

**AGENDA MANAGEMENT SHEET**

**Name of Committee** Pension Fund Investment Board

**Date of Committee** 26 November 2007

**Report Title** Investment Performance

**Summary** The report considers pension fund investment performance to 30 September 2007.

**For further information please contact:** Phil Triggs  
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(Treasury and Pensions)  
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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
- 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 26 November 2007

### Investment Performance

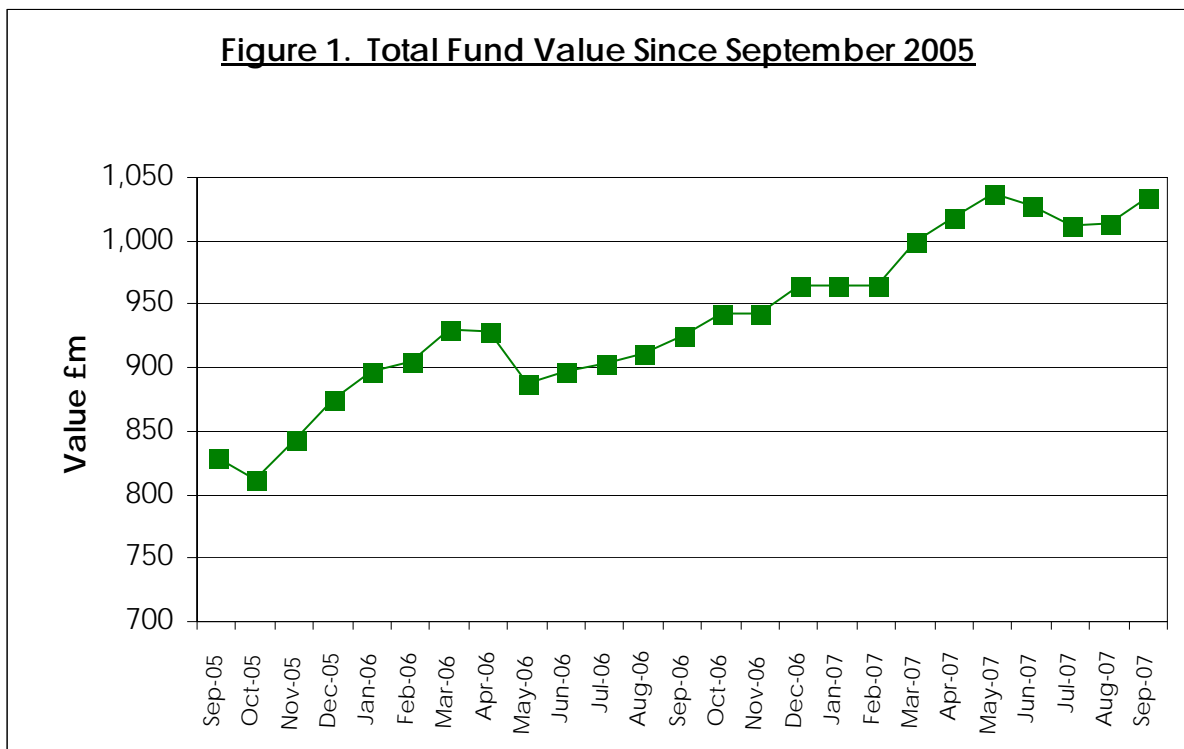
#### Report of the Strategic Director of Resources

