



## September Conference – Brexit and Beyond: What Trustees need to do?

An awful lot has happened since Brexit and no doubt the drama will continue to unfold over a period of at least two years. Markets will be turbulent and Trustees must remain vigilant and monitor developments for possible opportunities.

The biggest impact to date is that sterling has reached record lows and will probably remain weak, despite any anticipated stimulus to monetary policy. Internationally focussed companies, with dollar earnings, have benefited; whereas UK centric companies have suffered.

The message so far has been to 'keep calm' and don't panic!

Our Conference on 21<sup>st</sup> September 2016, at the offices of Columbia Threadneedle, will examine what actions Trustees should be concerning themselves with and look at other issues that the future may hold. Listen to the views of other Trustees and what their pension schemes are doing.

We will have our normal breakout sessions for Members to express their views and experiences of these issues, together with a chance to listen to some of the industry's most respected experts.

Please respond early if you would like to attend, as places will be limited, due to office space availability.



**Hallo!** I am Abhishek Srivastav of Columbia Threadneedle, your host for the AMNT September Conference

### Consultations

The AMNT welcome the opportunity to respond to the various consultation papers issued by Public Bodies and need your help in responding to the following:

**"21<sup>st</sup> Century Trusteeship & Governance": The Pensions Regulator is seeking responses on how trustees would best operate in the 21<sup>st</sup> Century.**

**Please respond by 2nd September 2016 to [consultations@amnt.org](mailto:consultations@amnt.org)**

### AMNT Annual Survey

You should now have received the AMNT Annual Members Survey; results to be disseminated at the September Conference. The information gained from the Survey helps us to arrange appropriate events and we are always grateful for your help in responding.



Quarterly  
newsletter

September 2016

## Calendar of Future Events

### September 2016

**AMNT Member Meeting** – 21/09/16: all day event to be held at Columbia Threadneedle London offices, EC4N 6AG  
**CPD Certificates now available for this event.**

**Pensions Age Autumn Conference** – 22/09/16: All day event to be held at Hilton London Tower Bridge, SE1 2BY

**Punter Southall Annual Pensions Conference** – 29/09/16:  
9am – 1pm event to be held in Piccadilly London

**DC Insight** – 26 October 2016: all day event to be held at Etc Venue, St Pauls, London

**IMPORTANT:** If you have not already done so, can existing Members please re-register their membership details on the new website at [www.amnt.org](http://www.amnt.org)



Events for November 2016						
MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	SUNDAY
1	2	3	4	5	6	7
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

To find out about all our events, visit our dedicated calendar at [www.amnt.org/events](http://www.amnt.org/events)

### Regional AMNT Seminars

We recently held an afternoon seminar on “When should Trustees pull the plug” at BNY Mellon’s offices in Manchester. This was our first attempt at holding regional meetings and the training session was very well received. We are looking to hold more of these sessions at other locations around the country, e.g. Leeds, Edinburgh, etc., so any views from our Members would be most welcome.

**RED LINE VOTING** – continues to gain momentum and has attracted a number of offers from leading bodies to help its development, e.g. the Law Commission. It has also been suggested that a pooled tracker fund, using red line voting practices, be introduced. By far the best way though is for Trustees to use their powers, take on-board Red Line Voting and ensure that their investment advisors and fund managers promote these highly

relevant procedures, that encourage good practice for all ESG issues.

The Red Line Voting website provides assistance on getting your Trustee board to adopt Red Line Voting. Please visit [www.redlinevoting.org](http://www.redlinevoting.org)

**Request to all AMNT Members** – Hopefully, you should now have received an email from Padraig Floyd, who chairs the AMNT Communications Sub-Group. Padraig’s email sets out how Members can become more involved in giving their voice and impetus into the many issues that seem to be constantly bombarding the pension’s world.

If any Members are interested in sharing their experiences with others, then please respond to Kate Bendy at [kate.bendy@amnt.org](mailto:kate.bendy@amnt.org) or to [psafloyd@moneypension.com](mailto:psafloyd@moneypension.com)

**What training do you want?** – we will shortly be approaching all our Members to determine what training measures will best prepare and equip them for dealing

with the many challenges facing pension trustees in today’s fast moving world.

