MIX
Manager Ideas Exchange

Annual update to the asset manager community

June 2019

Welcome to MIX 2019!

New innovative ideas are vital to the quality of our research and ability to deliver superior investment outcomes to our clients. We are keen to maximise opportunities to exchange new ideas and use a variety of channels to share our thinking and gather thoughts from the investment industry.

This paper has been put together by Willis Towers Watson's research team to provide you with:

- A snapshot of the key numbers relevant to our business in 2018
- Some developments in the evolution of our manager research process
- Key research priorities for 2019
- A selection of thought leadership pieces that we thought you might find useful

The asset management industry is going through significant structural shifts with lower revenue growth, shrinking margins, increasing regulatory requirements and technological disruption. There is also growing societal pressure to redefine the purpose of the industry and the way it seeks to create value for the wider range of stakeholders, which includes clients, employees and shareholders, as well as society and the planet.

We believe successful asset management firms of the future do not dodge industry realities but embrace the opportunity to change the way they do things. As a result, our understanding of what forms a sustainable competitive advantage for an asset manager of tomorrow now includes a much stronger focus on how asset managers incorporate sustainability, and how they evolve their cultural edge and emphasise inclusion and diversity.

We enjoy our partnership with asset management firms and are grateful for your efforts to help create great investment outcomes for our clients. We look forward to continuing this journey together and changing investment for the better.

Contents

2018 in numbers

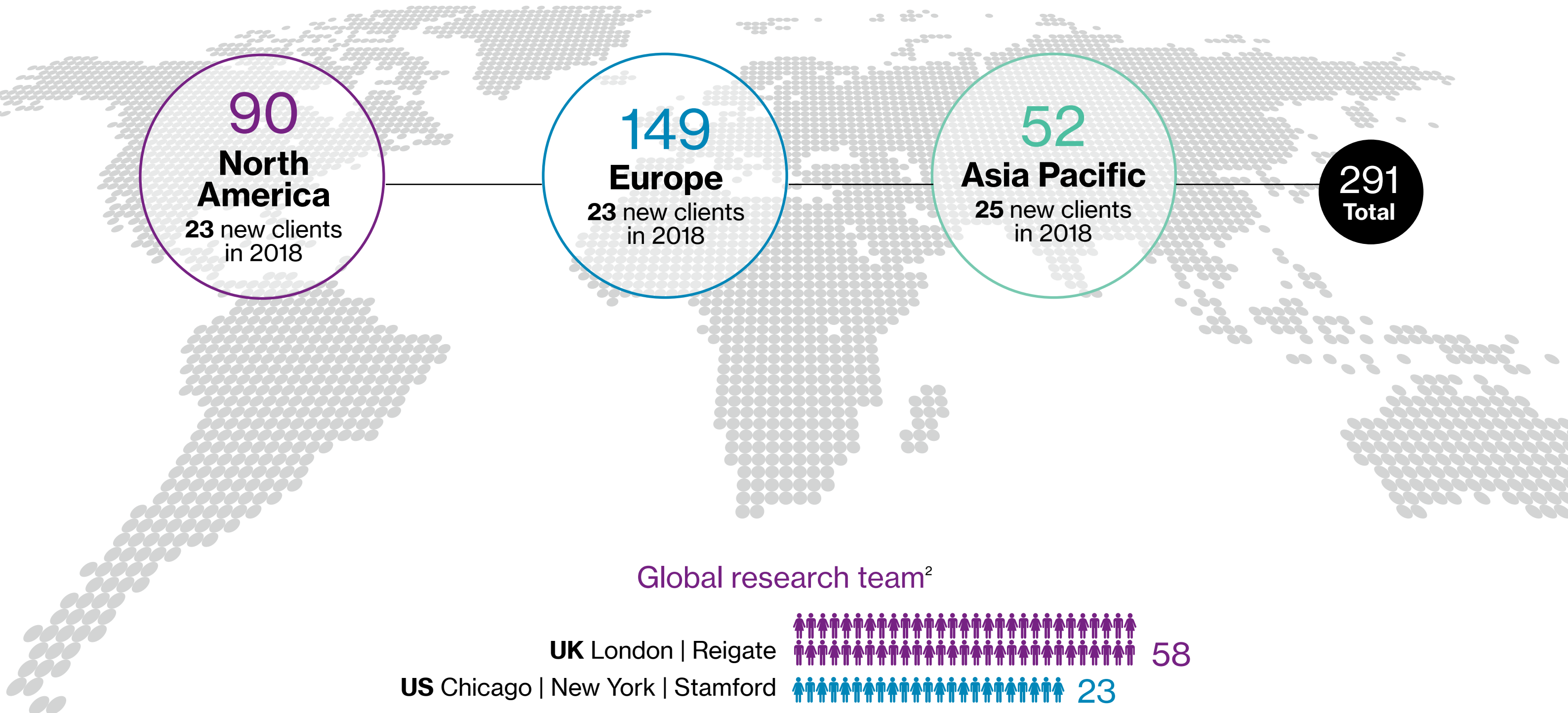
A snapshot of some key numbers relevant to our business in 2018

US$120
billion AuM globally[1]
(as of December 2018)

US$2.6
trillion AuA globally[1]

1,200+
investment clients globally[1]

Total number of delegated clients
(as of December 2018)



Global research team[2]

UK London | Reigate	58
US Chicago | New York | Stamford	23
Australia Melbourne | Sydney	13
Philippines Manila	5
Asia Hong Kong | Japan	4
Europe Germany | Ireland	2

Willis Towers Watson influenced
30 new product launches in 2018.
That brings us to a total of **130** since 2009.

