Non-Executive Report of the: **Pensions Board** 28 July 2015	TOWER HAMLETS
Report of: Chris Holme, Acting Corporate Director of Resources	**Classification:** Unrestricted
Pension Fund Investment Performance Review for Quarter End 31 March 2015	

Originating Officer(s)	Bola Tobun, Investment & Treasury Manager
Wards affected	[All wards]

Summary

This report informs Members of the performance of the Fund and its investment managers for the quarter ending 31 March 2015.

For the quarter, the Fund outperformed the benchmark by 0.8%, delivering a positive absolute return of 5.5% against benchmark return of 4.7%.

The Fund is ahead its benchmark for the last twelve months to end of March 2015, the Fund returned 11.8%, and this exceeds the benchmark by 0.3%.

For longer term performance the Fund posted three year returns of 10.7% ahead the benchmark return of 10% and posted five year returns of 8.0% against benchmark return of 7.9%.

For this quarter end, six out of the eight mandates matched or achieved returns above the benchmark. The Fund performance was above the benchmark over the quarter, this was mainly due to relatively good returns from Ruffer, Baillie Gifford (DGF), Baillie Gifford Global Equities, GMO and Legal & General Equities and UK Gilts Funds.

The Fund is still in line with its long term strategic equity asset allocation and the distribution of the Fund's assets amongst the different asset classes is broadly in line with the strategic benchmark weight.

Recommendations:

Members are recommended to note the contents of this report.

1. REASONS FOR THE DECISIONS

1.1 The report is written to inform committee members of the performance of pension fund managers and the overall performance of the Tower Hamlets Pension Fund.

2. ALTERNATIVE OPTIONS

2.1 The Pension Fund Regulations require that the Council establishes arrangements for monitoring the investments of the Pension Fund.

3. DETAILS OF REPORT

3.1 The Pension Fund Regulations require that the Council establish arrangements for monitoring the investments of the Fund. It considers the activities of the investment managers and ensures that proper advice is obtained on investment issues.

3.2 Officers and fund advisers meet regularly with investment managers to discuss their strategy and performance and may recommend that investment managers are invited to explain further to the Pensions Committee.

3.3 This report informs Members of the performance of the Fund and its investment managers for the quarter 31 March 2015.

3.4 Legal & General Investment Management

3.4.1 Legal & General was appointed (2 August 2010) to manage passively UK Equity and UK Index-Linked Mandates, which at 31 March 2015 had a market value of £226.3m. The value of the assets taken on at the commencement of the contract was £204.7m.

3.4.2 The performance target is to track the FTSE All Share index for the UK Equity mandate and FTSE A Gov Index-Linked > 5 years benchmark for the UK Index-Linked Mandates.

3.5 Baillie Gifford & Co

3.5.1 Baillie Gifford manages two distinct mandates; global equity mandate and diversified growth fund mandate. The global equity fund had a value of £118.9m at the start of the mandate in July 2007. The market value of the assets as of 31 March 2015 was £217.7m. The performance target for this mandate is +2% to 3% above the benchmark MSCI AC World Index gross of fees over a rolling 3-5 year periods.

3.5.2 The diversified growth fund mandate was opened in February 2011 with contract value of £40m. The market value of assets as at 31 March 2015 was £50.7m. The performance target for this mandate is to outperform the benchmark (UK base rate) net of fees over rolling 5 years with annual volatility of less than 10%.

3.6 GMO

3.6.1 GMO manages a Global Equity Mandate which at 31 March 2015 had a market value of £273.4m. on 25 November 2014, £20.8m was redeemed from the portfolio in order to keep it in line with the strategic asset allocation weight for this manager. The initial value of the assets taken on at the commencement (29 April 2005) of the contract was £201.8m.

3.6.2 The performance target is to outperform a balanced global equity benchmark by 1.5% per annum net of fees over a rolling three year period.

3.7 Investec Asset Management

3.7.1 Investec manages a Global Bond Mandate which at 31 March 2015 had a market value of £99.6m. The initial value of the assets taken on at the commencement (26 April 2010) of the contract was £97m.

3.7.2 The performance target is to outperform the benchmark (3 Month LIBOR) by 2.0% per annum net of fees over a rolling three year period.

3.8 Ruffer Investment Management

3.8.1 Ruffer manages an Absolute Return Fund; the value of this contract on the 28 February 2011 was £40m. The value of assets under management as of 31 March 2015 was £50.6m.

3.8.2 Their overall objective is firstly to preserve the capital over rolling 12 month periods and secondly to grow portfolio at a higher rate after fees than could reasonably be expected from the alternative of depositing the cash value of the portfolio in a reputable UK bank.

3.9 Schroder Investment Management

3.9.1 Schroder manages a property mandate. The value of this mandate on 20 September 2004 was £90m. The market value of assets at 31 March 2015 was £122.2m.

3.9.2 The performance target for this mandate is to outperform the IPD UK Pooled Property Fund Indices All Balanced Funds Median by 0.75% net of fees over a rolling three year period.

