

Network+: Welcome

Thinking Ahead Institute
An innovation network founded by WTW



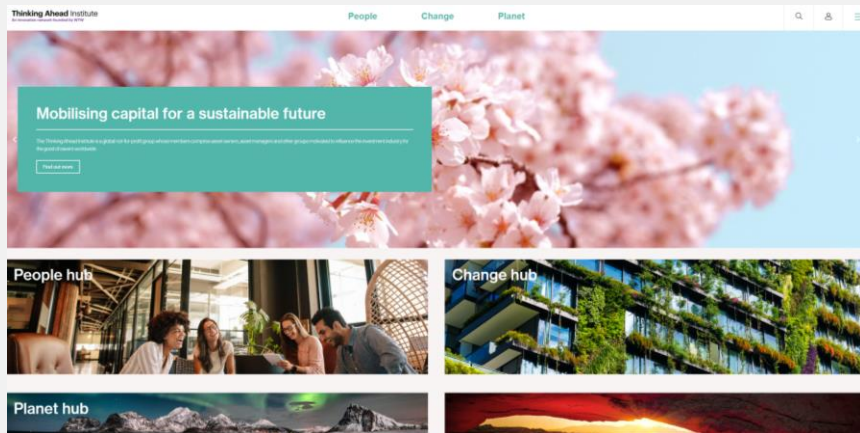
Network+: big risks, big solutions, big change

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



¹As of December 31, 2023

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

TAI members | 38 asset owners | 15 asset managers

2015	2016/2017	2017/2018	2018/2019	2020	2021	2022	2023/2024
       	     <div>2017</div> 	    <div>2018</div>  	   <div>2019</div>   	      	  <div>2022</div>    	     <div>2023</div> 	  <div>2024</div>    

What we do



Our research

Systems thinking

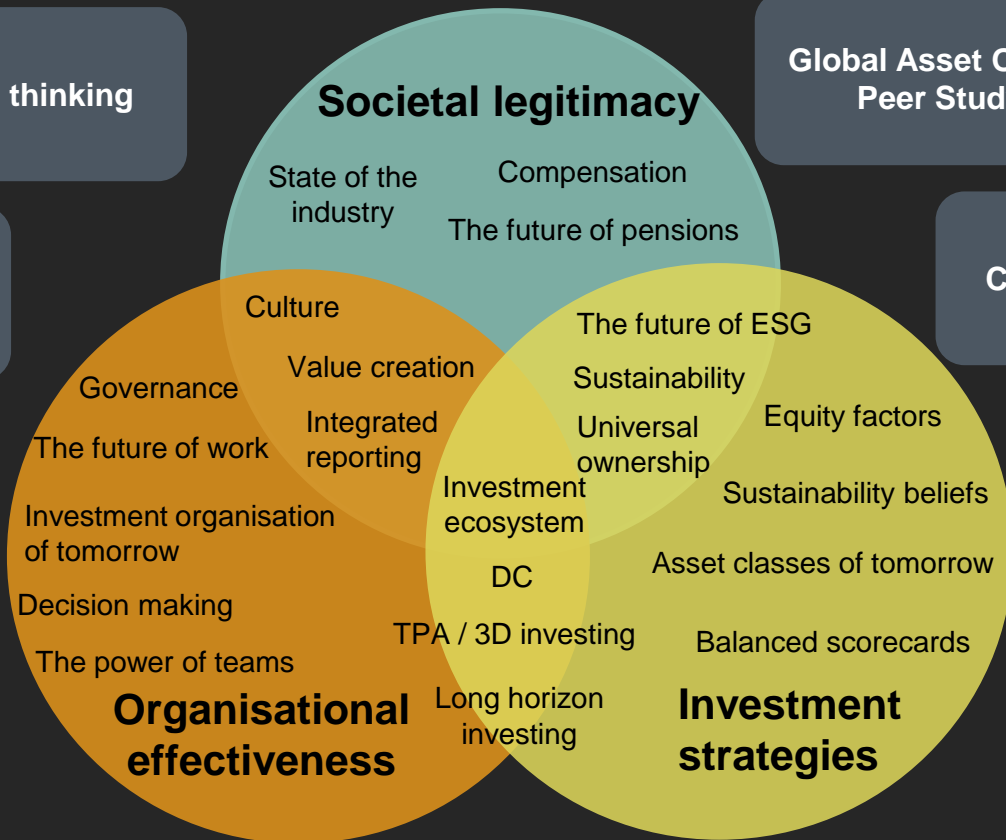
Global Asset Owner
Peer Study

CIO-ship

Climate transition

Culture, leadership,
teams and diversity

Investment beliefs -
revisited



PRI – resourcing
stewardship

Portfolio resilience &
systemic risk

TAI industry studies

Thinking Ahead Institute
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PeopleChangePlanet

Q

U

≡

Global Pension Assets Study – 2024

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

Share

Thinking Ahead Institute
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PeopleChangePlanet

Q

U

≡

The world's largest pension funds – 2023

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

Share

Thinking Ahead Institute
An innovation network founded by WTW

PeopleChangePlanet

Q

U

≡

The world's largest asset managers – 2023

The TAI / P&I 500

Share

Thinking Ahead Institute
An innovation network founded by WTW

PeopleChangePlanet

Q

U

≡

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



Principles for
Responsible
Investment



ShareAction»

