

Network+: Welcome

Thinking Ahead Institute
An innovation network founded by WTW

wtw

Network+: big risks, big solutions, big change

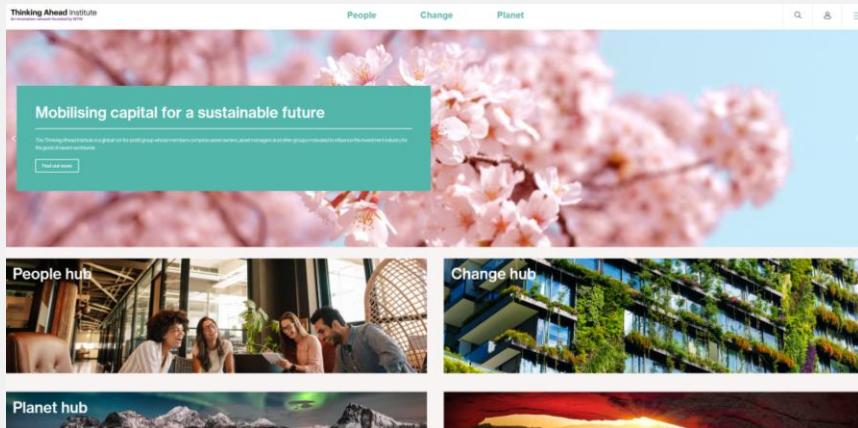


A big introduction: what we've been up to this year

The Thinking Ahead Institute

A member-driven research and innovation partner with a change agenda

Purpose: To mobilise capital for a sustainable future



The Institute started in 2015 and now has 53 institutional investment members, comprising asset owners and asset managers, with combined responsibility for over **US\$16 trillion.¹**

¹As of December 31, 2023

TAI members | 38 asset owners | 15 asset managers

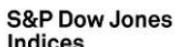
2015



Australia's Sovereign Wealth Fund



2016/2017



A Division of S&P Global

2017



2017/2018



Bank Pension Trust (UK)



2018/2019



2019



2020



2021



2022



2022



Commonwealth Superannuation Corporation



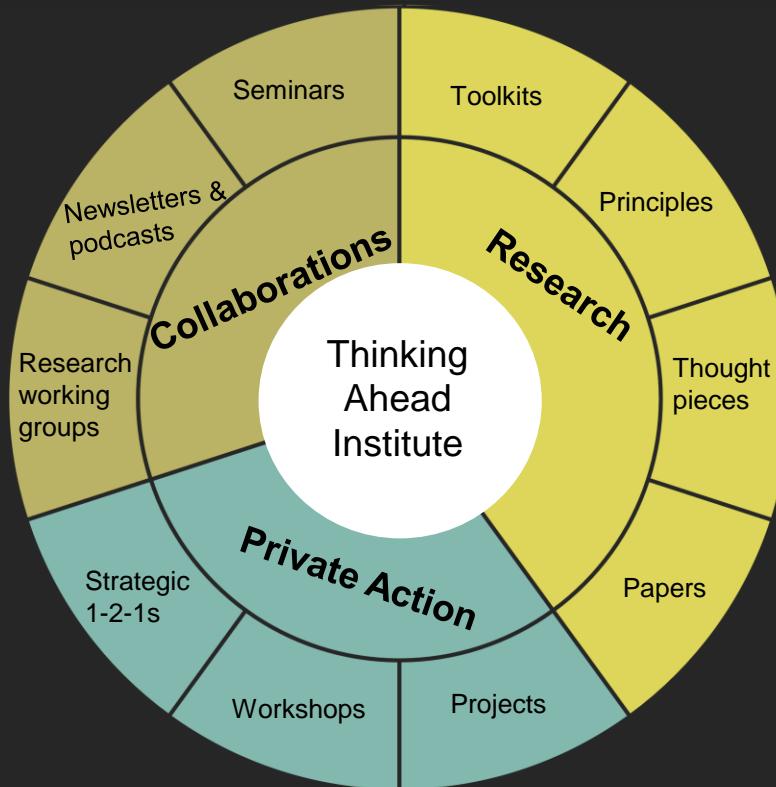
2023/2024



2024



What we do



Our research



TAI industry studies



Thinking Ahead Institute
An innovation network founded by WTW

People Change Planet

Global Pension Assets Study – 2024

Global pension assets now stand at US\$55.7 trillion after growth rebound in 2023

Share



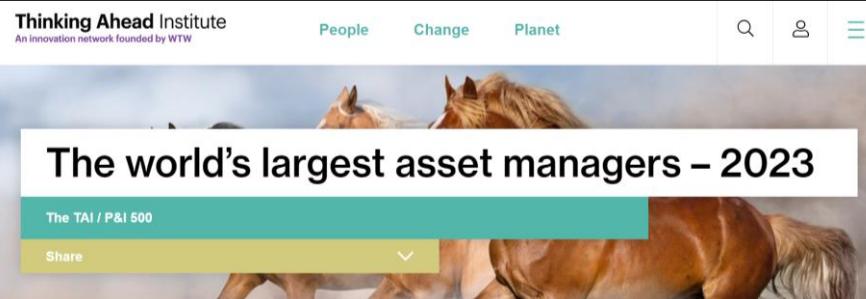
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People Change Planet

The world's largest pension funds – 2023

World's top pension funds see the largest assets fall in 20 years

Share



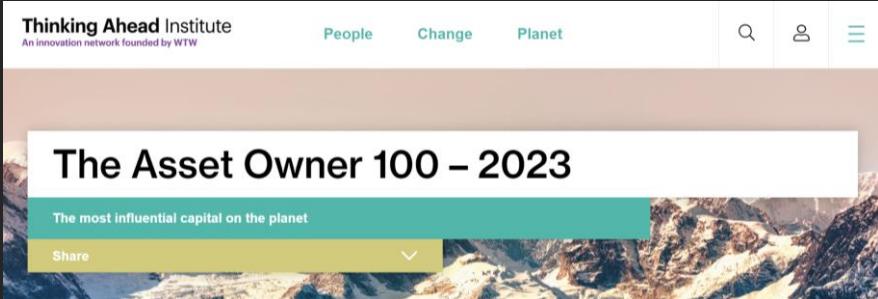
Thinking Ahead Institute
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People Change Planet

The world's largest asset managers – 2023

The TAI / P&I 500

Share



Thinking Ahead Institute
An innovation network founded by WTW

People Change Planet

The Asset Owner 100 – 2023

The most influential capital on the planet

Share

Collaborations



13 research
papers



5 global
studies



9
podcasts



21
insights



409
press articles



39,200
unique visitors



25 events



22 conferences

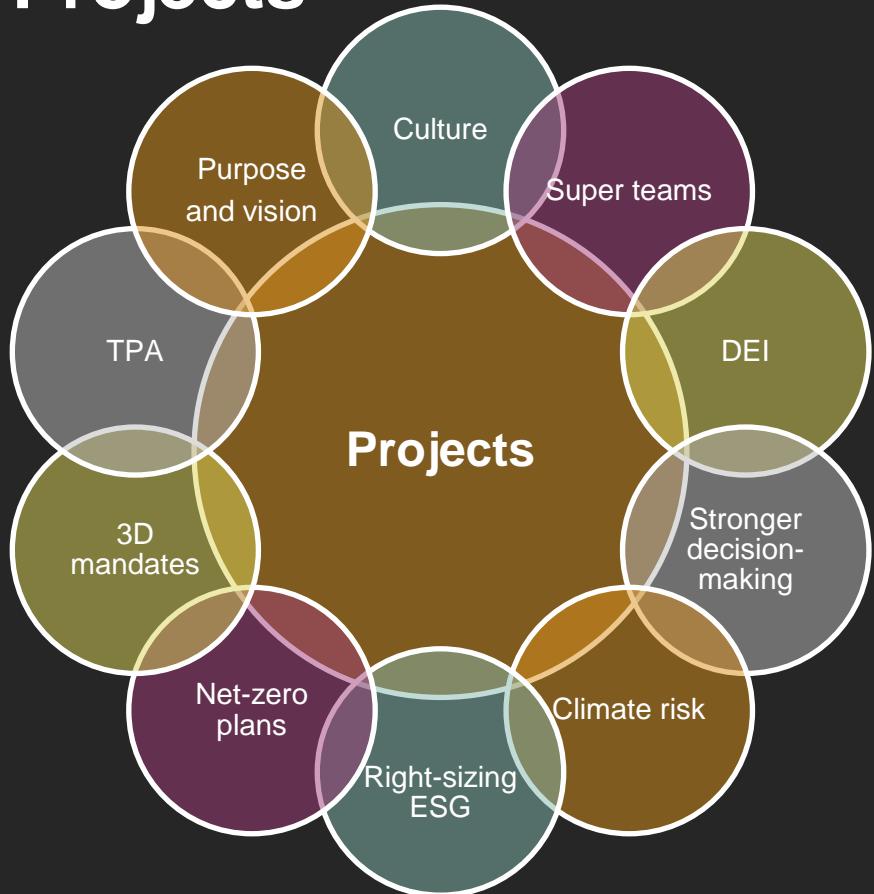
...and worked with



Pensions&Investments
WorldPensionSummit

CFA Institute

Projects



Other one-to-one session topics

Stewardship and engagement	Total portfolio approach
Three-dimensional investing	Long-horizon investing
Decision making	MPT vs systems thinking
Investment organisations of tomorrow	Mega trends and industry of the future
Systemic risk	Organisational identity
Leadership	Investment governance
Asset classes of tomorrow	Management of measurement
Investment professional of the future	Investment technology of the future
Sustainability	



