Institutional Investors: Shared Expectations, Divergent Paths
A Message from OFI Global Asset Management

OFI Global Asset Management is pleased to share with you the findings of our inaugural institutional investor survey — “Shared Expectations, Divergent Paths” — in partnership with Pensions & Investments. This survey polls a range of endowments, foundations and both public and corporate pension plan sponsors, throughout the United States.

In this survey, we take an in-depth look at the viewpoints, practices and most pressing issues facing these institutions today — from asset-allocation strategies and risk management to return objectives. The survey embodies our commitment to listening to our clients and helping them find appropriate solutions to serve their needs.

As pioneers in global investing who created one of the world’s first global equity strategies, we feel that our expertise across traditional and alternative asset classes puts us in a unique position to assess the evolving challenges and needs of institutions, especially during times of turbulence in the capital markets.

We wish to thank the representatives of the institutions we surveyed, who set aside their time to answer our questions and share their perspectives with the broader public. We also hope you find the results informative — and look forward to discussing them with you as part of our broader dialogue with the institutional investment community.

Sincerely,

Steven Paddon
Senior Vice President, Head of Institutional and International Distribution
Executive Summary

Although institutional investors by and large are worried about the same investment issues and have similar financial market outlooks, they are pursuing markedly different investment strategies.

OFI Global Asset Management, an OppenheimerFunds company, partnered with Pensions & Investments to conduct a comprehensive survey of 240 institutional investors and gauge their perceptions, attitudes and investment strategies. The professionals surveyed represent:

- endowments and foundations;
- sponsors of corporate and public defined benefit pension plans; and
- sponsors of defined contribution pension plans.

The survey showed remarkable consistency across all three groups in how they are focusing their investment efforts and what concerns them most as they look to the next five to 10 years and beyond. However, the survey’s results also revealed significant differences in how the current market environment — with volatile stocks and low interest rates — is affecting each of these groups. Additionally, they reveal how investors are responding differently to the challenges they face.

Below we examine a range of investment issues — from asset allocation and the role of consultants to the adoption of environmental, social and governance principles — and provide a window into the strategies that institutional investors are pursuing to meet their goals.

Institutional investors share the same concerns and outlook — but are responding differently.

The survey found that all categories of institutional investors, including defined contribution (DC) plan sponsors, are generally concerned about many of the same issues and have a similar financial outlook — yet they are pursuing markedly different strategies in response.

Yields and interest rates
The current low yield environment is one of the most pressing concerns of all survey respondents, who expect low yields to persist for a decade or more, despite the Federal Reserve’s rate hike in December 2015 (its first in nearly 10 years). At the same time, rising interest rates are a short-term concern, but for time frames of longer than five years, that concern declines dramatically.

Inflation
Inflation is not amongst institutional investors’ top-10 concerns for at least the next decade.

Volatility and return targets
Respondents expressed heightened sensitivity to volatility as well as increasing concern about achieving their long-term return targets.

The macro outlook
All respondents hold similar macro outlooks and expectations for equity market growth across major investment regions.

Consultative priorities
All respondents seek consultant services that focus on asset allocation and strategic research rather than manager selection.
While sharing very similar long-term outlooks, these groups have very different goals and are taking very different approaches to address their concerns. These approaches include diversification, volatility mitigation and other risk-management strategies. Additionally, we observed one area of common thinking centered around a modest interest in expanding active, global equity and emerging markets allocations.

2 Corporate and public plan sponsors are on divergent paths, but neither are planning big allocation changes.

The survey’s respondents — both in aggregate and by segment — showed little appetite for major shifts in their asset allocations.

Though many public and corporate DB plans share the same concerns, they differ in their priorities and investment emphasis, as reflected in the differences in expected asset-allocation changes, according to the survey.

Public DB plan sponsors:
- Are much more likely to remain open to new and existing participants.
- Have lower average fixed income allocations and are slightly more likely to be reducing them.
- Are less likely to reduce their equity allocations.
- Are more likely to increase their allocations to alternative assets of all types.
- Are relatively more concerned about achieving target return.

Corporate DB plan sponsors:
- Are much more likely to close/freeze and de-risk their plans.
- Anticipate higher allocations toward U.S. investment-grade fixed income and away from all types of equities and alternatives.
- Are relatively more concerned about rising interest rates and volatility management.

