



Performance Matters

Derivatives and their role in your investment tool kit

Ben Clissold

Agenda

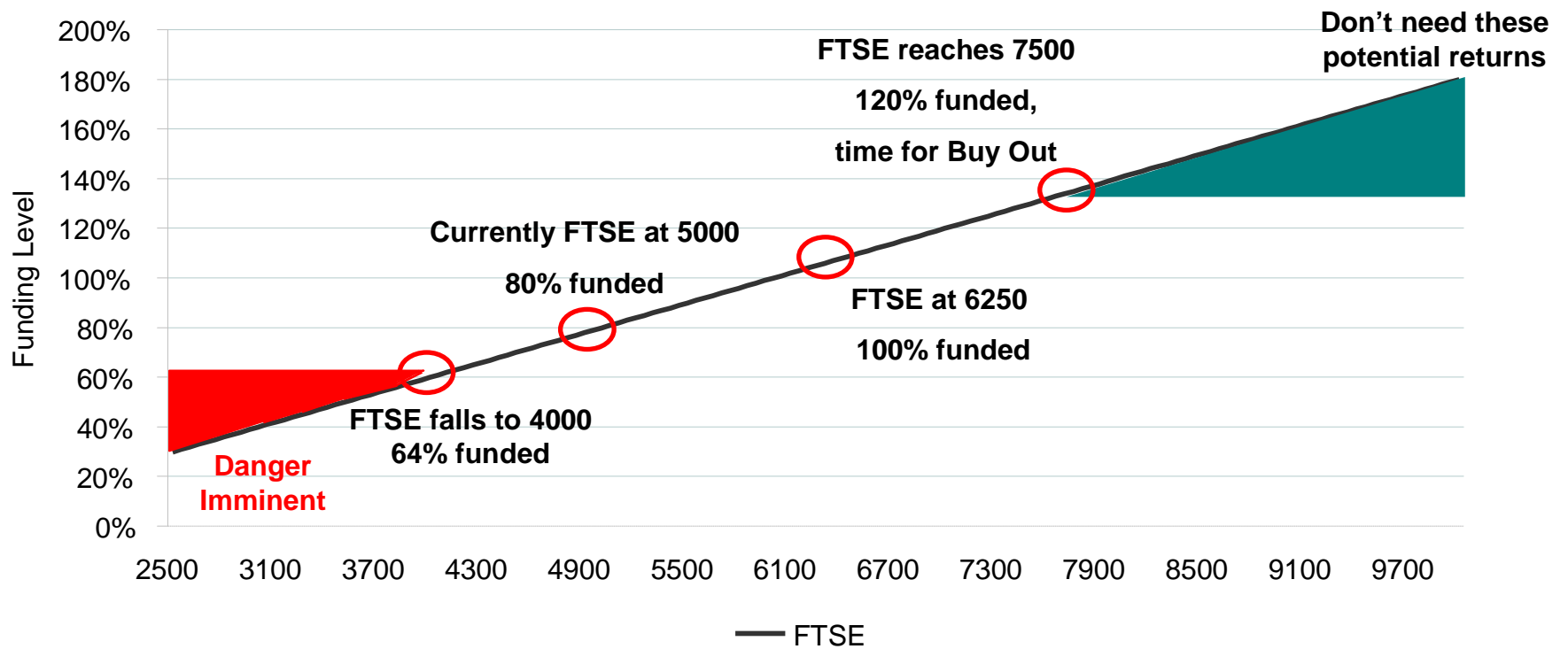
- Part I: Pension Scheme Equity Investing
 - A simplified picture
- Part II: A Pension Scheme Liabilities
 - A simplified picture
- Part III: Gilts in Tomorrow's World

