Sumitomo Mitsui DS Asset Management

SMD-AM Japan Mid Small Cap Value

Monthly Commentary - July 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 July, the SMD-AM Japan Mid Small Cap Value Fund Class P JPY returned -3.33% versus the Russell/Nomura Mid-Small Cap Index (including dividends) JPY of -3.36%*.

Downward pressure came from falling semiconductor stocks in the U.S. and South Korea, concerns over excessive AI investment, and renewed tension in the Middle East, which pushed up crude oil prices and heightened inflation concerns. On the other hand, financial stocks rose on the back of higher domestic interest rates, and investors also bought companies with strong earnings. Additionally, at the end of the month, semiconductor stocks rebounded sharply following strong results from major U.S. IT companies, which helped lift the market.

By sector, shipping, rubber products, and steel outperformed the market, while nonferrous metals, glass and stone products, and electrical equipment underperformed.

Our fund overperformed the Russell/Nomura Small Cap Index (including dividends) by 3bps.

We will closely watch companies that have increased or are likely to increase the market share of their products in Japan without resorting to a low-price strategy, and names that have increased shareholder returns or with high free cash flow (FCF) yields.

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

Focus Stock: Daido Steel Co. Ltd

The company is in the process of transforming its business portfolio. Despite the greater-than-expected drag from softness in its core end markets, the company is striving to deliver sustained growth via an expanded product line up targeting high-growth markets and a proactive M&A strategy. In particular, we expect growth in high-value-added specialty alloys used in applications such as aircraft components.

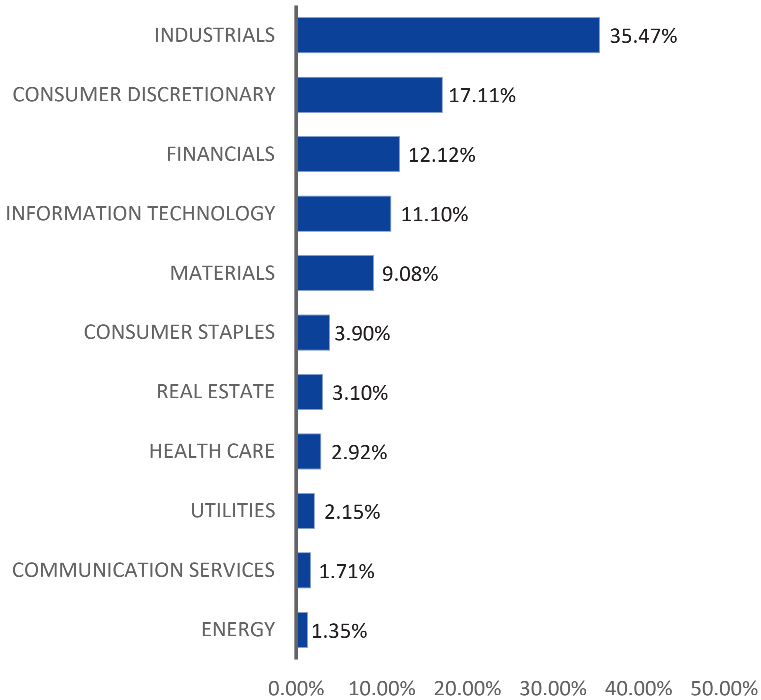
Top Buys

Share Name
MARUICHI STEEL TUBE LTD
TAKAOKA TOKO CO LTD
ASAHI KASEI CORP

Top Sells

Share Name
PALTAC CORPORATION

Sector Allocation



Source: SMDAM, as at 31 July 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
FUJI ELECTRIC CO LTD	3.33%	Industrials
CCI GROUP INC	2.98%	Financials
TOYOTA TSUSHO CORP	2.96%	Industrials
TOKYO TATEMONO CO LTD	2.87%	Real Estate
77 BANK LTD	2.26%	Financials

1. Fuji Eletric 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.

2. 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.

3. 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.

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: As the premier regional bank headquartered in Sendai City, it serves 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
KIOXIA HOLDINGS CORP	1.90%	Information Technology
S & B FOODS INC	1.31%	Consumer Staples
TOYOTA TSUSHO CORP	2.96%	Industrials
CCI GROUP INC	2.98%	Financials
FUJI ELECTRIC CO LTD	3.33%	Industrials

Top Detractors

Share Name	Portfolio Weight	MSCI Sector
SUMITOMO ELECTRIC INDUSTRIES	2.09%	Consumer Discretionary
MINEBEA MITSUMI INC	1.26%	Industrials
C UYEMURA & CO LTD	1.12%	Materials
EBARA CORP	1.99%	Industrials
NAGANO KEIKI CO LTD	0.97%	Information Technology

