



Japan Equity High Conviction

Monthly Commentary - July 2025

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 July, the SMD-AM Japan Equity High Conviction Fund Class I2 JPY returned 3.77% versus the TOPIX TR JPY of 3.17%.*

In early July, uncertainty over the outlook for Japan-U.S. tariff negotiations put downward pressure on prices, leading to a sense of pessimism in the market. In mid-July, while there were positive responses to the resumption of AI semiconductor exports to China, the market remained volatile due to uncertainty surrounding the domestic political situation ahead of the Upper House election. In late July, although the ruling party fell short of a majority in the Upper House election, the results were generally within the expected range, and the election passed without major disruptions. Subsequently, the market rose as the Japan-U.S. tariff negotiations were concluded earlier than expected and at a lower tax rate, which was well-received. By sector, non-ferrous metals, petroleum and coal products, and banking outperformed the market, while other products, retail, and information and communications underperformed. Our fund outperformed the market due to the positive contribution from stock selection. We anticipate that the domestic stock market will trade in a high range with some upward pressure on prices now that at least some uncertainty has evaporated. Although the tariff measures by the U.S. administration vary among negotiating countries and regions, they are generally moving towards easing, which leads us to expect that the possibility of a global recession is low.

However, the remaining tariffs to a certain extent are expected to be a factor leading to generally slowing economic growth, and corporate earnings are expected to be restrained as a result. Therefore, the focus moving forward will likely be on whether corporate earnings can remain robust despite the impact of tariff measures and on the degree of economic recovery seen in the second half of the year. Additionally, the unstable domestic political situation is expected to continue to be a factor that limits the upside of the stock market.

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

TAKEDA PHARMACEUTICAL CO LTD - It is one of Japan’s leading pharmaceutical companies. Due to the decline in its stock price, the dividend yield has reached an attractive level. We anticipate growth in sales of its narcolepsy treatment drugs.

Sell

DAIICHI SANKYO CO LTD - It is one of Japan’s leading pharmaceutical companies. Due to a lack of new drug pipelines, other than its anticancer drug Enhertu, we lowered the company’s medium-to long-term performance outlook.

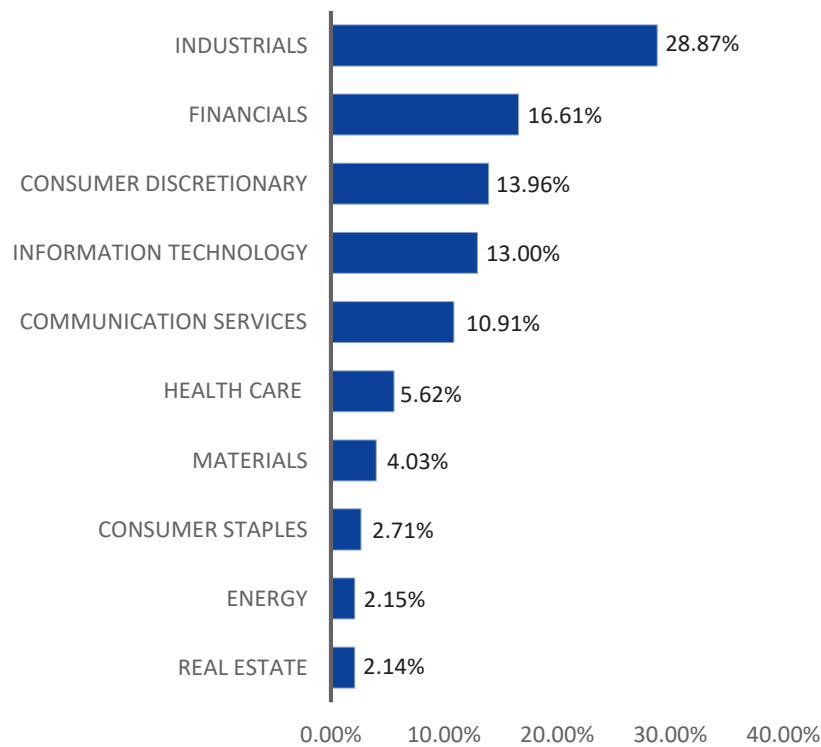
Top Buys

Share Name
TAKEDA PHARMACEUTICAL CO LTD
TDK CORP
HOYA CORP

Top Sells

Share Name
DAIICHI SANKYO CO LTD
PANASONIC HOLDINGS CORP
NIDEC CORP

Sector Allocation



Source: SMDAM, as at 31 July 2025

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Top Holdings

Share Name	Portfolio Weight	MSCI Sector
MITSUBISHI UFJ FINANCIAL GROUP	7.93%	Financials
TOKIO MARINE HOLDINGS INC	5.79%	Financials
HITACHI LTD	5.69%	Industrials
TOYOTA MOTOR CORP	5.37%	Consumer Discretionary
SONY GROUP CORP	5.08%	Consumer Discretionary

