



Global Asset Allocator Survey on Emerging Manager Allocation Review Report

March 2025



Executive Summary

2025 Global Asset Allocator (“AA”) Survey on Emerging Manager (“EM”) Allocation

▪ **Global Asset Allocators Interviewed**

- 36 global asset allocators with total AUM exceeding \$4.4 trillion

▪ **EM Investment Strategy**

- Most agree the definition of an EM is AUM < \$500M for public market and Fund 2 for private market
- AUM is the deciding factor for having a dedicated Emerging Manager Program (“EMP”)
- More than 80% source EMs primarily through an in-house investment team
- The most common minimum investment ticket size is around \$50M
- Close to 95% agree the primary goal of EM allocation is for higher return
- Investment strategy and team background are the most important evaluation criteria

▪ **Interest in Japanese EMs**

- Global investors are most interested in Japanese equity long/short and private equity strategies
- Communication is by far the biggest barrier to Japanese EM allocation
- 50% of overseas asset allocators have already invested into Japan-based EMs in the past 25 years

Global Asset Allocators Interviewed

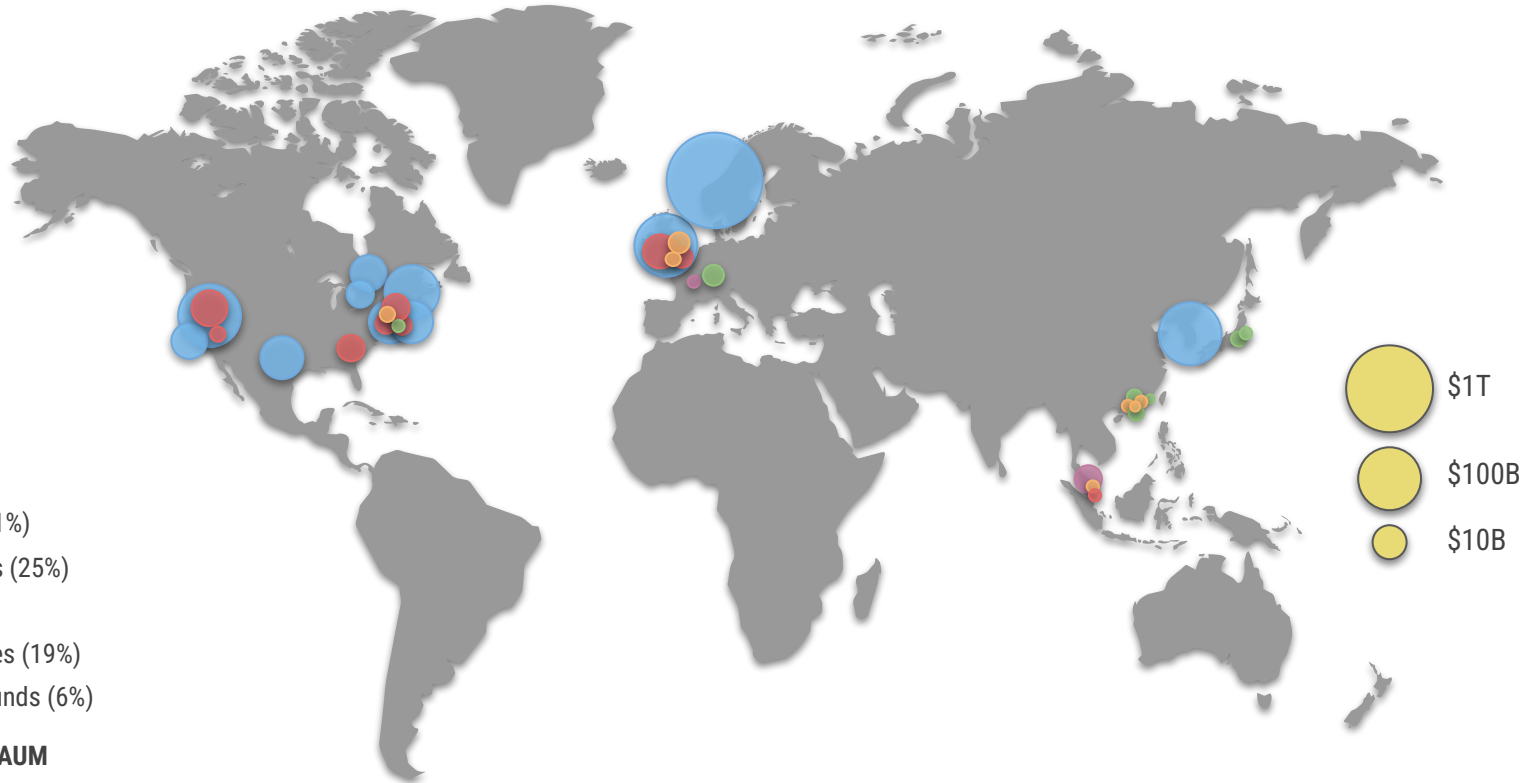
Understanding our respondent base

36
Asset
Allocators

\$4.4T
Combined
AUM

- Pensions (31%)
- Endowments (25%)
- OCIOs (19%)
- Family Offices (19%)
- Sovereign Funds (6%)

* Bubble size varies by AUM





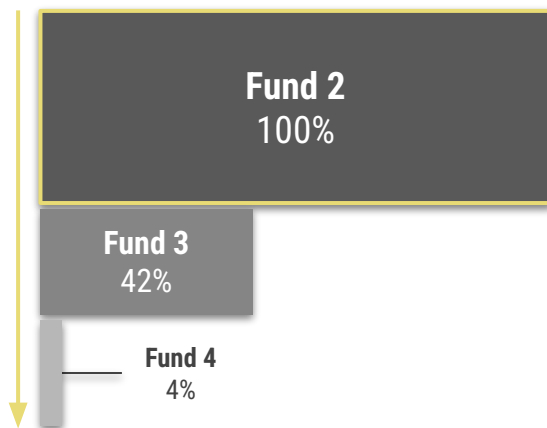
EM Investment Strategy

Definition of an EM

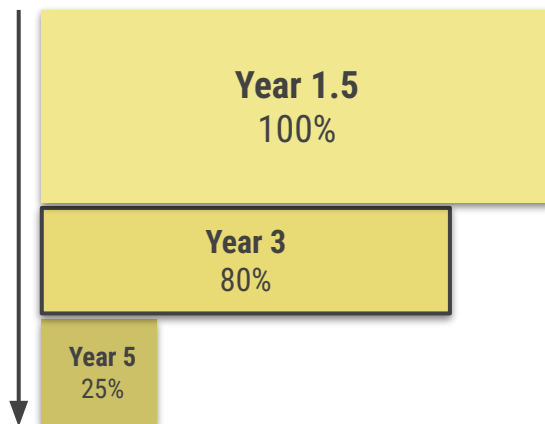
Criteria for defining an emerging manager

- For private market, the majority of asset allocators agree an EM should be no later than Fund 2
- For public market, an EM shouldn't be older than 3 years with AUM less than \$500M AUM

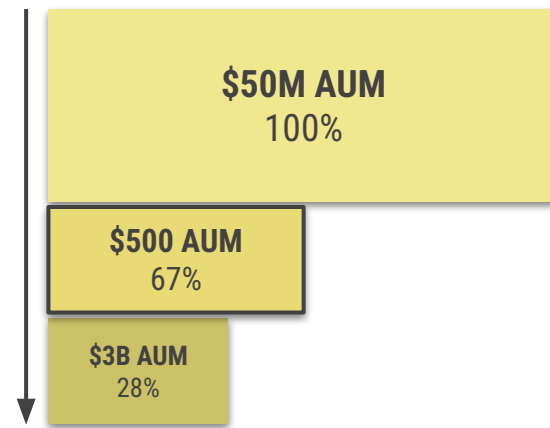
Private (Max. # of Funds)



