Sumitomo Mitsui DS Asset Management

SMD-AM Japan Mid Small Cap Value

Monthly Commentary - June 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 June, the SMD-AM Japan Mid Small Cap Value Fund Class P JPY returned 0.58% versus the Russell/Nomura Mid-Small Cap Index (including dividends) JPY of 3.32%*.

Early in the month, the market declined due to heightened expectations for interest rate hikes following solid U.S. economic data, uncertainty surrounding U.S.-Iran tensions, and investor caution ahead of monetary policy meetings in Japan and the U.S.

However, with the news of U.S. and Iran agreeing to bring an end to hostilities and the monetary policy meetings in Japan and the U.S. passing without incident, the market rebounded and the TOPIX reached a new all-time high. Toward the end of the month, however, gains narrowed as profit-taking emerged amid signs of short-term overheating.

By sector, electrical equipment, banks, and services outperformed, while wholesale trade, information & communication, and oil & coal products underperformed.

Our fund underperformed both the TOPIX (including dividends) and the Russell/Nomura Small Cap Index (including dividends) mainly due to our exposure to value factor.

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: Hamamatsu Photonics KK:

Faced with intensifying competition in recent years, the company has been reforming its previously siloed, division-centric structure to foster greater cross-divisional collaboration, with the aim of shifting away from single-product sales. Furthermore, the company's awareness of capital efficiency has been improving, and it has begun taking steps to reduce inventory levels and improve its cash conversion cycle (CCC).

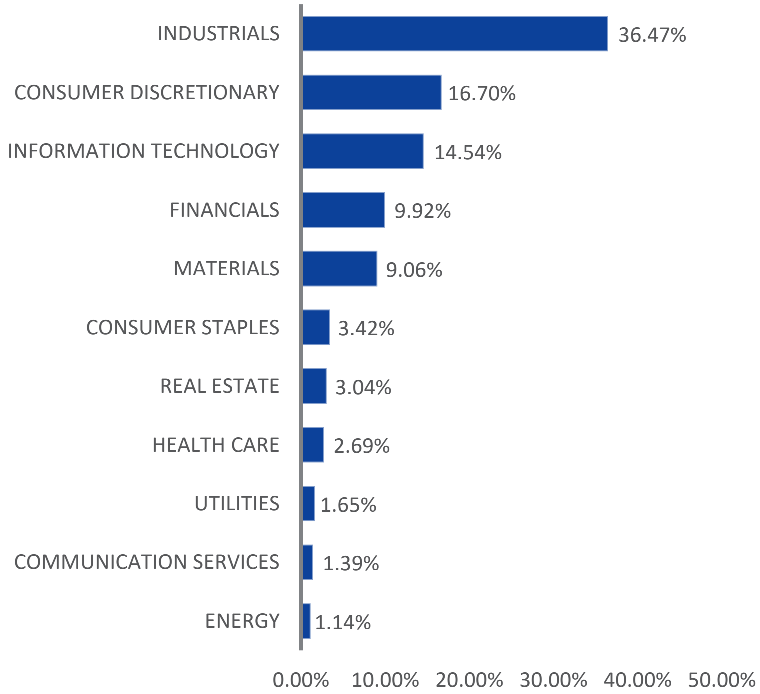
Top Buys

Share Name
KIOXIA HOLDINGS CORP
MEBUKI FINANCIAL GROUP INC
NIPPON YUSEN KK

Top Sells

Share Name
JIMOTY INC
TOKYO KEIKI INC
DAICEL CORP

Sector Allocation



Source: SMDAM, as at 30 June 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
KIOXIA HOLDINGS	3.83%	Information Technology
FUJI ELECTRIC CO LTD	3.19%	Industrials
SUMITOMO ELECTRIC INDUSTRIES	3.07%	Consumer Discretionary
CCI GROUP INC	2.76%	Financials
TOKYO TATEMONO CO LTD	2.67%	Real Estate

1. Kioxia Holdings: As a pioneer in NAND flash innovation, the company plays a critical role in enabling the digital economy through high-performance, reliable storage technologies. We appreciate its strong technological foundation, and strategic positioning in high-growth areas such as AI, cloud computing, and advanced mobility, which support its long-term growth potential.

2. 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.

3. 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.

4. 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.

5. 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.

Top Contributors

Share Name	Portfolio Weight	MSCI Sector
NAGANO KEIKI CO LTD	1.37%	Information Technology
DAIDO METAL CO LTD	0.61%	Consumer Discretionary
SHIGA BANK LTD	0.88%	Financials
C UYEMURA & CO LTD	1.32%	Materials
EBARA CORP	2.66%	Industrials

Top Detractors

Share Name	Portfolio Weight	MSCI Sector
KIOXIA HOLDINGS CORP	3.83%	Information Technology
FUJI ELECTRIC CO LTD	3.19%	Industrials
TOYOTA TSUSHO CORP	2.35%	Industrials
GLTECHNO HOLDINGS INC	1.28%	Information Technology
SUMITOMO ELECTRIC INDUSTRIES	3.07%	Consumer Discretionary

