



Report to Pension Fund Committee

Title: Fund Managers' Performance

Date: 31 May 2007

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Electoral Divisions Affected: n/a

Portfolio Areas Affected: None

Summary

To present the performance of the Pension Fund's managers for the first quarter of 2007.

Recommendation

The Group is asked to comment on the report

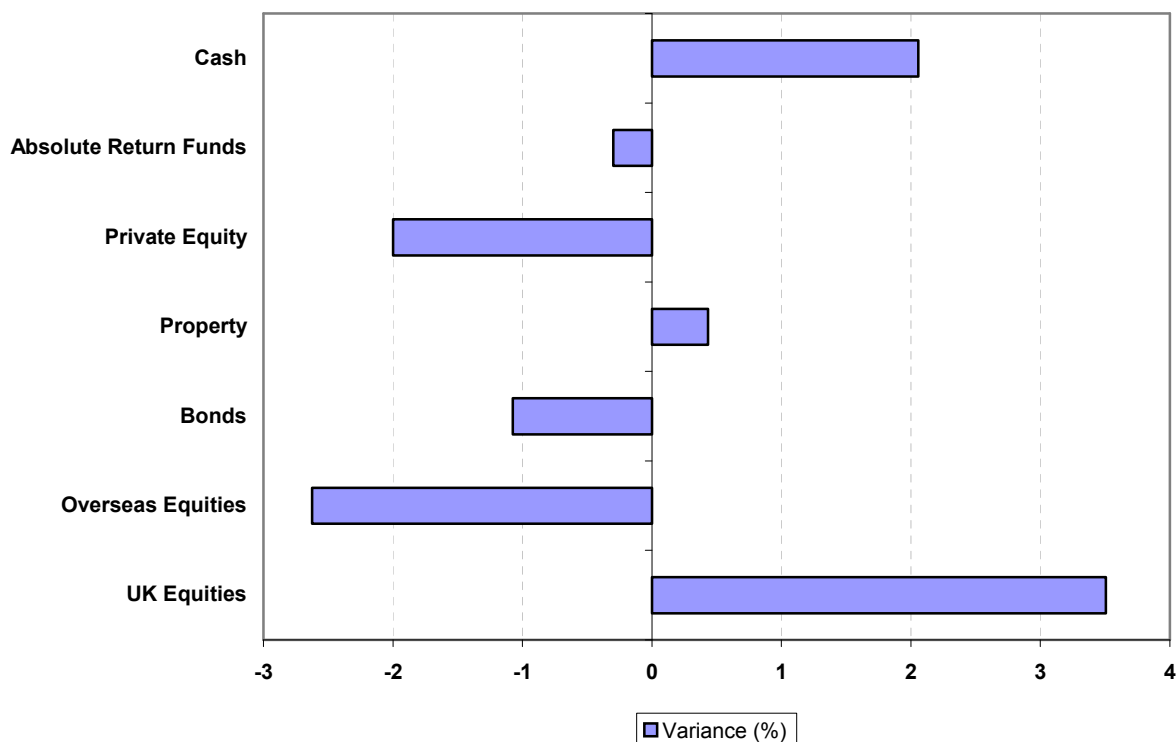
Fund Value and Asset Allocation

The market value of the Fund increased from £1,166m to £1,201m during the three months ending 31 March 2007. Table 1 below shows the asset allocation:

TABLE 1		
Asset Allocation by Class at 31 March 2007	£m	£m
Equities		
UK		399
Overseas		417
North America	142	
Europe (ex UK)	135	
Japan	59	
Developed Pacific (ex Japan)	23	
Emerging Markets	58	
Bonds		220
UK Fixed Interest Gilts	182	
UK Index-Linked Gilts	38	
Property		100
Private Equity		0
Absolute Return Funds		43
Cash		22
		1,201

Graph 1 - Variance from Strategic Asset Allocation

The graph below shows the percentage difference of the Fund's assets as at 31 March 2007 compared to the investment strategy. The investment in private equity of 2% will be staggered over the next few years; in the meantime up to an additional 2% has been allocated to UK equities.



