

Global Services

# Nottinghamshire Pension Fund 2015/16 Investment Performance Review

Period Ending March 2016  
10<sup>th</sup> November 2016  
Elaine Packer



# Agenda

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## Section 1 – Market Environment

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## Section 2 – Total Fund Performance versus Strategic Benchmark

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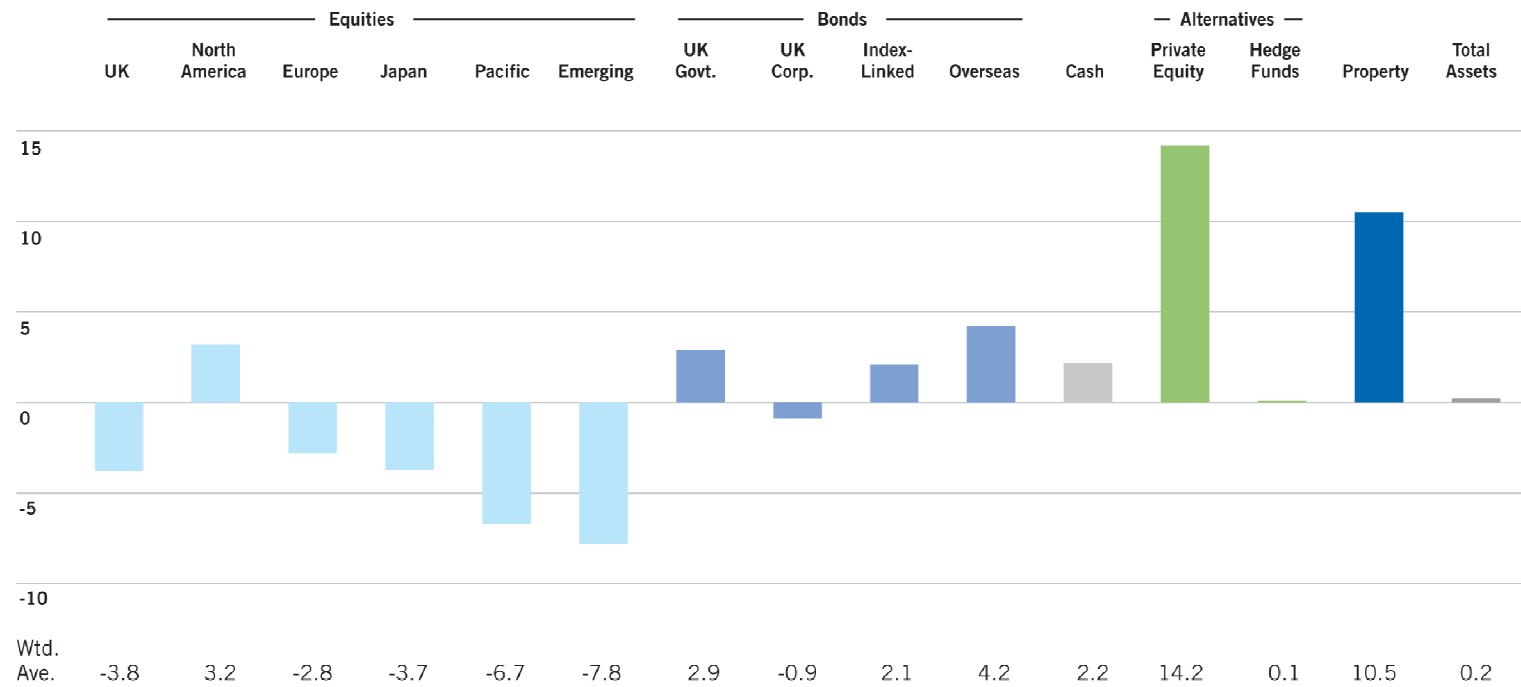
Global Services

