

**TWO THIRDS OF UK PENSION PROFESSIONALS PLAN TO INCREASE OR RETAIN FIXED INCOME EXPOSURE DESPITE CURRENT CHALLENGES, AQUILA RESEARCH SHOWS<sup>1</sup>**

- More than half (53%) reject the notion there is a 'great rotation' from bonds to equities

Nearly two out of three (65%) of UK pension fund professionals say they will retain or increase their current exposure to fixed income over the next three years despite uncertainty about the prospects for the asset class, according to new research by Aquila Capital ["Aquila"], one of Europe's leading independent alternative asset managers.

The research shows 34% of pension fund professionals plan to increase moderately their exposure to fixed income and 31% intend to retain it at current levels over the next three years. Only 26% say they are likely to decrease it, with 20% intending to do so moderately. Indeed, the majority (53%) of respondents reject the idea that a 'great rotation' of investor capital from bonds to equities is taking place, with less than one in six investors (15%) seeing a rotation and 32% uncertain.

This stability in overall exposure to fixed income exists despite two thirds (66%) of respondents regarding the asset class as 'challenging' or 'very challenging'. Key challenges cited by respondents with exposure to fixed income as 'important' and 'very important' include: rising interest rates (79%); assessing credit quality (74%); low yields (72%); the threat of inflation (72%); and achieving sufficient diversification (70%).

Earlier this month Aquila announced the launch of the AC – Risk Parity Bond Fund (the "Fund"), the world's first Risk Parity strategy to focus solely on fixed income. This innovative strategy is a solution for investors who wish to retain substantial exposure to fixed income despite any challenges that may face the asset class. The Fund's objective is to offer investors long term stable returns regardless of the twists and turns in the economic and fixed income cycle. It targets a return of cash plus 3% with annualised volatility of approximately 3%.

The Fund applies a systematic allocation method that does not rely on forecasts or duration targeting, while being as diversified as possible across instruments, return drivers, geographies and durations. It does this through investing with equal risk weightings across four uncorrelated types of fixed income asset. These are Government Bonds, Corporate Bonds, Carry Positions in Emerging Markets and Inflation-linked Bonds. These assets also have varying correlations with the economic and fixed income cycles. As such, this combination allows positive long term return targets regardless of whether rates are rising, falling or flat.

**Stuart MacDonald, Managing Director at Aquila Capital**, commented:

*"As our research shows, UK pension funds do feel challenged by the fixed income market, especially by the prospect of interest rate rises. Yet most of them plan to retain or even increase their exposure to it.. We launched the AC Risk Parity Bond Fund to offer long term, stable returns irrespective of market conditions, which should appeal to a wide range of conservative investors."*

The Fund, which is set up as a Luxemburg-based UCITS (SICAV) has a minimum investment of EUR 50,000. It applies the same well-proven risk parity allocation principles as Aquila Capital's long established and successful multi-asset AC Risk Parity strategy (including the AC Risk Parity 7, 12 and 17 funds), which have delivered strong risk-adjusted returns since 2004, including positive performance in 2008.

<sup>1</sup>Source: Research carried out among 118 pension fund professionals based in the UK between June 3 -10, 2013

**Notes to editors**

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**About Aquila Capital**

Aquila Capital is one of Europe's leading independent Alternative Investment managers with USD 5.5billion in assets under management. The company specialises in the management of market independent investment strategies that are driven by global macro trends and which provide strong risk-adjusted returns. Founded in 2001, Aquila Capital is part of the Aquila Group, with a network of offices across Europe and Asia.

Further information can be found at [www.aquila-capital.com](http://www.aquila-capital.com).