The value of the Fund held by each fund manager at 31 March 2007 is shown in Table 2 below:

Fund Manager	Mandate	£m	%
Alliance Bernstein	Less constrained global equities	101	8.4
Blackrock	Cash / inflation plus	20	1.7
Blackstone	Hedge fund of funds	22	1.8
Capital International	Global equities	224	18.7
LGIM	Passive global equities and bonds	320	26.6
LGIM	Bonds	175	14.6
Mirabaud	UK equities	130	10.8
Morley	Property fund of funds	102	8.5
Standard Life	Less constrained UK equities	102	8.5
Pension Fund	Cash	5	0.4
Total		1,201	100.0

Further detail of the assets held by each fund manager at 31 March 2007 is shown in Appendix 1, Table 3.

Table 4 below shows the fund managers' net performance for the quarter to 31 March 2007 compared to the benchmark:

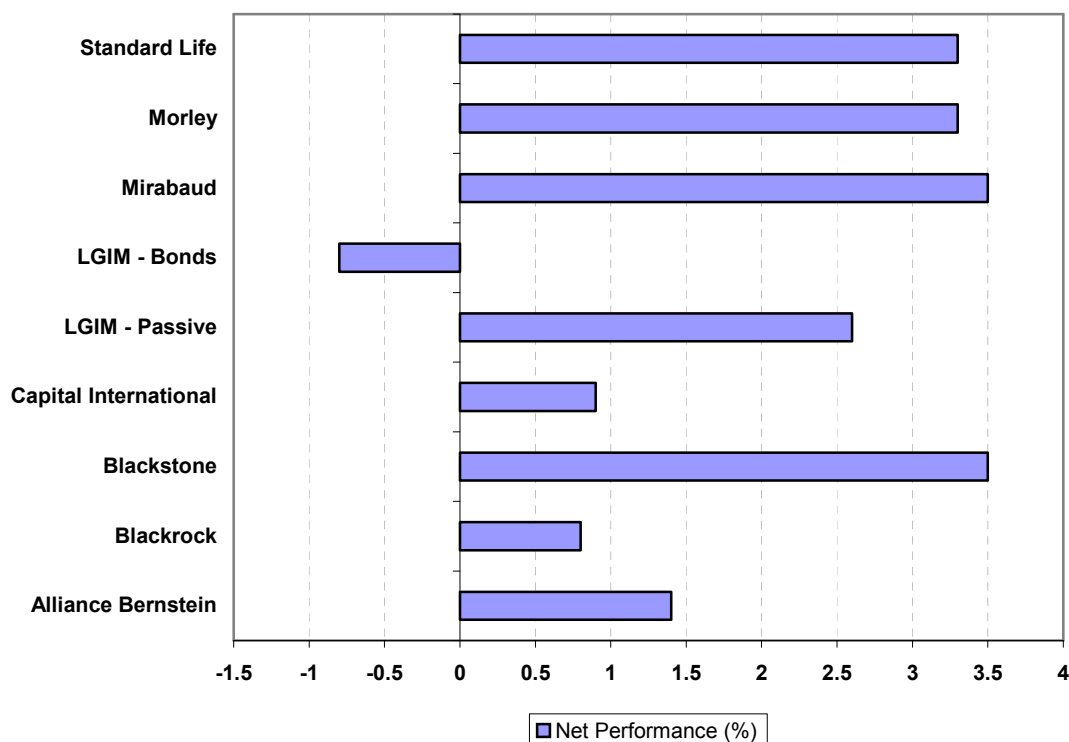
TABLE 4			
Fund Manager	Benchmark %	Net Performance %	Net Relative Return %
Alliance Bernstein	2.4	1.4	-0.1
Blackrock	0.8	0.8	0
Blackstone	1.3	3.5	2.1
Capital International	2.6	0.9	-1.5
LGIM – Passive	2.6	2.6	0
LGIM – Bonds	-0.5	-0.8	-0.3
Mirabaud	2.9	3.5	0.5
Morley	2.5	3.3	0.7
Standard Life	2.9	3.3	0.3
	2.1		

During the quarter ending 31 March 2007 the FTSE All Share, the benchmark for Mirabaud and Standard Life achieved a return of 2.9%.

