

London Borough of Harrow Performance Review

Period Ending 31st March 2013

Tuesday 25th June 2013
Lynn Coventry

Agenda

Section 1 – Market Environment

Section 2 – Total Fund Performance versus Strategic Benchmark

Section 3 – Manager Performance

Section 4 – Total Fund Performance versus Peer Group

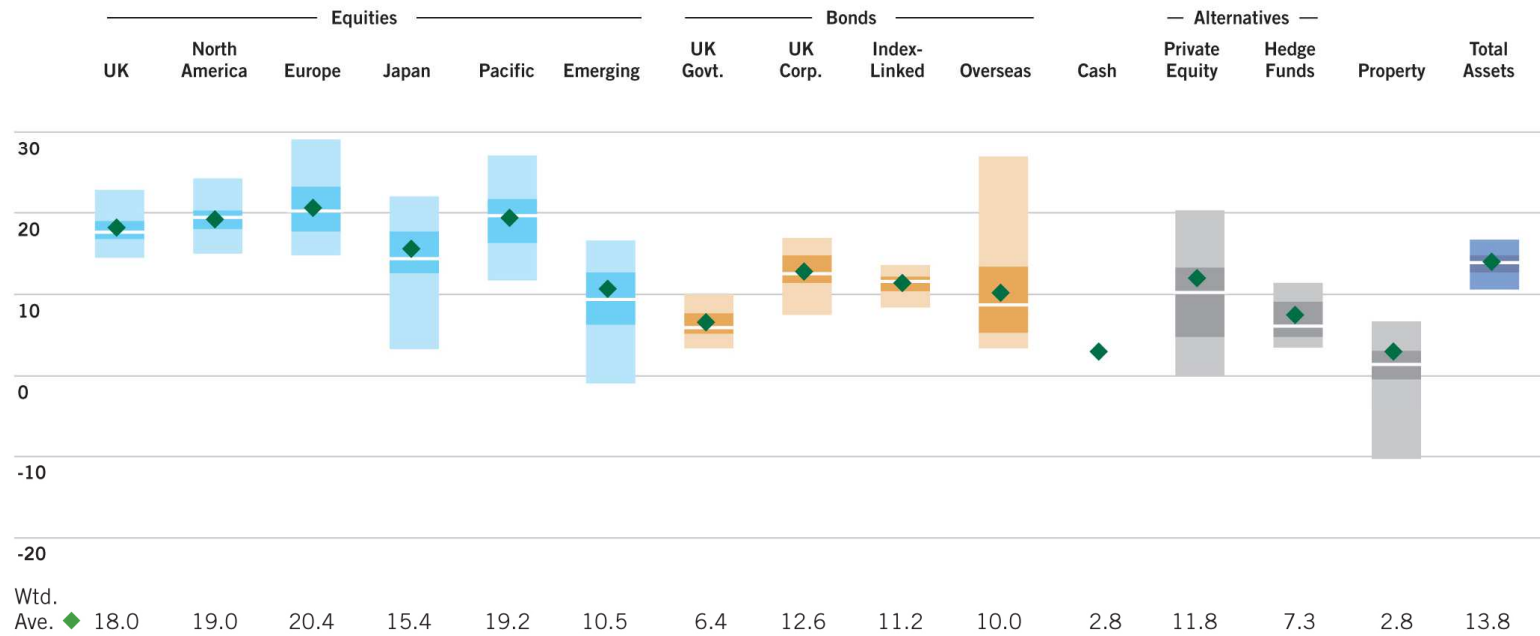
Appendix

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Section 1

Market Environment

2012/2013 Returns and Ranges (%)



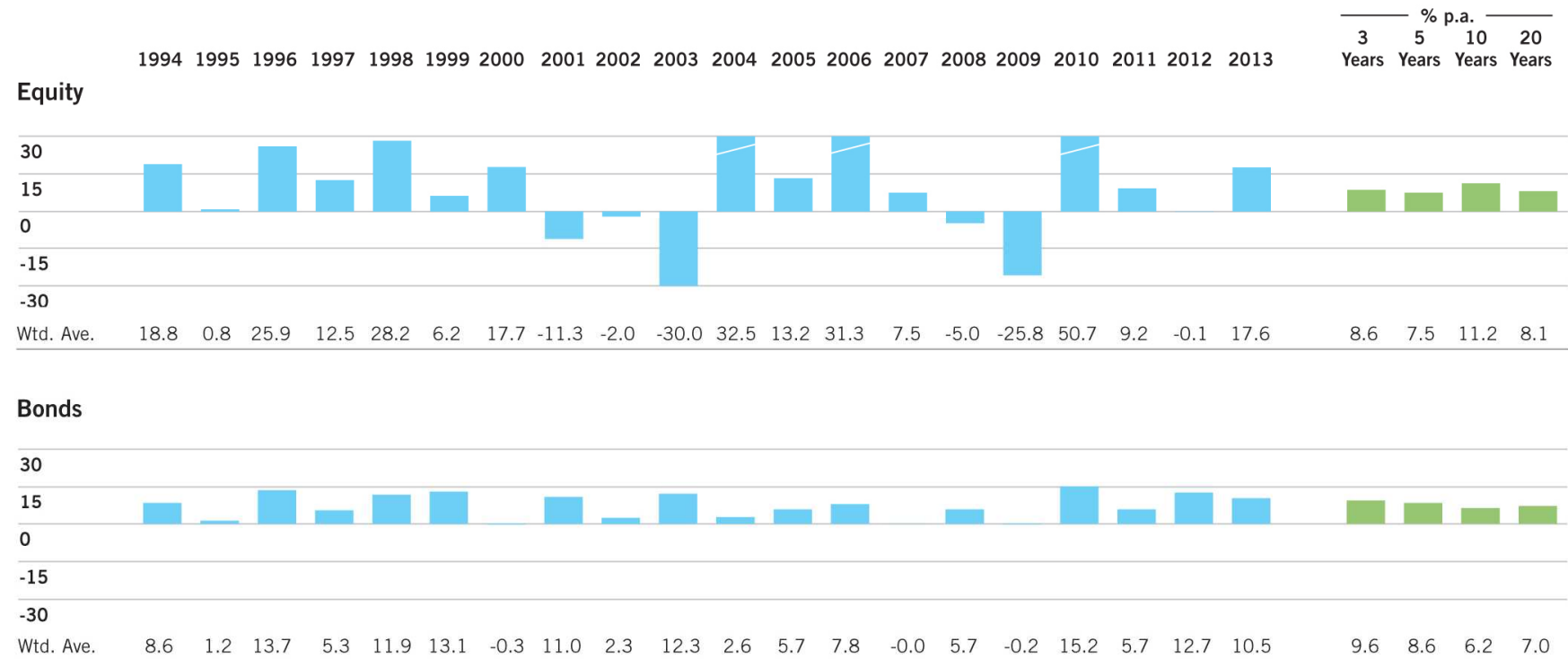
Source: State Street Investment Analytics, 2013.

Past performance is not a reliable indicator of future results.

