

AGENDA MANAGEMENT SHEET

Name of Committee Pension Fund Investment Board

Date of Committee 18 May 2007

Report Title Investment Performance

Summary The report considers pension fund investment performance to 31 March 2007.

For further information please contact: Phil Triggs
Group Manager
(Treasury and Pensions)
Tel: 01926 412227
philtriggs@warwickshire.gov.uk
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
- 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 18 May 2007

Investment Performance

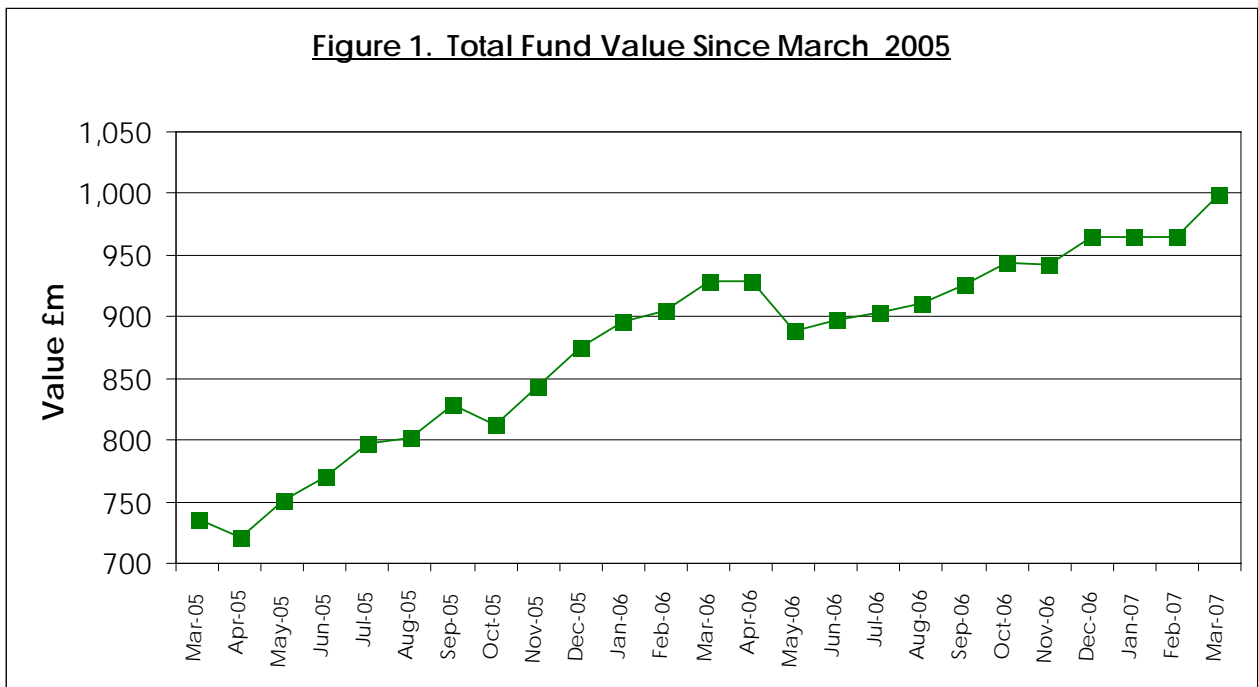
Report of the Strategic Director of Resources

