

# Investment Performance

Tamsin Rabbitts

Senior Accountant

Pensions & Treasury Management



Nottinghamshire  
County Council

# Agenda

- Whole Fund investment returns
- Management arrangements
- Benchmarks
- Individual manager returns
- Asset allocation
- Summary



# Investment returns to 31 March 2019

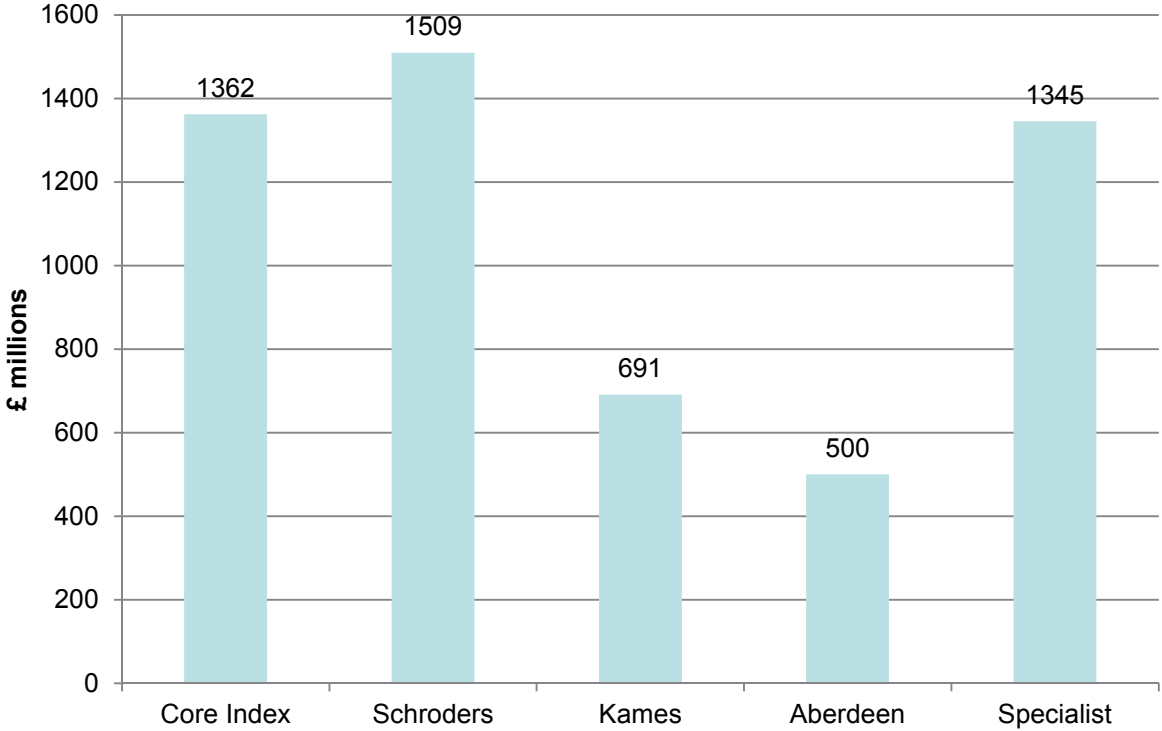
	1 year		3 years		5 years	
	Fund	BM	Fund	BM	Fund	BM
	%	%	% pa	% pa	% pa	% pa
Equities	7.0	8.8	11.6	12.4	8.5	9.1
Property	5.6	6.5	7.4	6.5	10.3	6.5
Bonds	3.5	3.7	4.3	4.4	5.4	5.5
<b>Total Fund</b>	<b>6.0</b>	<b>7.6</b>	<b>10.3</b>	<b>10.7</b>	<b>8.3</b>	<b>10.3</b>

Source: State Street Global Services - Performance Services

Target return on assets following the last valuation was 6.0% p.a.

