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Investor insight

Global Asset Owner Survey

Traps and Transitions

November 2022

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Why read on?

A secular macroeconomic transition has created an unenviable series of choices—and potential traps—for pension funds, insurers, endowments, foundations, family offices and other 'asset owners' around the globe.

Politicians and central bankers in 'developed market' economies must try to steer a course between the Scylla of inflation and the Charybdis of recession, while investors must anticipate facing both — potentially at the same time. Amid the prevailing uncertainty, bfinance's biennial Asset Owner Survey draws on the experiences and views of nearly 400 senior investors, whose institutions are responsible for stewarding assets in excess of US$ 13 trillion.

The year 2022 has found many investors in 'Catch-22' debates. Do we 'underweight' risk assets versus our long-term expected allocation, like 28% of investor respondents, or overweight them along with 21% of investors (p.11)? Do we boost 'inflation sensitivity', like 43% of respondents, even though relevant asset classes may increase our sensitivity to recession and/or reduce our liquidity (p.14)? Do we make fresh commitments to private markets strategies, with received wisdom promising strong upcoming vintages, when this may leave us more constrained amid future liquidity squeezes? Do we move to benefit from today's higher rates in fixed income, despite vulnerability to future rate rises? Or do we add 'floating rate' debt that will resist interest rate hikes, knowing that this typically increases credit risk, when higher defaults are also expected? At a high level, do we focus on achieving predefined objectives or question whether those objectives are still wholly appropriate in a new climate?

Looking at long-term themes, some of the most notable trends of the post-GFC era appear to have stalled, if not reversed. The move towards passive management, which was still evident as recently as the 2018 study, now appears to be swinging in the opposite direction: 20% of investors expect to shift towards **active management** in the next 18 months in asset classes where both active and passive options are available (*Reorienting investment portfolios*, p.16). The average investor is no longer managing to **cut costs**, despite falling fees in a number of major asset classes, and the **insourcing** trend has inverted (*The resourcing challenge*, p.25).

Other post-GFC trends are still very much in force, or even reinforced. The huge surge of activity in **'ESG' practices** such as carbon measurement/reduction and impact investing appears to be proceeding undiminished; indeed, the energy crisis in Europe may even strengthen the investment case associated with backing the energy transition (*The ESG imperative*, p.21-2). Investment teams are still growing to handle a more complex world (p.26). Although many investors are more heavily exposed to illiquid strategies following declines in public market portfolios, we still see a trend in favour of **boosting exposure to private markets**—particularly private debt and infrastructure—over the next 18 months (p.12).

And, just as the GFC set the stage for a decade of change, it appears likely that investors' ability to ride out the current (as-yet-unnamed) period of upheaval will shape their priorities going forward. **Only 56% of investors are satisfied** with how their portfolio has performed in 2022 so far (*A year of turmoil*, p.7) and, while 63% are satisfied with their active managers, these have proven disappointing in certain asset classes (p.8). Although many pension funds with explicit liabilities have seen their funding ratios improve in 2022 (48% "better" versus 27% "worse"), thanks to the liability-diminishing effect of higher discount rates, endowments/foundations with explicit liabilities are now in a tougher position.

We hope that these findings provide actionable food for thought, both for investors that are navigating through challenging terrain and for the asset managers and other providers who should serve the interests of the asset owner community. Further information about bfinance Investor Research can be found on page 33.

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Key findings at a glance

56% are satisfied with their performance 2022

page 7

87% say inflation and rising rates will impair their ability to achieve their investment objectives

24% "very concerned"

page 14

63% are satisfied with their Active Managers in 2022

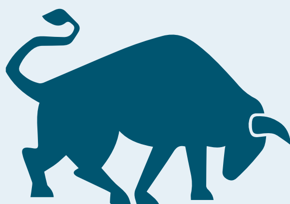
Infrastructure managers:
95% satisfaction rating

Emerging market equity managers:
37% satisfaction rating

page 8

52% will increase exposure to Private Markets vs. **6%** decreasing

page 12



Only **28%** are underweight risk assets versus their long-term allocation.

Most defensive: **Insurers**
5% overweight
52% underweight

page 11

Private Market rebalancing:

49% of investors can "wait as long as it takes" when over-exposed to private markets

Most patient: USA
71% can "wait as long as it takes"

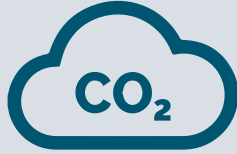
Least patient: Australia
26% can "wait as long as it takes"

page 19

Key findings at a glance continued

32% are reducing portfolio carbon emissions,

+ **34%** planning to do so



25% do "impact investing"
+ **32%** planning to do so

page 22

Trend to 'passive' comes to an end

20% will move towards active management vs. **14%** moving towards passive

page 16

30% have outsourced more to external managers vs. **8%** insourcing

page 26

Only **27%** have decreased costs over the past three years, down from **41%** in 2018

page 25

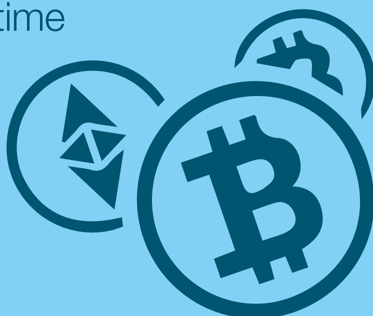
54% say equity manager fees are decreasing 'like for like'

vs. just **20%** for private equity

page 28

21% expect to have cryptocurrency exposure in five years' time

vs. **8%** today



page 17

36% would be "unlikely to hire an external asset manager" who lacks gender/ethnic diversity

page 23

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About the respondents

396 senior investors, whose institutions are responsible for more than 13 trillion US dollars in assets, participated in this research in September 2022.

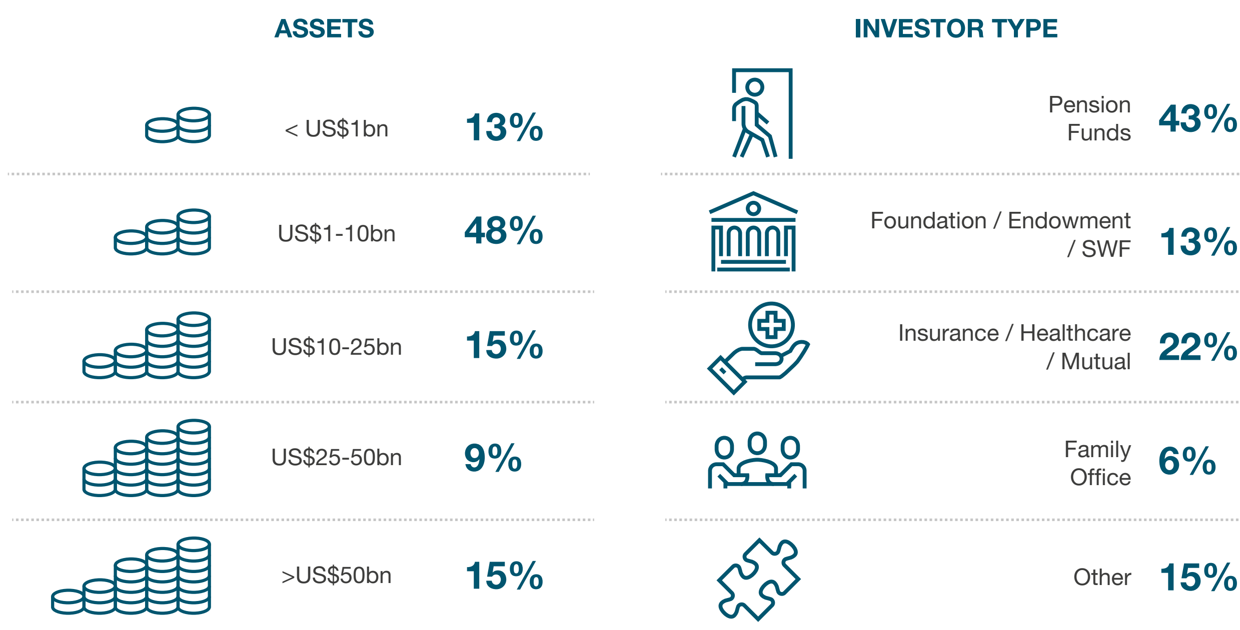
This group is extremely diverse in terms of institution **type, size** and **location**; the results shown in this report are often presented through one or more of these demographic lenses.

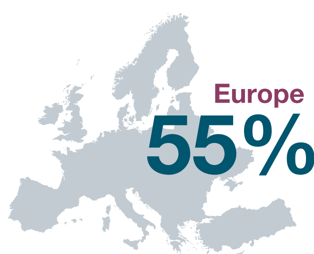
Respondents are based in **40 countries** across six continents (Asia, Europe, Africa, North America, South America and Oceania). Where findings are presented by geography, we generally show three regional groups: Europe, the Americas (very heavily dominated by North America) and the others ("Asia Pacific & MidEast & Africa"). Since the regions are themselves very diverse, we have occasionally shown results for the top seven countries in terms of respondent count—US, Canada, the UK, the Netherlands, Germany, Italy and Australia—as well as Japan.

Nearly half of the investors (43%) are pension funds, followed by insurers, endowments / foundations and family offices. Other respondents included sovereign wealth funds (SWF, grouped with endowments), healthcare entities (grouped with insurers), wealth managers, multilateral institutions and more. All categories are well represented across all three regions, although the European data features a lower proportion of endowments and a higher proportion of insurers and family offices.

Respondents are very welcome to request more granular segmentation for relevant questions.

FIGURE 1: DEMOGRAPHICS





A year of turmoil

Before seeking to identify medium- and longer-term strategic trends, it is important to consider current context and sentiment; 2022 has been a year of major market and macroeconomic upheaval, following two years of uncertainty.

Classic diversification (bonds vs. equities) has provided little protection. Assumptions about the impact of rising rates and the portfolio's sensitivity to inflation are being tested. Risk models and liquidity/cashflow management have, at times, been strained. Such periods can either validate and re-underwrite investors' strategies or provoke re-evaluation.

Performance

Only 56% of investors are "very" or "quite" satisfied with their overall performance so far in 2022. (By way of comparison, 82% responded positively to a comparable question in Summer 2020). Yet, in an extremely interesting contrast, most do not appear to be laying the blame at the door of their strategy (e.g. their strategic asset allocation): 82% are satisfied with performance there. Various other inputs can drive results: active management is one obvious candidate, and here we find 63% of investors "satisfied"—with North Americans and Endowments leading the pack in terms of positive feedback.

FIGURE 2: HOW SATISFIED ARE YOU WITH YOUR PERFORMANCE IN 2022 SO FAR? (OVERALL, STRATEGY E.G. SAA AND ACTIVE MANAGEMENT)

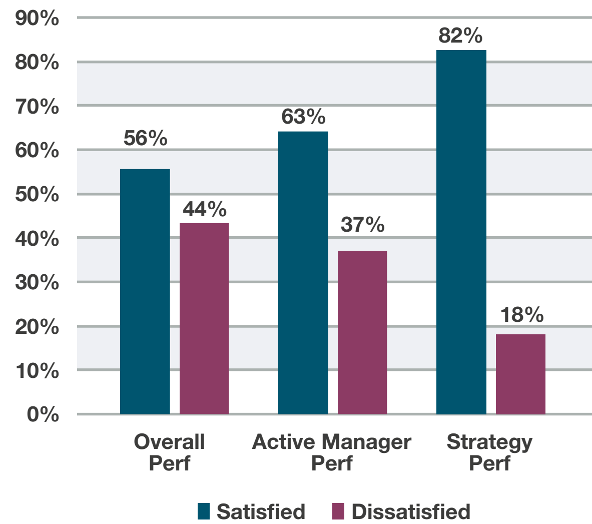
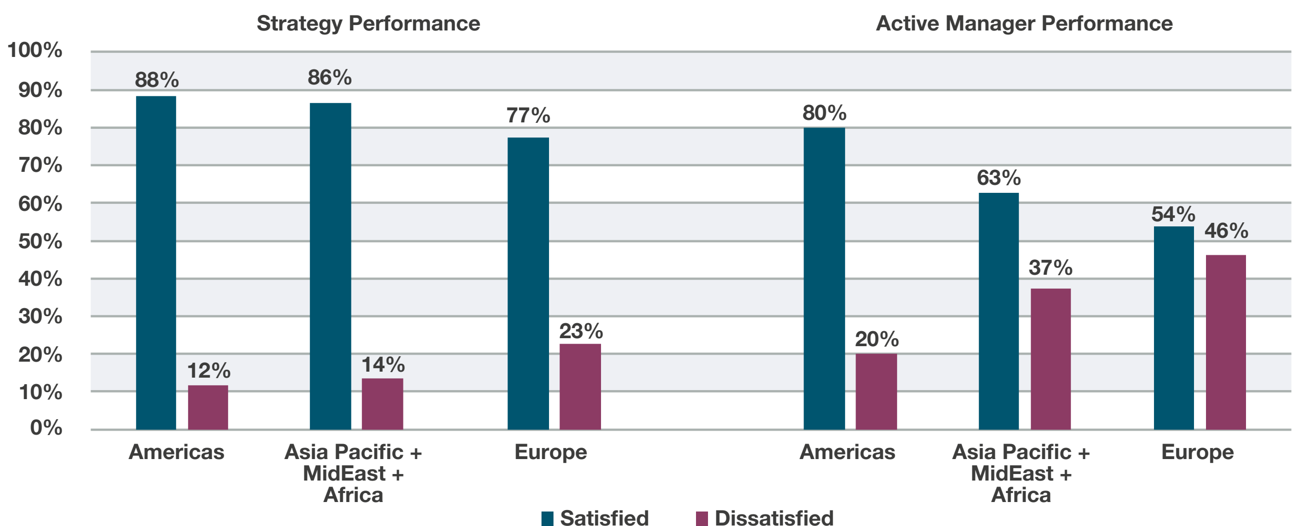


FIGURE 3: HOW SATISFIED ARE YOU WITH THE PERFORMANCE OF YOUR STRATEGY (E.G. SAA) AND YOUR ACTIVE MANAGEMENT? *RESULTS BY REGION*



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A year of turmoil continued

Satisfaction with active managers

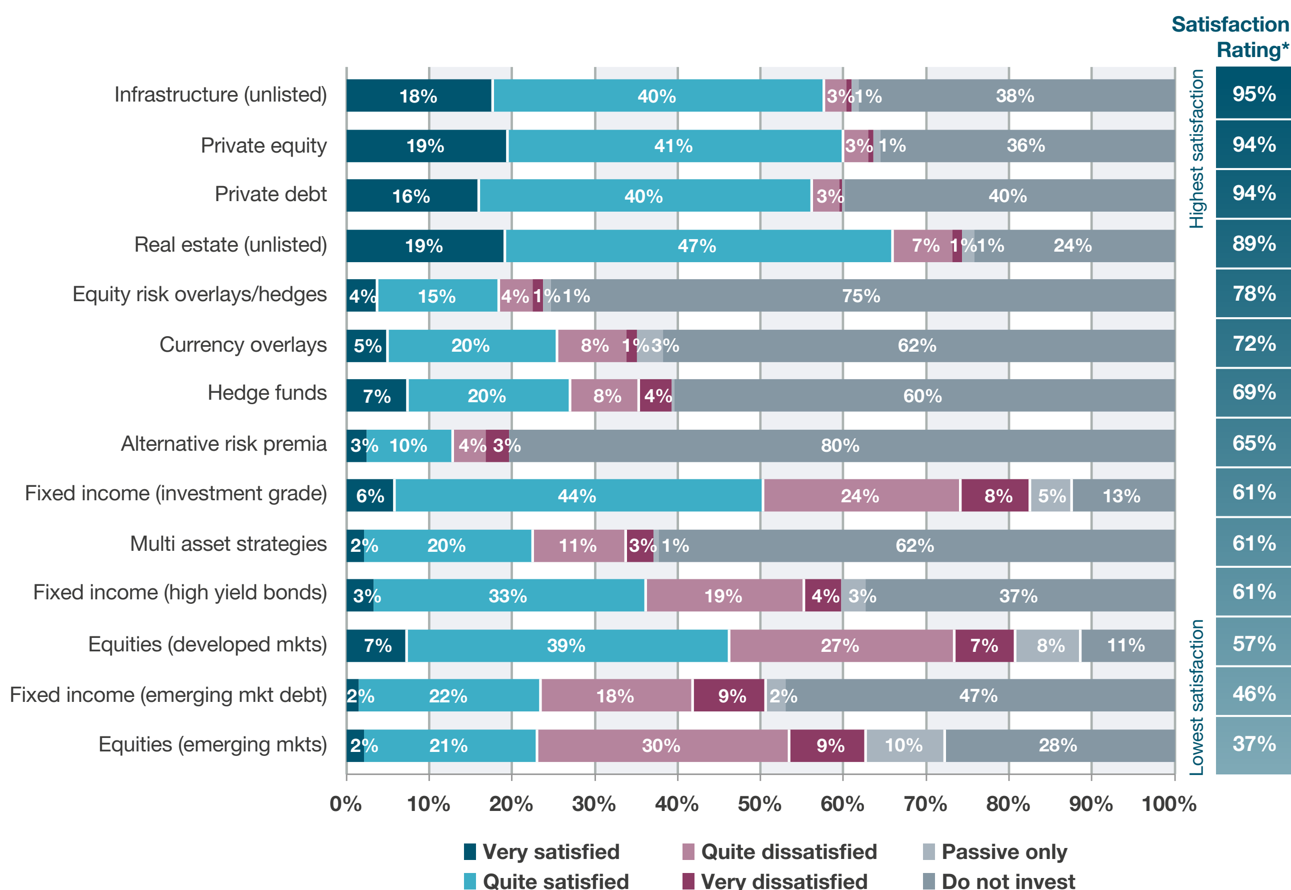
While a significant minority of investors express overall disappointment with their active managers, the results vary hugely by asset class.

