

# Introduction of FinCity.Tokyo

FinCity.Tokyo  
As of January 2024

# Vision and mission of FinCity.Tokyo

TMG "Global Financial City: Tokyo" Vision (as of November 2017)

Asia's  
Financial Hub

Financial Talent,  
Funds,  
Information,  
Techniques

Asset  
Management &  
FinTech

Social  
Problem  
Solving

- Policymakers
- National Government
- Tokyo Metropolitan Government
- Industry associations

Policy recommendations

東京国際金融機構  
FinCity.Tokyo

Promotion

Policy-shaping

Collaboration among  
relevant authorities

Attracting foreign  
talents and firms

Dissemination

Obtain  
feedback and  
suggestions

Attract to  
Tokyo/ Japan

- Investors
- Financial institutions
- Fintech firms
- Authorities
- Media

# FinCity.Tokyo members

~54 legal entities and organisations, including the Tokyo Metropolitan Government, industry associations, financial institutions, institutional investors and service providers, are participating in FinCity.Tokyo



<https://fincity.tokyo/aboutus/>

# Global Asset Allocator Survey Report for Emerging Manager Allocation

January 2024



# Executive Summary

- Global Asset Allocators Interviewed
  - 18 global asset allocators, representing total AUM of \$3.3 Trillion
- Global Asset Allocators' EM Allocation Strategy
  - Mega asset allocators such as public pension funds and sovereign wealth funds usually have a dedicated Emerging Manager Program (EMP), and others do EM investments within an existing framework
  - All agree definition of EM is AUM less than \$1B for public market and fund 1 or 2 for private market
  - Close to 90% agree the primary goal for EM investment is for higher return
  - Close to half give discretionary investment power to investment team if ticket size is less than \$50M
  - The minimum investment ticket size is around \$50M
  - If invested through EMP, the EM is usually required to scale up to a core manager within 3 to 5 years
  - More than 80% source EMs primarily through an in-house team
- Interest in Japanese Emerging Managers
  - Global investors have a strong interest in Japanese/Asian Equity and Private Equity
  - Communication could be the biggest barrier for overseas investors to invest into Japanese EM