# Management arrangements as at 31 March 2019

Portfolio Structure 2018/19

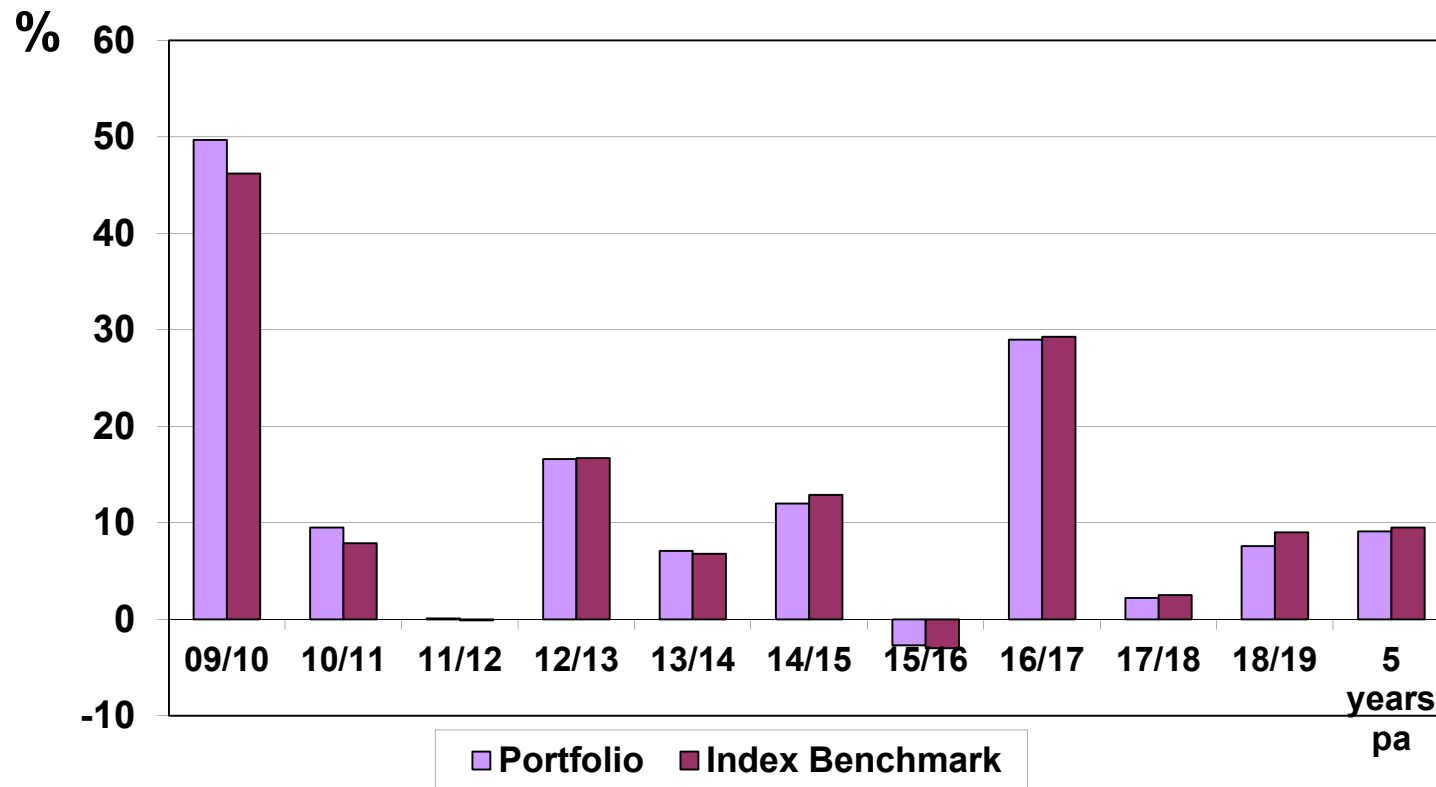


# Strategic benchmark

- The Fund's strategic benchmark is based on its agreed asset allocation strategy
- It uses a high level market index for each asset class and this helps to inform decisions regarding asset management

Asset Class	Allocation Ranges	Strategic Benchmark	
Equities	55% to 75%	45% FTSE All Share 55% FTSE All World	68%
Property	5% to 25%	IPD annual universe	15%
Bonds	10% to 25%	FTSE UK Gilt All Stock	15%
Cash	0% to 10%	LIBID 7 Day	2%

