

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-FUND

DSBI Japan Equity Small Cap Absolute Value

(the "Sub-Fund")

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, 16 October 2026

Dear Shareholder,

The Board would like to inform you of a change to the Sub-Fund mentioned above from 17 November 2026.

Introduction of swing pricing for the Sub-Fund

The Prospectus will be updated to introduce the possibility to use additional liquidity management tools for the Sub-Fund to comply with the requirements of Directive (EU) 2024/927 of the European Parliament and of the Council of 13 March 2024 amending Directives 2011/61/EU and 2009/65/EC as regards delegation arrangements, liquidity risk management, supervisory reporting, the provision of depositary and custody services and loan origination by alternative investment funds ("**AIFMD II**"). With respect to the Prospectus, the Board has decided to update section "Swing Pricing" of the Prospectus to introduce a swing pricing mechanism in the Sub-Fund, in line with the requirements of AIFMD II. Details of the swing pricing mechanism are set out in the section "Swing Pricing" in the Prospectus and extracted in the Appendix to this notice.

For the avoidance of doubt, these changes will not impact the Sub-Fund's investment objectives or investment principles.

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.

If you are not in agreement with the change described above, you may request the redemption of your shares free of any redemption charges until 16 November 2026.

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.

Yours faithfully,

On behalf of the Board

¹ This website has not been reviewed by the SFC.

Appendix

SWING PRICING

A Sub-Fund may suffer a reduction in value as result of the transaction costs (including but not limited to the bid/ask spread, transaction costs, transaction taxes and other tax related matters, market impact,) incurred in the purchase and sale of its underlying investments and of the spread between the buying and selling prices of such investment caused by subscriptions and redemptions.

In order to ensure the best interests of the Shareholders of a relevant Sub-Fund, the Company may use a swing pricing mechanism. This mechanism gives, under certain circumstances, the Board of Directors the power to adjust the Net Asset Value of a Sub-Fund up or down to mitigate the effect of transaction costs on the Net Asset Value of that Sub-Fund by significant subscriptions or redemptions.

The Company uses a partial swing pricing mechanism, meaning that if on any Valuation Date the difference between subscriptions and redemptions (represented in a percentage of a Sub-Fund's Net Asset Value), exceeds a threshold (the "**Threshold Rate**") set by the Board of Directors from time to time for the relevant Sub-Fund, the Net Asset Value of the Sub-Fund will be adjusted up or down by an amount not exceeding 2% of the Net Asset Value of a Sub-Fund under normal market conditions (the "**Adjustment Rate**").

The Adjustment Rate may be significantly higher under exceptional market conditions such as periods of high volatility, reduced asset liquidity and market stress.

The Threshold Rate is set by the Board of Directors taking into account factors such as market conditions, estimated dilution costs and the size of the relevant Sub-Fund. The Adjustment Rate for each Sub-Fund is established by the Board of Directors based on its size, the characteristics of investable securities and expected investors and may be different between Sub-Funds. Any changes in the Threshold Rate or Adjustment Rate for a Sub-Fund must be approved by the Board of Directors.

The swing pricing mechanism is applied to the capital activity at the level of a Sub-Fund and does, therefore, not address the specific circumstances of each Shareholder transaction. If the Net Asset Value is decreased pursuant to the application of the Adjustment Rate, Shareholders who redeem their Shares on that Valuation Date will effectively receive a lesser amount to offset the estimated dealing costs.

Until the Threshold Rate is triggered, no Net Asset Value adjustment is applied and the transaction costs will be borne by the Sub-Fund.

Swing pricing mechanism will not benefit the Management Company or the Portfolio Manager in any way. It is designed to treat all Shareholders of a specific Sub-Fund fairly.