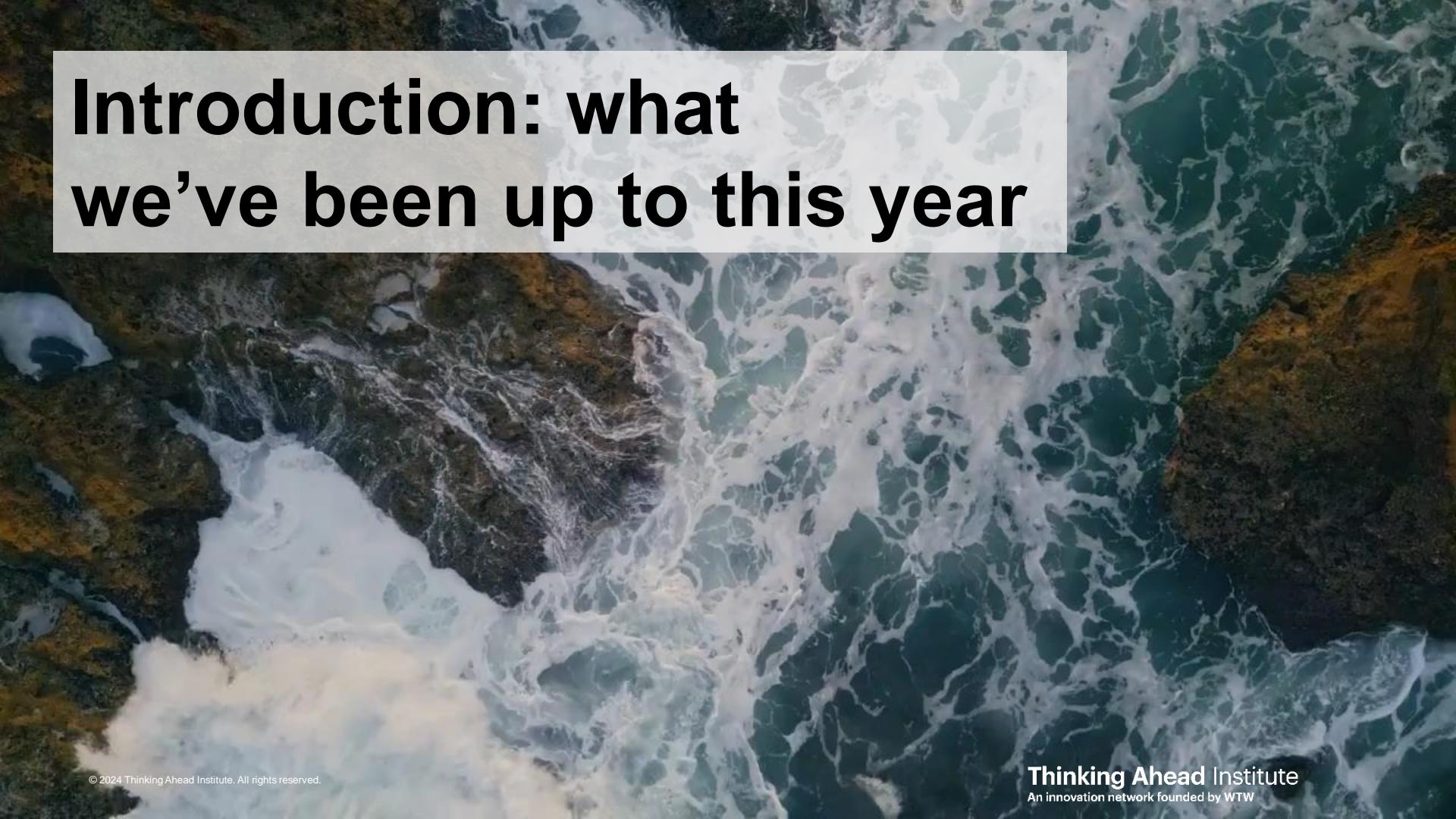




Network+: breakthroughs that matter

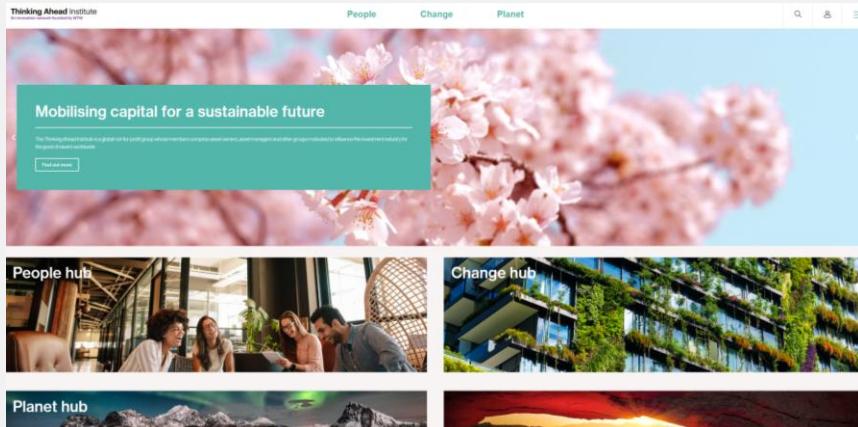
Introduction: what we've been up to this year

An aerial photograph of a rugged coastline. The left side shows green, hilly land with patches of yellow and orange, likely autumn foliage. The right side is dominated by a dark, textured sea with white, foamy waves crashing against a rocky shore. The overall scene is dynamic and natural.

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 52 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 | 37 asset owners | 15 asset managers

2015



BARCLAYS



Australia's Sovereign Wealth Fund



2016



A Division of S&P Global

2017



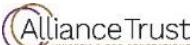
2017/2018



Bank Pension Trust (UK)



2018



2018/2019



2019



2020



2021



2022



2022



Commonwealth Superannuation Corporation



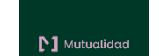
2023



2023/2024



2024



What we do



Make connections

We collaborate and bring organisations together



What we do



Tailored projects

Strategic 1-2-1 sessions and workshops to meet your needs

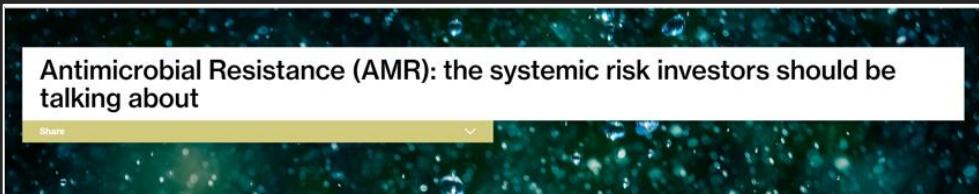
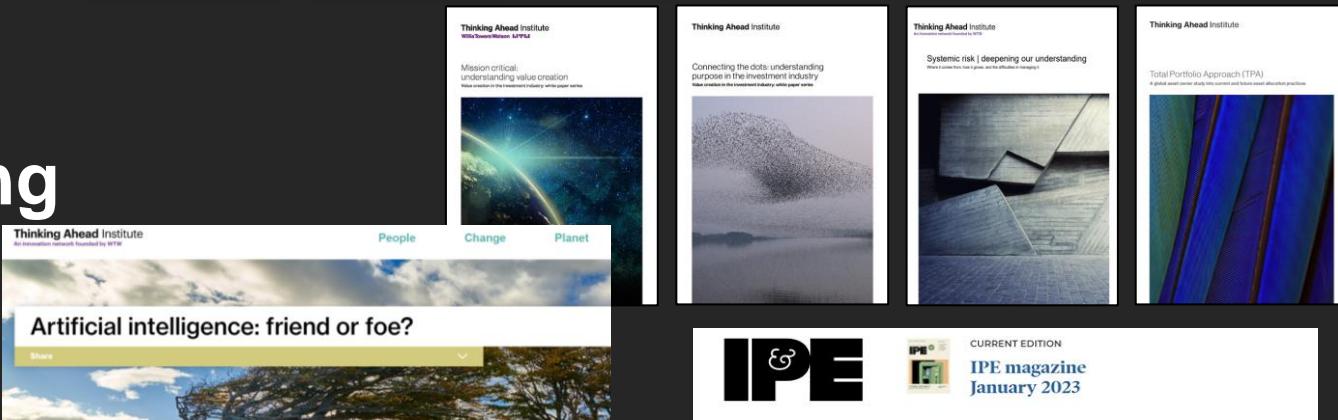


What we do



Groundbreaking research

Breakthroughs that matter



TAI global studies

Thinking Ahead Institute
An innovation network founded by WTW

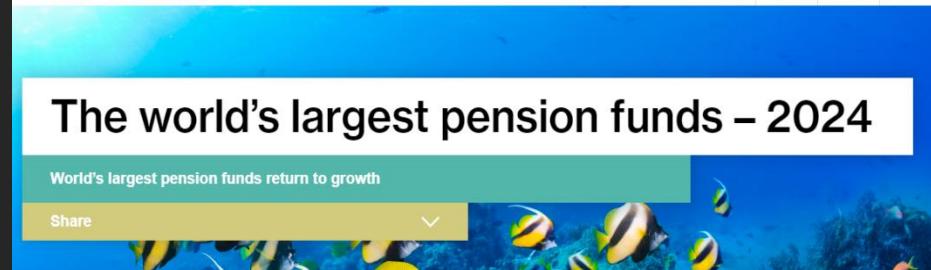


Global Pension Assets Study – 2024

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

Share

Thinking Ahead Institute
An innovation network founded by WTW

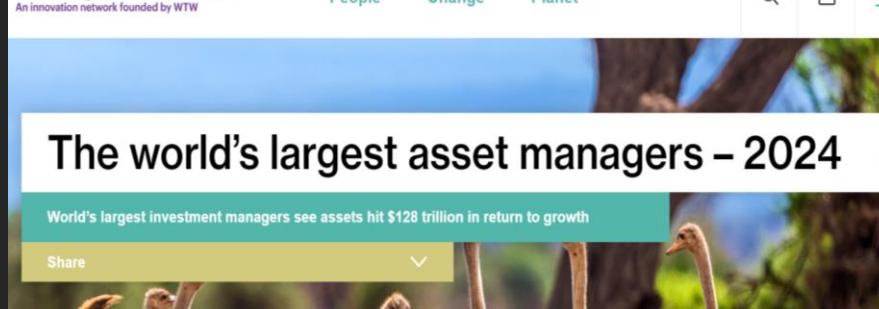


The world's largest pension funds – 2024

World's largest pension funds return to growth

Share

Thinking Ahead Institute
An innovation network founded by WTW



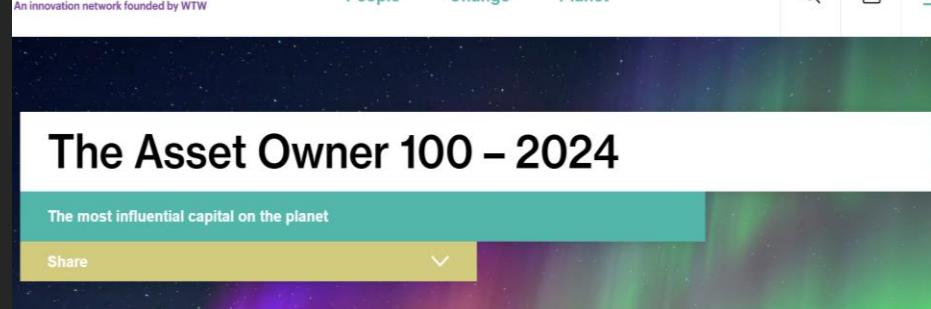
People Change Planet

The world's largest asset managers – 2024

World's largest investment managers see assets hit \$128 trillion in return to growth

Share

Thinking Ahead Institute
An innovation network founded by WTW



People Change Planet

The Asset Owner 100 – 2024

The most influential capital on the planet

Share



Why are we
all here?