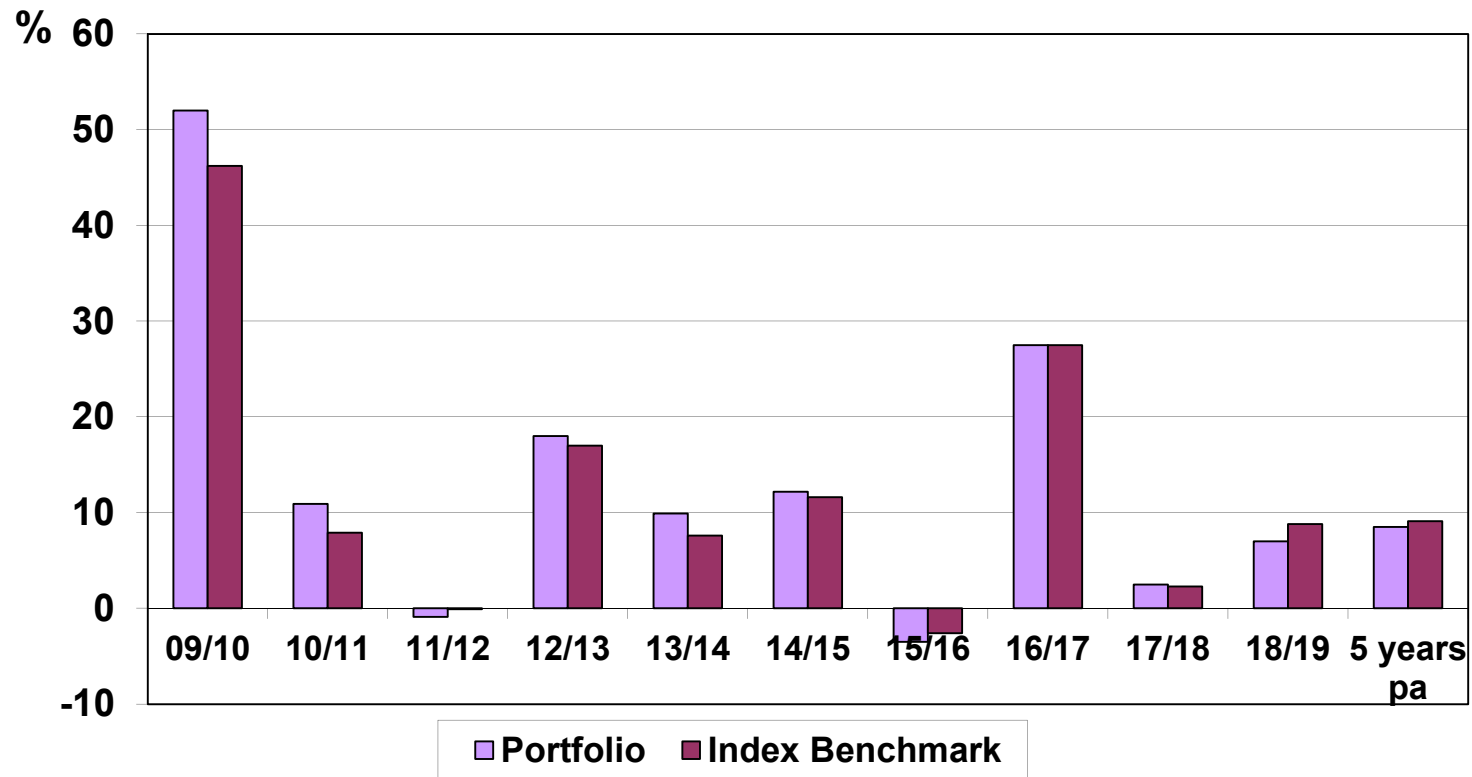
# Core Index – Equities



Performance target – to be within  $\pm 0.3\%$  of benchmark



