

Japan Value Equity Sustainable

February 2026

Strategy

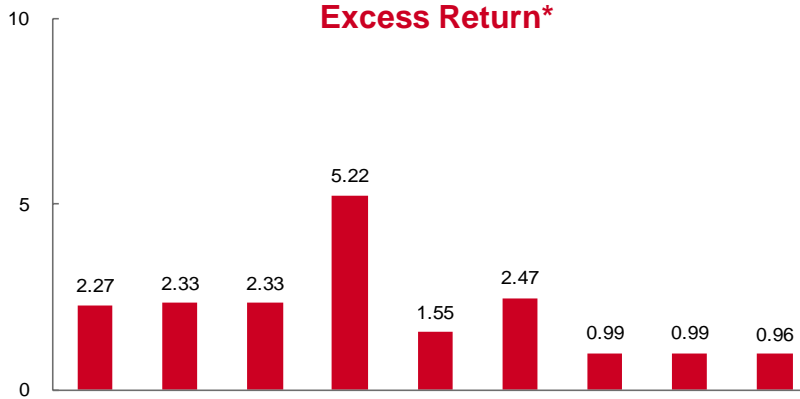
Sustainable Strategy is a smart-beta Japanese equity strategy that tracks the proprietary Sompo Sustainability Index. A bottom-up approach is used. The Japanese equity research team analyzes intrinsic value of individual stocks and compares it with market price in order to identify undervalued stocks. The portfolio invests in widely diversified stocks high in ESG-quality. ESG research is conducted by Sompo Risk Management, a leading domestic ESG research company.

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*



	Feb	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	12.74	17.91	17.91	55.71	30.12	21.44	17.43	15.39	16.82
Benchmark	10.47	15.57	15.57	50.49	28.57	18.97	16.45	14.39	15.86

Composite Summary

Composite Name	SNAM Sustainable Investment Mother Fund		
Benchmark	TOPIX Total Return**		
Inception Date	September 2012		
Number of Holdings	295		
Bloomberg Code	SNAMSUS		
Assets Under Management	Composite (T9915)	JPY 86B (USD 551M)	
	Discretionary Mandate	JPY 289.9B (USD 1857M)	
	Strategy Total	JPY 375.9B (USD 2408M)	

Top Ten Holdings	%
TOYOTA MOTOR CORP	2.02
MITSUBISHI UFJ FINANCIAL GRO	1.50
SUMITOMO MITSUI FINANCIAL GR	1.43
MITSUBISHI CORP	1.41
ITOCHU CORP	1.09
HITACHI LTD	1.01
SONY GROUP CORP	1.01
MIZUHO FINANCIAL GROUP INC	1.00
NTT INC	0.92
MURATA MANUFACTURING CO LTD	0.89
Total	12.27

Characteristics

	Portfolio	TOPIX
P/E	16.12x	17.20x
P/B	1.45x	1.77x
ROE	9.02%	10.27%
Dividend Yield	2.43%	2.12%

Market Cap

	Portfolio	TOPIX
Large	41.6%	67.5%
Mid	39.9%	25.3%
Small	7.7%	7.2%
Others	0.0%	-

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

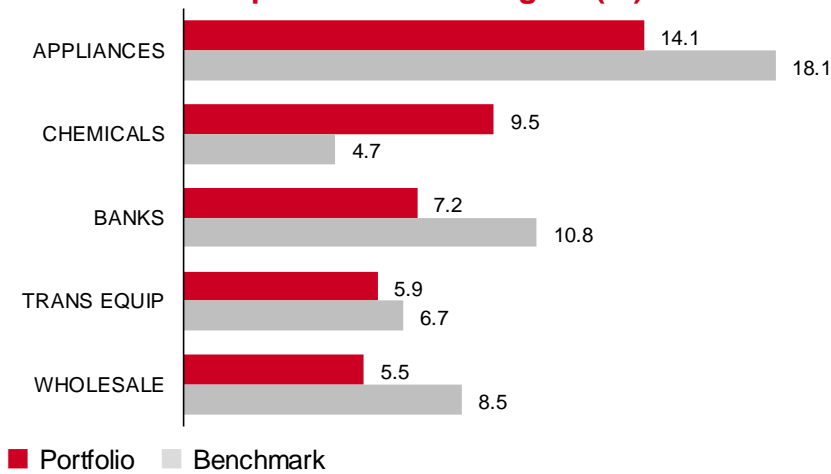
** TOPIX is a market benchmark with functionality as an investable index, covering an extensive proportion of the Japanese stock market. TOPIX is a free-float adjusted market capitalization-weighted index. TOPIX shows the measure of current market capitalization assuming that market capitalization as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



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

Attribution Analysis

In stock selection, share price increases for Mitsubishi Corporation, Furukawa Electric, and Murata Manufacturing contributed to performance, while share price declines for Fujitsu, NEC, and TIS detracted.

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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