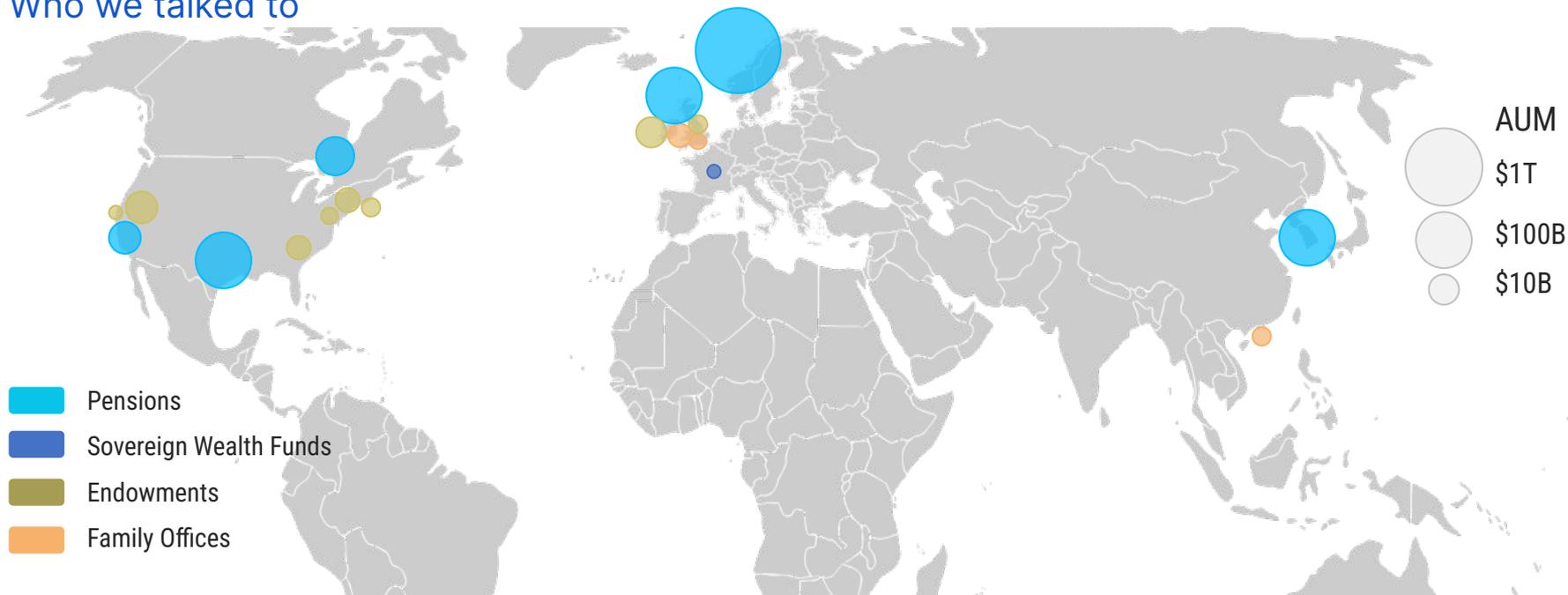


# Global Asset Allocators' Emerging Manager Investment

- Why allocate to EM?
- How to source EM?
- How big is the ticket size?

