



# Risk appetite in practice: designing a risk-led investment strategy at NEST

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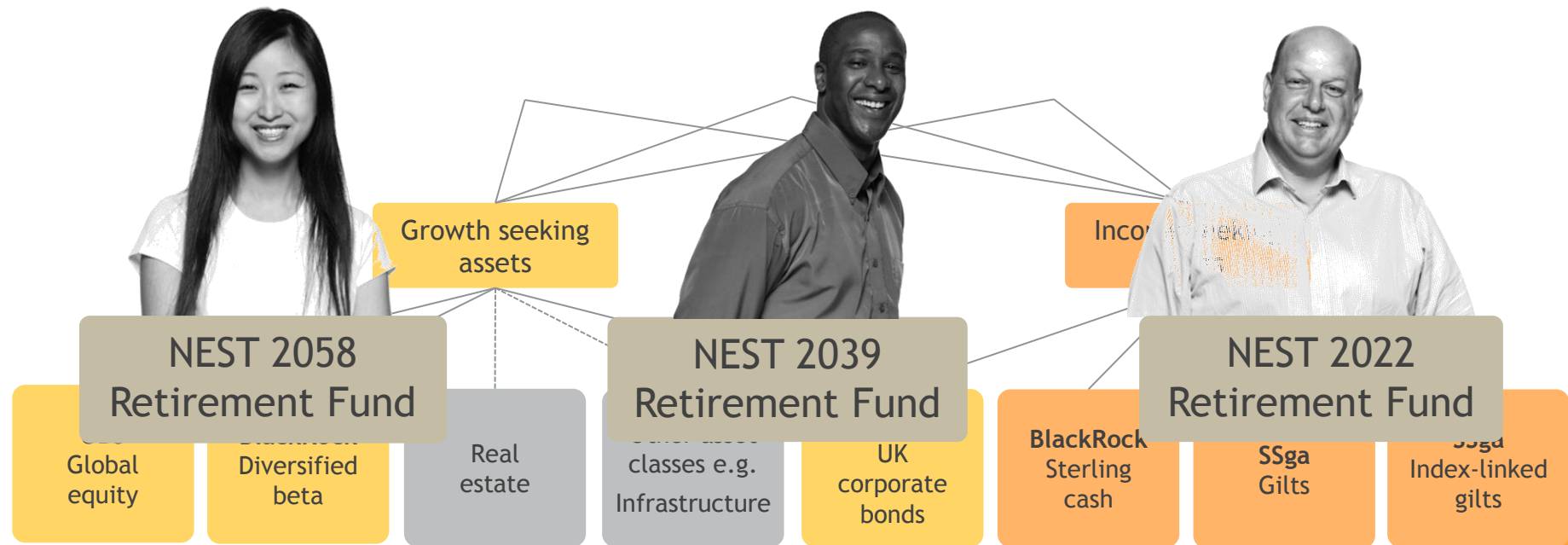


# NEST's features

- NEST set up to help employers meet their auto-enrolment duties
  - Public Service Obligation to accept any employer
  - Easy to use for both employers and members
- Designed to help our members
  - Clearly-labelled funds all at the same low charge
  - Risk managed default fund
- Excellent governance
  - Trust based to give members and employers peace of mind

