

# THE WALL STREET JOURNAL.

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## MARKETS

### ASIA EDITION

# Nikko Asset And Eurasia Team Up

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One of Asia's largest asset managers, Japan's Nikko Asset Management, is teaming with political-risk advisory firm Eurasia Group to create emerging-market funds that incorporate political-risk analysis.

While many institutional investors and investment banks use Eurasia Group's analysis, this is the first such partnership between the consultancy and an asset manager. For Nikko Asset, overlaying Eurasia's index on its fund and investing decisions means a shift in its emerging-markets strategy to one where geopolitical risks are considered before picking specific assets, as opposed to an approach where industries were viewed across geographies, as was common in the asset-management industry before the global financial crisis, Executive Chairman David Semaya said.

"The world is entering into a period of geopolitical creative destruction," Eurasia President Ian Bremmer said in an interview in Tokyo, citing recent instability in the Middle East and in Russia.

The inclusion of Eurasia Group's data into investing might have made Nikko Asset some profitable decisions

## Assessing Risk

Eurasia Group's Global Political Risk Index will be used by Japan's Nikko Asset Management to create fund products. The countries with lower scores are considered less politically stable. Scores of selected countries:

Country	GPRI score by segment, March 2015				Overall
South Korea	16	22	19	17	74
Malaysia	17	18	21	16	72
China	12	16	19	18	65
Thailand	12	15	16	14	57
Philippines	9	14	12	17	52
Iran	8	13	15	7	43
Venezuela	11	12	13	6	42
Egypt	11	9	7	7	34
Ukraine	9	13	6	3	31
Pakistan	8	6	6	10	30

Legend: ■ Government ■ Society ■ Security ■ Economy

Source: Eurasia Group

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in the past, according to a white paper issued by the two firms.

For instance, had Eurasia Group's analysis been used, Nikko Asset would have raised its rating on India to "overweight" from "neutral" following that country's 2014 election of a pro-reform government, as well as increased its "underweight" rating on Brazilian equities relative to India

after the South American country re-elected a president who was on weaker political footing to implement change, according to the white paper.

Indian equities outperformed Brazilian equities by more than 50% in dollar terms from April 2014 to the end of February 2015, according to the report.