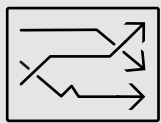


Fund performance



During the period, the net asset value of the Fund rose by 6.50% against 4.76% for the Topix benchmark index (net basis). The Fund's outperformance reflected strong stock selection, particularly in the consumer discretionary sector.¹

Sumitomo Electric was the top-performing position over the quarter on investor expectations that increasing demand for optical products for data centres will lift the company's earnings. These include key components for co-packaged optics that help improve data transmission speed while reducing power consumption. Shares in Ryohin Keikaku rose after domestic same-store and online-store sales continued to grow strongly and ahead of expectations. This was largely driven by robust demand for the company's reasonably priced, high-quality skincare and apparel products. Union Tool was also notably strong on investors' belief that growing AI and data center-related-demand will support earnings growth.

On the negative side, Chugai Pharmaceutical was weaker on profit-taking following earlier stock price strength resulting from favourable trial results for the efficacy and safety of its obesity drug. It was also negatively affected by investor concerns that potential US tariffs on drugs imports would impact its earnings. Shares in Otsuka Corp fell on worries over its earnings potentially declining once the current PC upgrade cycle peaks out. However, we believe that the company can partially offset this by cross-selling other products and solutions to new customers. Ricoh detracted from returns on worries that the US tariff hikes would weigh on profits.

Cumulative and annualized total return as of July 31, 2025 (%)

	NAV	Market Price	TOPIX Index (Net TR)
10 Years (p.a.)	5.09	6.19	5.92
5 Years (p.a.)	5.16	8.53	8.87
3 Years (p.a.)	11.00	15.44	12.79
1 Year	9.64	28.35	7.55
Year to Date	14.08	32.74	11.63
3 Months	6.50	11.76	4.76
1 month	-1.66	-0.40	-0.98

PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS.

Investment returns and principal value will fluctuate and shares, when sold, may be worth more or less than original cost. Current performance may be lower or higher than the performance quoted. NAV return data includes investment management fees, custodial charges and administrative fees (such as Director and legal fees) and assumes the reinvestment of all distributions.

Effective February 28, 2020, the TOPIX (Net Dividends) replaced the TOPIX (Gross Dividends) as the Fund's primary benchmark.

The Fund is subject to investment risk, including the possible loss of principal. Returns for periods less than one year are not annualized.

Expense ratios

Fiscal year ended October 31 (%)

Annual Expenses	Percent of Net Assets	Percent of Managed Assets
Management Fees	0.36	0.33
Other Expenses	0.64	0.58
Fee Waiver	0.00	0.00
Operating Costs	1.01	0.91
Leverage Costs	0.10	0.09
Total Expenses	1.10	1.00
Total Expenses before Fee Waiver	1.10	1.00

Leverage Costs include interest, fees, and other other up front/offering costs associated with the leverage structure for the Fund. Gross Operating Expenses include the Fee Waiver and Leverage Costs.

¹ The Tokyo Stock Price Net Index is a market capitalization-weighted index of large- and mid-sized companies listed on the Tokyo Stock Exchange. Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index.



Overall, the fundamentals of our holdings remain in good shape due to their strong balance sheets, industry-leading profitability and ability to adapt to changes in the operating environment.

Market review

Japanese equities rallied over the quarter ending in July, with the MSCI Japan Index rising by 4.37% in US dollars (USD), although returns in yen terms were better (10.12%), with the yen weakening to above 150 against the USD. The market was supported by rising optimism that trade deals with the US would occur during the 90-day grace period that followed "Liberation Day" in early April. A deal between Japan and the US eventually came about which saw the level of tariffs on Japanese goods entering the US decline from a notional 25% to 15%. The announcement of the agreement on trade saw share prices surge, especially those of auto manufacturers which make up a sizeable portion of Japanese exports to the US.

On the political front, the Liberal Democratic Party (LDP) and its coalition partner, Komeito, lost its majority in the Upper House, meaning that for the first time in its history – dating back 70 years – the LDP does not control either the Lower or Upper House of the country's parliament. Despite this, we do not expect much material change to Japan's current policies; nor do we anticipate the changing political landscape to have any lasting impact on the Fund's holdings.

