

Japan Value Equity Value Focus

September 2025

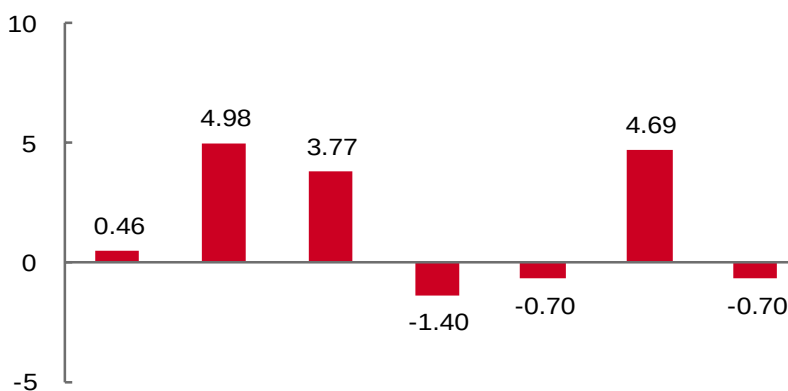
Strategy

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 heightened expectations for Fed rate cuts and expansionary fiscal policy following the change in Prime Minister in Japan. Growth in the nonferrous and electric appliances, driven by increased expectations for AI investment expansion, pulled the overall market up. Share prices rose in the beginning of the month as expectations rose for rate cuts in the US following employment data undershooting market expectations and investors came to believe there could be an expansion in fiscal policy following the resignation announcement from standing Prime Minister Shigeru Ishiba. The market then remained strong through the middle of the month on the back of expectations for expanded investment in AI and forecasts for two Fed rate cuts in 2025. The market did briefly decline on the announcement that the BoJ will be selling its ETF and J-REIT holdings but then recovered as the pace of selling will be extremely slow. The market then fell at the end of the month as JPY appreciated on comments from BoJ officials about the increased need for the BoJ to hike rates as well as concerns over the possibility of a government shutdown in the US if the Senate is not able to pass a government services funding bill.

Composite Performance (%) Excess Return*



	Sep	QTD	YTD	1Y	3Y	5Y	SI
Composite	3.64	15.58	17.57	19.17	21.77	21.66	10.70
Benchmark	3.18	10.60	13.81	20.57	22.47	16.98	11.40

Composite Summary

Composite Name	Japan Value Equity Focus		
Benchmark	MSCI Japan**		
Inception Date	March 2018		
Number of Holdings	51		
Assets Under Management	Domestic	JPY 1.6B (USD 11M)	
	Overseas	JPY 17.3B (USD 117M)	
	Strategy Total	JPY 18.9B (USD 128M)	

Top Ten Holdings	%
SUMCO CORP	4.67
SUMITOMO MITSUI TRUST GROUP	4.27
NTT INC	4.24
KYOCERA CORP	4.15
KIRIN HOLDINGS CO LTD	4.09
FANUC CORP	4.08
MURATA MANUFACTURING CO LTD	3.69
HONDA MOTOR CO LTD	3.38
TOYOTA MOTOR CORP	3.12
YAMATO HOLDINGS CO LTD	2.95
Total	38.63

Characteristics

	Portfolio	Benchmark
P/E	14.59x	15.89x
P/B	1.03x	1.64x
ROE	7.05%	10.29%
Dividend Yield	3.09%	2.38%

Market Cap

	Portfolio	Benchmark
Large	52.9%	84.3%
Mid	46.8%	15.3%
Small	0.0%	0.0%
Others	0.0%	0.4%

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

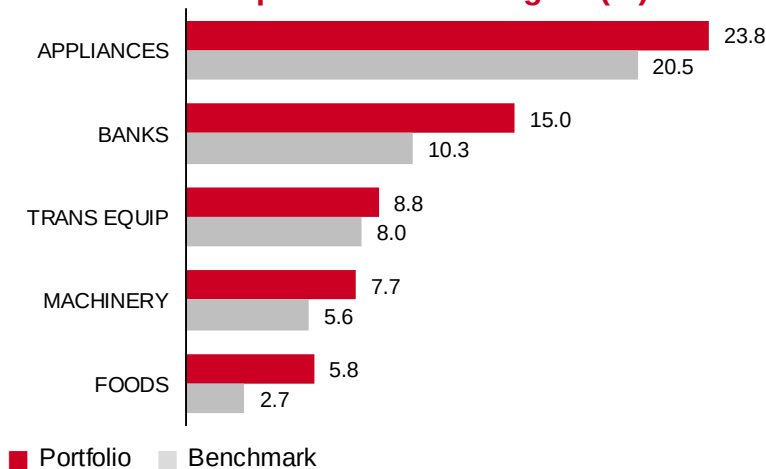
** The MSCI Japan Index is designed to measure the performance of the large and mid cap segments of the Japanese market. With 191 constituents (as of November 29, 2024), the index covers approximately 85% of the free float-adjusted market capitalization in Japan. Performance is net of fees.

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
21 years investment experience
11 years at Sompo AM

Attribution Analysis

Sector allocation contributed to performance, while stock selection detracted. In sector allocation, overweighting (OW) of Metal Prod and underweighting (UW) of Other Prod and Insurance contributed to performance, while UW of Wholesale and OW of Textiles and Foods detracted. In stock selection, OW of Sumco, Murata Manufacturing, and Sumitomo Metal Mining contributed to performance, while OW of Nidec and UW of Tokyo Electron and Advantest detracted. Last month we increased holdings of NTT, Astellas Pharma, and Kubota and decreased holdings of Nidec, Rohm, and Aisin.

Outlook

We expect the market will face heavier upside resistance going forward. We urge caution over the near term given that valuation metrics like forward P/E look overall somewhat overheated, having been pulled upwards by a small number of stocks on the back of the US rate cut and expectations for fiscal policy from the incoming government administration in Japan. However, corporate earnings forecasts for this fiscal year may now be revised upwards given the heightened likelihood they will not fall as much as originally expected following the easing of Trump's tariffs. In addition, 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. While we do expect investors to more readily make predictions of earnings growth as the negative impacts of the Trump tariffs fade away in the second half of the coming fiscal year, we believe it will still take some time before we see serious fundamentals-driven market growth.

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