

Japan Value Equity Small Cap

April 2026

Strategy

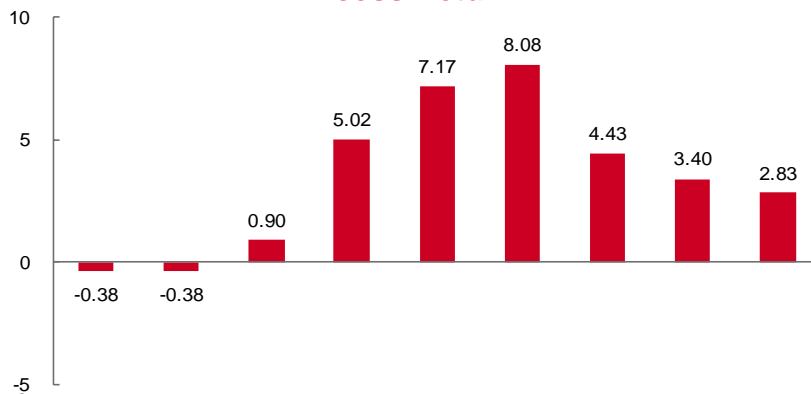
Small Cap Strategy invests in Japanese small cap equities and aims to achieve above-benchmark return in the mid-to long-term. The portfolio manager builds a portfolio by investing in undervalued stocks with careful consideration of risk/return. A bottom-up approach is used. The Japanese equity research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

Following a ceasefire between the US and Iran, the easing of excessive concerns over the situation in the Middle East supported the market. Nonferrous metal and electrical appliances sectors rose on expectations that they would benefit from growing demand for generative AI and data centers. Meanwhile, the mining and oil & coal sectors fell on reduced expectations for earnings growth due to a pause in rising crude oil prices.

In the first part of the month, the Japanese market rose significantly as fears over geopolitical risks eased following the ceasefire agreement between the US and Iran. In the middle of the month, share prices remained firm, supported by strong buying in high-priced stocks amid a rally in US tech stocks. However, fears over prolonged Middle East tensions, stemming from stalled negotiations between the US and Iran and Trump's indication to block the Strait of Hormuz capped market gains. The market rebounded in the latter part of the month as the BOJ kept policy rates unchanged at its policy meeting. Toward the end of the month, the market underwent a correction, weighed down by persistently high crude oil prices amid geopolitical uncertainties in the Middle East and long-term interest rates, which climbed to an all-time high.

Composite Performance (%) Excess Return*



	Apr	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	4.48	4.48	10.54	46.03	30.15	23.67	17.50	15.38	10.96
Benchmark	4.86	4.86	9.64	41.01	22.98	15.59	13.07	11.97	8.13

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 33.2B (USD 212M)
	Overseas	JPY 15.8B (USD 101M)
	Strategy total	JPY 48.9B (USD 312M)

Top Ten Holdings	%
JTEKT CORP	3.68
KAKAKU.COM INC	3.18
RENGO CO LTD	3.05
NIHON M&A CENTER HOLDINGS IN	2.92
SERIA CO LTD	2.85
MABUCHI MOTOR CO LTD	2.71
JGC HOLDINGS CORP	2.57
SUMITOMO HEAVY INDUSTRIES	2.54
K'S HOLDINGS CORP	2.53
TOYOTA BOSHOKU CORP	2.44
Total	28.46

Characteristics

	Portfolio	Benchmark
P/E	12.59x	13.55x
P/B	0.99x	1.32x
ROE	7.84%	9.73%
Dividend Yield	3.24%	2.76%

Market Cap

	Portfolio	TOPIX***
Large	0.0%	67.8%
Mid	50.8%	25.0%
Small	42.8%	7.2%
Others	2.9%	-

* 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.

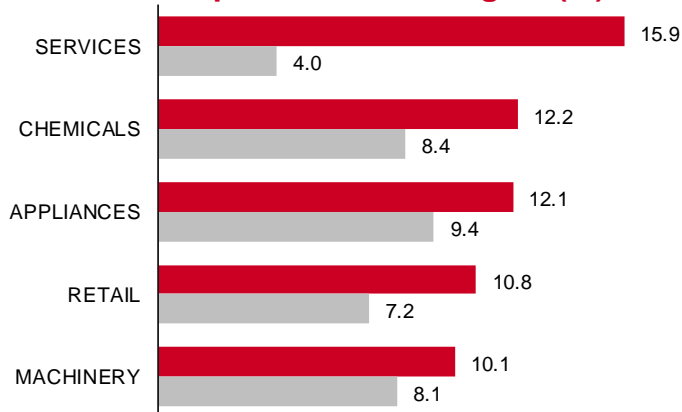
Performance is net of fees.

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



Attribution Analysis

Sector allocation contributed to performance, while stock selection detracted. In sector allocation, overweighting (OW) of Appliances and Machinery and underweighting (UW) of Real Estate contributed to performance, while OW of Services and Retail and UW of Glass & Ceramic detracted. In stock selection, OW of Taiyo Yuden, Nichicon, and OSG contributed to performance, while OW of Seria, Toyota Boshoku, and Izumi detracted. Last month we increased holdings of Keisei Electric Railway, KOSÉ, Japan Lifeline and decreased holdings of Taiyo Yuden, Solasto, and OSG.

Outlook

We expect the market will face upside resistance. The ceasefire agreement between the US and Iran increased expectations for an easing of the situation in the Middle East. We previously expected the market would gradually regain a sense of calm as long as it didn't lead to further escalation of the conflict and a prolonged surge in energy prices. We believe historically high valuations (forward P/E, etc), primarily driven by some AI and semiconductor names, have already priced in the improved situation in the Middle East, robust corporate earnings, and further enhancements in corporate governance. The earnings season will go in full swing from May. We believe caution will be needed, as Japanese companies are highly likely to announce lackluster earnings guidance for FY2026 due to concerns over the Middle East situation. However, the market will be supported as there is strong equity demand from a high level of share buybacks and the BoJ has relatively accommodative monetary policy compared to the US and Europe.

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