



Japan Value Equity Income

December 2025

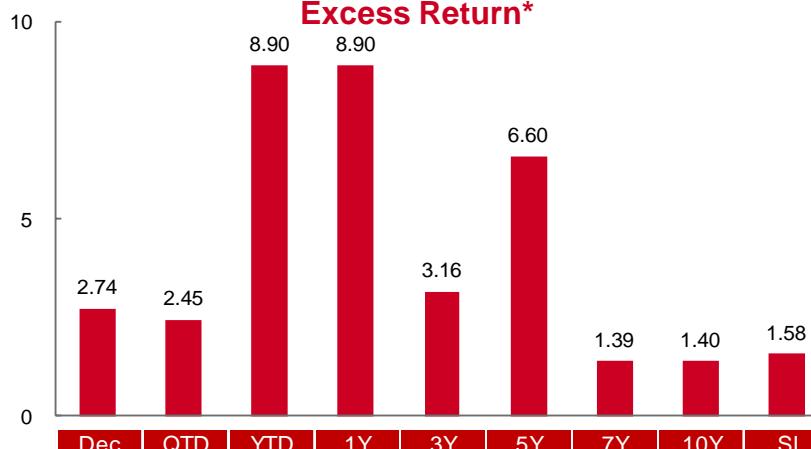
Strategy

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

Despite Japanese and US monetary policy creating reason for market movement, the reduction in market participants through the year-end kept TOPIX range-bound. By sector, insurance and banks rose on expectations for earnings improvements following the BoJ's decision to raise rates. The other products sector fell on concerns over earnings deterioration following the increase in price of semiconductors. The Japanese market was weak at the beginning of the month as expectations rose for a rate hike at the BoJ's December Monetary Policy Meeting following hints from Governor Kazuo Ueda. However, market prices then recovered on expectations for a Fed rate cut following the release of US economic data that hinted at an economic slowdown. Shares then fell again in the middle of the month despite a Fed rate cut due to a dry-up in catalysts. However, share prices held firm as expectations rose for further rate cuts in the US on weaker-than-expected US CPI. Buying activity was focused on exporters as despite the BoJ's decision to raise rates at its monetary policy meeting, comments from Ueda caused JPY to weaken versus USD. The market lacked any clear sense of direction through the end of the month given low trading volumes.

Composite Performance (%) Excess Return*



Top Ten Holdings	%
TOYOTA MOTOR CORP	3.56
SUMITOMO MITSUI TRUST GROUP	2.88
NTT INC	2.54
MITSUI CHEMICALS INC	2.47
TAIYO YUDEN CO LTD	2.44
AGC INC	2.41
SUMITOMO METAL MINING CO LTD	2.37
JAPAN POST BANK CO LTD	2.32
ASAHI GROUP HOLDINGS LTD	1.98
HONDA MOTOR CO LTD	1.83
Total	24.79

Characteristics	Portfolio	Benchmark
P/E	12.94x	15.49x
P/B	1.03x	1.59x
ROE	7.93%	10.27%
Dividend Yield	3.47%	2.38%

Market Cap	Portfolio	Benchmark
Large	32.3%	68.0%
Mid	49.1%	24.8%
Small	17.3%	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	98		
Bloomberg Code	SNAMINC		
Assets Under Management	Composite (T9891)	JPY 67.7B (USD 433M)	

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

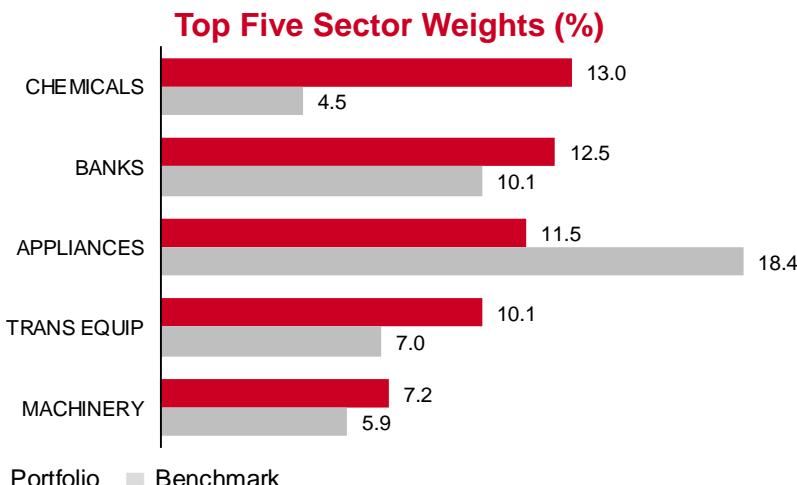
** TOPIX is a market benchmark with functionality as an investable index, covering an extensive proportion of the Japanese stock market. TOPIX is a free-float adjusted market capitalization-weighted index. TOPIX shows the measure of current market capitalization assuming that market capitalization as 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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Japan Value Equity Income



■ Portfolio ■ Benchmark



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 Other Prod and Retail and overweighting (OW) of Banks contributed to performance, while UW of Insurance and Wholesale and OW of Foods detracted. In stock selection, OW of Sumitomo Metal Mining and Solast and UW of Sony Group contributed to performance, while OW of Asahi Group Holdings and UW of Mitsui & Co., and Recruit Holdings detracted. Last month we increased holdings of Socionext, Tobu Railway, and Sundrug and decreased holdings of Osaka Gas, Mizuho Financial Group, and Solast.

Outlook

Corporate earnings forecasts have been rising since Japan and the US came to agreement on trade talks and it is looking likely that earnings will continue to rise in the coming fiscal year too. However, we believe caution is needed over the near term as valuations (forward P/E, etc) have been on a consistent upwards path recently, driven by positive factors like expectations for strong earnings, lower US rates, and increased investment in AI. That said, we believe market downside will be limited 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.

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