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Japanese Portfolio Investment in Canada 1997 Survey

**Canadian Embassy
Tokyo**

Canada 



Release Date: Tokyo, December 12, 1997

**1997 CANADIAN EMBASSY SURVEY
JAPANESE PORTFOLIO INVESTMENT IN CANADA**

HIGHLIGHTS

- 5259/062
- Based on an analysis of the 1997 Survey results, the total value (in Canadian dollars) of the Canadian securities and loans held by all Japanese institutional investors on March 31, 1997 is conservatively estimated to be \$43.0 billion, down \$0.5 billion from the estimate based on the 1996 Survey. Replies were received from 99 of the 103 institutions surveyed (96.1%).
 - From early summer 1996, and throughout the fall and winter, the fiscal turn-around in Canada received widespread coverage in the Japanese press. There was, therefore, an increasingly positive perception by investors of Canada as a credit risk.
 - The first three quarters of FY 1996 recorded solid increases in Japanese holdings of Canadian securities. The final quarter of the fiscal year, however, was a time of considerable volatility both domestically in Japan and on international financial markets. The Tokyo Stock Exchange fell sharply at the beginning of 1997 affecting the value of the undisclosed reserves of many Japanese financial institutions.
 - Some Canadian holdings were sold between January and March 1997 reflecting the need for Japanese institutions to generate profits for the end-of-year book balancing and a heightened concern about a possible weakening of the Canadian dollar.
 - Retail investors, included in this survey for the first time, increased their Canadian holdings from \$330 million to approximately \$4.0 billion, a 10-fold increase.
 - Comparing the replies of the 97 Japanese institutional investors that responded to both our 1996 and 1997 Surveys, the value of their holdings of Canadian securities and loans declined 12.5%. Exchange rate movements account for some of this fall (4.1%) but the decline in holdings of provincial enterprise and municipal bonds was particularly notable (54.3% and 51.9% respectively). The fall in holdings of provincial bonds (15%) was more than compensated by the relatively large amount of dual currency bonds issued by provincial governments held by individuals. On the other hand, the institutional holdings of federal government bonds by all Japanese institutions increased 10.4% while equity investments nearly doubled (up 96%), although admittedly from a relatively low base.

For further information please contact **John C. Sloan, Counsellor (Finance)**, Canadian Embassy, Tokyo Tel: (03) 5412-6294 Fax: (03) 5412-6260 or **Masaharu Iwata, Staff Economist**, Canadian Embassy, Tokyo Tel: (03) 5412-6200.

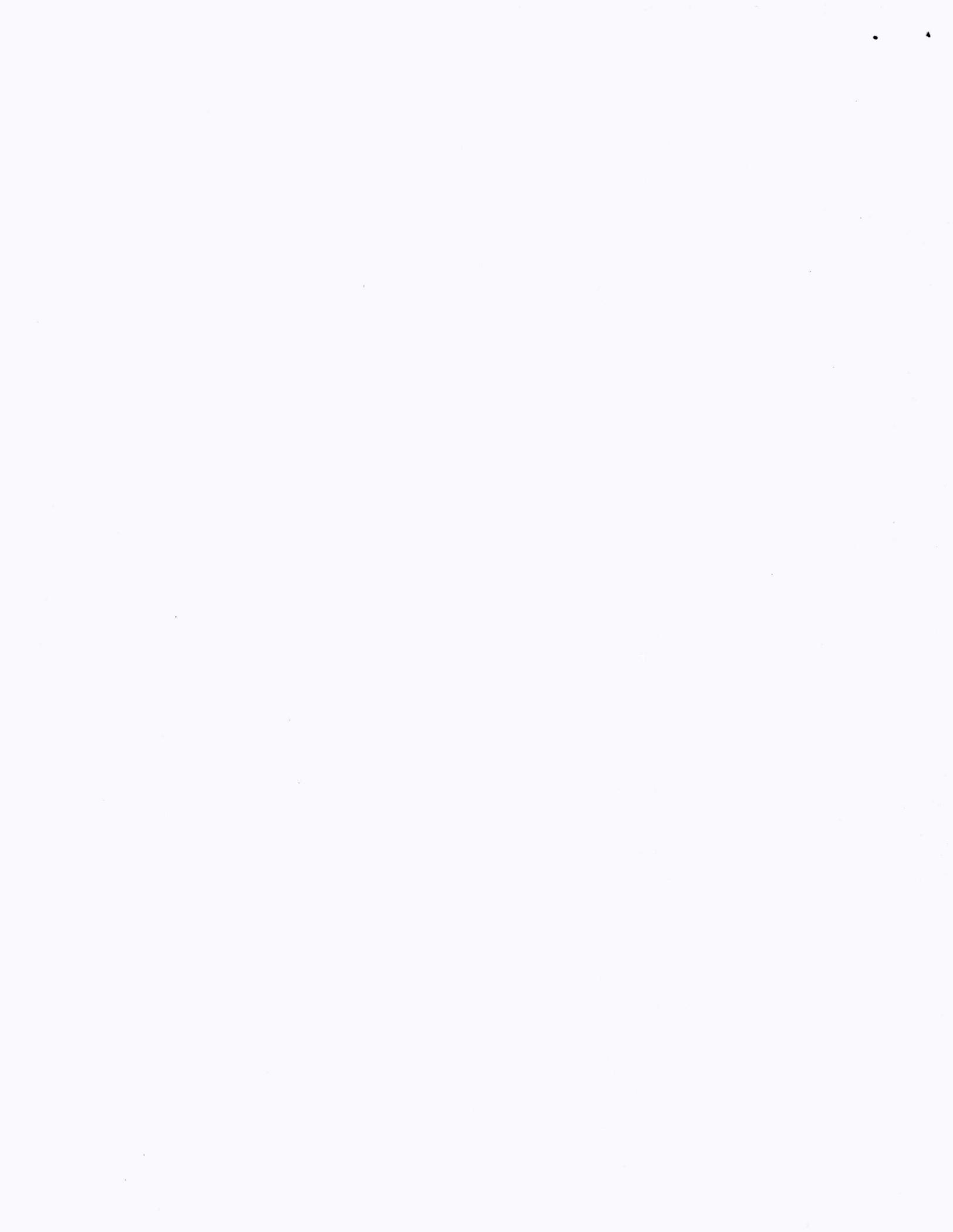


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**SONDAGE DE L'AMBASSADE DU CANADA SUR LES PLACEMENTS
DE PORTEFEUILLE JAPONAIS AU CANADA EN 1997**

