

# Rebalancing Report

## Japan Minimum Variance Index NR

### 18-Apr-2016

Ossiam Research & Investment Team\*

The Japan Minimum Variance Index NR rebalances each third Friday of the month. The new composition is implemented at the opening of the next business day after the third Friday - usually the next Monday.

The weights are computed using closing prices four days prior to the third Friday. Both the Japan Minimum Variance Index NR and the benchmark S&P TOPIX 150 Index NR are computed in JPY. The calculations in the document are performed by Ossiam using S&P /Datastream source.

## 1 Stock Statistics

Japan Minimum Variance Index NR	18-Apr-2016
Number of Stocks	79
Added Stocks	6
Deleted Stocks	8
Core Number	73
Old weight of Core	98.63%
New weight of Core	97.67%
Turnover	22.30%
Historical Turnover	23.25%

Table 1: Added and deleted stocks are relative to 15-Apr-2016.

The Core is defined as the subset of stocks that belong to the current as well as the previous composition.

The number of constituents in the index decreased from **81** to **79**.

The Turnover is **22.30%**, in line with its historical mean at **23.25%**.

The weight of the Index Core Portfolio decreased from **98.63%** to **97.67%**.

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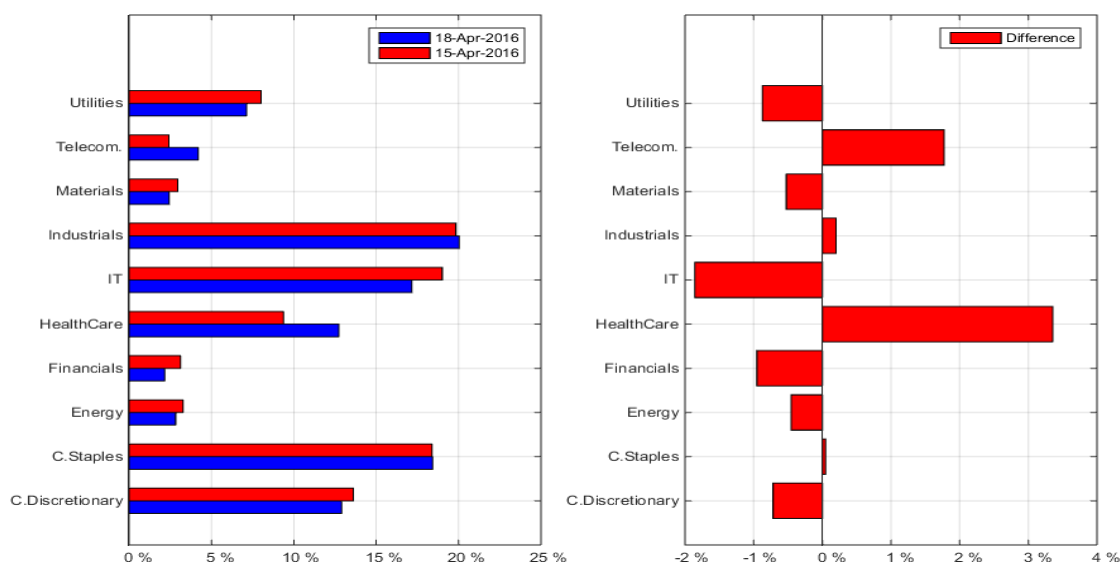
## 2 Sector Allocation

The most significant changes in sector exposures are: **3.35%** for HealthCare, **-1.86%** for IT, **1.77%** for Telecom..

The biggest sector exposures are: **20.03%** for Industrials, **18.43%** for C.Staples, **17.15%** for IT.

