

**LOCAL PENSION COMMITTEE – 2<sup>ND</sup> SEPTEMBER 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 30<sup>th</sup> June 2016 (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 30<sup>th</sup> June 2016 was £3,368.8m compared to £3,158.6m at 31<sup>st</sup> March 2016, an increase of £210.3m. In the three month period non-investment related net cash inflows amounting to £4.0m were received. After adjusting for non-investment related cash flows the Fund value increased by £206.3m, or 6.5%, due to changes in the value of investments.
- The total returns of various indices since 31<sup>st</sup> March 2016 were as follows:-

	<b>Local Currency %</b>	<b>Converted to Sterling %</b>	<b>Return with 50% hedge %</b>
UK Gilts	+6.2	+6.2	+6.2
UK Index-Linked	+9.8	+9.8	+9.8
UK Equities	+4.7	+4.7	+4.7
North American Equities	+2.6	+10.3	+6.4
European Equities	-0.4	+4.4	+2.0
Japanese Equities	-7.7	+8.8	+0.6
Pacific (Ex Japan) Equities	+1.8	+7.8	+4.8

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

	<b>30<sup>th</sup> June 2016</b>		<b>31<sup>st</sup> March 2016</b>
	<b>£m</b>	<b>%</b>	<b>%</b>
UK Equities	273.5	8.1	8.3
Overseas Equities	1,359.9	40.4	40.7
Targeted Return/Credit/Opportunity Pool	819.3	24.3	25.1
Private Equity	128.2	3.8	3.8
Property	288.6	8.6	9.3
Cash	27.7	0.8	0.3
Inflation-Linked Assets	476.0	14.1	12.2
Active and Passive Currency	(4.4)	(0.1)	0.3
	<b>3,368.8</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)	+7.6	+7.6	-
Aviva Investors (property)	+2.0	+0.1	+1.9
Aspect Capital (managed futures)	-2.1	+1.1	-3.2
Delaware (emerging market equities)	+9.5	+8.2	+1.3
Kleinwort Benson (equity dividend)	+8.0	+8.6	-0.6
Kempen (equity dividend)	+6.1	+8.6	-2.7
Ruffer (targeted return)	+4.5	+1.1	+3.4
Pictet (targeted return)	+5.5	+1.1	+4.4
Ashmore (emerging market debt)	+14.6	+11.1	+3.5
Millennium (currency)	-0.9	+0.4	-1.3

### One year

Manager/Portfolio	Actual (%)	B/mark(%)	Relative (%)
Legal & General (passive global equities)	+10.6	+10.6	-
Aviva Investors (property)	+8.9	+7.2	+1.7
Aspect Capital (managed futures)	+14.6	+4.4	+10.2
Delaware (Emerging market equities)	+9.1	+3.5	+5.6
Kleinwort Benson (equity dividend)	+14.6	+13.3	+1.3
Kempen (equity dividend)	+15.5	+13.3	+2.2
Ruffer (targeted return)	+1.3	+4.4	-3.1
Ashmore (emerging market debt)	+26.0	+20.7	+5.3
Millennium (currency)	-1.4	+1.5	-2.9

### Three years (performance per annum)

Manager/Portfolio	Actual (%)	B/mark(%)	Relative (%)
Legal & General (passive global equities)	+10.1	+10.0	+0.1
Aviva Investors (property)	+14.8	+12.5	+2.3
Aspect Capital (managed futures)	+11.0	+4.4	+6.6
Delaware (Emerging market equities)	+4.4	+2.7	+1.7
Ruffer (targeted return)	+5.2	+4.4	+0.8
Kleinwort Benson (equity dividend)	+10.0	+10.6	-0.6
Kempen (equity dividend)	+8.0	+10.6	-2.6
Millennium (currency)	+1.1	+1.5	-0.4

### Five years (performance per annum)

Manager/Portfolio	Actual (%)	B/mark(%)	Relative (%)
Legal & General (passive global equities)	+8.8	+8.7	+0.1
Aviva Investors (property)	+9.6	+8.5	+1.1
Delaware (Emerging market equities)	+1.1	-0.2	+1.3
Ruffer (targeted return)	+6.2	+4.5	+1.7
Millennium (currency)	+1.1	+1.5	-0.4

**Equal Opportunities Implications**

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

**Recommendation**

7. It is recommended that the Committee notes the report.

**Background Papers**

None.

**Officer to Contact**

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## APPENDIX

## PENSION FUND INVESTMENTS AS AT 30TH JUNE 2016

	<u>Market Value</u> £	<u>Value</u> %	<u>Benchmark</u> %	<u>Variance</u> %
<u>Equities</u>				
United Kingdom	273,493,207	8.12	8.10	0.02
Overseas:				
Global dividend-focused	264,760,190	7.86	8.00	-0.14
North America	489,640,627	14.53	14.20	0.33
Europe (Ex UK)	203,793,059	6.05	6.10	-0.05
Japan	102,974,801	3.06	3.00	0.06
Pacific (Ex Japan)	104,072,424	3.09	3.00	0.09
Emerging Markets	194,683,795	5.78	6.10	-0.32
Total	1,359,924,896	40.37	40.40	-0.03
<u>Private Equity</u>				
	128,240,456	3.81	4.00	-0.19
<u>Property</u>				
Direct Holdings*	95,300,000	2.83	4.00	-1.17
Indirect Holdings	193,271,967	5.74	6.00	-0.26
Total	288,571,967	8.57	10.00	-1.43
<u>Alternative Investments</u>				
Fauchier	690,127	0.02	0.00	0.02
Pictet	87,789,417	2.61	3.00	-0.39
Ruffer	225,338,777	6.69	7.00	-0.31
Credit Opportunities	157,020,043	4.66	5.00	-0.34
Aspect	135,286,885	4.02	4.00	0.02
Emerging Market Debt	92,044,510	2.73	2.50	0.23
Opportunity pool	121,150,154	3.60	3.50	0.10
	819,319,913	24.32	25.00	-0.68
<u>Commodities</u>				
	0	0.00	0.00	0.00
<u>Inflation-Linked Assets</u>				
Global Government Index-Linked Bonds	242,716,773	7.20	7.50	-0.30
Infrastructure @	160,814,737	4.77	3.00	1.77
Timberland	72,462,308	2.15	2.00	0.15
	475,993,818	14.13	12.50	1.63
<u>Cash on Deposit</u>				
	27,698,807	0.82	0.00	0.82
<u>Unrealised Profit On Currency</u>				
Active	-868,554	-0.03	0.00	-0.03
Passive	-3,573,692	-0.11	0.00	-0.11
Total	-4,442,246	-0.13	0.00	-0.13
<b>TOTAL</b>	<b>3,368,800,818</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>
<u>Direct Property Holdings*</u>				
Retail	13,465,000	14.13		
Retail Warehouses	19,695,000	20.67		
Offices	24,500,000	25.71		
Industrials	16,855,000	17.69		
Leisure (Hotels/Health Club)	18,010,000	18.90		
Farms	2,775,000	2.91		
	95,300,000	100.00		

@ infrastructure includes \$90m that was held in cash awaiting an investment that was made on 1st July 2016