



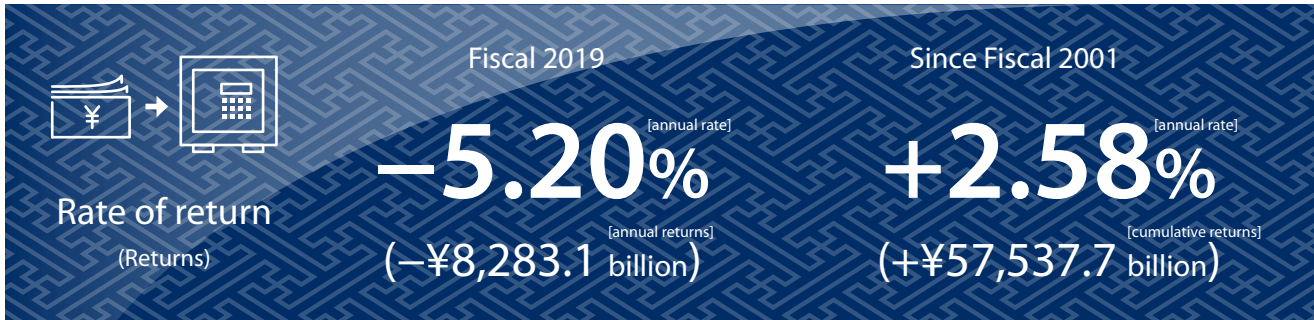
Government Pension Investment Fund

(Jul. 3, 2020)

Overview of Fiscal 2019



Investment Results

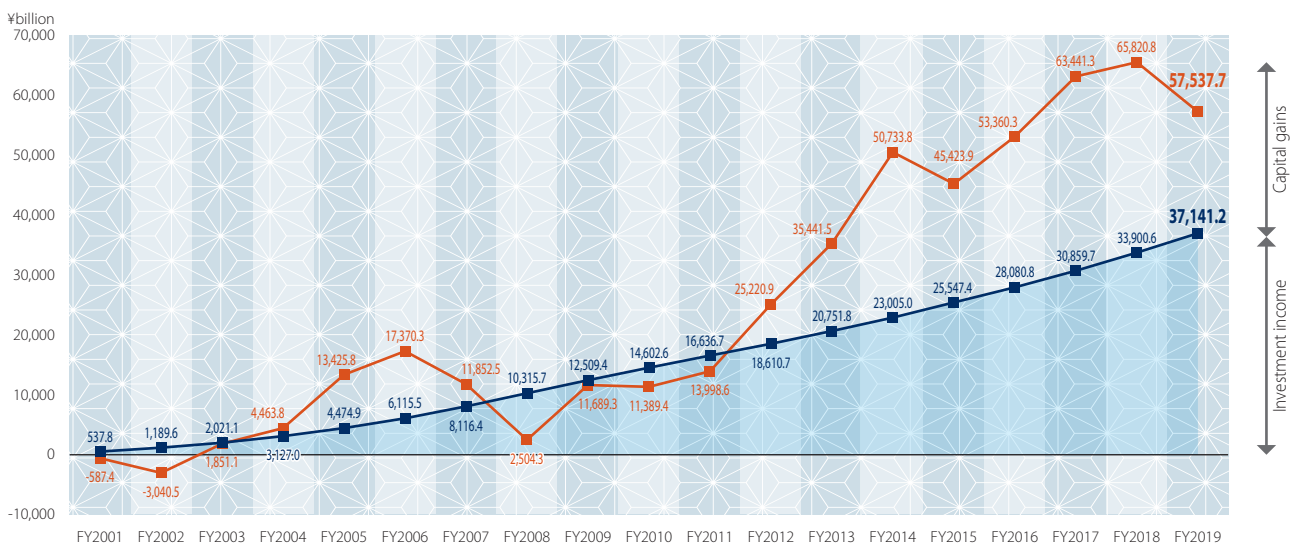


Returns are marked to market as of the end of fiscal 2019, and include unrealized gains and losses. GPIF manages pension reserve fund with long-term perspective. While short-term portfolio returns are influenced by the current market trends, investment results should be monitored with long-term horizon.

