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DATE: 30 April 2013

To: Members of the
PENSIONS INVESTMENT SUB-COMMITTEE

Councillor Paul Lynch (Chairman)
Councillor Julian Grainger (Vice-Chairman)
Councillors John Ince, Russell Mellor, Neil Reddin FCCA, Richard Scoates and Stephen Wells

Glenn Kelly (Non-Voting Staff Representative)

A meeting of the Pensions Investment Sub-Committee will be held at Bromley Civic Centre on **THURSDAY 9 MAY 2013 AT 7.30 PM**

MARK BOWEN
Director of Corporate Services

Copies of the documents referred to below can be obtained from www.bromley.gov.uk/meetings

A G E N D A

1 **APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS**

2 **DECLARATIONS OF INTEREST**

3 **CONFIRMATION OF MINUTES OF THE MEETING HELD ON 12TH FEBRUARY 2013 EXCLUDING THOSE CONTAINING EXEMPT INFORMATION** (Pages 3 - 8)

4 **MATTERS OUTSTANDING FROM PREVIOUS MEETINGS**

Matters Outstanding from Previous Meetings - Auto-enrolment
(**Minute 68 – 12th February 2013)**

At their meeting on 14th February 2013, the General Purposes and Licensing Committee agreed that the transitional period (between 1st March 2013 and September 2017) be used to defer automatic enrolment for eligible jobholders who, on 1st March 2013, were not members of either the LGPS or the TPS.

Matters Outstanding from Previous Meetings – London Mutual Pension Fund
(**Minute 68 – 12th February 2013)**

The Director of Finance will provide a verbal update at the meeting to reflect some recent developments.

5 **QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING**

In accordance with the Council's Constitution, questions to this Sub-Committee must be received in writing four working days before the date of the meeting. Therefore please ensure that questions are received by the Democratic Services Team by 5pm on Thursday 2nd May 2013.

6 **PENSION FUND PERFORMANCE Q4 2012/13** (Pages 9 - 38)

7 **LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION) ORDER 2006 AND FREEDOM OF INFORMATION ACT 2000**

The Chairman to move that the Press and public be excluded during consideration of the items of business referred to below as it is likely in view of the nature of the business to be transacted or the nature of the proceedings that if members of the Press and public were present there would be disclosure to them of exempt information.

	Items of Business	Schedule 12A Description
8	**CONFIRMATION OF EXEMPT MINUTES - 12TH FEBRUARY 2013** (Pages 39 - 42)	Information relating to the financial or business affairs of any particular person (including the authority holding that information)
9	**AFFINITY SUTTON PENSION ARRANGEMENTS** (Pages 43 - 78)	Information relating to the financial or business affairs of any particular person (including the authority holding that information)
10	**REVISED INVESTMENT STRATEGY - PHASE 2 UPDATE (GLOBAL EQUITIES)** (Pages 79 - 88)	Information relating to the financial or business affairs of any particular person (including the authority holding that information)

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PENSIONS INVESTMENT SUB-COMMITTEE

Minutes of the meeting held at 7.30 pm on 12 February 2013

Present

Councillor Paul Lynch (Chairman)
Councillor Julian Grainger (Vice-Chairman)
Councillors John Ince, Russell Mellor, Neil Reddin FCCA and Richard Scoates

65 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

There were no apologies.

66 DECLARATIONS OF INTEREST

Councillors Paul Lynch, Julian Grainger, Russell Mellor, Neil Reddin and Richard Scoates each declared an interest as members of the Bromley Local Government Pension Scheme.

67 CONFIRMATION OF MINUTES OF THE MEETING HELD ON 15TH NOVEMBER 2012 EXCLUDING THOSE CONTAINING EXEMPT INFORMATION

The minutes were agreed.

68 MATTERS OUTSTANDING FROM PREVIOUS MEETINGS

Members were updated on the matters below.

(a) Member Training

A training evening for Members, previously suggested at a Sub-Committee meeting, was held on 5th February 2013 covering a wide range of issues related to the Pension scheme.

The event was led mainly by Baillie Gifford and Co and the Chairman felt that it was an excellent training evening. Copies of the training presentation pack were provided at the meeting for the benefit of Sub Committee Members unable to be at the event. Councillor Mellor offered his apologies for not being able to attend in view of business commitments. The Finance Director indicated that the training was provided at no cost to the Council with the speakers meeting their own costs.

(b) Auto-enrolment

Concerning Auto-enrolment to the Pension Scheme, approval was being sought to a transitional period for deferring automatic enrolment to eligible jobholders. As at 1st March 2013, the Council has the option to defer until September 2017 the automatic enrolment of eligible jobholders who had opted out of the LGPS prior to 1st March 2013. A report on this would be considered by the General Purposes and Licensing Committee at their meeting on 14th February 2013. Approval would mean that Auto-enrolment would effectively only apply to new starters between 1st March 2013 and September 2017.

(c) London Mutual Pension Fund

Work continued on this and there was no proposal to seek a commitment from London Boroughs at this stage.

69 QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING

There were no questions.

70 PENSION FUND PERFORMANCE Q3 2012/13

Report RES13030

Summary details were provided of the investment performance of Bromley's Pension Fund for the first three quarters of 2012/13 along with information on general financial and membership trends of the Fund and summarised information on early retirements. The Fund's external advisers, AllenbridgeEpic, provided further detail on investment performance and Fidelity and Baillie Gifford each provided an update on performance and economic outlook/prospects.

The market value of the Fund rose during the December quarter to £526.0m compared to a value of £462.1m at 31st December 2011. By 1st February 2013 the Fund value had increased to £558.8m.

Until 2006, the target for Fund managers was to outperform the local authority universe average by 0.5% over rolling three year periods. Following a review of management arrangements in 2006, both managers were set performance targets relative to their strategic benchmarks; Baillie Gifford's target to outperform benchmark by 1.0% -1.5% over three-year periods and Fidelity's to outperform by 1.9% over three-year periods. Although the 2012 strategy review saw maintenance of an 80%/20% split between growth seeking assets and protection assets, the growth element would comprise a 10% investment in Diversified Growth Funds (DGF) and 70% in global equities, the latter removing arbitrary regional weightings in favour of flexibility in world stock markets and potentially improved long-term returns.

Baillie Gifford and Standard Life each received £25m on 6th December 2012 from Fidelity's equity holdings to establish the 10% DGF allocation (Phase 1 of the new strategy) and market values of the allocations had since increased.

Performance from Baillie Gifford and Fidelity for the first three quarters of 2012/13 was outlined. Baillie Gifford returned 3.0% in the December quarter (0.4% below benchmark) and Fidelity returned 3.7% (0.7% above benchmark). The Pension Fund's medium and long-term returns remained strong with Bromley's performance in the last few years particularly good. Baillie Gifford's returns for three years and ten years ended 31st December 2012 (9.1% and 9.9% respectively) compared favourably with those of Fidelity (7.6% and 9.4% respectively), while Fidelity (at 5.8%) outperformed Baillie Gifford (at 5.7%) over five years.

Concerning Affinity Sutton Pension arrangements, officers were continuing to explore alternative options. Discussions were continuing and the LPFA and Affinity Sutton were due to meet again on 27th February 2013.

Details were also provided of the 2012/13 Pension Fund Revenue Account and membership figures to 31st December 2012. A net surplus of £5.6m was achieved in the first three quarters of the year (mainly due to investment income) and total membership numbers rose by 319. However, the overall proportion of active members continued to decline and fell from 36.4% at 31st March 2012 to 35.7% at 31st December 2012.

In discussion the Sub Committee's Independent Adviser, Mr Alick Stevenson, provided views on the Fund's performance. He briefly outlined a global context referring to the U.S., Eurozone and UK. Markets were consolidating around higher levels with investors currently moving in and out of fixed income. Mr Stevenson felt that 2013 could see some growth.

Delivering a 14% performance over the twelve month period was good. However, over a three year period to 31st December 2012, Fidelity had returned their benchmark at 7.6%; Baillie Gifford for the same period returned 9.1% against a 7.1% benchmark. This indicated successful asset selection by Baillie Gifford. Fidelity however was hugging its benchmark although its short term quarterly returns for September 2012 and December 2012 were particularly good. Nevertheless, Fidelity did not appear to allocate assets over central points.

On Phase 1 of the new Strategy, Mr Stevenson congratulated the Principal Accountant for his handling of documentation for a transfer of funds from the Fidelity Fund to the new Diversified Growth Fund. Fidelity also handled the transfer in a professional manner. The two new DGF Fund Mangers were appointed by the Sub Committee on15th November 2012 and funded on 6th December 2012. The transfer went smoothly and the new mandates had performed well. It was agreed to review Baillie Gifford's DGF performance at the next meeting when their representatives would be attending and agree a date for Standard Life's future attendance at a Sub-Committee meeting. Mr Stevenson recommended they are not seen for a year although he would monitor their performance in the meantime. As a consequence of the changes, Fidelity's benchmark reduced from 1.9% to 1.7% from 1st December 2012.

On the appointment process for Phase 2 (Global Equities), the Pre-Qualification Questionnaire (PQQ) stage was underway and it was anticipated there could be up to 50 responses. The expiry date was some 37 days after the date of OJEU notice i.e. around the end of March. An evaluation period would then follow to achieve a shortlist of 12 with further evaluation to follow before coming up with a short list, probably of six potential managers. It was suggested that the Sub Committee's 9th May meeting continue as planned with a special meeting scheduled for the end of May or early June to receive presentations and agree appointments. Mr Stevenson suggested the date be variable in consultation with the Chairman.

Councillor Grainger focussed on the fund achieving a return to meet medium to longer term liabilities. He referred to the US Federal Reserve and European Central Bank continuing to buy Government Bonds effectively increasing money supply with a resurgent inflation risk. The dollar was not strong and with Government Bonds returning some 5% he suggested the Sub-Committee consider other ways of generating (fixed) income without too much risk e.g. property. He felt that if the re-investment rate was lower than three years previously it would take longer for the Fund to meet its liabilities – the recovery period would lengthen.

Mr Stevenson suggested input from the Actuary who will have carried out early calculations by the end of March; for future meetings it was necessary to consider ways to nudge the income growth rate. Mr Stevenson felt that education on the scenario of long term risks was necessary and to have assistance from the Actuary. It could be that future infrastructure investment might be beneficial. It was also necessary to know the proportion of the long term risk already covered and to have ways of hedging or protecting the Fund long term. The Finance Director indicated that the Actuary had given an initial indication. Some 20 Pension Funds had already been looked at and their funding position had deteriorated. The issue was about people living longer and there was a low return on Gilts. There was a complexity within the liabilities and the risk was of the Pension Fund moving to a negative cash flow and lower returns. As staff reduced there would be a saving longer term but for the medium term i.e. 10 to 15 years, membership numbers needed for the Pension Fund would reduce and there would be lower returns. Consequently, the Finance Director referred to engaging the Actuary with Members at an early stage.

