

### 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 01/31/2025:** \$76.8M USD

**Management Fee:** 0.75%

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

### Portfolio Characteristics

|                          | Japan Small Cap Equity* | Russ/Nom Small Cap |
|--------------------------|-------------------------|--------------------|
| Number of Holdings       | 128                     | 1,048              |
| Wtd. Avg. Mkt. Cap. (\$) | 902.3M                  | 1.90B              |
| P/E                      | 13.79                   | 14.76              |
| P/B                      | 1.12                    | 1.12               |
| ROE %                    | 11.24                   | 10.33              |
| Dividend Yield %         | 2.60                    | 2.66               |

\*Based on representative portfolio

All data as of 01/31/2025 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 01/31/25

| Composite                    | 1 Mon* | 3 Mon* | 6 Mon* | YTD* | 1 Yr  | 3 Yr  | 5 Yr | 7Yr  | 10Yr  | Since Incept |
|------------------------------|--------|--------|--------|------|-------|-------|------|------|-------|--------------|
| Japan Small Cap Equity Gross | 1.45   | 1.33   | -4.56  | 1.45 | 0.70  | 2.13  | 5.19 | 2.31 | 10.29 | 9.03         |
| Japan Small Cap Equity Net   | 1.39   | 1.15   | -4.91  | 1.39 | -0.05 | 1.37  | 4.41 | 1.54 | 9.47  | 8.22         |
| Russell/Nomura Small Cap     | 1.31   | 1.89   | -0.62  | 1.31 | 5.26  | 4.57  | 2.75 | 0.35 | 5.75  | 4.14         |
| Excess Ret (Gross-Russ/Nom)  | 0.14   | -0.56  | -3.94  | 0.14 | -4.55 | -2.44 | 2.44 | 1.95 | 4.54  | 4.89         |

\*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 Q1: Jan 2025 (USD Net)

#### Japan Markets:

- Japanese small cap equities gained in January, with the Russell/Nomura Small Cap index returning +1.31% USD. Although the market slightly declined in the local currency base, the performance turned positive due to the appreciation of the Japanese yen.
- In the first half of the month, Japanese equities declined matching the volatility of U.S. equities. Japanese equities then fell toward the middle of the month due to reports about tighter U.S. restrictions on exports of advanced semiconductors and the prevailing outlook for a rate hike by the BOJ.
- In the second half of the month, Japanese equities began to recover, with large semiconductor stocks leading a rebound in Japanese equities on the back of prospects for increased investment in AI development. As the BOJ raised the policy rate by 25bps at the Monetary Policy Meeting, Japanese equities rebounded regaining some of their lag. However, the Japanese equities markets were sluggish as concerns over future demand for advanced semiconductors emerged following reports that a Chinese start-up DeepSeek had developed a low-cost, high-performance generative AI.

#### MUFG Japan Small Cap Equity Strategy:

- The strategy returned +1.39% USD, outperforming the Index by 0.08%.
- The largest contributor was TOWA Corp., a leading maker in the market for semiconductor molding equipment. Despite a global sell-off in AI-related stocks following the release of Chinese-made AI model, DeepSeek, at month's end, the share price rose as the SOX index was generally steady throughout the month. Additionally, the market reacted positively to the report of a business alliance at the Consumer Electronics Show 2025 conference held January 7th-10th, where Toyota Motor will use NVIDIA GPUs in its next-generation vehicles, and to the announcement of a major AI investment in the U.S. by SoftBank Group.
- Another notable contributor was M&A Capital Partners Co., Ltd., a provider of advisory services in M&A due diligence, business strategy, and corporate regeneration to support owners of small and medium companies with business succession. On January 30th, the firm released its Q1 FY9/25 (Oct-Dec) earnings results with +131.8% YoY in sales and +465.1% YoY in operating profit. The share price rose sharply supported by the results as approximately 40% of the contracts were large-scale projects.
- The bottom contributor was Daikokutenbussan Co., Ltd., an operator of discount stores, which also engages in the wholesale of general food products. On January 14th, the firm released its Q2 FY5/25 (Jun-Nov) earnings results with +7.9% YoY in sales and +17.9% YoY in operating profit. Although the results were in line with the market consensus, the share price declined as the operating profit in Q2 was lower than that of Q1 by JPY 623 million due to the increase in personnel and utility costs.
- Mani, Inc., a manufacturer of medical goods and equipment including threads and needles for surgeries, ophthalmic knives, and dental instruments and equipment, also contributed negatively. The share price declined due to disappointing Q1 FY8/25 (Sep-Nov) earnings results released on January 8th with +7.6% YoY in sales and -5.2% YoY in operating profit, reflecting weaker-than-expected sales of dental products in China.

