

Global Services

London Borough of Barnet Performance Review 2014/15

Period ending 30th March 2015
Meeting 22nd October 2015
Lynn Coventry

Limited Access



Agenda

Section 1 – Market Environment

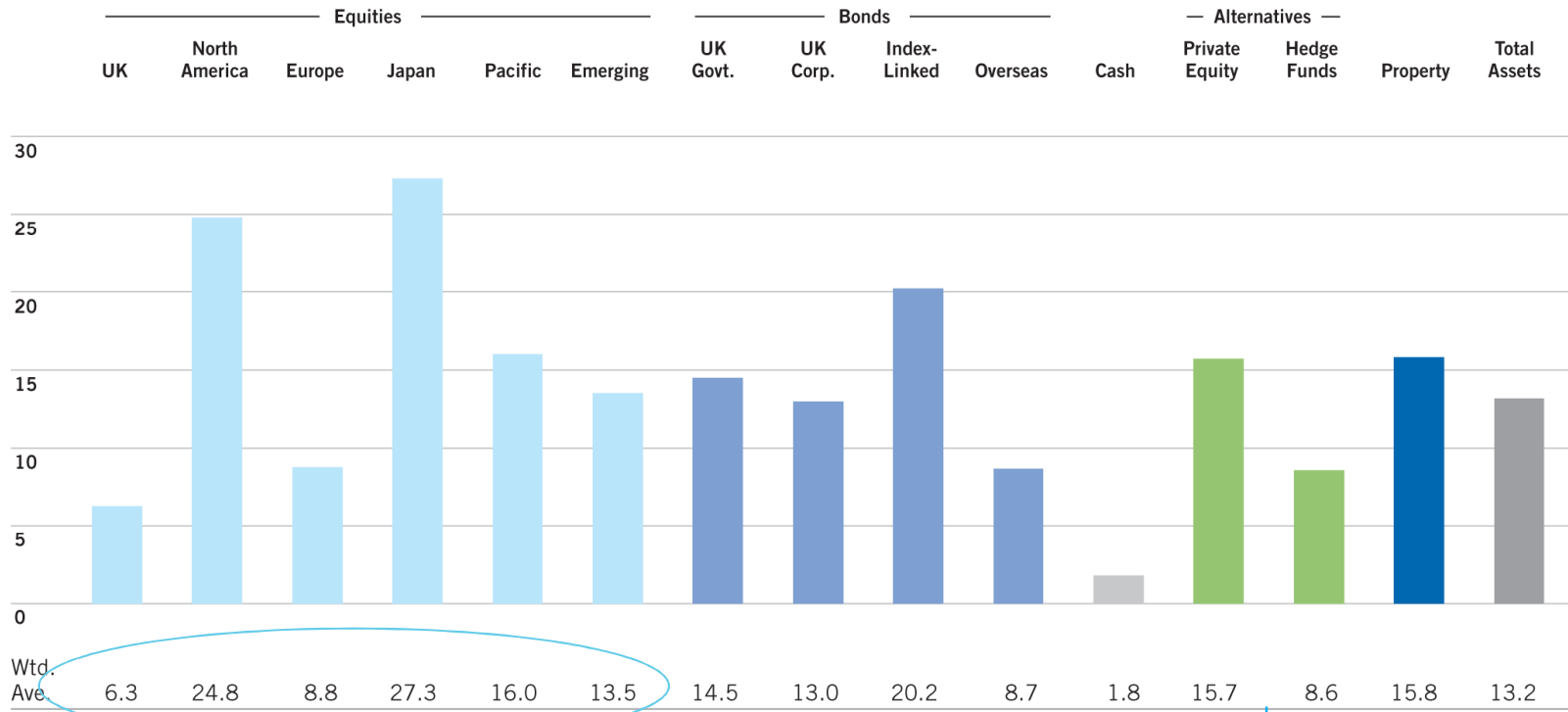
Section 2 – Manager Performance

Section 5 – Fund Performance Relative to Local Authority Universe

Summary

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2014/2015 Market Returns (%)



Source: State Street Global Services Performance Services, 2015.

