

# Japan Minimum Variance Index NR

Rebalancing Report - 19-Dec-2016

## Stock Statistics

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.

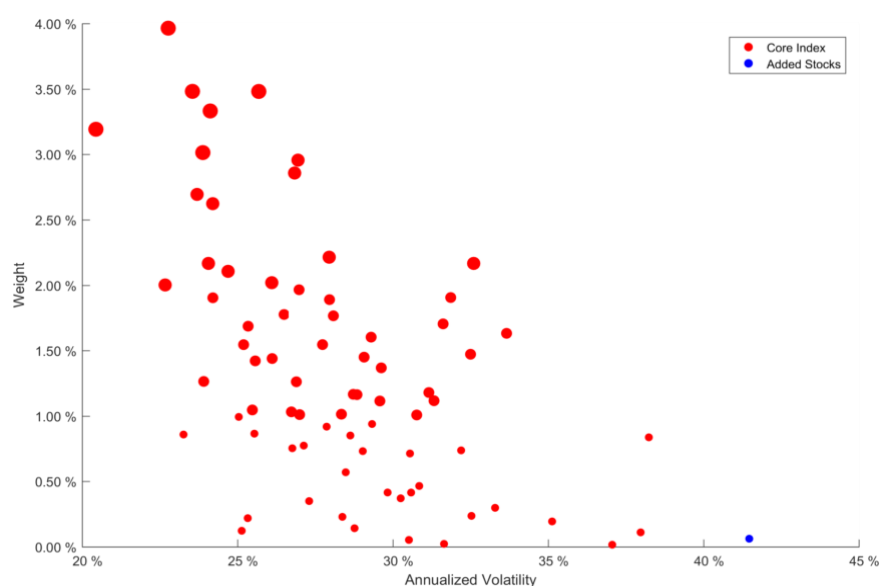
The number of constituents in the index is stable. The Turnover is **15.44%**, lower than its historical mean at **23.18%**. The weight of the Index Core Portfolio is stable.

Characteristics	19-Dec-2016
Number of Stocks	75
Added Stocks	1
Deleted Stocks	1
Core Number	74
Old weight of Core	97.46%
New weight of Core	99.94%
Turnover	15.44%
Historical Turnover	23.18%

Added and deleted stocks are relative to 19-Dec-2016. The Core is defined as the subset of stocks that belong to the current as well as the previous composition.

## Volatility/Weight profile

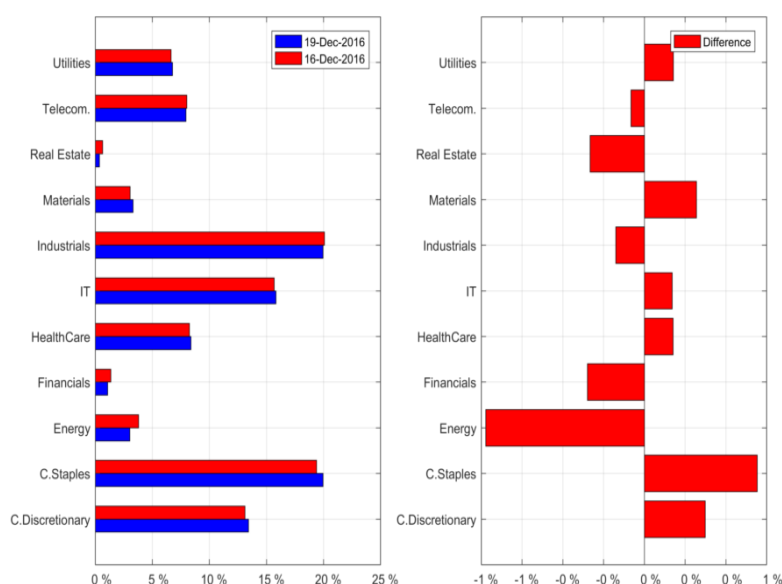
The chart on the right shows the distribution of the new Japan Minimum Variance Index NR composition on 19-Dec-2016 in terms of annualized volatility (x-axis) and weight (y-axis). Volatility computed over 125 days ending on 12-Dec-2016. On the upper left corner we find low volatile stocks with big weight 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.



