



Japan Equity High Conviction

Monthly Commentary - February 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 February, the SMD-AM Japan Equity High Conviction Fund Class I2 JPY returned 12.13% versus the TOPIX TR JPY return of 10.47%.*

The Japanese stock market rose in February. Stocks initially climbed on expectations that the Liberal Democratic Party (LDP) would maintain their clear advantage going into the Lower House election and gained further after the party's historic landslide victory. Investors welcomed the prospect of decisive policy execution under the Takaichi administration.

The market subsequently encountered periods of upside resistance driven by concerns over geopolitical tensions in the Middle East. Even so, the market hit new highs toward month-end, supported by optimism around the Takaichi administration's policy agenda and a waning expectation of additional rate hikes delivered by the Bank of Japan.

Sector performance was mixed. Nonferrous metals, real estate, and glass & ceramics products outperformed the market, while services, information & communication, and other products underperformed. Our fund outperformed the market thanks to positive stock selection effect. We expect the Japanese stock market to face upside resistance in the near term. While the global economy continues to recover, supported by interest rate cuts in the U.S. and fiscal stimulus in major economies, risks remain. In particular, surging energy prices and financial market turbulence stemming from escalating tensions in the Middle East.

Domestically, proactive economic measures should help sustain growth, and corporate earnings are projected to continue improving. Continued progress in corporate governance reform at Japanese companies is also likely to serve as a medium-term catalyst for higher share prices. However, with concerns mounting over overheated valuations, we believe that rising geopolitical risks, renewed trade frictions between the U.S. and other major economies, and concern about a deterioration in Japan-China relations are likely to cap the market's upside.

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

ASAHI KASEI CORP

We expect solid earnings growth, primarily in the pharmaceutical and life science businesses, driven by business portfolio restructuring.

Sell

KAJIMA CORP

We took profit after a sharp rise in share price driven by improving construction profit margins.

