Sumitomo Mitsui DS Asset Management

Japan Equity High Conviction

Monthly Commentary - August 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 August, the SMD-AM Japan Equity High Conviction Fund Class I2 JPY returned 4.36% versus the TOPIX Total Return JPY return of 3.85%*.

The Japanese stock market performance diverged in August. Nikkei 225 closed August up 3.0% m/m and TOPIX was up 3.8% m/m.

Owing to receding expectations for a rate hike in the US, TOPIX renewed its record closing on the 14th. After that, while the Nikkei Stock Average struggled to advance due to uncertainties regarding the Middle East situation and interest rate movements, TOPIX remained solid.

In the first part of the month, export-related stocks declined due to yen appreciation resulting from coordinated currency market intervention by the US and Japan, but then AI- and semiconductor-related names advanced following a rise in US shares. In the middle part of the month, AI- and semiconductor-related stocks were upbeat on receding expectations for a US rate hike, and banking and automobile names were also bought. As a result, TOPIX renewed its closing record on the 14th. In the last part of the month, the Nikkei 225 see-sawed due to a sense of uncertainty regarding the Middle East situation and interest rate movements. Meanwhile, TOPIX was solid, reflecting gains in financial and automobile shares.

Our fund slightly outperformed the benchmark by 51 bps.

We expect the Japanese stock market to trade in a range near its highs.

The global economy is expected to remain resilient, supported by the expansion of AI-related investment and expansionary fiscal policies in major countries, while the domestic economy is also likely to keep expanding thanks to government stimulus measures and strong capital investment. In addition to solid corporate earnings backed by the firm domestic and overseas economy, the growth strategy of the Takaichi administration and corporate governance reforms are also expected to support stock prices. On the other hand, uncertainty surrounding the Middle East situation, rising long-term interest rates in Japan and overseas, and caution about the outlook for monetary policy in Japan and the U.S. are expected to cap further gains for the time being.

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

Buy

IBIDEN CO LTD

One of the major ABF substrate providers in the world. Stronger-than-expected demand for advanced semiconductor packaging for NVIDIA and Intel led the company to raise its per-area pricing outlook.

Sell

KAJIMA CORP

Extended construction timelines in building projects have led to higher interest-bearing debt, raising concerns over increased interest expenses going forward.

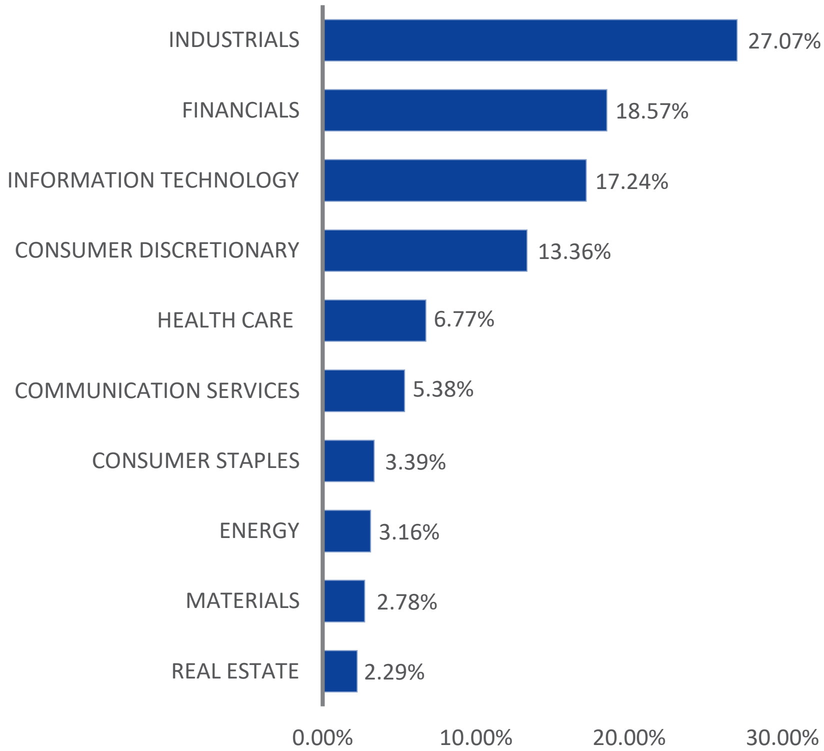
Top Buys

Share Name
IBIDEN CO LTD
RESONAC HOLDINGS CORP
FUJIKURA LTD

Top Sells

Share Name
KAJIMA CORP
ASAHI KASEI CORP
MURATA MANUFACTURING CO LTD

Sector Allocation



Source: SMDAM, as at 31 August 2026

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.