Regarding investment of pension reserve, while market fluctuations may cause capital losses (realized and unrealized losses due to price fluctuations) in the short term, investment income (interest dividend income) is relatively immune to such volatility and generates a continuous stream of positive return.

At the end of March 2020, over sixty percent of cumulative returns was investment income, which has increased steadily since fiscal 2001.

Cumulative returns since fiscal 2001



Investment Results in Fiscal 2019

[1] Investment results

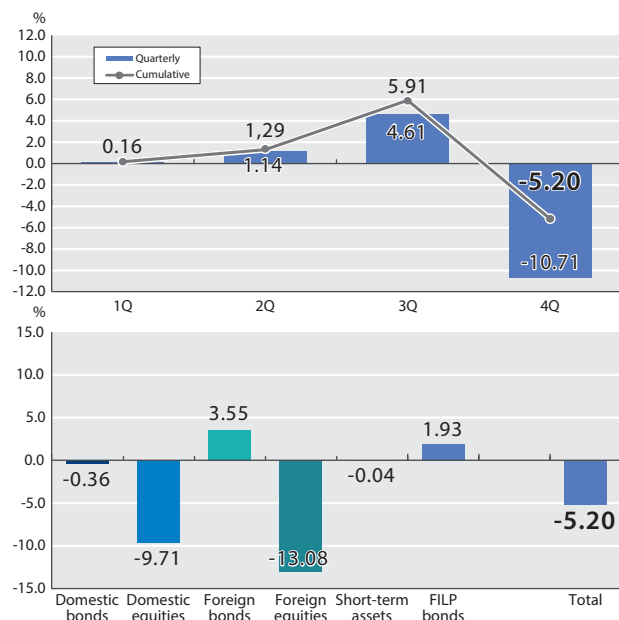
① Rate of investment return

The rate of investment return for fiscal 2019 is

-5.20%

(Unit: %)

	1Q	2Q	3Q	4Q	Total	
Total	0.16	1.14	4.61	-10.71	-5.20	
Market Investments	Domestic bonds	0.81	0.31	-0.96	-0.51	-0.36
	Domestic equities	-2.31	3.34	8.58	-17.63	-9.71
	Foreign bonds	0.94	1.21	0.86	0.50	3.55
	Foreign equities	1.29	0.11	9.73	-21.88	-13.08
	Short-term assets	-0.05	0.01	0.01	-0.01	-0.04
FILP bonds	0.48	0.48	0.49	0.49	1.93	



(Note 1) Fiscal 2019 runs from April 1, 2019 to March 31, 2020.

(Note 2) GPIF's portfolio consists of the funds invested in the markets (hereinafter "market investment", which is marked to market) and FILP bonds (see Note 5), which are held to maturity and valued at amortized costs.

(Note 3) In this report, return figures are the average of returns of market investment and FILP bonds weighted with investment principal, and are gross of fees. The rate of return within each asset class other than FILP bonds is time-weighted.

(Note 4) Alternative asset funds contain a mixture of asset classes, and the investment returns of such funds are allocated to each asset on a pro-rata basis according to the targeted asset composition ratio in the investment plan at the start of investment of such funds (the same shall apply hereinafter).

(Note 5) FILP bonds are government bonds issued to finance the Fiscal Investment and Loan Program (FILP).

