Press Release **London, Nice, Singapore, September 27, 2010**

EDHEC Risk Institute Survey Suggests that a Majority of European Pension Funds Have a "Blinkered View of their Risks"

In a new survey of 129 asset/liability management (ALM) specialists (pension funds, their advisers, regulators, and fund managers) representing assets under management of approximately €3 trillion, EDHEC Risk Institute finds, amongst other key conclusions, that the majority of respondents have a blinkered view of their risks: **accounting risk (the volatility from the pension fund in the sponsor's books) is managed by only 33% of respondents, and more than 50% ignore sponsor risk (the risk of a bankrupt sponsor leaving a pension fund with deficits)**.

In addition, **pension funds generally do not assess the adequacy of their ALM**, a failing that may lead to sub-optimal decisions' being taken again and again.

* According to Samuel Sender, Applied Research Manager at EDHEC Risk Institute and author of the "EDHEC Survey of the Asset and Liability Management Practices of European Pension Funds," the first challenge for a pension fund involves meeting its liability by fully or partially hedging it away. **The survey suggests that the liability-hedging portfolio (LHP) is modelled imprecisely at 45% of pension funds.**

* The second challenge for pension funds is to gain access to performance through optimal diversification within and between asset classes. **Most respondents use market indices to define the investment benchmarks of investment funds, even though market indices are weighted by capitalisation and are known to be highly inefficient**.

* Additionally, **even though they are the longest-term investors and are not subject to liquidity risk, pension funds invest relatively little in potentially illiquid assets and therefore do not benefit from the related risk premiums**.

* The last challenge for pension funds is to respect their minimum funding ratios by insuring risks away. To manage prudential constraints, 28% of respondents use risk-controlled investing (RCI) strategies, whereas 56% use economic/regulatory capital. Like RCI, economic capital relies on the measure of a risk budget and of a surplus. **Economic capital, however, involves a discretionary, rather than rule-based, investment strategy, and possible delays**.

A copy of the "EDHEC Survey of the Asset and Liability Management Practices of European Pension Funds" can be downloaded by pressing [Ctrl] and clicking on the following link:

EDHEC Survey of the Asset and Liability Management Practices of European Pension Funds

This survey was sponsored by AXA Investment Managers (AXA IM) as part of the "Regulation and Institutional Investment" research chair at EDHEC Risk Institute and will be presented at the EDHEC-Risk Institutional Days in Monaco on December 9, 2010.

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About EDHEC Risk Institute

EDHEC Risk Institute is part of EDHEC Business School, one of Europe's leading business schools and a member of the select group of academic institutions worldwide to have earned the triple crown of international accreditations (AACSB, EQUIS, Association of MBAs). Established in 2001, EDHEC Risk Institute has become the premier European centre for financial research and its applications to the industry. In partnership with large financial institutions, its team of 47 permanent professors, engineers and support staff implements six research programmes and ten research chairs focusing on asset allocation and risk management in the traditional and alternative investment universes. The results of the research programmes and chairs are disseminated through the three EDHEC Risk Institute locations in London, Nice and Singapore.

EDHEC Risk Institute validates the academic quality of its output through publications in leading scholarly journals, implements a multifaceted communications policy to inform investors and asset managers on state-of-the-art concepts and techniques, and forms business partnerships to launch innovative products. Its executive education arm helps professionals to upgrade their skills with advanced risk and investment management seminars and degree courses, including the EDHEC Risk Institute PhD in Finance and the EDHEC Risk Institute Executive MSc in Risk and Investment Management.

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AXA IM offers products and solutions across all major asset classes and alpha strategies. Its business model is one of multi-expertise, reflecting its investment belief that, for all of its clients—institutional investors, distributors and the AXA Group:

* Specialisation is key to sustainable performance;
* The integration of expertises and the collaboration of specialists is at the source of optimal, tailored investment solutions.

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