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Investor insight

Global Asset Owner Survey

Risk and Resilience

November 2024

Contents

bfinance is an award-winning specialist consultant that provides investment implementation advice to pension funds and other institutional investors around the globe. Founded in 1999, the London-headquartered firm has conducted engagements for more than 540 clients in 45 countries and has 11 offices globally. Services include manager search and selection, fee analysis, performance monitoring, risk analytics and other portfolio solutions. With customised processes tailored to each individual client, the firm seeks to empower investors with the resources and information to take key decisions. The team is drawn from portfolio management, research, consultancy and academia, combining deep sector-specific expertise with global perspective.

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At a glance: four key takeaways

More **Private Markets**

53% will increase exposure*

8% will decrease exposure

*though trends to each asset class softened vs. 2022

1/2 expect a lowered **illiquidity premium**

37% are boosting **secondaries**

... **But** growing frustration with GPs

Satisfaction with Private Equity GPs:

94% 2022 → **69%** 2024

Meanwhile ...

High satisfaction with active Investment Grade bond managers

61% 2022 → **83%** 2024

Focus on **Resilience**

75%
want to improve resilience

54%
say geopolitical unrest is a "high concern" threatening ability to achieve 3-year objectives

... **But** priorities are not the same

#1 resilience-building priority?

23% "prolonged drawdown in risk assets"

19% "sudden drawdown in risk assets"

19% "reduction in liquidity"

Intentions for **Impact**

27% do impact investing + **26%** plan to start

24% will increase exposure to impact strategies (includes current & new investors)

2% will decrease exposure

... **But** pace of new entry is slow

% who do impact investing

25% 2022 → **27%** 2024

40%
say climate transition offers "strong" thematic investment opportunity

Opportunity in **Tech/AI**

40%
say Artificial Intelligence offers a "strong" thematic investment opportunity for their institution

(51% "moderate")

... **But** exposures need scrutiny

Just **1/3**
predict 6 largest tech stocks will outperform MSCI World in year ahead.

Equity diversification is in focus.

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About the respondents

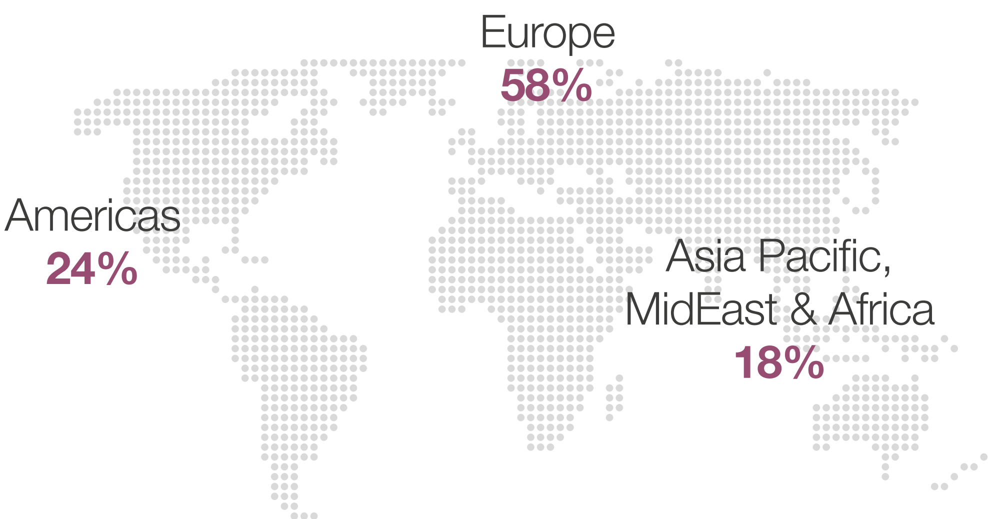
311 senior investors from **39 countries** across **six continents.**
Institutions responsible for more than **US$7 trillion in assets.**
43% pension funds, **21%** insurers.

Data was collected between late September and mid-October 2024. The results shown in this report can be examined through one or more of these demographic lenses: further analysis is available free of charge to past or future contributors to bfinance Asset Owner Research. Contact investorresearch@bfinance.com for more information.

FIGURE 1: DEMOGRAPHICS

< US$1bn
US$1-10bn
US$10-25bn
US$25-50bn
>US$50bn

Pension fund: defined benefit	23%
Insurance / healthcare / Mutual	21%
Pension fund: defined contribution	17%
Foundation / Endowment / SWF	8%
Family office	7%
Wealth manager	7%
Combination or other	16%



Countries: Australia, Austria, Bahrain, Belgium, Bermuda, Botswana, Canada, CAR, China, Denmark, Estonia, Finland, France, Germany, Iceland, Israel, Italy, Japan, Kazakhstan, Kuwait, Luxembourg, Malaysia, Monaco, Morocco, Netherlands, New Zealand, Norway, Saudi Arabia, Singapore, South Africa, South Korea, Spain, Sweden, Switzerland, Thailand, Tonga, UAE, UK, USA.

Reflecting on results

PERFORMANCE & OBJECTIVES

The post-2022 recovery continues.
Only 62% of investors say that their institutions' investment performance met or exceeded long-term return objectives (or equivalent) through the rollercoaster of 2022-2023. In 2024, the figure is estimated to be 88%.

Funding positions are also improving.
53% of investors with explicit liabilities say that their funding position (or equivalent) is on track for 2024 improvement; only 11% indicate a decline. Asset-liability calculations were less likely to be negatively impacted than overall returns in 2022-2023, with rising rates often helping liability assessments.

FIGURE 2: INVESTMENT RETURNS VERSUS OBJECTIVES AND FUNDING POSITION

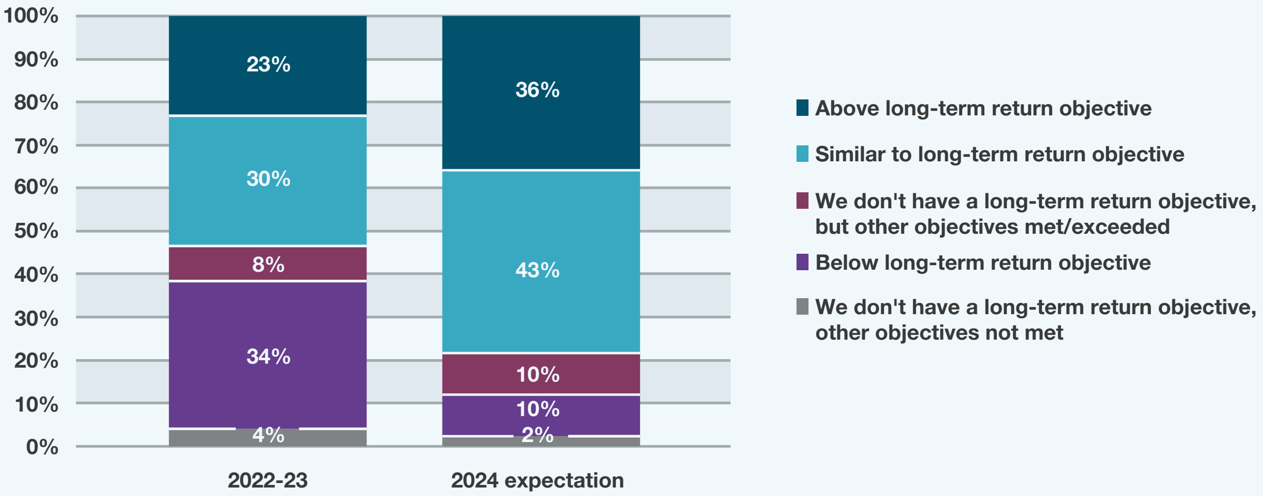
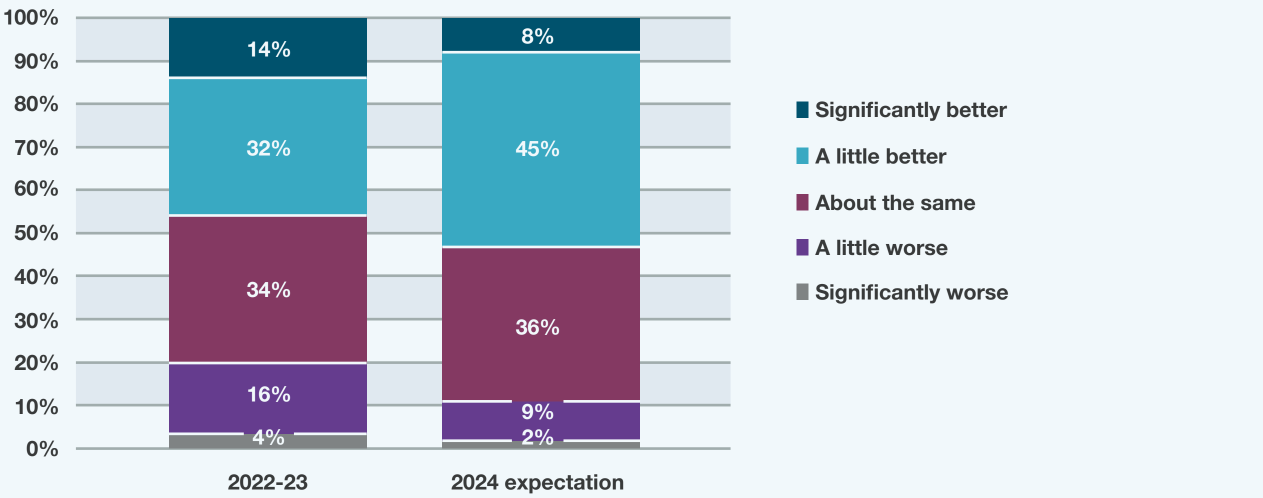


FIGURE 3: OVERALL ASSET-LIABILITY BALANCE (E.G. FUNDING RATIO), FOR INVESTORS WITH EXPLICIT LIABILITIES ONLY



Reflecting on results continued

SATISFACTION WITH ACTIVE MANAGERS & STRATEGIES

- **Only 35% of investors are satisfied with the performance of real estate managers** over 2022-2024 relative to their benchmarks/targets – a huge decline versus the scores gathered in late 2022.
- **While managers in other private market asset classes**—private debt, infrastructure, private equity—still receive some of the strongest satisfaction ratings, scores are significantly lower than in 2022.
- **Investors relayed high satisfaction with active fixed income manager performance** (83% satisfaction in investment grade bonds) and improvement versus 2022 scores.

FIGURE 4: OVER 2022-2024, HOW SATISFIED HAVE YOU BEEN WITH THE PERFORMANCE OF ACTIVELY MANAGED STRATEGIES RELATIVE TO THEIR BENCHMARKS/TARGETS?

