



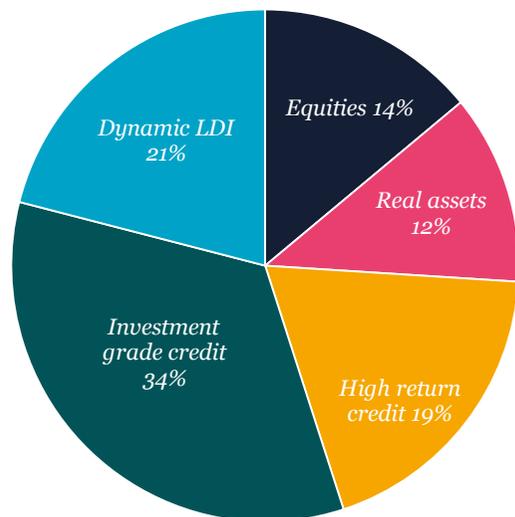
*Update on the LCP
strategic portfolios*

October 2023



Strategic portfolio

Our strategic portfolio highlights the latest ideas from LCP's investment strategy and research teams and how these ideas can be brought together to construct an efficient asset portfolio.



Expected return: Gilts + 2.1%

Liability hedge ratio: 100% of assets

Unhedged currency exposure: 25% of assets

Portfolio	%
Equities	14
Synthetic equity protection ¹	10
Low carbon global equities	2
Emerging market equities	2
Real assets	12
Unlisted infrastructure	3
Listed infrastructure	5
Listed global property	4
High return credit	19
Opportunistic credit	8
Private credit	5
Infrastructure debt	3
Emerging market debt	3

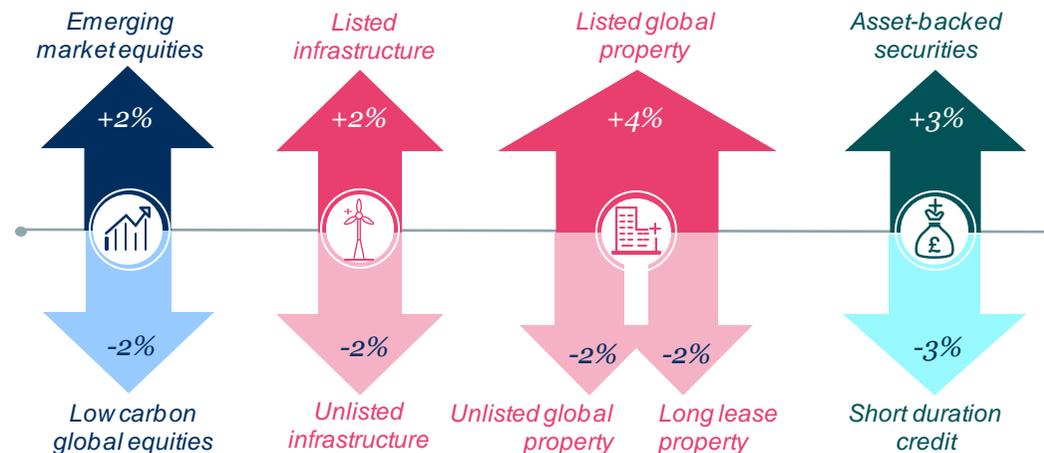
Dynamic LDI¹ **21**

The yield rise to exhaustion that the LDI portfolio can withstand is c.4%. Taking into account the other assets within the collateral waterfall, such as asset-backed securities and corporate bonds, we estimate the overall strategy can withstand a yield rise to exhaustion of c. 5.5%.

¹Assets all held within a single bespoke fund and used to support the hedging exposures. Expected return based on LCP's latest asset class assumptions and are available upon request.

Portfolio	%
Investment grade credit	34
Enhanced ESG long dated buy & maintain credit ¹	6
Asset-backed securities ¹	10
Synthetic credit overlay ¹	18

Changes over the quarter



Cumulative growth of listed and unlisted global property funds

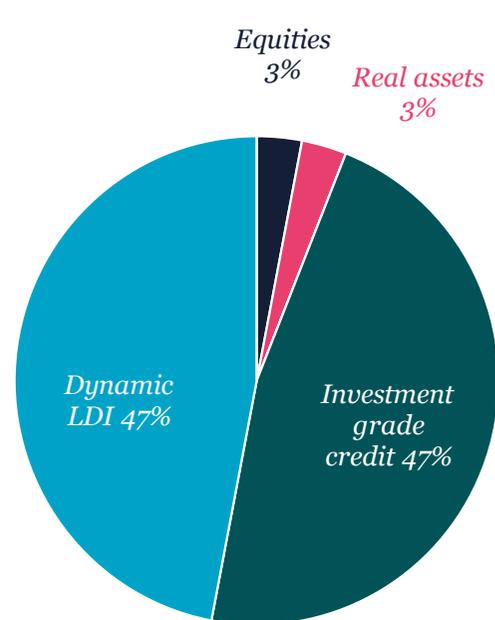
Over the past 18 months listed property has fallen in value by 18%, in comparison unlisted property has fallen by 2%.