Broadly speaking, current levels of diversification among asset classes are expected to remain largely unchanged, with little anticipated reductions in home bias. Other than corporate plans’ expressed desire to increase fixed-income allocations — and while public plans expect to increase alternative allocations — we found that those plan sponsors that are either changing their investment policies or de-risking allocations are biased toward increasing global equity allocations over the next five years. This finding may be aligned with respondents’ broader preoccupation with meeting return targets.

3 Target-return generation is a top goal for many.

Despite their worries about risk, institutional investors seem to prioritize return-seeking over risk management. This priority may stem from their concerns over funding shortfalls in a low return world. The vast majority of investors do not maintain risk budgets or risk premia models. Their selection of asset managers tends to depend more on return metrics than risk metrics (though there were slight differences among investor segments). Investors were also more than twice as likely to cite “outperformance/alpha” over “risk mitigation” as a reason for selecting active management over passive.

4 Adoption of environmental, social and governance principles is in its early stages.

Institutional investors reported a low rate of adoption of environmental, social and governance (ESG) criteria in their investment decisions. Of the institutions that employ ESG principles, 30% do so because they expect higher risk-adjusted returns on those investments; two-thirds do so because of policy mandates or because they view ESG as part of their fiduciary duty.

While this finding could be interpreted as a general lack of interest among U.S. institutional investors in ESG, it may in fact be a sign that these investors are in the earliest stages of understanding and incorporating ESG principles in their investment decisions.
1. Investor Concerns: Low Rates, Volatile Markets and Return Shortfalls

Institutional investors, including sponsors of defined contribution pension plans, face challenges and concerns in achieving their objectives.

Endowments, foundations and sponsors of defined benefit pension plans, have obligations and funding requirements to meet. Defined contribution plan sponsors bear a fiduciary responsibility to provide an effective and beneficial lineup of strategies in the plans they offer to participants, who strive to invest well for their retirements.

Each of these groups share the same investment landscape and face many of the same issues related to successful investing.

In partnership with Pensions & Investments, OFI Global Asset Management surveyed a group 240 institutional investors to gauge their perceptions, attitudes and investment strategies. Exhibit 1 The survey showed remarkable consistency among all types and sizes of investors in how they are focusing their investment efforts and what concerns them most as they look to the next five to 10 years and beyond. The primary areas where investors are focusing their efforts in the short term include volatility management and increasing investment returns. Other areas of focus, such as risk management and increasing yield, ranked well below these two.

In addition to ranking issues receiving the most effort and attention, respondents were asked to rank topics of concern. We found that volatility and low yield consistently ranked as their top concerns in all time frames, both as an “acute” concern as well as a “prevalent” concern. Expenses were of moderate concern over all time frames and measures.

The survey, however, also revealed some potentially significant changes in priorities over time, the biggest shift being a steady decline in the importance of both rising interest rates and high equity valuations. Exhibit 2

Exhibit 1: The Survey Universe

Exhibit 2: Where Are Investors Focusing Efforts in the Short Term?
At the same time, the survey found a significant increase in the importance of achieving target return, which rose to become the No. 1 priority in time frames longer than 10 years. Concern over increasing liabilities also rose steadily in importance over longer time frames. Interestingly, while central bankers are forever keeping an eye on inflation, for institutional investors, inflation never rose to the level of an acute concern and was not a prevalent concern except in time frames beyond 10 years. Exhibit 3

“This is what I would expect to see,” says Krishna Memani, chief investment officer at OppenheimerFunds, referring to the survey results. “From a near-term perspective, we are at the bottom of the interest rate cycle, the U.S. economy is doing much better, and the Federal Reserve is changing the interest rate regime. What happens with respect to interest rates over the coming one to five years is important, but from a longer term perspective, that problem resolves itself.

Exhibit 3: “Achieving Target Return” Is Both an Acute and Prevalent Concern

<table>
<thead>
<tr>
<th>&quot;Acute&quot; Investor Concerns (% of respondents ranked as No. 1 concern)</th>
<th>&quot;Prevalent&quot; Investor Concerns (% of respondents ranked as top 3 concern)</th>
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<tr>
<td>&lt; 5 Years</td>
<td>&lt; 5 Years</td>
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<tr>
<td>15.4%</td>
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<td>14.2%</td>
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<td>15%</td>
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<td>6.3%</td>
<td>20%</td>
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<tr>
<td>6.3%</td>
<td>17.5%</td>
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Sources: OFI Global Asset Management, Pensions & Investments.
“However, investors are clearly expecting rates to remain low for a long period of time and that’s why the low yield environment is showing up as a concern in every time period. That lower rate environment will likely lead to a challenging return environment,” he added. “So meeting portfolio return targets on a long-term basis is going to be a perennial problem. Moreover...

