

PENSIONS INVESTMENT COMMITTEE		
Report Title	Investment Performance for Quarter Ended 30 September 2011	
Key Decision		Item No. 4
Ward	All	
Contributors	Executive Director for Resources	
Class	Part One	Date: 17 November 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 September 2011.
- 1.2 The report comprises the following sections:
 2. Recommendation
 3. Background
 4. Portfolio Summary
 5. Conclusions
 6. Financial Implications
 7. Legal Implications

2. RECOMMENDATIONS

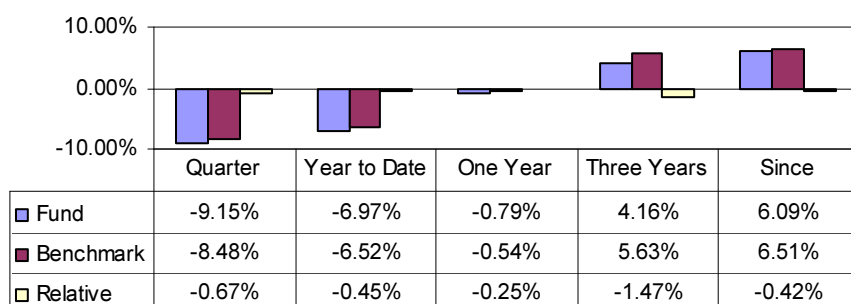
It is recommended that the Pensions Investment Committee notes the contents of this report.

3. BACKGROUND

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 30 September 2011 and since inception as provided by the Fund's advisers Hymans Robertson.

4. PORTFOLIO SUMMARY

- 4.1 The fund had a market value of £705m as at the 30 September 2011. This represents a reduction of £58m (7%) over the March 2011 valuation of £763m.
- 4.2 The fund achieved a return of -9.15% in the quarter which was 0.67% higher the benchmark of -8.48%. 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 30	Value 30
				Sep 2011	Jun 2011
				£m	£m
Alliance Bernstein	Global Equity	1.50%	1 Nov 2004	145.0	175.9
Fauchier	Hedge Fund	5% over 5 Years	28 Jun 2008	21.2	22.0
Harbourvest	Venture Capital	5% over 10 Yrs	29 Jun 2006	32.7	31.2
RCM	Global Equity	1.50%	18 Sep 2008	145.1	170.6
Schroders	Property	0.75%	12 Oct 2004	71.2	70.8
UBS (Equity)	UK Equity (Index)		27 Feb 2008	111.0	129.1
UBS (Bonds)	Fixed Interest		28 Feb 2008	134.2	127.7
INVESTEC	Commodities		25 Feb 2010	36.4	39.8
M & G	UK Financing Fund		1 May 2010	8.1	8.0
Northern Trust	Securities Lending			0.2	0.2
				£705.1	£775.3

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 30 Sep 2011	One Year	Since Inception
Alliance Bernstein	-2.7%	-3.8%	-2.5%
Fauchier	-5.9%	-8.2%	-6.5%
Harbourvest	16.7%	24.4%	2.6%
RCM	-0.2%	-0.1%	-3.6%
Schroders	-0.8%	-0.3%	-0.8%
UBS (Equity)	0.1%	0.1%	0.1%
UBS (Bonds)	-1.4%	-0.5%	1.5%
INVESTEC	0.0%	0.1%	-1.3%
M & G	0.8%	2.2%	2.0%

- 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 has been analysed by the Council. investment advisors, Hymans Robertson. This has been set out at Appendix 1.

5. **CONCLUSION**

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**

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

None reported

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.