**Why are we
all here?**

Q&A

The big introduction



Marisa Hall

Big change



Roger Urwin

Big solutions



Martin Goss



Paula Steed

Big risks



Jeff Chee

More big solutions



Leslie Mao



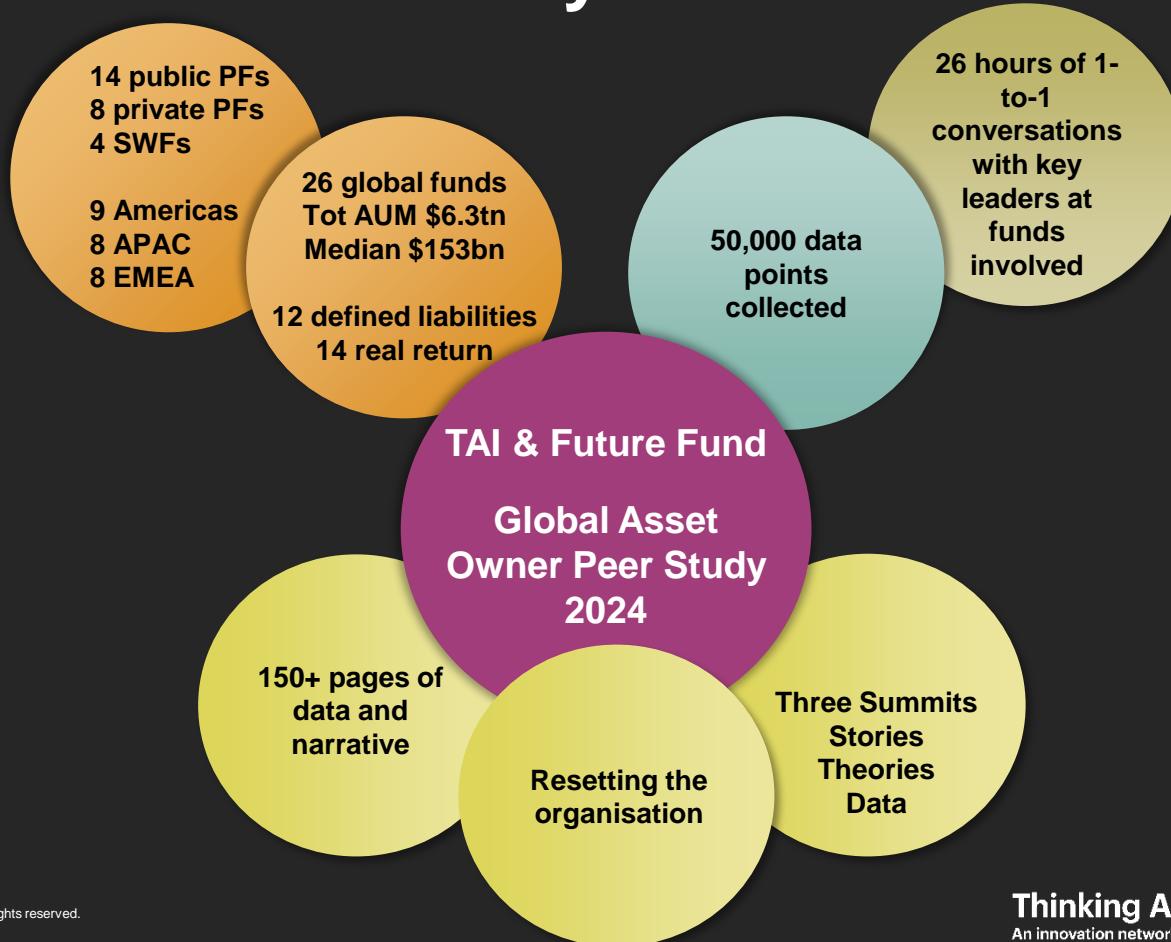
Nick Kelly

**Q&A
+
the big wrap**

Big change: Global Asset Owner Peer Study



About the TAI Peer Study 2024



Study takeaways

1

Managing complexity

Managing complexity and associated workload growth is the #1 issue cited by 73% of group

2

The soft stuff is the hard stuff

Attracting and retain staff is the #2 issue cited by 65% of group

3

Joined-upness

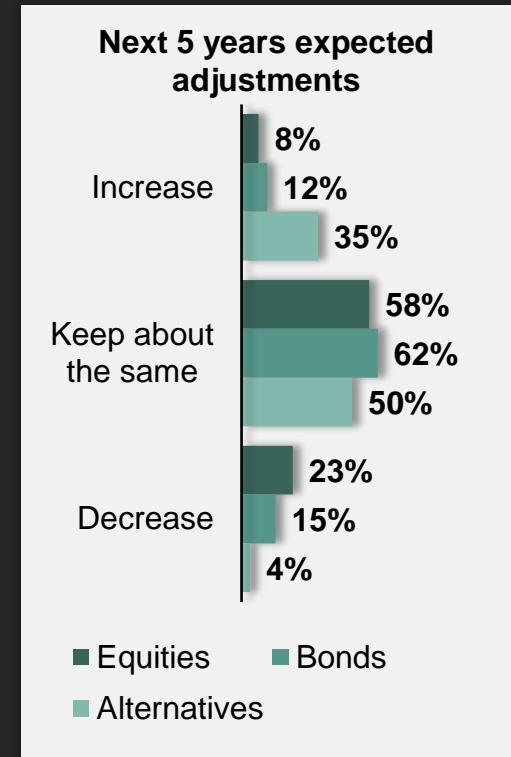
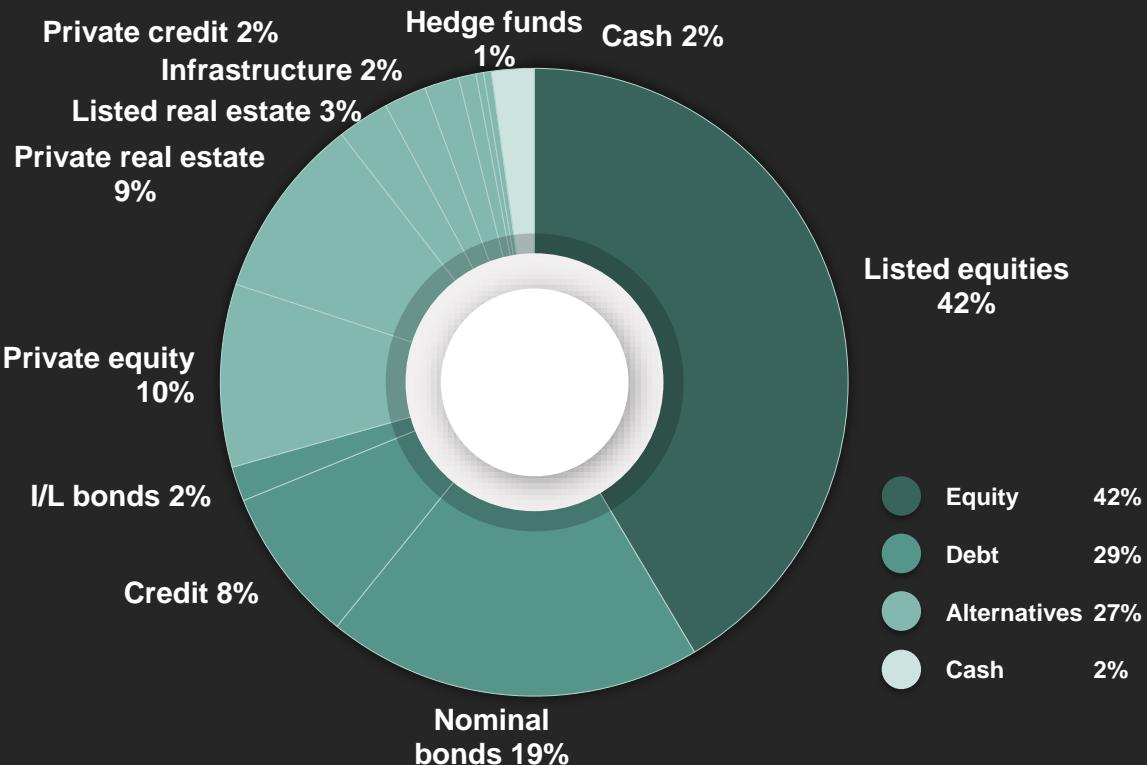
35% are TPA (Total Portfolio) organisations