Councillor Grainger felt that it could be difficult to grasp how the Pension Fund can increase in value and yet have reduced funding. He suggested an early funding warning to Members with some training and it was confirmed that the Member Finance Seminar in June would include this

It was indicated that the DGF Portfolio had a small property element and infrastructure was a developing area which could be considered during Phase 3 of the new strategy (fixed income). Additionally, the funding strategy was in transition and it was important to allow it time to be fully implemented and to then bed in. Mr Stevenson suggested infrastructure consideration for Phase 3 of the Strategy as the fixed income parameters had yet to be agreed. The Chairman was also wary of officer time being taken to work on property, infrastructure and other fixed income matters at a time when it was important to implement the new investment strategy in its entirety. He suggested adding property to the Sub-Committee's Matters Arising. The Finance Director also indicated a liquidity issue for property and having options to be able to sell properties. It was necessary to look at a longer time frame for the Pension Fund e.g. 15/20 years. He referred to timing and implementing the new strategy and looking at property investment in the future. He suggested a possible opportunities fund in the future but for the present it was important to "bed down" the strategy.

RESOLVED that the report be noted.

71 PENSION FUND - 2012/13 AUDIT PLAN

Report RES13042

Members noted the 2012/13 Audit Plan of the L B Bromley Pension Fund.

This was prepared by auditor PricewaterhouseCoopers LLP (PWC) to inform Members and officers of the responsibilities of the external auditors and how they plan to discharge those responsibilities in accordance with the Audit Commission's Code of Practice. The Plan was prepared in consultation with officers and includes an analysis of key risks, PWC's audit strategy, reporting and audit timetable and other matters.

The Council's accounts were being prepared in accordance with the requirements of both the LGPS Regulations and the CIPFA Statement of Recommended Practice and would be audited as part of the overall audit of the Council's Accounts by PWC.

RESOLVED that the Pension Fund Audit Plan for 2012/13 be noted.

72 LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION) ORDER 2006 AND FREEDOM OF INFORMATION ACT 2000

Under Part 2 proceedings, Mr Stevenson outlined his views on investing in Options (Derivatives) and selling them on i.e. insuring the Fund or hedging risk against future fluctuations in the FTSE value.

73 CONFIRMATION OF EXEMPT MINUTES - 15TH NOVEMBER 2102

The Part 2 Minutes were agreed.

74 PENSION FUND - INVESTMENT REPORT

Quarterly reports (to 31st December 2012) from Baillie Gifford and Fidelity had been circulated prior to the meeting along with quarterly reports (to 31st December 2012) from Standard Life Investments and Baillie Gifford in respect of the Diversified Growth Fund investments.

Representatives from Fidelity attended the meeting to present their investment review and answer questions.

The Meeting ended at 9.08 pm

Chairman

Report No.
RES13088

London Borough of Bromley

PART 1 - PUBLIC

Decision Maker:	**Pensions Investment Sub-Committee**
Date:	**9th May 2013**
Decision Type:	Non-Urgent Non-Executive Non-Key
Title:	**PENSION FUND PERFORMANCE Q4 2012/13**
Contact Officer:	Martin Reeves, Principal Accountant (Technical & Control) Tel: 020 8313 4291 E-mail: martin.reeves@bromley.gov.uk
Chief Officer:	Director of Finance
Ward:	All

1. Reason for report

This report includes summary details of the investment performance of Bromley's Pension Fund for the whole of the financial year 2012/13. It also contains information on general financial and membership trends of the Pension Fund and summarised information on early retirements. More detail on investment performance is provided in a separate report from the Fund's external advisers, AllenbridgeEpic, which is attached as Appendix 7. Representatives of Baillie Gifford will be present at the meeting to discuss performance, economic outlook/prospects and other matters. Fidelity and Baillie Gifford have provided brief updates and these are attached as Appendices 3 and 4.

RECOMMENDATION(S)

The Sub-Committee is asked to:

2.1 Note the report.

Corporate Policy

1. Policy Status: Existing policy. The Council's Pension Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations 2007, for the purpose of providing pension benefits for its employees. These regulations allow local authorities to use all the established categories of investments, e.g. equities, bonds, property etc, and to appoint external investment managers who are required to use a wide variety of investments and to comply with certain specific limits.

2. BBB Priority: Excellent Council.

Financial

1. Cost of proposal: No cost

2. Ongoing costs: Recurring cost. Total administration costs estimated at £1.9m (includes fund manager/actuary fees, Liberata charge and officer time)

3. Budget head/performance centre: Pension Fund

4. Total current budget for this head: £34.3m expenditure (pensions, lump sums, etc); £41.3m income (contributions, investment income, etc); £583.9m total fund market value at 31st March 2013)

5. Source of funding: Contributions to Pension Fund

Staff

1. Number of staff (current and additional): 0.4 FTE

2. If from existing staff resources, number of staff hours: c 14 hours per week

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Legal

1. Legal Requirement: Statutory requirement. Local Government Pension Scheme (LGPS) Regulations 2007 and LGPS (Administration) Regulations 2008

2. Call-in: Call-in is not applicable.

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 5,065 current employees; 4,731 pensioners; 4,457 deferred pensioners as at 31st March 2013

Ward Councillor Views

1. Have Ward Councillors been asked for comments? No.

2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

Fund Value

3.1 The market value of the Fund rose during the March quarter to £583.9m (£526.0m as at 31st December 2012). The comparable value one year ago (as at 31st March 2012) was £499.5m. At the time of finalising this report (as at 24th April 2013), the Fund value had risen slightly to £585.9m. Historic data on the value of the Fund, together with details of distributions of the revenue fund surplus cash to the fund managers and movements in the value of the FTSE 100 index, are shown in a table and in graph form in Appendix 1. Members will note that the Fund value tracks the movement in the FTSE 100 fairly closely, even though, since 2006, only around 30% of the fund has been invested in the UK equity sector.

Performance targets

3.2 Up to 2006, the Fund managers' target was to outperform the local authority universe average by 0.5% over rolling three year periods. As a result of a review of the Fund's management arrangements in 2006, however, both the managers at that time were set performance targets relative to their strategic benchmarks. Baillie Gifford's target is to outperform the benchmark by 1.0% - 1.5% over three-year periods, while Fidelity's target is 1.9% outperformance over three-year periods. Since then, the WM Company has measured their results against these benchmarks, although, at total fund level, it continues to use the local authority indices and averages. Other comparisons with local authority averages may be highlighted from time to time to demonstrate, for example, whether the benchmark itself is producing good results.

3.3 In 2012, following a further review of the Fund's investment strategy, the Sub-Committee agreed to maintain the high level 80%/20% split between growth seeking assets (representing the long-term return generating part of the Fund's assets) and protection assets (aimed at providing returns to match the future growth of the Fund's liabilities). The growth element would, however, comprise a 10% investment in Diversified Growth Funds (DGF - a completely new mandate) and a 70% allocation to global equities. The latter would involve the elimination of our current arbitrary regional weightings, which would provide new managers with greater flexibility to take advantage of investment opportunities in the world's stock markets, thus, in theory at least, improving long-term returns. A 20% protection element would remain in place for investment in corporate bonds and gilts.

3.4 It was agreed that this would be implemented in three separate phases and, following presentations by a short-list of four prospective managers to the November meeting, Phase 1 (a 10% allocation to Diversified Growth Funds) was implemented on 6th December 2012 with a transfer of £50m from Fidelity's equity holdings (£25m to each of the two successful companies, Baillie Gifford and Standard Life). Baillie Gifford's benchmark return is 3.5% above base rate and, in the March quarter, they achieved a return of 5.0%. Standard Life have a benchmark of 5% above the 6 month Libor rate and they achieved a return of 3.7% in the March quarter.

	Initial Investment 06/12/12	Market Value 31/03/13	Market Value 24/04/13	Benchmark return March quarter	Portfolio return March quarter
	£m	£m	£m	%	%
Baillie Gifford	25.0	26.5	26.8	4.0	5.0
Standard Life	25.0	26.1	26.4	5.6	3.7

Investment returns for 2012/13 (short-term)

3.5 A summary of the two balanced fund managers' performance in the financial year 2012/13 is shown in the following table and more details are provided in Appendix 2. Baillie Gifford returned

11.9% in the March quarter (2.2% above the benchmark) while Fidelity returned 11.5% (1.9% above benchmark). The "Total Fund" returns shown below include the two Diversified Growth Fund manager returns shown separately in paragraph 3.4.

Quarter	Baillie Gifford		Fidelity		Total Fund		LA Ave	LA Ave
	BM %	Return %	BM %	Return %	BM %	Return %	Return %	Ranking (1 – 100)
Jun-12	-2.8	-2.7	-2.2	-2.4	-2.5	-2.6	-1.9	82
Sep-12	4.2	4.3	4.1	4.9	4.1	4.5	3.3	7
Dec-12	3.4	3.0	3.0	3.7	3.1	3.3	2.9	26
Mar-13	9.7	11.9	9.6	11.5	8.8	11.0	n/a	n/a
Cumulative	15.0	16.9	14.9	18.3	14.0	16.8	n/a	n/a
Year to Dec 2012	12.1	14.0	11.5	14.0	11.7	14.0	10.2	3

Bromley's local authority universe ranking for the December quarter was in the 26th percentile and, in the year to 31st December 2012, was in the 3rd percentile. This was a very good year overall, with three strong quarters (those ended March, September and December 2012, ranking in the 2nd, 7th and 26th percentiles respectively) partly offset by poor performance in the quarter ended June 2012 (in the 82nd percentile). Local authority averages and rankings for the March quarter are not yet available and will be reported to the next meeting. More detailed information on short-term performance is provided in AllenbridgeEpic's report (Appendix 7).

