

## Schroder Japan (SJG)

10/10/2025

### Results analysis from Kepler Trust Intelligence

Schroder Japan Trust (SJG) has released its annual results for the year ending 31/07/2025, reporting NAV total returns of 6.8% and a share price total return of 5.6%, outperforming the TOPIX's 4.8% return. Performance was driven by Masaki Taketsume's emphasis on undervalued companies benefitting from structural change, above-market exposure to small- and mid-caps where governance reforms are taking hold, and positions linked to the AI infrastructure supply chain which are being boosted from growing interest in generative AI. Masaki's focus on these high-quality, undervalued companies across the market-cap spectrum, with meaningful participation in Japan's corporate governance reforms, has been central to SJG's long-term success. Under his six-year tenure, the trust has outperformed the TOPIX by 17.9 percentage points (to 07/10/2025).

#### Kepler View

The latest results from Schroder Japan (SJG) reflect another year of solid progress, with both market and manager delivering in a period shaped by volatility and reform. Lead portfolio manager Masaki Taketsume continues to focus on high-quality, undervalued companies across the market-cap spectrum, targeting those with attractive growth characteristics and meaningful exposure to Japan's ongoing corporate governance transformations. This focus has driven outperformance over the reported period and under Masaki's tenure.

Masaki believes Japan's equity market continues to gather momentum, underpinned by broad-based wage growth, steady inflation and rising business investment, clear signs the economy is finally emerging from its deflationary era. Whilst trade tensions and political uncertainty have introduced occasional volatility, we believe the domestic backdrop remains constructive, creating fertile ground for active stock pickers like Masaki. In our view, Japan's reform story remains a durable and self-reinforcing driver of value. Buybacks and dividends have reached record levels, whilst companies already compliant with the Tokyo Stock Exchange valuation and return on equity thresholds continue to invest in growth and efficiency. Alongside this, domestic demand is strengthening as higher wages and tax-efficient savings schemes encourage household participation, whilst global investors are reappraising Japan as a source of value and diversification.

We also think the trust's enhanced dividend policy adds further appeal, aligning with Japan's growing income opportunity. By committing to distribute 4% of its average NAV each year, SJG not only provides investors with a higher income stream, but also mirrors the positive changes taking hold across corporate Japan. As dividend growth and shareholder returns become more central to the Japanese equity story, SJG's combination of active stock selection, above market small- and mid-cap exposure and income focus positions it well, particularly for investors seeking diversified sources of income beyond traditional UK or European equity strategies.

Whilst periods of slower progress or external pressures, such as trade or tariff developments, are inevitable, the compounding effect of reform, investment and earnings growth continues to build momentum. Additionally, new political leadership is now underway and whilst it's far too early to call the impact of potential fiscal stimulus, this could be something that supports or stalls progress. That said, we think the long-term structural shifts underpinning SJG's strategy remain firmly in place and the trust is well placed to capture potential of Japan's market evolution, offering investors a differentiated, high-conviction route into a market where structural change and improving fundamentals are driving long-term opportunity.

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