

Types of Investment Trusts

Categories by Asset Class

Japanese Equities

● Invests in Japanese equities

Includes large-caps, mid-small caps, and small-caps

Foreign Equities

● Invests in foreign equities

Includes equities of developed countries and emerging markets

Japanese Bonds

● Invests in Japanese bonds

Includes the Japanese government bonds, municipal bonds and corporate bonds

Foreign Bonds

● Invests in foreign bonds

Includes bonds of developed markets and emerging markets

J-REITs

● Invests in J-REITs (real estate investment trusts)

Foreign REITs

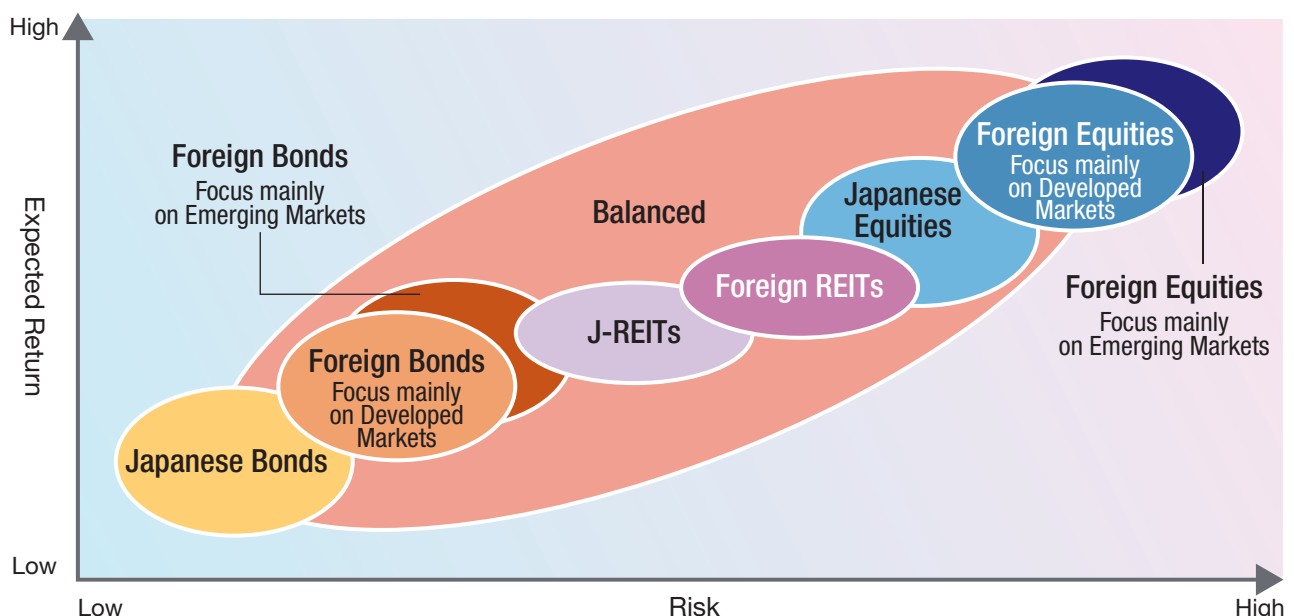
● Invests in foreign REITs (real estate investment trusts)

Balanced

● Invests mainly in both Japanese and foreign equities and bonds shown above

The investment is conducted with a balanced combination of these asset classes.

Risk and Return in Asset Class



The risk/return profile varies depending on asset classes. For instance, regarding investment trusts investing in foreign equities, risk and return profile of funds investing in the developed countries differs from that of funds investing in emerging countries.

Types of Investment Trusts

What is a balanced product?

A balanced product incorporates multiple asset classes in a single product. This enables diversified investment with a combination of asset classes with different risk and return characteristics. A balanced product is managed by a professional manager through rebalancing and reallocation.

Rebalancing means to adjust the asset allocation that has changed as a result of investment back to its original state.

Reallocation means to change the asset allocation itself due to the reasons such as the passage of time and changes in investment environment.

