

Japan Value Equity Small Cap

October 2025

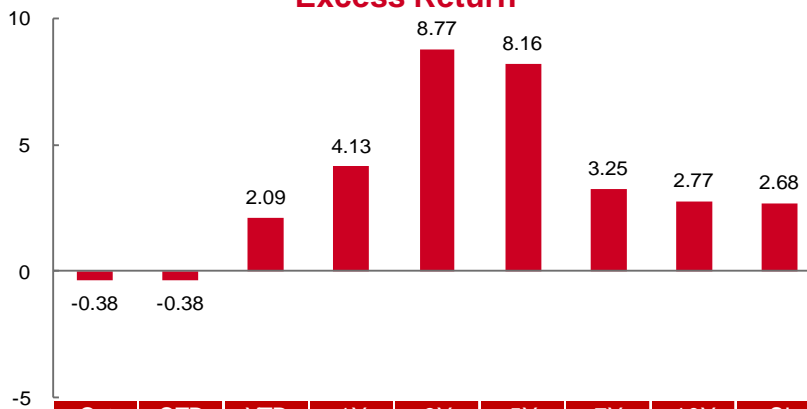
Strategy

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 expectations for expansionary fiscal policy and economic security enhancements by the incoming administration following the change in leadership of the Liberal Democratic Party (LDP) in Japan. Growth in the nonferrous and electric appliances sectors, driven by continued expectations for expanded AI investment globally and expectations for increased investment in advanced technology by the Takaichi administration, pulled the overall market up. Share prices rose in the beginning of the month as expectations rose for expansionary fiscal policy following the election of Sanae Takaichi as LDP leader. The market then briefly declined on reignited fears over trade frictions between the US and China triggered by Trump's remarks indicating additional tariffs on China and political uncertainty in Japan following the media reports of parliament facing difficulties selecting a prime minister. The market then rose on receded political uncertainty following Sanae Takaichi becoming prime minister. The market then maintained solid growth on a weakened JPY versus USD, caused by the BoJ keeping the policy rate unchanged at its end-of-month policy meeting and Fed chairman Jerome Powell indicating a cautious stance on additional rate cuts.

Composite Performance (%) Excess Return*



| | Oct | QTD | YTD | 1Y | 3Y | 5Y | 7Y | 10Y | SI |
|-----------|------|------|-------|-------|-------|-------|-------|-------|-------|
| Composite | 0.83 | 0.83 | 22.84 | 29.44 | 28.62 | 23.73 | 13.58 | 12.24 | 10.15 |
| Benchmark | 1.21 | 1.21 | 20.75 | 25.30 | 19.84 | 15.58 | 10.33 | 9.46 | 7.47 |

Composite Summary

| | | |
|-------------------------|----------------------------|----------------------|
| Composite Name | SJAM Small Cap Mother Fund | |
| Benchmark | Russell/Nomura Small Cap** | |
| Inception Date | October 2007 | |
| Number of Holdings | 84 | |
| Bloomberg Code | SNAMSMC | |
| Assets Under Management | Domestic | JPY 28.1B (USD 182M) |
| | Overseas | JPY 13.1B (USD 85M) |
| | Strategy total | JPY 41.2B (USD 267M) |

| Top Ten Holdings | % |
|------------------------------|-------|
| JTEKT CORP | 3.84 |
| SUMITOMO HEAVY INDUSTRIES | 3.63 |
| TOYOTA BOSHOKU CORP | 3.56 |
| TAIYO YUDEN CO LTD | 3.10 |
| MABUCHI MOTOR CO LTD | 2.93 |
| NIHON M&A CENTER HOLDINGS IN | 2.81 |
| RENGO CO LTD | 2.73 |
| K'S HOLDINGS CORP | 2.51 |
| SERIA CO LTD | 2.38 |
| TOYODA GOSEI CO LTD | 2.14 |
| Total | 29.65 |

Characteristics

| | Portfolio | Benchmark |
|----------------|-----------|-----------|
| P/E | 12.20x | 13.38x |
| P/B | 0.85x | 1.20x |
| ROE | 6.99% | 8.94% |
| Dividend Yield | 3.43% | 2.81% |

Market Cap

| | Portfolio | TOPIX*** |
|--------|-----------|----------|
| Large | 0.0% | 68.7% |
| Mid | 51.7% | 24.4% |
| Small | 40.5% | 6.9% |
| Others | 2.4% | - |

* 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.

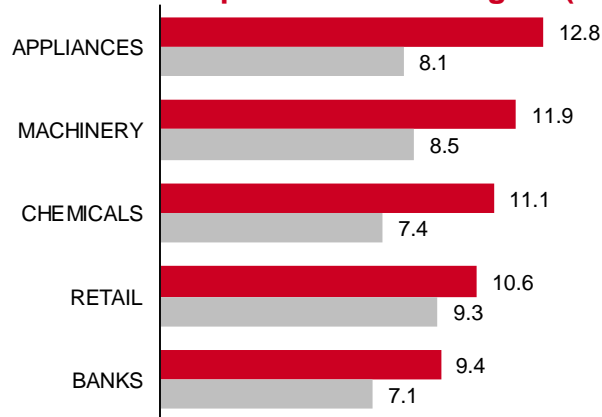
Performance is net of fees.

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



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

Attribution Analysis

Sector allocation contributed to performance, while stock selection detracted. In sector allocation, overweighting (OW) of Appliances and underweighting (UW) of Info & Comm and Real Estate contributed to performance, while UW of Nonferrous and Construction and OW of Paper detracted. In stock selection, OW of Taiyo Yuden, Sumitomo Heavy Industries, and Jtekt contributed to performance, while OW of Izumi, Toyota Boshoku, and Sawai Group Holdings detracted. Last month we increased holdings of Izumi, Nippon, and Sumitomo Heavy Industries and decreased holdings of Daishi Hokuetsu Financial Group, Toyoda Gosei, and Mandom.

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 are no longer at undervalued levels having been pulled upwards by a small number of stocks on the back of additional US rate cuts and expectations for fiscal policy from the Takaichi administration in Japan. Stock-picking has been heavily concentrated in thematic areas such as generative AI and these stock are now at overheated valuation levels. However, corporate earnings forecasts for this fiscal year are bottoming out on the back of the easing of Trump's tariffs and will likely be revised upwards. 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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