

**Presenting
debate on
contemporary
and emerging
portfolio
construction
issues**



portfolio
construction

CONFERENCE

15 & 16 August 2007 | AJC Convention Centre, Randwick, Sydney

[Portfolios]

**I've been thinking about...
emerging trends in portfolio construction**

Presentation

**I've been thinking about...
the possible solutions to
longevity risk**

Andrew Robertson, MD, Ingevity



CONFERENCE

INGEVITY

Income for life

“Running Naked” in retirement!

Understanding and addressing Australian retiree’s risk exposure

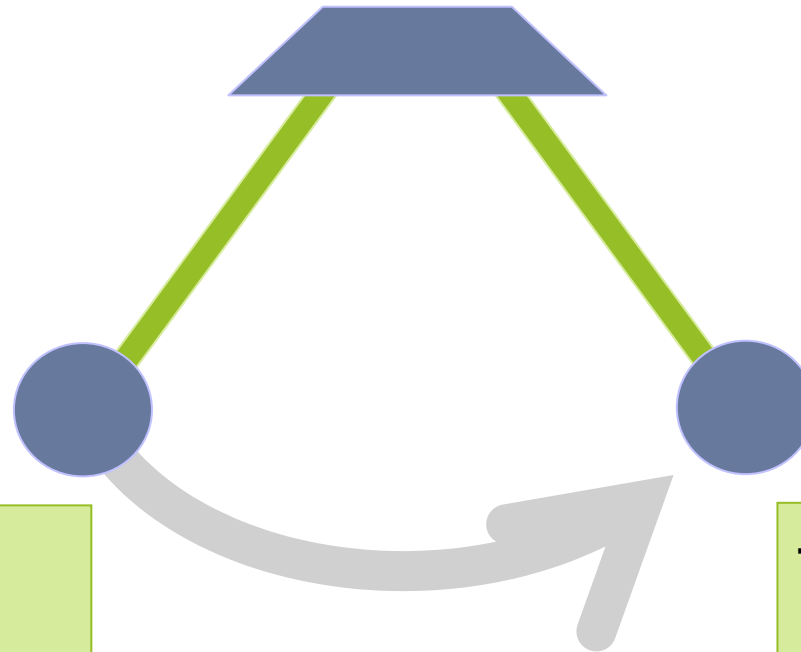


Andrew Robertson

Presentation to PortfolioConstruction Conference 2007

This presentation is intended to provide general information only regarding portfolio construction and longevity risk. It does not constitute financial product advice and should not be used for any decision in relation to a financial product or class of products.

The burden of risk has shifted from institutions to individuals – resulting in risk and reward



