

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

To: Superannuation Fund Committee – 28 August 2015

Subject: **FUND POSITION STATEMENT**

Classification: Unrestricted

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

FOR DECISION

INTRODUCTION

1. The Fund Position Statement is attached in Appendix 1 and Hyman Robertson's Quarterly review is attached in Appendix 2.

QUARTER'S PERFORMANCE

2. The Fund declined in value by -1.6% in the Quarter but this was less than the benchmark return of -1.9% (-2.3% at strategic benchmark). The Fund ranked in the 11th percentile of the WM Local Authority Average-so asset allocation reverted to a positive contribution. 1 year performance is at the benchmark level and 3 years ahead of benchmark.
3. At asset class level the main features were:
 - (1) A fall in all major equity markets, but UK equities fell by only -1.6% compared with -5.1% for global equities – a reversal anticipated at our last meeting. This was beneficial to the Fund's return relative to our peer group.
 - (2) Fixed income markets also produced negative returns.
 - (3) UK Property continued to perform strongly.
4. At investment manager level the main features were:
 - (1) Although it was a negative quarter all the active equity managers outperformed the benchmark in the quarter i.e. they fell by less than the benchmark.

- (2) Looking at one year performance the familiar position of Schroders UK equities, Ballie Gifford and Woodford UK equities all outperformed. Sarasin were slightly behind benchmark but Schroders Global Active Value and M&G significantly underperformed.
5. In a climate of funds needing to demonstrate the benefits of active management of equities the continued underperformance of a number of the active managers is disappointing. The meeting with Schroders on 1 October plus the attendance of M&G and Sarasin at the next Committee will allow the Committee to examine this issue in detail.

ASSET ALLOCATION

6. The asset allocation reflects the position before the Committee increased the Property allocation and reduced Private Equity and Infrastructure. The overweight position to Equities has been reduced to +1.5% and the underweight to Fixed Income is now -2.5%.
7. It is not proposed that any changes should be made.

RECOMMENDATION

8. Members are asked to:
 - (1) Note the Fund Position Statement.
 - (2) Agree that no changes are made to asset allocation.

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