

Report to: **Pension Committee**

Date: **27 July 2015**

By: **Head of Accounts and Pensions**

Title of report: **Investment Performance for the first quarter of 2015**

Purpose of report: **To provide a general update to Members of the Pension Committee on the performance of the Pension Fund investment portfolio and that of the individual managers for the quarter ended 31 March 2015.**

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**RECOMMENDATION – The Committee is recommended to note the contents of the report, and the detailed analysis provided by Hymans Robertson as the fund advisor.**

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## **1. Introduction**

- 1.1 This report sets out the performance for the quarter ended 31 March 2015 and since inception, as provided by the Fund's investment advisors Hymans Robertson. The full report and performance commentary will be provided at the meeting by the investment advisors as an appendix to this covering report.

## **2. Report Overview**

- 2.1 The Fund outperformed the aggregate benchmark by 0.7% during the first quarter of 2015, returning 5.7% in absolute terms. Over the twelve month period to end March 2015, the Fund delivered an absolute return of 14.2%, versus a benchmark return of 11.9%.
- 2.2 At a manager level the Longview global equity mandate and both absolute return portfolios outperformed over the quarter. M&G also delivered marginal outperformance. Underperformance from Lazard detracted from total Fund performance. Other main points arising are:
- a. The rating for Lazard has changed from a "3 - On watch" to a "2 - Sell - review options" due to the lack of confidence Hymans Robertson have in the team's ability to execute their approach.
  - b. Since the de-risking switch into the L&G 5 year Index Link Gilt fund and also the transfers in respect of the Probation Liabilities, the Fund is now underweight UK Equity and overweight Global Equity whilst remaining underweight in absolute return funds.
  - c. Global equity and bond markets rose during the first quarter of 2015. A major support was lower inflation, which lessened investors' concerns about short-term interest rates being raised, at least in the immediate future.
  - d. In the UK, official estimates for economic growth in 2014 were revised from 2.6% to 2.8%, the highest rate since 2007, and estimates for 2015 remain strong.
- 2.3 The Fund has a total of 13 distinct investment managers / mandates (including two private equity managers), and strategy has been developed for regular meetings with the managers, with those managers investing via an active approach to be engaged more frequently than those managing passive mandates.

### **3. Conclusion and reasons for recommendations**

- 3.1 The Committee is requested to note the performance of the Pension Fund investment portfolio.

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Local Member(s): All

#### **Appendices:**

Appendix 1: Hymans Report – Investment Manager Performance for 1<sup>st</sup> Quarter

Appendix 2: Strategy for meeting with Investment Managers