

Investment Performance

Tamsin Rabbitts

Senior Accountant

Pensions & Treasury Management



**Nottinghamshire
County Council**

Agenda

- Whole Fund investment returns
- Management arrangements
- Benchmarks
- Individual manager returns
- Asset allocation
- Summary



Investment returns to 31 March 2017

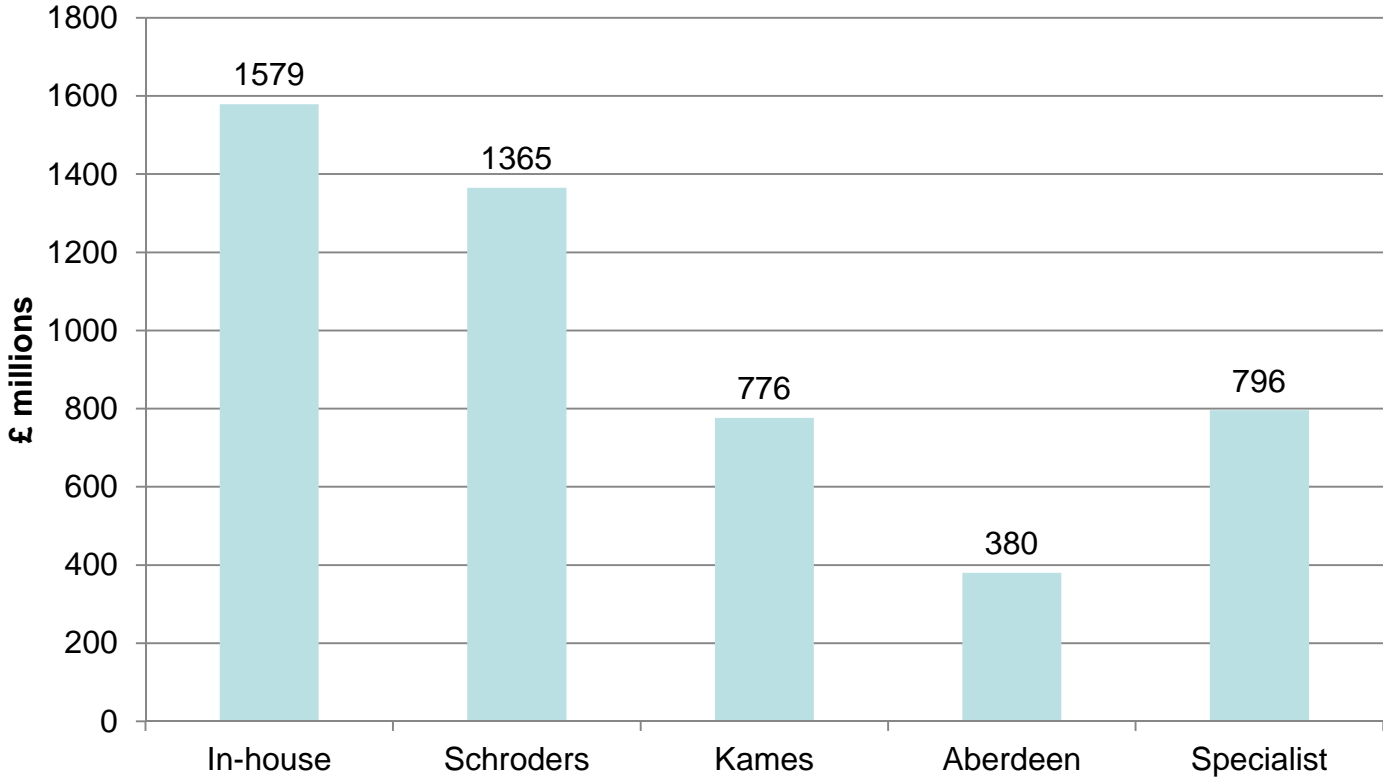
	1 year		3 years		5 years	
	Fund	BM	Fund	BM	Fund	BM
	%	%	% pa	% pa	% pa	% pa
Equities	29.1	33.1	11.9	16.4	12.4	14.5
Property	8.2	3.9	10.4	11.5	8.7	9.8
Bonds	9.3	6.6	8.1	7.8	6.4	5.2
Total Fund	21.7	22.7	10.5	13.8	10.5	11.9

