The Economist | Intelligence Unit

CHANGES ON THE INSTITUTIONAL INVESTMENT HORIZON:

EMEA investors balancing long-term liabilities with market opportunities

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Introduction

How are institutional investors' strategic objectives being impacted by economic and political factors? In a global environment fraught with risk, to what degree are these investors able to act tactically while maintaining their long-term strategic focus?

The Economist Intelligence Unit (EIU) considers these issues in detail with a survey of senior institutional investors throughout Europe, the Middle East and Africa (the EMEA region) and analyses how different investor categories in different countries are responding to changing macroeconomic and regulatory environments and changing stakeholder objectives and pressures, as well as to current trends.

Institutional investors such as pension and insurance funds should have a strong incentive to hold assets, given the long-term nature of their liabilities. Evidence as to how they are reacting, however, is mixed. Concerns around the potential negative effects of holding a short-term focus are widespread, both within and outside the investment industry. There have been moves from governments, global institutions such as the OECD and the asset management industry itself to address this. Examples range from the UN Principles of Responsible Investment[1] to the European Insurance and Occupational Pensions Authority and the UK government-sponsored Kay Review.[2]

We take a detailed look at how and to what extent investors seek to reconcile such high-level principles with their fiduciary duty to deliver stable returns while guarding against the repercussions of a political phenomenon, such as Brexit, or a financial one, such as the persistent asset-price impact of quantitative easing.

[1] https://dmmn26wgpgtie.cloudfront.net/wp-content/uploads/2014/08/23105321/Long-term-mandates-PRI.pdf

[2] http://www.ecgi.org/conferences/eu_actionplan2013/documents/kay_review_final_report.pdf

About this research

In June-July 2017 The Economist Intelligence Unit surveyed 571 senior institutional investors around the world about how they are reacting to changing market conditions. The research, sponsored by Franklin Templeton Investments, explored how the changing environment has affected investors' portfolio allocation strategies, time horizons and long-term objectives.

The survey is part of a global programme, *Changes on the investment horizon*, which includes in-depth interviews with institutional investors from North America, the EMEA region (Europe, the Middle East and Africa) and Asia-Pacific. The survey findings and the interviews are featured in a series of reports, videos and infographics.

The 200 executives who took part in the EMEA survey were drawn from five sectors: pension funds, insurance funds, commercial banks, sovereign wealth funds and endowment funds. Of these, 47% are C-suite executives, and the remaining 53% hold the position of senior vice president, executive vice president or vice president.

Of the institutional investors, 83 are from pension funds, 16 from corporate treasury funds, 26 from endowment funds, and one from a sovereign wealth fund. The assets under management of some 35% of the institutional investors exceed $5bn, those of the remaining 65% range between $1bn and $5bn.

In addition, we conducted a series of in-depth interviews in July-August 2017 with senior investment executives from the EMEA region. Our thanks are due to the following for their time and insight (listed alphabetically):

- Stefan Beiner, deputy CEO and head of asset management, Publica
- Steven Daniels, chief investment officer, Tesco Pension Investment Limited
- Michael Dittrich, chief financial officer, Deutsche Bundesstiftung Umwelt (DBU)
- Mark Fawcett, chief investment officer, National Employment Savings Trust (NEST)
- Ralph-Thomas Honegger, chief investment officer, Helvetia Versicherungen
- Dominik Irniger, chief investment officer, Pensionskasse SBB
- Manuela Zweimueller, head of policy department, European Insurance and Occupational Pensions Authority (EIOPA)

The Economist Intelligence Unit bears sole responsibility for the content of this report. The findings and views expressed in the report do not necessarily reflect the views of the sponsor. This report was written by Dewi John and edited by Renée Friedman.

Key Takeaways

The majority of respondents remain focused on their long-term objectives. According to 44% of respondents, short-term pressure has led them to become more focused on their long-term objectives, while 28% say it has had no effect. The need to match liabilities, particularly for insurance and pension funds, often underpins this focus. Liabilities are generally long-term, so there is an in-built need for assets that fit this requirement.

The greatest impediment to institutional investors in the EMEA region focusing on the long term is market volatility (42%). Regulatory change, reputational risk and the global economic outlook also feature as significant concerns. These categories are not necessarily discrete and can show a degree of interdependence: global economic conditions can trigger volatility, forcing portfolio rebalancing in the short term.

Respondents cite political uncertainty (40%) and financial stability risks (33%) as the most significant challenges to meeting their investment objectives. Uncertainty surrounding Brexit, financial stability risks related to overstressed banks in the euro area, ongoing economic reforms in euro area countries and concerns about where we are in the investment cycle weigh heavily on the region's institutional investors.

Fixed income is viewed favourably, with investors investigating higher-yielding options in the search for yield. Some 42% of EMEA respondents say they are most likely to allocate funds towards fixed income. Despite perceived rich valuations, the yield-bearing nature of the asset classes makes them attractive to liability-matching institutional investors.

Yield compression leads to higher portfolio turnover for many, with risks mitigated by increasing diversification. Almost 50% of respondents say that they have not increased their portfolio turnover in the search for yield. However, 44% say they have done so to some degree. The risk of such turnover is frequently mitigated through diversification into a wider range of assets than previously held.

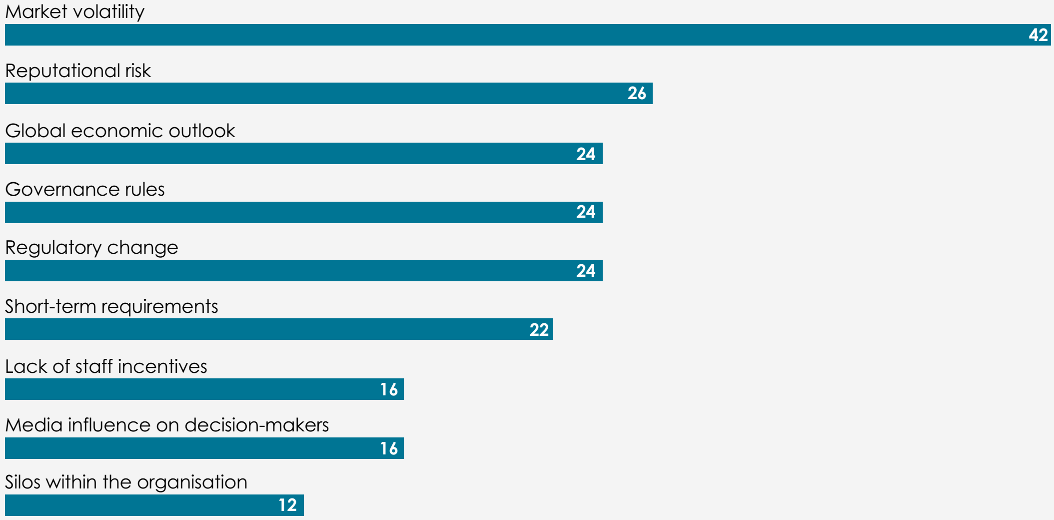
Volatility increases active portfolio management. Market volatility is a top concern for 42% of EMEA respondents. As a result, 40% of these respondents see themselves as being more active in the management of their portfolios, compared with 28% who say they will be less active. In general, respondents are seeking to manage their strategic portfolios more actively and say that they are becoming more tactical in their asset-allocation strategy.

Investors expect to increase their exposure to ESG assets. Over the next three years approximately 62% of respondents plan to increase their environmental, social and governance (ESG) exposure. This may be a reflection of an increasing amount of ESG-based information, although institutional investors are still seeking to determine how this is interpreted and acted on.

Regulation creates opportunities but comes at a cost. Whereas 54% of respondents see changes in global regulation as creating opportunities through the opening of new markets, 45% expect regulatory change to translate into new products. Nevertheless, the cost of regulation is a concern, particularly in areas such as investor protection and post-trade compliance.

1 Chapter 1: EMEA institutional investors adapting to changing trends

The biggest impediment to lengthening the investment horizon
(% respondents)[3]



Globally, institutional investors view market volatility as the greatest impediment to lengthening the investment-time horizon. This also holds true in the countries of the EMEA region (Europe, the Middle East and Africa), and investors are aware of the threats and opportunities this poses. Some are acting on short-term factors and are taking tactical actions as a result of such risks.

