Sumitomo Mitsui DS Asset Management

# Japan Equity Small Cap Absolute Value

## Monthly Commentary - July 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 July, the SMD-AM Japan Equity Small Cap Absolute Value Fund Class P JPY returned 5.69% versus the Russell/Nomura Small Cap (including dividends) JPY return of -0.97%*.

In July, the stock market underwent a dramatic shift. Concerns emerged over the profitability and funding of U.S. data centre investment, which had been driving the market up until then. As a result, related stocks, including semiconductors and electronic components, sold off sharply, while capital flowed into domestic-demand sectors and automobile-related stocks that had previously been out of favour. Large-cap value stocks, in particular, were bought as safe havens, pushing the TOPIX (including dividends) up by 0.22%. However, the inflow into small-caps was relatively limited, and the Russell/Nomura Small Cap Index (including dividends) fell by 0.97%. Our fund outperformed the benchmark by 6.65%.

Because the shift in market rotation in July was so abrupt, semiconductors, electronic components, and other related stocks have rebounded since the start of August. Even so, these names remain significantly higher than at the beginning of the year, and if concerns about data centre investment resurface, there is a risk that they could plunge again. Our fund will continue to focus strictly on value investing to limit downside risk while aiming for long-term gains.




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

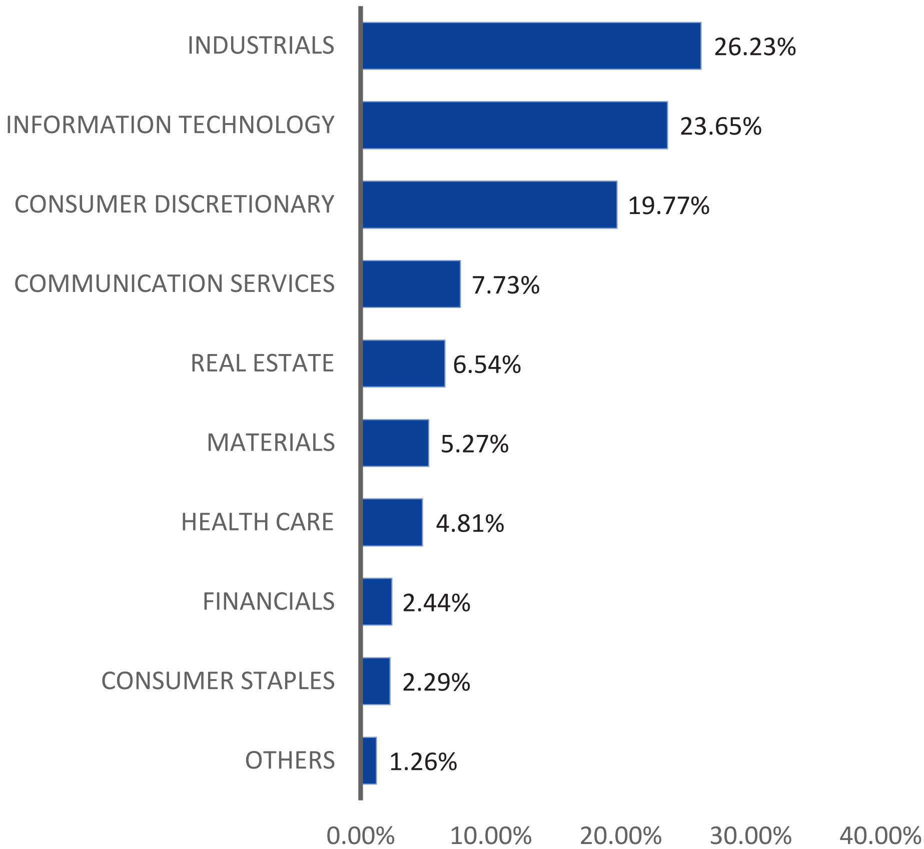
## Top Buys

| Share Name |
| --- |
| I GRID SOLUTIONS INC |
| BEABLE CO LTD |
| INTERLIFE HOLDINGS CO LTD |

## Top Sells

| Share Name |
| --- |
| ONOKEN CO LTD |
| PRO-SHIP INC |
| MEDICAL SYSTEM NETWORK CO |

## Sector Allocation




Source: SMDAM, as at 31 July 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 |
|---|---|---|
| NORTHSAND INC | 3.57% | Information Technology |
| INTERMESTIC INC | 3.54% | Consumer Discretionary |
| MIMAKI ENGINEERING CO LTD | 3.07% | Information Technology |
| KONOIKE TRANSPORT CO LTD | 2.72% | Industrials |
