

2015 NYU CREFR Symposium on RE & Infra New York - Bloomberg HQ October 8th 2015

M. Nicolas J. Firzli **World Pensions Council**



**World
Pensions
Council**

The International Association of
Pension & Social Security Funds

INVESTMENT INSTITUTE



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I. Macro Context: The 'Quest for Yields' and the Rise of 'Real Assets'

- ❖ only beginning: **longevity risk** combined w/ '**durably low(er) returns**' across 'classical' assets
→ more difficult for many pension schemes to reach funding levels e.g. by 2030 in UK ?
- ❖ 1945- 1949 "**1st Age of Austerity**" short hiatus: **Treaty of Paris (1951)** and **Marshall Plan (1948-1952)** restarted **world growth engine** → Unlikely to happen this time as we're **faced with "perfect storm"**
 - **US** unable.., **EU** div. & exp., **EM** growth pains e.g. **Brazil urban riots** started by transport infra crisis
 - **INT. RATES DURABLY LOW** → **FED, ECB, BOE QE "KILLING PENSION RETURNS"** (Firzli, 2012)
 - **Swiss, Germany** now have negative int. rates ! **US = 0%** → financial repression for PFs and SWFs



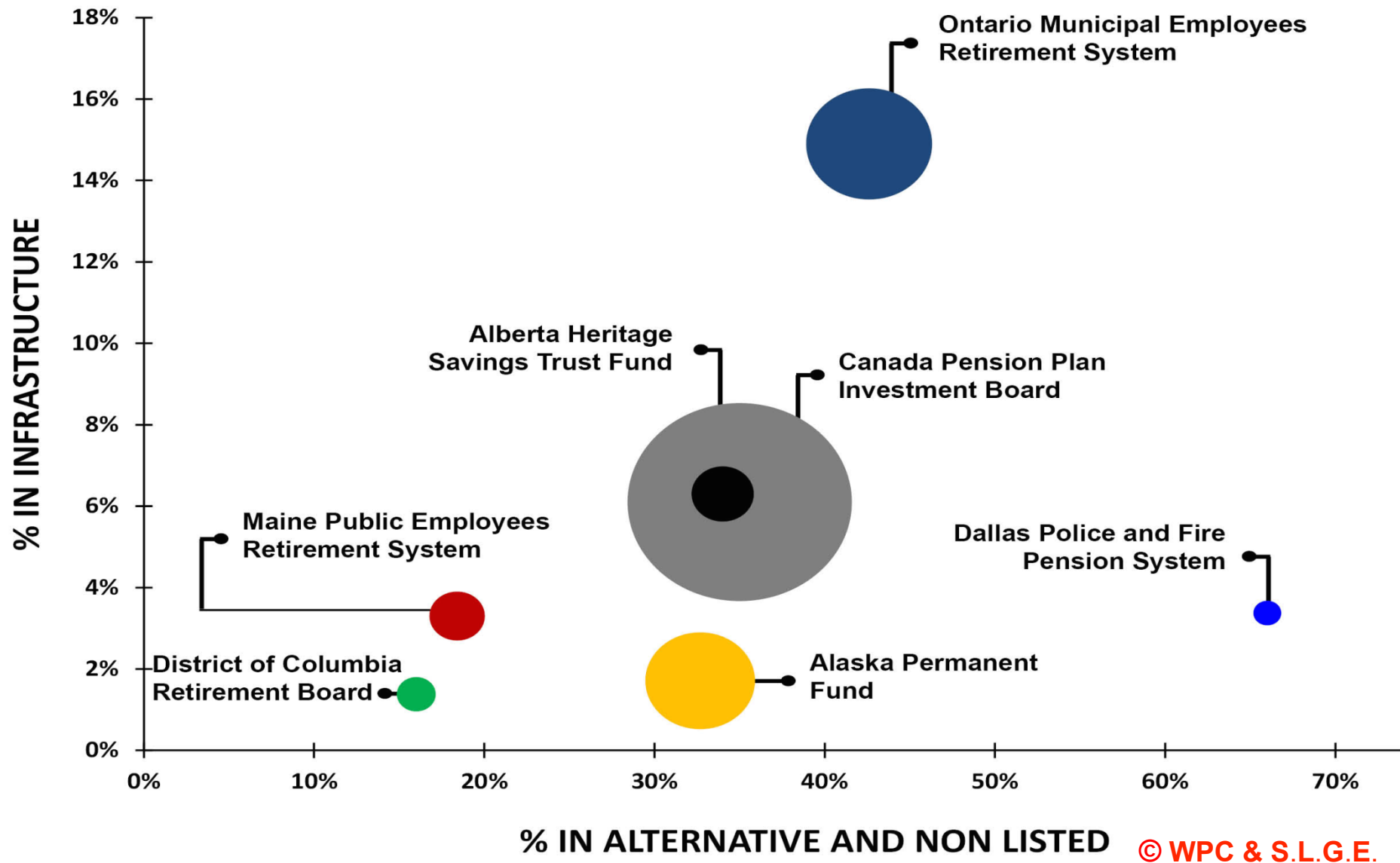
Ann. Return*–Northern Hemisphere PF
60% Bonds + 40% Stocks (Listed Eq.)

