

# Alternative & Innovative Investment Strategies for Pension Funds

Thursday 12 September 2019  
at Le Meridien Piccadilly, London

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CPD = 6.5 hours



## 08.30 Registration and coffee

## 09.10 Welcome and Opening Remarks

**TREVOR COOK**, MANAGING DIRECTOR, SPECIALIST PENSION SERVICES

## 09.15 Diversification – Portfolio Construction & Opportunities

**MODERATOR: MICHELLE McGRADE**, INVESTMENT COMMITTEE ADVISOR, SAINSBURY'S PENSION SCHEME

### Diversifying Strategies

None of us knows with certainty what the markets will bring in the next few years. However, we can recognize that the years prior to 2018 have been exceptionally benign. This has meant that diversification – constructing more robust total portfolios – has been both unrecognized and unrewarded. If we are entering a period of more volatile markets, which the first half of 2019 has hinted at, the rules of the game are already changing and diversification is coming back into fashion. Now is the time for clients to look at the robustness of their portfolio construction through fresh eyes, focusing on the underlying exposures that will drive the outcome.

**DR. SUSHIL WADHWANI**, CHIEF INVESTMENT OFFICER, QMA WADHWANI, A PGIM BUSINESS

### Supply Chain Finance Capabilities

As businesses expand and face an ever-changing global environment, they are looking for the most efficient ways for balance sheet optimizations. In the light of higher cost of capital driven by regulatory changes imposed on banks, conventional methods of obtaining working capital like direct lending are becoming a less attractive solution. By using advanced financial technology, supply chain finance offers a set of solutions that enable companies to optimize working capital and enhance their liquidity positions by unleashing billions of dollars trapped in their supply chains each year. Being short-term in nature, supply chain finance offer investors an opportunity to invest on a short-term basis while earning attractive returns. More-over trade receivables' low correlation to traditional fixed income investments enables investors to diversify the return profile of their portfolios. Nonetheless, the market potential for supply chain finance remains so far largely untapped.

**ALEX LENNON-SMITH**, CFA, PRODUCT SPECIALIST, CREDIT SUISSE ASSET MANAGEMENT

### A New Approach to Traditional Cashflow Matching

Cashflow driven investing (CDI) is a relatively nascent concept in the UK. However, U.S. pension plans, due to their focus on the accounting valuation of the pension liability, have been implementing cashflow driven credit portfolio construction for 30 years. During this period, the approaches have advanced past precise cashflow matching to acknowledge: 1) the inherent uncertainty in liability cashflows; 2) the crowded trades created by liability driven investors; 3) the devastating effects of credit migration on bond total returns; and 4) the huge dispersion in risk-adjusted reward across the fixed income markets. This presentation will challenge some of the traditional cashflow matching approaches and outline an alternative that focuses on maintaining and improving funded ratio outcomes by maximizing the efficiency of the funded ratio risks taken.

**TOM McCARTAN**, VICE PRESIDENT OF LIABILITY-DRIVEN STRATEGIES, PGIM FIXED INCOME

## 11.00 Coffee / Tea

## 11.30 Secured Income and a View on Crowding

**MODERATOR: BOB HYMAS**, TRUSTEE EXECUTIVE, BESTRUSTEES

### Secured Finance: An Alternative Income Solution

Focusing on income and capital preservation, secured

finance strategies can form part of a pension fund's defensive allocation or cashflow-driven investment approach. Allocating across a range of debt securities featuring collateral backing or secure cashflows, these strategies can also deliver enhanced risk-adjusted returns via access to illiquidity, complexity and scarcity premia, traditionally challenging to harness from other asset classes. In this presentation we'll explain how a multi-asset approach to secured finance may effectively support a pension fund's long-term investment objectives.

**DEAN STEWART**, HEAD OF MARKETS AND QUANTITATIVE RESEARCH, MACQUARIE FIXED INCOME

### Co-ownership in UK housing: challenges of being a first mover

Real Assets continue to provide pensions schemes attractive returns and cashflows. However, today's challenge is extending the comfort-zone to new innovations such as residential property. The UK residential market has previously been hard to access for UK institutional investors, with a lack of scaleable solutions from a fragmented market. We will explore an innovative solution that allow investors the chance to access this asset class via a co-ownership model. Institutional investors can have the possibility to achieve valuable inflation linked cash flows and the societal benefit of helping buyers get onto the property ladder.

**ADRIAN JONES**, DIRECTOR, ALTERNATIVE ASSETS ALLIANZ GLOBAL INVESTORS

### Nobody Goes There Anymore.

#### It's Too Crowded!

Crowding reflects a collective belief in a risk premiums existence, yet its garnered a bad reputation in the financial media. We've all heard the warning bell: as more portfolio owners chase the benefits of a particular investment strategy, the subsequent surge in flows will lead to negative outcomes. Without crowding, risks are only idiosyncratic and not systematic. Therefore, we embrace crowding, this presentation explains why.