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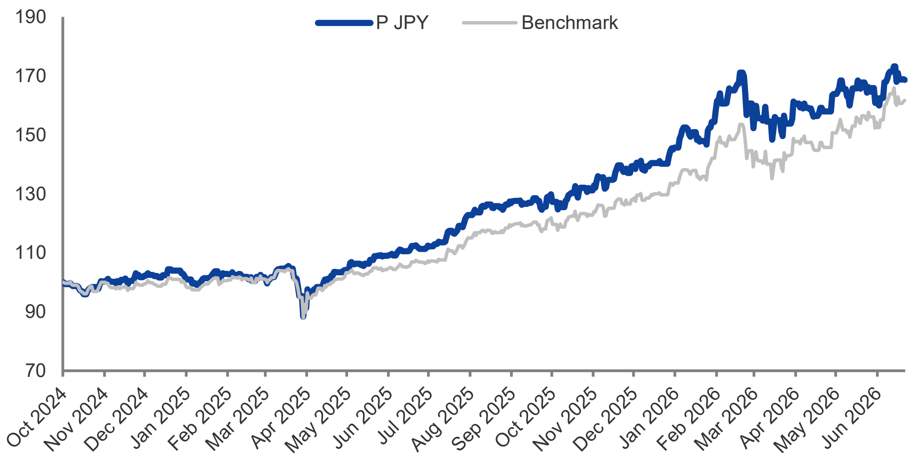
Source: SMDAM, as at 30 June 2026

Performance



Source: SMDAM and Bloomberg, data as at 30 June 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.

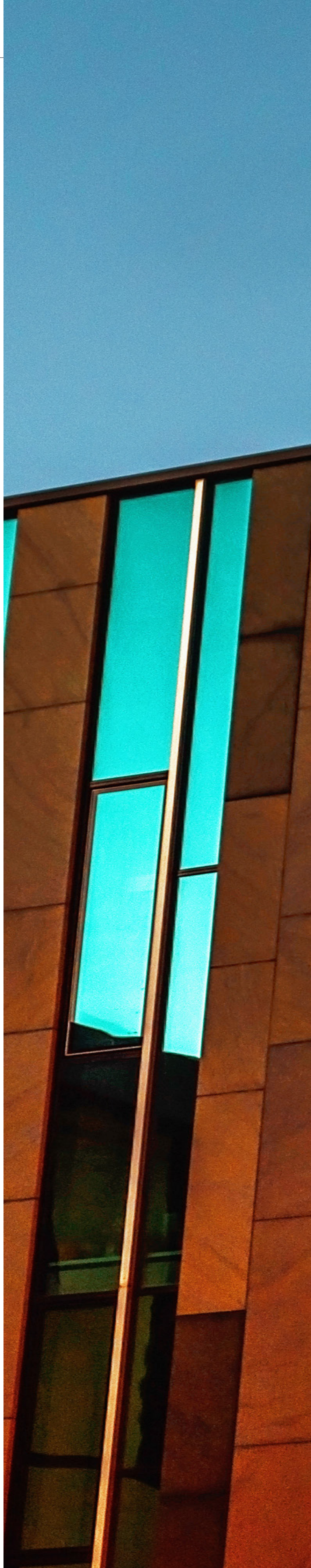
Fund Performance Share Class: (P) JPY		
(Net of fees)	Fund %	Benchmark %
1m	0.58	3.32
3m	12.79	17.55
6m	20.28	24.72
12m	49.86	50.48
Since Inception p.a. (10/10/24)	**35.53**	**32.23**

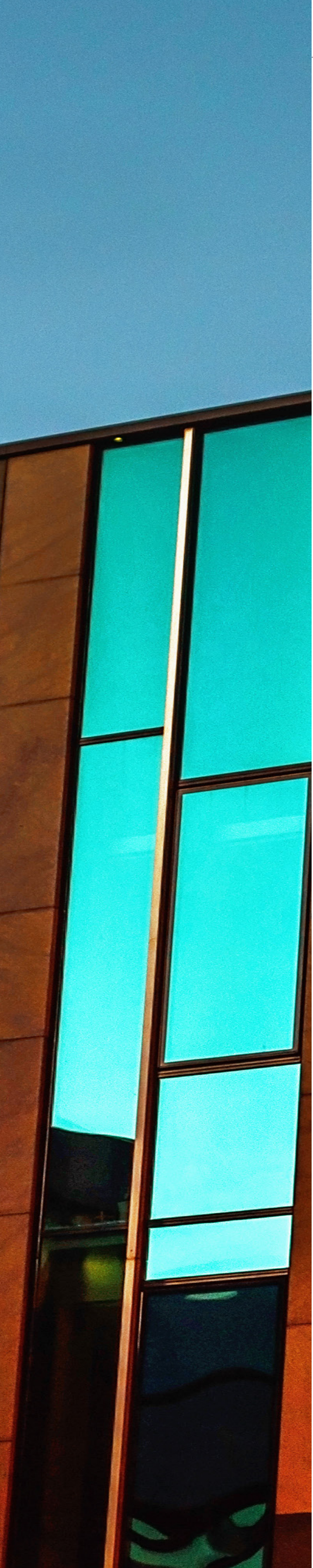
Source: SMDAM, as at 30 June 2026

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 30 June 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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