



Press Release

SOLVENCY MANAGEMENT APPROACH BEATS AVERAGE PENSION FUND BY 10%, SAYS CARDANO

Pension funds invested heavily in equities and not hedging the majority of their liability risks are at least 10% worse off this year, compared to those following a Solvency Management approach. This is according to Cardano, the leading investment adviser and fiduciary manager. In contrast, those pension funds who have followed a Solvency Management approach have broadly kept pace with liability values in the last few weeks, despite equities falling more than 10% and liability values rising.

Kerrin Rosenberg, CEO of Cardano UK, explained: "Pension funds need to be thinking increasingly about an 'all weather' approach to investing, putting safety first. In laymen's terms this means constructing portfolios that are robust to a range of economic environments, rather than betting the house on equities and shunning liability hedging. The Solvency Management approach involves assigning equal importance to managing liability risks and asset risks, whilst aiming for an 'all weather', diversified and dynamic overall investment portfolio.

"Three factors – economic slowdown, fears of contagion in the European sovereign debt crisis and the last minute resolution of the US debt ceiling – have led towards the situation we currently find ourselves. This combination of events makes an excellent case study for how Solvency Management can make an enormous difference in practice, especially when you need it most.



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“In the first 12 days of August, equity markets were down 10-15% and the average UK pension fund’s liabilities were up by 3-4%. Cardano’s delegated Solvency Management portfolios were up by a similar amount to liabilities.

“Year to date, the average fund’s liabilities are up around 10% and Cardano’s Solvency Management portfolios are up slightly more. The typical pension fund, however – investing roughly 50% in equities and 50% in bonds and other assets – is probably around flat, which means that it is around 10% behind liabilities.”

Cardano UK announced on 4 August that most UK pension funds are failing to protect themselves adequately against the effects of a European debt and economic crisis, and that funding levels could fall by 20% or more if fears of a full blown Eurozone crisis continue to grow.

-ENDS-

Contacts

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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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