Investment returns for 2002-2013 (medium/long-term)

3.6 The Fund's medium and long-term returns also remain very strong. Long-term rankings to 31st December 2012 (in the 12th percentile for three years, in the 7th percentile for five years and the 2nd percentile for ten years) were very good and underlined the fact that Bromley's performance has been particularly strong in the last few years as the investment strategy driven by the revised benchmark adopted in 2006 has bedded in. Returns and rankings for individual financial years ended 31st March are shown in the following table:

Year ended 31st March	Baillie Gifford Balanced Return	Fidelity Return	Baillie Gifford DGF Return	Standard Life DGF Return	Whole Fund Return	Whole Fund Ranking
	%	%	%	%	%	
2012/13	16.9	18.3	5.9	4.3	16.8	n/a
2011/12	2.9	1.4	-	-	2.2	74
2010/11	10.7	7.1	-	-	9.0	22
2009/10	51.3	45.9	-	-	48.7	2
2008/09	-21.1	-15.1	-	-	-18.6	33
2007/08	3.2	0.6	-	-	1.8	5
2006/07	1.9	3.2	-	-	2.4	100
2005/06	29.8	25.9	-	-	27.9	5
2004/05	11.2	9.9	-	-	10.6	75
2003/04	23.6	23.8	-	-	23.7	52
2002/03	-20.2	-19.9	-	-	-20.0	43
2001/02	2.5	-0.5	-	-	1.0	12
3 year ave to 31/12/12	9.1	7.6	n/a	n/a	8.4	12
5 year ave to 31/12/12	5.7	5.8	n/a	n/a	5.8	7
10 year ave to 31/12/12	9.9	9.4	n/a	n/a	9.6	2

3.7 The Fund's Statement of Investment Principles (approved in September 2011) includes the following as one of the good governance principles the Fund is required to comply with: "Returns should be measured quarterly in accordance with the regulations; a longer time frame (three to seven years) should be used in order to assess the effectiveness of fund management arrangements and review the continuing compatibility of the asset/liability profile". Given the long-term nature of pension fund liabilities, this reinforces the point that Pension Fund management is a long-term business and that medium and long-term returns are of greater importance than short-term returns.

3.8 The following table sets out comparative returns over 3, 5 and 10 years for the two balanced managers over periods ended 31st March 2013 and 31st December 2012. Baillie Gifford's returns for 3 years and 10 years ended 31st March 2013 (10.0% and 11.5% respectively) compare favourably with those of Fidelity (8.7% and 9.7% respectively). Over 5 years, both made an annualised return of 9.7%.

	Baillie Gifford			**Fidelity**		
Annualised returns	Return	BM	+/-	Return	BM	+/-
	%	%	%	%	%	%
Returns to 31/03/13						
3 years (01/04/10-31/03/13)	10.0	7.9	2.1	8.7	8.4	0.3
5 years (01/04/08-31/03/13)	9.7	7.8	1.9	9.7	7.6	2.1
10 years (01/04/03-31/03/13)	11.5	10.0	1.5	11.0	9.8	1.2
Returns to 31/12/12						
3 years (01/01/10-31/12/12)	9.1	7.1	2.0	7.6	7.6	0.0
5 years (01/01/08-31/12/12)	5.7	4.2	1.5	5.8	4.0	1.8
10 years (01/01/03-31/12/12)	9.9	8.6	1.3	9.4	8.4	1.0

Fund Manager Comments on performance and the financial markets

3.9 Baillie Gifford and Fidelity have provided a brief commentary on recent developments in financial markets, their impact on the Council's Fund and the future outlook. These are attached as Appendices 3 and 4 respectively.

Early Retirements

3.10 Commentary and a summary of early retirements by employees in Bromley's Pension Fund in the current year and in previous years are shown in Appendix 5.

Affinity Sutton Pension Arrangements

3.11 On 26th September, the General Purposes and Licensing Committee considered a report relating to Affinity Sutton pension arrangements and resolved that the matter be referred to this Sub-Committee for a view on the proposals. At the last meeting of this Sub-Committee, it was reported that discussions with and between Affinity Sutton and the LPFA were still on-going and that the LPFA and Affinity Sutton were due to meet on 27th February. An updating report is included elsewhere on this agenda.

4. POLICY IMPLICATIONS

4.1 The Council's Pension Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations 2007, for the purpose of providing pension benefits for its employees. These regulations allow local authorities to use all the established categories of investments, e.g. equities, bonds, property, etc, and to appoint external investment managers who are required to use a wide variety of investments and to comply with certain specific limits.

5. FINANCIAL IMPLICATIONS

5.1 Details of the provisional outturn for the 2012/13 Pension Fund Revenue Account are provided in Appendix 6 together with fund membership numbers. A provisional net surplus of £7.5m was achieved in the year (due to investment income of £10.2m) and total membership numbers rose by 420. The overall proportion of active members, however, continues to decline and has fallen from 36.4% at 31st March 2012 to 35.5% at 31st March 2013.

6 LEGAL IMPLICATIONS

6.1 The statutory provisions relating to the administration of the Local Government Pension Scheme are contained in the Local Government Pension Scheme (LGPS) Regulations 2007 and LGPS (Administration) Regulations 2008, which are made under the provisions of Section 7 of the Superannuation Act 1972.

Non-Applicable Sections:	Legal and Personnel Implications
Background Documents: (Access via Contact Officer)	Analysis of portfolio returns (provided by WM Company). Monthly and quarterly portfolio reports of Fidelity, Baillie Gifford and Standard Life. Quarterly Investment Report by AllenbridgeEpic

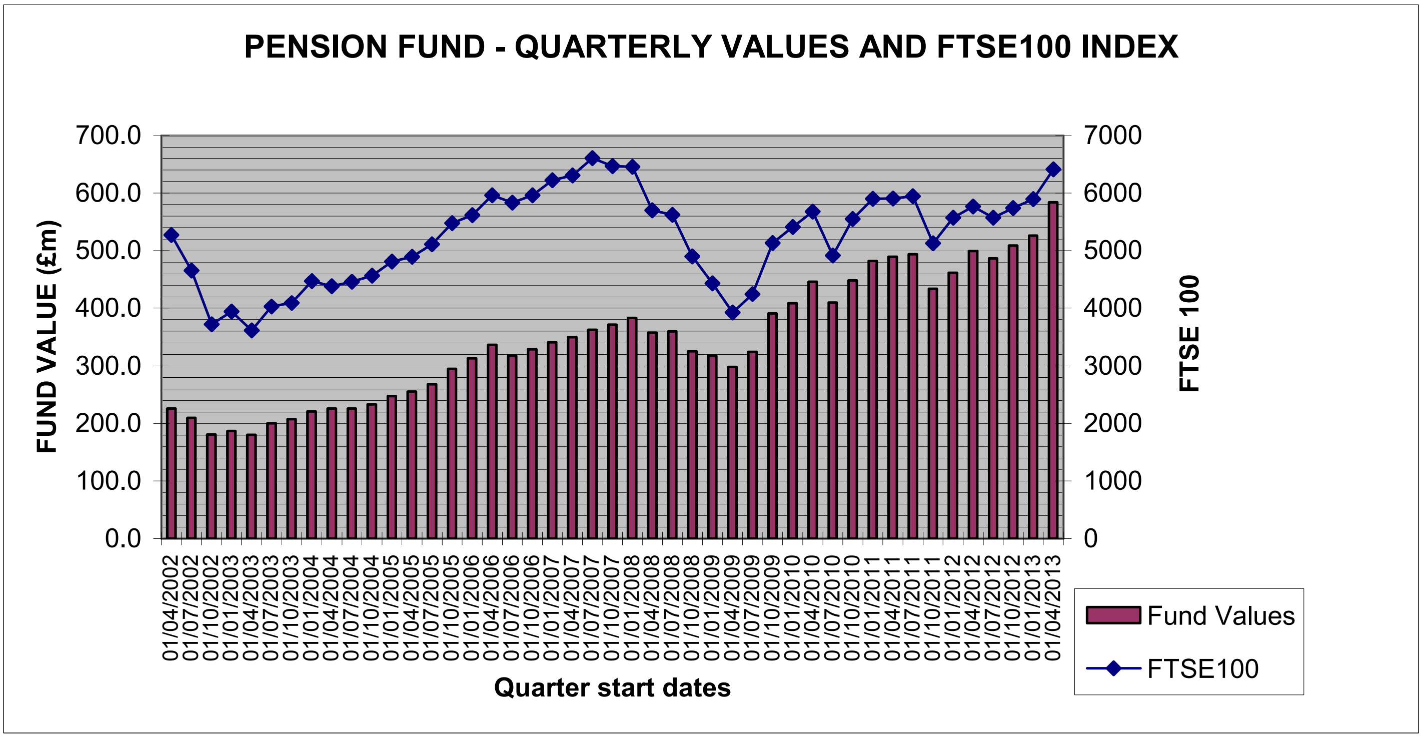
Appendix 1

MOVEMENTS IN MARKET VALUE & FTSE100 INDEX

Market Value as at	**Fidelity #**	**Baillie Gifford (main)**	**CAAM**	**Baillie Gifford (DGF)**	**Stand ard Life (DGF)**	**Total**	Revenue Surplus Distributed to Managers*	FTSE 100 Index
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	£m	
31 Mar 2002	112.9	113.3	-	-	-	226.2	0.5	5272
31 Mar 2003	90.1	90.2	-	-	-	180.3	-	3613
31 Mar 2004	112.9	113.1	-	-	-	226.0	3.0	4386
31 Mar 2005	126.6	128.5	-	-	-	255.1	5.0	4894
31 Mar 2006	164.1	172.2	-	-	-	336.3	9.1	5965
31 Mar 2007	150.1	156.0	43.5	-	-	349.6	4.5	6308
31 Mar 2008	151.3	162.0	44.0	-	-	357.3	2.0	5702
31 Mar 2009	143.5	154.6	-	-	-	298.1	4.0	3926
31 Mar 2010	210.9	235.5	-	-	-	446.4	3.0	5680
31 Mar 2011	227.0	262.7	-	-	-	489.7	3.0	5909
31 Mar 2012	229.6	269.9	-	-	-	499.5	-	5768
30 Jun 2012	223.8	262.8	-	-	-	486.6	-	5571
30 Sep 2012	235.3	273.9	-	-	-	509.2	-	5742
31 Dec 2012	193.3	282.3	-	25.3	25.1	526.0	-	5898
31 Mar 2013	215.7	315.6	-	26.5	26.1	583.9	-	6412
24 Apr 2013	217.3	315.4	-	26.8	26.4	585.9	-	6432

* Distribution of cumulative surplus during the year.

£50m equity sale 06/12/12 to fund new DGF allocations.