The illiquid asset classes dominate the top of pile in Figure 4, with satisfaction ratings* in excess of 90% in infrastructure, private equity and private debt. This represents an even warmer endorsement than we saw in mid-2020, when the satisfaction ratings for these three asset classes sat around the 80% mark. Larger investors, who can typically access a significantly wider range of options and better terms, appear less satisfied (on average) than their smaller counterparts—which could well be a function of their longer experience in many of these asset classes and a more time-sensitive approach to valuations (see page 10).

At the bottom of the chart, we find equity managers (emerging and developed markets) and emerging market debt managers. Here, in contrast, the larger investors are typically happier than their smaller peers: those with more than US$50 billion had a satisfaction rating of 54% in emerging market equities. Australian investors also report higher satisfaction than average in their Emerging Market investments.

Although emerging market equity managers have not performed too badly as a group (as discussed by Public Markets Director Robert Doyle in a recent webinar), investors located in western developed markets tend to have few managers for this segment (often just one or two)—especially if they are not large institutions. In addition, they typically choose active managers with 'growth' styles, which have underperformed significantly in 2022. As for developed market equities, anecdotal evidence reveals disappointment around 'quality' strategies: these are not explicitly defensive but often behave (and are expected to behave) defensively during bear markets (Defensive Equity and Market Downturns).

FIGURE 4: HOW SATISFIED ARE YOU WITH THE PERFORMANCE OF ACTIVE MANAGERS IN THE FOLLOWING ASSET CLASSES SINCE JANUARY 2022, RELATIVE TO THEIR BENCHMARKS OR TARGETS?



*Satisfaction rating = (Very satisfied + Quite satisfied)/(those who invest actively)

A year of turmoil continued

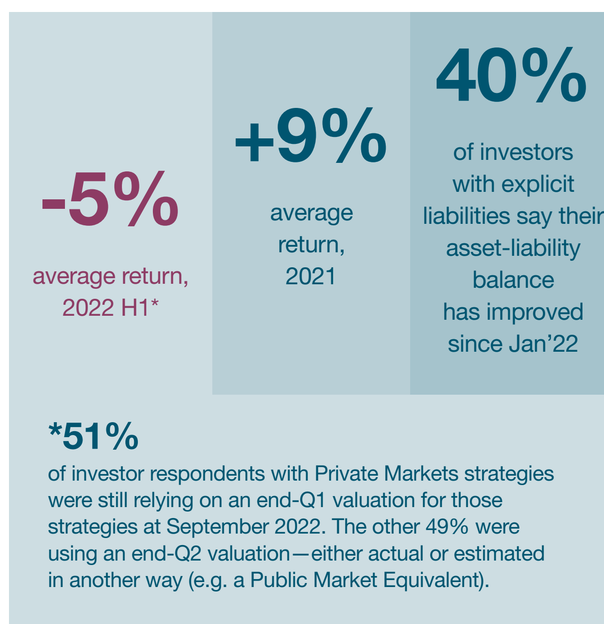
Returns and funding ratios

Institutional investors' losses through the first half of 2022 (H1) have been relatively modest on average across all categories, particularly in the context of the overall market losses through this period and the recent gains booked in 2021.

As shown in Figure 5, pension funds suffered the most from a pure performance perspective during the slump of H1 2022, with an average return of -7%, underperforming insurers (-3%)—who are typically more conservative and fixed income-oriented. This was, unsurprisingly, the inverse of the 2021 results where the average insurer produced +5% to pension funds' +9%. There are very wide variations in overall returns within each investor category, as shown in Figure 5.

More surprisingly, perhaps, the 'Endowments, Foundations and SWF' contingent have only lost 4% on average in H1, having gained 12% in 2021—a result which we might in part attribute to their typically higher allocations to alternative strategies (private markets and hedge funds). Just over half of investors were still relying on an end-Q1 valuation for private markets in mid-September, and valuation methodologies may themselves be open to question.

While Endowments and Foundations may seem to have done better, they have—broadly—been more in need of the returns than some Pension Fund peers. Figure 6 illustrates how the asset-liability balance has changed where investors have defined liabilities.



This data shows the extent to which, pension funds have evidently benefited from rising interest rates, such that 48% of them say that their funding position has become better since January 2022 (often "significantly better"). Meanwhile, Endowments and Foundations with explicit liabilities have not experienced the same technical advantage: 13% say their position has improved while 35% say it has become worse. Their ongoing payments are more likely to be defined in hard terms; their stakeholders' budgetary needs are unlikely to have decreased in an inflationary environment.

It is worth noting that questions on funding positions are somewhat challenging, since investors may think about those positions in different ways—such as using local regulatory protocol vs. IFRS protocol.

Investors reflect on performance and funding ratios through a turbulent period:

"-10 to -15% losses in H1 2022 have been driven by long dated bonds. But our overall asset-liability balance has become significantly better." Pension fund, The Netherlands

"Our funding position has become a little worse but only slightly, we are still in a very strong position." Pension fund, South Africa

"In terms of our funding position, it depends what you look at. The deficit in GBP terms has improved but deficit funding ratio % has worsened. Against buy-out the position has improved." Pension fund, UK

"We have an LDI approach that is not fully hedged so rising interest rates still improves funded status even though may erode assets. Liabilities are not inflation linked." Pension fund, Canada

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A year of turmoil continued

FIGURE 5: WHAT WAS YOUR INSTITUTION'S INVESTMENT PERFORMANCE IN CALENDAR YEAR 2021 AND H1 2022? *RESULTS BY INVESTOR TYPE*

Calendar year 2021

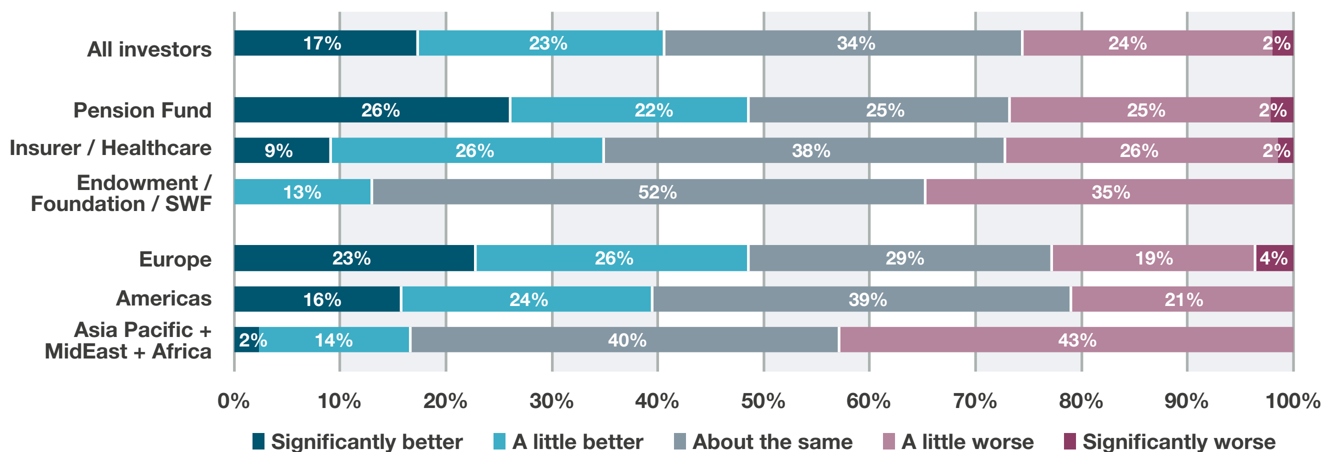
	All investors	Family Office	Other	Endowment / Foundation / SWF	Pension Fund	Insurer / Healthcare
Average Performance	9%	14%	12%	12%	9%	5%
Loss	45%	82%	71%	60%	43%	14%
0 to 10%	50%	14%	25%	38%	52%	76%
10%+	5%	5%	4%	2%	5%	9%

H1 2022*

*Only 49% were using an end-Q2 valuation (received 39%, estimated 10%). Others used an end-Q1 figure.

	All investors	Family Office	Other	Endowment / Foundation / SWF	Pension Fund	Insurer / Healthcare
Average Performance	-5%	-3%	-4%	-4%	-7%	-3%
Gain	24%	35%	30%	22%	17%	32%
-5% to 0%	23%	17%	21%	30%	22%	24%
-10% to -5%	30%	30%	29%	36%	30%	29%
Worse than -10%	22%	17%	20%	12%	31%	15%

FIGURE 6: IF YOU ARE AN INVESTOR WITH EXPLICIT LIABILITIES, HAS YOUR OVERALL ASSET-LIABILITY BALANCE BECOME BETTER OR WORSE SINCE JANUARY 2022? (E.G. FUNDING RATIO) *RESULTS BY INVESTOR TYPE AND REGION*



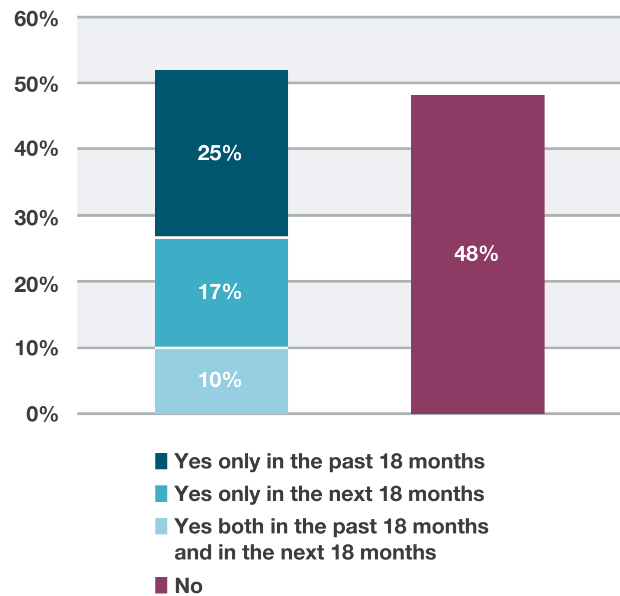
Reorienting investment portfolios

Despite the high high 'satisfaction' with strategy evidenced in Figure 2, just over half of investors are making changes over the past 18 months and/or the next 18 months.

These figures are sizeable, if not overwhelming. By way of comparison, 25% of investors in the last Global Asset Owner Survey (June 2020) had either recently changed or were soon expecting to change their strategic asset allocation.

Developments should be viewed in the context of fundamental macroeconomic changes. As shown in Figure 12, **87% of investors are "concerned" about the potential damage that inflation and rising rates** could have on their portfolios (24% are "very concerned").

FIGURE 7: HAVE YOU MADE CHANGES TO YOUR INVESTMENT STRATEGY IN THE LAST 18 MONTHS AND/OR THE NEXT 18 MONTHS?

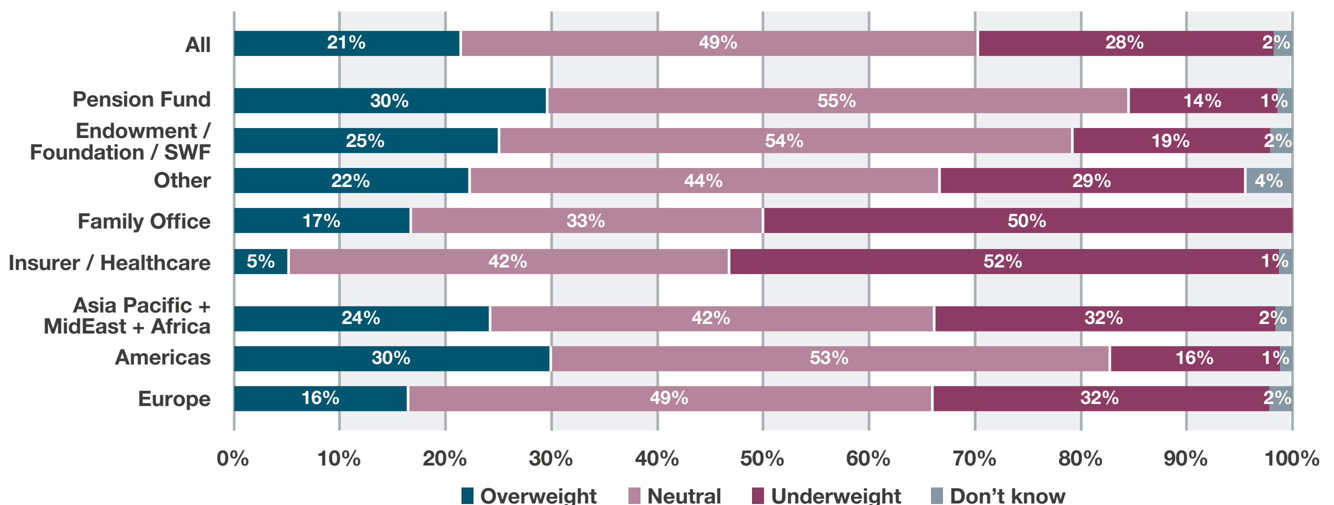


Risk-on, risk-off?

Before examining changes to asset class exposures, it's worth looking at positioning on 'risk assets' such as equities, especially at a time when long-term investors are trying to navigate between potential macroeconomic scenarios. This question is typically an indicator of whether investors are in 'risk-on' or 'risk-off' mode, although a rising rate environment can undermine that way of thinking due to the implications for fixed income portfolios.

Based on Figure 8, Family Offices and Insurers are underweight risk assets on average, while Pension Funds are more likely to be overweight. When considering this theme, we should note the extremely diverse range of expectations that investors have for the MSCI World this year and next. While the 'average' investor guesses that this index will lose 10% in 2022 and gain nearly 4% in 2023, a full quarter of respondents are predicting a loss for the coming year (see Appendix).

FIGURE 8: ARE YOU CURRENTLY UNDERWEIGHT OR OVERWEIGHT 'RISK ASSETS' (E.G. EQUITIES) RELATIVE TO YOUR LONG-TERM EXPECTED ALLOCATION?



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Reorienting investment portfolios continued

Asset class exposures

The trend towards **private markets** remains in force, with 52% of investors expecting exposures to increase over the next 18 months. This figure is in line with data from prior Asset Owner Surveys, and may well come as a surprise to readers in view of the so-called ‘denominator effect’; illiquidity and illiquid strategies are discussed further on page 18.

