**Trends and State of Traditional Investments**

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Speakers:

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Samantha Grant, Verus

* Samantha and Tim McEnery make up the new Chicago Verus office.  Firm has ~$650bl under advisement for a diversified client base.
* Macro trends: Markets - risk off. We’ve been in a risk on environment for the past 13-15 years. Clients are worried about their portfolios. Rising rates, inflation – they are seeing it firsthand at the grocery store. Internally they are having conversations about potential scenarios and how it will affect client portfolios. Short-term seeing rising rates and increasing inflation. Asking themselves…When do you want to move to a risk on stance? Having conversations about EM ex-China. The Russia/Ukraine war has been a topic of conversation. Trying to be active on the education side with clients and keep them focused on the long term (which is based on logic).
* Equity - It’s been tough. Coming out of this period there should be opportunities. You should be positioning yourself in front of consultants now. At Verus they are focused on managers that are truly active, making bets, earning their fee.
* Geopolitical - Relies on managers and their expertise for over/underweight. Expect more volatility going forward. They’ve also seen an increase on the client reporting side. Clients are concerned about what could be next.
* Not currently time to reinvest.

Sheila Norman, Aon

* Sheila is a Partner at Aon.  She has 12 years in consulting and 12 years in asset management.
* Works with non-profits, healthcare in particular.
* Macro trends: My clients are exhausted…pandemic, teams working from home, people leaving, now dealing with 2022 performance. The Agg is down 14%, equity down 23%...there is no place to hide. It’s a challenging environment. Lots of communication and education with clients.  They are testing scenarios (different levels of recession, change in policy that is occurring, etc.). You were rewarded for taking risk, but there is a reset going on right now. There have been 2 other occasions where monetary and fed were raising int rates…1982 and 1948…low unemployment and inflationary pressures. We think there will be a recession. Traditional correlation benefits have broken down. Those that have alts have done better.
* Rate increases are painful, but necessary…sets table for next 10-15 years. FOMC can use monetary policy if needed in the future. Normalizes risk tolerances. Could result in different allocations in the future. Speculation is hurting investors.
* Geopolitical - No pull back from clients to invest. Wary of headline risk.
* We haven’t had inflation in 40 years…. plans have adjusted to that environment.
* Goal is how to dampen vol. When we reset yields that will be a good dampener of volatility where you can reset allocations (looking for investment grade credit spreads to blow up).

Kweku Obed, Marquette

* Independently owned firm
* Inflation/rising rates concerns have dominated conversations with clients. Clients need to be aware of what’s in the portfolio (pros/cons and their role). Core real estate, infrastructure, and private equity are needed in this environment. Interest rate discussion…fed has been adamant they are not changing course. Credibility issue of fed president… transitory view
* Stocks with good fundamentals are being rewarded. Shouldn’t be looking to make sizable changes in portfolios unless you are not diversified.
* Low volatility strategies - Trying not to keep up with the Jones’.  He’s a believer that if it’s undervalued the market will eventually recognize that. He thinks low vol is the definition of this… strategically a strategy that has downside protection/upside participation.  It should be in a portfolio.
* Geopolitical concerns - Expect more vol, more conflict globally. Markets don’t like conflict/surprises. U.S. closed end strategies bias given the issues present.
* Best communication - openness and transparency are important. Many people at the firm to connect with.

Sam Pollack, NEPC

* Member of E&F team in the Chicago office.
* Privately held firm with ~400 clients and ~$1.5 trillion in assets.  They also have a diversified base of clients.
* Macro topics: All of their clients are time starved. There are a lot of trends to think of…rising interest rates, increasing adoption of OCIO, back office outsourcing, increased use of private equity/FI. Clients were saying they didn’t want hedge fund exposure, but with the changing environment they are looking again. Also looking at narrow versus unconstrained mandates.
* Communications – He noted that he doesn’t want to have a unique log in for each firm’s website in order to get client deliverables.
* Equities - Trying to figure out who the partners are for the long term. Might be some changes after 12/31.
* Geopolitical - Need to have better reporting to easily account for exposures. Take care on messaging if you are bottom up, you shouldn’t be saying you are staying clear of regions.

Best communication - Be aware we are under time constraints, but good communication is important.