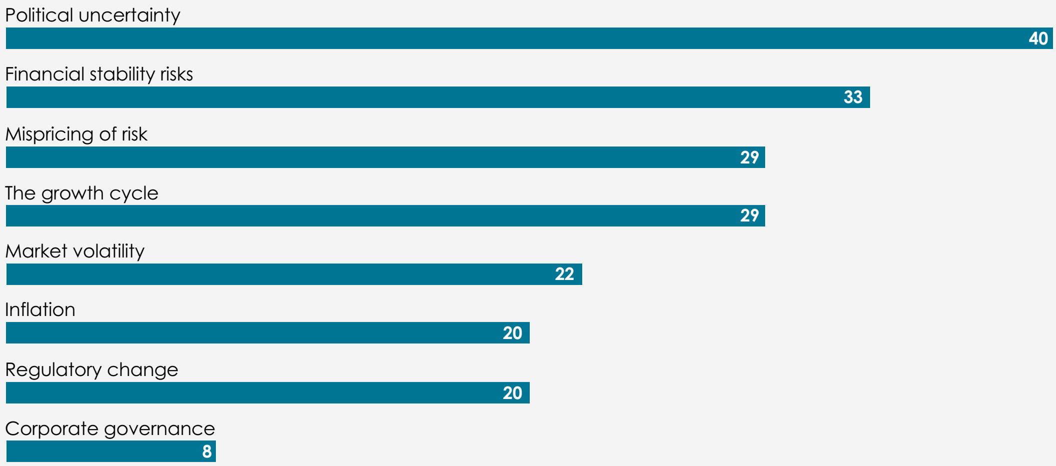
According to Manuela Zweimueller, head of the policy department at the European Insurance and Occupational Pensions Authority (EIOPA), the macroeconomic environment with decreasing yields has been a challenge for investors over the last three years. This has also been reflected in the asset allocations of insurers, with many of them changing the maturity structure of their bond portfolio. "However," she emphasises, "the overall investment allocation remains relatively stable over time, in line with insurers' role of being long-term investors."

Within EMEA, Italy and the United Arab Emirates have the highest percentage of respondents who regard volatility as a top concern (both about 60%). This may reflect the more volatile political and economic market conditions these countries face. This is in sharp contrast to the economically more stable Switzerland, where it is the primary concern of only 28% of respondents.

Average holding periods do not seem to have changed, despite factors such as worsening demographics (ie, an aging population) and the need to generate excess returns. The largest percentage (41%) of respondents have not changed their holding period, 26% say they have shortened it, while only 12% say that they have lengthened it. This difference could be down to different responses to the same need. Investors could be seeking excess returns through greater active trading

[3] Q1 What do you consider to be the biggest impediment to lengthening the investment horizon?

The main challenges for EMEA institutional investors in meeting objectives
(% respondents)[4]



and arbitrage opportunities in the former instance and holding more illiquid assets in the latter, which pay a higher yield. It is, of course, entirely possible for one fund to employ both strategies simultaneously.

EMEA investors remain focused on the longer term, with 44% of respondents citing a stronger focus on meeting longer-term objectives and only 22% saying they have reduced their investment-time horizon. So, while a substantial minority are having to focus on the shorter term to fulfil their investment objectives, the majority have responded by taking a longer-term view or staying the same course. Ralph Honegger, CIO of Swiss insurance group Helvetia Versicherungen, says: "Our investments are driven by our liabilities. Typically, these are long duration—of ten years or more."

The perceived greatest challenges cited by respondents to meeting their investment objectives are political uncertainty, financial stability risks and mispricing of risk (see chart 2).

There remains a contrast between aspirations about long-horizon investing and implementation.

The short-term and longer-term impact of regulatory change in the investment process

Some asset owners complain of the short-term view of national regulators producing regulations where liabilities are valued against short-term models. However, for most regulation has played a positive role, for instance, where governments and regulators have permitted the holding of a broader range of assets for pension funds. Some 54% of survey respondents see the opening of new markets as a significant opportunity arising from regulatory action, while a further 45% believe that regulatory change has opened the way for new product development. These are both being linked to the rise of alternatives such as private debt, which regulatory action has increasingly opened up to investors over the past decade.

Mark Fawcett, chief investment officer at the UK's National Employment Savings Trust (NEST), notes: "The freedom and choice of reforms created a significant shift in the UK's pension landscape away from annuities.[5] Investing much further into retirement appears to be becoming the new norm. It's possible that our investment horizons may well get longer."

However, not all see regulation as a significant driving force. Dominik Irniger, chief investment officer at Pensionskasse SBB, the pension fund of Swiss Railways, says: "Regulation hasn't influenced any changes to our portfolio. Switzerland is a very stable regulatory environment."

[4] Q18 What do you believe to be the main challenges for institutional investors in your region in meeting their objectives? Please select two.

[5] The reforms brought in by the UK government in April 2015, which increased flexibility about when and how people could access their defined contribution pension savings.

2 Chapter 2: Investors gradually increasing their ESG and principle-based investment

For institutional investors in EMEA, principles and social objectives are the most important factors governing portfolio monitoring, with insurance firms, sovereign wealth funds and commercial banks listing these as their prime concerns in this area. These are also the most important factor guiding investors in the Netherlands and Germany, two countries with a strong reputation for transparent and sustainable investment.

While 83% of survey respondents expect to increase their exposure to environmental, social and governance (ESG) investments, this shift will be gradual: only 15% of EMEA respondents plan to increase their ESG and principle-based investments in the next 12 months. By sector within EMEA, endowment funds are ahead of the pack, with more than 27% expecting an increase over that time. About 46% of EMEA institutional investors plan to increase their ESG- and principle-based allocations in the next 1-3 years, led by Saudi Arabia and the UAE with 60% and 73 %, respectively. This is probably due to the higher level of impact of technological disruption registered by Saudi-based investors as low-carbon alternatives to oil and gas become more viable.

ESG is a persistent—but creeping—issue for the industry. One senior industry insider, who has worked with institutional investors and the UK government on ESG implementation, says: "My perception is, across the board, that the investment industry is talking about ESG in the way it wasn't before. However, lots of people are now looking at data, but without a clear sense of what to do with it—how to make it real."

Changing demographics, technological disruption and climate change are all considered to have "some" or a "significant" impact on reduced holding periods for ESG assets by respondents. This may sound counterintuitive, but the high rate of technological innovation in the sustainable energy sector, for example, makes for a very fluid marketplace. What looks like being a market leader one year can have an outmoded or non-viable pipeline the next.

ESG front-runners

Endowment funds have frequently led the way in advancing ESG concerns, as these beneficial foundations often have explicit social and environmental policies. Michael Dittrich, chief financial officer of Deutsche Bundesstiftung Umwelt (DBU), a German foundation trust which promotes projects that protect the environment, says that sustainability requirements have been firmly anchored in the DBU's internal investment guidelines since 2005. He explains: "We have added to the magic triangle of investment—profitability, security and liquidity—through the fourth element: sustainability." He reports that 90% of the DBU's investments are subject to a sustainability assessment. The foundation requires that 80% of its shares and corporate bonds are listed in one of the important sustainability indices or can be classified as investable by one of Germany's sustainability rating agencies.

Other investors prefer to engage with the companies in which they invest, rather than divest. As Mr Irniger of the SSB explains, "There is no significant effect on the portfolio, and ESG should be a neutral factor in the holding period."

While ESG concerns are becoming more prevalent, it seems likely that they have yet to become a significant factor in lengthening investment-time horizons.

3 Chapter 3: Investors looking for higher yields in unusual places

Since the global financial crisis institutional investors, in search of stable sources of inflation-beating income, have faced a challenge as the European Central Bank (ECB), the Bank of England and the US Federal Reserve (the US central bank), to whose dollar the currencies of the UAE and Saudi Arabia are pegged) have kept rates at historic lows. Loose monetary policies, including quantitative easing, have kept bond yields at historically low levels.

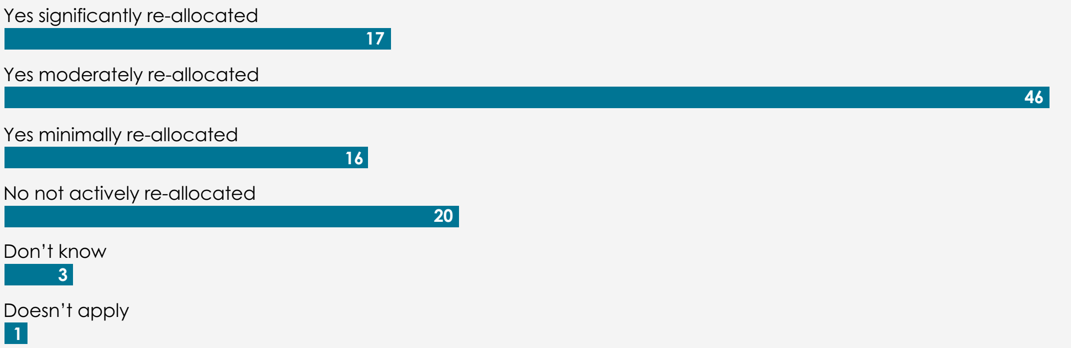
At the start of the 1980s the yield on the ten-year UK gilt was about 15%. Now it's little more than 1%. In the summer of 2016 the ten-year Bund was trading at negative yields and has failed to yield more than ten basis points ever since.

