

# Rebalancing Report

## Japan Minimum Variance Index NR

### 23-May-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	23-May-2016
Number of Stocks	74
Added Stocks	2
Deleted Stocks	7
Core Number	72
Old weight of Core	97.53%
New weight of Core	97.98%
Turnover	23.80%
Historical Turnover	23.26%

Table 1: Added and deleted stocks are relative to 20-May-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 **79** to **74**.  
 The Turnover is **23.80%**, in line with its historical mean at **23.26%**.  
 The weight of the Index Core Portfolio is stable.

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\*Email:trading@ossiam.com

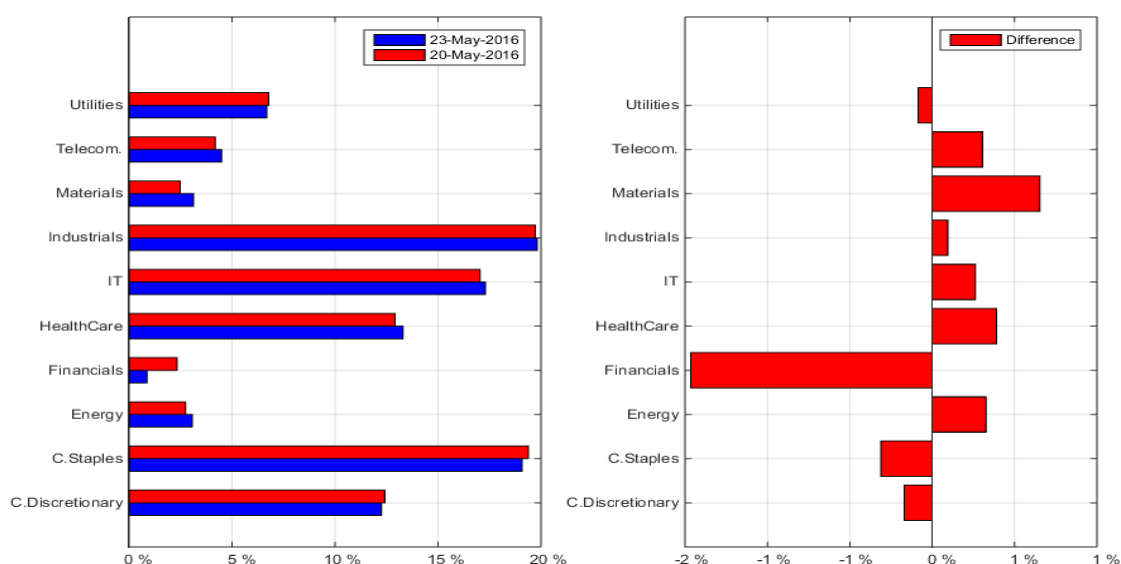
## 2 Sector Allocation

The most significant changes in sector exposures are: **-1.46%** for Financials.

The biggest sector exposures are: **19.82%** for Industrials, **19.08%** for C.Staples, **17.31%** for IT.

	Close 20-May-2016	Opening 23-May-2016	Difference
C.Discretionary	12.42%	12.25%	-0.17%
C.Staples	19.39%	19.08%	-0.31%
Energy	2.74%	3.07%	0.33%
Financials	2.33%	0.87%	-1.46%
HealthCare	12.91%	13.30%	0.39%
IT	17.04%	17.31%	0.26%
Industrials	19.73%	19.82%	0.09%
Materials	2.48%	3.13%	0.65%
Telecom.	4.19%	4.49%	0.30%
Utilities	6.78%	6.69%	-0.08%

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 20-May-2016 (last business day before the new composition is implemented) compared to the new rebalancing weights as of 23-May-2016.