What we will cover

Introduction



Marisa
Hall

Asset
owner best
practice



Roger
Urwin

Beliefs



Andrea
Caloisi

Stewardship



Jessica
Gao

Fireside
chat



Vishal
Hindocha



Isabella
Martin

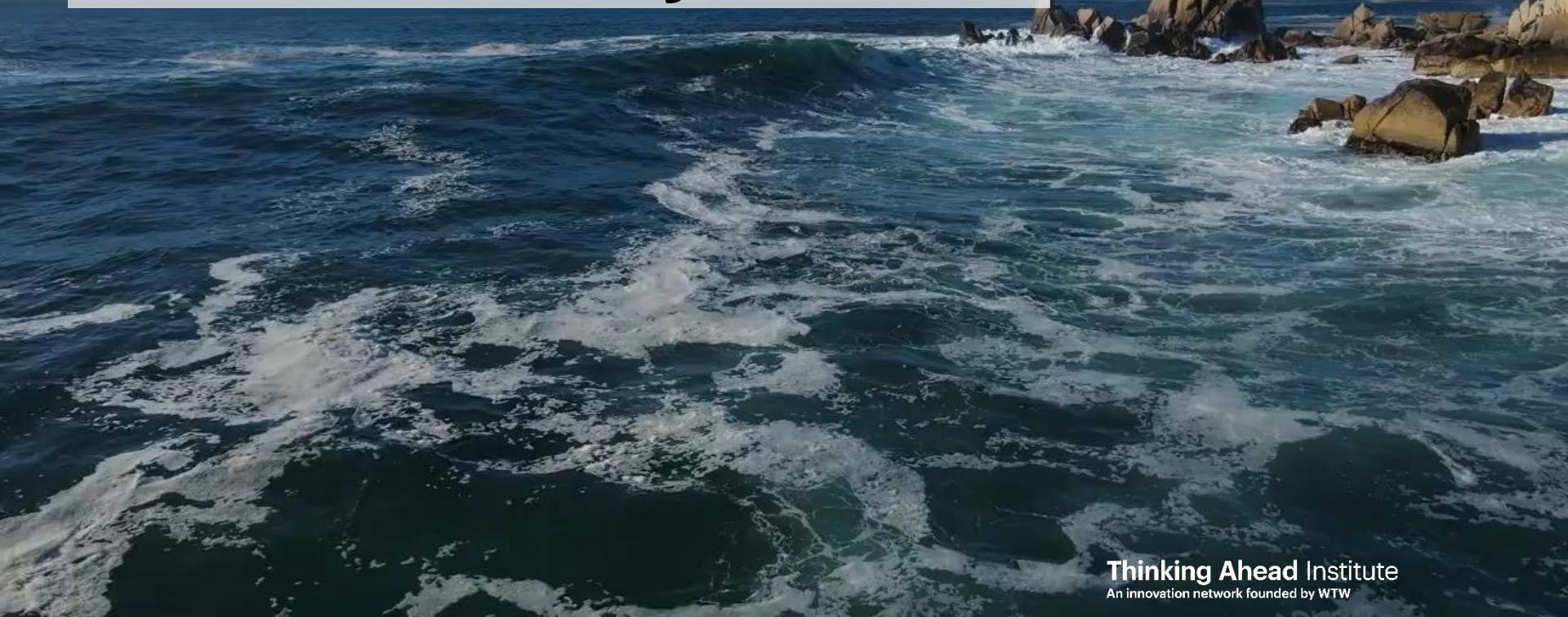
Future of
pensions



Tim
Hodgson

Q&A +
the wrap

Asset Owner Best Practices Study



The search for cause and effect

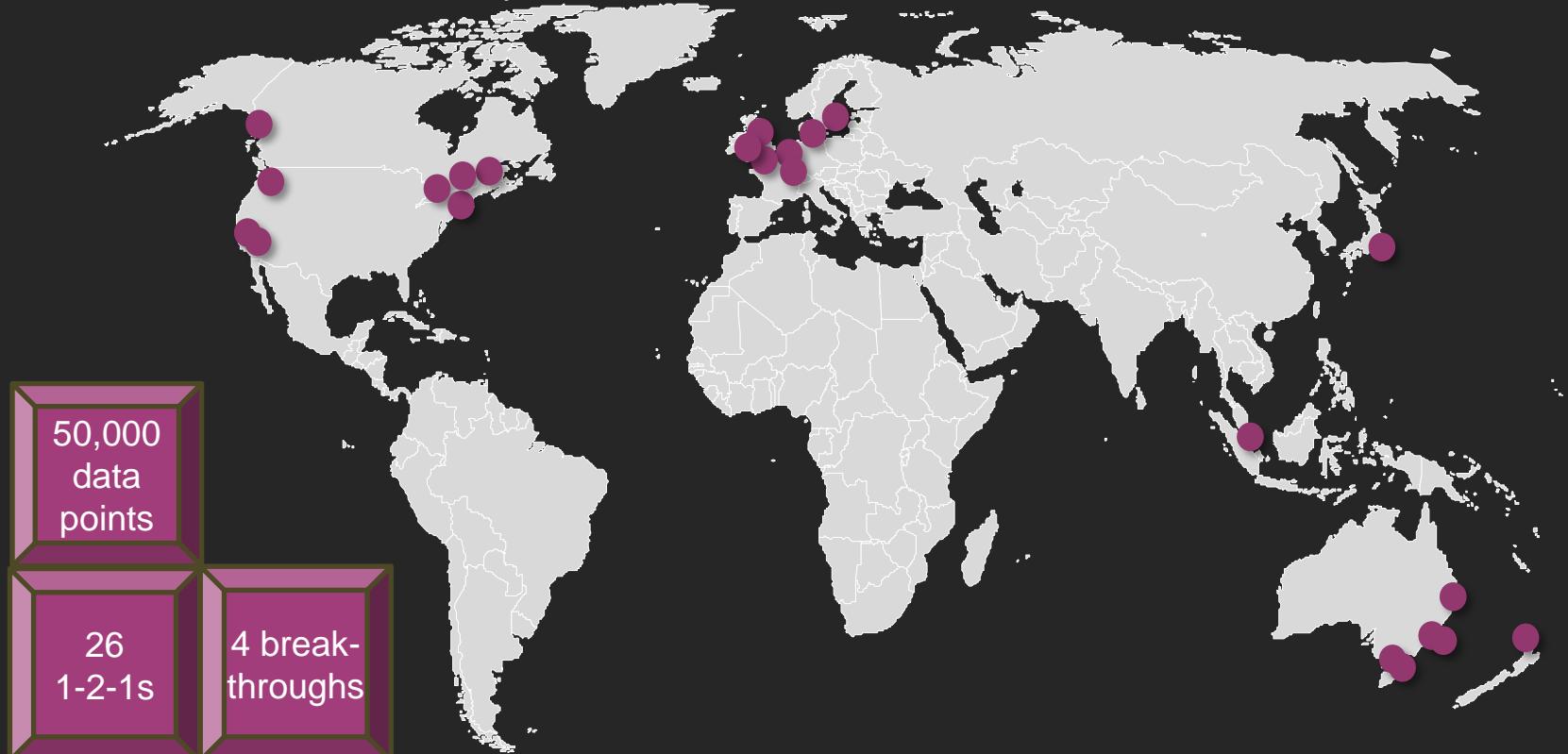


“My question is: Are we making an impact?”

