

AGENDA MANAGEMENT SHEET

Name of Committee Pension Fund Investment Board

Date of Committee 19 February 2007

Report Title Investment Performance

Summary The report considers pension fund investment performance to 31 December 2006.

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No.

Would the recommended decision be contrary to the Budget and Policy Framework?

Background papers Reports from fund managers

CONSULTATION ALREADY UNDERTAKEN:-

Details to be specified

- Other Committees
- Local Member(s)
- Other Elected Members Cllr Davis, Chair of Pension Fund Board
- Cabinet Member
- Chief Executive
- Legal Tony Maione, Legal
- Finance David Clarke, Strategic Director of Resources (reporting officer)
- Other Chief Officers
- District Councils
- Health Authority
- Police
- Other Bodies/Individuals

FINAL DECISION YES

SUGGESTED NEXT STEPS:

Details to be specified

- Further consideration by this Committee
- To Council
- To Cabinet
- To an O & S Committee
- To an Area Committee
- Further Consultation

Pension Fund Investment Board 19 February 2007

Investment Performance

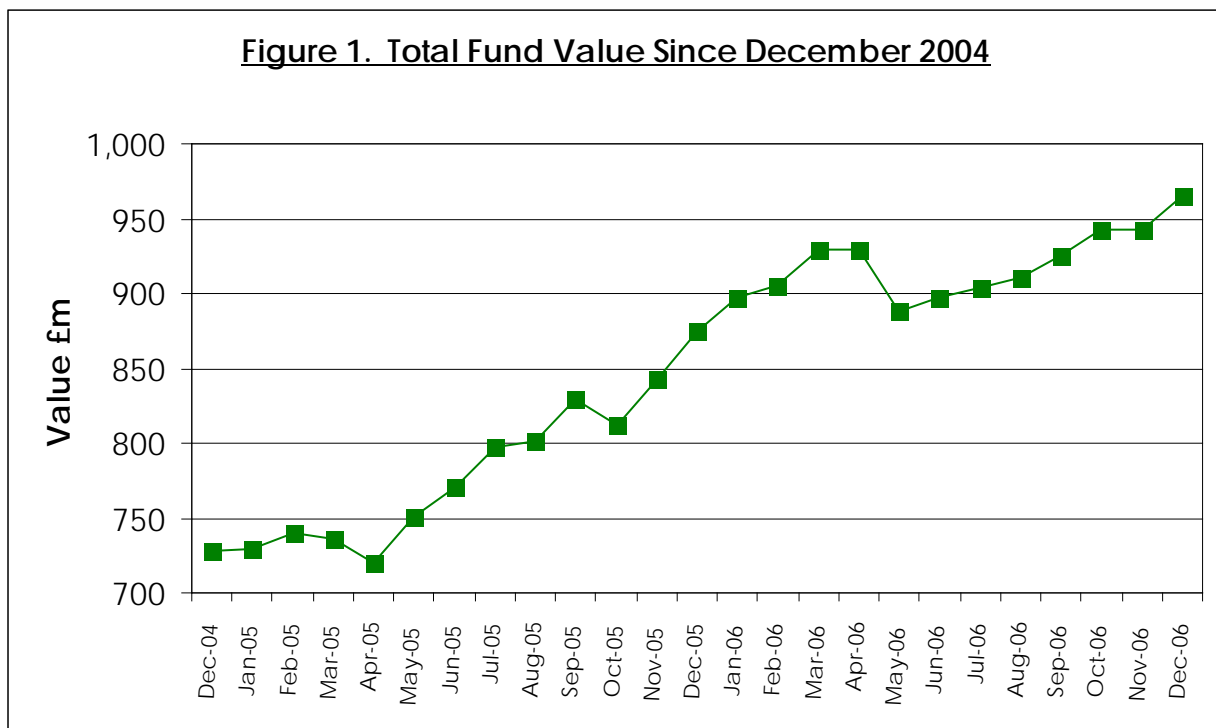
Report of the Strategic Director of Resources

