

Key considerations to implement EMP for Global Financial City Tokyo

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◆ Background and issues to be addressed

- Emerging Asset Manager Program (EMP) was proposed as one of the measures in the TMG's Interim Report on Policy for "Global Financial City Tokyo" announced in June 2017.
- EMP (encompassing TMP)* has been adopted in the U.S. and other markets largely by local government-led pension funds.
- Such pension funds with EMP have robust investment management infrastructure with an internal CIO (Chief Investment Officer) and portfolio managers.
- It would be a challenge for the TMG to function an asset owner and build a solid investment management infrastructure overnight. Many issues to overcome exist as there are very few EMP case examples in Japan.
- "EMERGENCE" by Paris Europlace is an EMP led by a city but there are not many examples that can be referened.

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- What are the objectives of the Tokyo-version EMP?

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- How should EM be defined for the Tokyo-version EMP?

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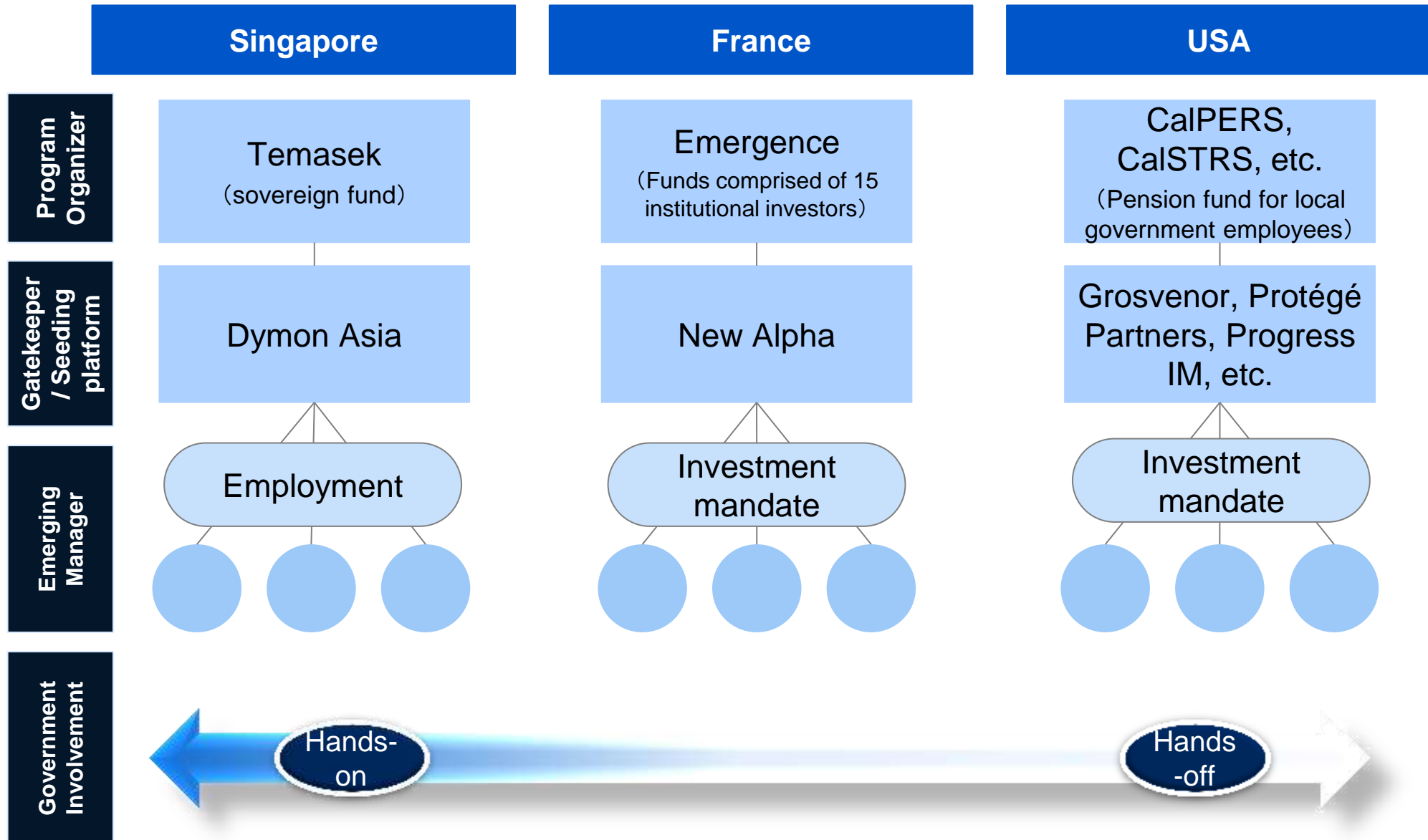
- What scheme is necessary for EMP to be established?

