For Stable Returns

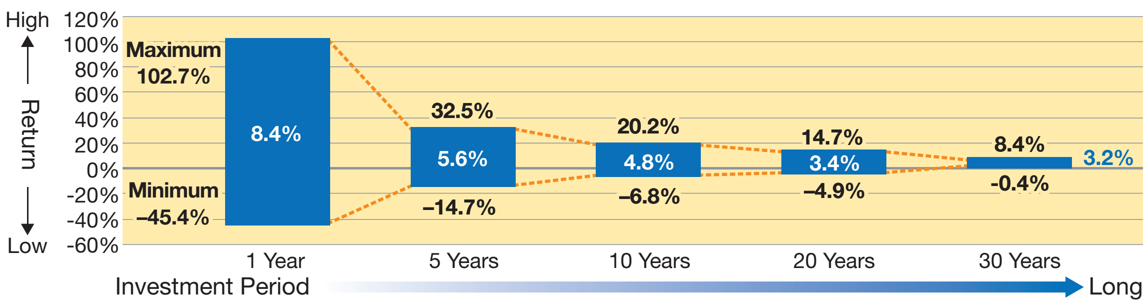
Is there any way that we can minimize risk to achieve stable returns? (1)

Point **“Long-term investment” is an effective way to achieve stable returns.**

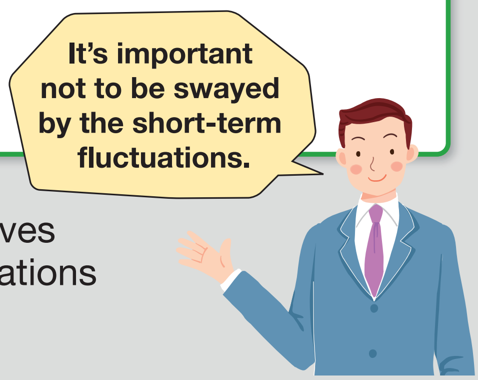
Long-term Investment

- Long-term investment is an effective way to reduce the volatility of returns (risk) as the high and low returns will even out over time.
- This means that we can achieve stable return through long-term investment even with the product of which short term return volatility is high.
- The objective of a DC pension plan is to form an asset to prepare for post-work living, so it holds a long-term investment period.

■ The Effect of Long-term Investment in Japanese Equities



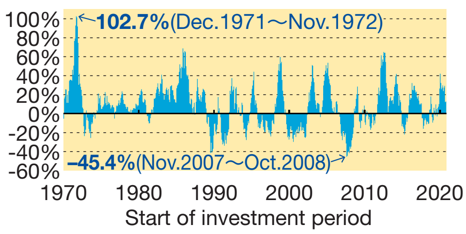
* This graph has been created based on the data for domestic stock indices for the period from April 1970 to December 2021 (April 1970 to January 1989: TOPIX, from February 1989 onward: TOPIX [including dividends]). Highest and Lowest returns for each period are shown.
* Figures in the middle show average return (simple average) for each period.



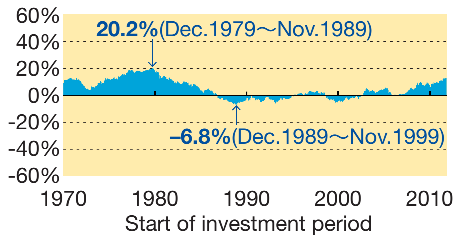
Summary Having medium- and long-term perspectives without being misled by short-term fluctuations is the key.

Data

■ When the investment period is one year



■ When the investment period is ten year



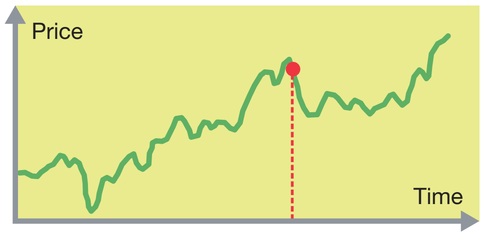
The charts on the left show the actual returns per investment period for one-year and ten-year investment periods. The longer the investment period - the more stable returns can be achieved.

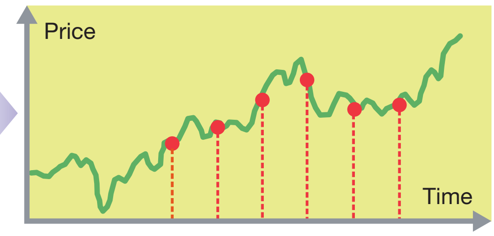
Is there any way that we can minimize risk to achieve stable returns? (2)

Point “Diversified Investment” has the effect of minimizing risk.

Time Diversication (Regular Investment)

Rather than purchasing the product all at once.… Stagger your purchase over time.



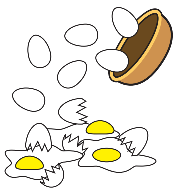


The price will be dispersed if you purchase the same product in small volumes several times. In DC pension plans, investment products are purchased with contributions regularly, thereby achieving diversification of time.