##### Recommendation

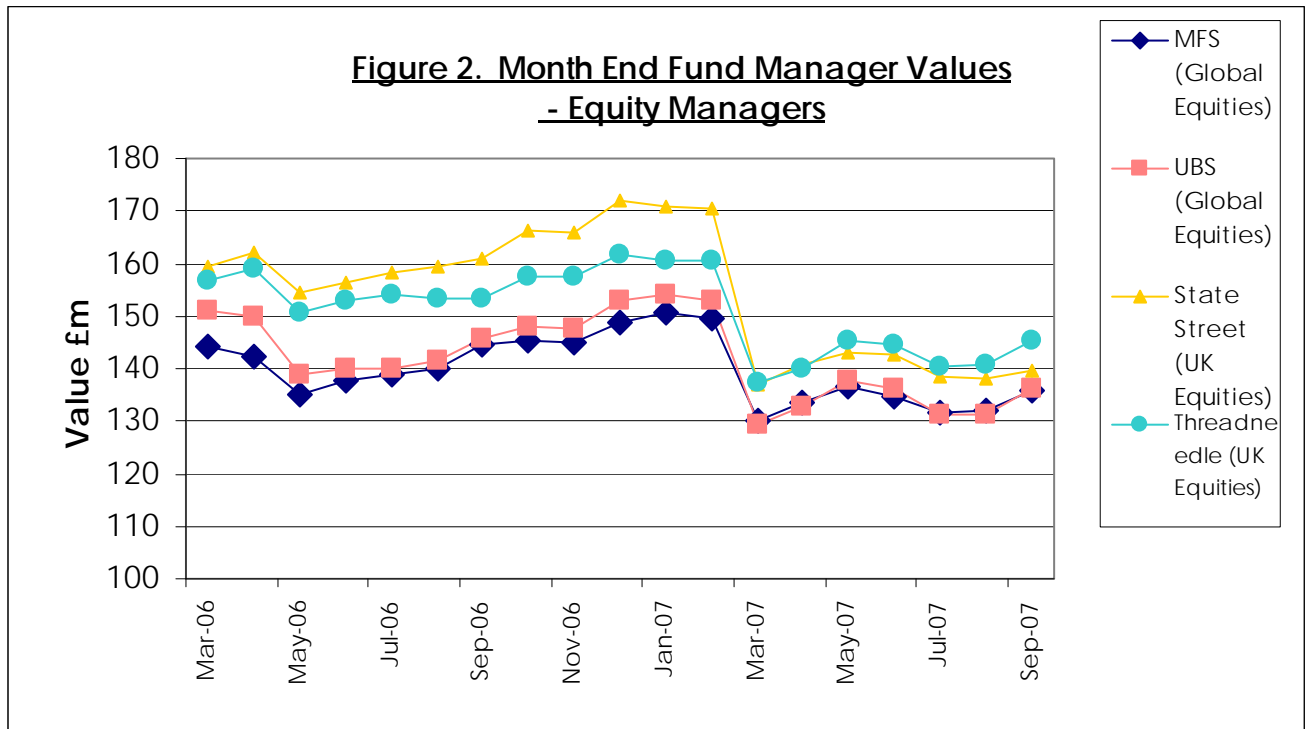
That the Board notes the fund value and performance for the second quarter in 2007/2008 to 30 September 2007.

#### 1. Fund Value to date in 2007/2008

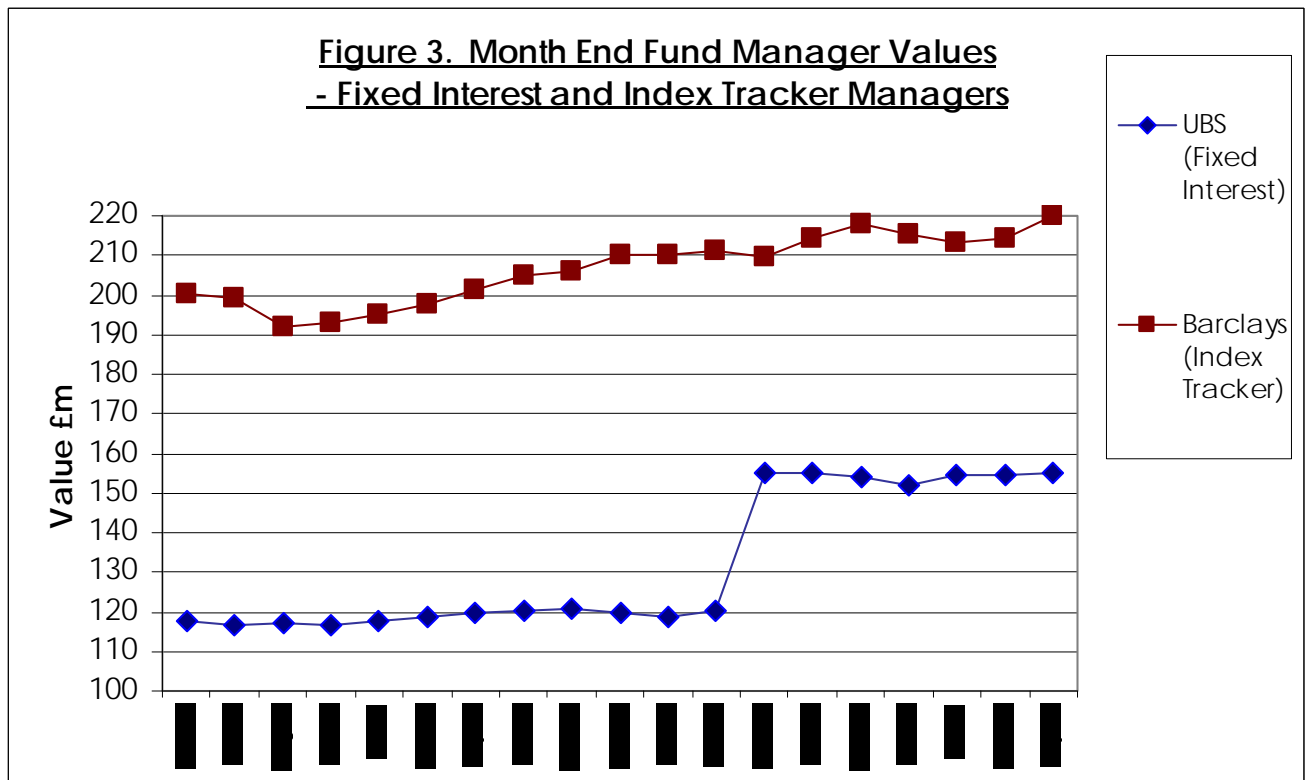
- 1.1 The report to the Board's meeting on 3 August 2007 gave the fund position on the fund of £1028.4m at 30 June 2007.
- 1.2 Since this date the fund value has risen despite a reduction in equity values in July and August 2007. The fund value was £1033.9m at 30 September 2007.



