



Brent Pension Fund Sub-Committee

Tuesday 21 July 2015 at 6.00 pm

Boardroom - Brent Civic Centre, Engineers Way,
Wembley, HA9 0FJ

Members

Councillors:

Crane (Chair)
Daly
Khan
Miller
Naheerathan
Shahzad
Vacancy

Substitute Members

Councillors

Dixon, Eniola, Ezeajughi, Farah,
Filson, Harrison, Hector, Hoda-
Benn, Hossain, Hylton,
W Mitchell Murray and Perrin

Councillors

Non Voting Co-opted Members

NON-VOTING CO-OPTees:

*College of North West London
Employees*

Stephen Holley

Francesca Hammond

For further information contact: Joe Kwateng 0208 937 1354,
joe.kwateng@brent.gov.uk

For electronic copies of minutes, reports and agendas, and to be alerted when the minutes of this meeting have been published visit:

democracy.brent.gov.uk

The press and public are welcome to attend this meeting

Agenda

Introductions, if appropriate.

Apologies for absence and clarification of alternate members

| Item | Page |
|---|--|
| 1 Declarations of personal and prejudicial interests | |
| Members are invited to declare at this stage of the meeting, any relevant financial or other interest in the items on this agenda. | |
| 2 Minutes of the previous meeting | 1 - 4 |
| 3 Matters arising | |
| 4 Deputations (if any) | |
| 5 Alinda Partners - Infrastructure | |
| Fund managers will be submitting a presentation. | |
| 6 Quarterly monitoring report on fund activity | 5 - 18 |
| This report provides a summary of the Fund's activity during the quarter ended 31 March 2015. It examines the economic and market background, and investment performance, as well as commenting on events in the quarter. | |
| Ward affected: All Wards | Contact Officer: Conrad Hall, Chief Finance Officer |
| | Tel: 020 8937 6528 conrad.hall@brent.gov.uk |
| 7 Minutes of Pension Board | 19 - 22 |
| The Pension Board met for the first time on 7 July 2015. In accordance with the decision of the General Purposes Committee upon establishing | |

the Board, a copy of the minutes of the meeting are attached.

8 Any other urgent business

Notice of items to be raised under this heading must be given in writing to the Democratic Services Manager or his representative before the meeting in accordance with Standing Order 64.

9 Exclusion of press and public

The following items are not for publication as they relate to the following category of exempt information as specified in the Local Government Act 1972 namely:

Information relating to the financial or business affairs of particular persons (including the Authority holding that information).

10 Quarterly report on fund managers' performance

23 - 30

This report provides a summary of the Pension Fund's active fund managers in 1Q15, and a commentary of their performance in comparison both to their benchmark and to reasonable expectations.

Ward affected: All Wards

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conrad.hall@brent.gov.uk

11 Investment in Fixed Income

31 - 34

Investors seeking safety and income have traditionally invested in bonds, particularly government bonds (Gilts in the UK). This asset class has recently demonstrated neither safety (due to recent, unprecedented price volatility) nor income (yields went negative in many fixed income assets). It is necessary to be more creative in investing in fixed income, with the aim of generating sustainable returns equal to or greater the Brent Pension Fund's hurdle rate, without taking on undue risk.

Ward affected: All Wards

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conrad.hall@brent.gov.uk

12 Strategic Asset Allocation

35 - 40

The report proposes a new Strategic Asset Allocation in the light of the current market.

Ward affected: All Wards

Contact Officer: Conrad Hall, Chief
Finance Officer

Tel: 020 8937 6528
conrad.hall@brent.gov.uk

a) Investment in Infrastructure

41 - 46

Report originally submitted to the sub-committee on 24 February 2015 re-submitted for information.

b) Diversified Growth Funds

47 - 50

Report originally submitted to the sub-committee on 18 November 2014 re-submitted for information.



Please remember to set your mobile phone to silent during the meeting.

- The meeting room is accessible by lift and seats will be provided for members of the public.



LONDON BOROUGH OF BRENT

MINUTES OF THE BRENT PENSION FUND SUB-COMMITTEE Tuesday 24 February 2015 at 6.00 pm

PRESENT: Councillor S Choudhary (Chair) and Councillors Filson, Hylton, Perrin, Shahzad, George Fraser and Ashok Patel

Apologies for absence were received from Councillors W Mitchell Murray and Thomas

1. **Declarations of personal and prejudicial interests**

None declared.

