

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 January. Extreme investment themes drew attention again.

Stocks related to artificial intelligence, resources, and regional banks, which rose last autumn, were bought in turn and pushed the market up. With their contribution, both the TOPIX (total return) and the Russell/Nomura Small Cap Index (total return) rose steadily. However, our fund holds very few of these themes. **As a result, our return was limited and underperformed the Russell/Nomura Small Cap Index with Dividend in January 2026.**

Main contributors include the following names.

1. RAKSUL INC

The positive impact from the management buyout (MBO) announcement in December has persisted, supporting a firm share-price tone.

2. PROGRESS TECHNOLOGIES GROUP

The share price rose, supported by strong operating profit growth in the latest earnings announcement, as well as the market's positive reaction to the company's decision to pay a dividend and launch a share buyback.

3. MIMAKI ENGINEERING CO LTD

There were no notable company-specific developments. The share-price rebound that began in mid-December of last year has continued.

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Main detractors include the following names.

1. USONAR CO LTD

There were no company-specific news catalysts. However, concerns that AI could potentially replace certain SaaS functions triggered broad selling pressure across SaaS and IT-related stocks, including this company.

2. INTERMESTIC INC

There were no notable company-specific news catalysts. The downward trend in the share price that began in early September last year has continued.

3. TENTIAL INC

Although the latest earnings results did not reveal any material concerns, profit-taking activity broadened across the market, resulting in a decline in the company’s share price.

Top 3 Contributors

Share Name	MSCI Sector
RAKSUL INC	Industrials
PROGRESS TECHNOLOGIES GROUP	Information Technology
MIMAKI ENGINEERING CO LTD	Information Technology

Top 3 Detractors

Share Name	MSCI Sector
USONAR CO LTD	Communication Services
INTERMESTIC INC	Consumer Discretionary
TENTIAL INC	Consumer Discretionary

Source: SMDAM, as of 31/01/2026

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