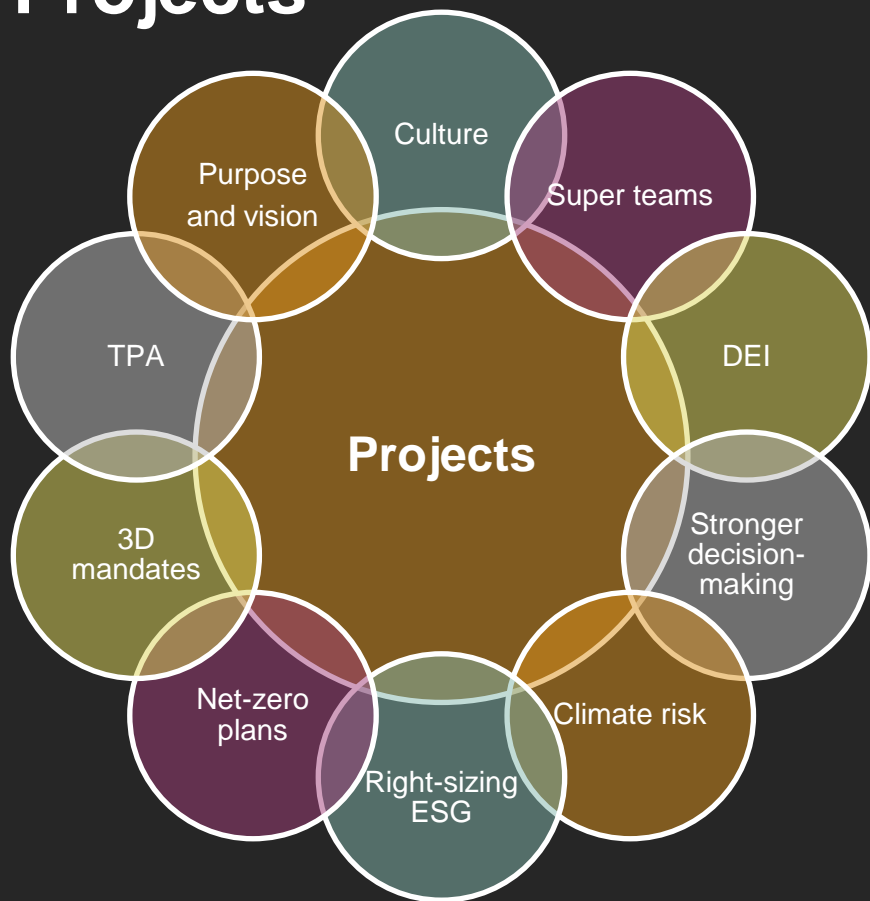


**Pensions&Investments
WorldPensionSummit**



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



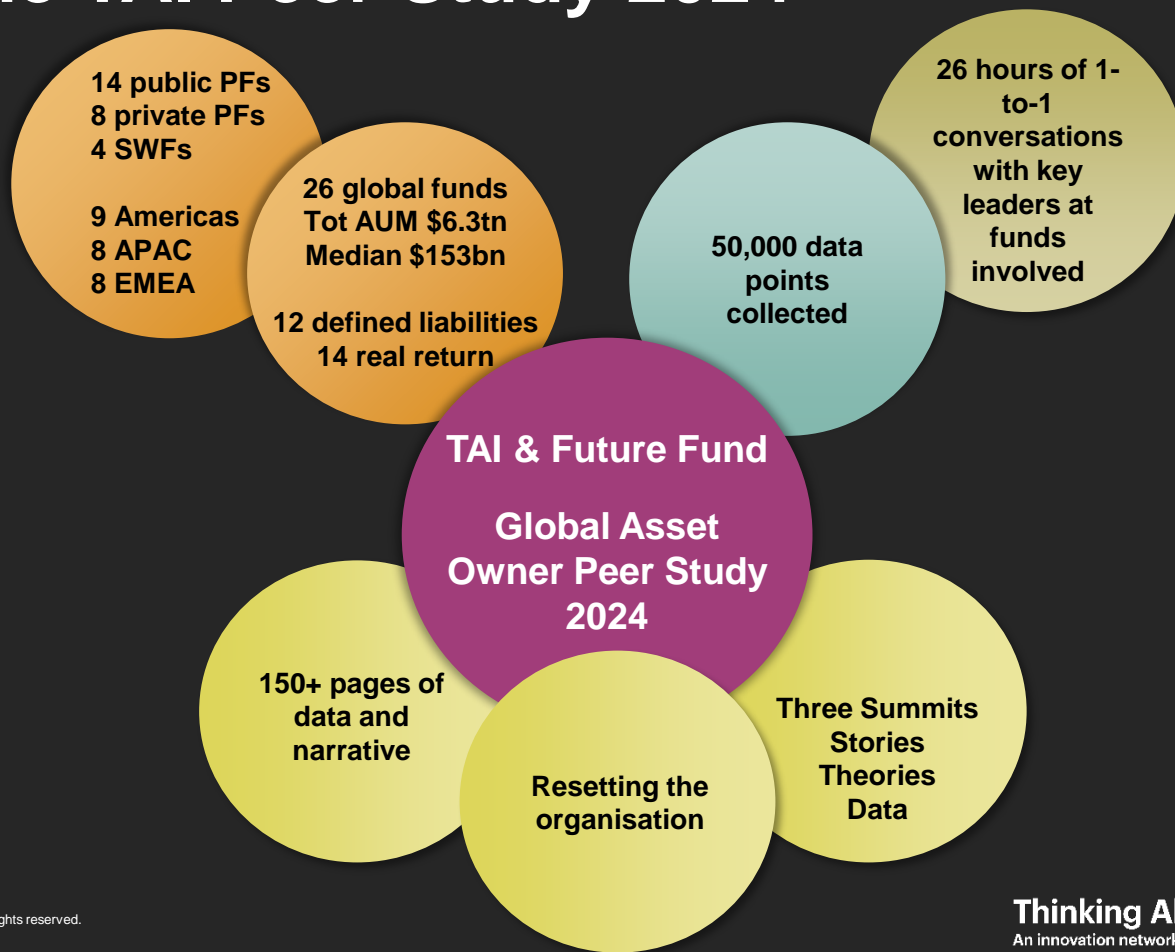
Nick Kelly

Q&A + the big wrap



Big change: Global Asset Owner Peer Study

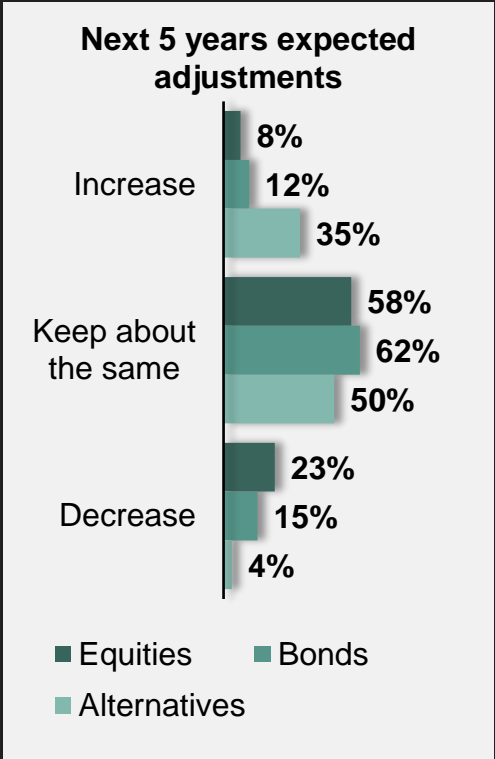
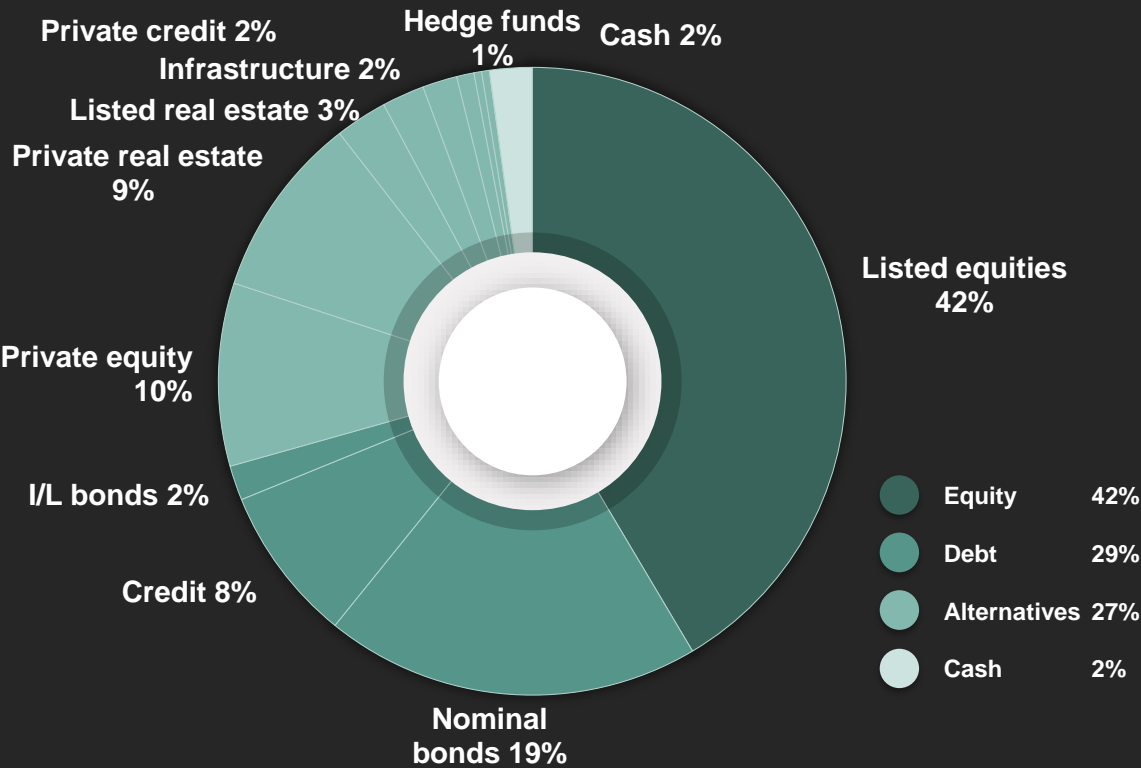
About the TAI Peer Study 2024



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

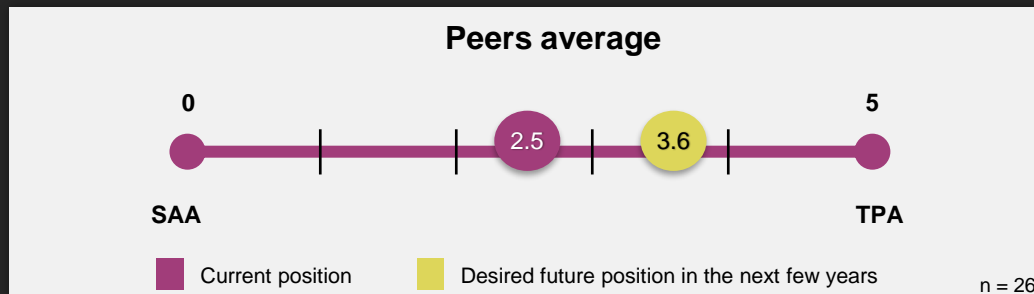
Strategic asset allocations are quite settled



