

The logo for nuveen, featuring the word "nuveen" in a bold, lowercase, sans-serif font.

A TIAA Company

2021 GLOBAL INSTITUTIONAL INVESTOR STUDY

Think EQUilibrium

Welcome to EQUilibrium — This new, annual global research explores the drivers of investor behavior and their impact on **people, portfolios** and **problem-solving**, with a particular focus on alternatives, responsible investing and the human side of asset management. We also look at the beliefs, mindsets and priorities that inform those drivers.

Our inaugural research in late 2020 captured the accelerated evolution of trends and mindsets that are redefining the investment landscape.

We invite you to join us, as we explore how this evolution is shaping investor views and influencing intended actions in the coming year.

scroll





About the survey

Nuveen and CoreData surveyed 700 global investors and consultants spanning North America (NORAM); Europe, Middle East and Africa (EMEA); and Asia Pacific (APAC) in October and November 2020. We also conducted 16 qualitative interviews. Respondents were decision-makers at corporate pensions, public/governmental pensions, insurance companies, endowments and foundations, superannuation funds, sovereign wealth funds, central banks and consultants. Survey respondents represented organizations with assets of more than \$10B (55%) and less than \$10B (45%), with a minimum asset level of \$500M. The survey has a margin of error of $\pm 4\%$ at a 95% confidence level.

700
Global investors and consultants

16
Qualitative interviews

$\pm 4\%$
Margin of error at a 95% confidence level

Equilibrium

Bringing a balanced view and clarity to the complex decisions institutional investors face

Our research revealed critical insights into how investors are supporting their people, evolving their investment portfolios and solving problems to achieve their missions as fiduciaries and stewards of global capital.

There's a great recognition on the part of investors and stakeholders that what's worked well in the past isn't necessarily going to work in the future. ... I think ESG absolutely will be an important discriminator in terms of investors in the future."

— U.K., public pension, investment committee chair

People

Exploring human factors influencing investor experiences

Virtual working has positively affected productivity and engagement, while negatively affecting employee well-being. How will that transform the future of work, and how are companies addressing diversity and inclusion — or are they? Our research suggests more action is needed.

58%

of asset owners are not planning to enhance D&I practices or do not know if their organizations will do so

[Jump to section ▶](#)

Portfolios

Tracking evolving approaches and strategic shifts

Use of alternatives continues to grow; meanwhile, strategic shifts are shaping how investors approach ESG and private markets. What factors are driving allocation changes?

55%

are planning a strategic shift away from public to private markets

[Jump to section ▶](#)

Problem-solving

Understanding how beliefs and barriers are driving actions

Investors have differing views on the use of alternatives and visions of the ESG dream state. Investors reveal strategic and operational changes that they are making. What are the characteristics that drive different types of investors?

5 factors

were identified by investors as critical drivers of achieving the ESG dream state — including validating ESG as a return driver

[Jump to section ▶](#)



People

Exploring human factors influencing investor experiences

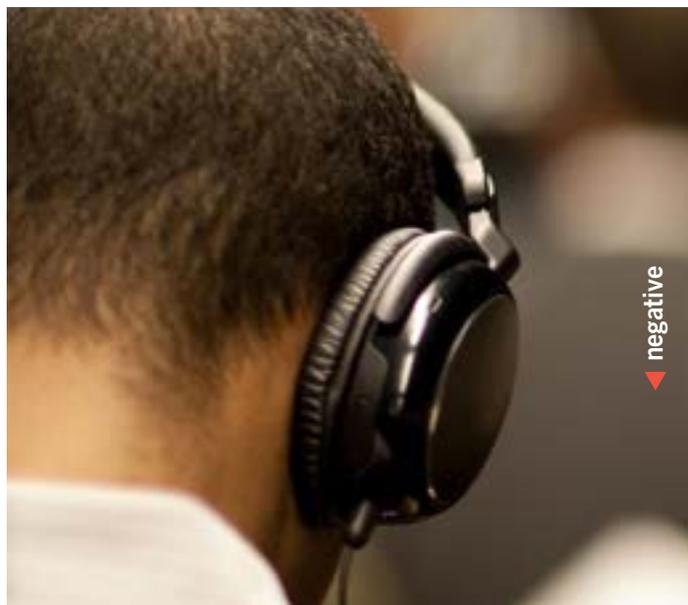


I'm most concerned about the training and development of our most junior team members. I really think that those folks benefit from sitting in on meetings, being involved in conversations that are happening. ... With everybody working from home, I think they miss out on a lot of that."

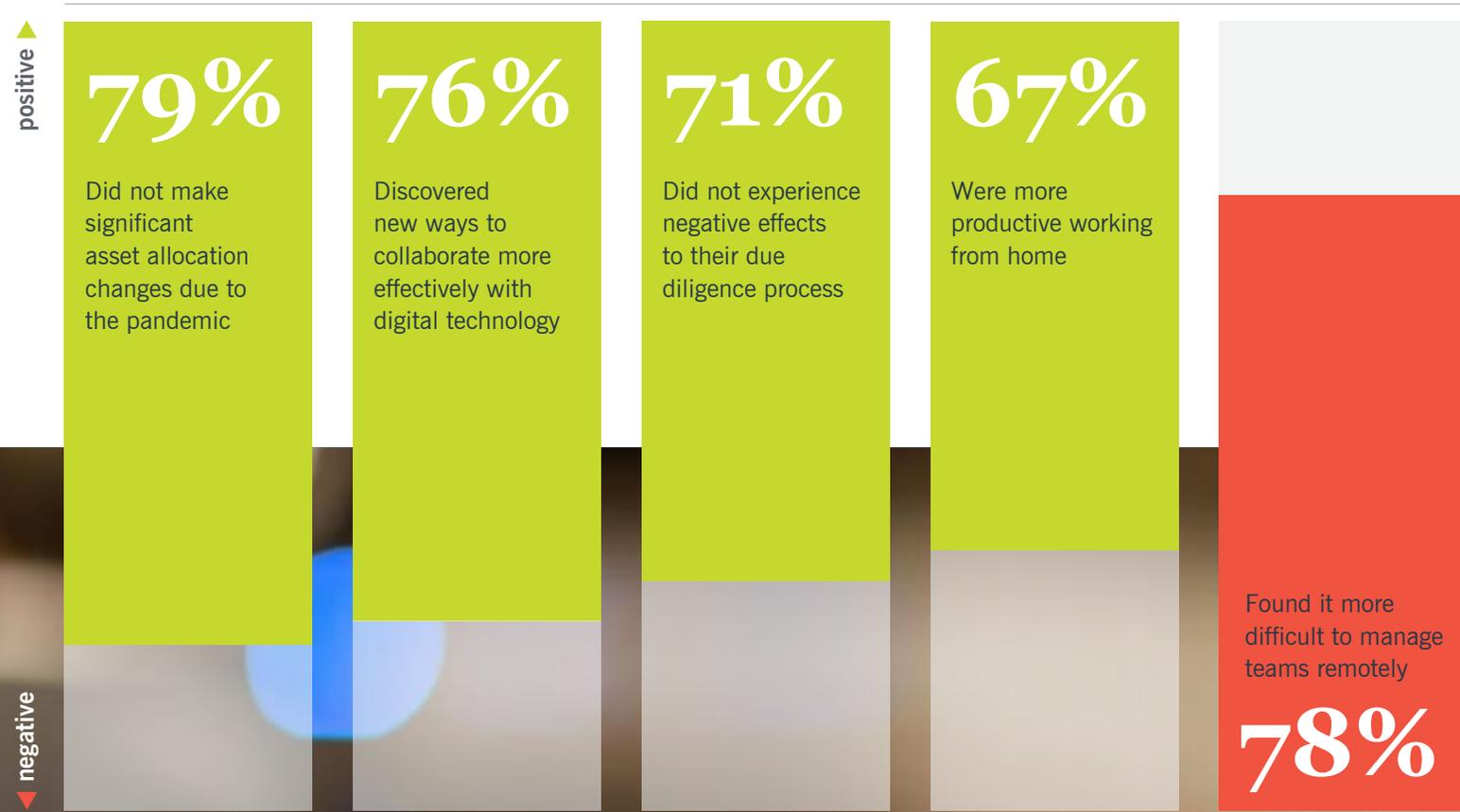
*— U.S., corporate pension plan,
head of asset class/asset class specialist*

How the pandemic is changing the future of work

Investors have been able to effectively navigate the challenges of working virtually and managing assets during the pandemic. While these changes have been mostly positive, will they be enduring? The future is unclear, but learnings will likely change the way investors work in the future.



