



Investors for a new now

# DWS Concept Nissay Japan Value Equity

January 2025

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# Agenda

- 01 Executive Summary**
- 02 Strategy Overview
- 03 Nissay CIO View on Japanese Equity
- 04 Investment Process
- 05 Portfolio Management & Research Team
- 06 Appendix

# Executive Summary

## Why DWS Concept Nissay Japan Value Equity and why now?



### Is it a good time to invest



Macroeconomic changes and recently weakening Yen are attracting foreign investors



"Abenomics" and TSE (Tokyo Stock Exchange) reforms driving the markets now

### Macro Power of the Japanese Economy



Positive inflation rates after decades of deflationary environment



The earnings growth rate of Japanese companies has been similar to that of US companies since 2012

### DWS Concept Nissay Japan Value Equity



Investment style "Value" tends (historically) to perform better in a market environment with inflation rates  $> 2\%$



Fundamental valuation is a cornerstone of the Nissay strategy with its strong focus on free cash flow

# Historical Equity Market performance in local currency

Japanese Equity has been the top performer in 2022 and 2023



Periodic return table equities

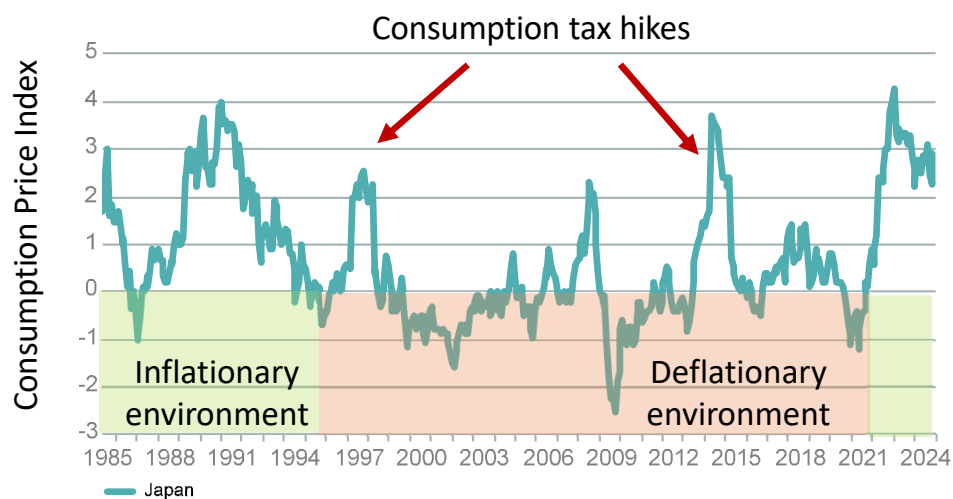
	2017	2018	2019	2020	2021	2022	2023	2024
Best Performance	MSCI Asia xJ 43.61%	S&P 500 -5.70%	S&P 500 32.19%	MSCI Asia xJ 25.51%	S&P 500 29.01%	FTSE 100 4.57%	MSCI Japan 29.05%	S&P 500 25.52%
	MSCI EM 39.58%	SMI -7.29%	SMI 30.16%	MSCI EM 18.79%	Stoxx600 26.06%	MSCI Japan -4.13%	S&P 500 26.26%	MSCI Japan 21.13%
	MSCI World S&P 500 21.23%	FTSE 100 -7.93%	Eurostoxx 50 30.12%	S&P 500 18.39%	Eurostoxx 50 24.32%	Eurostoxx 50 -8.55%	Eurostoxx 50 23.13%	MSCI World DAX 18.85%
	MSCI Japan 18.67%	Stoxx600 -10.59%	Stoxx600 28.58%	MSCI Japan 9.19%	SMI 23.73%	Stoxx600 -9.88%	DAX 20.31%	MSCI Asia xJ 12.87%
	SMI 17.36%	Eurostoxx 50 -12.19%	DAX 25.48%	SMI 4.30%	FTSE 100 18.69%	DAX -12.35%	Stoxx600 16.61%	Eurostoxx 50 11.23%
	DAX 12.57%	MSCI EM -14.20%	MSCI EM 19.61%	DAX 3.55%	DAX 15.79%	SMI -14.29%	MSCI EM 10.19%	Stoxx600 9.01%
	FTSE 100 12.57%	MSCI Asia xJ -14.23%	MSCI Asia xJ 19.45%	Stoxx600 -1.44%	MSCI Japan 13.79%	S&P 500 -18.13%	FTSE 100 7.68%	MSCI EM 8.26%
	Stoxx600 11.37%	MSCI Japan -14.96%	MSCI Japan 18.94%	Eurostoxx 50 -2.59%	MSCI EM -3.05%	MSCI Asia xJ -19.43%	SMI 7.06%	FTSE 100 8.89%
	Worst Performance Eurostoxx 50 10.45%	DAX -18.65%	FTSE 100 17.83%	FTSE 100 -11.44%	MSCI Asia xJ -5.36%	MSCI EM -19.81%	MSCI Asia xJ 6.29%	SMI 7.54%

Note: Past performance is not indicative of future returns. Currency may differ from the investor's local currency, therefore returns may increase or decrease as a result of currency fluctuations.

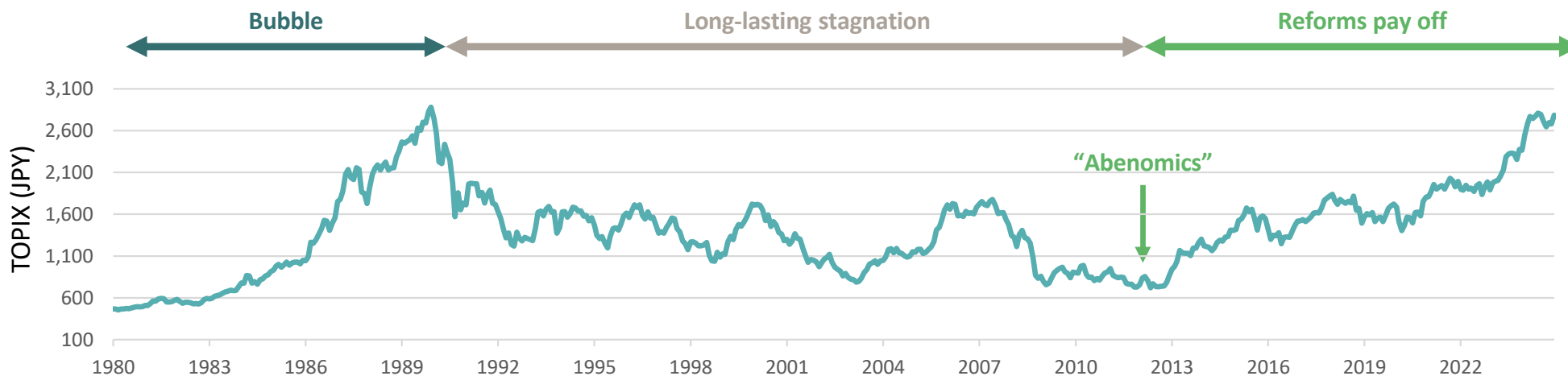
Source: Bloomberg Finance L.P., DWS Investment GmbH; As of: End of December, 2024

# Development of the Japanese stock market

Is the recent performance **cyclical** or is it due to **structural** changes?

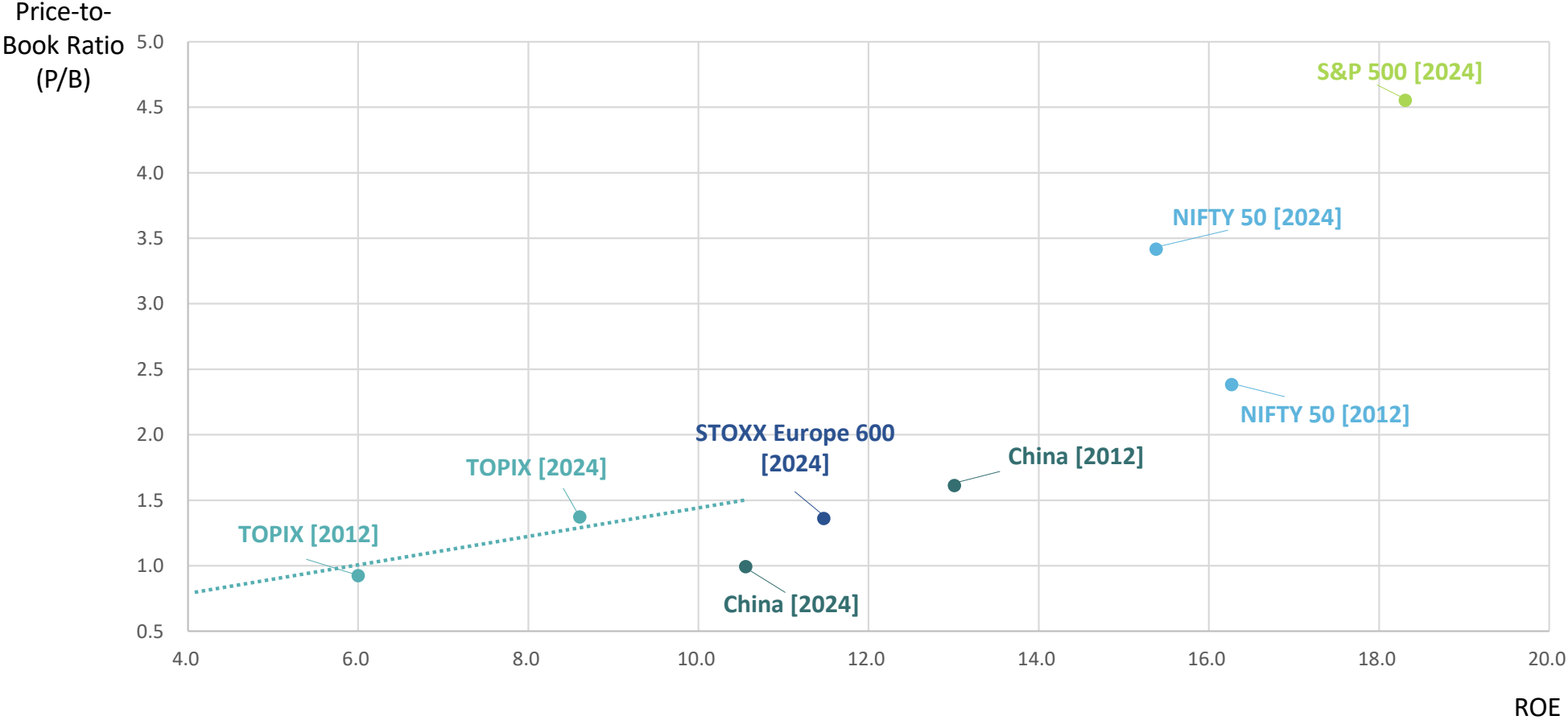


- Three "arrows" of "Abenomics":
1. A plan to end deflation and combat the strong yen
  2. Expansionary fiscal and monetary policy management
  3. A growth strategy



# Development of the Japanese stock market

Japan's return on equity is trending up...



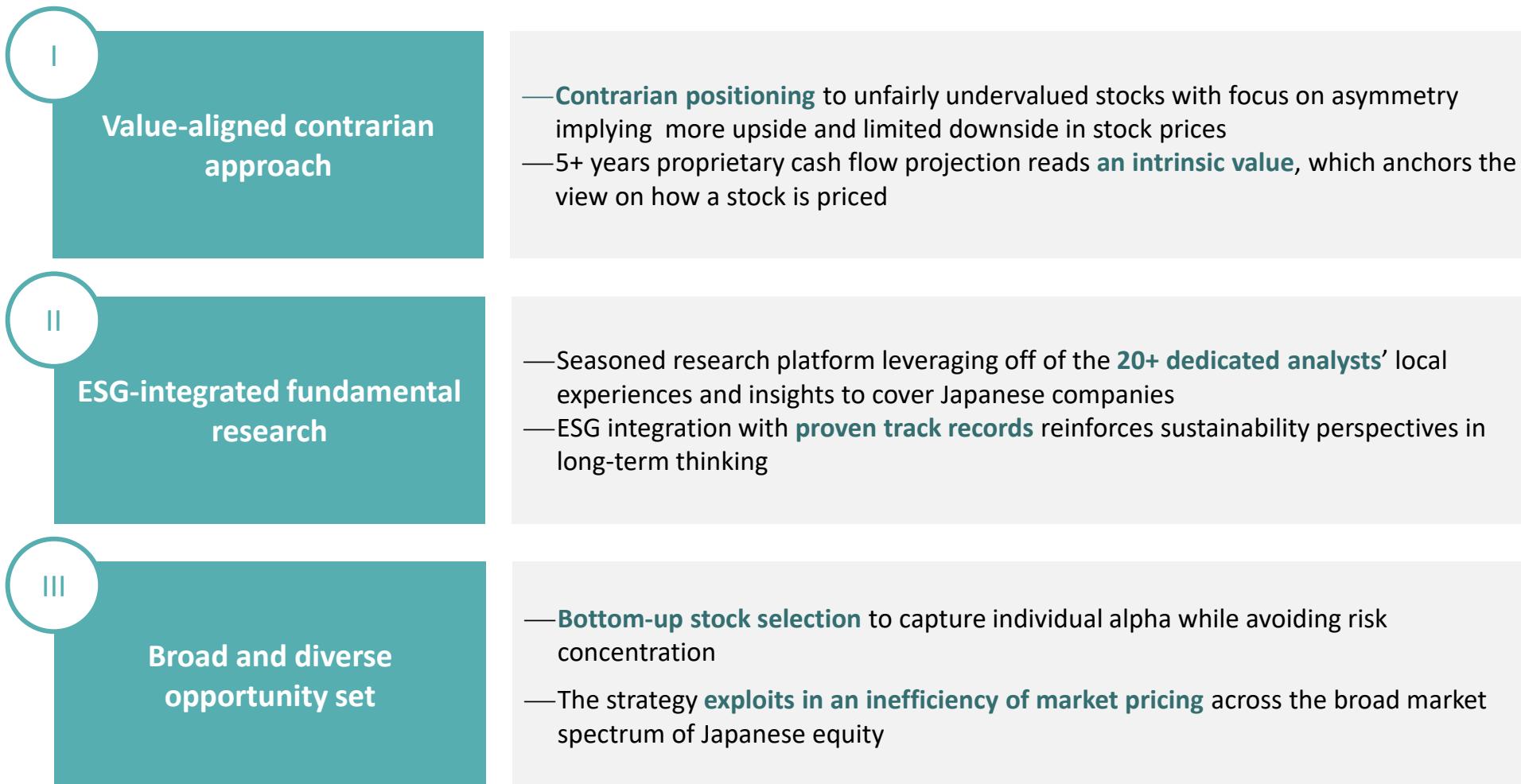
Past performance, [actual or simulated], is not a reliable indication of future performance. Forecasts are not a reliable indicator of future performance. Forecasts are based on assumptions, estimates, opinions and hypothetical performance analysis, therefore actual results may vary.  
Source: DWS International GmbH, Bloomberg Finance L.P.; As of: End of October 2024;

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# DWS Concept Nissay Japan Value Equity

## Key Features of the strategy





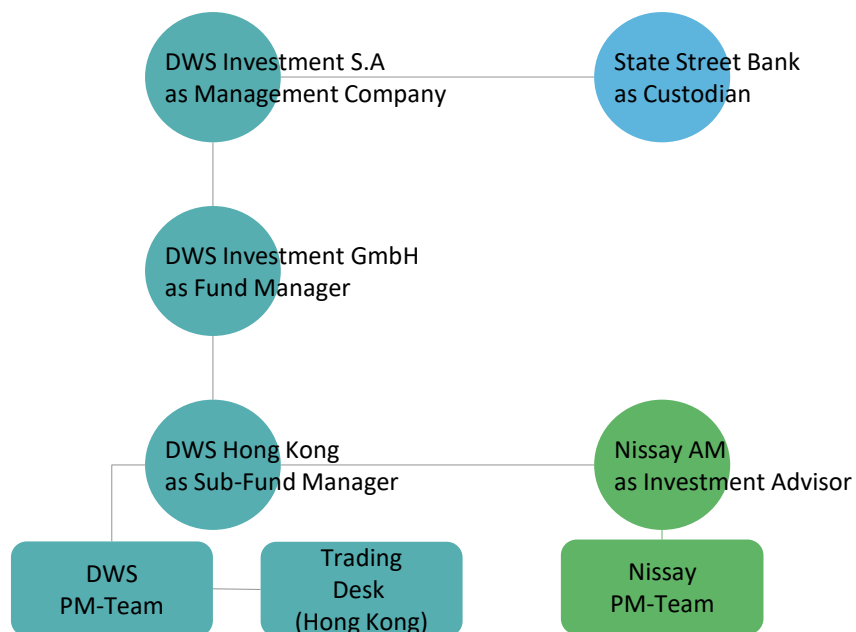
# DWS Concept Nissay Japan Value Equity

## DWS Portfolio Management Team



[Investment Company] DWS Concept	
Management Company etc.	DWS Investment S.A
Sub-Registrar etc.	MorgenFund GmbH
Custodian & Sub-Administrator	State Street Bank International GmbH

[Sub Fund] DWS Concept Nissay Japan Value Equity	
Fund Manager	DWS Investment GmbH
Sub-Fund Manager	DWS Investment Hong Kong Ltd
Investment Advisor	Nissay Asset Management



### Elke Schoepl Jost

Head of Investments APAC: Hong Kong

— Joined the Company in 2014. Elke has 29 years of industry experience. Prior to joining, Elke was CIO at BEA Union Investment. Previously, she was a Senior Portfolio Manager at Union Investment in Frankfurt, Germany. Elke started her career as a Portfolio Manager at Volksbank Investments in Austria  
— Master's Degree in Economics and Business from University of Vienna (WU Wien)



### Linus Kwan, CFA

Senior Portfolio Manager & Team Lead Equity: Hong Kong

— Linus joined the company in 2016 and has 24 years of experience. He managed Asia-focused and emerging markets portfolios at DWS and previously worked at DNB Asset Management (Asia) as a portfolio manager. He also managed a long/short portfolio at Calypso Capital and served as an investment manager for a Pacific Rim fund, along with being a research analyst for China equities at Lombard Odier.  
— BA in English & Translation and MBA from The Chinese University of Hong Kong; CFA Charterholder



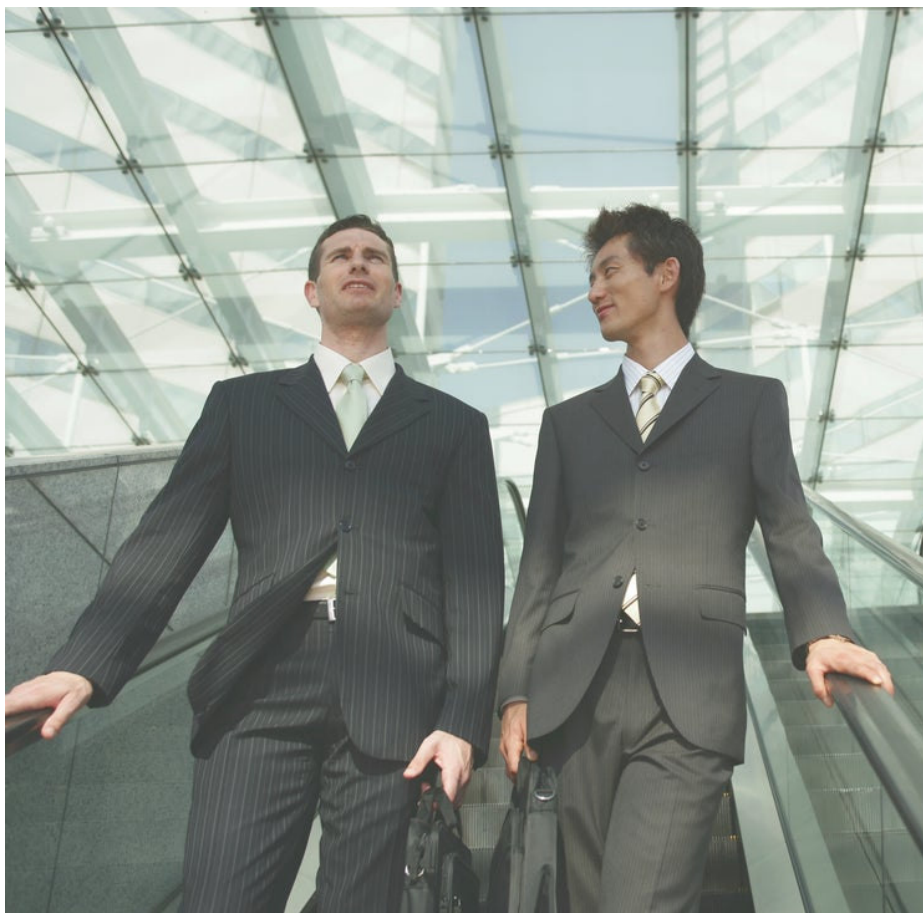
### Lily Jap, CFA

Senior Portfolio Manager APAC Equity: Hong Kong

— Joined the Company in 2015. Lily has 23 years of industry experience. Prior to joining, Lily was a Portfolio Manager at BMO Global Asset Management and Lloyd George Management. She managed Greater China equity portfolio and Hong Kong equity portfolio. Lily started her career as an equity research analyst at Nomura International.  
— Bachelor Degree in Business Administration from University of Michigan

