



Navigating Uncertainty: AI, Geopolitics and the implications for portfolio strategy



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Speakers



Stephen Doherty

Director and LifeSight Investment
Committee member at WTW



Mark Davis

Senior Managing Director and Head of
Portfolio Management for Europe at WTW



Investor worries

'Inflation fears sink stocks'

'Google Using DeepMind AI to Slash Enormous Electricity Bill'

*'Donald Trump's idea to cut national debt:
Get Creditors to accept less'*

'UK inflation hits highest level in more than two years'

'Record oil prices fan inflation fears'

'Stocks tumble on core CPI data'

***'Google And Intel Deepen Their Alliance To Bring More
Big Customers Onto The Cloud'***

'Oil surges on Iran warning to the US'

***'Federal Reserve's decision to raise interest rates was
a 'close call'***

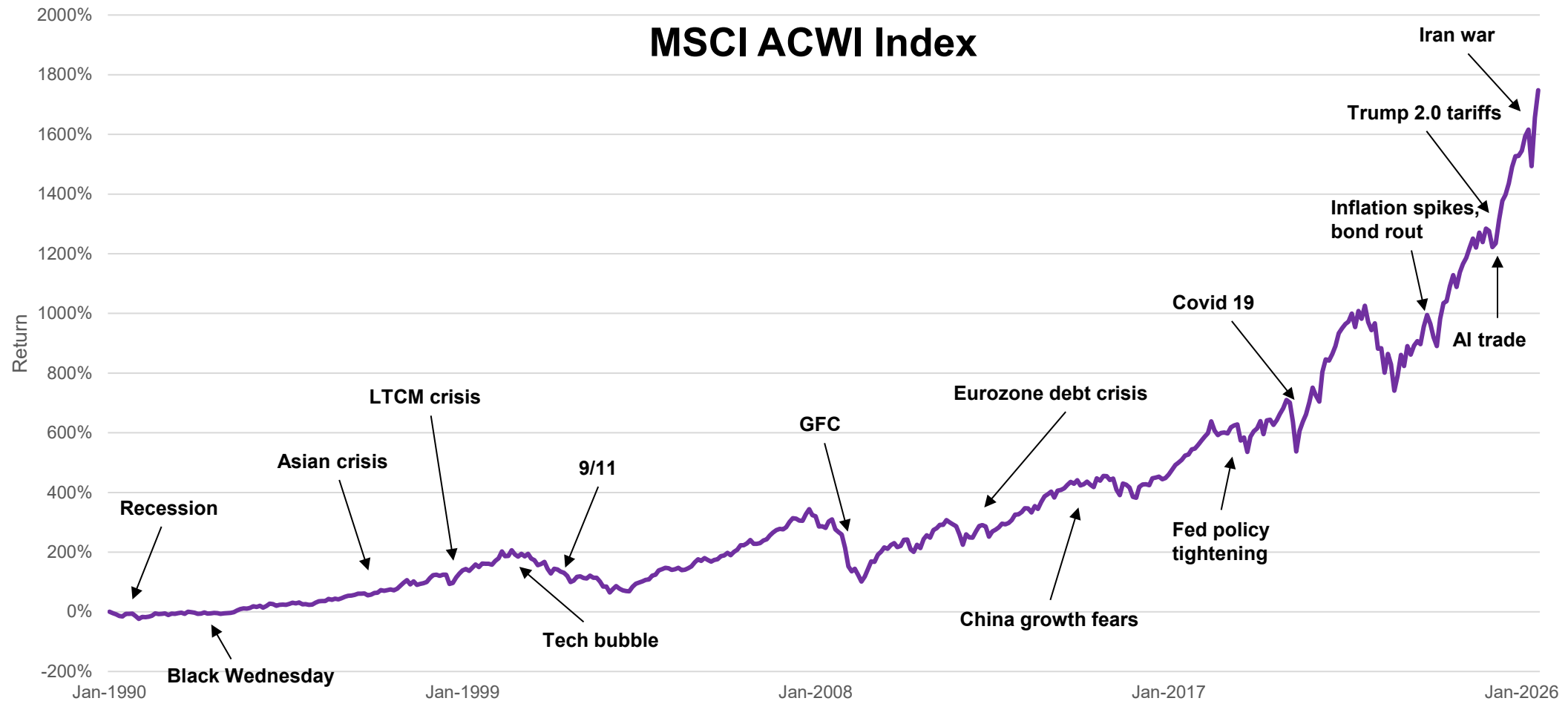
*'Amazon's new technology outlay causes 58%
profit drop'*

*'China halts trading for day after 7% shares plunge
triggers 'circuit breaker''*

'Is rising US public debt sustainable?'