Impact of working virtually in 2020



Q: Please review the following statements relating to the pandemic and your work. Choose the statement that most closely aligns with your perspective. Includes all 700 respondents.

The future of face-to-face meetings is likely to change, transitioning to a **combination of virtual and in-person** meetings. This is creating an opportunity for investors to redefine how they engage with their peers and partners — and how they derive value from relationships. As asset owners and consultants navigate this changing landscape, they will discover new opportunities for partnership on stakeholder education, problem-solving, investment insight, transparency and other areas of focus.

Virtual vs. in-person: Split perspectives create opportunity to reframe the future

56%

It is **easier** to virtually meet with partners, vendors and board/committee meetings

44%

It is **harder** to engage with partners, vendors and board/committee virtually

55%

We believe in-person meetings **will not** be required to make investment mandate decisions going forward

45%

We believe in-person meetings **will still** be required to make investment mandate decisions going forward

Q: Please review the following statements relating to the pandemic and your work. Choose the statement that most closely aligns with your perspective. Includes all 700 respondents.

Mental health concerns drive new steps to support well-being

Employee well-being has critical implications across investment organizations. Issues such as mental health, burnout and stress should be viewed as true threats to an organization's viability and its investment performance.

Being always available threatens well-being

Concern for employee well-being has received increased attention in recent years, and the experiences of working from home are amplifying those concerns. The omnipresent reality of working virtually is heightening investors' mental health, burnout and stress issues.

Top concerns about employees' well-being

% of respondents who were "concerned" and "very concerned"

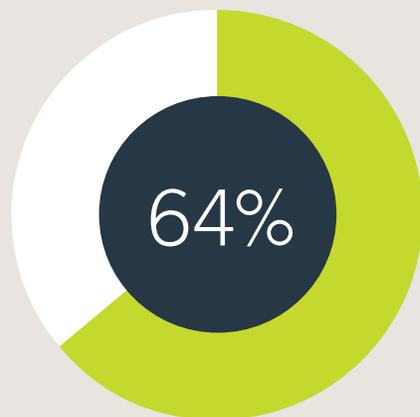


Q: Think about the well-being of your team members and fellow employees in the current pandemic-influenced work environment. Please indicate your level of concern for the following areas of your team's/people's well-being: (top 2 — very concerned + concerned). Includes all 700 respondents.

Providing resources and time away for employees

Employers are taking steps to support and protect what will always be their most valuable assets: their people. More than half of employers are providing additional mental health support, and two-thirds are ensuring that people take time away. But only a third are addressing workload, and 1 in 10 employers are taking no action to improve well-being.

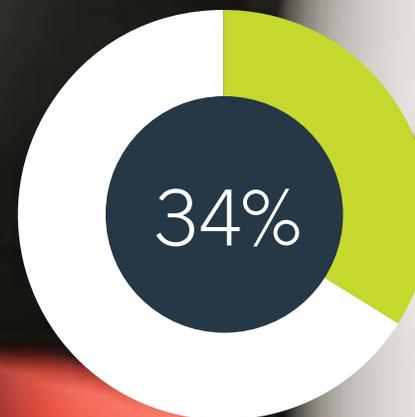
Actions that employers plan to take in the next 12 months to improve employee well-being



Ensuring people are taking time away/time off from work



Providing additional mental health support



Addressing workload commitments



Addressing digital fatigue with "no meeting" blackouts

Q: Please indicate which actions your organization plans to take in the next 12 months to improve the well-being of its employees. Includes all 700 respondents.

Diversity and inclusion progress requires engagement, not just intention

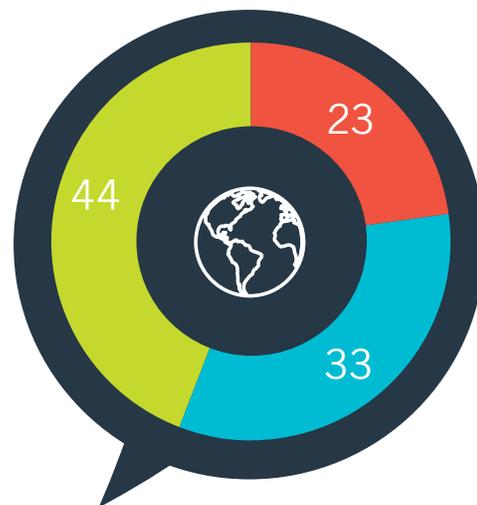
Creating a more diverse and inclusive investment industry requires awareness and engagement across all levels of an organization.

Is the commitment to change real?

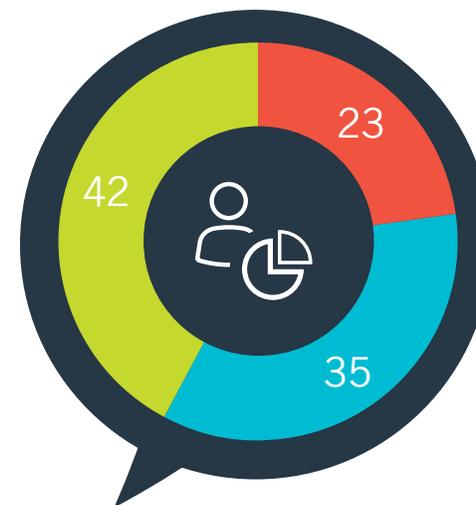
Despite the growing narrative and demand for diversity and inclusion (D&I) action, only 44% of survey respondents report that their organizations plan to enhance D&I efforts in the coming year. Nearly 60% of asset owners answered “No” or “I don’t know.” So, is the commitment to D&I real?

Organizations planning on enhancing D&I practices in the next 12 months

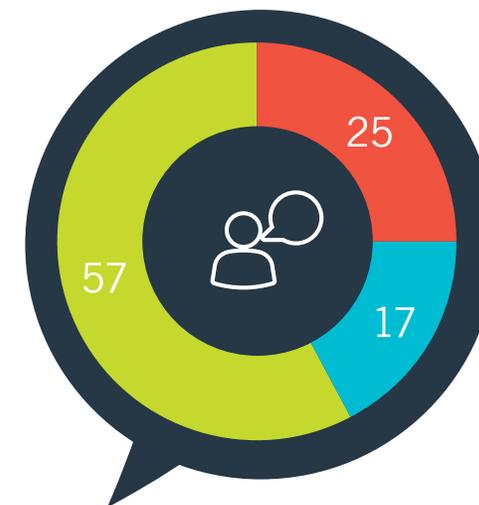
● % Yes ● % No ● % I don't know



Global



Asset owner



Consultants

Q: In the coming 12 months, is your organization planning to enhance its diversity and inclusion practices? Includes all 700 respondents.

