Report No.
FSD16077

London Borough of Bromley

PART 1 - PUBLIC

Decision Maker:	**Pensions Investment Sub-Committee**		
Date:	**16th November 2016**		
Decision Type:	Non-Urgent	Non-Executive	Non-Key
Title:	**PENSION FUND PERFORMANCE Q2 2016/17**		
Contact Officer:	James Mullender, Principal Accountant Tel: 020 8313 4292 E-mail: james.mullender@bromley.gov.uk		
Chief Officer:	Director of Finance		
Ward:	All		

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1. Reason for report

1.1 This report provides a summary of the investment performance of Bromley's Pension Fund in the 2nd quarter of 2016/17. More detail on investment performance is provided in a separate report from the Fund's external advisers, AllenbridgeEpic, which is attached as Appendix 5. Representatives of Blackrock will be present at the meeting to discuss performance, economic outlook/prospects and other matters relating to their portfolio. Baillie Gifford has also provided a commentary on its performance and on its view of the economic outlook and this is attached as Appendix 2. The report also contains information on general financial and membership trends of the Pension Fund and summarised information on early retirements.

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2. RECOMMENDATIONS

2.1 The Sub-Committee is asked to:

(a) Note the contents of the report;

(b) Note the estimated transfer value payable to the Royal Borough of Greenwich Pension Fund of between £1.5m and £2m as detailed in para 3.7.5;

(c) Delegate authority to the Director of Finance, in consultation with the Chairman and Vice-Chairman of Pensions Investment Sub-Committee, to agree the transfer following the advice of the Council's independent Pension Fund advisor and the outcome of the actuary's negotiations, up to a maximum value of £2m as detailed in para 3.7.6.

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, for the purpose of providing pension benefits for its employees. The investment regulations (The LGPS (Management and Investment of Funds) Regulations 2016) 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 £3.4m (includes fund manager/actuary/adviser fees, Liberata charge and officer time)

3. Budget head/performance centre: Pension Fund

4. Total current budget for this head: £36.4m expenditure (pensions, lump sums, etc); £42.6m income (contributions, investment income, etc); £863.3m total fund market value at 30th September 2016)

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 2013, LGPS (Management and Investment of Funds) Regulations 2016

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

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 6,238 current employees; 5,175 pensioners; 5,175 deferred pensioners as at 30th September 2016

Ward Councillor Views

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

2. Summary of Ward Councillors comments: N/A

3. COMMMENTARY

3.1 Fund Value

3.1.1 The market value of the Fund ended the September quarter at £863.3m (£798.2m as at 30th June 2016) and had risen further to £882.2m as at 31st October. The comparable value as at 30th September 2016 was £684.4m. Historic data on the value of the Fund are shown in a table and in graph form in Appendix 1.

3.2 Performance Targets and Investment Strategy

3.2.1 Historically, the Fund's investment strategy has been broadly based on a 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). Between 1998 and 2012, Baillie Gifford and Fidelity managed balanced mandates along these lines. In 2012, a comprehensive review of the Fund's investment strategy confirmed this high-level strategy. It concluded that the growth element would, in future, comprise a 10% allocation to Diversified Growth Funds (DGF) and a 70% allocation to global equities, with a 20% protection element remaining in place for investment in corporate bonds and gilts.

3.2.2 The revised strategy was implemented in three separate phases: Phase 1 (Diversified Growth) was implemented on 6th December 2012 with a transfer of £50m from Fidelity's equity holdings (£25m to both Baillie Gifford and Standard Life); Phase 2 (global equities) was implemented on 20th December 2013, with £200m being allocated to Baillie Gifford (from within their former equities holdings), £120m to MFS International (transferred from Fidelity) and £120m to Blackrock (£70m from Baillie Gifford and £50m from Fidelity); and Phase 3 (fixed income) was finalised in May 2015, when £6m was switched from the Baillie Gifford Sterling Aggregate Plus Fund into that company's Global Bond Fund (£3m) and Emerging Market Bond Fund (£3m).

3.3 Summary of Fund Performance

3.3.1 <u>Performance data for 2016/17 (short-term)</u>

A detailed report on fund manager performance in the quarter ended 30th September 2016 is provided by the fund's external adviser, AllenbridgeEpic, in Appendix 5. As detailed in para 3.3.3, overall fund performance figures are not available at the time of writing, however the quarter's performance figures for each fund manager is summarised in the table below, as well as an approximation of the total fund return:

	Market Value 30/09/2016	Return 01/06/16 - 30/09/16	
	£m	Actual	Benchmark
Ballie Gifford - Global Equities	297.9	12.2	8.5
- Fixed Income	57.1	4.4	1.0
- DGF	47.2	4.4	4.2
Fidelity - Fixed Income	74.8	4.5	4.0
Blackrock - Global Equities	169.6	8.3	8.4
MFS - Global Equities	188.5	6.2	7.9
Standard Life - DGF	28.2	0.7	0.1
Approximate Total Fund Return*	863.3	8.1	7.0

*Approximation using weighted average market values as at 30/09/16

3.3.2 Medium and long-term performance data

Between 2006 and June 2016 WM Company measured the fund managers' results against their strategic benchmarks, and at total fund level, it used the local authority indices and averages. The Fund's medium and long-term returns have remained very strong, although the overall return of +0.1% for 2015/16 was down against the benchmark return of +0.5%. In 2014/15, the Fund returned +18.5% compared to the benchmark return of +16.4% and achieved an overall local authority average ranking in the 7th percentile. For comparison, the rankings in earlier years were 29% in 2013/14, 4% in 2012/13, 74% in 2011/12, 22% in 2010/11, 2% in 2009/10 (the second best in the whole local authority universe), 33% in 2008/09, 5% in 2007/08, 100% in 2006/07 (equal worst in the whole local authority universe), 5% in 2005/06, 75% in 2004/05, 52% in 2003/04, 43% in 2002/03 and 12% in 2001/02.

The following table shows the Fund's long-term rankings in all financial years back to 2005/06 and shows the medium to long-term returns for periods ended 30th June. The medium to long-term results have been good and have underlined the fact that the Fund's performance has been consistently strong over a long period.