Invest Connect
800 products
from 300 firms

45
Thinking Ahead Institute Members with a collective responsibility for
US$12 trillion

[1]Source: Willis Towers Watson. Assets under Advice as at 30 June 2017. Assets under Management and client counts as at 31 December 2018. All figures are subject to change.
[2]Source: Researchers (excluding support staff) from Asset Research, Manager Research, Operational Due Diligence and Thinking Ahead Group as at April 2019.

Manager selections

US$42.3 billion
of selection assets in 2018*
Marginally down from 2017, but delegated assets are up and now make up 19% as of December 2018

*Total includes Specialist mandates.
Data as of December 2018.

In the latter phases of the developed world's economic cycle and with stretched valuations across many traditional asset classes, 2018 activity was characterised by:

- Significant attempts to make assets work harder through both better active management solutions and the ongoing embrace of cost-efficient, smart beta implementation options
- A further move towards improving the diversity and downside resilience of portfolios, accessing alternative sources of return and products expected to thrive in a world of greater uncertainty
- The journey of defined benefit pension fund portfolios towards the terminal run-off portfolio, with an eye to higher returns and higher income from liability-hedging solutions

Credit

- Significant increase in the value of credit smart beta selections
- Traditional credit and smart beta selections are heavily influenced by defined benefit pension liability matching
- Less liquid and private debt continues to grow within alternative credit, with attractive return potential for clients with tolerance for illiquidity

Equity

- Most activity within active long-only equities. Interest across a range of mandate types. Active global equities were most in demand followed by US equities
- Ongoing interest in transparent smart beta at very low fee levels
- Demand for niche strategies within private equity

Liquid diversifying

- Majority of selections by value in alternative beta with diversifying sources of return at a lower cost
- Pick-up in certain hedge fund strategies, notably discretionary and systematic macro which are expected to do well in an environment of greater uncertainty and market volatility

Real assets

- Secure income dominant with defined benefit pensions entering a cash-flow negative phase and looking for security and contractual certainty but at a higher return and income than corporate bonds
- Significant increase in the value of infrastructure selections

Finding asset managers of tomorrow with a long-term competitive advantage

The core tenets of Willis Towers Watson's manager research approach have been remarkably consistent across multiple decades. In pursuit of delivering differentiated investment outcomes for our clients, we seek asset managers capable of demonstrating a long-term competitive advantage.

We believe the endurance component of this quest is often overlooked; people are too quick to select the best recent performer and/or willingly overlook a material vulnerability in an asset management business model or investment team dynamic. Over time we have evolved and augmented how we go about assessing the perseverance of competitive advantages.

We believe long-term competitive advantage is only achievable when managers prioritise culture, diversity, and environmental, social and governance (ESG) alongside performance. And that is why these tenets continue to be our priority areas in 2019.

Culture

In 2018, we took the step to introduce a formal "culture" assessment of asset managers, leveraging a framework developed by the founder of our investment business, Roger Urwin. We have been positively surprised by how much this augmentation to our process and elevation of culture (which involves three pillars: client value proposition, employee value proposition and leadership) has deepened our understanding of asset managers.

A key element of the culture assessment is an attempt to understand the measures taken to build and maintain stable, diverse teams capable of differentiated insight and robust decision-making. Based on our experience, the differentiation and robustness are best achieved by leveraging the competitive advantages afforded by teams comprised of different skills and perspectives – teams that have been painstakingly built. So it is here where we draw the inextricable link between culture and diversity.

Through our work, we have clearly seen strong culture positively impacting an asset manager's long-term sustainability. As such, we will continue to undertake culture assessments, engaging with managers to share our insights into their culture, enact positive changes and ultimately to help improve end outcomes for our clients.

We will be setting definitive targets to ensure that the candidate pool of asset managers that represents the initial universe is more heterogeneous across ownership, portfolio management and investment teams.

We want to work with managers who recognise their responsibility in actively creating and shaping a sustainable future and look forward to engaging further on the opportunities that this brings.

Diversity

The topic of diversity is highly complex. To some it is an issue of beliefs, to others, facts. We feel that a lack of agreement over these important issues can possibly derail progress in this area.

