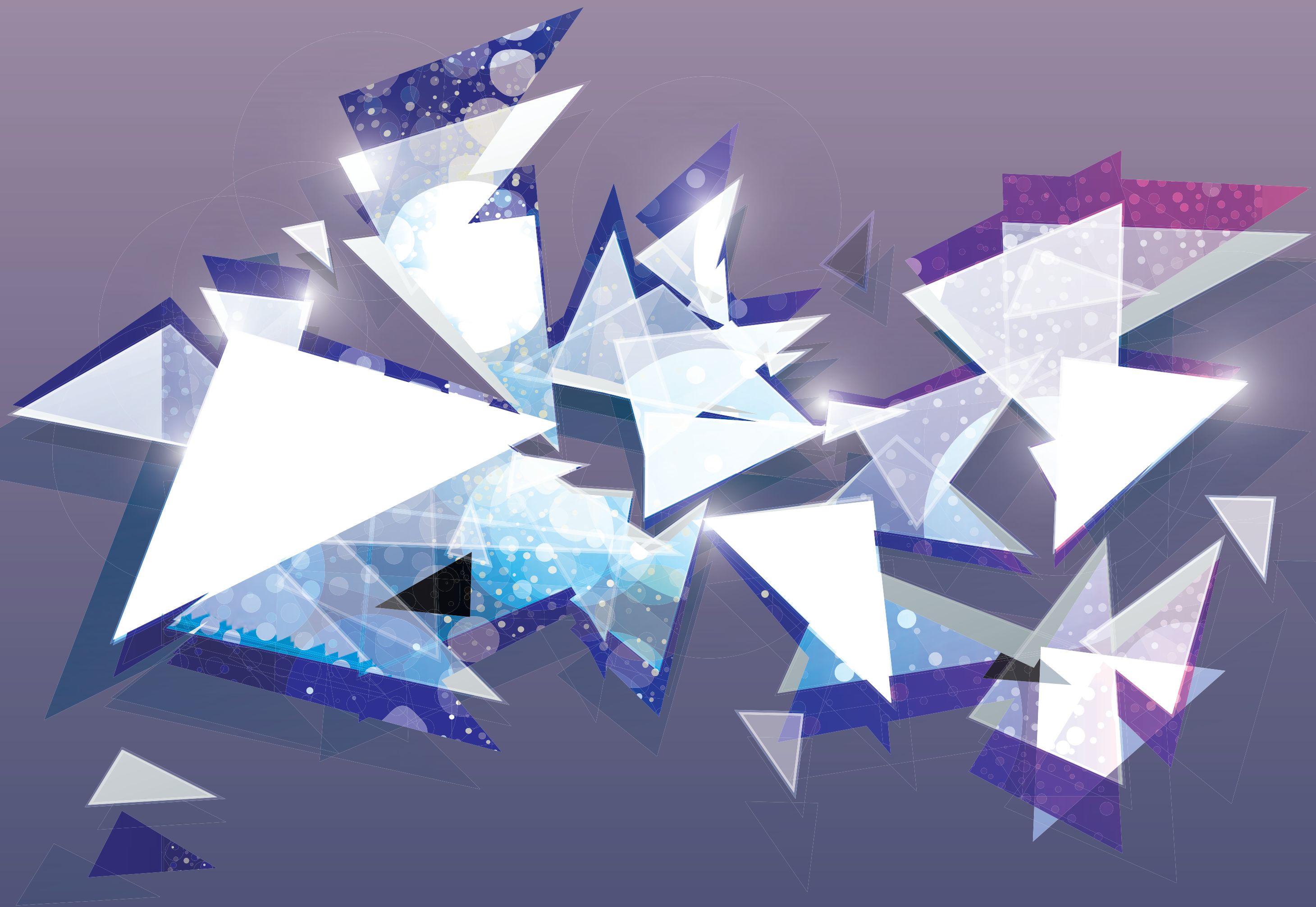
# PROFESSIONAL PENSIONS

## INVESTMENT AWARDS



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INVESTMENT AWARDS

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## Awards

**Willis Towers Watson Trade Pensions Journalist of the Year** James Phillips, *2019*. **SPP Trade Journalist of the Year** Jonathan Stapleton, *2011, 2014, and 2019*, James Phillips, *2018*. **Investment Association Trade Journalist of the Year** Jonathan Stapleton, *2015*. **Willis Towers Watson Investment Publication of the Year** Professional Pensions, *2016*. **State Street UK Institutional Press Awards Outstanding Contribution to Institutional Journalism** Jonathan Stapleton, *2017*. **MHP Young Journalist Awards Gold Winner** James Phillips *2018*. **Kames Capital Journalism Awards: Institutional Team of the Year** Professional Pensions, *2016, 2017, 2018, and 2019*. **Institutional Journalist of the Year** James Phillips, *2019*.

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# Roll of honour

The winners of the PP Investment Awards 2020 – which celebrated excellence among the asset managers who serve UK occupational pension schemes – were unveiled on 3 December last year in a special digital eBook presentation (*see: bit.ly/3qCng86*).

The PP Investment Awards process is unique within the industry – with the shortlist being drawn up in association with Aon, one of the leading investment consultants in the market – highlighting those asset managers who have demonstrated excellent performance, and is broadly based on performance over the 12 months to 30 June 2020.