2. **Minutes of the previous meeting held on 18 November 2014**

RESOLVED:-

that the minutes of the previous meeting held on 18 November 2014 be approved as an accurate record of the meeting.

3. **Matters arising**

Fund Managers' fee reductions

Mick Bowden (Operational Director of Finance and IT) informed the Sub-Committee that Julian Pendock (Investment and Pensions Manager, Finance and IT) was still in discussion with fund managers about the fee reductions and would update members about the outcome at a future meeting.

4. **Deputations**

None.

5. **Aviva Investors - Property**

The Sub-Committee welcomed representatives of Aviva Real Estate Fund of Funds; Bridget Taylor (Client Relationship Director) and Catriona Allen (Fund Manager, Real Estate Multi Manager) to the meeting. Bridget Taylor gave an overview of the UK real estate market, outlook and strategy. Members heard that Brent Pension Fund's mandate with Aviva as at 31 December 2014 was £36.7m which was split into 2: UK holdings of £32.9m and European holdings of £3.8m. She continued that the UK real estate fund of funds' performance had been strong in absolute and relative terms and due to favourable sector allocation and good stock selection, had been outperforming over 3, 5 and 10 years, although Q4 and

year 1 performance was below benchmark due to cash drag and lagging retail sector. The European sector was back into positive performance, although growth prospects remained challenging. Catriona Allen added that Aviva had introduced new funds which had resulted in good performance however, due to the European fund of funds challenging situation, Aviva was in the process of winding it down with anticipated termination in 2018. Brent Pension Fund received £1m denominated in Euro currency in 2013 and 2014.

Catriona Allen then gave a detailed presentation on the UK real estate market performance, drawing attention to the weighted contributions to fund relative return including strong and weak performers. Members noted that whilst industrial property investment fund had a top performance, retail park, retail trust and cash performed poorly. In response to members' questions, Catriona Allen stated that the Fund had moved to underweight positions in Central London offices and retail but had maintained an overweight position to industrial sector. It had also increased allocation to the rest of South East Offices via AEW South East Office Fund. She concluded by adding that the outlook for UK property fund looked favourable.

Bridget Taylor and Catriona Allen were thanked for their presentation.

RESOLVED:-

that the update on Aviva Real Estate Fund of Funds be noted.

6. Monitoring report on fund activity for the quarter ended 31 December 2014

Members considered a report which provided a summary of the Fund's activity during the quarter ended 31 December 2014 and examined the economic and market background, and investment performance. In highlighting the main points, Mick Bowden (Operational Director of Finance) informed members that the value of the Fund had increased by 2.4% from £609m to £623.8m. The Fund's investment return of 2.1% underperformed against the benchmark return of 2.3%. The main factor was the Total Return Bond Fund, which lost money against the backdrop of a record-setting bull market in bonds.

Members noted the comparative statistics in the report that showed that the Fund had been one of the lower performing LGPS funds for a period of many years, largely due to its lower weighting in equities (49% of the fund, compared to the Local Authority average of 63%). Members also noted that with the exception of the Alinda (Infrastructure Manager of the Fund) and Baillie Gifford (Pooled Multi Asset), returns on all other actively managed investment categories underperformed the benchmark over the year. They expressed concerns about the poor performance in 2014 of Henderson Total Return Bond Fund, in particular.

Mick Bowden provided an update on the establishment of Pensions Board, a requirement by statutory regulations as a result of the Hutton Review (The Independent Public Service Pensions Commission). The Pensions Board was to be established by 1 April 2015 and be operational by 20 July 2015. He continued that the Board's mandated role would be to scrutinise the work of the Sub-Committee, with regards to compliance regulations, legislation (existing and new)

and to oversee the governance and administration of the Pension Fund. Its role would be advisory only, and would not alter the role of the Council's Pension Fund Sub-Committee. He continued that the Pensions Board would have an equal number of employer and scheme member representatives and an independent chair. Funded by the Pension Fund, the Board would meet at least twice a year. Mick Bowden informed members that a meeting of the General Purposes Committee on 25 February 2015 would determine the arrangements for the establishment of the Pensions Board.

