

Financial Institutions and Pension Funds Investment Trends in Japan

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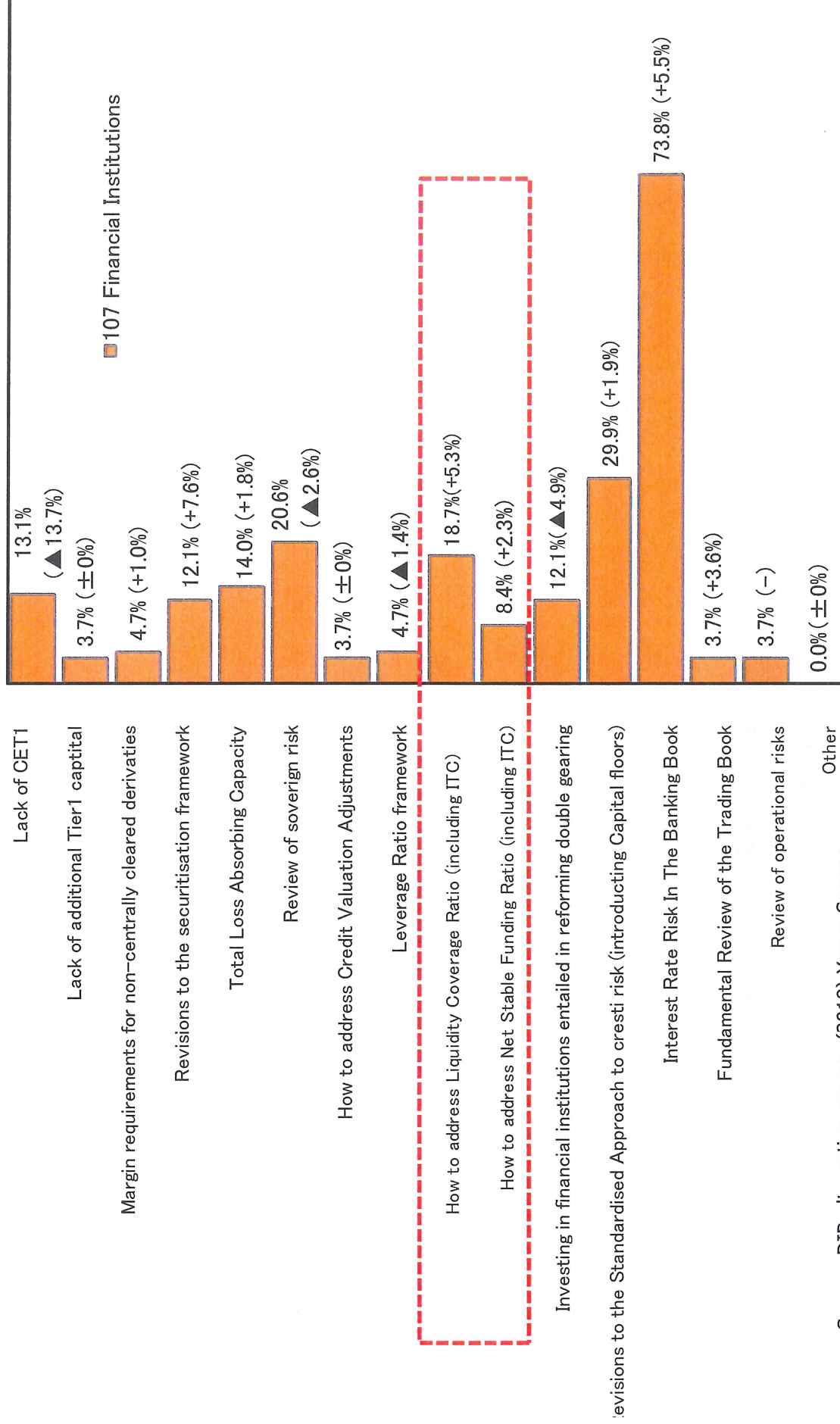
Survey outline

DIR Alternative investments survey in 2019

- We carried out a questionnaire survey among financial institutions (banks, life insurance companies etc.) and pension funds regarding the current state of alternative investments.
- The survey conducted between 8 January 2019 and 1 February 2019. We received responses from 112 financial institutions and 51 pension funds.
- The results showed that hedge funds are the most popular alternatives for pension funds. On the other hand structured bonds (PRDC) are the most popular alternatives for financial institutions (mainly banks and life insurance companies).
- Since 2005 when the survey was conducted for the first time, financial institutions, pension funds included, have been continuously increasing it's alternative investment choices (hedge funds, real estate funds, private equity fund etc).