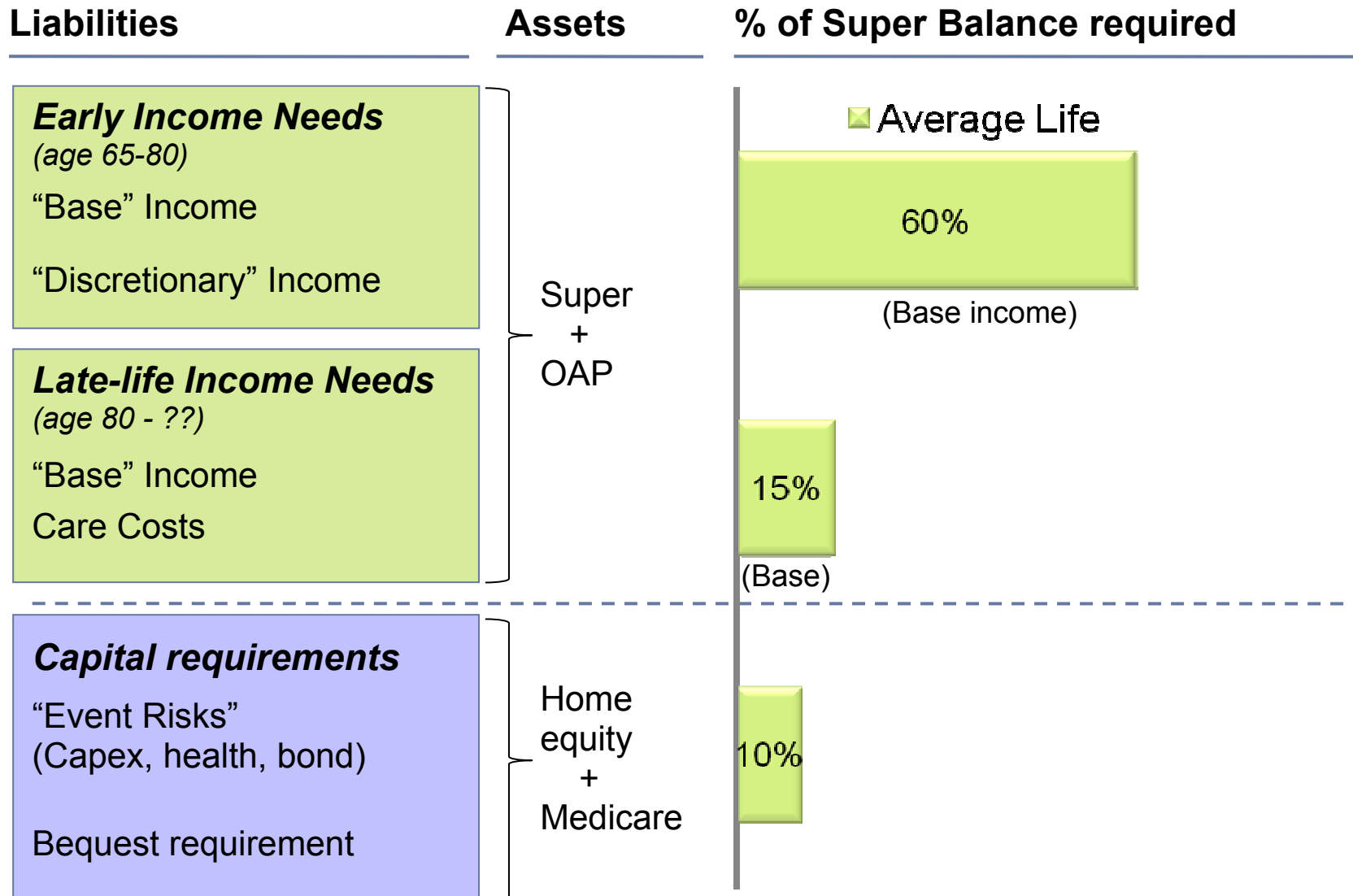
The Old-Paradigm – defined benefits & annuities

- ✓ Guaranteed income
- ✗ Inflexible – lose access to capital
- ✗ Unattractively priced (capital intensive/fixed interest returns)