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 restructuring of the pension fund.



1.5 The values of the portfolios invested with Alternative and Transition Managers at 30 September 2007 were:

**Table 1: Values invested with Alternative and Transition Managers at 30 September 2007**

Asset Class	30-Sep-07 £
<b>Hedge Funds</b>	<b>52.8</b>
Blackstone	52.8
<b>Property</b>	<b>48.9</b>
Threadneedle	24.3
Schroders	24.6
<b>Transition</b>	<b>0.0</b>
BlackRock	0.0

## 2. Fund Asset Allocation

2.1 The asset allocation of the fund as at 30 September 2007 is as follows:

**Table 2: Asset Allocation**

Asset Class	Q/E Sep 2007	Fund policy	Over/under weight
	%	%	%
<b>Equity</b>	<b>65.50</b>	<b>65.00</b>	<b>0.50</b>
UK	32.50	32.50	0.00
Europe (ex UK)	16.10	13.00	3.10
North America	9.20	9.75	-0.55
Far East/Emerging Markets	7.70	9.75	-2.05
<b>Fixed Income</b>	<b>23.70</b>	<b>25.00</b>	<b>-1.30</b>
UK corporate bonds	9.40	10.00	-0.60
UK government bonds	9.20	10.00	-0.80
UK index linked bonds	4.80	5.00	-0.20
Global fixed income	0.30	0.00	0.30
<b>Hedge Funds</b>	<b>5.10</b>	<b>5.00</b>	<b>0.10</b>
<b>Property</b>	<b>4.60</b>	<b>5.00</b>	<b>-0.40</b>
<b>Cash</b>	<b>1.10</b>	<b>0.00</b>	<b>1.10</b>
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>

Source: Mellon

2.2 Overall, at 30 September 2007, the fund was overweight in European Equities, Global Fixed Income, Hedge Funds and Cash. The fund was underweight in all other asset classes except UK Equities, which equalled the

fund policy. 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 30 September 2007 was:

**Table 3: Performance by Asset Type**

Asset Type	Benchmark Measure	Q/E Sep 2007	Benchmark	Variance
		%	%	%
<b>Equity</b>				
United Kingdom	<i>Total Fund UK Composite</i>	-0.86	-1.72	<b>0.86</b>
Europe ex UK	<i>FTSE AW Dev Europe ex UK</i>	0.47	0.82	<b>-0.35</b>
North America	<i>FTSE AW Dev North America</i>	0.16	1.06	<b>-0.90</b>
Japan	<i>FTSE World Japan</i>	-4.59	-3.07	<b>-1.52</b>
Pacific Basin ex Japan	<i>FTSE AW Developed Asia Pacific (ex Japan)</i>	12.98	13.59	<b>-0.61</b>
Emerging Markets	<i>Total Fund Emerging Markets Composite</i>	10.11	11.55	<b>-1.44</b>
<b>Fixed Income</b>				
UK Corporate Bonds	<i>iBoxx Sterling Non-Gilts</i>	0.52	1.94	<b>-1.42</b>
UK Government Bonds	<i>FTSE UK Government All Stocks</i>	2.55	4.07	<b>-1.52</b>
UK Index Linked Bonds	<i>FTSE UK Government Linked Gilts</i>	5.12	5.09	<b>0.03</b>
<b>Alternatives</b>				
Property	<i>Property Benchmark</i>	-1.46	-1.15	<b>-0.31</b>
Hedge Funds	<i>Hedge Funds Benchmark</i>	1.02	2.81	<b>-1.79</b>
<b>Total WCC Fund</b>	<b><i>WCC Total Fund Benchmark</i></b>	<b>0.53</b>	<b>1.06</b>	<b>-0.53</b>

3.2 Overall, the fund under-performed the benchmark by 0.53%. There was under-performance in nine asset classes:

- European Equities (16.1% of the fund) performed 0.35% below the benchmark.

- North American Equities (9.2% of the fund) performed 0.90% below the benchmark.
- Japanese Equities (4.1% of the fund) performed 1.52% below the benchmark.
- Pacific Basin ex Japan (1.2% of the fund) performed 0.61% below the benchmark.
- Emerging Markets (2.4% of the fund) performed 1.44% below the benchmark.
- UK Corporate Bonds (9.4% of the fund) performed 1.42% below the benchmark.
- UK Government Bonds (9.2% of the fund) performed 1.52% below the benchmark.
- Property (4.6% of the fund) performed 0.31% below the benchmark.
- Hedge Funds (5.1% of the fund) performed 1.79% below the benchmark.

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

- UK Equities (32.5% of the fund) performed 0.86% above the benchmark.
- UK Index Linked Bonds (4.8% of the fund) performed 0.03% 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 30 September were:

**Table 4: Performance by Fund Manager**

Manager	Benchmark Measure	Q/E Sep 2007 %	Benchmark %	Variance %
Barclays	<i>BGI Benchmark</i>	2.31	2.30	<b>0.01</b>
MFS	<i>Global Equity Benchmark</i>	0.80	1.53	<b>-0.73</b>
State Street	<i>FTSE All-Share</i>	-2.14	-1.76	<b>-0.38</b>
Threadneedle	<i>FTSE All-Share</i>	0.55	-1.76	<b>2.31</b>
UBS (Global Equities)	<i>Global Equity Benchmark</i>	-0.03	2.18	<b>-2.21</b>
UBS (Fixed Interest)	<i>UBS UK Bond Benchmark</i>	1.20	3.01	<b>-1.81</b>
Threadneedle Property	<i>Threadneedle Property Benchmark</i>	-1.07	-1.00	<b>-0.07</b>
Schroders Property	<i>Schroders Property Benchmark</i>	-1.71	-1.3	<b>-0.41</b>
Blackstone Hedge	<i>Blackstone Hedge Benchmark</i>	1.01	2.81	<b>-1.80</b>
<b>Total</b>	<b><i>WCC Total Fund Benchmark</i></b>	<b>0.53</b>	<b>1.06</b>	<b>-0.53</b>

Source: Mellon

- 3.4 Overall, the fund under-performed its overall benchmark by 0.53%. During the quarter Barclays and Threadneedle (UK Equities) out-performed their benchmarks. However MFS, State Street, UBS (Global Equities), UBS (Fixed Interest), Threadneedle (Property), Schroders and Blackstone failed to meet their benchmarks.
- 3.5 Twelve months data on the performance of the managers is available. The performance of managers against their benchmark over this period is shown overleaf.