Year	Whole Fund Return	Benchmark Return	Local Authority average	Whole Fund Ranking
	%	%	%	
Financial year figures				
2015/16	0.1	0.5	0.2	39.0
2014/15	18.5	16.4	13.2	7.0
2013/14	7.6	6.2	6.4	29.0
2012/13	16.8	14.0	13.8	4.0
3 year ave to 31/3/16	***8.4***	***7.5***	***6.4***	***6.0***
2012/13	14.2	12.1	11.1	5.0
2011/12	2.2	2.0	2.6	74.0
2010/11	9.0	8.0	8.2	22.0
5 year ave to 31/3/16	***8.8***	***7.6***	***7.1***	***6.0***
2010/11	10.7	9.2	8.8	11.0
2009/10	48.7	41.0	35.2	2.0
2008/09	-18.6	-19.1	-19.9	33.0
2007/08	1.8	-0.6	-2.8	5.0
2006/07	2.4	5.2	7.0	100.0
2005/06	27.9	24.9	24.9	5.0
10 year ave to 31/3/16	***7.7***	***6.4***	***5.6***	***4.0***

3.3.3 Performance Measurement Service

As previously reported, in April 2016, the Council was informed that WM Company (State Street) would cease providing performance measurement services to clients to whom they do not act as custodian, with effect from June 2016. There are currently no providers offering a like for like service, so the Council will utilise its main custodian, BNY Mellon, to provide performance measurement information going forward. As at the date of writing this report, the data migration hasn't been completed, so overall performance figures for the fund are not available. It should be noted that this service will not include the LGPS Fund comparator information (as BNY Mellon aren't custodian for all LGPS Funds). A new provider for LGPS comparator information has emerged and at the time of writing has 51 of the 89 LGPS funds (57%) signed up to the service, including 27 London Boroughs. It is envisaged that comparator data will be available for the 3rd quarter monitoring report.

3.4 Fund Manager Comments on performance and the financial markets

3.4.1 Baillie Gifford has provided a brief commentary on recent developments in financial markets, their impact on the Council's Fund and the future outlook. This is attached as Appendix 2.

3.5 Early Retirements

3.5.1 Details of early retirements by employees in the Fund are shown in Appendix 3.

3.6 Fund Manager attendance at meetings

3.6.1 Meeting dates have been set for 2016/17, with Blackrock attending this meeting. While Members reserve the right to request attendance at any time if any specific issues arise, the timetable for subsequent meetings is as follows:

Meeting 22nd February 2017 – Standard Life (DGF) and Fidelity (fixed income)
Meeting 16th May 2017 – Baillie Gifford (global equities, fixed income and DGF)

3.7 GS Plus transfer to Royal Borough of Greenwich

3.7.1 On the 18th November 2015, it was reported to the Pensions Investment Sub-Committee that 32 employees from Passenger Transport Services were to transfer to GS Plus Ltd, a wholly owned subsidiary of the Royal Borough of Greenwich (RBG). Of the 32 employees, 29 were active members of the Local Government Pension Scheme (LGPS).

3.7.2 Under the LGPS Regulations the appropriate Administering Authority for GS Plus Ltd is RBG, and as such GS Plus Ltd could not apply for admitted body status within the London Borough of Bromley Pension Fund.

3.7.3 With effect from the transfer date (1st December 2015), the employees transferred ceased to be active members of the LGPS within the London Borough of Bromley Pension Fund and instead became active members within the RBG Pension Fund.

3.7.4 Following the transfer the relevant pension scheme members have a period of one year during which they may elect to maintain separate benefits. In the absence of such an election, and subject to agreement between actuaries of the two Funds, a bulk transfer payment will then be made in respect of the relevant employees. To date, no employees have made an election to maintain separate benefits and we are now nearing the deadline for them to do so, 30th November 2016.

3.7.5 Discussions between the Council's fund actuary (Mercer) and that of RBG (Barnett Waddingham) are continuing, however, Mercer have advised that a provisional transfer value is expected to be between £1.5m and £2m.

3.7.6 Following agreement between the two actuaries of the final transfer value, the advice of the Council's independent Pension Fund advisor will be sought to determine the sale of assets to generate the funding required. It is requested that authority be delegated to the Director of Finance to agree the final transfer, in consultation with the Chairman and Vice-Chairman of Pensions Investment Sub-Committee. Should the transfer value exceed £2m, a further report will be made to the Pensions Investment Sub-Committee.

3.8 Admission agreements for other outsourced services

3.8.1 As reported in the Q1 2016/2017 performance report, an application for admission body status had been received from Amey relating to the transfer of Total Facilities Management Services approved by Executive 20th July 2016. The transfer of employees to Amey is now complete, and their admission body status agreed with effect from 1st October 2016. The transfer of a further six employees to Cushman and Wakefield is scheduled to take place on 1st December 2016. Cushman and Wakefield are currently working to secure admission body status in the Fund, and this is expected to be completed in advance of the transfer date.

3.8.2 Part 3 of Schedule 2 to the LGPS Regulations 2013 provides that an administering authority must admit to the Scheme eligible employees of a transferee admission body where such body and the scheme employer undertake to meet the requirements of the Regulations. Provided a scheme employer (including an academy) and contractor undertake to meet the requirements of the Regulations, the Council, as administering authority, has no power to refuse admitted status although we are able to agree the terms of the agreement. Further updates will be provided in quarterly performance reports.

4. POLICY IMPLICATIONS

4.1.1 The Council's Pension Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations, for the purpose of providing pension benefits for its employees. The investment regulations (The LGPS (Management and Investment of Funds) Regulations 20016) 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

5.1.1 Details of final outturn for the 2015/16 Pension Fund Revenue Account and the position after the second quarter of 2016/17 are provided in Appendix 4 together with fund membership numbers. A net surplus of £7.0m was achieved during of 2015/16 (mainly due to investment income of £7.3m) and total membership numbers rose by 733. In the first half of 2016/17 a net surplus of £2.3m was achieved and total membership numbers rose by 214.

5.1.2 It should be noted that the net surplus to date of £2.3m includes £4.5m investment income, which is currently reinvested in the fund. In cashflow terms, there is therefore a £2.2m cash deficit for the first half of the year. As members will be aware, cashflow is one of the main focuses of the asset allocation review currently in progress, the results of which are expected to be reported to the next meeting of this Sub-Committee.

6. LEGAL IMPLICATIONS

6.1.1 The statutory provisions relating to the administration of the Local Government Pension Scheme are contained in the Local Government Pension Scheme (LGPS) Regulations 2013. The investment regulations (The LGPS (Management and Investment of Funds) Regulations 2016) set out the parameters for the investment of Pension Fund monies.

Non-Applicable Sections:	Personnel Implications, Impact on Vulnerable Adults and Children, Procurement Implications
Background Documents: (Access via Contact Officer)	Monthly and quarterly portfolio reports of Baillie Gifford, Blackrock, Fidelity, MFS and Standard Life.