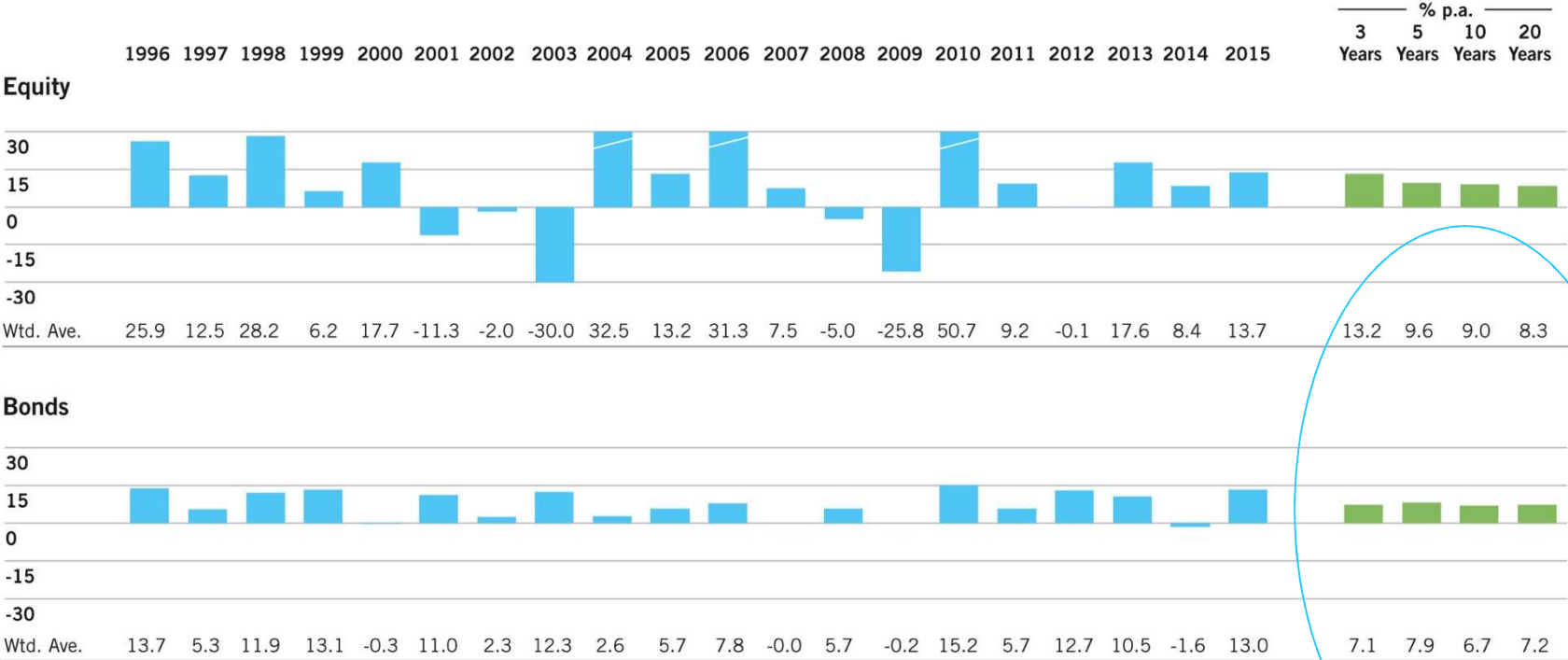
Past performance is not a reliable indicator of future results.

PMA 10.2%

Allocation Between UK and Overseas Important

Long Term Market Performance

Annual Returns (%)



* Source: State Street Global Services Performance Services, 2015.

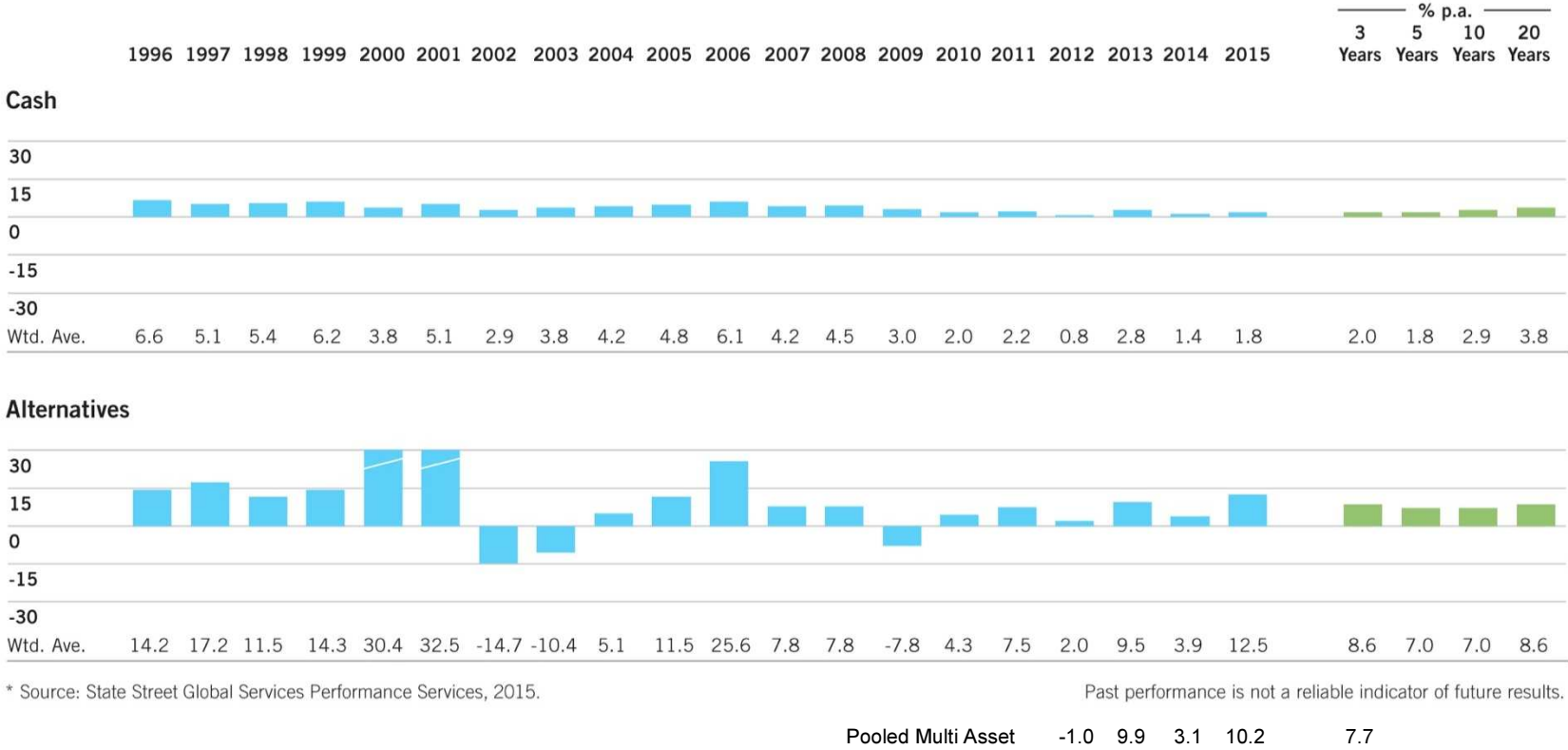
Past performance is not a reliable indicator of future results.

