

## 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

**In December, the Japanese stock market regained some stability.** Both the TOPIX (including dividends) and the Russell/Nomura Small Cap Index with Dividend rose. Value stocks were favored regardless of market capitalization. **The fund's strict focus on value investing proved effective, enabling it to outperform the Russell/Nomura Small Cap Index with Dividend in December 2025.**

Although political and economic risks are rising globally, share prices have continued to rise. We therefore judge that the risk of a market correction has increased. However, after a correction phase, we expect investors to shift their focus on solid corporate fundamentals.

We regard small- and mid-cap value stocks as attractive investment opportunities, as they have been overlooked by investors and remain undervalued, while also retaining greater potential for enhanced shareholder returns compared with large-cap stocks. The fund will continue to apply a disciplined value-investing approach going forward.

**Main contributors include the following names.**

1. RAKSUL INC

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The share price rose sharply, as the company announced after the close of trading on the 11th that a newly established entity, formed for the purpose of acquiring its shares as part of an MBO, would launch a tender offer (TOB), and this news was well received.

## 2. ZERO CO LTD

There was no specific stock-related news. In a market environment where value stocks were favored, attention shifted to the attractiveness of the company's inexpensive valuation.

## 3. BEAUTY GARAGE INC

The share price rose, as the acquisition of Alc, a wholesaler and distributor of medical devices to medical and aesthetic clinics, fueled expectations of synergies with the company's existing businesses.

**Main detractors include the following names.**

## 1. USONAR CO LTD

The share price declined, due to selling pressure from venture capital and other shareholders following the lock-up expiration, as well as a reaction to the sharp rally in November.

## 2. CUC INC

The share price remained on a downward trend, as misconduct at peer companies, combined with reports that the government would launch a comprehensive investigation into hospice housing and psychiatric home-visit nursing, was seen as a negative factor.

## 3. SUNCALL CORP

Although the company's fundamentals are viewed as remaining solid, investors engaged in profit-taking following the previous share price gains.

**Top 3 Contributors**

Share Name	MSCI Sector
RAKSUL INC	Industrials
ZERO CO LTD	Industrials
BEAUTY GARAGE INC	Consumer Discretionary

**Top 3 Detractors**

Share Name	MSCI Sector
USONAR CO LTD	Communication Services
CUC INC	Health Care
SUNCALL CORP	Consumer Discretionary

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Source: SMDAM, as of 31/12/2025

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