



## **INVESTMENT SUBCOMMITTEE – 10<sup>TH</sup> OCTOBER 2018**

### **REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

### **REVIEW OF THE RUFFER TARGETED RETURN INVESTMENT**

#### **Purpose**

1. The purpose of this report is to provide the Subcommittee with information concerning the Leicestershire Pension Fund's investment in the Ruffer Total Return Fund and seek approval as to whether the Fund should change its allocation.

#### **Background**

2. Ruffer has been employed by the Leicestershire Pension Fund since June 2009. It forms part of the Fund's Target Return portfolio alongside Aspect and Pictet. Ruffer has the highest allocation of the three managers accounting for slightly over half of the Targeted Return allocation with 6% of the Fund's assets under management (£260m).
3. The aim of the Targeted Return portfolio is to provide similar returns to equity, but with a lower level of volatility. There is also the additional benefit of some diversification away from equities, as the managers can invest in a range of asset types. The benchmark performance for the portfolio is cash + 4% p.a.
4. Ruffer's performance for the Fund since inception has been very good. However, the annual performance over the last three years of 3.7% is 0.7% below benchmark.
5. The Committee has previously raised concerns regarding Ruffer's performance and these were compounded by the fact Ruffer did not exploit the market conditions earlier in the year that should have favoured their investment philosophy.
6. These concerns instigated a visit to Ruffer by Scott Jamieson, the Fund's independent investment advisor, and Colin Pratt from LGPS Central. With the aim of gaining a deeper understanding of likely future performance. A briefing note received by the Pension Committee in September is included as an item elsewhere on the agenda. A briefing note has also been produced by the Fund's Investment Consultants Hymans Robertson.
7. It is intended that LGPS Central will take over the management of the Targeted Return portfolio, as part of the pooling arrangements. However, due to other product launches this is expected to be at least 12 months away. Any decision should be taken in the knowledge that this is likely to be an interim measure. Despite this the financial impact on fees and performance in this period could be significant.

8. A range of potential options is available to the Subcommittee. The investment could continue at its current level (6% of total Fund assets). The allocation could be amended, potentially creating a more balanced allocation within the Targeted Return portfolio proposed by Hymans or the allocation to Ruffer could be stopped and the c.£260m redistributed to other investments.

### **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 on the agenda.

### **Recommendation**

10. It is recommended that the Investment Subcommittee notes the Leicestershire Pension Fund's current investment with Ruffer agrees a future approach based on the options identified in paragraph 8.

### **Equality and Human Rights Implications**

11. None identified

### **Officers to Contact**

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