



Meeting: **Investment Subcommittee**

Date/Time: **Wednesday, 10 October 2018 at 10.00 am**

Location: **Gartree Committee Room, County Hall, Glenfield**

Contact: **Miss C. Tuohy (Tel. 0116 305 5483)**

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Membership

Mr. P. C. Osborne CC (Chairman)

Mr R, Bone Dr. S. Hill CC
Cllr. Malise Graham MBE Dr. Cllr. L. Moore
Dr. P. Cross Mr. L. Breckon CC

AGENDA

<u>Item</u>	<u>Report by</u>	
1. Minutes of the meeting held on 11 July 2018.		(Pages 3 - 6)
2. Question Time.		
3. Questions asked by members under Standing Order 7(3) and 7(5).		
4. To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda.		
5. Declarations of interest in respect of items on the agenda.		
6. Review of the Ruffer Targeted Return Investment.	Director of Corporate Resources	(Pages 7 - 8)
7. Date of Next Meeting - 12 December 2018.		
8. Any other items which the Chairman has decided to take as urgent.		



Exclusion of Press and Public.

The public are likely to be excluded during consideration of the remaining items in accordance with Section 100(A)(4) of the Local Government Act 1972 (Exempt Information).

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| 9. | Review of the Ruffer Targeted Return Investment - Briefing notes of the Independent Investment Advisor and Hymans Robertson. | Independent Investment Advisor | (Pages 9 - 26) |
| 10. | Presentation from Ruffer Targeted Return Investment. | Fund Manager | (Pages 27 - 66) |
| 11. | Update on the launch of LGPS Central sub-funds. | Director of Corporate Resources | (Pages 67 - 82) |



**Minutes of a meeting of the Investment Subcommittee held at County Hall,
Glenfield on Wednesday, 11 July 2018.**

PRESENT:

Leicestershire County Council

Mr. P. C. Osborne CC (Chairman)
Dr. S. Hill CC
Mr. L. Breckon JP CC

Leicester City Council/District Council
Representative

Cllr. M. Graham MBE

Staff Representative

Mr. R. Bone

University Representative

Mr. Z. Limbada

1. Election of Chairman.

That Mr P. C. Osborne CC be appointed Chairman of the Investment Subcommittee for the period ending with the date of the Annual Council meeting in May 2019.

2. Election of Vice Chairman.

That Mr L. Breckon CC be appointed Vice Chairman of the Investment Subcommittee for the period ending with the date of the Annual Council meeting in May 2019.

3. Minutes of the previous meeting.

The minutes of the meeting held on 11 October 2017 were taken as read, confirmed and signed.

4. Question Time.

The Chief Executive reported that no questions had been received under Standing Order 35.

5. Questions asked by members.

The Chief Executive reported that no questions had been received under Standing Order 7(3) and 7(5).

6. Urgent items.

There were no urgent items for consideration.

7. Declarations of interest.

The Chairman invited members who wished to do so to declare any interest in respect of items on the agenda for the meeting.

No declarations were made.

8. Review of the Millennium Currency Overlay Programme.

The Subcommittee considered a report of the Director of Corporate Resources, which provided members with information relating to the Leicestershire Pension Fund's current Millennium currency programme. A copy of the report is filed with these minutes marked '8'.

Arising from discussion, the following points were noted:

- i) The Fund's investment in the Millennium Currency Overlay Programme was judged on the absolute return delivered, rather than as a return on investment due to the relatively small outlay of £1.5million.
- ii) The Fund's active currency mandate with Millennium is focused on a relatively small portfolio targeting significant returns. The Programme offers a diversified source of income which differed from other available currency investments.
- iii) Since the Fund first invested in the Millennium Currency Programme in 2006 it had generated a positive return despite losing money in each of the last three financial years.

RESOLVED:

That the report be noted.

9. Date of Next Meeting - 8 August 2018.

It was noted that the next meeting would be held on 8 August 2018.

