

Japan Value Equity Concentrated

February 2025

Strategy

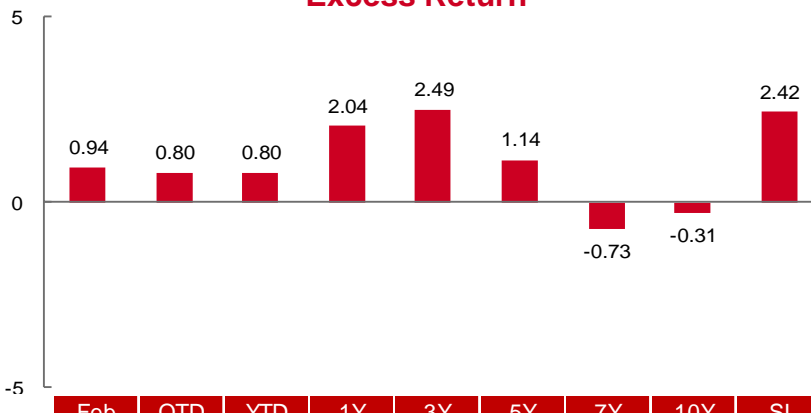
Concentrated Strategy is a focused Japanese equity strategy that aims for above-benchmark return in the mid- to long-term. The portfolio is constructed through investment in undervalued stocks, with careful consideration of risk/return. The strategy takes a bottom-up approach in which the research team 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

The Japanese market fell in February on the back of concerns over US tariffs and economic decline as well as JPY appreciation following the shrinking of the Japan-US interest rate gap. Growth stock were down because of harsher regulations on semiconductor-related sales to China and concerns of a slowdown in investment in AI.

The market fell in the first half of the month on executive orders from US President Donald Trump for further tariffs on Canada, Mexico, and China. The market did rebound after Trump said he would delay the activation of tariffs on Canada and Mexico, but uncertainty concerning tariffs once again spiked when he signed an executive order for 25% tariffs on all steel and aluminium imports. The market then trended sideways. Although strong domestic earnings acted to support the market, preliminary domestic GDP figures coming in higher than expected raised the spectre of further rate increases by the BoJ. Share prices then fell through the end of the month as JPY appreciated (on the shrinking Japan-US interest rate gap) and concerns over the economy grew on the back of US Services PMI falling below 50 (the point between expansion and contraction) for the first time in two years and US consumer confidence also falling significantly.

Composite Performance (%) Excess Return*



Top Ten Holdings	%
FANUC CORP	4.01
NIDEC CORP	4.00
KIRIN HOLDINGS CO LTD	3.86
SUMITOMO MITSUI TRUST GROUP	3.71
TORAY INDUSTRIES INC	3.43
YAMATO HOLDINGS CO LTD	3.34
MURATA MANUFACTURING CO LTD	3.10
KYOCERA CORP	3.09
NIPPON TELEGRAPH & TELEPHONE	3.07
aisin corp	2.58
Total	34.18

	FEB	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI			
Composite	-2.84	-2.85	-2.85	4.63	17.78	16.03	7.96	7.96	9.08	Characteristics		
Benchmark	-3.79	-3.65	-3.65	2.59	15.29	14.89	8.70	8.27	6.66		Portfolio	Benchmark
Composite Summary										P/E	11.14x	13.11x
Composite Name			SJAM Value Mother Fund							P/B	0.85x	1.29x
Benchmark			TOPIX Total Return**							ROE	7.59%	9.88%
Inception Date			January 2004							Dividend Yield	3.31%	2.69%
Number of Holdings			69							Market Cap		
Bloomberg Code			SNAMCON								Portfolio	Benchmark
Assets Under Management			Domestic				JPY 62.7B (USD 416M)			Large	42.2%	66.8%
			Overseas				JPY 3.1B (USD 21M)			Mid	46.5%	25.6%
			Strategy Total				JPY 65.8B (USD 436M)			Small	10.2%	7.6%
										Others	0.4%	-

* 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).

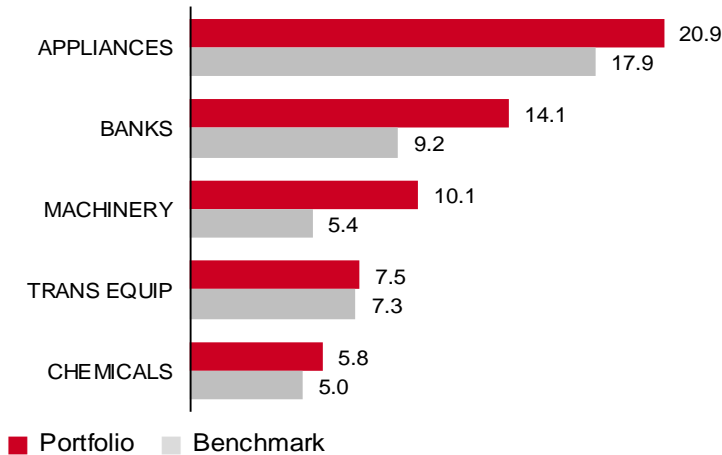
Performance is net of fees.

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

While sector allocation contributed to performance, stock selection detracted. In sector allocation, overweighting (OW) of Banks and underweighting (UW) of Wholesale and Insurance contributed to performance, while UW of Other Prod and Securities and OW of Foods detracted. In stock selection, OW of Fanuc and Toray and UW of Toyota Motor contributed to performance, while OW of Nidec and Osaka Gas and UW of Mitsubishi UFJ Financial Group detracted. Last month we increased holdings of Morinaga Milk Industry, Sumitomo Heavy Industries, and Mitsui Chemicals and decreased holdings of Toray, Fanuc, and Nippon Shokubai.

Outlook

We expect the market will face heavy upside resistance over the near term.

Japanese corporate earnings will likely grow on the back of a recovery in domestic real wages, a cyclical recovery to the manufacturing sector, and capital efficiency improvement measures implemented by companies following pressure from the Tokyo Stock Exchange (TSE). Valuation metrics like forward PER have fallen on concerns over further tariffs from the US and JPY appreciation caused by divergent monetary policy by the US and Japan. We expect market volatility (degree of movement in share prices) to increase as long as there is not a clear picture on coming tariff policy. As such, we believe it will take some time before valuations return to an upward trajectory. That said, it is difficult to envision a large correction to the Japanese market given strong equity demand from the high level of large-scale share buybacks seen recently and the BoJ's relatively accommodative monetary policy compared to the US and Europe.

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