

## Pension Fund Investment Board 30 July 2012

### Investment Performance

### Report of the Head of Finance

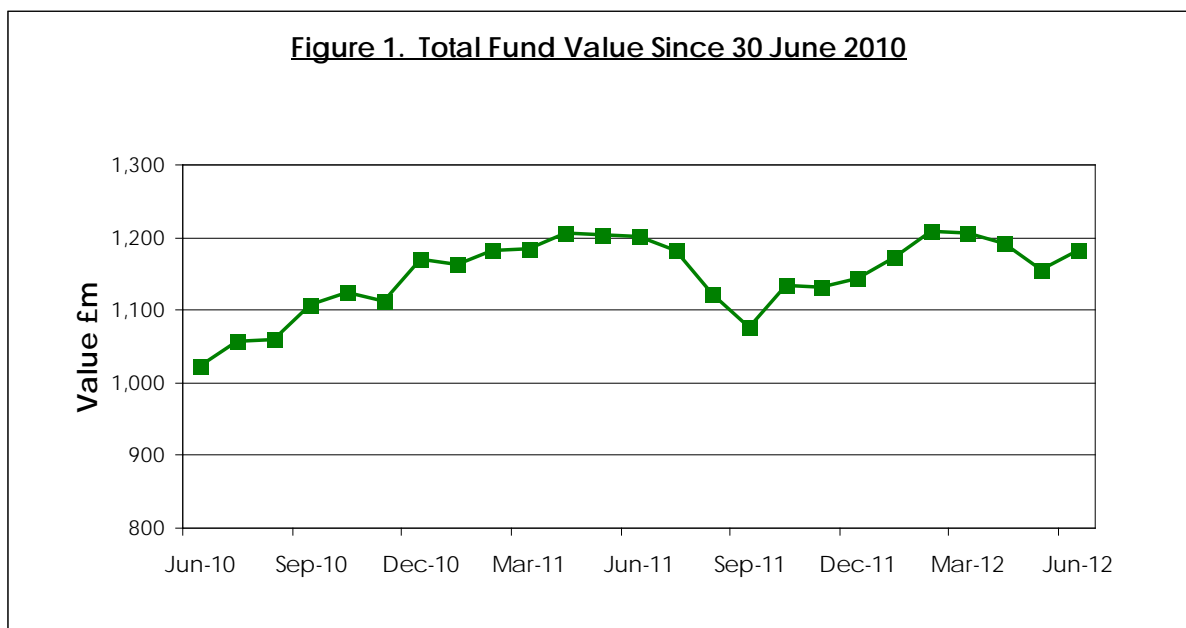
#### Recommendation

That the Investment Board note the fund value and investment performance for the first quarter in 2012/13 to 30 June 2012.

