CITY OF WOLVERHAMPTON COUNCIL

Pensions Committee
21 June 2017

Report title	Asset allocation and investment monitoring performance Q1 – 1 January to 31 March 2017 West Midlands Integrated Transport Authority (WMITA) Pension Fund
Originating service	Pension Services
Accountable employee(s)	Jason Fletcher Chief Investment Officer Tel 01902 555780 Email jason.fletcher@wolverhampton.gov.uk
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Recommendations for noting:

The Committee is asked to note:

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

1.0 Purpose

1.1 The asset allocation and investment monitoring report attached in Appendix A covers the performance of the WMITA Pension Fund and the implementation of its investment strategy for the period ended 31 March 2017.

2.0 Background

2.1 WMITA Pension Fund's investment strategy is set out in its Investment Strategy Statement, which also contains the fund's investment beliefs.

3.0 Review

3.1 In the quarter ended 31 March 2017, the fund achieved a return of 4.1% compared with a benchmark return of 3.5%. Outperformance was driven by Baillie Gifford, one of the Diversified Growth Fund (DGF) managers. Over the quarter, equities delivered a higher absolute return than Diversified Growth Funds, which in turn delivered a higher return than the defensive element (invested in gilts and bonds). The annual performance for the fund was 18.2% against a benchmark of 17.2% . Equities were the strongest performer over the 12 month period and the defensive element outperformed the Diversified Growth Funds.

3.2 The performance of the two employers' segments reflect their respective strategic asset allocations to growth and defensive assets. The National Express portfolio delivered a return of 4.2% against a benchmark of 3.5% during the quarter with relative outperformance attributable to Baillie Gifford. Performance for the year was 16.5% against a benchmark of 15.8%. The Preston Bus portfolio achieved a quarterly return of 3.2% against a benchmark of 2.8%, the lower absolute return was due to a lower allocation to growth assets (equities and DGFs). Outperformance relative to the benchmark was lower in comparison with the National Express portfolio due to its lower exposure to the DGF's. The annual performance for Preston Bus was 16.7% against a benchmark of 16.1%.

3.3 A rebalancing exercise was undertaken in February 2017 to align assets with the target allocations and also invest excess cash. This exercise resulted in a net disinvestment from L&G (£7.3m) and additional investment into the two diversified growth funds (£5.9m to Newton and £2.7m to Baillie Gifford).

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   WMITA's Investment Startegy Statement.

10.2   WMITA's Funding Strategy Statement.

11.0   Schedule of appendices

11.1   Appendix A – Asset allocation and investment performance report quarter to 31 March 2017