



asset allocation  
**insights**

Pension allocation trends in  
Asia, the Middle East, Africa  
and Latin America

Executive summary

2022

welcome to brighter



# Introduction and executive summary

Investors in Asia, the Middle East and Africa (AMEA) and Latin America are responding to complications in the global capital markets, such as the crisis in Ukraine, which is ongoing at the time of writing; challenges in their home economies; and systemic risks, such as climate change and environmental, social and governance (ESG) issues.

This report provides a comprehensive overview of investment allocation trends across AMEA and Latin America. We cover US\$5.9 trillion in assets under management (AUM) across 15 jurisdictions and welcome a new data entrant — the Dubai International Financial Center (DIFC) Employee Workplace Savings (DEWS) Plan. This mandatory defined contribution (DC) savings scheme is the first of its kind, introduced for expatriates in 2020.

Each section provides a brief summary of the retirement savings environment in the respective market and the implications for underlying investment policy. More detailed information on the structures of many of these pension systems is set out in the *Mercer CFA Institute Global Pension Index Report*.<sup>1</sup>

Mercer's senior investment colleagues and our partners El Dorado Investments in Latin America and Alexforbes in South Africa contributed their experience with institutional investors through commentary and trends from 20 markets.

## Overall allocation observations

	Current	Prior
<b>Fixed income</b>	49.0%	50.6%
<b>Equities</b>	38.5%	36.1%
<b>Alternatives</b>	3.9%	4.3%
<b>Cash</b>	4.1%	4.1%
<b>Other</b>	4.6%	4.9%

<sup>1</sup> Mercer. *Mercer CFA Institute Global Pension Index Report*, 2021, available at [www.mercer.com.au/our-thinking/global-pension-index.html](http://www.mercer.com.au/our-thinking/global-pension-index.html).

## Asset allocation trends: Many investors are considering changes



### Allocations remain steady

Overall asset allocation has remained steady. However, in some jurisdictions, we can see increasing allocations to alternative strategies and equities, including foreign equities as investors diversify outside their home markets.



### Interest in investing sustainably is mounting

Sustainable investing is demanding the attention of many investors and regulators, with a wide range of initiatives across different markets toward greater integration of ESG factors in investment programs.



### Investors are responding to inflation and other market pressures

Monetary policies are being reshaped as inflation balloons past central bank targets, and policymakers are grappling with the consequences of bloated balance sheets, the potential economic impact of higher interest rates and disrupted global supply chains.



Regulators and governments are implementing new policies, such as the unexpected announcement in late 2021 of a global minimum corporate tax rate of 15%. Separately, the Russia-Ukraine crisis, which is ongoing at the time of writing, provides a stark reminder of how geopolitical flashpoints can increase economic and market uncertainty.



**Whether you are an asset owner, asset manager, financial intermediary or other institutional investment participant, the trends we see in Latin America and AMEA bring insights and actions to build upon. Find some of our “Taking Action” ideas in this report. We welcome the opportunity to discuss the implications for your specific circumstances.**

**Fiona Dunsire**, Regional Wealth Leader,  
AMEA and LatAm



## Five actions investors can take

Each investor has unique circumstances, risk tolerances, liquidity needs and objectives. The actions suggested here are expected to benefit a broad range of investment portfolios; however, you should consider your own needs before taking action. We welcome the opportunity speak to you about how to tailor these ideas to your own circumstances.

- 1. Explore alternative strategies:** Alternative investments, such as private equity, private debt, real estate and infrastructure, could make a difference to outcomes. Over the many periods we have analyzed, we can see that a 60/40 equity/fixed income portfolio would have been improved with the addition of alternatives. Find out more in *Top Considerations for Private Markets in 2022*.<sup>2</sup>
- 2. Reassess China exposure:** We believe many investors would benefit from having a larger allocation to China's onshore market through a dedicated China equity allocation. Find out more in *Positioning Your Portfolio for the Future of Emerging Markets*.<sup>3</sup>
- 3. Protect against inflation:** Assess your portfolio's sensitivity to inflation, and consider any appropriate changes. Find Mercer's latest thinking on inflation on our *The Return of Inflation?* web page.<sup>4</sup>
- 4. Invest sustainably:** Establish sustainable investing beliefs, and begin to implement these in your investment program; for instance, by developing total portfolio climate-transition plans. Find out more about Mercer's sustainable investment beliefs and actionable strategies for investors on our *Investing Towards a Sustainable Future* web page.<sup>5</sup>
- 5. Challenge your home bias:** Although many investors face investment restrictions and other factors that lead to a large domestic allocation, there are a number of reasons to consider additional diversification for your portfolio. Find the details in our *Stuck at Home? Home Bias in Portfolios* paper.<sup>6</sup>



<sup>2</sup> Mercer. *Top Considerations for Private Markets in 2022*, 2022, available at <http://www.mercer.com/our-thinking/wealth/private-markets-top-considerations.html>.

<sup>3</sup> Mercer. *Positioning Your Portfolio for the Future of Emerging Markets*, 2021, available at [www.mercer.com/our-thinking/wealth/investing-in-china.html](http://www.mercer.com/our-thinking/wealth/investing-in-china.html).

<sup>4</sup> Mercer. "The Return of Inflation?," available at [www.mercer.com/our-thinking/wealth/inflation.html](http://www.mercer.com/our-thinking/wealth/inflation.html).

<sup>5</sup> Mercer. "Investing Towards a Sustainable Future," available at [www.mercer.com/what-we-do/wealth-and-investments/investing-sustainably.html](http://www.mercer.com/what-we-do/wealth-and-investments/investing-sustainably.html).

<sup>6</sup> Mercer. *Stuck at Home? Home Bias in Portfolios*, 2020, available at <https://www.mercer.com/our-thinking/wealth/home-bias-in-portfolios.html>.

## Contacts

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