SOMPO ASSET MANAGEMENT

Japan Value Equity Concentrated

July 2026

Strategy

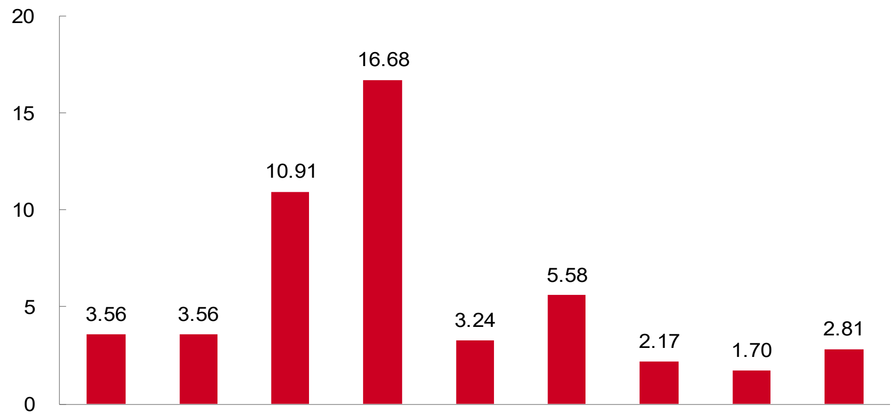
Concentrated Strategy is a focused Japanese equity strategy that aims for above-benchmark return in the mid- to long-term. The portfolio is constructed through investment in undervalued stocks, with careful consideration of risk/return. The strategy takes a bottom-up approach in which the research team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

Despite tech names' underperformance due to fears of excessive investments in AI, other names supported the market. Amid the volatile market, the marine transportation and rubber sectors rose as the market responded positively to their high dividend yields. Meanwhile, the nonferrous metal and glass & ceramic sectors fell as they included AI and semiconductor-related names that had undergone a correction.

In the first part of the month, the Japanese market rose due to diminished expectations for early US rate hikes following the worse-than-expected US jobs data. The market was supported by the BoJ's Tankan survey, which indicated an improvement in domestic business sentiment. Subsequently, major Korean semiconductor names plummeted after the release of their financial results, and this selling spilled over into the domestic market. In the middle of the month, the market's upside was capped by remarks from Fed officials about possible rate hikes. Tech stocks experienced a selloff due to the market fears over the new generative AI model developed by a Chinese company and excessive investments in AI by the US tech giants. In the latter part of the month, the market bounced back, driven by solid earnings results in Japan and the US. As the month drew to a close, the market adopted a wait-and-see stance ahead of the monetary policy meetings in Japan and the US, ending the month below the mid-month high.

Composite Performance (%)
Excess Return*



	Jul	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	3.78	3.78	29.73	55.84	25.99	24.49	19.31	16.06	11.11
Benchmark	0.22	0.22	18.82	39.16	22.75	18.91	17.14	14.36	8.30

Composite Summary		
Composite Name	SJAM Value Mother Fund	
Benchmark	TOPIX Total Return**	
Inception Date	January 2004	
Number of Holdings	66	
Bloomberg Code	SNAMCON	
Assets Under Management	Domestic	JPY 89.6B (USD 563M)
	Overseas	JPY 0B (USD 0M)
	Strategy Total	JPY 89.6B (USD 563M)

Top Ten Holdings	%
TOYOTA MOTOR CORP	4.47
SUMITOMO MITSUI TRUST GROUP	4.13
NTT INC	4.09
DENSO CORP	3.59
DAIKIN INDUSTRIES LTD	3.59
OMRON CORP	3.53
HONDA MOTOR CO LTD	3.17
HIROSE ELECTRIC CO LTD	2.90
NEC CORP	2.89
ASAHI GROUP HOLDINGS LTD	2.81
Total	35.18

Characteristics	Portfolio	Benchmark
P/E	14.48x	15.98x
P/B	1.17x	1.75x
ROE	8.08%	10.94%
Dividend Yield	2.87%	2.26%

Market Cap	Portfolio	Benchmark
Large	45.8%	68.4%
Mid	45.9%	24.6%
Small	6.1%	7.0%
Others	1.2%	-

* 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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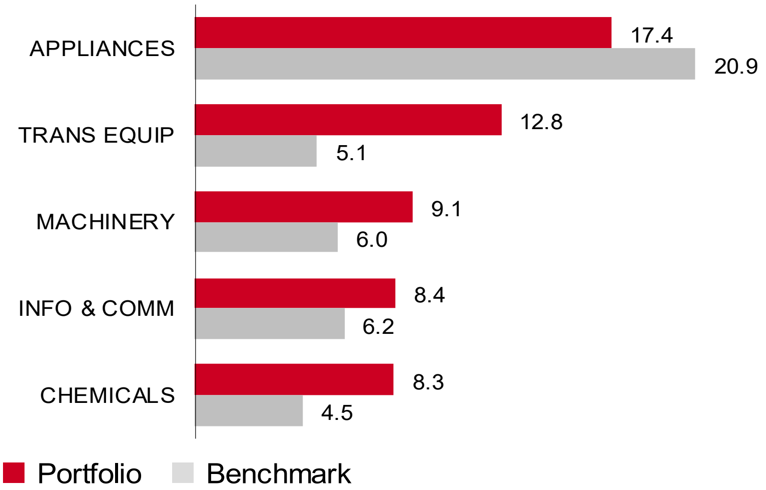
Top Five Sector Weights (%)



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

Attribution Analysis

Both sector allocation and stock selection contributed to performance. In sector allocation, overweighting (OW) of Trans Equip and underweighting (UW) of Nonferrous and Appliances contributed to performance, while UW of Insurance and Wholesale and OW of Chemicals detracted. In stock selection, UW of Tokyo Electron, Murata Manufacturing, and Kioxia Holdings contributed to performance, while UW of Mitsubishi UFJ Financial Group and Hitachi, and OW of SUMCO detracted. Last month we increased holdings of Fanuc, Asahi Group Holdings, and Alfresa Holdings and decreased holdings of Iriso Electronics, Kirin Holdings, and Lintec.

Outlook

We expect the market to remain firm. Valuations (forward P/E), which reflect overall market expectations, are currently at a high level compared to historical averages, primarily driven by optimism surrounding AI and semiconductor names. This market optimism is likely to be sustained given the outlook for continued strong demand for semiconductors and AI-related investments. However, the market could experience short-term volatility due to uncertainty surrounding the monetization of AI investments. We expect the market to remain robust, led by an improvement in fundamentals, not limited to AI and semiconductor-related names. While FY26 earnings forecasts may see some impact from rising costs, stemming from the Middle East situation, the situation has eased more than initially anticipated. We should remain vigilant about a potential market correction, given that share prices have risen rapidly so far. That said, we don't expect a large market correction 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.

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