## Section 1

# Market Environment



# 2015/2016 Returns (%)

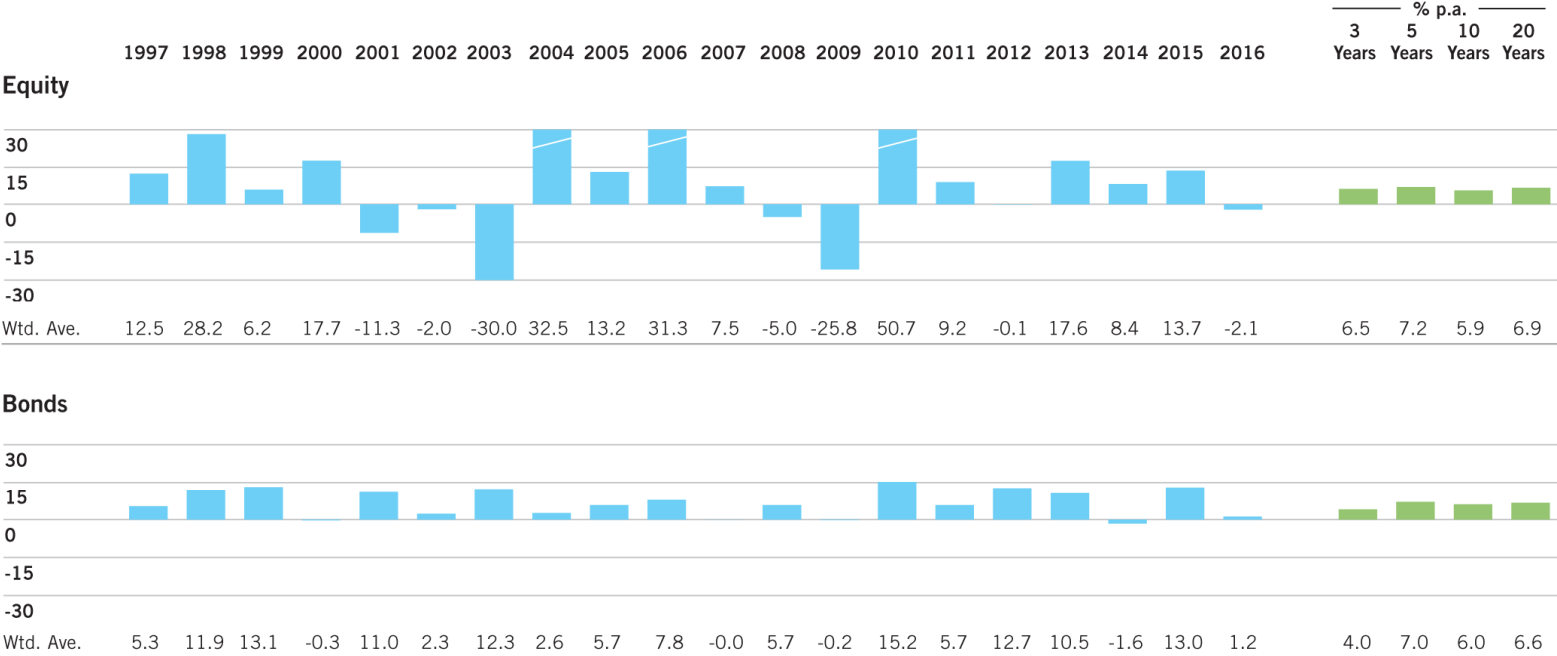


Source: State Street Global Services Performance Services, 2016.

Past performance is not a reliable indicator of future results.

# Long Term Performance

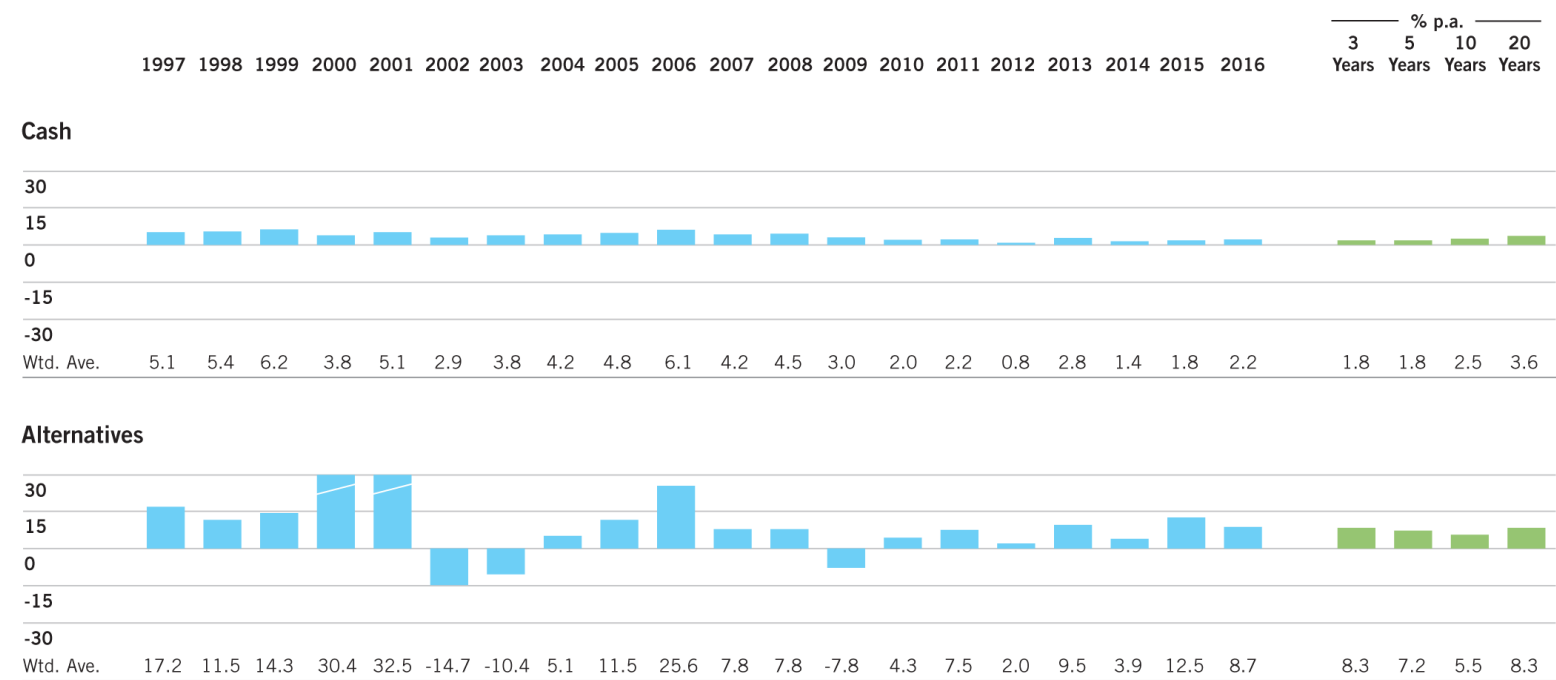
## Annual Returns (%)



\* Source: State Street Global Services Performance Services, 2016. Past performance is not a reliable indicator of future results.