Recommendation

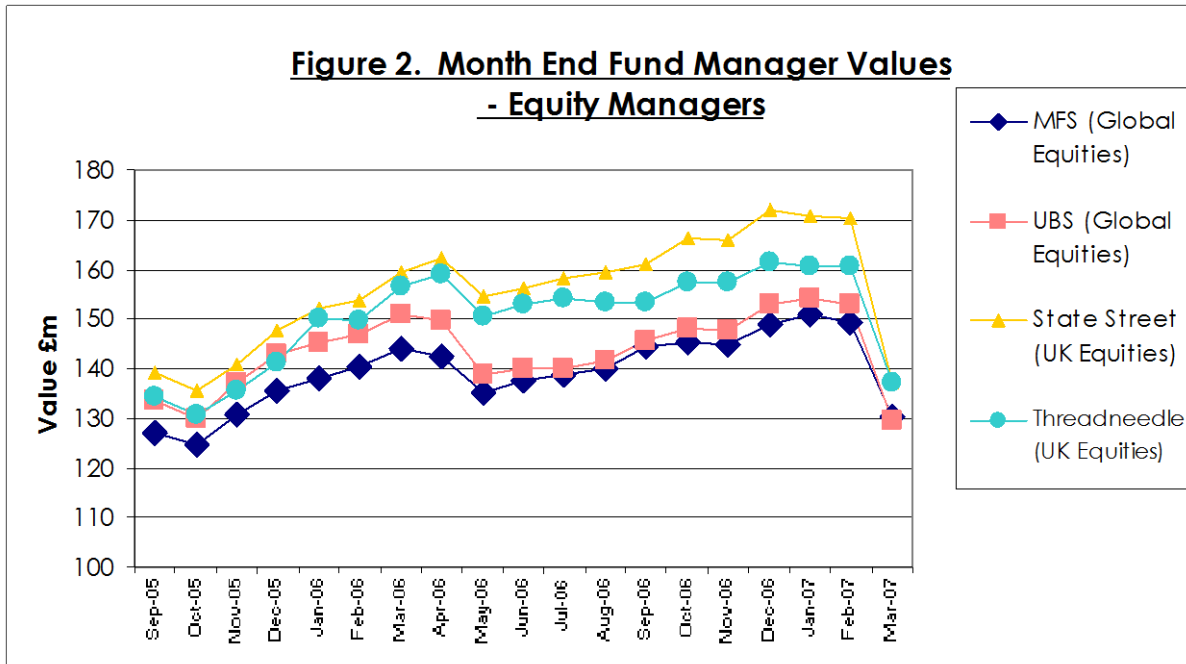
That the Board notes the fund value and performance for the fourth quarter in 2006/2007 to 31 March 2007.

1. Fund Value to date in 2006/2007

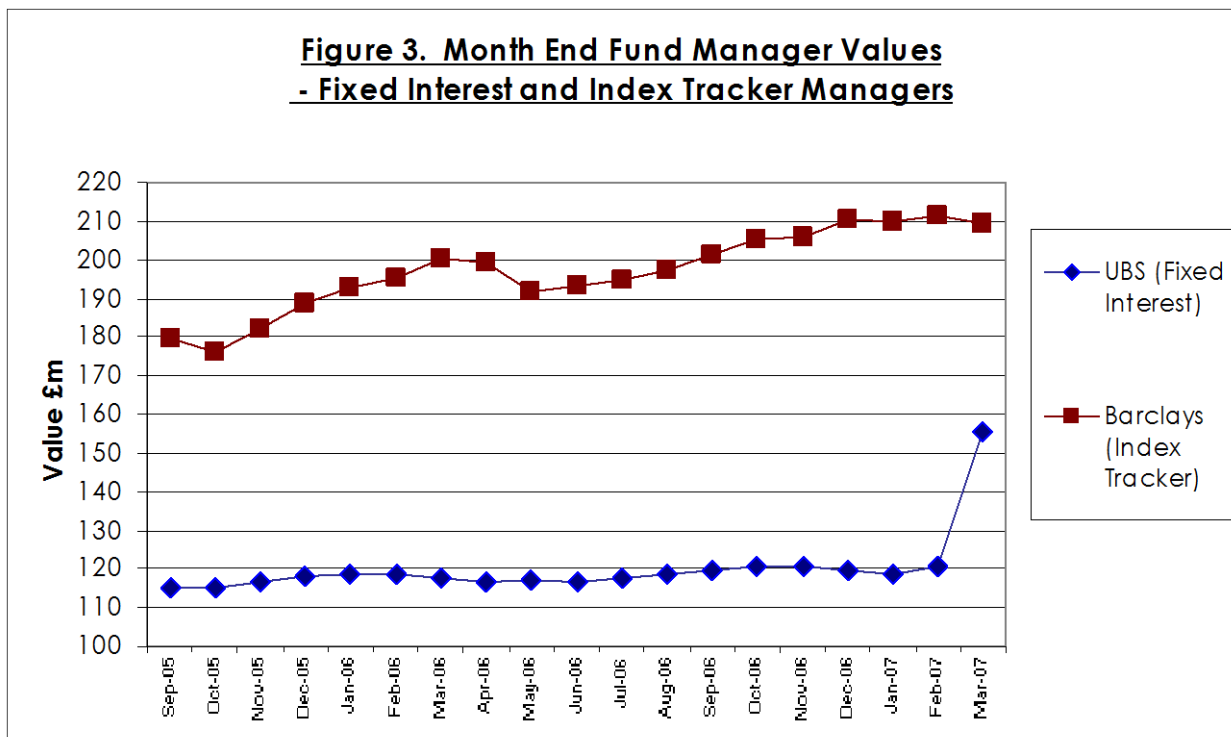
- 1.1 The report to the Board's meeting on 19 February 2007 gave the fund position on the fund of £965.4m at 31 December 2006.
- 1.2 Since this date the fund value has risen due to an injection of cash and strong performance from Equities and Pooled Funds in March 2007. The fund value was £999.1m at 31 March 2007.



