

8 May 2014

Agenda Item: 11

REPORT OF SERVICE DIRECTOR – FINANCE & PROCUREMENT

PROPERTY INVESTMENTS

Purpose of the Report

1. To make recommendations for additional investment in property.

Information and Advice

2. This report is to provide information to the Sub-Committee on the current property investments of the Fund and to make suggestions and recommendations for additional investments in property. Some information relating to this report is not for publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972. Having regard to the circumstances, on balance the public interest in disclosing the information does not outweigh the reason for exemption because divulging the information would significantly damage the Council's commercial position in relation to the Pension Fund. The exempt information is set out in the exempt appendix.
3. At its meeting on 6 February 2014, this Sub-Committee made recommendations regarding the Fund's main direct property portfolio and agreed that a further report be brought to consider additional investment in property. This was because members felt that property investments should now be brought closer to the Fund's benchmark allocation, either from unallocated cash or from a reduction in the equities allocation (or a combination of both).
4. The Fund's strategic benchmark is shown below together with the actual asset allocation of the Fund as at 31 December 2013.

Strategic Benchmark			Actual 31/12/13
Equities (inc private equity)	65.0%	FTSE All World	73%
Property	15.0%	IPD annual universe	11%
Bonds	17.5%	FTSE UK Gilt All Stock	13%
Cash	2.5%	LIBID 7 Day	3%
	100.0%		

5. At 31 December 2013, the total exposure of the Fund to property was £401.2m (11% of the Fund) and, as can be seen above, this is underweight the strategic

benchmark exposure of 15%. A breakdown of the Fund's current property investments is shown below.

	£m	% of Fund
UK commercial property	275.9	
UK strategic land	11.1	
Aberdeen Portfolio	287.0	7.8%
Alpha UK Real Estate Fund	0.5	
Keills Property Trust	27.5	
Schroders UK Property Fund	4.2	
UK Pooled	32.2	0.9%
Aberdeen Dynamic European Property Fund of Funds	32.5	
Standard Life European Property Growth Fund	43.4	
Standard Life Global Real Estate IT	6.0	
Overseas Pooled	81.9	2.2%

6. The exempt appendix gives further detail on some of these investments and makes suggestions and recommendations for additional investment. To bring the allocation up to benchmark weight would require additional investment of approximately £140m.

Statutory and Policy Implications

7. This report has been compiled after consideration of implications in respect of finance, the public sector equality duty, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION

- 1) That the report be noted.

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