

Japan Value Equity Value Focus

February 2026

Strategy

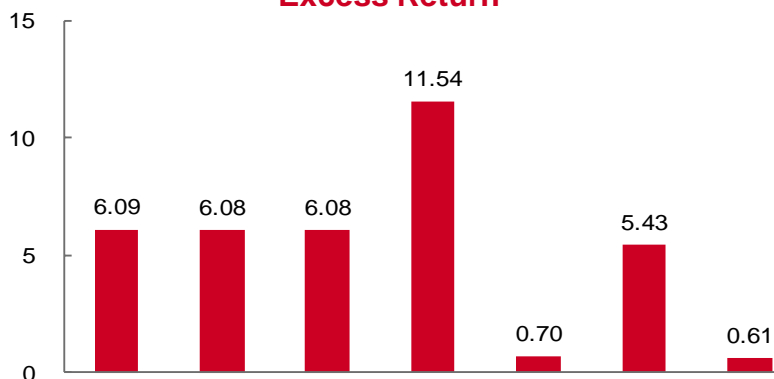
Value Focus Strategy is a focused, Japanese large/mid-cap equity strategy that aims for above-benchmark return in the mid- to long-term. The portfolio managers build the portfolio by investing in undervalued stocks with careful consideration of risk/return. A bottom-up approach is used. The Japanese 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

Expectations for large scale fiscal spending and accommodative monetary policy pushed the market up following the ruling Liberal Democratic Party (LDP)'s landslide victory at a general election. The non-ferrous sector rose on expectations for earnings growth from generative AI related demand. The services and information & communication sectors fell on fears that some of their business may be replaced by generative AI.

The Japanese equity market rose in the first part of the month on the back of political stability and expectations for aggressive economic measures following the LDP's big win at the lower house election. Share prices then saw upside resistance in the middle of the month as the market was showing signs of overheating with the lack of news flow after the earnings season for Japanese companies. The below-consensus GDP growth increased concerns over the Japanese economy and weighed on the market. The market rebounded on eased fears over global economy in the latter part of the month as the US Supreme Court struck down Trump's reciprocal tariffs. Share prices rose through the end of the month on reduced expectations for early rate hikes as the candidates for the BOJ board members proposed by the government were considered to be cautious for rate hikes.

Fund Performance (%) Excess Return*



	Feb	QTD	YTD	1Y	3Y	5Y	SI
Fund	15.99	21.37	21.37	61.22	29.40	24.22	14.67
Benchmark	9.90	15.29	15.29	49.68	28.70	18.79	14.06

Top Ten Holdings	%
SUMCO CORP	4.33
SUMITOMO MITSUI TRUST GROUP	3.95
KIRIN HOLDINGS CO LTD	3.85
KUBOTA CORP	3.84
OMRON CORP	3.77
KYOCERA CORP	3.44
TOYOTA MOTOR CORP	3.35
NTT INC	3.27
HONDA MOTOR CO LTD	3.22
FANUC CORP	3.20
Total	36.22

Characteristics	Portfolio		Benchmark	
	Value	Value	Value	Value
P/E	16.41x	16.41x	17.88x	17.88x
P/B	1.24x	1.24x	1.96x	1.96x
ROE	7.54%	7.54%	10.94%	10.94%
Dividend Yield	2.53%	2.53%	2.02%	2.02%

Market Cap	Portfolio		Benchmark	
	Value	Value	Value	Value
Large	52.6%	52.6%	85.1%	85.1%
Mid	47.4%	47.4%	14.1%	14.1%
Small	0.0%	0.0%	0.0%	0.0%
Others	0.0%	0.0%	0.9%	0.9%

Fund Summary

Fund Name	Japan Value Equity Focus		
Benchmark	MSCI Japan**		
Inception Date	March 2018		
Number of Holdings	55		
Assets Under Management	Domestic	-	
	Overseas	-	
	Strategy Total	-	

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

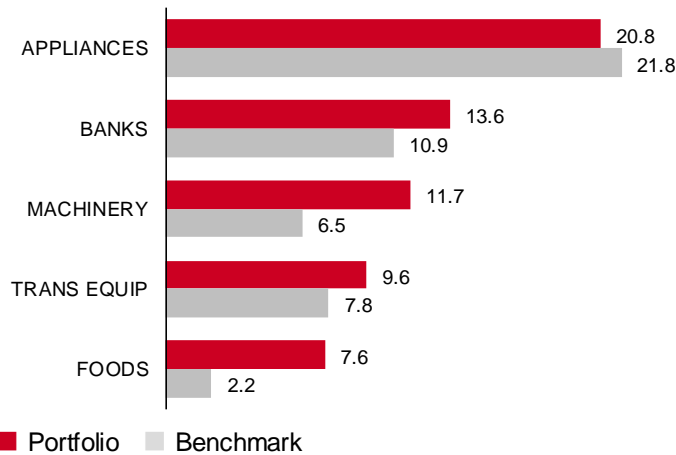
** The MSCI Japan Index is designed to measure the performance of the large and mid cap segments of the Japanese market. With 180 constituents (as of October 31, 2025), the index covers approximately 85% of the free float-adjusted market capitalization in Japan. Performance data etc. for October, 2025 onwards is based on model portfolio.

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
22 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 Services and Info & Comm and overweighting (OW) of Machinery contributed to performance while UW of Wholesale and Insurance and OW of Land Trans detracted. In stock selection, OW of Omron, Kubota, and Taiyo Yuden contributed to performance, while OW of NTT and Yamato Holdings and UW of Mitsubishi Corporation detracted. Last month we increased holdings of Kuraray, Nomura Research Institute, and Denso and decreased holdings of Kyocera, Sumitomo Metal Mining, and Osaka Gas.

Outlook

We expect the market will fluctuate around the recent bottom but show signs of a potential recovery. While we should watch the situation surrounding Iran, we expect the market will gradually regain a sense of calm as long as it doesn't lead to further escalation to the war and prolonged high energy prices. It looks highly likely that corporate earnings will continue to rise in the coming fiscal year given smaller negative impacts from Trump tariffs. We believe historically high valuations (forward P/E, etc) will be warranted, driven by strong corporate earnings, expectations for the Takaichi administration following the LDP's landslide victory at the lower house election and further improvement to corporate governance if the situation in the Middle East eases quickly. The market will be supported as there is strong equity demand from a high level of large-scale share buybacks and the BoJ has relatively accommodative monetary policy compared to the US and Europe.

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