



SMD-AM Japan Mid Small Cap Value

Monthly Commentary - February 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 February, the Japan Mid Small Cap Value Fund Class P JPY returned 15.65% versus the Russell/Nomura Mid-Small Cap Index (including dividends) JPY of 13.00%.*

The Japanese stock market rose in February. Stocks initially climbed on expectations that the Liberal Democratic Party (LDP) would maintain their clear advantage going into the Lower House election and gained further after the party's historic landslide victory. Investors welcomed the prospect of decisive policy execution under the Takaichi administration.

The market subsequently encountered periods of upside resistance driven by concerns over geopolitical tensions in the Middle East. Even so, the market hit new highs toward month-end, supported by optimism around the Takaichi administration's policy agenda and a waning expectation of additional rate hikes delivered by the Bank of Japan.

Sector performance was mixed. Nonferrous metals, real estate, and glass & ceramics products outperformed the market, while services, information & 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 focus on companies that are increasing, or are well positioned to increase, the market share of their products in Japan without resorting to low-price strategies. We will also maintain our focus on companies enhancing shareholder returns and those with high free cash flow 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: Mitsubishi Chemical Group Corp

Our discussions with management reinforced our view that the company is capable of delivering both portfolio transformation and profitability improvements. In our assessment, the new mid-term management plan enhances transparency by clearly defining three business selection criteria and three principles for disciplined operations. The company is demonstrating a strong sense of urgency, as reflected in its decision to exit the coke and carbon materials businesses. Although industry conditions remains challenging, we believe Mitsubishi Chemical Group can improve its ROE over the mid to long term.

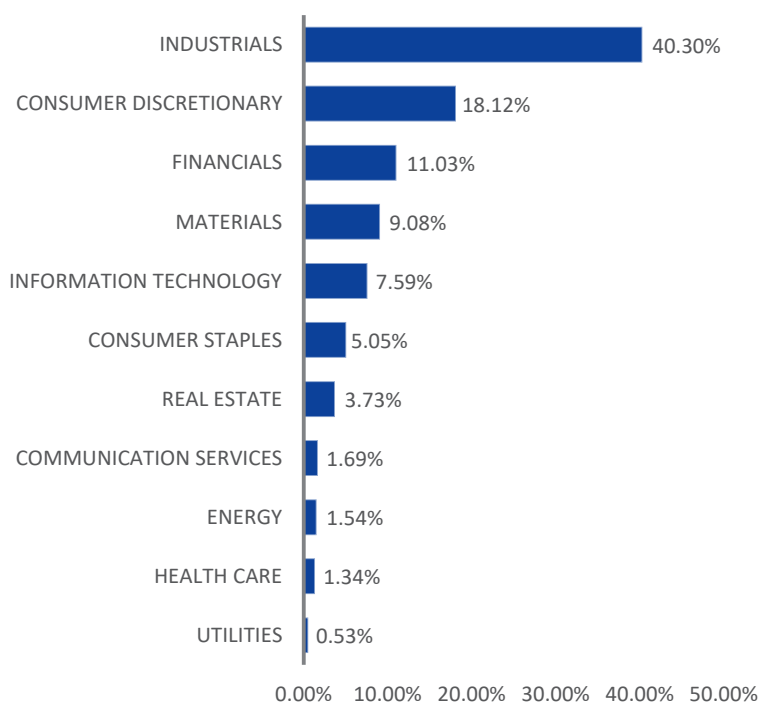
Top Buys

Share Name
AS ONE CORP
-

Top Sells

Share Name
TOYOTA INDUSTRIES CORP
COMPUTER ENGINEER & CONSULTING

Sector Allocation



Source: SMDAM, as at 28 February 2026

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Top Holdings

Share Name	Portfolio Weight	MSCI Sector
SUMITOMO ELECTRIC INDUSTRIES	4.03%	Consumer Discretionary
CCI GROUP INC	3.56%	Financials
SOJITZ CORP	3.40%	Industrials
FUJI ELECTRIC CO LTD	3.37%	Industrials
TOKYO TATEMONO CO LTD	3.33%	Real Estate

1. 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.

2. 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.

3. 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.

4. Fuji Electric Co Ltd: It specialises 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.

5. 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.