FAITS SAILLANTS

- Une évaluation conservatrice, reposant sur une analyse des résultats du sondage 1997, de la valeur totale (en dollars canadiens) du portefeuille de valeurs mobilières et de prêts des investisseurs institutionnels japonais au 31 mars 1997 estime qu'elle se chiffre à 43.0 milliards \$, une diminution de 0.5 milliard \$ si l'on compare à l'évaluation faite à partir des résultats du sondage de 1996. Quatre-vingt-dix-neuf des 103 institutions (96.1%) auxquelles nous avons fait parvenir un questionnaire l'ont complété.
- À partir du début de l'été 1996, l'assainissement des finances publiques au Canada fut l'objet d'un grand intérêt dans la presse japonaise qui ne s'est pas démenti tout au long de l'automne et de l'hiver. En conséquence de cet engouement médiatique le Canada fut perçu d'un oeil de plus en plus favorable par les investisseurs japonais voyant en lui un actif sur les marchés financiers internationaux.
- Le portefeuille de valeurs mobilières canadiennes des investisseurs japonais a enregistré de solides gains au cours des trois premiers trimestres de l'exercice 1996. Le dernier trimestre de l'exercice fut cependant marqué par un climat de volatilité considérable, aussi bien au Japon que sur les marchés financiers internationaux. La Bourse de Tokyo a connu une forte baisse au début de l'année 1997, ce qui a eu un effet négatif sur la valeur des réserves non divulguées de plusieurs institutions financières japonaises.
- Une partie du portefeuille de valeurs canadiennes détenues par les institutions japonaises a été vendue entre janvier et mars 1997. La décision de vendre reflète la nécessité pour les institutions de générer des profits afin d'équilibrer les comptes en fin d'exercice, de même qu'une appréhension croissante face à la possibilité d'une dépréciation du dollar canadien.
- Les particuliers, inclus dans ce sondage pour la première fois, ont accru leur portefeuille de valeurs canadiennes de près de 3.64 milliards \$, de sorte qu'il atteint maintenant environ 4.0 milliards \$, ce qui représente dix fois plus qu'avant.
- Une comparaison des réponses fournies en 1997 à celles de l'an dernier par les investisseurs institutionnels ayant participé aux sondages de 1996 et de 1997 montre que la valeur du portefeuille japonais de valeurs mobilières canadiennes et de prêts a chuté de 12.5%. La fluctuation des devises explique en partie (4.1%) cette baisse, mais la diminution du portefeuille



d'obligations émises par les entreprises de services publics provinciales et les municipalités fut particulièrement notable (54.3% et 51.9% respectivement). La chute du portefeuille d'obligations municipales (15%) est cependant compensée par la somme relativement élevée d'obligations émises par les gouvernements provinciaux et libellées en deux devises que l'on retrouve dans le portefeuille de particuliers. D'autre part, le portefeuille d'obligations du gouvernement fédéral détenues par les institutions japonaises a augmenté de 10.4%, alors que les placements en actions ont presque doublé (en hausse de 95%), même s'il faut reconnaître que le montant était plutôt faible à l'origine.

Pour de plus amples informations, veuillez communiquer avec **John C. Sloan, Conseiller (Finances)**, Ambassade du Canada, Tokyo, Tél.: (03)5412-6294, Fax (03)5412-6260 ou **Masaharu Iwata, économiste**, Ambassade du Canada, Tokyo, Tél.: (03)5412-6200.



1997年12月12日（東京）

1997年度在日カナダ大使館調査
日本の機関投資家による対加証券投資・貸出残高

<要旨>

－1997年度調査結果によると、1997年3月31日時点の日本の機関投資家の対加証券投資・貸出残高は、控えめに見て430億カナダドルと推定される。これは1996年度調査による推定額を5億ドル下回るものである。本調査の対象となった103社のうち、99社から回答を得た（回答率96.1%）。

－1996年初夏から秋冬にかけて、カナダの財政状況の好転が日本の新聞紙上で広く報道された。その結果、国際資本市場では信用リスクに関してカナダの評価が投資家の間で次第に高まっていった。

－1996年度初めの3四半期には、日本の対加証券保有高は堅調に増加した。しかしながら、第4四半期には、日本国内および国際金融市場で著しく不安定な動きが見られた。東京証券取引所株価指数は1997年初めに急落し、多くの日本の金融機関の含み益に影響を与えた。

－カナダの債券の中には、日本の機関投資家が利益を確定して年度末の帳尻を合わせる必要性から、またカナダドル安の可能性を懸念して、97年1－3月の間に売りに出されるものもあった。

－本調査に初めて含まれた個人投資家のカナダ債保有額は、3億3,000万ドルから約40億ドルに増加した。10倍の増加である。

－1996年度および97年度の両調査に回答した97社で比較すると、日本の対加証券投資・貸出残高は12.5%減少した。為替レートの動きがこの減少の一因となっているが（4.1%）、州営企業債および地方自治体債の保有額の減少が特に目立っている（各々54.3%、51.9%）。州債の保有額の減少（15%）は、州政府が発行したデュアル・カレンシー債の個人によるそれを上回る保有額により穴埋めされる恰好となった。他方、日本の機関投資家が保有するカナダ国債は10.4%増加し、株式投資は、相対的に低い水準からではあるが、ほぼ倍増した（95%増加）。

本調査に関するお問い合わせ先：カナダ大使館参事官（金融担当）ジョン・スローン TEL: (03) 5412-6294 FAX: (03) 5412-6260 ; 経済調査官 岩田昌治 TEL: (03) 5412-6200

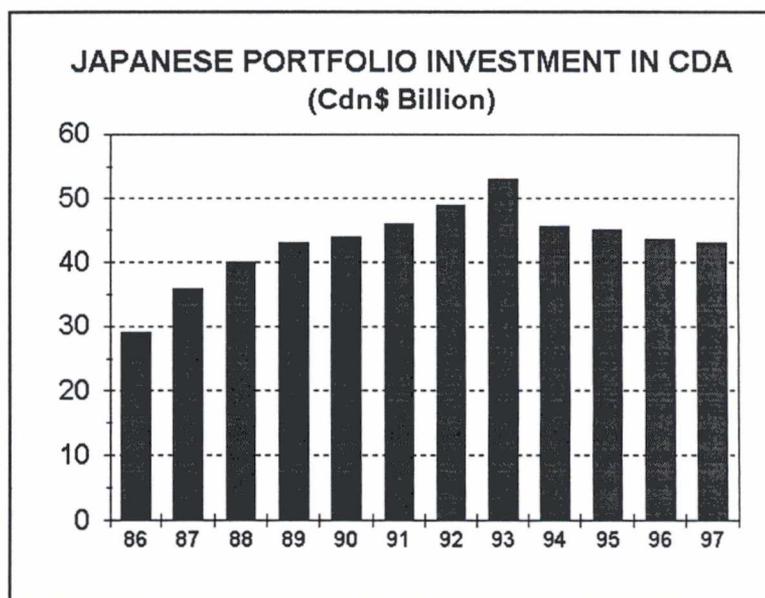
1997 SURVEY OF JAPANESE PORTFOLIO INVESTMENT IN CANADA

SUMMARY: 1997 SURVEY RESULTS

The total value of Canadian securities (bonds, treasury bills and equities) held by Japanese institutional investors and loans extended to Canadian entities, as of March 31, 1997 amounted to some \$37.19 billion Canadian dollars. The 1997 Survey is based on replies from 99 out of 103 Japanese institutional investors¹. In terms of investment instruments, the total value of all bonds (federal, crown corporation, provincial, municipal and corporate) held by responding institutions was approximately \$27.16 billion, equity holdings \$1.10 billion and direct loans \$8.93 billion.

In addition to traditional institutional investors purchasing Canadian securities, during the period covered by the 1997 Survey, individuals in the retail sector became a major factor. Consequently, they have been included in the survey results as a separate category for the first time.² There were at least 12 retail-targeted dual-currency issues launched by various provinces, the Export Development Corporation and Ontario Hydro which had not matured as of March 31, 1997. The total value of these issues was approximately \$3.97 billion, of which approximately \$3.64 billion was issued between April 1, 1996 and March 31, 1997.