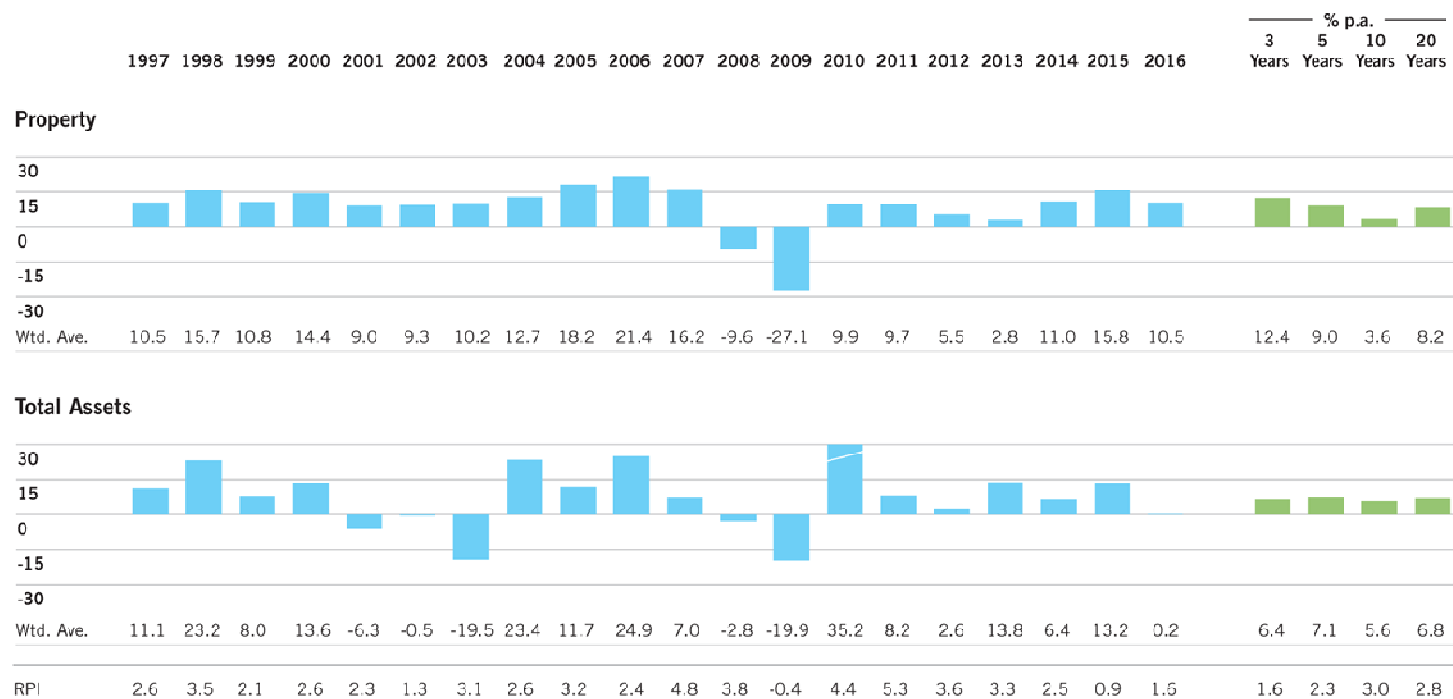
# Long Term Performance

## Annual Returns (%)



# Long Term Performance

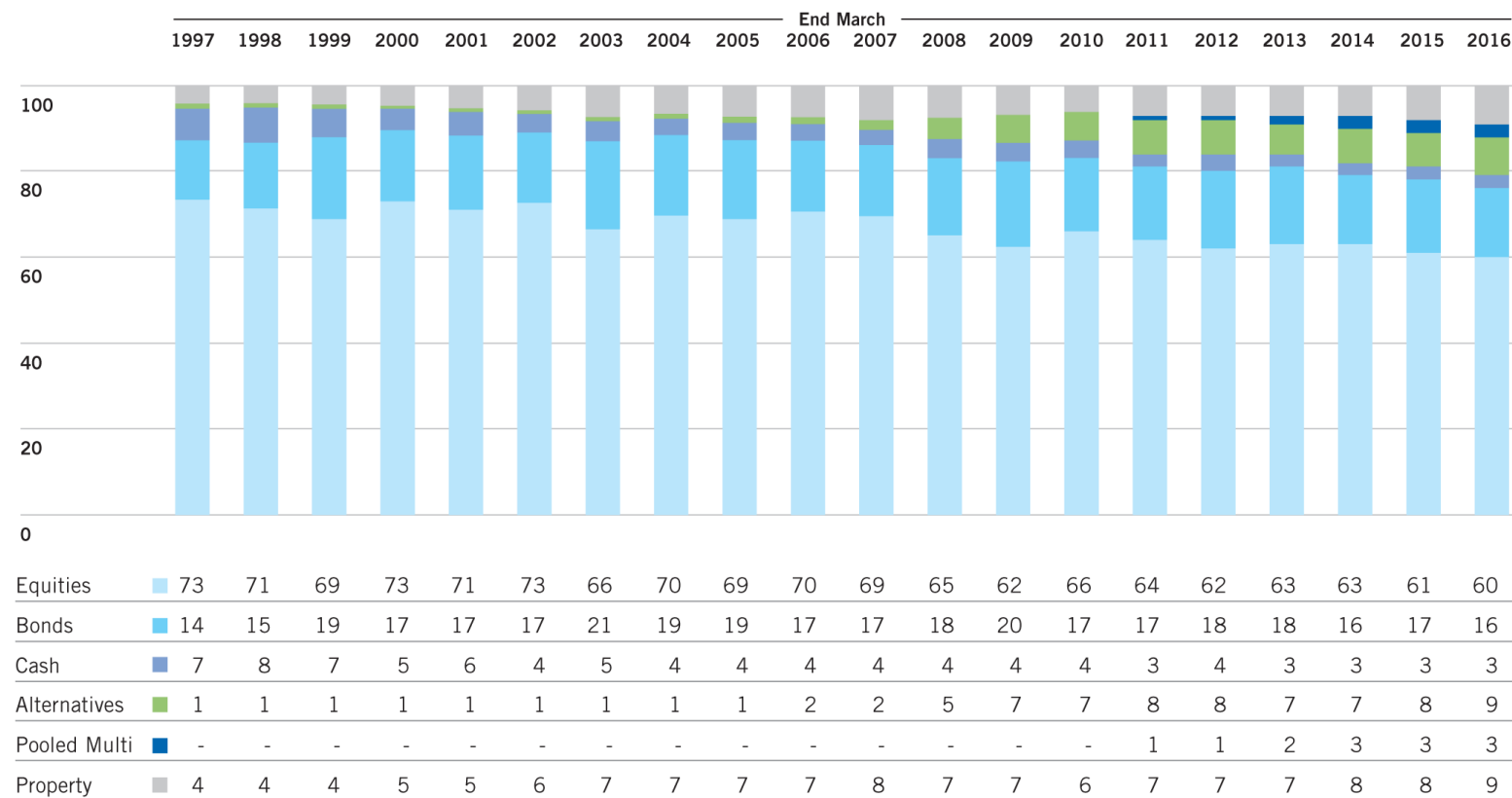
## Annual Returns (%)



\* Source: State Street Global Services Performance Services, 2016.

Past performance is not a reliable indicator of future results.

# Longer Term Asset Allocation (%)



\* Source: State Street Global Services Performance Services, 2016.

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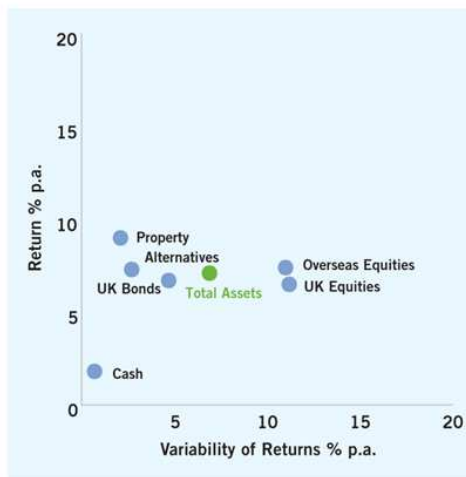


# Regional Equity Performance v FTSE

	1 yr	3yrs	5yrs	10yrs	20yrs
LA UK Equity	-3.8	4.4	6.5	5	6.6
FTSE All Share	-3.9	3.7	5.7	4.7	6.5
	0.1	0.7	0.8	0.3	0.1
LA North America	3.2	12.9	12.6	7.9	7.5