The new paradigm – Account-based pensions

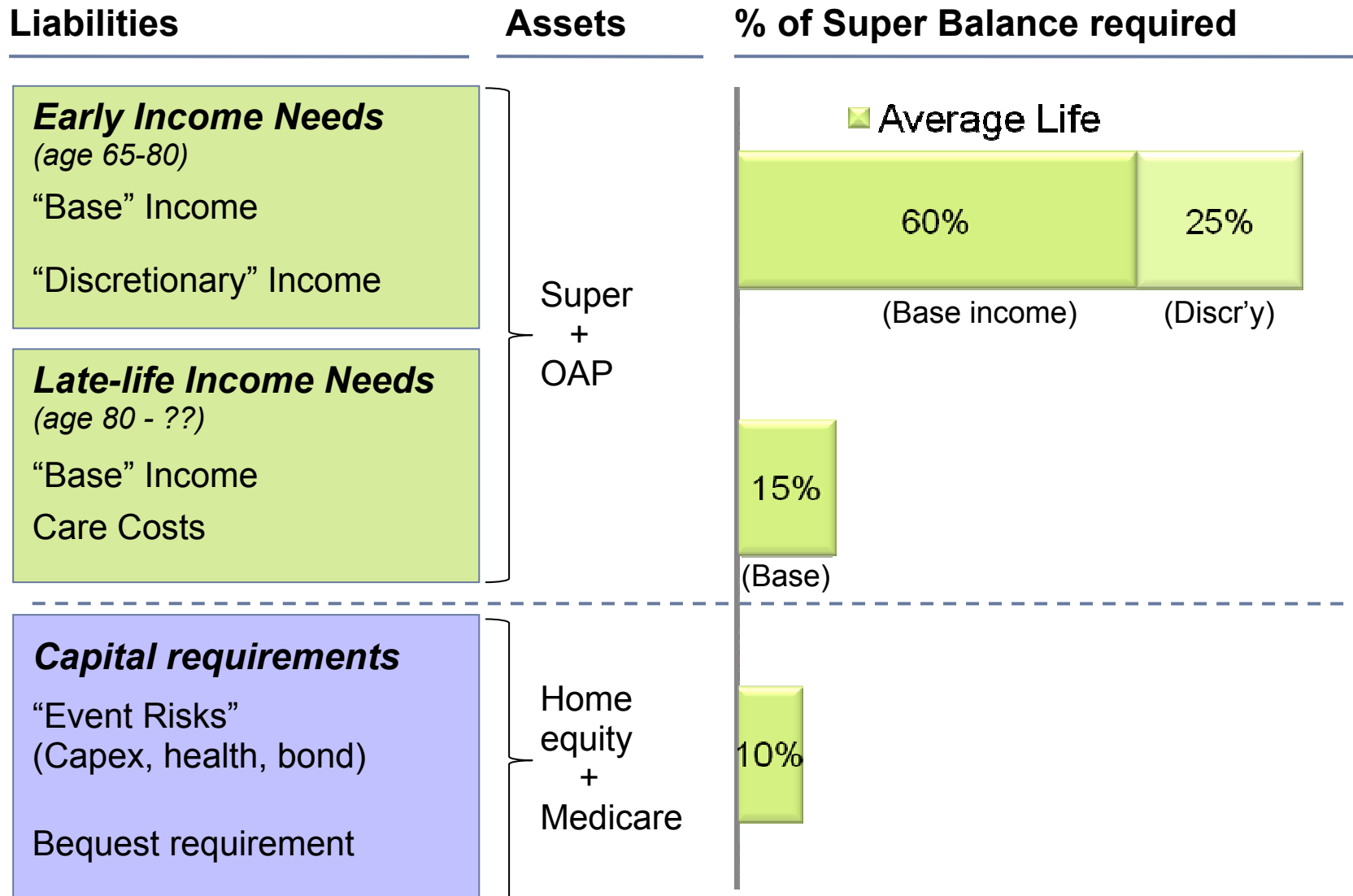
- ✓ Flexible access to capital
- ✓ Market-linked returns
- ✓ Unit-linked transparency
- ✗ Retiree assumes all risks – investment and longevity

Many Australian retirement plans only provide for a “life expectancy” length life



