

# M I N U T E S

meeting: INVESTMENT ADVISORY SUB-COMMITTEE

date: 20 - 22 JANUARY 2009

## PRESENT:-

Councillor Heap (Chair)	-	Wolverhampton City Council
Councillors Bilson and Docherty	-	Wolverhampton City Council
Councillor Clark	-	Birmingham City Council
Councillor Allport	-	Solihull Metropolitan Borough Council
Councillor Mrs Johnson	-	Coventry City Council
Councillor Silvester	-	Sandwell Metropolitan Borough Council

## TRADE UNION REPRESENTATIVES:-

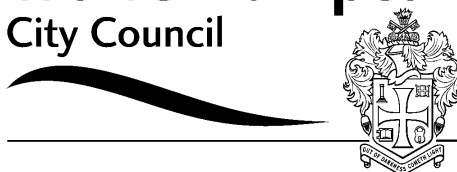
M Clift	-	TGWU
I Smith	-	UNITE (AMICUS)

## OFFICERS IN ATTENDANCE:-

### Wolverhampton City Council

B Bailey	-	Director for Pension Services
J Saunders	-	Chief Investment Officer - Pension Services
K Dervey (Part)	-	Pension Services
T Doyle (Part)	-	Pension Services
M Hardwick (Part)	-	Pension Services

**Wolverhampton**  
City Council



**PART I - OPEN ITEMS****Exclusion of Press and Public**

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Resolved:-

That in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from consideration of the items of business in Part II of the agenda on the grounds that, in view of the nature of the business to be transacted, or the nature of the proceedings, exempt information falling within paragraph 3 of Schedule 12A of the Act (information relating to the business or financial affairs of any particular person) is likely to be disclosed.

**PART II - EXEMPT ITEMS****Meeting With ING Fund Property Advisors**

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Members received a presentation on current market conditions and opportunities as well as discussing current property holding issues.

The Members expressed support for the approach to managing the current holdings in a difficult climate. The Fund's need for quality properties in terms of location, tenant and rental arrangements were highlighted and the importance of yield to the Fund acknowledged.

**Presentations to the Sub-Committee**

- (i) Members received a presentation from Director of Pensions, Chief Investment Officer and Peter Escott – Executive Director and Joe McDonnell – Managing Director, Global Portfolio Solutions Team from Morgan Stanley, reviewing the Fund's current asset allocation. The impact on risk/return projections from changing the current allocation by reducing equity exposure and creating an absolute return portfolio were highlighted and discussed.

Members asked a number of questions concerning the potential impact of changing the asset allocation.

- (ii) Members received specific presentations from Fund Managers as follows:-

**(a) Blue Crest Capital Management**

Presentation on Blue Crest Mercantile Fund

By: Jonathan Martin

Head of Risk Management

Kerry Duffain

Head of UK Institutional Business

**(b) RWC Partners**

Presentation on Distressed Convertibles

By: Miles Geldard

Director and Portfolio Manager

Joanna Lancaster

Head of Client Services and UK Institutions

- (c) **Threadneedle Investment Management**  
Presentation on the Absolute Return Bond Fund  
By: Quentin Fitzsimmons    Head of Government Bonds  
Stephen Hearle                Head of UK Institutional Sales
- (d) **M&G Investment Management**  
Presentation on Prudential/M&G UK Companies Financing Fund  
By: Simon Pilcher                Chief Executive - Fixed Income  
Andrew Swan                    Director – Fixed Income
- (e) **HSBC**  
Presentation on Emerging & Frontier Markets  
By: Simon Blanch                Associate Director – Institutional  
   Business  
Alex Tarver                        Product Specialist  
Deborah Yeo                       GEM Analyst
- (f) **Aberdeen Asset Management**  
Presentation on Global Emerging Market Equities  
By: Devan Kaloo                 Head of Global Emerging Markets  
Dominic Delaforce               Head of UK Pension Funds
- (g) **Nomura Asset Management**  
Presentation on Global Emerging Markets Equity Management  
By: Mark Roxburgh               Head of Marketing and Client Service  
David da Silva                    Head of Global Emerging Markets Team
- (h) **Coriolis Capital Ltd**  
Presentation on Coriolis Horizon Fund (Natural Catastrophe and  
Weather Derivatives) and Mistral Fund (Long/Short Equity Fund)  
By: Martin Jones                 Chief Investment Officer  
Susan Douse                       Managing Partner – Douse Associates
- (i) **Four Winds Capital Management**  
Presentation on Investing in Natural Resources  
By: Kimberly Tara                Chief Executive Officer  
Chris Armitage                    Head of UK
- (j) **Fortune Asset Management**  
Presentation on the background to, and future of the Hedge Fund  
Industry  
By: Andrew Groves                Director -Investment Advisory  
Nancy Curtin                       Chief Investment Officer
- (k) **Blue Crest Capital Management**  
Presentation on Blue Trend Fund  
By: Jonathan Martin               Head of Risk Management  
Kerry Duffain                     Head of UK Institutional Business