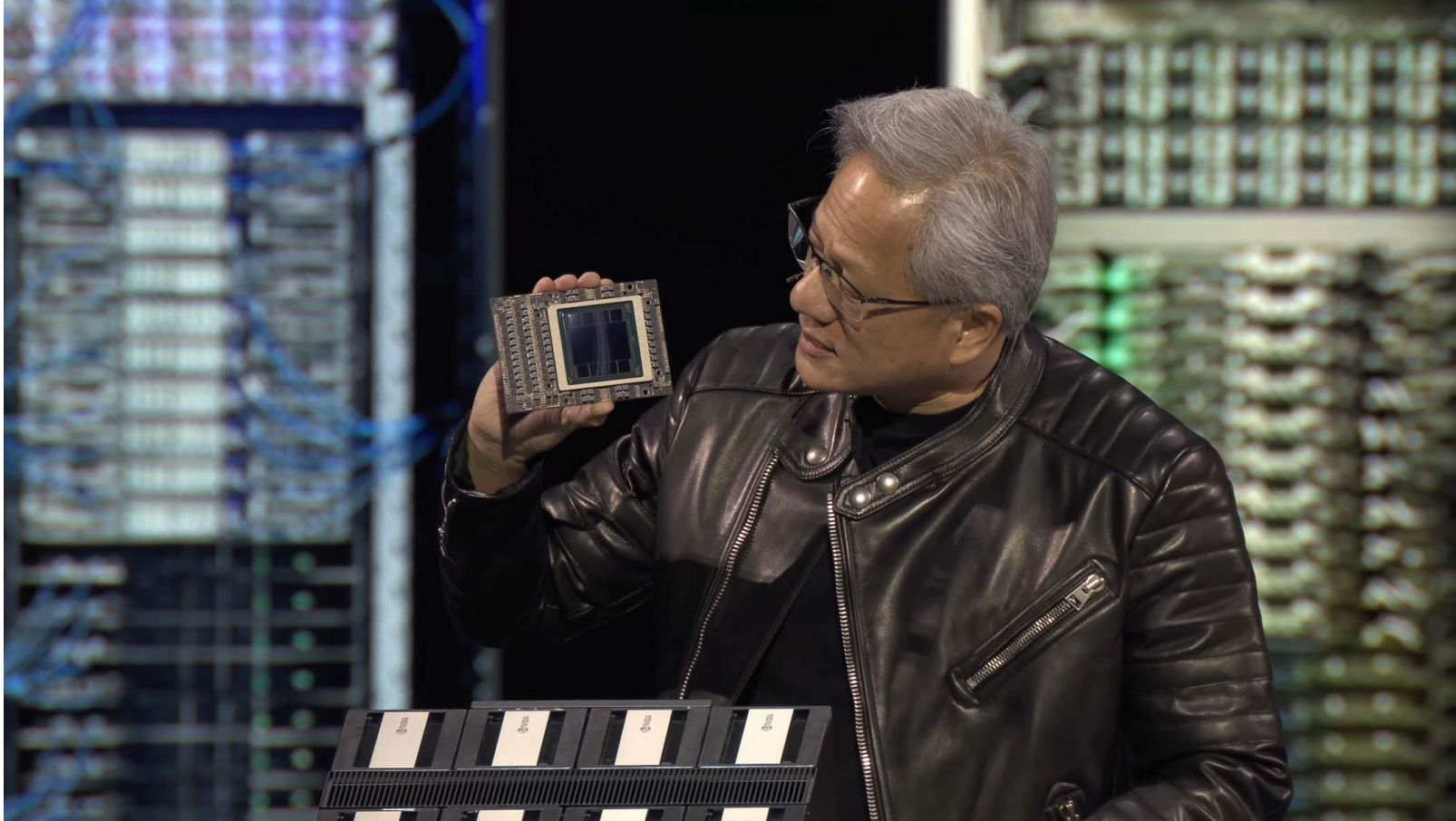
At which point would you have felt completely comfortable investing?



