

Pension Fund Investment Sub-Committee

8 September 2014

Barings Dynamic Asset Allocation Fund

Recommendations

- (1) That the sub-committee formally ratify the decision to sell the funds holding in the Barings Dynamic Asset Allocation Fund (“DAFF”).**
- (2) That the sub-committee, having received advice from with Hymans Roberson, agree where the funds from the sale of the holding in DAFF are placed.**

1. Introduction

- 1.1 On the evening of Tuesday 19 August 2014 Hymans Robertson issued a Sell-Immediately" notice in relation to the Fund's holding in DAFF. The sell notice was issued because Barings announced the resignation of the Head of the Global Multi-Asset Group (Percival Stanion) who is also the lead portfolio for the DAAF. In addition they have announced the resignation of Percival's number two and also the resignation of another experienced member of the team
- 1.2 Having discussed the matter with Hymans Robertson, officers recommended to the Sub-Committee, by way of email on Wednesday 20 August, that the sell notice was followed and that the fund sell it's holding in DAFF immediately on the next available dealing day and hold the money in cash until the board meets on 8 September.
- 1.3 Officers accepted that selling immediately would cost the fund money in terms of being out of the market and holding cash. That figure was and is difficult to quantify but there could easily be a "cost" of 0.5% by being out of DAFF for a month (based on recent performance).
- 1.4 Officers were however concerned that the Fund is only able to sell it's holding in DAFF once a week. Therefore if Officers waited to see whether other Fund's/companies followed the sell notice then the market value could drop as the unit price drops and the Fund would not be able to sell for another week. Again the cost is difficult to quantify as it all depends upon how many other investors decide to sell, but a fall in unit price of 5% would cost the fund £3million.

1.5 Officers therefore sought approval to sell the Fund's holding in DAFF at the next dealing day which is Friday 29 August 2014 and hold the money in cash until the Sub-committee meets on 8th September 2014.

2. Allocation of Cash

2.1 As set out in 1.3 above the holding of cash does cost money from lost returns. The Sub-committee therefore need to consider how to allocate the cash obtained from the Fund's holding in DAFF, balancing the need to obtain returns from the cash but not rushing into an inappropriate investment.

2.2 At the Sub-committee meeting on 8th September Hymans Robertson will verbally present options and advice as to how the money is investment.

2.3 The Sub-committee will therefore need to consider and decide how best to invest the cash both in the immediate short term and in the longer term.

	Name	Contact Information
Report Author	Mathew Dawson, Treasury and Pension Fund Manager	01926 412227 mathewdawson@warwickshire.gov.uk
Head of Service	John Betts, Head of Finance	01926 412441 johnbetts@warwickshire.gov.uk
Strategic Director	David Carter, Strategic Director, Resources Group	01926 412564 davidcarter@warwickshire.gov.uk