4

Design and execution of the sustainability model

69% have net zero commitments
65% are universal owners

Strategic asset allocations are quite settled

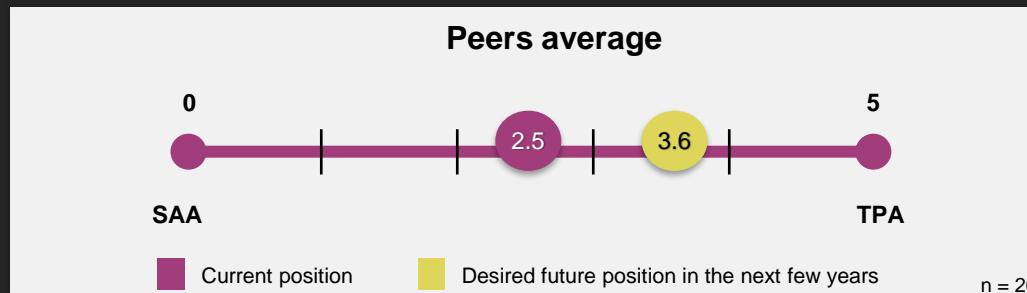


Total portfolio approaches

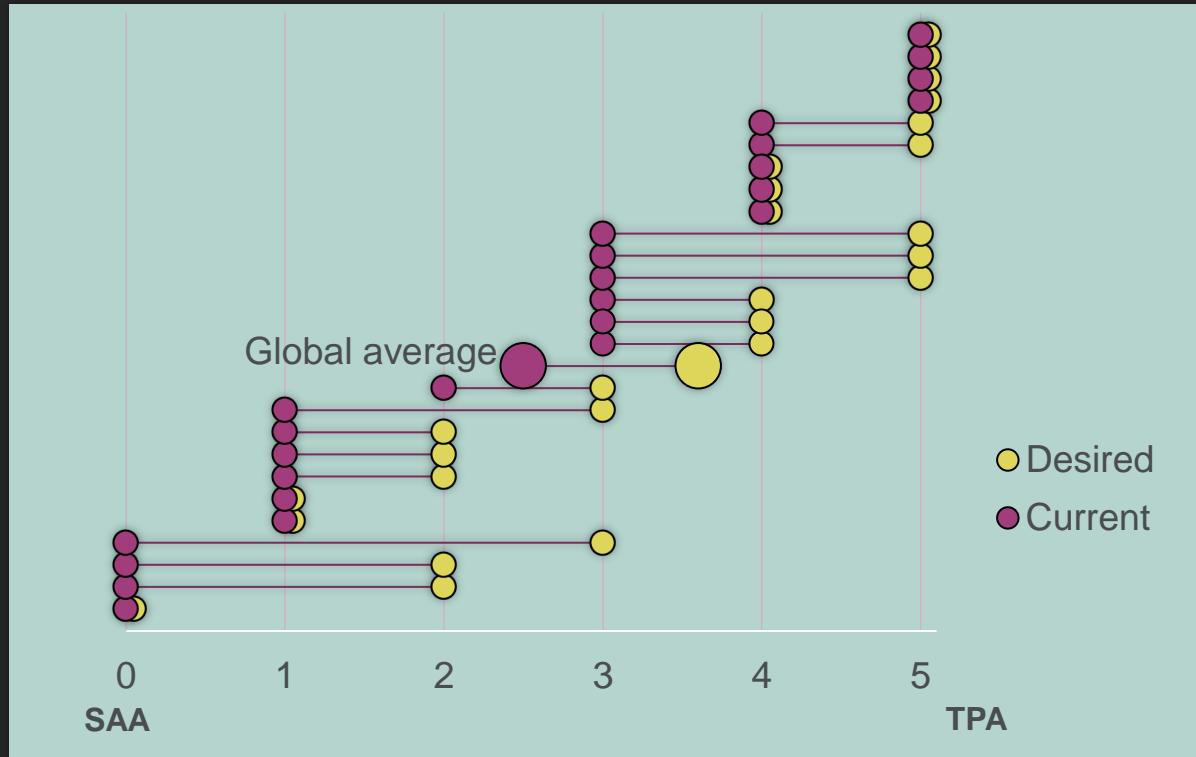
The SAA → TPA spectrum

	SAA 0	1	2	3	4	TPA 5	
Performance assessed vs.	Benchmarks				Fund goals		
Success measured by:	Relative value added				Total fund return		
Opportunities for investment defined by:	Asset classes				Contribution to total portfolio outcome		
Diversification principally via:	Asset classes				Risk factors		
Asset allocation determined by a:	Board-centric process				CIO-centric process		
Frequency of change:	Infrequent, calendar meeting based				Continuously monitored, changes made in real time		
Portfolio implemented by:	Multiple teams competing for capital				One team collaborating together		
Integrated ESG + stewardship/divestment:	Bottom-up only				Top-down and bottom-up integrated		
3D investing, net zero investing:	Separate bottom-up/ top-down process				Top-down and bottom-up integrated on risk, return and impact		

Better decision framing
Better decision making
Greater dynamism
Sustainability joined-up



TPA scores across the 26 organisations



Sustainability is key to future returns; different views on duty of loyalty

Approach to responsible and sustainable investment

Collaboration with other asset owners multiplies positive outcomes

88% Resonate

8% Neutral

4% Not resonate

It is paramount to consider sustainability impacts that our fund can contribute to secure our future returns (i.e. dynamic..

81% Resonate

19% Neutral

Future payouts will have more value/ utility in a sustainable world

81% Resonate

15% Neutral

4% Not resonate

Human wellbeing should be placed at the core of the economic and financial systems

54% Resonate

31% Neutral

15% Not resonate

My organisation has a duty of loyalty to reflect beneficiaries' sustainable wishes

42% Resonate

35% Neutral

23% Not resonate

38% Resonate

My organisation wishes to contribute to a sustainable world in addition to delivering on its financial objectives

19% Neutral

My organisation wishes to provide value to stakeholders over and above what it delivers on its financial objectives

27% Not resonate

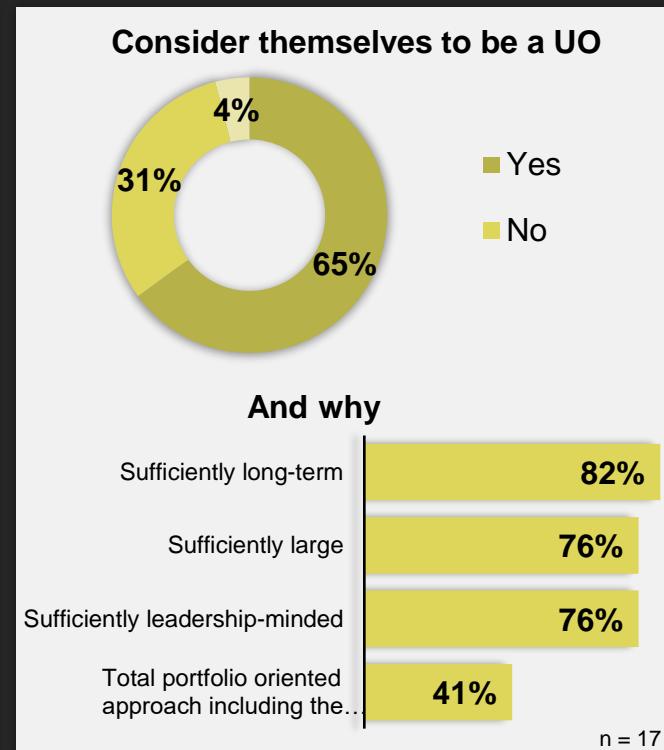
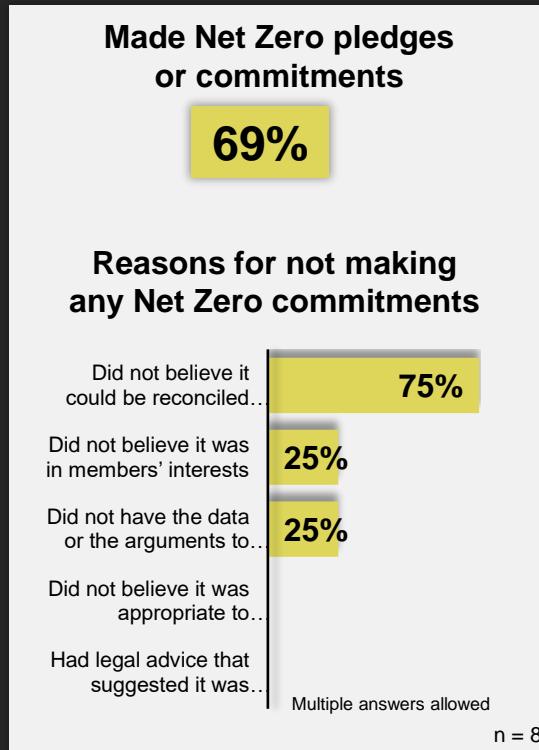
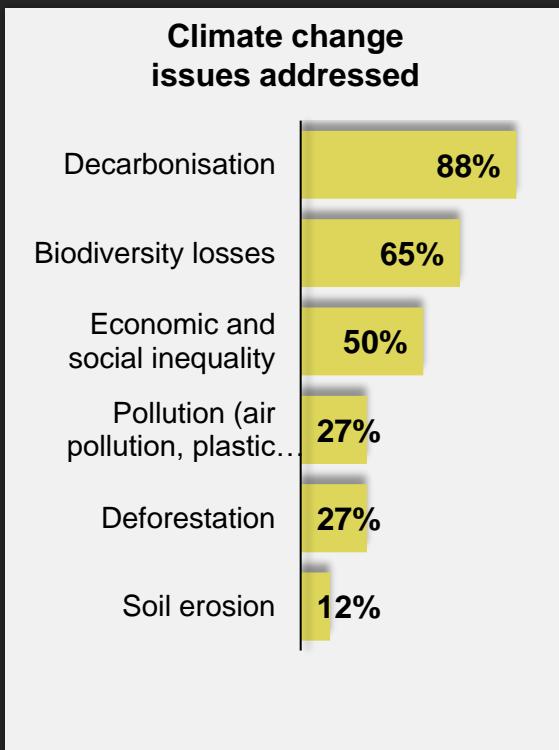
My organisation wishes to deliver on its financial objectives; any contributions to sustainability can only be made with no trade-off

8% Not resonate

My organisation is completely focused on delivering on its financial objectives

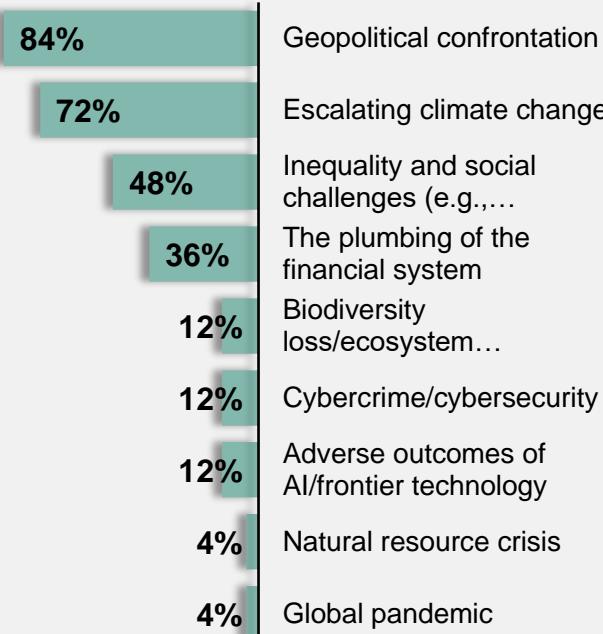
■ Resonate ■ Neutral ■ Not resonate

Net zero and universal ownership



Geopolitics and climate change at the head of systemic risk surge

Top 3 sources of global systemic risk



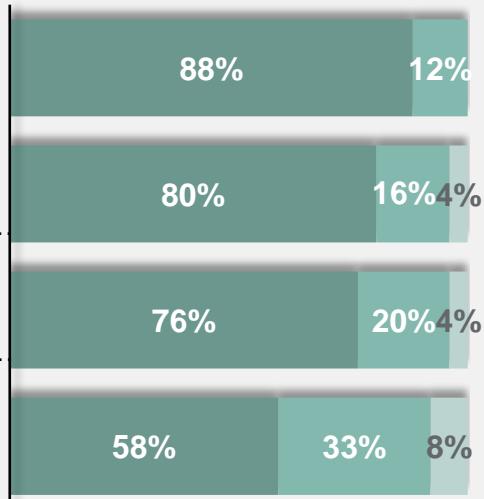
Views on systemic risk trajectories

Over the next ten years, the global systemic risk areas are likely to grow in incidence and scale

Over the next ten years, the total contribution to market risk of the systemic risk areas will be higher..

