



SMD-AM Japan Mid Small Cap Value

Monthly Commentary - March 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 March, the Japan Mid Small Cap Value Fund Class P JPY returned -12.57% versus the Russell/Nomura Mid-Small Cap Index (including dividends) JPY of -10.44%.*

Geopolitical risks increased following conflicts in the Middle East, and the market opened lower amid concerns that the sharp rise in energy prices would slow the economy. Later, when the rise in crude oil prices paused following remarks by President Trump, some buying back was also seen. However, the market remained weak toward the end of the month due to the Federal Open Market Committee indicating a cautious stance toward near-term rate cuts, growing wariness over a possible interest rate hike at the Bank of Japan's April monetary policy meeting amid high inflation, and concerns about a prolonged conflict following reports that the U.S. had begun preparations for boots on the ground.

By sector, mining, marine transportation, and insurance outperformed the market, while rubber products, air transportation, and machinery underperformed.

Our fund underperformed both the TOPIX Total Return and the Russell/Nomura Small Cap Index (including dividends), mainly due to a negative allocation effect.

We will pay attention to 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 companies that have increased shareholder returns, as well as names with high free cash flow (FCF) 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: Yonex Co Ltd

Since the appointment of the current CEO, we believe the company has undergone significant changes, including a comprehensive overhaul of its marketing strategy and an acceleration of investment in IT. Following a share price correction driven by concerns about worsening Japan–China relations, we raised our position in Yonex. We believe the market environment will continue to support steady growth going forward. Against this backdrop, we see the company’s globally recognized brand gaining traction worldwide, contributing to market share expansion. We are of the view that by executing its stated global growth strategy, Yonex can continue to evolve its business model while delivering sustainable growth.

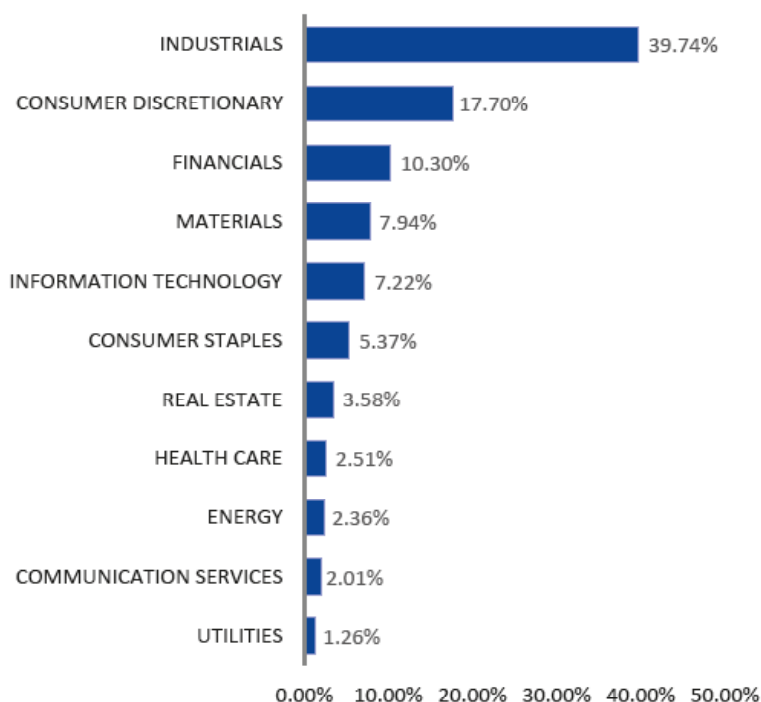
Top Buys

Share Name
MIURA CO LTD
SHIKOKU ELECTRIC POWER CO
SHIGA BANK LTD/THE

Top Sells

Share Name
FURUYA METAL CO LTD
-
-

Sector Allocation



Source: SMDAM, as at 31 March 2026

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Top Holdings

Share Name	Portfolio Weight	MSCI Sector
SUMITOMO ELECTRIC INDUSTRIES	3.68%	Consumer Discretionary
SOJITZ CORP	3.41%	Industrials
TOKYO TATEMONO CO LTD	3.16%	Real Estate
CCI GROUP INC	3.11%	Financials
FUJI ELECTRIC CO LTD	2.98%	Industrials

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. 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.

3. 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.

4. 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.