“...in a low return environment, one is more sensitive to volatility than one otherwise might be, because you’re just flying too close to the ground.”

<table>
<thead>
<tr>
<th>Exhibit 4: Investors’ Expectations for Treasury Yields Are Low</th>
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<tbody>
<tr>
<td>50%</td>
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<td>0 &lt;1.5%</td>
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<td>1.5%-1.9%</td>
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<td>2.05%-2.4%</td>
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<td>2.5%-2.9%</td>
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<td>3.0%-3.4%</td>
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<tr>
<td>3.5%-4.0%</td>
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<tr>
<td>&gt;4.0%</td>
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<tr>
<td>12/31/15 12/31/16 12/31/20</td>
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Sources: OFI Global Asset Management, Pensions & Investments.

How Institutions Are Dealing with Persistently Low Yields and Increased Volatility

Survey respondents have similar interest-rate expectations for the short term, but appear to differ on where they believe rates are headed in the longer run. For example, rate expectations for year-end 2020 range from less than 1.5% to greater than 4%. Exhibit 4 ▲

Ira Jersey, a senior client portfolio manager with OppenheimerFunds’s global debt team, offers his view on these findings.

- **Investors should prepare for low rates over the long haul.**
  Jersey suggests that despite the Federal Reserve’s efforts, investors should prepare for rates to remain lower for longer, ultimately ending up at or below the 3.0% mark on the 10-year Treasury. “Plan sponsors, as well as most investors, have to rethink their idea of what is normal,” says Jersey. “Is this really a low yield environment? If you look at benchmark government interest rates globally over the last several hundred years, whether in the UK or the U.S., you find that the environment that people view as ‘normal,’ call it the 1990s, is actually a relatively unusual period of time, with unusually high interest rates.”

- **Today’s low yields are consistent with long-term history — yet we’re living in a deflationary world.**
  Jersey says that benchmark government interest rates tend to stay between 2% and 4% over long time periods. “So 2.5% yields or 3% yields are not unusual,” he says. “Even though today’s investors might consider low yields to be a problem, it’s consistent with long-term history and it’s something we all need to get used to.” He also says that while outright deflation is unlikely, investors need to get used to the idea that the world is deflationary. “This is one of the reasons why I think interest rates won’t be able to climb,” says Jersey. “Historically, inflation ends up being...
2. Investors Not Planning Major Asset Allocation Changes

Concerns about volatility, low yield and achieving target return are having a notable impact on investor behavior, according to the survey. The institutions polled indicated a strong preference for asset allocation services as the No. 1 priority within their consultant relationship, as opposed to the traditional role of assisting with manager selection. Fewer than 10% of respondents listed manager selection as their top consultant priority.

OppenheimerFunds global equity portfolio manager Randall Dishmon points out that the survey may have uncovered a disconnect between concerns over market volatility and achieving investment returns.

“Volatility and achieving target return go hand in hand,” says Dishmon. “It seems that investors want to achieve better returns but want to do it in a low volatility way, relative to an index. So inherently they’re saying that they want investment managers to be closer to the index but to outperform.”

Dishmon adds that the lower volatility/higher return paradigm may be evidence of a philosophical conflict. “Investors with a time horizon of greater than 10 years for achieving target return should be willing to accept higher volatility,” he says.

“How Investors Are Overcoming Their Investment Concerns:

1. Change investment policies.
2. Decrease target return.
3. Increase number of mandates within an asset class.
4. Advance timing of tactical allocation.
5. Change investment personnel.
6. Increase target return.
7. Postpone tactical allocation.
8. Hire OCIO.

Sources: OFI Global Asset Management, Pensions & Investments.

“because volatility and return are directly correlated.”
While most institutions are looking for asset allocation help from their consultants, the changes they expect to make over the next five years are moderate, unsurprising, and, in many cases, even marginal. Exhibit 6

The total survey group exhibited a strong bias toward decreasing equity allocations and a moderate bias toward increasing U.S. investment-grade fixed income and alternative assets. Even so, no large moves to diversify assets are planned. Indeed, broadly speaking, investors polled expect to hold their level of diversification mostly unchanged. This can seem counterintuitive because greater diversification would be expected as a method of increasing returns and reducing volatility, two of investors’ top goals.