# Asset Allocators Interviewed for this Survey

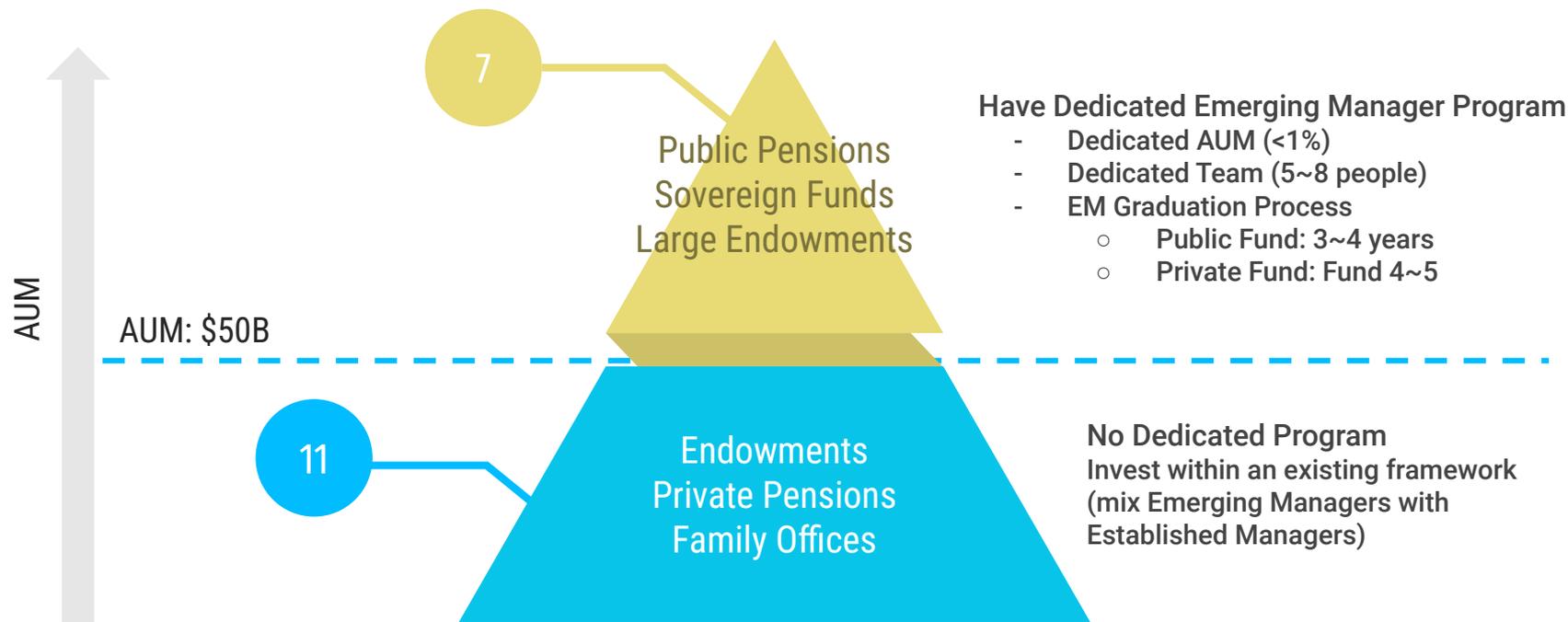
Who we talked to



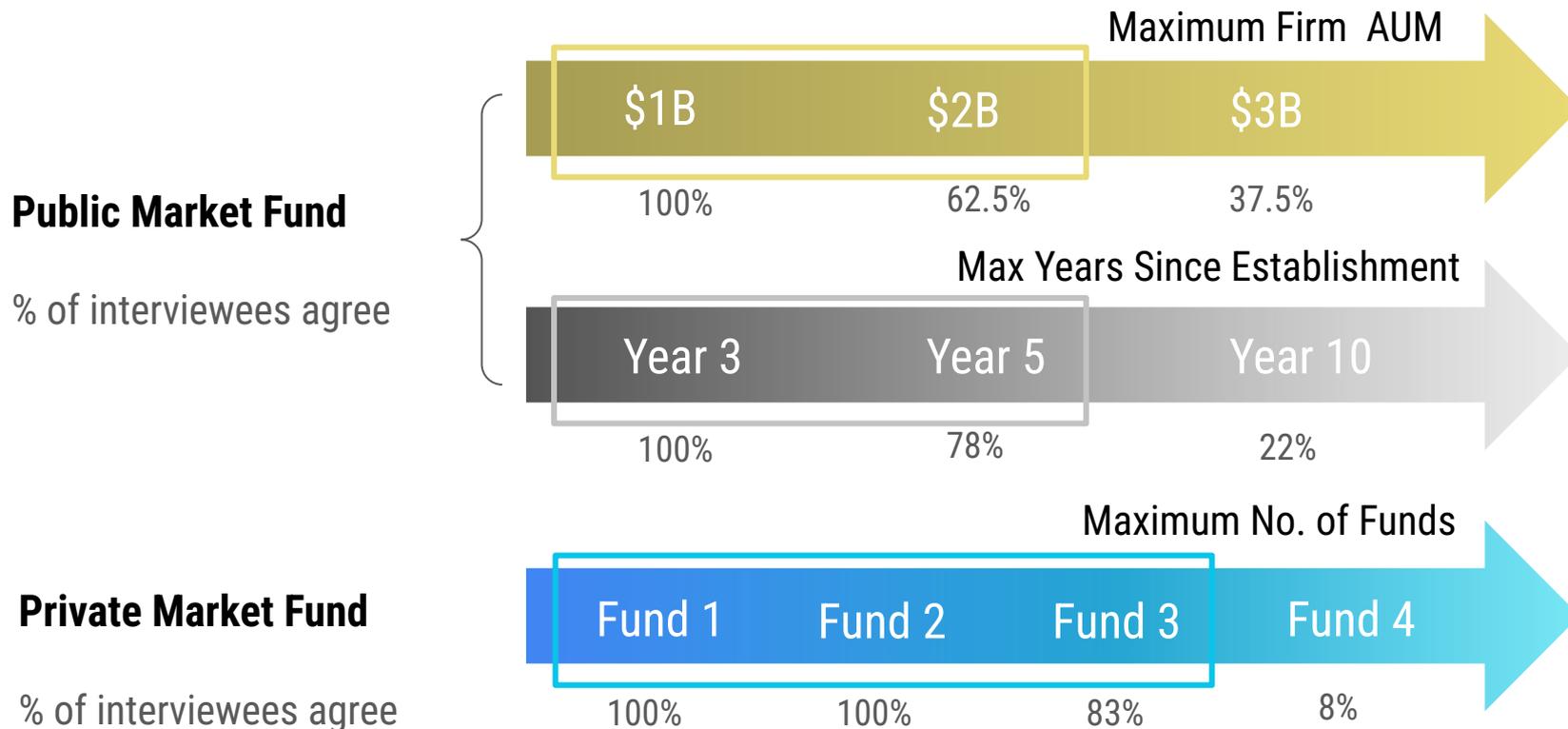
- We interviewed 18 global asset allocators, consisting of 44% endowment, 33% pension, 17% family office and 6% sovereign wealth fund
- The total AUM of asset allocators interviewed this year surpassed \$3 trillion

