

# Are U.S. Equities Relevant in Japan?

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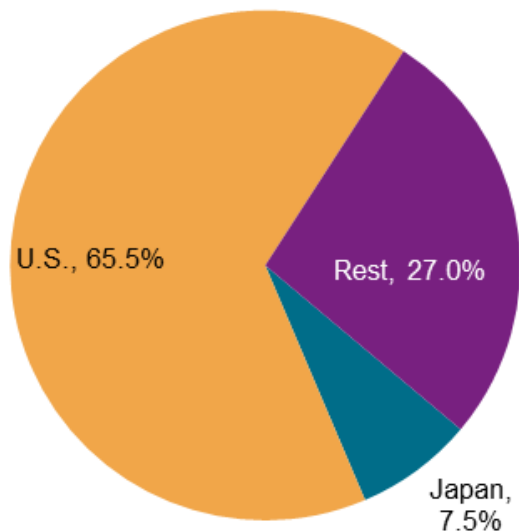
# Yes, U.S. Equities Are Relevant in Japan

- As a diversifier
- As an example

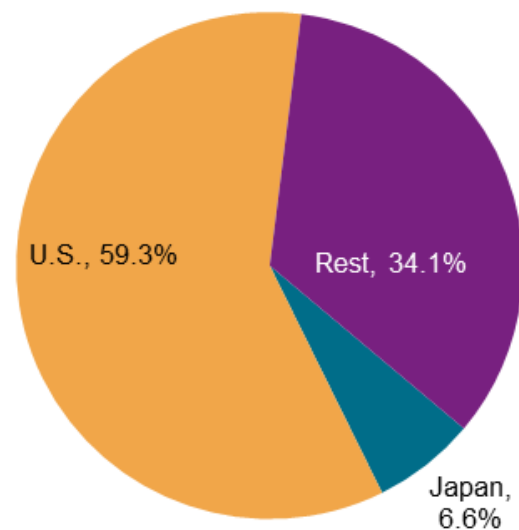
# U.S. Equities as a Diversifier

# The U.S. Equity Market is the World's Largest

S&P Developed BMI



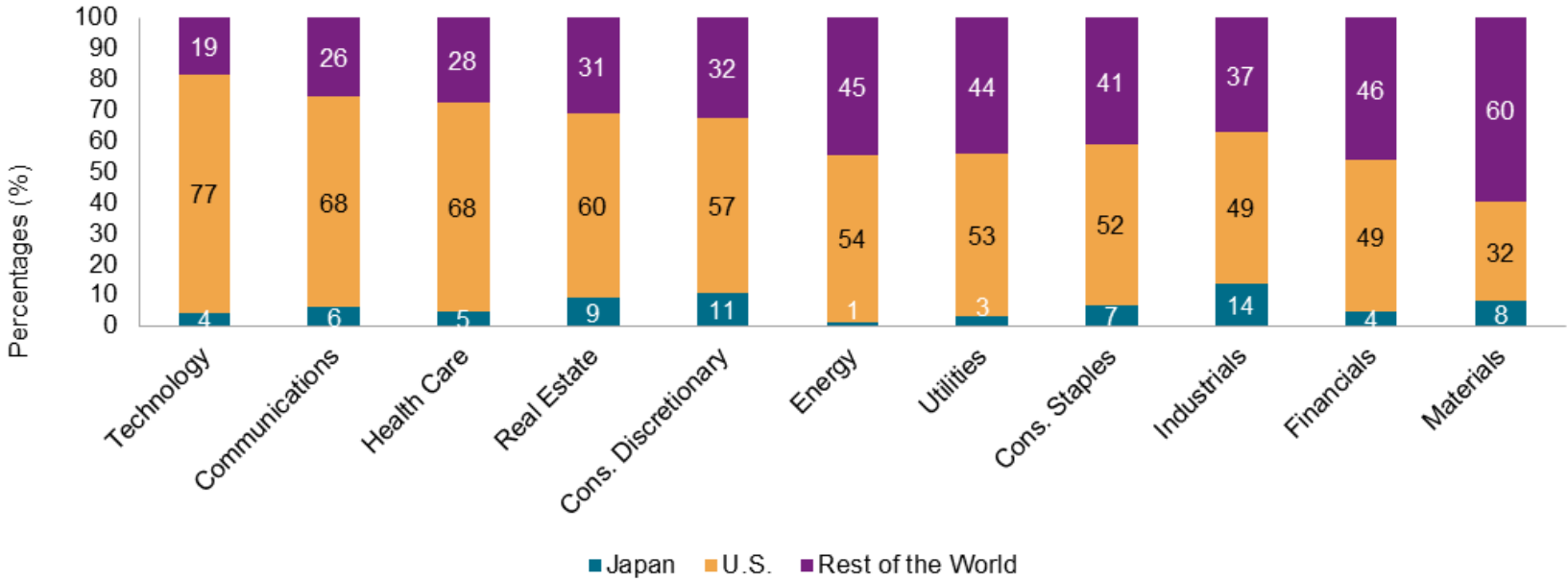
S&P Global BMI



Source: S&P Dow Jones Indices LLC. Data as of June 30, 2023. Data based on float market capitalization in USD trillions. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

# U.S. Dominates Most Sectors

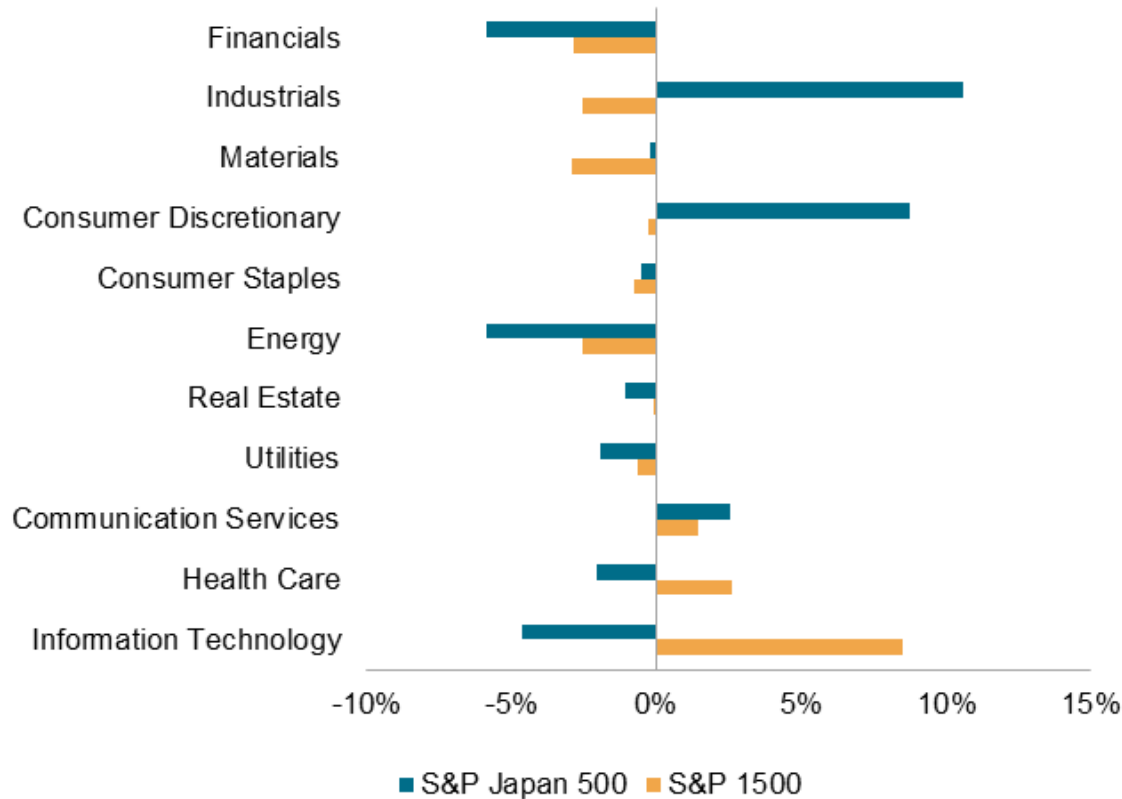
The U.S. represents more than 50% of global market capitalization in 8 of 11 GICS sectors.



