

**AGENDA MANAGEMENT SHEET**

**Name of Committee** Pension Fund Investment Board

**Date of Committee** 19 May 2008

**Report Title** Investment Performance

**Summary** The report considers pension fund investment performance to 31 March 2008.

**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 16 May 2008

### Investment Performance

### Report of the Strategic Director of Resources

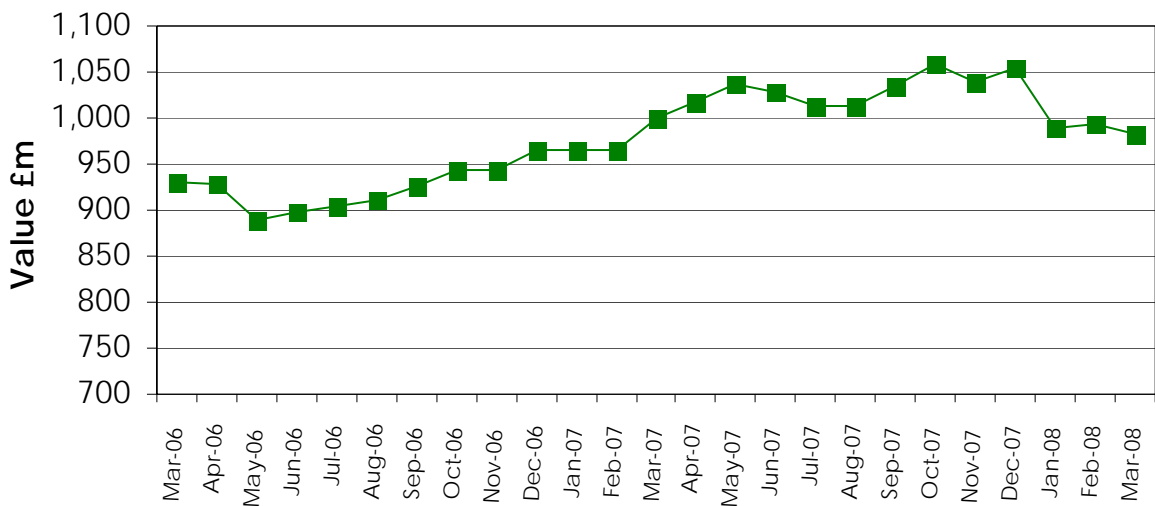
#### Recommendation

That the Board notes the fund value and performance for the fourth quarter in 2007/2008 to 31 March 2008.

