

**LOCAL PENSION COMMITTEE – 26<sup>TH</sup> FEBRUARY 2016**

**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 31<sup>st</sup> December 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 31<sup>st</sup> December 2015 was £3,079.5m compared to £2,951.7m at 30<sup>th</sup> September 2015, an increase of £127.8m. In the three month period non-investment related net cash inflows amounting to £4.8m were received. After adjusting for non-investment related cash flows the Fund value increased by £123.0m, or 4.2%, due to changes in the value of investments.
- The total returns of various indices since 30<sup>th</sup> September 2015 were as follows:-

	<b>Local Currency %</b>	<b>Converted to Sterling %</b>	<b>Return with 50% hedge %</b>
UK Gilts	-1.2	-1.2	-1.2
UK Index-Linked	-2.9	-2.9	-2.9
UK Equities	+4.0	+4.0	+4.0
North American Equities	+6.3	+9.0	+7.6
European Equities	+5.8	+6.1	+5.9
Japanese Equities	+9.9	+12.5	+11.2
Pacific (Ex Japan) Equities	+5.4	+10.4	+7.9

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

	<b>31<sup>st</sup> December 2015</b>		<b>30<sup>th</sup> September 2015</b>
	<b>£m</b>	<b>%</b>	<b>%</b>
UK Equities	370.3	12.0	12.0
Overseas Equities	1,141.9	37.1	35.8
Targeted Return/Credit/Opportunity Pool	781.3	25.4	23.9
Private Equity	118.2	3.8	4.1
Property	288.6	9.4	10.1
Cash	43.4	1.4	0.7
Inflation-Linked Assets	342.1	11.1	11.5
Commodities	0.0	0.0	1.9
Active and Passive Currency	(6.3)	(0.2)	0.0
	<b>3,079.5</b>	<b>100.0</b>	<b>100.0</b>

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)	+6.7	+6.7	-
Aviva Investors (property)	+2.8	+2.8	-
Aspect Capital (managed futures)	+2.1	+1.1	+1.0
Delaware (emerging market equities)	+11.0	+3.4	+7.6
Kleinwort Benson (equity dividend)	+7.5	+7.9	-0.4
Kempen (equity dividend)	+5.8	+7.9	-2.1
Ruffer (targeted return)	+1.0	+1.1	-0.1
Pictet (targeted return)	+0.9	+1.1	-0.2
Ashmore (emerging market debt)	-0.0	+0.6	-0.6
Millennium (currency)	+0.4	+0.4	-

### Financial year-to-date (9 months)

Manager/Portfolio	Actual (%)	B/mark(%)	Relative (%)
Legal & General (passive global equities)	-4.1	-4.0	+0.1
Aviva Investors (property)	+9.7	+9.4	+0.3
Aspect Capital (managed futures)	+0.5	+3.3	-2.8
Delaware (emerging market equities)	-8.6	-11.9	+3.3
Kleinwort Benson (equity dividend)	-3.4	-3.9	+0.5
Kempen (equity dividend)	-3.8	-3.9	+0.1
Ruffer (targeted return)	-2.4	+3.3	-5.7
Ashmore (emerging market debt)	-4.7	-4.6	-0.1
Millennium (currency)	-0.6	+1.2	-1.8

### One year

Manager/Portfolio	Actual (%)	B/mark(%)	Relative (%)
Legal & General (passive global equities)	+2.5	+2.4	+0.1
Aviva Investors (property)	+13.9	+12.5	+1.4
Aspect Capital (managed futures)	+8.8	+4.5	+4.3
Delaware (Emerging market equities)	-8.9	-10.0	+1.1
Kleinwort Benson (equity dividend)	+0.7	+3.3	-2.6
Kempen (equity dividend)	+2.4	+3.3	-0.9
Ruffer (targeted return)	+2.4	+4.5	-2.1
Ashmore (emerging market debt)	-4.6	-5.2	+0.6
Millennium (currency)	+2.0	+1.5	-0.5