Recommendation

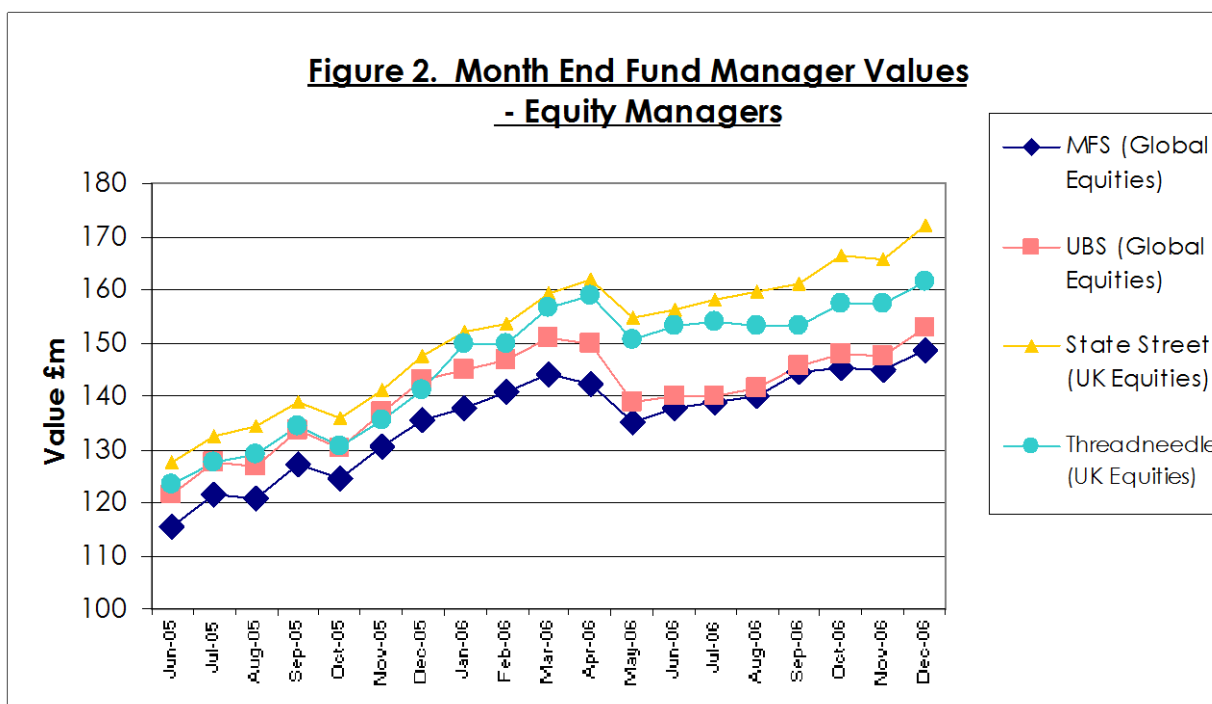
That the Board notes the fund value and performance for the third quarter in 2006/2007 to 31 December 2006.

1. Fund Value to date in 2006/2007

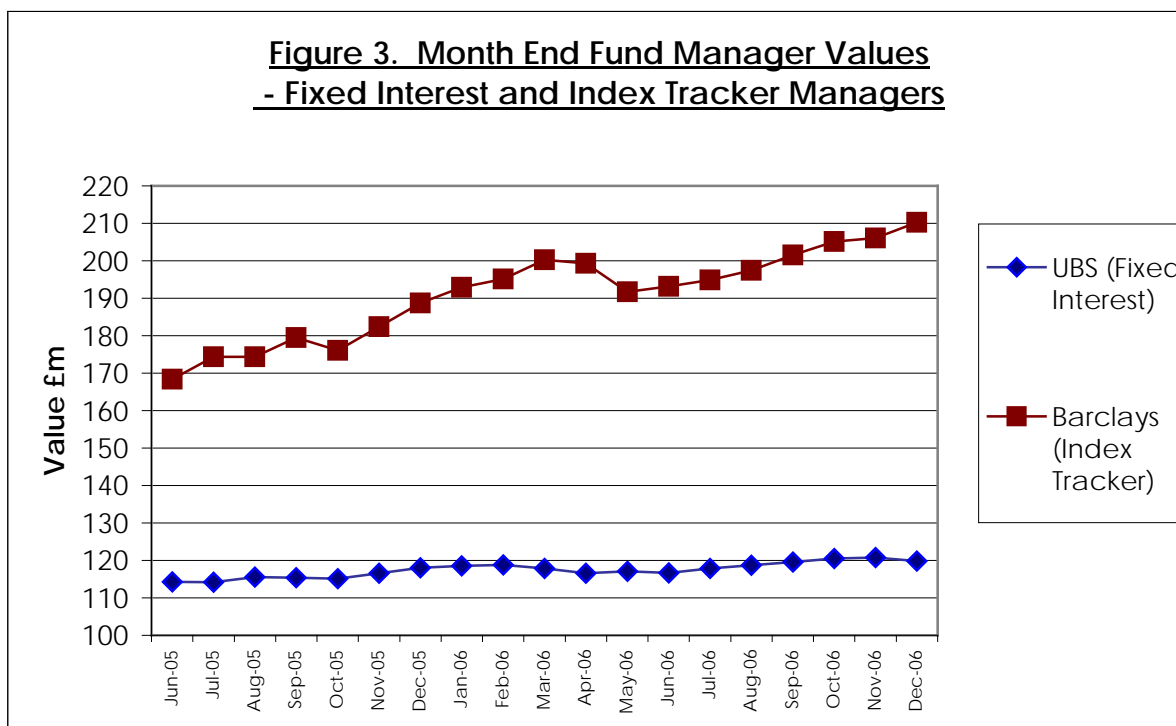
- 1.1 The report to the Board's meeting on 20 November gave the fund position on the fund of £925.8m at 30 September 2006.
- 1.2 Since this date the fund value has risen due to good performance from Equities and Pooled Funds. The fund value was £965.4m at 31 December 2006.



