

SMD-AM Funds

Société d'Investissement à Capital Variable

Registered Office: 80, route d'Esch

L-1470 Luxembourg

Grand Duchy of Luxembourg

R.C.S. Luxembourg: B 181.392

(the "**Company**")

NOTICE TO THE SHAREHOLDERS OF THE SUB-FUNDS

DSBI Japan Equity Small Cap Absolute Value

SMD-AM China A Shares Fund

SMD-AM Japan Mid Small Cap Value

SMD-AM Japan Equity High Conviction Fund

(each a "**Sub-Fund**", and collectively, the "**Sub-Funds**")

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS DOCUMENT, YOU SHOULD SEEK INDEPENDENT PROFESSIONAL FINANCIAL ADVICE.

The board of directors of the Company (the "**Board**") accepts full responsibility for the accuracy of the information contained in this document at the date of publication and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement misleading.

All capitalised terms used herein and not otherwise defined shall have the meaning ascribed to such terms in the Hong Kong Covering Document ("**HKCD**"), the prospectus of the Company (the "**Prospectus**") and the Product Key Facts Statements of the Sub-Funds (collectively, the "**Hong Kong Offering Document**").

Luxembourg, 17th March 2026

Dear Shareholder,

The Board would like to inform you of certain changes which will be made to the Company and its Sub-Funds.

Firstly, please find accompanying this letter a notice of an EGM and shareholder vote on the Articles of Association for the Company.

Secondly, and connected, we would like to inform you about changes to SMD-AM Japan Mid Small Cap Value and SMD-AM Japan Equity High Conviction Fund from 30th April 2026 (the "**Effective Date**"), as detailed in section A below.

Thirdly, please refer to section B for a list of other changes which will be made to the Company and the Sub-Funds in due course.

A. Changes to SMD-AM Japan Mid Small Cap Value and SMD-AM Japan Equity High Conviction Fund (the “Relevant Sub-Funds” for the purposes of this section)

- **Change to the cut-off time for subscriptions and redemptions**

The Relevant Sub-Funds currently have a cut-off time for subscriptions and redemptions of **4pm Central European Time (CET) on the business day prior to the dealing date**. When this change comes into effect, the new cut-off time for subscriptions and redemptions will be **1pm CET on the dealing date**.

This change will align the Relevant Sub-Funds with standard market practice.

In conjunction with the change to the global dealing cut-off time, the Hong Kong Dealing Cut-Off Time will also be changed, from “4:00pm (Hong Kong time) on the Hong Kong Business Day prior to the relevant Dealing Date” to “4:00pm (Hong Kong time) on a Hong Kong Business Day which is also a Dealing Date”.

- **Change to the settlement period for subscription and redemption prices**

In conjunction with the above amendment, the settlement period for payment of the issue and redemption prices will change from the current, **two (2) Business Days** after the Valuation Date, to **three (3) Business Days** after the Valuation Date.

- **Appointment of a pricing agent service**

To protect the Relevant Sub-Funds and their shareholders from the possibility of anyone taking advantage of material market information between the Japanese equity market close and the new shareholder dealing cut-off time, the Directors have approved the appointment of S&P Markit by the Fund as **Valuation Agent** for the Relevant Sub-Funds.

The Valuation Agent will apply a Fair Valuation Pricing Model using modelling techniques to allow them to price each underlying stock in the Relevant Sub-Funds’ portfolios for specific points in the day after the market closure under the supervision of the Management Company.

The Valuation Agent then supplies an adjustment factor and fair valued price to Brown Brothers Harriman (Luxembourg) S.C.A., the Depositary and Administrative Agent of the Company, to include in the Relevant Sub-Funds’ respective net asset value calculation on a daily basis. This can be done either on every Dealing Day or on days where the Fair Valuation Pricing Model indicates that market movement threshold has been reached, for instance where the model indicates that the market has fluctuated materially between the Japanese market close and the dealing cut-off time.

