Global Services

East Sussex Pension Fund Investment Performance Review 2014/15

Period ending 31st March 2015
Meeting 29th September 2015
David Cullinan

East Sussex Pension Fund

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Limited Access

Agenda

Section 1 – Market Environment

Section 2 – Performance Relative to Benchmark

Section 3 – Performance Relative to Local Authority Universe

Section 4 – Supplementary Analyses

Summary

Appendix

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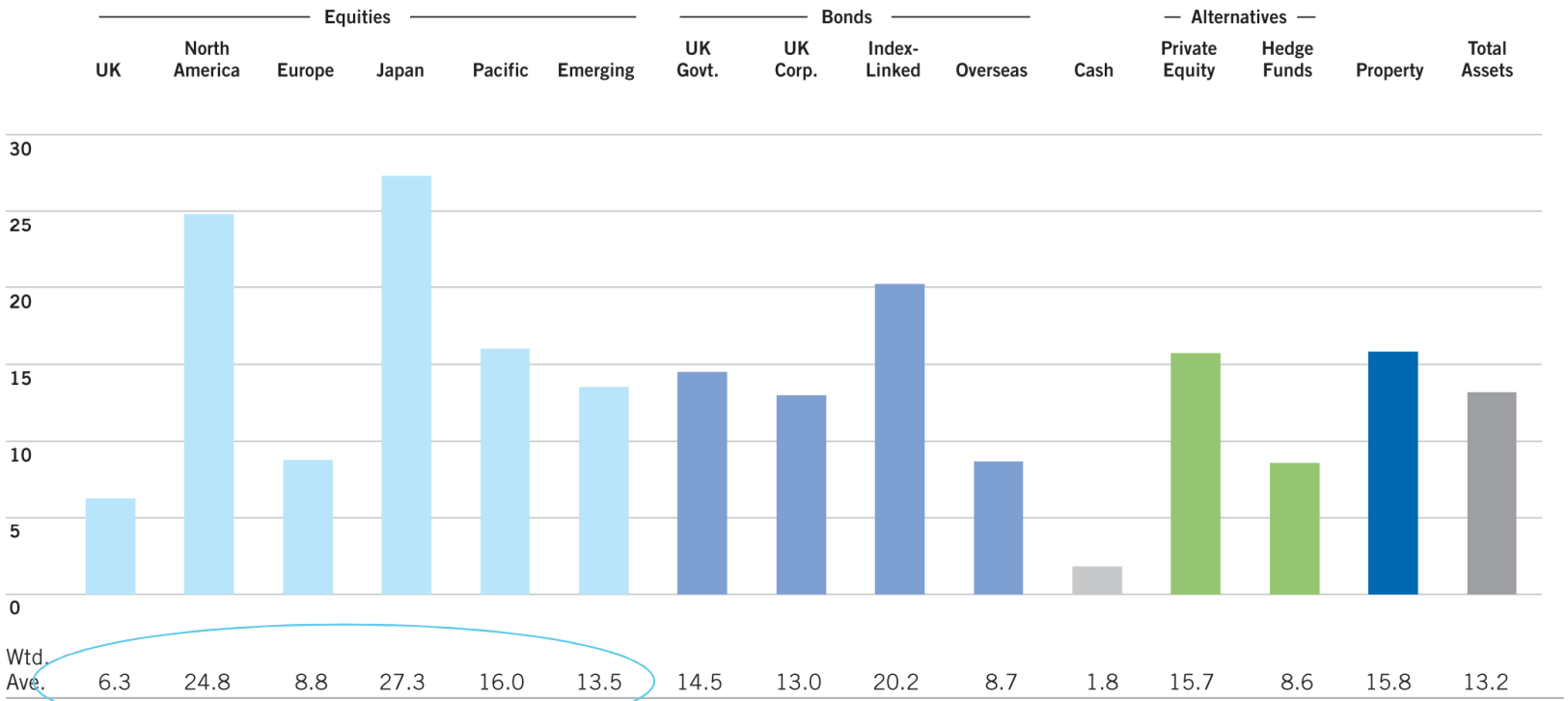
2014/2015 Market Returns (%)



Source: State Street Global Services Performance Services, 2015.

Past performance is not a reliable indicator of future results.

Allocation Between UK and Overseas Important

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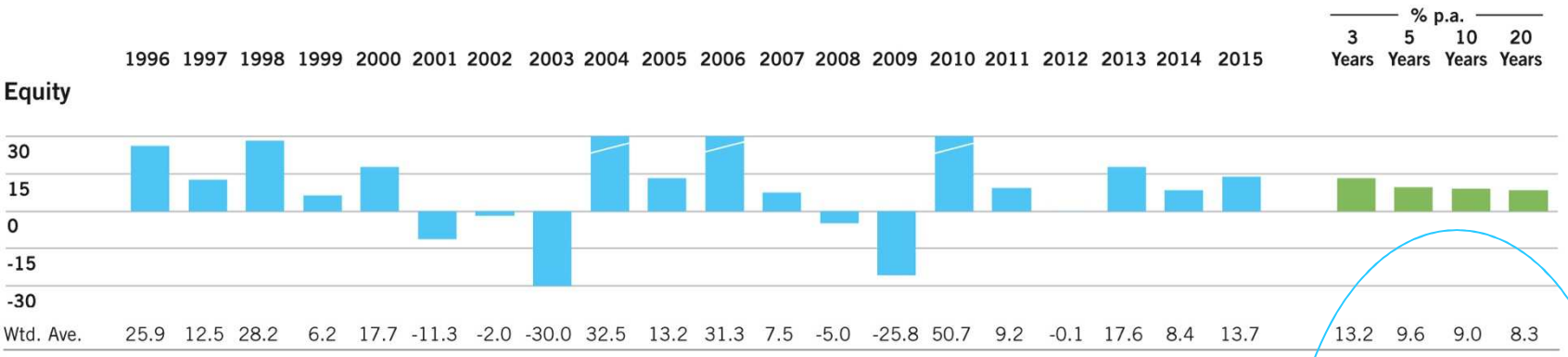
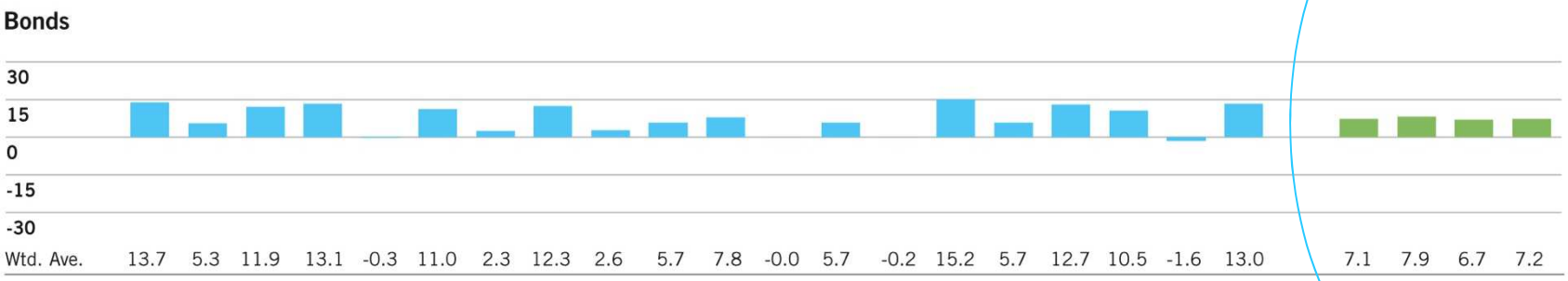
Long Term Market Performance

Annual Returns (%)





* Source: State Street Global Services Performance Services, 2015.

Past performance is not a reliable indicator of future results.

"Equity risk premium" in evidence

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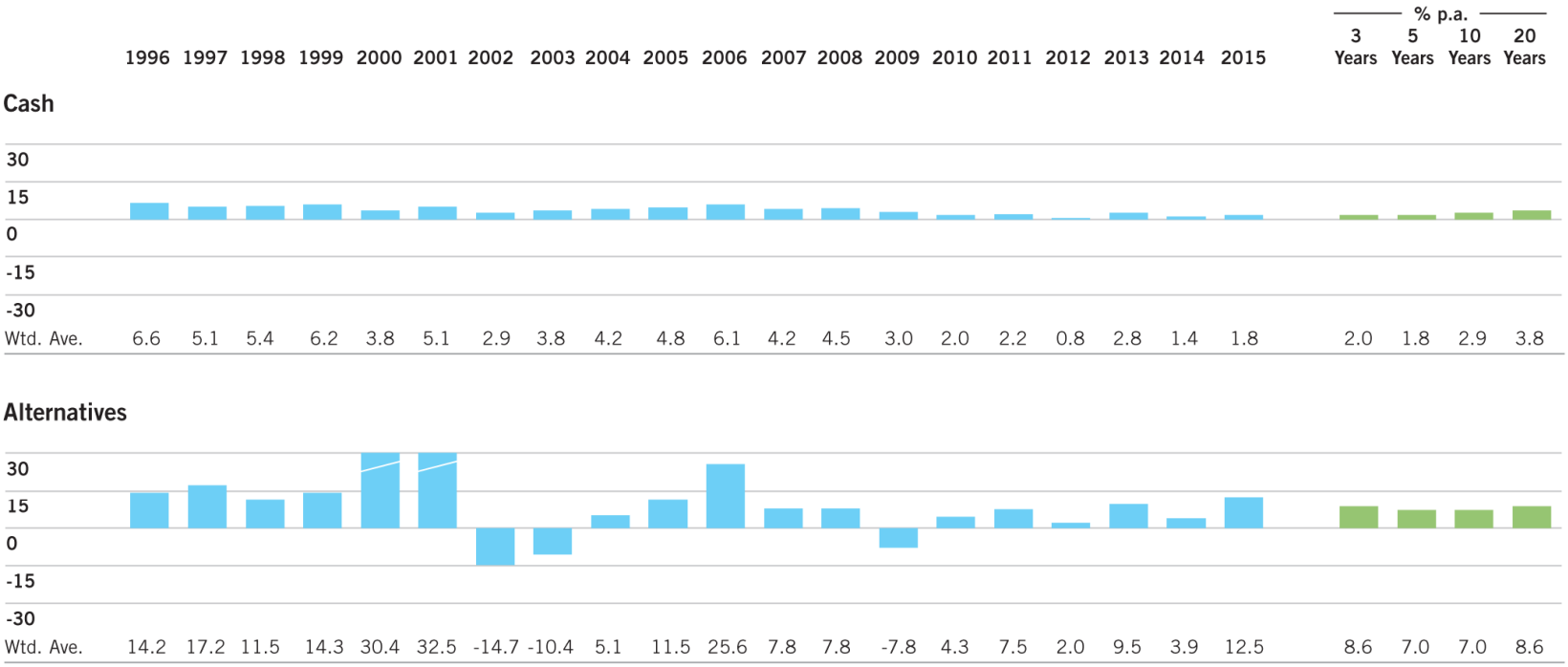
Long Term Performance

