

# Pension fund investors should consider global bonds

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What will the next 10 years hold for investors? Given the number of serious problems the world faces and the fact that change is accelerating rapidly in numerous spheres, answering this question requires investment managers to think globally about finding new ways to capture value for investors. This includes breaking the silos between asset classes that typically characterise our industry.

There are three important themes that can't be ignored as, over the next 10 years, companies able to operate profitably in these areas are most likely to still have a future. These are the environment, infrastructure, and innovation. And we've found some fascinating companies operating in each, both listed and unlisted.

### The environment

The greatest threat we face in the next decade is the environment. How can investors support efforts to stave off this threat? While many companies are promising to be carbon-neutral by 2030, will that be enough? Importantly, what about neutralising historic emissions?

A private company in Switzerland, Climeworks, is doing just that: taking carbon out of the air. Their technology, called 'direct air capture', permanently removes carbon dioxide and stores it underground where, through a natural process, it transforms into stone, and will remain there for over 10,000 years.

Another company, Torma, which is listed in Norway, makes reverse vending machines where you can deposit your used plastic bottles and receive a voucher for new groceries in exchange. However, the machine spits out non-recyclable bottles, and that's where our next investment comes into play.

Plastic Energy, a private company based in Switzerland, has found a way to recycle any plastic waste through a specialised chemical process, not just waste that is recyclable by traditional mechanical means. By coupling a listed and an unlisted company in our holdings, we're tackling the whole system of plastic recycling.

### Infrastructure

In South Africa, infrastructure (or the lack thereof) is a huge issue. The gap between the pace at which the country is investing in infrastructure and what we'll need by 2040 is an estimated US\$132 billion. However, we're not alone. Globally the infrastructure gap is US\$15 trillion. Of course, this provides an enormous investment opportunity.

Utilities are a key part of a country's infrastructure. In the US, a company playing an important role in the energy transition is electricity utility AES Corporation, which is listed on the New York Stock Exchange. Among the top developers selling clean energy such as green hydrogen to corporations, it has won the Edison Award for Innovation seven times in the last 15 years.

On the private side, a company in our portfolio is Sun King, the largest off-grid solar energy provider in the world. It develops products aimed at people living without reliable access to energy, creating modular panels that can be bought individually on a pay-as-you-go basis -- for example, one to cover your fridge, a second to power your lights, and a third to power your TV. The technology is scalable, relatively cheap, and important particularly for regions like Africa where some 600 million people have no stable power connection. This could also be called an environmental investment, as at the end of March this year, its products had replaced 8.8 million kerosene lanterns, reduced CO2 emissions by 27.9 million metric tons, and saved customers some US\$5.9 billion on kerosene costs.

## Innovation

One of the biggest changes in recent years is how broad and ubiquitous technology has become, with non-IT companies using technology to drive real competitive advantages. We've labelled our third theme "innovation" as it reflects our search for companies whose primary drive is to innovate in their areas of expertise.

Let's take Oxford Nanopore Technologies, listed on the London Stock Exchange. We invested in this company when it was still private and continued to invest when it was listed. Operating in the field of genome sequencing, it has developed a portable sequencing machine that, because of its low equipment cost (approximately US\$1,600), enables much broader access to sequencing technology, with the goal of opening up new applications that can have a profound, positive impact on society.

Then there is Japan-listed Peptidream. It uses peptides -- tiny components of amino acids -- to improve drug availability: that is, getting a drug to the right cells in the body. In the field of cancer, for example, it has the potential to make drugs like siRNA therapies available body-wide, not just in liver cells.

Finally, there is the field of artificial intelligence (AI), which has massive application. In fact, the world is only just beginning to discover how this technology can be applied and yet, already, it's being used in healthcare, financial services, education, e-commerce, home automation, car manufacturing, and semiconductors, and the list will go on. Our investors have already benefited from our a highly specialised AI team, which is solely focused on understanding the implications of AI and how to invest in it.

In conclusion, investing in the next 10 years won't be anything like investing over the past 10 years. Investment firms across the world will constantly be faced with exponential, unparalleled change and will have to rise to the challenges that will ensue. **The M&G Balanced** and **Inflation Plus Funds**, and the range of **M&G Global Funds**, offer opportunities to gain exposure to these cutting-edge global themes.

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