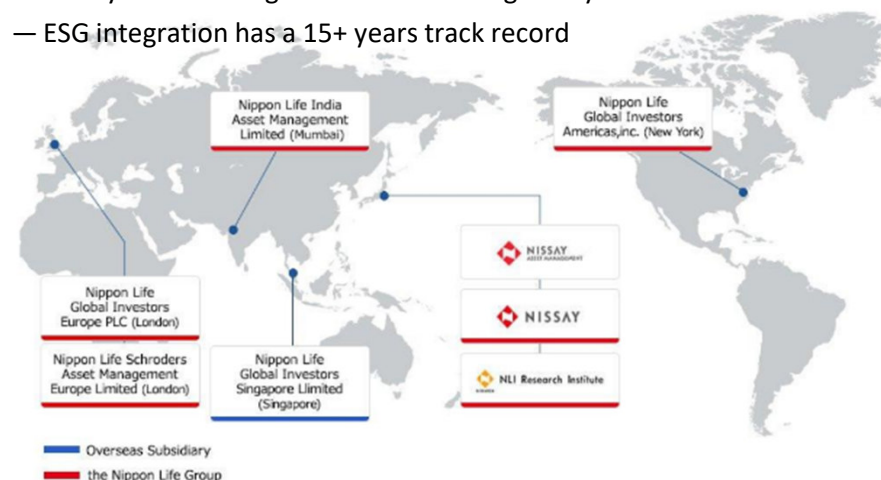
# DWS Concept Nissay Japan Value Equity

## Overview and introduction of our cooperation partner Nissay Asset Management



### Introduction of Nissay Asset Management Corporation (NAM)

- Established in **April 1995** and is 100% owned by **Nippon Life Insurance Company**
- Market Leader in Japanese Pension market in Japan with total AuM of 41.5 trillion Yen (March 2024)
- Through discretionary management, advisory services and investment products, NAM provides high-quality asset management services for both institutional and individual investors.
- NAM offers a range of products that includes Japanese Equity and Fixed Income, Global Equity and Fixed Income as well as Alternative including Multi Asset.
- 200+ professionals and it serves more than 500+ institutional clients
- NAM is well recognized for owning one of the largest equity analyst platform in Japan.
- Nissay Asset Management became a signatory to PRI in 2006.
- ESG integration has a 15+ years track record



Note: For illustrative purposes only; Not all products are offered in all jurisdictions and availability is subject to local regulatory restrictions and requirements.

As of: end of December 2024; Source: DWS International GmbH and Nissay Asset Management;

([Company Profile](#) | [Overview](#) | [Nissay Asset Management \(nam.co.jp\)](#))

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# Japanese equity - Why essential in global investment portfolios? -



## Deflation to Inflation



Long lasting deflation was over.

- Chance to improve ROE

## Corporate Reform



Corporate reforms finally take place, driven by Tokyo Stock Exchange.

- Chance to increase corporate value

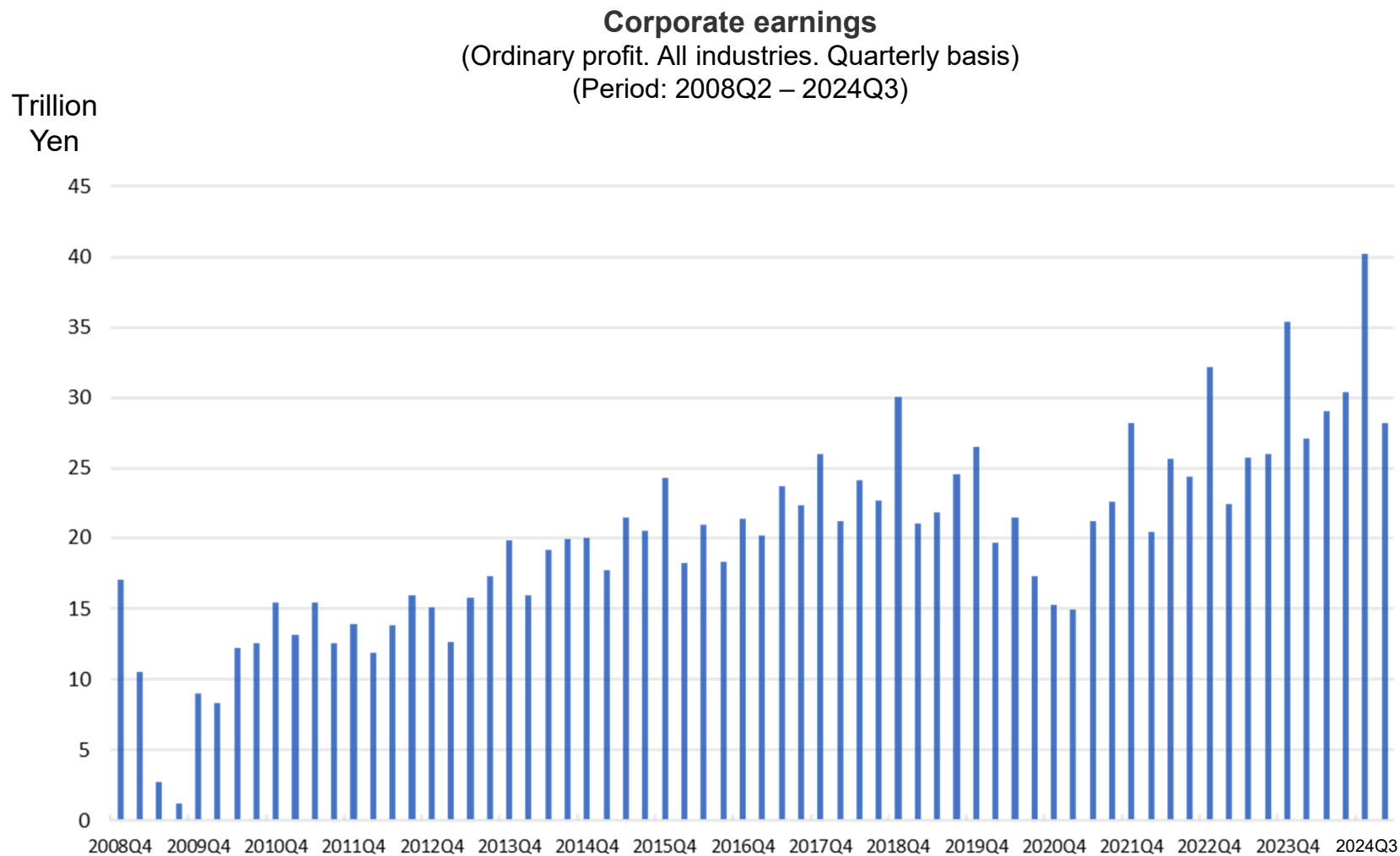
## Inflows into Equity Market



New tax exemption scheme for individual saving account introduced.

- \$16 trillion of individual money finally began to move into stock market

# Japanese corporate - Solid fundamentals -

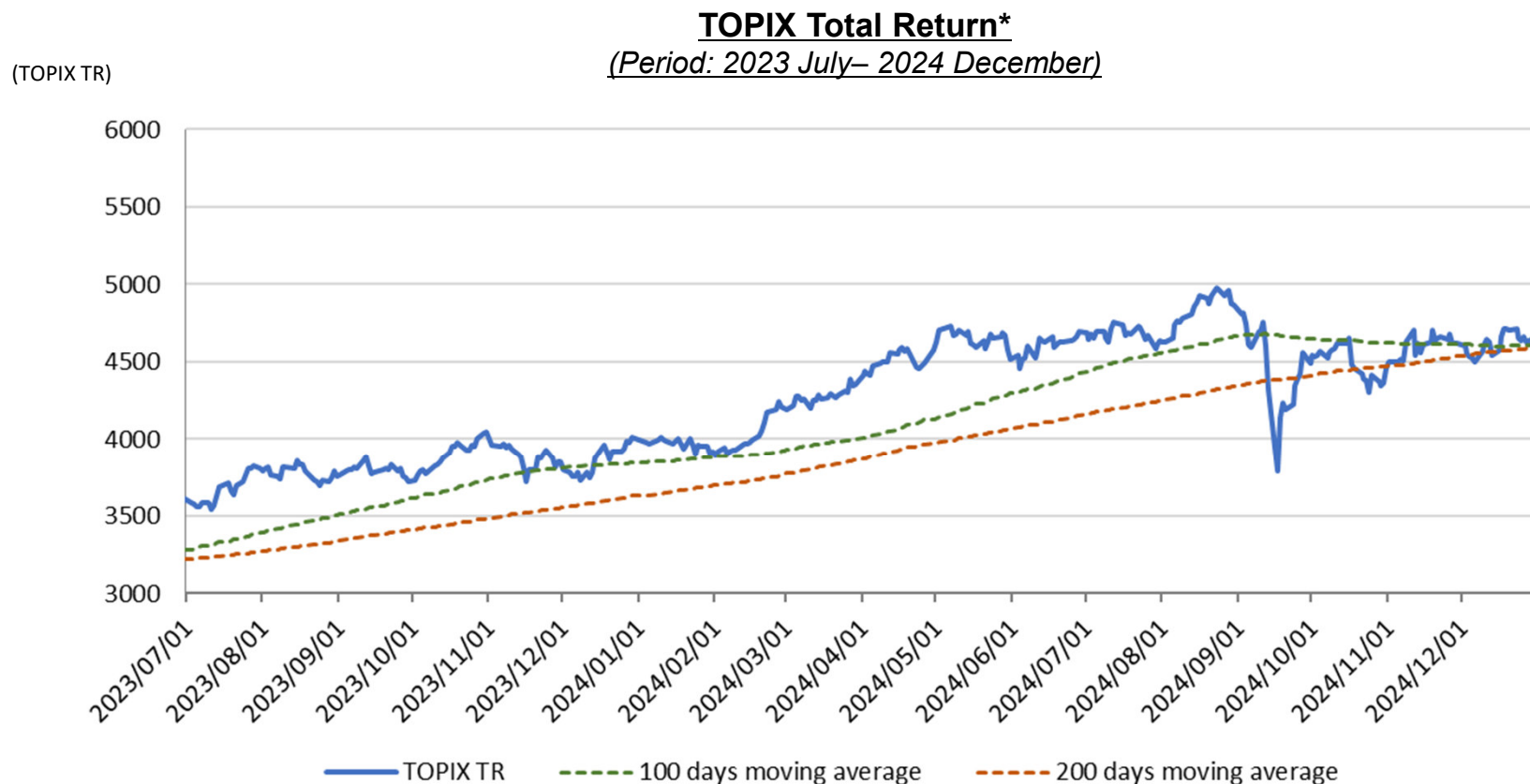


Note: for illustration purpose only, and not a recommendation to sell or buy.

Source: Financial Statements Statistics of Corporations by Industry, Ministry of Finance Nissay Asset Management

## Japanese equity market - Near Term Overview -

- The yen's depreciation, driven by US inflation and high interest rates, supported Japanese stocks until July 2024. However, a lower-than-expected US CPI raised rate cut expectations from the FRB, followed by a hawkish stance from Bank of Japan Governor Kazuo Ueda, led to yen appreciation and concerns about its impact on Japanese companies' profits in August.
- There was also a significant unwinding of carry trade investments, resulting in a sharp decline in the Japanese stock market.
- The technical analysis indicates that the current market conditions exhibited signs of extreme volatility.



\*Dividends included.

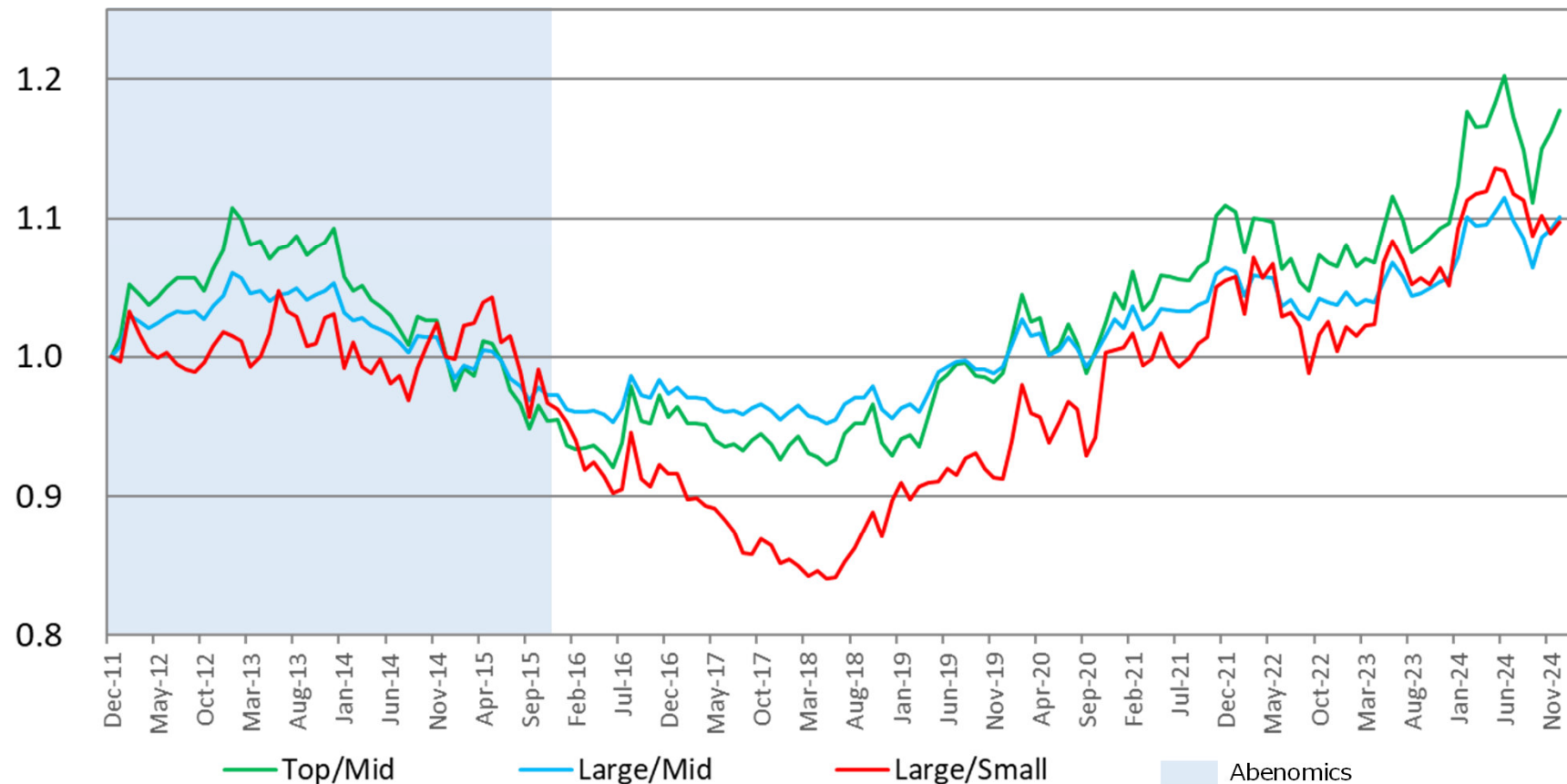
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Source: Tokyo Stock Exchange, Nissay Asset Management

## Have Large Cap stocks over-run?

- Top/Large-cap stocks that gained excess momentum amidst the previous rises in the Japanese equity market, likely turning to resolve some distortions in market pricing.
- These flows-driven momentums are not permanent and may easily reversed by certain trigger as seen in the past experiences at Abenomics during 2012 to 2015.

**Index movement by size**  
 (Period: 2012 Jan – 2024 Dec)



# Accelerating wage growth in Japan

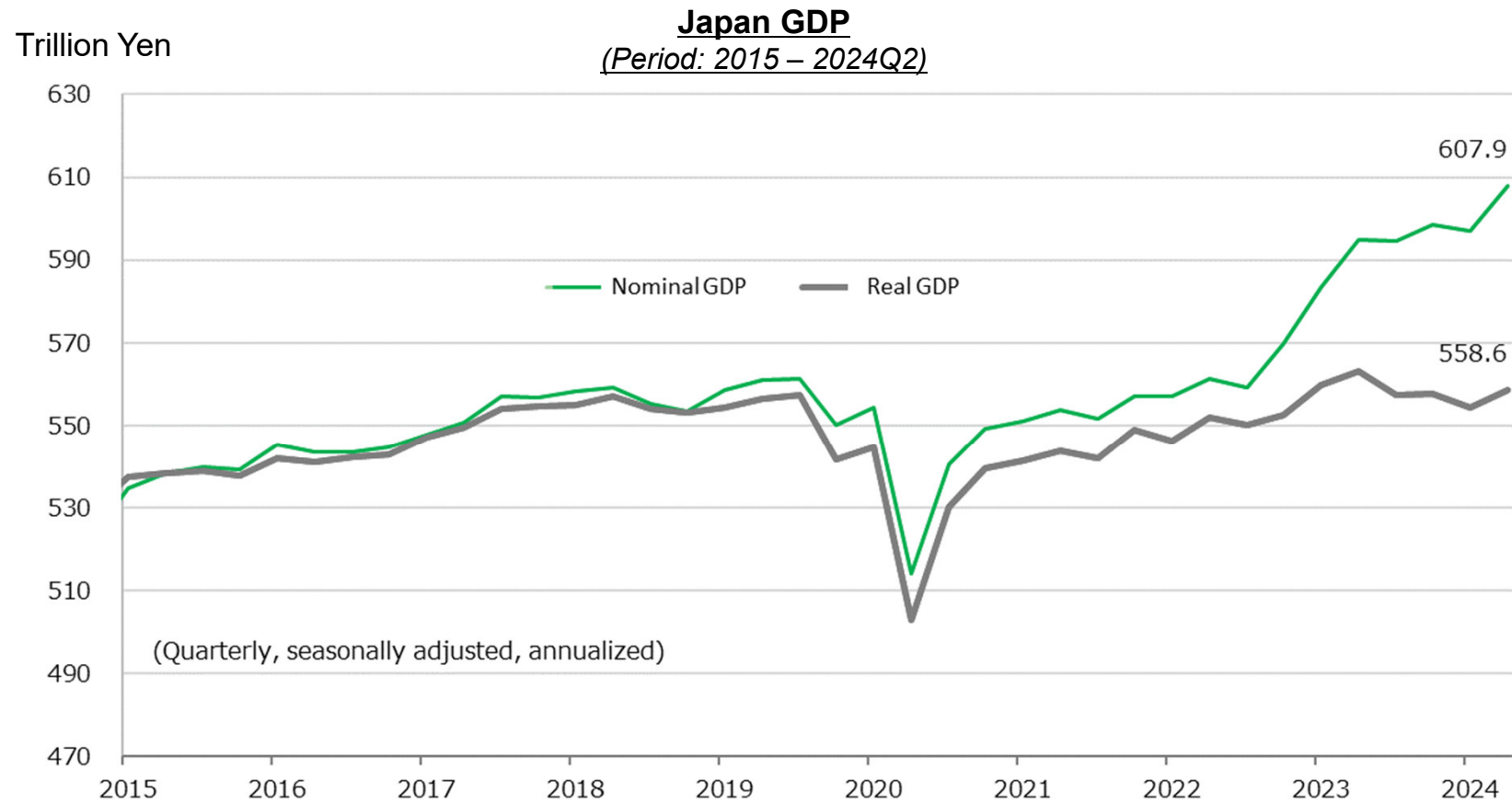
- The higher-than-expected average pay increase of 5.10% offered by Japanese companies boosted policymakers' confidence that a virtuous cycle of wage growth and price hikes is starting, a crucial factor for Japan to achieve the BOJ's 2% inflation target.