The Fair Valuation Pricing Model is then monitored by the Valuation Agent for its accuracy and ability to eliminate arbitrage opportunities and adjusted as necessary to continually improve the model and report back to the managers to ensure they understand the impact of their service.

The costs linked to the Valuation Agent will be charged to the Relevant Sub-Fund’s assets separately. These costs shall be calculated on a daily basis and be paid to the Valuation Agent. For the avoidance of doubt, the costs linked to the Valuation Agent fall under the administrative expenses as detailed in the “Other expenses” section of the Prospectus.

For the avoidance of doubt, these changes will not impact the delivery of Relevant Sub-Fund prices or contract notes. The changes will also not impact the Relevant Sub-Funds' investment objectives or investment principles. For the avoidance of doubt, while there will be no material change or increase in the overall risk profile of the Relevant Sub-Funds following the changes, investors should be aware that there are risks that due to the timing difference of securities trading and valuation of subscription/redemption application, the net asset value of the Relevant Sub-Funds for existing shareholders may potentially be affected in case of large cash inflow or outflow.

B. Other changes

The Hong Kong Offering Document will also be revised to reflect other miscellaneous updates set out below:

- Updates to the list of Directors of the Company, the list of Directors of the Management Company and the list of Conducting Officers of the Management Company in the Prospectus;
- Update to name of the Auditor pursuant to its internal reorganisation;
- Updates to reflect that the value of all securities which are listed on an official stock exchange is determined on the basis of the last available prices or, where there have been material price movements of applicable derivative markets or other proxies since the market close, then the fair value price as determined in good faith and prudently pursuant to the procedures established by the Board of Directors;
- Enhancements of disclosures to reflect that the Investment Manager may from time to time pay out of its fees, in its sole discretion but always in compliance with applicable laws and regulations, a portion of the fee payable to the Investment Manager as commission, retrocession, and or rebates;
- Enhancement of disclosures to reflect that the administrative expenses of the Company include payment to certain financial institutions for financial messaging services which aid the buying, selling and transferring of shares of Sub-Funds by investors;
- Updates to reflect that going forward, we will no longer issue specific notification of the availability of the financial reports. For the avoidance of doubt, you will continue to be able to obtain the financial reports in the same manner and within the same timeframe as specified in the Hong Kong Offering Document; and
- Other miscellaneous updates.

The Hong Kong Offering Document will be updated to reflect the changes described above, together with other miscellaneous updates. The latest Hong Kong Offering Document is available free of charge during normal working hours at the Hong Kong Representative's registered office at Suites 901 & 902, 9th Floor, Two Taikoo Place, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong and on the Company's website (<https://www.smd-am.hk/>)¹.

Should you require further information, please contact the Management Company, your financial advisor or your local distributor. You may also contact the Hong Kong Representative at the address above or by phone at (852) 2521 8883.

¹ This website has not been reviewed by the SFC.

Yours faithfully,

On behalf of the Board

**SMD-AM Funds (the “Fund”) -
SMD-AM Japan Mid Small Cap Value (the “Sub-Fund”)**

July 2025

SUMITOMO MITSUI DS ASSET MANAGEMENT

- ***This statement provides you with key information about SMD-AM Japan Mid Small Cap Value.***
- ***This statement is a part of the Hong Kong offering document.***
- ***You should not invest in this product based on this statement alone.***