As in previous years, in order to provide some indication of the total value of all Canadian securities and loan holdings within Japanese institutional portfolios, including holdings that are not or cannot be captured by the Survey, the Embassy calculates an overall estimate. Examples of additional



¹ A complete breakdown of the 103 Japanese institutions surveyed and their response rate (96.1%) is contained in Annex 1 of this report. The bankruptcy of Nissan Mutual Life Insurance reduced the total survey pool by one compared to the 1996 survey. Unless otherwise noted, all figures are in Canadian dollars (see note to Table 1 in Annex II for exchange rates utilized). Due to differences in survey coverage, the Embassy survey results differ from those provided by Statistics Canada in its publication, "Canada's International Transactions in Securities".

² In order to facilitate a comparison with previous Surveys, where appropriate, two sets of Tables are provided in Annex II excluding and including "individual" holdings.

components include loans or private placements with third parties not included in the distribution of our questionnaire to institutional investors or purchases of Canadian securities by mutual funds outside of designated "Canadian" funds.

Based on an analysis of the 1997 Survey results, as of March 31, 1997, we estimate that the total value of Canadian securities and loans held by all Japanese investors is about \$43.0 billion compared to the 1996 estimate of \$43.5 billion. We believe the 1997 estimate to be conservative.

COMPARISONS WITH PREVIOUS SURVEY RESULTS

ECONOMIC BACKGROUND

Fiscal year 1996 will be remembered as a year of considerable volatility in financial markets and as the year when Japan embarked on its version of the "Big Bang" in an attempt to re-capture financial market competitiveness. The move towards "free, fair and global" markets was also spurred by a concern that an aging population required sufficient future resources to respond to deteriorating demographic trends.

Japan recorded one of the highest GDP growth rates of any G-7 country in fiscal 1996. In retrospect, however, much of the late 1996 and early 1997 GDP growth appears to have been in anticipation of the hike in consumption taxes and the ending of certain tax breaks on April 1, 1997.

FY 1996 was also the year that the extent of the Canadian fiscal turn-around was finally recognized by investors in international capital markets. The Canadian government's success in putting its fiscal house in order was the object of a series of very positive articles in the Japanese press beginning in late spring 1996. This analysis underlined just how far Canada had travelled along the road of fiscal reform. One of the consequences of this turn-around was that yields on Canadian government securities fell dramatically. In November 1996, for the first time in many years, yields for Government of Canada 10 year bonds fell below those of equivalent USA Treasury bonds.

During FY 1996, the Japanese official discount rate remained at a record low 0.5%. This encouraged an outflow of investment funds searching for yields higher than those available from Government of Japan bonds or other Japanese domestic investments. While demand for Canadian securities certainly benefited from this trend, a combination of greater liquidity for USA Treasuries and the negative yield spread resulted in the vast majority of these funds flowing into USA securities.

The Tokyo Stock exchange was also particularly volatile in the early months of 1997. After having closed the 1996 trading year at 19,361, the Nikkei index fell sharply to 17,303 on January 10, 1997 before finishing the financial year at 18,003 on March 31, 1997. This volatility, and the decline of the Nikkei index from year-opening levels, was important for financial institutions looking towards balancing their books at the end of FY 1996. At least some

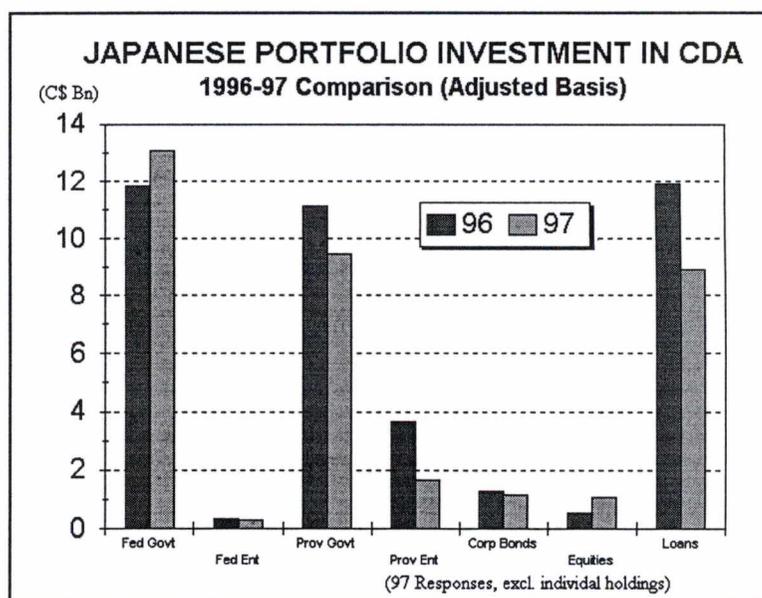
of the sales of Canadian securities in January and March 1997 resulted from profit taking as institutions sold a portion of their foreign holdings to bolster capital reserves.

THE 1997 EMBASSY SURVEY

The moderate decline in overall institutional holdings is consistent with developments in the Japanese economy and financial markets. Comparing the 97 institutions that participated in both the 1996 and 1997 Surveys³, overall Japanese institutional holdings of Canadian securities and loans on March 31, 1997 declined 12.5%. This continues a gradual downward trend in total institutional holdings of Canadian securities evident since 1993. Subsequent monthly flow data from Statistics Canada, however, shows a sharp rise in overall holdings of Canadian securities between April and June 1997, i.e. after the end of the fiscal year.

Currency movements do account for some of the drop as expressed in Canadian dollars. From April 1, 1996 to March 31 1997 the Canadian dollar appreciated 4.1% against the Japanese yen. When yen-based data provided by Japanese institutions is recalculated in Canadian dollars, Japanese year-end holdings are depreciated by a similar amount.

A more detailed examination of the 97 firms that contributed to both the 1996 and 1997 Surveys shows that while holdings of all bonds decreased 9.4%, Government of Canada bonds increased 10.4% and Treasury Bills increased 25.5%. The respective decreases for other categories of bonds were federal government enterprise bonds - 10.7%; provincial government bonds -15.0%; provincial government enterprise bonds - 54.3%; municipal bonds -51.9%; and corporate bonds -9.4%.



A very large increase was recorded in the equities category as a result of purchases by Investment Trust and Management Companies. Equities have not traditionally formed a large portion of Japanese holdings of Canadian securities. Between April 1, 1996 and March 31, 1997, equity holdings nearly doubled (up 96%), from a modest base, to over \$1 billion. Banks and life insurance companies also increased their Canadian equity holdings by 1,000% and 55.9% respectively. On the other hand, loans, which increased 25.9% in the 1996 Survey, decreased by

³ See Table 2 in Annex II, "Canadian Securities and Loan holdings by Japanese Institutions - Adjusted Basis"

almost the same amount in the 1997 Survey (25.0%). Leasing companies were the only category to increase the size of their loan portfolios. Life insurance companies, which hold the vast majority of loans to Canadian entities, lightened up by 17%.

