



Climate Aware LTCMAs: Part 1

Revisiting Climate Impacts on Long Run Returns

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Climate change is critical for strategic views

Long-term return projections are a key component of strategic asset allocation, but there are few pieces of literature on how climate change factors can be integrated in a simple and transparent way.

Refreshed and refined climate scenarios

We refresh our building block methodology from last year, adopting four climate scenarios from a refined set of climate models. This week we address growth, inflation and cash projections, next week we focus on regional debt and equities.

Lower growth, higher inflation, higher cash returns

Under all climate scenarios, forecasts for growth have been revised down and inflation revised up – a consequence of more physical climate impacts and urgent need for carbon pricing. Cash returns are higher due to inflation and/or higher r^* .

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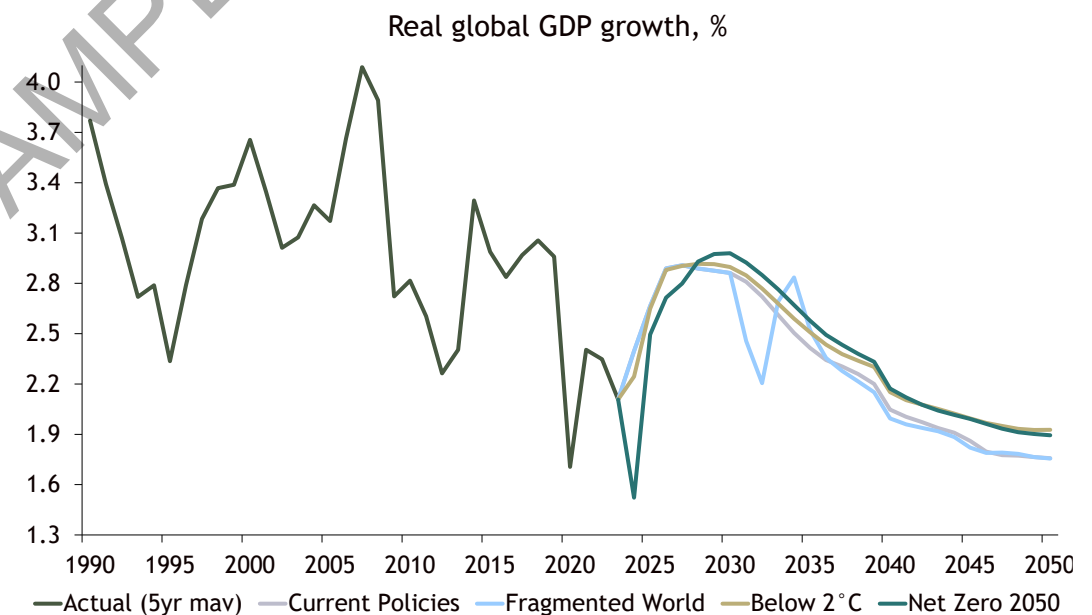
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Key chart: Trend global growth moves lower in all climate scenarios



Source: ASR Ltd, NGFS