



Japan Equity High Conviction

Monthly Commentary - June 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 June, the SMD-AM Japan Equity High Conviction Fund Class I2 JPY returned 1.31% versus the TOPIX TR JPY of 1.96%.*

The Japanese stock market rose in June. In the early part of the month, concerns over U.S.-China trade tensions increased. However, after a phone call between the U.S. and Chinese leaders, expectations that progress would be made in the trade negotiation rose, leading to a market recovery.

In the middle of the month, tensions in the Middle East heightened due to Israel's attack on Iran's nuclear facilities, causing some market unease. Despite this, the U.S. dollar strengthened against the yen, and the market remained volatile during the tensions. In the latter part of the month, the market hit a year-to-date high, driven by the Israel-Iran ceasefire agreement, expectations of an early U.S. interest rate cut, and rising U.S. tech stocks.

By sector, miscellaneous products, securities and commodity futures trading, and machinery outperformed the market. In contrast, transportation equipment, marine transportation, and steel underperformed. Our fund underperformed the market due to negative contribution from stock selection. We expect the Japanese stock market to remain range-bound from July to September as investors continue to assess the global economic impact of Trump's tariffs and the resilience of corporate earnings. Trade frictions between the U.S. and other countries have been averted thus far as initial U.S. tariffs show signs of having peaked and potentially being lowered. Key economic data from major economies indicate no significant negative impacts from Trump's tariffs yet, although a great deal of uncertainty around what level of tariff will finally be reached remains.

However, there is a risk that tariff hikes if they become entrenched may gradually affect corporate and individual behavior, leading to a sudden deterioration in economic data. Some companies plan to absorb the increased costs through price hikes, raising inflation concerns. Although Japanese stocks have steadily recovered until the end of June, caution is needed for potential market volatility in response to upcoming economic data releases. In stock selection, we continue to focus on a bottom-up approach, preferring stocks that are expected to have strong resilience to a global economic slowdown and which continue to show improvements in performance and capital efficiency.

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.

* For further information on performance please refer to page 4.

Buy

DISCO CORP - It specialises in precision tools and equipment for the semiconductor manufacturing industry. The company's main products include wafer dicing saws, laser saws, grinding equipment, and polishing machines. We purchased it as investment in data centers by major IT companies has been stronger than expected, and we anticipate a rebound in the stock prices of SPE (semiconductor production equipment) stocks, which had previously declined.

Sell

RENESAS ELECTRONICS CORP - It's a leading semiconductor manufacturer specialising in microcontrollers, analog, power, and system-on-chip (SoC) products. We sold it as concerns about declining profit margins have increased due to the expanding burden of capital investment and competition with Chinese manufacturers.

