

### 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 08/31/2024:** \$80.5M USD

**Management Fee:** 0.75%

**Benchmark:** Russell/Nomura Small Cap Index

### Portfolio Characteristics

	Japan Small Cap Equity*	Russ/Nom Small Cap
Number of Holdings	125	1,090
Wtd. Avg. Mkt. Cap. (\$)	932.1M	1.74B
P/E	13.57	14.01
P/B	1.12	1.10
ROE %	11.50	10.97
Dividend Yield %	2.59	2.61

\*Based on representative portfolio

All data as of 08/31/2024 unless noted

### Contact Information

**Natasha Koprivica**

nkoprivica@clrbk.com or 857.919.1048

**Clearbrook Investment Consulting**

21 West 46th St, Suite 1507

New York NY, 10036

### Performance (%) USD as of 08/31/2024

Composite	1 Mon*	3 Mon*	6 Mon*	YTD*	1 Yr	3 Yr	5 Yr	7Yr	10Yr	Since Incept
Japan Small Cap Equity Gross	0.30	7.06	2.89	6.68	12.21	-1.38	8.78	6.33	10.76	9.52
Japan Small Cap Equity Net	0.23	6.86	2.51	6.15	11.37	-2.12	7.98	5.54	9.94	8.71
Russell/Nomura Small Cap	0.75	8.01	5.80	7.20	13.68	0.80	4.85	2.73	5.50	4.31
Excess Ret (Gross-Russ/Nom)	-0.45	-0.95	-2.90	-0.53	-1.48	-2.19	3.94	3.61	5.26	5.22

\*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: August 2024, USD Net

#### Japan Markets:

- Japanese small cap equities advanced slightly in August, with the Russell/Nomura Small Cap Index returning +0.75% USD. Although the market declined in the local currency base, the performance turned slightly positive due to the appreciation of the Japanese yen.
- Early August, Japanese equities declined. As U.S. economic indicators deteriorated, expectations for a rate cut in September heightened, causing the Japanese yen to appreciate sharply on the 5th, one of the reasons for the market's sudden decline. Market volatility remained high, but following dovish comments by BOJ deputy governor Uchida, the Japanese yen retreated against the U.S. dollar, adding support to the equity market.
- In mid-August, Japanese equities rebounded with companies releasing favorable earnings results leading the market, during high market volatility. Later in the month, Japanese equities continued to recover. Domestic demand-related stocks supported the market. FRB Chair Powell at the Jackson Hole indicated a real possibility of a September rate cut. While the rise in the Japanese yen temporarily weighed on the market, the sentiment remained solid in sympathy with strength in the U.S. market.

#### MUFG Japan Small Cap Equity Strategy:

- The strategy returned +0.23% USD, underperforming the Index by 0.51%.
- One of the largest contributors was Sanyo Denki Co., Ltd., a manufacturer and seller of small precision motors, cooling, and power systems used for a wide range of products. Share price was up on news in their shareholders report that Strategic Capital, an activist fund based in Japan, held 5.24% of the shares as of August 27th. Although the firm's management is not acting in the shareholders' best interest with an insufficient IR and a low dividend payout ratio, the share price rose on the back of the market expectations that it will change with the activist's involvement.
- Another notable contributor was TRE Holdings Corp., established by the merger of Takeei Corp., a major industrial waste processing company, and Rever Holdings, Japan's largest automobile scrap processor. The firm released solid Q1 FY25 (Apr-Jun) earnings results on the back of price hikes in its Waste Treatment & Recycling business and accepting disaster debris from the Noto Earthquake in January 2024. The reconstruction has accelerated since July, and we expect the firm would benefit from the reconstruction as the firm has the largest market share in the industrial waste treatment business.
- Conversely, the bottom contributor was TOWA Corp. The drop of the PHLX Semiconductor Sector Index (SOX) in mid-July was due to the announcement that the U.S. government was on the verge of imposing the most severe export restrictions to the Chinese semiconductor firms, SOX declined further, down 17.3% in a couple of weeks, triggered by the BOJ's interest rate hike and fears of the U.S. recession.
- Kyoto Financial Group, Inc., a regional bank headquartered in Kyoto prefecture, also contributed negatively. Although the earnings results were stable, share prices decreased due to falling interest rate hike expectations and the plummeting long-term interest rates in both Japan and the U.S..

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# MUFG Japan Small Cap Equity Strategy

About the Strategy in USD as of 08/31/2024

## Returns Based Statistics (vs Russell/Nomura Small Cap)

	One Yr	Three Yr	Five Yr	Ten Yr
Excess Return %	-1.48	-2.19	3.94	5.26
Beta	1.04	1.12	1.14	1.13
Information Ratio	-0.33	-0.30	0.56	0.76
Sharpe Ratio*	0.82	-0.08	0.47	0.64
Tracking Error %	4.55	7.24	7.01	6.93
Standard Deviation (Portfolio) %	14.97	17.58	18.57	16.77
Standard Deviation (BM) %	13.69	14.44	15.20	13.65

\*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	24.91	26.13
Information Technology	23.07	14.37
Consumer Discretionary	12.43	15.59
Financials	12.43	9.19
Materials	9.78	10.75
Health Care	5.07	5.75
Consumer Staples	3.40	9.89
Communication Services	3.39	4.40
Real Estate	1.79	1.69
Utilities	0.48	1.74
Energy	0.00	0.52
Cash & Cash Equivalent	3.34	-

\*Based on Representative Portfolio

## Top Ten Holdings (%)\*

Towa Corp.	2.35
Techmatrix	2.11
Sanyo Denki	1.92
Vertex	1.80
MCJ	1.73
Jeol	1.73
Kusuri No Aoki Holdings	1.68
CTS	1.67
Tocalo	1.67
Monex Group	1.66
<b>Total</b>	<b>18.32</b>

\*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  
25 years experience



**Kazunori Yanagimoto**  
Theme Analyst  
6 years experience



**Ryu Ota**  
Theme Analyst  
6 years experience



**Koichi Kano**  
Theme Analyst  
4 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.