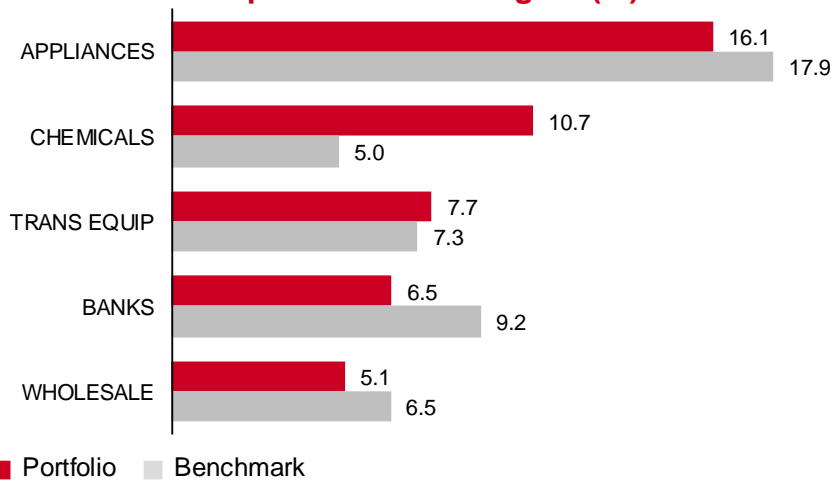
** TOPIX Total Return Index includes the dividends paid by the index constituents.

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 Sony Group, Panasonic Holdings, and Renesas Electronics contributed to performance, while share price declines for Toyota Motor, Tokyo Electron, and Daiichi Sankyo 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). Valuation metrics like forward PER have fallen on concerns over further tariffs from the US and JPY appreciation caused by divergent monetary policy by the US and Japan. We expect market volatility (degree of movement in share prices) to increase as long as there is not a clear picture on coming tariff policy. As such, we believe it will take some time before valuations return to an upward trajectory. 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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