Over the next ten years, the global systemic risk areas are likely to grow in synchronicity (i.e., become more..

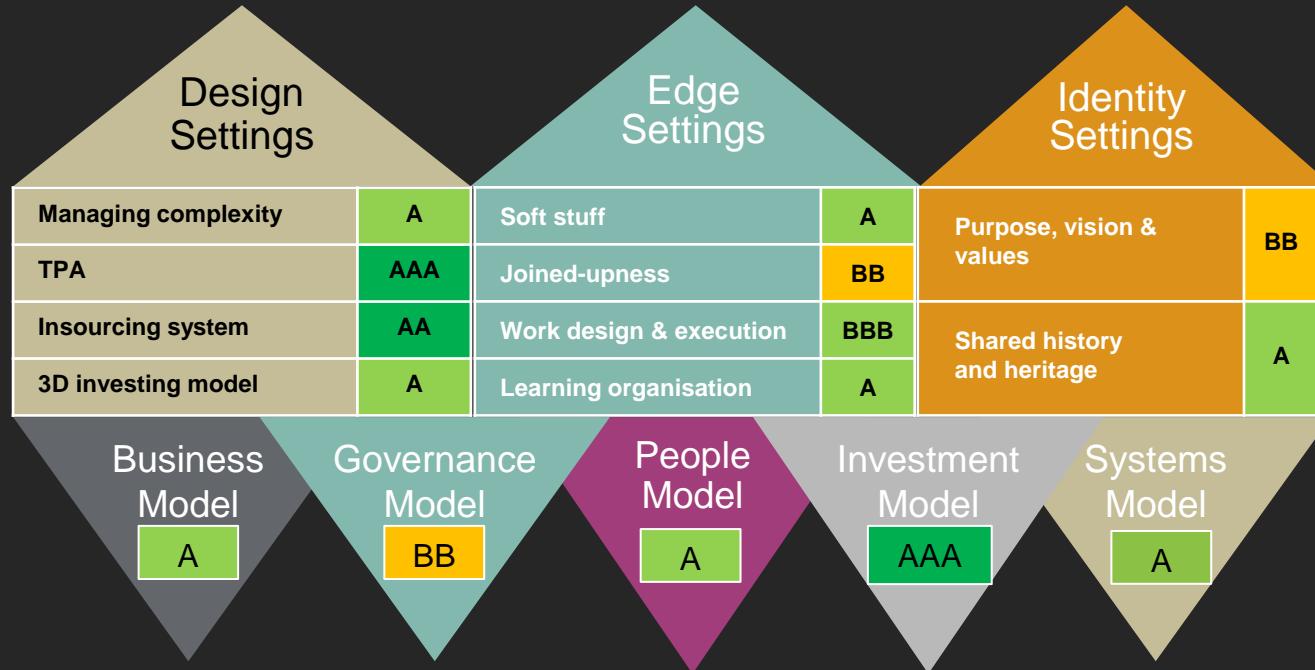
Over the next ten years, the market volatility will be higher relative to the historic average



■ Agree ■ Neutral

n = 25

Organisation-as-a-system. Understanding the parts and the whole



XYZ example. The TAI assessments are on a 9-point AAA to C rating scale



Big solutions: Governance and fireside chat with Paula Steed, New Zealand Super Fund

WTW strategic advisory service

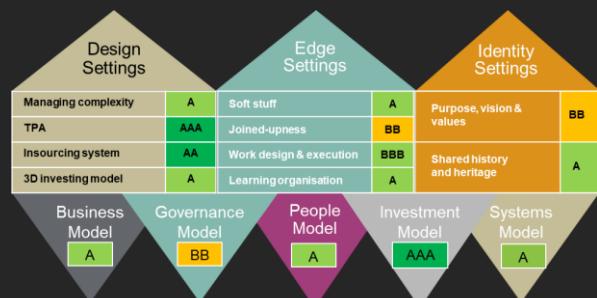
Twelve factor governance review

Themes	Components	Self Assessment	WTW Assessment
Operating fundamentals	Mission clarity	AAA	AA
	Effective time budget	AA	A
	Strong beliefs	A	BBB
Organisational fundamentals	Leadership	A	A
	Investment executive	AA	AA
	Board role / competencies	AAA	AA
Investment alignment	Risk budget	A	A
	Manager line-up process	A	BB
	Real-time decisions	AA	B
Operating alignment	Effective compensation	A	AA
	Competitive positioning	AA	AA
	Investment culture	AAA	A
Overall governance rating		AA	A

Ten factor IC effectiveness review

Themes	Components	Self Assessment	WTW Assessment
IC set-up and focus	Strategic focus		
	Delegations		
	Disciplined oversight		
IC quality	Competent and diligent members		
	Correctly Sized		
IC thinking	Effective chairing and IC leadership		
	Diverse Thinking		
	Well-grounded beliefs and principles		
IC effectiveness	Effective Sourcing		
	Good culture		

Deep dive assessment





Paula Steed
General Manager Strategy &
Shared Services,
NZ Superfund

Mandate

Invest on a prudent, commercial basis, in a manner consistent with:

Best-practice portfolio management

Maximising return without undue risk to the Fund as a whole

Avoiding prejudice to New Zealand's reputation as a responsible member of the world community



