Report to:	Pension Committee	**Date:**	4 June 2019
Report title:	Quarterly Investment Performance Report to 31 March 2019		
Report from:	Richard Simpson, Interim Strategic Director, Resources		
Ward/Areas affected:	Borough Wide		
Chair of Committee/Lead Member:	Councillor Jill Whitehead		
Author(s)/Contact Number(s):	Antony Huggett, Investments, Insurance & Commercial Manager, 0208 770 6118 Lisa Doswell, Senior Finance Lead, Treasury and Pensions, 0208 770 5354		
Corporate Plan Priorities:	• Making Informed Choices		
Open/Exempt:	Part-Exempt: Appendix B is exempt on the basis of Paragraph 3, Schedule 12A of the Local Government Act 1972		
Signed:	R Simpson	**Date:**	22 May 2019

1. Summary

1.1 This report shows the performance of the total Fund and individual fund managers for the quarter ending 31 March 2019, performance in the last twelve months, annualised rolling three year performance against the benchmark and performance since inception.

2. Recommendation

The Pension Committee is recommended to:

2.1 Note the performance of the total Fund, contribution at the fund manager level and detailed attribution of the results.

3. Background

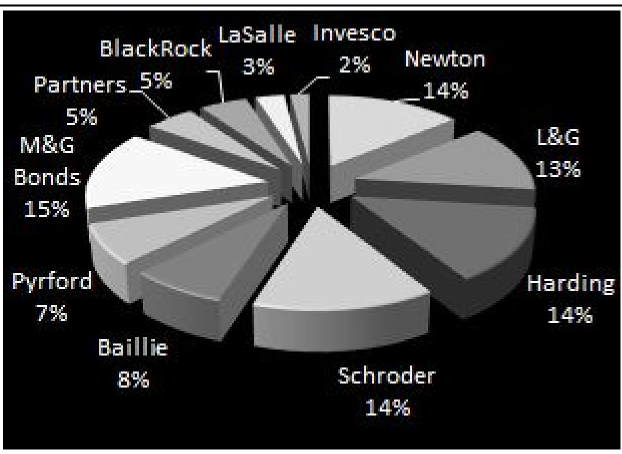
3.1 The current Investment Strategy Statement was approved by Committee on 20 March 2017. The table below shows the approved target allocations of individual asset classes against the actual allocations at 31 March 2019. The allocation to equities was reduced by 5% as a consequence of the decision to amend our asset allocation and invest in private debt. Currently this 5% is allocated to the Legal & General index-linked gilt fund and shown within the Bond allocation in the table below. As a consequence Bonds are 5% over target pending allocations to private debt. Pooled multi-asset funds together with alternatives (which includes infrastructure) are below target by 2% and 1% respectively. Property is 2% below the target allocation as it is still in a transitional phase.

FUND ALLOCATIONS	Target Allocation	Actual Allocation	Variance from Target
	%	%	%
Equities	55	55	-
Bonds	15	20	5
Pooled Multi Asset	15	13	-2
Property	10	8	-2
Alternatives	5	4	-1
TOTAL ASSETS	**100**	**100**	

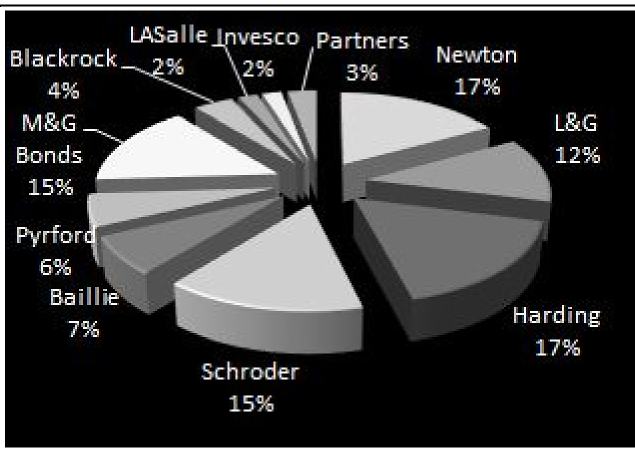
3.2 Legal & General (L&G), Harding Loevner, Schroder, M&G, BlackRock and Partner's Group were employed as the Council's investment managers for the quarter ending 31 March 2019. The Council also employs fund management services from Newton Investment Management (Newton), Baillie Gifford and Pyrford through the London Collective Investment Vehicle (CIV). The Council was invested in three separate funds; M&G UK Companies Financing Fund, Aviva Investors UK Real Estate Fund of Funds Plan and Invesco Real Estate UK Residential Fund.

3.3 At the start of February the Legal & General UK passive fund was sold and the proceeds re-invested in their global equity fund and their index-linked gilt fund. The index linked fund will be used to fund the allocation to private debt once a manager is appointed.

3.4 The table below shows the actual allocation of Fund managers compared with the target benchmark allocation.



Target Benchmark Allocation



Actual Allocation of Fund as at 31/03/2019

3.5 Under the Council's current investment strategy, a target allocation of 42% of the total Fund value is to be invested in global equities managed in separate, equal sized portfolios by Newton, Harding Loevner and Schroder's. 13% of the Fund is to be invested in UK equities by L&G and 15% of the Fund is to be split equally in absolute return pooled vehicles managed by Baillie Gifford and Pyrford. 15% of the Fund is currently targeted in bonds by managed M&G. This is shown in the chart on the left, against the current actual allocation of the Fund on the right.

