

# Japan Value Equity Value Focus

July 2025

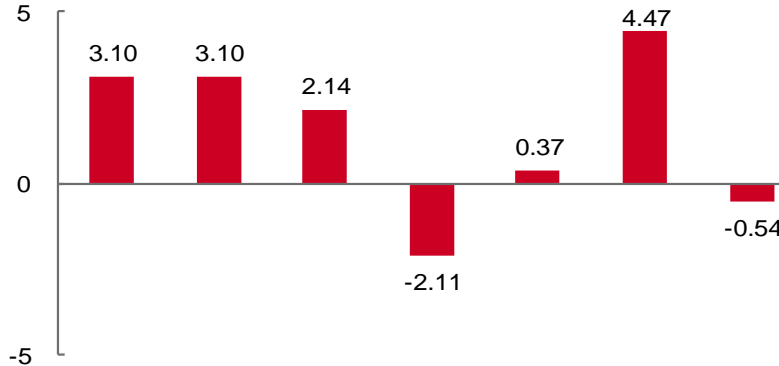
## Strategy

Value Focus Strategy is a focused, Japanese large/mid-cap equity strategy that aims for above-benchmark return in the mid- to long-term. The portfolio managers build the portfolio by investing in undervalued stocks with careful consideration of risk/return. A bottom-up approach is used. The Japanese equity research team analyzes the intrinsic value of individual stocks and compares it with market price to identify undervalued stocks. The portfolio is not constrained by sector weights.

## Market Review

Japanese market prices rose as investors were positive on Japan-US trade talk finishing with a lower-than-expected tariff rate of 15%. Value stocks outperformed growth stocks as tariff talks came to an end and growth in Japanese long-term domestic rates. Share prices fell in the first half of the month because of increased uncertainty over tariffs following statements from US President Donald Trump that there would be additional tariffs on copper and pharmaceuticals and the market believed the ruling coalition would struggle in the upper house election. The market was largely unchanged in the middle of the month as despite support from strong earnings at global semiconductor manufacturers, tariff uncertainty and upper house election concerns continued to weigh on prices. The market did not move much in response to the results of the upper house election despite the ruling coalition losing its majority as that was what the market expected. Then going towards the end of the month share prices rose significantly, particularly for automakers, as Japan and the US lowered the final tariff rate to 15%, which would also include automobiles.

### Composite Performance (%) Excess Return\*



Top Ten Holdings	%
SUMITOMO MITSUI TRUST GROUP	4.32
FANUC CORP	4.19
NIDEC CORP	4.19
KYOCERA CORP	3.99
SUMCO CORP	3.69
HONDA MOTOR CO LTD	3.65
KIRIN HOLDINGS CO LTD	3.56
NTT INC	3.36
AININ CORP	3.32
MURATA MANUFACTURING CO LTD	3.08
Total	37.36

	Jul	QTD	YTD	1Y	3Y	5Y	SI
Composite	5.83	5.83	7.85	4.43	17.74	21.65	10.03
Benchmark	2.73	2.73	5.71	6.54	17.37	17.18	10.56

### Composite Summary

Composite Name	Japan Value Equity Focus					
Benchmark	MSCI Japan**					
Inception Date	March 2018					
Number of Holdings	54					
Assets Under Management	Domestic	JPY 3.8B (USD 25M)				
	Overseas	JPY 17.3B (USD 115M)				
	Strategy Total	JPY 21.1B (USD 140M)				

Characteristics		
	Portfolio	Benchmark
P/E	14.08x	15.38x
P/B	0.95x	1.56x
ROE	6.76%	10.16%
Dividend Yield	3.21%	2.48%

Market Cap		
	Portfolio	Benchmark
Large	51.7%	84.6%
Mid	48.0%	15.2%
Small	0.0%	0.0%
Others	0.0%	0.2%

\* Excess return figures are annualized for three years and longer.

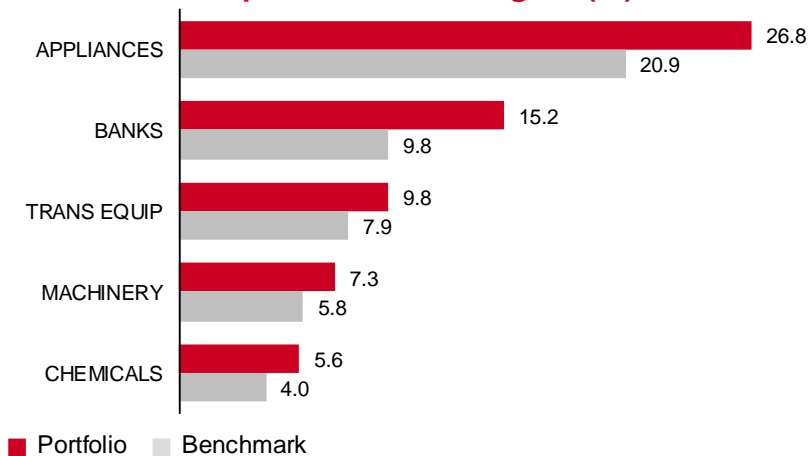
\*\* The MSCI Japan Index is designed to measure the performance of the large and mid cap segments of the Japanese market. With 191 constituents (as of November 29, 2024), the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

The data shown is of a representative account. Past performance is not a guarantee of future returns.

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## Japan Value Equity Value Focus

### Top Five Sector Weights (%)



**Eitaro Tanaka, CMA**

Japanese Equity Group Head  
Senior Portfolio Manager  
21 years investment experience  
11 years at Sompo AM

### Attribution Analysis

Both sector allocation and stock selection contributed to performance. In sector allocation, underweighting (UW) of Other Prod and Retail and overweighting (OW) of Banks contributed to performance, while OW of Appliances and Foods and UW of Wholesale detracted. In stock selection, OW of Aisin, The Hachijuni Bank, and Yamato Holdings contributed to performance, while UW of Hitachi and OW of Kirin Holdings and Sumitomo Metal Mining detracted. Last month we increased holdings of Toyota Motor, Iwatani Corporation, and Sumco and decreased holdings of Oji Holdings, Toray, and Rinnai.

### Outlook

We expect the market will continue to face heavy upside resistance. Corporate earnings forecasts for this fiscal year have been weak, especially for foreign-demand, cyclical sectors, as they reflected the expected negative impacts of additional Trump tariffs. However, with trade talks now over and the final tariff rate coming in lower than initially expected we believe earnings forecasts will now rebound. Valuation metrics like forward P/E are already above undervalued levels, being overall pushed up by a small number of stocks from before the conclusion of trade talks. We believe that caution will be needed over the short term as expectations are increasing for the Fed to lower rates in response to the economic slowdown in the US. That said, 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.

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