

A 10 billion person planet: Investment challenges and opportunities

Katy Thorneycroft

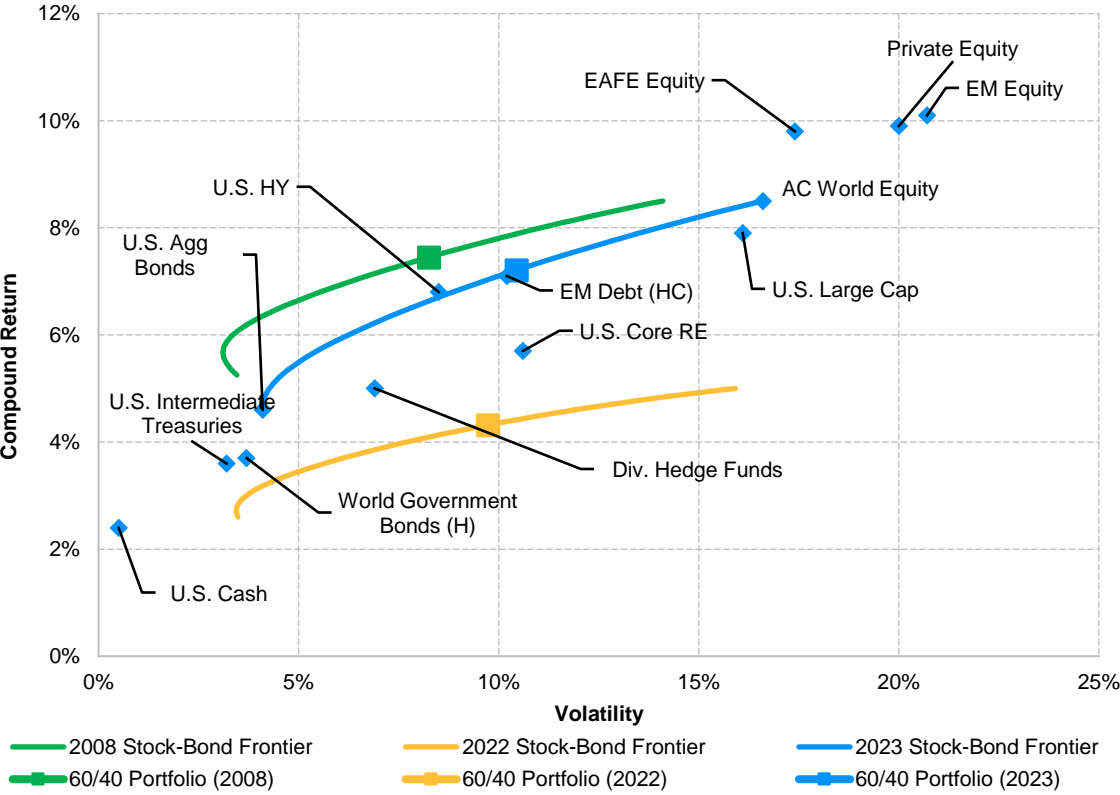
International CIO of Multi-Asset Solutions at J.P. Morgan Asset Management

