

SuMi TRUST Japan Small Cap II Fund celebrates three year of outperformance as bet on digital Japan pays off

Sumitomo Mitsui Trust Asset Management (SuMi TRUST), one of Asia's largest asset management groups with over USD 741 billion AUM*, is celebrating three years of outperformance of its Japan Small Cap II Fund, which launched in April 2018 and has over USD 100million assets under management (AUM).

Since inception the fund has returned +15.54% on a cumulative basis compared to +4.45% for its reference benchmark index, the Russell/Nomura Small Cap Index. The Dublin-domiciled fund, aimed at institutional investors in Europe and Asia, invests in listed Japanese small cap companies and seeks to achieve long-term capital growth through a bottom-up stock-picking approach backed by extensive fundamental research.

Compared to its benchmark index, the fund has a higher weighting in the information technology and healthcare sectors. SuMi TRUST has been focussing its small cap strategy in these sectors because digitisation, combined with other trends like an ageing population, is transforming the social and industrial structure of Japan, creating new growth opportunities for small and nimble businesses. Recently this strategy has paid off following the campaign to improve digitisation by the country's new Prime Minister, Yoshihide Suga, as well as the boom in home-working brought about by the Covid-19 pandemic, underpinning the fund's performance.

Among the Japan Small Cap II portfolio's top holdings are Ain Holdings, a pharmacy chain focusing on online medication and counselling; Raksul, an online sharing platform for printing and advertising poised to benefit from the country's digitisation push; and Oisix Ra Daichi, an online grocery and meal kit delivery service company that has seen its subscribers's base substantially increase in number during the pandemic.

Chief portfolio manager Satoshi Marui, who has over 20 years' experience in Japanese equities, has been responsible for SuMi TRUST's Japanese Small Cap strategy since its inception in 2005. He also manages SuMi TRUST's original Japan Small Cap fund which has been soft-closed since 2018.

The Small Cap II fund is similar to SuMi TRUST Japan Small Cap fund, and was launched because of increased investor demand for attractive investment opportunities in the growing Japanese small cap market. Compared to the latter, it invests in more liquid small cap stocks.

Satoshi Marui, chief portfolio manager of SuMi TRUST Japan Small Cap II fund, said: "This is a market where active management pays off. Japanese small caps are not well covered by analysts in comparison to their American or European counterparts, and a bottom up stock-picking strategy, informed by in-depth research to pick hidden winners, can deliver strong returns.

"Technological innovation is changing Japan at a fast pace, generating new business opportunities. companies that can adapt to this, coupled with the 'new normal' post-Covid-19, will be key for long-term growth and small caps are often more suited to rapid change than larger businesses. We will continue to focus on detecting companies which have the potential to grow based on their own unique drivers over the mid to long-term as we believe these hold the key to generate returns for our investors."

*As of 31 March 2021.

- Ends -

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<Points to Consider>

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Assets which are managed by Sumitomo Mitsui Trust Asset Management Co., Ltd. pursuant to an investment management agreement are subject to various risks, including, without limitation:

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Risk of the price movements in the managed assets due to fluctuations in financial markets and other indices, including (but not limited to) fluctuations in equity markets, interest rate markets, foreign currency markets and financial indices.

(2) Credit Risk

Risk of the price movements in the managed assets due to changes in the financial and/or business conditions of issuers, counterparties to a transaction or the counterparties of the issuers.



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Risk of the trading of the any interests within the managed assets being restricted due to the market environment or the lack of trading volume. Similarly, there is a risk that the value of the managed assets being volatile due to the lack of market liquidity of such assets.

Furthermore, investments of the managed assets into hedge funds and securitized products may contain various risks related to investment approach and structure in of such investment in addition to the any of the risks mentioned above. For further information, please refer to the explanatory documents for each product.

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■ Restrictions on Business Pertaining to Commodity Investment

In our commodity investment advisory business, we can not conduct transactions related to product investment with customers as opponents (excluding qualified institutional investors' customers). In addition, we and our affiliated companies (except Mitsui Sumitomo Trust and Banking Co., Ltd. which conducts banking business and trust business) cannot receive deposits of money or securities from customers in regard to the commodity investment advisory business, regardless of the nominal item.

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Financial Institution Registration Number: No.347 Kanto Finance Bureau of the Ministry of Finance

Commodity Trading Advisor License Number: #(1) No.25, the Minister of Economy, Trade and Industry

Participating Associations: The Investment Trusts Association, Japan, Japan Investment Advisers Association

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(Securities Lending)

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- Product(s) sold and services rendered, transaction dates, balance of accounts, maturity of products, and general client transaction information.

(2) Common usage

Client information will only be shared amongst Sumitomo Mitsui Trust Holdings, Inc., Sumitomo Mitsui Trust Asset Management Co., Ltd., Sumitomo Mitsui Trust Bank, Ltd. and its subsidiaries.

(3) Purpose

Research and development of various financial products

(4) Contact

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