Range of Results

- 5th to 95th Percentile ■
- 25th to 75th Percentile ■
- Median shown in white

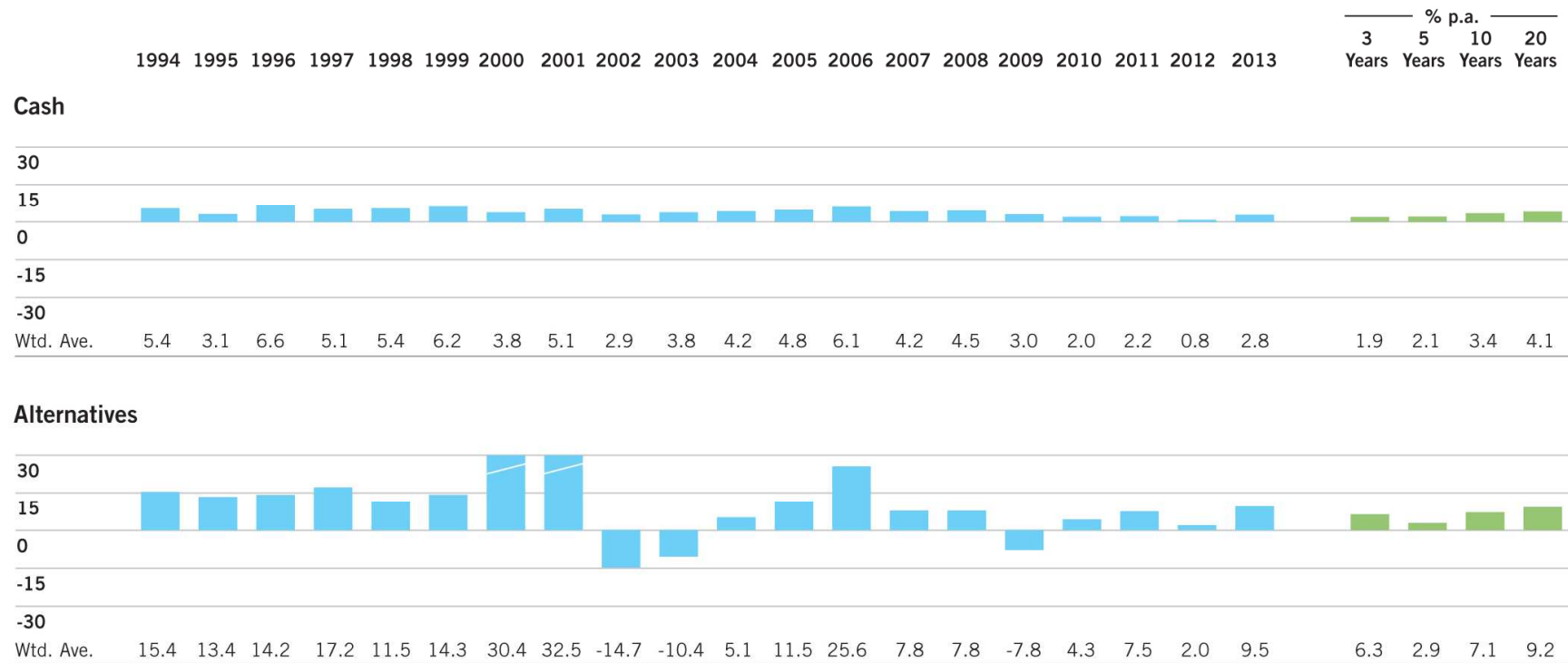
Annual Returns (%)*



* Source: State Street Investment Analytics, 2013.

Past performance is not a reliable indicator of future results.

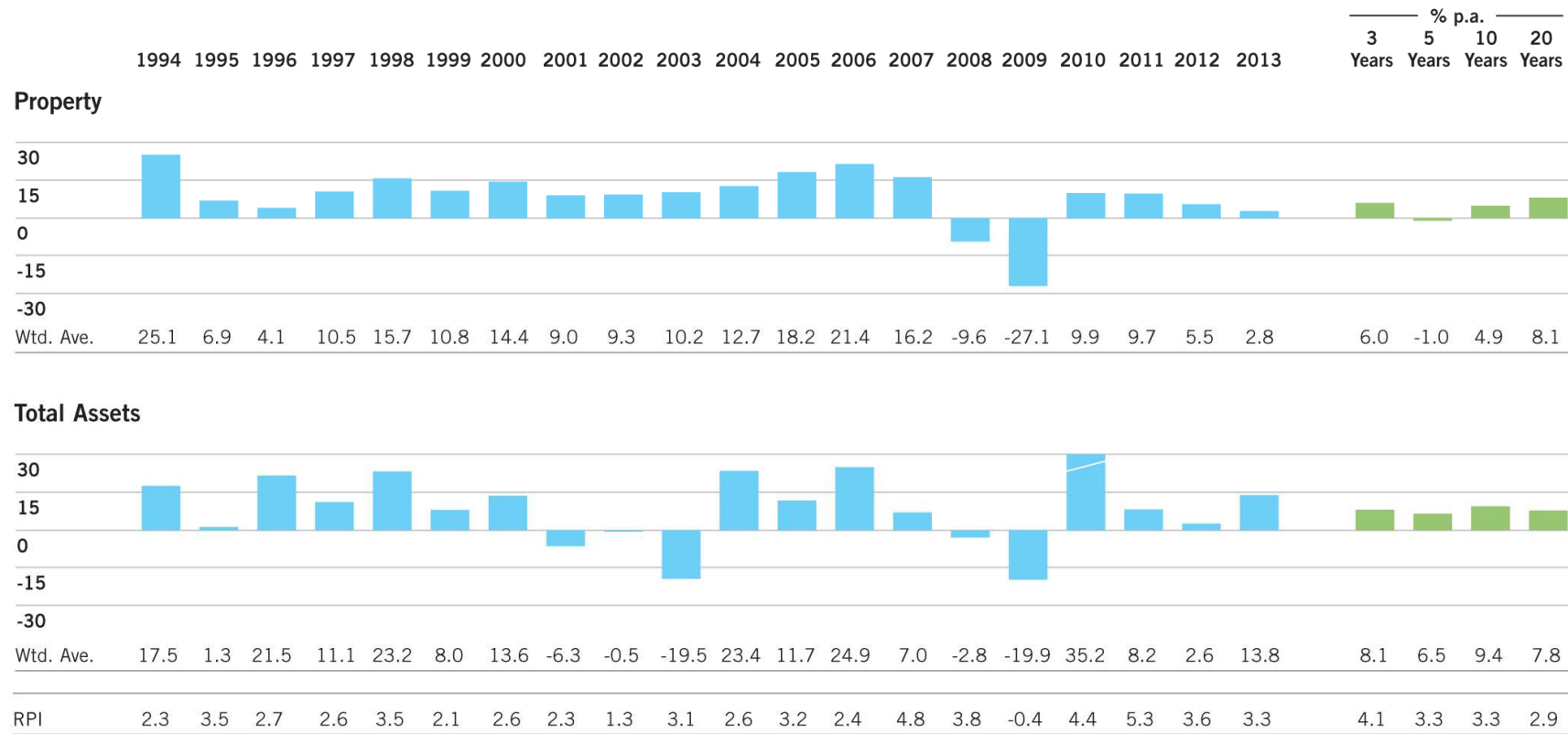
Annual Returns (%)*



* Source: State Street Investment Analytics, 2013.