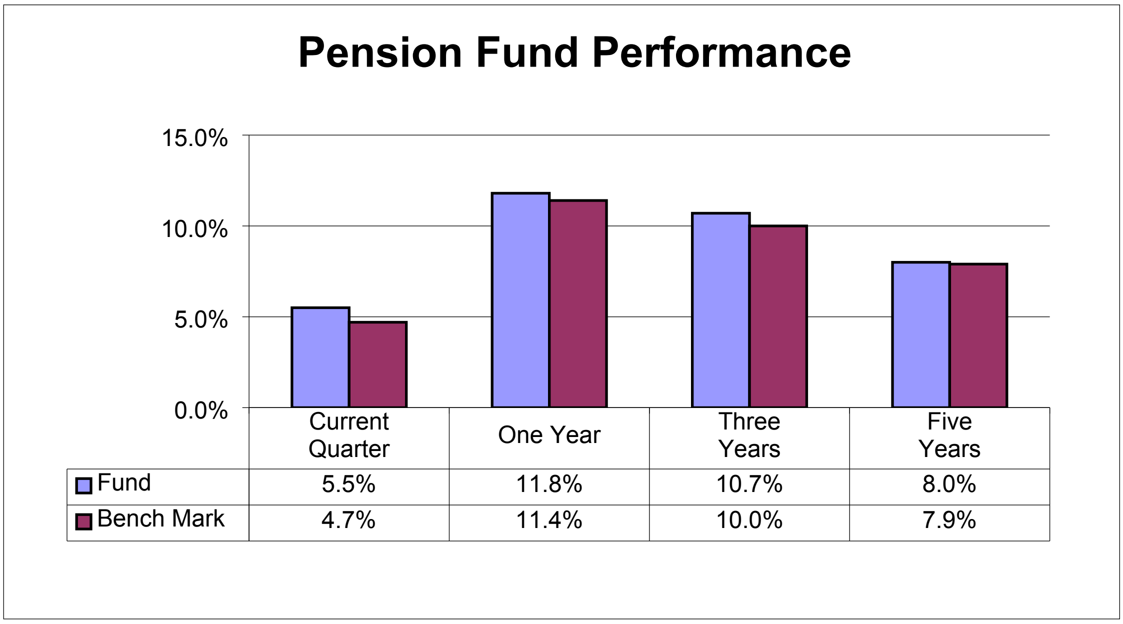
3.10. INVESTMENT PERFORMANCE

3.10.1 The Fund's overall value has increased by £60.4m from £1,081.5m as of 31 December 2014 to £1,141.9m as of 31 March 2015.

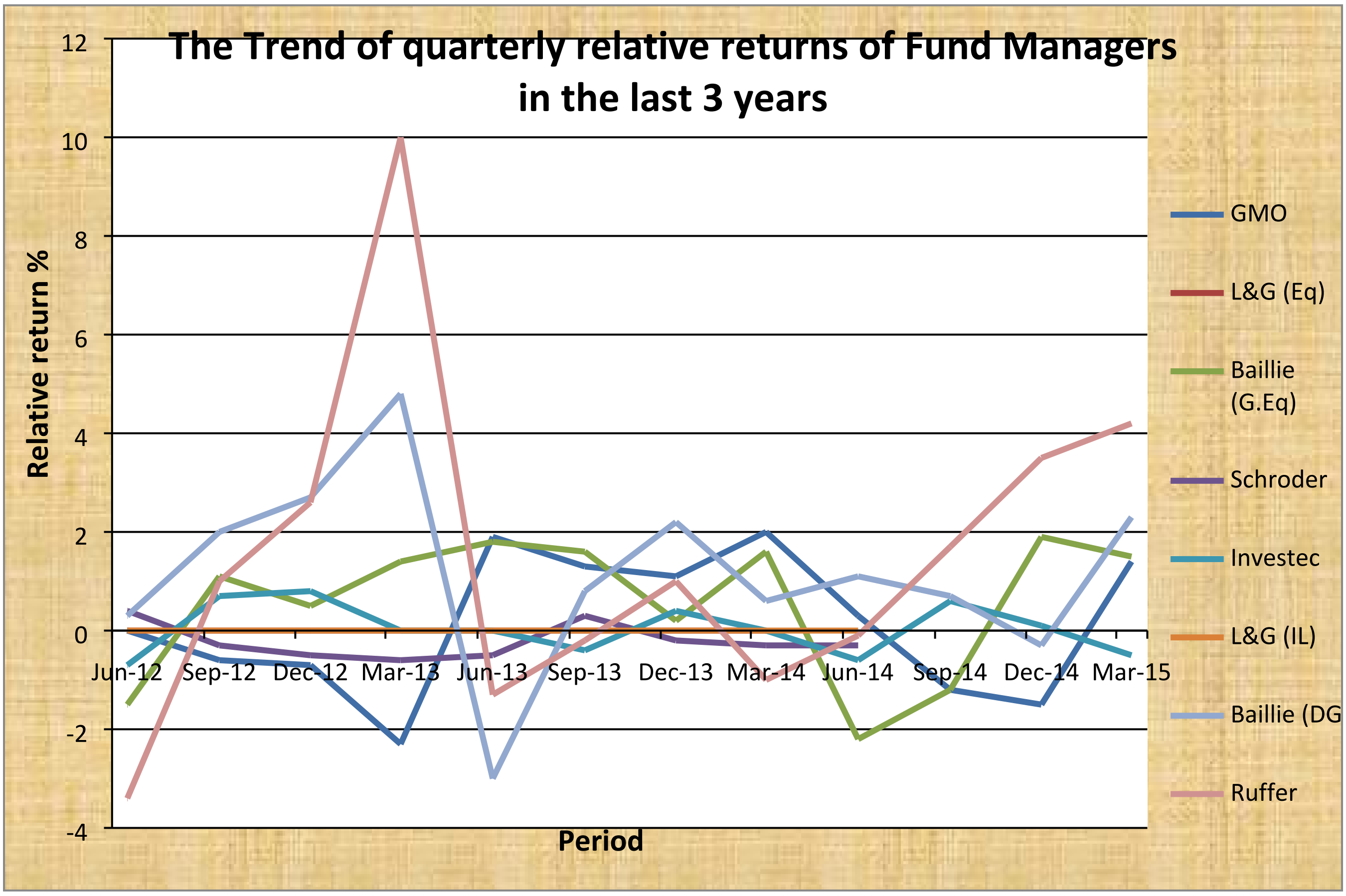
3.10.2 The fund outperformed the benchmark this quarter with a return of 5.5% compared to the benchmark return of 4.7%. The twelve month period sees the fund outperforming the benchmark by 0.9%.