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- What are TMG's roles in the Tokyo-version EMP?

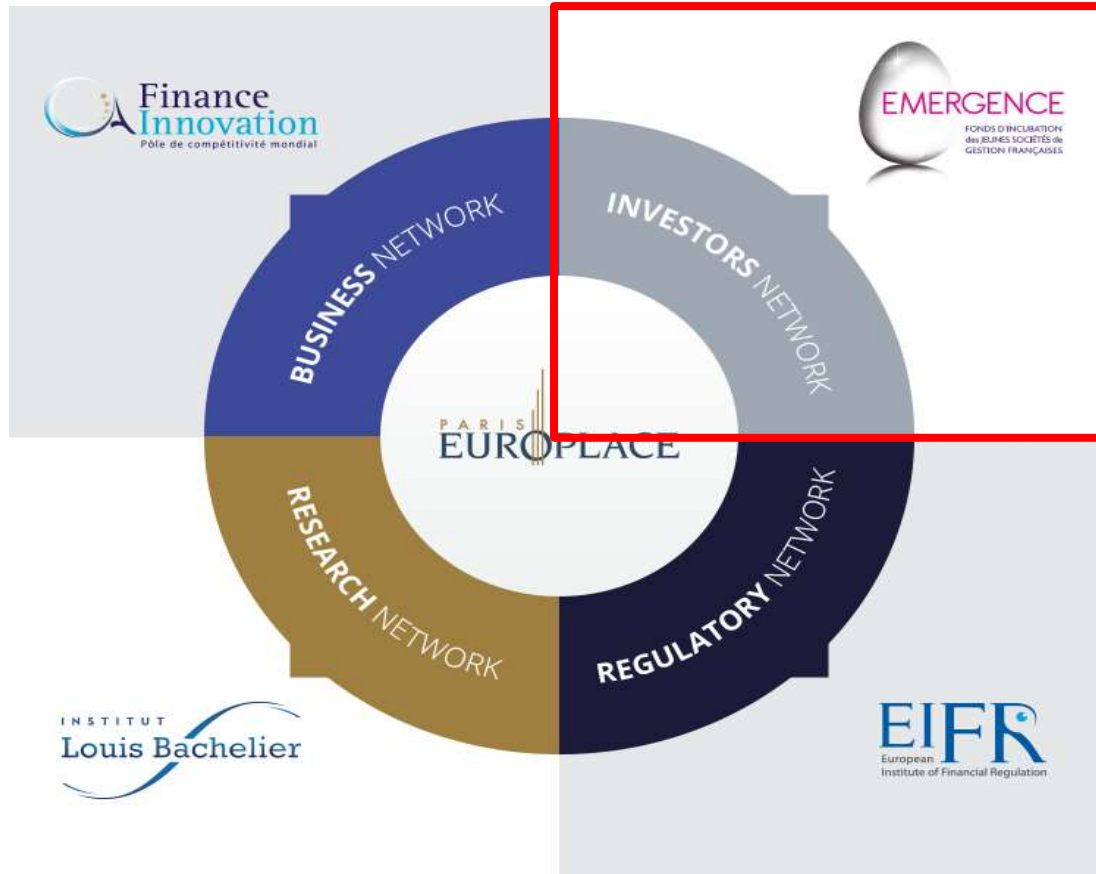
*Emerging Manager Program / Transition Manager Program: program(s) to support the development of asset managers by discovering and providing funds to those aspiring to become asset managers

