

# Findings and Recommendations from Japan Asset Owner Survey

June 2020  
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## *26 asset management firms participated the survey*

	Major Asset Management Firms	Independent Asset Management Firms
<b>With</b> Trust & Banking Functions	5	N/A
<b>Without</b> Trust & Banking Functions	9	12

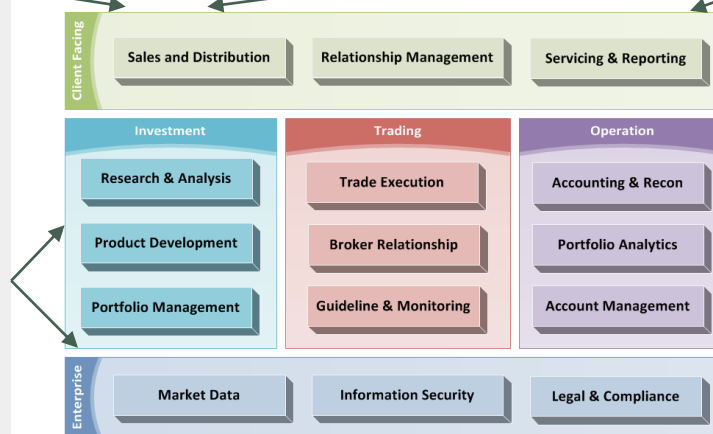
# Survey participants believe in Fintechs more for cost reduction than alpha generation

~45% trying to reduce **fund distribution costs** using advanced technologies

~50% view **Robo Advisors** as **product distribution tools** in Japan

~90% view **manual investor reporting** to be **intensive** especially for **large Japanese asset owners** that are largely **paper based**

~70% exploring use of **alternative data** sets (e.g. satellite imagery, weather patterns, credit card transactions, web traffic and social media sentiment); however, at this point alternative data is **too expensive** for **limited coverage** to justify the performance enhancement for each fund



~90% view **dual NAV calculation** and **1 yen reconciliation** have almost no value added to investors, i.e. a major disadvantage for Japan-based asset managers

# *Investor reporting*

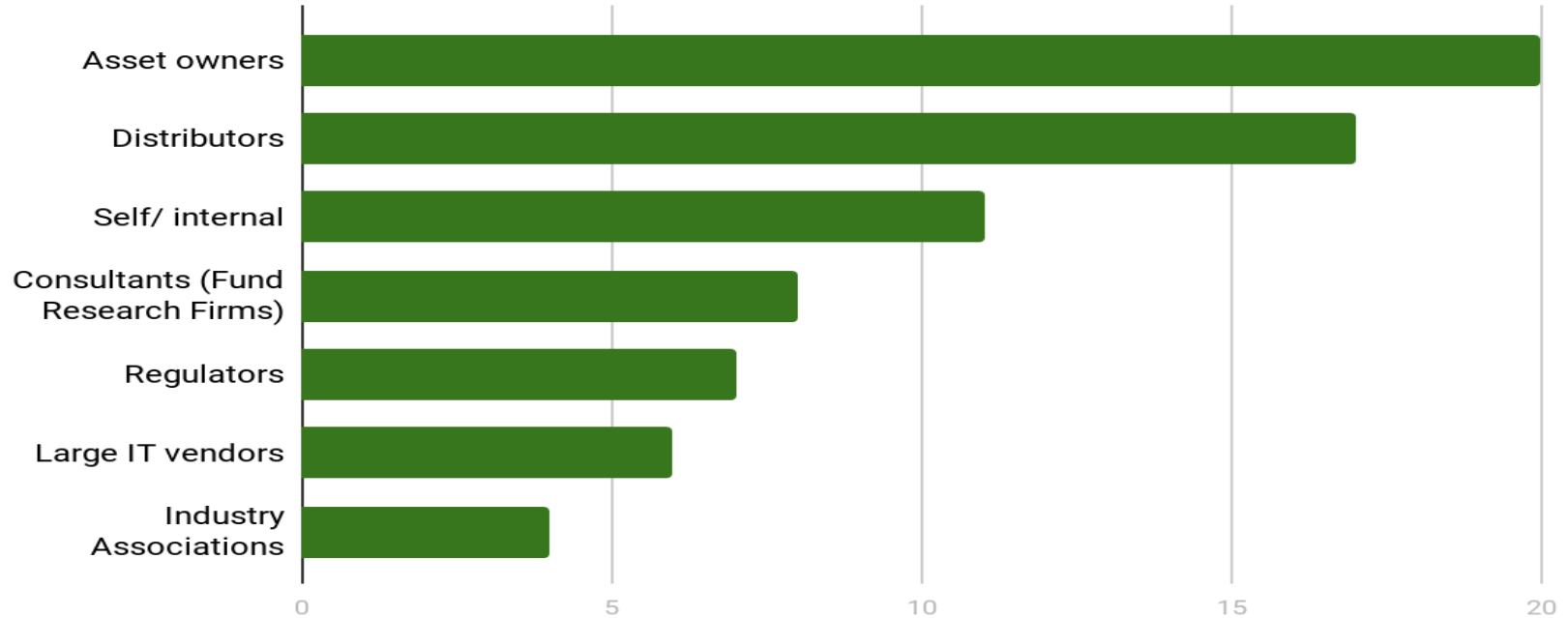
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- 90+% believe “reporting data standardization and cloud-based portals will make the Japanese asset management industry significantly more competitive”
- On average, **50-75% of investor reports** are **manually** created
- On the other hand, **regulatory reports** are highly standardized
- On average, **30-40% of total FTEs** are **dedicated to investor reporting**
- ~55% say “numerous EUC reporting tools are developed by employees. Their employees are refusing to give up these tools for their job security”

