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Investing for a
world of change

Global Investment Conference

The next decade |
What's required in practice?

Iain Cunningham
June 2023






Our macro framework encompasses two time horizons

Structural macro themes
(5+ years)

Investment roadmap
identifying structural tailwinds
and headwinds to asset classes

Cyclical macro analysis
(6-18 months)

Identification of cyclical
trends and implications for
markets focused on policy,
growth, and inflation



“I can’t change the direction of the wind – but I can adjust my sails to
always reach my destination...”

Jimmy Dean



Five major themes shaping the future of the global economy

Road to 2030





Major themes of the last financial cycle

Major thematic changes

China's rise



- China's economy – **transitioned from fixed asset investment to consumption growth**
- Placed downward pressure on growth

Debt



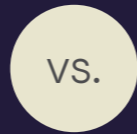
- **US households deleveraged** majorly post the GFC
- **European governments enacted austerity**

Demographics



- **Working age population growth slowed sharply** across the US and Europe

Material decline in resource & capital intensity vs. the 2000's financial cycle



Overinvestment in resources over the past decade

Macro & market implications

1
Notable headwinds to growth and inflation

2
Allowed for a extended period of easy money

3
Lower asset correlations

4
Equity multiple expansion and tech / asset light leadership

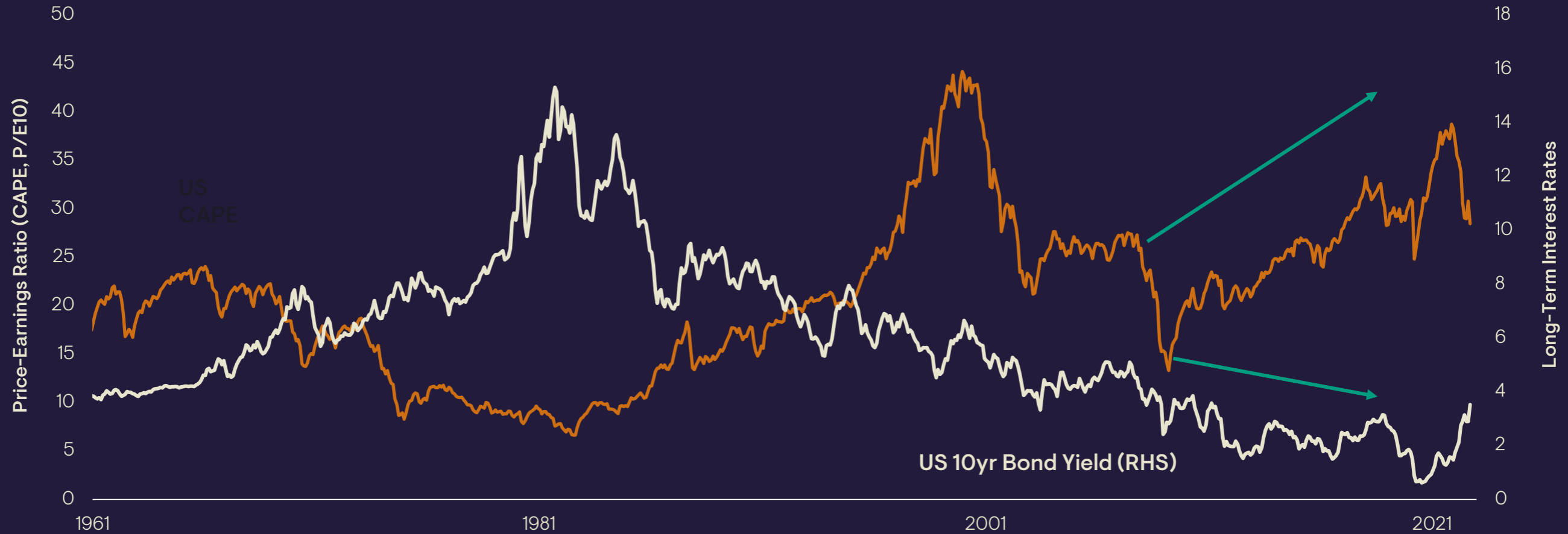
5
Long synchronised DM cycle and a shorter volatile Chinese cycle



