

### 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 07/31/2023:** \$71.7M 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	1,191
Wtd. Avg. Mkt. Cap. (\$)	1.1B	1.49B
P/E	17.34	18.56
P/B	2.34	2.14
ROE %	11.25	8.00
Dividend Yield %	2.20	2.41

\*Based on representative portfolio

All data as of 07/31/2023 unless noted

### Contact Information

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### Performance (%) USD as of 07/31/2023

Composite	1 Mon*	3 Mon*	6 Mon*	YTD*	1 Yr	3 Yr	5 Yr	7Yr	10Yr	Since Incept
Japan Small Cap Equity Gross	2.80	4.57	4.82	11.17	16.62	8.70	3.26	10.33	13.22	9.55
Japan Small Cap Equity Net	2.73	4.38	4.44	10.69	15.76	7.90	2.49	9.51	12.39	8.74
Russell/Nomura Small Cap	4.42	4.54	5.05	9.78	12.32	4.35	-0.46	3.84	5.71	3.87
Excess Ret (Gross-Russ/Nom)	-1.63	0.03	-0.22	1.38	4.30	4.35	3.72	6.49	7.51	5.68

\*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: July 2023, USD (Net)

#### Japan Markets:

- Japanese small-cap equities gained in July, with the Russell/Nomura Small Cap index returning +4.42% USD.
- Early in the month, the market was down due to concerns over a reemerging bearish outlook for the global economy, and overseas investors on the notion that the Bank of Japan (BOJ) would tweak the YCC policy at the next monetary policy meeting.
- In mid-July, Japanese equities rallied as the consensus for the Fed to halt the interest rate hikes heightened on the back of weaker-than-expected U.S. CPI. At the FOMC meeting, the Fed raised interest rates by 0.25%, in line with market expectation, but the market responded rather favorably, feeling that the central bank may not raise interest rates at the September meeting.
- At the end of the month, the Japanese market was up. The BOJ maintained the YCC policy guidance essentially as is but with a more flexibility, tolerating the 10-year government bond yield rise to as much as 1.0% at the monetary policy meeting. The BOJ's announcement temporarily disrupted the equity and foreign exchange markets, but as U.S. equities remained firm on the back of benign U.S. inflation figures, the Japanese equities followed suit.

#### MUFG Japan Small Cap Equity Strategy:

- The strategy returned +2.73% USD, underperforming the index by 1.69%.
- Top contributors included JFE Holdings, Inc., one of the largest steelmakers in crude steel production in Japan. Expectations for robust Q1 FY3/24 earnings results were fueled by the continuously high earnings level of JSW Steel Limited, its Indian affiliate company.
- Our Japanese regional bank holdings, such as The Bank of Kyoto, Ltd. and The 77 Bank, Ltd., also contributed positively due to the BOJ's announcement of weakening its bond yield control policy, which should increase tolerance for interest rates to be priced more rationally. The share prices jumped as higher interest rates would presumably improve the profitability of the financial institutions, especially the banks.
- The worst contributor was TechMatrix Corp, a systems integration company with strength in IT security and medical systems. The share price declined due to their Q1 FY3/24 earnings results, which did not meet market expectations due to the temporary expenses associated with subsidiary integration and the slowdown for its cloud security products.
- Another notable detractor was Sankyo Denki. Co., Ltd., a manufacturer and seller of small precision motors, cooling, and power systems used for a wide range of products such as solar power generation, industrial machines, and robots. Although the firm released positive earnings results, the share price declined due to sluggish demand for its products.

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# MUFG Japan Small Cap Equity Strategy

About the Strategy in USD as of 07/31/2023

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

	One Yr	Three Yr	Five Yr	Ten Yr
Excess Return %	4.30	4.35	3.72	7.51
Beta	1.19	1.21	1.18	1.13
Information Ratio	0.82	0.55	0.53	1.09
Sharpe Ratio*	0.96	0.47	0.17	0.79
Tracking Error %	5.23	7.86	7.05	6.91
Standard Deviation (Portfolio) %	17.32	18.40	19.48	16.73
Standard Deviation (BM) %	14.09	13.98	15.62	13.59

\*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	26.19	24.21
Information Technology	21.76	15.36
Consumer Discretionary	13.32	15.94
Materials	11.36	12.11
Financials	11.22	8.36
Health Care	5.92	6.39
Communication Services	2.50	4.14
Consumer Staples	2.32	9.39
Real Estate	1.40	1.29
Utilities	0.97	1.64
Energy	0.00	1.17
Cash & Cash Equivalent	3.03	-

\*Based on Representative Portfolio

## Top Ten Holdings (%)\*

Mitsui High-Tec, Inc.	2.98
JFE Holdings, Inc.	2.14
Towa Corp.	2.08
Sanyo Denki Co., Ltd.	1.77
Kaga Electronics	1.72
Iriso Electronics Co., Ltd	1.68
Open House Group Co., Ltd.	1.60
Quick	1.55
DD Group	1.53
CTS	1.50
<b>Total</b>	<b>18.55</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  
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.