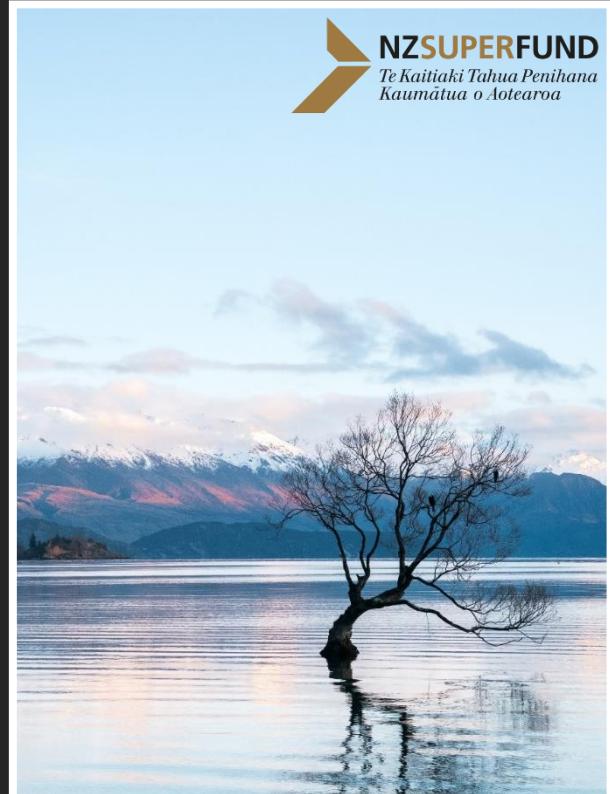
Core investment advantages

Long term horizon

Operational independence

Sovereign status

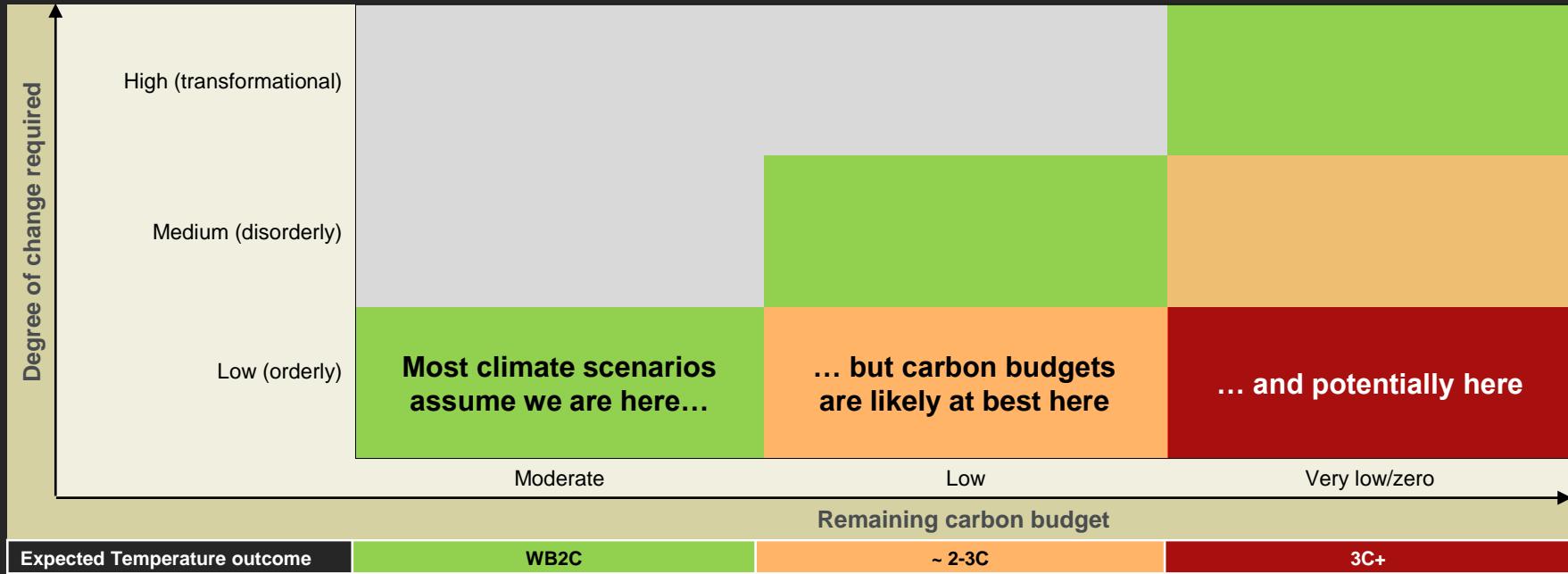
Governance



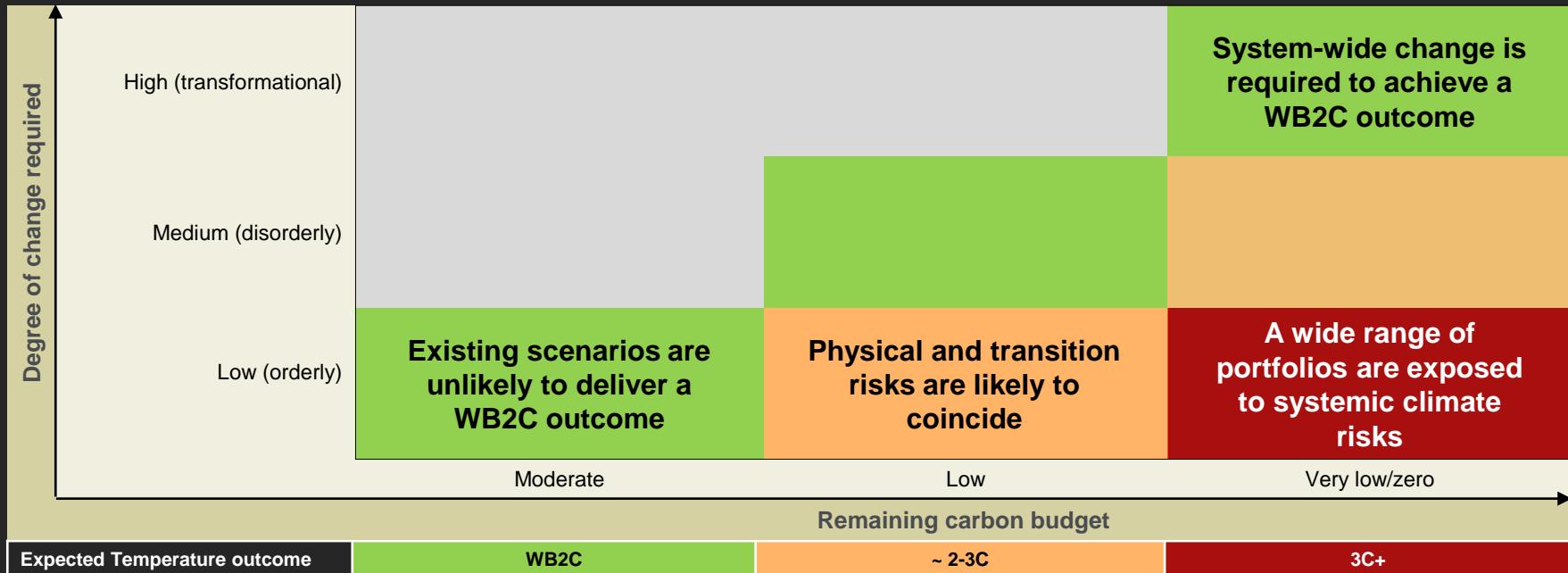
Big risks: Addressing climate risks



Uncertainty in climate scenario and risk analysis

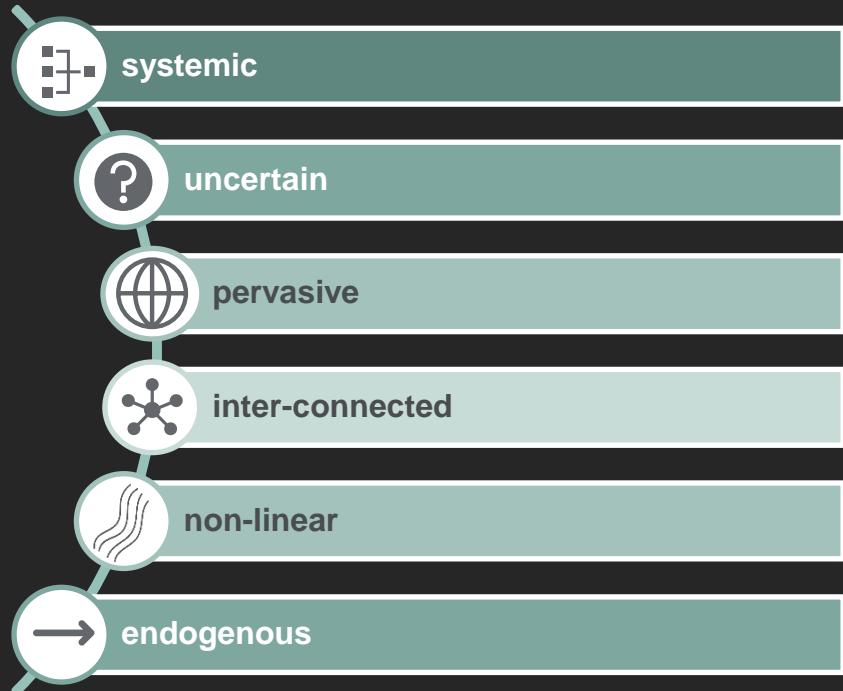


Uncertainty in climate scenario and risk analysis

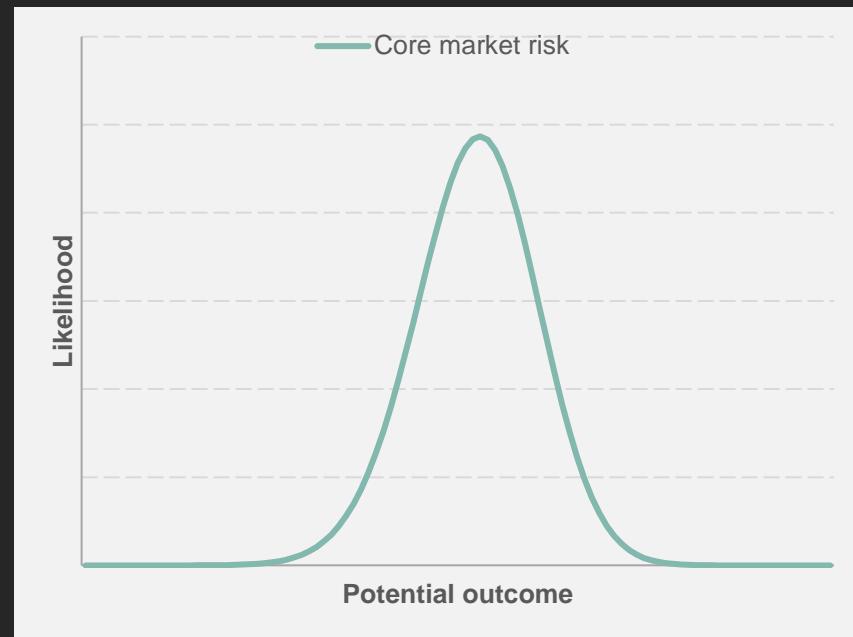


Incorporating systemic risk into investment frameworks

Characteristics of systemic risk

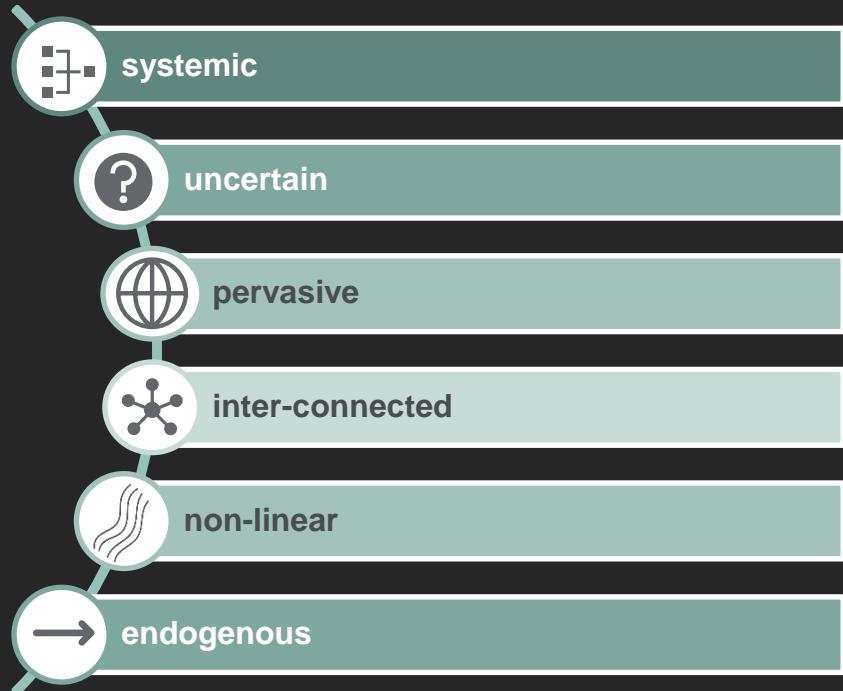


Potential distribution of outcomes from systemic risk

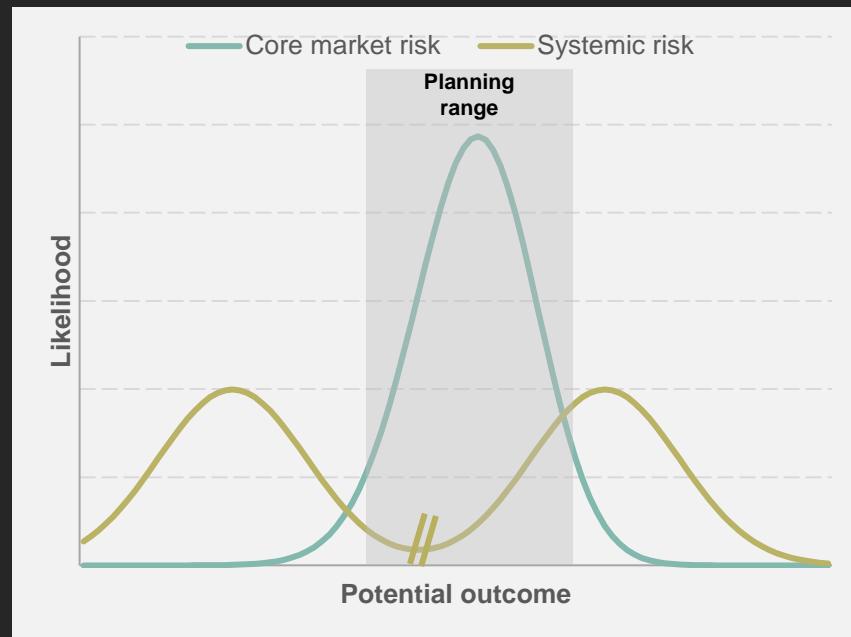


Incorporating systemic risk into investment frameworks

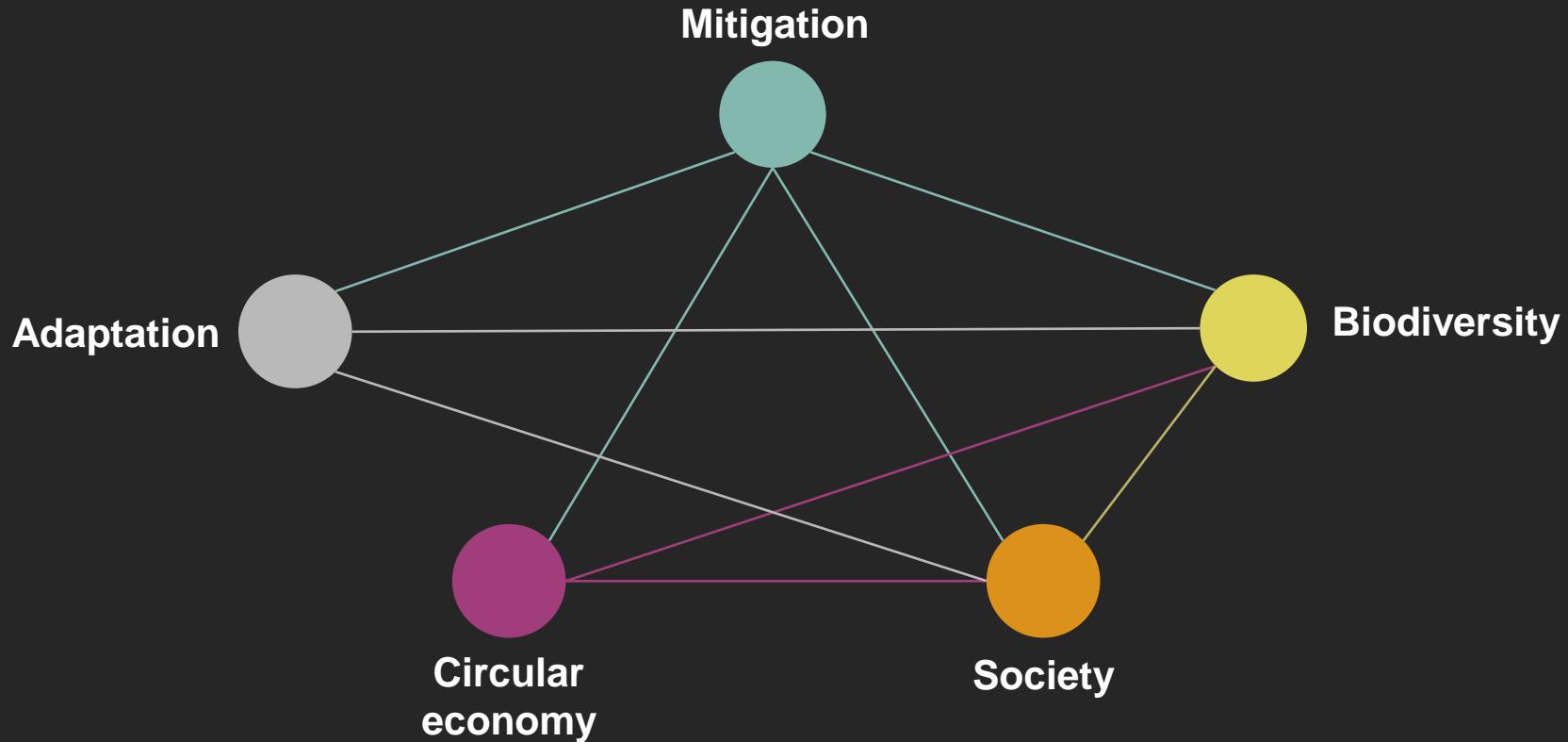
