

## 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 11/30/2024:** \$76.9M USD

**Management Fee:** 0.75%

**Benchmark:** Russell/Nomura Small Cap Index

## Portfolio Characteristics

	Japan Small Cap Equity*	Russ/Nom Small Cap
Number of Holdings	126	1,050
Wtd. Avg. Mkt. Cap. (\$)	920.7M	1.90B
P/E	13.61	14.49
P/B	1.10	1.11
ROE %	11.28	10.88
Dividend Yield %	2.71	2.66

\*Based on representative portfolio

All data as of 11/30/2024 unless noted

## Contact Information

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## Performance (%) USD as of 11/30/2024

Composite	1 Mon*	3 Mon*	6 Mon*	YTD*	1 Yr	3 Yr	5 Yr	7Yr	10Yr	Since Incept
Japan Small Cap Equity Gross	1.71	-4.48	2.26	1.90	8.69	-2.08	5.06	3.61	10.89	9.13
Japan Small Cap Equity Net	1.65	-4.66	1.88	1.20	7.89	-2.81	4.28	2.84	10.07	8.32
Russell/Nomura Small Cap	1.89	-1.36	6.55	5.75	11.96	3.11	2.33	1.24	6.13	4.18
Excess Ret (Gross-Russ/Nom)	-0.18	-3.12	-4.28	-3.85	-3.26	-5.19	2.73	2.37	4.76	4.96

\*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 Q4: November 2024, USD Net

### Japan Markets:

- Japanese small cap equities gained in November. The Russell/Nomura Small Cap index returned +1.89% USD.
- Early in the month, Japanese equities were down due to weak U.S. semiconductor-related stocks and the market being cautious towards the BOJ's rate hikes. However, Japanese equities rebounded as the Japanese yen depreciated against the U.S. dollar on the back of a report that Trump would likely win the presidential election.
- In mid-November, Japanese equities were down. A few economic indicators showing the strength of the U.S. economy were released. Consequently, U.S. interest rates rose on speculation of a slowdown in U.S. rate cuts, which led to the Japanese yen depreciation. However, uncertainties about what policy stances the Trump administration might bring led the Japanese equities markets lower.
- Later in the month, the Japanese equity market remained soft. Following a report that president-elect Trump was planning to raise tariffs on all imported goods, the share prices of export-related Japanese technology and auto stocks declined. A view of the possibility of BOJ's imminent rate hike led to the Japanese yen appreciation against the U.S. dollar, which also weighed on the Japanese equities.

### MUFG Japan Small Cap Equity Strategy:

- The strategy returned +1.65% USD, underperforming the Index by 0.24%.
- The largest contributor was Monex Group, Inc., a global financial services firm focused on online securities. The share price rose due to the anticipated implementation of a crypto-friendly business policy during president-elect Trump's second presidency, which may lead to a rise in Bitcoin prices due to increased transaction activity in the stock market. Additionally, the share price reached a historical high after the firm announced that registration statements for the Nasdaq listing of Coincheck, a consolidated subsidiary of Monex Group, became effective on November 12th.
- Mugen Estate Co., Ltd., an operator of real estate purchasing and resale in Tokyo, as well as Kanagawa, Chiba, and Saitama prefectures also contributed. On November 5th, the firm released an upward revision of its full-year FY12/24 earnings guidance and revised its full-year dividend forecast. The firm also released favorable Q3 FY12/24 (Jan-Sep) earnings results November 14th and the sale of used properties to foreigners contributed significantly to the operating sales increase and reached an all-time high.
- The bottom contributor was TOWA Corp., a leading maker in the market for semiconductor molding equipment. As the firm has a relatively high exposure to China, the possibility of the U.S. government's restrictions weighed on the share price regardless of solid Q2 FY3/25 earnings results and an upward revision of its full-year FY3/25 earnings guidance driven by the recovery of generative AI demands, which will become a tailwind for the firm.
- Eiken Chemical Co., Ltd., one of Japan's largest manufacturers of diagnostic reagents, with a 60% share of the global market for fecal occult blood test reagents used in colorectal cancer tests, also contributed negatively. The share price fell due to a downward revision of its full-year FY3/25 earnings guidance announced October 31st. The revision was attributed to its flagship product, which showed less growth than expected globally, and an increase in development costs was more than anticipated.

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# MUFG Japan Small Cap Equity Strategy

About the Strategy in USD as of 11/30/2024

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

	One Yr	Three Yr	Five Yr	Ten Yr
Excess Return %	-3.26	-5.19	2.73	4.76
Beta	0.96	1.16	1.13	1.12
Information Ratio	-0.64	-0.74	0.38	0.68
Sharpe Ratio*	0.66	-0.12	0.27	0.65
Tracking Error %	5.08	7.00	7.11	6.95
Standard Deviation (Portfolio) %	13.11	17.75	18.51	16.81
Standard Deviation (BM) %	12.53	14.25	15.17	13.70

\*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	24.12	25.18
Information Technology	21.31	12.98
Financials	15.05	9.60
Consumer Discretionary	12.13	17.20
Materials	10.14	10.64
Health Care	4.56	5.25
Communication Services	3.64	4.20
Consumer Staples	3.54	10.66
Real Estate	2.22	1.79
Utilities	0.61	1.70
Energy	0.00	0.79
Cash & Cash Equivalent	2.67	-

\*Based on Representative Portfolio

## Top Ten Holdings (%)\*

Monex Group	2.58
Techmatrix	2.17
CTS	1.85
Kusuri No Aoki Holdings	1.76
The 77 Bank	1.72
Tocalo	1.65
Open House Group	1.61
Vertex	1.59
MCJ	1.59
The Hachijuni Bank	1.55
<b>Total</b>	<b>18.07</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  
34 years experience



**Yoshitaka Nagano, CMA**  
Small Cap Manager/Analyst  
26 years experience



**Kazunori Yanagimoto**  
Theme Analyst  
6 years experience



**Ryu Ota**  
Theme Analyst  
6 years experience



**Koichi Kano**  
Theme Analyst  
4 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@clrbk.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.