“Equity risk premium” in evidence



Long Term Performance

Annual Returns (%)



* Source: State Street Global Services Performance Services, 2015.

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Long Term Performance

Annual Returns (%)

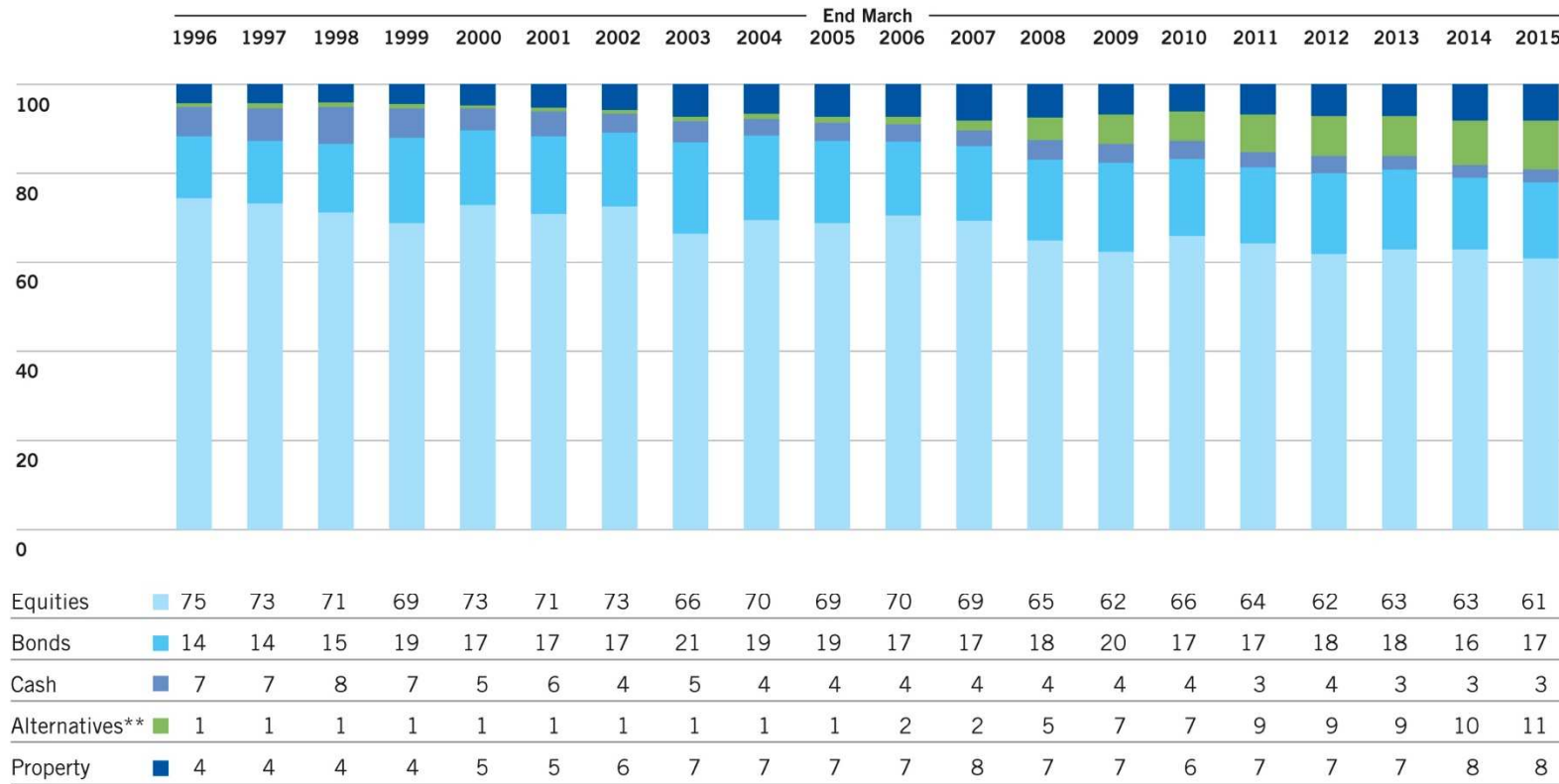


* Source: State Street Global Services Performance Services, 2015.

