

AGENDA MANAGEMENT SHEET

Name of Committee Pension Fund Investment Board

Date of Committee 4 August 2008

Report Title Investment Performance

Summary The report considers pension fund investment performance to 30 June 2008.

For further information please contact: Phil Triggs
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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 John Galbraith, Solicitor
- 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 4 August 2008

Investment Performance

Report of the Strategic Director of Resources

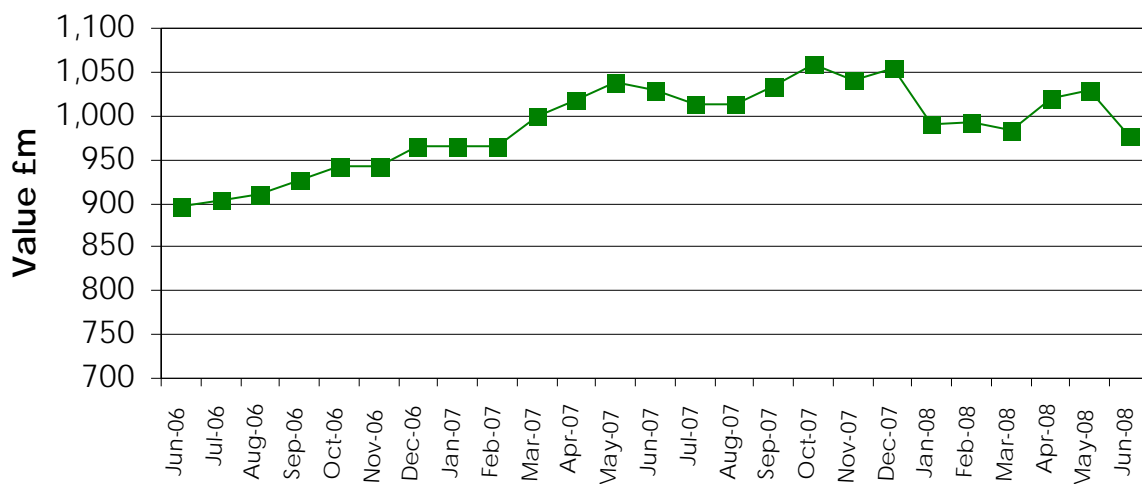
Recommendation

That the Board notes the fund value and performance for the first quarter in 2008/2009 to 30 June 2008.