June 2023

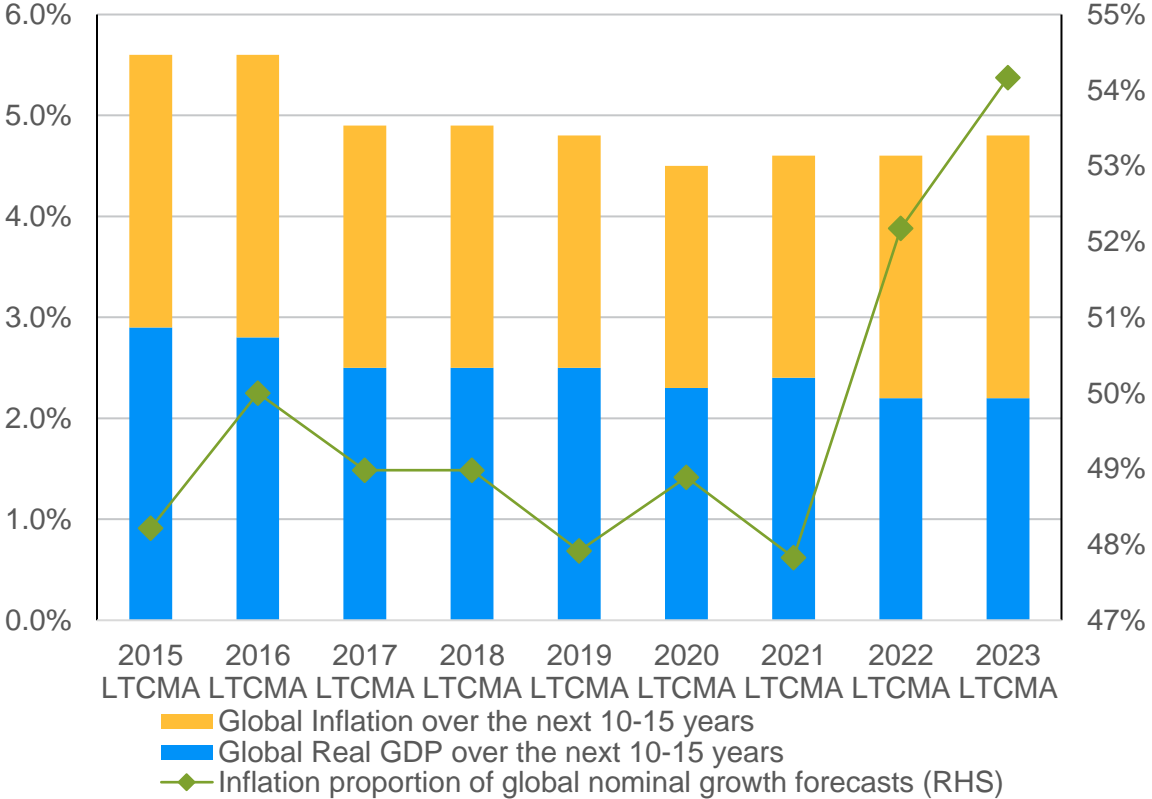
Our 2023 LTCMAs forecasted the best prospective returns for multi-asset investors in a decade

Underpinned by a reset in valuation in public markets and a resilient global economy

Stock-bond frontiers: 2023 vs. 2022 and 2008 (USD)



Forecasts for Trend Growth remains stable

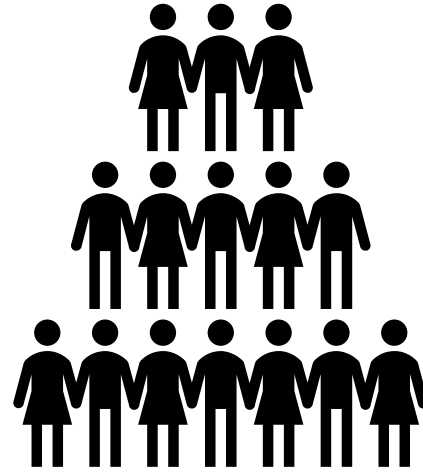


Source: J.P. Morgan Asset Management; estimates as of September 2021 and September 2022 *EM = Emerging Markets; DM = Developed Markets. Forecasts are not a reliable indicator of future results. Opinions, estimates, forecasts, projections and statements of financial market trends are based on market conditions at the date of the publication, constitute our judgment and are subject to change without notice. There can be no guarantee they will be met.

Why do we care about population growth?