Some 28% expect to cut exposure to equities and there is a very modest positive ‘swing’ in favour of **fixed income**, driven both by higher (more attractive) interest rates and by investor de-risking. In many cases, de-risking is being spurred by improvements in funded status (see LDI, page 15); in other cases it is driven by concerns for the market/macro outlook.

Readers may be surprised to see no positive swing in favour of **hedge funds**, given the exceptional performance of CTAs and global macro strategies through recent turbulence; we do expect positive sentiment for certain hedge fund sectors as investors consider their long-term strategic diversification.

The private markets trend

FIGURE 9: INVESTORS SAID EXPOSURES TO PRIVATE MARKETS STRATEGIES WILL…

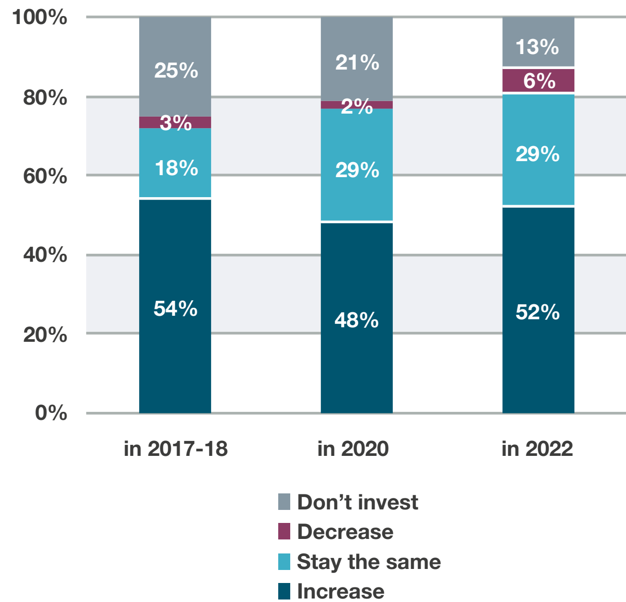
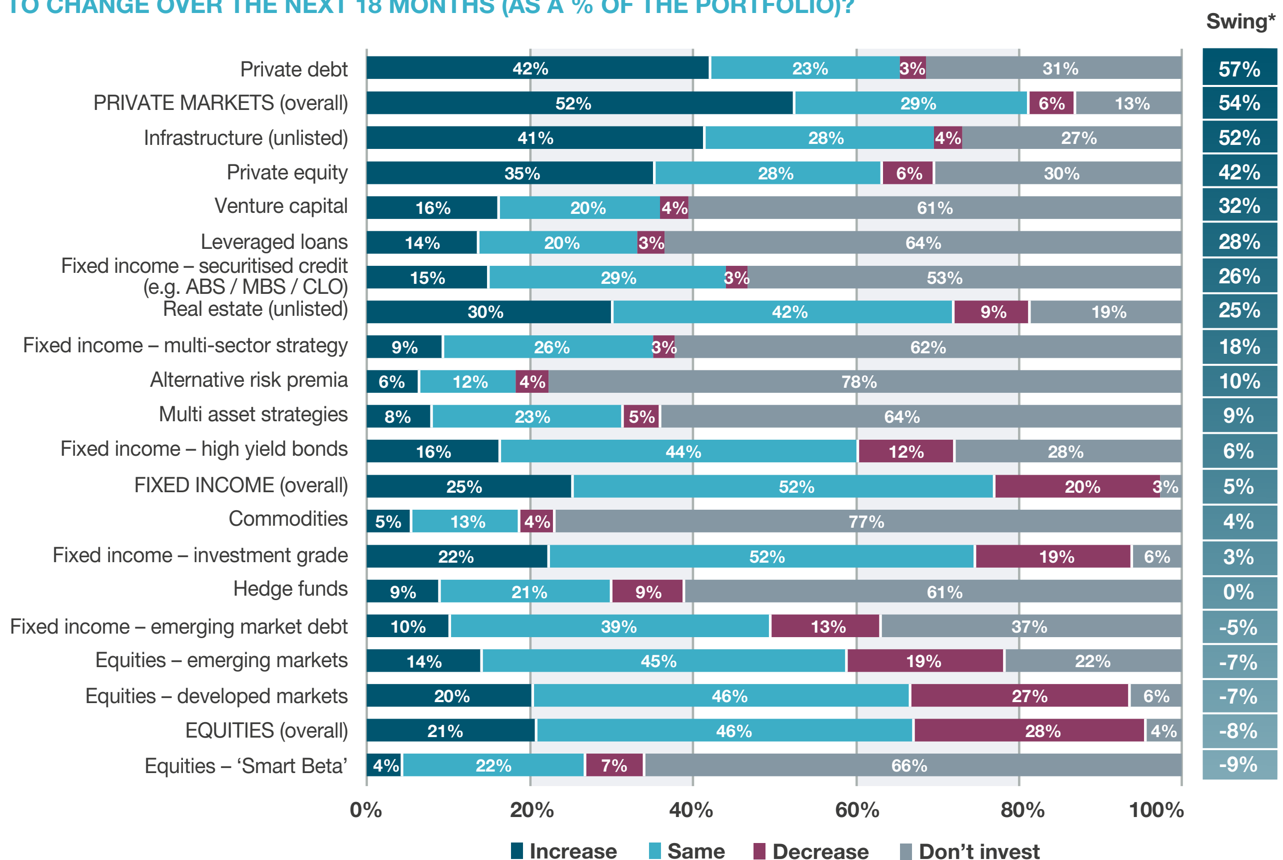


FIGURE 10: HOW DO YOU EXPECT YOUR EXPOSURE TO THE FOLLOWING SECTORS/ASSET CLASSES TO CHANGE OVER THE NEXT 18 MONTHS (AS A % OF THE PORTFOLIO)?



*Swing = (increasers – decreasers)/(those who invest)

Reorienting investment portfolios continued

Investors discuss changing investment exposures:

"We entered 2022 with no govvies exposure, we plan to gradually increase fixed income exposure again, after years of constant reduction." Pension fund, Italy

"We expect opportunities to buy fixed income as rates continue to move up, but expect risk assets to fall sharply with recession looming." Pension fund, Canada

"We have derisked, decreasing exposure to equities and increasing Inflation-linked Bonds and Nominal Bonds." Pension fund, Namibia

"Out of EUR HY and into convertible bonds. Shift from EUR Equities Growth to EUR Equities Value" Healthcare institution, Germany

"Trimmed down growth, high valuation equity investment. Raised a lot of cash due to short-term uncertainties such as War and Monetary policy tightening." Insurer, Thailand

"Increasing real estate and infra, adding Private Debt and mortgage exposure; reducing domestic (Cdn) equity and preferred shares." Insurer, Canada

"We're increasing inflation protection and convexity in the portfolio." Family office, Canada

"We've exited style premia, returning to global bonds and equities." Pension fund, New Zealand

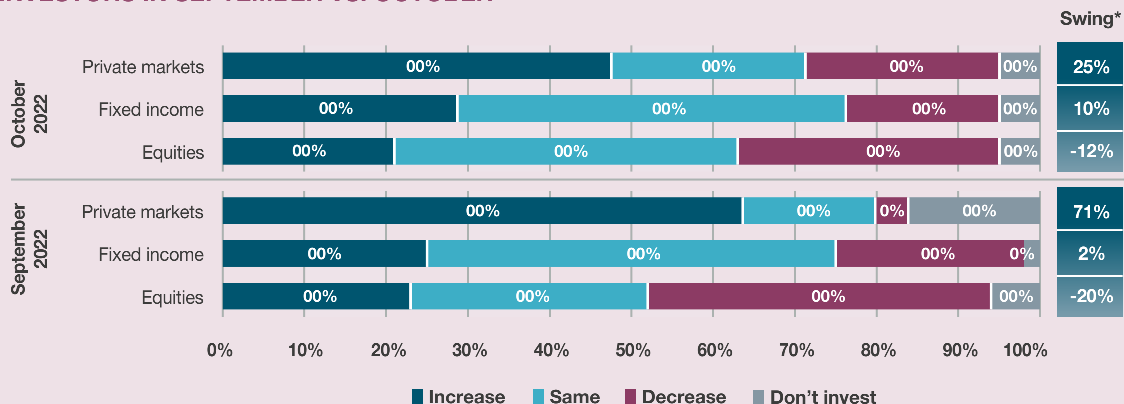
"We have active tilts towards bear market rallies (unwinding downside-hedges on NDX and SPX) and back to mild recession." Pension fund, Thailand

Country snapshot: UK

With the recent volatility in UK government bond markets, we went back to investors in this country with a 'snap poll' on October 18-19 2022—about a month after the main survey. Figure 11 shows UK-only findings for both dates. While 63% of UK investors had expected to increase their exposure to private markets as of September 2022, that figure has now fallen a little to 47%.

Some 80% of corporate pension funds in this country now expect to decrease their exposure to private markets (up from 24%). This group is strongly oriented towards liability-driven investment; many had to sell substantial liquid assets in order to fund the margin calls on their hedges during this exceptionally challenging period. (Read more: UK Investor Snap Poll Reveals Shift in Allocation Intentions.)

FIGURE 11: HOW DO YOU EXPECT YOUR EXPOSURE TO THE FOLLOWING SECTORS/ASSET CLASSES TO CHANGE OVER THE NEXT 18 MONTHS (AS A % OF THE PORTFOLIO)? UK INVESTORS IN SEPTEMBER VS. OCTOBER



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Reorienting investment portfolios continued

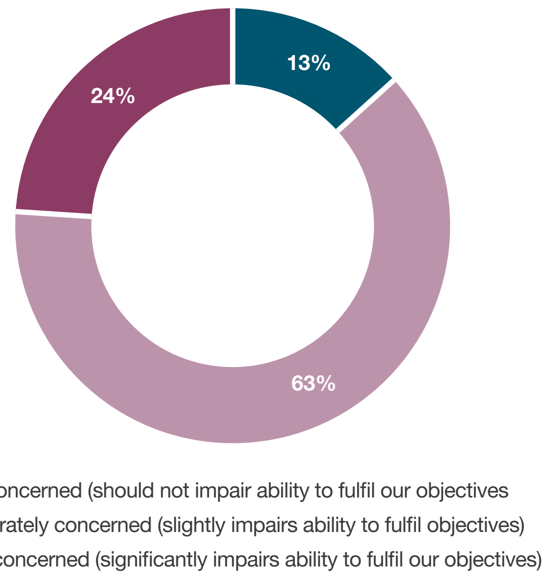
Macro concerns

Most respondents—87%—are concerned that inflation and rising rates will impair their ability to achieve investment objectives (Figure 12).

These figures are even higher than those of an April 2022 'Snap Poll' (82% concerned, 14% very concerned).

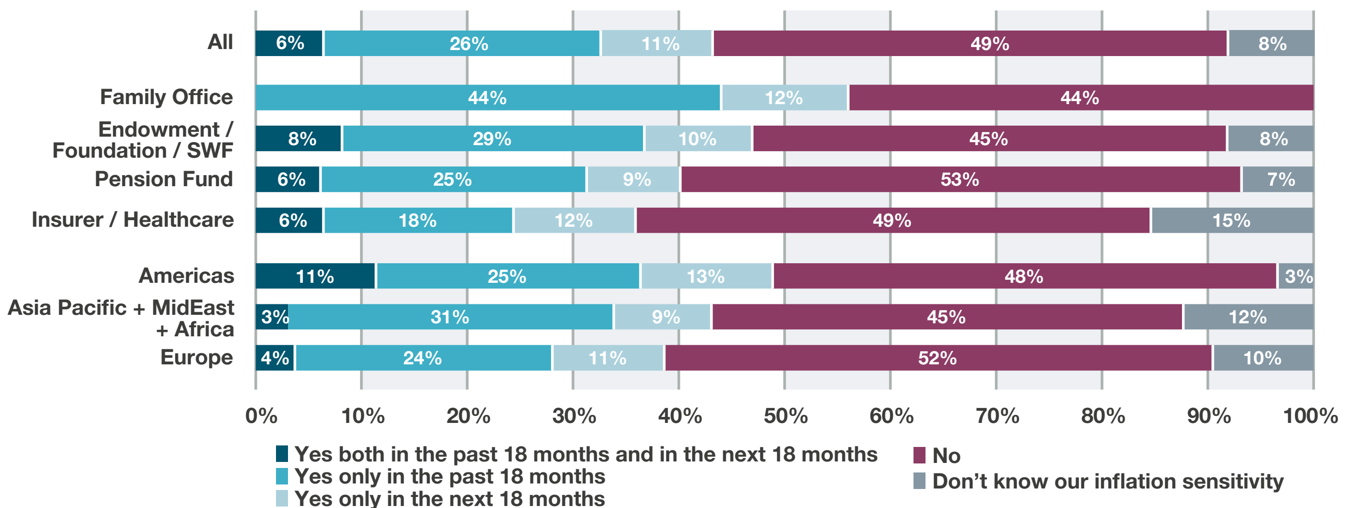
That being said, only 43% of investors have recently made and/or are about to make changes that increase the inflation-sensitivity of the portfolio (Figure 13), and just 17% expect to do so in the coming 18 months. Change is most evident among family offices and endowments, whose success is likely to be defined by their ability to maintain and increase portfolio value in real terms (while also paying agreed sums). It appears that relevant changes have largely taken place.

FIGURE 12: HOW CONCERNED ARE YOU ABOUT THE POTENTIAL DAMAGE THAT INFLATION AND RISING RATES MAY HAVE ON YOUR ABILITY TO ACHIEVE INVESTMENT OBJECTIVES OVER THE MEDIUM TERM (3-5 YEARS)?



- Not concerned (should not impair ability to fulfil our objectives
- Moderately concerned (slightly impairs ability to fulfil objectives)
- Very concerned (significantly impairs ability to fulfil our objectives)

FIGURE 13: HAVE YOU INCREASED/ARE YOU INCREASING THE INFLATION-SENSITIVITY OF YOUR PORTFOLIO?



	Yes both in the past 18 months and in the next 18 months	Yes only in the past 18 months	Yes only in the next 18 months	No	Don't know our inflation sensitivity
All	6%	26%	11%	49%	8%
Family Office		44%	12%	44%	
Endowment / Foundation / SWF	8%	29%	10%	45%	8%
Pension Fund	6%	25%	9%	53%	7%
Insurer / Healthcare	6%	18%	12%	49%	15%
Americas	11%	25%	13%	48%	3%
Asia Pacific + MidEast + Africa	3%	31%	9%	45%	12%
Europe	4%	24%	11%	52%	10%

- Yes both in the past 18 months and in the next 18 months
- Yes only in the past 18 months
- Yes only in the next 18 months
- No
- Don't know our inflation sensitivity

Investors talk about inflation and rate sensitivity:

"I'm very concerned. Our pension obligations are in nominal terms, **however pensioners are actually expecting a real income**, which is nowhere near possible with this large inflation shock." Pension fund, the Netherlands

"Technically this is not a risk to our objectives, but it does raise the question of whether the objective should change." Insurer, UK

"As a pension fund with inflation-linked liabilities it is concerning." Pension fund, UK

"Inflation helps my DB schemes overall but creates headwinds to 'inflation+' target returns in DC (albeit over a long time frame)." Pension fund, UK

Reorienting investment portfolios continued

Liability-driven investing

Improvements in funded status and higher interest rates are supporting a modest trend towards liability-driven investing (LDI).

Nearly half of investor respondents (46%) indicated that liability-driven investing was relevant to them. Within this group, 19% of investors said that they are moving further towards LDI-type approaches, versus 3% that are moving away. Higher interest rates in fixed income and improved funding ratios (discussed above), are supporting the trend.

There are, of course, exceptions: one such example is Japan (see right), where two thirds of relevant respondents indicated that they are moving away from LDI.

Recent upheaval in the UK gilt market has brought fresh attention to the potential risks of classic pension fund LDI approaches. Some schemes struggled to meet the margin calls on their hedges and rushed to liquidate assets in order to make payments. A UK investor 'snap poll' carried out one month after this survey (October 18-19) did not show any investors planning to move away from LDI, but a previous positive trend was no longer in evidence. The current shortage of UK advocates for moving towards LDI may be influenced by headline risk as much as investment rationale.