# *Who are hindering modernization of the asset management ecosystem in Japan/ Tokyo?*

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N=26, multiple answers





# Objectives of this Survey

A number of issues were raised about Japan based asset owners as we conducted our survey on asset managers in late 2018. In order to close this loop, we conducted a survey with Japan based asset owners to understand their perspectives.

01

**Reporting and Data Analysis**

How much of a burden is this for Asset Owners and how can this be changed for greater efficiency?

02

**Tokyo Emerging Manager Program**

What are the expectations for emerging portfolio managers by Asset Owners?

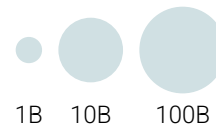
03

**Global Financial City Tokyo**

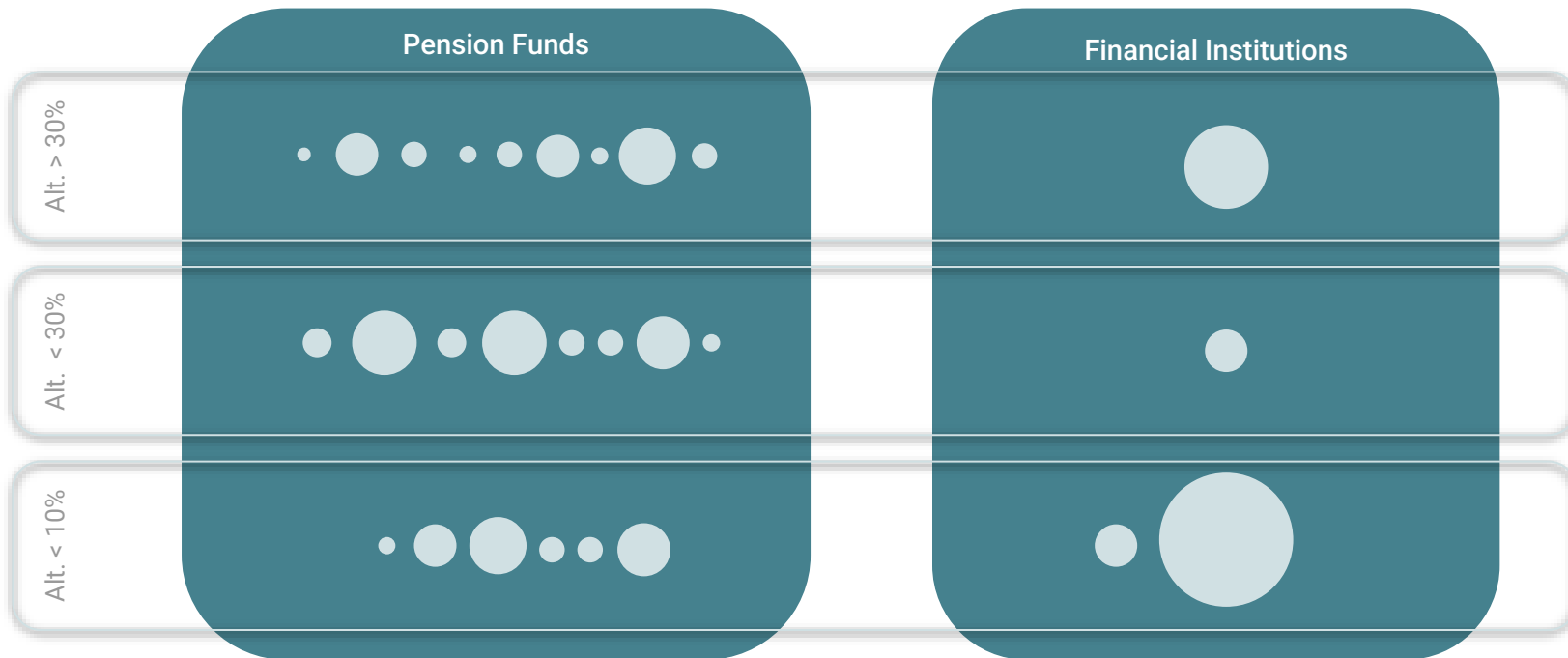
How can an Asset Management ecosystem in Japan be enhanced?

# 27 Asset Owners Interviewed in Q1 2019

AUM in Log Scale (USD)



Allocation to alternative asset classes



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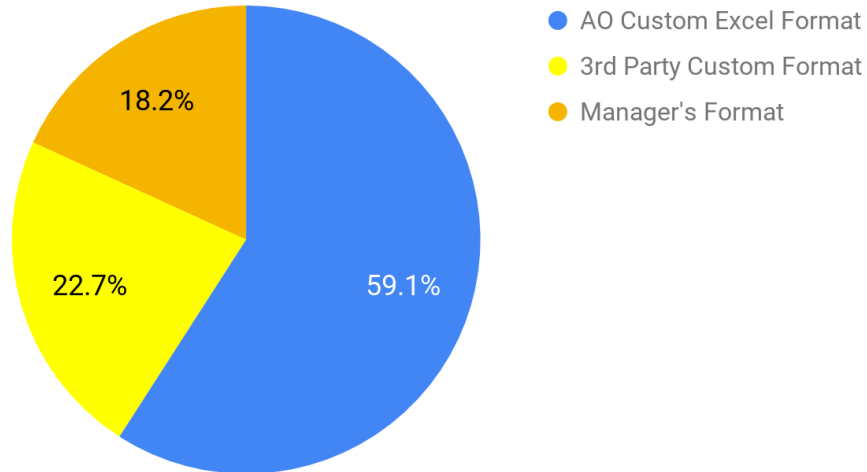




# High Degree of Custom Reporting

80%+ of Asset Owners interviewed expect Asset Managers to deliver reports in custom format, defined by Asset Owners or 3rd Parties (e.g. Consultants and Trust Banks).