FTSE AW Dev North America	3.6	12.6	12.8	8.8	8.4
	-0.4	0.3	-0.2	-0.9	-0.9
LA Europe ex UK	-2.8	6.7	5.9	5.3	7.8
FTSE AW Dev ex UK	-4.3	6.5	4.8	4.9	7.2
	1.5	0.2	1.1	0.4	0.6
LA Japan	-3.7	7.2	7.6	2.1	2.1
FTSE Japan	-3.3	6.6	6.9	1.7	0.7
	-0.4	0.6	0.7	0.4	1.4
LA Pacific ex Japan	-6.7	0.2	3	8.4	6.3
FTSE AW Dev Pacific ex Japan	-5.4	-0.5	2.1	7.4	5.3
	-1.3	0.7	0.9	1.0	1.0
LA Emerging	-7.8	-0.2	0.2	5.5	
FTSE AW Emerging	-8.9	-1.8	-1.5	5.7	
	1.1	1.6	1.7	-0.2	

# Long Term Risk and Return

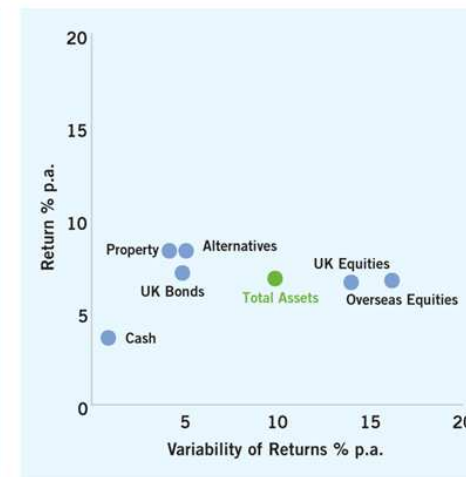
Last 5 Years



Last 10 Years



Last 20 Years



\* Source: State Street Global Services Performance Services, 2016.

Past performance is not a reliable indicator of future results.

