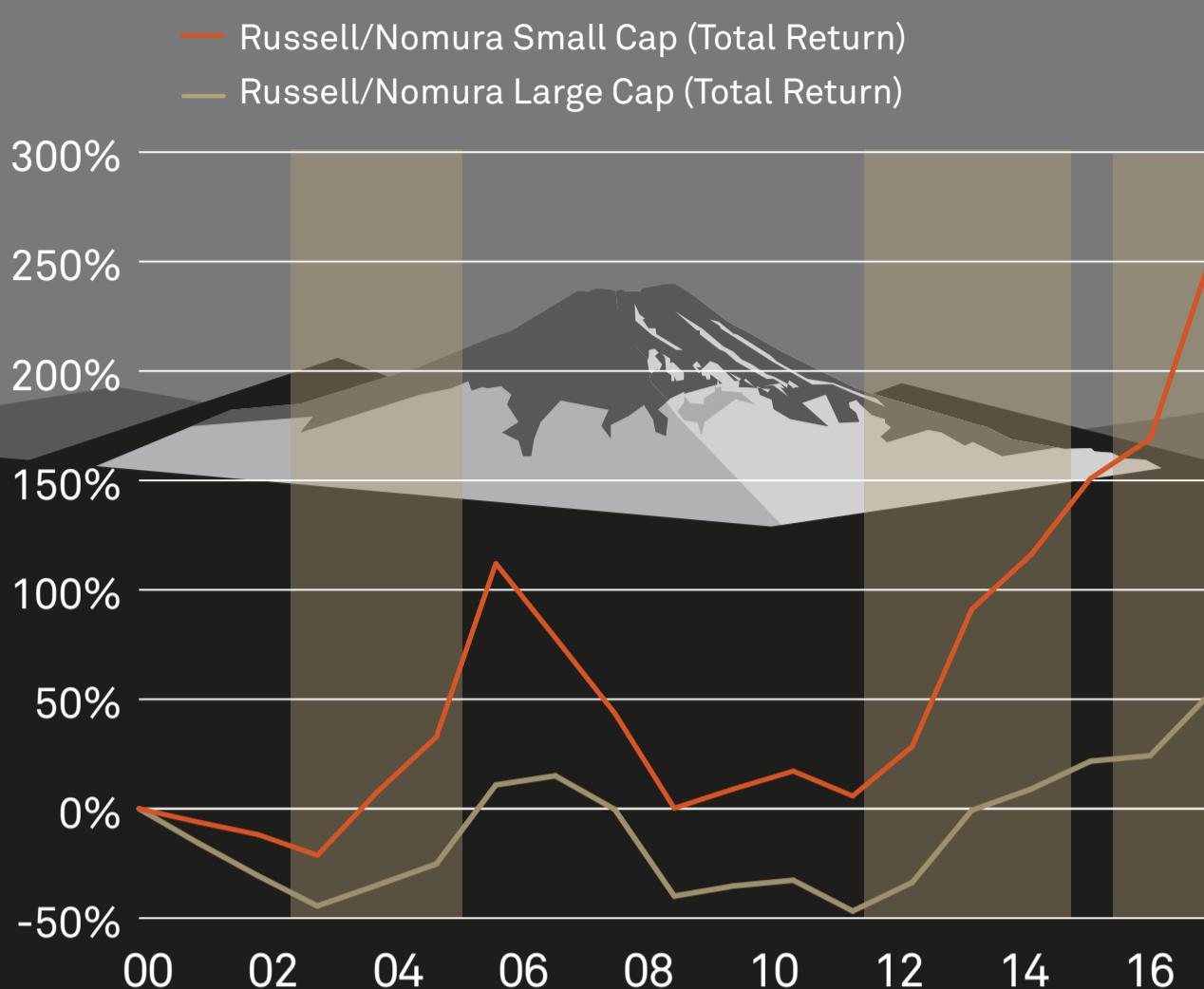


# Japanese small caps tend to outperform large caps in a rising market



Source: Bloomberg, data ending at the end of December 2017. For illustrative purposes only.

Periods when market rose	Returns		
	Small	Large	Relative
Dec 84 – Dec 89	287%	210%	77%
Feb 93 – May 93	38%	27%	11%
Nov 93 – Jun 94	34%	21%	13%
Jun 95 – Apr 96	52%	43%	9%
Oct 98 – Mar 00	60%	65%	-5%
Feb 03 – Jan 06	164%	111%	53%
Jul 12 – Nov 15	136%	129%	7%
Jun 16 – Dec 17	58%	49%	9%

## JAPANESE SMALL CAPS: LOW CORRELATIONS TO OTHER REGIONS

Stock Indices	Equity Market Correlation (Jan 2008 – Dec 2017)					
	MSCI Japan	Russell Nomura Small Cap Index	MSCI Europe	MSCI Asia X Japan	MSCI Emerging	MSCI Us
MSCI Japan	1.00	0.94	0.70	0.59	0.58	0.68
<b>Russell Nomura Small Cap Index</b>	0.94	1.00	<b>0.61</b>	<b>0.52</b>	<b>0.52</b>	<b>0.60</b>
MSCI Europe	0.70	0.61	1.00	0.72	0.71	0.83
MSCI AC Asia X Japan	0.59	0.52	0.72	1.00	0.98	0.79
MSCI EM	0.58	0.52	0.71	0.98	1.00	0.81
MSCI USA	0.68	0.60	0.83	0.79	0.81	1.00

Source: Bloomberg, Correlation of 10 years monthly return from January 2008 to December 2017. For illustrative purposes only