Attachment 1A

AON

# Discussion Guide

## Toronto Investment Board

2023 Q2

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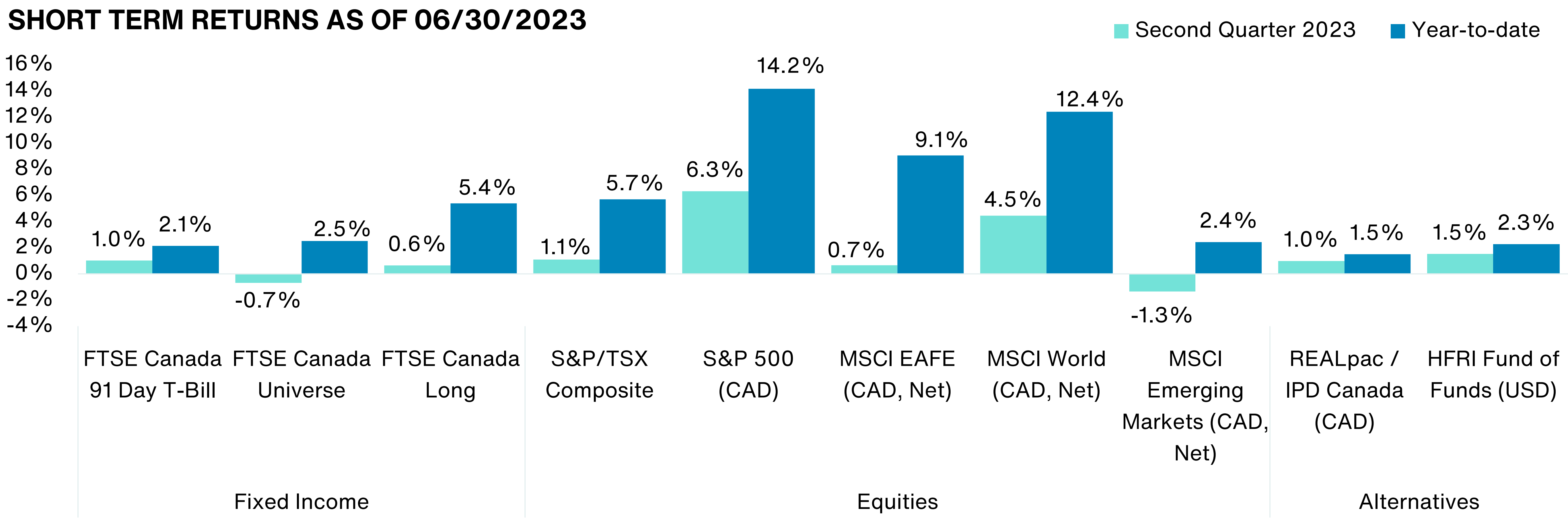
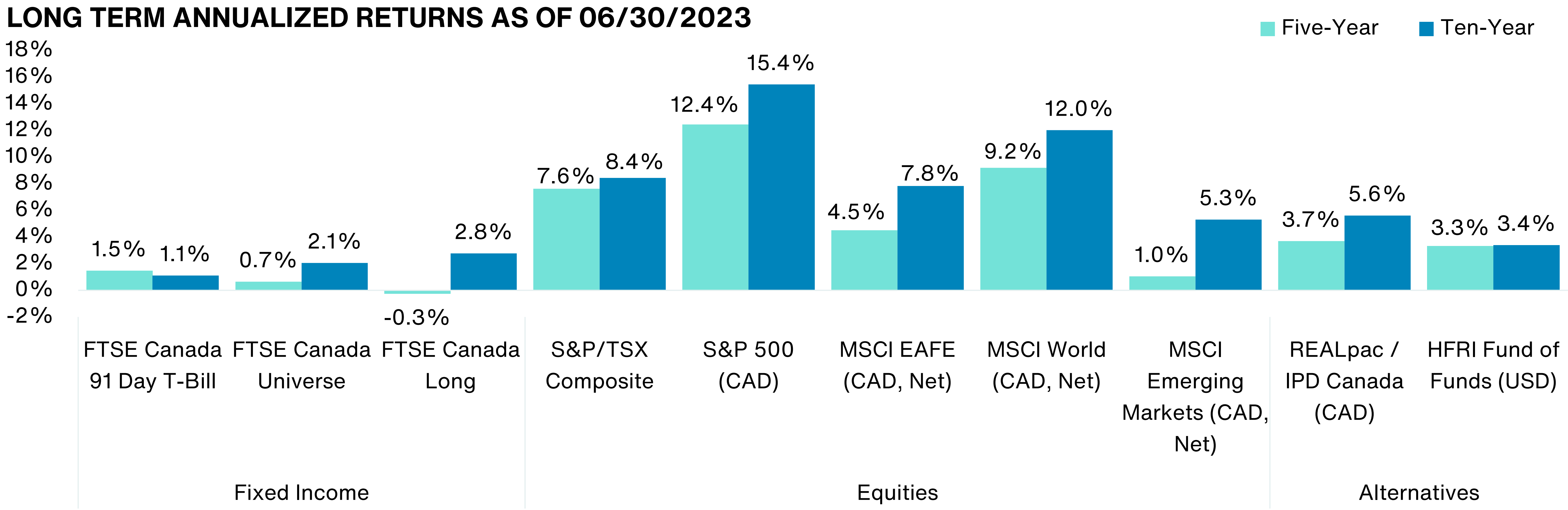
# Capital Markets Overview




Sources: S&P, MSCI, IPD, FTSE. Unless it's otherwise stated, gross CAD returns are shown in this report.




Sources: S&P, MSCI, IPD, FTSE

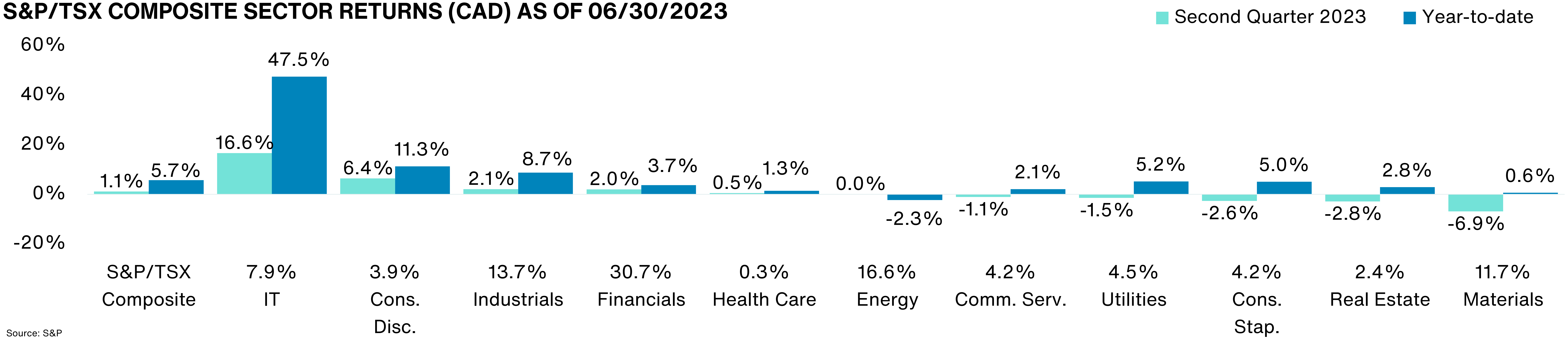
- In Q2 2023, equity markets rose as high-interest rate concerns abated, with inflation also cooling in major economies. The MSCI World Index rose 7.1% in local currency terms and 4.5% in Canadian dollar (CAD) terms.
- The Bank of Canada (BoC) increased its benchmark overnight rate by 25 bps to 4.75%, touching a 22-year high, and indicated that monetary policy was not restrictive enough to bring inflation down to its target of 2%.
- The U.S. Federal Reserve (Fed) increased its benchmark interest rate by 25 bps to a range of 5.00%-5.25% over the quarter, the highest level since 2007. Fed Chair Jerome Powell indicated that the central bank intends to carry out further monetary tightening to bring persistently high inflation under control but defended the current pause citing "potential headwinds" from the banking crisis.
- The Bank of England (BoE) raised its benchmark interest rate by 75 bps to 5.0% over the quarter, touching its highest level since 2008. Andrew Bailey, the BoE governor, indicated that the central bank is "committed to returning inflation to the 2% target and will make the decisions necessary to achieve that". The European Central Bank (ECB) raised its benchmark interest rate by 50 bps to 3.5% over the quarter, its highest level since 2001, and President Christine Lagarde indicated that policymakers "still have ground to cover" and that the inflation outlook remains "too high for too long".

**Past performance is no guarantee of future results.** Indices cannot be invested in directly. Unmanaged index returns assume reinvestment of any and all distributions and do not reflect fees and expenses.

# Capital Markets Overview

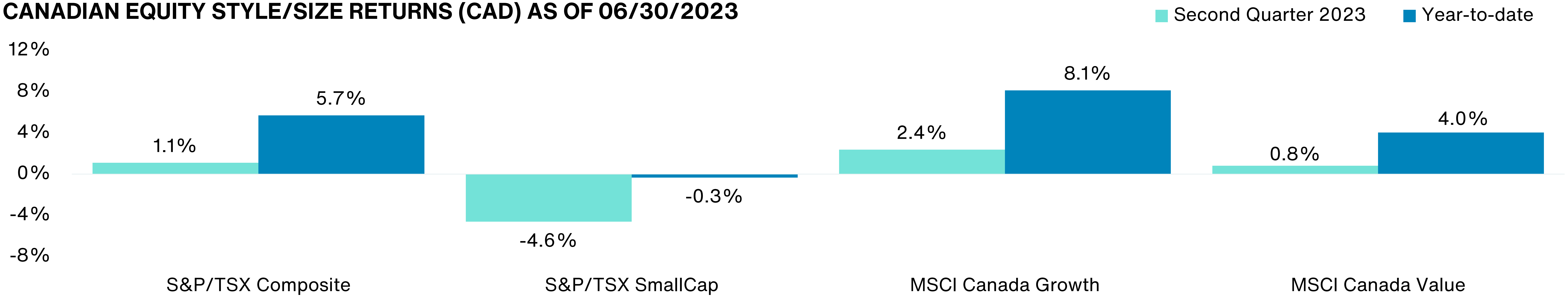
## Canadian Equity

### S&P/TSX COMPOSITE SECTOR RETURNS (CAD) AS OF 06/30/2023




Source: S&P

### CANADIAN EQUITY STYLE/SIZE RETURNS (CAD) AS OF 06/30/2023




*Source: S&P, MSCI*

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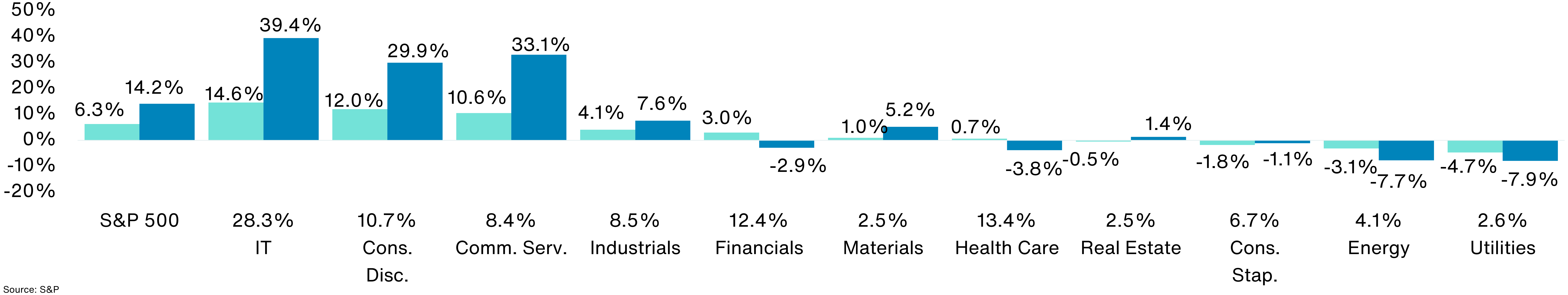
# Capital Markets Overview

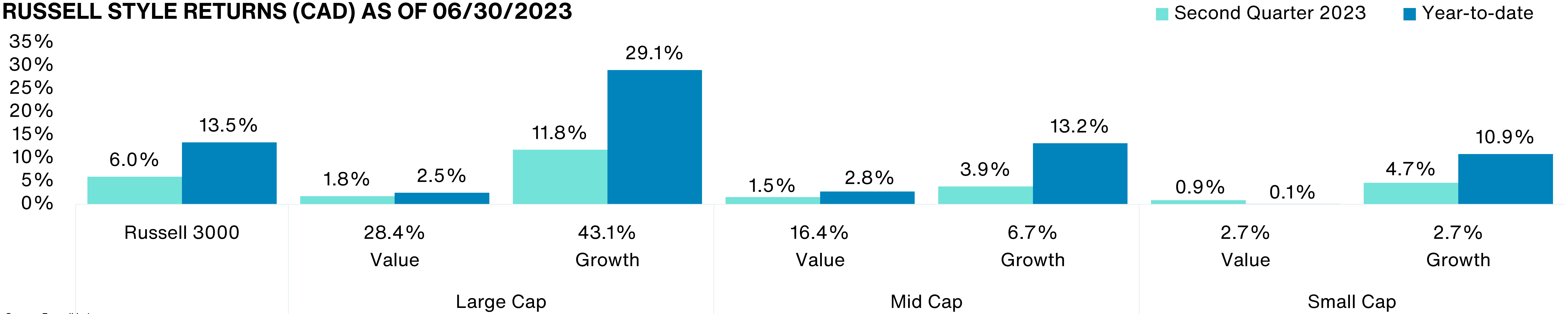
## U.S. Equity

### S&P 500 GICS SECTOR RETURNS (CAD) AS OF 06/30/2023




Source: S&P

### RUSSELL STYLE RETURNS (CAD) AS OF 06/30/2023



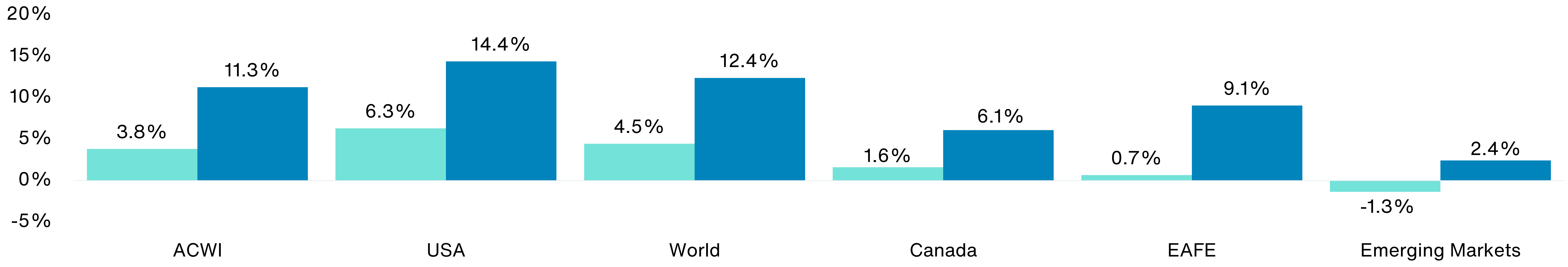

Source: Russell Indexes

**Past performance is no guarantee of future results.** Indices cannot be invested in directly. Unmanaged index returns assume reinvestment of any and all distributions and do not reflect fees and expenses.