A Pension Scheme – A Simple Story

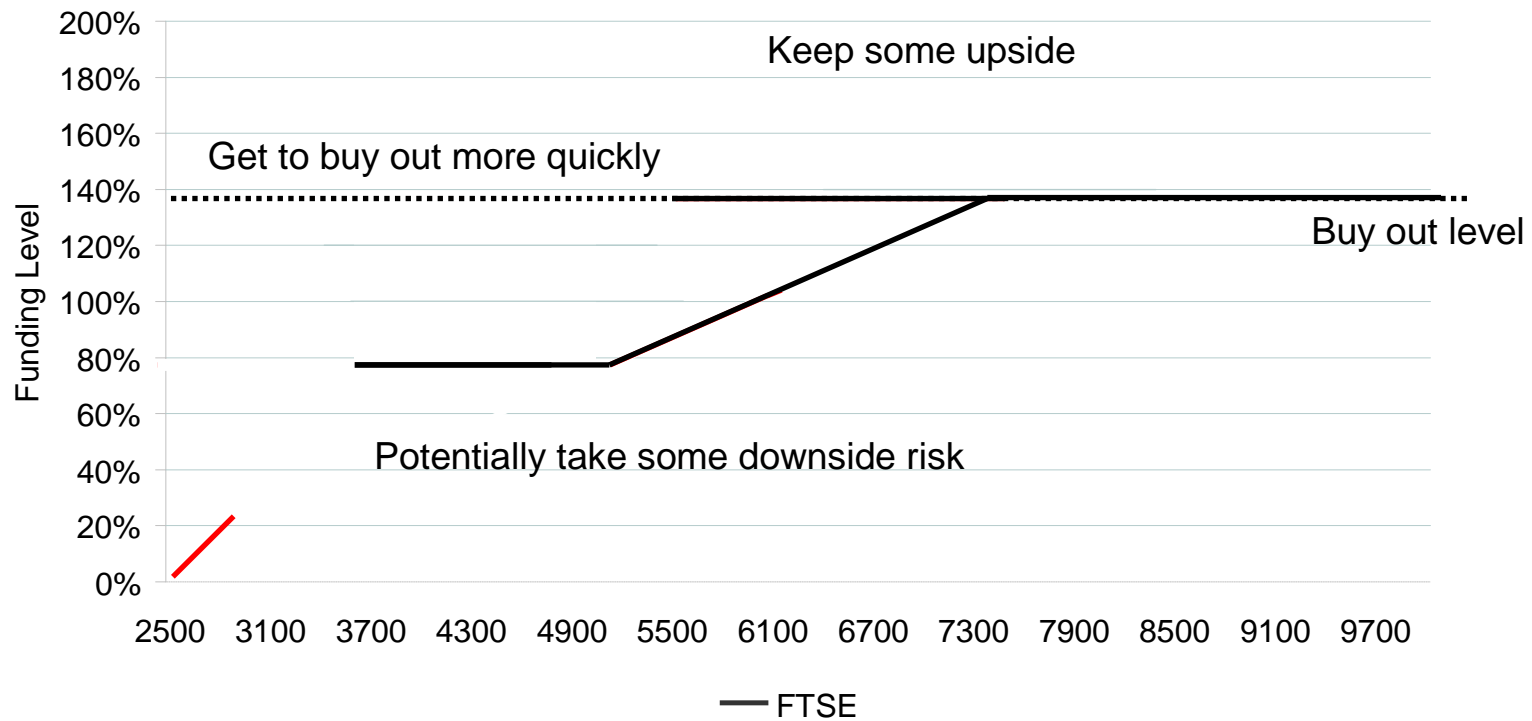
- £400 million of Assets
- £500 million of Liabilities
- 80% Funded

Where do we need to end up?