Source: State Street Global Services - Performance Services

Expected return on assets at last valuation was 6.0% pa

Management arrangements as at 31 March 2017

Portfolio Structure 2016/17



Strategic benchmark

- The Fund's strategic benchmark is based on its agreed asset allocation strategy
- It uses a high level market index for each asset class and this helps to inform decisions regarding asset management

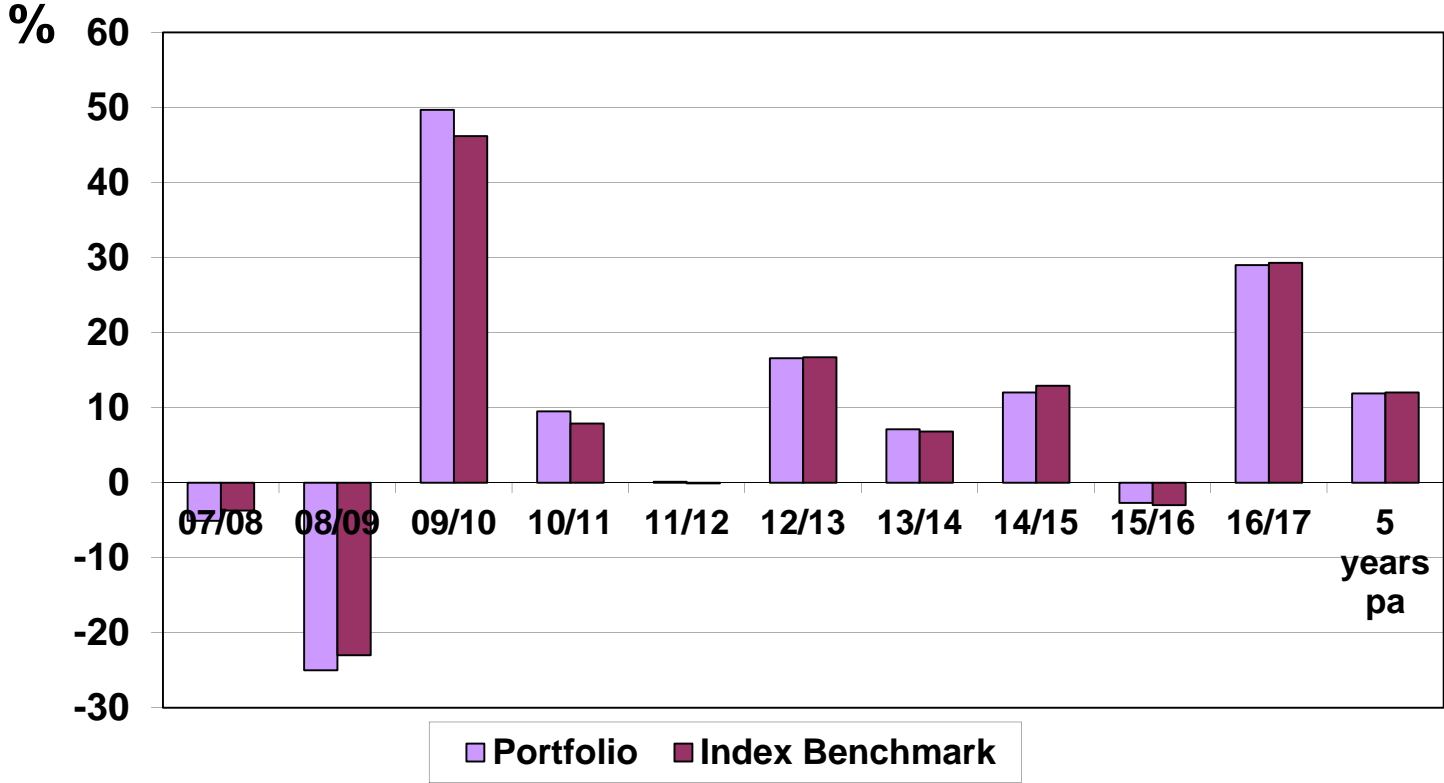
Asset Class	Allocation Ranges	Strategic Benchmark	
Equities	55% to 75%	FTSE All World	65.0%
Property	5% to 25%	IPD annual universe	15.0%
Bonds	10% to 25%	FTSE UK Gilt All Stock	17.5%
Cash	0% to 10%	LIBID 7 Day	2.5%

Equity benchmarks

Region	FTSE All World	In-house BM	Variance
UK	6%	40%	+34%
North America	55%	35%	-20%
Europe	15%	10%	-5%
Japan	8%	5%	-3%
Pacific Basin ex Japan	6%	4%	-2%
Emerging Markets	9%	6%	-3%

