The private investment landscape is changing amidst globalization and technology innovations, each disrupting sectors across the capital markets. Alongside the vast investment opportunities resulting from these developments, expanded growth in emerging markets is causing investors to look beyond U.S. borders.

1. Global opportunities and assets are expected to grow significantly. Given the long-term nature of private investments, it is important to have a perspective on forward-looking opportunity expectations. A recent Preqin survey of fund managers delved into investor expectations resulting in two main takeaways. First, the survey noted assets will grow significantly: AUM is expected to grow to $14 trillion by 2023 (+59% vs. 2017). Second, the number of players will grow significantly: by 2023, 34,000 fund management firms are anticipated (+21% vs. 2018). In the survey, investor expectations will shift to more global opportunity sets. The best opportunity set currently is concentrated in developed markets, with 61% of fund managers allocating to the U.S.

2. Investment opportunities stretch across six primary sectors. Technological advancements and new business models are largely found in one of the following six sectors: sustainability & energy access; health & wellness; education; food & agriculture; financial inclusion; and community development & housing. Additionally, new trends and strategies are beginning to form around impact investing as next-generation consumers are more conscious of environmental and social consequences.

3. Emerging markets are experiencing a surge in population growth. Population growth is stagnating in developed countries. Global demographic growth is concentrated in emerging markets with the world’s largest group of future consumers—approximately 5 billion people—residing in East Asia, South Asia, and sub-Saharan Africa. Similarly, emerging markets are expected to grow GDP 3x faster than developed markets and are projected to contribute two-thirds of global GDP by 2030.

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1 Emerging markets was first coined by economists at the International Finance Corporation (IFC) in 1981. An emerging market is one in which the country is becoming a developed nation and determined through many socio-economic factors. They are often going through rapid economic growth because of changes in markets, technology, business culture, and social practices. (International Finance Corporation and Knowledge@Wharton).
4 International Monetary Fund. World Economic Outlook (October 2018), Real GDP Growth.
4. The investment case for developed markets remains intact.
Despite the explosive growth rates outside of developed markets, the investment case for developed markets remains intact. Developed economies have historically experienced lower rates of currency volatility and geopolitical instability. Oftentimes, developed markets offer access to investments in innovation, research and development at a scale unobtainable in emerging markets. Given the capital markets are developed and provide ample infrastructure to support trade deals, the exit environment for developed countries remains compelling and relatively stable. Thus, a balanced approach to the global opportunity set is prudent.

5. Impact investing strategies are on the rise.
Given the heightened focus on impact and ESG (environmental, social, and governance) investing in global markets, we expect to see more impact strategies in this space going forward. An estimated 500 private equity firms operate strategies that have a measurable environmental or social benefit. Many traditional private equity fund managers, raise billion-dollar impact funds to invest at scale. Other newer managers may operate smaller funds focused on a specific sector or geography.

If you have any questions, don’t hesitate to contact your Relationship Team or email us at Top5@glenmede.com.

*Many alternative investments are unregistered, illiquid and highly levered, and have considerably more risk than traditional market investments. Many products are available only to investors who meet specific criteria and are able to withstand the risks of such an investment. Please consult your investment professional and carefully consider risks prior to investment.

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