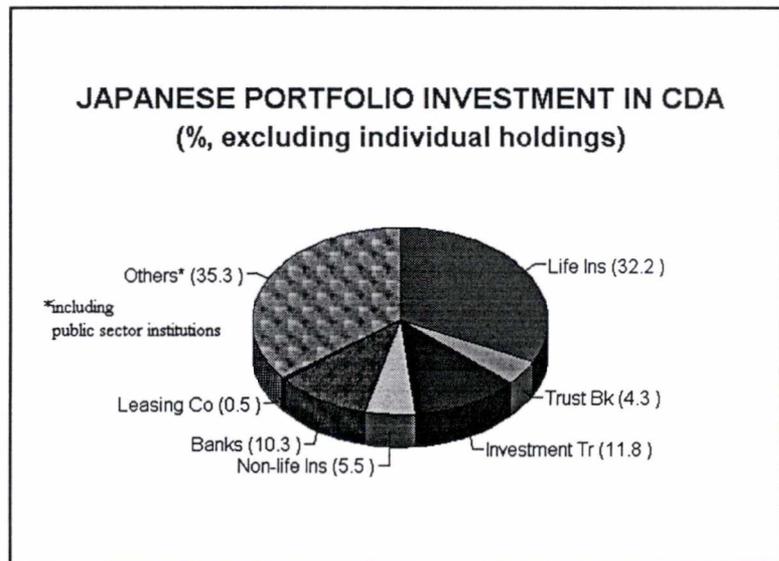
Finally, because of the notable increase in individual holdings of securities issued by Canadian entities, the retail sector has been included as separate category in the Survey for the first time. Based on information provided by Japanese underwriters, Individuals held only \$335 million of retail targeted investments as of March 31, 1996. Between April 1, 1996 and March 31, 1997, 10 separate samurai dual currency issues by Canadian borrowers, redeemed in either Australian or USA dollars, increased individual holdings of Canadian securities over 10-fold to \$3.97 billion.

INSTITUTIONAL BREAKDOWN

A consistent comparison with the 1996 Survey requires excluding the newly added "individual" category. On this basis, "Others, including Public Sector Institutions"⁴ again recorded the largest overall holdings of Canadian securities and loans with 35.3%. The Life Insurance Companies followed closely with 32.2% of the total, up from 28.5% in the 1996 Survey. Considerably farther back were Investment Trust and Management Companies (11.8%, up from 10.9% in 1996) and all Banks (10.3%, down from 12.9%). Finally, Marine and Fire Insurance Companies stabilized their holdings at 5.5% (up slightly), Trust Banks fell from 6.0% to 4.3% while Leasing Companies held only 0.5% of the total (down 0.2%).

If the Individual holdings are included, the ranking is as follows: Others, including Public Sector Institutions 31.9%; Life Insurance Companies 29.1%; Investment Trust and Management Companies 10.7%; Individuals 9.7%; all Banks 9.3%; Marine and Fire Insurance Companies 5.0%; Trust Banks 3.9%; and Leasing Companies 0.5%.⁵

One of the more significant changes is the increase in Life Insurance Company holdings which, given their positive appetite



⁴ This new nomenclature essentially replaces the previous category, "Government and Quasi-public Financial Organizations".

⁵ See Table 1a in Annex II.

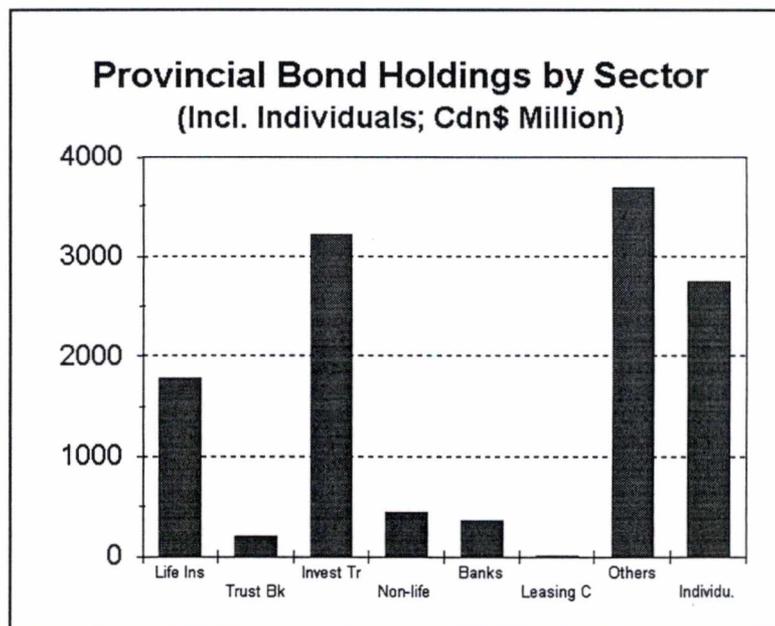
for Government of Canada bonds, reflects the search for higher yields in light of the record low interest rates domestically.

PROVINCIAL BOND HOLDINGS

Institutional investor holdings of Provincial Government Bonds fell in both absolute terms and as a portion of the total portfolio of Canadian securities held in Japan. The 15% fall in the total amount of Provincial Bonds held by institutional investors continues a trend evident in the 1996 Survey. Compared to the 1996 Survey, (i.e. excluding individual holdings), while Provincial Bonds only fell from 27.0% to 26.1% as a portion of the entire portfolio of Canadian issues held by Japanese investors, it is noteworthy that the portion of the portfolio held by Government of Canada bonds rose from 28.8% to 37.9%.⁶

The sharp fall in Provincial Government Enterprise bonds (down 54.3%) reduced this category's overall share of the portfolio from 8.8% in 1996 to just 4.5% in the 1997 Survey. Holdings of Ontario Government Enterprise Bonds recorded a significant increase while B.C and Quebec Government Enterprise Bonds reported a sharp drops (-99% and -71% respectively), although in a manner similar to the analysis of the Provincial Government Bond holdings, the significance of this figure is reduced by the large amount of "unspecified" holdings.

The fall in institutional holdings of provincial issues was more than made up for by the marked increase in individual holdings. In fact, while Japanese institutions reduced their holdings of both provincial and provincial enterprise issues by \$3.5 billion over the year, Japanese individuals increased their overall holdings of provincial issues by \$3.6 billion. Manitoba, British Columbia, Ontario, Nova Scotia and Alberta all tapped into the retail market demand for Canadian credits. While Quebec is also a very active participant in Japan's capital markets, particularly through private placements, it did not issue



⁶ See Tables 5 and 6 in Annex II for a break-down by province of Provincial Government Bond and Provincial Government Enterprise Bonds.

in the retail sector between April 1, 1996 and March 31, 1997.⁷ In the Provincial Government Enterprise Bond category, Ontario Hydro tapped the retail market with an Australian dollar dual currency issue in late 1996.

BOND PORTFOLIO MATURITIES

The trend towards shorter maturities continued across all different bond categories. 66 responses were received for this category in both 1996 and 1997 and therefore a comparison does have some validity. Within the Federal Government Bond category, 40.5% of all bonds matured within 5 years, 53.1% between 5 and 10 years while only 6.3% had a maturity date of over 10 years. Comparable figures from the 1996 Survey were 37.9%, 51.6% and 10.5% for under 5 year, 5-10 years and over 10 years maturities.

Similar results were recorded for Federal Government Enterprise Bonds where the holdings of under 5 years' maturity increased from 68.0% to 73.5%. Under 5 year issues for Provincial Government Bonds also increased from 72.0% to 81.0%; for Provincial Government Enterprise Bonds from 78.2% to 81.1%; and for Private Corporate Bonds from 72.5% to 74.8%.

All retail-targeted issues prior to March 31, 1997 were for maturities of three years or less.

