Asset Allocation Awards

MAGAZINE

Columbia Threadneedle Investments

Inflation will gradually return towards trend levels over 2022 and 2023

Neuberger Berman

In this environment we maintain a positive view on active management

WINNAARS 2022

Asset Allocation Awards
BY ALPHA RESEARCH

www.assetallocationawards.nl

Inhoudsopgave

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LOWER FOR LONGER TEN EINDE

De award winnende asset managers zien nu dat ‘lower for longer’ niet meer aan de orde is. Met een hogere rente dan de afgelopen jaren heeft dat zijn gevolgen op de waarderingen van aandelen en vastgoed.

Over de inflatie vooruitzichten hebben de vier beste asset managers wel verschillende meningen, maar de tendens is: het zal nog even duren dat inflatie weer 2% zal zijn. De hogere energieprijzen werken nu langzaam maar wel gestaag door van transport naar producten en met de eerste hogere looneisen lijkt inflatie voor heel 2022 een gegeven.

De afgelopen zeven jaar is de Asset Allocation Awards voor menig belegger een beginpunt van research geweest. De winnende asset managers hebben bewezen goed in te kunnen spelen op de financiële markten, om kansen te geven aan de juiste scenario’s en bedreigingen op waarde te schatten. Als dan de beste beleggingscategorieën in de portefeuille zijn opgenomen, dan is de belangrijkste stap gezet.

De huidige Awards winnaars publiceerden het afgelopen jaar ook weer regelmatig hun visie met concrete asset allocatie aanbevelingen en hun toekomstbeeld. In dit Awards MAGAZINE kijken we samen met de winnaars van 2022, Northern Trust Asset Management, J.P. Morgan Asset Management, Columbia Threadneedle Investments en Neuberger Berman (die maar liefst 2 awards wist binnen te halen) naar de toekomst. De vraag hoe de inflatiedruk zich zal ontwikkelen en met de eerste renteverhogingen bij de Fed en ECB is de vraag voorgelegd: is ‘lower for longer’ ten einde?

Op dinsdag 7 februari 2023 zal Alpha Research voor de achtste keer de Asset Allocation Awards gaan uitreiken. De nominaties zullen in het vierde kwartaal bekend worden gemaakt. Ik wens u veel leesplezier.

Eelco Ubbels RBA
Directeur Alpha Research

Maandelijkse analyse basis voor jaarlijkse Awards

Maandelijks analyseert Alpha Research rond de zestig allocatierapporten van asset managers. Dit is de basis van de beleggingsconsensus die elke maand wordt gepubliceerd in de Asset Allocatie Consensus Premium en is ook de basis van de toekenning van de awards voor vijf beleggingscategorieën.

Beleggingscategorieën

De vijf beleggingscategorieën zijn:

- **Asset Allocation**
- **Equities Regional**
- **Equities Sector**
- **Fixed Income**
- **Overall***

**De Overall Award betreft het gemiddelde van asset allocatie, regio allocatie en fixed income.*

Performance aanbevelingen

Hoe wordt een asset manager genomineerd voor de Asset Allocatie Awards? Daarvoor meet Alpha Research de performance van de aanbevelingen. Dit gebeurt aan de hand van een gelijk gewogen portefeuille waarin alle 5 categorieën 20% meewegen.

Beoordeling

Een advies om een bepaalde asset class te overwegen betekent een weging van 25%, een negatief advies betekent een positie van 15%. Naast de performance beoordeelt Alpha Research ook de presentatie, leesbaarheid en frequentie van de rapporten.

Columbia Threadneedle Investments

Ben Rodriguez
Multi-Asset Portfolio Manager

"We don't currently expect market pricing for key developed markets' central bank rate hikes to increase meaningfully from here"

Winnaar 2022 'Equities Sector'

Columbia Threadneedle Investments

In what way do you see inflationary pressures develop and impact financial markets over the upcoming 12 months?

Our economic forecasts continue to point to a peak in inflation this year; Russia's invasion of Ukraine has added uncertainty to markets, given the disruptions to a material proportion of the world's energy and grain markets. This, combined with the continued impact of Covid-19 induced shortages and supply chain disruptions (such as the lockdowns of major manufacturing cities in China and the strict zero-Covid measures currently implemented in Shanghai), has exacerbated inflation in terms of its level and longevity compared to initial expectations. In the short-term, key central banks will continue to hike rates whilst inflation measures sustain trends higher; we believe markets have largely priced these rate increases in already. Whilst both our longer-term inflation outlook and market pricing suggest that the current pick-up is transitory and inflation will gradually return towards trend levels over 2022 and 2023 (which should remove pressure on policymakers to raise rates aggressively into next year), the sharp price increases in areas where bottlenecks continue warrant careful monitoring.

