

Brazil lender taps Japan demand

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Itau, one of Brazil's biggest banks, is expanding in Japan to tap institutional investor demand, after capturing more than half of the record \$22bn of investment trust flows from the Asian country's retail investors into Brazil.

Itau has set up an asset management company in Tokyo offering Japanese institutional investors investment advice and access to offshore funds.

The bank is also planning to team up with a local partners to offer onshore funds.

Itau said it had secured \$11.5bn in assets under management, since it started offering investment trusts to Japanese retail investors with domestic partners three years ago helped by Brazil's strong economic growth .

According to the Japan Investment Trusts Association, retail investors hold Y2,050bn (\$21.7bn) in Brazilian investment trusts.

Itau is hoping it can achieve similar success with institutional clients in Japan, such as pension funds, which have yet to extensively invest in emerging markets.

"My understanding of Japan is that there are two waves of investment," explained Roberto Nishikawa, senior managing director at Itau.

"The first comes from the retail investors who demand alternative investments all of the time, and the second wave . . . is from the institutional investors."

Japan is an important market for asset managers to tap both retail and institutional investors. The former has huge household financial assets of about Y1,456,000bn, of which more than half are stuck in bank deposits earning minuscule rates of as little as 0.05 per cent, leaving plenty of room for a shift into riskier asset classes.

Meanwhile, many Japanese pension funds are increasingly interested in overseas investments in search of the better returns needed to tackle underfunded plans.

Mr Nishikawa declined to give a target for the new institutional business in Japan.

However, he did say that Itau is aiming to increase the foreign portion of its total \$154bn worth of assets under management to 20 per cent in three years, from its 9.1 per cent, or \$14bn, now. It also expects total AUMs during that period to grow.

Given that the vast majority of that \$14bn is already from Japanese retail investors, it would not be unreasonable to expect that a substantial amount of the overseas growth could also come from Japan.

Itau was the first bank from a Bric (Brazil, Russia, India and China) nation to set up a brokerage in Japan.

Japan also has a unique relationship with Brazil, which is home to its largest emigrant population.

Last year marked the 100th anniversary since the first ship of those Japanese migrants set sail to Brazil.

Fonte: Financial Times, London, Apr. 6, 2010, UK, online.