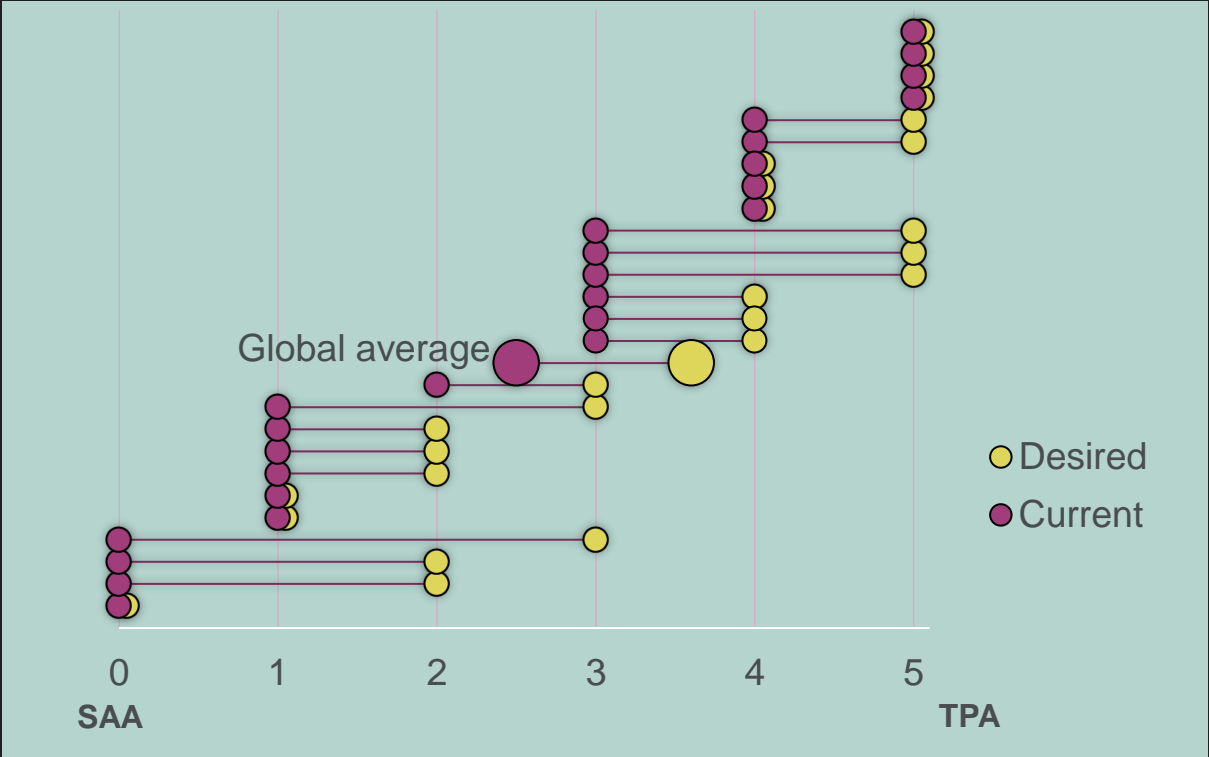
Total portfolio approaches

The SAA → TPA spectrum

	SAA 0	1	2	3	4	TPA 5	
Performance assessed vs.	Benchmarks			Fund goals			} Better decision framing
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			} Better decision making
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			} Greater dynamism
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			} Sustainability joined-up
3D investing, net zero investing:	Separate bottom-up/ top-down process			Top-down and bottom-up integrated on risk, return and impact			

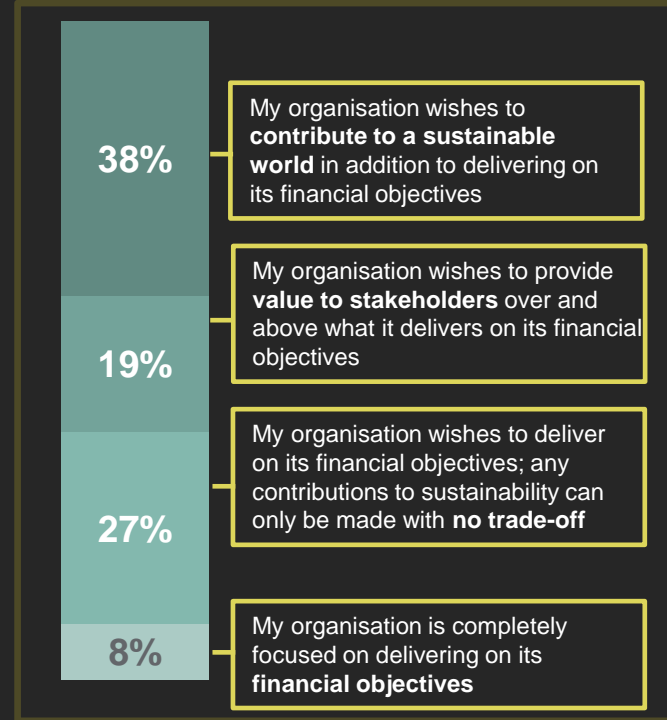
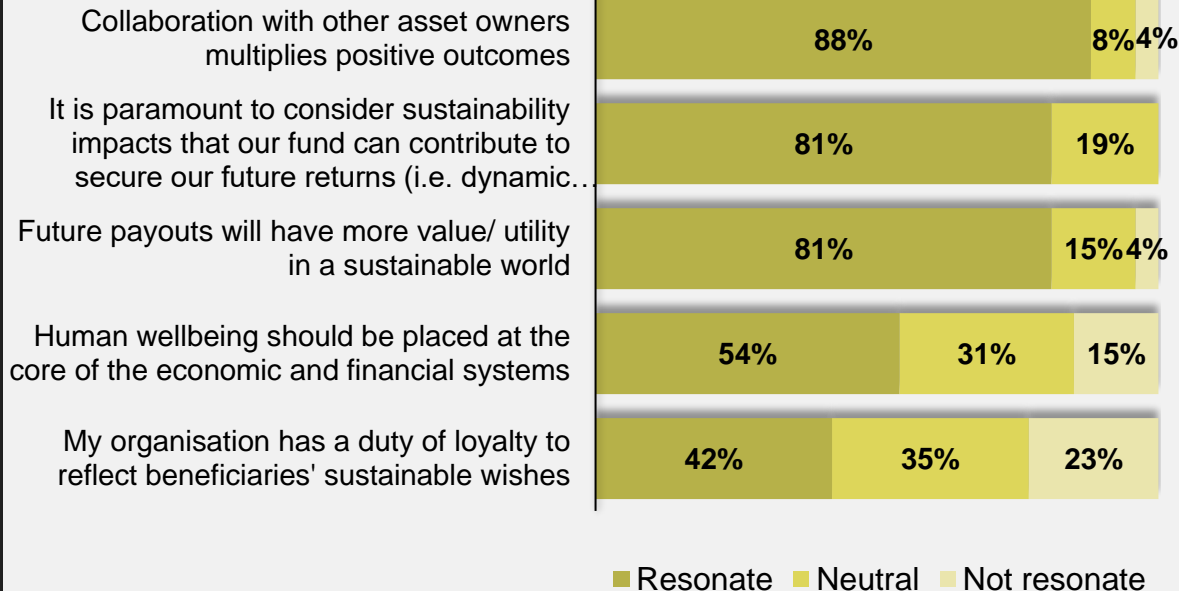


TPA scores across the 26 organisations



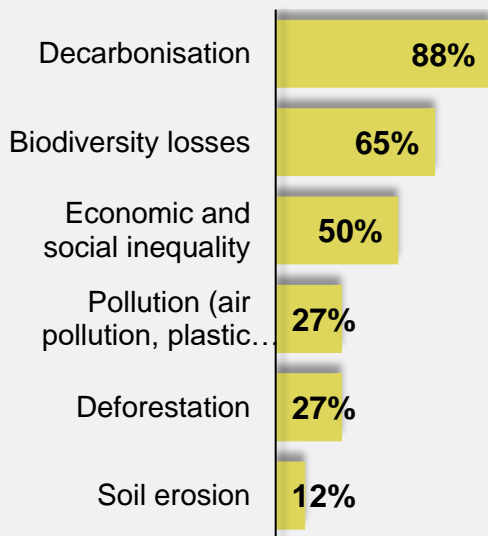
Sustainability is key to future returns; different views on duty of loyalty

Approach to responsible and sustainable investment



Net zero and universal ownership

Climate change issues addressed



Made Net Zero pledges or commitments

69%

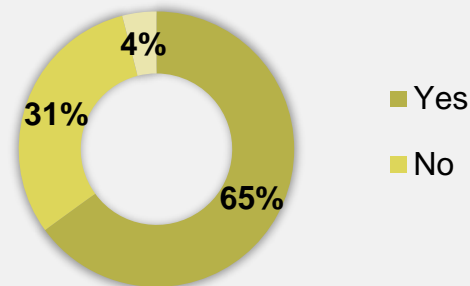
Reasons for not making any Net Zero commitments



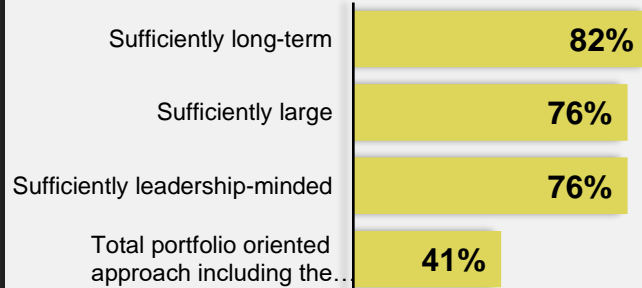
Multiple answers allowed

n = 8

Consider themselves to be a UO



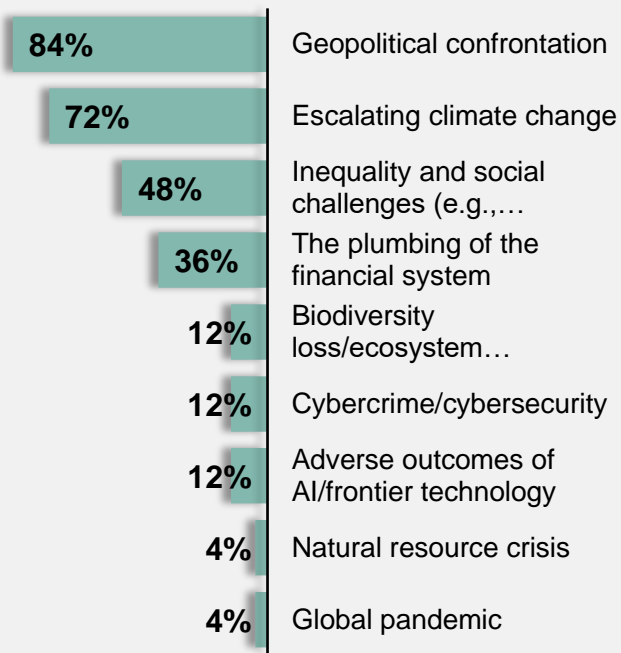
And why



n = 17

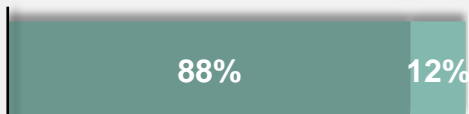
Geopolitics and climate change at the head of systemic risk surge

