

### Investment Strategy

- Bottom up stock picking strategy, based on company interviews/fieldwork and fundamental research/analysis.
- We seek to identify exceptional companies able to sustain consistent earnings growth through economic cycles.
- The strategy seeks to outperform the market by selectively buying and holding stocks over the mid-to-long term, typically three to five years. Consequently, the turnover of our portfolio is low.
- We do not invest in stocks for purposes of managing risk against benchmarks.
- Stable earnings volatility of our holdings allows us to build a concentrated portfolio of 20-30 names.

### Strategy Facts

**Inception Date:** October 1, 2011

**Advisor:** Clearbrook Investment Consulting

**Sub-Advisor:** Mitsubishi UFJ Trust and Banking Corporation

**Net Assets as of 02/28/2023:** \$540.7M USD

**Management Fee:** 0.75%

**Benchmark:** TOPIX Total Return Index

### Portfolio Characteristics

	Japan Focus Growth*	TOPIX Total Return Index
Number of Holdings	32	2,160
Wtd. Avg. Mkt. Cap. (\$)	28.4B	36.4B
P/E	21.49	17.22
P/B	2.99	2.15
ROE %	12.71	10.40
Dividend Yield %	1.69	2.56

\*Based on representative portfolio

**All data as of 02/28/2023 unless noted**

### Contact Information

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### Performance (%) USD as of (02/28/2023)

Composite	1 Mon*	3 Mon*	6 Mon*	YTD*	1 Yr	3 Yr	5 Yr	7 Yr	10 Yr	Since Incept
Focus Growth Gross	-4.03	-2.59	-3.11	-1.09	-18.59	1.10	-0.34	4.84	8.49	7.04
Focus Growth Net	-4.09	-2.78	-3.48	-1.21	-19.20	0.35	-1.09	4.06	7.68	6.25
TOPIX Total Return Index	-3.63	3.06	4.69	2.11	-8.25	3.93	-0.11	5.92	5.60	5.76
Excess Return (Gross-TOPIX)	-0.41	-5.65	-7.80	-3.20	-10.35	-2.83	-0.23	-1.08	2.88	1.28

\*Returns for periods under one year are not annualized.

**Performance data quoted represents past performance; past performance does not guarantee future results.** Gross returns are presented before management and custodial fees, but after all trading expenses and reflect the investment of dividends and other income. Net returns are net of investment management fees in effect for the respective time period and are derived using the maximum highest published rate. Fees charged are at the discretion of HighMark. The strategy does not invest in an index. The strategy uses the (TOPIX) Total Return Index as a benchmark only. Performance may be attributable to profits from IPO securities. IPO securities have no trading history and the prices may be volatile. There is no guarantee this level of performance will be repeated. Japanese issuers and underwriters prioritize allocations of IPO securities to domestic investors; therefore, overseas investors (not based in Japan) may have less access to small and mid-cap IPO securities allocations than a domestic investor. The investment return and principal value of an investment will change so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the strategy may be lower or higher than the performance quoted. Composite data is calculated in JPY and converted to USD using the WM/Reuters Closing Spot Rates 4pm London close. The TOPIX is also converted from JPY to USD using the same exchange rate source.

### Market and Strategy Commentary: February 2023

#### Japan Markets:

- Japanese equities declined in February, with the TOPIX Total Return Index returning -3.63% USD.
- Early in the month, the Japanese equity market was up, supported by the Fed's slowing pace of interest rate hikes. Thereafter, Japanese growth stocks declined along with the US equity market as a stronger-than-expected jobs report and CPI data led the US long-term interest rates to rise amid worries over the persistence of inflation.
- However, appreciation of the Japanese yen and expectations for an economic reopening in China kept the entire market resilient until the end of the month. In addition, the Bank of Japan's next governor, Kazuo Ueda's comments at the parliamentary hearings in late February brought some relief that the central bank would maintain the current monetary policy in the near term. Although the market gained on a local currency basis, the performance turned negative due to the weaker yen against the US dollar.

#### MUFG Japan Focus Growth Strategy:

- The Japan Focus Growth Strategy returned -4.09% USD, underperforming the Index by 0.47%.
- The top contributor was Nissin Foods Holdings Co., Ltd., one of the world's largest manufacturers of instant noodles and processed food products. The share price reacted was up on the announcement of additional price increases in the domestic market and better-than-expected Q3 FY3/23 (Apr-Dec) earnings results on solid sales in the US. Another notable contributor was Tokio Marine Holdings, Inc., one of the world's largest and globally diversified insurance groups. The stock was up due to the upward revision of its full-year guidance on a normalized basis excluding one-time factors due to the growth of investment gains and insurance underwriting income.
- Conversely, the largest detractor was Shimano Inc., a manufacturer of bicycling, rowing and fishing products. New weaker-than-expected fiscal year company targets against the backdrop of the risk of decreasing demand for bicycles weighed on the share price, although its 2022 full-year earnings results were in line with market expectations. TechnoPro Holdings, Inc., a firm that manages technician dispatch and contracting businesses related to IT/software and other fields, also contributed negatively. Despite solid revenue supported by the increased number of employed engineers, the share price plunged as Q2 FY6/23 (Jul-Dec) earnings results fell short of market expectation, reflecting an increase labor costs.
- We created a new position in Shin-Etsu Chemical Co., Ltd., which has the largest global market share of polyvinyl chloride and semiconductor silicon wafers, while we completed selling Kao Corp.