# Capital Markets Overview

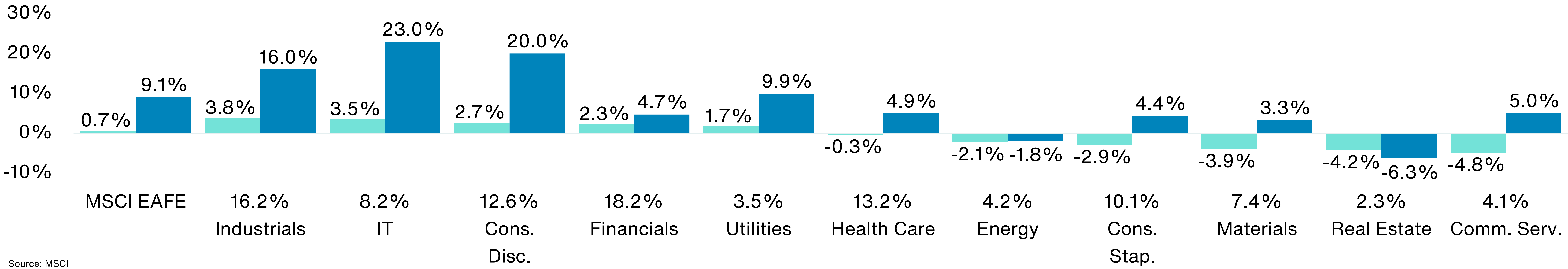
## Global Equity

### GLOBAL MSCI INDEX RETURNS (CAD) AS OF 06/30/2023




Source: MSCI. Gross returns shown for the MSCI Canada and USA indices, whilst net returns are shown for the other indices.

### MSCI EAFE GICS SECTOR RETURNS (CAD, Net) AS OF 06/30/2023

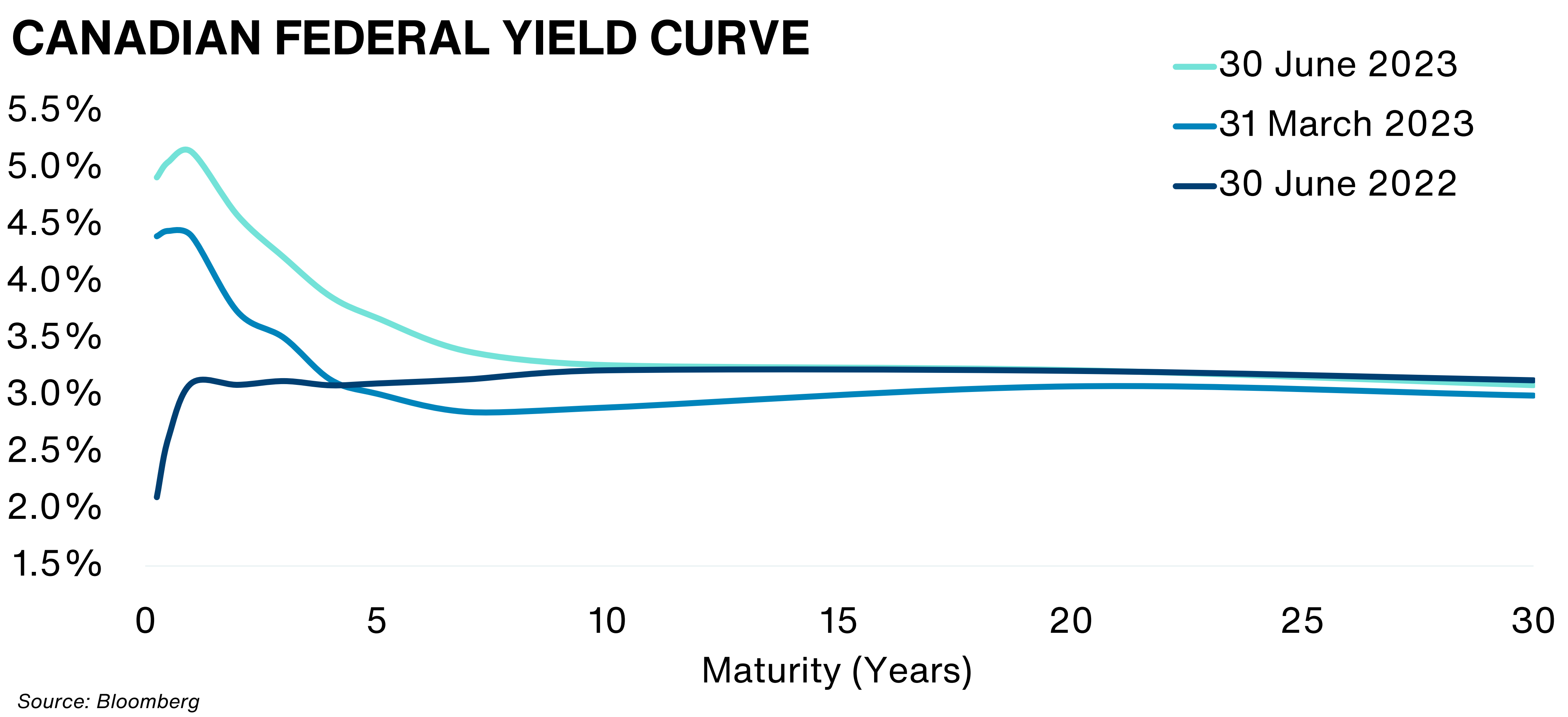



Source: MSCI

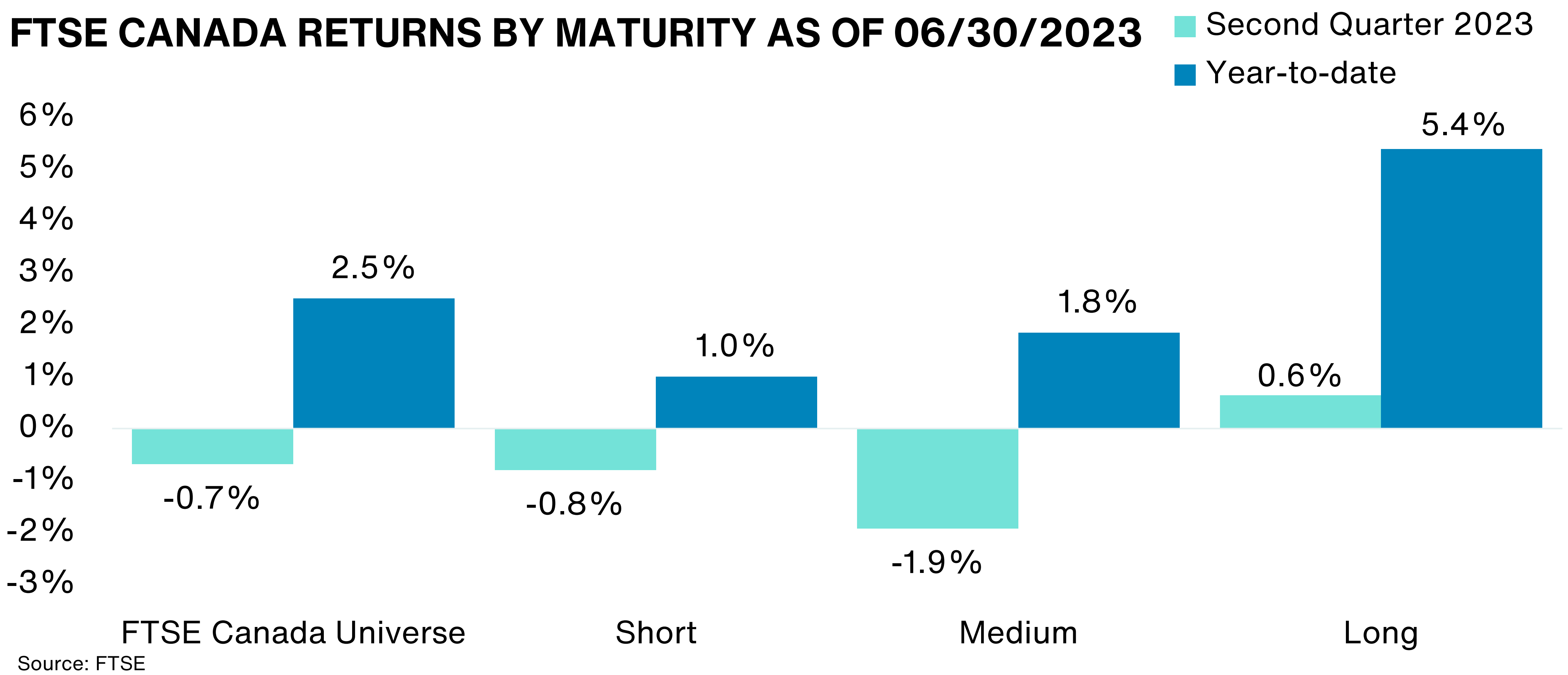
**Past performance is no guarantee of future results.** Indices cannot be invested in directly. Unmanaged index returns assume reinvestment of any and all distributions and do not reflect fees and expenses.