Our slightly more basic and fundamental belief and observation is that our industry isn't doing enough to deal with its lack of diversity. We feel progress in diversity will reap societal benefits and help bring about better outcomes to the savers. So, we must engage ever more on this topic. To help elevate our research efforts in this area we will be asking our preferred asset managers to reveal (or formulate) their plans to improve diversity within their teams. We look forward to engaging with the industry on this topic and sharing how we are applying this initiative ourselves. We feel strongly that this will help to bring about positive change for end savers and, thus, is in all of our interests to devote the requisite time and effort.

We will supplement our high-touch engagement with those asset managers managing our clients' capital with a more rudimentary measure, of conducting initial research on asset managers with attractive I&D characteristics, to stimulate idea generation. Acknowledging that unconscious bias exists, even amongst a manager research team that prides itself on its diversity, we will be setting definitive targets to ensure that the candidate pool of asset managers that represents the initial universe is more heterogeneous across ownership, portfolio management and investment teams.

Sustainable investment

We are strong believers in the importance of embedding sustainable investment, and it's an ingrained part of our research approach. It enhances returns, reduces risk, and crucially helps us serve people and planet better, helping to create a sustainable economy and society. We will not consider entrusting an asset manager with client capital if they are not integrating sustainability considerations within their process, in particular, taking their stewardship responsibilities seriously. But we're also going further. We've recommended investments in specialist strategies that, as well as having attractive return characteristics, have demonstrably positive social and environmental impacts, for example, renewable energy projects, specialist-supported social housing and indoor agriculture. And we'll continue to look for more of these. We've also turned down researching certain strategies specifically because of concerns around sustainability issues.

Lots of organisations in every industry are spending time thinking about their purpose. We believe the bottom line has moved to the triple bottom line – profit, people and planet. Business goals need to benefit clients, employees and society, as well as shareholders. With that in mind, the way we research asset managers has evolved to reflect the impact that the organisation is having on each of these key stakeholders. We want to work with managers who recognise their responsibility in actively creating and shaping a sustainable future, and look forward to engaging further on the opportunities that this brings.

Evolving the way we work

Invest Connect

With your help we have significantly increased the number of firms/products on Invest Connect, our proprietary web-based data collection portal, and as of March 2019 have coverage of all mainstream asset classes with the foundational questionnaires having been completed by nearly 300 firms across 800-plus products. We will continue to improve Invest Connect, grow the coverage and increase types of information captured with the continued aim of the portal being a critical pillar of our manager due diligence and monitoring process. We believe having our own information portal allows us to be more efficient and professional in how we engage with asset management firms.

We combine this information with the manager research team's insights of key characteristics to look for across different mandates to form a summary view of each product, which forms the foundation of our research.

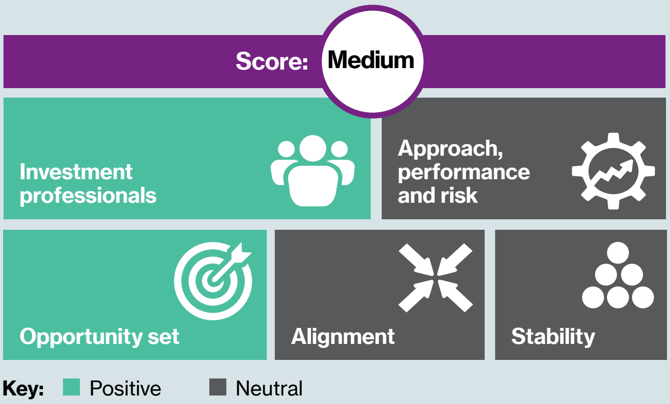
We also expect it to bring potential other benefits, such as:

- Allowing us to efficiently broaden monitoring of products where we have mutual client exposure
- Providing a window for you to input information on potentially attractive new strategies should you wish to do so
- Less ad hoc email and spreadsheet requests from different parts of Willis Towers Watson
- A platform for sharing sensitive and bespoke information

Rating change

We have recently simplified our rating system. We will assign a "Preferred" rating to strategies that are considered to be best-in-class following in-depth due diligence.

Other researched strategies will be assigned a score of High, Medium or Low depending on our view of the strategy's characteristics vs peers.



Source: Willis Towers Watson. For illustrative purposes only.