UK investment-grade indices are currently yielding less than 3%; the weighted average yield for European high yield in 2016 was 5.3%. Given this prolonged low-yield environment, institutional investors might be easily tempted to engage in portfolio reallocation in pursuit of higher yields. Some look to shift their allocations from low- to higher-yielding assets in order to meet their liabilities.

The low yield environment has led 46% of respondents to at least moderately reallocate their portfolios. When asked if the search for yield was leading them to take short term actions, despite the increased riskiness of such actions, nearly one-half of respondents said they hadn't changed their allocation. However, 44% have taken short-term actions, such as increasing their portfolio turnover in the search for yield. Investors are grappling with the question of whether to increase their risk budgets to meet return objectives, and to what degree, or whether to accept a lower return. Some have sought to address this by moving into higher-risk/return assets while maintaining the same overall risk budget.

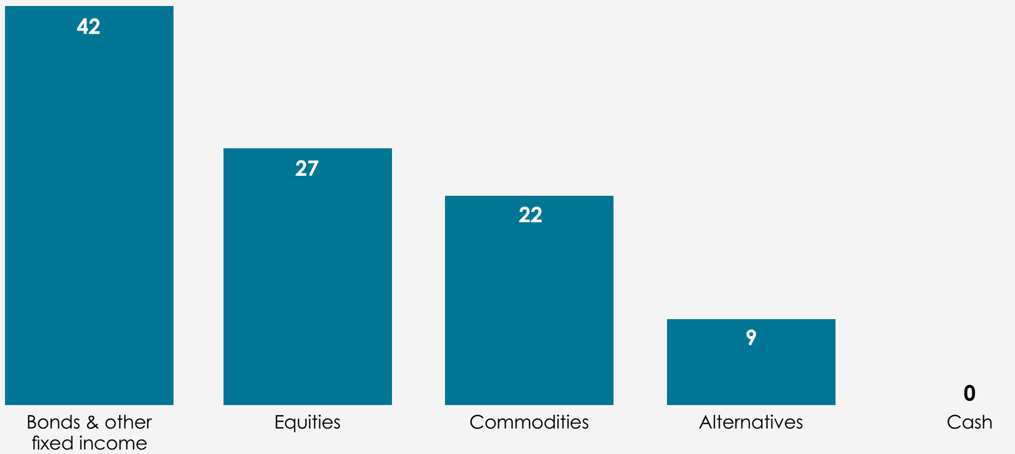
As Stefan Beiner, head of asset management at Publica, the Swiss federal pension fund, explains: "The largest move has been an

Re-allocation of portfolio due to low yield environment
(% respondents)[6]



[6] Q16 Has the current low yield environment led you to actively reallocate your portfolio towards a particular asset class?

Asset class most likely to re-allocate towards
(% respondents)[7]



adjustment to our strategic asset allocation. Our board discussed whether to increase our risk budget and decided not to. Nevertheless, the board decided in 2016 to make three major moves: reducing our exposure to developed-market government bonds by 4 percentage points and allocating instead to private debt, split evenly between private placement and infrastructure; a further reduction in government bonds and reallocation to international real estate; and increasing our emerging-market exposure by reducing developed-market public credit." Carrying this out within existing risk budget constraints was done through increasing portfolio diversification.

In the case of the SSB, Mr Irniger says his fund dealt with the low-yield environment by changing the return expectations it communicates to its members. "Rather than take on more risk to counter lower yields, we need to communicate to our beneficiaries that the high returns of the past are not repeatable in this environment. It's a question of lowering return expectations rather than increasing risk."

For most, however, accepting reduced returns has not been a viable response to meeting the growth of liabilities and demographic change. For Mr Dittrich, "the extremely low interest rate also had an impact on our investment behaviour. In the bond market we no longer only invest exclusively in investments that have at least a BBB rating, but also to a moderate extent in bonds with a BB rating."

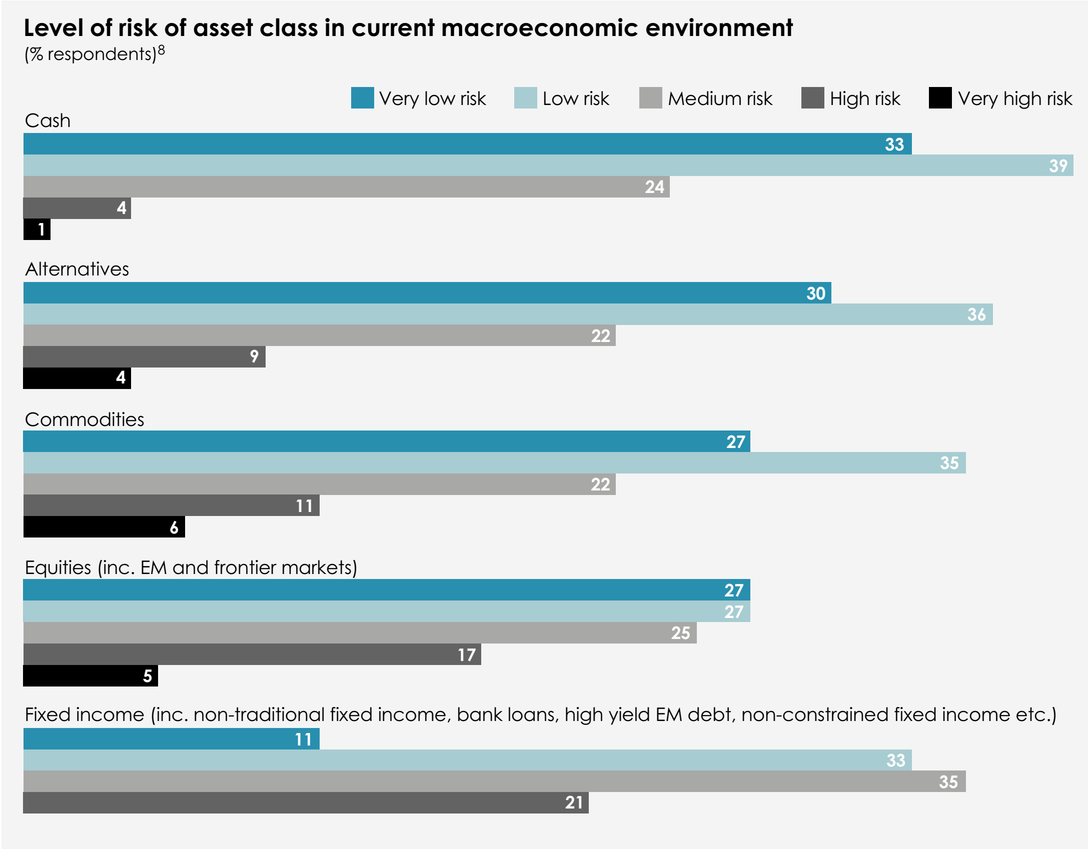
Asset allocation and risk

There is strong and persistent preference among institutional investors for fixed-income assets. Most respondents favour fixed-income assets, most likely because they are easier to match liabilities with. This is despite the higher level of perceived risk—21% of respondents perceive non-traditional, fixed-income risk as high, more than any other asset class. Although this is skewed towards perceived higher risk areas such as emerging-market debt, fixed-income prices are high across the board, in large part owing to the knock-on effect of the ECB's asset purchase programme. Further, it is precisely towards these riskier areas that interviewees are allocating their assets.

However, this is not true for all investors. As a long-term investor, NEST's asset allocation has a distinct growth orientation, particularly for its younger beneficiaries, and holds between 55% and 60% equities. However, the investment-time horizons remain fixed on the long term—"20-40 years", according to Mr Fawcett, so the fund can ride out the volatility that is inherent within the asset class.

Mr Fawcett adds that NEST has greatly reduced its holdings in UK government bonds

[7] Q17 Please select the asset class you are most likely to reallocate towards. Please select one.



since 2012, shifting up the risk curve to high-yield bonds and emerging-market debt. Such requirements for yield have produced a move into alternative fixed-income assets in EMEA since the global financial crisis. He says: "We are looking at new products in private debt lending, for example, which has been explored in the defined-benefit space but is still relatively new to defined contribution."

