

Japan Value Equity Value Focus

January 2026

Strategy

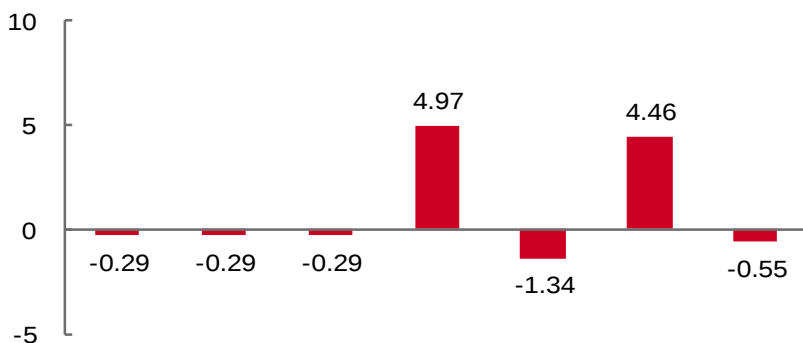
Value Focus Strategy is a focused, Japanese large/mid-cap equity strategy that aims for above-benchmark return in the mid- to long-term. The portfolio managers build the portfolio by investing in undervalued stocks with careful consideration of risk/return. A bottom-up approach is used. The Japanese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

Expectations for aggressive fiscal policy pushed the market up following reports of a snap general election. The non-ferrous and oil & coal products sectors rose on heightened expectations for earnings improvements following the increase in commodity prices. The services and information & communication sectors fell because of their high percentage of growth stocks when interest rate increases were creating headwinds.

The Japanese equity market rose in the first part of the month because of expectations for expansionary fiscal policy driven by the outlook that the Takaichi administration would call a snap general election. Share prices then fell in the middle of the month despite prospects for an LDP majority as long-term interest rates rose rapidly on alarm over fiscal expansion and oversupply of super-long as well as tensions between Europe and the US concerning Greenland. The market fell further in the latter part of the month despite brief rises as JPY appreciated against USD on heightened concerns of currency intervention from Japanese and US authorities. Share prices then saw upside resistance through the end of the month as investors held off in the run-up to earnings season for both Japan and the US.

Fund Performance (%)
Excess Return*



	Jan	QTD	YTD	1Y	3Y	5Y	SI
Fund	4.61	4.61	4.61	35.71	23.67	21.79	12.31
Benchmark	4.90	4.90	4.90	30.74	25.02	17.33	12.87

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	-	

Top Ten Holdings	%
SUMCO CORP	4.43
SUMITOMO MITSUI TRUST GROUP	4.27
KYOCERA CORP	4.20
KIRIN HOLDINGS CO LTD	3.93
NTT INC	3.83
TOYOTA MOTOR CORP	3.33
KUBOTA CORP	3.32
FANUC CORP	3.27
OMRON CORP	3.16
SUMITOMO MITSUI FINANCIAL GR	3.01
Total	36.74

Characteristics		
	Portfolio	Benchmark
P/E	15.54x	16.67x
P/B	1.14x	1.84x
ROE	7.31%	11.03%
Dividend Yield	2.84%	2.19%

Market Cap		
	Portfolio	Benchmark
Large	52.9%	85.6%
Mid	47.1%	13.5%
Small	0.0%	0.0%
Others	0.0%	0.9%

* 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.

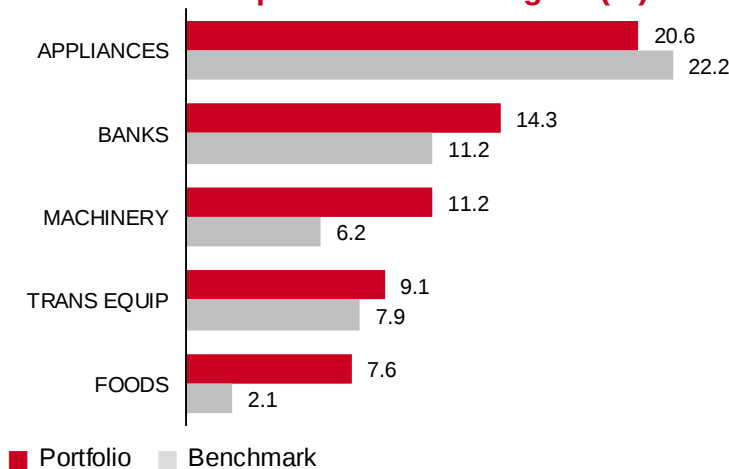
Performance is net of fees.

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

Sector allocation contributed to performance while stock selection detracted. In sector allocation, overweighting (OW) of Machinery, Metal Prod, and Banks contributed to performance while underweighting (UW) of Wholesale and OW of Foods and Land Trans detracted. In stock selection, OW of Sumitomo Metal Mining and Sumco and UW of Sony Group contributed to performance, while UW of Advantest and Tokyo Electron and OW of Yamato Holdings detracted. Last month we increased holdings of Asahi Group Holdings, Denso, and Iwatani Corporation and decreased holdings of Osaka Gas, Sumitomo Metal Mining, and Fanuc.

Outlook

We expect the market to fluctuate. Corporate earnings forecasts have been rising since Japan and the US came to agreement on trade talks and it looks highly likely that earnings will continue to rise in the coming fiscal year as well. However, we believe caution is needed over the near term as valuations (forward P/E, etc) are already at historical highs, driven by strong corporate earnings, prospects for a stable political situation following the general election, and expectations for increased investment in AI globally. 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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