Capital International's benchmark changed from a composite benchmark of several FTSE indices to the FTSE All World Index on 2 March 2007.

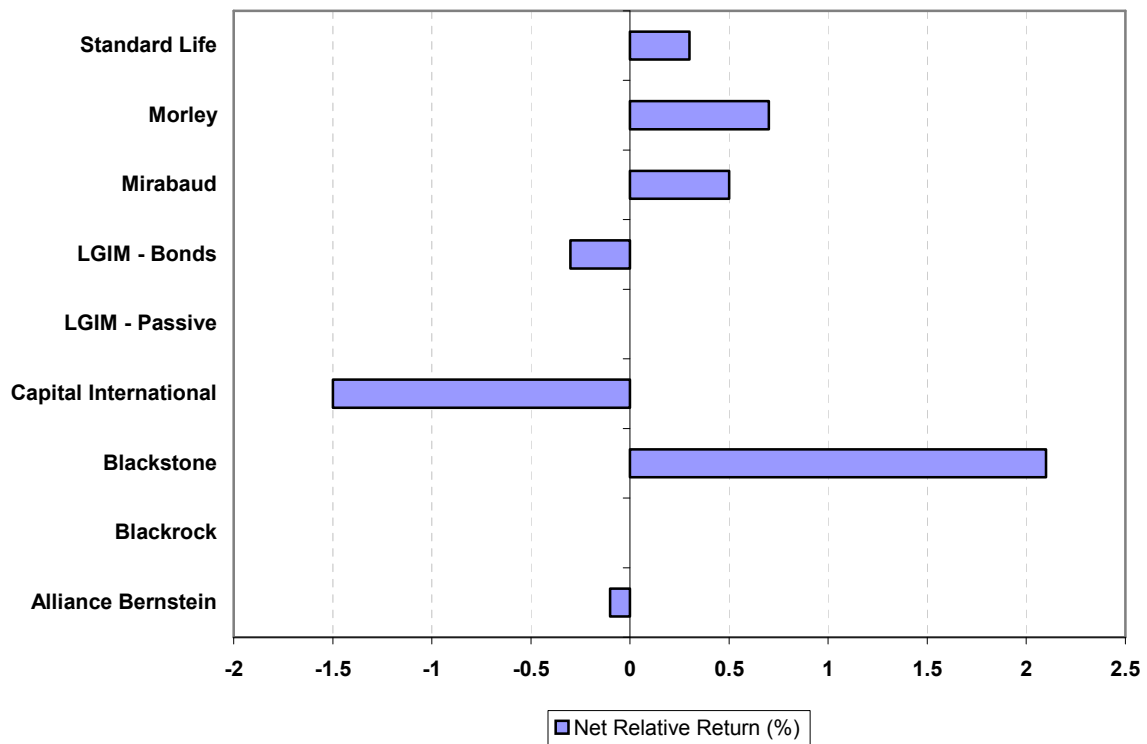
Graph 2 - Fund Managers' Net Performance for the Quarter

Fund managers' actual performance after fees.