Annual Returns (%)



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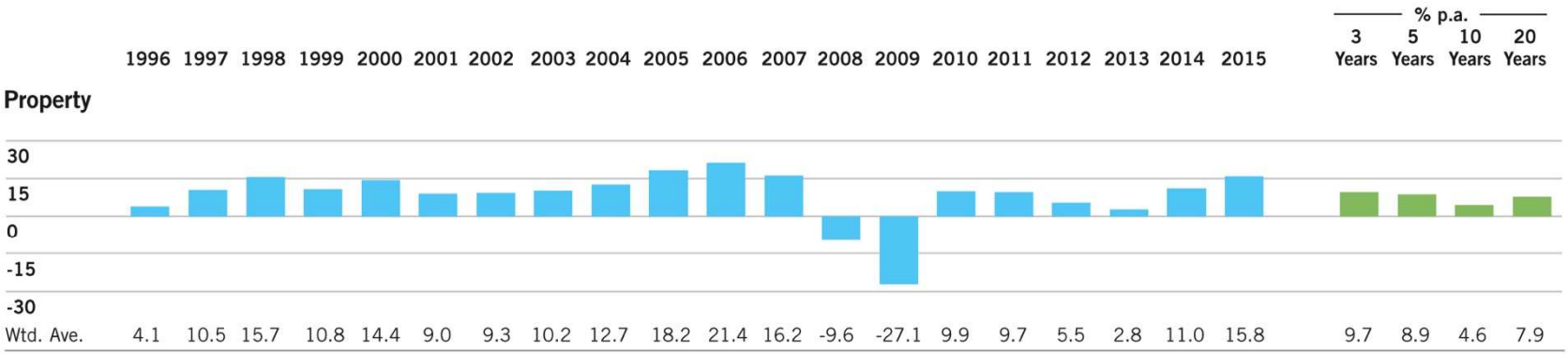
Long Term Performance

Annual Returns (%)



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	3 Years	5 Years	10 Years	20 Years
Property Wtd. Ave.	4.1	10.5	15.7	10.8	14.4	9.0	9.3	10.2	12.7	18.2	21.4	16.2	-9.6	-27.1	9.9	9.7	5.5	2.8	11.0	15.8	9.7	8.9	4.6	7.9

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	3 Years	5 Years	10 Years	20 Years
Total Assets Wtd. Ave.	21.5	11.1	23.2	8.0	13.6	-6.3	-0.5	-19.5	23.4	11.7	24.9	7.0	-2.8	-19.9	35.2	8.2	2.6	13.8	6.4	13.2	11.0	8.7	7.9	7.8
RPI	2.7	2.6	3.5	2.1	2.6	2.3	1.3	3.1	2.6	3.2	2.4	4.8	3.8	-0.4	4.4	5.3	3.6	3.3	2.5	0.9	2.2	3.1	3.0	2.8

* Source: State Street Global Services Performance Services, 2015.

Past performance is not a reliable indicator of future results.

5%p.a. over inflation

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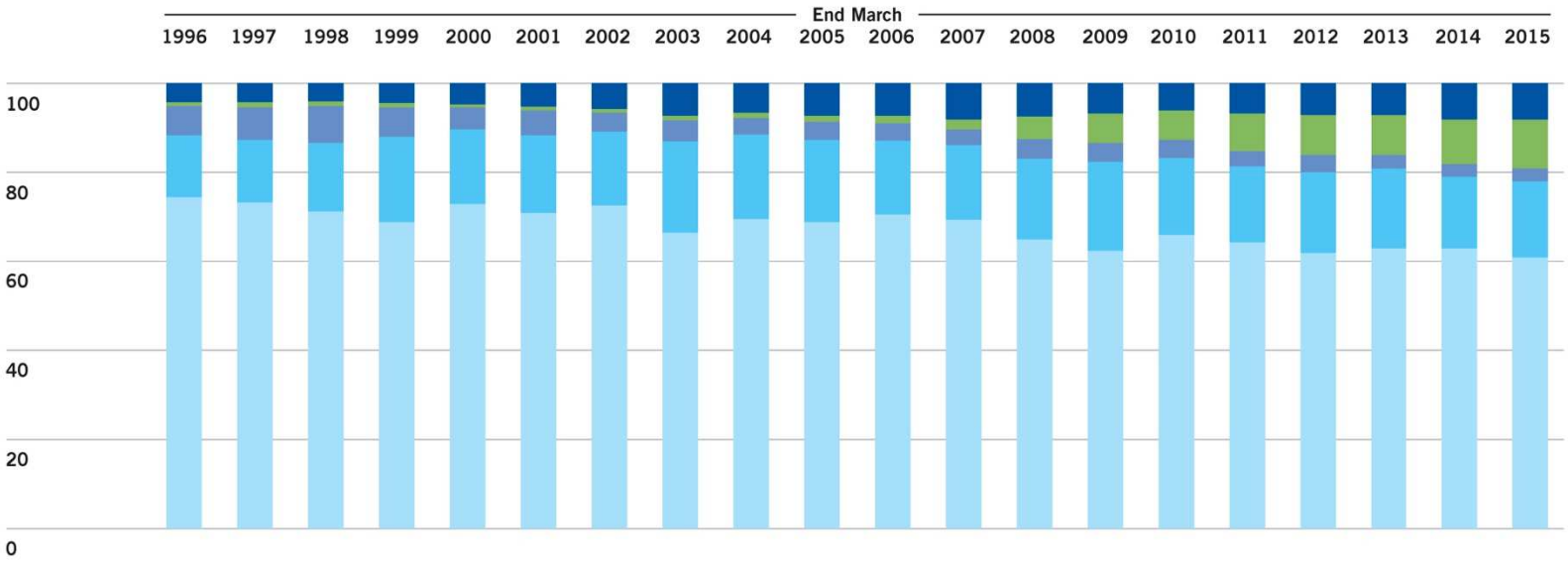
Longer Term Asset Allocation (%)



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Equities	75	73	71	69	73	71	73	66	70	69	70	69	65	62	66	64	62	63	63	61
Bonds	14	14	15	19	17	17	17	21	19	19	17	17	18	20	17	17	18	18	16	17
Cash	7	7	8	7	5	6	4	5	4	4	4	4	4	4	4	3	4	3	3	3
Alternatives**	1	1	1	1	1	1	1	1	1	1	2	2	5	7	7	9	9	9	10	11
Property	4	4	4	4	5	5	6	7	7	7	7	8	7	7	6	7	7	7	8	8

** Includes Pooled Multi-Asset from March 2010.

* Source: State Street Global Services Performance Services, 2015.

Past performance is not a reliable indicator of future results.

