

SMD-AM Funds

SMD-AM Japan Mid Small Cap Value

For Professional Investors Only

Important Information

SMD-AM Japan Mid Small Cap Value's (the "Fund") investments are concentrated 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 Fund will be unrestricted in its choice of companies by sector. 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 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 PBR-ROE approach may not achieve the desired results under all circumstances and market conditions.

The 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 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

The Japanese stock market rose in October.

In the early part of the month, the market increased on heightened expectations for expansionary fiscal policies following the election of Ms. Takaichi as the president of the Liberal Democratic Party.

In the middle of the month, although there were moments of concern due to the withdrawal of the Komeito Party from the coalition and the rekindling of U.S.-China trade friction worries, the market was supported by the establishment of a coalition between the Liberal Democratic Party and the Japan Innovation Party, leading to further gains.

In the latter part of the month, the market gained momentum as it navigated the monetary policy meetings in both Japan and the U.S., as well as summit meetings between Japan and the U.S., and between the U.S. and China, without any major disruptions.

Additionally, strong earnings reports from overseas tech companies bolstered AI-related stocks.

By industry, non-ferrous metals, electrical equipment, and information & communication outperformed the market, while insurance, services, and pulp & paper underperformed.

In Oct 2025, our fund outperformed Russell/Nomura Mid-Small Cap Index due to the positive stock selection effect.

Main contributors include the following stocks.

SUMITOMO ELECTRIC INDUSTRIES: The recent earnings announcement was favorable. The information and communication-related business saw significant growth, and the automotive-related business also remained steady. Efforts to improve productivity and reduce costs were successful, leading to an upward revision of the full-year forecast, which was well-received.

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EBARA CORP: The stock price increased as the company's proactive approach to investing in semiconductor equipment, driven by the growing demand for AI, was positively received.

FUJI ELECTRIC CO LTD: The steady rise in stock prices continues. Positive reception due to the anticipated growth of power systems for data centers and ICT-related businesses for educational institutions exceeding expectations.

Main detractors include the following stocks.

PAL GROUP HOLDINGS: Stock prices continued to decline due to concerns about poor sales of autumn and winter products predicted by warm autumn and winter forecasts, a reduction in same-store sales and a decrease in gross profit margin in the latest earnings report, and increased import costs caused by the weaker yen.

JIMOTY INC: Stock prices continued to decline due to a slowdown in sales growth, stagnation in advertising revenue, and worsening profit margins resulting from increased investment burdens.

CCI GROUP INC: Stock prices have slumped due to recent weak performance, including stagnation in sales, a slowdown in net profit margin, and a decline in the equity ratio.

Top 3 Contributors

| Share Name | MSCI Sector |
|------------------------------|------------------------|
| SUMITOMO ELECTRIC INDUSTRIES | Consumer Discretionary |
| EBARA CORP | Industrials |
| FUJI ELECTRIC CO LTD | Industrials |

Top 3 Detractors

| Share Name | MSCI Sector |
|---------------------------|------------------------|
| PAL GROUP HOLDINGS CO LTD | Consumer Discretionary |
| JIMOTY INC | Communication Services |
| CCI GROUP INC | Financials |

Looking Ahead

We will pay attention to the companies that have increased or are likely to increase the market share of their products in Japan without resorting to a low-price strategy.

We will also maintain our focus on the companies that have increased shareholder returns as well as names with high free cash flow (FCF) yields.

Source: SMDAM, as of 31/10/ 2025

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