Data may not sum to 100 due to rounding.

Planned D&I changes

Organizations planning to take action are focused on talent management, as well as improving diversity among decision-making bodies and increasing accountability. But it is worth noting that they are not tying progress to executive compensation.

Address talent management practices (i.e., retention, promotion, hiring, etc.)

67%

Review and address diversity in decision-making bodies, such as boards and committees

53%

Increase accountability measures for entire organization (i.e., training, employee performance goals, etc.)

46%

Collaborate with other experts and/or peers to collectively solve more systematic issues in our organization/industry

38%

Redefine our goals and measurement to improve progress tracking

38%

Define new diversity standards for our strategic partners, such as asset managers, etc.

24%

Connect executive compensation to progressing diversity and inclusion goals

16%

Q: When you look out to the next 12 months, select the actions your organization plans to take relating to its diversity and inclusion practices. Respondents include 306 asset owners or consultants taking action.

Portfolios

Tracking evolving approaches and strategic shifts



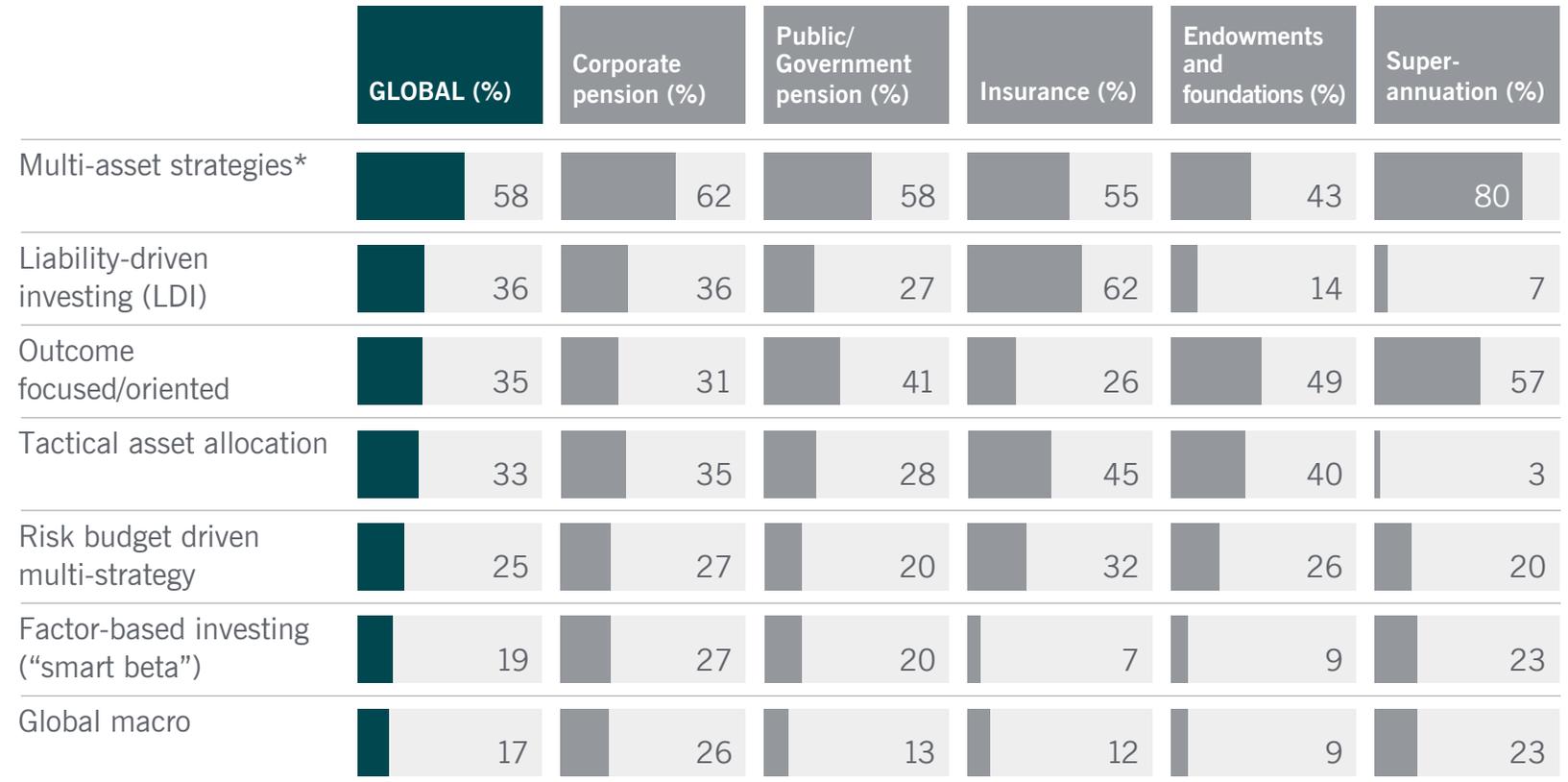
You want a diversified source of return at an attractive volatility, and you want something that complements what you already do. That usually requires something interesting or unique — or otherwise not available to you in some more vanilla way.”

— U.S., insurance company, CIO

The rise of multi-asset strategies and pandemic uncertainty signal bigger shifts

Multi-asset approaches define portfolio construction; LDI and outcome-focused approaches are also widely used

Investors are seeking to address an increasingly complex array of objectives, including navigating the lower-return environment, harnessing idiosyncratic risk factors, accessing private markets and aligning ESG investments with their organization's values. Survey respondents are relying heavily on multi-asset approaches that can flex to meet these dynamic needs.



Q: Please indicate how strongly each approach below aligns with the way your organization invests today. Respondents include 633 asset owners and OCIOs. Respondents include indicating % Extremely + Very.

*Multi-asset strategies in this question refers to a multi-asset investment approach.

Top drivers of portfolio changes in 2021 globally

Looking ahead, investors are expecting changes driven largely by the macroeconomic environment and pandemic impacts.



With interest rates being as low as they are, it's not clear that our allocation (to hedge funds) will be able to play the same defensive, diversifying role as it had traditionally in the portfolio. So, we're sort of asking ourselves, what are some other asset classes that might play that role?"

— U.S., corporate pension plan,
head of asset class/asset specialist



Q: Please select the top two (2) areas that will/you think will drive the greatest change to your/your clients' asset allocation and investment strategy in the coming 12 months. Includes all 700 respondents.