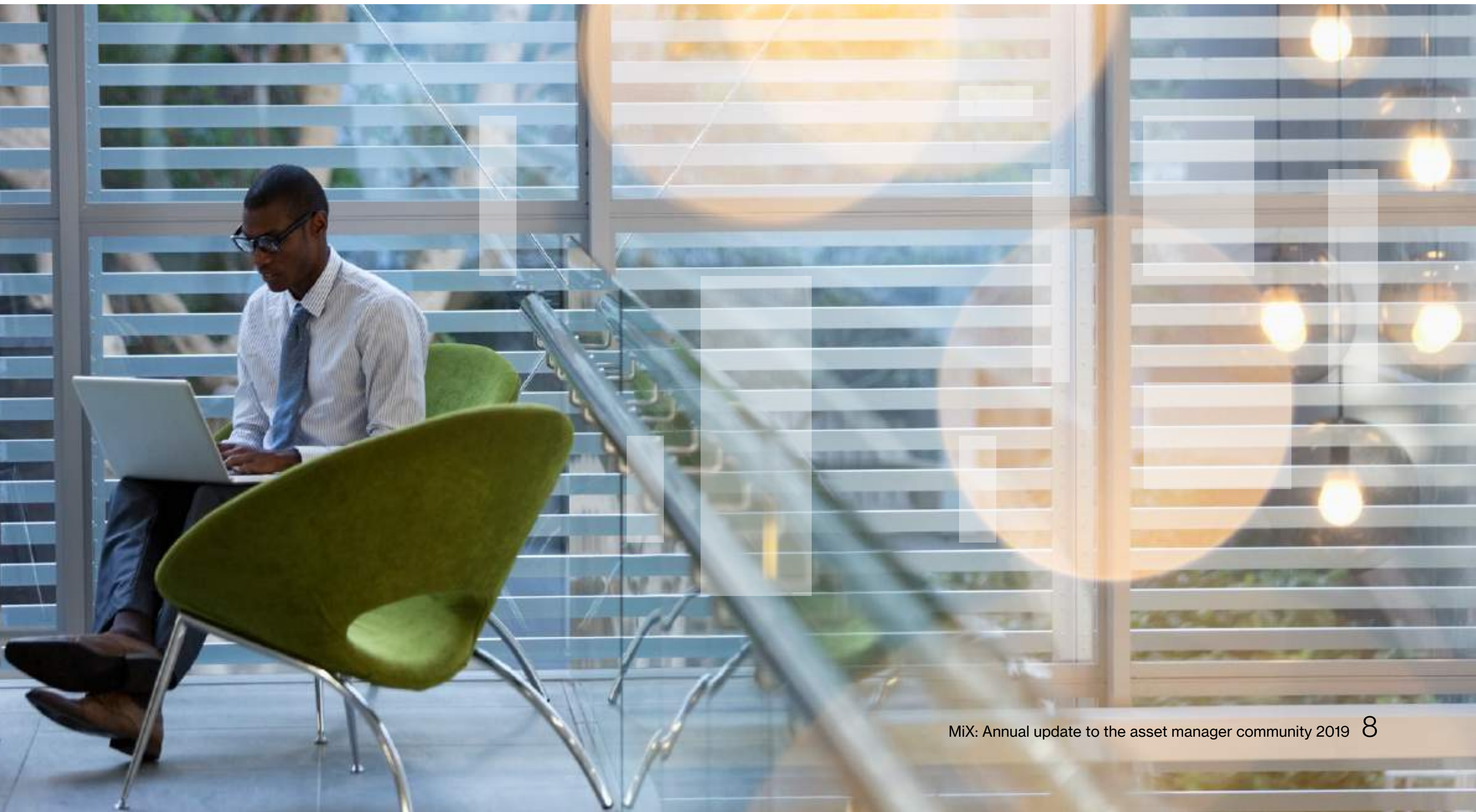
Investment opportunities and areas of focus for 2019

Here we set out a high-level overview of the investment opportunities we are looking for in each area.

Credit

New investment opportunities sought:

- **Private credit:** Continued emphasis on niche opportunities with specialists along with private credit strategies that are diversifying to corporate risk, including real asset and consumer-based strategies. Selectively examining a selection of co-investments from managers we rate highly.
- **Credit hedge funds:** Increasing focus on relative value, lower beta structures as well as specialists in select niches, should capacity grow during the year. Emphasis on structures that are appropriately priced for the alpha targeted.
- **Concentrated high yield:** Highly concentrated (<30-40 bond portfolios) and potentially concentrated leveraged loan portfolios as well, should demand for this grow. Prefer the chance for engagement with managers to create the appropriate structure.
- **Sustainable credit:** We are starting to focus more on sustainable and impact strategies and encourage idea flow on areas of the market or strategies across both liquid and private credit.
- **Re-risking ideas:** Across fixed income, examining ways to capture exposure efficiently in the event of a market sell-off creating attractively priced securities. This applies across corporate and structured credit, examining various vehicle structures to capture upside as efficiently as possible.
- **Emerging markets debt:** Focus on specialism across sovereign debt (across local and developed markets), complemented by hard currency specialists (either aggregate, sovereign or corporate managers). Increasing specialism by country/market to identify high-conviction managers.
- **Global/Non-US debt:** Continuing the search for specialists across markets, such as Australia, should capacity needs increase.
- **US long duration ideas:** Searching for strong portfolio diversifiers to a traditional long credit/government portfolio.
- **Smart beta credit:** Continually looking for high-conviction smart beta managers across the spectrum of fixed income, preferring engagement with managers to discover or jointly create products capturing specific betas complementary to existing exposures.