# Schroders – Equities



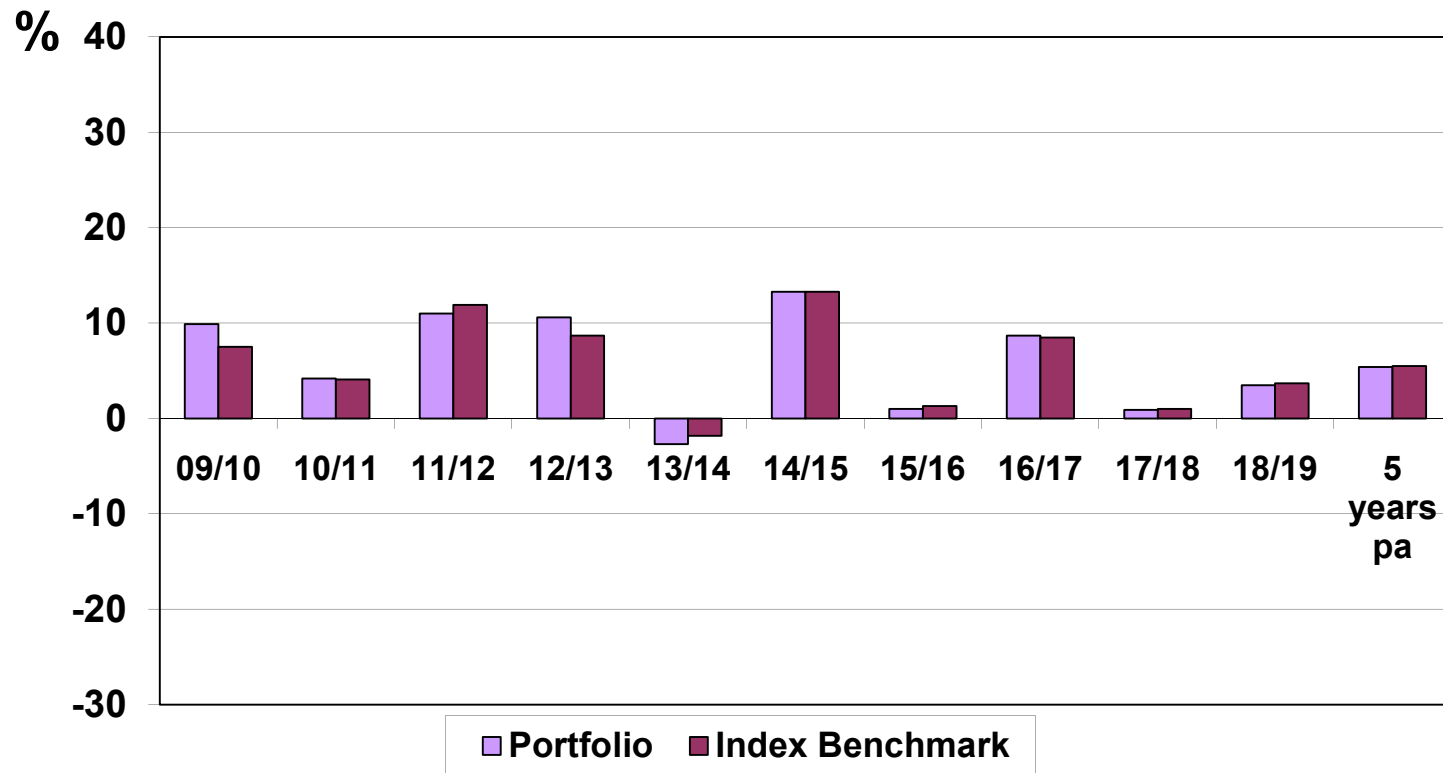
Performance target – to beat benchmark by 1% (net of fees)