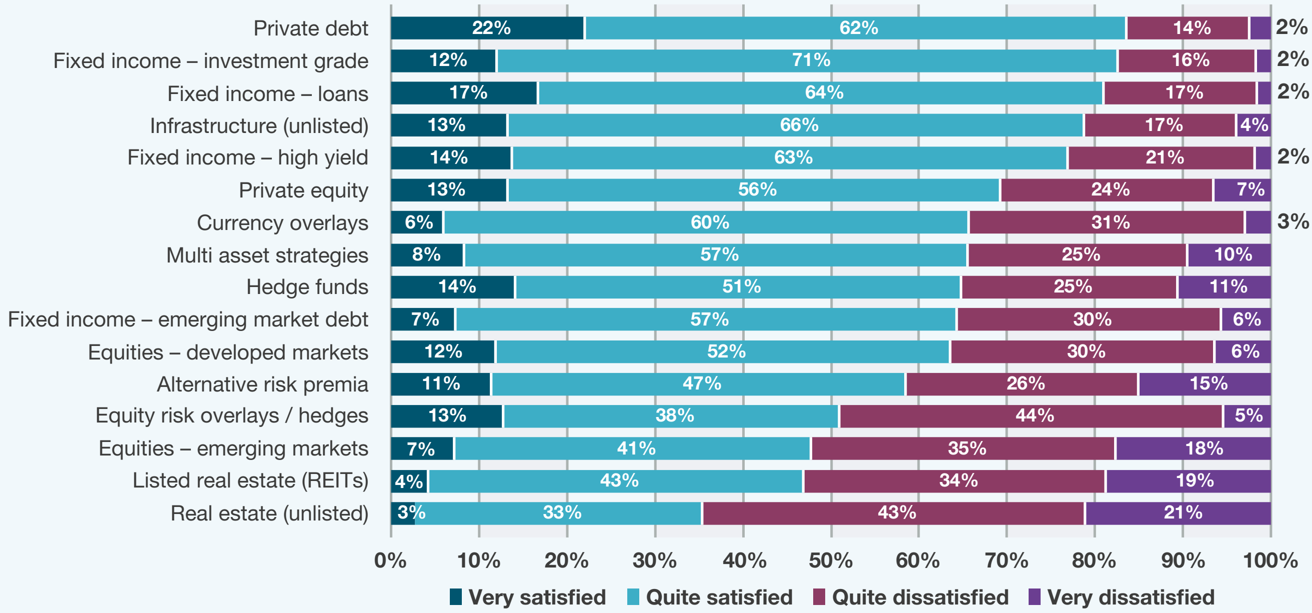


FIGURE 5: SATISFACTION CONTRAST, 2024 VERSUS 2022

	Satisfaction Rating 2022	Satisfaction Rating 2024
Fixed income – emerging market debt	46%	64% ▲
Fixed income – investment grade	61%	83% ▲
Equities – emerging markets	37%	48% ▲
Fixed income – high yield	61%	77% ▲
Private debt	94%	84% ▼
Infrastructure (unlisted)	95%	79% ▼
Private equity	94%	69% ▼
Equity risk overlays / hedges	78%	51% ▼
Real estate (unlisted)	89%	35% ▼

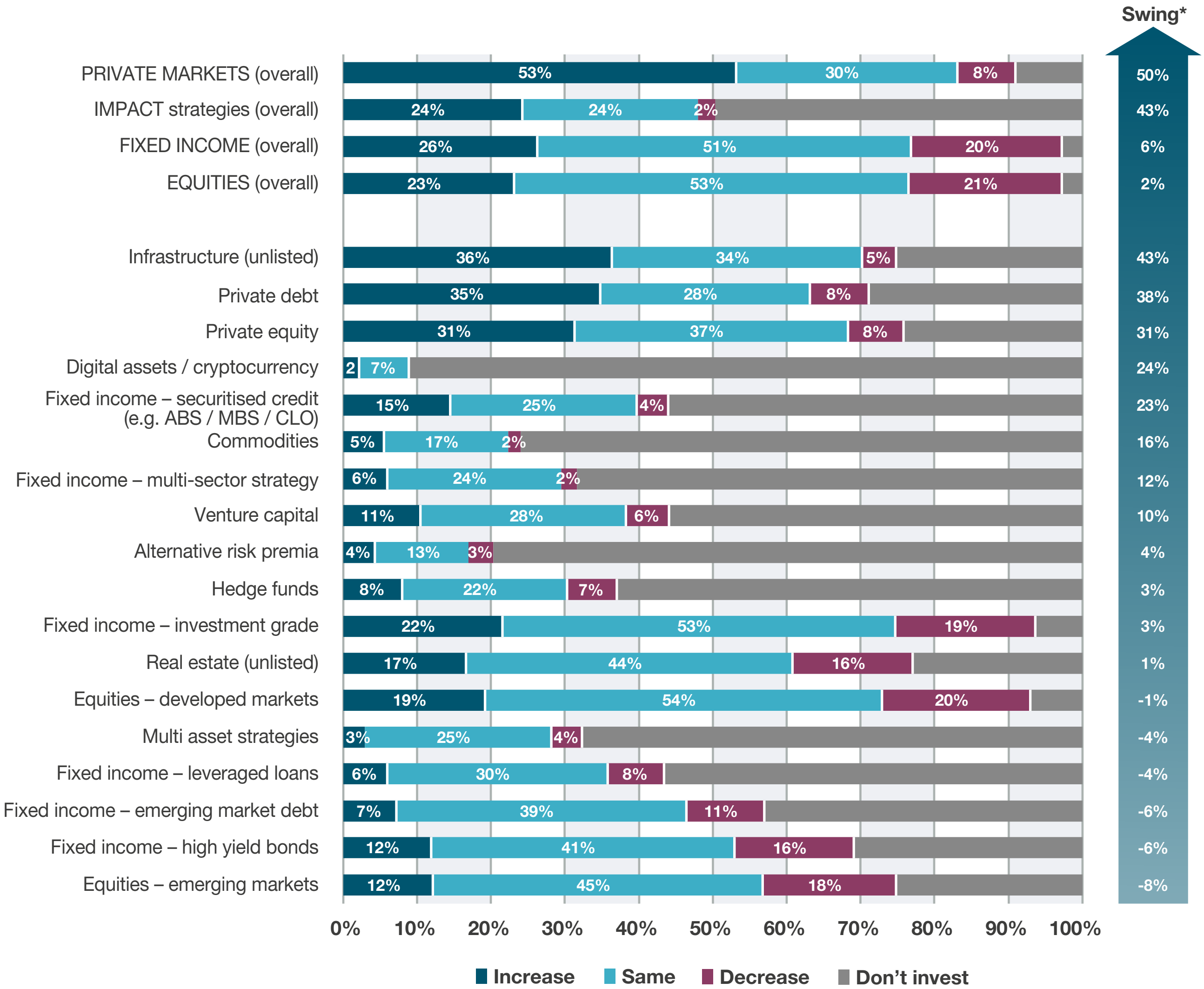
*Satisfaction Rating: Very Satisfied + Quite Satisfied. The 2022 score refers to investor satisfaction with active managers' 2022 performance, per the Global Asset Owner Survey of November 2022. The 2024 score refers to Figure 4. Only asset classes with a 10% or greater change in Satisfaction Rating are shown.

Asset allocation and risk

ASSET ALLOCATION SWINGS

- **34% are making “significant changes” to investment strategy** in the next 18 months.
- **53% will increase exposure to private markets**, with infrastructure seeing the largest positive swing, followed by private debt (35%) and private equity (31%).
- **24% of investors are adding impact strategies** (see page 18 for related data).
- **22% will boost allocations to investment grade bonds**, but 19% expect cuts in this area.
- **Emerging market exposures are declining**, with 18% cutting emerging market equities and 11% reducing allocations to emerging market fixed income.
- **Only 9% invest in digital assets/ cryptocurrencies**. In 2022 the figure was 8% and 21% expected, at that time, to have exposure within five years.
- **40% see strong investment opportunities** in climate transition and 40% see strong opportunities in AI/technology; 20% see strong opportunities in demographic trends.

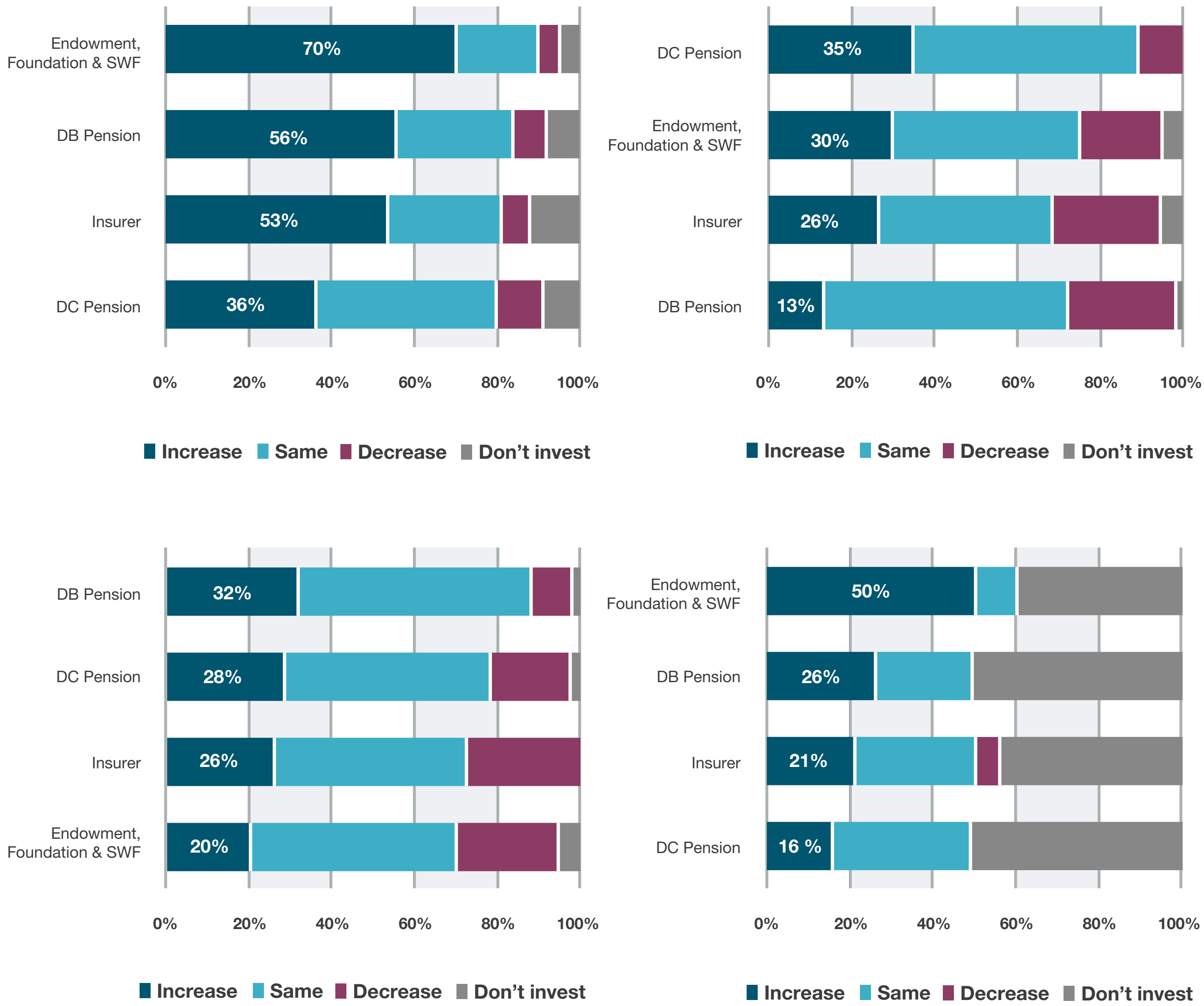
FIGURE 6: HOW DO YOU EXPECT YOUR EXPOSURE TO THE FOLLOWING SECTORS/ASSET CLASSES TO CHANGE OVER THE NEXT 18 MONTHS, AS A % OF THE PORTFOLIO?



