



Japan Dynamic Equity Strategy

Why invest in Japan Equity

Japan remains a compelling equity market, driven by significant corporate transformation. Over the past decade, companies have optimised operations, enhanced profitability, and increased shareholders returns, yet valuations remain attractive versus global peers, creating a fertile ground for bottom-up investors.

The ongoing wave of corporate reform has been a key differentiator. Initiatives such as the Tokyo Stock Exchange's governance reforms have incentivised companies to unlock shareholder value through restructuring, cost-cutting, and unwinding cross-shareholdings. This has been particularly pronounced in value-oriented sectors, where potential for return-on-equity improvements and valuation re-ratings remain significant.

Key trends driving Japan's equity story:

1. Restructuring & Profitability: Companies have systematically reduced debt and optimised operations, resulting in higher return-on-assets, profitability (Fig 1) and cash flows. This provides a strong foundation for further shareholder-friendly measures, including repaying debt, boosting dividends and instigating share buybacks.

2. Undervalued Opportunities: Despite significant corporate improvements, the market continues to trade at very attractive valuations versus global peers (Fig 2), with valuation gaps persisting across sectors. This presents abundant opportunities for investors focused on uncovering mispriced assets.

3. Continued Corporate Governance: Ongoing reforms are fostering greater accountability and efficiency among management teams, with increased focus on enhancing returns and addressing excess cash holdings.



While corporate fundamentals remain the centerpiece of Japan's investment story, the macroeconomic backdrop is also evolving. Inflation appears to be taking root, supported by wage growth and strengthening domestic consumption. These trends complement the corporate narrative by reinforcing demand and providing additional tailwinds for companies positioned to benefit from Japan's economic recovery.

We believe this backdrop offers us a unique advantage to exploit the opportunity using our differentiated, disciplined value approach. We identify stock buying opportunities by exploiting market volatility and periods of mispricing to accumulate attractively priced equities in our Japan portfolios.

Fig 1: Cyclical impact but rising trend¹

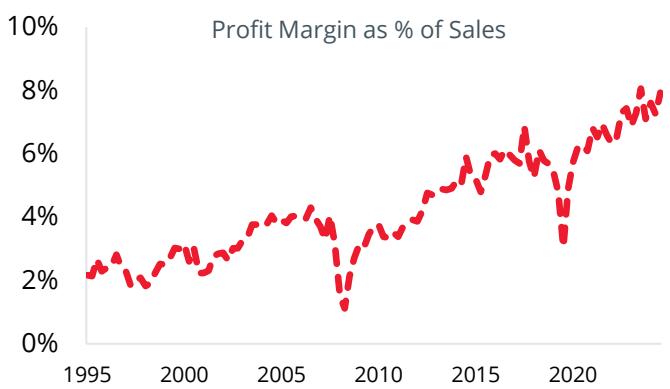
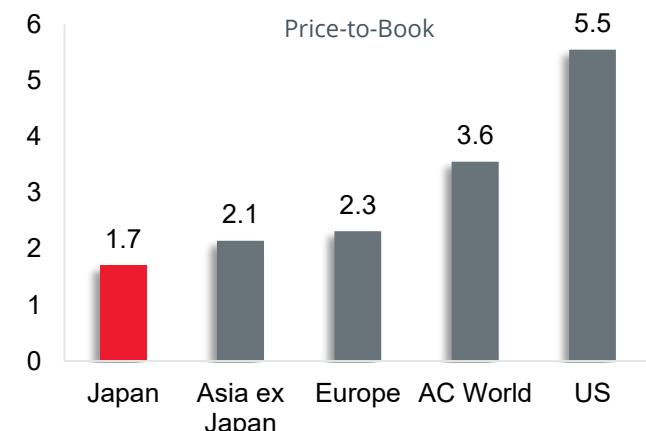


Fig 2: Japan valuations are attractive – cash earnings are not priced in by market²



Why Eastspring Investments for Japan equities

Eastspring Investments, a Prudential plc company, is one of the largest Asia-based global asset managers, with Asia at its core. Since 1994, we have built an unparalleled local investment presence across 10 Asian markets and distribution offices in North America and Europe. Our headquarters in Singapore places us at the heart of Asia, close to many of the markets in which we invest.