(l) **WestLB Mellon Asset Management**

Presentation on Global Long/Short Term Equity Fund of Funds

By: Vincent McEntegart Fund Director

Paul Lavin Fund Manager

Peter Taylor Chief Operations Officer

(m) **Ruffer LLP**

Presentation on Ruffer Total Return Fund

By: Trevor Bradley Investment Director

Steve Russell Portfolio Manager

A number of questions from Members received responses covering a wide range of issues raised from the current economic climate to potential future developments and opportunities for specific investments and Managers seeking to exploit current and future market conditions.

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Resolved:-

That, following discussion,

(a) the revised asset allocation be agreed as follows:-

	Current b/m		Current Allocation		Revised Strategy 2009		Target Future Strategy	
	%	%	%	%	%	%	%	%
<b><u>Quoted Equities</u></b>		<b>60.0</b>		<b>54.5</b>		<b>50.0</b>		<b>40.0</b>
UK Equities	30.0		25.0		14.0		}	Fluid
Europe	9.5		9.0		11.0			
North America	5.5		6.0		8.0			
Japan & Far East	6.0		5.5		5.5			
Emerging Markets	3.0		3.5		4.0			
Frontier	-		-		1.5			
Global Equities	6.0		5.5		6.0			
Private Equity*	7.0		10.0		7.3		}	Fluid
Secondaries	-		-		2.7			
<b>Total Equities</b>		<b>67.0</b>		<b>64.0</b>		<b>60.0</b>		<b>50.0</b>
<b><u>Fixed Interest</u></b>		<b>15.0</b>		<b>20.0</b>		<b>15.0</b>		<b>15.0</b>
UK Index Linked	5.7		6.0		4.7		}	Fluid
Gilts	4.7		6.0		4.7			
Corporate Bonds	3.6		4.0		4.6			
Cash	1.0		4.0		1.0			
<b><u>Complementary</u></b>		<b>18.0</b>		<b>16.0</b>		<b>25.0</b>		
UK Property	7.0		7.0		6.0		}	Fluid
Overseas Property	3.0		1.0		3.0			
Emerging Market Debt	2.0		2.5		2.0			
Active Currency	1.0		0.5		-			
Commodities	3.0		3.0		3.0			
Infrastructure	2.0		2.0		3.0			
Absolute Return Strategies	-		-		8.0			

\* Private Equity currently included under Complementary

(b) it be agreed that the investment management opportunities presented meet the Fund's criteria and, subject to completion of appropriate due diligence, are suitable contributions to achieving the Fund's revised asset allocation;

(c) it be noted that a revised SIP (Statement of Investment Principles) and FSS (Funding Strategy Statement) will need to be produced and an employing body seminar to inform them of the Fund's response to the current investment issues;

(d) it be acknowledged that strategic asset allocation reviews should be approximately yearly in order to monitor the changes and maintain the direction of change identified for the future; and

(e) it be noted that Fortune Group will be coming back to the Sub-Committee with more detailed proposals for consideration following the evaluation of two potential investments and that, in order to implement the revised strategy, investments in the range £30m to £50m are appropriate for the investment opportunities, except for the M&G Company Financing investment which will be £100m.

**Investment Management Activity Report for Period 1 September 2008 to 30 November 2008 (Appendix 1/6)**

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Resolved:-

That the report be received after noting the suspension of stock lending activity and the low level of activity due to the state of the financial markets.

**Any Other Business**

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The Director announced that the next Joint Consultative Panel meeting would be held after the Ill-Health Seminar in Birmingham on 25 February 2009 for all employing bodies. All members of the JCP are invited to the Seminar. The Director also announced that on 8 April 2009 a dinner would be held in Birmingham to celebrate the 25<sup>th</sup> anniversary of the Fund's relationship with Nomura Asset Management. All members of the Sub-Committee are invited.