Appendix 1

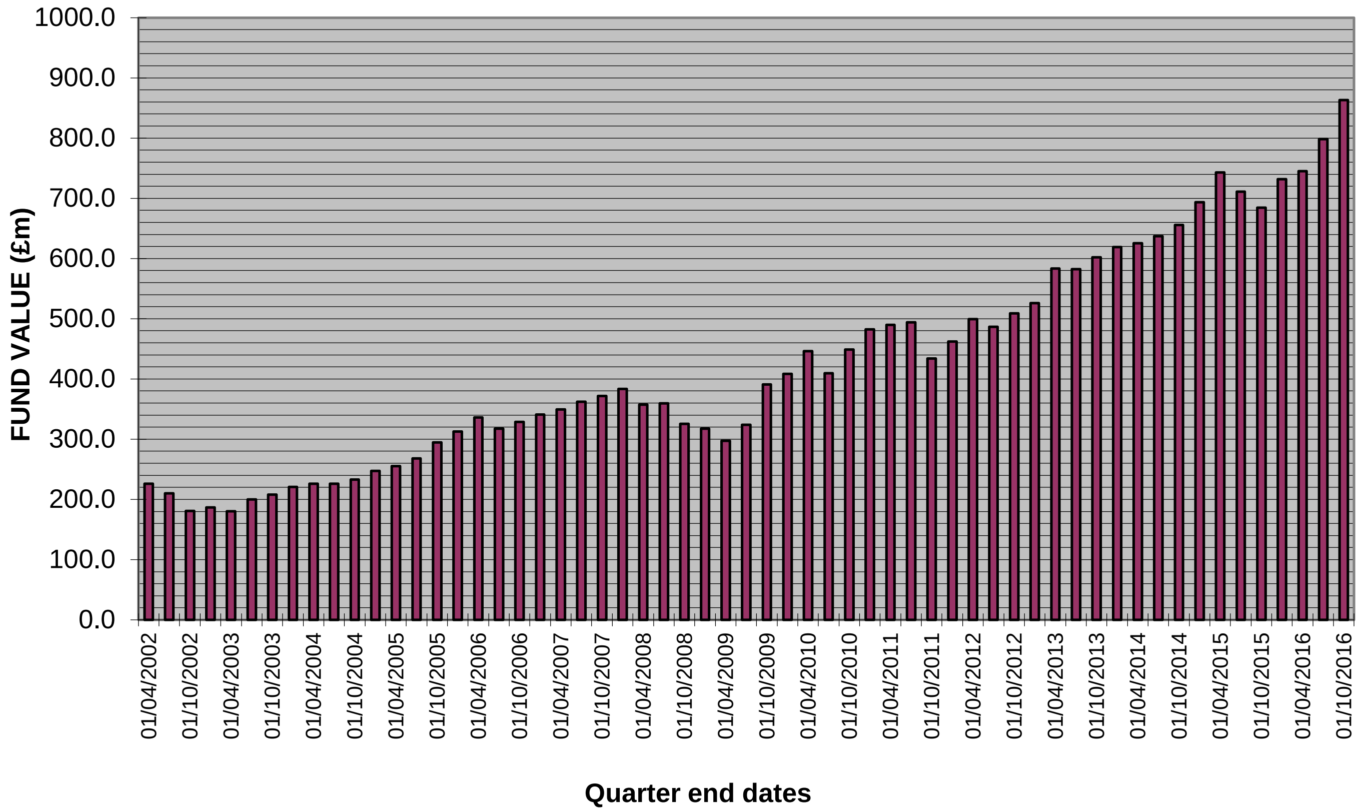
MOVEMENTS IN PENSION FUND MARKET VALUE SINCE 2002

Date	Baillie Gifford					Fidelity			Blackrock	MFS	Standard Life	CAAM	
	Balanced Mandate	DGF	Fixed Income	Global Equities	Total	Balanced Mandate	Fixed Income	Total	Global Equities	Global Equities	DGF	LDI Investment	GRAND TOTAL
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
31/03/2002	113.3				113.3	112.9		112.9					226.2
31/03/2003	90.2				90.2	90.1		90.1					180.3
31/03/2004	113.1				113.1	112.9		112.9					226.0
31/03/2005	128.5				128.5	126.7		126.7					255.2
31/03/2006	172.2				172.2	164.1		164.1					336.3
31/03/2007	156.0				156.0	150.1		150.1				43.5	349.6
31/03/2008	162.0				162.0	151.3		151.3				44.0	357.3
31/03/2009	154.4				154.4	143.0		143.0					297.4
31/03/2010	235.4				235.4	210.9		210.9					446.3
31/03/2011	262.6				262.6	227.0		227.0					489.6
31/03/2012	269.7				269.7	229.6		229.6					499.3
31/03/2013#	315.3	26.5			341.8	215.4		215.4			26.1		583.3
31/03/2014@	15.1	26.8	45.2	207.8	294.9		58.4	58.4	122.1	123.1	27.0		625.5
31/03/2015		45.5	51.6	248.2	345.3		66.6	66.6	150.5	150.8	29.7		742.9
31/03/2016		44.8	51.8	247.9	344.5		67.4	67.4	145.5	159.2	28.3		744.9
30/06/2016		45.2	54.7	265.3	365.2		70.7	70.7	157.0	177.3	28.0		798.2
30/09/2016		47.2	57.1	297.9	402.2		74.8	74.8	169.6	188.5	28.2		863.3
31/10/2016		47.0	55.3	307.4	409.7		72.1	72.1	177.4	194.6	28.4		882.2

£50m Fidelity equities sold in Dec 2012 to fund Standard Life and Baillie Gifford DGF allocations.

@ Assets sold by Fidelity (£170m) and Baillie Gifford (£70m) in Dec 2013 to fund MFS and Blackrock global equities.

PENSION FUND - QUARTERLY VALUES SINCE 2002



London Borough of Bromley

Summary Reports for the quarter ended 30 September 2016

Global Equities

Performance to 30 September (%)

	Fund Gross	Fund Net	Benchmark
Five Years (p.a.)*	16.1	15.7	13.9
Since 31/12/2013** (p.a.)	14.9	14.5	13.1
One Year	33.2	32.8	31.3
Quarter	12.3	12.2	8.5

**Balanced mandate prior to December 2013*

Investment Environment and Portfolio

This quarter began with investors continuing to digest the implications of the UK's surprise decision to leave the European Union. Equity markets had initially fallen as a result of the uncertainty generated but since then, sentiment has improved. A number of factors have contributed, including positive economic data in the UK and elsewhere, further helpful action by some central banks, and a range of strong corporate results. The net effect has been rising equity markets – for example the global equity index is up 5% in US dollar terms – and weaker bonds. Sterling's continued weakness further bolstered returns.

