

Chicago 26-28 October

# Mercer Global Investment Forums 2020



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# **Mercer Global Investment Forums 2020**

## **It's a Matter of Time: Issues, Themes and Opportunities**

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**Investing in a  
brighter future**

**...it's a matter of time**

# Themes and opportunities 2020

**Business as  
unusual**

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**How long have  
you got?**

#MERCERGIF

**Position for  
climate change**

# Client challenges during the COVID-19 pandemic

**Portfolio protection**

**High yield**

**Risk management**

**Rebalancing**

**Value vs growth**

**Liquidity**

**Hedging**

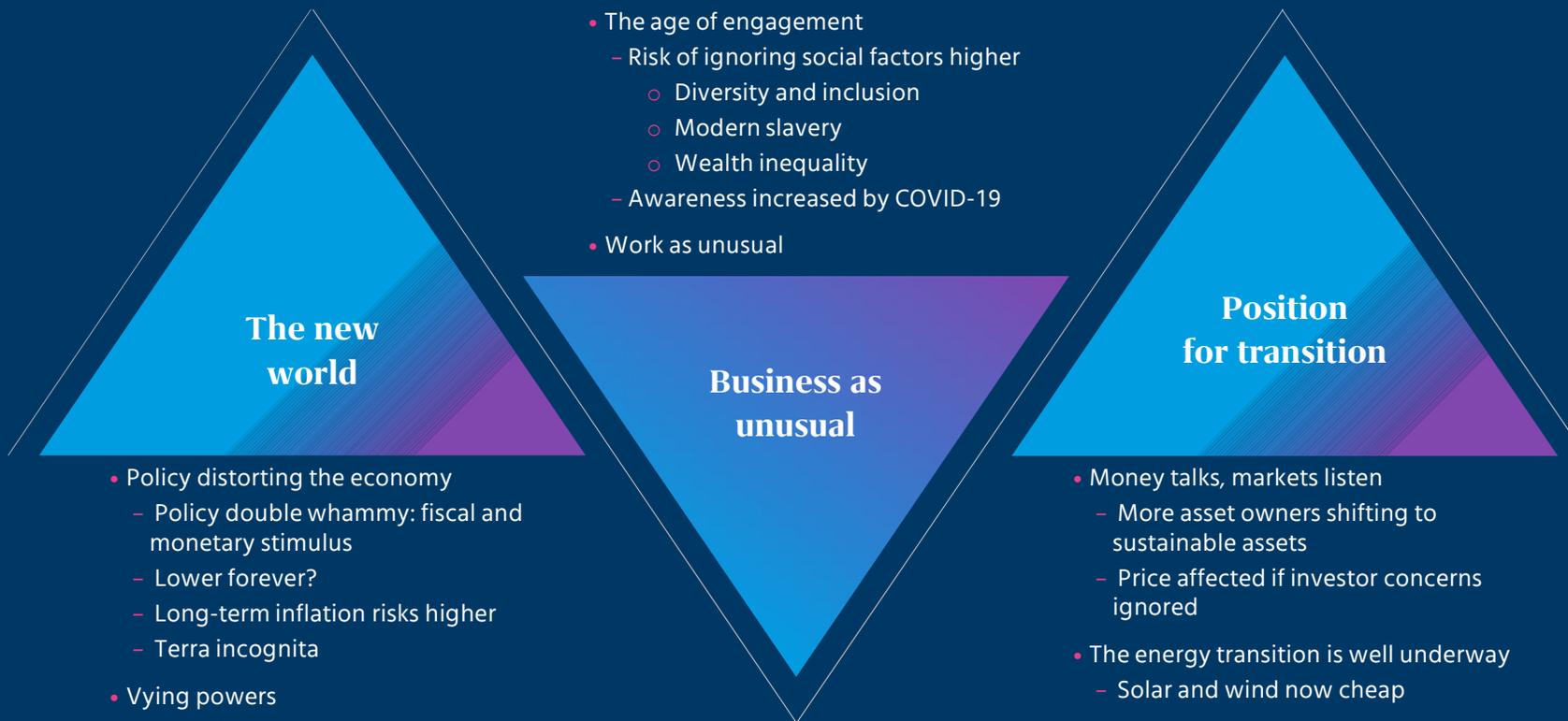
