

Japan Value Equity Income

February 2026

Strategy

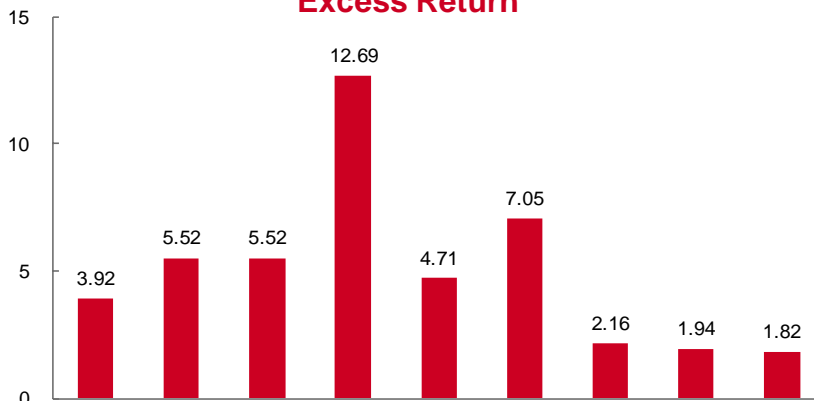
Income Strategy invests in Japanese equities that pay above-market average dividends and aims to beat the benchmark in the mid- to long-term. The portfolio is built by investing in undervalued stocks with careful consideration of risk/return. A bottom-up approach is used. The Japanese equity research 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 large scale fiscal spending and accommodative monetary policy pushed the market up following the ruling Liberal Democratic Party (LDP)'s landslide victory at a general election. The non-ferrous sector rose on expectations for earnings growth from generative AI related demand. The services and information & communication sectors fell on fears that some of their business may be replaced by generative AI.

The Japanese equity market rose in the first part of the month on the back of political stability and expectations for aggressive economic measures following the LDP's big win at the lower house election. Share prices then saw upside resistance in the middle of the month as the market was showing signs of overheating with the lack of news flow after the earnings season for Japanese companies. The below-consensus GDP growth increased concerns over the Japanese economy and weighed on the market. The market rebounded on eased fears over global economy in the latter part of the month as the US Supreme Court struck down Trump's reciprocal tariffs. Share prices rose through the end of the month on reduced expectations for early rate hikes as the candidates for the BOJ board members proposed by the government were considered to be cautious for rate hikes.

Composite Performance (%) Excess Return*



	Feb	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	14.39	21.09	21.09	63.18	33.28	26.02	18.61	16.34	10.05
Benchmark	10.47	15.57	15.57	50.49	28.57	18.97	16.45	14.39	8.23

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 81.2B (USD 520M)

Top Ten Holdings	%
TOYOTA MOTOR CORP	3.88
SUMITOMO MITSUI TRUST GROUP	2.76
AGC INC	2.68
MITSUI CHEMICALS INC	2.65
NTT INC	2.60
JAPAN POST BANK CO LTD	2.20
KUBOTA CORP	2.16
TAIYO YUDEN CO LTD	2.05
SEKISUI HOUSE LTD	1.92
OMRON CORP	1.85
Total	24.75

Characteristics		
	Portfolio	Benchmark
P/E	14.88x	17.20x
P/B	1.19x	1.77x
ROE	7.99%	10.27%
Dividend Yield	3.01%	2.12%

Market Cap		
	Portfolio	Benchmark
Large	32.1%	67.5%
Mid	52.2%	25.3%
Small	15.2%	7.2%
Others	0.0%	-

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

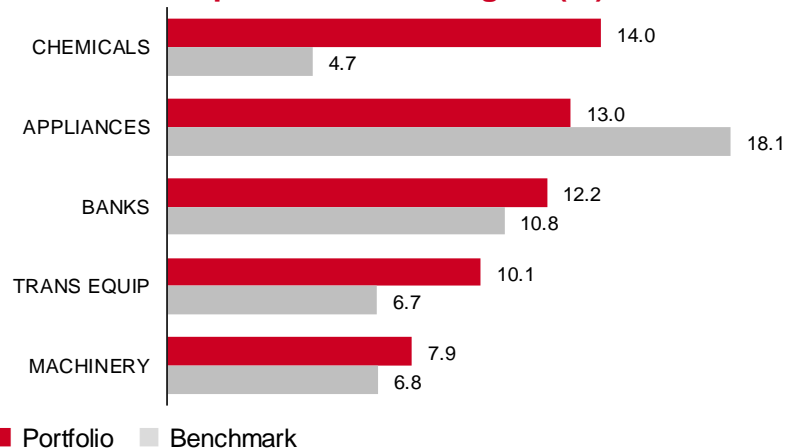
** TOPIX is a market benchmark with functionality as an investable index, covering an extensive proportion of the Japanese stock market. TOPIX is a free-float adjusted market capitalization-weighted index. TOPIX shows the measure of current market capitalization assuming that market capitalization as 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, overweighting (OW) of Chemicals and Glass & Ceramic, and underweighting (UW) of Info & Comm contributed to performance, while UW of Wholesale, Nonferrous, and Real Estate detracted. In stock selection, OW of Taiyo Yuden, Omron, and Kubota contributed to performance, while UW of Mitsubishi Corporation and Sumitomo Electric Industries and OW of NTT detracted. Last month we increased holdings of Otsuka Corporation, Socionext, and Toyota Motor and decreased holdings of Taiyo Yuden, ARE Holdings, and Japan Post Bank.

Outlook

We expect the market will fluctuate around the recent bottom but show signs of a potential recovery. While we should watch the situation surrounding Iran, we expect the market will gradually regain a sense of calm as long as it doesn't lead to further escalation to the war and prolonged high energy prices. It looks highly likely that corporate earnings will continue to rise in the coming fiscal year given smaller negative impacts from Trump tariffs. We believe historically high valuations (forward P/E, etc) will be warranted, driven by strong corporate earnings, expectations for the Takaichi administration following the LDP's landslide victory at the lower house election and further improvement to corporate governance if the situation in the Middle East eases quickly. The market will be supported 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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