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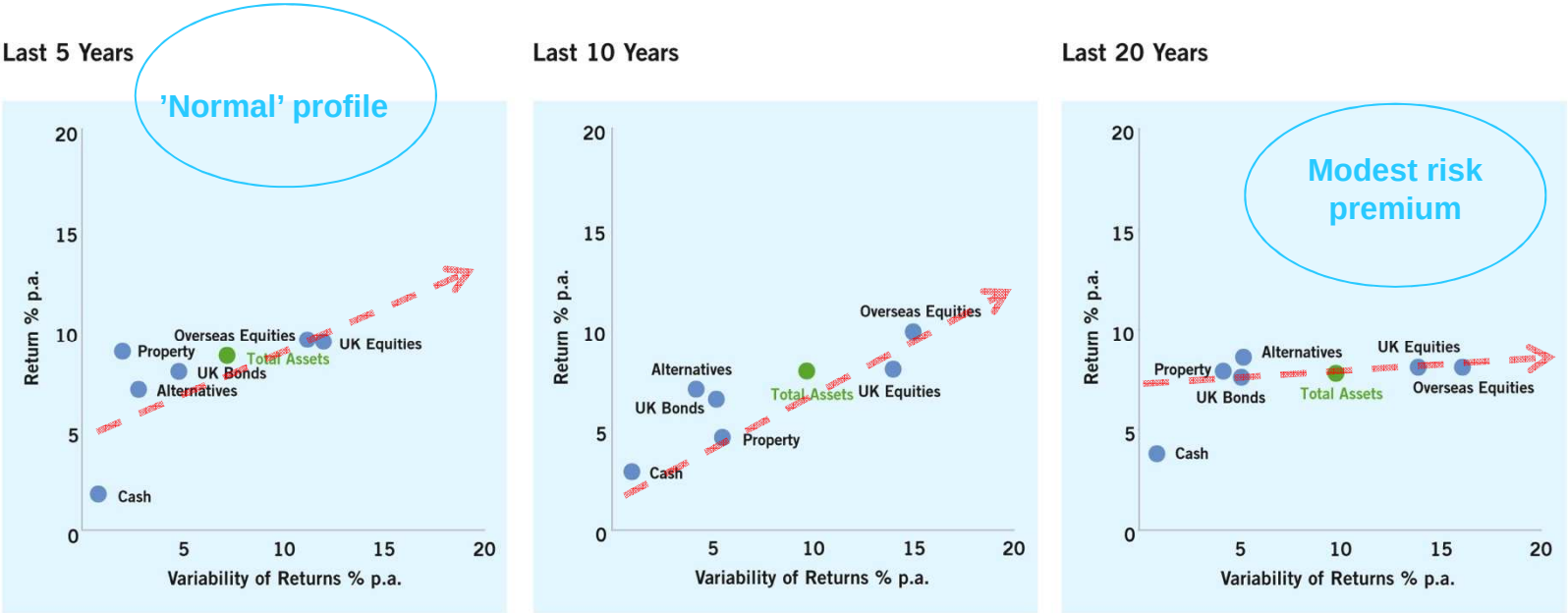
Long Term Risk and Return



* Source: State Street Global Services Performance Services, 2015.

Past performance is not a reliable indicator of future results.

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Performance Relative to Benchmark

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Section 2

Performance Relative to Benchmark

Fund Structure

Manager	Mandate	Benchmark	Outperformance Target (rolling 3 yrs)
L&G	UK Equity	FTSE All Share	passive
L&G	Global Equities	FTSE All World	passive
SSgA	Global Equities (Fundamental)	FTSE AW RAFI 3000	passive
Lazard	Global Equities	FTSE All World	3% (gross) R3
Longview	Global Equities	MSCI All Countries World	3% pa
M&G	Bonds	Customised	0.75% pa (net)
M&G	(Financing)	GBP 3 Month LIBOR	outperform
L&G	Index Linked	FTSE A Index-Linked Over 5 yrs	
Northern Trust	Cash	GBP 1 Month LIBID	
Harbourvest	Private Equity	MSCI All Countries World	outperform
Adam Street	Private Equity	MSCI All Countries World	outperform
M&G	Absolute Return (Alpha ops)	GBP 3 Month LIBOR	2% pa
Newton	Absolute Return	GBP 3 Month LIBOR	4% (gross) R5
Ruffer	Absolute Return	GBP 3 Month LIBOR	4% (gross) R3
UBS	Infrastructure	GBP 3 Month LIBOR	4% pa
M&G	Infrastructure	GBP 3 Month LIBOR	4% pa
Schroders	Property	IPD All Balanced Fund Index	0.75% (net)

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Fund Benchmark

From 1/3/15	Weight %	Benchmark Indices
Total Equity	**50.5**	
UK Equities	12.0	FTSE All Share
Global Equities	30.5	FTSE All World
Global Equities	8.0	FTSE AW RAFI 3000
UK Bonds	**9.5**	
Corporate Bonds	3.5	50% iBoxx £ Non Gilts
		50% iBoxx £ Non Gilts Over 15 yrs
UK Financing Fund (M&G)	1.0	GBP 3 Month LIBOR
Index-Linked	5.0	FTSE A Index-Linked Over 5 yrs
Alternative Assets	**30.0**	Composite
Private Equity	5.0	MSCI AC World
Absolute Return	23.0	GBP 3 Month LIBOR
Infrastructure	2.0	GBP 3 Month LIBOR
Property	**10.0**	IPD Balanced Pooled Property

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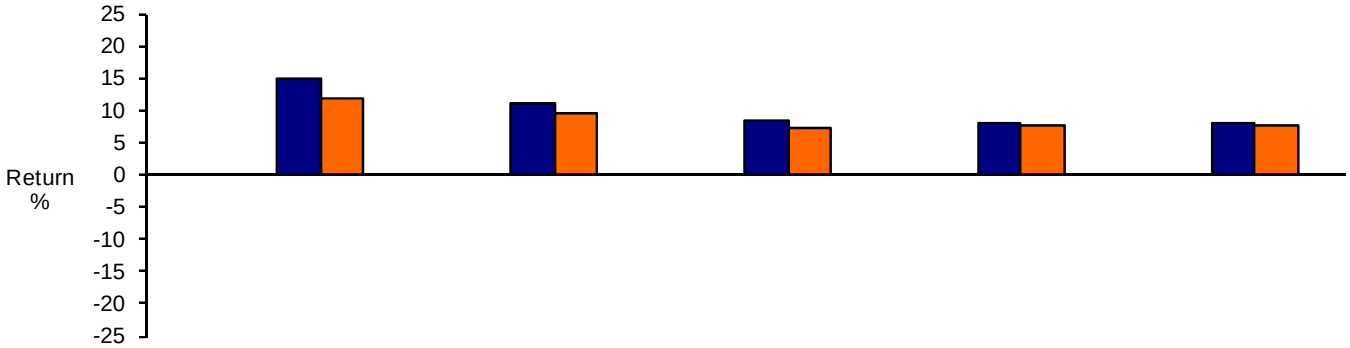
Total Fund Performance



	12 Months	3 Years % pa	5 Years % pa	10 Years % pa	20 Years % pa
Fund	15.0	11.2	8.4	7.9	8.1
Benchmark	11.9	9.5	7.2	7.5	7.5
Relative Return	2.7	1.6	1.2	0.4	0.6

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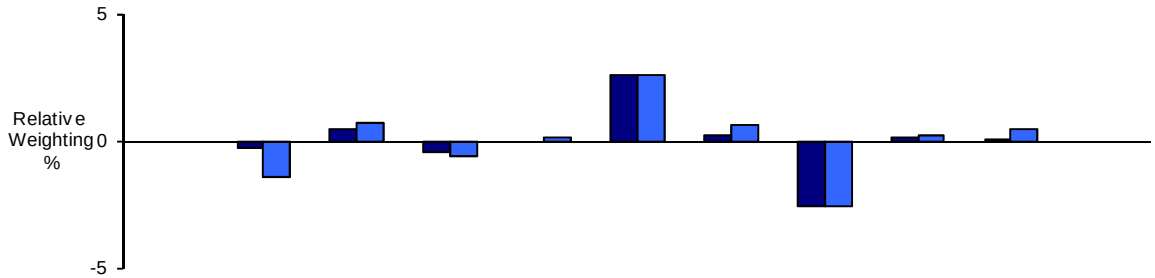
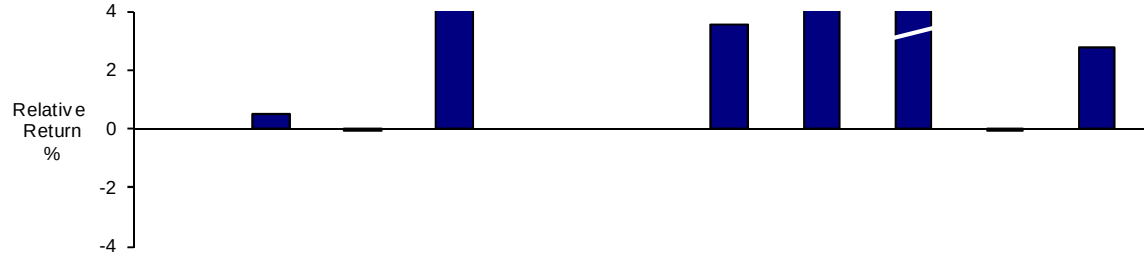
Latest Year Attribution- by Asset Class

	Total Equity	UK Bonds	M&G UK CO	UK IL	Cash	Private Eq	Total Hedge	Infra'	Property	Total Fund
Asset Allocation										



Fund Start	55.2	3.9	0.5		2.6	5.2	20.4	2.1	10.0	100.0
Fund End	49.1	4.2	0.4	5.3	2.6	5.7	20.1	2.2	10.5	100.0
BM Start	55.5	3.5	1.0			5.0	23.0	2.0	10.0	100.0
BM End	50.6	3.5	1.0	5.1		5.1	22.7	2.0	10.0	100.0
Impact	-	-	0.1	-	-0.3	-	0.3	-	-	0.1

Stock Selection



Fund	15.7	17.2	4.9	7.1 #	1.0	23.2	9.1	18.0	18.5	15.0
Benchmark	15.1	17.3	0.6	4.2 #		19.0	0.6	0.6	18.6	11.9
Impact	0.3	-	-	0.1		0.2	1.6	0.3	-	2.5

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Longer Term Performance

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	3yrs % pa	5yrs % pa	10yrs % pa
Fund Returns													
Fund	25.1	6.5	-2.6	-18.3	34.3	7.1	1.8	12.7	6.1	15.0	11.2	8.4	7.9
Benchmark	27.5	7.0	-3.3	-20.7	39.1	6.2	1.4	10.8	5.9	11.9	9.5	7.2	7.5
Relative	-1.9	-0.4	0.7	3.0	-3.5	0.8	0.5	1.8	0.2	2.7	1.6	1.2	0.4
Asset Allocation													
Impact	-1.5	-0.3	1.0	2.1	-1.0	-	-0.4	-	-0.1	0.1	-	-0.1	-
Stock Selection													
Impact	-0.4	-0.1	-0.4	1.0	-2.8	0.9	0.9	1.8	0.3	2.5	1.5	1.3	0.4