A major tailwind for returns over past decade

The impact of the last cycle's major macro forces

Valuations of US equities and bonds*



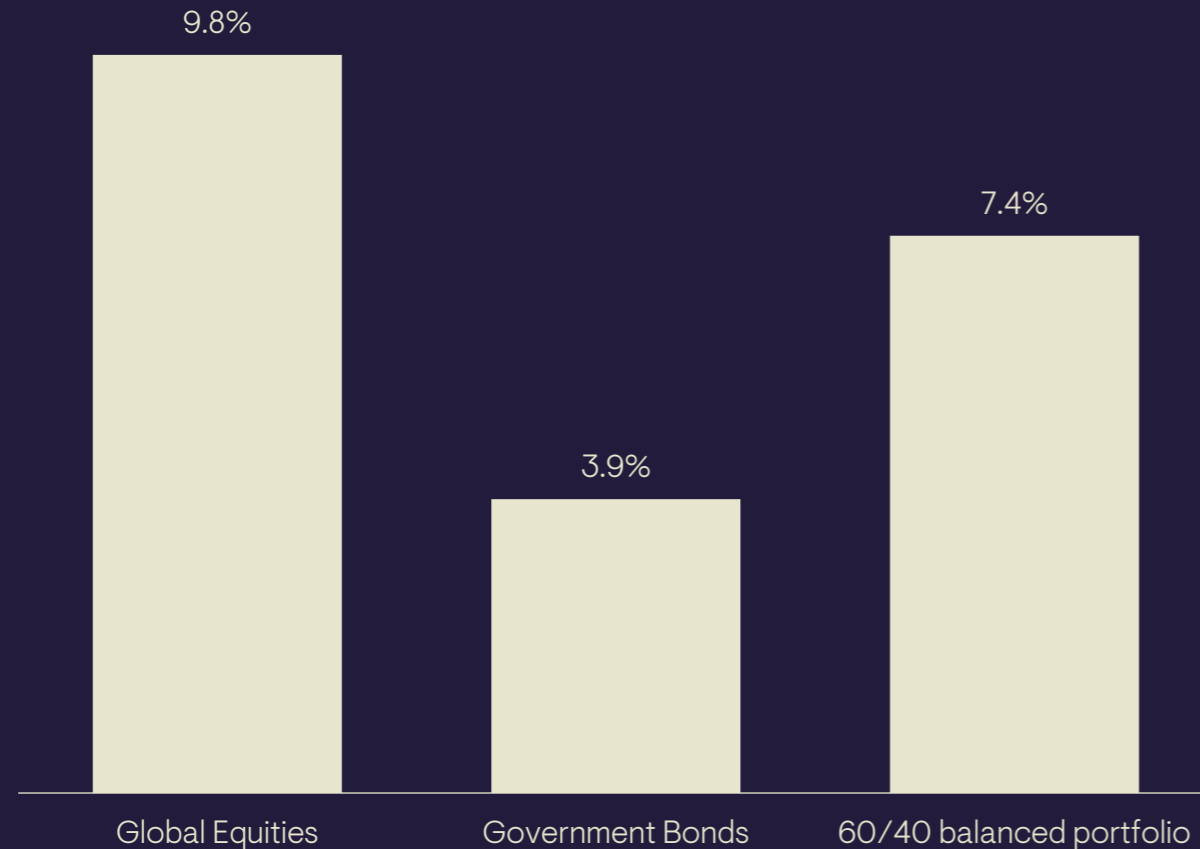
*Source: Ninety One, Bloomberg, as at 30 September 2022. www.econ.yale.edu/~shiller/data.htm. CAPE: Cyclically Adjusted Price Earnings Ratio.



