SMD-AM Japan Mid Small Cap Value

Monthly Commentary - August 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

In August, the SMD-AM Japan Mid Small Cap Value Fund Class P JPY returned 2.75% versus the Russell/Nomura Mid-Small Cap Index (including dividends) JPY of 4.25%*.

The Japanese stock market performance diverged in August. Nikkei 225 closed August up 3.0% m/m and TOPIX was up 3.8% m/m.

It was supported by generally strong corporate earnings for April–June 2026 and by the easing of expectations for a U.S. interest rate hike after economic indicators in the U.S. came in weaker than expected, helping the market to renew its all-time high. After that, the market fell at times due to rising crude oil prices amid heightened tensions in the Middle East and increases in long-term interest rates in Japan and abroad. However, it was underpinned by expectations of further improvement in corporate earnings and strong results from a major U.S. semiconductor company. Toward the end of the month, comments by the Federal Reserve Chair reignited expectations of a rate hike in the U.S., but the Japanese stock market remained firm.

By sector, services, shipping, and nonferrous metals outperformed the market, while insurance, glass and stone products, and warehouse and transportation-related industries underperformed.

Our fund underperformed the Russell/Nomura Small Cap Index (including dividends) by 1.50%.

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.

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

Focus Stock: Nisshinbo Holdings Inc.

The company has pursued a long-term strategic shift from its founding textile spinning business to non-textile operations. The company has in recent years intensified its business restructuring efforts, channeling management resources into electronics-related businesses. The company's wireless communications segment stands out as a key strength, and we believe it is poised to capture tailwinds from rising demand in both the defense and shipbuilding sectors. We are of the view that the company can leverage the current favorable environment to drive further structural transformation and achieve a meaningful improvement in its overall profitability.

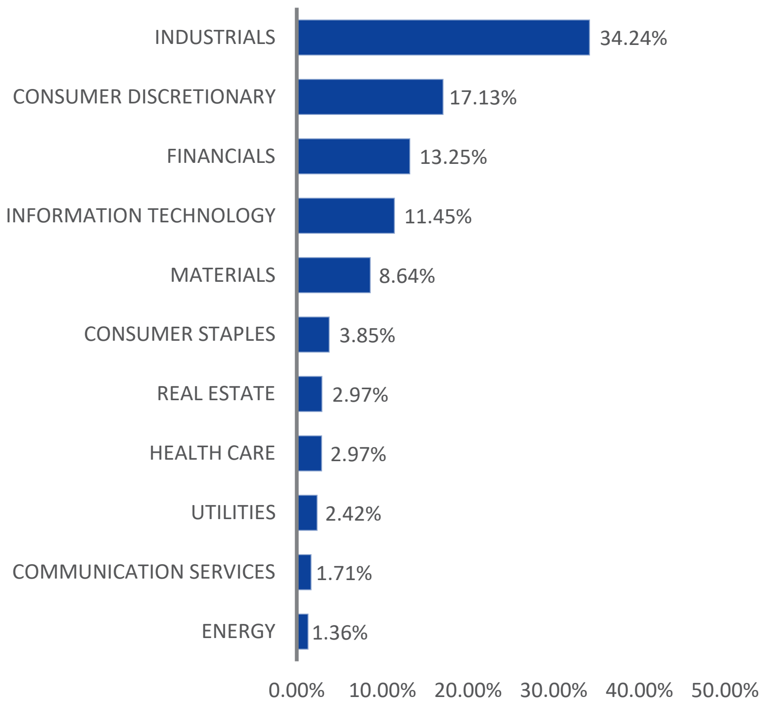
Top Buys

Share Name
BANDAI NAMCO HOLDINGS INC
RENESAS ELECTRONICS CORP
TOHO CO LTD

Top Sells

Share Name
SAC'S BAR HOLDINGS INC

Sector Allocation



Source: SMDAM, as at 31 August 2026

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
CCI GROUP INC	3.34%	Financials
TOYOTA TSUSHO CORP	3.30%	Industrials
FUJI ELECTRIC CO LTD	3.10%	Industrials
TOKYO TATEMONO CO LTD	2.80%	Real Estate
77 BANK LTD	2.47%	Financials

1. CCI Group Inc: it specialises in comprehensive financial services and regional revitalisation. It operates in several key business segments, including banking, leasing, consulting, and system development. Due to its proactive approach to digital transformation, the expectation for sustained regional growth and profit expansion has been elevated.

2. Toyota Tsysho Corp: It is the main trading firm of the Toyota Group, engaging in global operations across mobility, materials, renewable energy, and consumer sectors. By leveraging its extensive supply chain networks and strong presence in emerging markets, the company actively drives sustainable growth, decarbonisation, and next-generation mobility solutions worldwide.

3. Fuji Eletric Co Ltd:A specialist 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. Tokyo Tatemono Co Ltd: One of Japan's leading real estate companies. Continued portfolio optimisation and steady demand for high-quality urban real estate support further value creation and shareholder returns.

5. 77 Bank Ltd: A premier regional bank headquartered in Sendai City, serving as the financial backbone for retail and corporate clients across the Tohoku region, fostering regional economic development.

