

Japan Value Equity Income

June 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

Japanese market prices rose on increased expectations for rate cuts in the US following the drop in geopolitical risk in the Middle East. Growth outperformed value as long-term interest rates fell on the increase in expectations for the Fed to cut rates.

The market ended the first half of the month little changed. It was weighed down by concern over harsher tariff policy out of the US but was supported by decreased concerns over a potential recession in the US following better-than-expected US jobs data. For most of the second half of the month the market continued to seesaw back and forth. While investors were negative on increased geopolitical risk in the Middle East following Israeli attacks on Iranian nuclear facilities, they were positive on progress in talks between the US and China to reduce trade tensions. The market then rose at the end of the month despite the US attacking Iran as investors were positive on the ceasefire agreement between Israel and Iran and a Fed official stating support for early rate cuts.

Composite Performance (%) Excess Return*



	Jun	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	1.34	2.50	4.66	6.99	19.01	19.15	10.71	8.93	8.00
Benchmark	1.96	7.52	3.83	4.10	18.00	15.58	10.02	8.25	6.72

Composite Summary

Composite Name	Sompo Japan High Dividend Japanese Equity Mother Fund	
Benchmark	TOPIX Total Return**	
Inception Date	July 2005	
Number of Holdings	97	
Bloomberg Code	SNAMINC	
Assets Under Management	Composite (T9891)	JPY 54B (USD 374M)

Top Ten Holdings	%
NIPPON TELEGRAPH & TELEPHONE	3.09
NIPPON EXPRESS HOLDINGS INC	2.98
SUMITOMO MITSUI TRUST GROUP	2.88
MITSUI CHEMICALS INC	2.41
TAIYO YUDEN CO LTD	2.21
AGC INC	2.15
HONDA MOTOR CO LTD	2.06
JAPAN POST BANK CO LTD	2.03
BELLSYSTEM24 HOLDINGS INC	2.01
INFRONEER HOLDINGS INC	1.98
Total	23.81

Characteristics		
	Portfolio	Benchmark
P/E	11.34x	14.44x
P/B	0.83x	1.39x
ROE	7.35%	9.62%
Dividend Yield	4.20%	2.62%

Market Cap		
	Portfolio	Benchmark
Large	29.0%	66.4%
Mid	49.1%	25.9%
Small	18.5%	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).

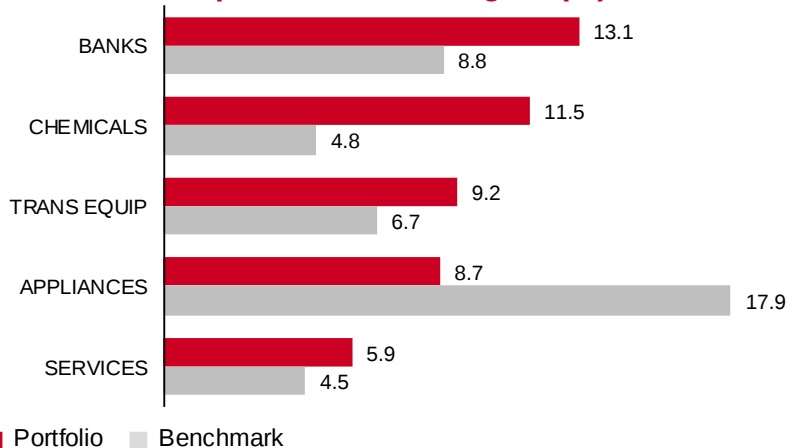
Performance is net of fees.

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 (%)



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

Attribution Analysis

Sector allocation detracted from performance while stock selection contributed. In sector allocation, underweighting (UW) of Insurance, and Wholesale and overweighting (OW) of Nonferrous contributed to performance, while UW of Other Prod, Appliances, and Info & Comm detracted. In stock selection, UW of Toyota Motor and Sony Group and OW of Nippon Express Holdings contributed to performance, while UW of SoftBank Group, Nintendo, and Advantest detracted. Last month we increased holdings of Toyota Motor, Sekisui House, and Nisshin Flour Milling and decreased holdings of Hamamatsu Photonics, Persol Holdings, and Sundrug.

Outlook

We expect the market will continue to face heavy upside resistance. There is an increasing likelihood that Japanese corporate earnings will enter a period of stagnation as despite positives from a recovery in domestic real wages and capital efficiency improvement measures implemented by companies following pressure from the Tokyo Stock Exchange (TSE), additional Trump tariffs are expected to have a negative impact. Valuation metrics like forward P/E are already above undervalued levels despite there still being no clear outlook on how tariffs will ultimately end up as the overall market has been pushed up by a small number of stocks. We believe caution is needed over the short term as there is a growing opinion amongst investors that the Fed will cut rates early to counter a slowdown in the US economy. That said, we do not foresee any large fall in the Japanese market as there is strong equity demand from the high level of large-scale share buybacks seen recently and the BoJ has relatively accommodative monetary policy compared to the US and Europe.

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