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Manager Summary

		Latest Year			3 Years (%p .a.)			5 Years (% p.a.)		
Manager	Mandate	Portfolio	Benchmark	Relative	Portfolio	Benchmark	Relative	Portfolio	Benchmark	Relative
LGIM	UK Equity	6.6	6.6	0.1	10.7	10.6	0.1	8.5	8.3	0.1
LGIM	Global Equity	19.2	19.2	0.0	14.2	14.2	-0.0	-	-	-
SSgA	Global Equity	14.8	14.9	-0.1	-	-	-	-	-	-
Lazard	Global Equity	19.6	19.2	0.3	12.9	14.2	-1.1	-	-	-
Longview	Global Equity	27.5	18.4	7.7	-	-	-	-	-	-
M&G	Bonds	17.2	17.3	-0.1	10.9	10.3	0.5	10.0	9.4	0.6
LGIM	UK Index Linked	-	-	-	-	-	-	-	-	-
M&G	Financing	4.9	0.6	4.3	4.8	0.6	4.2	-	-	-
Norther Trust	Cash	2.4	0.4	2.0	0.9	0.4	0.5	1.3	0.4	0.9
Harbourvest	Private Equity	20.1	19.0	0.9	10.8	14.1	-2.9	11.3	10.0	1.2
Adam Street	Private Equity	26.0	19.0	5.9	15.3	14.1	1.1	12.1	10.0	1.8
M&G	Absolute Return	1.6	0.6	1.0	4.5	0.6	3.9	3.9	0.7	3.2
Newton	Absolute Return	6.9	0.6	6.4	6.1	0.6	5.5	-	-	-
Ruffer	Absolute Return	12.2	0.6	11.6	7.9	0.6	7.3	-	-	-
UBS	Infrastructure	1.5	0.6	0.9	3.7	0.6	3.1	6.0	0.7	5.2
M&G	Infrastructure	29.4	4.5	23.9	13.6	4.5	8.7	11.3	4.5	6.5
Schroders	Property	18.1	18.3	-0.2	11.1	11.4	-0.3	8.9	10.3	-1.2

Manager	Mandate	10 Years (% p.a.)		
		Portfolio	Benchmark	Relative
M&G	UK Bonds	6.7	5.6	1.1
Northern Trust	Cash	2.7	2.2	0.5
Harbourvest	Private Equity	10.5	9.6	0.8
Adam Street	Private Equity	13.1	9.6	3.1

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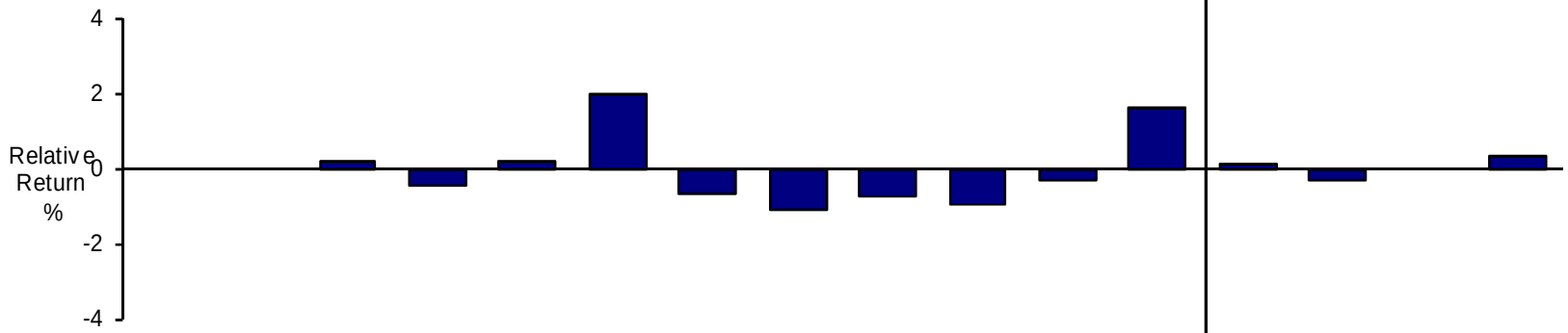
Section 3

Performance Relative to Local Authority Universe

Performance Relative to Local Authority Universe



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	3yrs % pa	5yrs % pa	10yrs % pa	20yrs % pa
Fund	25.1	6.5	-2.6	-18.3	34.3	7.1	18	12.7	6.1	15.0	11.2	8.4	7.9	8.1
Benchmark	24.9	7.0	-2.8	-19.9	35.2	8.2	2.6	13.8	6.4	13.2	11.0	8.7	7.9	7.8
Relative	0.2	-0.5	0.2	2.0	-0.7	-1.1	-0.7	-0.9	-0.3	1.6	0.1	-0.3	0.0	0.3
Ranking	(44)	(65)	(37)	(31)	(59)	(76)	(77)	(74)	(59)	(22)	(44)	(67)	(50)	(23)

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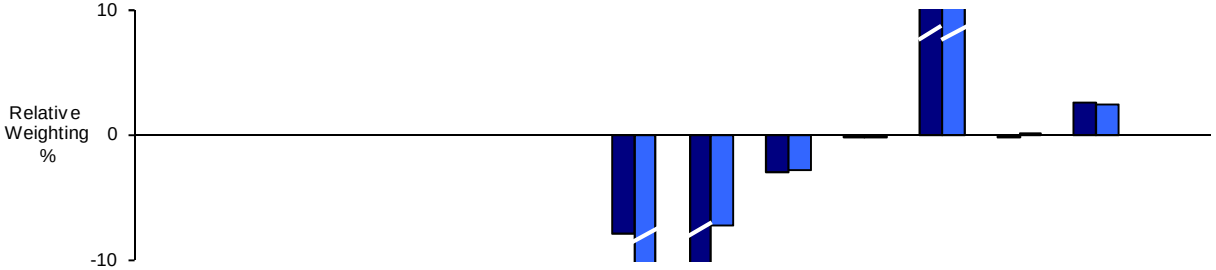
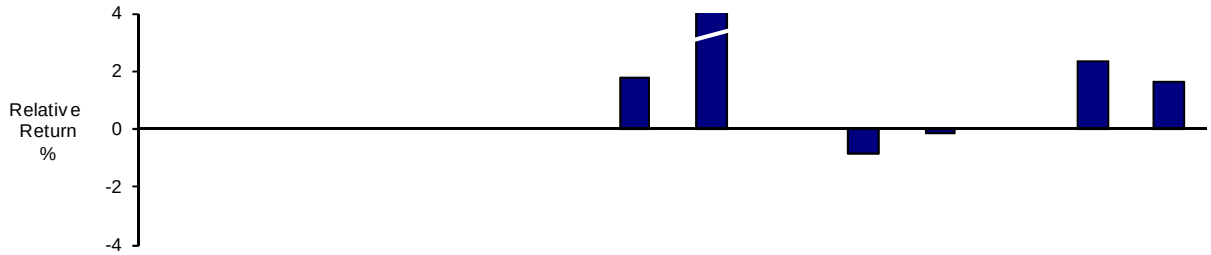
Detailed Analysis of the Latest Year

Asset Allocation



	Total Equity	Bonds + IL	Multi Asset	Cash	Alt's	Curr Instr	Property	Total Fund
Fund Start	55.2	4.5		2.6	27.7		10.0	100.0
Fund End	49.1	9.8		2.6	28.0		10.5	100.0
BM Start	63.1	16.4	3.1	2.9	7.0	0.0	7.4	100.0
BM End	61.5	17.1	2.8	2.7	7.9	-0.0	8.1	100.0
Impact	-	-	0.1	-	-0.1	-	0.1	0.1

Stock Selection



Fund	15.7	20.5		1.0	12.3	-0.1 #	18.5	15.0
Benchmark	13.7	13.0	10.2	1.8	12.5	n/a	15.8	13.2
Impact	1.0	0.4		-	-0.1		0.2	1.5

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Long Term Attribution

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	3yrs % pa	5yrs % pa	10yrs % pa
Fund Returns													
Fund	25.1	6.5	-2.6	-18.3	34.3	7.1	1.8	12.7	6.1	15.0	11.2	8.4	7.9
Benchmark	24.9	7.0	-2.8	-19.9	35.2	8.2	2.6	13.8	6.4	13.2	11.0	8.7	7.9
Relative	0.2	-0.5	0.2	2.0	-0.7	-1.1	-0.7	-0.9	-0.3	1.6	0.1	-0.3	-0.0
Ranking	(44)	(65)	(37)	(31)	(59)	(76)	(77)	(74)	(59)	(22)	(44)	(67)	(50)
Asset Allocation													
Impact	0.6	-0.2	0.3	0.5	-0.1	-0.1	-1.1	-0.6	0.4	0.1	-0.1	-0.3	-
Stock Selection													
Impact	-0.4	-0.2	-0.1	1.5	-0.6	-0.9	0.4	-0.3	-0.6	1.5	0.2	-	-