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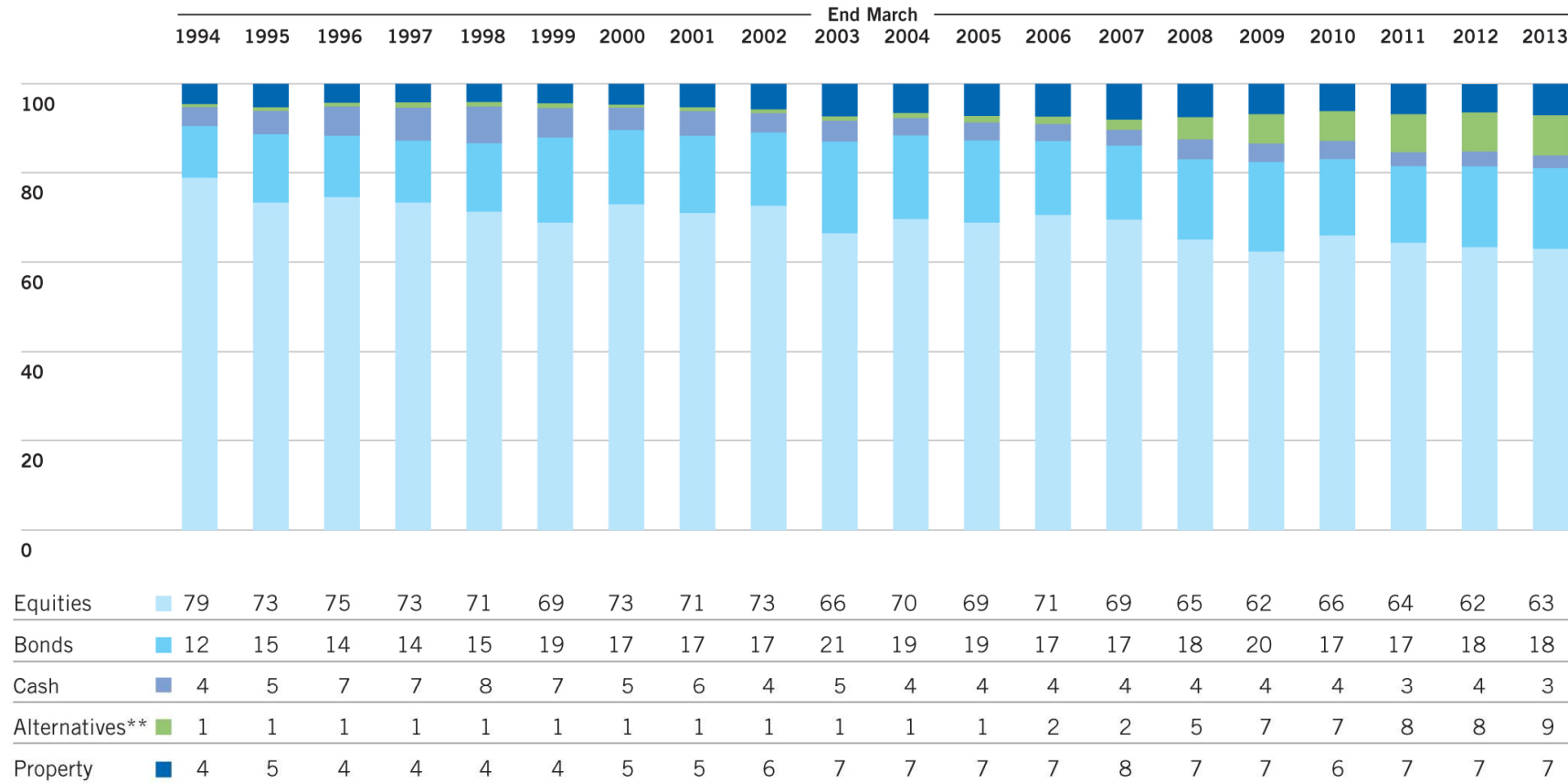
Annual Returns (%)*



* Source: State Street Investment Analytics, 2013.

Past performance is not a reliable indicator of future results.

Longer Term Asset Allocation (%)*



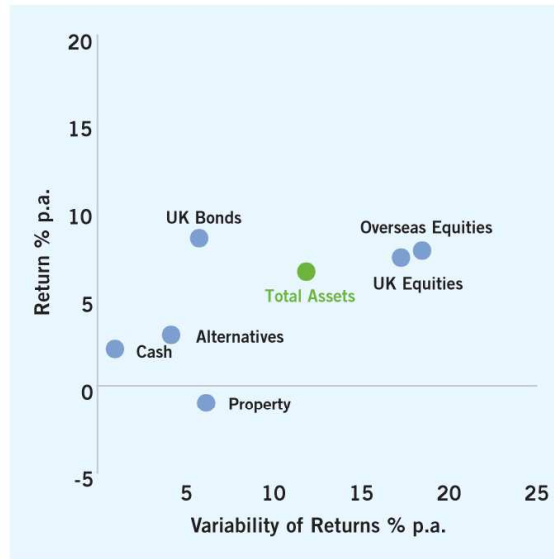
* Source: State Street Investment Analytics, 2013.

** Includes Pooled Multi-Asset from March 2010.

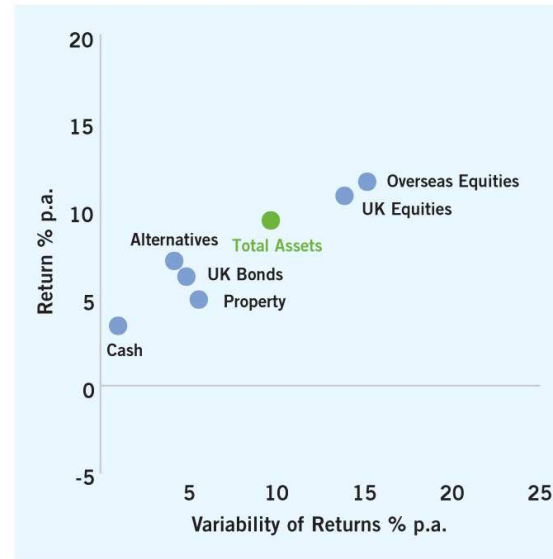
Past performance is not a reliable indicator of future results.