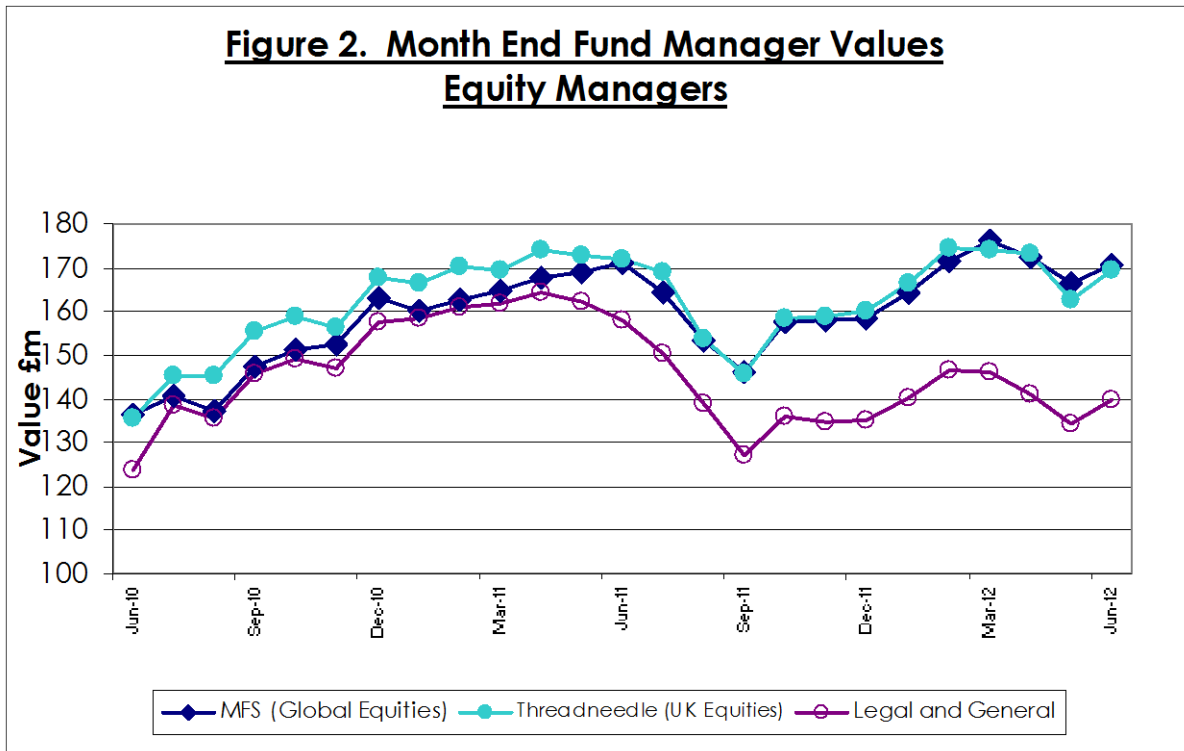
#### 1. Fund Value at 30 June 2012

1.1 The report to the Board's meeting on 21 May 2012 gave the fund position of £1,205.3m at 31 March 2012.

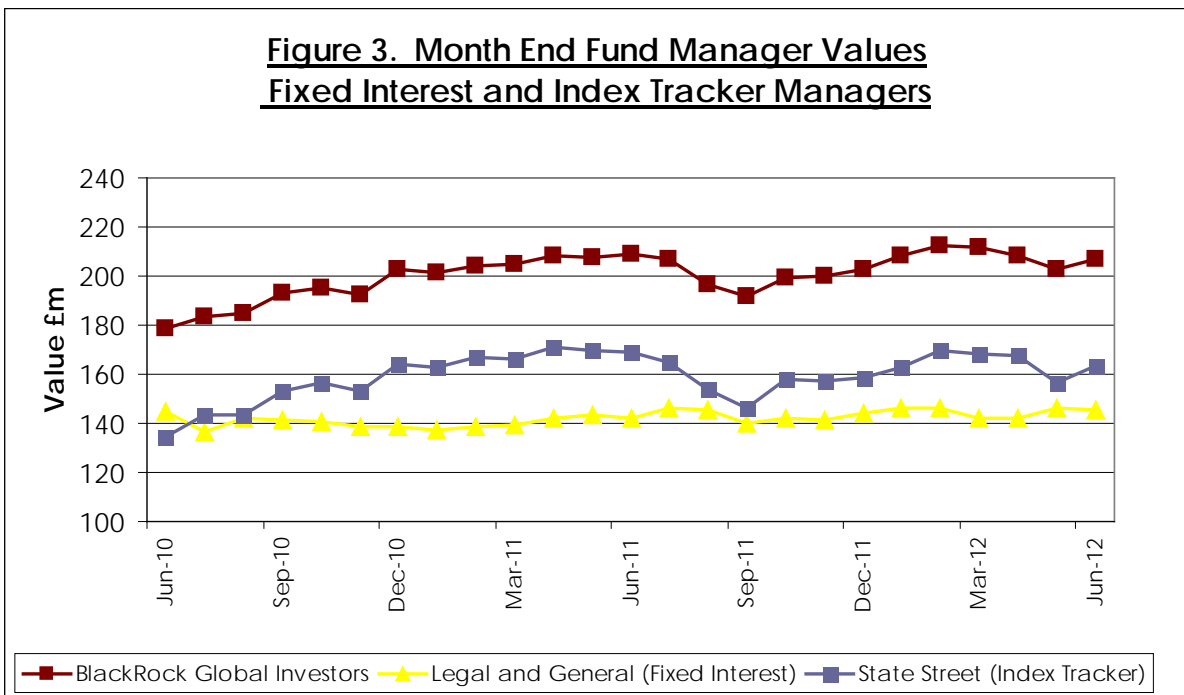
1.2 The fund value was £1,183.2m at 30 June 2012.



