Havering
LONDON BOROUGH

PENSIONS COMMITTEE **23 September 2014**	

Subject Heading:	**PENSION FUND PERFORMANCE MONITORING FOR THE QUARTER ENDED 30 JUNE 2014**
CMT Lead:	**Andrew Blake Herbert**
Report Author and contact details:	Debbie Ford Pension Fund Accountant (01708) 432569 debbie.ford@havering.gov.uk
Policy context:	Pension Fund Managers' performances are regularly monitored in order to ensure that the investment objectives are being met.
Financial summary:	This report comments upon the performance of the Fund for the period ended 30 June 2014

The subject matter of this report deals with the following Council Objectives

Clean, safe and green borough	[]
Excellence in education and learning	[]
Opportunities for all through economic, social and cultural activity	[]
Value and enhance the life of every individual	[X]
High customer satisfaction and a stable council tax	[]

SUMMARY

This report provides the Committee with an overview of the performance of the Havering Pension Fund investments for the quarterly period to 30 June 2014. The performance information is taken from the Quarterly Performance Report supplied by each Investment Manager, the WM Company Quarterly Performance Review Report and Hymans Monitoring Report.

The net return on the Fund's investments for the **quarter** to 30 June 2014 was **1.7%.** This represents a performance in line with the tactical benchmark and an under performance of **-1.3%** against the strategic benchmark.

The overall net return of the Fund's investments for the **year** to 30 June 2014 was **9.2%.** This represents an out performance of **1.1%** against the annual tactical combined benchmark and an out performance of **0.7%** against the annual strategic benchmark.

It is now possible to measure the individual managers' annual return for the new tactical combined benchmark since they became active on the 14th February 2005. These results are shown later in the report.

RECOMMENDATIONS

That the Committee:

1) Considers Hymans performance monitoring report and presentation (Appendix A).
2) Receive a presentation from Royal London (Investment Grade bonds Manager) and UBS (Property Manager).
3) Notes the summary of the performance of the Pension Fund within this report.
4) Considers the quarterly reports provided by each investment manager.
5) Considers and notes any Corporate Governance issues arising from voting as detailed by each manager.
6) Considers any points arising from officer monitoring meetings (section 4 refers).
7) Notes the unforeseen circumstances resulting in termination of the Barings Mandate (section 4.7 refers).
8) Agree to the Fund's Investment Advisor, Hymans, to continue researching a replacement Fund Manager.
9) Notes the analysis of the cash balances (paragraphs 2.2 and 2.3 refers).

REPORT DETAIL

1. Background

1.1 The Fund undertook a full review of the Statement of Investment Principles (SIP) during 2012/13 and following the appointments of the Multi Asset Managers in September 2013, who commenced trading in December 2013;

this almost completes the fund's restructuring. The Fund is still considering options for an investment in Local Infrastructure.

1.2 A strategic benchmark has been adopted for the overall Fund of Gilts + 1.8% (net of fees) per annum. This is the expected return in excess of the fund's liabilities over the longer term. **The main factor in meeting the strategic benchmark is market performance.**

1.3 Individual manager performance and asset allocation will determine the out performance against the strategic benchmark. Each manager has been set a specific (tactical) benchmark as well as an outperformance target against which their performance will be measured. This benchmark is determined according to the type of investments being managed. This is not directly comparable to the strategic benchmark as the majority of the mandate benchmarks are different but contributes to the overall performance.

1.4 Changes to the Asset Allocation targets were agreed by members at the Pensions Committee meeting on the 26 March 2013 and 24 July 2013. The long term strategy of the fund adopted at those meetings was to reduce exposure to equities and invest in multi asset strategies.

1.5 The following table reflects the asset allocation split following the commencement of trading of the new multi asset managers:

Manager and % of target fund allocation	**Mandate**	**Tactical Benchmark**	**Out performance Target**
State Street (SSgA) 8%	UK/Global Equities - passive	UK- FTSE All Share Index Global (Ex UK) – FTSE All World ex UK Index	To track the benchmark
Baillie Gifford 17%	Global Equities - Active	MSCI AC World Index	1.5 – 2.5% over rolling 5 year period
Royal London Asset Management 20%	Investment Grade Bonds	➢ 50% iBoxx Sterling Non Gilt Over 10 Year Index ➢ 16.7% FTSE Actuaries UK Gilt Over 15 Years Index ➢ 33.3% FTSE Actuaries Index-Linked Over 5 Year Index	0.75%
UBS 5%	Property	IPD (previously called HSBC/AREF) All Balanced Funds Median Index	To outperform the benchmark
Ruffer 15%	Multi Asset	Not measured against any market index – for illustrative purposes LIBOR (3 months) + 4%.	To outperform the benchmark
Barings – Dynamic Asset Allocation Fund 20%	Multi Asset	Sterling LIBOR (3 months) +4%	To outperform the benchmark
Baillie Gifford – Diversified Growth Fund	Multi Asset	UK Base Rate +3.5%	To outperform the benchmark

