SOMPO ASSET MANAGEMENT

# Japan Value Equity Value Focus

**June 2025**

## Strategy

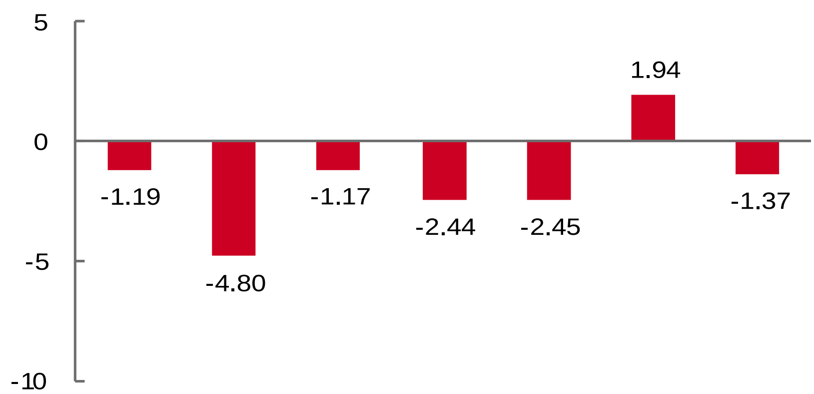
Value Focus Strategy is a focused, Japanese large/mid-cap equity strategy that aims for above-benchmark return in the mid- to long-term. The portfolio managers build the portfolio by investing in undervalued stocks with careful consideration of risk/return. A bottom-up approach is used. The Japanese 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 rose on increased expectations for rate cuts in the US following the drop in geopolitical risk in the Middle East. Growth outperformed value as long-term interest rates fell on the increase in expectations for the Fed to cut rates.

The market ended the first half of the month little changed. It was weighed down by concern over harsher tariff policy out of the US but was supported by decreased concerns over a potential recession in the US following better-than-expected US jobs data. For most of the second half of the month the market continued to seesaw back and forth. While investors were negative on increased geopolitical risk in the Middle East following Israeli attacks on Iranian nuclear facilities, they were positive on progress in talks between the US and China to reduce trade tensions. The market then rose at the end of the month despite the US attacking Iran as investors were positive on the ceasefire agreement between Israel and Iran and a Fed official stating support for early rate cuts.

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




| | Jun | QTD | YTD | 1Y | 3Y | 5Y | SI |
|---|---|---|---|---|---|---|---|
| Composite | 0.64 | 2.80 | 1.72 | 0.19 | 15.40 | 17.65 | 8.92 |
| Benchmark | 1.83 | 7.60 | 2.90 | 2.63 | 17.84 | 15.71 | 10.29 |

| Composite Summary | | |
|---|---|---|
| **Composite Name** | Japan Value Equity Focus | |
| **Benchmark** | MSCI Japan** | |
| **Inception Date** | March 2018 | |
| **Number of Holdings** | 53 | |
| **Assets Under Management** | Domestic | JPY 3.6B (USD 25M) |
| | Overseas | JPY 17.3B (USD 120M) |
| | Strategy Total | JPY 20.9B (USD 144M) |

| Top Ten Holdings | % |
|---|---|
| SUMITOMO MITSUI TRUST GROUP | 4.45 |
| NIDEC CORP | 4.25 |
| FANUC CORP | 4.13 |
| KYOCERA CORP | 4.04 |
| KIRIN HOLDINGS CO LTD | 3.54 |
| HONDA MOTOR CO LTD | 3.43 |
| NIPPON TELEGRAPH & TELEPHONE | 3.38 |
| SUMCO CORP | 3.29 |
| AISIN CORP | 3.09 |
| SUMITOMO MITSUI FINANCIAL GR | 3.08 |
| Total | 36.69 |

| Characteristics | Portfolio | Benchmark |
|---|---|---|
| P/E | 13.52x | 15.06x |
| P/B | 0.90x | 1.53x |
| ROE | 6.68% | 10.14% |
| Dividend Yield | 3.35% | 2.52% |

| Market Cap | Portfolio | Benchmark |
|---|---|---|
| Large | 50.0% | 72.7% |
| Mid | 49.7% | 27.1% |
| Small | 0.3% | 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.

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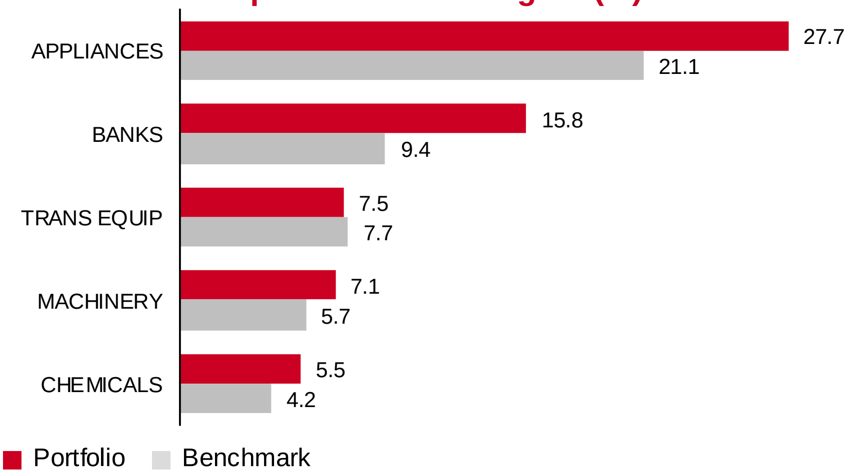
## Top Five Sector Weights (%)




**Eitaro Tanaka, CMA**
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Senior Portfolio Manager
21 years investment experience
11 years at Sompo AM

## Attribution Analysis

Both sector allocation and stock selection detracted from performance. In sector allocation, overweighting (OW) of Appliances and underweighting (UW) of Wholesale and Insurance contributed to performance, while UW of Other Prod and Info & Comm and OW of Banks detracted. In stock selection, UW of Toyota Motor and OW of Sumco and Rohm contributed to performance, while UW of SoftBank Group, Nintendo, and Advantest detracted. Last month we increased holdings of Otsuka Corporation, Sumco, and Keisei Electric Railway and decreased holdings of Mitsubishi Estate, Shizuoka Financial Group, and Toray.

## Outlook

We expect the market will continue to face heavy upside resistance. There is an increasing likelihood that Japanese corporate earnings will enter a period of stagnation as despite positives from a recovery in domestic real wages and capital efficiency improvement measures implemented by companies following pressure from the Tokyo Stock Exchange (TSE), additional Trump tariffs are expected to have a negative impact. Valuation metrics like forward P/E are already above undervalued levels despite there still being no clear outlook on how tariffs will ultimately end up as the overall market has been pushed up by a small number of stocks. We believe caution is needed over the short term as there is a growing opinion amongst investors that the Fed will cut rates early to counter a slowdown in the US economy. That said, we do not foresee any large fall in the Japanese market as 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.

## Contact Information

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