Source: Bloomberg, Invesco. Listed Property is the FTSE EPRA/NAREIT Developed Index and Unlisted Property is the Invesco Global Direct Real Estate Fund

Low-dependency strategic portfolio

Our low-dependency portfolio is appropriate for well-funded and/or significantly mature schemes and has also been designed to provide flexibility to take advantage of insurance opportunities. This portfolio is designed to be consistent with the low dependency investment allocation, and in particular “Fast Track”, as outlined in TPR’s draft new funding code.



Portfolio	%
Equities	3
Low carbon global equities	3
Real assets	3
Listed infrastructure	3
Investment grade credit	47
Enhanced ESG long dated buy & maintain credit	32
Asset-backed securities ¹	15
Dynamic LDI¹	47

The yield rise to exhaustion that the LDI portfolio can withstand is c.9%. Taking into account the other assets within the collateral waterfall, such as asset-backed securities and corporate bonds, Given our use of very low leverage, our strategy can withstand very large yield rises up to exhaustion.

¹Assets that are held within a single bespoke fund and used to support the hedging exposures.

Expected return: Gilts + 1.0% pa
 Liability hedge ratio: 100% of assets
 Minimal unhedged currency exposure

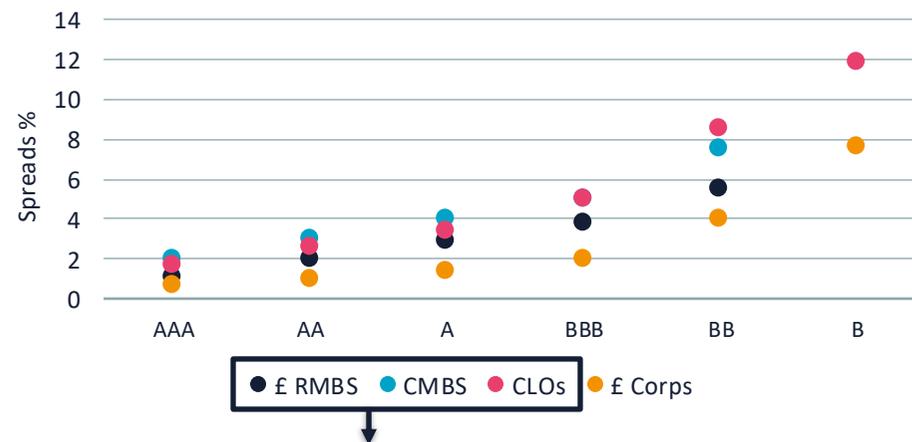


Inaugural investment conference: The economic and political shocks seem to get more frequent and more severe, but as an industry we take very little time to step back and challenge the status quo to see if there’s a better way. At our inaugural investment conference, we did just that. [Here](#), we share some of our highlights from the day.

Changes over the quarter

We have switched 5% of the allocation from short duration credit into asset backed securities.

Asset-backed securities offer meaningfully higher spreads than equivalently rated corporate bonds



Assets included in typical asset-backed security mandates

RMBS = Residential mortgage-backed securities, CMBS = Commercial mortgage-backed securities, CLOs = Collateralised loan obligations

Source: TwentyFour, ICE BofA Indices, Citi Velocity, Morgan Stanley

Ask your consultant

- Has the rise in interest rates over the last 18 months made any asset classes more or less attractive?
- Should I consider an allocation to asset backed securities?
- Are there alternative asset classes to equities that can still deliver the returns I need whilst allowing me to diversify away from equities?
- Should I consider reducing my allocation to unlisted real assets in favour of listed alternatives?
- How close am I to an insurance transaction and, if I’m in a position to consider a transaction, how should I position my portfolio to prepare for this?

At LCP, our experts help to power possibility by navigating you through complexity to make decisions that matter to your business and to our wider society. We are powered by our desire to solve important problems to create a brighter future. We have market leading capabilities across pensions and financial services, energy, health and analytics.

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