

CPN Workshop Investment Strategy Themes 2013/14

NOVEMBER 2013

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Agenda

- Current position
- The need for growth
- Risk management
- Employers
- Long term investing

WM LGPS Average Allocations

	2003	2013
Equities	66	63
Bonds	21	18
Cash	5	3
Alternatives	1	9
Property	7	7

The need for growth assets

Continues to be an overriding theme

Is now the time to diversify further?

Role of asset classes more important?

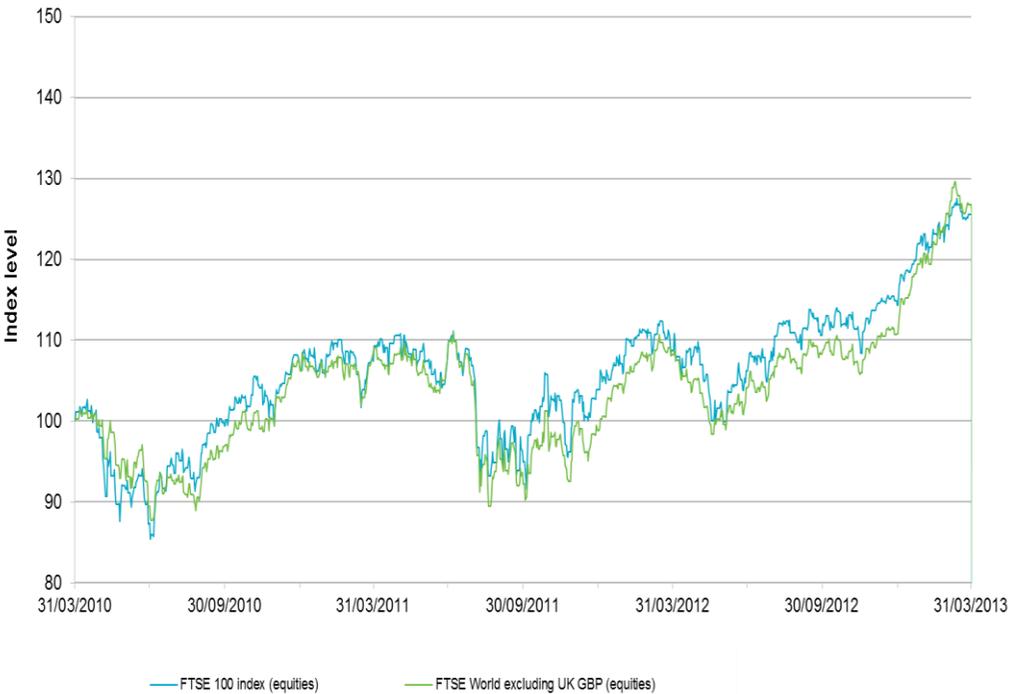
Themes within equities



Risk Management

EQUITY PERFORMANCE

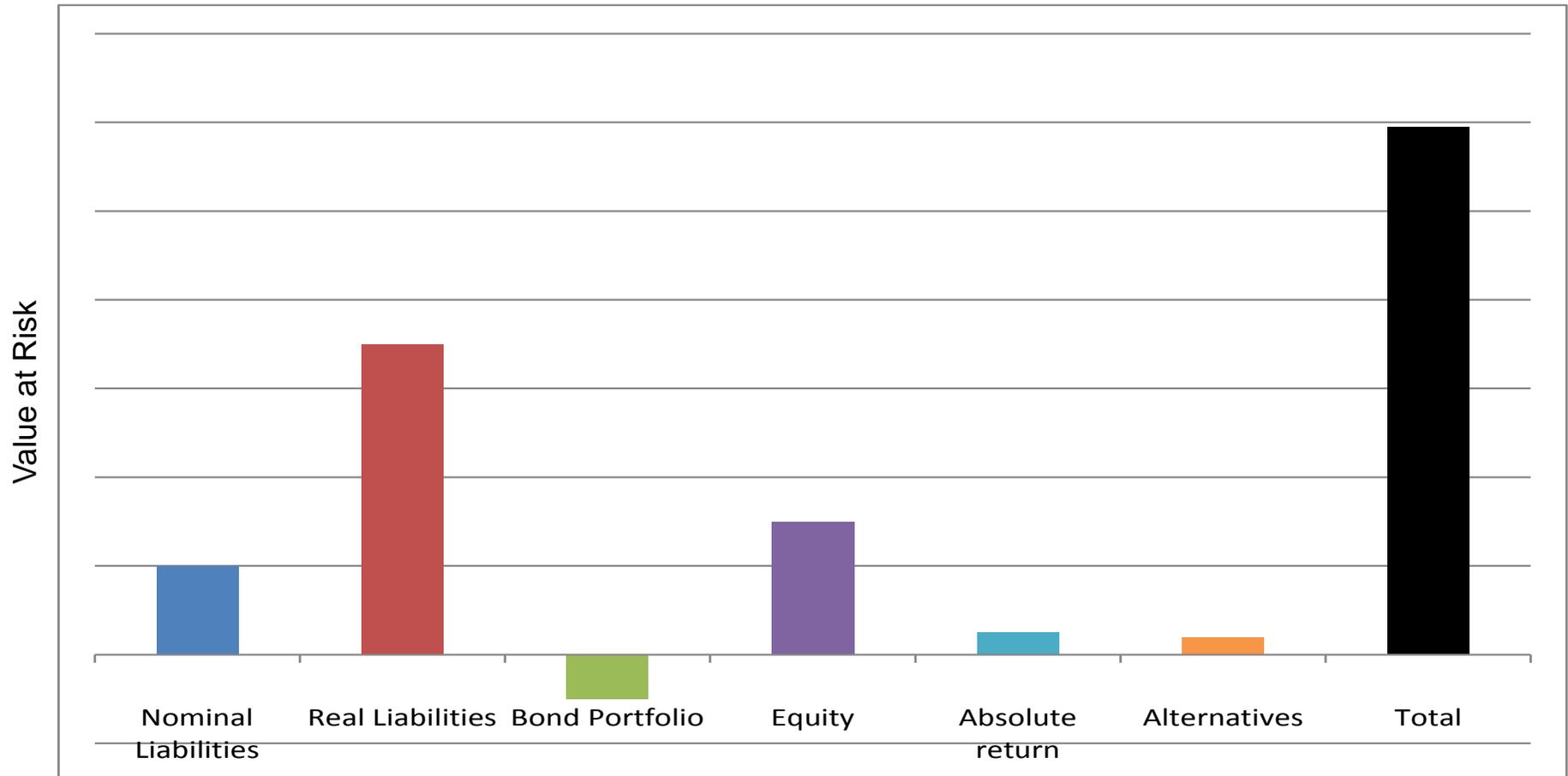
Index level from 31 March 2010 to 31 March 2013



