

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 2018

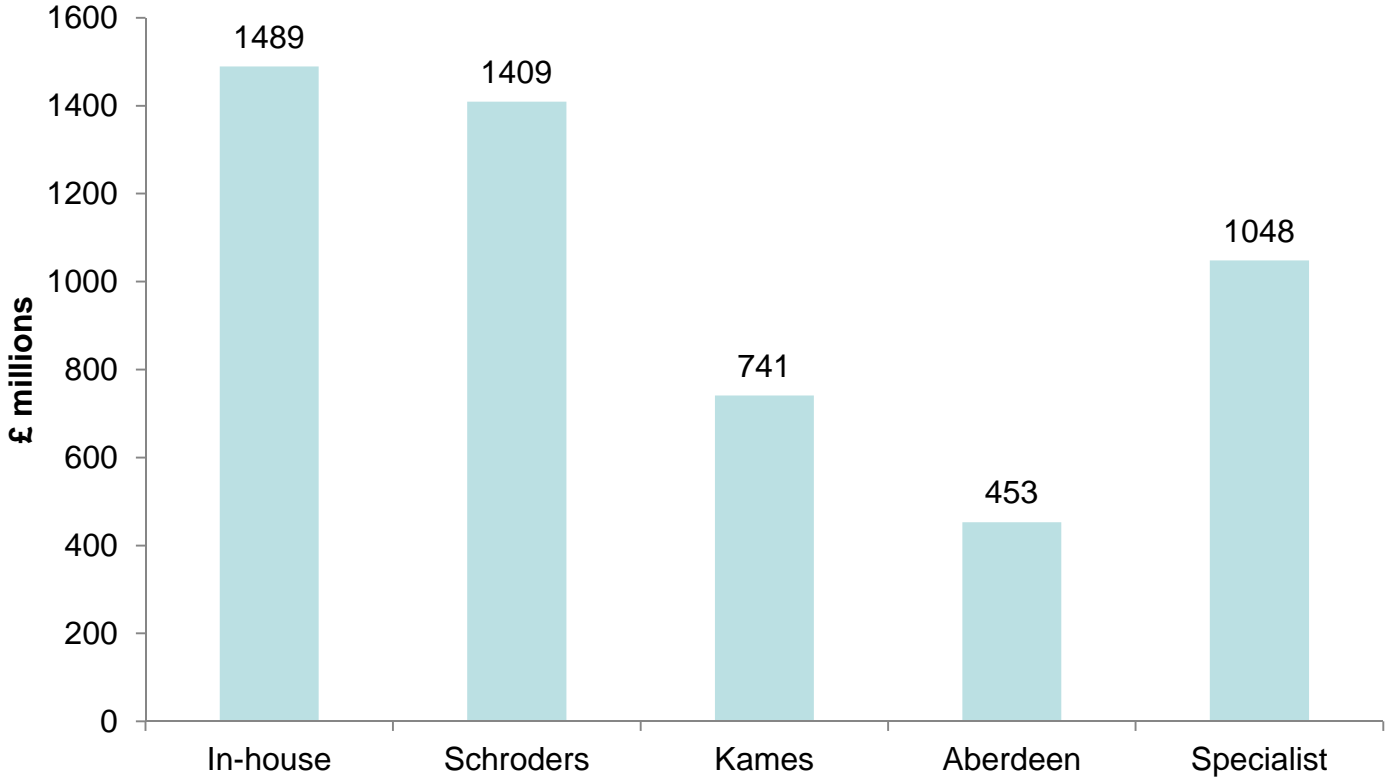
	1 year		3 years		5 years	
	Fund	BM	Fund	BM	Fund	BM
	%	%	% pa	% pa	% pa	% pa
Equities	3.8	2.2	9.2	10.6	9.6	11.5
Property	9.3	7.5	9.5	7.6	10.4	10.9
Bonds	0.5	0.5	3.4	3.4	4.1	4.2
Total Fund	3.9	2.7	8.0	8.8	8.5	9.9

