

[illegible]

	Investment Risks					
8	There is a risk that, under any set of circumstances, an asset class will underperform. The Fund has a significant allocation to several single asset categories - for example, equities, fixed interest, property or alternates - which potentially leaves the Fund exposed to the possibility that class of assets will underperform relative to expectation.	Pension Fund Investment Manager	The investment allocation mix is in a variety of uncorrelated investments designed to give a diverse portfolio, meaning any one investment class should not unduly impact on the performance of the overall portfolio, if it underperforms relative to expectation. It is recognised that the portfolio is currently overweight equities.	4312	A new asset allocation will be agreed in 2019.	326
10	The London CIV does not have a transition team. Moreover it does not appear to have permission from the FCA to perform standard transition activities. This leaves investors exposed to significant risks when transferring assets into, from or within the CIV.	Head of Pensions and Treasury	Croydon Council retain the services of an external consultant to assess the efficacy of transitions. This is a backward looking review and the Council does not have visibility of the process when the transition is happening or when the Fund is out of the market.	4312	In the future the CIV should build a proper transition team.	326
11	Specific macro-economic risks are addressed below but there is a more general, underlying risk of a global collapse in investment markets. The markets have experienced a continuous sequence of such events: Latin American sovereign debt; Black Friday crash; the Dot.com bubble; sub-prime and credit crunch. Other crises are inevitable.	Pension Fund Investment Manager	The discount rate assumption is reviewed at every valuation to ensure it gives appropriate views on future return expectations. The Fund is also well-diversified which provides a degree of protection.	4312	Existing controls deemed adequate. Reviewed 31/12/2018. Next review 31/12/19.	4312
12	There is a risk that a 'Hard Brexit' will result in disruption to the way that fund managers can operate and this will have a deleterious impact on the Fund.	Head of Pensions and Treasury.	The government has rolled out a temporary permissions regime and EU27 governments are introducing mirror regimes. So far Holland, France, Italy, Germany, Finland and Luxembourg have introduced regulations to allow existing arrangements to continue. However, a long-term solution to passporting has not been agreed.	3412	There will be unresolved problems for a number of years due to the scale and complexity of this issue.	339
13	There are a number of current specific geopolitical risks. The administration of US President Trump can be considered an unknown factor in so far as its impact on the US economy. To date this has been largely benign and the US markets have reacted positively. Other ongoing concerns include the impact of Brexit, the Euro crisis, the growth of the Chinese economy and the impact of populist movements.	Pension Fund Investment Manager	Equities have performed well to the extent that the Fund is currently over-weight in the asset class. This is being addressed by moving cash into alternate asset classes. Currency hedging is an option to address potential volatility as is some form of synthetic hedging.	4312	By 2019 the overweight position in equities should have been invested in alternate asset classes thus reducing this risk.	326