Quick facts

| | |
|---|---|
| Management Company: | Vistra Fund Management S.A. |
| Portfolio Manager: | Sumitomo Mitsui DS Asset Management (UK) Limited (United Kingdom, external delegation) |
| Sub-Portfolio Manager: | Sumitomo Mitsui DS Asset Management Company, Limited (Japan, internal delegation) |
| Depository: | Brown Brothers Harriman (Luxembourg) S.C.A. |
| Ongoing charges over a year[#]: | <p>Class A (JPY) – 1.80%* Class A (USD (Hedged)) – 1.81%* Class A (USD (Unhedged)) – 1.80%* Class A (HKD (Hedged)) – 1.81%* Class A (HKD (Unhedged)) – 1.80%*</p> <p>* The ongoing charges figure is calculated based on the ongoing expenses chargeable to the relevant share class for the period from 10 October 2024 to 31 March 2025 expressed as an annualised percentage of the relevant share class’s average net asset value over the same period. This figure may vary from year to year.</p> <p># The ongoing charges of the share classes are capped at 1.80% of the average net asset value of the relevant share class (plus hedging costs for the hedged share classes). Any ongoing expenses exceeding 1.80% of the average net asset value of the relevant share class (plus hedging costs for the hedged share classes) will be borne by the Portfolio Manager and will not be charged to the relevant share class.</p> |
| Dealing frequency: | Daily, each day which is a full banking day and simultaneously a stock exchange day in Luxembourg, London and Tokyo |
| Base currency: | JPY |
| Dividend policy: | No dividend payments will be made (income, if any, will be reinvested) |
| Financial year end of the Sub-Fund: | 31 March |
| Minimum investment: | Class A (JPY, USD (Hedged), USD (Unhedged), HKD (Hedged) and HKD (Unhedged)) – JPY 200,000 (or the equivalent in other |

currencies) initial, JPY 100,000 (or the equivalent in other currencies) additional

What is this product?

- SMD-AM Japan Mid Small Cap Value is a sub-fund of SMD-AM Funds, a mutual fund domiciled in Luxembourg and its home regulator is *Commission de Surveillance du Secteur Financier*.

Objective and Investment Policy

Objective

The Sub-Fund adopts an active strategy using a fundamental approach and investing in undervalued stocks of small and mid-cap companies in which the Sub-Portfolio Manager can expect medium term growth by narrowing down all listed companies based on financial criteria (price-to-book value ratio – return on equity (PBR-ROE) approach^{*1}), while utilising artificial intelligence to identify stocks. Small and mid-cap companies in which the Sub-Fund may invest generally refer to all the companies listed on the stock exchanges in Japan except for those contained in the Russell/Nomura Top Cap Index and typically forming the bottom 50% in terms of float-adjusted market capitalization in Japan. The Sub-Fund may have exposures in stocks which have larger market capitalization. Artificial intelligence^{*2} is only used as a tool for identifying stocks and is not involved in investment decision-making. Proactive recommendations are made to approximately 70% of portfolio companies and address business issues aiming to improve their corporate value, taking into account actions taken to address management issues and awareness of risks that may arise in management. Certain companies may not be able to comply with or follow proactive recommendations for reasons including but not limited to the size of their investment.

No assurance can be given that the investment objective of the Sub-Fund will be achieved.

^{*1} price-to-book value ratio – return on equity (PBR-ROE) approach: PBR-ROE approach is used to select stocks on the basis of PBR and ROE. ROE is added because capital efficiency cannot be taken into account if a company is undervalued on the basis of PBR. This approach makes it possible to consider investments in companies that cannot be identified using the general value approach (undervalued judgments based on price earning ratio (PER) and PBR).

^{*2} Use of artificial intelligence (AI): AI is used in the strategy, but only to support universe research. It complements the analysis after learning the characteristics of the Sub-Portfolio Manager's stock research from time to time¹ and calculates a score for the potential investments of the Sub-Fund accordingly. The AI was originally developed jointly by the National Institute of Informatics and the Sub-Portfolio Manager and is currently operated as an in-house system. The score calculated by the AI is only used as a reference in the very early stages of the investment when selecting the universe. The AI is not involved in any of the subsequent stock selection processes. The AI is only used for Japanese listed companies. The AI is a proprietary tool and no fees or other compensation are charged for its use.

Policy

The Sub-Fund invests more than seventy-five percent (75%) of its total assets in Japanese equity securities of small and mid-cap companies (i.e. equities issued by small and mid-cap companies which are established or have significant operations in Japan). The Sub-Fund will be unrestricted in its choice of companies by sector.

