

## Edgehaven Principal speaks at the Chartered Alternative Investment Analyst (CAIA) panel in Sydney about the Portfolio for the Future and the role of Alternative assets, October 20<sup>th</sup> 2022

### CAIA Australia (Sydney) - The Portfolio for the Future - Australia The 60/40 Portfolio and the Role of Alternatives

October 20, 2022



Since the 1980s, global interest rates have fallen, equities have been in a secular bull market, and inflation has been nowhere to be found. These trends have only been exacerbated by accommodative monetary policy, supply chain globalization, labour union obsolescence, and highly adaptive and flexible labour categories. Many have argued that cheap capital has artificially smoothed economic cycles, provided a violent tailwind for capital market returns, and engendered a dangerous shorttermism and gambling culture in the public markets.

Against this backdrop the traditional 60:40 growth/defensive Balanced portfolio (where 60% is invested in stocks and 40% in bonds) has performed well. In fact, there have only been 2 instances where this approach has led to negative returns over the Calendar year since 2007 (based off the Bloomberg 60/40 Index).

However, the secular trends outlined above may be challenged moving forward. Rising inflation, tightening monetary policy, rising interest rates, political instability as well as Climate Change have led to investors' revisiting their asset allocation decisions. Add to this the growing adoption of the Endowment Model and continued growth in allocation to alternatives, portfolio construction is a widely debated topic and can have a materials impact on future portfolio returns.

In this panel discussion we explore these issues and also discuss CAIA's Portfolio of the Future paper released earlier this year. **CAIA Association** believes the **Portfolio for the Future™** will exhibit five distinct marks:

1. **Broadly Diversified**
2. **Less Liquid**
3. **Rooted in a Fiduciary Mindset**
4. **Actively Engaged**
5. **Dependent on Operational Alpha**

## Speakers:

- **Bev Durston**, Managing Director at Edgehaven Pty Ltd
- **Marcus De Kock, CFA**, Alternatives Investment Director, Mercer
- **Kathryn Young, CFA**, Head of Investments, Cambooya
- **Gillian Gordon**, Head of Alternative Investments & Responsible Investing, JB Were

Moderator : **Craig Roodt, CAIA**, Director, Investment Governance and Risk, Deloitte

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