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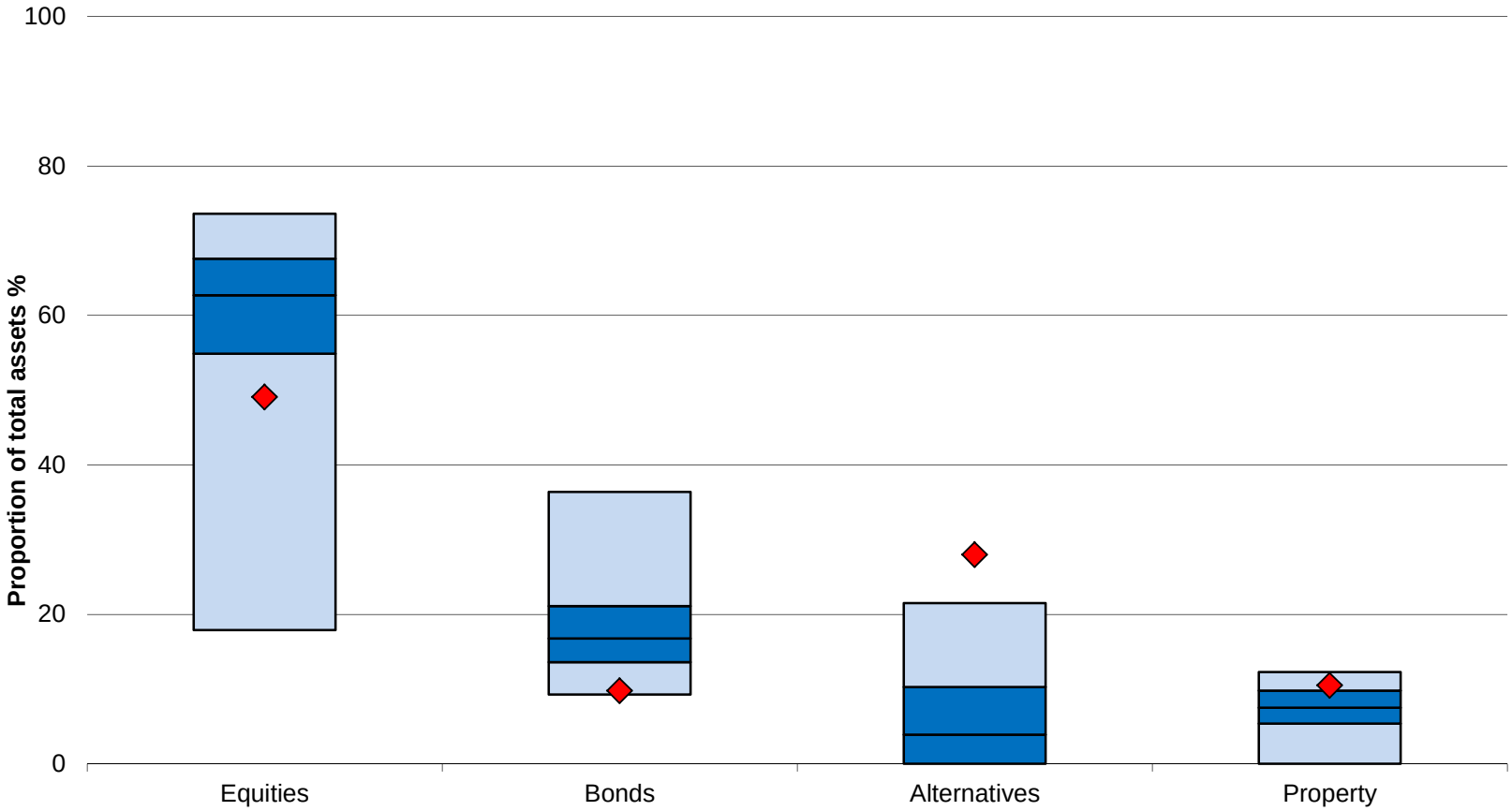
Section 4

Supplementary Analyses

Asset Allocation Strategy



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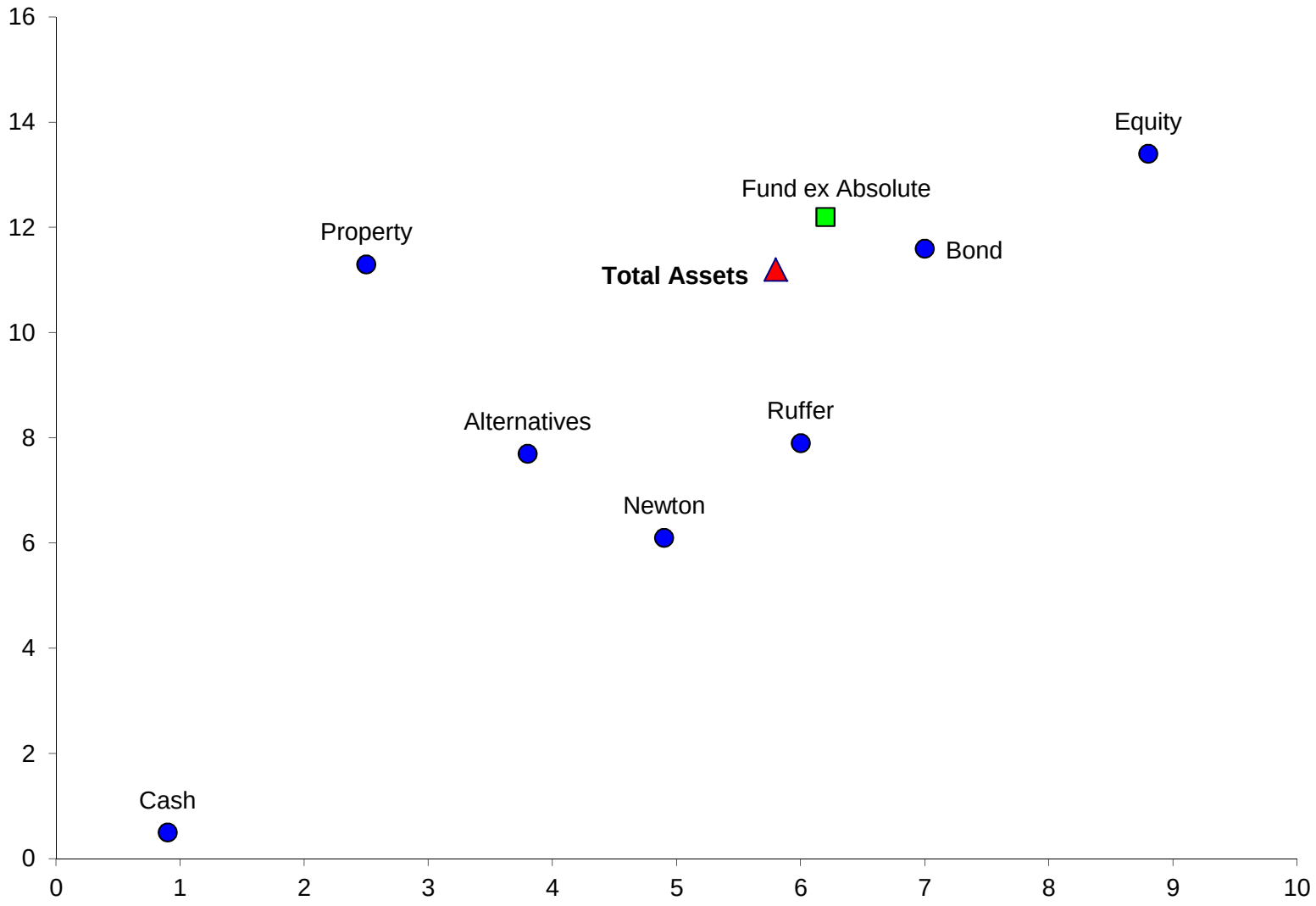
Diversification



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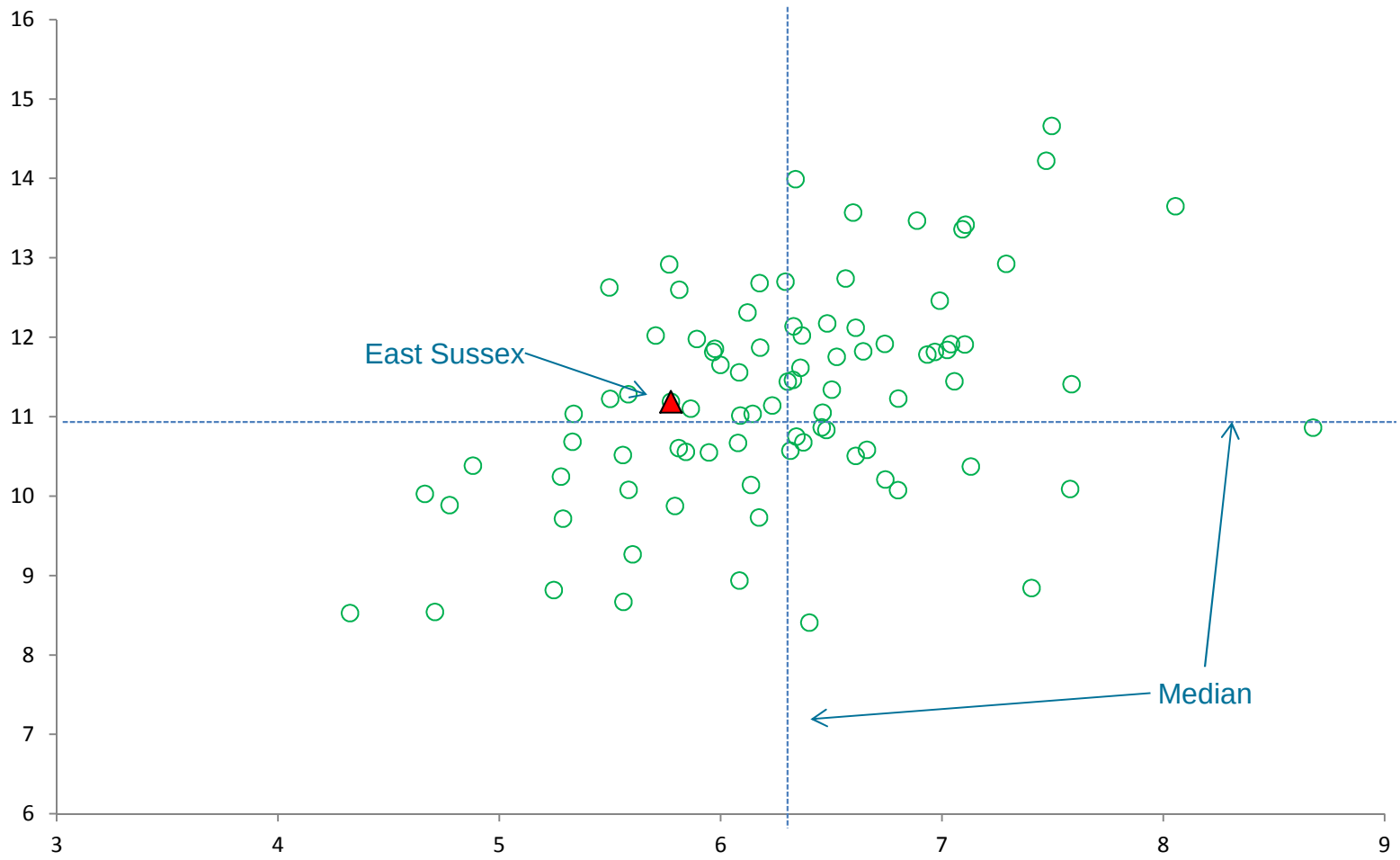
Risk Adjusted “Absolute” Return – Latest Three Years



