

## 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 May, aggressive CAPEX toward data centers continued to attract attention, following the previous month, and semiconductor-related and electronic component-related stocks were bought up significantly. Since many of these stocks are large-cap stocks, the TOPIX (including dividends) rose by +6.23%, while the Russell/Nomura Small Cap Index (including dividends) posted a slightly smaller gain of +5.16%.

The return of our fund was limited to -1.11% because our fund holds very few semiconductor-related or electronic component-related stocks. In addition, small-value was less of a factor favored by the market.

We increased our holdings in stocks that had fallen in price and had become more undervalued, and which were out of favor with the market. On the other hand, we sold some stocks that had risen significantly because of narrow market breadth in their respective themes.

The stock market has become even more volatile recently. We do not expect the Iran issue to be resolved smoothly, and we believe that the risk of pullbacks is increasing, especially for stocks that have risen sharply in recent sessions. By thoroughly adhering to value investing, our fund aims to suppress downside risk while pursuing long-term gains.

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#### **Main contributors include the following names.**

1. MIMAKI ENGINEERING CO LTD

The share price rebounded significantly as the company announced an upward revision to its full-year earnings and a dividend increase, achieving record profits for the fourth consecutive year driven by strong sales of industrial printers and favorable currency effects.

2. CELSYS INC

The share price rose sharply following the announcement of its record-high first-quarter results. Operating profit surged by nearly 60% year-on-year, driven by the strong performance of its flagship "CLIP STUDIO PAINT" subscription model and a major version update.

3. NANKAI CHEMICAL CO LTD

The share price surged after the company released a highly positive full-year earnings report, which included strong guidance forecasting a 35% increase in operating profit for the new fiscal year along with a dividend increase.

#### **Main detractors include the following names.**

1. INTERMESTIC INC

Despite announcing strong first-quarter results and an upward revision to its full-year profit forecast, driven by solid sales of sunglasses, the share price declined due to profit-taking following its recent strong rally.

2. TENTIAL INC

The share price experienced a correction and declined due to profit-taking. The stock had surged massively in the previous month following an upward revision, leaving a high balance of margin buyers that created short-term selling pressure.

3. NS GROUP INC

There was no specific stock-related news. Despite solid earnings results, the share price declined as investors engaged in profit-taking after the stock's solid performance in the previous months.

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#### Top 3 Contributors

Share Name	MSCI Sector
MIMAKI ENGINEERING CO LTD	Information Technology
CELSYS INC	Information Technology
NANKAI CHEMICAL CO LTD	Materials

#### Top 3 Detractors

Share Name	MSCI Sector
INTERMESTIC INC	Consumer Discretionary
TENTIAL INC	Consumer Discretionary
NS GROUP INC	Real Estate

Source: SMDAM, as of 31/05/2026

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