

Bath & North East Somerset Council

MEETING:	AVON PENSION FUND INVESTMENT PANEL	
MEETING DATE:	21 NOVEMBER 2014	AGENDA ITEM NUMBER 8
TITLE:	Review Of Investment Performance For Periods Ending 30 September 2014	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 – Fund Valuation Appendix 2 – JLT performance monitoring report (shortened version) Exempt Appendix 3 – RAG Monitoring Summary Report		

1 THE ISSUE

- 1.1 This paper reports on the performance of the Fund's investment managers and seeks to update the Panel on routine aspects of the Fund's investments. The report contains performance statistics for periods ending 30 September 2014.
- 1.2 The report focuses on the performance of the individual investment managers. The full performance report with aggregate investment and funding analysis will be reported to the Committee meeting on 12 December 2014.

2 RECOMMENDATION

That the Investment Panel:

- 2.1 **Notes the information as set out in the report.**
- 2.2 **Identifies any issues to be notified to the Committee.**

FINANCIAL IMPLICATIONS

2.3 The returns achieved by the Fund for the three years commencing 1 April 2013 will impact the next triennial valuation which will be calculated as at 31 March 2016.

3 INVESTMENT PERFORMANCE

A – Fund Performance

3.1 The Fund's assets increased by £53m (return of c. 1.5%) in the quarter, giving a value for the investment Fund of £3,539m at 30 September 2014. Appendix 1 provides a breakdown of the Fund valuation and allocation of monies by asset class and managers.

3.2 All Equity markets achieved positive returns over the quarter with the exception of the UK (-1%) and Europe (-2.6%) whilst Frontier markets (+7.1%) and the USA (+6.4%) were the strongest returning markets. Bond yields again fell over the quarter leading to strong positive returns from Gilts (+7.2%) and Corporate Bonds (+5.5%) over the quarter.

3.3 The Fund's overall performance relative to benchmarks is unavailable at the time of publishing. Full performance data will be reported to the Pensions Committee on 12 December 2014.

B – Investment Manager Performance

3.4 A detailed report on the performance of each investment manager has been produced by JLT – see pages 13 to 37 of Appendix 2.

3.5 Schroder (Global equity mandate) and Record (Currency hedging mandate) presented to the Panel in September 2014 and there were no additional issues identified by the Panel:

(1) **Schroder (Global equity):** The Panel still had concerns about performance and wished to continue monitoring the portfolio closely to ensure the team changes are managed well. The quarterly return was -1.6% behind benchmark – see Exempt Appendix 3 for full update.

(2) **Record (Currency hedging):** The Panel identified no issues/concerns with the mandate which reached 3 years in July 2014.

3.6 Jupiter, TT, Invesco, SSgA Pacific, Genesis, Stenham, Gottex, BlackRock, RLAM and Schroders Property are all outperforming their three year performance targets. SSga Europe is marginally behind target (but retain a Green rating) whilst Signet and Schroder global equity are underperforming their respective 3 year targets.

3.7 Exempt Appendix 3 summarises the latest Performance Monitoring Report used internally to monitor manager performance. The summary report highlights the managers that are rated Amber or Red, detailing the performance and/or organisational issue(s), how they are being monitored and any actions taken by officers and/or the Panel. This quarter 2 managers have been upgraded to a green rating and are therefore removed from the appendix, these are TT and Gottex. That leaves 2 managers on an amber rating, Signet and Schroder global equity. There is a detailed update on each of these in Exempt Appendix 3.

4 INVESTMENT STRATEGY AND PORTFOLIO REBALANCING

4.1 Changes to the Investment Strategy agreed in March 2013 that are still in the process of being implemented are as follows:

Project	Progress
Infrastructure	Completed: Selected IFM to manage the Funds infrastructure allocation, subscription process completed. Note that it is expected that funds will be drawn down over a period of up to 2 years.

4.2 In September the Fund redeemed its holding with Barings and realised £232m; the majority of this money (£225m) was placed with the BlackRock passive portfolio on a temporary basis. Approximately 63% of funds were placed in Global Equities, 14% in overseas bonds and the remainder in Gilts. The effect of this change reduced the Equity:Bond ratio and still remains within the tactical range for rebalancing. The latest Equity:Bond allocation is 74.8 : 25.2 as at 5 Nov 2014. Officers will continue to incorporate any rebalancing considerations as the infrastructure mandate is funded.

5 RISK MANAGEMENT

5.1 The Avon Pension Fund Committee is the formal decision-making body for the Fund. As such it has responsibility to ensure adequate risk management processes are in place. A key risk to the Fund is that the investments fail to generate the returns required to meet the Fund's future liabilities. This risk is managed via the Asset Liability Study which determines the appropriate risk adjusted return profile (or strategic benchmark) for the Fund and through the selection process followed before managers are appointed. This report monitors the performance of the investment managers. The Investment Panel has been established to consider in greater detail investment performance and related matters and report back to the Committee on a regular basis.

6 EQUALITIES

6.1 An equalities impact assessment is not necessary as the report is primarily for information only.

7 CONSULTATION

7.1 This report is primarily for information and therefore consultation is not necessary.

8 ISSUES TO CONSIDER IN REACHING THE DECISION

8.1 The issues to consider are contained in the report.

9 ADVICE SOUGHT

9.1 The Council's Monitoring Officer (Divisional Director – Legal & Democratic Services) and Section 151 Officer (Divisional Director – Business Support) have had the opportunity to input to this report and have cleared it for publication.

Contact person	Matt Betts, Assistant Investments Manager (Tel: 01225 395420)
Background papers	Data supplied by The WM Company
Please contact the report author if you need to access this report in an alternative format	