3.6 The pension fund is committed to the pooling of its assets where possible through the London CIV. It currently has 36.4% of its investment assets either pooled through or managed by the London CIV.

3.7 Performance targets for all fund managers are set by the Council to obtain good investment returns balanced against risk. The targets set are in line with the overall investment strategy originally agreed by Members in March 2011. Where funds are now managed by London CIV the performance benchmark will be that stated in their prospectus.

4. Performance of the Managers

4.1 The tables set out at paragraph 6 of this report provide comparative analyses of manager's performance for the quarter, over the last twelve months and since inception (where possible) against the relevant indices in the Council's benchmark. All figures are shown net of fees. Managers' remuneration structure and applicable fees for the current and previous quarter are shown in Appendix B (exempt information).

4.2 This report is prepared using data provided by Northern Trust, the Fund's custodian and independent performance measurer, together with reporting from each fund manager and the London CIV.

<u>Movement in Fund Value from 31 December 2018 to 31 March 2019</u>

4.3 The table below shows the change in the value of holdings with each of the fund managers since the end of the previous quarter in absolute and percentage terms. Following on from the volatility experienced in equity markets last quarter, this quarter has seen a marked rebound in financial markets. This is due to improving outlook for monetary policy in the US and prospects of a US-China trade resolution which were the main factors impacting on financial markets last quarter.

4.4 The UK has also benefited from the change in market sentiment but uncertainties around Brexit continue and this has meant that the UK still lags global markets. In Europe growth prospects have been reduced particularly in the light of Germany's contraction in its manufacturing sector and the decline of exports to China.

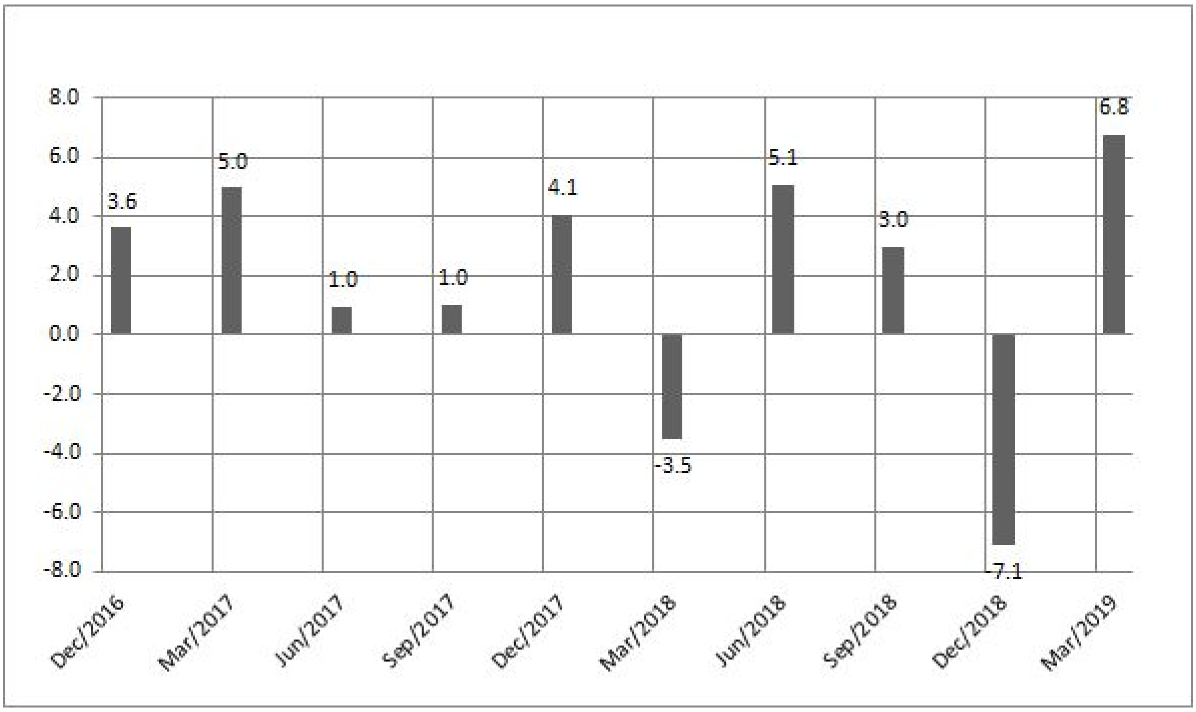
4.5 The changing outlook for global interest rates has had a beneficial impact on bond prices across both the short and long term.

