

PENSIONS INVESTMENT COMMITTEE			
REPORT TITLE	Investment Performance for the quarter ended 30 September 2012		
KEY DECISION	No	Item No: 6	
WARD	N/A		
CONTRIBUTORS	Executive Director for Resources & Regeneration		
CLASS	Part 1	Date:	15 November 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 30 September 2012.

2. RECOMMENDATION

- 2.1 The Committee is recommended to note the contents of the report.

3. BACKGROUND

- 3.1 The existing management arrangements for the Lewisham Pension Fund investment portfolio have been operational for approximately four years. This report sets out the performance for the quarter ended 30 September 2012 and since inception, as provided by the Fund's custodian, Northern Trust.
- 3.2 The full report is attached at Appendix A and performance commentary will be provided at the meeting by the Fund's investment advisors, Hymans Robertson.

4. PORTFOLIO SUMMARY

- 4.1 The Lewisham Pension Fund had an overall market value of £782.9m for the quarter ended 30 September 2012. The Fund's value has increased by £21.4m over the quarter with the Fund's equity and fixed interest holdings posting positive absolute returns. The Fund has underperformed its benchmark, returning 2.7%, relative to the benchmark return of 3.2%.
- 4.2 Relative performance from the Fund's active managers was mixed. The Fund's global equity mandates with Alliance Bernstein and RCM outperformed, as did the Fund's UBS fixed interest mandate and M&G Financing fund. In contrast, the Schrodgers (property), Investec (commodities), and Harbourvest (private equity) mandates, each underperformed.
- 4.3 Members should note that the Fauchier Partners fund of hedge funds holding was redeemed on 1 July 2012. This report and the detailed analysis attached at Appendix A, still shows the target allocation at 3%. This is pending further discussion on the destination of those funds, with the proceeds reported as cash. A

separate report, elsewhere on this agenda discusses the options available to Members.

- 4.4 As at 30th September 2012, the Fund employed seven specialist managers with mandates corresponding to the principal asset classes. A portfolio summary showing the change in market values between two quarters is set out below in Table 1.

Table 1 – Portfolio Summary

Manager	Mandate	Asset Value 30/6/12 £m	Asset Value 30/9/12 £m	Proportion of the Fund 30/09/12 %
Alliance Bernstein	Global Equities	157.1	163.5	21.0
Harbourvest	Venture Capital	34.0	34.0	4.5
Investec	Commodities	36.0	35.6	4.5
M&G	UK Financing Fund	11.5	11.6	1.5
RCM	Global Equities	166.5	173.2	22.0
Schroders Property	Property	70.1	69.7	9.0
UBS UK Equity	UK Tracker Fund	124.3	130.2	16.5
UBS (Bonds)	Fixed Interest	141.5	144.5	18.5
Cash Held (Fauchier)	Hedge Fund	20.5	0	-
Cash (ex-Fauchier assets)	Cash	0	20.6	2.5
Total Fund		761.5	782.9	100.0

- 4.5 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 the change will be reflected in the next performance report to this Committee. The transition process is due to be completed on the 26th November 2012. The progress on transition has been set on in more detail in a report elsewhere on this agenda.
- 4.5 The performance of the individual managers relative to the appropriate benchmarks as at 30 September set out in Table 2. This table shows the volatility of returns that existed pre-transition and the mixed performance of all mandates relative to targets.

Table 2: Performance Summary – Managers

Manager	Absolute Performance Qtr 30 Sept 2012 %	Benchmark %	Performance Qtr 30 Sept Relative to Benchmark %	Performance Relative to Benchmark Since Inception %
Alliance Bernstein	4.0	3.8	0.2	-2.3
Harbourvest	-0.6	3.8	-4.3	1.2
Investec	-1.4	6.5	-7.4	-2.4
M&G	1.1	0.2	0.9	2.1
RCM	3.9	3.8	0.1	-1.0
Schroders Property	-0.7	0.4	-1.1	-1.0
UBS (Equity)	4.7	4.7	0.0	0.1
UBS (Bonds)	2.2	1.9	0.3	1.3
Cash (Fauchier)	-0.7	0.5	-1.2	-6.0
Total Fund	2.7	3.2	0.5	-0.5

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

5. CONCLUSION

- 5.1 Performance of the managers relative to benchmarks were still very mixed at the end of the quarter. The impact of the transition of the fund from active to passive will begin to take effect at the end of next quarter and will be reported at the next Pensions Investment Committee meeting.

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. ENVIRONMENTAL IMPLICATIONS

- 8.1 There are no environmental implications directly arising from this report.

9. HUMAN RESOURCES IMPLICATIONS

- 9.1 There are no human resources implications directly arising from this report.

10. CRIME AND DISORDER IMPLICATIONS

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

11. EQUALITIES IMPLICATIONS

- 11.1 There are no equalities implications directly arising from this report.

APPENDICES

The full report and performance commentary has been attached at Appendix A to this report.

FURTHER INFORMATION

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.