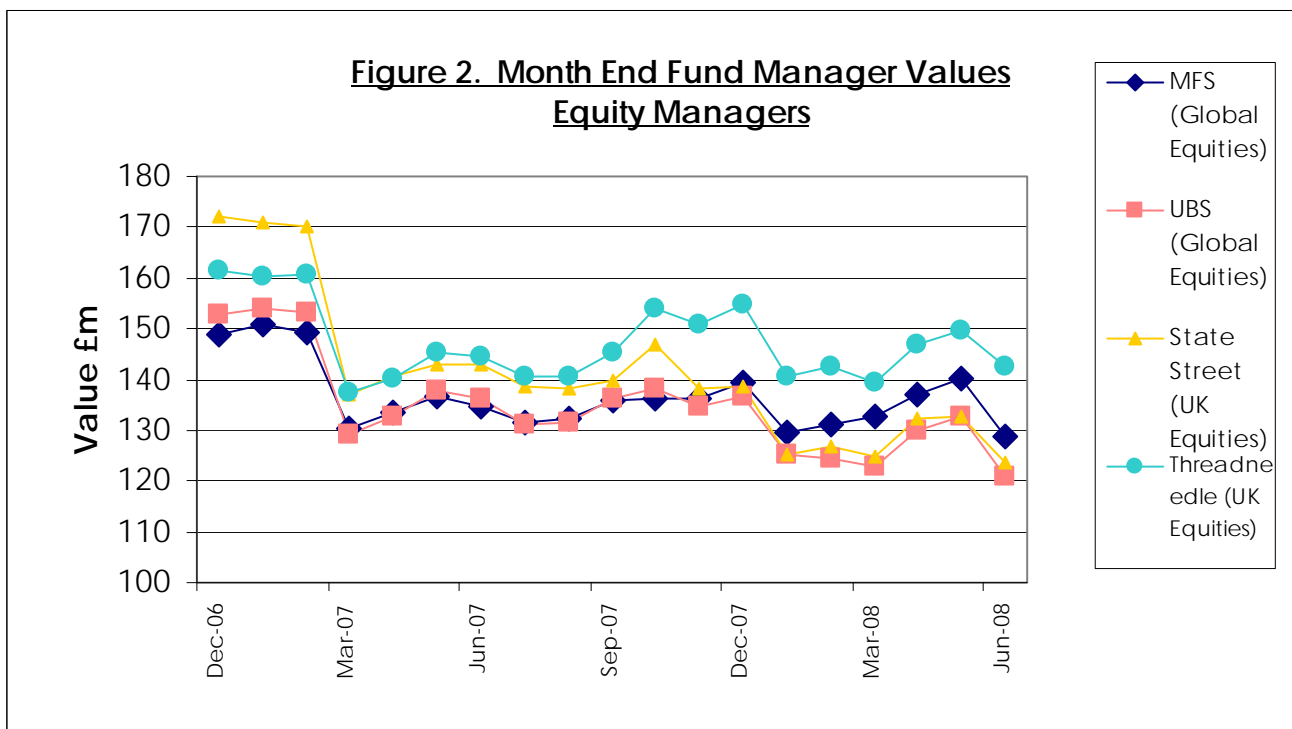
1. Fund Value to date in 2008/2009

- 1.1 The report to the Board's meeting on 19 May 2008 gave the fund position on the fund of £983.3m at 31 March 2008.
- 1.2 Since this date the fund value has decreased due to poor performance in equities. The fund value was £977.5m at 30 June 2008.

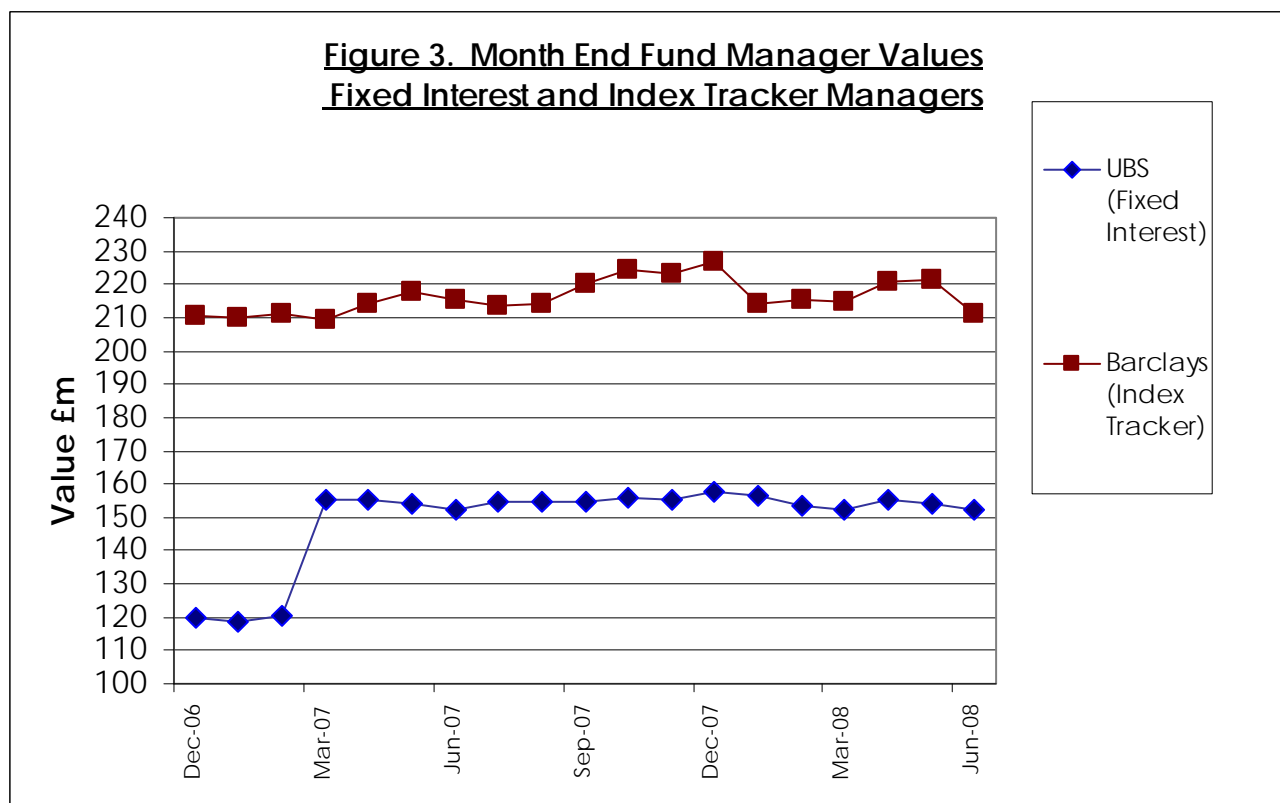
Figure 1. Total Fund Value Since June 2006