PENSION FUND - QUARTERLY VALUES AND FTSE100 INDEX
FUND VALUE (£m)
700.0
600.0
500.0
400.0
300.0
200.0
100.0
0.0
FTSE 100
7000
6000
5000
4000
3000
2000
1000
0
01/04/2002
01/07/2002
01/10/2002
01/01/2003
01/04/2003
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01/01/2012
01/04/2012
01/07/2012
01/10/2012
01/01/2013
01/04/2013
Quarter start dates
Fund Values
FTSE100

Appendix 2

BALANCED FUND MANAGER PORTFOLIO RETURNS AND HOLDINGS

	Quarter End 31/03/13				Quarter End 31/12/12				Quarter End 30/09/12				Quarter End 30/06/12			
	Weighting		Returns		Weighting		Returns		Weighting		Returns		Weighting		Returns	
	BM	Actual	BM	Actual	BM	Actual	BM	Actual	BM	Actual	BM	Actual	BM	Actual	BM	Actual
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
UK Equities	25.0	20.4	10.3	10.4	25.0	19.4	3.8	2.6	25.0	18.1	4.7	6.4	25.0	18.2	-2.6	-2.5
Overseas Equities																
- USA	18.0	20.0	17.7	20.6	18.0	18.0	-0.8	0.2	18.0	19.5	3.5	1.7	18.0	20.1	-1.4	1.3
- Europe	18.0	21.1	10.0	15.3	18.0	20.6	8.1	8.7	18.0	19.2	6.6	6.0	18.0	18.4	-6.9	-5.5
- Far East	9.5	10.7	14.8	17.1	9.5	10.1	5.3	3.2	9.5	9.1	2.1	2.0	9.5	9.6	-4.9	-2.4
- Other Int'l	9.5	12.5	5.4	6.2	9.5	14.0	5.1	1.0	9.5	15.5	4.6	5.8	9.5	15.2	-7.3	-10.0
UK Bonds	18.0	12.9	1.2	2.0	18.0	14.1	0.9	2.0	18.0	14.2	3.4	3.6	18.0	16.5	2.9	3.4
Cash	2.0	2.4	0.1	0.3	2.0	3.8	0.1	0.3	2.0	4.4	0.2	0.2	2.0	2.0	0.2	0.0
TOTAL	100.0	100.0	9.7	11.9	100.0	100.0	3.4	3.0	100.0	100.0	4.2	4.3	100.0	100.0	-2.8	-2.7

FIDELITY - Balanced Portfolio returns and holdings

	Quarter End 31/03/13				Quarter End 31/12/12				Quarter End 30/09/12				Quarter End 30/06/12			
	Weighting		Returns		Weighting		Returns		Weighting		Returns		Weighting		Returns	
	BM	Actual	BM	Actual	BM	Actual	BM	Actual	BM	Actual	BM	Actual	BM	Actual	BM	Actual
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
UK Equities	32.5	32.7	10.3	14.4	32.5	32.5	3.8	5.5	35.0	34.5	4.7	5.3	35.0	34.7	-2.6	-3.4
Overseas Equities																
- USA	11.5	12.6	18.2	18.0	11.5	13.1	-1.2	-0.8	12.5	14.3	3.1	4.0	12.5	13.8	-1.1	-3.6
- Europe	11.5	9.6	10.3	10.4	11.5	10.5	7.9	10.0	12.5	12.3	6.6	8.1	12.5	10.9	-7.0	-4.6
- Japan	4.5	6.2	19.6	22.5	4.5	3.9	4.3	2.7	5.0	4.2	-3.6	-2.2	5.0	4.3	-5.2	-3.2
- SE Asia	5.0	5.7	9.2	9.0	5.0	6.4	5.9	4.9	5.0	4.1	6.3	7.2	5.0	4.7	-4.4	-6.5
- Global	9.5	9.5	15.5	14.8	9.5	9.4	2.0	1.9	10.0	10.1	3.8	4.7	10.0	9.8	-3.1	-2.8
UK Bonds	25.5	23.5	1.2	1.5	25.5	23.9	0.8	1.3	20.0	20.4	3.4	4.0	20.0	21.6	3.0	3.3
Cash	0.0	0.2	0.1	-0.5	0.0	0.3	0.1	0.2	0.0	0.1	0.1	0.0	0.0	0.2	0.1	0.6
TOTAL	100.0	100.0	9.6	11.5	100.0	100.0	3.0	3.7	100.0	100.0	4.1	4.9	100.0	100.0	-2.2	-2.4

NB. Fidelity benchmarks recalculated following sale of £50m of equity investments to fund new DGF mandates

WHOLE FUND - Portfolio returns and holdings (including DGF mandates)

	Quarter End 31/03/13				Quarter End 31/12/12				Quarter End 30/09/12				Quarter End 30/06/12			
	Weighting		Returns		Weighting		Returns		Weighting		Returns		Weighting		Returns	
	BM	Actual	BM	Actual	BM	Actual	BM	Actual	BM	Actual	BM	Actual	BM	Actual	BM	Actual
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
UK Equities	n/a	23.1	10.3	12.5	n/a	22.3	3.8	4.2	n/a	25.7	4.7	5.7	n/a	25.8	-2.6	-3.1
Overseas Equities																
- USA	n/a	15.5	17.9	19.8	n/a	14.5	-1.0	-0.3	n/a	17.1	3.3	2.5	n/a	17.3	-1.2	-0.5
- Europe	n/a	15.0	10.1	14.0	n/a	14.9	8.0	9.3	n/a	16.0	6.6	6.7	n/a	14.9	-7.0	-5.2
- Far East	n/a	10.1	13.9	16.5	n/a	9.2	5.0	3.4	n/a	8.7	1.7	2.3	n/a	9.3	-5.0	-3.7
- Other Int'l	n/a	6.8	5.4	6.2	n/a	7.5	5.1	1.0	n/a	8.3	4.6	5.8	n/a	8.2	-7.3	-10.0
- Global	n/a	3.5	15.5	14.8	n/a	3.5	2.0	1.9	n/a	4.7	3.8	4.7	n/a	4.5	-3.1	-2.8
UK Bonds	n/a	15.6	1.2	1.8	n/a	16.4	0.8	1.6	n/a	17.1	3.4	3.8	n/a	18.8	3.0	3.4
Cash	n/a	1.4	0.1	0.2	n/a	2.1	0.1	0.3	n/a	2.4	0.2	0.2	n/a	1.2	0.2	0.1
DGF mandates	n/a	9.0	1.2	4.4	n/a	9.6	0.4	0.9	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
TOTAL	n/a	100.0	8.8	11.0	n/a	100.0	3.1	3.3	n/a	100.0	4.1	4.5	n/a	100.0	-2.5	-2.6

Baillie Gifford Report for the quarter ended 31 March 2013

Investment Performance to 31 March 2013

	Fund (%)	Benchmark (%)	Difference (%)	Attribution Stock selection (%)	Attribution Asset Allocation (%)
Five Years (p.a.)	9.7	7.8	2.0	1.9	-0.1
Three Years (p.a.)	10.0	7.9	2.1	3.0	-1.0
One Year	16.8	15.0	1.9	2.3	-0.6
Quarter	11.9	9.7	2.2	1.9	0.1

General

This quarter, Baillie Gifford's positive world view has been mirrored – maybe even exceeded – by market performance. Events, too, have generally supported our view. Firstly, the world economy is continuing to grow. Emerging market growth is a key part of this of course, and Chinese growth in 2012 was just under 8%, despite fears of a calamitous slowdown. US growth was 2%, and is expected to be around that level in 2013, helped by recovery in the housing market, re-emerging consumer demand and increasing international competitiveness. Certainly, the UK and much of Europe remain in the economic doldrums, but even that is better than being in a storm. It does though indicate that the financial crisis and related debt burden have not yet worked their way through the system universally.

It is also undoubtedly true that, in the words of the Chinese curse, we live in interesting times. Cyprus is the latest point of interest and financial augurs are hovering over its economic carcass. They may decide that Cyprus is a tiny economy and Europe has limited its potential for damage. Alternatively, shifting the burden of bad debts from shareholders, governments and supranational agencies to bondholders and even depositors may see funding costs rise for all companies.

Putting such events to one side, we remain of the view that the return potential of equities after inflation is superior to government bonds, and we are happy to continue with an overweight position in this asset class. Even on an absolute basis, equity valuations look reasonable despite recent progress and there is a solid base for further progress as earnings grow.

Where growth is not universal, we must be very picky in selecting attractive stocks. For example, one of the few European banks in which we invest is Svenska Handelsbanken, the conservatively managed Swedish bank which eschews the bonds of troubled Eurozone states and is growing organically and profitably. We have seen nothing in recent events which has made us more likely to purchase other banks where asset valuations are more vulnerable, deposits less sticky and regulatory risk greater.

Background to Performance

Long term performance remains good, helped by the strong performance of equities over the past year and boosted by relative performance. Several of the companies contributing to performance recently, in the North American portfolio but also elsewhere, have benefitted from the improving economic situation in the US. Another strand to recent strong performance, both operationally and in share price terms, has been investments in companies which are well placed to benefit from technological change. Rapid growth in the use of smartphones, for example, benefits both chip designer ARM and Paypal, the payments subsidiary of eBay. Beyond the world of electronics and the internet, seed company Monsanto is also using technology to both benefit its customers and entrench its competitive advantages – it should be a long term beneficiary of the need to provide more affordable food globally.

Portfolio

Turnover within the portfolio remains low, which is consistent with our long term approach. We are however continuing to identify new opportunities in a number of areas, both geographically and in terms of the drivers of long term growth. Recent purchases have included Genomic Health, a US listed molecular diagnostics company which sells tests which predict how patients will respond to cancer treatment. It has the potential to improve both the efficacy and the cost effectiveness of treatment, which we believe is an attractive combination. Another notable new purchase is Imagination Technologies, a UK listed company which designs graphic chips for use in a wide range of consumer applications. Generally however, changes to the portfolio have been fine tuning rather than anything more radical, and we remain confident in the prospects for your holdings.

Fidelity Market Commentary

Investment Performance to 31 March 2013

	Fund	Benchmark
5 years (%pa)	9.7	7.6
3 years (%pa)	8.7	8.4
1 year (%)	18.3	14.9
Quarter (%)	11.5	9.6

The fund out-performed over the quarter returning +11.5% with the composite benchmark returning +9.6%. Over the twelve months to March the fund return of +18.3% compares well to the benchmark of +14.9%.

Stock markets started the first quarter of 2013 on a strong note amid signs of stabilising global growth. Positive retail sales, employment and housing data from the US coupled with monetary stimulus by central banks boosted confidence. Japanese equities rebounded, driven by a weaker yen and the pro-growth policies advocated by the new government. The Bank of Japan also extended support by doubling its inflation target. However, an inconclusive election result in Italy and a tough rescue package for Cyprus, the fourth eurozone country to seek a financial bailout, kept investor sentiment subdued in the latter half of the period. Against this backdrop, equities in Japan advanced the most, followed by those in the US, Pacific ex Japan, Europe ex UK, the UK and emerging markets. At a sector level, defensive health care and consumer staples were at the forefront of gains, whilst materials declined.

Against this background your UK Equity portfolio outperformed the index over the quarter. The market was buoyed by positive data from major economies and returns were also supported by encouraging UK corporate earnings, which offset the impact of mixed domestic economic data. However, concerns about recurring problems in Europe, notably the Cyprus banking crisis and Italian election result, led to increased volatility. The overweight stance in consumer services boosted returns, whilst underweight in the resources sectors added value amid continuing demand concerns.

