

Japan Value Equity Value Focus

December 2025

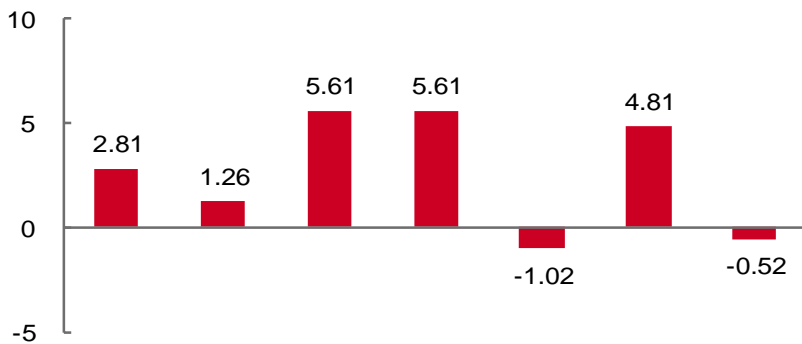
Strategy

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

Despite Japanese and US monetary policy creating reason for market movement, the reduction in market participants through the year-end kept TOPIX range-bound. By sector, insurance and banks rose on expectations for earnings improvements following the BoJ's decision to raise rates. The other products sector fell on concerns over earnings deterioration following the increase in price of semiconductors. The Japanese market was weak at the beginning of the month as expectations rose for a rate hike at the BoJ's December Monetary Policy Meeting following hints from Governor Kazuo Ueda. However, market prices then recovered on expectations for a Fed rate cut following the release of US economic data that hinted at an economic slowdown. Shares then fell again in the middle of the month despite a Fed rate cut due to a dry-up in catalysts. However, share prices held firm as expectations rose for further rate cuts in the US on weaker-than-expected US CPI. Buying activity was focused on exporters as despite the BoJ's decision to raise rates at its monetary policy meeting, comments from Ueda caused JPY to weaken versus USD. The market lacked any clear sense of direction through the end of the month given low trading volumes.

Fund Performance (%)
Excess Return*



Top Ten Holdings	%
KYOCERA CORP	4.18
SUMITOMO MITSUI TRUST GROUP	4.16
SUMCO CORP	4.12
NTT INC	4.08
KIRIN HOLDINGS CO LTD	4.04
FANUC CORP	3.46
OMRON CORP	3.34
TOYOTA MOTOR CORP	3.34
KUBOTA CORP	3.25
DAIKIN INDUSTRIES LTD	3.15
Total	37.11

	Dec	QTD	YTD	1Y	3Y	5Y	SI
Fund	3.81	10.85	30.33	30.33	23.91	21.11	11.81
Benchmark	1.00	9.59	24.72	24.72	24.93	16.30	12.32

Fund Summary

Fund Name	Japan Value Equity Focus		
Benchmark	MSCI Japan**		
Inception Date	March 2018		
Number of Holdings	54		
Assets Under Management	Domestic	-	
	Overseas	-	
	Strategy Total	-	

Characteristics		
	Portfolio	Benchmark
P/E	15.31x	16.21x
P/B	1.08x	1.77x
ROE	7.07%	10.92%
Dividend Yield	2.91%	2.26%
Market Cap		
	Portfolio	Benchmark
Large	53.1%	85.8%
Mid	46.9%	13.6%
Small	0.0%	0.0%
Others	0.0%	0.7%

* 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.

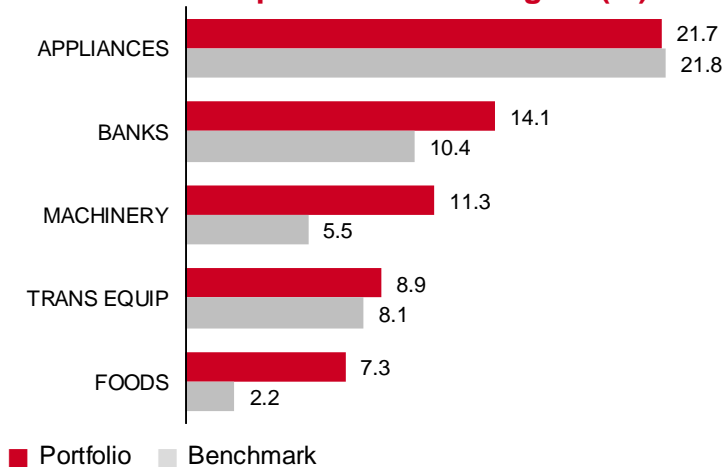
Performance is net of fees.

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 (%)



Eitaro Tanaka, CMA

Japanese Equity Group Head
Senior Portfolio Manager
22 years investment experience
11 years at Sompo AM

Attribution Analysis

Both sector allocation and stock selection contributed to performance. In sector allocation, overweighting (OW) of Metal Prod and Banks and underweighting (UW) of Other Prod contributed to performance, while OW of Foods and UW of Insurance and Wholesale detracted. In stock selection, OW of Fanuc and Sumco and UW of Sony Group contributed to performance, while UW of Mitsui & Co., and Recruit Holdings and OW of Kirin Holdings detracted. Last month we increased holdings of Denso, Asahi Group Holdings and Mitsubishi Chemical and decreased holdings of Fanuc, Astellas Pharma, and Taiyo Yuden.

Outlook

Corporate earnings forecasts have been rising since Japan and the US came to agreement on trade talks and it is looking likely that earnings will continue to rise in the coming fiscal year too. However, we believe caution is needed over the near term as valuations (forward P/E, etc) have been on a consistent upwards path recently, driven by positive factors like expectations for strong earnings, lower US rates, and increased investment in AI. That said, we believe market downside will be limited as there is strong equity demand from a high level of large-scale share buybacks and the BoJ has relatively accommodative monetary policy compared to the US and Europe.

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