# Large Allocators have Dedicated Emerging Manager Programs

Size of AUM is the Deciding Factor for Having an EMP or Not



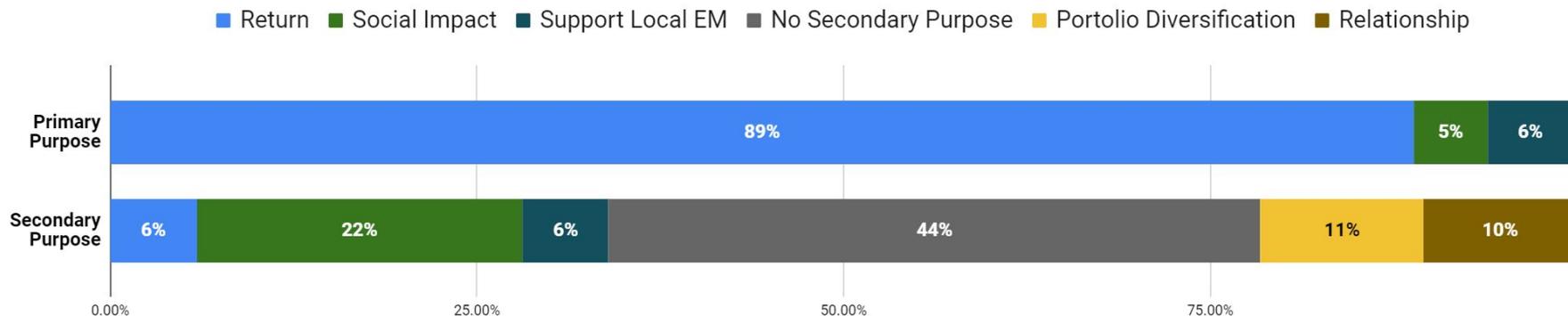
# Definition of an Emerging Manager



# Invest in EM for Return, Social Impact and Diversification

## Return seeking is the dominating reason for an EM allocation

Purpose of EM Allocation



Public Pension

Return of the 1st fund can be very strong in the early years. We would like to have early access to outstanding managers.

We would like to create positive social impact through our investments, especially through emerging managers.



Public Pension



Endowment

We like strategies that fit our overall portfolio. We are not risk-averse, and we take a long term view.

Investment is a people business. We invest early and that can build a solid relationship over time.



Family Office

# Strong In-House Investment Capability is Required

## Statistics of In-House Team Activities

**88%**

### EMs are Sourced by an In-House Investment Team

Instead of relying on placement agents or consultants, most of EM sourcing are done by the in-house investment team directly.

- Join EM matching events
- Referral from existing managers or peer LPs
- Research on EM databases
- Travel to meet with EMs globally

**150+**

### EMs are Interviewed by Investment Team Annually

The in-house investment team interviews and tracks large numbers of EMs in order to select the best for investment.

- Annually interview 50 ~ 300 EMs depending on team capacity.
- On average, 1 out of 50 EMs interviewed will be selected for investment.