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 30 June 2008 were:

Table 1: Values invested with Alternative Investment Managers at 30 June 2008

Asset Class	30-Jun-08 £
Hedge Funds	54.3
Blackstone	54.3
Property	43.2
Threadneedle	21.7
Schroders	21.5

2. Fund Asset Allocation

2.1 The asset allocation of the fund as at 30 June 2008 is as follows:

Table 2: Asset Allocation

Asset Class	Q/E Jun 2008	Fund policy	Over/under weight
	%	%	%
Equity	65.40	65.00	0.40
UK	35.50	32.50	3.00
Europe (ex UK)	10.10	13.00	-2.90
North America	9.30	9.75	-0.45
Far East/Emerging Markets	10.50	9.75	0.75
Fixed Income	24.10	25.00	-0.90
UK corporate bonds	10.10	10.00	0.10
UK government bonds	8.90	10.00	-1.10
UK index linked bonds	5.00	5.00	0.00
Global fixed income	0.10	0.00	0.10
Hedge Funds	5.30	5.00	0.30
Property	4.10	5.00	-0.90
Cash	1.10	0.00	1.10
Total	100.00	100.00	0.00

Source: BNY Mellon

2.2 Overall, at 31 March 2008, the fund was overweight in UK Equities, Far East/Emerging Market Equities, UK Corporate Bonds, Global Fixed Income, Hedge Funds 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. 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 30 June 2008 was:

Table 3: Performance by Asset Type

Asset Type	Benchmark Measure	Q/E Jun 2008	Benchmark	Variance
		%	%	%
Equity				
United Kingdom	<i>Total Fund UK Composite</i>	0.00	-1.40	1.40
Europe ex UK	<i>FTSE AW Dev Europe ex UK</i>	-4.61	-5.20	0.59
North America	<i>FTSE AW Dev North America</i>	-2.48	-1.56	-0.92
Japan	<i>FTSE World Japan</i>	1.94	2.29	-0.35
Pacific Basin ex Japan	<i>FTSE AW Developed Asia Pacific (ex Japan)</i>	-1.95	0.51	-2.46
Emerging Markets	<i>Total Fund Emerging Markets Composite</i>	-0.12	-1.12	1.00
Fixed Income				
UK Corporate Bonds	<i>iBoxx Sterling Non-Gilts</i>	0.60	-1.42	2.02
UK Government Bonds	<i>FTSE UK Government All Stocks</i>	-1.19	-3.61	2.42
UK Index Linked Bonds	<i>FTSE UK Government Linked Gilts</i>	0.92	1.05	-0.13
Alternatives				
Property	<i>Property Benchmark</i>	-1.82	-3.15	1.33
Hedge Funds	<i>Hedge Funds Benchmark</i>	2.45	2.72	-0.27
Total WCC Fund	<i>WCC Total Fund Benchmark</i>	-0.59	-1.56	0.97

3.2 Overall, the fund out-performed the benchmark by 0.97%. There was out-performance in six asset classes:

- UK Equities (35.5% of the fund) performed 1.40% above the benchmark.
- European Equities (10.1% of the fund) performed 0.59% above the benchmark.
- Emerging Markets (2.5% of the fund) performed 1.00% above the benchmark.
- UK Corporate Bonds (10.1% of the fund) performed 2.02% above the benchmark.
- UK Government Bonds (8.9% of the fund) performed 2.42% above the benchmark.
- Property (4.1% of the fund) performed 1.33% above the benchmark.