# Nominal GDP reaches 600 trillion yen for the first time in Japan

- Japan's 2Q 2024 GDP, announced on August 15, was 607.9 trillion yen in nominal annualized terms (seasonally adjusted) (nominal GDP growth rate +7.4% q-o-q), exceeding the 600 trillion-yen target set by Abenomics

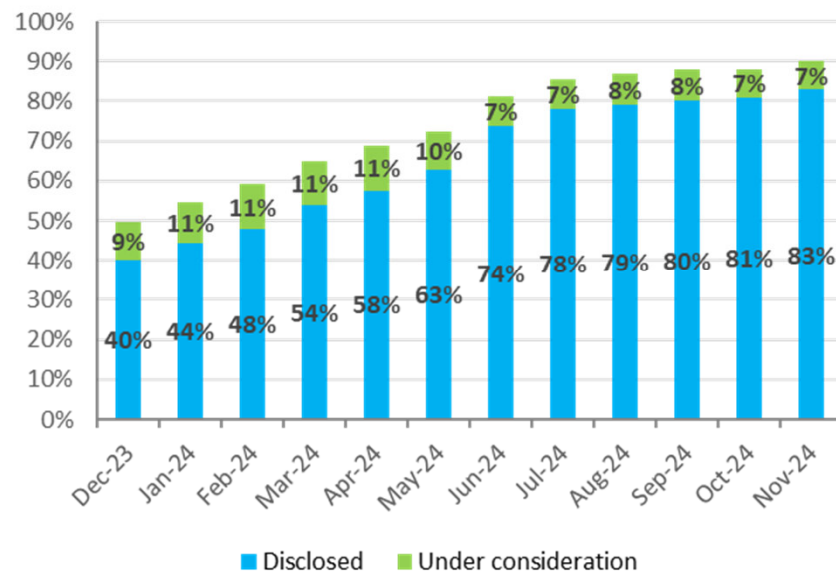


# Tokyo Stock Exchange reforms – structural tailwind to increase value

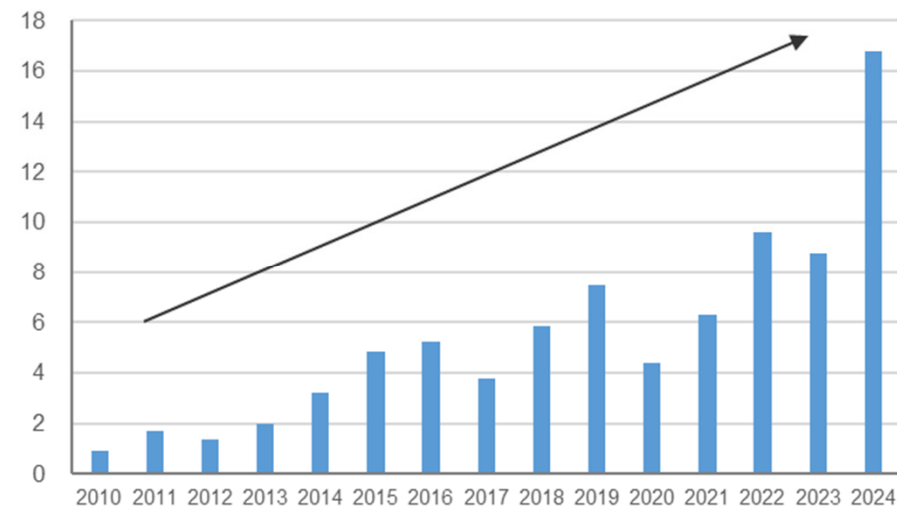
## January 2023 : TSE announced so-called **PBR reform** to listed companies

- Japanese companies have been historically unconscious about cost of capital and capital profitability.
- This time, TSE requested companies to properly understand their own cost of capital and profitability on their capital, discuss stock price and market value of companies internally or in a board meeting and make a disclosure of those situation.
- This is strongly requested especially for companies with PBR of continuously below 1.

### The proportion of companies in the prime market which responded to TSE's above request of disclosure for Capital Efficiency



### The amount of Stock Buy Back (Billion yen)<sup>1</sup>



(1) Based on companies' press release, as of December 19th, 2024.

Note: For illustration purpose only, and not a recommendation to sell or buy. Past performance is no guarantee of future results.

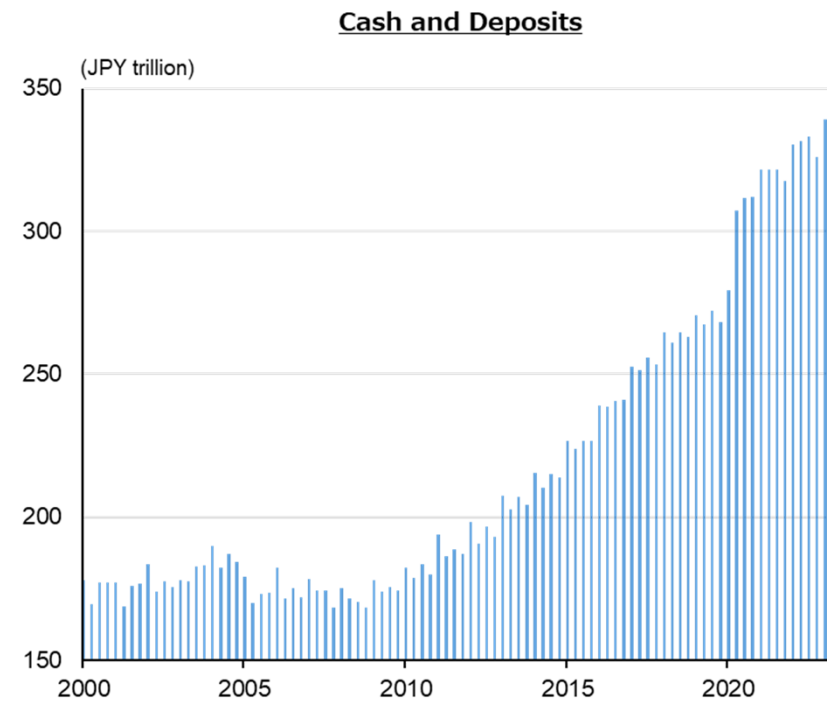
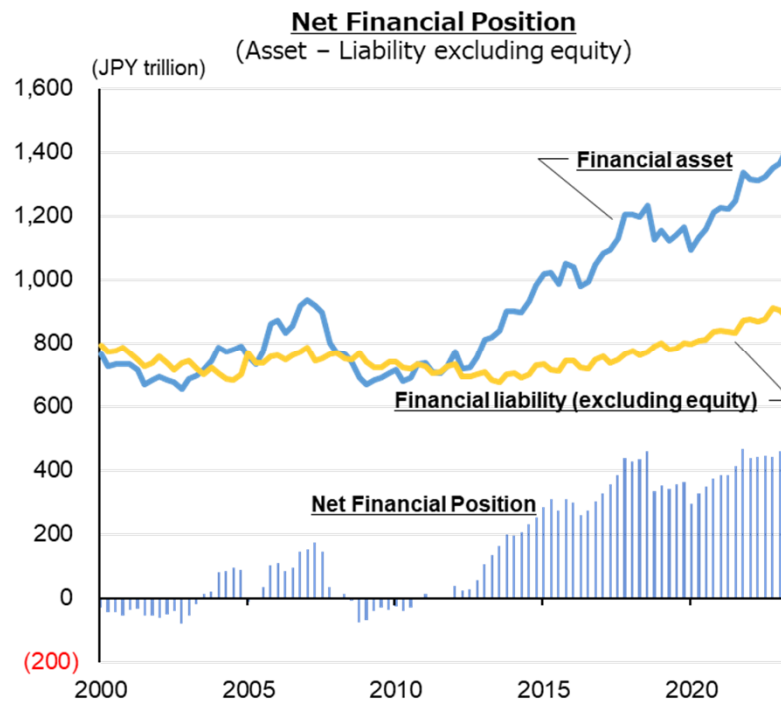
(Source) Tokyo Stock Exchange, Nissay Asset Management for illustration purpose only

# Corporate sector in great financial health

- Japanese corporate sector is relatively unusual being free of debt and financially flexible to manage inflation and wage growth.

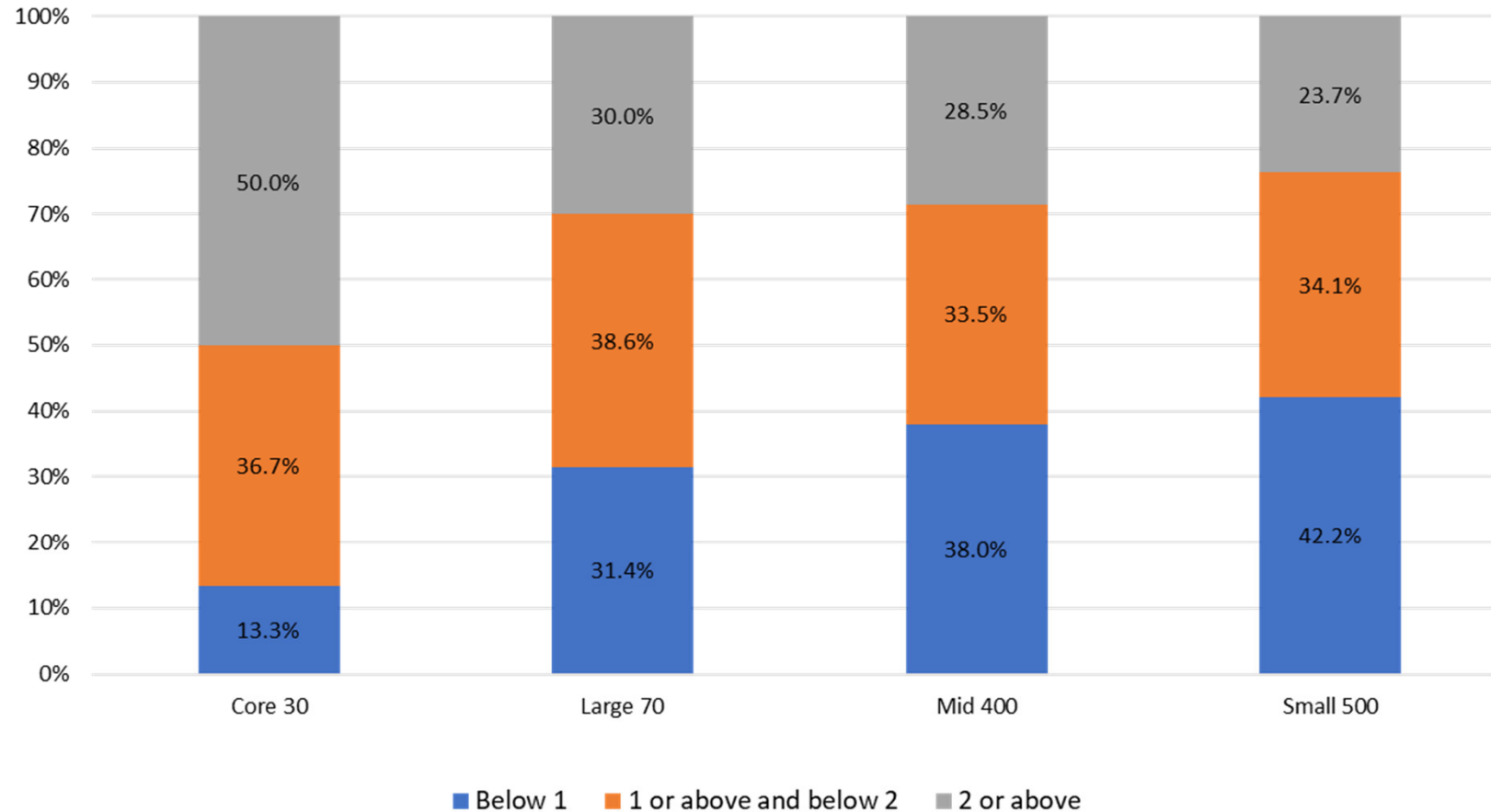
## Financial Assets and Liabilities of Private Non-financial Corporations

(Period: 2000Q1 – 2024Q2)



# PBR by cap segment / Opportunity to benefit from TSE reforms

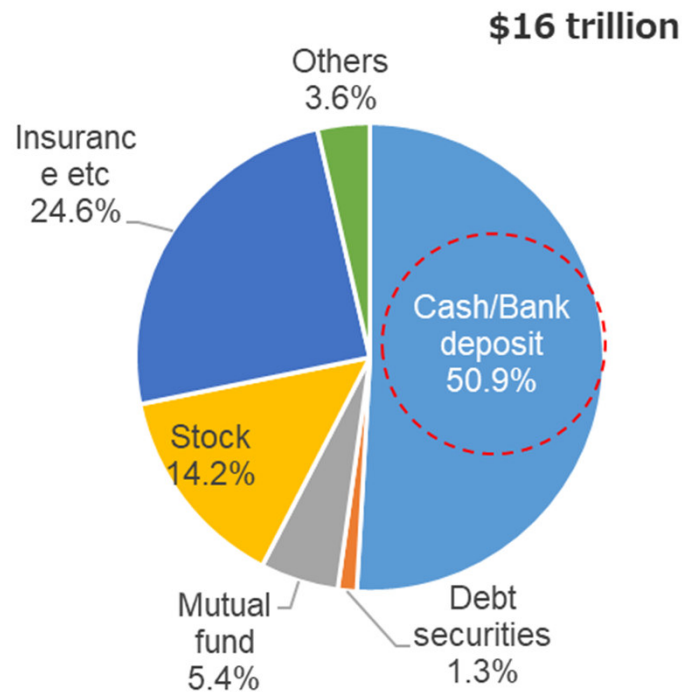
**Distribution of Japan equity PBR by cap segment**



# Nippon Individual Saving Accounts (NISA)

- Japan's households' financial assets total about \$16 trillion, half of which is in cash position.
- To promote from savings to investment, the government introduced new powerful tax-exempt investment scheme from the beginning of January 2024, called NISA.

**Financial Assets of Households in Japan (June,2024)**



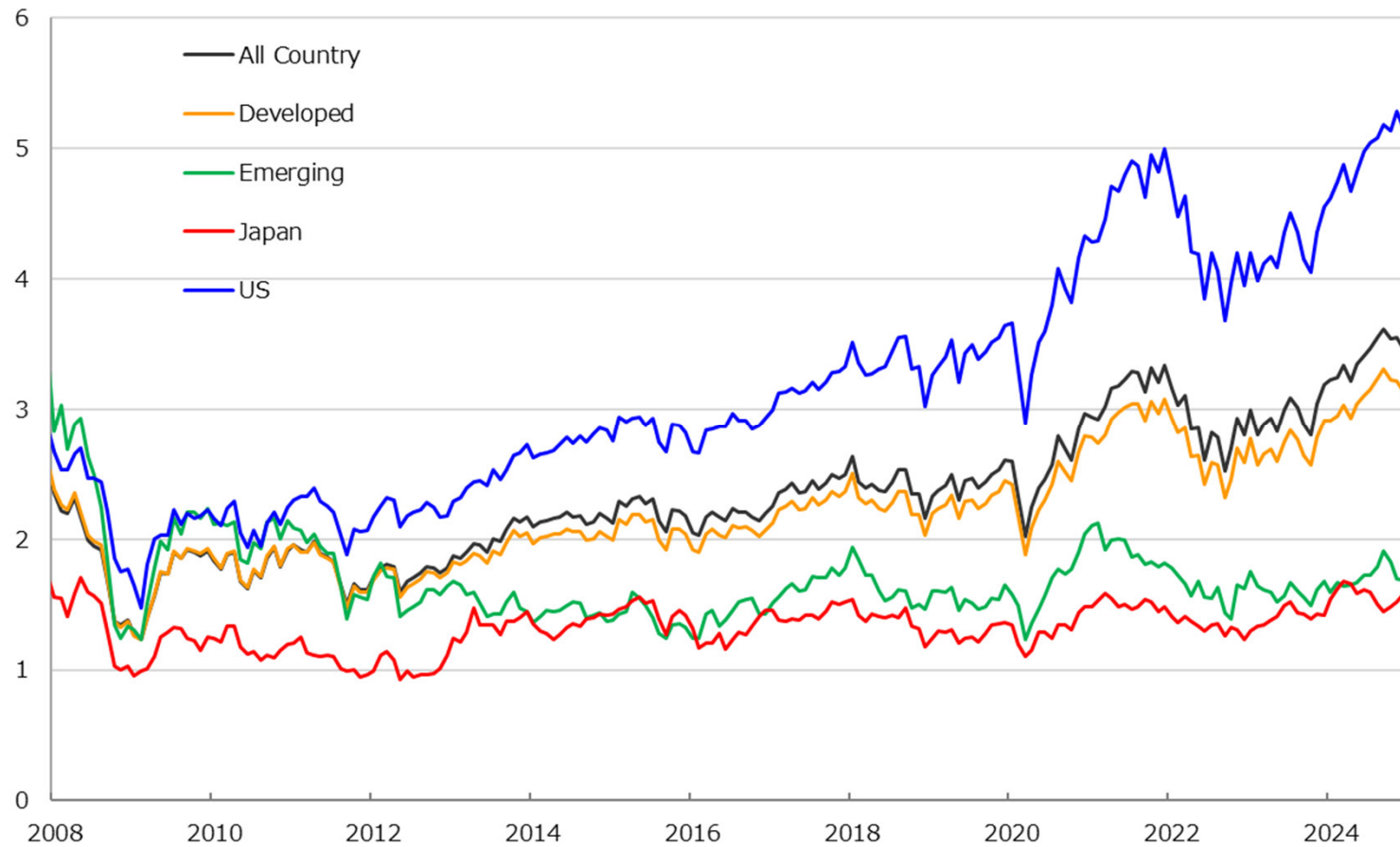
**Summary of NISA**

	Tsumitate Investment	Growth Investment
Annual Investment Quota (per person)	¥ 1,200,000 (\$8,600)	¥ 2,400,000 (\$17,200)
Tax exempt holding limit (per person)	¥ 18,000,000 (\$129,000)	
Tax exempt holding limit	Indefinite	Indefinite
Account duration period	Permanent	Permanent

