

Japan Value Equity Sustainable

March 2025

Strategy

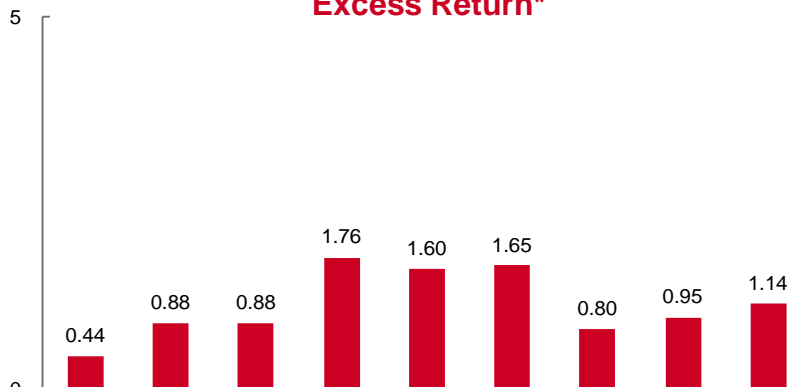
Sustainable Strategy is a smart-beta Japanese equity strategy that tracks the proprietary Sampo Sustainability Index. A bottom-up approach is used. The Japanese equity research team analyzes intrinsic value of individual stocks and compares it with market price in order to identify undervalued stocks.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

Japanese market prices finished the month almost unchanged as concerns over US President Donald Trump's tariff policy and US stagflation weighed on sentiment. Value stocks outperformed growth stocks because of the increase in long-term US interest rates.

The market was little changed in the first half of the month as although there was a period of growth when US tariff fears receded on delays to tariffs on certain products from Mexico and Canada, falls in US semiconductor stocks weighed on the market. The market then shifted upwards despite investor negativity on Trump refusing to clearly deny the possibility of a US recession as US CPI undershot market expectations, US retail data did not indicate a recession, and JPY stopped appreciating versus USD. The market then dropped through the end of month to come back in line with its previous month-end on increased fears of stagflation following announcements from the Trump administration of 25% additional tariffs on all imported automobiles and economic indicators signalling weak consumer spending and high expected inflation.

Composite Performance (%) Excess Return*



Composite	0.66	-2.56	-2.56	0.21	15.37	18.02	9.85	9.03	14.53
Benchmark	0.22	-3.44	-3.44	-1.55	13.77	16.37	9.05	8.07	13.39

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 36.1B (USD 241M)	
	Discretionary Mandate	JPY 186.2B (USD 1245M)	
	Strategy Total	JPY 222.2B (USD 1486M)	

Top Ten Holdings	%
TOYOTA MOTOR CORP	2.36
MITSUBISHI UFJ FINANCIAL GRO	2.11
SUMITOMO MITSUI FINANCIAL GR	1.43
SONY GROUP CORP	1.37
HITACHI LTD	1.28
MITSUBISHI CORP	1.21
NIPPON TELEGRAPH & TELEPHONE	1.15
ITOCHU CORP	1.11
HONDA MOTOR CO LTD	1.07
MIZUHO FINANCIAL GROUP INC	1.04
Total	14.14

Characteristics

	Portfolio	TOPIX
P/E	11.61x	12.82x
P/B	1.05x	1.28x
ROE	9.00%	10.00%
Dividend Yield	3.21%	2.75%

Market Cap

	Portfolio	TOPIX
Large	46.3%	66.5%
Mid	42.9%	25.8%
Small	8.8%	7.6%
Others	0.0%	-

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

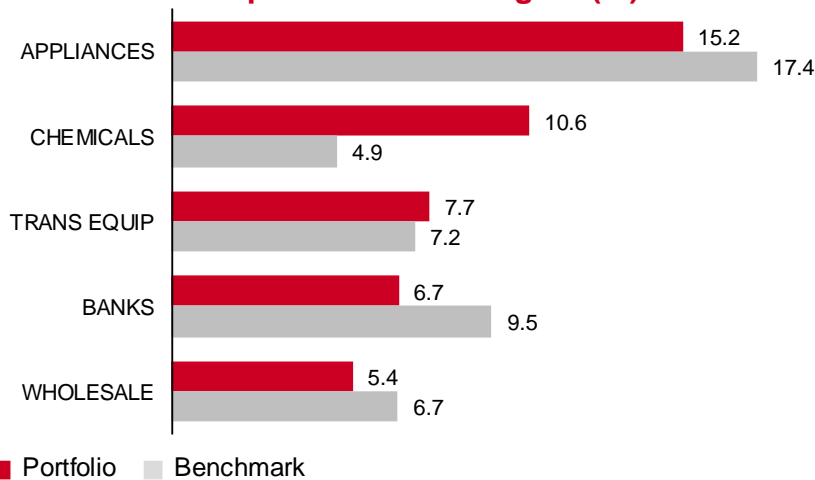
** TOPIX Total Return Index includes the dividends paid by the index constituents.

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 Mitsubishi UFJ Financial Group, Mitsubishi Heavy Industries, and Mitsubishi Corporation contributed to performance, while share price declines for Hitachi, Renesas Electronics, and Tokyo Electron detracted.

Outlook

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

Japanese corporate earnings will likely be positively impacted by a recovery in domestic real wages and capital efficiency improvement measures implemented by companies following pressure from the Tokyo Stock Exchange (TSE) but may stagnate because of larger-than-expected negative impacts from additional Trump tariffs. We expect it will take some time before we see a pickup in valuation metrics like forward P/E as market volatility (degree of movement in share prices) will likely increase as long as the full extent of tariffs impacts is unclear. That said, we believe downside will be limited as share prices already reflect drops in earnings forecasts, there is strong equity demand from the high level of large-scale share buybacks seen recently and the BoJ has relatively accommodative monetary policy compared to the US and Europe.

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