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

- North American Equities (9.3% of the fund) performed 0.92% below the benchmark.
- Japanese Equities (5.6% of the fund) performed 0.35% below the benchmark.
- Pacific Basin ex Japan (2.4% of the fund) performed 2.46% below the benchmark.
- UK Index Linked Bonds (5.0% of the fund) performed 0.13% below the benchmark.
- Hedge Funds (5.3% of the fund) performed 0.27% 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 30 June 2008 were:

Table 4: Performance by Fund Manager

Manager	Benchmark Measure	Q/E Jun 2008 %	Benchmark %	Variance %
Barclays	<i>BGI Benchmark</i>	-1.47	-2.07	0.60
MFS	<i>Global Equity Benchmark</i>	-2.98	-1.72	-1.26
State Street	<i>FTSE All-Share</i>	-0.72	-1.45	0.73
Threadneedle	<i>FTSE All-Share</i>	2.22	-1.45	3.67
UBS (Global Equities)	<i>Global Equity Benchmark</i>	-1.64	-1.29	-0.35
UBS (Fixed Interest)	<i>UBS UK Bond Benchmark</i>	0.38	-2.51	2.89
Threadneedle Property	<i>Threadneedle Property Benchmark</i>	0.42	-3.10	3.52
Schroders Property	<i>Schroders Property Benchmark</i>	-3.73	-3.20	-0.53

Blackstone Hedge	2.45		
<i>Blackstone Hedge Benchmark</i>		2.72	-0.27
Total	-0.59		
<i>WCC Total Fund Benchmark</i>		-1.56	0.97

Source: BNY Mellon

3.5 Overall, the fund out-performed its overall benchmark by 0.97%. During the quarter Barclays, State Street, Threadneedle (UK Equities), UBS (Fixed Interest) and Threadneedle (Property) out-performed their benchmarks. However MFS, UBS (Global Equities), Schroders 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.