Equity

New investment opportunities sought:

- **Private equity:** New primary investments with an emphasis on niche opportunities plus a selection of co-investments from managers we rate highly.
- **Long/Short equity:** Identifying new managers on which we can accelerate research should we need capacity during the year. Emphasis on higher idiosyncratic risk and reasonable fees.
- **Concentrated global equity:** Highly concentrated portfolios.
- **Concentrated multi-asset (equity bias):** Concentrated managers with an anchor in equities but with experience investing throughout the capital spectrum.
- **Emerging market equity:** Both concentrated and diversified products.
- **US equity and World ex US equity:** Diversified products for our US DC client base, in particular, managers with established collective investment trust vehicles.
- **Country specific:** Some need for single-country mandates, in particular, China equity.

Liquid diversifying

New investment opportunities sought:

- **Discretionary macro:** Looking for 1-2 new ideas, isolating the skills of the manager, rather than seeking broadly diversified mandates.
- **Systematic:** Multi-strategy systematic fund with low exposure to traditional trend-following models.
- **Multi-strategy/Event:** Ability to isolate the best ideas and niche skills in customised mandates.
- **Alternative beta:** Innovative new strategies with low equity and credit beta, not in traditional factors; particular interest in deconstructing hedge fund strategy return drivers.
- **Multi-asset:** Defined contribution (DC) solutions which are innovative and beyond traditional diversified growth funds, real return funds and risk parity funds.
- **Insurance-linked:** Life insurance solutions.

Real assets

New investment opportunities sought:

- **UK and Euro secure income strategies:** Searching for long-term, inflation-linked, contractual income real asset strategies ideally in less institutionally owned areas.
- **US long-term contractual income strategies:** Such as social infrastructure, triple let leases, and other strategies in niche/less institutionally owned areas.
- **US "alternative sector" real asset sector funds:** For example data centres, towers, health care, student accommodation etc., and other strategies in niche/less institutionally owned areas.
- **Broad risk and whole real asset spectrum:** Looking for co-investment opportunities.
- **Listed real assets:** High active share listed infrastructure strategies.
- **Risk mitigated emerging market real asset strategies:** For example pre-leased real estate developments, renewables on long-term contracts.
- **Opportunistic real assets strategies:** Cautious stance focusing on less leveraged and economically sensitive strategies with an asymmetric risk profile.
- **Asia Pacific core real estate strategies:** Searching for open-end structures, and well-diversified funds, ideally without performance fees.
- **Income-focused natural resource strategies:** For example, royalties or leased-based agriculture.

Operational due diligence (ODD):

Areas of focus:

- Cyber and information security readiness, as well as other IT-related risks including increased automation, AI and blockchain.
- Preparedness for material regulatory events, including Brexit.
- The appropriateness of the culture of the compliance environment.
- Expansion of ODD to critical service providers of asset managers.

ODD will continue to engage with asset managers in the following areas in order to improve best practices and to change investment for the better:

- Controls surrounding cash movements
- Lack of segregation of duties
- Weak compliance frameworks
- Framework for addressing conflicts of interest

Asset research:

Areas of focus:

- **Megatrend disruptors:** Identifying the value of disruptive opportunities that mega and micro-trends could generate for asset owners, the economy, business and society. Implementing risk mitigation strategies and targeted investment opportunities.
- **Climate:** Technology disruption and resource economics combine with portfolio strategy for practical investment solutions in the areas of clean energy, resource efficiency and a circular economy.
- **Blended finance:** How to address the sustainable development goals infrastructure funding gap and create opportunities to increase exposure to sustainable infrastructure while benefiting from downside protection through blended finance.
- **Guiding and measuring stewardship:** Setting a bar for companies that is good, not less bad.
- **Global economy and markets:** Identifying and managing systemic risks.
- **Investing in China:** The macro- and micro-portfolio strategy case for investing onshore in China.

Thinking Ahead Institute

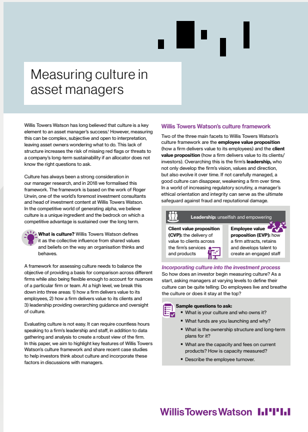
Research focus:

- **The asset classes of tomorrow:** The investment opportunity set is changing. Private equity is growing, in part, due to an increasingly intangible economy. Capital account liberalisation of the world's second largest economy is bound to draw many institutional investors to Chinese onshore capital markets. To support global economic growth and address the risk of climate change, institutional investors need to play a big role in addressing the infrastructure investment gap. What do these changes mean for institutional investors over the years and decades to come?
- **Total portfolio approach (TPA):** Asset owners are being moved by two overlapping strands: a 'hard' strand around the organisation's investment model; and a 'soft' strand around the organisation's governance, culture and people model. A successful TPA will require a number of these themes to be brought together and applied.
- **Sustainability impact:** Our work focuses on equipping and mobilising investment organisations to have a holistic and actionable understanding of the impact of their investment decisions on wider society and the planet, as well as on value creation, through providing easy to navigate tools and guidelines, enabling better alignment of mission and broadening the focus of measurement.
- **Defined contribution:** Although choice architecture is a valuable tool in plan design, nudging is not enough. Plan members need to be engaged if better decisions are to be made about contribution rates, post-retirement choices and risk management. This work stream reviews the state of play in major markets around the world and how technology is enabling more effective segmentation and customisation to individual circumstances.

