



# SMD-AM Japan Mid Small Cap Value

Monthly Commentary - May 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 May, the Japan Mid Small Cap Value Fund Class P JPY returned 6.17% versus the Russell/Nomura Mid-Small Cap Index (including dividends) JPY of 7.06%.\*

As concerns over the situation in the Middle East eased, buying was driven by companies that reported favourable earnings outlooks and stronger shareholder returns in their full-year FY2025 results, as well as AI-related stocks boosted by gains in U.S. tech shares, pushing the market higher. Although the market briefly fell on fears over rising long-term interest rates in Japan in combination with concerns about spiking U.S. inflation, it later rebounded and hit new highs as hopes grew for progress in negotiations toward ending the conflict and as lower crude oil prices supported sentiment.

By sector, services, metal products, and electrical equipment outperformed the market, while mining, real estate, and construction 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.

**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: Toppan Holdings Inc

It is a company that has long been committed to transforming its business portfolio, and we expect this ongoing 'self-help' transformation to yield significant results going forward. While there are near-term concerns that rising crude oil prices may weigh on the company's earnings, we have judged this to be a transitory headwind rather than a structural issue.

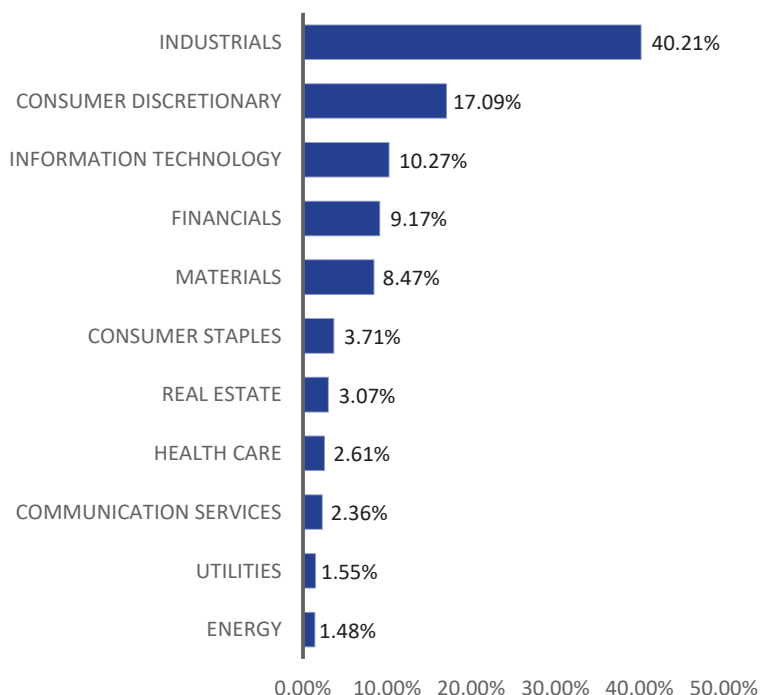
#### Top Buys

Share Name
HAMAMATSU PHOTONICS KK
NIKKISO CO LTD

#### Top Sells

Share Name
-
-

#### Sector Allocation



Source: SMDAM, as at 31 May 2026

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## Top Holdings

Share Name	Portfolio Weight	MSCI Sector
FUJI ELECTRIC CO LTD	4.47%	Industrials
SUMITOMO ELECTRIC INDUSTRIES	3.39%	Consumer Discretionary
CCI GROUP INC	2.88%	Financials
TOYOTA TSUSHO CORP	2.80%	Industrials
TOKYO TATEMONO CO LTD	2.72%	Real Estate

**1. 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.

**2. 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.

**3. 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.

**4. Toyota Tsusho Corp:** It specialises in a wide range of trading and value-chain services as the trading arm of the Toyota Group. We appreciate its strategic investments in renewable energy and next-generation mobility solutions, which position the company well for long-term profit growth alongside its robust global network.

