SOMPO ASSET MANAGEMENT

Japan Value Equity Large Cap

May 2026

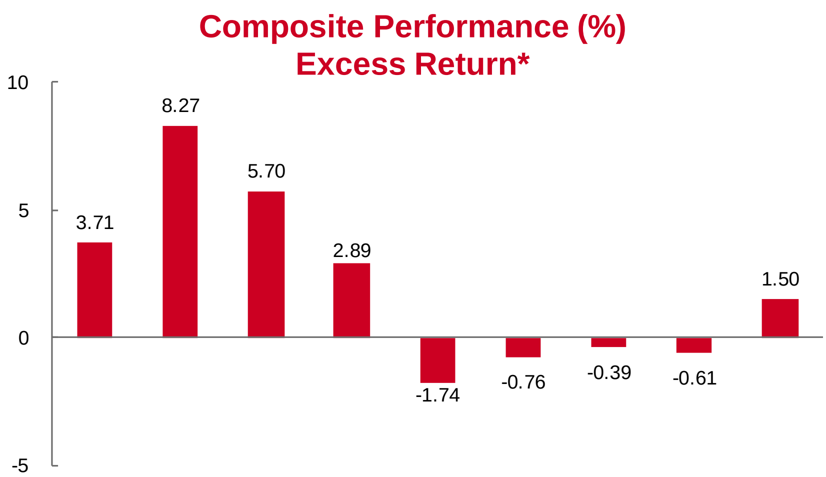
Strategy

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 market rose, driven by generative AI-related stocks amid hopes for an end to the conflict between the US and Iran. The services and metal products sectors rose on solid earnings results. Meanwhile, the mining sector fell on reduced expectations for earnings growth, stemming from a decline in crude oil prices. Real estate also declined on fears that a rise in domestic long-term interest rates would act as a headwind for its earnings.

In the first part of the month, the Japanese market saw a slight gain as expectations for currency intervention by the Japanese government and BoJ capped its upside. The market then rose, buoyed by better-than-expected US jobs data and growth in US tech stocks, following strong earnings reports from US semiconductor companies. In the middle of the month, the market faced upside resistance due to a rise in long-term rates in both Japan and the US. Additionally, generative AI-related names saw selling pressure after earnings guidance from some electrical wire companies missed market consensus. In the latter part of the month, fears over geopolitical risks eased after Trump indicated progress in negotiations between the US and Iran. The market finished May higher, driven by tech companies following media reports of a US generative AI firm preparing for an IPO.



	May	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	8.56	16.44	22.44	56.60	31.53	24.35	20.80	15.71	9.00
Benchmark	4.85	8.17	16.74	53.70	33.27	25.12	21.19	16.33	7.50

Top Ten Holdings	%
HONDA MOTOR CO LTD	4.65
TOYOTA MOTOR CORP	4.44
KYOCERA CORP	4.27
NTT INC	4.24
SUMITOMO MITSUI TRUST GROUP	3.74
MITSUI CHEMICALS INC	3.04
DENSO CORP	3.04
WEST JAPAN RAILWAY CO	2.98
MITSUBISHI UFJ FINANCIAL GRO	2.89
SUMCO CORP	2.81
Total	36.10

Characteristics

	Portfolio	Benchmark
P/E	13.60x	13.51x
P/B	1.02x	1.24x
ROE	7.49%	9.18%
Dividend Yield	3.03%	2.80%

Market Cap

	Portfolio	TOPIX***
Large	57.7%	67.9%
Mid	40.4%	25.1%
Small	0.0%	7.0%
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	43	
Bloomberg Code	SNAMLGC	
Assets Under Management	Composite (T9893)	JPY 104.9B (USD 659M)

* 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.

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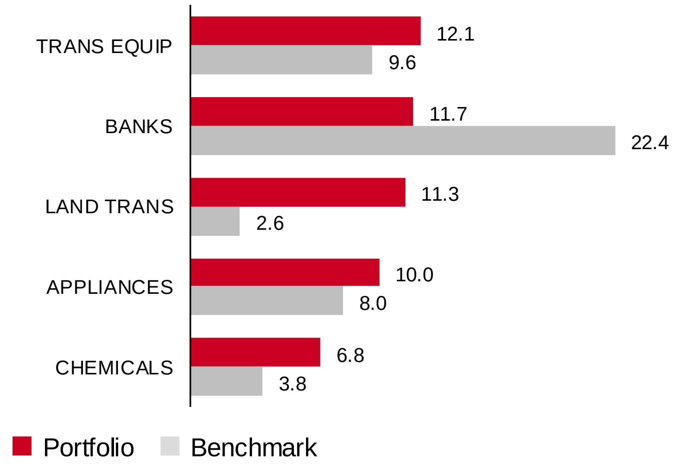
Top Five Sector Weights (%)



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

Attribution Analysis

Both sector allocation and stock selection contributed to performance. In sector allocation, overweighting (OW) of Metal Prod and Appliances and underweighting (UW) of Wholesale contributed to performance, while OW of Land Trans and Foods and UW of Banks detracted. In stock selection, OW of Sumco, Murata Manufacturing, and Kyocera contributed to performance, while UW of Renesas Electronics and Sumitomo Electric Industries, and OW of Sawai Group Holdings detracted. Last month we increased holdings of Sekisui House, West Japan Railway, and Mitsui Fudosan and decreased holdings of Sumco, Taiyo Yuden, and Murata Manufacturing.

Outlook

We expect the market will face gradually heavier upside resistance going forward. We believe that earnings forecasts for FY26 will remain robust, particularly for AI and semiconductor companies, which are expected to show high growth on the back of aggressive AI-related investments, despite likely cost increases stemming from the Middle East situation. Meanwhile, valuation (forward P/E) has reached a historical high, primarily driven by some AI and semiconductor names amid lingering uncertainty in the Middle East. While the market will be supported 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, it has already priced in expectations for AI and semiconductor names to a large extent. Therefore, further increases in market expectations are unlikely.

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