

Investment Strategy

We employ a thematic approach to identify attractive small cap stocks:

- Quantitative screening includes market cap and credit risk.
- Research and identify key structural and cyclical themes with the potential for superior long-term growth.
- Select small cap/micro cap companies best positioned to take advantage of these themes: companies that have pioneering business models, strength of position in industry value chain, strong management and attractive valuations.
- We apply a rigorous, ongoing sell discipline – when growth prospects weaken or stock price begins to reflect underlying value.

Strategy Facts

Composite Name: Japan Small Cap Equity Strategy–Small Focus Composite (Japan Small Cap Equity)

Advisor: Clearbrook Investment Consulting, LLC.

Sub-Advisor: Mitsubishi UFJ Trust and Banking Corporation

Composite Inception Date: October 1, 2005

Net Assets as of 12/31/2023: \$62.5M USD

Management Fee: 0.75%

Benchmark: Russell/Nomura Small Cap Index

Portfolio Characteristics

	Japan Small Cap Equity*	Russ/Nom Small Cap
Number of Holdings	123	1,099
Wtd. Avg. Mkt. Cap. (\$)	881.0M	1.57B
P/E	17.75	18.51
P/B	2.17	2.11
ROE %	11.12	8.06
Dividend Yield %	2.24	2.39

*Based on representative portfolio

All data as of 12/31/2023 unless noted

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Performance (%) USD as of 12/31/2023

Composite	1 Mon*	3 Mon*	6 Mon*	YTD*	1 Yr	3 Yr	5 Yr	7Yr	10Yr	Since Incept
Japan Small Cap Equity Gross	6.67	8.08	5.90	14.53	14.53	-0.44	9.17	10.35	11.60	9.50
Japan Small Cap Equity Net	6.61	7.87	5.51	13.68	13.68	-1.18	8.36	9.54	10.77	8.69
Russell/Nomura Small Cap	5.87	8.71	9.93	15.57	15.57	-0.28	4.14	4.49	5.37	4.07
Excess Ret (Gross-Russ/Nom)	0.80	-0.64	-4.02	-1.04	-1.04	-0.16	5.03	5.86	6.23	5.43

*Returns for periods under one year are not annualized.

Performance data quoted represents past performance; past performance does not guarantee future results. Performance shown is for the Japan Small Cap Equity. Gross returns are presented before management and custodial fees, but after all trading expenses and reflect the reinvestment 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 Clearbrook. The strategy does not invest in an index. The strategy uses the Russell/Nomura Small Cap Index as a comparative 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 Russell/Nomura Small Cap Index is also converted from JPY to USD using the same exchange rate source.

Market and Strategy Commentary Q4: Oct-Dec 2023, USD Net

Japan Markets:

- Japanese small cap equities advanced for the quarter, with the Russell/Nomura Small Cap Index returning +8.71% USD.
- Japanese small cap equities were down in October (-4.09%). Early, the Japanese stock market rebounded after a short plunge amid a pause in rising U.S. interest rates, led by growth shares. Thereafter, value stocks attracted much attention as automotive and resource-related shares were repurchased on the strength of the U.S. equity market. Mid-month, Japanese equities declined due to the Middle East tensions and the possibility of a policy revision by the Bank of Japan (BOJ). In late October, the BOJ announced 1.0% as a new reference point for the 10-year Japanese government bond yield triggering considerable buying into the financial sector.
- Japanese small-cap equities were up in November (+7.06%). In the first half of the month, Japanese stocks, especially high-priced blue chips, were supported by the 10-year U.S. government bond yield decline due to weaker-than-expected U.S. CPI growth. Later in the month, Japanese stocks were eventually up before being dragged down by the yen's advance against the dollar and concerns over China's economic slowdown.
- Japanese small-cap equities rallied in December (+5.87%). Early in the month, while the Fed considered suspending interest rate hikes, Japanese equities were weighed down by the yen appreciation and caution over the BOJ's monetary policy revisions outlook. In mid-December, Japanese equities recovered due to the weaker-than-expected U.S. employment data, and the BOJ's maintaining their monetary easing policy. Later in the month, Japanese equity markets were up, partly led by high-tech stocks as the PHLX Semiconductor Sector Index (SOX) reached a historical high.