From tactical to strategic: Understanding the shift to private markets

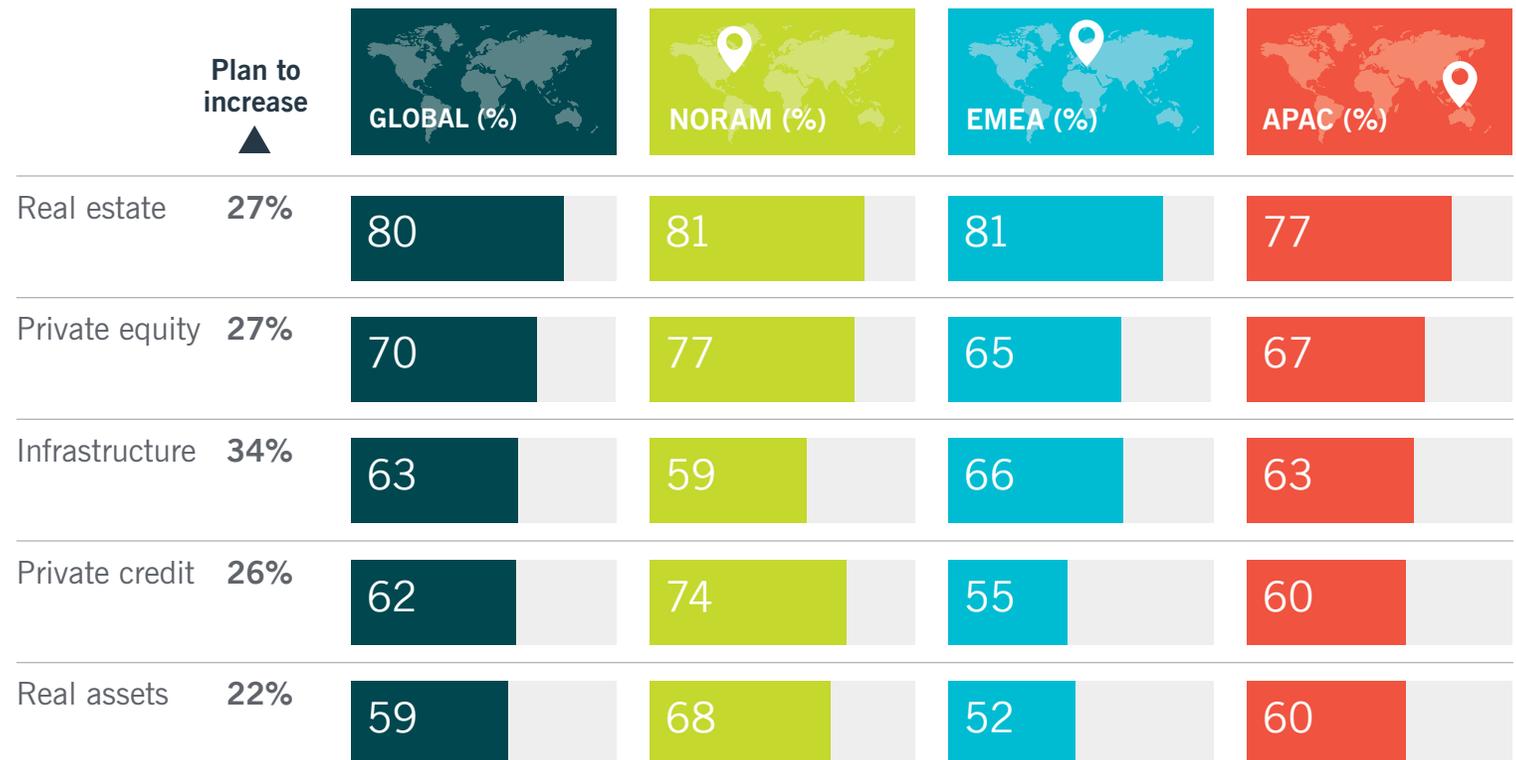
With nearly 92% of survey respondents either currently investing in alternatives or planning to do so in the next year, these asset classes are playing an increasingly critical role in portfolios amid the search for return, diversification and risk mitigation.

Examining the beliefs behind increasing allocations reveals a critical insight about investors' use of private investments: No longer is it a tactical allocation, but an intentional, strategic shift in approach.

Q: Please select the alternative investments you are currently allocated to and which alternatives you plan to increase allocations to in the next 12 months. Respondents include 545 asset owners and OCIOs investing in alternatives.

Allocations to alternatives and intended increases

The five alternative asset classes that investors are invested in currently are also the ones that investors plan to increase their allocations to in the coming year.



Analyzing the magnitude of the strategic shift toward private markets

In a low-return environment, the search for idiosyncratic sources of return has intensified — accelerating the shift to private asset classes and other alternatives.

Rather than tapping private markets opportunistically and tactically to boost returns, survey respondents are making private investments a more strategic and critical part of their investment approach.



We don't have all of the capabilities ourselves [in private markets]. So, for part of that we use external managers. And you can see when you select the right managers, you can also add value by your manager selection process."

— The Netherlands, insurance, senior investment team member

Acknowledged that they plan to make a strategic shift away from public to private markets in the next 12 months

55%

Believe allocations to alternatives and private investments will increase because they deliver better returns than public investments

48%

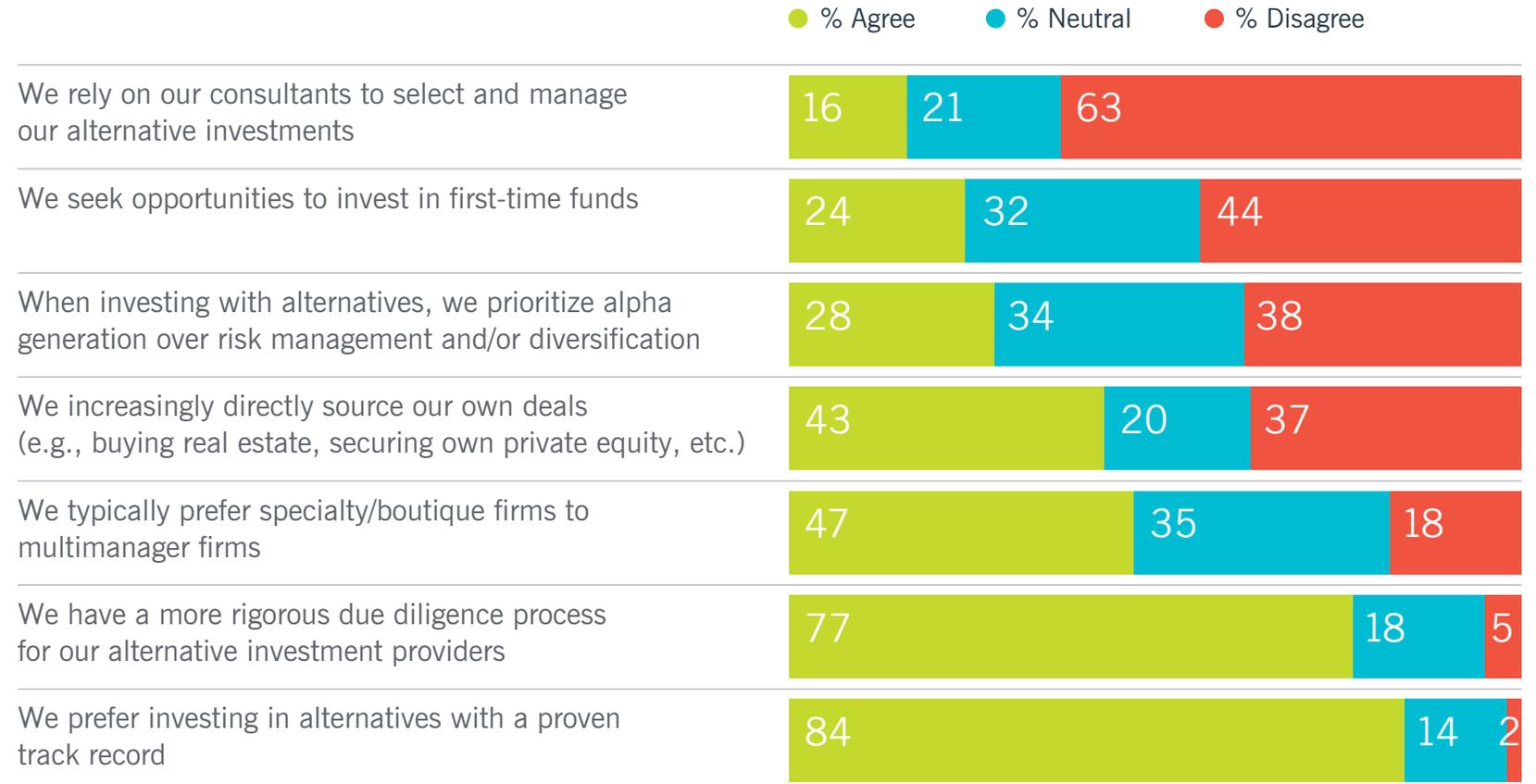
Q: Please indicate how likely it is that your organization (or your clients), plan to make a strategic shift away from public to more private markets in the next 12 months. Respondents include 591 asset owners or consultants investing in or advising on alternatives.