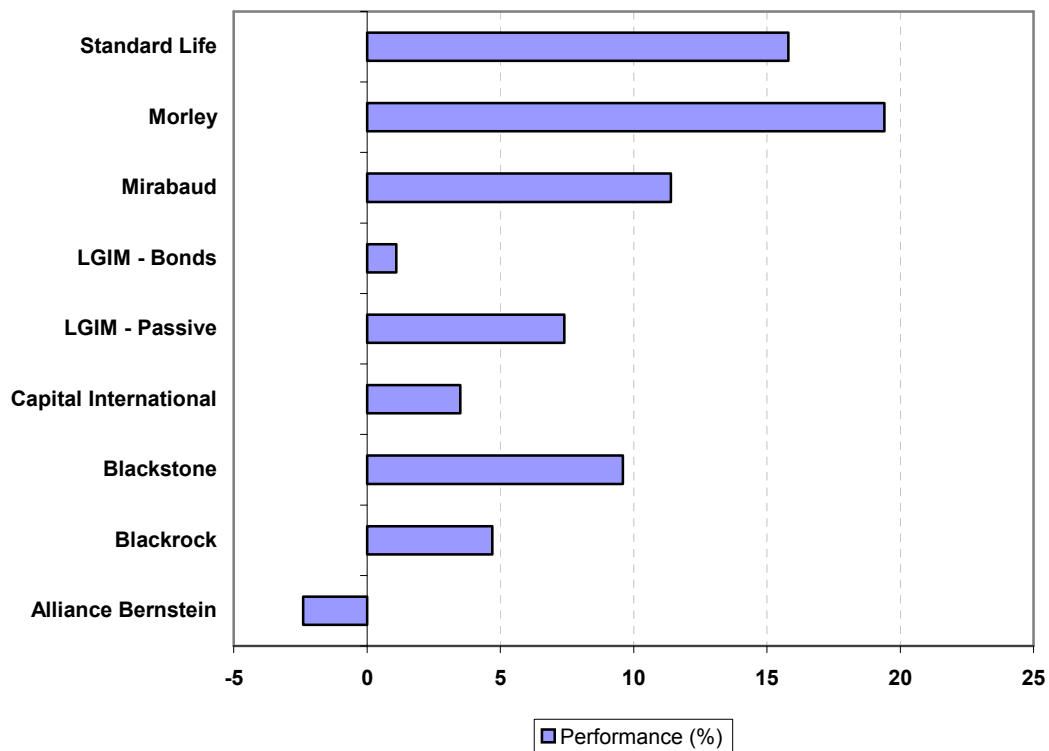
Graph 3 - Fund Managers' Net Relative Return for the Quarter

Fund managers' performance after fees compared to their benchmark



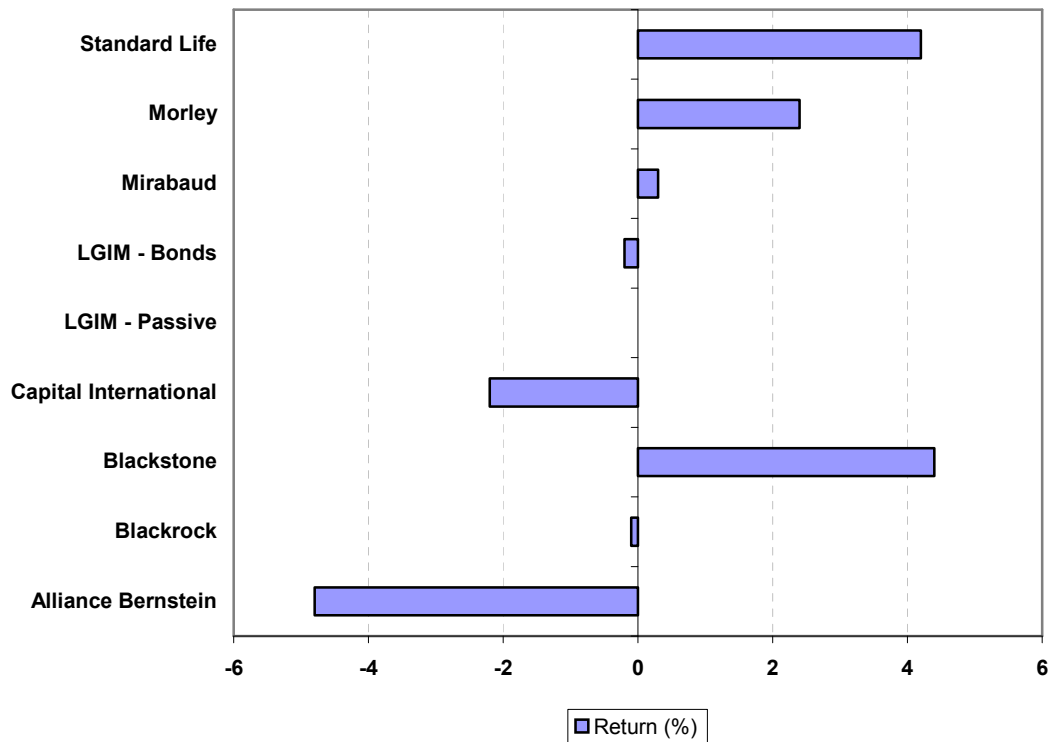
Graph 4 - Fund Managers' Gross Annual Performance

