

Japan Value Equity Income

May 2025

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

The Japanese market rose in May on expectations for softer tariff policy out of the Trump administration in the US. The rise was led by the non-ferrous sector, which grew on expectations for increased demand for telecommunication cables following the announcement of a large data centre construction project in the Middle East, and the banks sector, which grew on expectations for wider net interest margins following the increase in Japanese interest rates.

The market rose in the first half of the month as the BoJ left rates unchanged at its monetary policy meeting and Trump tariff policy fears weakened following the US and the UK coming to a trade deal. The market then rocked back and forth through the middle of the month despite the US and China agreeing to lower the additional tariffs they had imposed on each other as conservative earnings guidance weighed on sentiment. Share prices then rose again through the end of the month despite US long-term rates rising on the back of concerns over worsening fiscal conditions as the US agreed to postpone the imposition of tariffs on the EU and Nvidia released strong earnings results.

Composite Performance (%) Excess Return*



	May	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	3.37	1.14	3.28	5.56	19.54	18.45	10.42	8.41	7.96
Benchmark	5.10	5.45	1.83	3.58	16.44	15.09	9.60	7.77	6.64

Composite Summary

Composite Name	Sompo Japan High Dividend Japanese Equity Mother Fund	
Benchmark	TOPIX Total Return**	
Inception Date	July 2005	
Number of Holdings	95	
Bloomberg Code	SNAMINC	
Assets Under Management	Composite (T9891)	JPY 53.1B (USD 368M)

Top Ten Holdings	%
NIPPON TELEGRAPH & TELEPHONE	3.27
SUMITOMO MITSUI TRUST GROUP	3.00
NIPPON EXPRESS HOLDINGS INC	2.81
MITSUMI CHEMICALS INC	2.41
AGC INC	2.21
HONDA MOTOR CO LTD	2.21
TAIYO YUDEN CO LTD	2.15
JAPAN POST BANK CO LTD	2.07
BELLSYSTEM24 HOLDINGS INC	1.99
INFRONEER HOLDINGS INC	1.96
Total	24.08

Characteristics

	Portfolio	Benchmark
P/E	11.37x	13.96x
P/B	0.83x	1.36x
ROE	7.28%	9.74%
Dividend Yield	4.16%	2.65%

Market Cap

	Portfolio	Benchmark
Large	27.9%	66.7%
Mid	50.2%	25.7%
Small	19.1%	7.5%
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).

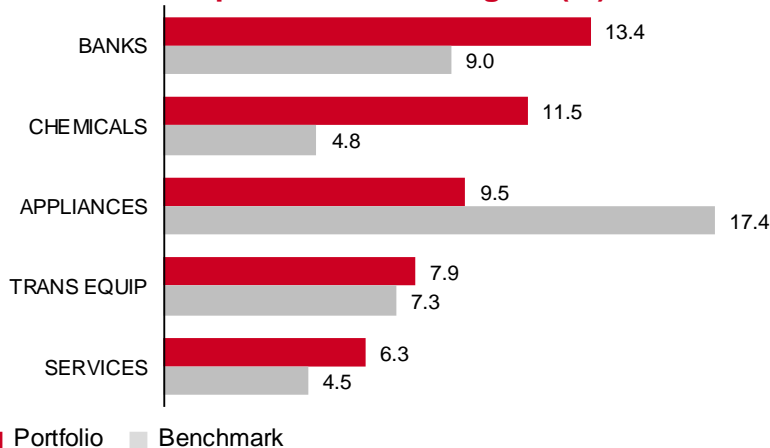
Performance is net of fees.

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 (%)



Satoshi Sasaki, CMA
Portfolio Manager
9 years investment experience
9 years at Sompo AM

Attribution Analysis

Sector allocation contributed to performance while stock selection detracted. In sector allocation, overweighting (OW) of Nonferrous and Banks and underweighting (UW) of Precision Instr contributed to performance, while OW of Paper and Construction and UW of Appliances detracted. In stock selection, OW of Nihon M&A Center, Sumitomo Mitsui Trust, and Taiyo Yuden contributed to performance, while UW of Hitachi and Mitsubishi Heavy Industries and OW of AGC detracted. Last month we increased holdings of Aisin, Asahi Group Holdings, and Nihon M&A Center and decreased holdings of en Japan, North Pacific Bank, and Goldcrest.

Outlook

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

Japanese corporate earnings will likely be positively impacted by a recovery in domestic real wages and capital efficiency improvement measures implemented by companies following pressure from the Tokyo Stock Exchange (TSE) but may stagnate because of negative impacts from additional Trump tariffs. Valuation metrics like forward P/E fell significantly on concerns over additional tariffs but have already recovered from this because of expectations over negotiations between the US and individual countries. The market will now likely bounce back and forth according to news flow concerning the tariffs. We believe that share price will be supported by strong equity demand from the high level of large-scale share buybacks seen recently and the BoJ having relatively accommodative monetary policy compared to the US and Europe but that investor sentiment will unlikely rise until it is clear where Trump tariff policy will ultimately end up.

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