SOMPO ASSET MANAGEMENT

Japan Value Equity Sustainable

September 2026

Strategy

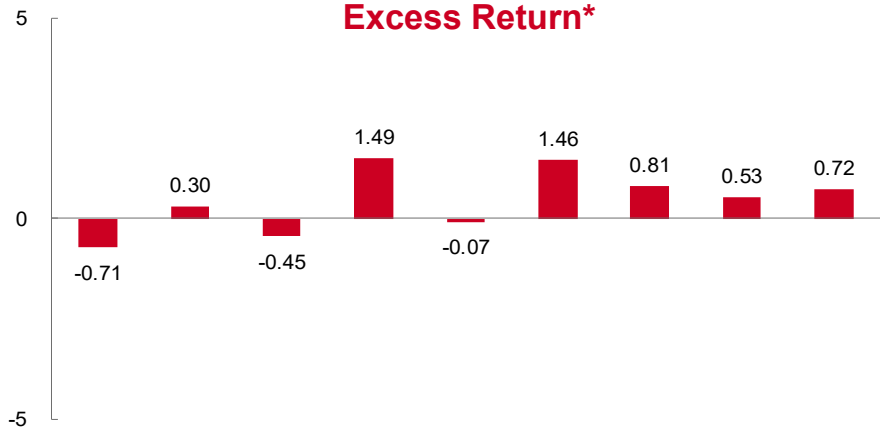
Sustainable Strategy is a smart-beta Japanese equity strategy that tracks the proprietary Sompo Sustainability Index. A bottom-up approach is used. The Japanese equity research team analyzes intrinsic value of individual stocks and compares it with market price in order to identify undervalued stocks. 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

Rising long-term interest rates and the situation in the Middle East capped the market. The oil and coal products sector gained following underperformance amid elevated crude oil prices. The bank sector also rose on heightened expectations of earnings improvement stemming from rising rates. Meanwhile, the other products sector faced selling, driven by profit-taking on names where expectations for new products and services had already been priced in. The mining sector saw a decline due to perceived overheating from the recent strong performance.

In the first part of the month, the market started lower as surging oil prices triggered by retaliatory strikes between the US and Iran and a subsequent rise in long-term rates globally weighed on the market. Yen appreciation against the US dollar driven by fears over the currency intervention also dragged the market. In the middle of the month, the market rebounded. The FOMC's decision to hike rates and its guidance to signal a prolonged tight monetary policy paused the strong yen, driving buybacks in export-related stocks. Towards the end of the month, the market was mixed. Tech stocks rallied on the back of hopes for continued investments in AI following an announcement of massive capital spending by a US generative AI company. Meanwhile, the gains were capped by concerns over prolonged negotiations between the US and Iran.

Composite Performance (%)
Excess Return*



	Sep	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	-0.98	4.10	22.61	35.41	23.73	19.45	18.12	15.19	16.40
Benchmark	-0.27	3.79	23.06	33.91	23.80	17.99	17.32	14.66	15.67

Top Ten Holdings	%
TOYOTA MOTOR CORP	2.42
MITSUBISHI UFJ FINANCIAL GRO	2.05
SUMITOMO MITSUI FINANCIAL GR	1.80
HITACHI LTD	1.34
MIZUHO FINANCIAL GROUP INC	1.27
MITSUBISHI CORP	1.27
SONY GROUP CORP	1.24
ITOCHU CORP	1.24
NTT INC	1.18
MURATA MANUFACTURING CO LTD	1.07
Total	14.88

Characteristics	Portfolio	TOPIX
P/E	13.83x	15.28x
P/B	1.35x	1.74x
ROE	9.78%	11.39%
Dividend Yield	2.74%	2.29%

Market Cap	Portfolio	TOPIX
Large	46.5%	68.5%
Mid	43.7%	24.4%
Small	8.7%	7.2%
Others	0.0%	-

Composite Summary		
Composite Name	SNAM Sustainable Investment Mother Fund	
Benchmark	TOPIX Total Return**	
Inception Date	September 2012	
Number of Holdings	300	
Bloomberg Code	SNAMSUS	
Assets Under Management	Composite (T9915)	JPY 92.8B (USD 590M)
	Discretionary Mandate	JPY 303.4B (USD 1931M)
	Strategy Total	JPY 396.2B (USD 2521M)

* 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).

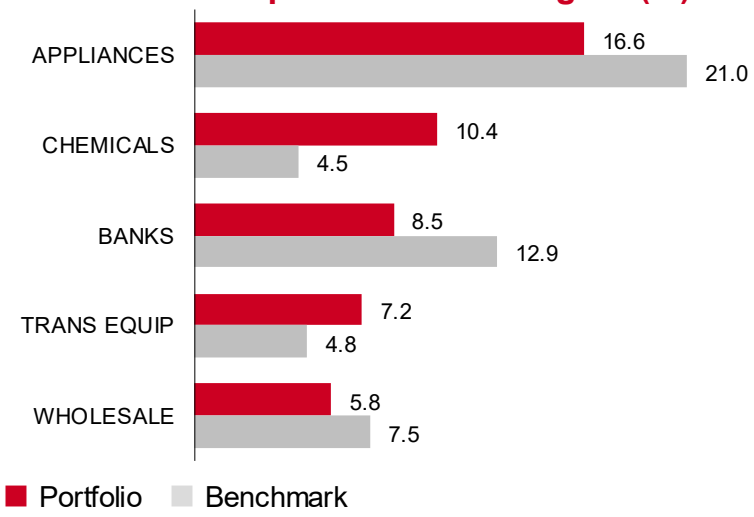
Performance is net of fees.

The data shown is of a representative account. Past performance is not a guarantee of future returns.
This document has been prepared solely for informational purposes and does not constitute an offer to sell securities in any jurisdiction. Actual performance achieved by a client portfolio may be affected by a variety of factors, including the initial balance of the account, the timing and amount of any additions to or withdrawals from the portfolio, changes made to the account to reflect the specific investment needs or preferences of the client, duration and timing of participation as a client, and a client portfolio's risk tolerance, investment objectives and investment time horizon. The returns presented above are net of a model fee of 35bps, which is the highest fee charged to investors.

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Top Five Sector Weights (%)





Masako Chikuma, CMA, CFA
Senior Portfolio Manager
23 years investment experience
12 years at Sompo AM

Attribution Analysis

In stock selection, share price increases for Murata Manufacturing, ITOCHU Corporation, and Tokyo Electron contributed to performance, while share price declines for Toyota Motor, Sony Group, and Mitsui Kinzoku detracted.

Outlook

We expect the market to remain firm. Valuations (forward P/E) already reflect market expectations to a considerable extent and suggest limited upside potential. FY26 earnings forecasts will likely be less impacted by rising costs driven by the Middle East situation than initially expected. We expect firm, earnings-driven market performance, with improvements

expected across a broad range of sectors beyond AI and semiconductors. We believe there is significant room for a re-rating of non-AI related stocks, while AI-related stocks have already priced in considerably high expectations. We should remain vigilant about a potential market correction, given that the recent rise in long-term rates could put downward pressure on valuations. That said, we don't expect a large market correction 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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