

LOCAL PENSION COMMITTEE – 17TH MARCH 2017

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

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

Purpose of the Report

- The purpose of the report is to present a summary valuation of the Fund's investments at 31st December 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 31st December 2016 was £3,744.6m compared to £3,581.7m at 30th September 2016, an increase of £162.9m. In the three month period non-investment related net cash inflows amounting to £2.9m were received. After adjusting for non-investment related cash flows the Fund value increased by £160.0m, or 4.5%, due to changes in the value of investments.
- The total returns of various indices since 30th September 2016 were as follows:-

	Local Currency %	Converted to Sterling %	Return with 50% hedge %
UK Gilts	-3.4	-3.4	-3.4
UK Index-Linked	-2.7	-2.7	-2.7
UK Equities	+3.9	+3.9	+3.9
North American Equities	+3.8	+9.0	+6.4
European Equities	+6.0	+4.8	+5.4
Japanese Equities	+15.2	+5.1	+10.1
Pacific (Ex Japan) Equities	+1.9	+1.6	+1.7

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

	31st December 2016		30th September 2016
	£m	%	%
UK Equities	312.7	8.4	8.2
Overseas Equities	1,586.5	42.4	41.5
Targeted Return/Credit/Opportunity Pool	800.9	21.4	22.9
Private Equity	142.0	3.8	3.7
Property	316.3	8.4	8.6
Cash	172.1	4.6	3.9
Inflation-Linked Assets	427.5	11.4	11.5
Active and Passive Currency	(13.4)	(0.4)	(0.3)
	3,744.6	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)	+6.8	+6.8	-
Aviva Investors (property)	+1.8	+2.3	-0.5
Aspect Capital (managed futures)	-5.9	+1.1	-7.0
Delaware (emerging market equities)	-0.8	+0.7	-1.5
Kleinwort Benson (equity dividend)	+7.3	+6.4	+0.9
Kempen (equity dividend)	+9.3	+6.4	+2.9
Ruffer (targeted return)	+3.0	+1.1	+1.9
Pictet (targeted return)	+1.6	+1.2	+0.4
Ashmore (emerging market debt)	+2.8	+0.5	+2.3
Millennium (currency)	+1.6	+0.4	+1.2

Financial year-to-date (9 months)

Manager/Portfolio	Actual (%)	B/mark(%)	Relative (%)
Legal & General (passive global equities)	+25.0	+25.0	-
Aviva Investors (property)	+3.0	+2.8	+0.2
Aspect Capital (managed futures)	-9.4	+3.3	-12.7
Delaware (emerging market equities)	+25.7	+22.3	+3.4
Kleinwort Benson (equity dividend)	+25.8	+25.2	+0.6
Kempen (equity dividend)	+26.2	+25.2	+1.0
Ruffer (targeted return)	+13.1	+4.4	+8.7
Pictet (targeted return)	+12.9	+4.4	+8.5
Ashmore (emerging market debt)	+28.2	+18.7	+9.5
Millennium (currency)	+0.2	+1.1	-0.9

One year

Manager/Portfolio	Actual (%)	B/mark(%)	Relative (%)
Legal & General (passive global equities)	+27.8	+27.8	-
Aviva Investors (property)	+3.1	+2.8	+0.3
Aspect Capital (managed futures)	-9.0	+4.4	-13.4
Delaware (Emerging market equities)	+36.9	+32.6	+4.3
Kleinwort Benson (equity dividend)	+31.7	+28.7	+3.0
Kempen (equity dividend)	+34.8	+28.7	+6.1
Ruffer (targeted return)	+13.1	+4.4	+8.7
Pictet (targeted return)	+11.5	+4.4	+7.1
Ashmore (emerging market debt)	+41.8	+29.4	+12.4
Millennium (currency)	-0.7	+1.5	-2.2

Three years (performance per annum)

Manager/Portfolio	Actual (%)	B/mark(%)	Relative (%)
Legal & General (passive global equities)	+12.1	+12.1	-
Aviva Investors (property)	+11.9	+10.7	+1.2
Aspect Capital (managed futures)	+9.5	+4.4	+5.5
Delaware (Emerging market equities)	+7.0	+7.4	-0.4
Ruffer (targeted return)	+7.2	+4.4	+2.8
Kleinwort Benson (equity dividend)	+13.7	+13.7	-
Kempen (equity dividend)	+13.4	+13.7	-0.3
Millennium (currency)	+1.6	+1.5	+0.1

Five years (performance per annum)

Manager/Portfolio	Actual (%)	B/mark(%)	Relative (%)
Legal & General (passive global equities)	+14.3	+14.3	-
Aviva Investors (property)	+9.1	+8.2	+0.9
Delaware (Emerging market equities)	+8.1	+6.0	+2.1
Ruffer (targeted return)	+7.7	+4.4	+3.3
Millennium (currency)	+1.4	+1.5	-0.1

Equality and Human Rights implications

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

Recommendation

7. That the report be noted.

Officer to Contact

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PENSION FUND INVESTMENTS AS AT 31ST DECEMBER 2016

	<u>Market Value</u> £	<u>Value</u> %	<u>Benchmark</u> %	<u>Variance</u> %
<u>Equities</u>				
United Kingdom	312,737,370	8.35	8.10	0.25
Overseas:				
Global dividend-focused	312,003,253	8.33	8.00	0.33
North America	574,541,822	15.34	14.20	1.14
Europe (Ex UK)	239,053,691	6.38	6.10	0.28
Japan	121,320,725	3.24	3.00	0.24
Pacific (Ex Japan)	115,731,665	3.09	3.00	0.09
Emerging Markets	223,876,298	5.98	6.10	-0.12
Total	1,586,527,454	42.37	40.40	1.97
<u>Private Equity</u>				
	141,997,897	3.79	4.00	-0.21
<u>Property</u>				
Direct Holdings*	96,490,000	2.58	3.30	-0.72
Indirect Holdings	219,791,785	5.87	6.70	-0.83
Total	316,281,785	8.45	10.00	-1.55
<u>Alternative Investments</u>				
Fauchier	755,147	0.02	0.00	0.02
Pictet	94,845,033	2.53	2.00	0.53
Ruffer	243,406,077	6.50	7.00	-0.50
Credit Opportunities	147,326,238	3.93	5.00	-1.07
Aspect	125,892,902	3.36	4.00	-0.64
Emerging Market Debt	102,827,113	2.75	2.50	0.25
Opportunity pool	85,865,139	2.29	2.50	-0.21
	800,917,649	21.39	23.00	-1.61
<u>Commodities</u>				
	0	0.00	0.00	0.00
<u>Inflation-Linked Assets</u>				
Global Government Index-Linked Bonds	182,749,280	4.88	5.00	-0.12
Infrastructure	164,218,584	4.39	5.00	-0.61
Timberland	80,520,604	2.15	2.00	0.15
	427,488,468	11.42	12.00	-0.58
<u>Cash on Deposit</u>				
	172,090,861	4.60	2.50	2.10
<u>Unrealised Profit On Currency</u>				
Active	2,626,072	0.07	0.00	0.07
Passive	-16,116,028	-0.43	0.00	-0.43
Total	-13,489,956	-0.36	0.00	-0.36
TOTAL	3,744,551,528	100.00	100.00	0.00
<u>Direct Property Holdings*</u>				
Retail	13,590,000	14.08		
Retail Warehouses	19,695,000	20.41		
Offices	24,590,000	25.48		
Industrials	17,395,000	18.03		
Leisure (Hotels/Health Club)	18,445,000	19.12		
Farms	2,775,000	2.88		
	96,490,000	100.00		