

Japan Value Equity Green

February 2025

Strategy

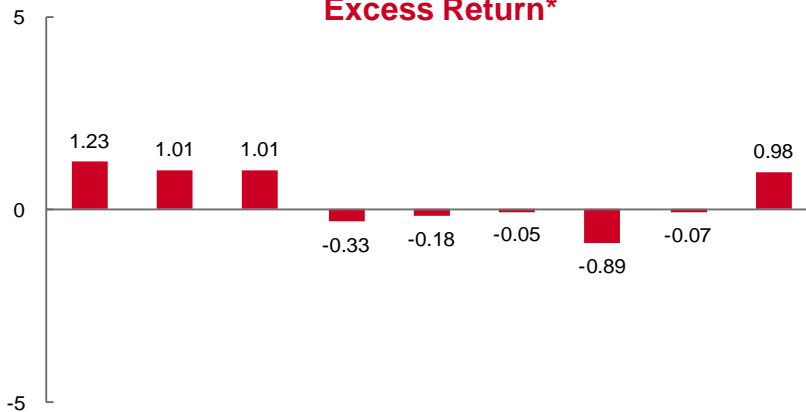
Green Strategy invests in Japanese equities that meet environmental management and investment value criteria, and aims to achieve above-benchmark return in the mid- to long-term. We use a bottom-up approach. The Japanese equity research team analyzes intrinsic value of individual stocks and compares it with market price in order to identify undervalued stocks. Environmental research is conducted by Sompo Risk Management, a leading company in domestic ESG research.

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	%
MITSUBISHI UFJ FINANCIAL GRO	4.94
SUMITOMO MITSUI FINANCIAL GR	3.43
TOYOTA MOTOR CORP	2.88
NIPPON TELEGRAPH & TELEPHONE	2.56
PANASONIC HOLDINGS CORP	2.44
MURATA MANUFACTURING CO LTD	2.43
EAST JAPAN RAILWAY CO	2.34
DAIKIN INDUSTRIES LTD	2.34
ASAHI GROUP HOLDINGS LTD	2.15
TAKEDA PHARMACEUTICAL CO LTD	2.02
Total	27.52

	Feb	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	-2.55	-2.64	-2.64	2.26	15.11	14.84	7.81	8.20	6.01
Benchmark	-3.79	-3.65	-3.65	2.59	15.29	14.89	8.70	8.27	5.03

Composite Summary

Composite Name	Sompo Japan Green Mother Fund	
Benchmark	TOPIX Total Return**	
Inception Date	July 2006	
Number of Holdings	78	
Bloomberg Code	SNAMGRN	
Assets Under Management	Strategy Total	JPY 48B (USD 318M)

Characteristics		
	Portfolio	Benchmark
P/E	12.16x	13.11x
P/B	0.95x	1.29x
ROE	7.81%	9.88%
Dividend Yield	3.32%	2.69%

Market Cap		
	Portfolio	Benchmark
Large	47.0%	66.8%
Mid	46.3%	25.6%
Small	6.2%	7.6%
Others	0.0%	-

* 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).

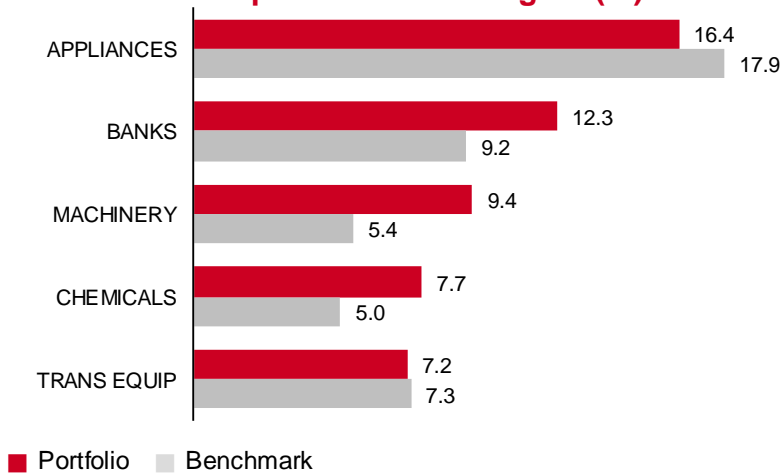
Performance is net of fees.

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 (%)



Yuya Harashima, CMA, CFA
Portfolio Manager
10 years investment experience
8 years at Sompo AM

Attribution Analysis

Both sector allocation and stock selection contributed to performance. In sector allocation, underweighting (UW) of Services and Precision instr an overweighting (OW) of Land Trans contributed to performance, while UW of Other Prod and Insurance and OW of Machinery detracted. In stock selection, OW of Panasonic Holdings and Asahi Group Holdings and UW of Recruit Holdings contributed to performance, while UW of Sony Group and Nintendo and OW of United Arrows detracted. Last month we increased holdings of Comsys Holdings, MinebeaMitsumi, and Sumco and decreased holdings of Shimizu Corporation, K's Holdings, and Panasonic Holdings.

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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