

## **Non-Technical Summary**

This paper investigates the performance of a large sample of UK equity portfolios of segregated UK pension funds over the period 1983-97. In summary we find little cross-sectional variation in the returns on these portfolios leading us to conclude that most funds in the sample are "closet-trackers".

Over the whole period and across all funds average outperformance was insignificantly different from zero. Though during three sub-periods we found that there was significant average underperformance during the strong bull market of the mid-eighties, but significant outperformance since 1987. In particular in the period 1987-92 the average outperformance across pension funds was one half of a percentage point per year.

We investigated the sensitivity of the fund returns to the addition of a size premium, which we found to be significant, and important for the smaller funds in our sample. Decomposing this abnormal performance we found that most of it could be explained by the ability of both large and small funds to time the size premium. On the whole there were negative returns to both selectivity and to market timing.