Top 3 sources of global systemic risk

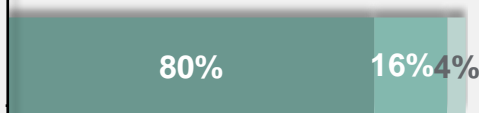


Views on systemic risk trajectories

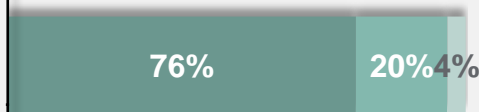
Over the next ten years, the global systemic risk areas are likely to grow in incidence and scale



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..



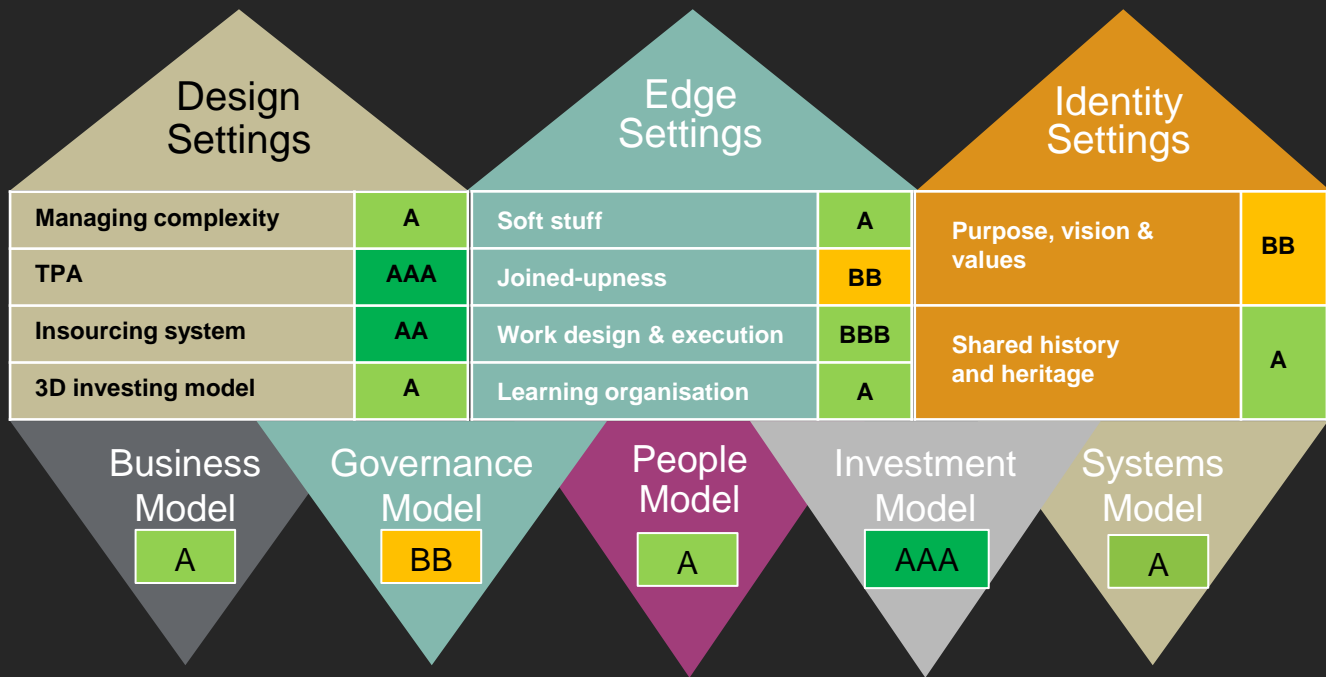
Over the next ten years, the market volatility will be higher relative to the historic average