Fund Manager	On London CIV platform	Value at end 31/12/18 £'000	Value at end 31/03/19 £'000	Value change £'000	% Change
Total Equities		**372,010**	**371,063**	**-947**	**-0.3**
Newton *	**active**	102,831	111,759	8,928	8.7
Harding Loevner		104,873	116,940	12,067	11.5
Schroders		93,944	100,494	6,550	7.0
Legal & General* **	**passive**	70,362	41,870	-28,492	-40.5
Bonds		**94,047**	**133,632**	**39,585**	**42.1**
Legal & General* **	**passive**	0	35,263	35,263	0
M&G bonds		94,047	98,369	4,322	4.6
Pooled Multi Asset		**86,069**	**89,903**	**3,834**	**4.5**
Baillie Gifford *	**active**	43,956	46,654	2,698	6.1
Pyrford *	**active**	42,113	43,249	1,136	2.7
Property		**51,681**	**51,459**	**-222**	**-0.4**
BlackRock		23,919	23,750	-169	-0.7
Aviva/LaSalle		13,152	13,120	-32	-0.2
Invesco		14,610	14,589	-21	-0.1
Alternatives		**23,185**	**23,173**	**-12**	**-0.1**
Partners Group ***		22,760	22,841	81	0.4
M&G – Co's Financing Fund****		425	332	-93	-21.9
Cash *****		**3,339**	**4,168**	**829**	**24.8**
Total Assets		**630,331**	**673,398**	**43,067**	**6.8**

* The London CIV have active managers through their Authorised Contractual Scheme and also offer passive management through index funds managed by L&G and Blackrock.
** In early February L&G's existing UK equities mandate was transitioned into a global equities fund and a UK index linked bond fund.
*** Partners Group made one capital call in the quarter for £0.3m and a distribution of £0.2.

**** The sum invested with the M&G Company Financing Fund is slowly reducing due to companies repaying principal outstanding on the loans made through the fund
***** Cash movement includes £0.4m used to fund a capital call to Partners Group, a £5.5m net payment to Kingston resulting from four bulk transfers, the receipt of £5.9m from employer deficit contributions, £0.3m net distributions from Partners Group and BlackRock and £0.5m from increased early retirement charges.

Fund Value Movement %



The chart above shows the percentage change in the total value of the Fund each quarter (excluding cash).

5. Total Fund Performance

<u>Total Fund performance pre and post strategy implementation</u>

Benchmark 75 months to 31/10/12	Fund 75 months to 31/10/12	Variance	Benchmark 75 months to 31/03/19	Fund 75 months to 31/03/19	Variance
%	%	%	%	%	%
5.0	4.0	-1.0	8.8	9.2	0.4

5.1 Prior to the new strategy being implemented, the combined Fund underperformed the benchmark by 1.0% over the previous 75 months (benchmark 5.0%, actual 4.0%). By comparison, in the 75 months post implementation of the new strategy the combined Fund outperformed the benchmark by 0.4% (benchmark 8.8%, actual 9.2%).

Total Fund performance for the latest quarter ended 31 March 2019

TOTAL FUND	Target Allocation	Fund Allocation	Benchmark Return	Fund Return	Relative
	%	%	%	%	%
Equities	55	55	9.4	9.1	-0.3
Bonds	15	20	2.6	4.5	1.9
Pooled Multi Asset	15	13	1.0	4.5	3.5
Property	10	8	0.3	-0.4	-0.7
Alternatives	5	4	N/A	N/A	N/A
TOTAL ASSETS	**100.0**	**100.0**	**5.9**	**6.7**	**0.8**

* includes Alternatives

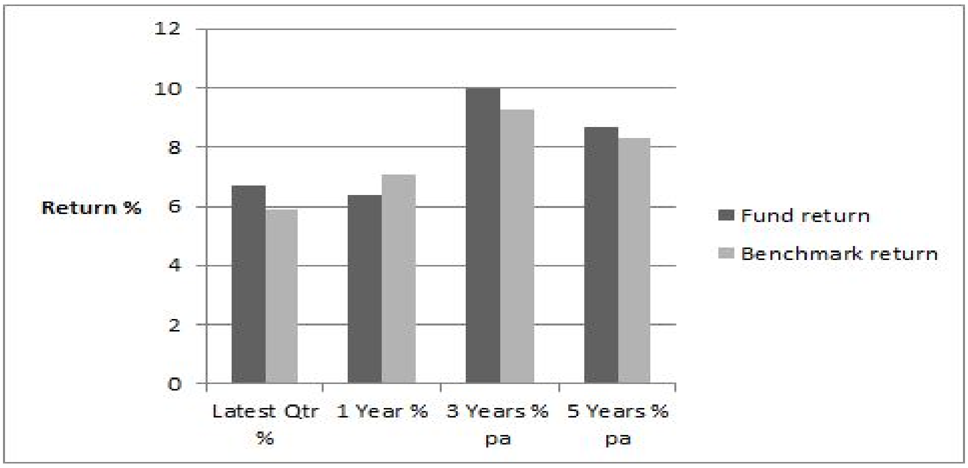
5.2 At total fund level the combined Fund outperformed the benchmark by 0.8% over the period. Performance of individual asset classes is detailed in paragraph 6 onwards.

Total Fund performance – longer term

TOTAL FUND	1 Year	3 Years	5 Years
	% pa	% pa	% pa
Fund return	6.4	10.0	8.7
Benchmark return	7.1	9.3	8.3
Relative %	**-0.7**	**0.7**	**0.4**

5.3 At total fund level, as at March 2019 the combined Fund underperformed the benchmark by 0.7% over the past year and outperformed by 0.7% per annum over the rolling three years and 0.4% over the past five years.

