

Item 6

CT/13/43

Investment & Pension Fund Committee

13 September 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 the Statement of Investment Principles be amended to reflect the revised asset allocation agreed at the last committee;
- (iii) that the County Treasurer, in consultation with the Chairman, take appropriate action in accordance with the Fund's rebalancing policy to fund the agreed allocation to infrastructure.

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 **30 June 2013**.

Fund Value and Asset Allocation

	Fund Value as at 30.06.13	Target allocation	Fund asset allocation at 30.06.13	Variation from Target
	£m	%	%	%
Fixed Interest				
Bonds	380.0	14.0	12.9	
Cash	55.6	2.0	1.9	
	435.6	16.0	14.8	-1.2
Equities				
Passive Equities	1,121.5	35.0	38.0	
Active Equities	621.8	20.0	21.0	
	1,743.3	55.0	59.0	+4.0
Diversified Growth Funds	456.9	15.0	15.5	+0.5
Alternatives				
Property	278.7	10.0	9.5	
Infrastructure	34.1	4.0	1.2	
	312.8	14.0	10.7	-3.3
Total Fund	2,948.6	100.0	100.0	

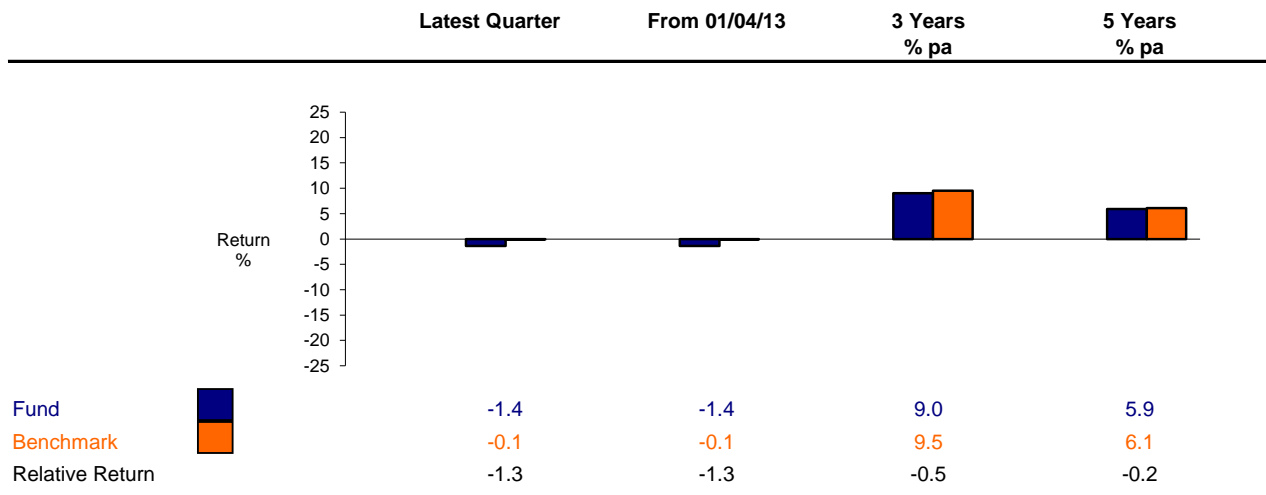
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- The Fund value has dropped below £3 billion following a negative quarter.
- The table reflects the asset allocation targets, including the adjustment to the infrastructure and fixed interest targets agreed at the last meeting of the Committee. The Committee is asked to approve the amendment of the Fund's Statement of Investment Principles to reflect this change. The target ranges have a tolerance level of plus/minus 2.5% for market movement.
- As outlined at the last meeting of the committee, £40 million of equities were sold from the emerging market mandate during the quarter, but the Fund's equity holdings still remain significantly above their target allocation of 55% at 30 June. The recommendation that a further £60 million of equities be sold during the year has not been implemented pending the Committee's further consideration of investment in infrastructure.
- The infrastructure strategy report on the agenda for this meeting makes proposals for new infrastructure investments, in accordance with the strategy agreed at the previous meeting of the Committee. A further investment in infrastructure will bring the allocation to that asset class up to target over time. There will be insufficient cash available to fund the new proposals in their entirety, and it is therefore suggested that the County Treasurer, in consultation with the Chairman, take appropriate action in accordance with the Fund's rebalancing policy to fund the agreed allocation to infrastructure. This is likely to encompass the sale of equities in order to bring the allocation of equities back in line with target.

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 quarter to 30 June 2013 and the comparative Index returns are shown in the following table:

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Performance for the quarter to 30 June 2013

Sector	Fund Return	Benchmark	Benchmark Description
	%	%	
Global Fixed Interest	-3.8	-2.7	BarCap Global Bonds
Cash (inc Foreign Currency)	2.4	0.1	GBP 7 Day LIBID
Passive Equities	-0.1	-0.1	Devon Bespoke Passive Index
Active Equities	-3.3	0.3	FTSE World
Diversified Growth Funds	-2.1	1.0	Devon Multi Asset Benchmark
Infrastructure	1.3	0.1	GBP 7 Day LIBID
Property	1.7	1.4	IPD UK PPF All Balanced Funds
Total Fund	-1.4	-0.1	Devon Bespoke Index

The Fund return for the first quarter was 1.3% below the Fund's customised benchmark. This was a disappointing result for the Fund, and has also impacted on the rolling three and five year returns, which are 0.5% and 0.2% respectively below benchmark.

3) CASH MANAGEMENT

- (a) At 27 August 2013 the unallocated cash on deposit amounted to **£45.7m**. From this members will note that £30.0m was held in Call Accounts and £15.7m in term deposits (in varying time frames). The policy is to achieve attractive rates so far as is possible, whilst ensuring security and liquidity. The cash held is being maintained at a lower level than in the past, which has an impact on the rates achievable.

Cash on Deposit

Type of Deposit	Maturity period	Amount	Cumulative	Percent of Total
		£m	£m	%
Call and Notice Accounts	Immediate	30.0	30.0	65.6
	30 Days	0.0		0.0
Term	Quarter to:			
	30-Sep-2013	10.0		21.9
	31-Dec-2013	0.0		0.0
	31-Mar-2014	0.0		0.0
	30-Jun-2014	5.7	15.7	12.5
TOTAL (at 6 November 2012)			45.7	100.0

- (b) The weighted average rate being earned on cash deposits, as at 27 August 2013, is **0.74%**.
- (c) The deposits in place fully comply with the Fund's Treasury Management and Investment Strategy for 2013/14. A schedule of investments will be available at the meeting if members require details of the current portfolio.

Mary Davis

Local Government Act 1972

List of Background Papers Nil

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