Public (Max. Years)



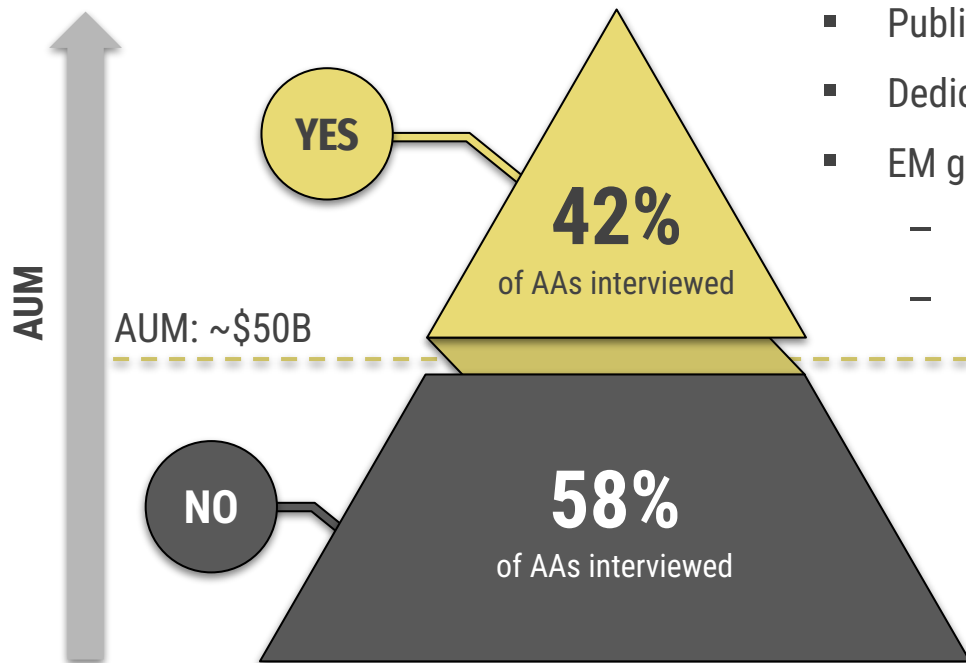
Public (Max. AUM)



Note: Percentages represent the proportion of surveyed asset allocators who agree with the respective threshold for defining an emerging manager.

Dedicated EMP - Yes or No?

Size of AUM is the deciding factor



Dedicated Emerging Manager Program:

- Public pensions, sovereign funds
- Dedicated AUM and investment team for EM investment
- EM graduation process:
 - **Public Fund:** 3-5 years
 - **Private Fund:** Fund 3-4

No Dedicated Emerging Manager Program:

- Family offices, endowments, OCIOs
- Invest within an existing framework
- Mix emerging and established managers

EM Sourcing Statistics

Most EM prospects are sourced by in-house investment teams

82%

EMs sourced by in-house investment teams



Popular **in-house EM sourcing methods** include joining industry events, researching EM databases and seeking referrals from peer LPs

160+

Avg. number of EMs interviewed annually



50 ~ 300 EMs interviewed annually, depending on team size. On average, **1 out of 50 EMs** is selected for investment

50%

Discretionary authority among EM investment teams



The **threshold** for making discretionary investment decisions is **\$50M ~ \$150M**, depending on the organization

EM Sourcing Statistics (cont.)

