

LOCAL PENSION COMMITTEE – 13TH NOVEMBER 2015

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

**SUMMARY VALUATION OF PENSION FUND INVESTMENTS AND INVESTMENT
PERFORMANCE OF INDIVIDUAL MANAGERS**

Purpose of Report

- To present to the Committee a summary valuation of the Fund's investments at 30th September 2015 (attached as an appendix to this report), together with figures showing the performance of individual managers.

Summary Valuation

- The total market value of investments at 30th September 2015 was £2,951.7m compared to £3,032.7m at 30th June 2015, a decrease of £81.0m. In the three month period non-investment related net cash inflows amounting to £2.6m were received. After adjusting for non-investment related cash flows the Fund value decreased by £83.6m, or 2.8%, due to changes in the value of investments.
- The total returns of various indices since 30th June 2015 were as follows:-

	Local Currency %	Converted to Sterling %	Return with 50% hedge %
UK Gilts	+3.8	+3.8	+3.8
UK Index-Linked	+2.9	+2.9	+2.9
UK Equities	-6.9	-6.9	-6.9
North American Equities	-6.7	-3.5	-5.1
European Equities	-7.1	-4.6	-5.8
Japanese Equities	-13.3	-8.0	-10.6
Pacific (Ex Japan) Equities	-9.6	-11.4	-10.5

- The current split of investments over sectors is as follows:-

	30th September 2015		30th June 2015
	£m	%	%
UK Equities	353.1	12.0	12.2
Overseas Equities	1,058.5	35.8	36.9
Targeted Return/Credit/Opportunity Pool	706.2	23.9	23.1
Private Equity	119.7	4.1	3.7
Property	297.5	10.1	9.4
Cash	19.7	0.7	1.3
Inflation-Linked Assets	339.3	11.5	11.1
Commodities	56.6	1.9	2.1
Active and Passive Currency	1.1	0.0	0.2
	2951.7	100.0	100.0

5. The investment performance of the individual managers is laid out in the tables below, over various periods. For most managers the benchmark performance quoted is based on indices, for targeted return managers the benchmark is cash + 4% p.a. and for Millennium the benchmark is 1.5% p.a.

3 months

Manager/Portfolio	Actual (%)	B/mark(%)	Relative (%)
Legal & General (passive global equities)	-6.0	-6.1	+0.1
Aviva Investors (property)	3.4	3.0	+0.4
Aspect Capital (managed futures)	14.2	1.1	+13.1
Delaware (emerging market equities)	-17.7	-14.8	-2.9
Kleinwort Benson (equity dividend)	-5.7	-6.0	+0.3
Kempen (equity dividend)	-3.7	-6.0	+2.3
Ruffer (targeted return)	-4.3	1.1	-4.4
Ashmore (emerging market debt)	-6.6	-5.1	-1.5
Millennium (currency)	-0.1	0.4	-0.5

Financial year-to-date (6 months)

Manager/Portfolio	Actual (%)	B/mark(%)	Relative (%)
Legal & General (passive global equities)	-10.2	-10.1	+0.1
Aviva Investors (property)	10.8	9.4	+1.4
Aspect Capital (managed futures)	-1.5	2.2	-3.7
Delaware (emerging market equities)	-18.7	-19.0	+0.3
Kleinwort Benson (equity dividend)	-10.1	-10.9	+0.8
Kempen (equity dividend)-9.1	-9.1	-10.9	+1.8
Ruffer (targeted return)	-3.4	2.2	-5.6
Ashmore (emerging market debt)	-4.7	-5.2	+0.5
Millennium (currency)	-1.0	0.8	-1.8

One year

Manager/Portfolio	Actual (%)	B/mark(%)	Relative (%)
Legal & General (passive global equities)	-1.1	-1.2	+0.1
Aviva Investors (property)	15.9	14.4	+1.5
Aspect Capital (managed futures)	32.1	4.5	+27.6
Delaware (Emerging market equities)	-22.6	-13.6	-9.0
Kleinwort Benson (equity dividend)	-2.6	-0.1	-2.5
Kempen (equity dividend)	-1.6	-0.1	-1.5
Ruffer (targeted return)	5.5	4.5	+1.0
Millennium (currency)	3.7	1.5	+2.2