■ 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

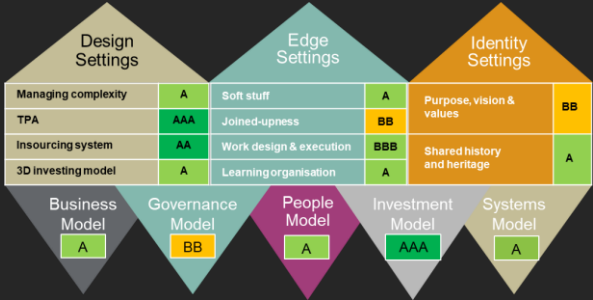
Twelve factor governance review

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



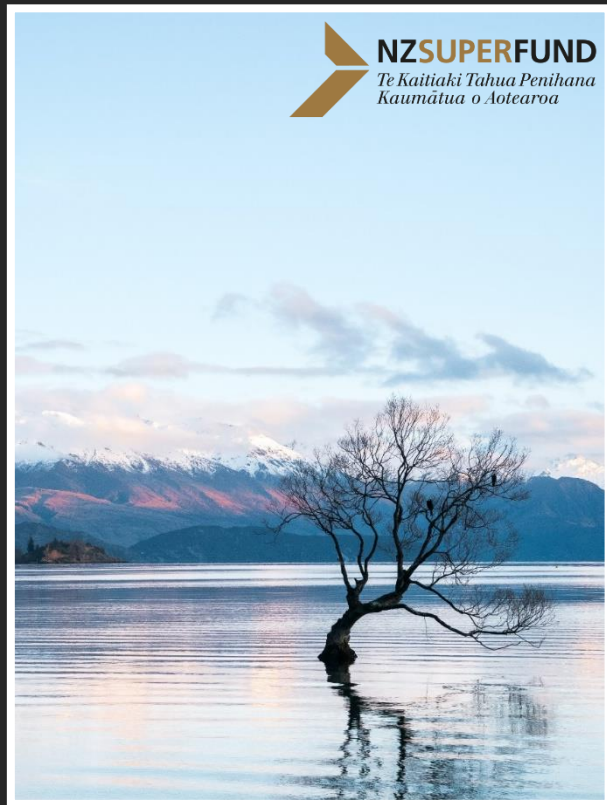
Core investment advantages

Long term horizon

Operational independence

Sovereign status

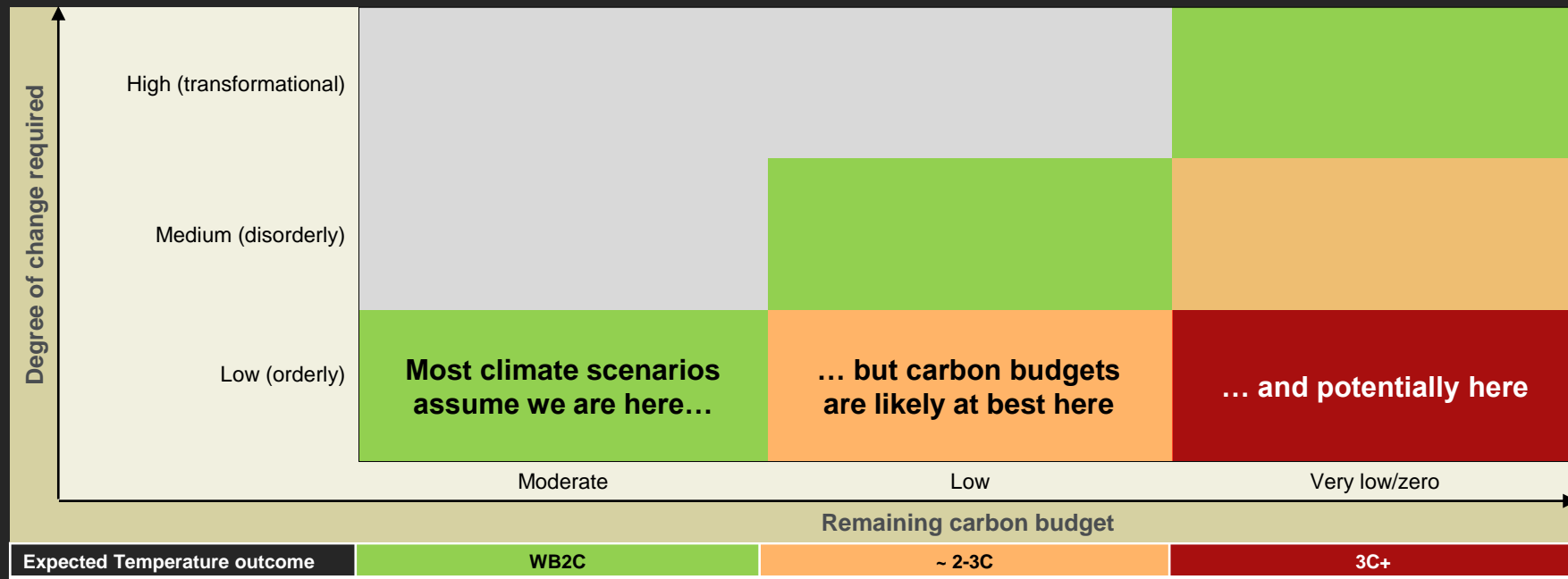
Governance



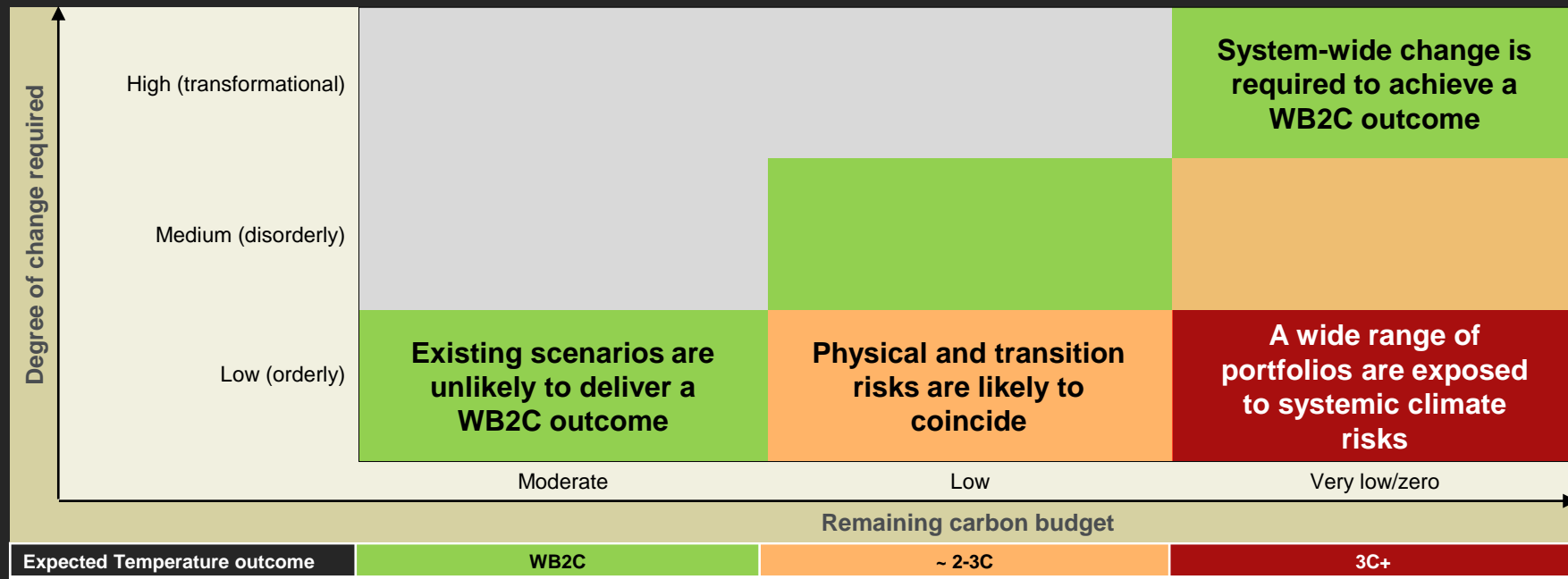
Big risks: Addressing climate risks



Uncertainty in climate scenario and risk analysis

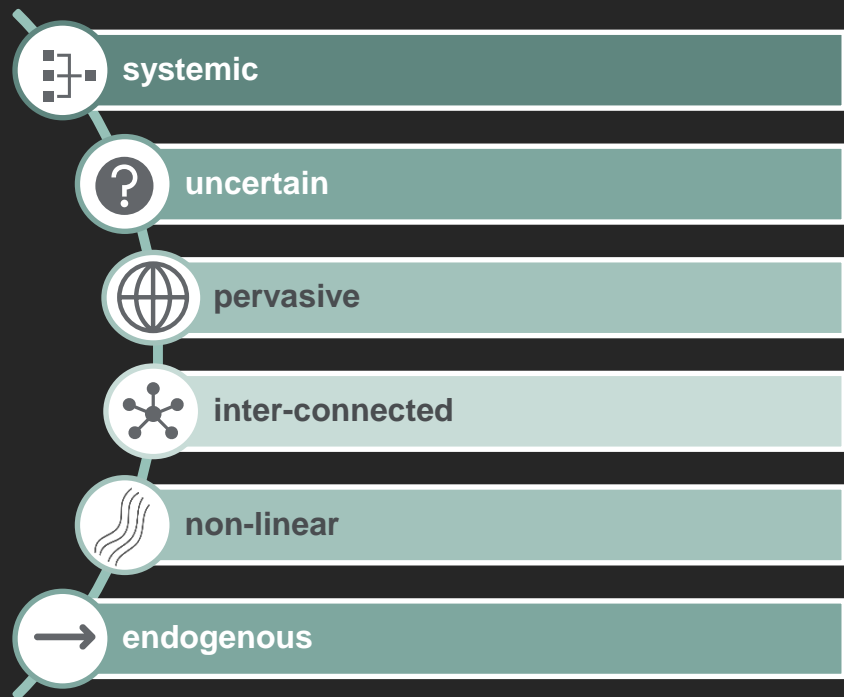


Uncertainty in climate scenario and risk analysis

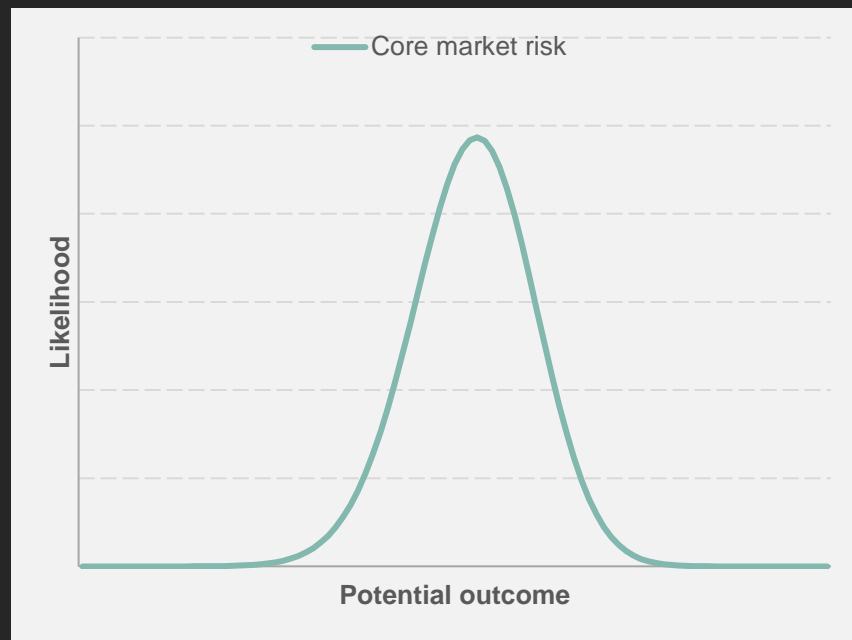


Incorporating systemic risk into investment frameworks

Characteristics of systemic risk

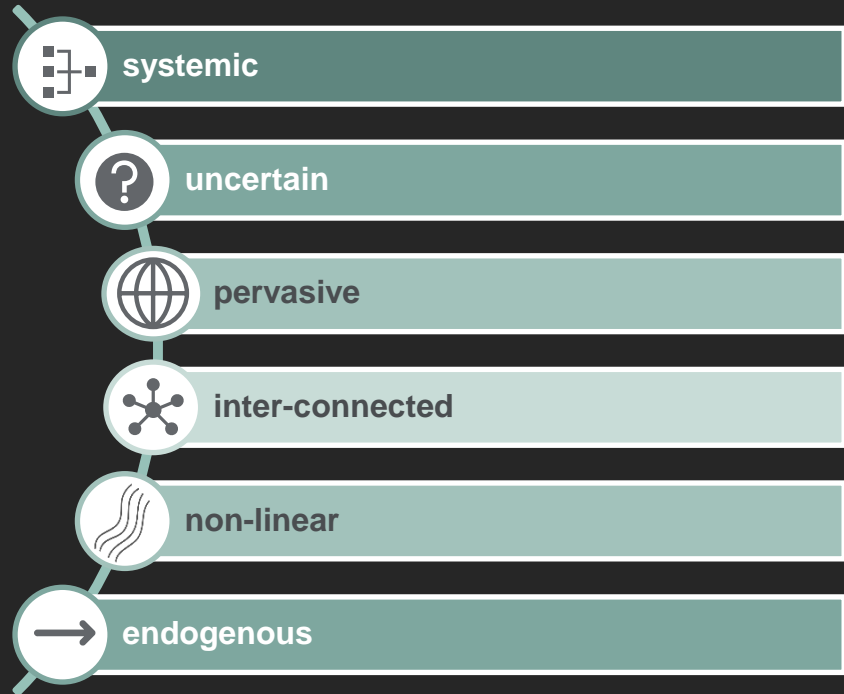


Potential distribution of outcomes from systemic risk