We are very encouraged that the stocks in the portfolio generally continue to grow strongly. There were many examples of strong corporate results during the quarter. For example, Seattle Genetics, a developer of drugs to treat cancers, announced sales for the first half of 2016 up 30% compared with the first half of 2015. In China, the online retail group, Alibaba, posted sales for the second quarter 59% higher than 12 months earlier. Hays, the UK-based recruitment company, produced profits for the year to June up 18% compared to the prior year.

As ever, in a portfolio of around 100 stocks, there will be some disappointments. This quarter was no exception, with a downbeat statement from Myriad Genetics, the genetic profiling company, sending the shares sharply lower. Shares in the waste disposal group, Stericycle, were also weak, reflecting market concern at progress of the integration of the Shred-It acquisition.

When we look at the portfolio as a whole, we are encouraged that the underlying growth of all holdings combined is well ahead of the market average. To illustrate, the portfolio's forecast earnings growth is around 14% in the next 12 months, compared to an estimate for the market of around 10%. It has been a similar picture over many years – and we believe this supports the case for strong future returns.

We have added three new holdings: Kansai Paint, HTC and Resmed. Kansai Paint is a Japanese company with an attractive position in the growing domestic paint market in India. HTC is best known as a smartphone manufacturer, but we are particularly excited about the position the company is building in Virtual Reality, and Resmed produces equipment that treats respiratory conditions. This is a growth market (sadly) and the company specialises in a condition known as sleep apnoea.

We have sold Volvo and American Express. Volvo's revenue and margin progression were not as strong as we hoped. This, allied with further management change, has led us to sell. American Express has been changing its model of retailer charges and customer loyalty rewards. We think this may result in slower growth in future (we think the other portfolio holdings of Visa and Mastercard are better placed) and as such we have sold.

Outlook

We believe the long-term outlook for the portfolio is strong on the basis of the robust underlying returns of the stocks held. Nevertheless, in the same way that the market ignored fundamentals in the immediate aftermath of the Brexit vote, the US elections may have a similar effect. The result is not known at time of writing but equity markets are likely to fall should Trump win given he is in favour of protectionism, whereas the portfolio is currently a beneficiary of global trade.

Nevertheless, whatever the outcome of the election there will be many businesses that thrive and, as ever, many opportunities for your portfolio. We will take a measured approach – you are unlikely to see any sudden major changes to the portfolio. We will continue to focus on investing in companies with strong fundamentals. This should enable us to produce sustainable above average returns over the long term, no matter what the shorter-term economic or political weather.

Diversified Growth

Performance to 30 June (%)

	Fund Net	Base Rate +3.5%
Since Inception* (p.a.)	4.9	4.0
Three Years (p.a.)	4.9	4.0
One Year	6.8	4.0
Quarter	4.4	1.0

*06 December 2012
The Fund's objective is to outperform the UK base rate by at least 3.5% p.a. (net of fees) over rolling five year periods with an annualised volatility of less than 10%.
Source: StatPro, Baillie Gifford

Summary Risk Statistics (%)

Delivered Volatility	4.3

Annualised volatility, calculated over 5 years to the end of the reporting quarter
Source Baillie Gifford

Investment Environment and Outlook

The Brexit vote prompted a sell-off in many asset classes, but this proved short-lived. Survey evidence in the weeks following the vote suggested there had been little impact, in the short term at least, on UK or European business or consumer confidence. The Bank of England also sought to mitigate any potential slowdown by cutting interest rates further and expanding its asset purchase programme to include corporate bonds.

More broadly, the Brexit vote prompted global markets to delay their expectations of policy rate increases. This perception of central banks being ready to respond to any economic impact from Brexit is probably part of the explanation for why the fall in asset prices proved short-lived.

The global economy continues to grow at a moderate pace. Barring any significant change in the final quarter, it is likely to have expanded at a rate close to 2.5% during 2016. Oil prices remain well below the peaks reached two years ago, at levels which represent a significant transfer of wealth from producers to consumers. However, we are now starting to see a reversal with gradual increases in oil prices year on year.

Our central expectation is that most asset markets can continue to deliver modest positive returns, albeit in an environment marked by periodic bouts of volatility. These returns are likely to be at the more subdued levels that we have seen on average since the 2008–2009 financial crisis. As for much of the post-financial crisis period, the direction of central bank policy remains one of the most important drivers of markets. The scope for further cuts to interest rates from historically low levels may be limited given increasing inflation and the limits of extremely low rates. This has given rise to increased focus on the possibility of a shift from monetary to fiscal policy as a way of stimulating growth and we will look for opportunities for the portfolio to benefit, perhaps through infrastructure investments.

Portfolio Positioning and Performance

Over the third quarter, the net return of the Fund was 4.4%. The asset classes with the strongest positive returns were listed equities and high yield credit which recovered strongly, along with a number of other asset classes, following their initial shock after the vote to leave the European Union.

During July asset markets rallied sharply and we responded by reducing our holding in high yield credit and global equities as the move higher in valuations was not matched by any obvious improvement in fundamentals.

Some of the proceeds of these reductions were invested in emerging market bonds. At a yield of 6.5% emerging market bonds continue to look attractive, particularly given the prospect of a cyclical rebound in growth and a backdrop of falling inflation expectations.

The remainder of the sales proceeds were invested in senior structured finance, which lagged the broader investment market rally and where, as a result, pricing looks attractive especially given the very low credit risk of these instruments.

As sterling declined sharply against the US dollar in the aftermath of the Brexit vote, we halved our short sterling hedging position to 3% of the Fund. However, we maintain the position at this level as we believe that a further fall in sterling is possible in the event that negotiations between the EU and the UK prove fractious or lead to negative outcomes for the UK economy.

Fixed Income

Performance to 30 June (%)

	Fund	Benchmark
Since Reorganisation†	9.4	10.2
Since 09/12/13 (p.a.)**	9.6	9.6
One Year	13.4	14.5
Quarter	4.4	4.2

* 1/06/2015

** Inception date of bond mandate

† When the fund reorganised on 01/06/2015 the following benchmark has been used for reference purposes only; 88% Sterling Aggregate Benchmark (consisting of 50% FTSE Actuaries All stocks index and 50% Merrill Lynch Sterling Non-Gilt Index), 6% JP Morgan GBI-EM Global Diversified Index un-hedged in Sterling and 6% Barclays Global Credit Index, hedged to Sterling

Source: StatPro

Investment Environment

Following the UK vote to leave the European Union yields fell over the quarter, pushing up bond prices, as investors digested the implications of the Brexit vote. The core assumption is that growth will be a little weaker as a result of less inward investment, necessitating lower interest rates. Further positive support for UK bonds was provided by the additional monetary stimulus announced by the Bank of England. Government bond yields reached record lows in August, while the additional yield spread provided by corporate bonds also fell boosting returns further. Fund returns were positive as a consequence.