What is your concern about Basel III?

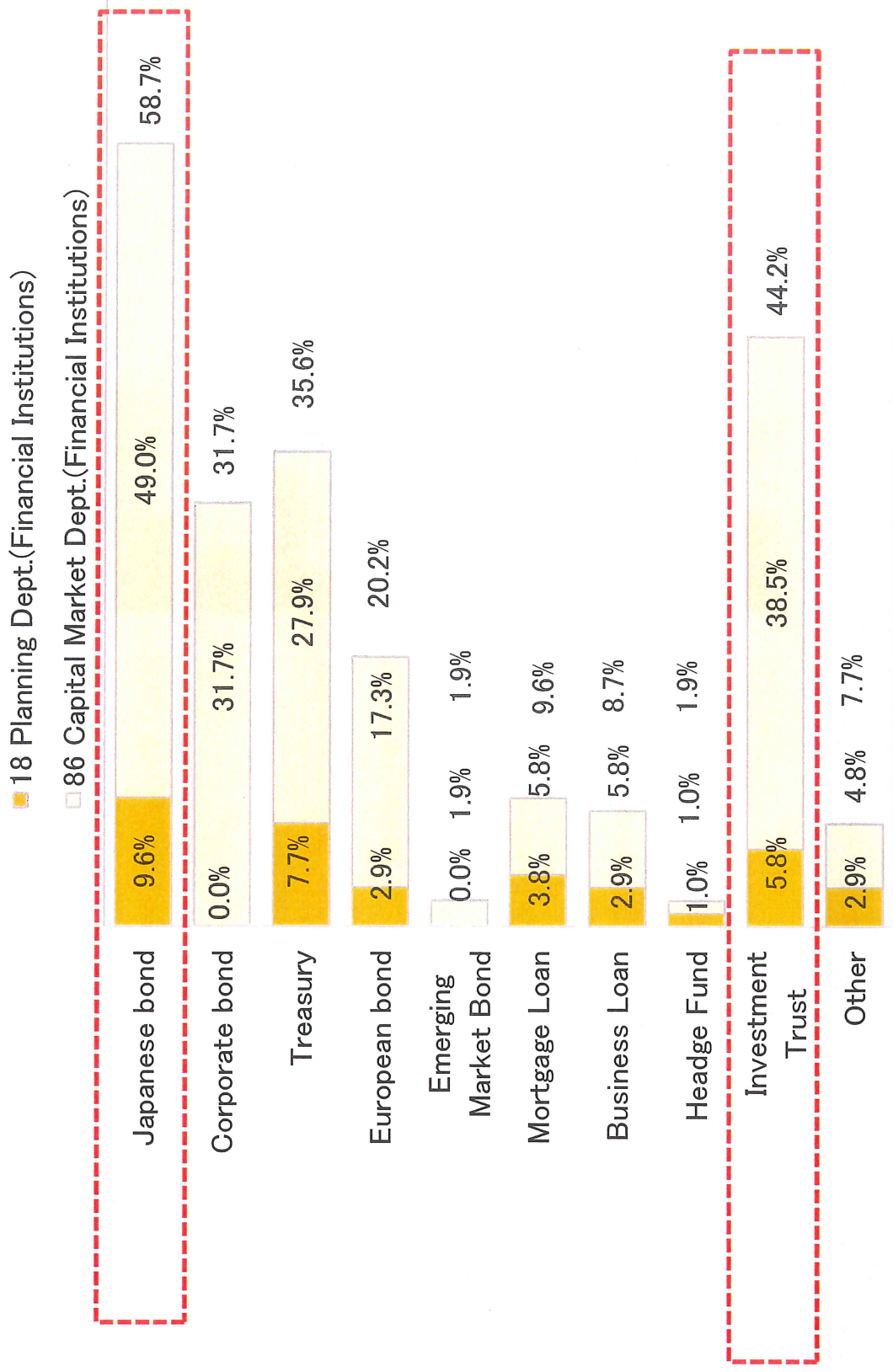
Graph What is your concern about Basel III?