Outside of the UK, signs of recovery in the global economy, which remained awash with liquidity, supported the strong performance of equities over the quarter. Continued gains in jobs and housing in the US, positive economic data in China and expectations of further monetary easing in Japan helped investor for sentiment. Against this backdrop, your portfolio outperformed the index over the quarter, as both stock selection and sector positioning supported returns.

Your bond portfolio outperformed the index over the quarter as central banks' promises to maintain an easy monetary policy boosted risk appetite and eased fears about the rising risk in Europe. This helped maintain demand for risky assets, such as corporate bonds, through another period of macroeconomic uncertainty. Against this backdrop, the overweight stance in corporate bonds and a favourable term structure position buoyed returns.

Overall debt levels in the global economy remain high, which is likely to limit the potential for growth in the developed markets. With government fiscal policy constrained, the Bank of England (BoE) maintained an easing bias, even as it raised its inflation forecasts and did not undertake additional quantitative easing. Such an environment warrants low Gilt yields. Supported by reasonably strong credit fundamentals, investment grade corporate bonds still offer reasonable return potential as the yield premium above government bonds compensates investors for the level of credit risk.

EARLY RETIREMENTS

A summary of early retirements by employees in Bromley's Pension Fund in the current year and in previous years is shown in the table below. With regard to retirements on ill-health grounds, this allows a comparison to be made between their actual cost and the cost assumed by the actuary in the triennial valuation. If the actual cost of ill-health retirements significantly exceeds the assumed cost, the actuary will be required to consider whether the employer's contribution rate should be reviewed in advance of the next full valuation. In the three year period 2007-2010, the long-term cost of early retirements on ill-health grounds was well below the actuary's assumption in the 2007 valuation of £800k p.a. In the latest valuation of the fund (as at 31st March 2010), the actuary assumed a figure of £82k in 2010/11, rising with inflation in the following two years. In 2011/12, there were six ill-health retirements with a long-term cost of £500k and, in 2012/13, there were two ill-health retirements with a long-term cost of £235k. Provision was made in the Council's budget for these costs and contributions have been made to reimburse the Pension Fund, as result of which the level of costs will have no impact on the employer contribution rate.

The actuary does not make any allowance for other early retirements, however, because it is the Council's policy to fund these in full by additional voluntary contributions. In 2011/12, there were 58 other (non ill-health) retirements with a total long-term cost of £1,194k and, in 2012/13, there were 45 with a total long-term cost of £980k. Provision has been made in the Council's budget for severance costs arising from LBB staff redundancies and contributions were made to the Pension Fund in both years to offset these costs. The costs of non-LBB early retirements have been recovered from the relevant employers.

Long-term cost of early retirements	**Ill-Health**		**Other**	
	No	£000	No	£000
Qtr 4 – Mar 13 - LBB	-	-	6	118
- Other	-	-	3	109
- Total	-	-	9	227
2012/13 Total– LBB	2	235	33	738
- Other	-	-	12	242
- Total	2	235	45	980
Actuary's assumption - 2010 to 2013		82 p.a.		N/a
- 2007 to 2010		800 p.a.		N/a
Previous years – 2011/12	6	500	58	1,194
- 2010/11	1	94	23	386
- 2009/10	5	45	21	1,033
- 2008/09	6	385	4	256
- 2007/08	11	465	11	260

PENSION FUND REVENUE ACCOUNT AND MEMBERSHIP

	Final Outturn 2011/12 £'000's	Estimate 2012/13 £'000's	Provisional Outturn 2012/13 £'000's
INCOME			
Employee Contributions	5,766	5,800	5,514
Employer Contributions	22,291	22,500	21,915
Transfer Values Receivable	4,261	4,000	1,883
Investment Income	8,489	9,000	10,157
Total Income	40,807	41,300	39,469
EXPENDITURE			
Pensions	20,465	22,000	22,012
Lump Sums	6,500	6,400	5,539
Transfer Values Paid	1,820	4,000	2,536
Administration	1,819	1,900	1,889
Refund of Contributions	11	-	4
Total Expenditure	30,615	34,300	31,980
Surplus/Deficit (-)	10,192	7,000	7,489
MEMBERSHIP	**31/03/2012**		**31/03/2013**
Employees	5,040		5,065
Pensioners	4,628		4,731
Deferred Pensioners	4,165		4,457
	13,833		14,253

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AllenbridgeEpic
investment advisers

REPORT PREPARED FOR

London Borough of Bromley Pension Fund for the period ending 29 March 2013

24 April 2013

Alick Stevenson
AllenbridgeEpic Investment Advisers Limited (AllenbridgeEpic)

AllenbridgeEpic Investment Advisers Limited is a subsidiary of Allenbridge Investment Solutions LLP

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Risk Warning

This quarterly report by your adviser, Alick Stevenson, of AllenbridgeEpic Investment Advisers (AllenbridgeEpic), provides a summary of performance and an analysis of the investments of the London Borough of Bromley Pension Fund for the three months ending 29 March 2013.

This document is directed only at the person identified above on the basis of our investment advisory agreement with you. No liability is admitted to any other user of this report and if you are not the named recipient you should not seek to rely upon it. It is issued by AllenbridgeEpic Investment Advisers Limited, an appointed representative of Exception Capital LLP which is Authorised and Regulated by the Financial Services Authority

Market Update 1 Q 2013

Economic review of the year ended 31 March 2013

"The four most dangerous words in investing are 'This time it's different'"

Sir John Templeton

In soccer parlance, this was a year of two halves, as the first two quarters saw markets move up and down as "risk on" and "risk off" strategies were actioned, depending on whether central banks introduced a new monetary stimulus to the market place or did not. However, strong recovery in equity markets primarily in the last quarter of 2012, continued into the first quarter of 2013, with equity markets touching levels not seen since before the great fiscal debacle of 2008.

Perhaps the most surprising recovery has been in Japan where the new Prime Minister Shinzo Abe announced a series of radical fiscal and monetary stimuli which have taken the Nikkei to 5 year highs.

Although President Obama was returned to the White House in November, the continued bitter infighting between the Democrats and Republicans continued to dominate the headlines. Yet another "compromise agreement" at New Year averted a vertiginous fall into the "fiscal abyss" albeit only by deferring significant decisions for a further period, although the "sequestering" or cuts in existing federal programmes did come into force. Some commentators feel this will cut at least 1% from US GDP over the next twelve months. Such is the nature of American politics.

Problems in Greece took centre stage in the eurozone for most of the year although the pledge by the Chairman of the ECB to do whatever was necessary to promote and maintain stability seemed to calm the markets, at least until the tiny island of Cyprus requested assistance from the ECB Stability Pact and the IMF and was told that depositors would have to suffer severe financial haircuts if the bail out funds were to be made available. Repercussions from this black swan's feathers will surely continue for some time.

In the UK growth forecasts continue to be cut as not one, but two, rating agencies dropped their AAA rating for the UK. The other has them on negative outlook, in parallel, the IMF is "suggesting" that the Chancellor takes off the austerity cuffs. He is unlikely to make any changes until the new Governor of the Bank of England is on post.

As far as the markets are concerned recent events have caused most stock markets to fall from their 2013 highs; the gold price has dropped significantly, possibly anticipating that inflation might not be round the corner, but stagflation might be.

Far more potentially worrying, since quarter end, is that the VIX (the "Fear index") rose from 12.3 to 15.3 (19 April 13) in just one week.

First quarter earnings from US large cap stocks have also disappointed, as growth continued to be selective. Notwithstanding these lower earnings however, many large US corporations are sitting with billions of cash on balance sheet and seemingly, no where to invest it.

Executive Summary

At the end of March the fund value had risen to £584.0m (£526.1m 31 December 2012) and is now £84m higher than the same period last year (£500.0m).

A separate interim report covering the second phase of the three phase asset reorganisation, the transition of assets from regional equity funds to global mandates, and is included elsewhere.

Investment performance, for the first full quarter to include the diversified growth investments, was strong with the fund returning 11.0% against its new composite benchmark of 8.8%.

Fidelity outperformed the benchmark for the quarter returning 11.5% against a benchmark return of 9.6%.

Baillie Gifford returned 11.9% against their benchmark of 9.7% for the same period.

Returns on the new investments in diversified growth funds for quarter ended 29 March 2013 were also good with Standard Life at 3.7% and Baillie Gifford at 5.0%.

Fund Value

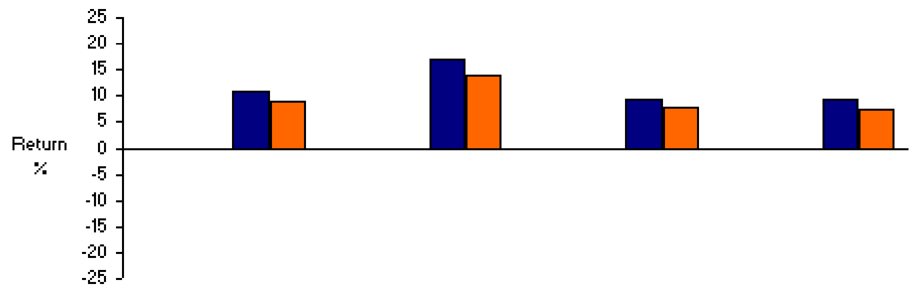
Period Manager		**31-Mar 2013 £m's**	% of total fund	31-Dec 2012 £m's	% of total fund	**31-Mar 2012 £m's**	% of total fund
Baillie Gifford		**315.6**	54.1	282.3	53.7	**269.9**	54.0
Fidelity		**215.7**	36.9	193.3	36.7	**230.1**	46.0
DG Funds							
Baillie Gifford		**26.5**	4.5	25.3	4.8		
Standard Life		**26.1**	4.5	25.1	4.8		
Total Fund		**583.9**	100.0	526.0	100.0	**500.0**	100.0

Source: Fidelity, Baillie Gifford and Standard Life

The relatively stronger performance in equities over the period has caused the long term strategic asset weightings to slip a little. Whilst members need to note this minor slippage, no rebalancing action is currently recommended given the strategic restructuring currently in progress.

Fund Investment Performance Highlights

Fund Returns



	Latest Quarter	1 Year	3 Years % pa	5 Years % pa
Fund	11.0	16.8	9.2	9.5
Benchmark	8.8	14.0	7.9	7.5
Relative Return	2.0	2.5	1.2	1.9

Source: The WM Company

The fund was strongly ahead of the benchmark for the quarter returning 11.0% versus a benchmark of 8.8%. Over the twelve month period the fund has delivered a strong positive performance of 16.8% and is ahead of the benchmark by 2.5%.

For the “benchmark” three year rolling period the fund has maintained its positive performance with returns of 9.2% pa against a benchmark of 7.9% pa, with the majority of that out performance coming from Baillie Gifford.

