

Performance Monitoring to 31 March 2018

Background

1. This report provides information on the value of the City of London Corporation's Pension Fund and individual Investment Managers as at 31 March 2018. The City has a blend of strategies to manage investment risk across the cycle. It appoints its managers for the long term and asks them to be committed on their approach and style, whilst recognising that there will be periods of underperformance particularly in unconducive short term economic environments. Over the last 12 months the environment has been mixed.
2. The Pension Fund's investments in alternative asset classes (private equity and some infrastructure) are not included in the performance monitoring of the Pension Fund as due to the valuation convention for private assets, the Custodian Bank, BNY Mellon (who since October 2016 have undertaken the monitoring of the performance of the Pension Fund) is unable to compile a full and timely quarterly valuation of the Fund's private investments. The total value of these investments as at 31 March 2017 represents approximately 3% (£32M) of the Pension Fund's total value.

Fund Valuation

3. The value of the Pension Fund (excluding the alternative asset class) as at 31 March 2018 compared to the value as at 31 December and 31 March 2017 is set out in the table below shown below.

	Fund Valuation £M
31 March 2017	932.5
31 Dec 2017	974.1
31 March 2018	930.6

4. The manager composition and value as at 31 December 2017 and 31 March 2018 is set out in the table below:

Manager	Mandate	Value 31/12/17 £m	Value 31/03/18 £m
Artemis	UK Equities	95.7	91.8
Lindsell Train	UK Equities	44.5	42.7
Majedie	UK Equities	43.0	40.3
C WorldWide ⁽ⁱ⁾	Global Equities	125.9	119.1
Harris	Global Equities	106.8	100.1
Veritas	Global Equities	124.7	115.3
Wellington	Global Equities	113.1	108.7
Pyrford	Multi Asset	126.3	123.8
Ruffer	Multi Asset	87.4	85.2
Standard Life GARS	Multi Asset	69.5	68.3
IfM ⁽ⁱⁱ⁾	Infrastructure	37.2	35.3
TOTAL		974.1	930.6

(i) Formerly known as Carnegie

(ii) IfM distributed £3.3m in February 2018

Pension Fund Performance – the Fund

5. The Pension Fund is measured against an absolute return benchmark of 7% per annum (will be 5.7% per annum following the 2016 actuarial review and the Fund's recent investment strategy review), whilst the individual fund managers are measured against their own manager benchmarks with the exception of the benchmarks for Pyrford, Ruffer and IfM which have been set by the Financial Investment Board.
6. The performance of the Pension Fund is set out in Annex 1. It will be noted that the Pension Fund has under-performed its absolute return benchmark over all time periods, except 5 years.

Pension Fund Performance – the Managers

7. With the exception of four managers, the Pension Fund has been invested with all of its fund managers for more than 3 years. Annex 2 sets out the actual performance of the Pension Fund's City's investments over the last quarter and 1 year period and where applicable the 3 year period.
8. The performance of the Fund Managers has been mixed with Artemis, IfM and Lindsell Train out-performing consistently across all time periods whilst Ruffer, Standard Life, Pyrford, C WorldWide, Veritas and Harris have all under-performed their benchmarks over the very short term (3 months) and all the Multi Asset managers, Veritas, Wellington and Majedie under-performing over 1 year. All managers apart from Artemis have under-performed over the last three years.

General Performance of the Pension Fund Managers

9. Whilst Annex 2 sets out the performance of the Pension Fund's investments, the tables below show the general performance of the funds (gross of fees) over three and five years where applicable.

10. The Pension Fund has been invested in Lindsell Train, Majedie, Harris and IfM for less than 3 years.

Manager & Benchmark	3 Years pa			5 Years pa		
	Fund %	BM %	Relative %	Fund %	BM %	Relative %
Lindsell train (FTSE All Share)	9.9	5.9	4.0	12.8	6.6	6.2
Majedie (FTSE AI Share)	5.2	5.9	-0.7	8.7	6.6	2.1
Harris (MSCI World)	9.7	10.6	-0.9	12.5	12.1	0.4

Note: The performance history is gross of fees

11. For the remaining funds, the Pension Fund has been invested for just over three years and the table below shows the performance of these funds (gross of fees) over five years.

Manager & Benchmark	5 Years pa		
	Fund %	BM %	Relative %
Artemis (FTSE All Share)	8.8	6.6	2.2
C WorldWide* (MSCI AC World)	12.7	11.5	1.2
Wellington (MSCI AC World)	10.3	11.5	-1.2
Veritas (MSCI World)	12.6	12.1	0.5
Standard Life (6 month LIBOR)	2.1	5.6	-3.5
Pyrford (pooled) (RPI+5%)	3.4	7.3	-3.9
Ruffer (pooled) (RPI+5%)	2.9	7.3	-4.4

Note: The performance history is gross of fees

*Formerly known as Carnegie

12. In terms of the historic performance of the pooled funds, all three Multi Asset managers have under-performed the benchmark over the 5 year time periods, so too has one Global Equity manager (Wellington) with the other three out-performing. The three UK equity managers have out-performed over the 5 year time periods and Lindsell Train has also out-performed over 3 years.

Summary

13. Over the last 3 months, all managers apart from IfM declined in value, with five managers surpassing their benchmark and six (including all Global equity managers apart from Wellington) under-performing. Over the 1 year period four managers attained negative returns (Ruffer, Pyrford, Veritas and Majedie) and five managers out-performed their benchmark (Artemis, C WorldWide, IFM, Harris and Lindsell Train) with the remaining six fund managers under-performing. Over the 3 year period, Standard Life GARS returned negatively and only one out of seven managers out-performed their benchmark (Artemis).