3.10.3 The performance of the fund over the longer term is as set out in the chart below.

Table 1 – Pension Fund Performance



3.10.4 The graph below demonstrates the volatility and cyclical nature of financial markets, but the outcomes are within the range of expectations used by the Fund actuary in assessing the funding position. The Fund can take a long term perspective on investment issues principally because a high proportion of its pension liabilities are up to sixty years in the future. Consequently it an effectively ride out short term volatility in markets.



3.11 <u>MANAGERS</u>

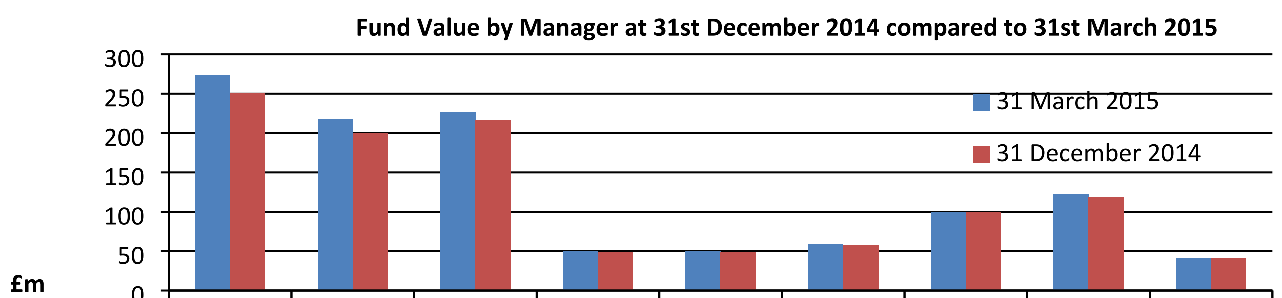
3.11.1 The Fund employs six specialist managers with eight mandates. The managers, mandate and funds held under management are set out below:

<u>Table 2: Management Structure</u>

Manager	Mandate	Value March 2015 £m	Benchmark Weight % of Fund Managers	Actual Weight % of Portfolio as at 31 March	% Difference of strategic weight & actual	Revised B/Mark Weight Dec 2014	% Difference with revised B/Mark Dec 2014	Date Appointed
GMO	Global Equity	**273.61**	25.0%	23.94%	-0.6%	23.0%	+0.94%	29 Apr 2005
Baillie Gifford	Global Equity	**217.67**	16.0%	19.06%	+3.06%	18.0%	+1.06%	5 Jul 2007
L & G UK Equity	UK Equity	**226.26**	20.0%	19.81%	-0.19%	20.0%	-0.19%	2 Aug 2010
Baillie Gifford Diversified Growth	Absolute Return	**50.68**	5.0%	4.44%	-0.56%	5.0%	-0.56%	22 Feb 2011
Ruffer Total Return Fund	Absolute Return	**50.62**	5.0%	4.43%	-0.57%	5.0%	-0.57%	8 Mar 2011
L & G Index Linked-Gilts	UK Index Linked	**59.55**	3.0%	5.21%	2.21%	3.0%	2.21%	2 Aug 2010
Investec Bonds	Bonds	**99.63**	14.0%	8.73%	-5.27%	14.0%	-5.27%	26 Apr 2010
Schroder	Property	**122.20**	12.0%	10.7%	-1.30%	12.0%	-1.30%	30 Sep 2004
Cash	Currency	**41.87**	0.0%	3.67%	3.67%		+3.67%	
Total		**1,141.86**	**100.0%**	**100.00%**	**0.00%**	**100.0%**	**0.00%**	

3.11.2 The Fund was valued at £1,141.86million as at 31 March 2015. This includes cash held and being managed internally (LBTH Treasury Management), this stands at 3.67% of the total assets value.

