

SMD-AM Funds

DSBI Japan Equity Small Cap Absolute Value

For Professional Investors Only

Important Information

DSBI Japan Equity Small Cap Absolute Value's (the "Fund") investments are concentrated in Japan small-and-micro-cap equity securities 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 Fund's 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. Underlying investments of the Fund may be denominated in currencies other than the base currency of the Fund. Also, 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 stock of micro-capitalisation / small-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 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. There can be no assurance that any currency hedging strategy employed by the Fund will fully and effectively eliminate the currency exposure of the Fund. Hedging strategies may preclude investors from benefiting from an increase in the value of the Fund's base currency. Any expenses arising from such hedging transactions will be borne by the Fund or the relevant currency hedged class.

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.

Amid rapidly changing U.S. trade policies and Japan's political landscape, a mix of optimism and pessimism was observed.

As a result, investors concentrated their focus on large AI-related stocks, leading to a significant rise in the TOPIX (including dividends), while the Russell/Nomura Small Cap Index (including dividends) saw only a slight increase.

Our fund, which primarily includes smaller-cap stocks and holds few AI-related stocks, experienced a decline in October 2025, contrary to the overall market trend.

Given the intense stock price fluctuations and the extreme bias in investment trends, we feel that the optimistic market conditions that have persisted since April are now reaching their final phase.

We believe the risk of a pullback is increasing, but once an adjustment occurs, the market is likely to shift towards stock picking based on company fundamentals.

Small-cap value stocks have been undervalued and left behind, and compared to large-cap stocks, they have greater potential for shareholder return enhancements.

Therefore, we consider them to be promising investment targets.

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Main contributors include **SOKEN CHEMICAL & ENGINEERING, NIPPON SHARYO LTD and AISAN INDUSTRY CORP.**

For SOKEN CHEMICAL & ENGINEERING, there were no specific individual materials. The upward trend in stock prices that began in the latter half of June has continued.

For NIPPON SHARYO LTD, in addition to expectations of a takeover bid (TOB), stock prices rose due to anticipation of increased railway vehicle orders in Asia.

For AISAN INDUSTRY CORP, positive factors included increased production of Toyota vehicles, the progression of the yen's depreciation, and the alleviation of concerns over Trump's tariffs.

Main detractors include **TENTIAL INC, RAKSUL INC and PROGRIT INC.**

For TENTIAL INC, the downward trend has continued. Due to stagnant growth in e-commerce sales and increased advertising expenses, operating profit was squeezed, leading to disappointing financial results that fell short of market expectations.

For RAKSUL INC, the downward trend has continued. The stagnation in sales within the advertising business (Nobacel) has had an impact.

For PROGRIT INC, despite achieving significant increases in revenue and profit due to the growth of its core English coaching services and the launch of new services, profit-taking sales spread after the earnings announcement.

Top 3 Contributors

Share Name	MSCI Sector
SOKEN CHEMICAL & ENGINEERING	Materials
NIPPON SHARYO LTD	Industrials
AISAN INDUSTRY CO LTD	Consumer Discretionary

Top 3 Detractors

Share Name	MSCI Sector
TENTIAL INC	Consumer Discretionary
RAKSUL INC	Industrials
PROGRIT INC	Consumer Discretionary

Source: SMDAM, as of 31/10/2025

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