# Key Facts

- 2015/16 Local authority Universe contains 88 funds with an aggregate value of £207bn.
- Average fund size £2.4bn (Nottinghamshire £4bn)
- Average fund has 11 investment portfolios (Nottinghamshire internally managed + 3 external managers)
- Average fund has 12% of assets in “Alternatives” (Nottinghamshire 0%)
- Average fund has underperformed its benchmark by 0.1% p.a. over the last 10 years (Nottinghamshire by 0.6% p.a.)

## Section 2

# Total Fund Performance versus Strategic Benchmark

# Fund Structure & Benchmarks

The Fund has a long term objective of achieving and then maintaining sufficient assets to cover 100% of its projected accrued liabilities.

The Pension Fund Committee has defined a range of asset allocation which should allow this objective to be met. The strategic benchmark allocation sits within these ranges and is currently:

	%	Index
Equity	65	FTSE All World
Bonds	17.5	FTSE UK Gilt All Stock
Cash	2.5	LIBID 7 Day
Property	15	IPD Annual Universe

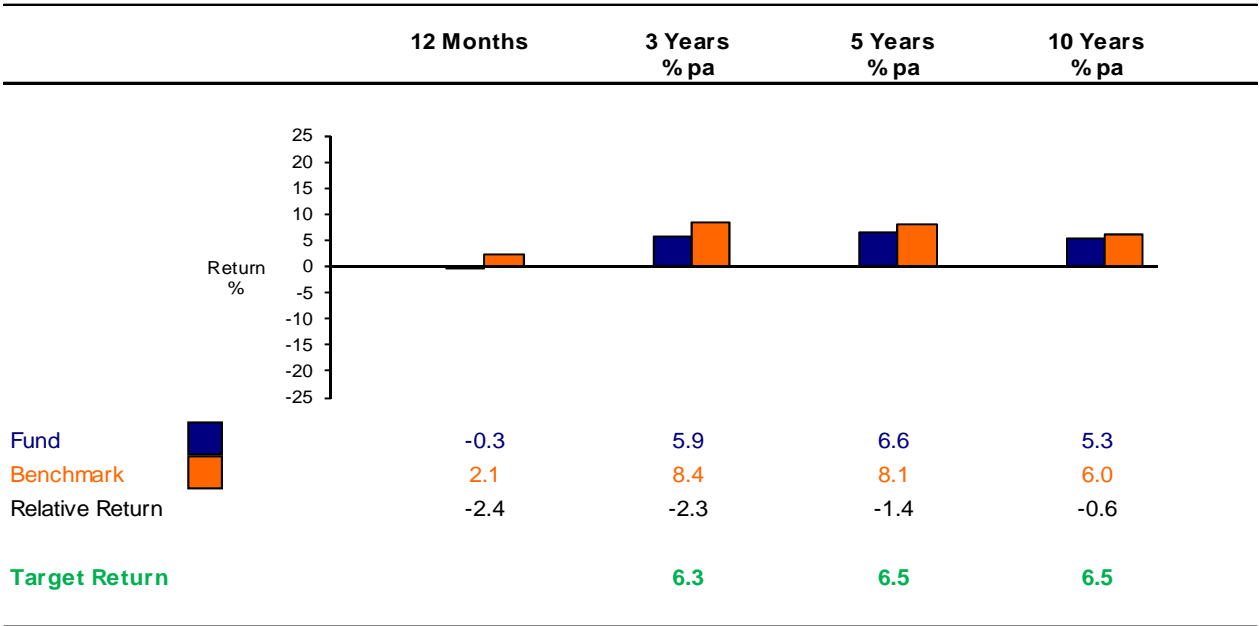
# Total Fund Values

## Fund Value

Values (GBP)'00 Mandate		Value at 31/03/2015	Transactions	Capital Gain / loss	Income	Value at 31/03/2016	% Fund
INT GLOB EQ	Eq Gbl	1,616,513	-32,303	-82,191	35,074	1,502,019	37
SCHRODERS	Eq Gbl	1,161,491	-10,305	-76,162	38,667	1,075,023	27
INT MULTI AS	Multi Asset	525,626	129,936	26,283	3,523	681,845	17
KAMES	Bd Gbl	422,779	18,738	-12,010	16,443	429,507	11
ABERDEEN AM	Prop UK	329,340	-583	23,103	14,193	351,861	9
Total Fund		4,055,749	105,482	-120,976	107,899	4,040,256	100