During the quarter, a new position was taken in New Zealand relative to Australia – we believe there will be more interest rate cuts in New Zealand, given the need to weaken the currency, while fewer may be necessary in Australia in light of the strength in its service sector.

Within corporate bonds, we subscribed to a new bond issued by National Grid, which gives us exposure to the regulated UK business. Another new purchase was US giant AT&T's bonds, where we like the strong and defensive characteristics of its core telecoms business. We sold bonds in CRH, the cement business, on worries over the company's cyclical exposure. We subscribed to a new issue of bonds from the Co-operative Group. The company leads the market in food retail convenience stores in the UK, but also has strong market positions in both pharmacy and funeral services, providing good diversification.

Our underweight in emerging market currencies was reduced over the quarter, while the US dollar overweight was closed. It became clear that global central banks will remain supportive, and with commodity prices more stable, this creates a more constructive backdrop for emerging market currencies. The Fund moved overweight in Brazil and Russia, expecting both to benefit from a cyclical recovery as they come out of recession and make painful adjustments. Meanwhile, an underweight position was once again taken in South Korea after the currency rallied, as we continue to believe it is vulnerable given a weaker growth outlook and poor demographics.

A number of your holdings have performed well and were sold as they reached fair value. Sales included Sprint, the US mobile telephone operator, Delhaize, the Belgian supermarket operator and the US flooring and carpet company Mohawk.

Performance, Positioning and Outlook

With government bonds yields hitting record low levels following the referendum result, absolute returns were consequently high. Fund performance was slightly better than the benchmark owing mainly to our overweight in corporate bonds relative to government bonds and bond selection within the corporate sector. We retain this preference for corporate bonds, attracted by the higher yield they offer. We have also positioned your fund to benefit from falling yields in a number of global bond markets, albeit the size of this position was reduced over the quarter as government bonds outperformed.

The Fund holds more defensive companies' bonds as we are wary of a number or risks in the global economy. For instance, relative to the index, your Fund has less exposure to the banking sector.

Appendix 3

EARLY RETIREMENTS

A summary of early retirements and early release of pension on redundancy 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 latest valuation of the Fund (as at 31st March 2013), the actuary assumed a figure of £1m p.a from 2014/15, a significant increase over the estimate of £82k p.a. in the 2010 valuation. In 2014/15, there were seven ill-health retirements with a long-term cost of £452k, in 2015/16 there were nine with a long-term cost of £1,126k, and in the first half of 2016/17 there were four with a long-term cost of £177k. Provision has been made in the Council's budget for these costs and contributions have been and will be 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 (non-ill-health) early retirements or early release of pension, however, because it is the Council's policy to fund these in full by additional voluntary contributions. In 2014/15, there were 19 other retirements with a total long-term cost of £272k, in 2015/16 there were 23 with a long-term cost of £733k, and in the first half of 2016/17 there were 19 with a total cost of £556k. Provision has been made in the Council's budget for severance costs arising from LBB staff redundancies and contributions have been and will be made to the Pension Fund 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 2 – Sep 16 - LBB	-	-	13	248
- Other	-	-	1	33
- Total	-	-	13	281
Total 2016/17 - LBB	2	101	18	523
- other	2	76	1	33
- Total	4	177	19	556
Actuary's assumption - 2013 to 2016		1,000 p.a.		N/a
- 2010 to 2013		82 p.a.		N/a
Previous years – 2015/16	9	1,126	14	734
– 2014/15	7	452	19	272
– 2013/14	6	330	26	548
– 2012/13	2	235	45	980
- 2011/12	6	500	58	1,194

PENSION FUND REVENUE ACCOUNT AND MEMBERSHIP

	Final Outturn 2015/16 £'000's	Estimate 2016/17 £'000's	Actuals to 30/09/16 £'000's
INCOME			
Employee Contributions	6,284	6,400	2,932
Employer Contributions			
- Normal	20,712	21,000	9,705
- Past-deficit	6,005	6,000	3,003
Transfer Values Receivable	1,778	1,800	408
Investment Income	7,297	7,400	4,509
Total Income	42,076	42,600	20,786
EXPENDITURE			
Pensions	25,333	25,900	12,966
Lump Sums	5,372	5,500	2,725
Transfer Values Paid	828	1,500	927
Administration			
- Manager fees	2,617	2,500	1,348
- Pooling costs	-	-	50
- Other	884	870	435
Refund of Contributions	92	80	80
Total Expenditure	35,126	36,350	18,531
Surplus/Deficit (-)	6,950	6,250	2,255

MEMBERSHIP	**31/03/2016**	**30/09/2016**
Employees	6,234	6,238
Pensioners	5,084	5,175
Deferred Pensioners	5,287	5,406
	16,605	16,819

Allenbridge

REPORT PREPARED FOR

London Borough of Bromley

Pension Fund

November 2016

Alick Stevenson

AllenbridgeEpic Investment Advisers Limited (AllenbridgeEpic).

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 30 September 2016.

Executive Summary for the Quarter ended 30 September 2016

- **The fund value rose to £863.3m as at 30 September 2016, from £798.3m at 30 June 2016. The corresponding figure for 30 September 2015 was £684.4m.**

- **Investment performance data at the total fund level was not available at the time this report was written. BNYMellon are working hard to deliver the data as soon as possible.**

- **Once again the majority of the value growth came from the three global equity managers who benefited significantly as sterling weakened sharply following the BREXIT vote. The Baillie Gifford DGF portfolio saw a reasonable increase in value whilst the Standard Life "GARS" had only a very modest improvement. The Fidelity fixed income portfolio also rose.**

- **As far as the strategic or long term asset allocations are concerned, the fund continues to remain overweight equities (76.0% v 70%), has moved away from the strategic asset allocation for DGF assets (8.7% v 10.0%) and remains underweight fixed income (15.3% v 20.0%). These shifts should not be looked on as poor performances in DGF or fixed income but rather at the continued strength of the global equity markets.**

- **Assets of approximately £30m relating the transfer of Bromley Academy out of the LBB Pension Fund within the next few months. A decision on which assets will be transferred has yet to be made.**

Market Commentary for the Quarter ended 30 September 2016

“The only function of economic forecasting is to make astrology look respectable”

John Kenneth Galbraith

Global markets remain under the “benign if opaque” control of the central banks; as they have since the “Lehman Crisis” of 2008. If anything, this control is now less overt, despite quantitative easing programmes continuing in Europe and the UK. Interest rates remain soft as central banks try to nudge economic growth upwards. Whilst growth in the UK and US economies seems to be warming up gradually, the EU continues to be locked in a low/no growth morass from which there seems little current potential or even appetite to escape. The Asia/Pacific region continues to have its own problems whilst Chinese issues could prove a negative tipping point globally.