Source: eVestment and MSCI. Returns are USD.



Chips – starter, mains and dessert



Technology

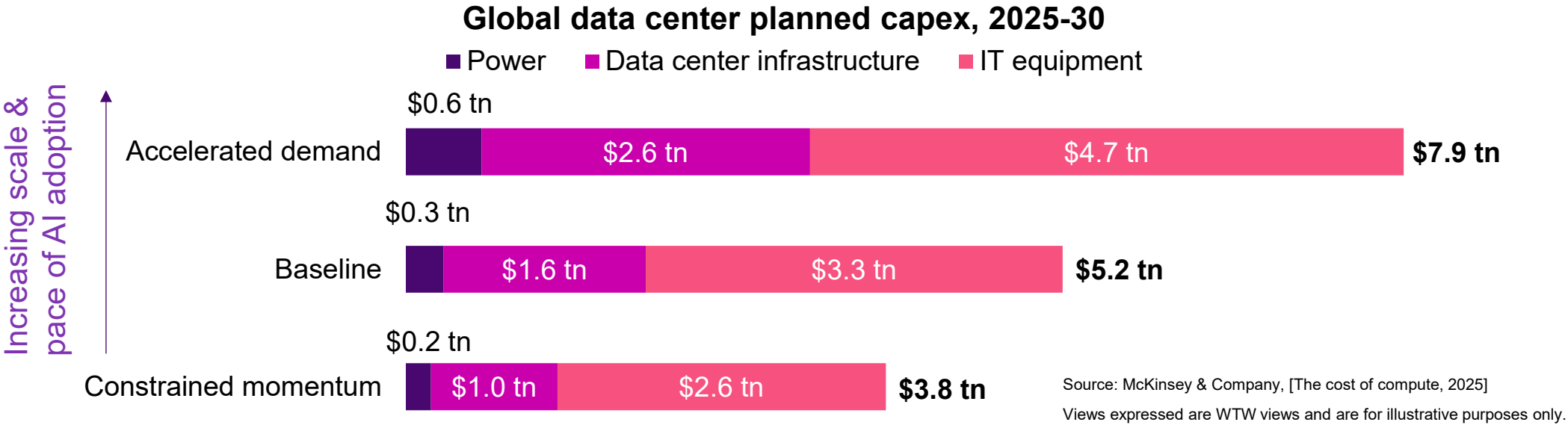
What is more and less clear?

More clear...

Massive, existential capex

Winner-takes-all dynamics

Equities are longer-duration



Less clear...