| TENTIAL INC | 2.56% | Consumer Discretionary |

**1. Northsand Inc:** An IT and business consultancy specialising in digital transformation. Its distinctive feature is its human-centred philosophy that prioritises client relationships and teamwork, achieved by deploying highly collaborative consultants who excel in communication.

**2. 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.

**3. 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.

**4. Konoike Transport Co Ltd:** 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.

**5. Tential Inc:** The company offers self-branded health and conditioning products, including insoles and recovery wear. By integrating D2C and B2B models, the company is able to enhance product functionality through sports science and data analytics, with the aim of growing its presence in the health management and sports market.

## Top Contributors

| Share Name | Portfolio Weight | MSCI Sector |
|---|---|---|
| NORTHSAND INC | 3.57% | Information Technology |
| MIMAKI ENGINEERING CO LTD | 3.07% | Information Technology |
| SANKO GOSEI LTD | 1.10% | Industrials |
| KONOIKE TRANSPORT CO LTD | 2.72% | Industrials |
| TENTIAL INC | 2.56% | Consumer Discretionary |

## Top Detractors

| Share Name | Portfolio Weight | MSCI Sector |
|---|---|---|
| INTERMESTIC INC | 3.54% | Consumer Discretionary |
| CELSYS INC | 0.99% | Information Technology |
| BEAUTY GARAGE INC | 1.65% | Consumer Discretionary |
| NEIS CO LTD | 0.19% | Not Available |
| MITACHI CO LTD | 0.57% | Information Technology |

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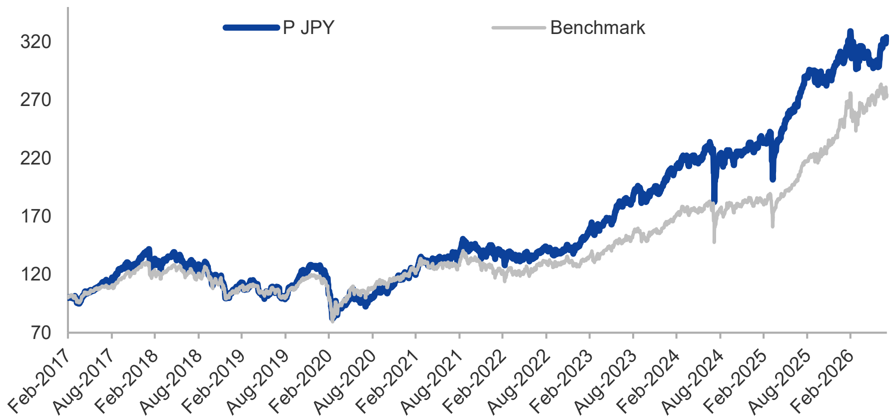
Source: SMDAM, as at 31 July 2026

## Performance




Source: SMDAM and Bloomberg, data as at 31 July 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** | 5.69 | -0.97 |
| **3m** | 5.22 | 5.28 |
| **12m** | 17.04 | 32.36 |
| **3yr p.a.** | 20.15 | 21.54 |
| **5yr p.a.** | 19.01 | 16.69 |
| **Since Inception p.a. (28/02/17)** | **13.22** | **11.31** |

| 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 July 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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