THE INVESTMENT CLIMATE

Chaired by: Gareth Mee, EY

Chris Hills, Investec Wealth & Investment
Meena Lakshmanan, LGT Vestra
Bryn Jones, Rathbone Investment Management
Trevor Greetham, Royal London Asset Management
Maximising returns in a Solvency 2 world
Chris Hills – Chief Investment Officer

September 2016
Risk versus return
Including alternative assets

Source: Barclays Capital, CSFB, Deutsche Bank
The importance of time horizon

Probability of returns exceeding inflation over varying holding periods

1925-2015 data

Source Investec Wealth & Investment
Chris Hills
Chief Investment Officer

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Chris has over 40 years of experience in the investment management industry, half spent working within three very distinct institutional asset management businesses and the other half in his current role at Investec.

He splits his time between the internal task of ensuring that the firm plays to its collegiate strengths in research and portfolio management, together with the external tasks of ensuring the firm receives the best input from its suppliers amongst the large investment banks and asset management organisations and presenting the firm’s thoughts about current markets to a range of external clients and interested advisers.

Chris assists clients in developing appropriate investment benchmarks and policies to meet their needs.

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US Elections 2016
TRiUMPPhant Clinton?

Meena Lakshmanan
Partner, Head of Strategy
US Elections - 2016

- The most divisive elections of the recent past
- Both the Presidential candidates with lowest poll ratings
- Contest for the lesser of the two “evils” than best candidate for the most important job in the world

Source: Real Clear Politics – average of 8 sources, till 6 Oct 2016
US Elections: Market resilient in spite of uncertainty

Markets no longer predict but react

Source: Bloomberg

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Some dynamics of QE

The QE infinity trap

Global central bank balance sheets keep growing

Bill Gross’ “its just a game”
Volatility amplification

Carry is king

£ Non-financial yield

Source: Markit iBoxx, Bloomberg, MSCI, Morgan Stanley Research
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TWO TARGET RISK PORTFOLIOS
WHICH LOOKS THE MOST DIVERSIFIED?

Source: RLAM and Moody’s Analytics; % allocation to different asset classes using an illustrative risk targeted benchmark.
Experience and judgement to warn when “this time is different”
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Chris Hills, Investec Wealth & Investment
Meena Lakshmanan, LGT Vestra
Bryn Jones, Rathbone Investment Management
Trevor Greetham, Royal London Asset Management
Has Brexit generated investment opportunities for the mutual sector?

YES

NO
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Meena Lakshmanan, LGT Vestra
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Should the mutual sector be large investors in non-traditional assets such as infrastructure, commercial real estate and private equity type investments?

**YES**

**NO**
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There is a significant debate in the pensions market and the annuity market at present around whether we should be hedging interest rates in the current yield environment. How do you feel about this for the mutuals i.e. should we be hedging interest rate risk in our portfolios?

YES

NO
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QUESTION TO THE AUDIENCE

Will Donald Trump be president of the US later this year?

YES

NO
CHAIRED

CHRIS HILLS, INVESTEC WEALTH & INVESTMENT
MEENA LAKSHMANAN, LGT VESTRA
BRYN JONES, RATHBONE INVESTMENT MANAGEMENT
TREVOR GREETHAM, ROYAL LONDON ASSET MANAGEMENT