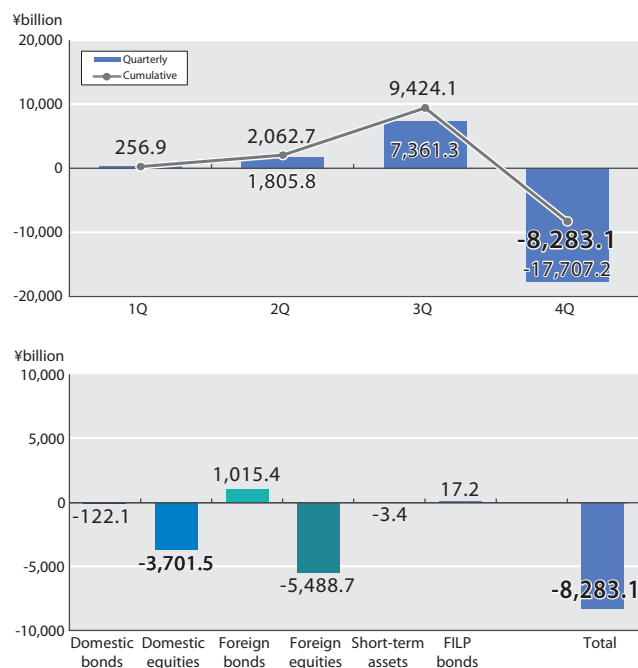
② Amount of investment returns

The amount of investment returns for fiscal 2019 is

-¥8,283.1 billion

(Unit: ¥billion)

	1Q	2Q	3Q	4Q	Total	
Total	256.9	1,805.8	7,361.3	-17,707.2	-8,283.1	
Market Investments	Domestic bonds	339.3	131.8	-408.7	-184.5	-122.1
	Domestic equities	-892.6	1,261.6	3,348.0	-7,418.5	-3,701.5
	Foreign bonds	268.6	361.4	270.1	115.3	1,015.4
	Foreign equities	541.3	46.1	4,147.0	-10,223.1	-5,488.7
	Short-term assets	-3.9	0.6	0.7	-0.7	-3.4
FILP bonds	4.3	4.3	4.3	4.3	17.2	



(Note 1) Investment returns are gross of fees.

(Note 2) Due to rounding off, the sum of each item in individual quarters does not necessarily match the total number for the fiscal year.