The broader theme of onshoring supply chains and energy production has the potential to lead to structurally higher inflation, and whilst our expectation is not for this to lead to current levels of inflation persisting, the risks of maintained above-target inflation have increased. A key indicator here will come over the coming months when base effects reflecting lockdown easings move out of inflation prints and the extent that core inflation has become self-sustaining through labour markets becomes clear.

With the Fed approving its first interest rate hike since 2018, is this the end of the 'lower for longer' environment, and what will be the impact of such a development?

At the end of 2021, the Fed's median 'dot plot' projection predicted three rate hikes in 2022. By the end of March, the Fed had already raised rates by 25 bps and was projecting six more 25 bps hikes over the remainder of the year (with the next 50 bps expected on Thursday). We anticipate that the Fed will continue to move abruptly this year, making use of both rate increases and QT. However, as we progress into next year and the neutral rate is approached and various inflation components contributions begin to fall away, reserved optionality in either direction is expected from the Fed.

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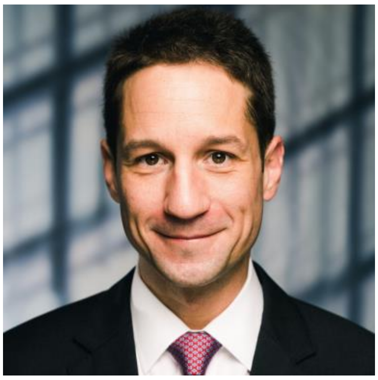
We believe that market pricing of Fed hikes is now relatively full. Indeed, long term market rates pricing now sits meaningfully above the median long-term Fed dot and market measures of neutral rate pricing are at the upper end of our estimates. Against the inflationary backdrop the continued firmness of corporate earnings has been notable. With this and the setback that risk markets have experienced in mind, we expect attractive returns from risk assets such as equities and credit over the next 12 to 18 months. In accordance with our inflation view, we don't currently expect market pricing for key developed markets' central bank rate hikes to increase meaningfully from here.

The energy sector has been the best performing sector in the first quarter of 2022, with oil prices reaching the highest levels since 2008. Will this trend continue or has the market reached its peak?

The energy sector has certainly been the standout sector year to date, benefitting from constrained supply and the impact of Russia's invasion of Ukraine. It's recovered a lot of ground against those sectors – such as technology – that have been the winners over the past couple of years, but can this go further? Well, oil and natural gas prices could certainly remain elevated, which should be supportive, but energy companies no longer look so cheap particularly if you factor in the long-term outlook for fossil fuels. Conversely, many of those high-quality growth companies that have sold off most this year now look very attractive relative to history and the strength of their fundamentals.



J.P. Morgan Asset Management

Vincent Juvyns
Global Market Strategist

"Higher bond yields offer investors a more attractive entry point into fixed income markets"

Winnaar 2022: 'Fixed Income'

J.P. Morgan Asset Management

In what way do you see inflationary pressures develop and impact financial markets over the upcoming 12 months?

U.S., inflation is finding its way into rents and wages—causing the Federal Reserve (Fed) to pivot swiftly to a profoundly hawkish tone—but for now inflation in Europe is more at the headline level, while in China it remains generally muted. Nevertheless, higher inflation and tighter policy will likely characterize the remainder of this economic cycle.

However, we expect economic growth to slow sharply in 2022 compared to 2021, and expect supply chains will generally improve over the course of the year. This should eventually provide inflation relief and consequently we expect that the Fed will gradually moderate its recently hawkish tone.

Slowing growth (but no recession) and higher inflation (with the implication of tighter policy) create a recipe for volatility as asset prices adjust to the new environment.

Technically, equities are oversold, and valuations present less of a headwind. However, after a lackluster 4Q 2021 earnings season we doubt earnings revisions will be an upside catalyst for stocks, until after 1Q 2022 earnings season, at least—assuming corporate guidance improves from the cautious tone last time out. Rising inflation is also causing concerns about profit margins. This is an acute issue for commodity- and energy-intensive sectors and regions. But generally rising productivity would take some of the sting out of higher wage costs such that margins might prove surprisingly resilient in aggregate.

