



Today's Theme



Japan

Asset Allocation Review by Public Pension Funds



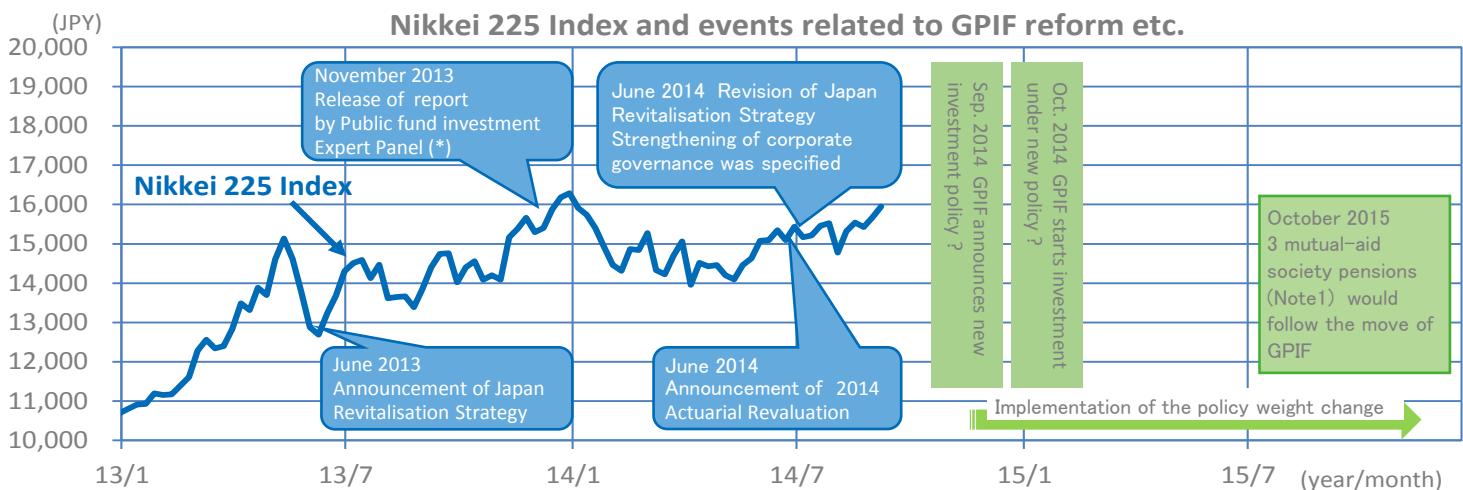
Will GPIF's Asset Allocation Review Push the Japanese Equity Market Higher?



Possibly yes, as a factor of underpinning the market. GPIF is also expected as an influential investor to promote corporate governance and revitalise the Japanese equity market.

■ News on the asset allocation review by GPIF was released. GPIF is expected to increase its investment weight of the Japanese equity from 16.5% (as of March 2014) to 20% or more. Also, the allocation weights of non-Japanese equity and non-Japanese fixed income are expected to be increased.

■ The increase of approx. 4% weight means an potential inflow of approx. 4.5 trillion yen into the Japanese equity market based on the GPIF's asset size. The Japanese equity market may rise with this expectation. However rather than that, the inflow should be interpreted as buy on weakness as a long term investor which is expected to underpin the market.



(*) Expert Panel: Panel for Sophisticating the Management of the Public/ quasi public Funds was established under the minister in charge of economic revitalisation following "Japan Revitalisation Strategy" (cabinet decision made in 14 June, 2013).

(Notes) 1. GPIF: The Government Pension Investment Fund. One of the largest institutional investors in the world with asset under management of approx. JPY 127 trillion as of March 2014.

3 mutual-aid society pensions: Federation of National Public Service Personnel Mutual Aid Associations (Asset size: JPY 7.6trillion), Pension Fund Association for Local Government Officials (JPY 18.9 trillion), The Promotion & Mutual Aid Cooperation for Private Schools of Japan (JPY 3.8 trillion). As of March 2014.

2. Data from 4 Jan. 2013 to 8 Aug. 2014. on weekly basis.

(Source) SMAM, based on Bloomberg LP and other public and private sources including government organisations data.

Outlook GPIF's change in investment behavior expected as responsible investors

■ The "Japan Revitalisation Strategy" revised in 2014 emphasises the importance of restoring corporations' "earning power" by enhancing corporate governance. It urges the managements to efficiently use their capital to achieve a desirable ROE of international standard, and expects institutional investors to promote corporate reform through engagement as responsible shareholders.

■ Basic investment policies of the GPIF and the three mutual-aid society pensions would be shared in October 2015 and increase in their stock investment weight may influence on stock market expectation. In addition, GPIF is expected to play more roles in proactively advocating as a shareholder to restore "earnings power" of Japanese corporations. We should focus on their change in investment behavior.



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