Past performance is not a reliable indicator of future results.

5%p.a. over inflation

Longer Term Asset Allocation (%)



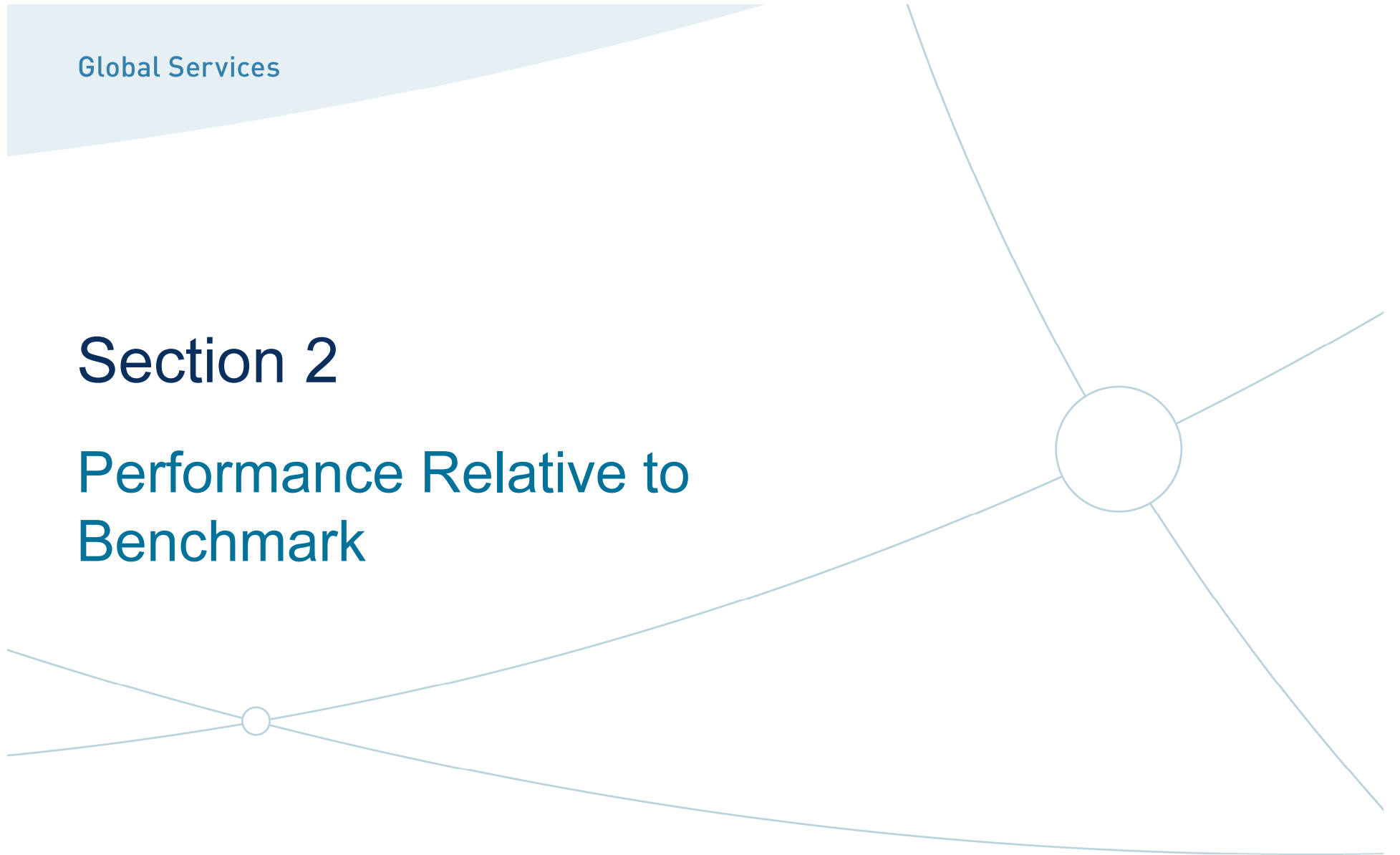
** Includes Pooled Multi-Asset from March 2010.

* Source: State Street Global Services Performance Services, 2015.

Past performance is not a reliable indicator of future results.

Section 2

Performance Relative to Benchmark



Manager Benchmarks

The combined benchmark is built using the allocation of each of the manager benchmarks noted in the table below. Schroders DGF is measured against both the 60/40 equity benchmark and the investment target return. The benchmark used for the combined benchmark calculation is the 60/40 equity benchmark.