Over the five year period, both managers have contributed in almost equal proportion to the 2% over benchmark performance (9.5% pa versus the benchmark of 7.5% pa).

The positive contributions from the new diversified growth fund managers have yet to make an impact over the longer period returns.

Manager Changes

No significant personnel changes with either manager have been advised which would have an impact on the management of the fund’s assets.

Fund Governance and Voting

Comprehensive reviews covering governance and responsible investing, together with detailed schedules on governance engagement and voting actions during the period are included in the quarterly reports for the period.

Investment Manager Reviews

Members should note that the historic portfolios managed by Baillie Gifford and Fidelity are referred to as “multi asset” and the new Baillie Gifford and Standard Life portfolios as “DGF”.

Baillie Gifford (DGF)

The fund performed well over the first quarter, with the largest contributions coming from listed equities and emerging market local currency bonds. For the quarter the fund returned 5.0% against a benchmark of 1.0% and since inception (Dec 12) has returned 5.9% against a benchmark of 1.3%. The manager added to listed equities during the quarter and now holds 23% of the fund in listed and private equity, up from 16% at the end of 2012. The manager also increased exposure to local currency emerging market debt through investments in two in house funds. Positive contributions to performance were generated by 10 of the 15 strategies, with active currency, listed equities and emerging market bonds contributing, in aggregate, some 2.7% of the overall performance. The value of the fund rose from £25.3m at the end of December 2012 to £26.3m at the end of March 2013.

A chart showing the various asset allocations is shown on Page 15 of this report.

Baillie Gifford
(Multi Asset)

The manager has a composite benchmark calculated by weighting six indices by set percentage allocations and an out performance target of 1.0% to 1.5% before fees over rolling three year periods.

At the end of the period, assets under management rose to £315.6m from £282.3m (31 Dec 2012). Performance for the quarter was strongly positive at +2.2% relative to the benchmark (11.9% v 9.7%).

In terms of equity asset allocation, the manager has remained slightly overweight the equity benchmark (84.8% versus 80.0%) but remains significantly underweight UK equities (20.4% versus 25%) and remained underweight in fixed income assets (12.9% v 18.0%). These underweight positions have been used to fund overweights in emerging markets (+3.0% to the benchmark) and a small (+3%) overweight position in Europe ex UK, coupled with a 2.0% overweight in North America. Cash balances have been reduced and are now just 0.3% over weight the benchmark of 2.0%.

In terms of sectoral diversification, the manager has maintained long positions to the index in Consumer Services (+6.1%), Consumer Goods (+1.4%) and Industrials (+3.2%) and is “balancing” these with short index positions in Utilities (-3.5%), Basic Materials (-3.0%), Telecoms (-2.6%) and Oil and Gas (-2.7%). There are no outstandingly large equity holdings with some 20 stocks continuing to represent 24% of the portfolio by value.

Baillie Gifford Pooled Funds

There are no perceived concentration or liquidity risks with the pooled fund investments shown below.

I have written short notes on each of the pooled funds in this report. What is interesting, is that several of these pooled vehicles, whilst delivering positive investment returns are ranked quite poorly when compared to universe of managers operating in that sector.

Fund	Total OEIC value	Number of Investors	Largest Investor	Bromley Holding	% of Fund	Rank in holders
BG Emerging Market Growth Fund	£628.1 m	697	37.5%	£21.9 m	3.5%	# 6
BG EM Leading Companies	£463.0 m	110	40.8%	£17.6 m	3.8%	# 9
BG Japanese Smaller Companies	£72.7 m	158	16.7%	£3.3 m	4.6%	# 8
BG Active Gilt Plus	£83.3 m	305	49.2%	£12.9 m	15.5%	# 2
BG Investment Grade Bond	£229.8 m	119	52.0%	£27.7 m	12.0%	# 2

Source:Baillie Gifford

BG Emerging Market Growth Fund

This Fund selects stocks across the full emerging market spectrum and as such, looks for stock specific opportunities, where liquidity is a key consideration in the investment decision. Currently the Fund holds almost 50% of its assets in Financials (25.1%) and Technology (22.3%), Oil & Gas and Industrials account for a further 25.0% Consumer Goods and services 18% with the balance in telecommunications and cash.
Overweight positions are held in Dragon Oil +4.6%, China Mobile +2.6% and China Life Insurance (Taiwan) at +2.3%. The fund is also running underweight positions to the index, in China Construction -1.5%, Gazprom -1.2 and Petrobras preferred -1.0%.
The top ten holdings include Samsung 6.6%, Dragon Oil 4.8% and China Mobile 4.3%. Interesting the fund also maintains a 2.2% holding in Tullow Oil, a UK listed stock.
From a performance perspective the Fund has done very little returning just 0.1% over the twelve months against a sector average of 8.2% and is ranked 61/64.

BG Emerging Markets Leading Companies Fund

This Fund uses BG proprietary fundamental research techniques which prioritises selection of attractively priced companies with long term growth prospects and liquidity. Complementing the Growth Fund, holdings in Financials and Technology account for 56% of the assets, with Oil & Gas 13% and Consumer Services and Goods making up a further 16%. Underweight index positions are held in China Construction Bank -1.5%, Gazprom -1.2% and Industrial & Commercial Bank of China also -1.2%. Overweight positions include Samsung Electronics +4.0%, Hyundai Motors +3.9% and Sberbank Adr with +3.7%.
Samsung is the largest holding in this Fund with 8.1%, with TSMC at 5.3% and China Mobile at 4.7%. This Fund also has a 3.2% holding in Tullow Oil.

This fund has performed slightly better than its sister Fund although performance has been significantly behind the index over the 12 months returning only 1.6% against the sector average of 8.2%. (Ranked 58/64)

BG Japanese Smaller Companies Fund

The Fund seeks to hold companies with above average growth prospects that can also be purchased at reasonable relative valuations, using bottom up fundamental analysis and currently holds some 32% of

the portfolio in the Industrial sector, Consumer Goods and Services account for 25%, with Financials and technology accounting for a similar amount.
Overweight index positions include Nakanishi at +3.0%, Japan Exchange group at 32.9% and Sysmex Corp at 2.8%.
Underweights include United Urban Investments Limited at -1.0, Yokohama Rubber at -0.6% and Tokyo Tatemono at -0.7%. Ninon M&A Center is the largest holding at 3.2%, with Hajime Construction and Mondaro each with 3%.

This Fund, which has only £73m in assets under management, has been ranked first among seven funds over the 12 month period with a return of 35.6% against the sector average of 26.3%.

BG Active Gilts Plus Fund

With only £83m of assets under management, Bromley is the second largest investor with £13m invested. Not withstanding this position, there are some 305 small investors in the Fund which suggests that this fund is more retail oriented fund than institutional.

This portfolio is constructed and managed under three basic investment tenets: conviction, combined exposure and portfolio balance, each of which when combined enables the manager to take high conviction positions and exploit duration, the interest rate curve, swap spreads and currency. It currently holds 98% of its assets in Sovereign Debt with 2.4% in Index Linked giving the fund a 95% AAA credit exposure. Duration is longer than the index at 10.04 years (index 9.35) and has a running yield of just 3.9% versus the benchmark of 3.49%.
55% of the fund is held in stocks maturing between 2032 and 2055, with the balance in stocks maturing by 2021.
Investment performance has been solid over the previous 12 months with the Fund returning 6.5% against an index of 5.3%. This according to Baillie Gifford ranked their fund 547 from 647.

Baillie Gifford Investment Grade Corporate Bond Fund

Bromley is again ranked second (£28m) in a fund of £230m in assets and 119 investors.
This fund runs a fairly concentrated portfolio of between 80 and 90 bonds issued by between 30 and 50 corporate holdings. As such the managers can focus on in depth analysis which majors on identifying downside protection characteristics such as strong covenant protection and contingent asset security set aside to cover the bond holders.
Top ten holdings include IBRD with 4.8%, HSBC at 4.2%, EDF 3.6% and LloydsTSB Bank with 2.7%. Although all bonds are within the Investment grade band, the mix is skewed towards BBB and A rated bonds with an aggregate allocation of 60%. Duration is just slightly longer than the index at 8.03 years compared to 7.89 years.
Corporate bonds have performed well over the last twelve months and this fund has returned 12.6% against the sector average of 11.2% ranking it, according to Baillie Gifford statistics, at 17/80.

Baillie Gifford Investment Performance Attribution

Currency Attribution

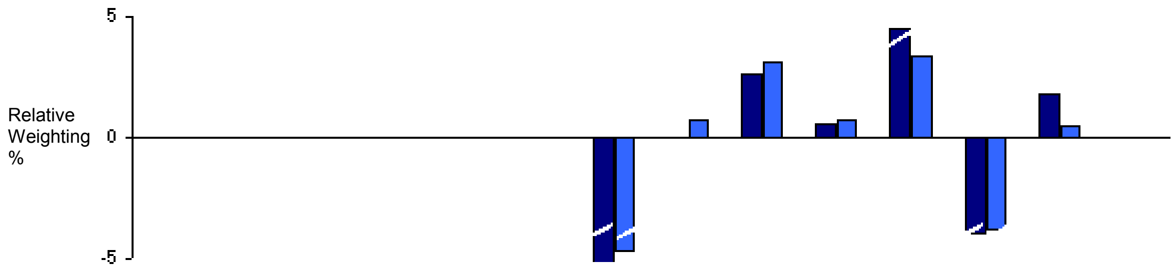
The manager uses their asset class bandwidth to make tactical under and overweight investment decisions and as a result deviates from their sterling based benchmark. BG has provided an analysis of the impact of currency exposure/exchange rate movements for the period 31 December 2012 to 31 March 2013 on their equity investments. This analysis excludes fixed income and cash.

The chart confirms that the manager has derived the majority of investment return from stock selection, lost a small amount (0.3%) through asset allocation and 0.4% from currency. However, overall the manager has had a good quarter with a net total return of 2.1% relative to the benchmark.