Top Contributors

Share Name	Portfolio Weight	MSCI Sector
CCI GROUP INC	3.34%	Financials
77 BANK LTD	2.47%	Financials
TOYOTA TSUSHO CORP	3.30%	Industrials
MACNICA HOLDINGS INC	1.93%	Information Technology
SHIKOKU ELECTRIC POWER CO	1.26%	Utilities

Top Detractors

Share Name	Portfolio Weight	MSCI Sector
EBARA CORP	1.45%	Industrials
HORIBA LTD	1.54%	Information Technology
FUSO CHEMICAL CO LTD	0.57%	Materials
KIOXIA HOLDINGS CORP	1.96%	Information Technology
TAKUMA CO LTD	0.97%	Industrials

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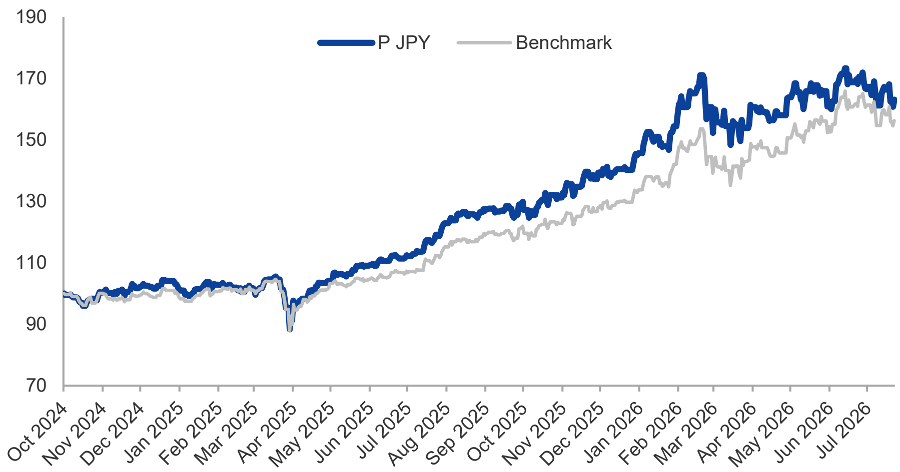
Source: SMDAM, as at 31 August 2026

Performance



Source: SMDAM and Bloomberg, data as at 31 July 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.

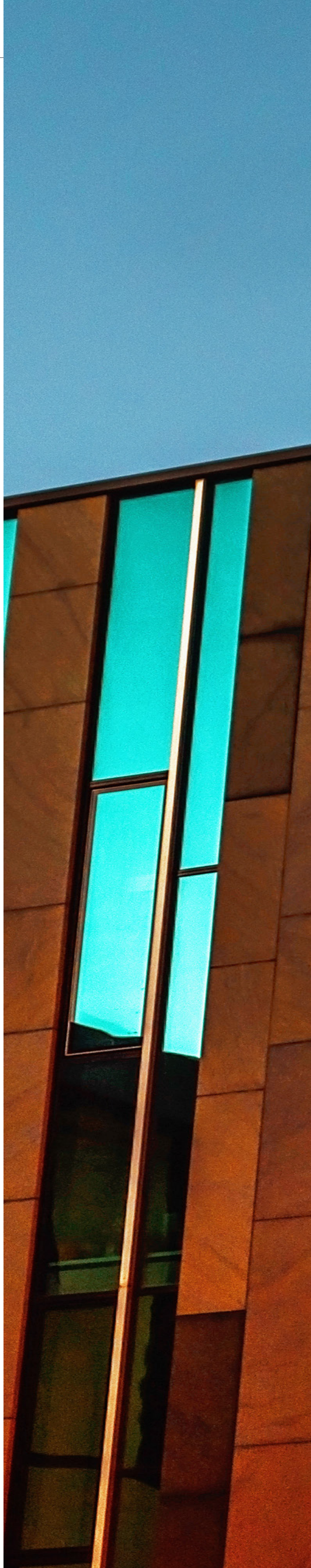
Fund Performance Share Class: (P) JPY		
(Net of fees)	Fund %	Benchmark %
1m	2.75	4.25
3m	-0.09	4.09
6m	-2.05	6.06
12m	33.17	39.45
Since Inception p.a. (10/10/24)	**31.41**	**29.45**

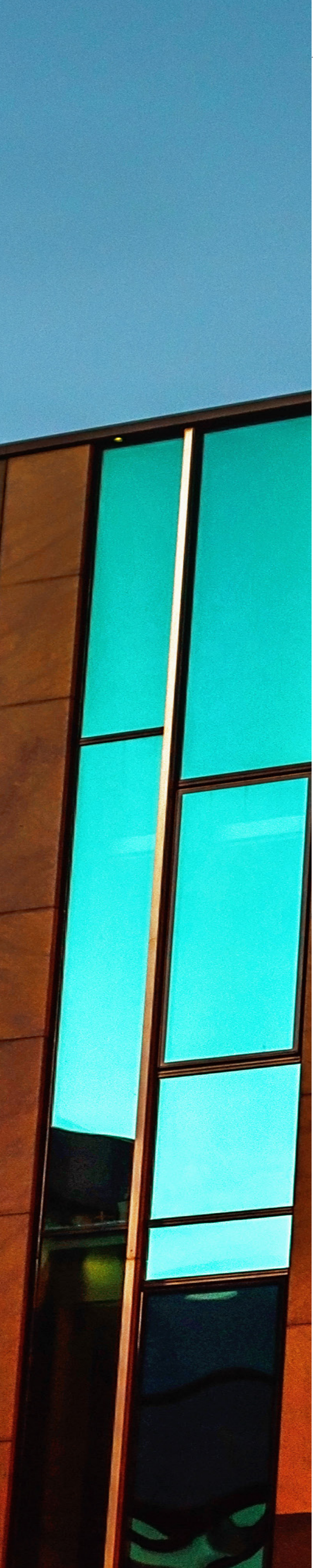
Source: SMDAM, as at 31 August 2026

Investment Information	
Investment Management Fee	**Total Expense Ratio**
Institutional (I) 0.80% p.a.	Institutional (I) 1.00% 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 August 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).





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