**Three years (performance per annum)**

<b>Manager/Portfolio</b>	<b>Actual (%)</b>	<b>B/mark(%)</b>	<b>Relative (%)</b>
Legal & General (passive global equities)	+10.6	+10.5	+0.1
Aviva Investors (property)	+14.6	+12.9	+1.7
Aspect Capital (managed futures)	+11.3	+4.5	+6.8
Delaware (Emerging market equities)	-0.5	-3.7	+3.2
Ruffer (targeted return)	+7.1	+4.5	+2.6
Kleinwort Benson (equity dividend)	+10.8	+11.3	-0.5
Millennium (currency)	+2.3	+1.5	+0.8

**Five years (performance per annum)**

<b>Manager/Portfolio</b>	<b>Actual (%)</b>	<b>B/mark(%)</b>	<b>Relative (%)</b>
Legal & General (passive global equities)	+7.3	+7.1	+0.2
Aviva Investors (property)	+10.0	+9.0	+1.0
Ruffer (targeted return)	+5.3	+4.5	+0.8
Millennium (currency)	+1.4	+1.5	-0.1

**Equal Opportunities Implications**

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

**Recommendation**

7. The Local Pension Committee is asked to note the above report.

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## PENSION FUND INVESTMENTS AS AT 31ST DECEMBER 2015

	<u>Market Value</u> £	<u>Value</u> %	<u>Benchmark</u> %	<u>Variance</u> %
<u>Equities</u>				
United Kingdom	370,312,840	12.02	11.00	1.02
Overseas:				
Global dividend-focused	238,807,825	7.75	8.00	-0.25
North America	415,490,950	13.49	13.00	0.49
Europe (Ex UK)	198,468,386	6.44	6.50	-0.06
Japan	47,568,817	1.54	1.50	0.04
Pacific (Ex Japan)	96,333,198	3.13	3.00	0.13
Emerging Markets	145,186,393	4.71	5.50	-0.79
Total	1,141,855,569	37.08	37.50	-0.42
<u>Private Equity</u>				
	118,205,682	3.84	4.00	-0.16
<u>Property</u>				
Direct Holdings*	93,941,000	3.05	4.00	-0.95
Indirect Holdings	194,665,835	6.32	6.00	0.32
Total	288,606,835	9.37	10.00	-0.63
<u>Alternative Investments</u>				
Fauchier	618,889	0.02	0.00	0.02
Pictet	85,238,795	2.77	3.00	-0.23
Ruffer	220,021,367	7.14	7.00	0.14
Credit Opportunities	158,157,920	5.14	5.00	0.14
Aspect	136,653,247	4.44	4.00	0.44
Emerging Market Debt	72,500,569	2.35	2.50	-0.15
Opportunity pool	108,070,430	3.51	3.50	0.01
	781,261,217	25.37	25.00	0.37
<u>Commodities</u>				
	80,314	0.00	0.00	0.00
<u>Inflation-Linked Assets</u>				
Global Government Index-Linked Bonds	206,883,897	6.72	7.50	-0.78
Infrastructure	80,841,562	2.63	3.00	-0.37
Timberland	54,421,881	1.77	2.00	-0.23
	342,147,340	11.11	12.50	-1.39
<u>Cash on Deposit</u>				
	43,407,273	1.41	0.00	1.41
<u>Unrealised Profit On Currency</u>				
Active	1,182,868	0.04	0.00	0.04
Passive	-7,530,818	-0.24	0.00	-0.24
Total	-6,347,950	-0.21	0.00	-0.21
<b>TOTAL</b>	<b>3,079,529,120</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>
<u>Direct Property Holdings*</u>				
Retail	14,325,000	15.25		
Retail Warehouses	19,880,000	21.16		
Offices	23,920,000	25.46		
Industrials	16,715,000	17.79		
Leisure (Hotels/Health Club)	17,690,000	18.83		
Farms	1,411,000	1.50		
	93,941,000	100.00		