(This meeting was subsequently cancelled)

10. Briefing notes of the Independent Investment Advisor and Hymans Robertson.

The Subcommittee considered a briefing paper produced by the Fund's

Independent Investment Advisor and Hymans Robertson, which was followed by questions from members. A copy of the briefing note is filed with these minutes marked '11'. The note was not for publication by virtue of Paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the briefing papers be noted.

[At this point Millennium Global representatives joined the meeting]

11. Presentation from Millennium Global Investments Limited.

The Subcommittee received presentations by representatives from Millennium Global which was followed by questions from members. A copy of the presentation is filed with these minutes marked '12'. The presentation was not for publication by virtue of Paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

[At this point Millennium Global representatives withdrew from the meeting]

RESOLVED:

- a) That the presentation delivered by Millennium Global be noted.
- b) That the Leicestershire Pension Fund continues to invest in the Millennium currency programme, maintaining a 3% target volatility against a notional programme size of £250m and that Officers be requested to review the size of the programme, as part of the annual investment review.

Wednesday, 11 July 2018

CHAIRMAN

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INVESTMENT SUBCOMMITTEE – 10TH OCTOBER 2018

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

REVIEW OF THE RUFFER TARGETED RETURN INVESTMENT

Purpose

1. The purpose of this report is to provide the Subcommittee with information concerning the Leicestershire Pension Fund's investment in the Ruffer Total Return Fund and seek approval as to whether the Fund should change its allocation.

Background

2. Ruffer has been employed by the Leicestershire Pension Fund since June 2009. It forms part of the Fund's Target Return portfolio alongside Aspect and Pictet. Ruffer has the highest allocation of the three managers accounting for slightly over half of the Targeted Return allocation with 6% of the Fund's assets under management (£260m).
3. The aim of the Targeted Return portfolio is to provide similar returns to equity, but with a lower level of volatility. There is also the additional benefit of some diversification away from equities, as the managers can invest in a range of asset types. The benchmark performance for the portfolio is cash + 4% p.a.
4. Ruffer's performance for the Fund since inception has been very good. However, the annual performance over the last three years of 3.7% is 0.7% below benchmark.
5. The Committee has previously raised concerns regarding Ruffer's performance and these were compounded by the fact Ruffer did not exploit the market conditions earlier in the year that should have favoured their investment philosophy.
6. These concerns instigated a visit to Ruffer by Scott Jamieson, the Fund's independent investment advisor, and Colin Pratt from LGPS Central. With the aim of gaining a deeper understanding of likely future performance. A briefing note received by the Pension Committee in September is included as an item elsewhere on the agenda. A briefing note has also been produced by the Fund's Investment Consultants Hymans Robertson.
7. It is intended that LGPS Central will take over the management of the Targeted Return portfolio, as part of the pooling arrangements. However, due to other product launches this is expected to be at least 12 months away. Any decision should be taken in the knowledge that this is likely to be an interim measure. Despite this the financial impact on fees and performance in this period could be significant.

8. A range of potential options is available to the Subcommittee. The investment could continue at its current level (6% of total Fund assets). The allocation could be amended, potentially creating a more balanced allocation within the Targeted Return portfolio proposed by Hymans or the allocation to Ruffer could be stopped and the c.£260m redistributed to other investments.

Supplementary Information Informing the potential investment

9. Briefing notes provided by the Fund's Independent Investment Advisor and Hymans Roberson accompanied by a presentation from the investment managers representing Millennium, which are all of a sensitive nature, are included as items on the agenda.

Recommendation

10. It is recommended that the Investment Subcommittee notes the Leicestershire Pension Fund's current investment with Ruffer agrees a future approach based on the options identified in paragraph 8.

Equality and Human Rights Implications

11. None identified

Officers to Contact

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By virtue of paragraph(s) 3, 10 of Part 1 of Schedule 12A of the Local Government Act 1972.

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