Japan Value Equity Large Cap

September 2025

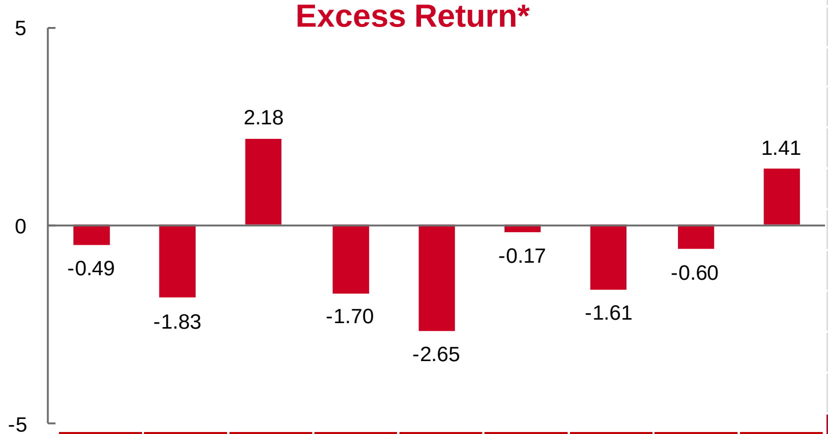
Strategy

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

Japanese market prices rose on heightened expectations for Fed rate cuts and expansionary fiscal policy following the change in Prime Minister in Japan. Growth in the nonferrous and electric appliances, driven by increased expectations for AI investment expansion, pulled the overall market up. Share prices rose in the beginning of the month as expectations rose for rate cuts in the US following employment data undershooting market expectations and investors came to believe there could be an expansion in fiscal policy following the resignation announcement from standing Prime Minister Shigeru Ishiba. The market then remained strong through the middle of the month on the back of expectations for expanded investment in AI and forecasts for two Fed rate cuts in 2025. The market did briefly decline on the announcement that the BoJ will be selling its ETF and J-REIT holdings but then recovered as the pace of selling will be extremely slow. The market then fell at the end of the month as JPY appreciated on comments from BoJ officials about the increased need for the BoJ to hike rates as well as concerns over the possibility of a government shutdown in the US if the Senate is not able to pass a government services funding bill.

Composite Performance (%)
Excess Return*



	Sep	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	3.38	15.82	22.19	28.14	27.28	24.73	12.18	11.77	7.72
Benchmark	3.87	17.65	20.01	29.83	29.93	24.90	13.79	12.37	6.31

Top Ten Holdings	%
NTT INC	4.40
TAIYO YUDEN CO LTD	4.24
SUMITOMO MITSUI TRUST GROUP	3.92
ASAHI KASEI CORP	3.90
HONDA MOTOR CO LTD	3.80
SUMCO CORP	3.69
TOYOTA MOTOR CORP	3.67
ASAHI GROUP HOLDINGS LTD	3.62
SUMITOMO METAL MINING CO LTD	3.55
KYOCERA CORP	3.25
Total	38.04

Characteristics

	Portfolio	Benchmark
P/E	13.92x	12.59x
P/B	0.95x	1.12x
ROE	6.80%	8.87%
Dividend Yield	3.17%	3.02%

Market Cap

	Portfolio	TOPIX***
Large	47.3%	66.3%
Mid	51.0%	26.0%
Small	0.0%	7.7%
Others	0.0%	-

Composite Summary

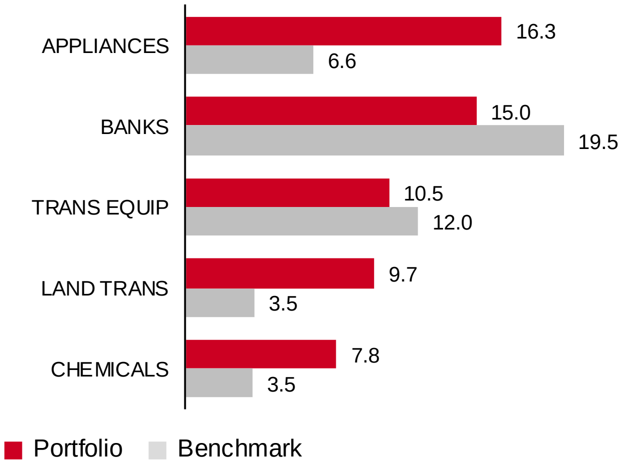
Composite Name	SJAM Large Cap Value Mother Fund	
Benchmark	Russell/Nomura Large Cap Value**	
Inception Date	April 2006	
Number of Holdings	42	
Bloomberg Code	SNAMLGC	
Assets Under Management	Composite (T9893)	JPY 105.2B (USD 712M)

* 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.

SOMPO ASSET MANAGEMENT

Japan Value Equity Large Cap

Top Five Sector Weights (%)



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

Attribution Analysis

Sector allocation contributed to performance, while stock selection detracted. In sector allocation, underweighting (UW) of Insurance and overweighting (OW) of Metal Prod and Appliances contributed to performance, while UW of Wholesale and Info & Comm and OW of Foods detracted. In stock selection, OW of Sumco, Sumitomo Metal Mining, and Taiyo Yuden contributed to performance, while UW of SoftBank Group and OW of Nidec and Yamato Holdings detracted. Last month we increased holdings of Denso, Honda Motor, and Asahi Group Holdings and decreased holdings of Nidec, Aisin, Oji Holdings.

Outlook

We expect the market will face heavier upside resistance going forward. We urge caution over the near term given that valuation metrics like forward P/E look overall somewhat overheated, having been pulled upwards by a small number of stocks on the back of the US rate cut and expectations for fiscal policy from the incoming government administration in Japan. However, corporate earnings forecasts for this fiscal year may now be revised upwards given the heightened likelihood they will not fall as much as originally expected following the easing of Trump's tariffs. In addition, we do not foresee any large fall in the Japanese market as there is strong equity demand from the high level of large-scale share buybacks seen recently and the BoJ has relatively accommodative monetary policy compared to the US and Europe. While we do expect investors to more readily make predictions of earnings growth as the negative impacts of the Trump tariffs fade away in the second half of the coming fiscal year, we believe it will still take some time before we see serious fundamentals-driven market growth.

Contact Information

Daniel Robbins
+81 3 5290 3414

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