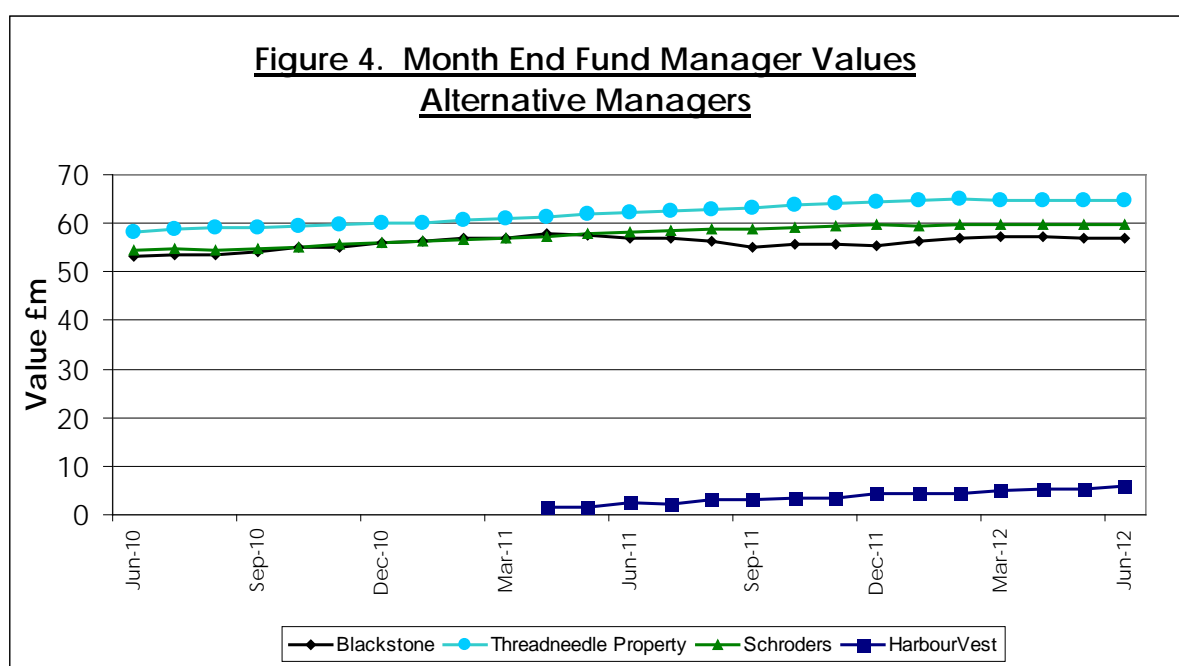
1.3 The values of the portfolios invested with the equity managers are shown in Figure 2.



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



- 1.5 The values of the portfolios invested with alternative investment managers are shown in Figure 4.



## 2. Fund Asset Allocation

- 2.1 The performance of the Fund against its asset class benchmarks for the quarter ending 30 June 2012 is shown in Table 1.