◆ Comparison of EMP schemes by market



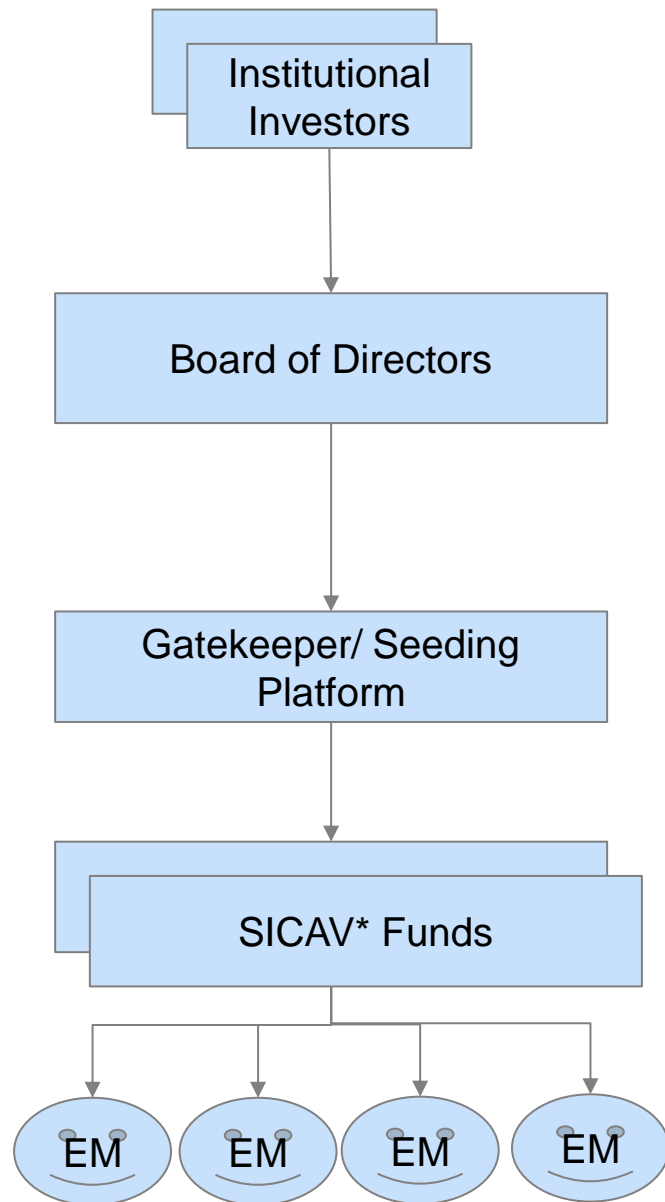
◆ “EMERGENCE” - one of four pillars of Paris EUROPLACE

- Paris Europlace is an organization to develop and promote the Paris Financial Center.
- It comprises 4 divisions aiming to develop a competitive and attractive market.



- EMERGENCE is also called an “Investors Network,” representing one of the four divisions of Paris EUROPLACE.
- Its mission is to provide access to the most promising/ talented independent emerging asset managers to investors.

◆ Scheme of EMERGENCE



- 15 Institutional Investors

- Primarily composed of CIOs of the 15 institutional investors
- Approves asset allocation of seed money
- Selects Seeding Platform
- Control and monitor conflict of interest
- Chairman: Concurrently holding position of Honorary Chairman of Association Française de la Gestion Financière's Chairman (i.e., France's investment management association)

- NewAlpha selected from several candidates
- NewAlpha is a manager of hedge fund managers specializing in EMP.

- Lock-up period: 3 years
- Fund auditor: PwC

- 10 Emerging Managers** were initially selected.
- Transition Manager Program (TMP) yet to be launched.