Long Term Risk and Return*

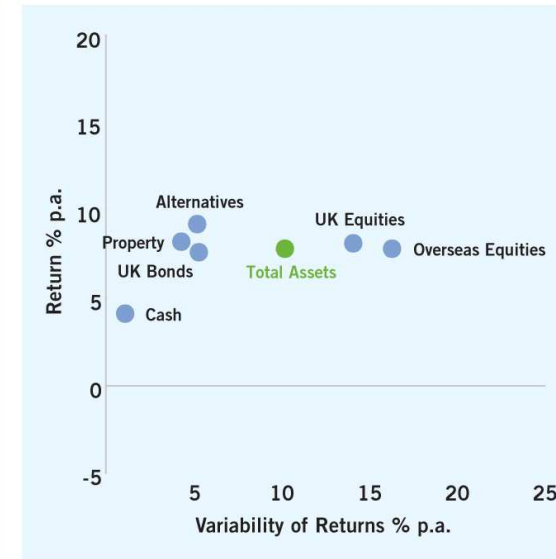
Last 5 Years



Last 10 Years



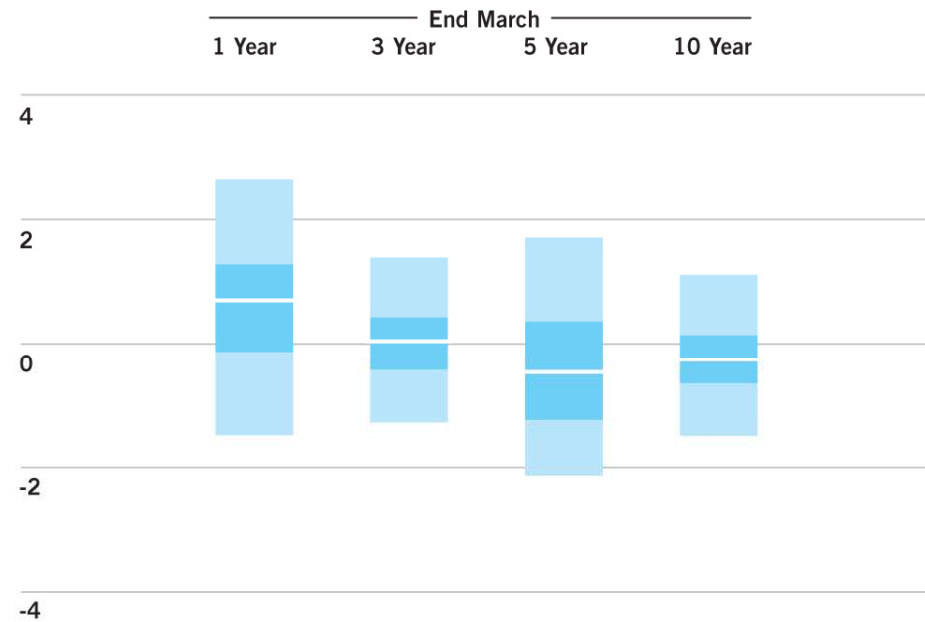
Last 20 Years



* Source: State Street Investment Analytics, 2013.

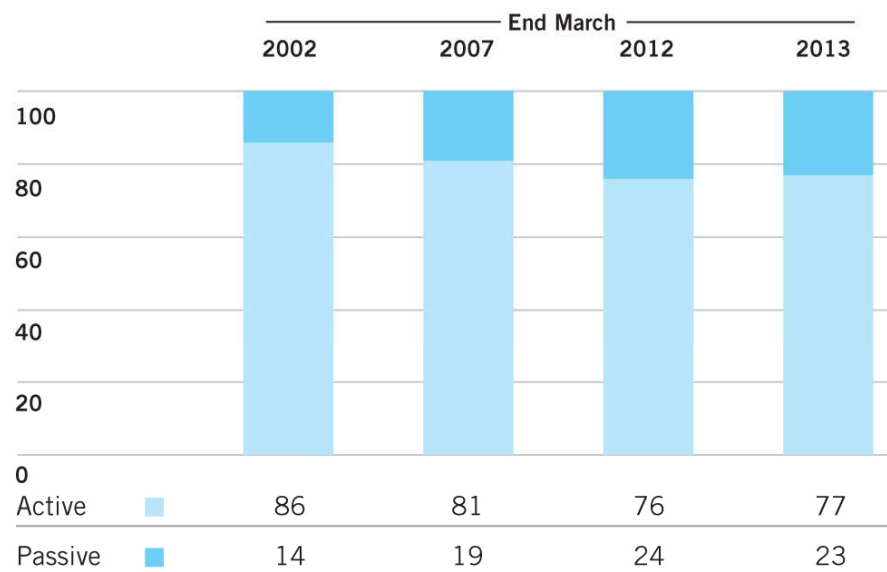
Past performance is not a reliable indicator of future results.

Performance Relative to Benchmark*



* Source: State Street Investment Analytics, 2013.
Past performance is not a reliable indicator of future results.

Level of Indexation (%)*



* Source: State Street Investment Analytics, 2013.
 Past performance is not a reliable indicator of future results.

Asset Class Performance*

	% of Asset Class		% p.a. Return			
	At end 2011/12	At end 2012/13	3 Yrs	5 Yrs	10 Yrs	20 Yrs
Equities	100	100				
UK Equities	40.7	38.8	9.8	7.3	10.8	8.1
Overseas Equities	52.2	52.8	7.8	7.7	11.6	7.8
North America	17.3	18.5	11.4	10.5	8.4	7.7
Continental Europe	12.8	12.8	5.9	4.1	11.6	9.3
Japan	5.5	5.4	5.3	5.9	7.5	2.3
Pacific ex Japan	5.8	5.7	9.4	11.4	17.2	9.4
Emerging Markets	8.4	9.1	4.3	6.8	17.1	-
Global	7.1	8.4	7.8	6.7	-	-
Bonds	100	100				
UK	58.5	58.5	9.2	8.4	6.2	7.6
Index-Linked	26.6	23.1	12.3	9.3	8.0	7.9
Overseas Bonds	10.8	12.9	6.6	8.5	5.7	6.0
Pooled	4.2	5.5	7.1	-	-	-
Alternatives	100	100				
Private Equity	55.2	55.5	9.1	5.3	-	-
Hedge Funds	28.5	30.5	4.1	1.3	-	-
Active Currency	1.9	0.5	-4.0	-6.1	-	-
Commodities	3.2	2.6	1.8	-1.7	-	-
GTAA	2.9	1.7	2.7	0.7	-	-
Infrastructure	8.3	9.1	3.9	3.5	-	-

* Source: State Street Investment Analytics, 2013.

Past performance is not a reliable indicator of future results.