Country snapshot: Japan

FIGURE 14: HOW ARE YOU APPROACHING LIABILITY-DRIVEN INVESTING—IF THIS IS RELEVANT TO YOU? *RESULT FOR JAPANESE INVESTORS*

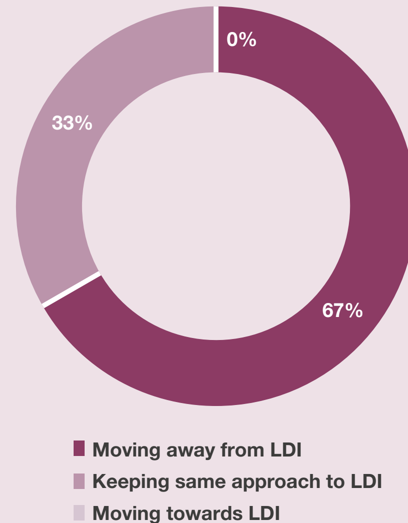
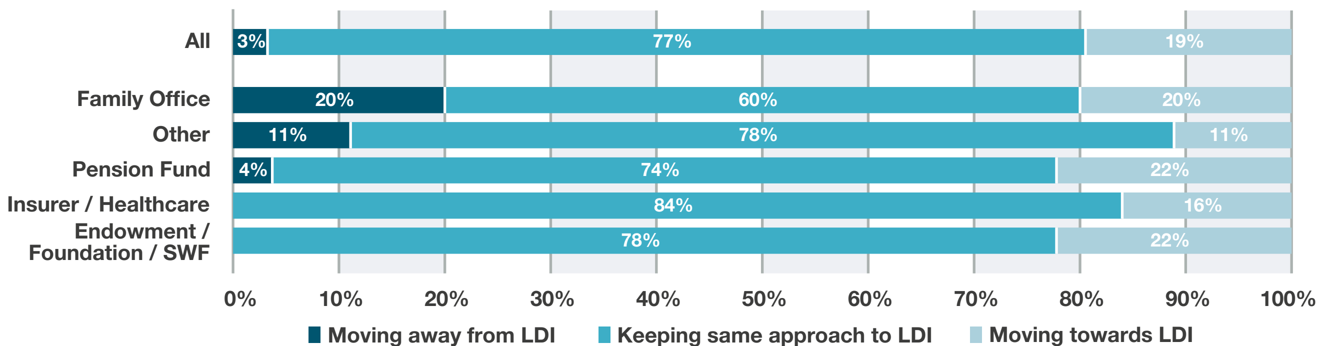


FIGURE 15: HOW ARE YOU APPROACHING LIABILITY-DRIVEN INVESTING—IF THIS IS RELEVANT TO YOU? *RESULTS BY INVESTOR TYPE*



Investors talk about matching liabilities:

"Significant funded ratio improvements during 2021 lead to significant allocation changes from return seeking assets to liability matching assets." Pension Fund, Canada

"We added a cash-flow matched allocation to pre-fund the near three years' worth of benefit payments." Pension Fund, USA

"We're likely to move from return-seeking into more liability hedging, particularly credit-related strategies in public or private markets." Pension Fund, Canada

"We're changing our strategic asset allocation, moving towards more LDI." Pension Fund, Spain

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Reorienting investment portfolios continued

Active versus passive

The much-hailed 'trend to passive'—one of the key shifts of the post-GFC era—appears to have come to a halt.

The 2018 Global Asset Owner Survey showed 31% of investors shifting towards passive investment. Four years later, just 13% of investors say that they have moved towards passive investment in the last 18 months in asset classes where both passive and active strategies are available, versus 16% who have moved towards active management. Forward-looking predictions show **20% of investors expecting to 'shift towards active'** in the next 18 months.

The movement in favour of active management is most evident among insurers and endowments/ foundations. Wealth managers, conversely, are trending towards passive as they seek to compete with peers on cost while simultaneously adding alternative strategies (see Wealth Manager Investment Survey). There were also some marked differences between investors in specific countries (Figure 17), with asset owners in Australia communicating a meaningful pro-passive trend for the next 18 months.

FIGURE 16: FOR ASSET CLASSES WHERE THERE ARE ACTIVE AND PASSIVE INVESTMENT APPROACHES AVAILABLE, ARE YOU SHIFTING MORE IN THE DIRECTION OF ACTIVE MANAGEMNT OR PASSIVE MANAGEMENT?

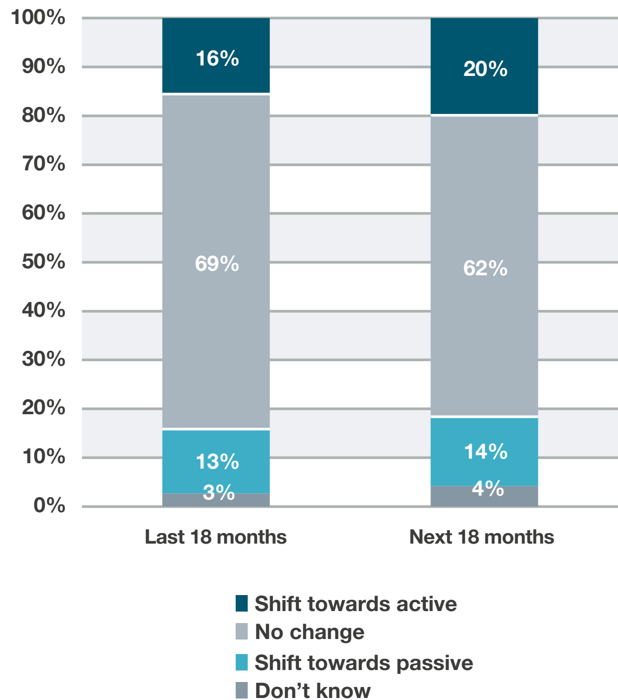
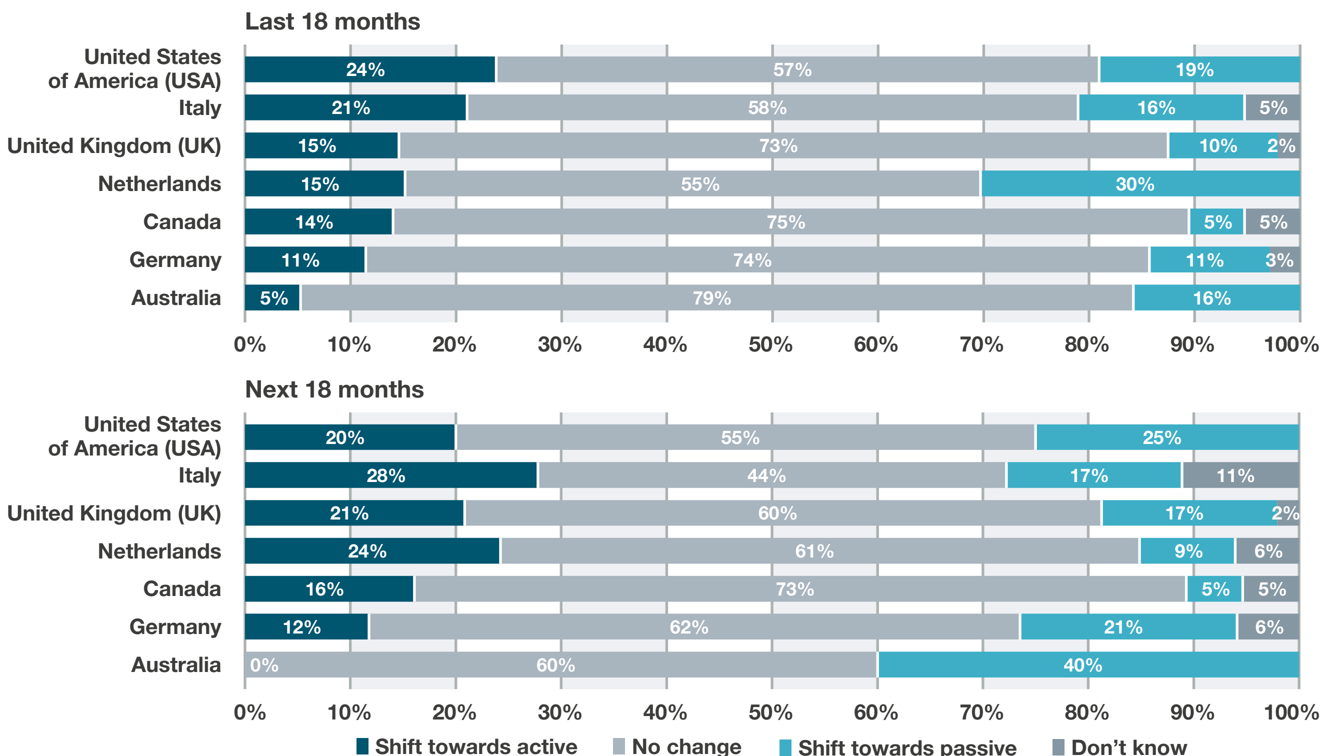


FIGURE 17: FOR ASSET CLASSES WHERE THERE ARE ACTIVE AND PASSIVE INVESTMENT APPROACHES AVAILABLE, ARE YOU SHIFTING MORE IN THE DIRECTION OF ACTIVE MANAGEMENT OR PASSIVE MANAGEMENT? *SEVEN COUNTRY SNAPSHOTS*



Reorienting investment portfolios continued

Investors discuss active/passive shifts:

"We'll move towards passive management in the next 18 months – considering the relative cost, given public focus." Pension fund, Australia

"Moving very selectively toward passive in low alpha sectors." Wealth manager, Australia

"For asset classes already in portfolio, no change is planned. For new asset classes, active management is considered. So the shift towards active management relates to the fact that new asset classes are being added to the portfolio." Pension fund, France

"Our investment belief is passive, unless…" Pension fund, the Netherlands

"Shift within passive in favour of ESG friendly and/or Paris-aligned strategies." Pension fund, UK

New theme: digital currencies

Only 8% of investors have some exposure to digital currencies now—mostly very small and often via multi-strategy hedge funds rather than direct positions. Yet this figure is set to rise. One in five respondents expect to have at least some exposure to digital currencies in five years' time.

The responses for this question—a new addition to this year's report—differ substantially by region: **57% of US investors** expect to have some exposure in five years' time versus just 11% of those in the UK. Meanwhile, 50% of family offices and 27% of endowment/foundation respondents expect to have some exposure, outstripping their counterparts in pension schemes (16%) and insurers (14%). Very large (>US$50 billion) investors are a little more likely to answer in the affirmative than their smaller counterparts, which may reflect more substantial resourcing.

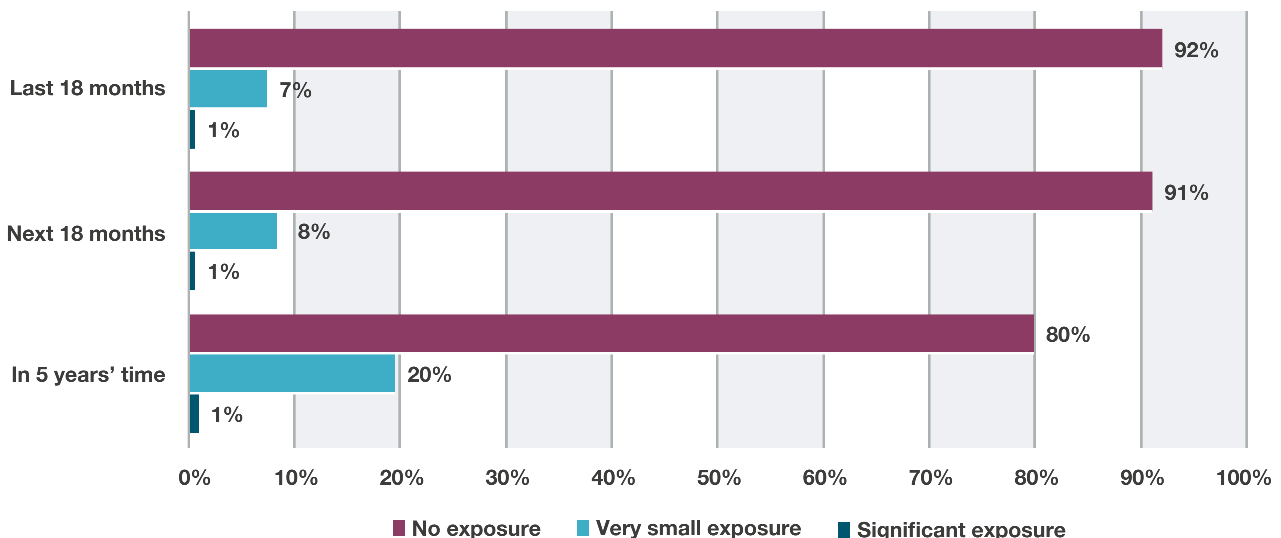
Investors question crypto credibility

"We still don't and very likely won't see it as a credible asset class as it's lacking underlying cashflows." Family office, Estonia

"Will cryptocurrencies still be there in five years?" Pension fund, France

"It's a Ponzi game." Family office, Denmark

FIGURE 18: WHAT IS YOUR EXPOSURE TO DIGITAL CURRENCIES/CRYPTOCURRENCIES NOW? WHAT DO YOU EXPECT IT TO BE IN 18 MONTHS/5 YEARS' TIME?



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In focus: the illiquidity question

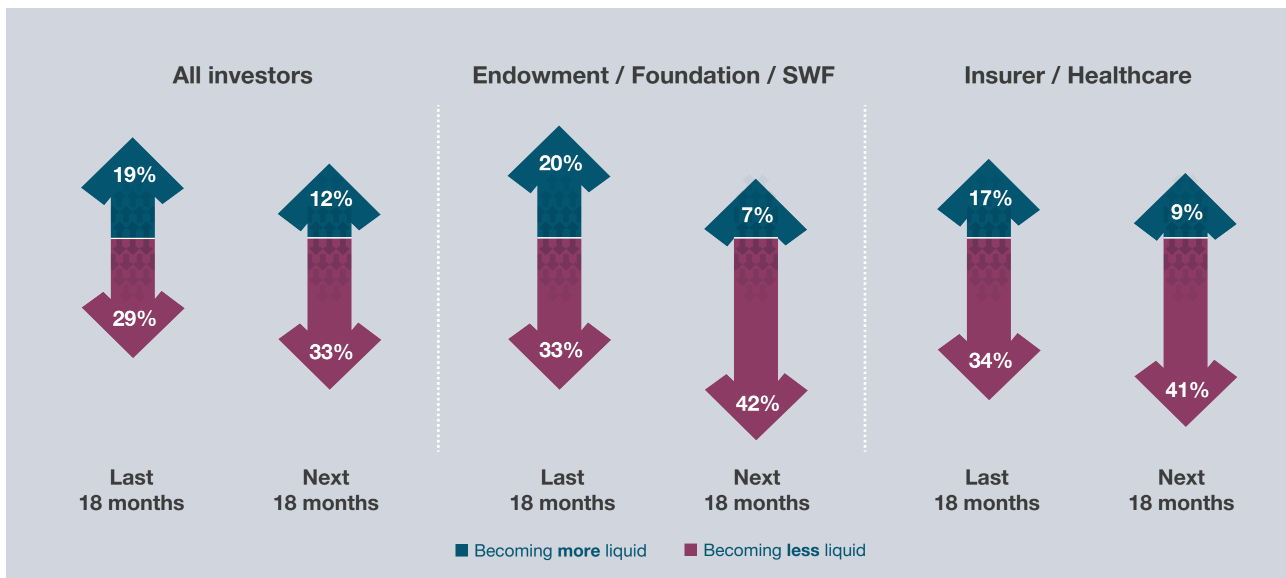
Readers might have been surprised to see that more than half of investors expected to increase their private market exposures during the next 18 months (Figure 10). Here, we consider the topic of illiquidity in more detail.

Overall, 33% of respondents said they expect their portfolios to become **less liquid** over the next 18 months, versus just 12% who expect it to become more liquid (Figure 19); the results for insurers and endowments/foundations are even stronger (41% and 42% respectively). Illiquidity is not just a function of exposure to strategies with a lengthy formal lock-up period: equity and fixed income investments have varying and variable liquidity profiles. Yet exposure to such strategies does represent a key variable.