One of the few exceptions appeared to be a moderate preference for increasing global equity allocations — including emerging market equity allocations — compared to a definite preference for reducing allocations to listed U.S. equities. All sub-groups of survey respondents appear to share this bias toward increasing global equity allocations, even those engaged in de-risking. In fixed income, however, where investors appear to be increasing their overall allocations, respondents still showed a preference for U.S. assets. Investors showed a very slight bias toward increasing global investment-grade allocations but the same bias was not found in emerging market fixed income or global high yield.

“In our view, what investors ought to be thinking about is that this low yield, low and rising interest rate environment assumption may only be true for their domestic markets,” says CIO Memani. “Dealing with home bias a bit more aggressively may be one way to address many of their longer term concerns.”

Sources: OFI Global Asset Management, Pensions & Investments.
Note: Not all asset classes or sub-asset classes add up to 100% because in some cases respondents selected "n/a" for an answer.
Dishmon, the global equity portfolio manager, echoes Memani’s point about home bias and argues that equity valuations are not extraordinarily high on a relative basis.

“Investors always start to worry about equity valuations after a strong five-year run,” he says. “But equity valuations are about average, and relative to other assets they’re outright attractive. If you look at the price-earnings ratio on bonds versus stocks, stocks are, on a relative basis, extremely attractive.”

Dishmon points out that because there is no rising tide to lift all boats, investors have had to scour the world to find regions and sectors that may outperform. But he adds that equity investors should consider this approach the new normal.

“If I were trying to teach the world how to invest, I would say global should be core,” says Dishmon, “because that’s how business works. There is no such thing as ‘domestic’ anymore. Half the revenue of almost every index, in every country, is more than 50% non-domestic. The investing world has not yet caught up to the business reality that there’s no such thing as a truly ‘domestic’ company anymore.”

The situation is not dissimilar in fixed income. Jersey, the global fixed income portfolio manager, says: “We believe there is woefully high home-country bias when it comes to fixed income. Only about 35% of the world’s bonds are created in the United States, so there’s a gigantic opportunity set outside of the U.S. that is underinvested by U.S. investors. And even though one finds incredibly low yields in places like Japan and Germany, there are higher yields to be found in other countries, like Mexico and India. Those latter countries actually have reasonable growth prospects for the next five or 10 years, and you could take advantage of those types of higher yields if you manage both your currency risk and credit exposure well.”

**Divergent Paths: Corporate vs. Public Plans**

A wide range of survey data points to rapidly diverging paths for corporate defined benefit and public pension plans. Though these investors are in broad agreement on the issues that concern them, those issues are not impacting them equally or in the same way, and thus different investor groups are responding differently to those challenges. Some quick — and perhaps not surprising — data points: Public plans are three times as likely to remain open to current and new participants as their corporate brethren. Public plans are also much more likely to be suffering from significant underfunding (i.e., below 80% funded status), and they were slightly more likely to address their underfunding by increasing allocations to risk assets. Exhibit 7 ▼ Exhibits 8a & 8b ▶

<table>
<thead>
<tr>
<th>Exhibit 7: Corporate and Public DB Plans Are on Divergent Paths</th>
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<tr>
<td><strong>88% of Public Plans Will Remain Open</strong></td>
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<tr>
<td>• Greater need for returns/appetite for risk</td>
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<tr>
<td>• Longer time horizons</td>
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<tr>
<td>• Early, growing interest in ESG</td>
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<tr>
<td>• Interest in alternatives, select active equity (Global, EM, SMID)</td>
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<tr>
<td><strong>72% of Corporate Plans Will Close</strong></td>
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<tr>
<td>• De-risking/focused on LDI strategies</td>
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<tr>
<td>• Appetite for U.S. core fixed income and select active equity (Global, EM, SMID)</td>
</tr>
<tr>
<td>• Early stages of exploring ESG</td>
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Sources: OFI Global Asset Management, Pensions & Investments.
By contrast, nearly all institutions that plan to close, freeze, undertake a lump-sum payout, or complete a buyout of their pension liability were corporate plans, which were more likely than their public counterparts to have a funded status above 80%. These groups are referred to as the “remain open” and “close/payout” groups, and the two showed markedly different sensitivity to low yields, rising interest rates and achieving their target return.

