

Japan Value Equity Value Focus

October 2024

Strategy

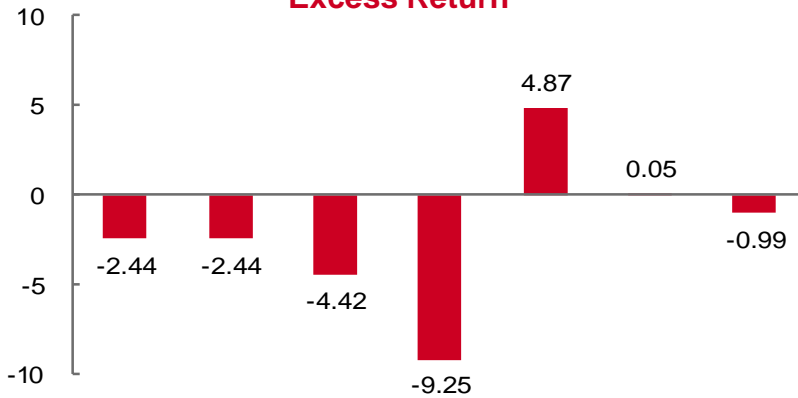
Value Focus Strategy is a focused, Japanese large/mid-cap equity strategy that aims for above-benchmark return in the mid- to long-term. The portfolio managers build the portfolio by investing in undervalued stocks with careful consideration of risk/return. A bottom-up approach is used. The Japanese equity research team analyzes the intrinsic value of individual stocks and compares it with market price to identify undervalued stocks. The portfolio is not constrained by sector weights.

Market Review

Share prices rose following the robust US economy and JPY depreciation versus USD, although the Japanese equity market was temporarily bearish on political uncertainty in the country given expectations for the ruling coalition of the Liberal Democratic Party (LDP) and its partner, Komeito, to lose a majority in the lower house election. Names in Banks, Securities & Commodity Futures, and Insurance rose as investors were bullish on an increase in domestic interest rates. However, Iron & Steel and Chemicals stocks fell due to fears over a recession in China.

Investors were concerned about heightened geopolitical risks in the Middle East in the first half of the month following Iranian strikes on Israel. However, Japanese equities rose as the market was supported by a higher-than-expected US job report, rising expectations for a soft landing of the US economy, and JPY depreciation versus USD arising from a widening interest rate gap between Japan and the US. The Japanese equity market then faced an upside resistance due to growing political uncertainty on the back of expectations for the ruling coalition to lose its parliamentary majority, ahead of the lower house election held on October 27th. However, after the election result revealed, Japanese equities rebounded towards the end of the month, helped by JPY depreciation and expectations for LDP/Komeito to plan economic stimulus policies to gain support from the opposition party, the Democratic Party for the People (DPFP).

Composite Performance (%) Excess Return*



Top Ten Holdings	%
NIDEC CORP	5.13
KIRIN HOLDINGS CO LTD	4.80
TORAY INDUSTRIES INC	4.68
SUMITOMO MITSUI TRUST HOLDIN	4.60
FANUC CORP	4.49
SUMITOMO MITSUI FINANCIAL GR	4.30
ASAHI KASEI CORP	3.98
MURATA MANUFACTURING CO LTD	3.93
OMRON CORP	3.85
KYOCERA CORP	3.72
Total	43.47

	Oct	QTD	YTD	1Y	3Y	5Y	SI
Composite	-0.09	-0.09	12.62	14.21	18.16	13.23	9.33
Benchmark	2.34	2.34	17.03	23.46	13.29	13.18	10.32

Composite Summary

Composite Name	Japan Value Equity Focus					
Benchmark	MSCI Japan**					
Inception Date	March 2018					
Number of Holdings	41					
Assets Under Management	Domestic	JPY 4.3B (USD 28M)				
	Overseas	JPY 27.9B (USD 183M)				
	Strategy Total	JPY 32.2B (USD 211M)				

Characteristics		
	Portfolio	Benchmark
P/E	13.09x	14.43x
P/B	1.00x	1.47x
ROE	7.63%	10.20%
Dividend Yield	2.99%	2.45%

Market Cap

	Portfolio	Benchmark
Large	59.0%	84.1%
Mid	39.9%	15.4%
Small	0.0%	0.0%
Others	1.1%	0.5%