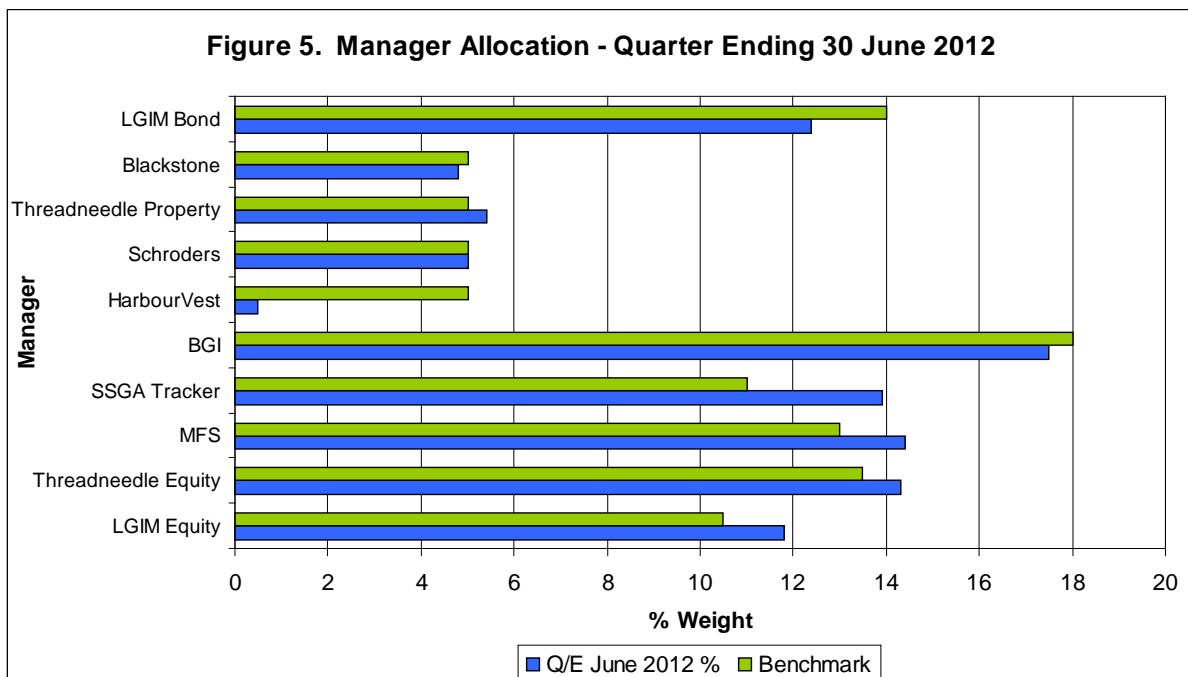
Asset Class	Q/E Jun 2012	Fund policy %	Over/under weight %
<b>Equity</b>	<b>64.40</b>	<b>60.00</b>	<b>4.40</b>
UK	35.00	30.30	4.70
Europe (ex UK)	11.80	11.70	0.10
North America	11.80	9.00	2.80
Far East/Emerging Markets	5.80	9.00	-3.20
<b>Fixed Income</b>	<b>19.30</b>	<b>20.00</b>	<b>-0.70</b>
UK corporate bonds	8.20	10.00	-1.80
UK government bonds	5.70	5.00	0.70
UK index linked bonds	5.40	5.00	0.40
<b>Hedge Funds</b>	<b>4.80</b>	<b>5.00</b>	<b>-0.20</b>
<b>Private Equity</b>	<b>0.50</b>	<b>5.00</b>	<b>-4.50</b>
<b>Property</b>	<b>10.30</b>	<b>10.00</b>	<b>0.30</b>
<b>Cash</b>	<b>0.70</b>	<b>0.00</b>	<b>0.70</b>
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>

2.2 The fund managers' asset allocation against the benchmark for the quarter ending 30 June 2012 is shown in Table 2.

**Table 2: Fund Asset Allocation by Manager**

Manager	Benchmark	Q/E June 2012 %	Variance
LGIM Equity	10.5	11.8	1.3
Threadneedle Equity	13.5	14.3	0.8
MFS	13.0	14.4	1.4
SSGA Tracker	11.0	13.9	2.9
BGI	18.0	17.5	-0.5
HarbourVest	5.0	0.5	-4.5
Schroders	5.0	5.0	0.0
Threadneedle Property	5.0	5.4	0.4
Blackstone	5.0	4.8	-0.2
LGIM Bond	14.0	12.4	-1.6
Total	100.0	100.0	0.0

2.4 Fund asset allocation against each manager is shown in Figure 5.



2.5 HarbourVest will not be fully subscribed for some time as funds will be drawn down when the manager periodically requests the instalment payments.

### 3. Fund Performance

3.1 The performance of the Fund against its asset class benchmarks for the quarter ending 30 June 2012 is summarised in the table below.

