

<b>PENSIONS INVESTMENT COMMITTEE</b>			
<b>REPORT TITLE</b>	Investment performance for the quarter ended 31 December 2012		
<b>KEY DECISION</b>	No	<b>Item No: 4</b>	
<b>WARD</b>	N/A		
<b>CONTRIBUTORS</b>	Executive Director for Resources & Regeneration		
<b>CLASS</b>	Part 1	<b>Date:</b>	21 February 2013

## **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 December 2012.

## **2. RECOMMENDATION**

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

## **3. BACKGROUND**

- 3.1 There was a significant change in the management arrangements for the Lewisham Pension Fund investment portfolio during November 2012. The transition from an actively managed to a passively managed fund was successfully completed. This report sets out the performance for the quarter ended 31 December 2012, showing the new manager Blackrock and the extended portfolio of UBS 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.
- 3.3 Hymans Robertson's uses data supplied directly by the investment managers which may differ slightly from the Northern Trust data due to timing and accounting differences.

## **4. PORTFOLIO SUMMARY**

- 4.1 The Lewisham Pension Fund had an overall market value of £797m for the quarter ended 31 December 2012. Overall the Fund has over-performed its benchmark, returning 2.04%, relative to the benchmark return of 1.77%.
- 4.2 The Fund's value increased by £14.1m over the quarter with the Fund's equity and fixed income holdings posting slight positive returns relative to target. The shortness in time between transition and this report means the performance of these assets has not been measured for a full quarter.
- 4.3 The alternative mandates, Schrodgers (property), Harbourvest (private equity), Investec (commodities) and M&G (credit), each produced a positive absolute return, however Harbourvest underperformed relative to target. This can be seen in table 2.

- 4.4 As at 31 December 2012, the Fund employed six 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 30/9/12 £m	Asset Value 31/12/12 £m	Proportion of the Fund 31/12/12 %
Alliance Bernstein	Global Equities	163.5	0	0
Harbourvest	Venture Capital	34.0	34.4	4.3
Investec	Commodities	35.6	35.6	4.5
M&G	UK Financing Fund	11.6	13.2*	1.7
RCM	Global Equities	173.2	0	0
Schroders Property	Property	69.7	69.7	8.7
UBS	Equity and Fixed Income	274.7	307.1	38.5
Blackrock	Equity and Fixed Income	0	304.9	38.3
Cash Held	(Ex-Fauchier)	20.6	20.6	2.6
Cash (other)	LBL and Transition	0	11.5	1.4
<b>Total Fund</b>		<b>782.9</b>	<b>797.0</b>	<b>100.0</b>

\*M&G received additional capital of £1.5m in December 2012

- 4.5 The performance of the individual managers relative to the appropriate benchmarks as at 31 December is set out in Table 2.

**Table 2: Performance Summary – Managers**

Manager	Absolute Performance Qtr 31 Dec 2012 %	Benchmark %	Performance Qtr 31 Dec Relative to Benchmark %	Performance Relative to Benchmark Since Inception %
Harbourvest	0.71	1.95	-1.24	0.95
Investec	0.15	-6.95	7.10	0.29
M&G	1.22	0.13	1.09	8.48
Schroders Property	0.04	-0.40	0.44	-0.55
*UBS (Equity)	2.01	1.97	0.04	0.04
*UBS (Fixed Income)	1.26	0.27	0.99	0.99
*Blackrock (Equity)	1.99	1.87	0.12	0.12
*Blackrock (Fixed Income)	0.57	0.49	0.08	0.08
<b>**Total Fund</b>	<b>2.04</b>	<b>1.77</b>	<b>0.12</b>	<b>-0.20</b>

\* This data is for one month only

\*\*The total fund performance is made up of a month and three months data combined

- 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 The impact of the transition of the fund from active to passive will become more noticeable at the end of the third quarter when a full quarter performance data is available. This 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.

## **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.