

The Modern Umbrella Fund:

Innovation, consolidation,
and the road ahead

September 2025



1. Deglobalisation
2. Demographics
3. Interest rates
4. High and rising debt levels
5. Technology
6. Regulatory environment
7. Strategic implications
8. Concluding remarks

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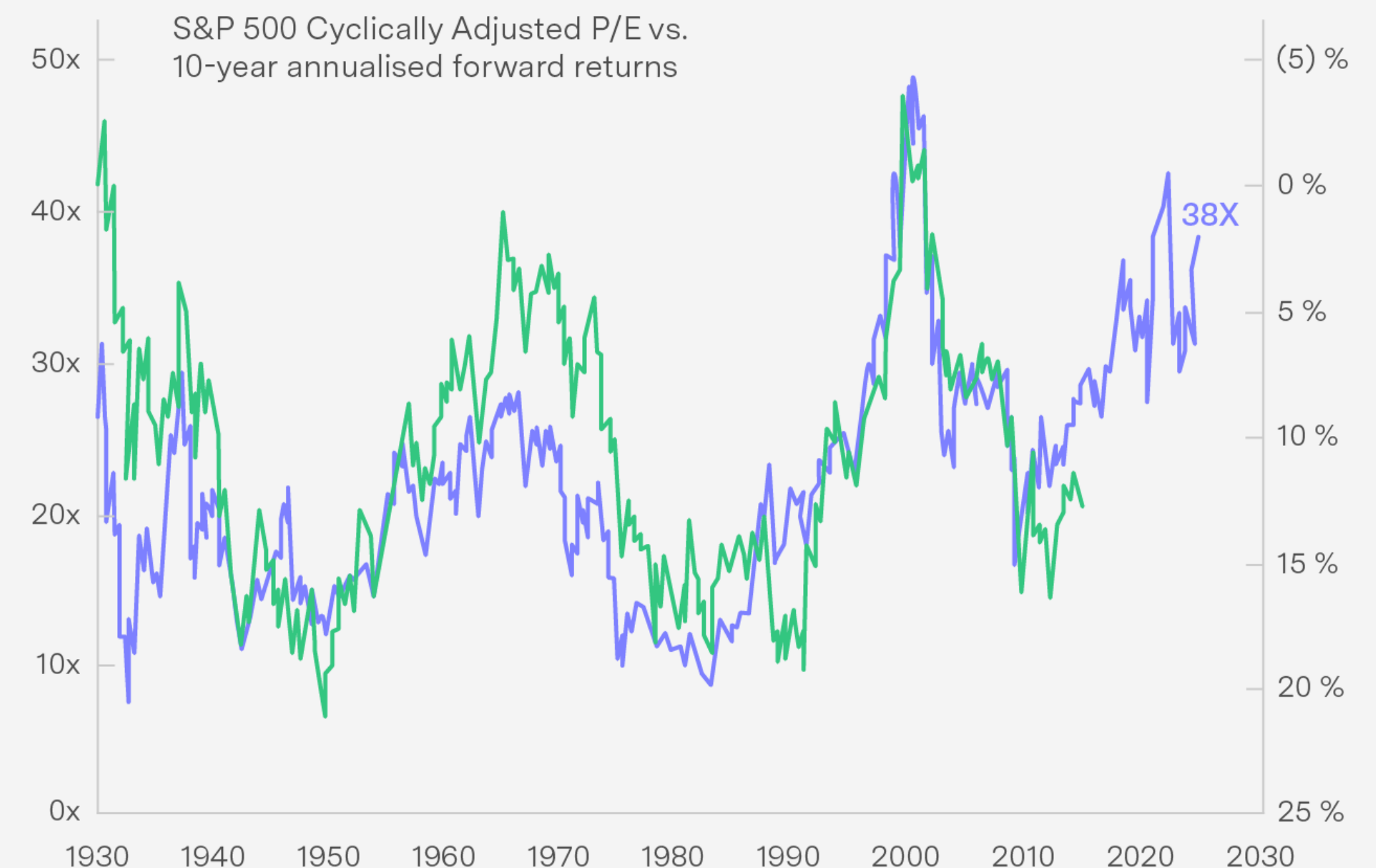
The starting point matters

- Goldman Sachs projects 3% per annum returns from the S&P 500 over the next decade – substantially lower than the average annual return of 10.5% since the late 1950s.
- The cyclically adjusted price-to-earnings (CAPE) or Shiller price-to-earnings ratio has been surprisingly successful at forecasting rolling 10-year returns over the last century.
- The 38x CAPE ratio suggests a much lower return from the US of around 2% to 3% per annum over the next decade – roughly half that of other developed markets (DMs).

What can we expect for our portfolios going forward?

CAPE projects low returns for US equities

— S&P 500 CAPE (left axis)
— S&P 500 10-year annualised forward return (right axis, inverted)



Source: Robert Shiller, Goldman Sachs

The Big Themes

The growth pie is shrinking:

- The World Bank downgraded its 2025 global growth forecast by 0.5 percentage points to 2.3% in its June outlook, projecting the weakest non-recessionary growth since 2008. The average global growth in the 2020s is expected to settle around 2.5% – its slowest pace since the 1960s.
- **Insight:** JP Morgan estimate that a 1% change in GDP for DMs results in a 3% change in equity returns. This relationship does not hold for EMs.

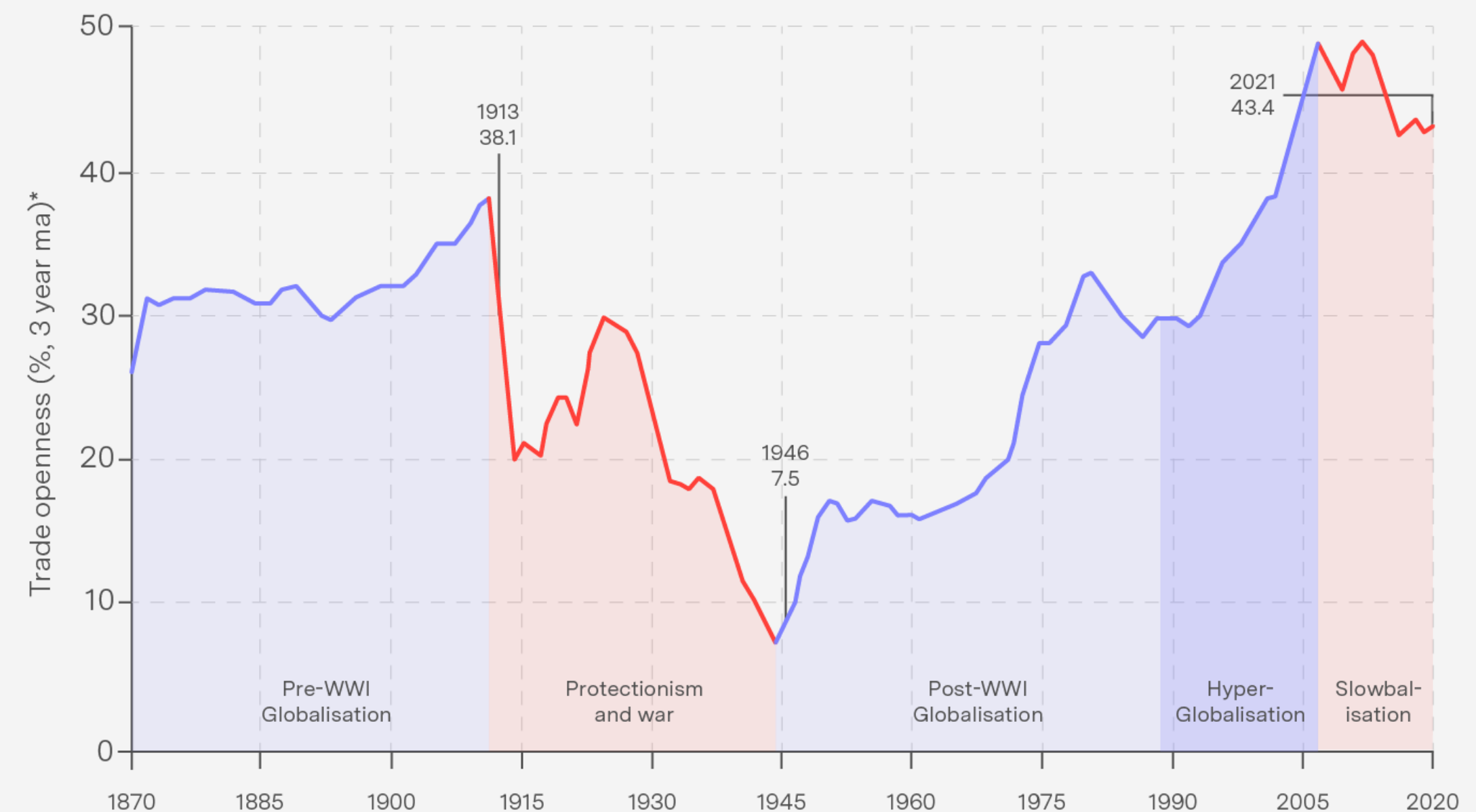
*Macro forces shaping investment landscape

1. Deglobalisation
2. Demographics
3. Interest rates
4. High and rising debt levels

Other factors

- Climate change and regulatory response
- Expanding Government intervention
- Artificial intelligence (AI) – a potential tailwind amid headwinds