# Capital Markets Overview

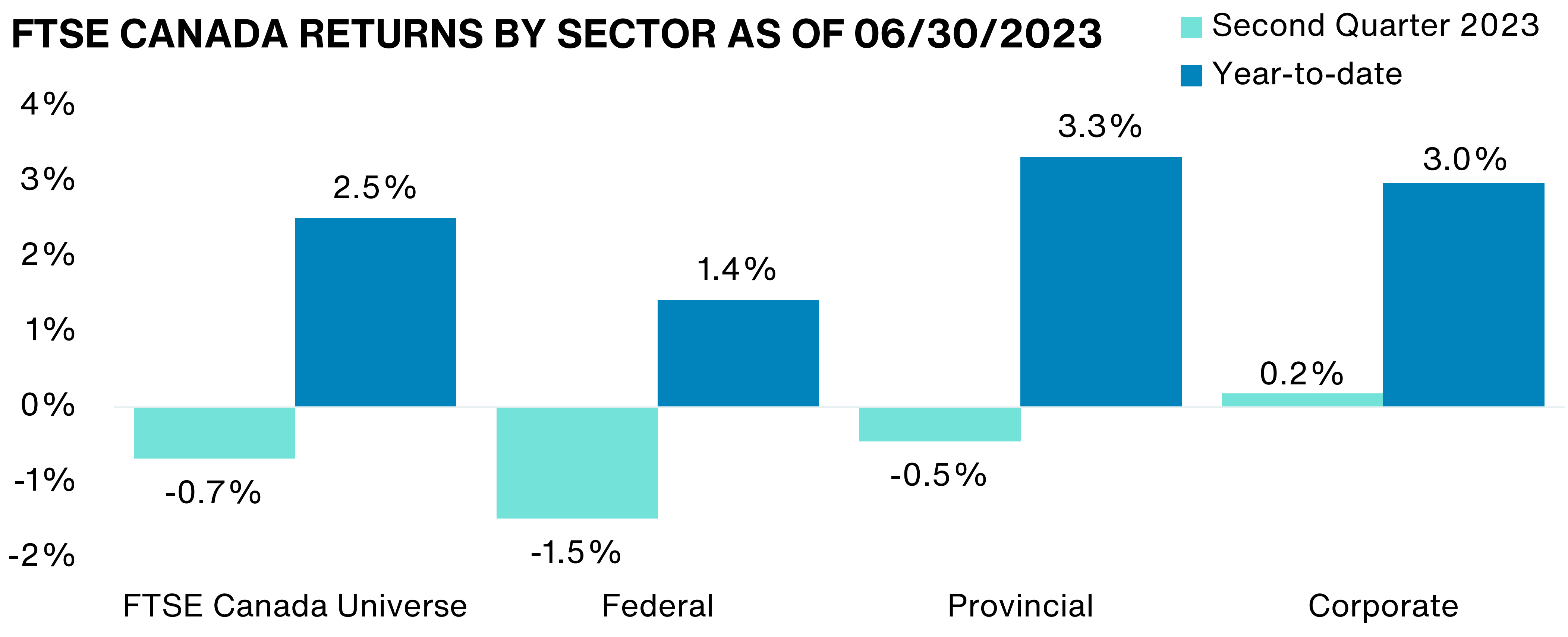
## Fixed Income



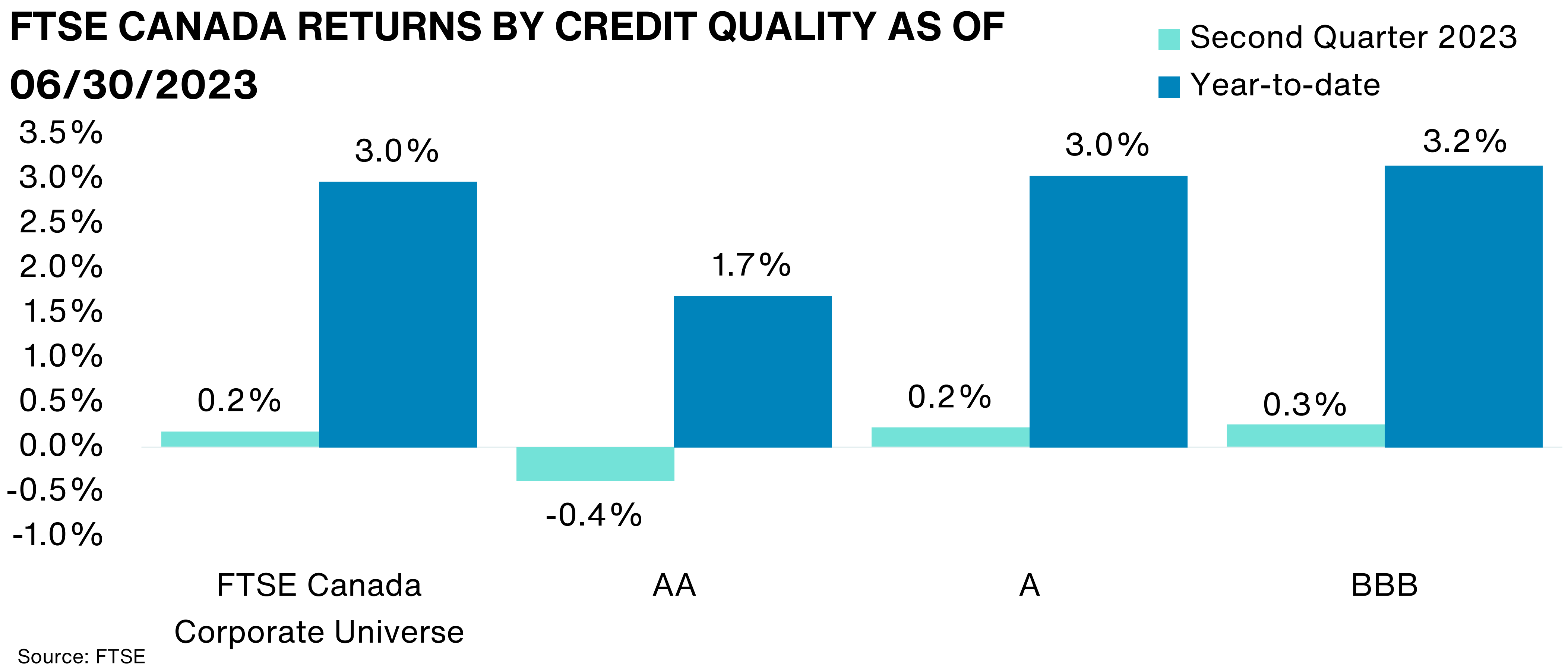

Source: Bloomberg




Source: FTSE




Source: FTSE



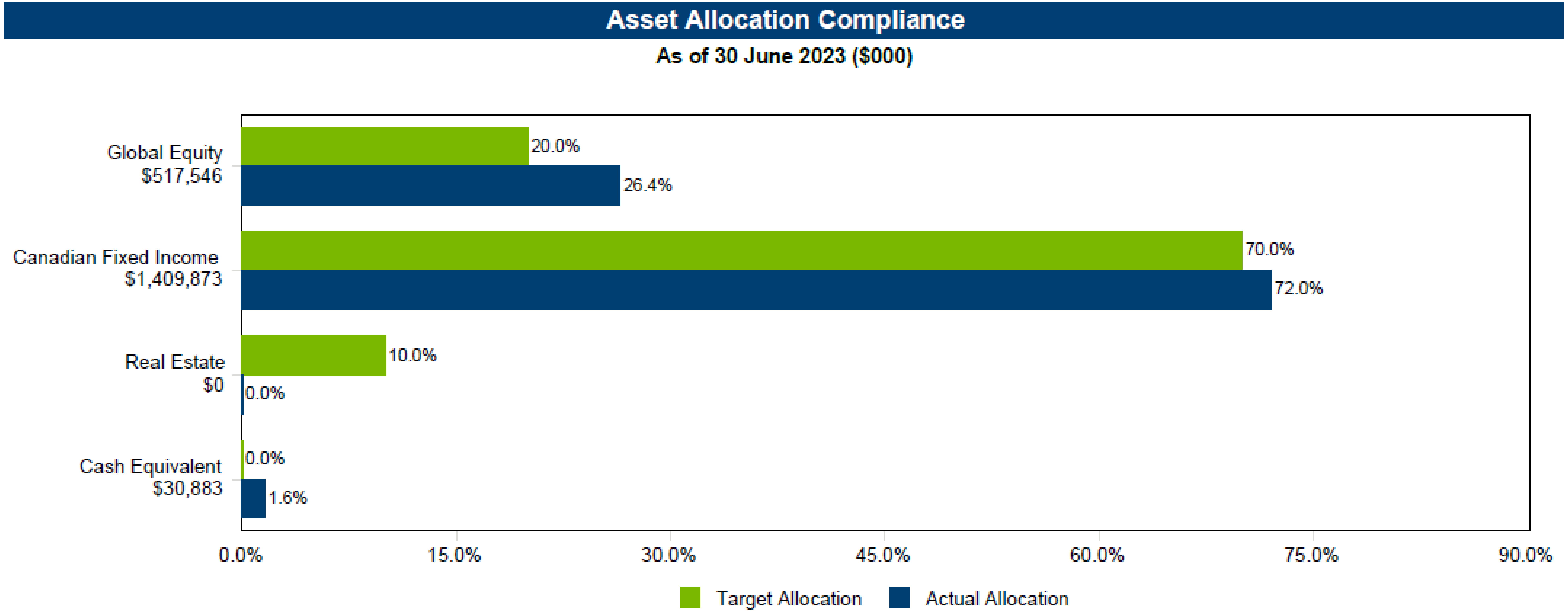

Source: FTSE

**Past performance is no guarantee of future results.** Indices cannot be invested in directly. Unmanaged index returns assume reinvestment of any and all distributions and do not reflect fees and expenses.

# Executive Summary – Sinking Fund and Long-Term Fund

| | Performance (%) | | | Market value ($000) | Fees (bps) | Objective Met | Action Required |
|---|---|---|---|---|---|---|---|
| | Quarter | 1 Year | 5 Year | | | | |
| Sinking Fund Return | 0.7 | 8.7 | - | 1,958,302 | 13.0 | **N/A** | No |
| Sinking Fund Benchmark | 1.0 | 7.9 | - | | | | |
| Value Added | -0.3 | 0.8 | - | | | | |
| | | | | | | | |
| Long Term Fund Return | 0.1 | 7.9 | - | 3,349,709 | 16.2 | **N/A** | No |
| Long Term Fund Benchmark | 0.6 | 6.9 | - | | | | |
| Value Added | -0.5 | 1.0 | - | | | | |

# Asset Mix Compliance – Sinking Fund

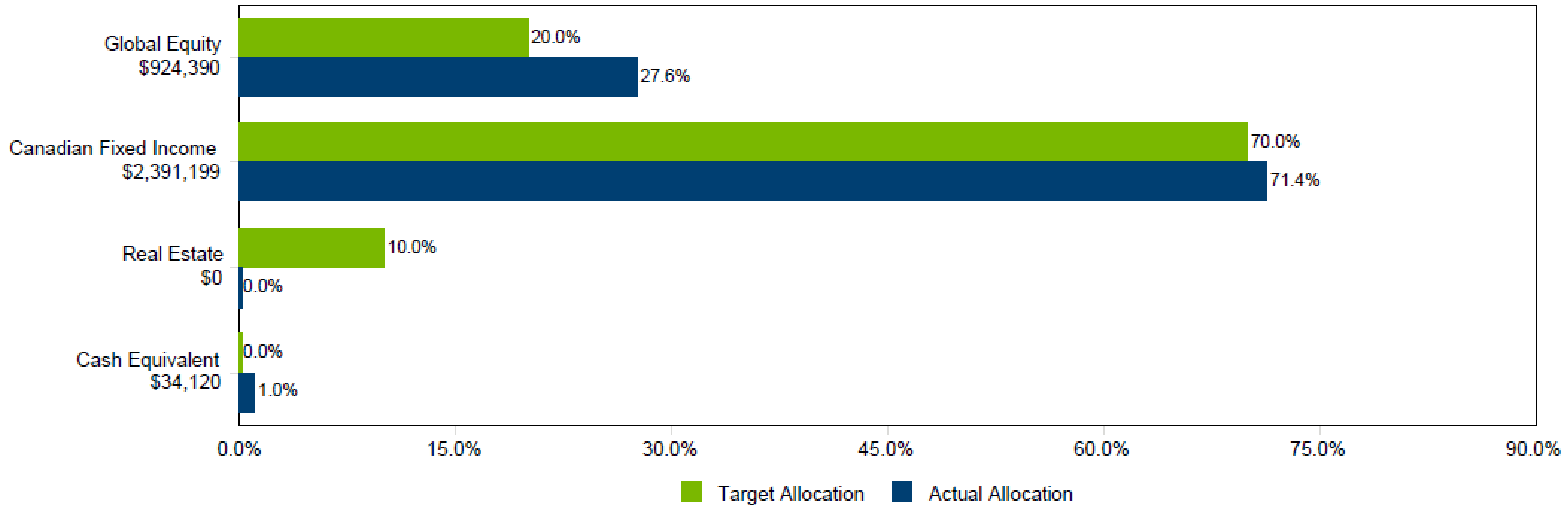



| | Market Value ($000) | Market Value (%) | Target Allocation (%) | Differences (%) | Minimum Allocation (%) | Maximum Allocation (%) | Within Range |
|---|---|---|---|---|---|---|---|
| Global Equity | 517,546 | 26.4 | 20.0 | 6.4 | 0.0 | 30.0 | Yes |
| Canadian Fixed Income | 1,409,873 | 72.0 | 70.0 | 2.0 | 50.0 | 100.0 | Yes |
| Real Estate | - | 0.0 | 10.0 | -10.0 | 0.0 | 10.0 | Yes |
| Cash Equivalent | 30,883 | 1.6 | 0.0 | 1.6 | 0.0 | 5.0 | Yes |
| **Total Fund** | **1,958,302** | **100.0** | **100.0** | **0.0** | | | |

# Asset Mix Compliance – Long Term Fund

## Asset Allocation Compliance

**As of 30 June 2023 ($000)**




| | Market Value ($000) | Market Value (%) | Target Allocation (%) | Differences (%) | Minimum Allocation (%) | Maximum Allocation (%) | Within Range |
|---|---|---|---|---|---|---|---|
| Global Equity | 924,390 | 27.6 | 20.0 | 7.6 | 0.0 | 30.0 | Yes |
| Canadian Fixed Income | 2,391,199 | 71.4 | 70.0 | 1.4 | 50.0 | 100.0 | Yes |
| Real Estate | - | 0.0 | 10.0 | -10.0 | 0.0 | 10.0 | Yes |
| Cash Equivalent | 34,120 | 1.0 | 0.0 | 1.0 | 0.0 | 5.0 | Yes |
| **Total Fund** | **3,349,709** | **100.0** | **100.0** | **0.0** | | | |

# Strategy Performance

| Strategy | Rating | Value Added (%) Quarter | Value Added (%) SI* | Objective Met | Above Median 5 Years | Action Required |
|---|---|---|---|---|---|---|
| **Addenda LDI** | Buy | 0.5 | -0.1 | n/a | n/a | No |
| **Fiera LDI** | Buy | 0.1 | 0.1 | n/a | n/a | No |
| **CC&L Core Fixed Income** | Buy | -0.1 | 0.6 | n/a | n/a | No |
| **Leith Wheeler Core Fixed Income** | Buy | 0.5 | 0.7 | n/a | n/a | No |
| **Pier 21 Global Equity** | Buy | -0.5 | 0.5 | n/a | n/a | No |
| **Oakmark Global Equity** | Buy | -1.9 | -1.5 | n/a | n/a | No |
| **Fiera Global Focused Equity** | Buy | -2.0 | 2.0 | n/a | n/a | No |
| **LGIM Multi-Factor Global Equity** | Buy | -3.5 | -2.4 | n/a | n/a | No |

*Since Inception Dates:
- Addenda LDI: 7/1/2019
- Fiera LDI: 7/1/2019
- CC&L Core Fixed Income: 7/1/2019
- Leith Wheeler Core Fixed Income: 7/1/2019
- Pier 21 Global Equity: 11/1/2019
- Oakmark Global Equity: 11/1/2019
- Fiera Global Focused Equity: 2/19/2020
- LGIM Multi-Factor Global Equity: 12/14/2020

# Manager Updates

| Manager Name | Quarterly Update | ESG Rating |
|---|---|---|
| **Addenda** | • No significant updates impacting City of Toronto | Integrated |
| **CC&L** | • No significant updates impacting City of Toronto | Integrated |
| **Leith Wheeler** | • No significant updates impacting City of Toronto | Advanced |
| **Pier 21 (C. Worldwide)** | • No significant updates impacting City of Toronto | Integrated |
| **LGIM** | • In June 2023, Sir Nigel Wilson, the Legal & General Group Plc Chief Executive Officer, will retire from executive life. António Simões will become the new Group Chief Executive Officer of Legal & General, subject to regulatory approval | Advanced |
| **Fiera** | • There were several personnel changes in Q1 2023, no significant updates impacting City of Toronto | Integrated |

# ESG Rating Scale

**The rating assesses the integration of financially material ESG risk factors into the investment decision-making process.**

The ESG factor is assigned a rating and can be interpreted as follows:

| ESG Rating | Description |
|---|---|
| Advanced | The fund management team demonstrates an advanced awareness of potential ESG risks in the investment strategy. The fund management team can demonstrate advanced processes to identify, evaluate and potentially mitigate these risks across the entire portfolio. |
| Integrated | The fund management team has taken appropriate steps to identify, evaluate and mitigate potential financially material ESG risks within the portfolio. |
| Limited | The fund management team has taken limited steps to address ESG considerations in the portfolio. |
| Not Applicable (N/A) | ESG risks and considerations are not applicable to this strategy, for example, on the grounds of materiality or asset class relevance. |

# A

# Appendix
# Asset Allocation Views

# Key Market Issues

### Interest rate peaks?

Will inflation pressures fall sufficiently to allow rates to peak earlier and at lower levels than central bank rhetoric suggests?

### Recession or soft landing?

A global recession has been avoided so far, but is this just a delay or can a soft landing be achieved even as interest rates continue rising?

### Market expectations – fair or complacent?

Markets have held up well and seem to be disregarding central bank rhetoric on rates as well as anticipating a soft landing. Is this reasonable or complacent?

**For more information on Aon's Views**

[Market outlook (aon.com)]

# Core Views

## Markets still expecting rate cuts to happen too soon

Our core view, held for some time, has been that markets have underestimated interest rate peaks and erred in their expectations of early interest rate cuts. Expectations of peak rates are now more reasonable, although still too low in the U.S. Recent upward moves rate curves, particularly at the front-end suggest that some of these errors have now corrected, but not all.

## Recessionary trends delayed rather than avoided

The global economy, and particularly the U.S. economy, has so far dodged the feared recession bullet well. However, it is far from out of the woods and our view is that the impact of the big move in interest rates and bank credit risk aversion from the U.S. regional bank troubles has yet to be fully felt. A further slowdown into recession or near-recession territory still seems more likely than not over the next 6-12 months.

## Risky assets face headwinds from both higher rates and recessionary trends

The problem for risky assets is that any central bank pivot may only come once recession is confirmed, which will be bad for corporate profitability. A soft-landing scenario would keep interest rates higher for longer, which is not that constructive for risky assets.

# Actions

**Merit in tilting towards shorter duration Federal bond exposure where appropriate.**

**Some value in global IG credit but position-building should be gradual.**

**Not yet time to raise equity allocations.**

## View Shifts

↑ Upgraded Federal bond view and now prefer the Universe bond index

No other view shifts this quarter.

# Cross Asset Views

| --- | -- | - | = | + | ++ | +++ |
|---|---|---|---|---|---|---|
| | | Equities | | | | |
| | | | Core fixed income | | | |
| | | Return-seeking fixed income | | | | |
| | | | | Alts* | | |
| | | | | Cash | | |

- We think that equity markets have still not priced in the extent of weaker corporate earnings as the global economy slows. Our view that policy rates could stay higher for longer than the market is generally expecting also presents a challenge to equities. This keeps us underweight equities.
- We are maintaining a neutral U.S. duration view as the upside and downside risks to government bond yields are more balanced now. Global headline inflation has continued to fall but we expect U.S. treasury yields to remain range-bound.
- We are keeping our preference for government bonds and less risky credit over return-seeking fixed income whilst there is upward pressure on credit spreads. We consider that there will be a better buying opportunity once spreads widen despite currently attractive yield levels.
- Cash rates continue to be attractive relative to the uncertain outlook of traditional asset classes which means a small cash allocation makes sense. We continue to recommend alternative diversifiers as they should provide resilience to portfolios.