Fund managers' actual performance before fees over the previous 12 months



Graph 5 - Fund Managers' Annual Relative Return

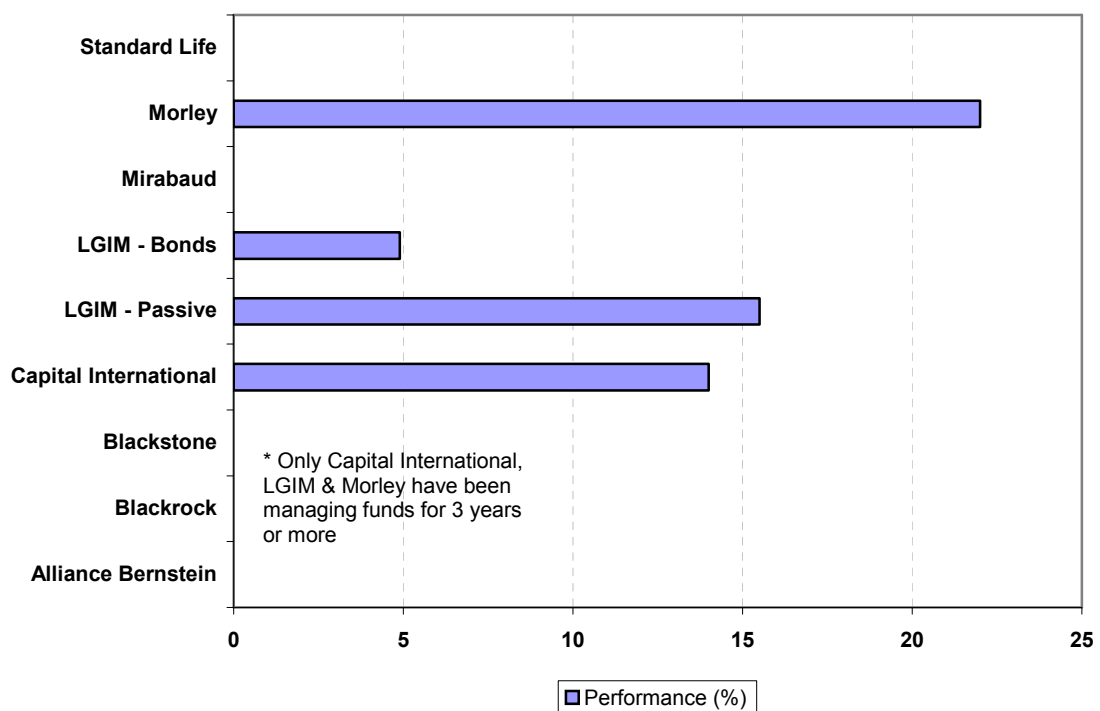
Fund managers' performance before fees over the previous 12 months against their benchmark.



See Appendix 2, Table 5 for full data.

