

By: Chairman Superannuation Fund Committee
Corporate Director of Finance

To: Superannuation Fund Committee – 13 March 2020

Subject: **FUND POSITION**

Classification: Unrestricted

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

FOR DECISION

INTRODUCTION

1. The Committee is formally required to review the Fund's asset allocation at each meeting compared to its investment strategy. This report provides an update on the asset allocation and manager performance.

ASSET ALLOCATION

2. As at 31 December 2019 the fund's value was £6.6bn, an increase of £200m over the quarter and table 1 below compares the actual asset allocation at 31 December 2019 to that set out in the Fund's Investment Strategy.

Table 1 asset allocation

Asset Class	Fund		Benchmark	Over / (under) weight
	£m	%	%	%
UK Equity**	1,651	24.9	23.5	1.4
Global Equity	2,627	39.7	32	7.7
Fixed Income *	636	9.6	15	-5.4
Private Equity	131	2.0	4	-2.0
Infrastructure	50	0.8	3.5	-2.7
Property	762	11.5	13	-1.5
Absolute Return	508	7.7	8	-0.3
Cash	259	3.9	1	2.9
Total	6,623	100	100	

* £260m has been invested into Fixed Income (CQS and M&G) since 31st December using the proceeds from Woodford and internally managed cash, increasing our allocation to Fixed Income

** £139m redeemed from Woodford in January 2020 reducing our allocation to UK Equities

3. As a result of the recent activity the % invested in fixed income increased to 13.5% based on fund values as at 31 December 2019 while the % in UK equity fell to 22.8%.

4. The Investment Strategy report does not recommend any changes to the asset allocation following the recent changes and as the Committee considers the implementation of an equity downside protection programme.

INVESTMENT PERFORMANCE QUARTER TO 31 DECEMBER 2019

5. The Fund overall performed well in the December quarter achieving a return of 2.85% compared with a benchmark return of 1.66% with most managers' performances bouncing back after a disappointing September quarter.
6. The main contributors to the Fund's good performance were Baillie Gifford, Sarasin and Schroder who have achieved significant outperformance over the longer term as well.
7. The Fund saw the value of its investments managed by Harbourvest and Partners Group fall as they were impacted by the strengthening of sterling in the quarter as well costs of investing in new funds. The Fund's property holdings with the exception of Fidelity also fell reflecting the uncertainty in the market.
8. The value of the Woodford fund rose slightly in the 3 months to end December.

LONGER TERM INVESTMENT RETURNS

9. Over the longer term the Fund has performed strongly and ahead of benchmark.
10. The 1-year performance is 14.70% vs the benchmark of 12.20%. The majority of managers performed ahead of benchmark with most returns being significantly higher than for the previous 1-year term as the poor returns achieved in the December quarter 2018 fell out of the reporting period.
11. For the 3-year period the Fund's return was 8.06% pa against the benchmark of 7.31% pa.
12. The Schrodgers GAV fund continued to significantly lag the benchmark. Other underperformers include M&G Global Dividend fund as its good performance in the quarter did not offset its poor performance in earlier periods.
13. Pyrford continued to underperform across all periods and the disappointing returns remain a cause for concern.

RECOMMENDATION

14. Members are asked to note the report and agree that no changes are made to the asset allocation.

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