**FOR INSTITUTIONAL INVESTOR USE ONLY, NOT FOR PUBLIC DISTRIBUTION**

# MUFG Japan Small Cap Equity Strategy

About the Strategy in USD as of 01/31/2025

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

|                                  | One Yr | Three Yr | Five Yr | Ten Yr |
|----------------------------------|--------|----------|---------|--------|
| Excess Return %                  | -4.55  | -2.44    | 2.44    | 4.54   |
| Beta                             | 0.92   | 1.09     | 1.14    | 1.13   |
| Information Ratio                | -0.92  | -0.43    | 0.34    | 0.65   |
| Sharpe Ratio*                    | 0.06   | 0.13     | 0.28    | 0.61   |
| Tracking Error %                 | 4.94   | 5.67     | 7.12    | 6.94   |
| Standard Deviation (Portfolio) % | 11.79  | 16.13    | 18.41   | 16.82  |
| Standard Deviation (BM) %        | 11.62  | 13.86    | 15.04   | 13.70  |

\*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            | 24.10                   | 25.48              |
| Information Technology | 21.76                   | 12.72              |
| Financials             | 13.89                   | 9.94               |
| Consumer Discretionary | 11.76                   | 17.62              |
| Materials              | 9.70                    | 10.58              |
| Consumer Staples       | 4.28                    | 10.30              |
| Health Care            | 4.26                    | 4.98               |
| Communication Services | 4.00                    | 4.23               |
| Real Estate            | 2.27                    | 1.76               |
| Utilities              | 0.30                    | 1.62               |
| Energy                 | 0.00                    | 0.75               |
| Others                 | 0.12                    | -                  |
| Cash & Cash Equivalent | 3.57                    | -                  |

\*Based on Representative Portfolio

## Top Ten Holdings (%)\*

|                         |              |
|-------------------------|--------------|
| Techmatrix Monex Group  | 2.16         |
| TOWA                    | 1.93         |
| The 77 Bank             | 1.79         |
| Kusuri No Aoki Holdings | 1.64         |
| CTS                     | 1.63         |
| Tocalo                  | 1.62         |
| Terasaki Electric       | 1.61         |
| Vertex                  | 1.57         |
| MCJ                     | 1.53         |
| JEOL                    | 1.50         |
| <b>Total</b>            | <b>16.98</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  
34 years experience



**Yoshitaka Nagano, CMA**  
Small Cap Manager/Analyst  
26 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.

**This document is confidential, and may not be reproduced or provided to others without the prior written consent of MUFG.** This document is for discussion purposes only. This document is not intended to form the basis of a decision to purchase or sell securities or enter into a transaction, and does not constitute an offer or a solicitation, nor any form of advice, opinion or recommendation. The opinions expressed herein have not been prepared with a view toward public disclosure under applicable securities laws or otherwise, are intended for the benefit and use of the specific recipient. **Past performance does not guarantee, and is not indicative of future results.** It is impossible to predict whether the value of any strategy or index will rise or fall over time. Actual performance may be lower or higher than the performance quoted. The strategy invests in small- and mid-cap companies, which may have more limited liquidity and greater price volatility than large-cap companies. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks. Such risks are particularly significant for a strategy that focuses on a single-country.

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.