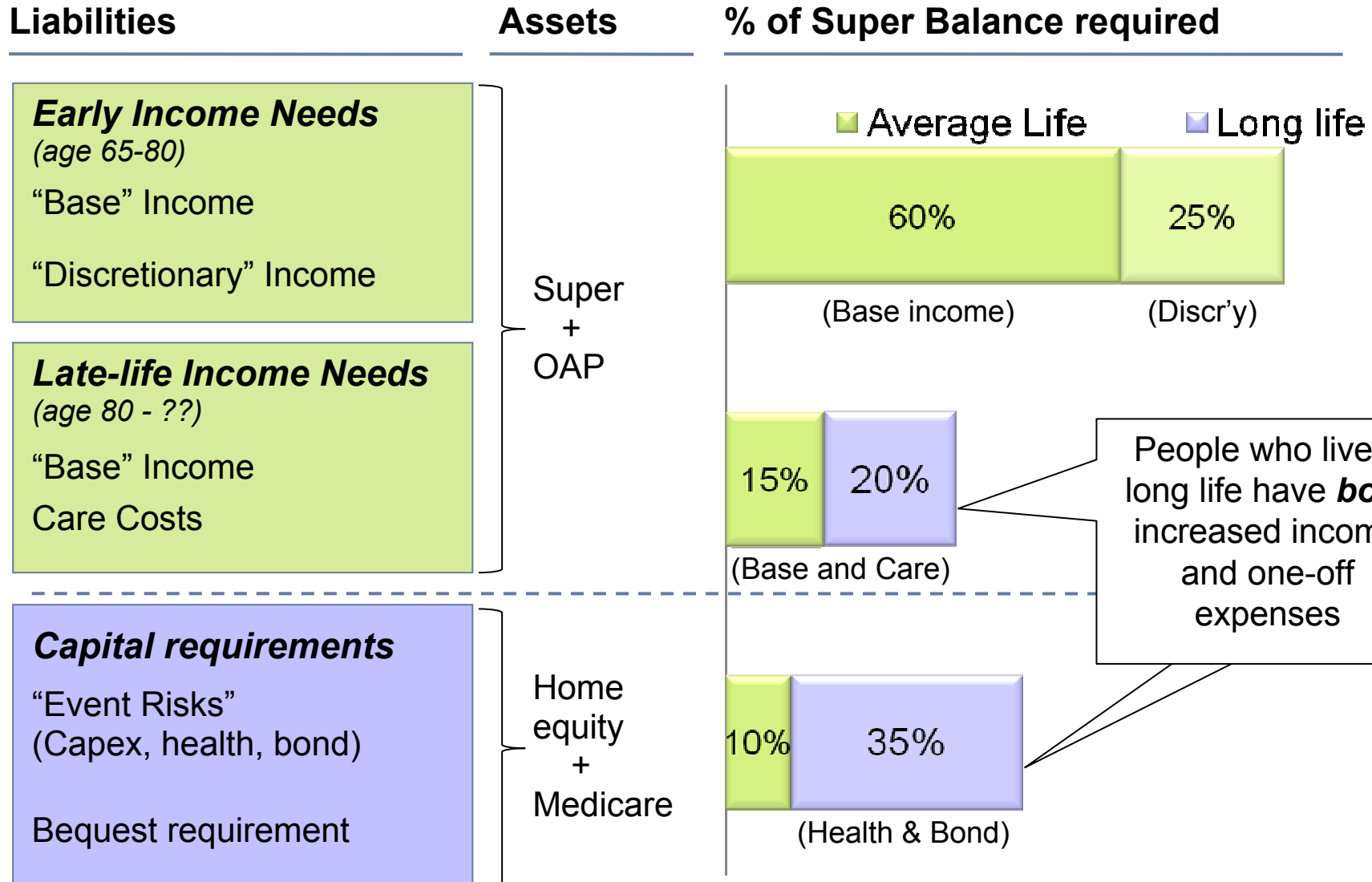
This presentation is intended to provide general information only regarding portfolio construction and longevity risk. It does not constitute financial product advice and should not be used for any decision in relation to a financial product or class of products.