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

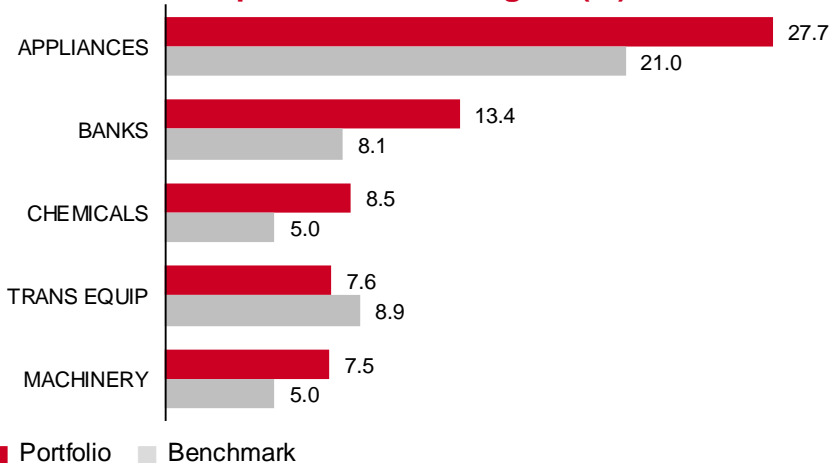
** The MSCI Japan Index is designed to measure the performance of the large and mid cap segments of the Japanese market. With 198 constituents (as of September 30, 2024), the index covers approximately 85% of the free float-adjusted market capitalization in Japan. Performance is net of fees.

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.

Japan Value Equity Value Focus

Top Five Sector Weights (%)



Eitaro Tanaka, CMA

Japanese Equity Group Head
Senior Portfolio Manager
20 years investment experience
9 years at Sompo AM

Attribution Analysis

Both sector allocation and stock selection detracted from performance. In sector allocation, overweighting (OW) of Banks and underweighting (UW) of Wholesale and Retail contributed to performance, while OW of Textiles, Chemicals, and Paper detracted. In stock selection, OW of Sumitomo Mitsui Financial Group and UW of Tokyo Electron and Sony Group contributed to performance, while OW of Omron and Kyocera and UW of Mitsubishi UFJ Financial Group detracted. Last month we increased holdings of Sumco, Kubota, and Subaru and decreased holdings of Makita, Omron, and Toray.

Outlook

We expect the market will fluctuate around the recent bottom but show signs of a potential recovery.

While concerns about the slowing US economy remain, FY24 Japanese corporate earnings will likely grow on the back of Japan specific positive factors, such as a recovery in domestic real wages and capital efficiency improvement measures implemented by companies following pressures from the Tokyo Stock Exchange (TSE). Share prices do not look overvalued given their general valuation metrics such as forward P/E ratio. However, the Japanese market will unlikely see a full-scaled upward trend as long as uncertainty of policies of new governments in Japan and the US and fears over a sharp JPY appreciation linger. We believe that it is difficult to envision a large correction to the Japanese market given strong equity demand from the high level of large scale share buyback seen recently and the BoJ's relatively accommodative monetary policy compared to the US and Europe.

Contact Information

Daniel Robbins
+81 3 5290 3414

Takuya Orime
+81 3 5290 3406

Group email: global@sompo-am.co.jp

Important Notice

This material is being made available to you by SOMPO ASSET MANAGEMENT CO., LTD, "Sompo AM". You are not permitted to copy this material or pass it to anyone else. This material does not constitute an offer to sell securities in any jurisdiction. This material is not, and must not be treated as, investment advice or investment recommendations. Before making any investment decision, you should seek independent investment, legal, tax, accounting or other professional advice as appropriate, none of which is offered to you by Sompo AM. No investment service will be provided in or into any jurisdiction except to the extent permitted by local law. Sompo AM makes no representation or warranty, express or implied, except as required by law or in the case of fraud, regarding the accuracy, completeness or adequacy of the information in this material. Past performance is not a guarantee of future results.

For the attention of investors in the US

This report is for the use of non-U.S. persons.

For the attention of investors in the United Kingdom:

To the extent that this material is being issued by any persons who are not authorised under the Financial Services and Markets Act 2000 (the "Act"), it is being issued in the United Kingdom only to, and/or is directed only at, persons who are of a kind to whom it may lawfully be issued or directed under the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, including persons who are authorised under the Act ("authorised persons"), certain persons having professional experience in matters relating to investments, high net worth companies and high net worth unincorporated associations or partnerships. This material is only available to such persons in the United Kingdom and this material must not be copied or distributed to any other person without seeking prior consent from Sompo AM.

For the attention of investors in Abu Dhabi:

This material and the information contained herein, does not constitute, and is not intended to constitute, a public offer of securities or other form of investments in the UAE and accordingly should not be construed as such. The portfolio management services detailed herein are only being offered to a limited number of sophisticated investors in the UAE: (a) who are willing and able to conduct an independent investigation of the risks involved in the related investments and (b) upon their specific request. The investments and services detailed herein have not been approved by or licensed or registered with the UAE Central Bank, the Securities and Commodities Authority or any other relevant licensing authorities or governmental agencies in the UAE. This material is for the use of the named addressee only and should not be given or shown to any other person (other than employees, agents or consultants in connection with the addressee's consideration thereof). No transaction will be concluded in the UAE and any enquiries regarding the investments and services detailed herein should be made to Sompo AM.

Sompo AM is a registered Financial Instruments Firm with the Director General of Kanto Local Finance Bureau ("KLFB") of the Japan Ministry of Finance, KLFB (KINSYO) No. 351, and is a member of the Japan Investment Advisers Association, and The Investment Trusts Association, Japan. The firm is also registered as an investment adviser with the U.S. Securities and Exchange Commission. Such registration does not imply any specific skill or training.