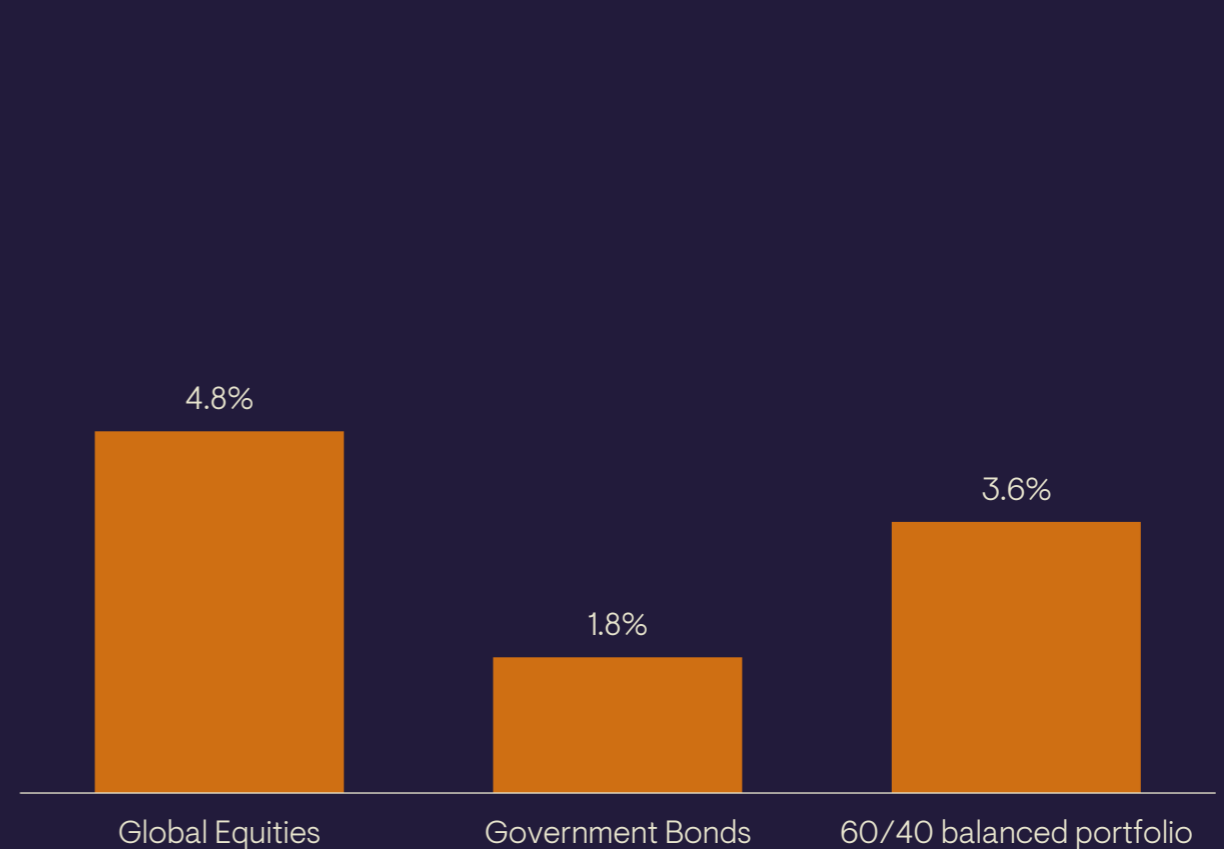
60/40 portfolio – Classical model faces challenges today

Likely a low returning environment over the next decade


10 year historic return outcomes
(2010-2020)



10 year forecasted return outcomes
(31 March 2023-2033)



Source: Source: Ninety One proprietary capital market assumptions as at 31 March 2023. Historic returns shown for the period 1 January 2010 to 31 December 2019. Estimates are nominal, hedged into USD, gross of fees and ignore alpha. The returns are converted from logarithmic to geometric estimates. Modelling involves risks, assumptions and uncertainties. These estimates reflect the view of Ninety One's multi-asset team, while the views of other teams across Ninety One may differ. Performance does not guarantee future results. Actual returns could be materially higher or lower than projected. For information on our Capital Markets Assumptions methodology, please see Important Information.

A large flock of pink and white flamingos is wading in shallow water. The birds are scattered across the frame, with some in the foreground and others in the background. The water is a dark, deep blue. In the bottom right corner, there is a large, solid red geometric shape that overlaps the image.

Managing global
portfolios today –
What's required in practice?



Major themes of the next financial cycle

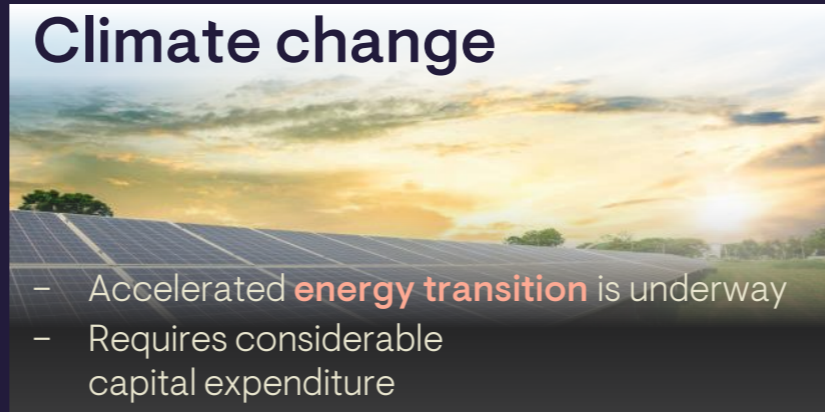
Major thematic changes

China's rise



- US response is increasing geopolitical risk
- Driving **deglobalisation** & **defence** spending

Climate change



- Accelerated **energy transition** is underway
- Requires considerable capital expenditure

Demographics & Debt



- **US households** deleveraging cycle complete
- **Millennials** in household formation lifecycle stage

A material increase in resource & capital intensity over the next decade

vs.

