Sumitomo Mitsui DS Asset Management

SMD-AM Japan Mid Small Cap Value

Monthly Commentary - September 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

The Japanese stock market rose in September.

At the beginning of the month, the market rose due to positive reactions to President Trump's signing of an executive order to reduce automobile tariffs, and expectations for fiscal expansion under the next administration following Prime Minister Ishiba's announcement of his intention to resign.

In the middle of the month, while the resumption of rate cuts by the U.S. Federal Reserve was well received, the Bank of Japan's decision to sell ETFs and Japanese REITs was met with disapproval, resulting in mixed performance. At the end of the month, despite hitting new highs driven by AI-related and high-tech stocks, concerns over high valuations increased.

Towards the month's end, caution over a potential U.S. government shutdown and the uncertainty surrounding the upcoming Liberal Democratic Party leadership election led to a heightened trading environment with increased selling activity. By sector, non-ferrous metals, petroleum and coal products, and mining outperformed the market, while air transportation, marine transportation, and other manufacturing underperformed.

Looking ahead, 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 yields.

Focus Stock: Resonac Holdings Corp

We appreciate that the company is concentrating its management resources on the semiconductor business, aiming to transform into a world-leading functional chemical manufacturer. Since acquiring Hitachi Chemical Co., Ltd., the company has continuously reviewed and restructured its business portfolio.

In addition to its business endeavors, Resonac is also implementing an updated global human resources system, aiming to transform into a globally competitive company. We expect these initiatives to yield significant benefits in the near future.

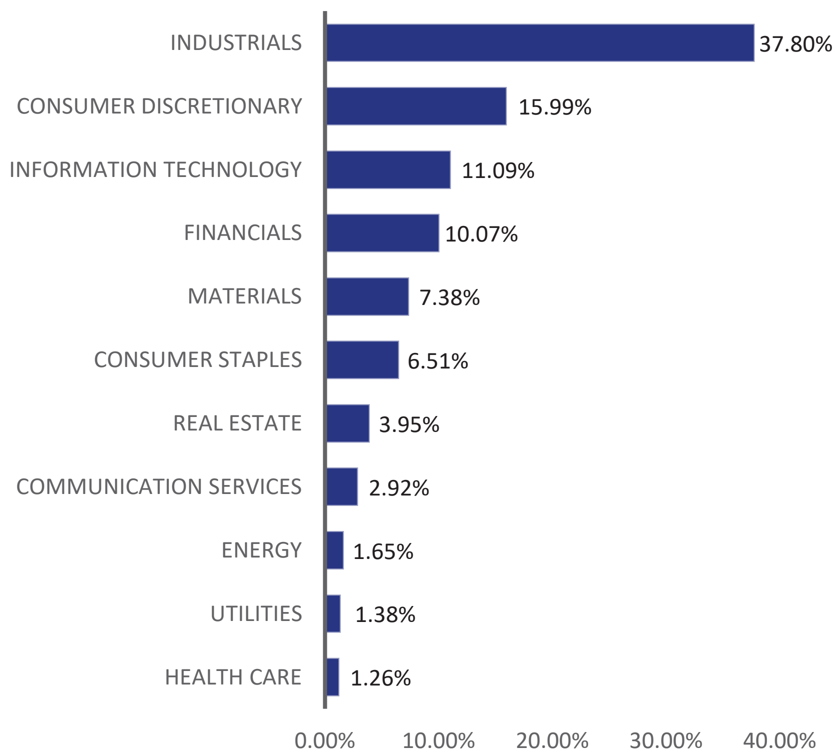
Top Buys

Share Name
MINEBEA MITSUMI INC
RESONAC HOLDINGS CORP

Top Sells

Share Name
ITFOR INC
-

Sector Allocation



Source: SMDAM, as at 30 September 2025

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.

Top Holdings

Share Name	Portfolio Weight	MSCI Sector
FUJI ELECTRIC CO LTD	3.65%	Industrials
TOKYO TATEMONO CO LTD	3.12%	Real Estate
CCI GROUP INC	2.96%	Financials
NEC CORP	2.80%	Information Technology
SUMITOMO ELECTRIC INDUSTRIES	2.52%	Consumer Discretionary

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. 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.

3. 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. 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. 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.