BOND PERFORMANCE

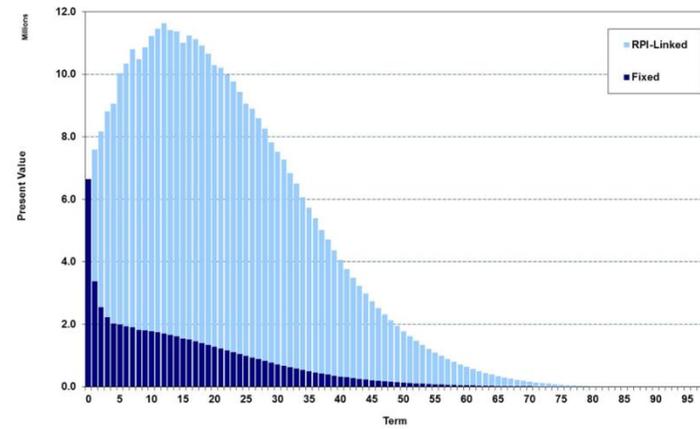


Risk Management

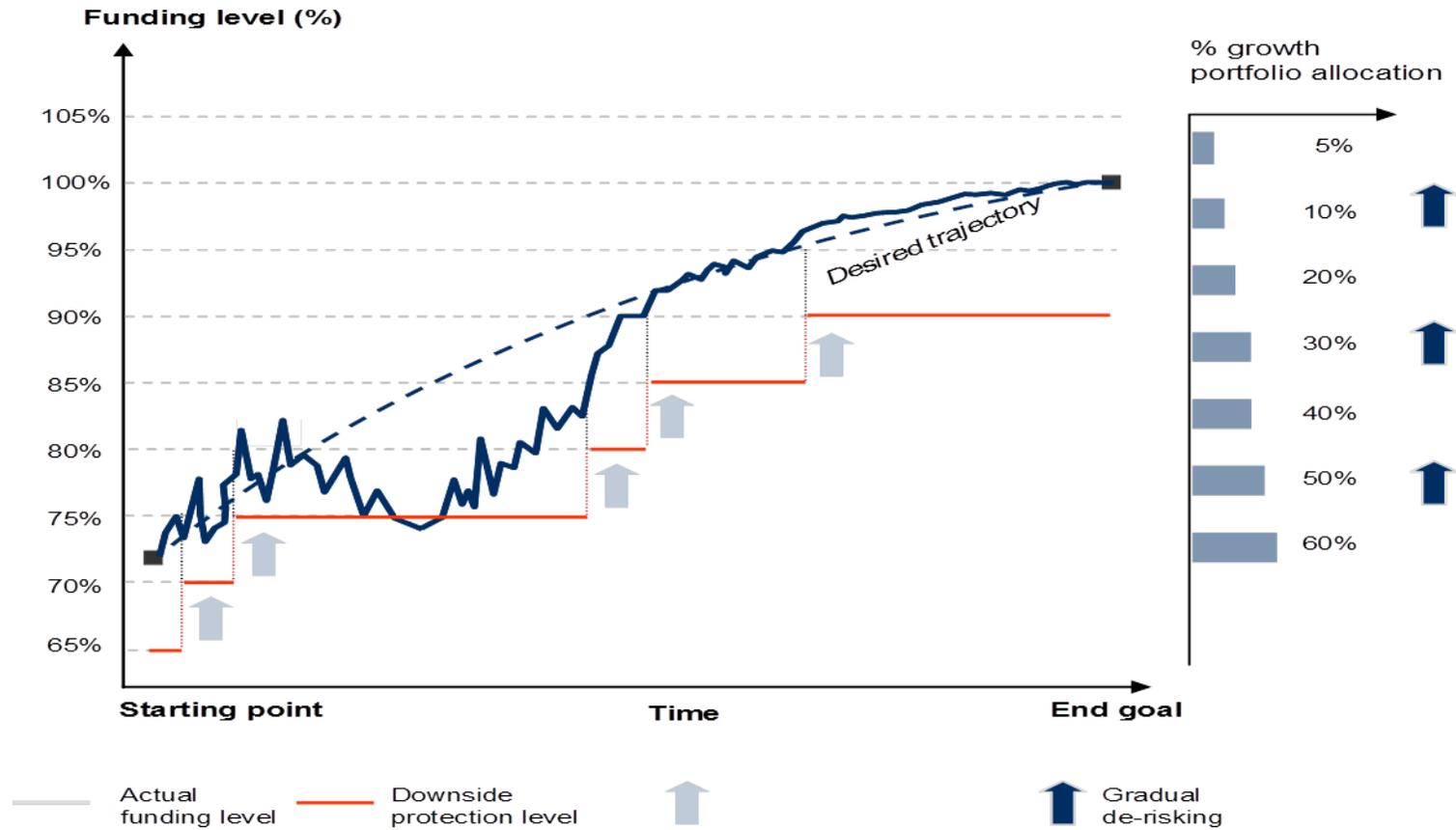


Typical Risk decomposition for a LGPS fund

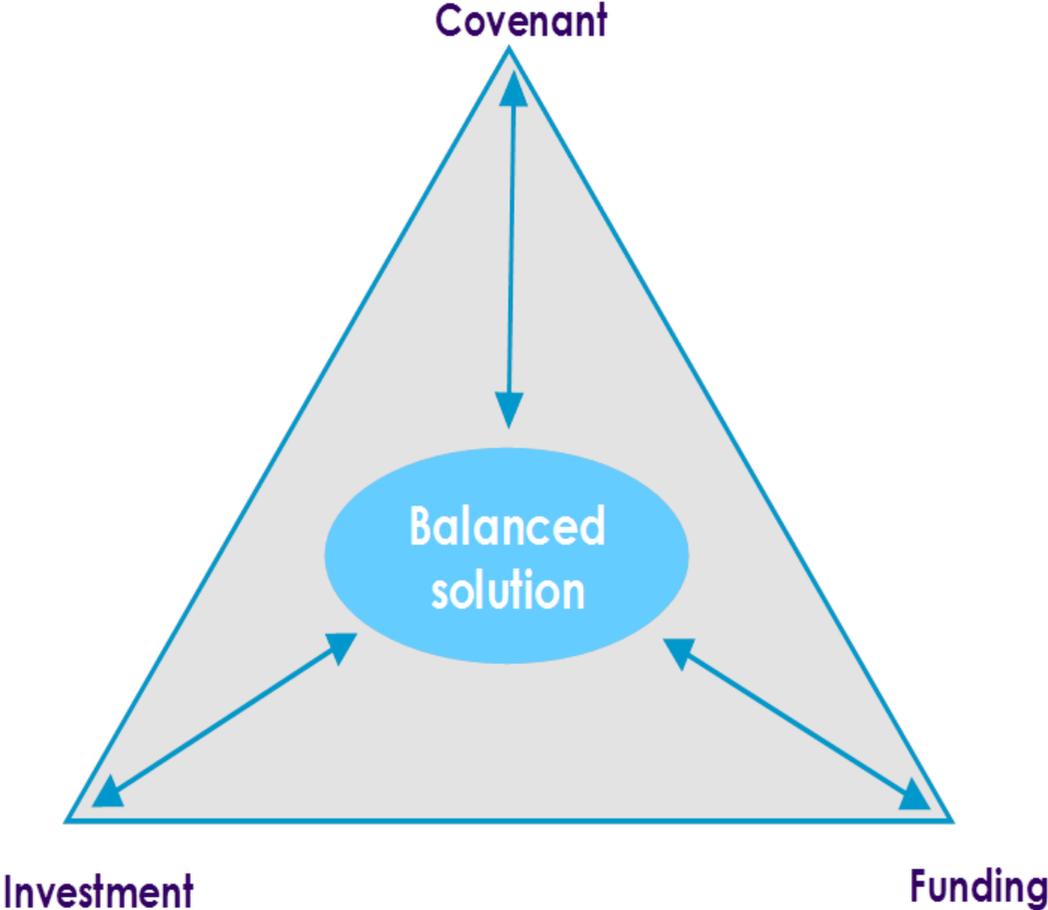
Index Linked Gilts are expensive?