**Table 3: Performance by Asset Type**

Asset Type	Benchmark Measure	Q/E Jun 2012	Benchmark	Variance
			%	%
<b>Equity</b>				
United Kingdom	<i>Total Fund UK Composite</i>	-2.68	-2.61	<b>-0.07</b>
Europe ex UK	<i>FTSE AW Dev Europe ex UK</i>	-6.45	-7.09	<b>0.64</b>
North America	<i>FTSE AW Dev North America</i>	-1.61	-1.36	<b>-0.25</b>
Japan	<i>FTSE World Japan</i>	-5.42	-5.47	<b>0.05</b>
Pacific Basin ex Japan	<i>FTSE AW Developed Asia Pacific (ex Japan)</i>	-4.39	-4.38	<b>-0.01</b>
Emerging Markets	<i>Total Fund Emerging Markets Composite</i>	-6.79	-7.28	<b>0.49</b>
<b>Fixed Income</b>				
UK Corporate Bonds	<i>iBoxx Sterling Non-Gilts</i>	2.21	2.12	<b>0.09</b>
UK Government Bonds	<i>FTSE UK Government All Stocks</i>	3.32	3.76	<b>-0.44</b>
UK Index Linked Bonds	<i>FTSE UK Government Linked Gilts</i>	0.63	0.65	<b>-0.02</b>
<b>Alternatives</b>				
Property	<i>Property Benchmark</i>	-0.06	0.20	<b>-0.26</b>
Hedge Funds	<i>Hedge Funds Benchmark</i>	-0.71	1.63	<b>-2.34</b>
<b>Total WCC Fund</b>	<b><i>WCC Total Fund Benchmark</i></b>	<b>-1.93</b>	<b>-1.69</b>	<b>-0.24</b>

3.2 Overall, the fund under-performed the benchmark by 0.24%. There was under-performance in seven asset classes:

- UK Equities performed 0.07% below the benchmark.
- North American Equities performed 0.25% below the benchmark.
- Pacific Basin ex Japan performed 0.01% below the benchmark.
- UK Government Bonds performed 0.44% below the benchmark.
- UK Index Linked Bonds performed 0.02% below the benchmark.
- Property performed 0.26% below the benchmark.
- Hedge Funds performed 2.34% below the benchmark.

3.3 However, four asset classes out-performed their benchmarks in the quarter.

- European Equities performed 0.64% above the benchmark.
- Japanese Equities performed 0.05% above the benchmark.
- Emerging Markets performed 0.49% above the benchmark.
- UK Corporate Bonds performed 0.09% above the benchmark.

3.4 The performances of managers against their benchmarks for the quarter ending 30 June 2012 were:

**Table 4: Performance by Fund Manager**

Manager	Benchmark Measure	Q/E Jun 2012 %	Benchmark %	Variance %
BlackRock Global Investors	<i>BlackRock Benchmark</i>	-2.33	-2.33	<b>0.00</b>
MFS	<i>Global Equity Benchmark</i>	-3.22	-4.09	<b>0.87</b>
State Street Tracker	<i>FTSE All-Share</i>	-2.62	-2.62	<b>0.00</b>
Threadneedle	<i>FTSE All-Share</i>	-2.70	-2.62	<b>-0.08</b>
Legal and General (Global Equities)	<i>LGIM Benchmark</i>	-4.47	-4.20	<b>-0.27</b>
Legal and General (Fixed Interest)	<i>LGIM Benchmark</i>	2.58	2.94	<b>-0.36</b>
Threadneedle Property	<i>Threadneedle Property Benchmark</i>	-0.05	0.20	<b>-0.25</b>
Schroders Property	<i>Schroders Property Benchmark</i>	-0.07	0.20	<b>-0.27</b>
Blackstone Hedge	<i>Blackstone Hedge Benchmark</i>	-0.71	1.63	<b>-2.34</b>
<b>Total</b>	<b><i>WCC Total Fund Benchmark</i></b>	<b>-1.93</b>	<b>-1.69</b>	<b>-0.24</b>

Source: BNY Mellon

3.4 Overall the fund under-performed its overall benchmark by 0.24%. During the quarter Threadneedle (UK Equities), Legal and General (Global Equities), Legal and General (Fixed Interest), Threadneedle (Property), Schroders and Blackstone under-performed their benchmarks. All other managers either equalled or out-performed their benchmarks.