Globalisation through recent history

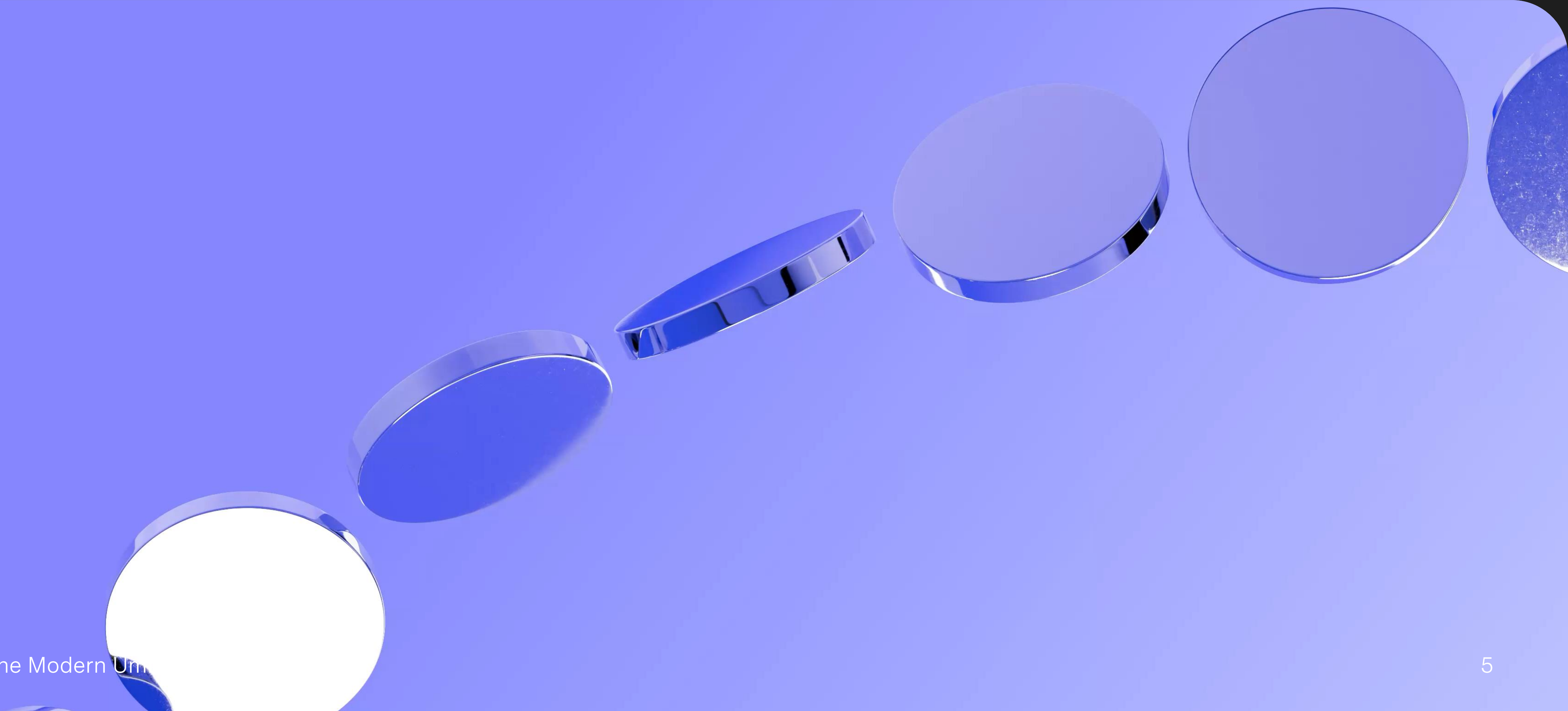


*Calculated as exports + imports as % of GDP for 17 economies, aggregated using GDP-PPP weights

Note: Slowing globalisation is sometimes referred to as 'Slowbalisation'. The term was coined by Dutch writer Adjiedj Bakas. For more details, see Douglas A Irwin (2020).

Source: Jordà-Schularick-Taylor Macroeconomic Database. Data 1960 onwards for World from IMF and World Bank, Barclays Research.

1. Deglobalisation



Fragmentation is the new reality

As global growth slows, geopolitical shocks and policy shifts are reversing decades of globalisation

Covid-19 (2020)

- Triggered rethinking of supply chain resilience
- Shift from “just-in-time” to “just-in-case”

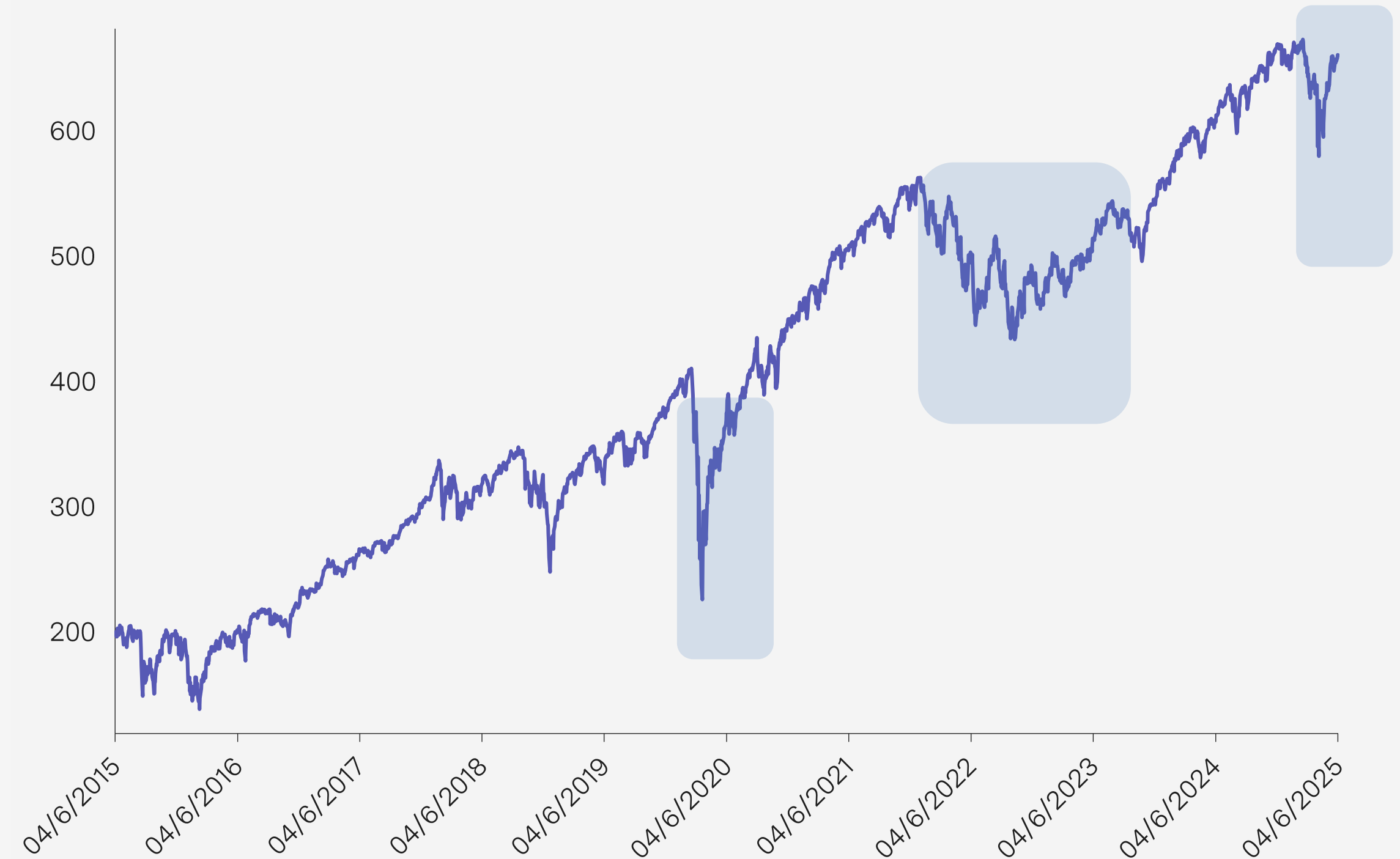
Ukraine War (2022)

- Energy crisis exposed Europe’s overdependence on Russian gas
- Accelerated reshoring & diversification of energy sources

Trump 2.0 & Tariffs (2025+)

- “America First” reshapes trade rules
- Global trade policy uncertainty rises again
- Fragmentation is the new reality

S&P500 10-yr performance – increased volatility



Deglobalisation and US exceptionalism

Then: The Globalisation Era (1970–2010)

- Multinationals leveraged global arbitrage (labour, tax, regulation).
- US corporate profits soared; real wages lagged.
- Profit-to-GDP reached record highs.