(\*) Calculated by \$1=¥ 140

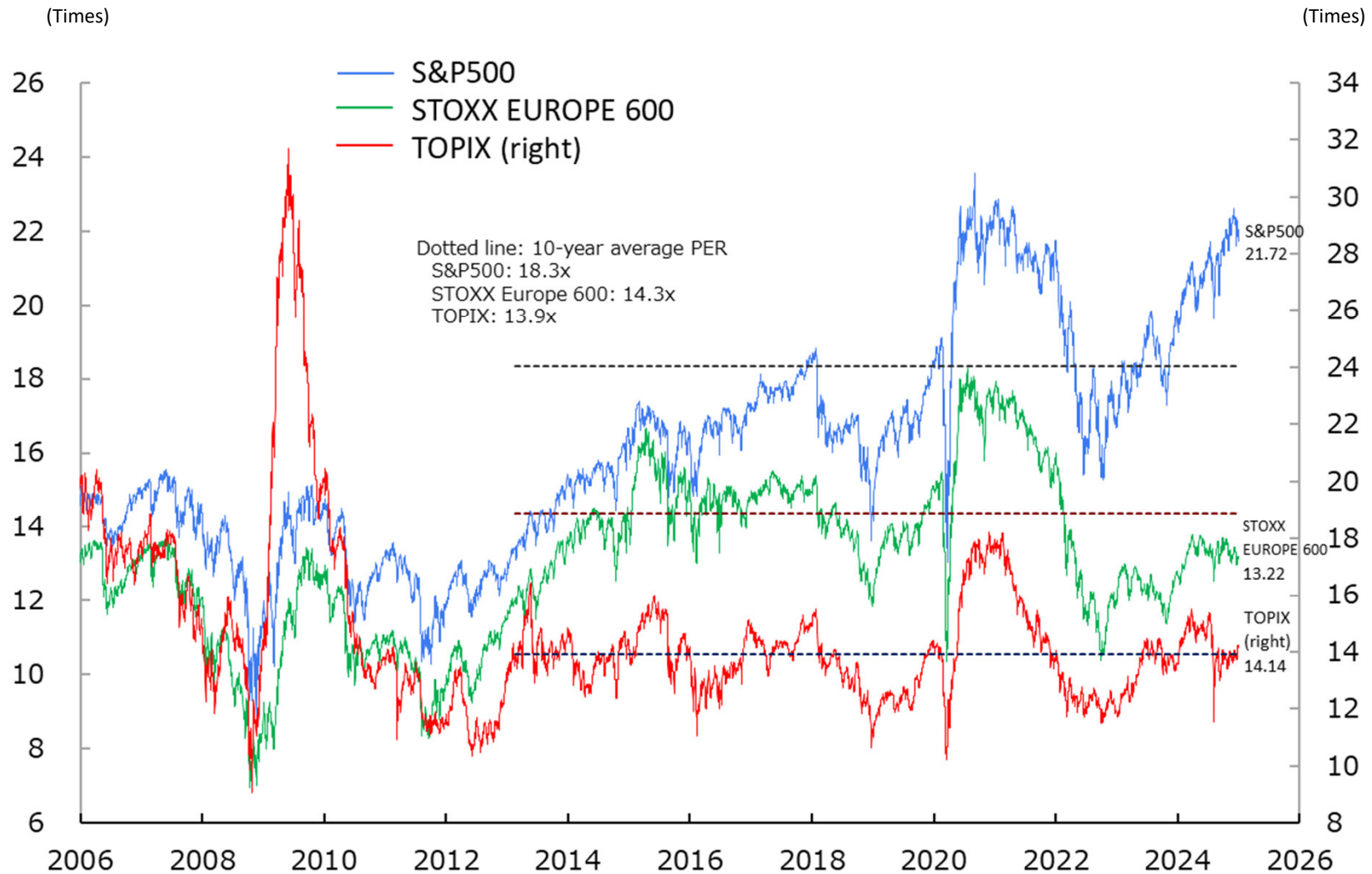
# Japan relative valuations - P/B ratio -

**PBR by region**  
*(Period: 2008 – 2024 December)*



# Japan relative valuations - P/E ratio -

**PER by region (Period: 2006 – 2024 December)**

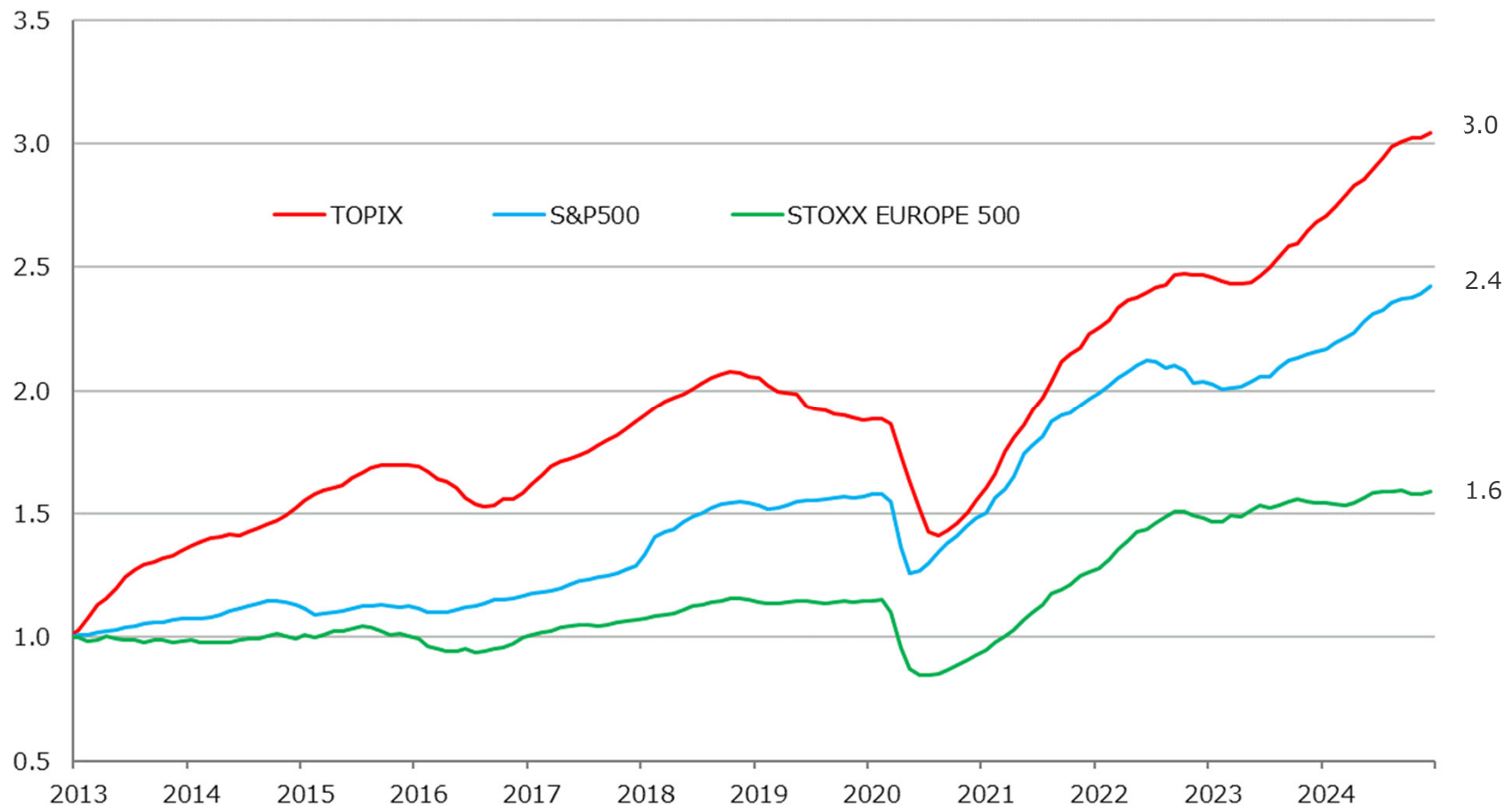


Note: for illustration purpose only, and not a recommendation to sell or buy. Past performance is no guarantee of future results.  
 Source: Refinitiv, Nissay Asset Management; As of: End December 2024;

# Earnings growth since the Abenomics

- Earnings per share (EPS, 12-month forecast) of stocks included in stock indexes in Japan, the US, and Europe, Japan's EPS is 3.0 times compared to that of the end of 2012 while US is 2.4 times, Europe is 1.6 times.

**EPS by region**  
(Period: 2012 – 2024)



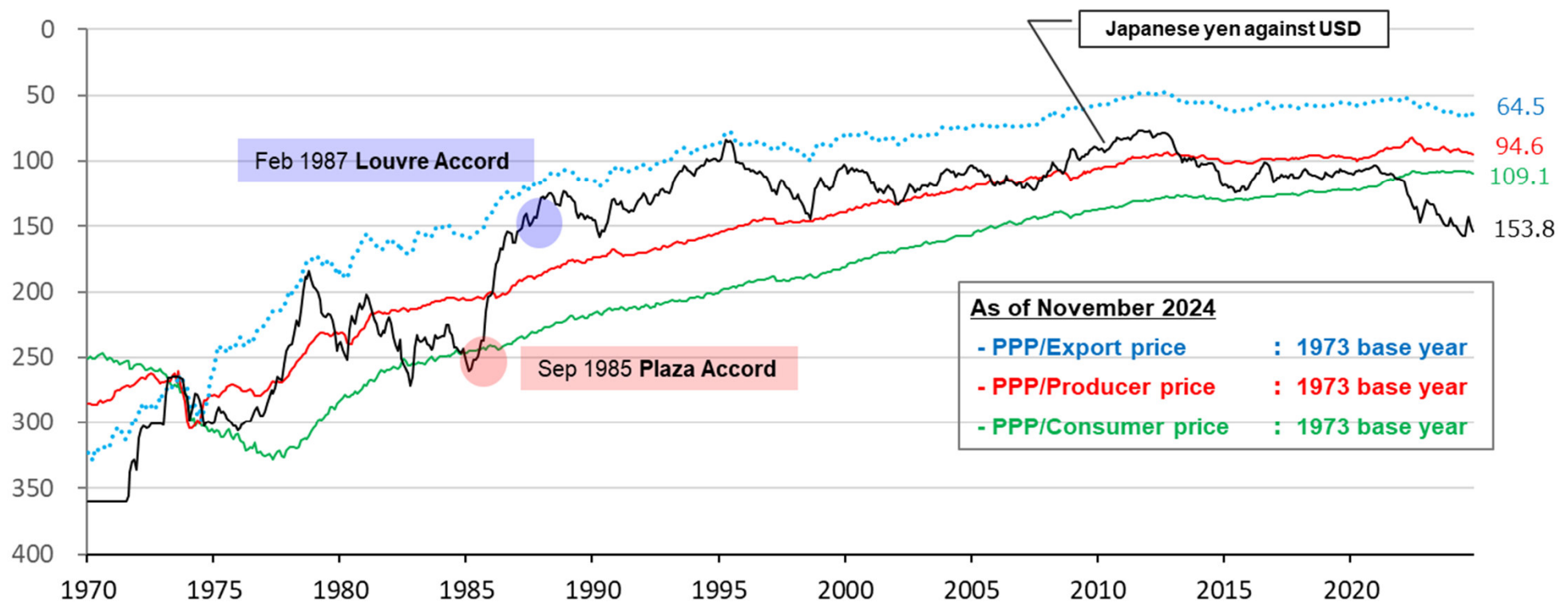


# PPP hints where the sustainable range is for JPY

- PPP estimation hints 90±20 yen would be a sustainable range for JPY/USD in the long term.

## PPP (Purchasing Power Parity) JPY/USD

As of November 2024



Note: for illustration purpose only, and not a recommendation to sell or buy. Past performance is no guarantee of future results.

Source: Japan: Bank of Japan, Ministry of Internal Affairs and Communications, US: Bureau of Labor Statistics, Bureau of Labor Statistics, Nissay Asset Management

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# DWS Concept Nissay Japan Value Equity

## Strategy Profiles



### Key Features

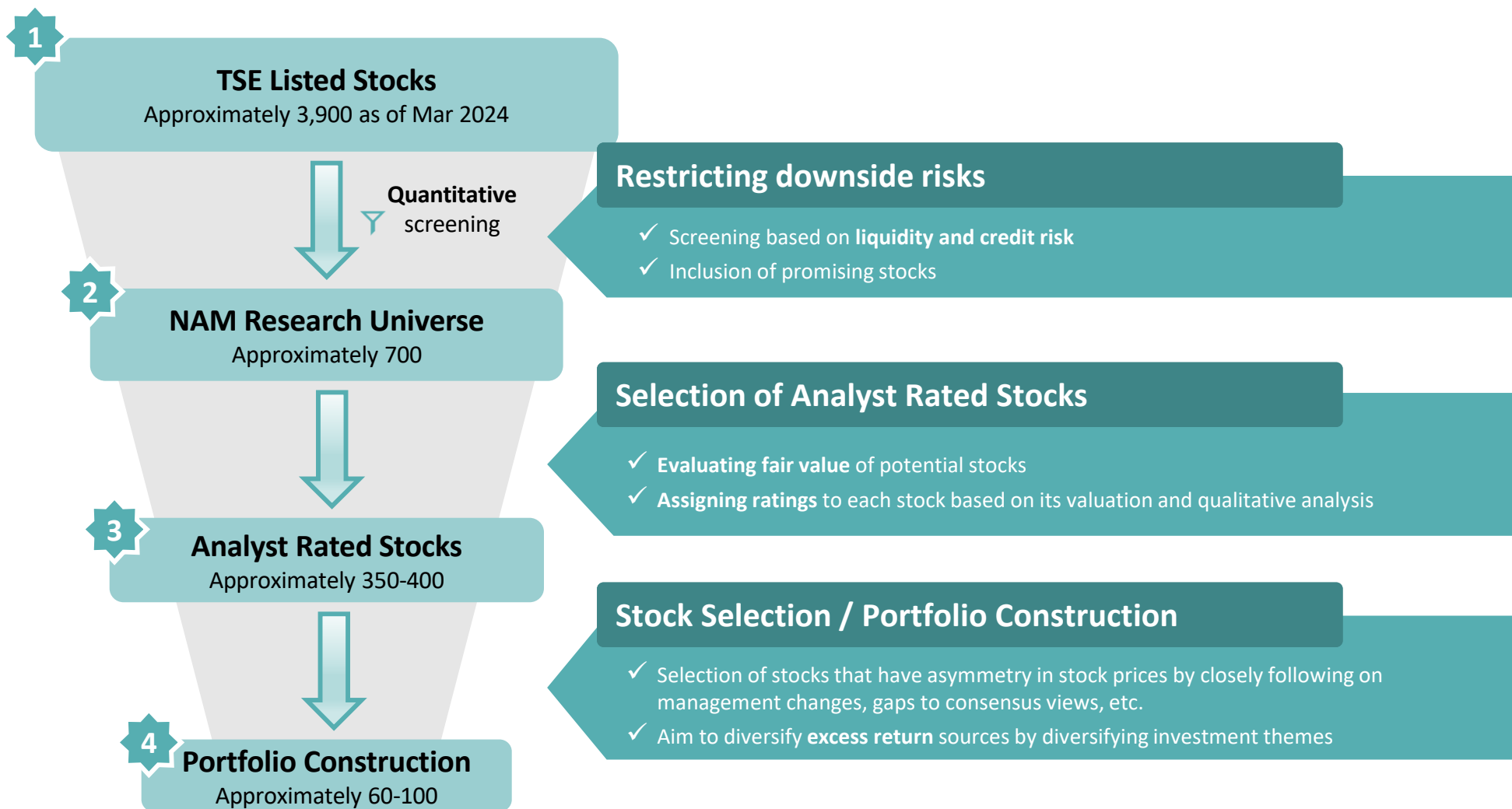
- Research Universe consisting of approx. **700 stocks** selected from approx. 3,900 listed Japanese stocks
- Nissay Asset Management generates **in-house ratings** (valuation, ESG, conviction) to approx. **350-400 stocks** based on deep-dive analysis
- Valuation analysis focusing on corporate value, primarily measured by cash flows and **CFROI** (cash flow return on investment)
- ESG analysis by Nissay Asset Management as part of long-term corporate value analysis which has the long track successful record since 2008
- **Degree of conviction** as subjective but comprehensive evaluation of speed and catalysts for valuation gap to be priced in
- **Stock selection from the combined view** of valuation (SVS Rating), ESG rating and conviction (Subjective Rating)
- **Portfolio construction with 60-100 stocks which are undervalued and do not draw much attention from the market**
- Discipline in portfolio construction:
  - purchase of stocks: the valuation gap between target and market prices, and the existence of catalysts
  - sale of stocks: profit taking after reaching target price, changes in assumptions, or adjustments in the portfolio context

### Portfolio Construction Guidelines

Benchmark	Topix Gross Total Return Index
Holdings	60 to 100
Max. position size	10% limit on single issuer 20% limit on issuer group
Min. position size	No limit
Max. overweight	No limit
Max. underweight	No limit
Country/sector limits	Japan / no sector limit
Cash	No limit, full investment in principle
Tracking error range	~ 4-6% p.a.
Turnover ratio	30-50%
Small and Mid Caps	No limit

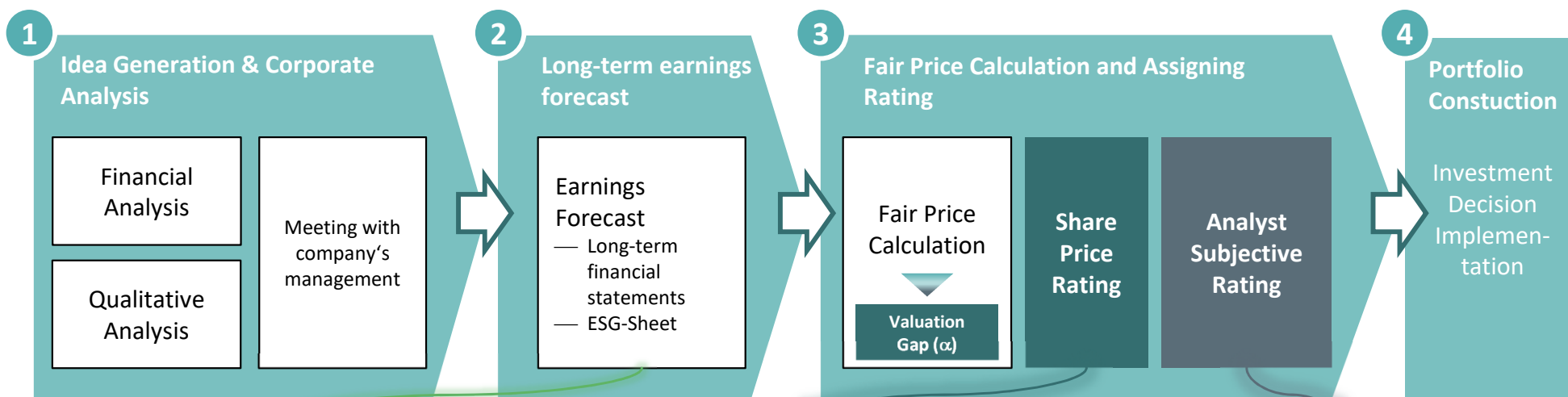
# Investment Process

From stock screening to portfolio construction



# Investment Process

## NAM's analytical ratings



### ESG Rating

- Reviewing ESG impacts on corporate value
- Reflecting the level of ESG materiality by individual company

### Share Price Rating (SVS Rating)

- Valuation attractiveness against its fair price
- Measuring the attractiveness with the price volatility. Sector divergence is not adjusted.

