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Feature Articles

This month's focus: The Status of EMP in Foreign Countries and Its Implications for Japan's Asset Management Industry

Advancing Asset Management in Japan: The Role and Future of Emerging Manager Programs

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As Japan pursues sustainable economic growth under the vision of becoming an "Asset Management Nation," the implementation of Asset Owner Principles (AOP) and Emerging Manager Programs (EMP) is gaining importance. Drawing on precedents from the United States, EMPs are expected to enhance competition in the investment management industry, foster diversity in capital markets, and support the development of emerging and independent asset managers. However, practical and policy-related challenges — especially in the context of public equity markets — must be addressed to ensure the effectiveness of such programs. This paper argues that coordinated efforts among government bodies, institutional investors, and industry participants are essential for the successful adoption of EMPs in Japan.

EMP Cases Around the World: They Are Not Affirmative Action Programs Diversification of Investment Managers is the Source of Profitability

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The Policy Plan for Promoting Japan as a Leading Asset Management Centre has included the Emerging Manager Program (EMP). While EMP has been introduced in the US public pension system and elsewhere, there is no globally agreed-upon definition. There are specific expectations for emerging managers (EM), and EMPs are being introduced to suit the circumstances of each asset owner. What are these EMPs, and what are their aims? We will introduce some representative examples and consider the EMPs that Japan should pursue in the future. The total number of cases in this article is six. Three cases are EMPs of the US public pension funds. Two of these (New York and Maryland) detail their EMP purposes and specifics, such as allocation and AUM. Another (Texas) is about its event for supporting EMs. One of the six cases is a US endowment fund (MIT). Another one is a boutique fund in the EU which selects talented EMs as external managers and supports them. The last one is an organization for networking in the asset management industry. It provides opportunities to build a network for EMs. There are various types of EMPs. The asset owner's expectation of EMs is that they offer better performance. This is based on new, unique investment styles or the selection of diversified investment managers. What we understand from these global cases is that EMP is not an affirmative action plan. EMs play an important role in activating the asset management industry. This article considers what can be learned from global cases and what types of EMPs are needed in the Japanese market.

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Insights from International Asset Managers Who Have Successfully Implemented EMP

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This paper examines the role of the Emerging Manager Program (EMP), developed in the United States, in supporting the growth of emerging investment managers. EMP provides multifaceted support beyond capital allocation, including credibility enhancement, infrastructure assistance, brand visibility, and risk mitigation. Through case studies of Cartica, Boston Common, and Vista, the paper highlights how each firm has achieved success by leveraging distinctive strategies while embodying thought diversity and strong performance. It further evaluates EMP's contribution to the development of emerging managers and the revitalization of the investment management industry.

The Perspectives of the Asset Owners Providing EMP

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This paper plans to interview the persons in charge of EMP in the US, where there is a long history of EMP, and obtain insights from the interviews. Firstly, the main purpose of EMP is to achieve high performance for financial reasons. Secondly, the main players of EMP are asset owners such as pension funds and university endowments. Finally, the talents to select and mentor EMs are the most important. These talents contribute to the development of EMs because they advise not only selected EMs but also other EMs.

Articles

The Impact of Policy-Holding Share Dissolution on Stock Prices: Evidence from the FSA's 2024 Request in Japan

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This study examines the impact of dissolving policy-holding shares on the Japanese stock market, focusing on the February 2024 request by the Financial Services Agency that four major non-life insurers divest shares held for transactional purposes. Policy-holding shares, long entrenched in Japanese corporate practice as a means of stabilizing business relationships, have increasingly been criticized for distorting corporate governance and capital efficiency. While previous research has struggled to identify causal effects due to endogeneity concerns, this study leverages the government-led, de facto mandatory divestiture as a quasi-natural experiment, thereby allowing direct observation of investor evaluations.

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Employing an event study framework based on the Fama–French five-factor model, the analysis shows that the divestitures generated significant positive abnormal returns for both the holding insurers and the held firms. Moreover, for held firms where insurers' ownership exceeded 1%, the positive stock price reaction was more pronounced, suggesting that investors particularly valued improvements in corporate governance where entrenchment had been stronger. These findings indicate that the dissolution of policy-holding shares is perceived by the market not merely as a portfolio adjustment, but as a substantive reform that enhances governance quality and shareholder value.

Overall, the study provides empirical evidence that regulatory intervention in cross-shareholding practices contributes to improved market efficiency and stronger governance discipline. The results offer important academic and practical implications for ongoing debates on corporate governance reform and the eventual elimination of policy-holding shares in Japan.