In the UK various property unit trusts closed to redemption requests following the BREXIT vote. Whilst the majority have now reopened, investor nervousness, as the timetable for exit moves towards a conclusion, could see a recurrence of temporary closures not just for property unit trusts but other asset classes as well.

In addition and to use a current expression, there are several “elephants in the room”, including but not limited to:

BREXIT

European banking sector

US Presidential elections

China

BREXIT

In a speech at the Conservative Party Conference In early October, the Prime Minister set out the timetable and her ambitions for the future, and whilst the end game on BREXIT is unlikely much before early 2019, the way ahead, at least for the time being, seems clear, although some volatility is more than likely as the necessary legal steps to exit are taken through parliament which, almost certainly will be challenged by the “remainers” every step of the way.

European Banking Sector and the EU

It seems almost inevitable that several major banks in the EU will need to be recapitalised, not just to fund fines levied by the US federal authorities (Deutsche Bank), but to meet the ever more arduous capital requirements laid down by the Basle Directives on capital adequacy. Meanwhile the EU in general continues to show little or no economic growth. Youth unemployment remains high and economic migrant issues dominate the headlines. Netherlands, France and Germany all face mandatory Elections in 2017.

US Presidential Elections

The two candidates, Hillary Clinton and Donald Trump appear to be running neck and neck as we move into the last few weeks before 8 November 2016. With this continued uncertainty markets remain fragile (volatile) and react to each piece of news, good and bad.

China

Recent articles highlighting the potential "time bomb" of non-performing loans in the private sector, have done nothing to calm observer nerves. Whilst it has been known for some time that the level of non-performing loans might have been under stated, the latest figures suggest the matter is much larger than first thought, and thus the potential of a meltdown would seem to be much larger. However, with the Chinese economy still forecast to grow at around 6.7% over the next twelve months, this recent forecast gives a more positive outlook for the future.

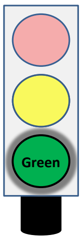
In concluding this commentary the only certainty is that the road pre and post BREXIT (2016/2019) will be paved with issues, both positive and negative. Not the least of which might be other EU member states calling referenda on their own continued membership, thus potentially creating additional economic turbulence, and perhaps even threatening the continuance of the Euro itself.

Fund Value as at 30 September 2016

Manager Name	Asset Class	**Value 30-Sep-16 £m**	**Actual % of Fund**		Value 30-Jun-16 £m	Actual % of Fund	Strategic Asset Allocation %
Baillie Gifford	DGF	**47.2**	**5.5**		45.2	5.7	
Standard Life	DGF	**28.2**	**3.3**		28.0	3.5	
Sub total DGF		**75.4**	**8.7**		73.2	9.2	10.0
Baillie Gifford	Global E	**297.9**	**34.5**		265.3	33.2	
BlackRock	Global E	**169.6**	**19.6**		157.0	19.7	
MFS	Global E	**188.5**	**21.8**		177.3	22.2	
Sub total GE		**656.0**	**76.0**		599.6	75.1	70.0
Baillie Gifford	Fixed Int	**57.1**	**6.6**		54.7	6.9	
Fidelity	Fixed Int	**74.8**	**8.7**		70.7	8.9	
Sub total FI		**131.9**	**15.3**		125.4	15.7	20.0
Fund Totals		**863.3**	**100.0**		798.2	100.0	100.0

source: Baillie Gifford, BlackRock, Fidelity, MFS, Standard Life

The Fund for the quarter ended 30 September 2016



Overall the Fund managers have not changed their investment processes during the quarter, neither have any significant personnel changes been notified which might influence the way in which the managers' investment processes are managed.

The relationship manager at Standard Life, Nigel Cosgrove has left to join Aviva as Head of Client relationships. In his place Alex Liddle has been appointed. In addition our relationship manager at BlackRock, Steven Betteley has also left Blackrock. Chris Head has taken over the relationship director role until such time a new Relationship manager has been appointed.

Neither of these two changes reflect on the investment process of the respective portfolios.

Fund investment performance for the quarter ended 30 Sept 2016

This will be the first quarter that investment performance data has been supplied by BNYMellon following the decision by State Street to discontinue this service.

At the time of writing this new investment performance report had not been received. BNYMellon advise that they are working hard to deliver the reports as soon as possible.

Fund Governance and Voting

Voting and governance matters are covered in detail within the various Investment Manager reports provided to the members under separate cover.

Market statistics for the quarter and rolling 12 months ended 30 Sept 2016

EQUITIES Total return	3 months %	12 months %
MSCI World	8.4	20.9
MSCI World ex USA	10.1	28.0
S & P 500	6.9	34.6
MSCI UK	7	18.5
MSCI Europe ex UK	9.2	21
MSCI AsiaPac ex Japan	13	36.1
MSCI Japan	11.9	31.2
MSCI All Emerging	12.3	36.7

Best Performing Sectors	3 months %	12 months %
Materials	12.9	45,4
Information Technology	18.4	41.8
Industrials	9.4	38.3
Energy	4.6	37.6
Telecoms Services	0.5	34.2

Worst Performing Sectors		
Consumer Staples	2.4	34.1
Utilities	-0.6	30.4
Consumer Discretionary	9.4	24.8
Health Care	3.1	23.5
Financials	10.1	20.1

Sources: Datastream and Newton

FIXED INCOME Total return	3 months %	12 months %
FTSE Index Linked	10.1	24.1
FTSE all Gilts	2.3	12.6
J P Morgan Global Sov	3.1	27.7
Bofa ML Corp >10yr IG	9.2	21.8
ML HY constrained	8.3	31.6

Inflation Indicators YOY%	As at 30-Sep-16	As at 30-Sep-15
UK RPI	1.8	0.8
UK CPI	0.7	-0.1
US Core CPI	1.2	0.0
Euroland CPI	0.4	-0.1

Other Assets	3 months %	12 months %
LIBOR 1 month	0.1	0.5
LBMA Gold Bullion	2.1	37.6
Brent Crude	5,4	20.6
IPD property Index	-2.5	2.9
HFRI Index	4.9	16.7

INVESTMENT MANAGER REVIEWS

Global Equity Portfolios

Baillie Gifford Global Alpha (segregated)

This portfolio was funded as at 20 December 2013 with a performance objective to outperform the MSCI (“ACWI”) All Country World Index by 2-3% pa (before fees) over rolling five year periods. This measurement commenced from 31 December 2013).

