SOMPO ASSET MANAGEMENT

Japan Value Equity Sustainable

October 2025

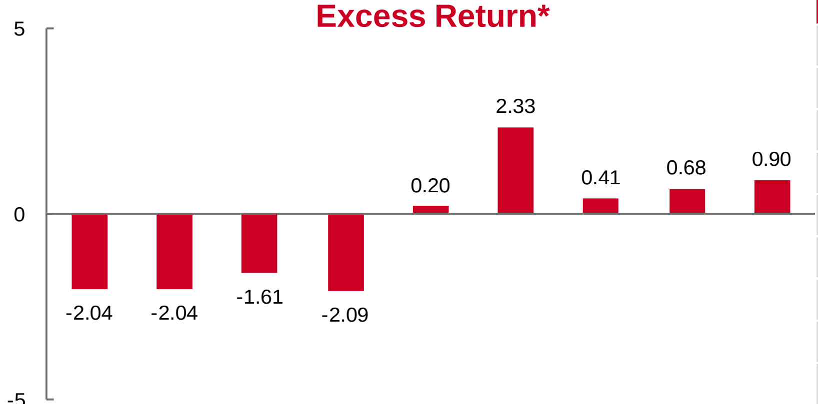
Strategy

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 on expectations for expansionary fiscal policy and economic security enhancements by the incoming administration following the change in leadership of the Liberal Democratic Party (LDP) in Japan. Growth in the nonferrous and electric appliances sectors, driven by continued expectations for expanded AI investment globally and expectations for increased investment in advanced technology by the Takaichi administration, pulled the overall market up. Share prices rose in the beginning of the month as expectations rose for expansionary fiscal policy following the election of Sanae Takaichi as LDP leader. The market then briefly declined on reignited fears over trade frictions between the US and China triggered by Trump’s remarks indicating additional tariffs on China and political uncertainty in Japan following the media reports of parliament facing difficulties selecting a prime minister. The market then rose on receded political uncertainty following Sanae Takaichi becoming prime minister. The market then maintained solid growth on a weakened JPY versus USD, caused by the BoJ keeping the policy rate unchanged at its end-of-month policy meeting and Fed chairman Jerome Powell indicating a cautious stance on additional rate cuts.

Composite Performance (%)
Excess Return*



	Oct	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	4.16	4.16	20.82	24.61	23.15	21.27	13.73	11.14	15.71
Benchmark	6.20	6.20	22.43	26.70	22.95	18.94	13.32	10.46	14.81

Composite Summary		
Composite Name	SNAM Sustainable Investment Mother Fund	
Benchmark	TOPIX Total Return**	
Inception Date	September 2012	
Number of Holdings	297	
Bloomberg Code	SNAMSUS	
Assets Under Management	Composite (T9915)	JPY 42.2B (USD 274M)
	Discretionary Mandate	JPY 231.3B (USD 1501M)
	Strategy Total	JPY 273.4B (USD 1775M)

Top Ten Holdings	%
TOYOTA MOTOR CORP	2.45
HITACHI LTD	1.75
MITSUBISHI UFJ FINANCIAL GRO	1.70
SUMITOMO MITSUI FINANCIAL GR	1.47
MITSUBISHI CORP	1.29
NTT INC	1.26
SONY GROUP CORP	1.25
MIZUHO FINANCIAL GROUP INC	1.19
ITOCHU CORP	1.16
TOKYO ELECTRON LTD	1.16
Total	14.67

Characteristics	Portfolio	TOPIX
P/E	14.08x	15.87x
P/B	1.25x	1.56x
ROE	8.88%	9.84%
Dividend Yield	2.84%	2.36%

Market Cap	Portfolio	TOPIX
Large	47.1%	68.7%
Mid	43.0%	24.4%
Small	8.4%	6.9%
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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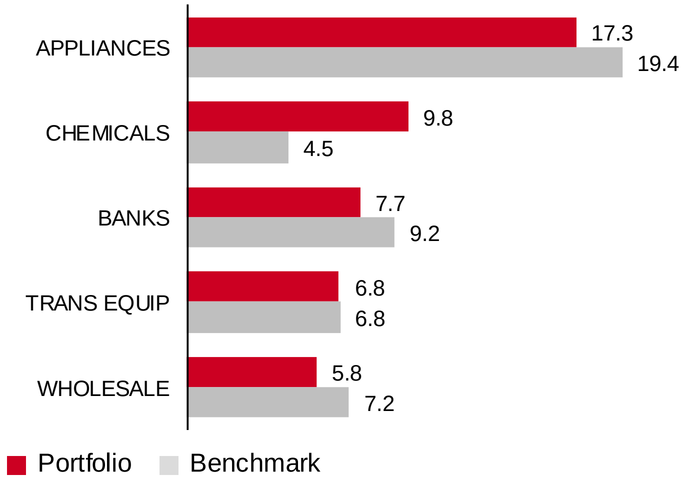
Top Five Sector Weights (%)



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

Attribution Analysis

In stock selection, share price increases for Hitachi, Tokyo Electron, and Advantest contributed to performance, while share price declines for Tokio Marine, Oriental Land, and Mitsubishi UFJ Financial Group detracted.

Outlook

We expect the market will face heavier upside resistance going forward. We urge caution over the near term given that valuation metrics like forward P/E are no longer at undervalued levels having been pulled upwards by a small number of stocks on the back of additional US rate cuts and expectations for fiscal policy from the Takaichi administration in Japan. Stock-picking has been heavily concentrated in thematic areas such as generative AI and these stock are now at overheated valuation levels. However, corporate earnings forecasts for this fiscal year are bottoming out on the back of the easing of Trump's tariffs and will likely be revised upwards. In addition, 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. While we do expect investors to more readily make predictions of earnings growth as the negative impacts of the Trump tariffs fade away in the second half of the coming fiscal year, we believe it will still take some time before we see serious fundamentals-driven market growth.

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