Portfolio	Allocation %	Benchmark	Investment Target
Schroders Diversified Growth	30.0	60% FTSE All Share/ 40% FTSE World ex UK GBP Hedged	RPI +5% p.a. over 5 – 7 years
Schroders Corporate Bonds	15.0	Merrill Lynch GBP Govt All Stocks	0.75% p.a. (gross) over rolling 3 years
Newton Real Return	30.0	1 Month LIBOR + 4%	1 Month LIBOR +4% p.a. over rolling 5 years.
Newton Corporate Bonds	15.0	Merrill Lynch over 10 years Inv Grade Index	Outperform the benchmark by 1% p.a. over rolling 5 years
LGIM Global ex UK equity	5.0	FTSE World ex UK	Track within +/- 0.5% p.a. the index for 2 years in every 3.
LGIM Corporate Bond Fund	5.0	iBoxx £ Non Gilts	Outperform by 0.75% p.a. (before fees) over rolling 3 years.
Internal Fund (Cash)	0	GBP 7 Day LIBID	

Fund Value at end March 2015

Values (GBP)'00	Mandate	Value at 31/03/2014	Transactions	Capital Gain / loss	Income	Value at 31/03/2015	% Fund
SIM	Pooled Multi Asset	256,539	127	26,992	89	283,658	31
NEWTON	Pooled Multi Asset	257,736	0	17,376	-1,428	275,111	30
NEWTON	Bd GBP Cpt	125,753	1	21,985	-88	147,739	16
SIM	Bd GBP Cpt	118,730	-6	14,138	90	132,863	15
L&G GLB EQ	Eq Glbl x UK	43,398	0	8,629	-69	52,027	6
L & G	Bd GBP Cpt	17,534	0	2,344	-37	19,878	2
INTERNAL	Cash	8,934	-4,403	0	8	4,530	0
Total Fund		828,624	-4,280	91,463	-1,436	915,806	100

The pooled multi asset strategy with Newton and Schroders account for 60% of the asset allocation.