Our Japan Equity team is very experienced, with an excellent track record of navigating Japan's equity universe for over 20 years. Our significant scale of operations in Asia allows the team with Tier 1 access to management and an ability to leverage counterparty relationships in terms of analysis and effecting transactions. We are also one of the very few true-to-label-based managers of Japan equity.

In a snapshot: Japan Dynamic Equity Strategy

- › We aim to generate superior long-term capital growth for our clients by consistently applying our disciplined valuation approach to identify Japanese equities that look to outperform.
- › The strategy is a concentrated portfolio containing 30-50 of our best ideas across Japan's equity universe. We invest in stocks that are often at odds with market consensus. Also, we look for solid valuation signals across the market, choosing stocks that may have fallen out of favour or whose price reflects a significant overreaction by the market.
- › Our Japan equity team is a small, experienced, and cohesive group of five investment professionals with deep financial industry experience.
- › A robust and centralised team framework allows our managers to maximise challenge and debate. These factors are vital to executing our strategy and delivering repeatable performance to investors.
- › We are patient. Rather than follow the herd and be influenced by behavioural biases, we adopt a longer-term mindset that allows us to focus on the best stock opportunities.

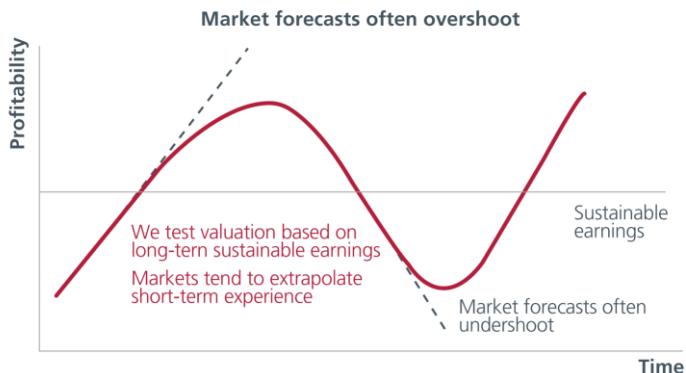
Why our differentiated valuation approach is durable over time and market cycles

We target only high impact valuation outliers – stocks that have a significant difference between price and valuation. We screen a wide investment universe of over 2,000 companies, applying consistent valuation anchors and are equipped to rapidly identify valuation outliers, which may become investment candidates. Our in-depth research efforts focus on the most mispriced opportunities that offer the greatest potential return.

Our value differentiator lies in our detailed analysis and peer review that tests the longer drivers of a company's sustainable earnings using a consistent valuation framework. The focus on sustainable earnings differentiates us from a market that obsesses over recently reported earnings and shorter-term forecast accuracy.

This approach delivers unique insights and a clear understanding of a company's valuation drivers. A high conviction around trend fundamentals allows us to remain patient amid market uncertainty as well as exploit shorter-term price volatility in a contrarian manner.

Fig 3: Differentiated concept of valuation relative to sustainable earnings³



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How we build the strategy



Investment philosophy

We believe that:

- › Prices frequently move more than is justified due to shifts in investors' risk perceptions.
- › Behavioural biases influence both investor expectations and risk appetites.
- › As a result, the actual underlying value is not always reflected in stock prices.
- › By detaching ourselves emotionally and with rigorous analysis and discipline over a longer time frame, we can exploit these opportunities.
- › Our price-focused process, anchored by a consideration of relative valuation, aims to deliver superior long-term returns.



Our investment process

Our bottom-up, valuation-driven investment process has been designed to target mispriced equities in a disciplined and repeatable manner. It consists of four stages:

Idea generation: We systematically look for mispriced assets and identify opportunities that can impact portfolio returns the most.

Fundamental analysis: This is the most important part of the investment process - it allows us to confirm whether value exists, helps us deepen our understanding and tests the team's conviction in a particular holding.

Portfolio construction: We construct the portfolio with our highest conviction ideas while considering stock correlations and unintended risks. Stocks from this conviction list become the core positions in our strategy.

Risk control and review: Ongoing portfolio review helps instill process integrity and sell discipline. Our robust risk framework is conducted by the team, senior management, and our independent risk oversight team.

