



# Pensions Committee

## 21 June 2017

<b>Report title</b>	Asset Allocation and investment performance – Period to 31 March 2017	
<b>Originating service</b>	Pension Services	
<b>Accountable employee(s)</b>	Jason Fletcher	Chief Investment Officer
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### Recommendations for noting:

The Committee is asked to note:

1. The contents of the asset allocation and investment performance report for the period ended 31 March 2017.

## **1.0 Purpose**

- 1.1 The quarterly asset allocation and investment performance report attached in Appendix A covers the performance of the Fund and the implementation of its investment strategy for the period to 31 March 2017. All major transactions are reported along with the position of the portfolio at the end of the reporting period.

## **2.0 Background**

- 2.1 Implementation of the investment strategy is in the Fund's approved Investment Strategy Statement and Funding Strategy Statement.

## **3.0 Summary**

- 3.1 During the quarter the Fund's market value rose to £14.2 billion as global equity markets continued to advance. Over the 12 months the market value of the Fund's investment assets increased by £2.6 billion, reflecting positive net cashflow, appreciation in market value and considerable benefit from the weakness in sterling.
- 3.2 In the quarter ended 31 March 2017 the Fund achieved a return of 4.6% compared to the benchmark return of 4.4%. Strong relative returns from the special opportunities and insurance linked portfolios offset underperformance from the private equity and real assets & infrastructure portfolios. Over the 12 months to 31 March 2017 the Fund returned 22.6%, outperforming the benchmark by 0.8%. The outperformance was driven by the Fund's absolute return and real assets & infrastructure portfolios which enjoyed strong performance over the year.
- 3.3 In relation to cash deployment and holdings, £4.3 million was allocated to passive quoted equities over the quarter which included an additional £1.1 million allocation to the Legal & General UK Smaller Companies index fund to maintain target exposure to small-cap UK equities. A number of drawdowns in the absolute return portfolio contributed to a net portfolio investment of £5.6 million.
- 3.4 At the quarter-end the Fund had an overweight position in growth assets (i.e. quoted and private equity). Income assets (property, absolute return and real assets & infrastructure) were underweight but the Fund is seeking suitable investments in this area. The Fund is also seeking to increase its exposure to European equities which are expected to benefit from economic growth in the area.
- 3.5 In April 2017 the Fund received £799.1 million in employer contribution prepayments. The Fund deployed a significant proportion of this cash between April and May by investing £180 million across its regional passive equity portfolios and purchasing £100 million of emerging market equity index futures to passively increase exposure to the region. In addition, the Fund invested £150 million and £100 million in hard and local currency emerging market debt funds managed by Amundi.

3.6 Following review and approval by the Fund's Investment Advisory Panel, the Fund transferred an additional £339 million to the internal active global equity portfolio in May 2017. This was funded through a combination of a partial redemption of a passive global equity fund managed by BlackRock and £50 million of cash.

3.7 The Fund continues to review its internal and external manager performance and fees to ensure the effective implementation of its investment strategy in line with the Fund's Investment Strategy Statement.

#### **4.0 Financial implications**

4.1 The financial implications are set out throughout the report.

#### **5.0 Legal implications**

5.1 This report contains no direct legal implications.

#### **6.0 Equalities implications**

6.1 This report contains no equal opportunities implications.

#### **7.0 Environmental implications**

7.1 This report contains no environmental implications.

#### **8.0 Human resources implications**

8.1 This report contains no direct human resources implications.

#### **9.0 Corporate landlord implications**

9.1 This report contains no direct corporate landlord implications.

#### **10.0 Schedule of background papers**

10.1 Statement of Investment Principles.

10.2 Funding Strategy Statement.

#### **11.0 Schedule of appendices**

11.1 Appendix A – asset allocation and investment performance report for the period ending on 31 March 2017.