Types of balanced products

Balanced products are categorized into three main types:

① Fixed Asset Allocation ② Target Date ③ Risk-control

	① Fixed Asset Allocation	② Target Date	③ Risk-control
Asset Allocation	No change	Change over time	Change according to the market environment
Features	● A fixed asset allocation is maintained. ● You can select an asset allocation which suits your risk tolerance level. ● Multiple products with different asset allocation ratios are offered. [Rebalancing]	● The date of retirement is assumed as the target date. Asset allocation is gradually shifted from aggressive investment to stable investment as it get closer to the target date. ● Multiple products with different target dates are offered. [Rebalancing] [Reallocation]	● Asset allocation is modified in order to limit the risk level to a certain range. [Reallocation]
Tips for selection	● I want to select an asset allocation which suits my risk tolerance level.	● I want to have the asset allocation changed in accordance with my age. ● I want to confirm a target date which suits me.	● I want to reduce risk.

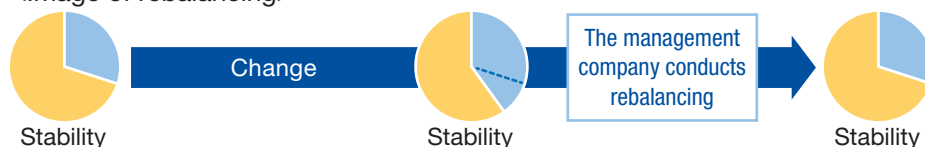
There are other balanced products that do not fall into the categories above.

① Fixed Asset Allocation

Rebalancing is conducted regularly to retain a predetermined asset allocation.

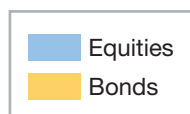
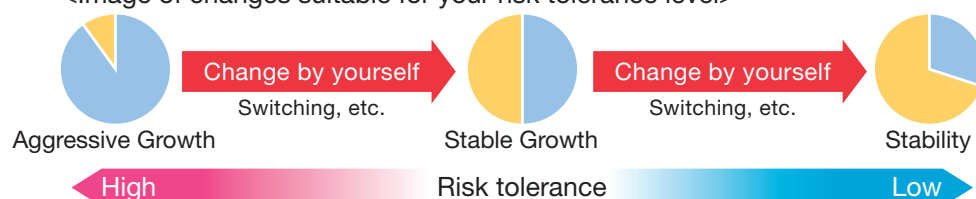
Products with different asset allocation ratios (Aggressive Growth, Growth and Stability, etc.) are generally offered.

<Image of rebalancing>



You can change your investment products over time on your own from aggressive growth to stable growth, and then to stability.

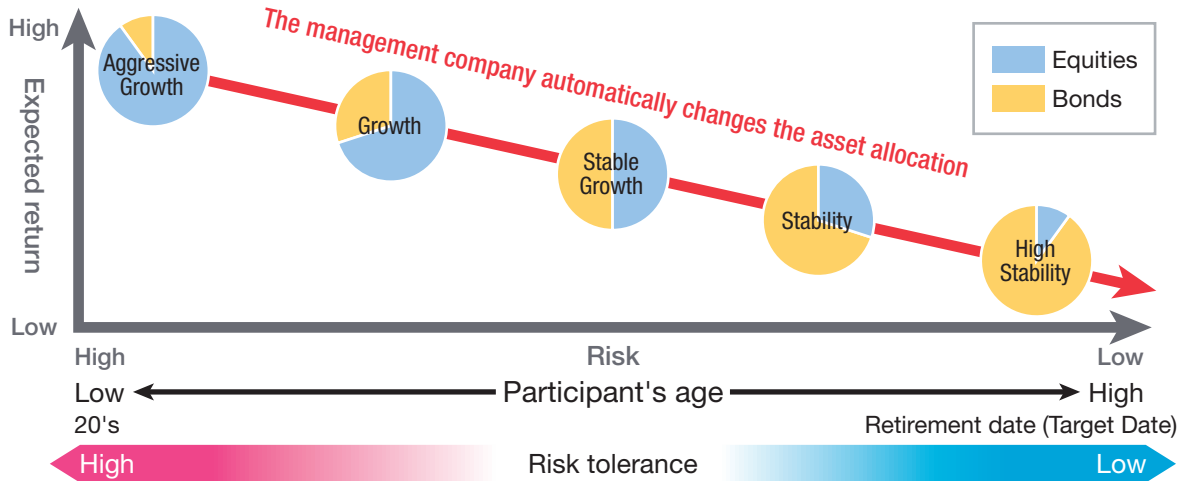
<Image of changes suitable for your risk tolerance level>



2 Target Date

With the retirement date set as Target Date, the management company automatically changes the asset allocation over time. As your risk tolerance level generally lowers with age, the asset allocation will be gradually changed to one that reduces risk. The product is offered in a series of products with different Target Dates (Target Years).