Source: S&P Dow Jones Indices LLC. Data as of June 30, 2023. Data based on float market capitalization in USD trillions. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

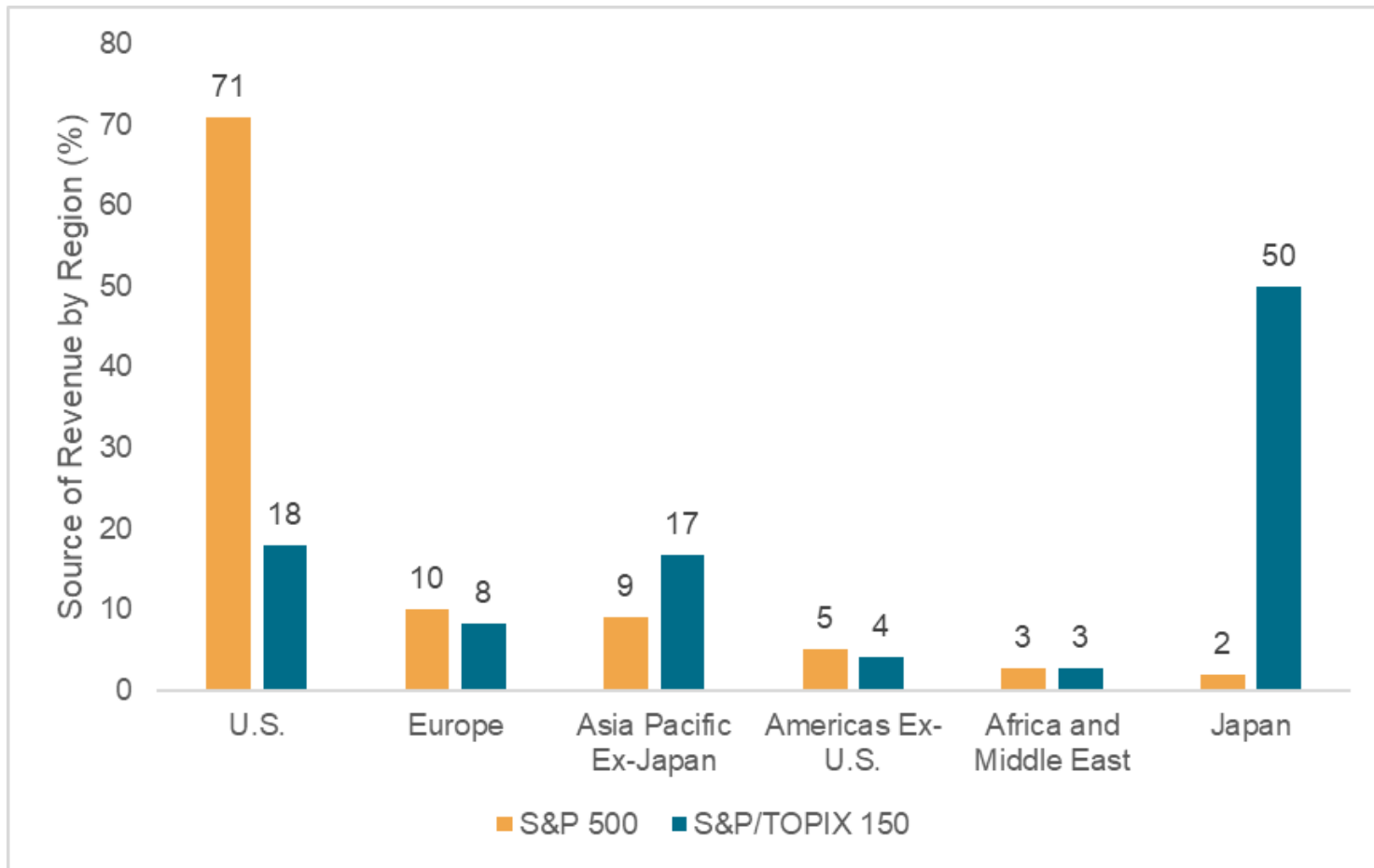
# Japan and U.S. Have Different Sectoral Biases

## Index Weights versus S&P Global BMI



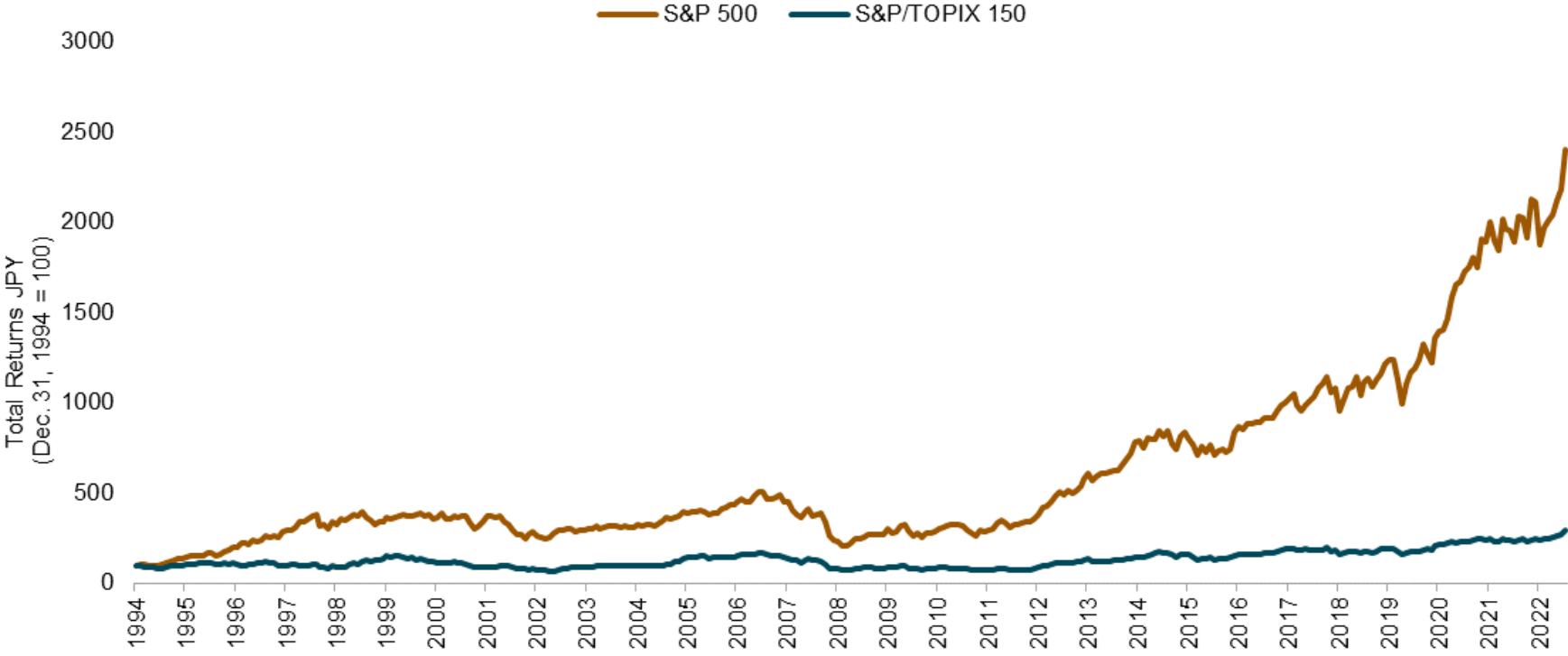
Source: S&P Dow Jones Indices LLC. Data as of June 30, 2023. Data based on float market capitalization in USD trillions. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

