SOMPO ASSET MANAGEMENT

# Japan Value Equity Concentrated

**September 2026**

## Strategy

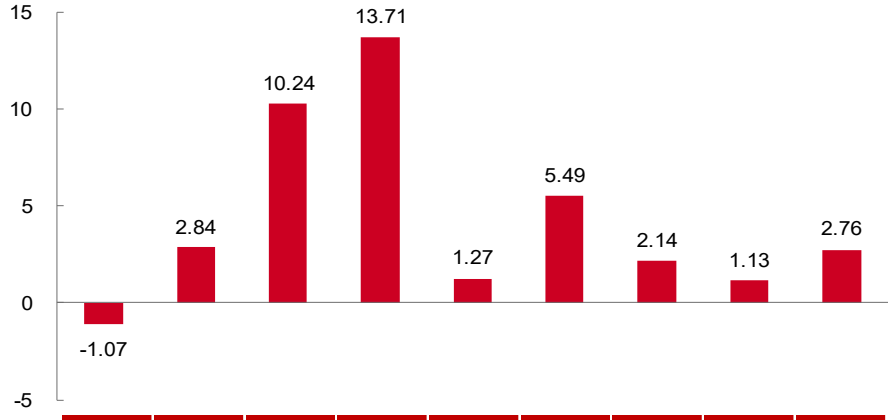
Concentrated Strategy is a focused Japanese equity strategy that aims for above-benchmark return in the mid- to long-term. The portfolio is constructed through investment in undervalued stocks, with careful consideration of risk/return. The strategy takes a bottom-up approach in which the research team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

Rising long-term interest rates and the situation in the Middle East capped the market. The oil and coal products sector gained following underperformance amid elevated crude oil prices. The bank sector also rose on heightened expectations of earnings improvement stemming from rising rates. Meanwhile, the other products sector faced selling, driven by profit-taking on names where expectations for new products and services had already been priced in. The mining sector saw a decline due to perceived overheating from the recent strong performance.

In the first part of the month, the market started lower as surging oil prices triggered by retaliatory strikes between the US and Iran and a subsequent rise in long-term rates globally weighed on the market. Yen appreciation against the US dollar driven by fears over the currency intervention also dragged the market. In the middle of the month, the market rebounded. The FOMC's decision to hike rates and its guidance to signal a prolonged tight monetary policy paused the strong yen, driving buybacks in export-related stocks. Towards the end of the month, the market was mixed. Tech stocks rallied on the back of hopes for continued investments in AI following an announcement of massive capital spending by a US generative AI company. Meanwhile, the gains were capped by concerns over prolonged negotiations between the US and Iran.

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




| | Sep | QTD | YTD | 1Y | 3Y | 5Y | 7Y | 10Y | SI |
|---|---|---|---|---|---|---|---|---|---|
| Composite | -1.35 | 6.63 | 33.30 | 47.63 | 25.07 | 23.49 | 19.45 | 15.79 | 11.16 |
| Benchmark | -0.27 | 3.79 | 23.06 | 33.91 | 23.80 | 17.99 | 17.32 | 14.66 | 8.40 |

| 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 92.1B (USD 586M) |
| | Overseas | JPY 0B (USD 0M) |
| | Strategy Total | JPY 92.1B (USD 586M) |

| Top Ten Holdings | % |
|---|---|
| SUMITOMO MITSUI TRUST GROUP | 4.34 |
| NTT INC | 4.27 |
| TOYOTA MOTOR CORP | 4.14 |
| OMRON CORP | 4.07 |
| DAIKIN INDUSTRIES LTD | 3.45 |
| ASAHI GROUP HOLDINGS LTD | 3.37 |
| DENSO CORP | 3.29 |
| HONDA MOTOR CO LTD | 3.20 |
| FANUC CORP | 2.92 |
| HIROSE ELECTRIC CO LTD | 2.89 |
| Total | 35.94 |

| Characteristics | Portfolio | Benchmark |
|---|---|---|
| P/E | 13.89x | 15.28x |
| P/B | 1.15x | 1.74x |
| ROE | 8.31% | 11.39% |
| Dividend Yield | 2.95% | 2.29% |

| Market Cap | Portfolio | Benchmark |
|---|---|---|
| Large | 44.4% | 68.5% |
| Mid | 46.3% | 24.4% |
| Small | 5.9% | 7.2% |
| Others | 1.4% | - |

* 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.

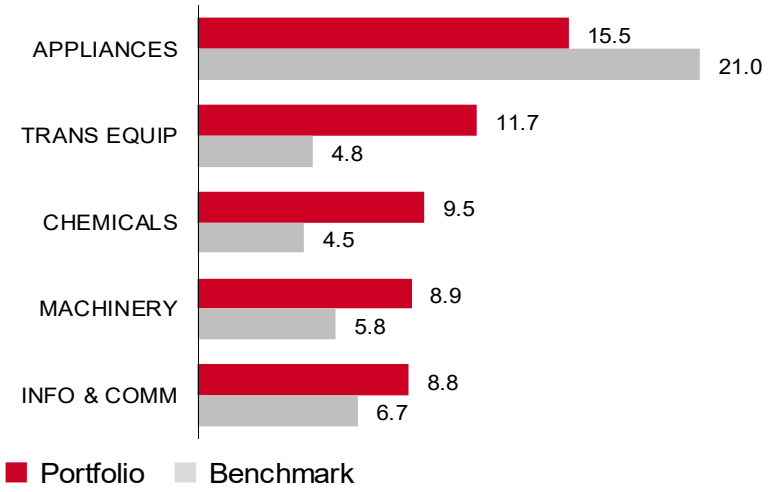
The data shown is of a representative account. Past performance is not a guarantee of future returns.

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## Top Five Sector Weights (%)






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

## Attribution Analysis

Both sector allocation and stock selection detracted from performance. In sector allocation, overweighting (OW) of Info & Comm and underweighting (UW) of Other Prod and Nonferrous contributed to performance, while OW of Trans Equip and Land Trans and UW of Banks detracted. In stock selection, UW of Recruit Holdings and Sony Group and OW of Yamato Holdings contributed to performance, while UW of SoftBank Group and Murata Manufacturing and OW of Asahi Group Holdings detracted. Last month we increased holdings of Shin-Etsu Chemical, Nissin Foods Holdings, and Asahi Group Holdings and decreased holdings of NEC, Kyocera, and Daishi Hokuetsu Financial Group.

## Outlook

We expect the market to remain firm. Valuations (forward P/E) already reflect market expectations to a considerable extent and suggest limited upside potential. FY26 earnings forecasts will likely be less impacted by rising costs driven by the Middle East situation than initially expected. We expect firm, earnings-driven market performance, with improvements

expected across a broad range of sectors beyond AI and semiconductors. We believe there is significant room for a re-rating of non-AI related stocks, while AI-related stocks have already priced in considerably high expectations. We should remain vigilant about a potential market correction, given that the recent rise in long-term rates could put downward pressure on valuations. 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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