SOMPO ASSET MANAGEMENT

Japan Value Equity Sustainable

January 2026

Strategy

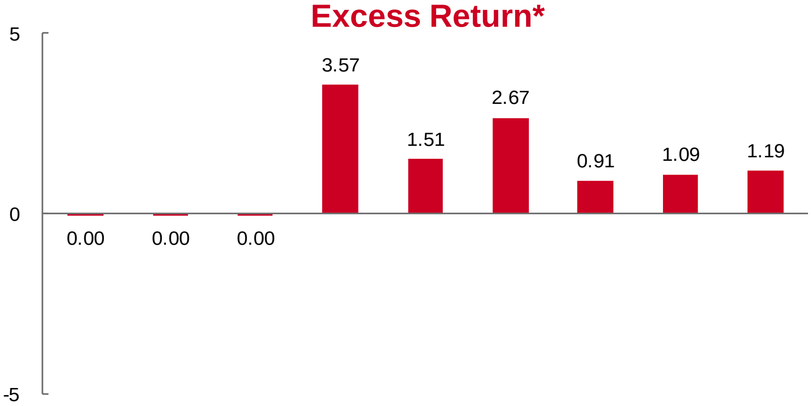
Sustainable Strategy is a smart-beta Japanese equity strategy that tracks the proprietary Sompo Sustainability Index. A bottom-up approach is used. The Japanese equity research team analyzes intrinsic value of individual stocks and compares it with market price in order to identify undervalued stocks.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

Expectations for aggressive fiscal policy pushed the market up following reports of a snap general election. The non-ferrous and oil & coal products sectors rose on heightened expectations for earnings improvements following the increase in commodity prices. The services and information & communication sectors fell because of their high percentage of growth stocks when interest rate increases were creating headwinds.

The Japanese equity market rose in the first part of the month because of expectations for expansionary fiscal policy driven by the outlook that the Takaichi administration would call a snap general election. Share prices then fell in the middle of the month despite prospects for an LDP majority as long-term interest rates rose rapidly on alarm over fiscal expansion and oversupply of super-longs as well as tensions between Europe and the US concerning Greenland. The market fell further in the latter part of the month despite brief rises as JPY appreciated against USD on heightened concerns of currency intervention from Japanese and US authorities. Share prices then saw upside resistance through the end of the month as investors held off in the run-up to earnings season for both Japan and the US.

Composite Performance (%)
Excess Return*



	Jan	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	4.62	4.62	4.62	34.64	26.27	20.02	16.13	13.24	16.30
Benchmark	4.62	4.62	4.62	31.07	24.76	17.34	15.22	12.15	15.11

Top Ten Holdings	%
TOYOTA MOTOR CORP	2.33
MITSUBISHI UFJ FINANCIAL GRO	1.95
SUMITOMO MITSUI FINANCIAL GR	1.71
MITSUBISHI CORP	1.47
MIZUHO FINANCIAL GROUP INC	1.46
HITACHI LTD	1.38
ITOCHU CORP	1.16
TOKYO ELECTRON LTD	1.11
NTT INC	1.10
SONY GROUP CORP	1.04
Total	14.72

Characteristics

	Portfolio	TOPIX
P/E	14.48x	15.92x
P/B	1.35x	1.65x
ROE	9.34%	10.38%
Dividend Yield	2.70%	2.31%

Market Cap

	Portfolio	TOPIX
Large	47.1%	68.0%
Mid	43.9%	24.9%
Small	8.5%	7.1%
Others	0.0%	-

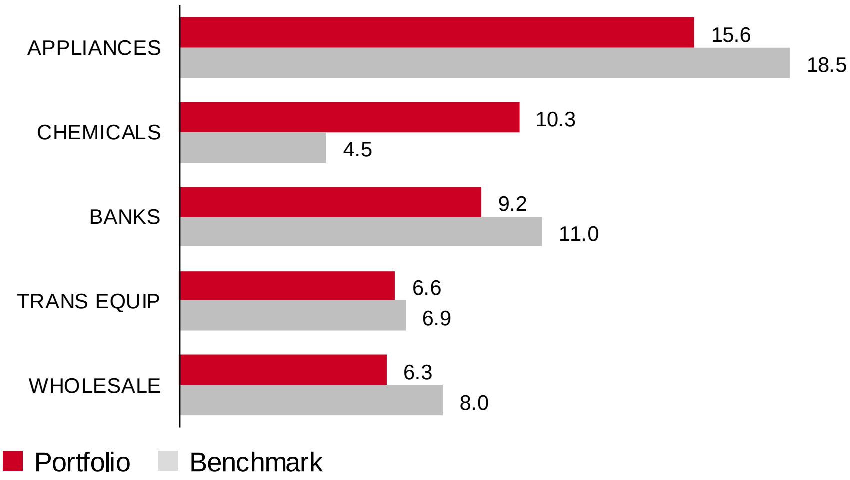
Composite Summary

Composite Name	SNAM Sustainable Investment Mother Fund	
Benchmark	TOPIX Total Return**	
Inception Date	September 2012	
Number of Holdings	295	
Bloomberg Code	SNAMSUS	
Assets Under Management	Composite (T9915)	JPY 67.8B (USD 439M)
	Discretionary Mandate	JPY 256.8B (USD 1665M)
	Strategy Total	JPY 324.6B (USD 2104M)

* Excess return figures are annualized for three years and longer.
** TOPIX Total Return Index includes the dividends paid by the index constituents.

Japan Value Equity Sustainable

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 Mizuho Financial Group, Mitsubishi UFJ Financial Group, and Tokyo Electron contributed to performance, while share price declines for Sony Group, Daiichi Sankyo, and Nomura Research Institute detracted.

Outlook

We expect the market to fluctuate. Corporate earnings forecasts have been rising since Japan and the US came to agreement on trade talks and it looks highly likely that earnings will continue to rise in the coming fiscal year as well. However, we believe caution is needed over the near term as valuations (forward P/E, etc) are already at historical highs, driven by strong corporate earnings, prospects for a stable political situation following the general election, and expectations for increased investment in AI globally. That said, we believe market downside will be limited as there is strong equity demand from a high level of large-scale share buybacks and the BoJ has relatively accommodative monetary policy compared to the US and Europe.

Contact Information

Daniel Robbins
+81 3 5290 3414

Group email: global@sompo-am.co.jp