3.11.3 The breakdown by manager is shown below and illustrates the performance of the markets over the period.



	GMO	BG (GE)	L&G (Eq)	BG (DGF)	Ruffer	L&G (IL)	Investec	Schroder	LBTH (cash)
31 March 2015	273.61	217.67	226.26	50.68	50.62	59.55	99.63	122.2	41.87
31 December 2014	250.74	199.44	216.08	49.09	48.29	57.65	99.49	119.21	41.47

3.11.4 A decision was made at the July 2014 committee meeting to rebalance the Fund's overweight positions in equities given the strength of equity markets. This is still an ongoing process.

3.11.5 The recommendations from the advisers and officers to the committee were to provide a better balance between the two global equity mandates. It was agreed that:

- the target allocation to Baillie Gifford GE should be increased from 16% to 18%;
- the target allocation to GMO should be reduced from 25% to 23%;
- if possible some rebalancing of the equity overweight to the DGF managers to with the aim to 'lock-in' some of the recent equity gains.

3.11.6 2.0% would be subsequently disinvested from GMO portfolio to bring this mandate broadly in line with the new target allocation, to be held as **cash for later investment** opportunity.

3.11.7 The logical place to rebalance the cash awaiting investment to would have been with Investec, but this manager has not met their target and remains underweight on the back of strong performance from the other asset classes. Therefore there is currently no desire to rebalance the Investec mandate to bring it back in line with target.

3.11.8 The performance, gross of fees of the individual managers relative to the appropriate benchmarks over the past five years is as set out in table 3.

Table 3: Manager Investment Performance relative to benchmark

Manager	Current Quarter	One Year	Three Years	Five Years
GMO Global Equities	1.40%	-1.60%	0.50%	0.30%
Baillie Gifford Global Equities	1.50%	-0.20%	2.40%	2.40%
L & G UK Equity	0.00%	0.10%	0.10%	N/A
Baillie Gifford Diversified Growth	2.30%	4.10%	2.60%	N/A
Ruffer Total Return Fund	4.20%	9.80%	4.60%	N/A
L & G Index Linked-Gilts	0.00%	0.00%	0.10%	N/A
Investec Bonds	-0.50%	-0.70%	-1.30%	N/A
Schroder	-0.30%	-0.60%	-0.80%	-1.00%
Total Variance (Relative)	**0.80%**	**0.40%**	**0.70%**	**0.10%**

3.12 GMO - A rebalancing decision was made at the committee meeting of July 2014, to reduce the portfolio from 25% strategic allocation weight to 23%. As a result £20.8m was redeemed from the portfolio, which was equivalent of 2% of the total fund.

3.12.1 GMO made absolute return of 9.0% in the quarter, outperforming the benchmark of 7.6% by 1.4%.

3.12.2 The two previous quarters of underperformance preceded by a period of strong outperformance, highlight the volatility and long term nature of this portfolio.

3.12.3 The portfolio's allocation to Japanese value stocks proved beneficial over Q1 2015, both due to the overweight allocation and also positive stock selection. Stock selection also proved successful in the European market.

3.12.4 As in previous quarters, the portfolio remains overweight to high quality US stocks, however during Q1 2015 this detracted from returns as this segment underperformed the broader US market. The effect of individual stock selection in this segment also detracted from relative returns. The fund's emerging market exposure also proved to be a marginal drag on returns, with Brazilian stocks performing poorly on the back of continued concerns about political and economic stability in the country.

3.13 **Baillie Gifford** – the portfolio outperformed the benchmark of 7.6% over the quarter, delivering a return of 9.1% resulting in relative outperformance of 1.5%. The portfolio is relatively concentrated and seeks to generate strong absolute returns over the long-term through the use of an unconstrained bottom-up approach. The portfolio also delivered on this over the longer term, as performance remains ahead of the benchmark over 3 years and 5 years.

3.13.1 One of the largest contributors to performance was Naspers, the South African pay TV and social media company. Naspers has a significant stake in the Chinese gaming site, Tencent, to which its share price is highly correlated. Tencent released strong fourth quarter results which showed strong increases in revenues and net income. This was driven by the growing video advertising revenue. The company's market share remains at very high levels with around 40% of Chinese mobile gaming users, and its pipeline of future games appears to be solid.

3.13.2 Anthem, the US health insurance business, had a good quarter following stronger than expected earnings results for the final quarter of 2014. Positive news that its acquisition of Simply Healthcare in Florida will almost certainly go ahead, also boosted the company's share price.

3.13.3 The two largest detractors during the quarter were Apple and Baidu. The Fund does not hold Apple, the US Technology company, and the stock's strength over the reporting period has hindered performance relative to the benchmark. Baidu, the Chinese online search engine, released results slightly below consensus due to higher than expected costs, including investment in online payments. The company has a dominant position in mobile search, and the manager believes that accelerating 4G Smartphone penetration will lead to a significant rise in mobile data usage.

3.14 **Legal & General - L & G (UK Equity)** – The portfolio returned 4.7% matching the index return over the quarter.

3.14.1 At the quarterly index review AA, Virgin Money Holdings, Petropavlovsk and Oxford Biomedical were added, whilst Hardy Oil & Gas was deleted.