CURRENCY MIX

Based on the information provided by respondents, 47.7% of all Japanese institutional holdings of Canadian securities and loans (i.e. excluding retail holdings) are nominally denominated in Canadian dollars, a slight increase from 1996. The other major currencies were USA dollars (16.0% of the total) and Japanese yen (34.3% of total holdings). Currencies held in small amounts include German marks, Sterling, Swiss francs, French francs, Italian lira, Australian dollars and Hong Kong dollars. This breakdown does not, however, take account of any subsequent swap actions by the parties involved.

The breakdown of currencies between the various categories of securities is also affected by the fact that for much of the direct loan category, the currency remains unspecified. With this caveat, Canadian dollars dominated bond and stock holdings (59.3% and 99.2% respectively, up from 56% and 77.7% in 1996) while the yen remained the currency of choice for loan issues (68.7%, up from 59.4%). USA dollar denominated loans rose from 19.7% of the total to 25.0%.

On the retail side, as mentioned above, all the issues were samurai dual currency bonds with interest paid in yen but redeemed in Australian or American dollars.

⁷ See Table 5a in Annex II for details of individual holdings of Provincial Government and Provincial Government Enterprise Bonds.

CANADIAN EXPOSURE

The total share of Canadian portfolios compared to overall foreign holdings range from 1.0% for all Banks to 10.2% for Investment Trust and Management Companies. Marine and Fire Insurance Companies show 7.0% of their foreign portfolios are in Canadian securities while Life Insurance companies record 4.4%. The lower participation rate in this category makes meaningful comparisons difficult; however, based on the available data, the 1997 Survey shows that the Canadian share of Japanese investment portfolios increased from 3.1% in 1997 to 4.1% in 1997. This figure is down from the 5.0% figure recorded in 1995 but is still slightly overweight compared to the Canadian share of most international government bond indexes.

JAPANESE SHARE OF NON-RESIDENT HOLDINGS OF CANADIAN BONDS

As of March 31, 1997, Statistics Canada reported that non-resident holdings of all Canadian bonds totalled \$355.4 billion.⁸ On the basis of Statistics Canada's own data, the Japanese share of all Canadian bonds held by non-residents was 12.7%, slightly up from the 12.4% recorded in 1996 but still down from the 15% figure for the same period in 1995. Japanese investors remain the second largest national group of non-resident holders of Canadian bonds after the USA, which held 46.9% of the total non-resident holdings.

Interestingly, according to Statistics Canada, as of December 31, 1996, Japanese investors held 13.1% of all Canadian bonds held by non-residents. Profit generating sales in January and March 1997 by Japanese investors, ahead of the March 31, 1997 end of year balancing of accounts, reduced total holdings to 12.7%.

INVESTOR STRATEGIES

The Canadian share of the total foreign holdings of Japanese investors must be placed in the context of the changing attraction of Canadian bond issues and the criteria used by Japanese investors, both institutional and individual, for investment decisions. Important shifts on both sides of the equation became increasingly evident during the period covered by the 1997 Embassy Survey.

First, throughout the period covered by the 1997 Embassy Survey, the Bank of Japan continued its accommodative record low official discount rate. For institutional investors, particularly those with life insurance or pension fund liabilities, the low interest policy resulted in considerable pressure to seek higher yielding investments outside of Japan. The major beneficiary of this fund outflow was USA Treasury bonds because of their extensive liquidity. At least part of the increase in the Life Insurance Companies' holdings of Government of Canada bonds can, however, be attributed to this development. Low yields on domestic investment

⁸ Statistics Canada, Canada's International Transactions in Securities, April 1997, Table 16, page 51.

instruments was also the reason that retail investors turned increasingly to higher yielding foreign currency-denominated issues, particularly dual currency bonds.

Second, as mentioned above, mid-1996 also witnessed the significant re-evaluation by Japanese investors of Canada as a credit risk. The realization that the federal government had produced a genuine fiscal turn-around began to hit home about mid-year as the Japanese press and investment analysts began to pay increasing attention to the Canadian deficit reduction program. The prospect of Canadian federal and provincial governments issuing fewer bonds in the future attracted an expanded interest in Canada's stable investment environment.

Third, in response to improved fiscal and economic circumstances, the yields on Canadian debt instruments fell sharply at both short and the long end. During the period of this Survey, the spreads between equivalent duration Canadian and USA bonds turned negative for maturities up to 10 years and beyond. As of March 31, 1997, Canada/USA spreads were negative along the yield curve from 3 months to almost 20 years. This sharp reversal of Canada/USA spreads acted as a disincentive for Japanese investors looking for higher yields from their foreign investments.

As a consequence, the motivation for buying Canadian securities has fundamentally changed. In the 1980s and first half of the 1990s, Canadian bonds were bought, sometimes in great amounts, by Japanese institutional investors looking for the yield pick-up they offered compared to equivalent USA issues. With the improvement in Canada's fiscal situation, however, and the consequent fall in Canada/USA bond spreads, Canada is no longer a "high yielder". Japanese portfolio investors are now buying Canadian issues for their fundamental value, the yield pick-up over yen issues (but not USA dollar issues), diversification and for the possible appreciation of the Canadian currency. In this context, investors have begun to pay closer attention to the monetary policy developments given the influence of Bank of Canada actions on the level of the currency.

This process of revision of Japanese portfolio investor strategies for Canada will likely continue. Statistics Canada monthly fund flow data between March 31 and June 30, 1997 show a considerable rise in holdings of Canadian bonds after the end of FY 1996. If, as expected, the Canadian economy continues to out-perform its G-7 counterparts over the next year, there is every expectation that Canadian bonds and equity issues, along with loans, will remain an important, if modest, segment of Japanese institutional and individual investment portfolios.

Note: For further information concerning this Survey, please contact

John C. Sloan
Counsellor (Finance)
Embassy of Canada
Telephone: (03) 5412-6294
Faximile: (03) 5412-6260

Masaharu Iwata
Staff Economist
Embassy of Canada
(03) 5412-6200 (ext. 3259)
(03) 5412-6260

ANNEX I

1997 CANADIAN EMBASSY SURVEY

Japanese Portfolio Investment in Canada

The 1997 Embassy Survey is the twelfth consecutive year the Canadian Embassy has surveyed Japanese portfolio investors. This year, due to the collapse of Nissan Mutual Life, the number of institutions surveyed declined by one. Otherwise, no other changes in the survey's composition were made this year.

Out of the 103 institutions surveyed, responses were received from 99, a 96.1% response rate. This compares to a 98.1% response rate in 1996. A summary table of the categories of institutions that were surveyed and their response rates, including those that responded to both our 1996 and 1997 surveys, is provided below:

Institutional Categories

	<u>Surveyed</u>	<u>Responses</u>	<u>Responded in 1996/1997</u>
Life insurance companies	30	30	29
Trust banks	15	14	14
Investment trust/management	14	14	14
Marine & fire insurance cos.	14	13	13
Banks	18	16	15
Leasing companies	5	5	5
Others, incl. Public Sector Inst.	7	7	7
	—	—	—
Total	103	99	97

ANNEX II

Table #1. CANADIAN SECURITY & LOAN HOLDINGS BY JAPANESE INSTITUTIONS (As of March 31, 1997)

