

<b>PENSIONS INVESTMENT COMMITTEE</b>			
<b>REPORT TITLE</b>	<b>Investment Performance for the quarter end 31 March 2012</b>		
<b>KEY DECISION</b>	No	<b>Item No</b>	5
<b>WARD</b>	N/A		
<b>CONTRIBUTORS</b>	Executive Director for Resources & Regeneration		
<b>CLASS</b>	Part 1	<b>Date:</b>	13 June 2012

## **1. Summary**

- 1.1 This report sets out the performance of the Pension Fund investment portfolio and that of the individual managers for the quarter ended 31 March 2012.
- 1.2 The report comprises the following sections:
2. Recommendation
  3. Background
  4. Portfolio Summary
  5. Conclusions
  6. Financial Implications
  7. Legal Implications
  8. Crime and disorder implications
  9. Equalities Implications
  10. Environmental Implications

## **2. Recommendation**

It is recommended that the Pensions Investment Committee note the contents of the report.

## **3. Background**

- 3.1 The existing management arrangements for the Pension Fund investment portfolio have been operational for approximately four years and this report sets out the performance for the quarter ended 31 March 2012 and since inception, as provided by the Fund's investment advisors Hymans Robertson.
- 3.2 The full report and performance commentary will be provided at the meeting by the investment advisors.

#### 4. Portfolio Summary

- 4.1 The Pensions Fund had an overall market value of £773.2m for the quarter ended 31 March 2012. The Fund's value has increased by £23.1m over the quarter, with the Fund's equity managers posting large positive absolute returns. The Fund has out performed its benchmark, returning 5.2%, relative to the benchmark return of 5.0%.
- 4.2 The Fund currently employs nine specialist managers with mandates corresponding to the principal asset classes. The managers and the associated performance targets are as set out below in Table 1.

**Table 1 – Portfolio Summary**

Manager	Mandate	Asset Value 2011/12 £m	Asset Value 2010/11 £m	Proportion of the Fund 2011/12 %
Alliance Bernstein	Global Equities	165.8	177.4	21.4
Fauchier	Hedge Fund	21.1	22.1	2.7
Harbourvest	Venture Capital	31.2	30.0	4.0
Investec	Commodities	37.6	40.1	4.8
M&G	UK Financing Fund	10.8	5.3	1.4
RCM	Global Equities	171.3	169.1	22.1
Schroders Property	Property	70.0	68.4	9.0
UBS UK Equity	UK Tracker Fund	127.7	125.7	16.5
UBS (Bonds)	Fixed Interest	137.7	124.7	17.8
<b>Total Fund</b>		<b>773.2</b>	<b>762.8</b>	<b>100</b>

- 4.3 Members of the Pensions Investment Committee have approved the move to a more passive investment strategy. This will fundamentally change the balance of the Council's Pension Fund, and further details have been set out in a report elsewhere on this agenda.
- 4.5 The performance of the individual managers relative to the appropriate benchmarks is as set out in Table 2. This indicates the volatility of returns and the continuing mixed performance of all mandates.

**Table 2: Managers Performance Relative to Target**

Manager	Quarter Ended 31 March 2012	Year Ended 31 March 2012	Since Inception
Alliance Bernstein	0.2%	-4.2%	-2.2%
Fauchier	-0.7%	-8.7%	-5.6%
Harbourvest	-9.8%	-2.1%	0.3%
Investec	4.2%	11.8%	1.5%
M&G	-0.7%	1.3%	1.1%
RCM	2.3%	5.3%	-1.4%
Schroders Property	-1.1%	-1.4%	-0.9%
UBS (Equity)	0.0%	0.1%	0.2%
UBS (Bonds)	0.3%	-0.7%	1.4%

4.6 The performance of individual managers will be analysed and appraised by the Council's Investment Advisor, Hymans Robertson, at the meeting.

## **5. Conclusion**

5.1 All managers, with the exception of the equity and commodities mandates, continue to under-perform.

## **6. Financial Implications**

6.1 The comments of the Executive Director for Resources & Regeneration have been incorporated into the report.

## **7. Legal Implications**

7.1 As the administering authority for the Fund, the Council must review the performance of the Fund's investments at regular intervals and review the investments made by Fund Managers quarterly.

7.2 The Pension Regulations require that the Council has regard to the proper advice of its expert independent advisers in relation to decisions affecting the Pension Fund. They must also have regard to the separate advice of the Chief Financial Officer who has statutory responsibility to ensure the proper administration of the Council's financial affairs, including the administration of the Pension Fund.

## **8. Crime and Disorder Implications**

8.1 There are no crime and disorder implications directly arising from this report.

## **9. Equalities Implications**

9.1 There are no equalities implications directly arising from this report.

## **10. Environmental Implications**

10.1 There are no environmental implications directly arising from this report.

### Background Papers

None

If there are any queries on this report or you require further information, please contact Selwyn Thompson, Group Manager Budget Strategy on 020 8314 6932.