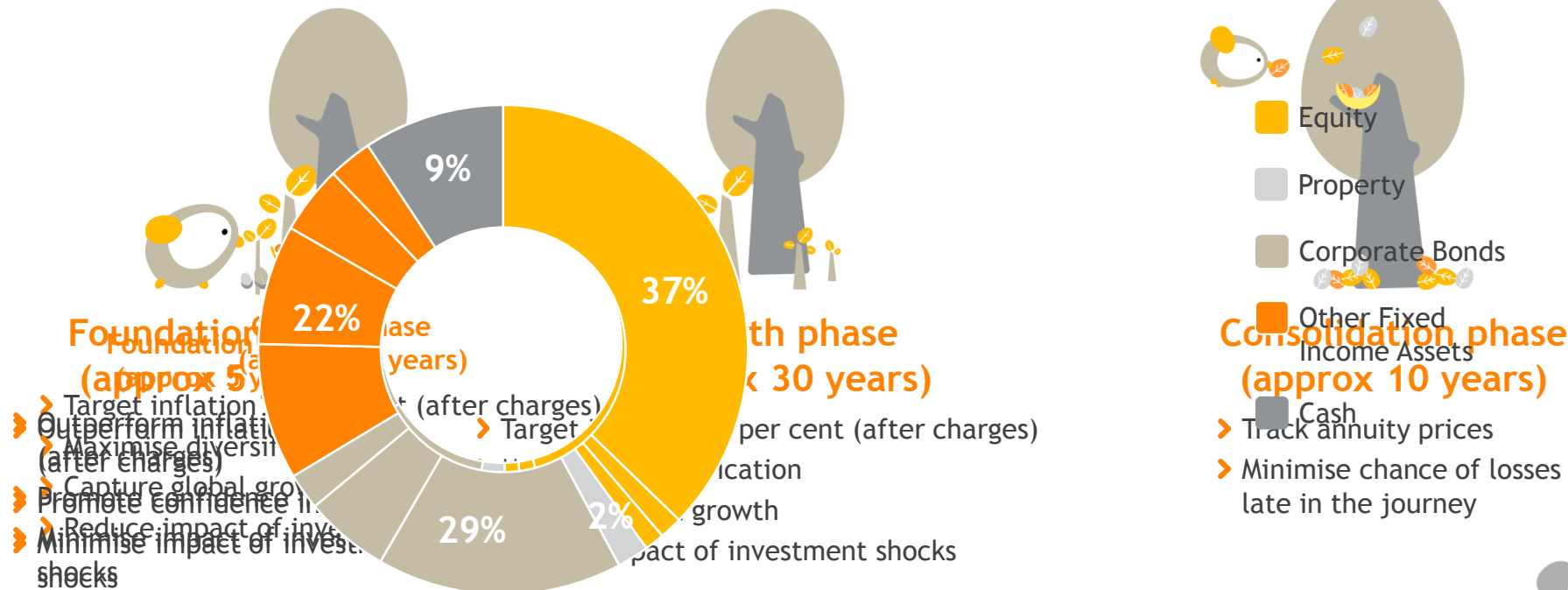


# NEST Retirement Date Funds - unique single year target date funds

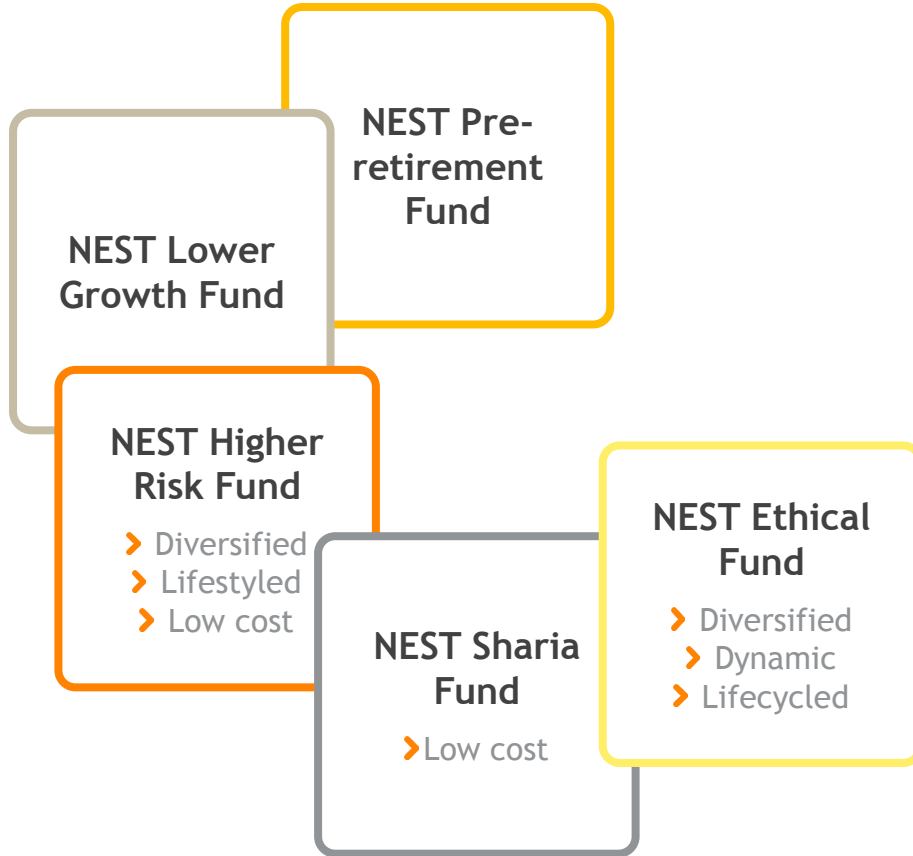


# NEST Retirement Date Funds - objectives

- Target investment returns well in excess of inflation after all charges over the long term

