Sumitomo Mitsui DS Asset Management

SMD-AM Japan Mid Small Cap Value

Monthly Commentary - October 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 October, the SMD-AM Japan Equity Mid Small Cap Fund Class P JPY returned 3.55% versus the Russell/Nomura Mid-Small Cap Index (including dividends) JPY of 3.18%.*

In the early part of the month, the market increased on heightened expectations for expansionary fiscal policies following the election of Ms. Takaichi as the president of the Liberal Democratic Party.

In the middle of the month, although there were moments of concern due to the withdrawal of the Komeito Party from the coalition and the rekindling of U.S.-China trade friction worries, the market was supported by the establishment of a coalition between the Liberal Democratic Party and the Japan Innovation Party, leading to further gains.

In the latter part of the month, the market gained momentum as it navigated the monetary policy meetings in both Japan and the U.S., as well as summit meetings between Japan and the U.S., and between the U.S. and China, without any major disruptions.

Additionally, strong earnings reports from overseas tech companies bolstered AI-related stocks. By industry, non-ferrous metals, electrical equipment, and information & communication outperformed the market, while insurance, services, and pulp & paper underperformed.

Our fund underperformed the TOPIX (including dividends) due to the increased popularity of large growth stocks.

However, it outperformed the Russell/Nomura Small Cap Index (including dividends) thanks to a positive stock selection effect. We will pay 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: Fast Fitness Japan

The company is the master franchisee in Japan for the 24-hour fitness club “Anytime Fitness.” It is a pioneer and one of the largest operators of 24-hour fitness gyms in Japan. We believe the post-COVID-19 increase in fitness participation rates indicates rising health awareness. The company has recently started focusing on e-commerce sales, and we expect this new revenue stream to accelerate its business growth.

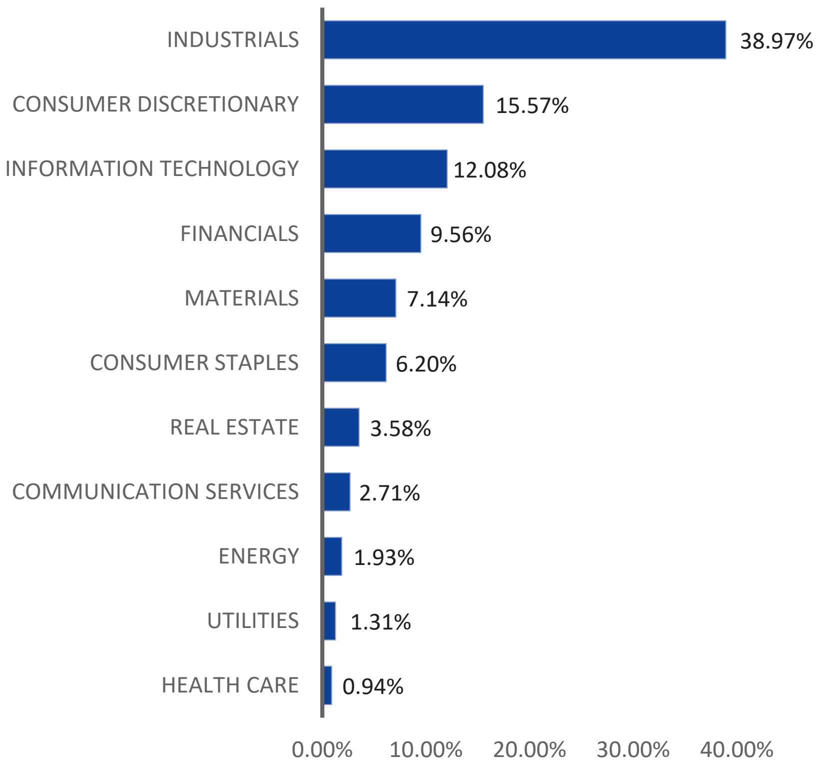
Top Buys

Share Name
JGC HOLDINGS CORP
DAIHEN CORP
HORIBA LTD

Top Sells

Share Name
YONDENKO CORP
KYOWA KIRIN CO LTD
TOKYO METRO CO LTD

Sector Allocation



Source: SMDAM, as at 31 October 2025

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Top Holdings

Share Name	Portfolio Weight	MSCI Sector
FUJI ELECTRIC CO LTD	3.93%	Industrials
SUMITOMO ELECTRIC INDUSTRIES	3.27%	Consumer Discretionary
TOKYO TATEMONO CO LTD	2.93%	Real Estate
NEC CORP	2.91%	Information Technology
CCI GROUP INC	2.75%	Financials

1. 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.

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

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. NEC Corp: It has evolved into a global leader in providing IT and network solutions to business enterprises, communications services providers, and government agencies. We consider it to be one of the leading stocks that will greatly benefit from the expansion of domestic demand in Japan.

5. 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.

