

**PENSIONS COMMITTEE**  
**7 DECEMBER 2016****PENSION INVESTMENT UPDATE**

---

**Recommendation**

- 1. The Chief Financial Officer recommends that:**
  - a) the Independent Financial Adviser's fund performance summary and market background be noted;**
  - b) the update on the Investment Managers placed 'on watch' by the Pension Investment Advisory Panel be noted; and**
  - c) Nomura be taken off 'watch'.**

**Background**

2. The Committee will receive regular updates on fund performance. The fund's Independent Financial Adviser has provided a fund performance summary and a brief market background update (Appendix 1). The market background update is provided to add context to the relative performance and returns achieved by the fund's investment managers.
3. The Committee will also receive regular updates regarding 'on watch' managers and will receive recommendations in relation to manager termination in the event of a loss of confidence in managers by the Advisory Panel (Appendix 1).

**Nomura**

4. Nomura outperformed the index benchmark in the quarter ended 30 September by 1.4% and in the twelve months to September 2016 had also outperformed the benchmark by 1.8%, which was 0.3% ahead of the target outperformance of +1.5%. Over the past three years Nomura have outperformed their performance target by 0.3% per annum.
5. The ex-Japan elements of the portfolio contributed +1.1% to total portfolio performance in Q2 of 2016 bringing their three year performance in line with the target outperformance. Nomura informed the Pension Investment Advisory Panel of their intention to return to active stock selection in Australia during Q3 of 2016.
6. The portfolio has outperformed target performance of +1.5% over the past year and three years in line with the contract required performance, the Pension Investment Advisory Panel have therefore recommended that Nomura are taken off watch.

## **JP Morgan Emerging Markets**

7. JP Morgan (Emerging Markets) portfolio outperformed their benchmark over the quarter by 2.6%. Performance for the year ended September 2016 was 1.1% ahead of benchmark and therefore 0.9% behind their target outperformance of +2.0% per annum. Over the past three years JP Morgan have underperformed their performance target by 1.9% per annum.

8. It is recommended that JP Morgan remain 'on watch' until consistent outperformance is regained.

## **JP Morgan Bonds**

9. The JP Morgan Bond portfolio outperformed their benchmark by 0.4% in the quarter ended September 2016. Performance for the year ended September 2016 was ahead of benchmark by 0.8% and therefore 0.2% behind their target outperformance. Over the past three years they have underperformed their performance target by 0.5% per annum.

10. It is recommended that JP Morgan (Bonds) remain on watch until their three year performance is tracking further towards target and the Committee are fully satisfied that JP Morgan are managing their portfolio risk budget effectively.

## **Contact Points**

### County Council Contact Points

County Council: 01905 763763

Worcestershire Hub: 01905 765765

### Specific Contact Points for this report

Sean Pearce, Chief Financial Officer

Tel: 01905 846268

Email: [spearce@worcestershire.gov.uk](mailto:spearce@worcestershire.gov.uk)

## **Supporting Information**

- Independent Financial Adviser summary report (Appendix 1)
- Bar Chart of investment managers' performance (Appendix 2) – To follow
- Portfolio Evaluation Performance Report (Appendix 3) – To follow

## **Background Papers**

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers relating to the subject matter of this report.