

PENSIONS INVESTMENT COMMITTEE			
Report Title	Investment Performance for Quarter Ended 30 June 2011		
Key Decision	No		Item No. 5
Ward			
Contributors	Executive Director for Resources		
Class	Part 1	Date: 6 September 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 30 June 2011.
- 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

It is recommended that the Pensions Investment Committee note the contents of the report.

3. Background

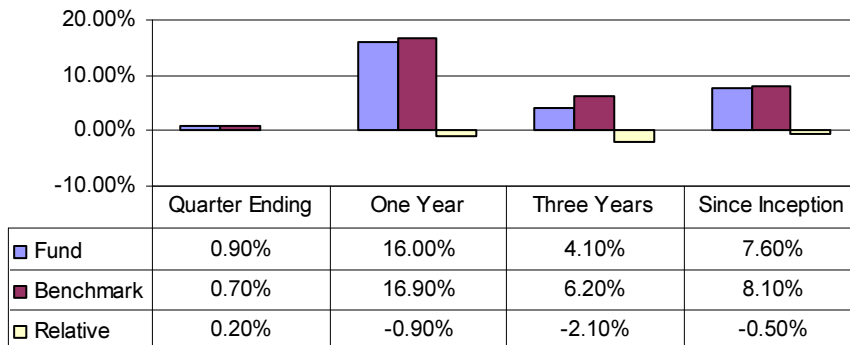
- 3.1 The revised management arrangements for the Pension Fund investment portfolio have been operational for approximately three years and this report sets out the performance for the quarter ended 30th June 2011 and since inception as provided by the Fund's investment advisors Hymans Robertson.
- 3.2 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 £781.8 million at the 30th June 2011 which represented a gain of £20.1 million (2.76%) over the March valuation of £761.7 million.

4.2 The fund achieved a return of 0.9% in the quarter which was 0.2% above the benchmark of 0.7%. 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 year ending the 31st March 2011, the Council ranked 84th in comparison to its position as at 31st March 2010 (48th), with the change being attributable to asset allocation and stock selection.

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	Performance Target	Date Appointed	Value 30 Jun 2011 £m	Value 31 Mar 2011 £m
Alliance Bernstein	Global Equity	1.50%	1 Nov 2004	176	177.4
Fauchier	Hedge Fund	5% over 5 Years	28 Jun 2008	22	22.0
Harbourvest	Venture Capital	5% over 10 Years	29 Jun 2006	31.3	28.0
RCM	Global Equity	1.50%	18 Sep 2008	170.6	169.1
Schroders	Property	0.75%	12 Oct 2004	70.9	69.3
UBS (Equity)	UK Equity (Index)		27 Feb 2008	133.6	125.9
UBS (Bonds)	Fixed Interest		28 Feb 2008	129.4	124.7
INVESTEC	Commodities		25 Feb 2010	40	40.1
M & G	UK Financing Fund		1 May 2010	8	5.2
				<u>781.8</u>	<u>£761.7</u>

- 4.5 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 30 Jun 2011	One Year	Since Inception
Alliance			
Bernstein	-1.0%	-1.3%	-2.2%
Fauchier	-2.4%	-2.6%	-5.1%
Harbourvest	1.6%	-11.8%	-0.8%
RCM	0.8%	-1.5%	-4.1%
Schroders	0.7%	0.5%	-0.7%
UBS (Equity)		-0.2%	0.2%
UBS (Bonds)	-0.3%	0.5%	-0.7%
INVESTEC	6.3%	-6.4%	-1.8%
M & G	0.6%	2.0%	1.6%

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 private equity, UK equity, and financing fund managers.

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

5. Conclusions

- 5.1 The improved performance in this quarter compared to the previous quarter can be principally attributable to the performance of Investec. Most managers outperformed their targets this quarter with only three managers underperforming.

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.

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.