Affordable de-risking



Different strategies for different employers?



Investing for the long term

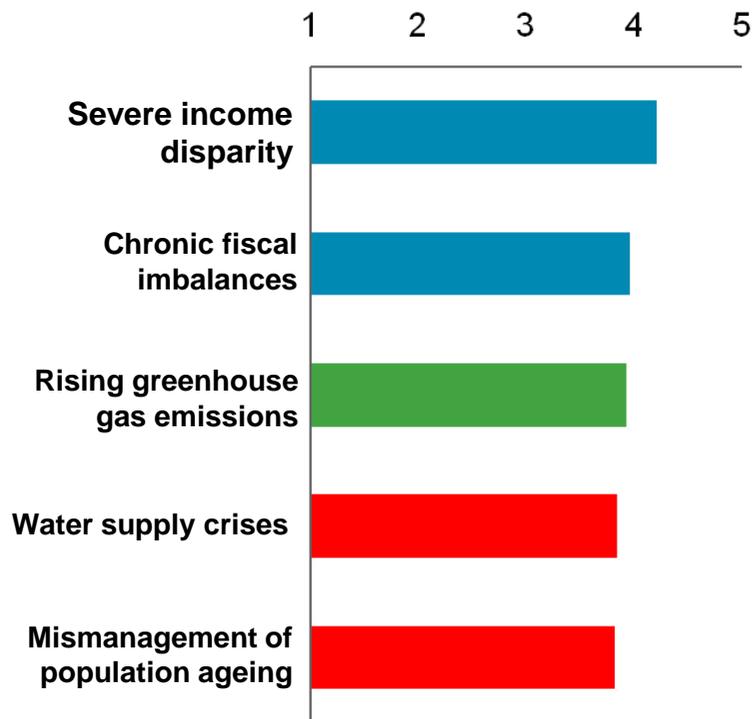
“Some form of high level principles
for investment objectives
(for example taking a long term view)
would be useful”

