



INVESTMENT SUBCOMMITTEE – 11TH JULY 2018

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

REVIEW OF THE MILLENNIUM CURRENCY OVERLAY PROGRAMME

Purpose

1. The purpose of this report is to provide the Subcommittee with information concerning the Leicestershire Pension Fund's current Millennium currency programme and seek approval as to whether the Fund should continue with the Programme.

Background

2. Millennium Global is a London based currency investment specialist employed by the Leicestershire Pension Fund since April 2006. Millennium trade currency positions on behalf of the Fund with the aim of generating a financial return. The Programme operates independently from the currency hedge, managed by Kames, that aims to reduce the Fund's currency exposure from its investment in global assets.
3. Unlike the Fund's other investments a relatively small (circa £1.5m) capital outlay is required, as a consequence the Programme is judged on the absolute return delivered rather than as a return on investment.
4. A further benefit to the Fund is the diversity offered compared to the Fund's other investments. Currency returns tend to be uncorrelated to traditional equity, bond and commodity markets.
5. At this time none of the other partner funds in LGPS Central have expressed an interest in programmes similar to Millennium's. It is therefore assumed that the Programme will be managed locally for as long as it is maintained.
6. The Programme has generated a positive return since inception in 2006, although returns have been variable within this period. The Programme has lost money in each of last three financial years (total £13m), although a strong performance in 2014/15 has resulted in positive returns in the latest five-year period (£9m).
7. Due to the requirement to retain local oversight over the investment and a recent fall in performance, the Subcommittee is being asked to review the investment.

8. A range of potential options is available to the Subcommittee. The programme could continue in its current form, with a notional value of £350m and 3% p.a. target volatility. The notional value could be amended, either up or down, and potentially linked to the total value of the Fund to ensure that its contribution to the overall return is maintained at the desired level. The Programme could be stopped and the c. £1.5m of capital allocated redistributed.

Supplementary Information Informing the potential investment

9. Briefing notes provided by the Fund's Independent Investment Advisor and Hymans Roberson accompanied by a presentation from the investment managers representing Millennium, which are all of a sensitive nature, are included as items elsewhere on the agenda.

Recommendation

10. It is recommended that the Investment subcommittee notes the Leicestershire Pension Fund's current investment in the Millennium currency programme and agrees a future approach based on the options identified in paragraph 8 of the report.

Equality and Human Rights Implications

11. None.

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