

Japan Value Equity SRI

November 2024

Strategy

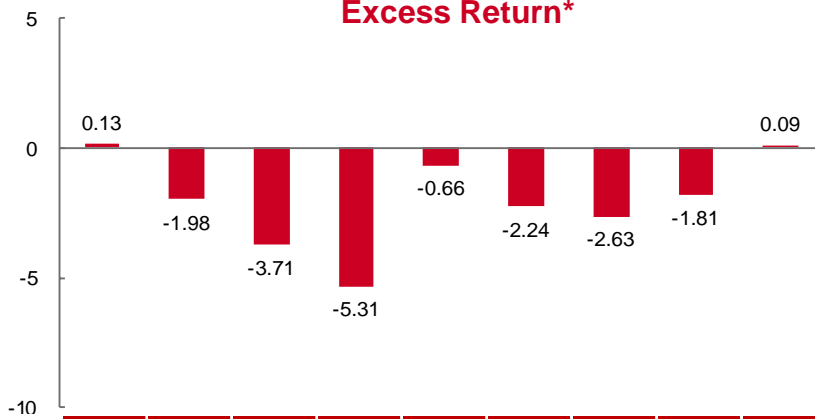
SRI Strategy invests in Japanese equities which meet the criteria of ESG (Environmental, Social, Governance) management and investment value, and aims to achieve above benchmark return in the mid- to long-term. Our equity investment takes a bottom-up approach in which the Japanese equity research team analyzes intrinsic value of individual stocks and compares it with market price in order to identify undervalued stocks. ESG research is conducted by Sompo Risk Management, which is a leading company in domestic ESG research.

Market Review

Share prices were dragged on by JPY appreciation versus USD, which was caused by concerns over protectionist policies from President-elect Donald Trump, such as increased tariffs, and the shrinking interest rate gap between the two countries. The Banks, Securities, and Insurance sectors rose as investors were positive on increasing domestic interest rates, while the Transportation Equipment and Chemicals sectors fell as investors were negative on potential increased tariffs from Trump.

Share prices were up in the first half of the month as the market was positive on Trump's victory in the US election given his stimulus policies of lowering corporate and income tax. This was despite a slight downtick caused by concerns of additional rate hikes by the BoJ. Concerns over protectionist policies from Trump, such as increased tariffs, and domestic earnings results coming in below investor expectations then weighed on the market. Share prices continued to fall through the end of the month on the release of actual details of tariffs, the drop in US interest rates after Trump publicly picked fiscal hawk Scott Bessent as next Secretary of the Treasury, and JPY appreciating to below JPY150 to 1USD.

Composite Performance (%) Excess Return*



	Nov	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	-0.38	-0.62	12.08	10.22	13.78	9.98	5.85	7.30	6.59
Benchmark	-0.51	1.36	15.80	15.54	14.44	12.22	8.48	9.11	6.50

Composite Summary

Composite Name	Sompo Japan SRI Mother Fund								
Benchmark	TOPIX Total Return**								
Inception Date	January 2005								
Number of Holdings	42								
Bloomberg Code	SNAMSRI								
Assets Under Management	Strategy Total	JPY 2.5B (USD 16M)							

Top Ten Holdings	%
NIPPON TELEGRAPH & TELEPHONE	4.43
TORAY INDUSTRIES INC	4.30
MITSUBISHI ESTATE CO LTD	4.28
SUMITOMO MITSUI TRUST GROUP	4.07
MURATA MANUFACTURING CO LTD	3.90
KIRIN HOLDINGS CO LTD	3.57
MEBUKI FINANCIAL GROUP INC	3.30
SECOM CO LTD	3.24
YAMATO HOLDINGS CO LTD	3.22
SAN-IN GODO BANK LTD/THE	3.18
Total	37.48

Characteristics		
	Portfolio	Benchmark
P/E	13.96x	13.56x
P/B	1.05x	1.33x
ROE	7.51%	9.82%
Dividend Yield	3.00%	2.59%

Market Cap		
	Portfolio	Benchmark
Large	50.5%	67.0%
Mid	36.9%	25.4%
Small	9.8%	7.6%
Others	0.0%	-

* 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).

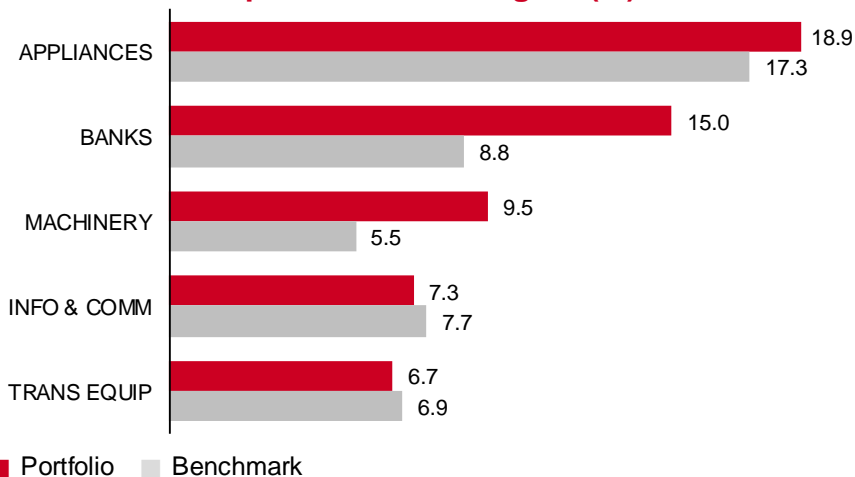
Performance is net of fees.

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 (%)



Masako Chikuma, CMA, CFA
Senior Portfolio Manager
20 years investment experience
9 years at Sampo AM

Attribution Analysis

While sector allocation contributed to performance, stock selection detracted. In sector allocation, overweighting (OW) of Banks and Textiles and underweighting (UW) of Wholesale contributed to performance, while UW of Retail, Other Prod and OW of Real Estate detracted. In stock selection, OW of Resona Holdings, Toray, and Mebuki Financial Group contributed to performance, while OW of Omron, Sumco, and Astellas Pharma detracted. Last month we increased holdings of artience, Isuzu Motors, and The San-in Godo Bank and decreased holdings of Sumitomo Mitsui Financial Group, Panasonic Holdings, and Resona Holdings.

Outlook

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

While concerns about the slowing US economy remain, Japanese corporate earnings will likely grow on the back of a recovery in domestic real wages and capital efficiency improvement measures implemented by companies following pressure from the Tokyo Stock Exchange (TSE). Share prices do not look overvalued given current general valuation metrics such as forward P/E. However, downward pressure on share prices will likely increase because of concerns of increased tariffs from the US and worries that JPY will continue to appreciate on the back of divergent monetary policy between the US and Japan. That said, it is difficult to envision a large correction to the Japanese market given strong equity demand from the high level of large-scale share buybacks seen recently and the BoJ's relatively accommodative monetary policy compared to the US and Europe.

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