Events and referrals bring the most success

- ~60% of EMs are sourced through events and referrals
 - General industry events (e.g., iConnections Miami)
 - Dedicated EM events (e.g., MMI EAM Forum)
 - Referral networks (e.g., peer LPs, LinkedIn)
- Only 17% of all EM sourcing methods were external (e.g., prime brokers, gatekeepers, placement agents)



OCIO

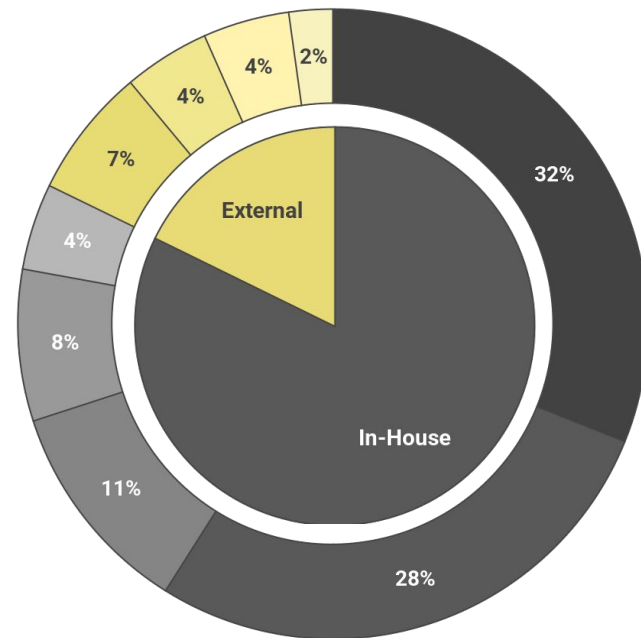
*70% of our emerging manager candidates are sourced from our **network**. Many come through LinkedIn and co-investment deals.*

*We self-source about **50%** of our EMs through investment conferences and cap intro **events**, such as iConnections Global Alts in Miami.*



Public Pension

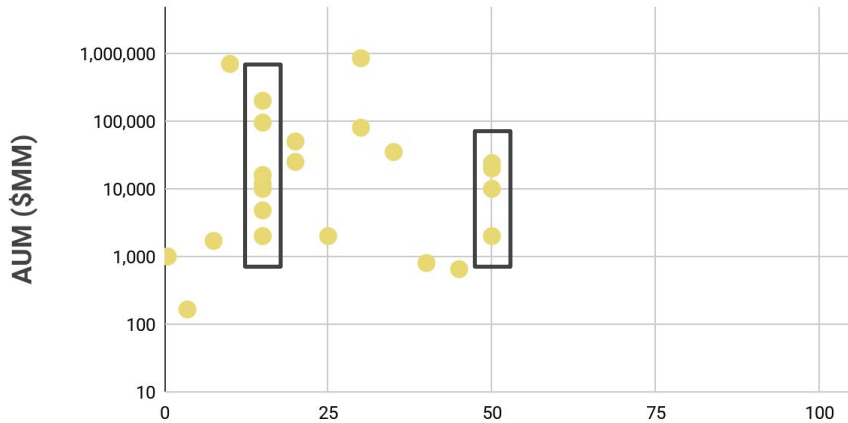
● Events ● Referrals ● Scouting ● Database ● Inbound
● Placement Agents ● Prime Brokers ● Gatekeepers ● Consultants



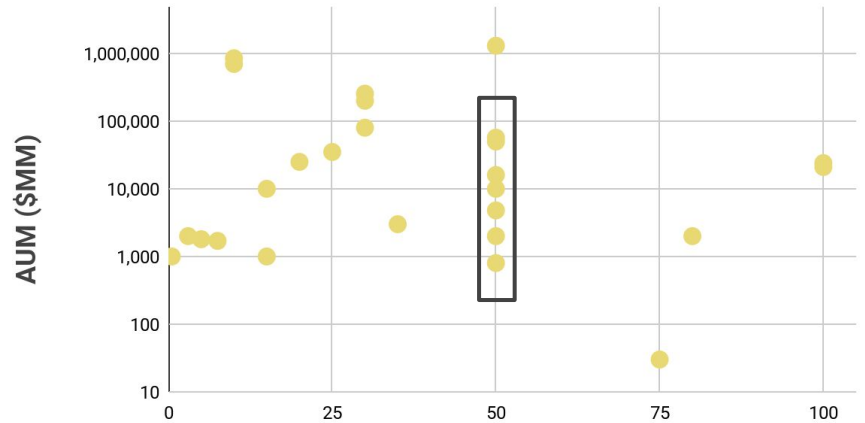
Minimum EM Investment Ticket Size

Minimum ticket size does not depend on AUM

- For public market funds, the minimum EM investment ticket size is often set at \$50M
- Minimum ticket size for private market funds concentrates at \$15M (VC) and \$50M (Private Equity)
 - Some AAs are willing to be flexible with ticket size for high conviction target
- On average, public market funds have a larger minimum ticket size than private market funds



