

Japan Value Equity Income

November 2024

Strategy

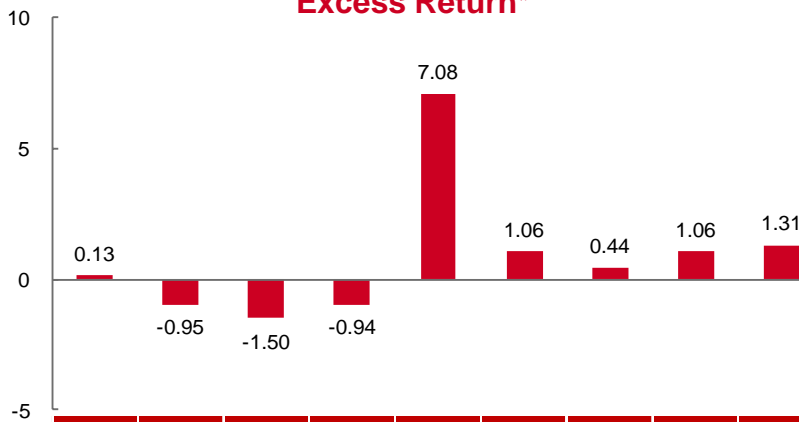
Income Strategy invests in Japanese equities that pay above-market average dividends and aims to beat the benchmark in the mid- to long-term. The portfolio is built by investing in undervalued stocks with careful consideration of risk/return. A bottom-up approach is used. The Japanese equity research team analyzes the intrinsic value of individual stocks and compares it with the market price to identify undervalued stocks. The portfolio is not constrained by sector weights and market caps.

Market Review

Share prices were dragged on by JPY appreciation versus USD, which was caused by concerns over protectionist policies from President-elect Donald Trump, such as increased tariffs, and the shrinking interest rate gap between the two countries. The Banks, Securities, and Insurance sectors rose as investors were positive on increasing domestic interest rates, while the Transportation Equipment and Chemicals sectors fell as investors were negative on potential increased tariffs from Trump.

Share prices were up in the first half of the month as the market was positive on Trump's victory in the US election given his stimulus policies of lowering corporate and income tax. This was despite a slight downtick caused by concerns of additional rate hikes by the BoJ. Concerns over protectionist policies from Trump, such as increased tariffs, and domestic earnings results coming in below investor expectations then weighed on the market. Share prices continued to fall through the end of the month on the release of actual details of tariffs, the drop in US interest rates after Trump publicly picked fiscal hawk Scott Bessent as next Secretary of the Treasury, and JPY appreciating to below JPY150 to 1USD.

Composite Performance (%) Excess Return*



Top Ten Holdings	%
SUMITOMO MITSUI TRUST GROUP	3.02
NIPPON EXPRESS HOLDINGS INC	2.87
NIPPON TELEGRAPH & TELEPHONE	2.78
AGC INC	2.55
mitsui chemicals inc	2.46
NIPPON ELECTRIC GLASS CO LTD	2.35
ARE HOLDINGS INC	2.25
BELLSYSTEM24 HOLDINGS INC	2.10
HONDA MOTOR CO LTD	2.05
TAIYO YUDEN CO LTD	1.99
Total	24.41

Characteristics		
	Portfolio	Benchmark
P/E	10.76x	13.56x
P/B	0.82x	1.33x
ROE	7.64%	9.82%
Dividend Yield	4.21%	2.59%

Market Cap		
	Portfolio	Benchmark
Large	22.8%	67.0%
Mid	52.9%	25.4%
Small	21.9%	7.6%
Others	0.0%	-

Composite Summary

Composite Name	Somp Japan High Dividend Japanese Equity Mother Fund		
Benchmark	TOPIX Total Return**		
Inception Date	July 2005		
Number of Holdings	94		
Bloomberg Code	SNAMINC		
Assets Under Management	Composite (T9891)	JPY 50.3B (USD 335M)	

* 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).

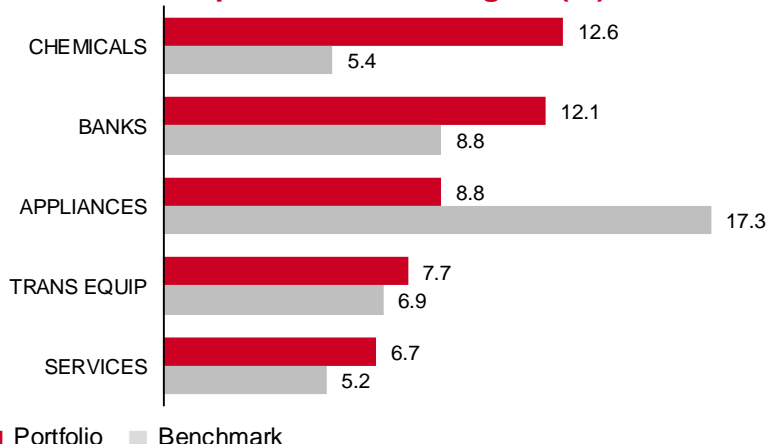
Performance is net of fees.

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 (%)



Yasuhiro Kano, CMA
Senior Portfolio Manager
31 years investment experience
27 years at Sompo AM

Attribution Analysis

While sector allocation contributed to performance, stock selection detracted. In sector allocation, overweighting (OW) of Banks and Textiles and underweighting (UW) of Appliances contributed to performance, while OW of Chemicals and UW of Retail and Insurance detracted. In stock selection, OW of Sumitomo Mitsui Trust Group, The Hachijuni Bank, and Exeo Group contributed to performance, while UW of Sony Group and Mitsubishi UFJ Financial Group and OW of Honda Motor detracted. Last month we increased holdings of Taiyo Yuden, Kyocera, and Inpex and decreased holdings of Toray, Exeo Group, and Mizuho Financial Group.

Outlook

We expect the market will face heavy upside resistance over the near term.

While concerns about the slowing US economy remain, Japanese corporate earnings will likely grow on the back of a recovery in domestic real wages and capital efficiency improvement measures implemented by companies following pressure from the Tokyo Stock Exchange (TSE). Share prices do not look overvalued given current general valuation metrics such as forward P/E. However, downward pressure on share prices will likely increase because of concerns of increased tariffs from the US and worries that JPY will continue to appreciate on the back of divergent monetary policy between the US and Japan. 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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