* Alternative asset classes as shown on the next page.

# Relative Asset Class Views*

## Regional views

| --- | -- | - | = | + | ++ | +++ |
|---|---|---|---|---|---|---|
| | | | USA | | | |
| | | | Canada | | | |
| | | | EAFE | | | |
| | | | | Emerging | | |

## Core Fixed Income

| --- | -- | - | = | + | ++ | +++ |
|---|---|---|---|---|---|---|
| | | | | Federal | | |
| | | | Corporate | | | |
| | | | Provincial | | | |

## Alternatives

| --- | -- | - | = | + | ++ | +++ |
|---|---|---|---|---|---|---|
| | | | Commodities | | | |
| | | | | Diversifying Hedge Funds | | |
| | | | | Global Infra. | | |
| | | | | Selected Private Credit | | |
| | | Real Estate | | | | |

## Factor views

| --- | -- | - | = | + | ++ | +++ |
|---|---|---|---|---|---|---|
| | | | | Low Vol. | | |
| | | | Quality | | | |
| | | | Value | | | |
| | | | Growth | | | |

## Credit

| --- | -- | - | = | + | ++ | +++ |
|---|---|---|---|---|---|---|
| | | | USD EMD | | | |
| | | | | Local EMD | | |
| | | Bank Loans | | | | |
| | | | | Selected ABS | | |
| | | US High Yield | | | | |

## Currency views vs CAD

| --- | -- | - | = | + | ++ | +++ |
|---|---|---|---|---|---|---|
| | | | | EUR | | |
| | | | | USD | | |
| | | | | | JPY | |
| | | | | EM | | |

*Asset class views are relative to others within the asset class and not relative to other asset types. There should be no read-across from equities to credit, for example.

# Equities

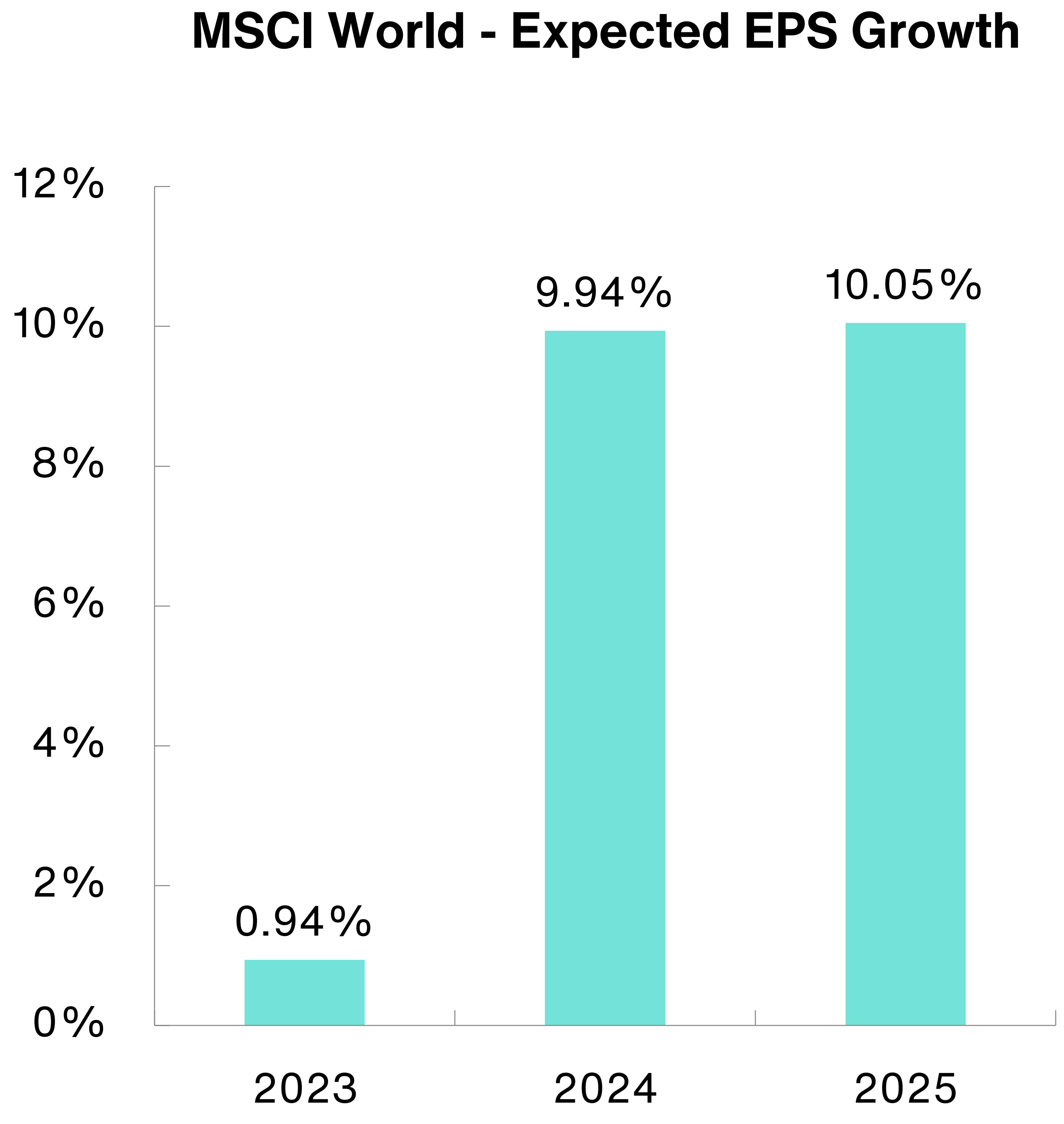
## Rebounding markets worsen valuations as earnings expectations hold up – we remain cautious on the outlook

The rally in equity markets continued over Q2 as the resilience in economic activity and company earnings boosted market optimism. Rapidly falling headline inflation was also a source of support but it became apparent towards the end of the quarter that core inflation could prove to be sticky and may prevent the long-expected Federal Reserve rate cuts from becoming reality, at least this year.

In terms of valuations, recent market rallies have taken key ratios towards expensive territory once again, but the near-term outlook is very uncertain. Will the AI-themed surge in a handful of tech stocks persist and support the entire market or will it be short-lived? These kind of rallies are unpredictable and could last longer than one may think.

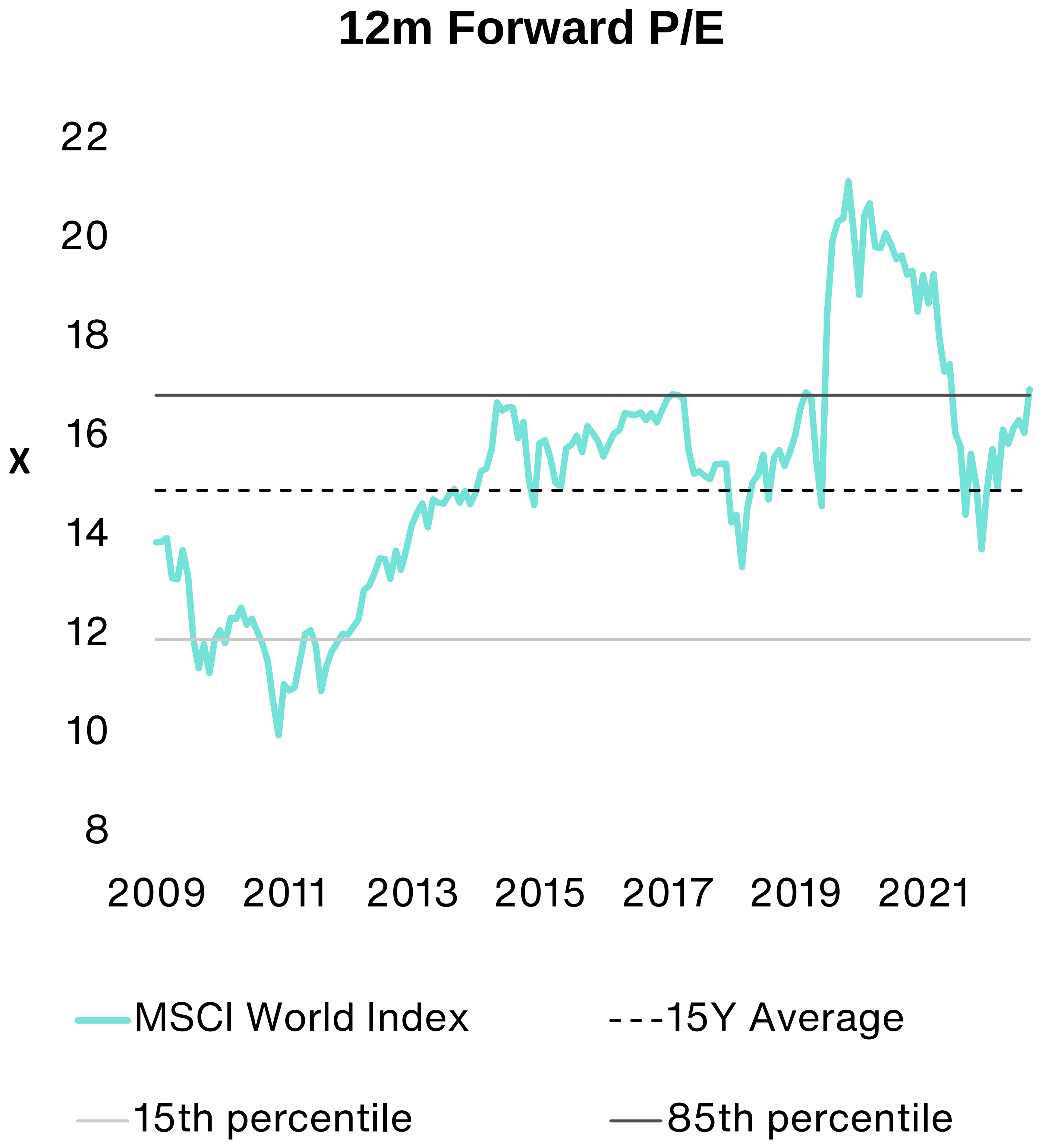
Nonetheless, we think that economic growth will likely continue to slow and that a global recession cannot be ruled out, especially if monetary policy is not loosened as quickly as markets are now expecting in the U.S. We think that these overarching trends will eventually dominate and that equity markets will be challenged over the next 12 months, even if the rally persists in the near-term.

**Earnings growth expectations are healthy for next year – we think these are vulnerable**




Source: Factset

**Valuations have moved into expensive territory**




Source: FactSet

# Equities

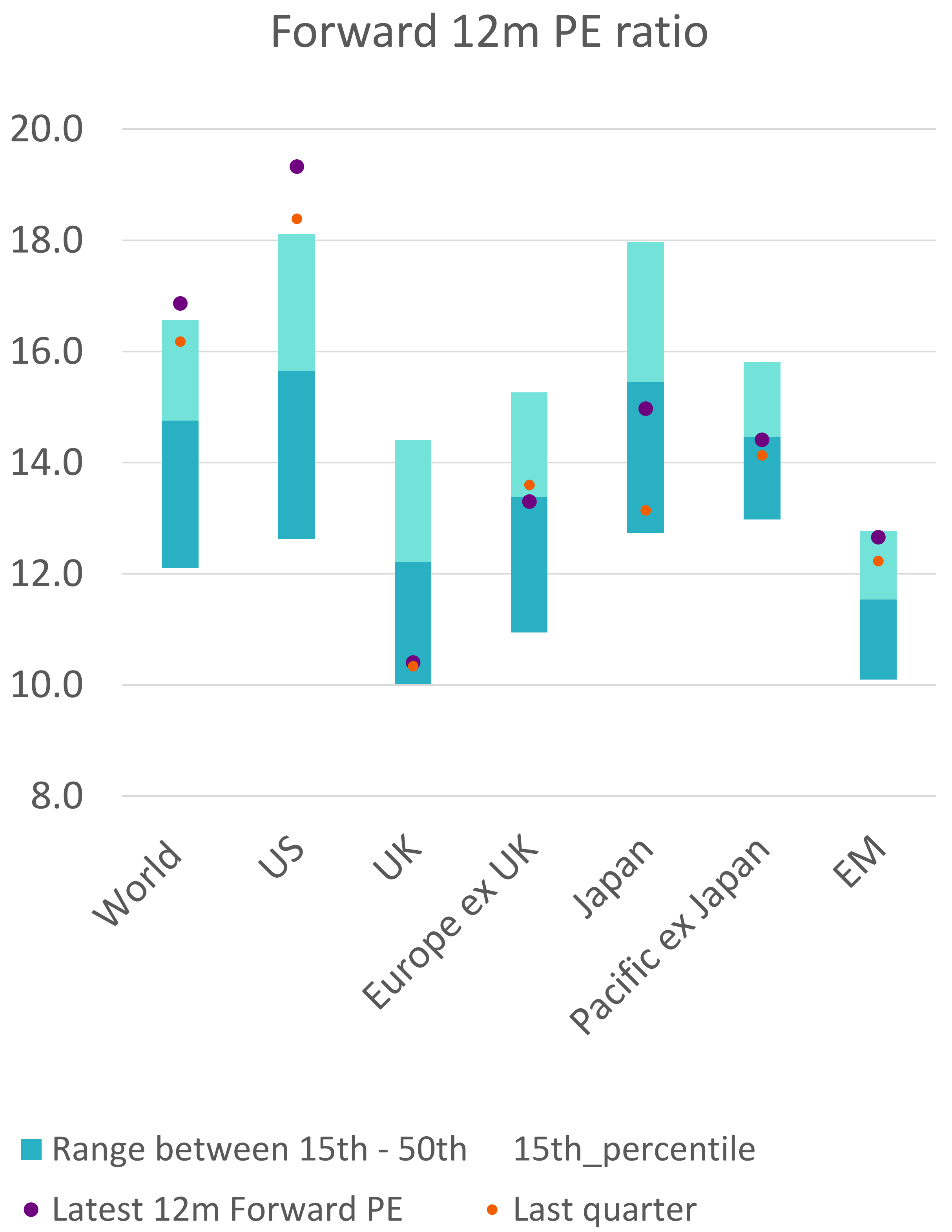
## Remaining neutral on U.S. versus non-U.S. regions and leaning towards low volatility equities

Two broad themes have dominated markets over the second quarter, pushing World equities higher. The first is the significant rally in Japanese stocks as seemingly entrenched inflation has been met with a commitment by the Bank of Japan not to tighten monetary policy. The second, and most important, is the huge rally in a small number of technology stocks that have benefitted from the theme of a World run by artificial intelligence. The latter has pushed already expensive U.S. valuations to even greater extremes relative to other regions. European ex-UK equities have also performed well, especially in March, but valuations remain relatively attractive.