Diversification of Asset Class in the Portfolio

Even in a worst-case scenario, damage can be minimized by combining different asset classes.

If you put all your eggs in one basket, you may break all your eggs.

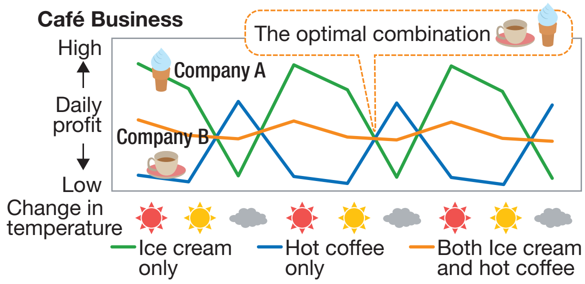


You can be prepared for a worst-case scenario by putting the eggs in different baskets.

Summary In the DC Plan, time diversification is ensured. Therefore, the key is how you diversify the asset classes.

Tips

- Which products should we invest in? Suppose you invest in food companies.
- Suppose there are 2 companies you can invest. Company A produces ice cream that sells well in hot weather, and Company B produces hot coffee that sells well in cool weather.
- If you invest only in Company A, you can not obtain profit when the cool weather continues. However, if you diversify your investment in both companies, you can obtain stable profit no matter what the weather is.



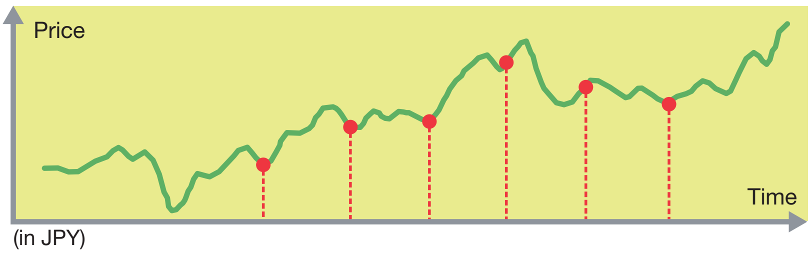
Know the Details

Long-term Investment・Diversification of Investments

■Time Diversication (Regular Investment)

Dollar Cost Averaging

- The method by which a specific amount of money is invested in the same investment product on a regular basis in specific diversified timings is called the “dollar cost averaging” method.
- You can gain profit if you are able to buy low and sell high (purchase when the NAV is low and sell when the NAV is high), however, it is very difficult even for investment professionals to time the market.As the dollar cost averaging method invests the same amount of money regularly, the purchase unit price can be leveled off.
- In DC plans, time diversification is ensured as participants contribute a fixed amount on a regular basis to purchase the same products each time.



(in JPY)

In the dollar cost averaging method, a small number of units are purchased when the net asset value per unit rises, and a large number of units are purchased when the net asset value per unit drops. As a result, as shown in this example, average purchase price is lower than the case where the fixed number of units are purchased.

Fixed Amount								Total	Average Purchase Price (per 10,000 units)
	NAV (per 10,000 units)	8,000	9,500	10,000	12,000	11,000	10,800		
No. of Units	Money invested	8,000	9,500	10,000	12,000	11,000	10,800	61,300	
	No. of Units	10,000	10,000	10,000	10,000	10,000	10,000	60,000	10,217
Money invested	Money invested	10,000	10,000	10,000	10,000	10,000	10,000	60,000	10,049
	No. of Units	12,500	10,526	10,000	8,333	9,090	9,259	59,708	

Lower cost　Dollar Cost Averaging

■Diversification of Asset Class in the Portfolio

- This is a simulation of annual return rankings among concentrated investment in domestic/foreign equities or bonds and diversified investment in 4 asset classes (25% investment in each class).
- The table shows that diversified investment in 4 asset classes is ranked at third place in most years, compared to other assets with changing ranks. You can see that diversification of asset classes led to more stable returns by offsetting price fluctuations of each asset.

Annual return rankings for each asset class

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
❶	Foreign Equities 26.2%	28.0%	30.7%	5.4%	14.7%	15.9%	7.1%	5.5%	53.9%	23.8%	5.8%
❷	Japanese Equities 23.8%	18.6%	22.7%	▲3.1%	12.0%	8.5%	3.0%	▲0.2%	42.1%	6.6%	0.2%
❸	Foreign Bonds 18.2%	15.5%	17.1%	▲5.6%	5.9%	4.8%	2.0%	▲4.0%	23.1%	2.5%	▲1.0%
❹	4 Asset Classes 18.2%	15.0%	12.9%	▲10.8%	▲1.2%	3.2%	1.9%	▲9.5%	3.9%	2.0%	▲1.7%
❺	Japanese Bonds 3.7%	0.6%	3.0%	▲11.5%	▲4.5%	0.9%	▲5.0%	▲12.8%	▲0.7%	▲1.2%	▲2.9%

Source: Japanese Equities: TOPIX (dividend included), Foreign Equities: MSCI-Kokusai (in JPY, without dividends)
Japanese Bonds: Nomura BPI (Overall), Foreign Bonds: FTSE World Government Bond Index (ex Japan, in JPY)
4 asset classes: Invest 25% each in the 4 asset classes: Japanese Equities, Foreign Equities, Japanese Bonds and Foreign Bonds
Period: 2012 - 2022 (April - March of the following year)
The calculation is based on index data that show market price fluctuations rather than focusing on specific products.
Investment-related expenses and taxes are not included in the calculation.