5. 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.

Top Contributors

Share Name	Portfolio Weight	MSCI Sector
MODEC INC	1.39%	Energy
JIMOTY INC	0.54%	Communication Services
VERTEX CORP/JAPAN	0.46%	Materials
MITSUI-SOKO HOLDINGS CO LTD	0.69%	Industrials
TOEI ANIMATION CO LTD	0.54%	Communication Services

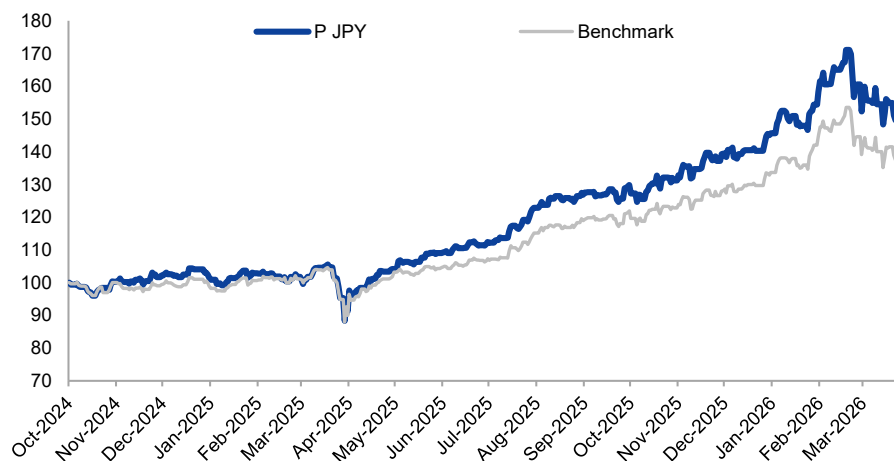
Top Detractors

Share Name	Portfolio Weight	MSCI Sector
FUJI ELECTRIC CO LTD	2.98%	Industrials
TOKYO TATEMONO CO LTD	3.16%	Real Estate
EBARA CORP	2.47%	Industrials
SUMITOMO ELECTRIC INDUSTRIES	3.68%	Consumer Discretionary
SOJITZ CORP	3.41%	Industrials

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Source: SMDAM, as at 31 March 2026

Performance



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

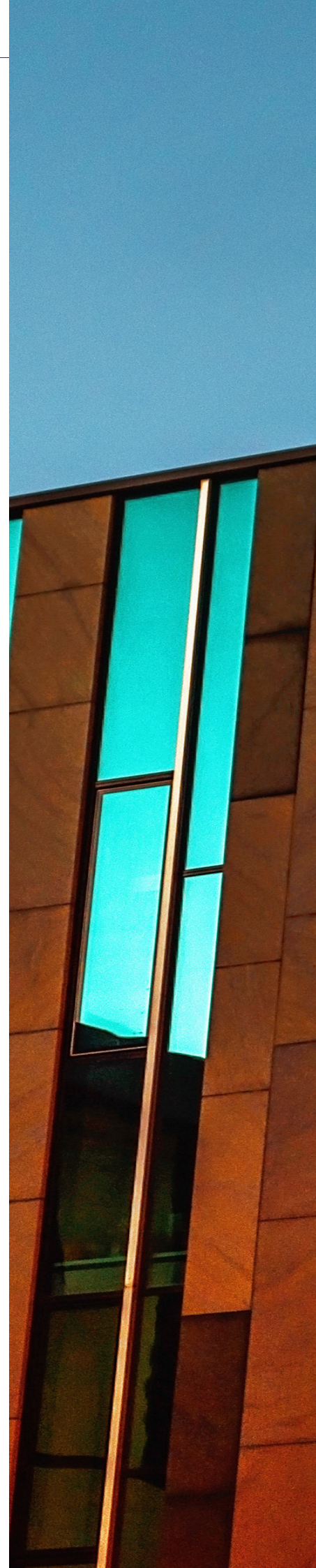
Fund Performance Share Class: (P) JPY		
(Net of fees)	Fund %	Benchmark %
1m	-12.57	-10.44
3m	6.64	6.11
6m	17.25	15.13
12m	47.16	36.64
Since Inception p.a. (10/10/24)	31.49	24.21

Source: SMDAM, as at 31 March 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 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).



Contact Details

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