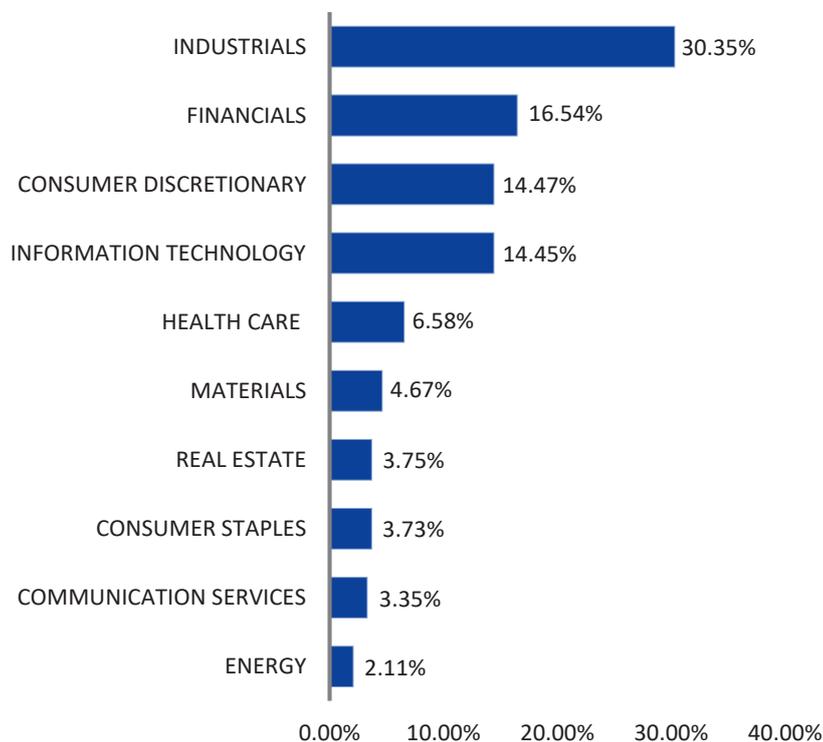
Top Buys

Share Name
ASAHI KASEI CORP
KEYENCE CORP
HITACHI LTD

Top Sells

Share Name
KAJIMA CORP
FURUKAWA ELECTRIC CO LTD
NOMURA RESEARCH INSTITUTE LTD

Sector Allocation



Source: SMDAM, as at 28 February 2026

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Top Holdings

Share Name	Portfolio Weight	MSCI Sector
MITSUBISHI UFJ FINANCIAL GROUP	7.75%	Financials
TOYOTA MOTOR CORP	5.61%	Consumer Discretionary
FURUKAWA ELECTRIC CO LTD	4.57%	Industrials
MITSUBISHI HEAVY INDUSTRIES	4.52%	Industrials
SONY GROUP CORP	4.25%	Consumer Discretionary

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

2. 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.

3. 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.

4. Mitsubishi Heavy Industries: A diversified Japanese multinational conglomerate known for its broad range of industrial and engineering activities. We anticipate order growth in its defence and energy businesses.

5. Sony Group Corp: A global company operating across electronics, entertainment, gaming, and financial services. We remain positive on their improving revenue trend in the gaming division.

Top Contributors

Share Name	Portfolio Weight	MSCI Sector
FURUKAWA ELECTRIC CO LTD	4.57%	Industrials
FUJI ELECTRIC CO LTD	4.09%	Industrials
MITSUI FUDOSAN CO LTD	3.75%	Real Estate
MURATA MANUFACTURING CO LTD	2.60%	Information Technology
TORAY INDUSTRIES INC	3.03%	Materials

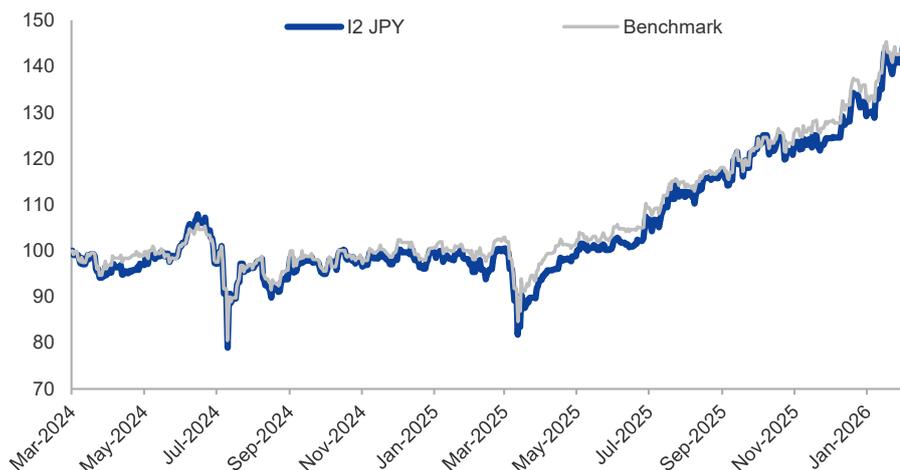
Top Detractors

Share Name	Portfolio Weight	MSCI Sector
FUJITSU LTD	3.22%	Information Technology
HITACHI LTD	3.67%	Industrials
NTT INC	2.09%	Communication Services
EAST JAPAN RAILWAY CO LTD	1.57%	Industrials
TOHO CO LTD	1.25%	Communication Services

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Source: SMDAM, as at 28 February 2026

Performance



Source: SMDAM and Bloomberg, data as at 28 February 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	12.13	10.47
3m	18.16	16.77
6m	29.61	29.52
12m	53.18	50.49
Since Inception p.a. (27/03/24)	21.73	22.39

Source: SMDAM, as at 28 February 2026

Investment Information	
Investment Management Fee	Total Expense Ratio
Institutional (I) 0.70% p.a.	Institutional (I) 0.90% p.a.
Institutional (I2) 0.70% 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 02 March 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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