

# With Inflation Top of Mind, Managers Compete for Investor Attention

Asset managers are trying to engage investors seeking perspective on how to navigate markets riddled with high inflation and interest rates.

By **Mariana Lemann** | June 28, 2022

As inflation triggers serious concerns among investors, asset managers are trying to keep pace with investor demand for information on what this economic headwind means for portfolios.

The war in Ukraine and China's policy on Covid-19 make driving inflation levels down to 2%, while maintaining a strong labor market, difficult to achieve, **Federal Reserve Chairman Jay Powell** said during his testimony to the Senate banking committee last Wednesday. Inflation climbed to 8.6% in May. Powell also said a recession in the U.S. is a possibility.

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**Thomson**T. Rowe Price

"For most investors and most retail intermediaries, inflation right now is the number one concern," said **Daniel Celeghin**, managing partner at **Indefi**. "The combination of surging inflation, ... very steady, very dramatic interest rate hikes plus the likelihood of a recession and a bear market is a toxic brew."

In response to inflation levels not seen since the 1980s, **Natixis Investment Managers** published a U.S. inflation tracker on its website aiming to provide context on the drivers.

“This is an example of the type of stuff we do on a particular topic, where there’s a tremendous need for information and facts so that ... [our salespeople] can have conversations with their clients,” said **Jim Cove**, the firm’s senior vice president of U.S. marketing.

“We want to make sure where we have a steady stream of content and perspective to provide our clients because we know there's demand and interest out there,” Cove added. The firm is promoting the tracker on social media and via email marketing.

Natixis is also focusing on inflation in its market commentary, which is being published in line with market movements and increasing investor demand for information.

“We’re in a situation where seemingly facts and circumstances are changing daily, and so we are updating market commentary, particularly the macro commentary, weekly, sometimes twice a week,” Cove said.

**T. Rowe Price** has also emphasized inflation, and its effects, in its midyear market outlook published earlier this month.

“The three biggest challenges for investors over the next few months will be inflation, inflation, and inflation,” **Sébastien Page**, head of global multi-asset and chief investment officer, said in the outlook, which is co-authored by CIOs **Arif Hussain** and **Justin Thomson**.

Hussain and Thomson serve as head of international fixed income and head of international equity, respectively. “[Inflation is] the transmission mechanism for all the other risks we are facing,” the trio wrote.

The authors argued that the era of “ample liquidity, low inflation and low-interest rates that followed the 2008-2009 global financial crisis” might have come to an end.

“You can throw away that playbook,” Hussain wrote in the outlook.

Valuations for many risk assets had reached new highs. “I think we’ve learned from history that those extremes are never permanent,” Thomson said, putting in a plug for T. Rowe’s investing style. “In volatile markets, active management can be your friend.”

T. Rowe Price, which has been underweight equities, has started to buy real asset equities such as energy and real estate, Thomson told FundFire. “We’ve been underweight risk assets and we’ve been long inflation,” he said.

Much of the asset owner and intermediary community has not experienced market environments like the current one and is eager for perspective from investment professionals.

“The demands on my time have been more elevated than usual,” Thomson told FundFire. “Very few people are old enough to have lived through periods of sustained high inflation, particularly people investing in the market. I think people are very interested in hearing what we’ve got to say on that.”

In a recent T. Rowe webinar on inflation, Thomson spoke to about 2,500 intermediaries.

“It forced me to go back and study the 1970s and how the world transpired,” he said. “There’s a lot of parallels between now and then. Inflation was already rising through the 60s and you had a supply shock in 1973... The difference between now and then is that we understand inflation, we understand the transmission mechanisms of inflation.”

Although investors are looking for guidance, most know who they want to hear from, Celeghin said. In times like this, he added, managers with higher degrees of credibility, that are able to provide practical advice beyond facts – and with brevity – are best-positioned to get attention from investors and intermediaries who are likely bombarded with content from multiple managers.

“They already have thought leaders that they follow,” Celeghin said. “It's very unlikely that they'll click on something new unless it's from a brand name that's associated with this situation.”

Celeghin recalled a story from a sovereign wealth fund CIO who said he woke up to 20 emails with perspectives and thoughts after the Brexit vote, Celeghin said.

“I didn't open any of them,” the CIO told him. “I called the one manager who I like, [who] I think has a unique perspective on Europe.”

To strike the right chord with an audience, managers need proper planning, Celeghin said. “If you don't do the preparation ahead of time, it is hard to be effective in the spur of the moment.”