Top Holdings

Share Name	Portfolio Weight	MSCI Sector
MITSUBISHI UFJ FINANCIAL GROUP	8.14%	Financials
SUMITOMO CORP	5.13%	Industrials
TOYOTA MOTOR CORP	5.12%	Consumer Discretionary
RECRUIT HOLDINGS CO LTD	5.03%	Industrials
ADVANTEST CORP	4.53%	Information Technology

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: 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.

3. Toyota Motor Corp: A world-leading automaker renowned for its global manufacturing scale, exceptional vehicle reliability, and pioneering hybrid technology. It advances a multi-pathway mobility strategy by expanding its lineup of electric, hybrid, and fuel-cell vehicles to drive global decarbonisation.

4. Recruit Holdings Co Ltd: It is a Japanese company best known for helping people find jobs and helping businesses hire, mainly through its global job-search platform Indeed. On top of that, it provides business software and tools that small and medium-sized companies use to manage bookings, payments, and day-to-day operations.

5. Advantest Corp: A semiconductor production equipment manufacturer in Japan with a focus on chip testing equipment. We see potential upside from stronger-than-expected demand for semiconductor testers driven by NVIDIA's Rubin platform and ASICs.

Top Contributors

Share Name	Portfolio Weight	MSCI Sector
RECRUIT HOLDINGS CO LTD	5.03%	Industrials
IBIDEN CO LTD	2.98%	Information Technology
BANDAI NAMCO HOLDINGS INC	2.66%	Consumer Discretionary
FUJIKURA LTD	2.24%	Industrials
MEBUKI FINANCIAL GROUP INC	3.17%	Financials

Top Detractors

Share Name	Portfolio Weight	MSCI Sector
FANUC CORP	1.54%	Industrials
SECOM CO LTD	2.37%	Industrials
FUJI ELECTRIC CO LTD	3.55%	Industrials
TOKIO MARINE HOLDINGS INC	3.20%	Financials
MITSUI FUDOSAN CO LTD	2.29%	Real Estate

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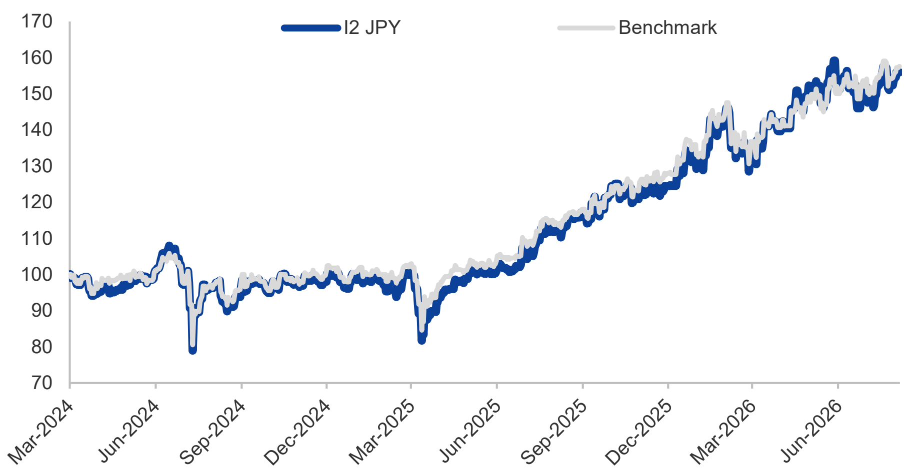
Source: SMDAM, as at 31 August 2026

Performance



Source: SMDAM and Bloomberg, data as at 31 August 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	4.36	3.85
3m	2.47	5.17
6m	6.78	6.77
12m	38.40	38.28
Since Inception p.a. (27/03/24)	**20.06**	**20.57**

Source: SMDAM, as at 31 August 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 31 August 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).

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