

Japan Value Equity Large Cap

September 2024

Strategy

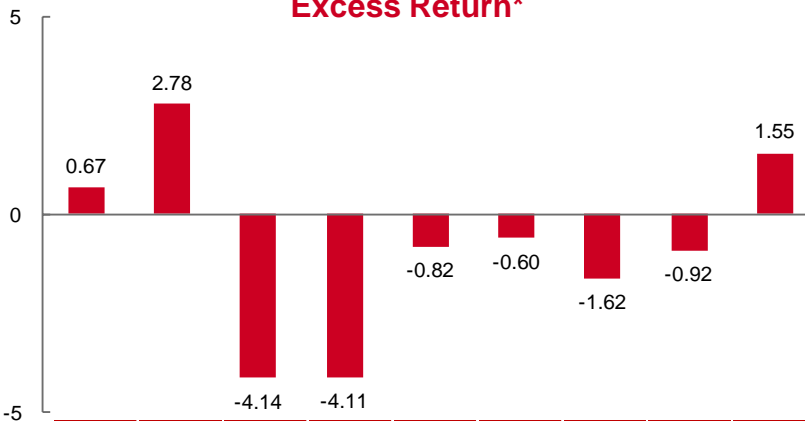
Large Cap Strategy is a focused, Japanese large/mid-cap equity strategy that aims for above-benchmark return in the mid- to long-term. The portfolio managers build the portfolio by investing in undervalued stocks with careful consideration of risk/return. A bottom-up approach is used. The Japanese equity research team analyzes the intrinsic value of individual stocks and compares it with market price to identify undervalued stocks. The portfolio is not constrained by sector weights.

Market Review

Japanese equities fell as the market was bearish on JPY appreciation versus USD, stemming from a narrowing interest rate differential between Japan and the US and Shigeru Ishiba chosen as the ruling Liberal Democratic Party (LDP)'s new leader, although the market was bullish on China's large-scale economic stimulus measures. Air Transportation and Warehousing & Harbor Transportation Services stocks rose as they are relatively less impacted by the JPY appreciation. However, Mining stocks dropped because of a decline in crude oil prices amid concerns over a recession and increasing oil supply.

The Japanese equity market fell in the first half of the month due to growing concerns of a recession on the back of a weaker-than-expected US ISM Manufacturing Index and JPY appreciation, stemming from the narrowed gap between Japanese and US interest rates. The market subsequently faced an upside resistance as JPY/USD temporarily strengthened to 139 yen, then share prices rose on growing expectations for a soft landing in the US following a 50bps rate cut by the Fed. The market temporarily saw JPY depreciation and higher stock prices towards the end of the month as the market favored China's economic stimulus measures and expectations for Sanae Takaichi, a former Economic Security Minister and supporter of easing monetary policy, to win the LDP leadership race. However, TOPIX ended nearly flat MoM due to rapid JPY appreciation and lower stock prices following Ishiba winning the race as he advocates increasing taxes on financial income and more restrictive fiscal policy.

Composite Performance (%) Excess Return*



	Sep	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	-1.21	-4.89	14.25	12.19	19.00	15.93	9.62	9.62	6.71
Benchmark	-1.89	-7.67	18.39	16.30	19.82	16.53	11.25	10.55	5.17

Composite Summary

Composite Name	SJAM Large Cap Value Mother Fund		
Benchmark	Russell/Nomura Large Cap Value**		
Inception Date	April 2006		
Number of Holdings	44		
Bloomberg Code	SNAMLGC		
Assets Under Management	Composite (T9893)	JPY 49.5B (USD 346M)	

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

** The Russell/Nomura Large Cap Value Index is the value investment style index of the Russell/Nomura Large Cap Index, which includes both value and growth investment styles. The Russell/Nomura Large Cap Index covers large cap stocks listed on Japanese stock exchanges, and this index contains the top 85% of the Russell/Nomura Total Market Index in terms of adjusted market capitalization. Value indexes are indexes made up of stocks with low adjusted Price Book-value Ratios and growth indexes are those made up of stocks with high adjusted Price Book-value Ratios, after determining style probability based on adjusted P/B.