With the Fed approving its first interest rate hike since 2018, is this the end of the 'lower for longer' environment, and what will be the impact of such a development?

In a way, yes. Indeed, as widely anticipated, the Federal Open Market Committee (FOMC) voted in May to raise the Federal funds target rate range by 0.50% to 0.75%-1.00% and signaled similar 50 basis point rate increases would be on the table for the next couple of meetings. We expect 0.50% increases at the June and July meeting, and for further 0.25% increases thereafter, suggesting a year end Fed funds target range of 2.50-2.75%.

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The aggressive global monetary policy tightening cycle will thus likely continue at least through year-end, which is a significant headwind for balanced portfolios by pushing down the values of both stocks and bonds. While valuations in both equities and government bonds have moved sharply, we are not confident markets have yet fully absorbed this monetary policy shock, so we favor close to neutral positions in both. Over the coming quarters, we think further information on the path of inflation and policy will help drive our portfolios toward either "recession" or "extended cycle" positioning. In the meantime, we expect the correlation between stocks and bonds to skew positive, given that both markets are likely to continue focusing on inflation and monetary policy, for which news tends to drive stocks and bonds in same direction. Given our view that a severe economic downturn is unlikely in the near term, parts of the corporate credit market, where spreads have widened and dollar prices have fallen even as default rates remain extremely low, look appealing.

Some say that bond markets have entered the third large bear market, with the Global Agg benchmark dropping around 12% in the last 15 months. Does J.P. Morgan AM share this vision?

No. Inflationary pressures and rising rates have taken their toll on overall bond yields. The stock of negative yielding debt has fallen from over $11 trillion a year ago to under $2.5 trillion as of May 2022. The thawing of negative yielding debt has released pressure on various parts of the bond market – the US 10-year currently yields around 2.9% and the German 10-year broke through 1%, trading at its highest yield since mid-2014. Investors continue to expect more rate hikes but the possibility of peak inflation may mean that further hawkish shifts beyond these expectations are unlikely in the near term. In credit markets, the valuation picture is becoming slightly more constructive, with European high yield spreads approaching 500 bps and US spreads at over 400 bps. However, there is still cause for concern amongst lower rated parts of the high yield market in light of the weaker macroeconomic outlook and ongoing pricing pressures. Higher bond yields offer investors a more attractive entry point into fixed income markets and the possibility of peak inflation may be the catalyst to help bring some market stability.

Northern Trust
Asset Management

Wouter Sturkenboom
Chief investment strategist, EMEA & APAC

"We expect the inflationary pressures to abate somewhat over the next 12 months"

Winnaar 2022 'Equities Regional'
Northern Trust Asset Management

In what way do you see inflationary pressures develop and impact financial markets over the upcoming 12 months?

We expect the inflationary pressures to abate somewhat over the next 12 months because of base level effects and a slowdown in economic growth. If central banks acknowledge the disinflationary impact of that slowdown in economic growth and slow the pace of tightening, as we expect them to, financial markets will respond well to inflation rolling over. However, risk around this outlook is elevated. Firstly, because getting inflation down from 8% to 5% is going to be a lot easier than getting it down from 5% to 2%. If that second stage of decline doesn't happen quickly enough markets will worry that central banks will tightening even more. Secondly, if central banks ignore the current slowdown in economic growth and the disinflationary impact it will have, and keep focussing on headline inflation to hike interest rates, financial markets will face a big challenge from lower earnings growth expectations, higher interest rates and lower valuation multiples.

With the Fed approving its first interest rate hike since 2018, is this the end of the 'lower for longer' environment, and what will be the impact of such a development?

Yes, we believe the lower for longer environment is coming to an end. Even if the US economy lands softly and inflation comes down from the recent highs, we expect inflation to remain above its run rate prior to the Covid pandemic. That means the neutral rate will be somewhat higher as well, and that will translate to higher rates along the curve.

In what way do the current geopolitical tensions and renewed COVID restrictions impact your outlook for emerging markets in 2022?

Both factors have been reasons to remain cautious on the outlook for emerging markets in 2022. Geopolitical tension has caused energy and food prices to spike, which is a big headwind to the emerging market consumer. It has also triggered a dollar rally, which is weighing on emerging market debtor countries. Covid restrictions in China have also been a concern. The economic impact has been large and government support to counteract the slowdown has been smaller and slower to arrive than hoped for.

