SOMPO ASSET MANAGEMENT

Japan Value Equity Sustainable

July 2025

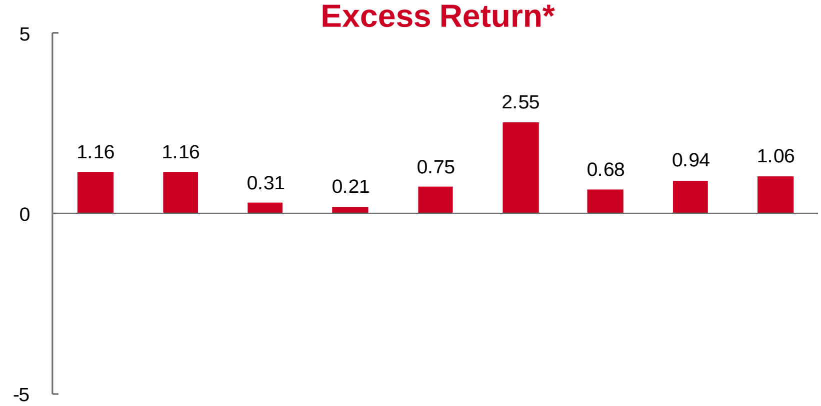
Strategy

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

Japanese market prices rose as investors were positive on Japan-US trade talk finishing with a lower-than-expected tariff rate of 15%. Value stocks outperformed growth stocks as tariff talks came to an end and growth in Japanese long-term domestic rates. Share prices fell in the first half of the month because of increased uncertainty over tariffs following statements from US President Donald Trump that there would be additional tariffs on copper and pharmaceuticals and the market believed the ruling coalition would struggle in the upper house election. The market was largely unchanged in the middle of the month as despite support from strong earnings at global semiconductor manufacturers, tariff uncertainty and upper house election concerns continued to weigh on prices. The market did not move much in response to the results of the upper house election despite the ruling coalition losing its majority as that was what the market expected. Then going towards the end of the month share prices rose significantly, particularly for automakers, as Japan and the US lowered the final tariff rate to 15%, which would also include automobiles.

Composite Performance (%)
Excess Return*



	Jul	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	4.33	4.33	7.43	8.20	18.54	19.82	10.99	9.33	14.99
Benchmark	3.17	3.17	7.12	7.98	17.79	17.27	10.31	8.39	13.93

Top Ten Holdings	%
TOYOTA MOTOR CORP	2.30
MITSUBISHI UFJ FINANCIAL GRO	1.86
SUMITOMO MITSUI FINANCIAL GR	1.54
HITACHI LTD	1.51
NTT INC	1.27
MIZUHO FINANCIAL GROUP INC	1.26
SONY GROUP CORP	1.21
MITSUBISHI CORP	1.18
ITOCHU CORP	1.14
HONDA MOTOR CO LTD	1.08
Total	14.33

Characteristics

	Portfolio	TOPIX
P/E	13.31x	14.79x
P/B	1.13x	1.43x
ROE	8.52%	9.67%
Dividend Yield	3.05%	2.57%

Market Cap

	Portfolio	TOPIX
Large	46.4%	66.1%
Mid	43.6%	26.1%
Small	9.3%	7.8%
Others	0.0%	-

Composite Summary

Composite Name	SNAM Sustainable Investment Mother Fund	
Benchmark	TOPIX Total Return**	
Inception Date	September 2012	
Number of Holdings	299	
Bloomberg Code	SNAMSUS	
Assets Under Management	Composite (T9915)	JPY 39.7B (USD 264M)
	Discretionary Mandate	JPY 205.2B (USD 1364M)
	Strategy Total	JPY 245B (USD 1628M)

* 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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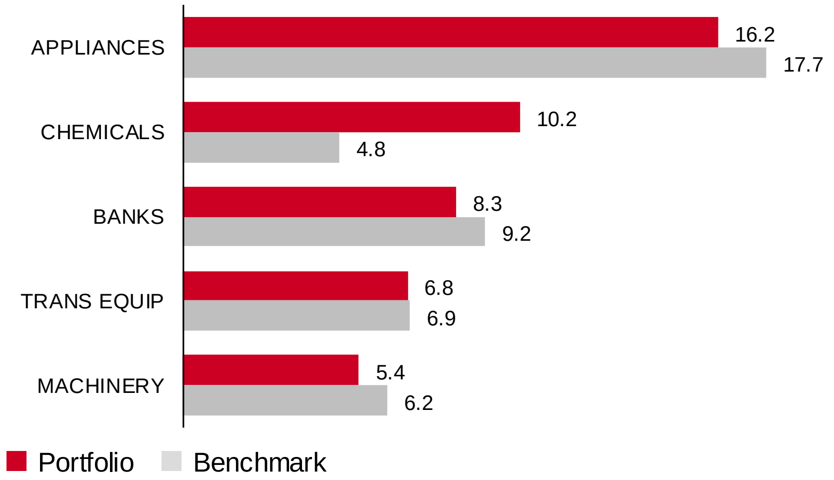
Top Five Sector Weights (%)



Masako Chikuma, CMA, CFA
Senior Portfolio Manager
22 years investment experience
11 years at Sompo AM

Attribution Analysis

In stock selection, share price increases for Toyota Motor, Hitachi, and Mizuho Financial Group contributed to performance, while share price declines for Seven & i, Shin-Etsu Chemical, and Seibu Holdings detracted.

Outlook

We expect the market will continue to face heavy upside resistance. Corporate earnings forecasts for this fiscal year have been weak, especially for foreign-demand, cyclical sectors, as they reflected the expected negative impacts of additional Trump tariffs. However, with trade talks now over and the final tariff rate coming in lower than initially expected we believe earnings forecasts will now rebound. Valuation metrics like forward P/E are already above undervalued levels, being overall pushed up by a small number of stocks from before the conclusion of trade talks. We believe that caution will be needed over the short term as expectations are increasing for the Fed to lower rates in response to the economic slowdown in the US. That said, we do not foresee any large fall in the Japanese market as 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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