Characteristics of systemic risk



Potential distribution of outcomes from systemic risk



Broadening the view of the climate transition

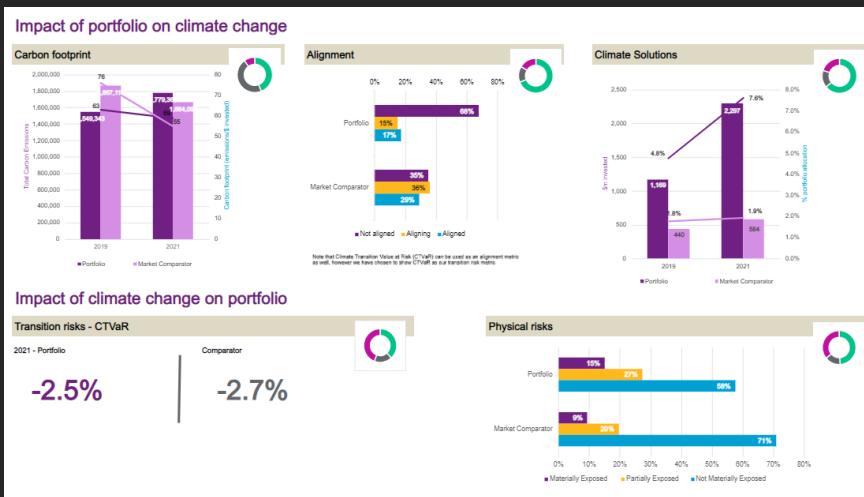


Refinements to net zero pledges and associated targets

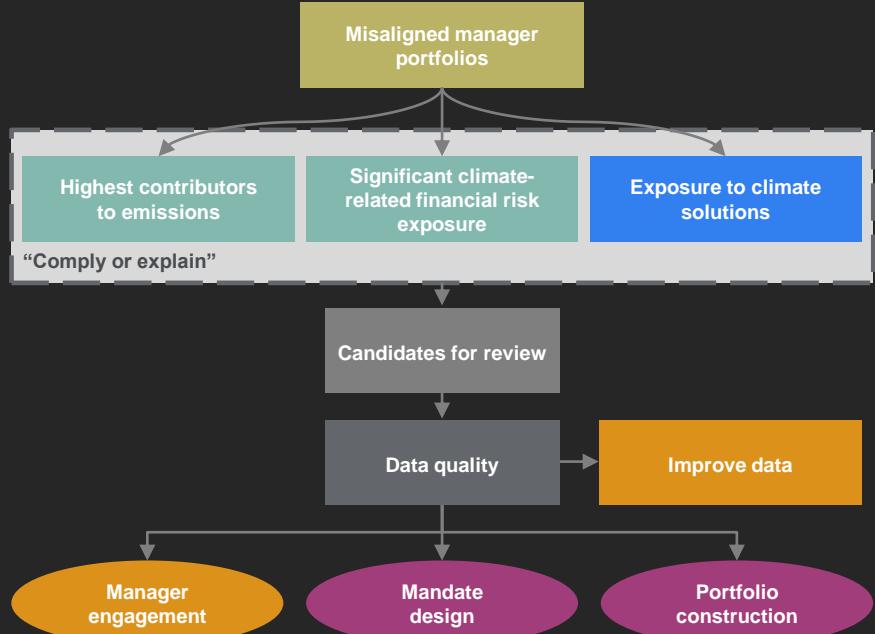
Category	Dimension	Current metric
Impact of the portfolio on climate change	Carbon	Financed emissions – emissions / \$ invested
	Alignment	% of portfolio aligned with a WB2C pathway
	Transition Finance	Exposure to climate solutions (EU Taxonomy, IIGCC)
Impact of climate change on a portfolio	Transition Risk	Climate Transition Value-at-Risk
	Physical Risk	Proportion of assets exposed to physical risks
Cross-cutting	Engagement	% financed emissions subject to direct or collaborative engagement