Type of Investors	Government of Canada Bonds	Federal Gov't Enterprises Bonds	Provincial Government Bonds	Provincial Gov't Enterprises Bonds	Municipal Gov't Bonds	Private Corporate Bonds	TBs	TOTAL BONDS	STOCKS	LOANS	(C\$1,000)
											GRAND TOTAL
Life Insurance Companies	4,438,807	27,686	1,776,498	120,999	0	25,033	0	6,389,023	186,646	5,399,976	11,975,645
Trust Banking Corporations	321,600	13,843	201,144	113,513	12,471	103,686	0	766,257	198,376	652,038	1,616,670
Investment Trust/Management Companies	50,970	16,785	3,210,108	179,040	0	305,798	0	3,762,701	624,054	0	4,386,755
Marine & Fire Insurance Companies	1,307,216	26,350	449,231	159,328	0	66,670	16,360	2,025,156	11,444	25,209	2,061,809
All Banks	1,047,795	76,452	356,803	35,437	0	294,776	25,000	1,836,263	79,205	1,904,883	3,820,351
Leasing Companies	0	0	11,074	0	0	79,835	0	90,910	0	106,670	197,579
Others, including Public Sector Institutions	6,914,765	192,649	3,688,482	1,066,704	72,000	352,425	0	12,287,025	0	839,509	13,126,534
TOTAL	14,081,152	353,765	9,693,342	1,675,021	84,471	1,228,222	41,360	27,157,334	1,099,725	8,928,284	37,185,343
(as % of grand total)											
Life Insurance Companies	11.9	0.1	4.8	0.3	0.0	0.1	0.0	17.2	0.5	14.5	32.2
Trust Banking Corporations	0.9	0.0	0.5	0.3	0.0	0.3	0.0	2.1	0.5	1.8	4.3
Investment Trust/Management Companies	0.1	0.0	8.6	0.5	0.0	0.8	0.0	10.1	1.7	0.0	11.8
Marine & Fire Insurance Companies	3.5	0.1	1.2	0.4	0.0	0.2	0.0	5.4	0.0	0.1	5.5
All Banks	2.8	0.2	1.0	0.1	0.0	0.8	0.1	4.9	0.2	5.1	10.3
Leasing Companies	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.2	0.0	0.3	0.5
Others, including Public Sector Institutions	18.6	0.5	9.9	2.9	0.2	0.9	0.0	33.0	0.0	2.3	35.3
TOTAL	37.9	1.0	26.1	4.5	0.2	3.3	0.1	73.0	3.0	24.0	100.0

Source: Compiled by the Canadian Embassy, Tokyo, based on total sample (99 firms).

Note) Exchange rates used for conversion are as follows: C\$ 1.3843 per US\$; C\$ 0.01119 per ¥; C\$ 0.8303 per DM; C\$ 2.2775 per STG; C\$ 0.9625 per SFR; C\$ 0.2467 per FR; C\$ 0.00083 per LIR; C\$ 1.0853 per A\$; C\$ 0.1796 per HK\$.

Table #1a. CANADIAN SECURITY & LOAN HOLDINGS BY JAPANESE INSTITUTIONS (As of March 31, 1997) --- including individual holdings

Type of Investors	(C\$1,000)										
	Government of Canada Bonds	Federal Gov't Enterprises Bonds	Provincial Government Bonds	Provincial Gov't Enterprises Bonds	Municipal Gov't Bonds	Private Corporate Bonds	TBs	TOTAL BONDS	STOCKS	LOANS	GRAND TOTAL
Life Insurance Companies	4,438,807	27,686	1,776,498	120,999	0	25,033	0	6,389,023	186,646	5,399,976	11,975,645
Trust Banking Corporations	321,600	13,843	201,144	113,513	12,471	103,686	0	766,257	198,376	652,038	1,616,670
Investment Trust/Management Companies	50,970	16,785	3,210,108	179,040	0	305,798	0	3,762,701	624,054	0	4,386,755
Marine & Fire Insurance Companies	1,307,216	26,350	449,231	159,328	0	66,670	16,360	2,025,156	11,444	25,209	2,061,809
All Banks	1,047,795	76,452	356,803	35,437	0	294,776	25,000	1,836,263	79,205	1,904,883	3,820,351
Leasing Companies	0	0	11,074	0	0	79,835	0	90,910	0	106,670	197,579
Others, including Public Sector Institutions	6,914,765	192,649	3,688,482	1,066,704	72,000	352,425	0	12,287,025	0	839,509	13,126,534
Individuals	0	671,400	2,741,550	559,500	0	0	0	3,972,450	0	0	3,972,450
TOTAL	14,081,152	1,025,165	12,434,892	2,234,521	84,471	1,228,222	41,360	31,129,784	1,099,725	8,928,284	41,157,793
(as % of grand total)											
Life Insurance Companies	10.8	0.1	4.3	0.3	0.0	0.1	0.0	15.5	0.5	13.1	29.1
Trust Banking Corporations	0.8	0.0	0.5	0.3	0.0	0.3	0.0	1.9	0.5	1.6	3.9
Investment Trust/Management Companies	0.1	0.0	7.8	0.4	0.0	0.7	0.0	9.1	1.5	0.0	10.7
Marine & Fire Insurance Companies	3.2	0.1	1.1	0.4	0.0	0.2	0.0	4.9	0.0	0.1	5.0
All Banks	2.5	0.2	0.9	0.1	0.0	0.7	0.1	4.5	0.2	4.6	9.3
Leasing Companies	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.2	0.0	0.3	0.5
Others, including Public Sector Institutions	16.8	0.5	9.0	2.6	0.2	0.9	0.0	29.9	0.0	2.0	31.9
Individuals	0.0	1.6	6.7	1.4	0.0	0.0	0.0	9.7	0.0	0.0	9.7
TOTAL	34.2	2.5	30.2	5.4	0.2	3.0	0.1	75.6	2.7	21.7	100.0

Source: Compiled by the Canadian Embassy, Tokyo based on our survey of 99 firms and retail-targetted bond issues from a Japanese securities firm.

Note) Exchange rates used for conversion are as follows: C\$ 1.3843 per US\$; C\$ 0.01119 per ¥; C\$ 0.8303 per DM; C\$ 2.2775 per STG;

C\$ 0.9625 per SFR; C\$ 0.2467 per FR; C\$ 0.00083 per LIR; C\$ 1.0853 per A\$; C\$ 0.1796 per HK\$.

Table #2. CANADIAN SECURITY & LOAN HOLDINGS BY JAPANESE INSTITUTIONS (As of March 31, 1997) --- Adjusted Basis (refer to Note)