**Table 5: Fund Manager Performance to Date**

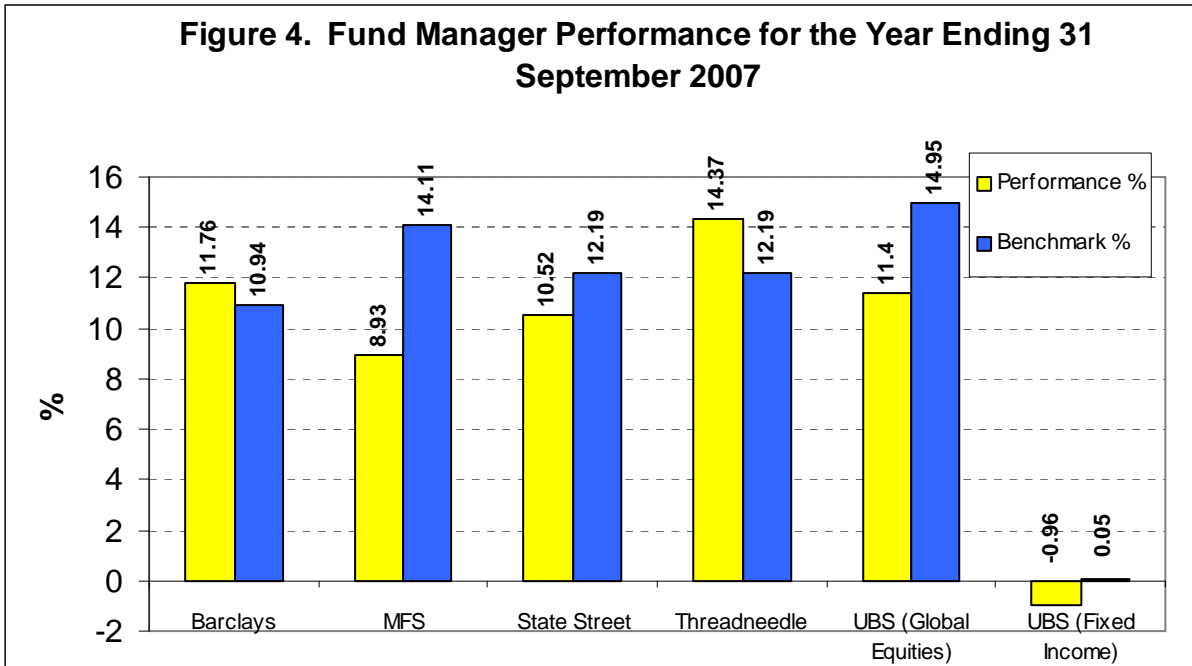
<b>Manager</b>	<b>Variance Q/E Dec 06 %</b>	<b>Variance Q/E Mar 07 %</b>	<b>Variance Q/E Jun 07 %</b>	<b>Variance Q/E Sep 07 %</b>
Barclays	<b>0.64</b>	<b>-0.06</b>	<b>0.16</b>	<b>0.01</b>
MFS	<b>-1.48</b>	<b>-1.15</b>	<b>-1.43</b>	<b>-0.73</b>
State Street	<b>0.70</b>	<b>-1.46</b>	<b>-0.36</b>	<b>-0.38</b>
Threadneedle	<b>-0.79</b>	<b>-0.42</b>	<b>0.82</b>	<b>2.31</b>
UBS (Global Equities)	<b>0.33</b>	<b>-1.86</b>	<b>0.59</b>	<b>-2.21</b>
UBS (Fixed Interest)	<b>0.32</b>	<b>0.17</b>	<b>0.27</b>	<b>-1.81</b>
<b>Total</b>	<b>0.17</b>	<b>-0.66</b>	<b>0.04</b>	<b>-0.53</b>

