

Japan Value Equity Income

January 2026

Strategy

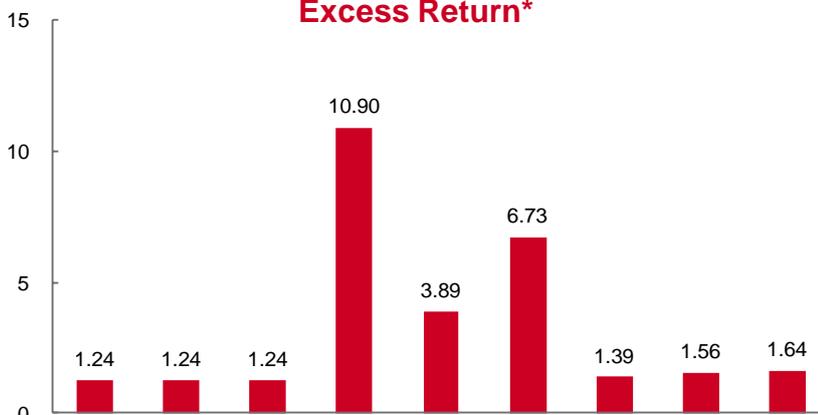
Income Strategy invests in Japanese equities that pay above-market average dividends and aims to beat the benchmark in the mid- to long-term. The portfolio is built by investing in undervalued stocks with careful consideration of risk/return. A bottom-up approach is used. The Japanese equity research 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

Expectations for aggressive fiscal policy pushed the market up following reports of a snap general election. The non-ferrous and oil & coal products sectors rose on heightened expectations for earnings improvements following the increase in commodity prices. The services and information & communication sectors fell because of their high percentage of growth stocks when interest rate increases were creating headwinds.

The Japanese equity market rose in the first part of the month because of expectations for expansionary fiscal policy driven by the outlook that the Takaichi administration would call a snap general election. Share prices then fell in the middle of the month despite prospects for an LDP majority as long-term interest rates rose rapidly on alarm over fiscal expansion and oversupply of super-longes as well as tensions between Europe and the US concerning Greenland. The market fell further in the latter part of the month despite brief rises as JPY appreciated against USD on heightened concerns of currency intervention from Japanese and US authorities. Share prices then saw upside resistance through the end of the month as investors held off in the run-up to earnings season for both Japan and the US.

Composite Performance (%) Excess Return*



	Jan	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	5.86	5.86	5.86	41.97	28.65	24.08	16.61	13.71	9.38
Benchmark	4.62	4.62	4.62	31.07	24.76	17.34	15.22	12.15	7.74

Composite Summary

Composite Name	Sompo Japan High Dividend Japanese Equity Mother Fund	
Benchmark	TOPIX Total Return**	
Inception Date	July 2005	
Number of Holdings	99	
Bloomberg Code	SNAMINC	
Assets Under Management	Composite (T9891)	JPY 71.5B (USD 463M)

Top Ten Holdings	%
TOYOTA MOTOR CORP	3.52
SUMITOMO MITSUI TRUST GROUP	2.93
JAPAN POST BANK CO LTD	2.73
NTT INC	2.66
MITSUI CHEMICALS INC	2.65
AGC INC	2.51
TAIYO YUDEN CO LTD	2.12
SEKISUI HOUSE LTD	1.97
ASAHI GROUP HOLDINGS LTD	1.84
KUBOTA CORP	1.83
Total	24.77

Characteristics

	Portfolio	Benchmark
P/E	13.27x	15.92x
P/B	1.09x	1.65x
ROE	8.22%	10.38%
Dividend Yield	3.38%	2.31%

Market Cap

	Portfolio	Benchmark
Large	32.5%	68.0%
Mid	50.3%	24.9%
Small	16.2%	7.1%
Others	0.0%	-

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

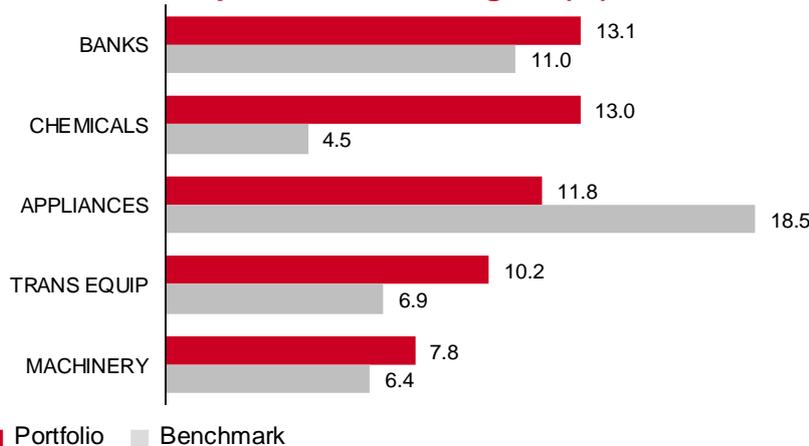
** TOPIX is a market benchmark with functionality as an investable index, covering an extensive proportion of the Japanese stock market. TOPIX is a free-float adjusted market capitalization-weighted index. TOPIX shows the measure of current market capitalization assuming that market capitalization as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

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 overweighting (OW) of Nonferrous and Banks contributed to performance, while UW of Wholesale and OW of Foods and Land Trans detracted. In stock selection, OW of Sumitomo Metal Mining and Japan Post Bank and UW of Sony Group contributed to performance, while UW of Advantest and Tokyo Electron and OW of Taiyo Yuden detracted. Last month we increased holdings of ABC-MART, Omron, and Otsuka Corporation and decreased holdings of Sumitomo Metal Mining, Asahi Kasei, and Solast.

Outlook

We expect the market to fluctuate. Corporate earnings forecasts have been rising since Japan and the US came to agreement on trade talks and it looks highly likely that earnings will continue to rise in the coming fiscal year as well. However, we believe caution is needed over the near term as valuations (forward P/E, etc) are already at historical highs, driven by strong corporate earnings, prospects for a stable political situation following the general election, and expectations for increased investment in AI globally. 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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