■Long-term investment + diversified investment (diversification of asset classes + diversification of time)

This simulation is conducted for the combination of long-term investment and diversified investment based on the past records.
The period of drastic market change is included in the simulation.

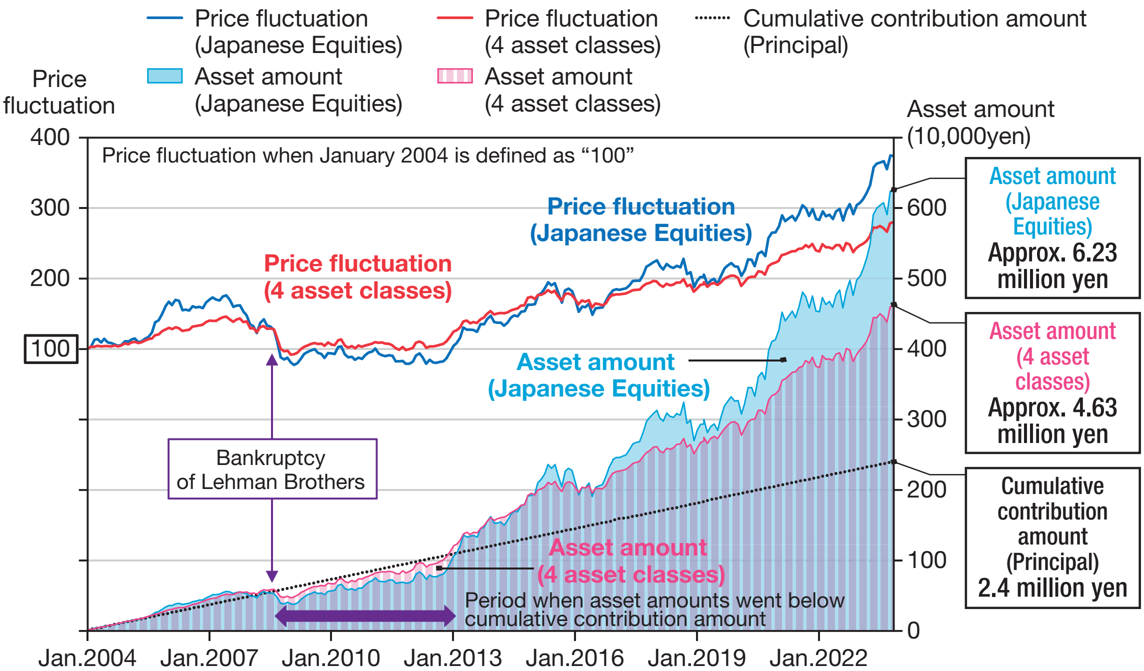
[Long-term investment] Investment period of 20 years.The investment period includes the years around 2008, when a major market fluctuation took place as a result of the Lehman Brothers bankruptcy.

[Diversification of asset class] Diversified investment in 4 asset classes of Japanese Equities, Foreign Equities, Japanese bonds and Foreign bonds

* The calculation is based on index data that show market price fluctuations rather than focusing on specific products. Investment-related expenses and taxes are not included in the calculation.

[Diversification of time (regular investment)] Reserve 10,000 yen every month

●The principal was eroded for both Japanese equities and 4 asset classes due to a plunge in stock market in 2008. However, assets started to grow with the recovery in the stock market.
●Price fluctuation for diversified investment in 4 asset classes remains stable with smaller range of fluctuation compared to that for investment in domestic stocks alone.



Investment period of 20 years (January 2004 to December 2023)
Price fluctuation when January 2004 is defined as "100" (left axis), and increase in asset value when 10,000 yen is reserved every month (right axis)

Source: ●Japanese Equities: TOPIX(dividend included), Foreign Equities: MSCI-Kokusai (in JPY,without dividends)
Japanese Bonds: Nomura BPI (Overall), Foreign Bonds: FTSE World Government Bond Index (ex Japan, in JPY)
●4 asset classes: Invest 25% each in the 4 asset classes (rebalanced based on the above indicis monthly at the month end).

◆This chart is created for informational purpose only by Sompo Asset Management Co., Ltd. and is not intended as a solicitation of an investment.
◆This chart is created based upon information that Sompo Asset Management Co., Ltd. considers to be reliable, but they do not guarantee its accuracy or thoroughness.
This information is prepared only to provide information for making investment decisions and is not intended as a recommendation of a specific investment style or product nor as a solicitation of an investment. Information contained here is valid at the time of creation and may be changed without prior notice. Furthermore, the information does not guarantee changes in future market conditions.