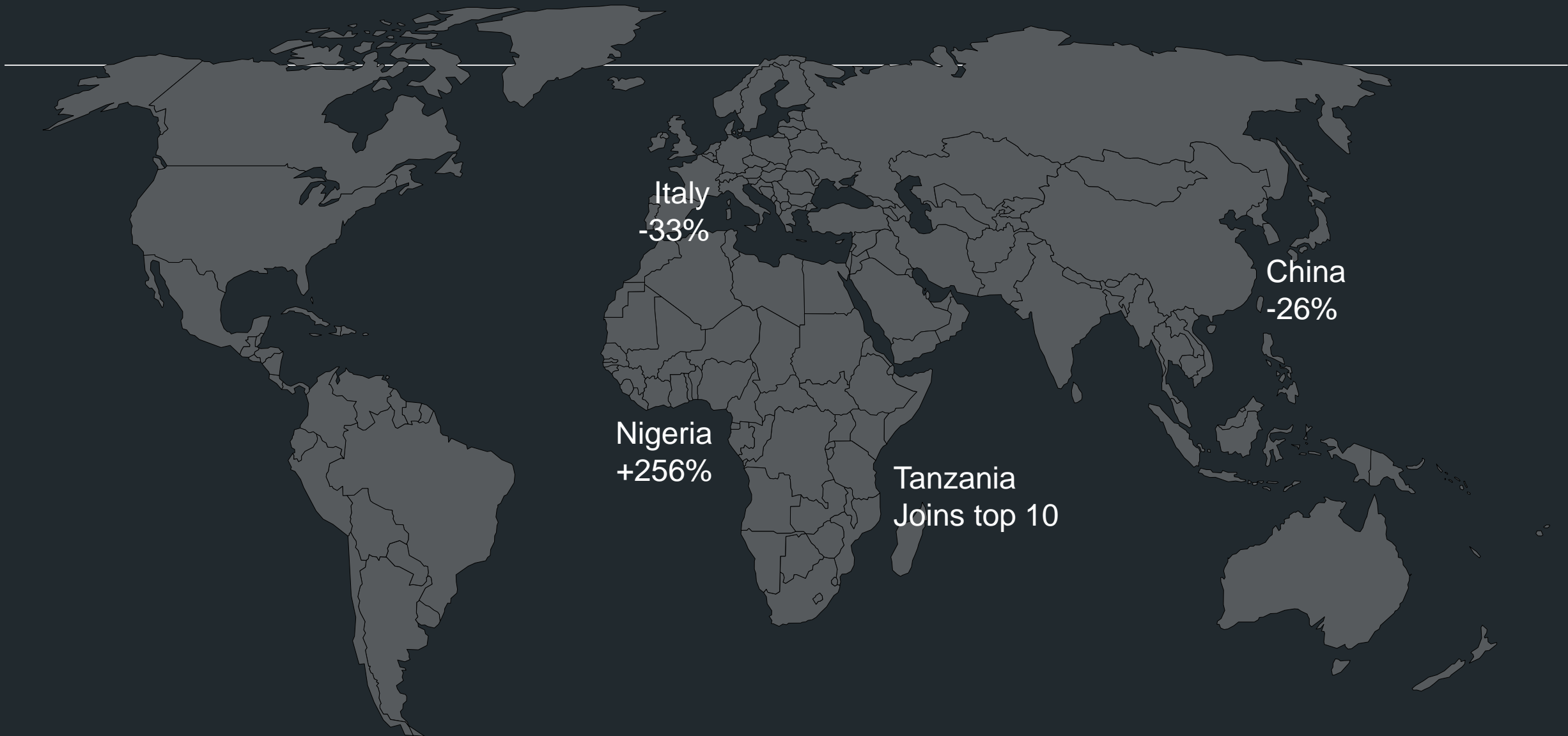
2022: 7.8 billion



2056: 10 billion



Source: J.P. Morgan Asset Management as at June 2023. Forecasts are not a reliable indicator of future results. Image source Stocksy.



Source: United Nations Population Division, World Population Prospects 2019, shows population change 2020 to 2100.