# Japan and U.S. Have Different Revenue Sources



Source: S&P Dow Jones Indices LLC, FactSet. Data as of June 30, 2023. Sales-weighted average of exposures. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

# U.S. Large Caps Have Outperformed Japan



Source: S&P Dow Jones Indices LLC. Data from Dec. 30, 1994, to June 30, 2023. Index performance based on monthly total return in JPY. Indices were rebased to 100 on Dec. 30, 1994.. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

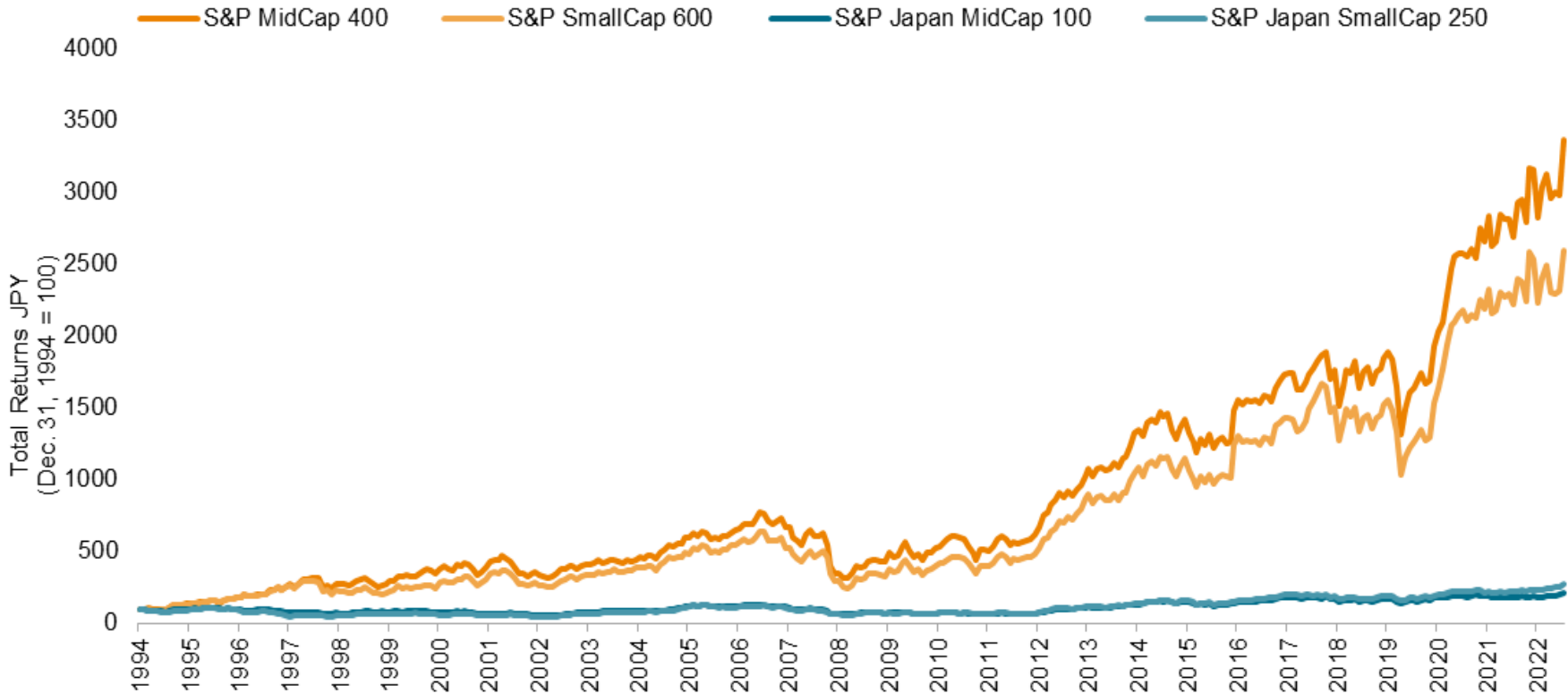
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# U.S. Mid- and Small-Caps Have Also Outperformed