Such assets may also include leveraged loans and private placement, and in the equity space more institutional investors have been allocating their portfolios to private equity. As the assets are illiquid, with little in the way of secondary markets for many, such debt is often held until maturity, a timeframe that can be within three and seven years. This can extend the investment horizon of institutional portfolios. However, such alternative assets are still dwarfed by the volume of "conventional" assets in portfolios, such as publicly traded equities and bonds.

[8] Q19 Given the current macroeconomic environment, how would you rate the level of risk of the below asset classes?

4 Chapter 4: How EMEA investors are managing risk within their portfolios

What drives investors' portfolio monitoring?

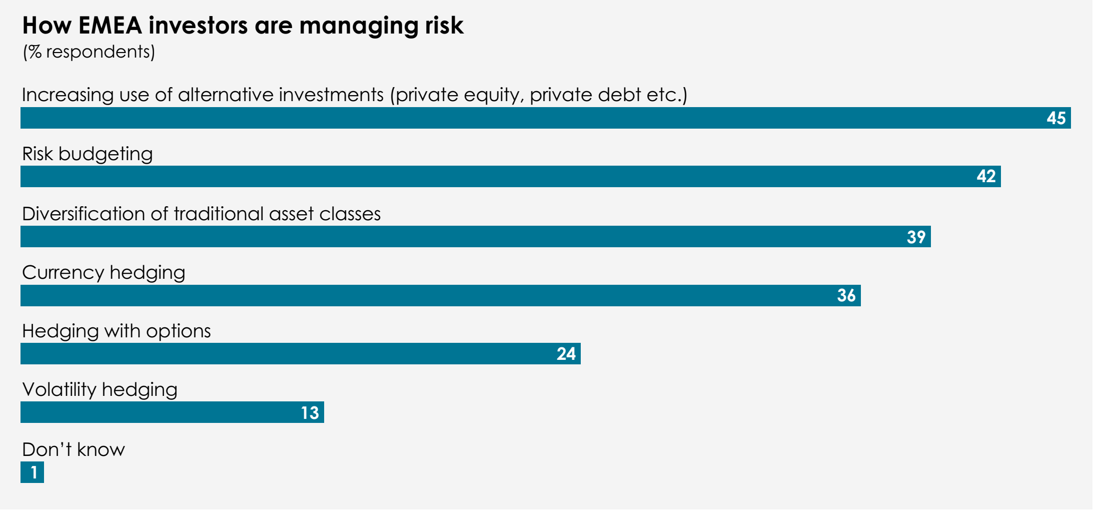
Conflicting objectives create problems for institutional investors, with respondents reporting that long-term performance is a more important driver for portfolio monitoring than short-term performance. Principles or social objectives are the most significant drivers, as stated above. Fiduciary responsibility is cited as the second most important driver. While in principle a focus on fiduciary responsibility does not prevent a focus on the long-term investment horizon, in practice it can. This is because central to such responsibility is return maximisation, which is usually reported quarterly or yearly. This then raises the question over what period this is judged.

Managing correlation risks between asset classes

In order of importance, survey respondents list the biggest risks to achieving long-term targets as correlation (58%), non-financial risks (47%) and liquidity risks (39%), followed by short-term volatility (28%).

The correlation between equities and bonds has been positive since 2000, reversing the previous negative correlation history. As a result, investors focused on correlation risk have adjusted their portfolios. Combined with the need for enhanced yield explored above, this has encouraged a higher rate of portfolio attrition.

Such considerations may well be what motivated those respondents who have



significantly or moderately reallocated their portfolios towards a particular asset class. How they choose to do so varies considerably, with respondents favouring (in order of preference) conventional fixed income, equities and commodities, with higher-yielding, less liquid alternatives trailing in fourth place, being favoured by less than 10% of investors.

But again, there are contradictory tendencies at work here, as investors are also increasing their allocations to less liquid alternative assets such as private equity and direct lending. Indeed, when asked how they manage risks, the most popular answer (45%) is increased use of alternatives (see chart 6).

Liquidity requirements

Alongside non-financial risk, liquidity risk also looms large. The need to respond to significant economic shifts caused by major thematic drivers such as climate change, demographics and geopolitical risk underpins concerns over liquidity. The DBU's Mr Dittrich explains: "It is very difficult to assess, over a longer period, which products and services will actually be affected by disruption. Therefore, we prefer to invest in liquid investments such as shares or corporate bonds, which enable us to react more quickly to such changes than with illiquid investments." Helvetia's Mr Honegger also expresses a preference for liquid assets, having exited illiquid instruments such as hedge funds and private equity before the financial crisis.

However, Mr Beiner of Swiss pension fund Publica says: "We will be reviewing and maybe increasing the degree of illiquid assets we can hold, which is quite high. We have a strong orientation to buy and maintain strategies, even on government bonds, where we tend to hold to maturity. We know our liquidity requirements well and believe the risk of us becoming a forced seller is very low."

For such large investors, liquidity may be more of an issue getting into an asset class rather than out, as NEST's Mr Fawcett explains with regard to accessing alternatives: "The challenge here is liquidity—not liquidity getting out, as we invest for the very long term, but getting in. While we don't expect daily liquidity, alternative investment funds have to be able to put the cash to work without having it sit around waiting for a suitable opportunity."

It is a standard of asset management reporting to show an estimation of how long it would take to liquidate any given portfolio. This remains an issue for investors even if, as with pension and insurance funds, their liabilities are long-term. Some interviewees say that technological disruption and climate change are factors in this. This is logical: a negative market shock in "normal" conditions may be expected to revert to the mean, but deep-seated structural changes have the potential to render whole sectors unviable, and this change could occur quickly.

Active vs passive: getting the balance right

Even given the decline in global fixed-income yields and changing governance rules in response to regulatory and technological changes, EMEA investors have maintained a balanced approach, with approximately 43% saying they are keeping a split between an active and a passive approach.

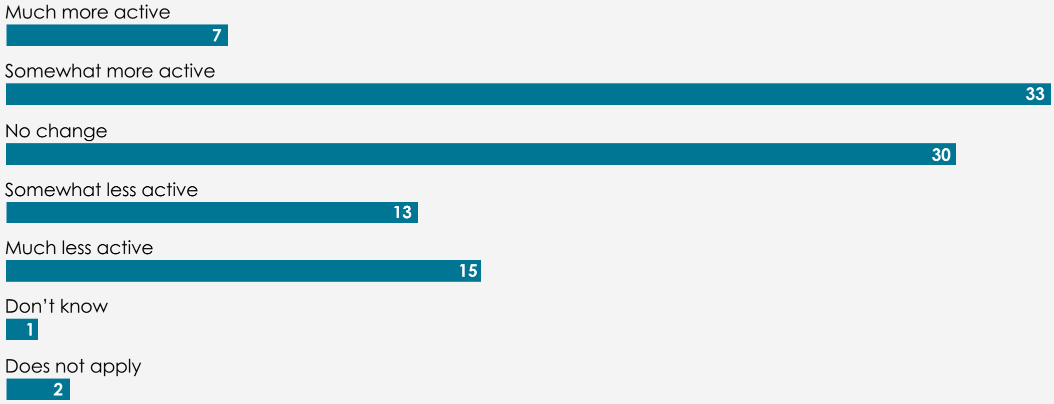
While some investors do try to engage with the companies they hold as part of their passive investments, this is a more challenging and mediated process than when the position is actively held.

However, Mr Fawcett does not see passive investment as being a necessary impediment to either engagement or long-term investing. "We are keen to assert our ownership rights. You need to be more active as a long-term investor, even when investing through passives," he says. He adds that NEST does this in partnership with their fund managers, to make it clear to companies that they're not going away—they're here for the long term.

Looking ahead, while 30% of EMEA-based respondents do not expect to make any strategic changes to how actively they run their portfolios, about 40% believe they will be more

[9] Q20 Considering your long-term objectives and liabilities and the current level of market volatility, do you think that your strategic approach to managing your portfolio will become more active or more passive?

Respondents changing their strategic approach to their portfolio management
(% respondents)[9]



active with regard to such management, whereas 28% see themselves becoming less active. Insurance funds stand out as having the greatest commitment to becoming more active. There are a number of possible reasons, but the biggest may be attributable to the Solvency II Directive, which requires insurers to manage risk exposures more actively.