Where we see population growth around the world

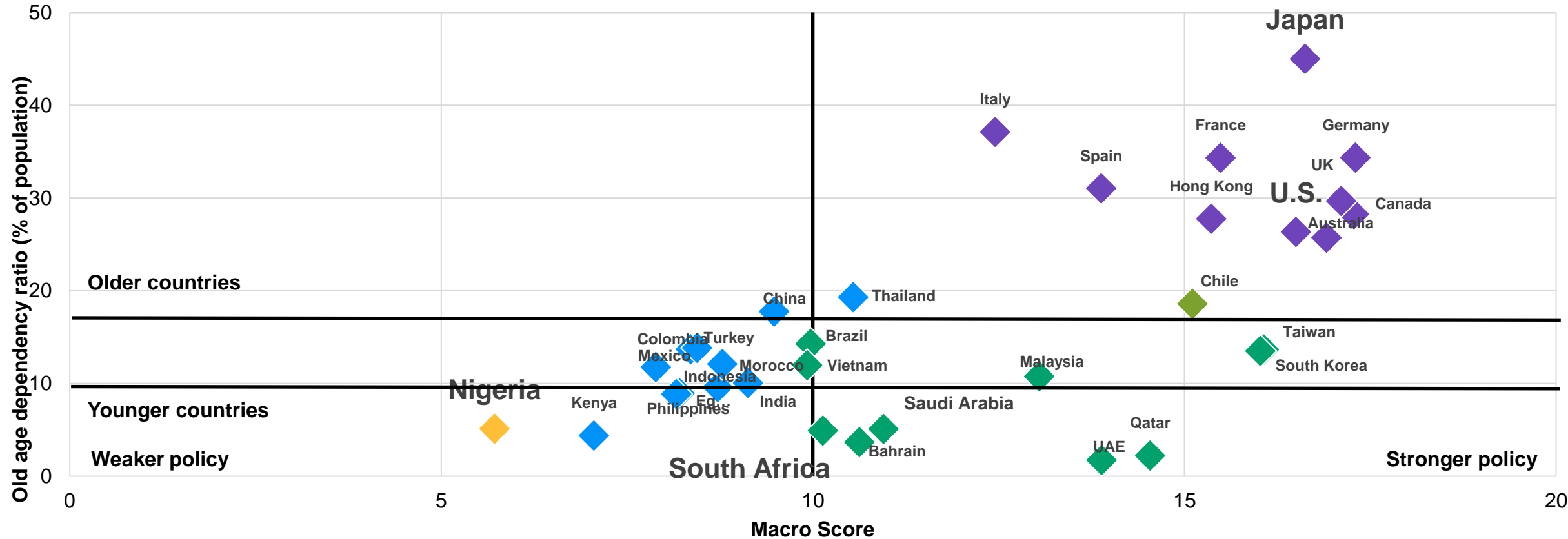
Different economies face different dynamics over the coming decades

Older		Average		Younger	
Australia	Italy	Brazil	Turkey	Bahrain	Saudi Arabia
Canada	Japan	Colombia	Vietnam	Egypt	South Africa
Chile	Spain	India		Indonesia	UAE
China	Taiwan	Malaysia		Kenya	
France	Thailand	Mexico		Nigeria	
Germany	United Kingdom	Morocco		Philippines	
Hong Kong	United States	South Korea		Qatar	

Source: World Bank, J.P. Morgan Asset Management, data as at December 2021. Old-age dependency ratio is the number of people aged 65-plus per 100 people of working age (16-64).

Economies with a younger population, good macro governance and education look set to harness the demographic dividend

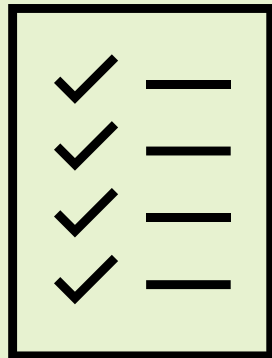
Macro score vs. old age dependency ratio (% of population)



Source: Heritage, Penn World Table (PWT), Transparency International, World Bank Governance Indicators (WGI), J.P. Morgan Asset Management, as at September 2022. Old age dependency ratio is the number of people aged 65+ per 100 people of working age (ages 20-64). Macro score is based on J.P. Morgan Asset Management country-level analysis. It is a blended governance and education score based on 40% WGI Rule of Law (measures the extent to which agents have confidence in and abide by the rules of society), 20% Index of Economic Freedom (measures jurisdictions against each other in terms of parameters such as trade freedom, tax burden, judicial effectiveness, and more), 20% Corruption Perception Index (measures how corrupt each country's public sector is perceived to be), 20% PWT Human Capital Index (measures average years of schooling and an assumed rate of return to education). Score components as of Heritage (2021), PWT (2021), WGI (2021).

Other factors: corporate governance and migration dividend

Corporate Governance

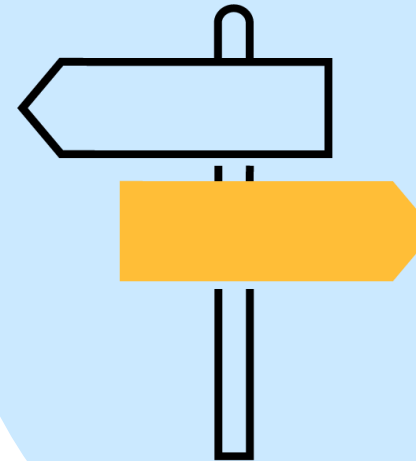


Management effectiveness

Risk Management

Investor focus

Migration



Motivation

Remittance flows

Institutional strength

For illustrative purposes only.