Top Contributors

Share Name	Portfolio Weight	MSCI Sector
CCI GROUP INC	2.96%	Financials
TOKYO TATEMONO CO LTD	3.12%	Real Estate
FUJI ELECTRIC CO LTD	3.65%	Industrials
EBARA CORP	2.18%	Industrials
77 BANK LTD/THE	1.87%	Financials

Top Detractors

Share Name	Portfolio Weight	MSCI Sector
SANWA HOLDINGS CORP	1.28%	Industrials
YONEX CO LTD	1.21%	Consumer Discretionary
T&D HOLDINGS INC	1.70%	Financials
WORLD CO LTD	1.34%	Consumer Discretionary
TOHOKU ELECTRIC POWER CO INC	1.38%	Utilities

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Source: SMDAM, as at 30 September 2025

Performance

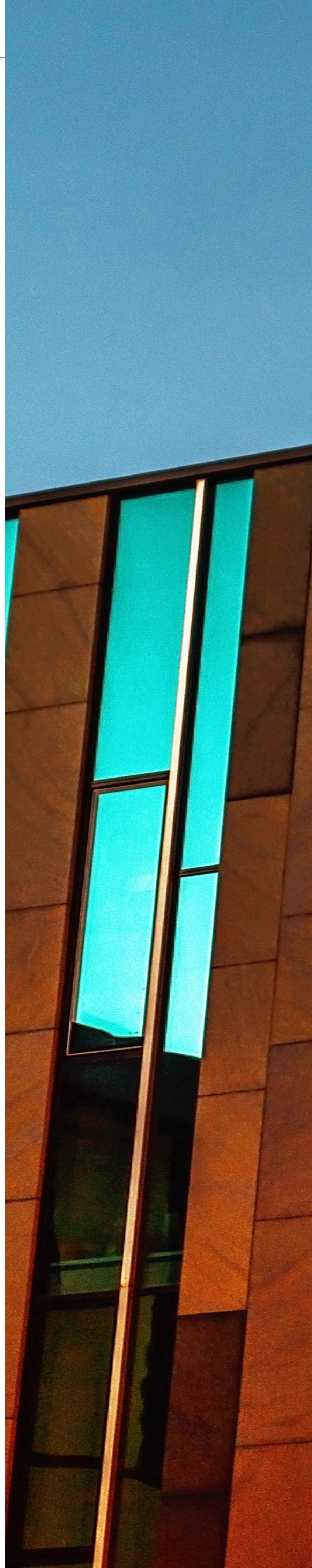
Performance data for 12 months is not available. Therefore, we cannot provide performance data as this would be deemed insufficient to provide a useful indication of past performance.

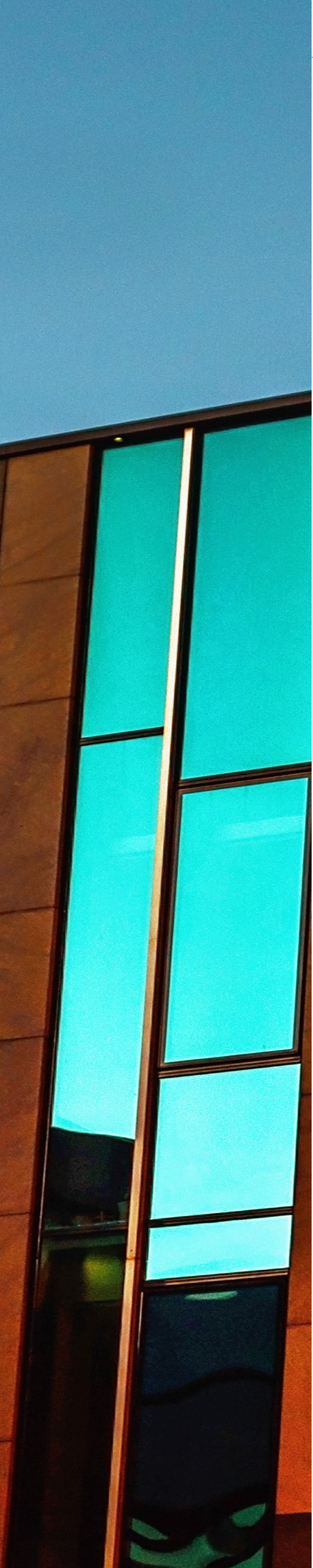
Fund Performance Share Class: (P) JPY		
(Net of fees)	Fund %	Russell / Nomura Mid-Small Cap Index %
1m	-	-
3m	-	-
6m	-	-
12m	-	-
Since Inception p.a. (10/10/24)	-	-

Investment Information
Investment Management Fee
Institutional (I) 0.80% p.a.
Institutional (P) 0.45% p.a.
Wholesale (A) 1.50% p.a.

Source: SMDAM, as at 30 September 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

Sumitomo Mitsui DS Asset Management (UK) Limited.

100 Liverpool Street, London
EC2M 2AT, United Kingdom

www.smd-am.co.uk - uksales@smd-am.co.jp

Richard HAXE
Managing Director, Head of Business Development

+44 20 7507 6431
richard_haxe@smd-am.co.jp

Alex BARRY
Executive Director, Head of Sales, UK and Ireland

+44 20 7507 6419
alex_barry@smd-am.co.jp

Chloé CHOQUIN
Director, Business Development

+44 20 7507 6424
chloe_choquin@smd-am.co.jp

Thomas CARTWRIGHT
Director, Business Development

+44 20 7507 6440
thomas_cartwright@smd-am.co.jp

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