Format of manager reports

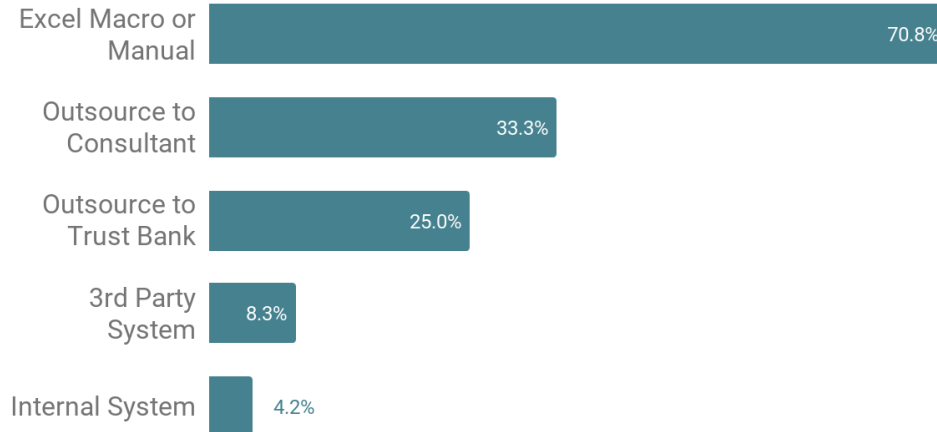




# Data Analysis is Onerous for AOs Too

~70% of Asset Owners are manually processing reports and data, and on average spending 4.3 person days per month.

Approach of Data/Report Processing (multiple choices)





# Voices about Reporting Efficiency



## To Government Agencies and Associations

“MHLW (厚生労働省) should clarify asset classes for alternatives in its reporting template.”

“AOs (especially pension funds) in Japan tend to focus too much on detailed numbers in adherence to the MHLW monitoring guidelines at the expense of focusing on long term market trends and investment philosophies/ strategies.”

“PEA or CPN should drive data standardization for corporate pension funds and GPIF for public pension funds.”



## To Asset Managers

“Data definitions by asset managers are inconsistent. It’s difficult to aggregate and compare horizontally.”

“Would like to see asset managers reduce cost on reporting and client servicing and focus more on investment”

“Would welcome direct dialogue with portfolio managers to understand their forward-looking perspective instead of hearing sales pitch.”

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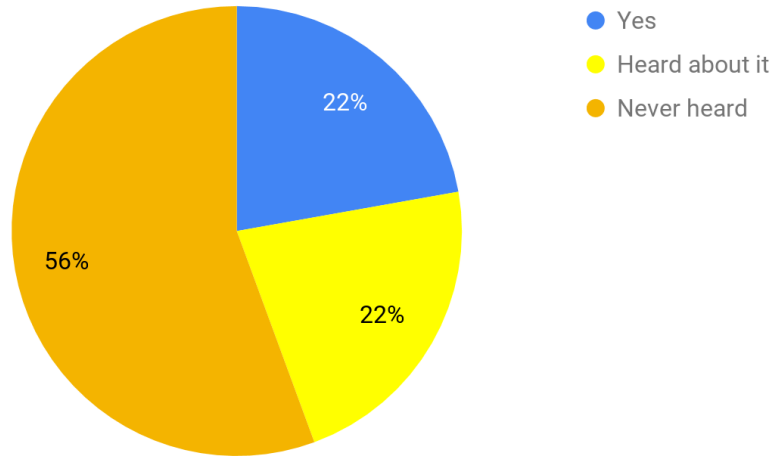
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# Tokyo EMP is not broadly understood by Asset Owners

Less than a quarter of Asset Owners interviewed are familiar with Tokyo EMP.