*__Swing__ represents the difference between the % of investors increasing allocations and the % of investors decreasing allocations (increases-decreasers), expressed as a percentage of those who invest in that asset class.

Asset allocation and risk continued

FIGURE 7: HOW DO YOU EXPECT YOUR EXPOSURE TO THE FOLLOWING SECTORS/ASSET CLASSES TO CHANGE OVER THE NEXT 18 MONTHS, AS A % OF THE PORTFOLIO? (BY INSTITUTION TYPE)



Pension fund pathways

DB Pensions:
more likely than other Investors to be cutting equities,
more likely to be increasing private markets and fixed income.

DC Pensions:
more likely than other Investors to be increasing equities,
less likely to be increasing private markets and impact investing.

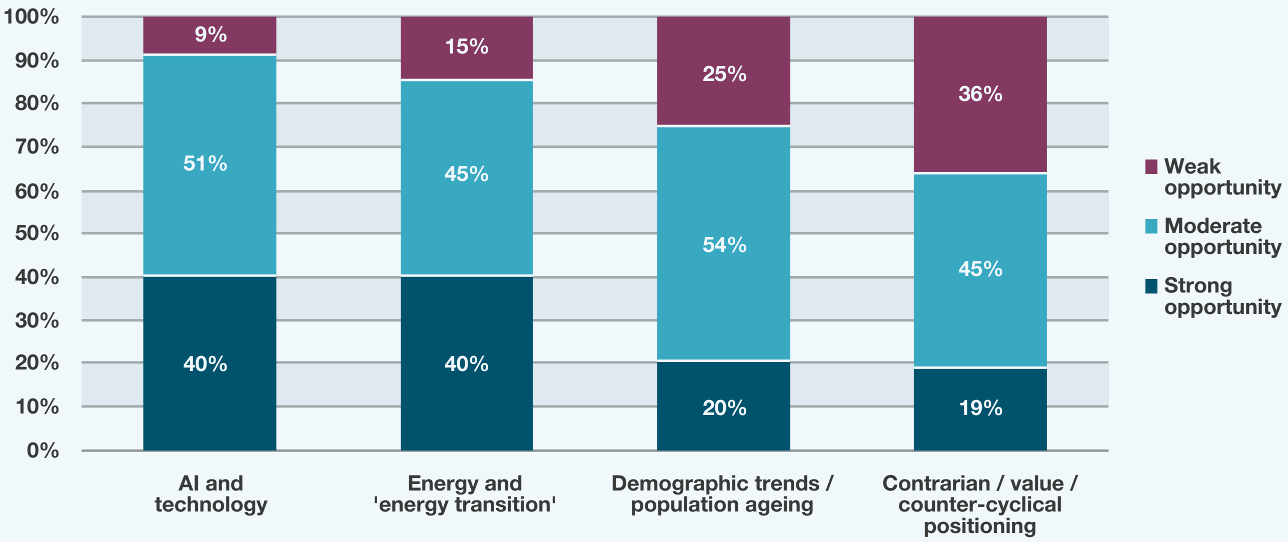
Asset allocation and risk continued

FIGURE 8: ASSET ALLOCATION SWING*, 2024 VS. 2022

	% of investors increasing, 2022	% of investors increasing, 2024	SWING 2022	SWING 2024
PRIVATE MARKETS (overall)	52%	53%	+54%	**+50%**
FIXED INCOME (overall)	25%	26%	+5%	**+6%**
EQUITIES (overall)	21%	23%	-8%	**+2%**
Infrastructure (unlisted)	41%	36%	+52%	**+43%**
Private debt	42%	35%	+57%	**+38%**
Private equity	35%	31%	+42%	**+31%**
Fixed income – securitised credit	15%	15%	+26%	**+23%**
Commodities	5%	5%	+4%	**+16%**
Venture capital	16%	11%	+32%	**+10%**
Alternative risk premia	6%	4%	+10%	**+4%**
Hedge funds	9%	8%	+0%	**+3%**
Fixed income – investment grade	22%	22%	+3%	**+3%**
Real estate (unlisted)	30%	17%	+25%	**+1%**
Equities – developed markets	20%	19%	-7%	**-1%**
Multi asset strategies	8%	3%	+9%	**-4%**
Fixed income – leveraged loans	14%	6%	+28%	**-4%**
Fixed income – emerging market debt	10%	7%	-5%	**-6%**
Fixed income – high yield bonds	16%	12%	+6%	**-6%**
Equities – emerging markets	14%	12%	-7%	**-8%**

*__Swing__ represents the difference between the % of investors increasing allocations and the % of investors decreasing allocations (increasers-decreasers), expressed as a percentage of those who invest in that asset class. It is designed as a more accurate reflection of trend (and changes in trend) than metrics such as '% of investors increasing'. Colours denote that swing is 5%+ higher (blue), 5%+ lower (purple) or similar (grey).

FIGURE 9: LOOKING OUT OVER THE NEXT THREE YEARS, WHICH OF THE FOLLOWING DO YOU BELIEVE REPRESENT THE GREATEST AREAS OF THEMATIC OPPORTUNITY FROM WHICH YOUR INSTITUTION MAY BENEFIT?



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Asset allocation and risk continued

EVOLVING RISK EXPOSURES

- **Investors are more positive on 'risk assets' (e.g. equities)** than they were in 2022. Yet there is huge contrast between different institution types: only 4% of DB Pension Funds are underweight risk assets, in contrast with 37% of Insurers.
- **A modest trend in favour of adding duration risk persists:** 22% expect to increase duration risk in the next 18 months; 30% have done so in the past 18 months.
- **Investors expect 'higher for longer' rates** versus current economist consensus: the average prediction for the Fed Funds rate at end-2025 is 3.4% (in other words, the top end of the 3.25-3.5% band), distinctly higher than the 3.0-3.25% figure in an October 2024 Reuters economist poll).

FIGURE 10: ARE YOU CURRENTLY OVERWEIGHT OR UNDERWEIGHT 'RISK ASSETS' (E.G. EQUITIES) VS. LONG-TERM EXPECTED ALLOCATION?

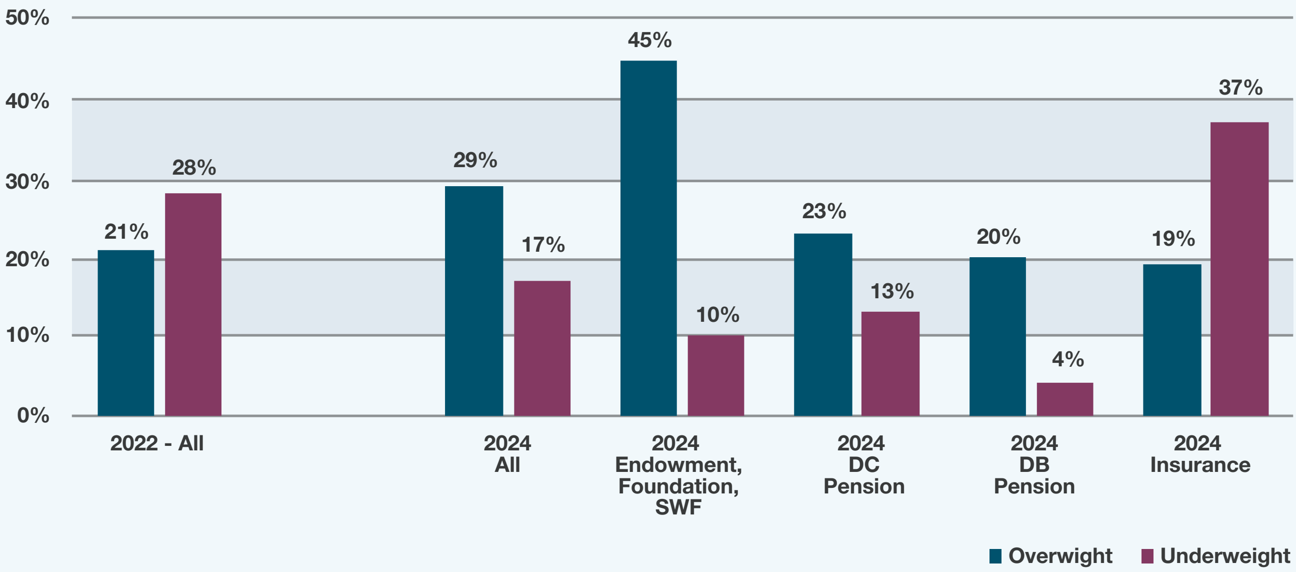
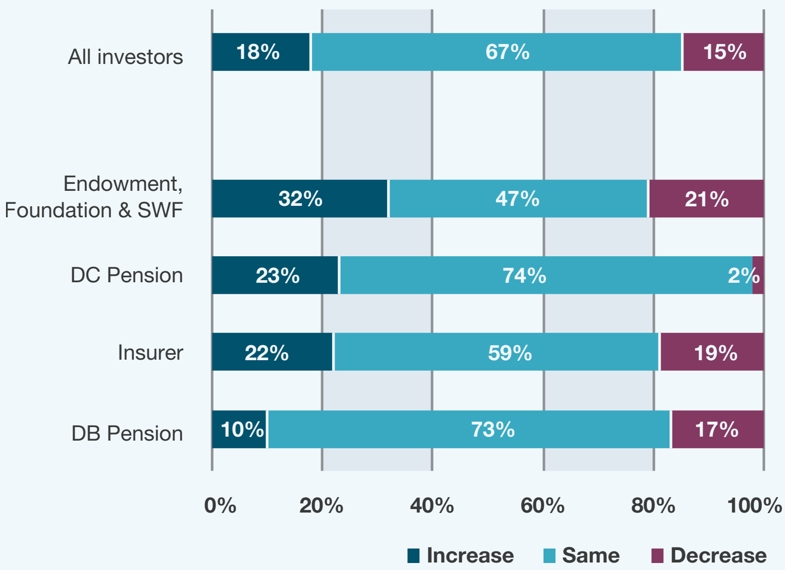


FIGURE 11: WILL YOU CHANGE EXPOSURE TO EQUITY-TYPE RISK IN THE NEXT 18 MONTHS (BY INSTITUTION TYPE)



> "Under new upcoming Dutch pension regulation, a shift towards a higher allocation to risk assets is likely."
>
> **Pension Fund,** The Netherlands

Asset allocation and risk continued

FIGURE 12: HAVE YOU CHANGED/WILL YOU CHANGE EXPOSURE TO...