Manager and % of target fund allocation	Mandate	Tactical Benchmark	Out performance Target
15%			

1.6 UBS, SSgA, Baillie Gifford and Barings manage the assets on a pooled basis. Royal London and Ruffer manage the assets on a segregated basis. Performance is monitored by reference to the benchmark and out performance target. Each manager's individual performance is shown in this report with a summary of any key information relevant to their performance.

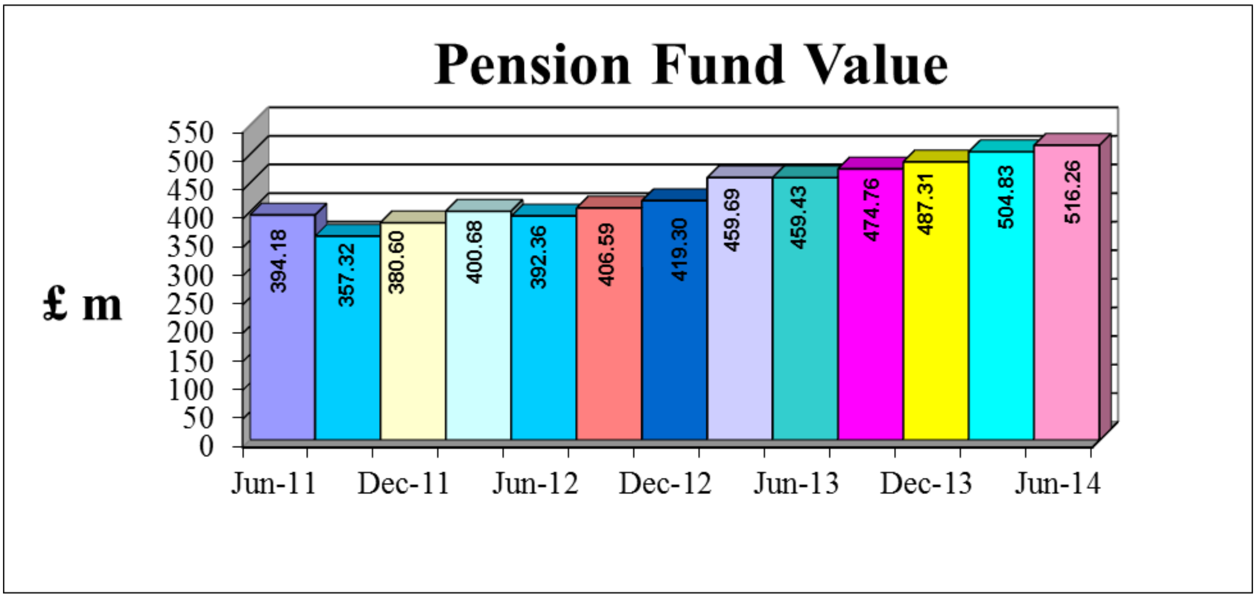
1.7 Since 2006, to ensure consistency with reports received from our Performance Measurers, Investments Advisors and Fund Managers, the 'relative returns' (under/over performance) calculations has been changed from the previously used arithmetical method to the industry standard geometric method (please note that this will sometimes produce figures that arithmetically do not add up).

1.8 Existing Managers are invited to present at the Pensions Committee Meeting every six months. On alternate dates, they meet with officers for a formal monitoring meeting. The exception to this procedure is the Multi Asset Managers (Ruffer, Barings and Baillie Gifford) and the Passive Equity Manager (SSgA) who will attend two meetings per year, one with Officers and one with the Pensions Committee. However if there are any specific matters of concern to the Committee relating to the Managers performance, arrangements can be made for additional presentations.