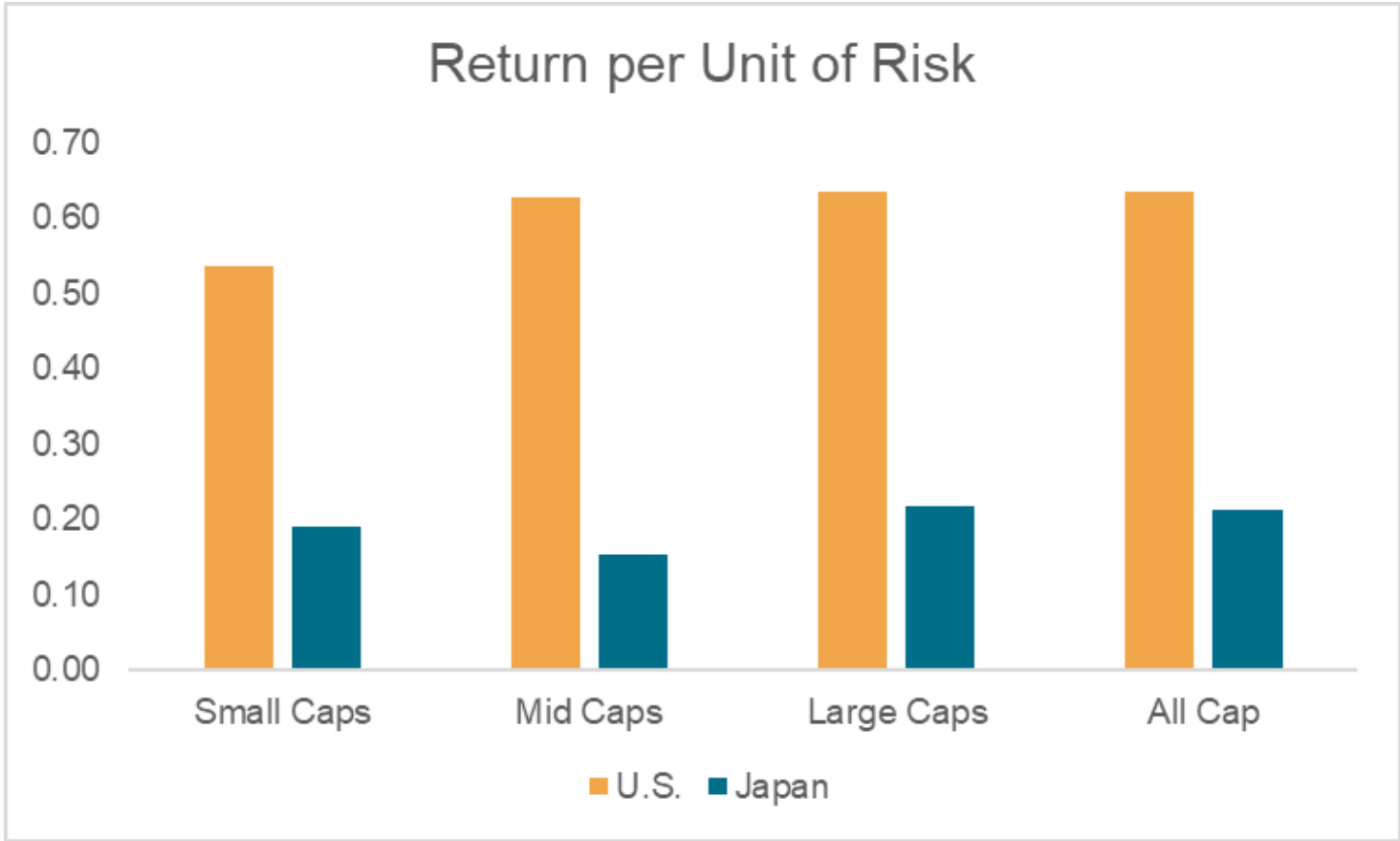
Source: S&P Dow Jones Indices LLC. Data from Dec. 30, 1994, to June 30, 2023. Index performance based on monthly total return in JPY. Indices were rebased to 100 on Dec. 30, 1994. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

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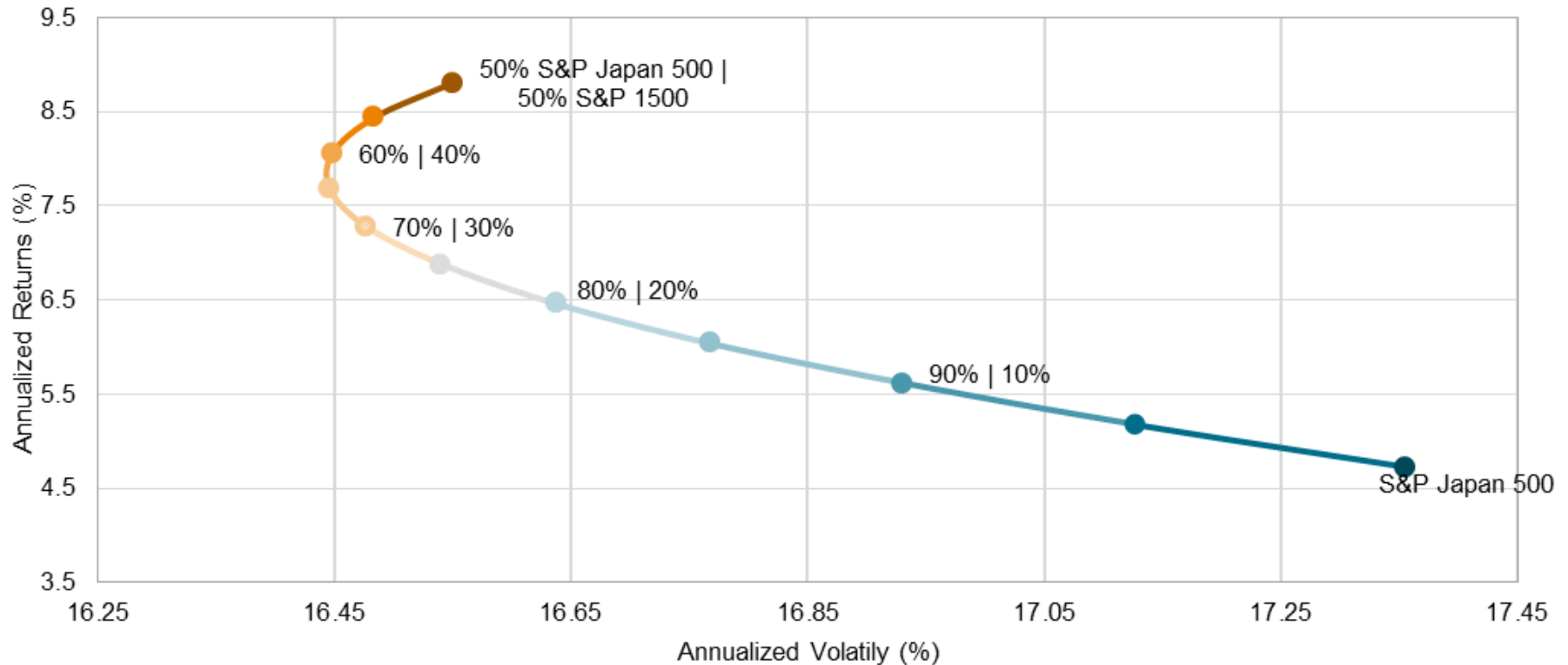
# U.S. Performance Advantage Not Driven By Risk



Source: S&P Dow Jones Indices LLC. Data from Dec. 30, 1994, to June 30, 2023. Index performance based on monthly total return in JPY. The U.S. small, mid, large and all caps are represented by the S&P SmallCap 600 (JPY), S&P MidCap 400 (JPY), S&P 500 (JPY), and S&P Composite 1500 (JPY), respectively. The Japan small, mid, large and all caps are represented by the S&P Japan SmallCap 250, S&P Japan MidCap 100, S&P/TOPIX 150, and S&P Japan 500, respectively. Past performance is no guarantee of future results. Table is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

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# Adding U.S. Equity Improved Historical Results



Source: S&P Dow Jones Indices, LLC. Data from Dec. 30, 1994, to June 30, 2023. Performance is based on monthly total return in JPY using hypothetical index combinations in an index of indices approach, annual rebalancing effective in January. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