- **Universal ownership:** By our assessment, at least seven major investment organisations have declared themselves to be universal owners. We expect this number to grow. A full understanding of this area would require multiple lenses, including values and beliefs, perceived advantages, fiduciary duty considerations and sustainability.

For more on Thinking Ahead Institute please see page 14.

A selection of our latest thought leadership



Stewardship: One hand on the wheel

What investment activity, when done well, can mean potentially improved outcomes for everyone: better returns for investors, better run companies, better controlled societal and environmental footprints – all while seeking to be cost-effective?

The answer is stewardship – where asset managers or asset owners engage and vote to positively influence assets they invest in. In 2009, referring to the global financial crisis, Lord Myners suggested institutional investors were "asleep at the wheel" when it came to stewardship. Perhaps it is now fair to say investors have one hand on the wheel, at least amongst some of the biggest asset managers and asset owners.

While improvements have been made, stewardship activities still account for a small fraction of asset management industry activities. This paper identifies five catalysts for an acceleration in progress: resources, clarity, voting, collaboration and leadership. Via these levers we call for more progress to be made in various subject areas ranging from board quality – for example the processes of independent directors – to climate risk where initiatives can lack sufficient urgency or depth.

For more information
Please contact Stephen Miles or Amandeep Shihn.

Measuring culture in asset managers

Willis Towers Watson has long believed that culture is a key element to an asset manager's success. However, measuring this can be complex, subjective and open to interpretation, leaving asset owners wondering what to do. This lack of structure increases the risk of missing red flags or threats to a company's long-term sustainability if an allocator does not know the right questions to ask. Culture has always been a strong consideration in our manager research, and in 2018 we formalised this framework. The framework is based on the work of Roger Urwin, head of investment content at Willis Towers Watson. In the competitive world of generating alpha, we believe culture is a unique ingredient and the bedrock on which a competitive advantage is sustained over the long term.

In this paper, we aim to highlight key features of Willis Towers Watson's culture framework and share recent case studies to help investors think about culture and incorporate these factors in discussions with managers.

For more information
Please contact Nimisha Srivastava or Luba Nikulina.

Visit our website to view the relevant papers.

Hedge funds: A new way

Hedge funds have witnessed a growing tide of negative sentiment directed at them, driven by a lengthy period of lacklustre returns coupled with hefty fees. We believe hedge funds continue to have competitive advantages relative to larger institutional asset managers, which result from their largely unconstrained investment mandate. They can be more dynamic, hire the brightest investment talent and should be less influenced by underlying market returns. Consequently, a hedge fund portfolio can potentially generate strong performance and complement a total portfolio.

In this paper, we take a look at the hedge fund industry and share how we have designed a new way – a way that combats the structural headwinds facing the industry by isolating specialist skill, designing appropriate solutions to fit in with the wider portfolio and negotiating value for money. We believe that this new way allows hedge fund portfolios to help deliver returns, improve portfolio balance and ultimately justify their inclusion in our clients' portfolios.

For more information
Please contact Chris Redmond or Sara Rejal.

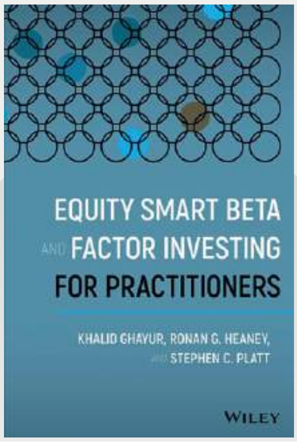
Finding value in private debt

In 2015 Willis Towers Watson highlighted the opportunity to play the role of "good bank" in private debt markets in the article "Illiquid credit – playing the role of a (good) bank." Until this point, adoption by institutional investors had been fairly muted. Fast forward to today and we believe investors are now increasingly familiar with private debt, with adoption more widespread – as illustrated by record levels of new fundraising. We feel the asset class is simply too big and too important to ignore. However, with the market increasingly diverse and growing rapidly, it is not easy to understand its complexities. This is why we believe the majority of institutional investors have concentrated their activities in mid-market corporate direct lending. We think this approach is much too constraining.

In this paper, we continue to advocate for an approach that looks to exploit the full breadth of private debt markets and is sufficiently flexible to direct capital towards areas seeking to offer the most attractive risk-adjusted returns. We set out key principles we believe should guide investors when looking to make potential returns in private debt and also shares investment examples.