1.3 The value of the portfolios invested with the equity managers is shown in Figure 2.



1.4 The values of the portfolios invested with the Fixed Interest and Index-Tracker Managers are shown in Figure 3.



1.5 Threadneedle Investments and MFS will provide detailed performance reports in their presentations to the Investment Board.

2. Fund Asset Allocation

2.1 The asset allocation of the fund as at 31 December 2006 is as follows:

Table 1: Asset Allocation

Asset Class	Q/E Dec 2006	Fund policy	Over/under weight
	%	%	%
Equity	79.1	75.0	4.1
UK	40.0	37.4	2.6
Europe (ex UK)	18.3	15.1	3.2
North America	11.0	11.3	-0.3
Japan	5.2	6.2	-1.0
Pacific Basin (ex Japan)	2.0	2.2	-0.2
Emerging Markets/other	2.6	2.8	-0.2
Fixed Income	20.0	25.0	-5.0
UK corporate bonds	8.0	10.0	-2.0
UK government bonds	7.7	10.0	-2.3
UK index linked bonds	4.1	5.0	-0.9
Global fixed income	0.2	0.0	0.2
Cash	0.9	0.0	0.9
Total	100.0	100.0	0.0

Source: Mellon

2.1 Overall, at 31 December 2006, the fund was overweight in UK Equities, European Equities, and Global Fixed Income. The fund was underweight in all other asset classes. Necessary adjustments to the asset allocation are made by Barclays (Index-Tracker Manager) immediately after the quarter end in order to adhere to the fund policy.

3. Fund Performance

3.1 The performance of the Fund against its asset class benchmarks for the quarter ending 31 December 2006 was:

Table 2: Performance by Asset Type

Asset Type	Benchmark Measure	Q/E Dec 2006	Benchmark	Variance
		%	%	%
Equity				
United Kingdom	<i>Total Fund UK Composite</i>	6.14	6.06	0.08
Europe ex UK	<i>FTSE AW Dev Europe ex UK</i>	5.77	6.96	-1.19
North America	<i>FTSE AW Dev North America</i>	1.73	1.92	-0.19
Japan	<i>FTSE World Japan</i>	0.37	-0.36	0.73
Pacific Basin ex Japan	<i>FTSE AW Developed Asia Pacific (ex Japan)</i>	17.39	11.76	5.63
Emerging Markets	<i>Total Fund Emerging Markets Composite</i>	7.58	12.32	-4.74
Fixed Income				
UK Corporate Bonds	<i>iBoxx Sterling Non-Gilts</i>	0.49	0.05	0.44
UK Government Bonds	<i>FTSE UK Government All Stocks</i>	-0.10	-0.25	0.15
UK Index Linked Bonds	<i>FTSE UK Government Linked Gilts</i>	0.21	0.22	-0.01
Total WCC Fund	WCC Total Fund Benchmark	4.28	4.11	0.17

Source: Mellon

3.2 Overall, the fund out-performed the benchmark by 0.17%. There was out-performance in five asset classes:

- UK Equities (40% of the fund) performed 0.08% above the benchmark.
- Japanese Equities (5.2% of the fund) performed 0.73% above the benchmark.
- Pacific Basin ex Japan (2.0% of the fund) performed 5.63% above the benchmark.
- UK Corporate Bonds (8.0% of the fund) performed 0.44% above the benchmark.
- UK Government Bonds (7.7% of the fund) performed 0.15% above the benchmark.

3.3 However, four asset classes under-performed their benchmark in the quarter:

- European Equities (18.3% of the fund) performed 1.19% below the benchmark.
- North American Equities (11.0% of the fund) performed 0.19% below the benchmark.
- Emerging Markets (2.6% of the fund) performed 4.74% below the benchmark.
- UK Index Linked Bonds (4.1% of the fund) performed 0.01% below the benchmark.

