

Bath & North East Somerset Council		
MEETING:	AVON PENSION FUND INVESTMENT PANEL	
MEETING DATE:	18 NOVEMBER 2015	AGENDA ITEM NUMBER
TITLE:	Review Of Investment Performance For Periods Ending 30 September 2015	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 – Fund Valuation Appendix 2 – Mercer 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 period ending 30 September 2015.
- 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 11 December 2015.

## **2 RECOMMENDATION**

**That the Investment Panel:**

- 2.1 Notes the information as set out in the reports.**
- 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. The returns quoted are net of investment management fees.

## **3 INVESTMENT PERFORMANCE**

### **A – Fund Performance**

- 3.1 The Fund's assets decreased by £129m (return of c. -3.4%) in the quarter ending 30 September 2015 giving a value for the investment Fund of £3,601m. Appendix 1 provides a breakdown of the Fund valuation and allocation of monies by asset class and managers.
- 3.2 All Equity markets produced negative returns over the quarter in Sterling terms. Emerging Markets was the worst performing region (-15.6%) whilst the UK All Share Index fell by -5.7%. Bond yields fell across all maturities leading to positive returns from Gilts 5.1% and Corporate Bonds 1%.
- 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 11 December 2015.

### **B – Investment Manager Performance**

- 3.4 A detailed report on the performance of each investment manager has been produced by Mercer – see pages 26 to 46 of Appendix 2.
- 3.5 Jupiter, TT, Invesco, SSgA (Europe and Pacific), Genesis, BlackRock, RLAM and Schroders Property are all outperforming their three year performance targets. Signet, Gottex and Schroder global equity are underperforming their respective 3 year targets.
- 3.6 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 1 manager remains on an amber rating, Schroder global equity. There is an update on this in Exempt Appendix 3. It should be noted that the Fund has terminated its mandate with Signet and Gottex.
- 3.7 The Panel met with BlackRock, Royal London, Unigestion and Pyrford at a workshop on 9 November.
- 3.8 The Panel previously agreed that the Strategic Benchmark for Partners is to remain the IPD Global Benchmark whilst the mandate specific benchmark to be used is cash plus 4% from 1<sup>st</sup> October. This change will be implemented within the RAG reporting from Q4 onwards where Internal Rates of Return (IRR) will also be used to assess Partners performance as agreed. Mercer and Officers are satisfied that performance is in line with long term expectations based on current IRR's.

## **4 INVESTMENT STRATEGY AND PORTFOLIO REBALANCING**

- 4.1 Fund of Hedge Funds: JPMorgan has recently been appointed to manage the Fund's allocation to Hedge Funds via a bespoke arrangement. Two tranche payments have been invested with JPMorgan on 1 August and 1 October 2015.

Further investments will be made as the proceeds from the terminating mandates are realised.

4.2 Infrastructure: The Fund's investments in infrastructure are awaiting drawdown by the manager IFM who anticipate the first tranche of funds being drawn down early 2016.

4.3 Rebalancing: Following the second tranche payment to JPMorgan, the Equity (inc DGFs):Bond allocation is estimated to be 76.75: 23.25. This remains within the acceptable range requiring no action. A separate agenda item reviews the current rebalancing policy.

## **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 Section 151 Officer (Divisional Director – Business Support) has had the opportunity to input to this report and has cleared it for publication.

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