1.9 Hyman's performance monitoring report is attached at **Appendix A.**

2. Fund Size

2.1 Based on information supplied by our performance measurers the total combined fund value at the close of business on 30 June 2014 was **£516.25m**. This valuation differs from the basis of valuation used by our Fund Managers and our Investment Advisor in that it excludes income. This compares with a fund value of £504.36m at the 31 March 2014; an **increase** of **£11.89m**. The movement in the fund value is attributable to an increase in assets of £9.70m and an increase in cash of £2.19m. The internally managed cash level stands at **£6.44m** of which an analysis follows in this report.



Source: WM Company (Performance Measurers)

2.2 An analysis of the internally managed cash balance of **£6.44** follows:

CASH ANALYSIS	**2012/13**	**2013/14 Updated**	**2014/15 30 Jun 14**
	£000's	£000's	£000's
Balance B/F	**-1194**	**-3474**	**-5661**
Benefits Paid	31272	32552	8148
Management costs	1779	2312	124
Net Transfer Values	-1284	-1131	259
Employee/Employer Contributions	-30222	-45659	-10665
Cash from/to Managers/Other Adj.	-3780	9825	1368
Internal Interest	-45	-86	-11
Movement in Year	**-2280**	**-2187**	**-777**
Balance C/F	**-3474**	**-5661**	**-6437**

2.3 As agreed by members on the 27June 2012 a cash management policy has now been adopted. The policy sets out that should the cash level fall below the de-minimus amount of £2m this should be topped up to £4m. This policy includes drawing down income from the bond and property manager.

3. Performance Figures against Benchmarks

3.1.1 The overall net performance of the Fund against the new **Combined Tactical Benchmark** (the combination of each of the individual manager benchmarks) follows:

	Quarter to 30.06.14	**12 Months to 30.06.14**	**3 Years to 30.06.14**	**5 years to 30.06.14**
Fund	1.7%	9.2%	8.5%	12.0%
Benchmark return	1.7%	8.1%	7.5%	11.6%
*Difference in return	0.0%	1.1%	0.9%	0.3%

Source: WM Company

**Totals may not sum due to geometric basis of calculation and rounding.*

3.1.2 The overall net performance of the Fund against the **Strategic Benchmark** (i.e. the strategy adopted of Gilts over 15 years + 1.8% Net of fees) is shown below:

	Quarter to 30.06.14	**12 Months to 30.06.14**	**3 Years to 30.06.14**	**5 years to 30.06.14**
Fund	1.7%	9.2%	8.5%	12.0%
Benchmark return	3.0%	8.5%	11.7%	10.4%
*Difference in return	-1.3%	0.7%	-2.9%	1.5%

Source: WM Company

**Totals may not sum due to geometric basis of calculation and rounding.*

3.1.3 The following tables compare each manager's performance against their **specific (tactical) benchmark** and their **performance target** (benchmark plus the agreed mandated out performance target) for the current quarter and the last 12 months.

QUARTERLY PERFORMANCE (AS AT 30 JUNE 2014)

Fund Manager	Return (Performance)	Benchmark	Performance vs benchmark	Target	Performance vs Target
Royal London	2.40	2.31	**0.09**	2.50	**-0.10**
UBS	6.08	4.32	**1.78**	n/a	**n/a**
Ruffer	0.32	0.10	**0.22**	n/a	**n/a**
SSgA	2.61	2.62	**-0.01**	n/a	**n/a**
SSgA Sterling Liquidity Fund	0.12	0.08	**0.04**	n/a	**n/a**
Baillie Gifford (Global Alpha Fund)	0.30	2.60	**-2.30**	n/a	**n/a**
Barings (DAAF)	1.70	1.10	**0.60**	n/a	**n/a**
Baillie Gifford (DGF)	2.20	1.00	**1.20**	n/a	**n/a**

Source: WM Company, Fund Managers and Hymans

- Totals may not sum due to geometric basis of calculation and rounding.

ANNUAL PERFORMANCE (LAST 12 MONTHS)

Fund Manager	Return (Performance)	Benchmark	Performance vs benchmark	Target	Performance vs Target
Royal London	8.51	6.81	**1.70**	7.56	**0.95**
UBS	17.85	15.06	**2.79**	n/a	**n/a**
Ruffer	0.82	0.50	**0.32**	n/a	**n/a**
SSgA	9.51	9.56	**-0.05**	n/a	**n/a**
SSgA Sterling Liquidity Fund	0.46	0.35	**0.11**	n/a	**n/a**
Baillie Gifford (Global Alpha Fund)	10.70	9.60	**1.10**	n/a	**n/a**
Barings	n/a	n/a	**n/a**	n/a	**n/a**
Baillie Gifford (DAAF)	n/a	n/a	**n/a**	n/a	**n/a**

Source: WM Company, Fund Managers and Hymans

- Barings and Baillie Gifford Diversified Growth Fund not included as they were not invested for entire period.
- Totals may not sum due to geometric basis of calculation and rounding.