Q: Indicate your organization's level of agreement or disagreement with the view "we believe allocations to alternatives and private investments will increase because they consistently deliver better returns than public investments." Includes all 700 respondents.

Where investors have clarity — or indecision — in their pursuit of idiosyncratic value

The strategic shift from public to private markets requires investors to make critical decisions about how they approach these asset classes.

In some areas — including the preference for proven managers and not relying on consultants — investors' actions are guided by high levels of conviction. But in others — such as the preference of specialist managers vs. multi-managers — there is a lack of clarity.



Q: To what extent do you agree or disagree with the following statements about your organization's overall approach to alternative investing (or on behalf of your clients for consultants). Respondents include 591 asset owners or consultants investing in or advising on alternatives.

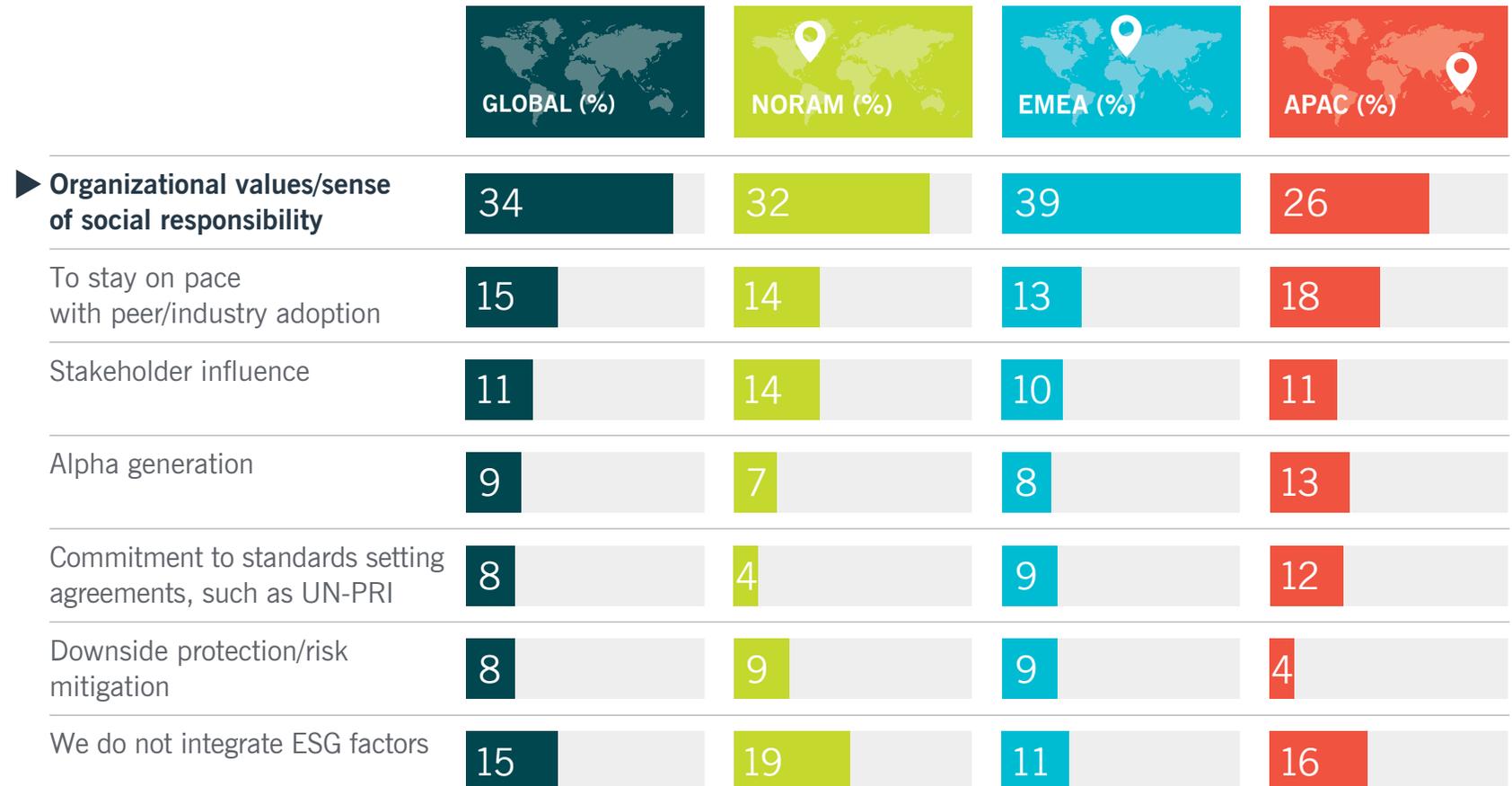
Values drive ESG integration more than risk and return

Organizational values and social responsibility are overwhelmingly the primary driver of ESG integration across investor types and regions.

Are we having the wrong conversation?

Our research suggests the need for a more holistic conversation about ESG investing, one that focuses on the interconnection of values and investment factors.

Asset owners and consultants can shape these conversations to ensure they start with what is important to their organization or their investors, whether that be values and social responsibility or other factors that align to their organization's approach to ESG integration.



Q: Which of the following is the primary driver for integrating ESG factors into your organization's investment strategy/in an investment strategy? (select 1). Includes all 700 respondents.

Data may not sum to 100 due to rounding.

Key investor insights into ESG integration

PEOPLE

PORTFOLIOS

PROBLEM-SOLVING



NORAM investors are the least likely to integrate ESG factors

EMEA investors overwhelmingly list organizational values as the primary driver

APAC investors have a broader dispersion of ESG perspectives

We want somebody who's going to partner with us on a journey that takes place within an ethical context. We need to have some assurance that ESG-type considerations, at a minimum, are taken seriously and that they can understand our context and our policies."

— U.K., public pension plan, chair of investment committee



Problem-solving

Understanding how beliefs and barriers are driving actions

“There are two big topics right now in asset allocation. The main themes are the focus on ESG and the focus on private market investments.”

— Germany, insurance, equity asset class specialist



Overcoming the challenges facing alternatives and ESG investors

The shift from public to private markets and ESG integration are two of the most powerful drivers shaping the future of investing. But significant barriers remain. How asset owners and consultants overcome them will be shaped by beliefs about the roles that alternatives and ESG can play in building stronger portfolios.

Understanding investor types leads to better decisions

By analyzing differences in beliefs, actions and perceived barriers, we identified distinct types of alternatives and ESG investors. Exploring these investor types reveals fascinating insights into what is driving action. Understanding these varying perspectives helps investors have more productive, inclusive conversations with their teammates, stakeholders and partners, which can lead to better decision-making.