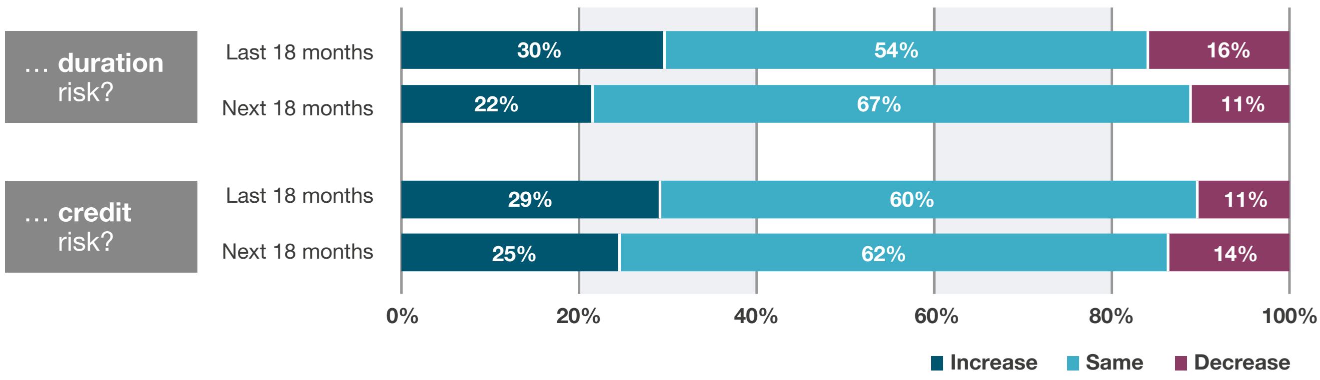
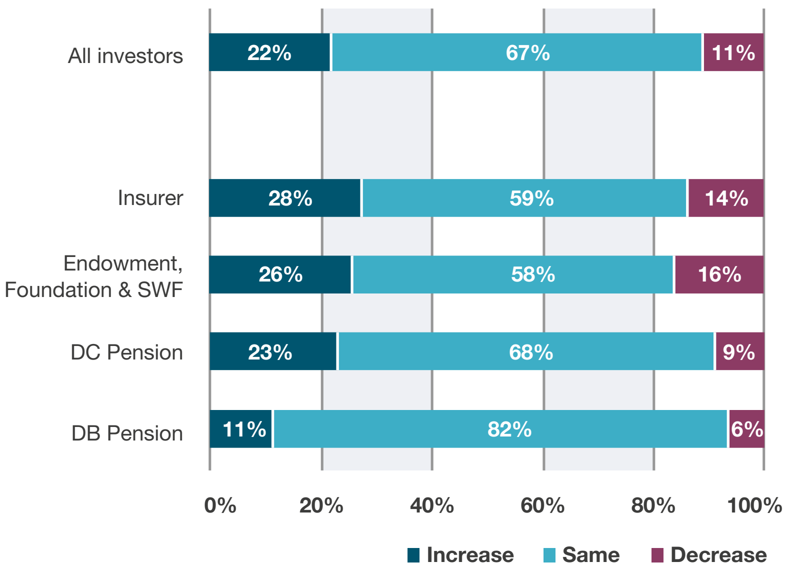
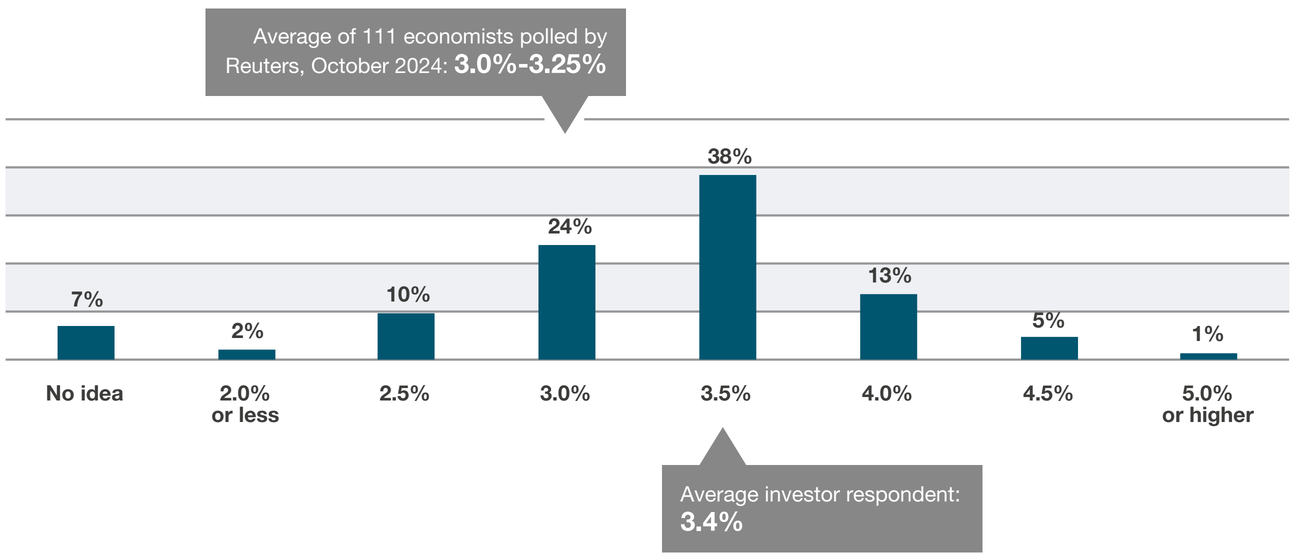


FIGURE 13: WILL YOU CHANGE EXPOSURE TO DURATION RISK?
NEXT 18 MONTHS (BY INSTITUTION TYPE)



> "When 10-year government bonds in Canada reach 2.5%, we will cut duration to three years or less."
>
> **Pension Fund,** Canada

FIGURE 14: WHERE DO YOU PREDICT THAT THE US FEDERAL FUNDS RATE WILL BE AT THE END OF 2025?

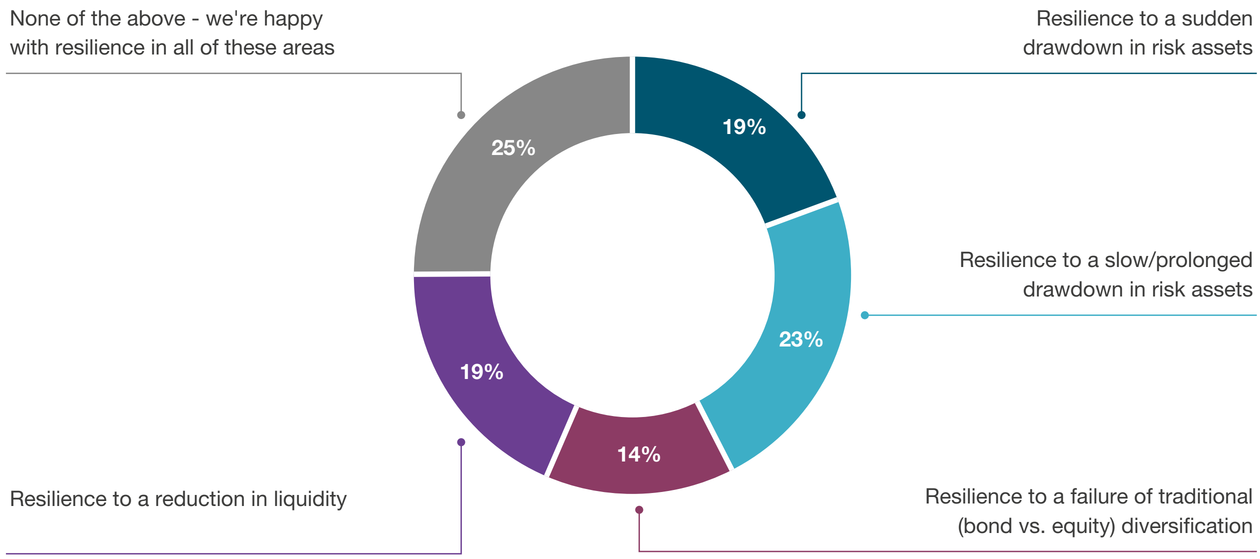


Asset allocation and risk continued

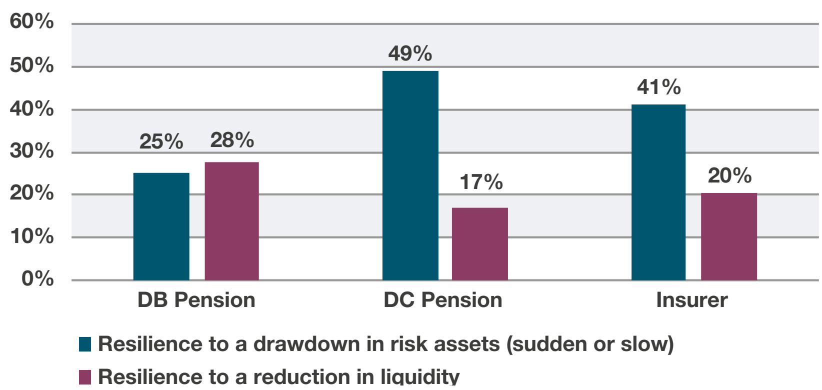
SEEKING RESILIENCE

- **75% of investors want to increase portfolio resilience**, but priorities differ: 23% say the most important area to improve is ‘resilience to a slow/prolonged drawdown in risk assets,’ but many believe that a ‘sudden drawdown in risk assets’ (19%) or a ‘reduction in liquidity’ (19%) represent higher priorities.
- **22% currently use equity overlays and the figure is set to rise to one third, with 9% planning** to introduce them. 31% say that potential equity market correction represents a “high concern” threatening the achievement of investment objectives.
- **Other areas of “high concern**” include geopolitical unrest (the most popular response at 54%), weak macroeconomic growth (37%) and inflation (19%).
- **Unlike investor peers, Defined Benefit Pension Funds** are more likely to be concerned about ‘a reduction in liquidity’ (28% have this as their resilience priority) than a—sudden or prolonged—risk asset drawdown (25% combined).