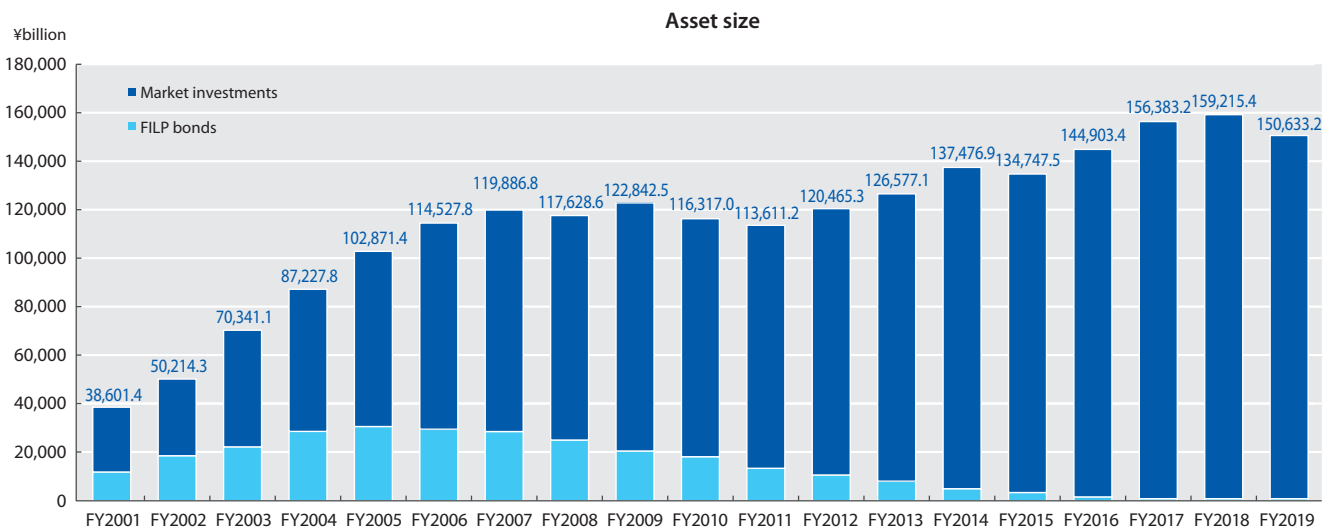
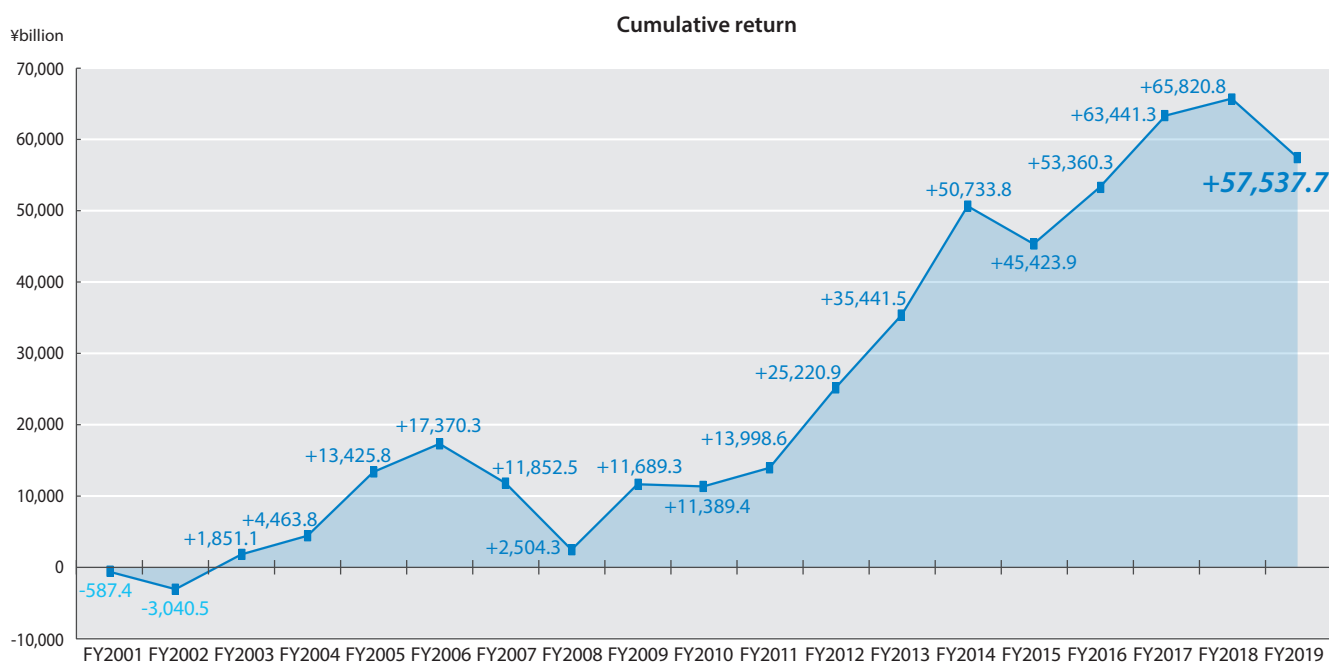
③ Cumulative returns and asset size since fiscal 2001

