

## **Cash investments in the Coats Pension Plan – Explanation from Our Investment Consultants**

The cash flow matching (CFM) portfolio contains a series of bonds and derivatives, known as 'interest rate swaps', which combine to match a high proportion of the predicted pension cash flows over the next 15 years. The use of interest rate swaps required an investment in additional [short term bonds](#). Over the year, these short term bonds have expired and the proceeds have resulted in a build up of cash in the portfolio. This cash is now supporting the Plan's investment in interest rate swaps. The Trustee is looking at ways to restructure the portfolio to reduce the ongoing cash position.

The two tables on pages 2 and 3 are not immediately comparable as the 62% allocation to the CFM portfolio contains bonds, derivatives and cash. The cash and interest rate swaps should be considered together.

In terms of the reduction in the allocation to bonds over the year, this was a result of the relative performance of equities versus bonds, the sale of bonds held as part of the Psolve SPV, the sale and redemption of several bonds in the BlackRock illiquid bond portfolio, the fact the Plan had one less year of cash flow matching at the end of the year, and the redemption of short term bonds within the BlackRock CFM portfolio resulting in a build up of cash.

[Investment Services](#)  
[Deloitte Total Reward and Benefits Limited](#)

Pension Plan