Peer Study participants and design

‘All of us are smarter than any one of us’

Total AUM \$6.3tn
Average AUM \$243bn



Peer Study takeaways

1

New thinking on allocations

- Being joined-up & portfolio diversity
- TPA (Total Portfolio Approach) & Risk 2.0 emerging
- The Alts-Plus proposition

2

New challenges on managing complexity

- Managing complexity is the #1 issue
- The soft stuff is the hard stuff is the #2 issue
- The HI x AI equation is transformational

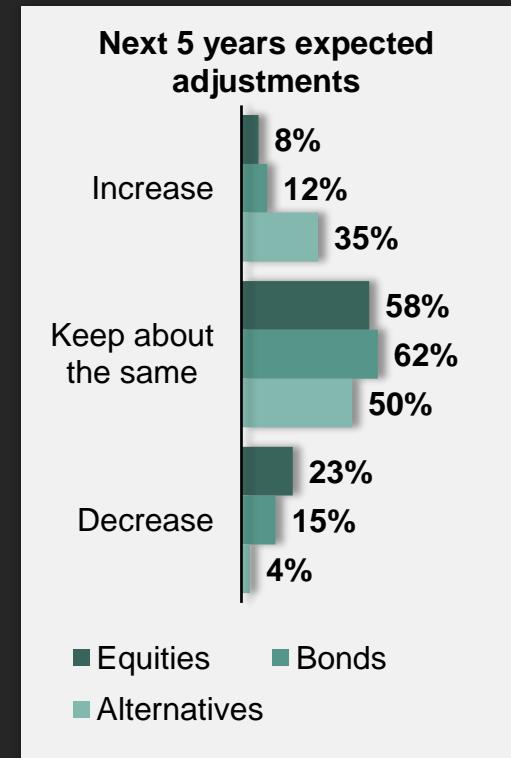
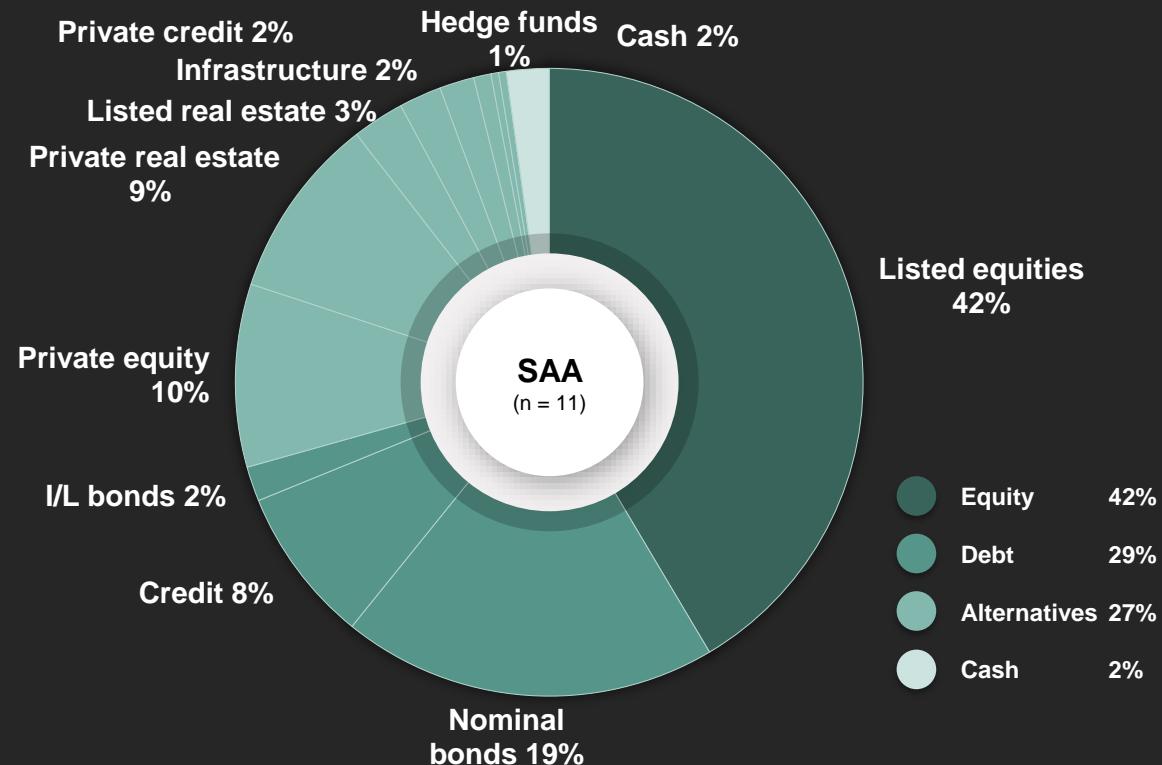
3

The 3D investing model has arrived

- Net zero landed quickly, but bedding in slowly
- Sustainability landing, stewardship pivoting

Alts, complexity, leverage & diversity rising in the SAAs

40-30-30 is the new 60-40



Total Portfolio Approach. What it is. What it does

What it is

Goals drive investment decisions ahead of SAA benchmarks

Best ideas of whole team for the benefit of the **whole fund**

Flexible. Sustainability & investing less closely tied to SAA

= **Total Portfolio Approach**

What it does

Streamlining governance

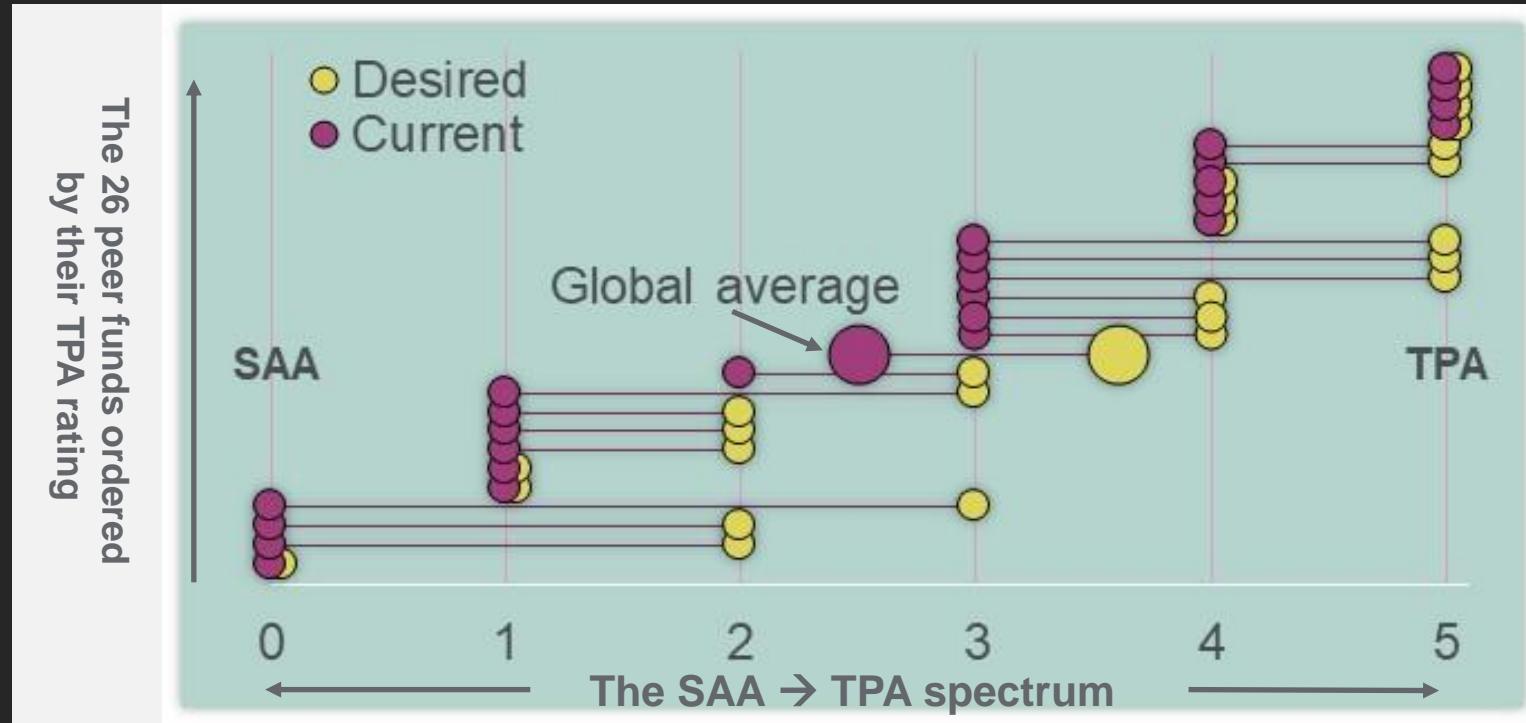
Unlocking teamwork

Integrating sustainability

Improving performance

Asset allocation approaches are not settled – SAA & TPA are competing

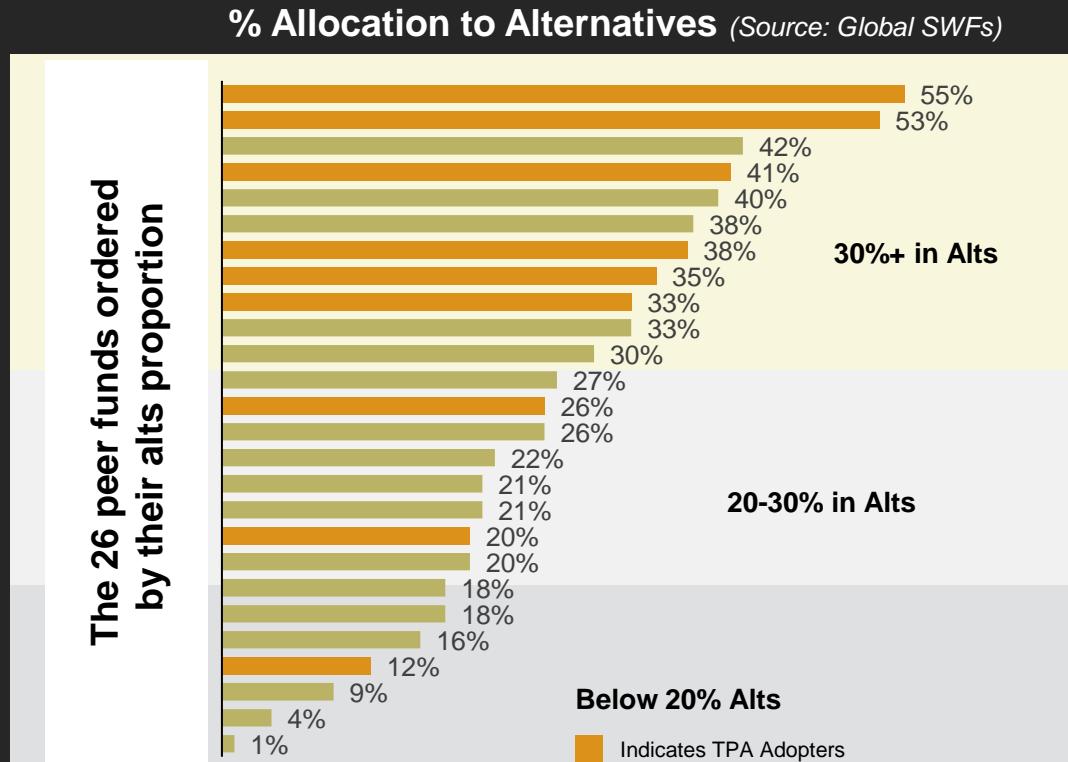
SAA = Strategic Asset Allocation. TPA = Total Portfolio Approaches