1.3 The value of the portfolios invested with the equity managers is shown in Figure 2. The reduction in values at March 2007 is due to the restructuring of the pension fund.



1.4 The values of the portfolios invested with the Fixed Interest and Index-Tracker Managers are shown in Figure 3. The increase in UBS Fixed interest is due to the re-structuring of the pension fund.



- 1.5 UBS and MFS will provide detailed performance reports in their presentations to the Investment Board.
- 1.6 The values of the portfolios invested with Alternative and Transition Managers were:

Table 1: Values invested with Alternative and Transition Managers at 31 March 2007

Asset Class		31-Mar-07 £
Hedge Funds		49.0
	Blackstone	49.0
Property		26.6
	Threadneedle	24.5
	Schroders	2.1
Transition Manager		24.6
	BlackRock	24.6

2. Fund Asset Allocation

2.1 The asset allocation of the fund as at 31 March 2007 is as follows:

Table 2: Asset Allocation

Asset Class		Q/E Mar 2007	Fund policy	Over/under weight
		%	%	%
Equity		65.3	65.0	0.3
	UK	32.4	32.5	-0.1
	Europe (ex UK)	15.7	13.0	2.7
	North America	9.2	9.8	-0.6
	Far East/Emerging Markets	8.0	9.8	-1.8
Fixed Income		24.2	25.0	-0.8
	UK corporate bonds	9.7	10.0	-0.3
	UK government bonds	9.4	10.0	-0.6
	UK index linked bonds	4.8	5.0	-0.2
	Global fixed income	0.3	0.0	0.3
Property		3.1	5.0	-1.9
Alternative		4.9	5.0	-0.1
Cash		2.5	0.0	2.5
Total		100.0	100.0	0.0

Source: Mellon

2.2 Overall, at 31 March 2007, the fund was overweight in European Equities, Global Fixed Income and Cash. 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 March 2007 was:

Table 3: Performance by Asset Type

Asset Type	Benchmark Measure	Q/E Mar 2007	Benchmark	Variance
		%	%	%
Equity				
United Kingdom	<i>Total Fund UK Composite</i>	2.36	2.88	-0.52
Europe ex UK	<i>FTSE AW Dev Europe ex UK</i>	3.16	4.16	-1.00
North America	<i>FTSE AW Dev North America</i>	0.40	0.82	-0.42
Japan	<i>FTSE World Japan</i>	0.01	2.74	-2.73
Pacific Basin ex Japan	<i>FTSE AW Developed Asia Pacific (ex Japan)</i>	3.97	7.08	-3.11
Emerging Markets	<i>Total Fund Emerging Markets Composite</i>	0.41	2.38	-1.97
Fixed Income				
UK Corporate Bonds	<i>iBoxx Sterling Non-Gilts</i>	-0.27	-0.30	0.03
UK Government Bonds	<i>FTSE UK Government All Stocks</i>	-0.60	-0.74	0.14
UK Index Linked Bonds	<i>FTSE UK Government Linked Gilts</i>	-0.58	-0.54	-0.04
Total WCC Fund	<i>WCC Total Fund Benchmark</i>	1.43	2.09	-0.66

Source: Mellon

3.2 Overall, the fund under-performed the benchmark by 0.66%. There was under-performance in seven asset classes:

- UK Equities (38.9% of the fund) performed 0.52% below the benchmark.
- European Equities (17.2% of the fund) performed 1.00% below the benchmark.
- North American Equities (10.8% of the fund) performed 0.42% below the benchmark.