Neuberger Berman

Erik Knutzen
Chief Investment Officer - Multi-Asset

"Much uncertainty over the growth outlook now rests on the speed and economic impact of the tightening cycle"

Winnaar 2022
'Asset Allocation' en 'Overall'
Neuberger Berman

In what way do you see inflationary pressures develop and impact financial markets over the upcoming 12 months?

We expect stubborn inflation to be a key headwind in the outlook for many financial assets over the next 12 months. Coming into 2022, inflation had already become a rising concern as re-opening economies met ruptured supply chains in the aftermath of the global pandemic. Even before Russia's invasion of Ukraine, structurally higher government spending, challenges of labor force participation and housing supply issues were all adding to long-term inflationary pressure. The impact of the Russia-Ukraine conflict has only served to exasperate these dynamics, causing shocks in commodity markets and speeding up the trend to localize supply chains and deglobalize markets. It's this mixture of demand and supply issues, catalysed by the war, that has created the perfect storm for persistent higher inflation.

The impact of inflation on financial assets is far-reaching. In equities, inflation presents a headwind to many business as rising costs eat into revenues and profits, here, we believe focus should be on businesses with strong pricing power. We expect REITs and MLPs to outperform due to the inflation linkage embedded within their respective sectors, real estate and energy. In fixed income, inflation places upwards pressure on yields which we have seen shift up dramatically up in the first quarter. Furthermore, we have seen bonds begin to exhibit tighter correlation to riskier assets like equities, thus reducing the attractiveness of the asset class as a diversifier and natural hedge to riskier assets. During the 1980s and 90s, when inflation was persistently above 3% and generally more volatile, the stock/bond correlation was almost always positive, and sometimes high. This has an impact on wider asset allocation making traditional portfolios more volatile due to diminished diversification benefits. We think real assets, such as commodities, real estate and infrastructure should fair best in an inflationary scenario due to their inflation linked properties, but also to provide more diversification opportunity to stocks and bonds. Other alternatives, such as hedge funds and private markets remain attractive. Hedge funds can provide another uncorrelated return stream to bolster portfolios and private markets are able to create value away from the potential volatility in public markets. In this environment we maintain a positive view on active management, across asset classes, as a way to seek to take advantage of volatility and changes to investing regimes.

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With the Fed approving its first interest rate hike since 2018, is this the end of the 'lower for longer' environment, and what will be the impact of such a development?

Yes, not only is continued monetary tightening now expected from central banks globally but more notably the speed at which tightening is expected has shifted markedly from a matter of months ago. Markets are now pricing in an additional 200bps of rate hikes in the US, six 25bp rises in the UK, lift off by the ECB and similarly aggressive tightening cycles in Australia, New Zealand, Canada, Norway and Sweden. 50bps hikes are not out of the question in many countries as central banks grapple to get prices under control. Central banks surprised markets by emphasising their focus on inflation rather than growth, and there of course lies the risk of a policy misstep whereby policy is tightened too quickly, causing a substantial economic slowdown. Much uncertainty over the growth outlook now rests on the speed and economic impact of the tightening cycle.

Though recession is not our base case scenario we do believe a more cautious, risk-averse approach to asset allocation is warranted. We also advocate limiting interest rate sensitivity wherever possible. In bonds, that meaning focus on floating-rate and short-duration, in equity, that meaning reducing exposure to growth oriented stocks with high P/E ratios, tilting towards value. Across the board we are recommending a renewed focus on quality and income as a portion of total return. Again, we are more positive on alternatives and real assets as they are less exposed to rising interest rates.

It seems that the cycle of continuous monetary expansion is coming to an end with interest rates being hiked. What impact will this have on the real estate sector?

Tightening monetary conditions and the return of structurally high inflation represents a shift to a new regime that is very different from the one that has prevailed over the past two decades. Though slowing growth acts as a headwind to real estate markets, and recession poses a big risk to the downside, in a higher inflation environment we expect real assets to perform better than financial assets. Higher inflation can be viewed as positive for the owners of real estate assets, as landlords can capture higher inflation by raising the rents they charge tenants. However, the recent spike in long term interest rates may serve as a headwind to real estate performance in the short term, some volatility may come through. Longer term we expect the acceleration of property cash flows to offset the climb in interest rates. While we remain cautious on the fundamental outlook for challenged sectors, like regional malls, lodging, and office, a vaccine-re-opening driven rebound highlights opportunities in select segments, including top-tier malls, healthcare facilities, and timberlands. We continue to favour the residential sectors due to attractive demographic/demand trends. The millennial generation beginning to form families, combined with the COVID-driven preference for more personal space, should benefit the single-family rental sector.