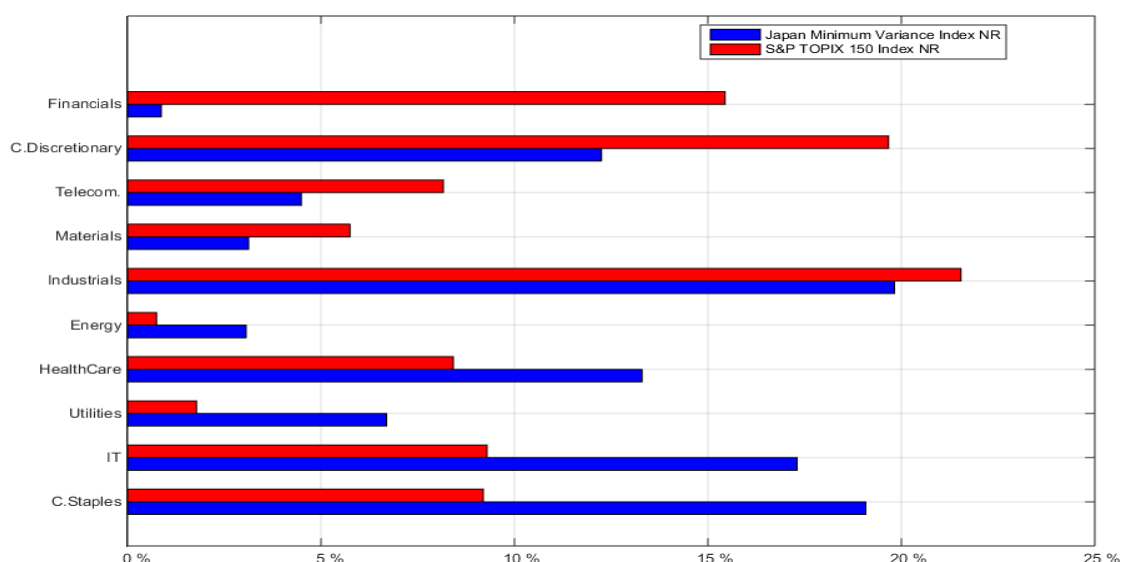
### 3 Sector breakdown vs. benchmark

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 16-May-2016

	SPTPXN Index	JPMV Index	Difference	VolMV	VolBench
C.Discretionary	19.67%	12.25%	-7.42%	21.80%	32.54%
C.Staples	9.19%	19.08%	9.89%	24.30%	26.47%
Energy	0.75%	3.07%	2.32%	36.24%	38.52%
Financials	15.45%	0.87%	-14.58%	34.19%	37.33%
HealthCare	8.42%	13.30%	4.88%	26.40%	27.20%
IT	9.29%	17.31%	8.01%	25.12%	29.72%
Industrials	21.54%	19.82%	-1.72%	23.82%	28.78%
Materials	5.75%	3.13%	-2.62%	29.85%	33.94%
Telecom.	8.16%	4.49%	-3.67%	31.42%	31.82%
Utilities	1.78%	6.69%	4.91%	30.53%	30.76%

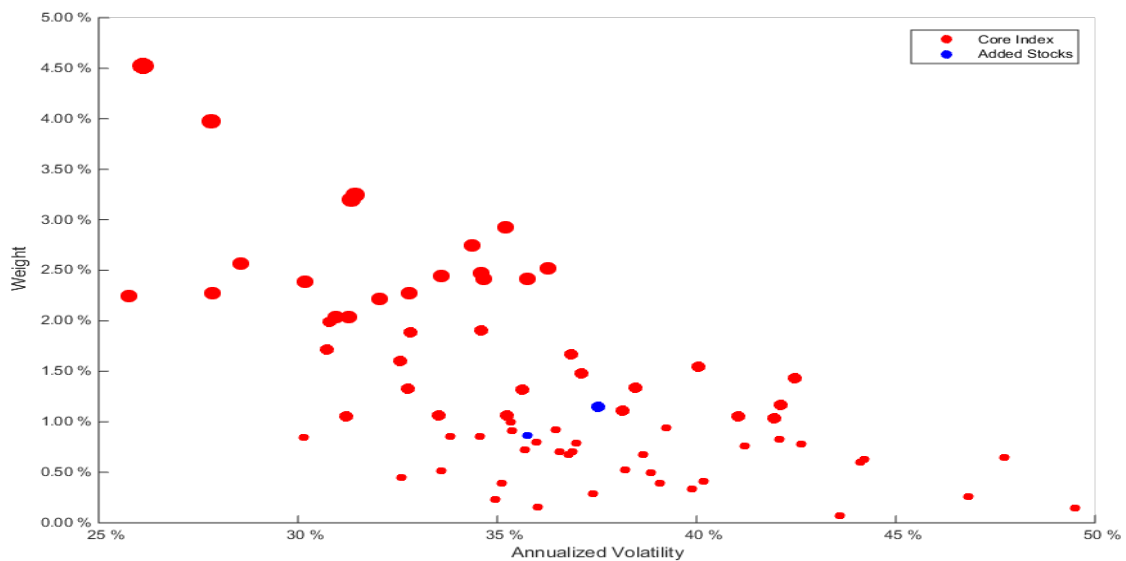
The Japan Minimum Variance Index NR overweights C.Staples ( **9.89%**) and IT ( **8.01%**) compared to S&P TOPIX 150 Index NR.

The Japan Minimum Variance Index NR underweights Financials (**-14.58%**) and C.Discretionary (**-7.42%**) 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 23-May-2016 in terms of annualized volatility (x-axis) and weight (y-axis). Volatility computed over 125 days ending on 16-May-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 2 new stocks. In the table below, T is the current rebalancing date (23-May-2016), while T-1 is the previous rebalancing date (18-Apr-2016). Vol(T-1) and Vol(T) are the annualized volatilities computed over 125 business days ending, respectively, on 11-Apr-2016 and 16-May-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	Vol(T-1)	Vol(T)	WW(T)	ADV(T-1)	ADV(T)	B	LF	EU
J S R CORP.	Materials	34.61%	37.53%	1.15%	1874.63 (146)	2142.41 (140)	Y	N	N
SHIONOGI & COMPANY LTD.	HealthCare	40.44%	35.77%	0.86%	8889.10 (58)	8497.43 (54)	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 18-Apr-2016. The columns LF/EU show whenever the stock was selected by the liquidity filter/eligible universe as of 18-Apr-2016.

