

Japan Equity Small Cap Absolute Value

Monthly Commentary - October 2026

Marketing communication for professional clients 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 October, the SMD-AM Japan Equity Small Cap Absolute Value Fund Class P JPY returned -3.45%% versus the Russell/Nomura Small Cap (including dividends) JPY return of -3.84%*.

In October, the stock market entered a correction phase. In particular, toward the latter half of the month, news emerged regarding funding difficulties faced by some U.S. data centre companies, triggering another sharp sell-off in semiconductor and electronic component-related stocks. As a result, the TOPIX (including dividends) fell 3.48%, while the Russell/Nomura Small Cap Index (including dividends) declined 3.84%.

Our fund outperformed the benchmark by 39 bps.

News concerning risks in the data centre industry is becoming increasingly detailed, and the amounts involved continue to grow. In addition, the risk of stricter regulation has increased following the Democratic Party's victory in the U.S. midterm elections, and we believe there remains a risk of further market declines.

Our fund will continue to adhere strictly to a value investing approach, aiming to generate long-term gains while managing downside risk.

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.

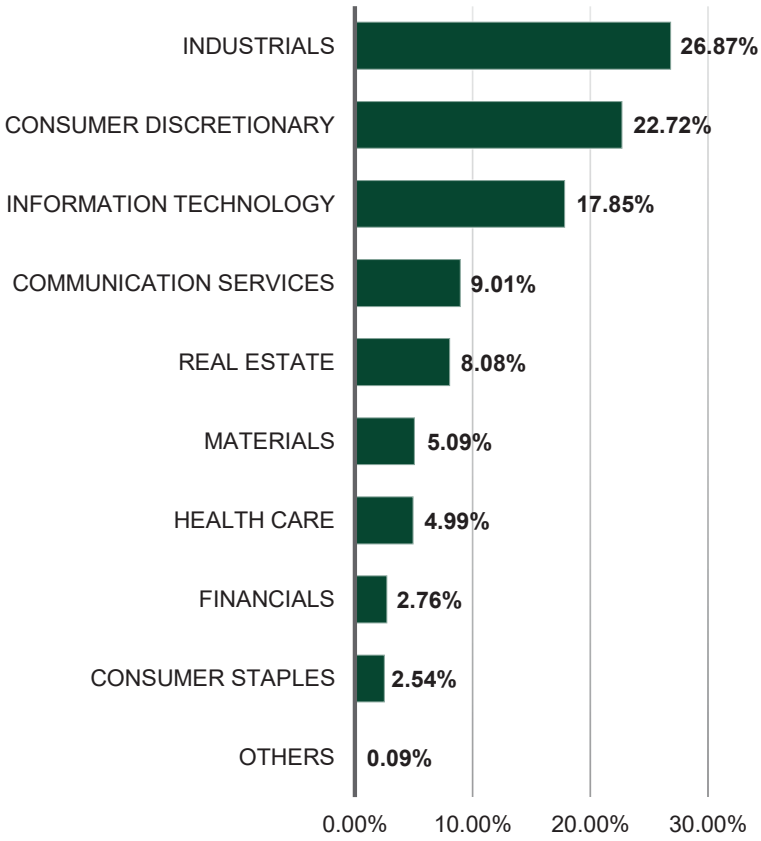
Top Buys

Share Name
GREENS CO LTD
AUDIOSTOCK INC
HIBINO CORP

Top Sells

Share Name
M-UP HOLDINGS INC
CELSYS INC
CYBER SECURITY CLOUD INC

Sector Allocation



Source: SMDAM, as at 31 October 2026

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Top Holdings

Share Name	Portfolio Weight	MSCI Sector
INTERMESTIC INC	3.05%	Consumer Discretionary
NS GROUP INC	2.91%	Real Estate
KONOIKE TRANSPORT CO LTD	2.91%	Transportation
ICHIKEN CO LTD	2.88%	Industrials
MIMAKI ENGINEERING CO LTD	2.24%	Information Technology

1. Interemestic Inc: An SPA-type eyewear retailer. Its key strength is in its ability to offer low prices, including for standard lenses, while maintaining high quality. This is achieved by handling the entire process in-house - from planning and manufacturing to sales - thereby reducing intermediary costs.

2. NS Group Inc: It provides rental guarantee services in Japan, helping landlords secure rental payments in the event of tenant default. It also offers tenant screening and rent collection services, supporting property owners and real estate management companies.

3. Konoike Transport Co Ltd: A comprehensive logistics provider operating a broad range of businesses both domestically and internationally. In addition to logistics operations in Japan and overseas, it offers services including production outsourcing, airport operations, facility management, and distribution processing.

4. Ichiken Co Ltd: A Japanese general contractor specialising in the construction and interior design of commercial facilities. Founded in 1930, the company has built a strong reputation for developing retail stores, supermarkets, and entertainment venues across Japan. Listed on the Tokyo Stock Exchange Standard Market, Ichiken also engages in real estate operations.