FIGURE 15: CONSIDERING PORTFOLIO RESILIENCE: WHICH OF THE FOLLOWING DO YOU BELIEVE YOUR INSTITUTION IS MOST KEEN TO IMPROVE, NOW? PICK JUST ONE PRIORITY

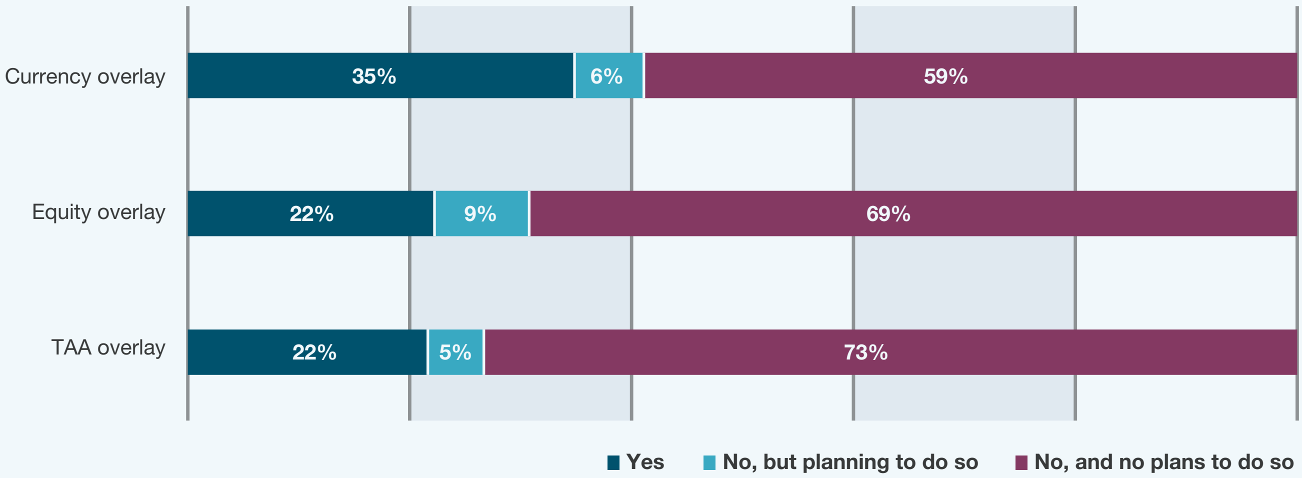


Note
DB Pensions were more satisfied with resilience (40% “happy with resilience in all of these areas”)



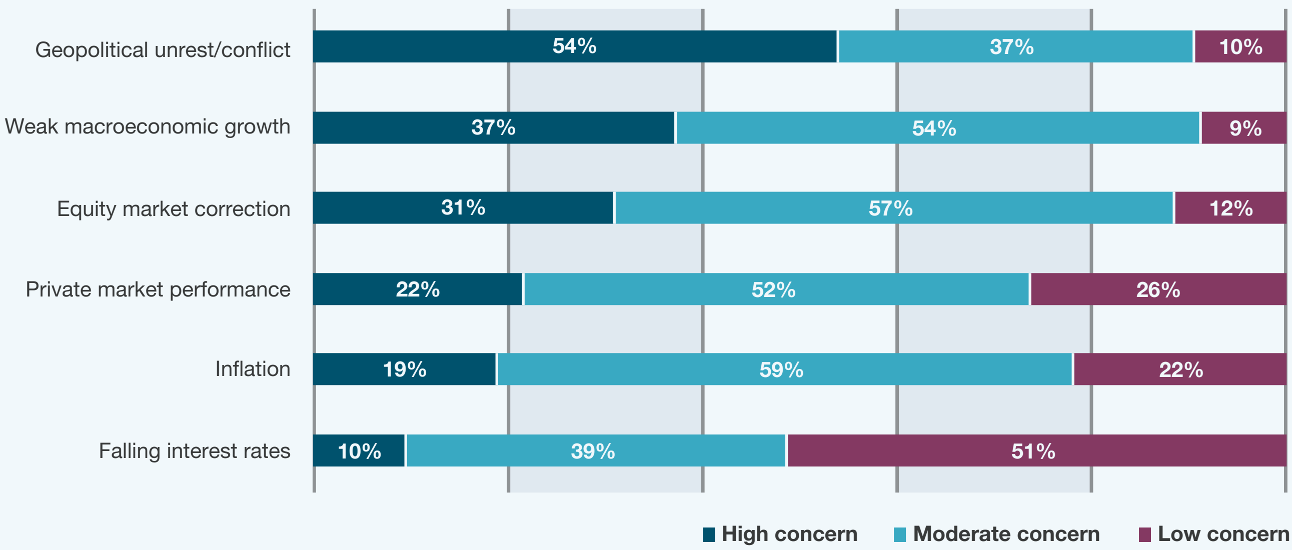
Asset allocation and risk continued

FIGURE 16: DO YOU USE OVERLAYS TO MANAGE THE FOLLOWING EXPOSURES?



Read more: [Six Questions that Investors Should Ask Before Using Equity Overlays]

FIGURE 17: TOP THREATS. OVER THE NEXT THREE YEARS, WHICH OF THE FOLLOWING REPRESENT THE GREATEST THREATS TO YOUR INSTITUTION ACHIEVING ITS MOST IMPORTANT INVESTMENT/FUNDING OBJECTIVES?



Theme: navigating unusual equity markets

- **The era of Tech Titans** raises new questions about style exposures and diversification.
- **Just 34% of investors predict that the six largest tech stocks will beat** the MSCI World over the twelve-month period to October 2025.
- **34% of investors anticipate more diversification in their equity portfolio** in the next one-to-two years across one or more of four lenses: style (22%), size (16%), geography (16%) and stock-level (14%).
- **There is no clear shift from active public equity investing towards passive:** this key trend of the post-GFC decade is no longer in evidence.

FIGURE 18: IN EQUITIES, ARE YOU SHIFTING MORE IN THE DIRECTION OF ACTIVE OR PASSIVE MANAGEMENT?

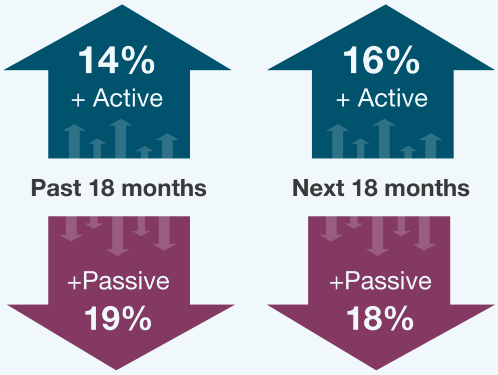
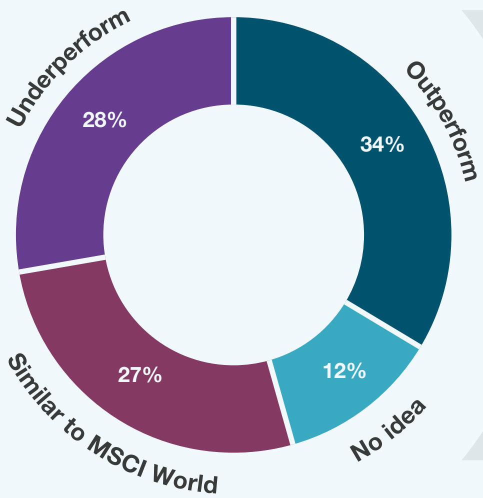


FIGURE 19: DO YOU THINK THE SIX LARGEST TECH STOCKS WILL OUTPERFORM MSCI WORLD, OCT24-OCT25?



OUTPERFORM

"There will be restrictions on trade. Tech companies will suffer less than others, if regulation doesn't appear"

Sovereign Wealth Fund, Europe

UNDERPERFORM

"I feel like their PE numbers are just too high and AI may not deliver as much to valuations as expected"

Insurer, Bermuda

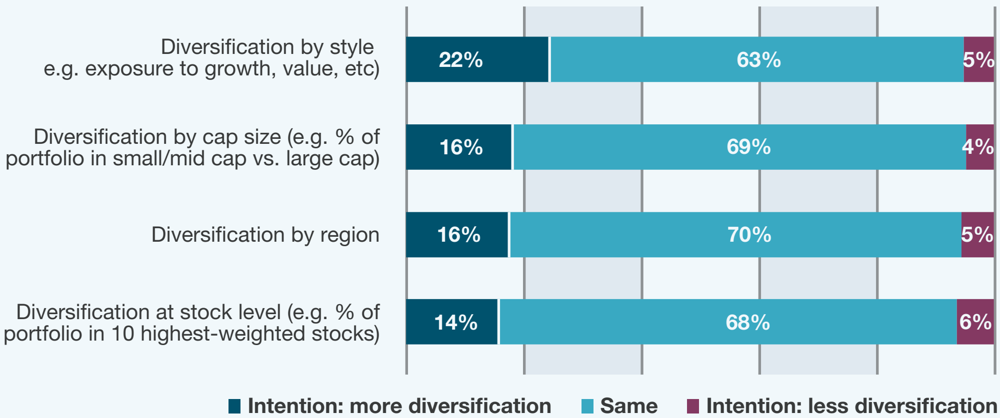
34%

expect more diversification in at least one category

"We have become less diversified on most of these metrics over the past 12 months."