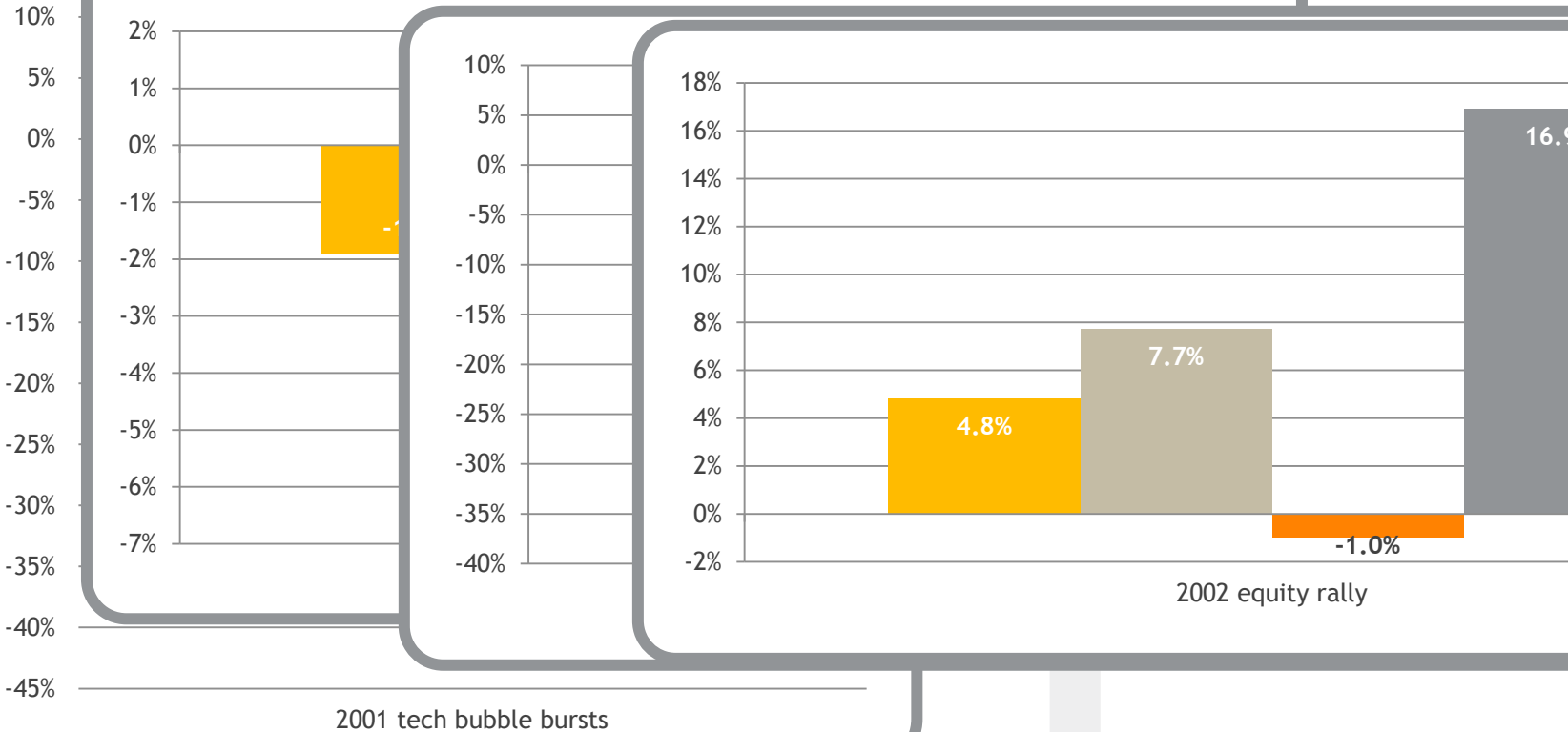


# NEST Retirement Funds - appropriate choice



# How would the NEST Retirement Date Funds have held up

- NEST Four phase
- NEST Growth phase
- NEST Conservative phase
- Global developed equity