Significant underinvestment in resources over the past decade

Macro & market implications

1

A higher and more volatile inflation impulse

2

Increased volatility in rate cycles

3

Higher asset correlations

4

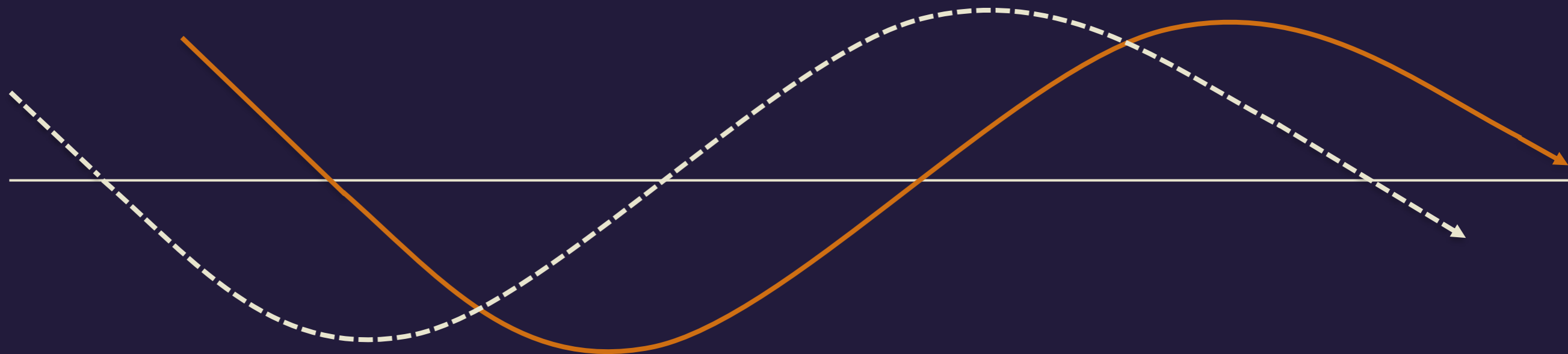
Equity multiple compression and new market leadership

5

Increased cycle divergence: US vs. China



Cyclical macro assessment – Monetary and government policy matters

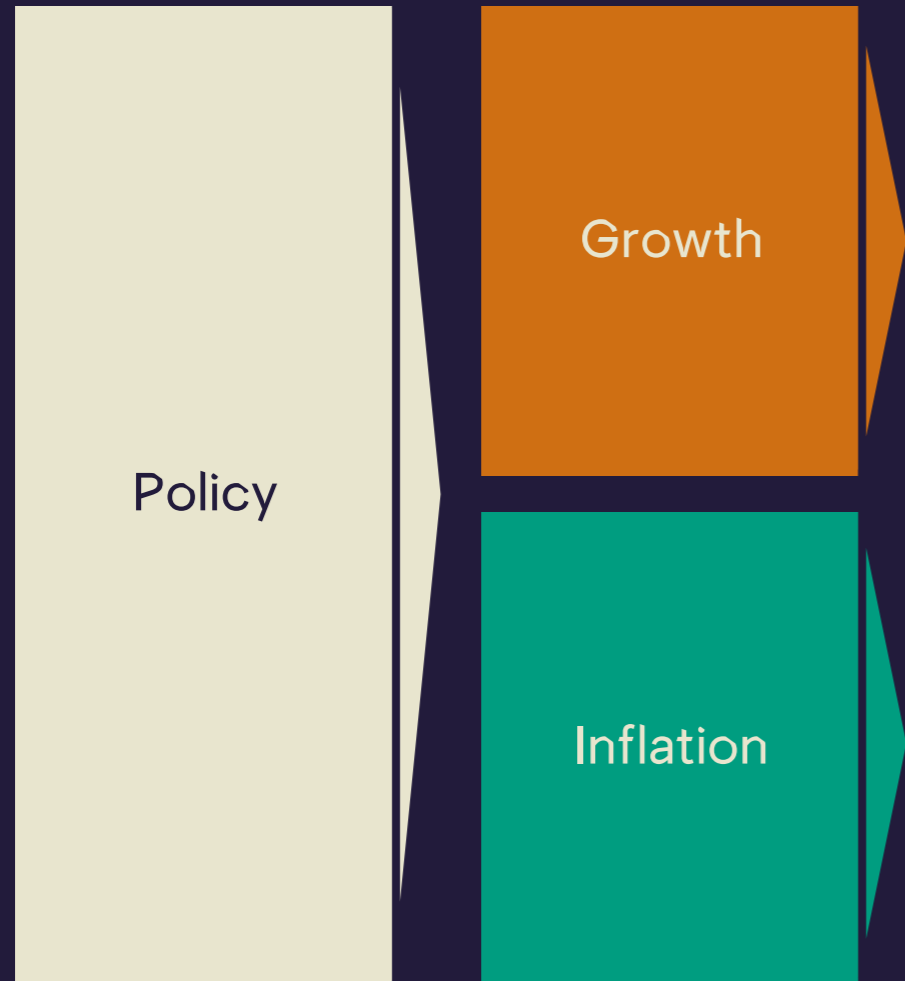


Policy is reflexive and guides our expectations for the future growth and inflation backdrop