Source: State Street Global Services - Performance Services

Expected return on assets at last valuation was 6.0% pa

Management arrangements as at 31 March 2018

Portfolio Structure 2017/18



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

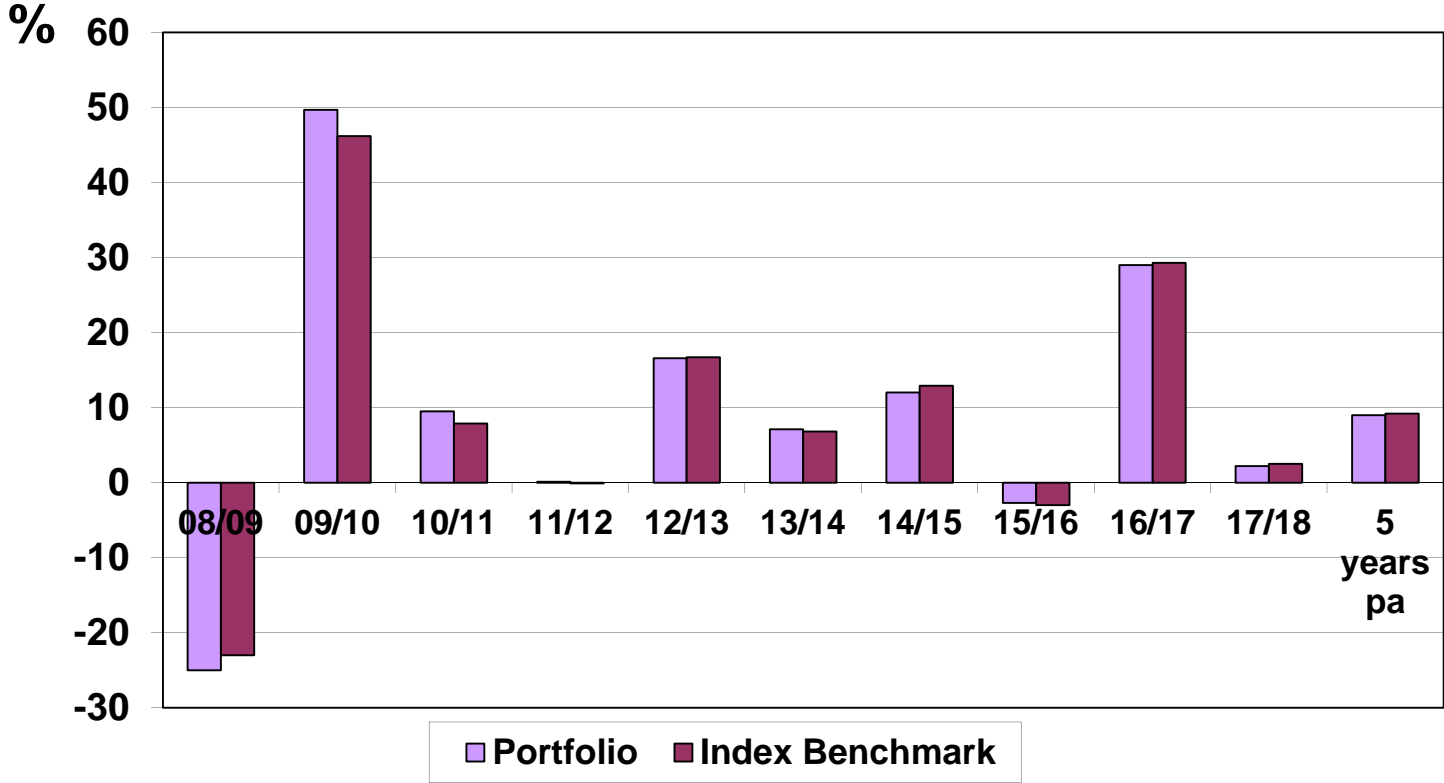
Asset Class	Allocation Ranges	Strategic Benchmark	
Equities	55% to 75%	FTSE All World	65.0%
Property	5% to 25%	IPD annual universe	15.0%
Bonds	10% to 25%	FTSE UK Gilt All Stock	17.5%
Cash	0% to 10%	LIBID 7 Day	2.5%

Equity benchmarks

Region	FTSE All World	In-house BM	Variance
UK	6%	40%	+34%
North America	54%	35%	-20%
Europe	15%	10%	-5%
Japan	9%	5%	-3%
Pacific Basin ex Japan	6%	4%	-2%
Emerging Markets	10%	6%	-3%