3.14.2 Mecom Group was acquired by Belgium media group De Persgroep Publishing NV for £0.2bn in cash, whilst Ophir Energy (constituent) acquired Salamander Energy. Other corporate activity included Qatar Airways purchasing a 9.99% stake in International Consolidated Airlines Group, resulting in a freefloat decrease. Spire Healthcare Group, Merlin Entertainments, Inmarsat, Polypipe and SPP all saw their freefloats increase after strategic holders reduced their stakes.

3.14.3 BT Group, Poundland, Charles Taylor, IP Group and Anglo Pacific Group all raised cash to fund expansion, while Serco and AA raised cash to strengthen the balance sheet and reduce debt costs respectively

3.15 **L & G Index Linked Gilts** – The portfolio returned 3.3% matching the index return over the quarter.

3.15.1 UK 2014 Q4 GDP was confirmed at 3.0% year on year. RPI inflation continued its fall, down to 1.0% in February and with consumer confidence at a 15-year high, we now enter the most unpredictable General Election in a generation.

3.15.2 During the first quarter, there were auctions of 2024, 2037, 2044 and a single syndication of 2058 maturity bonds. These raised approximately £9.2bn for government funding.

3.15.3 The Fund held all 21 stocks contained within the benchmark index. The Fund and index had a modified duration of 22.98 and 22.96 years respectively at the end of the quarter and the real yield was -0.94% (yield curve basis)

3.16 **Investec (Bonds)** – The portfolio delivered a return 0.1% against a target of 0.6% over the quarter, underperforming the target by 0.5%. The underperformance here was driven mainly by the corporate credit exposure.

3.16.1 Interest rate positioning and emerging market debt exposure both made broadly positive contributions, whilst currency exposure made flat contribution.

3.16.2 The ***emerging market debt*** exposure added to relative returns over the period. This was predominantly due to being able to take full advantage of the strength in emerging market bonds at the beginning of the year.

3.16.3 The positive relative performance from the ***interest rate exposure*** was predominantly due to the holdings of smaller, higher-quality government bonds, such as Israeli and Australian, where both central banks struck a more dovish tone in one form or another. The short exposure to US Treasuries was a drag on relative returns after US government bond markets continued to rally amid a more dovish interpretation of US Federal Reserve (Fed) comments.

3.16.4 The ***corporate credit exposure*** detracted from relative returns over the period. The bulk of this underperformance came in March, when broader credit market hedge positions detracted after a strong rally in high yield credit markets, particularly in Europe following the announcement of quantitative easing (QE) from the European Central Bank.

3.16.5 The ***currency exposure*** made a flat contribution to returns, reflecting how negative performance from the manager’s idiosyncratic, short-term positions was offset by their core, longer-term holdings, such as their strategic bias towards the US dollar. Indeed, several of our idiosyncratic trades did not evolve as they had expected.

3.16.6 Longer term performance remains below the benchmark for 12 months, 3 years and since inception. 12 months to reporting period the relative return was -0.7%, with the benchmark posting 2.6% and the portfolio delivered 1.9%.

3.17 **Schroder (Property) –** The portfolio returned 2.5% over the quarter; this is below the benchmark of 2.8% resulting in underperformance of the benchmark by 0.3%.

3.17.1 Positive drivers of performance for this quarter are Central London and Industrial specialist funds, although cash and reinvestment costa associated with a high volume of transactions over the reporting period (£5.8m) have temporarily held back returns.

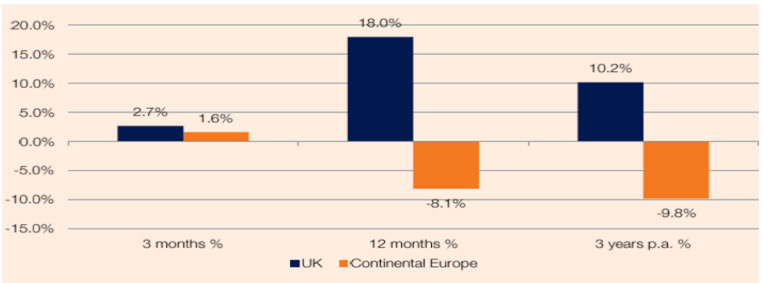
3.17.2 Longer term performance continues to lag the benchmark; with an underperformance 1.0% p.a. over the 5 years to 31 March 2015.

3.17.3 The UK investments assets (97% of the portfolio’s value) outperformed by +1.4% over the past twelve months, 0.8% over the three years and 0.5% over the five years. The UK assets marginally underperformed the benchmark over the quarter due in part to cash held on account pending investment.

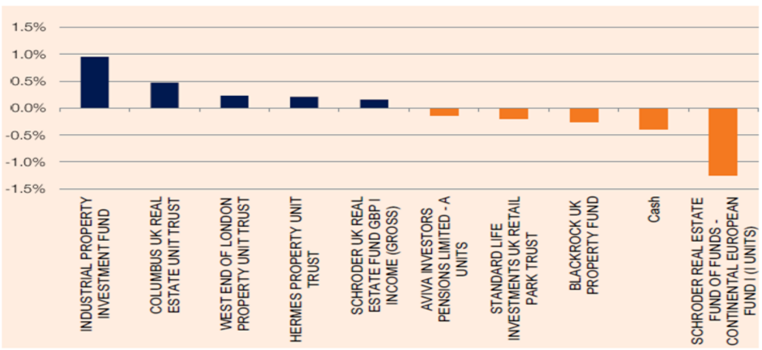
3.17.4 The Continental European Fund (3% of portfolio) produced a positive return this quarter (10.9%), but still remains a drag to total returns in aggregate over the past five years in particular.