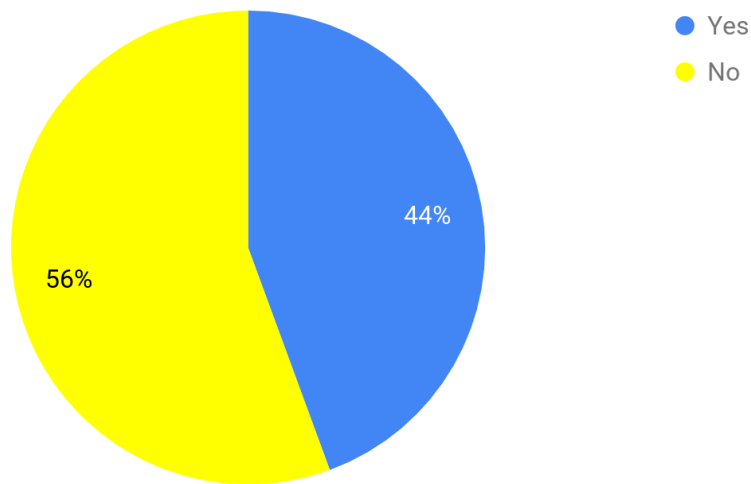
Do you know Tokyo EMP?



# Many actually had experience in investing emerging managers

Nearly half of Asset Owners interviewed have some experience in seeding emerging managers in Japan or overseas.

Do you have experience in seeding EM?

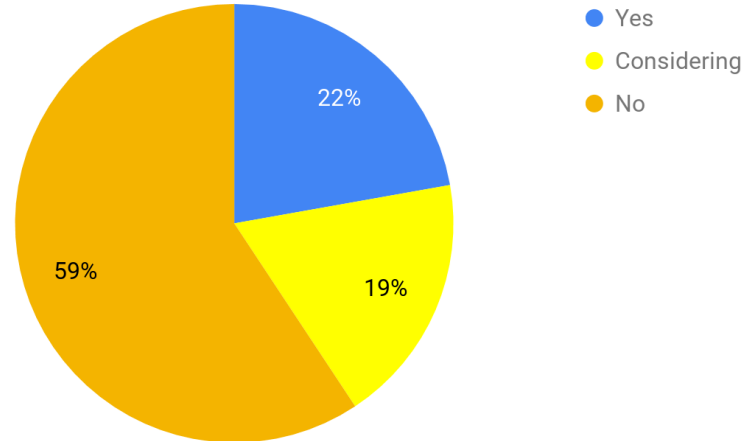




# Considerable Interest in Tokyo EMP

We found Asset Owners with EM seeding experience, and currently with over 30% of allocation to alternatives, tend to show a stronger interest in Tokyo EMP.

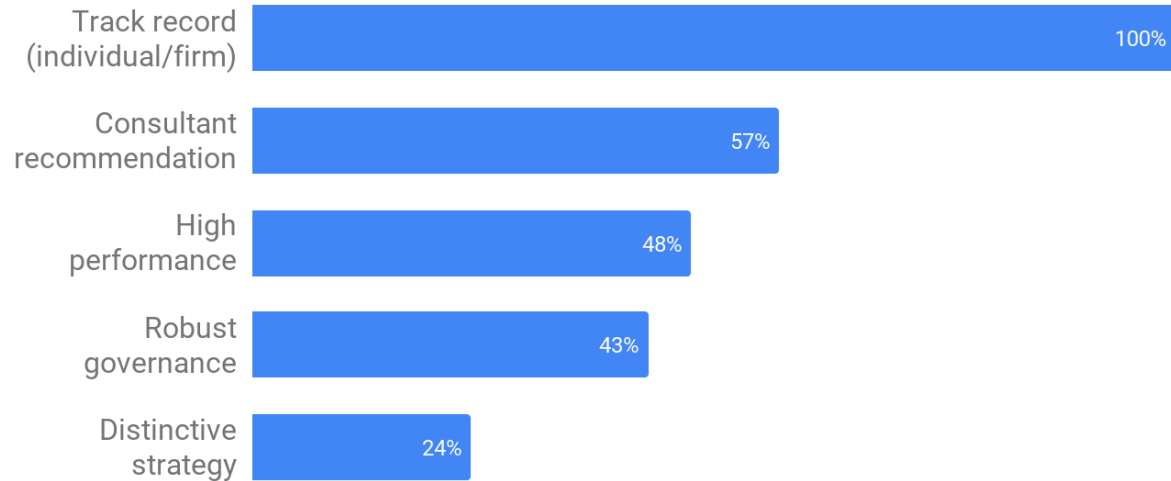
Are you interested to engage EMs?





