

Case Study Investment Strategy

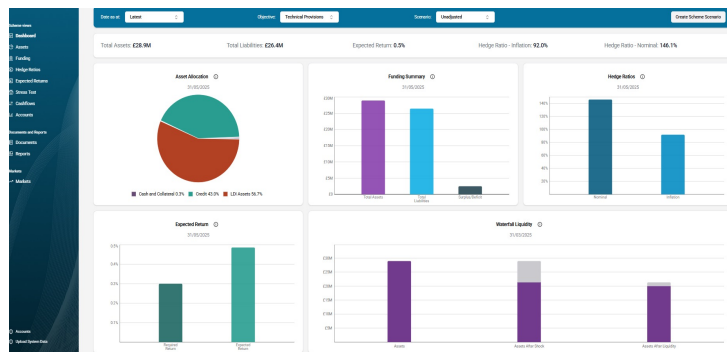


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The Mandate

We were approached by a defined benefit pension scheme, sponsored by a family-run business, where cost-effectiveness and efficiency were key considerations in selecting advisers. The scheme's sole trustee, Atkin Pensions, had struggled to find a firm willing to conduct a high-level strategic review at a fee proportionate to the scheme's size.

Purple Daffodil was appointed to perform a "sense check" of the scheme's investment strategy, focusing on liquidity requirements, hedge ratios, and expected returns following the 2024 Actuarial Valuation.

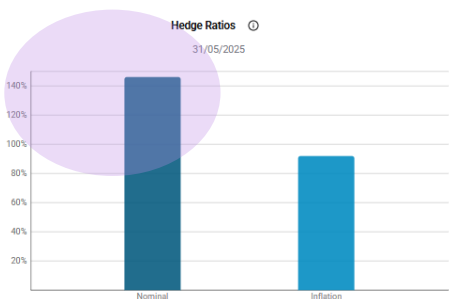


The Process

Leveraging our Javelin system, we uploaded the scheme's asset and liability data for the previous twelve months. This provided comprehensive statistical insights, allowing us to assess expected returns and hedge ratios at a glance.

While the returns aligned with the requirements set out in the 2024 Actuarial Valuation, we identified that the nominal hedge ratio was running well above 100%. This presented a significant risk in the event of rising yields. Although yields were already elevated, ongoing economic uncertainty - stemming from factors such as US tariffs and the UK's fiscal position - meant that further rises remained a possibility.

Using Javelin's scenario-testing functionality, we modelled changes to the scheme's asset allocation, including the addition of new funds to the portfolio, with the aim of reducing the nominal hedge ratio. We also modelled the projected income from the revised portfolio against the existing one to evaluate the impact on cashflow requirements.



"Our scheme has a simple derisked strategy and, as a professional trustee, we wanted an investment adviser who could provide advice on refinements to our strategy on the back of a new Actuarial Valuation. Purple Daffodil met our brief and didn't seek to expand it, unlike other firms we approached who would only work to a much wider scope."

Rob Dales, Atkin Pensions

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The Outcome

Working closely with the fund manager, we developed a clear plan to implement the proposed strategy changes. A comprehensive report was presented to the sole trustee, including a recap of liability hedging and the rationale behind the recommended adjustments.

The proposals were approved, and implementation was successfully completed in September 2025. As a result:

- The nominal hedge ratio was reduced to 95% by investing in a new fund, reducing unrewarded risk.
- Expected returns were unaffected, retaining the existing funding projections.
- Assets within the new fund were set aside to cover the next 18 months of projected cashflow shortfalls, reducing the call on trustee time when cash is needed.

The entire process was delivered on time and within budget.

Fund	Asset Class	Value	Waterfall	Actions
Cash	Cash	£75,752	1	
Cash Fund	Cash	£16,207	2	
Cash	Cash	£0		
Long Dated GB Corporate Bond Fund	Credit	£12,447,568	5	
Short Fund	Credit	£0		
Index UK Gilt Fund	LDI - Nominal	£7,232,797	3	
Index-Linked Bond Fund	LDI - Real	£9,162,699	4	

Value	Waterfall
£75,753	1
£16,208	2
£0	0
£0	5
£15,447,566	0
£4,232,797	3
£9,162,699	4
Proforma Total £28,935,023	Current Total £28,935,023
Difference +£0	
Save Scenario	

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