3.4 **Appendix A** provides details of the investment managers' mandates and benchmark targets. The performances of managers against their benchmarks for the quarter ending 31 December 2006 were:

Table 3: Performance by Fund Manager

Manager	Benchmark Measure	Q/E Dec 2006 %	Benchmark %	Variance %
Barclays	<i>BGI Benchmark</i>	4.35	3.71	0.64
MFS	<i>Global Equity Benchmark</i>	2.96	4.44	-1.48
State Street	<i>FTSE All-Share</i>	6.86	6.16	0.70
Threadneedle	<i>FTSE All-Share</i>	5.37	6.16	-0.79
UBS (Global Equities)	<i>Global Equity Benchmark</i>	4.83	4.50	0.33
UBS (Fixed Interest)	<i>UBS UK Bond Benchmark</i>	0.22	-0.10	0.32
Total	<i>WCC Total Fund Benchmark</i>	4.28	4.11	0.17

Source: Mellon

3.5 Overall, the fund out-performed its overall benchmark by 0.17%. During the quarter Barclays, State Street, UBS (Global Equities) and UBS (Fixed Interest) out-performed their benchmarks. However MFS and Threadneedle failed to meet their benchmarks.

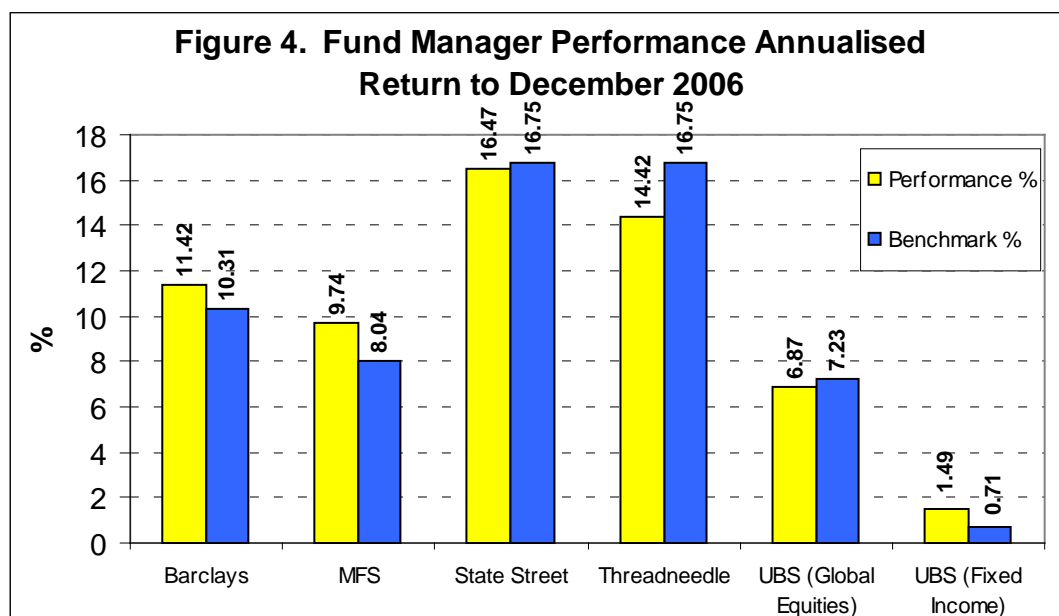
3.6 Twelve months data on the performance of the new managers is available. The performance of managers against their benchmark over this period is shown overleaf.

Table 4: Fund Manager Performance to Date

Manager	Variance Q/E Mar 06 %	Variance Q/E Jun 06 %	Variance Q/E Sep 06 %	Variance Q/E Dec 06 %
Barclays	0.71	-0.38	0.12	0.64
MFS	-0.56	2.01	1.43	-1.48
State Street	-0.24	-0.05	-0.63	0.70
Threadneedle	2.89	-0.48	-3.48	-0.79
UBS (Global Equities)	-1.12	-0.46	0.94	0.33
UBS (Fixed Interest)	0.49	0.14	-0.19	0.32
Total	0.60	-0.05	-0.32	0.17

Source: Mellon

- 3.7 No manager has consistently exceeded their benchmark over all four quarters.
- 3.8 The Annualised return for the fund managers to December 2006 is summarised in Figure 4.



Source: Mellon

- 3.9 Fund Manager performance against their benchmark since October 2004 is summarised in Figures 5 and 6.