Shortlisted entrants were then asked to complete an entry detailing how they differentiated themselves from their peers – detailing the product and client service innovations they had made over the year in question. The winners in each category were then decided by a distinguished panel of independent industry judges (*see opposite page*).

### Alternative Risk Premia Manager of the Year

**Winner:** GAM Investments

**Finalists:**
- GAM Systematic
- LGT
- Lombard Odier Investment Managers
- Systematica Investments

### ARBS (Absolute Return Bond Strategy) Manager of the Year

**Winner:** Pictet Asset Management

**Finalists:**
- Pictet Asset Management
- Reams Asset Management
- T. Rowe Price
- UBP Asset Management
- Wellington Management

### Emerging Market Equity Manager of the Year

**Winner:** Morgan Stanley Investment Management

**Finalists:**
- Artisan Partners
- Carmignac Risk Managers
- Morgan Stanley Investment Management
- Sands Capital Management
- William Blair

### Equity Factor Index Provider of the Year

**Winner:** Research Affiliates (RAFI)

**Finalists:**
- ERI Scientific Beta
- MSCI
- Research Affiliates (RAFI)

### Global Equity Manager of the Year

**Winner:** Baillie Gifford

**Finalists:**
- Baillie Gifford
- Baron Capital
- Jennison Associates
- Morgan Stanley Investment Management
- Sands Capital Management
- T. Rowe Price

### Global Fixed Income Manager of the Year

**Winner:** Insight Investment

**Highly Commended:** PGIM Fixed Income

**Finalists:**
- Goldman Sachs Asset Management
- Insight Investment
- PGIM
- UBS Asset Management
- Wellington Management

### Hedge Fund Manager of the Year

**Winner:** Hudson Bay Capital Management

**Highly Commended:** BlueBay Asset Management

**Finalists:**
- Adelphi Capital
- BlueBay Asset Management
- Brevan Howard
- Caxton Associates
- Gladstone Partners
- Hudson Bay Capital Management

### Liquid Securitised Manager of the Year

**Winner:** TwentyFour Asset Management

**Finalists:**
- Aegon Asset Management
- Insight Investment
- Janus Henderson Investors
- M&G Investments
- TwentyFour Asset Management

### Long Income Property Manager of the Year

**Winner:** Aviva Investors

**Finalists:**
- Aviva Investors
- Legal & General Investment Management
- M&G Investments

### Multi Asset/Sector Credit Manager of the Year

**Winner:** Wellington Management

**Finalists:**
- J.P. Morgan Asset Management
- Muzinich
- PIMCO
- Schroders
- Wellington Management

### Multi Asset Manager of the Year

**Winner:** Columbia Threadneedle Investments

**Finalists:**
- BlackRock
- Columbia Threadneedle Investments
- Legal & General Investment Management
- Ruffer

### Pan-European Core Property Manager of the Year

**Winner:** Barings

**Finalists:**
- Barings
- CBRE Global Investors
- LaSalle Investment Management

### Sustainable Corporate Bond Manager of the Year

**Winner:** AXA Investment Managers

**Finalists:**
- AXA Investment Managers
- Columbia Threadneedle Investments
- PIMCO
- Robeco

### Sustainable Equity Manager of the Year

**Winner:** Baillie Gifford

**Finalists:**
- Baillie Gifford
- Janus Henderson Investors
- Mirova
- NN Investment Partners
- Ownership Capital
- Robeco

### UK & European Opportunistic Property Manager of the Year

**Winner:** CapMan Real Estate

**Finalists:**
- Blackstone
- CapMan Real Estate

### UK & European Commercial Real Estate Debt Manager of the Year

**Winner:** BentallGreenOak

**Finalists:**
- BentallGreenOak

- ICG-Longbow
- PGIM Real Estate

### UK Core Property Manager of the Year

**Winner:** Schroders

**Finalists:**
- Federated Hermes
- Schroders
- UBS Asset Management

### UK Equity Manager of the Year

**Winner:** Columbia Threadneedle Investments

**Finalists:**
- Baillie Gifford
- BlackRock
- Columbia Threadneedle Investments
- Liontrust
- Lindsell Train

### UK Fixed Income Manager of the Year

**Winner:** Insight Investment

**Finalists:**
- Aegon Asset Management
- BlackRock
- Fidelity Investments
- Insight Investment
- Janus Henderson Investors
- M&G Investments

### UK LDI Manager of the Year

**Winner:** Insight Investment

**Finalists:**
- BlackRock
- BMO Global Asset Management
- Insight Investment
- Legal & General Investment Management

## DC CATEGORIES

### DC Investment Innovation of the Year

**Winner:** BNP Paribas Asset Management

**Finalists:**
- Baillie Gifford
- BNP Paribas Asset Management
- Nordea Asset Management
- Robeco

### Target Date Fund Manager of the Year

**Winner:** Alliance Bernstein

**Finalists:**
- Alliance Bernstein
- BlackRock
- Nest
- State Street Global Advisors

THE PPIA JUDGES

# The PPIA Judges

Alison Bostock, client director at PTL

Ian McKnight, chief investment officer at the Royal Mail Pension Plan

Susan Andrews, chief operating officer at Ross Trustees

Mark Hedges, chief investment officer at the Nationwide Pension Fund

# Multi Asset/Sector Credit Manager of the Year

## WINNER

WELLINGTON MANAGEMENT®

Campe Goodman is a fixed income portfolio manager at Wellington Management

## SHORTLIST

- **J.P. Morgan Asset Management**
- **Muzinich**
- **PIMCO**
- **Schroders**
- **Wellington Management**

## INTERVIEW – CAMPE GOODMAN

**What does it mean to win this award?**

Wellington's ethos has always been to put our clients first, and we're extremely proud to have been recognised for the value we have brought to our multi-sector credit clients over the past year. We will continue to partner with pension schemes on their long-term goals, through building bespoke solutions and delivering strong investment outcomes.

