

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 08/31/2023: \$70.2M USD

Management Fee: 0.75%

Benchmark: Russell/Nomura Small Cap Index

Portfolio Characteristics

	Japan Small Cap Equity*	Russ/Nom Small Cap
Number of Holdings	124	1,190
Wtd. Avg. Mkt. Cap. (\$)	1.0B	1.56B
P/E	17.10	23.99
P/B	2.43	2.12
ROE %	11.16	7.99
Dividend Yield %	2.18	2.30

*Based on representative portfolio

All data as of 08/31/2023 unless noted

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Performance (%) USD as of 08/31/2023

Composite	1 Mon*	3 Mon*	6 Mon*	YTD*	1 Yr	3 Yr	5 Yr	7Yr	10Yr	Since Incept
Japan Small Cap Equity Gross	-2.05	5.90	5.92	8.88	15.35	4.01	2.84	10.79	13.07	9.38
Japan Small Cap Equity Net	-2.12	5.70	5.53	8.35	14.51	3.24	2.07	9.97	12.23	8.57
Russell/Nomura Small Cap	-0.73	6.33	7.68	8.98	13.25	1.45	-0.41	4.35	5.82	3.81
Excess Ret (Gross-Russ/Nom)	-1.32	-0.43	-1.76	-0.10	2.11	2.56	3.25	6.43	7.24	5.57

*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: Q3 August 2023, USD (Net)

Japan Markets:

- Japanese small-cap equities were down in August, with the Russell/Nomura Small Cap index returning -0.73% USD.
- Early in the month, equity markets were mostly flat. They softened though as long-term interest rates rose due to a rating agency's downgrade of U.S. treasuries, as the Bank of Japan's YCC flexibility policy announced in July, weighed on the market a bit. Conversely, strong earnings results supported the markets, and news of lifting the ban on group tours in China led to buying inbound-related stocks.
- In mid-August, equity markets fell on concerns about continued U.S. interest rate hikes as the FOMC meeting minutes raised issues about the strong economy. In addition, China Evergrande, a large Chinese real estate company filed for Chapter 15 bankruptcy protection in the U.S. heightening investor risk and causing further decline.
- Later in the month, the stock market recovered as the outcome of the U.S. Jackson Hole Conference fell within market's expectations. The depreciation of the Japanese yen against the U.S. dollar on the back of stable U.S. interest rates and additional rate cuts in China added some support to the stock market. Although the market gained in the local currency base, performance turned negative due to the weaker Japanese yen.

MUFG Japan Small Cap Equity Strategy:

- The strategy returned -2.05% USD, under performing the index by 1.32%.
- The top contributor was TOWA Corp., a leading maker in the market of semiconductor molding equipment. The firm released its Q1 FY3/24 earnings results, which were in line with market consensus. In addition, orders in the quarter increased by 41% QoQ, reflecting strong demand for automotive and power semiconductor areas.
- Another notable contributor was CMK Corp., a manufacturer of printed Circuit Boards (PCBs) for the automotive industry. Although the firm reported negative growth in operating profit in Q1 FY3/24 earnings results, the share price continued to rise as all bearish news seemed to be priced in. The firm also mentioned the positive mid-to-long term outlook for automotive PCB demand due to the expansion of the EV market.
- The worst contributor was Outsourcing Inc., a manufacturing staffing and placement agency. An external investigation committee was established in early August as the consolidated subsidiary had not properly carried out the application for payment of employment adjustment subsidies. Moreover, the share price declined as the firm postponed disclosing its Q2 FY12/23 earnings results.
- Another notable detractor was Open House Group Co., Ltd., a real estate company with strength in housing renovation and resale in the Tokyo area. In spite of solid Q3 FY9/23 earnings results with sales and profit growth, the share price declined due to concerns over opaque forecasts for the next fiscal year concerning the outlook of steadily rising interest rate hikes.

MUFG Japan Small Cap Equity Strategy

About the Strategy in USD as of 08/31/2023

Returns Based Statistics (vs Russell/Nomura Small Cap)

	One Yr	Three Yr	Five Yr	Ten Yr
Excess Return %	2.11	2.56	3.25	7.24
Beta	1.21	1.18	1.18	1.13
Information Ratio	0.39	0.33	0.46	1.05
Sharpe Ratio*	0.88	0.23	0.15	0.78
Tracking Error %	5.46	7.67	7.09	6.93
Standard Deviation (Portfolio) %	17.50	17.31	19.51	16.75
Standard Deviation (BM) %	13.96	13.27	15.62	13.57

*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	25.33	24.08
Information Technology	22.87	14.50
Consumer Discretionary	13.97	16.19
Financials	11.45	8.88
Materials	11.17	12.31
Health Care	5.72	6.29
Communication Services	2.60	3.81
Consumer Staples	2.48	9.76
Real Estate	1.36	1.28
Utilities	0.86	1.64
Energy	0.00	1.26
Cash & Cash Equivalent	2.19	-

*Based on Representative Portfolio

Top Ten Holdings (%)*

Mitsui High-Tec, Inc.	2.96
Towa Corp.	2.84
JFE Holdings, Inc.	2.14
DD Group	1.86
Iriso Electronics Co., Ltd	1.84
Kaga Electronics	1.79
Sanyo Denki Co., Ltd.	1.74
Kusuri No Aoki Holdings	1.58
MCj	1.48
Techmatrix	1.47
Total	19.70

*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
32 years experience



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



Koichiro Ishii, CMA
Small Cap Analyst
10 years experience



Kazunori Yanagimoto
Small Cap Analyst
5 years experience



Koichi Kano
Small Cap Analyst
2 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@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 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.