- **1985-2007: ARR ≈ 9.0% p.a.**
- **2007-2015: ARR ≈ 4.50% p.a. gross**

***ARR est. typ. Ptf. as of September 2015**
w/o counting management & admin fees
barely > 2.% US CPI Inflation

II. Real Estate, PE and Infra Assets in Context : Early Adopters

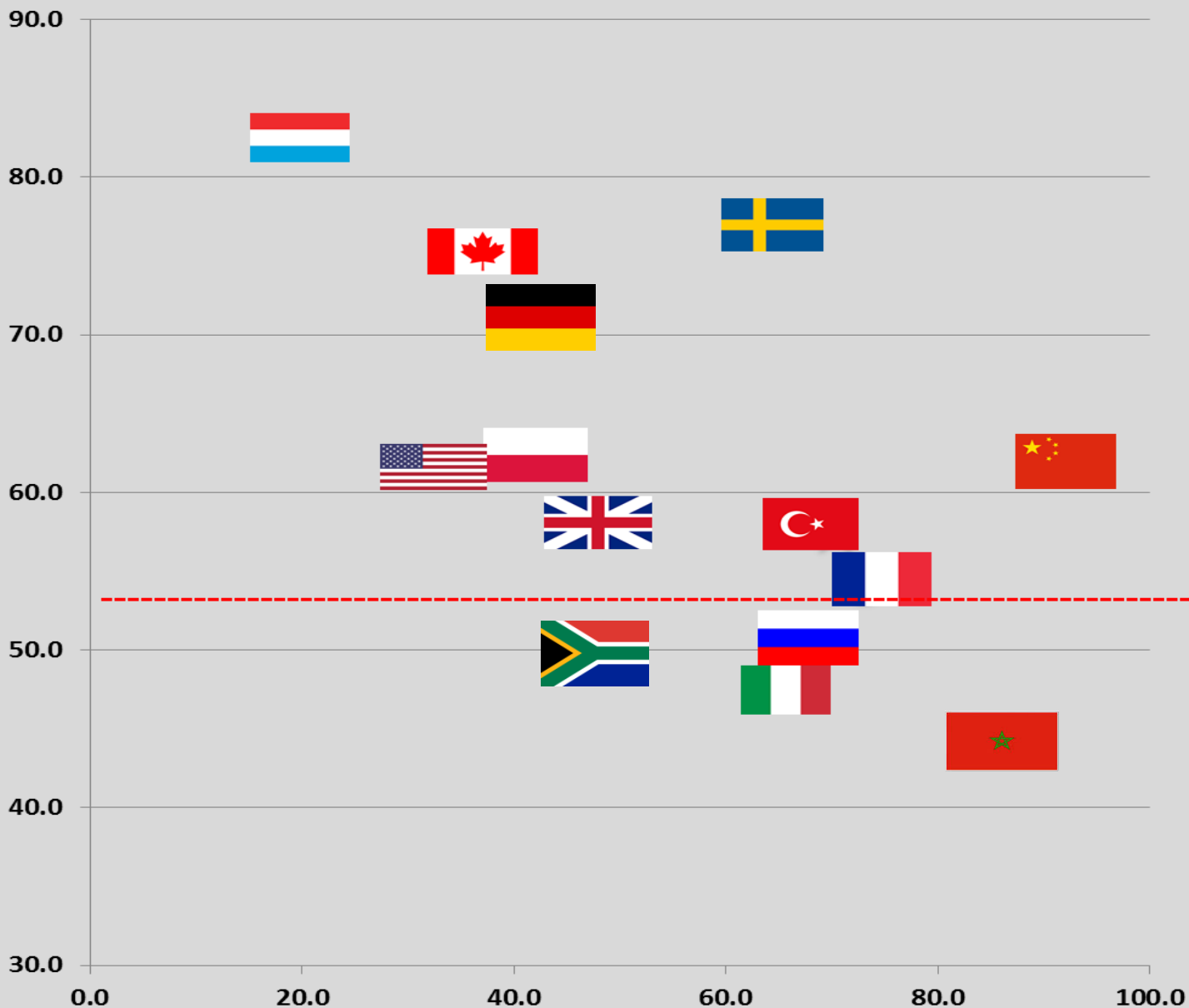
(Circle size represents size of fund.)



- The Dubai Ports Controversy (2006)
- *"It would send a terrible signal to friends and allies not to let this transaction go through"*
George W. Bush... Yet 97% of US House Panel Vote to Block the Deal



Perceived LT Economic Attractiveness (Euromoney ECR Survey as of December 2014)



(Modified) Rail Transportation Infrastructure Index (M-RTI) (WPC data/ December 2014)

- Wall Street Journal – generally short-termist ‘neocon’ stance rather hostile to infra investments
- Yet October 6 2015 ... praising infra initiatives in ‘statist’ Cuba, France, China and Indonesia!
- Could this be an ideological point of inflection ? Not really, but . . .
- *“meanwhile, Washington remains stuck in partisan mud”... “others nations are ahead of us”*