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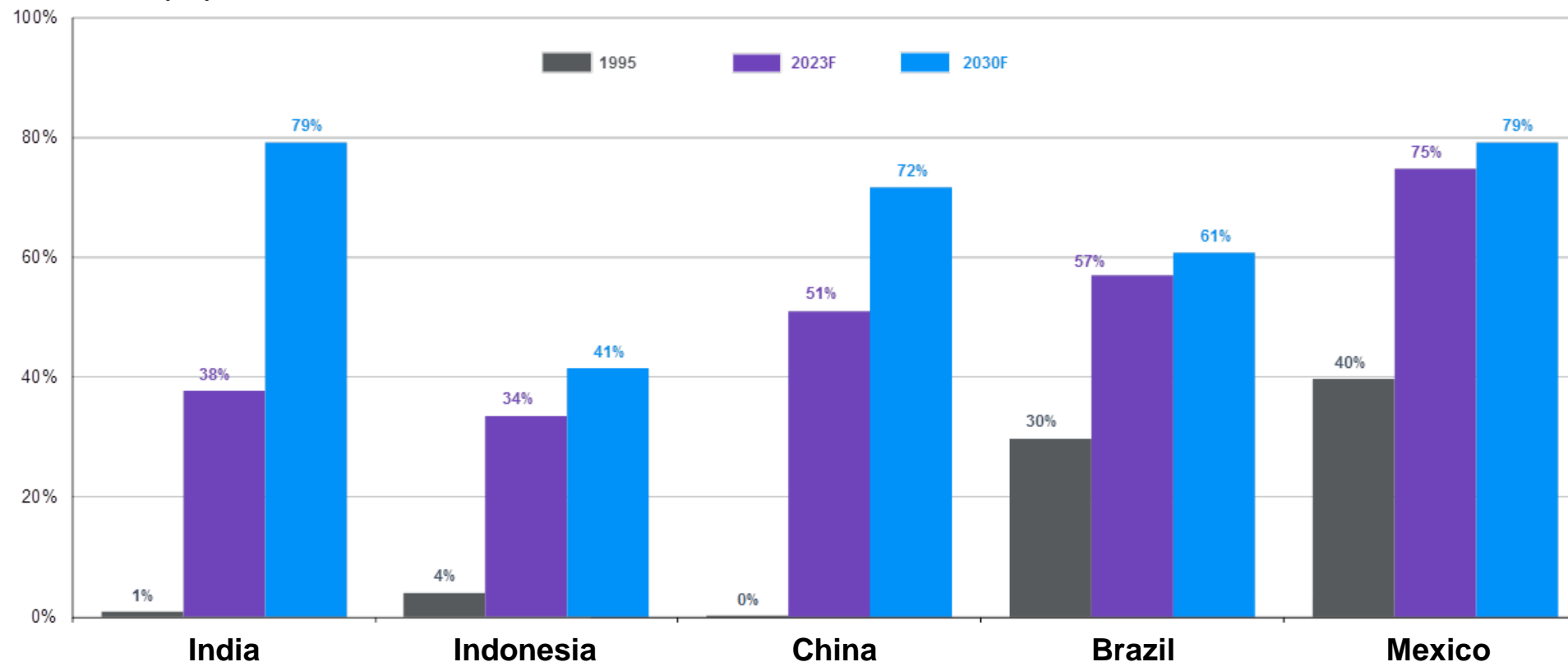


By 2050 we will require the equivalent of three planet earths to feed our population

A growing consumer market potentially benefits consumer sectors

Growth of the middle class (1995-2030F)

% of total population



Source: Brookings Institution, J.P. Morgan Asset Management. Estimates for regional contribution are from Kharas, Homi. The Unprecedented Expansion of the Global Middle Class, An Update. Brookings Institution, 2017. Middle class is defined as households with per capita incomes between USD 11 and USD 110 per person per day in 2011 PPP terms. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated.

Guide to the Markets – U.S. Data are as of June 14, 2023.