Cumulative returns from fiscal 2001 to fiscal 2019 are

+¥57,537.7 billion

and the value of investment assets at the end of fiscal 2019 is

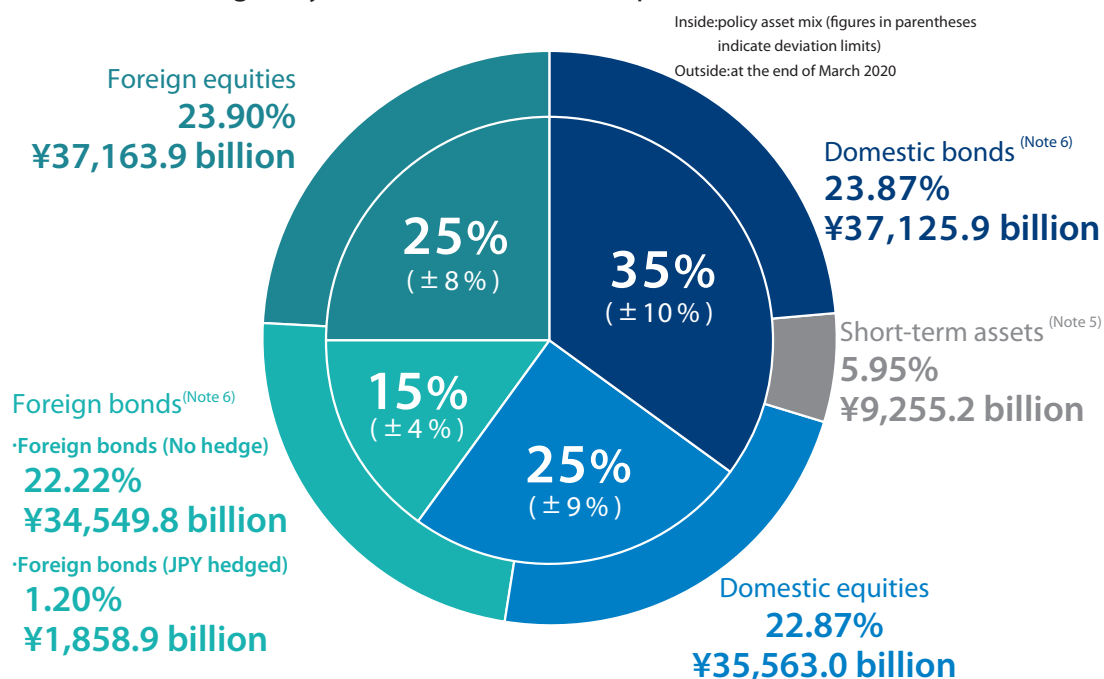
¥150,633.2 billion.



(Note) The balance of FILP bonds increased from fiscal 2001 to fiscal 2007 due to increased underwriting, and decreased since fiscal 2008 due to redemption on maturity.

④ Investment assets and portfolio allocation

(Reserve Funds managed by GPIF and the Pension Special Account)



	Market value (¥billion)	Allocation of Pension Reserve
Domestic bonds	37,125.9	23.87%
Market investments	36,229.7	23.30%
FILP bonds (Book value)	896.2	0.58%
FILP bonds (Market value)	(937.1)	–
Domestic equities	35,563.0	22.87%
Foreign bonds – No hedge	34,549.8	22.22%
Foreign bonds – JPY hedged	1,858.9	1.20%
Foreign equities	37,163.9	23.90%
Short-term assets	9,255.2	5.95%
Total	155,516.8	100.00%

(Note 1) The figures above are rounded off, so the sum of each item does not necessarily match the total number.

(Note 2) The amounts in the Market value column include accrued income and accrued expenses.

(Note 3) The book value of FILP bonds is stated at amortized cost plus accrued income.

(Note 4) While the pension reserve as a whole includes reserves managed under a special account as of the end of fiscal 2019 (about ¥4.9 trillion), this amount is prior to the adjustment for revenues and expenditures and differs from the amount in the final settlement of accounts.

(Note 5) At the end of March 2020, Policy Asset Mix is as follows: Domestic bonds 35% (±10%), Domestic equities 25% (±9%), Foreign bonds 15% (±4%), Foreign equities 25% (±8%). Based on the current market trends, deviation limits for domestic bonds are flexibly managed as an interim measure. Specifically, short-term assets can be added to domestic bonds within the range allocated for domestic bonds.

(Note 6) JPY hedged foreign bonds are considered as alternatives to Domestic bonds in current market trends, and they are similar in terms of risk and return characteristics. Accordingly, JPY hedged foreign bonds are excluded from Foreign bonds and included in Domestic bonds in terms of allocation at the end of March 2020. In other cases, such as the rate of investment return for each asset class, JPY hedged foreign bonds are classified as Foreign bonds.

(Note 7) Although the allocation of Foreign bonds exceeded the deviation limit at the end of March 2020, during the period when the policy asset mix was in transition, GPIF has managed it properly according to the decision of the Board of Governors.

(Note 8) The percentage of the alternative investments: 0.61% (within maximum 5% of total portfolio)

⑤ Allocation changes for each asset class due to rebalancing

(Unit: ¥billion)

	Domestic bonds	Domestic equities	Foreign bonds	Foreign equities
Allocated/withdrawn	-5,931.9	+609.5	+7,579.7	+757.0

(Note) Each figure shows the net rebalancing amount.