Pension Fund, The Netherlands

FIGURE 20: DO YOU ANTICIPATE MORE/LESS DIVERSIFICATION OF YOUR EQUITY PORTFOLIO OVER THE NEXT 1-2 YEARS? PLEASE SELECT ONE OPTION FOR EACH ROW

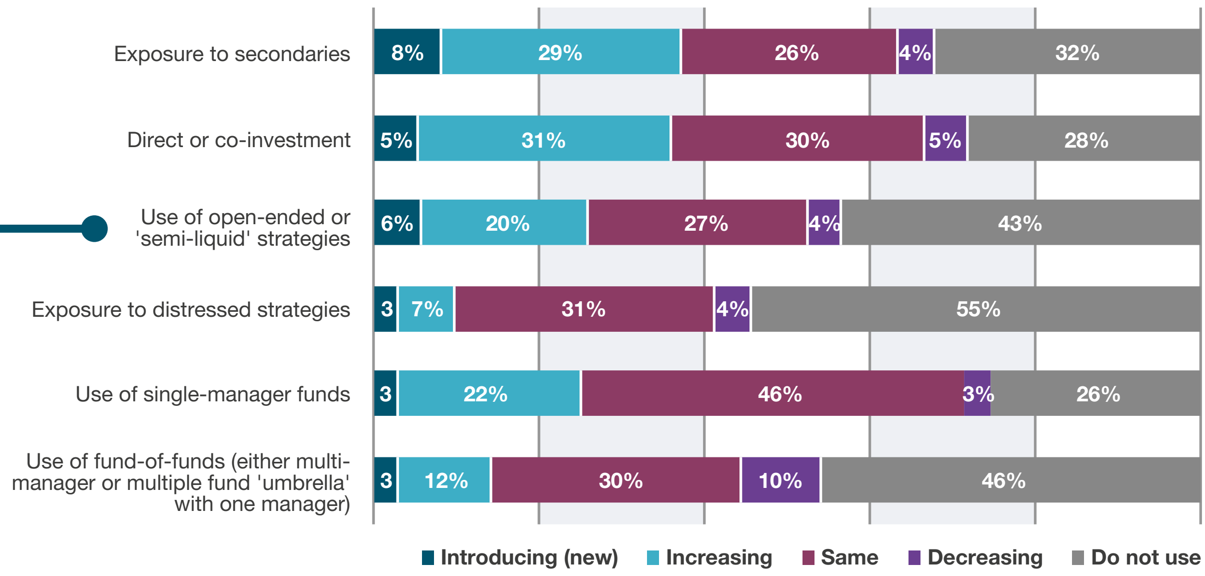


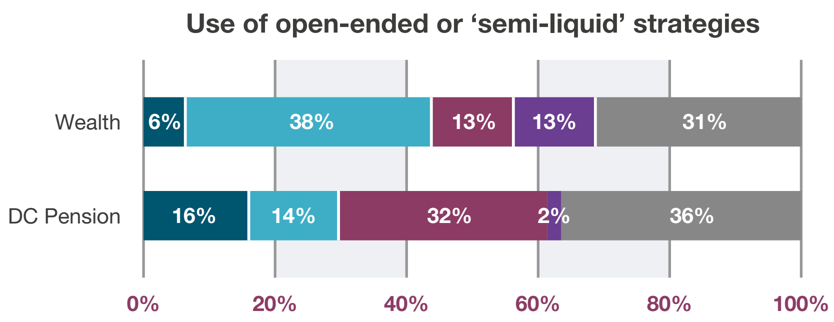
Theme: strategic shifts in private markets

- **Nearly half of respondents expect a reduced 'illiquidity premium'**: 47% of investors (including 59% of Defined Benefit Pension Funds) said that they expect this to be lower in 2020-2040 than it was in 2000-2020. However, this belief has no visible effect on positive asset allocation intentions (Figure 6).
- **37% are in the process of boosting exposure to secondaries** and more than a quarter of those are new entrants to the space, among other strategic changes.
- **44% of Wealth Managers are entering/ boosting exposure to open-ended funds** in private markets, as are 30% of Defined Contribution Pension Plans; a proliferation of 'semi-liquid' strategies is drawing liquidity-hungry investors to illiquid asset classes.

ACCESS POINTS

FIGURE 21: IN PRIVATE MARKETS OTHER THAN REAL ESTATE (E.G. PRIVATE EQUITY, PRIVATE DEBT, INFRASTRUCTURE): IF YOU CONSIDER THE PAST 18 MONTHS AND THE NEXT 18 MONTHS, WHICH OF THE FOLLOWING SHIFTS ARE TAKING PLACE IN YOUR PORTFOLIO?





The 2020s have seen a huge increase in 'semi-liquid' strategies in Infrastructure, Private Debt and even Private Equity, with GPs seeking Wealth and DC Pension clients.

Theme: strategic shifts in private markets continued

ILLIQUIDITY PREMIUM?

FIGURE 22: OVER 2020-2040, DO YOU ANTICIPATE THAT THE "ILLIQUIDITY PREMIUM" WILL BE LARGER OR SMALLER THAN IT WAS IN 2000-2020?

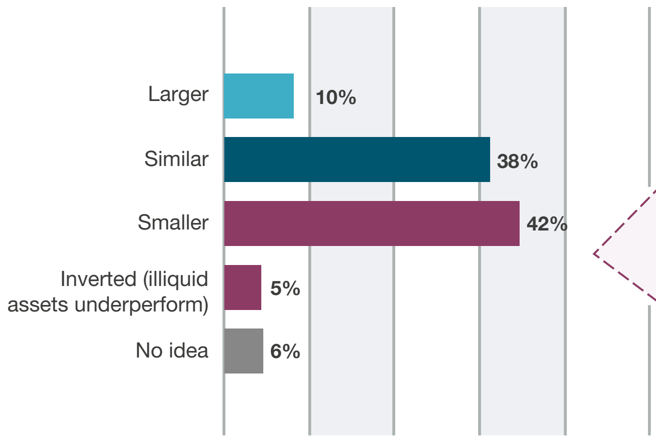
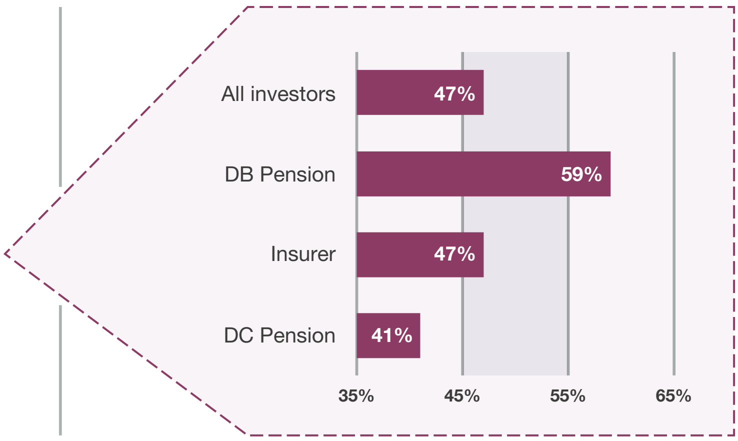


FIGURE 23: PERCENTAGE WHO BELIEVE THE ILLIQUIDITY PREMIUM WILL BE SMALLER OR INVERTED (BY TYPE)



Why do we expect a smaller illiquidity premium?

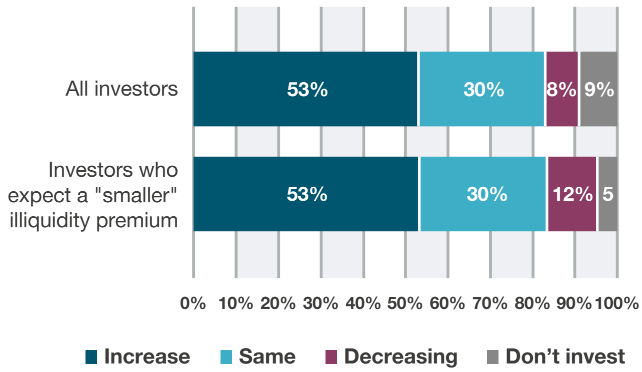
"Increased investor demand could suppress the illiquidity premium compared to the last two decades. The demand for "real assets" will not go away in an economic environment with more inflation pressure from the supply side… Increased demand from investors for private market assets (institutional and in the future also retail), supported by banking disintermediation, and less restrictive regulation (to enable more flows into sustainable investments)."

Family Office, Germany

"More smart money chasing the same or fewer opportunities likely means lower premiums, which can only be measured/realised when you sell. Also from an issuance perspective, companies have become smarter and more nimble [regarding] which market they will tap as source of funds. This dynamic should also lead to smaller differences between public & private markets."

Pension Fund, The Netherlands

FIGURE 24: HOW DO YOU EXPECT YOUR EXPOSURE TO PRIVATE MARKETS TO CHANGE OVER THE NEXT 18 MONTHS, AS A % OF THE PORTFOLIO?



Views on illiquidity premium do not affect allocation intentions

Theme: real estate recovery

- **62% of investors anticipate a moderate (59%) or substantial (3%) recovery in core real estate** over the coming twelve months, following severe dislocation.
- **Interestingly, investors' predictions for property market recovery have no relationship** with their asset allocations movements over the next 18 months.
- Long-term strategic asset allocation intentions, including increasing exposure to other illiquid asset classes, may be inhibiting positive asset allocation momentum (Figure 6). Yet it is also possible that low satisfaction with real estate managers (Figure 4) may be playing a role here also: we note very high dispersion between the performance of top and quartile managers across many real estate sub-sectors.

FIGURE 25: WITH GLOBAL CORE REAL ESTATE EXPERIENCING DISLOCATION, WHAT WOULD YOU EXPECT FROM CORE PROPERTY VALUATIONS OVER THE PERIOD OCT 2024-OCT 2025?

