Sumitomo Mitsui DS Asset Management

Japan Equity Small Cap Absolute Value

Monthly Commentary - December 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 December, the Japan Equity Small Cap Absolute Value Class P JPY returned 2.38% versus the Russell/Nomura Small Cap (with div) of 1.00%.*

In December, the Japanese stock market regained some stability, and both the TOPIX (including dividends) and the Russell/Nomura Small Cap Index (including dividends) rose. Value stocks were favored regardless of market capitalization. The fund's strict focus on value investing proved effective, enabling it to outperform the Russell/Nomura Small Cap Index (including dividends).

Although political and economic risks are rising globally, share prices have continued to appreciate. We therefore judge that the risk of a market correction has increased. However, after a correction phase, we expect investors to shift their focus to solid corporate fundamentals, and this should favour our portfolio.

We regard small- and mid-cap value stocks as attractive investment opportunities, as they have been overlooked by investors and remain undervalued while also retaining greater potential for enhanced shareholder returns compared with large-cap stocks.

The fund will continue to apply a disciplined value-investing approach going forward.

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. Any forecasts, figures, opinions, or investment techniques and strategies contained are for information purposes only, and are based on certain assumptions and current market conditions that are subject to change without prior notice.

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

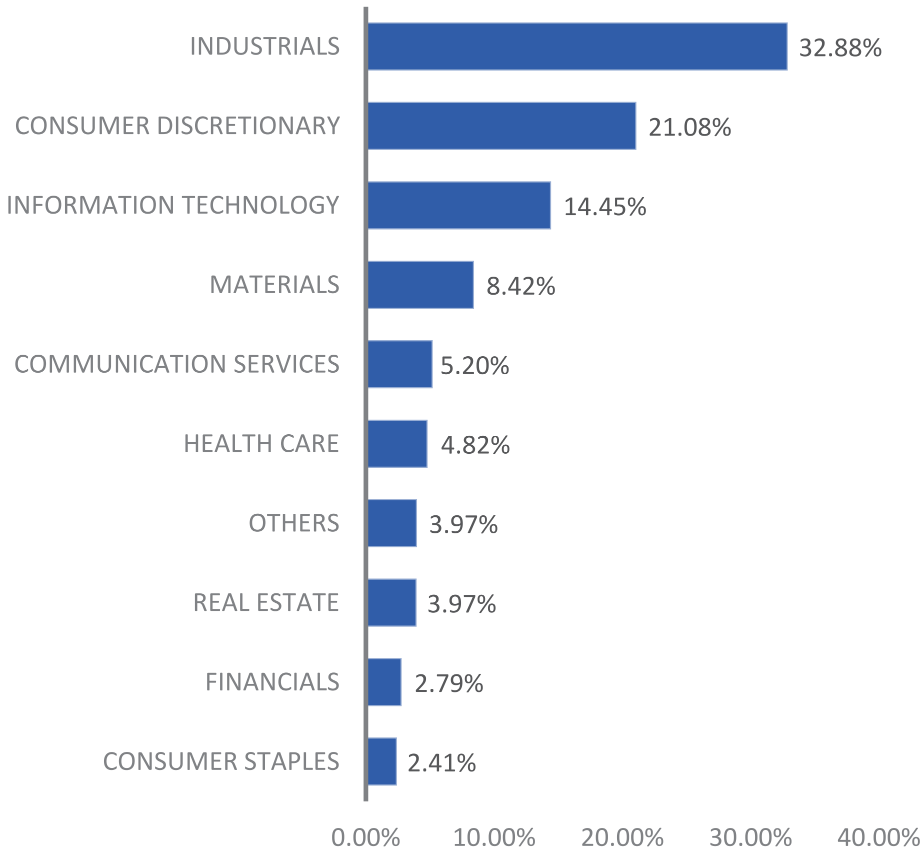
Top Buys

Share Name
NS GROUP INC
PRONI INC
CYBER SECURITY CLOUD INC

Top Sells

Share Name
SOKEN CHEMICAL & ENGINEERING
JSP CORP
KIMURA CHEMICAL PLANTS CO LTD

Sector Allocation



Source: SMDAM, as at 31 December 2025

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Top Holdings

Share Name	Portfolio Weight	MSCI Sector
RAKSUL INC	3.53%	Industrials
KONOIKE TRANSPORT CO LTD	2.62%	Industrials
INABATA & CO LTD	2.47%	Industrials
INTERMESTIC INC	2.42%	Consumer Discretionary
TENTIAL INC	2.35%	Consumer Discretionary

1. Raksul Inc: It works to improve the efficiency of existing industries and serves its customers by offering a sharing-based platform across a wide range of areas, from printing to logistics and advertising.