Top Contributors

Share Name	Portfolio Weight	MSCI Sector
SUMITOMO ELECTRIC INDUSTRIES	4.03%	Consumer Discretionary
SOJITZ CORP	3.40%	Industrials
FUJI ELECTRIC CO LTD	3.37%	Industrials
TOKYO TATEMONO CO LTD	3.33%	Real Estate
KRAFTIA CORP	1.82%	Industrials

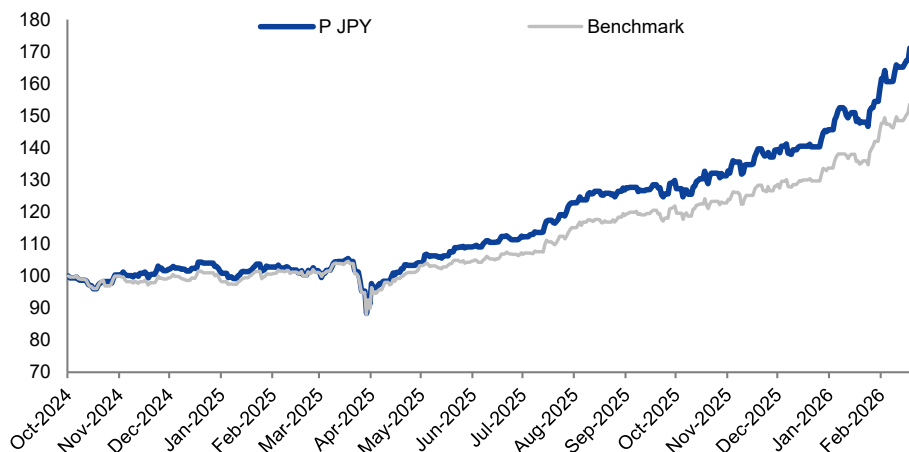
Top Detractors

Share Name	Portfolio Weight	MSCI Sector
MODEC INC	1.08%	Energy
JIMOTY INC	0.42%	Communication Services
TKP CORP	0.41%	Real Estate
JBCC HOLDINGS INC	0.55%	Information Technology
KONAMI GROUP CORP	0.84%	Communication Services

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Source: SMDAM, as at 28 February 2026

Performance



Source: SMDAM and Bloomberg, data as at 28 February 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.

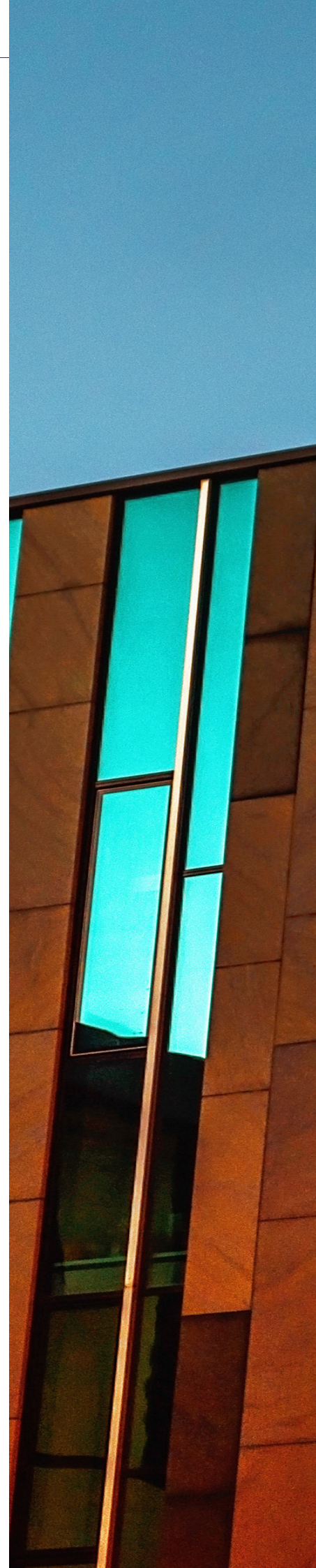
Fund Performance Share Class: (P) JPY		
(Net of fees)	Fund %	Benchmark %
1m	15.65	13.00
3m	22.52	19.73
6m	35.96	31.48
12m	70.46	53.67
Since Inception p.a. (10/10/24)	47.32	36.29

Source: SMDAM, as at 28 February 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 02 March 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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