	Close 15-Apr-2016	Opening 18-Apr-2016	Difference
C.Discretionary	13.62%	12.90%	-0.72%
C.Staples	18.38%	18.43%	0.05%
Energy	3.28%	2.83%	-0.45%
Financials	3.12%	2.17%	-0.95%
HealthCare	9.37%	12.73%	3.35%
IT	19.01%	17.15%	-1.86%
Industrials	19.83%	20.03%	0.20%
Materials	2.96%	2.43%	-0.53%
Telecom.	2.42%	4.19%	1.77%
Utilities	8.01%	7.14%	-0.87%

The left-hand side of the chart below shows the sector deviations at rebalancing. Differences are shown on the right-hand side. Index weights are taken as of 15-Apr-2016 (last business day before the new composition is implemented) compared to the new rebalancing weights as of 18-Apr-2016.



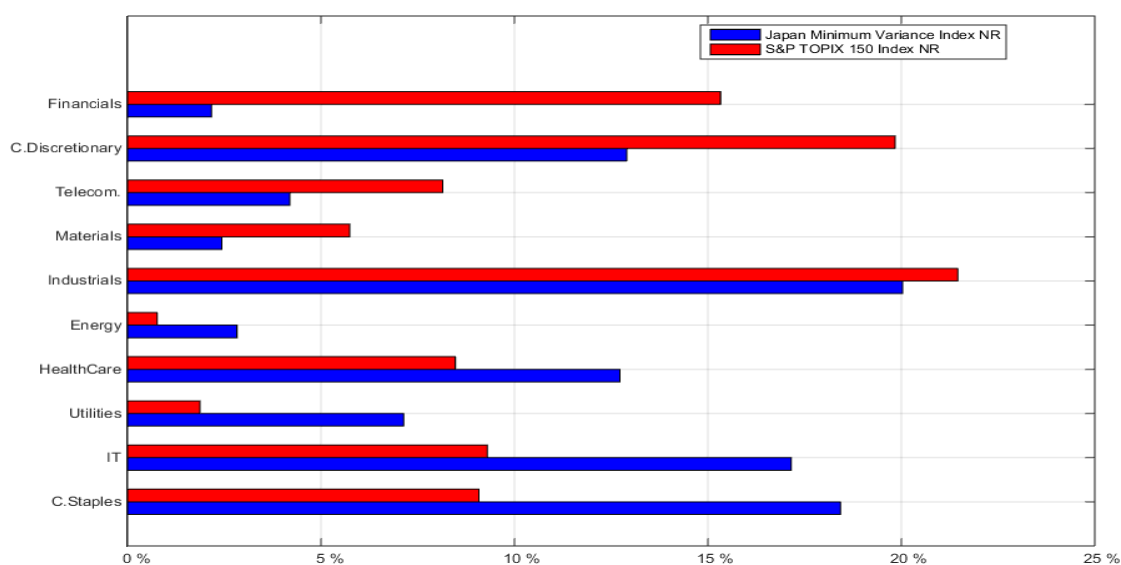
### 3 Sector breakdown vs. benchmark

The table below shows, for each sector, the weight in the Japan Minimum Variance Index NR (JPMV Index), in the benchmark S&P TOPIX 150 Index NR (SPTPXN Index) and their difference. We also show the annualized volatility of each sector in the Japan Minimum Variance Index NR (VolMV) and in the benchmark (VolBench). Annualized volatilities are computed using 125 business days ending on 11-Apr-2016

	SPTPXN Index	JPMV Index	Difference	VolMV	VolBench
C.Discretionary	19.84%	12.90%	-6.94%	21.68%	30.40%
C.Staples	9.08%	18.43%	9.35%	23.92%	26.44%
Energy	0.77%	2.83%	2.06%	36.98%	38.50%
Financials	15.33%	2.17%	-13.16%	32.56%	34.29%
HealthCare	8.47%	12.73%	4.25%	25.60%	26.80%
IT	9.30%	17.15%	7.85%	24.45%	28.87%
Industrials	21.46%	20.03%	-1.42%	23.38%	28.13%
Materials	5.74%	2.43%	-3.31%	29.38%	33.59%
Telecom.	8.15%	4.19%	-3.95%	31.22%	31.22%
Utilities	1.87%	7.14%	5.27%	29.39%	30.03%