For more information
Please contact Chris Redmond, Gregg Disdale or Nimisha Srivastava.

Visit our website to view the relevant papers.



Considering Chinese assets: A valuable portfolio building block?

China is one of the world's most dynamic economies and, measured in many ways, its importance on the global stage is expanding. The liberalisation of China's capital account means that today, international institutional investors have the chance to access a new set of financial assets that were not previously part of their opportunity set. Whilst there are many merits to introducing Chinese assets to a portfolio, like with all investment strategy decisions, these should be considered alongside the associated risks. We believe that Chinese assets offer compelling diversification benefits given their low correlation to developed markets and, similar to their global counterparts, should offer a reasonable set of risk premia, conditioned on pricing at any point in time.

In this paper, we take a look at the why, when and how institutional investors can include Chinese assets in their portfolios to improve portfolio efficiency and diversification.

Visit our website to view the full report.

For more information
Please contact Tom Brooke-Smith or David Hoile.

Equity smart beta and factor investing for practitioners*

As early pioneers of the smart beta concept, we were privileged to contribute to a new book* on the subject. The book gives a comprehensive review of the smart beta landscape, its history and current state of play. Our contribution focuses mainly on the often-overlooked perspective of the asset owner. We set the broad scene in which asset owners (for example, pension funds and endowments) should operate, articulate the issues they face, and highlight some new challenges when using smart beta concepts and products.

We also explore how smart beta is currently evolving and will likely evolve in the future. Smart beta has come a long way since its origins, particularly over the last five to 10 years. We have been surprised by the level of interest and (heated) debate on the subject, which we see as a good thing. Smart beta has shaken the investment industry. It has introduced new options for portfolio allocation and management for asset owners and challenged existing business models for asset managers. We see many positive aspects to smart and alternative beta, but do not claim it as a 'free lunch', particularly in governance terms. Asset owners also need to carefully consider their beliefs before venturing forward.

For more information
Please contact Phil Tindall or James Price.

**Equity Smart Beta and Factor Investing for Practitioners*, Khalid Ghayur, Ronan Heaney, and Stephen Platt, Wiley Publishers, ISBN: 978-1-119-58322-6.

Thinking Ahead Institute

Willis Towers Watson

The asset managers of tomorrow

How can asset managers meet the needs of asset owners in the Great Acceleration?

Highlights include:

- **Culture** will be a big differentiator in determining the successful asset management firms of the future, notably in the area of diversity and inclusion. Successful firms will recognise that culture is central to the attraction and retention of talent – the motivational forces that inspire strong performance and, ultimately, the creation of value. They will be best placed to most effectively deal with disruptions, given a positive cultural mindset in being prepared for change.
- The biggest **disruptions** that pose the most challenge and opportunity for the investment industry include:
  - Margin and growth headwinds for investment firms
  - Data, technology and artificial intelligence evolution
  - Changes to the industry value chain configuration through employing new strategic relationship models
  - New fee models and pressures
- The increasing need for more asset managers to **innovate** in multi-asset methods and solutions, implying changes of emphasis, notably with benchmarks-based approaches giving ground to goals-based approaches, and strategic asset allocation giving ground to total portfolio approaches (TPA):
  - Total portfolio thinking is leading a quiet revolution in investment strategy practice through being far more dynamic and goals-oriented. The edge in TPA over traditional thinking based on benchmarks is potentially very large.
  - In most situations the fulfilment of this potential will require meeting governance, behavioural and cultural challenges as much as the mastery of the technicalities.

The asset owner of tomorrow identifies six key areas of focus:

1. **Strong culture.** While recognising one size does not fit all with culture, asset managers crave a culture of professionalism in which commitment to competency and client loyalty are the defining values.
2. **Technology commitment.** A commitment to the considerable time and money necessary to introduce better technology.
3. **Technology-savvy leaders.** This is a very human craft with T-shaped people – well qualified all-rounders – particularly suited.
4. **Well-positioned business models.** Firms need to align themselves to benefit from the new trends in asset management in which the biggest growth area is in investment solutions.
5. **Recognition of comparative advantage.** Firms need to be good at knowing what they are good at. And outside that, collaborating with or outsourcing to partners.
6. **Dealing with change.** This involves the ability to step away from legacy systems and thinking and to reject the natural temptation to deny the problem.

Thought leadership from the Thinking Ahead Institute

Culture – the impact of culture on institutional investors

Culture is a unique ingredient in the struggle for competitive advantage among institutional investment organisations. There are ways for culture, including diversity and inclusion, to be managed and developed over time but it takes focus, patience, leadership and process.