Policy leads growth and inflation, which informs asset class preferences and risk

Cyclical macro assessment

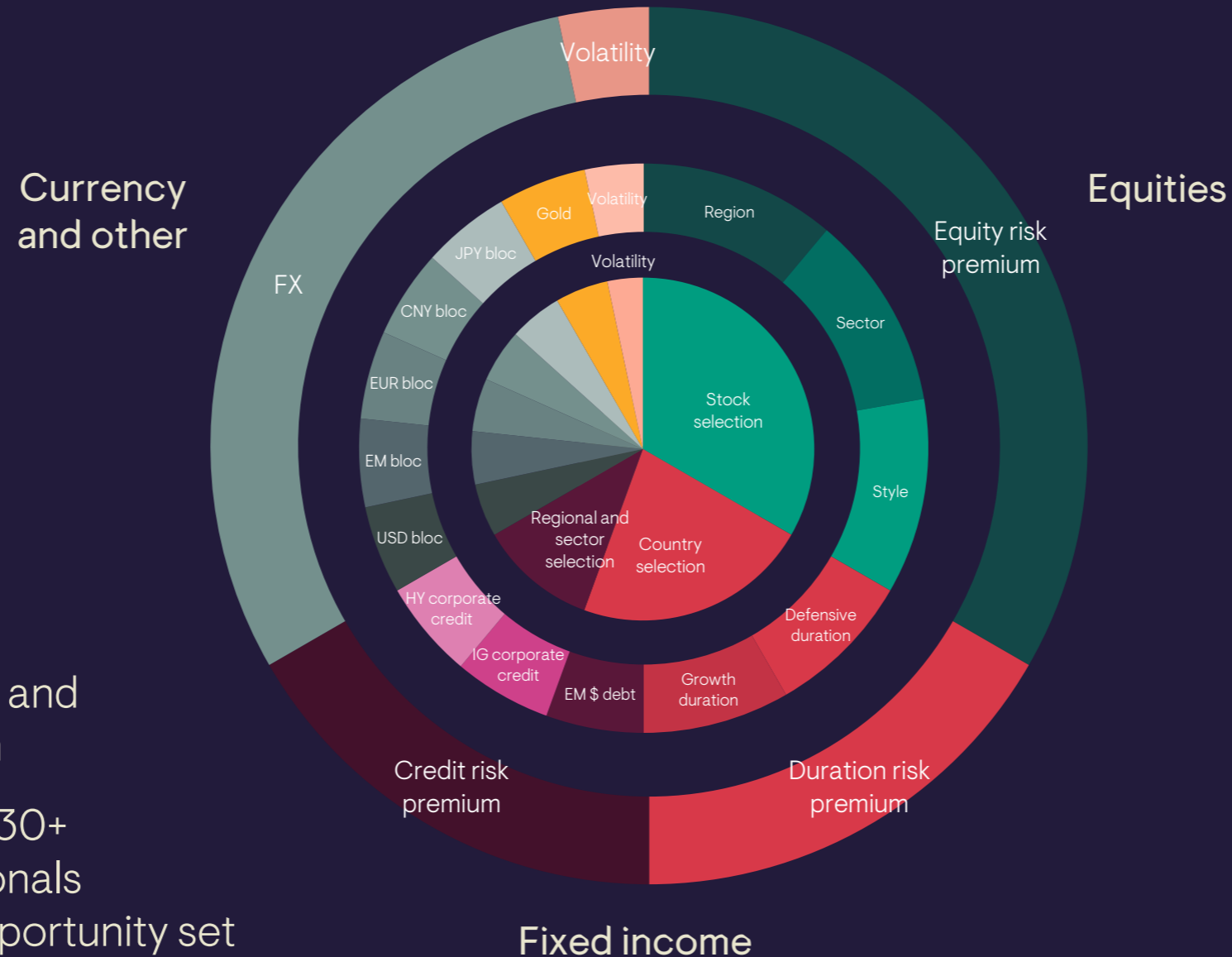


Asset class regimes

Asset returns	Growth + Inflation -	Growth + Inflation +	Growth - Inflation +	Growth - Inflation -
	Goldilocks	Reflation	Stagflation	Recession
Equity				
MSCI World	7.1%	2.9%	-0.6%	-3.0%
MSCI EM	9.9%	3.9%	-1.5%	-3.1%
Growth	7.3%	2.7%	-0.2%	-1.6%
Value	6.5%	3.3%	0.4%	-2.8%
Staples	8.7%	2.7%	0.5%	-1.0%
Financials	7.9%	5.2%	-1.3%	-4.3%
Commodities				
CRB Commodities	2.6%	2.6%	1.9%	-2.8%
Gold	3.1%	1.5%	2.6%	2.3%
Credit				
