

## 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 January.

Defense-related shares, buoyed by escalating international geopolitical tensions, and gains in U.S. high-tech stocks helped drive the market higher at the start of the month. Subsequently, expectations for a more stable political foundation and smoother policy implementation grew on the back of speculation about the dissolution of the House of Representatives, pushing the market up further.

From mid-month onward, however, concerns over growing U.S.-European tensions regarding Greenland and a rapid appreciation of the yen—triggered by speculation about rate checks by the Japanese and U.S. monetary authorities (the practice of inquiring with major banks about conditions in the foreign exchange market as a precursor to possible FX intervention)—weighed on sentiment, narrowing the market's gains.

By sector, nonferrous metals, petroleum and coal products, and machinery outperformed the broader market, while services, information and communication, and other products underperformed.

**In Jan 2026, our fund outperformed by Russell/Nomura Mid-Small Cap Index due to a positive stock selection effect.**

Main contributors include the following stocks.

- EBARA CORP

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The share price rose as investors welcomed the increasing importance of CMP equipment—an area where the company has a strong advantage—in the production of high-performance memory such as HBM, which is essential for generative AI.

- CCI GROUP INC

The share price rose on expectations of improved profits (wider interest margins) driven by higher domestic interest rates.

- NIHON DENGI CO LTD

The share price rose on expectations of a sharp increase in demand for air-conditioning instrumentation, driven by a wave of new data center construction.

Main detractors include the following stocks.

- FUJI ELECTRIC CO LTD

The share price fell, as investors were disappointed by a brokerage report cutting its target price and by the lack of an earnings upgrade in the latest quarterly results.

- SANWA HOLDINGS CORP

The share price fell on concerns that rising interest rates will cool the housing and construction markets.

- SUZUKI MOTOR CORP

Weakening sales momentum in its key Indian market, due to softer middle-class demand and intensifying competition, led to a decline in subsidiary Maruti Suzuki’s share price, which became a negative factor.

#### Top 3 Contributors

Share Name	MSCI Sector
EBARA CORP	Industrials
CCI GROUP INC	Financials
NIHON DENGI CO LTD	Industrials

#### Top 3 Detractors

Share Name	MSCI Sector
FUJI ELECTRIC CO LTD	Industrials
SANWA HOLDINGS CORP	Industrials
SUZUKI MOTOR CORP	Consumer Discretionary

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#### < Focus Stock >

IBJ, Inc. (6071): IBJ, Inc. primarily provides matchmaking services, including marriage consultation agencies and platform services for these agencies. Additionally, in recent years, the company has been actively expanding its peripheral businesses to broaden its business scope. We believe that the improvement in the public perception of matchmaking services will further drive the company's performance. Moreover, the company's aggressive M&A activities are also contributing to its performance growth, and we expect these to continue. We anticipate significant synergies to emerge from these efforts.

#### 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 31/01/2026

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