



# SMD-AM Japan Mid Small Cap Value

Monthly Commentary - December 2025

For professional investors only

## Japan Equity Research Team

SMDAM

*We are one of the largest investment management companies in Japan, offering discretionary investment management, investment trusts and advisory services to a range of institutional investors, pension funds, government agencies and retail investors worldwide.*

## Portfolio Update

Over the month of December, the SMD-AM Japan Equity Mid Small Cap Fund Class P JPY returned 0.45% versus the Russell/Nomura Mid-Small Cap Index (including dividends) JPY of 1.06%.\*

The Japanese stock market rose in December. In early December, the market started lower as expectations of a rate hike grew following comments by the Governor of the Bank of Japan.

However, it later recovered, supported by expectations of a rate cut by the U.S. Federal Reserve (the Fed) in response to signs of a slowdown in the U.S. labor market. In mid-December, there was a period of market correction after the Fed's decision to cut rates, as investors viewed the news as largely priced in. However, following the Bank of Japan's rate hike decision, concerns were largely resolved, and the market rebounded.

In late December, price movements were limited amid a lack of clear trading cues. Nevertheless, over the month as a whole, the market rose, supported by expectations for an economic recovery going forward. By sector, insurance, securities, and oil and coal products outperformed the overall market. In contrast, other products, electric power and gas, and mining underperformed.

Our fund underperformed both the TOPIX (including dividends) and the Russell/Nomura Small Cap Index (including dividends) due to a negative stock selection effect.

We will pay attention to companies that have increased or are likely to increase the market share of their products in Japan without resorting to a low-price strategy. We will also maintain our focus on companies that have increased shareholder returns, as well as names with high free cash flow (FCF) yields.

**Risk warning:** The organisations and/or financial instruments mentioned are for reference purposes only. Material content should not be construed as a recommendation for their purchase or sale. Past performance is not a reliable indicator of future performance and may not be repeated.

\* For further information on performance please refer to page 4.

Focus Stock: Aisin Corp

The company has been facing the challenge of low profitability, but it is currently vigorously pursuing balance sheet reforms. Specifically, it is focusing on reducing business assets through business transfers and restructuring of surplus assets, as well as inventory reduction. We believe these efforts will steadily improve ROE.

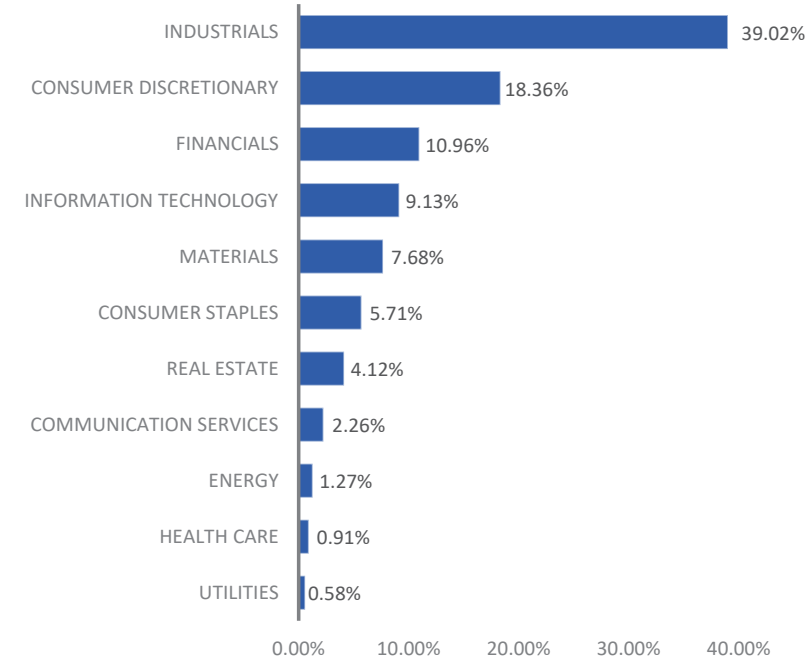
Top Buys

Share Name
NABTESCO CORP
IBJ INC

Top Sells

Share Name
FAST FITNESS JAPAN INC
-

Sector Allocation



Source: SMDAM, as at 31 December 2025

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## Top Holdings

Share Name	Portfolio Weight	MSCI Sector
TOKYO TATEMONO CO LTD	3.64%	Real Estate
FUJI ELECTRIC CO LTD	3.50%	Industrials
CCI GROUP INC	3.33%	Financials
SUMITOMO ELECTRIC INDUSTRIES	3.07%	Consumer Discretionary
SOJITZ CORP	2.99%	Industrials

**1. Tokyo Tatemono Co Ltd:** It is one of Japan's leading real estate companies deeply involved in various aspects of the real estate industry. We expect that the acquisition of a substantial interest in the company by an activist fund will continue to result in an increase in the value of its shares.