# Top Criteria of Investing with EMs

Top EM Seeding Criteria (multiple answers)







# Top Challenges of Investing with EMs

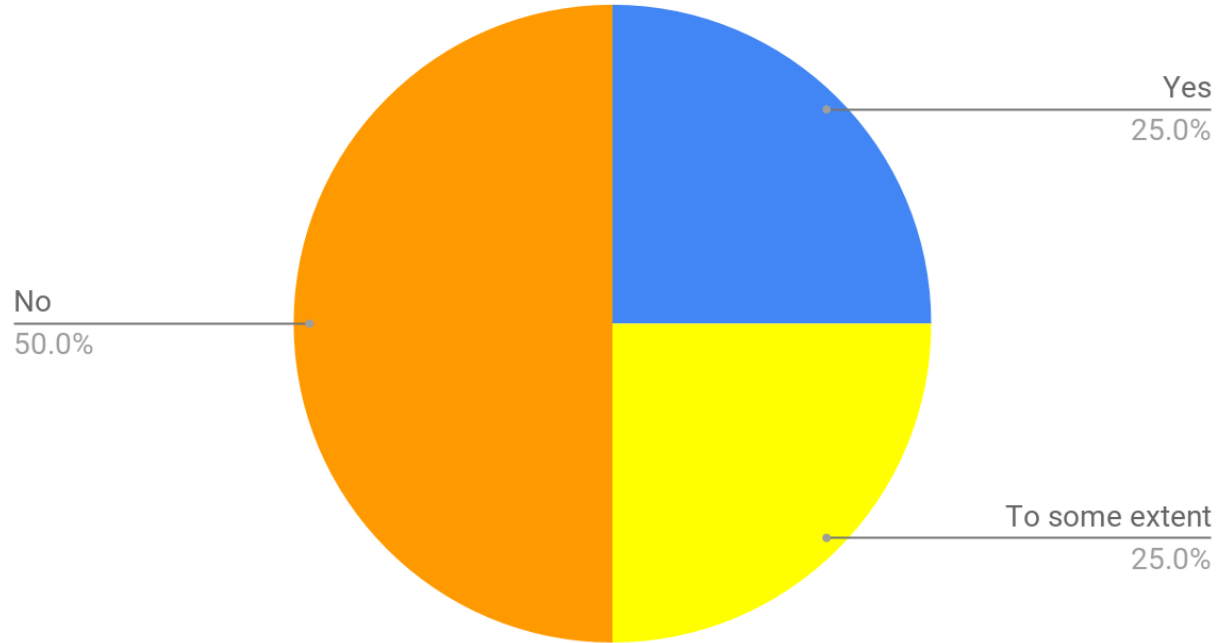
Top Challenges of EM seeding (multiple choice)



# *Most fund consultants unfamiliar with Tokyo EMP*

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Are you familiar with Tokyo EMP? (N=8)

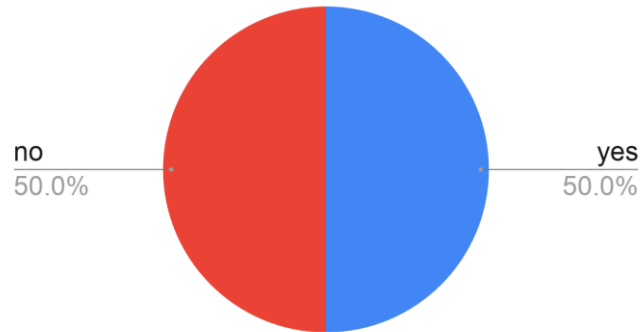


# Is it true that you can *NOT* recommend EMs to AOs?

## No

- *“Provided we are satisfied with D/D we can recommend them.”*
- *“We can treat experience of EM as an individual Portfolio Manager so that there is some flexibility on the track record criteria.”*
- *“AOs often mention this as an excuse”*

