

### 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 05/31/2023:** \$66.2M 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	1,192
Wtd. Avg. Mkt. Cap. (\$)	946.4M	1.44B
P/E	18.22	18.52
P/B	2.65	2.05
ROE %	11.49	7.92
Dividend Yield %	2.38	2.55

\*Based on representative portfolio

All data as of 05/31/2023 unless noted

### Contact Information

**Natasha Koprivica**

nkoprivica@clbrk.com or 857.919.1048

**Clearbrook Investment Consulting**

208 Harbor Dr, Shippan Landing, Suite 202  
Stamford, CT 06902

212.359.0260

### Performance (%) USD as of 05/31/2023

Composite	1 Mon*	3 Mon*	6 Mon*	YTD*	1 Yr	3 Yr	5 Yr	7Yr	10Yr	Since Incept
Japan Small Cap Equity Gross	-3.28	0.02	4.60	2.82	4.91	6.04	0.63	10.43	12.61	9.16
Japan Small Cap Equity Net	-3.34	-0.17	4.21	2.50	4.14	5.26	-0.12	9.62	11.77	8.35
Russell/Nomura Small Cap	-2.41	1.27	5.21	2.49	5.34	0.43	-2.54	3.52	5.09	3.50
Excess Ret (Gross-Russ/Nom)	-0.87	-1.25	-0.60	0.33	-0.43	5.61	3.17	6.92	7.51	5.66

\*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 HighMark. 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: Q21: May 2023, USD (Net)

#### Japan Markets:

- Japanese small-cap equities declined in May, with the Russell/Nomura Small Cap index returning -2.41% USD.
- Early in the month, Japanese equities traded sideways despite negative news flow of U.S. regional banks' funding conditions further deteriorating. The Bank of Japan's announcement of maintaining low interest rates at the monetary policy meeting in late April supported Japanese equities.
- In mid-May, the Japanese stock markets were up, supported by a series of decent earnings results and the weak Japanese yen. Companies with strong earnings prospects were buoyed despite the news of uncertainty about the debt ceiling in the U.S.
- Later in the month, Japanese equities declined as uncertainty surrounding the debt ceiling in the U.S. increased a broader risk-off sentiment. Also, there was a sense of overheating in the Japanese markets, and as a result, equities softened due to profit-taking and weaker-than-expected China PMI. Although the market gained in the local currency base, the performance turned negative due to the weaker Japanese yen.

#### MUFG Japan Small Cap Equity Strategy:

- The Strategy returned -3.34% USD, underperforming the index by 0.94%.
- The best contributor was TOWA Corp., a leading maker in the market for semiconductor molding equipment. Although the company released weak FY3/23 earnings results, the share price gained due to its FY3/24 business outlook that TOWA will expand its molding business in Malaysia, in addition to an aggressive capex plan to strengthen future sales and its product line.
- Another notable contributor was Mitsui High-tec, Inc., a manufacturer of integrated circuit lead frames and electric motor cores. The market reacted positively to the announcement that the firm will establish a subsidiary for the manufacture and sales of electric motor cores in Mexico, which is scheduled to start mass production in September 2025. This will help meet North America EV market demand.
- The worst contributor was Alphapolis Co., Ltd., which manages a user-generated content business for books and comics, as its investment plan for future growth would decrease FY3/24 earnings despite solid FY3/23 earnings results.
- Another detractor was eRex Co., Ltd., a leading company in renewable energy, a supplier using biomass power technology and a retailer of electric power. Despite robust full-year FY3/23 earnings results, the share price dropped after the release of sluggish Q4 FY3/23 earnings results, affected by a large uptick in the JEPX (Japan Electric Power Exchange) price.

# MUFG Japan Small Cap Equity Strategy

About the Strategy in USD as of 05/31/2023

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

	One Yr	Three Yr	Five Yr	Ten Yr
Excess Return %	-0.43	5.61	3.17	7.51
Beta	1.23	1.20	1.18	1.13
Information Ratio	-0.08	0.71	0.45	1.10
Sharpe Ratio*	0.26	0.33	0.03	0.75
Tracking Error %	5.20	7.85	6.98	6.85
Standard Deviation (Portfolio) %	19.02	18.20	19.41	16.71
Standard Deviation (BM) %	15.17	13.88	15.50	13.53

\*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	26.51	24.16
Information Technology	23.15	15.07
Consumer Discretionary	13.66	15.96
Materials	11.18	11.80
Financials	10.60	8.32
Health Care	6.41	6.63
Communication Services	2.79	4.21
Consumer Staples	2.16	9.72
Real Estate	1.44	1.32
Utilities	0.93	1.67
Energy	0.00	1.15
Others	0.00	-
Cash & Cash Equivalent	1.16	-

\*Based on Representative Portfolio

## Top Ten Holdings (%)\*

Mitsui High-Tec, Inc.	3.06
Towa Corp.	2.13
Iriso Electronics Co., Ltd	2.04
Sanyo Denki Co., Ltd.	2.00
Techmatrix	1.83
JFE Holdings, Inc.	1.80
Open House Group Co., Ltd.	1.77
CTS Co., Ltd.	1.61
Kaga Electronics	1.56
JEOL	1.53
<b>Total</b>	<b>19.33</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.

**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.