**2. Fuji Electric Co Ltd:** It specializes in the manufacture and sale of electrical equipment and systems. It operates in several key sectors, including power electronics systems, industrial equipment, energy, and environmental solutions. Due to the increase in orders in the energy sector and the expansion of profit margins, the expectation for profit growth has been elevated.

**4. CCI Group Inc:** It is a holding company aiming to innovate regional finance, integrating operations in banking, securities, and insurance. Its strengths lie in improving customer convenience through digital transformation and promoting cashless transactions, as well as offering community-focused services and an extensive financial network.

**4. Sumitomo Electric Industries Ltd:** It operates in several key business sectors, including Automotive, Information & Communications and Industrial Materials. We appreciate its ability to develop advanced technologies across various sectors.

**5. Sojitz Corp:** It operates globally and engages in a wide range of businesses, including trading, investment, and services in sectors such as chemicals, machinery, energy, metals, consumer goods, and industrial goods.

## Top Contributors

Share Name	Portfolio Weight	MSCI Sector
CCI GROUP INC	3.33%	Financials
FUJI ELECTRIC CO LTD	3.50%	Industrials
NIHON DENGI CO LTD	1.35%	Industrials
SOJITZ CORP	2.99%	Industrials
NOMURA HOLDINGS INC	1.90%	Financials

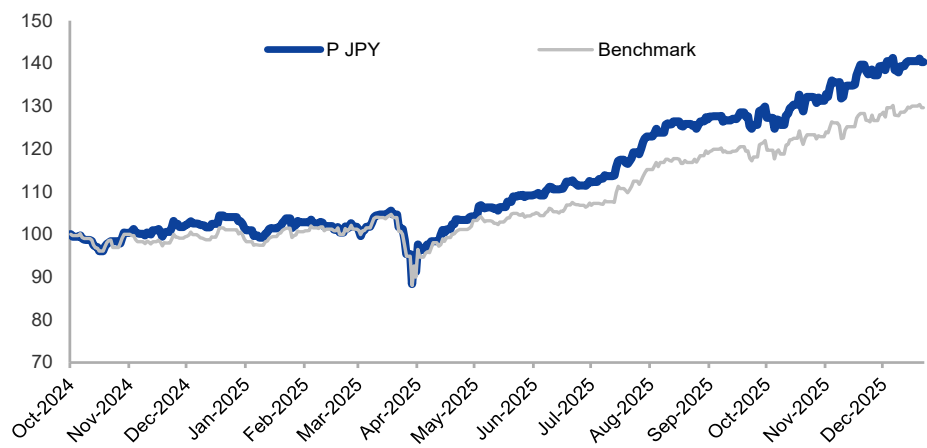
## Top Detractors

Share Name	Portfolio Weight	MSCI Sector
MODEC INC	1.27%	Energy
EBARA CORP	2.41%	Industrials
JAPAN ENGINE CORP	1.04%	Industrials
BIPROGY INC	0.90%	Information Technology
TOYO SUISAN KAISHA LTD	2.06%	Consumer Staples

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Source: SMDAM, as at 31 December 2025

Performance



Source: SMDAM and Bloomberg, data as at 31 December 2025. Rebased to 100 at inception of the share class (10 October 2024). The chart above shows daily performance, in the currency stated for the UCITS Fund (JPY) against the benchmark Russell/Nomura Mid-Small Cap Index (including dividends) which is shown in JPY. Performance is illustrated net of fees.

Fund Performance Share Class: (P) JPY		
(Net of fees)	Fund %	Benchmark %
1m	0.45	1.06
3m	9.95	8.50
6m	24.60	20.65
12m	34.86	28.29
Since Inception p.a. (10/10/24)	31.84	23.62

Investment Information	
Investment Management Fee	Total Expense Ratio
Institutional (I) 0.80% p.a.	Institutional (I) 1.10% p.a.
Institutional (P) 0.45% p.a.	Institutional (P) 0.50% p.a.
Wholesale (A) 1.50% p.a.	Wholesale (A) 1.80% p.a.
Dealing Frequency: Daily	

Source: SMDAM, as at 31 December 2025

**Risk warning:** Past performance is not a reliable indicator of future performance and may not be repeated. An investment's value and the income deriving from it may fall, as well as rise, due to market fluctuations. Investors may not get back the amount originally invested. Any minor discrepancies are due to rounding. Performance is shown in JPY, the return may increase or decrease as a result of currency fluctuations and is net of fees (after trading expenses).





## Contact Details

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