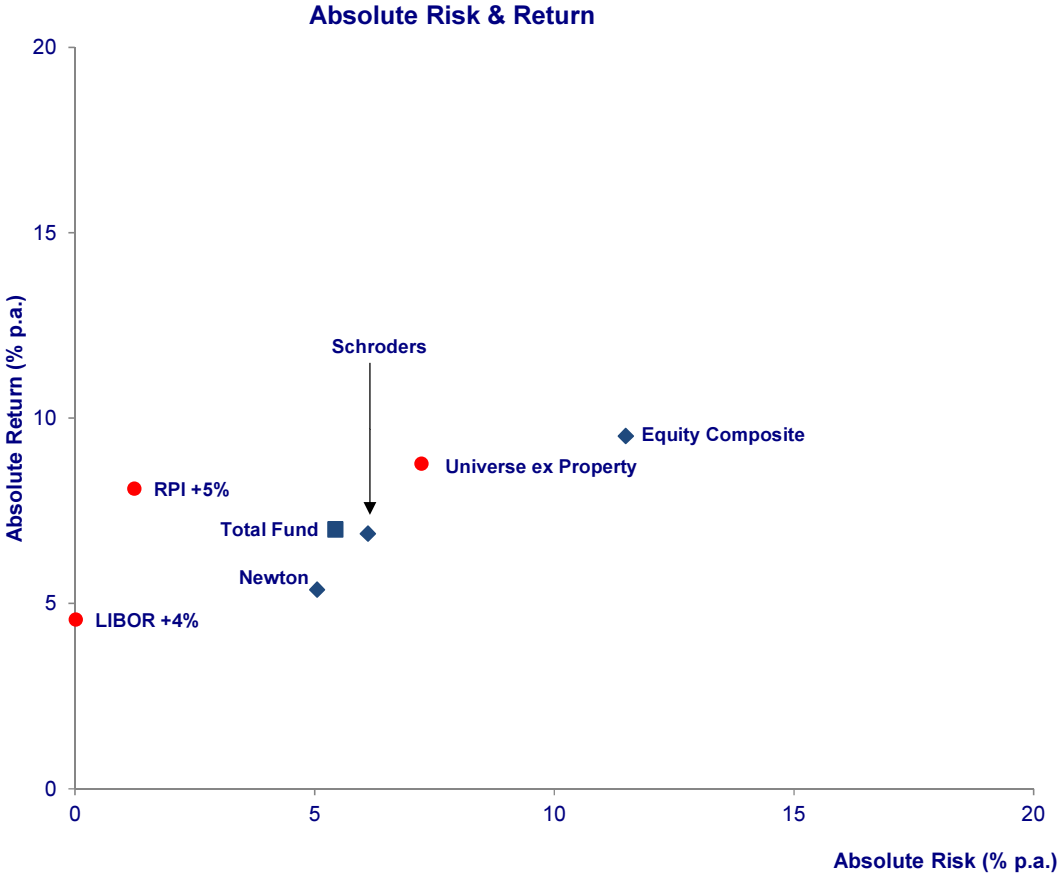
Manager Performance

	% FMV	1 Year	3 Years	5 Years
POOLED MULTI ASSET				
SCHRODER INVESTMENT MGMT	31.0	10.6	9.0	
60/40 EQUITY BENCHMARK		9.7	12.6	
<i>Relative Return</i>		0.8	-3.2	
SCHRODER INVESTMENT MGMT		10.6	9.0	
RPI +5%		5.9	7.2	
<i>Relative Return</i>		4.4	1.7	
NEWTON	30.0	6.0	5.7	
1 MONTH LIBOR +4%		4.5	4.5	
<i>Relative Return</i>		1.4	1.1	
CORPORATE BONDS				
SCHRODER INVESTMENT MGMT	14.5	12.0	9.4	
BAML GBP NON GILTS ALL STOCKS		13.2	8.8	
<i>Relative Return</i>		-1.1	0.5	
NEWTON	16.1	17.4	10.8	
BAML GBP NON GILTS > 10 YRS		18.9	11.5	
<i>Relative Return</i>		-1.3	-0.6	
LGIM	2.2	13.1	9.1	8.7
IBOXX GBP NON GILTS		13.1	8.7	8.0
<i>Relative Return</i>		0.1	0.3	0.6
GLOBAL EQUITY				
LGIM	5.7	19.7	14.9	10.5
FTSE WORLD EX UK		19.9	14.9	10.5
<i>Relative Return</i>		-0.1	-0.1	0.0
Cash				
INTERNALLY MANAGED	0.5	0.3	0.4	
INTERNAL FUND BENCHMARK		0.3	0.4	
<i>Relative Return</i>		0.0	0.0	

Above benchmark returns in Pooled Multi Asset from both Newton and Schrodgers was beneficial over the latest year.

Whilst Schrodgers has outperformed it's investment target, the return is well below the 60/40 equity composite benchmark over the last three years.

Absolute Risk and Return – 5 Years % p.a.



The PMA funds have a lower level of risk compared to the universe and the 60/40 composite benchmark.

During a period where risk has been rewarded in return, the fund is well below the local authority average return.

Section 5

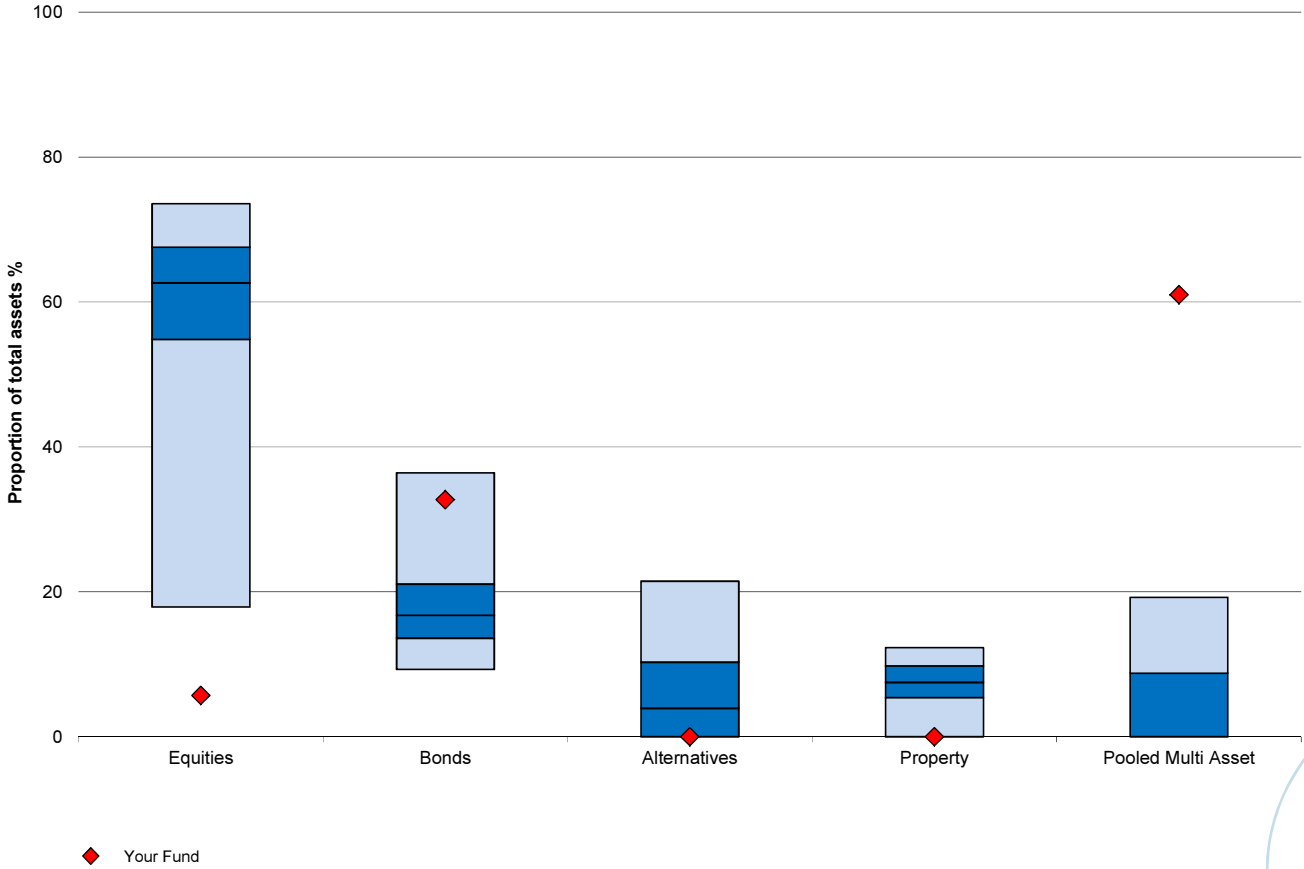
Performance Relative to the Local Authority Universe