“Our longer-term inflation outlook and market pricing suggest that the current pick-up is transitory”

Ben Rodriguez,
Columbia Threadneedle Investments

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Asset Allocatie Consensus Premium

BLIJF OP DE HOOGTE VAN DE LAATSTE ASSET ALLOCATIE WIJZIGINGEN MET HET PREMIUM RAPPORT.

NU ABONNEREN

Helder en overzichtelijk rapport

DOOR ALPHA RESEARCH

De keuze van beleggingscategorieën verklaart voor meer dan 80% de volatiliteit van een portefeuille en heeft significante invloed op het behaalde rendement.

Beleggingsstrategieën vergelijken

De allocatie aandelen heeft door de hogere bewegelijkheid dan de andere beleggingscategorieën een grote impact op de gehele portefeuille. Voor de actieve belegger is de Asset Allocatie Consensus Premium de perfecte manier om eigen strategieën te vergelijken met de consensus van meer dan 50 asset allocatie rapporten van asset managers, fondsenhuizen en research partijen.

Hoe het rapport tot stand komt

Alpha Research inventariseert maandelijks al deze rapporten en actualiseert deze opinies in de database. De meeste partijen gebruiken de categorieën Overwegen, Neutraal en Onderwegen als aanbeveling. Respectievelijk zijn de waarden +1, 0, en -1 van toepassing. Deze waarden leiden tot een gemiddelde.

De inhoud van het rapport

In het Premium rapport komen het gemiddelde, de trend van de aanpassingen en grafieken van vijfjarige historie van de consensus aan bod om inzicht te krijgen in de asset allocatie-opinies. In absolute zin is het gemiddelde niet altijd allesbepalend, maar relatieve aantrekkelijkheid kan wel belangrijk zijn. Professionele beleggers moeten alloceren en asset allocatie is altijd het startpunt.

Het Premium rapport bevat elke maand een update van alle beleggingscategorieën.

Asset Allocatie
- Historie Consensus - 5 jaar

Aandelen
- Regio Allocatie
- Historie Consensus - 5 jaar
- Sector Allocatie
- Historie Consensus - 5 jaar

Obligaties
- Credit Allocatie
- Historie Consensus - 5 jaar

Asset Allocation Award winnaars
- Asset allocatie
- Aandelen – regio allocatie
- Aandelen – sector allocatie
- Bonds

NU ABONNEREN*

*Een jaarabonnement op het Asset Allocatie Consensus Premium rapport bedraagt €325,- ex BTW. De Asset Allocatie Consensus Premium is ook als bedrijfsabonnement te ontvangen. Klik hier voor een offerte.


Bekijk de replay voor de
volledige interviews
met de winnaars

Dit waren de genomineerden Asset Allocation Awards 2022

Op alfabetische volgorde

Asset Allocation

BNP Paribas Asset Management - Asset Allocation Monthly
Columbia Threadneedle Investments - Asset Allocation Update
Franklin Templeton - Allocation Views
Neuberger Berman - Asset Allocation Committee Outlook
Northern Trust - Investment Perspective

Equities Regional

Actiam - Actiam Monthly
Aegon Asset Management - House View
JP Morgan Asset Management - Global Asset Allocation Views
NN Investment Partners - Multi Asset Monthly
Northern Trust - Investment Perspective

Equities Sector

Columbia Threadneedle Investments - Asset Allocation Update
DWS - Investment Traffic Lights
ING Investment Office – Maandbericht beleggen
NN Investment Partners - Multi Asset Monthly
Pictet Asset Management - Barometer

Fixed Income

Aberdeen Standard Investments - Global Outlook
BlackRock - Weekly Commentary
JP Morgan Asset Management - Global Asset Allocation Views
L&G IM - Outlook
Neuberger Berman - Asset Allocation Committee Outlook

Overall

Columbia Threadneedle Investments - Asset Allocation Update
Franklin Templeton - Allocation Views
JP Morgan Asset Management - Global Asset Allocation Views
Neuberger Berman - Asset Allocation Committee Outlook
Northern Trust - Investment Perspective

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