SOMPO ASSET MANAGEMENT

Japan Value Equity Sustainable

June 2026

Strategy

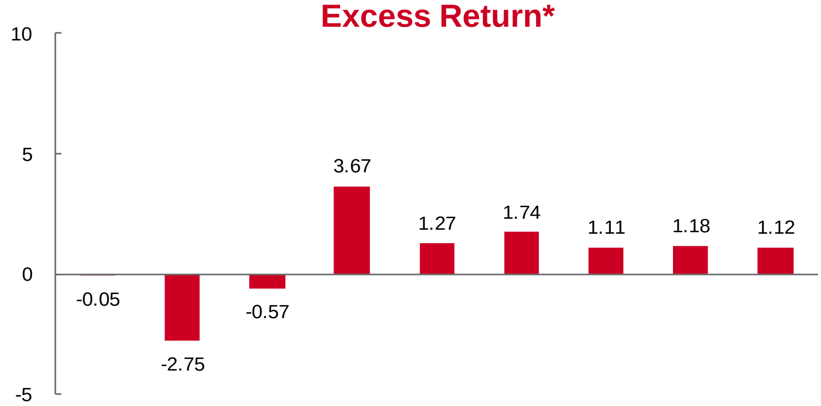
Sustainable Strategy is a smart-beta Japanese equity strategy that tracks the proprietary Sompo Sustainability Index. A bottom-up approach is used. The Japanese equity research team analyzes intrinsic value of individual stocks and compares it with market price in order to identify undervalued stocks.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

The market lacked a clear sense of direction with mixed trading influenced by media reports of the Middle East situation and semiconductors for generative AI. The electric appliances sector rose on expectations for demand growth for generative AI, and the bank sector performed well as its profits are poised to improve from rising domestic interest rates. Meanwhile, the wholesale and mining sectors fell on reduced expectations for earnings growth given the eased tension in the Middle East.

In the first part of the month, the Japanese market fell due to heightened fears over the Middle East situation following an Israeli strike on Lebanon and expectations for early rate hikes stemming from the BoJ Governor Ueda’s speech. The market then bounced back, driven by tech stocks as reports of progress in ceasefire negotiations between the US and Iran improved investor sentiment. Subsequently, the market’s upside was capped by increased expectations for US rate hikes within the year after the release of the FOMC’s dot plot. In the latter part of the month, Asian stock markets saw a decline due to concerns over overheating in AI-related stocks, and this selling extended to the domestic market. As the month drew to a close, the market experienced choppy trading, primarily driven by position adjustments ahead of the quarter-end.

Composite Performance (%)
Excess Return*



	Jun	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	1.00	11.65	17.99	46.93	24.54	20.08	18.36	16.21	16.79
Benchmark	1.05	14.40	18.56	43.26	23.27	18.34	17.25	15.03	15.67

Top Ten Holdings	%
TOYOTA MOTOR CORP	2.65
MITSUBISHI UFJ FINANCIAL GRO	1.97
SUMITOMO MITSUI FINANCIAL GR	1.79
SONY GROUP CORP	1.31
HITACHI LTD	1.29
MIZUHO FINANCIAL GROUP INC	1.21
MITSUBISHI CORP	1.19
TOKYO ELECTRON LTD	1.14
NTT INC	1.13
ITOCHU CORP	1.13
Total	14.80

Characteristics

	Portfolio	TOPIX
P/E	14.40x	16.30x
P/B	1.34x	1.75x
ROE	9.31%	10.74%
Dividend Yield	2.72%	2.23%

Market Cap

	Portfolio	TOPIX
Large	46.3%	67.6%
Mid	43.5%	25.4%
Small	8.4%	6.9%
Others	0.0%	-

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 90B (USD 554M)
	Discretionary Mandate	JPY 290.8B (USD 1789M)
	Strategy Total	JPY 380.8B (USD 2343M)

* 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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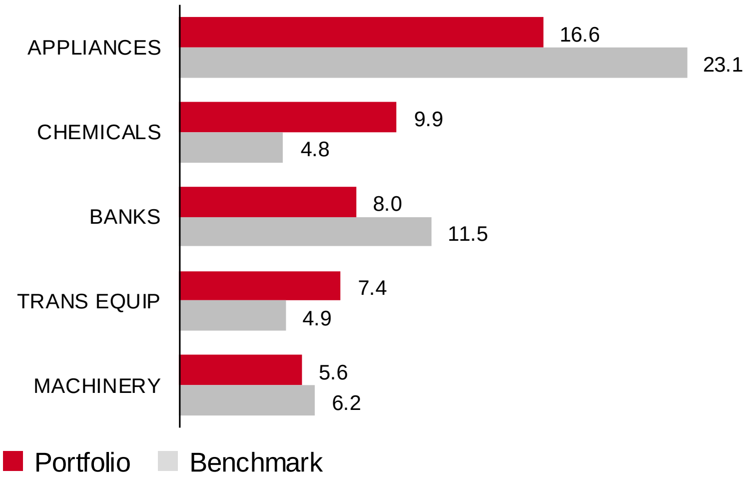
Top Five Sector Weights (%)



Masako Chikuma, CMA, CFA
Senior Portfolio Manager
23 years investment experience
12 years at Sompo AM

Attribution Analysis

In stock selection, share price increases for Tokyo Electron, Murata Manufacuturing, and SCREEN Holdings contributed to performance, while share price declines for Toyota Motor, Mitsubishi Corporation, and Hitachi detracted.

Outlook

We expect the market to remain firm. Valuation (forward P/E), which reflects overall market expectations, is currently at a high level compared to historical averages, primarily driven by some AI and semiconductor names amid diminishing uncertainty in the Middle East. Although the market has already priced in expectations for AI and semiconductor names to a large extent, these expectations are likely to be sustained as there are no immediate signs of a decline in semiconductor demand and AI-related investments. We expect the market to remain robust, driven by improvement in earnings forecasts for FY26. Crude oil prices have now stabilized, and the situation has eased more than previously, despite likely cost increases stemming from the Middle East. We should remain vigilant about a potential market correction, given that share prices have risen rapidly so far. That said, we don't expect a large market correction as there is strong equity demand from a high level of share buybacks and the BoJ has relatively accommodative monetary policy compared to the US and Europe.

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