



Japan Equity Mid Small Cap Value

Monthly Commentary - July 2025

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

The Japanese stock market rose in July.

In early July, uncertainty over the outlook for Japan-U.S. tariff negotiations weighed on stock prices, leading to a moderately depressed market. In mid-July, while there were positive responses to the resumption of AI semiconductor exports to China, - Added a comma after “mid-July” for better readability.

In late July, although the ruling party fell short of a majority in the Upper House election, the results were generally within the expected range, and the election passed without major disruptions. Subsequently, the market rose as the Japan-U.S. tariff negotiations were concluded earlier than expected and at a lower tax rate, which was well-received.

By sector, non-ferrous metals, petroleum and coal products, and banking outperformed the market, while other products, retail, and information and communications underperformed.

Looking ahead, we will 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.

Focus Stock: SG Holdings Co Ltd

SG Holdings Co Ltd is one of the few Japanese companies capable of providing last-mile logistics solutions, although its performance has been underwhelming in recent years. The reasons for this include:

- (i) losing market share by increasing shipping rates ahead of competitors,
- (ii) the fall in delivery demand, which had previously surged during the COVID-19 pandemic, and
- (iii) the sluggish performance of its global logistics business.

Nevertheless, we believe the management initiatives put in place have started to show signs of improvement. Although there are still challenges in corporate governance, we have judged the company to be undervalued.

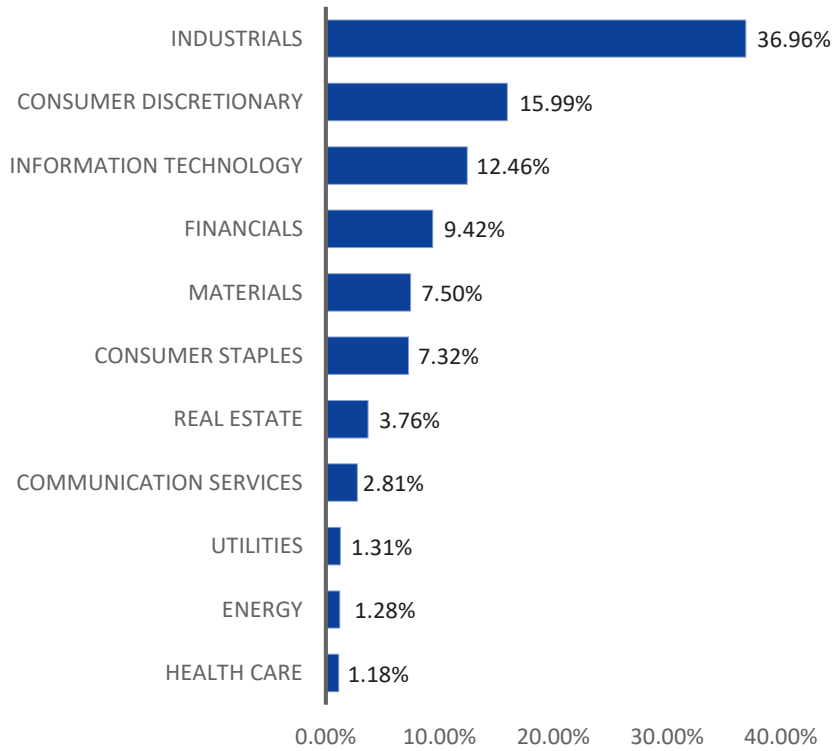
Top Buys

Share Name
JIMOTY INC
TOKYO CENTURY CORP
SANSEI TECHNOLOGIES INC

Top Sells

Share Name
TAKARA HOLDINGS INC
-
-

Sector Allocation



Source: SMDAM, as at 31 July 2025

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Top Holdings

Share Name	Portfolio Weight	MSCI Sector
NEC CORP	3.52%	Information Technology
TOKYO TATEMONO CO LTD	2.89%	Real Estate
HOKKOKU FINANCIAL GROUP	2.60%	Financials
FUJI ELECTRIC CO LTD	2.54%	Industrials
SOJITZ CORP	2.45%	Industrials

1. NEC Corp - We consider the company to be one of the leading stocks that will greatly benefit from the expansion of domestic demand in Japan.

2. Tokyo Tatemono Co Ltd - The acquisition of a substantial interest in the real estate company by an activist fund is expected to continue increasing the value of its shares.

3. Hokkoku Financial Group - We believe that the current valuation levels are quite attractive given the company's business fundamentals.

4. Fuji Electric Co Ltd - Due to the increase in orders in the energy sector and the expansion of profit margins, the expectation for profit growth has been elevated.

5. Sojitz Corp - A general trading company (sogo shosha) formed in April 2003 through the merger of Nichimen Corporation and Nissho Iwai Corporation.

Top Performers

Share Name	Portfolio Weight	MSCI Sector
PACIFIC INDUSTRIAL CO LTD	0.75%	Consumer Discretionary
PAL GROUP HOLDINGS CO LTD	1.00%	Consumer Discretionary
SHIN MAINT HOLDINGS CO LTD	0.43%	Industrials
SWCC CORP	1.19%	Industrials
VERTEX CORP/JAPAN	0.75%	Materials

Worst Performers

Share Name	Portfolio Weight	MSCI Sector
SANWA HOLDINGS CORP	1.42%	Industrials
KONAMI GROUP CORP	1.24%	Communication Services
JIMOTY INC	0.42%	Communication Services
KEISEI ELECTRIC RAILWAY CO LTD	1.09%	Industrials
TOKYO KEIKI INC	1.42%	Industrials

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Performance

Performance data for 12 months is not available.
Therefore, we cannot provide performance data as this would be deemed insufficient to provide a useful indication of past performance.

Fund Performance Share Class: (P) JPY

(Net of fees)	Fund %	Russell / Nomura Mid-Small Cap Index %
1m	-	-
3m	-	-
6m	-	-
12m	-	-
Since Inception p.a. (10/10/24)	-	-

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.
Trading Frequency: Weekly	
Dealing Cut Off Time: 16:00 CET	

Source: SMDAM, as at 31 July 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).

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