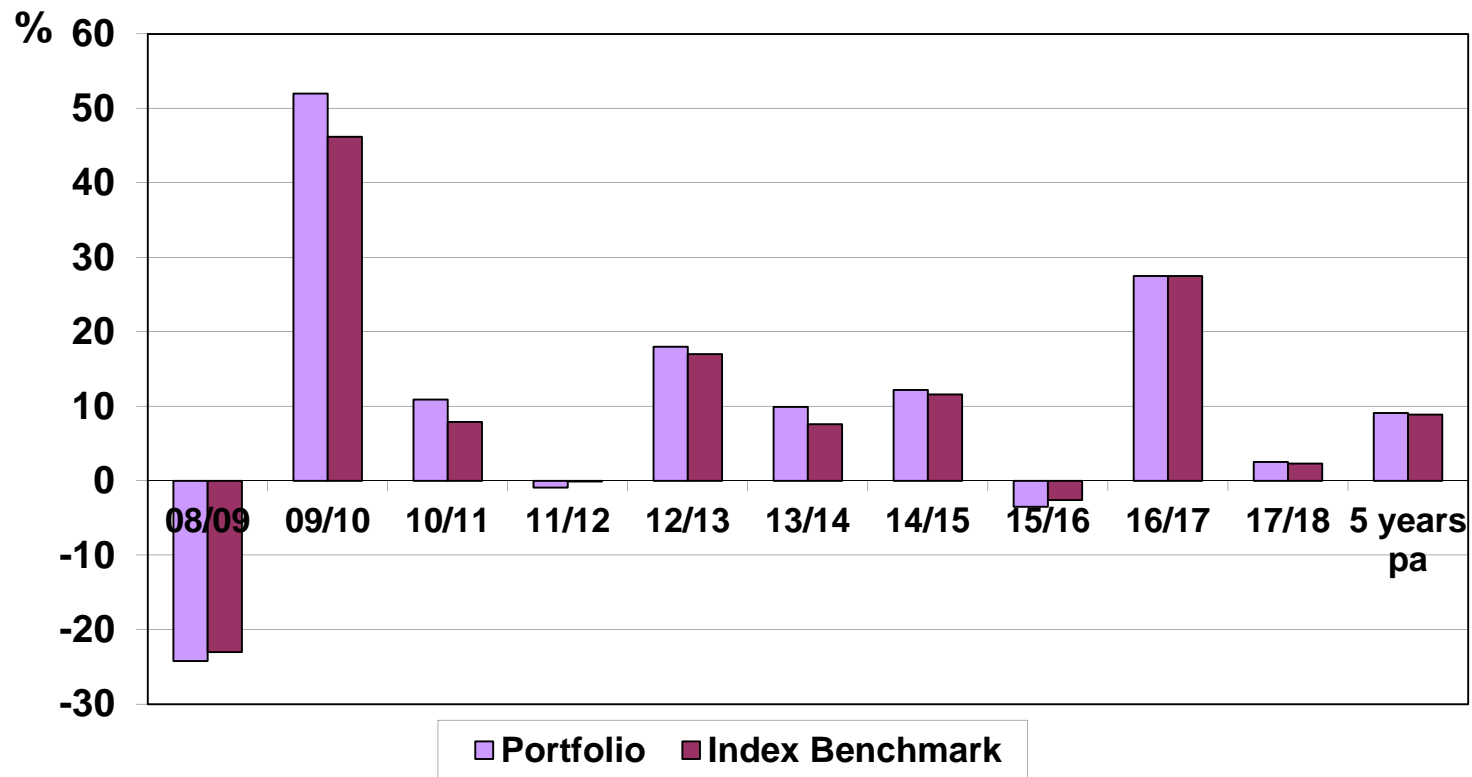
Benchmark positions as at 31 March 2018

In-house – Equities



Performance target – to be within $\pm 0.3\%$ of benchmark

