Japan Value Equity Sustainable

SOMPO ASSET MANAGEMENT

May 2025

Strategy

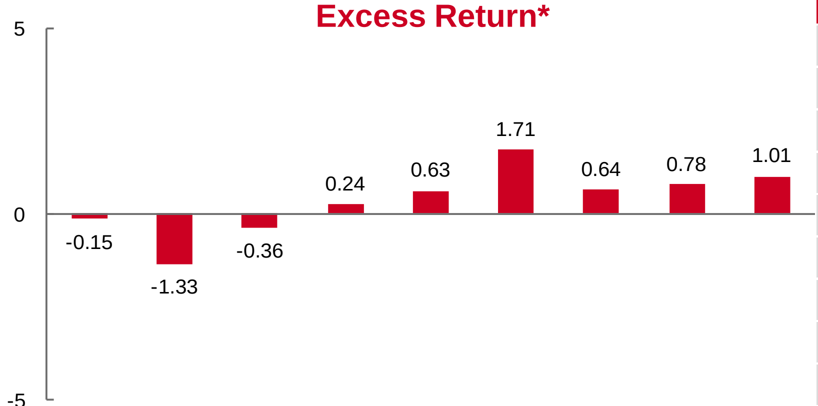
Sustainable Strategy is a smart-beta Japanese equity strategy that tracks the proprietary Sompo Sustainability Index. A bottom-up approach is used. The Japanese equity research team analyzes intrinsic value of individual stocks and compares it with market price in order to identify undervalued stocks. 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 rose in May on expectations for softer tariff policy out of the Trump administration in the US. The rise was led by the non-ferrous sector, which grew on expectations for increased demand for telecommunication cables following the announcement of a large data centre construction project in the Middle East, and the banks sector, which grew on expectations for wider net interest margins following the increase in Japanese interest rates.

The market rose in the first half of the month as the BoJ left rates unchanged at its monetary policy meeting and Trump tariff policy fears weakened following the US and the UK coming to a trade deal. The market then rocked back and forth through the middle of the month despite the US and China agreeing to lower the additional tariffs they had imposed on each other as conservative earnings guidance weighed on sentiment. Share prices then rose again through the end of the month despite US long-term rates rising on the back of concerns over worsening fiscal conditions as the US agreed to postpone the imposition of tariffs on the EU and Nvidia released strong earnings results.

Composite Performance (%)
Excess Return*



	May	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	4.96	4.13	1.46	3.82	17.06	16.81	10.24	8.55	14.69
Benchmark	5.10	5.45	1.83	3.58	16.44	15.09	9.60	7.77	13.68

Top Ten Holdings	%
TOYOTA MOTOR CORP	2.12
MITSUBISHI UFJ FINANCIAL GRO	1.92
SUMITOMO MITSUI FINANCIAL GR	1.53
HITACHI LTD	1.51
NIPPON TELEGRAPH & TELEPHONE	1.26
SONY GROUP CORP	1.24
MITSUBISHI CORP	1.22
MIZUHO FINANCIAL GROUP INC	1.18
ITOCHU CORP	1.15
TOKYO ELECTRON LTD	1.01
Total	14.13

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 37.5B (USD 260M)
	Discretionary Mandate	JPY 193.9B (USD 1344M)
	Strategy Total	JPY 231.4B (USD 1604M)

Characteristics

	Portfolio	TOPIX
P/E	12.58x	13.96x
P/B	1.10x	1.36x
ROE	8.71%	9.74%
Dividend Yield	3.12%	2.65%

Market Cap

	Portfolio	TOPIX
Large	46.5%	66.7%
Mid	42.7%	25.7%
Small	9.1%	7.5%
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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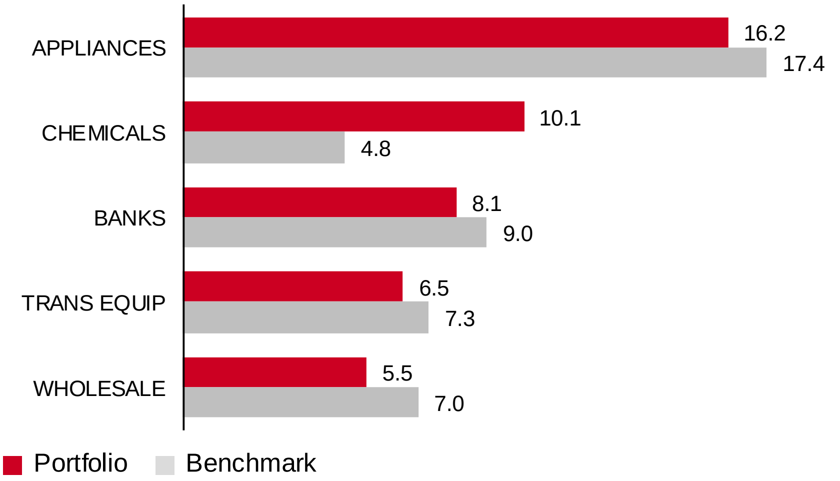
Top Five Sector Weights (%)



Masako Chikuma, CMA, CFA
Senior Portfolio Manager
21 years investment experience
10 years at Sompo AM

Attribution Analysis

In stock selection, share price increases for Mitsubishi UFJ Financial Group, Hitachi, and Mizuho Financial Group contributed to performance, while share price declines for Unicharm, Tsumura & Co, and Omron detracted.

Outlook

We expect the market will continue to 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 negative impacts from additional Trump tariffs. Valuation metrics like forward P/E fell significantly on concerns over additional tariffs but have already recovered from this because of expectations over negotiations between the US and individual countries. The market will now likely bounce back and forth according to news flow concerning the tariffs. We believe that share price will be supported by strong equity demand from the high level of large-scale share buybacks seen recently and the BoJ having relatively accommodative monetary policy compared to the US and Europe but that investor sentiment will unlikely rise until it is clear where Trump tariff policy will ultimately end up.

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