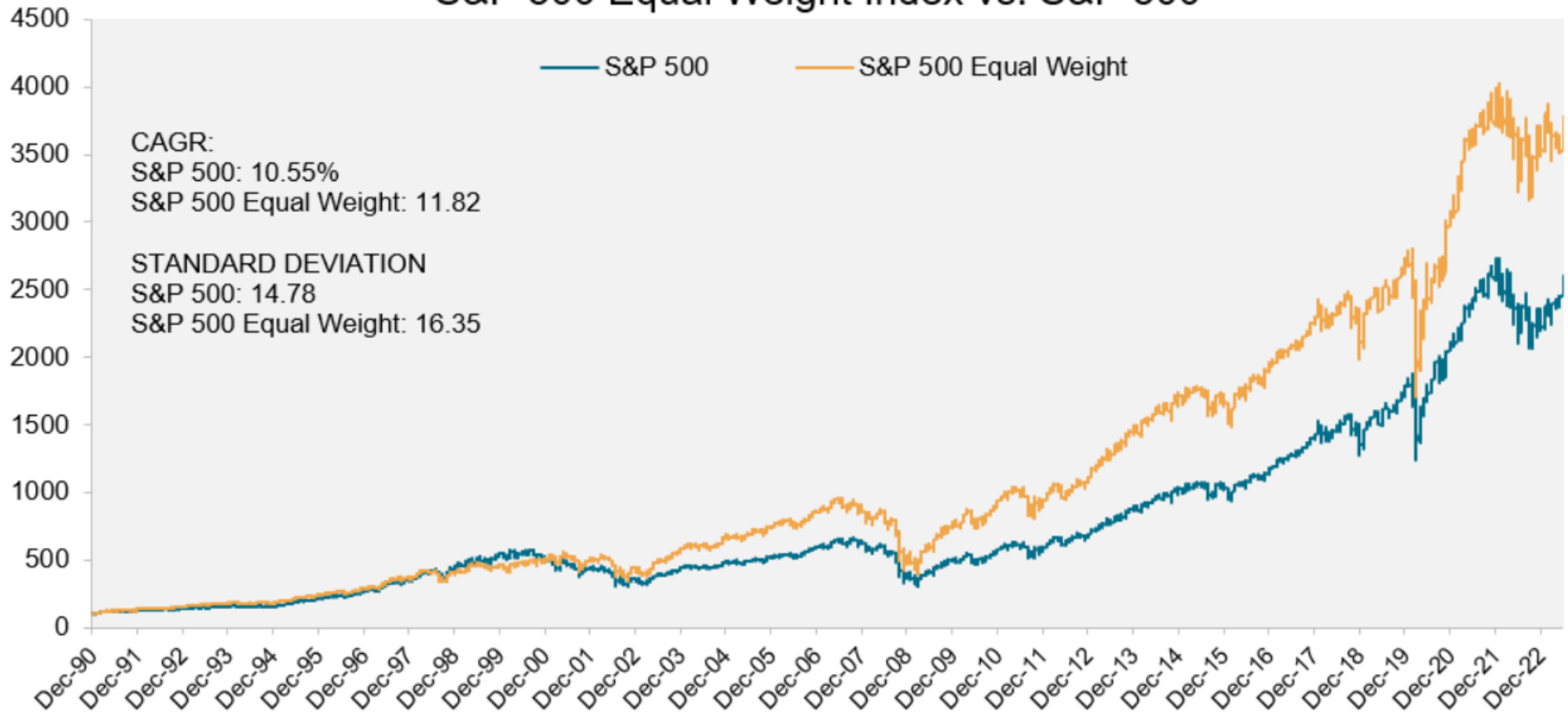
# U.S. Equities as an Example

# Index Evolution

Indices	Examples	Attributes
Broad Market	S&P 500 <sup>®</sup> , S&P/Topix 150	<ul style="list-style-type: none"><li>• Capitalization-weighted</li><li>• Aim to represent an asset class</li></ul>
Specialized	S&P MidCap 400 <sup>®</sup> , S&P Select Sector indices	<ul style="list-style-type: none"><li>• Focus on a subset of the broader market</li><li>• Typically capitalization-weighted</li></ul>
Factor/ Smart Beta/ Strategic Beta	S&P 500 Low Volatility, S&P Japan 500 Equal Weight	<ul style="list-style-type: none"><li>• Focus on specific <i>patterns</i> or <i>characteristics</i></li><li>• Better “indicize” active strategies</li><li>• Typically <i>not</i> capitalization-weighted</li></ul>

# S&P 500 Equal Weight

Relative Performance, 1991 - 2023  
S&P 500 Equal Weight Index vs. S&P 500



Source: S&P Dow Jones Indices. Data from Dec. 31, 1990 through June 30, 2023. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

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# SPIVA Results for 2022

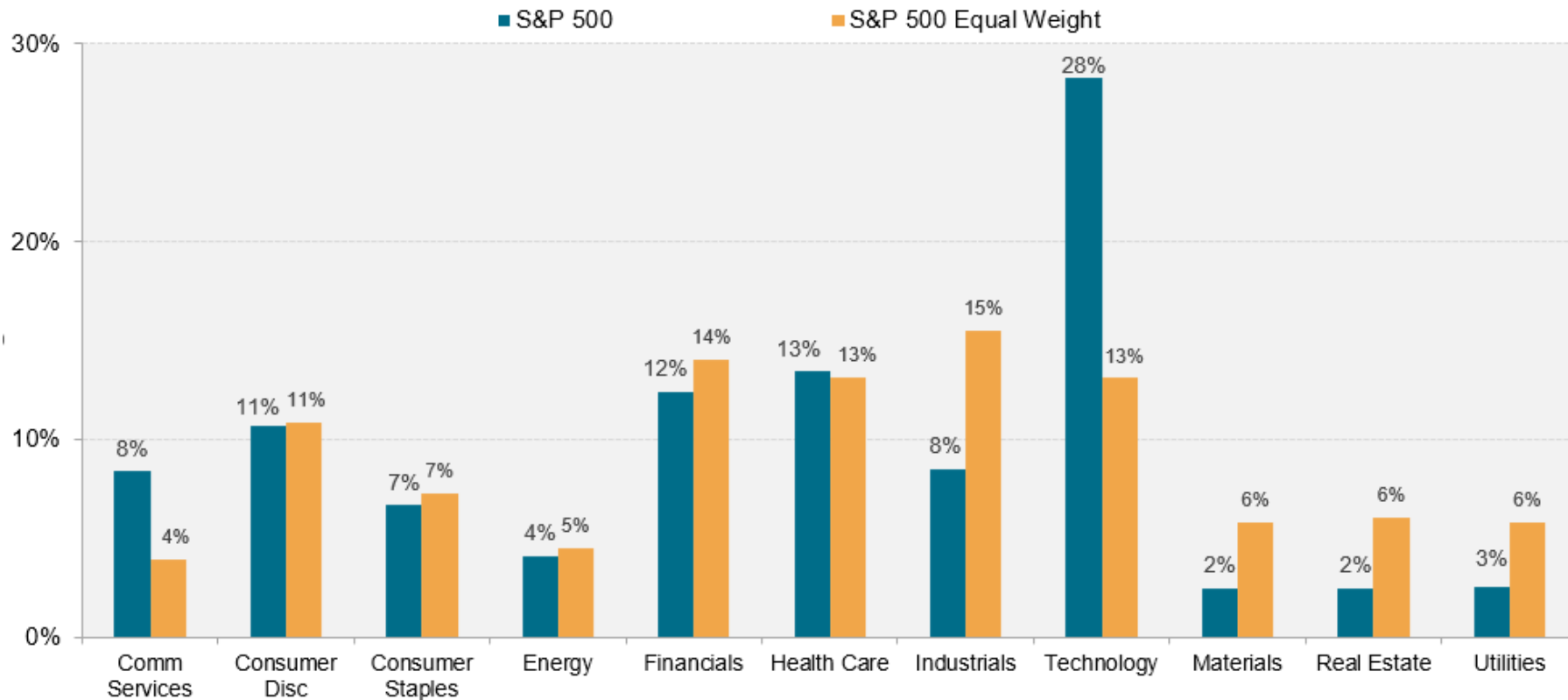
## Active Underperformance Continues

### Percentage of Underperforming Large-Cap U.S. Equity Funds

Comparison Index	3 Years	5 Years	10 Years	20 Years
S&P 500	74%	87%	91%	94.8%
S&P 500 Equal Weight	95%	89%	88%	99.8%

