

REAL ASSETS – A CHANGING LANDSCAPE

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The investment landscape at the moment is facing a number of challenges, particularly given the low interest rate environment that we have currently, on top of the high volatility in the equity markets. We're also seeing multitude of programs of quantitative easing which is fueling asset price inflation. Of course, we also have regulatory regimes which are impacting how we do business particularly as financial institutions. We're seeing a shift more towards the alternative investments industry, and one segment within alternative investments what's becoming a key focus now is real assets, which includes real estate, infrastructure and private equity,

We've seen and we'll continue to see a huge increase in population growth, and on top of that there's urbanization. By 2050, we will see an additional two and a half billion city dwellers. That ultimately has huge consequences and implications for social, economic and environmental infrastructure. Right now it's felt that there will be a significant gap in terms of the availability of public finances to meet that demand, and this is where private capital can play a part in helping bridge that gap.

I think the alternative investment industry by its very nature is agile and has ultimately proved to be responsive to global macro trends, so I've no doubt that investment managers will continue to find returns. However, I think some of the challenges that will lie ahead will really sit within the periphery of how investment managers deliver their returns. Today, there's heightened due diligence from institutional investors as to how this happens. They ultimately want to understand exactly what goes on within the firms, how their management fees are being utilized.

It is forcing investment managers to think about their back office, their infrastructure, their technology, and perhaps opt for variable models like outsourcing versus the fixed office calls they have today. The opportunities are enormous especially for those that really do adapt and satisfy institutional investor's requirements.

Investing in to real assets plays a part in people's everyday lives. Investments in to transport, in to communications, in to social infrastructure such as housing, hospitals, retail and commercial real estate, and of course the generation and distribution of utilities like water and electricity. That's why it's very important that we get this right.



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