	Total Return		Attribution Analysis						
	Fund	Benchmark	Asset Allocation			Stock Selection	Total Local	Currency Effect	Total
Region (Dev Asia)									
European Equity	15.4	10.2	-0.1	0.9	0.1	1.0	1.0	0.2	1.2
American Equity	20.8	17.7	0.0	0.6	0.0	0.6	0.6	0.0	0.7
Developed Asia	18.0	16.0	0.1	0.2	0.0	0.2	0.3	0.0	0.3
Uk Equity	10.4	10.4	-0.1	0.0	0.0	0.0	-0.1	0.3	0.1
Emerging Markets	5.1	5.1	-0.2	0.8	0.1	0.9	0.7	-0.9	-0.2
Total	**14.0**	**11.9**	**-0.3**	**2.5**	**0.3**	**2.8**	**2.5**	**-0.4**	**2.1**

Source: Baillie Gifford

Asset Allocation and Stock Selection



	UK Equities	N. America	Europe ex UK	Tot Far East	Other Intl.	UK Bonds	Cash/ Alts	Total Fund
Fund Start	19.4	18.0	20.6	10.1	14.0	14.1	3.8	100.0
Fund End	20.4	20.0	21.1	10.7	12.5	12.9	2.3	100.0
BM Start	25.0	18.0	18.0	9.5	9.5	18.0	2.0	100.0
BM End	25.1	19.3	18.1	9.9	9.1	16.6	1.8	100.0
Impact	-	-	-	-	-0.1	0.3	-0.1	0.1
Diff	-5.6	0.0	2.6	0.6	4.5	-3.9	1.8	0.0
	-4.7	0.7	3.1	0.7	3.4	-3.7	0.5	0.0
Fund	10.4	20.6	15.3	17.1	6.2	2.0	0.3	11.9
Benchmark	10.3	17.7	10.0	14.8	5.4	1.2	0.1	9.7
Impact	-	0.5	1.0	0.2	0.1	0.1	-	1.9
	0.0	2.4	4.9	2.1	0.8	0.9	0.1	2.0

An asset allocation decision will have a positive impact if a Fund is invested more heavily than its Benchmark in an area that has performed well.

Conversely, a positive benefit would be derived from having a relatively low exposure to an area that has performed poorly.

Stock selection will have a positive impact if the Fund has outperformed the Benchmark in a particular area.

The impact of both asset allocation and stock selection is weighted by the level of investment in the area.

not invested in this area for the entire period

- indicates a value less than 0.05 and greater than -0.05

Source:The WM Company

Fidelity Investment Management
(Multi Asset)

Historically, the manager has used a composite benchmark calculated by weighting seven indices by set percentage allocations and an out performance target of 1.9%pa before fees over rolling three year periods. With the reduction in equity holdings in December 2012, the new out performance target is now 1.7%pa before fees over the rolling three year period.

At the end of the period, assets under management rose by £22.4m to £215.7m

Investment performance for the quarter was positive to benchmark (11.5% versus 9.6%).

For the rolling twelve month period the fund is ahead of the benchmark by 3.4% (18.3%) v 14.9%.
The rolling three year figures show a return of 8.7% pa against the benchmark of 8.4% pa, and over the five years 9.7% pa versus 7.6% pa.

N.B With the out performance target added to the benchmark, Fidelity is running 1.4% pa behind benchmark plus target over the rolling three year period before fees. In reality this means that over the three year period, Fidelity has delivered benchmark.

Returns from asset allocation were nominal for the quarter with small contributions from North America and Japan as most regional sectors remained at or near their benchmark weights. The 1.5% contribution from stock selection was driven mainly by the strong 1.2% relative contribution from the UK.

UK Equities

The UK equity portfolio is invested on a concentrated, segregated basis and was ahead of benchmark by 4.1% over the quarter (14.4% versus 10.3 %), and ahead of the benchmark by 6.0% over the rolling 12 months. Over the longer three year measure the fund is now marginally ahead of the benchmark (9.3% pa v 8.8% pa).

In his report the manager mentions the impact on the UK markets from the encouraging data flows from the major economies and the positive news from the UK corporate sector.
In terms of stock specific contributions, the positions in Royal Dutch Shell and Rolls Royce made positive contributions to returns, as did Taylor Wimpey and BHP Billiton. Pearson continued to disappoint as did Lloyds Banking Group and Carnival PLC.

During the quarter the manager bought positions in ITV and Amazon.
The manager remains overweight the index in Lloyds Banking group +4.1%, Rolls Royce +3.9 and GlaxoSmithKline +3.7% and underweight Royal Dutch Shell -.8%, British American Tobacco -3.5% and AstraZeneca -2.1%. Sectorally he remains overweight banks and travel & leisure funded by underweight sector positions in Oil & Gas Producers and Tobacco.

Fidelity Pooled Funds

The following table shows the values of the various OEIC's in which the Fund is invested.

Whilst the Bromley rankings in those funds remained fairly constant, they continue to be monitored closely for any significant changes in the number of investors.

Fidelity Fund	Total Fund value 29-Mar-13 £M	Total Fund value 31-Dec-12 £M	Number of Investors 29-Mar-13	Number of Investors 31-Dec-12	largest single Investor £M	Bromley Investment by value £M	Bromley Investment by %	Bromley Ranking
America	404.9	358.5	19	19	158.1	27.1	6.7	5
Europe	448.3	424.4	108	109	126.8	20.7	4.6	3
Japan	458.9	334.8	111	102	96.3	13.3	2.9	7
South East Asia	282.1	282.1	93	95	47.8	12.3	4.4	9
Global Focus	115.6	95.8	16	16	32.0	20.5	17.7	2
Aggregate Bond	515.5	439.9	34	27	172.5	50.8	9.9	4

Source: Fidelity Investment Management

America Fund

This fund is essentially a fund of funds, whereby Rita Grewal (Exempt America Fund Manager) invests in other Fidelity America funds to produce a blended product which includes exposure to growth, value, fundamental large cap, small cap etc.

The fund had a disappointing quarter with a relative under performance of 0.6%% (17.8% versus 18.3%), and remains behind the 12 month benchmark by 1.8%. Over the three year rolling period the fund remains seriously behind the benchmark by 2.1% pa (10.2% pa versus 12.3% pa).

Main contributors to performance were again sector holdings in Pharma, Biotech and Life Science, Capital Goods and for this quarter Energy. However, these contributions were negated by negative contributions from the Software Services, Diversified Financials, Insurance and Household and personal products sectors.

Largest stock positions relative to the index at the end of the quarter were in CVS Caremark at +1.8%, Google +1.4%, and Gilead Sciences (+1.6%). These overweights were generally offset by underweight positions in ATT (-1.1%), General Electric (-1.2%), Coca Cola (-1.1%) and ATT Inc (-1.1%). Sectorally the fund has remained overweight in Pharmas, Diversified Financials and media whilst remaining underweight in Utilities, Real Estate and Insurance.

Europe (ex UK) Fund

The fund has marginally outperformed its benchmark this quarter by 0.2% (10.4% versus 10.1%). Over the rolling twelve months the fund is strongly ahead the benchmark by 8.2%, and over the three year rolling period the fund is now 2.3% pa ahead of the benchmark (5.6%pa v 3.4%pa)..

Positive contributions from Ryanair, Banco Santander and PPR SA, were reduced by negative contributions from holdings in Novartis, Saipen SpA and Arkema.

The manager has again cut her overweight position in the UK from 9.2% to 8.7%, (down from over 16.0% in the second quarter 2012), whilst the German (+3.1%), Ireland (+1.8%) and UK (+8.7%) overweight positions are now funded by underweight positions in France (-4.3%), Spain (-2.5%), Sweden (-4.9%) and Switzerland (-2.1%). In terms of sector allocations the manager remains overweight Transportation and Software & Services and underweight Utilities, Banks and Food and Beverages.

Japan Fund

The fund out performed its benchmark by 2.7% for the quarter and is up 5.4% relative to the benchmark (18.9% v 13.5%) over the rolling twelve months. Over the three year rolling period, the fund remains ahead of its benchmark by 2.6% pa.

Investment performance could have been outstanding but for significant negative stock specific contributions from such global heavyweights as Fujitsu, Canon and Sony. Whilst these negative contributors were offset by gains from the Japanese Exchange Group, Otsuka Corp and Bridgestone.
Sectorally,the allocation to Information Technology was up significantly as were Rubber Products and Services

South East Asia Fund

This portfolio again marginally outperformed the benchmark this quarter (9.1% versus 9.0%) as central bank actions in the global economies, including Japan, turned sentiment from “risk off” to “risk on” assets. Over the twelve months period, the fund is behind the index (15.9% versus 16.2%), but remains in positive territory at 1.2%pa over the three year rolling measure.

The Fund has cut its overweight benchmark position in Hong Kong to neutral whilst taking its exposure to China to an overweight position of +6.3% the index. It remains overweight Korea (+4.0%) and Thailand (+3.4%), which remain effectively “funded” by under-weights of 4.8%, 6.7% and 3.4% in Taiwan, Australia and Malaysia respectively.
The Fund has remained overweight in Real Estate and Media (“risk on”), offset by continuing underweight positions in the Insurance, Telecommunications and Food & Staples retailing.
Contributors to performance included Techtronic Industries, China Res Gas Group and ANZ Banking Group, with China Overseas Land & Development, National Australasia Bank and Samsung Electronics detracting.

Global Focus Fund

The fund out performed its benchmark by a modest 0.8% in the first quarter (14.8% versus 14.0%). The rolling twelve months returns remain strongly positive with a +2.8% over index (19.1% versus 16.3%). The three year return also remains positive at +3.1% pa (10.9% pa versus 7.9% pa).

The manager operates on a go-anywhere, bottom up approach with country and sector allocations secondary to “best investment opportunities”. As a result the manager moves assets around to take advantage of relative value opportunities and has established overweight index positions in countries including India (+2.8%), Hong Kong (+1.3%) and the UK (+1.6%), (also +8.5% overweight in the Europe ex UK Fund). These overweights are being “funded” by underweight positions of 4.9% in the US, 2.9% in Switzerland and 2.1% in Australia.

Positive contributions came from holdings in Apple, Aeon Financial Services and Valero Energy Corp with negative contributions coming from Volkswagen, ArcelorMittal and McGrawHill.
From a sectoral perspective the fund is overweight Diversified Financials, Food, Beverages and Tobacco and healthcare Equipment & Services, and underweight Utilities, Capital Goods and Insurance.

Aggregate Bond Fund

The fund returned 0.4% above the index (1.6% versus 1.2%) as market friendly actions by central banks again boosted investor sentiment.

Over the rolling twelve months the fund remains ahead by 1.9% against benchmark and 1.5% pa ahead over the three year period.

Overweight positions in credit particularly BBB issuers, with names such as Ibedrola, Thames Water and Glencore boosted returns. In the banks, Credit Agricole and Sumitomo Mitsui both contributed to the out performance. The main negatives were adverse selections in the banking sector where Goldman Sachs and Citigroup failed to inspire.
Fund duration has remained at or near benchmark for the last eighteen months and is currently just slightly longer at 8.9 years to the benchmark level of 8.5 years.

In terms of a sector breakdown, the manager remains overweight ABS/MBS (+2.8%), Basic Industry (+1.3%) and covered bonds (+2.6%) and has reduced its previously overweight position in Cash from 2.4% last quarter to just 0.5%.. These overweight positions are offset by significant underweight positions in Quasi/Sov/Supra/Agency bonds (-8.2%) and Treasury (-8.2%).

