



Japan Equity High Conviction

Monthly Commentary - October 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 October, the SMD-AM Japan Equity High Conviction Fund Class I2 JPY returned 7.97% versus the TOPIX TR JPY of 6.20%.*

In the early part of the month, the market increased on heightened expectations for expansionary fiscal policies following the election of Ms. Takaichi as the president of the Liberal Democratic Party.

In the middle of the month, although there were moments of concern due to the withdrawal of the Komeito Party from the coalition and the rekindling of U.S.-China trade friction worries, the market rallied on news that a coalition between the Liberal Democratic Party and the Japan Innovation Party had been established.

In the latter part of the month, the market gained momentum as it navigated the monetary policy meetings in both Japan and the U.S., as well as summit meetings between Japan and the U.S., and between the U.S. and China, without any major disruptions. Additionally, strong earnings reports from overseas tech companies bolstered AI-related stocks. By industry, non-ferrous metals, electrical equipment, and information & communication outperformed the market, while insurance, services, and pulp & paper underperformed.

Our fund outperformed the market. This performance can be attributed to stock selection. We anticipate that the Japanese stock market will continue to elevate its levels. Although there are impacts from the U.S. administration's tariff hikes, the global economy remains resilient. We expect the global economy to recover after a temporary slowdown, supported by U.S. interest rate cuts and fiscal stimulus from major countries. Domestically, aggressive fiscal policies are anticipated under the new Prime Minister Takaichi, and corporate earnings are expected to improve against the backdrop of a robust domestic and global economy.

Additionally, the progress in governance reforms (corporate governance) undertaken by domestic companies is expected to be a medium-term factor contributing to higher stock prices. However, with the rise in stock prices, valuations are reaching levels where overheating concerns may come into play, potentially acting as a factor that could cap further increases 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)’.

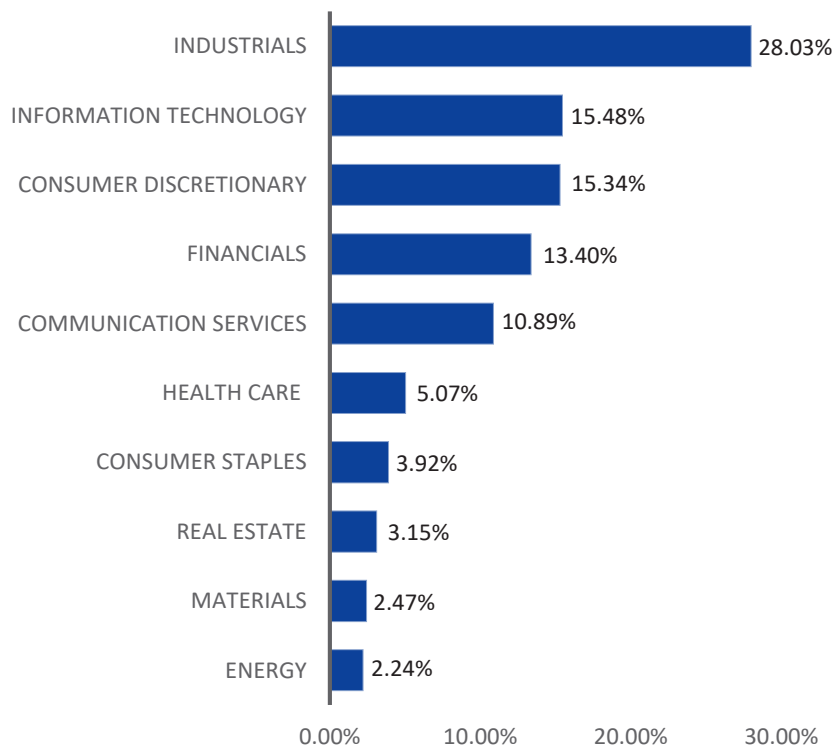
Top Buys

Share Name
MITSUBISHI UFJ FINANCIAL GROUP
SONY GROUP CORP
SOFTBANK GROUP CORP

Top Sells

Share Name
TOYOTA MOTOR CORP
SOFTBANK GROUP CORP
TOHO CO LTD

Sector Allocation



Source: SMDAM, as at 31 October 2025

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Top Holdings

Share Name	Portfolio Weight	MSCI Sector
MITSUBISHI UFJ FINANCIAL GROUP	7.34%	Financials
SOFTBANK GROUP CORP	7.13%	Communication Services
SONY GROUP CORP	6.22%	Consumer Discretionary
MITSUBISHI HEAVY INDUSTRIES	5.10%	Industrials
KAJIMA CORP	4.92%	Industrials

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. Softbank Group Corp: It is a Japanese multinational conglomerate holding company known for its investments in technology. It operates through several key segments which invests in emerging technologies and startups globally, and its telecommunications business, which provides services primarily in Japan.

3. 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.

4. Mitsubishi Heavy Industries: It is a diversified Japanese multinational conglomerate known for its broad range of industrial and engineering activities. We expect a growth in orders in its defense business and its energy business.

5. 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.

Top Contributors

Share Name	Portfolio Weight	MSCI Sector
SOFTBANK GROUP CORP	7.13%	Communication Services
TDK CORP	4.31%	Information Technology
KAJIMA CORP	4.92%	Industrials
MITSUBISHI HEAVY INDUSTRIES	5.10%	Industrials
FUJITSU LIMITED	4.91%	Information Technology

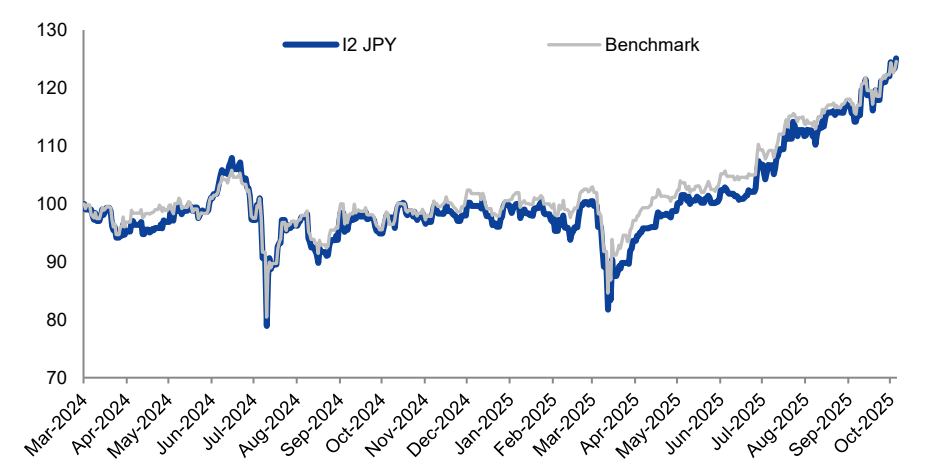
Top Detractors

Share Name	Portfolio Weight	MSCI Sector
TOKIO MARINE HOLDINGS INC	3.17%	Financials
ABC-MART INC	1.42%	Consumer Discretionary
MITSUBISHI UFJ FINANCIAL GROUP	7.34%	Financials
TOHO CO LTD	1.68%	Communication Services
SECOM CO LTD	2.07%	Industrials

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Source: SMDAM, as at 31 October 2025

Performance



Source: SMDAM and Bloomberg, data as at 31 October 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	7.97	6.20
3m	17.22	14.30
6m	31.60	26.37
12m	28.13	26.70
Since Inception p.a. (27/03/24)	15.05	14.77

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 31 October 2025

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