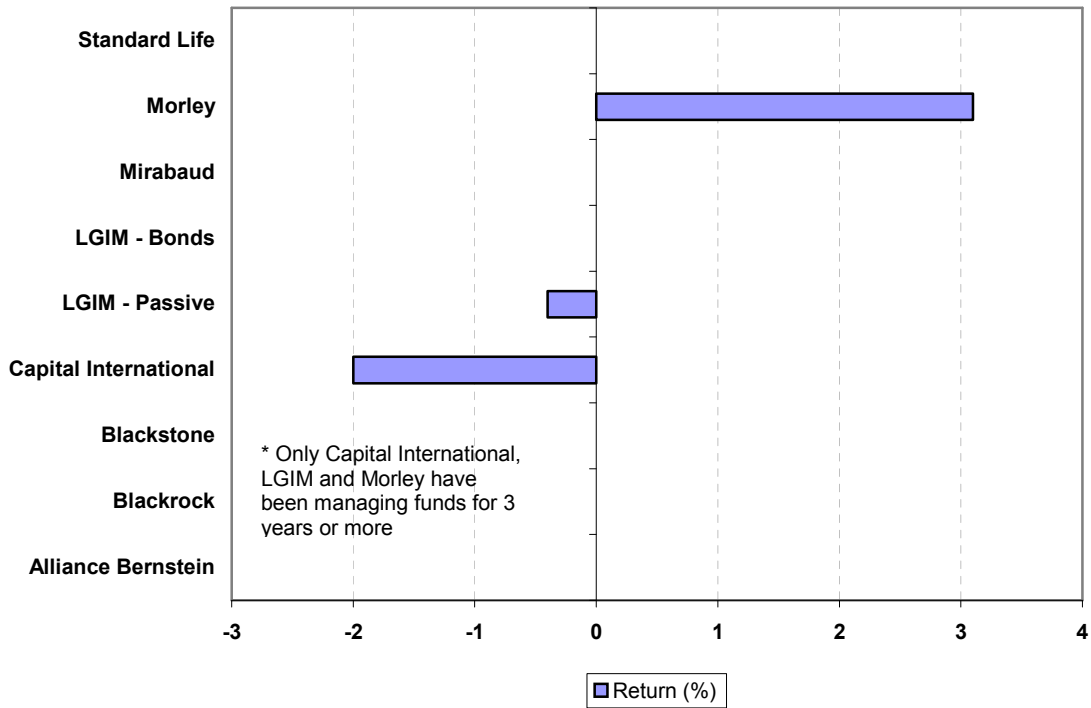
Graph 6 - Fund Managers' 3 Year Performance