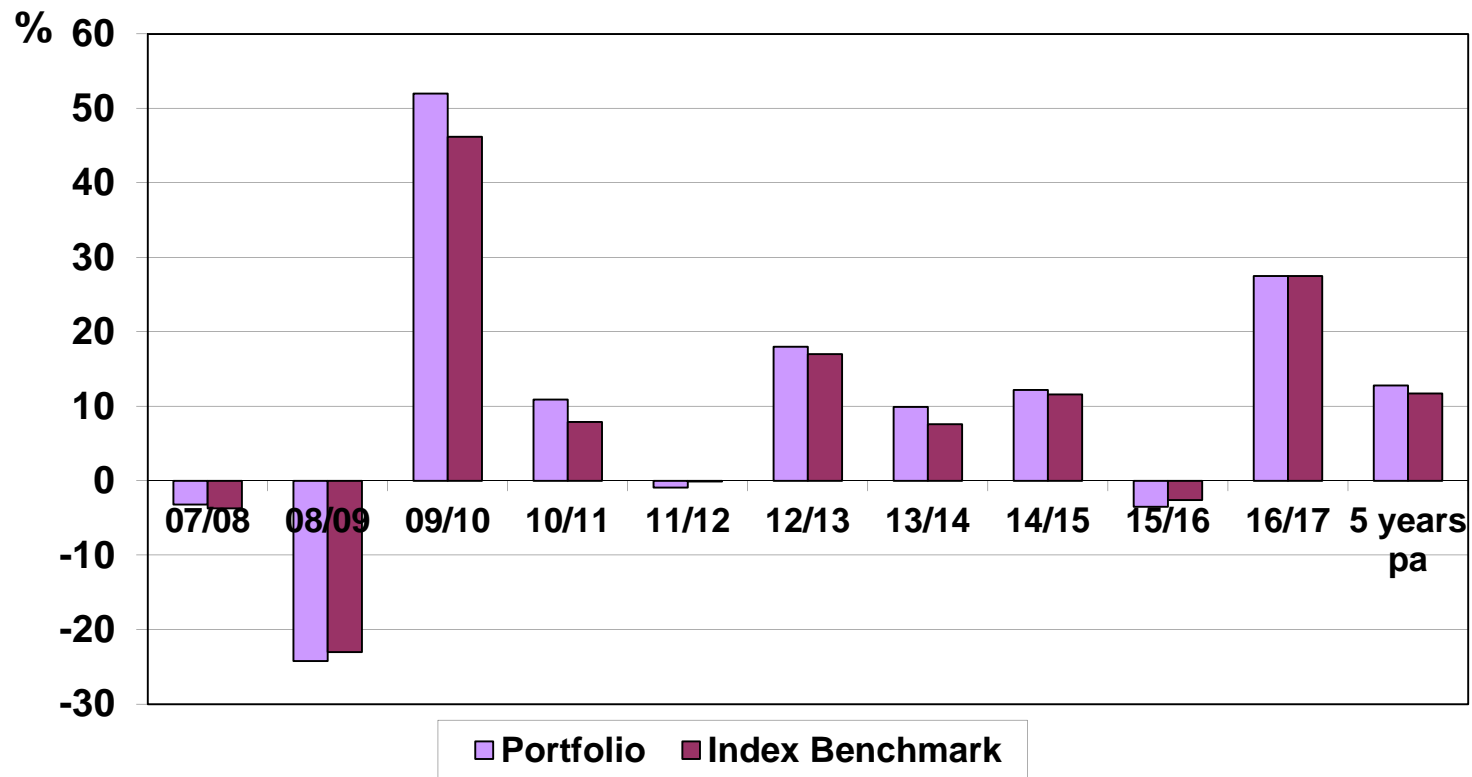
Benchmark positions as at 31 March 2017

In-house – Equities



