



meeting

PENSIONS INVESTMENT SUB-COMMITTEE

date

2 FEBRUARY 2007

agenda item number

REPORT OF THE STRATEGIC DIRECTOR OF RESOURCES

STANDARD LIFE EUROPEAN PROPERTY GROWTH FUND

ADDITIONAL INVESTMENT

Purpose of the Report

1. To seek the Sub-Committee's approval to an additional investment of £5 million euros (£3.5m) in the Standard Life European Property Growth Fund.

Background

2. In 2002, the Pension Fund invested 16 million euros in the Standard Life European Property Growth Fund and in July 2005 agreed a further investment of 14 million euros. The total size of the Fund is currently approximately 900million euros (£630m) and there are 27 partners invested in the Fund. The Fund has performed well producing a return of 15.8% per annum over a 3 year period and 25.8% over the last year to 30.09.06. The bulk of the Fund (86%) is invested in 5 countries namely France, Spain, Belgium, Portugal and Germany with the remaining 14% invested in non European countries e.g. Czech Republic, Hungary. The investments consist of Offices (56%), Distribution (35%) and Retail (9%).
3. In December 2006, one of the existing partners changed its asset allocation strategy and decided to relinquish its investment of 21 million euros in the Fund. This amount became available and Standard Life invited existing partners to "bid" for the amount now released. Following discussions with the Chairman, it was decided to increase the Nottinghamshire Fund's investment by up to 10 million euros. In the event, Standard Life allocated 5 million euros to Nottinghamshire with the balance allocated to other partners.

Statutory and Policy Implications

4. This report has been compiled after consideration of implications in respect of finance, equal opportunities, personnel, crime and disorder, human rights and those using the relevant service. Where such implications are material, they have been described in the text of the report.

Recommendations

5. That the Sub-Committee endorses the additional investment of 5 million euros in the Standard Life European Property Growth Fund and recommends that the Pensions Committee approves this additional investment.

**ARTHUR DEAKIN
STRATEGIC DIRECTOR OF RESOURCES**

Background Papers Available for Inspection

Nil