



MUFG Japan Value Creation Equity Strategy December 2024

Investment Strategy

- Bottom-up stock picking strategy, based on company interviews and fundamental research/analysis.
- We focus on undervalued stocks with solid balance sheets, sustainable earnings, and potential for corporate actions.
- We build relationship with management, ensure alignment of financial strategy, and unlock intrinsic value.
- A mid-to-long term investment strategy, with a concentrated portfolio of approximately 30 stocks.
- We apply a rigorous, ongoing sell discipline:
 - When the target price is achieved or becomes unrealistic
 - Management's motivation to enhance corporate value decreases
 - Deteriorating business environment does not allow earnings to hit bottom despite effort for value creation

Strategy Facts

Advisor: Clearbrook Investment Consulting, LLC.

Sub-Advisor: Mitsubishi UFJ Trust and Banking Corporation

Inception Date: April 1, 2020

Net Assets as of 12/31/2024: \$232.0M USD

Management Fee: 0.75%

Benchmark: TOPIX Total Return Index

Portfolio Characteristics

	Japan Value Creation Equity*	TOPIX Total Return
Number of Holdings	42	2,124
Wtd. Avg. Mkt. Cap. (\$)	11.27B	53.52B
P/E	10.70	15.97
P/B	0.87	1.46
ROE %	8.64	11.65
Dividend Yield %	3.12	2.39

*Based on representative portfolio

All data as of 12/31/2024 unless noted

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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	7Yr	10Yr	Since Incept
Japan Value Creation Gross	0.23	-3.36	3.04	9.96	9.96	7.30	-	-	-	13.73
Japan Value Creation Net	0.17	-3.54	2.65	9.15	9.15	6.51	-	-	-	12.89
TOPIX Total Return Index	-0.60	-4.04	2.63	8.05	8.05	3.36	-	-	-	9.19
Excess Return (Gross-TOPIX)	0.82	0.68	0.41	1.91	1.91	3.94	-	-	-	4.54

*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 Value Creation Equity Strategy. Gross returns are presented before management and custodial fees, but after all trading expenses and reflect the re-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 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 Topix Total Return Index is also converted from JPY to USD using the same exchange rate source.

Market and Strategy Commentary: Q4 Oct.- Nov. 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%). Investor sentiment soured as Dutch SPE maker, ASML, announced sluggish earnings results, prompting the selling 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 Japanese export-related stocks in the technology and automotive sectors. With the possibility of BOJ's imminent rate hike, the Japanese yen appreciation against the U.S. dollar, which also weighed on the Japanese equities.
- Japanese equity market was down in December (-0.60%). Japanese equities gained early December as it was reported that GPIF may increase equities investment. Mid-month, the FRB made its third rate cut in 2024 of 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 Value Creation Equity Strategy:

- The strategy returned -3.54% USD, outperforming the Index by 0.50% in the quarter.
- The top contributor was Panasonic Holdings Corp. The share price continuously gained towards the end of the year after the release of its solid Q2 FY3/25 (Apr-Sept) earnings results in October, which exceeded the market expectations on the back of strong growth in sales of power storage systems for data centers, including generative AI-related equipment.
- Another contributor was Mitsui-Soko Holdings Co., Ltd., a warehousing provider. The share price rose because of upward revisions for FY3/25 earnings guidance in November mainly due to continued increase in airfreight handling. Investors were increasingly becoming aware of M&A premiums on the stock due to the recent rapid industry consolidation.
- The largest detractor was Morinaga Milk Industry Co., Ltd., a manufacturer, and seller of a wide range of milk products, nutritional supplements and liquid foods. The share price dropped as downward revisions of FY3/25 earnings guidance, mainly due to the deterioration of marketing cost efficiency caused by the slowdown in the nutritional yogurt market expansion.
- Cosmo Energy Holdings Co., Ltd., a company mainly engaged in the development, import, refining, storage and sale of crude oil, contributed negatively. The share price declined due to weaker-than-expected Q2 FY3/25 (Apr-Sept) earnings results released in November, due to weaker margins in the petroleum business.

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MUFG Japan Value Creation Equity Strategy

About the Strategy in USD as of 12/31/2024

Returns Based Statistics (vs TOPIX Total Return Index)

	One Yr	Three Yr	Five Yr	Ten Yr
Excess Return %	1.91	3.94	-	-
Beta	1.05	0.93	-	-
Information Ratio	0.42	0.83	-	-
Sharpe Ratio*	0.83	0.49	-	-
Tracking Error %	4.57	4.75	-	-
Standard Deviation (Portfolio) %	11.95	14.97	-	-
Standard Deviation (BM) %	10.57	15.23	-	-

*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 Value Creation Equity*	TOPIX Total Return
Industrials	20.16	25.41
Consumer Discretionary	19.97	17.97
Financials	18.78	14.48
Information Technology	12.95	12.83
Materials	6.73	5.13
Communication Services	5.28	7.14
Energy	5.07	0.87
Consumer Staples	4.33	5.98
Real Estate	3.25	1.94
Utilities	2.61	1.28
Health Care	0.47	6.96
Cash & Cash Equivalent	0.41	-

*Based on Representative Portfolio

Top Ten Holdings (%)*

T&D Holdings	3.91
Seven & i Holdings	3.84
Panasonic Holdings	3.55
Mitsui-Soko Holdings	3.51
Kajima	3.47
Iyogin Holdings	3.37
Canon	3.25
Nomura Real Estate Holdings	3.19
MS&AD Insurance Group	3.18
Japan Post Holdings	3.12
Total	34.39

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

Japan Value Creation Investment Team



Shinichiro Hashimoto
Leas Fund Manager
20 years experience



Kosuke Tsuchida
Senior Fund Manager
23 years experience



Yuichi Yokoyama
Analyst
9 years experience

*Clearbrook Investment Consulting is the investment advisor to the MUFG Japan Value Creation 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 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 Value Creation 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 Value Creation 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 Value Creation 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.

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