**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
FUJI ELECTRIC CO LTD	4.47%	Industrials
MINEBEA MITSUMI INC	1.50%	Industrials
JIMOTY INC	0.88%	Communication Services
GLTECHNO HOLDINGS INC	1.49%	Information Technology
THK CO LTD	1.60%	Industrials

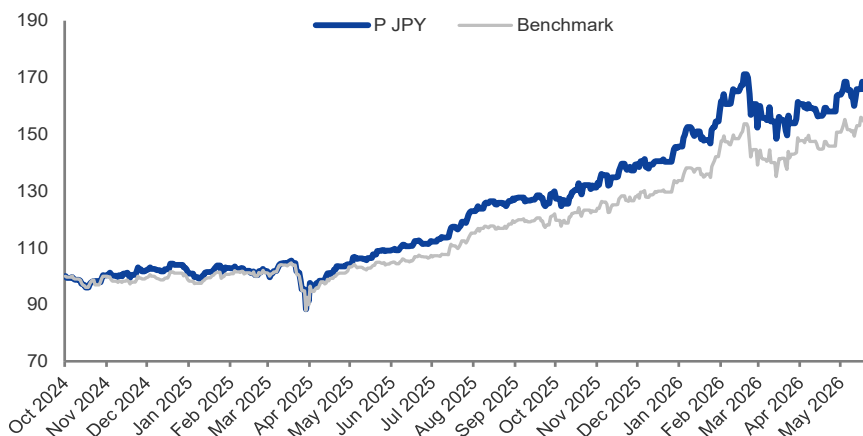
## Top Detractors

Share Name	Portfolio Weight	MSCI Sector
TOKYO TATEMONO CO LTD	2.72%	Real Estate
JAPAN ENGINE CORP	0.64%	Industrials
TOKYO KEIKI INC	0.75%	Industrials
SOJITZ CORP	2.01%	Industrials
MODEC INC	0.51%	Energy

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Source: SMDAM, as at 31 May 2026

Performance



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

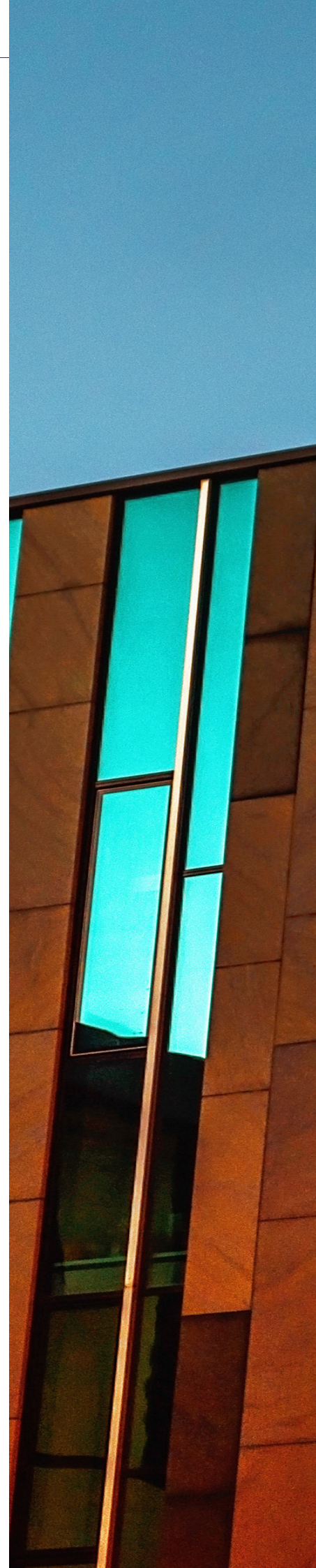
Fund Performance Share Class: (P) JPY		
(Net of fees)	Fund %	Benchmark %
1m	6.17	7.06
3m	-1.96	1.89
6m	20.12	22.00
12m	54.08	49.17
<b>Since Inception p.a. (10/10/24)</b>	<b>37.13</b>	<b>31.44</b>

Source: SMDAM, as at 31 May 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.
<b>Dealing Frequency: Daily</b>	

Source: SMDAM, as at 31 May 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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