



ALTERNATIVE INVESTING

Seeking Resilient Growth: Why It's Time for the LGPS to Consider Liquid Alternatives

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Most Local Government Pension Scheme (LGPS) investment portfolios rely on substantial equity allocations to drive growth over the long term, with smaller allocations to bonds and alternatives intended to provide income, mitigate losses, and cushion volatility during turbulent market episodes. This approach worked very well in recent decades characterised by easy monetary policy, cheap debt, and rising market valuations. Funding levels are high. But has this golden era run its course?

Heroic rates of earnings growth would be needed to maintain recent strong equity performance. Bonds have become riskier assets with the return of monetary policy and inflation uncertainties in the 2020s. Alternatives are increasingly seen as the source of future returns and diversification. But which alternatives are best positioned to deliver on those objectives? LGPS allocations to private assets have been rising, but here we make the case for truly diversifying liquid alternatives as a viable and versatile complement to existing portfolios, and explore the benefits of a transparent, quantitative approach.

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