



Japan Equity Small Cap Absolute Value

Monthly Commentary - May 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

Over the month of May, the Japan Equity Small Cap Absolute Value Fund Class P JPY returned -1.05% versus the Russell/Nomura Small Cap JPY (including dividends) return of 5.16%.*

The aggressive and expanding CAPEX aimed at building out data centers continued to attract attention. This theme followed on from the previous month meaning semiconductor-related and electronic component-related stocks continued to be popular with investors.

The return of our fund was limited to -1.05% because our fund holds very few semiconductor-related or electronic component-related stocks. In addition, small-cap and value were less favored by the market.

We took this opportunity to increase our holdings in stocks that had fallen in price and had become more undervalued, and which were out of favour with the market. On the other hand, we sold some stocks that had risen significantly as a result of narrow market breadth in their respective themes.

The stock market has become even more volatile recently. We do not expect the Iran issue to be resolved smoothly, and we believe that the risk of pullbacks is increasing, especially for stocks that have risen sharply in recent sessions. By thoroughly adhering to value investing, our fund aims to suppress downside risk while pursuing long-term gains.

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

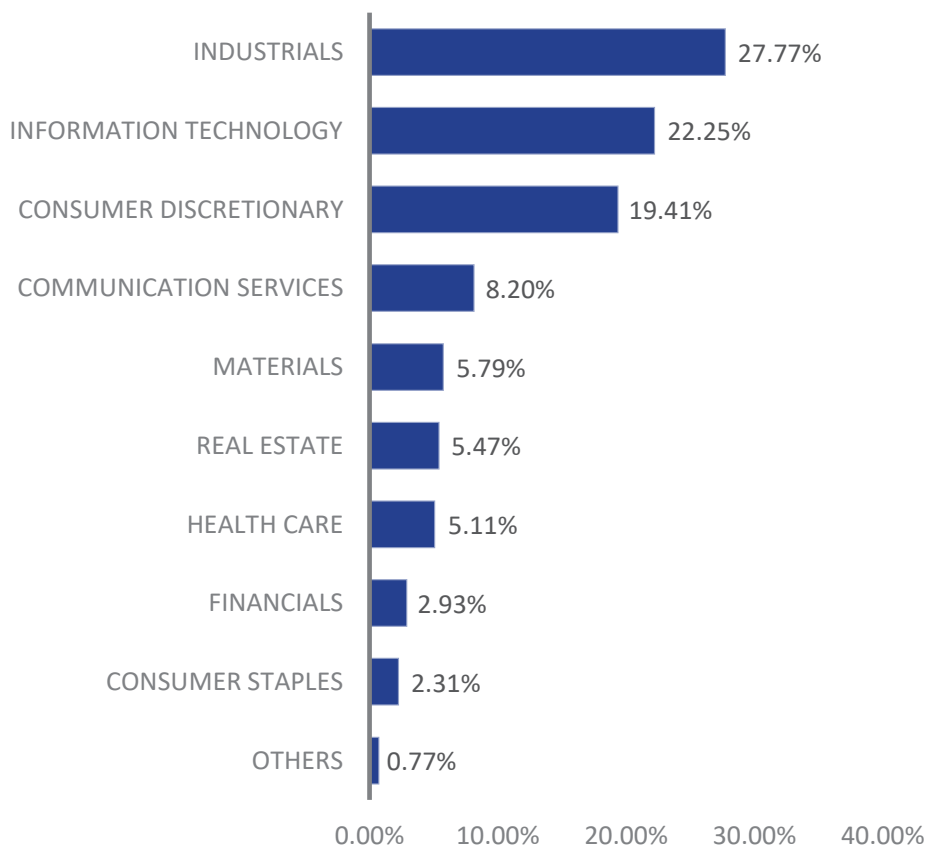
Top Buys

Share Name
EWELL CO LTD/JP

Top Sells

Share Name
TRE HOLDINGS CORP
YUSHIRO INC
RION CO LTD

Sector Allocation



Source: SMDAM, as at 31 May 2026

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Top Holdings

Share Name	Portfolio Weight	MSCI Sector
INTERMESTIC INC	3.66%	Consumer Discretionary
MIMAKI ENGINEERING CO LTD	2.92%	Information Technology
KONOIKE TRANSPORT CO LTD	2.66%	Industrials
INABATA & CO LTD	2.60%	Industrials
TENTIAL INC	2.39%	Consumer Discretionary

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

2. Mimaki Engineering Co Ltd: It's 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.

3. 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.

4. 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.

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

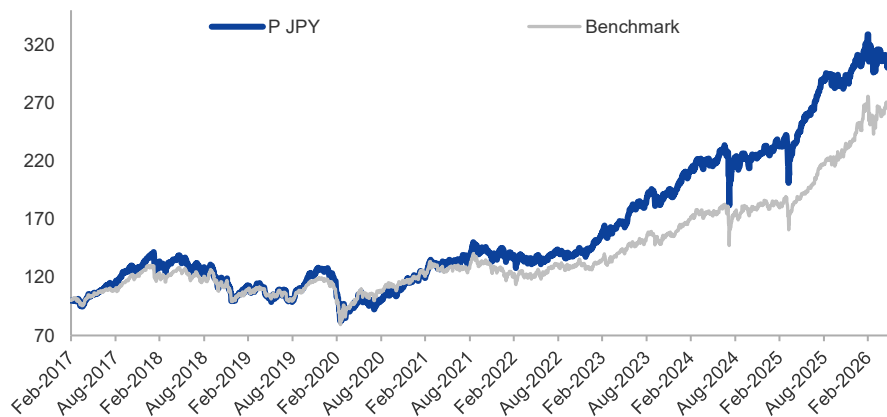
Share Name	Portfolio Weight	MSCI Sector
MIMAKI ENGINEERING CO LTD	2.92%	Information Technology
CELSYS INC	1.04%	Information Technology
NANKAI CHEMICAL CO LTD	0.45%	Materials
USER LOCAL INC	1.26%	Information Technology
TOYOKUMO INC	0.91%	Information Technology

Top Detractors

Share Name	Portfolio Weight	MSCI Sector
INTERMESTIC INC	3.66%	Consumer Discretionary
TENTIAL INC	2.39%	Consumer Discretionary
NS GROUP INC	1.57%	Real Estate
ICHIKEN CO LTD	2.23%	Industrials
CUC INC	1.53%	Health Care

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Performance



Source: SMDAM and Bloomberg, data as at 31 May 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	-1.05	5.16
3m	-7.93	-0.67
12m	19.90	42.69
3yr p.a.	22.93	25.01
5yr p.a.	17.87	16.64
Since Inception p.a. (28/02/17)	12.72	11.51

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 May 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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