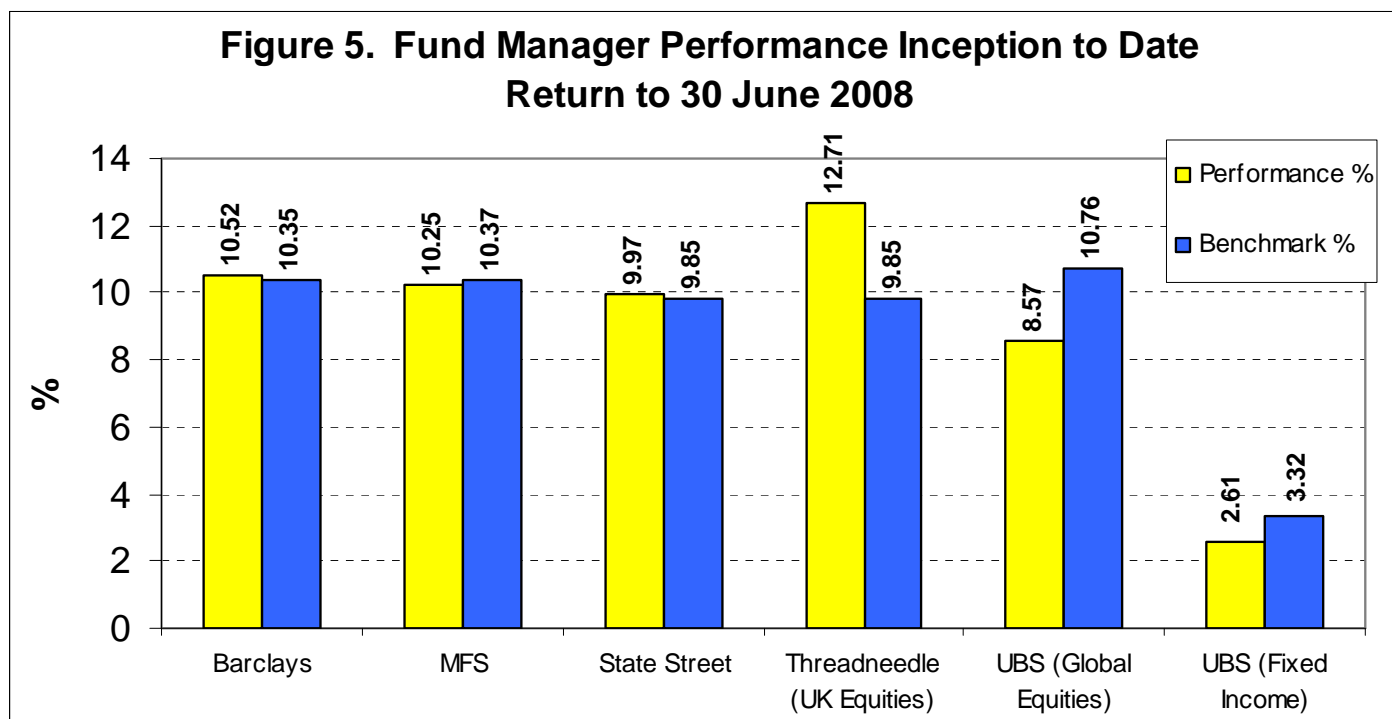
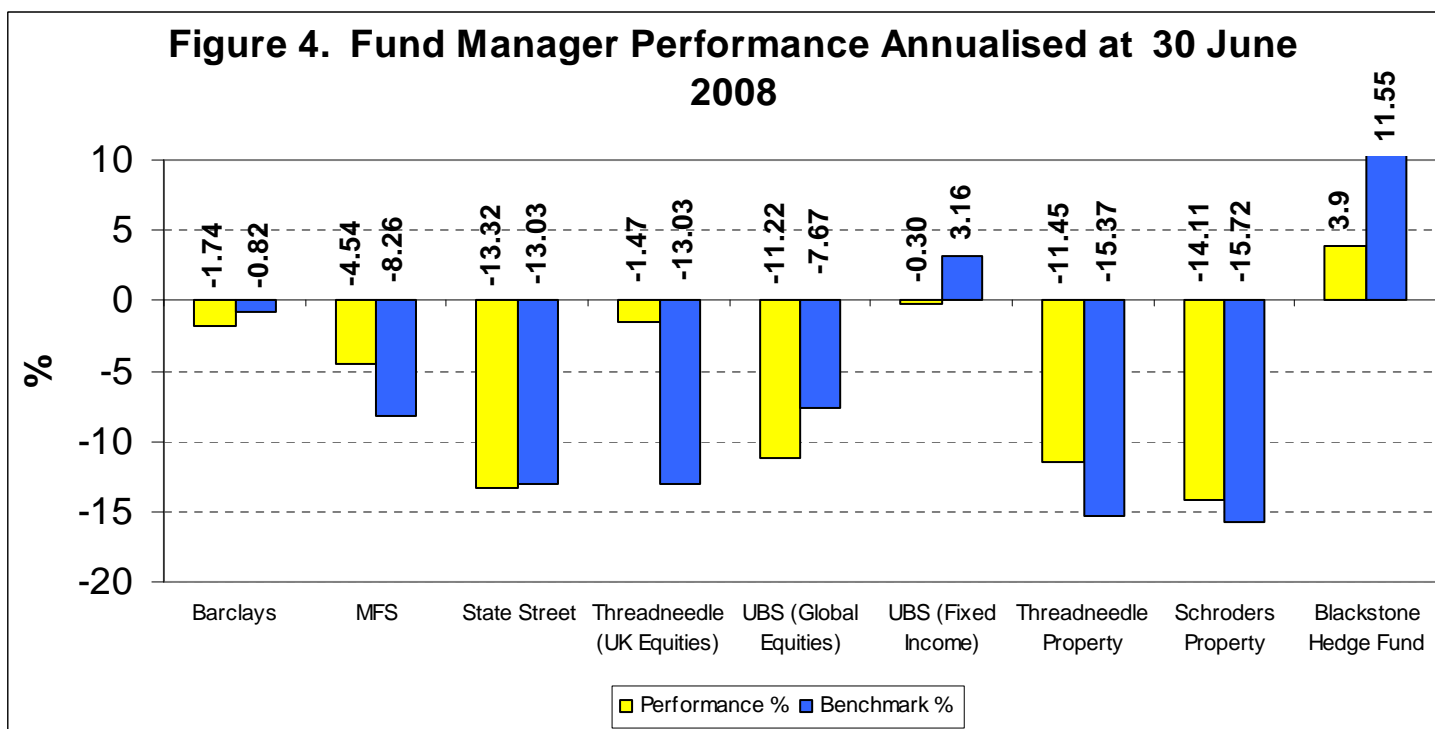
Table 5: Fund Manager Performance to Date

