

**BANK OF ISRAEL**

Office of the Spokesperson and Economic Information

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Press Release:

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**Together we will march—examining the similarity in institutional investors’ asset portfolios and its implications**

* The scope of long-term savings managed by institutional investors continues to increase consistently, and has reached NIS 2.2 trillion—132 percent of GDP (July 2022). There are 11 entities that concentrate 90 percent of the assets managed. Of those, 4 entities alone concentrate 50 percent of the assets.
* Alongside the size and concentration of institutional investors’ holdings in the domestic capital market, it is important to examine the extent of diversification of their asset portfolios and to measure the level of similarity across them: thus, in a case of a significant shock, considerable similarity in asset portfolios is liable to serve as a pass through channel from an idiosyncratic event to a systemic one.
* An analysis of the extent of similarity in (tradable) asset portfolios of institutional investors in Israel indicates that it is very high. In contrast, the extent of similarity in (tradable) asset portfolios abroad is markedly lower, though it is still high relative to existing benchmarks.
* The high similarity in the domestic portfolio derives from, among other things, the relatively small amount of potential assets for investment, but, apparently, also from the herd behavior in the investments of institutional investors.
* In view of the many possibilities for investment abroad and in view of the consistent increase in the scope of assets, there should be continued encouragement of geographically varying the asset portfolio and of examining the extent of effectiveness of existing regulation.