Private EM Min. Ticket Size (\$MM)

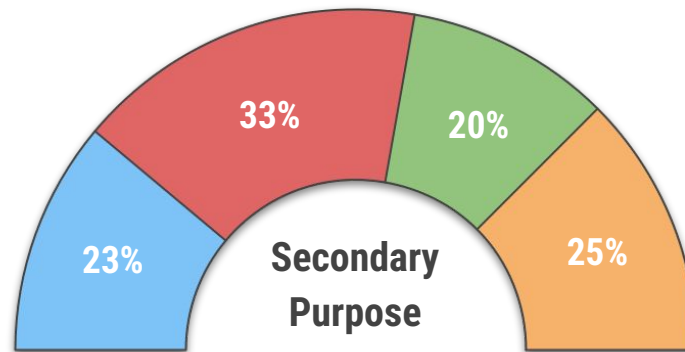
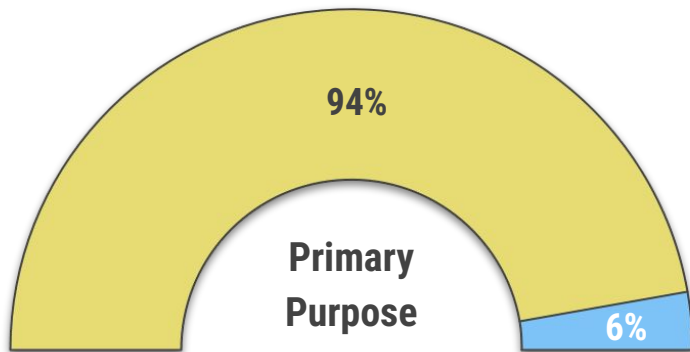


Public EM Min. Ticket Size (\$MM)

EM Allocation Purposes

Return seeking is the primary reason for EM allocation

● Return ● Social Impact ● Portfolio Diversification ● Relationships ● No Secondary Purpose



Public Pension

As we are a state pension, we aim to allocate **50% or more** of our portfolio into **diversified managers**, including EMs.



Family Office

We invest to create **positive social impact** while maintaining our family values and contributing to our country's growth.

Our goal in investing in EMs is to build **early relationships** that position us to access unique opportunities for growth in the future.



OCIO

The only purpose of our allocation into emerging managers is to generate the **highest possible returns** for our investors.



OCIO

EM Evaluation Criteria

A unique strategy and solid team background are top criteria

- Asset allocators are most interested in the EM's investment strategy and team background
- Track record is not an essential requirement
 - Most asset allocators prefer seed investment



OCIO

*The most important criterion for EM allocation is having a clear, differentiated investment **strategy** with a unique sector focus.*

*Before investing, we conduct multiple meetings with the CIO/portfolio managers to evaluate the **team's background and experience**.*