## Sector Allocation

The most significant changes in sector exposures are: **-0.78%** for Energy. The biggest sector exposures are: **19.96%** for C.Staples, **19.95%** for Industrials, **15.82%** for IT.

	Close	Open	Difference
C.Discretionary	13.12%	13.42%	0.30%
C.Staples	19.40%	19.96%	0.55%
Energy	3.80%	3.02%	-0.78%
Financials	1.35%	1.07%	-0.28%
HealthCare	8.24%	8.39%	0.14%
IT	15.68%	15.82%	0.14%
Industrials	20.09%	19.95%	-0.14%
Materials	3.04%	3.29%	0.26%
Real Estate	0.64%	0.37%	-0.27%
Telecom.	8.01%	7.95%	-0.07%
Utilities	6.62%	6.77%	0.14%

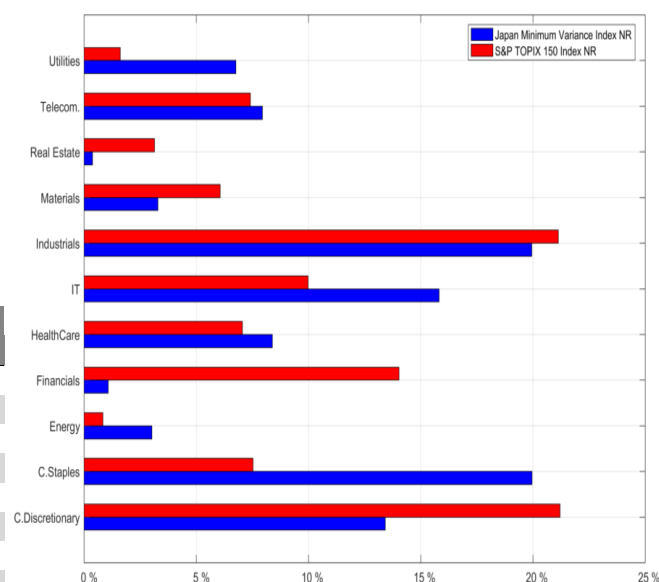


The left-hand side of the chart below shows the sector deviations at rebalancing. Differences are shown on the right-hand side. Index weights are taken as of 16-Dec-2016 (last business day before the new composition is implemented) compared to the new rebalancing weights as of 19-Dec-2016.

## Sector breakdown vs. benchmark

The Japan Minimum Variance Index NR overweights C.Staples (**12.43%**) and IT (**5.84%**) compared to S&P TOPIX 150 Index NR. The Japan Minimum Variance Index NR underweights Financials (**-12.96%**) and C.Discretionary (**-7.78%**) compared to S&P TOPIX 150 Index NR.

	BE	MV	Diff.	Volatility	
				BE	MV
C.Discretionary	21.20%	13.42%	-7.78%	28.22%	18.76%
C.Staples	7.53%	19.96%	12.43%	20.11%	19.20%
Energy	0.84%	3.02%	2.18%	32.58%	27.06%
Financials	14.04%	1.07%	-12.96%	37.06%	35.64%
HealthCare	7.05%	8.39%	1.33%	24.30%	22.92%
IT	9.97%	15.82%	5.84%	27.57%	20.40%
Industrials	21.13%	19.95%	-1.19%	22.45%	18.53%
Materials	6.07%	3.29%	-2.78%	30.76%	25.01%
Real Estate	3.14%	0.37%	-2.77%	32.09%	30.25%
Telecom.	7.40%	7.95%	0.54%	25.20%	22.62%
Utilities	1.62%	6.77%	5.15%	24.15%	23.59%



The table below shows, for each sector, the weight in the Japan Minimum Variance Index NR (MV), in the benchmark S&P TOPIX 150 Index NR (BE), and their difference. We also show the annualized volatility of each sector in the Japan Minimum Variance Index NR and in the benchmark. Annualized volatilities are computed using 125 business days ending on 12-Dec-2016

## Added Stocks

The rebalancing has added 1 new stocks. In the table below, T is the current rebalancing date (19-Dec-2016), while T-1 is the previous rebalancing date (21-Nov-2016). Vol(T-1) and Vol(T) are the annualized volatilities computed over 125 business days ending, respectively, on 14-Nov-2016 and 12-Dec-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
INPEXORATION	Energy	42.57%	41.47%	0.06%	6337.29 (64)	7885.05 (61)	Y	Y	Y

The Column B shows whenever the added stock was in the S&P TOPIX 150 Index NR selection as of 21-Nov-2016. The columns LF/EU show whenever the stock was selected by the liquidity filter/eligible universe as of 21-Nov-2016.