### Analyst Subjective Rating

- Analyst subjective rating (level of conviction)
- Reflecting the degree of 'perception gap' and its speed priced in the share price

Rating	Impact on Corporate Value
1	Positive
2	Neutral
3	Negative
4	No sustainable growth is expected

Rating	Valuation Attractiveness
1	Deeply undervalued
2	Undervalued
3	Overvalued
4	Highly overvalued

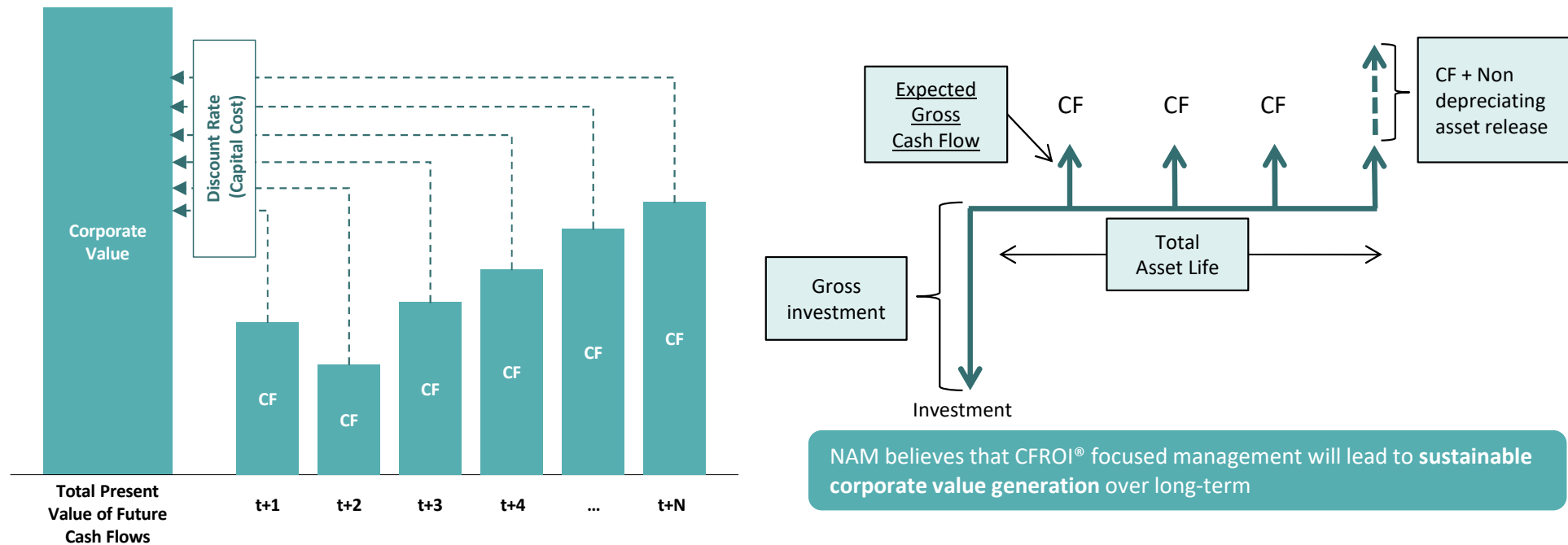
Rating	Recommendations
B1	Strong Buy
B	Buy
N	Neutral
S	Sell / Not Hold

# Investment Process

## CFROI as an indicator for Corporate Value

- NAM views that an intrinsic value of a company is shown as the present value of future cash-flows generated. For its earnings forecast model, NAM utilizes CFROI® (Cash Flow of Return on Investment) to capture long-term transformation(development) of earnings quality.
- CFROI® is IRR (Investment Rate of Return) of an investment calculated with four elements, namely long-term cash flow expectation, asset life, gross investment, and non-depreciating asset release. NAM utilizes CFROI® for evaluating growth opportunities created from future investment of a company
- NAM calculates CFROI® with HOLT model by utilizing long-term earning forecast numbers of in-house analysts in a consistent manner

### CFROI® calculation method



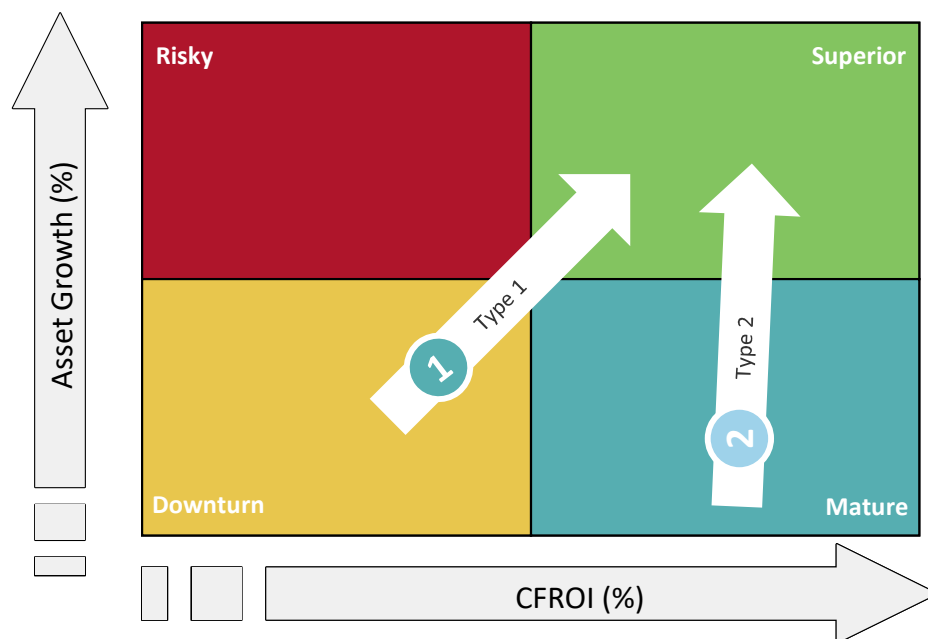
# Investment Process

Focus on high CFROI and increasing assets and stock selection

There are two types of investment cases which are **considered as attractive** by Nissay Asset Management:

- 1 Type I : Companies improving CFROI and increasing capital invested
- 2 Type II : Companies maintaining high CFROI and increasing capital invested

*Typical Companies which are viewed as attractive for NAM*



## Viewpoints of stock selection

A. Focus on business result turnaround triggered by management changes.



⇒ **Capture management-driven changes in earnings structure.**

B. Check divergence between NAM's forecast and consensus.



⇒ **Find cases where market price falls due to news and events but earnings forecasts remain the same** and thus discrepancies are seen between fair price and market price.

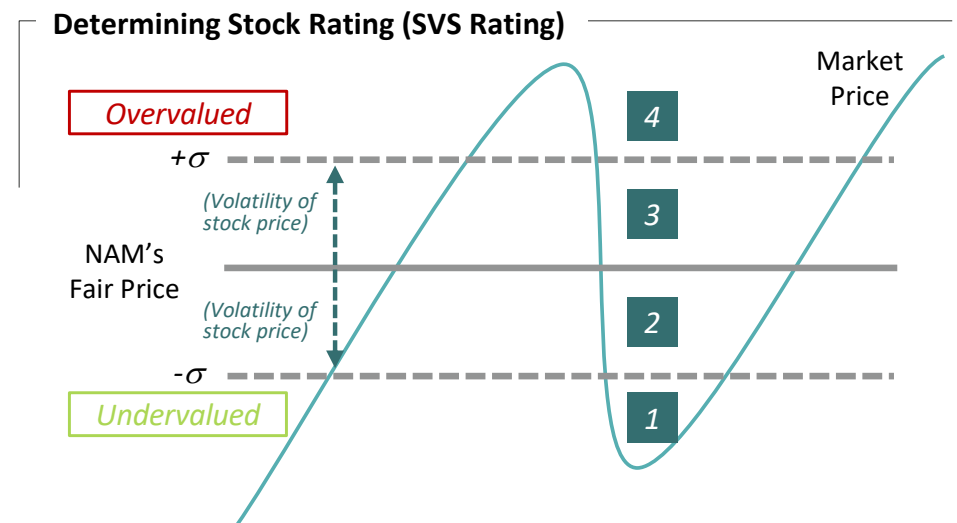
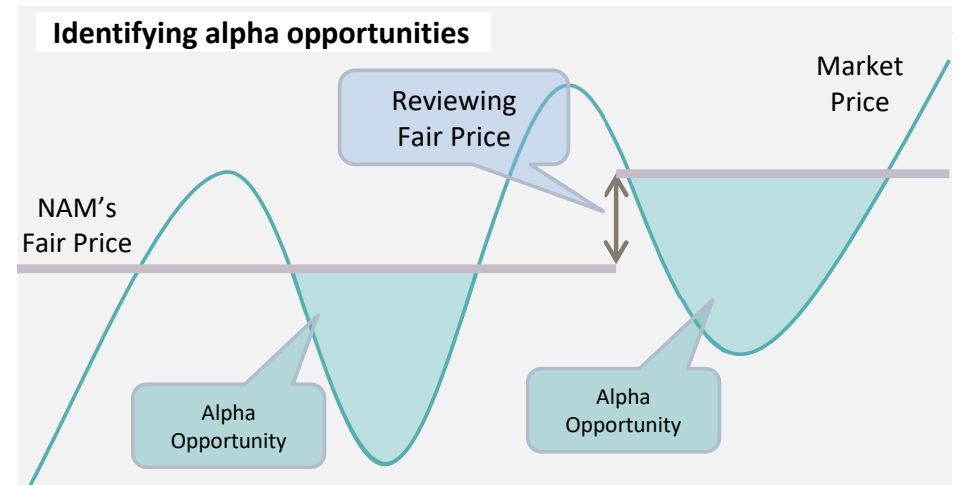
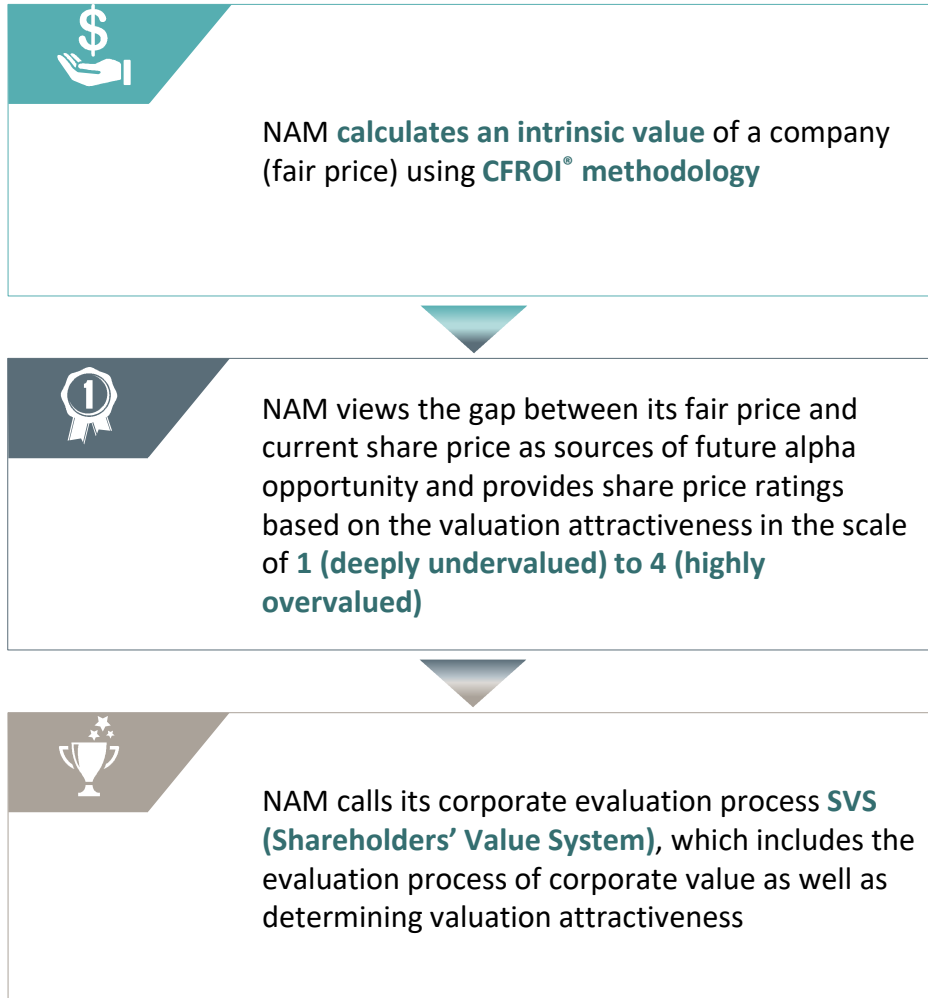
C. Confidence in the realization of expected return.



⇒ **Even if stocks to purchase are undervalued, the expected return will not be realized unless market concerns are resolved.** It is necessary to understand the background of the current stock price decline and select stocks with high possibility of price increase.

# Investment Process

## Fair price calculation and rating definition at NAM





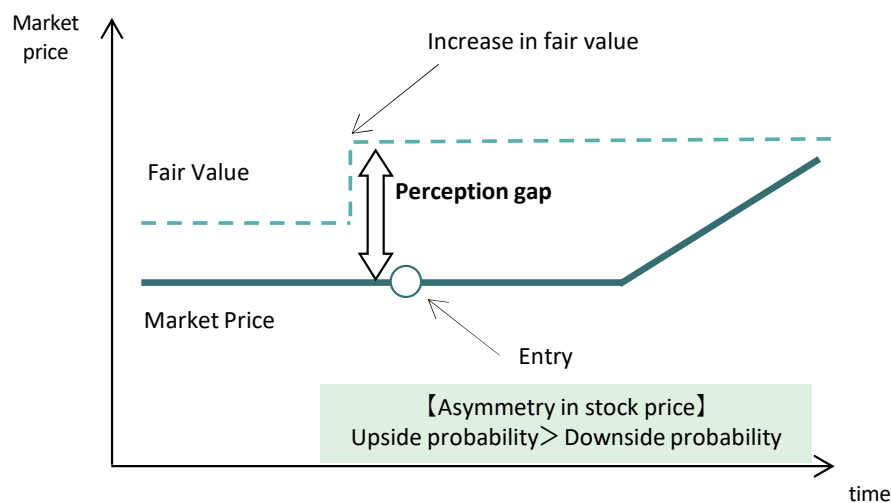
# Investment Process

## Understanding the reasons behind mispricing

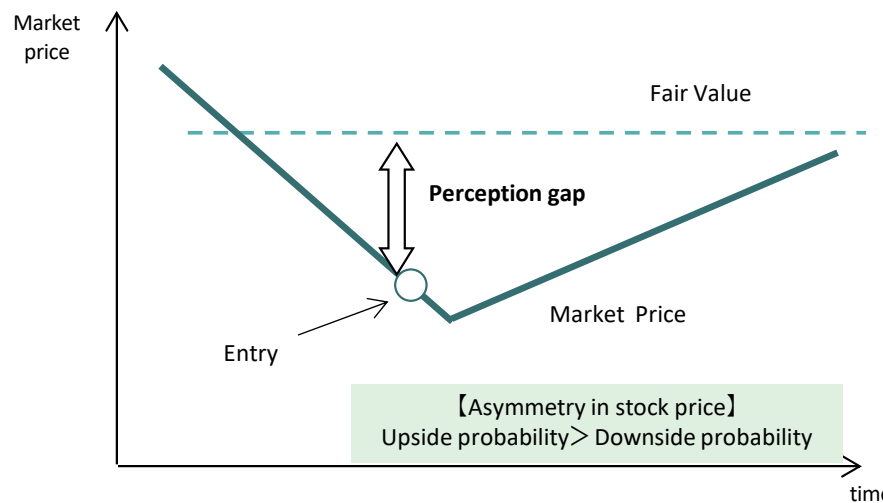
The stocks that have asymmetry in stock prices fall into the following two cases, i.e. market-disliked stocks

- 1 Where there is a company-specific scenario of corporate value enhancement other than macroeconomic factors, not yet priced-in by the market, but we identify triggers (catalysts) that will materialize it in the future
- 2 Where no significant negative change in future corporate value is recognized, temporary factors cause market prices to fall below fair value range

**1** Increase (projection) in corporate value is not yet reflected in market price



**2** Corporate value remains unchanged, but market price fell due to temporary factors



# Examples of stocks in the Investment Universe

“Value stocks” can be found in various sectors



## Kyocera Corporation (Information Technology)

- Based in Kyoto, Japan
- The company manufactures electronic equipment and components.
- Products include telecommunication and information equipment, optical equipment, ceramic products, semiconductor parts, and connectors. Kyocera operates worldwide.



## Sumitomo Mitsui Financial Group (Financials)

- Based in Tokyo, Japan
- The firm operates as a holding company and provides financial services in the segments: Commercial Banking, Leasing, Securities and Consumer Finance



# Examples of stocks in the Investment Universe

“Value stocks” can be found in various sectors

## HITACHI (Industries)

- Based in Tokyo, Japan
- The company manufactures communications and electronic equipment, heavy electrical and industrial machinery, and consumer electronics.
- Hitachi's product range includes nuclear power systems and kitchen appliances. It also has subsidiaries in the wire and cable, metal, and chemical industries.



## Suzuki Motor Corp. (Consumer Discretionary)

- Based in Hamamatsu, Japan
- The firm develops, manufactures and sales motorcycles, passenger cars and special machines.
- Suzuki Motor Corp. has a global presence and it one of the largest exporters of motorcycles.



# Case study - SONY -

## Different stories among ROIC adopters

### Contrasts can be observed among the early adopters of ROIC in 2014

Stock price development (2009/12/30=100)



Note: This is not a buy or sell recommendation; The mention of specific securities should not be interpreted as investment advice, nor as a recommendation to either buy, sell or retain a particular security; For illustrative purposes only;

As of: December 30, 2024; Source: Bloomberg, Nissay Asset Management;

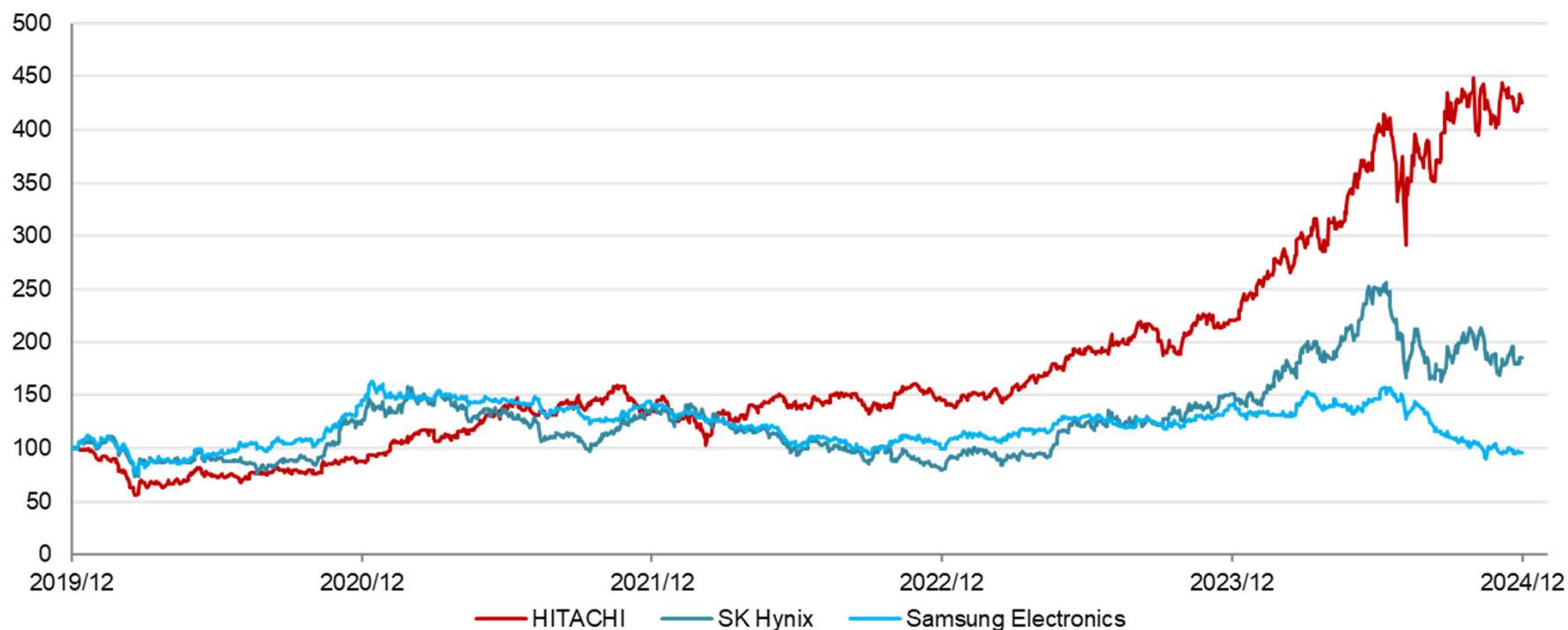
# Case study - HITACHI -

## Power of corporate reforms

### Power of corporate reforms

Stock price development (2019/12/30=100)

- Investor expectations for transformation were low, leading to market undervaluation and a range-bound stock price.
- Confidence in business portfolio focus and CFROI improvement grew through management dialogue.
- Continuous steady restructuring, including the April 2020 sale of Hitachi Chemical.
- Growing business competitiveness and successful IoT orders, anticipating further CFROI improvement.