Is it true that you cannot recommend EMs? (N=6)



## Yes

- *“EMs tend to be too small for large PMs to allocate funds.”*
- *“We only screen Managers at the request of AOs (and we don’t get asked)”*
- *“The risk of investing in EMs should not be underestimated and we have professional liability”*
- *“We don’t know of many eligible EMs”*
- *“But, if we know of any high-calibre portfolio managers who are setting up shops, we would proactively look for AOs to seed them”*

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# Voices about Improving Investment Capabilities of Asset Owners

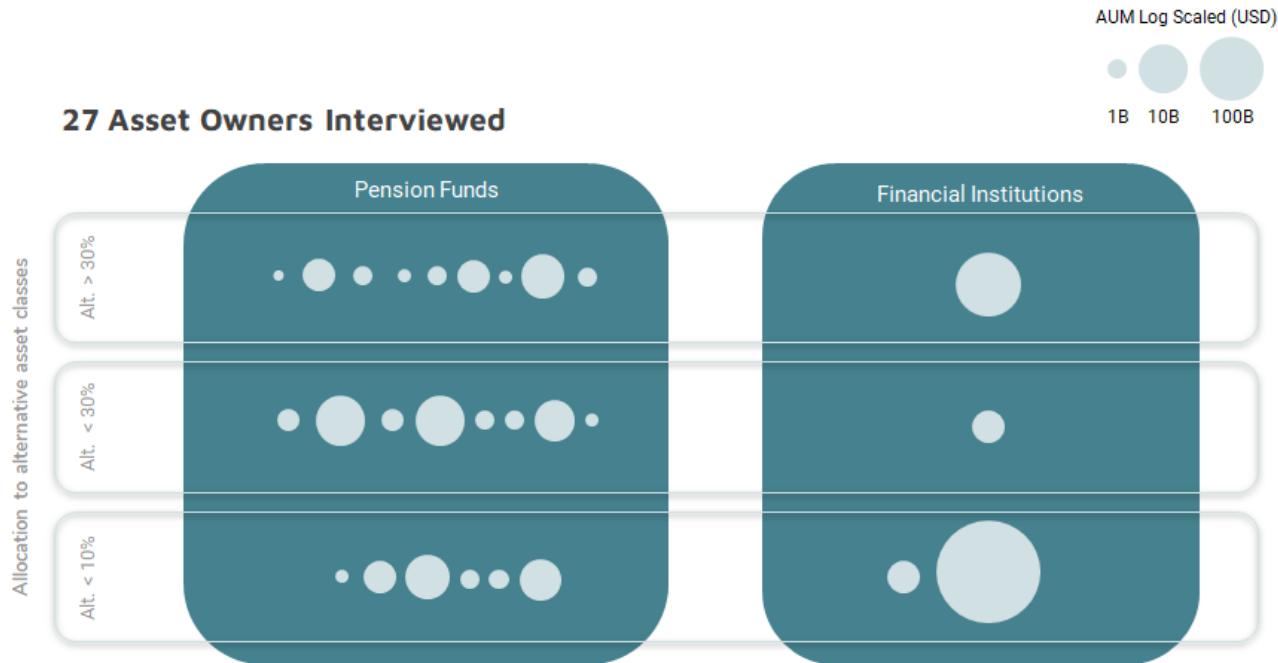
- “Asset Owners should enhance investment capabilities furthermore, through independent educational seminars and cross-learning within the AO community, etc.”
- “Job market of Asset Owner CIOs should be recognized to match up with other advanced markets (e.g., US, UK, Canada, EU), especially for private pension funds. “
- “Asset Owners should share more information with each other and exchange ideas and experiences.”
- “Lack of young talent and clear path in institutional investor role. More effort should be put into development of young talent and acquisition.”



