

# Japan Value Equity Value Focus

March 2025

## Strategy

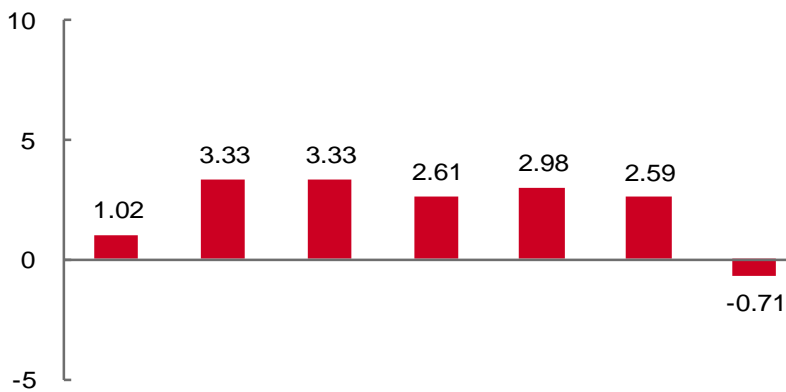
Value Focus Strategy is a focused, Japanese large/mid-cap equity strategy that aims for above-benchmark return in the mid- to long-term. The portfolio managers build the portfolio by investing in undervalued stocks with careful consideration of risk/return. A bottom-up approach is used. The Japanese 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

Japanese market prices finished the month almost unchanged as concerns over US President Donald Trump's tariff policy and US stagflation weighed on sentiment. Value stocks outperformed growth stocks because of the increase in long-term US interest rates.

The market was little changed in the first half of the month as although there was a period of growth when US tariff fears receded on delays to tariffs on certain products from Mexico and Canada, falls in US semiconductor stocks weighed on the market. The market then shifted upwards despite investor negativity on Trump refusing to clearly deny the possibility of a US recession as US CPI undershot market expectations, US retail data did not indicate a recession, and JPY stopped appreciating versus USD. The market then dropped through the end of month to come back in line with its previous month-end on increased fears of stagflation following announcements from the Trump administration of 25% additional tariffs on all imported automobiles and economic indicators signalling weak consumer spending and high expected inflation.

### Composite Performance (%) Excess Return\*



	Mar	QTD	YTD	1Y	3Y	5Y	SI
Composite	0.56	-1.04	-1.04	-0.30	16.27	19.15	8.82
Benchmark	-0.46	-4.37	-4.37	-2.92	13.29	16.55	9.53

### Composite Summary

Composite Name	Japan Value Equity Focus		
Benchmark	MSCI Japan**		
Inception Date	March 2018		
Number of Holdings	53		
Assets Under Management	Domestic	JPY 3.5B (USD 23M)	
	Overseas	JPY 18.2B (USD 122M)	
	Strategy Total	JPY 21.7B (USD 145M)	

Top Ten Holdings	%
SUMITOMO MITSUI TRUST GROUP	4.44
KIRIN HOLDINGS CO LTD	4.38
FANUC CORP	4.03
KYOCERA CORP	3.99
NIDEC CORP	3.85
HONDA MOTOR CO LTD	3.37
AISIN CORP	3.32
SUMITOMO MITSUI FINANCIAL GR	3.29
MITSUBISHI ESTATE CO LTD	3.26
MURATA MANUFACTURING CO LTD	3.08
Total	37.01

### Characteristics

	Portfolio	Benchmark
P/E	11.82x	13.35x
P/B	0.88x	1.40x
ROE	7.42%	10.47%
Dividend Yield	3.34%	2.67%

### Market Cap

	Portfolio	Benchmark
Large	51.8%	84.9%
Mid	46.3%	14.9%
Small	1.9%	0.0%
Others	0.0%	0.2%

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

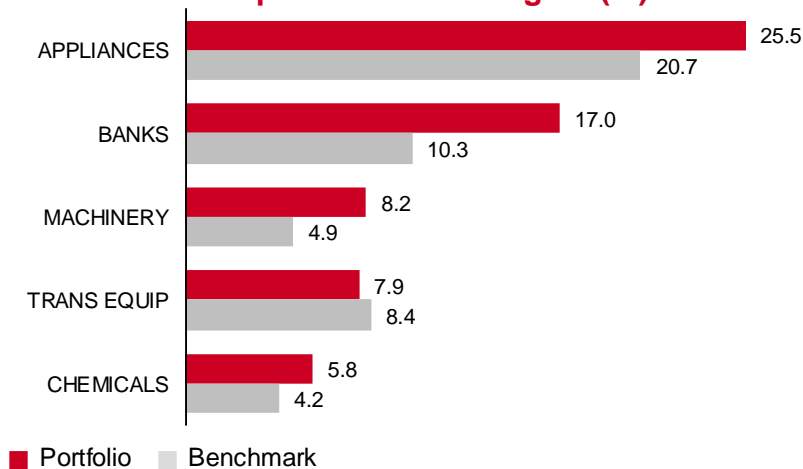
\*\* The MSCI Japan Index is designed to measure the performance of the large and mid cap segments of the Japanese market. With 191 constituents (as of November 29, 2024), the index covers approximately 85% of the free float-adjusted market capitalization in Japan. Performance is net of fees.

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

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## 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

While sector allocation contributed to performance, stock selection detracted. In sector allocation, overweighting (OW) of Banks and underweighting (UW) of Services and Other Prod contributed to performance, while OW of Appliances and UW of Wholesale and Insurance detracted. In stock selection, OW of Mitsubishi Estate and Concordia Financial Group and UW of Recruit Holdings contributed to performance, while OW of Sumco, Nidec, and Murata Manufacturing detracted. Last month we increased holdings of JFE holdings, Nitori Holdings, and Sumitomo Metal Mining and decreased holdings in Makita Corporation, East Japan Railway Company, and Panasonic Holdings.

### Outlook

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

Japanese corporate earnings will likely be positively impacted by a recovery in domestic real wages and capital efficiency improvement measures implemented by companies following pressure from the Tokyo Stock Exchange (TSE) but may stagnate because of larger-than-expected negative impacts from additional Trump tariffs. We expect it will take some time before we see a pickup in valuation metrics like forward P/E as market volatility (degree of movement in share prices) will likely increase as long as the full extent of tariffs impacts is unclear. That said, we believe downside will be limited as share prices already reflect drops in earnings forecasts, there is strong equity demand from the high level of large-scale share buybacks seen recently and the BoJ has relatively accommodative monetary policy compared to the US and Europe.

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