We believe that taking a differential view on the developed markets is very difficult currently – the AI-theme is unpredictable but could persist and Europe is exposed to the Ukraine war and a global economic slowdown. As for Emerging Markets, we see the strongest earnings prospects here, whilst valuations are reasonable and the macro drivers are moving towards being more positive too. This includes the last stages of the U.S. hiking cycle and a weaker trend in the U.S. dollar.

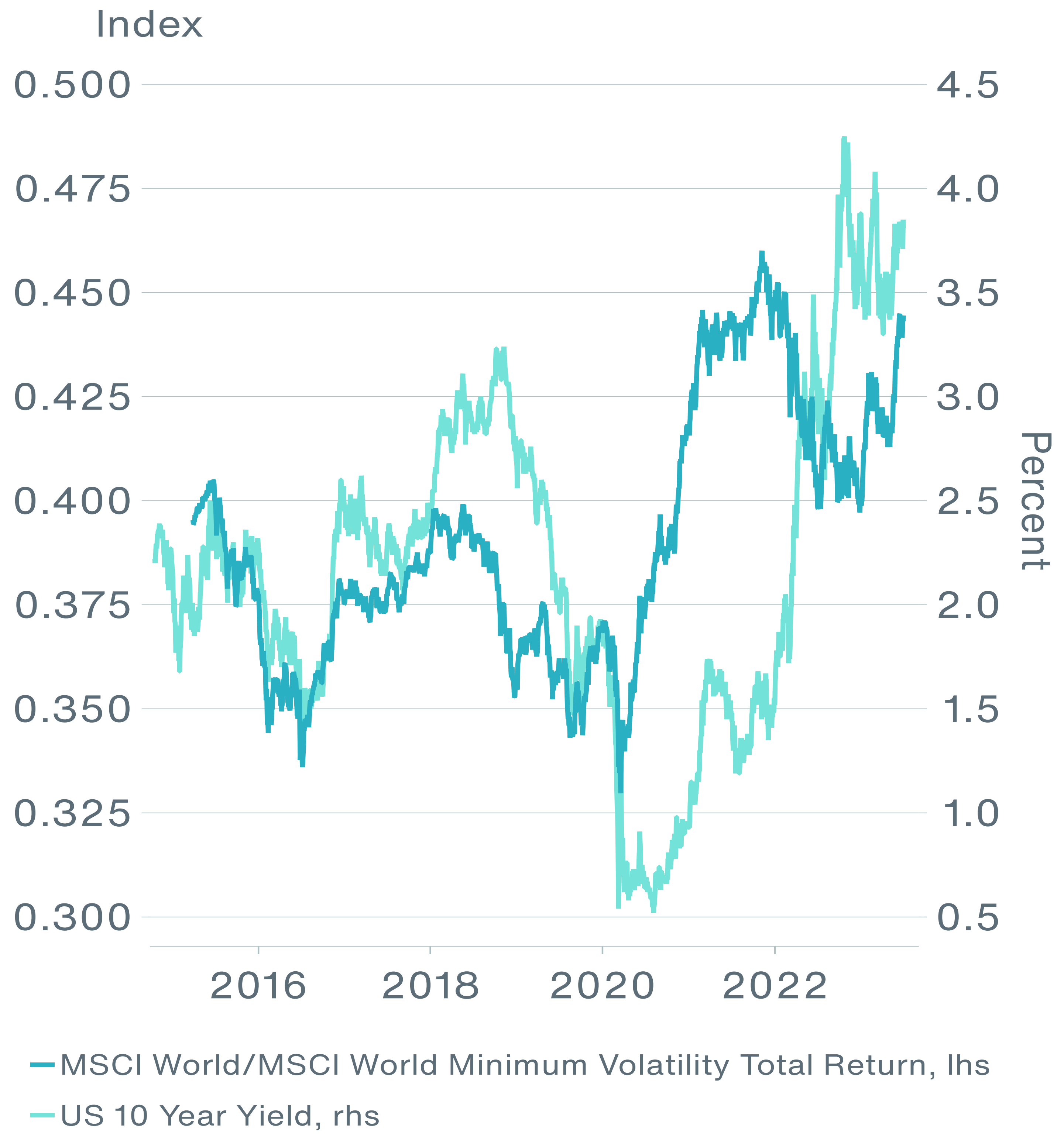
Central banks made it clear that the fight to bring inflation down had not ended yet and interest rates continued to rise in Q2. This is an unusual backdrop for growth stocks to outperform, but low volatility have reflected their bond-proxy characteristics by underperforming this year. A recession scenario may bring yields lower and support low volatility equities, hence our small preference for this style.

**Valuations have become more expensive, especially in the U.S.**




Source: Factset and Aon

**Low volatility stocks have lagged as yields have stayed high but this may change in a recession**




Source: Macrobond

# Core Fixed Income

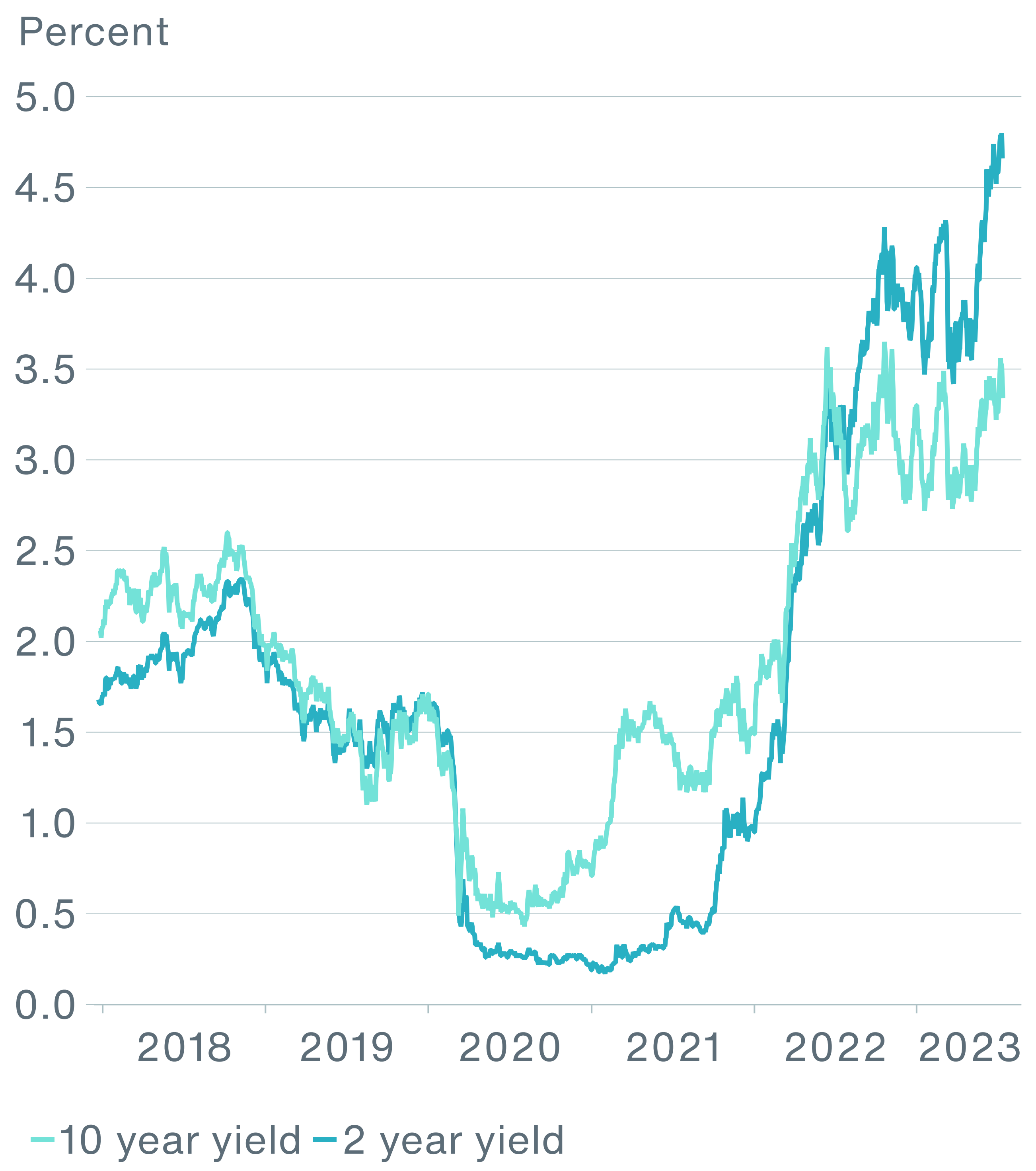
## Move to prefer the Universe index on surging near-term yields. Now prefer Federal to Corporate Bonds

Canadian Federal yields surged over Q2 as continued economic resilience and still above-target inflation prompted the Bank of Canada to end its 5-month pause in monetary policy by raising rates in June and July to 5%. Furthermore, the BoC now doesn't expect inflation to return to its 2% target before 2025, setting the stage for further rate hikes in coming meetings. Market expectations are for a peak policy rate of 5.25% and we believe that the economy will continue to soften over the coming year as higher interest rates and weaker global activity bite. As a result, we now see some value in Federal bonds relative to corporate bonds and have upgraded our view. We also now **prefer the Universe index to the Long Bond index**, given the extent of shorter duration yield rises.

Corporate spreads tightened over the quarter amid low default rates and economic strength and all-in yields have risen. However, we are concerned that possible economic weakness and low oil prices will create headwinds and **we maintain a cautious view**.

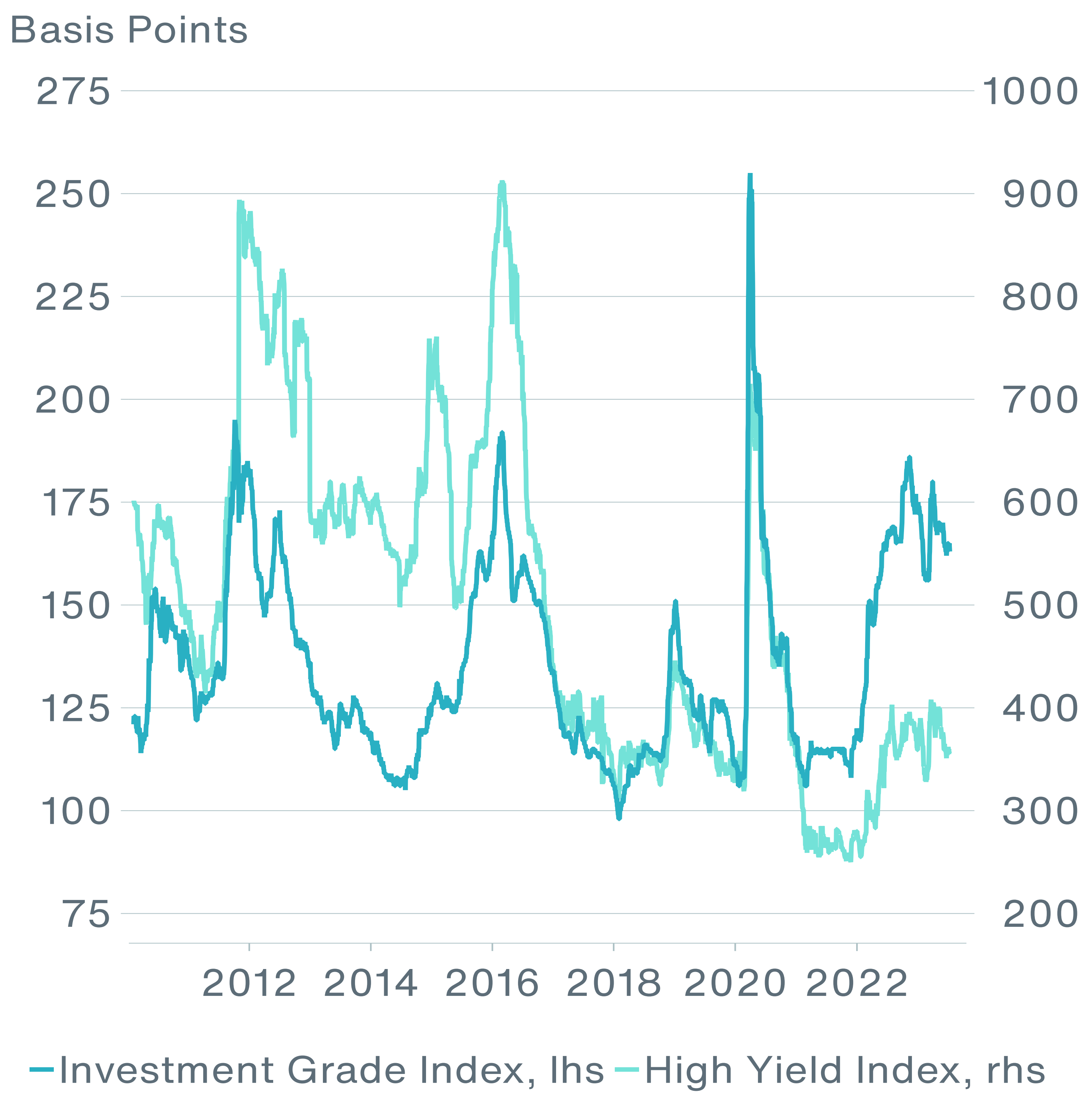
In provincial bonds, yields have also risen whilst spreads have remained largely unchanged over Q2. The higher duration of provincial bonds relative to the Federal index means **we prefer Federal to Provincial bonds** for now.