(The Fund was closed to prospective investors at the beginning of 2015 but remains open for additional funding from existing clients). Baillie Gifford are one of several investment managers that have been appointed to the London CIV and are currently appointed, with other managers, for both Global Equity and DGF mandates.

Rolling one year turnover remained exactly the same as the previous quarter, at 14.0% which implies an average holding period of around seven years, a recognition that Baillie Gifford continues to focus on the long term and prefer to look through the short term gyrations except when they see stock purchasing opportunities.

Baillie Gifford operate a long term growth investment strategy which aims overcome short term political gyrations by buying and holding stocks across the world which exhibit long term fundamental strengths.

At the end of September 2016 the global equity fund was invested across 24 (24) countries and held 96 (97) different investments. These investments were spread over 10 (9) sectors and encompassed 38 (39) differing industries, thus providing a broadly diversified set of assets. It is worth noting that the active money within this portfolio is continuing to run at a very high level of around 92% (93%). This “active money” ratio confirms that the fund is not holding benchmark or index weightings relating to stocks making up the index and reflects the active stock picking philosophy of the manager and its long term nature. During the quarter the manager added three additional stocks and sold out of Volvo and American Express.

For the quarter, the fund had an investment return of 12.2%, some 3.7% ahead of the benchmark of 8.5%. Since the portfolio reorganisation in December 2013, the fund has returned 14.5%pa against a benchmark of 13.1*%pa. (All returns shown are net of fees.).*

The portfolio remains ahead on 3 and 5 year measures. Since inception in December 1999 has returned a net 7.4%pa against the benchmark of 6.4%pa.

The “active money” style (stock picking) is clearly demonstrated with the top ten holdings continuing to accounting for just under 28% of the total portfolio, in line with the previous quarter. Amazon 4.7% (4.4%), Naspers at 3.5% (3.4 %), and Prudential 3.1% continue to hold the top three positions whilst First Republic Bank, Moodys and CRH take the eighth, ninth and tenth positions each with 2.1%.

BlackRock Ascent Life Enhanced Global Equity Fund (pooled)

This portfolio was funded as at 20 December 2013 and has a performance objective: to outperform the MSCI ACWI by 1-2% per annum whilst managing risk relative to the benchmark.

The manager can invest across the whole of the ACW Index and, as a result, held 843 stocks (933) at the end of the quarter and posted a net investment return for the quarter of 8.0% against the index of 8.4% *marginally behind the benchmark in absolute terms*. For the rolling twelve months the manager remains behind the benchmark at *27.3% (benchmark 30.6%).* Since inception, however, the fund has a positive net return of 13.5%pa against its benchmark of 13.2%pa. ***Whilst these performance numbers are above the actuarial assumptions they are behind the benchmark.*** The manager results for 31 December 2016 will provide a three year view.

In terms of country allocations, the manager has maintained its neutral position in Europe and its small underweight position in the US. It has moved marginally overweight in the UK and slightly underweight "Other Countries".

Sectorally, the fund has moved from an underweight to a small overweight position in Healthcare and moved underweight Financials, and has remained significantly overweight InfoTech and remained overweight in Consumer Staples.

The top ten stocks have moved around over the quarter with Microsoft (1.4%) Apple (1.3%), Johnson & Johnson (1.3%) taking the top three positions. In total the top ten stocks account for some 10.9% (10.8%) of the overall portfolio.

MFS Global Equity Fund (segregated)

This portfolio was funded as at 18 December 2013 and has a performance objective to outperform the MSCI world index (net dividends reinvested) over full market cycles.

MFS is currently invested in 15 (15) countries and has 116 (117) holdings. This contrasts with the benchmark of 1,637 (1,645) holdings spread across 23 countries.

For the quarter the fund returned 6.2% net against its benchmark of 7.9%. Over the rolling twelve months the fund had a return of 35.1% against a benchmark of 29.9%, a very good return in volatile markets. Since inception the fund has returned 17.1%pa (net) against the benchmark of 13.8% pa.

The underperformance of 1.7% for the quarter was mainly due to poor stock selection.

A look through the country and sector weights shows that the fund remained underweight North America (56.8% v 62.8%) and Asia Pacific ex Japan (1.4% v 4.6%), and has maintained its overweight positions in Europe ex UK (+3.5%), and Japan (+2.4%). In the UK the neutral position from last quarter has moved slightly underweight at 0.8%. The fund continues to run a small +1.5% overweight in emerging markets.

Sectorally, the fund has again maintained its significant overweight position in Consumer Staples (19.2% v 10.7%), with smaller over-weights in Industrials (+4.7%) and Financials (+2.7%). These over weights are being "funded" by underweight positions in Consumer Discretionary (-5.1%), Utilities, where the manager has a zero weighting (-3.4%) and Energy (-3.3%) and

In terms of top ten holdings, KDDI Corporation with 2.4% of the portfolio, Nestle (2.2%) and Johnson & Johnson at 2.4% are the three largest, with Texas Instruments (1.9%), Deutsche Wohnen AG (at 1.8%) and KAO Corp with 1.7% in eighth, ninth and tenth positions.

Global Equity Crossholdings

There are two crossholdings within the aggregated top ten holdings of the three global equity managers this quarter. MFS and BlackRock both hold Johnson & Johnson for a total value of £6.7m and Texas Instruments for a total value of £5.3m. These values translate to just 1.8% of the global equity portfolio and just 1.4% of total fund assets.

Diversified Growth Funds

Overall, the make-up of the Baillie Gifford fund has not changed significantly over the quarter. The manager has added slightly to its holdings in sovereign debt, funded by reducing holdings in high yield bonds.

In contrast, Standard Life holds approximately 57% (60%) of its assets in derivative based investments backed by cash, with just over 2/3rds of the portfolio invested in relative value and directional investment strategies.

Baillie Gifford

This mandate was funded on 8 December 2012 and has a performance objective to outperform UK base rate by at least 3.5% pa (net of fees) over rolling five year periods and with an annualised volatility of less than 10%.

For the 12 month period the portfolio has returned 6.8% against the benchmark of 4.0%. For this quarter the fund had a significant positive return of 4.4% versus the benchmark of 1.0%. Since inception, the fund has delivered a return of +4.9% (net of fees) against its benchmark of 4.0%.