**Private markets**

**A peek at our 2021 themes**  
**The great acceleration**



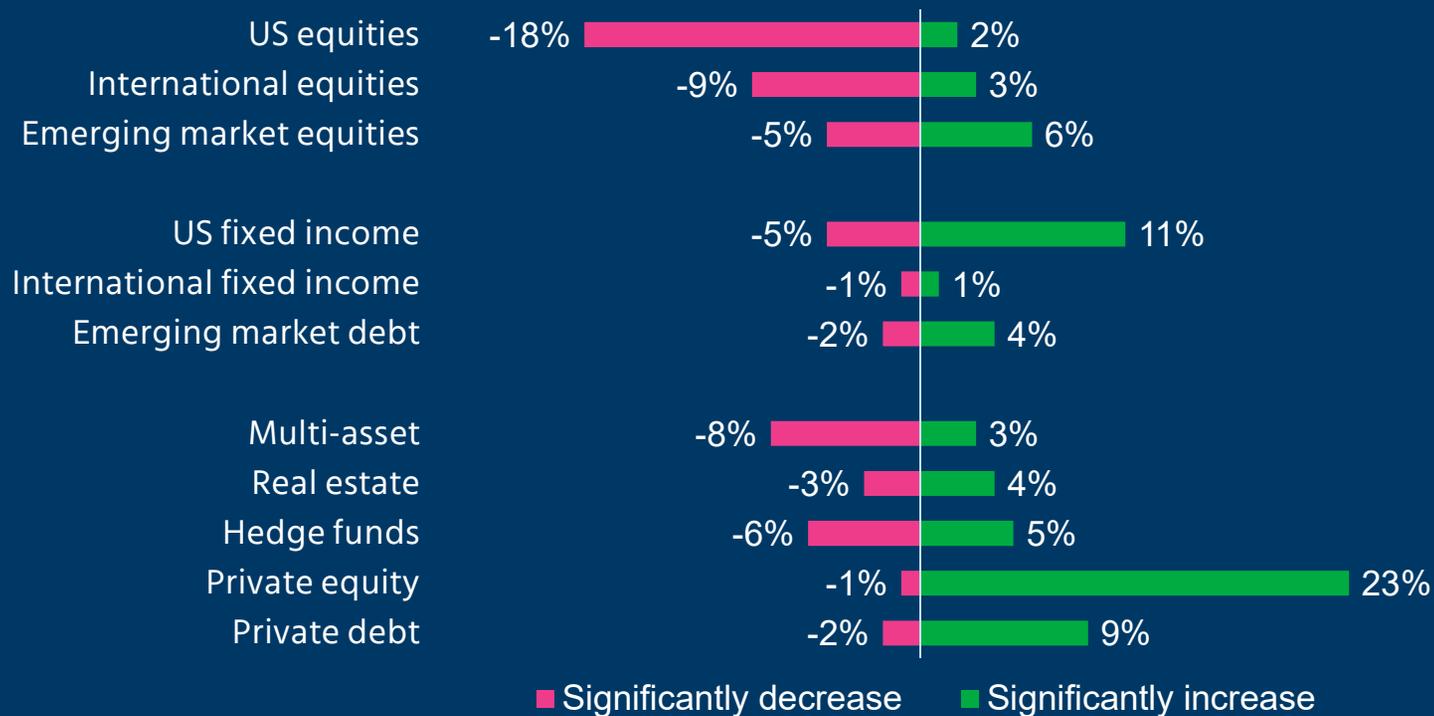
# A peek at our 2021 themes

## The great acceleration



## Move from public to private equity

### Expected three-year asset allocation shifts for US investors



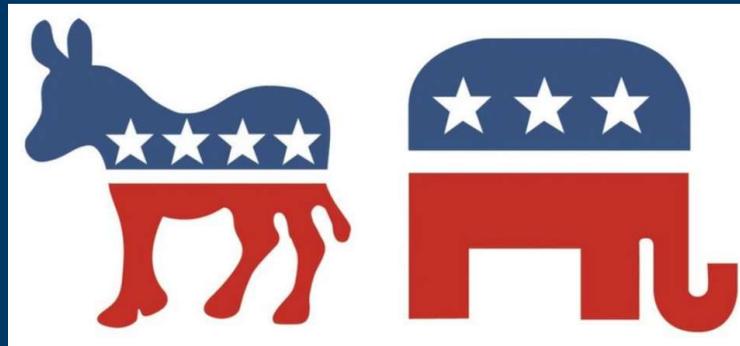
Source: Greenwich Associates 2019 US Institutional Investors Study. Note that equities and fixed income allocations are for active funds only; real estate, hedge funds and private equity allocations are to direct funds only.

# US election

## Plausible outcomes

New broom

Status quo