"The investment horizon depends mainly on the duration of the liabilities of insurers," explains EIOPA's Ms Zweimueller. "Solvency II calls for a sound asset liability management and a best possible duration match." In practice, however, investment behaviour is often driven by the global economic environment (for example, the low-yield environment) as well as the available investment opportunities.

Solvency II can also produce a very stable asset allocation, both strategically and tactically. This is supported by Mr Honegger: "If there is too great a mismatch between assets and liabilities, we would violate Solvency II regulations. Our asset allocation is quite steady. Solvency II doesn't give us much room for manoeuvre."

Conclusion

An appreciation of the importance of long-horizon investing has yet to be matched with the effective implementation of strategies that can realise those aspirations. Institutional investors are, by necessity, focused on the potholes in the road, not necessarily the destination on the horizon. Our survey and interviews point to an industry pulled in both directions. This does not mean that nothing is happening, however. Many institutional investors are in the process of developing long-term investment strategies.

There are contradictory forces at work that investors must navigate. One is the often long-term nature of investors' liabilities, frequently decades in duration. There is also a growing awareness of, and support for, ESG policies by beneficial asset owners and regulators. This manifests itself in, among other things, pressure on investment professionals to function as "good stewards" of the assets they manage.

Conversely, price movements inevitably incentivise investors to buy below and sell above what they estimate to be the fair value of assets. Return maximisation still stands at the core of investment managers' fiduciary duty, and this is unlikely to change. Risk budgeting—or simply prudent portfolio management—can also compel allocation shifts if assets' risk profiles change as a result of emergent geopolitical risk or technological disruption in a particular interest.

Not every security price reverts to the mean, and there is a risk of becoming trapped in the illiquid securities of a sector that may be in terminal decline. Again, this is not something that will change—indeed, the increasing rate of technological change makes it more likely.

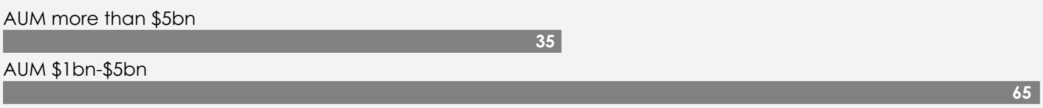
For institutional investors in the EMEA region, the appetite to make truly long-term investments will only translate into action if and when long-term strategies that can receive a premium become readily available.

Appendix: Survey results

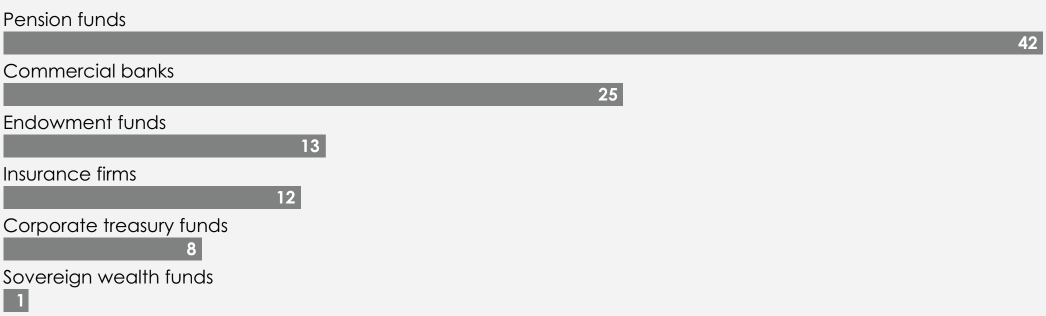
Percentages may not add to 100% owing to rounding or the ability of respondents to choose multiple responses.

A. Which of the following best describes your title? Please select one.
(% respondents)

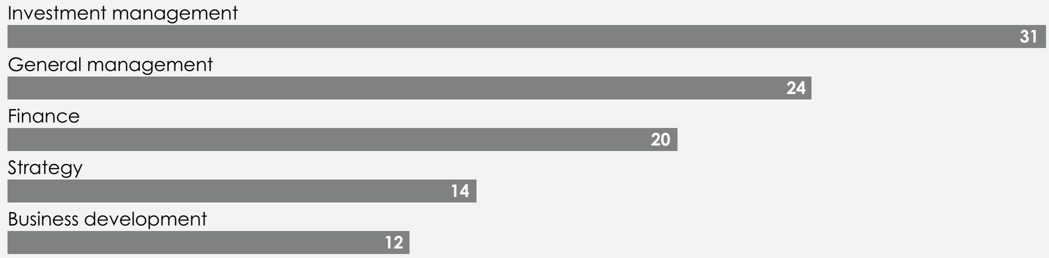
B. What are your organisation's global assets under management in US dollars? Please select one.
(% respondents)



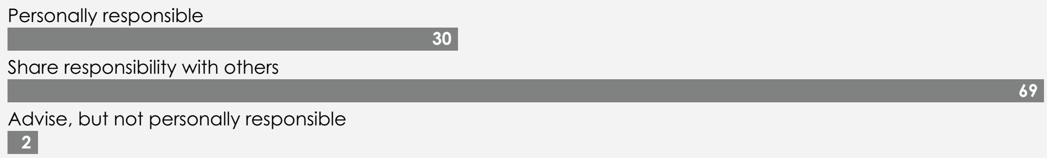
C. Which of the following most closely describes the organisation you currently work for? Please select one.
(% respondents)



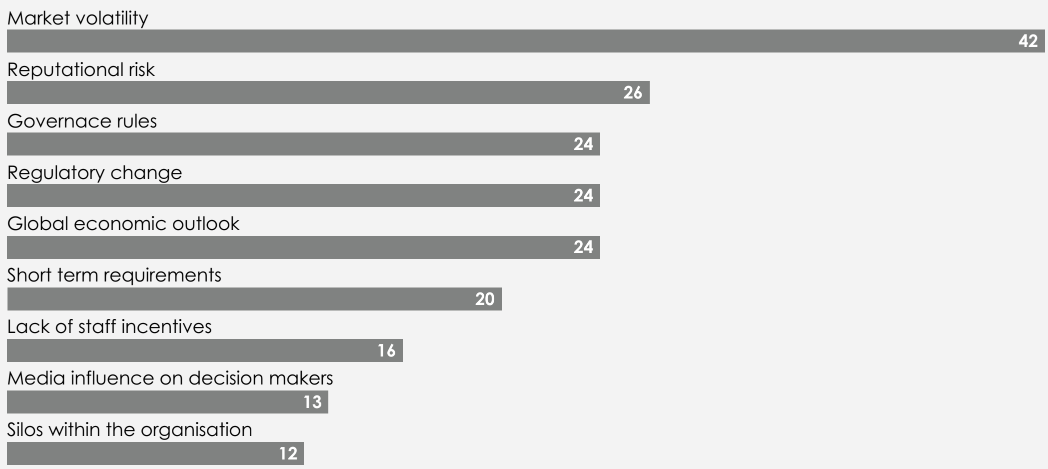
D. What is your main functional role? Please select one.
(% respondents)



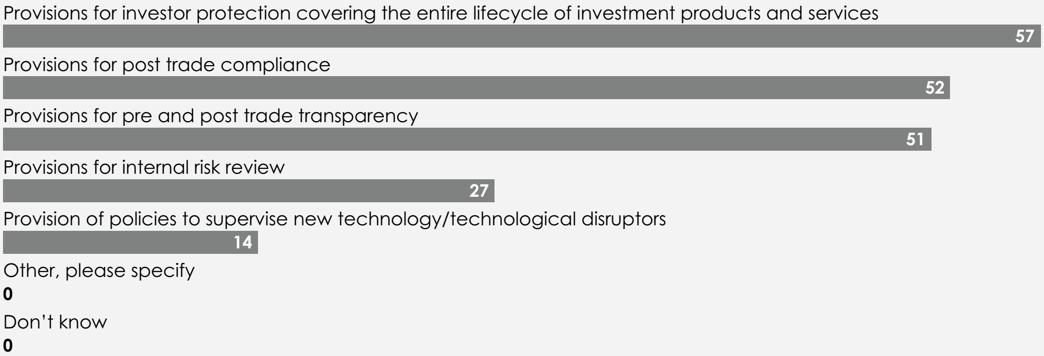
E. To what extent are you responsible for making your company's investments decisions?
Please select one.
(% respondents)