MUFG Japan Small Cap Equity Strategy:

- The strategy returned +7.87% USD, underperforming the index by 0.84% in the quarter.
- The top contributor was TOWA Corp., a leading maker of semiconductor molding equipment. In September, the firm released new equipment called "YPM1250-EPQ", which is optimized for the production of chips used in generative AIs. The share price jumped on the announcement.
- Another notable contributor was Outsourcing Inc., a manufacturing staffing and placement agency. The share price surged after the announcement of the management buyout and tender offer in December.
- The largest detractor was DD Group Co., Ltd., an operator of theme-based restaurants and cafes mainly in the Tokyo metropolitan area. Potential earnings growth had been reflected in a sharp upturn of their shares, but the company faced selling pressure in October as investors thought all the positives were out after the Q2 FY2/24 (Mar-Aug) earnings announcement.
- Another negative contributor was Open House Group Co., Ltd., a real estate company with strength in housing renovation and resale in the Tokyo area. The stock price plunged in November due to disappointing FY9/24 forecasts reflecting the slowdown of its single-family home-related business.

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MUFG Japan Small Cap Equity Strategy

About the Strategy in USD as of 12/31/2023

Returns Based Statistics (vs Russell/Nomura Small Cap)

	One Yr	Three Yr	Five Yr	Ten Yr
Excess Return %	-1.04	-0.16	5.03	6.23
Beta	1.15	1.13	1.16	1.13
Information Ratio	-0.25	-0.02	0.74	0.90
Sharpe Ratio*	0.96	-0.03	0.49	0.69
Tracking Error %	4.20	7.31	6.81	6.90
Standard Deviation (Portfolio) %	15.09	16.97	18.53	16.74
Standard Deviation (BM) %	12.74	13.64	14.96	13.56

*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 Small Cap Equity*	Russ/Nom Small Cap
Industrials	25.14	25.41
Information Technology	23.63	14.07
Consumer Discretionary	12.94	15.82
Financials	12.36	8.49
Materials	9.58	11.33
Health Care	6.49	6.61
Consumer Staples	3.29	10.25
Communication Services	3.07	4.31
Real Estate	1.34	1.54
Utilities	0.85	1.69
Energy	0.00	0.49
Others	0.25	-
Cash & Cash Equivalent	1.06	-

*Based on Representative Portfolio

Top Ten Holdings (%)*

Towa Corp.	3.56
Mitsui High-Tec, Inc.	2.24
Monex Group	2.11
Jeol	1.79
Kusuri No Aoki Holdings	1.71
Quick	1.71
Kaga Electronics	1.68
Iriso Electronics Co., Ltd	1.61
Techmatrix	1.60
Sanyo Denki	1.56
Total	19.57

*Based on Representative Portfolio ex-Cash. Portfolio holdings are subject to change and are not recommendations to buy or sell any security.

Our Small Cap Investment Team



Yoshiro Mizukami, CMA
Chief Portfolio Manager, Head of Japan Small Cap Equities Team
33 years experience



Yoshitaka Nagano, CMA
Small Cap Manager/Analyst
27 years experience



Koichiro Ishii, CMA
Small Cap Analyst
10 years experience



Kazunori Yanagimoto
Small Cap Analyst
5 years experience



Koichi Kano
Small Cap Analyst
3 years experience

*Clearbrook Investment Consulting is the investment advisor to the MUFG Japan Small Cap Equity 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@clrbk.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 Russell/Nomura Small Cap Index. The Russell/Nomura Small Cap Index contains those Russell/Nomura Small Cap securities with less-than-average growth characteristics. The index contains the bottom 15% of the Russell/Nomura Total Market Index in terms of float-adjusted market cap. **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 Small Cap Equity 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 Small Cap Equity 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 Small Cap Equity 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.