Schroders – Equities



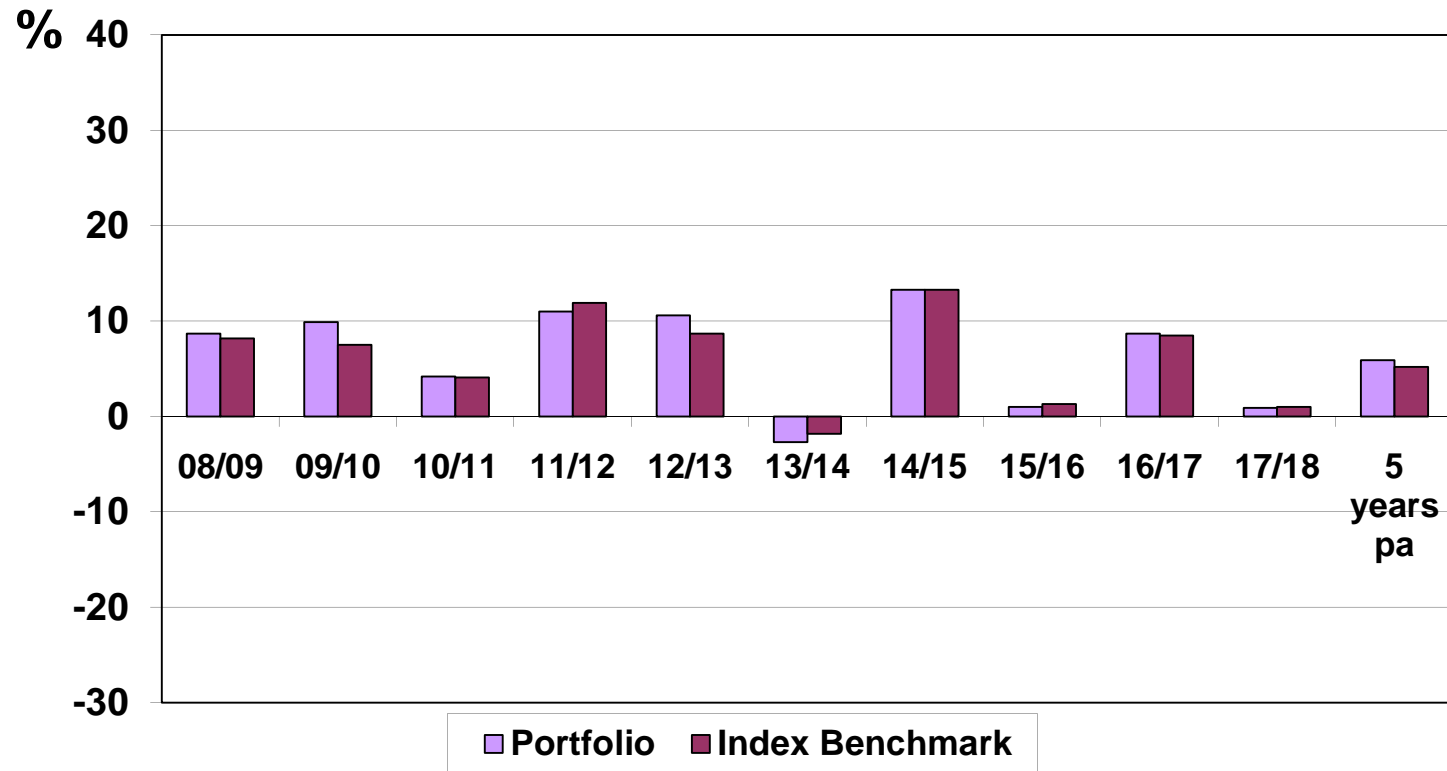
Performance target – to beat benchmark by 1% (net of fees)



