

<b>PENSIONS INVESTMENT COMMITTEE</b>			
<b>REPORT TITLE</b>	Investment Performance for the quarter end 31 December 2014		
<b>KEY DECISION</b>	No	<b>Item No:</b>	9
<b>WARD</b>	N/A		
<b>CONTRIBUTORS</b>	Executive Director for Resources & Regeneration		
<b>CLASS</b>	Part 1	<b>Date:</b>	19 February 2015

## **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 2014.

1.2 The report comprises the following sections:

1. Summary
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

Appendix – Hymans Robertson quarterly report

## **2. RECOMMENDATION**

2.1 The Committee is recommended to note the contents of the report, and detailed analysis provided by Hymans Robertson as the fund advisory presented as an Appendix to this cover report.

## **3. BACKGROUND**

3.1 This report sets out the performance for the quarter ended 31 December 2014 and since inception, as provided by the Fund's investment advisors Hymans Robertson. The full report and performance commentary will be provided at the meeting by the investment advisors as an appendix to this covering report.

## **4. PORTFOLIO SUMMARY**

4.1 The Pensions Fund had an overall bid market value of £992m for the quarter ended 31 December 2014. The Fund's value has increased by £38m over the quarter, with the Fund's actively managed mandates being the main enhancers

to performance. The Fund outperformed its benchmark by 0.36%, returning 4.13%.

4.2 The Fund's valuation summary has been set out below in Table 1.

**Table 1 – Portfolio Valuation Summary**

<b>Manager</b>	<b>Mandate</b>	<b>*Asset Value Qtr 1 (Sep 2014) £m</b>	<b>*Asset Value Qtr 1 (Dec 2014) £m</b>	<b>Actual Proportion %</b>	<b>Target Proportion %</b>
Blackrock	Passive Multi-asset	389.3	408.5	41.2	40.5
Harbourvest	Venture Capital	42.2	43.4	4.4	3.0
Investec	Commodities	33.7	32.1	3.2	5.0
M&G	UK Financing Fund	14.2	14.3	1.4	1.0
Schroders	Property	83.5	85.1	8.6	10.0
UBS	Passive Multi-asset	390.4	408.4	41.2	40.5
Cash		0.40	0.30	0.0	0.0
<b>Total Fund</b>		<b>953.7</b>	<b>992.1</b>	<b>100.0</b>	<b>100.0</b>

\*Asset bid values based on custodian valuation

4.3 The performance of the individual managers relative to the appropriate benchmarks is as set out in Table 2. This indicates mixed performance from the mandates. Schroders (our property portfolio) underperformed relative to the benchmark, and have moved for the first time in our advisors ratings from "retain" to "on watch". The Investec fund (our commodities portfolio) declined in value over the quarter, but it outperformed relative to its benchmark. BlackRock has outperformed its benchmark. This is a positive surprise for a passive mandate. M & G has outperformed its benchmark since inception, and continues to do so in quarter three.

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

<b>Manager</b>	<b>Quarter Ended 31 Dec 14</b>	<b>12 Months to 31 Dec 2014</b>	<b>Since Inception</b>
Blackrock – Passive Multi-asset	0.4%	0.5%	0.4%
Harbourvest – Venture Capital	-0.7%	4.1%	-0.1%
Investec – Commodities	3.8%	5.1%	2.3%
M&G – UK Financing Fund	0.9%	4.1%	3.2%
Schroders – Property	-0.1%	0.0%	-1.8%
UBS – Passive Multi-asset	0.0%	0.0%	-0.1%

4.4 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 Overall performance for the quarter from the Fund's managers was positive. Although the mandates performance was mixed, the continued strong performance from our passive portfolio has resulted in an increase in fund value. Investec (Commodities) was the only fund to decline in value.

## **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 The Equality Act 2010 became law in October 2010. The Act aims to streamline all previous anti-discrimination laws within a Single Act. The new public sector Equality Duty, which is part of the Equality Act 2010, came into effect on the 5 April 2011.
- 9.2 The Council's Comprehensive Equality Scheme for 2012-16 provides an overarching framework and focus for the Council's work on equalities and helps ensure compliance with the Equality Act 2010. No direct equalities implications have been identified, in terms of adverse impact, with respect to the Council's obligations under the Equality Act 2010.

## **10. ENVIRONMENTAL IMPLICATIONS**

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

## **APPENDICES**

The full report and performance is attached. Commentary will be provided at the meeting by the Council's investment advisors, Hymans Robertson.

## **FURTHER INFORMATION**

If there are any queries on this report or you require further information, please contact:

David Austin, Head of Corporate Resources on 020 8314 9114.