Japan Value Equity Sustainable

October 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

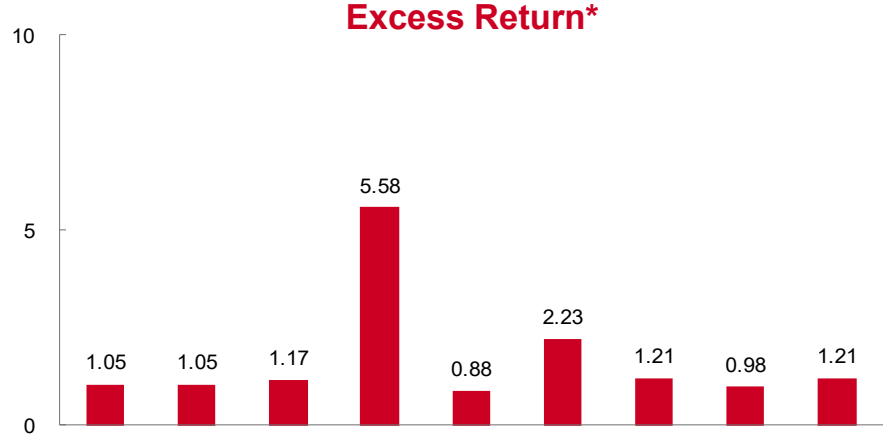
Concerns over financing risks for AI-related businesses weighed on the market. The services sector, which comprises a high concentration of domestic demand-oriented stocks rose amid an uncertain external environment. Mining also gained, supported by rising expectations for earnings improvements driven by surging crude oil prices. Conversely, non-ferrous metals and machinery, which include AI semiconductor-related names, underperformed as fears mounted over the profitability of AI-related investments.

At the beginning of the month, the market started higher as weaker-than-expected US employment data dampened expectations for early rate hikes. However, stock prices subsequently retreated as US long-term rates surged to historical highs following the release of the FOMC meeting minutes.

In the middle of the month, a sharp decline in bond prices for an emerging US cloud company triggered concerns over financing risks for AI-related businesses, leading to a major sell-off, particularly in high-tech names. Although the market temporarily saw a partial recovery driven by buying on weakness, escalating attacks on Saudi Arabia by pro-Iranian militant groups sent crude oil prices soaring and weighed on stock prices late in the month.

Toward the end of the month, earnings reports from major US tech companies reignited concerns over the heavy financial burden of massive AI investments, causing the market to test lower levels.

Composite Performance (%)
Excess Return*



	Oct	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	-2.43	-2.43	19.94	27.29	24.48	19.72	17.13	14.65	16.50
Benchmark	-3.48	-3.48	18.77	21.71	23.59	17.50	15.92	13.67	15.29

Top Ten Holdings	%
TOYOTA MOTOR CORP	2.72
MITSUBISHI UFJ FINANCIAL GRO	1.93
SUMITOMO MITSUI FINANCIAL GR	1.67
SONY GROUP CORP	1.37
MITSUBISHI CORP	1.31
HITACHI LTD	1.28
ITOCHU CORP	1.18
NTT INC	1.12
MIZUHO FINANCIAL GROUP INC	1.09
TAKEDA PHARMACEUTICAL CO LTD	0.98
Total	14.65

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 90.5B (USD 574M)
	Discretionary Mandate	JPY 296B (USD 1879M)
	Strategy Total	JPY 386.4B (USD 2454M)

Characteristics	Portfolio	TOPIX
P/E	13.28x	14.23x
P/B	1.34x	1.73x
ROE	10.10%	12.13%
Dividend Yield	2.83%	2.41%

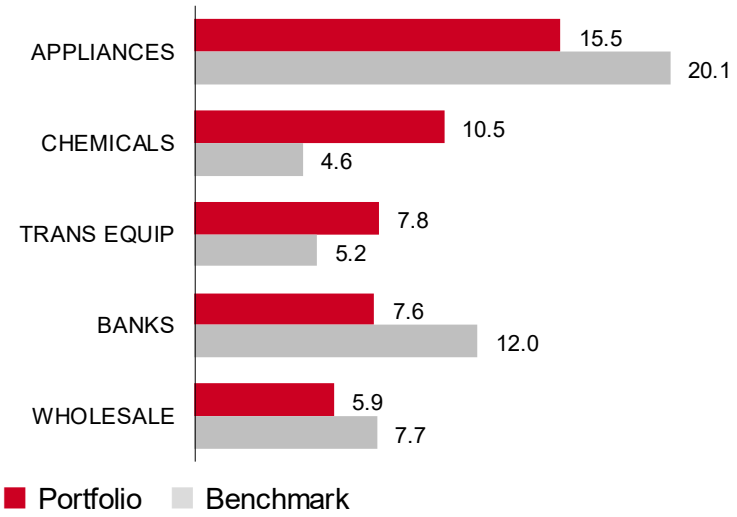
Market Cap	Portfolio	TOPIX
Large	46.1%	69.7%
Mid	44.1%	23.4%
Small	8.4%	6.9%
Others	0.0%	-

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

The data shown is of a representative account. Past performance is not a guarantee of future returns.
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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 Toyota Motor, Takeda Pharmaceutical, and Nomura Research Institute contributed to performance, while share price declines for Tokyo Electron, Murata Manufacturing, and Mizuho Financial Group detracted.

Outlook

We expect the market to bottom out and look for a rebound. Due to valuation corrections led by AI-related stocks, the overall market's forward P/E ratio has dropped to undervalued levels. While concerns over the sustainability of AI investments will likely linger, we believe the current valuation levels can be maintained given that there are no signs of a major downturn in the global economy and that any negative impacts on non-AI names will be limited. Even if AI-related demand slows down, earnings for this fiscal year are projected to remain robust, and we expect the market to return to focusing on earnings fundamentals. We should remain vigilant about a potential market correction, given that the recent rise in 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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