Problem-solving spotlight

Challenges facing **Alternatives investors**

Finding idiosyncratic value and opportunities in an increasingly crowded space

Evolving from tactical to more strategic investment approaches and implementing the appropriate operational changes

Navigating the nuances of private markets and overcoming barriers for sourcing and diligence

Challenges facing **ESG investors**

Resolving conflicts between philosophical views and the practical realities of ESG integration

Grasping the varying definitions of the ESG dream state and overcoming the perceived barriers to that future ideal

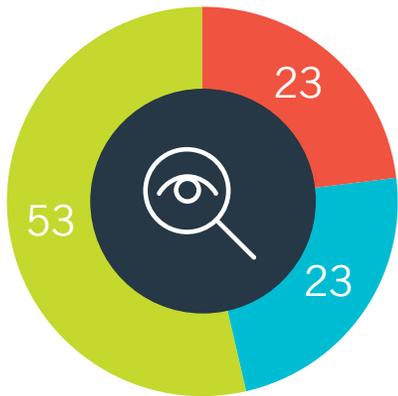
Beliefs and barriers drive action in alternatives

Many investors believe that achieving idiosyncratic value is fraught with challenges, and some see the increased use of alternatives as diminishing value. These beliefs are leading to new approaches, as investors make strategic shifts and operational changes.

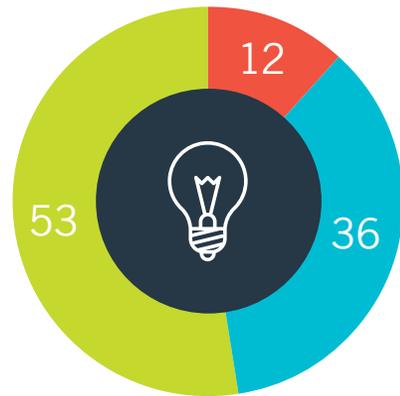
Beliefs

While investors generally believe that alternatives deliver better outcomes, they agree that finding idiosyncratic value is difficult – especially as more money flows into alternatives.

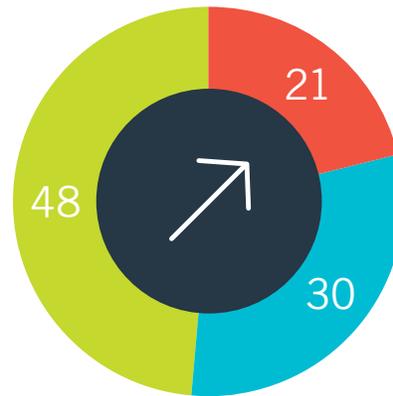
● % Agree (Strongly agree + agree) ● % Disagree (Strongly disagree + disagree) ● % Neutral



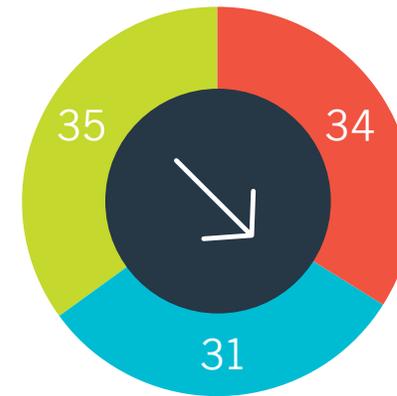
It is difficult to find true, idiosyncratic alternatives



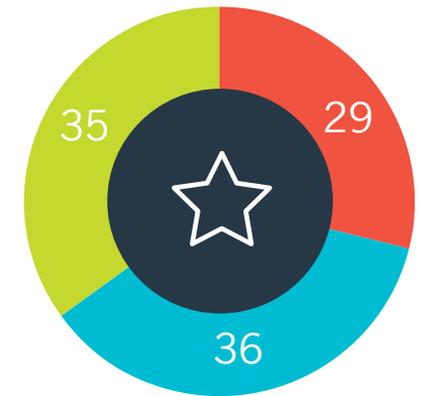
Emerging markets present a good opportunity for alternatives investing



Allocations to alternatives/private investments will increase because they consistently deliver better returns than public investments



The increased interest and/or use of alternatives is diminishing their investment value



Alternatives consistently deliver superior risk-adjusted returns

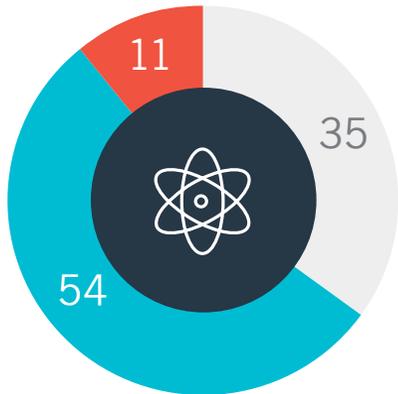
Q: Indicate your organization's level of agreement or disagreement with the view expressed. Includes all 700 respondents.

Data may not sum to 100 due to rounding.

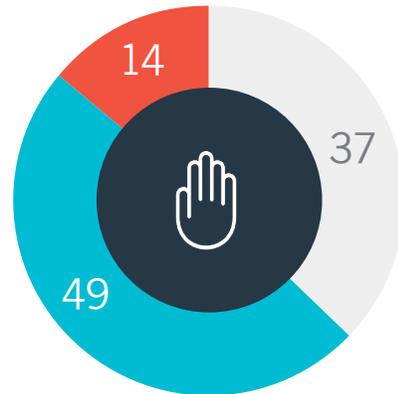
Barriers

Several barriers are inherent to the nature of private markets and alternative investments. But many stakeholder challenges can be addressed through better communication and education.

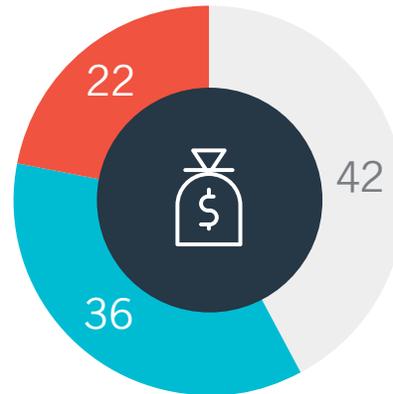
● % High barrier ● % Moderate barrier ● % Low or no barrier



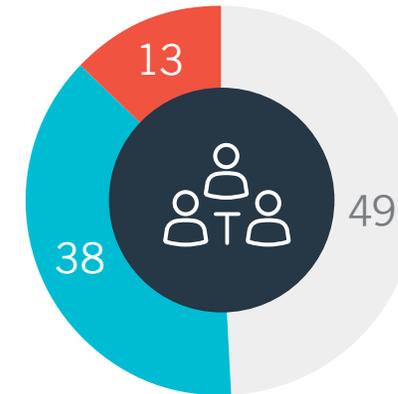
Complexity of deals



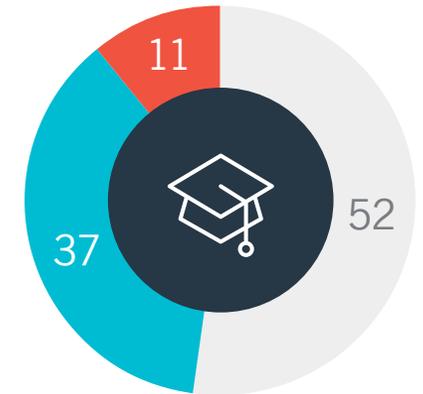
Investment limits
(i.e. internal limits, such as allocation limits, risk, budget, etc.)



