



LOCAL PENSION COMMITTEE – 7 SEPTEMBER 2018

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 30th June 2018 (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 30th June 2018 was £4,181.4m compared to £4,071.4m at 31st March 2018, an increase of £110.0m. In the three month period non-investment related net cash inflows amounting to £5.5m were received. After adjusting for non-investment related cash flows the Fund value increased by £104.5m, or 2.6%, due to changes in the value of investments.
- The total returns of various indices since 31st March 2018 were as follows:-

	Local Currency %	Converted to Sterling %	Return with 50% hedge %
UK Gilts	+0.2	+0.2	+0.2
UK Index-Linked	-1.0	-1.0	-1.0
UK Equities	+9.2	+9.2	+9.2
North American Equities	+3.7	+10.1	+6.9
European Equities	+2.4	+3.4	+2.9
Japanese Equities	+1.2	+3.2	+2.2
Pacific (Ex Japan) Equities	-0.2	+4.4	+2.1

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

	30th June 2018		31st March 2018
	£m	%	%
UK Equities	315.5	7.5	7.5
Overseas Equities	1,617.7	38.7	38.3
Targeted Return/Credit/Opportunity Pool	991.1	23.7	24.0
Private Equity	158.1	3.8	3.6
Property	367.0	8.8	9.0
Cash	95.9	2.3	3.0
Inflation-Linked Assets	640.5	15.3	14.3
Active and Passive Currency	(4.4)	(0.1)	0.3
	4,181.4	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 (%)
Ashmore (emerging market debt)	-7.2	-5.9	-1.3
Aspect Capital (managed futures)	-5.1	+1.1	-6.2
Aviva Investors (property)	+2.3	+2.0	+0.4
Delaware (emerging market equities)	-1.9	-2.2	+0.3
Kempen (equity dividend)	+6.2	+8.1	-1.9
Kleinwort Benson (equity dividend)	+4.8	+6.8	-2.0
Legal & General (passive global equities)	+6.7	+6.7	0.0
Millennium (currency)	+0.8	+0.4	+0.4
Pictet (targeted return)	+0.7	+1.2	-0.5
Ruffer (targeted return)	+2.5	+1.1	+1.4

One year

Manager/Portfolio	Actual (%)	B/mark(%)	Relative (%)
Ashmore (emerging market debt)	-0.8	-1.2	+0.4
Aspect Capital (managed futures)	+2.1	+4.4	-2.3
Aviva Investors (property)	+11.0	+9.7	+1.3
Delaware (emerging market equities)	+7.9	+6.5	+1.4
Kempen (equity dividend)	+8.8	+9.3	-0.5
Kleinwort Benson (equity dividend)	+6.8	+8.9	-2.1
Legal & General (passive global equities)	+8.3	+8.3	0.0
Millennium (currency)	-0.2	+1.5	-1.7
Pictet (targeted return)	+4.5	+4.7	-0.2
Ruffer (targeted return)	+2.6	+4.4	-1.8

Three years (performance per annum)

Manager/Portfolio	Actual (%)	B/mark(%)	Relative (%)
Ashmore (emerging market debt)	+6.3	+3.2	+3.1
Aspect Capital (managed futures)	+1.2	+4.4	-3.2
Aviva Investors (property)	+8.5	+7.6	+0.9
Delaware (emerging market equities)	+16.3	+11.9	+4.4
Kempen (equity dividend)	+16.2	+14.9	+1.3
Kleinwort Benson (equity dividend)	+13.9	+14.6	-0.7
Legal & General (passive global equities)	+13.7	+13.7	0.0
Millennium (currency)	-0.6	+1.5	-2.1
Ruffer (targeted return)	+3.7	+4.4	-0.7

Five years (performance per annum)

Manager/Portfolio	Actual (%)	B/mark(%)	Relative (%)
Ashmore (emerging market debt)	+3.5	+2.0	+1.5
Aspect Capital (managed futures)	+4.4	+4.4	-0.1
Aviva Investors (property)	+12.1	+10.6	+1.5
Delaware (emerging market equities)	+10.4	+8.0	+2.4
Kempen (Equity Dividend)	+11.4	+13.0	-1.6
Kleinwort Benson (equity dividend)	+11.4	+12.5	-1.1
Legal & General (passive global equities)	+12.2	+12.2	0.0
Millennium (currency)	+0.6	+1.5	-0.9
Ruffer (targeted return)	+5.1	+4.4	+0.7

Recommendation

6. The Local Pension Committee is asked to note the report.

Appendix

7. Report of the Fund's Independent Investment Advisor

Equality and Human Rights Implications

8. None.

Officers to Contact

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Appendix

LEICESTERSHIRE PENSION FUND INVESTMENTS AT 30 JUNE 2018

	<u>Market Value</u>	<u>Value</u>	<u>Benchmark</u>	<u>Variance</u>
	£	%	%	%
<u>Equities</u>				
United Kingdom	315,463,183	7.54	7.10	0.24
Overseas:				
Global dividend-focused	338,707,424	8.10	8.00	0.40
North America	572,913,447	13.70	12.80	0.80
Europe (Ex UK)	228,281,305	5.46	5.30	0.26
Japan	113,140,533	2.71	2.40	0.21
Pacific (Ex Japan)	112,343,285	2.69	2.40	0.19
Emerging Markets	252,290,546	6.03	6.00	0.23
Total	1,617,676,540	38.69	36.90	2.09
<u>Private Equity</u>				
	158,100,000	3.78	4.00	-0.22
<u>Property</u>				
Direct Holdings	102,115,000	2.44	3.30	-0.86
Indirect Holdings	264,841,952	6.33	6.70	-0.37
Total	366,956,952	8.78	10.00	-1.22
<u>Alternative Investments</u>				
Fauchier	404,085	0.01	0.00	0.01
Pictet	120,709,826	2.89	2.00	0.89
Ruffer	258,553,380	6.18	6.00	0.18
Credit Opportunities	235,230,513	5.63	7.50	-1.87
Aspect	135,296,676	3.24	3.50	-0.26
Emerging Market Debt	102,313,768	2.45	2.50	-0.05
Opportunity pool	138,636,173	3.32	4.00	0.32
	991,144,421	23.70	25.50	-0.80
<u>Inflation-Linked Assets</u>				
Global Government Index-Linked Bonds	280,267,916	6.70	7.50	-0.80
Infrastructure	233,102,926	5.57	6.00	0.57
Timberland	123,095,882	2.94	3.00	0.94
	636,466,723	15.22	16.50	0.71
<u>Cash on Deposit</u>				
	95,879,388	2.29	0.00	2.29
<u>Unrealised Profit On Currency</u>				
Active	82,611	0.00	0.00	0.00
Passive	-389,454	-0.01	0.00	-0.01
Total	-306,843	-0.01	0.00	-0.01
TOTAL	4,181,380,365	100.00	100.00	0.00