4. Fund Manager Reports

4.1. UK Investment Grade Bonds (Bonds Gilts, UK Corporates, UK Index Linked, UK Other) – (Royal London Asset Management)

a) Representatives from Royal London are due to make a presentation at this Committee therefore a brief overview of their performance as at 30 June 2014 follows.

b) The Royal London portfolio fund saw an increase in value of 2.3% since the previous quarter.

c) Royal London delivered a return of 2.40% during the quarter and outperformed the benchmark by 0.09% over the quarter. Since inception they outperformed the benchmark by 0.74% and the target by -0.01%.

4.2. Property (UBS)

a) Representatives from UBS are due to make a presentation at this Committee therefore a brief overview of their performance as at 30 June 2014 follows.

b) The value of the fund as at 30 June 14 rose by 6.7% since the previous quarter.

c) UBS delivered a return of 6.08% outperforming the benchmark in the quarter by 1.78%. The UBS portfolio is ahead of the benchmark over the year by 2.79%.

d) At the EGM in June the key proposals for modernisation of the fund were agreed as follows:
   - Establishing an Independent Supervisory board with oversight of the fund manager and fund governance, with the ability to facilitate dialogue between unit holders and the management team.
   - The modernisation of the existing redemption provisions
   - Introducing clauses covering a Key Person event and a process for the removal of the manager.

e) The Fund's Supervisory board is now in place and its first meeting is scheduled for October 2014.

f) UBS have now implemented the regulatory changes in July 2014 to comply with the requirements of the Alternative Investment Fund Managers Directive (AIFMD). These included changing the legal name of the entities responsible for the sub funds.

g) The two assistant portfolio managers have left the fund since UBS last met with the Committee. An internal appointment to replace one manager has already taken place and recruitment is underway for the other post.

4.3. Multi Asset Manager (Ruffer)

a) In accordance with agreed procedures officers will only meet with representatives from Ruffer once in the year with the other meeting to be held with members. The Pensions Committee last met with Ruffer at the June 2014 meeting at which their performance as at the end of March 14 was discussed. Officers will meet with representatives from Ruffer in February 2015. An overview of their performance as at 30 June 2014 follows.

b) Since the March 14 quarter end the value of the portfolio has increased by 0.57%.

c) Ruffer has outperformed the benchmark in the quarter by -0.22% (net of fees) and outperformed the benchmark in the year by 0.32% (net of fees).

d) Ruffer has said that the second quarter of 2014 has been a frustrating one. They made a weak start in April as the increase in consumption tax (VAT) in Japan weighed on that market. For the reminder of the quarter, performance was reasonable, leaving the portfolio broadly flat.

4.4. Passive Equities Manager (SSgA)

a) In accordance with agreed procedures officers will only meet with representatives from SSgA once in the year with the other meeting to be held with members. SSgA are next due to meet the committee in March 2015. Officers met with representatives from SSgA on the 12 May 2014 at which a review of their performance as at 31 March 14 was discussed. An overview of their performance as at 30 June 2014 follows.

b) The value of the portfolio has increased by 2.1% since the march 2014 quarter.

c) An Executive Decision was made to transfer £11,500,000 to MPF Sterling Liquidity Index sub-Fund in March 2014 pending consideration of options for an investment in Local Infrastructure.

d) As anticipated from an index-tracking mandate, State Street performed in line with the benchmark over the latest quarter and since inception. The sterling liquidity element of the portfolio has seen a return of 0.12% which has outperformed the benchmark by 0.04%.

e) SSgA mentioned that they are looking at ways of enhancing returns in Index Equity Portfolio management. The opportunities that are available are options for the portfolio to track different indices that may deliver better returns. Officers in conjunction with the fund’s investment adviser will consider the options available and report back to the Committee, as appropriate.

