INVESTORS POSITION FOR THE MEGATRENDS OF THE FUTURE

NAB's Fixed Income Beyond the Institutional Sector Summit looked at the trends that are likely to shape the way we live, work and interact for years to come.

AS INVESTORS GAZE across the now familiar landscape of ever-lower yields, negative real interest rates, and high but volatile equities, it can be hard to visualise where the opportunities of the future will lie.

So it's worth taking time out of the market's day to day fluctuations to step back and consider how the megatrends shaping the economy will change our lives over the coming decades.

> "The future is already here – it's just not very evenly distributed."
>
> **— William Gibson, novelist.**

How businesses and investors position to take advantage of investment opportunities offered by structural shifts in the economy was the key theme of the fourth annual Fixed Income Beyond the Institutional Sector Summit (FIBIS), hosted by NAB and KangaNews.

The Summit shared insights about the future of cities, work, agriculture and technology with more than 500 attendees from family offices, high-net worth investors, advisers and issuers.

"In an age of disruption, it's hard to predict who the winners will be in a range of sectors. So it's important that the people you are investing with are thinking about this. It's something we think about all the time at NAB," said Drew Bradford, Executive General Manager, Markets, at NAB.

Panellists pointed to the 2003 founding of GoGet, the first car-sharing service where founder Bruce Jeffreys described having to educate consumers and suburban councils to create the policy environment to support a scheme that already existed in the US and Europe; and the Australian technology that allows travellers to self-check their luggage at the airport, which has been adopted by airports worldwide.

Technology transforming wealth management

Artificial Intelligence is already helping transform the financial advisory world, where panellists pointed to a hybrid model where both data and personal advice combine in a portal that helps manage all of a client's financial needs including banking, insurance and super.

"People often throw about the phrase, 'Data is the new oil'," said Jessica Ellerm, co-founder and Chief Executive of Zuper. "We're looking at how can we use that data to help young people save more money, rather than spend it.

"We are passionate about redesigning what financial experiences will be for the next generation of investors coming through, and I choose that word 'experiences' very carefully rather than 'products'. That's where the world is shifting, thanks to technology," Ms Ellerm said.

Until recently, technology in the super sector has mostly been focussed on the processing and back office components of running a financial planning operation, rather than service delivery and client engagement, the panel heard.

The focus has now shifted to rethinking the interface between the financial adviser and clients and how it will change that relationship in the coming years.

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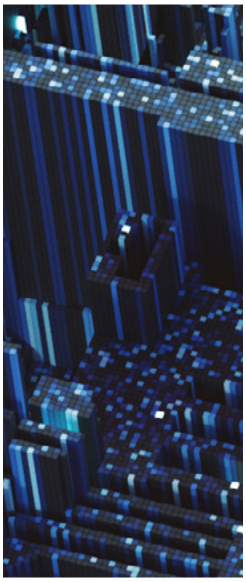

Planning for disruption

The FIBIS conference heard from both credit and equity investors on how they plan for disruption and take that into account in the pricing of assets.

One of the toughest questions posed by the panel was assessing companies with a long history of earnings growth – how do you trust earnings forecasts when disruptors can emerge to dominate the sector and transform the competitive landscape?

"One of most important things at any company is for management to continue to innovate," said Jun Bei Liu, Portfolio Manager at Tribeca Investment Partners. "Every day, they need to think about: What is their customer proposition, What is the reason for that product or service to exist? With technological advances, they need to continue to make it easier for their customers."

Ms Liu cited the rapid growth of online businesses such as Seek.com that cannibalised newspapers' traditional source of revenue – "rivers of gold" of classified advertising for jobs, cars, and real estate.

Financing 30 years of retirement

Thanks to improved lifestyles and medical breakthroughs, life expectancy in Australia has improved dramatically. While it is a positive development that we are living longer, healthier lives, it also brings with it some challenges.

Funding for retirement hasn't kept pace with changes in longevity. Australia's superannuation system was designed for people who retire at 65 and live another 20 years in retirement. However, many people are retiring much earlier than this and living longer.

"Often people get caught in traps trying to generate a good income now rather than thinking 15 years ahead. They don't think about longevity risk," Chris Black, Managing Director at Alexander Funds Management, told the conference.

Mr Black said financing longer retirements also required a more conservative phase of asset allocation with a greater proportion of fixed income than the volatile property and equities sectors that tend to dominate the portfolios of self-funded retirees.