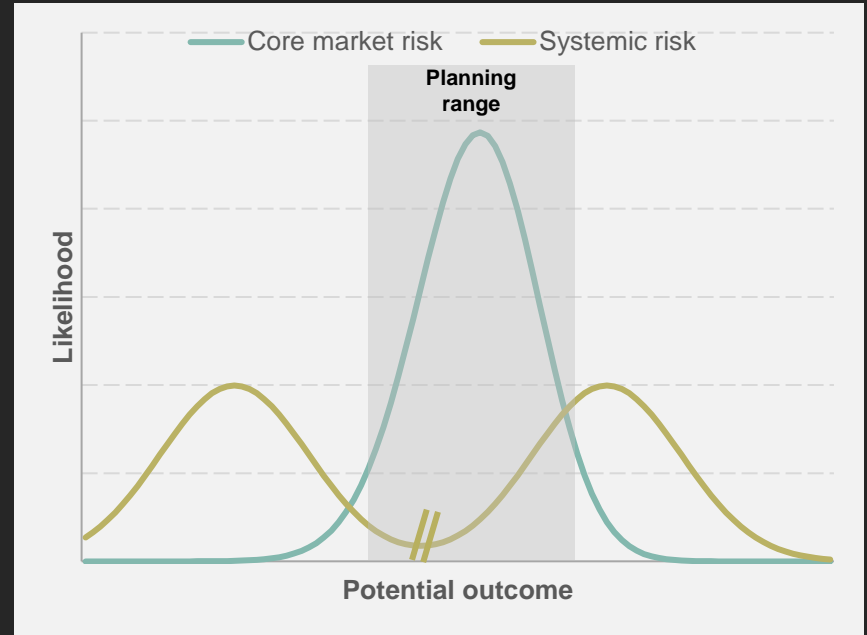


Incorporating systemic risk into investment frameworks

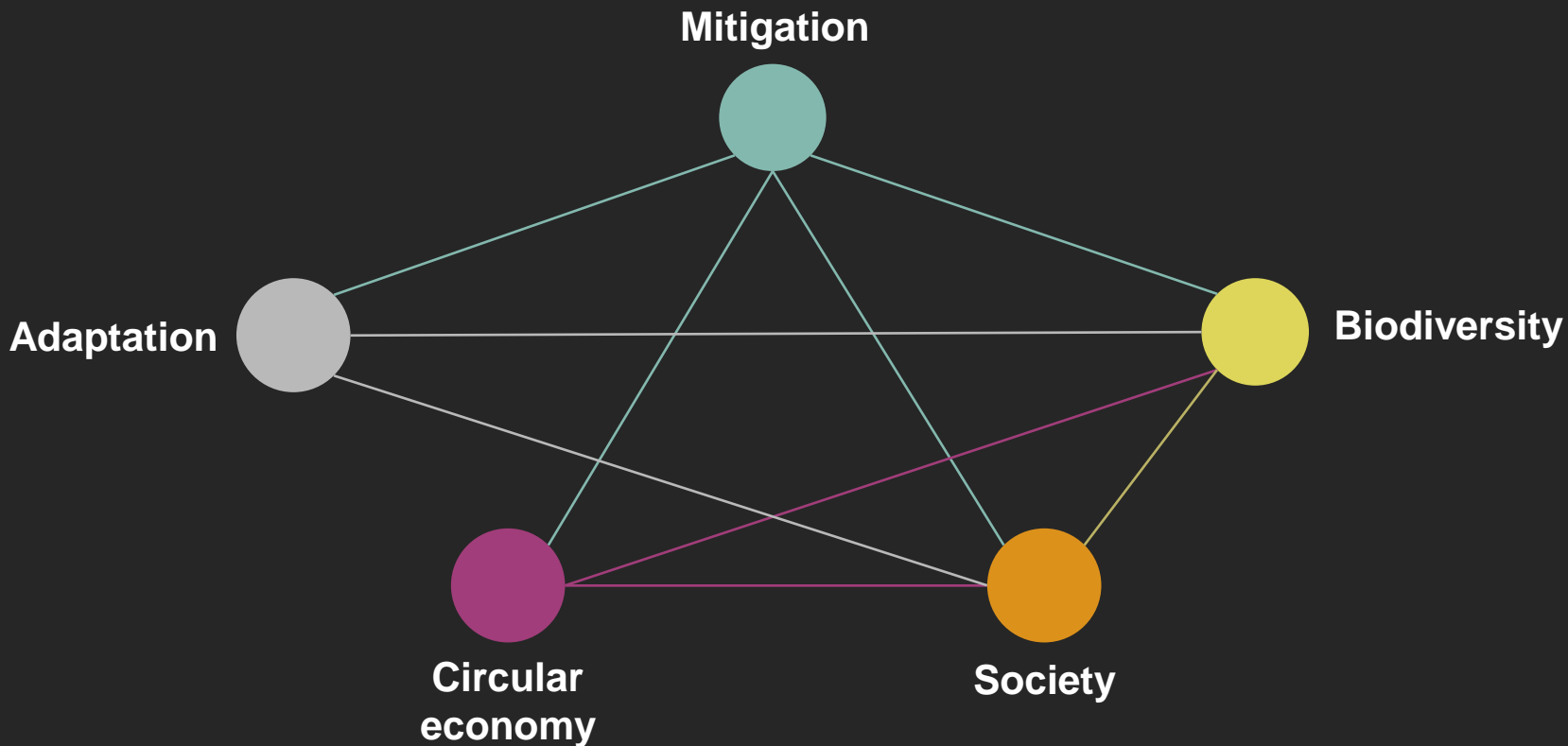
Characteristics of systemic risk



Potential distribution of outcomes from systemic risk



Broadening the view of the climate transition

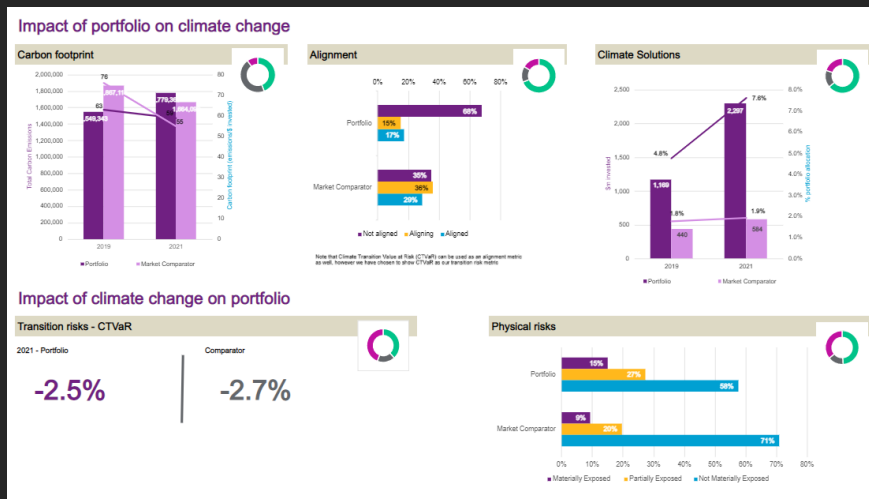


Refinements to net zero pledges and associated targets

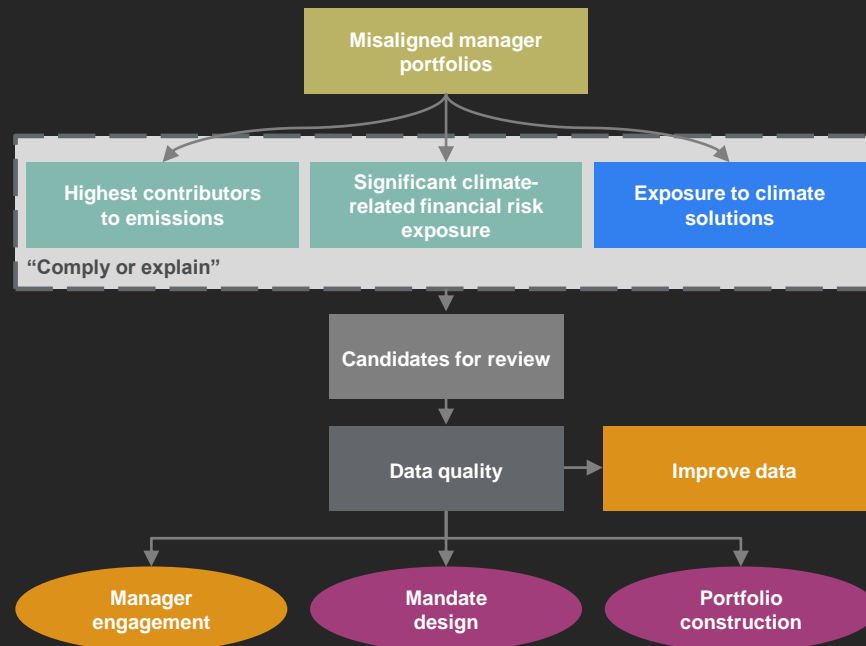
Category	Dimension	Current metric
Impact of the portfolio on climate change	Carbon	Financed emissions – emissions / \$ invested
	Alignment	% of portfolio aligned with a WB2C pathway
	Transition Finance	Exposure to climate solutions (EU Taxonomy, IIGCC)
Impact of climate change on a portfolio	Transition 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