Investment implications

The demographic themes has a broad range of potential portfolio implications



Emerging Market Equity Allocation

A demographic dividend can justify the inclusion of Emerging Markets in the Strategic Asset Allocation



Single Sector and Country Solutions

Opportunity to add value through strategic and tactical allocation decisions

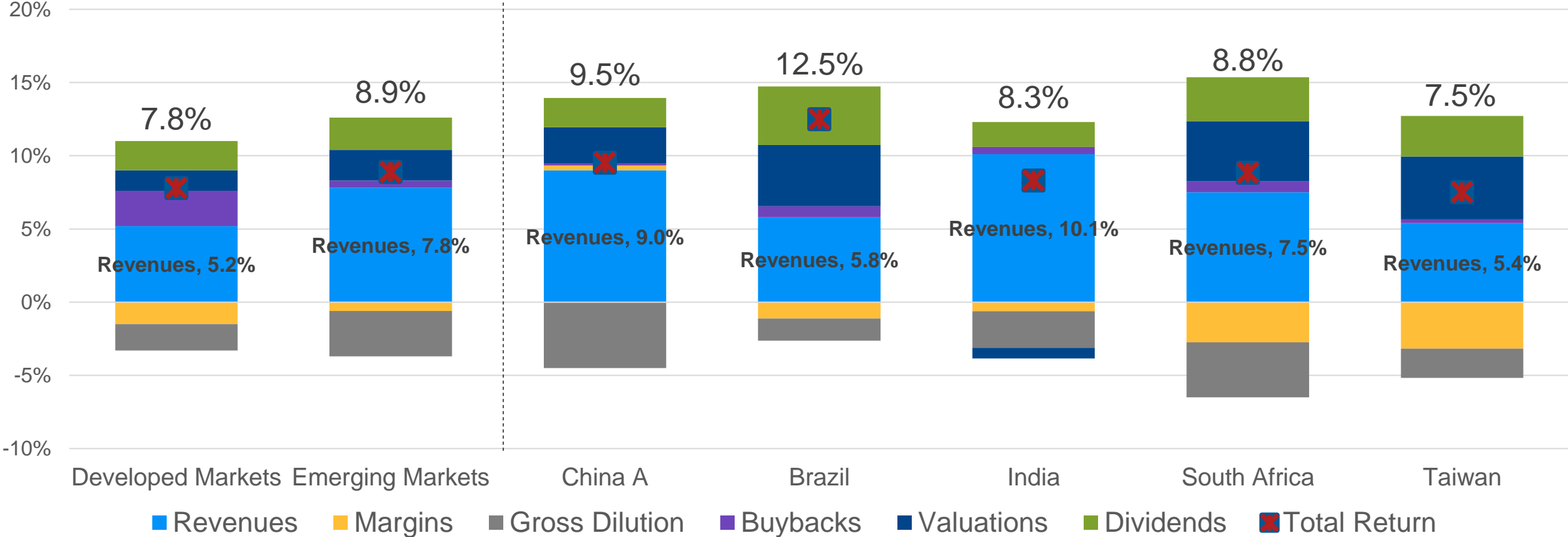


Infrastructure, Real Assets & Sustainable Solutions

Significant investment needs represent a source of additional return and portfolio diversification

Emerging Markets equity returns underpinned by superior revenue growth

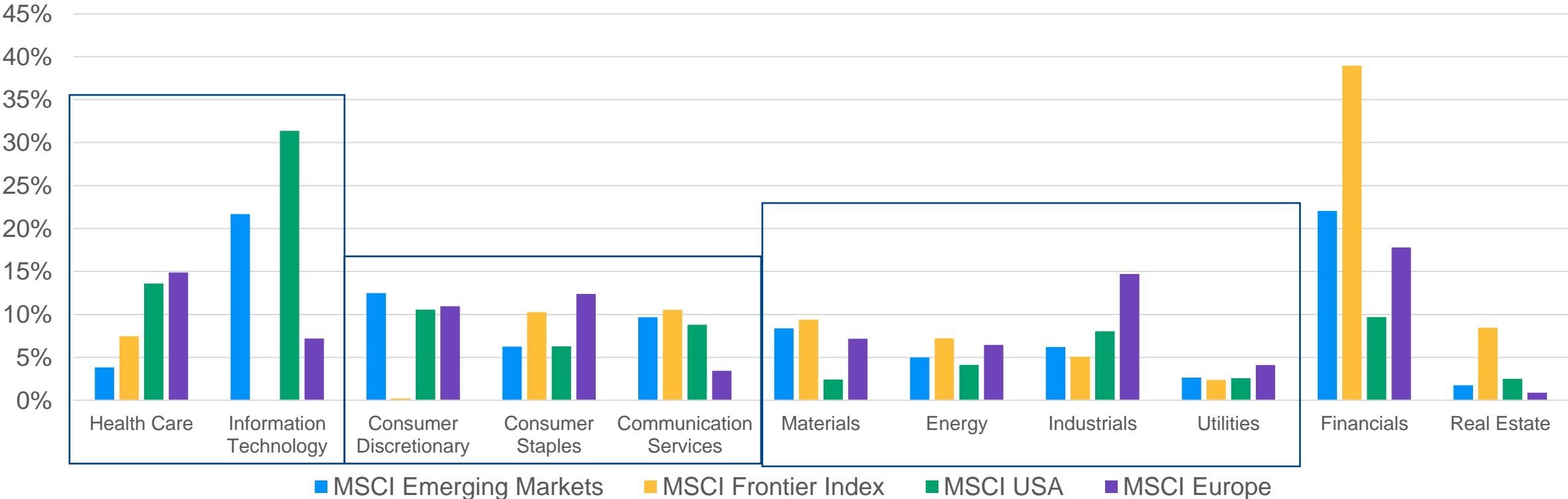
JPMAM LTCMA 2023 Equities Returns, in local currency



