

Bath & North East Somerset Council

MEETING:	AVON PENSION FUND INVESTMENT PANEL	
MEETING DATE:	14 NOVEMBER 2012	AGENDA ITEM NUMBER 8
TITLE:	Review Of Investment Performance For Periods Ending 30 Sept 2012	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 – Fund Valuation Appendix 2 – JLT performance monitoring report (shortened version)		

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. This report contains performance statistics for periods ending 30 September 2012.
- 1.2 Due to the timing of the Panel meeting the performance data and analysis at the aggregate Fund level was unavailable. The full performance report with aggregate benchmark data, investment strategy and funding level analysis will be reported to the Committee meeting on 14 December 2012.

2 RECOMMENDATION

That the Investment Panel:

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

3 FINANCIAL IMPLICATIONS

- 3.1 The returns achieved by the Fund for the three years commencing 1 April 2010 will impact the next triennial valuation which will be calculated as at 31 March 2013.

4 INVESTMENT PERFORMANCE

A – Fund Performance

- 4.1 It is estimated that the Fund's assets increased by £91m (+3.4%) in the quarter, giving a value for the investment Fund of £2,792m at 30 September 2012. Appendix 1 provides a breakdown of the Fund valuation and allocation of monies by asset class and managers.
- 4.2 Most asset classes posted positive returns during the quarter and 12 month returns were very strong as the negative returns generated in 3Q11 fell out of the figures.
- 4.3 The Fund's investment return and performance relative to benchmarks is unavailable at the time of publishing. Full performance data will be reported to the Pensions Committee on 14 December 2012.

B – Investment Manager Performance

- 4.4 A detailed report on the performance of each investment manager has been produced by JLT – see pages 10 to 35 of Appendix 2.
- 4.5 TT's performance has improved since changes were made to the team and approach and whilst still short of their 3 year performance target, their 3 year performance measure has improved, and their 1 year performance is ahead of target.
- 4.6 MAN remains under close review by officers as they restructure the portfolio after a period of disappointing performance.
- 4.7 The Schroder global equity mandate has underperformed over 12 months but has shown a small improvement this quarter. Because of the unconstrained nature of the mandate, performance relative to benchmark is expected to be volatile on a quarterly basis. Schroder continue to adhere to the approach and philosophy outlined during the tender process. Schroder are presenting to the Panel meeting to be held in 1Q13.
- 4.8 Invesco's outperformance this quarter, which is exceptional for an enhanced index fund, is largely explained by the timing issue (Invesco measure performance at midday whereas the benchmark measures performance at the end of the day) and it offsets the underperformance reported for 2Q12.
- 4.9 Genesis, RLAM, Invesco and Jupiter have all significantly outperformed their 3 year performance targets.
- 4.10 As part of the 'Meet the Managers' programme, the Panel are to meet with TT and Partners Group on 14 November 2012.

5 INVESTMENT STRATEGY AND PORTFOLIO REBALANCING

- 5.1 There was no change to the investment strategy other than the reversal of the tactical bond switch which was reported to the Panel and Committee at the September meetings.

5.2 In August the Equity: Bond allocation (72:28) was rebalanced in conjunction with the reversal of the tactical switch. Following this and subsequent market movements the Equity: Bond allocation is 76:24 as at 31 Oct 2012.

6 RISK MANAGEMENT

6.1 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.

7 EQUALITIES

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

8 CONSULTATION

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

9 ISSUES TO CONSIDER IN REACHING THE DECISION

9.1 The issues to consider are contained in the report.

10 ADVICE SOUGHT

10.1 The Council’s Monitoring Officer (Divisional Director – Legal & Democratic Services) and Section 151 Officer (Divisional Director - Finance) 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	