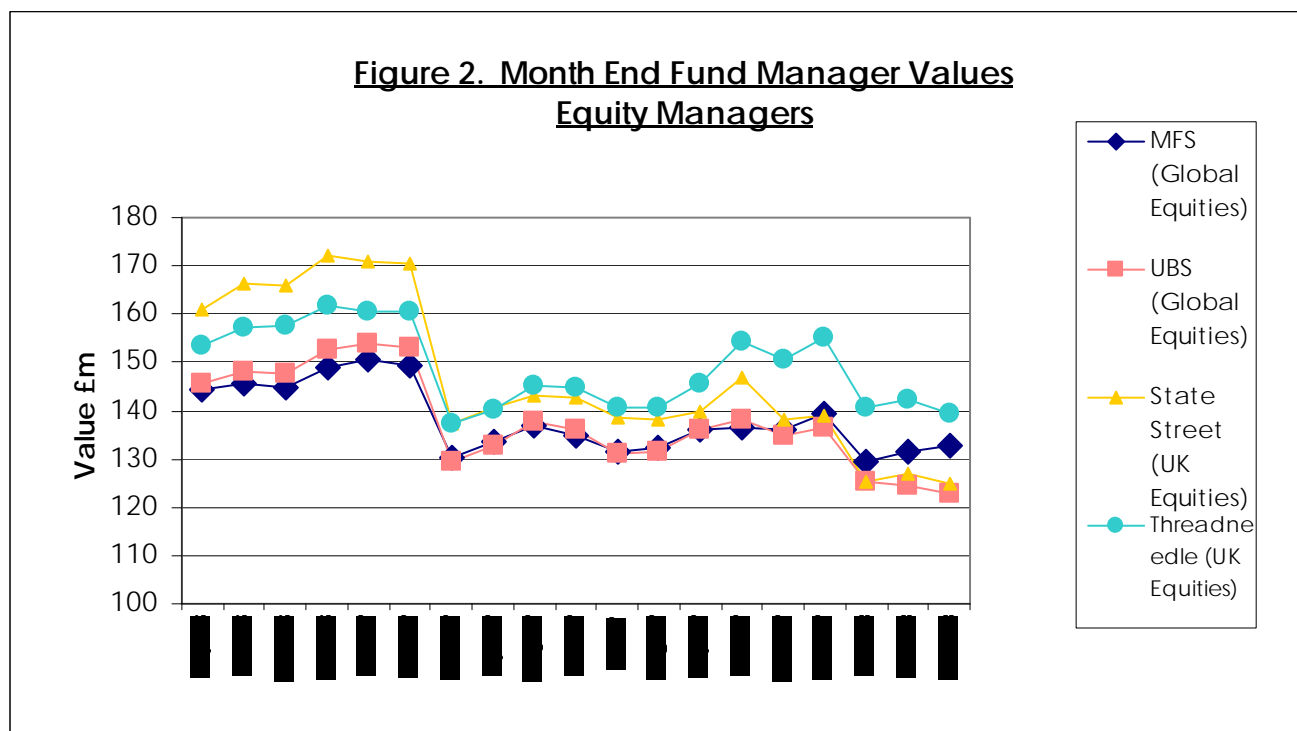
#### 1. Fund Value to date in 2007/2008

- 1.1 The report to the Board's meeting on 18 February 2008 gave the fund position on the fund of £1053.4m at 31 December 2007.
- 1.2 Since this date the fund value has decreased due to poor performance in equities. The fund value was £983.3m at 31 March 2008.

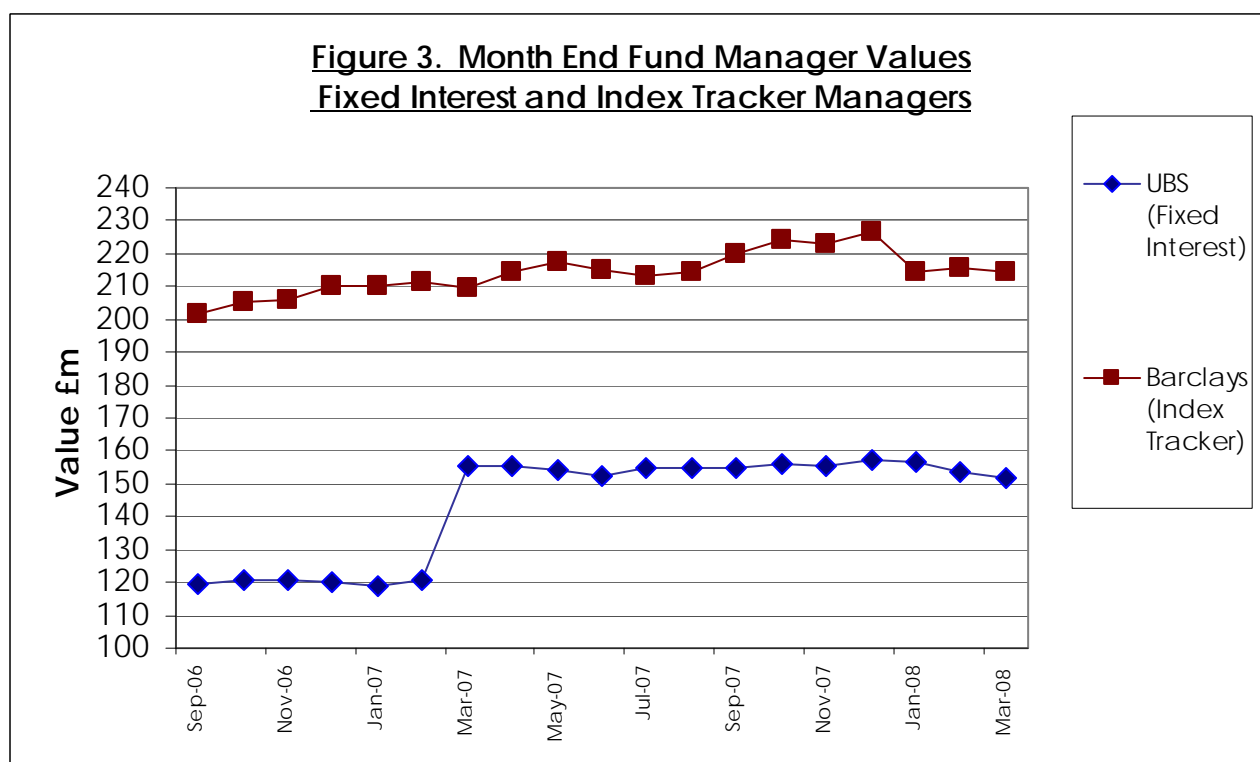
Figure 1. Total Fund Value Since March 2006



