

PENSIONS INVESTMENT COMMITTEE			
REPORT TITLE	Investment Performance for Quarter Ended - 31 March 2011		
KEY DECISION	No	Item No:	7
WARD	N/A		
CONTRIBUTORS	Executive Director for Resources		
CLASS	Part 1	Date:	15 June 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 31 March 2011.

1.2 The report comprises the following sections:

2. Recommendations
3. Background
4. Portfolio Summary
5. Conclusions
6. Financial Implications
7. Legal Implications
8. Crime and disorder implications
9. Equalities Implications
10. Environmental Implications

2. Recommendations

The Pensions Investment 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 31 March 2011 and since inception as provided by the Fund's investment advisors Hymans Robertson.

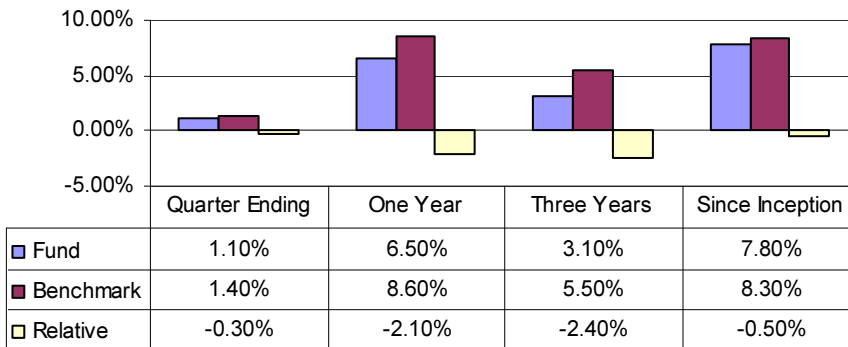
3.2 The full report and performance commentary will be provided at the meeting by the investment advisors.

4. Portfolio Summary

4.1 The fund had a market value of £761.7m at the 31st March 2011 which represented a gain of £5.2m (0.7%) over the December valuation of £756.5m.

4.2 The Fund achieved a return of 1.1% in the quarter which was 0.3% below the benchmark of 1.4%. 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 31 December 2010 the Council ranked 11th (September 2010: 85th) with the principal contributor to performance being overseas equities where the Fund ranked 5th (September 2010: 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.

Table 2: Portfolio Summary

Manager	Mandate	Target	Appointed	Mar 2011	Dec 2010
Alliance Bernstein	Global Equity	1.50%	1 Nov 2004	177.4	173.4
Fauchier	Hedge Fund	5% over 5 Years	28 Jun 2008	22.0	21.9
Harbourvest	Venture Capital	5% over 10 Years	29 Jun 2006	28.0	26.1
RCM	Global Equity	1.50%	18 Sep 2008	169.1	168.2
Schroders	Property	0.75%	12 Oct 2004	69.3	68.3
UBS (Equity)	UK Equity (Index)		27 Feb 2008	125.9	129.0
UBS (Bonds)	Fixed Interest		28 Feb 2008	124.7	125.8
INVESTEC	Commodities		25 Feb 2010	40.1	40.7
M & G	UK Financing Fund		1 May 2010	5.2	3.1
				<u>£761.7</u>	<u>£756.5</u>

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

	Ended 31 Mar 2011	One Year	Since Inception
Alliance Bernstein	0.3%	-2.2%	-2.1%
Fauchier	-0.7%	-4.0%	-4.8%
Harbourvest	1.7%	2.4%	-1.3%
RCM	-1.6%	-3.8%	-4.9%
Schroders	-0.5%	-2.7%	-0.8%
UBS (Equity)	0.1%	0.1%	0.1%
UBS (Bonds)	0.7%	1.8%	1.9%
INVESTEC	-3.6%	-14.9%	-9.2%
M & G	0.2%		1.3%

* The table indicates the relatively short duration of the current structure, the volatility of returns and the continuing under-performance of all mandates with the exception of the bond and indexed equity managers.

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

5. Conclusion

The marginal out-performance in the previous quarter has been reversed with the Fund's relative performance again being principally attributable to the performance of RCM. All managers, with the exception of the bond and indexed UK equity mandates, continue to under-perform in the longer term.

6. Financial Implications

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 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

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

9. Equalities Implications

There are no equalities implications directly arising from this report.

10. Environmental Implications

There are no environmental implications directly arising from this report.

BACKGROUND PAPERS

None reported

APPENDICES

The full report and performance commentary will be provided at the meeting by the investment advisors.

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.