

Item 4

CT/13/25

Investment & Pension Fund Committee

7 June 2013

INVESTMENT MANAGEMENT REPORT

Report of the County Treasurer

All recommendations contained in this report are subject to confirmation by the Committee before taking effect.

Recommendations:

- (i) that the Investment Management Report be noted;
- (ii) that a new commitment to infrastructure assets be agreed
- (iii) that no new money be allocated in the current quarter.

1) FUND VALUE AND ASSET ALLOCATION

The table below shows the Fund value and the asset allocation for the Fund compared to the target asset allocation as at **31 March 2013**.

Fund Value and Asset Allocation

	Fund Value as at 31.03.13	Target allocation	Fund asset allocation at 31.03.13	Variation from Target
	£m	%	%	%
Fixed Interest				
Bonds	391.0	15.0	13.0	
Cash	94.3	3.0	3.1	
	485.3	18.0	16.1	-1.9
Equities				
Passive Equities	1,120.0	35.0	37.2	
Active Equities	681.5	20.0	22.7	
	1,801.5	55.0	59.9	+4.9
Diversified Growth Funds	447.5	15.0	14.9	-0.1
Alternatives				
Property	238.1	10.0	8.0	
Infrastructure	34.0	2.0	1.1	
	272.1	12.0	9.1	-2.9
Total Fund	3,006.4	100.0	100.0	

- The Fund has grown from £2,762.4m to £3,006.4 over the last quarter.

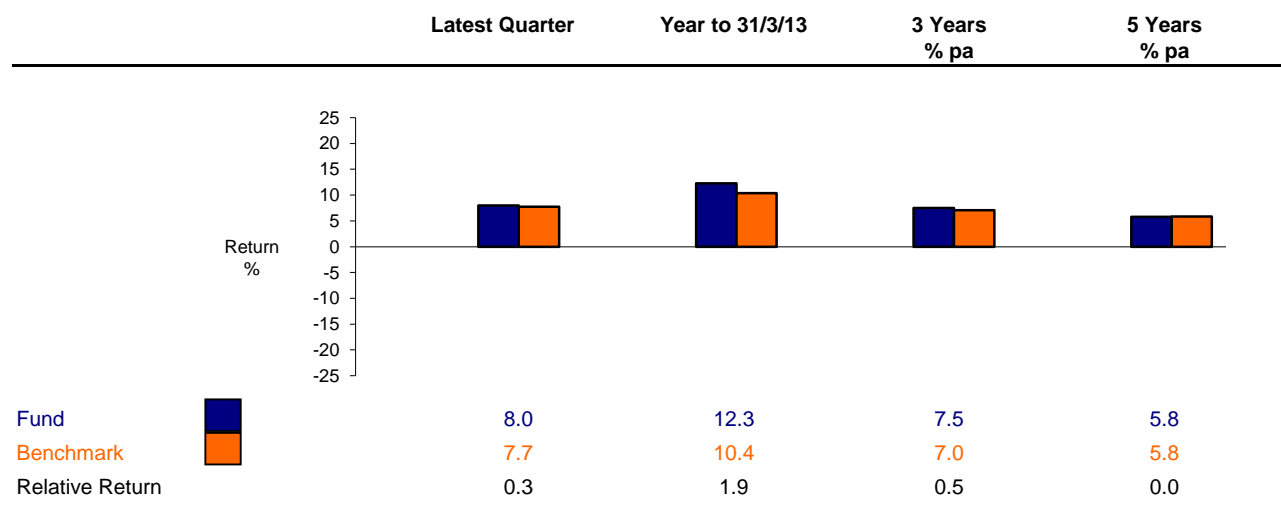
Item 4

- The table reflects the asset allocation targets as agreed by the Committee. The target ranges have a tolerance level of plus/minus 2.5% for market movement.
- The Fund's equity holdings were significantly above their target allocation of 55% at 31 March. Following consultation with the Fund's investment adviser it was agreed that £40 million be transferred from the emerging market equity mandate into the underweight property allocation. This will be actioned during 2013 as the property manager draws down the funds, with the money behind held in the Barings diversified growth fund until required.
- To bring the equity allocation closer to its target allocation it is also recommended that a further £60 million of equities are sold during the year. As the allocation to infrastructure is currently below its target level the money should be used to make a small additional commitment to infrastructure, as detailed in the Committee paper on infrastructure strategy. The value of the Fund's existing infrastructure investment with UBS is likely to decrease over time as the manager realises gains in the underlying assets. Following discussions with the Fund's investment adviser a suitable core infrastructure offering has been identified with Aviva, the Fund's property manager. A £60 million commitment to the Aviva funds would then be drawn down over the year.

2) FUND PERFORMANCE

The performance of the Total Fund over the last quarter, the current financial year and on a rolling three and five year basis are shown in the following chart.

Longer Term Fund Performance Summary



A breakdown of the performance of the Total Fund for the year to 31 March 2013 and the comparative Index returns are shown in the table below:

Item 4

Performance for the 12 months to 31 March 2013

Sector	Fund Return	Benchmark	Benchmark Description
	%	%	
Global Fixed Interest	8.0	6.5	BarCap Global Bonds
Cash (inc Foreign Currency)	-3.2	0.4	GBP 7 Day LIBID
Passive Equities	16.6	16.8	Devon Bespoke Passive Index
Active Equities	17.8	17.5	FTSE World
Diversified Growth Funds	11.5	3.3	Devon Multi Asset Benchmark
Infrastructure	20.6	0.4	GBP 7 Day LIBID
Property	0.9	0.3	IPD UK PPF All Balanced Funds
Total Fund	12.3	10.4	Devon Bespoke Index

The total Fund return for the year was 1.9% ahead of the Fund's customised benchmark. The customised benchmark was revised for the current year to reflect the Fund's current asset allocation targets, to provide a better indication of how the Fund is performing against its current strategy. The rolling three year return is 0.5% ahead of benchmark, while the rolling 5 year figure is in line with the benchmark.

The current year performance figures for the Total Fund will take into account the impact of the transition process, involving the liquidation of the Fund's previous multi-asset mandate and its re-investment into the DGFs. Taking this into account the current performance against benchmark can be considered a good result.

Mary Davis

Local Government Act 1972

List of Background Papers Nil

Contact for Enquiries: Richard Bettley/Mark Gayler

Tel No: (01392) 383621 Room G97/G99