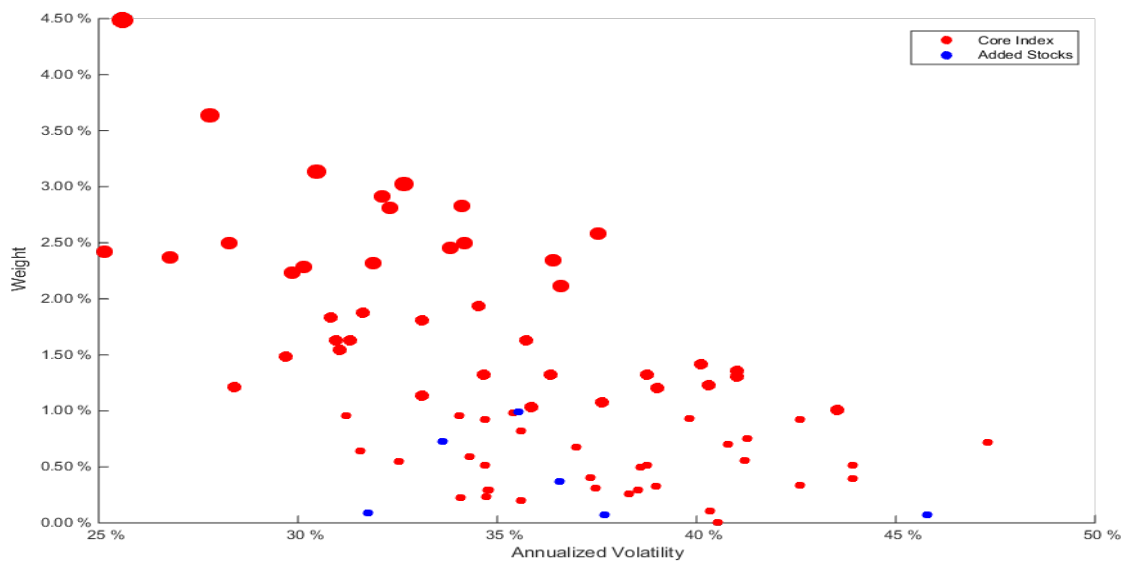
The Japan Minimum Variance Index NR overweights C.Staples ( **9.35%**) and IT ( **7.85%**) compared to S&P TOPIX 150 Index NR.

The Japan Minimum Variance Index NR underweights Financials (**-13.16%**) and C.Discretionary (**-6.94%**) compared to S&P TOPIX 150 Index NR.



## 4 Volatility/Weight profile

The chart below shows the distribution of the new Japan Minimum Variance Index NR composition on 18-Apr-2016 in terms of annualized volatility (x-axis) and weight (y-axis). Volatility computed over 125 days ending on 11-Apr-2016. On the upper left corner we find low volatile stocks with big weight in the index. On the lower right corner we find high volatile stocks with low weight in the index. These stocks usually enter the index for diversification purposes. We distinguish between Core index and added stocks to appreciate how these newly added stock are positioned in terms of volatility and weight.



## 5 Added Stocks

The rebalancing has added 6 new stocks. In the table below, T is the current rebalancing date (18-Apr-2016), while T-1 is the previous rebalancing date (22-Mar-2016). Vol(T-1) and Vol(T) are the annualized volatilities computed over 125 business days ending, respectively, on 14-Mar-2016 and 11-Apr-2016. The average daily volumes ADV(T-1) and ADV(T), expressed in mln JPY, are computed over 50 business days ending on the same dates as before, with the relative ranking over the benchmark S&P TOPIX 150 Index NR. Finally, WW(T) is the stock weight at the current rebalancing date.