*société d'investissement à capital variable, an open-ended collective investment scheme

**12 companies as of June 30, 2017

◆ Overview of EMERGENCE

Established	19 January 2012
Total allocations of Seed Money	450M Euros
Seed Money providers	<p>Primarily 15 French institutional investors</p> <ul style="list-style-type: none"> • ACMN (Insurance) • AG2R La Mondiale (Insurance) • Aviva (Insurance) • BNP Paribas Cardif (Insurance) • CAVP (Pension Fund) • Caisse de Dépôts (Public Financial Institution) • CMNE (Crédit Mutuel Nord Europe) • CNP Assurances (Insurance) • EDF (Electric utility company) • Macif (Insurance) • Malakoff Mederic (Insurance) • Matmut (Insurance) • Neuflyze Vie (Wealth management) • Prépar (Insurance) • UMR (Pension Fund)
Seed Money allocations	<ul style="list-style-type: none"> • Absolute Return: 250M Euros • Long Equity Return: 200M Euros
Performance as of June 30, 2017	<ul style="list-style-type: none"> • EMERGENCE's Total IRR = 9.39% • AuM size doubled • Of the 12 managers, 9 show steady growth

◆ Performance of EMERGENCE

Absolute Return

(Unit: %)

AM	Expertise/ Style/ Asset Classes	YTD*	ITD**
Eiffel Investment Group	L/ S Credit	-1.30	+14.17
KeyQuant	Managed Futures	-2.80	+0.65
Eiffel eCapital	Crowd Funding	+2.45	+4.20
ERAAM	Risk Premium/ Multi-asset	+2.02	+6.62
ABC Arbitrage	Arbitrage	+6.10	+11.11
Laffitte Capital	Arbitrage	-1.31	-1.28

Long Equity Return

(Unit: %)

AM	Expertise/ Style/ Asset Classes	YTD*	ITD**
Focus AM	European Equities	+7.91	+27.73
Financière Arbevel	European Equities	+13.68	+43.19
Talencce Gestion	European Equities	+12.19	+27.01
Finaltis	Smart Beta	+10.75	-0.76
Fideas Capital	Smart Beta	+4.72	+4.87
La Financière Responsible	Socially Responsible Investment	+9.47	+13.98