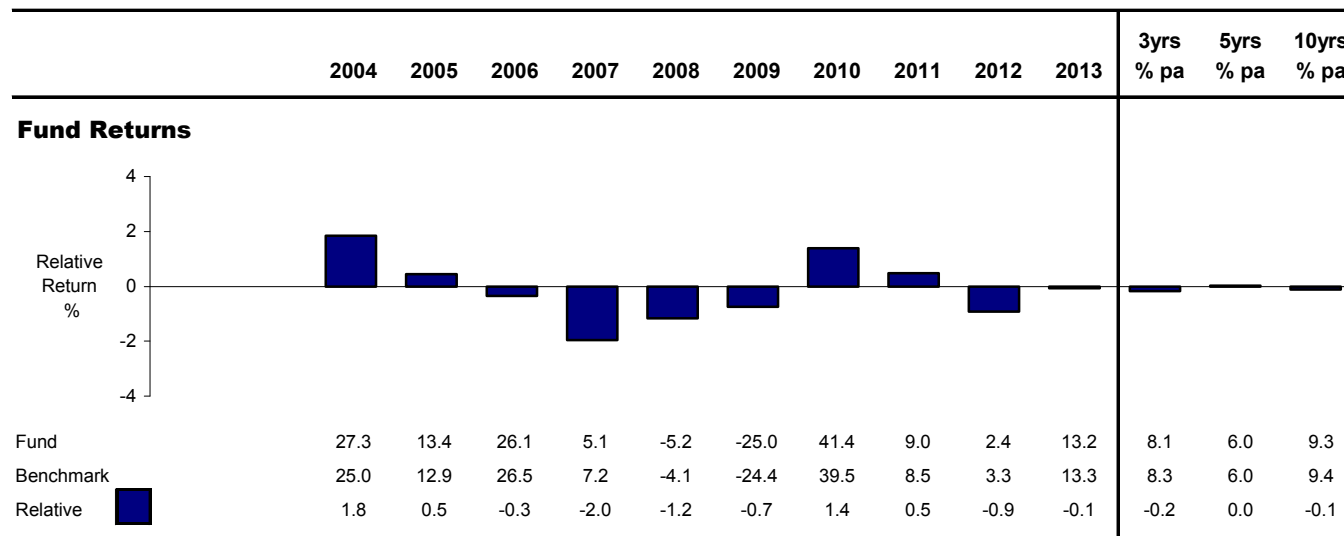
Section 2

Total Fund Performance versus Strategic Benchmark

Total Fund Value Summary

Fund Value							
Values (GBP)'000	Mandate	Value at 30/03/2012	Transactions	Capital Gain / loss	Income	Value at 29/03/2013	% Fund
SSGA	Eq UK	122,269	0	20,565	0	142,834	26
FIDELITY	Eq Gbl	84,837	478	13,398	712	98,713	18
LONGVIEW	Eq Gbl	33,941	22	6,145	0	40,109	7
WELLINGTON	Eq Gbl	96,985	168	12,003	0	109,156	20
BLACKROCK	Fixed Int	63,304	2,913	6,381	2,762	72,598	13
PANTHEON	Private Eq	23,056	-49	2,774	0	25,781	5
RECORD	Curr Overlay	1,648	-2,305	-1,617	0	-2,274	0
UBS	Prop UK	9,978	-9,796	-182	110		
BLACKROCK	Prop UK	150	0	1	0	151	0
BLACKROCK	Cash	37	0	4	0	41	0
INT FUND	Cash	21,007	1,298	0	0	22,306	4
AVIVA	Prop UK	31,685	10,564	-344	1,510	41,906	8
Total Fund		488,899	3,293	59,129	5,093	551,321	100

Total Fund Performance Relative to Benchmark



The return over 20 years of 7.7% p.a. matched the benchmark return. This compared with the UK RPI index return of 2.9% p.a.

Section 3

Manager Performance

Latest Year Attribution

Strategic Allocation			Manager Contribution			
Distribution		Policy	Investment	Weighted Contribution	% Return	
Portfolio	Benchmark	Contribution	Manager		Portfolio	Benchmark
69.4	71.0	-0.1	TOTAL EQUITIES	-0.6		
25.1		-	STATE STREET GLOBAL ADVISORS LTD	-	16.8	16.8
19.9		-	WELLINGTON MANAGEMENT COMPANY	-0.8	12.3	17.0
17.4		-	FIDELITY INVESTMENT SERVICES LIMITED	-0.1	16.7	17.0
7.0		-	LONGVIEW	0.2	18.1	14.3
13.0	13.0	-0.1	TOTAL BONDS	0.1		
13.0		-	BLACKROCK	0.1	14.4	13.9
8.0	10.0	0.2	TOTAL PROPERTY	0.2		
6.9		-	AVIVA INVESTORS	0.2	3.0	0.3
1.0		-	UBS GLOBAL ASSET MANAGEMENT	-	-1.0#	1.0
0.0		-	BLACKROCK	-	0.6	1.0
9.4	6.0	-0.4	CASH/ALTERNATIVES	0.5		
4.8		-	PANTHEON VENTURES	0.5	12.0	0.4
4.6		-	INTERNAL FUND	-	0.0	0.4
0.0		-	BLACKROCK	-	10.3	5.8
0.2	0.0	-	CURRENCY INSTRUMENTS			
0.2		-	RECORD CURRENCY MGMT	-	n/a	0.4
		-0.3		0.2		

Manager Performance

Manager	1 Year	3 Years % p.a.	5 Years % p.a.	10 Years % p.a.	Inception % p.a.
SSGA	16.8	8.9			11.0
FTSE All Share	16.8	8.8			10.9
Relative Return	0.0	0.1			0.1
Fidelity	16.7	7.9			10.9
MSCI AC World GDR	17.0	8.3			11.6
Relative Return	-0.3	-0.4			-0.6
Wellington	12.3	7.0			11.0
MSCI AC World GDR	17.0	8.3			11.8
Relative Return	-4.0	-1.2			-0.8
Longview	18.1	10.7			13.1
Longview Benchmark	14.3	8.1			9.7
Relative Return	3.4	2.4			3.1