Many retirees will live significantly longer – a very expensive outcome

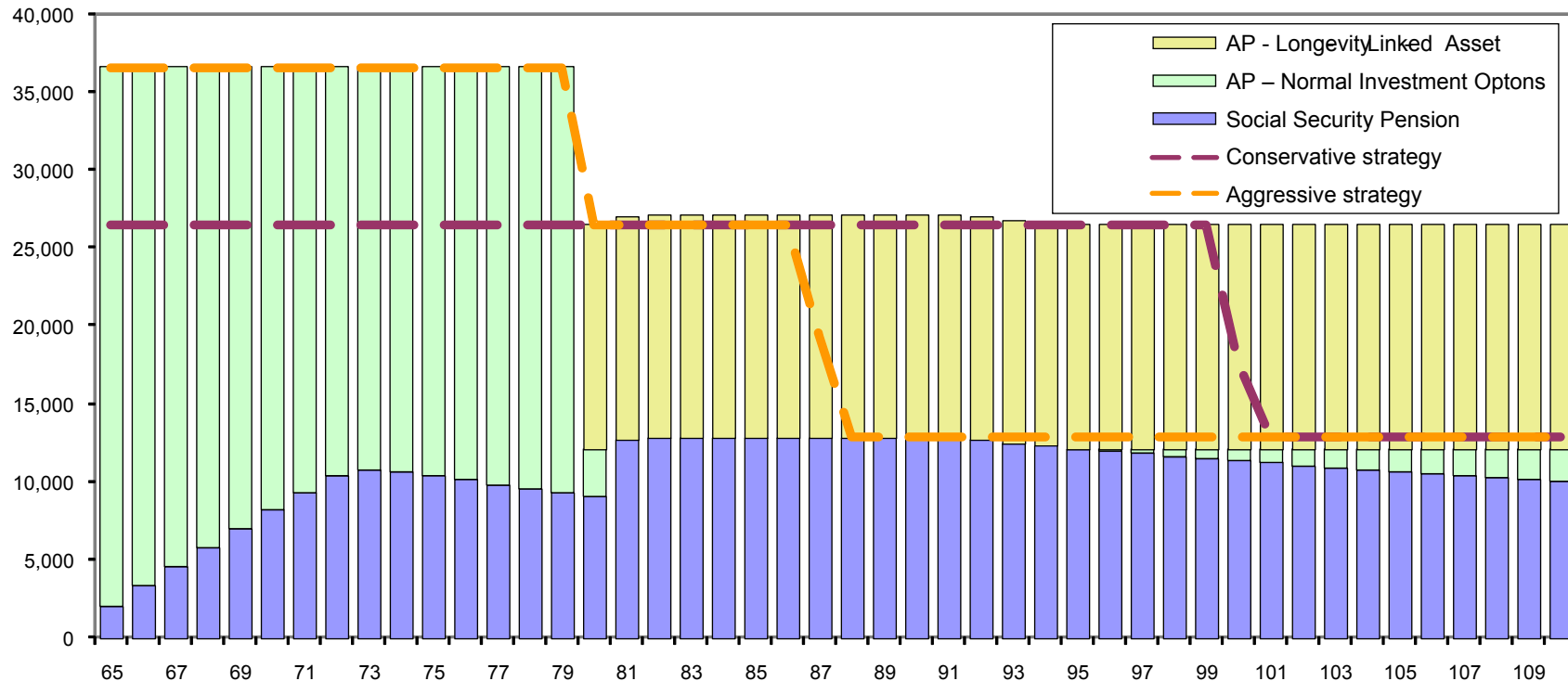


This presentation is intended to provide general information only regarding portfolio construction and longevity risk. It does not constitute financial product advice and should not be used for any decision in relation to a financial product or class of products.

Many retirees will live significantly longer – a very expensive outcome



The impact of better managing longevity risk – more income early, comfort of income for life



Current options open to retirees

- Plan income strategy conservatively “*Live poor, die rich*”
- Higher income early in retirement, significant longevity risk