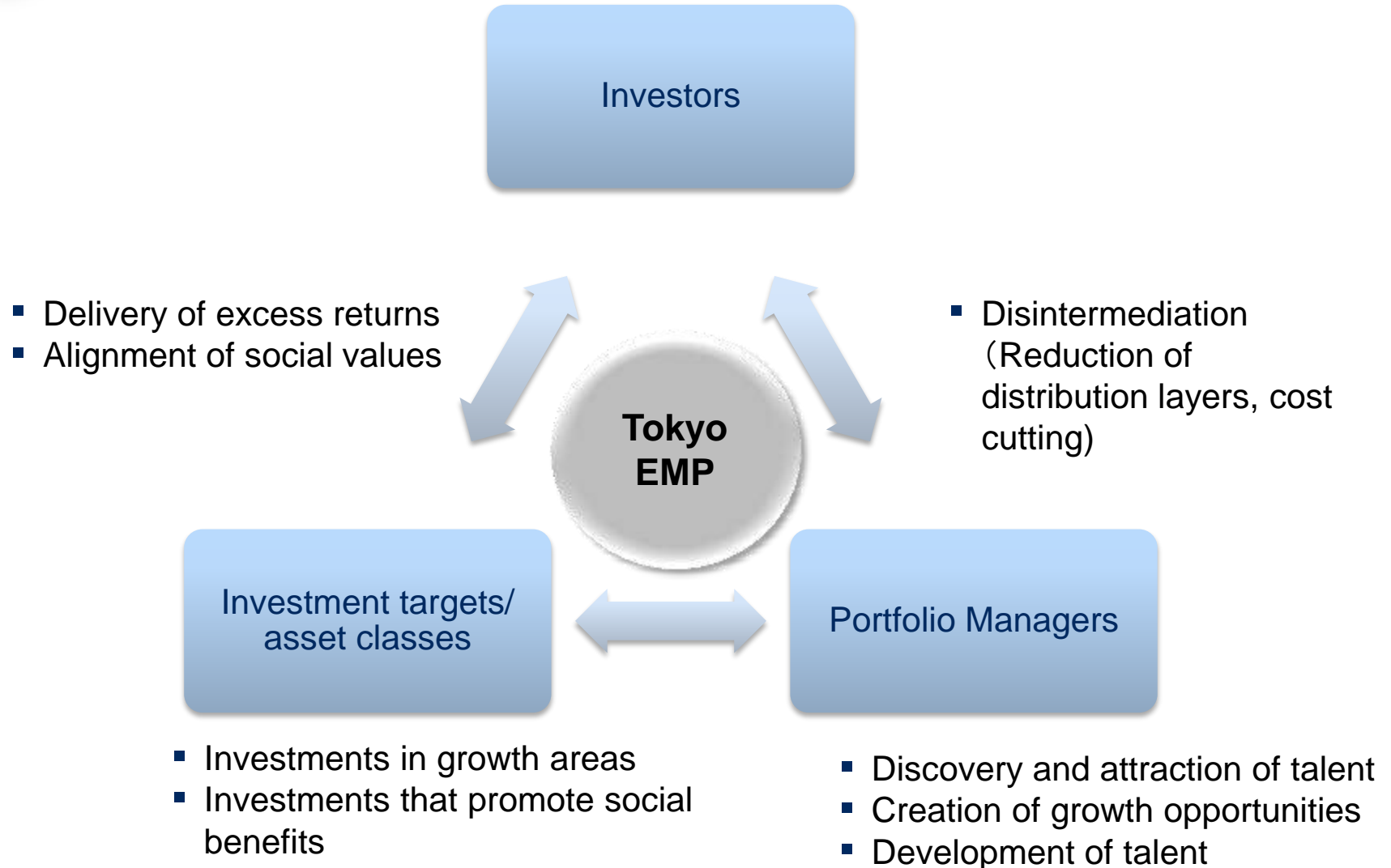
* YTD= Year to Date as of June 30, 2017

** ITD= Inception to Date as of June 30, 2017

Source: NewAlpha and Paris EUROPLACE

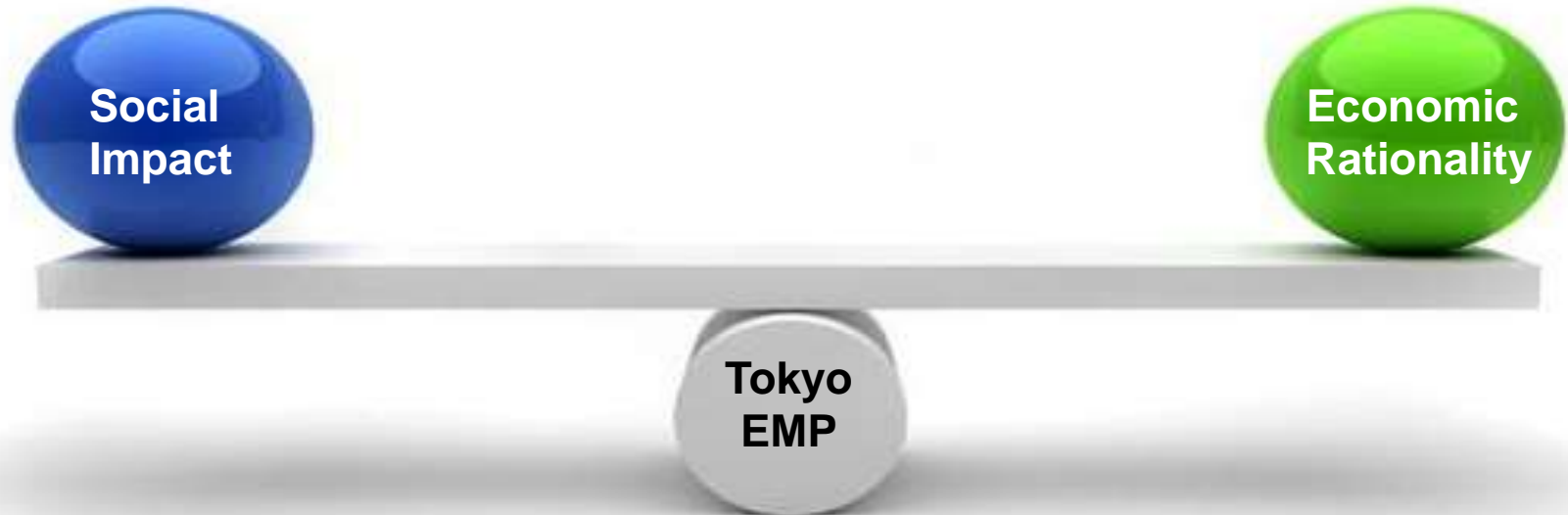
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Objectives of the Tokyo-version EMP