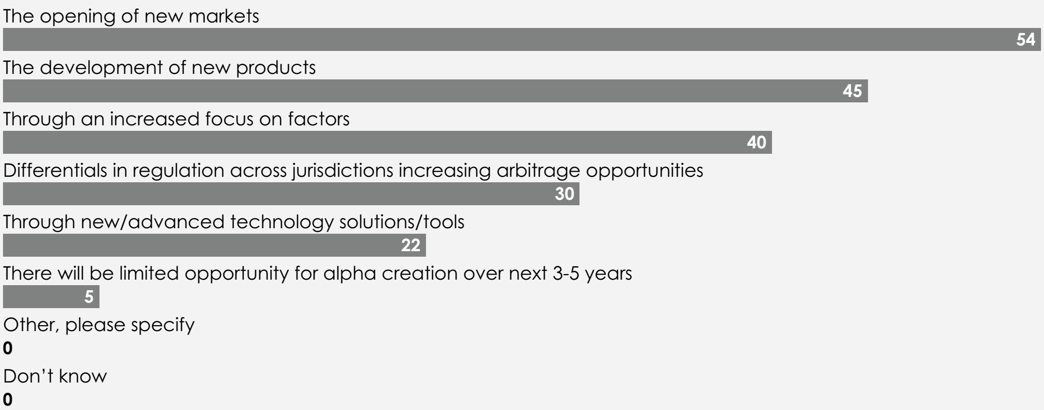
Q1. What do you consider to be the biggest impediment to lengthening the investment horizon?
Please select up to two.
(% respondents)



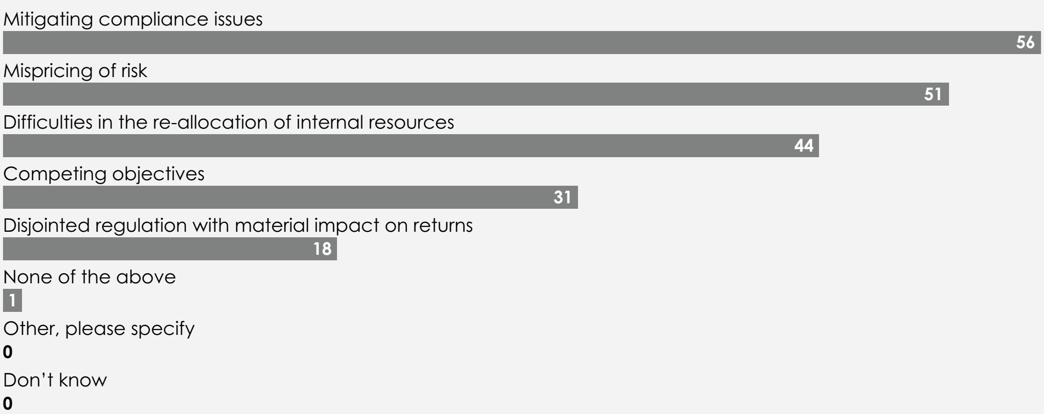
Q2. What aspects of the investment process do you believe to be most impacted by regulatory change? Please select up to two.
(% respondents)



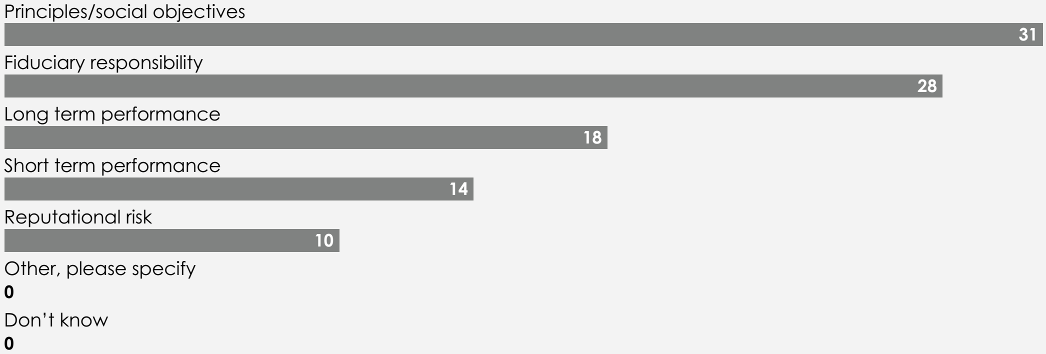
Q3. Given the changing global regulatory environment, where do you think opportunities for alpha creation will arise over the next 3-5 years? Please select up to two.
(% respondents)



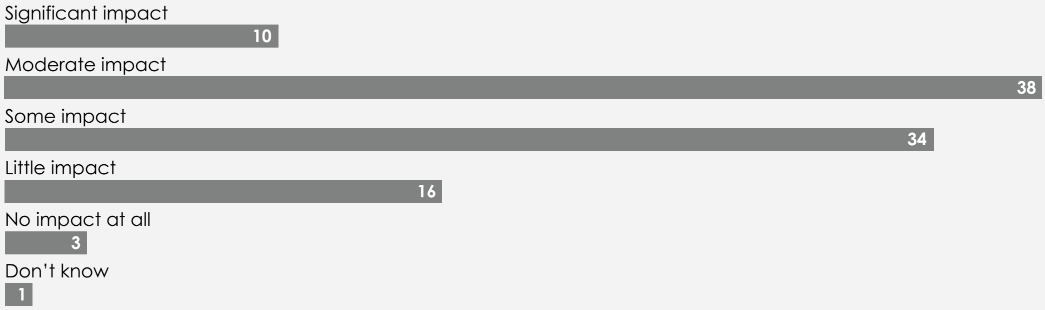
Q4. What are your short terms concerns around regulatory change? Please select up to two.
(% respondents)



Q5. What drives your portfolio monitoring? Please select one.
(% respondents)

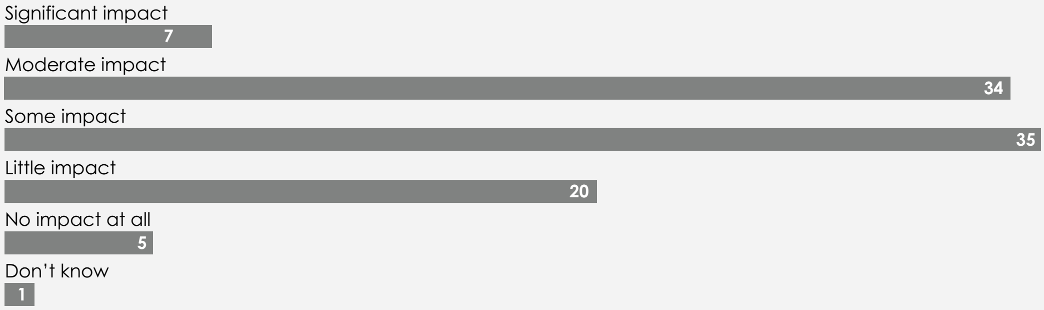


Q6. To what extent have the following trends caused you to shorten your average hold/investment period for ESG investments? - Changing demographics
(% respondents)



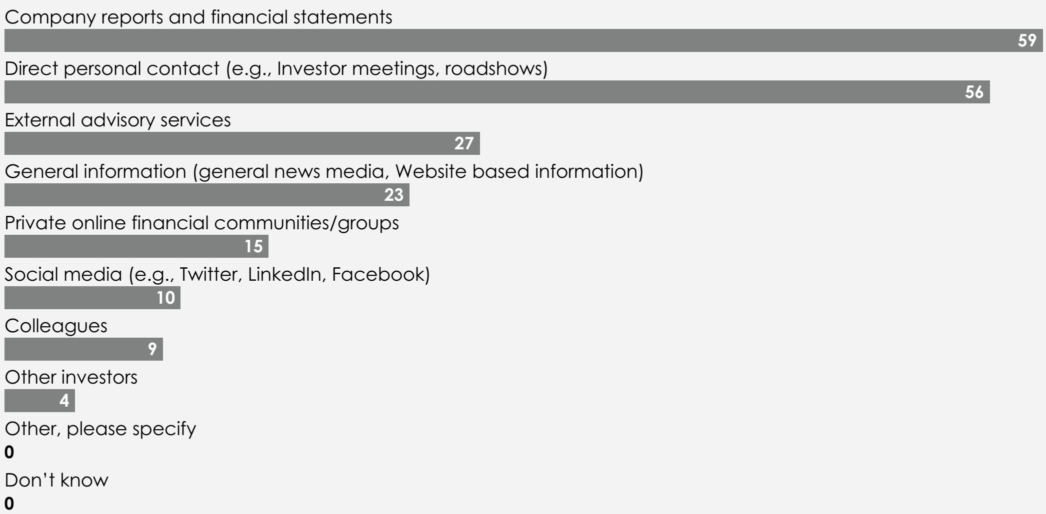
Q7 To what extent have the following trends caused you to shorten your average hold/investment period for ESG investments? - Growing incidence of technological disruption
(% respondents)