Mick Bowden also provided an update on the establishment of the Collective Investment Vehicle (CIV). An Asset Service Provider has now been appointed and work is progressing on the preparing the application to the Financial Conduct Authority.

Peter Davies (Independent Adviser to the Fund) gave an overview of the market situation including updates since his report to the Sub-Committee was written. He informed members that the most dramatic – and unexpected – development had been the steep fall in the price of oil which arose from the low-cost producers within the OPEC group, (Saudi Arabia, Kuwait, Qatar and UAE) to maintain their production levels, aware that this would force the price of oil downwards. It was noted that the fall in oil price would severely affect the viability and profitability of shale oil gas producers. He also highlighted the political and economic situation in Greece adding that the reprieve regarding their bail out arrangement would provide a 4 month temporary cushion until June 2015 when the Greek government's intentions on the bail out arrangements would be made clearer. The prospects for future growth in the Chinese economy were considered with concern expressed by the Independent Adviser around the reliability of the official figures and the extent to which the debt burden was sustainable.

RESOLVED:-

That the monitoring report for the quarter ending 31 December 2014 be noted.

7. Any other urgent business

George Fraser

Members were informed that this was the last meeting for George Fraser (Employees representative) on Brent Pension Fund for a considerable number of years as he was due to retire. On behalf of the Sub-Committee the Chair paid tribute to the George Fraser for his invaluable contribution to Brent Pension Fund.

8. Exclusion of press and public

RESOLVED:-

that the press and public be excluded from the remainder of the meeting as the reports to be considered contained the following category of exempt information as specified in the Local Government Act 1972 namely:

“3. Information relating to the business and financial affairs of any particular person (including the authority holding the information”.

9. Quarterly review of fund managers' performance

Members considered a report which provided a summary of the Pension Fund's active managers in quarter 4, 2014 and a commentary of their performance in comparison both to the benchmark and to reasonable expectation. Mick Bowden (Operational Director, Finance) introduced the report and gave a summary of the active managers' performance in the last quarter, over the last year and since inception.

In welcoming the report, Members noted the impressive performance of Baillie Gifford Diversified Growth Pension Fund and a good performance of Aviva property and expressed disappointment about the performance of Henderson's Total Return Bond Fund and Dimensional's Emerging Markets Value Fund in the last quarter of 2014, in the past year and since inception.

RESOLVED:-

that the investment report be noted.

10. Investment in infrastructure


The Sub-Committee considered a report from the Chief Finance officer which provided an overview of investment in infrastructure. With reference to the report, Mick Bowden (Operational Director, Finance) provided the background and set out some of the factors which determined the level of risk and return for an infrastructure project.

RESOLVED:-

that further exploration of the infrastructure sector by the Investment Manager be supported, with a view to submitting an investment proposal to the Pension Fund Sub-Committee at a future meeting.

The meeting closed at 7.45 pm

S CHOUDHARY
Chair

| | |
|---|---|
|  Brent | <p style="text-align: center;">Pension Fund Sub-Committee 21 July 2015</p> <p style="text-align: center;">Report from the Chief Finance Officer</p> |
| For Information | Wards Affected: ALL |
| Quarterly monitoring report on fund activity | |

1. SUMMARY

1.1 This report provides a summary of the Fund's activity during the quarter ended 31 March 2015. It examines the economic and market background, and investment performance, as well as commenting on events in the quarter. The main points arising are:

- a) The Fund increased in value by 4.1% from £625.5m to £655.3m during the quarter ended 31 March 2015, underperforming its quarterly benchmark of 4.3%. During the quarter, Sterling fell by 7.3% against the US dollar, but rose by 7.3% against the euro. On a net basis (given the holdings of both US\$ and € denominated assets, the change in the value of sterling would not have had a significant impact).
- b) The single-largest contributor to this positive return during the quarter was again Global Equities (ie. excluding the UK).
- c) The best-performing asset in percentage terms was Alinda Partners, which increased by 9.5%.
- d) The main disappointment was the Private Equity Fund of Fund holding, where preliminary valuations indicated that there was no material increase in the value of the holdings.
- e) The 12-month return as at 31 March 2015 was 10.3%, marginally lower than the benchmark return of 10.8%.
- f) The Fund return for the 3 years ended 31 March 2015 is an annualised 9.9% p.a., which is *ahead* of the benchmark return of 9.6%.