1. Mitsubishi UFJ Financial Group - The company is one of the leading financial groups in Japan.

2. Tokio Marine Holdings Inc - The company is a major insurance holding company in Japan.

3. Hitachi Ltd - A Japanese multinational company that operates in various sectors including information technology, infrastructure systems and more.

4. Toyota Motor Corp - The company is one of the largest automobile manufacturers in the world, producing a wide range of vehicles including passenger cars, trucks, and buses.

5. Sony Group Corp - The company operates in various sectors including electronics. We evaluate the revenue improvement in the company's gaming business.

Top Performers

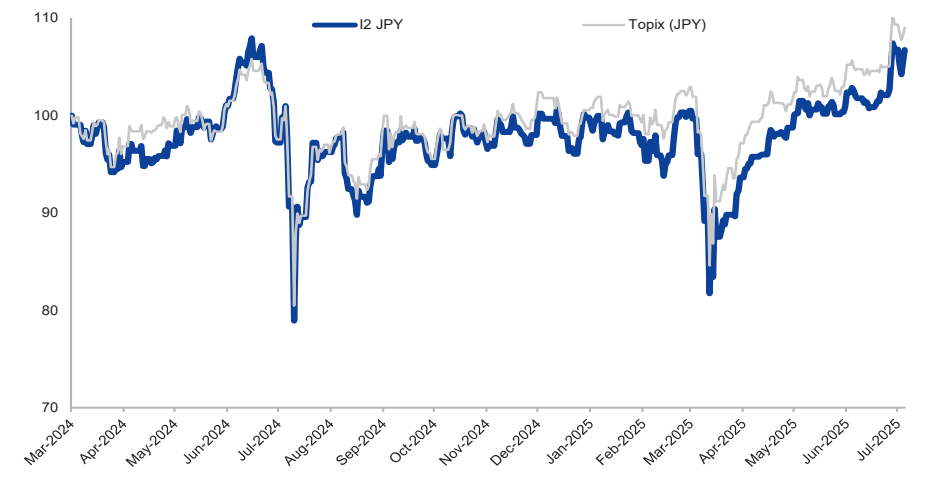
Share Name	Portfolio Weight	MSCI Sector
FURUKAWA ELECTRIC CO LTD	3.48%	Industrials
SOFTBANK GROUP CORP	5.05%	Communication Services
TOHO CO LTD	3.41%	Communication Services
HOYA CORP	1.48%	Health Care
HITACHI LTD	5.69%	Industrials

Worst Performers

Share Name	Portfolio Weight	MSCI Sector
SHIN-ETSU CHEMICAL CO LTD	1.14%	Materials
FUJITSU LTD	4.91%	Information Technology
TAKEDA PHARMACEUTICAL CO LTD	2.59%	Health Care
ABC-MART INC	2.16%	Consumer Discretionary
SUZUKI MOTOR CORP	1.35%	Consumer Discretionary

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Performance



Source: SMDAM and Bloomberg, data as at 31 July 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 (with div) which is shown in JPY. Performance is illustrated net of fees.

Fund Performance Share Class: (I2) JPY		
(Net of fees)	Fund %	TOPIX (with div) %
1m	3.77	3.17
3m	12.27	10.56
6m	6.76	6.97
12m	5.68	7.98
Since Inception p.a. (27/03/24)	4.96	6.63

Investment Information	
Investment Management Fee	Total Expense Ratio
Institutional (S) 0.45% p.a.	Institutional (S) 0.85% p.a.
Institutional (I, I2) 0.70% p.a.	Institutional (I, I2) 1.00% p.a.
Wholesale (A) 1.20% p.a.	Wholesale (A) 1.50% p.a.
Trading Frequency: Weekly	
Dealing Cut Off Time: 16:00 CET	

Source: SMDAM, as at 31 July 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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