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Growth Asset Opportunities

isio.

Using Isio's beliefs framework to guide our approach

Ultilse your competitive advantage to optimise your strategy

Background

Our growth asset opportunities for 2026 are driven by Isio's investment beliefs. In line with these we focus on assets with a tangible risk premium, avoid overpaying for developed market equities and access illiquidity in a way that doesn't compromise overall objectives.

Rigorously anchored to objectives

Maximise certainty

Eroding complexity

Utilise your competivite advantages

Independance matters

Keeping it real to maximise certainty

Real Assets, such as Infrastructure and Property are underpinned by cashflows from rents or income streams. This helps to maximise certainty as their price is ultimately justified by these income streams.

Implementation approaches can suit different objectives. Traditional direct funds are usually open-ended and semi-liquid. Listed Real Assets can provide simplicity and liquidity (but are more volatile). Schemes looking use their competitive advantage may look to the secondaries market to enhance return.

Range of different implementation approaches

More liquid, less efficient ⟷ Less liquid, more efficient

Listed Real Assets

Traditional Direct Funds

Secondaries Funds

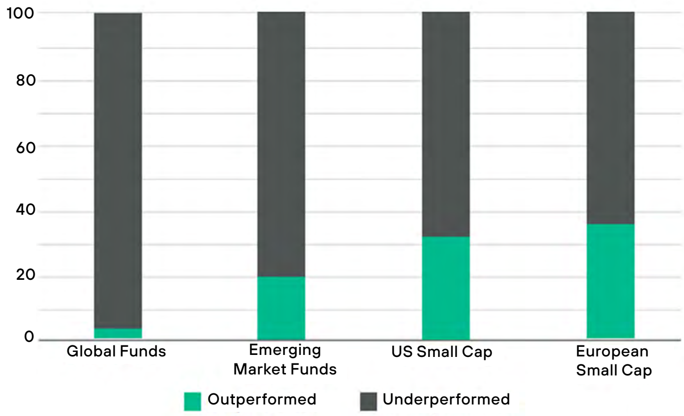
Equities – avoid paying for complexity

Where schemes use equity assets, we see little value in paying for active management in developed markets – just 4% of active managers outperformed in the 10 years to end-2024.

Instead, we recommend eroding complexity with a low cost passive approach (see box) or partnering with LDI managers to achieve exposure synthetically. There is a stronger case in Emerging Markets and Small Cap investments though selecting skilled specialist managers is important.

Assessment of active vs passive

Active 10 year success rates - to end 2024



Source: Morningstar Direct Year-End 2024

Zero fee DM equity: Banks hold equities to facilitate client trades and set aside regulatory capital to cover the risk. Pension scheme investors have a competitive advantage in helping a bank transfer this off its balance sheet to obtain regulatory capital relief. By passing on savings as out performance of the index, investors can invest in a **'zero fee'** passive equity fund.

Competitive advantage in illiquids

Schemes with long time horizons can access illiquid markets to earn excess returns. This is particularly true if they are able to pick up assets at a discount on the secondary market, whether that's via a direct transaction or a dedicated secondaries fund, from schemes racing to insurance at all costs.

Alternatively, for schemes looking for simplicity and flexibility, we recommend diversified, open-ended vehicles. This avoids the complexity of a DIY approach across a number of asset classes, without being 'watered down' by liquid assets in a DGF.

Key takeaways for trustees

Isio's 2026 growth asset approach is guided by three core beliefs

- Real Assets valuations are underpinned by cashflows, maximising certainty – there are implementation approaches to suit a variety of objectives.
- Erode complexity with passive equities – could you benefit from a zero fee fund?
- Utilise your competitive advantage in illiquids if you still can!

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