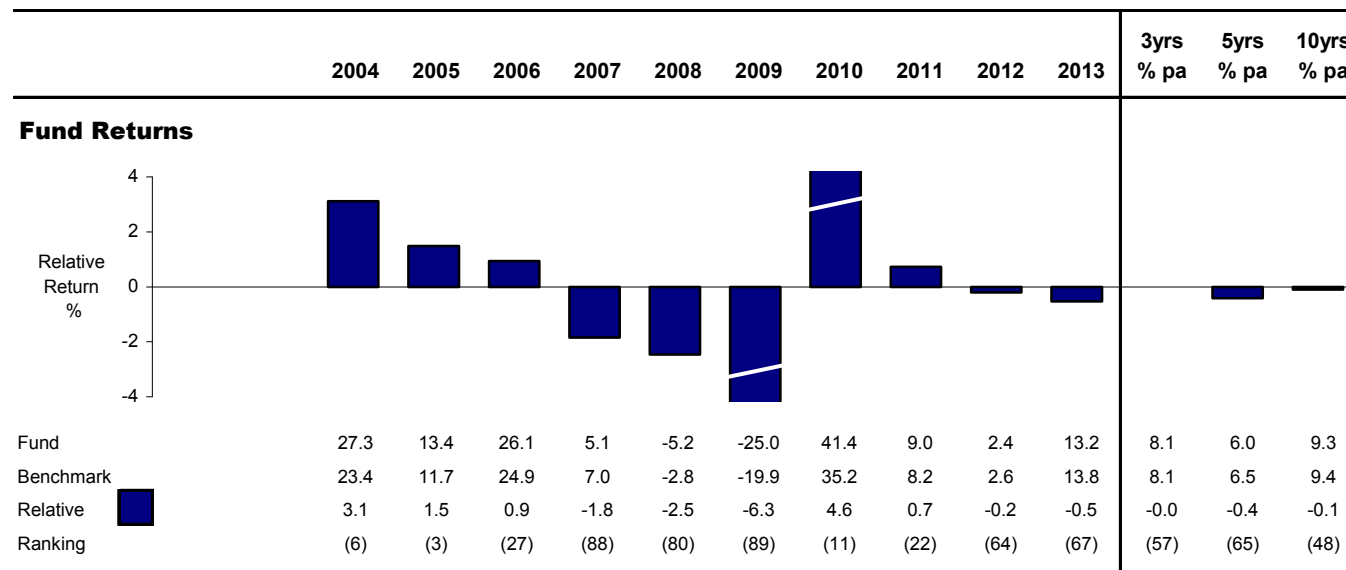
Manager Performance

Managers	1 Year	3 Years % p.a.	5 Years % p.a.	10 Years % p.a.	Inception % p.a.
Blackrock	14.4	11.7	10.3		7.6
Blackrock Benchmark	13.9	11.4	10.2		7.7
Relative Return	0.5	0.2	0.1		-0.2
Pantheon	12.0	7.1	3.8		3.6
GBP 7 Day LIBID	0.4	0.4	1.0		1.7
Relative Return	11.5	6.6	2.8		1.9
Aviva	3.0	7.8	-1.4	5.4	5.5
IPD UK PPF All Balanced Index	0.3	4.7	-1.4	4.2	4.8
Relative Return	2.7	2.9	0.1	1.2	0.7
Combined	13.2	8.1	6.0	9.3	9.0
Combined Benchmark	13.3	8.3	6.0	9.4	8.8
Relative Return	-0.1	-0.2	0.0	-0.1	0.2

Section 4

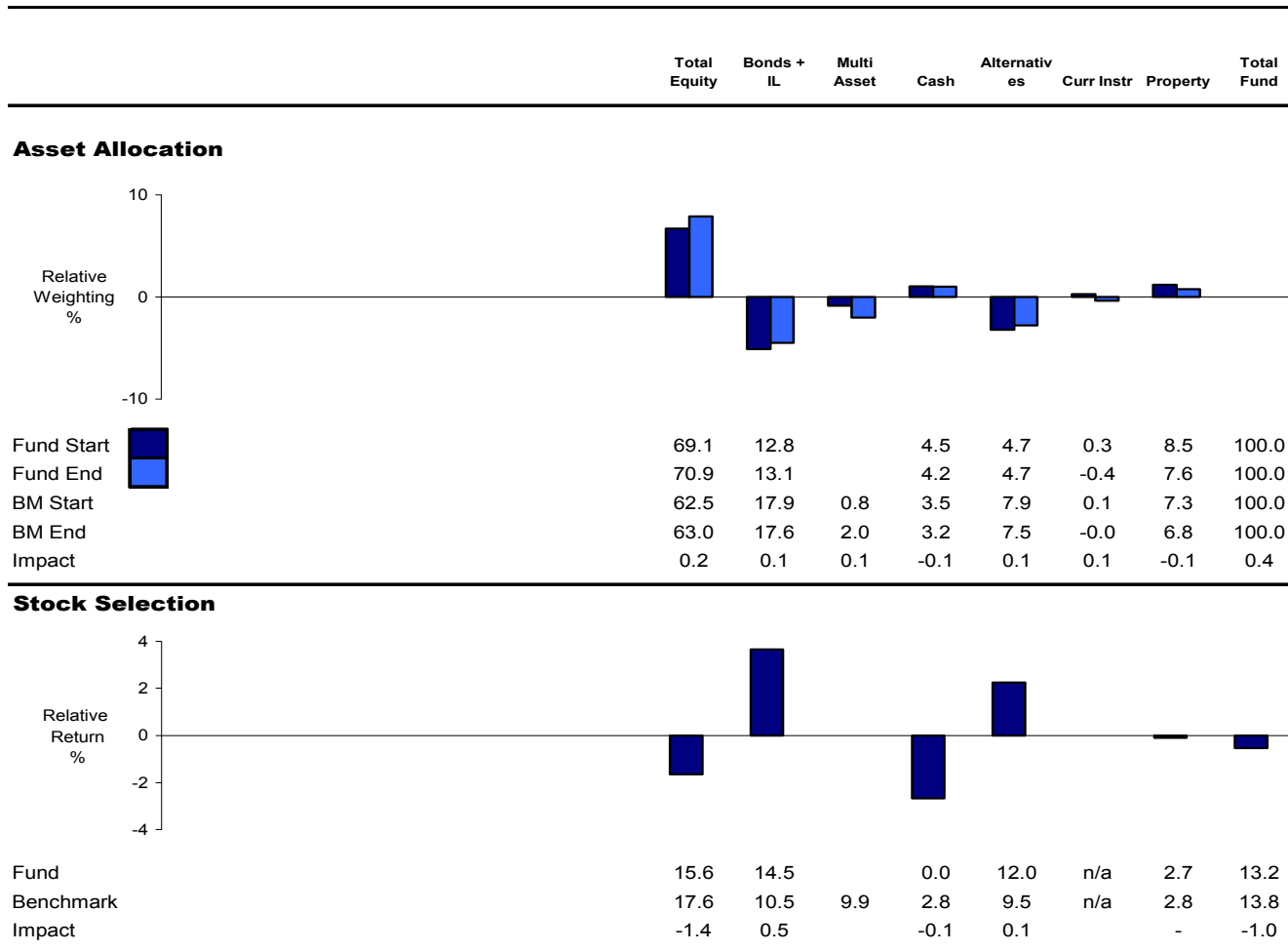
Total Fund Performance versus Peer Group

Total Fund Performance Relative to Local Authority Universe



The return of 7.7% p.a. over 20 years compared with the Local Authority average return of 7.8% p.a. and ranked in the 41st percentile.