The winners and losers

If/when a bubble forms and bursts

Pathway around growth and inflation impact

Societal and policy implications



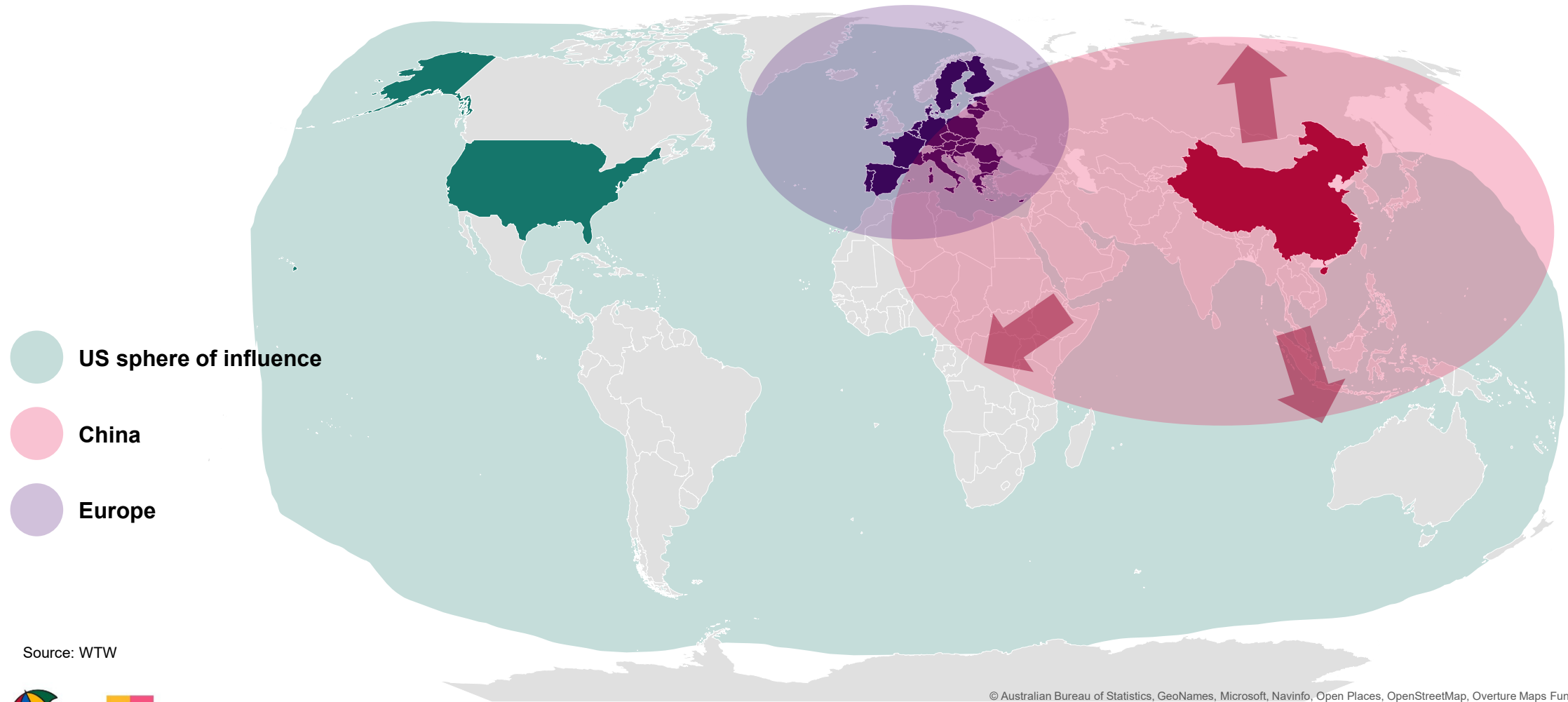
Technology (AI) - How does that change our focus?



Views expressed are WTW views and are for illustrative purposes only.