Allocations towards illiquid strategies have risen strongly and steadily since the 2008 GFC. Yet the slump in equity and fixed income markets in 2022 has left many investors with higher exposures to private market strategies (the 'denominator effect'). Even if investors do ultimately anticipate that private markets will fall into line with public markets, this does not mean that they can 'wait as long as it takes' (Figure 20). A steep temporary decline in overall liquidity can become problematic where investors need to meet margin calls, fund commitments or handle other cashflow demands. The recent pressures faced by UK corporate pension funds are a useful cautionary tale in this regard (page 13).

Investors should continually challenge liquidity models and assumptions to ensure that overall investment strategies are robust. Forced selling of private market positions can be extremely problematic.

FIGURE 19: HOW IS THE LIQUIDITY OF YOUR PORTFOLIO CHANGING?



Investors reflect on reduced liquidity:

"The strong performance of unlisted assets has shifted the asset allocation for these asset classes to being overweight." Insurer, China

"Decreased public market valuations and net capital calls have increased our allocation to private markets quite rapidly." Foundation, Finland

"The portfolio has become less liquid – not because of any change in the asset mix, but because of overall access to liquidity, which has been challenged in 2022 due to a breakdown in the correlation between equities and fixed income hitting margin calls." Pension fund, Canada

In focus: the illiquidity question continued

Half of the investor respondents that use private markets experience **pressure to rebalance** when there are large dislocations in public markets, either imminently (19%) or within a few quarters (32%). Conversely, 49% say that they can "wait as long as it takes" for the dislocation between public and private strategies to unwind.

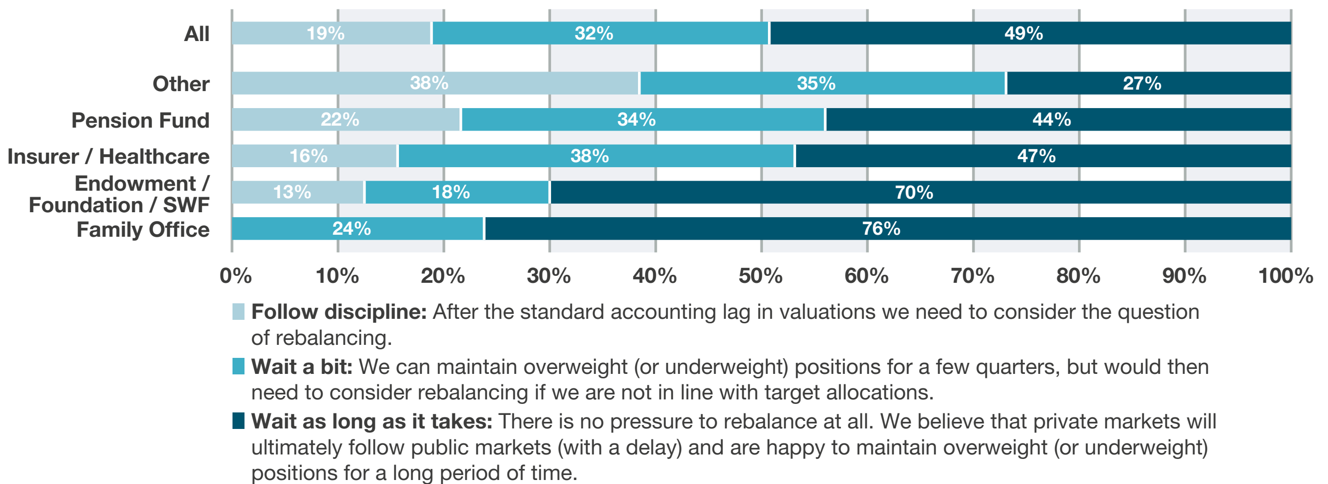
Wealth managers (which dominate the 'Other' group in Figure 20) are likely to be under the greatest pressure to normalise: these must often maintain appropriate liquidity to service a client base (e.g. HNWI). The most patient cohorts were family offices and endowment / foundation / SWF investors: three in four family offices say that there is "no pressure to rebalance at all".

Investors say:

…rebalance. "We're rebalancing via flows/ maturities to traded assets due to the outperformance of alternatives vs. traded." Insurer, Germany

…wait. "The denominator effect has caused an overallocation to illiquid alternative assets. But expect the portfolio to become more liquid in the next 18 months, with a correction in private market valuations exceeding the public markets loss." Pension fund, Canada

FIGURE 20: [IF YOU INVEST IN PRIVATE MARKETS] HOW DO YOU APPROACH THE TOPIC OF REBALANCING PRIVATE MARKETS EXPOSURES WHEN THERE ARE LARGE DISLOCATIONS IN PUBLIC MARKETS?



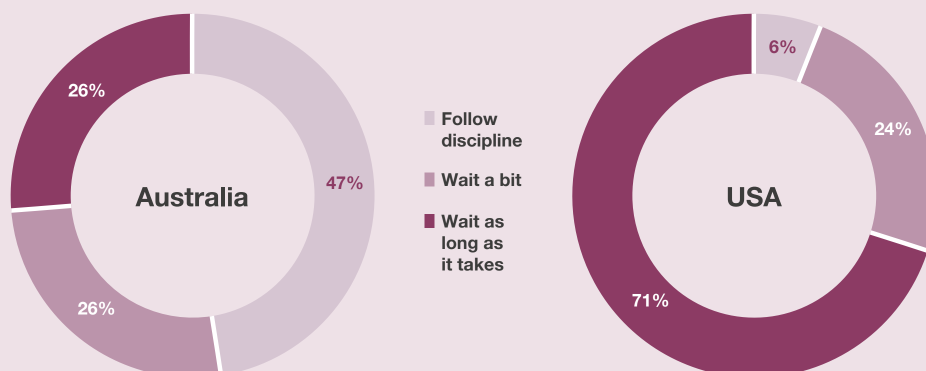
Follow discipline: After the standard accounting lag in valuations we need to consider the question of rebalancing.

Wait a bit: We can maintain overweight (or underweight) positions for a few quarters, but would then need to consider rebalancing if we are not in line with target allocations.

Wait as long as it takes: There is no pressure to rebalance at all. We believe that private markets will ultimately follow public markets (with a delay) and are happy to maintain overweight (or underweight) positions for a long period of time.

Country snapshot: USA vs. Australia

FIGURE 21: HOW DO YOU APPROACH THE TOPIC OF REBALANCING PRIVATE MARKETS EXPOSURES WHEN THERE ARE LARGE DISLOCATIONS IN PUBLIC MARKETS? *RESULTS FOR AUSTRALIA AND USA*



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In focus: the illiquidity question continued

When considering imbalances in public/private exposures, it's interesting to note investors' varying expectations around the **illiquidity premium**. Three quarters of the investors who use private equity expect it to outperform public equities in 2022—even after correcting for measurement errors such as delayed mark-downs.

Insurers appear the most confident on this point: 98% expect outperformance. It should be noted that many of this cohort are relatively recent entrants to the asset class (see Insurer Investment Survey). Large investors (>US$ 50 billion) are more sceptical than their smaller peers: only half of them expect outperformance and 14% expect this asset class to deliver weaker performance than public equity once the technical veil of illiquidity is lifted. From a geographical standpoint, Australian investors are dubious: 54% expect outperformance, 23% expect underperformance.

Looking beyond 2022, the true value of private equity positions will depend heavily on investor sentiment. While private equity funds are still sitting on a considerable amount of dry powder, which can support buoyant valuations, pricing will be determined by the volume of capital that continues to flow into the space. Investors should exercise particular care when acting as buyers in GP-led secondary transactions: as managers seek to set up benign exits, alignment of interest will be tested.

Rebalancing risks

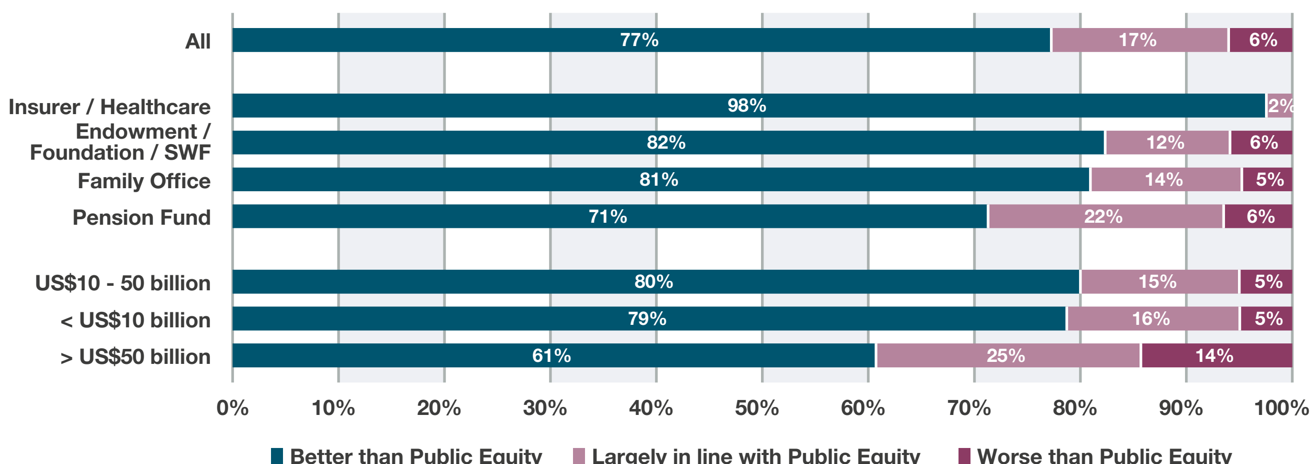
Rebalancing can, of course, take many forms, depending on the nature and size of an investor's private market investment portfolio.

For a gentle run-off, it may be sufficient to **pause new commitments** for a period of time (especially if the portfolio is producing significant yields that can be reinvested in liquid strategies). That being said, investors in unlisted equity (Private Equity, Infrastructure, Real Estate) should not be surprised if asset managers seek to extend fund periods beyond their expected dates in order to avoid selling at valuations that they don't like.

Open-ended funds have become increasingly popular in many private market asset classes, and might theoretically provide better medium-term liquidity than a closed-ended structure, but a surge in redemption requests may undermine models.

Fund positions can be exited via the **secondary market**, which has in theory become deeper and more sophisticated since the 2008 crisis, but recent activity has been limited: crises can bring large discrepancies between what buyers are prepared to pay and what secondary sellers are willing to accept; no one wants to be a forced seller!

FIGURE 22: IF YOU INVEST IN PRIVATE EQUITY, PLEASE TELL US HOW YOU EXPECT IT TO PERFORM THROUGH 2022 (AFTER CORRECTING FOR MEASUREMENT ERRORS LIKE LAGGED REPORTING, DELAYED MARK-DOWNS IN VALUATIONS ETC)



In focus: the ESG imperative

Amid an extremely challenging market and macroeconomic climate, the trends towards various ESG-related practices remain very strong indeed.

Institutional investors' ESG developments and challenges were studied in depth in a dedicate report published last year (ESG Asset Owner Survey 2021), which was based on input from more than 350 investors.

ESG practices and plans

In this year's study, we find a continuation of previously-highlighted trends, as well as evidence that 'Net Zero' has now become mainstream. Figure 23 provides an overview of those trends, with a look at certain ESG practices. It is not, of course, an exhaustive list (though the 'ESG integration' response is intended to give the broadest view).

The responses to impact-related questions are particularly compelling, given that financially-focused investors have historically found it harder to engage with this subject than with more risk-oriented ESG topics. European investors are significantly more active than international counterparts, but there are considerable disparities between different European countries: we note a particular shift of sentiment in Italy, where just 22% of investors have been involved in impact investing (a low figure versus European peers) but 44% are planning to enter the space.

Investors and impact

Seeking explicitly 'impactful' strategies / 'impact investing':

25% doing **+32%** planning

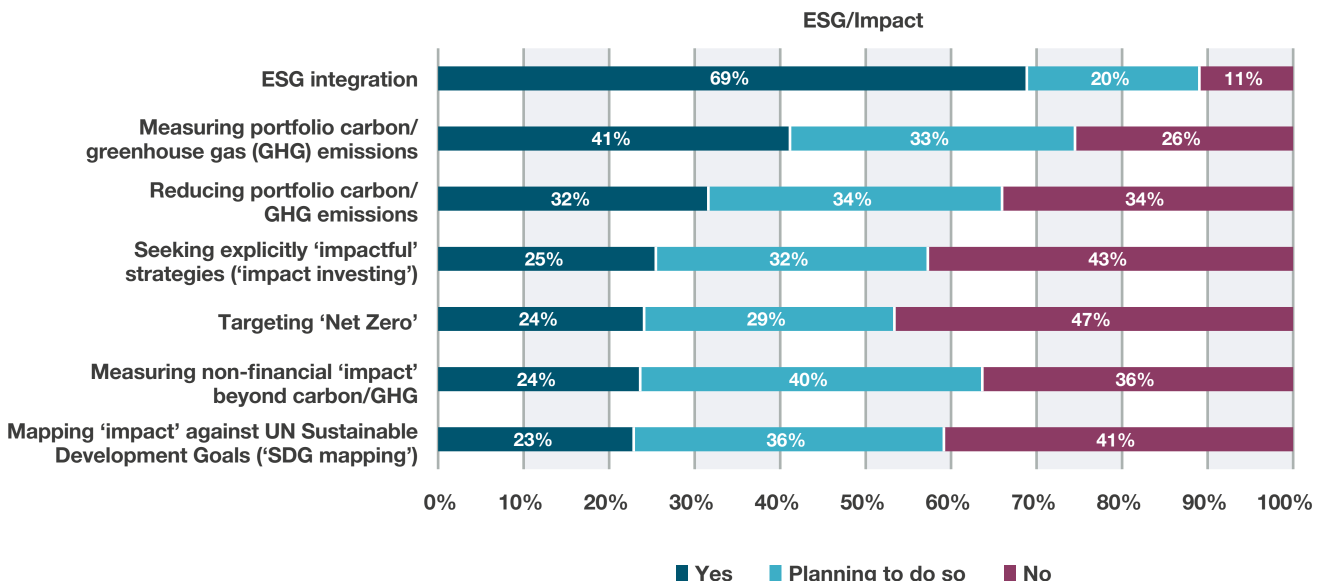
Measuring non-financial impact (beyond carbon)

24% doing **+40%** planning

Mapping impact against UN SDGs

23% doing **+36%** planning

FIGURE 23: ON ESG/IMPACT, PLEASE NOTE WHETHER YOU ARE DOING (OR PLANNING TO DO) ANY OF THE FOLLOWING:



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In focus: the ESG imperative continued

Investors grapple with change:

“UK master trust investing is competitive and one can’t afford to blink on these topics for competitive reasons as much as ideological ones.” Pension fund, UK

“Measuring will become increasingly important for reporting/regulatory purposes.” Insurer, UK

“We do not have a Net Zero target. Which Net Zero? Scope 1&2 and the companies outsource the carbon/GHG emissions? Or with Scope 3 but with which model?” Pension fund, France