Liquidity provisions



Shareholders
(boards, investment committee)



Lack of internal investment team expertise

Q: Please indicate how much of a barrier the following present when investing in alternatives. Includes all 700 respondents.

Evolution of alternatives drives strategic investment and operational change

Investors are actively taking new steps to harness the idiosyncratic value of alternatives, as the evolution of the space accelerates.

"We like to be a first mover... It works often, but not all the time. Once you get the reputation as someone who's willing to seed new funds and take cornerstone arrangements, then you get known for that, and everyone who wants to launch something new gives you the first chance."

— Australia, superannuation, CIO

Q: Please indicate how likely it is that your organization, on behalf of your clients, will pursue any of the following actions in the next 12 months, concerning alternative investing. Respondents include 591 asset owners or consultants investing/advising on alternatives. (% likely + highly likely)



Seeking out more ESG-oriented alternative investments



Strategic shift away from public markets to more private markets



Seeking out more specialized, off-market opportunities (e.g., esoteric or "off-the-run" strategies)



Replacing one or more fund commitments



Expanding internal team expertise (such as hiring, education, etc.)



Seeking new strategic partnerships for co-investment

Strategic
planned actions

Operational
planned actions



The four types

of alternatives investors

Trailblazers



Sticklers



Moderates



Doubters



By exploring investors' beliefs, approaches and planned actions, we identified four distinct types of alternative investors. Understanding how investors form their beliefs and translate them into action can foster a more strategic approach to portfolio construction.

Turning these insights into action: We urge investors to explore these varying perspectives on alternatives to gain a better understanding of how they influence strategic and operational actions among their investment teams and committees. This should lead to more open, productive conversations, enhanced alignment, and stronger decision-making and investment policy statements.

Types of alternative investors revealed

PEOPLE

PORTFOLIOS

PROBLEM-SOLVING



Agree that alternatives consistently deliver superior returns

Actively seeking new partnerships and specialized investments; sourcing own deals

Shifting strategically from public to private markets and increasing alternatives allocations

Highest preference for proven track record and slight preference for boutique over multi-manager

33%

Trailblazers

Believe in alternatives as return-generators; independently seek new opportunities



25%

Sticklers

Skeptical of alternatives as return-generators; rely heavily on consultants to find value to the extent it exists



Believe alternatives are diminishing in value due to increased use, making it harder to find idiosyncratic value

Highest reliance on consultants

High disagreement that alternatives deliver superior risk-adjusted returns

More likely to use boutiques

Not likely to seek partnerships, direct sourcing or other unique opportunities

Least likely to prioritize alpha generation

Highest agreement that allocations to alternatives will increase due to higher returns

Agree that alternatives deliver superior returns

Most likely to seek out ESG-oriented alternatives

Least likely to replace fund commitments or seek specialized opportunities

23%

Moderates

Cautiously believe in the return story for alternatives, but are less likely to take action



19%

Doubters

Hold less favorable views about the investment value or opportunity for alternatives



Disagree that alternatives consistently deliver superior returns and that allocations will increase due to superior returns ...

... but also disagree that it is hard to find idiosyncratic value in alternatives and that alternatives are diminishing in value due to increased use

Least likely to strategically shift away from public to private markets

Most likely to expand internal expertise and to list lack of internal expertise as a barrier

Percentage of participants by alternatives investor type

ESG beliefs: Investors reveal conflicts between impact and investment outcomes

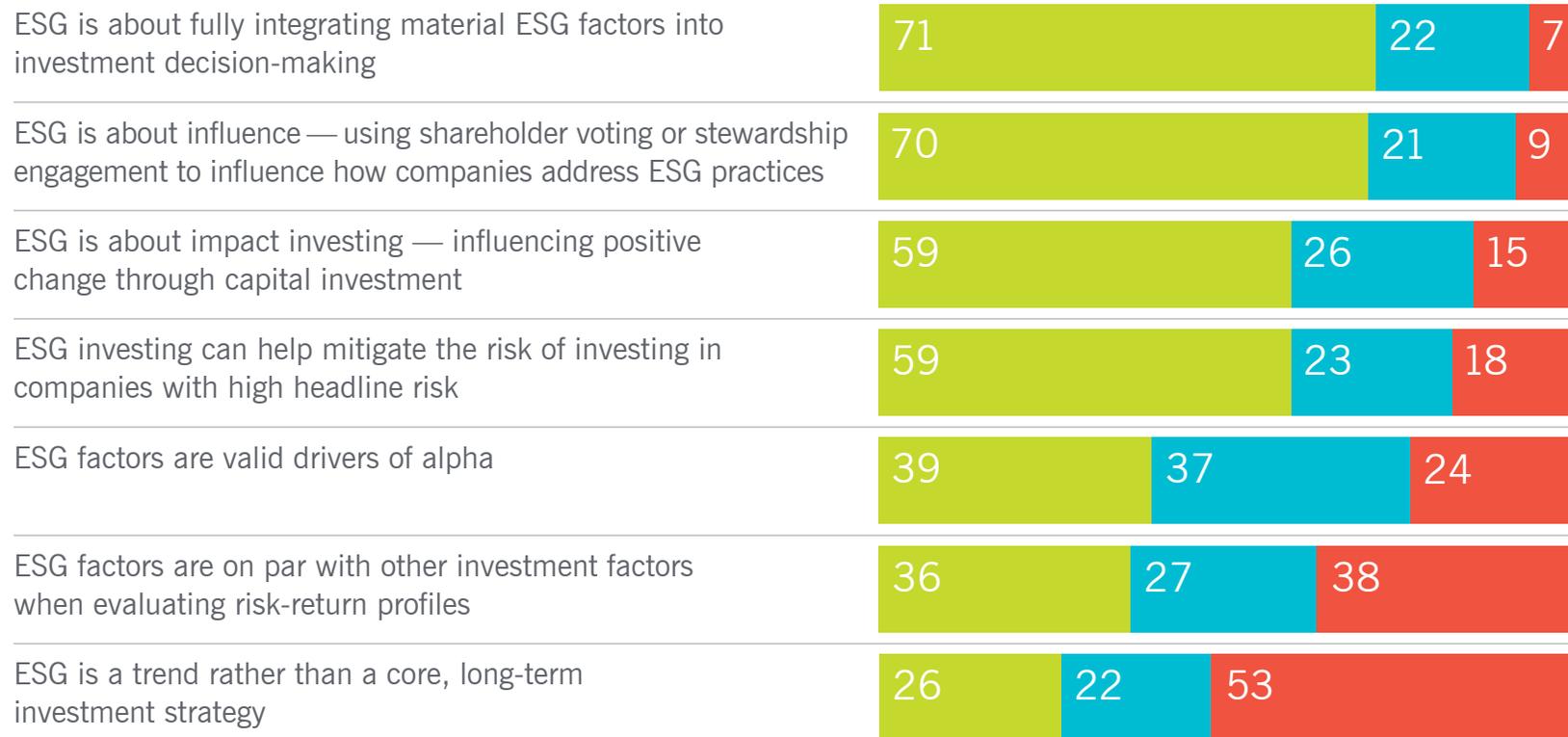
An enduring trend defined by integration, influence and impact

There is broad consensus about the purpose of ESG being about integration, influence and impact, as well as the discipline's endurance as more than just a trend.

Investment criteria lack consensus

Attitudes are decidedly split about ESG's validity as a return driver and its importance relative to other investment criteria. Mitigating headline risk emerged as an important investment rationale.

