



Japan Equity High Conviction

Monthly Commentary - November

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 November, the SMD-AM Japan Equity High Conviction Fund Class I2 JPY returned -1.21% versus the TOPIX TR JPY of 1.42%.*

In early November, concerns about high valuations, especially among AI-related stocks, increased due to the decline in U.S. high-tech stocks. However, expectations for the reopening of U.S. government agencies led to a mixed market as investors waited to see how this situation developed.

In the middle of the month, there were periods of gains driven by interest in companies with strong earnings. These gains were offset by concerns over worsening Japan-China relations and diminished expectations for additional U.S. interest rate cuts.

In late November, investor sentiment improved and the market rose again, supported by renewed expectations for rate cuts following comments from senior officials of the Federal Reserve Board (FRB). By sector, mining, real estate, and construction outperformed the market, while information and communications, shipping, and machinery underperformed.

Our fund underperformed the market due to negative stock selection effect.

We expect the Japanese stock market to remain range-bound at elevated levels. After a temporary slowdown in the global economy caused by higher U.S. tariffs, we anticipate a recovery supported by U.S. interest rate cuts and fiscal stimulus measures in major countries. Domestically, the positive effects of proactive economic policies are expected to boost the economy, and corporate earnings are likely to continue improving. Progress in corporate governance reforms among Japanese companies is also expected to be a medium-term driver for higher stock prices.

However, in situations where valuations appear overheated, lingering uncertainties regarding the pace of U.S. interest rate cuts and concerns about domestic long-term interest rates may limit further upside in stock prices.

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

MITSUBISHI UFJ FINANCIAL GROUP

We positively evaluate its reasonable valuation and attractive shareholder return policy.

Sell

TOHO CORP

We consider that its valuation has become stretched as the stock price rose on the back of blockbuster movies such as ‘Demon Slayer’ and ‘Kokuho (National Treasure)’.

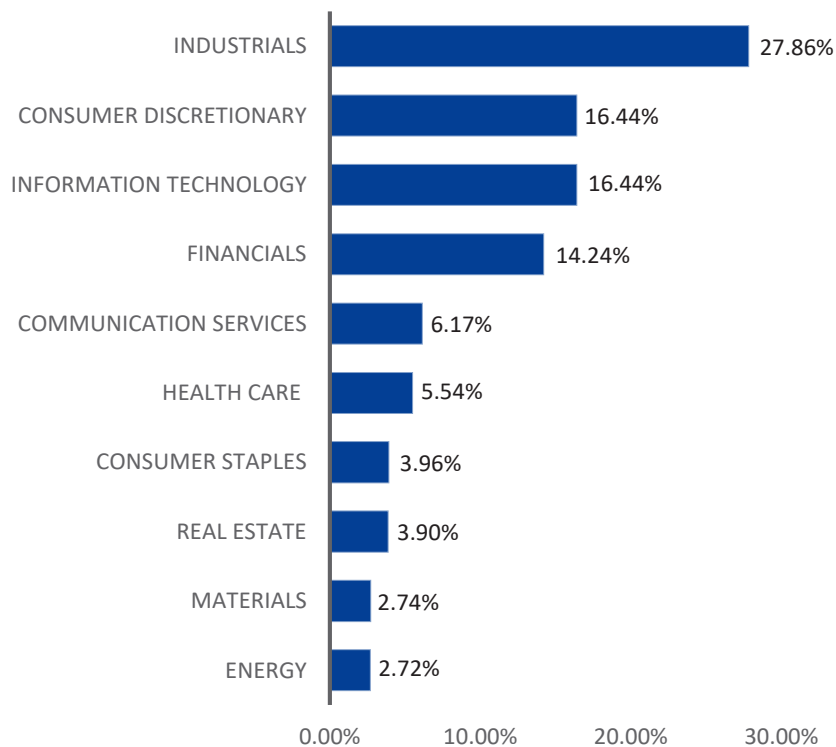
Top Buys

Share Name
MITSUBISHI UFJ FINANCIAL GROUP
MURATA MANUFACTURING CO LTD
SONY GROUP CORP

Top Sells

Share Name
SCSK CORP
SOFTBANK GROUP CORP
KOMATSU LTD

Sector Allocation



Source: SMDAM, as at 30 November 2025

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Top Holdings

Share Name	Portfolio Weight	MSCI Sector
MITSUBISHI UFJ FINANCIAL GROUP	8.01%	Financials
SONY GROUP CORP	6.79%	Consumer Discretionary
KAJIMA CORP	5.94%	Industrials
FUJITSU LTD	4.97%	Information Technology
TOYOTA MOTOR CORP	4.84%	Consumer Discretionary