**44%**

### Investment Team Has Discretionary Authority

Close to half of investment teams can make discretionary investment decisions under a certain threshold.

- The threshold is \$50M ~ \$150M depending on the organization.
- The investment team will have more freedom to allocate into smaller managers including EM.

# EM Sourcing Methods

## How to find good EMs

- In-House investment teams primarily source EMs through referrals and events
  - Referral from peer LPs or existing managers
  - Events including dedicated emerging manager events and general events such as cap intro
  - Inbound including direct sales or website form
- Reliance on external sources (e.g. consultant and placement agents) only counts for 12%



We have met over 170 emerging managers in 2023. We are constantly sourcing candidates through various channels.

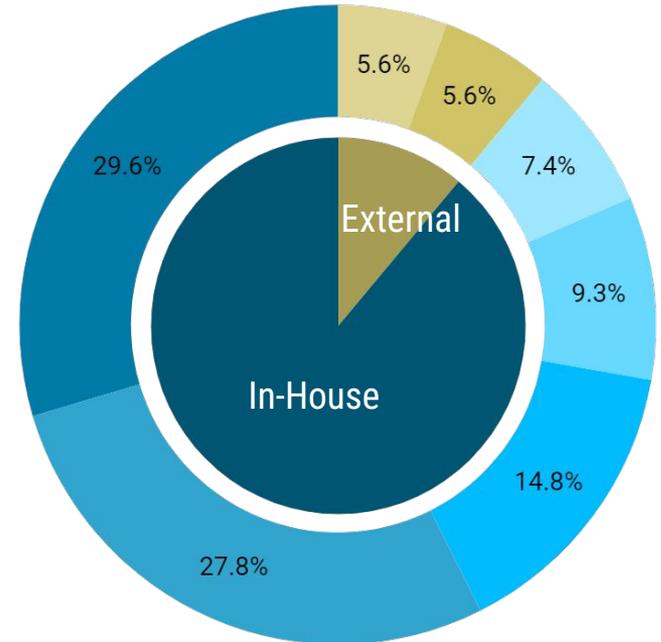
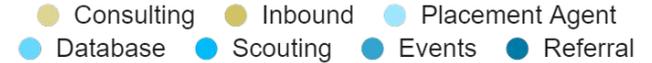
Public Pension

We have global presence including in the APAC region. We conduct extensive manager searches through our in-house team.