US HY	-87	-21	21	40
EM hard currency	-30	-11	2	17
Fixed Income				
US 10Y	2	10	0	-25
US 30Y	2	6	0	-20
10Y Breakeven	5	6	2	-13
Currency				
DXV	-1.0%	0.1%	0.2%	0.6%
EUR	0.1%	0.3%	0.2%	0.3%
JPY	-0.9%	-0.8%	0.3%	1.2%
AUD	2.6%	0.0%	-0.1%	-0.6%
EMFX	1.3%	-0.1%	-1.2%	-2.3%
Vol				
Equity Vol	-3.8	-0.5	0.8	2.3
Currency Vol	-0.4	-0.3	0.1	0.6
Bond Vol	2.5	-3.2	2.1	0.5



Building global portfolios today needs a broader investment and skill set

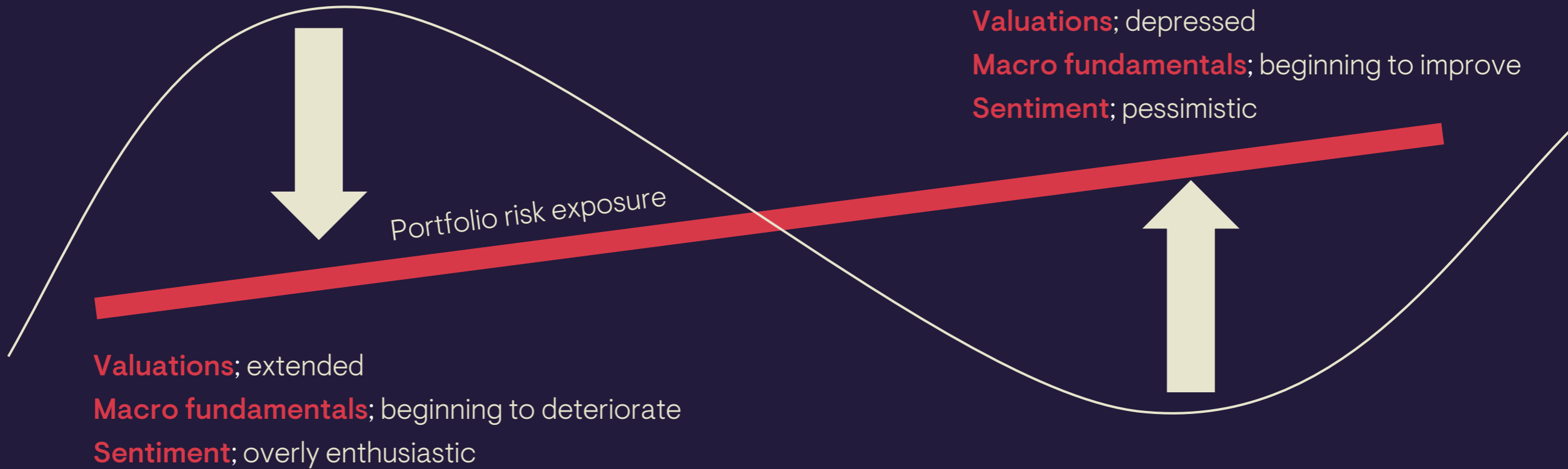


Integrated top down and bottom up approach

Research groups of 30+ investment professionals covering a global opportunity set