**DANIEL MORRIS**, HEAD OF THE ASSET SOLUTIONS TEAM, WELLS FARGO ASSET MANAGEMENT

## 13.15 Drinks and Lunch

## 14.25 Practical Session & Case Studies

**MODERATOR: JOLLY MOKOROSI**, INDEPENDENT TRUSTEE, LEGAL PROVIDENT FUND

### Dynamics of Innovation and Risk

Innovation is usually viewed by economists and policymakers as a productivity-enhancing force, powering economic growth in modern capitalist societies. Innovation is no less sought after in the investment industry, where new products are assumed to help investors meet their differing objectives. However, this optimistic view ignores the damage that can be done by innovations in the financial sector, where agency issues and complexity create the potential for negligence and rent extraction. This session will explore the merits of a more cautious and questioning approach to innovations in investment strategy as a corrective to the generally rosy view presented across the industry.

**PHIL EDWARDS**, CEO, RICARDO RESEARCH

### Practicalities of applying ESG & Responsible Investment criteria to Alternative & Innovative Investment Strategies

A brief introduction to the importance of applying ESG and RI criteria to alternative & innovative investment strategies; a suggested framework approach and the current landscape and possible opportunity.

**LUCY TUSA**, PARTNER, MERCER

Pension Fund Case Study:

**DAVID MARTIN**, MEMBER OF THE INVESTMENT COMMITTEE, UNITED REFORMED CHURCH MINISTERS' PENSION TRUST

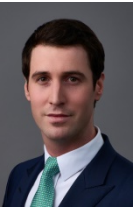
## 15.45 Drinks reception & Close of Conference



**Philip Edwards** is co-founder and Chief Executive of **Ricardo Research**. He manages the business, develops the firm's intellectual capital and acts as a consultant to large institutional investors. Before co-founding Ricardo Research, he was a Partner and Global Director of Strategic Research at Mercer. With over 15 years' experience in the investment industry, Phil has worked with large institutional investors to help them address a wide range of investment challenges. He holds a first-class degree in Mathematics from the University of Warwick and is a Fellow of the Institute and Faculty of Actuaries.



**Adrian Jones** is one of the senior portfolio managers within the alternative assets division at **Allianz Global Investors**. Adrian has worked in capital markets for nearly 25 years on both the 'buy side' and 'sell side' and has experience of developing new investment opportunities including repackaging traditional banking products for institutional investment. Most recently Adrian has been a key member of the team which created the Allianz Global Investors Infrastructure Debt investment platform. Before joining Allianz Global Investors, Adrian worked for MBIA UK Insurance Limited where during 2004-2008 he structured transactions for investors in the European public finance and real assets sector including credit insurance products, asset-swaps and other repackaging transactions. Following the financial crisis Adrian was extensively involved in restructuring and work-outs resulting from the downgrade of the financial sector including the ultimate parent of MBIA UK Insurance Ltd itself. Adrian has experience in commercial banking and investment banking, insurance and asset management. He has worked in M&A, financial advisory (for private and public sector clients), corporate and project debt arranging and equity investment (including serving as a director of private companies acquired as part of investment strategies), asset repackaging and restructuring. Adrian has a track-record of working to develop early stage products and sectors having worked on the earliest whole-business-securitisation utility transactions, the development of PPP in the UK, early limited recourse emerging market mobile telecoms transactions, repackaging of infrastructure debt and most recently the development of the direct investment in infrastructure by institutional investors. Adrian started his career with ANZ Investment Bank and subsequently worked for Schroders/Citigroup, Deloitte, and MBIA UK before joining Allianz Global Investors in 2012. Adrian holds an MA from St. Edmund Hall, Oxford University.



**Alex Lennon-Smith** is part of the **Credit Suisse Asset Management** team in the UK. Alex has 12 years' experience in the financial sector, working initially with a Family Office as part of the Strategy and Investments team before moving to Credit Suisse in 2013. He is responsible for distributing key strategies, with a focus on UK institutional investors. Alex completed his Masters in Finance at London Business School, where he developed a keen interest in alternative investments and disruptive technology. He is also a CFA Charterholder.



**Tom McCartan**, FIA, CFA, is a Vice President of Liability-Driven Strategies at **PGIM Fixed Income**. Mr. McCartan is responsible for the development of custom LDI solutions for our clients. Prior to joining the Firm in 2015, Mr. McCartan was based in the UK where he spent the last four years at Redington, a London-based investment consultant for UK defined benefit pension plans. At Redington he advised plans on best practice for implementing LDI strategies and led a number of key LDI implementation projects for large UK pension plans. Prior to Redington he worked as an actuarial analyst with Mercer in Belfast. Mr. McCartan received a BSc. with Honors in Actuarial and Financial Studies from University College Dublin and is a Fellow of the Institute of Actuaries, the UK actuarial professional body. He holds the Chartered Financial Analyst (CFA) designation.