Allocation to alternatives

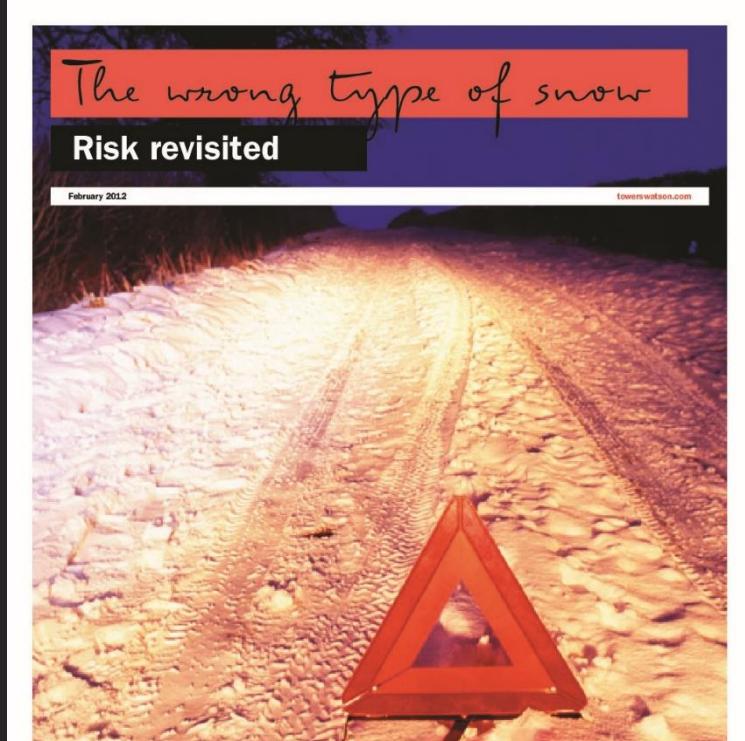
TPA adopters show a higher allocation to alternatives

- TPA adopters average 35% alts vs non-adopters 23%
- Private market exposure and execution have outperformed.
- Drivers from stronger governance to TPA to higher alts & performance
- The Alts-Plus proposition



Risk 2.0. Risk being done wider, softer, longer

Risk needs to be seen through multiple lenses



The wrong type of snow

Risk revisited

February 2012

towerswatson.com

The right type of thinking

Risk in the investment ecosystem

Wider risk.

The whole risk is greater than the sum of parts.

Softer risk

What can't be measured can still be important

Longer risk

Long-term funds should study long-term risks

Measurement.

What gets measured gets managed.

Provenance.

Quantification needs qualification

Hysteresis.

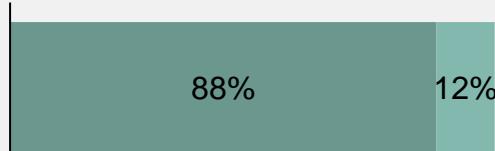
Cause & effect are rarely close together

The rise and rise of systemic risk. Geopolitics and climate. Risk 2.0

The rise of systemic risk is a defining moment for the industry. There is a gap in our thinking and practice

Views on systemic risk trajectories

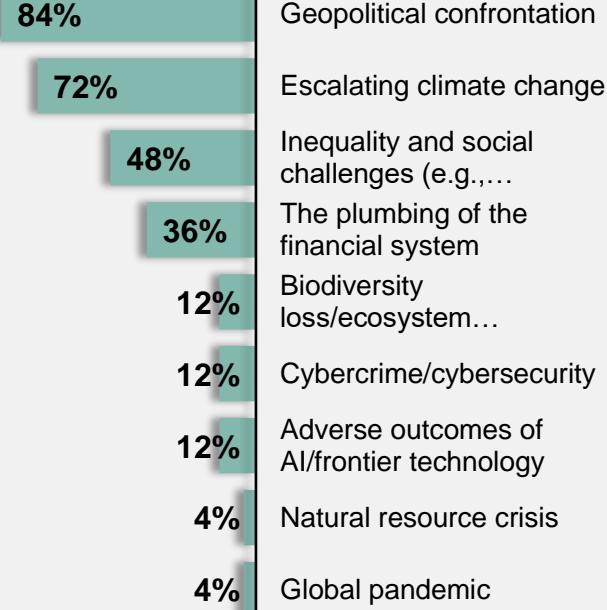
Over the next ten years, the global systemic risk areas are likely to grow in incidence and scale



■ Agree ■ Neutral ■ Disagree

n = 25

Top 3 sources of global systemic risk

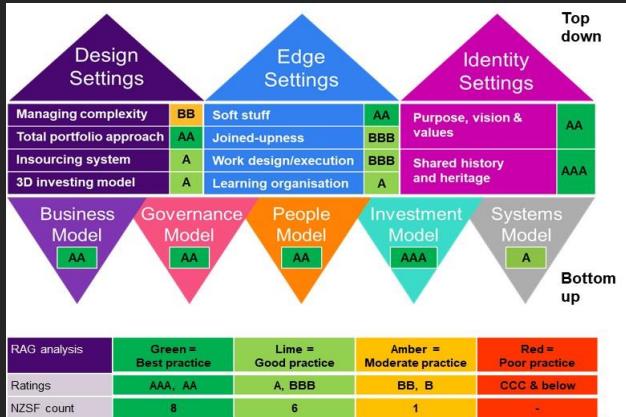


Case Study. Understanding the organisation-as-a-system

New Zealand Super and its Five-yearly Review



NZSF ratings using WTW dual lens method



WTW and NZSF Independent review

“NZ Super is operating at global best practice”



Key results of the review

- Governance model
- TPA
- 3D investing
- Soft stuff is the hard stuff



Next challenges

- Deepening TPA & Risk 2.0
- 3D investing & sustainable finance

Breakthroughs that matter

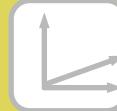
**The soft stuff and
the HI x AI equation**



TPA & Risk 2.0



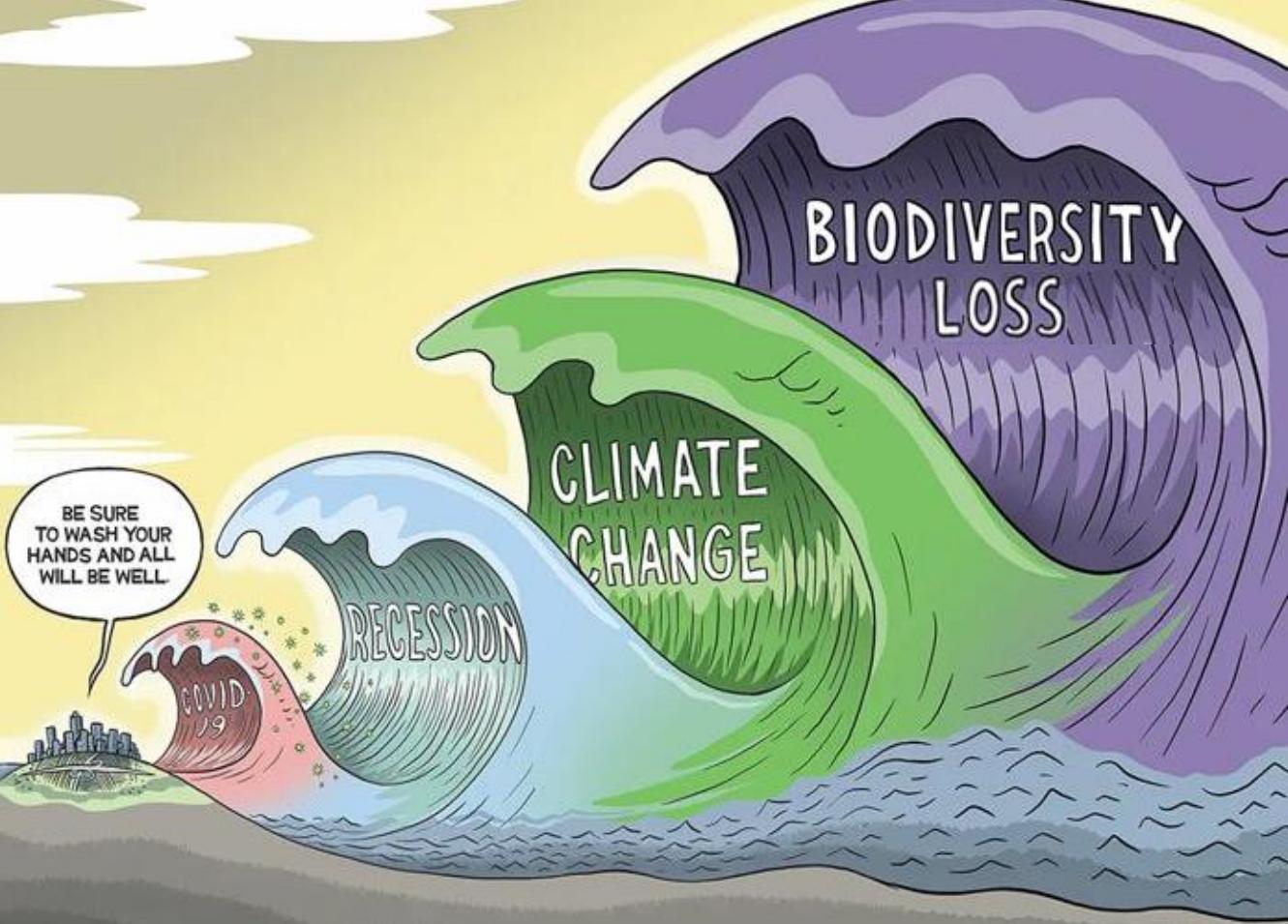
**3D Investing – Risk,
Return & Impact**