2 Definition of Emerging Managers for the Tokyo EMP

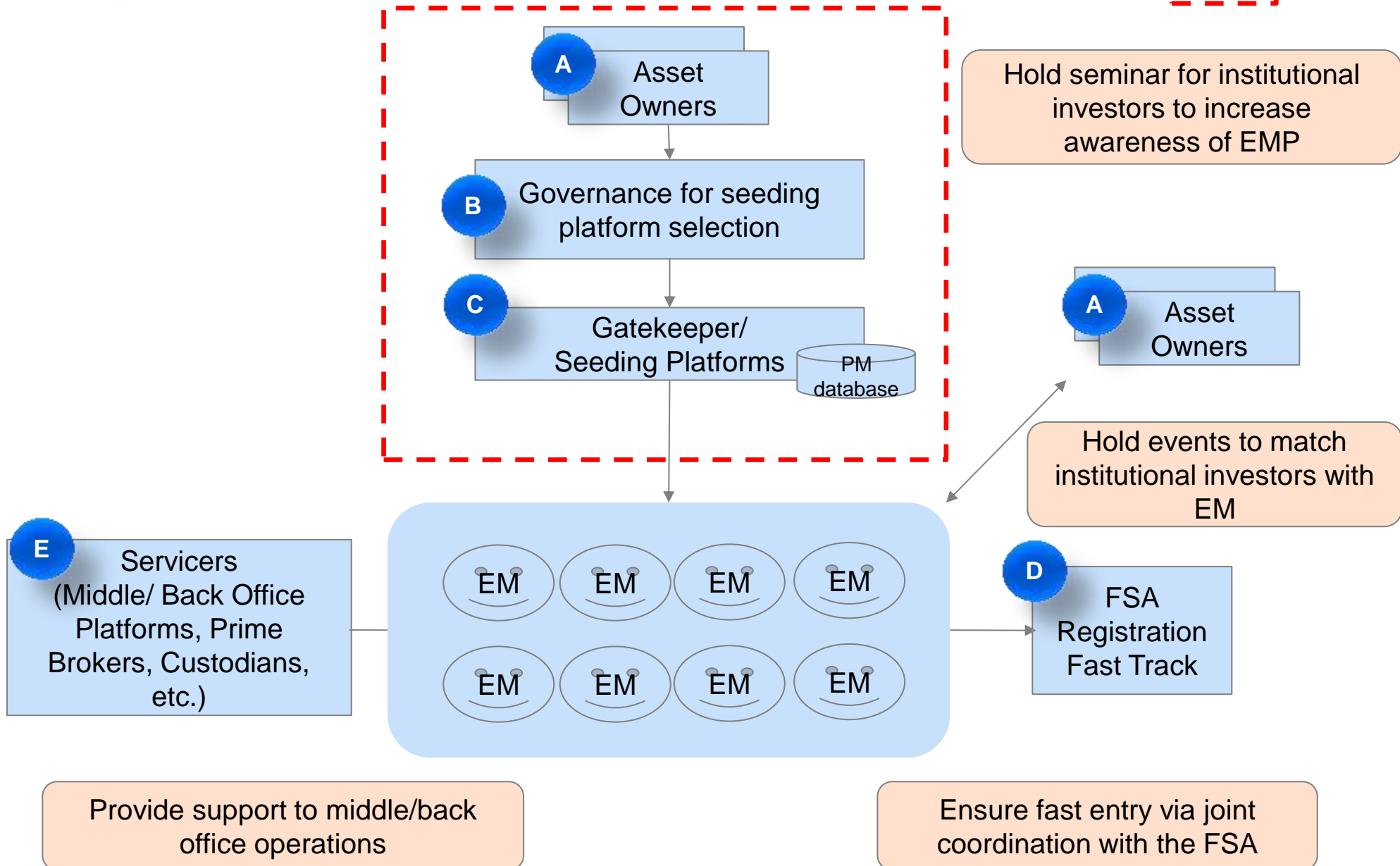
- Selection criteria for emerging managers need to balance between the economic rationality and social impact.