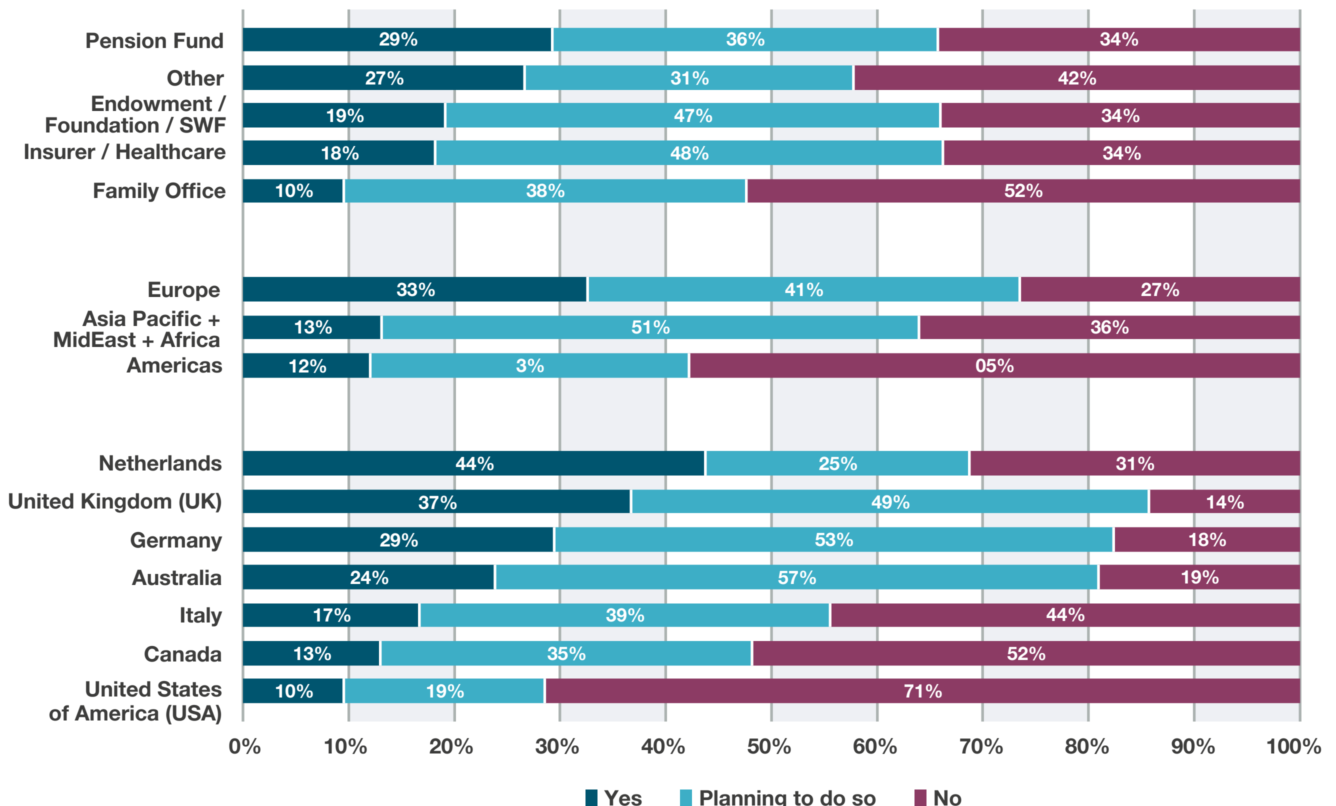
Carbon reductions

Both the 2021 study and this new data from late-2022 have shown a flurry of activity around portfolio carbon emissions—including measurement, reductions and ambitious commitments.

When it comes to implementing cuts, pension funds are still leading the way: 29% are reducing portfolio carbon/GHG emissions (or, more accurately, carbon intensity) and a further 36% plan to do so. Yet the insurer and endowment / foundation segments show high intentionality: nearly half of them are planning to introduce cuts. On the insurer side, regulatory activity is playing a significant role in incentivising change.

These signals should be welcomed. Yet investors should handle carbon reduction with great care. While commitments can represent a positive step, applying reductions in an overly simplistic way can lead to problematic consequences—undermining both investment-related goals and environmental ones (see Three Carbon-cutting Pitfalls and How to Avoid Them).

FIGURE 24: ON ESG/IMPACT, PLEASE NOTE WHETHER YOU ARE DOING (OR PLANNING TO DO) ANY OF THE FOLLOWING: FROM *FIGURE 23, RESULT FOR ‘REDUCING PORTFOLIO CARBON/GHG EMISSIONS’ ONLY, BY INVESTOR TYPE AND LOCATION*



In focus: the ESG imperative continued

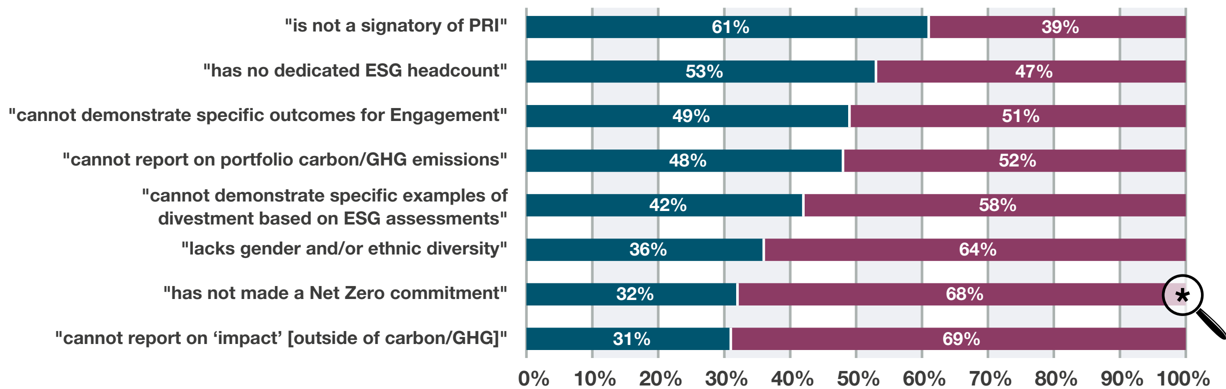
ESG and external managers

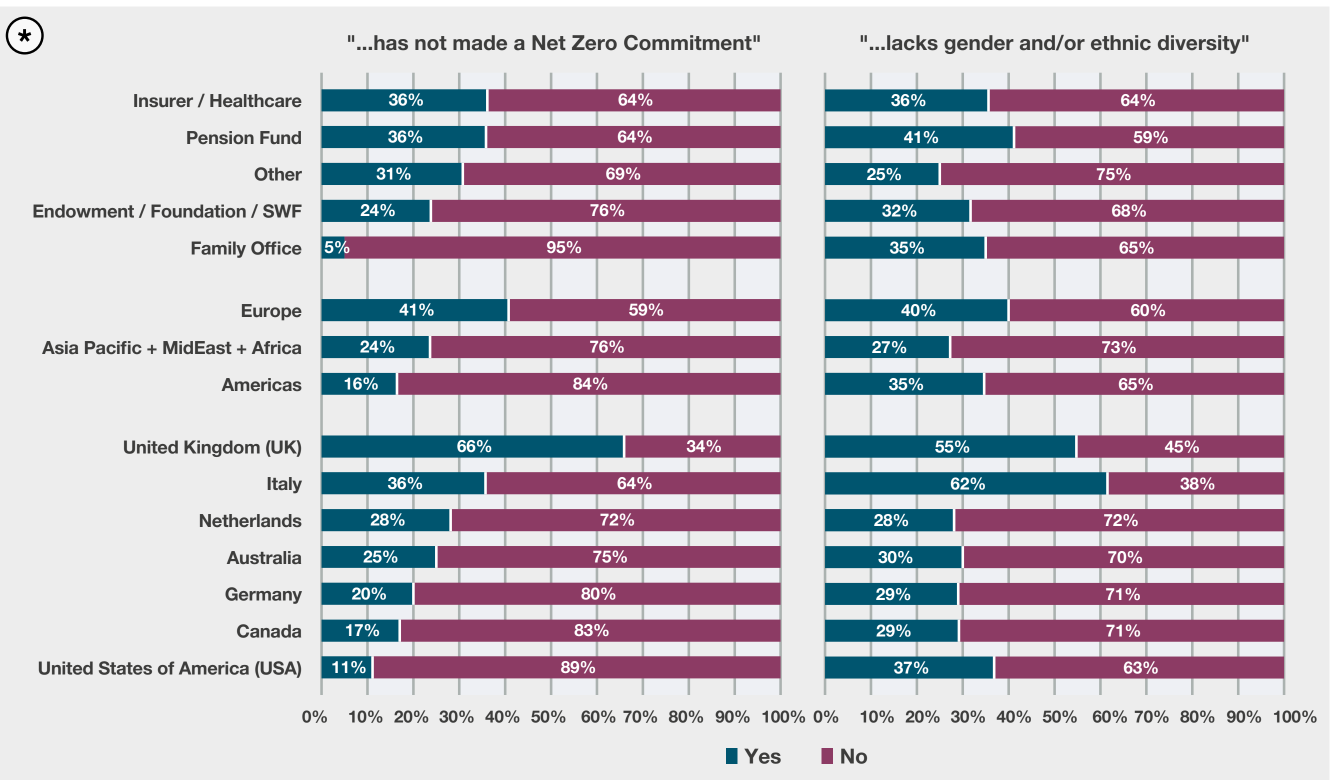
To what extent are investors prioritising ESG capabilities when selecting external managers? PRI signatory status is still influencing investors' decisions—with 61% of respondents saying that they would be "unlikely to hire an external manager" who is not a signatory—but other markers are becoming increasingly important.

In particular, it is novel to see that 32% of respondents would be "unlikely to hire a manager" who has not made a Net Zero commitment, and to see Insurers leading in this regard. Meanwhile, 48% said that they would be "unlikely to hire a manager" who cannot report on portfolio carbon/GHG emissions; this figure seems rather low considering that 41% are already measuring this and a further 33% are planning to do so.

When considering this question from the perspective of investor type and location, it is very interesting to compare the responses on **diversity** to responses on carbon-related subjects (as exemplified below). US respondents are considerably more active on diversity issues than on other ESG metrics. Family offices are also much more engaged with this subject than with many other aspects of the ESG piece.

FIGURE 25: "WE WOULD BE UNLIKELY TO HIRE AN EXTERNAL MANAGER WHO…"





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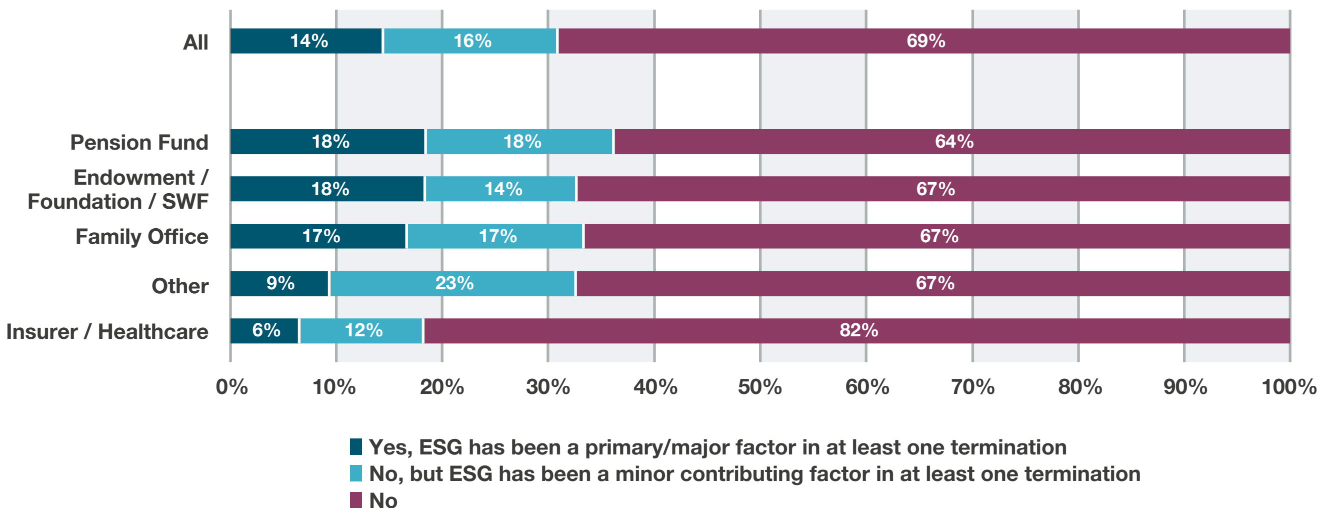
In focus: the ESG imperative continued

Only 14% of investors have terminated an external asset manager where ESG issues have been a primary or major factor in that decision. The figure includes 18% of pension fund respondents and 6% of insurer respondents: the latter have, on average, arrived later to the ESG subject and found a more evolved manager universe at the time of implementation (see Insurer Investment Survey).

One could interpret that 14% figure as being rather low. While the vast majority of asset managers appear to be doing at least something on ESG, their credibility varies hugely on subjects such as climate change and impact measurement—topics which investors are visibly trying to tackle. Indeed, the 14% figure is only a little higher than that recorded in 2018: 10% of respondents to that year's Asset Owner Survey said that ESG issues had driven at least one manager termination.

Interestingly, this is a finding that differs hugely by country. Nearly a third of Italian respondents and a quarter of Dutch respondents say that ESG has been a primary or major factor in at least one termination, versus just 7% of UK investors. The countries where ESG considerations have been least relevant in manager terminations appear to be Germany and Australia: more than 80% of investors in these two countries say that ESG considerations have not contributed—even partially—to any terminations.

FIGURE 26: HAS YOUR INSTITUTION EVER TERMINATED A MANAGER WHERE ESG CONSIDERATIONS HAVE BEEN A MAJOR FACTOR IN THAT DECISION?



Investors elaborate on their manager selection approach:

"We would be 'unlikely' to hire managers that don't do these things simply because most managers do them now but we would not disqualify a manager solely on these grounds." Pension fund, New Zealand

"We will not easily exclude a talented manager for ESG reasons nor include it just because of ESG. Actually, we value the fund manager's prudence for not claiming either Article 8 or 9 in this undecided, non-transparent ESG rule book." Family office, the Netherlands

"Our preference is for the higher ESG standards but where there is substantial merit (performance, market access, idiosyncratic attributes) then we will assess on individual merits." Investor, Australia

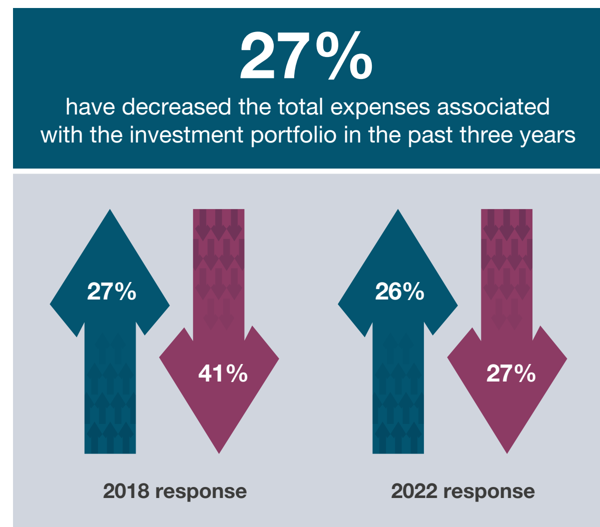
"We would be unlikely to hire an external manager who would have more than one of those criteria [listed in Figure 25]." Pension fund, Canada

In focus: the resourcing challenge

In 2018, the Global Asset Owner Survey identified that the average investor was achieving reductions in total expenditure, even amid 'cost-additive' trends such as rising allocations to higher-fee alternative asset classes and growing numbers of staff.

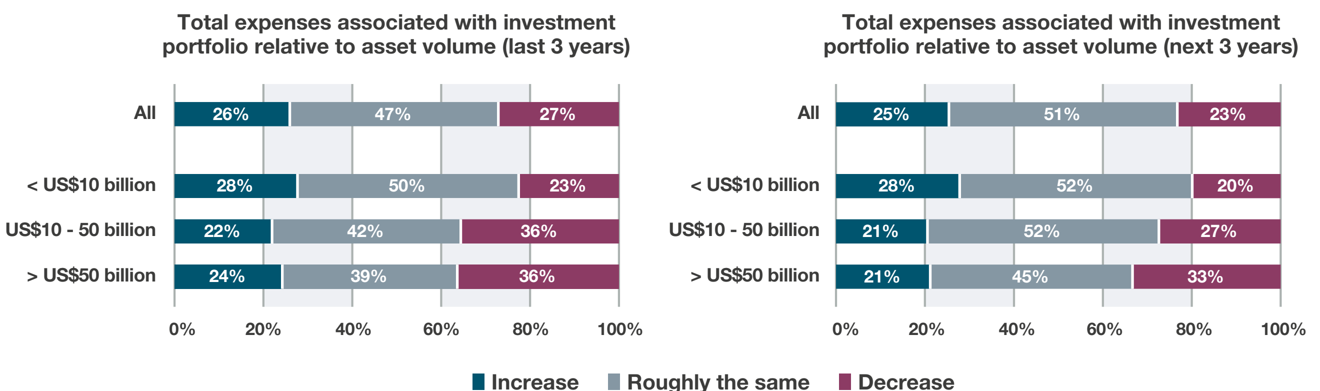
Savings, at that time, were being supported by the trend towards passive or smart beta strategies and by reductions in fees for 'like-for-like' strategies in public markets.