Equity Investing



Tomorrows Equity Investing

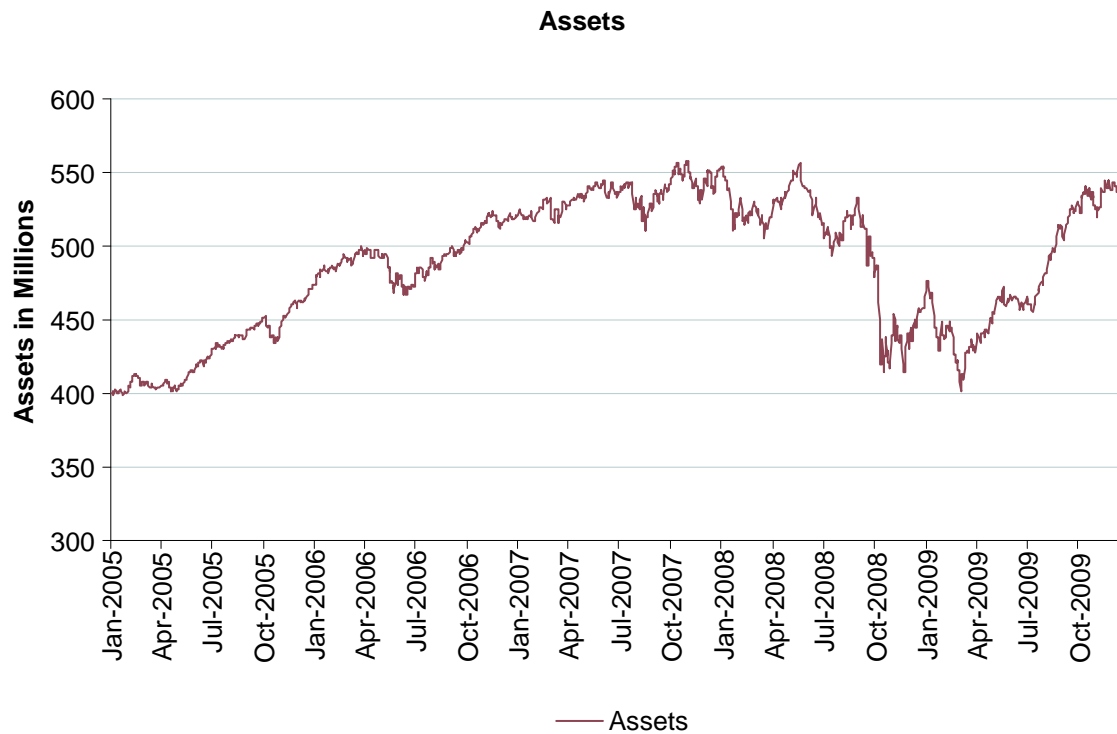


A Pension Scheme

- It's 1st of January 2005
- £400 million of Assets
- £500 million of Liabilities
- 80% Funded

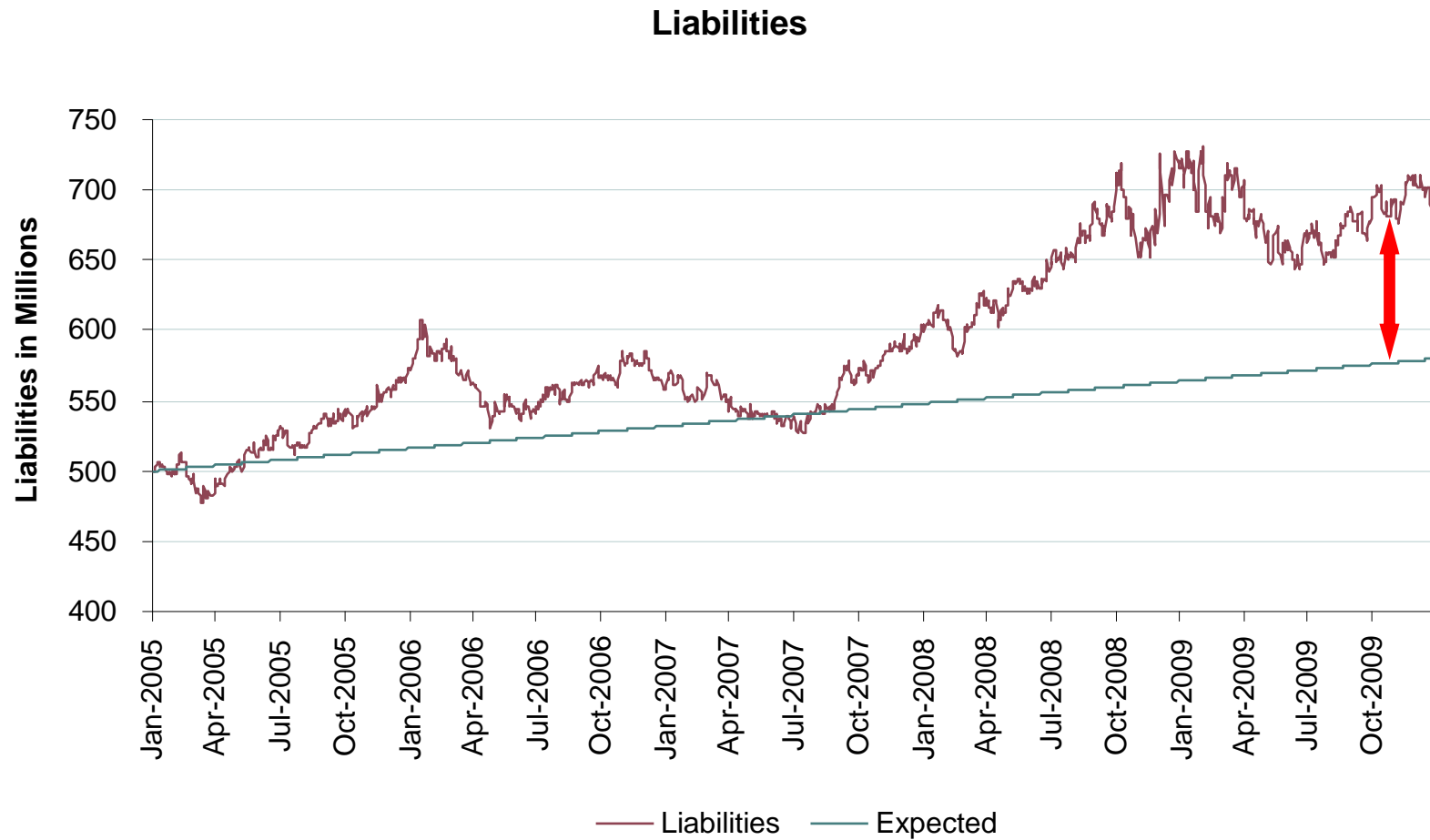
Assets

Asset	5 Year Return	Last Year
Equity	7.1%	25.4%
Gilts	5.6%	-0.7%
Corporate bonds	2.7%	12.4%
Total	5.8%	15.0%