1. Mitsubishi UFJ Financial Group: It is one of the leading financial groups in Japan. We evaluate its reasonable valuation and 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. Kajima Corp: It is one of Japan's leading general construction companies, engaged in civil engineering, building construction, and real estate development. It is highly regarded for its world-class construction technology, reliability cultivated through diverse projects, and comprehensive capability to handle everything from design to construction and maintenance in-house.

4. Fujitsu Ltd: It offers a wide range of products and services, including computing solutions, networking equipment, software, and IT services. The company's profit margin in domestic operations has expanded more than expected, due to the expansion of domestic digital investments and the increase in contract prices.

5. Toyota Motor Corp: It is one of the largest automobile manufacturers in the world, producing a wide range of vehicles including passenger cars, trucks, and buses. Due to the US automobile tariffs in Japan being lower than expected, we have revised our performance outlook upward.

Top Contributors

Share Name	Portfolio Weight	MSCI Sector
KAJIMA CORP	5.94%	Industrials
MITSUI FUDOSAN CO LTD	3.90%	Real Estate
INPEX CORP	2.72%	Energy
SHIZUOKA FINANCIAL GROUP INC	3.26%	Financials
SONY GROUP CORP	6.79%	Consumer Discretionary

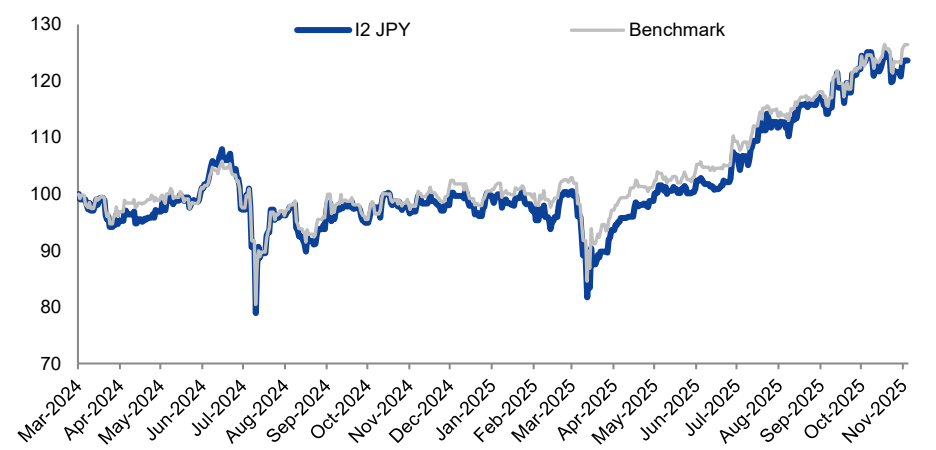
Top Detractors

Share Name	Portfolio Weight	MSCI Sector
DISCO CORP	3.25%	Information Technology
MITSUBISHI HEAVY INDUSTRIES LTD	4.26%	Industrials
FURUKAWA ELECTRIC CO LTD	2.89%	Industrials
SOFTBANK GROUP CORP	2.32%	Communication Services
TDK CORP	4.06%	Information Technology

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Source: SMDAM, as at 30 November 2025

Performance



Source: SMDAM and Bloomberg, data as at 30 November 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.

Fund Performance Share Class: (I2) JPY		
(Net of fees)	Fund %	Benchmark %
1m	-1.21	1.42
3m	9.69	10.92
6m	21.75	21.95
12m	27.56	29.17
Since Inception p.a. (27/03/24)	13.44	14.96

Investment Information	
Investment Management Fee	Total Expense Ratio
Institutional (I) 0.70% p.a.	Institutional (I) 1.00% p.a.
Institutional (I2) 0.70% p.a.	Institutional (I2) 1.00% p.a.
Wholesale (A) 1.20% p.a.	Wholesale (A) 1.50% p.a.
Dealing Frequency: Daily	

Source: SMDAM, as at 30 November 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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