

Japan Value Equity Value Focus

November 2024

Strategy

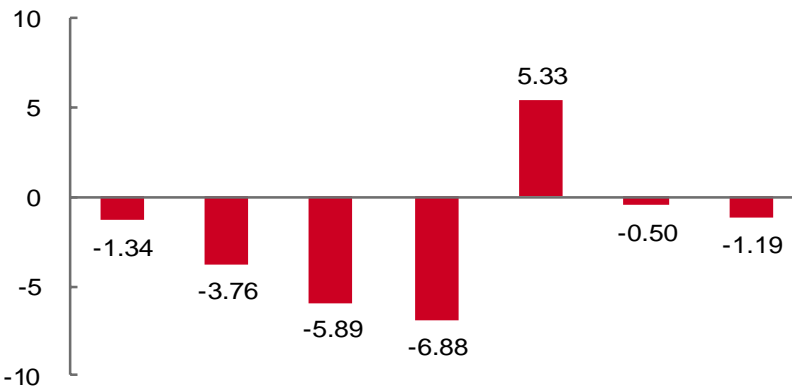
Value Focus Strategy is a focused, Japanese large/mid-cap equity strategy that aims for above-benchmark return in the mid- to long-term. The portfolio managers build the portfolio by investing in undervalued stocks with careful consideration of risk/return. A bottom-up approach is used. The Japanese 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 were dragged on by JPY appreciation versus USD, which was caused by concerns over protectionist policies from President-elect Donald Trump, such as increased tariffs, and the shrinking interest rate gap between the two counties. The Banks, Securities, and Insurance sectors rose as investors were positive on increasing domestic interest rates, while the Transportation Equipment and Chemicals sectors fell as investors were negative on potential increased tariffs from Trump.

Share prices were up in the first half of the month as the market was positive on Trump's victory in the US election given his stimulus policies of lowering corporate and income tax. This was despite a slight downtick caused by concerns of additional rate hikes by the BoJ. Concerns over protectionist policies from Trump, such as increased tariffs, and domestic earnings results coming in below investor expectations then weighed on the market. Share prices continued to fall through the end of the month on the release of actual details of tariffs, the drop in US interest rates after Trump publicly picked fiscal hawk Scott Bessent as next Secretary of the Treasury, and JPY appreciating to below JPY150 to 1USD.

Composite Performance (%) Excess Return*



	Nov	QTD	YTD	1Y	3Y	5Y	SI
Composite	-2.10	-2.19	10.26	8.74	19.44	12.09	8.87
Benchmark	-0.75	1.57	16.15	15.62	14.10	12.59	10.06

Composite Summary

Composite Name	Japan Value Equity Focus					
Benchmark	MSCI Japan**					
Inception Date	March 2018					
Number of Holdings	52					
Assets Under Management	Domestic	JPY 4.2B (USD 28M)				
	Overseas	JPY 26.8B (USD 178M)				
	Strategy Total	JPY 31B (USD 207M)				

Top Ten Holdings	%
SUMITOMO MITSUI TRUST GROUP	4.74
KIRIN HOLDINGS CO LTD	4.46
NIDEC CORP	4.32
FANUC CORP	4.23
TORAY INDUSTRIES INC	4.18
KYOCERA CORP	3.55
SUMITOMO MITSUI FINANCIAL GR	3.43
MURATA MANUFACTURING CO LTD	3.40
AISIN CORP	3.28
HONDA MOTOR CO LTD	3.28
Total	38.89

Characteristics

	Portfolio	Benchmark
P/E	12.61x	14.15x
P/B	0.93x	1.45x
ROE	7.38%	10.26%
Dividend Yield	3.18%	2.51%

Market Cap

	Portfolio	Benchmark
Large	53.2%	84.6%
Mid	45.8%	15.0%
Small	0.0%	0.0%
Others	1.0%	0.4%

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

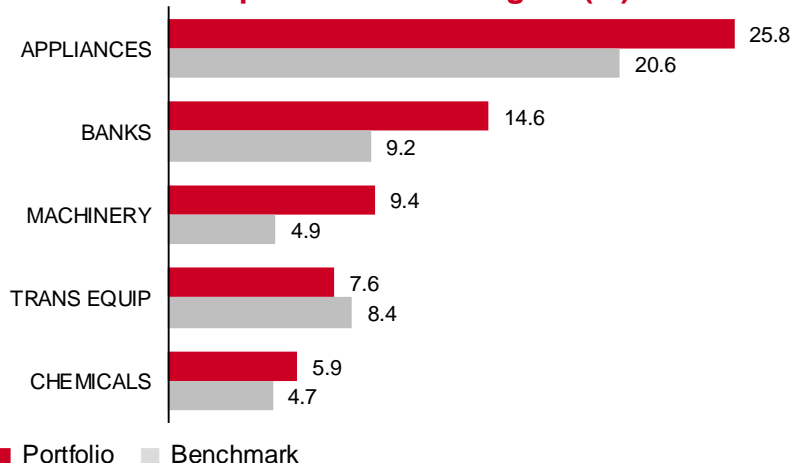
** The MSCI Japan Index is designed to measure the performance of the large and mid cap segments of the Japanese market. With 191 constituents (as of November 29, 2024), the index covers approximately 85% of the free float-adjusted market capitalization in Japan. Performance is net of fees.

The data shown is of a representative account. Past performance is not a guarantee of future returns.

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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

While sector allocation contributed to performance, stock selection detracted. In sector allocation, overweighting (OW) of Banks and Textiles and underweighting (UW) of Wholesale contributed to performance, while UW of Retail and Insurance and OW of Appliances detracted. In stock selection, OW of Toray, Sumitomo Mitsui Trust Group, and Concordia Financial Group contributed to performance, while OW of Omron, Nidec, and Sumco detracted. Last month we increased holdings of Jtekt, Morinaga Milk Industry, and Hirogin Holdings and decreased holdings of Asahi Kasei, Sumitomo Mitsui Financial Group, and Toray.

Outlook

We expect the market will face heavy upside resistance over the near term.

While concerns about the slowing US economy remain, Japanese corporate earnings will likely grow on the back of a recovery in domestic real wages and capital efficiency improvement measures implemented by companies following pressure from the Tokyo Stock Exchange (TSE). Share prices do not look overvalued given current general valuation metrics such as forward P/E. However, downward pressure on share prices will likely increase because of concerns of increased tariffs from the US and worries that JPY will continue to appreciate on the back of divergent monetary policy between the US and Japan. That said, it is difficult to envision a large correction to the Japanese market given strong equity demand from the high level of large-scale share buybacks seen recently and the BoJ's relatively accommodative monetary policy compared to the US and Europe.

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