	Sector	Country	Vol(T-1)	Vol(T)	WW(T)	ADV(T-1)	ADV(T)	B	LF	EU
DAIICHI SANKYO CO.LTD.	HealthCare	JAPAN	39.18%	33.62%	0.73%	7173.31 (85)	7384.70 (74)	Y	Y	Y
KDDI CORP.	Telecom.	JAPAN	43.28%	35.52%	0.99%	23416.04 (11)	22824.66 (10)	Y	Y	Y
KEYENCE CORPORATION	IT	JAPAN	41.51%	36.58%	0.37%	13366.98 (36)	11661.72 (38)	Y	Y	Y
ODAKYU ELEC.RY.CO.LTD.	Industrials	JAPAN	33.36%	31.77%	0.09%	2274.97 (142)	2347.73 (140)	Y	N	N
SOFTBANK GROUP CORP.	Telecom.	JAPAN	49.61%	45.78%	0.07%	67165.93 (2)	64082.96 (2)	Y	Y	Y
TOTO LIMITED	Industrials	JAPAN	42.75%	37.70%	0.07%	3887.14 (126)	3597.35 (128)	Y	Y	Y

Table 2: The Column B shows whenever the added stock was in the S&P TOPIX 150 Index NR selection as of 22-Mar-2016. The columns LF/EU show whenever the stock was selected by the liquidity filter/eligible universe as of 22-Mar-2016.

## 6 Deleted Stocks

The rebalancing has deleted 8 new stocks. In the table below, T is the current rebalancing date (18-Apr-2016), while T-1 is the previous rebalancing date (22-Mar-2016). Vol(T-1) and Vol(T) are the annualized volatilities computed over 125 business days ending, respectively, on 14-Mar-2016 and 11-Apr-2016. The average daily volumes ADV(T-1) and ADV(T), expressed in mln JPY, are computed over 50 business days ending on the same dates as before, with the relative ranking over the benchmark S&P TOPIX 150 Index NR. Finally, WW(T-1) is the stock weight at the previous rebalancing date.

	Sector	Country	Vol(T-1)	Vol(T)	WW(T-1)	ADV(T-1)	ADV(T)	B	LF	EU
EAST JAPAN RAILWAY CTD.	Industrials	JAPAN	34.87%	34.36%	0.17%	13263.24 (37)	13073.24 (33)	Y	Y	Y
HITACHI LTD.	IT	JAPAN	40.23%	40.18%	0.17%	18364.92 (17)	16364.91 (21)	Y	Y	Y
HONDA MOTOR CO.LTD.	C.Discretionary	JAPAN	37.65%	36.68%	0.15%	21252.06 (13)	18802.33 (15)	Y	Y	Y
NINTENDO CO.LTD.	IT	JAPAN	50.13%	50.25%	0.16%	14753.17 (28)	13494.39 (29)	Y	Y	Y
NISSAN MOTOR CO.LTD.	C.Discretionary	JAPAN	38.66%	36.79%	0.14%	17648.16 (18)	18252.51 (16)	Y	Y	Y
RESONA HOLDINGS INCO.	Financials	JAPAN	39.94%	39.97%	0.47%	8100.14 (73)	8155.99 (64)	Y	Y	Y
ROHM COMPANY LIMITED	IT	JAPAN	44.21%	41.72%	0.08%	4466.58 (119)	3651.72 (127)	Y	Y	Y
SUMITOMO MTL.MNG.CO.LTD.	Materials	JAPAN	48.61%	47.34%	0.01%	7455.33 (82)	6587.80 (85)	Y	Y	Y

Table 3: The Column B shows whenever the deleted stock was in the S&P TOPIX 150 Index NR selection as of 18-Apr-2016. The columns LF/EU show whenever the stock was selected by the liquidity filter/eligible universe as of 18-Apr-2016.

