SOMPO ASSET MANAGEMENT

Japan Value Equity Income

November 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 remained firm in November, despite alarm over the high prices of AI and data centre stocks putting downward pressure on prices as expectations for a rate cut by the Fed in December supported sentiment. The mining and real estate sectors saw growth because of strong Jul–Sep earnings and the announcement of bolstered shareholder returns. The info & Comms sector fell because of heightened concerns of increased competition in the AI space. In the first half of the month, fears of an economic slowdown receded following the end of the US government shutdown. The Japanese market rose on the back of strong Jul–Sep earnings results. Share prices then fell as investors stood back in anticipation of results announcements from US semiconductor majors and top US finance professionals began to sound the alarm on stretched valuations. The market then bounced back upwards through the end of the month as expectations for a rate cut grew on comments from top Fed officials that they will support a cut at the December FOMC meeting. Long-term rates rose in Japan because of increased concerns over government finances caused by the Takaichi cabinet's economic support measures. Subsequent JPY depreciation focused investors buying activity mainly on exporters, leading to growth in the Japanese market.

Composite Performance (%)
Excess Return*

	Nov	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	5.23	7.22	29.47	33.55	25.80	22.91	14.43	11.61	8.96
Benchmark	1.42	7.71	24.18	29.17	22.33	16.78	13.34	10.46	7.52

Top Ten Holdings	%
TOYOTA MOTOR CORP	3.43
SUMITOMO MITSUI TRUST GROUP	2.81
NTT INC	2.59
MITSUI CHEMICALS INC	2.51
SUMITOMO METAL MINING CO LTD	2.37
TAIYO YUDEN CO LTD	2.34
AGC INC	2.27
ASAHI GROUP HOLDINGS LTD	2.25
JAPAN POST BANK CO LTD	2.03
HONDA MOTOR CO LTD	1.93
Total	24.54

Characteristics

	Portfolio	Benchmark
P/E	12.76x	15.57x
P/B	0.99x	1.58x
ROE	7.75%	10.12%
Dividend Yield	3.55%	2.37%

Market Cap

	Portfolio	Benchmark
Large	32.5%	67.8%
Mid	47.5%	25.0%
Small	18.4%	7.2%
Others	0.0%	-

Composite Summary

Composite Name	Sompo Japan High Dividend Japanese Equity Mother Fund	
Benchmark	TOPIX Total Return**	
Inception Date	July 2005	
Number of Holdings	96	
Bloomberg Code	SNAMINC	
Assets Under Management	Composite (T9891)	JPY 65.7B (USD 421M)

* 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.

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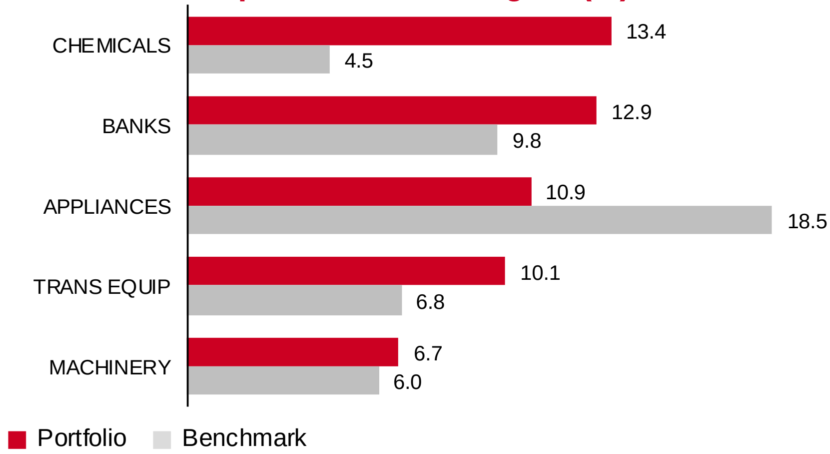
Top Five Sector Weights (%)



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

Attribution Analysis

Both sector allocation and stock selection contributed to performance. In sector allocation, underweighting (UW) of Info & Comm and Appliances and overweighting (OW) of Construction contributed to performance, while UW of Retail, Real Estate, and Wholesale detracted. In stock selection, UW of SoftBank Group and Mitsubishi Heavy Industries and OW of ARE Holdings contributed to performance, while OW of Taiyo Yuden, Hirose Electric, and Nabtesco detracted. Last month we increased holdings of Rohm, Sumitomo Metal Mining, and Shin-Etsu Chemical and decreased holdings of Infroneer Holdings, Aisin, and Inpex.

Outlook

We urge caution over the near term given that despite the recent market correction centring on some overvalued AI stocks, valuation metrics like forward P/E are still not at undervalued levels given continued expectations around further rate cuts in the US and increased investment in AI. However, corporate earnings forecasts have been recovering since the Japan and the US came to an agreement on tariffs and we expect further improvements as companies revise their conservative assumptions. We do not foresee any large fall in the Japanese market as there is strong equity demand from a high level of large-scale share buybacks and the BoJ has relatively accommodative monetary policy compared to the US and Europe. We believe it will still take some time before we see serious fundamentals-driven market growth but given forecasts for earnings growth next year and beyond, we believe we are currently in the midst of a medium to long-term growth period.

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