- Development of small sized, independent emerging asset managers
- Revitalization of Tokyo's economy
- Individual track record
- Company track record
- Investment strategy and style vis-à-vis asset owners' overall portfolio optimization
- Commitment for self-funding
- Ability and commitment for fund-raising to some extent, etc.?

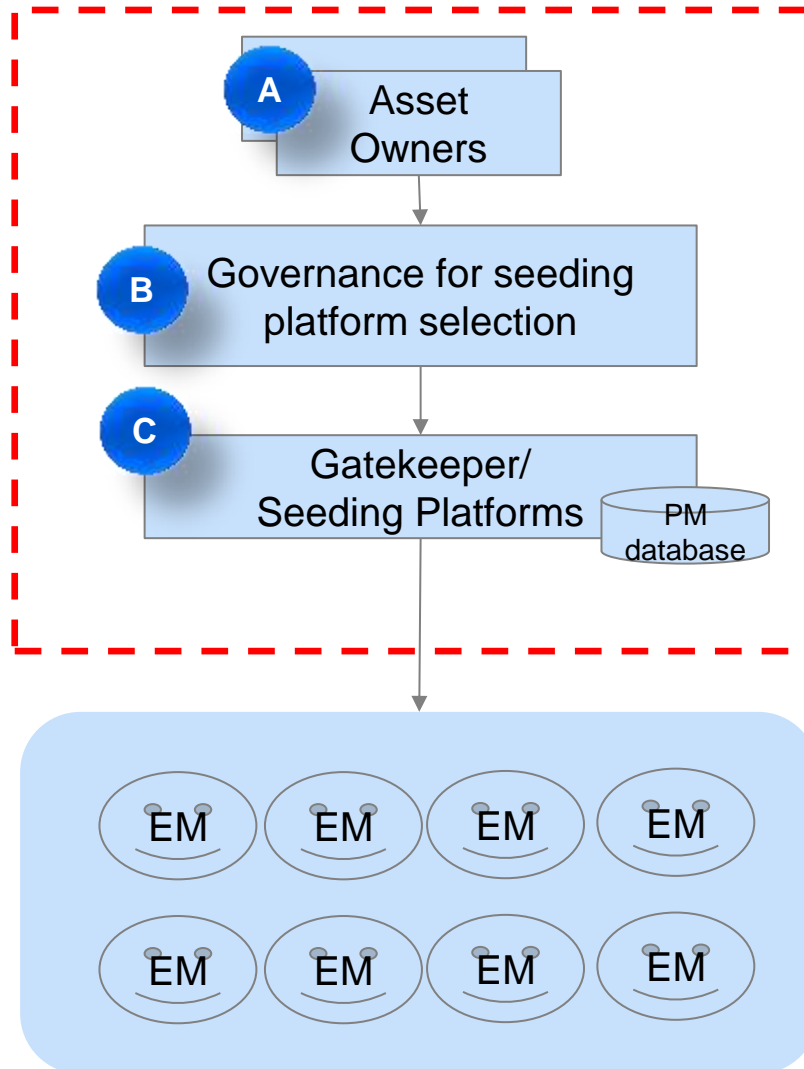
3 Overall scheme to support emerging managers in Tokyo

EMP



◆ Further considerations

NOT EXHAUSTIVE



- A**
 - How to inspire institutional investors?
 - How many institutional investors is optimal to initiate the program?
- B**
 - How should the governance structure be designed?
 - To what extent should TMG stay involved in governance?
- C**
 - What are the selection criteria for the seeding platform(s)?
 - How many seeding platforms should be selected?
 - What are the selection criteria for emerging managers?
 - What is the scope of asset classes for Tokyo EMP?

Advancement of Tokyo global financial city through EMP