**What do you believe sets you apart from your peers?**

We believe two key areas set us apart: our investment platform; and our work on ESG and sustainability.

To take advantage of opportunities and navigate environments like 2020 requires a strong credit research platform. Our analysts often cover the same industry for decades, bringing unrivalled industry and company knowledge. Their collaboration with our equity analysts aids our holistic assessment of companies.

During 2020's volatility, our fundamental research and sector rotation skills enabled us to rotate from a defensive position into promising ideas in dislocated areas. Our approach balances structural themes with cyclical strategies and opportunistic positions, reducing reliance on any single investment horizon.

Wellington has dedicated teams of both ESG and climate research specialists. Our investment teams use this proprietary ESG and climate research to make better-informed decisions. While we consider both transitional and physical climate risks, our investment research collaboration with Woodwell Climate Research Center, a leading climate science institute, gives us market-leading insights into impacts of physical climate change on securities we hold.

In partnership with some of our multi-sector credit clients, we have worked on a portfolio construction approach which targets the same risk and return objectives as their existing portfolios, while aligning better with their views on ESG factors. The approach has restrictions on fossil fuels, weapons and tobacco, while also allocating to a basket of impact bond "best ideas". This portfolio construction exercise has reduced the carbon footprint of these portfolios by more than 50%.

**What are the key challenges facing your scheme clients?**

Our UK pension clients face multi-faceted challenges, and we believe a multi-sector credit allocation can play a useful role.

- We allocate to the higher-yielding fixed income sectors, providing yield in a low-yield environment.
- We invest across more liquid public credit sectors, complementing illiquid allocations and providing a source of funds for locking in longer-dated spreads.
- We target equity-like returns with muted volatility, helping schemes to de-risk from equities when funding levels remain challenged.

Sustainably aligned investment solutions remain a firm priority for the schemes we work with and we continue to consider ESG issues as part of the overall research process, devising innovative ways clients can better align their investments with their beliefs.

While ESG factors are considered as part of security selection, they will not necessarily result in the exclusion of an issuer or security from the investment universe.

**How will you continue to improve your services over the coming 12 months?**

Our clients face increasing demand for ESG and climate reporting. We are committed to exceeding their requirements by providing transparent and meaningful assessment and reporting for our portfolios. We are also helping them to meet their upcoming obligations for the UK Stewardship Code and the Task Force on Climate-related Financial Disclosures.

Increasing numbers of schemes are making a commitment to net zero carbon emissions. Given our large presence in equity markets and the long-standing relationships we foster with companies, our ability to engage for our fixed income clients will be critical for creating real world decarbonisation over time. In 2020, we became a founding member of the Net-Zero Asset Manager Initiative, committing to support the goal of net zero greenhouse gas emissions by 2050.

# Multi-Asset Manager of the Year

## WINNER

COLUMBIA THREADNEEDLE INVESTMENTS

Andrew Brown is institutional business director at Columbia Threadneedle Investments

## SHORTLIST

- **BlackRock**
- **Columbia Threadneedle Investments**
- **Legal & General Investment Management**
- **Ruffer**

## INTERVIEW – ANDREW BROWN

**What does it mean to win this award?**

Winning this award is a testament to the strength of our multi-asset team and the entire investment function that contributes to the consistency of our performance. These strategies are playing a valuable role in enabling defined benefit schemes and defined contribution members achieve their long-term goals. We are delighted to receive this award and to be recognised.

**What do you believe sets you apart from your peers and contributes to this success?**

Consistency forms the basis of our approach, which has been tried and tested at Columbia Threadneedle Investments for 25 years. Asset allocation is a key part of our DNA and something that we are proud of as we continue to improve and refine the process rather than enact any revolutionary change.

Our active, research-driven strategies blend an optimal mix of investments to deliver targeted returns, while drawing on the scale and diversity of Columbia Threadneedle's wider investment platform and sophisticated risk management framework to enable a complete look-through risk analysis on positions held within funds.

As an 'all weather' manager, we utilise our products' flexibility, dynamically altering their portfolio risk-budgets to participate in growth opportunities, but protect when threats appear, and this is evidenced through an excellent long-term track record.

**What are the key challenges facing your scheme clients and how are you helping them address these issues?**

Our pension scheme clients are faced with multiple challenges, including enhanced regulatory and fiduciary duties placed on trustees and governing pension, and the adverse impact this pandemic has had on funding levels in the face of a fragile UK economy.

As we enter a challenging period for the global economy, an awareness of risk and dynamic asset allocation (as has been recognised by this award), enables participation when risk is being rewarded and protection of assets in uncertain markets. In short, we aim to help our clients navigate these markets.