- 1.3 The values of the portfolios invested with the equity managers are shown in Figure 2. The reduction in values at 31 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 at 31 March 2007 is due to the restructuring of the pension fund.



1.5 The values of the portfolios invested with Alternative Investment Managers at 31 March 2008 were:

**Table 1: Values invested with Alternative Investment Managers at 31 March 2008**

Asset Class	31-Mar-08 £
<b>Hedge Funds</b>	<b>53.0</b>
Blackstone	53.0
<b>Property</b>	<b>43.9</b>
Threadneedle	21.6
Schroders	22.3

## 2. Fund Asset Allocation

2.1 The asset allocation of the fund as at 31 March 2008 is as follows:

**Table 2: Asset Allocation**

Asset Class	Q/E Mar 2008	Fund policy	Over/under weight
	%	%	%
<b>Equity</b>	<b>65.00</b>	<b>65.00</b>	<b>0.00</b>
UK	33.70	32.50	1.20
Europe (ex UK)	12.70	13.00	-0.30
North America	9.20	9.75	-0.55
Far East/Emerging Markets	9.40	9.75	-0.35
<b>Fixed Income</b>	<b>24.30</b>	<b>25.00</b>	<b>-0.70</b>
UK corporate bonds	9.70	10.00	-0.30
UK government bonds	9.30	10.00	-0.70
UK index linked bonds	5.00	5.00	0.00
Global fixed income	0.30	0.00	0.30
<b>Hedge Funds</b>	<b>5.40</b>	<b>5.00</b>	<b>0.40</b>
<b>Property</b>	<b>4.30</b>	<b>5.00</b>	<b>-0.70</b>
<b>Cash</b>	<b>1.00</b>	<b>0.00</b>	<b>1.00</b>
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>

Source: Mellon

2.2 Overall, at 31 March 2008, the fund was overweight in UK Equities, Global Fixed Income, Hedge Funds and Cash. The fund was underweight in all other asset classes except UK index linked bonds which equalled the benchmark. 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. Changes to the asset allocation as a result of the realignment have resulted in the variance to the Barclays performance against benchmark as seen on page 8 of this report.

### 3. Fund Performance

3.1 The performance of the Fund against its asset class benchmarks for the quarter ending 31 March 2008 was:

**Table 3: Performance by Asset Type**

Asset Type	Benchmark Measure	Q/E Mar 2008	Benchmark	Variance
		%	%	%
<b>Equity</b>				
United Kingdom	<i>Total Fund UK Composite</i>	-10.59	-9.89	<b>-0.70</b>
Europe ex UK	<i>FTSE AW Dev Europe ex UK</i>	-5.02	-7.43	<b>2.41</b>
North America	<i>FTSE AW Dev North America</i>	-7.73	-9.15	<b>1.42</b>
Japan	<i>FTSE World Japan</i>	-7.51	-7.16	<b>-0.35</b>
Pacific Basin ex Japan	<i>FTSE AW Developed Asia Pacific (ex Japan)</i>	-15.39	-13.36	<b>-2.03</b>
Emerging Markets	<i>Total Fund Emerging Markets Composite</i>	-6.38	-10.18	<b>3.80</b>
<b>Fixed Income</b>				
UK Corporate Bonds	<i>iBoxx Sterling Non-Gilts</i>	-4.75	-2.66	<b>-2.09</b>
UK Government Bonds	<i>FTSE UK Government All Stocks</i>	-1.35	1.43	<b>-2.78</b>
UK Index Linked Bonds	<i>FTSE UK Government Linked Gilts</i>	3.73	3.72	<b>0.01</b>
<b>Alternatives</b>				
Property	<i>Property Benchmark</i>	-2.55	-3.85	<b>1.30</b>
Hedge Funds	<i>Hedge Funds Benchmark</i>	-2.52	2.68	<b>-5.20</b>
<b>Total WCC Fund</b>	<b><i>WCC Total Fund Benchmark</i></b>	<b>-6.66</b>	<b>-5.96</b>	<b>-0.70</b>

