SOMPO ASSET MANAGEMENT

Japan Value Equity Small Cap

August 2025

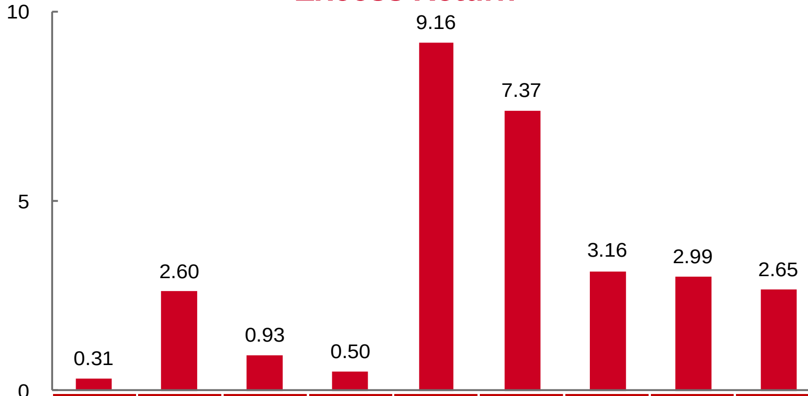
Strategy

Small Cap Strategy invests in Japanese small cap equities and aims to achieve above-benchmark return in the mid- to long-term. The portfolio manager builds a portfolio by investing in undervalued stocks with careful consideration of risk/return. A bottom-up approach is used. The Japanese equity research team analyzes intrinsic value of individual stocks and compares it with market price in order to identify undervalued stocks. The portfolio is not constrained by sector weights.

Market Review

Japanese market prices rose on increased expectations for a fed rate cut and a drop in Trump tariff policy concerns. Value outperformed growth as Japanese long-term interest rates rose on the back of expectations for the BoJ to hike rates. Prices rose in the first half of the month despite a brief slip caused by weak US jobs data. Expectations rose for rate cuts in the US and investors were positive on the US promising Japan it will fix the double tariff oversight. The market rose further in the middle of the month as the US once again delayed the implementation of additional tariffs on China following US-China trade talks, easing investor concerns around Trump tariff policy. The market then seesawed through the end of the month, supported by comments from Fed chair Jerome Powell at the Jackson Hole symposium hinting at a rate cut, but buffeted by heightened concerns over Fed independence following the announcement from US President Donald Trump that he will fire Fed governor Lisa Cook.

Composite Performance (%)
Excess Return*



	Aug	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	5.09	12.59	17.86	23.39	27.61	22.27	11.89	12.31	9.99
Benchmark	4.78	9.99	16.93	22.89	18.45	14.90	8.73	9.33	7.35

Composite Summary

Composite Name	SJAM Small Cap Mother Fund	
Benchmark	Russell/Nomura Small Cap**	
Inception Date	October 2007	
Number of Holdings	83	
Bloomberg Code	SNAMSMC	
Assets Under Management	Domestic	JPY 28.4B (USD 193M)
	Overseas	JPY 12.6B (USD 86M)
	Strategy total	JPY 41B (USD 279M)

Top Ten Holdings	%
TOYODA GOSEI CO LTD	3.99
JTEKT CORP	3.98
DAISHI HOKUETSU FINANCIAL GR	3.92
TOYOTA BOSHOKU CORP	3.90
NIHON M&A CENTER HOLDINGS IN	3.09
MABUCHI MOTOR CO LTD	2.89
SUMITOMO HEAVY INDUSTRIES	2.84
RENGO CO LTD	2.80
K'S HOLDINGS CORP	2.62
SERIA CO LTD	2.45
Total	32.50

Characteristics

	Portfolio	Benchmark
P/E	12.35x	13.71x
P/B	0.84x	1.18x
ROE	6.79%	8.64%
Dividend Yield	3.50%	2.76%

Market Cap

	Portfolio	TOPIX***
Large	0.0%	65.9%
Mid	54.4%	26.4%
Small	40.8%	7.7%
Others	2.5%	-

* Excess return figures are annualized for three years and longer.
** Russell/Nomura Small Cap Index covers small cap stocks listed on Japanese stock exchanges. This index contains the bottom 15% of the Russell/Nomura Total Market Index in terms of adjusted market capitalization.
*** 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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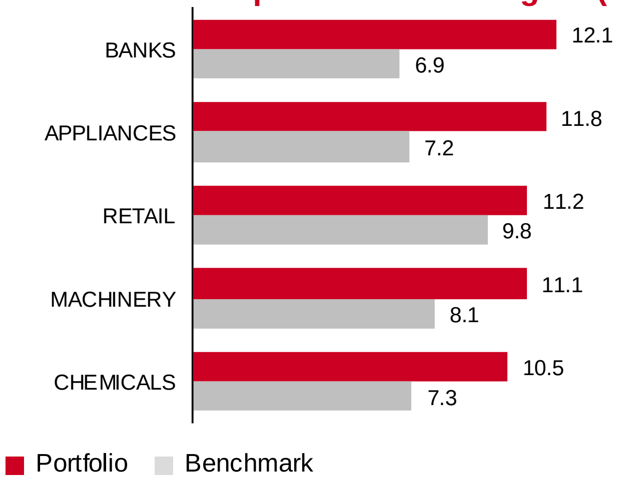
Top Five Sector Weights (%)



Shigeyoshi Fujiwara, CMA
Senior Portfolio Manager
20 years investment experience
20 years at Sompo AM

Attribution Analysis

Both sector allocation and stock selection contributed to performance. In sector allocation, underweighting (UW) of Info & Comm and overweighting (OW) of Banks and Trans Equip contributed to performance, while UW of Nonferrous and Construction and OW of Services detracted. In stock selection, OW of Toyoda Gosei, Toyota Boshoku, and Mabuchi Motor contributed to performance, while OW of Sawai Group Holdings and Nihon M&A Center and UW of Mitsui Mining and Smelting Company detracted. Last month we increased holdings of Sumitomo Heavy Industries, Fukuyama Transporting, and Komeri and decreased holdings of North Pacific Bank, Chugin Financial Group, and JTEKT

Outlook

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

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