# 2020

Biden with the brakes on

See you in court!

## Crisis as unusual

Changed behaviors?

Speed of response

Systemic trends

# Creatures of habit?



## Stimulus to the rescue



"...our approach could be viewed as a flexible form of average inflation targeting."

**Jerome Powell**  
Chairman of the US Federal Reserve



# The inflation opportunity?

10-year break-evens



Source: Bloomberg

# It was a matter of time...

... for instance in high yield...



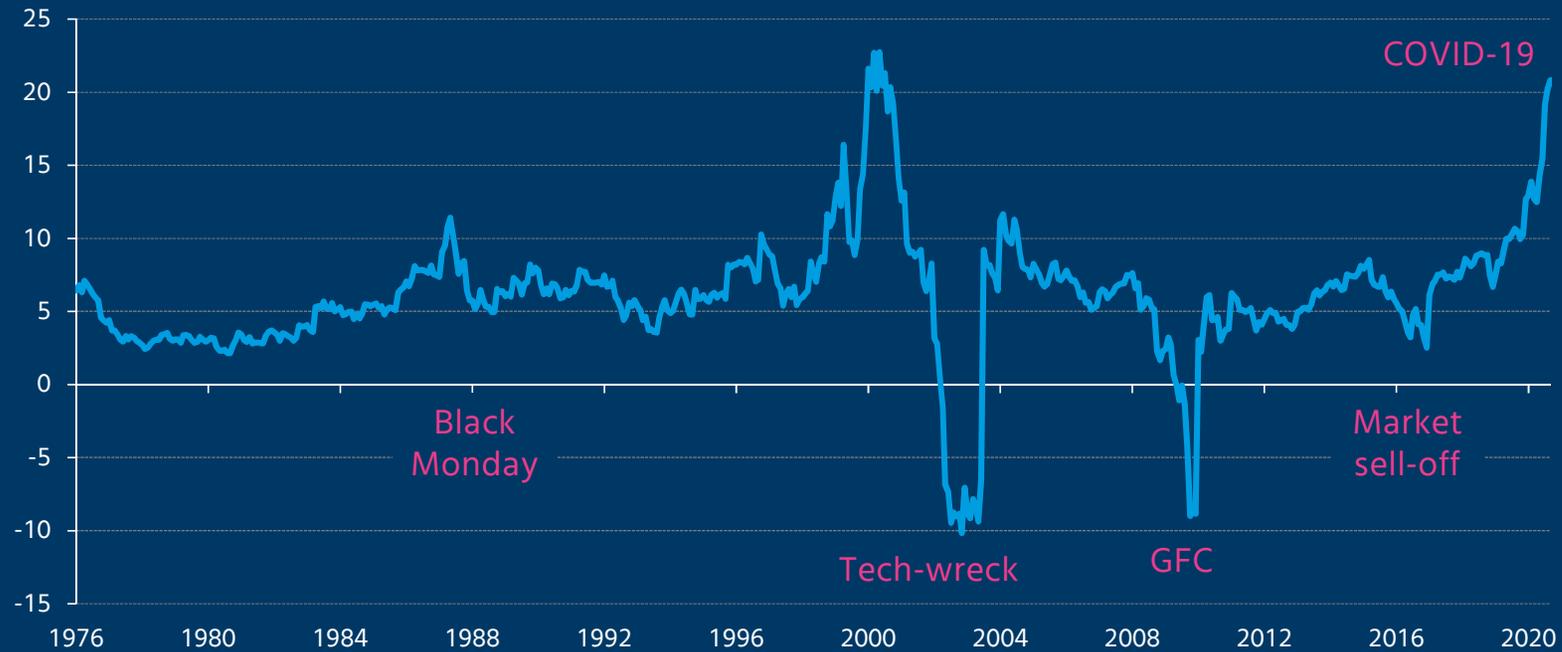
... and in equities



Source: Thomson Reuters Datastream

# What reversion?

Price to earnings spread:  
MSCI W Value Index vs MSCI W Growth Index



Source: Thomson Reuters Datastream, Mercer analysis.