Pensions Committee, 23 September 2014

4.5. Global Equities Manager (Baillie Gifford)

a) In accordance with agreed procedures officers met with representatives from Baillie Gifford on the 21 August 2014 at which a review of their performance as at 30 June 14 was discussed.

b) Since the last quarter the portfolio increased in value by 0.33%.

c) Baillie Gifford underperformed the benchmark over the quarter by -2.3% (net of fees) and outperformed the benchmark by 2.4% (net of fees) over the last year. Since inception they have outperformed the benchmark by 2.4%.

d) Baillie Gifford stated that although the fund underperformed in the second quarter, there were no major detractors while a positive performance came from a wide range of stock contributors.

e) Their fund positioning remains unchanged over the past quarter, they continued to increase exposure to information technology & innovation and the focus in Emerging Markets continues to shift from infrastructure to consumer- oriented companies.

f) Current positioning of the portfolio has holdings in Growth Stalwarts (strong Brands) 26%, Rapid Growth (fastest growth) 21%, Cyclical Growth (longer term performance) 36%, Latent Growth (stocks most out of favour with the markets) 16% and cash of 1%.

g) They added to Wellpoint during the quarter and completed sales in illumine and reduced holdings in Walt Disney.

h) Underperformance over the last quarter follows an exceptionally strong performance so Baillie Gifford was asked whether this was expected. They said that that this was normal and follows an unusually long period of over performance. They expect performance to go up and down over the long term period and whilst this quarter saw fewer transactions than the previous 3 quarters, the annualised stock turnover remains in the normal range of around 20% - entirely consistent with their long term investment horizon. They have sought to crystallise profits within the portfolio by taking profit from high value shares that they feel have peaked, capitalising on the short term price volatility in order to reinvest in attractive long term opportunities.

i) Baillie Gifford commented on the health care industry as a source of opportunity, so they were asked how they are exploiting this opportunity within the portfolio. They said that the industry is dominated by traditional big pharmaceutical companies, with unattractive cumbersome business models, but at the other end of the market, they are excited by a number of nimbler more innovative companies in the personalised healthcare industry, which they feel have the opportunity to disrupt the big players and ultimately bring down the cost of healthcare provision. They remain cognisant of whether future growth is fairly reflected in share price valuation, as such, sold shares in Illumina (producer of gene sequencing machines) to take advantage of the recent strength in share price. The US Healthcare market has changed significantly over the past few years; they recently reassessed the investment case for the holdings in Wellpoint and are convinced that Wellpoint is in a strong position to benefit from the Affordable Care Act, which is hoped to bring affordable healthcare to an additional 30 million people. As a result they decided to increase the holdings in Wellpoint.

j) Baillie Gifford was asked about emerging markets and whether they expect the recent good performance is expected to continue. They feel that there are still major opportunities within the emerging markets, however after increased stock price they sold out taking advantage of profit, but feel the timing is now right to buy again. After research of the emerging markets they have a shopping list of companies to invest in when the prices are right. They have purchased holding in an Asian insurance portfolio and feel that there are decades of expansion in countries such as Cambodia and Vietnam where there is no provision for healthcare etc. The Chinese government's recent crackdown on corruption may lead to more healthcare/hospital procurement, so should increase opportunities in the Chinese healthcare market.

k) Overall, Baillie Gifford's outlook for the portfolio over the longer term indicates that bouts of volatility may continue but believes this provides opportunity for stock pickers. They are optimistic that the longer term investment case remains intact. They remain focused on finding exciting companies from around the world that will drive growth for the next five years. They look to capitalise on short term share price volatility in order to invest in attractive long term opportunities.

l) No governance or whistle blowing issues were reported.

4.6. Multi Asset Manager (Baillie Gifford Diversified Growth Fund)

a) In accordance with agreed procedures officers met with representatives from Baillie Gifford on the 21 August 2014 at which a review of their performance as at 30 June 14 was discussed.

b) Since the last quarter the portfolio increased in value by 2.2%.

c) Baillie Gifford outperformed their benchmark by 1.2% over the quarter (net of fees) and outperformed the benchmark by 1.2% (net of fees) since inception.

d) During the quarter, there were no large scale changes made to the asset allocation, this is consistent with a broadly unchanged economic outlook from the first 3 months of the year.

e) Over the quarter, Baillie Gifford reduced allocations to cash and high yield credit and increased the allocation to Emerging Market Bonds, Absolute Return and Structured Finance. The sole detractor from the performance was the allocation to Absolute Return strategies.