Public Pension

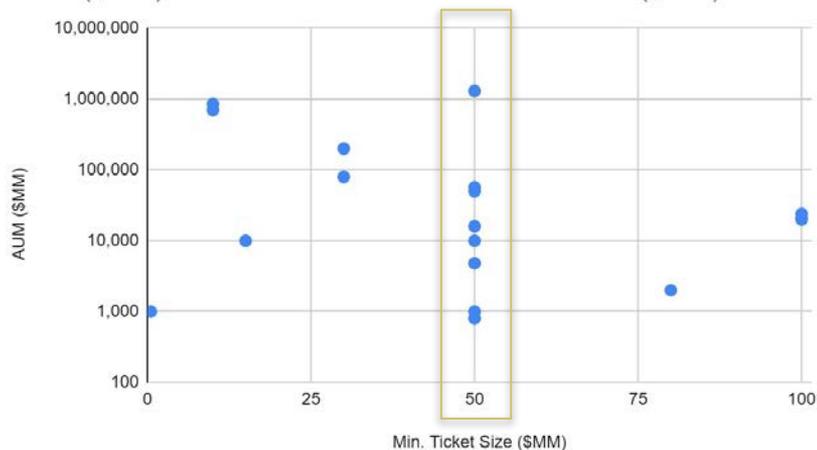
## EM Sourcing Methods



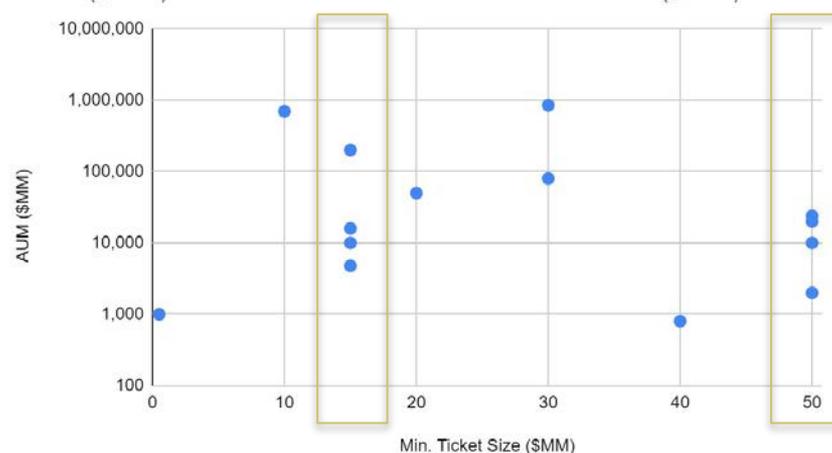
# Minimum Ticket Size

\$50M is the most common min. ticket size for EM allocations

AUM (\$MM) vs. Public Market Fund Min. Tix Size (\$MM)



AUM (\$MM) vs. Private Market Fund Min. Tix Size (\$MM)



- Regardless of the size of asset allocator, the min. ticket size for public market fund is often set at \$50M
- Private market fund min. ticket size concentrates at \$15M and \$50M
- Public Market Funds on average have a larger min. ticket size than Private Market Funds



## Allocations into Emerging Managers from Japan

- Is there interest in Japan based EM?
- What are the most popular strategies?
- What are the leading allocation barriers?

# Outside Interest In Japanese EMs

Public Equity Long-Short and Private Equity are in high demand

- 100% of asset allocators interviewed were interested in Japan based Emerging Managers
- Equity Long/Short (including activist and event driven) and Private Equity drew the most interest
- Few were interested in VC, due to lack of unicorn exists.
- None is interested in Japanese Fixed Income Strategy



Endowment

We have been always looking for investment opportunities in the Japan market.

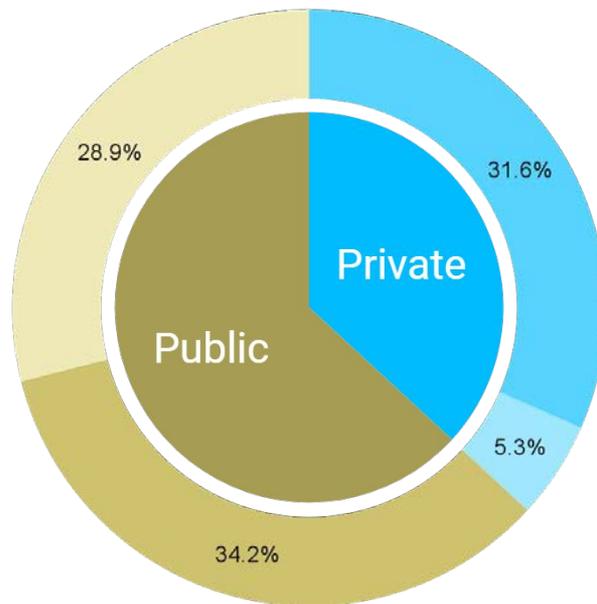
We have offices in APAC. And we travel to Japan 3 to 4 times a year to meet with managers.



Public Pension

Interest in Japan EM

- Private Equity
- Venture Capital
- Equity Long-Short
- Equity Long-Only



# EM Selection Criteria

## Investment Strategy and Team Background are Top Criteria

- An unique investment strategy and a solid background of the CIO and investment team are the top criteria
- Track record is not an essential requirement
  - Most asset allocators will do seed investment



Public Pension

We would like to see how the EM's strategy can contribute to our overall portfolio.

The CIO's background, skillset and pedigree are the most important criteria.