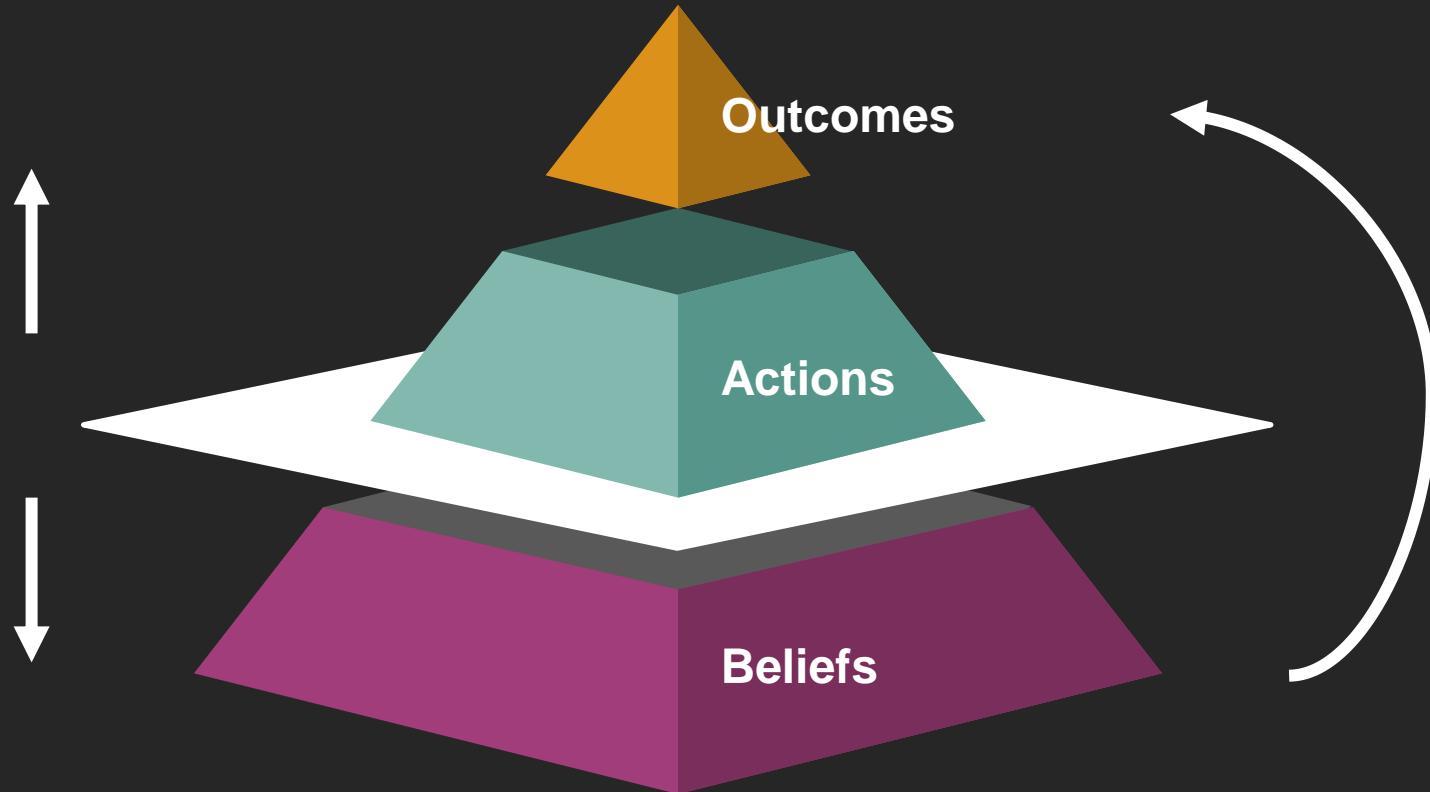


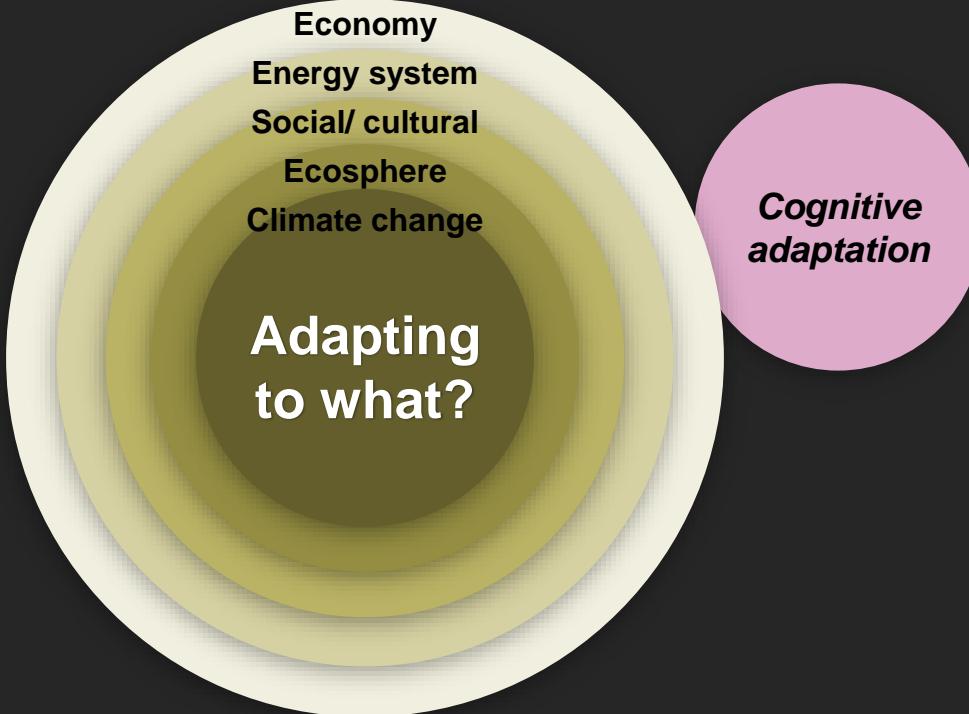
Beliefs



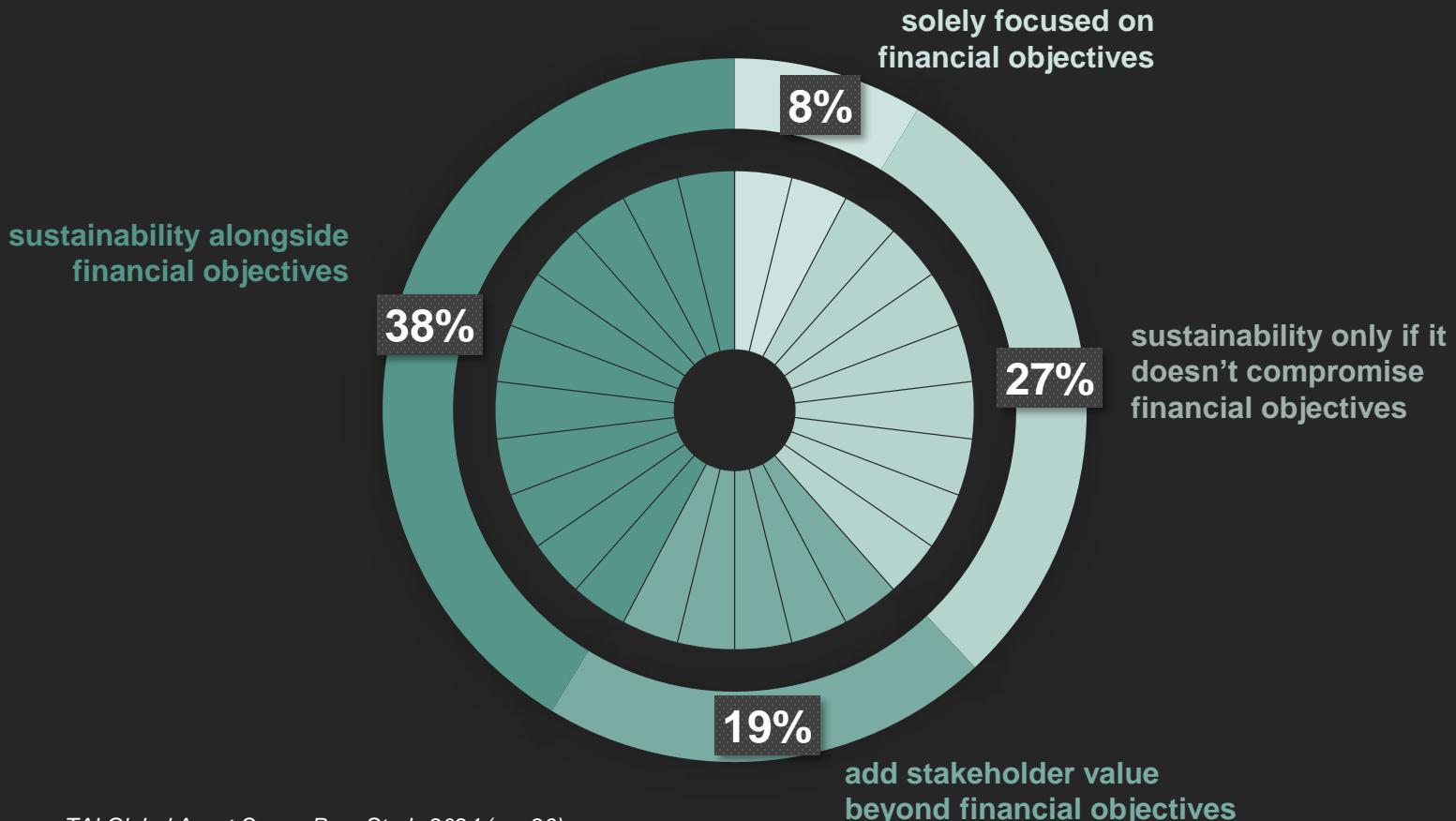
Waves of trouble







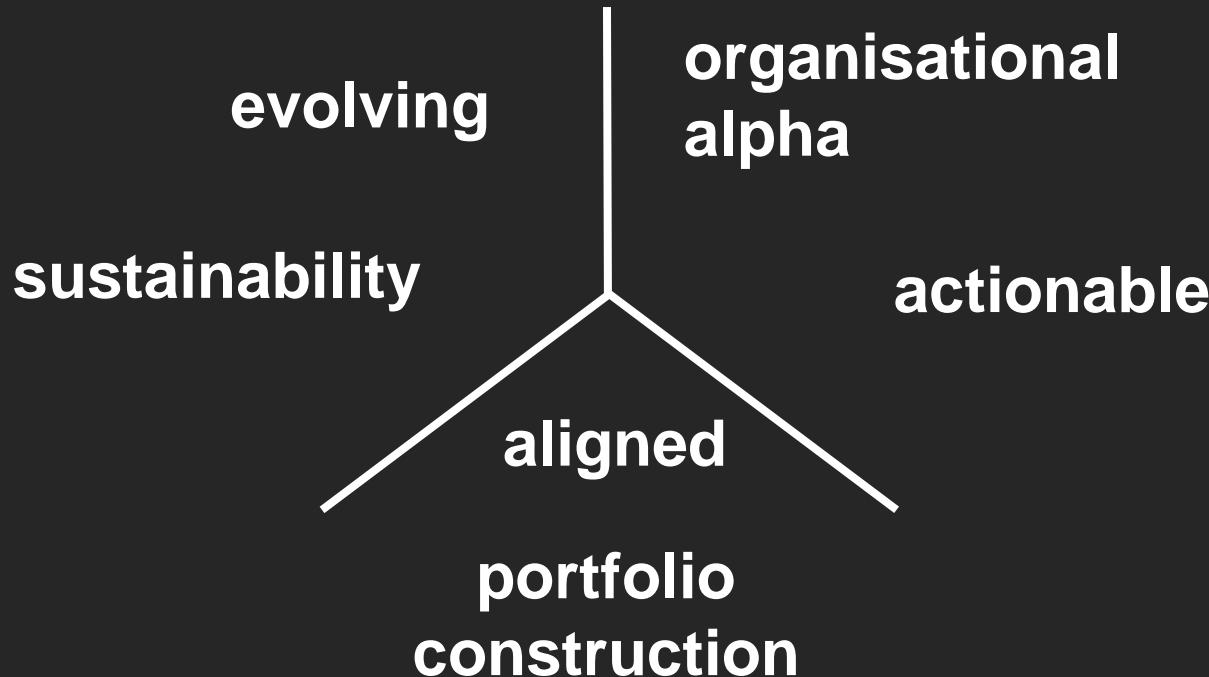
My organisation's purpose...