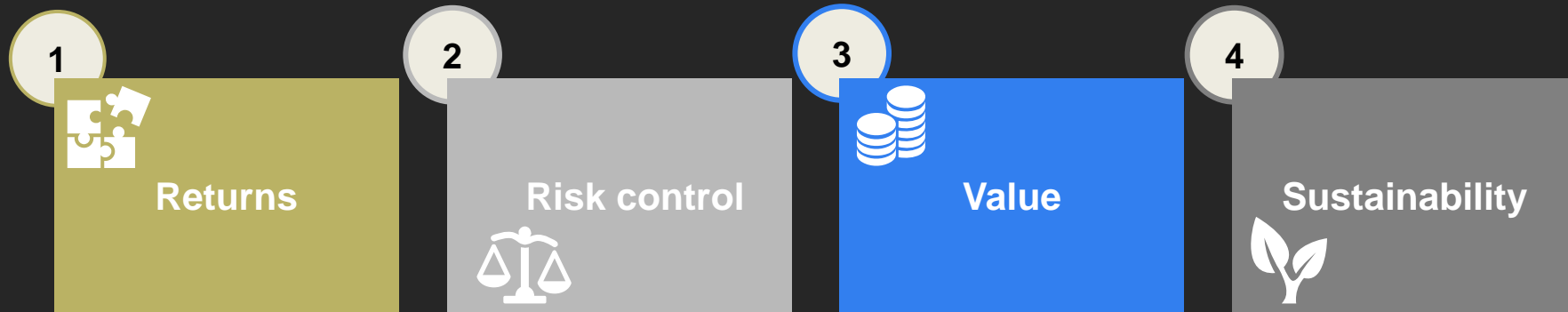
Portfolio decision making using a climate “lens”