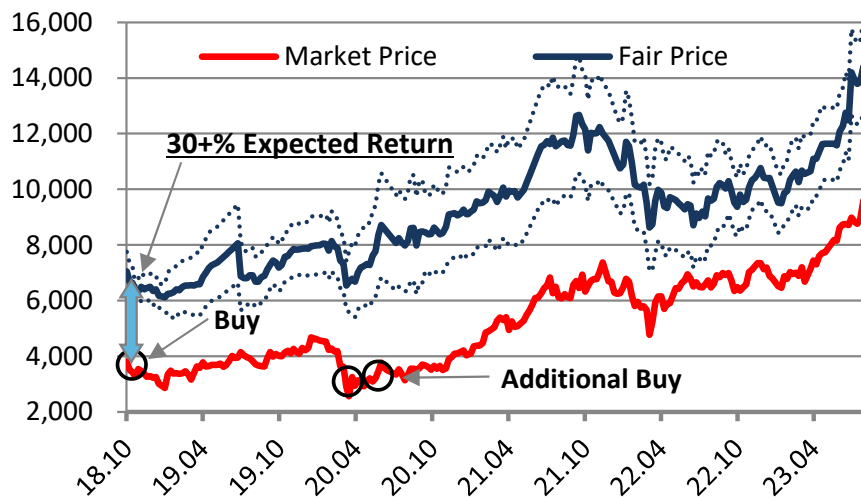


Note: This is not a buy or sell recommendation; The mention of specific securities should not be interpreted as investment advice, nor as a recommendation to either buy, sell or retain a particular security; For illustrative purposes only;

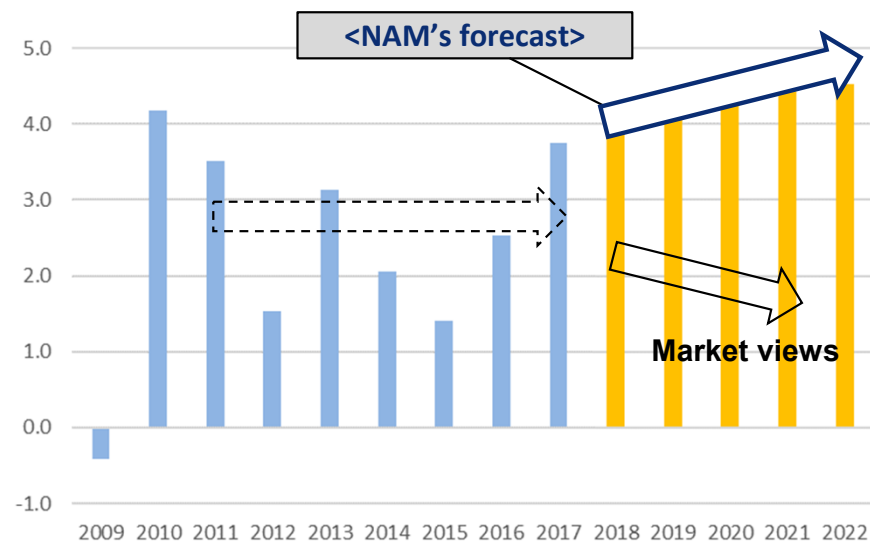
As of: December 30, 2024; Source: Bloomberg, Nissay Asset Management;

# Case study - HITACHI - Positioning

Fair Value vs. Market Price



Projection in CFROI\*

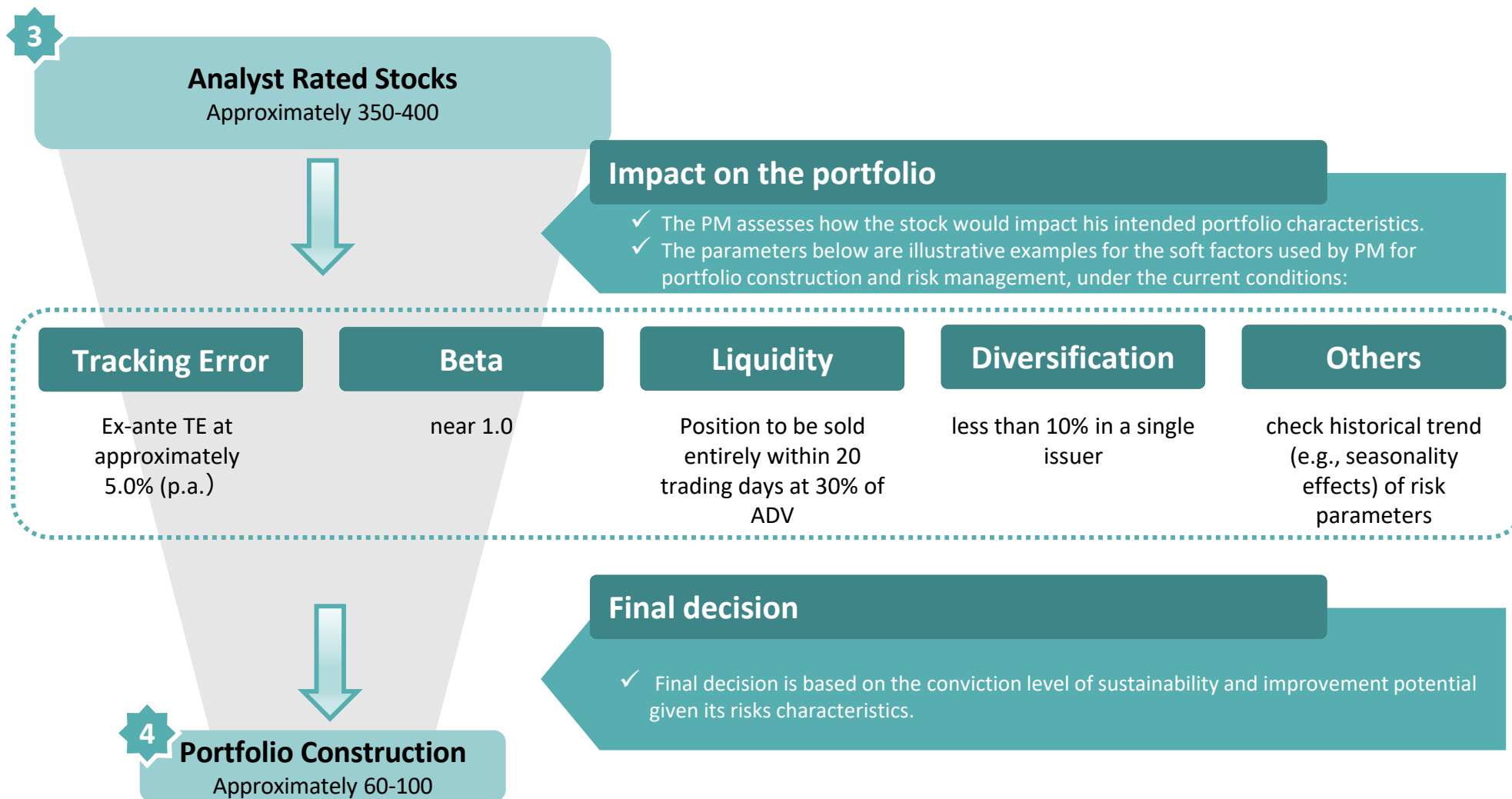


- In 2018, a typical long-term oversold stock that many investors didn't expect material changes as being a large conglomerate.
- Improving asset efficiency including listed subsidiaries, furthering “selection and concentration” in the business portfolio, focusing on the growth of competitive products centered on social infrastructure business, and our confidence in the feasibility of those initiatives was increased through repeated meetings with management.
- Continued market underestimation reflecting the completion of structural reforms and perception of vulnerability to macroeconomic factors such as the yen appreciation. The expected return exceeded 30% and the position was initiated.
- Additional investments in March and May 2020 confirming the steady improvement in efficiency of the business portfolio. Continue to hold.

Note: This is not a buy or sell recommendation; The mention of specific securities should not be interpreted as investment advice, nor as a recommendation to either buy, sell or retain a particular security; For illustrative purposes only; Fair value is a company's intrinsic value calculated by NAM analysts. Fair Value+σ and Fair Value-σ stand for values upper or lower than fair value by one sigma. \* CFROI® stands for Cash Flow Return On Investment, a valuation metric to measure a company's economic return vs investments, a registered trademark of HOLT, a unit of Credit Suisse;

# Investment Process

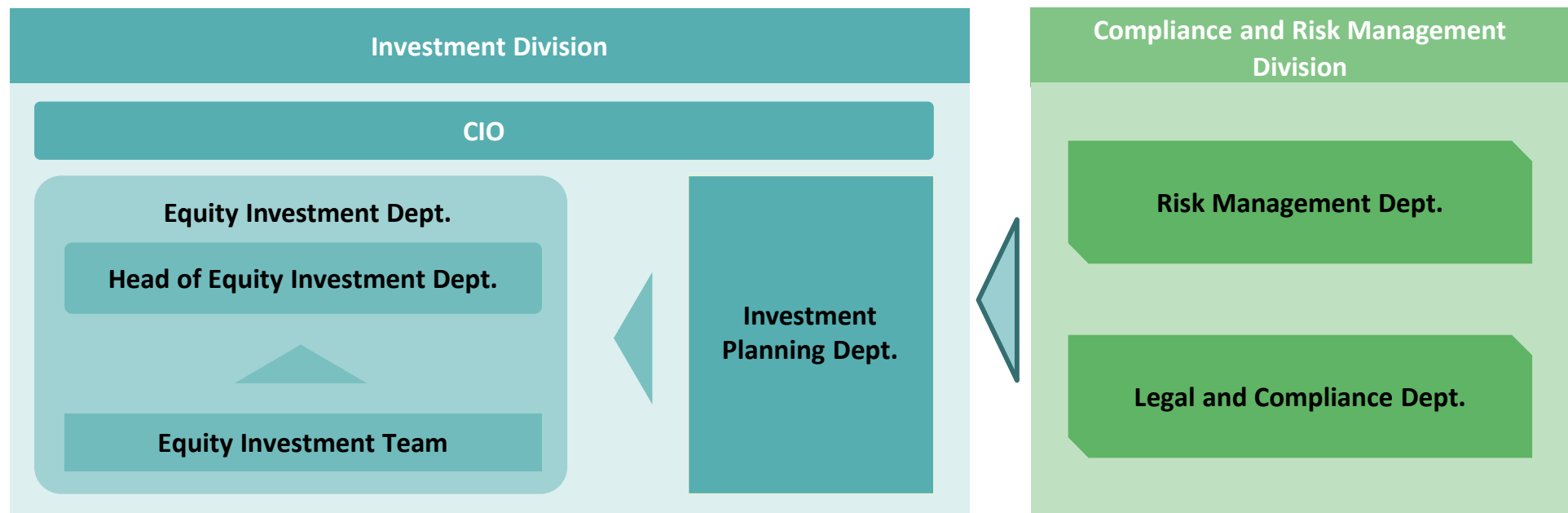
## Stock Selection and Risk Management



## Portfolio risk monitoring - Organizational

### Organizational portfolio risk monitoring framework involves multiple layers:

- Equity Investment Team runs **regular monitoring process** on the portfolio and reports to the Head of Equity Investment Dept.
- Within the Investment Division, the Investment Planning Dept. also conducts **performance and risk monitoring** (e.g., information ratio) and would issue warnings to Equity Investment Dept. as necessary and request reports on the situation as well as corrective measures
- The Compliance and Risk Management Division further monitors performance and risk and requests **corrective measures as necessary**





## How we considers ESG factors in our investment

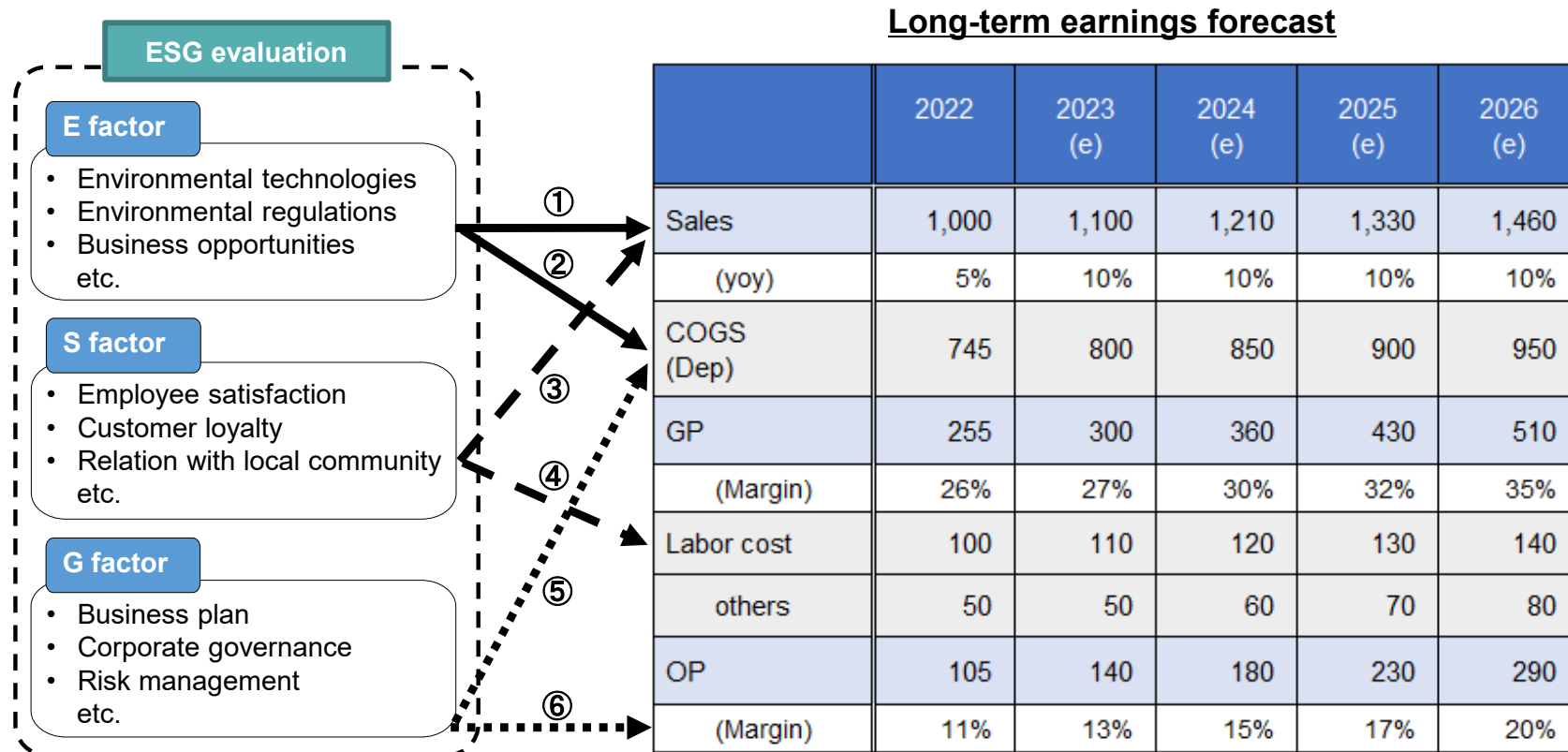
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- ❑ **NAM believes** that ESG elements have significant impacts on mid- and long-term corporate value. NAM views that ESG factors reflecting those elements can be utilized for effective investment decisions by incorporating both financial and non-financial analysis in a consistent manner
  
- ❑ **NAM focuses,** for analyzing ESG factors, on company's initiatives which can improve its future corporate value. NAM recognizes that among NAM' investment professionals, its in-house sector analysts have the deepest knowledge on their covered companies. Hence, the sector analysts also take responsibility for ESG research, interact with company managements, provide ESG Ratings, and incorporate ESG factors into its long-term earnings forecasts based on deep understanding on the ESG materiality in their responsible sectors
  
- ❑ **NAM has integrated** the research of ESG factors for all equity research activities

# How ESG Factors are linked with Earnings Forecast

- Evaluations of each ESG factor are reflected on long-term earnings forecast of NAM's research
- The chart below illustrates the image of the ways how each ESG factor is incorporated into forecasting framework

## Illustration of the link between ESG factors and long-term earnings forecast



# Our Strength in ESG for Equity Investment

## Strength 1

ESG  
Integration  
into Equity  
Valuation

- ✓ ESG analysis is the fundamental part of our equity valuation process
- ✓ ESG ratings are regularly updated through **direct communication** with investee companies
- ✓ In-house analysts identify challenges facing to investee companies, and through **an engagement** our analysts prompt changes in corporate behaviors to enhance corporate value
- ✓ **Our ESG rating covers more than 500 Japanese listed equities**, which consist of 80-90% of TOPIX index in terms of market capitalization

## Strength 2

10+ Year  
Experience

- ✓ Since its **launch of ESG rating system in 2008**, our methodologies have been **continuously improved** to strengthen the link between ESG factors and long-term financial forecasts
- ✓ Has a proven track record that **ESG rating and historical stock performance are positively correlated**
- ✓ Integration of ESG evaluation in **the global equity** investment process started in 2017

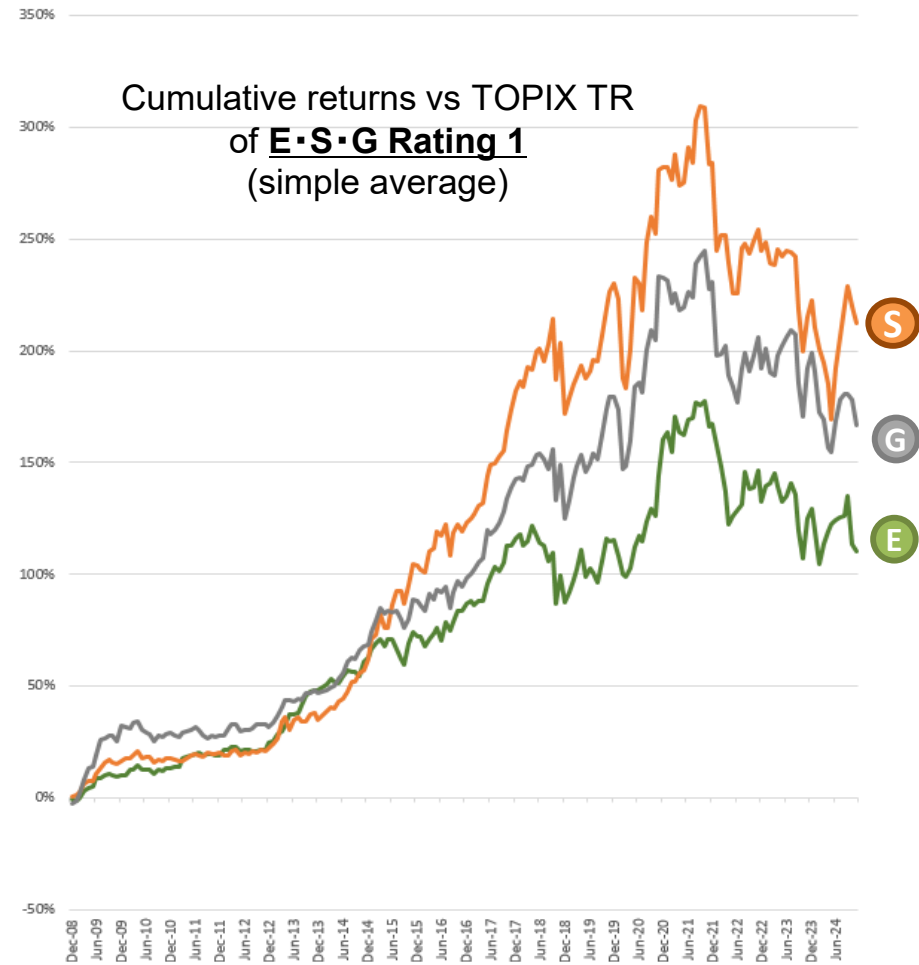
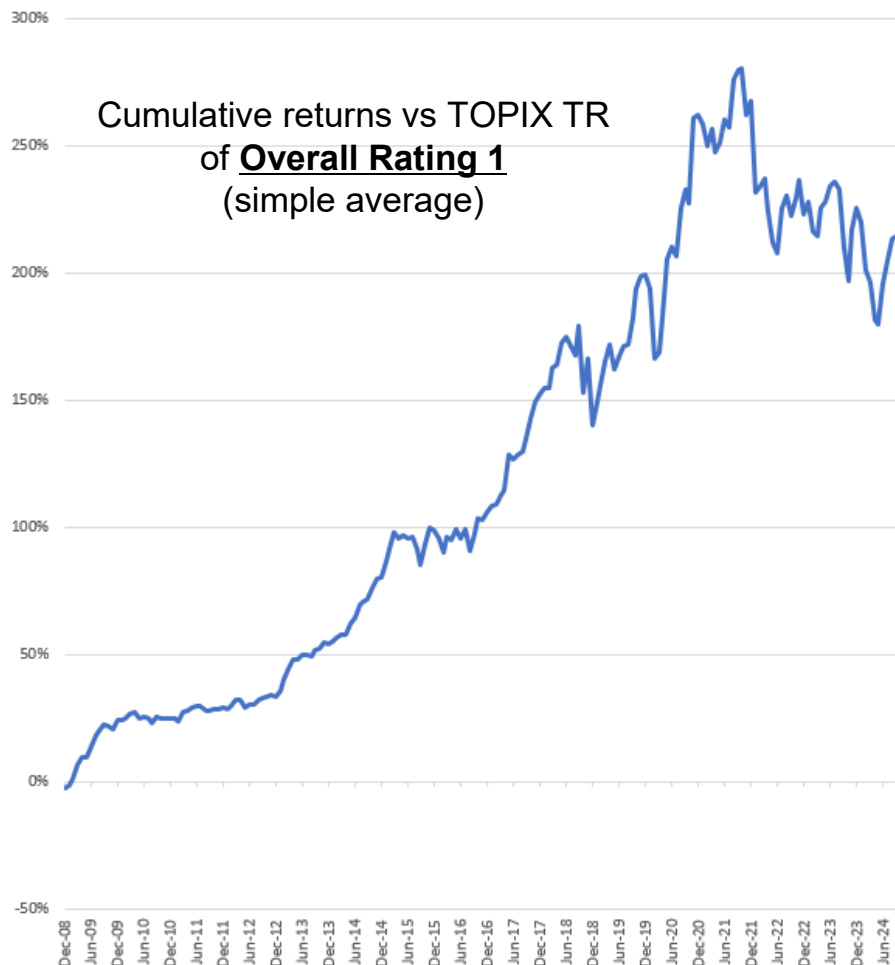
## Strength 3

