

# Institutional Investment Research

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## Private Equity, Private Debt and Infrastructure: from 'Alternative' to Pension Investment Mainstay

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## Bidenomics, Industrial Policy and ‘Cold War 2’

This short primer summarizes succinctly some of the comments made by the author in various TV interviews in Q2 and Q3 2023 (BBC News, Asharq News with Bloomberg etc.), as well as discussions with senior Australian, European Union (EU), Indian, US, and Canadian policy makers, and public discussions and presentations held at various investment conferences in London, Paris and Washington D.C. (Jan. – Sept. 23).

The author is one of the original coiners of terms such as ‘Biden Doctrine’ and **Bidenomics**, used specifically in a geopolitical and geoeconomic (as opposed to domestic) policy context.<sup>1</sup> In a nutshell, I have argued that the **Infrastructure Investment Act** (passed Nov. 5, 2021) and the **Inflation Reduction Act** (August 12, 2022) should both be viewed through the prism of Joe Biden’s brand of “Neo-Colbertism” (centralized industrial policy and economic nationalism), combining massive public subsidies for strategic industries (including microchip foundries), the rapid reindustrialization of America’s Rust Belt, and deepening industrial–military integration with **Canada, Britain, South Korea, Japan** and **Australia**, amplifying America’s ‘**Pivot to Asia**’.

Perhaps not coincidentally, the White House’s geo-economic allies all happen to be **pension superpowers**, controlling jointly more than 70% of the world’s combined assets, and thus possessing the financial wealth necessary to fund the **Fifth Industrial Revolution** (Ai, advanced microchips, transition minerals and renewable energy). All these trends are happening against the backdrop of a seemingly secular decline of the European Union, which appears unable or unwilling to shed the *neoliberal laissez-faire* of the past 30 years, locked, as it were, in a ‘low-growth trap’ of its own making (see also ‘Drivers of Future Growth’ chart).