We believe risk is highest when it appears to be lowest and vice versa

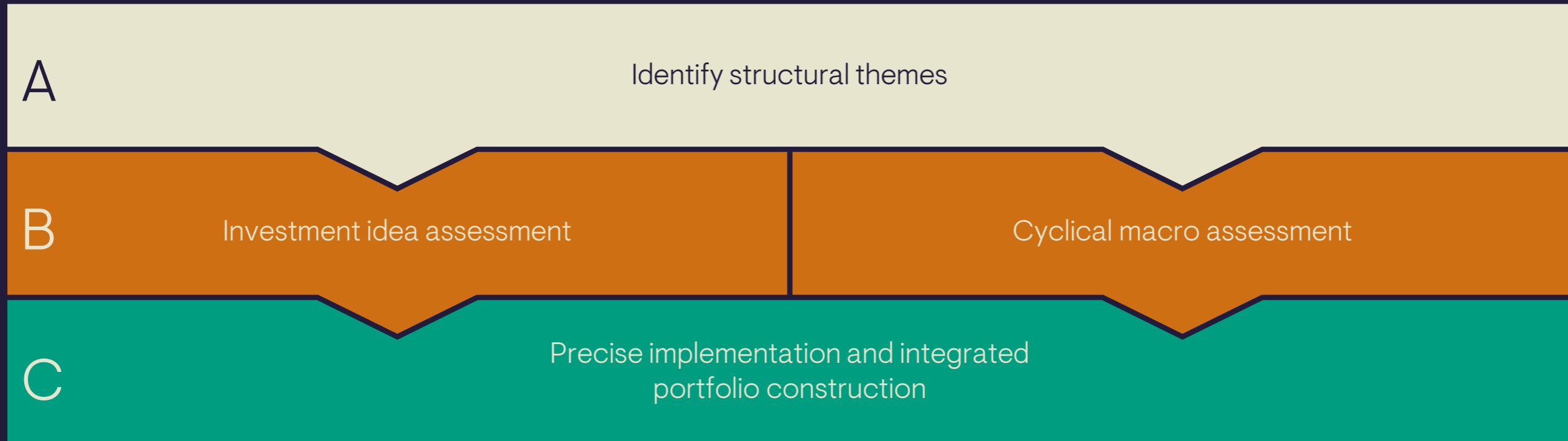


| An effective counter-cyclical approach that seeks to compound returns through time



Managing a multi-asset portfolio in the new macro environment

Three stage process – capturing a changing investment landscape

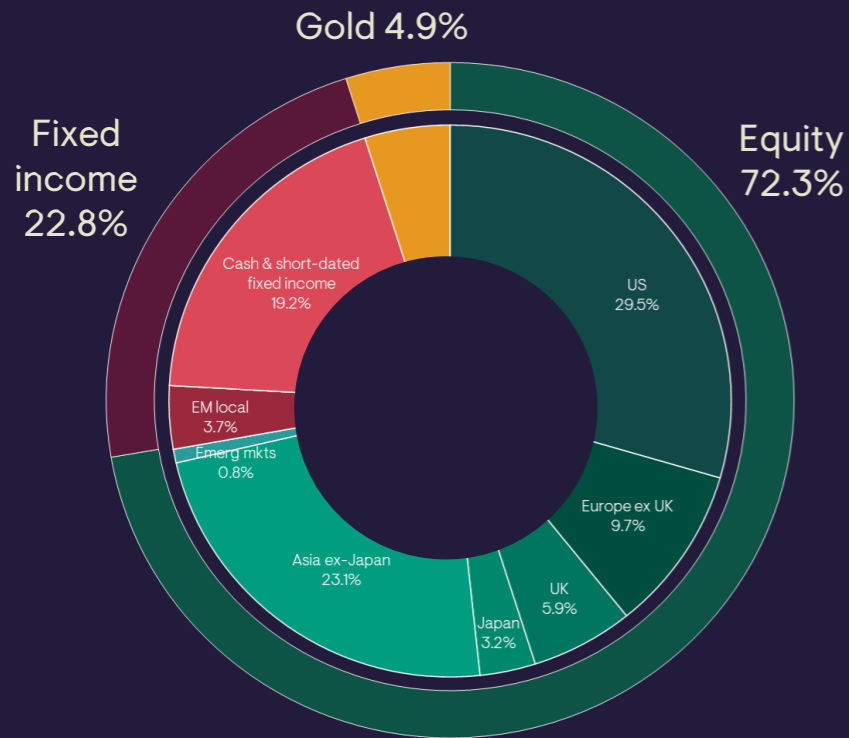


Top-down thematic framework, precise security selection and cyclical macro analysis



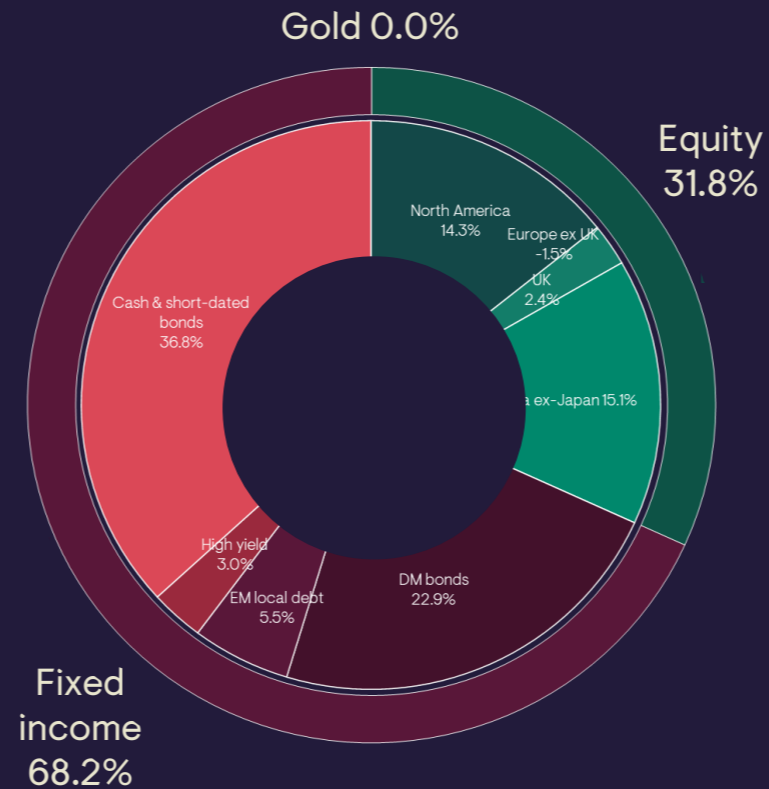
Representative Ninety One Multi-Asset portfolio positioning evolution

