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Nomura, UBS, Legg Mason see biggest drop in fees from Japan's GPIF as payout sinks 43%

Fidelity, AM One, Morgan Stanley IM and Pimco were among external managers that saw the biggest bump in fees from the Japanese pension fund

By Lisa Kim | July 27, 2022

Payments by Japan's **Government Pension Investment Fund** to its external asset managers for running its mandates fell dramatically by 43% in the 2021 fiscal year to end-March, following record-high fees paid out in the previous year.

A number of global managers finished the year as winners and losers amid the big change in external fees.

The world's largest pension fund, which manages ¥196.6 trillion (US\$1.4 trillion) in portfolio assets, doled out ¥35.2 billion in fees to nearly 35 external managers in the 12 months to end-March, a significant reduction from ¥61.1 billion a year earlier, according to the pension fund's **annual report**.

The fee rate, which is the percentage of total assets paid out in fees, halved to 0.02% in the 2021 fiscal year compared with 0.04% the previous year, the report says.

This halving of the fees paid to external managers comes despite the fact that the GPIF achieved total investment returns of ¥10 trillion for the full fiscal year, with total assets rising 5.6%.

The decline in fees is attributable to the “decrease of ‘performance-based’ [payout] for foreign equities active managers, which could not achieve their target excess return rate,” a GPIF spokesperson tells *Ignites Asia*.

In April 2018, the GPIF implemented a new performance-based fee model for active asset managers to **incentivise** excess returns and appropriate risk.

Fee changes

Japanese manager **Nomura Asset Management** recorded the **biggest drop** in fees for the second year in a row.

Its fees covering seven mandates including domestic equities, foreign bonds and alternative infrastructure fell by ¥3.6 billion to ¥5.1 billion during the three years to end-March 2022, compared with the three years up to end-March 2021, according to analysis by *Ignites Asia*.

The firm lost one actively managed foreign equity mandate over the recent fiscal year.

Nomura was followed by a number of global managers that recorded a considerable fall in fees. **UBS Asset Management** saw a reduction of ¥2.5 billion in the fees received to ¥7.4 billion in the cited period.

UBS AM managed two mandates, an actively managed foreign bond and an actively managed foreign equities strategy, in 2020 and 2021.

Legg Mason Asset Management recorded a ¥2.5 billion drop in fees after it did not collect any fees in 2021 as a result of losing the one active foreign bond mandate it oversaw the previous year. The firm had been the **third highest** paid foreign manager in fiscal 2019.

It is followed by **Goldman Sachs Asset Management**, which suffered a ¥1.7 billion fall in fees from the GPIF to just ¥1.6 billion, as the number of mandates it oversaw reduced from two to one.

Goldman Sachs AM managed a passive domestic equities and an active foreign bond in 2020, and in 2021 lost the later mandate, which had delivered ¥2.1 billion in fees.

Invesco Asset Management saw a ¥535 million reduction in fees over the same period, collecting ¥1.3 billion from one actively managed domestic equities mandate.

Five biggest losers by fee decrease

Unit: billion, Japanese yen

Asset manager	Fees collected 2019-2022 compared to 2018-2021	Rank by total fee	No. of mandates
Nomura Asset Management	-3.6	7	8
UBS Asset Management	-2.5	5	2
Legg Mason Asset Management	-2.5	N/A	0
Goldman Sachs Asset Management	-1.7	17	1
BNY Mellon Asset Management	-1.5	4	2

Source: GPIF

In terms of a rise in fees from the GPIF, **Fidelity International** logged the biggest increase, taking home ¥5.1 billion more during the three years to end-March 2022 compared with the three years up to end-March 2021, replacing **Mitsubishi UFJ Trust and Banking**, which slid to seventh place.

Fidelity earned ¥15.8 billion on three GPIF mandates, including an active foreign bond mandate, as well as active and passive domestic equities mandates.

Asset Management One had the second highest fee increase, up ¥1.3 billion across 11 mandates, receiving ¥10 billion in total fees. In 2020, the firm had recorded the **fourth biggest decrease** among external managers.