Strategy details

Style: High conviction, benchmark-unaware

Inception Date: 1 January 2005

Strategy AUM: USD 2.7 billion (as at 30 September 2025)



An ethical mantle

We believe optimal investment decisions are made when environmental, social, and governance (ESG) factors are incorporated into our investment process.

- › Eastspring Investments has an established responsible investing framework which includes stewardship and ESG policies that inform and govern our business and investment teams. Against this overarching framework, we have empowered each investment team to integrate these policies into their distinct investment approach and strategies. We don't believe there is a one size fits all approach to ESG application.
- › ESG considerations are factored into company valuations by assessing the material risks to sustainable earnings and monitoring the progress of such risks and opportunities in our "ESG dashboard".
- › Engaging with investee companies on ESG issues is essential to understanding and protecting the portfolio from financial and non-financial risks. As such, we vote on all resolutions (except when it is not in the best interests of our clients).
- › Third-party ESG resources are utilized to complement our internal assessment of companies and assist with the due diligence and ongoing monitoring processes.

Investment team lead



Ivailo Dikov
Portfolio Manager

We adopt a team-based approach. As Team Leader and Portfolio Manager, Ivailo Dikov has the ultimate responsibility for the daily monitoring of the portfolio, overseeing trades and position sizing.

Strategy characteristics

Portfolio characteristics⁴

Reference index	MSCI Japan Index
Typical no. of holdings	30 – 50
Target alpha	1.5 – 4%
Target tracking error	3 – 8%
Country/sector range	Outcome of bottom-up stock selection
Market capitalisation	All-capitalisation
Base currency	JPY

Sources:

¹Profit Margin % of sales from Refinitiv Datastream MOF. For illustration purposes only. Latest data available as at end May 2025. Current profits of all Japanese Incorporated Enterprises Industries (Except Finance and Insurance) / Sales, in Japanese Yen. ²Eastspring Investments, MSCI Indices, Refinitiv Datastream, as at end September 2025. Past performance is not an indication of the future or likely performance. For illustration purposes only. The indices described are unmanaged and not available for direct investment. Indices used: MSCI Japan Index, MSCI Europe Index, MSCI AC Asia Pacific ex-Japan, MSCI EM Latin America Index, MSCI AC World Index, MSCI USA Index. Projections, forecasts, opinions on the economy, securities markets or the economic trends of the markets are based upon Information and sources believed to be reliable at time of publication and subject to change without notice. The use of indices as proxies for the past performance of any asset class/sector is limited and should not be construed as being indicative of the future or likely performance of the strategy. ³Eastspring Investments. For illustration purposes only. ⁴Subject to changes at the sole discretion of the manager. Target alpha should not be construed as a guarantee for outperformance. Tracking error is an outcome and can vary from the typical range in a more extreme market environments. The information provided herein are subject to change at the discretion of the Investment Manager without prior notice.

Important information

The **MSCI Japan Index** is designed to measure the performance of the large and mid cap segments of the Japanese market. With 237 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

This Strategy Overview is to complement Eastspring capabilities. This Supplemental information provides additional analysis and summarizes an Eastspring strategy and is not an offer or solicitation for any specific securities or vehicles.

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The representative accounts chosen best represent guidelines, objectives and restrictions for this strategy and not based upon investment performance.

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Upside/downside capture ratio show you whether a given representative account strategy has outperformed/gained more or lost less than-a broad market benchmark during periods of market strength and weakness, and if so, by how much. Upside capture ratios are calculated by taking the representative account strategy monthly return during months when the benchmark had a positive return and dividing it by the benchmark return during that same month. Downside capture ratios are calculated by taking the representative account strategy monthly return during the periods of negative benchmark performance and dividing it by the benchmark return.

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All investments involve risks, including possible loss of principal. Security prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Special risks are associated with foreign investing, including currency fluctuations, economic instability and political developments. Investments in developing markets involve heightened risks related to the same factors, in addition to those associated with these markets' smaller size, lesser liquidity and lack of established legal, political, business and social frameworks to support securities markets. Investments in securities of issuers in Asian countries involve risks that are specific to Asia, including certain legal, regulatory, political and economic risks. Because the fund invests its assets primarily in companies in a specific country or region the strategy may also experience greater volatility than a fund that is more broadly diversified geographically.

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