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News Release

Schroders report reveals lack of diversity in FTSE company DC schemes

07 March 2013

Schroders is today announcing the findings of its recent DC Default research, a project undertaken over the past 3 months which has focused on the DC pension arrangements of a selection of FTSE 100* and FTSE 250* companies and specifically the DC default they offer their employees. The research was undertaken to look at what currently constitutes best practice in DC investment design at the asset class level and whether asset class diversification really does represent the ' new normal' in practice.

The research identified that the typical portfolio allocation of both the FTSE 100 and FTSE 250 funds surveyed had more than three quarters (79%) of the average asset allocation in equities. Global (including European) had the highest allocation of all the equity classes with 46% rather than domestic (UK) equities at 33%. On average, just 2.9% is invested in emerging markets specifically.

Looking specifically at the portfolio allocation of a FTSE 100 DC Default scheme, the majority of assets were held in 3 key asset classes: global equities (47%), followed by UK equities (27.5%) and fixed income (10%). The rest of the portfolio (15.5%) is split between cash, property, hedge fund/absolute return, commodities and other asset classes. We then compared these findings with an average FTSE 250 DC Default scheme. These schemes are even more weighted towards global equities with 45% of overall assets allocated to this asset class. This is followed by UK equities at 41%, fixed income at 7% and other alternative assets which accounted for just 7%.

Stephen Bowles, Head of DC, commented:
"This research is specifically looking at DC Default funds in the accumulation stage. It has shown that there's a wide divergence among default DC schemes in terms of asset allocation, however it is clear that many of the employees of the UK's largest employers have no exposure to a wide range of alternative asset classes.

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"Surprisingly the average DC Default strategy of a FTSE 100 or a FTSE 250 company today appears not to have diversified away substantially from pure equity exposure. This indicates that trustees have hugely different opinions as to how they believe their investment strategies can best be achieved. Alternatives account for just 11% of an average portfolio and therefore this does throw into doubt the widespread belief that diversification is already the 'new normal' in DC."

**The DC default funds of 16 FTSE 100 and 9 FTSE 250 companies have been research for this project. Information correct as at November 2012. Research undertaken by the Wriglesworth Consultancy on behalf of Schroders*

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