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# MUFG Japan Focus Growth Strategy

## About the Portfolio (as of 02/28/2023)

### Returns Based Statistics vs TOPIX Total Return Index

	One Yr	Three Yr	Five Yr	Ten Yr
Excess Return	-10.35	-2.83	-0.23	2.88
Beta	0.91	0.98	0.99	0.94
Information Ratio	-1.69	-0.30	-0.03	0.33
Sharpe Ratio*	-0.98	0.06	-0.02	0.54
Tracking Error %	6.12	9.57	8.66	8.64
Std. Dev. (Portfolio) %	19.01	18.59	17.45	15.66
Std. Dev. (Benchmark) %	19.98	16.31	15.28	13.86

\* Sharpe Ratio: the risk free rate is not used in the calculation. The calculation shown here represents Portfolio Return divided by Portfolio Standard Deviation.

### Sector Diversification (%)

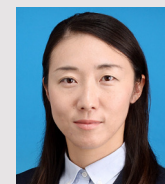
	Japan Focus Growth*	TOPIX Total Return
Health Care	20.69	23.57
Industrials	19.28	8.47
Information Technology	17.39	13.05
Consumer Staples	15.16	7.39
Consumer Discretionary	10.14	17.88
Financials	6.30	5.84
Real Estate	5.42	11.85
Materials	3.07	1.94
Communication Services	0.00	7.90
Utilities	0.00	1.25
Energy	0.00	0.87
Cash & Cash Equivalents	2.56	-

\*Based on Representative Portfolio

### Our Japan Focus Growth Investment Team



**Shinichiro Hyogo**  
Lead Fund Manager  
25 years experience



**Yoko Yamada**  
Analyst  
17 years experience



**Shinichi Okada**  
Analyst  
35 years experience



**Yuichi Yokoyama**  
Analyst  
7 years experience



**Yusuke Michiwaki**  
Strategy Manager/  
Analyst  
11 years experience



**Kosuke Tsuchida**  
Senior Fund Manager  
21 years experience

\*Clearbrook Investment Consulting is the investment advisor to the MUFG Japan Focus Growth Strategy.

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Mitsubishi UFJ Trust and Banking Corporation (MUTB) claims compliance with the Global Investment Performance Standards (GIPS®). A complete list of firm composites and performance can be requested from Natasha Koprivica at [nkoprivica@clbrk.com](mailto:nkoprivica@clbrk.com) or 857.919.1048. Performance numbers have been provided by MUTB and have not been verified by Clearbrook Investment Consulting.

Please see the GIPS® Compliant Performance Report for further explanation. The comparative benchmark is the TOPIX Total Return Index. TOPIX is a free-float adjusted market capitalization-weighted index that is calculated based on all the domestic common stocks listed on the TSE First Section. TOPIX shows the measure of current market capitalization assuming that market capitalization as of the base date (January 4, 1968) is 100 points. **One cannot invest directly in an index.** **Beta:** systematic risk of a composite; represents sensitivity to the benchmark. **Excess Return (Gross):** amount that gross returns exceed relative benchmark return. **Information Ratio:** ratio of expected return to risk, as measured by standard deviation. **Price to Book (P/B):** ratio of stock price to book value. **Price to Earnings (P/E):** ratio of stock price to earnings. **Return on Equity (ROE):** net income divided by equity. **Standard Deviation:** measures dispersion of a set of data from its mean. **Tracking Error:** measures the active risk of the composite and the annualized standard deviation of the excess returns between the composite and its benchmark. **Weighted Average Market Cap:** total value of all outstanding shares weighted by market capitalization.

\*Clearbrook Investment Consulting, LLC ("CIC") is an SEC-registered investment adviser. CIC primarily provides pensions consulting and family office advisory services for a wide variety of for-profit and nonprofit organizations. All strategy, assets under management and performance data described above refer to professional advisory services which CIC has engaged MUTB to act as subadvisor for the MUFG Japan Focus Growth Strategy. Fees charged are at the discretion of CIC; investment advisory fees are described in CIC's Form ADV Part 2, which is available upon request. Past performance does not guarantee future results. Individual account management and construction will vary depending on each client's investment needs and objectives. A complete list of all recommendations in the MUFG Japan Focus Growth Strategy, within the past year are available free of charge by contacting CIC. Actual securities held in any individual account will vary and are subject to change. Past performance does not guarantee future results. Individual account management and construction will vary depending on each client's investment needs and objectives. A complete list of all recommendations in the MUFG Japan Focus Growth Strategy, within the past year are available free of charge by contacting Clearbrook. Actual securities held in any individual account will vary and are subject to change.