



MUFG Japan Value Creation Equity Strategy March 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 03/31/2024: \$162.8M USD

Management Fee: 0.75%

Benchmark: TOPIX Total Return Index

Portfolio Characteristics

	Japan Value Creation Equity*	TOPIX Total Return
Number of Holdings	38	2,148
Wtd. Avg. Mkt. Cap. (\$)	8.7B	59.25B
P/E	11.10	17.37
P/B	1.03	1.63
ROE %	10.11	10.98
Dividend Yield %	2.79	2.05

*Based on representative portfolio

All data as of 03/31/2024 unless noted

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Performance (%) USD as of 03/31/2024

Composite	1 Mon*	3 Mon*	6 Mon*	YTD*	1 Yr	3 Yr	5 Yr	7Yr	10Yr	Since Incept
Japan Value Creation Gross	5.87	12.11	19.34	12.11	31.79	7.03	-	-	-	17.07
Japan Value Creation Net	5.80	11.91	18.91	11.91	30.83	6.24	-	-	-	8.88
TOPIX Total Return Index	3.28	10.05	18.86	10.05	24.29	3.65	-	-	-	11.51
Excess Return (Gross-TOPIX)	2.59	2.06	0.48	2.06	7.49	3.38	-	-	-	5.55

*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. 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 to 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 Q1: Jan-Mar 2024, USD Net

Japan Markets:

- Japanese equities advanced for the quarter, with the TOPIX Total Return Index returning +10.05% USD.
- Japanese equities rallied in January (+3.98%). The Japanese equity market was supported by the U.S. tech stocks rally and cash inflows from foreign investors. The sharp yen depreciation also provided positive backdrop for the market amid expectations that the interest rate spread between the U.S. and Japan would not narrow as much as expected.
- Japanese equities were up in February (+2.48%). The market was neutral in the first half of the month, dominated by the outlook for monetary policies in the U.S. and Japan. In the latter half of the month, the stock market rose, led by semiconductor-related names due to better-than-expected NVIDIA’s quarterly results and forecasts. Continuous cash inflows from foreign investors also supported Japanese shares.
- Japanese equities advanced in March (+3.28%). After a rise in the wake of bullish U.S. technology stocks, speculations of the BOJ’s policy shift weighed down Japanese equities. However, the market rebounded in mid-month as the BOJ decided to lift the negative interest rate after the release of solid wage growth in the initial tally from spring wage talks. Amid expectations for an end to deflation, the BOJ’s statement to maintain an accommodative monetary policy led to yen depreciation.

MUFG Japan Value Creation Equity Strategy:

- The strategy returned (+11.91%) USD, outperforming the Index by 1.86% for the quarter.
- The top contributor was SKY Perfect JSAT Holdings Inc. The company offers satellite administration and management services, and CS broadcasting service operations. The market reacted positively to its upward revision of FY3/24 earnings guidance reflecting earnings growth in its Space Business.
- Another notable contributor was Cosmo Energy Holdings Co., Ltd. The firm operates petroleum refineries, produces petrochemicals, and operates oil exploration in Abu Dhabi. The share price rallied, supported by expectations for additional shareholder returns after completion of an equity-method affiliate by Iwatani Corp.
- The largest detractor was Japan Aviation Electronics Industry, Ltd., a major connector manufacturer, mainly supplies connector-related products for extensive applications including PCs and smartphones. The stock price plunged in late January after the company announced a TOB of its own shares at a discount to dissolve the parent-subsidiary listing with NEC Corp. Investors were disappointed as they anticipated control premium from acquisitions by other companies
- Mitsui-Soko Holdings Co., Ltd., a provider of warehousing and marine, land, and air freight transportation services, also contributed negatively. The share price declined amid receding expectations for a positive impact from the disruption of shipping routes.

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MUFG Japan Value Creation Equity Strategy

About the Strategy in USD as of 03/31/2023

Returns Based Statistics (vs TOPIX Total Return Index)

	One Yr	Three Yr	Five Yr	Ten Yr
Excess Return %	7.49	3.38	-	-
Beta	0.93	0.92	-	-
Information Ratio	1.57	0.64	-	-
Sharpe Ratio*	2.73	0.48	-	-
Tracking Error %	4.76	5.31	-	-
Standard Deviation (Portfolio) %	11.64	14.55	-	-
Standard Deviation (BM) %	11.41	14.84	-	-

*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	21.80	24.34
Consumer Discretionary	19.59	18.60
Financials	16.39	12.84
Materials	11.31	5.86
Information Technology	10.09	13.94
Energy	6.98	0.93
Communication Services	5.75	6.96
Real Estate	3.80	2.24
Consumer Staples	3.28	6.07
Health Care	0.22	6.81
Utilities	0.00	1.42
Cash & Cash Equivalent	0.79	-

*Based on Representative Portfolio

Top Ten Holdings (%)*

Cosmo Energy Holdings	4.13
Sumitomo Heavy Industries	3.95
Kajima	3.93
The Yokohama Rubber	3.84
Mazda Motor	3.83
Nomura Real Estate Holdings	3.80
MS&AD Insurance Group	3.72
Hanwa	3.54
Fuyo General Lease	3.45
T&D Holdings	3.40
Total	37.59

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

Our 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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