Activity

We initiated a position in electronic components maker TDK which has the top global market share for lithium-ion batteries for smartphones. The company has a track record of supplying energy-dense batteries for which demand is expected to rise over the medium term. We also bought into aluminium supplier UACJ, which is the largest supplier of aluminium in Japan and has production capacity in Southeast Asia and the US. We believe the company will benefit from increased supply-demand tightness in the market.

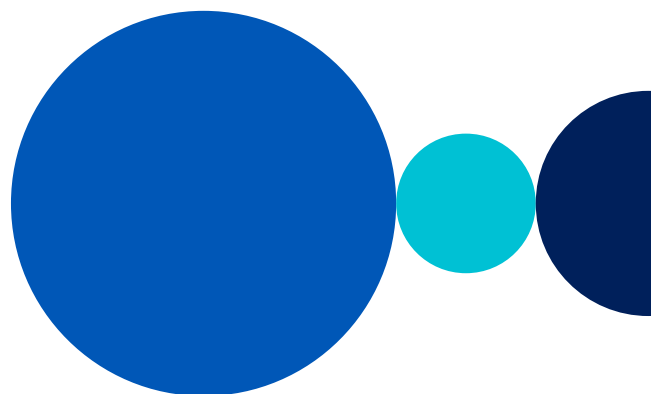
We exited our position in renewable energy engineering firm West Holdings on its recent strategic decision to pivot away from the lucrative business of constructing and managing solar power plants towards engineering battery energy storage systems. We sold out of medical equipment maker Olympus on concerns over its product quality standards after the US Food and Drug Administration published import alerts for a few of its products. We divested from beverage maker Suntory Food & Beverage on concerns over rising competition from private-brand products as consumers become increasingly cost conscious. We also exited from our positions in furniture retailer Nitori Holdings and electrical design software provider Zuken in view of better opportunities elsewhere.

Outlook & strategy

The recently announced US-Japan trade deal is a positive for Japanese equities, given that it has reduced risks from the uncertainty surrounding US tariffs and avoided a more punitive outcome. Key beneficiaries include industrials as many of them were holding off from making capex decisions due to the tariff uncertainty. As global supply chains fragment and become more localised amid geopolitical tensions and onshoring, this could result in rising costs, including labour, that increase the need for new manufacturing equipment and automation solutions. This is a strength of Japanese factory automation companies that provide high-end, labour-saving solutions.

Given our quality approach, our favoured exporters have pricing power, which means they can pass on the costs from any US tariffs or are able to switch production from one location to another as a buffer against the impact of tariffs. Several of our holdings have already agreed with their customers to pass on the higher costs of key raw materials due to US tariffs.

We believe the outlook for quality remains positive in Japan. While the last three years have been challenging for quality-focused investors due to a sharp rotation towards value stocks, the market is now focusing more on sustainable earnings and the ability of corporates to adapt to the changes in the operating environment. We continue to focus on high-quality companies with strong growth potential and robust ESG credentials, leveraging our deep fundamental research and rigorous stock selection process. We believe the portfolio is well positioned, and ultimately, we have confidence that our companies will deliver attractive risk-adjusted returns over time.



Important Information

International investing entails special risk considerations, including currency fluctuations, lower liquidity, economic and political risks, and differences in accounting methods; these risks are generally heightened for emerging market investments.

Equity stocks of small and mid-cap companies carry greater risk, and more volatility than equity stocks of larger, more established companies.

Concentrating investments in the Japan region subjects the Fund to more volatility and greater risk of loss than geographically diverse funds.

Please see the Fund's most recent annual report for more information on risks applicable to the Fund.

Closed-end funds are traded on the secondary market through one of the stock exchanges. The Fund's investment return and principal value will fluctuate so that an investor's shares may be worth more or less than the original cost. Shares of closed-end funds may trade above (a premium) or below (a discount) the net asset value (NAV) of the Fund. The net asset value (NAV) is the value of an entity's assets less the value of its liabilities. The market price is the current price at which an asset can be bought or sold. There is no assurance that the Fund will achieve its investment objective. Past performance does not guarantee future results.

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