SOMPO ASSET MANAGEMENT

Japan Value Equity Sustainable

August 2026

Strategy

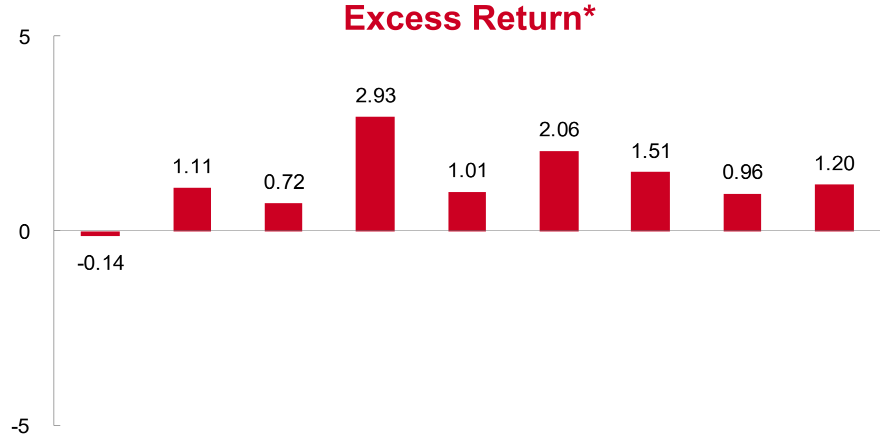
Sustainable Strategy is a smart-beta Japanese equity strategy that tracks the proprietary Sompo Sustainability Index. A bottom-up approach is used. The Japanese equity research team analyzes intrinsic value of individual stocks and compares it with market price in order to identify undervalued stocks. 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 was primarily driven by tech stocks, as excessive concerns over AI-related funding eased. The service sector rose on confirmed earnings expansion by the use of generative AI. The marine transportation sector also rose due to favorable shipping rates on the back of escalated tensions in the Middle East. Meanwhile, the insurance sector declined as shareholder returns announced at earnings reports fell short of market expectations. The glass & ceramic sector also saw a decline due to concerns over surging raw material prices.

In the first part of the month, the Japanese market rose, fueled by a series of strong earnings results. In the middle of the month, the market rose further as fears over AI-related funding eased following a major U.S. semiconductor company's announcement of a framework to support AI data center construction. The market was also supported by lower-than-expected U.S. CPI, which reduced expectations for early Fed rate hikes. Subsequently, the market plummeted due to heightened geopolitical risks in the Middle East. However, the market then recovered, supported by a drop in U.S. long-term rates following the US Treasury's announcement of increased purchases of long-term government bonds. Towards the end of the month, despite easing concerns over the Middle East situation, hawkish remarks by Fed Chair Walsh regarding rate hikes weighed on the market, which ended below its mid-month high.

Composite Performance (%) Excess Return*



	Aug	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	3.71	5.19	24.12	41.21	25.13	21.13	19.86	15.70	16.99
Benchmark	3.85	4.08	23.39	38.28	24.12	19.07	18.35	14.73	15.80

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 93.7B (USD 587M)
	Discretionary Mandate	JPY 306.4B (USD 1918M)
	Strategy Total	JPY 400B (USD 2505M)

Top Ten Holdings	%
TOYOTA MOTOR CORP	2.53
MITSUBISHI UFJ FINANCIAL GRO	2.01
SUMITOMO MITSUI FINANCIAL GR	1.78
SONY GROUP CORP	1.34
HITACHI LTD	1.31
NTT INC	1.27
MITSUBISHI CORP	1.23
MIZUHO FINANCIAL GROUP INC	1.22
ITOCHU CORP	1.18
MURATA MANUFACTURING CO LTD	0.92
Total	14.78

Characteristics

	Portfolio	TOPIX
P/E	14.36x	15.91x
P/B	1.37x	1.76x
ROE	9.53%	11.06%
Dividend Yield	2.66%	2.22%

Market Cap

	Portfolio	TOPIX
Large	46.5%	68.2%
Mid	44.3%	24.7%
Small	9.1%	7.2%
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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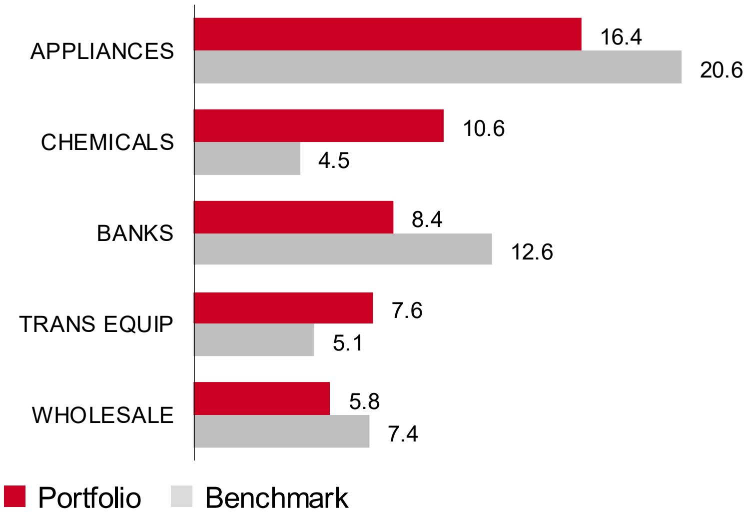
Top Five Sector Weights (%)



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

Attribution Analysis

In stock selection, share price increases for NTT, Yamaha Motor, and Fujikura contributed to performance, while share price declines for Daikin Industries, Fuji Film Holdings, and Ebara Corporation detracted.

Outlook

We expect the market to remain firm. Valuations (forward P/E) already reflect market expectations to a considerable extent and suggest limited upside potential. FY26 earnings forecasts will likely be less impacted by rising costs driven by the Middle East situation than initially expected. We expect a firm market, driven by solid earnings, with improvements

expected across broader sectors beyond AI and semiconductors. We believe there is significant room for a re-rating of non-AI related stocks, while AI-related stocks have already priced in considerably high expectations. We should remain vigilant about a potential market correction, given that the recent rise in domestic long-term rates could put downward pressure on valuations. 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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