3.2 Overall, the fund under-performed the benchmark by 0.70%. There was under-performance in six asset classes:

- UK Equities (33.7% of the fund) performed 0.70% below the benchmark.
- Japanese Equities (5.1% of the fund) performed 0.35% below the benchmark.
- Pacific Basin ex Japan (1.9% of the fund) performed 2.03% below the benchmark.
- UK Corporate Bonds (9.7% of the fund) performed 2.09% below the benchmark.
- UK Government Bonds (9.3% of the fund) performed 2.78% below the benchmark.
- Hedge Funds (5.4% of the fund) performed 5.20% below the benchmark.

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

- European Equities (12.7% of the fund) performed 2.41% above the benchmark.
- North American Equities (9.2% of the fund) performed 1.42% above the benchmark.
- Emerging Markets (2.4% of the fund) performed 3.80% above the benchmark.
- UK Index Linked Bonds (5.0% of the fund) performed 0.01% above the benchmark.
- Property (4.3% of the fund) performed 1.30% 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 March 2008 were:

**Table 4: Performance by Fund Manager**

Manager	Benchmark Measure	Q/E Mar 2008 %	Benchmark %	Variance %
Barclays	<i>BGI Benchmark</i>	-5.43	-3.88	<b>-1.55</b>
MFS	<i>Global Equity Benchmark</i>	-4.88	-8.72	<b>3.84</b>
State Street	<i>FTSE All-Share</i>	-10.17	-9.85	<b>-0.32</b>
Threadneedle	<i>FTSE All-Share</i>	-9.97	-9.85	<b>-0.12</b>
UBS (Global Equities)	<i>Global Equity Benchmark</i>	-9.99	-9.03	<b>-0.96</b>
UBS (Fixed Interest)	<i>UBS UK Bond Benchmark</i>	-3.46	-0.63	<b>-2.83</b>
Threadneedle Property	<i>Threadneedle Property Benchmark</i>	-2.50	-3.90	<b>1.40</b>
Schroders Property	<i>Schroders Property Benchmark</i>	-2.35	-3.80	<b>1.45</b>

Blackstone Hedge	-2.52		
<i>Blackstone Hedge Benchmark</i>		2.68	<b>-5.20</b>
<b>Total</b>	<b>-6.66</b>		
<i>WCC Total Fund Benchmark</i>		<b>-5.96</b>	<b>-0.70</b>

Source: Mellon

3.5 Overall, the fund under-performed its overall benchmark by 0.70%. During the quarter MFS, Threadneedle (Property) and Schroders out-performed their benchmarks. However Barclays, State Street, Threadneedle (UK Equities), UBS (Global Equities), UBS (Fixed Interest), and Blackstone failed to meet their benchmarks.