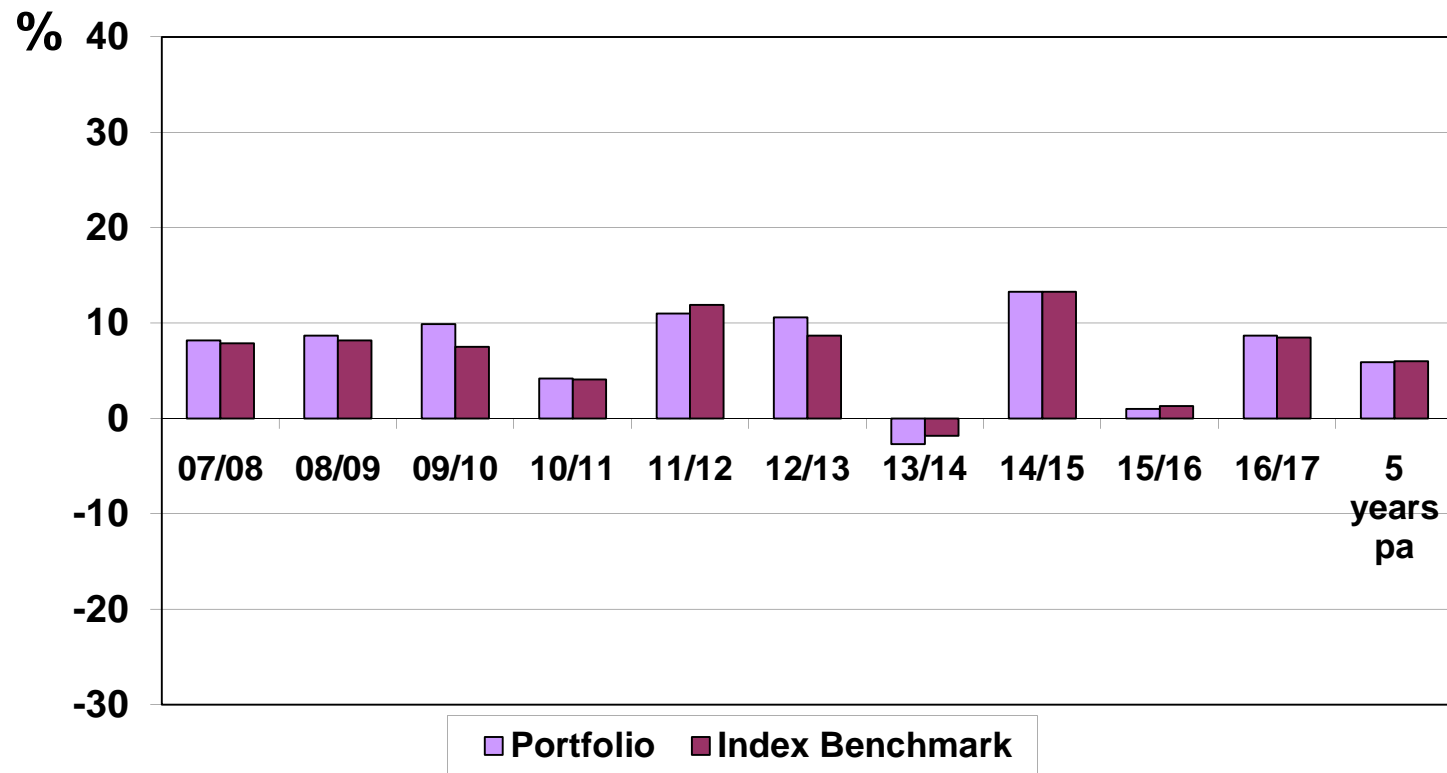
Performance target – to be within ± 0.3% of benchmark