## Deleted Stocks

The rebalancing has deleted 1 new stocks. In the table below, T is the current rebalancing date (19-Dec-2016), while T-1 is the previous rebalancing date (21-Nov-2016). Vol(T-1) and Vol(T) are the annualized volatilities computed over 125 business days ending, respectively, on 14-Nov-2016 and 12-Dec-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
NISSIN FOODSCO	C.Staples	25.34%	25.26%	2.54%	2131.65 (138)	2098.15 (142)	Y	N	N

The Column B shows whenever the deleted stock was in the S&P TOPIX 150 Index NR selection as of 19-Dec-2016. The columns LF/EU show whenever the stock was selected by the liquidity filter/eligible universe as of 19-Dec-2016.

## Ranking Index Constituents - Top 25

The table shows the top 25 positions in the Japan Minimum Variance Index NR as of 19-Dec-2016. The column WW indicates the weights in the Japan Minimum Variance Index NR as of 19-Dec-2016. The column Vol gives the annualized volatility computed over 125 business days ending on 12-Dec-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 12-Dec-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
ORIENTAL LAND CO	C.Discretionary	3.97%	22.77%	3	38.60%	6	4	YES
NTT DOCOMO	Telecom.	3.48%	23.55%	5	39.06%	8	6	YES
NIKONORATION	C.Discretionary	3.48%	25.68%	22	42.46%	17	20	YES
LAWSON	C.Staples	3.33%	24.12%	10	34.53%	4	7	YES
CANON	IT	3.19%	20.44%	1	57.01%	121	41	YES
NIPPON TELG.& TEL	Telecom.	3.01%	23.88%	7	41.29%	13	9	YES
JX HOLDINGS	Energy	2.96%	26.95%	30	45.30%	37	32	YES
YAHOO JAPANORATION	IT	2.86%	26.84%	28	42.21%	16	23	YES
RECRUIT HOLDINGS CO	Industrials	2.69%	23.70%	6	40.08%	10	7	YES
KEYENCEORATION	IT	2.62%	24.20%	11	50.78%	69	30	YES
MEIJI HOLDINGS CO	C.Staples	2.21%	27.95%	38	34.23%	3	26	YES
OSAKA GAS COMPANY	Utilities	2.17%	24.06%	9	51.11%	72	30	YES
NITORI HOLDINGS CO	C.Discretionary	2.17%	32.60%	75	32.98%	2	50	YES
JAPAN TOBACCO	C.Staples	2.11%	24.70%	13	44.97%	34	20	YES
AEON COMPANY	C.Staples	2.02%	26.10%	23	43.49%	20	21	YES
ANA HOLDINGS	Industrials	2.00%	22.67%	2	49.39%	59	21	YES
CHUBU ELEC.PWR.CO	Utilities	1.97%	26.98%	31	46.65%	43	35	YES
TOKYO ELECTRON	IT	1.91%	31.86%	68	43.97%	24	53	YES
ASAHI GROUP	C.Staples	1.90%	24.21%	12	46.85%	45	23	YES
SONYORATION	C.Discretionary	1.89%	27.96%	39	47.15%	47	41	YES
OTSUKA HOLDINGS CO	HealthCare	1.78%	26.50%	25	47.29%	48	32	YES
JAPAN AIRLINES CO	Industrials	1.77%	28.08%	40	40.53%	11	30	YES
RICOH CO	IT	1.70%	31.62%	66	46.68%	44	58	YES
KAO	C.Staples	1.69%	25.34%	18	44.22%	27	21	YES
NECORATION	IT	1.63%	33.66%	77	44.10%	26	59	YES

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