This year, the picture is rather different. The trend towards **passive**, as noted on page 16, has abated and may even have reversed. A slight insourcing trend has been replaced by a stronger **outsourcing** trend: the data on page 27 shows that 30% of investors have increased the proportion of assets invested via external asset managers during the last three years, doubling the 15% figure in the 2018 report. And, of course, some pre-existing cost-enhancing themes—such as rising allocations to alternatives and growing numbers of internal staff—appear to have persisted. Performance fees on private markets have also been relatively high through the recent period.



As such, **only one in four investors say that they've reduced the total expenses** associated with the investment portfolio during the past three years, equalling the proportion that told us their costs went up. The final section of this report therefore looks at several trends relating to cost.

FIGURE 27: HOW ARE THE TOTAL EXPENSES ASSOCIATED WITH THE INVESTMENT PORTFOLIO CHANGING, RELATIVE TO ASSET VOLUME?



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In focus: the resourcing challenge continued

Team expansion

Nearly half of investors have increased the number of investment staff in their in-house team during the last three years, up slightly from the 40% figure in the aforementioned 2018 research.

This represents the continuation of a crucial trend towards improving capability and expertise as portfolios become more complex and the investment climate becomes increasingly challenging.

Staffing increases are evident across all investor types, with family offices leading the way (67% have increased staffing in the past three years; 63% plan to do so in the next three years).

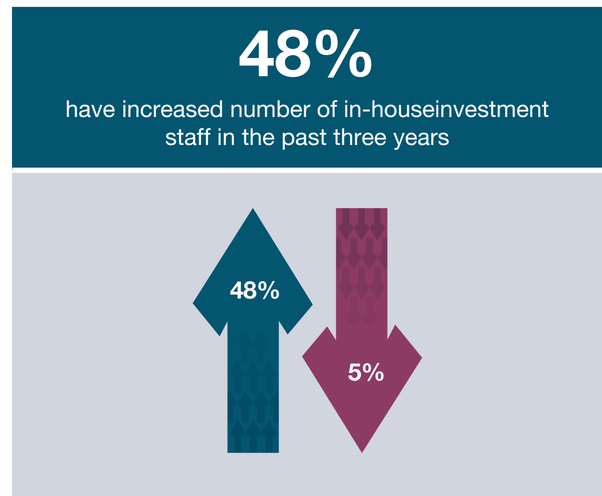
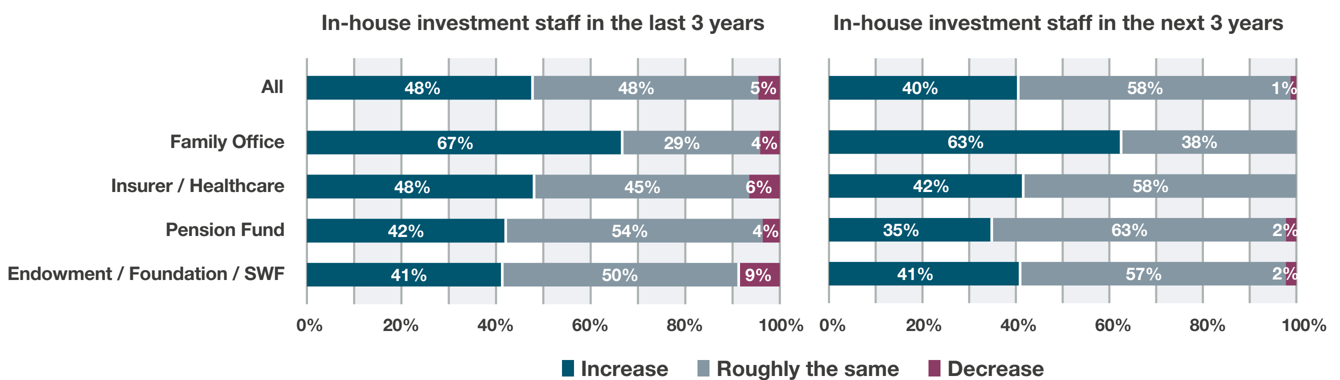


FIGURE 28: ARE YOU INCREASING/DECREASING THE NUMBER OF IN-HOUSE INVESTMENT STAFF?



Outsourcing

In 2018, 19% of investors said that they had increased the proportion of assets managed in-house during the past three years, versus 15% who had increased the proportion outsourced to external managers. Today, however, we see a trend in favour of outsourcing: 30% of respondents have increased the proportion of assets managed by external managers over the past three years, versus 8% who have decreased that proportion.

Key drivers in favour of outsourcing, such as increased complexity and greater use of alternative investments, have persisted strongly. Meanwhile, there is less momentum behind the insourcing trend: many investors that believe in managing certain types of strategy in-house had already executed those changes. From the perspective of investor type, insurers are most likely to have outsourced (Figure 29), reflecting the growing sophistication of their portfolios.

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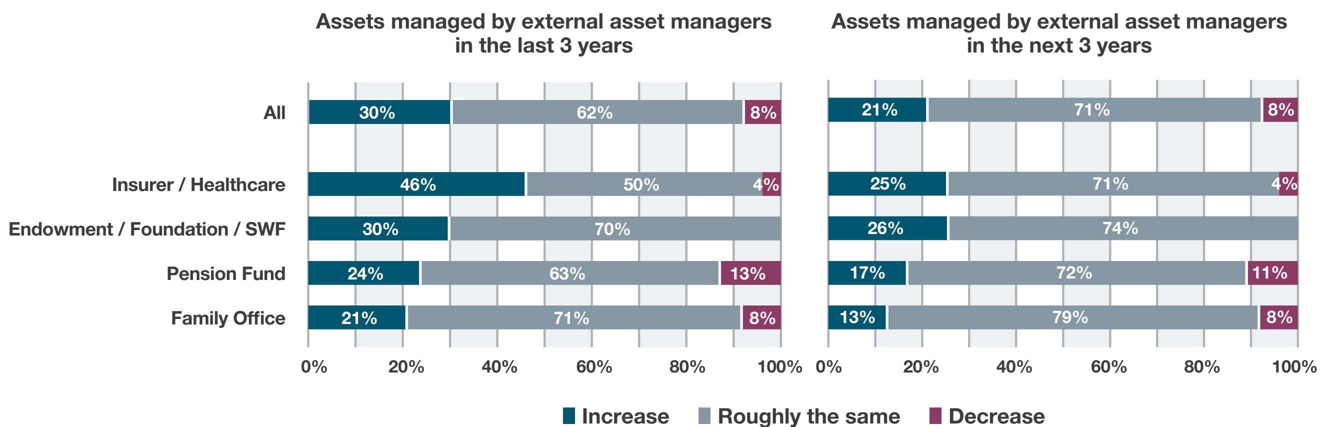
In focus: the resourcing challenge continued

FIGURE 29: ARE YOU INCREASING/DECREASING THE PROPORTION OF ASSETS MANAGED BY EXTERNAL ASSET MANAGERS?

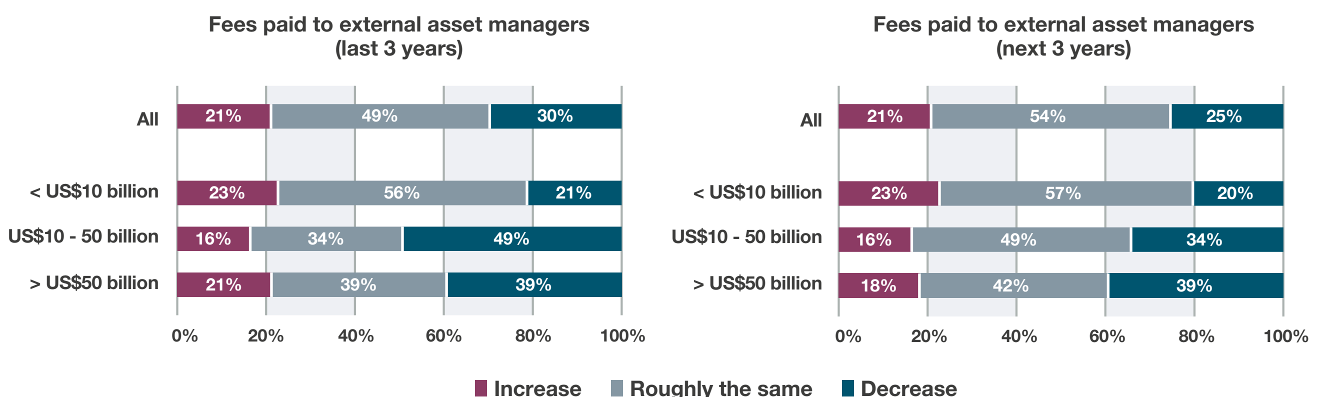


Manager fees

Some 30% of investors say that they have reduced the fees paid to external asset managers as a proportion of externally managed assets, versus 21% who say that fees have increased (Figure 30). This is a very positive finding when we consider the ongoing trend towards (costlier) 'alternative' investments.

Supporting savings, many respondents expressed the view that 'like-for-like' fees in equities, hedge funds and fixed income have fallen (Figure 31). Private markets fees have been stickier, as has often been a complaint in recent years, but there has been apparent movement in infrastructure and private debt: nearly a quarter say they've seen declines in those sectors.

FIGURE 30: ARE THE (APPROXIMATE) FEES PAID TO EXTERNAL ASSET MANAGERS INCREASING OR DECREASING, AS A PERCENTAGE OF EXTERNALLY-MANAGED ASSETS?



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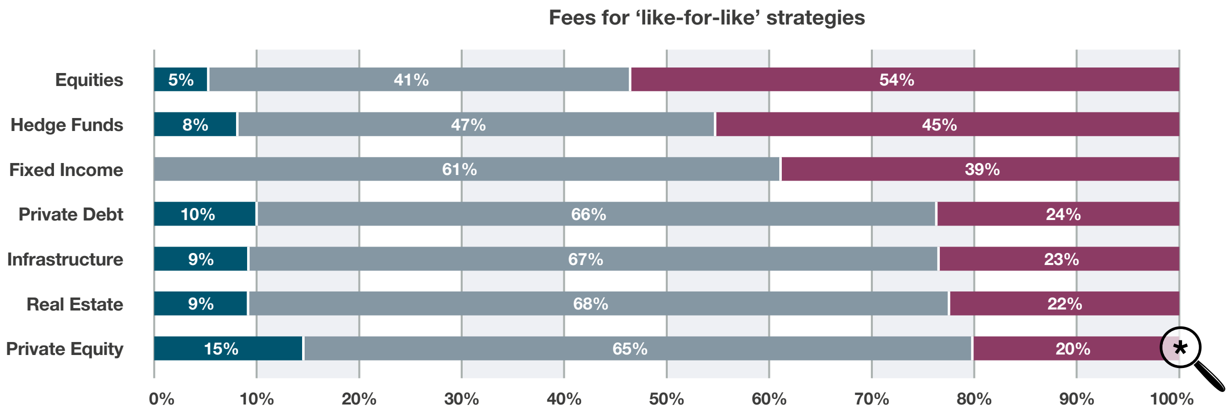
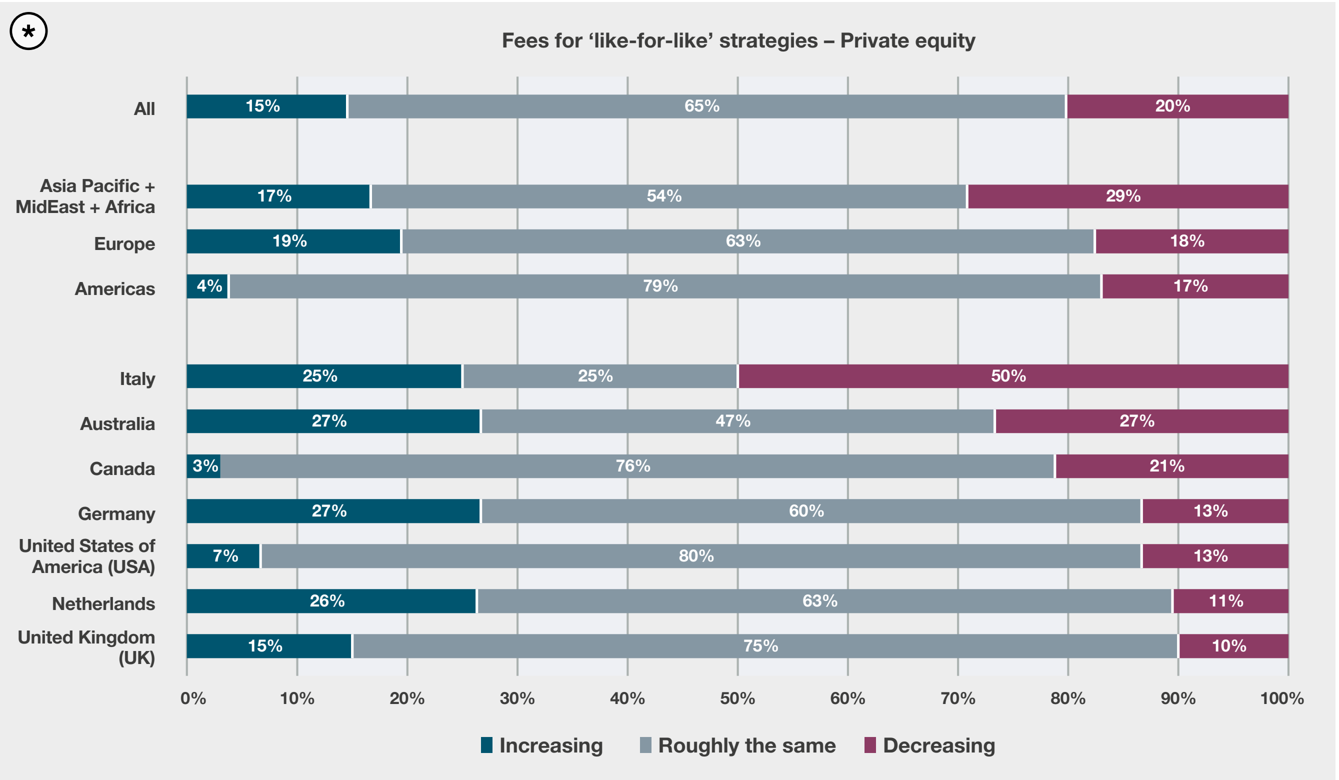
In focus: the resourcing challenge continued

FIGURE 31: DO YOU BELIEVE THAT FEES FOR 'LIKE-FOR-LIKE' STRATEGIES IN THESE SECTORS HAVE BEEN INCREASING OR DECREASING DURING THE LAST THREE YEARS?



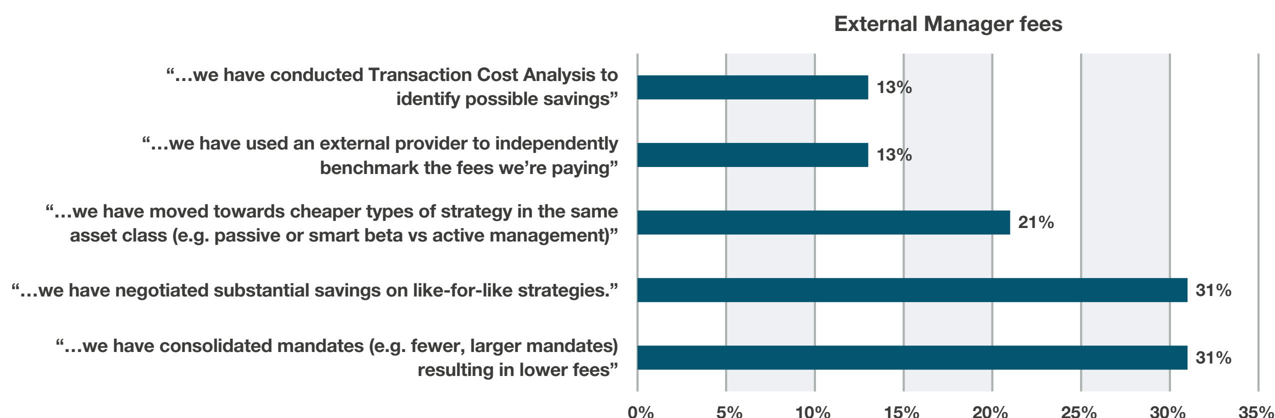


Amid these fee reduction trends, **31%** of investors say they've "**negotiated substantial savings** on like-for-like strategies" in this period (Figure 32), and only 13% have used an external provider for independent **fee benchmarking**.

