

Japan Value Equity Large Cap

May 2025

Strategy

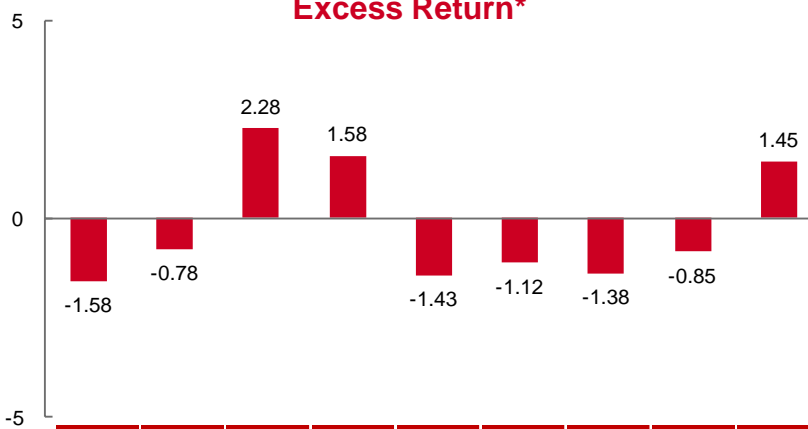
Large Cap Strategy is a focused, Japanese large/mid-cap equity strategy that aims for above-benchmark return in the mid- to long-term. The portfolio managers build the portfolio by investing in undervalued stocks with careful consideration of risk/return. A bottom-up approach is used. The Japanese equity 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

The Japanese market rose in May on expectations for softer tariff policy out of the Trump administration in the US. The rise was led by the non-ferrous sector, which grew on expectations for increased demand for telecommunication cables following the announcement of a large data centre construction project in the Middle East, and the banks sector, which grew on expectations for wider net interest margins following the increase in Japanese interest rates.

The market rose in the first half of the month as the BoJ left rates unchanged at its monetary policy meeting and Trump tariff policy fears weakened following the US and the UK coming to a trade deal. The market then rocked back and forth through the middle of the month despite the US and China agreeing to lower the additional tariffs they had imposed on each other as conservative earnings guidance weighed on sentiment. Share prices then rose again through the end of the month despite US long-term rates rising on the back of concerns over worsening fiscal conditions as the US agreed to postpone the imposition of tariffs on the EU and Nvidia released strong earnings results.

Composite Performance (%) Excess Return*



| Top Ten Holdings | % |
|------------------------------|-------|
| HACHIJUNI BANK LTD/THE | 4.69 |
| NIPPON TELEGRAPH & TELEPHONE | 4.04 |
| ASAHI KASEI CORP | 3.95 |
| SUMITOMO MITSUI TRUST GROUP | 3.64 |
| TAIYO YUDEN CO LTD | 3.61 |
| MITSUBISHI ESTATE CO LTD | 3.60 |
| OJI HOLDINGS CORP | 3.35 |
| HONDA MOTOR CO LTD | 3.28 |
| MITSUBISHI UFJ FINANCIAL GRO | 3.23 |
| NIPPON EXPRESS HOLDINGS INC | 3.22 |
| Total | 36.60 |

| Characteristics | | |
|-----------------|-----------|-----------|
| | Portfolio | Benchmark |
| P/E | 12.24x | 11.01x |
| P/B | 0.81x | 0.96x |
| ROE | 6.65% | 8.74% |
| Dividend Yield | 3.47% | 3.38% |

| Market Cap | | |
|------------|-----------|----------|
| | Portfolio | TOPIX*** |
| Large | 44.3% | 66.7% |
| Mid | 53.6% | 25.7% |
| Small | 0.0% | 7.5% |
| Others | 0.0% | - |

| | May | QTD | YTD | 1Y | 3Y | 5Y | 7Y | 10Y | SI |
|-----------|------|------|------|------|-------|-------|-------|------|------|
| Composite | 3.78 | 2.28 | 3.98 | 3.78 | 20.17 | 19.89 | 10.72 | 7.72 | 6.96 |
| Benchmark | 5.36 | 3.06 | 1.70 | 2.20 | 21.60 | 21.01 | 12.10 | 8.57 | 5.51 |

Composite Summary

| | | |
|-------------------------|----------------------------------|----------------------|
| Composite Name | SJAM Large Cap Value Mother Fund | |
| Benchmark | Russell/Nomura Large Cap Value** | |
| Inception Date | April 2006 | |
| Number of Holdings | 45 | |
| Bloomberg Code | SNAMLGC | |
| Assets Under Management | Composite (T9893) | JPY 98.8B (USD 685M) |

* 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.

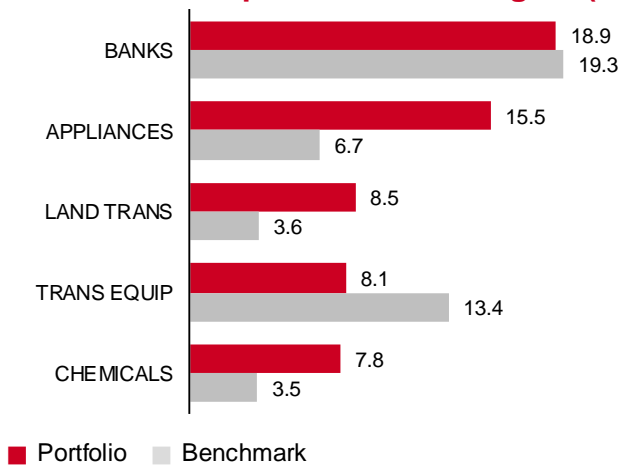
*** TOPIX is a market benchmark with functionality as an investable index, covering an extensive proportion of the Japanese stock market. TOPIX is a free-float adjusted market capitalization-weighted index. TOPIX shows the measure of current market capitalization assuming that market capitalization as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

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Top Five Sector Weights (%)



Kenji Ueno, CMA, CIIA
Senior Portfolio Manager
33 years investment experience
28 years at Sompo AM

Attribution Analysis

Both sector allocation and stock selection detracted from performance. In sector allocation, overweighting (OW) of Nonferrous and underweighting (UW) of Trans Equip and Iron contributed to performance, while OW of Foods and Land Trans and UW of Wholesale detracted. In stock selection, OW of Taiyo Yuden and The Hachijuni Bank and UW of Toyota Motor contributed to performance, while OW of Omron and Sawai Group Holdings and UW of Mitsubishi UFJ Financial Group detracted. Last month we increased holdings of Sawai Group Holdings, Denso, and Omron and decreased holdings of Toray, Takeda Pharmaceutical, and Osaka Gas.

Outlook

We expect the market will continue to face heavy upside resistance over the near term.

Japanese corporate earnings will likely be positively impacted by a recovery in domestic real wages and capital efficiency improvement measures implemented by companies following pressure from the Tokyo Stock Exchange (TSE) but may stagnate because of negative impacts from additional Trump tariffs. Valuation metrics like forward P/E fell significantly on concerns over additional tariffs but have already recovered from this because of expectations over negotiations between the US and individual countries. The market will now likely bounce back and forth according to news flow concerning the tariffs. We believe that share price will be supported by strong equity demand from the high level of large-scale share buybacks seen recently and the BoJ having relatively accommodative monetary policy compared to the US and Europe but that investor sentiment will unlikely rise until it is clear where Trump tariff policy will ultimately end up.

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