Q8 To what extent have the following trends caused you to shorten your average hold/investment period for ESG investments? - Growing concerns around climate change
(% respondents)

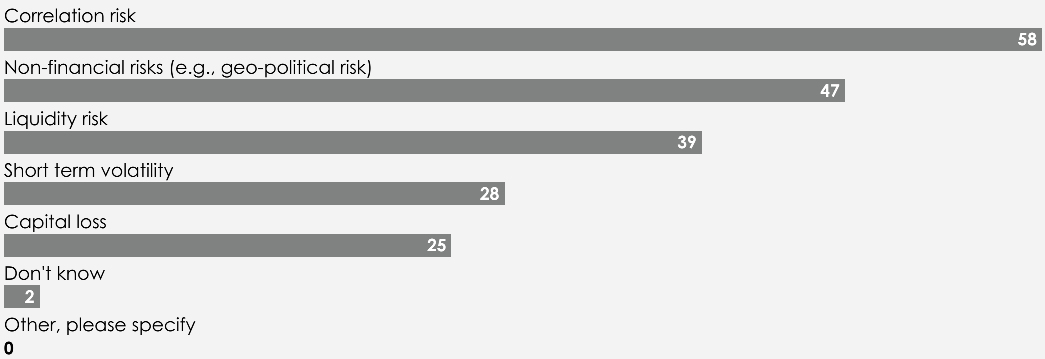


Q9. Given the changing demographic profile of institutional investors and changing governance rules within institutional investor funds, do you expect to alter your exposure to ESG or principle based investments? Select one.
(% respondents)

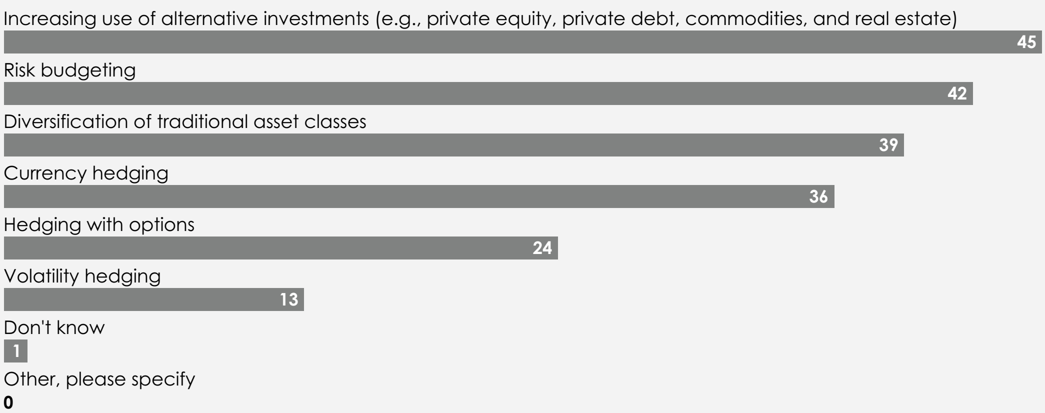
Q10. Which information sources do you rely upon most in helping you to develop your asset allocation strategy? Please select two.
(% respondents)



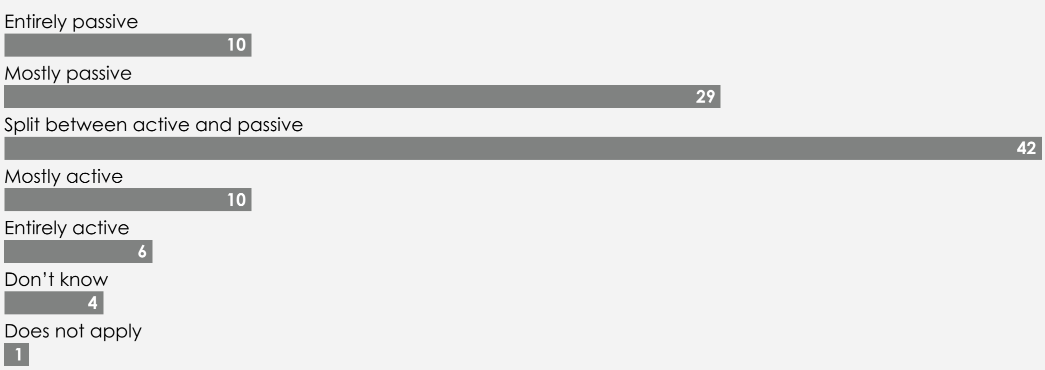
Q11. What do you consider the biggest risk to achieve long term targets given longer term trends like climate change and technological disruption? Please select up to two.
(% respondents)



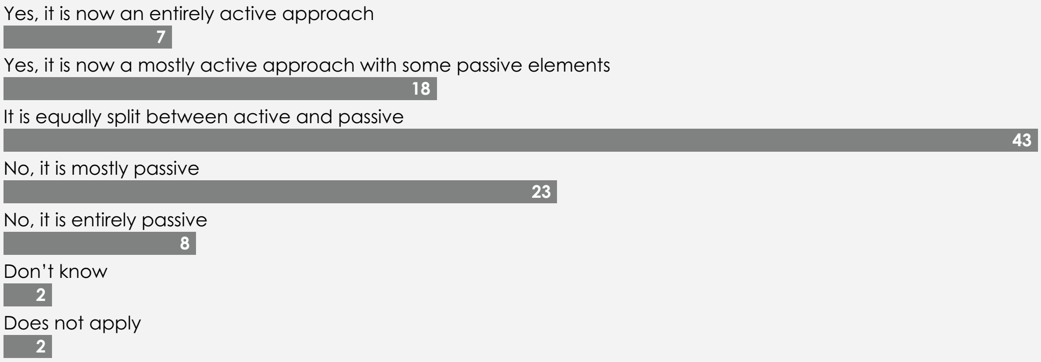
Q12. When it comes to managing risks, how do you do this? Please select up to two.
(% respondents)



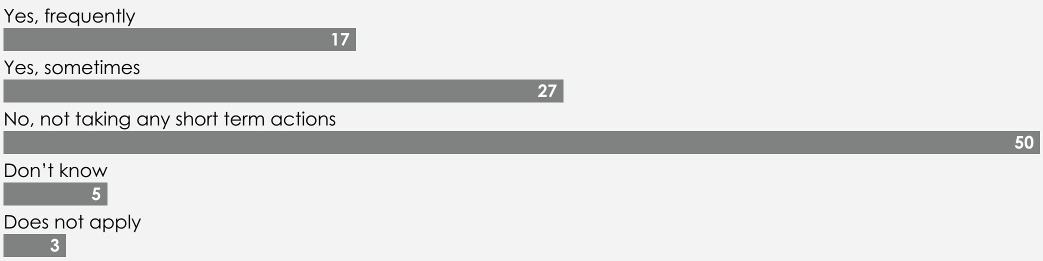
Q13. What best describes your global equity exposure? Select one.
(% respondents)



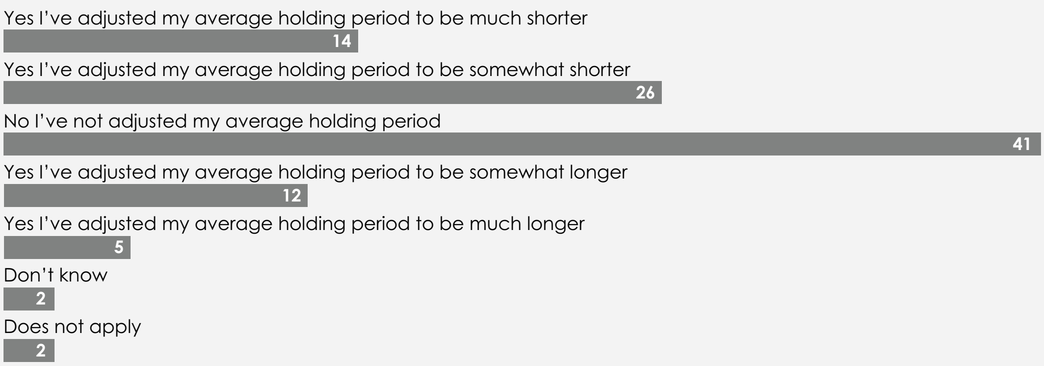
Q14. Given the decline in global fixed income yields and changing governance rules in response to regulatory and technological changes, have you taken on a more active investment approach? Please select one.
(% respondents)