Source: J.P. Morgan Asset Management; data as of September 2021 and September 2022. Components may not add up to totals due to rounding.

Sector-based frameworks can be used to refine targeted exposures

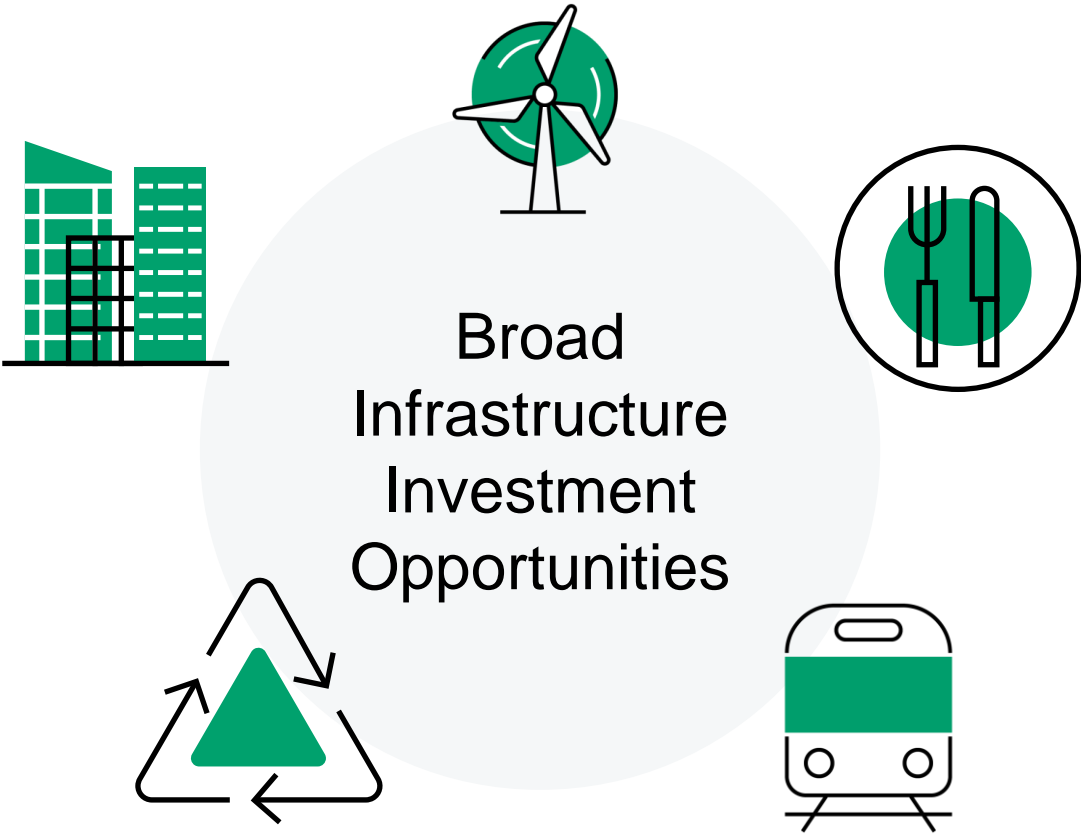
Global Equity Sector Weights % of Total Global Market Cap