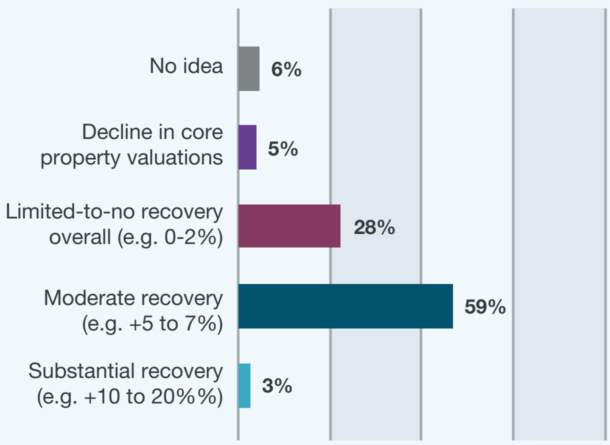
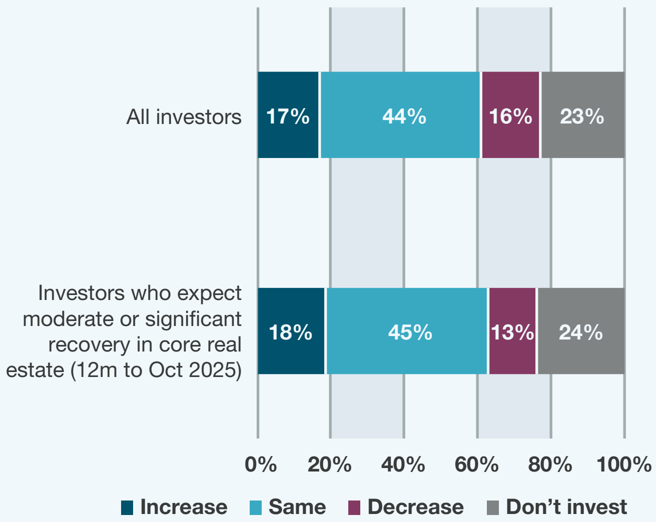


FIGURE 26: HOW DO YOU EXPECT YOUR EXPOSURE TO UNLISTED REAL ESTATE TO CHANGE OVER THE NEXT 18 MONTHS, AS A % OF THE PORTFOLIO?



> "Long-term perspective matters. While short-term recovery may be constrained by rates and economic conditions, those with a long-term perspective might see opportunities in buying undervalued properties or distressed assets."
>
> **Pension Fund,** Canada

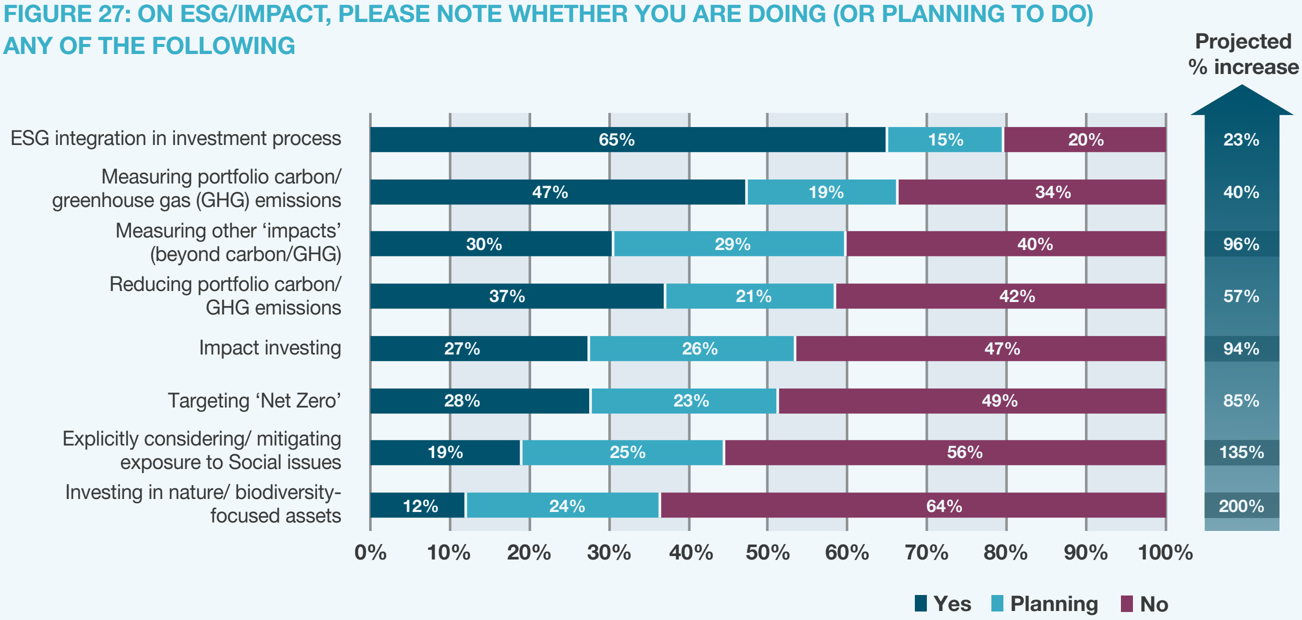
> "Modest recovery, based on the expected rate cuts by central banks (mostly the US Federal Reserve and the European Central Bank)."
>
> **Insurance Company,** Spain

> "There are too many old buildings (energy consumption and CO2) and too many useless buildings (office space)."
>
> **Pension Fund,** France

Theme: impact and climate momentum

- **27% of investors are already doing impact investment and 26% are ‘planning to do so’** at some point in the future.
- **The proportion investing in nature/biodiversity-focused assets** looks set to rise from 12% to 36% (+200%), if the 24% who are ‘planning’ to enter this area ultimately proceed.
- **That being said, comparison of results with the 2022** findings indicates slow progress among those ‘planning’ to introduce measures, with modest increases in uptake.
- **Investors are broadly satisfied with external asset managers’ approaches** to ESG/ Responsible Investing, though only 7% are “very satisfied.”

FIGURE 27: ON ESG/IMPACT, PLEASE NOTE WHETHER YOU ARE DOING (OR PLANNING TO DO) ANY OF THE FOLLOWING



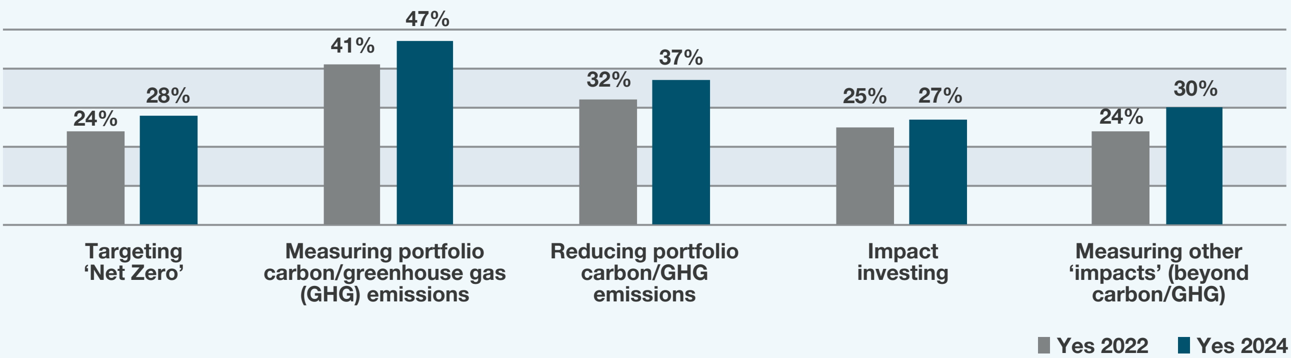
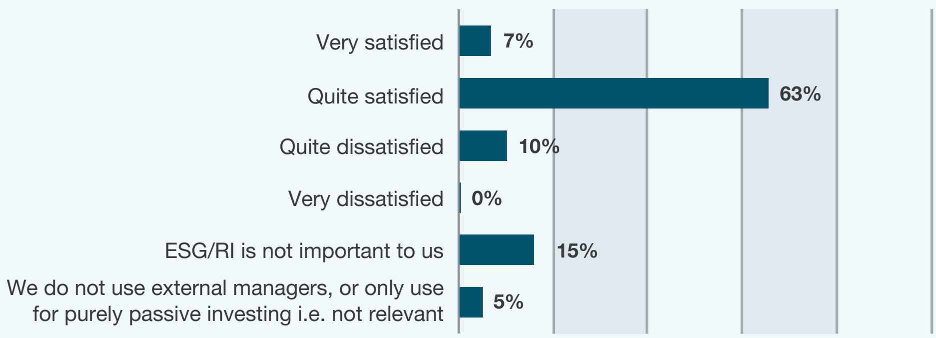


FIGURE 28: HOW SATISFIED ARE YOU WITH YOUR EXTERNAL ASSET MANAGERS’ APPROACHES TO ESG/ RESPONSIBLE INVESTING?



> “Sometimes the availability of strategies for targeting these priorities is limited.”
>
> **Pension Fund,** Netherlands

Theme: outsourcing and cost

- **41% of Asset Owners say that 'like-for-like' asset manager costs in private equity have decreased** over the past three years – up from just 20% in the 2022 Global Asset Owner Survey. However, investors' experiences differ greatly: 29% indicate that fees in this asset class have increased.
- **23% of investors note an insourcing trend for the "most significant investment decision-making activities"** (only 4% are trending towards outsourcing).

> "Hedge funds should be adding hurdles but are not."
>
> **Family Office,** Canada
>
> Read: Hedge Funds & Hurdles

FIGURE 29: DO YOU BELIEVE THAT EXTERNAL ASSET MANAGEMENT COSTS FOR 'LIKE-FOR-LIKE' STRATEGIES IN THE SECTORS BELOW HAVE BEEN INCREASING OR DECREASING OVER THE PAST THREE YEARS? (REMOVED 'DON'T KNOW')

