SOMPO ASSET MANAGEMENT

Japan Value Equity Concentrated

May 2025

Strategy

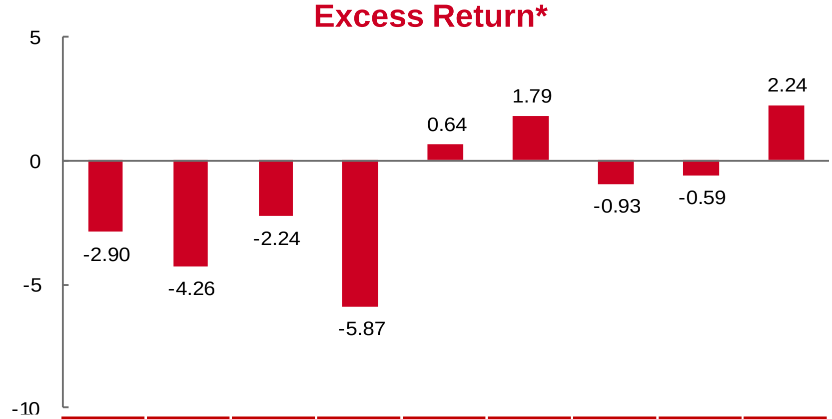
Concentrated Strategy is a focused Japanese equity strategy that aims for above-benchmark return in the mid- to long-term. The portfolio is constructed through investment in undervalued stocks, with careful consideration of risk/return. The strategy takes a bottom-up approach in which the research team 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 rose in May on expectations for softer tariff policy out of the Trump administration in the US. The rise was led by the non-ferrous sector, which grew on expectations for increased demand for telecommunication cables following the announcement of a large data centre construction project in the Middle East, and the banks sector, which grew on expectations for wider net interest margins following the increase in Japanese interest rates.

The market rose in the first half of the month as the BoJ left rates unchanged at its monetary policy meeting and Trump tariff policy fears weakened following the US and the UK coming to a trade deal. The market then rocked back and forth through the middle of the month despite the US and China agreeing to lower the additional tariffs they had imposed on each other as conservative earnings guidance weighed on sentiment. Share prices then rose again through the end of the month despite US long-term rates rising on the back of concerns over worsening fiscal conditions as the US agreed to postpone the imposition of tariffs on the EU and Nvidia released strong earnings results.

Composite Performance (%)
Excess Return*



	May	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	2.21	1.19	-0.41	-2.29	17.07	16.88	8.67	7.18	9.09
Benchmark	5.10	5.45	1.83	3.58	16.44	15.09	9.60	7.77	6.85

Composite Summary

Composite Name	SJAM Value Mother Fund	
Benchmark	TOPIX Total Return**	
Inception Date	January 2004	
Number of Holdings	69	
Bloomberg Code	SNAMCON	
Assets Under Management	Domestic	JPY 54.3B (USD 376M)
	Overseas	JPY 0B (USD 0M)
	Strategy Total	JPY 54.3B (USD 376M)

Top Ten Holdings	%
NIDEC CORP	4.48
FANUC CORP	3.93
KIRIN HOLDINGS CO LTD	3.81
NIPPON TELEGRAPH & TELEPHONE	3.76
YAMATO HOLDINGS CO LTD	3.37
SUMITOMO MITSUI TRUST GROUP	3.22
KYOCERA CORP	3.17
MURATA MANUFACTURING CO LTD	3.08
SUMCO CORP	2.95
ASTELLAS PHARMA INC	2.62
Total	34.40

Characteristics

	Portfolio	Benchmark
P/E	12.71x	13.96x
P/B	0.88x	1.36x
ROE	6.94%	9.74%
Dividend Yield	3.39%	2.65%

Market Cap

	Portfolio	Benchmark
Large	42.3%	66.7%
Mid	45.4%	25.7%
Small	10.1%	7.5%
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.

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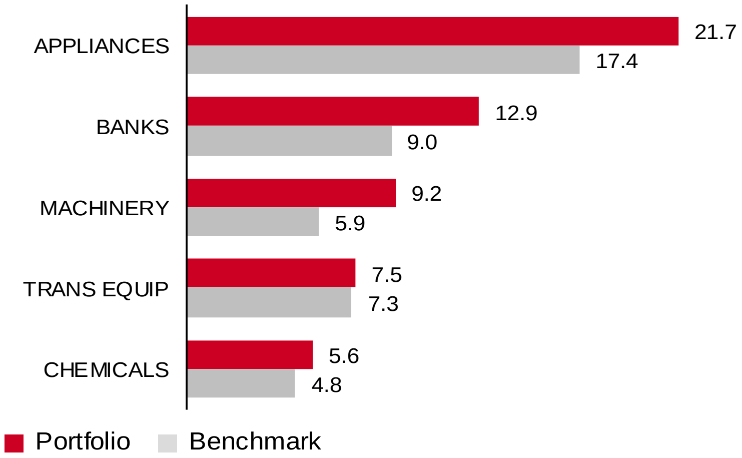
Top Five Sector Weights (%)



Kenji Ueno, CMA
Senior Portfolio Manager
33 years investment experience
27 years at Sompo AM

Attribution Analysis

Sector allocation contributed to performance while and stock selection detracted. In sector allocation, overweighting (OW) of Machinery and Banks and underweighting (UW) of Precision Instr contributed to performance, while OW of Paper, Foods, and Land Trans detracted. In stock selection, OW of Nidec, Nihon M&A Center, and Sumitomo Mitsui Trust Group contributed to performance, while OW of Omron, Kirin Holdings, and Sawai Group Holdings detracted. Last month we increased holdings of Otsuka Corporation, NTT, and Murata Manufacturing and decreased holdings of Hokuhoku Financial Group, Toray, and Nidec.

Outlook

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

Japanese corporate earnings will likely be positively impacted by a recovery in domestic real wages and capital efficiency improvement measures implemented by companies following pressure from the Tokyo Stock Exchange (TSE) but may stagnate because of negative impacts from additional Trump tariffs. Valuation metrics like forward P/E fell significantly on concerns over additional tariffs but have already recovered from this because of expectations over negotiations between the US and individual countries. The market will now likely bounce back and forth according to news flow concerning the tariffs. We believe that share price will be supported by strong equity demand from the high level of large-scale share buybacks seen recently and the BoJ having relatively accommodative monetary policy compared to the US and Europe but that investor sentiment will unlikely rise until it is clear where Trump tariff policy will ultimately end up.

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