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Morgan Stanley Investment Management, Pimco and Capital International were among the five managers that saw the biggest increase in fees over the period.

By gross fees, five asset managers took home the greatest amount in the three years by end-March.

These were Mitsubishi UFJ Trust and Banking

Five biggest winners by fee increase

Unit: billion, Japanese yen

Asset manager	Fees collected 2019-2022 compared to 2018-2021	Rank by total fee	No. of mandates
Fidelity International	5.1	2	3
Asset Management One	1.3	3	11
Capital International	1	6	1
Morgan Stanley Investment Management	0.9	9	2
PIMCO	0.8	8	2

Source: GPIF

(¥16.9 billion), Fidelity International (¥15.8 billion), Asset Management One (¥10 billion), BNY Mellon Asset Management Japan (¥7.5 billion) and UBS Asset Management (¥7.4 billion), according to an *Ignites Asia* analysis.

The five asset managers that earned the least gross amount of fees were DBJ Asset Management (¥16.4 million), Resona Asset Management (¥348.3 million), AllianceBernstein Japan (¥377.8 million), MU Investments (¥472.9 million) and Tokio

Marine Asset Management (¥537.5 million).

New mandates and lost ones

Four global asset managers were added to the pension firm's roster of external managers overseeing active foreign bond mandates in Japan's 2021 fiscal year ending in March, analysis shows.

Franklin Templeton took home ¥3.3 billion, the greatest amount among newly enlisted managers, followed by **Barings Japan** (¥1.6 billion), T Rowe Price Japan (¥314 million) and **PineBridge Investments** (¥134 million).

There were four asset managers that did not collect any fees in fiscal 2021 after doing so in the previous cycle.

Among them were Legg Mason AM and the three other managers, including **Eastspring Investments**, J.P.Morgan Asset Management and SEIRYU Asset Management. The later three had earned ¥427 million, ¥473 million and ¥83 million respectively in fiscal 2020 for active domestic equities mandates.

Payment change by asset class

The GPIF's new performance-based fee model, which was introduced four years ago, pays active managers the same base rate as passive managers and only gives active management fees to asset managers that outperform passive strategies.

Biggest jump in fees by asset class

Unit: billion, Japanese yen

Asset class	Fee change between fiscal 2020 and 2021	Fees collected in 2021	Change no. of mandates between 2020 and 2021	No. of mandates 2021
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Asset class	Fee change between fiscal 2020 and 2021	Fees collected in 2021	Change no. of mandates between 2020 and 2021	No. of mandates 2021
Active foreign bonds	8.9	43.5	4	21
Active domestic bonds	1.8	7.2	0	9
Alternative real estate	0.4	1.3	0	2
Passive foreign equities	0.3	3.1	0	9
Passive foreign bonds	0.2	1.2	0	14
Alternative infrastructure	0.2	1.1	0	3
Passive domestic bonds	0.06	0.8	0	9
Active domestic equities	-1.3	16.1	-4	10
Passive domestic equities	-3.6	4.9	-4	13
Active foreign equities	-4.9	31.1	-1	7



Source: GPIF

Actively managed foreign equities logged the most significant decrease in management fees between the three years ending in March 2021 and March 2022. The asset class, which consisted of seven mandates, tallied ¥4.9 billion less in fees, totalling ¥31.1 billion, though the total amount of fee was the second largest by asset class, analysis shows.

Fees for passive and active domestic equities dropped ¥3.6 billion and ¥1.3 billion respectively, as mandates in the asset classes decreased by four each to 13 and 10.

Actively managed foreign bonds earned the most amount of fees and recorded the biggest absolute increase in fees. Payments to the asset class rose ¥8.9 billion to ¥43.5 billion, attributable to four new mandates, totalling 21, analysis shows.

Actively managed domestic bonds and alternative real estate saw the second and third largest rise in fees, up ¥1.8 billion and ¥363 million respectively.

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