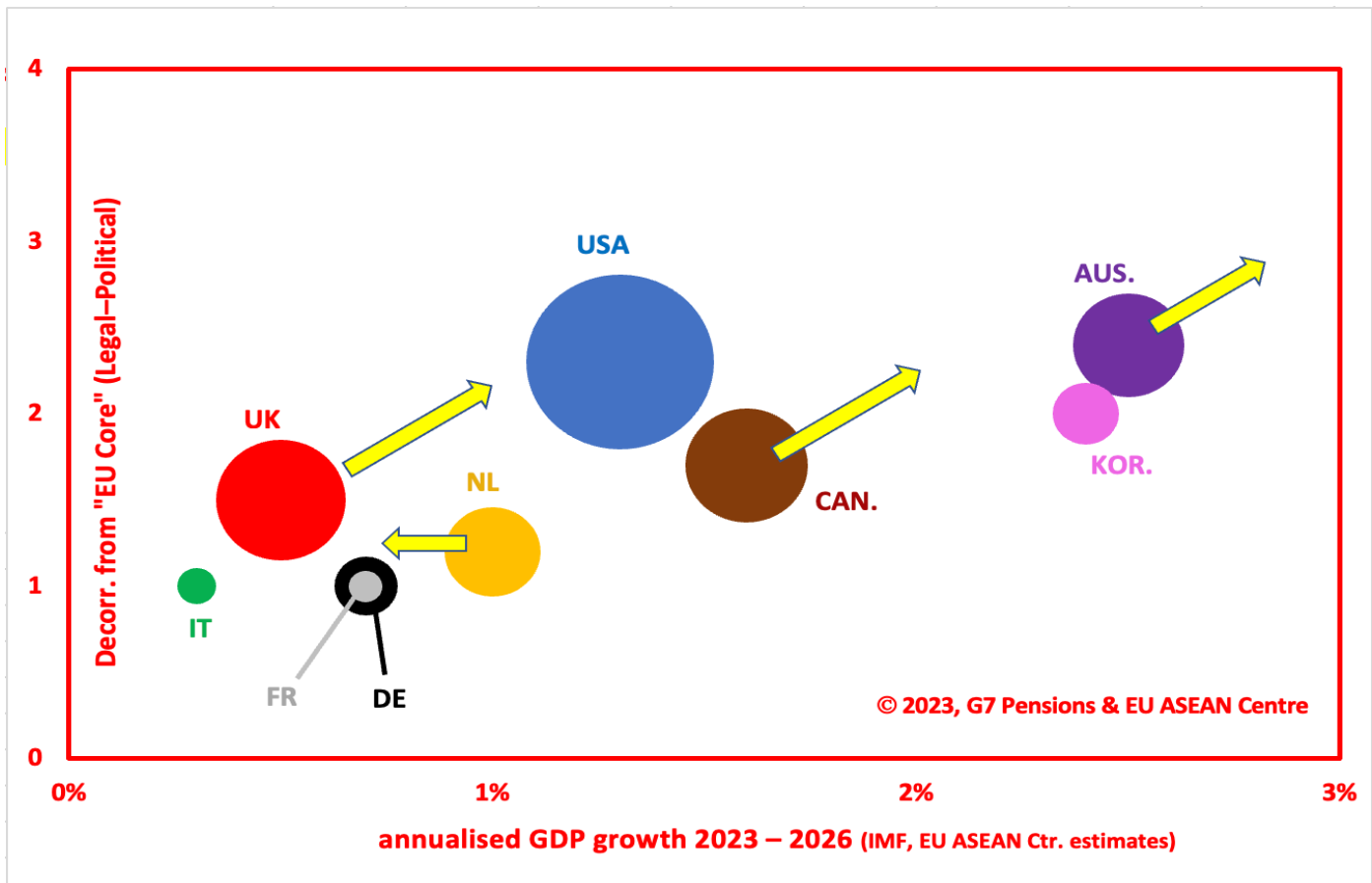
The Hon. **Nicholas Sherry** is former pension minister of Australia, chairman of **TWU-SUPER**, the transport industry pension fund, and one of the fathers of the ‘Australian pension miracle’. Speaking on the sidelines of the **G7 Pensions Dialogue** held at Westminster City Council, a.k.a. The **Westminster Forum**, 21 May 2023, Firzli and Sherry argued that “the post-Brexit Age of the Geoeconomics will be defined by an acceleration of the US-China race across sectors, including venture capital and infrastructure investment, and a relative scarcity of long-term capital – durably higher interests rates and bank crises etc.”

### Pension Superpowers/LPs and the Innovation Imperative: Drivers of Future Growth

Speaking at the **Innovation Zero Summit** chaired by Liam Fox<sup>2</sup>, former UK defence and trade minister, I insisted on the need for governments, at national, state, and local level, to help steer more pension and insurance capital domestically, towards the job-creating industries of the future, which, in the words of Harold MacMillan, will help us build a just and lasting financial order, “retaining our heritage of political, intellectual, and cultural freedom, while, at the same time, open up the way to higher standards of social welfare and economic security.”<sup>3</sup>

In the **Pension Superpowers Mapping** (cf. chart), bubbles represent the relative size of a country's overall pension assets, the US being slightly rescaled here (should look larger). *Clearly, the EU's big three, Germany, France and Italy have tiny domestic pension assets, which could constitute a financial impediment going forward* (poor domestic capital base hindering GDP growth). **GDP growth 2023 – 2026:** based on IMF, EU ASEAN Centre estimates. Yellow arrows simply show some possible economic scenarios, among others, e.g., for the Netherlands, we show a “pessimistic pathway” as an example of “what could happen in the future”.