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# Kames – Bonds

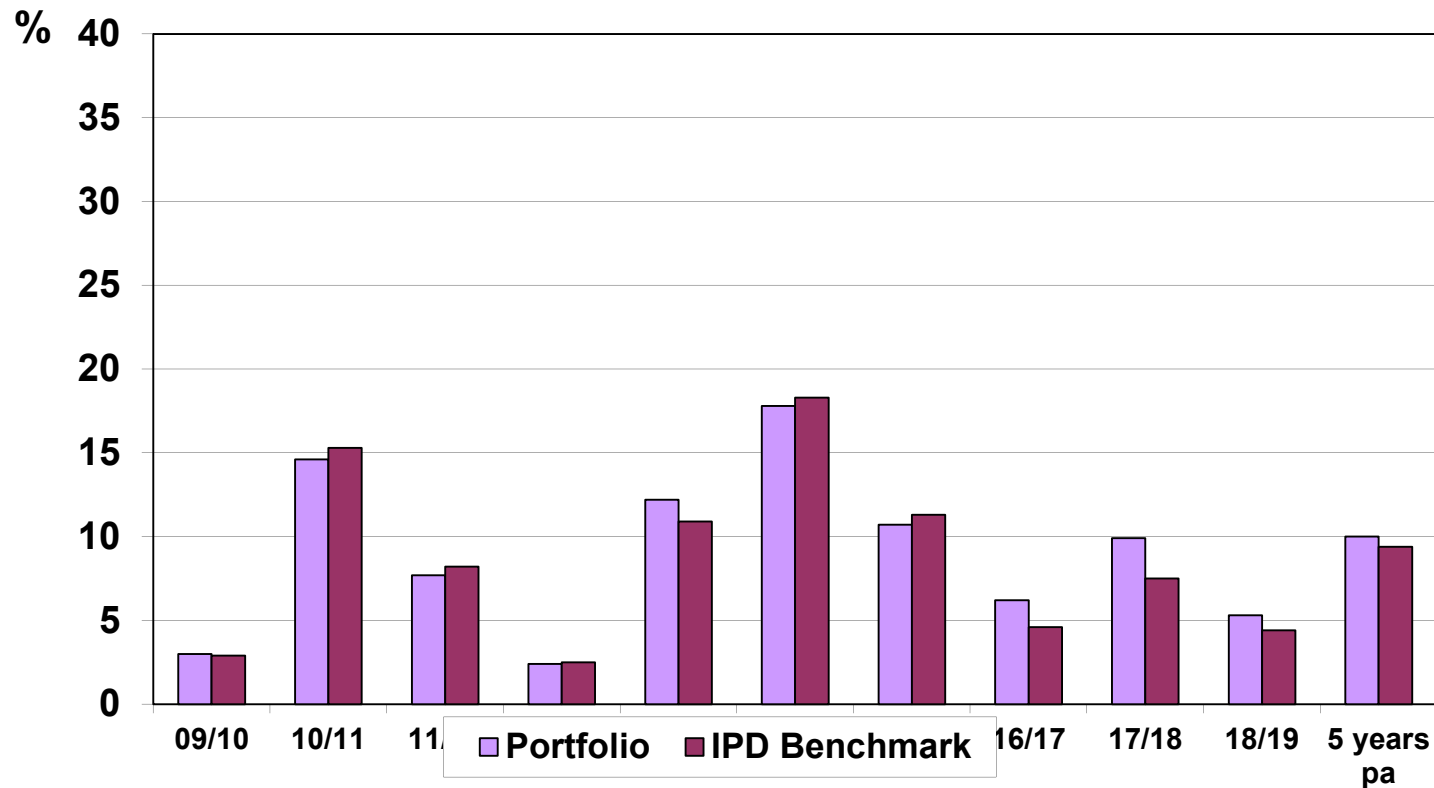


Performance target – to beat benchmark by 0.4% over rolling 3 year periods





# Aberdeen – Property



Performance target (since 2014) – to achieve 6.5% pa on long-term basis







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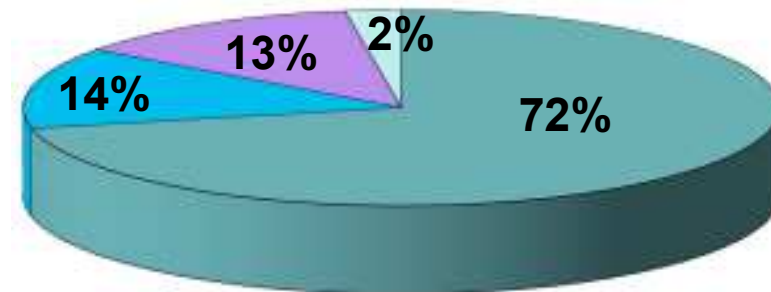
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# Asset allocation

It is widely recognised that asset allocation is the most important factor in driving long term investment returns.

Asset Class	Allocation Ranges
Equities 	55% to 75%
Property 	5% to 25%
Bonds 	10% to 25%
Cash 	0% to 10%

Actual Allocation  
31 March 2019



# Pooling

From 1<sup>st</sup> April 2018 LGPS Pension funds were required to be part of a pooled investment arrangement.

This only relates to investment management – the assets and liabilities and administration of the fund continue to belong to the fund.

The Nottinghamshire Pension Fund has become part of LGPS Central.

Over time, the Pool is expected to deliver cost savings.

# Pooling

LGPS Central set up an Active Equity Global mandate during the year, and we made a small investment.

A Private Equity Fund was launched during the year and we made a commitment.

Since year end LGPS Central has set up an Emerging Markets Active Equity Fund and we are investing in this.

The Committee decided in May that our Fixed Income portfolio will be managed by LGPS Central when the new sub-fund is available.

# Summary

- Investment returns were in line with target in 18/19
- Equity returns are behind the Fund's strategic benchmark largely due to the lower weighting to US equities which have performed exceptionally well
- Total returns over 5 years are ahead of the actuary's assumed return
- Asset allocation is the most important factor in driving long term investment returns