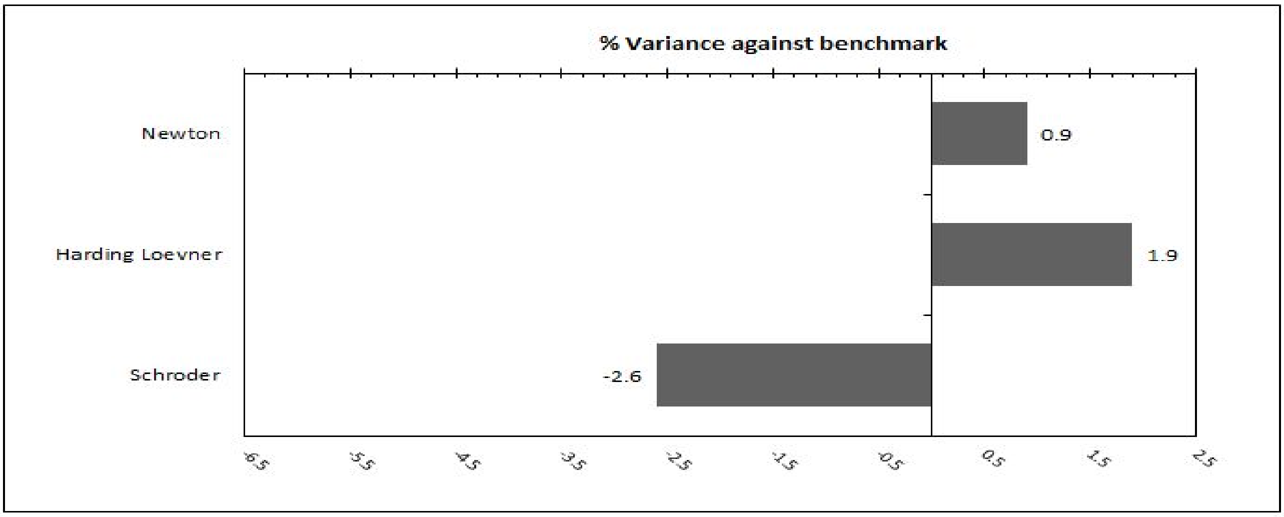
5.4 The bar chart below summarises the overall performance of the Fund over the last year, three year and five year periods:



6. Equity Performance

Equity performance for the latest quarter ended 31 March 2019

Manager	Target Allocation	Fund Allocation	Benchmark Return	Fund Return	Relative
	%	%	%	%	%
L&G	13	6	-	-	-
Newton	14	17	9.6	8.7	-0.9
Harding Loevner	14	17	9.6	11.5	1.9
Schroders	14	15	9.6	7.0	-2.6
TOTAL EQUITIES	**55**	**55**	**9.4**	**9.1**	**-0.3**



6.1 Global equity markets have recorded the best quarterly performance in years following one of the worst. The MSCI World Index was up by 12.7%, the S&P 500 up by 13.7% and the FT All Share index up by 9.4%. By sector, information technology (IT) performed best, with strong rebounds in the hardware and software stocks that had performed poorly toward the end of 2018. Energy stocks also recovered as the oil price rebounded sharply from its December low. Health care and financials were the weakest sectors. Communication services slightly lagged index returns, with media and internet services strength outweighed by lacklustre returns from telecom stocks. There was however a large dispersion within some sectors. For example, tobacco stocks performed particularly strongly, rising by more than 20% year to date versus a sector average of around 10%. Asian e-commerce and media stocks, however, returned to the top league after falling steadily for most of last year, helped in part by China's decision to end its moratorium on new video game approvals.

6.2 Newton underperformed the benchmark by 0.9% during the quarter. The fund has gradually been increasing allocations to the more defensive areas of the market, recycling IT positions into consumer staples and healthcare which meant that the fund did not get the full benefit of the market rebound in quarter 1. Similarly, being underweight financials and North America was negative for the fund. Harding Loevner outperformed the benchmark by 1.9% due to the rebound in growth stocks which rewarded their approach to investing in this sector of the market. Stock selection in health care, financials and information technology contributed most to this performance. Schroders underperformed during the quarter by 2.6% as their value style of investing was out-of-fashion as investors returned to the growth stocks, particularly in IT. This was combined with poor performance of their overweight sectors which include health care and financials. Their value approach favours chemicals, miners and integrated oil companies and the rebound in tobacco stocks enabled them to pare back their exposure.

