

## NEW FUND MANAGERS FOR PROJECTED PPF £5 BILLION PORTFOLIO

- **PPF announces five new fund manager appointments**
- **Investment fund set to grow to £5bn by 2009**
- **Appointments follow long and exhaustive process**
- **Investment returns likely to match levy income in five years**

Managing successfully an investment fund set to grow to more than £5 billion by 2009 was made easier today (Monday) when the Pension Protection Fund (PPF) announced the appointment of five new fund managers.

These appointments are the latest milestone in the development of the PPF's investment strategy which is aimed at balancing security for scheme members while seeking in the long term to add value for levy payers by out-performing liabilities.

Chief Executive, Partha Dasgupta, said: "This announcement is the culmination of a long and exhaustive process and we are confident that we have chosen the right partners to take forward our investment strategy .

"As our assets grow, the contribution of our investment returns to funding the PPF become more significant. These appointments will be crucial in maximising those returns while helping build a solid balance sheet for the PPF."

The PPF's UK equities will be managed by State Street Global Advisors and by Lazard Asset Management, global equities by Newton Asset Management, property by Morley Fund Management and currency by **Auriel Capital Management**.

Also announced today was the completion of an interest rate and inflation 'swap hedge' – managed by one of the PPF's existing fund managers, Insight. This minimises exposure to sensitivities affecting PPF liabilities and allows the rest of the portfolio to be managed against appropriate asset benchmarks.

Insight also manages the PPF bond portfolio alongside other existing PPF fund managers, Goldman Sachs and Pimco.

## NOTES:

1. UK Equities (representing 12.5 per cent of the Fund) – **State Street Global** Advisors UK Alpha strategy which uses an active quantitative approach to stock selection.

**Lazard UK** Equity Diversified Strategy uses a fundamental approach to stock selection, focussing on financial productivity and valuation.

Global Equity (representing 7.5% of the Fund – **Newton Investment Management** Global Equity Institutional strategy which uses an active global thematic approach to stock selection.

Property (representing 7.5% of the Fund) – **Morley Fund Management** Multi-manager strategy investing a range of UK balanced and specialist sector funds.

Currency (representing 2.5% of the Fund) – **Auriel Currency** Strategy managed by **Auriel Capital Management**, a specialist boutique quantitative currency manager.

2. The PPF fund manager requirements were published in the Official Journal of the European Union in November 2006. Some 80 managers expressed an interest in the new mandates and the final selection was made following a formal tender process and due diligence. The PPF was assisted by Mercer Investment Consulting, its investment adviser, which provided additional research into manager capability.
3. The PPF's investment strategy aims to balance security for scheme members and the interests of levy payers. This will be achieved using a liability driven approach through investment in bonds and derivative instruments.

In addition, the strategy seeks to enhance the returns through investment in: UK and global equities hedged back into sterling, UK and global Government bonds hedged back into sterling, property and currency. For further information follow this link:

<http://www.pensionprotectionfund.org.uk/news-details.htm?id=5432>

4. The following table sets out the asset allocation and benchmarks for the diversified portfolio, showing that 70% will be invested in cash and bonds and 30% in equities, property and currency.

Asset Class	Allocation	Benchmark
Cash (collateral for the swap overlay)	20%	Libor
Global Bonds	50%	JP Morgan Government Bond Index
UK Equities	12.5%	FTSE All Share
Global Equities	7.5%	FTSE All World (hedged to £)
Property	7.5%	IPD
Currency overlay	2.5%	3 month Libor

5. The Pension Protection Fund was set up under the provisions of the Pensions Act 2004 in April 2005. It has been established to pay compensation to members of eligible defined benefit and hybrid pension schemes when there has been a qualifying insolvency event in relation to the employer, and where there are insufficient assets in the pension scheme to cover Pension Protection Fund levels of compensation.