Performance Relative to Local Authority Universe

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	3yrs % pa	5yrs % pa	10yrs % pa
Fund Returns													
Relative Return %													
Fund	22.7	7.3	-0.9	-14.1	28.8	6.8	2.7	11.3	3.6	10.9	8.5	7.0	7.3
Benchmark	24.9	7.0	-2.8	-19.9	35.2	8.2	2.6	13.8	6.4	13.2	11.0	8.7	7.9
Relative	-1.8	0.3	2.0	7.3	-4.8	-1.3	0.1	-2.2	-2.6	-2.0	-2.3	-1.6	-0.6
Ranking	(86)	(39)	(19)	(9)	(89)	(82)	(54)	(92)	(94)	(86)	(96)	(96)	(73)

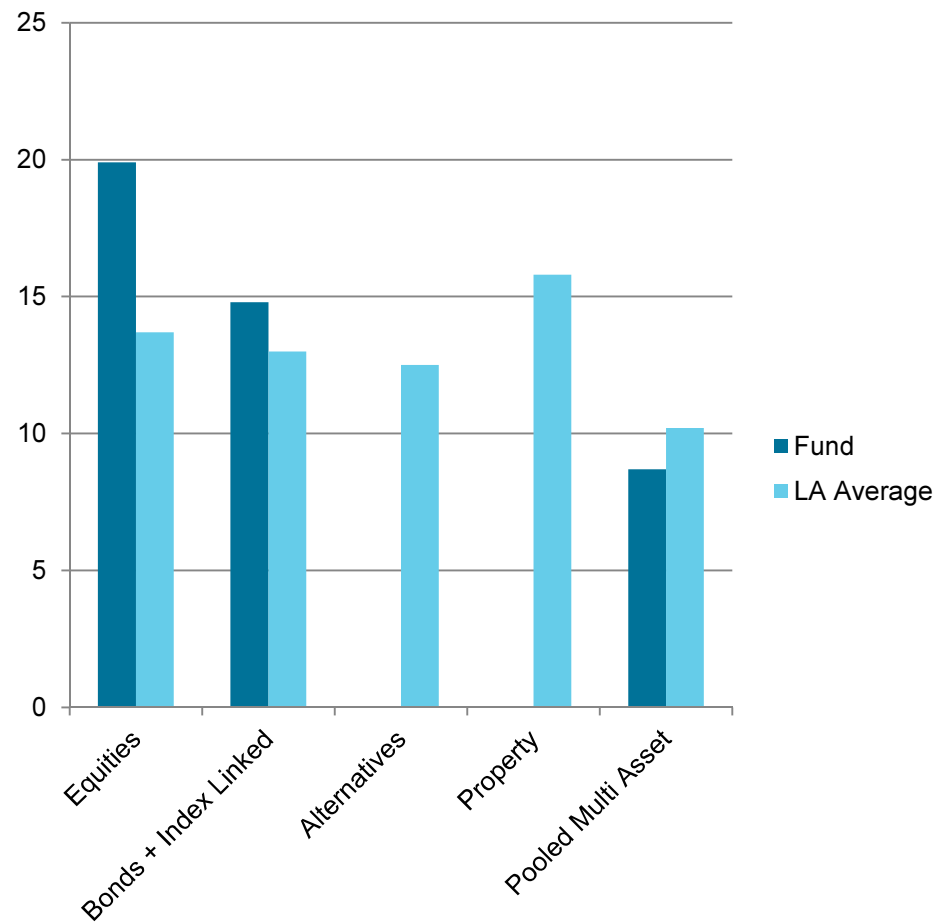
Following the restructure in 2010, the fund has consistently achieved positive absolute returns, albeit well below the local authority average return.

Asset Allocation Latest Year



The fund is well below the average weighting in equities and significantly above the average commitment to Pooled Multi Asset

Performance Returns – Latest Year



There were strong absolute returns from equities and bonds during the period. The fund outperformed the average in both categories.

The key factor in the below average performance was the below average commitment to equities and above average weighting in PMA.