Synergetic  
Effects

- ✓ Received **the highest ratings by the PRI** for 9 of 12 criteria which were scored in the 2021 annual assessment
- ✓ Actively contribute to **ICGN** (International Corporate Governance Network) and **JSIF** (Japan Sustainability Investment Forum) in a key position
- ✓ **Award-Winning ESG team**. We are one of the 1<sup>st</sup> to have won the research mandate on ESG Disclosure by **GPIF** (Government Pension Investment Fund).
- ✓ Extended our stewardship responsibilities to **domestic fixed income** investment in 2020
- ✓ Announced our interim 2030 emissions reduction targets under the framework of **NZAMI** (Net Zero Asset Managers initiative) in January 2022

# ESG Ratings effectively work on performance

- Rated-1 companies have consistently performed better than the market since inception of ESG Rating

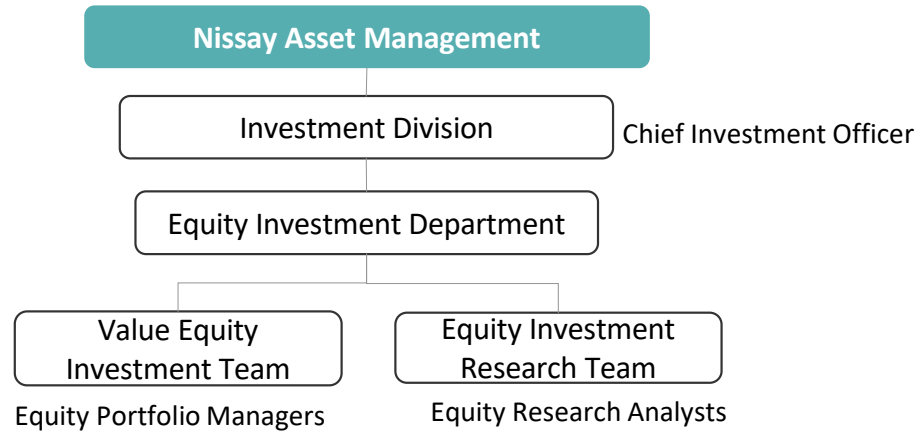


Note: Data: From November 30, 2008 to December 30, 2024. Rating 1 is the highest whilst 3 is the lowest in regular practices of NAM's ESG rating system. Cumulative excess returns against TOPIX Total Return are indicated starting at 0% as at November 30, 2008. The above illustration is the simulation result based on the past index data, and it varies depending on a market environment. For illustration purposes only and not a recommendation to buy or sell, no guarantee of future results. Source: Nissay Asset Management; / 44

# Agenda

- 01 Executive Summary
- 02 Strategy Overview
- 03 Nissay CIO View on Japanese Equity
- 04 Investment Process
- 05 Portfolio Management & Research Team**
- 06 Appendix

## Value Equity Investment Team



**Tomoaki Fujii, CFA**  
 Co-Chief Investment Officer  
 Head of Equity Investment Department  
 Nissay Asset Management

Tomoaki Fujii has over 20 years of asset management experience since joining Nippon Life Insurance in 1993. Specializing in equity investments, Tomoaki led research and portfolio management teams from 2006 to 2011. After overseas experience from 2011, he returned in 2014 to enhance global investment capabilities. Since 2017, Tomoaki has been the Co-Chief Investment Officer, and in 2021, became Head of ESG Investment, advancing NAM's ESG research and engagement. Alongside this role, Tomoaki co-authored "Effective Corporate Strategies for Enhancing Corporate Value in Line with Stewardship Codes" in 2014, providing insights to stakeholders. Tomoaki is involved in ESG initiatives of PRI Japan and Japan SIF and has lectured on ESG investment at Waseda University Business School since 2022.

BA in Economics, Hitotsubashi University, Japan  
 CFA Charterholder  
 Chartered Member of the Security Analysts Association of Japan (CMA)



**Eizo Tomimura**  
 Senior General Manager of Investments  
 Equity Investment Department  
 Nissay Asset Management

Eizo Tomimura, a founding member of the Value Equity Investment Team at Nissay Asset Management, joined the company in 2006. With over 30 years of extensive experience in equity investments, he specializes in Japanese, US, and European equities. Before joining Nissay Asset Management, Eizo honed his investment expertise at Nippon Life Insurance Company, where he undertook investment-focused roles in the company's New York and London subsidiaries.

Bachelor of Arts in Business Administration, Kobe University, Japan  
 Chartered Member of the Security Analysts Association of Japan (CMA)



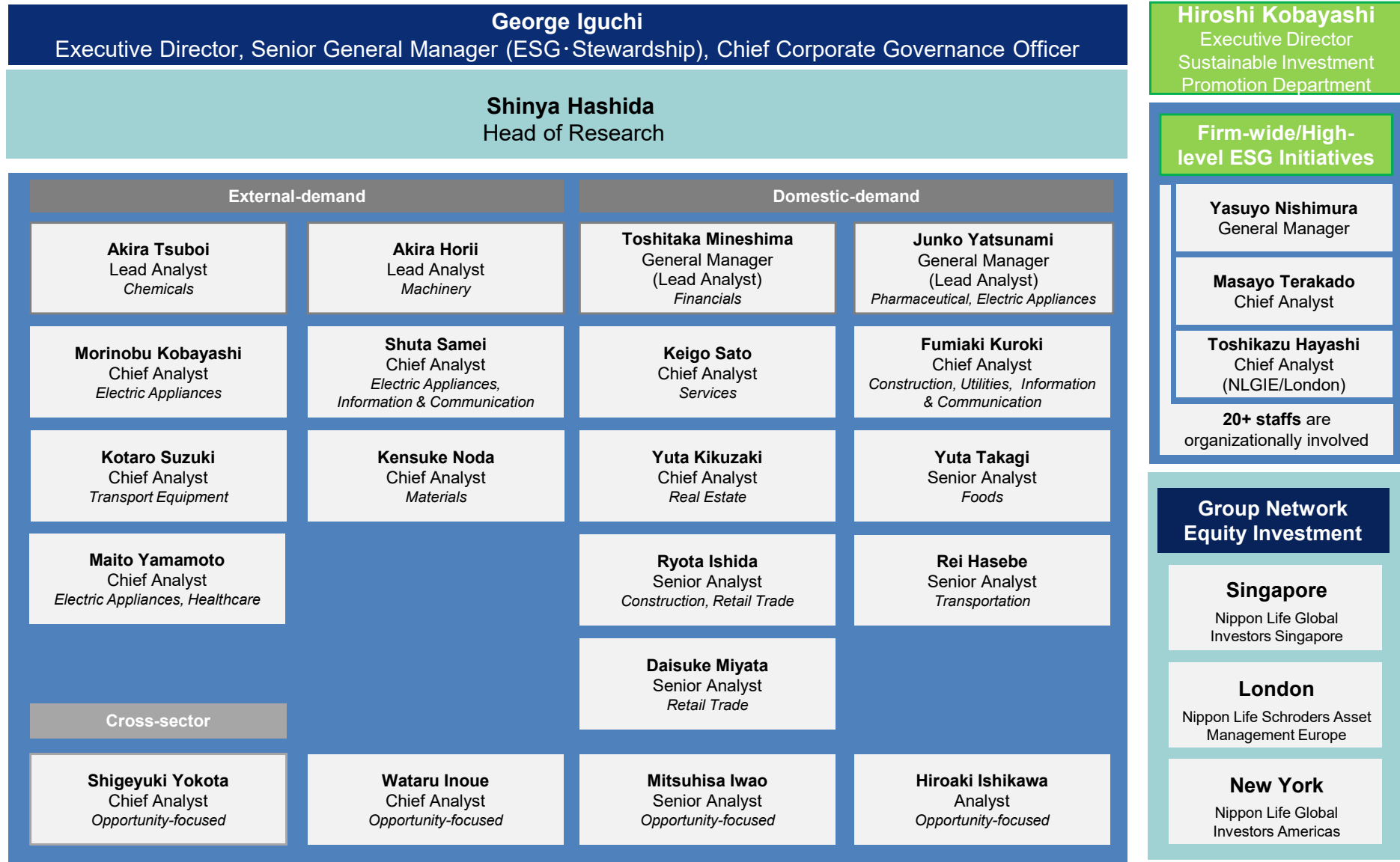
**Mitsuhsa Iwao**  
 Senior Portfolio Manager  
 Equity Investment Department  
 Nissay Asset Management

Mitsuhsa Iwao joined Nissay Asset Management in 2011 and brings 13 years of diverse asset management experience, ranging from equity investments to risk management. In October 2021, he became a member of the Value Equity Investment Team. Prior to this role, Mitsuhsa served as a portfolio manager at Nippon Life Global Investors Singapore Limited, an overseas subsidiary of the company, where he managed Singapore equities, as well as Asian and Australian REITs. Earlier in his career, he worked as a sector research analyst, focusing on the transportation and retail sectors.

M.A., Engineering, Waseda University, Japan

## Wide Japan coverage and ESG-anchored research platform

- 22 analytical professionals (average experiences: 15 years) are deployed for Japanese equity.



(Source) Nissay Asset Management, organization as of December 2024.

## Investment Division and Leadership

### NAM Investment Professionals



Co-CIO  
Head of Equity Investment  
Department

**Tomoaki Fujii, CFA**



CIO  
Member of the  
Board, Executive Director

**Daisuke Fukayama, CFA**



Chief Corporate  
Governance Officer,  
Executive Director

**George Iguchi, CFA**

### Investment functions

Equity Investment Dept.	Fixed Income Investment Dept.	Strategic Investment Dept.	Quantitative Investment Dept.
<b>Japanese Equity</b> Global Equity Real Estate (REIT) <b>Investment Research</b>	Japanese Fixed Income Global Fixed Income Credit Research	Multi-Asset Investment	Quants Investment Smart Beta Investment
ESG Investment Promotion Dept.	Investment Planning Dept.	Investment Technology Development Dept.	Investment Operations Dept.
ESG Investment Promotion	Global Macro Research	Investment Technology Development	Supporting investment teams by formulating operations and improving efficiency in administrative matters

### Overseas Subsidiary

Nippon Life Global Investors Singapore  
CIO, Sebastian Chia

Discretionary management & advisory capacity dedicated to Asian Equity, Asian REIT and Global Emerging Equity



## Close communication with investee companies – source of local insights

- **NAM conducted** 1,870 one-on-one meetings in FY2023 (April 2023 – March 2024), of which 740 meetings were with corporate management
- **NAM discusses** at the meetings with corporate management, various topics in financial and non-financial areas, especially its mid- & long-term management plans, its views/thoughts on a use of cash such as capital expenditures, dividend payouts, share buy-back, etc. and its current balance sheet, as well as its strategy on ESG elements.

### <Corporate Meetings from April 2023 to March 2024>

Style	Meetings
One-on-One Meetings	1,870
Corporate Management	740
Investors Relations	1,130
Group Meetings, Conferences	2,461
<b>Total<sup>1</sup></b>	<b>4,331</b>

*Note: Japanese equity investment related only,  
 Source: Nissay Asset Management, for illustration purpose only*

# Agenda

- 01 Executive Summary
- 02 Strategy Overview
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- 05 Portfolio Management & Research Team
- 06 **Appendix**

# Investment Styles „Growth“ and „Value“

Which style should you prefer? Differences, advantages and disadvantages in comparison

I

## „Value“ – Investment Style Characteristics

### General Features

- Low P/E Ratio
- High Dividend Yield
- Strong balance sheet and low debt relative to their cash flow

### Relevant Ratios

- P/E and P/B
- Dividend Yield
- Debt-to-Equity Ratio

### Pro

- Stable companies that have already proven themselves in the market at a low valuation
- Potentially higher dividend yields and possibly increased return opportunities in the long term

### Cons

- Potentially lower growth potential; lack of growth could lead to a supposedly lower equity valuation
- Possibly less innovative than growth companies

II

## „Growth“ – Investment Style Characteristics

### General Features

- High P/E Ratio
- Low Dividend Yield
- Potentially higher risk due to capital needs to finance growth

### Relevant Ratios

- EPS- and Sales-Growth
- Forward P/E
- Free Cash Flow

### Pro

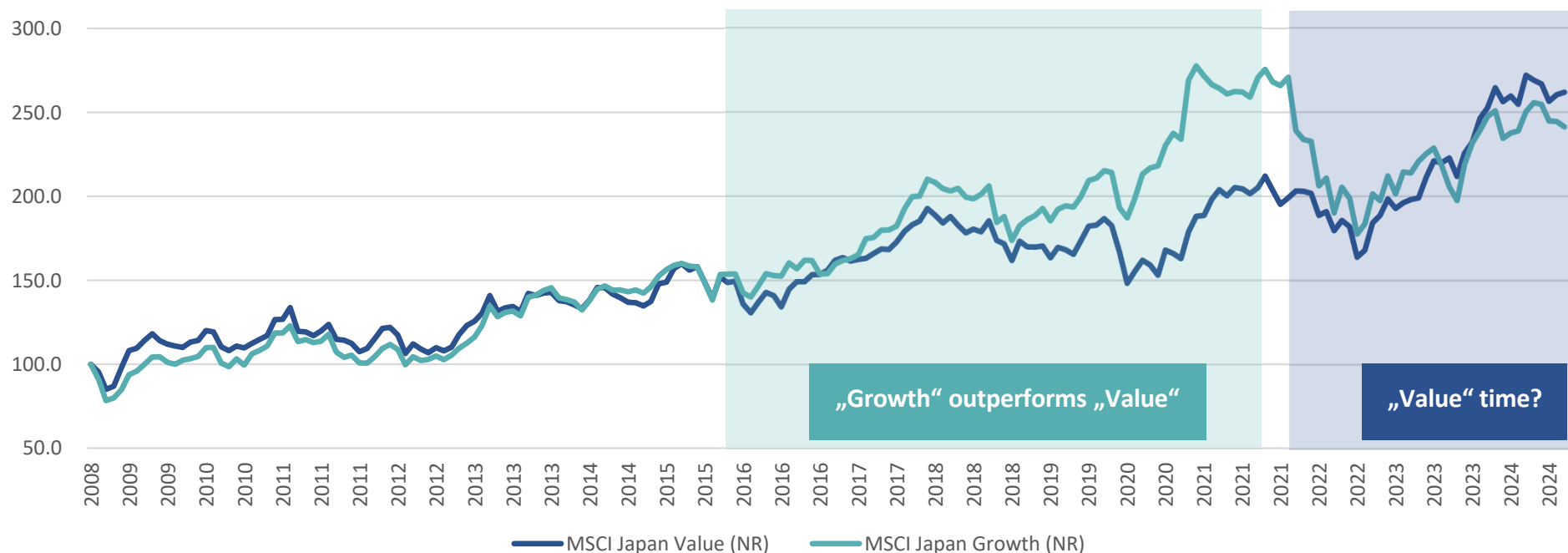
- Often younger innovative and future-oriented companies with high growth potential
- High return opportunities in the short and long term

### Cons

- High valuations can lead to high volatility
- Growth cannot be guaranteed and may not be met
- Possibly higher risks, as many companies are at the beginning of their life cycle and have to prove themselves.

