

## Press release

London, 16.11.2011

### **PENSION FUNDS URGED TO RE-EXAMINE INVESTMENT STRATEGY GIVEN ECONOMIC OUTLOOK**

**One of the key conclusions at Mn Services' most recent UK economic forum was that pension schemes should manage their funding risks pro-actively in the face of weak growth prospects and significant downside risks.**

The forum, which has quickly become established as one of the key opportunities for UK pension professionals and trustees to discuss important factors affecting pension scheme investments, met to debate the theme of how to invest pension assets in the current economic environment. Specifically, the event focused on strategic risk budgeting and dynamic risk management in the face of the current medium-term outlook that is likely to be dominated for some time by low growth due to deleveraging.

The current turmoil in global markets and the pressures facing the Euro Zone were highlighted as overriding problems for pension schemes, with the potential of dragging large parts of the global economy, including the UK, into a deflationary environment. A survey carried out at the event showed that most people believe the Euro will still exist in a year's time – but only a fraction of attendees thought that Greece will still be a member of the Euro zone. The need for pension scheme members to understand more about their investments was also an issue that was discussed, with financial services companies needing to do more to help trustees understand their investments and risks.

Mn Services' Chief Investment Officer, Wouter Pelser commented "our view is that the world is undergoing a phase of considerable transformation. The global, political and economic balance is shifting from many perspectives. New opportunities and uncertainties are arising from these changes. The pension sector in particular faces increasing challenges regarding retirement age, participation rates, contribution levels and governance. In such a changing and challenging environment the investment decision-making process should take into account a number of different perspectives,

including fundamental analysis, technical analysis and a pension fund's strategic objectives and constraints.”

Gwion Moore, Head of Investment Strategy UK at Mn Services, said: “To say that the current pension investment landscape is characterised by uncertainty is a massive understatement. Those in charge of pension investments have an increasing number of challenges to face. In addition to global economic uncertainty and the potential fallout from the troubles in the Euro Zone, pensions are under pressure from challenges in retirement age, falling contribution levels and rising liabilities. Despite the high levels of market volatility and its impact in funding ratios, pension scheme trustees should focus on the fundamentals of good risk management, which is achieving a better of balance risks of the scheme's balance sheet through diversification, including liability risk management. However, even though pension schemes are long-term investors, ‘the long-term’ is getting shorter and shorter, and the ability of pension schemes to respond to the changing market environment will fundamentally impact the sustainability of many schemes”.

Mn Services' core investment outlook is that we will remain in a ‘growth recession’ environment across the developed world, including the UK. This is a low growth environment with low interest rates and weak performance from risk assets. The primary risk to this outlook is that economic and political conditions in Europe spill over into a more deflationary environment. In line with this outlook Mn Services is advising its clients to continue hedging interest rate risks and to focus more on credit based strategies rather than developed world equity in their growth portfolio.

Mn Services holds annual economic forums in both the Netherlands and in London. Leveraging its extensive network, Mn Services is able to attract some of the best-known economists to take part in the forum. This year's panel consisted of Stephen King, Group Chief Economist at HSBC, George Magnus, Senior Economic Adviser at UBS, and Kevin Gaynor, Co-head of Cross Asset Allocation Strategy at Nomura. They were joined by senior Mn Services spokespeople including Wouter Pelsler, Chief Investment Officer, Remco van Eeuwijk, Managing Director UK, Gwion Moore, Head of Investment Strategy UK, and Anne-Marie Munnik, Head of Investment Research.

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**Notes to Editors:**

For further information, comment or to arrange a meeting with Mn Services please contact James Bishop or Stacey Puddepha at Redleaf Polhill on 020 7566 6750 or email [mnservicespolhill@redleafpolhill.com](mailto:mnservicespolhill@redleafpolhill.com)

**About Mn Services**

Mn Services supports pension funds in the Netherlands and the UK as a fiduciary manager and pension administrator. On behalf of its clients Mn Services manages assets exceeding GBP 60 bn (2010) and administers pensions of 1.9 million (former) employees of some 36,000 employers. This makes Mn Services one of the leading fiduciary management and pension administration firms in Europe.

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