



Press Release

PENSION FUNDS FAIL TO PROTECT AGAINST EUROPEAN CRISIS

Cardano believes that most UK pension funds are failing to protect themselves adequately against the effects of a European debt and economic crisis. The unfolding crisis, which is a real risk in Cardano's opinion, could have a massive effect on pension scheme funding levels and deficits.

Keith Guthrie, Chief Investment Officer at Cardano, said: "Funding levels could fall by 20% or more if fears of a full blown Eurozone crisis continue to grow. Most UK pension funds remain heavily invested in equities and only hedge a small proportion of liability risks. Already, in June and July, liability values have risen significantly and equities have fallen, reducing most schemes' funding levels by 5% or more. A full blown crisis could significantly reduce the value of pension fund assets and potentially lead to a further increase in liability values. We believe that in a crisis we could see further falls of 20% or more in equity markets and increases in liability values of at least 5%, as real interest rates fall in the flight to safer assets."

Richard Dowell, Head of Clients for Cardano UK, added: "Pension funds need increasingly to think about safety first, including devising all weather portfolios, rather than assuming a return to historic economic growth rates and strong asset performance. Entering into short-term derivative-based protection strategies at a time of market stress is usually quite expensive and no substitute for a robust, long-term portfolio construction approach."

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Notes to Editors

Cardano offers investment advisory, Solvency Management and risk management services. Solvency Management is a comprehensive type of fiduciary management, which involves managing pension fund assets against liabilities in a risk-controlled way. Cardano offers clients specialised, integrated investment and risk services, providing both advice and full implementation. They work with over 35 major European pension funds and insurance companies including a number of household names in the UK. They are the European market leader in modeling, implementing and managing tailor-made derivatives overlay strategies.

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