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Greek pension fund wins with bond bet

By **Kerin Hope**

The managers of a fund for Greek pension schemes have doubled its assets by following the example of aggressive investors who netted windfall gains buying junk-rated Greek government bonds last year.

The Hellenic Pension Mutual Fund Management Company's investment committee took a bet last June that Greece would manage to get its economic reform programme back on track and avoid crashing out of the euro.



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"It was risky because there was so much scepticism about Greece's fate as a eurozone member," said John Kyriakopoulos, HPMF's managing director. "But we made more money than the hedge funds that played with Greece."

HPMF, which manages funds pooled by three of Greece's biggest state pension funds and National Bank of Greece, a commercial lender, saw its Mixed Balanced Fund's assets rise from €240m at the end of June to €500m on January 31.

Its holdings now consist of 58 per cent Greek bonds, 37 per cent Greek equities and 5 per cent cash.

Smaller Greek state pension funds, which are only able to invest in Greek government bonds that are held by the central bank as custodian, together had losses close to €10bn over the same period.

The decision to invest €100m in Greek bonds – just over 40 per cent of the fund's assets – was taken after consulting HPMF's Athens-based investment advisers, National Bank of Greece and Eurobank, Mr Kyriakopoulos said.

"We were getting information on what hedge funds were doing, and we followed spreads on Greek bonds over German Bunds very closely... It was clear something positive was happening," he said.

Even though the mixed balance fund is actively managed, and the bond purchase fell within its investment benchmarks, the decision "clearly marked a departure from its usual practice", said an asset manager at a private Greek bank.

Mr Kyriakopoulos said: "Importantly, we saw consensus on the political front, among partners in the coalition government that emerged from the June election and between the coalition and the troika [the EU, International Monetary Fund and European Central Bank] on resuming reforms."

HPMF sold at par its entire €60m of European Financial Stability Facility bonds acquired in March as part of the debt restructuring without incurring any losses. It took €40m from its cash reserves to make the investment.

It bought the Greek "strip" – a basket of securities with mixed maturities that investors received in exchange for their old bonds in the restructuring – at between 13 cents and 24 cents on the euro in tranches of €5m-10m over the summer.

Yet unlike many hedge funds, HPMF decided against participating in a €11bn buyback of Greek debt last December priced at 33 cents on the euro. The strip is currently trading just below last month's peak of 47 cents.

"We held on to the bonds because we saw some more upside potential," Mr Kyriakopoulos said. "Business confidence is up, mattress money is coming back to the banks, and the government is tackling the reform agenda."

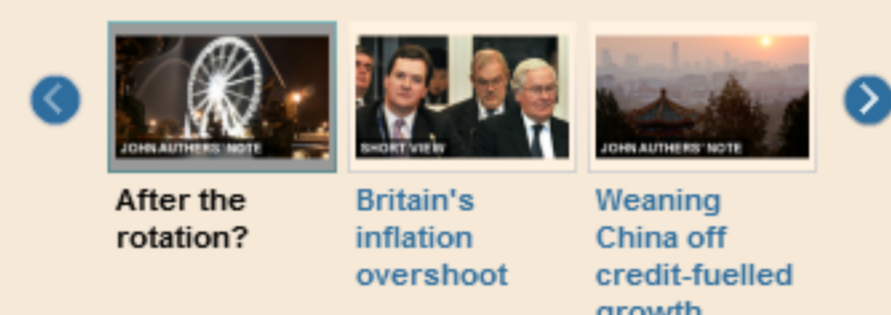
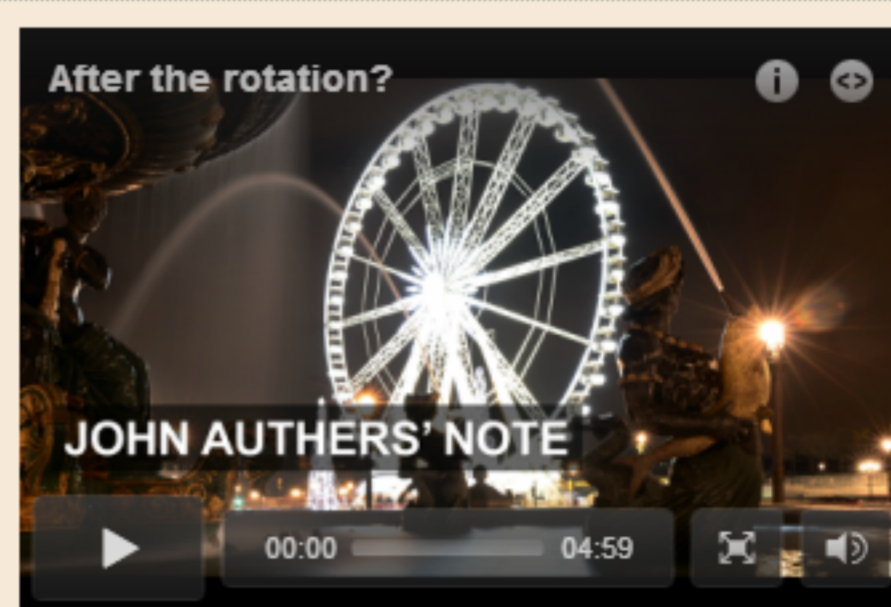
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