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

Japan equity market performance diverged significantly in July, while Nikkei 225 declined more than 8%, TOPIX was broadly flat compared with the end of the previous month.

Downward pressure came from falling semiconductor stocks in the U.S. and South Korea, concerns over excessive AI investment, and renewed tension in the Middle East, which pushed up crude oil prices and heightened inflation concerns. On the other hand, financial stocks rose on the back of higher domestic interest rates, and investors also bought companies with strong earnings. In addition, at the end of the month, semiconductor stocks rebounded sharply following strong results from major U.S. IT companies, which helped lift the market.

By sector, shipping, rubber products, and steel outperformed the market, while nonferrous metals, glass and stone products, and electrical equipment underperformed.

Our fund slightly underperformed the Russell/Nomura Small Cap Index (including dividends).

Main contributors include the following stocks.

- KIOXIA HOLDINGS CORP
  Held underweight for risk control purposes. The share price encountered short-term volatility stemming from a sector-wide market rotation in semiconductor stocks. Nevertheless, underlying performance remained solid, supported by recovering demand for memory and SSDs in AI data centers.

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- S&B FOOD INC
  The share price advanced significantly after the company raised its interim earnings forecast alongside solid quarterly results. Strong sales in core spice and seasoning product categories, price adjustments, and favorable cost dynamics boosted market confidence, driving the stock higher.
- TOYOTA TSUSHO CORP
  The stock trended upward following strong quarterly financial results that led to an upward revision in full-year net profit guidance. Solid earnings growth across automotive, trading, and energy-related divisions reinforced investor expectations of record full-year profitability.

Main detractors include the following stocks.

- SUMITOMO ELECTRIC INDUSTRIES
  Despite reporting strong operational performance and raising its full-year earnings guidance, the stock experienced downward pressure later in the month.
- MINEBEA MITSUMI INC
  The share price declined due to a broader market rotation away from technology, semiconductors, and electronic component stocks.
- C UYEMURA & CO LTD
  The stock faced downward pressure as part of a sector-wide market rotation out of AI and semiconductor-related supply chain equities. Although demand for advanced surface treatment materials remained structurally sound, short-term valuation adjustments and profit-taking pulled the stock lower.

Top 3 Contributors

Share Name	MSCI Sector
KIOXIA HOLDINGS CORP	Information Technology
S & B FOODS INC	Consumer Staples
TOYOTA TSUSHO CORP	Industrials

Top 3 Detractors

Share Name	MSCI Sector
SUMITOMO ELECTRIC INDUSTRIES	Consumer Discretionary
MINEBEA MITSUMI INC	Industrials
C UYEMURA & CO LTD	Materials

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＜Focus Stock＞

Daido Steel Co., Ltd: The company is in the process of transforming its business portfolio. Despite the more-than-expected drag from softness in its core end markets, the company is striving to deliver sustained growth via an expanded product lineup targeting high-growth markets and a proactive M&A strategy. In particular, we expect growth in high-value-added specialty alloys used in applications such as aircraft components.

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 31/07/2026

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