

# Japan Value Equity Value Focus

October 2025

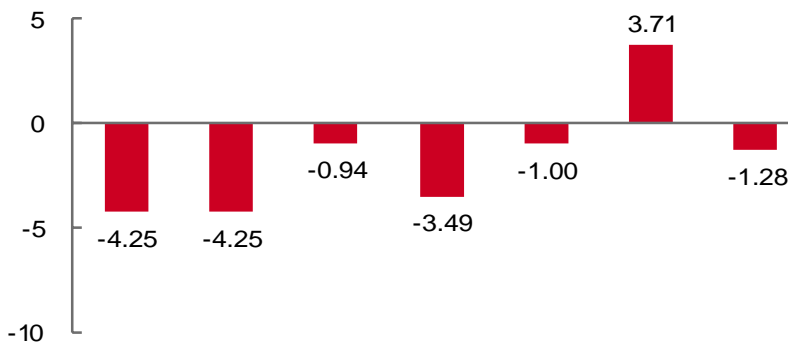
## Strategy

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 expectations for expansionary fiscal policy and economic security enhancements by the incoming administration following the change in leadership of the Liberal Democratic Party (LDP) in Japan. Growth in the nonferrous and electric appliances sectors, driven by continued expectations for expanded AI investment globally and expectations for increased investment in advanced technology by the Takaichi administration, pulled the overall market up. Share prices rose in the beginning of the month as expectations rose for expansionary fiscal policy following the election of Sanae Takaichi as LDP leader. The market then briefly declined on reignited fears over trade frictions between the US and China triggered by Trump's remarks indicating additional tariffs on China and political uncertainty in Japan following the media reports of parliament facing difficulties selecting a prime minister. The market then rose on receded political uncertainty following Sanae Takaichi becoming prime minister. The market then maintained solid growth on a weakened JPY versus USD, caused by the BoJ keeping the policy rate unchanged at its end-of-month policy meeting and Fed chairman Jerome Powell indicating a cautious stance on additional rate cuts.

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



Top Ten Holdings	%
FANUC CORP	4.59
NTT INC	4.25
KYOCERA CORP	4.18
SUMITOMO MITSUI TRUST GROUP	4.13
SUMCO CORP	4.07
KIRIN HOLDINGS CO LTD	3.99
MURATA MANUFACTURING CO LTD	3.95
HONDA MOTOR CO LTD	3.37
TOYOTA MOTOR CORP	3.34
TAIYO YUDEN CO LTD	3.31
Total	39.18

	Oct	QTD	YTD	1Y	3Y	5Y	SI
Fund	3.60	3.60	21.81	23.58	22.29	23.08	11.09
Benchmark	7.85	7.85	22.75	27.07	23.29	19.37	12.37

### Fund Summary

Fund Name	Japan Value Equity Focus		
Benchmark	MSCI Japan**		
Inception Date	March 2018		
Number of Holdings	53		
Assets Under Management	Domestic	-	
	Overseas	-	
	Strategy Total	-	

Characteristics		
	Portfolio	Benchmark
P/E	14.68x	16.84x
P/B	1.06x	1.74x
ROE	7.19%	10.31%
Dividend Yield	3.03%	2.23%
Market Cap		
	Portfolio	Benchmark
Large	52.5%	86.5%
Mid	47.5%	13.2%
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 180 constituents (as of October 31, 2025), the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

Performance data etc. for October, 2025 onwards is based on model portfolio only.

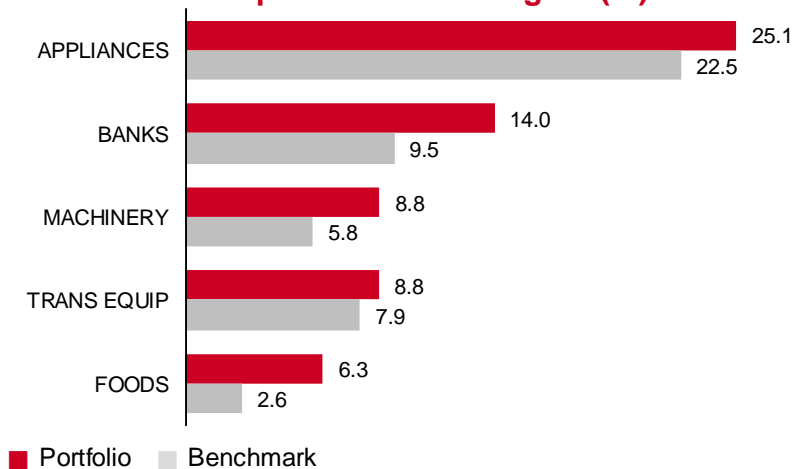
Performance is net of fees.

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 (%)



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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, underweighting (UW) of Insurance and Services and overweighting (OW) of Appliances contributed to performance, while OW of Land Trans, Banks, and Metal Prod detracted. In stock selection, OW of Taiyo Yuden, Murata Manufacturing and UW of Mitsubishi UFJ Financial contributed to performance, while UW of SoftBank Group, Advantest, and Hitachi detracted. Last month we increased holdings of Denso, Asahi Group Holdings, and NSK and decreased holdings of Aisin, Sumco, and Taiyo Yuden.

## 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 are no longer at undervalued levels having been pulled upwards by a small number of stocks on the back of additional US rate cuts and expectations for fiscal policy from the Takaichi administration in Japan. Stock-picking has been heavily concentrated in thematic areas such as generative AI and these stock are now at overheated valuation levels. However, corporate earnings forecasts for this fiscal year are bottoming out on the back of the easing of Trump's tariffs and will likely be revised upwards. 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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