# Structural trends



**Climate change**



**Water security**



**Geopolitical stability**



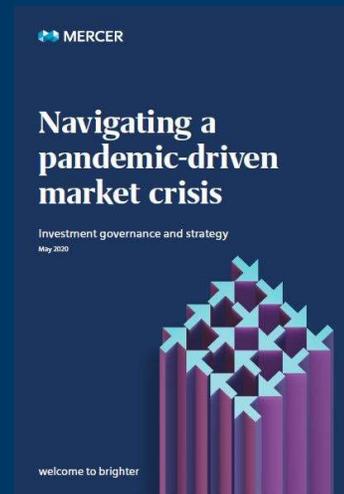
**Technological evolution**



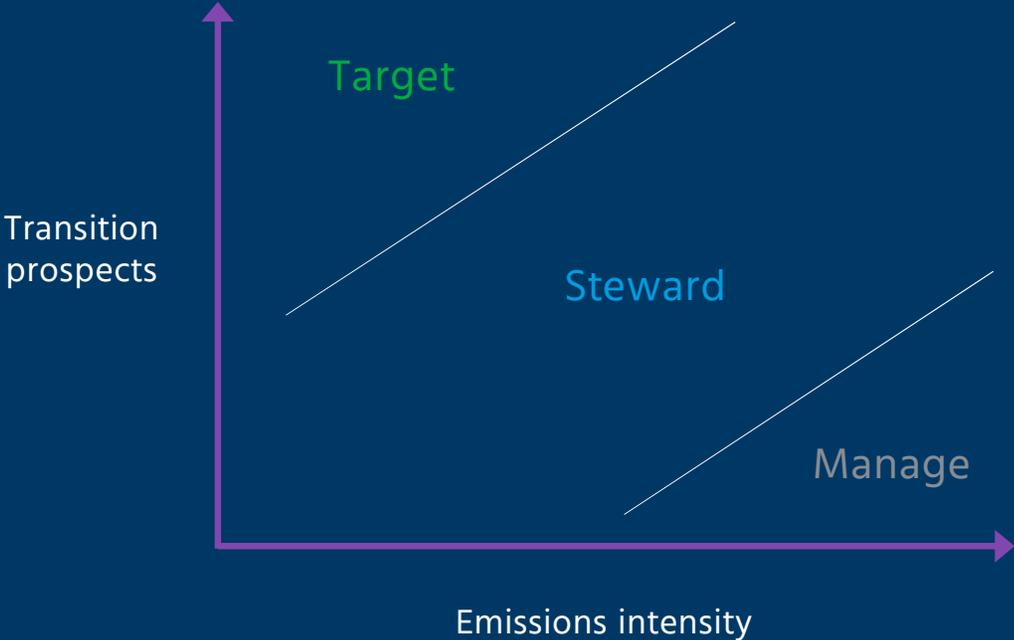
**Demographic shifts**



**Low and negative real long-term interest rates**



# Position for transition



# Position for transition



## Renewable alternative energy

Solar, wind, wave, biofuels, and geothermal technology



## Energy efficiency

Storage plus power network, industry, building, and transport efficiency

## Sustainable resource management

Soil management, sustainable farming and forestry



## Water infrastructure and technologies

Irrigation, storage, treatment, drainage and flood protection



## Pollution control

Pollution control solutions and environmental testing



## Waste management and technologies

Recycling processing, hazardous and general waste management – circular economy

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Please see the following link for information on indexes:

<http://www.mercer.com/content/dam/mercer/attachments/private/nurture-cycle/gl-2020-investment-management-index-definitions-mercer.pdf>

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