Fuelling US Exceptionalism

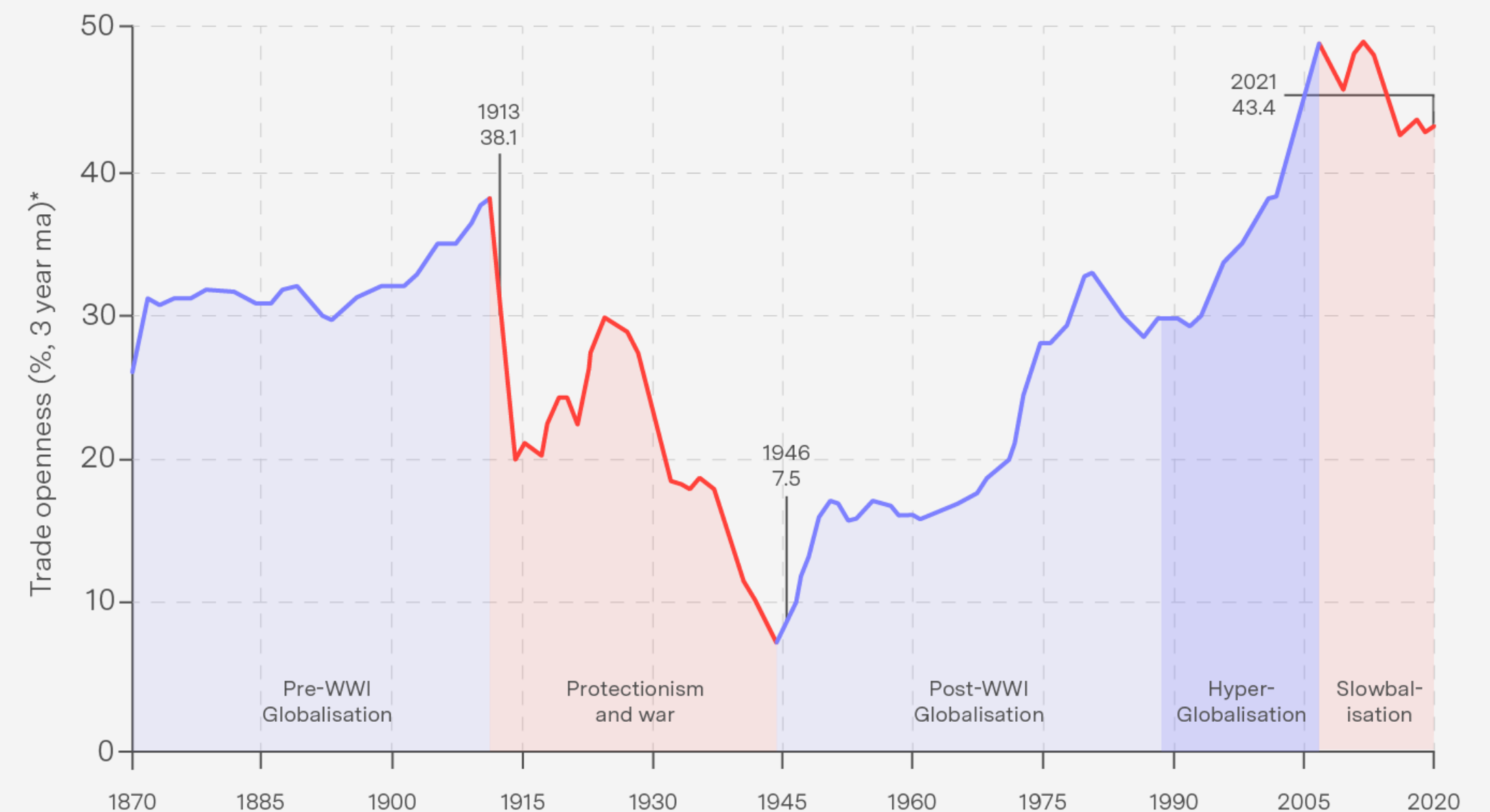
- Corporate tax rates fell from 35% (1980s) to → 15% (today).

Now: Reversal in Motion

- Trade wars & supply chain reshoring = deglobalisation.
- Focus on security over efficiency raises inflation, squeezes margins.

Bottom line: Deglobalisation will slow profit growth and raise inflation but will have an outsized negative impact on the US relative to the rest of DMs.

Globalisation through recent history

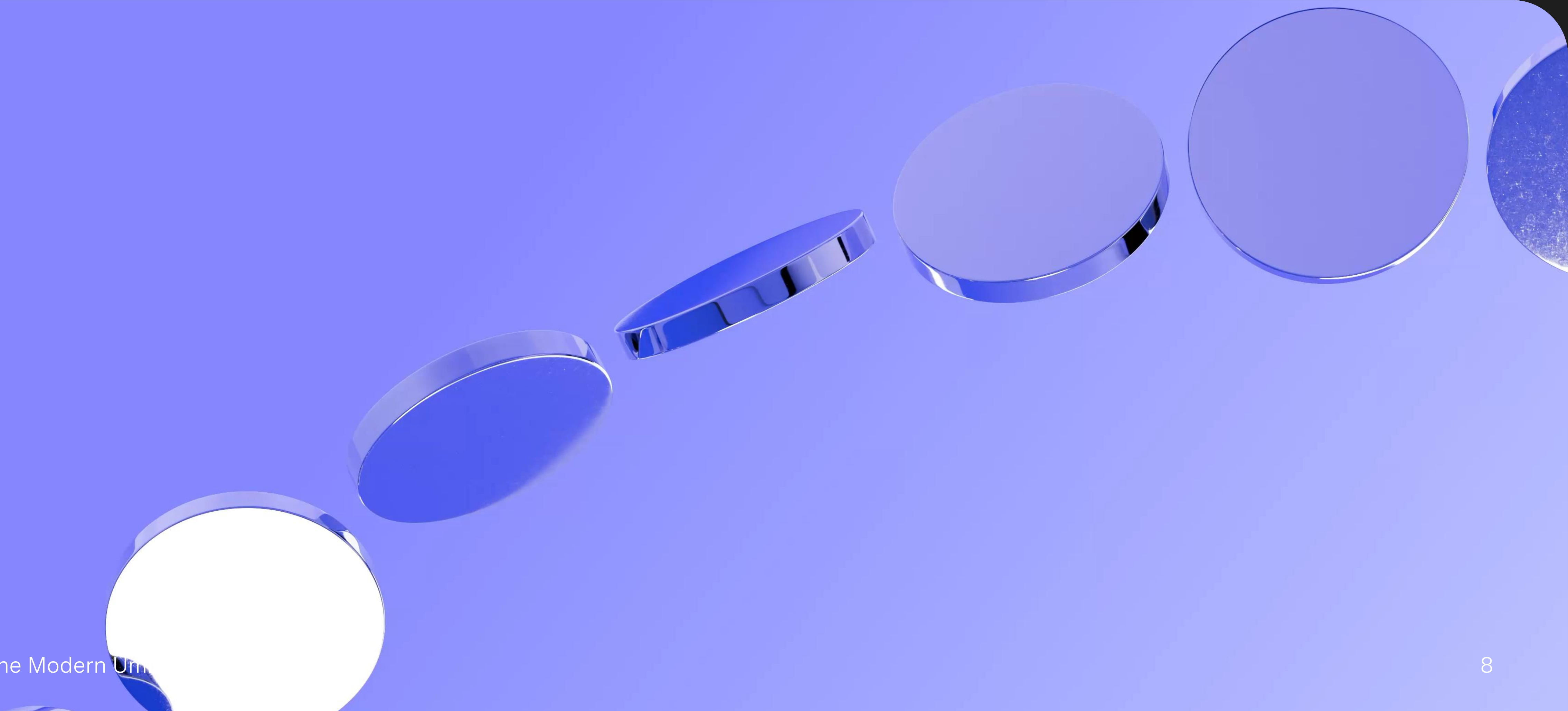


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2. Demographics



Deglobalisation and US exceptionalism

Japan provides a good road map for low growth world:

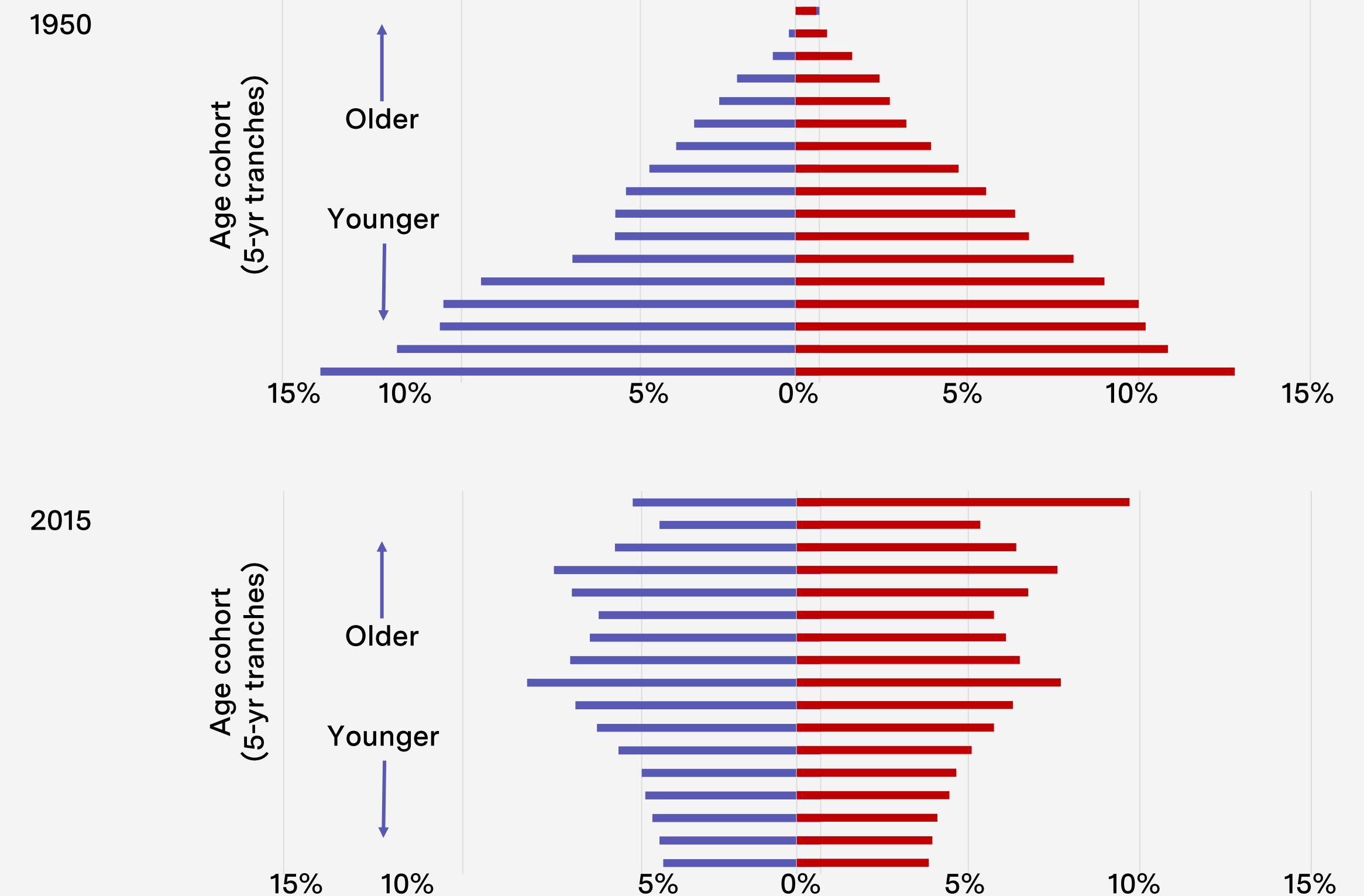
Japanese Society is rapidly aging

- Japan is a global leader in **koreika** (aging) and **shoshika** (producing fewer children).
- Population peaked in 2008 at 127m.
- Share of working age population peaked at 70% (60% currently).

Shrinking and Aging Population

- Fewer workers are supporting more retired people. through higher tax burden & social security contributions.
- Lower domestic demand, reduced savings and skyrocketing medical and pension bills.
- Labour shortages.

Japan's population by age and gender, 1950 & 2015



Source: Professor Haroon Borat, Japan: An Economic Overview

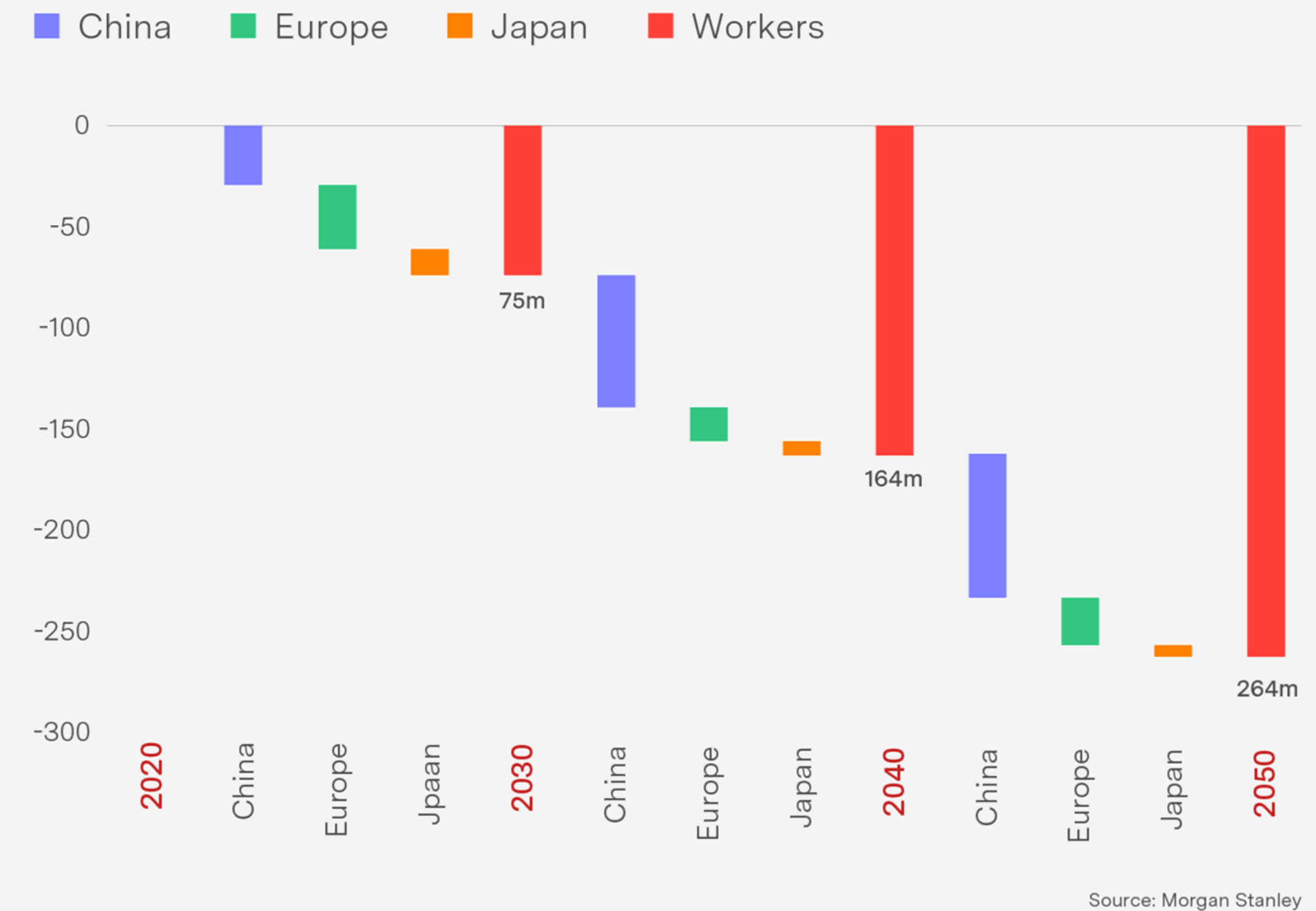
Demographics drag growth

The shrinking workforce challenge

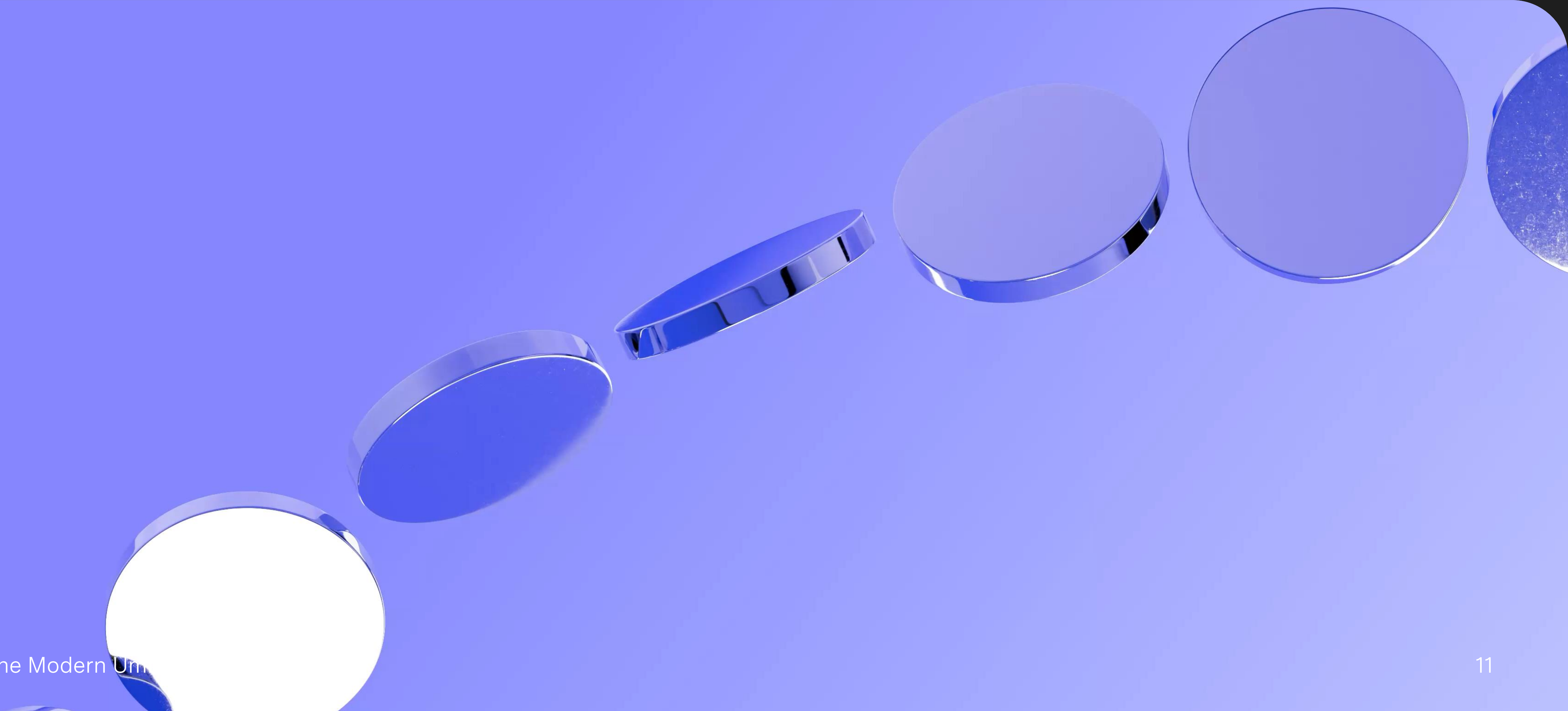
- GDP growth = employment growth + productivity
- Few workers – slower growth, higher rates
- Dependency ratio rising since mid-2010s
- Labour force in G7 to shrink – 0.1% p.a.(UN Est.)
- Older populations cut productivity
- JPM estimates that for every 1% increase in elderly population there is a commiserate -0.58% decline in GDP
- Tech, robotics and immigration may soften the blow

Bottom line: Lower equity returns (3-4% lower) and higher bond yields are likely as aging accelerates.