### Pension Superpowers Fuelling LT Growth: 2023 – 2026

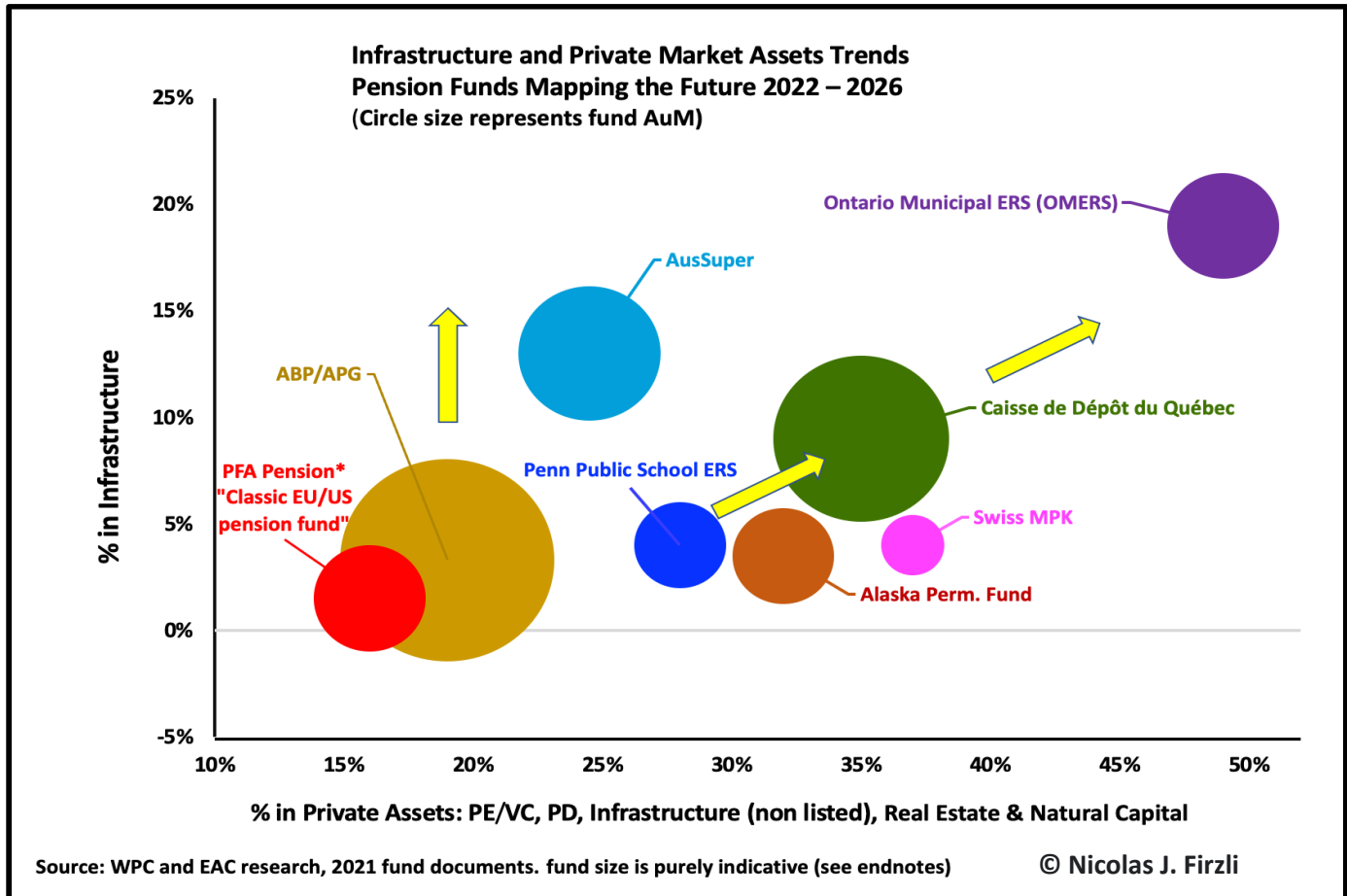


### Private Equity, Private Debt and ‘the Great Transition’

The current realignment could favour ‘pension superpowers’ like the US, Canada, Australia, Japan, Holland, and the United Kingdom, which hold more than 70% of global invested assets... Nations such as Australia and Canada, with substantially higher than average retirement assets (more than 160% of GDP), will contribute positively to the financing of high **tech ventures** and **startups**, as well as **renewable energy** and **transition mineral mining** (Lithium, Cobalt, Nickel), thus fueling economic growth at home and abroad (FDI) by deploying more long-term capital to key sectors.