3.17.5 Please see below charts which illustrate the key drivers of performance in detail.

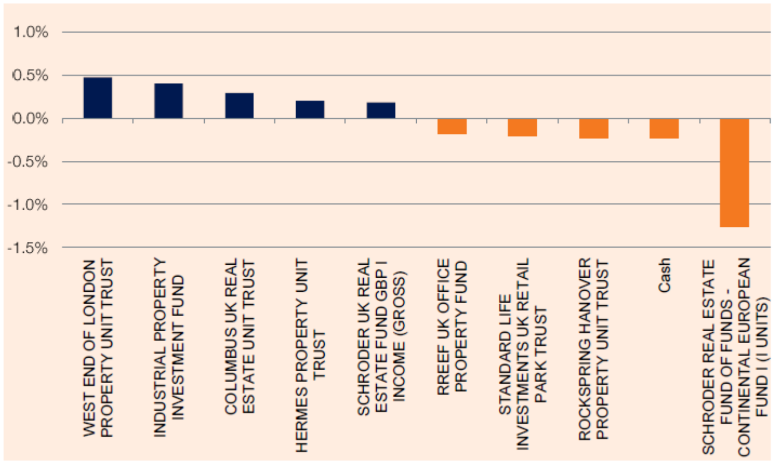
Total return by region
Periods to end 31 Mar 2015



Total return attribution relative to benchmark top & bottom five contributors
12 months to 31 Mar 2015



Total return attribution relative to benchmark top & bottom five contributors
3 years to 31 Mar 2015



Benchmark is AREF/IPD UK Quarterly Property Fund Index All Balanced Funds Weighted Average
Source: Schroders & AREF/IPD UK Quarterly Property Index
Note: Stock and fund style attribution is presented gross of fees. Periods over 12 months are annualised. Totals may be subject to compounding.

3.18 **Baillie Gifford Diversified Growth Fund** generated a return of 3.3% for the quarter, outperformed the benchmark of 1.0% by 2.3%.

3.18.1 Over the past year, all asset classes contributed positively to performance, with the greatest contributions coming from listed equities, active currency and absolute return.

3.18.2 In the three months to 31 March 2015, the largest contributors to performance were listed equities, active currency, high yield credit and absolute return. Most other asset classes were broadly flat over the quarter.

3.18.3 The long term performances are ahead of the benchmark. The last 12 months are ahead by 4.1% and the last 3 years by 2.6% above benchmark returns.

3.18.4 Please see below charts which illustrate contributions to performance per asset class for the quarter end and Year to 31 March 2015.

Contributions to Performance

Quarter to 31 March 2015

	Listed Equities	Active Currency	High Yield Credit	Absolute Return	Property	Infrastructure	Investment Grade Bonds	Structured Finance	Private Equity	Special Opportunities	Insurance Linked	Cash and Equivalents	Commodities	Government Bonds	Emerging Market Bonds	Fund (Total)
Ave. Weight %	20.6	-0.2	13.5	8.2	2.4	4.3	6.4	13.1	2.0	0.6	5.1	6.9	5.6	0.0	11.5	100.0
Return %	6.4	0.6	2.2	3.3	10.7	4.8	2.5	0.8	5.1	3.7	0.2	0.3	-0.2	2.3	-1.5	3.4

One Year to 31 March 2015

Ave. Weight %	18.2	-0.1	7.4	2.3	13.0	7.7	12.8	4.5	4.9	11.3	2.7	5.9	2.2	0.6	6.7	100.0
Return %	11.3	1.1	13.9	36.9	1.8	5.5	3.1	10.1	6.6	1.5	10.2	0.4	6.7	8.8	0.1	8.6

Source: Statpro/Baillie Gifford, gross of fees in sterling. Totals may not sum due to rounding

3.19 **Ruffer Total Return Fund (Absolute Return)** – The portfolio performed very encouragingly by posting a positive return of 4.8% against a target return of 0.6% over the quarter.

3.19.1 Exposure to inflation linked bonds made a notable positive contribution to portfolio returns over the quarter, as the announcement of a reduction in issuance and the impact of quantitative easing by the ECB combined to drive down yields in long-dated bonds.

3.19.2 The allocation to Japanese equities also added value, boosted by a change in policy towards domestic equities by the Japanese Government Pension Investment Fund.

3.19.3 Exposure to the US Dollar had a positive impact on performance, as the currency remained strong in anticipation of a rise in US interest rates.

