SOMPO ASSET MANAGEMENT

Japan Value Equity Income

September 2026

Strategy

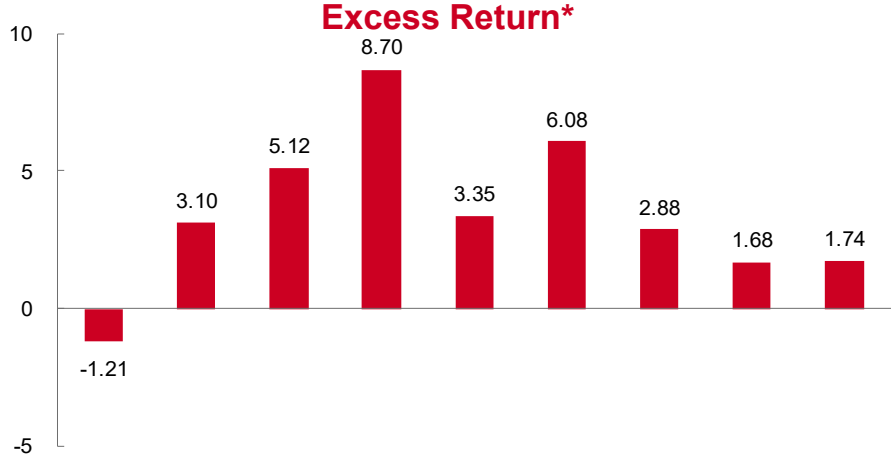
Income Strategy invests in Japanese equities that pay above-market average dividends and aims to beat the benchmark in the mid- to long-term. The portfolio is built by investing in undervalued stocks with careful consideration of risk/return. A bottom-up approach is used. The Japanese equity research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

Rising long-term interest rates and the situation in the Middle East capped the market. The oil and coal products sector gained following underperformance amid elevated crude oil prices. The bank sector also rose on heightened expectations of earnings improvement stemming from rising rates. Meanwhile, the other products sector faced selling, driven by profit-taking on names where expectations for new products and services had already been priced in. The mining sector saw a decline due to perceived overheating from the recent strong performance.

In the first part of the month, the market started lower as surging oil prices triggered by retaliatory strikes between the US and Iran and a subsequent rise in long-term rates globally weighed on the market. Yen appreciation against the US dollar driven by fears over the currency intervention also dragged the market. In the middle of the month, the market rebounded. The FOMC's decision to hike rates and its guidance to signal a prolonged tight monetary policy paused the strong yen, driving buybacks in export-related stocks. Towards the end of the month, the market was mixed. Tech stocks rallied on the back of hopes for continued investments in AI following an announcement of massive capital spending by a US generative AI company. Meanwhile, the gains were capped by concerns over prolonged negotiations between the US and Iran.

Composite Performance (%)
Excess Return*



	Sep	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	-1.49	6.89	28.18	42.62	27.15	24.08	20.19	16.34	10.06
Benchmark	-0.27	3.79	23.06	33.91	23.80	17.99	17.32	14.66	8.31

Top Ten Holdings	%
TOYOTA MOTOR CORP	3.90
NTT INC	3.23
SUMITOMO MITSUI TRUST GROUP	3.21
OTSUKA CORP	3.09
MITSUI CHEMICALS INC	2.94
ASAHI GROUP HOLDINGS LTD	2.79
AGC INC	2.29
HONDA MOTOR CO LTD	2.08
SEKISUI HOUSE LTD	2.04
ZEON CORP	1.98
Total	27.56

Characteristics	Portfolio	Benchmark
P/E	12.76x	15.28x
P/B	1.15x	1.74x
ROE	8.99%	11.39%
Dividend Yield	3.38%	2.29%

Market Cap	Portfolio	Benchmark
Large	41.0%	68.5%
Mid	45.3%	24.4%
Small	11.7%	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	95	
Bloomberg Code	SNAMINC	
	Domestic	JPY 88.5B (USD 563M)

* 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.

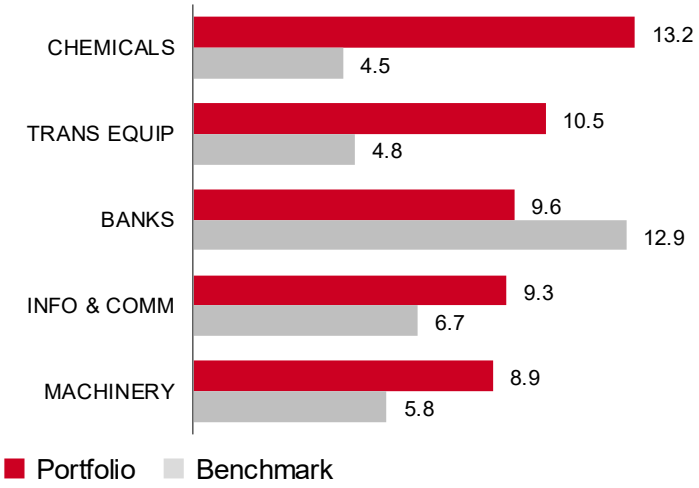
The data shown is of a representative account. Past performance is not a guarantee of future returns.

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Top Five Sector Weights (%)





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

Attribution Analysis

Both sector allocation and stock selection detracted from performance. In sector allocation, overweighting (OW) of Info & Comm and underweighting (UW) of Services and Precision Instr contributed to performance, while OW of Trans Equip and UW of Appliances and Insurance detracted. In stock selection, UW of Recruit Holdings and Sony Group and OW of Socionext contributed to performance, while UW of SoftBank Group and Murata Manufacturing and OW of Asahi Group Holdings detracted. Last month we increased holdings of East Japan Railway, Shin-Etsu Chemical, and DTS and decreased holdings of artience, Sumitomo Mitsui Trust Group, and Astellas Pharma.

Outlook

We expect the market to remain firm. Valuations (forward P/E) already reflect market expectations to a considerable extent and suggest limited upside potential. FY26 earnings forecasts will likely be less impacted by rising costs driven by the Middle East situation than initially expected. We expect firm, earnings-driven market performance, with improvements
expected across a broad range of sectors beyond AI and semiconductors. We believe there is significant room for a re-rating of non-AI related stocks, while AI-related stocks have already priced in considerably high expectations. We should remain vigilant about a potential market correction, given that the recent rise in long-term rates could put downward pressure on valuations. That said, we don't expect a large market correction as there is strong equity demand from a high level of share buybacks and the BoJ has relatively accommodative monetary policy compared to the US and Europe.

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