

AVON PENSION FUND COMMITTEE - INVESTMENT PANEL

Minutes of the Meeting held

Monday, 5th September, 2016, 2.00 pm

Members: Councillor Christopher Pearce (Chair), Councillor David Veale, Councillor Cherry Beath, Councillor Mary Blatchford and Shirley Marsh

Advisors: Tony Earnshaw (Independent Advisor), Steve Turner (Mercer) and James Giles (Mercer)

Also in attendance: Tony Bartlett (Head of Business, Finance and Pensions), Liz Woodyard (Investments Manager), Matt Betts (Assistant Investments Manager), Nathan Rollinson (Assistant Investments Manager) and Helen Price (Investments Officer)

11 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer read out the procedure.

12 DECLARATIONS OF INTEREST

There were none.

13 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Ann Berresford.

14 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

15 ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

There were none.

16 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

17 MINUTES: 25 MAY 2016

The public and exempt minutes of the meeting of the 25 May 2016 were approved as a correct record and signed by the Chair.

18 REVIEW OF INVESTMENT PERFORMANCE FOR PERIODS ENDING 30 JUNE 2016

The Assistant Investments Manager presented the report and summarised the key information.

- The Fund's assets had increased by 4.2% in the quarter up to 30th June. Both equities and bonds had delivered positive returns.
- There was exceptional volatility in financial markets following the Brexit vote on 23rd June and managers are finding it a challenging environment.
- There were four amber-rated managers. In the case of Invesco the underperformance was largely the result of the effect of a difference in timing of when valuations are made between the fund and the index – when compared on valuations made at the same point in time performance is rated green.
- Because of volatility cash drawdowns were necessary to fund the hedging programme; some of the overweight in corporate bonds (to the value of £60m) was sold in July to maintain a 50% passive hedge level. Mercer continues to recommend a passive currency hedging strategy as set out in Appendix 4.
- IFM drew down \$195m of the Fund's commitment to infrastructure of \$300m on 1st April.
- Work would begin on the search process for an LDI manager, which the Committee had delegated to the Panel and officers, and it was hoped that this would be completed in time for to allow for the Panel's review of LDI trigger levels to happen at the November meeting.
- A meeting with Standard Life Investments would take place immediately after today's public meeting of the Panel. A briefing note for this had been circulated to Members.

Mr Giles commented on the executive summary of the Mercer performance report (agenda pages 27-32). He drew attention to the changes of personnel at Blackrock, Genesis and Unigestion. The Panel was asked to note that Mercer had put Standard Life's Global Absolute Return Strategies Fund (GARS) on Watch status following a review in July. Mr Turner said that Mercer was concerned about the sheer size of this fund, which made it more difficult to manage, though size was not the reason that they were underperforming; this was mainly because of their short US duration and US real yield versus nominal yield strategies. It was possible for a Watch status to be downgraded further; it would take at least two years to reach a proper assessment of their performance. IFM had been downgraded from A to B+ for the reasons stated on agenda page 66.

Mr Turner commented on the Mercer paper on currency hedging (agenda pages 91-93). The Panel accepted the case for continuing the passive hedging strategy.

Mr Turner commented on the Mercer Brexit implications report. He said that the two immediate responses by the Fund should be the continuation of the current approach to currency hedging and the implementation of the risk management framework. Growth asset risk should be reviewed as part of the review of investment strategy in 2017.

RESOLVED to note the information as set out in the reports.

19 WORKPLAN

The Investment Manager presented the report.

She suggested that Royal London Asset Management be invited to a future meet the manager session to talk about the gilts markets.

RESOLVED to note the workplan.

The meeting ended at 3.20 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services