

Bath & North East Somerset Council

MEETING:	AVON PENSION FUND INVESTMENT PANEL	
MEETING DATE:	4 JUNE 2013	AGENDA ITEM NUMBER 8
TITLE:	Review Of Investment Performance For Periods Ending 31 March 2013	
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. The report contains performance statistics for periods ending 31 March 2013.
- 1.2 The report focuses on the performance of the individual investment managers. The full performance report with aggregate fund and benchmark data, investment strategy and funding level analysis will be reported to the Committee meeting on 21 June 2013.

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 2013 will impact the next triennial valuation which will be calculated as at 31 March 2016.

4 INVESTMENT PERFORMANCE

A – Fund Performance

- 4.1 It is estimated that the Fund's assets increased by £262m (+8.9%) in the quarter, giving a value for the investment Fund of £3,135m at 31 March 2013. Appendix 1 provides a breakdown of the Fund valuation and allocation of monies by asset class and managers.
- 4.2 All asset classes posted positive returns during the quarter.
- 4.3 The Fund's overall 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 21 June 2013.

B – Investment Manager Performance

- 4.4 A detailed report on the performance of each investment manager has been produced by JLT – see pages 15 to 36 of Appendix 2.
- 4.5 Jupiter, Invesco, Genesis, SSgA, RLAM, Schroders Property and Partners are all outperforming their three year performance targets, with RLAM and Jupiter achieving significant outperformance.
- 4.6 TT's performance continues to improve since changes were made to address performance and whilst still short of their three year performance target, this performance measure is positive and improving. One year performance is ahead of target.
- 4.7 The Schroder global equity mandate has underperformed over one year and performance has disappointed since inception. This quarter performance was in line with their benchmark but below the performance target. The Panel met Schroder in February and gained assurance that Schroder continue to adhere to the approach and philosophy outlined on appointment. Because of the unconstrained nature of the mandate, performance relative to benchmark is expected to be volatile on a quarterly basis. Officers will continue to monitor performance up to Sept 2013 for evidence of improvement before deciding when the Panel should meet with Schroder again.
- 4.8 JLT has identified that the SSgA European fund size has again contracted so that the Avon Pension Fund's share of the pooled fund is at 90%. The Fund holds a similar share of the SSgA Pacific pooled fund. These are similar shares of the funds as when the issue was last addressed in November 2011. At that time SSgA confirmed the fund was sustainable even if Avon were the only investor. The size of both funds is slightly higher than when the issue was last reviewed.
- 4.9 Man remains under close review by officers as they restructure the portfolio after a period of disappointing performance and this is the subject of another agenda item. Performance during the quarter was positive and in line with target, albeit over a short period.

4.10 In December Stenham announced their intention to focus on their existing client base and not seek to increase institutional assets under management. Performance has been positive since the end of 2012 when Stenham repositioned the portfolio to reflect returning confidence that fundamentals have resumed as a driver of returns. Stenham are outperforming target over one year but still behind over three year measure. Officers met with Stenham and will continue to monitor performance, retention of personnel and client servicing activity.

5 INVESTMENT STRATEGY AND PORTFOLIO REBALANCING

5.1 Changes to the Investment Strategy agreed at the Special Meeting in March 2013 will be implemented over the coming months. The implementation plan is the subject of other items on the agenda.

5.2 Returns within the fixed income portfolio are significantly ahead of the assumed strategic return over three years, except for overseas fixed interest (which forms a small part of the portfolio). Equity returns are in line with the return assumptions over three years, with property and hedge funds underperforming the strategic assumptions.

5.3 There was no rebalancing activity undertaken during the quarter. Market movements have resulted in an Equity:Bond allocation of 77.9:22.1 as at 1 May 2013. This is within the tactical range for rebalancing. Officers will incorporate plans for rebalancing as part of the changes to the Fund's asset allocation as the new strategy is implemented.

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.

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Background papers	Data supplied by The WM Company
Please contact the report author if you need to access this report in an alternative format	