**How will you continue to improve your services to scheme clients over the coming 12 months?**

Increased regulatory scrutiny has put growing pressure on pension schemes to integrate responsible investment (RI) into their investment approach. Welcoming the opportunity to help our clients comply, we launched an innovative proprietary RI ratings system, combining an assessment of financial stewardship with analysis on how a company manages ESG risks, into a single, forward-looking rating (1 to 5). Development of this tool reflects our conviction that prudent management of financial and RI factors is critical to a company's sustainability.

Enhancing our intensive internal research, the ratings provide us with unparalleled understanding of where RI risks within our dynamic real return strategy are concentrated, from the bottom up. Equally important was ensuring we can effectively communicate the results to our investors, giving them comfort that we are genuinely incorporating ESG analysis at every stage of the investment process, not merely ticking a regulatory box. With this enhanced tool, we continue to be completely transparent with our investors', helping them understand the risks taken with their capital.

Our programme of webinars over the course of 2021 will continue to focus on investment matters that are key to pension scheme decision makers. Our fund managers are keen to engage and interact with clients to ensure transparency and an understanding of our approach to managing their assets.

# Pan-European Core Property Manager of the Year

## WINNER

BARINGS

Jorge Duarte (top) and James Whittaker (bottom) are managing directors and BECPF portfolio managers at Barings

## SHORTLIST

- Barings
- CBRE Global Investors
- LaSalle Investment Management

## INTERVIEW – JORGE DUARTE AND JAMES WHITTAKER

**What does it mean to win this award?**

We are extremely honoured to have been selected for this award from our peer group, especially as we operate in a highly competitive market. Our Barings European Core Property Fund (BECPF) has just passed its fifth anniversary, so it is both very pleasing and rewarding that the team has been recognised for our continued effort to deliver strong investment performance for our clients.

**What do you believe sets you apart from your peers and contributes to this success?**

Barings Real Estate (BRE) has been at the forefront of helping investors find sources of income and appreciation through diversified exposure to core real estate across major European markets.

Our investment process is research-led. We have 12 dedicated research professionals globally, including three analysts focused solely on Europe. As part of our investment process, our team relies on two innovative, proprietary tools. The first is a relative value model, which compares real estate opportunities globally using a combination of quantitative factors – such as historical pricing and qualitative analysis. Secondly, we produce European city profiles, which track the cyclical and structural trends of over 40 European cities.

One of BRE's main competitive advantages is its local deal sourcing capability. With multiple offices across seven European countries, our local presence is fundamental to the identification and execution of deals – both on and off-market.

The combination of top-down research forecasting and bottom-up local market knowledge enables us to source and price attractive opportunities – and ultimately generate alpha – while implementing the fund's strategy.

BECPF also implements an active core strategy that seeks to enhance returns through proactive asset management, to drive additional income and value.

The depth and breadth of our European platform, as well as our local presence, allows the active core strategy of the fund – where the BRE team is in control of the complete investment and asset management process – to be realised. This facilitates the successful implementation of the business plans for the fund's assets.

**What are the key challenges facing your pension scheme clients and how are you helping them address these issues?**

One of the key challenges our pension clients continue to face is ensuring they are making meaningful progress towards their long-term funding objectives, while at the same time safeguarding the immediate demands on their cashflow. At Barings, we strive to create robust, active solutions to these challenges, which can deliver long-term capital appreciation coupled with solid and consistent levels of cash income.

**How will you continue to improve your services to pension scheme clients over the coming 12 months?**

We are seeing the same increased focus on ESG issues in the UK that we have seen elsewhere from our European institutional clients in recent years – and with this, the growing burden of responsibility on UK pension trustees to report on such matters.

At Barings, ESG is a fundamental component of our investment process – at the property level, during due diligence and through the annual business plan. However, we also recognise that we need to constantly improve the level of ESG reporting we provide to our clients to help them meet their own reporting requirements. While we have made good progress on this, with ambitions to maintain our position at the forefront of the industry, we believe there is more to be done.

> 'With multiple offices across Europe, our local presence is fundamental to the identification and execution of deals'

# Sustainable Corporate Bond Manager of the Year

## WINNER

AXA Investment Managers

Sebastien Proffit is a fixed income solutions strategist at AXA Investment Managers

## SHORTLIST

- AXA Investment Managers
- Columbia Threadneedle Investments
- PIMCO
- Robeco

## INTERVIEW – SEBASTIEN PROFFIT

**What does it mean to win this award?**

We are absolutely delighted. It is testament to our 20-year effort, across all areas of our business, to bring sustainable investment outcomes into the mainstream. We couldn't have done this without our clients. They have put their faith in us and allowed us to build a powerful reputation in one of the most dynamic parts of the industry.

**What do you believe sets you apart from your peers?**

Three things. Culture, client focus and an unswerving long-term commitment.

From senior leadership to client and investment teams, each of us knows the importance of listening to clients and working collaboratively to meet their evolving needs. These requirements have steadily shifted towards the integration of environmental, social and governance (ESG) factors, and in recent years there has been a far greater emphasis on climate-related risks. Our teams approach each new client challenge with an innovative, 'can-do' attitude.

Ongoing and proactive engagement with clients also means we can provide timely inputs to aid investment decision making. In 2020, when spreads widened following the Covid-19 induced sell-off and USD-denominated bonds in particular were attractive, our rapid communications allowed us to highlight the opportunity, allowing many clients to benefit from the wider spreads while increasing regional diversification.

