Sumitomo Mitsui DS Asset Management

SMD-AM Funds
DSBI Japan Equity Small Cap Absolute Value

For Professional Investors Only

Monthly Review

In July, the stock market's trend shifted dramatically. Concerns emerged over the profitability and funding of U.S. data center investment, which had been driving the market up until then. As a result, related stocks such as semiconductors and electronic components sold off sharply, while capital flowed into domestic-demand sectors and automobile-related stocks that had previously been out of favor. Large-cap value stocks were bought as safe havens, pushing the TOPIX (including dividends) up by 0.22%. However, the inflow into small-cap value stocks was relatively limited, and the Russell/Nomura Small Cap Index (including dividends) fell by 0.97%.

In July, our fund outperformed the benchmark by 6.59%.

Because the shift in market rotation in July was so abrupt, semiconductors, electronic components, and other related stocks have shown a rebound since the start of August. Even so, these names remain significantly higher than at the beginning of the year, and if concerns about data center investment resurface, there is a risk that they could plunge again. Our fund will continue to focus strictly on value investing in order to limit downside risk while aiming for long-term gains.

Main contributors include the following names.

1. Northsand Inc
   The share price remained in a high-range following strong progress in first- quarter financial results and expectations of record full-year profits. Demand in IT consulting and high utilization rates provided market confidence.

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2. MIMAKI Engineering
   There is no company-specific reason.

3. SANKO GOSEI LTD
   The share price surged after the company reported full-year earnings that significantly exceeded initial projections. Market sentiment was strongly boosted by forecasts of continued record profits for the next fiscal year and a dividend increase.

Main detractors include the following names.

1. INTERMESTIC INC
   There is no company-specific reason.

2. CELSYS INC
   Despite releasing second-quarter results with an upward revision to full-year profit guidance and an increased dividend, share price dropped sharply. Strong sales of its flagship software contributed to the strong earnings.

3. BEAUTY GARAGE INC
   There is no company-specific reason.

Top 3 Contributors

Share Name	MSCI Sector
NORTHSAND INC	Information Technology
MIMAKI ENGINEERING CO LTD	Information Technology
SANKO GOSEI LTD	Industrials

Top 3 Detractors

Share Name	MSCI Sector
INTERMESTIC INC	Consumer Discretionary
CELSYS INC	Information Technology
BEAUTY GARAGE INC	Consumer Discretionary

Source: SMDAM, as of 31/07/2026

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