## 7 Ranking Index Constituents - Top 25

The table shows the top 25 positions in the Japan Minimum Variance Index NR as of 18-Apr-2016. The column WW indicates the weights in the Japan Minimum Variance Index NR as of 18-Apr-2016. The column Vol gives the annualized volatility computed over 125 business days ending on 11-Apr-2016. We also provide the ranking of these volatilities (Rank Vol) relative to the Filtered Selection at the rebalancing date. The column Corr gives the average correlation of each stock relative to the rest of the filtered selection, computed over 500 business days ending on 11-Apr-2016. We also provide the ranking of these correlations (Rank Corr) relative to the Filtered Selection at the rebalancing date. The Rank Blend is computed as 66% Rank Vol + 34% Rank Corr. The lower the stock's Rank Blend, the higher the likelihood that the stock will be overweighted in the Index. Finally, the column Core shows whether the stock was in the Japan Minimum Variance Index NR already (YES) or it entered at this rebalancing (NO).

	Sector	Country	WW	Vol	Rank Vol	Corr	Rank Corr	Rank Blend	Core
NIKON CORPORATION	C.Discretionary	JAPAN	4.48%	25.61%	2	39.96%	9	4	YES
LAWSON INCO.	C.Staples	JAPAN	3.64%	27.79%	4	37.78%	4	4	YES
LIXIL GROUP CORP.	Industrials	JAPAN	3.14%	30.46%	10	43.50%	28	16	YES
JAPAN AIRLINES CO.LTD.	Industrials	JAPAN	3.02%	32.65%	23	37.77%	3	16	YES
ORIENTAL LAND CO.LTD.	C.Discretionary	JAPAN	2.92%	32.13%	20	39.19%	7	15	YES
NITORI HOLDINGS CO.LTD.	C.Discretionary	JAPAN	2.83%	34.12%	31	36.41%	1	20	YES
NH FOODS LTD.	C.Staples	JAPAN	2.81%	32.29%	21	38.02%	5	15	YES
YAHOO JAPAN CORPORATION	IT	JAPAN	2.58%	37.54%	60	37.68%	2	40	YES
EISAI CO.LTD.	HealthCare	JAPAN	2.50%	34.17%	32	39.18%	6	23	YES
NTT DATA CORP.	IT	JAPAN	2.49%	28.26%	5	48.88%	56	22	YES
CHUGAI PHARM.CO.LTD.	HealthCare	JAPAN	2.45%	33.81%	27	40.34%	11	21	YES
SECOM CO.LTD.	Industrials	JAPAN	2.42%	25.13%	1	55.80%	117	40	YES
CANON INCO.	IT	JAPAN	2.37%	26.80%	3	56.11%	121	43	YES
TOKYO ELECTRON LTD.	IT	JAPAN	2.34%	36.41%	52	42.18%	23	42	YES
RICOH CO.LTD.	IT	JAPAN	2.32%	31.88%	19	48.28%	52	30	YES
KAO CORP.	C.Staples	JAPAN	2.28%	30.16%	9	45.24%	36	18	YES
TERUMO CORPORATION	HealthCare	JAPAN	2.23%	29.85%	8	48.57%	53	23	YES
JX HOLDINGS INCO.	Energy	JAPAN	2.11%	36.60%	54	43.65%	29	45	YES

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	Sector	Country	WW	Vol	Rank Vol	Corr	Rank Corr	Rank Blend	Core
AEON COMPANY LTD.	C.Staples	JAPAN	1.93%	34.52%	35	42.10%	22	30	YES
ASAHI GROUP HDG.LTD.	C.Staples	JAPAN	1.88%	31.61%	17	46.76%	43	25	YES
ANA HOLDINGS INCO.	Industrials	JAPAN	1.84%	30.83%	11	48.59%	54	25	YES
NIPPON TELG.& TEL.CORP.	Telecom.	JAPAN	1.80%	33.11%	24	45.67%	40	29	YES
MEIJI HOLDINGS CO.LTD.	C.Staples	JAPAN	1.63%	35.72%	49	40.36%	13	36	YES
TOKYO GAS COMPANY LTD.	Utilities	JAPAN	1.63%	30.95%	12	50.55%	69	31	YES
TORAY INDS.INCO.	Materials	JAPAN	1.63%	31.30%	15	51.75%	78	36	YES



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