

SMD-AM Funds

SMD-AM Japan Equity High Conviction Fund

For Professional Investors Only

Important Information

SMD-AM Japan Equity High Conviction Fund's (the "Fund") invests in Japanese equity securities (i.e. equities issued by companies which are established or have significant operations in Japan). The Fund will be unrestricted in its choice of companies by sector or by size (including micro-capitalisation, small-capitalisation, mid-capitalisation and large-capitalisation companies). The investment portfolio may fall in value due to any of the key risk factors below and therefore your investment in the Fund may suffer losses. There is no guarantee of the repayment of principal.

A class of shares may be designated in a currency other than the base currency of the Fund. The net asset value of the 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.

The 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.

The stock of micro-capitalisation / 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.

The high conviction strategy may not achieve the desired results under all circumstances and market conditions.

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

The Fund may use financial derivative instruments for hedging and/or efficient portfolio management purposes and/or to manage foreign exchange risks. There is however no guarantee that the financial derivative instruments employed by the manager will be successful. In an adverse situation, the Fund may suffer significant losses from its use of financial derivative instruments. Investors should refer to the Fund's offering document in order to fully understand the associated risk factors. Investors should not base any of their investment decisions solely on this marketing material alone.

Sumitomo Mitsui DS Asset Management Company, Limited hereinafter referred to as "SMDAM". And Sumitomo Mitsui DS Asset Management (UK) Limited hereinafter referred to as "SMDAM (UK)".

Monthly Review

In early November, concerns about high valuations, especially among AI-related stocks, increased due to the decline in U.S. high-tech stocks. However, expectations for the reopening of U.S. government agencies led to a mixed market. In the middle of the month, there were periods of gains driven by interest in companies with strong earnings. These gains were offset by concerns over worsening Japan-China relations. In late November, investor sentiment improved, and the market rose again, supported by renewed expectations for rate cuts following comments from senior officials of the Federal Reserve Board (FRB).

By sector, mining, real estate, and construction outperformed the market, while information and communications, shipping, and machinery underperformed.

Our fund underperformed TOPIX Total Return Index in November 2025 due to negative stock selection effect.

Main contributors include the following stocks.

KAJIMA CORP: The stock price rose, supported by favorable market response to the upward revision of profit forecast for the fiscal year ending March 2026, projecting a 23% increase and record-high profits.

MITSUI FUDOSAN CO LTD: The stock price rose, supported by favorable market response to strong quarterly revenue and profit growth driven by robust performance in the management segment and gains from the sale of investment securities, as well as an upward revision of the full-year outlook.

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INPEX CORP: The stock price rose, supported by favorable market response to the upward revision of the full-year outlook, as steady production and sales of crude oil and natural gas offset the impact of lower crude oil prices in the recent quarterly results.

Main detractors include the following stocks.

DISCO CORP: The stock price declined, as profits fell short in the earnings announcement released on October 30, and AI and semiconductor-related stocks experienced profit-taking across the market in November.

MITSUBISHI HEAVY INDUSTRIES: The stock price declined, as investors were disappointed that, despite higher revenue and profit in the recent quarterly results, losses from thermal power plant construction weighed on performance, resulting in only an upward revision to full-year sales and not to profits.

FURUKAWA ELECTRIC CO LTD: The stock price declined, following the downturn in U.S. AI and semiconductor-related stocks since mid-November.

Top 3 Contributors

Share Name	MSCI Sector
KAJIMA CORP	Industrials
MITSUI FUDOSAN CO LTD	Real Estate
INPEX CORP	Energy

Top 3 Detractors

Share Name	MSCI Sector
DISCO CORP	Information Technology
MITSUBISHI HEAVY INDUSTRIES	Industrials
FURUKAWA ELECTRIC CO LTD	Industrials

Looking Ahead

We expect the Japanese stock market to remain range-bound at elevated levels. After a temporary slowdown in the global economy caused by higher U.S. tariffs, we anticipate a recovery supported by U.S. interest rate cuts and fiscal stimulus measures in major countries. Domestically, the positive effects of proactive economic policies are expected to boost the economy, and corporate earnings are likely to continue improving. Progress in corporate governance reforms among Japanese companies is also expected to be a medium-term driver for higher stock prices.



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However, in situations where valuations appear overheated, lingering uncertainties regarding the pace of U.S. interest rate cuts and concerns about domestic long-term interest rates may limit further upside in stock prices.

Source: SMDAM, as of 30/11/2025

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