5. Mimaki Engineering Co Ltd: A global leader in the manufacture of wide-format inkjet printers and cutting plotters. The company is known for its innovation in digital printing technologies, including advancements in UV-curable, solvent, and dye-sublimation inks.

Top Contributors

Share Name	Portfolio Weight	MSCI Sector
PROGRIT INC	1.35%	Consumer Discretionary
NORTHSAND INC	1.12%	Information Technology
RENT CORP	1.89%	Industrials
TSUJI HONGO IT CONSULTING CO	0.44%	Information Technology
CYBERSOLUTIONS INC	0.50%	Information Technology

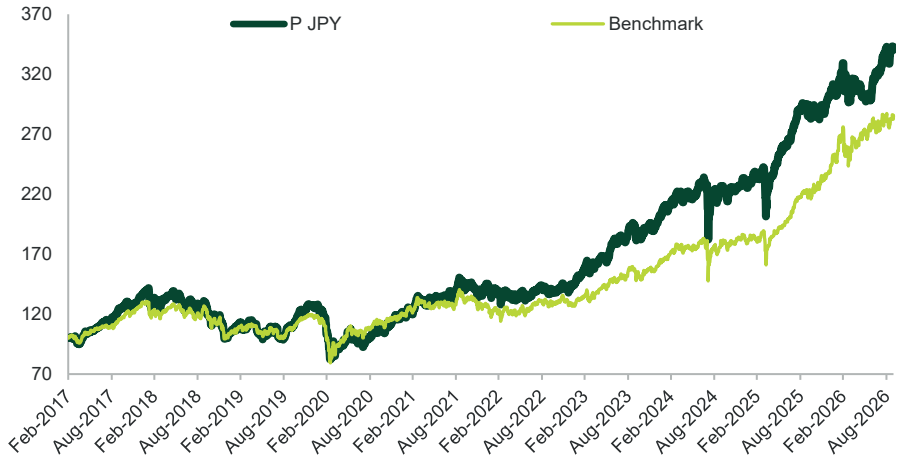
Top Detractors

Share Name	Portfolio Weight	MSCI Sector
TENTIAL INC	1.71%	Consumer Discretionary
INTERMESTIC INC	3.05%	Consumer Discretionary
ICHIKEN CO LTD	2.88%	Industrials
PORT INC	1.12%	Communication Services
MIRAINI HOLDINGS CO LTD	1.37%	Information Technology

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Source: SMDAM, as at 31 October 2026

Performance



Source: SMDAM and Bloomberg, data as at 31 October 2026. 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 (including dividends) which is shown in JPY. Performance is illustrated net of fees.

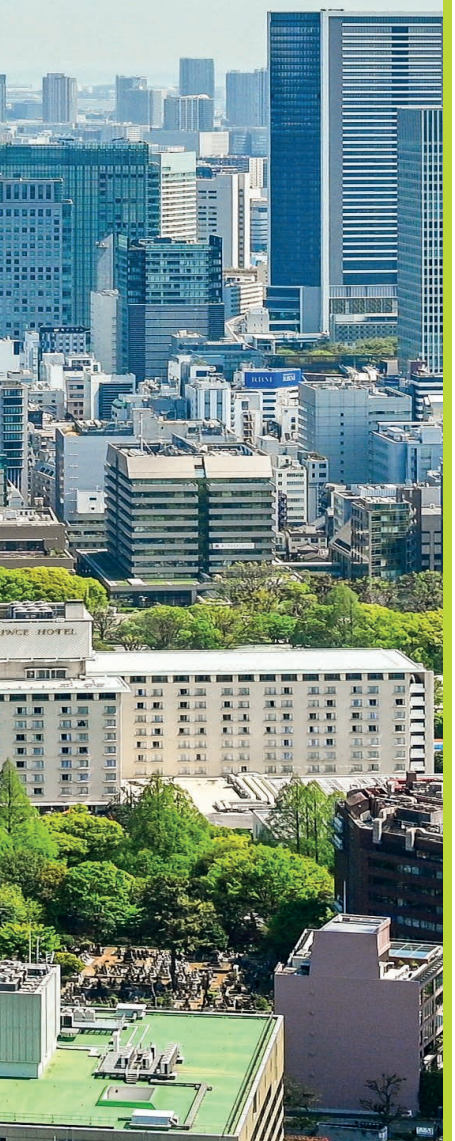
Fund Performance Share Class: (P) JPY		
(Net of fees)	**Fund %**	**Benchmark %**
1m	-3.45	-3.84
3m	2.70	0.03
12m	15.36	22.36
3yr p.a.	20.83	21.96
5yr p.a.	18.10	15.70
Since Inception p.a. (28/02/17)	**13.16**	**11.00**

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 October 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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