SOMPO ASSET MANAGEMENT

Japan Value Equity Impact

September 2026

Strategy

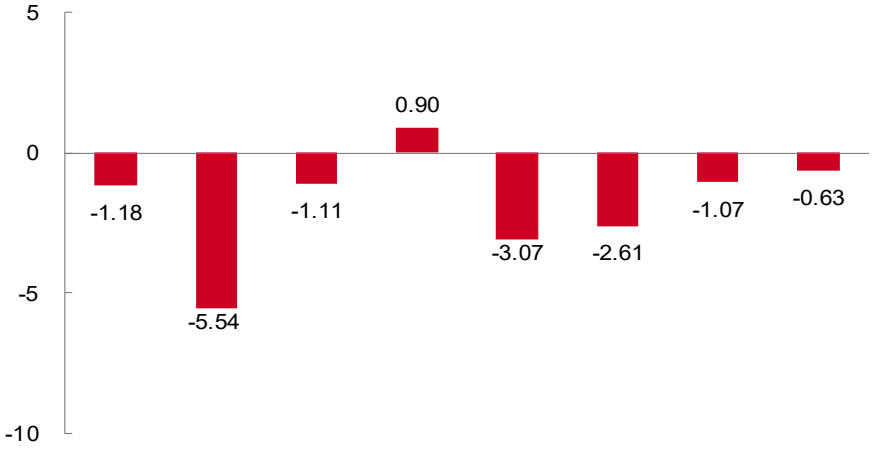
Impact Strategy takes concentrated and long-term positions in Japanese equities proactively rethinking traditional work practices, e.g. through the promotion of female participation in the workforce and diversification, and those with highly stable and profitable businesses top in value-add creation. These are important targets given Japan's declining population. Our equity investment takes a bottom-up approach in which the Japanese equity research team analyzes intrinsic value of individual stocks and compares it with market price in order to identify undervalued stocks.

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	SI
Composite	-1.45	-1.74	21.95	34.81	20.74	15.39	16.25	13.56
Benchmark	-0.27	3.79	23.06	33.91	23.80	17.99	17.32	14.20

Top Ten Holdings	%
TOYOTA MOTOR CORP	6.20
SHIN-ETSU CHEMICAL CO LTD	4.51
TOKYO ELECTRON LTD	4.48
KDDI CORP	4.33
ITOCHU CORP	4.10
MURATA MANUFACTURING CO LTD	3.87
DENSO CORP	3.37
DAIKIN INDUSTRIES LTD	3.17
FANUC CORP	3.16
BRIDGESTONE CORP	2.79
Total	39.99

Characteristics	Portfolio	TOPIX
P/E	15.30x	15.28x
P/B	1.76x	1.74x
ROE	11.49%	11.39%
Dividend Yield	2.62%	2.29%

Market Cap	Portfolio	TOPIX
Large	63.7%	68.5%
Mid	29.5%	24.4%
Small	4.3%	7.2%
Others	0.0%	-

Composite Summary	
Composite Name	Japan Value Equity Impact
Benchmark	TOPIX Total Return**
Inception Date	October 2016
Number of Holdings	40
Assets Under Management	JPY 7.6B (USD 48M)

* Excess return figures are annualized for three years and longer.

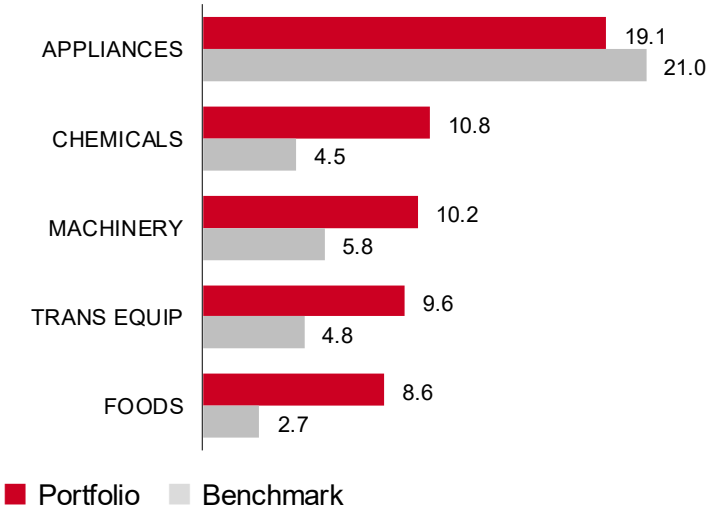
** TOPIX is a market benchmark with functionality as an investable index, covering an extensive proportion of the Japanese stock market. TOPIX is a free-float adjusted market capitalization-weighted index. TOPIX shows the measure of current market capitalization assuming that market capitalization as 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.
This document has been prepared solely for informational purposes and does not constitute an offer to sell securities in any jurisdiction. Actual performance achieved by a client portfolio may be affected by a variety of factors, including the initial balance of the account, the timing and amount of any additions to or withdrawals from the portfolio, changes made to the account to reflect the specific investment needs or preferences of the client, duration and timing of participation as a client, and a client portfolio's risk tolerance, investment objectives and investment time horizon. The returns presented above are net of a model fee of 35bps, which is the highest fee charged to investors.

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Japan Value Equity Impact

Top Five Sector Weights (%)





Hiromasa Tatsuta, CMA
Portfolio Manager
11 years investment experience
10 years at Sompo AM

Attribution Analysis

In stock selection, share price increases for Murata Manufacturing, ITOCHU Corporation, and Tokyo Electron contributed to performance, while share price declines for Toyota Motor, Bridgestone, and Terumo detracted.

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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