In terms of credit ratings, the fund is underweight the benchmark in Government and AAA rated bonds (60.7% versus 66.3%) and has maintained overweight positions in A and BBB rated bonds (39.8% versus 31.5%).

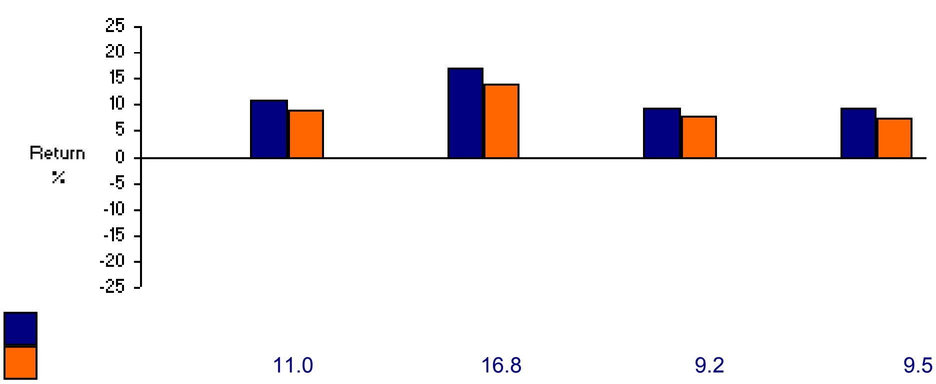
Standard Life Global Absolute Return Strategy

The fund rose in value from £25.1m at the end of December 2012 to £26.1m at the end of March 2013. Investment performance for the quarter was +3.75% and from inception 4.33%.

Exposure to developed equity markets was the largest positive contributor (+1.5%) to overall return in the quarter closely followed by good performance in the majority of the currency positions (+1.0%). Corporate bonds, both investment grade and high yield, also contributed (+0.4%). A chart showing the various asset allocations within the strategy is shown on Page 15.

Total Fund Review

Fund Returns



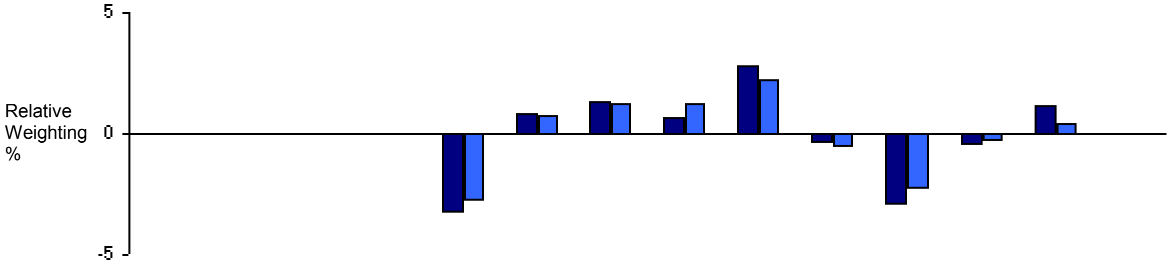
	Latest Quarter	1 Year	3 Years % pa	5 Years % pa
Fund	11.0	16.8	9.2	9.5
Benchmark	8.8	14.0	7.9	7.5
Relative Return	2.0	2.5	1.2	1.9

Source: wmcompany

Asset Allocation and Stock Selection

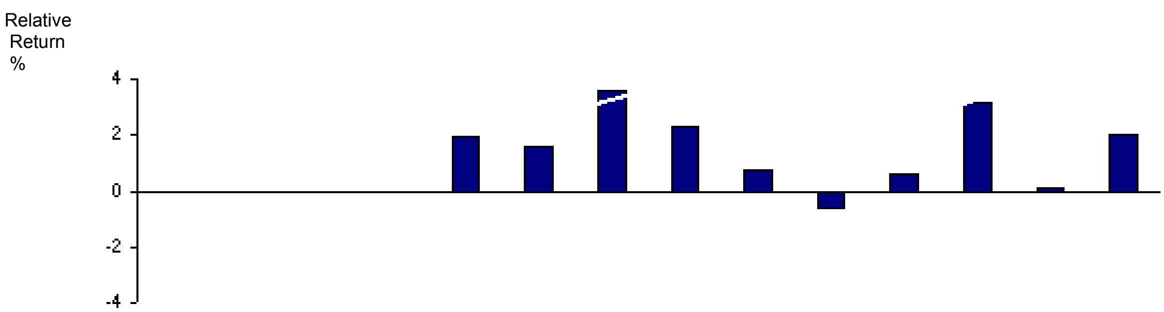
	UK Equities	N. America	Europe ex UK	Tot Far East	Other Intl.	Global	UK Bonds	Multi Asset	Cash	Total Fund

Asset Allocation



	UK Equities	N. America	Europe ex UK	Tot Far East	Other Intl.	Global	UK Bonds	Multi Asset	Cash	Total Fund
Fund Start	22.3	14.5	14.9	9.2	7.5	3.5	16.4	9.6	2.1	100.0
Fund End	23.1	15.5	15.0	10.1	6.8	3.5	15.7	9.0	1.4	100.0
BM Start	25.5	13.6	13.6	8.6	4.8	3.8	19.2	10.0	1.0	100.0
BM End	25.9	14.7	13.8	8.9	4.6	4.0	17.9	9.3	0.9	100.0
Impact	-	0.1	-	0.1	-0.1	-	0.2	-	-0.1	0.2
Diff	-3.2	0.9	1.3	0.7	2.8	-0.3	-2.8	-0.4	1.1	0.0
	-2.7	0.7	1.2	1.2	2.2	-0.5	-2.2	-0.3	0.4	0.0

Stock Selection



	UK Equities	N. America	Europe ex UK	Tot Far East	Other Intl.	Global	UK Bonds	Multi Asset	Cash	Total Fund
F										11.0
Benchmark	10.3	17.9	10.1	13.9	5.4	15.5	1.2	1.2	0.1	8.8
Impact	0.4	0.2	0.6	0.2	-	-	0.1	0.3	-	1.9
	2.0	1.6	3.6	2.3	0.8	-0.6	0.6	3.1	0.1	2.0

An asset allocation decision will have a positive impact if a Fund is invested more heavily than its Benchmark in an area that has performed well.

Conversely, a positive benefit would be derived from having a relatively low exposure to an area that has performed poorly.

Stock selection will have a positive impact if the Fund has outperformed the Benchmark in a particular area.

The impact of both asset allocation and stock selection is weighted by the level of investment in the area.

not invested in this area for the entire period

- indicates a value less than 0.05 and greater than -0.05

Source: the WMCompany

Diversified Growth Funds

The following chart highlights the asset allocation differences between **Baillie Gifford** and Standard Life in sourcing investment returns.

With the two managers only funded on 6 December 2012 it is far too early to draw any conclusions or make comments on asset allocation or investment performance.

		Baillie Gifford %	Baillie Gifford £m	Standard Life %	Standard Life £m	Total DGF £m	Total DGF %
Value at 31 March 2013			26.5		26.1	52.6	
Asset Class							
Global equities		18.3	4.9	24.3	6.3	11.2	21.3
Private equity		4.3	1.1			1.1	2.2
Property		0.6	0.2			0.2	0.3
Global REITS				4.9	1.3	1.3	2.4
Commodities		4.9	1.3			1.3	2.5
Bonds							
High yield		9.8	2.6	6.0	1.6	4.2	7.9
Investment grade		5.4	1.4			1.4	2.7
Emerging markets		14.6	3.9			3.9	7.4
UK corp bonds				5.6	1.5	1.5	2.8
EU corp bonds				7.4	1.9	1.9	3.7
Government		1.5	0.4			0.4	0.8
Global index linked				8.3	2.2	2.2	4.1
Structured finance		9.4	2.5			2.5	4.7
Infrastructure		3.8	1.0			1.0	1.9
Absolute return		8.2	2.2			2.2	4.1
Insurance Linked		8.4	2.2			2.2	4.2
Special opportunities		0.6	0.2	4.2	1.1	1.3	2.4
Active currency		0.0	0.0			0.0	0.0
Cash		10.2	2.7			2.7	5.1
Cash and derivatives				39.3	10.2	10.2	19.5
Total		100.0	**26.5**	100.0	**26.1**	**52.6**	100.0

numbers may not add due to roundings

Source: Baillie Gifford and Standard Life

The final chart below takes the asset allocations of Baillie Gifford and Fidelity multi asset portfolios and incorporates the new diversified growth fund allocations of Baillie Gifford and Standard Life in order to create a composite picture of the overall asset allocations of the Fund.

In aggregate the Fund has 75.9% (73.5%) invested in equities, 18.3% (19.2%) in fixed interest securities and the balance of 5.8% (7.3%) in “alternatives and cash” the majority of which is held within the two diversified growth portfolios.

Overall Fund Asset Allocations

Manager		BG	FIM		BG	SL	total	Asset	Total Fund
Asset Class		multi	multi		dgf	dgf	value	Class	Asset
		£m	£m		£m	£m	£m	Total	Allocations
31-Mar-13		315.6	215.7		26.5	26.1	583.9	£m	%
Equities									
UK		64.5	70.5					135	23.1
N America		63.2	27.1					90.3	15.5
Europe		66.7	20.7					87.4	15.0
Japan			13.3					13.3	2.3
Pac Rim		33.7	12.3					46	7.9
Emerging		39.5						39.5	6.8
Global			20.5		4.9	6.3		31.7	5.4
Fixed interest									
Investment grade					1.4			1.4	0.2
UK Corp						1.5		1.5	0.3
European Corp						1.9		1.9	0.3
Emerging market debt					3.9			3.9	0.7
High Yield					2.6	1.6		4.2	0.7
UK Gilts/Gov debt		40.6	50.8		0.4			91.8	15.7
UK IL									
European IL									
Global IL						2.2		2.2	0.4
Other									
Commodities					1.3			1.3	0.2
Private equity					1.1			1.1	0.2
Structured finance					2.5			2.5	0.4
Infrastructure					1			1	0.2
Property					0.2			0.2	0.0
Global REITS						1.3		1.3	0.2
Absolute return					2.2			2.2	0.4
Insurance linked					2.2			2.2	0.4
Special opps					0.2	1.1		1.3	0.2
Active currency					0			0	0.0
Cash		7.4	0.5		2.7			10.6	1.8
Cash and derivatives						10.2		10.2	1.7
Total		315.6	215.7		26.6	26.1		584.0	100

Source: Baillie Gifford, Standard Life and Fidelity Investment Management

Numbers may not add due to roundings

Alick Stevenson

Senior Adviser

AllenbridgeEpic Investment Advisers

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Agenda Item 8

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Agenda Item 10

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of the Local Government Act 1972.

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