Figure 5. Fund Manager Out/Under Performance Against Their Benchmark Since October 2004 - Equity Managers

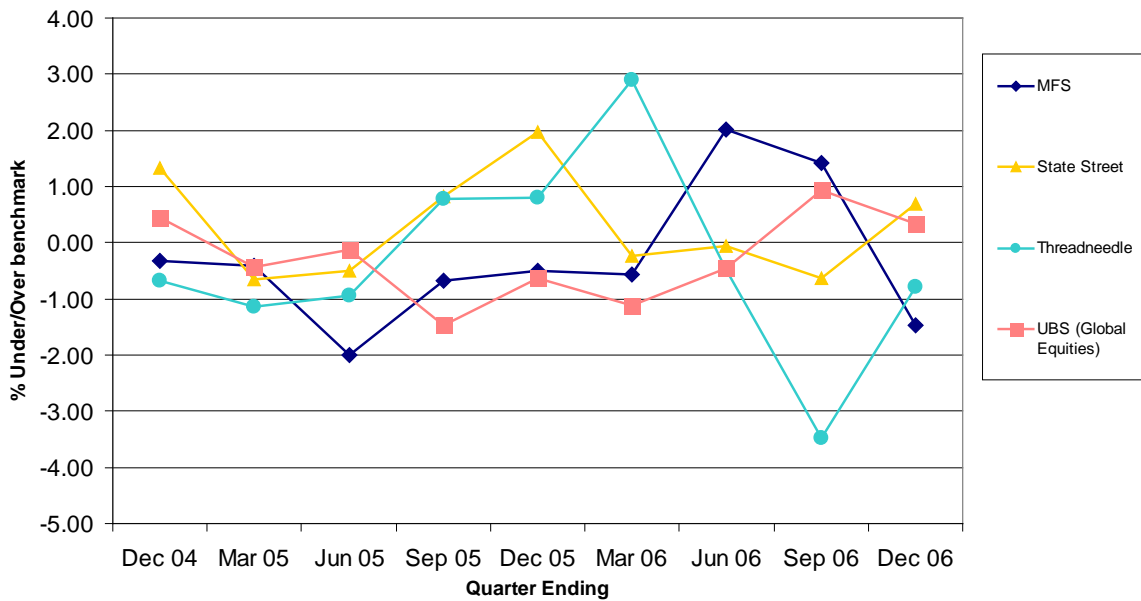
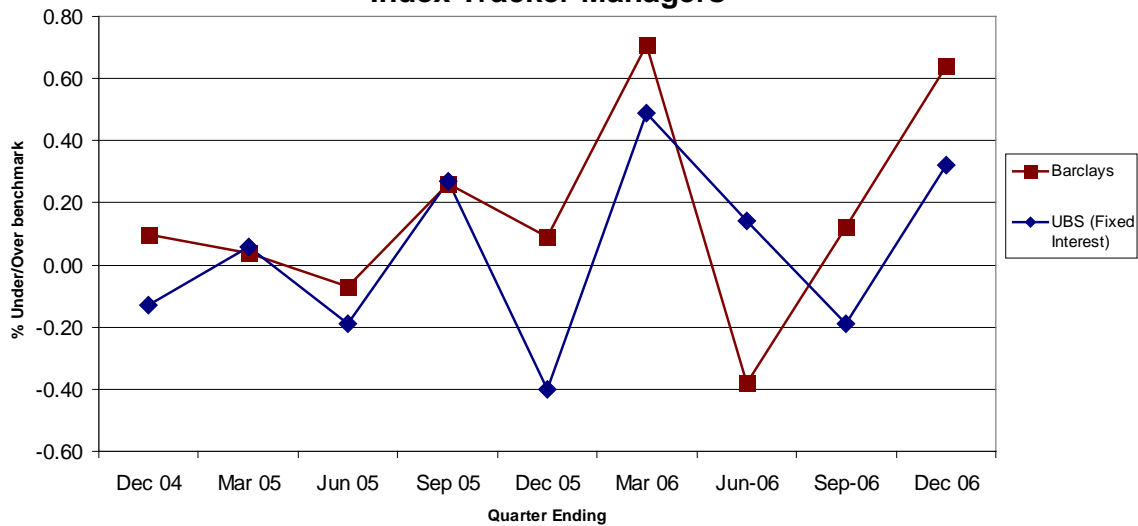


Figure 6. Fund Managers Out/Under Performance Against Their Benchmark Since October 2004 - Fixed Interest and Index Tracker Managers



Source: Morning

DAVID CLARKE
Strategic Director of Resources

Shire Hall
Warwick
February 2007