**Canadian yields surge in Q2 on global trends and local economic strength**




Source: Macrobond

**Corporate spreads tighten somewhat but remain wide, especially in investment grade**




Source: Macrobond

# Global Investment Grade Credit

## Attractive yield levels partially offset recession risks

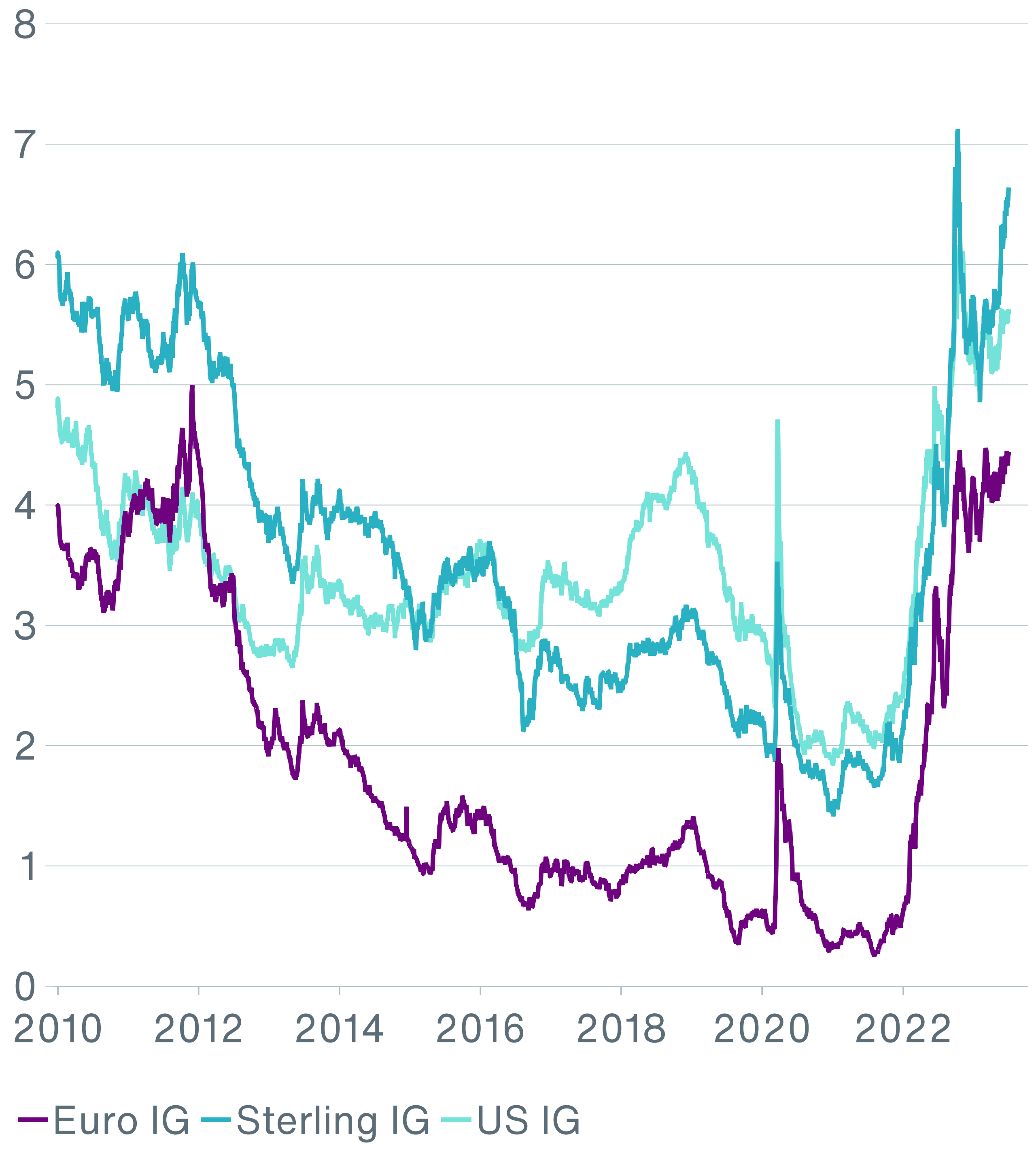
The sharp increase in interest rates by central banks in the past year has taken investment grade (IG) credit yields to levels not seen for over ten years. Yields are currently sitting somewhat lower than the highs observed in September 2022 when markets became stressed and some leveraged investors were forced sellers.

Overall though we think that yields have reached relatively attractive entry points, particularly in sterling, although there is the potential for yields to spike higher. This could come from either higher government rates, if policy rates have to be higher for longer or from further spread widening. Indeed, if we enter a recession, higher debt rollover costs, could see downgrade risks drive spreads higher. Corporate debt is low relative to the market value of equities, and this tends to be associated with lower spreads so, if equities remain robust, we think substantial spread-widening will be avoided.

Our base case is that the economic growth outlook through 2023 and 2024 is challenging but we don't anticipate a deep recession.

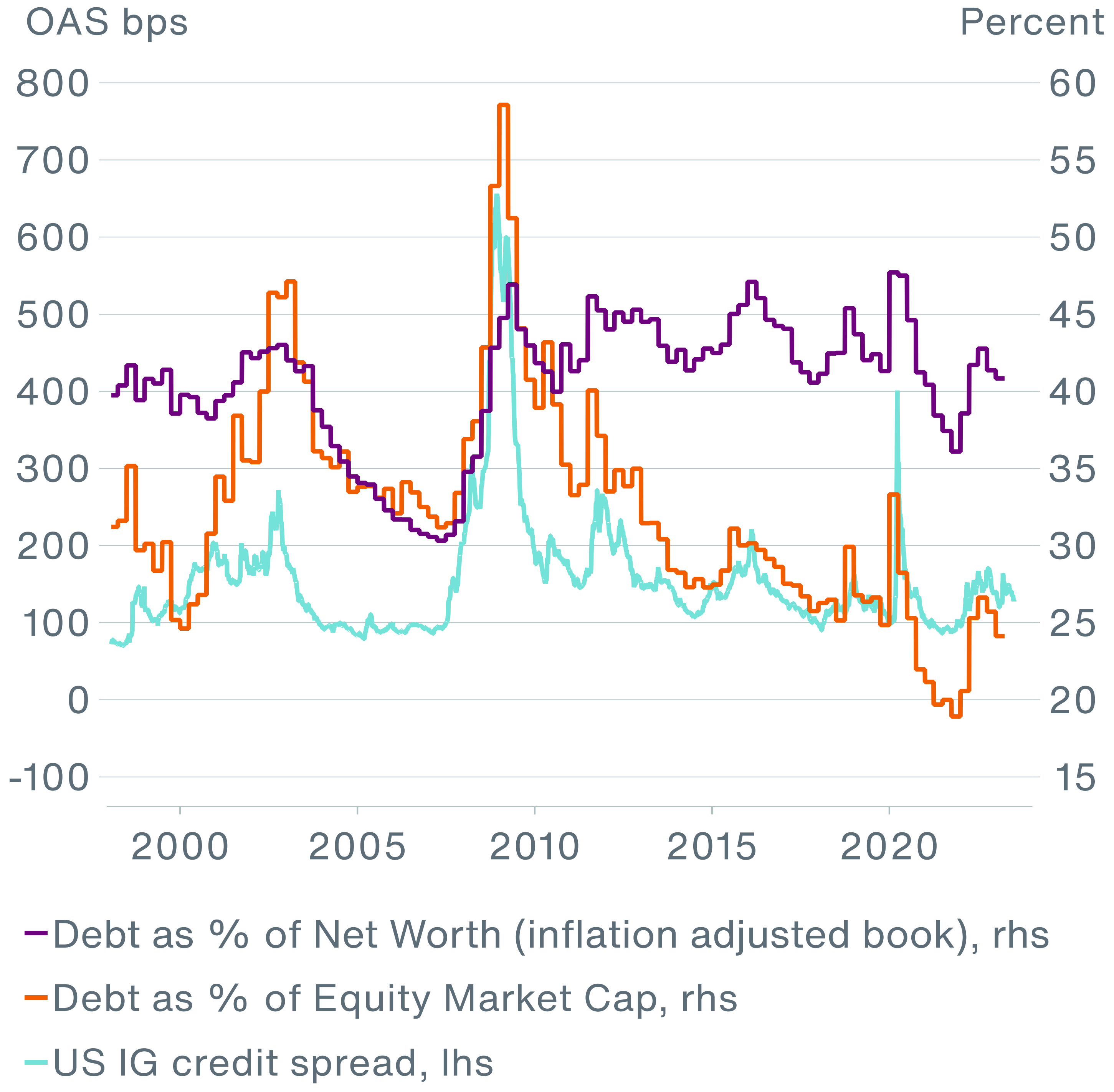
Liquidity conditions within IG are also a concern and appear to have deteriorated. This limits increasing exposure now for schemes which have shorter time horizons.

**Yields close to decade highs (YTM, %)**




Source: Macrobond, ICE BofA.

**Low corporate debt should keep spreads fairly contained**




Source: Macrobond, ICE BofA.

# Return-Seeking Credit

## Upward pressure on credit spreads are keeping us on the side lines

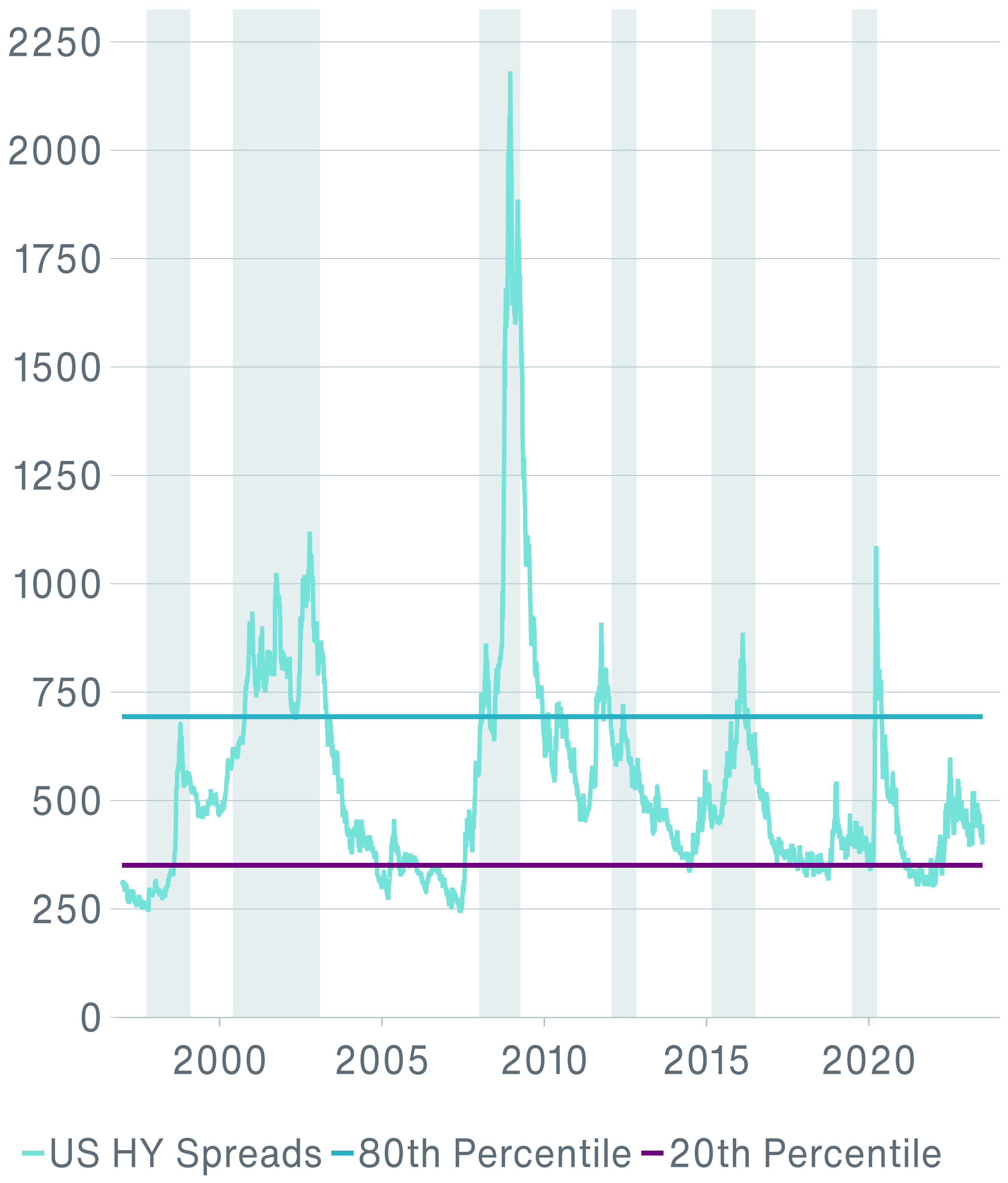
High yield bond credit spreads rose back above 500bps (yield rose above 9%) in March on banking tensions. Speedy official intervention and a small exposure to banks in high yield markets limited the move and spreads have since fallen back to the levels seen in February. Default rates are rising but we do not expect a big rise from the current low levels. Corporate leverage is lower than pre-pandemic. Although there is no immediate refinancing pressure for the HY and loan universe, the "higher for longer" rate environment could potentially put more pressure on lower quality borrowers. We expect refinancing risks to act as a headwind for lower quality credit.

Whilst we expect some upward pressure on spreads in the future, causing them to likely underperform government and investment grade bonds, high absolute yield levels will provide an attractive entry point at some point.

U.S. loans benefited from the rising rate environment over the last three years and have outperformed HY bonds given that they are floating rate. However, since October's U.S. treasury yield highs, when we also ended our loan preference, performance has been more in line with HY bonds. We expect to downgrade loans vs HY bonds later in the economic and rate cycle.

We continue to be cautiously positive on EM debt after the last three years of dismal returns and we upgraded the sector at the start of this year.

**U.S. high yield spreads likely to rise but not to past recession highs**
(Previous recessions shaded)




Source: Macrobond, ICE BofA

**Spreads relative to investment grade are near historic lows**


Source: JP Morgan, ICE BofA

# Alternatives

## We think the correction in private real estate valuations has more to go

We retain a cautious outlook for private real estate. Whilst we have seen some softening in pricing since we downgraded real estate to underweight, the private real estate market still looks expensive against publicly traded REITs.

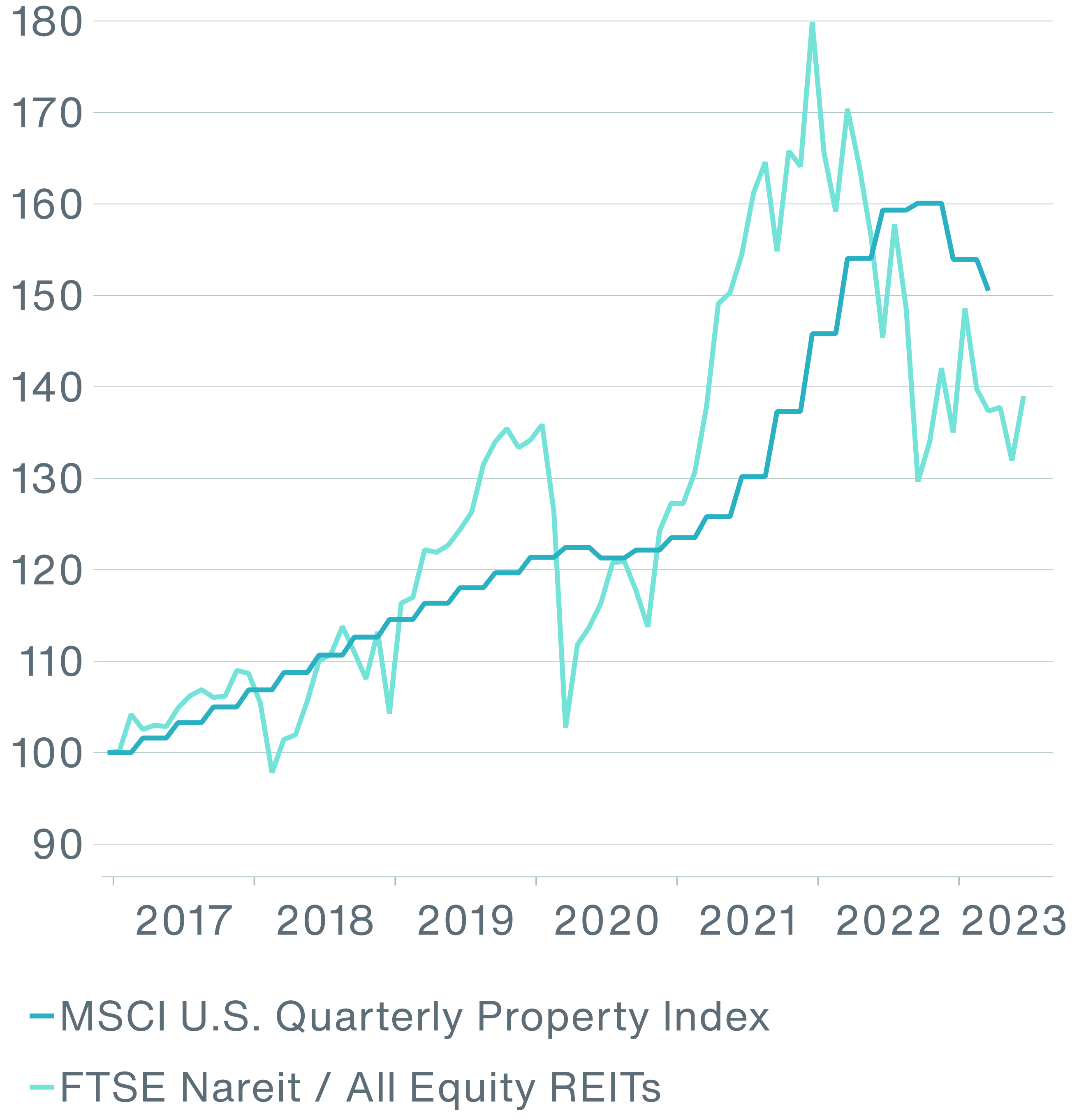
We suspect that the ongoing correction in the private real estate market may have more to go. U.S. commercial real estate's average cap rate of around 4% looks vulnerable against a rising rates environment where investors can find more attractive yields elsewhere.