These issues were also debated at the G7 Pensions Westminster Forum<sup>4</sup> (21 May 2023), with Phil Triggs, Tri-Borough Director of Treasury and Pensions, and Chris Smith, Pensions Chair, City of **Westminster Pension Fund**, Gert Dijkstra, then Senior MD, **Holland’s APG Asset Management**, and Torbjörn Hammark, Head of Strategic Asset Allocation, **Third Swedish National Pension Fund (AP3)**. Firzli and Sherry remarked that “in that new context, growth-savvy governments will need to adjust macro-prudential regulation to allow pension and insurance investors – and the investment banks that lend them money – to allocate substantially more to ‘illiquid’ private market assets, without being handicapped by overzealous financial regulators”.

**Private Markets in Context: Why Pension & SWF Investors Will Allocate More to PE, VC and Infra Assets**



Key players in the global asset management industry are also rejigging their product lines to better reflect that **massive shift to private asset markets** (‘PMAs’). In a September 14, 2023, interview on **Bloomberg TV**, Edwin Conway, Global Head of Equity Private Markets, **BlackRock**, insisted that “the notion that alternatives are ‘alternative’, to us, is no longer true... Our [main institutional] clients now have an allocation to private markets of 20% at minimum, up to 50% [of their overall assets]... As we take a much more holistic approach to **the portfolio of the future**, it has to involve private markets as a critical [central] ingredient for success”.<sup>5</sup>

These issues will be discussed and developed further with the world's leading **asset owners**, geoeconomics and investment management experts and govt. actuaries, at the **ESG Forum & Global Pensions Conference**, in **Brussels, 7 & 8 December 2023**, multi-stakeholder joint events organised by the **G7 Pensions Steering Cmte (GPSC)**. Some of the roundtables are developed in association with the EU ASEAN Centre (EAC), the World Pensions Council (WPC), the EU Climate Finance Roundtable (CFR) and other collaborative industry initiatives.

Learn more: [BrusselsSummit.org](https://BrusselsSummit.org)

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**M. Nicolas J. Firzli** is director of the World Pensions Council (WPC), the retirement & savings industry think-tank, co-chair of the G7 Pensions Roundtable held on the sidelines of the G7 Summit, director of the Singapore Economic Forum (SEF), and cofounding-member of the advisory council for the Global Infrastructure Facility (GIF), a World Bank and G20-led global initiative. He has developed notions such as 'SDG-Driven Investment', 'Pension Superpowers', the 'Asianized World Economy', the 'Age of Geoeconomics', 'Modern Trusteeship', the 'New Fiduciary Capitalism', and chaired the Asset Owners Roundtable at the 2015 UN Climate Change Conference (Paris COP21).

**The Hon. Nicholas John Sherry** is the former pension minister of Australia (Minister for Superannuation) and one of the fathers of the 'Australian pension miracle'. Nick Sherry is the cofounder of the EU ASEAN Centre (EAC), Singapore Economic Forum (SEF), which he chairs, chairman of TWUSUPER, the Australian transport industry pension fund, and chairman of the board of Household Capital, a leading Australian fintech providing home equity retirement funding and longevity income. He was educated at the University of Tasmania (BA Classics & Political Science) and is a fellow of the Australian Institute of Superannuation Trustees (AIST) and a graduate of the Australian Institute of Company Directors (AICD).

## ENDNOTES & RESEARCH RESOURCES

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<sup>1</sup> Firzli, M. Nicolas "Pension Superpowers and Financial Markets in the Sino-American Century." *Private Debt Investor* (2020)

<sup>2</sup> "Liam Fox: Net Zero Will Be Achieved By Innovators And Investors." *The National* (Abu Dhabi), 23 May 2023

<sup>3</sup> *Macmillan, Harold*. *The Middle Way: A Study of the Problem of Economic and Social Progress in a Free and Democratic Society*, London (1938)

<sup>4</sup> Cumbo, Josephine. "Kensington & Chelsea Pension Fund Bets Big On Property." *Financial Times*, 25 May 2023  
<https://www.ft.com/content/d8d04a81-e56f-4dde-be59-79f3799f0f66>

<sup>5</sup> "BlackRock's Conway Is Bullish on Private Markets". *Bloomberg Markets: The Close*, September 14<sup>th</sup> 2023  
<https://www.bloomberg.com/news/videos/2023-09-14/blackrock-s-conway-is-bullish-on-private-markets-video>