Sumitomo Mitsui DS Asset Management

Japan Equity High Conviction

Monthly Commentary - June 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 June, the SMD-AM Japan Equity High Conviction Fund Class I2 JPY returned 0.73% versus the TOPIX Total Return JPY return of 1.05%*.

The TOPIX supported by US technology stock gains and expectations for a resolution to the US-Iran conflict, both TOPIX and the Nikkei 225 posted new record closings.

U.S. technology stocks helped to drive up AI- and semiconductor-related shares in Tokyo. While profit-taking and speculation about further U.S. rate hikes weighed on sentiment, growing expectations for an end to the U.S.-Iran conflict supported the market. The TOPIX reached a new record high on the 22nd, as did the Nikkei Stock Average on the 25th. Toward month-end, however, volatility increased as U.S. technology stocks became unstable, particularly impacting AI and semiconductor-related names.

Looking at the MSCI style indices, large-cap value and growth stocks were more or less on par with each other in early June, but growth names outperformed from mid-month. Among small-caps, growth stocks outperformed in late June and for the month as a whole.

Our fund slightly underperformed the benchmark by 32 bps. We expect the Japanese equity market to trade within a relatively elevated range in the July–September 2026 quarter.

While uncertainty in the Middle East persists, downside risks to the economy are receding, as reflected in the decline in crude oil prices following a ceasefire agreement between the U.S. and Iran. In Japan, we believe that growth-oriented and proactive fiscal spending will continue to support the economy. As a result, concerns over Japanese corporate earnings should ease, while confidence in a rebound in profit growth is likely to grow—a positive factor for equities.

At the same time, we believe the Federal Reserve's shift toward a more hawkish monetary policy stance could act as a headwind for equity markets. In addition, investors may adopt a more cautious stance ahead of the U.S. midterm elections. Concerns over the sustainability of large-scale capital expenditure programs by U.S. hyperscalers, together with potential impact of AI-related IPOs on market supply and demand, could contribute to greater short-term price volatility.

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

KIOXIA HOLDINGS CORP

The memory chip maker is benefiting from strong demand due to AI-related investment.

Sell

SHIN-ETSU CHEMICAL CO LTD

The share price rose significantly, driven by growing demand for silicon wafers.

