



# Japan Equity High Conviction

Monthly Commentary - April 2026

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

In April, the SMD-AM Japan Equity High Conviction Fund Class I2 JPY returned 7.58% versus the TOPIX Total Return JPY return of 6.57%.\*

In the early part of the month, buying activity was strong on expectations for the U.S.-Iran war to end soon and thanks to gains in U.S. technology stocks. High-priced names, particularly AI-/ semiconductor-related names and Fast Retailing, being actively purchased, causing the Nikkei 225 outperform TOPIX. In the middle of the month, against the backdrop of robust performances by U.S. tech stocks, AI- and semiconductor-related names drove the Tokyo market higher toward renewed record closing levels. Later, the market was pushed back at one stage by profit taking and selling to adjust positions. In the last part of the month, in sympathy with a rise in the U.S. market and reflecting expectations for progress in the peace negotiations between the U.S. and Iran, high-priced stocks advanced on the Tokyo market, led by stock index futures.

By style, both large-cap and small-cap growth names outperformed.

Our fund slightly outperformed the benchmark by 101 bps.

Assuming Middle East tensions do not worsen significantly, we expect the market to remain firm in May, supported by resilient economic conditions and improving corporate earnings, though the recent sharp rebound suggests limited near-term upside. In Japan, oil reserve releases and fiscal support should help contain the economic impact of higher energy prices. If geopolitical risks do not escalate further, global fiscal support is likely to sustain growth, while expectations for clearer growth policies under the Takaichi administration may also support sentiment.

Technology remains a key driver. Continued AI adoption and strong investment plans from major U.S. tech companies could lift Japanese AI-related stocks. However, much of this optimism appears already priced in after the market's rapid recovery since April, raising the possibility of consolidation at high levels.

**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**

**CAPCOM CO LTD**

The company owns world-class franchises such as Resident Evil and Monster Hunter. We expect sustained double-digit earnings growth driven by repeat sales of catalogue titles and increased sales of new releases.

**Sell**

**FURUKAWA ELECTRIC CO LTD**

The share price rose significantly, driven by growing demand for optical devices used in data centres.

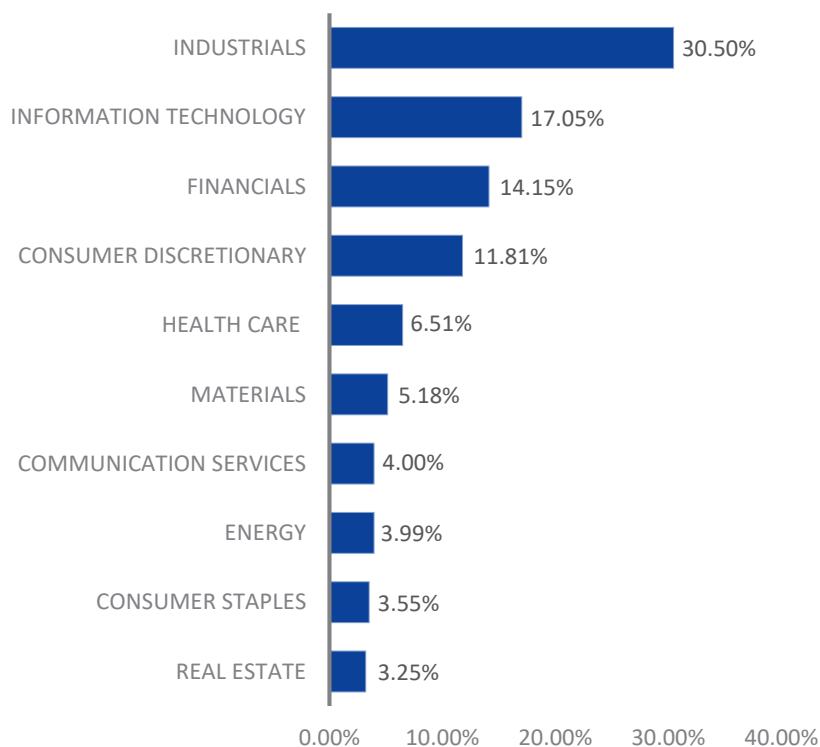
**Top Buys**

Share Name
CAPCOM CO LTD
KEYENCE CORP
HITACHI LTD

**Top Sells**

Share Name
FURUKAWA ELECTRIC CO LTD
TOHO CO LTD
INPEX CORP

**Sector Allocation**



Source: SMDAM, as at 30 April 2026

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## Top Holdings

Share Name	Portfolio Weight	MSCI Sector
MITSUBISHI UFJ FINANCIAL GROUP	6.34%	Financials
SUMITOMO CORP	4.49%	Industrials
FUJI ELECTRIC CO LTD	4.47%	Industrials
TOYOTA MOTOR CORP	4.43%	Consumer Discretionary
FURUKAWA ELECTRIC CO LTD	4.34%	Industrials

**1. Mitsubishi UFJ Financial Group:** One of Japan's leading financial groups. We favour its reasonable valuation and attractive shareholder return policy.