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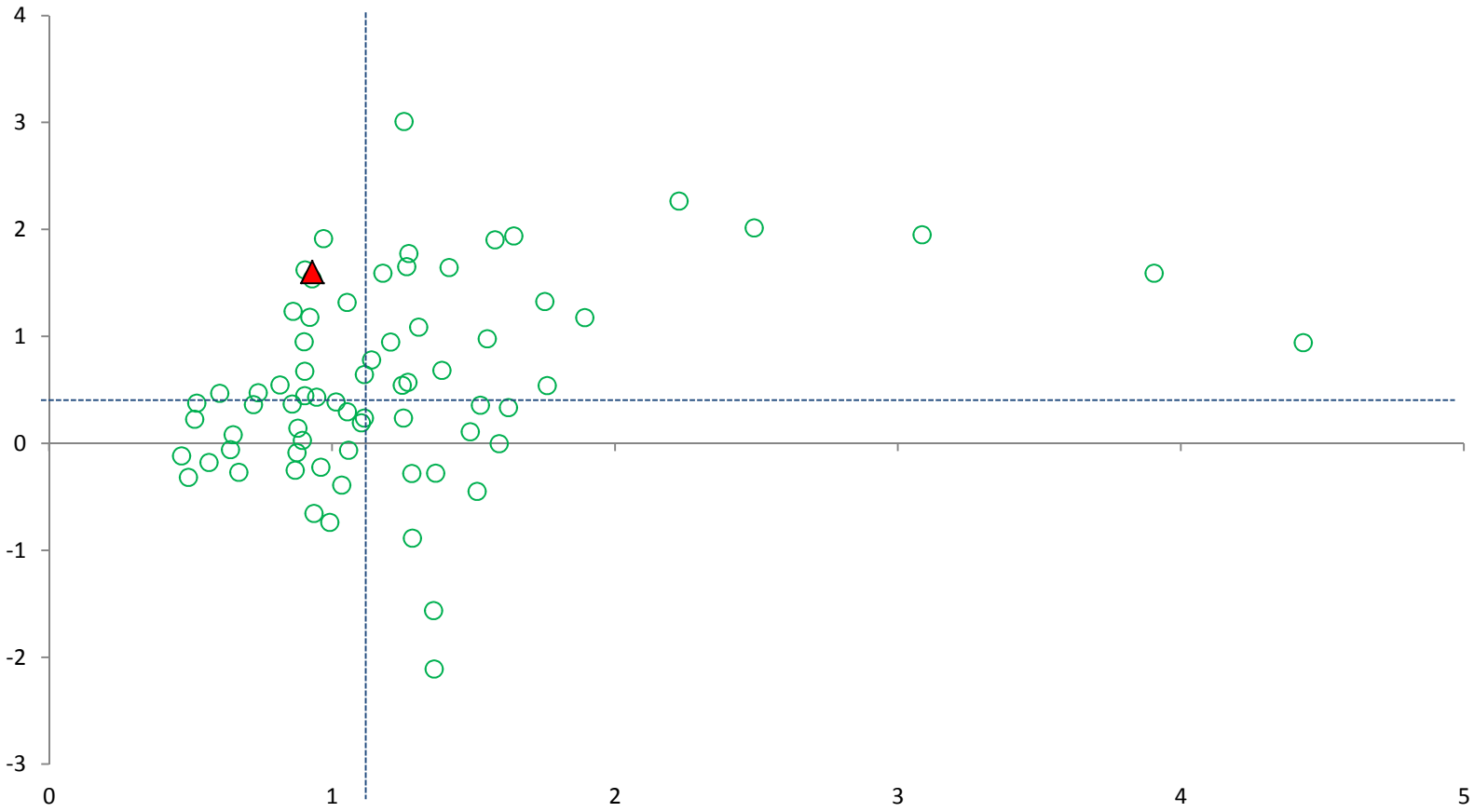
Risk Adjusted “Relative” Return – Latest Three Years



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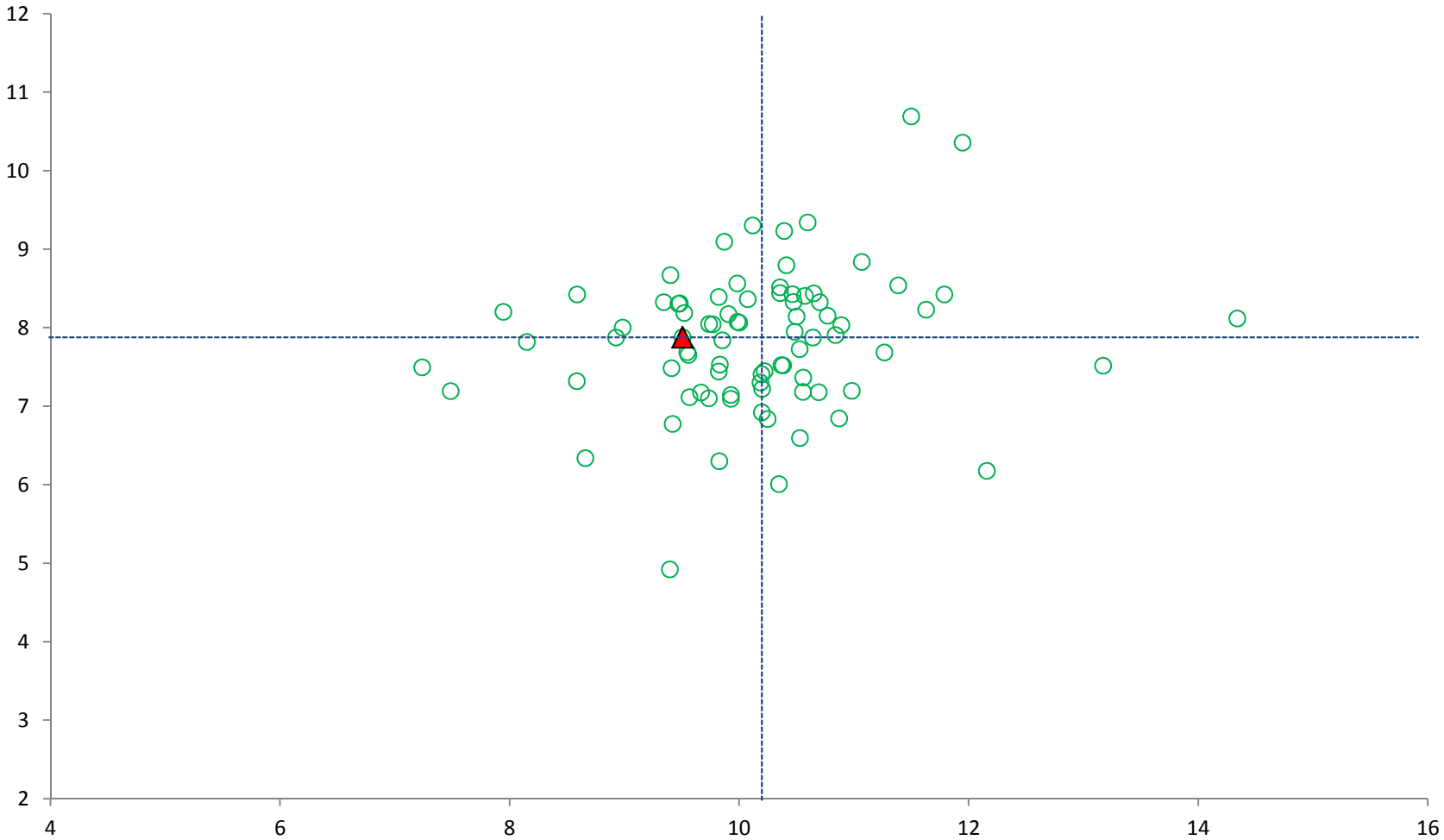
Risk Adjusted “Absolute” Return – Latest Ten Years



