

LOCAL PENSION COMMITTEE – 2ND JUNE 2017

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

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

Purpose of Report

- The purpose of this report is to present to the Committee a summary valuation of the Fund's investments at 31st March 2017 (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 2017 was £3,872.9m compared to £3,744.6m at 31st December 2016, an increase of £128.3m. In the three month period non-investment related net cash inflows amounting to £4.5m were received. After adjusting for non-investment related cash flows the Fund value increased by £123.8m, or 3.3%, due to changes in the value of investments.
- The total returns of various indices since 31st December 2016 were as follows:-

	Local Currency %	Converted to Sterling %	Return with 70% hedge %
UK Gilts	+1.6	+1.6	+1.6
UK Index-Linked	+1.9	+1.9	+1.9
UK Equities	+4.0	+4.0	+4.0
North American Equities	+6.1	+4.8	+5.7
European Equities	+7.2	+7.5	+7.3
Japanese Equities	+0.2	+3.6	+1.2
Pacific (Ex Japan) Equities	+8.0	+11.7	+9.2

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

	31st March 2017		31st December 2016
	£m	%	%
UK Equities	308.5	8.0	8.4
Overseas Equities	1,550.2	40.0	42.4
Targeted Return/Credit/Opportunity Pool	791.3	20.4	21.4
Private Equity	142.7	3.7	3.8
Property	319.3	8.3	8.4
Cash	210.3	5.4	4.6
Inflation-Linked Assets	537.3	13.9	11.4
Active and Passive Currency	13.3	0.3	(0.4)
	3,872.9	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)	5.3	5.3	-
Aviva Investors (property)	2.5	2.0	+0.5
Aspect Capital (managed futures)	-1.1	1.1	-2.2
Delaware (emerging market equities)	14.0	10.1	+3.9
Kleinwort Benson (equity dividend)	4.6	5.6	-1.0
Kempen (equity dividend)	4.5	5.6	-1.1
Ruffer (targeted return)	0.1	1.1	-1.0
Pictet (targeted return)	1.7	1.1	+0.6
Ashmore (emerging market debt)	4.4	3.6	+0.8
Millennium (currency)	-1.4	0.4	-1.8

One year

Manager/Portfolio	Actual (%)	B/mark(%)	Relative (%)
Legal & General (passive global equities)	31.5	31.5	-
Aviva Investors (property)	5.1	3.7	+1.4
Aspect Capital (managed futures)	-10.4	4.4	-14.8
Colliers Capital (property)	6.8	3.9	+2.9
Delaware (Emerging market equities)	43.3	34.7	+8.6
Kleinwort Benson (equity dividend)	31.6	32.2	-0.6
Kempen (equity dividend)	31.9	32.2	-0.3
Ruffer (targeted return)	13.0	4.4	+8.6
Pictet (targeted return)	11.5	4.4	+7.1
Ashmore (emerging market debt)	34.4	22.6	+11.8
Millennium (currency)	-1.3	1.5	-2.8

Three years (performance per annum)

Manager/Portfolio	Actual (%)	B/mark(%)	Relative (%)
Legal & General (passive global equities)	13.6	13.6	-
Aviva Investors (property)	11.5	10.2	+1.3
Aspect Capital (managed futures)	12.4	4.5	+7.9
Colliers Capital (property)	13.5	10.9	+2.6
Delaware (Emerging market equities)	13.4	11.3	+2.1
Ruffer (targeted return)	7.5	4.5	+3.0
Kleinwort Benson (equity dividend)	15.0	15.6	-0.6
Kempen (equity dividend)	14.7	15.6	-0.9
Millennium (currency)	1.4	1.5	-0.1

Five years (performance per annum)

Manager/Portfolio	Actual (%)	B/mark(%)	Relative (%)
Legal & General (passive global equities)	13.9	13.9	-
Aviva Investors (property)	9.5	8.5	+1.0
Colliers Capital (property)	11.9	9.7	+2.2
Delaware (Emerging market equities)	9.7	5.9	+3.8
Ruffer (targeted return)	7.1	4.5	+2.6
Millennium (currency)	1.1	1.5	-0.4

Equality and Human Rights Implications

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

Recommendation

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

Officer to Contact

Colin Pratt, Investments Manager
Tel: (0116) 305 7656
Email: Colin.Pratt@leics.gov.uk

PENSION FUND INVESTMENTS AS AT 31ST MARCH 2017

	<u>Market Value</u> £	<u>Value</u> %	<u>Benchmark</u> %	<u>Variance</u> %
<u>Equities</u>				
United Kingdom	308,540,560	7.97	8.10	-0.13
Overseas:				
Global dividend-focused	321,711,969	8.31	8.00	0.31
North America	530,087,770	13.69	14.20	-0.51
Europe (Ex UK)	234,817,971	6.06	6.10	-0.04
Japan	111,166,203	2.87	3.00	-0.13
Pacific (Ex Japan)	116,449,144	3.01	3.00	0.01
Emerging Markets	235,936,208	6.09	6.10	-0.01
Total	1,550,169,265	40.03	40.40	-0.37
<u>Private Equity</u>				
	142,701,046	3.68	4.00	-0.32
<u>Property</u>				
Direct Holdings*	96,294,000	2.49	3.30	-0.81
Indirect Holdings	223,022,265	5.76	6.70	-0.94
Total	319,316,265	8.24	10.00	-1.76
<u>Alternative Investments</u>				
Fauchier	580,158	0.01	0.00	0.01
Pictet	96,178,313	2.48	2.00	0.48
Ruffer	243,383,569	6.28	7.00	-0.72
Credit Opportunities	144,464,657	3.73	5.00	-1.27
Aspect	124,803,766	3.22	4.00	-0.78
Emerging Market Debt	107,201,618	2.77	2.50	0.27
Opportunity pool	74,693,021	1.93	2.50	-0.57
	791,305,102	20.43	23.00	-2.57
<u>Commodities</u>				
	0	0.00	0.00	0.00
<u>Inflation-Linked Assets</u>				
Global Government Index-Linked Bonds	278,770,539	7.20	5.00	2.20
Infrastructure	178,113,616	4.60	5.00	-0.40
Timberland	80,371,255	2.08	2.00	0.08
	537,255,410	13.87	12.00	1.87
<u>Cash on Deposit</u>				
	210,339,632	5.43	2.50	2.93
<u>Unrealised Profit On Currency</u>				
Active	162,565	0.00	0.00	0.00
Passive	13,136,223	0.34	0.00	0.34
Total	13,298,788	0.34	0.00	0.34
TOTAL	3,872,926,068	100.00	100.00	0.00
<u>Direct Property Holdings*</u>				
Retail	13,565,000	14.09		
Retail Warehouses	19,310,000	20.05		
Offices	24,615,000	25.56		
Industrials	17,585,000	18.26		
Leisure (Hotels/Health Club)	18,425,000	19.13		
Farms	2,794,000	2.90		
	96,294,000	100.00		