

**REPORT FOR: PENSION FUND
COMMITTEE**

Date of Meeting: 9 March 2016

Subject: **Information Report** – Performance of Fund Managers for Quarter Ended 31 December 2015 and Valuation at 31 January 2016.

Responsible Officer: Dawn Calvert, Director of Finance

Exempt: No

Wards affected: All

Enclosures: Appendix 1 – Fund Valuation
Appendix 2 – Fund Performance

Section 1 – Summary

The report sets out the performance of the investment managers and of the overall Fund for the quarter, year and three years ending 31 December 2015 and the valuation at 31 January 2016.

FOR INFORMATION

Section 2 – Report

1. Attached to the report are tables summarising the Fund valuation at 31 December 2015 and 31 January 2016 (Appendix 1) and Fund performance as at 31 December 2015 (Appendix 2).
2. As calculated by State Street Global Services, the Fund return in the quarter to 31 December 2015 of 4.3% was 0.6% below benchmark due mainly to underperformance within the equities mandates.
3. The one year return of 2.4% is below the benchmark of 2.9% due mainly to the disappointing performance of the Oldfields equities mandate (-6.0%) and the diversified growth funds (-4.7%), partly offset by the good relative performance of the GMO emerging markets equities mandates..
4. The value of the Fund at the end of December had increased over the quarter from £624m to £651m (£675m as at 31 March 2015) but, in January had fallen back to £638m due largely to the performance of the equities mandates.

Financial Implications

5. Asset allocation and manager performance are the two drivers of investment returns.

Risk Management Implications

6. All investment risks are included within the Pension Fund Risk Register.

Equalities implications

7. There are no direct equalities implications arising from this report.

Council Priorities

8. Investment performance has a direct impact on the financial health of the Pension Fund which directly affects the level of employer contribution which then, in turn, affects the resources available for the Council's priorities

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert



Director of Finance

Date: 25 February 2016

Ward Councillors notified:

NO

Section 4 - Contact Details

Contact: Ian Talbot, Treasury and Pension Fund Manager 0208 424
1450

Background Papers - None

Total Portfolio Allocation by Manager & Asset Class

31 December 2015 and 31 January 2016

Asset Class	Value 31.03.2015 £'000	Value 31.12.2015 £'000	Value 31.01.2016 £'000	Allocation 31.01.2016 %	Strategic Allocation %	Strategic Range %
Global Equities						
Longview	75,561	73,123	69,886	11	11	
State Street	220,601	213,270	208,263	32	31	
GMO	76,541	68,746	67,665	11	10	
Oldfields	77,276	70,380	67,643	11	10	
Total Global Equities	<u>449,979</u>	<u>425,519</u>	<u>413,457</u>			
Total Equities	<u>449,979</u>	<u>425,519</u>	<u>413,457</u>	<u>65</u>	<u>62</u>	<u>58-68</u>
Private Equity						
Pantheon	22,954	21,253	21,253			
Total Private Equity	<u>22,954</u>	<u>21,253</u>	<u>21,253</u>	<u>3</u>	<u>5</u>	<u>4-6</u>
Property						
Aviva	50,562	53,430	53,510			
Total - property	<u>50,562</u>	<u>53,430</u>	<u>53,510</u>	<u>8</u>	<u>10</u>	<u>8-12</u>
Bonds						
Blackrock - FI	69,247	65,989	67,176	11	10	10
Blackrock - IL	17,130	16,330	17,497	3	3	3
Total Bonds	<u>86,377</u>	<u>82,319</u>	<u>84,673</u>	<u>14</u>	<u>13</u>	<u>11-15</u>
Alternatives						
Insight	28,857	27,057	26,576	4	5	5
Standard Life	30,678	30,203	29,572	5	5	5
Total Alternatives	<u>59,535</u>	<u>57,260</u>	<u>56,148</u>	<u>9</u>	<u>10</u>	<u>8-12</u>
Cash & NCA						
Cash Managers	865	851	455			
Cash NatWest	4,632	9,245	9,257			
Record passive currency hedge	-2,649	-3,764	-4,637			
Cash Custodian (JP Morgan)	1,433	3,514	1,439			
Debtors and Creditors	1,157	1,736	2,839			
Total Net Current Assets	<u>5,438</u>	<u>11,582</u>	<u>9,353</u>	<u>1</u>	<u>0</u>	
Total Assets	<u>674,845</u>	<u>651,363</u>	<u>638,394</u>	<u>100</u>	<u>100</u>	

Investment Performance – 31st December 2015

Asset Class	Quarter			Year			Three Years/[inception]		
	Fund	Benchmark	Relative	Fund	Benchmark	Relative	Fund	Benchmark	Relative
	%	%	%	%	%	%	%	%	%
Global Equities									
Longview	3.0	6.2	-3.2	3.0	2.1	0.9	16.5	13.0	3.5
State Street	8.0	8.1	-0.1	3.9	3.8	0.1			
GMO	3.6	3.5	0.1	-1.6	-9.7	8.1			
Oldfields	6.2	8.4	-2.2	-1.1	4.9	-6.0			
Total	5.7	6.6	-0.9	1.6	1.4	0.2			
Bonds									
Blackrock									
Corporate Bonds	0.5	0.3	0.2	0.0	-0.1	0.1	5.2	5.4	-0.2
Index Linked	-3.0	-3.3	0.3	-0.7	-1.2	0.5	6.6	6.4	0.2
Total	-0.2	-0.4	0.2	-0.2	-0.3	0.1	5.4	5.6	-0.2
Property									
Aviva	2.7	2.8	-0.1	11.8	12.5	-0.7	12.6	12.9	-0.3
Total	2.7	2.8	-0.1	11.8	12.5	-0.7	12.6	12.9	-0.3
Private Equity									
Pantheon	11.3	8.1	3.2	20.5	4.0	16.5	17.6	5.0	12.6
Total	11.3	8.1	3.2	20.5	4.0	16.5	17.6	5.0	12.6
Alternatives									
Insight	0.3	1.1	-0.8						
Standard Life	1.7	1.1	0.6	2.8	4.6	-1.8			
Total	1.0	1.1	-0.1	-0.1	4.6	-4.7			
Total Fund	4.3	4.9	-0.6	2.4	2.9	-0.5	9.3	9.3	0.0

* Adjusted for currency overlay

Contributions

Asset Allocation			-0.1			-0.6			-0.4
Stock Selection			-0.5			0.1			0.4