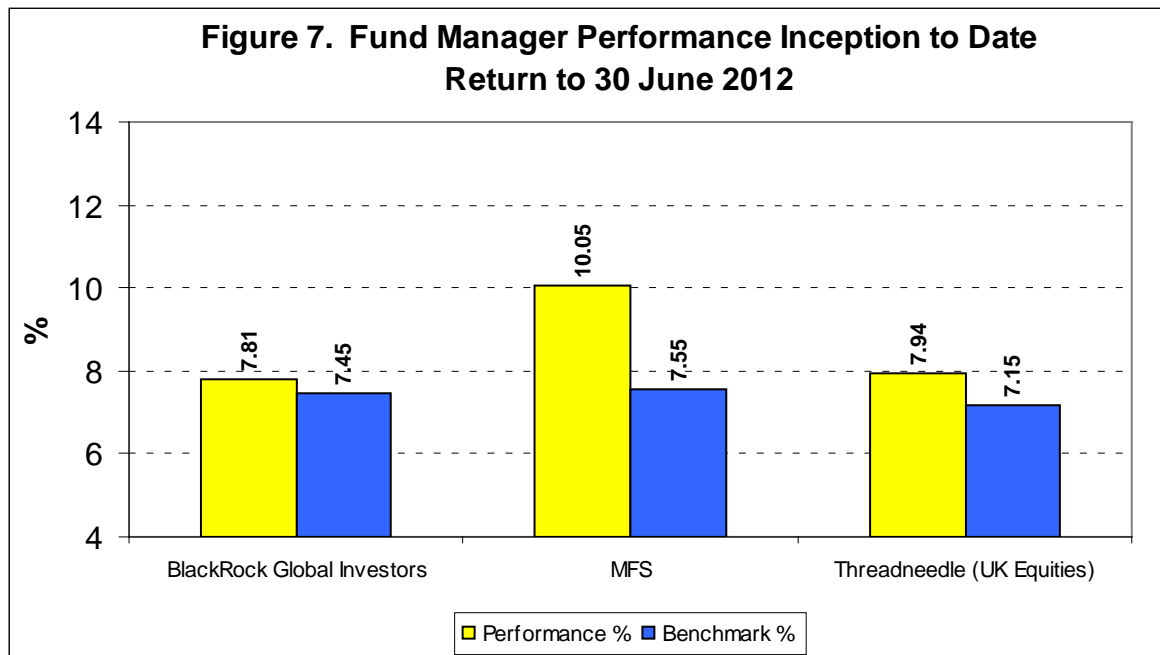
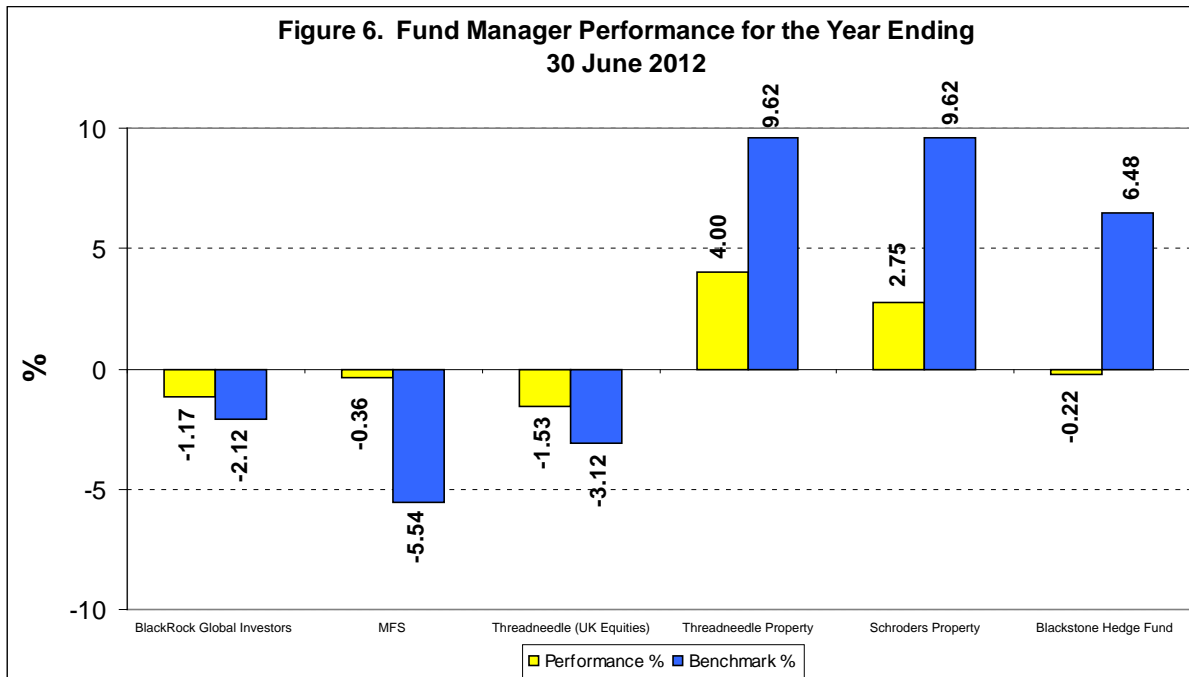
3.5 Twelve months data on the performance of the managers is available. The performance of managers against their benchmark over this period is shown below.