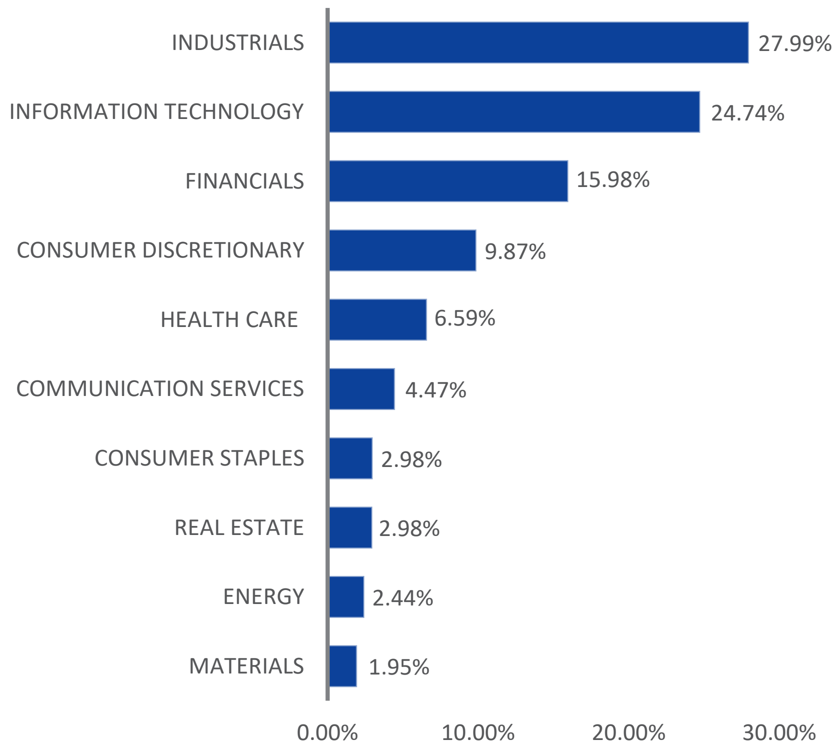
Top Buys

Share Name
KIOXIA HOLDINGS CORP
RECRUIT HOLDINGS CO LTD
FUJITSU LTD

Top Sells

Share Name
SHIN-ETSU CHEMICAL CO LTD
MURATA MANUFACTURING CO LTD
FUJI ELECTRIC CO LTD

Sector Allocation



Source: SMDAM, as at 30 June 2026

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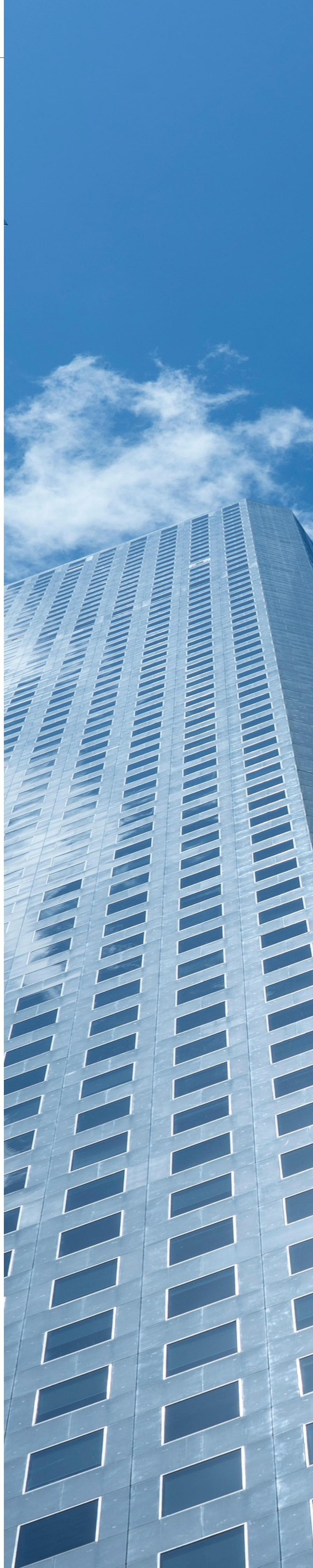

Top Holdings

Share Name	Portfolio Weight	MSCI Sector
MITSUBISHI UFJ FINANCIAL GROUP	7.39%	Financials
MURATA MANUFACTURING CO LTD	6.21%	Information Technology
TOKYO ELECTRON LTD	4.93%	Information Technology
SUMITOMO CORP	4.62%	Industrials
KIOXIA HOLDINGS CORP	4.38%	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. Murata Manufactoring Co Ltd: A leading global manufacturer of electronic components, including capacitors, inductors, and wireless communication modules. Murata benefits from strong demand in smartphones, automotive electronics, and industrial applications.

3. Tokyo Electron: A world leading supplier of semiconductor production equipment. Tokyo Electron is well positioned to benefit from the long-term growth in semiconductor investment, driven by advanced logic, memory, and AI-related demand.lower than expected, we have revised our performance outlook upward.

4. 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.

5. Kioxia Holdings Corp: As a pioneer in NAND flash innovation, the company plays a critical role in enabling the digital economy through high-performance, reliable storage technologies. We appreciate its strong technological foundation, and strategic positioning in high-growth areas such as AI, cloud computing, and advanced mobility, which support its long-term growth potential.

Top Contributors

Share Name	Portfolio Weight	MSCI Sector
KIOXIA HOLDINGS CORP	4.38%	Information Technology
TOKYO ELECTRON LTD	4.93%	Information Technology
MURATA MANUFACTURING CO LTD	6.21%	Information Technology
DISCO CORP	3.46%	Information Technology
MITSUBISHI UFJ FINANCIAL GROUP	7.39%	Financials

Top Detractors

Share Name	Portfolio Weight	MSCI Sector
SUMITOMO CORP	4.62%	Industrials
FUJI ELECTRIC CO LTD	3.42%	Industrials
FURUKAWA ELECTRIC CO LTD	2.68%	Industrials
TOYO SUISAN KAISHA LTD	1.69%	Consumer Staples
HITACHI LTD	2.82%	Industrials

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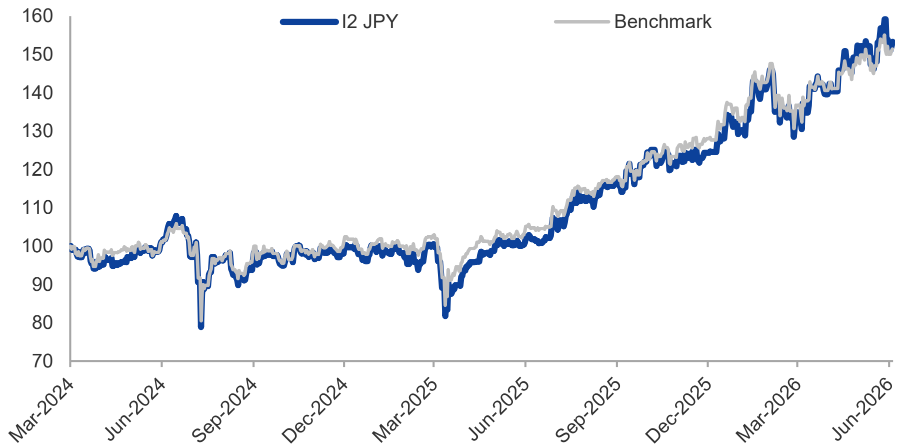
Source: SMDAM, as at 30 June 2026

Performance



Source: SMDAM and Bloomberg, data as at 30 June 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	0.73	1.05
3m	17.45	14.40
6m	23.09	18.56
12m	49.04	43.26
Since Inception p.a. (27/03/24)	**20.80**	**20.14**

Source: SMDAM, as at 30 June 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 June 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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