Top Contributors

Share Name	Portfolio Weight	MSCI Sector
SUMITOMO ELECTRIC INDUSTRIES	3.27%	Consumer Discretionary
EBARA CORP	2.68%	Industrials
FUJI ELECTRIC CO LTD	3.93%	Industrials
MODEC INC	1.93%	Energy
TOKYO KEIKI INC	0.94%	Industrials

Top Detractors

Share Name	Portfolio Weight	MSCI Sector
PAL GROUP HOLDINGS CO LTD	0.77%	Consumer Discretionary
JIMOTY INC	0.56%	Communication Services
CCI GROUP INC	2.75%	Financials
YELLOW HAT LTD	1.31%	Consumer Discretionary
CELSYS INC	0.79%	Information Technology

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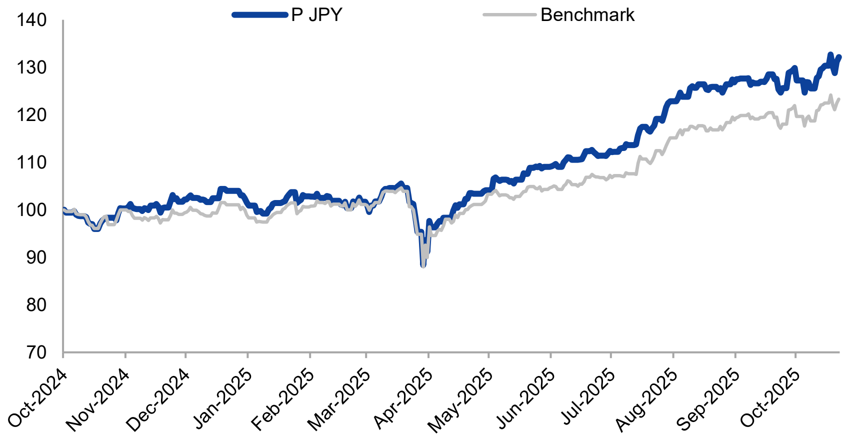
Source: SMDAM, as at 31 October 2025

Performance



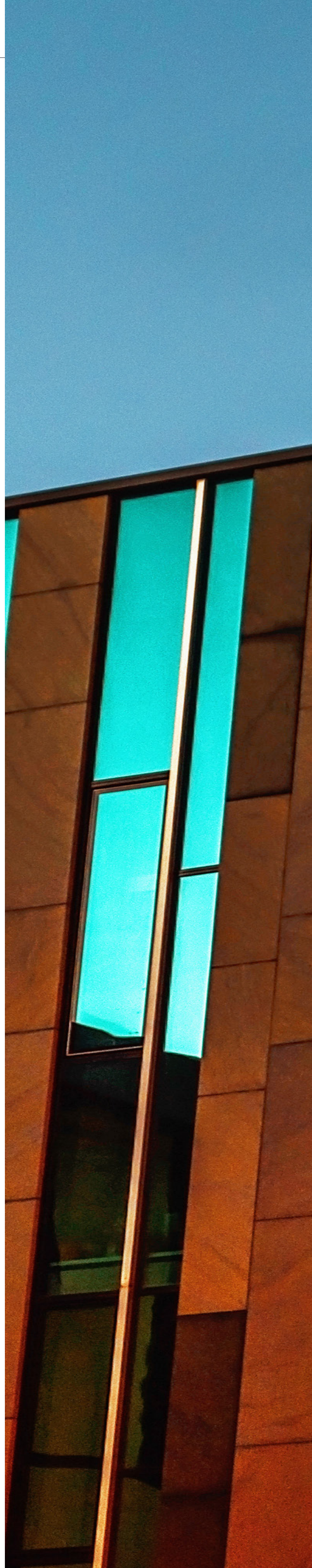
Source: SMDAM and Bloomberg, data as at 31 October 2025. Rebased to 100 at inception of the share class (10 October 2024). The chart above shows daily performance, in the currency stated for the UCITS Fund (JPY) against the benchmark Russell/Nomura Mid-Small Cap Index (including dividends) which is shown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

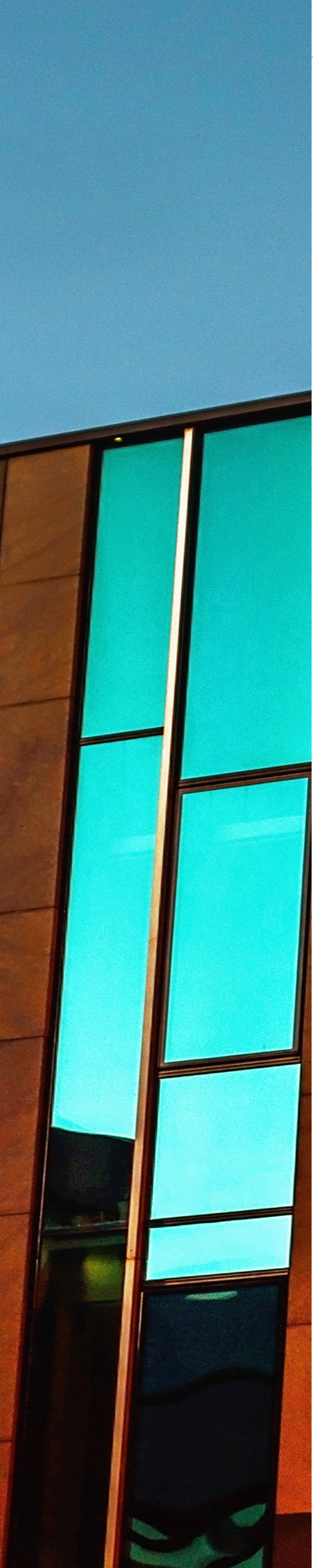
Fund Performance Share Class: (P) JPY		
(Net of fees)	Fund %	Benchmark %
1m	3.55	3.18
3m	12.24	10.82
6m	27.62	22.52
12m	34.35	24.97
Since Inception p.a. (10/10/24)	**30.14**	**21.90**

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 October 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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