

Pensions Investment Committee		
Report Title	Investment Performance for Quarter Ended 31st December 2010	
Key Decision		Item No. 6
Ward		
Contributors	Executive Director for Resources	
Class	Part One	Date: 24 February 2011

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 2010.
- 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

Committee is recommended to note the contents of the report.

3. BACKGROUND

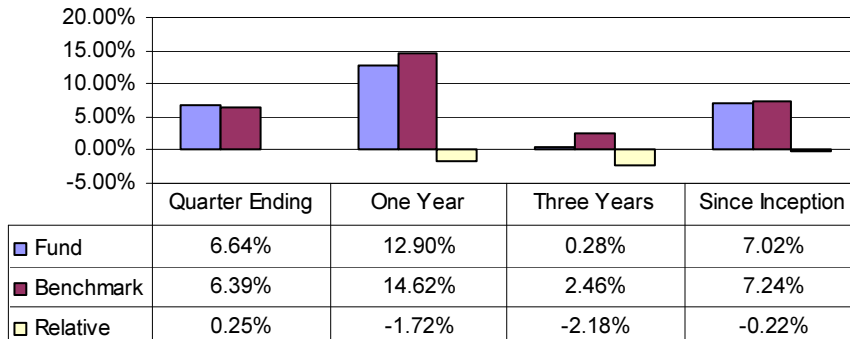
- 3.1 The revised management arrangements for the Pension Fund investment portfolio have been operational for approximately two years and this report sets out the performance for the quarter ended 31st December 2010 and since inception as provided by the Fund's investment advisors Hymans Robertson.
- 3.2 The full report and performance commentary will be provided at the meeting by the investment advisors.

4. PORTFOLIO SUMMARY

- 4.1 The fund had a market value of £756.5 million at the 31st December 2010 which represented a gain of £52.8 million (7.5%) over the September valuation of £703.7 million.
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4.2 The fund achieved a return of 6.64% in the quarter which was 0.25% above the benchmark of 6.39%. The fund performance over the longer term is a set out below.

Table 1: Fund Performance



4.3 The Council participates in a performance measurement survey conducted by the WM Company. This ranks the Council's investment against that of the other 97 Councils participating in the survey and expresses this as a position out of 100. In the latest figures available up to the quarter ending the 30th September 2010 the Council ranked 85th (June 2010: 71st) with the principal detractor from performance again being overseas equities where the Fund ranked 91st.

4.4 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.

Manager	Mandate	Target	Appointed	Dec 2010	Sep 2010
Alliance Bernstein	Global Equity	1.50%	1 Nov 2004	173.4	158.7
Fauchier	Hedge Fund	5% over 5 Years	28 Jun 2008	21.9	21.4
Harbourvest	Venture Capital	5% over 10 Years	29 Jun 2006	26.1	21.1
RCM	Global Equity	1.50%	18 Sep 2008	168.2	151.5
Schroders	Property	0.75%	12 Oct 2004	68.3	66.9
UBS (Equity)	UK Equity (Index)		27 Feb 2008	129.0	120.1
UBS (Bonds)	Fixed Interest		28 Feb 2008	125.8	127.2
INVESTEC	Commodities		25 Feb 2010	40.7	35.9
M & G	UK Financing Fund			3.1	0.9
				<u>£756.5</u>	<u>£703.7</u>

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

	Ended 31		Since
	Dec 2010	One Year	Inception
Alliance Bernstein	-0.2%	-3.7%	-2.3%
Fauchier	0.9%	-2.7%	-5.3%
Harbourvest	-6.6%	0.5%	-1.7%
RCM	1.5%	-3.2%	-4.3%
Schroders		-3.5%	-0.4%
UBS (Equity)	-0.1%	-0.3%	-0.5%
UBS (Bonds)	0.5%	2.0%	0.3%
INVESTEC	-3.3%		-5.7%
M & G	0.4%		1.0%

The table indicates the relatively short duration of the current structure and the significant improvement in performance of the RCM portfolio in the quarter.

- 4.6 The performance of individual managers will be analysed by the Councils Investment Advisor at the meeting.

5. **CONCLUSION**

- 5.1 There has been a marginal improvement in the Fund's performance in the quarter which is principally attributable to the significant outperformance by RCM. All managers with the exception of the bond mandate however continue to underperform in the longer term.

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.