Other differences around asset allocation included:

**Public Plans/Remain Open Group:**
- Slightly lower current allocation to fixed income.
- More likely to trim their fixed income allocation or leave it unchanged over the next five years.
- Significantly more likely to leave equity allocations unchanged.
- More likely to increase allocations to alts (real assets, hedge funds and private equity), and slightly more likely to increase specialty fixed income allocations.
- Slightly higher tendency to cite information ratio and absolute return as most important manager selection criteria.
- More likely to seek asset allocation services from consultants.

**Corporate Plans/Close/Payout Group:**
- Much more likely to increase fixed income allocations.
- Fixed income increases limited to U.S. investment-grade rather than the full fixed income universe.
- Higher bias to decreasing equity and alternative allocations.
- Equity reductions in all sub-asset classes, except global.

“Corporate plans are thinking very differently from public plans,” says Memani. “Risk management in the short term is important and that is telling you why the two groups are going in different directions. Corporate plans, which are closer to fully funded because of the equity price rebound and higher contributions, are engaged in a risk mitigation exercise — looking for lower volatility and accepting lower returns.”

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**Exhibit 8a: The Majority of Corporate Defined Benefit Plans Are Over 80% Funded**

- 77% 60% - 80%
- 9% 81% - 99%
- 9% 100% - 120%

**Exhibit 8b: Public Defined Benefit Plans Appear Susceptible to Shortfall Risk**

- 36% <60%
- 9% 60% - 80%
- 9% 81% - 99%
- 45% 100% - 120%

Sources: OFI Global Asset Management, Pensions & Investments.
3. Investors Are Focused on Achieving a Target Return

More than three-quarters of survey respondents — across all sizes and types of institutions — said they do not maintain risk budgets or risk premia models. At the same time, survey respondents were nearly split down the middle when asked if they were planning to adjust the risk profile of their investment allocations: 53% said they would not adjust and 47% said they would. Those planning to adjust their allocations span two categories: “de-risking” (those who plan to reduce their risk) and “re-risking” (those who plan to add risk through new allocations). We found that the “de-risking” camp is more likely to increase allocations to global equities and U.S. fixed income, while the “re-risking” camp, albeit a small sample size, illustrates a likelihood to increase allocations to alternatives (including private equity) and public U.S. equities. Exhibit 9

Exhibit 9: Most Institutions Do Not Maintain Risk Budgets or Premia Models

Respondents across the risk spectrum believe that increasing alpha was the top reason for selecting active management over passive. However, relative performance (i.e., to the benchmark) ranked among the top three criteria for selecting external managers. Volatility ranked second; risk-based measures like information ratios and drawdowns ranked sixth and eighth, respectively, on a list of 10 criteria. Memani says respondents’ emphasis on return over risk management is not surprising.

“Investors care deeply about market risk but if returns are going to be 2.5% to 3% in fixed income markets and your required rate of return is 8%, you are going to care about that gap in returns far more,” he says.

“I think this survey is showing that return seeking is risk management in a different dimension. It’s shortfall risk that most institutions are trying to manage.”
Exhibit 11: De-Risking and Re-Risking Behaviors

De-risking plans

- Plan to increase allocations to global equity.
- Prefer active management in global equities and emerging markets.
- Plan to increase their U.S. investment grade fixed income allocations.
- Use active management to generate alpha.
- Tend to focus on liquidity management in the short term.
- Volatility is a mid-term concern that decreases over time.
- Plan to decrease allocations to alternatives, U.S. equity and non-U.S. equity.

Re-risking plans

- Plan to increase allocations to alternatives, U.S. equity and private equity in the next five years.
- Use active management to generate alpha.
- Tend to focus on increasing returns in the short term more.
- Mid-term worries are: volatility, high equity valuations and deflation.
- Volatility remains a long-term concern.
- They have changed or are planning to change their investment policy to address concerns.
- Tend to be represented by sponsors managing both DB and DC plans.

Sources: OFI Global Asset Management, Pensions & Investments.
Memani believes that investors are coming to realize that monetary easing in and of itself is not inflationary, and so they now are more resigned to living in a low return, low inflation environment. “The challenge has been to recognize that, for any large and significant portfolio, the possible return you can generate has to be seen in the context of the underlying global economy,” he explains. “There is no magic bullet. No panacea.”

Jersey, the global fixed income client portfolio manager, says that while investors should be in more risk assets for longer time horizons, risk should always be assessed in the short term because, using a put option analogy, bond investments can go to zero very quickly.

“One important dimension of risk management, especially from an active-management perspective, is that you cannot be wedded to your positions,” he says. “You can’t believe that you’re smarter than the market. You may have a viable long-term macro view, but if you’re wrong in the short term, that longer term view is irrelevant.”