2. Konoike Transport Co Ltd: It is a comprehensive logistics company that operates a wide range of businesses both domestically and internationally. It focuses on logistics operations within and outside Japan in a variety of services including production outsourcing, airport operations, and more.

3. Inabata & Co Ltd: The company is a comprehensive trading company with strengths in chemicals, resins, and electronic materials. Equipped with manufacturing and technical support functions, it operates globally not just as a distributor but as a development partner.

4. Interemestic Inc: Its key feature is the ability to offer low prices including standard lenses while maintaining high quality, achieved by handling the entire process in-house from planning and manufacturing through to sales thereby reducing intermediate costs.

5. Tential Inc: The company is mainly engaged in the manufacture and sale of automotive parts. The company leverages its technological expertise, commitment to quality, and global reach to maintain its position as a key player in the automotive components industry.

Top Contributors

Share Name	Portfolio Weight	MSCI Sector
RAKSUL INC	3.53%	Industrials
ZERO CO LTD	0.81%	Industrials
BEAUTY GARAGE INC	1.85%	Consumer Discretionary
AICHI ELECTRIC CO LTD	0.69%	Industrials
ENDO LIGHTING CORP	1.17%	Industrials

Worst Detractors

Share Name	Portfolio Weight	MSCI Sector
USONAR CO LTD	1.02%	Communication Services
CUC INC	1.30%	Health Care
SUNCALL CORP	0.78%	Consumer Discretionary
INTERMESTIC INC	2.42%	Consumer Discretionary
KANAMIC NETWORK CO LTD	1.25%	Health Care

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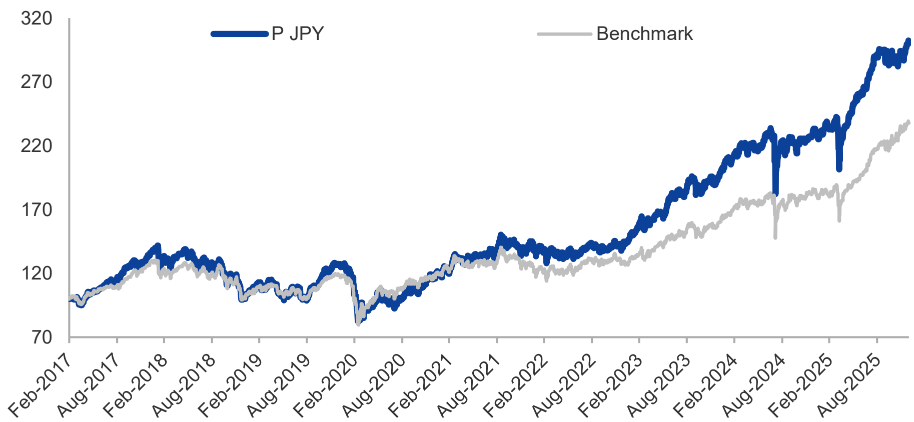
Source: SMDAM, as at 31 December 2025

Performance



Source: SMDAM and Bloomberg, data as at 31 December 2025. Rebased to 100 at inception of the share class (28 February 2017). The chart above shows daily performance, in the currency stated for the UCITS Fund (JPY) against the reference benchmark Russell/Nomura Small Cap Index (with div) which is shown in JPY. Performance is illustrated net of fees.

Fund Performance Share Class: (P) JPY		
(Net of fees)	Fund %	Benchmark %
1m	2.38	1.00
3m	2.68	7.26
12m	29.11	27.97
3yr p.a.	27.61	22.51
5yr p.a.	20.69	15.05
Since Inception p.a. (28/02/17)	**13.28**	**10.29**

Investment Information	
Investment Management Fee	**Total Expense Ratio**
Institutional (I) 0.80% p.a	Institutional (I) N/A p.a.
Institutional (P) 0.80% p.a.	Institutional (P) 1.00% p.a.
Institutional (S) 0.50% p.a.	Institutional (S) 0.95% p.a.
Wholesale (A) 1.20% p.a.	Wholesale (A) N/A p.a.
Dealing Frequency: Weekly	

Source: SMDAM, as at 31 December 2025

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

Sumitomo Mitsui DS Asset Management (UK) Limited.

100 Liverpool Street, London
EC2M 2AT, United Kingdom

www.smd-am.co.uk - uksales@smd-am.co.jp

Richard HAXE
Managing Director, Head of Business Development

+44 20 7507 6431

richard_haxe@smd-am.co.jp

Alex BARRY
Executive Director, Head of Sales, UK and Ireland

+44 20 7507 6419

alex_barry@smd-am.co.jp

Chloé CHOQUIN
Director, Business Development

+44 20 7507 6424

chloe_choquin@smd-am.co.jp

Thomas CARTWRIGHT
Director, Business Development

+44 20 7507 6440

thomas_cartwright@smd-am.co.jp

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