# Japanese Equities: „Growth“ vs. „Value“

Investment results depend on macroenvironmental factors and regimes tend to stay longer



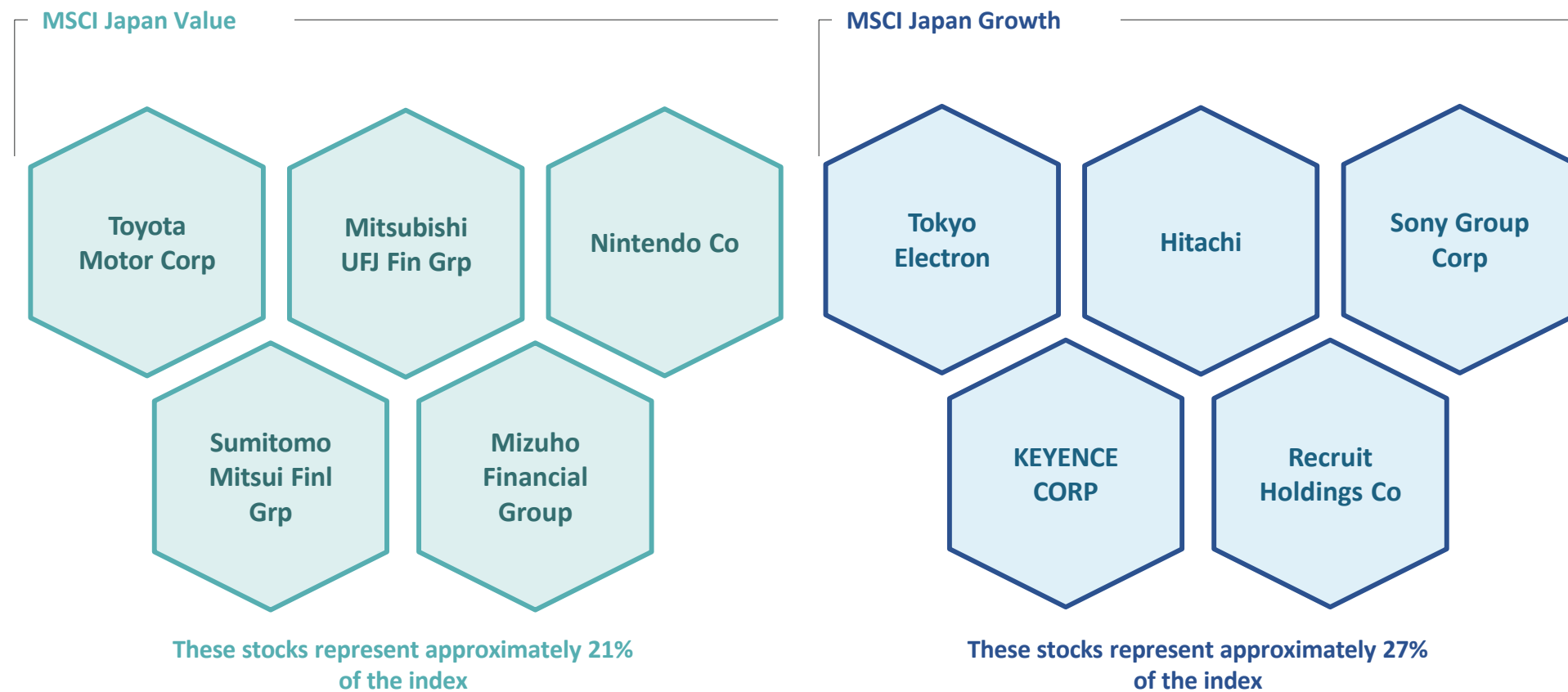
*„Growth“ strategy can bear more risk but promises potentially higher returns dependent on economic environment...*

*„Value“ stocks have higher dividend yield but are relatively low valued*

**“Value”** usually performs better in high inflation environment whereas **“Growth”** can outperform in times of low or falling interest rates and low overall economic growth

# Japanese Equities: „Growth“ vs. „Value“

## Top 5 constituents of MSCI Japan Value and MSCI Japan Growth

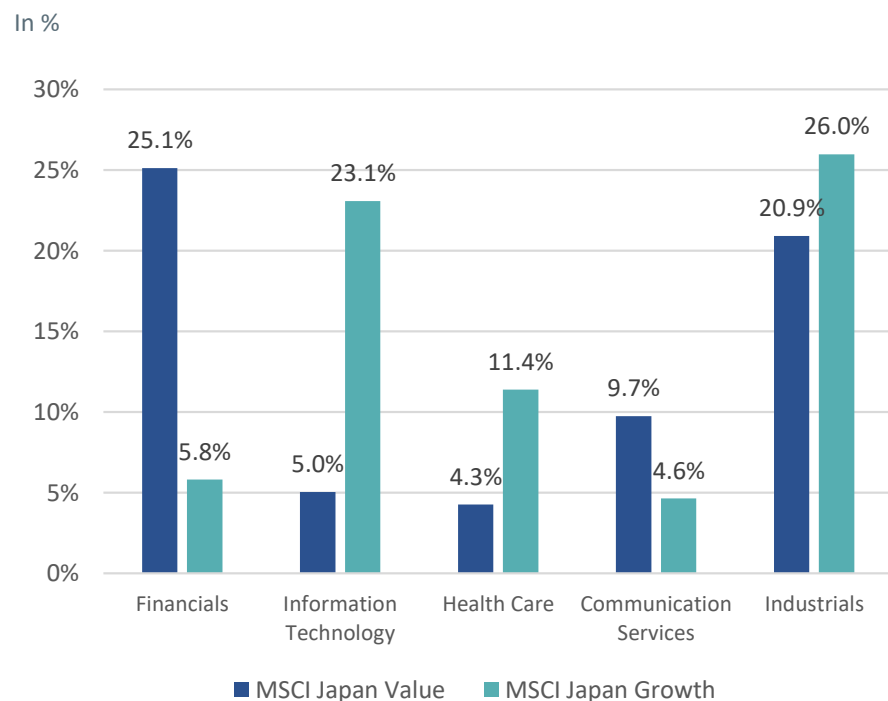


Although there is some overlap, largest positions in value stocks are from **Industrials & Financials** sectors whereas largest position in growth stocks are from **IT & Industrials** sectors

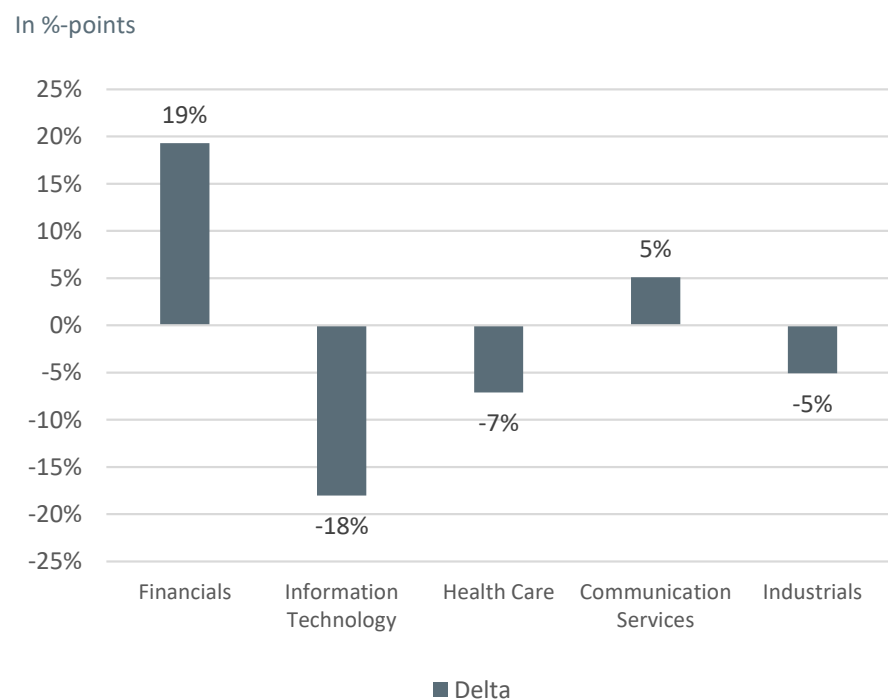
# Japanese Equities: „Growth“ vs. „Value“

## Largest sectoral differences of MSCI Japan Value & Growth

**Largest difference in terms of sector exposure**



**Largest sector exposure spreads**



### Characteristics MSCI Japan Value

- Number of stocks: 120 (dedicated stocks classified as “Value”)
- In comparison to MSCI Japan tend to have lower P/E and P/B ratio and higher Dividend Yield (in %)

### Sector Overweights

MSCI Japan Value: Highest relative overweight in the sectors: Financials, Communication Services and Real Estate

MSCI Japan Growth: Highest relative overweight in the sectors: IT, Health Care and Industrials

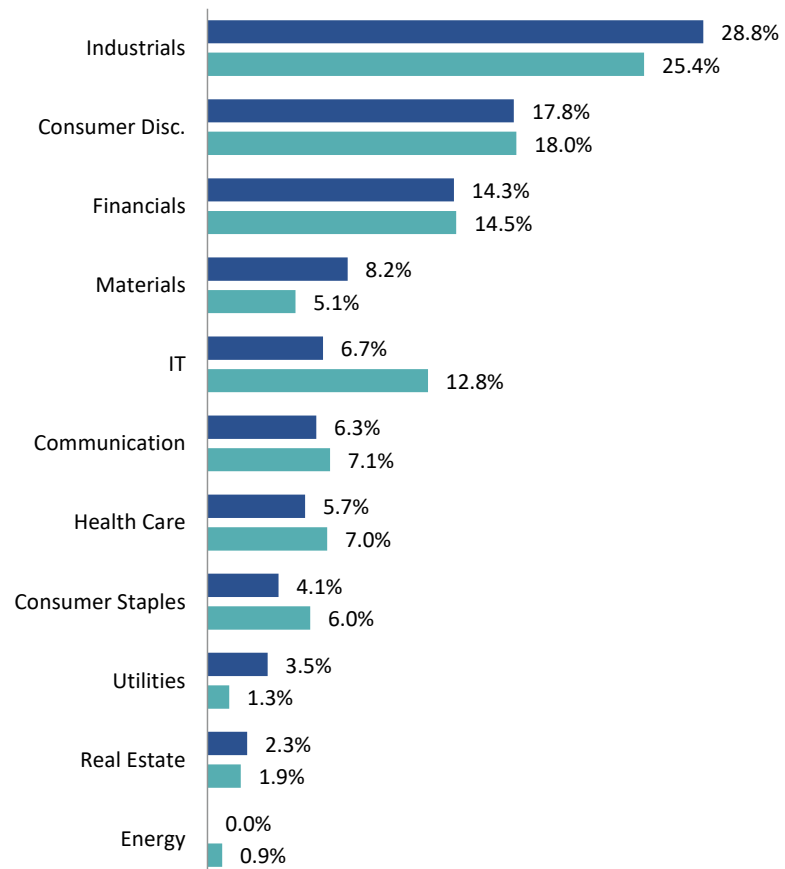
# DWS Concept Nissay Japan Value Equity

## Sector allocation



### Sector allocation – absolute to BM

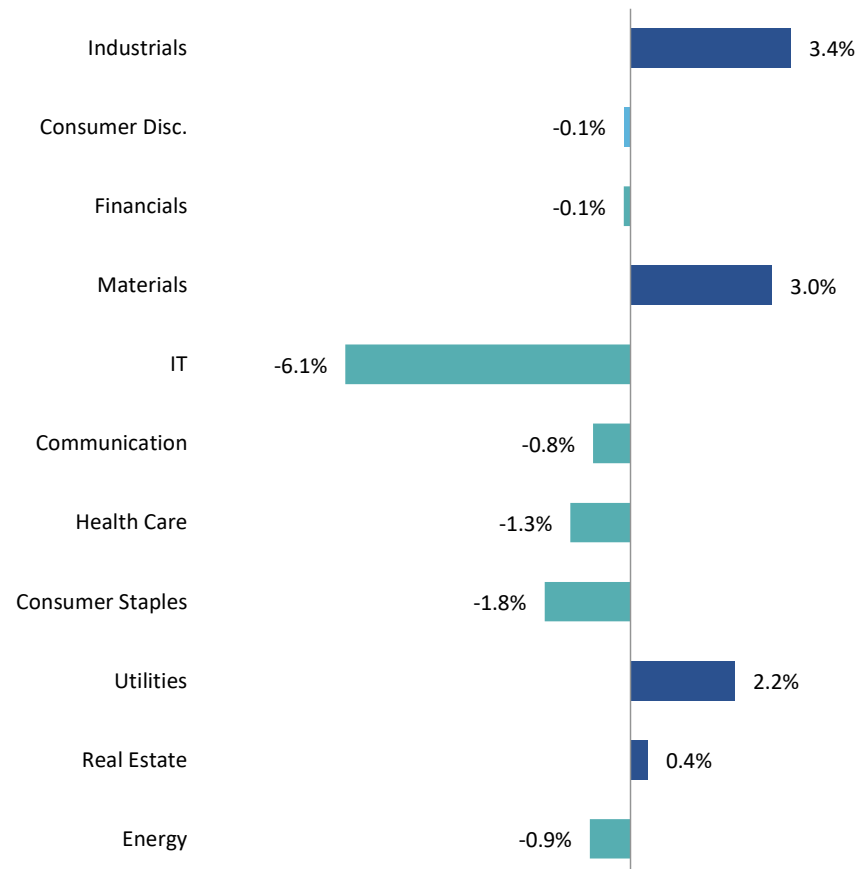
(in % of fund volume)



■ Fund  
■ BM\*

### Sector allocation – relative to BM

(in % of fund volume)



■ over BM\*  
■ under BM\*

# DWS Concept Nissay Japan Value Equity

## Top 10 positions and investment ratio



### Top 10 positions

Sumitomo Mitsui Financial Group	4.6%
Toyota Motor	4.4%
Sony Group Corp.	3.8%
Mitsubishi UFJ Financial Group	3.8%
Hitachi	2.7%
Nippon Telegraph and Telephone Corp.	2.6%
Daikin Industries	2.4%
Suzuki Motor Corp.	2.3%
Sompo Holdings	2.3%
Panasonic Holdings	2.1%
Sum	30.9%

### Investment ratio

Equities	97.9%
Cash and other assets	2.1%

In % of fund volume

Note: Allocation is subject to change without notice. The mention of specific securities should not be interpreted as investment advice, nor as a recommendation to either buy, sell or retain a particular security; Not all products are offered in all jurisdictions and availability is subject to local regulatory restrictions and requirements. Source: DWS International GmbH; As of: 30 December 2024;



# DWS Concept Nissay Japan Value Equity

## Facts and figures



Share class*	JPY LC	JPY LD	JPY TFC	JPY XC**
Fund currency	JPY	JPY	JPY	JPY
ISIN	LU2838977531	LU2838977614	LU2838977705	LU2838977887
German sec. code	DWS3MP	DWS3MQ	DWS3MR	DWS3MS
Front-end-load	up to 4.0%	up to 4.0%	0.0%	0.0%
Management fee	1.500% p.a.	1.500% p.a.	0.750% p.a.	0.350% p.a.
Running costs	n/a	n/a	n/a	n/a
Plus performance-related fee for earnings from securities lending	n/a	n/a	n/a	n/a
Allocation of income	Accumulation	Distribution	Accumulation	Accumulation
Fiscal year	1 January – 31 December			
Funds AuM	860.1mn JPY			

\* This document contains details of the share classes JPY LC, JPY LD, JPY TFC and JPY XC only. Please refer to the latest full or simplified sales prospectus for information on possible other share classes; \*\* Minimum investment for initial subscriptions is 250,000,000 JPY; Not all products are offered in all jurisdictions and availability is subject to local regulatory restrictions and requirements. Source: DWS Investment GmbH; As of: 30 December 2024;

# DWS Concept Nissay Japan Value Equity

## Facts and figures



Share class*	USD LC	USD LCH	USD TFC	USD TFCH
Fund currency	USD	USD	USD	USD
ISIN	LU2838977291	LU2838977028	LU2838977457	LU2838977374
German sec. code	DWS3ML	DWS3MK	DWS3MN	DWS3MM
Front-end-load	up to 4.0%	up to 4.0%	0.0%	0.0%
Management fee	1.500% p.a.	1.500% p.a.	0.750% p.a.	0.750% p.a.
Running costs	n/a	n/a	n/a	n/a
Plus performance-related fee for earnings from securities lending	n/a	n/a	n/a	n/a
Allocation of income	Accumulation	Accumulation	Accumulation	Accumulation
Fiscal year	1 January – 31 December			
Funds AuM	860.1mn JPY			

\* This document contains details of the share classes USD LC, USD LCH, USD TFC and USD TFCH only. Please refer to the latest full or simplified sales prospectus for information on possible other share classes; Not all products are offered in all jurisdictions and availability is subject to local regulatory restrictions and requirements. Source: DWS Investment GmbH; As of: 30 December 2024;

# DWS Concept Nissay Japan Value Equity

## Investment Guidelines



### Investment Guidelines\*

Benchmark	None
ESG approach	None – article 6 mutual fund; the fund considers the DWS controversial weapons policy
SFDR	The sub-fund does not promote any environmental or social characteristics and does not pursue a sustainable investment objective.
Currency hedging	Use permitted, generally not used (currency hedging is possible on share class level)
Instruments	<ul style="list-style-type: none"> <li>- Min 51% must be invested in equities</li> <li>- Max 10% may be invested in units of other funds (investment fund units)</li> <li>- Min 60% of the sub-fund’s assets must be invested in equities of companies having their registered office in Japan.</li> </ul>
Investment objective	The sub-fund’s assets are invested in Japanese equities selected from all sectors and market capitalizations.
Derivatives	Use permitted, Index future contracts are selectively used to manage cash quota
Single issuer limit	<ul style="list-style-type: none"> <li>- Max 10% of the fund’s assets may be invested in securities of a single issuer</li> <li>- The sum of all positions exceeding 5% of the fund’s assets may not exceed 40%</li> </ul>

\* Internal investment guidelines are DWS’ internal principles, which exclusively serve to demonstrate the current portfolio management approach. These guidelines are not a component of the sales prospectus and thus not legally binding. DWS is able at any time to change or adjust the internal investment guidelines in accordance with the sales prospectus guidelines without prior announcement; Not all products are offered in all jurisdictions and availability is subject to local regulatory restrictions and requirements. Source: DWS International GmbH; As of: End of December 2024;

# DWS Concept Nissay Japan Value Equity

## Investment strategy



The objective of the investment policy of DWS Concept Nissay Japan Value Equity is to outperform its performance benchmark (TOPIX (gross) total return index) in a long term, considering the opportunities and risks of the Japanese equity market. However, there can be given no guarantee that the investment objective will be achieved.

The sub-fund considers holding equities of 60-100 Japanese companies selected from all sectors and market capitalizations, that the sub-fund manager in its own discretion and in consideration of the investment advice provided by the investment advisor believes have been sufficiently undervalued against intrinsic values (e.g. their targeted initiatives along with financial forecasts), which are calculated from company-specific fundamentals (e.g. financial metrics obtained from annual reports) with focus on companies' true ability to generate cash flows on a forward-looking basis.

At least 60% of the sub-fund's assets must be invested in equities of companies having their registered office in Japan. Up to 20% of the sub-fund's assets may be invested in interest-bearing securities. Convertible bonds and warrant-linked bonds do not constitute interest-bearing securities in this respect. In addition, the sub-fund may invest up to 10% of its assets in shares of other UCITS and/or other UCIs as defined in article 2 B. (i), including money market funds.

# DWS Concept Nissay Japan Value Equity

## Opportunities and risks



### Opportunities

- Market, sector and company-specific price gains
- Possible exchange-rate gains



### Risks

- The fund invests its assets in Japanese equities. This increases the risk that the fund may be negatively influenced by the economic and political conditions in that respective region. The fund invests in equities. Equities are subject to strong price fluctuations and thus also to the risk of price decreases
- Market, sector and company-specific price volatility
- Possible exchange-rate risk



# DWS Concept Nissay Japan Value Equity

ESG Filters adopted by the strategy



DWS ESG Assessment methodology / exclusion criteria		<b>CCW</b> [transparent pursuant to Article 6 of the Regulation (EU) 2019/2088]
		Assessment <sup>1</sup> or revenue threshold <sup>2</sup>
<b>DWS Group policies</b>	DWS Controversial Weapons Policy (cluster munition, anti-personnel mines, biological and chemical weapons) <sup>4</sup>	Non-compliant

**Controversial conventional weapons (CCW)** include cluster munition, anti-personnel mines as well as biological and chemical weapons. Controversial weapons are any ownership interest, regardless of revenue. An ownership is identified as a weapons manufacturer (F), component manufacturer (E) or a relevant ownership structure with an "E" or "F" graded company (D).

# CCW, DWS Coal Policy, Norm and CTR

## Explanation of ESG filter terminologies

### 1) DWS Assessment scheme

The ESG database derives "A" to "F" letter coded assessments within different categories. Within each category, issuers receive one of six possible scores, with "A" being the highest score and "F" being the lowest score. If an issuer's score in one category is not considered eligible, the portfolio management is prohibited from investing in that issuer, even if it is eligible according to the other categories. For exclusion purposes, each letter score is considered individually and may result in exclusion of an issuer.

### 2) Revenue threshold

Shown is the %-revenue threshold which, when it is greater or equal to, triggers an exclusion. The focus is usually on manufacturing or production, for example, in the case of oil sands, the extraction of oil.

### 3) Coal

The filter excludes companies with coal expansion plans, such as additional coal extraction, production or use, based on an internal identification methodology. The aforementioned coal-related exclusions refer exclusively to so-called thermal coal, i.e. coal used in power plants for power generation.

**4) DWS Controversial Weapons Policy (DWS CW Policy)** predominantly covers Controversial Conventional Weapons (CCW). Other controversial weapons (CW) do not constitute controversial conventional weapons in the sense of this policy, however DWS deems these weapons controversial and excludes manufacturers with a nexus to those weapons from financial products applying certain ESG Filters.

**Controversial conventional weapons (CCW)** include cluster munition, anti-personnel mines as well as biological and chemical weapons. Controversial weapons are any ownership interest, regardless of revenue. An ownership is identified as a weapons manufacturer (F), component manufacturer (E) or a relevant ownership structure with an "E" or "F" graded company (D).

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Trade name : Nissay Asset Management Corporation.

Registered number : Director of Kanto Local Finance Bureau (Financial instruments firms) No.369.

Membership : The Investment Trust Association, Japan/ Japan Investment Advisers Association.



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**This marketing communication is intended for professional clients only. Please read the fund prospectus and KID before making a final investment decision.**

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