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

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

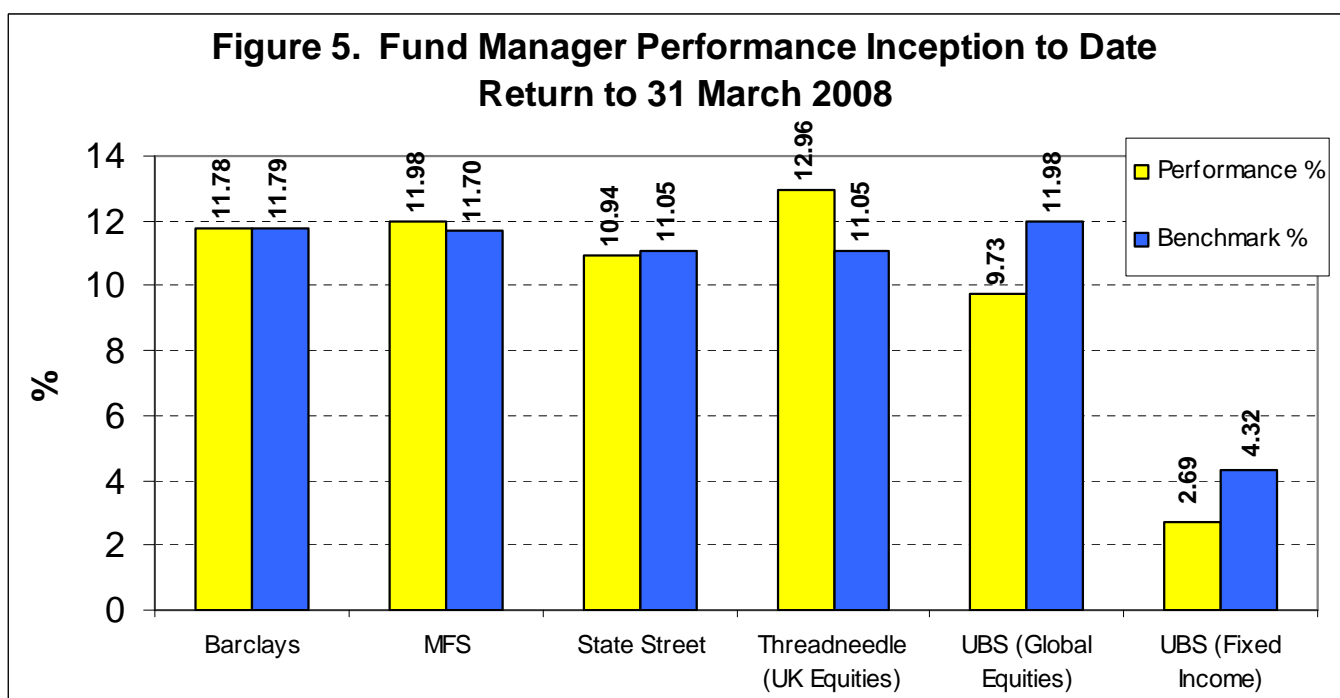
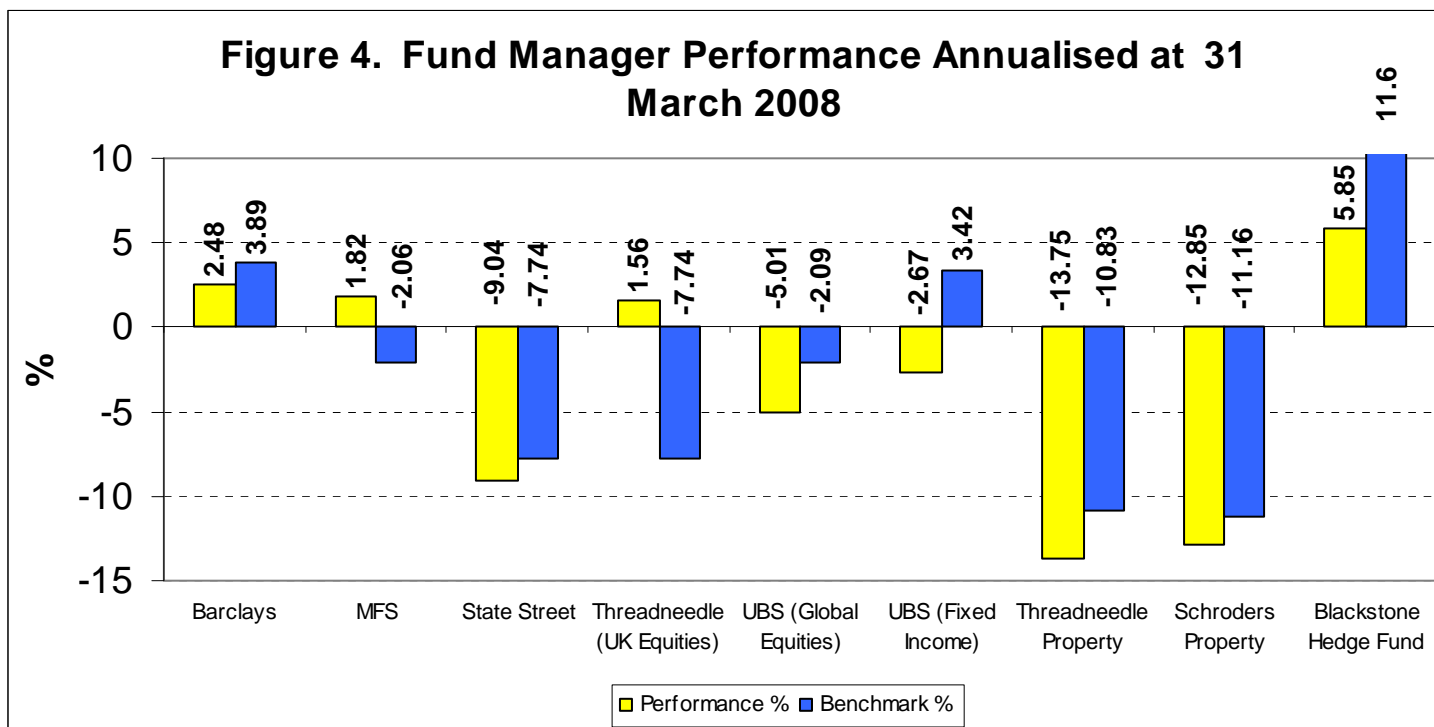
Manager	Variance Q/E Jun 07 %	Variance Q/E Sep 07 %	Variance Q/E Dec 07 %	Variance Q/E Mar 08 %
Barclays	<b>0.16</b>	<b>0.01</b>	<b>0.08</b>	<b>-1.55</b>
MFS	<b>-1.43</b>	<b>-0.73</b>	<b>1.89</b>	<b>3.84</b>
State Street	<b>-0.36</b>	<b>-0.38</b>	<b>-0.34</b>	<b>-0.32</b>
Threadneedle	<b>0.82</b>	<b>2.31</b>	<b>6.83</b>	<b>-0.12</b>
UBS (Global Equities)	<b>0.59</b>	<b>-2.21</b>	<b>-0.35</b>	<b>-0.96</b>
UBS (Fixed Interest)	<b>0.27</b>	<b>-1.81</b>	<b>-1.73</b>	<b>-2.83</b>
<b>Total</b>	<b>0.04</b>	<b>-0.53</b>	<b>0.00</b>	<b>-0.70</b>