Latest Year Attribution



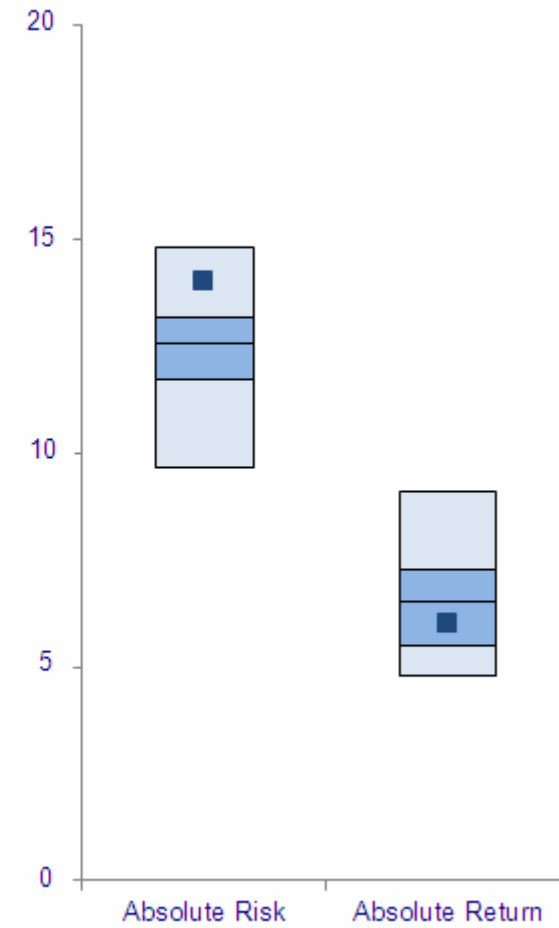
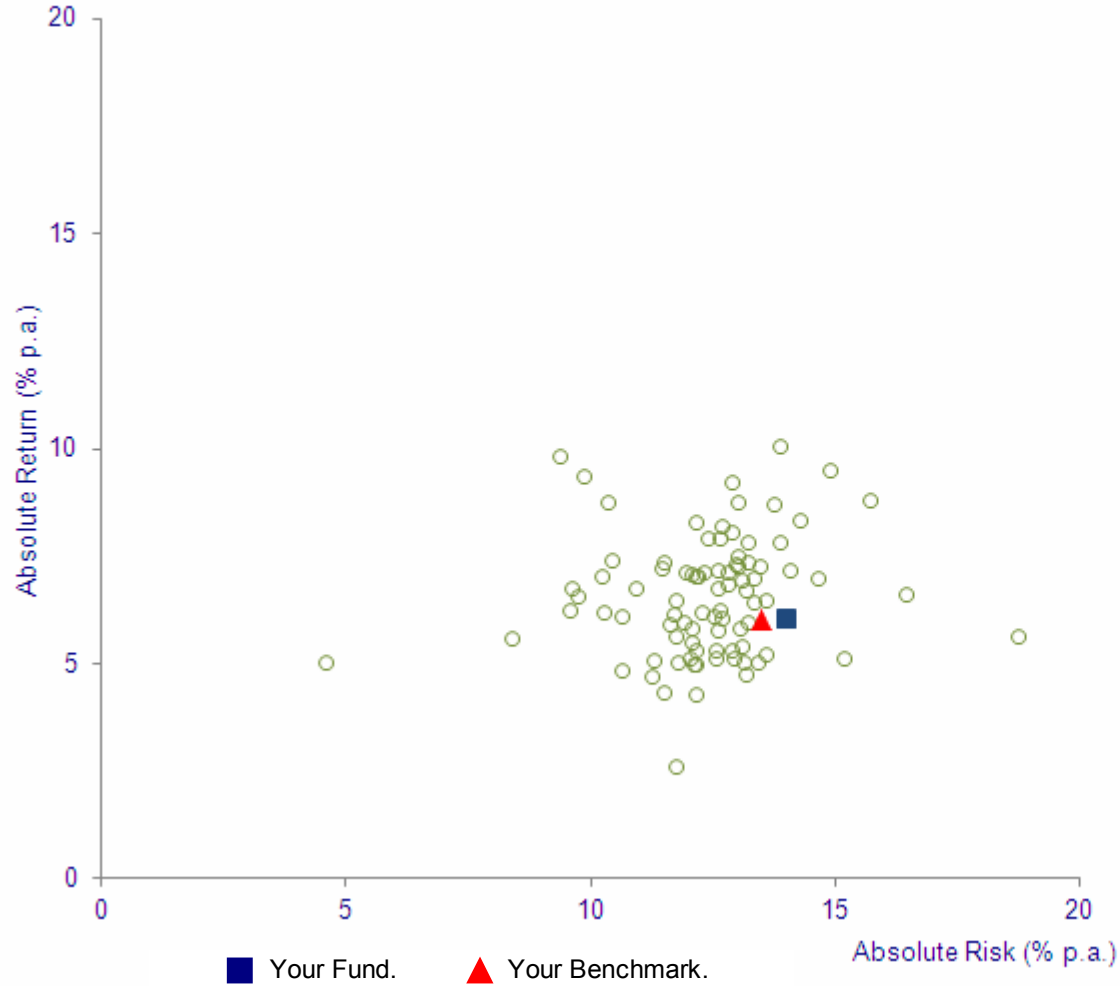
Summary of Returns and Rankings

Return %	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	3yrs % pa	5yrs % pa	10yrs % pa
<i>Total Equity</i>	34.1 (13)	14.2 (14)	30.5 (67)	4.4 (97)	-4.3 (32)	-24.2 (22)	52.8 (17)	9.4 (38)	0.4 (44)	15.6 (92)	8.3 (62)	8.0 (30)	11.4 (36)
<i>UK Equities</i>	34.2 (15)	15.5 (35)	25.0 (91)	9.3 (85)	-10.1 (70)	-27.9 (24)	49.6 #	9.1 (58)	1.5 (68)	16.8 (70)	9.0 (70)		
<i>Global Eq</i>				-0.3 #	6.5 (12)	-23.1 (46)	52.9 (26)	9.6 (30)	0.4 (44)	15.5 (77)	8.3 (40)	8.4 (36)	
<i>UK Bonds</i>	5.5 (7)	6.7 (10)	9.1 (30)	0.7 (43)	-2.5 (88)	-8.3 (79)	27.4 (13)	7.2 (14)	11.9 (48)	14.9 (6)	11.3 (13)	10.0 (15)	6.9 (18)
<i>UK IL</i>	6.0 (72)	5.3 (76)	6.5 (96)	2.4 (77)	11.2 (86)	0.5 (9)	11.1 (33)	7.2 (24)	20.4 (57)	12.1 (26)	13.1 (33)	10.1 (13)	8.1 (61)
<i>Cash</i>	2.9 (65)	4.5 (48)	4.8 (41)	4.6 (45)	-10.8 (97)	11.0 (17)	0.0 (64)	n/a (71)	0.1 (72)	0.0 (72)	n/a (72)	n/a (72)	n/a (72)
<i>Alternatives</i>	36.4 (17)	31.1 (2)	10.1 (60)	53.4 (2)	-1.5 (77)	-15.2 (62)	4.6 (51)	8.4 (37)	-2.6 (85)	12.0 (18)	5.8 (40)	1.0 (61)	12.0 (8)
<i>Private Eq</i>			-17.7 #	53.4 (3)	17.5 (45)	6.2 (39)	-7.6 (65)	11.0 (43)	-1.1 (92)	12.0 (38)	7.1 (65)	3.8 (48)	
<i>Property</i>	14.0 (26)	18.6 (49)	22.7 (42)	16.8 (44)	-9.4 (40)	-32.8 (78)	8.8 (50)	12.2 (9)	6.3 (19)	2.7 (29)	7.0 (13)	-2.2 (55)	4.6 (43)
<i>Total Assets</i>	27.3 (6)	13.4 (3)	26.1 (27)	5.1 (88)	-5.2 (80)	-25.0 (89)	41.4 (11)	9.0 (22)	2.4 (64)	13.2 (67)	8.1 (57)	6.0 (65)	9.3 (48)