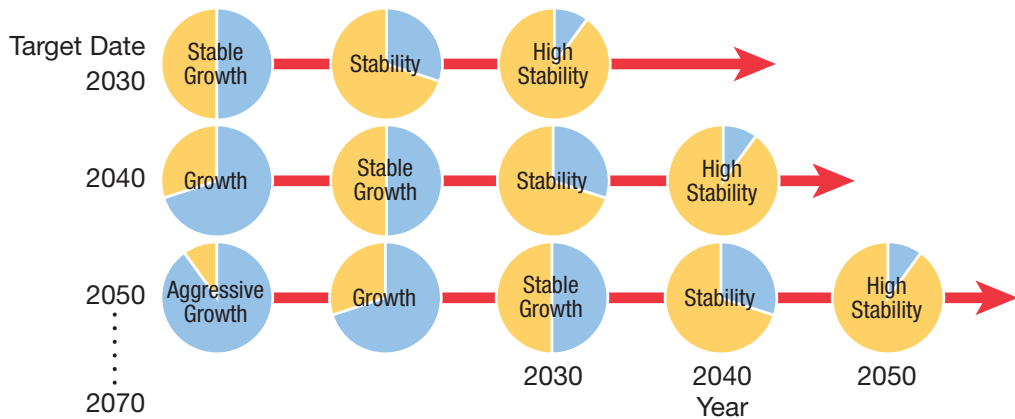
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A target date investment trust has a target date (e.g. 2050) included in its product name.

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Examples of changes in asset allocation by target date

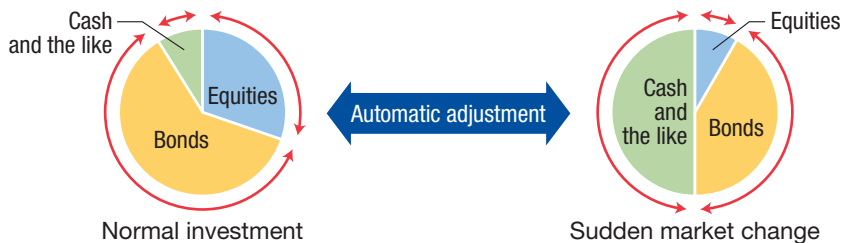


Products with new target dates (2060, 2070...) will continue to be added as time passes.

3 Risk-control

The management company adjusts the asset allocation automatically in accordance with changes in market environment in order to limit risk levels to a certain range. For instance, in the event of a sudden market change, the asset allocation is changed to reduce equities and increase cash and the like in order to control risk.

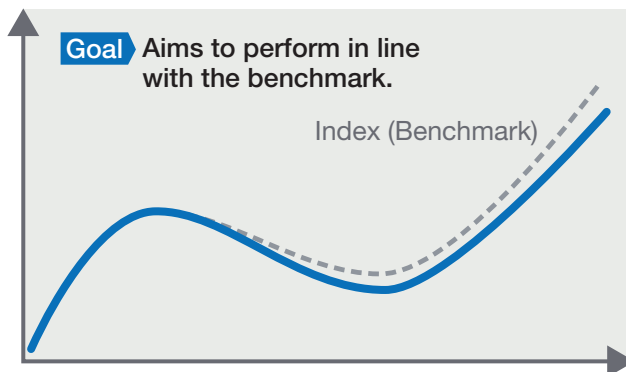
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Types of Investment Trusts

Categories by Management Style

Passive Management

Passive Management
(Index Management)

- A style of management where a fund's performance is aimed to mirror a market index (benchmark).
- Portfolios composed of issues adopted from an index with similar asset class ratios.
- Investment performance depends on market trends.

<Characteristics>

If the benchmark is the same, performance tends to mirror the index.
Passive products tend to be generic and without unique features.