Source: Mellon

3.7 No manager has consistently exceeded their benchmark over all four quarters.

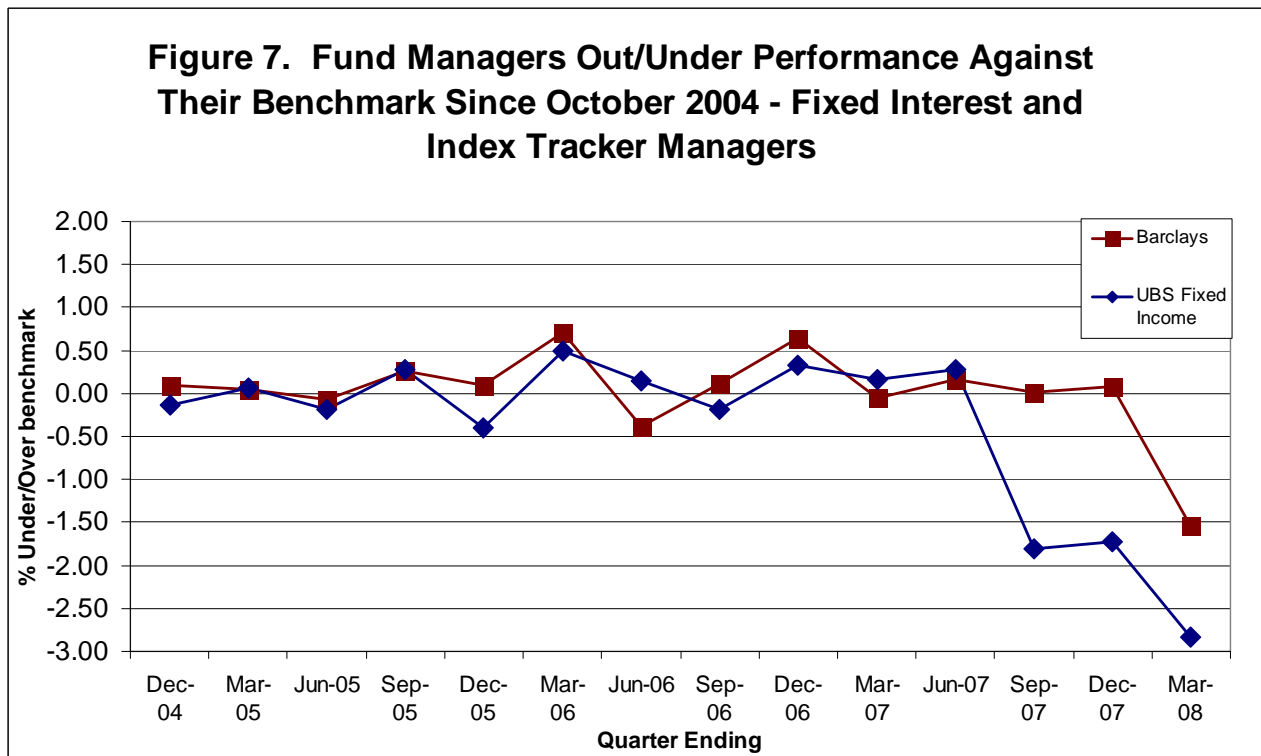
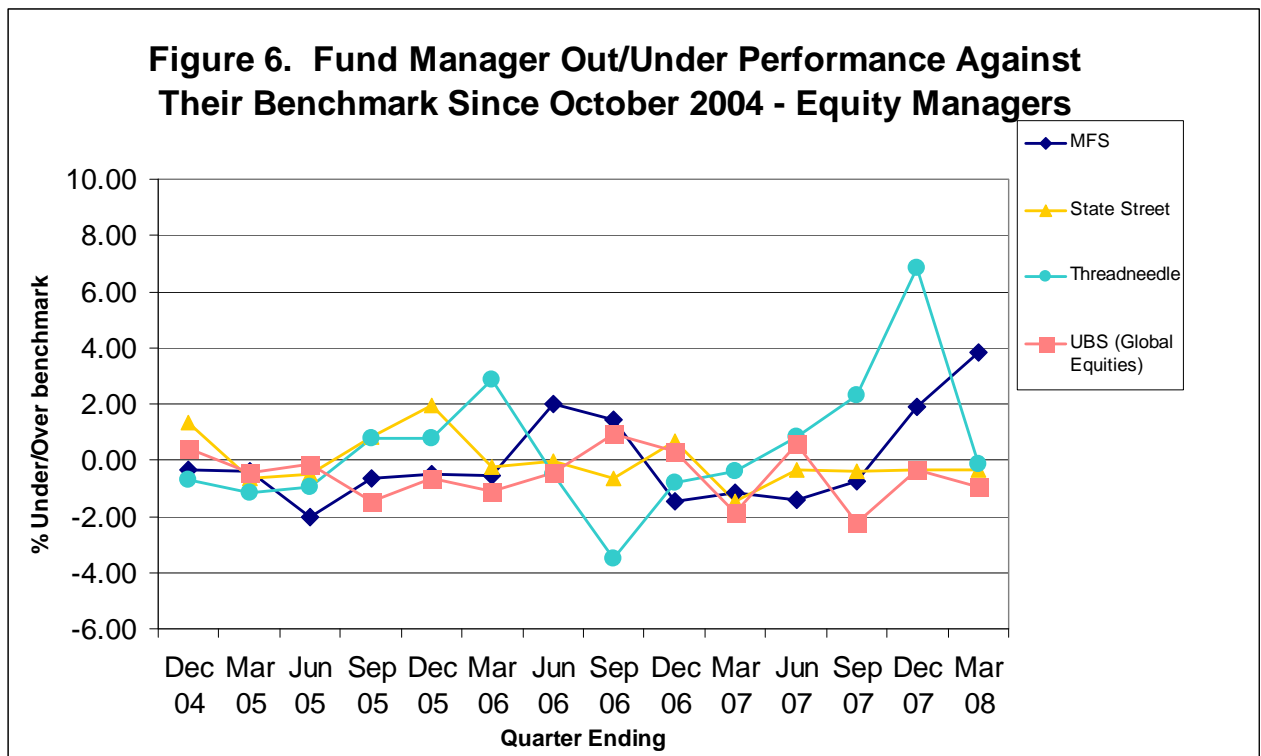


3.8 The Annualised return for the fund managers to 31 March 2008 is summarised in Figure 4. The Inception to Date return is summarised in Figure 5.



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  
 February 2008