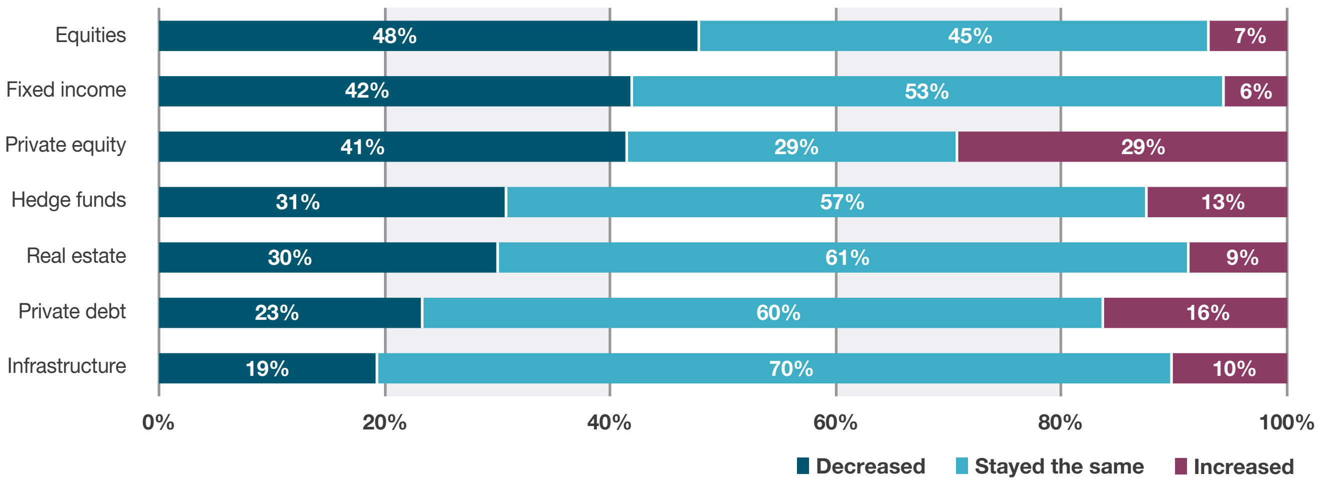
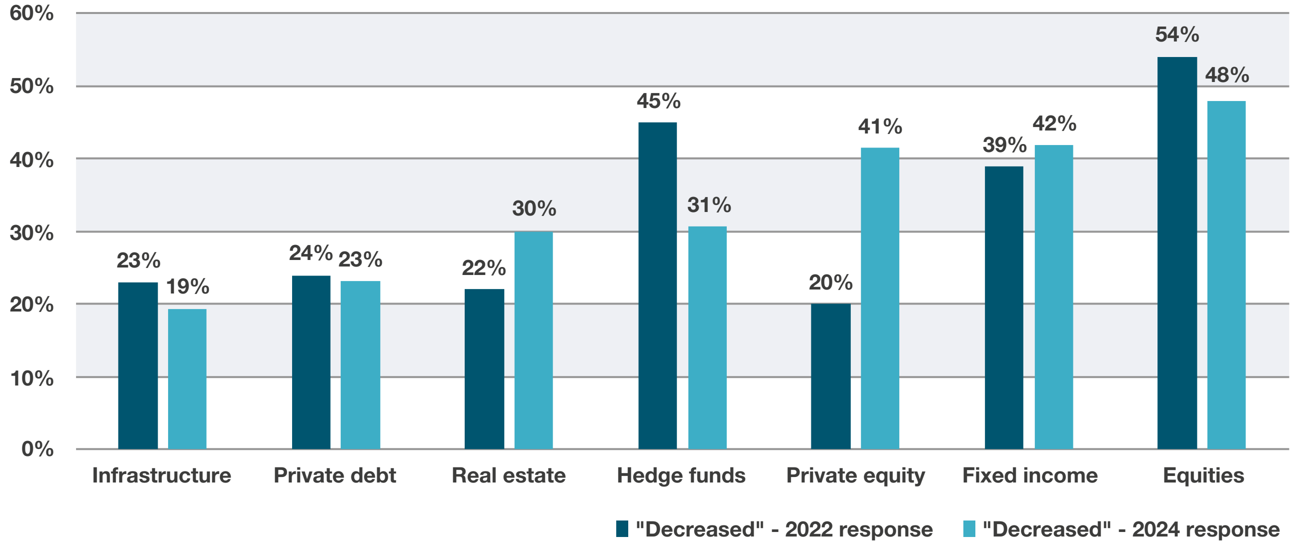


FIGURE 30: PERCENTAGE OF INVESTORS WHO INDICATED "DECREASED" TO THE PREVIOUS QUESTION IN THE CURRENT (2024) STUDY VERSUS THE PRIOR (2022) STUDY



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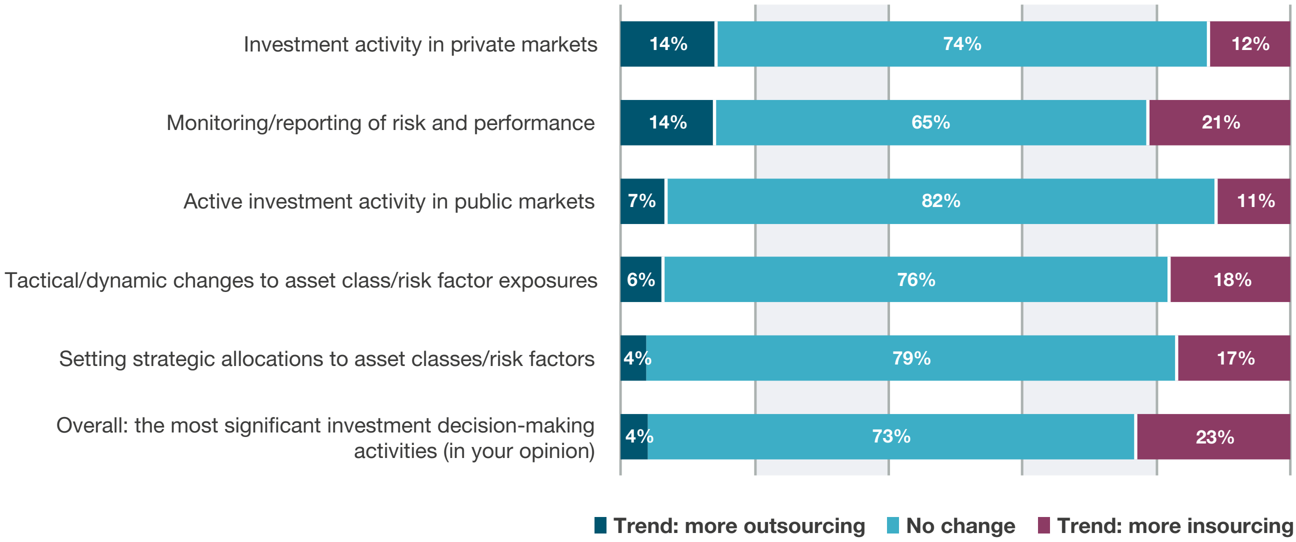
Theme: outsourcing and cost continued

FIGURE 31: IS YOUR INSTITUTION TRENDING MORE TOWARDS 'OUTSOURCING' OR INSOURCING FOR THE FOLLOWING FUNCTIONS?



> "Our tendency is for insourcing of core mandates, and outsourcing of clearly defined satellite mandates."
>
> **Institutional Investor,** Sweden

Closing thoughts: risk & resilience

OTHER THAN THE RISKS NOTED IN FIGURE 17, WHAT REPRESENTS THE GREATEST THREAT TO YOUR INSTITUTION ACHIEVING ITS MOST IMPORTANT INVESTMENT/FUNDING OBJECTIVES?

"The bursting of an AI bubble"
Financial Institution, Japan

"Cycle risk, AI bubble"
Pension Fund, Australia

"Persistent decline in real estate values"
Family Office, China

"Liquidity crisis. Large asset allocators are heavily invested in private markets … I am concerned with their liquidity in an equity market shortfall and they will have lots of difficulty to rebalance their portfolio. Investors able to raise liquidity will do much better."
Pension Fund, Canada

"Misguided political coercive investment guidelines"
Institutional Investor, Switzerland

"Digital threats"
Institutional Investor, Belgium

"Stagflation, e.g. as a result of onshoring/ decline in global trade, would be highly concerning."
Institutional Investor, Sweden

"Crowding trades and liquidity issues"
Pension Fund, France

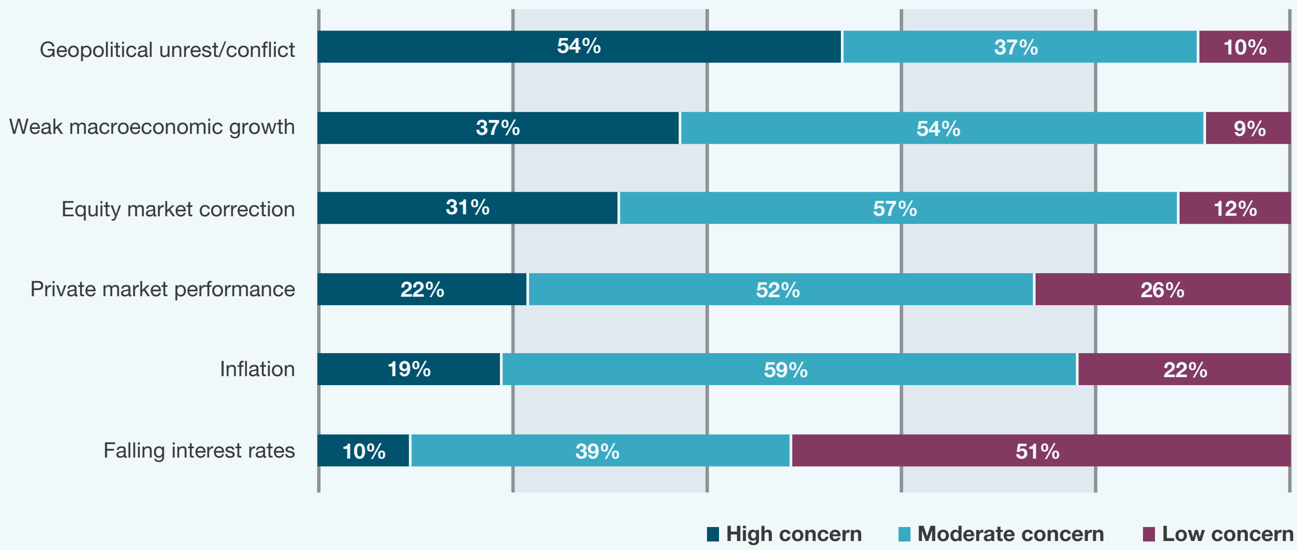
"Climate risks"
Insurance Company, Bermuda

"Changing trends in the liquidity of public markets"
Insurance Company, UK

"The externalities - e.g. policy shifts, interference and short termism. It would be great to just be allowed to get on with our jobs."
Pension Fund, UK

"We need to improve resilience to long-term climate transition risk"
Pension Fund, The Netherlands

FIGURE 17: TOP THREATS. OVER THE NEXT THREE YEARS, WHICH OF THE FOLLOWING REPRESENT THE GREATEST THREATS TO YOUR INSTITUTION ACHIEVING ITS MOST IMPORTANT INVESTMENT/ FUNDING OBJECTIVES?



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We would like to extend our warmest thanks to the senior investors that contribute their extremely valuable time to participate in bfinance's investor surveys.

These initiatives are intended to support and inform our clients and fellow investors, as well as the wider investment community.

Contributors receive:

- Advance previews of results (within days of survey close);
- The option of requesting tailored segmentation of data, for benchmarking purposes;
- The opportunity to nominate questions for inclusion in upcoming questionnaires.

Where appropriate, we also aim to support important charitable initiatives by making donations on behalf of participants. If you would like to find out more about bfinance investor research or take part in future projects, please do contact our team: investorresearch@bfinance.com.

On behalf of the participants of the Asset Owner Survey published in November 2024, we are proud to donate to the following charities, which work with people that are particularly affected by the 'cost of living' crisis.

Armoede Fonds

Off Road Kids Foundation

Crisis

Feeding America

Fondation des Femmes

The Smith Family Charity

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(December 2023)

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