Private market transaction volumes have slowed substantially in recent quarters which may have impeded price discovery in the market. However, as existing commercial real estate loans approach refinancing at much higher rates, existing property owners may be forced to sell assets, even at a loss.

The fallout from the U.S. banking sector's turmoil earlier this year could make refinancing more challenging, given the impact on smaller banks which dominate the commercial real estate lending market. As these banks adjust to the experienced deposit outflows and reassess their risk appetite, this could lead to reduced credit availability for property owners.

**Private real estate valuations have started to fall, but remain expensive against REITs**

U.S. real estate total return, rebased at 100 in December 2016

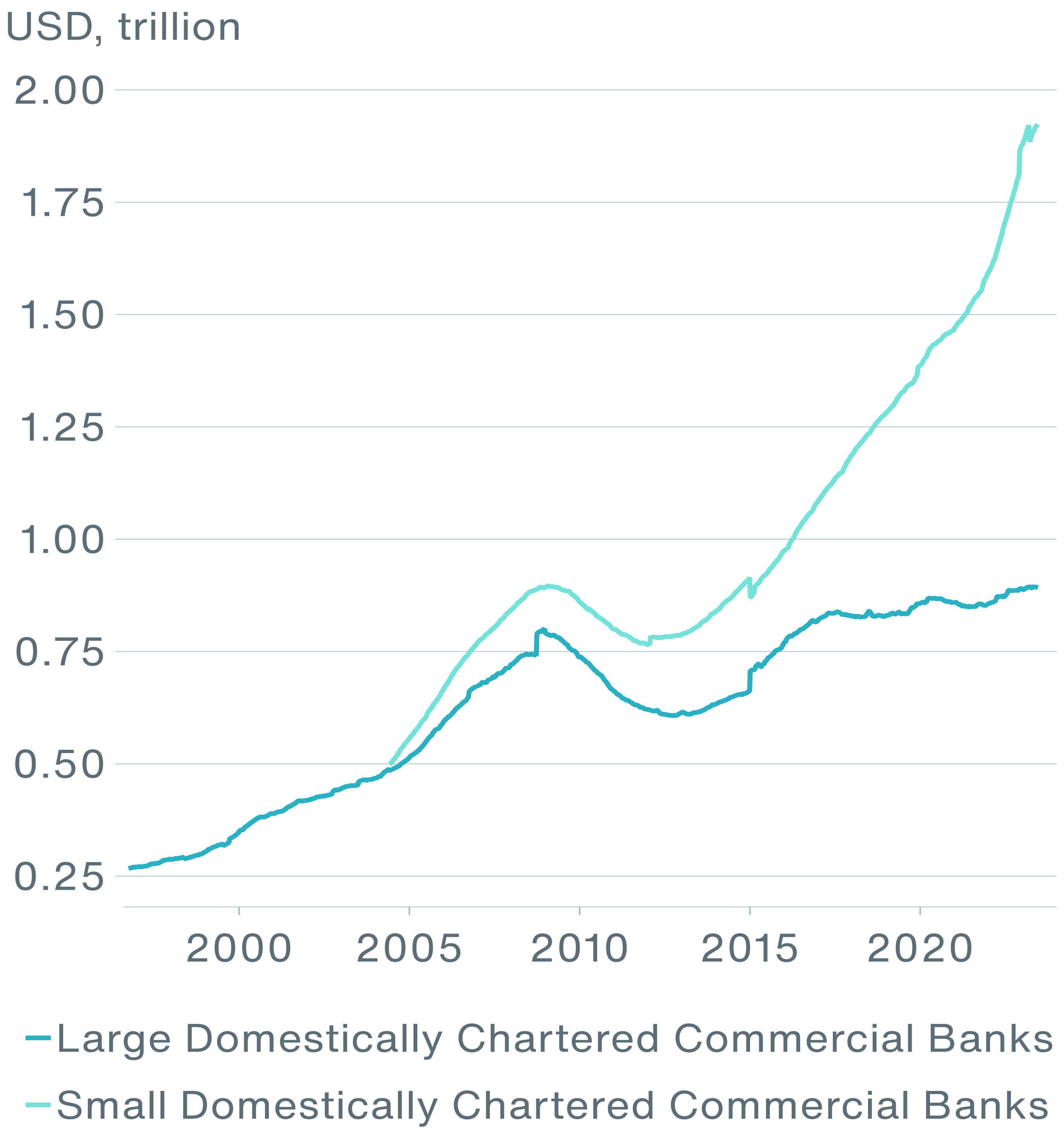



As at 06/2023, 03/2023, for FTSE Nareit / All Equity REITs, MSCI U.S. Quarterly Property Index, respectively

Source: Macrobond, Federal Reserve

**Small banks are an important source of U.S. commercial real estate financing**

Total commercial RE lending by entity types




Source: Macrobond, Federal Reserve

# Currencies

## We are sticking with our cautious Canadian dollar view

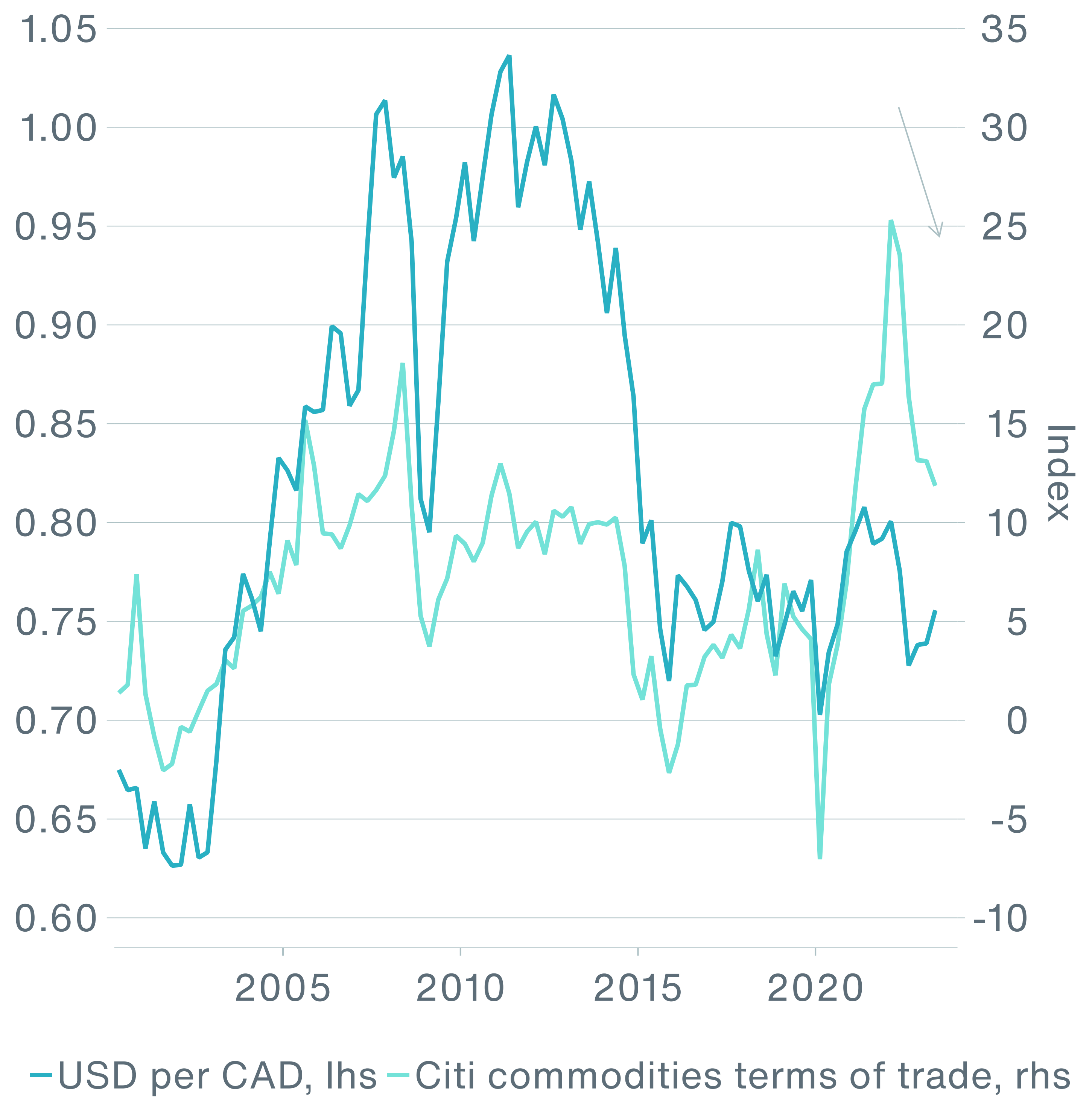
The pause in Canadian rates earlier this year had no negative impact on the Canadian dollar. The Canadian economy and housing market proved resilient, and Canadian bond yields moved up more than yields in the U.S. and Europe, providing Canadian dollar support.

However, we continue to remain cautious on the Canadian dollar. Whilst the global economy has shrugged off much higher interest rates so far, we think that signs of weaker global growth will gather pace which will hurt the Canadian dollar more than the U.S. dollar. Commodity trends (Bloomberg Commodity Index fell 25% in the year to June) should exert downward pressure on the Canadian dollar too. Canada's terms of trade have been falling for the last year and its trade balance has now moved to a deficit as energy export prices have fallen.

Canada's high household debt service costs, boosted recently by higher interest rates and a shift to variable mortgage rates, are expected to rise further, weakening the Canadian economy.

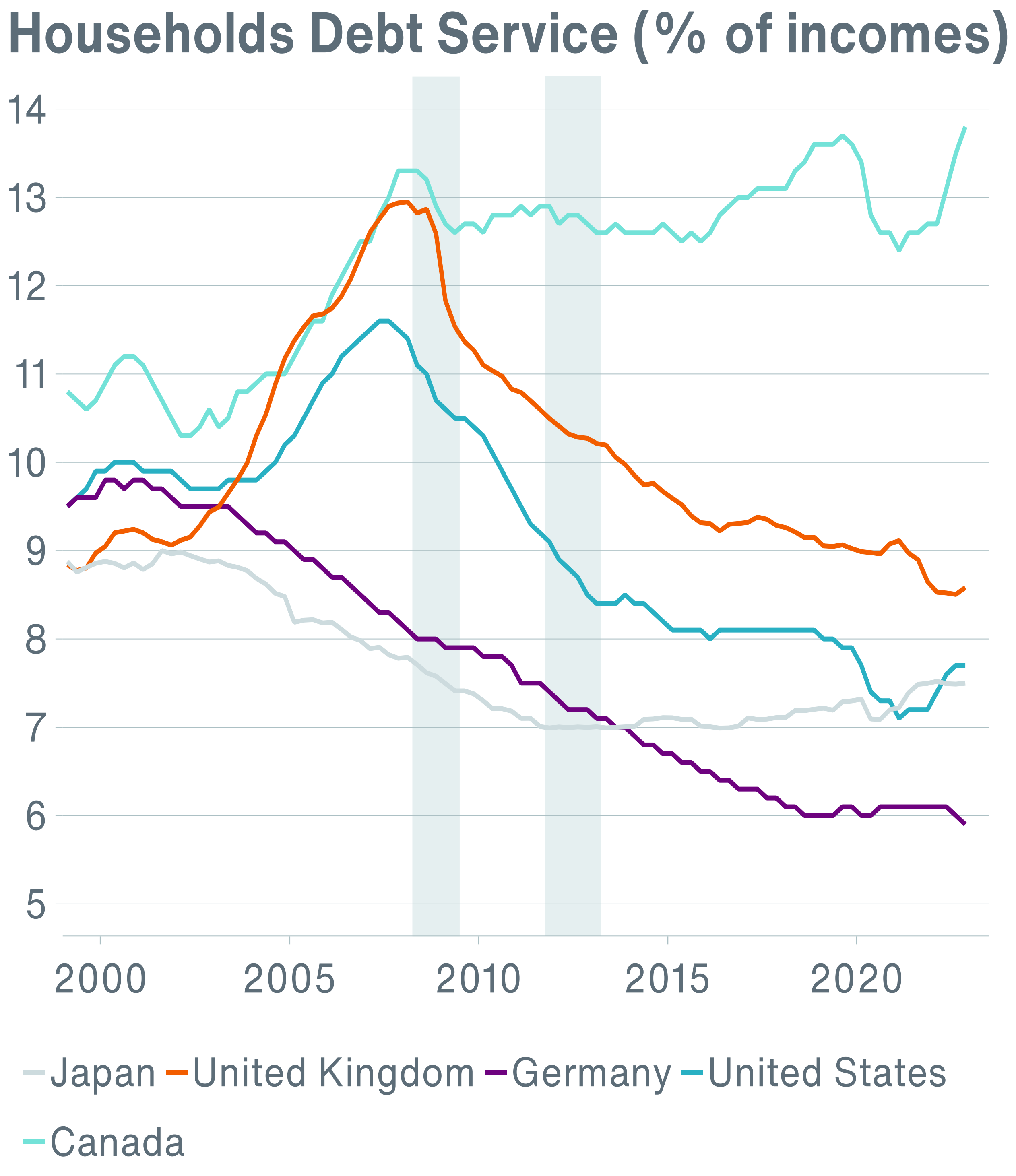
The yen has defied expectations for it to move higher on forecasts of the end of ultra loose Japanese monetary policy. However, it remains undervalued and should appreciate as policy action has become more likely.