Source: DIR alternative survey (2019) Yasuo Sugeno

What is your concern about Basel III? (focus on IRRBB)

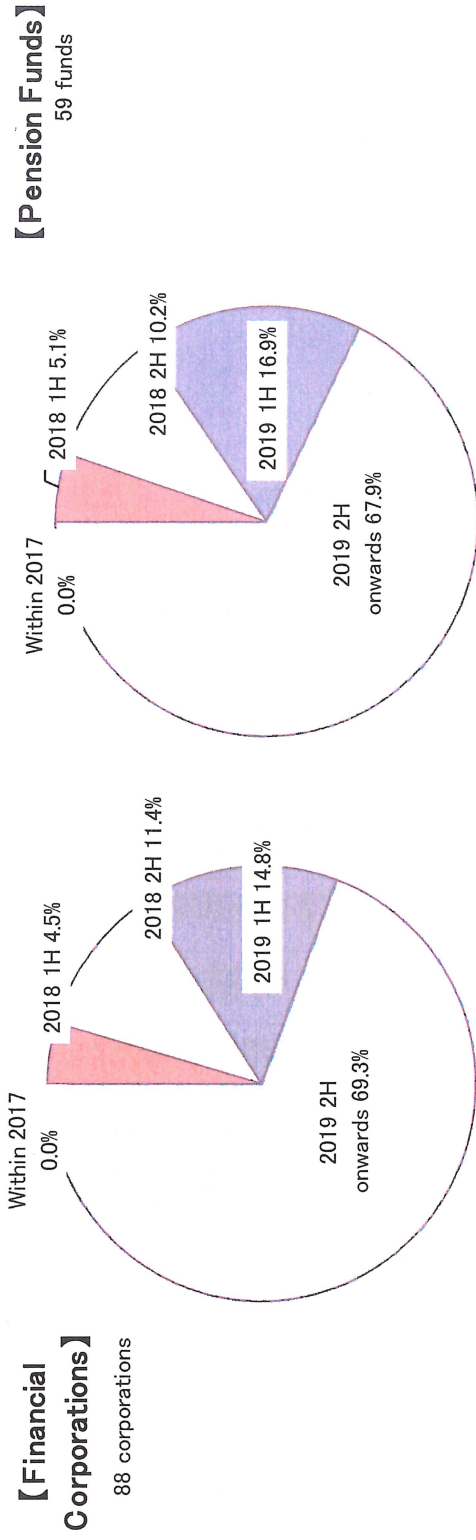
Graph Which investment products are you concerned about following the introduction of IRRBB?



Source: DIR alternative survey (2019) Yasuo Sugeno

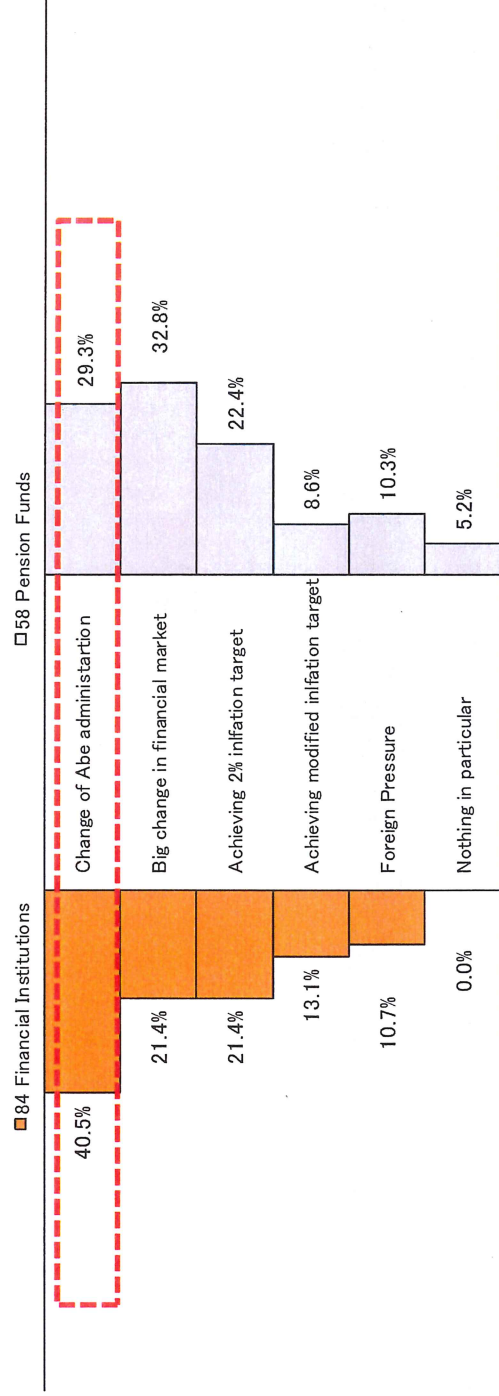
BOJ would start its exit from current easing?