The weight of a single issue will be subject to a maximum limit of 10% of the net assets of the Sub-Fund.

¹ Such as successful examples of “corporate change” which are extracted from a vast amount of corporate information.

The remaining part of the portfolio (if any) can be invested in money market instruments for ancillary investment purposes.

In addition, the Sub-Fund can hold up to 20% of its net assets in ancillary liquid assets (i.e. cash deposits at sight) for liquidity management purposes. Under exceptionally unfavourable market conditions and if justified in the interest of the investors, the Sub-Fund may temporarily for a period of time strictly necessary hold up to 100% of its net assets in cash and cash deposits at sight (such as cash held in current accounts).

For currency hedged share classes, currency positions may be established to hedge foreign currency exposure in relation to the relevant share classes to minimise any fluctuations between the class currency and the base currency of the Sub-Fund. The costs and effects of any such hedging will be reflected in the net asset value and in the performance of the relevant share classes.

The Sub-Fund may invest in financial derivative instruments for hedging and/or efficient portfolio management purposes and/or to manage foreign exchange risks.

The Sub-Fund is actively managed and uses “Russell/Nomura Mid-Small Cap Index” in JPY as a reference for performance comparison.

The Sub-Fund's investment target is to exceed the benchmark by 3%. Investors should note that the target return is not guaranteed and there may be significant periods of time during which the performance of the Sub-Fund will deviate from the target return.

The Sub-Fund does not aim to replicate or track the benchmark, and the investments of the Sub-Fund may deviate significantly from the components of the benchmark and their respective weightings.

Use of derivatives / investment in derivatives

The Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's net asset value.

What are the key risks?

Investment involves risks. Please refer to the offering document for details including the risk factors.

1. Investment risk

- The Sub-Fund's investment portfolio may fall in value due to any of the key risk factors below and therefore your investment in the Sub-Fund may suffer losses. There is no guarantee of the repayment of principal.

2. Currency risk

- A class of shares may be designated in a currency other than the base currency of the Sub-Fund. The net asset value of the Sub-Fund may be affected unfavorably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls.

3. Equity market risk

- The Sub-Fund's investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.

4. Risk associated with small-capitalisation / mid-capitalisation companies

- The stock of small-capitalisation / mid-capitalisation companies may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalisation companies in general.

5. Concentration risk

- The Sub-Fund's investments are concentrated in Japanese equity securities of small and mid-cap companies and may be concentrated in a specific industry sector. The value of the Sub-Fund may be more volatile than that of a fund having a more diverse portfolio of investments.
- The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the Japanese market.

6. Risk of specific investment strategy

Risk associated with PBR-ROE approach

- The PBR-ROE approach may not achieve the desired results under all circumstances and market conditions.

Risks of using AI scores as part of the investment process

- The AI learns the characteristics and habits of the Sub-Portfolio Manager's stock research, and AI scoring is used to reduce the time spent on research by the Sub-Portfolio Manager. Therefore, there is a risk that the Sub-Portfolio Manager's characteristics and habits may not be reflected in the scores. In the event of such AI deficiencies, the Sub-Portfolio Manager would have to perform all research on its own without the help of AI, increasing the time spent by the Sub-Portfolio Manager on research and leading to a significant deterioration in research efficiency.
- To manage this risk, verification can only be carried out by the Sub-Portfolio Manager and the Sub-Portfolio Manager carries out verification from time to time. Updates will be made from time to time to reflect the Sub-Portfolio Manager's characteristics and practices.

7. Risks relating to hedging and the hedged share classes

- There can be no assurance that any currency hedging strategy employed by the Sub-Fund will fully and effectively eliminate the currency exposure of the Sub-Fund.
- Hedging strategies may preclude investors from benefiting from an increase in the value of the Sub-Fund's base currency.
- Any expenses arising from such hedging transactions will be borne by the Sub-Fund or the relevant currency hedged class.