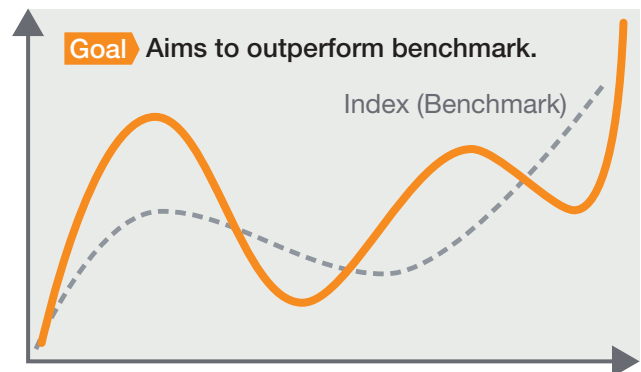
<Risk>

In general, it tends to be smaller than that of active management.

<Cost>

Research and analysis costs are not incurred, thus management fees tend to be lower than those for active funds.

Active Management



Active Management

- A style of management where a fund aims to outperform a specific index (benchmark). There is a risk of underperformance.
- Specialists (fund managers) select stocks based on proprietary research and analysis.
- Performance depends on both market trends and the management ability of the investment management company.

<Characteristics>

Even when the benchmark is the same, actively managed funds tend to perform differently from one another. Actively managed products can vary in detail and possess unique characteristics.

<Risk>

In general, it tends to be larger than that of passive management.

<Cost>

Management fees tend to be more than those for passive products due to research and analysis cost incurred.

Investment Style
of Active Management

The investment styles within this category include value investing and growth investing.

Value Investing

A strategy of investing in stocks that are judged to be undervalued upon evaluating the companies' earnings and financial position.



Growth Investing

A strategy of investing in stocks that are judged to have potential for growth while paying attention to their earnings and performance.



● What is a benchmark?

A benchmark is a standard against which the performance of an investment trust can be measured. Generally, broad market indexes are identified as benchmarks. For example, if the asset classes is Japanese equities, the Nikkei Stock Average, TOPIX (Tokyo Stock Price Index), etc., are identified as benchmarks. Some investment trusts do not set a benchmark.

● Major Benchmarks (As of April 2022)

Major indices identified as benchmarks are as follows.

Japanese Equities

● TOPIX (Tokyo Stock Price Index)

An index released daily by the Tokyo Stock Exchange (TSE).

It is one of the major indices for Japanese equities.

It is a capitalization weighted index which was set at the closing of January 4, 1968 with a base value of 100.

● Nikkei Stock Average

It is one of the major indices for Japanese equities and is calculated and released by Nihon Keizai Shimbun, Inc.

It is an average of 225 representative companies listed on the prime section of the TSE.

Foreign Equities

● MSCI-Kokusai Index

A market cap-weighted index calculated and released by Morgan Stanley Capital International Inc. (MSCI). It consists of stocks from developed countries excluding Japan.

● MSCI-World Index

A market cap-weighted index calculated and released by Morgan Stanley Capital International Inc. (MSCI). It consists of stocks from developed countries including Japan.

● MSCI Emerging Markets Index

A market cap-weighted index calculated and released by Morgan Stanley Capital International Inc. (MSCI). It consists of stocks from emerging countries.

● MSCI All Country World Index

A market cap-weighted index calculated and released by Morgan Stanley Capital International Inc. (MSCI). It consists of stocks from both developed and emerging countries.

Japanese Bonds

● NOMURA-BPI (Overall)

A total return index developed by Nomura Securities representing all publicly offered bonds issued in Japan.

Foreign Bonds

● FTSE World Government Bond Index

An index calculated and released by FTSE Russell. It is an index of the overall investment yield of government bonds from developed countries that is a weighted-average based on each market capitalization.

● JP Morgan Emerging Market Bond index Plus

An index calculated and released by J.P. Morgan Securities. It is an index of market capitalization that tracks government bonds issued by emerging countries.

J-REIT

● Tokyo Stock Exchange REIT Index

An index calculated and released by the Tokyo Stock Exchange.

A capitalization-weighted average of all J-REITs listed on the Tokyo Stock Exchange.

Foreign REIT

● S&P Developed REIT Index

A capitalization-weighted average calculated and released by S&P Dow Jones Indics. It is a representative index that shows the trends of REITs in developed countries.

Balanced

● Synthetic Benchmark

In the calculation, benchmarks set for individual assets are weighted-averages using the basic asset allocation of balanced products.