

Japan Value Equity SRI

September 2025

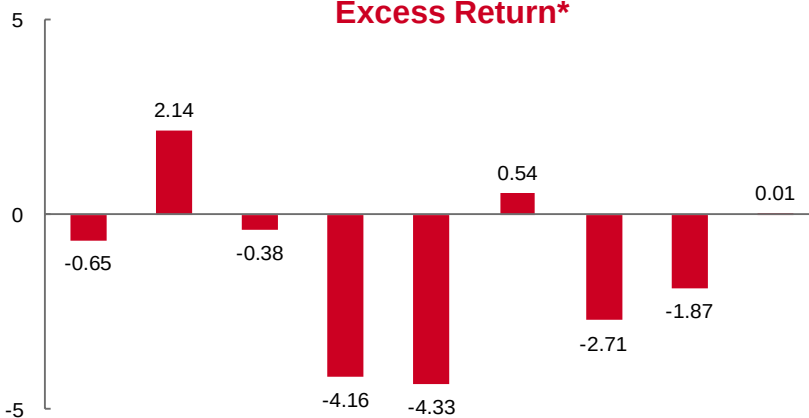
Strategy

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

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	2.33	13.18	14.91	17.39	18.18	17.38	8.07	9.02	7.18
Benchmark	2.98	11.04	15.29	21.55	22.52	16.85	10.78	10.89	7.17

Composite Summary

Composite Name	Sompo Japan SRI Mother Fund								
Benchmark	TOPIX Total Return**								
Inception Date	January 2005								
Number of Holdings	40								
Bloomberg Code	SNAMSRI								
Assets Under Management	Strategy Total	JPY 2.2B (USD 15M)							

Top Ten Holdings	%
MURATA MANUFACTURING CO LTD	4.58
MITSUBISHI ESTATE CO LTD	4.08
SUMCO CORP	4.05
KIRIN HOLDINGS CO LTD	3.90
KUBOTA CORP	3.83
SAN-IN GODO BANK LTD/THE	3.77
NTT INC	3.73
SUMITOMO MITSUI TRUST GROUP	3.68
OMRON CORP	3.48
YAMATO HOLDINGS CO LTD	3.44
Total	38.54

Characteristics		
	Portfolio	Benchmark
P/E	14.33x	15.19x
P/B	1.10x	1.49x
ROE	7.70%	9.84%
Dividend Yield	3.01%	2.48%

Market Cap		
	Portfolio	Benchmark
Large	48.1%	66.3%
Mid	37.6%	26.0%
Small	12.7%	7.7%
Others	0.0%	-

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

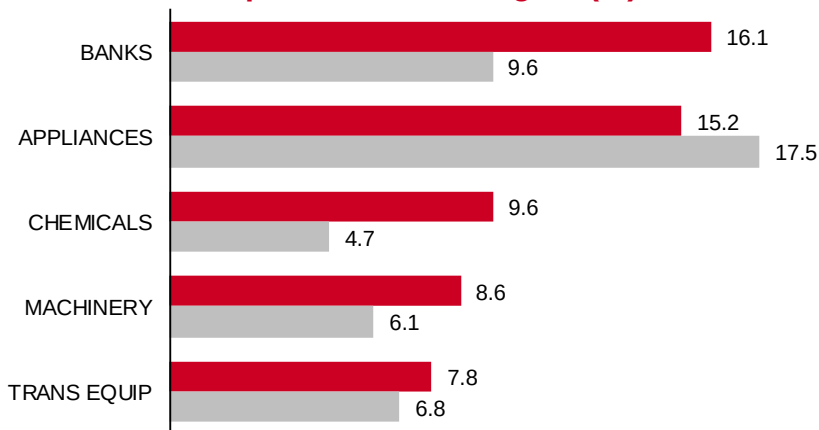
** TOPIX is a market benchmark with functionality as an investable index, covering an extensive proportion of the Japanese stock market. TOPIX is a free-float adjusted market capitalization-weighted index. TOPIX shows the measure of current market capitalization assuming that market capitalization as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



■ Portfolio ■ Benchmark

Attribution Analysis

Sector allocation contributed to performance while stock selection detracted. In sector allocation, overweighting (OW) of Banks and underweighting (UW) of Retail and Insurance contributed to performance, while UW of Wholesale, Appliances, and Nonferrous detracted. In stock selection, OW of Sumco, Murata Manufacturing, and Mitsubishi Estate contributed to performance, while OW of Nidec, Daikin Industries, and Yamato Holdings detracted. Last month we increased holdings of Honda Motor, Mitsui Chemicals, and The San-in Godo Bank and decreased holdings of Nidec, Seiko Epson, and Aisin.

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.



Masako Chikuma, CMA, CFA
Senior Portfolio Manager
22 years investment experience
11 years at Sompo AM

Contact Information

Daniel Robbins
+81 3 5290 3414

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

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