**What are the key challenges facing your scheme clients?**

Many of the investment challenges of recent years remain relevant. Schemes still need sustainable cashflow generation to fund long-term pensioner payments in the "lower-for-longer" environment. Meanwhile, DB-specific regulatory changes, such as the requirement to integrate ESG and climate-related risks into portfolios, must be addressed.

Both require an understanding of how they may impact clients' objectives and strategies. Expertise and a long-term partnership approach then enable us to design investment solutions to help overcome them.

Our core buy and maintain credit approach, one of the main building blocks of our cashflow-driven investment strategies, aims to overcome the pitfalls of traditional active and passive credit management by providing an efficient method to access return while minimising the performance drag from transaction costs. The integration of ESG factors into this fundamental investment grade strategy further bolsters its resilience and enhances risk mitigation.

**How will you continue to improve your services over the coming 12 months?**

In sustainable fixed income, our focus is on developing innovative outcome-oriented solutions that support schemes' long-term investment and net zero objectives. It's another opportunity for us to deploy the full weight of our investing capabilities alongside our substantial responsible and credit research teams.

We also want to build on our global fundamental credit expertise and industry leadership in addressing climate-risk challenges. Our planned climate buy and maintain strategy will aim to capture the full premium in global credit markets while helping finance the transition to a net zero carbon world.

Complementing our low-carbon strategy developments, we continue to evolve our portfolio reporting with a view to giving clients an extended range of climate-related performance indicators. These may include their investment carbon footprint, transition pathway and overall portfolio temperature.

While our 43-person credit research team scours the global fixed income universe for attractive opportunities, increasing attention is being paid to heavy new issuance of green and docial bonds. With 'greenwashing' a rising concern, our proprietary green, social and sustainability bonds assessment frameworks are designed to provide robust protection from that risk.

As in every year, we must stay innovative and committed, in responsible investment and beyond, to make sure we are helping our clients meet the challenges of tomorrow, today.

# Looking to the future

## Lional Pernias of AXA Investment Managers looks at lessons from 2020

As a turbulent 2020 disappears in the rear-view mirror and we look forward to better years ahead, now is a useful time to reflect on the main UK pension scheme themes of 2020. What lessons can we take from the trends around ESG integration, cost reduction and non-sterling allocations?

### RESILIENCE THROUGH ESG

Throughout last year we saw increased appetite from clients to understand and embed environmental, social and governance (ESG) considerations in their portfolios, and we fully expect this to continue.

In fixed income we believe ESG integration is a risk-mitigation tool that can limit the magnitude and probability of downside scenarios. Our ESG framework first filters out issuers that are particularly exposed to controversies or to 'tail risks' such as climate change before an examination of fundamental ESG risks is carried out by analysts who already have a deep and thorough knowledge of the investment universe.

We believe this approach – of embedding ESG skills through our investment teams rather than housing them in a separate silo – allows us to better appreciate the nuances of each issuer and sector.

This two-step approach aims to improve our chances of avoiding acute credit events from ESG factors as well as

chronic changes in the landscape for a given issuer or sector. Our commitment to meaningful and collaborative engagement with issuers also helps to mitigate risks. Minimising the impact of these downside scenarios should help build stability in our client portfolios.

### COST-EFFICIENT ACCESS

We see no sign of the low-yield environment abating in 2021, and it is understandable that clients have sought to minimise costs associated with active credit portfolios before heading down the ratings spectrum. One way clients have done this is to implement buy and maintain strategies that benefit from the same fundamental credit research but which use innovative trading techniques and careful management of turnover to avoid the high costs that can cannibalise active returns.

### GOING BEYOND STERLING

Our clients also sought to mitigate risk in 2020 by venturing outside of solely sterling credit allocations. We believe there can be clear benefits to including a non-sterling allocation for UK pension schemes. Accessing the USD and EUR markets delivers additional liquidity and diversification – which should play a role in reducing volatility and drawdowns, a key factor in cashflow generative portfolios. Opportunities can also emerge in relative value terms, such as in the first half of 2020 when USD spreads widened relative to their UK and EUR peers.

### OUTCOME-DRIVEN INVESTMENT

Whatever 2021 brings we will continue to focus on delivering sustainable cashflows with a high degree of predictability to meet our clients' required outcomes. For UK defined benefit schemes these outcomes, or 'endgames', are often a buyout or self-sufficiency. We believe buy and maintain strategies are suitable for either.

> 'Clients had increased appetite to embed ESG considerations in their portfolios'

Both self-sufficiency and buyout strategies require a high resilience to risk and low probability of drawdowns to maintain funding levels and reduce future contributions from the scheme sponsor. Liquidity is also important. Self-sufficient schemes may favour the flexibility that liquidity provides to change asset allocation or pay collateral calls while schemes targeting a buyout should benefit from the ease of selling high-quality bonds when the risk transfer does takes place.

These lessons from 2020 – about minimising downside risks through ESG, gaining efficient credit exposure and seeking global diversification – might just allow us all to look forward to a more positive 2021.

**Lionel Pernias**
Head of Buy and Maintain Credit, London, AXA Investment Managers

# Sustainable Equity Manager of the Year

## WINNER

Marianne Harper Gow is director of corporate governance at Baillie Gifford

## INTERVIEW – MARIANNE HARPER GOW

**What does it mean to win this award?**

A great deal. Our firm seeks to invest in companies capable of long-term sustainable growth. Robust governance, corporate culture and management quality have been core to our research process for over four decades. We have developed a team of over 20 governance and sustainability analysts to ensure social and environmental matters are as deeply integrated as governance matters. This award independently confirms our commitment to aspire to being best-in-class.