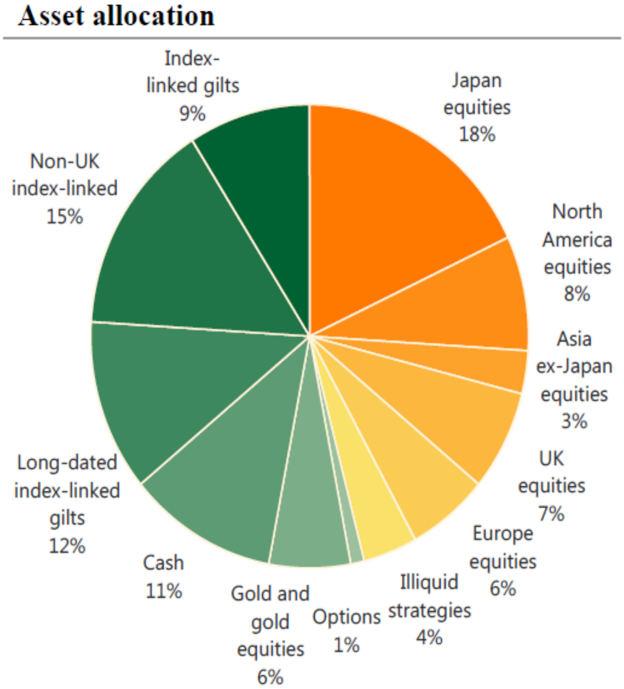
3.19.4 The use of protective options strategies was the primary detractor. The manager put in place protection strategies to protect against the reversal of low bond yields, however the fall in bond yields over the quarter created a drag on performance. The manager believes these options remain an important strategy in the current yield environment.

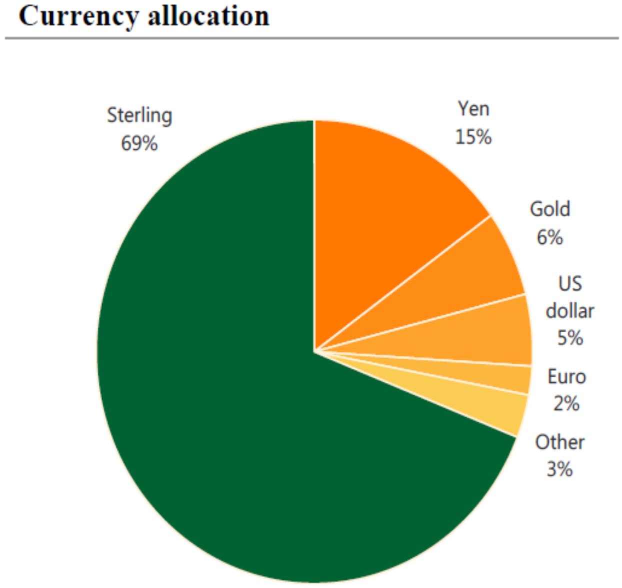
3.19.5 The allocation to US technology stocks also proved detrimental, as the market factored in the impact of ongoing Dollar strength on the sector's overseas earnings.

3.19.6 In terms of portfolio activity, the equity holdings were trimmed slightly over the quarter as the manager sought to lock in profits. There was also a substantial reduction in US Dollar exposure, which had been maintained as protection against an equity market collapse.

3.19.7 The manager locked in profits following recent Dollar strength, and at the same time increased exposure to the Japanese Yen to provide the same 'safe haven' protection.

3.19.8 Please see below charts which illustrate the strategic asset and currency allocations of the portfolio.





3.20 Internal Cash Management

3.20.1 Cash is held by the managers at their discretion in accordance with limits set in their investment guidelines, and internally by LBTH to meet working cash flows requirements, although transfers can be made to Fund managers to top up or rebalance the Fund.

3.20.2 The Pension Fund invests in accordance with the Council's Treasury Management strategy agreed by Full Council in February 2014, which is delegated to the Acting Corporate Director of Resources to manage on a day to day basis within set parameters.

3.20.3 The cash balance grew through year. The opening balance of £17.146m, with a low point of £16,806m and closing with a peak level of 41.818m. The average cash balance for the year was £24.811m at the end of March 2015. The interest earned on the cash was £179.946k.

3.20.4 The weighted average rate of return for the year was 0.725%. This outperformed the benchmark by 0.375%. (B/Mark 7 day LIBID: 0.35%).

3.20.5 There was a rebalancing of managers' asset allocation weights whereby it was proposed to reduce GMO asset allocation weight from 25% to 23%. This occurred during the last quarter whereby 2% of the total fund was redeemed from GMO portfolio, £20.8m realised from this transaction is added to internal cash management pending best investment opportunity.

3.20.6 Members will continue to be updated quarterly of the Pension Fund in house cash investment strategy. Security of the Fund's cash remains the overriding priority, ahead of yield.

3.21 ASSET ALLOCATION

The benchmark asset distribution and the fund position at 31 December 2014 are as set out below:

Table 4: Asset Allocation

Asset Class	Benchmark	Fund Position as at 31 Dec 2014	Variance as at 31 Dec 2014
UK Equities	24.0%	23%	-1.0%
Global Equities	37.0%	39%	2.0%
Total Equities	**61.0%**	**62%**	**1.0%**
Property	12.0%	11.0%	-1.0%
Bonds	14.0%	9.0%	-5.0%
UK Index Linked	3.0%	5%	2.0%
Alternatives	10.0%	9.5%	-0.5%
Cash	0.0%	4.5%	4.5%
Currency	0.0%	0.0%	0.0%
Total Equities	**100.0%**	**100.0%**	

3.21.1 The original allocation of investments between the different asset classes was determined in conjunction with the Council's professional advisors in 2004 and is subject to periodic review by the Investment Panel – the latest review was carried out in January 2014.