China, Europe and Japan to lose 75m workers by 2030



3. Interest rates



The end of the interest rate supercycle

From 16% to 0% - and now turning the corner

- **1981-2020:** US bond yields fell from 16% to near zero – massive tailwind for asset prices
- **Global Impact:** as the world's reserve currency, US yields set the tone for global valuations
- **Why Yields Fell:**
 - Expanding labour force – excess savings
 - Globalisation – capital inflows into US debt
 - Central banks adopted inflation targeting
- **Today:** structural forces reversing:
 - Aging populations and reduced labour

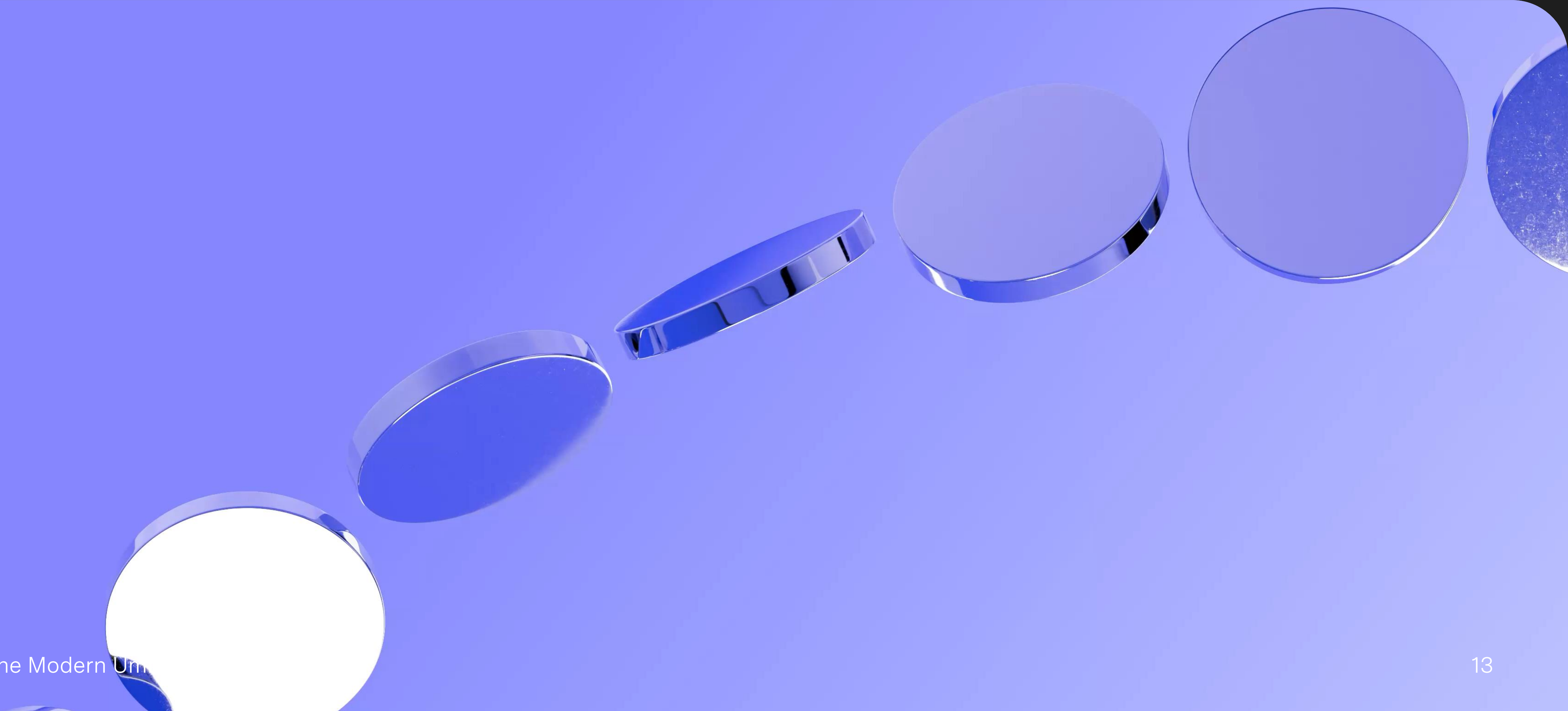
Bottom line: There is more upside risk to bond yields, which will reduce bond returns and could reduce equity market returns through low valuation multiples.

US 10-year bond yields have fallen over the last 40 years



Source: Refinitiv

4. High and rising debt levels



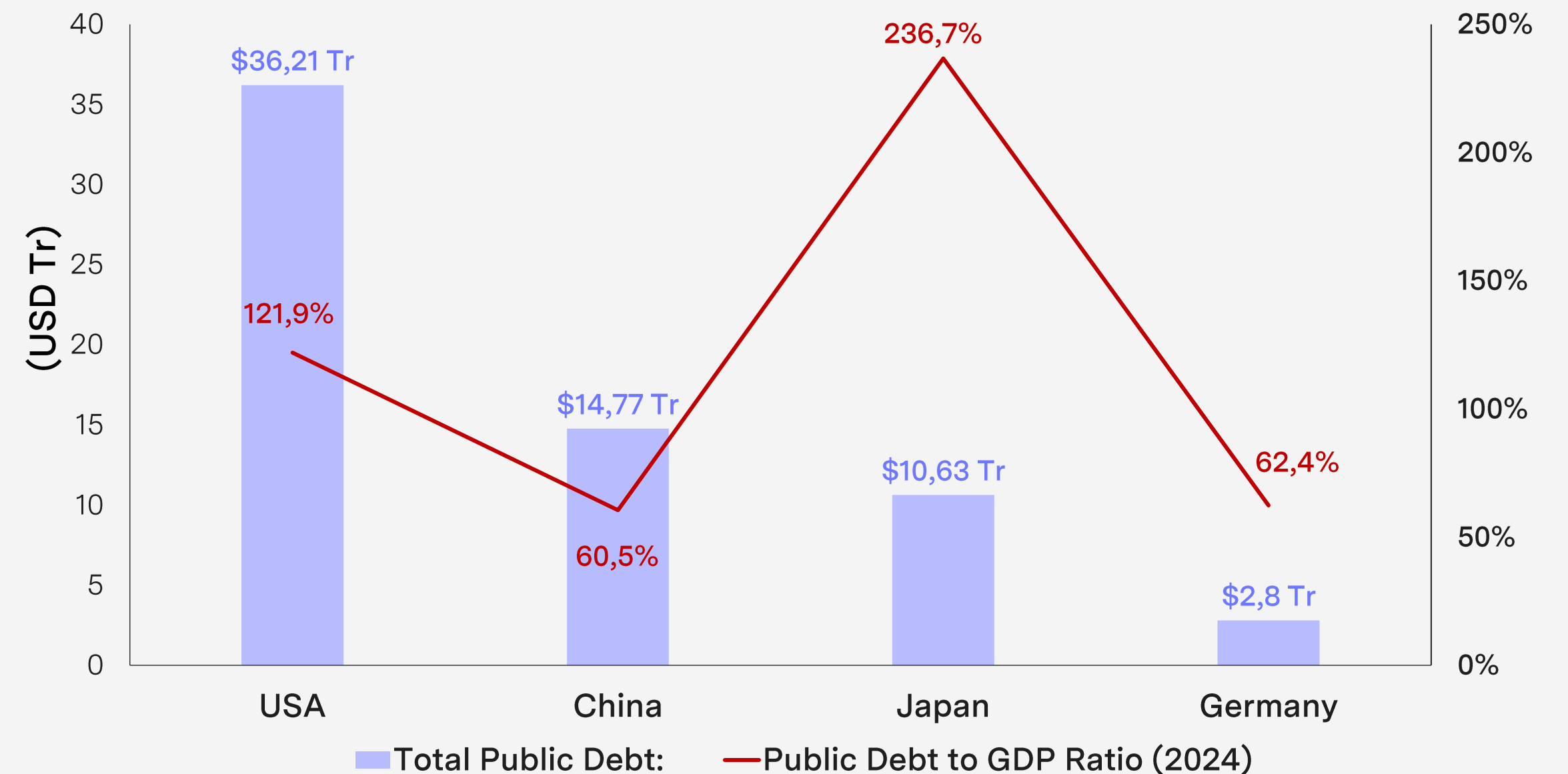
Debt and the end of the interest rate supercycle

High debt levels leading to further government intervention

- Global debt now exceeds \$100 trillion (93% of GDP) – IMF
- US may add \$3.4 trillion in debt; growth impact: –33% over 30 years
- High debt + deficits = higher bond yields
- Reform options limited by aging populations and interest costs
- Voter discontent: In 2024, every ruling party in developed markets lost vote share