Source: S&P Dow Jones Indices LLC, CRSP. Data as of Dec. 31, 2022. Past performance is no guarantee of future results. Table is provided for illustrative purposes

# Sector Comparison



Source: S&P Indices. Data as of June 30, 2023. Graphs are provided for illustrative purposes only. Past performance is no guarantee of future results.

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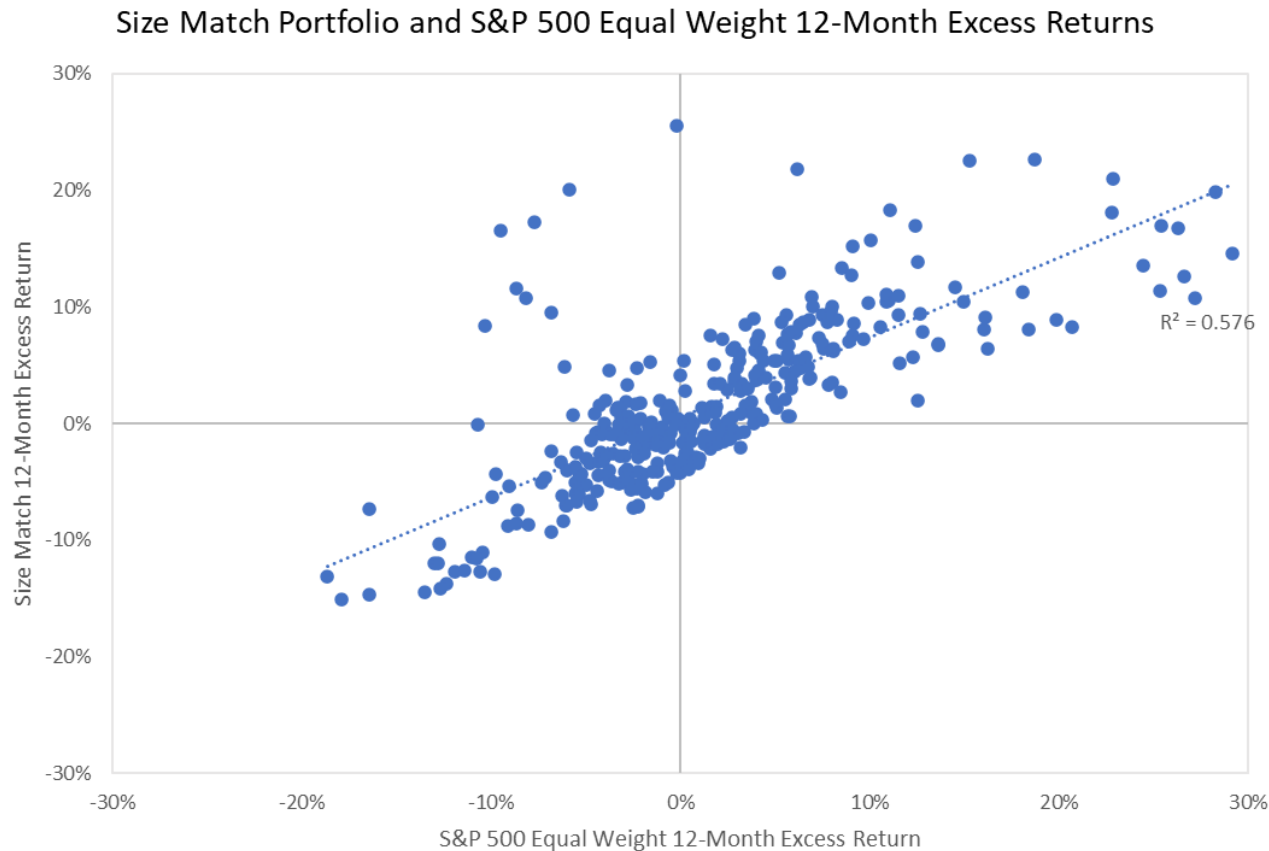
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# What Drives Equal Weight Performance?

- Relatively smaller capitalization
- Tilt against short-term reversal

# Impact of Size on Equal Weight Performance



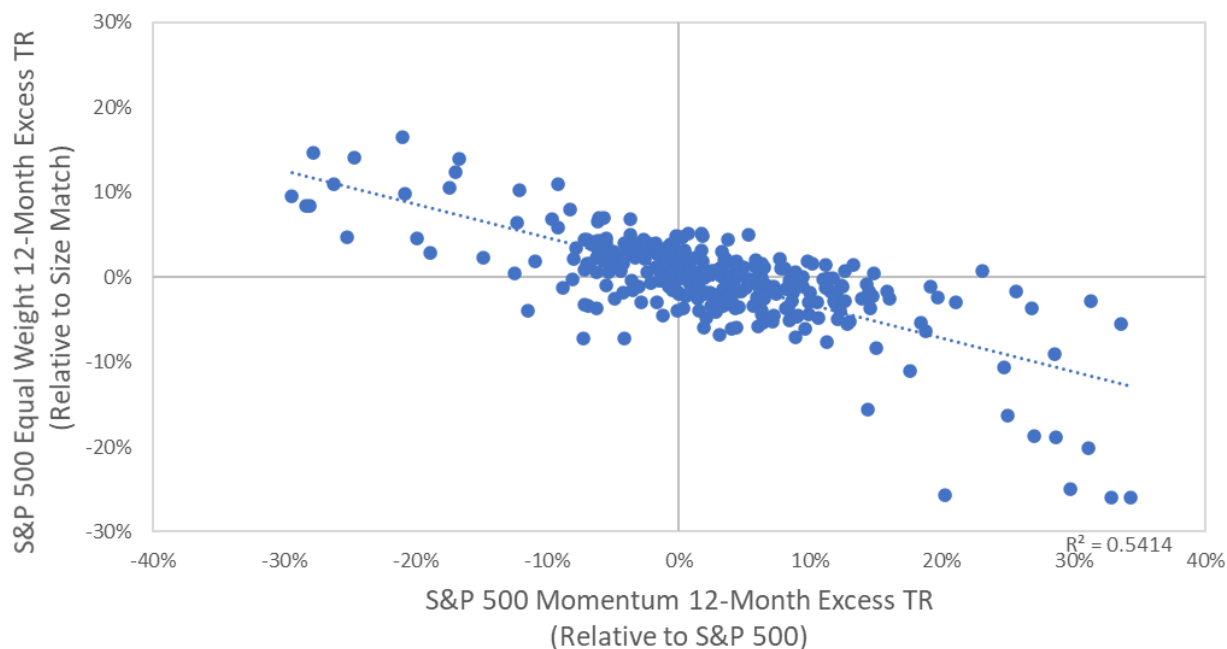
Source: S&P Dow Jones Indices. Data from Dec. 1990 through Dec. 2021. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance. Size Match portfolio is hypothetical.