**What do you believe sets you apart from your peers?**

The idea that a long-term approach to investing embeds the interests of society alongside the interests of investors. Companies that abuse the environment, treat staff poorly or damage the social fabric will be regulated out of profitability or deserted by customers. These factors are critical to identifying exceptional growth companies.

Also, claiming to be long term while worrying about quarterly numbers is a contradiction – the commitments are different; the focus is different; the visions and aspirations are different.

Finally, our dedicated governance and sustainability analysts are embedded within all investment teams. Alongside the portfolio managers, they are focused on research, engagement and voting. We have the resources to commit to those companies of strategic importance to our clients. This allows us to analyse companies on their own merits as we seek to identify the material risks and more importantly the opportunities for each individual company.

**What are the key challenges facing your scheme clients?**

In the case of defined benefit schemes, the challenges have been the same for some time: achieving strong funding positions despite balance sheet pressures, prolonged low interest rates and increasing longevity. Fewer schemes remain open, and many are closed even to future accrual. Baillie Gifford has helped many such schemes achieve improved funding ratios by generating long-term investment returns greater than those of stock markets.

Schemes are under increasing pressure to demonstrate their incorporation of ESG factors. We work with clients to meet specific needs via strategies that incorporate Paris alignment, positive engagement and impact, and can exclude sectors such as fossil fuels.

For defined contribution (DC) schemes, the primary pressure is the cost constraints of operating within fee caps. This restricts investment approaches. We don't condone high fees, but what matters is investment returns after costs. Many DC schemes adopt passive approaches less likely to optimise long-term outcomes. We seek to become available as self-select or alongside passive funds, within the default solutions.

We're exploring new lower-cost active strategies. Truly sustainable investing is resource-intensive, requiring direct engagement at individual company level. The resource required to do this well may sit uneasily with the low fees DC schemes expect to pay. This has led to quantitative approaches that do little to address systemic challenges.

We help DC schemes by offering positive impact and stewardship-focused strategies at reasonable fees, and by seeking to explain that value for money should incorporate effectiveness of engagement and contribution to progress on social and environmental goals, as well as after-fees investment performance. Incorporation of governance and sustainability factors into decision-making can be sources of outperformance, which more than compensate for the costs.

**How will you continue to improve your services over the coming 12 months?**

The reporting we provide around governance and sustainability will develop and improve. In addition to strategy specific reports, we published our stewardship report during 2020. The growing awareness of environmental, social and governance related issues by all schemes creates high expectations. Our focus remains on improving the communication of our engagement activities and achieving positive and sustainable outcomes.

## SHORTLIST

- Baillie Gifford
- Janus Henderson Investors
- Mirova
- NN Investment Partners
- Ownership Capital
- Robeco

# UK & European Commercial Real Estate Debt Manager of the Year

## WINNER

BentallGreenOak

Jim Blakemore is managing partner and head of debt at BentallGreenOak

## SHORTLIST

- BentallGreenOak
- ICG-Longbow
- PGIM Real Estate

## INTERVIEW – JIM BLAKEMORE

**What does it mean to win this award?**

This prestigious award carries extra significance for our firm given the extraordinary circumstances in which we were all challenged to deliver value for our clients while navigating turbulence in the market.

So much of the resilience we've been able to demonstrate in the past year is a testament to the strength of our team and the value we've placed on having well-informed, locally embedded expertise to deliver timely insights that drive sound business decision-making. This is a celebration of our performance-driven culture and the real estate platform that we've built that is dedicated to delivering continued growth for our clients.

**What do you believe sets you apart from your peers and contributes to this success?**

Our core differentiator with investors is our track record through the various economic cycles, which is driven by three contributors.

First, our teams have strength in continuity. Second, we've taken the approach of being the local lender – we have many people based on the ground in Europe, combined with a strong hub in London, allowing us to see more transactions and select the right investments on behalf of our pension clients. And third, we are vertically integrated – the investment and management functions are performed internally. Our vertical integration gives us early, efficient, and seamless information on investments. If an investment becomes challenged, we can have discussions with the borrower sooner and propose rapid solutions, and if needed, work out any issues with an in-house investment management team.

**What are the key challenges facing your pension scheme clients and how are you helping them address these issues?**

Clients are very focused on income in today's environment. They're looking for both total return and income return so they can maintain liquidity for members' needs. Some pension schemes are turning to us for the first time because we offer the income component that is important to them. Between Covid and Brexit we've seen investors seek safety in debt. They want a solid return that's insulated from equity risks.

UK pensions have invested primarily in the UK. But, to achieve their returns needs, they are increasingly looking for opportunities in Europe and the U.S. as well. BentallGreenOak provides a gateway to global markets for investors looking to diversify, because few pension managers can do a broad strategy across multiple global markets.

Pension schemes are also sharpening their focus on ESG factors. The objective is to make great investments that provide income and financial protection to pension scheme members, and equally address ESG goals. Our experience is demonstrating how these objectives – when pursued thoughtfully – can be mutually reinforcing.

**How will you continue to improve your services to pension scheme clients over the coming 12 months?**

We expect our products will be in greater demand as we see the light at the end of the tunnel. All the global economies will need time to recover, and certain property sectors will need reconfiguration.