Source: TAI Global Asset Owner Peer Study 2024 (n = 26)

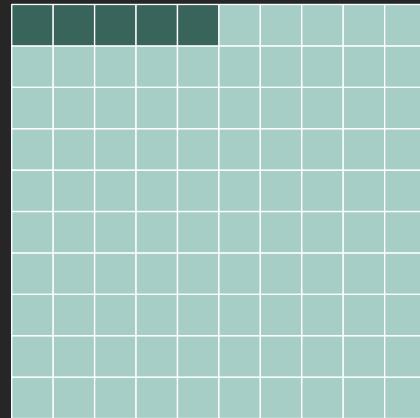
Option Not sure/Don't know not displayed

Case study - beliefs



Stewardship

Stewardship resources



**A significant part of the
investment ecosystem**

TAI/PRI – Resourcing stewardship

Thinking Ahead Institute
An innovation network founded by WTW

PRI Principles for Responsible Investment

Thinking Ahead Institute
An innovation network founded by WTW

PRI Principles for Responsible Investment

Putting resources where stewardship ambitions are

Structured measurement to empower asset owner-asset manager conversations
Thinking Ahead Institute thought leadership, commissioned by PRI



The Stewardship Resources Assessment Framework

A tool to assess stewardship resource level, improving understanding of resourcing practices and empowering productive conversations on stewardship activities.



Thinking Ahead Institute
An innovation network founded by WTW

Thinking Ahead Institute
An innovation network founded by WTW

PRI Principles for Responsible Investment

PRI/ TAI Stewardship Resourcing project
Global Stewardship Resourcing Survey data report



The five pillars of effective stewardship

With a systemic stewardship focus

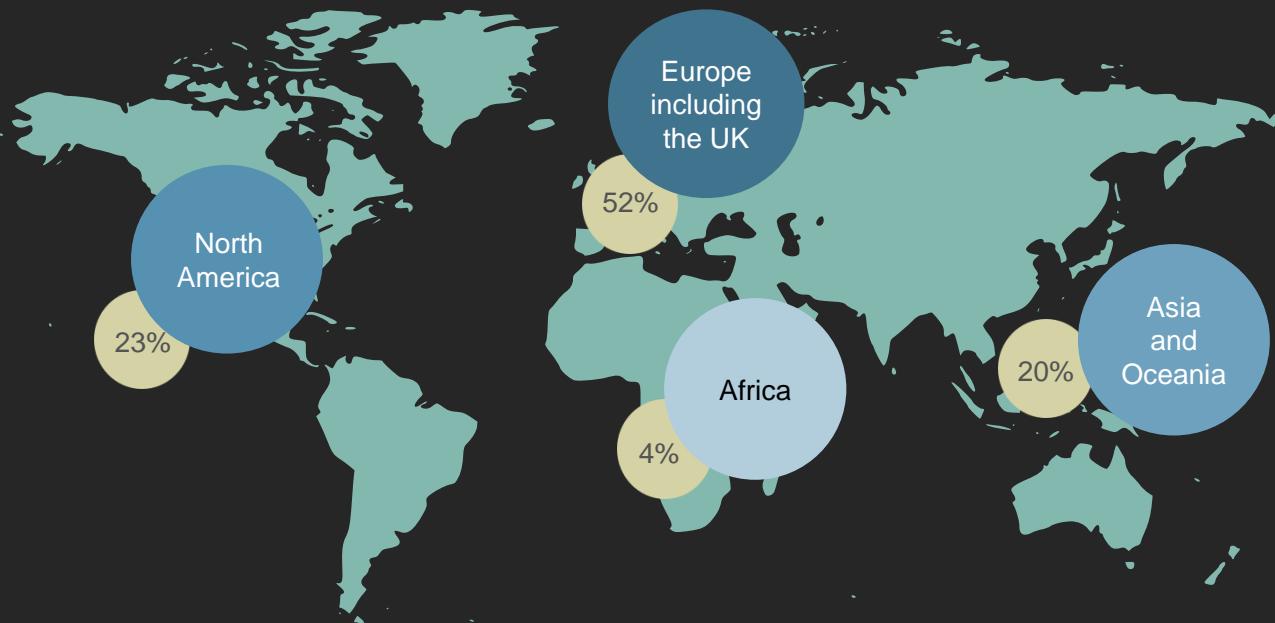


More measurement

More resources

Asset owner and asset managers engagement

Global Stewardship resourcing survey



Stewardship resources across different engagement levels



Stewardship actions

2



Build AO-
AM
relationship

3



Integrate
stewardship

4



Join
stewardship
coalition

5



Focus on
system

1

Increase stewardship resources



Breakthroughs that matter – coalition stewardship effort

The Church of England Pensions Board

- 2019 tailing dam disaster in Brazil
- \$1.3trn investor coalition formed
- Demanded stricter mining safety policies
- Now part of the steering committee of the Global Investor Commission on Mining 2030



Fireside chat

*Vishal Hindocha in conversation with
Isabella Martin*

Vishal Hindocha

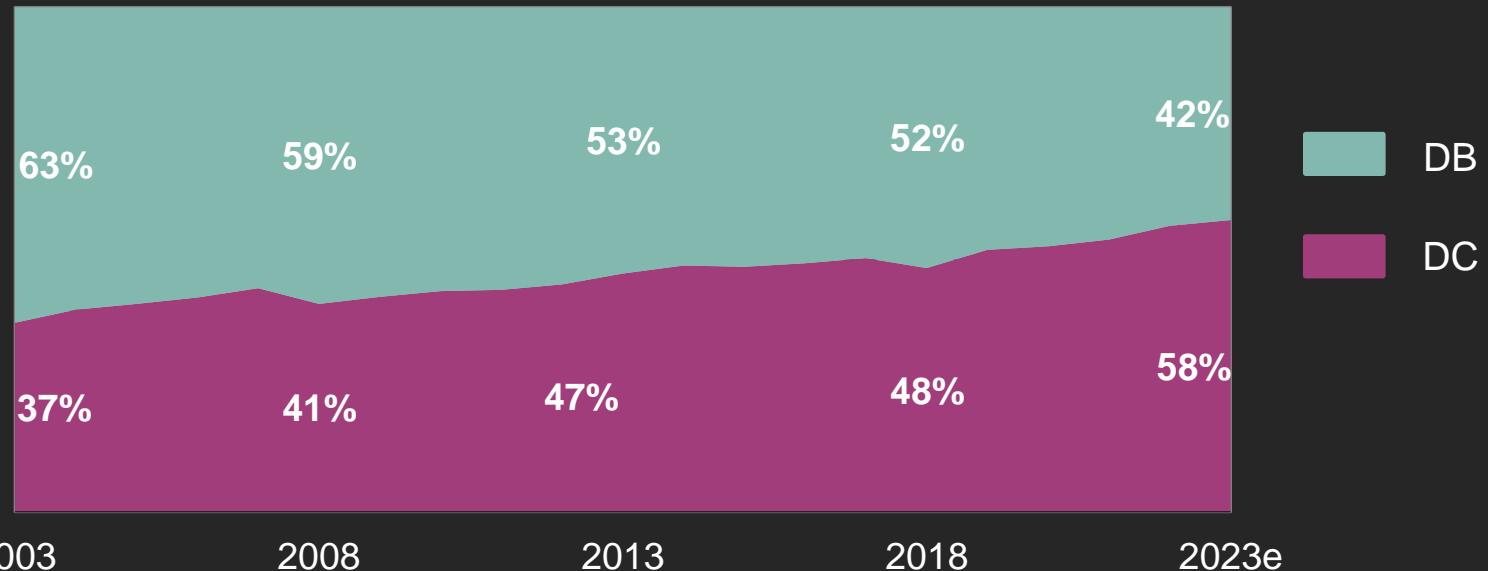
Senior Managing Director and
Global Head of the Strategy
and Insights Group,
MFS Investment Management