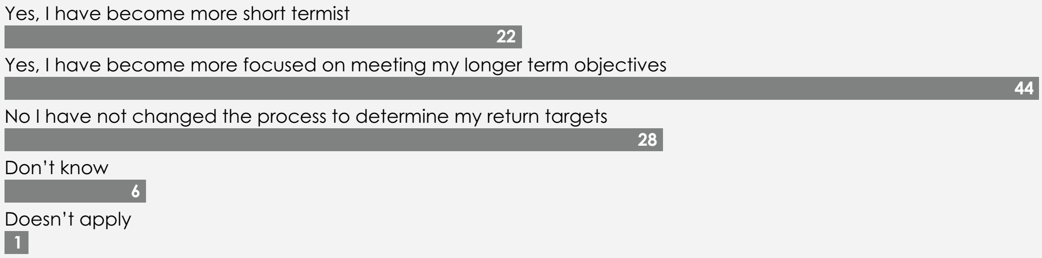
Q15. Is the search for yield leading you to take short term actions such as increasing portfolio turnover despite the increased riskiness of such actions? Please select one.
(% respondents)



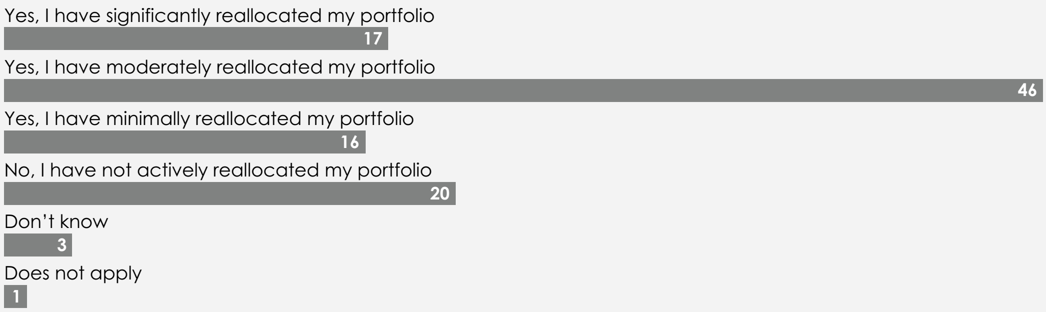
Q16. In light of low yields, worsening demographics in the G-7 markets (the US, Canada, France, Germany, Italy, Japan and the United Kingdom) and the need to generate alpha, have you adjusted your average holding period for your portfolio to be shorter or longer? Please select one.
(% respondents)



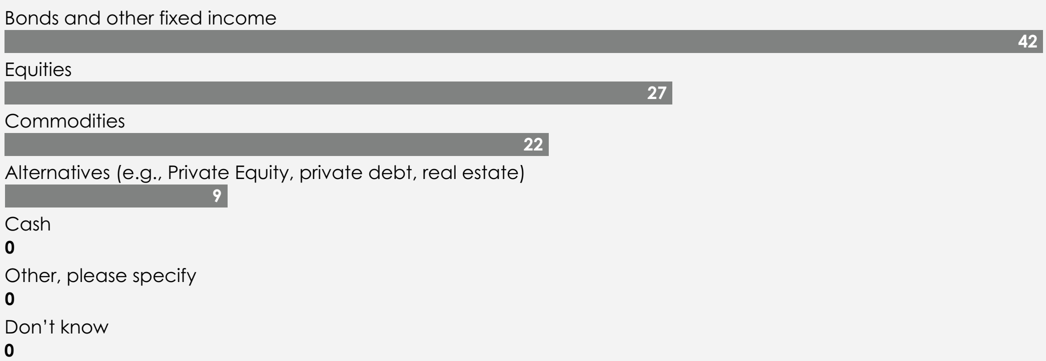
Q17. Have you changed the process you use to determine your return target in response to short-term pressure? Please select one.
(% respondents)



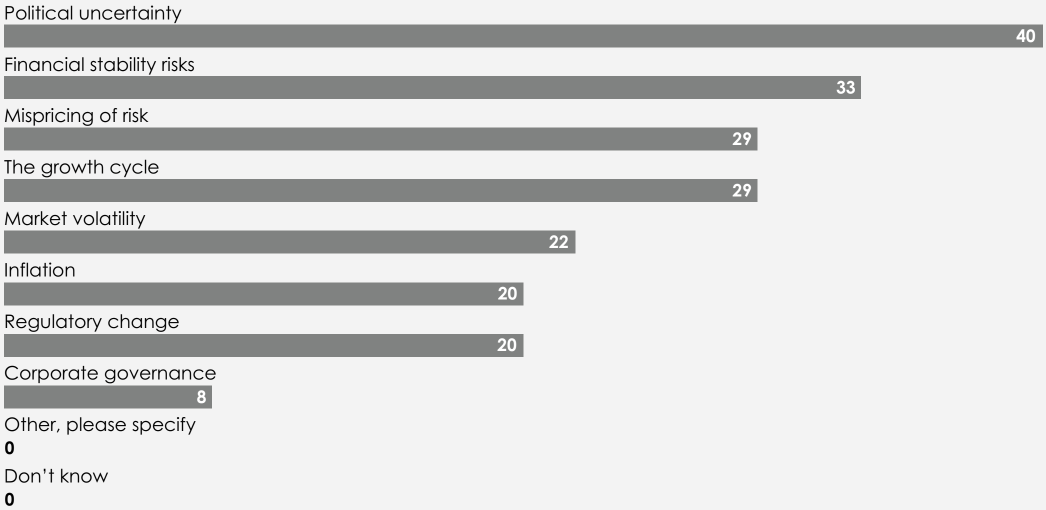
Q18. Has the current low yield environment led you to actively reallocate your portfolio towards a particular asset class?
(% respondents)



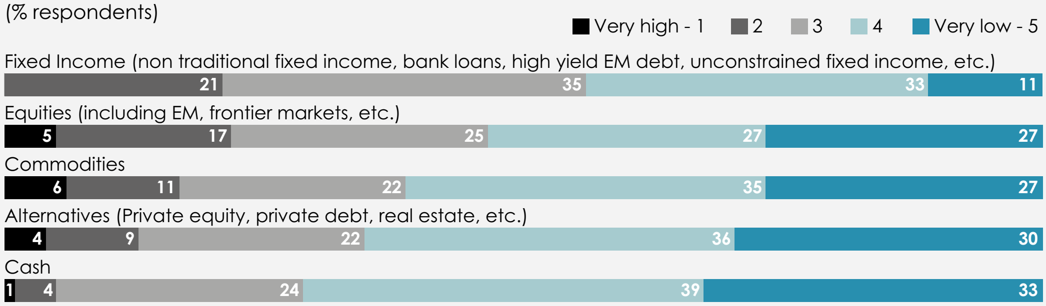
Q19. Please select the asset class you are most likely to reallocate towards. Please select one.
(% respondents)



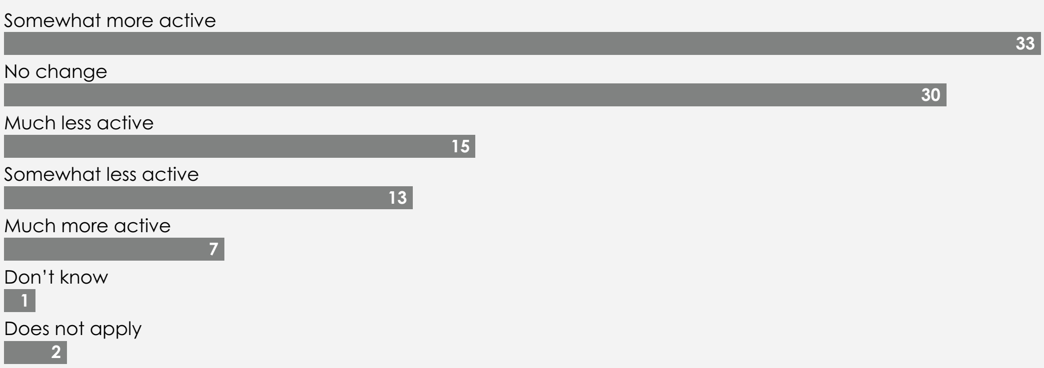
Q20. What do you believe to be the main challenges for institutional investors in your region in meeting their objectives? Please select two.
(% respondents)



Q21. Given the current macroeconomic environment, how would you rate the level of risk of the below asset classes?
(% respondents)



Q22. Considering your long term objectives and liabilities and the current level of market volatility, do you think that your strategic approach to managing your portfolio will become more active or more passive?
(% respondents)



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