For example, the retail and office sectors will need to retool for future needs. Other asset classes, such as student housing and the private rented sector (PRS), will need to address new demand factors. Our lending provides borrowers the debt financing to reposition buildings, achieve the most current safety and environmental standards, and better meet the needs of those who use them.

Capital in our funds is well placed to help the recovery and provide opportunities to pensions. We're adding resources and have the right on-the-ground talent to analyse and manage opportunities as our investment portfolio and fund offerings have grown.

Over the next few years we'll see significant change as the world climbs out of this. With our flexible capital, experience evaluating properties and our global knowledge base, we're positioned to provide good and safe returns to the pension schemes.

# UK Equity Manager of the Year

## WINNER

COLUMBIA THREADNEEDLE INVESTMENTS

Andrew Brown is institutional business director at Columbia Threadneedle Investments

## SHORTLIST

- Baillie Gifford
- BlackRock
- Columbia Threadneedle Investments
- Liontrust
- Lindsell Train

## INTERVIEW – ANDREW BROWN

**What does it mean to win this award?**

We are delighted to have been recognised for our strength in managing UK equity portfolios on behalf of pension schemes and retail investors alike. The investment team has been at the forefront of UK equity investing for a considerable time, providing consistently strong returns for clients.

**What do you believe sets you apart from your peers?**

Meeting companies and conducting fundamental research lie at the heart of our equity approach. We aim to invest in companies that can create sustainable long-term value and believe that by engaging with companies we can gain a thorough understanding of their business models, company finances, competitive pressures and drivers of corporate profits.

We analyse companies' fundamentals from different angles, calculate downside risks and ignore short-term noise. We maintain optionality by owning companies not necessarily conforming to widely championed themes and take sizeable positions, demonstrating our conviction.

Our experience and philosophy of investing through market turbulence, ensures we are invested in companies with strong and sustainable business models that are going to survive the pandemic and to identify those that should emerge stronger with opportunities to gain market share.

**What are the key challenges facing your scheme clients?**

They are faced with multiple challenges, including enhanced regulatory and fiduciary duties placed on trustees and governing pension, and the adverse impact this pandemic has had on funding levels in the face of a fragile UK economy.

The pandemic represents a challenging investment outlook for schemes seeking growth and it has become clear this has brought the 'S' in ESG investing more to the fore. Our defensive positioning in 2020 cushioned us from the worst bouts of market volatility and we remain in close contact with companies, paying particular attention to the safety and wellbeing of employees. As we enter 2021 we have increased exposure to firms where underlying business models and growth opportunities remain intact and are positioned for sustainable success.

**How will you continue to improve your services over the coming 12 months?**

Increased regulatory scrutiny has put growing pressure on pension schemes to integrate responsible investment (RI) into their investment approach. Welcoming the opportunity to help our clients comply, we launched an innovative proprietary RI ratings system, combining an assessment of financial stewardship with analysis on how a company manages ESG risks, into a single, forward-looking rating of between one and five. Development of this tool reflects our conviction that prudent management of financial and RI factors is critical to a company's sustainability.

Enhancing our intensive internal research, the ratings provide us with unparalleled understanding of where RI risks within dynamic real return investment are concentrated, from the bottom-up. Equally important was ensuring we can effectively communicate the results to our investors, giving them comfort that we are incorporating ESG analysis at every stage of the investment process, not just ticking a regulatory box. With this enhanced tool, we continue to be completely transparent with our investors', helping them understand the risks taken with their capital.

Our programme of engaging communications over the course of 2021 will continue to focus on investment matters that are key to scheme decision makers. Our fund managers are keen to engage and interact with clients to ensure transparency and an understanding of our approach to managing their assets.

# Target Date Fund Manager of the Year

## WINNER

ALLIANCEBERNSTEIN

David Hutchins is multi-asset solutions portfolio manager at AllianceBernstein

## SHORTLIST

- AllianceBernstein
- BlackRock
- Nest
- State Street Global Advisors

## INTERVIEW – DAVID HUTCHINS

**What does this award mean to you?**

In a historically challenging year – both for markets and society – we stepped up our client communications and support amid significant market turmoil. During 2020 we also executed a comprehensive research agenda, furthered our commitment to strong governance and responsible investing (RI), and remained focused on delivering better member outcomes through our dynamic approach. After launching our target date fund service 10 years ago, we are extremely pleased to have our dedication and hard work recognised with this award.

**What do you believe sets you apart from your peers?**

Our research-driven approach is highly flexible, transparent, and underpinned by our commitment to deep-rooted client partnerships.

We develop a true understanding of clients' individual needs and objectives, informed by detailed membership analysis with our proprietary CyRIL toolset. Combined with the flexibility of our open-architecture, solutions-oriented approach, we tailor to unique needs or investment beliefs – such as the use of client-specific allocations or RI policies. We also provide the option for a fully integrated post-retirement journey.

Providing greater simplicity for our clients is at the heart of our service. As a trusted partner, we proactively oversee asset allocation and implementation, evolving the strategy seamlessly with changing market opportunities and member needs, empowering clients to focus on truly independent oversight and other value-add initiatives. This collaboration allows us to focus our research and investment strategy development on what matters most to clients.