Despite some major market asset class movements over the quarter culminating in the vote to exit the EU on 23 June 2016, The manager made few significant changes to the asset allocations within the fund; the exceptions being a small decrease in equities to 19.3% (20.3%) and in structured finance assets up to 10.5% (8.8%) with a further small reduction in cash holdings to 4.1% (5.4%). The majority of the other changes in asset class values are primarily due to relative value impacts and reflect the differing investment performance of the various asset classes over the quarter.

One of the primary directives for the fund, and one closely followed, is to keep volatility within target.

At the end of the quarter the current figure of 4.3% was slightly lower to that at the end of the previous quarter of 4.5% and well within the upper ceiling of +10%.

Standard Life Global Absolute Return Fund

This mandate was funded on 7 December 2012 and has a performance objective to achieve +5% per year (gross) over 6 month LIBOR over rolling three year periods with expected volatility in the range of 4% to 8%pa.

The manager has reported a small positive performance for the quarter but remains in negative territory for the rolling twelve months. For the quarter the fund had a positive return of 0.5% against its 6 month LIBOR benchmark of 0.1% and for the twelve months a negative return of -2.2% against the benchmark of 0.7%. Since inception, the fund has generated a positive return (net of fees) of 3.2% pa, although this return is also behind the fund benchmark of 5.6%pa.

The volatility in equity markets post Brexit and during the quarter was positive for the fund holdings in European equities. In addition holdings in US investment grade credit and high yeld bonds were also positive. The relative value trades between US equities large cap and small cap and the global REITS position both lost money during the quarter.

In terms of investment performance, the four main components in the portfolio, Market Return Strategies were slightly positive, whereas, Directional Strategies were flat, Relative Value strategies, -0.10% and currency hedging and flat. These when calculated against their respective overall fund allocations produced a positive return of 0.5% for the quarter.

The table below highlights the asset allocation differences between Baillie Gifford and Standard Life in sourcing investment returns.

		Baillie Gifford	Baillie Gifford	Standard Life	Standard Life	Total DGF	Total DGF
		%	£m	%	£m	£m	%
Value at 30 June 2016			45.2		28.0	73.2	
Asset Class							
Global equities		20.3	9.2	24.7	6.9	16.1	22.0
Private equity		1.1	0.5			0.5	0.7
Property		6.7	3.0			3.0	4.1
Global REITS							
Commodities		3.7	1.7			1.7	2.3
Bonds							
High yield		16.0	7.2	3.1	0.9	8.1	11.1
Investment grade		5.3	2.4	9.2	2.6	5.0	6.8
Emerging markets		8.5	3.8			3.8	5.2
UK corp bonds				3.1	0.9	0.9	1.2
EU corp bonds				3.2	0.9	0.9	1.2
Government		4.3	1.9		0.0	1.9	2.7
Global index linked							
Structured finance		8.8	4.0			4.0	5.4
Infrastructure		8.0	3.6			3.6	4.9
Absolute return		7.9	3.6			3.6	4.9
Insurance Linked		4.1	1.9			1.9	2.5
Special opportunities		0.4	0.2			0.2	0.2
Active currency		-0.5	-0.2			-0.2	-0.3
Cash		5.4	2.4			2.4	3.3
Cash and derivatives				56.7	15.9	15.9	21.7
Total		100.0	**45.2**	100.0	**28.0**	**73.2**	100.0

numbers may not add due to roundings

Source: Baillie Gifford and Standard Life

FIXED INCOME PORTFOLIOS

Baillie Gifford Aggregate Plus Portfolio

This mandate was reorganised on 1 June 2015 and now has a reference benchmark comprising 44% Gilts, 44% Sterling non gilts, 6% global corporate bonds and 6% emerging market bonds. The manager's objective is to outperform this benchmark over rolling three year periods.

For the quarter, the fund returned 4.4%, just 0.2% ahead of the benchmark of 4.2%. Since the original inception date of 9 December 2013, the fund has generated a return of 9.6% pa exceeding the benchmark of 8.8% pa. Since the reorganisation in June 2015 the fund remains slightly behind the benchmark with a return of 9.4%pa versus 10.2%pa.
From a credit rating perspective the fund has remained underweight benchmark levels with AAA rated bonds (7.1% v 9.2%), with a total of 98.7% (98.3%) invested in investment grade bonds.
High yield bonds, (below investment grade), have an overweight of 4.0% (3.9%) to the index and are comprised largely of bonds rated BB which have lost their "BBB" rating, but in the opinion of the manager have the ability to regain that rating. The manager does not invest in "C" rated bonds.
Regionally, the fund has remained underweight the UK at -5.4% to the benchmark and over-weight the US at +7.1% to the benchmark. Looked at by sector the fund is underweight sovereign debt (-10.4%) and Utilities (-3.6%) with corresponding over-weights in Industrials +7.8% and Securitised loans +7.7%.

In terms of active money, those positions larger than the benchmark allocation, the manager holds +2.6% in Annington Finance, 2.0% in Tesco Property Finance and 1.9% in KFW 5% 2036.

Overall, the fund is marginally long the benchmark duration at 9.7 years compared to 9.6 years for the benchmark. The running yield on the total portfolio is 4.04% compared to the benchmark of 3.47%

Fidelity Global Aggregate Fixed Income Portfolio

This portfolio was funded in April 1998 and has a performance objective to outperform by 0.75% pa (gross of fees) an IBoxx composite benchmark of 50% Gilts and 50% £ Non Gilts over rolling three year periods.

The fund outperformed the benchmark during the quarter with a return of 4.5% (gross of fees) against the benchmark of 4.0%. Over the rolling three years, the fund is ahead of the benchmark by 0.5% pa (10.0% pa v 9.5%pa) and since inception (30 April 1998) has outperformed the benchmark by 0.8% pa with a return of 7.2% pa.

In terms of credit quality, the fund has slightly under 92% (92%) invested in investment grade bonds, albeit underweight the index, especially in AA bonds (fund 45.7% v 57.8%), and has 21.0% (18.4%) invested in BBB rated bonds. The manager's holdings in high yield bonds has drifted upwards to 5.8% (5.7%) with the remaining 2.8% (2.3%) in a mix of cash and unrated investments.

There have been some changes during the quarter, with the sectoral allocation to US treasury assets falling back to 39.5% (48.0%) of the portfolio. Overweight positions in the Financial Services (+6.4%), Insurance (+2.6%) and the Basic Industry (3.0%) sectors are offset by underweights in Supranationals and Sovereign Assets (-6.8%) and Utilities (-0.9%).

The portfolio is tracking benchmark duration of 9.9 years and has a running yield of just 2.4% (2.8%)

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Senior Adviser

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