

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 dipped in March.

Geopolitical risks increased following the conflicts in the Middle East, and the market opened lower amid concerns that the sharp rise in energy prices would slow the economy. Later, when the rise in crude oil prices paused following remarks by President Trump, some buying back was also seen. However, the market remained weak toward the end of the month due to the FOMC indicating a cautious stance toward near-term rate cuts, growing wariness over a possible interest rate hike at the Bank of Japan's April monetary policy meeting amid high inflation, and concerns about a prolonged conflict following reports that the U.S. had begun preparations for boots on the ground.

By sector, mining, marine transportation, and insurance outperformed the market, while rubber products, air transportation, and machinery underperformed.

Our fund underperformed both the TOPIX (including dividends) and the Russell/Nomura Small Cap Index (including dividends) mainly due to a negative allocation effect.

Main contributors include the following stocks.

- **MODEC INC**

The share price rose as a major new floating production facility neared completion, driving positive sentiment alongside a strategic push to accelerate offshore projects. This operational

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progress, combined with momentum from earlier earnings revisions, supported a robust growth outlook and an upward trajectory throughout the month.

- JIMOTY INC

There was no particular stock-specific news. Secondhand product business could benefit from sentimental changes due to consumers’ concern about geopolitical conflicts.

- VERTEX CORP/JAPAN

The share price rose sharply after the company upwardly revised its dividend forecast and recognized extraordinary gains, signaling stronger-than-expected financial health. Market demand was further fueled by an improved performance outlook and ongoing preparations for a strategic listing upgrade to the Prime Market.

Main detractors include the following stocks.

- FUJI ELECTRIC CO LTD

While we remain bullish on the name, seeing upside potential in its energy sector and power semiconductor sector for factory automation, the share price dropped due to the concerns on conflicts in Middle East may result in CAPEX pullback among hyperscalers.

- TOKYO TATEMONO CO LTD

While the earnings result and forecast remain solid, conflicts in Middle East caused the rise in long term JGB yield and put downward pressure on the share price.

- EBARA CORP

While the earnings result and forecast remain solid, the concerns about conflicts in Middle East may result in CAPEX pullback for semiconductors around the world put downward pressure on the share price.

Top 3 Contributors

Share Name	MSCI Sector
MODEC INC	Energy
JIMOTY INC	Communication Services
VERTEX CORP/JAPAN	Materials

Top 3 Detractors

Share Name	MSCI Sector
FUJI ELECTRIC CO LTD	Industrials
TOKYO TATEMONO CO LTD	Real Estate
EBARA CORP	Industrials

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< Focus Stock >

Yonex Co. Ltd: Since the appointment of the current CEO, we believe that it has undergone significant changes, including a comprehensive overhaul of its marketing strategy and an acceleration of investment in IT. Following a share price correction driven by concerns about worsening Japan–China relations, we raised our position in Yonex. We consider that the market environment will continue to support steady growth going forward. Against this backdrop, we see the company’s globally recognized brand gaining traction worldwide, which in turn is contributing to market share expansion. We are of the view that by executing its stated global growth strategy, Yonex can continue to evolve its business model while delivering sustainable growth.

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 31/03/2026

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