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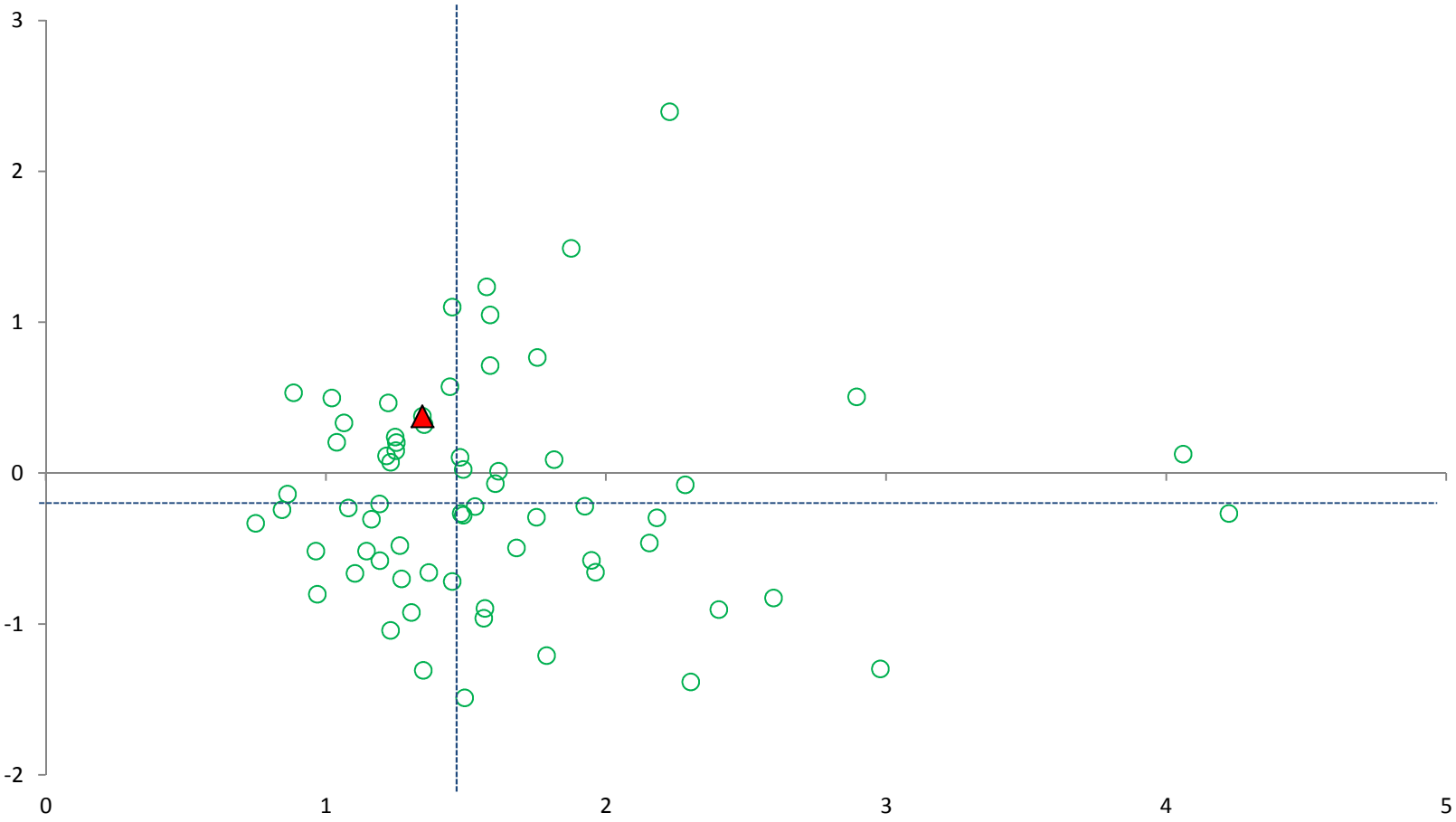
Risk Adjusted “Relative” Return – Latest Ten Years



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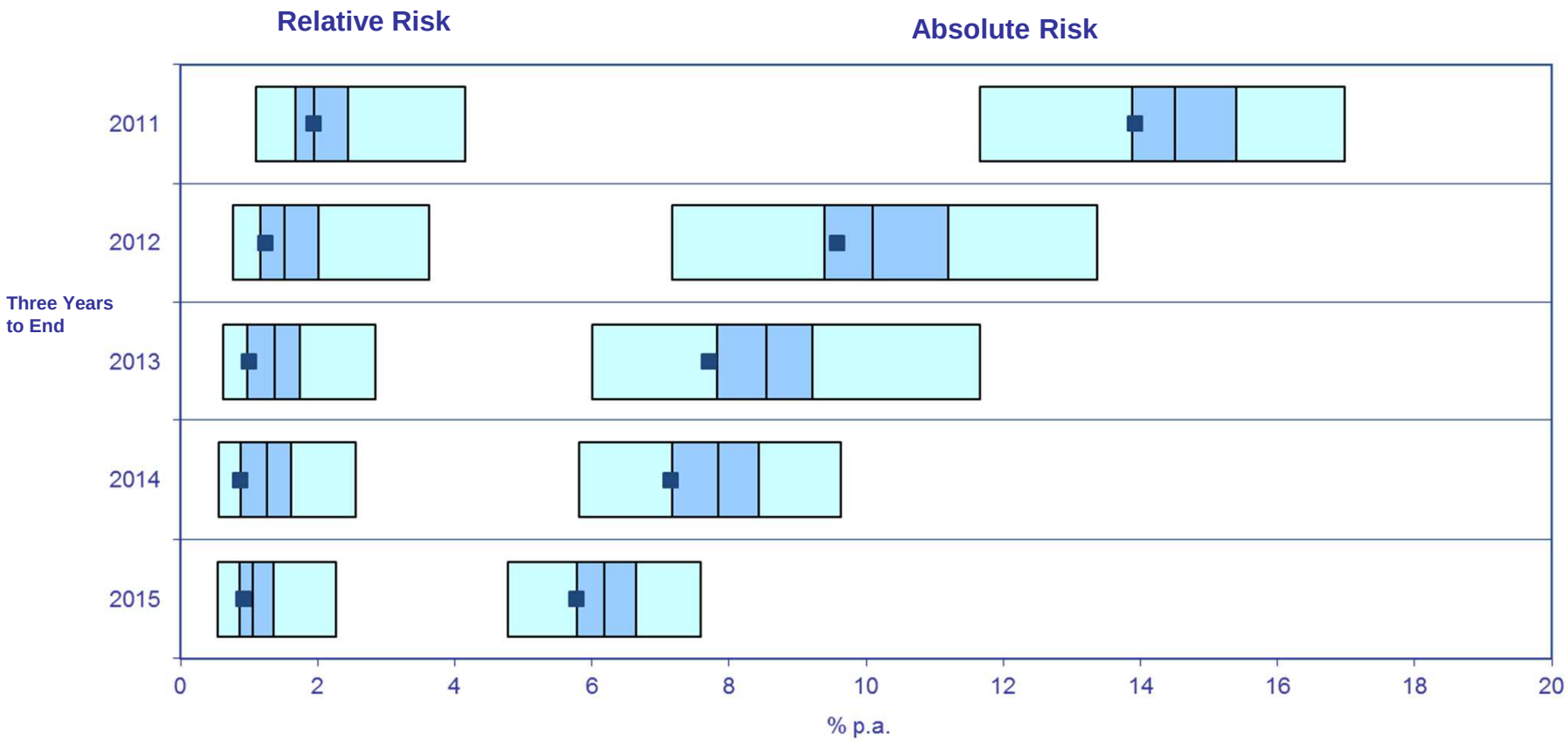
Risk over Time



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Return over Time

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Summary

- Another good year for the fund and sector.
- The fund returned 15%, outperforming both the benchmark and peer group average.
- The Fund has bettered its benchmark over all longer term time horizons.
- The Fund has performed modestly ahead of the peer group average over the long term and with a better risk adjusted profile.

Appendix

Total Fund Value Summary

Values (GBP)'00	Mandate	Value at 31/03/2014	Transactions	Capital Gain / loss	Income	Value at 31/03/2015	% *Fund*
LAZARD	Eq Glbl	345,057	4,912	60,397	6,886	410,366	15
SCHRODERS	Prop UK	252,040	11,528	37,335	8,869	300,904	11
SSGA	Eq Glbl	253,705	0	37,471	0	291,176	11
L&G UK EQ	Eq UK	399,139	-151,367	23,841	0	271,614	10
RUFFER	Absolute	230,823	1,100	25,155	3,011	257,078	9
NEWTON	Absolute	233,832	0	16,243	0	250,075	9
L & G	Eq Glbl	249,995	-78,725	45,178	0	216,448	8
LONGVIEW	Eq Glbl	137,129	0	37,678	0	174,806	6
L&G - IL	Bd IL		135,000	9,567	0	144,567	5
M&G UK BONDS	Bd GBP Cpt	98,081	44	16,872	0	114,997	4
ADAMS STREET	Venture Cap	68,206	-491	17,568	0	85,283	3
HARBOURVEST	Venture Cap	60,974	-1,808	12,097	0	71,264	3
M&G ABS RET	Absolute	66,653	1,537	-491	1,537	67,699	2
M&G INF	Infra	31,621	543	7,073	1,901	39,237	1
N TRUST	Cash	23,001	1,902	458	111	25,362	1
UBS	Infra	20,415	1,067	-464	714	21,018	1
M&G FINANC	Absolute	13,076	-2,857	509	0	10,729	0
Total Fund		2,483,747	-77,613	346,488	23,031	2,752,622	100

STATE STREET.