## 6 Deleted Stocks

The rebalancing has deleted 7 new stocks. In the table below, T is the current rebalancing date (23-May-2016), while T-1 is the previous rebalancing date (18-Apr-2016). Vol(T-1) and Vol(T) are the annualized volatilities computed over 125 business days ending, respectively, on 11-Apr-2016 and 16-May-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	Vol(T-1)	Vol(T)	WW(T-1)	ADV(T-1)	ADV(T)	B	LF	EU
ASAHI GLASS COMPANY LTD.	Industrials	40.53%	42.83%	0.01%	3853.89 (123)	3356.98 (122)	Y	Y	Y
DENTSU INCO.	C.Discretionary	34.80%	38.33%	0.29%	7761.57 (70)	7330.45 (63)	Y	Y	Y
KINTETSU GROUP HDG.CTD.	Industrials	29.69%	30.60%	1.46%	2621.90 (139)	2122.02 (141)	Y	N	N
MIZUHO FINL.GP.INCO.	Financials	35.59%	39.73%	0.21%	37431.66 (5)	31494.94 (5)	Y	Y	Y
ODAKYU ELEC.RY.CO.LTD.	Industrials	31.77%	33.38%	0.09%	2347.73 (140)	1994.59 (142)	Y	N	N
SOFTBANK GROUP CORP.	Telecom.	45.78%	46.97%	0.08%	64082.96 (2)	43353.36 (3)	Y	Y	Y
SONY CORPORATION	C.Discretionary	42.60%	46.58%	0.34%	30115.79 (6)	31377.76 (6)	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 23-May-2016. The columns LF/EU show whenever the stock was selected by the liquidity filter/eligible universe as of 23-May-2016.

## 7 Ranking Index Constituents - Top 25

The table shows the top 25 positions in the Japan Minimum Variance Index NR as of 23-May-2016. The column WW indicates the weights in the Japan Minimum Variance Index NR as of 23-May-2016. The column Vol gives the annualized volatility computed over 125 business days ending on 16-May-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 16-May-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	WW	Vol	Rank Vol	Corr	Rank Corr	Rank Blend	Core
NIKON CORPORATION	C.Discretionary	4.53%	26.11%	2	40.31%	11	5	YES
LAWSON INCO.	C.Staples	3.98%	27.82%	3	37.26%	1	2	YES
ORIENTAL LAND CO.LTD.	C.Discretionary	3.24%	31.44%	14	39.59%	7	11	YES
JAPAN AIRLINES CO.LTD.	Industrials	3.20%	31.35%	13	37.95%	3	9	YES
YAHOO JAPAN CORPORATION	IT	2.92%	35.20%	32	39.15%	5	22	YES
NITORI HOLDINGS CO.LTD.	C.Discretionary	2.74%	34.36%	25	37.56%	2	17	YES
NTT DATA CORP.	IT	2.56%	28.57%	5	49.35%	60	23	YES
TOKYO ELECTRON LTD.	IT	2.52%	36.27%	45	43.21%	26	38	YES
EISAI CO.LTD.	HealthCare	2.47%	34.61%	28	39.79%	9	21	YES
NH FOODS LTD.	C.Staples	2.45%	33.60%	23	39.23%	6	17	YES
JX HOLDINGS INCO.	Energy	2.42%	35.74%	39	44.07%	29	35	YES
CHUGAI PHARM.CO.LTD.	HealthCare	2.41%	34.65%	29	40.23%	10	22	YES
KAO CORP.	C.Staples	2.39%	30.17%	7	45.34%	35	16	YES
CANON INCO.	IT	2.28%	27.84%	4	56.28%	118	42	YES
LIXIL GROUP CORP.	Industrials	2.28%	32.79%	19	44.28%	30	22	YES
SECOM CO.LTD.	Industrials	2.24%	25.77%	1	56.26%	117	40	YES
NIPPON TELG.& TEL.CORP.	Telecom.	2.22%	32.04%	15	45.06%	33	21	YES
TERUMO CORPORATION	HealthCare	2.04%	30.95%	10	49.03%	57	25	YES

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	Sector	WW	Vol	Rank Vol	Corr	Rank Corr	Rank Blend	Core
ASAHI GROUP HDG.LTD.	C.Staples	2.03%	31.27%	12	47.15%	45	23	YES
ANA HOLDINGS INCO.	Industrials	1.99%	30.79%	9	47.88%	51	23	YES
AEON COMPANY LTD.	C.Staples	1.90%	34.59%	27	42.93%	23	25	YES
TAISEI CORPORATION	Industrials	1.88%	32.83%	20	45.70%	38	26	YES
OSAKA GAS COMPANY LTD.	Utilities	1.72%	30.74%	8	52.23%	79	32	YES
OBAYASHI CORPORATION	Industrials	1.67%	36.86%	51	40.50%	13	38	YES
MAKITA CORP.	Industrials	1.60%	32.58%	16	50.05%	64	32	YES



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