Graph When do you think the BOJ would start its exit from current easing?



Source: DIR alternative survey (Dec 2017) Yasuo Sugeno

Graph What do you think would trigger the BOE's exit from current easing?



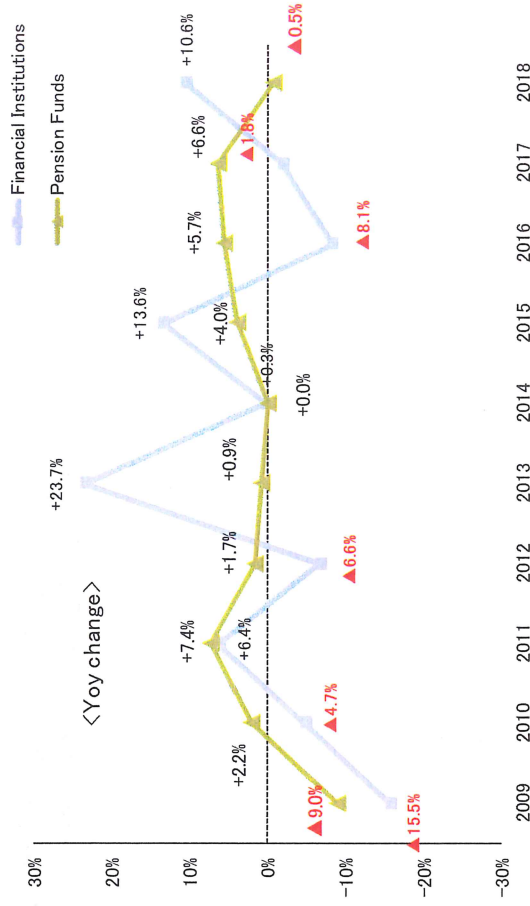
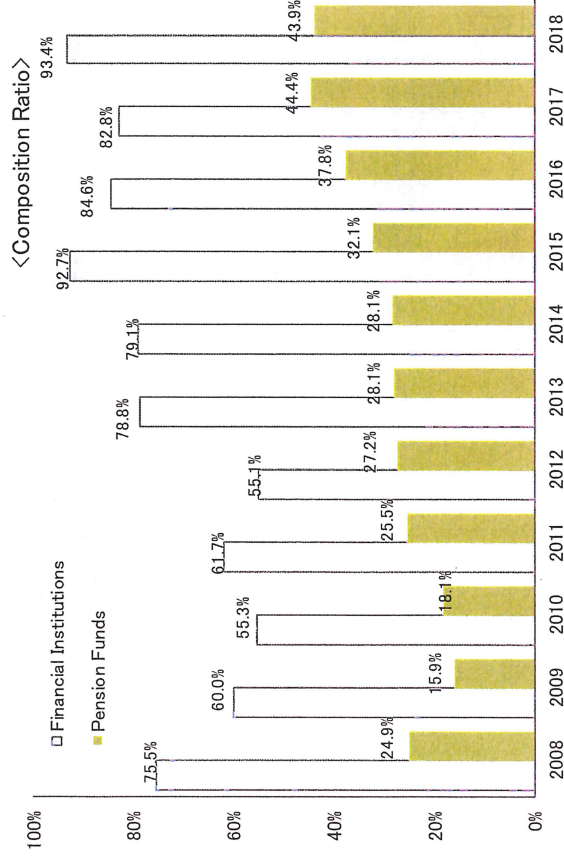
Source: DIR alternative survey (Dec 2017) Yasuo Sugeno

REIT investments

Graph 2008-2018 REIT investments

Composition ratio	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Financial Institutions	75.5%	60.0%	55.3%	61.7%	55.1%	78.8%	79.1%	92.7%	84.6%	82.8%	93.4%
Pension Funds	24.9%	15.9%	18.1%	25.5%	27.2%	28.1%	28.1%	32.1%	37.8%	44.4%	43.9%

Yoy change	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Financial Institutions	▲15.5%	▲4.7%	+6.4%	▲6.6%	+23.7%	+0.3%	+13.6%	▲8.1%	▲1.8%	+10.6%
Pension Funds	▲9.0%	+2.2%	+7.4%	+1.7%	+0.9%	+0.0%	+4.0%	+5.7%	+6.6%	▲0.5%



