

Japan Value Equity Value Focus

May 2025

Strategy

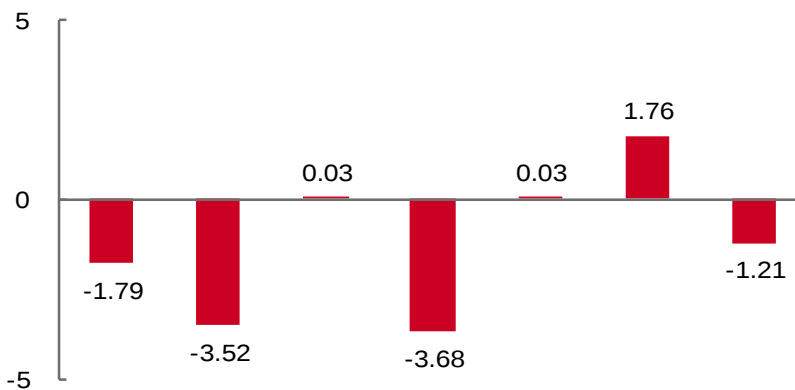
Value Focus Strategy is a focused, Japanese large/mid-cap equity strategy that aims for above-benchmark return in the mid- to long-term. The portfolio managers build the portfolio by investing in undervalued stocks with careful consideration of risk/return. A bottom-up approach is used. The Japanese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

The Japanese market rose in May on expectations for softer tariff policy out of the Trump administration in the US. The rise was led by the non-ferrous sector, which grew on expectations for increased demand for telecommunication cables following the announcement of a large data centre construction project in the Middle East, and the banks sector, which grew on expectations for wider net interest margins following the increase in Japanese interest rates.

The market rose in the first half of the month as the BoJ left rates unchanged at its monetary policy meeting and Trump tariff policy fears weakened following the US and the UK coming to a trade deal. The market then rocked back and forth through the middle of the month despite the US and China agreeing to lower the additional tariffs they had imposed on each other as conservative earnings guidance weighed on sentiment. Share prices then rose again through the end of the month despite US long-term rates rising on the back of concerns over worsening fiscal conditions as the US agreed to postpone the imposition of tariffs on the EU and Nvidia released strong earnings results.

Composite Performance (%) Excess Return*



Top Ten Holdings	%
SUMITOMO MITSUI TRUST GROUP	4.60
NIDEC CORP	4.26
KYOCERA CORP	4.11
FANUC CORP	3.77
KIRIN HOLDINGS CO LTD	3.63
HONDA MOTOR CO LTD	3.61
NIPPON TELEGRAPH & TELEPHONE	3.52
SUMITOMO MITSUI FINANCIAL GR	3.14
AISIN CORP	3.08
MITSUBISHI ESTATE CO LTD	2.91
Total	36.62

	May	QTD	YTD	1Y	3Y	5Y	SI
Composite	3.47	2.14	1.07	-1.23	16.10	17.09	8.93
Benchmark	5.26	5.66	1.04	2.45	16.07	15.32	10.13

Composite Summary

Composite Name	Japan Value Equity Focus		
Benchmark	MSCI Japan**		
Inception Date	March 2018		
Number of Holdings	52		
Assets Under Management	Domestic	JPY 3.6B (USD 25M)	
	Overseas	JPY 17.2B (USD 119M)	
	Strategy Total	JPY 20.8B (USD 144M)	

Characteristics		
	Portfolio	Benchmark
P/E	13.05x	14.56x
P/B	0.89x	1.49x
ROE	6.85%	10.23%
Dividend Yield	3.33%	2.55%

Market Cap		
	Portfolio	Benchmark
Large	51.2%	72.7%
Mid	47.6%	27.1%
Small	1.2%	0.0%
Others	0.0%	0.2%

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

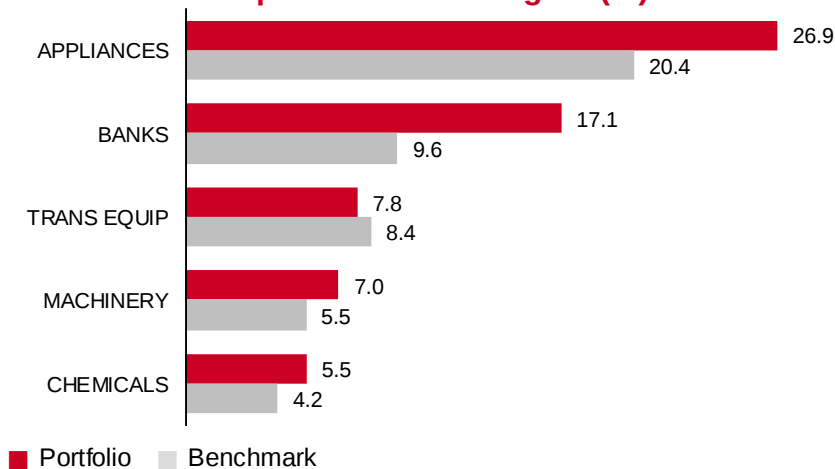
** The MSCI Japan Index is designed to measure the performance of the large and mid cap segments of the Japanese market. With 191 constituents (as of November 29, 2024), the index covers approximately 85% of the free float-adjusted market capitalization in Japan. Performance is net of fees.

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

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Top Five Sector Weights (%)



Eitaro Tanaka, CMA

Japanese Equity Group Head
Senior Portfolio Manager
21 years investment experience
10 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 Other Prod and Precision Instr contributed to performance, while OW of Paper, Land Trans, and Foods detracted. In stock selection, OW of Sumitomo Mitsui Trust Group, Nidec, and Rohm contributed to performance, while OW of Omron and Kirin Holdings and UW of Hitachi detracted. Last month we increased holdings of Hamamatsu Photonics, Taiyo Yuden, and Rohm and decreased holdings of THK, Aisin, and Osaka Gas.

Outlook

We expect the market will continue to 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 negative impacts from additional Trump tariffs. Valuation metrics like forward P/E fell significantly on concerns over additional tariffs but have already recovered from this because of expectations over negotiations between the US and individual countries. The market will now likely bounce back and forth according to news flow concerning the tariffs. We believe that share price will be supported by strong equity demand from the high level of large-scale share buybacks seen recently and the BoJ having relatively accommodative monetary policy compared to the US and Europe but that investor sentiment will unlikely rise until it is clear where Trump tariff policy will ultimately end up.

Contact Information

Daniel Robbins
+81 3 5290 3414

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

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