SOMPO ASSET MANAGEMENT

Japan Value Equity Concentrated

May 2026

Strategy

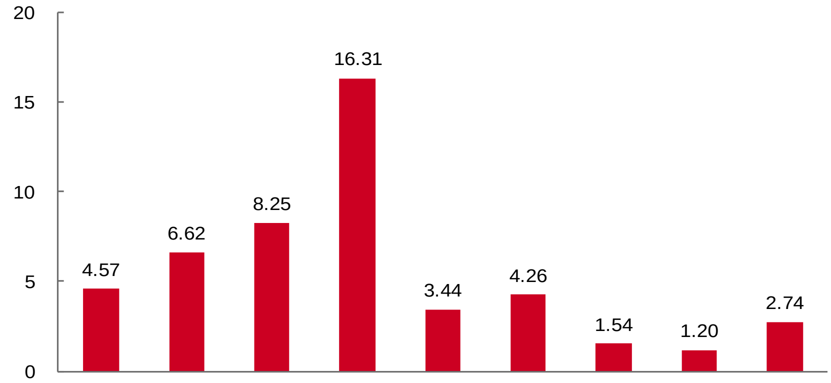
Concentrated Strategy is a focused Japanese equity strategy that aims for above-benchmark return in the mid- to long-term. The portfolio is constructed through investment in undervalued stocks, with careful consideration of risk/return. The strategy takes a bottom-up approach in which the research team 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 market rose, driven by generative AI-related stocks amid hopes for an end to the conflict between the US and Iran. The services and metal products sectors rose on solid earnings results. Meanwhile, the mining sector fell on reduced expectations for earnings growth, stemming from a decline in crude oil prices. Real estate also declined on fears that a rise in domestic long-term interest rates would act as a headwind for its earnings.

In the first part of the month, the Japanese market saw a slight gain as expectations for currency intervention by the Japanese government and BoJ capped its upside. The market then rose, buoyed by better-than-expected US jobs data and growth in US tech stocks, following strong earnings reports from US semiconductor companies. In the middle of the month, the market faced upside resistance due to a rise in long-term rates in both Japan and the US. Additionally, generative AI-related names saw selling pressure after earnings guidance from some electrical wire companies missed market consensus. In the latter part of the month, fears over geopolitical risks eased after Trump indicated progress in negotiations between the US and Iran. The market finished May higher, driven by tech companies following media reports of a US generative AI firm preparing for an IPO.

Composite Performance (%)
Excess Return*



	May	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	10.81	19.83	25.58	60.86	29.29	22.63	19.07	14.95	11.04
Benchmark	6.24	13.21	17.33	44.55	25.85	18.37	17.54	13.75	8.30

Composite Summary		
Composite Name	SJAM Value Mother Fund	
Benchmark	TOPIX Total Return**	
Inception Date	January 2004	
Number of Holdings	71	
Bloomberg Code	SNAMCON	
Assets Under Management	Domestic	JPY 86.8B (USD 545M)
	Overseas	JPY 0B (USD 0M)
	Strategy Total	JPY 86.8B (USD 545M)

Top Ten Holdings	%
KYOCERA CORP	4.32
NTT INC	4.13
OMRON CORP	3.84
SUMITOMO MITSUI TRUST GROUP	3.80
TOYOTA MOTOR CORP	3.77
DAIKIN INDUSTRIES LTD	3.68
HONDA MOTOR CO LTD	2.93
DENSO CORP	2.84
JTEKT CORP	2.82
HIROSE ELECTRIC CO LTD	2.81
Total	34.93

Characteristics	Portfolio	Benchmark
P/E	15.13x	16.11x
P/B	1.16x	1.73x
ROE	7.64%	10.73%
Dividend Yield	2.86%	2.28%

Market Cap	Portfolio	Benchmark
Large	44.5%	67.9%
Mid	45.4%	25.1%
Small	8.1%	7.0%
Others	0.7%	-

* 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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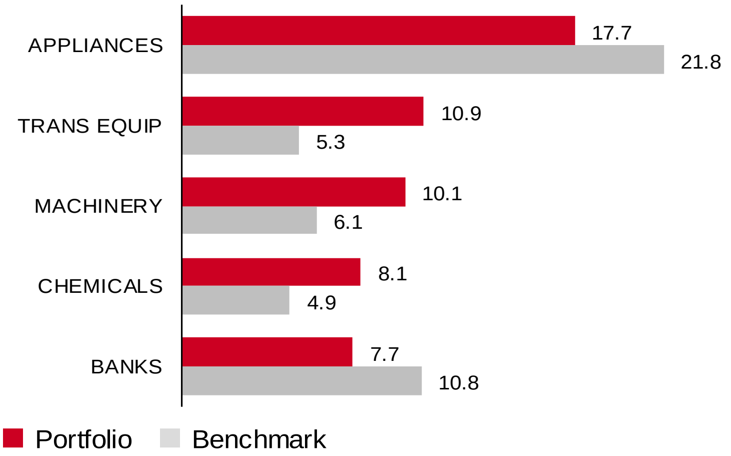
Top Five Sector Weights (%)



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

Attribution Analysis

Both sector allocation and stock selection contributed to performance. In sector allocation, underweighting (UW) of Wholesale and Real Estate, and overweighting (OW) of Metal Prod contributed to performance, while OW of Machinery, Land Trans, and Foods detracted. In stock selection, OW of Sumco, Kyocera, and Murata Manufacturing contributed to performance, while UW of Softbank Group, Recruit Holdings, and Kioxia Holdings detracted. Last month we increased holdings of Mitsui Fudosan, Hirose Electric, and Nissin Foods Holdings and decreased holdings of Murata Manufacturing, Sumco and Kakaku.com.

Outlook

We expect the market will face gradually heavier upside resistance going forward. We believe that earnings forecasts for FY26 will remain robust, particularly for AI and semiconductor companies, which are expected to show high growth on the back of aggressive AI-related investments, despite likely cost increases stemming from the Middle East situation. Meanwhile, valuation (forward P/E) has reached a historical high, primarily driven by some AI and semiconductor names amid lingering uncertainty in the Middle East. While the market will be supported as there is strong equity demand from a high level of share buybacks and the BoJ has relatively accommodative monetary policy compared to the US and Europe, it has already priced in expectations for AI and semiconductor names to a large extent. Therefore, further increases in market expectations are unlikely.

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