

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 05/31/2024: \$237.9M USD

Management Fee: 0.75%

Benchmark: TOPIX Total Return Index

Portfolio Characteristics

	Japan Value Creation Equity*	TOPIX Total Return
Number of Holdings	40	2,140
Wtd. Avg. Mkt. Cap. (\$)	9.1B	53.40B
P/E	11.52	16.50
P/B	0.89	1.45
ROE %	8.38	11.11
Dividend Yield %	3.03	2.28

*Based on representative portfolio

All data as of 05/31/2024 unless noted

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Performance (%) USD as of 05/31/2024

Composite	1 Mon*	3 Mon*	6 Mon*	YTD*	1 Yr	3 Yr	5 Yr	7Yr	10Yr	Since Incept
Japan Value Creation Gross	0.90	3.61	15.28	9.72	28.77	5.31	-	-	-	15.73
Japan Value Creation Net	0.84	3.42	14.86	9.39	27.84	4.53	-	-	-	14.88
TOPIX Total Return Index	1.30	-0.30	11.15	6.23	18.37	2.61	-	-	-	10.09
Excess Return (Gross-TOPIX)	-0.39	3.91	4.13	3.48	10.40	2.70	-	-	-	5.64

*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 Q2: May 2024, USD Net

Japan Markets:

- The Japanese equity market rose in May, with the TOPIX Total Return Index returning +1.30% USD.
- Early in the month, Japanese equities declined. U.S. technology stocks’ rallied on the opinion that long-term interest rates will remain for now encouraging the Japanese equities markets to buy. Higher-than-expected companies’ earnings also supported Japanese equities. However, profit-taking and conservative guidance for the following fiscal year capped further gains.
- In mid-May, Japanese equities advanced. U.S. CPI growth and retail sales fell below expectations, leading to declining U.S. long-term interest rates and record highs in the U.S. equity markets. Following that rally, buying spread in the Japanese equities markets, led by high-priced semiconductor-related stocks.
- Later in the month, Japanese equities rallied. As the long-term interest rate in Japan reached 1.0%, financial stocks, which are generally recognized as beneficiaries of higher interest rates, supported the market while some loftier stocks sold. Japanese equities rebounded by the end of the month with the decline of U.S. long-term interest rates easing concerns about the impact of higher interest rates in Japan.

MUFG Japan Value Creation Equity Strategy:

- The strategy returned +0.90% USD, underperforming the Index by 0.39%.
- Many of our investee companies announced share buybacks and reviews of their capital allocation policies in May, contributing positively to the portfolio. The top contributor was Iyogin Holdings, Inc., a regional bank headquartered in the Shikoku area. The firm announced a raise to its FY3/25 payout ratio target, which exceeded market expectations. Another notable contributor was MS&AD Insurance Group Holdings, Inc., a leading non-life insurance firm formed through the merger of Aioi Insurance Co., Ltd., Nissay Dowa General Insurance Co., Ltd., and Mitsui Sumitomo Insurance Group. The firm announced a share buyback of up to 8.2% of its outstanding shares, boosting the share price. Both Iyogin Holdings, Inc. and MS&AD Insurance Group Holdings, Inc. clearly expressed that the firms would enhance shareholder returns, which were well received in the market.
- In contrast, the largest detractor was Kajima Corp., a general contractor operating nationwide and overseas. The share price dropped due to the weaker-than-expected FY3/25 guidance with a decline in operating profit.
- Fuyo General Lease Co., Ltd., a leading Japanese financial services company specializing in leasing and asset management, also contributed negatively as FY3/25 guidance called for a decline in profits despite the robust FY3/24 earnings results thanks to capital gains related to aircraft and real estate.

MUFG Japan Value Creation Equity Strategy

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

Returns Based Statistics (vs TOPIX Total Return Index)

	One Yr	Three Yr	Five Yr	Ten Yr
Excess Return %	10.40	2.70	-	-
Beta	0.90	0.91	-	-
Information Ratio	2.43	0.52	-	-
Sharpe Ratio*	2.32	0.36	-	-
Tracking Error %	4.28	5.22	-	-
Standard Deviation (Portfolio) %	12.39	14.68	-	-
Standard Deviation (BM) %	12.99	15.07	-	-

*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	20.39	25.13
Financials	19.20	13.79
Consumer Discretionary	18.42	17.80
Materials	10.58	5.51
Information Technology	10.06	13.46
Energy	5.95	0.96
Communication Services	5.77	6.74
Consumer Staples	3.40	6.10
Real Estate	3.28	2.05
Utilities	2.12	1.61
Health Care	0.44	6.86
Cash & Cash Equivalent	0.41	-

*Based on Representative Portfolio

Top Ten Holdings (%)*

T&D Holdings	3.73
MS&AD Insurance Group	3.60
Marubeni	3.59
Hanwa	3.56
Mazda Motor	3.42
The Yokohama Rubber	3.40
Morinaga Milk Industry	3.40
Kajima	3.39
Cosmo Energy Holdings	3.29
Nomura Real Estate Holdings	3.28
Total	34.66

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

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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