Long Term Returns and Rankings

Return %	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	3yrs % pa	5yrs % pa	10yrs % pa
<i>Global ex UK</i>				-14.1#	46.9	8.2	0.3	17.6	7.7	19.9	14.9	10.5	
					(50)	(37)	(66)	(60)	(70)	(62)	(62)	(66)	
<i>Total Bonds</i>	6.3	13	6.8	8.4	7.2	6.4	9.7	13.4	2.6	14.8	10.1	9.3	7.6
	(91)	(10)	(22)	(17)	(89)	(35)	(68)	(19)	(10)	(24)	(12)	(22)	(11)
<i>UK Bonds</i>	7.0	12	6.9	7.8	5.1	7.1	9.8	13.4	2.6	15.1	10.2	9.5	7.5
	(90)	(19)	(9)	(12)	(91)	(15)	(74)	(14)	(14)	(23)	(10)	(20)	(16)
<i>UK Gov Bond</i>	7.0	0.9	8.1	10.7	0.3	13.3#	25.1	10.0	-2.6#	17#			
		(13)	(23)	(35)	(66)		(4)	(7)					
<i>UK Corp Bond</i>	6.2	3.0	-7.4	-8.3	20.6	5.5	9.4	13.4	2.6	15.1	10.2	9.1	5.6
		(8)	(95)	(44)	(70)	(68)	(50)	(41)	(22)	(16)	(18)	(41)	(91)
<i>O/S Bonds</i>	5.2	2.4	5.3	15.1	11.3	2.6#	0.3	11.8	2.0	3.2	5.6		
	(65)	(13)	(70)	(70)	(46)		(85)	(29)	(20)	(85)	(35)		
<i>Multi Asset</i>						4.1#	-0.5	10.0	3.8	8.7	7.4		
								(62)	(21)	(58)	(50)		
Total Assets	22.7	7.3	-0.9	-14.1	28.8	6.8	2.7	11.3	3.6	10.9	8.5	7.0	7.3
	(86)	(39)	(19)	(9)	(89)	(82)	(54)	(92)	(94)	(86)	(96)	(96)	(73)

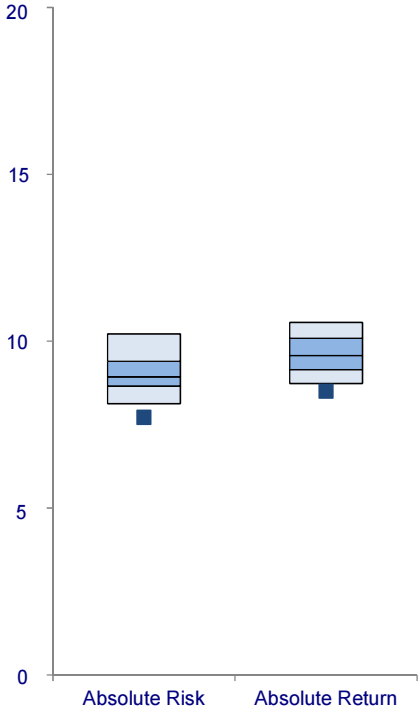
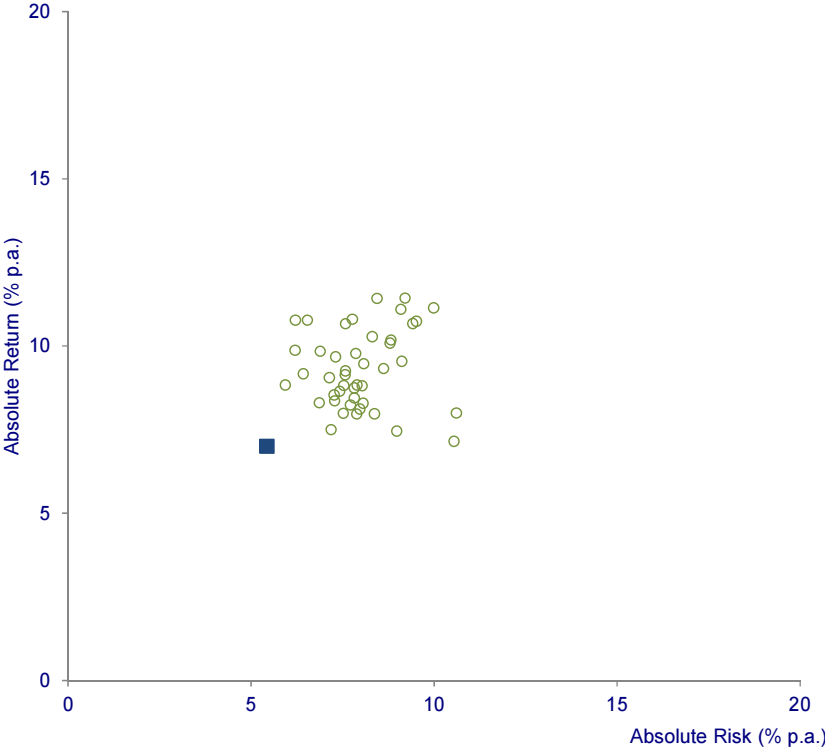
not invested in this area for the entire period

Since the fund restructure in 2010, (with the exception of 2012), the fund has ranked within the lower quartile range of returns.

The below average commitment to equities has been the key factor in the below average performance.

Absolute Risk and Return – 5 Years % p.a.

Absolute Risk & Return



The fund risk and return is lowest within the universe.

Summary

- The fund achieved an absolute return of 10.9% with above benchmark returns from Schroders and Newton proving most beneficial.
- Over the last twelve months the fund underperformed the local authority average return of 13.2%. Equities provided strong returns during the period and therefore the lower than average allocation to equities at the expense of the above average commitment to Pooled Multi Asset was unfavourable.
- Over the longer term, the fund has sacrificed a higher level of return compared to other funds within the universe due to it's lower than average risk strategy. However, has achieved returns above inflation, recording a real return of 4.2% p.a. over the last ten years.

Contact details for further information

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