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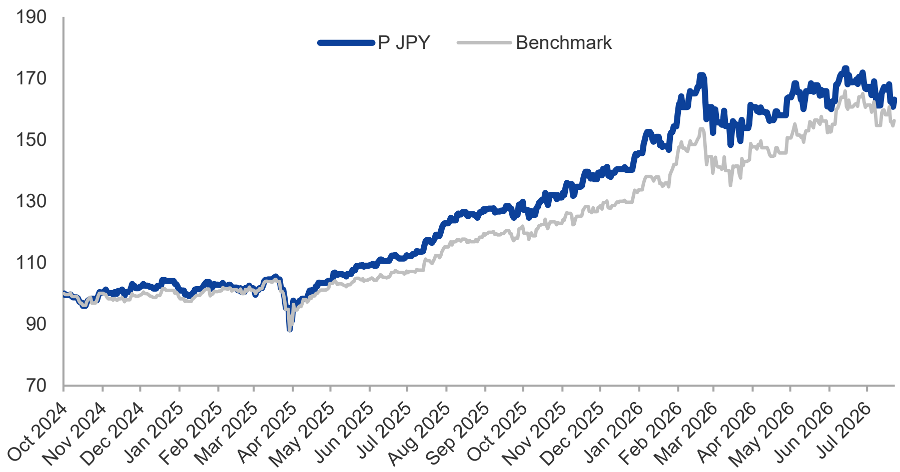
Source: SMDAM, as at 31 July 2026

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.

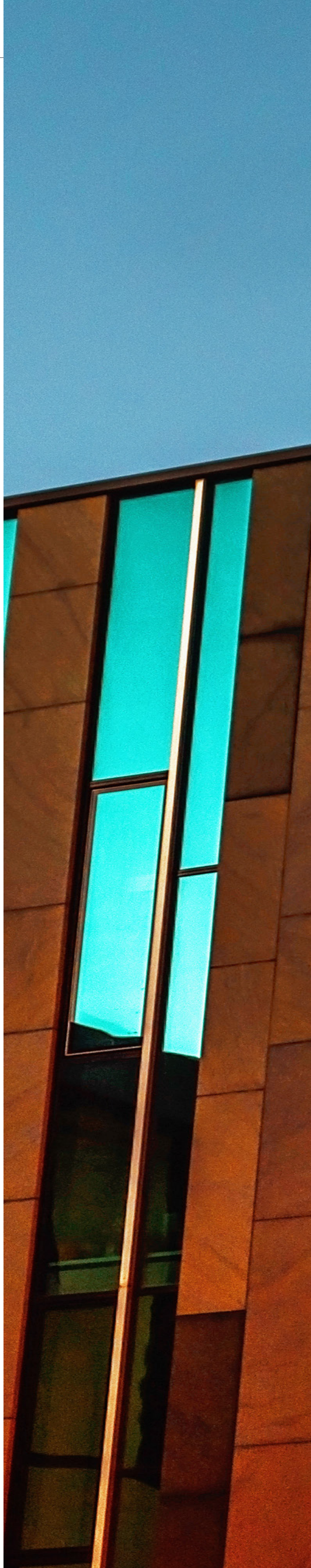
Fund Performance Share Class: (P) JPY		
(Net of fees)	Fund %	Benchmark %
1m	-3.33	-3.36
3m	3.23	6.90
6m	10.25	14.96
12m	38.57	40.46
Since Inception p.a. (10/10/24)	**31.13**	**28.05**

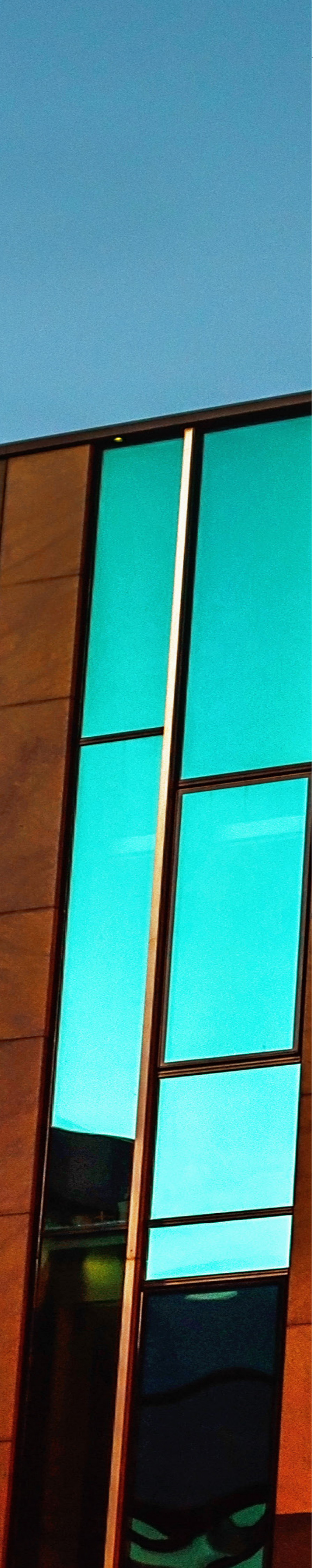
Source: SMDAM, as at 31 July 2026

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 July 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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