not invested in this area for the entire period

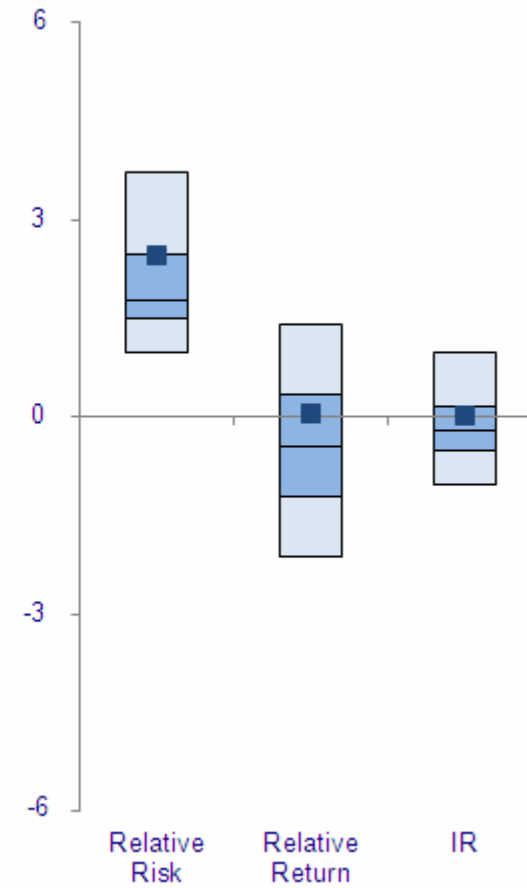
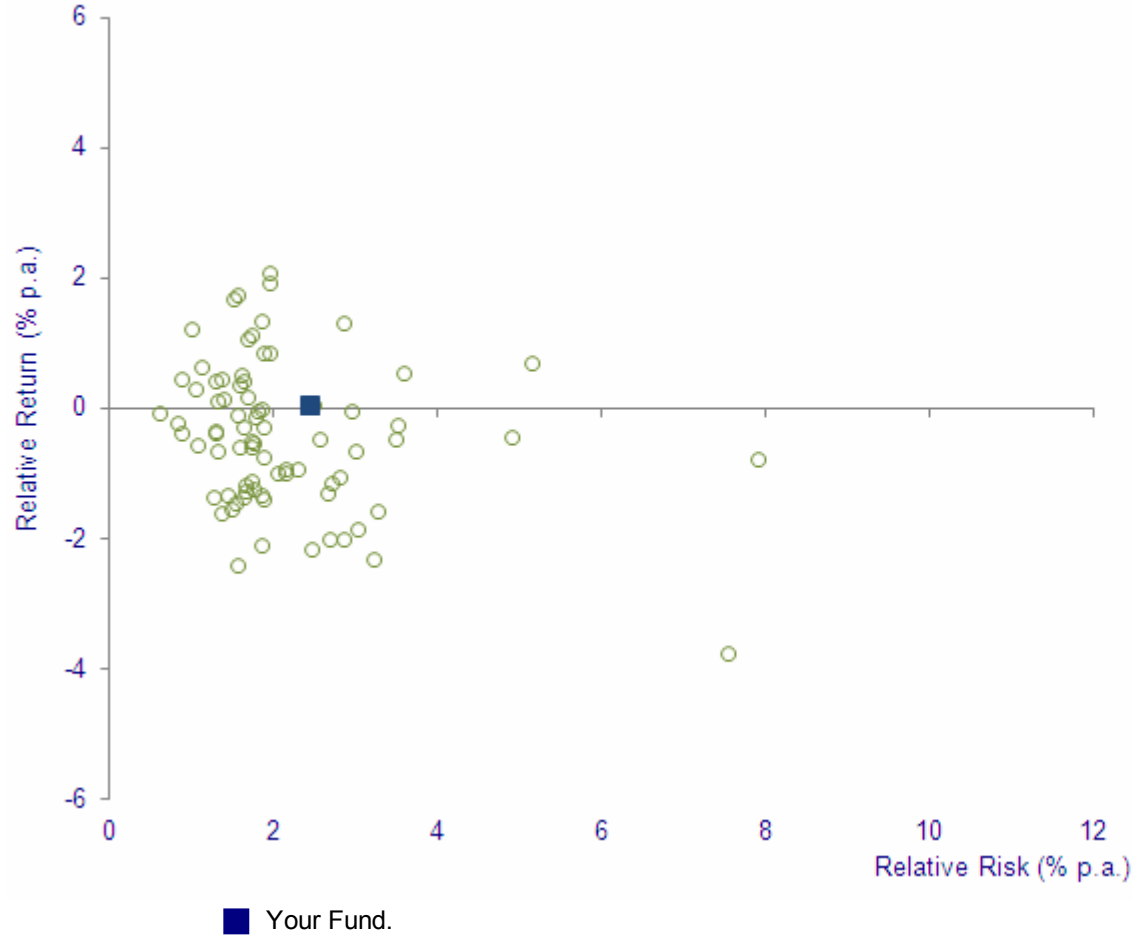
Absolute Risk and Return – 5 Years % p.a.

Absolute Risk & Return



Relative Risk and Return – 5 Years % p.a.

Relative to Benchmark



Overall Conclusions

- *The Fund had an absolute return of 13.2%, which was marginally behind the benchmark return of 13.3%. This ranked in the 67th percentile.*
- *Over the medium term of 5 years, the return of 6.0% p.a. matched the benchmark and ranked in the 65th percentile.*
- *Over 20 years, the Fund return of 7.7% p.a. matched the benchmark return and compared with the UK RPI index return of 2.9% p.a., a real return of 4.8% p.a.*

Appendix

Fund Structure & Benchmarks

Manager	Mandate	Benchmark
SSGA	UK Equities	FTSE All Share
Wellington	Global Equities	MSCI All Countries World Index GDR
Fidelity	Global Equities	MSCI All Countries World Index GDR
Longview	Global Equities	MSCI World (Local) TR Net
BlackRock	Bonds	Customised
Aviva	Property	IPD UK PPF All Balanced Funds
UBS (now closed)	Property	IPD All Funds Pooled Index Median
Pantheon	Private Equity	GBP 7 Day Libid
Record	Passive Currency	

Asset Class	Weight %	Index
UK Equities	26.0	FTSE All Share
Global Equities	45.0	MSCI AC World Index GDR 50% Hedged
Bonds	13.0	80% BAML Eurosterling over 10 Years 20% FTSE Index Linked Gilts Over 5 Years
Property	10.0	IPD UK PPF All Balanced Funds
Private Equity	3.0	LIBID 7 Day Index
Cash	3.0	LIBID 7 Day Index

Target

The individual manager objectives are detailed below.

Outperformance of Benchmark Measured over three year periods % pa	
Blackrock Bonds	0.5% pa over rolling 3 years
State Street	Match benchmark
Wellington	2% p.a. gross of fees over a 3 year rolling period.
Fidelity	2% p.a. gross of fees over a 3 year rolling period.
Longview	2% p.a. gross of fees over a 3 year rolling period.