# Total Fund Performance

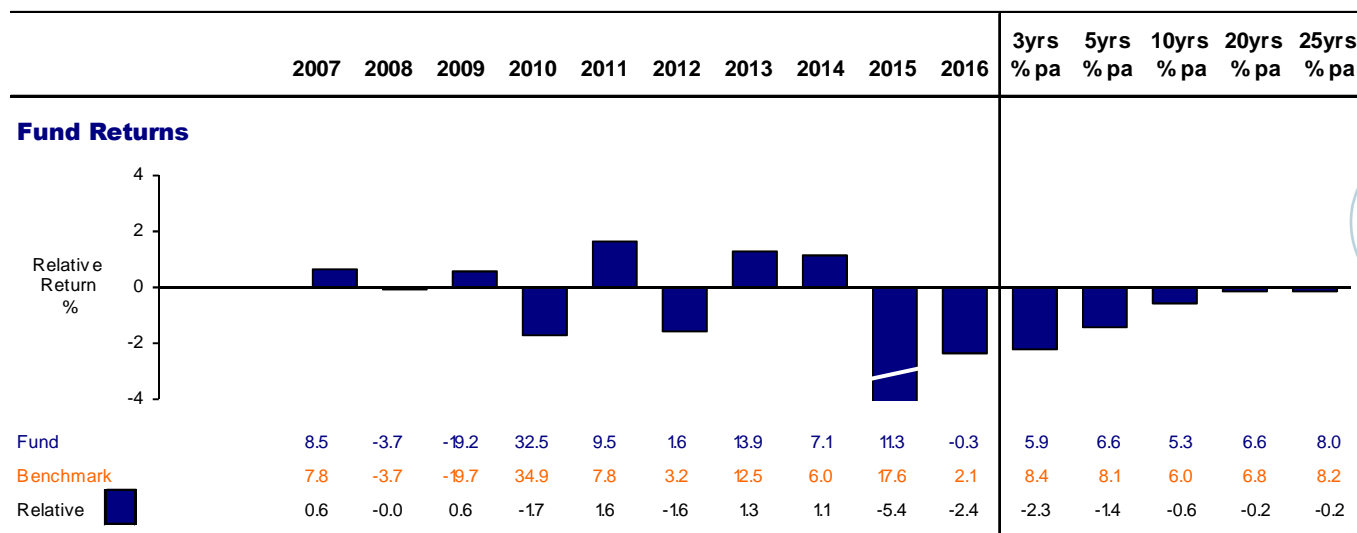
## Fund Returns



The Target Return is the assumed return from the Fund's actuarial valuation

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# Total Fund Performance - continued



Performance has lagged benchmark in the last two years impacting medium term relative numbers



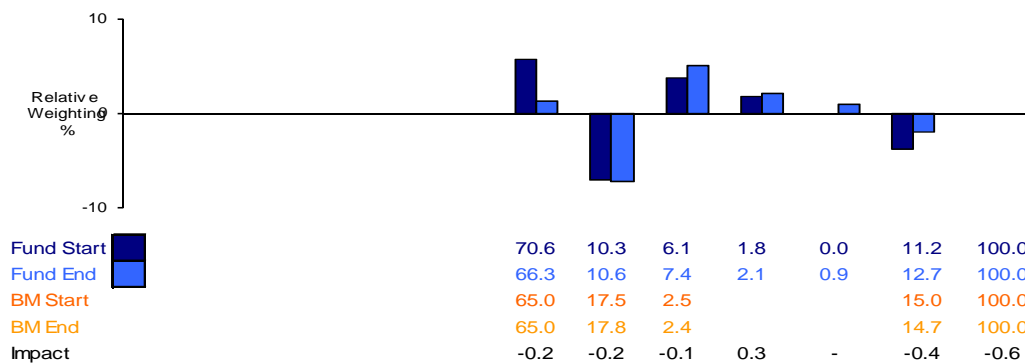
# Latest Year Performance Attribution by Asset Class

## Summary

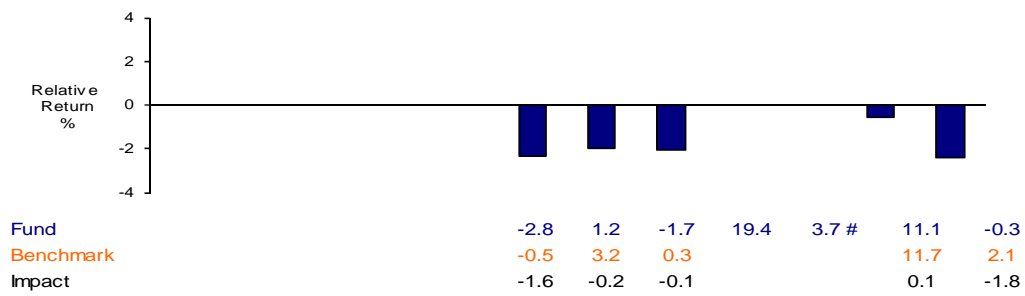
Fund Return	-0.3
Benchmark Return	2.1
Relative Performance	-2.4
<b>attributable to:</b>	
Asset Allocation	-0.6
Stock Selection	-1.8

	Total Equity	Bonds + IL	Cash	Private Eq	Infrastr.	Property	Total Fund
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## Asset Allocation



