

Japanese institutions weigh semi-liquid funds as gateway to global markets

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While some asset allocators are hesitant, life insurers, regional banks and corporate pensions are increasingly drawn to these vehicles for their blend of yield, periodic liquidity and scalable access to top-tier managers.



Japanese institutional investors are exploring semi-liquid funds as a strategic entry into global private markets, but not everyone is convinced the trend has fully taken root.

Nick Harrold, partner at Maples Group, views semi-liquid funds -- which invest in illiquid assets such as private credit or equity -- as a measured entry point into alternatives, especially for institutions that prefer gradual scaling over large, long-term commitments.

"Semi-liquid funds give other institutions — particularly regional banks and corporate pensions — a way to scale into alternatives more gradually," Harrold said.

These vehicles allow smaller ticket sizes and offer periodic liquidity windows, which provide comfort for liability management.

Harrold highlighted the importance of clear disclosure, noting that quarterly redemptions are capped and can be delayed during market stress.

Steve Alain Lawrence, CIO at Balfour Capital, echoed Harrold's optimism, highlighting that Japanese insurers and corporate pensions are at the forefront of this movement.

Dai-ichi Life, for example, has committed billions to private credit and real assets through semi-liquid partnerships. Public pensions like GPIF remain cautious but have shown interest via infrastructure co-investment platforms, he said.



Nick Harrold
Maples Group

KEY DRIVERS

Lawrence attributes the appeal of semi-liquid funds to three key factors: yield, optics of liquidity and global access.

Quarterly redemption features—though gated—help boards justify allocations, while feeder structures allow Japanese investors to tap into global managers without building complex in-house programs.

"These drivers make semi-liquid funds attractive, even if their true liquidity is highly limited," Lawrence said.



Steve Alain Lawrence
Balfour Capital Group

Private credit has emerged as a favorite among life insurers, offering floating-rate yields and shorter duration that align well with liability-driven portfolios.

Infrastructure is also gaining traction due to its tangible, cash-generating nature, while private equity remains central for institutions seeking long-term growth.

Japanese managers are now creating fund-of-funds that feed into flagship semi-liquid strategies tailored for domestic institutions.

Popular vehicles include BCRED, Apollo Debt Solutions and Blue Owl Credit Income Corp. in private credit; BREIT, Starwood's SREIT and KKR's KREST in real estate; and Brookfield's Infrastructure Income Fund and GPIF's co-investment platform in infrastructure, according to Lawrence.

Still, he cautioned that institutions are underwriting these strategies as illiquid, long-term allocations rather than genuinely flexible investments.

Naoya Sugimoto, co-CIO and managing director of the Japan University Fund, remains cautious.



Naoya Sugimoto
Japan University Fund

While he acknowledges a surge in semi-liquid product launches targeting wealth and retail segments, he said institutional asset allocators have yet to embrace the format.

“Regarding institutional asset allocators, I haven't seen a specific trend toward semi-liquid products,” Sugimoto told *AsianInvestor*.

He noted that corporate pension funds continue to prioritise liquidity, favouring open-end structures for income-generating assets such as core real estate, infrastructure, and private debt.

“They understand the necessary liquidity trade-off for private equity,” he added, suggesting that institutions are wary of semi-liquid formats despite growing market enthusiasm.

CHALLENGES AHEAD

Despite their advantages, semi-liquid funds come with challenges.

The most pressing is managing the liquidity promise. Quarterly redemptions are capped, and in times of market stress, exits can be delayed.

“The ‘liquidity promise’ is only a commitment to allow redemptions up to a set percentage of the portfolio—so clear disclosure is critical,” Harrold warned.

Valuation is another hurdle, as frequent pricing of private assets is more complex than for public securities.

Lawrence added that operational issues such as FX hedging, borrowing to manage redemptions, and regulatory compliance further complicate fund management.

GLOBAL IMPLICATIONS

Globally, semi-liquid formats are scaling rapidly.

Japan stands out in Asia, thanks to its vast savings pool and institutional appetite for alternatives.

“Industry surveys show semi-liquid formats crossing \$450 billion in assets under management, with expectations they will account for nearly half of private markets fundraising in the next two years,” Lawrence said.

While Europe has Long-Term Investment Funds (LTIFs) and the UK has Long-Term Asset Funds (LTAFs), Japan is leading the way in Asia as semi-liquid funds transition from retail to institutional channels.

“For Japanese investors, the typical structure is a Cayman unit trust feeding into an underlying Luxembourg or Irish master fund — often a SICAV RAIF -- though in some cases managers may also use US structures such as a BDC for credit strategies,” Harrold said.

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