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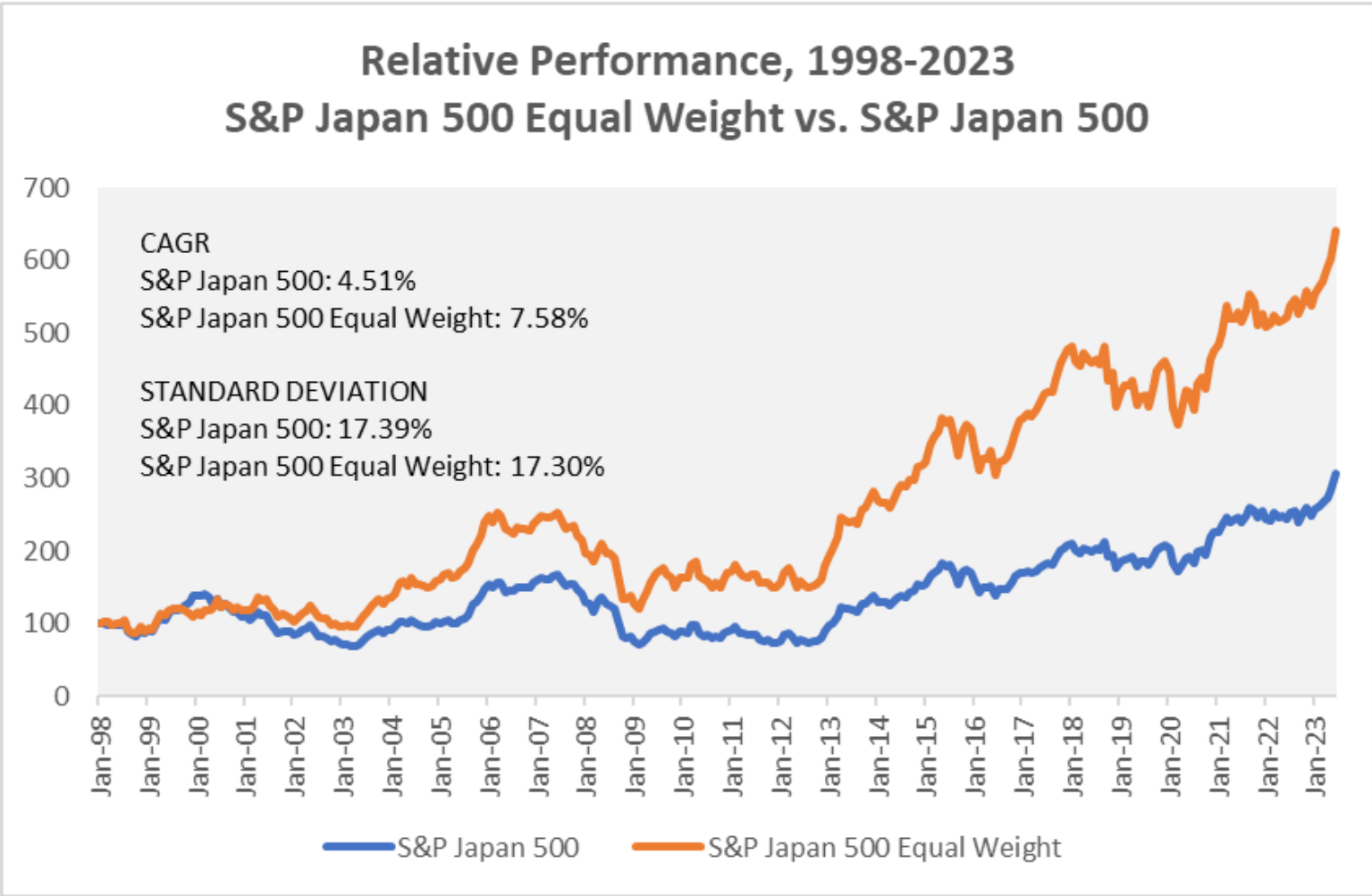
# Impact of Momentum on Equal Weight Performance

Size Match Portfolio and S&P 500 Equal Weight 12-Month Excess Returns



Source: S&P Dow Jones Indices. Data from Nov. 1994 to Dec. 2021. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance. Size Match portfolio is hypothetical.