● % Agree (Strongly agree + Agree) ● % Neutral ● % Disagree (Strongly disagree + Disagree)



Q: To what extent do you agree or disagree with the following statements about your organization's/your overall ESG investment philosophy? Includes all 700 respondents.

ESG dream state

Achieving internal alignment and quantifying investment outcomes and impact

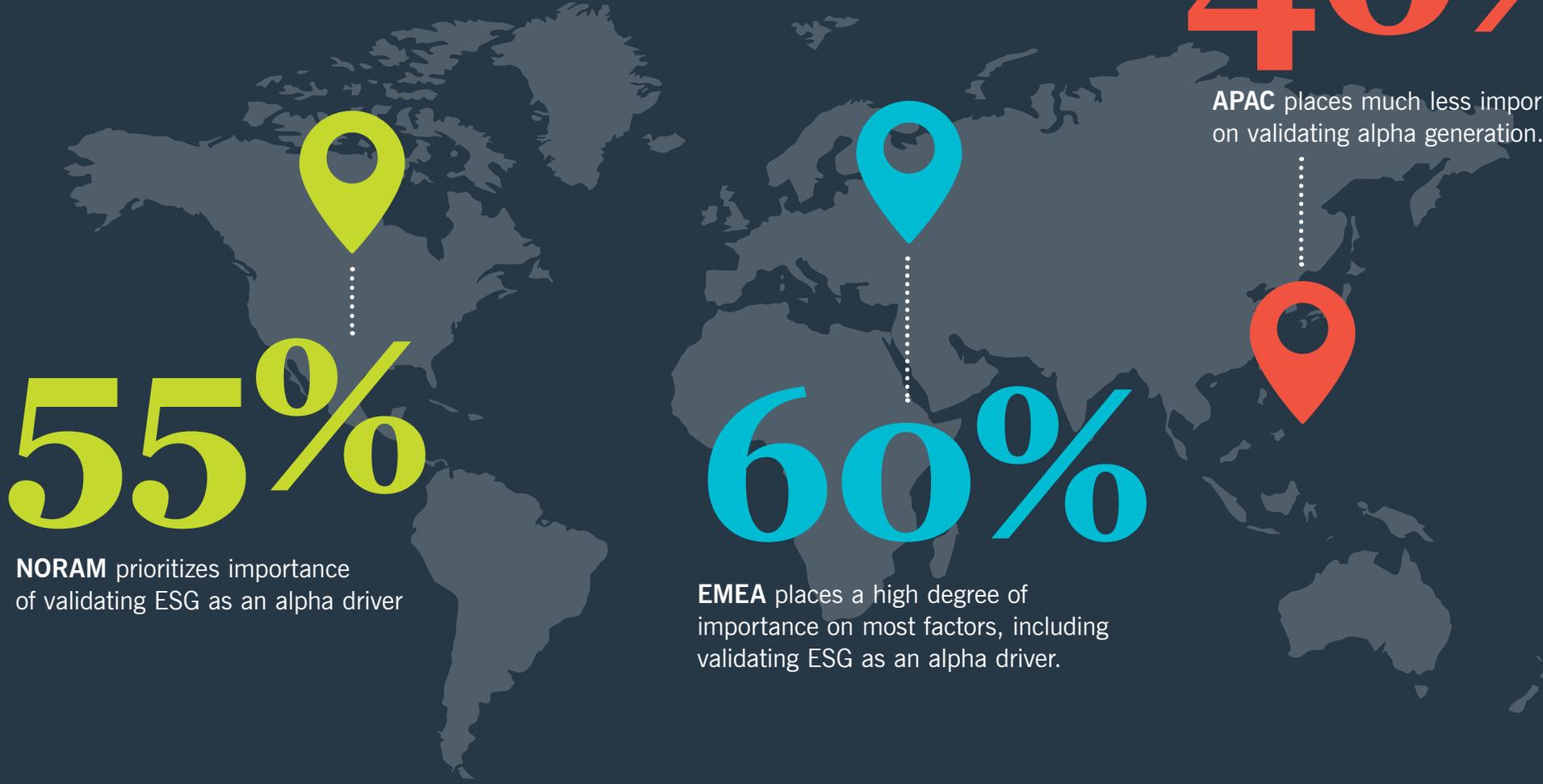
While ESG is clearly more than just a trend, major work needs to be done to advance the discipline to a place where it can adequately address investors' goals for impact, influence and investment outcomes. Survey respondents identified the most important areas where progress needs to be made to achieve the future **dream state** for ESG investing — as well as barriers that need to be overcome.

Top 5 important factors for the future ESG dream state



Q: Please review the statements below and indicate their level of importance to supporting your organization's/your vision of a future ESG dream state. Top five out of nine. Includes all 700 respondents.

NORAM prioritizes importance of validating ESG as an alpha driver, but overall places least importance on most dream state factors.



55%

NORAM prioritizes importance of validating ESG as an alpha driver

60%

EMEA places a high degree of importance on most factors, including validating ESG as an alpha driver.

40%

APAC places much less importance on validating alpha generation.

The top three barriers

to the future
ESG dream state



Q: Which of the following are barriers that may prevent the realization of the future ESG dream state? (check all that apply). Includes all 700 respondents.



The four types

of ESG investors

Champions



Contrarians



Values-driven



Investment purists



Through our exploration of investor beliefs and their vision of the future ESG dream state, we identified four distinct types of ESG investors. These groups think about ESG in very different ways, and their actions are based on what they believe are appropriate for their constituents.

Understanding which type of ESG investor you are, as well as how the investment influencers within your organization align with those characteristics, can help you better appreciate their perspectives and priorities. This knowledge can lead to more productive conversations and stronger decision-making.

Types of ESG investors revealed

PEOPLE

PORTFOLIOS

PROBLEM-SOLVING



Highest agreement that ESG is on par with other investment factors and a driver of return

Dream state prioritizes engaging companies and collaborating with peers

Seeking ESG alternatives

35%

Champions

Fully engaged with and believe in ESG on all fronts



24%

Contrarians

Have an unfavorable view about most aspects of ESG



Most likely to view ESG as a trend

Highest disregard for ESG as a means for impact and influence

Negative views on all aspects of the ESG dream state

Most likely to see stakeholders as a barrier to dream state

Agree that ESG is about social good, impact and influence

Less concerned about proving ESG's investment merits

Generally lack strong views on the ESG dream state

Seek more support from providers in educating stakeholders

23%

Values-driven

Believe in ESG as a tool for social good, impact and influence; less focused on investment validation



18%

Investment purists

Laser-focused on investment value, rather than impact or influence

Disagree that ESG is about impact and influence

Doubtful of ESG's investment value

Need to see more validation of ESG as a return driver

Return targets are biggest barrier

Percentage of participants by ESG investor type



Learn more

Explore the beliefs shaping the future of investing

Whether achieving true diversity and inclusion, developing new approaches to alternatives amid the strategic shift to private markets or turning the ESG dream state into reality, asset owners and consultants are navigating complex, high-stakes decisions that are defining the future of investing.

Only by understanding the beliefs and mindsets that are leading to action in each of these areas can the global investment community strengthen its people, portfolios and problem-solving with clarity and conviction.

Through our daily interactions with investors globally, as well as through future EQUILIBRIUM surveys, we will continue to explore these critical topics.

To learn more about our views on the insights uncovered by this year's survey, contact your Nuveen relationship manager or visit nuveen.com/equilibrium.

For more information, please visit nuveen.com.

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