Equity performance – longer term

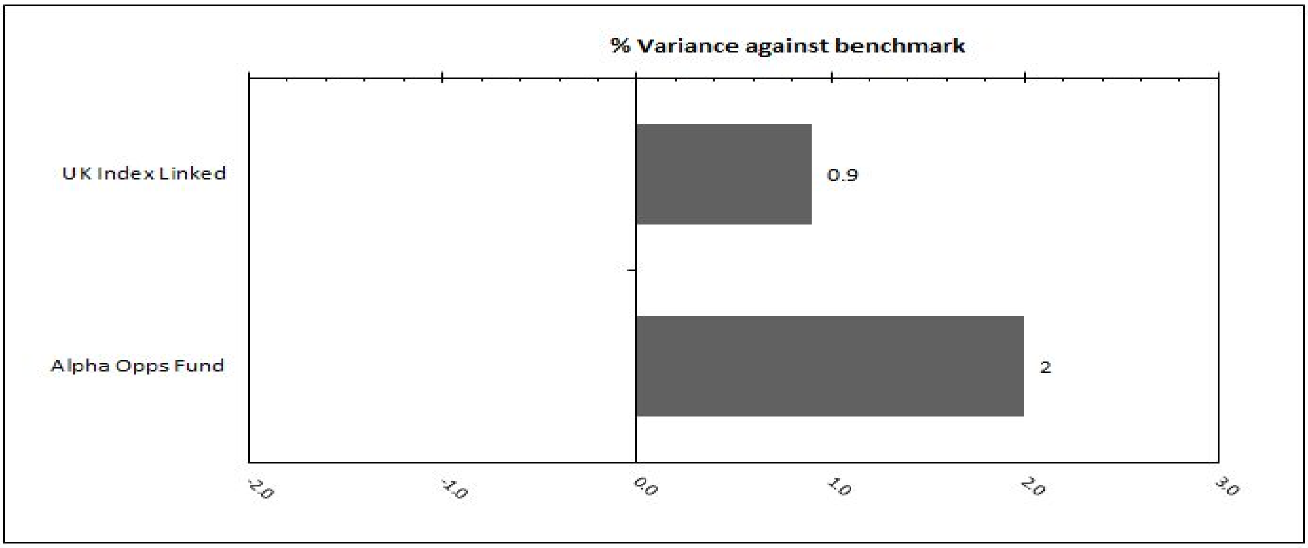
Manager	Benchmark Return 1 Year	Fund Return 1 Year	Relative	Benchmark Return Since Inception	Fund Return Since Inception	Relative
	%	%	%	%	%	%
L&G	-	-	-	3.9	3.7	-0.2
Newton	11.1	14.2	3.1	12.9	13.4	0.5
Harding Loevner	10.5	8.1	-2.4	12.8	14.3	1.5
Schroders	10.5	5.4	-5.1	12.8	11.3	-1.5

6.3 As shown in the table above, over the longer term Newton outperformed the benchmark during the twelve months ended March 2019, Harding Loevner and Schroders underperformed the benchmark. Since inception, L&G underperformed the benchmark, Newton and Harding Loevner outperformed the benchmark and Schroders underperformed.

7. Bond Performance

Bond performance for the latest quarter ended 31 March 2019

	Target Allocation	Fund Allocation	Benchmark Return	Fund Return	Relative
	%	%	%	%	%
M&G UK Index Linked	6	7	6.3	7.2	0.9
M&G Alpha Opportunities Fund	9	8	0.2	2.2	2.0
Legal & General UK Index Linked	-	5	-	-	-
TOTAL (Weighted Average)	**15**	**20**	**2.6**	**4.6**	**2.0**



7.1 Government bond markets rallied against the backdrop of the Federal Reserve easing its previous policy of monetary tightening in the light of the slowing global economic growth. The Barclays Global Credit Aggregate index was up 3.8% this quarter as investment grade corporate bonds performed well, with credit spreads tightening, largely in response to changing outlook on US interest rates. The gains in credit markets were felt across most sectors in Europe. Riskier markets also responded positively in this environment - high yield markets made significant gains as investors resumed their hunt for yield.

7.2 M&G UK index-linked fund outperformed the benchmark during the quarter helped in part by being underweight index-linked gilts maturing between 10 and 30 years as they underperformed marginally alongside an overweight in index-linked gilts maturing in 5 and 40 years. During the period, the fund went overweight fixed-rate gilts versus index-linked gilts. The manager believes inflation expectations are very elevated following sterling's recent depreciation and fixed-rate gilts look to be offering value.

7.3 The M&G Alpha Opportunities fund outperformed the benchmark by 2% for the quarter. The fund's holdings in the industrial and financial sectors were significant contributors to performance. In particular, the fund's positions in General Electric, Altice, Legal and General and the loan holdings were some of the largest contributors to performance. With the market rallying throughout the quarter, in March, the manager took the opportunity to take some profit on positions which had performed well. At the end of the quarter, the fund continues to hold onto a substantial allocation of liquid, defensive assets which are ready to be deployed into other areas of the market should further episodes of volatility occur.