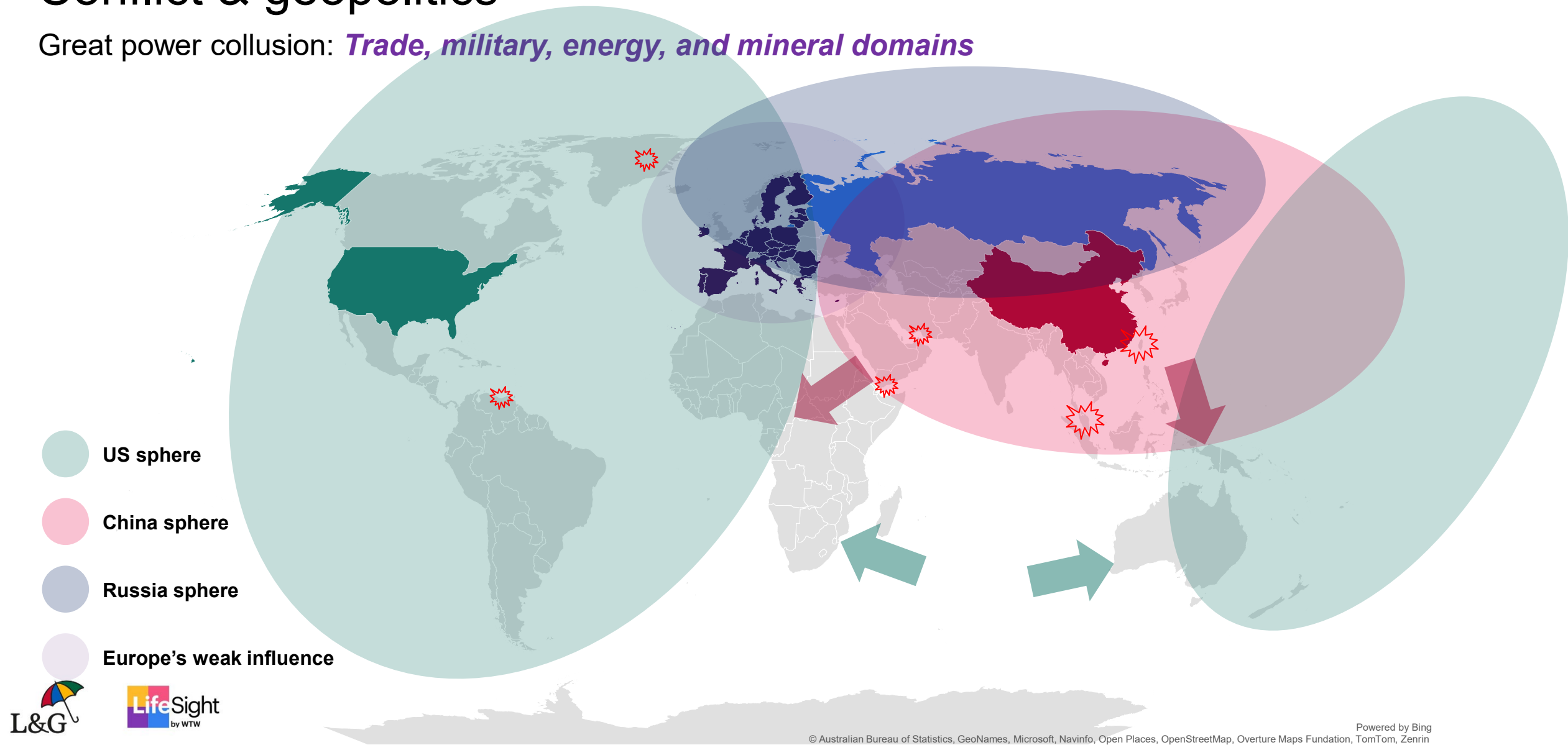
Conflict & geopolitics

Great power rivalry: *Capital/reserve asset and technology domains*



Conflict & geopolitics

Great power collusion: *Trade, military, energy, and mineral domains*



How does that change our focus?

More clear...

Trade shifts here to stay

Existential need for defence and resource investment

Higher systemic risk, masquerading as episodic shocks

Less clear...

Scale of productivity and inflation impact

Incidence of capital conflict

Resolution vs. non-linear escalation

Implications

Two-sided inflation and rate risk...