Fund managers' gross actual performance over the previous three years



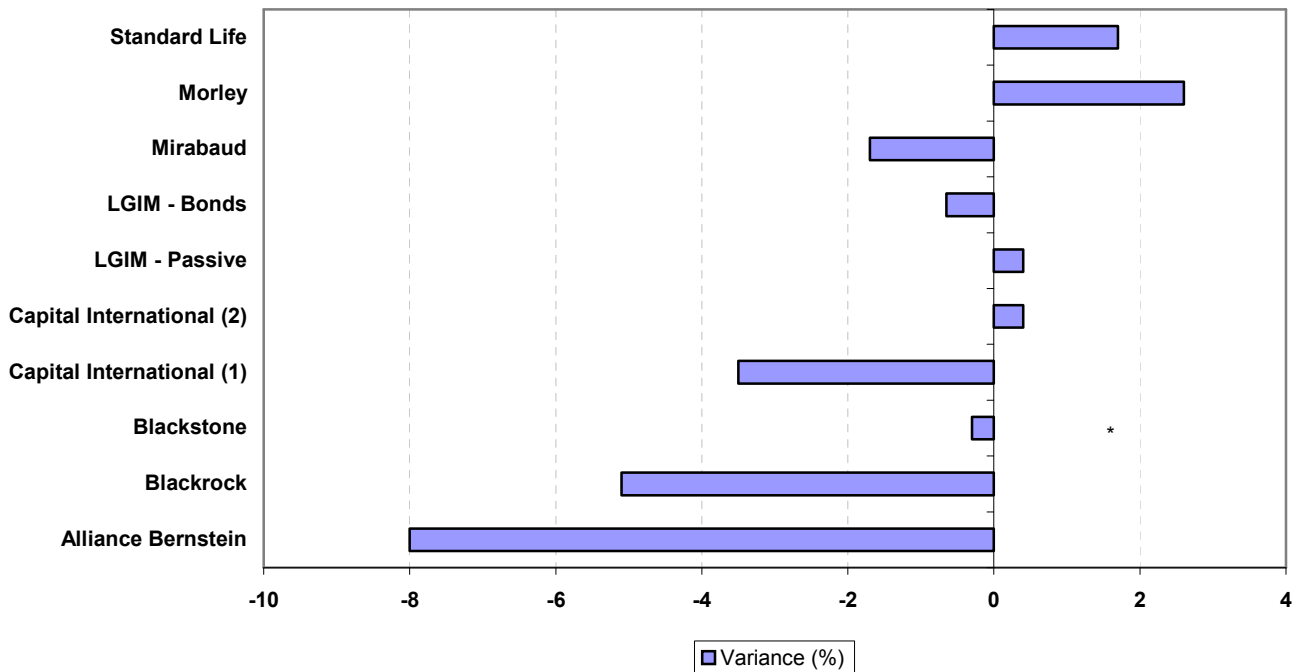
Graph 7 - Fund Managers' 3 Year Relative Return

Fund managers' gross performance over the previous three years against their benchmark.



Three years is a pension industry standard timescale for performance comparisons.

Graph 8 - Fund Managers' Performance Compared to Fund Manager Objectives



- (1) Relates to the out-performance objective (see fund manager objectives);
- (2) Relates to the limiting under-performance objective (see fund manager objectives).

Notes to Graph 8

- Alliance Bernstein's performance is shown for one year, the mandate has been in place for 18 months.
- Mirabaud performance is measured against the objective for one year rather than the 3 years stated in the objective, the mandate has only been in place since October 2004;
- Standard Life performance is measured against the objective for one year rather than the 3 years stated in the objective, the mandate has only been in place since October 2005.

Fund Manager Objectives

The objectives for each fund manager are as follows:

- Alliance Bernstein: to achieve a return 3% per annum above the benchmark return over full market cycles, gross of fees.
- Blackrock: RPI +5% net of fees per annum.
- Blackstone: cash plus 5% over a full market cycle.
- Capital International: to out-perform its benchmark by 1% per annum over a three year rolling period and limit under-performance to 3.0% in any twelve month period.
- Legal and General Investment Management (LGIM) – Passive: to match its benchmark return.
- LGIM – Bonds: to out-perform its benchmark by 0.75% per annum over a three year rolling period.
- Mirabaud – UK Equities: to out-perform its benchmark by 2% per annum over a three year rolling period.
- Morley Fund Management – Property: to out-perform its benchmark by 1% per annum over a three year rolling period.
- Standard Life – UK Equities: to exceed the benchmark by 3% per annum gross of all investment management fees over rolling 3 year periods.

Quarter 4 2007 Fund Performance in the Local Authority League Tables

The Buckinghamshire Pension Fund was ranked in the 33rd percentile for the fourth quarter in 2006 in the WM local authority universe. In the year to 31 December 2006 the Fund was ranked 41, over an average of 3 years to 31 December 2006 the Fund was ranked at 50. The Fund's 5 year average is the 77th percentile. The quarterly and annual performance recorded each quarter can be volatile; the three years and five years percentiles demonstrate the improving trend in the Fund's performance.

Your questions and views

If you have any questions about the matters contained in this paper please get in touch with the Contact Officer whose telephone number is given at the head of the paper.