To illustrate his point, he refers to August 2015, when China’s devaluation caused a major disruption in equity markets around the world. “Who knew that China devaluing by 2% was going to make the entire emerging markets world swoon? There were some trades that we didn’t want to do because we believed in our long-term view — which we still think is going to be correct — but our hand was forced to some degree by the market; we had to trade through that and manage our risk at the same time.”

Global equity manager Dishmon adds what he believes are several important caveats about risk management:

- The biggest impediment to this whole enterprise of risk management is how we look at it and how we measure it. First of all, real investment risk is not something you can easily measure. If something goes up five-fold and it was a successful investment, what risk did you take? You have no way of knowing all the dimensions of risk you actually took to earn that return. That investment could have just as easily gone the other way under a different set of circumstances.

- Second, volatility is not risk. The reason people use it as a risk measure is because it’s easily calculated. But in my view, volatility and risk are not the same thing.

- Third, I understand why people measure risk relative to an index, but focusing purely on relative risk cannot save you in a difficult market environments.

- Finally, while relative risk may be necessary for benchmarking purposes, what’s the right time frame for demonstrating investing acumen? In my experience, forcing an investment manager to focus on short-term relative return can be the death of an investing philosophy. Investors need much longer time frames, over many market cycles, to appraise a portfolio team’s risk management skill. Exhibit 10 and Exhibit 11 (see page 13)

4. Adoption of ESG Principles: Just the Beginning?

Not least amongst this survey’s compelling findings was the reported low rate of adoption of environmental, social and governance (ESG) criteria in investment decision-making principles. Of the institutional investors surveyed, 77% do not factor ESG considerations into their investment making decisions; with almost three quarter of respondents stating that either ESG’s value proposition is unclear, or that they don’t understand how to measure ESG’s success.

While this might be read as a general lack of interest on the part of U.S. institutional investors in ESG, perhaps it is a sign that these investors are in the earliest stages of understanding and incorporating these principles in their investment decisions. Of those that do use ESG principles, the 30% that are driven by expectations of better returns may provide an opportunity for managers to hone their messages of how their approach to investing based on these principles can positively impact returns over time. More generally, it presents an opportunity for managers to refine the ways in which they articulate their commitment to, and application of, ESG principles generally. Exhibit 12a & 12b
5. Conclusion

In the current economic environment, institutional investors seem to share common concerns about low yields and the ability to manage volatility. Over longer time frames, they also show increasing concern about meeting return targets. Yet in response, investors show little appetite for significant shifts in their asset allocations.

Our survey revealed potential shifts among sub-groups of respondents: public DB plans expressed their intention to continue increasing allocations to alternative assets while maintaining current equity allocations. In contrast, corporate DB plans intend to reduce equity exposure while adding exposure to U.S. investment-grade fixed income.

With the exception of a few investors who were open to slight increases in global equity exposure and the reduction of home bias in fixed income, we did not observe a major inclination on the part of most institutions to increase global diversification. All respondents saw the current environment as posing major risks. But investors’ emphasis on return generation — and their concern over meeting target returns — appeared to have a greater influence on their investment strategies and decisions.

Given these results, institutional investors may be well-served by considering a reduction in their home bias as a way of addressing their concerns about risk and return. Today’s low yield, low return environment, which investors expect will persist for a decade or more, is not uniform across the globe. Most institutional portfolios are under allocated to non-U.S. markets, which may offer attractive opportunities for increasing total portfolio return. In addition, active management, which investors choose primarily for alpha enhancement, may help add an important element of risk mitigation, as well as alpha, to geographically diversified portfolios.

Finally, investors may consider balancing their focus on return generation with an equal focus on risk management. This balance may be achieved by reevaluating the use of risk-adjusted return metrics and seeking investment managers who can effectively manage volatility over longer investment horizons.
This report investigates the attitudes and investment practices of corporate and public pension funds, defined contribution plans, and endowments and foundations. The research was sponsored by OFI Global Asset Management and conducted by P&I Custom Publishing during October 2015. The respondents were drawn from P&I’s Research Advisory Panel, a group of tax-exempt investors who serve as an important source of market intelligence for P&I and its partners, as well as a sample of P&I’s regular audience. The respondents represent 240 U.S. and Canadian institutions. Statistical analysis was conducted by Signet Research Inc. For more information on this study, including the methodology, final survey data, and additional published material on global investing, please visit pionline.com/sharedexpectations.

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