

PENSIONS INVESTMENT COMMITTEE		
Report Title	INVESTMENT PERFORMANCE FOR THE QUARTER ENDED 31ST DECEMBER 2012 - INTRODUCTION	
Key Decision		Item No. 5
Ward		
Contributors	Executive Director for Resources & Regeneration	
Class	Part 1	Date: 23 February 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 ending 31st December.
- 1.2 The report comprises the following sections:
 2. Recommendations
 3. Background
 4. Portfolio Summary
 5. Conclusions
 6. Financial Implications
 7. Legal Implications

2. RECOMMENDATIONS

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

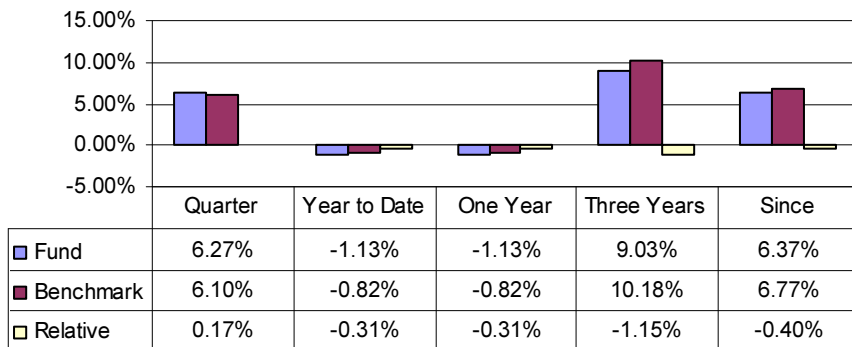
3. BACKGROUND

- 3.1 The revised management arrangements for the Pension Fund investment portfolio have been operational for approximately three years and this report sets out the performance for the quarter ended 31st December 2011 and since inception as provided by the Fund's custodians Northern Trust.

4. PORTFOLIO SUMMARY

- 4.1 The fund had a market value of £751 million as at the 31st December 2011 and achieved a return of 6.27% which was 0.17% higher than the benchmark of 6.10%. The fund performance over the longer term is a set out below.

Table 1: Fund Performance



4.3 The fund currently employs nine specialist managers with mandates corresponding to the principal asset classes. The managers and the associated performance targets and value of funds held are as set out below.

Table 2: Portfolio Summary					
Manager	Mandate	Performance Target	Date Appointed	Value 31 Dec 2011 £m	Value 30 Sep 2011 £m
Alliance Bernstein	Global Equity	1.50%	1 Nov 2004	155.4	145.0
Fauchier	Hedge Fund	5% over 5 Years	28 Jun 2008	20.9	21.2
Harbourvest	Venture Capital	5% over 10 Years	29 Jun 2006	31.9	32.7
RCM	Global Equity	1.50%	18 Sep 2008	159.4	145.1
Schroders	Property	0.75%	12 Oct 2004	72.1	71.2
UBS (Equity)	UK Equity (Index)		27 Feb 2008	120.2	111.0
UBS (Bonds)	Fixed Interest		28 Feb 2008	144.5	134.2
INVESTEC	Commodities		25 Feb 2010	36.8	36.4
M & G	UK Financing Fund		1 May 2010	9.3	8.1
Northern Trust	Securities Lending			0.2	0.2
				£750.8	£705.1

4.4 The performance of the individual managers relative to the appropriate benchmarks is as set out in table 3

Table 3: Managers' Performance Relative to Target			
	Quarter Ended 31 Dec 2011	One Year	Since Inception
Alliance Bernstein	-0.3%	-3.8%	-2.9%
Fauchier	-2.8%	-10.3%	-6.9%
Harbourvest	-11.4%	18.2%	2.2%
RCM	-2.4%	1.4%	-2.3%
Schroders	-0.0%	-1.1%	-0.8%
UBS (Equity)	1.2%	-0.8%	0.1%
UBS (Bonds)	-0.1%	-0.6%	1.5%
INVESTEC	0.0%	0.9%	-1.0%
M & G	0.8%	2.3%	1.8%

4.5 The table indicates the effect of the current volatile period for global markets driven by the uncertainty amongst investors about the global economy. Most managers have underperformed their respective benchmarks over time.

4.6 The performance of individual managers will be analysed by the Council's Investment Advisor at the meeting.

5. CONCLUSION

5.1 Performance continues to be below benchmark. The proposed restructure of the fund is the measure being put in place to address this issue.

6. FINANCIAL IMPLICATIONS

6.1 The comments of the Executive Director for Resources 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 Finance Officer who has statutory responsibility to ensure the proper administration of the Council's financial affairs including the administration of the Pension Fund.

Background Papers

There are no background papers to this report. If there are any queries on this report contact the Budgets & Efficiency Group Manager tel 0208 314 6932