Investors facing an uncertain return climate should keep a sharp eye on opportunities to improve efficiency without compromising on strategy. Identifying granular fee trends, comparing pricing against highly specific peer groups of managers/strategies and scrutinising the drivers of return can support stronger negotiations (see Investment Management Fees: Capturing Price Evolution). Simpler strategies for reducing fees, such as relying on one's status as a large influential allocator or consolidating multiple mandates in large portfolios to generate savings, are not necessarily repeatable.

In focus: the resourcing challenge continued

FIGURE 32: ON THE FOLLOWING STATEMENTS ABOUT EXTERNAL MANAGER FEES, PLEASE TICK ALL THAT APPLY



Investors grapple with manager fees

"We consolidated funds and remove duplicative funds/strategies and reduced fees approximately $6mm a year. Now looking to inflation outperform sectors such as energy, dividends, utilities, commodities etc." Pension Fund, USA

"We expect an increase as we move towards more exposure to alternative and illiquid asset classes." Pension fund, France

"Fees are rising overall, largely due to the high costs of private asset managers." Family office, the Netherlands

"We have negotiated fee reductions over the last few years, however with rates going back up I think it will be less likely to reduce fees for bonds from here." Insurer, Singapore

"Larger allocation to expensive asset classes such as infra debt/equity, private debt means higher external manager fees vs the very cheap listed equivalents in equity and public fixed income." Pension fund, the Netherlands

"Increased allocation to private markets will increase the total fees we pay." Endowment, Finland

"The increase in our external manager fees was caused by performance fees for private equity." Pension fund, the Netherlands

"The trend is or should be down across most strategies - they are mostly still overpriced. Wouldn't touch hedge funds for this reason." Pension fund, UK

"Intense competition from within (other managers) and outside (passive strategies) have generally pushed fees down it seems." Wealth manager, Canada

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In focus: the resourcing challenge continued

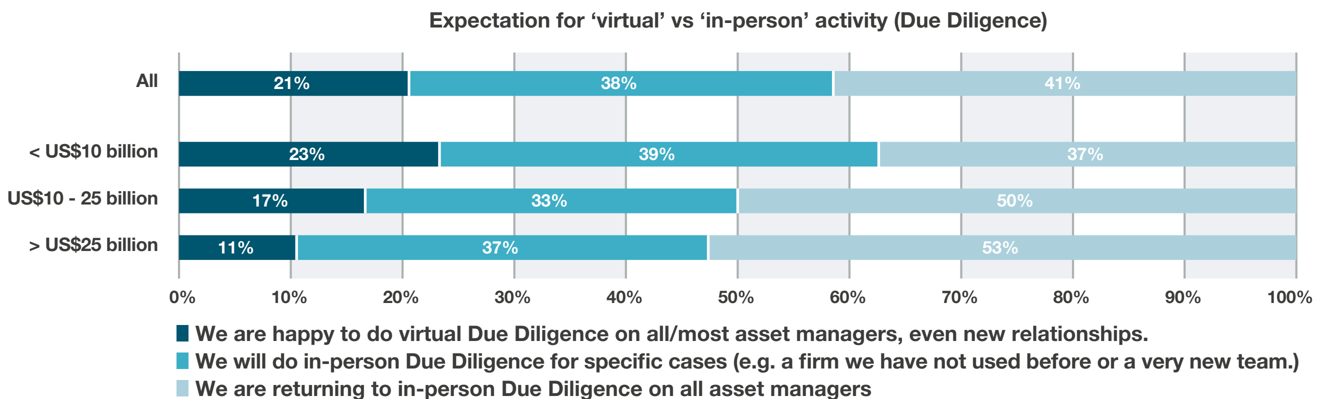
'Virtual' versus 'in-person' due diligence

In a period where overall expenses may be rising, senior investment staff may not necessarily find it straightforward to reinstate travel expenses that evaporated during the pandemic lockdowns. There can be some pressure to maintain efficiencies.

As such, this year's survey sought to identify whether investors are now happy to conduct 'virtual' due diligence for all external managers—even new partnerships. Although just 21% answered in the affirmative, closer analysis of the results suggests that necessity may be the mother of invention. Australian investors, who are located far from many of the international managers that they may use, are much more comfortable with a virtual-only approach than their counterparts in Europe and the USA, as typified by the Dutch response shown below. Smaller investors are also happier than their larger counterparts to conduct virtual 'DD' in all cases.

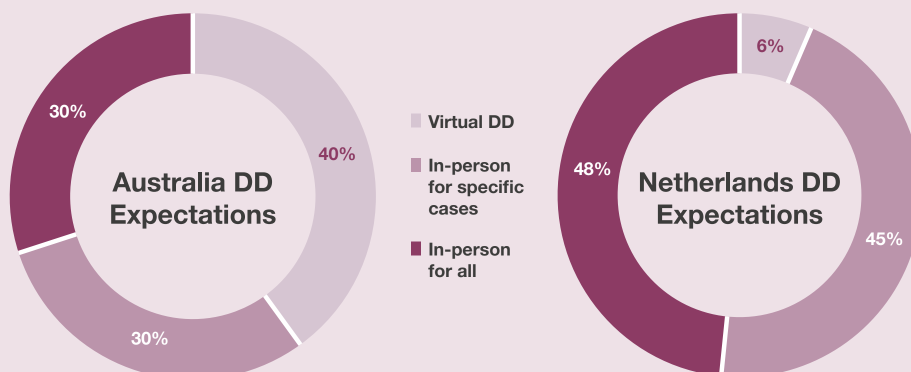
> "The pandemic, with its restrictions on travel and meeting face to face, has created an important question which is still under debate: do we need to be on-site for manager due diligence and annual review meetings? There is debate over this internally, of course. Personally I really do believe that this is better face to face. You cannot evaluate a manager's culture over Zoom or Microsoft Teams. I'm also a big believer in having two pairs of eyes in these meetings: people have different skill-sets; you can work together in meetings (e.g. 'good cop bad cop'), and debriefing right away with a colleague who was in the same meeting can be very helpful."
>
> **Majdi Chammas,**
> AP1, Sweden (see bfinance Investor Spotlight)

FIGURE 33: WHEN CONDUCTING DUE DILIGENCE ON ASSET MANAGERS, WHAT IS YOUR EXPECTATION FOR 'VIRTUAL' VERSUS 'IN-PERSON' ACTIVITY? PLEASE TICK THE STATEMENT THAT BEST FITS YOUR VIEW.



Country snapshot: Australia vs. The Netherlands

FIGURE 34: WHEN CONDUCTING DUE DILIGENCE ON ASSET MANAGERS, WHAT IS YOUR EXPECTATION FOR 'VIRTUAL' VERSUS 'IN-PERSON' ACTIVITY? RESULTS FOR AUSTRALIA AND THE NETHERLANDS



Closing thoughts: what keeps you awake at night?

Recession, inflation and stagflation

“Looming recession and geopolitical instability.” Pension fund, Malaysia

“Worry about the depth and length of recession in UK and Europe, worry about heighted risk of corporate failures in UK and Europe.” Pension Fund, UK

“Inflation out of control and long term effects on markets, e.g. bond yield over 10%. Over this, more poors and social unrest that could cause a deep fracture in our lives.” Pension fund, Italy

“Understanding the impacts of inflation; across the industry, we don’t see many who have been through an inflationary environment or a challenging market and worry about how managers will perform and adjust in a prolonged inflationary environment.” Pension fund, US

“Understanding the inflation outlook and the movement in interest rates. Whether we will end up in a recession.” Pension fund, Australia

“The timing of the reduction in US inflation, and the dichotomy between what the Fed is saying to reduce inflation expectations and what they’re likely to actually do in terms of raising the federal funds rate to reduce inflation sufficiently.” Family office, Australia

“Stagflation risk and impact on market returns.” Insurer, South Africa

“Potential stagflation scenario as inflation is soaring, while economy bound to slowdown following hawkish policy decisions.” Pension fund, Canada

“Can we keep the portfolio sufficiently liquid as we attempt to increase inflation sensitivity?” Pension fund, the Netherlands

The instability of the global financial system

“The instability of the global financial system and the uncertainties surrounding the monetary policy of leading central banks worldwide.” Pension fund, Germany

“Repo markets, liquidity deterioration.” Government fund, US

“The huge amount of debt globally. It’s everywhere.” Insurer, Canada

“Politicians and central bankers making mistakes.” Foundation, US

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Closing thoughts: what keeps you awake at night? continued

Geopolitical concerns

"Prolonged war in Europe with all economic and non-economic consequences." Pension fund, Italy

"Geopolitical situation getting uncontrollable/out of hand." Insurer, The Netherlands

"Geopolitical issues. the erosion of democracy in the USA, Russian hostilities, everything China." Pension fund, Canada

"Social cohesion in Western societies." Insurer, Germany

"The political and geographical instability in the world, leading to a multipolar world with a lot of potential conflicts, and the impact of all this on economic growth, inflation and returns." Pension fund, the Netherlands

...and more

"Private market valuations." Pension fund, Canada

"Private / public market dislocation and lagged implications of rising rates on private markets." Investor, New Zealand

"The possibility of a sustained period of inactivity in private markets—impacting both realization and net new investment." Insurer, US

"Politicians not focusing enough on the economy and too much on climate change without fully understanding the effects of their climate policies (and the resulting socio-economic impact of such policies). Money would be better spent in helping the world live and adapt to climate change." Pension fund, Canada

"Micro detailing of Dutch pension reforms, creating lots of unexpected issues to come (although I fully support the direction of the reforms)." Pension fund, the Netherlands

"Lower return in next decade than last decade. Skills of managers in the new world of rising rates and inflation... It's not an environment many of this generation have experience of - the play book is blank." Pension fund, UK

"Will the Chinese property problem create a bank run regime?" Insurer, Thailand

"The potential return of Donald J. Trump." Insurer, Bermuda

"My dogs snoring. Regulation and more regulation." Pension fund, Australia

About bfinance investor research

Kathryn Saklatvala
Head of Investment Content

We would like to extent our warmest thanks to the senior investors that contribute their extremely valuable time to participate in bfinance's investor surveys.

These initiatives are intended to support and inform our clients and fellow investors, as well as the wider investment community.

Contributors receive:

- Advance previews of results (within days of survey close);
- The option of requesting tailored segmentation of data, for benchmarking purposes;
- The opportunity to nominate questions for inclusion in upcoming questionnaires.

Where appropriate, we also aim to support important charitable initiatives by making donations on behalf of participants. If you would like to find out more about bfinance investor research or take part in future projects, please do contact our team: investorresearch@bfinance.com

On behalf of the participants of the Asset Owner Survey published in November 2022, we are proud to donate to the following charities, which work with people that are particularly affected—directly or indirectly—by the 'cost of living' crisis:

Armoede Fonds

Off Road Kids Foundation

Crisis

Feeding America

Fondation des Femmes

The Smith Family Charity

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Global Asset Owner Surveys	Sector-specific Surveys	Snap Polls
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ESG Asset Owner Survey February 2021	Insurer Investment Survey November 2021	UK Investor Snap Poll – October 2022
Global Asset Owner Survey July 2020	Wealth Manager Investment Survey June 2021	What Are Investors Thinking Now? April 2022
Global Asset Owner Survey September 2018		What Are Investors Thinking Now? April 2020

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Appendix

As noted on page 11, the 'average' investor prediction for the performance of the MSCI World in 2023 was +3.80%.

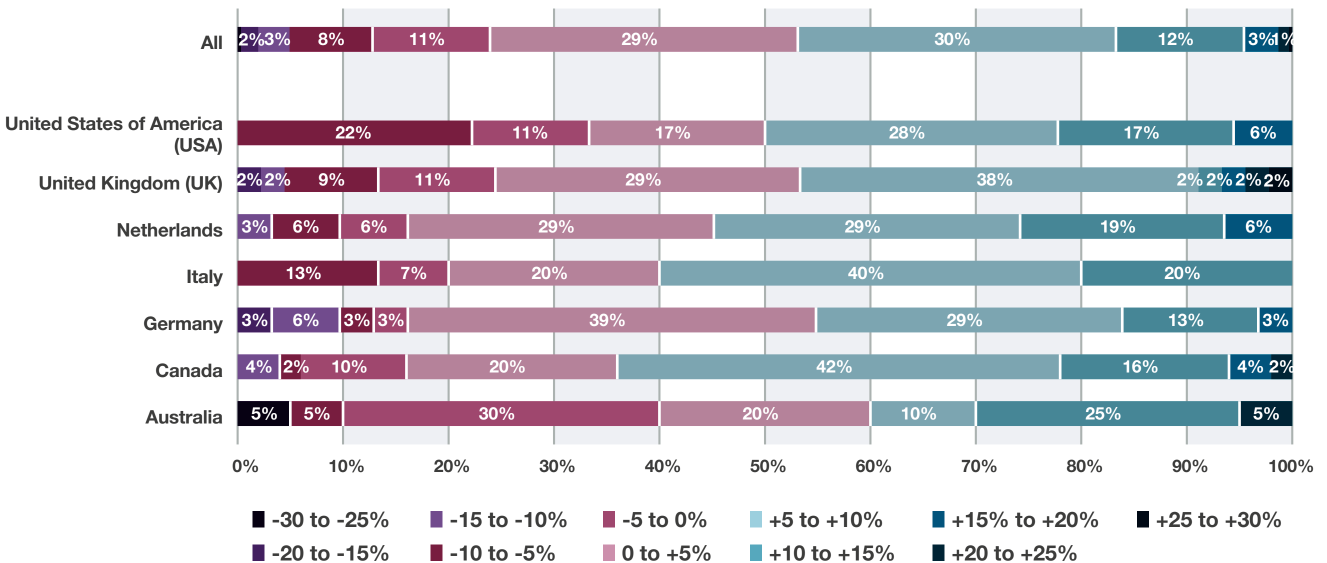
Conversely, the 'average' prediction for the MSCI World in 2022 was -10.05%.

These averages mask an extremely wide variation in sentiment, especially for 2023, as shown here in Figure 34. A quarter of investors expect this index to generate a loss in the coming year.

Investors of different types do not appear to be more or less optimistic, on average, than their peer groups. Yet, as shown below, there were some interesting geographical biases in the results. If we look at the proportions of investors that expect a loss, we find that Australian and US respondents are the most sceptical (40% and 33% respectively) while Dutch and Canadian investors are the least sceptical (15% and 16% respectively).

Anecdotally, a very significant proportion of investor participants expressed overriding concerns about a low-growth or recessionary economic climate.

FIGURE 34: WHAT'S YOUR PREDICTION FOR THE MSCI WORLD RETURN IN 2023?



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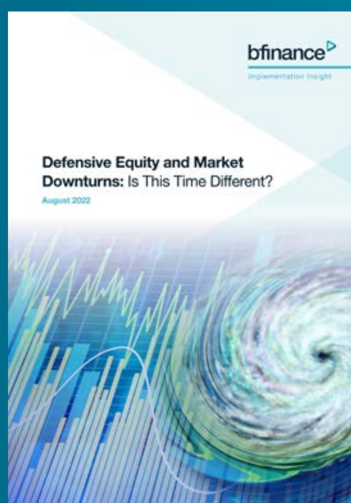

Defensive Equity and Market Downturns: Is This Time Different?
(August 2022)

ESG Asset Owner Survey: How Are Investors Changing?
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