Future of pensions



The future is DC



Source: [Global Pension Asset Study 2024](#), Thinking Ahead Institute



PENSIONS

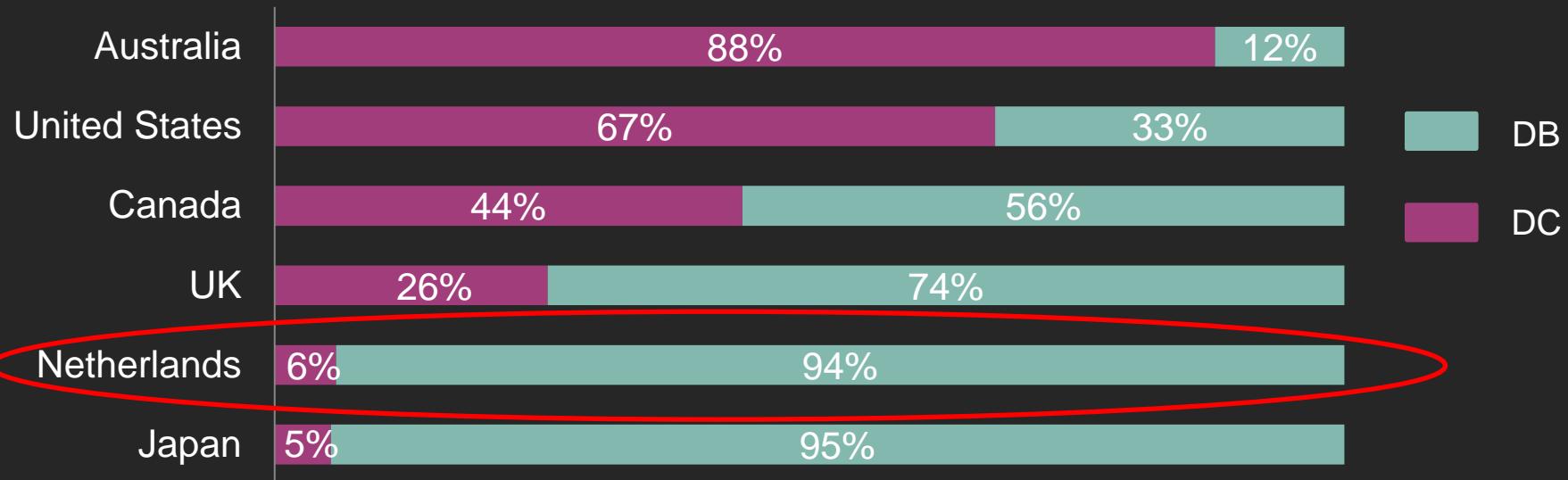
Reimagining pensions

WTW white paper

October 2024

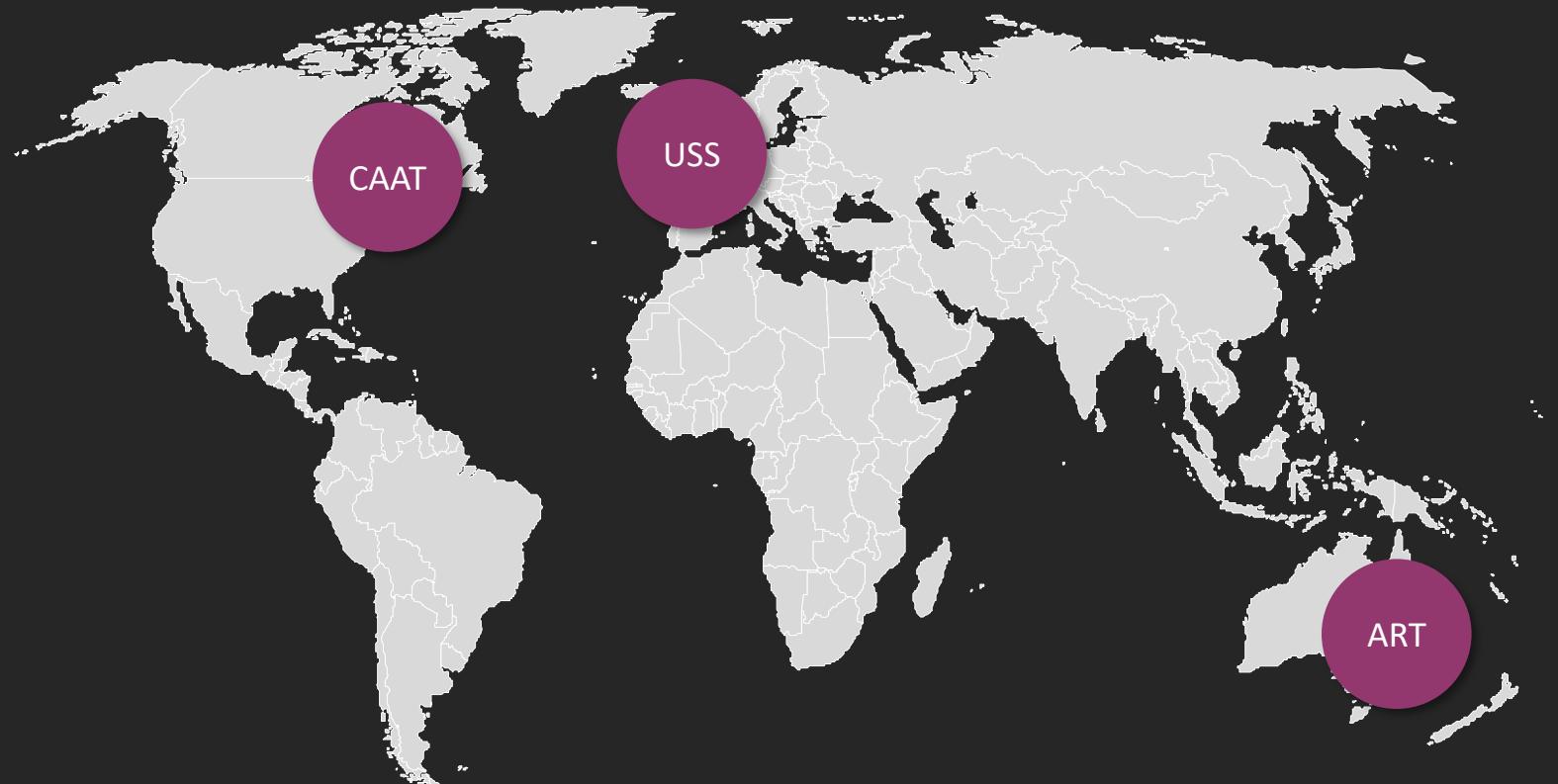
WE NEED HYBRID

The Dutch agree...

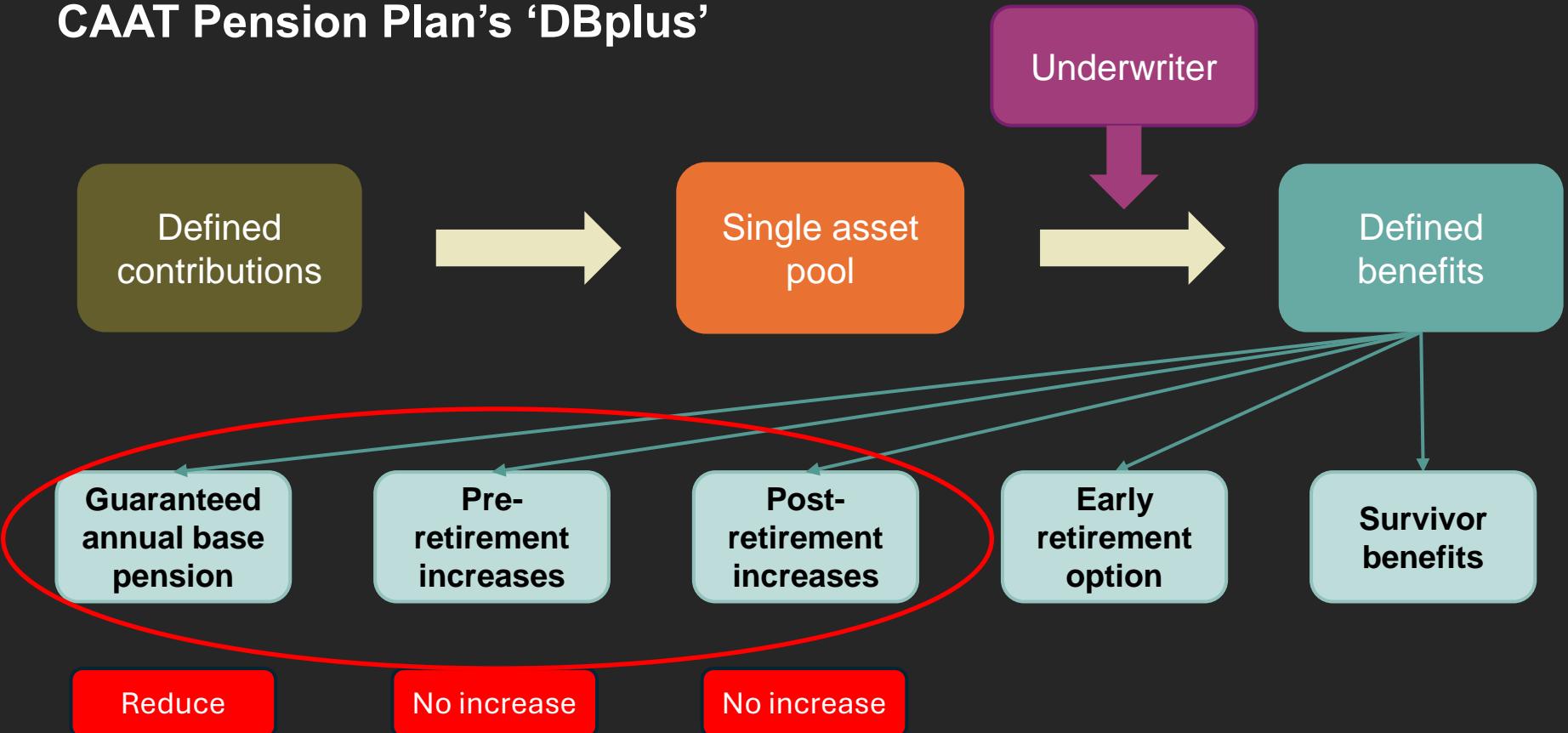


Source: [Global Pension Asset Study 2024](#), Thinking Ahead Institute

Three hybrid case studies



CAAT Pension Plan's 'DBplus'



USS hybrid pension structure

Retirement Income Builder (DB)