f) Baillie Gifford referred to having allocated to 'highly rated Structured Finance' investments. The implications here is lower risk and potentially lower returns, we asked if they could explain these investments. They said that Structured Finance is mainly mortgage backed finance; the investments are in mortgages backed by commercial properties which have a high value to mortgage. Given the low risk nature of these investments they view them as an attractive alternative to cash deposit rates on offer, with prospective returns of 1.5% above cash.

g) The Fund has a relative large allocation to emerging market bonds with the biggest performance this quarter attributed to it. This quarter there have also been additions to this holding through purchases in Mexican, Columbian and Peruvian local currency bonds, we asked them what their outlook is for this asset class. They said that they increased allocation to emerging markets through the direct holdings in these countries, which as well as having attractive growth prospects, they think that they will benefit from good macroeconomic management. However, in 2013 these bonds sold off alongside the Emerging Markets index, so gave Baillie Gifford the opportunity of buying at attractive yields of between 6% and 7%.The risks associated with these investment are the volatility of governments resulting in deterioration in the economic environment within the country but this is monitored closely.

h) We asked Baillie Gifford how they expected the economic climate to impact on asset allocation over the next twelve months and to what extent are policy decisions likely to impact on expected returns? They said that they are encouraged by the recent improvement in economic data in the developed world, which if sustained could bolster asset prices further. However they think that there are several potential issues still to be considered, for the UK and US continuing recovery presents central banks with some important challenges, current monetary policy has been supportive for many asset classes, but should there be stronger recovery than expected, particularly accompanied by an increase in inflation, this may require faster increase in interest rates than markets expect. This would be a negative for fixed income markets and perhaps other high yielding assets. Of the geopolitical risk, the Middle East and Ukraine is where continued unrest may have wider implications, particularly for energy prices so they are looking to take advantage of this.

i) Overall, against this backdrop Baillie Gifford will maintain a broadly diversified portfolio with a substantial allocation to more defensive assets such as Government and Investment grade bonds, Structured Finance and Cash. They believe this will deliver a worthwhile return in a wide range of different economic environments.

j) No governance or whistle blowing issues were reported

4.7. Multi Asset Manager (Barings – Dynamic Asset Allocation Fund))

a) In accordance with agreed procedures officers will only meet with representatives from Barings once in the year with the other meeting to be held with members. Barings will be meeting with members in December 2014. Officers met with Barings on the 12 May 2014, at which a review of their performance as at 31 March 14 was discussed. An overview of their performance as at 30 June 2014 follows.

b) The value of the fund as increased in value by 1.66% since the previous quarter.

c) Barings target cash+4% returns within 70% equity risk. They focus on dynamic asset allocation, diversifying in different ways at different times, using external Managers where appropriate.

d) Barings Dynamic Asset Allocation Fund returned 1.7%, outperforming the investment objective of LIBOR+4% by 0.6%. Since inception, the fund is behind the investment objective with a relative return of -0.4%.

e) The main contributors to performance have come from its exposure to overseas equities and the currency exposure hedged back to into Sterling, which because of the strength of sterling was of a benefit to the fund.

f) During the quarter they made a significant change to the portfolio by reducing the Fund's exposure to US high yield bonds in favour of emerging government bonds.

g) On the 13 August 2014 Barings issued the following advice of changes to the Chief Investment Officer and Multi Asset team at Barings.

"Ken Lambden has been appointed Chief Investment Officer, effective 16 September. Ken joins Barings from Schroders where he was most recently Global Head of Equities with oversight for over £90bn of assets managed by a team of investors spread across the globe.

After seven years in the position of CIO at Barings, Marino Valensise decided to move back into a more hands on investment role. That role will now be as Head of Multi Asset Group reporting to Ken Lambden. The appointment of Marino to the role of Head of Multi Asset Group follows Percival Stanion's decision to resign to take up an external opportunity. Andrew Cole and Shaniel Ramjee have also decided to resign from Barings. Marino's leadership of the Multi Asset Group and his chairmanship of the Strategic Policy Group will take effect immediately. Following Percival's departure, Marino will take on the responsibility of lead manager for the Baring Dynamic Asset Allocation Fund.