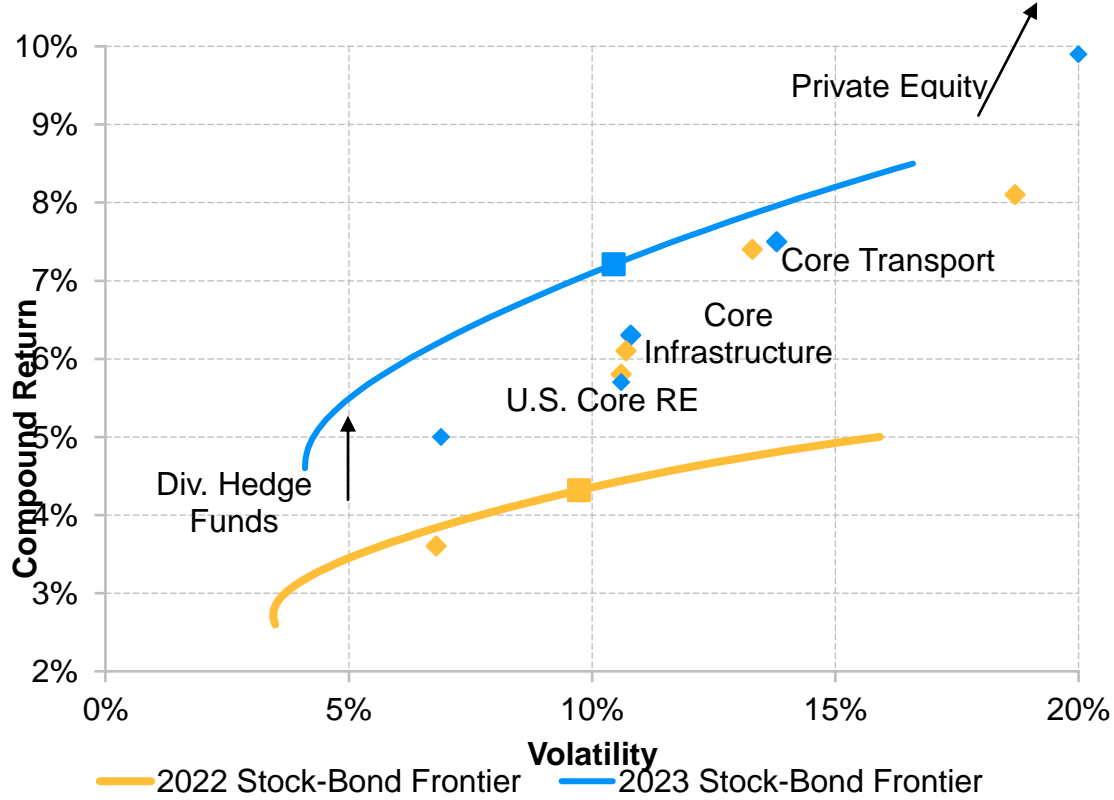
Source: MSCI, J.P. Morgan Asset Management, as at 31 May 2023.

Infrastructure and Real Assets are direct beneficiaries of these themes

Offer the potential for alpha, inflation protection and diversification in a multi-asset context



Stock-bond frontier (USD) with selected alternatives assets



Source: Burgiss Private iQ, J.P. Morgan Asset Management; data as of September 2022.

In conclusion

- **Long-Term Return Forecasts** – *we believe the next decade will be fruitful for long-term investors, underpinned by a robust global economy*
- **10 Billion planet** – *World population growth promises an expanding labour force and new consumers, but will require substantial investment*
- To benefit from a country's demographic dividend, investors need to consider policy and governance frameworks as well as population trends
- Emerging Markets retain a role within a diversified Strategic Asset Allocation, but investors can be increasingly focused and granular within this allocation
- Investment opportunities abound in both EM and DM in areas including infrastructure, real assets and ecology/sustainability. These assets can offer appealing characteristics in a multi-asset portfolio

Source: J.P. Morgan Asset Management as at June 2023. Opinions, estimates, forecasts, projections and statements of financial market trends are based on market conditions at the date of the publication, constitute our judgment and are subject to change without notice. There can be no guarantee they will be met.

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