Asset allocation is determined by a number of factors including:-

- The risk profile. Generally there is a trade-off between the returns obtainable on investments and the level of risk. Equities have higher potential returns but this is achieved with higher volatility. However, as the Fund remains open to new members and able to tolerate this it can seek long term benefits of the increased returns.
- The age profile of the Fund. The younger the members of the Fund, the longer the period before pensions become payable and investments have to be realised for this purpose. This enables the Fund to invest in more volatile asset classes because it has the capacity to ride out adverse movements in the investment cycle.
- The deficit recovery term. All Council funds are in deficit because of falling investment returns and increasing life expectancy. The actuary determines the period over which the deficit is to be recovered and considers the need to stabilise the employer's contribution rate. The actuary has set a twenty year deficit recovery term for this Council which enables a longer term investment perspective to be taken.

3.21.2 Allocations are therefore considered to be broadly in line with the benchmark. Individual managers have discretion within defined limits to vary the asset distribution. The overweight position in equities has helped the fund's performance in recent months.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

4.1 The comments of the Acting Corporate Director Resources are incorporated in the report

5. LEGAL COMMENTS

5.1 Regulation 11(3) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 requires the Council, as an administering authority, to invest fund money that is not needed immediately to make payments from the Pensions Fund. Regulation 11(1) requires the Council to have a policy in relation to its investments. The investment policy should cover the following matters:

(a) the advisability of investing money in a wide variety of investments; and

(b) the suitability of particular investments and types of investments. The Council is also required to have a Statement of Investment Principles in accordance with regulation 12 (1) which cover the following matters:

(a) the types of investment to be held;

(b) the balance between different types of investments;

(c) risk, including the ways in which risks are to be measured and managed;

(d) the expected return on investments;

(e) the realisation of investments;

(f) the extent (if at all) to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments;

(g) the exercise of the rights (including voting rights) attaching to investments, if the authority has any such policy; and

(h) stock lending.

5.2 The Council must take proper advice at reasonable intervals about its investments and must consider such advice when taking any steps in relation to its investments.

5.3 The Council does not have to invest the fund money itself and may appoint one or more investment managers. Where the Council appoints an investment manager, it must keep the manager's performance under review. At least once every three months the Council must review the investments that the manager has made and, periodically, the Council must consider whether or not to retain that manager.

5.4 One of the functions of the Pensions Committee is to meet the Council's duties in respect of investment matters. It is appropriate, having regard to these matters, for the Committee to receive information about asset allocation and the performance of appointed investment managers. The Committee's consideration of the information in the report contributes towards the achievement of the Council's statutory duties.

5.5 When reviewing the Pension Fund Investment Performance, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't (the public sector duty). The Committee may take the view that good, sound investment of the Pension Fund monies will support compliance with the Council's statutory duties in respect of proper management of the Pension Fund.

5.6 The Council must take proper advice at reasonable intervals about its investments and must consider such advice when taking any steps in relation to its investments.

5.7 The Council does not have to invest the fund money itself and may appoint one or more investment managers. Where the Council appoints an investment manager, it must keep the manager's performance under review. At least once every three months the Council must review the investments that the manager has made and, periodically, the Council must consider whether or not to retain that manager.

5.8 One of the functions of the Pensions Committee is to meet the Council's duties in respect of investment matters. It is appropriate, having regard to these matters, for the Committee to receive information about asset allocation and the performance of appointed investment managers. The Committee's consideration of the information in the report contributes towards the achievement of the Council's statutory duties.]

6. ONE TOWER HAMLETS CONSIDERATIONS

6.1 The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance will reduce the contribution and increase the funds available for other corporate priorities.

6.2 A viable pension scheme also represents an asset for the recruitment and retention of staff to deliver services to the residents.

7. BEST VALUE (BV) IMPLICATIONS

7.1 This report helps in addressing value for money through benchmarking the Council's performance against the WM Local Authority Universe of Funds.

8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

8.1 There is no Sustainable Action for A Greener Environment implication arising from this report.

9. RISK MANAGEMENT IMPLICATIONS

9.1 Any form of investment inevitably involves a degree of risk.

9.2 To minimise risk the Investment Panel attempts to achieve a diversification portfolio. Diversification relates to asset classes and management styles.

10. CRIME AND DISORDER REDUCTION IMPLICATIONS

10.1 There are no crime and disorder reduction implications arising from this report.

Linked Reports, Appendices and Background Documents

Linked Report

- [None]

Appendices

Investment Managers Quarterly reports for the managers; Investec, GMO, Schroder, Baillie Gifford, LGIM and Ruffer)
WM Quarterly Performance Review.

Local Government Act, 1972 Section 100D (As amended)
List of “Background Papers” used in the preparation of this report

Investment Managers Quarterly reports (Investec, GMO, Schroder, Baillie Gifford, LGIM and Ruffer)
WM Quarterly Performance Review.

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