Integrating net zero considerations into portfolio decisions

Performance measurement using climate dashboards



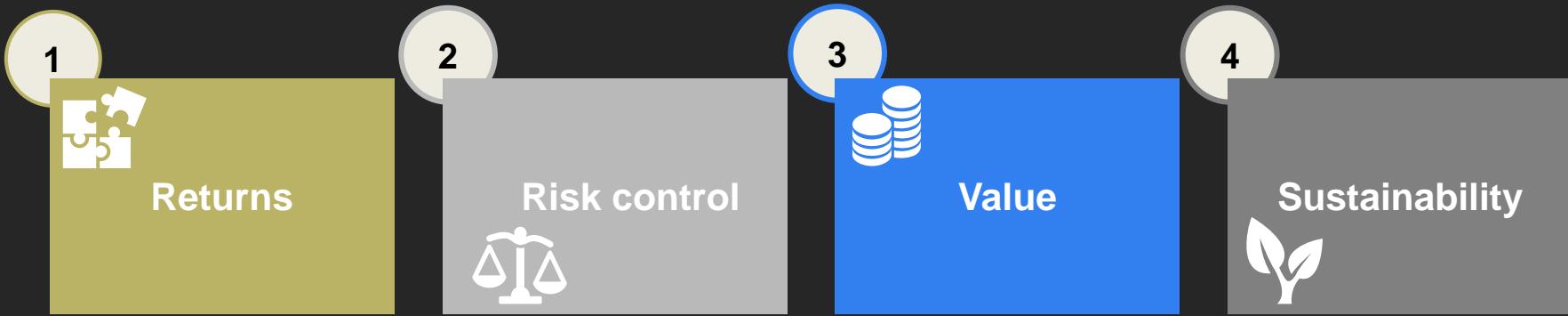
Portfolio decision making using a climate “lens”



More big solutions: Rethinking Public & Private Equity



Scope for better outcomes



What are we looking for in an active listed equity portfolio

Integrated sustainability, climate and net zero



Holistic single portfolio that manages the challenges

Lower cost which improves long-term value for investors

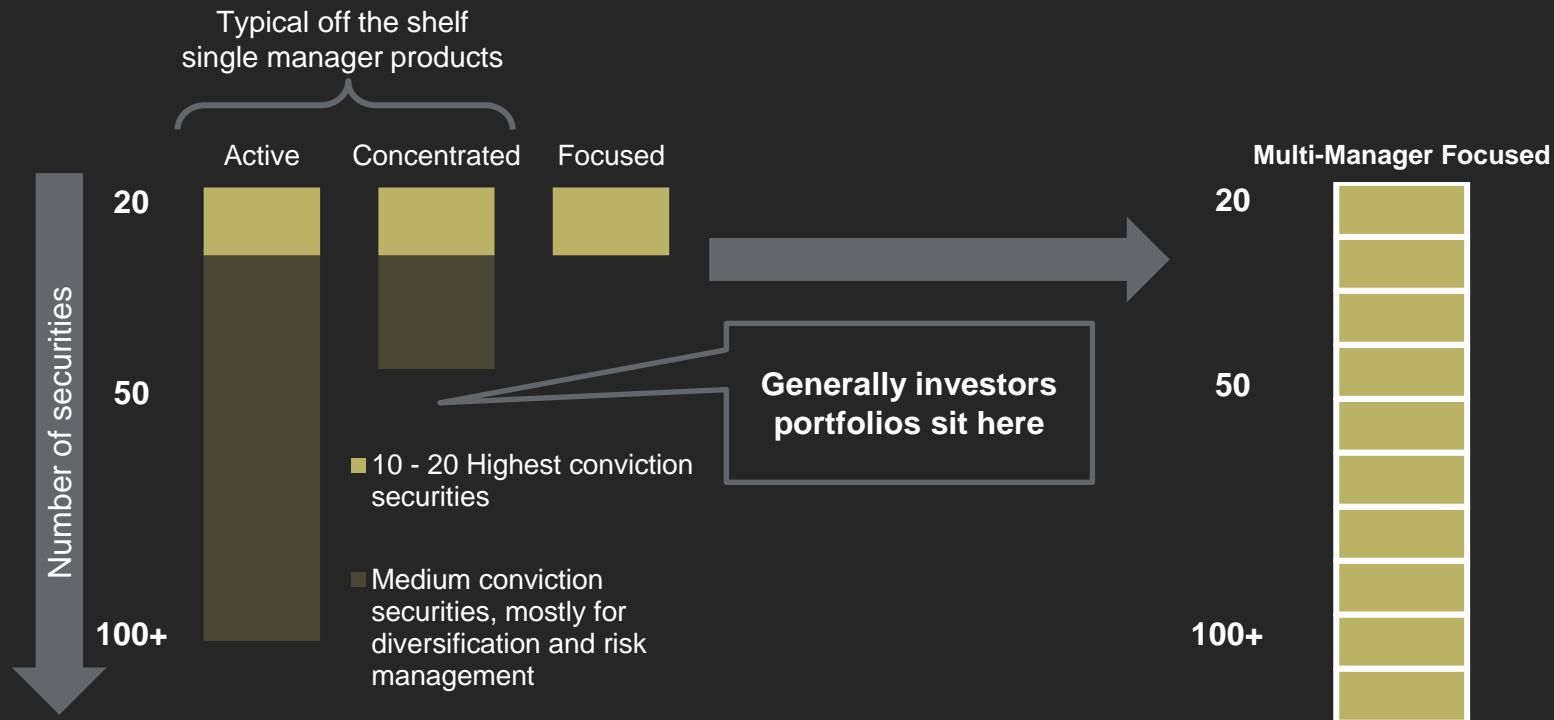


Best ideas and **unconstrained mandates** to extract most value of stock picking skills



Multi-manager structure with high-level of diversity across risk factors

We believe a portfolio of focused securities can improve the likelihood of success



Integrating sustainability considerations in the portfolio

Mandate design



- Long term mandates
- Selective exclusions

Manager research



- Sustainable investment incorporated in research
- On-going engagement

Effective stewardship

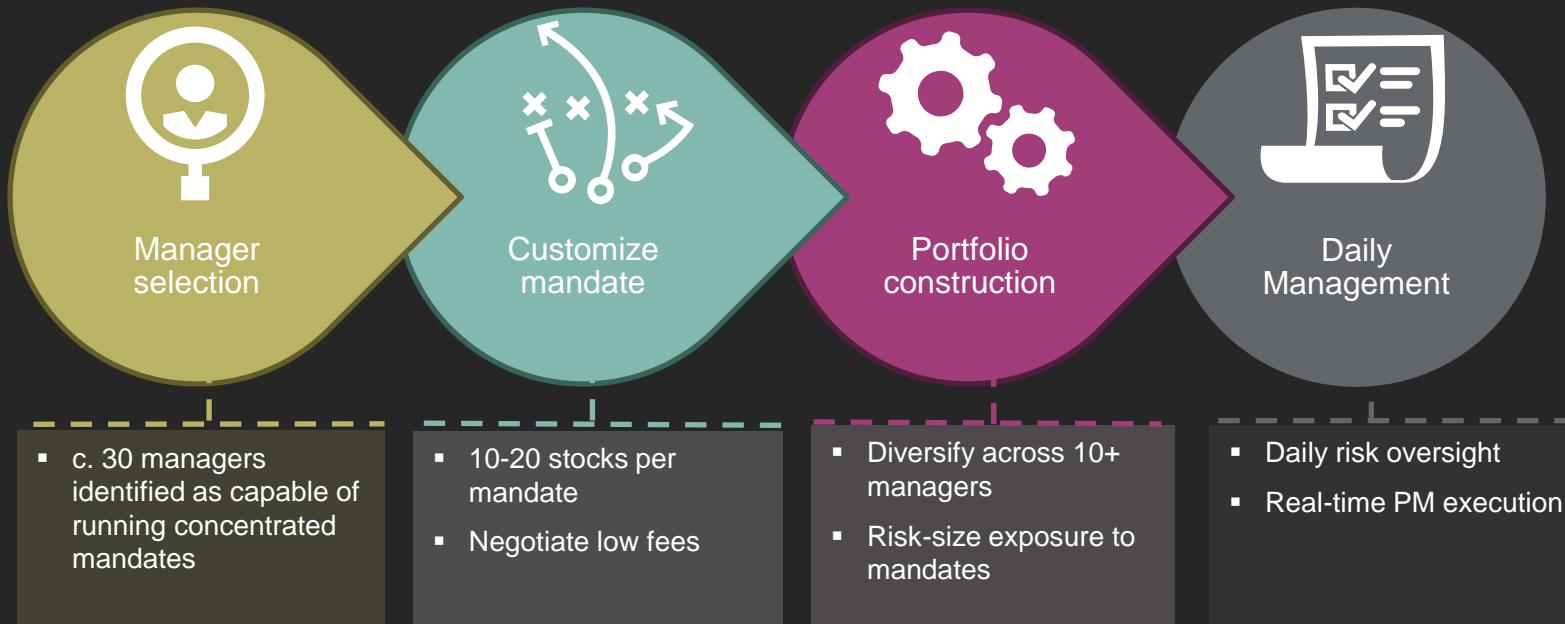


- Specialists used as an overlay

Data, analysis and tools

- Third-party and proprietary metrics combined

Being smart with the value chain



An optimal solution to the core exposure of an active equity portfolio



Change in market environment creates opportunities for alpha generation



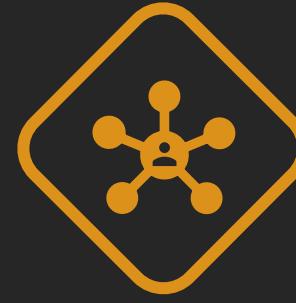
Diversification and risk management are crucial