As CIO and a member of the Strategic Policy Group for over seven years, Marino has been influential in the evolution of Barings' Multi Asset franchise as well as the recruitment of the investment team. Over his tenure as Barings' CIO this franchise has grown significantly, from the launch of the Baring Dynamic Asset Allocation Fund in 2007 through to the development of a global range of diversified growth mandates built for institutional and retail clients in multiple regions. Marino will ensure continuity of investment approach and insight across the portfolios".

h) As a consequence of these changes, our Investment advisors Hymans Robertson informed us that there was a risk that these changes may lead to further instability within the investment team. As at 21 August, following the announcement, Barings received substantial redemption requests resulting in a net outflow of £1.91 billion. This represents just over 20% of the total Barings Fund. Based on advice from Hymans the Fund submitted a redemption notice with Barings on the 29 August 2014.

i) The redemption value is £100.6m and was settled on the 4 September 2014. Pending a search for a replacement Fund Manager this money will be invested in the State Street Global Advisors Sterling Liquidity Fund.

j) Options for a replacement Fund Manager will be brought back to the Committee for approval once Hymans has considered available possibilities.

4.8 WM Performance Measurers

a) Officers met with a WM representative on the 21 August 2014 who gave a presentation on the 2013/14 returns of the WM universe (all other LGPS funds). A summary of the major points are as follows:

b) WM universe is made up of 85 funds.

c) The benchmark for the universe was 6.4%.

d) Fund now structured differently from the average fund as shown in the table below :

Asset Allocation	Universe	Havering
Equities	63	26
Bonds	16	20
Multi Asset	3	33
Cash	3	3
Alternatives	7	13
Property	8	5

e) 53% of the funds in the universe outperformed the WM benchmark.

f) Havering Pension Fund return was 7.2% and outperformed the universe benchmark by 0.7%.

g) Havering Pension Fund achieved an overall ranking for the year of 35th.

	2013/14	2012/13	3Yrs	5Yrs	10yrs
Fund Return	7.2	14.6	8.6	13.7	7.0
Benchmark (WM Universe)	**6.4**	**13.8**	**7.5**	**12.7**	**7.8**
Relative Return	0.7	0.7	1.1	0.9	-0.7
Ranking	**35**	**32**	**22**	**25**	**81**

h) The outperformance can be attributed to the effects of asset allocation, with equities making the greatest contribution.

i) WM also produced charts that show the relationship between the absolute level of return achieved and the risk taken in obtaining that return for the main assets classes. Chart showed that the Havering Pension Fund had achieved increased levels of return whilst maintaining a moderate risk level when compared with other funds in the WM universe.

5. Corporate Governance Issues

The Committee, previously, agreed that it would:

1. Receive quarterly information from each relevant Investment Manager, detailing the voting history of the Investment Managers on contentious issues. This information is included in the Managers' Quarterly Reports, which will be distributed to members electronically.

2. Receive quarterly information from the Investment Managers, detailing new Investments made.

   - Points 1 and 2 are contained in the Managers' reports.

3. Voting – Where the fund does not hold a pooled equity holding, Members should select a sample of the votes cast from the voting list supplied by the managers (currently only Ruffer) which is included within the quarterly report and question the Fund Managers regarding how Corporate Governance issues were considered in arriving at these decisions.

This report is being presented in order that:

- The general position of the Fund is considered plus other matters including any general issues as advised by Hymans.

- Hymans will discuss the managers' performance after which the particular manager will be invited to join the meeting and make their presentation. The managers attending the meeting will be from:

  Royal London and UBS

- Hymans and Officers will discuss with Members any issues arising from the monitoring of the other managers.

IMPLICATIONS AND RISKS

Financial Implications and risks:

Pension Fund Managers' performances are regularly monitored in order to ensure that the investment objectives are being met and consequently minimise any cost to the General Fund.

Legal Implications and risks:

None arising directly

Human Resources Implications and risks:

There are no immediate HR implications. However longer term, shortfalls may need to be addressed depending upon performance of the fund.

Equalities and Social Inclusion Implications and risks:

None arising directly

BACKGROUND PAPERS

Standard Life Quarterly report to 30 Jun 2014
Royal London Quarterly report to 30 Jun 2014
UBS Quarterly report to 30 Jun 2014
Ruffer Quarterly reports 30 Jun 2014
State Street Global Assets reports to 30 Jun 2014
Barings Quarterly Reports 30 Jun 2014
Baillie Gifford Quarterly Reports 30 Jun 2014
The WM Company Performance Review Report to 30 Jun 2014
Hyman's Monitoring Report to 30 Jun 2014