

Pensions Bulletin

Fact Sheet 2

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The Pensions Trust appoints new investment managers

I Introduction

1.1 At the end of June 2008, and following disappointing investment performance, The Pensions Trust advised by its consultants (Mercer Investment Consulting) appointed three new equity managers for its Global Equity Fund. These new managers are:

- RCM (Allianz);
- TT International; and
- Marathon Asset Management.

1.2 The Trust also appointed a Fund of Hedge Funds Manager, Mesirow Financial Advanced Strategies.

2 Global Equity Fund

2.1 The Trust's Investment Committee discussed a number of ideas with its consultants ahead of making these appointments and decided that:

- (a) Overall the Global Equity Fund should remain neutral in terms of style and the new managers should complement the existing ones. Thus:
- Whilst Lazard Asset Management and RCM may have identical global mandates, they differ in terms of style. Lazard's is a 'thematic manager' whilst RCM are 'bottom-up stock pickers'.
 - All three new managers are stock pickers who have been awarded less constrained/higher conviction investment mandates as opposed to the broader quantitative approach used by State Street and AXA Rosenberg.
- (b) The appointments should take account of the Committee's view that there are excellent opportunities for active managers in the less developed markets. Marathon's Asia/Japan and RCM's global equity mandates (alongside Lazard's) are all designed to exploit these opportunities.

2.2 The tables below show the changes that have been made to the manager line up and fund structure in respect of the Trust's Global Equity Fund (GEF).



Old Strategy i.e. the GEF structure in December 2007.

Manager	Mandate	Benchmark Weight %
Legal & General	Passive (Index Tracking) Global	13
State Street Global Advisors	Passive (Enhanced Indexation) US/UK	25
AXA Rosenberg	Active Pan European	15
Barclays Global Investors	Active Global	20
Capital International	Active Global	11
Capital International	Active Asia Pacific & Japan	6
Lazard Asset Management	Active Global	10

New Strategy i.e. the GEF structure after the new manager appointments.

Manager	Mandate	Benchmark Weight %
Legal & General	Passive (Index Tracking) Global	16
State Street Global Advisors	Passive (Enhanced Indexation) US/UK	25
AXA Rosenberg	Active Pan European	20
TT International	Active UK	7
Lazard Asset Management	Active Global	12
RCM (Allianz)	Active Global	12
Marathon Asset Management	Active Asia/Japan	8

2.3 The reorganisation of the portfolios took place between January and June 2008 in order to minimise the costs associated with changing fund managers and their mandates. During the reorganisation the mandates previously held by Capital and BGI were awarded on a temporary basis to Legal & General Investment Management for management on an index tracking basis.

3 Fund of Hedge Funds

3.1 Following a review of investment strategy by the Social Housing Pension Scheme (SHPS), the Committee was asked by the Trustee to appoint a Fund of Hedge Funds Manager.

3.2 Hedge funds use a range of investment strategies covering a wide variety of asset classes with the aim of providing a positive return whatever the state of investment markets.

3.3 Rather than using one Hedge Fund Manager following a single strategy, the Committee decided to use a diverse number of managers pursuing a variety of strategies. The Fund of Hedge Fund Manager (in this case Mesirow) is therefore charged with picking the best Hedge Fund Managers and allocating funds to these managers in order to meet predetermined investment objectives.

3.4 Any allocation made to the Trust's Fund of Hedge Funds by a pension scheme will only occur after investment advice has been taken and the sponsoring employer has been consulted.

4 A final word

- 4.1 The Pensions Trust remains committed to monitoring its funds and investment managers with a view to delivering appropriate strategies and performance over the long-term.
- 4.2 This is a continuing process and we look forward to providing you with details about other investment ideas we are developing.

While every effort has been made to ensure the accuracy of the information contained in this fact sheet, it should not be treated or relied upon as a statement of law. Readers should contact their regular Account Manager at The Pensions Trust in relation to their own circumstances and/or refer to the original source material as appropriate.