Type of Investors	(C\$1,000)										
	Government of Canada Bonds	Federal Gov't Enterprises Bonds	Provincial Government Bonds	Provincial Gov't Enterprises Bonds	Municipal Gov't Bonds	Private Corporate Bonds	TBs	TOTAL BONDS	STOCKS	LOANS	GRAND TOTAL
Life Insurance Companies	4,423,807	27,686	1,711,126	115,999	0	25,033	0	6,303,651	186,646	5,399,976	11,890,273
Trust Banking Corporations	321,600	13,843	201,144	113,513	12,471	103,686	0	766,257	198,376	652,038	1,616,670
Investment Trust/Management Companies	50,970	16,785	3,210,108	179,040	0	305,798	0	3,762,701	624,054	0	4,386,755
Marine & Fire Insurance Companies	1,307,216	26,350	449,231	159,328	0	66,670	16,360	2,025,156	11,444	25,209	2,061,809
All Banks	52,051	21,080	176,560	34,437	0	247,090	25,000	556,218	77,105	1,904,883	2,538,206
Leasing Companies	0	0	11,074	0	0	79,835	0	90,910	0	106,670	197,579
Others, including Public Sector Institutions	6,914,765	192,649	3,688,482	1,066,704	72,000	352,425	0	12,287,025	0	839,509	13,126,534
TOTAL	13,070,408	298,393	9,447,727	1,669,021	84,471	1,180,536	41,360	25,791,917	1,097,625	8,928,284	35,817,827
(rate of increase over the previous year; %)											
Life Insurance Companies	43.1	-	(11.3)	(12.4)	-	11.8	-	21.8	55.9	(17.0)	0.7
Trust Banking Corporations	(3.3)	(52.0)	(60.4)	(27.4)	(44.5)	(64.7)	-	(42.9)	(41.0)	(13.3)	(33.5)
Investment Trust/Management Companies	(55.7)	(64.2)	11.6	(87.4)	-	590.8	-	(16.3)	21,272.3	-	(2.5)
Marine & Fire Insurance Companies	40.1	(49.9)	(34.5)	48.9	-	(57.5)	105.9	4.2	(77.5)	(75.0)	(1.6)
All Banks	(91.4)	(10.8)	(41.2)	(35.3)	-	(2.1)	0.0	(55.8)	1,003.1	(47.2)	(47.9)
Leasing Companies	-	-	35.8	(100.0)	-	(49.0)	-	(53.9)	(100.0)	64.8	(35.2)
Others, including Public Sector Institutions	2.2	5.6	(23.3)	(39.2)	(52.9)	(8.2)	-	(12.5)	-	(4.2)	(12.0)
TOTAL	10.4	(10.7)	(15.0)	(54.3)	(51.9)	(9.8)	25.5	(9.4)	96.0	(25.0)	(12.5)

Source: Compiled by the Canadian Embassy, Tokyo.

Note: Adjusted to only include those 97 firms that responded to Embassy's 1996 and 1997 Surveys.

Table #3. CANADIAN SECURITY & LOAN HOLDINGS BY JAPANESE INSTITUTIONS (As of March 31, 1997) --- Breakdown by Currencies

Type of Investors	Unit	Government of Canada Bonds	Federal Government Enterprises Bonds	Provincial Government Bonds	Provincial Government Enterprises Bonds	Municipal Government Bonds	Private Corporate Bonds	TBs	BONDS TOTAL	STOCKS	LOANS	GRAND TOTAL
Life Insurance Companies	C\$	4,237,919		444,789	95,000				4,777,708	178,042	48,000	5,003,750
	US\$	145,118	20,000	213,813			10,000		388,931	6,216		395,147
	YEN			92,358,331			1,000,000		93,358,331		478,282,011	571,640,342
	STG				10,000				10,000			10,000
	SFR				3,350				3,350			3,350
	FR			9,071					9,071			9,071
Trust Banking Corporations	C\$	321,600		27,500		12,471	1,387		362,958	198,376	10,600	571,934
	US\$		10,000	44,750	82,000		41,755		178,505		267,985	446,490
	YEN			9,167,741					9,167,741		22,450,000	31,617,741
	STG			4,000					4,000			4,000
	SFR										20,000	20,000
	A\$						41,000		41,000			41,000
Investment Trust and	C\$	50,970		500					51,470	624,054		675,524
	US\$			30,000			26,900		56,900			56,900
	YEN		1,500,000	283,117,000	16,000,000		24,000,000		324,617,000			324,617,000
Marine and Fire Insurance	C\$	1,300,295	15,160	105,000	87,920		30,062	16,360	1,554,797	11,444		1,566,241
	US\$	5,000		55,182	37,842		2,195		100,219			100,219
	YEN		1,000,000	23,564,956	1,700,000		3,000,000		29,264,956		2,252,835	31,517,791
	DM			5,000					5,000			5,000
All Banks	C\$	888,600		21,000	1,000		55,000	25,000	990,600	79,205	484,626	1,554,431
	US\$	115,000	55,228	177,036	24,877		88,197		460,338		794,567	1,254,905
	YEN			1,222,610					1,222,610		28,627,185	29,849,795
	DM			75,000			70,000		145,000			145,000
	STG						20,000		20,000			20,000
	SFR			15,355					15,355			15,355
	A\$						12,085		12,085			12,085
HK\$						5,000		5,000			5,000	
Leasing Companies	US\$			8,000			12,000		20,000		10,000	30,000
	YEN						5,650,000		5,650,000		8,295,500	13,945,500
Others, including Public Institutions	C\$	6,894,000		638,000	591,000	72,000	175,000		8,370,000			8,370,000
	US\$	15,000	123,000	1,009,025	308,000		15,000		1,470,025		541,782	2,011,807
	YEN		2,000,000	112,197,000			14,000,000		128,197,000		8,000,000	136,197,000
	STG			30,000					30,000			30,000
	FR				200,000				200,000			200,000
	LIR			183,000,000					183,000,000			183,000,000
A\$			164,000					164,000			164,000	
TOTAL	C\$	13,693,384	15,160	1,236,789	774,920	84,471	261,449	41,360	16,107,533	1,091,121	543,226	17,741,880
	US\$	280,118	208,228	1,537,806	452,719		196,047		2,674,918	6,216	1,614,334	4,295,468
	YEN		4,500,000	521,627,638	17,700,000		47,650,000		591,477,638		547,907,531	1,139,385,169
	DM			80,000			70,000		150,000			150,000
	STG			34,000	10,000		20,000		64,000			64,000
	SFR			15,355	3,350				18,705		20,000	38,705
	FR			9,071	200,000				209,071			209,071
	LIR			183,000,000					183,000,000			183,000,000
	A\$			164,000			53,085		217,085			217,085
	HK\$						5,000		5,000			5,000

Source: Compiled by the Canadian Embassy, Tokyo, based on total sample (99 firms).

**Table #4. OUTSTANDING JAPANESE SECURITIES INVESTMENT
& LOANS IN CANADA BY CURRENCIES
(as of March 31, 1997)**

(%)

TYPE OF CURRENCIES	BONDS	STOCKS	LOANS	GRAND TOTAL
C\$	59.3	99.2	6.1	47.7
US\$	13.6	0.8	25.0	16.0
YEN	24.4	0.0	68.7	34.3
DM	0.5	0.0	0.0	0.3
STG	0.5	0.0	0.0	0.4
SFR	0.1	0.0	0.2	0.1
FR	0.2	0.0	0.0	0.1
LIR	0.6	0.0	0.0	0.4
A\$	0.9	0.0	0.0	0.6
HK\$	0.003	0.0	0.0	0.002
Total	100.0	100.0	100.0	100.0

Source: Compiled by the Canadian Embassy, Tokyo,
based on total sample (99 firms).

Note: Percentages calculated on basis of various currencies
converted to Canadian dollars as per conversion rates
listed on Table #1.

