

News Release

NRI and Cerulli Associates Predict GPIF to be Unshackled by Japan's Pension Fund Reforms

Foreign asset managers with compelling, distinctive investment strategies could see more opportunities

Tokyo and Singapore – December 17, 2014 – Japan's pension funds' asset management reforms will enable the Government Pension Investment Fund (GPIF) to individually set its own operational targets in accordance with its individual objectives, according to a joint report from Cerulli Associates and Nomura Research Institute, Ltd (NRI) entitled *Asset Management in Japan 2014: Winning Assets*.

The reforms will help GPIF become more dynamic and better equipped to deal with the imperatives of asset allocation, portfolio diversification, risk management and corporate governance amid a post-deflationary economic environment.

“For instance, in terms of hiring, the GPIF will not be shackled by low salaries and will be better positioned to recruit top-notch talent. This will add more quality to its external manager selection processes,” says Yoon Ng, Asia Research Head for Cerulli Associates.

With GPIF's risk tolerance now defined as the probability of a portfolio entirely invested in domestic bonds failing to earn returns at least equivalent to the wage inflation rate in Japan, it has decided to revise its policy asset mix in recognition that earning returns in excess of the wage inflation rate is now its investment target.

It recently increased its total equity allocation from 24% to 50% and also raised its foreign bond allocation by four percentage points.

“With public pension fund reforms in place, the GPIF, which hopes to outperform its policy asset mix, may show a stronger tendency to hire managers with highly distinctive investment strategies that are differentiated from and relatively uncorrelated with other companies' strategies,” says Atsuo Urakabe, Senior Researcher at NRI.

Asset Management in Japan 2014: Winning Assets is a collaboration between Cerulli Associates, a research firm specializing in global asset management and distribution trends, and NRI, a leading provider of consulting services and system solutions.

GPIF's Revised Policy Asset Mix		
Source: Nomura Research Institute		
	Old Asset Mix	New Asset Mix
Japanese bonds	60%	35%
Foreign bonds	11%	15%
Japanese equities	12%	25%
Foreign equities	12%	25%
Cash	5%	0%

About the Cerulli Report: Asset Management in Japan 2014

Asset Management in Japan 2014: Winning Assets is a joint report by Cerulli Associates and leading think tank and consultancy in Japan, Nomura Research Institute (NRI). It analyses the Japanese investor landscape to examine opportunities foreign managers can exploit in this mature Asian asset management marketplace. Harvesting NRI's rich quantitative and qualitative insights, this report provides analysis of key client segments--retail pension funds, banks, and insurers. The report also presents the competitive landscape and highlights subadvisory opportunities for asset managers.

Proprietary surveys/data contributing to this research

Data in this research is entirely sourced from Nomura Research Institute and, where applicable, based on its interpretation of third-party data. Its value cannot be underestimated as access to information only available in Japanese is extremely limited.

About NRI

Nomura Research Institute, Ltd. ("NRI", TYO: 4307) is an independent, global IT solutions and consulting services provider with annual sales of ¥385.9 billion for fiscal year ended March 2014. With front-to-back support for the buy and sell-side, NRI's tradition of innovation has positioned it as a trusted international market leader. Leveraging NRI's global consulting business, NRI is able to provide innovative financial IT solutions for investment banks, asset managers, banks, and insurance providers. For more information, visit www.nri.com.

About Cerulli Associates

Headquartered in Boston with offices in London and Singapore, Cerulli Associates provides financial institutions with guidance in strategic positioning and new business development. Our analysts blend industry knowledge, original research, and data analysis to bring perspective to current market conditions and forecasts for future developments.

Cerulli's research product line includes Cerulli Reports, The Cerulli Edge series, and Cerulli Lodestar.

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