- Japanese Equities (5.3% of the fund) performed 2.73% above the benchmark.
- Pacific Basin ex Japan (1.6% of the fund) performed 3.11% above the benchmark.
- Emerging Markets (2.6% of the fund) performed 1.97% below the benchmark.
- UK Index Linked Bonds (5.0% of the fund) performed 0.04% below the benchmark.

3.3 However, two asset classes out-performed their benchmark in the quarter:

- 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.

3.4 **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 4: Performance by Fund Manager

Manager	Benchmark Measure	Q/E Mar 2007 %	Benchmark %	Variance %
Barclays	<i>BGI Benchmark</i>	1.88	1.94	-0.06
MFS	<i>Global Equity Benchmark</i>	1.42	2.57	-1.15
State Street	<i>FTSE All-Share</i>	1.45	2.91	-1.46
Threadneedle	<i>FTSE All-Share</i>	2.49	2.91	-0.42
UBS (Global Equities)	<i>Global Equity Benchmark</i>	0.99	2.85	-1.86
UBS (Fixed Interest)	<i>UBS UK Bond Benchmark</i>	-0.35	-0.52	0.17
Total	<i>WCC Total Fund Benchmark</i>	1.43	2.09	-0.66

Source: Mellon

3.5 Overall, the fund under-performed its overall benchmark by 0.66%. During the quarter UBS (Fixed Interest) out-performed their benchmark. However Barclays, MFS, State Street, Threadneedle and UBS (Global Equities) failed to meet their benchmarks.

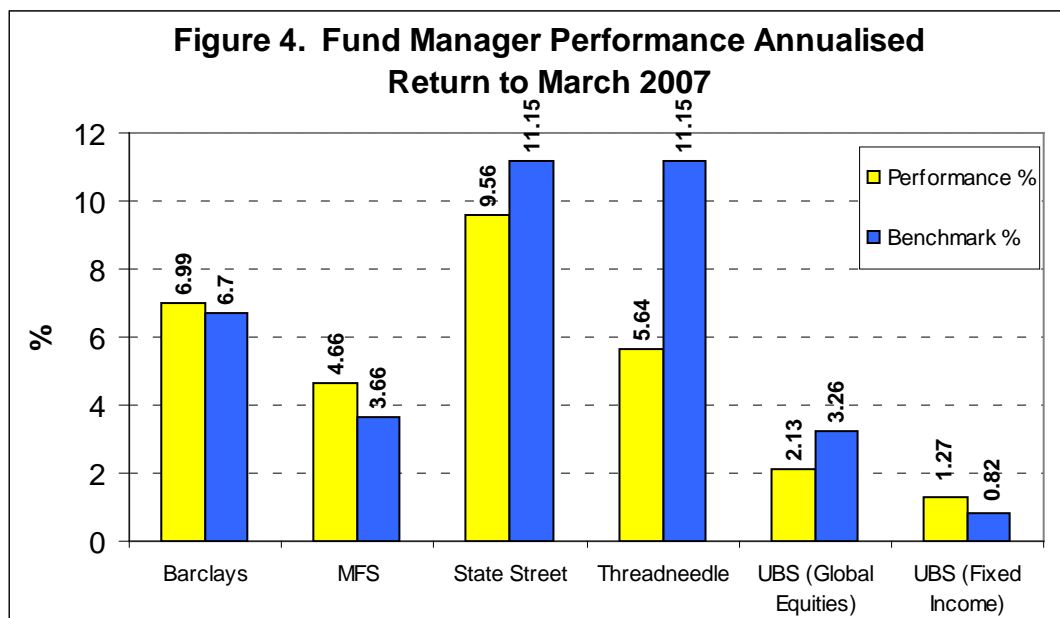
3.6 Twelve months data on the performance of the new managers is available. The performance of managers against their benchmark over this period is shown overleaf.

