

### 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 06/30/2023:** \$605.1M USD

**Management Fee:** 0.75%

**Benchmark:** TOPIX Total Return Index

### Portfolio Characteristics

	Japan Focus Growth*	TOPIX Total Return Index
Number of Holdings	30	2,157
Wtd. Avg. Mkt. Cap. (\$)	30.0B	41.7B
P/E	24.57	19.42
P/B	3.38	2.43
ROE %	12.38	10.75
Dividend Yield %	1.50	2.29

\*Based on representative portfolio

All data as of 06/30/2023 unless noted

### Contact Information

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### Performance (%) USD as of (06/30/2023)

Composite	1 Mon*	3 Mon*	6 Mon*	YTD*	1 Yr	3 Yr	5 Yr	7 Yr	10 Yr	Since Incept
Focus Growth Gross	1.02	3.04	8.66	8.66	11.21	-0.67	1.02	4.09	8.57	7.69
Focus Growth Net	0.96	2.85	8.26	8.26	10.39	-1.41	0.27	3.31	7.77	6.90
TOPIX Total Return Index	3.96	5.38	12.01	12.01	18.41	5.61	2.73	6.33	5.66	6.42
Excess Return (Gross-TOPIX)	-2.94	-2.34	-3.35	-3.35	-6.92	-6.28	-1.71	-2.24	2.91	1.27

\*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 HighMark. 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: Q2 April-June, USD (Net)

#### Japan Markets:

- Japanese equities advanced for the quarter, with the TOPIX Total Return Index returning (+5.38%) USD.
- Japanese equities gained in April (+0.38%), led by exporters due to yen depreciation as the new Bank of Japan (BOJ) Governor Kazuo Ueda maintained their easing monetary policy. U.S. steady statistical data, such as manufacturing PMI and GDP, solid Japanese corporate earnings, and expectations for a recovery of inbound consumption also contributed to leading the market higher.
- The equity market rallied in May (+0.98%), supported by companies that announced better-than-expected earnings results and aggressive shareholder returns measures as well as foreign investor stock purchases. In the latter half of the month, semiconductor-related stocks led the market higher amid expectations for improving inventory and vigorous domestic investment by global semiconductor companies. Strong earnings results and forecasts from NVIDIA with soaring demands for generative AI also lifted those stocks.
- The equity market rose in June (+3.96%). Early in the month, the market advanced following a U.S. equities rally due to expectations for a pause in the Fed's interest rate hikes, a resolution of the U.S. debt ceiling issue, and U.S. data showing decelerating inflation. In mid-June, the market continued to move up in anticipation for a dissolution of the Japanese lower house and the easing monetary policy by the BOJ. Later in the month, Japanese shares declined due to concerns over an overheated market after a sharp rally, and the People's Bank of China's decision to cut main interest rates, which increased concerns over slower growth of the Chinese economy.

#### MUFG Japan Focus Growth Strategy:

- The strategy returned +2.85% USD for the quarter, underperforming the index by 2.34%.
- The top contributor was Ibiden Co., Ltd., a manufacturer of ceramic, housing materials, printed circuit boards, graphic specialties, and integrated circuit (IC) packages. The stock price rallied due to better-than-expected FY3/22 earnings results and its new mid-term plan, signalling significant earnings growth.
- Another positive contributor was Tokio Marine Holdings, one of the world's largest and globally diversified insurance groups. The market reacted positively to the FY3/23 earnings results, beating expectations due to strong overseas insurance markets and its share repurchases.
- The largest detractor was Unicharm Corporation, one of the largest manufacturers of personal hygiene products with non-woven fabric including disposable baby diapers in Japan and Asia. Its Q1 FY12/23 earnings results missed market expectations due to distribution inventory compression in the feminine care business in China, and increased competition in the baby care business in Thailand.
- Nissin Foods Holdings, Ltd, one of the world's largest manufacturers of instant noodles and processed food products share price plunged in May due to a weaker-than-expected annual management plan reflecting a conservative overseas demand forecast for their instant noodle business and an increase in capex.

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# MUFG Japan Focus Growth Strategy

## About the Portfolio (as of 06/30/2023)

### Returns Based Statistics vs TOPIX Total Return Index

	One Yr	Three Yr	Five Yr	Ten Yr
Excess Return	-6.92	-6.28	-1.71	2.91
Beta	0.86	1.00	1.00	0.94
Information Ratio	-1.08	-0.68	-0.20	0.34
Sharpe Ratio*	0.72	-0.04	0.06	0.56
Tracking Error %	6.40	9.18	8.50	8.68
Std. Dev. (Portfolio) %	15.62	18.06	17.63	15.38
Std. Dev. (Benchmark) %	16.72	15.55	15.38	13.48

\* 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	20.75	24.61
Information Technology	18.25	13.71
Health Care	18.11	8.28
Consumer Staples	15.76	7.07
Consumer Discretionary	12.51	18.31
Financials	5.40	10.79
Materials	4.81	5.69
Real Estate	2.85	1.86
Communication Services	0.00	7.59
Utilities	0.00	1.31
Energy	0.00	0.79
Cash & Cash Equivalents	1.56	-

\*Based on Representative Portfolio

### Our Japan Focus Growth Investment Team



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



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



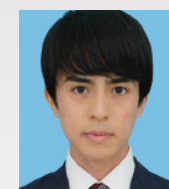
**Shinichi Okada**  
Analyst  
36 years experience



**Yuichi Yokoyama**  
Analyst  
7 years experience



**Yusuke Michiwaki**  
Strategy Manager/  
Analyst  
11 years experience



**Satoshi Tanaka**  
Analyst  
7 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.