Source: Mellon

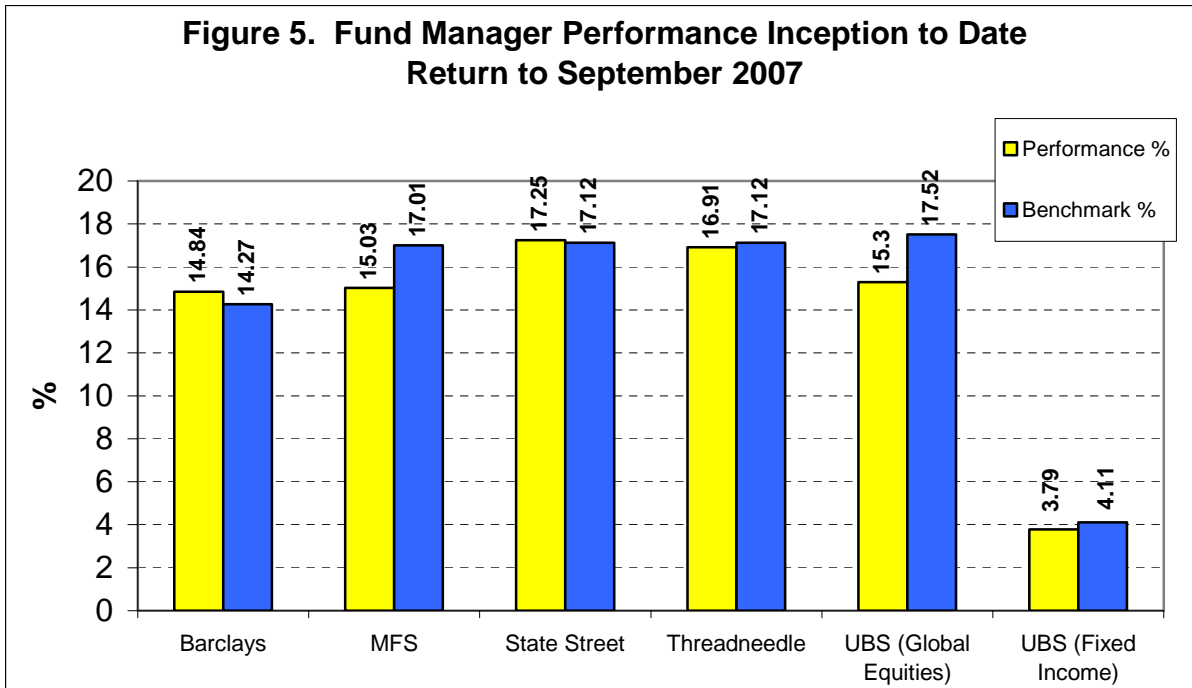
- 3.7 No manager has consistently exceeded their benchmark over all four quarters.
- 3.8 The Annualised return for the fund managers to September 2007 is summarised in Figure 4. The Inception to Date return is summarised in Figure 5.