8. Risks associated with usage of financial derivative instruments ("FDIs")

- Risks associated with FDIs include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. The leverage element/component of an FDI can result in a loss significantly greater than the amount invested in the FDI by the Sub-Fund. Exposure to FDIs may lead to a high risk of significant loss by the Sub-Fund.
- There can be no assurance that the use of FDIs for hedging purposes will fully and effectively eliminate the risk exposure of the Sub-Fund. The use of FDIs and hedging strategies may be ineffective and the Sub-Fund may suffer substantial losses.

How has the Sub-Fund performed?

As the share classes available to retail investors in Hong Kong are newly activated, there is insufficient data to provide a useful indication of past performance to investors.

Is there any guarantee?

This Sub-Fund does not have any guarantees. You may not get back the full amount of money you invest.

What are the fees and charges?

Charges which may be payable by you

You may have to pay the following fees when dealing in the shares of the Sub-Fund.

| Fee | What you pay |
|--|---------------------|
| Subscription fee (subscription charge) (% of the gross subscription amount) | Nil |
| Front-end load (% of the gross subscription amount)* | Up to 5.0% |
| Redemption fee (redemption charge) (% of the gross redemption amount) | Nil |
| Switching fee (conversion charge) (% of the net asset value of the class you wish to convert from) | Nil |

* Investors should note that the front-end load represents additional fees in respect of subscriptions for shares payable to distributors through whom the investor invests. Investors should consult the relevant distributor on the amount of fees which will be charged.

Ongoing fees payable by the Sub-Fund

The following expenses will be paid out of the Sub-Fund. They affect you because they reduce the return you get on your investments.

Annual rate (unless otherwise specified below, as a % of the Sub-Fund's net asset value)

| | |
|--|---|
| Management Company Fee | Up to 0.05% p.a., subject to a minimum fee of EUR 30,000 p.a. |
| Investment Management Fee (Portfolio Management Fee) (% of the net asset value of the share class) | Up to 1.50% p.a. |
| Depository and Paying Agency Fee | Up to 0.04% p.a., subject to a minimum fee of EUR 2,250 per month, plus Luxembourg VAT [^] |
| Performance Fee | Not applicable |
| Registrar and Transfer and Administrative Agency Fee | Up to 0.08% p.a., subject to a minimum fee of EUR 2,250 per month, plus Luxembourg VAT [^] |

[^] For the avoidance of doubt, in addition to the annual fee rates as stated above, the Sub-Fund will be charged a fee based on the transaction amount of the Sub-Fund, and hence depending on the transaction amount of the Sub-Fund, these fees can also be higher.

Other fees

You may have to pay other fees and charges when dealing in the shares of the Sub-Fund. The Sub-Fund will also bear the costs which are directly attributable to it, as set out in the "CHARGES OF THE COMPANY" section of the Prospectus.

Additional Information

- You generally buy and redeem shares at the Sub-Fund's next-determined net asset value (NAV) after the Hong Kong Representative or authorised distributor has received your request in good order on or before 4:00 p.m. (Hong Kong time) being the dealing cut-off time, on the business day prior to the relevant dealing date. The authorised distributor(s) may impose different dealing deadlines for receiving instructions for subscriptions, redemptions or conversions. Investor should pay attention to the arrangements of the authorised distributor concerned.
- The net asset value of this Sub-Fund is determined and the price of shares is published on each dealing date which is a valuation date. They are available on the Fund's website at <https://www.smd-am.hk/>*.
- You may obtain the past performance information of other share classes offered to Hong Kong investors on the Fund's website at <https://www.smd-am.hk/>*.

** Please note that this website has not been reviewed by the SFC.*

Important

If you are in doubt, you should seek professional advice.

The SFC takes no responsibility for the contents of this statement and makes no representation as to its accuracy or completeness.