7.4 There is no performance data on the L&G fund as this position was only acquired during the quarter.

Bond performance – longer term

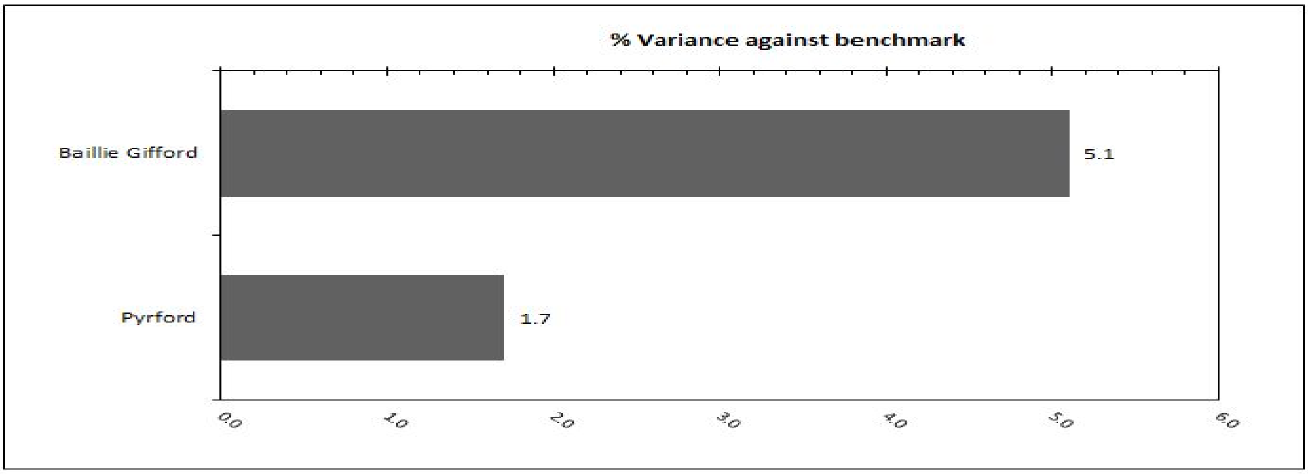
Manager	Benchmark Return 1 Year	Fund Return 1 Year	Relative	Benchmark Return Since Inception	Fund Return Since Inception	Relative
M&G	%	%	%	%	%	%
UK Index Linked	5.7	5.8	0.1	9.8	10.2	0.4
Alpha Opportunities Fund	0.7	0.7	0.0	0.9	2.4	1.5

7.5 As shown in the table above, over the longer term M&G outperformed in the UK Index Linked fund and matched the benchmark in the Alpha Opportunities fund during the twelve months ended March 2019. Both funds outperformed since inception.

8. Pooled Multi-Asset Performance

Pooled Multi-Asset Performance for the latest quarter ended 31 March 2019

Manager	Target Allocation	Fund Allocation	Benchmark Return	Fund Return	Relative
	%	%	%	%	%
Baillie Gifford	7.5	7	1.0	6.1	5.1
Pyrford	7.5	6	1.0	2.7	1.7
TOTAL POOLED MULTI-ASSET	**15**	**13**	**1.0**	**4.5**	**3.5**



8.1 Baillie Gifford outperformed the benchmark during the quarter. The market weakness in December provided a buying opportunity for certain risk assets, particularly commercial property and emerging market companies. European high yield credit has also contributed to returns as spreads tighten. Pyrford also outperformed during the quarter despite remaining defensively positioned with 30% equities, 67% bonds and 3% cash. Not surprisingly, the fund's allocation to equities contributed largely to the overall return and in particular tobacco stocks surprised the markets with revenues holding up despite regulatory concerns.

Pooled Multi-Asset Performance – longer term

Manager	**Benchmark Return 1 Year**	**Fund Return 1 Year**	**Relative**	**Benchmark Return Since Inception**	**Fund Return Since Inception**	**Relative**
	%	%	%	%	%	%
Baillie Gifford	4.1	0.3	-3.8	3.7	4.6	1.0
Pyrford	4.1	3.4	-0.6	3.7	3.4	-0.3

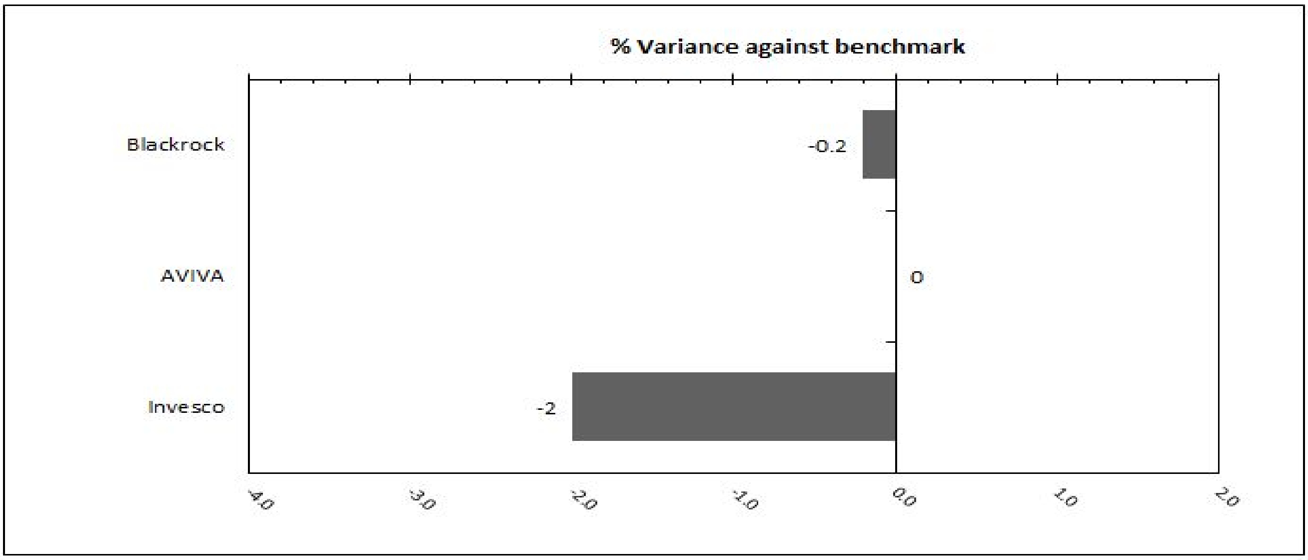
8.2 Baillie Gifford and Pyrford both underperformed the benchmark during the twelve months ended March 2019. Baillie Gifford outperformed the benchmark since inception and Pyrford underperformed the benchmark since inception.