Schroders – Equities



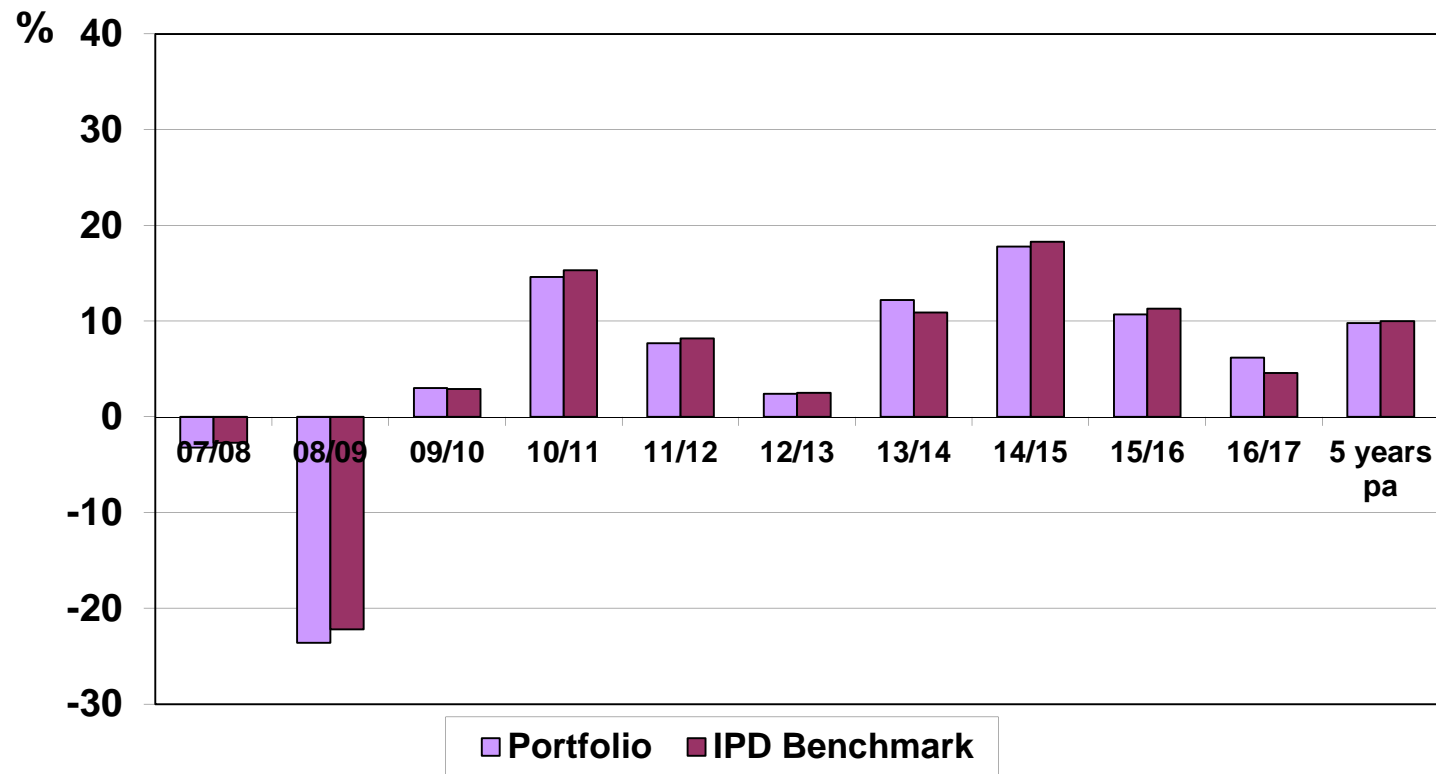
Performance target – to beat benchmark by 1% (net of fees)

Kames – Bonds



Performance target – to beat benchmark by 0.75% over rolling 3 year periods





Aberdeen – Property



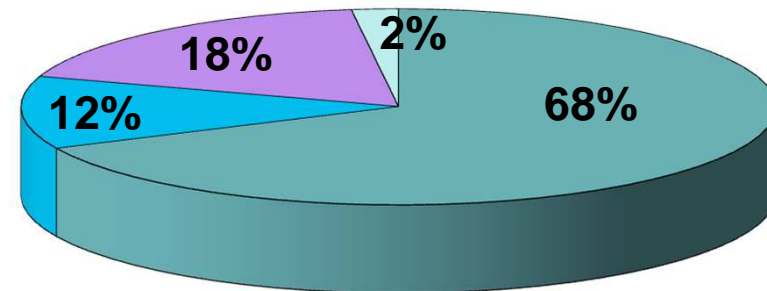
Performance target (since 2014) – to achieve 6.5% pa on long-term basis

Asset allocation

It is widely recognised that asset allocation is the most important factor in driving long term investment returns.

Asset Class	Allocation Ranges
Equities 	55% to 75%
Property 	5% to 25%
Bonds 	10% to 25%
Cash 	0% to 10%

Actual Allocation
31 March 2017



Pooling

From 1st April 2018 LGPS Pension funds are required to be part of a pooled investment arrangement.

This only relates to investment management – the assets and liabilities and administration of the fund will continue to belong to the fund.

The Nottinghamshire Pension Fund will be part of LGPS Central.

Despite the tight timescales and huge amount of preparation LGPS Central expects to be launched for 1st April and will begin to create sub-funds for us to invest in.

Over time, the Pool is expected to deliver cost savings.

Summary

- Investment returns were exceptional in 16/17
- Returns are behind the Fund's strategic benchmark largely due to the higher weighting to UK equities
- Main manager returns are ahead of benchmark
- Asset allocation is the most important factor in driving long term investment returns