

By: Chairman Superannuation Fund Committee
Acting Corporate Director of Finance

To: Superannuation Fund Committee – 7 September 2018

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 the Appendix.

INVESTMENT RETURN QUARTER TO 30 JUNE

2. The Fund returned 6.19% in the Quarter compared with a benchmark return of 5.36% increasing in value by £364m.
3. All major Equity markets saw rises in the quarter except Emerging Markets; UK Equities outperformed Global Equities.
4. Schroders UK Equities, Baillie Gifford Global Equities and M&G Global Equities all performed strongly. The main areas of underperformance were Woodford UK Equities and both Fixed Income mandates.

INVESTMENT RETURN ONE YEAR

5. The one year return at Fund level was slightly behind benchmark (8.29% against 9.27%) but was strong in absolute terms. The long established core managers (Baillie Gifford Global Equities, Schroders UK Equities and DTZ UK Commercial Property) all outperformed with Baillie Gifford performing exceptionally well, Sarasin also produced good outperformance. M&G Global Equities in market conditions that did not favour their investment approach performed in line with the benchmark. Both Fixed Income mandates underperformed their benchmark and returns were low in absolute terms. The main equity manager under performance came from Woodford and the Schroder Global UK Equities. Pyrford also underperformed but this reflected their defensive positioning of the portfolio.

ASSET ALLOCATION

6. The Committee made significant changes to asset allocation at the 22 June Committee and is asked to agree the following revised asset allocation:

	Current	Proposed	Change
	%	%	%
UK Equity	32	23.5	-8.5
Global Equity	32	32	-
Fixed Income	15	15	-
Private Equity	1.5	4	+2.5
Infrastructure	1.5	3.5	+2
Property	12	13	+1
Absolute Return	5	8	+3
Cash	1	1	-

Notes:

All additions have and will be funded by reducing UK Equities.

Private Equity and Infrastructure reflect the decisions taken on YFM, Harbourvest and Partners.

Property reflects the indirect property funds and the M&G residential property.

Absolute Return reflects the additional allocation to Pyrford from June 2017 and the Ruffer allocation

RECOMMENDATION

7. Members are asked to:

- (1) Note the Fund performance, and
- (2) Agree the new asset allocation reflecting decisions already taken by the Committee.

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