More big solutions: Rethinking Public & Private Equity



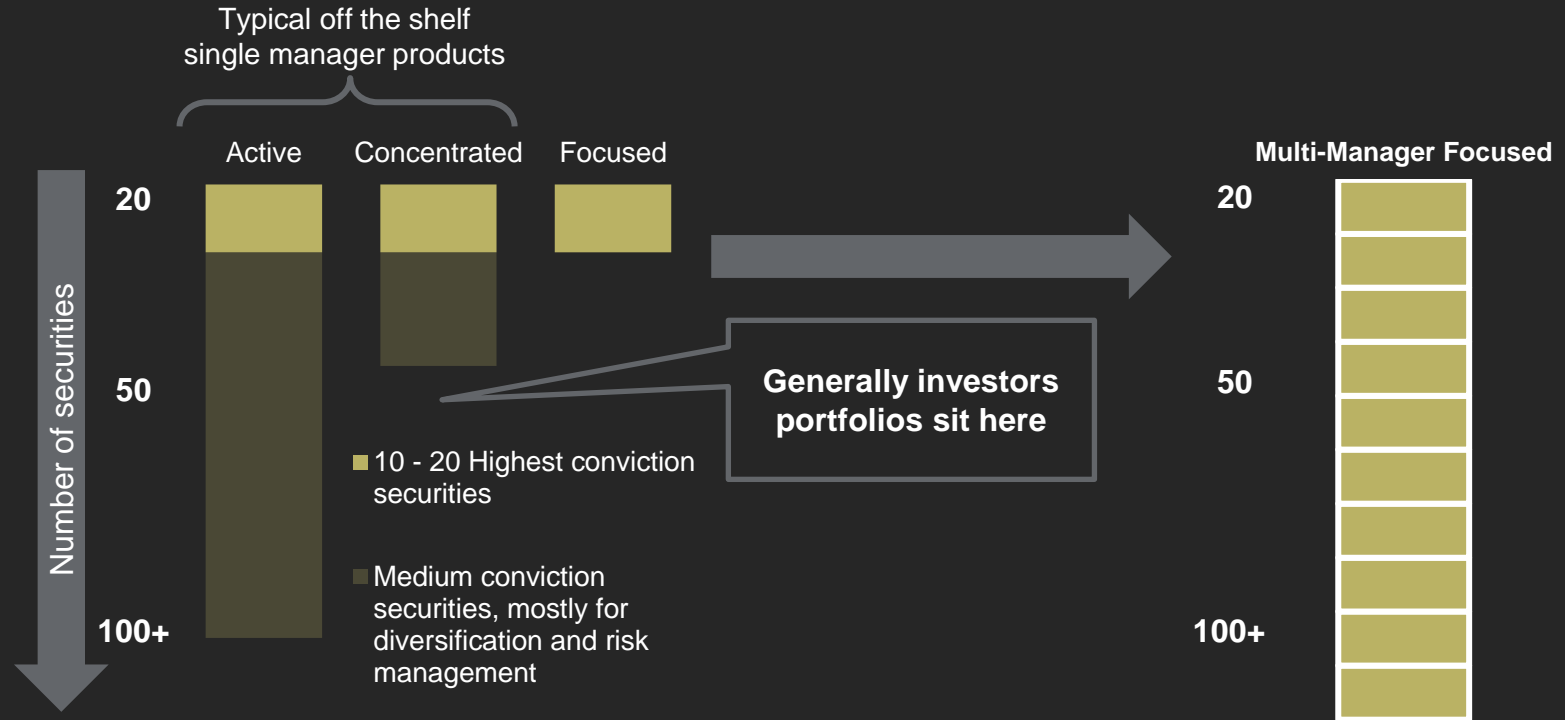
Scope for better outcomes



What are we looking for in an active listed equity portfolio



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

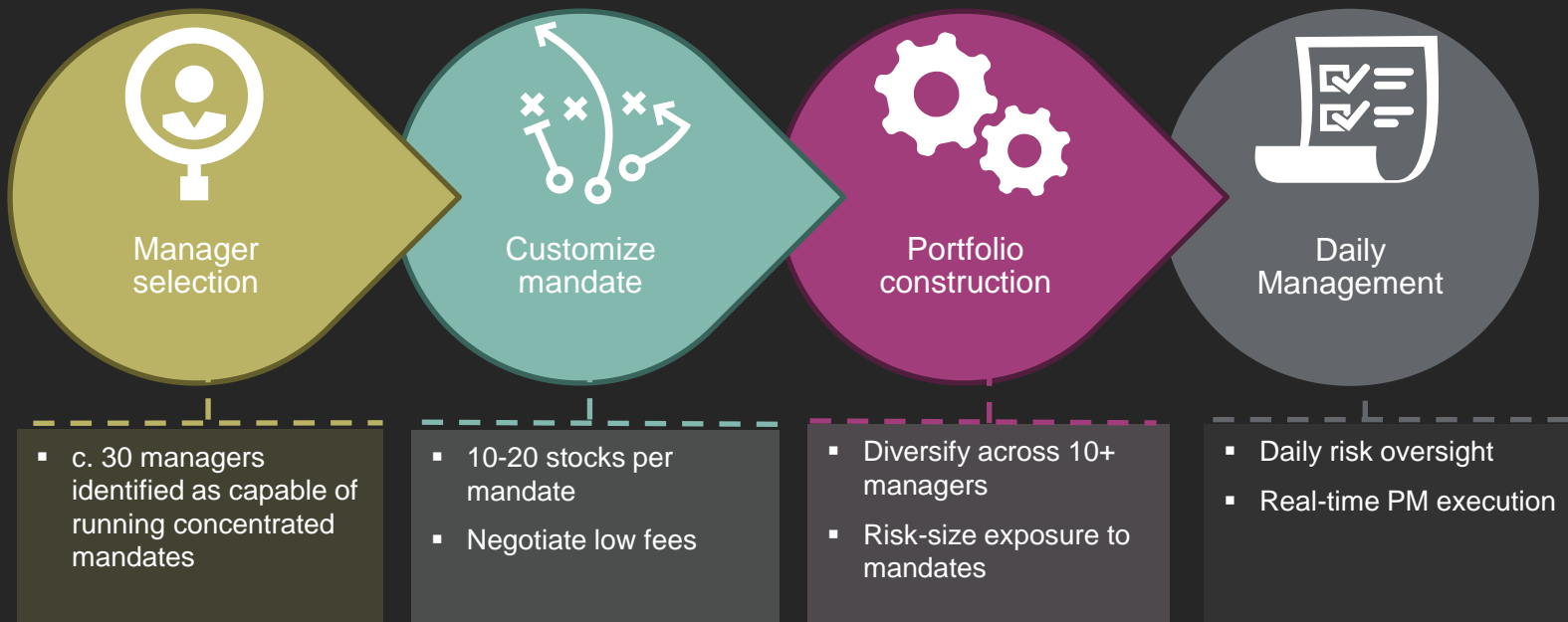


- Specialists used as an overlay

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



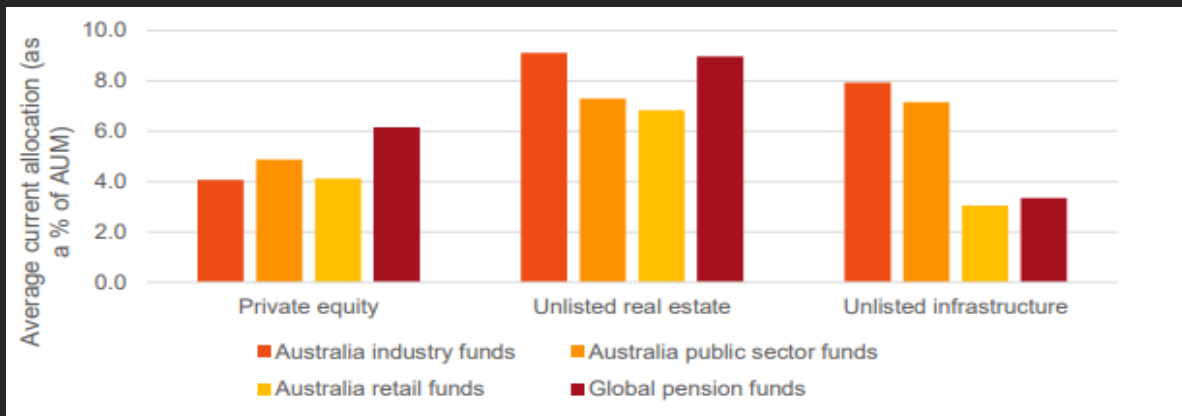
Importance of integrating ESG considerations into the portfolio



High conviction in manager's competitive edge

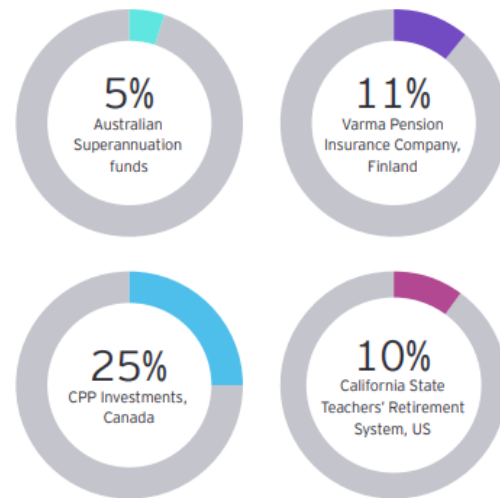
Private equity – the unloved sibling

Allocations to private markets by investor type



Source: Preqin Pro, December 2022

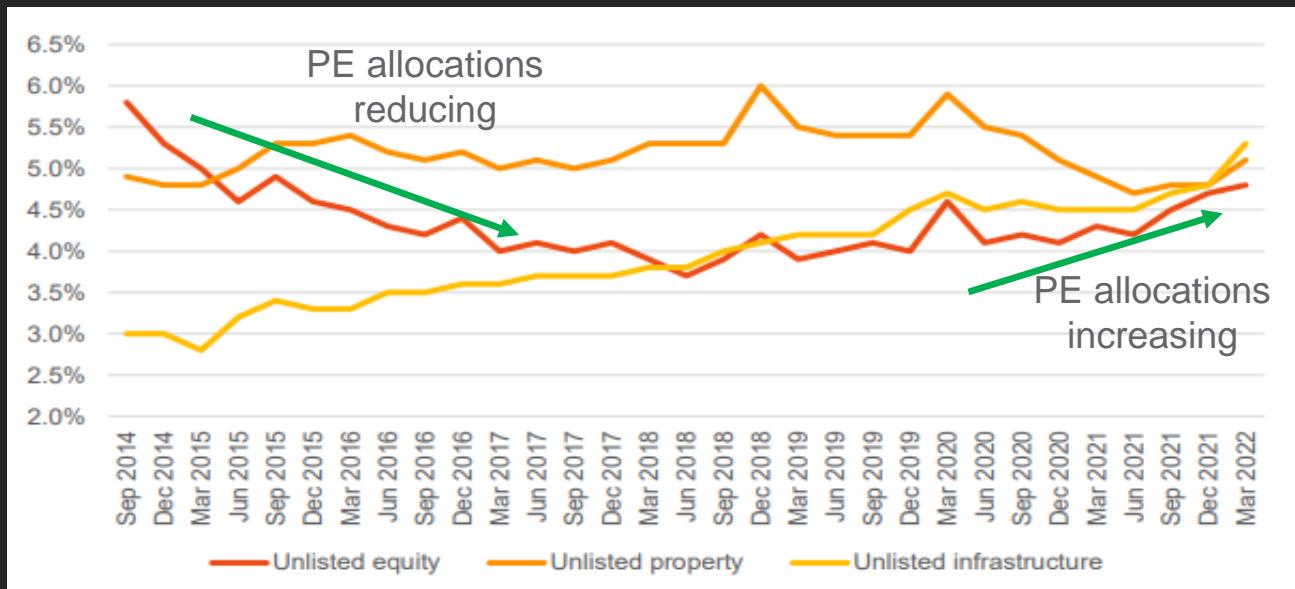
Superannuation allocation to private equity – Australia vs international benchmarks



Source: Organisation for Economic Cooperation and Development, 2021

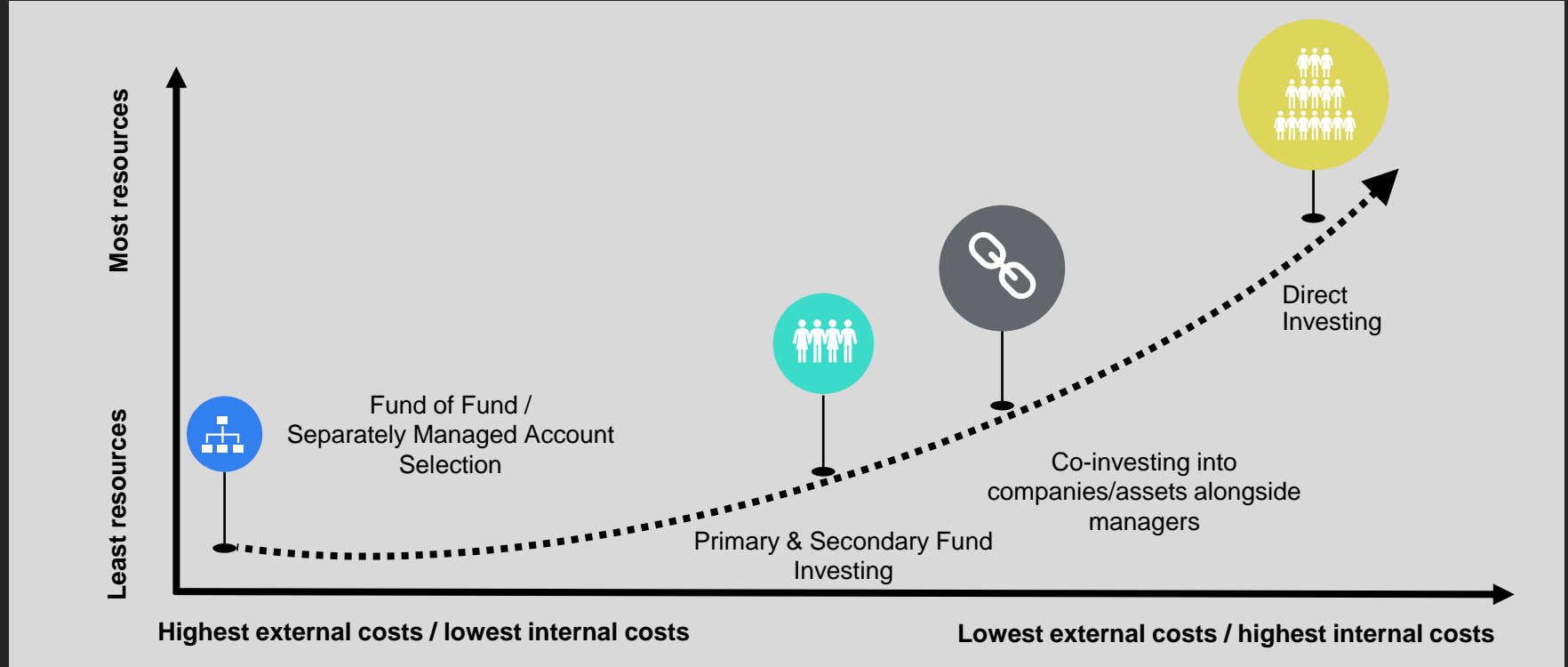
But is the tide changing.....

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

Virtual

2024 Member Briefing

30 Jan West | 1 Feb East

Systems curriculum

May, June, Sept, Oct,
Nov, Dec

Perspectives +

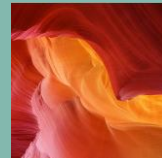
*The human, the machine
and the cyborg*
17 April

And more



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