**The direction of Canada's terms of trade is negative for the Canadian dollar**




Source: Bloomberg

**Debt service costs are high and rising in Canada**



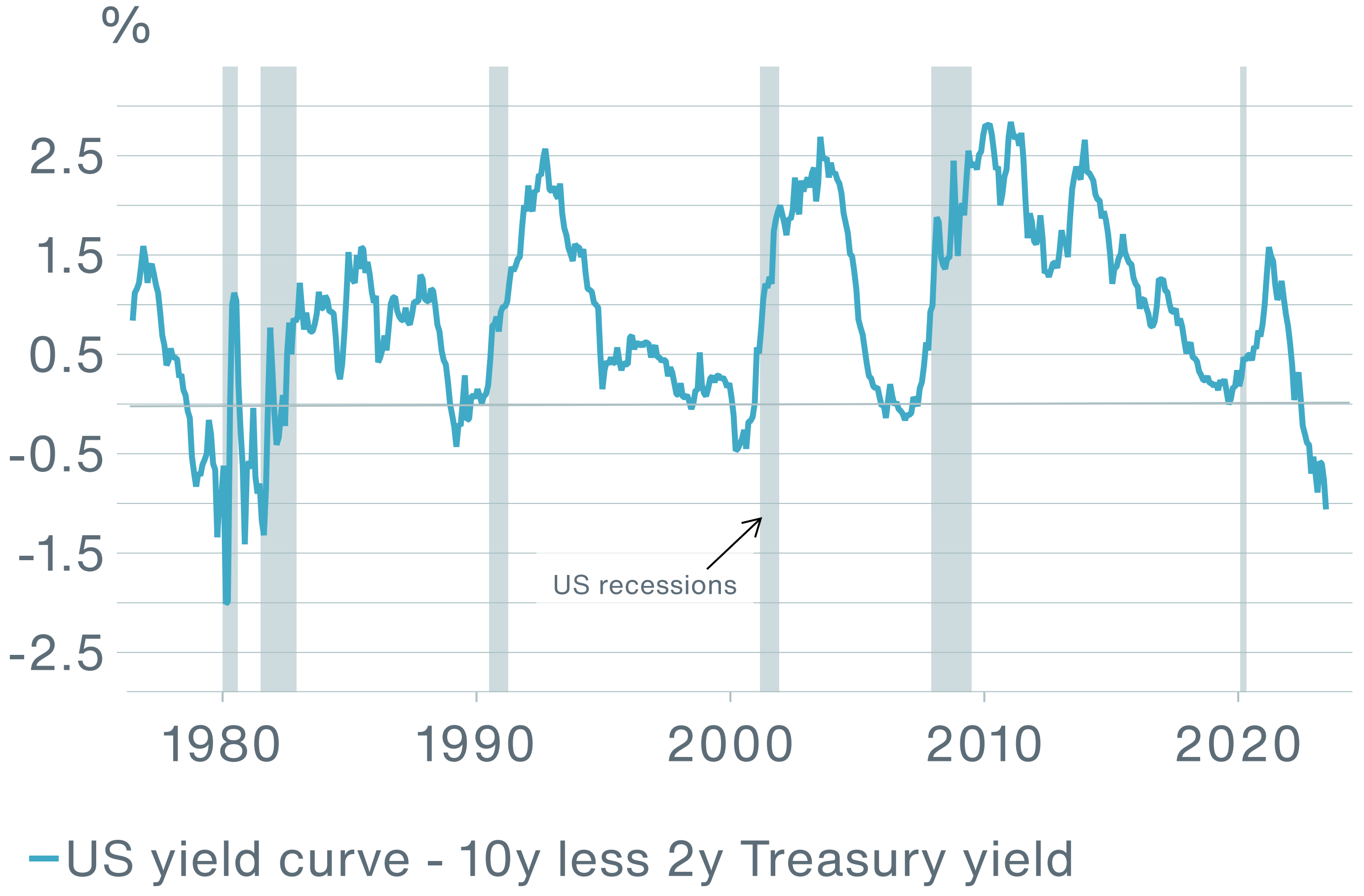

Source: Macrobond. Recession bands from CEPR

# Economic Highlights

The financial sector travails of March were set aside over Q2 as market focus switched to the huge rally in a small number of AI-themed stocks and falling inflation measures. Although economic growth has held up reasonably well so far this year, the past quarter did reveal further signs of slowing momentum and markets believe that monetary policy tightening is close to ending for this cycle. However, whilst headline inflation figures have been falling, there has been much less movement in core measures, which is complicating central banks' aims of achieving a soft landing, where a sharp economic recession is avoided. In terms of the Emerging Markets, the widely expected rebound in the Chinese economy has been less impressive than hoped so far but a weaker U.S. dollar and peaking yields should be helpful over time.

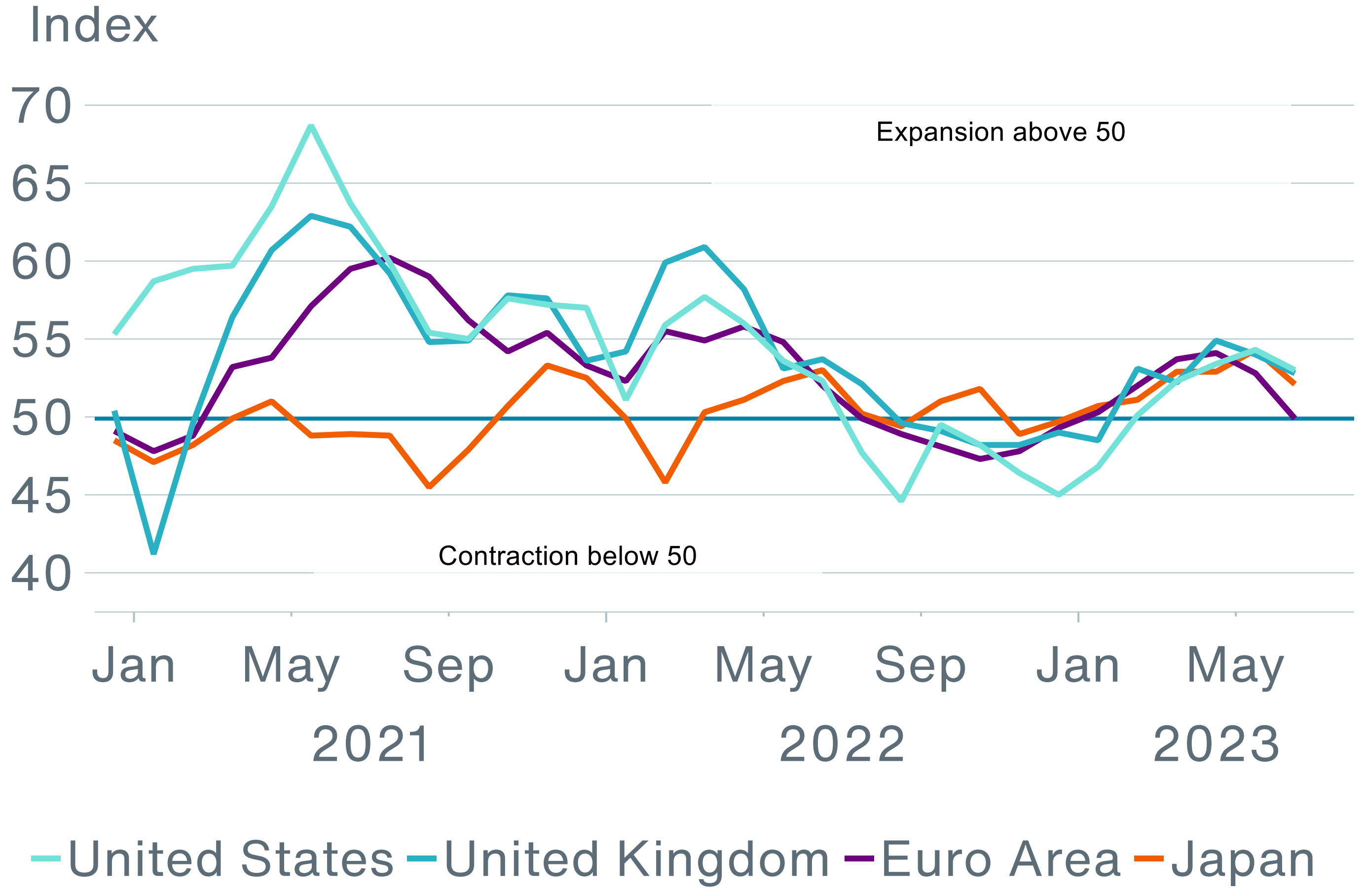
We still think that a global recession is likely at some point over the coming year, although it may be relatively shallow and short-lived. Meanwhile, inflation will likely continue to fall, but we do not expect the key measures to fall back to pre-pandemic rates any time soon. Extreme uncertainty due to the war in Ukraine continues to make predictions especially difficult.

**U.S. yield curve is strongly pointing towards a recession**



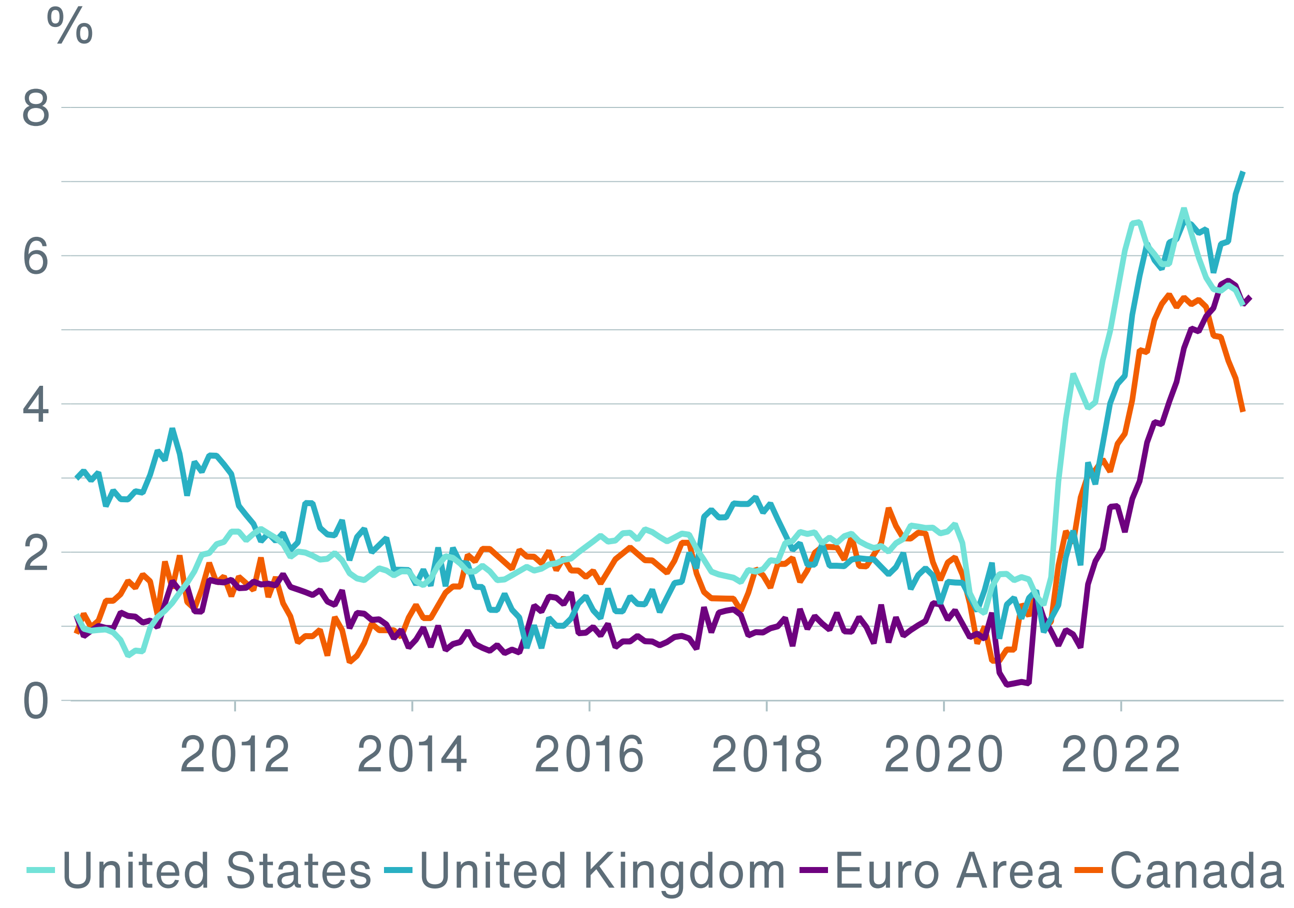

Source: Macrobond

**Economic activity decelerates over Q2 – Selected regional composite PMIs**




Source: Macrobond

**Core inflation has remained stubbornly high and has actually rebounded in the UK – Core CPI YoY**




Source: Macrobond

# B

## Appendix
## Thought Leadership

# Thought Leadership Papers

Click the icon to read the associated paper

Market Outlook
access code
**aon!**

## Return Seeking Bonds

Return-seeking bonds invest in different parts of the global fixed-income universe. Return-seeking bonds can fall into two broad categories: unconstrained and multi-asset credit (MAC).

In this paper, Aon's team provides an insight on the two return seeking bonds categories and strategies.

## Why Diversify?

The purpose of diversification is to optimize the risk/return of the portfolio by allocating across a range of investments. Undiversified portfolios can perform extremely poorly or extremely well; when they perform well, investors may not realize how much risk they took.

This short research paper provides an update on the recent market experience over the past few years, why we expect support for diversification in the future, and some investment strategies to consider.

Subscribe to the Aon Retirement & Investment Solutions Website

## Enhanced Liability-Driven Investment Strategies – Learnings after One Year

While assets struggled throughout 2022, defined benefit solvency ratios generally improved due to a decrease in liabilities. Plan sponsors rethinking their glide path may consider whether an Enhanced Liability Driven Investing (eLDI) solution is right for them.

This paper outlines how eLDI assets can help improve yield and diversification compared to traditional LDI solutions, while maintaining liability-matching characteristics.

## Impact Investing is Hard: Here's How to Do It Well

The landscape for impact investing is complex and evolving. Investors need to balance their impact with other investment characteristics. These tradeoffs also require a different approach depending on the asset class and investment structure.

In this paper, Aon's team shares insights on key considerations, recommended questions and a practical framework.

## About Aon

Aon plc (NYSE: AON) exists to shape decisions for the better — to protect and enrich the lives of people around the world. Our colleagues provide our clients in over 120 countries and sovereignties with advice and solutions that give them the clarity and confidence to make better decisions to protect and grow their business.

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