

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 08/31/2024: \$78.6M 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	1,087
Wtd. Avg. Mkt. Cap. (\$)	909.7M	1.80B
P/E	13.58	13.92
P/B	1.09	1.10
ROE %	11.36	10.96
Dividend Yield %	2.64	2.62

*Based on representative portfolio

All data as of 09/30/2024 unless noted

Contact Information

Natasha Koprivica

nkoprivica@clrbk.com or 857.919.1048

Clearbrook Investment Consulting

21 West 46th St, Suite 1507

New York NY, 10036

Performance (%) USD as of 9/30/2024

Composite	1 Mon*	3 Mon*	6 Mon*	YTD*	1 Yr	3 Yr	5 Yr	7Yr	10Yr	Since Incept
Japan Small Cap Equity Gross	-0.50	5.62	0.45	6.14	14.71	-2.31	8.02	5.66	10.73	9.45
Japan Small Cap Equity Net	-0.56	5.41	0.07	5.55	13.86	-3.04	7.22	4.88	9.91	8.64
Russell/Nomura Small Cap	2.36	11.23	5.30	9.73	19.29	0.99	4.57	2.77	6.06	4.42
Excess Ret (Gross-Russ/Nom)	-2.86	-5.62	-4.86	-3.59	-4.58	-3.30	3.45	2.89	4.67	5.04

*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 Q3: Jul-Sept 2024, USD Net

Japan Markets:

- Japanese small caps advanced for the quarter, with the Russell/Nomura Small Cap Index returning +11.23% USD.
- Japanese small caps advanced in July (+7.86%). The U.S. stocks rallied on market participants' speculation of FRB's rate cut in September 2024 and the weak Japanese yen trend pushed the markets higher. BOJ decided to raise its policy rate and taper JGB buying, accelerating the yen appreciation.
- Japanese small cap equities advanced slightly in August (+0.75%). Although the market declined in the local currency base, the performance turned positive due to the appreciation of the yen. As the U.S. economic indicators deteriorated, expectations for a rate cut in September heightened, causing the Japanese yen to appreciate sharply on the 5th, one of the reasons for the market's sudden decline. Market volatility remained high.
- Japanese small cap equities advanced in September (+2.36%). As the U.S. ISM Manufacturing Index fell short of market expectations, investors' anxieties about an economic slowdown heightened. In mid-September, FRB cut the policy rate by 50 bps. Japanese equities advanced as Sanae Takaichi, who advocated for monetary easing, was expected to win the LDP presidential election. However, Shigeru Ishiba, who is considered a hawk on monetary policy, surprisingly won, causing the yen to appreciate sharply dragging down Japanese equities.

MUFG Japan Small Cap Equity Strategy:

- The strategy returned (+5.41%) USD, underperforming the Index by 5.82% in the quarter.
- The top contributor was Sanyo Denki Co., Ltd., a manufacturer and seller of small precision motors, cooling, and power systems used for a wide range of products. The share price jumped in August as Strategic Capital, an activist fund based in Japan, submitted their shareholders report, holding 5.24% of the outstanding shares as of August 27th. It is expected that the firm's management will change with the activist's involvement.
- Another notable contributor was Techmatrix Corp., a systems integration company with strength in IT security and medical systems. The share price rallied in August as the firm released its Q1 FY3/25 (Apr-Jun) earnings results in July with +20.0% YoY in sales and +24.0% YoY in operating profit, reaching historical highs in both. The subscription-based cloud security solutions drove revenue growth, supported by the trends that Japanese firms are willing to invest in information security.
- The bottom contributor was TOWA Corp., a leading maker of semiconductor molding equipment. In the last quarter, semiconductor-related firms contributed negatively due to the announcement in July that the U.S. government was considering imposing the most severe export restrictions on semiconductor firms exporting their products to China. TOWA has relatively high exposure to China.
- Mitsui High-tec, Inc., a manufacturer of integrated circuit lead frames and electric motor cores, also contributed negatively. In September, the firm released weaker-than-expected Q2 FY1/25 (Feb-Jul) earnings results with (+11.1%) YoY in sales and (-6.9%) YoY in operating profit. Moreover, the firm released a downward revision of its full-year FY1/25 earnings guidance, reflecting the slowdown of both the lead frame business and the electric motor core business. The delay of the semiconductor recovery and the increase in personnel and material costs weighed on the share price.

FOR INSTITUTIONAL INVESTOR USE ONLY, NOT FOR PUBLIC DISTRIBUTION

MUFG Japan Small Cap Equity Strategy

About the Strategy in USD as of 09/30/2024

Returns Based Statistics (vs Russell/Nomura Small Cap)

	One Yr	Three Yr	Five Yr	Ten Yr
Excess Return %	-4.58	-3.30	3.45	4.67
Beta	1.03	1.10	1.14	1.13
Information Ratio	-0.87	-0.45	0.48	0.67
Sharpe Ratio*	1.01	-0.13	0.43	0.64
Tracking Error %	5.27	7.39	7.14	6.97
Standard Deviation (Portfolio) %	14.57	17.53	18.55	16.78
Standard Deviation (BM) %	13.19	14.47	15.16	13.62

*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	25.45	26.47
Information Technology	23.07	14.17
Consumer Discretionary	12.65	15.78
Financials	12.28	8.67
Materials	10.04	10.87
Health Care	4.97	5.83
Consumer Staples	3.53	9.96
Communication Services	3.52	4.35
Real Estate	1.88	1.71
Utilities	0.48	1.67
Energy	0.00	0.50
Cash & Cash Equivalent	2.13	-

*Based on Representative Portfolio

Top Ten Holdings (%)*

Techmatrix	2.18
Towa Corp.	2.17
Tocalo	1.84
MCJ	1.80
Kusuri No Aoki Holdings	1.75
Vertex	1.74
CTS	1.73
Open House Group	1.62
Monex Group	1.59
Sanyo Denki	1.58
Total	18.00

*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
33 years experience



Yoshitaka Nagano, CMA
Small Cap Manager/Analyst
25 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.

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@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.