Source: DIR alternative survey (2019) Yasuo Sugeno

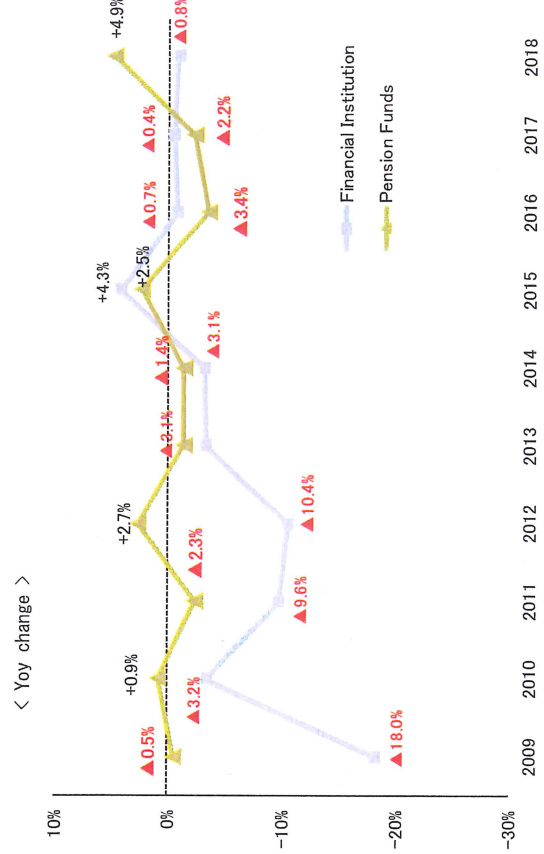
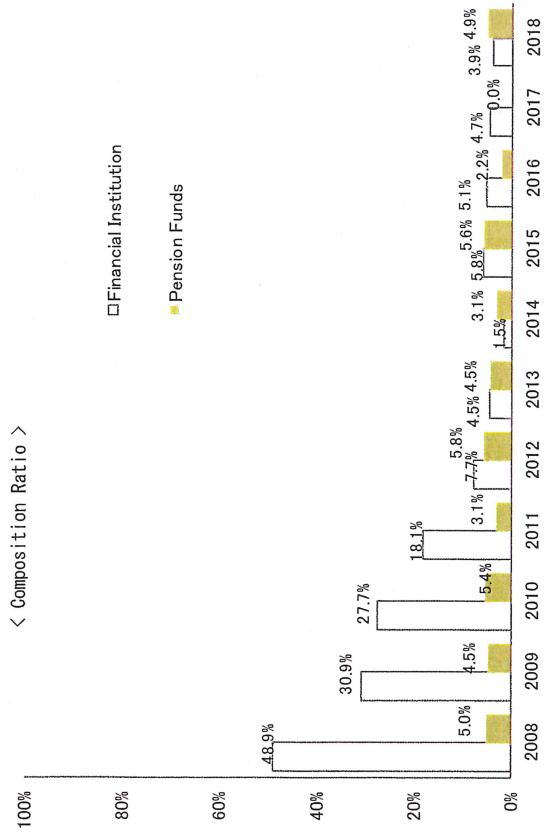
CDO • CLO investments

Graph 2008-2018 CDO • CLO investments

【CDO、CLO (including SIV)】

Composition ratio	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Financial Institution	48.9%	30.9%	27.7%	18.1%	7.7%	4.5%	1.5%	5.8%	5.1%	4.7%	3.9%
Pension Funds	5.0%	4.5%	5.4%	3.1%	5.8%	4.5%	3.1%	5.6%	2.2%	0.0%	4.9%

Yoy change	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Financial Institution	▲18.0%	▲3.2%	▲9.6%	▲10.4%	▲3.1%	▲3.1%	+4.3%	▲0.7%	▲0.4%	▲0.8%
Pension Funds	▲0.5%	+0.9%	▲2.3%	+2.7%	▲1.3%	▲1.4%	+2.5%	▲3.4%	▲2.2%	+4.9%



Source: DIR alternative survey (FY) Yasuo Sugeno

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- For derivative and margin transactions etc., our company may require collateral or margin requirements in accordance with an agreement made beforehand with you. Ordinarily in such cases, the amount of the transaction will be in excess of the required collateral or margin requirements**.
- There is a risk that you will incur losses on your transactions due to changes in the market price of financial instruments based on fluctuations in interest rates, exchange rates, stock prices, real estate prices, commodity prices, and others. In addition, depending on the content of the transaction, the loss could exceed the amount of the collateral or margin requirements.
- There may be a difference between bid price etc. and ask price etc. of OTC derivatives handled by our company.
- Before engaging in any trading, please thoroughly confirm accounting and tax treatments regarding your trading in financial instruments with such experts as certified public accountants.

* The amount of the trading commission cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.

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