Sumitomo Mitsui DS Asset Management

SMD-AM Japan Mid Small Cap Value

Monthly Commentary - January 2026

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 January, 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 January. Defense-related shares led the rally, buoyed by escalating international geopolitical tensions, and gains in U.S. high-tech stocks helped drive the market higher at the start of the month. Subsequently, expectations rose that a more stable political situation could emerge and that this could led to smoother policy implementation. The dissolution of the House of Representatives and the forecast that Takaichi's administration could win a decisive majority then further supported the market's upward movement.

From mid-month onward, however, concerns over growing U.S.-European tensions regarding Greenland and a rapid appreciation of the yen—triggered by speculation about rate checks by the Japanese and U.S. monetary authorities (the practice of inquiring with major banks about conditions in the foreign exchange market as a precursor to possible FX intervention)—weighed on sentiment, narrowing but not removing the market's previous gains.

By sector, nonferrous metals, petroleum and coal products, and machinery outperformed the broader market, while services, information and communication, and other products underperformed. Our fund outperformed both the TOPIX (including dividends) and the Russell/Nomura Small Cap Index (including dividends) due to a positive stock selection effect. Looking ahead, we will continue to pay close attention to the 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 the 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: IBJ, Inc.

IBJ primarily provides matchmaking services, including marriage consultation agencies and platform services for these agencies. Additionally, in recent years, the company has been actively expanding its peripheral businesses to broaden its business scope. We believe that the improvement in the public perception of matchmaking services will further drive the company's performance by expanding the total addressable market. Moreover, the company's aggressive M&A activities are also contributing to its performance growth, and we expect these to continue.

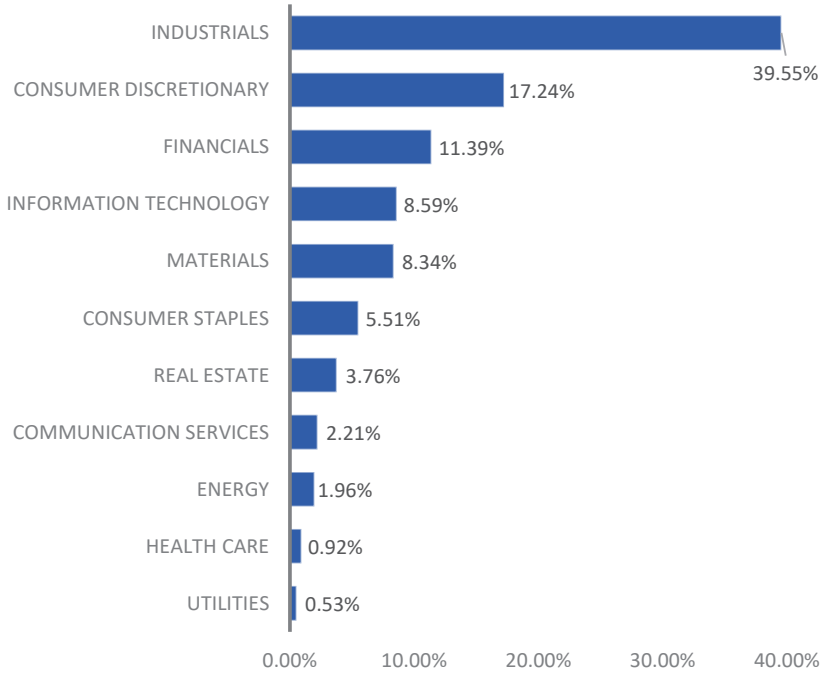
Top Buys

Share Name
INPEX CORP
MITSUBISHI CHEMICAL GROUP CO

Top Sells

Share Name
SEIKOH GIKEN CO LTD
-

Sector Allocation



Source: SMDAM, as at 31 January 2026

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Top Holdings

Share Name	Portfolio Weight	MSCI Sector
CCI GROUP INC	3.60%	Financials
SOJITZ CORP	3.26%	Industrials
TOKYO TATEMONO CO LTD	3.18%	Real Estate
SUMITOMO ELECTRIC INDUSTRIES	3.08%	Consumer Discretionary
FUJI ELECTRIC CO LTD	3.06%	Industrials

1. 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.

2. 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.

3. 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.

4. Sumitomo Electric Industries: 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. 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.

Top Contributors

Share Name	Portfolio Weight	MSCI Sector
EBARA CORP	2.87%	Industrials
CCI GROUP INC	3.60%	Financials
NIHON DENGI CO LTD	1.45%	Industrials
SOJITZ CORP	3.26%	Industrials
RESONAC HOLDINGS CORP	1.53%	Materials

Top Detractors

Share Name	Portfolio Weight	MSCI Sector
FUJI ELECTRIC CO LTD	3.06%	Industrials
SANWA HOLDINGS CORP	0.98%	Industrials
SUZUKI MOTOR CORP	1.69%	Consumer Discretionary
PAL GROUP HOLDINGS CO LTD	0.54%	Consumer Discretionary
CELSYS INC	0.56%	Information Technology

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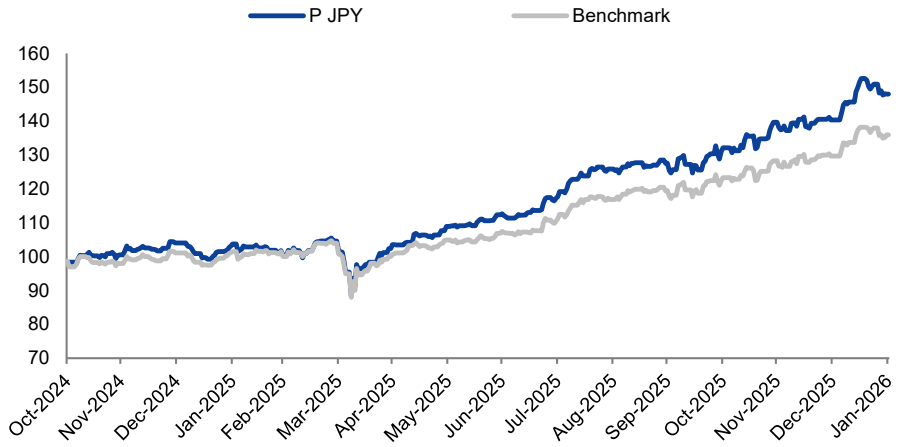
Source: SMDAM, as at 31 January 2026

Performance



Source: SMDAM and Bloomberg, data as at 31 January 2026. 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	5.47	4.85
3m	11.98	10.26
6m	25.69	22.18
12m	42.66	34.01
Since Inception p.a. (10/10/24)	**34.87**	**26.42**

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 January 2026

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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