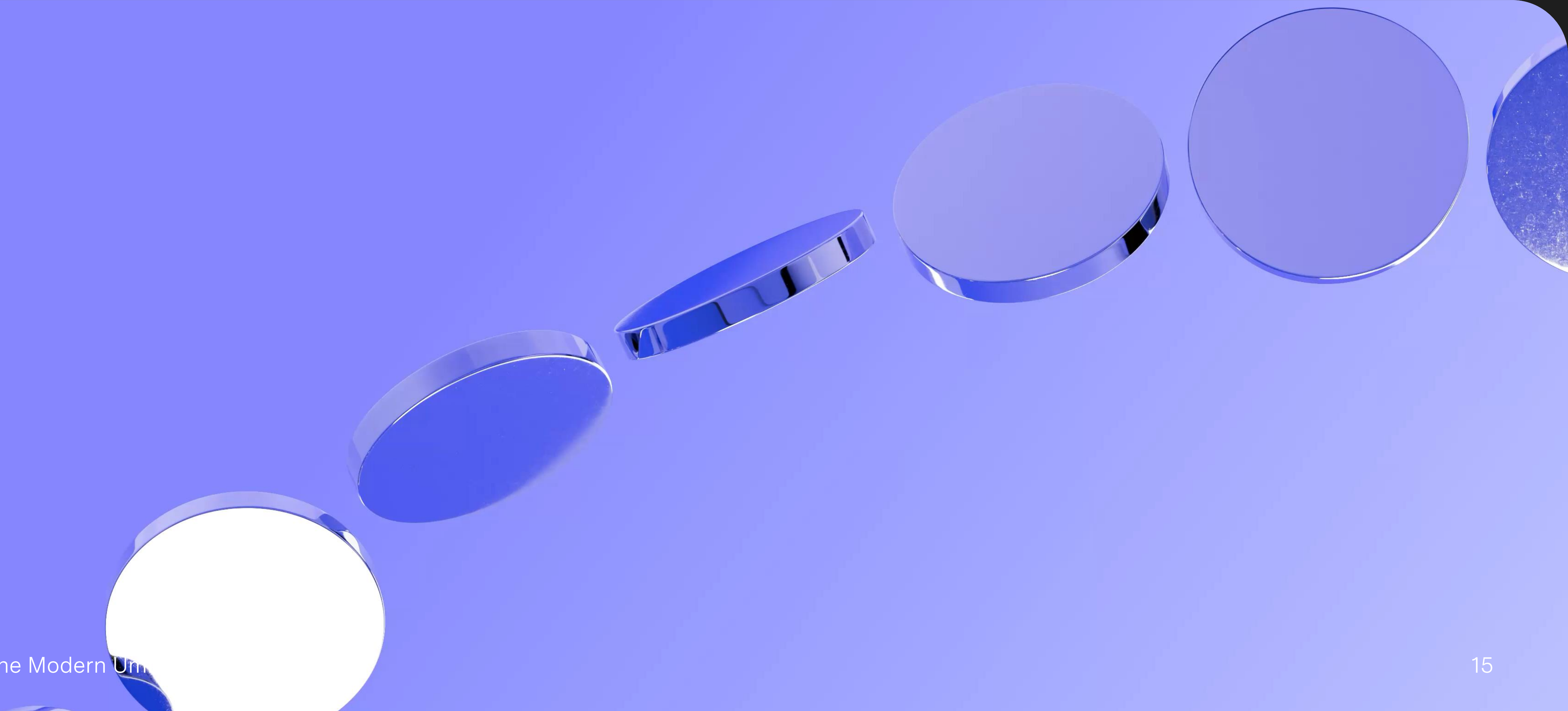
Bottom line: Government intervention positive for equities in the short-term but ultimately excessive debt is harmful (higher bond yields).

Total outstanding debt and debt-to-GDP ratios (2024)



Source: IMF Country Report: Japan, April 2025

5. Technology



Artificial intelligence and productivity

A potential new driver of growth via productivity gains

Historical Context:

- Productivity >3% annually post-WWII, then slowed.
- 1990s rebound from tech investment, then decline again.
- Generative AI may drive a similar rebound.

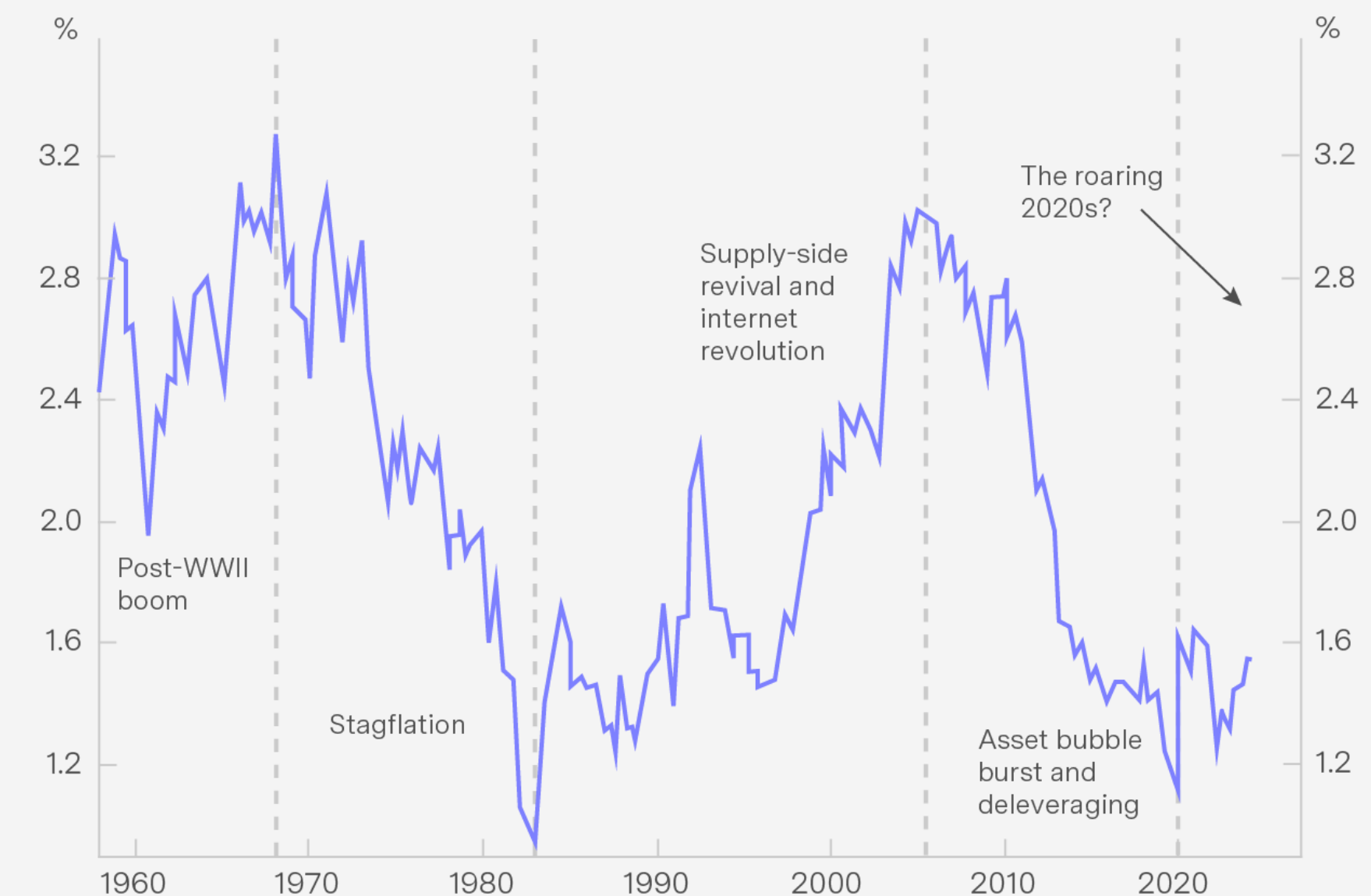
Historical Context:

- AI unlocks productivity gains through efficiency and innovation.
- Breakthroughs like DeepSeek R1 accelerate real-world adoption.

Bottom line: AI could add 0.6–3% to equity returns and reduce bond yields through productivity gains.

US labour productivity could rise due to AI

US labour productivity: 10-year annualised rate of change



* Vertical lines denote secular turning points

Source: Alpine Macro (Why R* may have risen – 21 October)

Impact of structural changes

Overall, our structural growth changes agree with CAPE, and we can expect future global equity returns to be about 3% lower than non-US DM equities’ historic 30-year return, with bond yields higher.