**2. Sumitomo Corp:** It is one of the largest wholesale trading companies in Japan, with a diversified business portfolio including energy, raw materials, media, and IT. We appreciate its proactive restructuring of the business portfolio, which is expected to drive improvements in ROE and ROIC, as well as an expansion in valuation multiples.

**4. Fuji Electric Co Ltd** It specialises in the manufacture and sale of electrical equipment and systems. The company operates in several key sectors, including power electronics systems, industrial equipment, energy, and environmental solutions. Strong order growth in the energy sector and the expansion of profit margins have raised expectations for further earnings growth.

**4. 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.

**5. Furukawa Electric Co Ltd:** A materials and components manufacturer producing world-class optical fibre and high-performance copper materials, backed by decades of R&D and high product reliability underpinning its competitive edge.

## Top Contributors

Share Name	Portfolio Weight	MSCI Sector
FURUKAWA ELECTRIC CO LTD	4.34%	Industrials
MURATA MANUFACTURING CO LTD	4.32%	Information Technology
YASKAWA ELECTRIC CORP	3.37%	Industrials
FUJI ELECTRIC CO LTD	4.47%	Industrials
DISCO CORP	3.65%	Information Technology

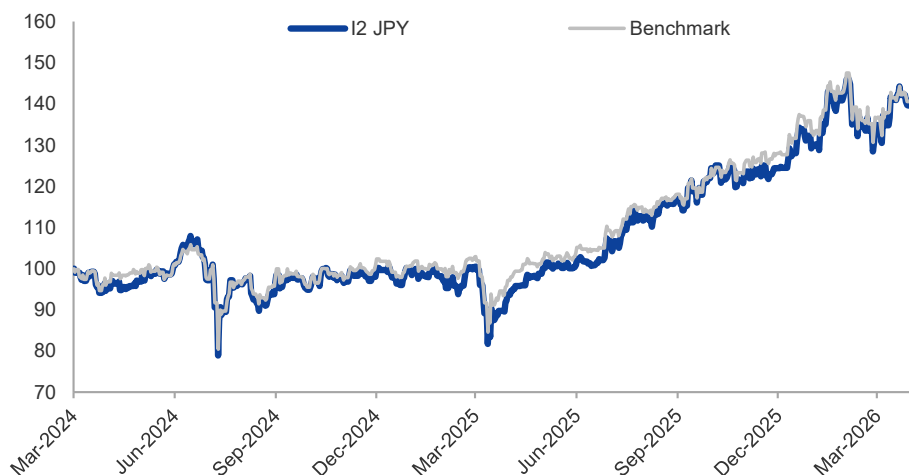
## Top Detractors

Share Name	Portfolio Weight	MSCI Sector
TAKEDA PHARMACEUTICAL CO LTD	3.77%	Health Care
INPEX CORP	1.86%	Energy
ENEOS HOLDINGS INC	2.13%	Energy
SECOM CO LTD	2.15%	Industrials
BANDAI NAMCO HOLDINGS INC	1.46%	Consumer Discretionary

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Source: SMDAM, as at 30 April 2026

Performance



Source: SMDAM and Bloomberg, data as at 30 April 2026. 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	7.58	6.57
3m	7.81	5.56
6m	12.24	13.17
12m	47.71	43.01
<b>Since Inception p.a. (27/03/24)</b>	<b>17.60</b>	<b>17.85</b>

Source: SMDAM, as at 30 April 2026

Investment Information

Investment Management Fee	Total Expense Ratio
Institutional (I) 0.70% p.a.	Institutional (I) 0.90% p.a.
Institutional (I2) 0.45% p.a.	Institutional (I2) 0.90% p.a.
Wholesale (A) 1.20% p.a.	Wholesale (A) 1.40% p.a.

Dealing Frequency: Daily

Source: SMDAM, as at 30 April 2026

**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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