

Japan Value Equity Value Focus

August 2025

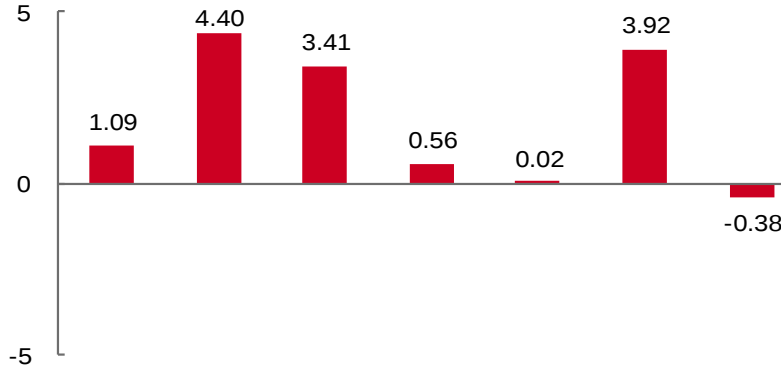
Strategy

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 on increased expectations for a fed rate cut and a drop in Trump tariff policy concerns. Value outperformed growth as Japanese long-term interest rates rose on the back of expectations for the BoJ to hike rates. Prices rose in the first half of the month despite a brief slip caused by weak US jobs data. Expectations rose for rate cuts in the US and investors were positive on the US promising Japan it will fix the double tariff oversight. The market rose further in the middle of the month as the US once again delayed the implementation of additional tariffs on China following US-China trade talks, easing investor concerns around Trump tariff policy. The market then seesawed through the end of the month, supported by comments from Fed chair Jerome Powell at the Jackson Hole symposium hinting at a rate cut, but buffeted by heightened concerns over Fed independence following the announcement from US President Donald Trump that he will fire Fed governor Lisa Cook.

Composite Performance (%) Excess Return*



Top Ten Holdings	%
NIDEC CORP	4.37
SUMITOMO MITSUI TRUST GROUP	4.34
KYOCERA CORP	4.13
KIRIN HOLDINGS CO LTD	3.95
FANUC CORP	3.89
SUMCO CORP	3.65
NTT INC	3.62
HONDA MOTOR CO LTD	3.62
MURATA MANUFACTURING CO LTD	3.13
YAMATO HOLDINGS CO LTD	3.06
Total	37.76

	Aug	QTD	YTD	1Y	3Y	5Y	SI
Composite	5.44	11.59	13.71	14.85	18.64	20.31	10.69
Benchmark	4.35	7.20	10.30	14.30	18.62	16.39	11.07

Composite Summary

Composite Name	Japan Value Equity Focus					
Benchmark	MSCI Japan**					
Inception Date	March 2018					
Number of Holdings	53					
Assets Under Management	Domestic	JPY 3.2B (USD 21M)				
	Overseas	JPY 17.5B (USD 119M)				
	Strategy Total	JPY 20.6B (USD 140M)				

Characteristics		
	Portfolio	Benchmark
P/E	14.73x	15.79x
P/B	1.02x	1.64x
ROE	6.91%	10.39%
Dividend Yield	3.06%	2.39%

Market Cap		
	Portfolio	Benchmark
Large	52.9%	84.3%
Mid	46.8%	15.3%
Small	0.0%	0.0%
Others	0.0%	0.4%

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

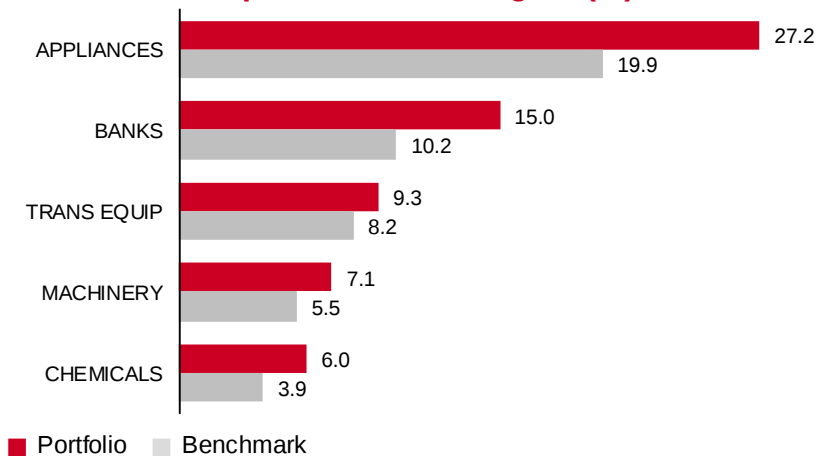
** The MSCI Japan Index is designed to measure the performance of the large and mid cap segments of the Japanese market. With 191 constituents (as of November 29, 2024), the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

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

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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

Sector allocation detracted from performance, while stock selection contributed. In sector allocation, overweighting (OW) of Banks and Land Trans and underweighting (UW) of Pharma contributed to performance, while OW of Appliances and UW of Wholesale and Info & Comm detracted. In stock selection, UW of Hitachi and Tokyo Electron and OW of Yamato Holdings contributed to performance, while UW of SoftBank Group and Sony Group and OW of Fanuc detracted. Last month we increased holdings of Toyota Motor, NTT, and Nitori Holdings and decreased holdings of Aisin, Mitsubishi Estate, and Nippon Shinyaku.

Outlook

We expect the market will continue to face heavy upside resistance. We urge caution over the near term given that valuation metrics like forward P/E look overall somewhat overheated, having been pulled upwards by a small number of stocks. However, corporate earnings forecasts for this fiscal year may now be revised upwards given the heightened likelihood they will not fall as much as originally expected following the easing of Trump's tariffs. In addition, 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. While we do expect investors to more readily make predictions of earnings growth as the negative impacts of the Trump tariffs fade away in the second half of the coming fiscal year, we believe it will still take some time before we see serious fundamentals-driven market growth.

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