

## 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, LLC.

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

**Net Assets as of 12/31/2024:** \$339.1M USD

**Management Fee:** 0.75%

**Benchmark:** TOPIX Total Return Index

## Portfolio Characteristics

	Japan Focus Growth*	TOPIX Total Return Index
Number of Holdings	37	2,124
Wtd. Avg. Mkt. Cap. (\$)	46.5B	53.5B
P/E	19.66	15.97
P/B	2.43	1.46
ROE %	16.14	11.75
Dividend Yield %	1.74	2.39

\*Based on representative portfolio

All data as of 12/31/2024 unless noted

## Contact Information

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## Performance (%) USD as of (12/31/2024)

Composite	1 Mon*	3 Mon*	6 Mon*	YTD*	1 Yr	3 Yr	5 Yr	7 Yr	10 Yr	Since Incept
Focus Growth Gross	-1.30	-5.94	0.34	1.99	1.99	-6.44	1.74	2.69	6.91	7.28
Focus Growth Net	-1.36	-6.12	-0.04	1.23	1.23	-7.13	0.99	1.92	6.12	6.49
TOPIX Total Return Index	-0.60	-4.04	2.63	8.05	8.05	3.36	4.76	3.80	6.62	6.85
Excess Return (Gross-TOPIX)	-0.71	-1.90	-2.28	-6.07	-6.07	-9.80	-3.01	-1.11	0.29	0.43

\*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 Clearbrook. 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 Q4: Oct.- Dec. 2024, USD Net

### Japan Markets:

- Japanese equity market declined for the quarter, with the TOPIX Total Return Index returning (-4.04%) USD. Although the market advanced in the local currency base in October and December, the performance turned negative due to the depreciation of the Japanese yen. The opposite occurred in November.
- Japanese equity market declined in October (-4.33%). Japanese equities declined as the investor sentiment dropped as Dutch SPE maker, ASML, announced sluggish earnings results, prompting a sell-off of Japanese semiconductor-related stocks. Investor risk tolerance declined due to political uncertainty ahead of the upcoming lower house election. After the election, however, the market rallied as the LDP's failure to achieve a coalition majority increased expectations for economic stimulus through possible policy coordination with opposition parties.
- Japanese equity market gained in November (+0.90%). Japanese equities declined after it was reported that president-elect Trump was planning to raise tariffs on all imported goods, which weighed on the share prices of Japanese export-related stocks in the technology and automotive sectors. Moreover, the possibility of BOJ's imminent rate hike led to the Japanese yen appreciation against the U.S. dollar, which also weighed on the Japanese equities.
- Japanese equity market declined in December (-0.60%). Early in the month, Japanese equities gained as it was reported that GPIF may increase the weight of equities. Mid-month, the FRB made its third consecutive rate cut of 2024 by 25bps, causing further Japanese yen depreciation. The market rose thanks to the expectations of industry consolidation, announcements of large-scale share buybacks, and a news flow that Toyota Motor is targeting an ROE of 20%, which led to a sharp rise in auto stocks.

### MUFG Japan Focus Growth Strategy:

- The strategy returned (-6.12%) USD, underperforming the index by 2.08% in the quarter.
- The top contributor was Recruit Holdings Co., Ltd., a provider of human resource technology, marketing media, and temporary staffing services. The share price was up with expectations for recovery in the U.S. recruiting market, on the back of significant better-than-expected U.S. job data. In November, they surprised with Q2 FY3/25 (Apr-Sep) earnings results and revised its full-year forecast upwards supported by favorable U.S. HR technology business.
- Another notable contributor was Sumitomo Mitsui Financial Group, Inc., one of Japan's three mega banks, providing commercial banking and other financial services. After the sharp drop in August, the share price rebounded towards the end of the year as excessive concerns over the U.S. economic slowdown subsided. In November, they released their Q2 FY3/25 (Apr-Sep) earnings results with (+37.7%) YoY profit and revised its full-year forecast upwards by 9.4%.
- Conversely, one of the largest detractors was Unicharm Corp., the largest manufacturer of disposable baby diapers, feminine sanitary and adult incontinence products in Japan and Asia. In November, the share price sank. Q3 FY12/24 (Jan-Sep) earnings results were worse than expected with (+11.7%) YoY in core operating income, on the back of intensified competition in Asia including China, Thailand, and Indonesia. On a quarterly basis, the core operating profit for Jul-Sep fell significantly due to an increase in strategic investments, and logistics, DX-related, and labor costs.
- Another detractor was Rakus Co., Ltd., an IT provider engaged in the provision of cloud services for small and medium-sized businesses and the IT engineer temporary staffing business. The share price fell due to the slowdown in the YoY growth rate of monthly sales and the significant rise in U.S. long-term interest rates in December, which led to concerns about its relatively high valuation.

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# MUFG Japan Focus Growth Strategy

## About the Portfolio (as of 12/31/2024)

### Returns Based Statistics vs TOPIX Total Return Index

	One Yr	Three Yr	Five Yr	Ten Yr
Excess Return	-6.07	-9.80	-3.01	0.29
Beta	0.98	1.06	1.00	0.97
Information Ratio	-2.23	-1.41	-0.37	0.03
Sharpe Ratio*	0.18	-0.37	0.10	0.44
Tracking Error %	2.72	6.96	8.22	8.46
Std. Dev. (Portfolio) %	10.74	17.58	17.36	15.83
Std. Dev. (Benchmark) %	10.57	15.23	15.26	13.75

\* 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
Industrials	27.52	25.41
Information Technology	19.34	12.83
Consumer Discretionary	15.55	17.97
Financials	14.25	14.48
Consumer Staples	8.47	5.98
Health Care	7.83	6.96
Materials	3.56	5.13
Real Estate	1.93	1.94
Communication Services	0.45	7.14
Utilities	0.00	1.28
Energy	0.00	0.87
Cash & Cash Equivalents	1.12	-

\*Based on Representative Portfolio

### Our Japan Focus Growth Investment Team



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



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



**Shinichi Okada**  
Analyst  
37 years experience



**Yuichi Yokoyama**  
Analyst  
9 years experience



**Yusuke Michiwaki**  
Strategy Manager/  
Analyst  
14 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.