*** 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. Performance is net of fees.

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

This document has been prepared solely for informational purposes and does not constitute an offer to sell securities in any jurisdiction. Actual performance achieved by a client portfolio may be affected by a variety of factors, including the initial balance of the account, the timing and amount of any additions to or withdrawals from the portfolio, changes made to the account to reflect the specific investment needs or preferences of the client, duration and timing of participation as a client, and a client portfolio's risk tolerance, investment objectives and investment time horizon. The returns presented above are net of a model fee of 35bps, which is the highest fee charged to investors.

Top Ten Holdings	%
TORAY INDUSTRIES INC	4.35
ASAHI KASEI CORP	4.22
NIPPON TELEGRAPH & TELEPHONE	3.99
MITSUBISHI ESTATE CO LTD	3.86
HONDA MOTOR CO LTD	3.64
MITSUBISHI UFJ FINANCIAL GRO	3.48
SUMITOMO MITSUI TRUST HOLDIN	3.40
NIPPON EXPRESS HOLDINGS CO L	3.27
HACHIJUNI BANK LTD/THE	3.24
OJI HOLDINGS CORP	3.17
Total	36.62

Characteristics

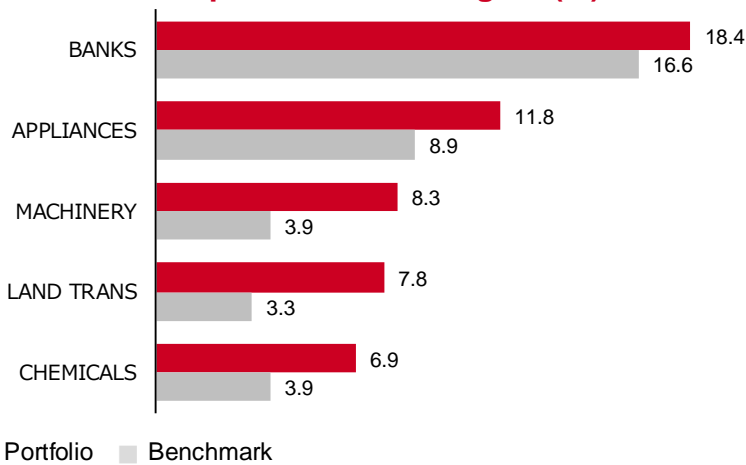
	Portfolio	Benchmark
P/E	11.90x	10.66x
P/B	0.76x	0.89x
ROE	6.42%	8.32%
Dividend Yield	3.37%	3.28%

Market Cap

	Portfolio	TOPIX***
Large	40.1%	65.5%
Mid	57.4%	26.3%
Small	0.0%	8.2%
Others	0.0%	-

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Top Five Sector Weights (%)



Yasuhiro Kano, CMA
Senior Portfolio Manager
31 years investment experience
27 years at Sompo AM

Attribution Analysis

While sector allocation contributed to performance, stock selection detracted. In sector allocation, overweighting (OW) of Textiles, Machinery, and Construction contributed to performance, while underweighting (UW) of Wholesale, Retail, and Marine Trans detracted. In stock selection, OW of Toray and Asahi Kasai and UW of Mitsui Fudosan contributed to performance, while OW of Taiyo Yuden, Mitsubishi Estate, and The Hachijuni Bank detracted. Last month we increased holdings of Denso, Taiyo Yuden, and AGC and decreased holdings of Sohgo Security Services, Makita, and Suzuken.

Outlook

We expect the market will fluctuate around the recent bottom but show signs of a potential recovery.

FY24 Japanese corporate earnings will likely grow and share prices do not look overvalued given their general valuation metrics such as forward P/E ratio, whilst the Japanese market will unlikely see a full-scaled upward trend as long as fears over a US recession continue to linger. Share prices fell as the market priced in concerns over policies of Ishiba's new administration. We believe that investors will regain a sense of calm as directions of economic policies and fiscal management of the administration become clearer and that the market will show signs of a potential recovery over the near term. We also believe that it is difficult to envision a large correction to the Japanese market given strong equity demand from the high level of large scale share buyback seen recently and the BoJ's relatively accommodative monetary policy compared to the US and Europe.

Contact Information

Daniel Robbins
+81 3 5290 3414

Takuya Orime
+81 3 5290 3406

Group email: global@sompo-am.co.jp

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