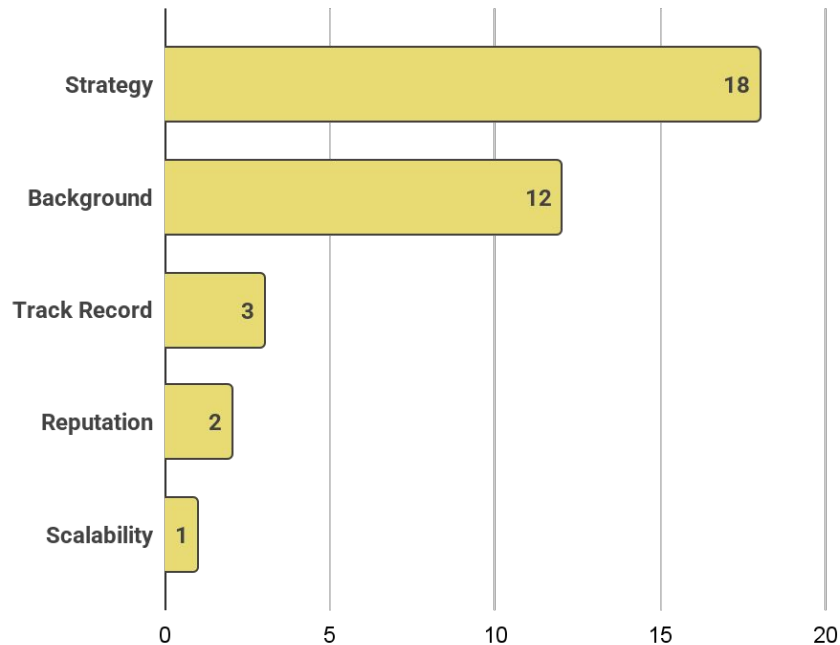


Public Pension



Endowment

*We expect selected EMs to grow into core managers within a few years. Then, we **scale up the investment** by 5-10 times.*

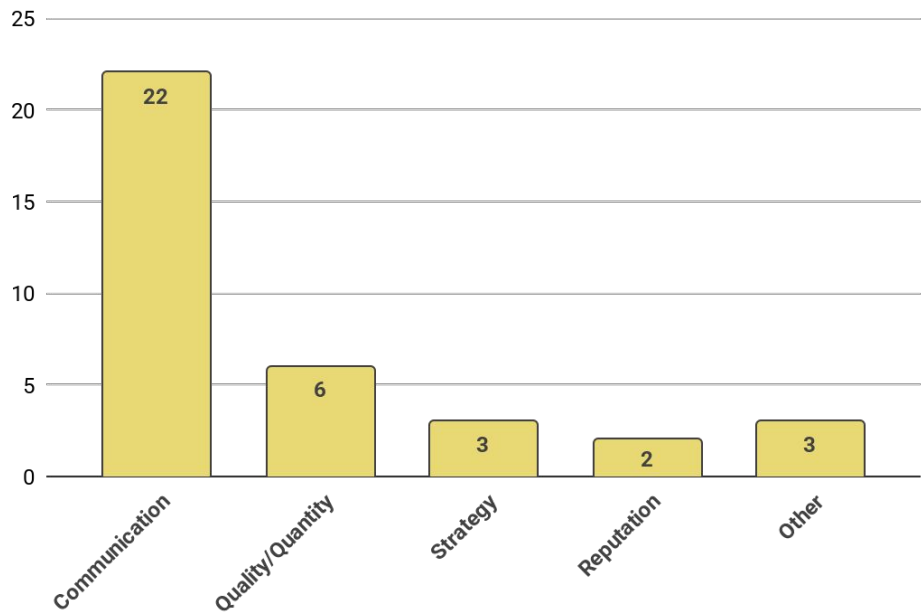




Interest in Japanese EMs

Barriers to EM Allocation

Communication is the main obstacle to investing in Japanese EMs



Family Office

Due to the **language barrier**, many Japanese EMs struggle to effectively articulate their strengths and unique value propositions.



Sovereign Fund

We are open to exploring Japan-based EMs, but believe the current market offers a **limited selection of high-quality managers**.



OCIO

Japanese emerging managers often rely on **generalist strategies**, which lack the focus needed for differentiated performance.



