Sumitomo Mitsui DS Asset Management

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 domestic stock market rose.

In the first half of the month, the market declined due to stronger expectations for interest rate hikes following solid U.S. economic data, uncertainty surrounding U.S.-Iran tensions, and investor caution ahead of the monetary policy meetings in Japan and the U.S. Afterward, the market rebounded as the U.S. and Iran agreed to end hostilities and the monetary policy meetings in Japan and the U.S. passed without incident, with TOPIX reaching a new all-time high. Toward the end of the month, however, gains narrowed as profit-taking emerged amid signs of short-term overheating.

By sector, electrical equipment, banks, and services outperformed the market, while wholesale trade, information & communication, and oil & coal products underperformed.

Our fund underperformed the Russell/Nomura Small Cap Index (including dividends) mainly due to our exposure to value factor.

Main contributors include the following stocks.

- NAGANO KEIKI CO
  The stock hit an all-time high in June 2026, driven by strong global demand for its high-precision pressure sensors used in semiconductor manufacturing equipment and hydrogen stations.
- DAIDO METAL

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The demand for its automotive and industrial bearings remains strong. The share price was further supported by an increasing market focus on correcting undervalued stocks and its active share buyback program.

- SHIGA BANK
  Along with other regional banks, Shiga Bank benefited from rising domestic interest rate expectations in Japan following the Bank of Japan's hawkish policy outlook, in anticipation of improved net interest margins and lending profitability.

Main detractors include the following stocks.

- KIOXIA HOLDINGS CORP
  The share price increased significantly due to the strong demand for its high-capacity NAND flash memory powering generative AI infrastructure. Due to valuation concerns we held the name underweight.
- FUJI ELECTRIC CO LTD
  The stock suffered a sudden drop in late June following the highly publicized news that two employees were detained by Chinese customs authorities. This unexpected geopolitical risk triggered the selling.
- TOYOTA TSUSHO CORP
  Slowdown in Toyota's global automobile sales and cooling commodity prices put downward pressure on the share price.

Top 3 Contributors

Share Name	MSCI Sector
NAGANO KEIKI CO LTD	Information Technology
DAIDO METAL CO LTD	Consumer Discretionary
SHIGA BANK LTD/THE	Financials

Top 3 Detractors

Share Name	MSCI Sector
KIOXIA HOLDINGS CORP	Information Technology
FUJI ELECTRIC CO LTD	Industrials
TOYOTA TSUSHO CORP	Industrials

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＜Focus Stock＞

Hamamatsu Photonics K.K.: A leading optoelectronic device manufacturer whose optical sensors and lasers are widely utilized in various fields, including academic research, medical equipment, and semiconductors. Faced with intensifying competition in recent years, the company has been reforming its previously siloed, division-centric structure to foster greater cross-divisional collaboration, with the aim of shifting away from single-product sales. Furthermore, the company's awareness of capital efficiency has been improving, and it has begun taking steps to reduce inventory levels and improve its cash conversion cycle (CCC).

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 30/06/2026

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