# Voices about Desired Changes to be made by Government Agencies

- “More autonomy should be given to Asset Owners by government agencies (both FSA and MHLW). For private pension funds, it should be made clear how to qualify as a professional investor. ”
- “Corporate Governance Code 2-6 can be more meaningful if pension investors are considered as professional/ qualified investors”
- “Financial conglomerates should not be allowed to take advantage in selling pension investment products by leveraging other existing relationships.”
- “The Financial City Tokyo initiative should reach out to the Asset Owner community extensively. “
- “Kansai (Western Japan) AOs would be happy to participate Tokyo EMP seminar/ roundtable.”

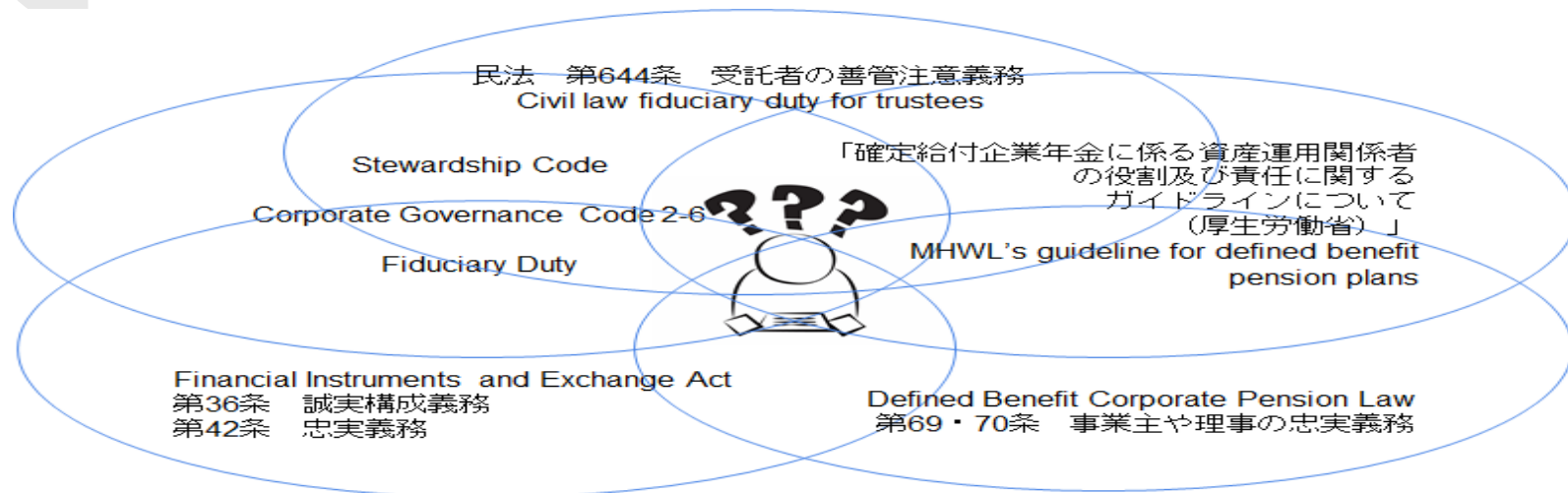
# アセットオーナーの資産アロケーション動向



- 約13000ある確定給付企業年金の内、約50社程度は運用の高度化を指南している
- そのうちの多くは躊躇しながらもオルタナティブデータ資産\*への比率を高めている

\*プライベートエクイティ、不動産、インフラストラクチャー、ヘッジファンド、保険関連商品など  
Source: JIAM survey

## 企業年金を取り巻く複雑な規制環境



- 運用執行体制の高度化
- Risk adjusted Returnの最大化
- Asset diversification
- 運用人材の育成

- 資産の保全
- リスク回避
- 伝統的資産志向
- 堅牢な給付金支払い事務体制整備



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