Ongoing sizing of risk in the portfolio



Importance of integrating ESG considerations into the portfolio



High conviction in manager's competitive edge

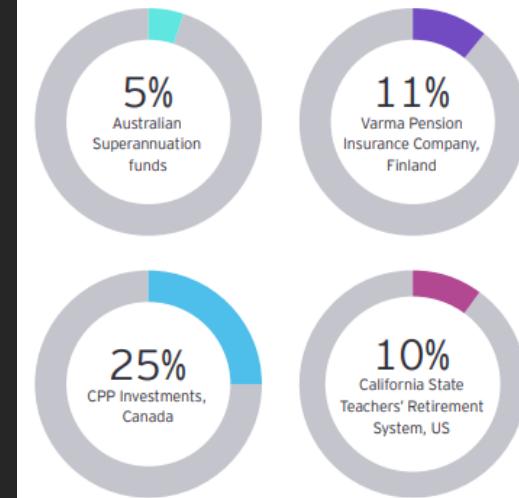
Private equity – the unloved sibling

Allocations to private markets by investor type



Source: Preqin Pro, December 2022

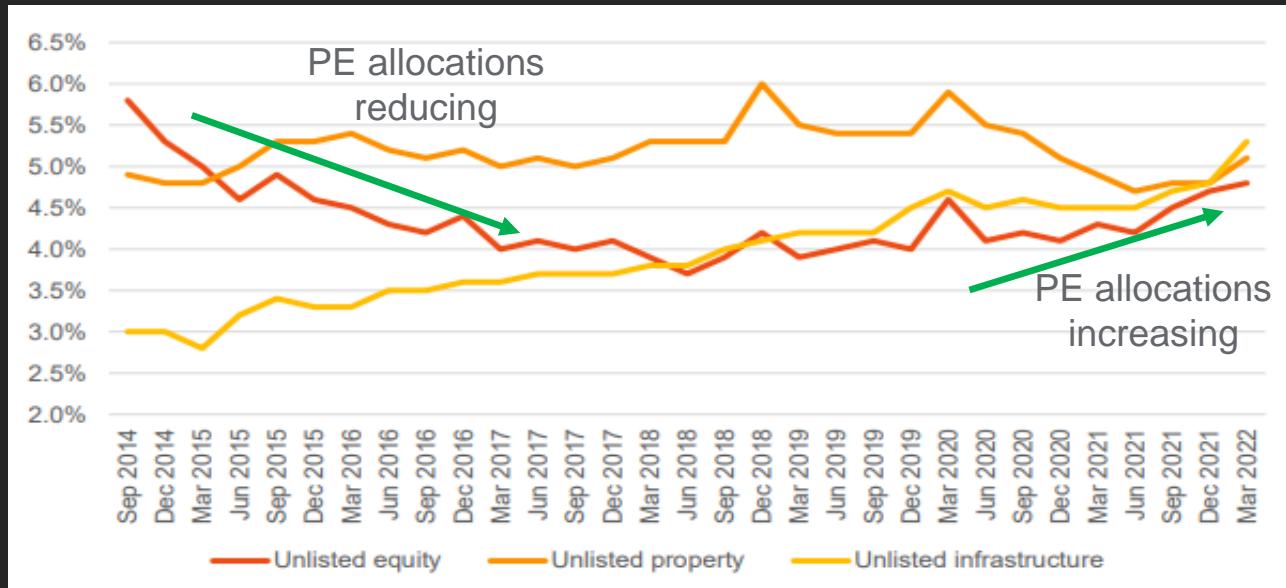
Superannuation allocation to private equity – Australia vs international benchmarks



Source: Organisation for Economic Cooperation and Development, 2021

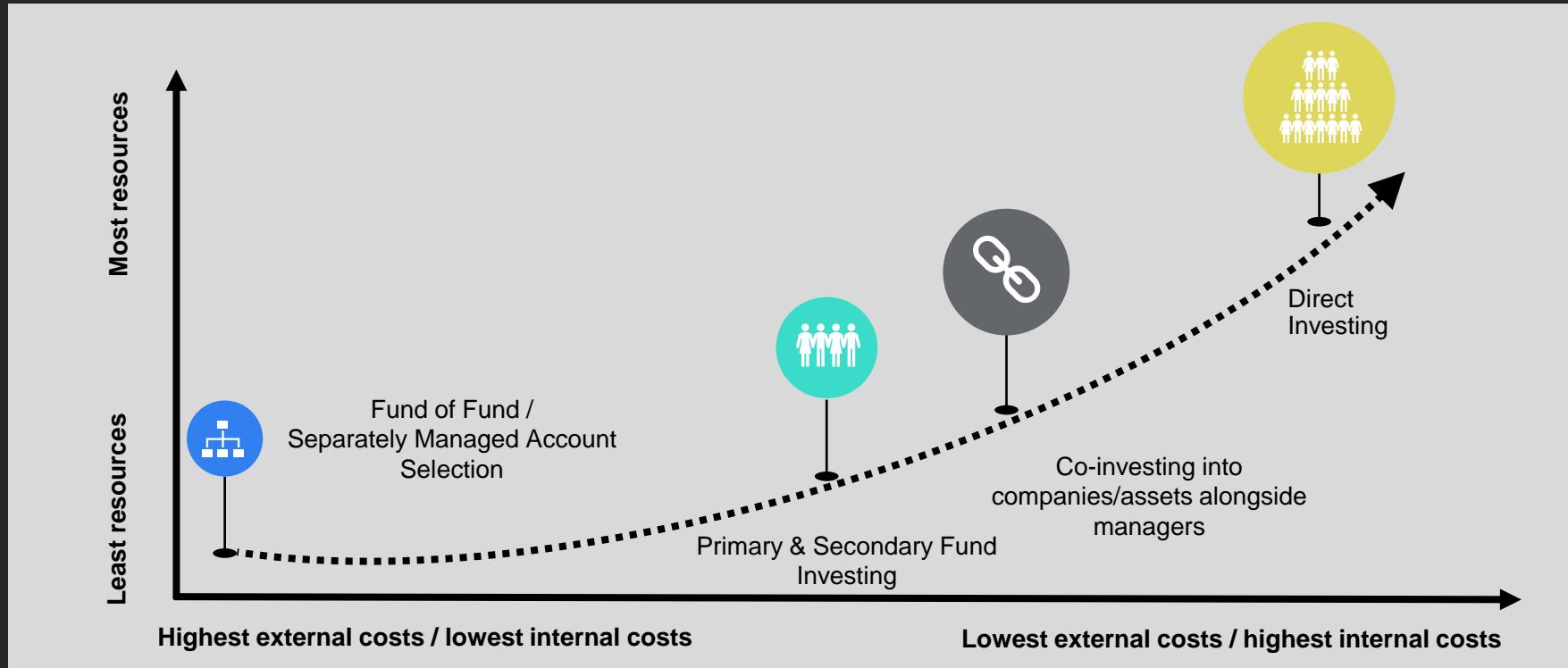
But is the tide changing.....

Superannuation fund allocations to private markets over time



Source: APRA 2023

Implementation is hard - an increase in resourcing is required



Co-investments as a solution can have major benefits for asset owners

Immediate access		Co-investments do not have the same J-curve effects* as primary funds because capital is deployed immediately
Thematic implementation		Investors can target certain sectors of the economy that are more attractive to them because of long-term secular tailwinds or their individual investment beliefs
Enhance returns		A more selective approach can reduce blind-pool risk* and potentially drive outperformance so long as the system / provider can identify adverse selection risk
Lower costs		In PE, managers typically provide access to large investors, at zero fees, therefore access to co-investments is at lower fees than investing into primary funds

* **J-curve effect** – When an investment has negative returns at first as the fund draws capital from investors for a period of time before entering a period of recovery

Blind pool risk – Investors in primary funds take on blind pool risk. This means they don't know the eventual contents of their investment when they invest. They are blind to what will be in their pool of investments.

Our Co-investment solution

**Thematic trends
in the real economy**



Access to diversified portfolio

**Low investment
minimums**



Subscriptions starting at £/€/\$125k

Evergreen structure



Open-ended fund offers limited
quarterly liquidity

**Institutional
investment
quality**



Invest alongside a global
collection of best in class PE
managers from WTW's platform

**Immediate capital
deployment**



Traditional subscription
process means capital is deployed
immediately

Low cost



Co-investment approach avoids
'2 and 20' fees

Q&A



Q&A

The big introduction



Marisa Hall

Big change



Roger Urwin

Big solutions



Martin Goss

Big risks



Jeff Chee

More big solutions



Leslie Mao



Nick Kelly

**Q&A
+
the big wrap**

The big wrap up





Our 2024 events

In-person

Exchange +

Asset owner peer study
on beliefs & best practices
London | 20 March

MiX Dinner

Chicago | 23 September

MiX Dinner

London | 22 April

MiX Dinner

Tokyo | 5 November

Australia

A series of member-only
and public events
Australia | July

Network+

A series of rapid-fire talks
London | 28 November

Society+

Film night
London | 27 June



Society+

Thursday 27 June

The voices of change

Virtual

2024 Member Briefing

30 Jan West | 1 Feb East

Systems curriculum

May, June, Sept, Oct,
Nov, Dec

Perspectives +

*The human, the machine
and the cyborg*
17 April



Podcasts

Investing for Tomorrow



Memo & Grapevine

Research agenda,
events, latest papers



Find us here



What sort of organisations become members



They are **innovative** and **inquisitive**...

...and want the opportunity to **engage** on **trends, context, new thinking and its application** to their **futures**...



They are **client / member–focused**...

...and want the chance to **deepen their understanding** of what the leading **investment organisations of tomorrow** want and need...



They have a **purposeful culture**...

...and are up for **contributing** to the **industry** through **giving and getting** **within the Institute**...

Connect:

Find out who we are, what we do and the connections we foster



www.thinkingaheadinstitute.org