

## Investment Strategy

- Bottom up stock picking strategy, based on company interviews/fieldwork and fundamental research/analysis.
- We seek to identify exceptional companies able to sustain consistent earnings growth through economic cycles.
- The strategy seeks to outperform the market by selectively buying and holding stocks over the mid-to-long term, typically three to five years. Consequently, the turnover of our portfolio is low.
- We do not invest in stocks for purposes of managing risk against benchmarks.
- Stable earnings volatility of our holdings allows us to build a concentrated portfolio of 20-30 names.

## Strategy Facts

**Inception Date:** October 1, 2011

**Advisor:** Clearbrook Investment Consulting, LLC.

**Sub-Advisor:** Mitsubishi UFJ Trust and Banking Corporation

**Net Assets as of 09/30/2024:** \$392.87M USD

**Management Fee:** 0.75%

**Benchmark:** TOPIX Total Return Index

## Portfolio Characteristics

	Japan Focus Growth*	TOPIX Total Return Index
Number of Holdings	37	2,138
Wtd. Avg. Mkt. Cap. (\$)	44.5B	49.7B
P/E	20.05	15.32
P/B	2.38	1.38
ROE %	14.94	11.48
Dividend Yield %	1.70	2.43

\*Based on representative portfolio

All data as of 09/30/2024 unless noted

## Contact Information

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## Performance (%) USD as of (09/30/2024)

Composite	1 Mon*	3 Mon*	6 Mon*	YTD*	1 Yr	3 Yr	5 Yr	7 Yr	10 Yr	Since Incept
Focus Growth Gross	-0.46	6.68	1.88	8.43	20.25	-5.92	4.65	4.88	7.78	7.94
Focus Growth Net	-0.53	6.48	1.49	7.83	19.36	-6.62	3.87	4.10	6.98	7.14
TOPIX Total Return Index	0.23	6.95	2.32	12.60	21.62	3.10	7.26	5.65	6.76	7.33
Excess Return (Gross-TOPIX)	-0.70	-0.27	-0.45	-4.17	-1.36	-9.02	-2.61	-0.77	1.02	0.61

\*Returns for periods under one year are not annualized.

**Performance data quoted represents past performance; past performance does not guarantee future results.** Gross returns are presented before management and custodial fees, but after all trading expenses and reflect the investment 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 (TOPIX) Total Return Index as a 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 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 equity market advanced for the quarter, with the TOPIX Total Return Index returning +6.95% USD.
- Japanese equity market gained in July (+6.33%). The U.S. stock rally on market participants' speculation of FRB's rate cut in September 2024 and the weak Japanese yen trend boosted the markets. BOJ decided to raise its policy rate and taper JGB buying, accelerating the yen appreciation.
- Japanese equity market gained in August (+0.34%). Although the market declined in the local currency base, the performance turned positive due to the appreciation of the Japanese 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 equity market gained slightly in September (+0.23%). Although the market declined in the local currency base, the performance turned slightly positive due to the appreciation of the Japanese yen. As the U.S. ISM Manufacturing Index fell short of market expectations, investors' anxieties about an economic slowdown heightened. In mid-September, the 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 the election, causing the Japanese yen to appreciate sharply dragging down Japanese equities.

### MUFG Japan Focus Growth Strategy:

- The strategy returned +6.48% USD, underperforming the index by 0.47% in the quarter.
- The top contributor was Nomura Research Institute, Ltd., one of the largest consulting service providers and information technology solution providers in Japan. The share price rose, supported by the stable trend of IT investment in Japan and expectations for an improvement in supply-demand due to its adoption of the Nikkei 225 constituents.
- Another notable contributor was Hitachi, Ltd., one of the largest manufacturers of comprehensive electronic machinery. The share price rose due to heightened growth expectations following announcements of AI-related collaborations and an upward revision of the market forecast of FY3/25 earnings in response to the better-than-expected Q1 earnings results.
- Conversely, the largest detractor was Tokyo Electron Ltd., a leading global manufacturer of semiconductor production equipment and FPD production equipment. 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, weighed on the share price through the quarter.
- Another detractor was Sumitomo Mitsui Financial Group, Inc., one of Japan's three megabank groups. Its Q1 FY3/25 (Apr-Jun) earnings results released in August were solid thanks to the increase in loan margins both domestic and international. However, the plummeting long-term interest rates in Japan and the U.S. caused by Powell's remarks that the Fed will cut interest rates in September, dragged down the share price.

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# MUFG Japan Focus Growth Strategy

## About the Portfolio (as of 09/30/2024)

### Returns Based Statistics vs TOPIX Total Return Index

	One Yr	Three Yr	Five Yr	Ten Yr
Excess Return	-1.36	-9.02	-2.61	1.02
Beta	1.15	1.05	1.00	0.97
Information Ratio	-0.33	-1.28	-0.32	0.12
Sharpe Ratio*	1.32	-0.34	0.27	0.49
Tracking Error %	4.16	7.07	8.22	8.49
Std. Dev. (Portfolio) %	15.29	17.59	17.35	15.73
Std. Dev. (Benchmark) %	12.93	15.31	15.24	13.68

\* 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 Focus Growth*	TOPIX Total Return
Industrials	25.58	25.69
Information Technology	19.88	13.41
Health Care	13.52	7.38
Financials	11.89	13.02
Consumer Staples	11.00	6.50
Consumer Discretionary	9.92	17.08
Materials	4.14	5.62
Real Estate	2.63	2.06
Communication Services	0.73	6.93
Utilities	0.00	1.41
Energy	0.00	0.90
Cash & Cash Equivalents	0.72	-

\*Based on Representative Portfolio

### Our Japan Focus Growth Investment Team



**Shinichiro Hyogo**  
Lead Fund Manager  
25 years experience



**Kosuke Tsuchida**  
Senior Fund Manager  
23 years experience



**Shinichi Okada**  
Analyst  
37 years experience



**Yuichi Yokoyama**  
Analyst  
9 years experience



**Yusuke Michiwaki**  
Strategy Manager/  
Analyst  
13 years experience

\*Clearbrook Investment Consulting is the investment advisor to the MUFG Japan Focus Growth 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](mailto: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 Focus Growth 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 Focus Growth 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 Focus Growth 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.