

News Release

12 months on Schroders third FTSE DC report reveals diversification deficiency

08 May 2014

Schroders third FTSEⁱ DC report was announced today at its Annual Defined Contribution Conference, held at the British Library. It's been just over a yearⁱⁱ since Schroders first published its findings which track a selectionⁱⁱⁱ of the UK's FTSE 350 listed companies. Today's report provides optimism that some diversification is starting to occur, although schemes are still very heavily equity dependent.

Stephen Bowles, Head of Defined Contribution, Schroders comments:

"Since our first report back in March 2013, we are pleased that a wider pool of employees than ever before now has access to company pension schemes through auto-enrolment.

"One of the most notable findings in our report is that an average scheme has more than 80% of its overall fund allocation in developed equities, while the typical investment in alternative assets has increased to 8%. In fact of the schemes that invest in alternatives, nearly a quarter now has an allocation of 15% or more. By comparison, a year ago this only applied to only a fifth. But we believe all these pension schemes that are not diversifying their assets are missing the valuable growth and low volatility benefits, which can be achieved through diversification opportunities."

FTSE 100 firms have more diverse default DC schemes than their FTSE 250 counterparts, with total current developed equity allocations of 77% and 83% respectively. Similarly, allocation to alternatives by FTSE 100 firms stands at 9%, whereas FTSE 250 firms are at 7%.

In this report we have seen a reduction in the number of schemes that have an allocation to emerging markets. Today less than half (48%) of the default DC schemes of FTSE 350 companies have an allocation to emerging markets, compared to 55% a year ago.

For further information and to receive a copy of Schroders' FTSE DC Default Report, please contact:

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Notes to Editors

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ⁱⁱ First DC Report findings issued March 2013, the second DC Report findings issued October 2013

ⁱⁱⁱ The DC default funds of 17 FTSE 100 and 14 FTSE 250 companies have been researched for this project. Information is correct as at 23 April 2013. The research has been undertaken by The Wriglesworth Consultancy on behalf of Schroders