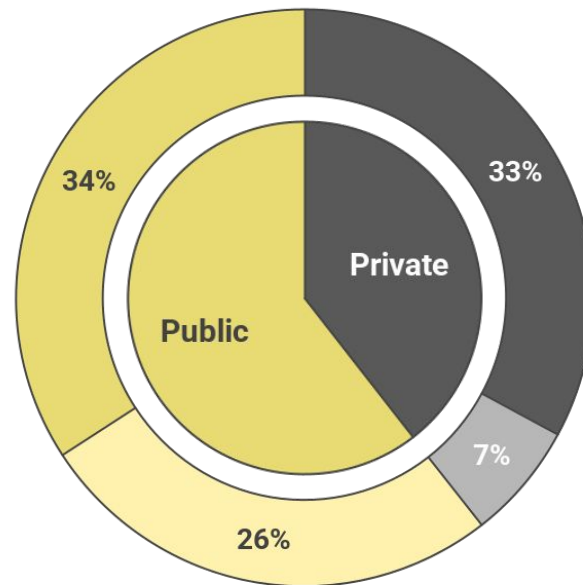
Public Pension

As Japan-based managers are not well known in our country, we worry about **reputational risk** when evaluating investment opportunities.

Preferred Investment Strategies

Japanese equity long-short managers are in high demand

- Public equity long/short drew the most interest (34%)
- Private equity strategies followed closely at 33%
- There was low interest in VC (7%) due to lack of unicorns
- There was no interest in Japanese fixed-income strategies



Family Office

We are most interested in Japan-based EMs focused on achieving an absolute return profile through **public equity long/short** strategies.

We are actively exploring allocations to **private equity-focused EMs** in Japan, as we believe the market has a lot of growth potential.