**What are the key challenges facing your scheme clients?**

RI is an increasingly important topic for our clients. To keep them ahead of the curve we dedicate significant research time through deep integration of ESG considerations. In addition to the negative (exclusions) and positive (tilts) screens already applied across the strategy, we are reviewing the implementation of smaller allocations from an ESG perspective. To evidence these actions, and to support clients' reporting and regulatory requirements, we provide – and continue to enhance – detailed ESG reporting.

Future returns are especially important, after the last decade presented a good market environment for most assets – particularly for simple, passive equity and bond exposures. We don't expect this to continue: we forecast lower returns, higher volatility, and weaker diversification from government bonds. This will challenge clients who must meet return targets within a risk budget – especially for younger members who may not have benefitted to the full extent from past performance.

We are working with clients on a prudent combination of approaches, including designing member engagement campaigns that reiterate the importance of strong contributions to overcome lower returns; reviewing risk budgets with a view to maintain existing return targets; and maintaining existing budgets/targets, seeking exposure to new return opportunities or making changes to improve the strategy efficiency.

**How will you continue to improve your services over the coming 12 months?**

To elevate client value for money we're focusing our research on identifying and implementing new return opportunities aimed at boosting strategy efficiency. Items for implementation over the next 12 months include: a listed allocation to private equity to serve as a long-term return enhancer for younger members; a standalone allocation to China equities reflecting China's growing dominance in the global economy; and the extension of our risk management toolset to include more defensive tilts and sub-asset classes.

More broadly, we will continue to deepen integration of our ESG policies, while enhancing our ESG reporting. We are also developing explicit net zero emissions targets as an extension of the currently applied carbon tilts and monitoring of carbon emission metrics.

# TDFs can crack the value-for-money conundrum

## David Hutchins of AllianceBernstein considers the benefits of target date funds

DC pensions are under pressure to deliver value for money (VFM) and good governance. But providing value for diverse client needs requires a change in mindset from fiduciaries to address evolving investing challenges.

Pensions regulators are rightly pushing for transparency. New proposals advocate a uniform framework for analysing VFM based on three elements: charges and transaction costs; customer service; investment performance.

### WHAT REPRESENTS VALUE, AND FOR WHOM?

But pension plans have different members with distinct needs. Sponsors have varying levels of financial resources and willingness to finance high quality pension provision. And fiduciaries who seek high-quality investment solutions with good governance and customisation capabilities will perceive value differently than those seeking a basic, low-cost packaged solution. VFM must be interpreted relative to a pension plan's positioning and goals.

To do so, fiduciaries must adopt a forward-looking mindset instead of relying on past performance. Analysing how investment strategies fit a DC pension plan default involves considering future performance and risk scenarios and understanding how their default choice may affect members' savings through their remaining career lifetimes.

Strong performance by global equity and bond markets in recent years has led many fiduciaries to question the benefits of wider diversification. Cheap, passive vehicles have delivered strong net-of-fee returns to DC members at relatively low risk. But we believe asset class dynamics are poised to change, which will require a rethink in capturing return sources and managing risk.

### INVESTMENT ENVIRONMENT SET TO CHANGE

In recent decades, simple passive equity/bond portfolios enjoyed an exceptionally benign environment. Returns for both asset classes have been very high and negatively correlated to an unusual degree.

However, risk/reward profiles have changed drastically over time. And today, with both equity and bond markets relatively expensive, the risk/return trade-off may deteriorate. As a result, we believe additional diversifying strategies will be needed to manage risks and enhance returns in the post Covid-19 era.

For 40 years, simple 60/40 equity/bond portfolios outpaced inflation. But future returns from a typical 60/40 portfolio are likely to decline, while the policy response to the pandemic could fuel inflation. Our forecasts suggest an annualised return of just 3.4% over a 10-year horizon – which may struggle to stay ahead of inflation at potentially more than 3% p.a.

The risk outlook also deserves attention. Historically, stocks and bonds weren't always inversely correlated. In low cost equity/bond mixes, a change in investment regime could weaken the diversifying power of bonds and expose investors in longer-duration assets to higher volatility.

> 'Fiduciaries must adopt a forward-looking mindset instead of relying on past performance'

### DIVERSIFICATION NEEDED TO MANAGE RISKS

Risk management will require more extensive diversification – particularly as government bonds now offer negative yields, net of fees. More advanced DC solutions are needed to harness the diversifying power of a wider variety of market opportunities, in our view.

That's not easy for traditional lifestyle approaches. Even larger, well-resourced pension plans may struggle to manage the type of strategies that can deliver amid higher volatility and lower returns for traditional asset classes.

### TDFS ARE SUITED FOR THE JOB

These strategies could include illiquid investments in private market debt and private equity as well as direct physical investment in real estate and infrastructure. Target date funds (TDFs), with full-time professional oversight of investment portfolios, are well suited to more sophisticated investments and more thorough risk management. However, trustee groups may struggle to implement these types of solutions in a traditional lifestyle approach.

Getting the right mix of investment strategies is essential to achieve VFM. Focusing just on the lowest sticker price or strongest recent investment performance is misleading. In assessing value, fiduciaries should consider the overall costs and benefits associated with an investment solution, as well as the likely risk and reward scenarios facing members throughout their career lifetimes.

Only then can fiduciaries determine the features they really value and the best approach for members. TDFs can help fiduciaries solve the VFM conundrum by combining high quality, well-diversified investment strategies with transparent reporting, superior governance and improved member engagement.



**David Hutchins**
Multi-asset solutions portfolio manager, AllianceBernstein

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