Longevity-linked asset strategy

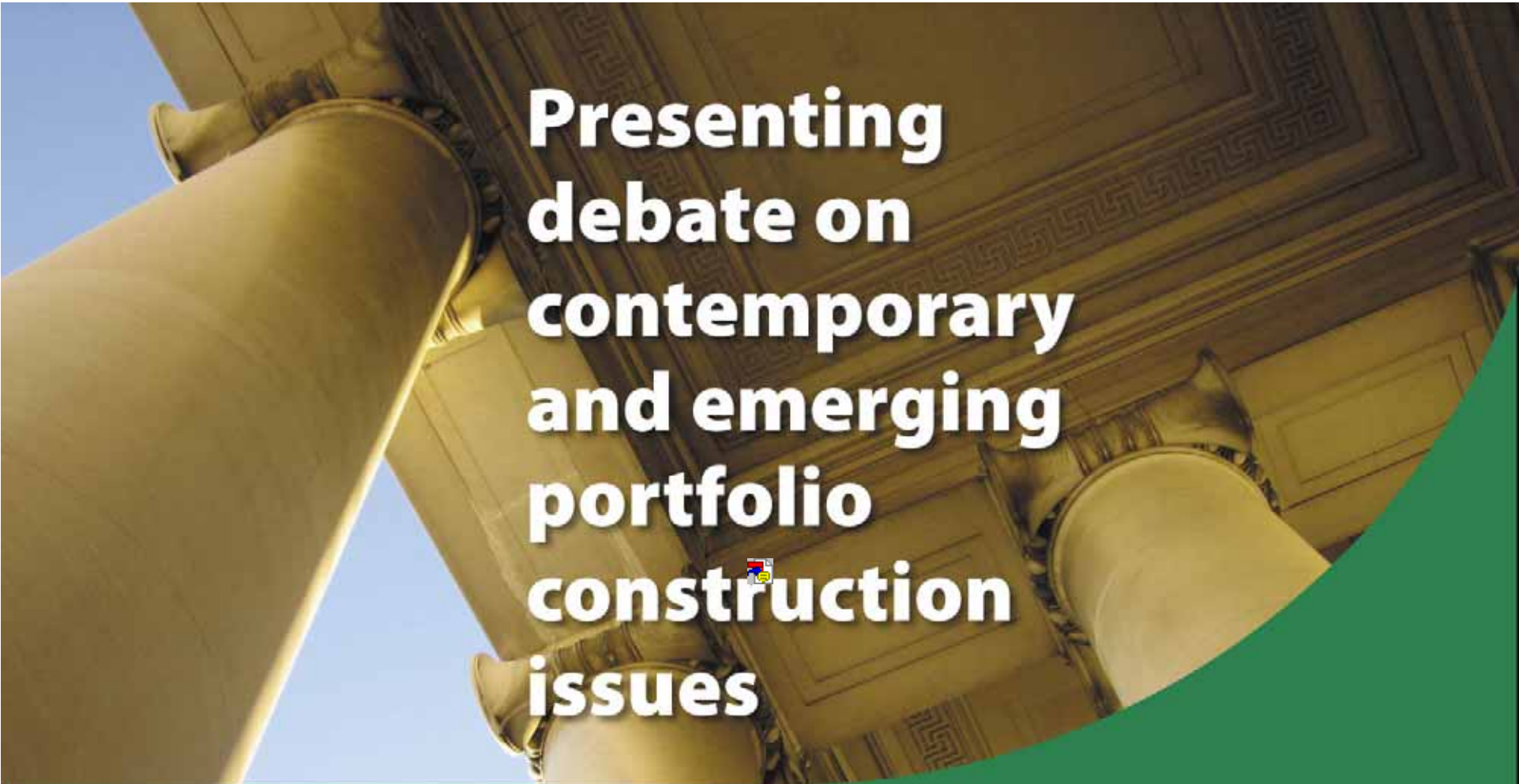
- Investment option within Account Pension “pools” longevity risk
- Allows high early retirement income, backs income for life

This presentation is intended to provide general information only regarding portfolio construction and longevity risk. It does not constitute financial product advice and should not be used for any decision in relation to a financial product or class of products.

A new approach is required to manage Australian retiree's long-term risks

Key messages

- Baby Boomers will “redefine retirement”
 - Higher aspirations
 - Longer lives
- Increasingly plans will need to better match retirees' long term needs/risks (“liabilities”) to the assets they hold
- New products are expected that will allow better management of specific risks eg:
 - Longevity risk
 - Significant investment underperformance risk



**Presenting
debate on
contemporary
and emerging
portfolio
construction
issues**



CONFERENCE

15 & 16 August 2007 | AJC Convention Centre, Randwick, Sydney