



LOCAL PENSION COMMITTEE – 10TH SEPTEMBER 2021

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PICTET ASSET MANAGEMENT MARKETS UPDATE

Purpose of the Report

1. To provide the Committee with background information on the Leicestershire Pension Funds (Fund) investment held with Pictet asset management. A PowerPoint presentation will be used at the meeting by representatives from Pictet.

Background

2. The Fund has an allocation to Pictet within the targeted return sub class. Three managers are employed with an investment return target of cash plus 4% pa. The remaining two managers are Aspect and Ruffer. The combination of three managers with differing investment philosophies should allow for a less volatile investment return in the long run whilst meeting the targeted return objective.
3. The rationale for having mandates such as these is so that the Fund can benefit from market opportunities that allow these managers to invest in a very wide range of asset classes and switch between these whenever the managers see fit. The Fund on its own would not be nimble enough to make these decisions in the required time frames to benefit from market opportunities.
4. Pictet is a long only manager, meaning they do not short the market in order to generate returns. The objective of the manager is to seek equity like returns with than 75% of global equity market risk, with a return of cash plus 4% net of fees, over a 3 to 5 year period. The 3 and 5 year returns are in line with the return objectives with a 3 year return of 4.53% pa and 5 year return of 5.2% pa.
5. As at 30th June 2021 the Fund held c£440m between the three targeted return funds with c£140m with Pictet. As at the last asset allocation review the targeted return weight was 7.5% of total fund assets. The current weighting is 8.2% of Fund assets, which is 0.7% above of the target.
6. The current Pictet portfolio is diverse and holds many differing asset classes including developed government bonds, developed and emerging market equity, real estate and gold.
7. LGPS Central are developing a targeted return product that the Fund is interested in and which is currently due to be available in early 2022. Officers will bring a proposal to the relevant committee when the product is ready.

Recommendation

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

Equality and Human Rights Implications

9. None

Appendix

None

Officers to Contact

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