

# Japan Value Equity Concentrated

September 2024

## Strategy

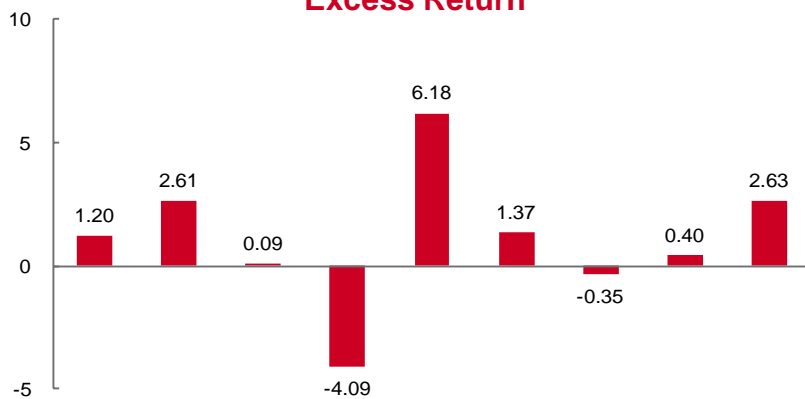
Concentrated Strategy is a focused Japanese equity strategy that aims for above-benchmark return in the mid- to long-term. The portfolio is constructed through investment in undervalued stocks, with careful consideration of risk/return. The strategy takes a bottom-up approach in which the research team analyzes the intrinsic value of individual stocks and compares it with market price in order to identify undervalued names. The portfolio is not constrained by sector weights or market caps.

## Market Review

Japanese equities fell as the market was bearish on JPY appreciation versus USD, stemming from a narrowing interest rate differential between Japan and the US and Shigeru Ishiba chosen as the ruling Liberal Democratic Party (LDP)'s new leader, although the market was bullish on China's large-scale economic stimulus measures. Air Transportation and Warehousing & Harbor Transportation Services stocks rose as they are relatively less impacted by the JPY appreciation. However, Mining stocks dropped because of a decline in crude oil prices amid concerns over a recession and increasing oil supply.

The Japanese equity market fell in the first half of the month due to growing concerns of a recession on the back of a weaker-than-expected US ISM Manufacturing Index and JPY appreciation, stemming from the narrowed gap between Japanese and US interest rates. The market subsequently faced an upside resistance as JPY/USD temporarily strengthened to 139 yen, then share prices rose on growing expectations for a soft landing in the US following a 50bps rate cut by the Fed. The market temporarily saw JPY depreciation and higher stock prices towards the end of the month as the market favored China's economic stimulus measures and expectations for Sanae Takaichi, a former Economic Security Minister and supporter of easing monetary policy, to win the LDP leadership race. However, TOPIX ended nearly flat MoM due to rapid JPY appreciation and lower stock prices following Ishiba winning the race as he advocates increasing taxes on financial income and more restrictive fiscal policy.

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



	Sep	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	-0.33	-2.29	14.34	12.48	18.19	14.82	8.98	10.03	9.34
Benchmark	-1.53	-4.90	14.25	16.57	12.01	13.45	9.33	9.63	6.71

### Composite Summary

Composite Name	SJAM Value Mother Fund							
Benchmark	TOPIX Total Return**							
Inception Date	January 2004							
Number of Holdings	67							
Bloomberg Code	SNAMCON							
Assets Under Management	Domestic	JPY 62.6B (USD 438M)						
	Overseas	JPY 30.2B (USD 211M)						
	Strategy Total	JPY 92.8B (USD 649M)						

Top Ten Holdings	%
FANUC CORP	4.21
TORAY INDUSTRIES INC	4.10
KIRIN HOLDINGS CO LTD	4.08
NIDEC CORP	4.05
SUMITOMO MITSUI TRUST HOLDIN	4.04
KAO CORP	3.10
MURATA MANUFACTURING CO LTD	3.01
OMRON CORP	2.98
NIPPON TELEGRAPH & TELEPHONE	2.78
HONDA MOTOR CO LTD	2.69
Total	35.04

### Characteristics

	Portfolio	Benchmark
P/E	12.55x	13.50x
P/B	0.88x	1.28x
ROE	7.02%	9.51%
Dividend Yield	3.10%	2.58%

### Market Cap

	Portfolio	Benchmark
Large	44.8%	65.5%
Mid	43.7%	26.3%
Small	9.6%	8.2%
Others	0.5%	-

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

\*\* TOPIX is a market benchmark with functionality as an investable index, covering an extensive proportion of the Japanese stock market. TOPIX is a free-float adjusted market capitalization-weighted index. TOPIX shows the measure of current market capitalization assuming that market capitalization as of the base date (January 4, 1968) is 100 points. This is a measure of the overall trend in the stock market, and is used as a benchmark for investment in Japan stocks. Dividends used in calculating the TOPIX Total Return Index are gross (i.e. before tax).

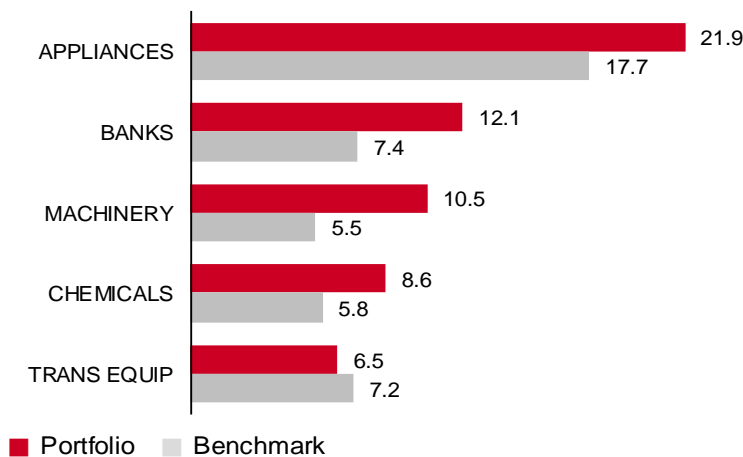
Performance is net of fees.

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 (%)



**Kenji Ueno, CMA**

Senior Portfolio Manager  
32 years investment experience  
27 years at Sompo AM

## Attribution Analysis

Both sector allocation and stock selection contributed to performance. In sector allocation, overweighting (OW) of Textiles, Machinery, and Chemicals contributed to performance, while underweighting (UW) of Wholesale, Retail and Info & Comm detracted. In stock selection, OW of Toray and Kao and UW of Daiichi Sankyo contributed to performance, while UW of Hitachi and OW of Mitsubishi Estate and Jtekt detracted. Last month we increased holdings of Sumco, Kyocera, and NTT and decreased holdings of Makita, Kao, and Kuraray.

## Outlook

We expect the market will fluctuate around the recent bottom but show signs of a potential recovery.

FY24 Japanese corporate earnings will likely grow and share prices do not look overvalued given their general valuation metrics such as forward P/E ratio, whilst the Japanese market will unlikely see a full-scaled upward trend as long as fears over a US recession continue to linger. Share prices fell as the market priced in concerns over policies of Ishiba's new administration. We believe that investors will regain a sense of calm as directions of economic policies and fiscal management of the administration become clearer and that the market will show signs of a potential recovery over the near term. We also believe that it is difficult to envision a large correction to the Japanese market given strong equity demand from the high level of large scale share buyback seen recently and the BoJ's relatively accommodative monetary policy compared to the US and Europe.

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