Shadow Board I&ESC, August 2013

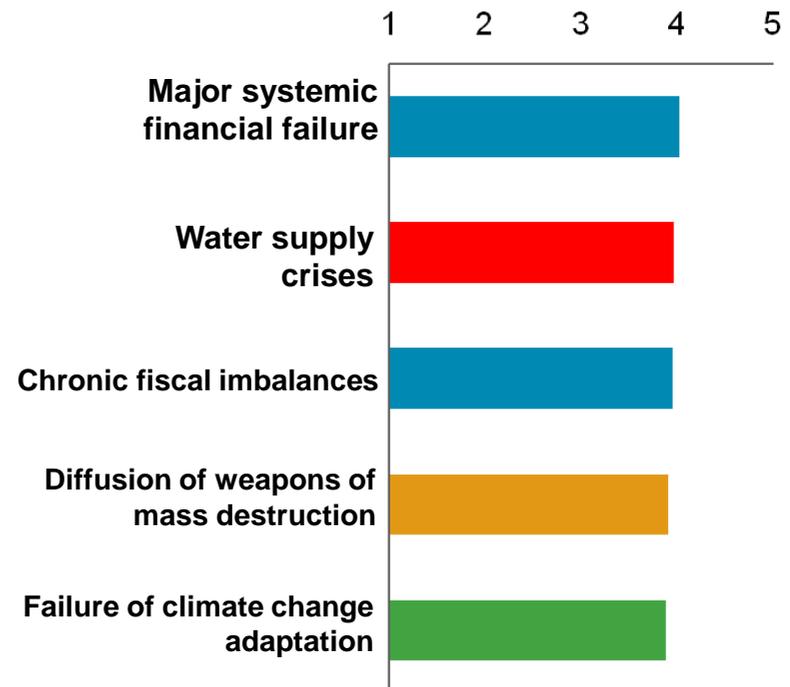
World Economic Forum – Global Risks Report 2013

- Economic, climate and resource risks dominate the top risks in 2013

Top risks scored for likelihood
(1 = low, 5 = high)



Top risks scored for impact
(1 = low, 5 = high)



■ Economic risks
 ■ Environmental risks
 ■ Geopolitical risks
 ■ Societal risks
 ■ Technological risks

Sustainable investment opportunities

Diverse – established and emerging

RENEWABLE AND ALTERNATIVE ENERGY
Solar, wind, wave, biofuels and geothermal technology



ENERGY EFFICIENCY
Storage plus power network, industry, building and transport efficiency



WATER INFRASTRUCTURE AND TECHNOLOGIES
Irrigation, storage, treatment, drainage and flood protection



POLLUTION CONTROL
Pollution control solutions and environmental testing



WASTE MANAGEMENT AND TECHNOLOGIES
Recycling processing, hazardous and general waste management



SUSTAINABLE RESOURCE MANAGEMENT
Soil management, sustainable farming and forest management



ENVIRONMENTAL SUPPORT SERVICES
Environmental consultancies, carbon trading and diversified environmental services



Investing on behalf of whom?

Straw poll of Mercer clients
less than conclusive

Does it impact long
term strategy?

Does it help us define
principles for investing?

Does it prompt a debate
on engagement?

Exploiting the strengths of existing managers

Consider in future selection processes

Doesn't suggest a return to "balanced"

Allows Committees to focus on strategy

Any questions





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