

Japan Value Equity Small Cap

February 2026

Strategy

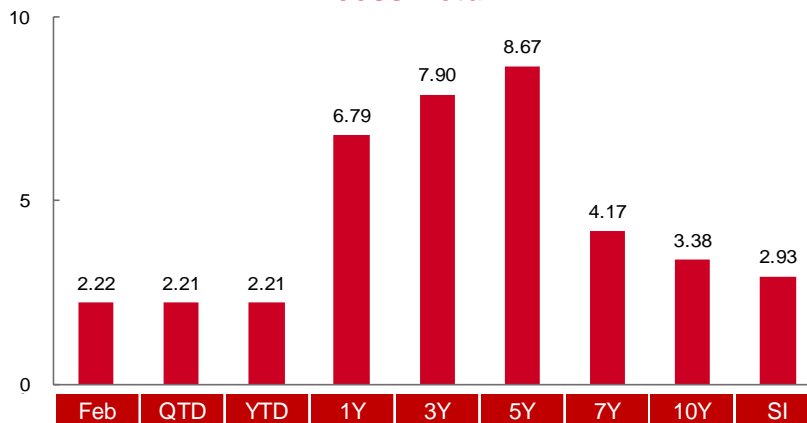
Small Cap Strategy invests in Japanese small cap equities and aims to achieve above-benchmark return in the mid-to long-term. The portfolio manager builds a portfolio by investing in undervalued stocks with careful consideration of risk/return. A bottom-up approach is used. The Japanese equity research 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

Expectations for large scale fiscal spending and accommodative monetary policy pushed the market up following the ruling Liberal Democratic Party (LDP)'s landslide victory at a general election. The non-ferrous sector rose on expectations for earnings growth from generative AI related demand. The services and information & communication sectors fell on fears that some of their business may be replaced by generative AI.

The Japanese equity market rose in the first part of the month on the back of political stability and expectations for aggressive economic measures following the LDP's big win at the lower house election. Share prices then saw upside resistance in the middle of the month as the market was showing signs of overheating with the lack of news flow after the earnings season for Japanese companies. The below-consensus GDP growth increased concerns over the Japanese economy and weighed on the market. The market rebounded on eased fears over global economy in the latter part of the month as the US Supreme Court struck down Trump's reciprocal tariffs. Share prices rose through the end of the month on reduced expectations for early rate hikes as the candidates for the BOJ board members proposed by the government were considered to be cautious for rate hikes.

Composite Performance (%) Excess Return*



Composite	13.57	18.29	18.29	60.11	34.78	26.60	18.30	16.64	11.47
Benchmark	11.35	16.08	16.08	53.31	26.88	17.93	14.13	13.25	8.54

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 34.2B (USD 219M)	
	Overseas	JPY 16.9B (USD 108M)	
	Strategy total	JPY 51.1B (USD 327M)	

Top Ten Holdings	%
JTEKT CORP	3.94
RENGO CO LTD	3.69
TOYOTA BOSHOKU CORP	3.37
SERIA CO LTD	3.22
MABUCHI MOTOR CO LTD	3.22
TAIYO YUDEN CO LTD	3.19
NIHON M&A CENTER HOLDINGS IN	2.93
JGC HOLDINGS CORP	2.55
SUMITOMO HEAVY INDUSTRIES	2.46
NIPPON KAYAKU CO LTD	2.40
Total	30.98

Characteristics

	Portfolio	Benchmark
P/E	14.78x	15.32x
P/B	1.05x	1.39x
ROE	7.12%	9.07%
Dividend Yield	2.76%	2.42%

Market Cap

	Portfolio	TOPIX***
Large	0.0%	67.5%
Mid	51.4%	25.3%
Small	44.8%	7.2%
Others	3.2%	-

* 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.

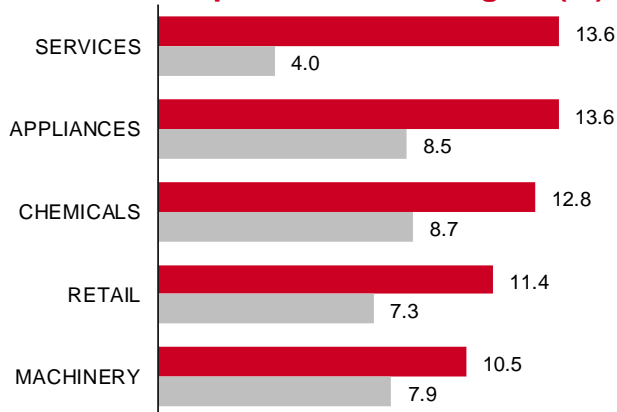
Performance is net of fees.

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

Both sector allocation and stock selection contributed to performance. In sector allocation, underweighting (UW) of Info & Comm and overweighting (OW) of Appliances and Machinery contributed to performance, while OW of Services and UW of Nonferrous and Construction detracted. In stock selection, OW of Taiyo Yuden, Sumitomo Heavy Industries, and Toyota Boshoku contributed to performance, while OW of en Inc., Sawai Group Holdings, and Nihon M&A Center Holdings detracted. Last month we increased holdings of BELLSYSTEM24 Holdings, Kakaku.com, and en Inc. and decreased holdings of Sumitomo Heavy Industries, Kyushu Financial Group, and Toyota Boshoku.

Outlook

We expect the market will fluctuate around the recent bottom but show signs of a potential recovery. While we should watch the situation surrounding Iran, we expect the market will gradually regain a sense of calm as long as it doesn't lead to further escalation to the war and prolonged high energy prices. It looks highly likely that corporate earnings will continue to rise in the coming fiscal year given smaller negative impacts from Trump tariffs. We believe historically high valuations (forward P/E, etc) will be warranted, driven by strong corporate earnings, expectations for the Takaichi administration following the LDP's landslide victory at the lower house election and further improvement to corporate governance if the situation in the Middle East eases quickly. The market will be supported as there is strong equity demand from a high level of large-scale share buybacks and the BoJ has relatively accommodative monetary policy compared to the US and Europe.

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