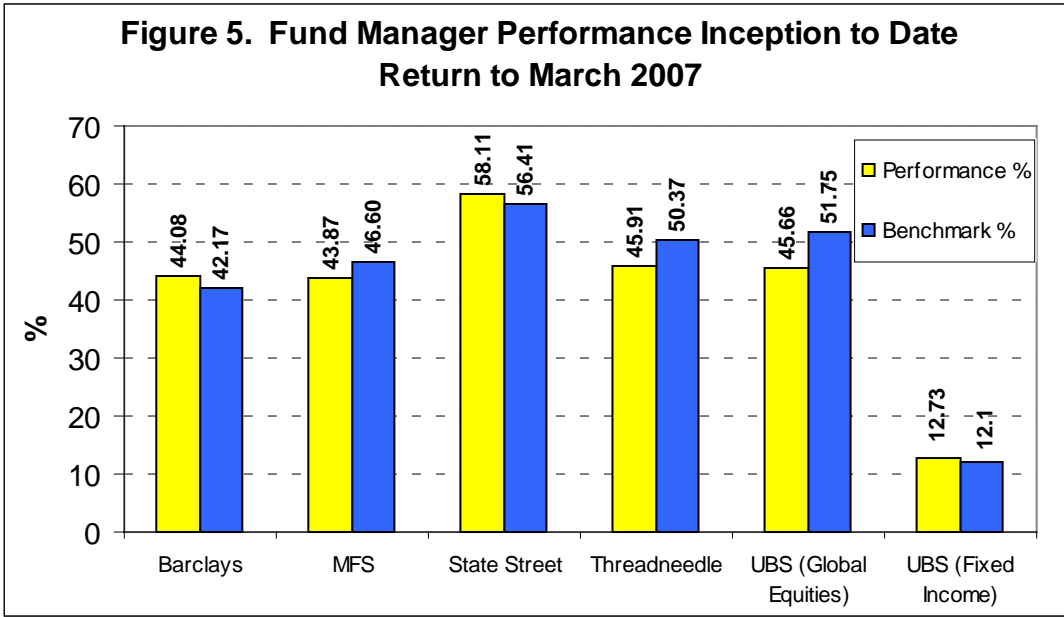
Table 5: Fund Manager Performance to Date

Manager	Variance Q/E Jun 06 %	Variance Q/E Sep 06 %	Variance Q/E Dec 06 %	Variance Q/E Mar 07 %
Barclays	-0.38	0.12	0.64	-0.06
MFS	2.01	1.43	-1.48	-1.15
State Street	-0.05	-0.63	0.70	-1.46
Threadneedle	-0.48	-3.48	-0.79	-0.42
UBS (Global Equities)	-0.46	0.94	0.33	-1.86
UBS (Fixed Interest)	0.14	-0.19	0.32	0.17
Total	-0.05	-0.32	0.17	-0.66

Source: Mellon

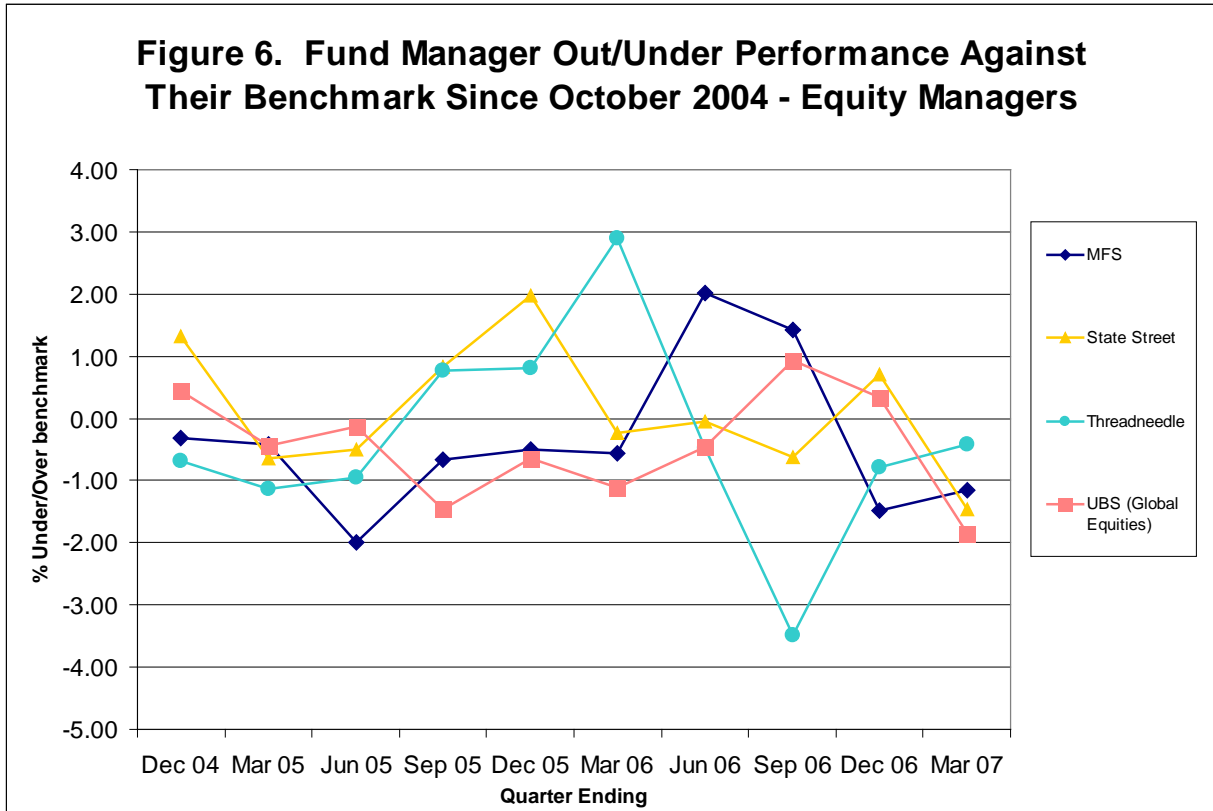
- 3.7 No manager has consistently exceeded their benchmark over all four quarters.
- 3.8 The Annualised return for the fund managers to December 2006 is summarised in Figure 4. The Inception to Date return is summarised in Figure 5.