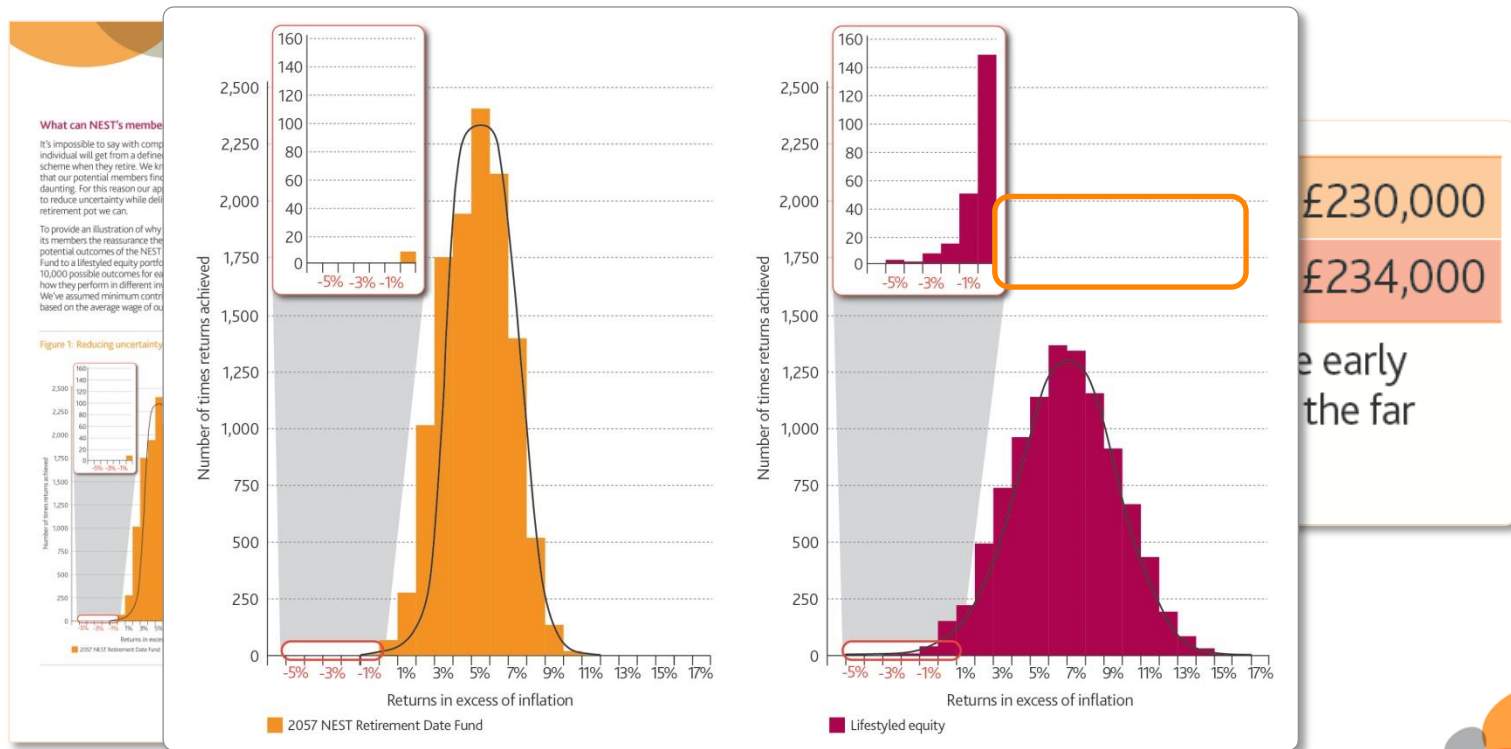
# Key challenges of illiquid assets



# Trading illiquid assets between NRDF's

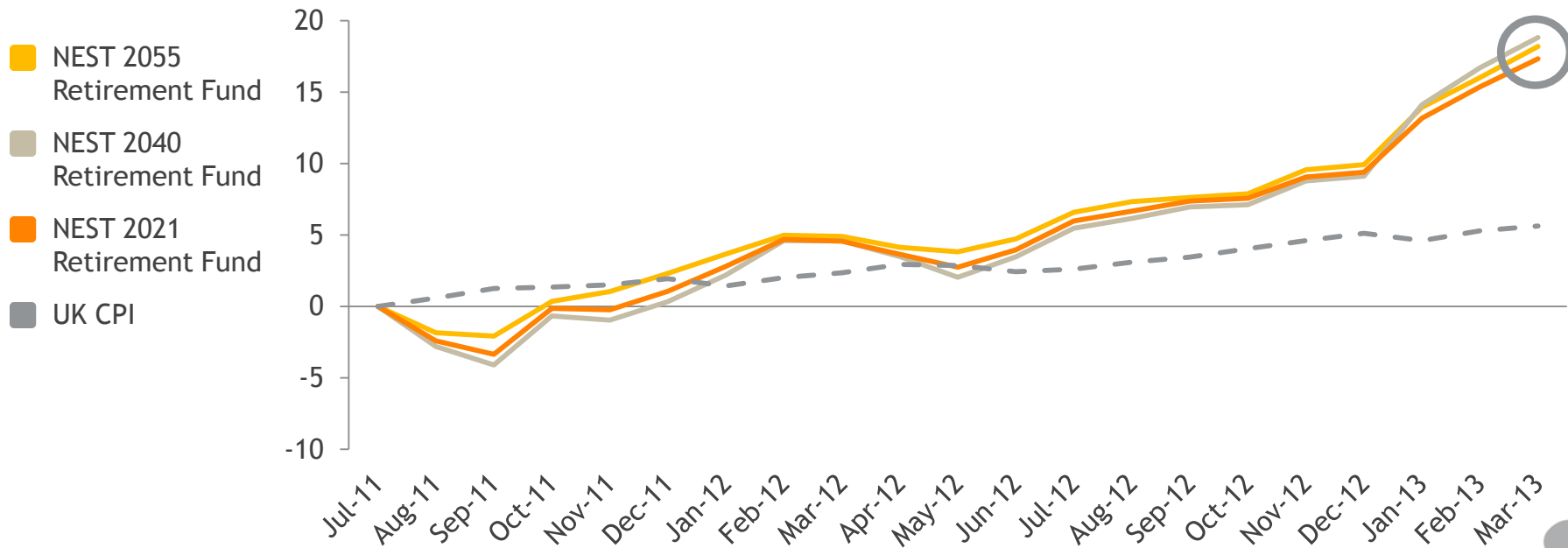


# So, what does all this mean for member outcomes - a stochastic model view



# Performance to date

- Stayed well within our risk budget - if at the lower end
- Reduced the volatility and some of the significant down sides
- Are on track to meeting our longer term return objectives



## What members see...

- 
- › Straightforward enrolment experience
  - › NEST Retirement Date Funds
  - › Focussed NEST Fund Choices
  - › Clear communications without overwhelming
  - › Same low charge across all funds

## ‘Under the bonnet’...

- › Multi phase investment approach, targeting different risk and return objectives
- › Dynamic and sophisticated risk management - designed to succeed in all economic conditions
- › Unique delivery system, that provides flexibility and efficiency
- › High levels of governance and clear alignment of interests

# Questions?



# Legal information

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# Strong governance and world class partners

## NEST Investment Committee

### ➤ Return and risk objectives

### NEST's in-house investment team

- Dynamic risk management
- Fund manager selection
- Rebalancing
- Economic scenario testing
- Meaningful communications
- Modelling
- Responsible ownership
- Member research
- Contract management

Investment  
advisers

MSCI Barra  
Risklab

Co-operative  
Asset  
Management

UBS  
Global  
diversified  
equity

BlackRock  
Diversified  
beta

RLAM  
UK  
corporate  
bonds

BlackRock  
Sterling  
cash

SSga  
Gilts

SSga  
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