	Equity impact	Bond yield impact
Deglobalisation	Lower	Higher
Demographics	Lower 3% to 4%	Higher
Interest rates	Lower	Higher
Debt	Lower 3%	Higher
Artificial intelligence	Higher 0.6% to 3%	Lower
Climate change	Lower	Higher
Government spending	Higher	Higher

 Good impact  Bad impact

Progress vs Potential

What has tech achieved so far:

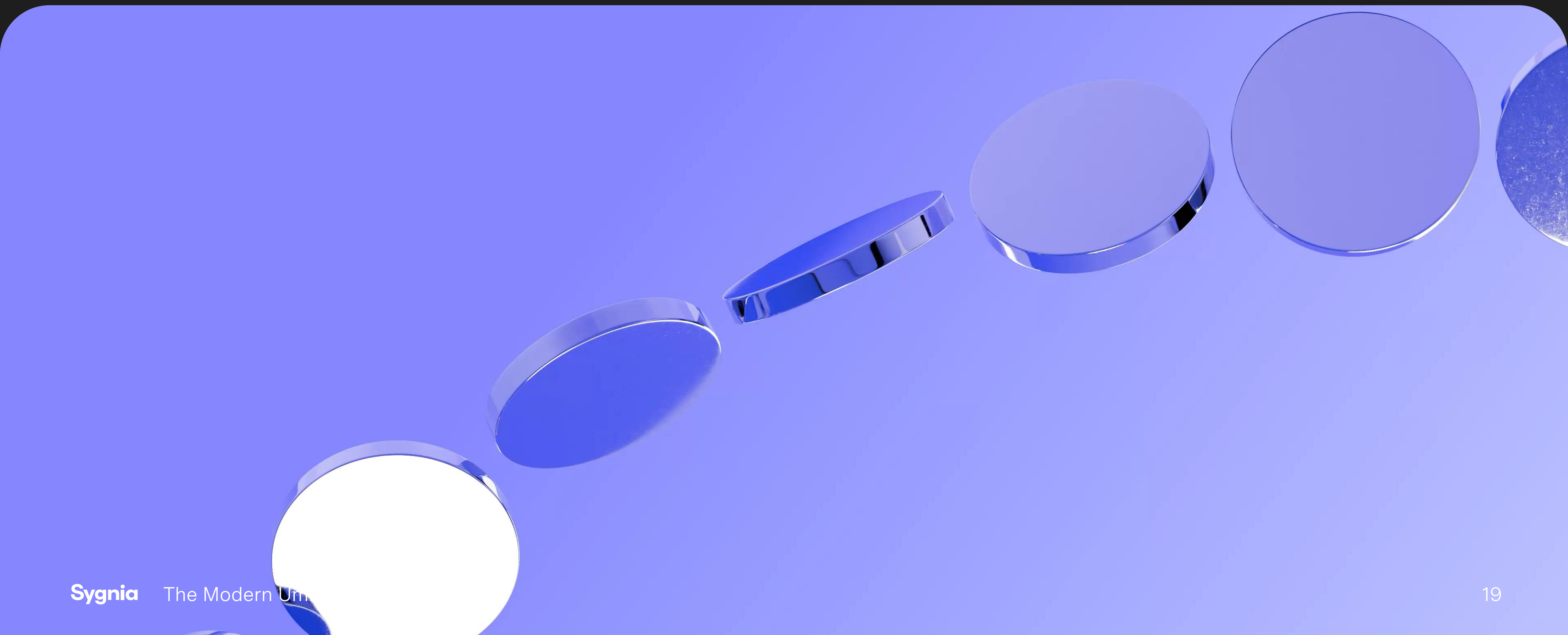
- Cost efficiency- Cloud admin platform reduces fixed costs
- Transparency- Development in digital portals.
- Governance- Automated compliance

What has yet to be achieved:

- AI driven decision making- human intelligence is vital.
- Full automation is limited- fragmented data prevents full automation.
- Personalised member outcome modelling: Data privacy

