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Standards Board for Alternative Investments

SBAI 2026 Oceania Institutional Investor Roundtable – Key Takeaways

Executive Summary

The 2026 Oceania Institutional Investor Roundtable highlighted a continued evolution in institutional investing. Portfolios are increasingly defined not by static allocation, but by how decisions are made under uncertainty, liquidity constraints, and governance pressure. Across sessions, investors consistently returned to the same question: how do portfolios *actually* behave, and how do we *actually* decide, during periods of market volatility?

Key Takeaways:

- **Decision-making under stress matters more than framework design:** The gap between intended process (SAA/TPA) and real-world behaviour remains a key risk.
- **Liquidity and optionality are being repriced:** Investors are reassessing private markets and placing greater value on flexibility in volatile regimes.
- **Capital efficiency is now central:** Tools such as SMAs and notional exposures are improving flexibility, but increasing complexity and governance demands.
- **Hedge funds and diversifying strategies are back in focus:** Global macro and long/short equity have seen renewed interest, alongside a re-emergence of tail risk hedging.
- **Funding status drives behaviour:** Cashflow dynamics are creating structurally different approaches to risk-taking and deployment.
- **Governance remains the ultimate constraint:** The ability to act decisively, rather than the framework itself, often determines outcomes.

Geopolitical and Macroeconomic Uncertainty

Geopolitical uncertainty and macroeconomic volatility were front of mind for delegates, particularly against the backdrop of ongoing disruption in the Middle East. The latest escalation has driven a repricing of global yield curves, renewed volatility in energy markets, and revived concerns around a fresh inflationary impulse.

As a result, many investors were openly questioning the potential implications for portfolios, both in terms of asset allocation and the durability of existing positioning.

Interestingly, China (historically a central focus for Australian investors) was temporarily displaced by the immediacy of current geopolitical developments. However, discussions later in the day reinforced that, despite near-term distractions, China remains a critical and enduring factor in Australian institutional portfolio construction.

Asset Allocation Under Stress

Discussions highlighted the divergence between Strategic Asset Allocation (SAA) and Total Portfolio Approaches (TPA) in periods of volatility. While SAA offers structure and governance clarity, it can struggle to adapt quickly. TPA offers flexibility but depends heavily on internal capability and speed of decision-making. In practice, both approaches are challenged during stress.

Capital Efficiency

The conversation has clearly moved beyond allocation toward how capital is deployed and managed:

- SMAs are increasingly used for notional exposure, cross-margining, and capital efficiency
- Investors are more explicit about liquidity as a managed resource, not just a constraint
- Pre-defined liquidity levers and scenario plans are being embedded into portfolios

However, this comes with trade-offs:

- Greater efficiency can introduce hidden leverage and complexity
- Governance frameworks are being tested to ensure investors can effectively de-risk when needed

Private Markets vs Liquidity

A recurring theme across sessions was the growing uncertainty around private market return assumptions. The illiquidity premium is being questioned, particularly in a higher-rate environment. Investors are increasingly asking whether private markets can continue to deliver the returns required. At the same time, liquid alternatives are gaining favour due to optionality and flexibility.

This is leading to a more deliberate reallocation mindset:

- Less automatic commitment to private markets
- More emphasis on relative value across public vs private opportunities
- Greater appreciation for liquidity as a strategic advantage in volatile regimes

Funding and Governance

One of the more important points raised is that not all institutional investors are solving the same problem.

- Cashflow-positive investors (e.g., growing super funds)
  - Can deploy capital more consistently
  - Are better positioned to lean into dislocations
- Cashflow-negative or maturing funds
  - Face greater liquidity constraints
  - Are more sensitive to drawdowns and sequencing risk

This generates structurally different behaviours, even if headline strategies look similar. It also helps explain why some investors are leaning into illiquidity while others are actively increasing flexibility and liquidity buffers.

Organisational Design: Lean Teams and Technology Enablement

There was consensus that smaller, focused teams tend to operate more effectively than larger, fragmented organisations. Lean structures enable faster decision-making and clearer accountability, but depend on effective use of technology.

AI and data tools are increasingly being deployed to enhance productivity, particularly in processing unstructured information and supporting idea generation. Adoption remains inconsistent, with most investors favouring experimentation before scaling.

Most institutions continue to operate hybrid models, selectively insourcing areas of competitive advantage while outsourcing more commoditised activities.

ILS: From Opportunity to Implementation Focus

Discussions on Insurance-Linked Securities (ILS) highlighted the maturity of the asset class. With through-the-cycle experience now established, the focus has shifted from identifying opportunities to ensuring effective implementation, particularly around structure, access (cat bonds versus private placements), and manager selection.

Climate considerations are increasingly framed in practical terms, with emphasis on specific perils, pricing, and portfolio construction rather than broad ESG narratives. The emphasis is firmly on underwriting discipline and the ability to assess and price risk effectively.