

March 30, 2015

## Press Release

Eurasia Group  
Nikko Asset Management Co., Ltd.

### **Eurasia Group, Nikko Asset Management Pair Strengths in Emerging Markets Investment**

At a time of heightened global political risk, Eurasia Group and Nikko Asset Management are partnering to bring together Eurasia Group's proprietary geopolitical risk indicators within Nikko's multi-asset investment management process. The partnership will offer global investors a risk-controlled means of getting exposure to emerging markets.

"We are experiencing a world of geopolitical creative destruction. With so little lasting cooperation among governments and so many emerging political and economic challenges, the need for an investor roadmap has never been greater," said Ian Bremmer, president of Eurasia Group. "Investors are more cautious, because they know they lack information. That's what Eurasia Group and Nikko Asset Management mean to provide. This is a ground-breaking cooperative effort."

Eurasia Group will provide Nikko Asset Management with a systematic methodology to measure and quantify political risk and its potential impact on emerging market asset prices. This framework includes: (1) country scores that capture current levels of political stability (the Global Political Risk Index), (2) formal assessments of the future outlook for political stability and its impact on the business environment (Political Trajectories), and (3) asset pricing models that estimate the interaction between political risk and market prices.

"Emerging markets represent a compelling investment opportunity for global institutional and retail investors alike," said David Semaya, executive chairman of Nikko Asset Management. "In working with Eurasia Group, we're going to be able to quantify important risks related to geopolitics and use that data within our investment portfolios, which will help us maximize the benefits of diversification by avoiding countries beset by crises or those headed in that direction."

Emerging market and developing economies are set to grow by 4.3% in 2015 and 4.7% in 2016, according to the International Monetary Fund, outpacing growth in advanced

economies of 2.4% in both years. Moreover, within emerging markets, the dispersion of market returns has widened considerably since the global financial crisis hit in 2008, suggesting a strong case for attaining exposure through actively managed, multi-asset strategies.

Research from Nikko Asset Management shows that prior to 2008, in an emerging market multi-asset portfolio equally weighted in equities, bonds and currencies, equity would have contributed around 70% of the risk. As a result, a fundamental approach to stock picking was in favor, while investors believed downside risks were manageable. Since the financial crisis, however, bonds and currency have contributed much more to portfolio risk, with both now accounting for as much as 50% with volatility hovering at high levels.

Given the heightened uncertainty around geopolitical risk, a “top-down” macro approach to investing in emerging markets can deliver significantly better results than a more traditional “bottom-up” asset selection process. Analysts from Eurasia Group have worked closely with the multi-asset investment professionals from Nikko Asset Management to ensure that political risk signals from Eurasia Group’s political analysis are systematically incorporated into the investment process.

“We’ve developed a systematic approach to assessing which countries are prone to political shock, using a combination of quantitative and qualitative data,” said Alex Kazan, practice head, emerging markets strategy at Eurasia Group. “Our analysts are evaluating reams of data that is collected on the ground and through open-source methods, yielding unparalleled breadth and depth of actionable information.”

Eurasia Group’s team of more than 60 analysts provide political analysis on 100+ countries covering Africa, Asia, Eurasia, Europe, Latin America, the Middle East, and the United States.

“Asset managers have struggled to effectively incorporate geopolitical risk information in their portfolio management process, partly because of the sheer volume of data that is available,” said Al Clark, global head of multi-asset at Nikko Asset Management. “Eurasia Group’s political risk signals and other assessments give us a proven means of quantifying what has been at best a qualitative input up to now, and we believe this will give us a distinct advantage in managing emerging markets portfolios.”

Investment products serving both institutional and retail clients will be made available later in 2015, and the two companies will conduct joint marketing efforts on a global basis.

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**Eurasia Group** is the world's leading global political risk research and consulting firm. More than 60 analysts covering 100+ countries in Africa, Asia, Eurasia, Europe, Latin America, the Middle East, and the United States advise a wide range of institutional investors and multinational companies on the political events and trends that move markets. Their work analyzes and forecasts country-level risks and opportunities around political stability, fiscal and monetary policies, elections, security, and legislative and regulatory risks, among other aspects of political risk. They also examine cross-border geopolitical issues such as security, trade, energy, cybersecurity, financial regulation, and global health. The firm is headquartered in New York, with offices in Washington, DC, and London, as well as on-the-ground experts and resources in over a hundred countries. Eurasia Group analysts are highly trained political scientists with extensive experience in the public and private sectors.

For more information, please visit: <http://www.eurasiagroup.net/>

**Nikko Asset Management** is positioning itself to be Asia's premier global asset manager. The firm offers world-class asset management solutions for global investors, and has approximately 18.64 trillion yen in assets under management\*. With more than 290 investment professionals\*\*, the firm leverages its extensive global resources representing over 30 nationalities across 12 countries. Headquartered in Asia for over 55 years, Nikko Asset Management's vantage point, extending east to west, distinguishes its investment approach.

For more information, please visit <http://en.nikkoam.com/>

\* Consolidated assets under management and sub-advisory of Nikko Asset Management and its subsidiaries as of December 31, 2014.

\*\* As of December 31 2014, including employees of Nikko Asset Management and its subsidiaries, as well as 100% of investment professionals within Nikko AM's minority joint ventures.