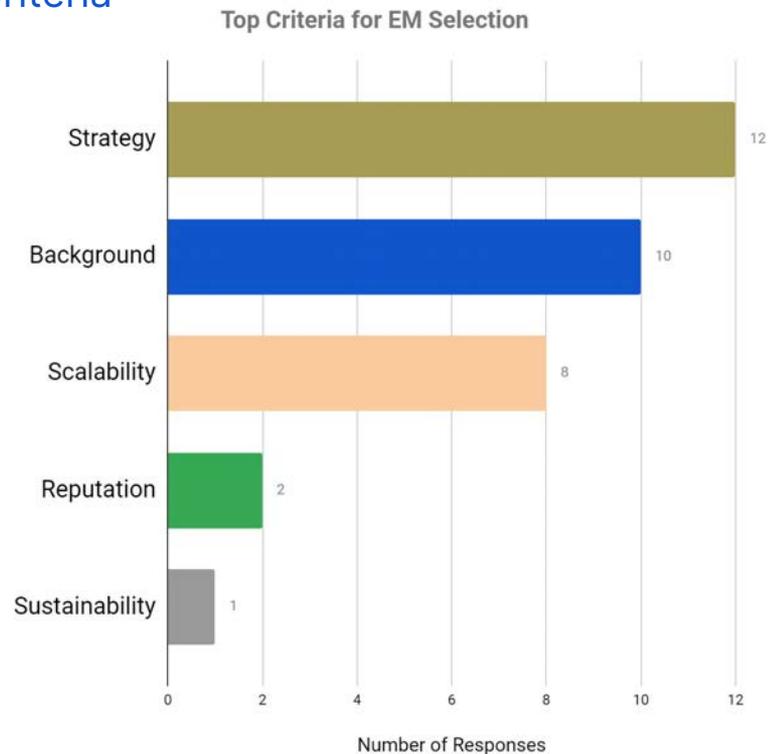


Public Pension



Endowment

We expect the EM to grow into a Core Manager within a few years time. Then we will scale up the investment by 5~10 times.



# Barriers to Investing in Japan EMs

## Communication is the top barrier

We do not know Japan well, so will ask many questions. But due to language and business cultural differences we often can't get clear and adequate explanations from Japan based managers.



Family Office



Endowment

We have invested in a Japanese EM, but we do not often see high quality managers from Japan.