9. Property Performance

<u>Property Performance for the latest quarter ended 31 March 2019</u>

Manager	Target Allocation	Fund Allocation	Benchmark Return	Fund Return Income	Fund Return Capital	Total Fund Return	Relative
	%	%	%	%	%	%	%
BlackRock	5	4	0.3	0.8	-0.7	0.1	-0.2
Aviva/LaSalle	3	2	0.3	0.5	-0.2	0.3	0.0
Invesco	2	2	1.9	0.5	-0.6	-0.1	-2.0

9.1 Since March 2017, the fully committed sum of £15m has been invested with Invesco. This investment is still in the ramp up phase and returns will stabalise once further assets are completed and let.



9.2 Given the economic uncertainty created by Brexit and slowing global growth it is unsurprising that UK real estate investment volumes have slowed in quarter 1 compared with the same time last year. The IPD All Balanced Property Funds Index increased by 0.3% reflecting supply constraints over the availability of debt financing and vacancy rates at cyclical lows. The demand for commercial real estate has been supported by higher than average occupancy levels driven by shortage of quality properties. The capital and rental values of retail properties remains under pressure due to over-supply of premises as a consequence of consumers moving online. The logistics sector is the key out-performing sector, benefiting from the consumer trends adversely impacting on the retail sector.

9.3 During the quarter BlackRock underperformed the benchmark by 0.2%. The Fund did not complete any acquisitions, and only one small disposal of a parcel of land for £3.2m. The Fund's void rate decreased from 6.5% to 5.6% which compares favourably with the benchmark's vacancy rate of 7.1% as of quarter 4 2018. Compared to the index, the Fund is overweight industrials and alternatives (which include healthcare and student housing) and underweight retail and offices. LaSalle matched the benchmark. Their performance was negatively impacted by the weak performance of the retail sector which underpinned the fall in the value of their fund. Returns were strongest from the specialist funds, which are benefiting from rental value growth on the back of low supply and robust occupier demand. There were no sales or purchases by the manager in the quarter, however they made a £6.5 million commitment to AEW UK Real Return Fund.

9.4 Property Performance – longer term

Manager	**Benchmark Return 1 Year**	**Fund Return 1 Year**	**Relative**	**Benchmark Return Since Inception**	**Fund Return Since Inception**	**Relative**
	%	%	%	%	%	%
RREEF/ BlackRock	4.9	4.6	-0.3	4.6	1.8	-2.8
AVIVA/LaSall e	4.9	3.7	-1.2	7.8	7.2	-0.6

9.5 As shown in the table above, both Blackrock and LaSalle underperformed the benchmark during the twelve months ending March 2019 and both managers underperformed the benchmark since inception.

10. Alternatives Performance

Alternatives Performance for the latest quarter ended 31 March 2019

Manager	**Benchmark Allocation**	**Fund Allocation**	**Fund Return**
	%	%	%
Partners Group Global 2012	3	2	-0.3
Partners Group Direct 2015	1	1	-4.8
Partners Group Global 2015	1	1	3.8
M&G – UK Companies Financing Fund	0	0	-21.9

10.1 Partners Group and M&G are not measured as part of the Fund's overall strategic benchmark. It is currently difficult to assess Partners Group's relative performance because committed capital is still to be drawn down and deployed.

10.2 M&G's return of -21.9% represents income of £4k earned during the quarter, offset by a cash distribution of £97k.

Alternatives Performance – longer term

Manager	**Fund Return 1 Year**	**Fund Return Since Inception**
	%	%
Partners Group Global 2012	11.5	10.8
Partners Group Direct 2015	1.2	-12.6
Partners Group Global 2015	2.6	-3.8
M&G – UK Companies Financing Fund	2.2	4.3

11. Targets - Annualised Rolling 3 Years to 31 March 2019

11.1 The annual performance targets for equities, bonds and pooled multi-asset fund managers are set over a rolling three year period.

11.2 The table below shows that over the three year rolling period all reported managers outperformed the benchmark, apart from Pyrford. All managers have underperformed the target over the same period.

