

By: Chairman Superannuation Fund Committee
Corporate Director of Finance and Procurement

To: Superannuation Fund Committee –29 June 2012

Subject: **FUND POSITION STATEMENT**

Clarification: Unrestricted

Summary: To provide a summary of the Fund asset allocation and performance.

FOR INFORMATION

INTRODUCTION

1. Attached is the Fund Position Statement report for the period ended 31 March 2012. This report will set out in rather more detail than usual investment performance.
2. The investment performance figures presented are based upon information prepared by the WM Company which gathers together information from all local authority pension funds and investment managers.

ANALYSIS

3. The value of the Fund was £3,272,576m, an increase of £113m in the year and a return of +2.7% compared with a benchmark return of +3.4%. The underperformance against the benchmark was due to asset allocation (-0.8%) whilst stock selection was positive (+0.1%) – but positive stock selection of +0.7% on UK Equities and +0.1% on Overseas Equities was offset by -0.7% on Fixed Income.
4. The WM local authority average return for the year was 2.6% placing the Kent return in the 56th percentile. So the Fund slightly outperformed the Local Authority Average.
5. At investment manager level the main positive contributors in the year were:
 - Invesco UK Equities +10.6%
 - Baillie Gifford Overseas Equities +3.6%
 - DTZ Property +1%
6. At investment manager level the main negative contributors in the year were:
 - Schroder UK Equities -3.5%

- GMO Overseas Equities -0.6%
 - Schroder Global Active Value -4.5%
 - Schroder Fixed Income -3%
 - Goldman Sachs Fixed Income -2.1%
 - Impax Global Equities -13.3%
7. Overall in the year clearly the main problem was the underperformance of all three Schroder mandates. Members did visit Schroders on 28 March and Schroder will be at the 31 August Committee meeting.
8. Moving on to the 3 year performance position a rather different position, the Fund return of +15.2% per annum is +0.1% ahead of benchmark, overall asset allocation detracted -0.5% but stock selection added +0.6% due primarily to Overseas Equities (+0.4%). The Fund outperformed the Local Authority Average return by +0.7% per annum and this put the Fund in the 36th percentile.
9. At investment manager level the main positive contributors over 3 years were:
- Baillie Gifford Overseas Equities +4%
 - Schroder Global Active Value +2.8%
 - Goldman Sachs Fixed Income +2.5%
 - Schroder UK Equities +0.5%
 - Schroder Fixed Income +0.7%
 - DTZ Property +2.8%
10. At investment manager level the main negative contributors over 3 years were:
- GMO Global Equities -1.9%
 - Invesco UK Equities -1%
11. Over the 3 year period the Fund also benefitted from the introduction of State Street in January 2009 to manage equities on a passive basis. Over 3 years State Street added +0.1% per annum on UK Equities. But more importantly a significant proportion of the total equity allocation could not underperform the benchmark.
12. Looking at 5 year returns the Fund return of +2.9% is -0.4% behind benchmark. Compared to the WM Local Authority Average return of +3.2% the Fund return is in the 53rd percentile. The 5 year performance returns include significant underperformance from managers no longer used – Alliance Bernstein and Soc Gen. The existing manager with 5 year returns have the following relative returns per annum:
- Schroder UK Equities +1.5%
 - Baillie Gifford Overseas Equities +3.5%
 - GMO Global Equities -1%
 - Schroder Global Active Value -0.5%
 - Goldman Sachs Fund Income +0.1%
 - Schroder Fixed Income +0.9%

- DTZ Property +2.3%

RECOMMENDATION

13. Members are asked to note the report.

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