31 December 2020



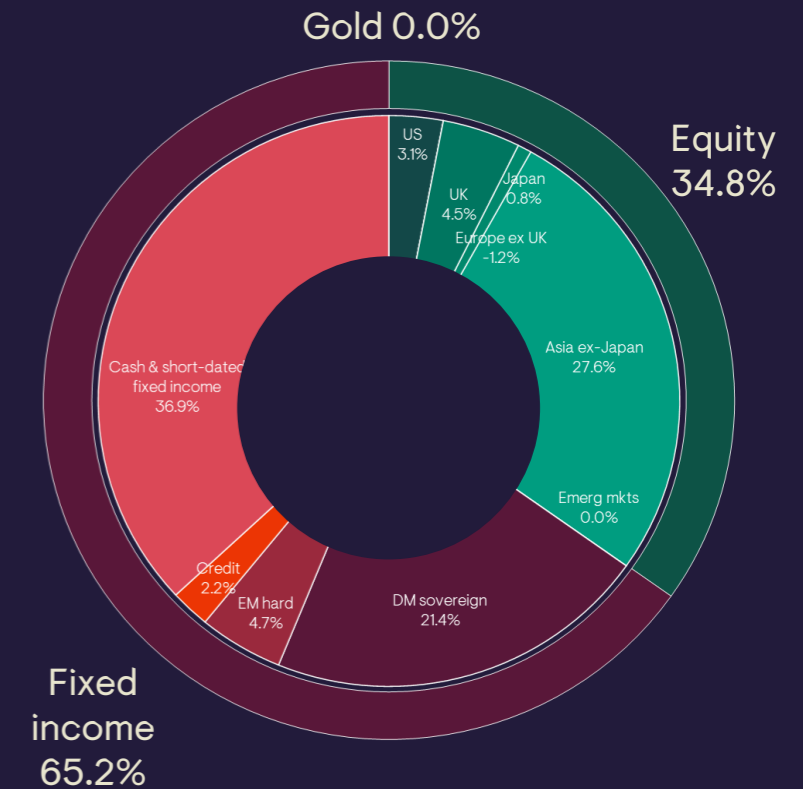
Duration 0.2 years

31 December 2021



Duration 1.8 years

31 March 2023



Duration 5.7 years

*Portfolio is 100% hedged back to base currency (US dollar).

Source: Ninety One, 31 March 2023. Based on a pooled vehicle in the Strategy. The portfolio may change significantly over a short period of time.



The next decade – Manage portfolios for what’s to come rather than for what was

Starting point for the next financial

Lower expected returns

Prospective macro environment

- 1 A higher and more volatile inflation impulse
- 2 Increased volatility in rate cycles
- 3 Higher asset correlations
- 4 Equity multiple compression and new market leadership
- 5 Increased cycle divergence: US vs. China

Investment tools required

Significant investment flexibility

A broad and unbiased opportunity set

A structural thematic investment roadmap

A robust cyclical process to support capital allocation



Thank you

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Investing for a
world of change





Important information

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Investment Process: Any description or information regarding investment process or strategies is provided for illustrative purposes only, may not be fully indicative of any present or future investments and may be changed at the discretion of the manager without notice. References to specific investments, strategies or investment vehicles are for illustrative purposes only and should not be relied upon as a recommendation to purchase or sell such investments or to engage in any particular strategy. Portfolio data is expected to change and there is no assurance that the actual portfolio will remain as described herein. There is no assurance that the investments presented will be available in the future at the levels presented, with the same characteristics or be available at all. Past performance is no guarantee of future results and has no bearing upon the ability of Manager to construct the illustrative portfolio and implement its investment strategy or investment objective.

The fund is a sub-fund in the Ninety One Global Strategy Fund, 49 Avenue J.F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg, and is approved under the Collective Investment Schemes Control Act.

In the event that specific funds are mentioned please refer to the relevant minimum disclosure document in order to obtain all the necessary information in regard to that fund.

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