Manager	3 Yr Benchmark Return	Target 3 Yr Return	3 yr Fund Return	Relative to Benchmark	Relative to Target
	%	%	%	%	%
Newton	12.9	14.4	13.4	0.5	-1.0
During 2014 and 2015 Newton maintained an outperformance position, which was largely driven by good stock selection in consumer stocks, information technology and the financial sectors. During 2016 Newton's performance deteriorated and this is attributable to sector allocation, being underweight in the better performing sectors and overweight in the less well performing sectors, as well as their defensive stance which damaged relative performance. This underperformance continued into 2017 until the second quarter, when sector allocations, particularly in financials and IT produced strong returns. During the third quarter of 2017 sector allocation was a drag on performance. The decline of equity markets in the first quarter of 2018 made it difficult to fully recover their position, however they outperformed in the second and third quarters and despite the particularly challenging environment during the most recent quarter they maintained outperformance. Unfortunately, Newton underperformed during the first quarter of 2019 due to positioning that disadvantaged them during the market rebound.					
Harding Loevner	12.8	15.8	14.3	1.5	-1.5
Harding Loevner maintained a relatively consistent outperformance position over the last three years. This is attributed to good stock selection in the most resilient sectors, particularly in healthcare, information technology and financials. Despite the volatility of equity markets during the first quarter of 2018, they continued to outperform until the second quarter. However, during the third quarter poor stock selection in information technology and consumer discretionary hurt performance, along with an underweight position in US holdings. Good stock selection in other regions had previously compensated for this. These factors caused the manager to underperform and this position continued into the final quarter of 2018 in which stocks in healthcare caused the biggest drag on performance. Harding Loevner returned to outperformance during the first quarter of 2019, due to the rebound in growth stocks which rewarded their approach to investing in this sector of the market.					
Schroders	12.8	15.8	11.3	-1.5	-4.5
Schroders' value investment style (stocks in companies that the market has undervalued) has lagged for several years against the quality growth investment style of the Fund's other equity managers. In late 2016 value was the best performing style, due to a significant market rotation following the surprise US election result. However, the start of 2017 saw some unwinding of this strong performance, as investors favoured growth over value by a significant margin. In the final months of 2017 the market environment was more suited to Schroders' strategy and they finished the quarter ahead of the benchmark. The volatile environment continued to benefit their style during the first quarter of 2018, but they slightly underperformed by the end of that period. During the second quarter value investing struggled and this position continued during the third quarter when they underperformed					

again. During the final quarter of 2018 they recovered some lost ground, driven by strong stock selection within the industrials and health care sectors and their aversion to the widely owned stocks such as Facebook, Amazon, Netflix, Apple and Google. Underperformance continued into 2019 as Schroders' value style struggled against the investor return to growth stocks, particularly in IT. This was combined with poor performance of their overweight sectors which include health care and financials.					
Baillie Gifford	3.7	6.7	4.6	0.9	-2.1
During 2014 Baillie Gifford had a relatively strong year, benefitting from positive contributions from listed equities and emerging market bonds. Performance in 2015 was more mixed with exposure to economically sensitive assets, such as high yield and emerging market bonds struggling, balanced to some extent by positives from exposure to listed equities. In 2016 performance was ahead of target with the top contributors to performance being economically exposed asset classes such as high yield credit, listed equities and emerging market bonds. Active currency also contributed positively. During 2017, largely the same asset classes continued to be the main source of added value. Holdings in absolute return, insurance linked securities and developed market government bonds were the main detractors. In the volatile first quarter of 2018, holdings in absolute return boosted performance, while listed equities and infrastructure detracted. A significant setback to performance came during the second quarter, due to holdings in emerging market bonds. This continued into the third quarter, along with holdings in commodities and active currency. In the final quarter emerging market bonds provided one of the few positive contributors, however the overall position was continuing underperformance. This position was reversed in the first quarter of 2019 with strong outperformance, as market weakness in December had provided a buying opportunity for certain risk assets, particularly commercial property and emerging market companies. Performance in European high yield credit also contributed to their returns.					
Pyrford	3.7	6.7	3.4	-0.3	-3.3
Pyrford's positive absolute performance in 2014 was countered by some underperformance in 2015, when the strategy struggled as markets fell sharply in Q2 and Q3. From the last quarter of 2015 onwards Pyrford outperformed consistently over 12 months, helped by unhedged position in overseas equity and bonds until the second quarter of 2017. The reversal of fortune was linked to the equity portion of their portfolio, having been positioned in high dividend paying defensive sectors perceived as sensitive to rising bond yields. The portfolio's bond holdings also produced negative returns, as government bond yields continued to edge up. Pyrford returned to outperformance during the second quarter of 2018, seeing positive returns from both equities and bonds in the UK and overseas, however they underperformed during the third quarter, largely attributed to exposure to UK equities. Stock selection within equities caused this underperformance to continue into the final quarter of 2018, however during the first quarter of 2019 they outperformed. Their allocation to equities contributed largely to the overall return, particularly tobacco stocks.					

12. Options Considered

12.1 Not applicable.

Sutton

13. Impacts and Implications

Financial

13.1 The financial implications are addressed within the report.

Legal

13.2 There are no legal issues arising from this report.

14. Appendices and Background Documents

Appendix letter	Title
A	Current Investment Strategy Benchmarks and Targets
B	Manager Fees - Exempt on the basis of Paragraph 3, Schedule 12A of the Local Government Act 1972

Background documents
Northern Trust Investment Performance Reports

Audit Trail		
Version	Final	Date: 22 May 2019
Consultation with other officers		
Finance	Yes	Antony Huggett
Legal	No	N/A
Equality Impact Assessment required?	No	N/A