## Stock Selection



Equity performance is the largest contributing factor to the underperformance

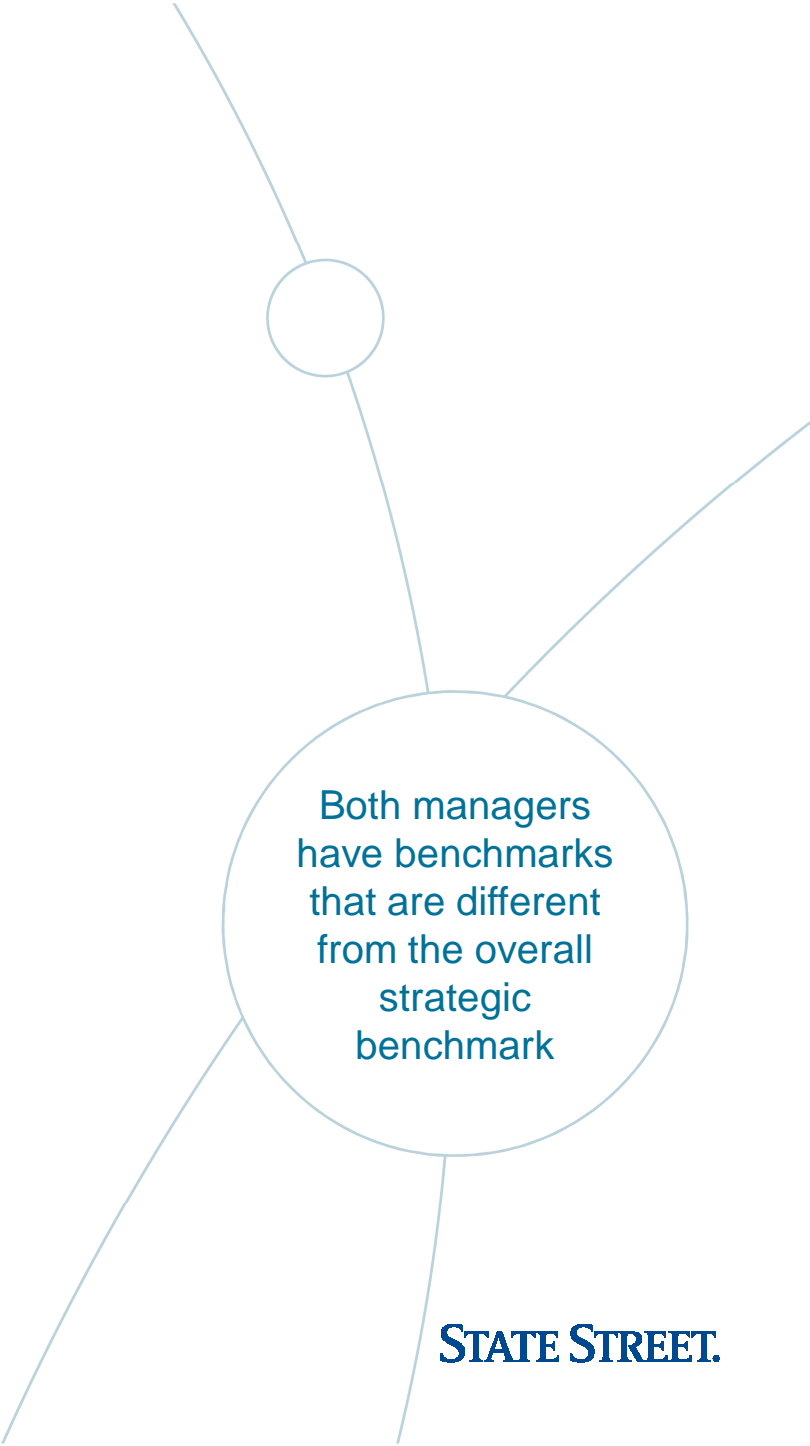
# Portfolio Performance

	Mkt Val (GBP 1000)	% of Fund	Latest Quarter	1 Year	3 Years	5 Years	10 Years	Since Inception	Incept. Date
<b>KAMES CAPITAL</b>	429,507	10.6	3.6	10	3.6	6.5	6.2	6.2	31/3/2000
Nottinghamshire Kames Benchmark			3.7	13	4.1	6.5	6.0	5.9	
Relative			-0.1	-0.3	-0.4	0.0	0.2	0.3	
<b>INTERNAL MULTI ASSET</b>	681,845	16.9	2.9	3.6	3.8			5.2	30/3/2012
Nottinghamshire Internal Benchmark			2.2	2.7	9.0			9.7	
Relative			0.7	0.8	-4.8			-4.1	
<b>SCHRODERS</b>	1,075,023	26.6	0.6	-3.5	6.0	6.8	6.3	7.7	31/3/1987
Nottinghamshire Schroders Benchmark			0.5	-2.6	5.5	6.5	5.6	7.7	
Relative			0.1	-0.8	0.5	0.3	0.7	0.0	
<b>INTERNAL GLOBAL EQUITY</b>	1,502,019	37.2	19	-2.7	5.3	6.4	5.6	7.9	31/3/1987
Nottinghamshire Internal Global Benchmark			12	-3.0	5.4	6.4	5.5	7.7	
Relative			0.7	0.3	-0.1	0.0	0.1	0.2	
<b>ABERDEEN ASSET MGMT PLC</b>	351,861	8.7	13	11.1	15.3			11.9	30/3/2012
IPD All Properties			11	11.7	14.6			11.5	
Relative			0.2	-0.5	0.6			0.4	

# The Issue of the Equity Benchmark

	1 yr (%)	3 yrs (% pa)
Schroders Benchmark	-2.6	5.5
Internal Benchmark	-3	5.4
Total Fund Equity Benchmark	-0.5	8.2

	FUND	FTSE AW INDEX	DIFFERENCE
UK Equity	46	7	39
North America	21	55	-34
Europe	15	15	0
Japan	6	8	-2
Pacific ex Japan	5	6	-1
Emerging Markets	6	9	-3
Global	2	0	2



Both managers  
have benchmarks  
that are different  
from the overall  
strategic  
benchmark

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# Latest Year Performance Attribution by Manager

## Summary

Fund Return	-0.3
Benchmark Return	2.1
Relative Performance	-2.4
<b>attributable to:</b>	
Strategic Allocation	-
Manager Contribution	0.1
Residual	-2.5