Asset Class Performance

	% of Asset Class		% p.a. Return			
	At end 2013/14	At end 2014/15	3 Yrs	5 Yrs	10 Yrs	20 Yrs
Equities	**100**	**100**				
UK Equities	38.2	34.5	11.7	9.4	8.0	8.1
Overseas Equities	52.9	54.1	13.8	9.5	9.9	8.0
North America	18.5	13.3	18.4	14.0	10.0	9.2
Continental Europe	13.6	10.3	14.6	8.2	8.9	9.3
Japan	4.9	4.7	13.9	8.4	6.6	2.8
Pacific ex Japan	5.1	4.5	8.7	7.1	12.6	8.0
Emerging Markets	9.2	6.1	6.0	4.1	11.5	-
Global ex UK	1.6	15.2	16.0	11.3	-	-
Global inc UK	8.9	11.4	14.3	10.0	-	-
Bonds	**100**	**100**				
UK	57.4	54.1	7.5	7.9	6.5	7.6
Index-Linked	22.3	24.4	8.5	10.3	8.3	8.2
Overseas Bonds	15.2	13.6	3.9	4.3	5.5	5.7
Pooled	5.0	7.8	5.5	5.8	-	-
Alternatives	**100**	**100**				
Private Equity	55.5	54.5	10.9	9.6	-	-
Hedge Funds	29.2	27.4	6.5	4.9	-	-
Other Alternatives	15.4	18.1	4.8	3.3	-	-

* Source: State Street Global Services Performance Services, 2015.

Past performance is not a reliable indicator of future results.

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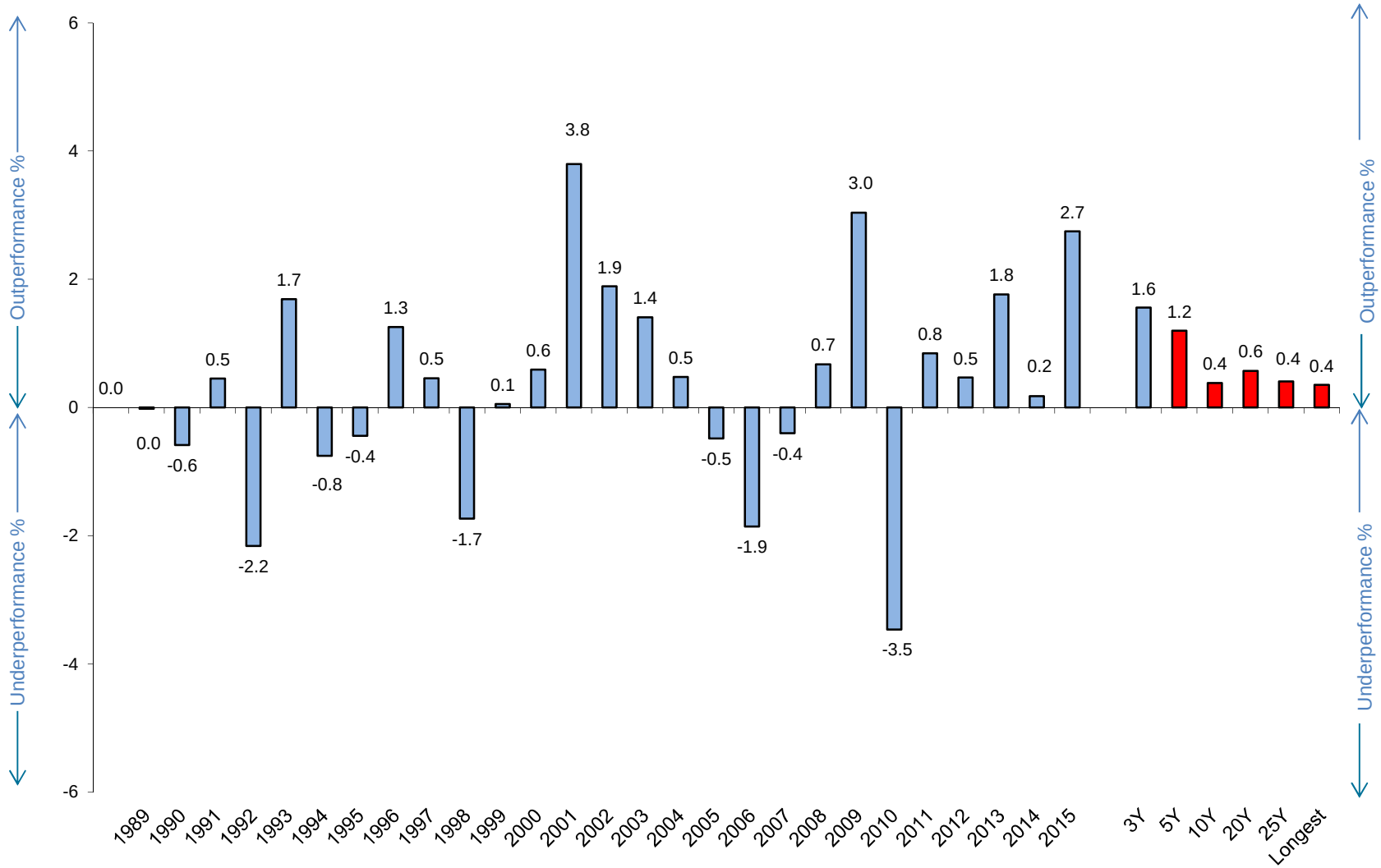
Long Term Relative Returns - Benchmark



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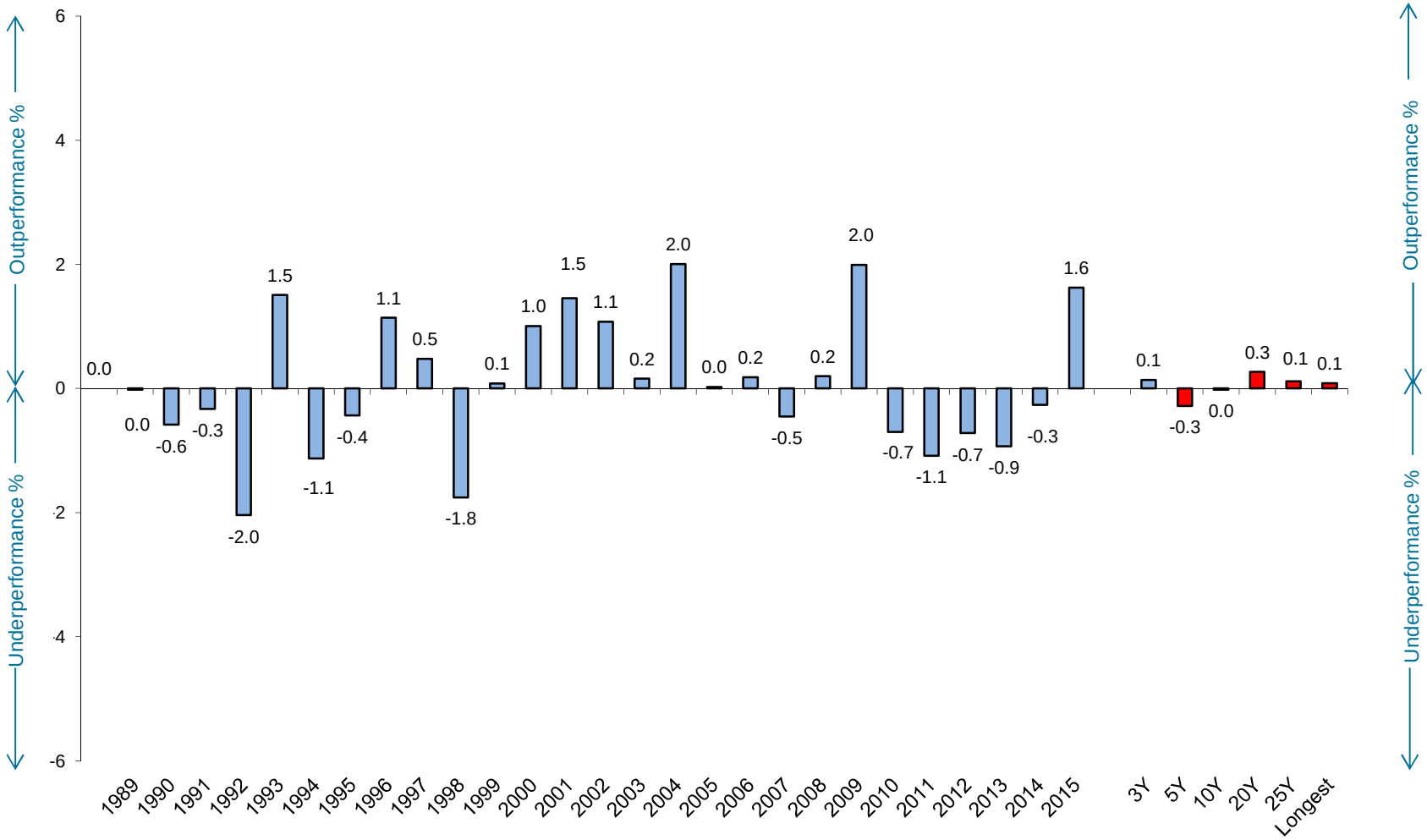
Long Term Relative Returns - Universe



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