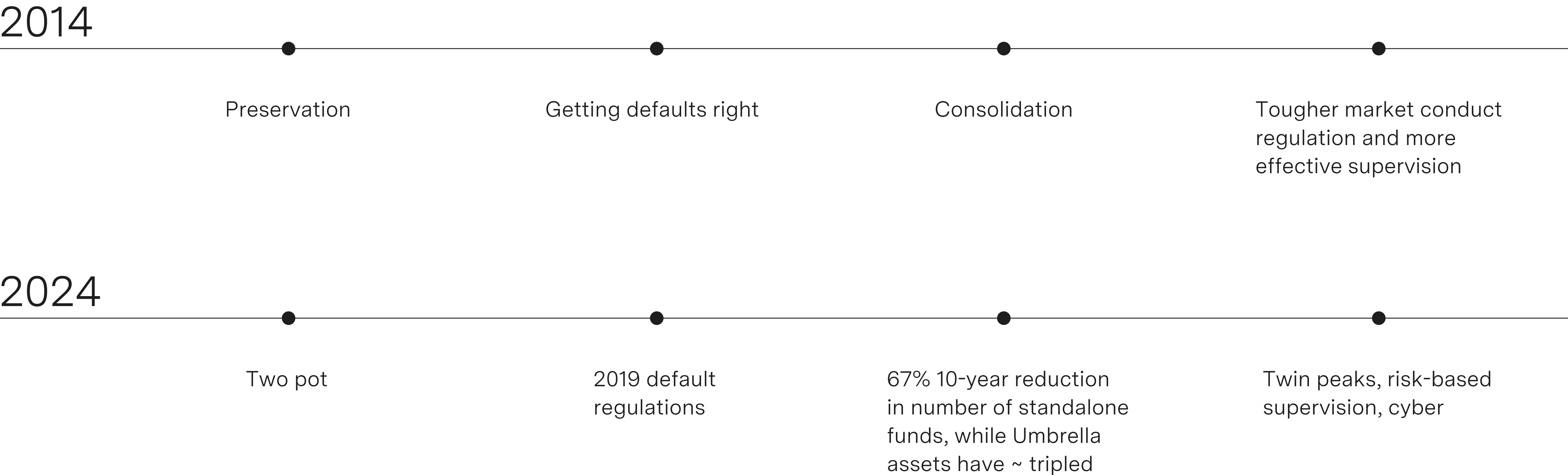


6. Regulatory environment



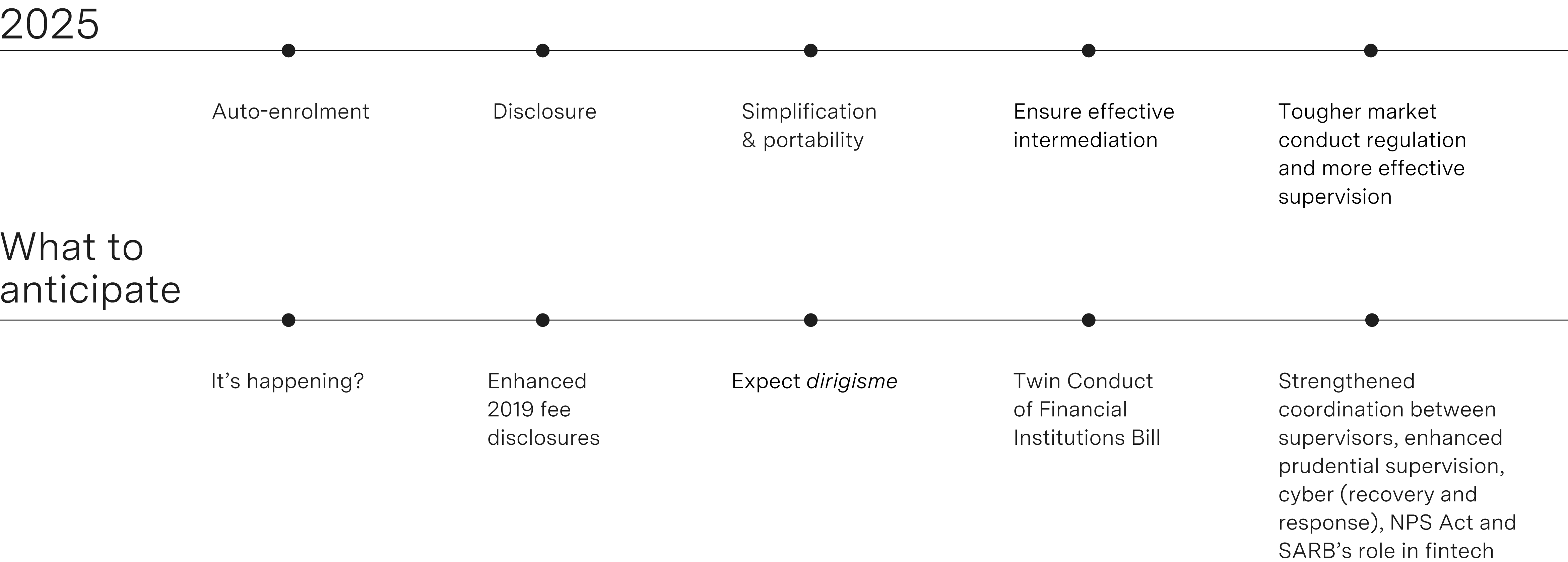
Regulatory environment

Marking Treasury’s work 10 years later: Success stories

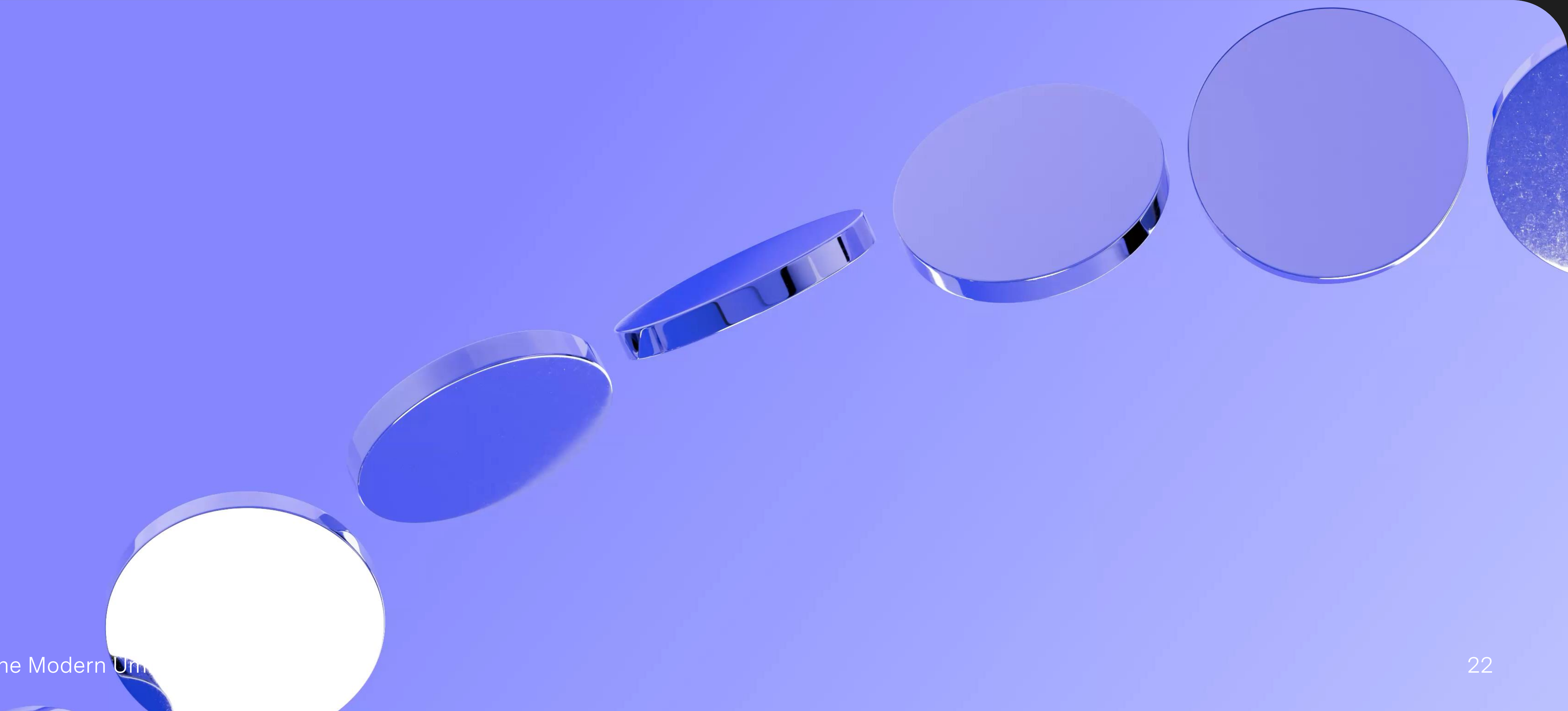


Regulatory environment

Marking Treasury's work 10 years later: Action items

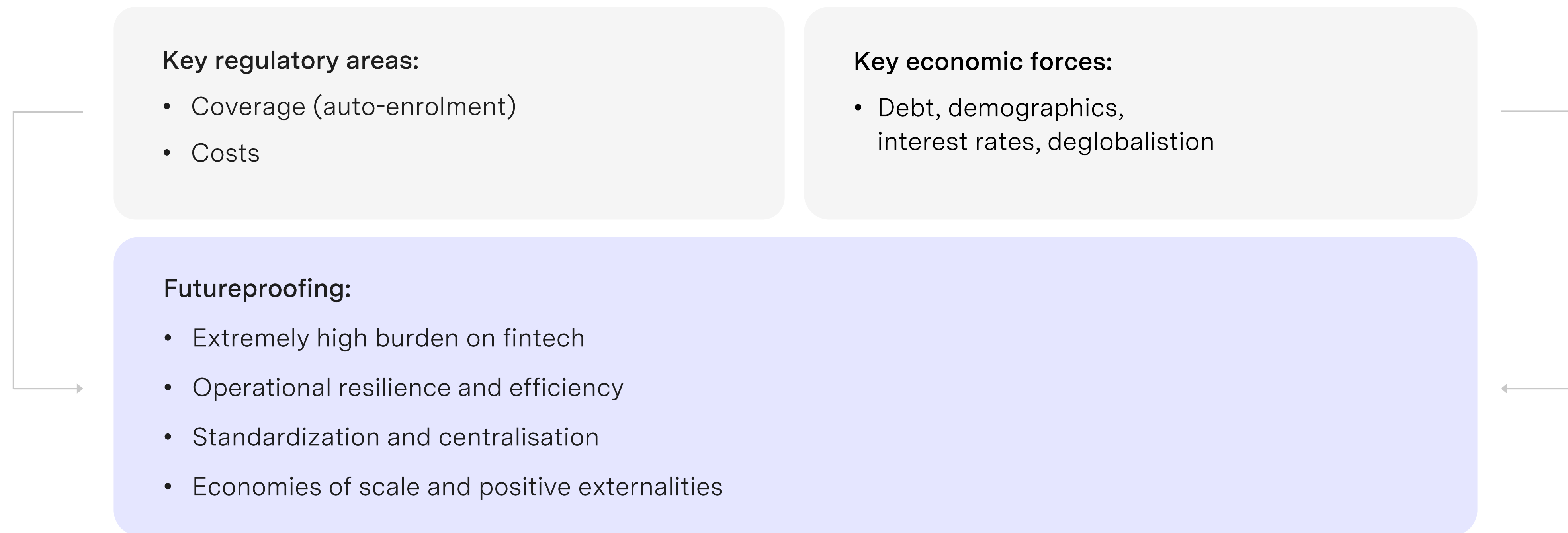


7. Strategic implications

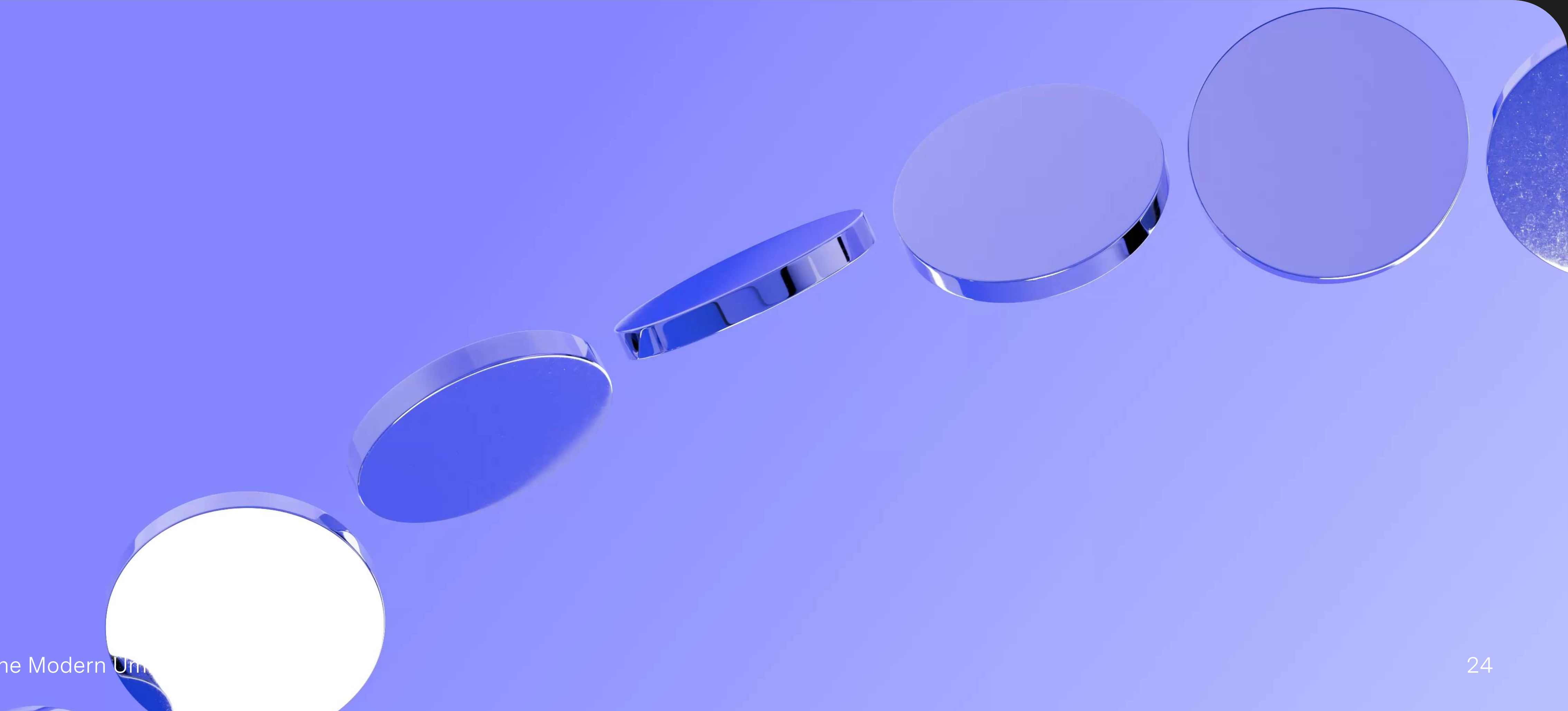


Strategic implications

Economic forces and regulatory dirigisme are aiming in the same direction



8. Concluding remarks



Conclusion – Building resilient solutions

Navigating structural change through
a low growth environment

Critical elements:

- Stakeholders must structure their solutions for the risk of lower growth assumptions when planning for retirement.
- The regulatory environment looks set to prioritise coverage and cost effectiveness against the backdrop of a shrinking growth pie
- Low fees, real-world fintech innovation, pro-active risk management, and identifying pockets of growth in a low growth world.

Questions?

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Thank you!