Nottinghamshire
County Council

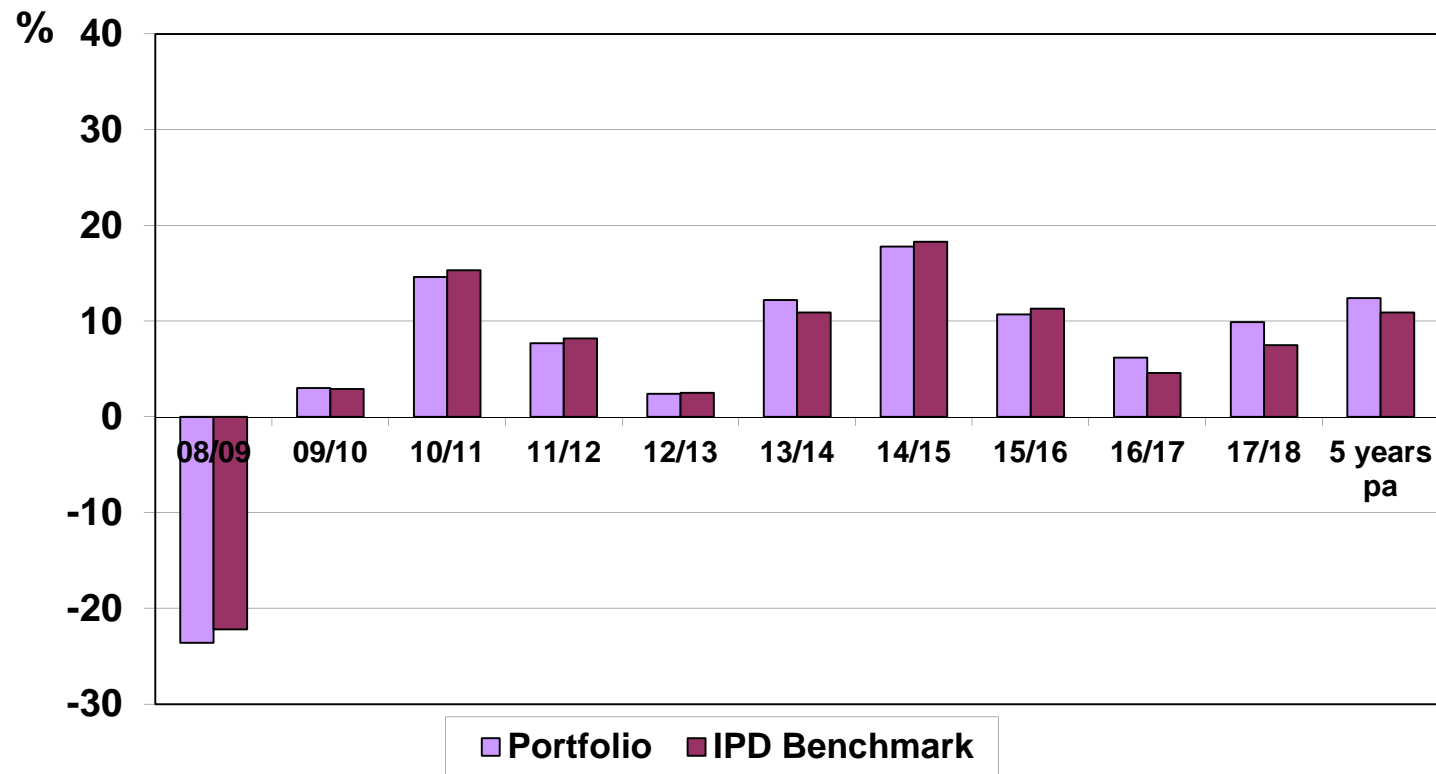
Investment Performance

Kames – Bonds



Performance target – to beat benchmark by 0.4% over rolling 3 year periods





Aberdeen – Property



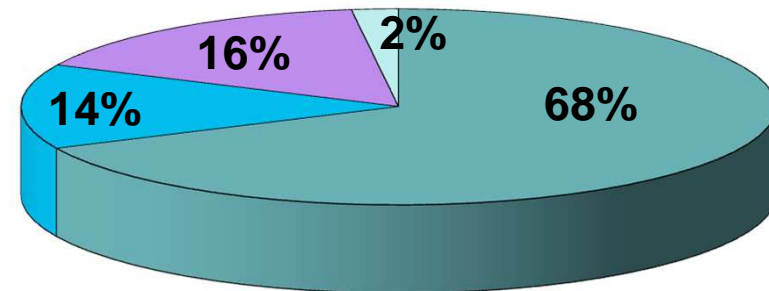
Performance target (since 2014) – to achieve 6.5% pa on long-term basis

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 2018



Pooling

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

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

The Nottinghamshire Pension Fund has become part of LGPS Central.

Despite the tight timescales LGPS Central was launched on 1st April and has begun to create sub-funds for us to invest in.

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

Pooling

LGPS Central has already set up sub funds for internally managed passive equities (UK and Global ex-UK). We made an investment in each of these in August.

An externally managed Active Equity Global mandate is to be launched by the end of the year, with other sub funds planned to follow.

In July our in-house equity portfolio was transferred to LGIM's management as part of the wider Pool. This portfolio will be known as the Core Index portfolio in the future.

Summary

- Investment returns were lower in 17/18, largely to do with a drop in the equity markets just before the end of the year
- Equity returns are behind the Fund's strategic benchmark largely due to the higher weighting to UK equities
- Total returns are ahead of the actuary's assumed return
- Asset allocation is the most important factor in driving long term investment returns