**Dan Morris** is the head of the Multi-Asset Solutions Team at **Wells Fargo Asset Management (WFAM)**. In this capacity he leads the team to provide innovative outcome-orientated solutions to investors seeking to grow, protect or generate income from their investments. The team utilize portfolio construction, risk premia investing, dynamic asset allocation and risk management skills to deliver innovative outcome-orientated solutions. These include Target Date Funds, Global Multi-Asset Income, Growth strategies, Alternative Risk Premia and dynamic portfolio hedging strategies. Prior to joining Wells Fargo in 2017, he served as Head of US Portfolio Solutions at Schroders in New York where he lead the portfolio solutions business for North America. Prior to New York, Dan provided LDI solutions to UK clients with Schroders in London. Previously Dan led the London Investment Strategy team at Towers Watson where he advised clients on asset allocation, hedging and downside protection strategies. Dan began his career in the UK with HSBC Actuaries and Consultants as an Actuarial Analyst. He holds a bachelor's degree in mathematics from the University of Nottingham and is an associate of the Institute of Actuaries, UK.



**Dean Stewart** heads the research team and, with a team of five analysts, constantly enhances **Macquarie's** processes and systems through quantitative research and thought leadership. He combines his fixed income experience with analytical rigor to continually improve investment processes, and also has managerial oversight of the rates and currency teams. During his nearly 25 years at Macquarie, he has held numerous senior roles, including head of credit and head of fixed income and currency. He has a Masters in economics from Macquarie University and is a Fellow of the Actuaries Institute of Australia.



**Lucy Tusa** CFA joined **Mercer** in April 2007 and is a Partner in the Investment Consulting department. She was awarded the CFA charter in 2006 and has been an Associate of the UK Society of Investment Professionals (ASIP) since 1986. At Mercer, Lucy provides investment consultancy services to a range of pension fund, foundation and endowment clients. She advises clients on strategy setting, asset allocation, liability- management and manager selection. She is a member of Mercer's Global Dynamic Asset Allocation (DAA) Committee. Lucy is a contributor to the firm's intellectual capital, particularly in relation to equity markets and responsible investment. Lucy leads Mercer's responsible investment team in Europe. She speaks regularly at industry events. Lucy has an MA (Hons) in History from Trinity College, Cambridge.



**Dr Sushil Wadhvani** is the Chief Investment Officer of **QMA Wadhvani LLP ('QMAW')**.\* Sushil was a member of the Monetary Policy Committee at the Bank of England between 1999 and 2002. From 1995-1999, Dr Wadhvani was Head of the Quantitative Systems Group and Partner at Tudor (1995-1999). He was previously Director of Equity Strategy at Goldman Sachs (1991-1995) and before that Reader in Economics at the London School of Economics (1984-91). He was also a partner of Caxton Associates (2011-2016). Dr Wadhvani was educated at the London School of Economics. He is currently a Visiting Professor at the London School of Economics. He was designated a Commander of the British Empire in the Queen's Birthday Honours List in 2002.\* QMAW is now part of QMA business, the quantitative equity and global multi-asset solutions manager of PGIM.

## Conference Notes

**Purpose:** This conference seeks to help pension funds to review the place of alternative and innovative investment strategies in their portfolios. We will look at a range of different strategies seeking to assess their impact on diversifying risks, improving returns and/or funding levels and on meeting specific income requirements. We will also consider practical issues such as liquidity, fees, hedging, transparency and implementation.

**Date:** Thursday 12 September 2019 **Venue:** Le Meridien, 21 Piccadilly, London, W1J 0BH. Tel: 020 7734 8000

**Cost:** There is no cost to you to attend this event and your conference documentation, drinks, lunch, tea and coffee breaks will all be provided free of charge. If you would like to nominate a colleague to attend please ask them to contact us so we can ensure they are eligible for a free place. SPS events are exclusively aimed at genuine pension fund executives, trustees and their advisers, who may qualify for free entry. SPS Conferences reserves the right of admission (free or paid) and our decision is final.

**Amendments:** SPS reserves the right to amend or cancel the conference at any time but will always attempt to give prior notice. Cancellation by SPS will result in a full refund of delegate fees paid but no other expenses incurred.

**PMI Accreditation:** Attendance at the conference will be given 6.5 hours of CPD with the PMI.

**Data Protection:** Personal data is gathered in accordance with GDPR. Your details will be shared on an attendance list with other attendees including the conference sponsors who may wish to provide you with information. If you **do not** want to share details with other attendees please **tick the box**

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**Queries:** please contact: Ms Sue Golton at Specialist Pension Services Limited. Telephone +44 (0)1438 712345 Telefax +44 (0)1438 718883 Email: [sue@spsconferences.com](mailto:sue@spsconferences.com)

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## Booking Form

**Please read the Conference Notes, then complete the details below.**

Please reserve ..... place(s) at The **SPS Alternative & Innovative Investment Strategies for Pension Funds Conference** taking place on 12 September 2019.

Free guest places are offered to genuine pension and institutional investor attendees. Please contact us to confirm you qualify. A limited number of provider places at a cost of £1650 + VAT may be available. Please enquire to Sue Golton [sue@spsconferences.com](mailto:sue@spsconferences.com).

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