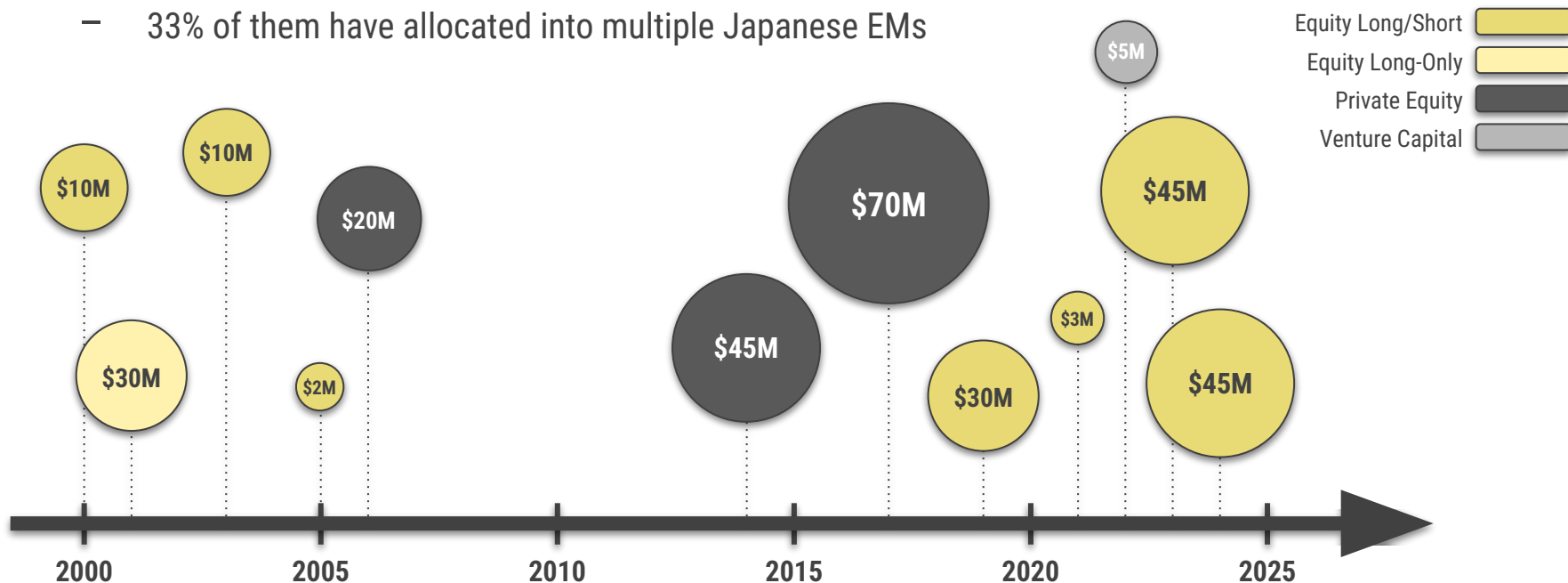


Public Pension

Japanese EM Investment History

Close to half have allocated into Japanese EMs in the past 25 years

- 50% of asset allocators have invested into Japan-based EMs in the past 25 years
 - 33% of them have allocated into multiple Japanese EMs



Note: The graph reflects only those respondents who disclosed their past investment activity. The figures may not represent exact amounts due to confidentiality.

Reference Portfolio: Korean National Pension Service

Initiative:

- On May 2, 2024, the KNPS Fund Committee introduced the “Reference Portfolio,” a flexible asset allocation system designed to adapt to market changes and enhance long-term growth.
- This marks the first asset reallocation in 18 years, increasing “risky” investments from 56% to 65%.

Rationale & Targets:

- The current static approach of dividing asset investment is unsustainable long-term. Increasing exposure to higher-risk investments will help extend the fund’s lifespan (it is set to run out by 2055).
- The portfolio aims to remove barriers between asset classes, enhancing flexibility in allocation.
- KNPS seeks to adapt to market conditions, optimizing returns to improve the fund’s longevity.

Timelines:

- By 2025 risky investments will sit at 65%
- NPS will cut domestic equity allocation from 14.2% to 13% by 2029.
- A 1% fund increase could extend sustainability by six years.
- Without a change, the fund will deplete completely by 2055 and shift to a pay-as-you-go system.

Results & Similar Reports:

- Results are not yet available for KNPS as the new approach was announced on May 3, 2024.
- CPP Investments has implemented a similar strategy of investing globally and reported an annualised 5 - year net real return of 9.8% and 6.1% in their 2024 financial report for the base CPP portfolio and additional CPP portfolio, respectively².

GIC’s Approach¹

- The Client owns the funds that GIC manages, and decides on the overall risk preference.
- Characterised by a portfolio made up of 65% global equities and 35% global bonds, the Reference Portfolio is not a benchmark, but an expression of the overall risk that its client is prepared for the GIC Portfolio.
- GIC’s investment strategy is to build a portfolio comprising asset classes that can generate good long-term returns above global inflation, while adhering to its client’s risk parameters, meaning the weighting can be adjusted when deems appropriate.

CPP Investments’ Approach³

- Accepts a minimum level of risk to balance high long-term returns with short-term volatility.
- The Reference Portfolio is a low-cost, globally diversified two-index portfolio of publicly traded securities, serving as a risk-equivalent benchmark for CPP’s net returns.
- The base CPP’s reference portfolio consists of 15% Canadian Government bonds and 85% global public equities.
- The additional CPP consists of 55% global equity and 45% Canadian Government bonds, making it more volatile.
- CPP reviews reference portfolios every three years after the triennial Actuarial Report on the Canada Pension Plan.


¹ Our policy portfolio. GIC. (2023, July 25). <https://www.gic.com.sg/how-we-invest/our-policy-portfolio/>

² CPP Investments Annual Report, p. 31. <https://www.cppinvestments.com/wp-content/uploads/2024/05/ CPP-Investments-F2024-Annual-Report.pdf>

³ CPP Investments. <https://www.cppinvestments.com/the-fund/how-we-invest/our-investment-strategy/>



FinCity.Tokyo

 Visual Alpha

The global asset allocator survey about emerging manager allocation is conducted by FinCity.Tokyo and Visual Alpha from June 2023 through March 2024. Visual Alpha is commissioned by FinCity.Tokyo to create this report based on the data collected from the surveys. For questions regarding the survey and this report please reach out to emp@visual-alpha.com.