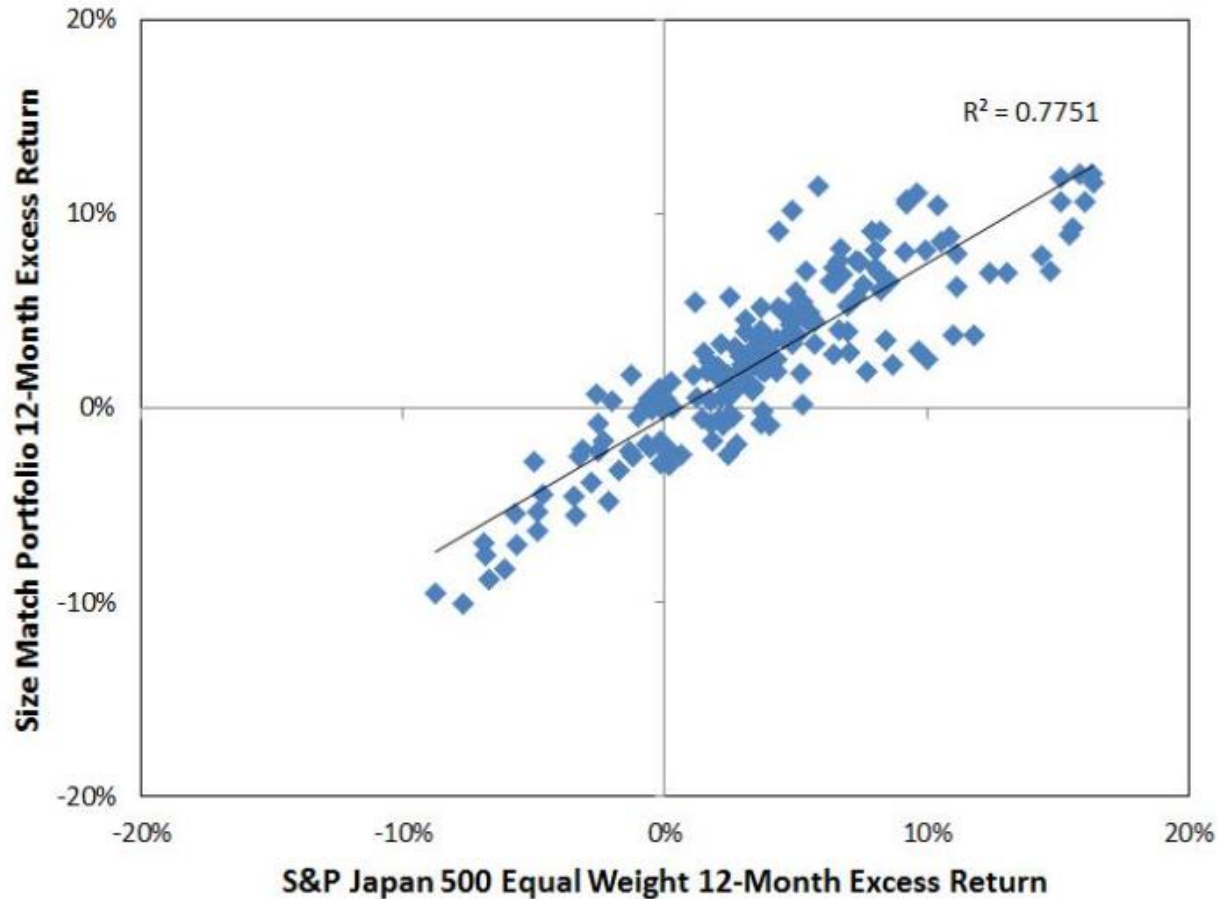
# S&P Japan 500 Equal Weight



Source: S&P Dow Jones Indices. Data from Jan. 30, 1998 through June 30, 2023. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance

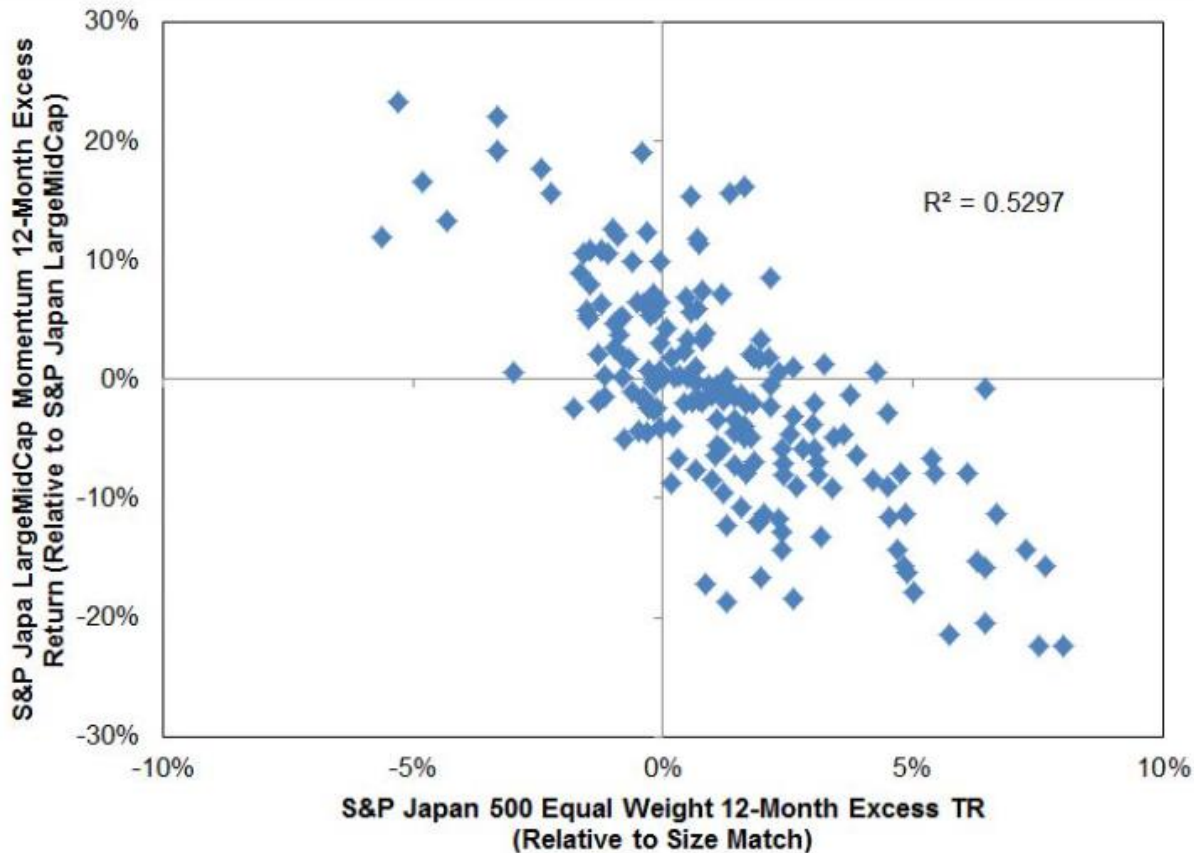
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# Impact of Size on Equal Weight Performance



Source: S&P Dow Jones Indices. Data from April 2003 through February 2018. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance. Size Match portfolio is hypothetical.

# Impact of Momentum on Equal Weight Performance



Source: S&P Dow Jones Indices. Data from April 2003 through February 2018. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance. Size Match portfolio is hypothetical.

# Thank you

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# Performance Disclosure

The S&P/TOPIX 150 was launched June 21, 1999. The S&P 500 (JPY) was launched March 9, 2006. The S&P Japan MidCap 100 and S&P Japan SmallCap 250 were launched Oct. 2, 2002. The S&P MidCap 400 (JPY) and S&P SmallCap 600 (JPY) were launched Aug. 11, 2010. The S&P Japan 500 was launched Dec. 19, 2006. The S&P 500 (JPY) was launched March 9, 2006. The S&P MidCap 400 (JPY) and S&P SmallCap 600 (JPY) were launched Aug. 11, 2010. The S&P Composite 1500 (JPY) was launched July 17, 2023. The S&P 500 Equal Weight Index was launched Jan. 8, 2003. The S&P Japan 500 Equal Weight Index was launched Jan. 4, 2018. All information presented prior to an index's Launch Date is hypothetical (back-tested), not actual performance. All information presented prior to an index's Launch Date is hypothetical (back-tested), not actual performance. The back-test calculations are based on the same methodology that was in effect on the index Launch Date. However, when creating back-tested history for periods of market anomalies or other periods that do not reflect the general current market environment, index methodology rules may be relaxed to capture a large enough universe of securities to simulate the target market the index is designed to measure or strategy the index is designed to capture. For example, market capitalization and liquidity thresholds may be reduced. Complete index methodology details are available at [www.spglobal.com/spdji](http://www.spglobal.com/spdji). Past performance of the Index is not an indication of future results. Back-tested performance reflects application of an index methodology and selection of index constituents with the benefit of hindsight and knowledge of factors that may have positively affected its performance, cannot account for all financial risk that may affect results and may be considered to reflect survivor/look ahead bias. Actual returns may differ significantly from, and be lower than, back-tested returns. Past performance is not an indication or guarantee of future results. Please refer to the methodology for the Index for more details about the index, including the manner in which it is rebalanced, the timing of such rebalancing, criteria for additions and deletions, as well as all index calculations. Back-tested performance is for use with institutions only; not for use with retail investors.

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