Manager	Variance Q/E Sep 07 %	Variance Q/E Dec 07 %	Variance Q/E Mar 08 %	Variance Q/E Jun 08 %
Barclays	0.01	0.08	-1.55	0.60
MFS	-0.73	1.89	3.84	-1.26
State Street	-0.38	-0.34	-0.32	0.73
Threadneedle	2.31	6.83	-0.12	3.67
UBS (Global Equities)	-2.21	-0.35	-0.96	-0.35
UBS (Fixed Interest)	-1.81	-1.73	-2.83	2.89
Total	-0.53	0.89	-0.70	0.97

Source: BNY Mellon

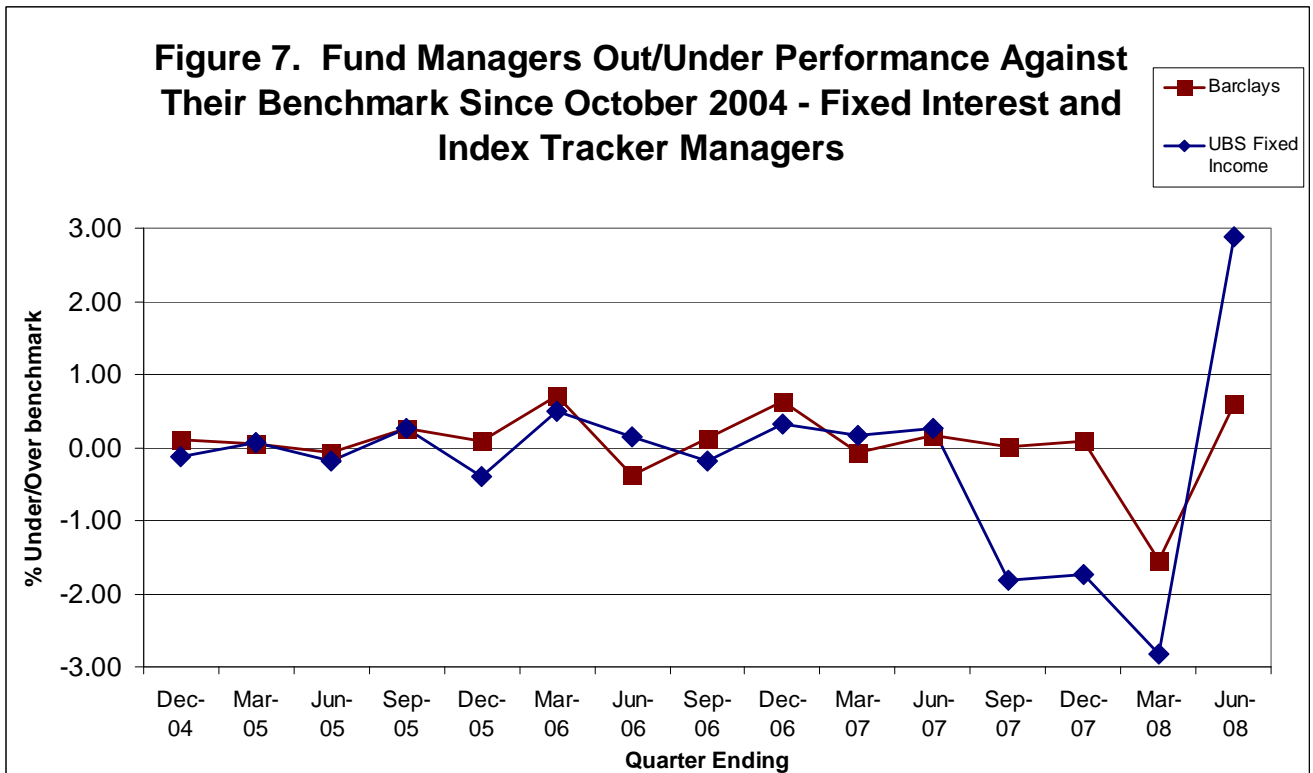
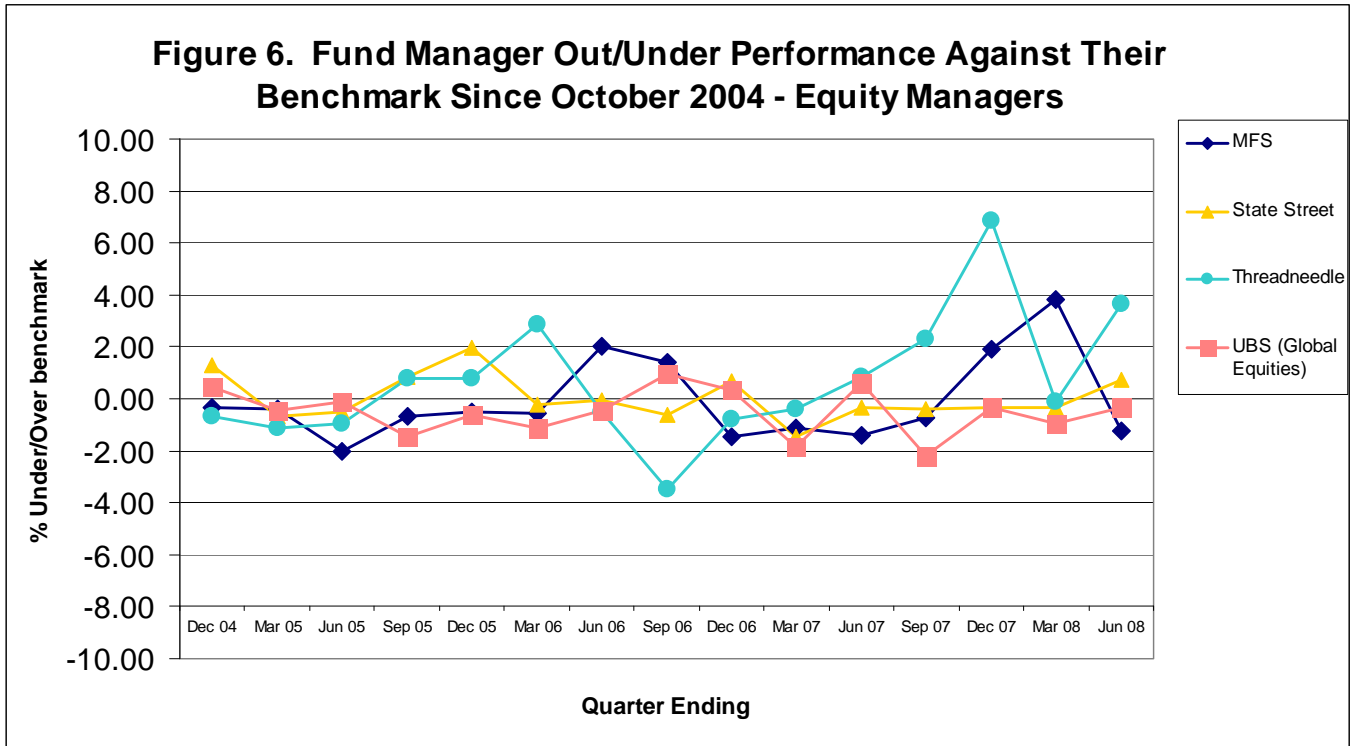
3.7 No manager has consistently exceeded their benchmark over all four quarters.

3.8 The Annualised return for the fund managers to 30 June 2008 is summarised in Figure 4. The Inception to Date return is summarised in Figure 5.



Source: BNY Mellon

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



Source: BNY Mellon

DAVID CLARKE
 Strategic Director of Resources
 Shire Hall, Warwick
 August 2008