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

<b>Manager</b>	<b>Variance Q/E Sep 11 %</b>	<b>Variance Q/E Dec 11 %</b>	<b>Variance Q/E Mar 12 %</b>	<b>Variance Q/E Jun 12 %</b>
BlackRock Global Investors	1.03	0.08	-0.25	0.00
MFS	0.23	2.16	2.36	0.87
State Street	0.04	0.06	0.04	0.00
Threadneedle	-1.81	1.55	2.58	-0.08
Legal and General (Global Equities)	-1.82	0.32	0.08	-0.27
Legal and General (Fixed Interest)	-0.88	-0.29	0.61	-0.36
Threadneedle Property	-1.49	-1.22	-2.41	-0.25
Schroders Property	-1.82	-1.85	-2.67	-0.27
Blackstone Hedge	-5.00	-0.80	1.70	-2.34
<b>Total</b>	<b>-0.66</b>	<b>0.16</b>	<b>0.58</b>	<b>-0.24</b>

Source: BNY Mellon

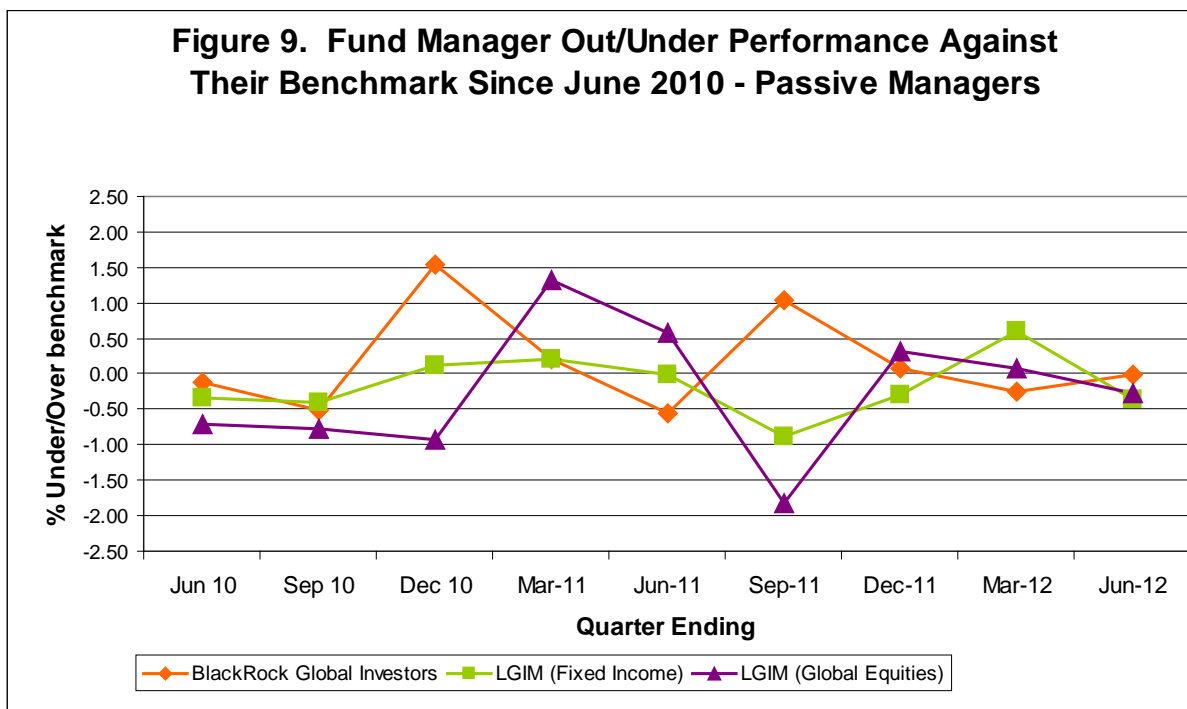
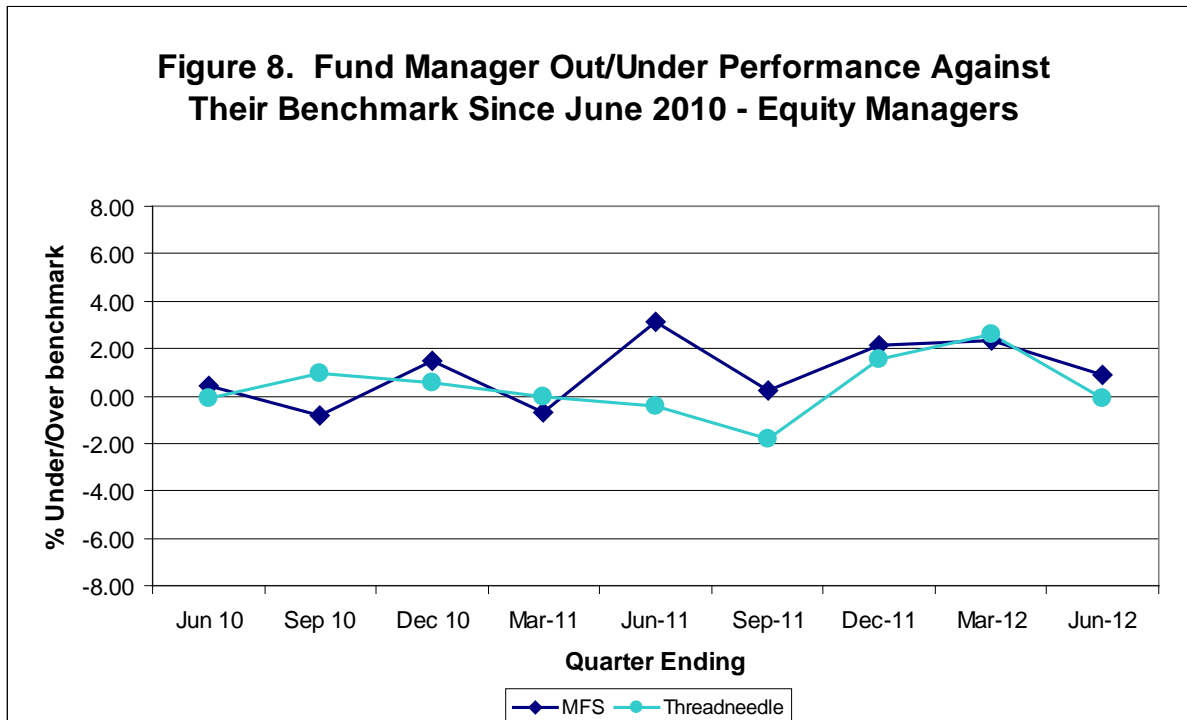
3.7 The Annualised return for the fund managers to 30 June 2012 is summarised in Figure 6. The Inception to Date return is summarised in Figure 7.



Source: BNY Mellon



3.8 Fund Manager performances against their benchmarks are summarised in Figures 8 and 9.



Source: BNY Mellon

	<b>Name</b>	<b>Contact Information</b>
<b>Report Author</b>	Phil Triggs	<a href="mailto:philtriggs@warwickshire.gov.uk">philtriggs@warwickshire.gov.uk</a>
<b>Head of Service</b>	John Betts Head of Finance	<a href="mailto:johnbetts@warwickshire.gov.uk">johnbetts@warwickshire.gov.uk</a>
<b>Strategic Director</b>	David Carter	<a href="mailto:davidcarter@warwickshire.gov.uk">davidcarter@warwickshire.gov.uk</a>
<b>Chair</b>	Cllr Chris Davis	<a href="mailto:cllrdavis@warwickshire.gov.uk">cllrdavis@warwickshire.gov.uk</a>