Table #5. Breakdown of Provincial Government Bond Holdings by Japanese Institutions (As of March 31, 1997)

Type of Investors	(C\$1,000)										
	Alberta	B.C.	Manitoba	New Brunswick	Newfoundland	Nova Scotia	Ontario	Quebec	Saskatchewan	Unspecified	Total
Life Insurance Companies	22,380	100,702	39,709	0	85,120	52,961	523,674	901,952	50,000	0	1,776,498
Trust Banking Corporations	2,423	19,595	668	0	0	2,555	157,036	18,868	0	0	201,144
Investment Trust/Management Companies	112	387,174	71,907	0	0	26,643	444,869	2,279,403	0	0	3,210,108
Marine & Fire Insurance Companies	5,000	57,428	33,570	0	5,595	5,595	162,836	179,207	0	0	449,231
All Banks	0	9,963	918	0	11,190	15,249	226,741	80,289	12,455	0	356,803
Leasing Companies	0	0	0	0	0	0	0	11,074	0	0	11,074
Others, including Public Sector Institutions	0	67,140	2,719	0	0	7,039	209,273	45,938	0	3,356,373	3,688,482
TOTAL	29,914	642,002	149,491	0	101,905	110,041	1,724,429	3,516,733	62,455	3,356,373	9,693,342

Table #6. Breakdown of Provincial Government Enterprise Bond Holdings by Japanese Institutions (As of March 31, 1997)

Type of Investors	(C\$1,000)						
	Alberta	B.C.	Nova Scotia	Ontario	Quebec	Unspecified	Total
Life Insurance Companies	0	0	0	65,000	55,999	0	120,999
Trust & Banking Corporations	0	0	0	2,769	110,744	0	113,513
Investment Trust/Management Companies	0	0	0	0	179,040	0	179,040
Marine & Fire Insurance Companies	0	1,000	0	98,480	59,848	0	159,328
All Banks	0	0	0	7,887	27,550	0	35,437
Leasing Companies	0	0	0	0	0	0	0
Others, including Public Sector Institutions	0	0	0	0	0	1,066,704	1,066,704
TOTAL	0	1,000	0	174,135	433,181	1,066,704	1,675,021

Source: Compiled by the Canadian Embassy, Tokyo, based on total sample (99 firms).

Table #5a. Breakdown of Provincial Government Bond Holdings by Japanese Institutions (As of March 31, 1997)

--- incl. individual holdings

(C\$1,000)

Type of Investors	Alberta	B.C.	Manitoba	New Brunswick	Newfoundland	Nova Scotia	Ontario	Quebec	Saskatchewan	Unspecified	Total
Life Insurance Companies	22,380	100,702	39,709	0	85,120	52,961	523,674	901,952	50,000	0	1,776,498
Trust Banking Corporations	2,423	19,595	668	0	0	2,555	157,036	18,868	0	0	201,144
Investment Trust/Management Companies	112	387,174	71,907	0	0	26,643	444,869	2,279,403	0	0	3,210,108
Marine & Fire Insurance Companies	5,000	57,428	33,570	0	5,595	5,595	162,836	179,207	0	0	449,231
All Banks	0	9,963	918	0	11,190	15,249	226,741	80,289	12,455	0	356,803
Leasing Companies	0	0	0	0	0	0	0	11,074	0	0	11,074
Others, including Public Sector Institutions	0	67,140	2,719	0	0	7,039	209,273	45,938	0	3,356,373	3,688,482
Individuals	335,700	1,063,050	111,900	0	0	279,750	951,150	0	0	0	2,741,550
TOTAL	365,614	1,705,052	261,391	0	101,905	389,791	2,675,579	3,516,733	62,455	3,356,373	12,434,892

Table #6a. Breakdown of Provincial Government Enterprise Bond Holdings by Japanese Institutions (As of March 31, 1997)

--- including individual holdings

(C\$1,000)

Type of Investors	Alberta	B.C.	Nova Scotia	Ontario	Quebec	Unspecified	Total
Life Insurance Companies	0	0	0	65,000	55,999	0	120,999
Trust & Banking Corporations	0	0	0	2,769	110,744	0	113,513
Investment Trust/Management Companies	0	0	0	0	179,040	0	179,040
Marine & Fire Insurance Companies	0	1,000	0	98,480	59,848	0	159,328
All Banks	0	0	0	7,887	27,550	0	35,437
Leasing Companies	0	0	0	0	0	0	0
Others, including Public Sector Institutions	0	0	0	0	0	1,066,704	1,066,704
Individuals	0	0	0	559,500	0	0	559,500
TOTAL	0	1,000	0	733,635	433,181	1,066,704	2,234,521

Source: Compiled by the Canadian Embassy, Tokyo based on our survey of 99 firms and retail-targetted bond issues from a Japanese securities firm.

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Table #7. CANADIAN SECURITY & LOAN HOLDINGS BY JAPANESE INSTITUTIONS BY MATURITY (As of March 31, 1997)

(%)

Type of Investors	Federal Govt Bonds			Federal Govt Enterprises Bonds			Provincial Govt Bonds			Provincial Govt Enterprises Bonds			Municipal Govt Bonds			Private Corporate Bonds			TBs
	5 yrs or less	5-10 years	10 yrs or over	5 yrs or less	5-10 years	10 yrs or over	5 yrs or less	5-10 years	10 yrs or over	5 yrs or less	5-10 years	10 yrs or over	5 yrs or less	5-10 years	10 yrs or over	5 yrs or less	5-10 years	10 yrs or over	5 yrs or less
Life Insurance Companies	37.5	53.9	8.6	0.0	0.0	100.0	56.8	18.7	24.5	79.5	4.1	16.4	-	-	-	55.3	0.0	44.7	-
Trust Banking Corporations	27.9	72.1	0.0	-	-	-	85.3	14.7	0.0	100.0	0.0	0.0	100.0	0.0	0.0	100.0	0.0	0.0	-
Investment Trust & Management Companies	94.0	2.1	3.9	100.0	0.0	0.0	96.9	3.1	0.0	100.0	0.0	0.0	-	-	-	23.1	40.4	36.4	-
Marine & Fire Insurance Companies	51.9	42.8	5.3	100.0	0.0	0.0	78.9	11.5	9.6	46.8	50.1	3.2	-	-	-	45.1	54.9	0.0	100.0
All Banks	40.3	59.7	0.0	80.0	20.0	0.0	84.4	15.6	0.0	100.0	0.0	0.0	-	-	-	80.7	19.0	0.4	-
Leasing Companies	-	-	-	-	-	-	100.0	0.0	0.0	-	-	-	-	-	-	41.8	2.1	56.1	-
Others, including Public Sector Institutions	-	-	-	100.0	0.0	0.0	95.8	4.2	0.0	-	-	-	-	-	-	100.0	0.0	0.0	-
Total	40.5	53.1	6.3	73.5	8.8	17.7	81.0	10.0	9.0	81.1	14.6	4.3	100.0	0.0	0.0	74.8	13.5	11.7	100.0

Source: Compiled by Canadian Embassy, Tokyo

Note: Based on 66 responses as follows: Life Insurance Companies = 25, Trust Banking Corporations = 9, Investment Trust/Management Companies = 5, Marine/Fire Insurance Companies = 12, all Banks = 8, Leasing Companies = 3 and Others = 4.

Table #8. RELATIVE SHARE OF CANADIAN PORTFOLIO IN OUTSTANDING FOREIGN PORTFOLIO (As of March 31, 1997)

Type of Investors	Share of Canadian Portfolio (%)
Life Insurance Companies	4.4
Trust Banking Corporations	1.8
Investment Trust & Management Companies	10.2
Marine & Fire Insurance Companies	7.0
All Banks	1.0
Leasing Companies	7.4
Others, including Public Sector Institutions	1.8
Total	4.1

Note: Based on 53 responses as follows: Life Insurance Companies = 22, Trust Banking Corporations = 7, Investment Trust/Management Companies = 3, Marine/Fire Insurance Companies = 10, all Banks = 6, Leasing Companies = 2 and Others = 3.

Source: Compiled by Canadian Embassy, Tokyo