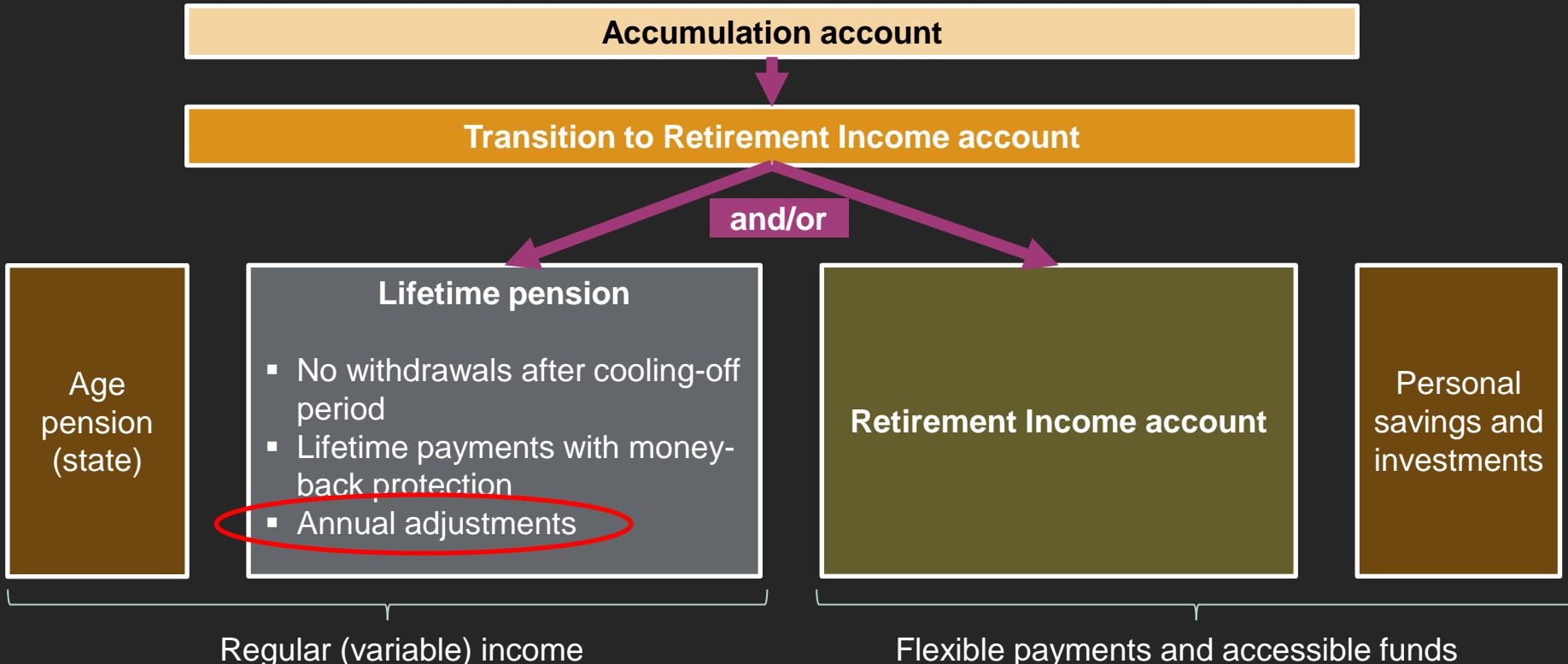
- ~~Guaranteed income for life~~
- ~~Salary threshold applies~~
- ~~Capped increases~~
- ~~Includes life cover and ill health cover~~

Investment Builder (DC)

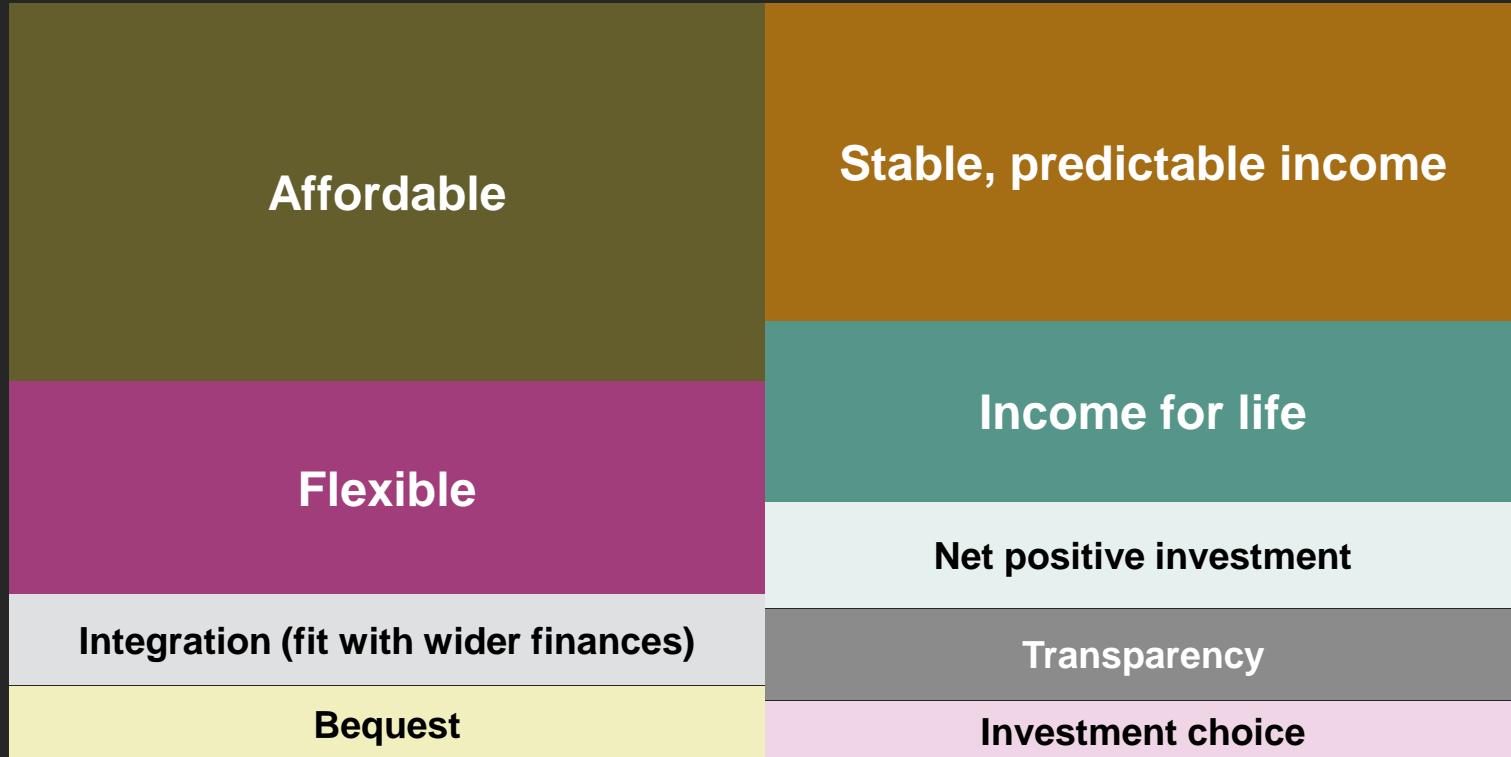
- A top-up to DB
- Employee and employer contributions above the salary threshold
- Flexibility in accessing capital
- Choice of investment

- Lumpsum
- Drawdown
- Annuity

QSuper, now Australian Retirement Trust, Lifetime Pension



What does good look like?

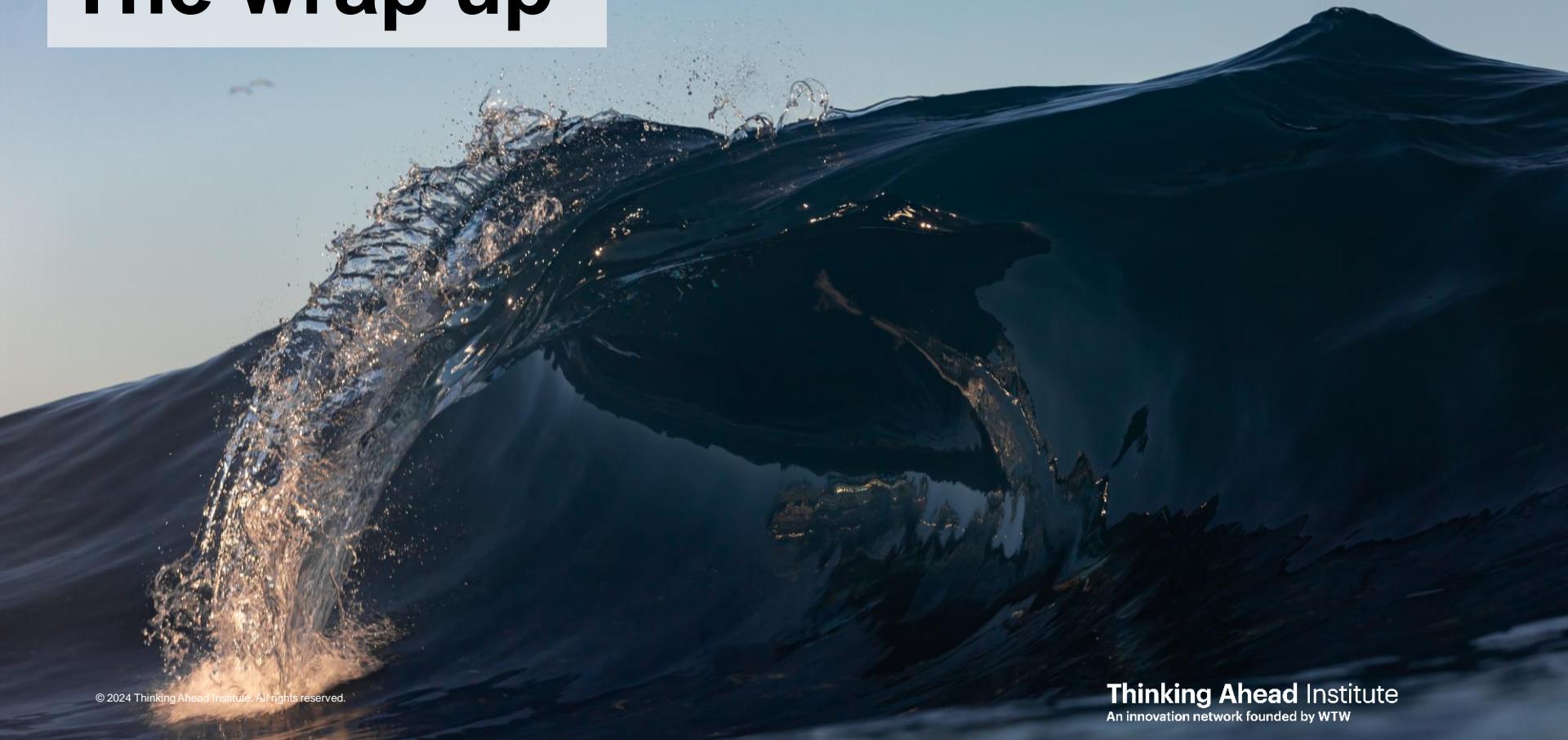


Source: [Pensions aren't what they used to be](#), Thinking Ahead Institute

Breakthroughs that matter

HYBRID

The wrap up





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