Please lookout for a training Survey, that is currently being prepared, and let us know your views.

*Our next date for PMI training is 10th November to include a revision workshop kindly hosted and provided by LCP.*

Look out for more details to follow...

### New and Improved AMNT Website

It is hoped that by the September 2016 AMNT Conference, we will be able to enlighten Members attending of the enhancements currently undergoing implementation on the AMNT Website. There are some great new innovations! These will include looking for willing Members to take onboard an active editorial role in determining which papers and articles to be displayed and giving AMNT views about pension issues making the news.

## The Impact of Brexit and the Outlook from here on?

By Toby Nangle of Columbia Threadneedle Asset Management Ltd, Global Co-Head of Multi Asset & Head of Asset Allocation, EMEA

The decision by the British electorate to leave the European Union on June 23<sup>rd</sup> 2016 was expected by neither financial markets, nor indeed by the 'Leave Campaign'. It set in train a political firestorm that left many a career ambition scorched and businesses and households uncertain as to what this all meant for their economic futures.

Stock markets around the world were shaken by the announcement, although for the most part regained their losses in the weeks that followed. International holders of UK assets suffered losses that were not recovered as the British pound sank against every currency in the world without recovery to date, weakening between 10% and 22% depending on the cross. By contrast, British holders of international assets have received a large windfall from this depreciation, and given that the majority of earnings and revenues for UK equities derive from overseas, this currency boost has also come through in domestic equities. For defined benefit pensions with international assets and domestic equities, this windfall may go some way to offset the spike higher in the present value of their estimated liabilities that has been delivered by Brexit. Bond yields collapsed both immediately following the vote and then again when the Bank of England announced it would restart its Programme of Quantitative Easing. The collapse in yields and associated impact on the deficit of schemes with an asset-liability mismatch is likely to prove the most meaningful medium-term area of interest from a pensions perspective.

So why did both the value of sterling and the level of UK bond yields plunge? In large part these moves reflected the

market's assessment as to the UK's intermediate growth outlook and the Bank of England's policy response. In the run-up to the Referendum we at Columbia Threadneedle Investments had run a series of parallel forecasts for the UK economy under 'Remain' and 'Leave' scenarios, with a marked weakness in the 'Leave' scenario that could include a technical recession towards the end of 2016 and into the beginning of 2017. As the vote came in we saw many independent economists move their forecasts towards ours. And the fall in bond yields reflects this shift in expectations – where lower bond yields are associated with a lower Bank of England base rate given the prospective rise in unemployment and fall in demand, as well as expectations around lower long-term investment intentions by businesses. It will be some time before hard data comes through that might prove these forecasts right or wrong, and this time-lag leaves us dependent on high frequency forward-looking macroeconomic data like surveys against which to test our thesis, as well as information gleamed from meetings or conversations with the dozens of medium and large businesses that we meet each month as part of our investment analysis. The high frequency macroeconomic surveys weakened almost uniformly into territory typically associated with economic contractions. This was true whether you looked at the economy from a hiring intention, investment intention, consumer, services, manufacturing or construction perspective. To reiterate – this is not hard data, but it is the only data that we have so far, and it has historically been quite reliable. By contrast, there has been no reported contraction in credit for households and businesses wishing to borrow; that is typically associated with a move to recession. And so, until the UK exits the EU, it is fluctuations in confidence about the future that may drive economic growth.

British firms with whom we regularly

speak reported a pause for thought, although importantly did not ring the sorts of alarm bells that would more typically be associated with contraction. Some reported a complete cessation of their own investment activity, but few reported a collapse in their own customer activity. Our forecasts for economic weakness would be associated with continued pressure on domestic earnings (hurting asset prices) but also discount rates (which tend to boost asset prices) and currency, leaving a complex investment landscape for pension funds, but one that can be profitably explored.



### Get in touch

If you would like to contribute to the next edition of our newsletter please do contact Kate at [kate.bendy@amnt.org](mailto:kate.bendy@amnt.org). We look forward to hearing from you!