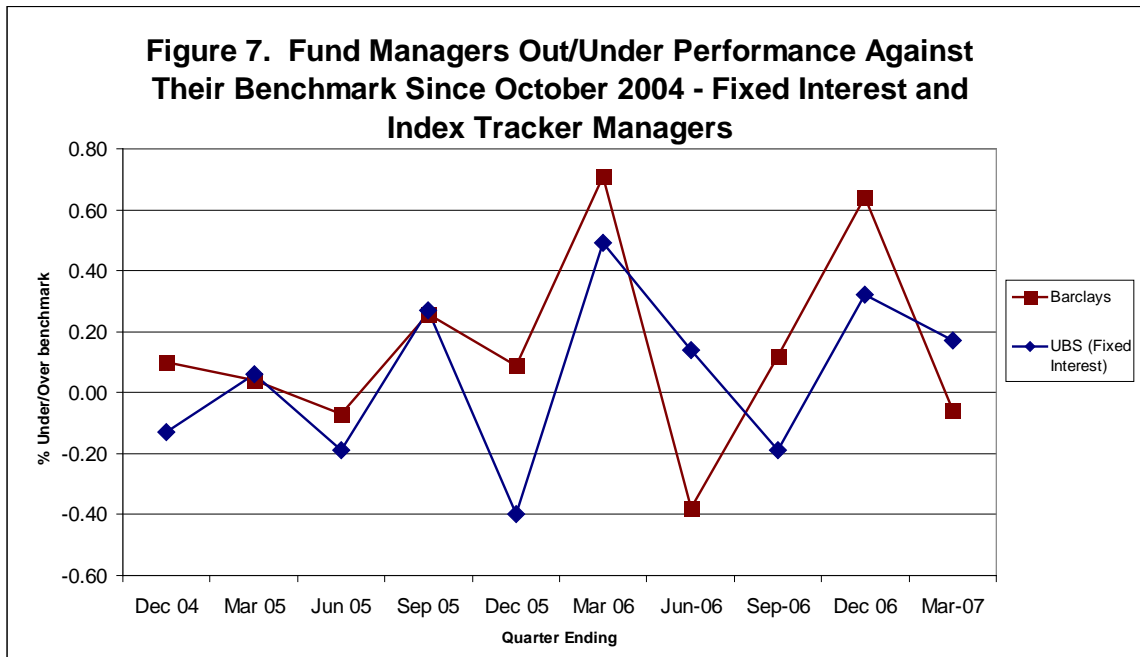




Source: Mellon

3.9 Fund Manager performance against their benchmark since October 2004 is summarised in Figures 6 and 7.





Source: Mellon

DAVID CLARKE
Strategic Director of Resources

Shire Hall
Warwick
May 2007