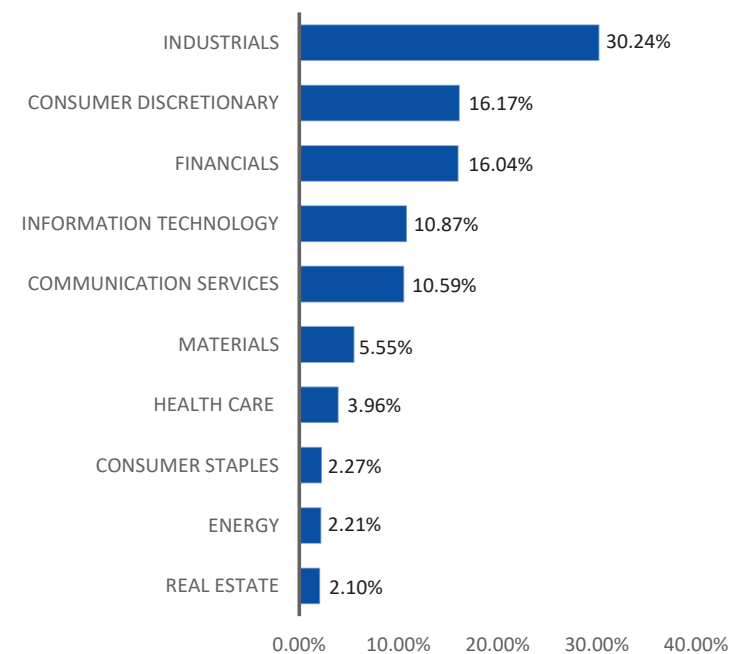
Top Buys

Share Name
DISCO CORP
KOMATSU LTD
SONY GROUP CORP

Top Sells

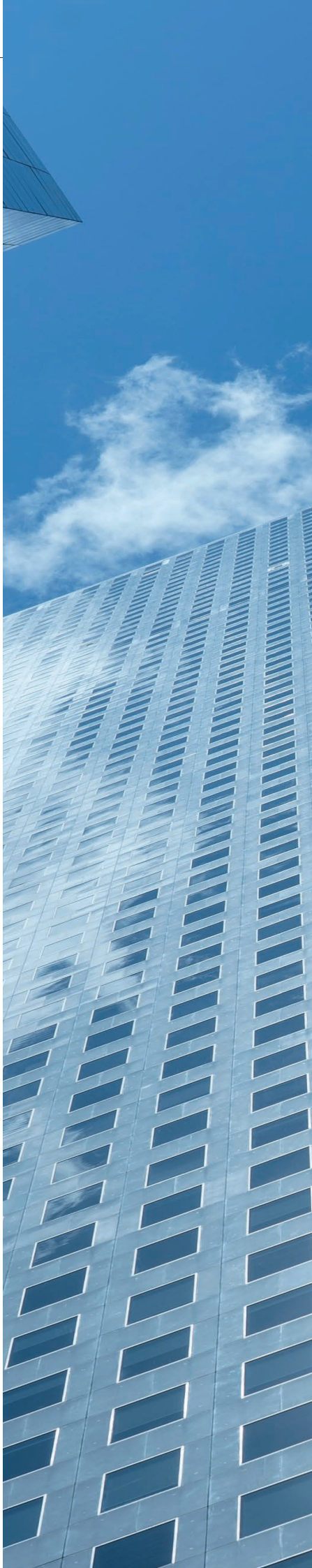
Share Name
RENESAS ELECTRONICS CORP
NIDEC CORP
PANASONIC HOLDINGS CORP

Sector Allocation



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Source: SMDAM, as at 30 June 2025



Top Holdings

Share Name	Portfolio Weight	MSCI Sector
MITSUBISHI UFJ FINANCIAL GROUP	7.09%	Financials
TOKIO MARINE HOLDINGS INC	6.30%	Financials
MITSUBISHI HEAVY INDUSTRIES	5.98%	Industrials
SONY GROUP CORP	5.61%	Consumer Discretionary
FUJITSU LIMITED	5.18%	Information Technology

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. Mitsubishi Heavy Industries - Mitsubishi Heavy Industries is a diversified Japanese multinational conglomerate known for its broad range of industrial and engineering activities.

4. Sony Group - The company operates in various sectors including electronics, entertainment, gaming, and financial services.

5. Toyota Motor Corp - Global information and communication technology (ICT). It offers a wide range of products and services. The company's profit margin in domestic operations has expanded more than expected.

Top Performers

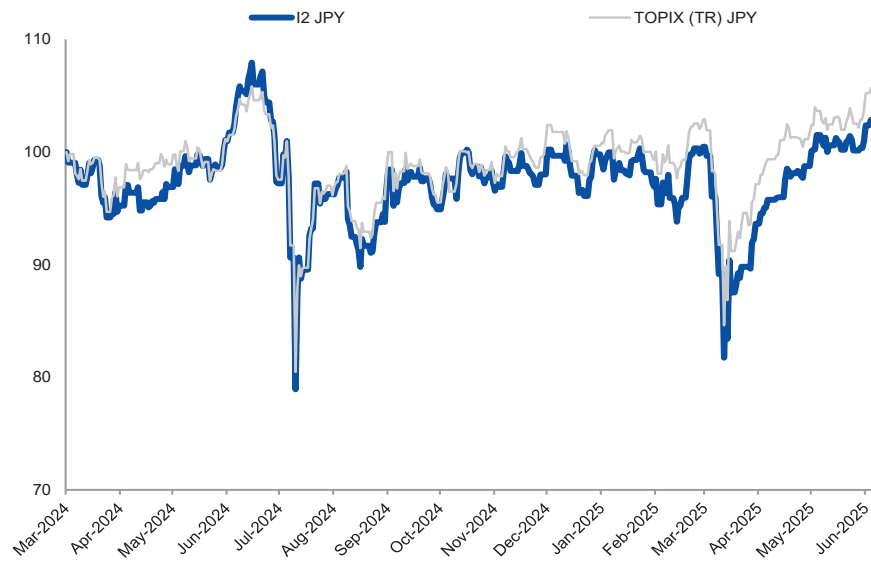
Share Name	Portfolio Weight	MSCI Sector
SOFTBANK GROUP CORP	4.90%	Communication Services
DISCO CORP	2.93%	Information Technology
TOHO CO LTD	2.99%	Communication Services
MITSUBISHI HEAVY INDUSTRIES	5.98%	Industrials
KOMATSU LTD	3.15%	Industrials

Worst Performers

Share Name	Portfolio Weight	MSCI Sector
DAIICHI SANKYO CO LTD	2.13%	Health Care
TOYOTA MOTOR CORP	4.53%	Consumer Discretionary
PANASONIC HOLDINGS CORP	2.09%	Consumer Discretionary
MITSUI OSK LINES LTD	2.25%	Industrials
SUZUKI MOTOR CORP	2.10%	Consumer Discretionary

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Performance



Source: SMDAM and Bloomberg, data as at 30 June 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 reference 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	1.31	1.96
3m	7.10	7.52
6m	3.19	3.83
12m	1.11	4.10
Since Inception p.a. (27/03/24)	2.25	4.47

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 30 June 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).





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