

## CONTENTS

### Feature Articles

This month's focus: "Asset Management Using Alternative Indices"

<b>Overview</b> .....	<i>Toshiki Honda</i>	2
-----------------------	----------------------	---

#### Articles

<b>Risk and Return Characteristics of JPX-Nikkei Index 400</b> .....	<i>Sho Nishiuchi, CMA • CIIA, Shunsuke Kasuga, and Nana Komiyama</i>	6
---	--	---

The new stock index, JPX-Nikkei Index 400, started to be calculated from the beginning of this year and is becoming popular as a passive investment benchmark of pension funds and ETFs. Main features of the JPX-Nikkei Index 400 are constituent selection based on quantitative scores including ROE etc., and a maximum 1.5% capitalization weight adjustment of constituents. In this paper, we analyze how these features affect the risk-return characteristics of this new index.

<b>Institutional Investors and Benchmarks—Divergence of equity indexes encourages proper selection of benchmarks</b> .....	<i>Noriyuki Oharazawa, CMA</i>	16
--	--------------------------------	----

Equity indexes are being diversified amid current changes in the global investment environment. Public pensions are introducing multi-layered passive management and corporate pensions are expanding smart beta investing in Japan. Now, institutional investors are having to think about stepping up their selection of product benchmarks.

<b>Empirical Analysis of Smart Beta Return Characteristics</b> .....	<i>Masato Ishibe, CMA • CIIA</i>	28
---	----------------------------------	----

In recent years, "smart betas", different from market indexes such as TOPIX, are attracting much attention. Smart beta return characteristics are often explained by a single factor. Therefore, we firstly classified smart beta and each factor return, and then analyzed factor return characteristics with respect to each phase. The results make it possible to explain smart eta return characteristics via relevant factors.

<b>Investment Evaluation Period and Bond Benchmark</b>	
.....	<i>Kouzo Oomori, CMA and Toshihiro Kikuchi, CMA</i> 39

Bond portfolios with fixed duration carry not only low risk for the specific evaluation period but also have an advantage over immunization in terms of shorter term risk. These are desirable properties for pension investment where portfolios are maintained semi-permanently with periodic assessment. Therefore, portfolios could be better as the benchmark than a market capitalization-weighted index with uncontrolled duration.

## Prospects

<b>Investment for Retirement Income : Life-cycle Investing and Withdrawal Strategies</b>	
.....	<i>Hiroshi Fujibayashi, CMA</i> 50

## Economic and Industrial Analysis

<b>ESG Factors in Corporate Valuation : Case analysis of utilization of ESG information by Japanese institutional investors</b>	
.....	<i>Yasuyuki Sugiura, CMA and Hiroshi Miyai, CMA</i> 56

Point of View .....	<i>Yasuyuki Kuratsu</i> 69
---------------------	----------------------------

Book Reviews .....	<i>Tadashi Nunami / Kimie Harada / Shuichi Sugawara, CMA</i> 73
--------------------	---

## SAAJ News