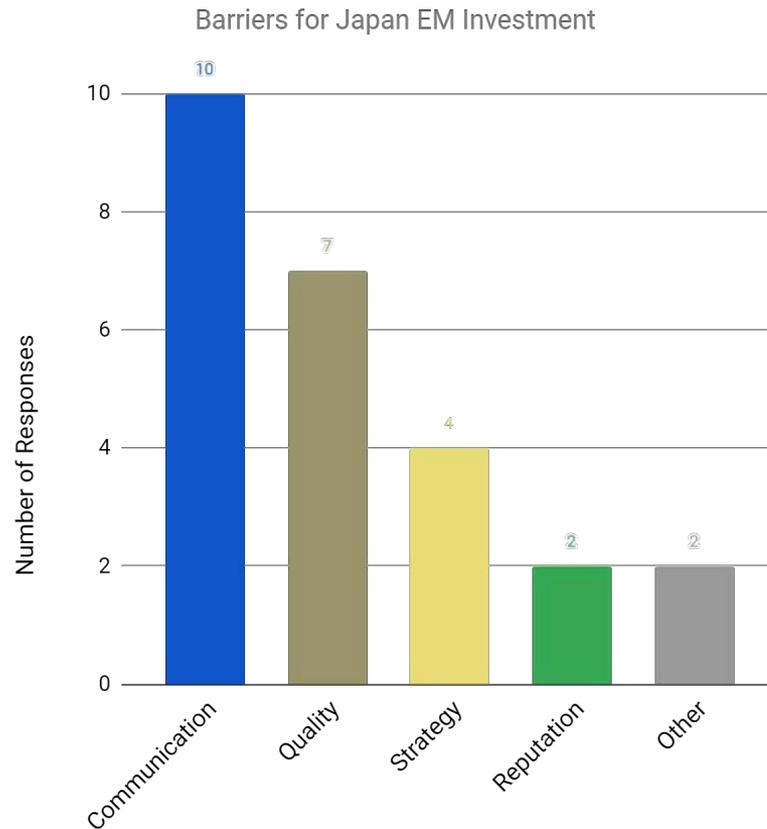
Public Pension

We haven't found many unique strategies that can make a difference in our portfolio from Asia, including Japan.



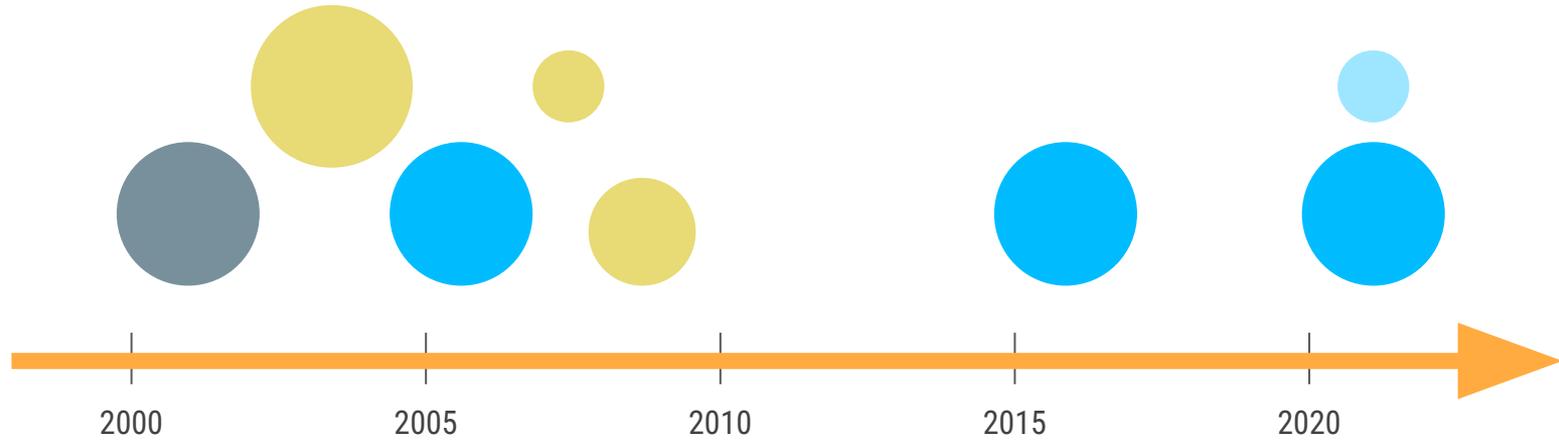
Public Pension

Japan based managers are not well known in my country. I worry about reputational risk when selecting EMs from Japan.

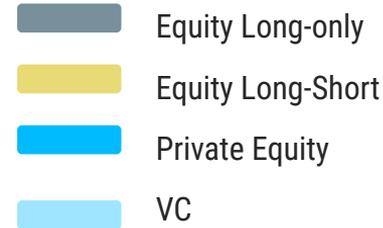


# Japanese EM Investment History from All Interviewed

Close to a Quarter have Allocated to Japanese EMs in the Past 2 Decades



- 23.5% of the asset allocators interviewed have invested into Japanese EM since year 2000
- 11.8% of the asset allocators interviewed have invested into more than 1 Japanese EMs



A background image of a city street in Tokyo, with the Tokyo Skytree visible in the distance. The image is overlaid with a semi-transparent green filter.

FinCity.Tokyo

 Visual Alpha

The global asset allocator survey about emerging manager allocation is conducted by FinCity.Tokyo and Visual Alpha from June through December 2023. 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](mailto:emp@visual-alpha.com).