



# Japan Equity High Conviction

Monthly Commentary - August 2025

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 August, the SMD-AM Japan Equity High Conviction Fund Class I2 JPY returned 5.57% versus the TOPIX TR JPY of 4.52%.\*

In early August, it increased due to expectations of a U.S. interest rate cut driven by weak U.S. economic indicators and the fading of uncertainty surrounding mutual tariffs between Japan and the U.S. Taken together, these developments raised expectations for an improvement in the performance of domestic companies for the next fiscal year.

In mid-August, the market rose further, this time supported by the expectation of a U.S. interest rate cut and the strong preliminary GDP figures for the April-June 2025 period. In late August, despite the heightened expectations for a rate cut following the speech by the Chairman of the Federal Reserve Board, concerns over high stock prices and the announcement of the dismissal of Federal Reserve Board members by President Trump led to a heavy upward trend as markets expected further monetary easing. By industry sector, non-ferrous metals, mining, and electricity & gas outperformed the market, while shipping, pharmaceuticals, and textiles underperformed. Our fund outperformed the market thanks to the positive contribution from stock selection.

We expect the Japanese stock market to gradually rise looking ahead. While the tariff measures by the U.S. administration will put some pressure on the real economy and corporate earnings, we believe that high tariffs will be avoided in major countries and regions, and the likelihood of a global recession is low. After a temporary stagnation, we anticipate that the global economy will recover, supported by the effects of U.S. tax cuts and European fiscal expansion, as well as the expected interest rate cuts in the U.S. We also believe that the progress of governance reforms aimed at enhancing corporate value in Japanese companies will continue to support valuations.

In the short term, there may be concerns about the market overheating and valuations becoming stretched, but in the medium to long term, we expect the market to gradually rise as market participants continue to incorporate solid corporate fundamentals into their expectations.

**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.

Buy

**FUJI ELECTRIC CO LTD** - A company that specializes in the manufacture and sale of electrical equipment and systems. It operates in several key business segments, including Power Electronics Systems, Power and New Energy, Electronic Devices, and Food and Beverage Distribution. We purchased the stock due to the increase in orders in the energy sector and the expansion of profit margins, the expectation for profit growth has been elevated.

Sell

**MITSUI OSK LINES LTD** - Mitsui OSK Lines Ltd operates a diverse fleet of vessels, including dry bulk carriers, liquefied natural gas (LNG) carriers, tankers, and container ships. We trimmed the stock as the freight rates for container ships have decreased as the trade volume between the U.S. and China peaked.

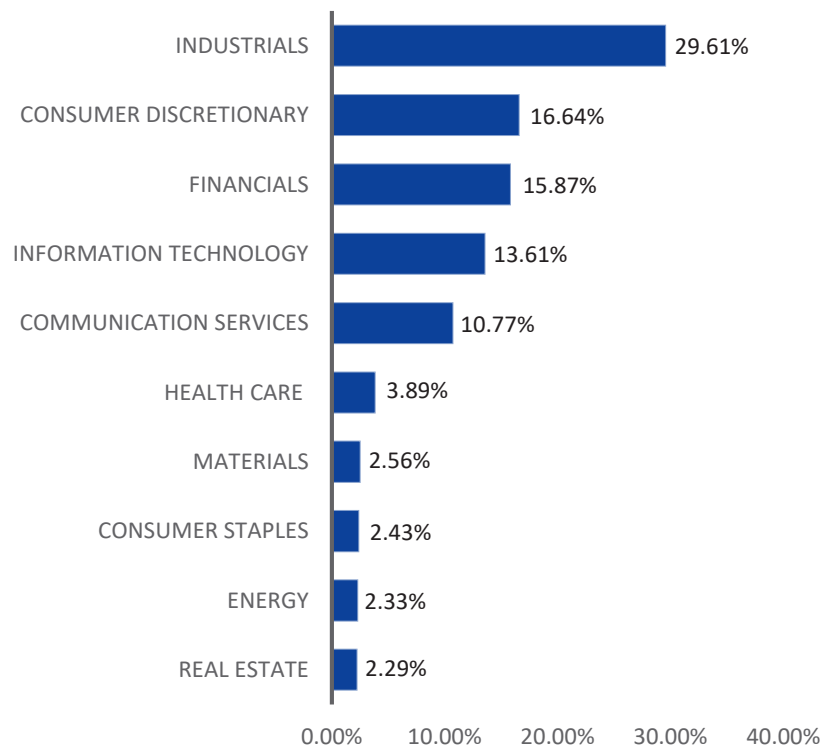
Top Buys

Share Name
FUJI ELECTRIC CO LTD
BANDAI NAMCO HOLDINGS INC
EAST JAPAN RAILWAY CO

Top Sells

Share Name
MITSUI OSK LINES LTD
ASTELLAS PHARMA INC
SHIN-ETSU CHEMICAL CO LTD

Sector Allocation



Source: SMDAM, as at 31 August 2025

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## Top Holdings

Share Name	Portfolio Weight	MSCI Sector
MITSUBISHI UFJ FINANCIAL GROUP	7.84%	Financials
SONY GROUP	5.90%	Consumer Discretionary
SOFTBANK GROUP CORP	5.36%	Communication Services
TOYOTA MOTOR CORP	5.28%	Consumer Discretionary
TOKIO MARINE HOLDINGS INC	5.10%	Financials