Domestic capital encouraged onshore > home bias redux

Volatility spikes, fatter tails

Geography and currency key dimensions of diversity

Scenario testing and pre-mortems

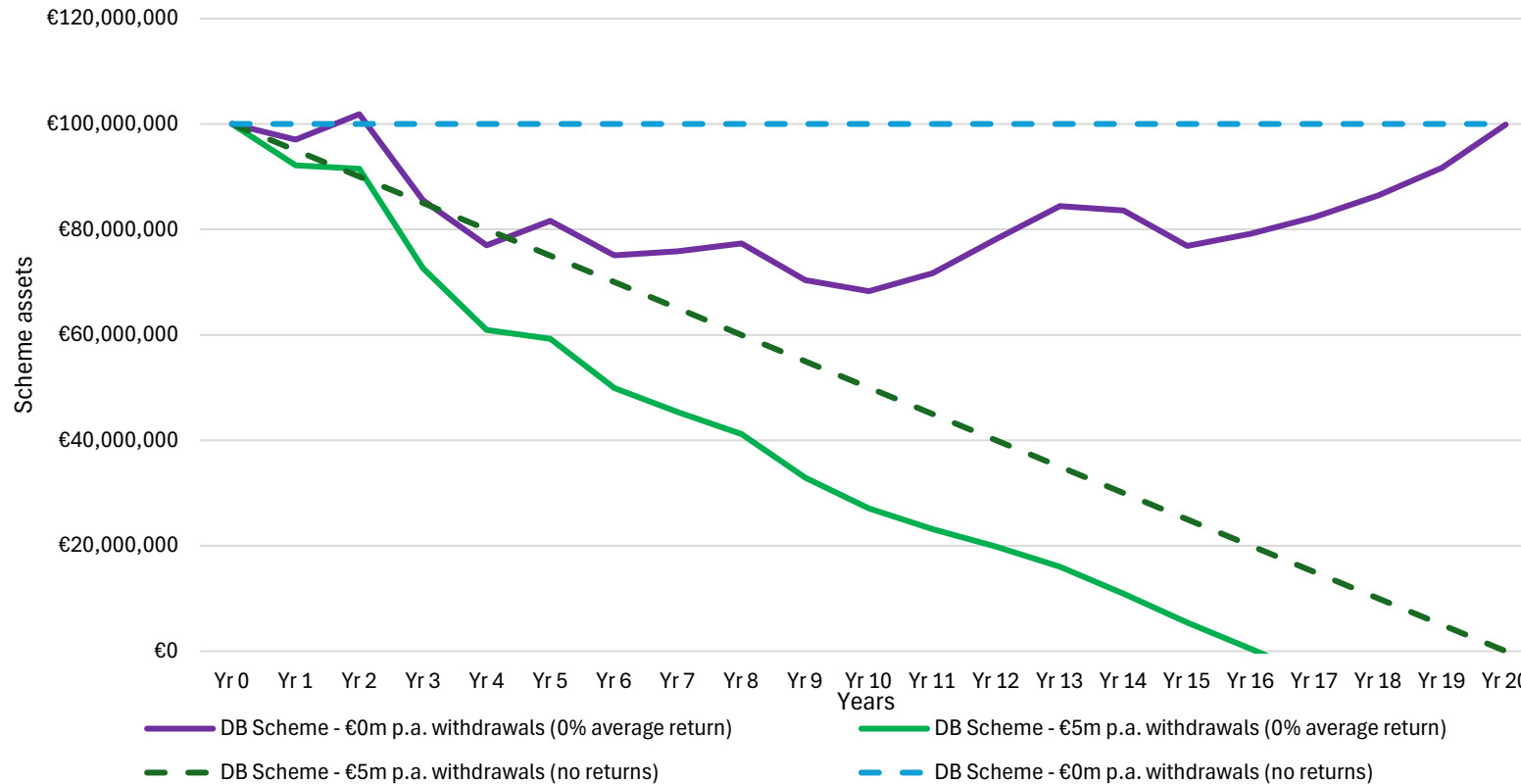
Real/hard assets vs. financial assets



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Decumulation: cashflows change everything

Maintaining discipline

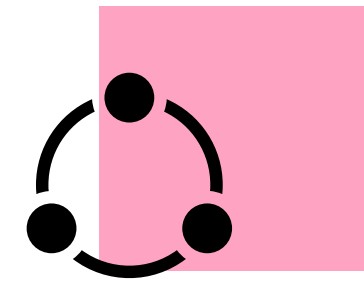
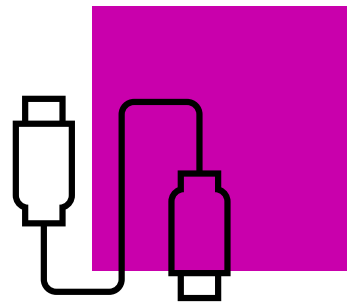
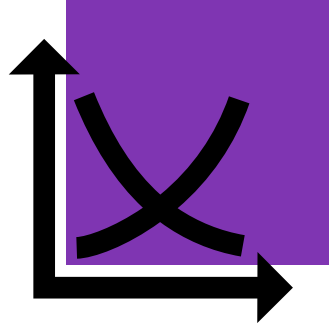
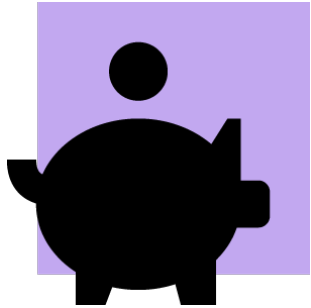


Note: Returns shown are representative only.

- Returns are not experienced in isolation. They interact with time horizon, cashflows and liquidity tolerance.
- For a closed or mature **DB scheme**:
 - Time horizon: getting shorter
 - Liquidity: more important
 - Cashflows: Important
- For a younger **DC member**:
 - Time horizon: very long
 - Liquidity: less important
 - Cashflows: not important



Trustee practical action



Provider experience	Risk – too high or too low	Innovation	Resilience	Reactivity
• Does your provider have the skillset to manage your needs: cashflow dynamics, implementation, adaptability?	• DB: Are assets utilised efficiently to generate return / cashflow? • DC: young members can tolerate risk – have your members lost value?	• Is your provider innovating? • Even long-term strategies need dynamic thinking	• Current risks are not necessarily new hurdles. • Portfolios built to facilitate long-term goals.	• The more things change, the more they stay the same • Technology, inflation, geopolitics: known threats, unknown adjustments.



Q&A



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