

# Over half of institutional investors to cut bond exposure this year, says MPG

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*More than half (51 per cent) of institutional investors globally plan to reduce their exposure to bonds this year, according to new research commissioned by Managing Partners Group (MPG).*

Nearly two in three (65 per cent) see default risk rising this year on corporate bonds in developed economies and 16 per cent are 'extremely concerned' that inflation will reduce the real yields on bonds this year, while 48 per cent are 'moderately concerned' and 22 per cent 'somewhat concerned'. Two in five (41 per cent) of investors anticipate higher inflation this year, with 42 per cent see it remaining about the same and 13 per cent see lower inflation.

The research shows that of those planning to switch, 68 per cent of institutional investors plan to redirect their investments into real estate, 55 per cent to hedge funds, 52 per cent to life settlements, 45 per cent to commodities and 24 per cent to equities. Only one in four (24 per cent) plan to increase their exposure to bonds this year.

Gan Wyndham-Jones, MPG's Head of Investments, says: "The high number of names that have already left the high street show the current recession is likely to be deeper than many expect. The four-decade bull run in bonds is most likely over now as investors divest from bonds on fears over the double impact of higher default risks and rising inflation.

"Our research also shows that investors want to switch into alternative investments, including life settlements, which 83 per cent say they would be happy to invest in. This is hardly surprising, given the inflation-beating returns they offer that are uncorrelated with other asset classes."

Life settlements are US-issued life insurance policies that have been sold by the original owner at a discount to their future maturity value and are institutionally traded through a highly regulated secondary market. The market increasingly includes high profile institutional investors and service providers, including Apollo Global Management, GWG Life, Vida Capital, Broad River Asset Management, Red Bird Capital Partners, Partner Re, SCOR, Berkshire Hathaway, Coventry First, Wells Fargo, Bank of Utah, Wilmington Trust and Credit Suisse Life Settlements LLC.