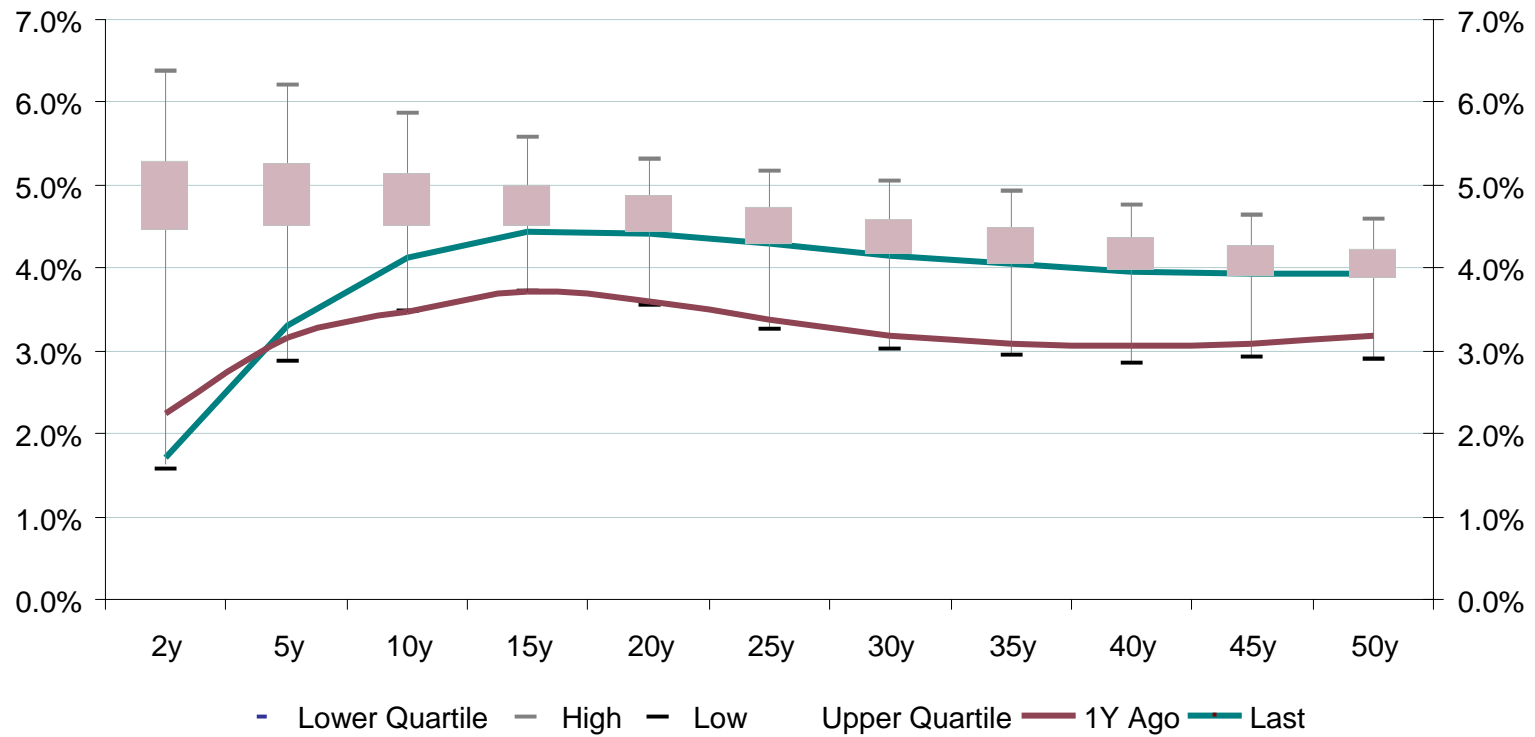
Liabilities

- Liabilities up by £182 million, 6.4% per annum



Liabilities

Interest Rates

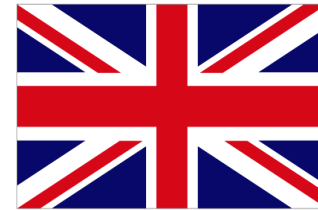


UK Government Default

- Do you own Gilts?

Yield reduction of 0.8%

7% chance of default



- Diversification?



2.5% chance of default



- Safety?



0.7% chance of default

- High risk?



50:50



Conclusion

Hedge Equities Intelligently

Hedge Liabilities Intelligently

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