

## **GPIF Launches Infrastructure Investment Program under a Co-investment Agreement with DBJ and OMERS**

### **Background**

- Government Pension Investment Fund (“GPIF”) has conducted a series of studies on alternative assets such as infrastructure and one of such studies in 2012, “Research on Alternative Investment Scheme” has suggested that;
  - 1) the investments enable GPIF to capture the liquidity premium and to benefit from diversification effect to its portfolio
  - 2) it is conceivable for GPIF to have the exposure through investing in a unit trust structured to invest in the assets
  - 3) it is worth considering for GPIF to liaise with experienced institutional investors at home and abroad in order to leverage their investment capabilities and to learn their expertise.

The Investment Committee of GPIF has been discussing the necessity of the alternative investments.

#### **(Notes)**

In particular, the investment in infrastructure such as power generation, electricity transmission, gas pipeline or railway, is expected to generate long-term and stable revenue from usage fees. Investors with long-term horizon can benefit from;

- 1) stable income gains similar to fixed incomes in terms of cash flow profiles
- 2) higher yields than those from typical fixed incomes
- 3) being less affected by public market volatility

The investment in infrastructure is one of the most valuable investments for overseas pension funds.

- Ontario Municipal Employees Retirement System (“OMERS”), one of the co-investment partners of GPIF, achieved a 11.0% rate of return through infrastructure investment between 2009 and 2013 on an annualized basis.

## Co-investment of infrastructure

- With the aforementioned background, GPIF has entered into a co-investment agreement with Development Bank of Japan, Inc (“DBJ”) and OMERS in order to jointly invest in infrastructure assets such as power generation, electricity transmission, gas pipeline and railways in developed countries. DBJ and OMERS have extensive infrastructure investment experience. GPIF and DBJ will have exposure to those infrastructure assets sourced by OMERS through a unit trust.
- The unit trust will be managed by Nissay Asset Management Corporation (“NAM”) with Mercer Investments (“Mercer”) as an investment adviser to NAM. NAM will make an investment decision to participate in infrastructure opportunities proposed by OMERS. NAM has long standing ample experience in investing in alternative assets through a unit trust structure, and Mercer, through its specialist global infrastructure team, has global capability to advise its clients on analyzing and evaluating infrastructure investments.
- As appropriate investment opportunities are identified, GPIF will invest in them along with other co-investors. Such investments will be made throughout approximately 5-year investment period, and the aggregate investment outstanding may reach up to 2.7 billion US dollar (280 billion Japanese yen) which accounts for 0.2% of the asset under management (129 trillion Japanese yen as of the end of December, 2013).
- Infrastructures are classified as “international fixed incomes” in the policy asset mix and managed as a part of GPIF’s in-house investment. Under the co-investment agreement with DBJ and OMERS, GPIF expects to garner their expertise in order to further strengthen its investment and risk management capabilities.

# Summary of Infrastructure Co-Investments

Co-investment Agreement