Three years (performance per annum)

Manager/Portfolio	Actual (%)	B/mark(%)	Relative (%)
Legal & General (passive global equities)	9.5	9.4	+0.1
Aviva Investors (property)	13.0	11.7	+1.3
Delaware (Emerging market equities)	-2.1	-3.2	+1.1
Ruffer (targeted return)	7.9	4.5	+3.4
Millennium (currency)	2.4	1.5	+0.9

Five years (performance per annum)

Manager/Portfolio	Actual (%)	B/mark(%)	Relative (%)
Legal & General (passive global equities)	7.6	7.5	+0.1
Aviva Investors (property)	9.8	8.8	+1.0
Ruffer (targeted return)	6.3	4.5	+1.8
Millennium (currency)	1.2	1.5	-0.3

Equal Opportunities Implications

The matters referred to in this report have no identifiable equal opportunities implications.

Recommendation

The Local Pension Committee is asked to note the report.

Appendix

Pension Fund Investments as at 30th September 2015

Officer to Contact

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APPENDIX

PENSION FUND INVESTMENTS AS AT 30TH SEPTEMBER 2015

	<u>Market Value</u> £	<u>Value</u> %	<u>Benchmark</u> %	<u>Variance</u> %
<u>Equities</u>				
United Kingdom	353,067,571	11.96	11.60	0.36
Overseas:				
Global dividend-focused	222,234,141	7.53	8.00	-0.47
North America	384,238,391	13.02	13.00	0.02
Europe (Ex UK)	186,029,205	6.30	6.50	-0.20
Japan	44,288,053	1.50	1.50	0.00
Pacific (Ex Japan)	87,979,664	2.98	3.00	-0.02
Emerging Markets	133,777,500	4.53	5.50	-0.97
Total	1,058,546,954	35.86	37.50	-1.64
<u>Private Equity</u>				
	119,718,505	4.06	4.00	0.06
<u>Property</u>				
Direct Holdings*	88,731,000	3.01	4.00	-0.99
Indirect Holdings	208,772,041	7.07	6.00	1.07
Total	297,503,041	10.08	10.00	0.08
<u>Alternative Investments</u>				
Fauchier	620,098	0.02	0.00	0.02
Pictet	29,933,090	1.01	1.20	-0.19
Ruffer	217,364,859	7.36	7.00	0.36
Credit Opportunities	162,488,302	5.50	5.00	0.50
Aspect	133,475,282	4.52	4.00	0.52
Emerging Market Debt	70,703,045	2.40	2.50	-0.10
Opportunity pool	91,599,720	3.10	2.80	0.30
	706,184,396	23.92	22.50	1.42
<u>Commodities</u>				
	56,566,856	1.92	2.50	-0.58
<u>Inflation-Linked Assets</u>				
Global Government Index-Linked Bonds	210,942,384	7.15	7.50	-0.35
Infrastructure	77,367,661	2.62	2.70	-0.08
Timberland	50,953,764	1.73	1.70	0.03
	339,263,809	11.49	11.90	-0.41
<u>Cash on Deposit</u>				
	19,736,156	0.67	0.00	0.67
<u>Unrealised Profit On Currency</u>				
Active	1,832,395	0.06	0.00	0.06
Passive	-683,908	-0.02	0.00	-0.02
Total	1,148,487	0.04	0.00	0.04
TOTAL	2,951,735,775	100.00	100.00	0.00
<u>Direct Property Holdings*</u>				
Retail	14,000,000	15.78		
Retail Warehouses	19,300,000	21.75		
Offices	21,735,000	24.50		
Industrials	15,825,000	17.83		
Leisure (Hotels/Health Club)	16,460,000	18.55		
Farms	1,411,000	1.59		
	88,731,000	100.00		