**1. Mitsubishi UFJ Financial Group:** One of the leading financial groups in Japan. We evaluate its reasonable valuation and find attractive shareholder return policy.

**2. Sony Group:** It operates in various sectors including electronics, entertainment, gaming, and financial services. We positively evaluate the revenue improvement in the company's gaming business.

**3. SoftBank Group Corp:** It is a Japanese multinational conglomerate holding company known for its investments in technology. The company operates through several key segments, including SoftBank Vision Fund, which invests in emerging technologies and startups globally, and its telecommunications business, which provides mobile, broadband, and fixed-line services primarily in Japan.

**4. Toyota Motor Corp:** One of the largest automobile manufacturers in the world, producing a wide range of vehicles. Due to the US automobile tariffs in Japan being lower than expected, we have revised our performance outlook upward.

**5. Tokio Marine Holdings Inc:** The company is a major insurance holding company in Japan. We evaluate its reasonable valuation and find attractive shareholder return policy.

## Top Contributors

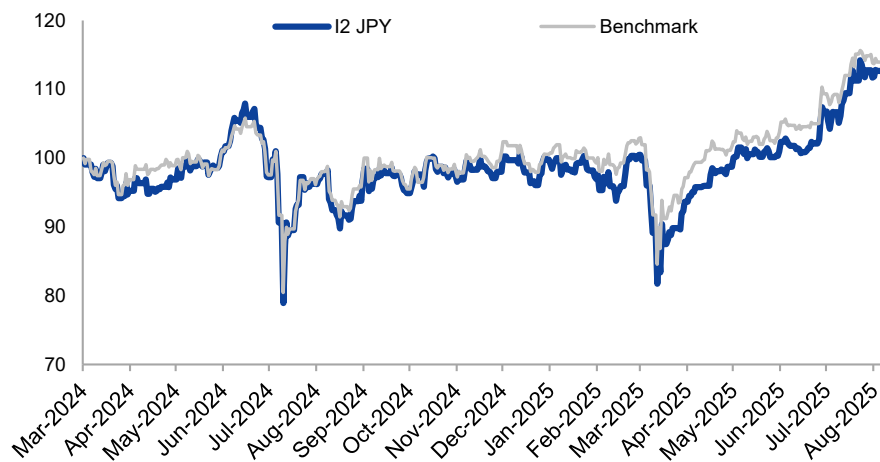
Share Name	Portfolio Weight	MSCI Sector
SOFTBANK GROUP CORP	5.36%	Communication Services
KAJIMA CORP	4.91%	Industrials
FUJI ELECTRIC CO LTD	2.75%	Industrials
INPEX CORP	2.33%	Energy
FUJITSU LTD	4.91%	Information Technology

## Top Detractors

Share Name	Portfolio Weight	MSCI Sector
DISCO CORP	2.95%	Information Technology
HITACHI LTD	3.62%	Industrials
TORAY INDUSTRIES INC	2.56%	Materials
KUSURI NO AOKI HOLDINGS CO LTD	2.43%	Consumer Staples
TOHO CO LTD	3.09%	Communication Services

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Performance



Source: SMDAM and Bloomberg, data as at 31 August 2025. Rebased to 100 at inception of the share class (27 March 2024). The chart above shows daily performance, in the currency stated for the UCITS Fund (JPY) against the benchmark TOPIX Total Return Index which is shown in JPY. Performance is illustrated net of fees. Source for all Sub-Fund data is SMDAM and SMDAM (UK). Basis for (I2) JPY share class performance data: NAV based, total return (net of fees), in JPY.

Fund Performance Share Class: (I2) JPY		
(Net of fees)	Fund %	TOPIX Total Return Index %
1m	5.57	4.52
3m	10.99	9.94
6m	18.18	16.20
12m	15.32	16.23
Since Inception p.a. (27/03/24)	8.70	9.56

Investment Information	
Investment Management Fee	Total Expense Ratio
Institutional (I) 0.80% p.a.	Institutional (I) 1.10% 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.
Trading Frequency: Weekly	
Dealing Cut Off Time: 16:00 CET	

Source: SMDAM, as at 31 August 2025

**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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