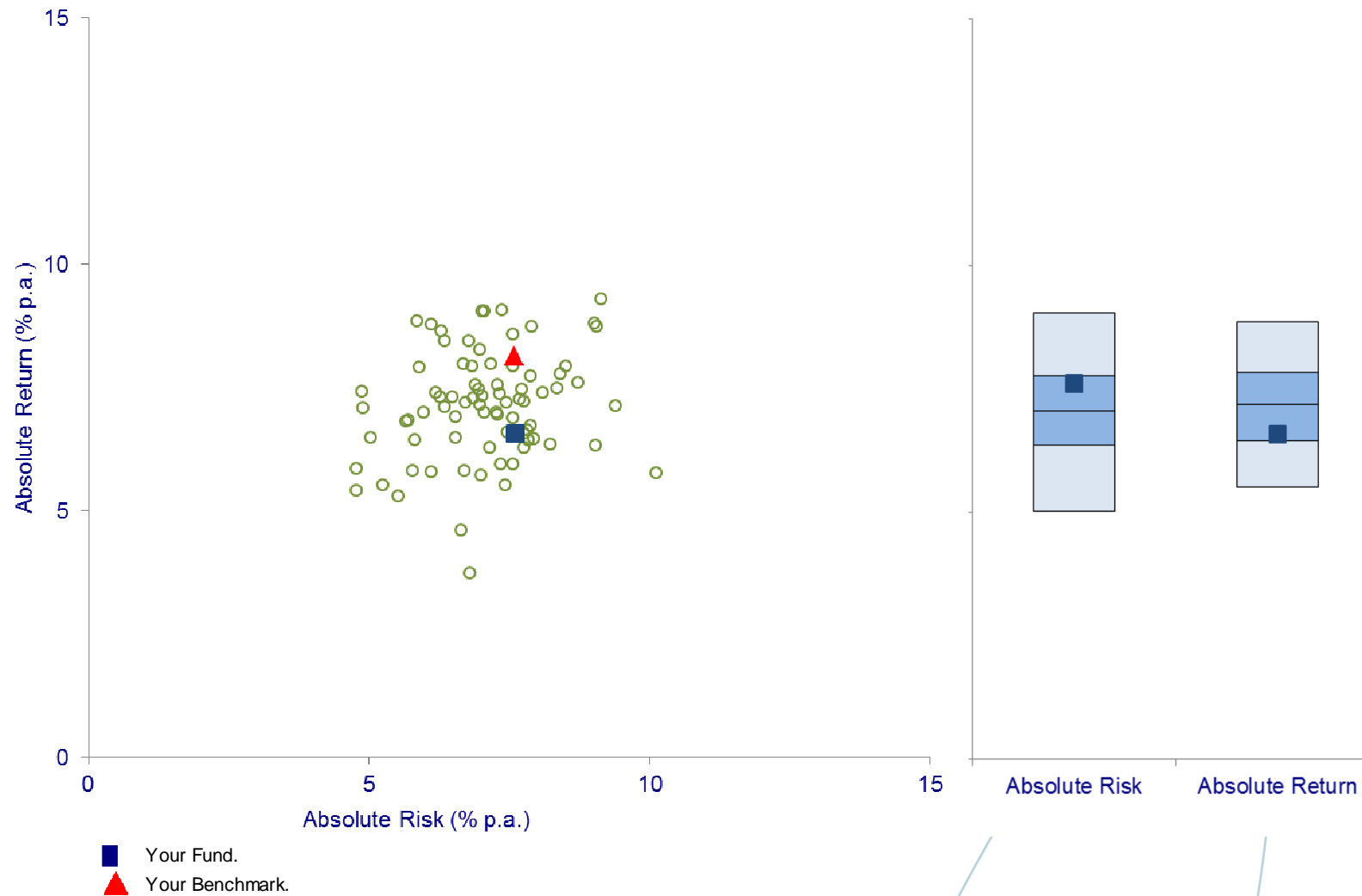
The relative performance can be attributed to the effects of manager contribution and strategic allocation.

## Detail

Strategic Allocation			Manager Contribution		
Distribution	Policy	Investment	Weighted	% Return	
Portfolio Benchmark	Contribution	Manager	Contribution	Portfolio	Benchmark
39.9	-	INTERNAL GLOBAL EQUITY	0.1	-2.7	-3.0
28.7	-	SCHRODERS INVESTMENT MANAGEMENT	-0.2	-3.5	-2.7
12.9	-	INTERNAL MULTI ASSET	0.2	3.6	2.7
10.4	-	KAMES CAPITAL	-	1.0	1.3
8.1	-	ABERDEEN ASSET MGMT PLC	-	11.1	11.7
	-		0.1		

# Investment Risk and Return – Last Five Years

Absolute Risk & Return



# Overall Conclusions

- A difficult year for markets and the Fund returned -0.3%, 2.4% behind benchmark largely due to below benchmark Equity performance and being underweight in Property.
- The Equity portfolio benchmarks differ significantly to the Equity element of the overall strategic benchmark and this is driving the relative performance.
- Over 5 years the Fund and Benchmark are meeting the assumed investment target however both fall short of target over 10 years.
- Looking at the 5 year Risk Adjusted Return Analysis the higher risk strategy has not been converted into a higher return.
- Over 20 years the Fund has achieved a return of 6.6% p.a. well ahead of RPI at 2.8% p. a. but 0.2% p.a. behind benchmark.

# Contact details for further information

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