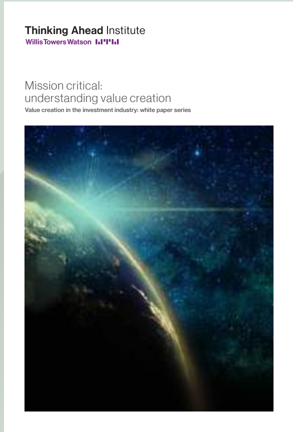
This paper concludes that there is considerable need for cultural improvement in the industry, and the obsessive preoccupation with investment performance over short-term periods has not produced sustainable value. It states that we measure what we do because we can, but we can measure more than what we currently do. And the understanding and assessment of so-called 'soft' or intangible factors, like culture, represent a key step forward for institutional investors.

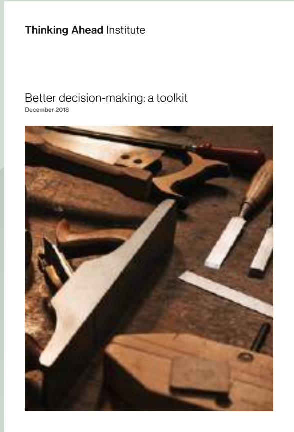
As a member of the Institute, Willis Towers Watson has integrated this thinking into its manager research and selection criteria.

Sustainability beliefs and toolkit

The Thinking Ahead Institute has developed a new measurement tool and peer group benchmark to promote uptake and measurement of sustainability beliefs in the industry. The tool has been used by 43 investment organisations so far, allowing them to score the strength of their beliefs and compare them to a peer group. In addition, the beliefs-to-action member workshop builds on this foundation to create more effective sustainable investment processes.

As a member of the Institute, Willis Towers Watson has integrated this thinking into its manager research and selection criteria.





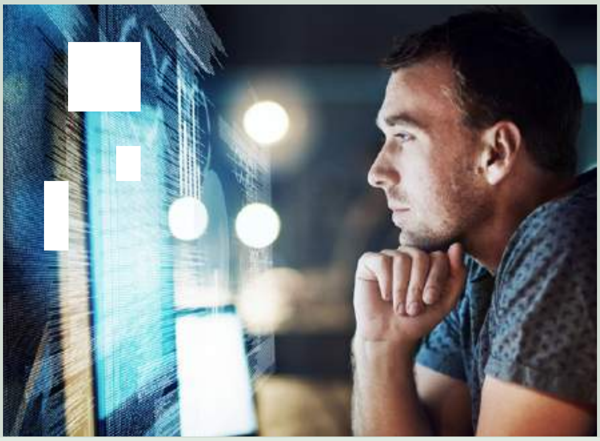
Mission critical: understanding value creation

In this paper, the Thinking Ahead Institute makes an explicit call on organisations to recognise the wider impact of their actions. It is framed and summarised as follows: while investment and fiduciary duty has been framed as a two-dimensional problem (risk and return), it has always been a three-dimensional problem of risk, return and impact.

Better decision-making: a toolkit

This paper explores the central role that decision-making plays in the institutional investment process, where most investment professionals would express at least some dissatisfaction with both the process and the outcome of key decisions. It follows an earlier paper, “How to choose”, that describes the challenges and identifies two key areas for improvement: the use of technology/machines and the mechanics of groups.

This paper explores a range of possible responses to these challenges, focusing on those facing decision-making groups, such as investment committees and management committees. This research includes practical tools for improving decision-making at all levels of an organisation and has been used by Willis Towers Watson’s Global Portfolio Management Group.



Fundamental return attribution methodology
(not yet publicly available)

This paper describes a new attribution and monitoring framework that breaks down a portfolio's returns into those resulting from changes in market sentiment and those resulting from growth in the intrinsic value of the portfolio. The framework allows the evaluation of an investor's decisions to be based not only on market value returns, but also on changes in the fundamental attributes of the portfolio over time. This is intended to promote a longer-term outlook, and to enable an improved dialogue between asset owners and asset managers. Specifically, it broadens the portfolio review discussion away from an exclusive focus on short-term performance towards the asset manager's decision-making and the health of the portfolio.

Join the Thinking Ahead Institute

The Thinking Ahead Institute is inviting investment organisations around the world to join over 40 other asset owners and managers, who have already joined, to help shape their future and the future of the industry.

The Institute was established in 2015 as a not-for-profit research and innovation membership group, made up of engaged institutional asset owners and asset managers, to change the investment industry for the benefit of the end saver.

It is rooted in the firm belief in the value and power of thought leadership, research and collaboration, and is focused on: better organisational effectiveness (stronger purpose and better governance), better investment strategies (outcome-focused), and strengthened societal legitimacy (building trust).

In order to achieve this the Institute carries out original research; works with member organisations through workshops, tools, research working groups and events; and argues for change in the broader industry. Significant areas of research include: a more effective defined contribution system, long-horizon investing, sustainability and the future of the investment industry.

Being part of the Institute means being at the forefront of influencing new investment thinking and being connected to people from all corners of the investment world to harness the ideas that lead to solutions for investors' real-world problems.

The Institute is funded by member subscriptions and Willis Towers Watson.

For more information
If you would like more information please visit:
www.thinkingaheadinstitute.org
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Thinking Ahead Institute

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