**Figure 4. Fund Manager Performance for the Year Ending 31 September 2007**

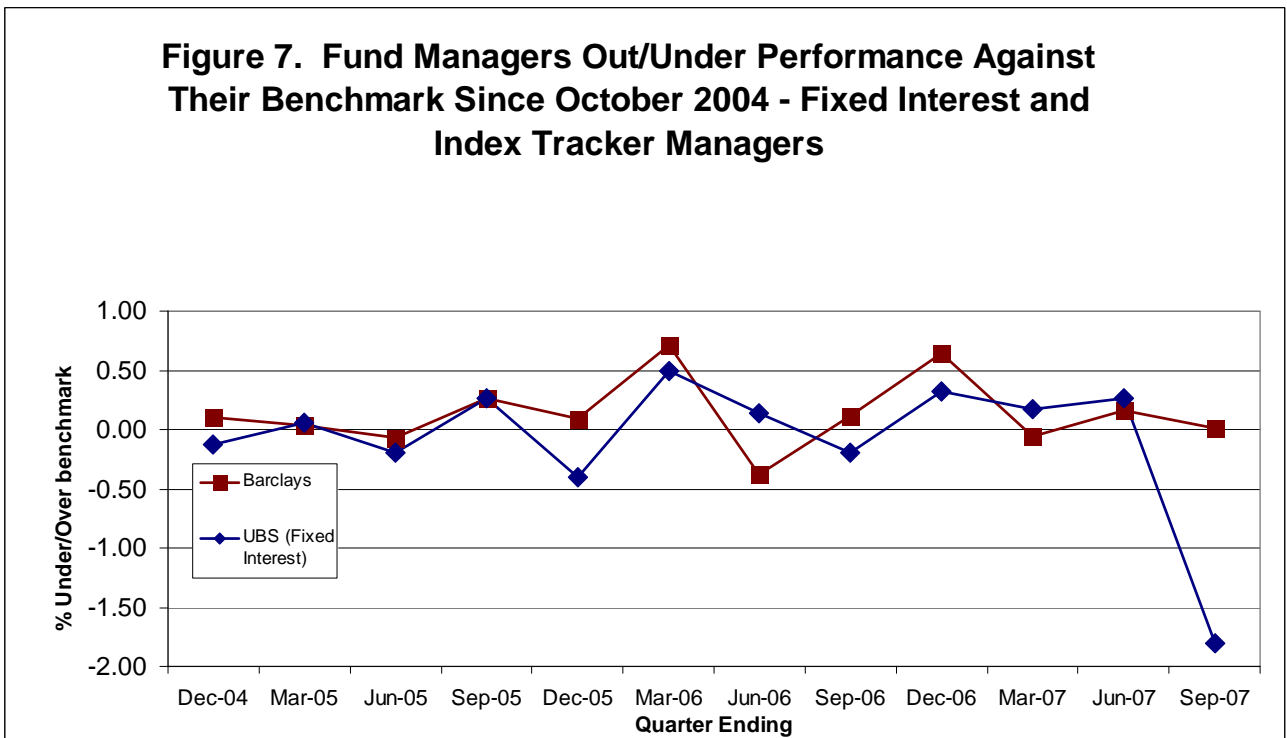
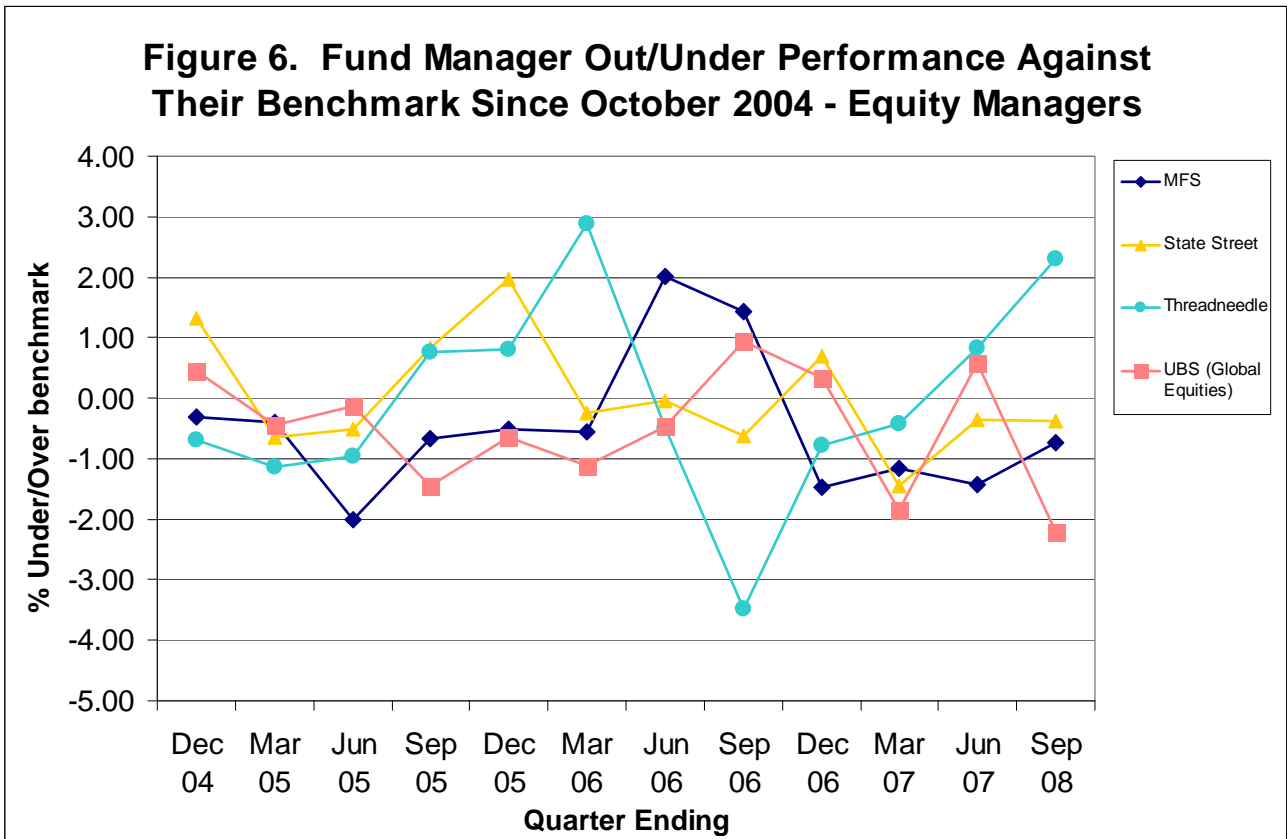


**Figure 5. Fund Manager Performance Inception to Date Return to September 2007**



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  
 November 2007