- g) The investment performance of the Brent Pension Fund in comparison to its benchmark for the period ended 31 March 2015 is shown below:

| | Total Fund Return | Fund Benchmark Return | Local Authority Average |
|---------------------|-------------------|-----------------------|-------------------------|
| 1 year | 10.3 % | 10.8% | N/A |
| 3 years (per annum) | 9.9% | 9.6% | N/A |
| 5 years (per annum) | 7.2% | 7.7% | N/A |
| | | | |

2. RECOMMENDATION

- 2.1 Members are asked to note the investment report.

3. DETAIL

Economic and market background – quarter ended 31 March 2015

- 3.1 The world was in thrall to what appears to have been the final phases of the global bond market rally, with particular focus on the eurozone, where yields went into negative territory for many longer-dated government bonds. The larger-than-expected QE programme was announced, but not implemented until March 15th.
- 3.2 The UK's FTSE 100 rose by 4.7%, despite the uncertainty generated by the General Election. Economic data continued to be supportive of a narrative of economic recovery and growth.
- 3.3 In the US, the strong USD continued to weigh on international earnings. Market participants appeared to focus more on the task of parsing statements issued by the Fed, than on analysing fundamentals. GDP growth in 2014 was reported to be 2.4%, which does not give a clear indication of whether or not a rate hike in the US is imminent. US markets rose by 6.4% in the quarter.
- 3.4 The combination of a falling € ahead of QE (which boosts exports), plus an improved performance in credit creation metrics, boosted investor confidence in the eurozone. Markets duly rose by 10.8%, although much of this was the currency effect (the performance expressed in US\$ was considerably more muted).
- 3.5 Emerging markets rose by 7.4% over the quarter. The pace of the US\$ appreciation slowed, and so the panic over the speed of the rise of the US\$ abated to a large extent. (Many emerging market entities had taken out US\$ loans to invest in emerging markets, so US\$ strength has a negative impact on EM currencies and asset prices, as investors scramble to unwind the "carry trades"). The Russian market rebounded from lows and the Chinese market gathered steam, as the government-sponsored equity rally continued.

3.6 A market review for the quarter ended 31 December 2014, written by the Independent Financial Adviser, is attached.

Investment performance of the Fund

3.8 The investment performance of the Brent Pension Fund in comparison to the WM Local Authority percentile average for all Local Government Pension Schemes (LGPS) funds nationally is shown below:

| | Period ended 30 Dec 2014 | Period ended 31 Mar 15 |
|----------|-----------------------------|---------------------------|
| 1 year | 80 th | 92 nd |
| 3 years | 87 th | 94 th |
| 5 years | 97 th | 97 th |
| 10 years | 100 th | 100 th |

3.9 The comparative statistics show that the Fund has been one of the lower performing LGPS funds for a period of many years.

3.10 The Fund has under-performed over the past few years, largely due to its lower weighting in equities (49% of the fund, compared to the Local Authority average of 63%). As equity markets have become less buoyant, this has become less of a reason for under-performance.

3.11 The main reason for poor performance in 2014 was the low return of the Total Return Bond Fund. The 16% fund weighting is material and the short duration of the portfolio meant that this holding largely missed out on record government bond price gains.

3.12 The large weighting in the Private Equity Fund of Funds has been a contributor to the fund’s underperformance in recent years. The weighting is down to 14% of the portfolio due to a combination of underperformance and the fact that the investment has now become a net distributing asset.

3.13 Table 1 shows the changes in asset allocation, how asset allocation compares with the benchmark and with the average fund (WM Local Authority average), and how the change in the market value during the quarter is allocated across asset classes. Items marked (*) in columns 4 and 8 cannot be separately analysed, but are included within the relevant asset class.

Table 1: Asset allocation as at 31 December 2014 compared to the benchmark

| Assets (1) | Market Value 31/12/14 £M (2) | Market Value 31/12/14 % (3) | WM LA Average 31/12/14 % (4) | Fund Benchmark 31/3/15 % (5) | Market Value 31/3/15 £M (6) | Market Value 31/3/15 % (7) |
|--|---|--|---|---|--|---|
| Fixed Income | | | | | | |
| Henderson – Total Return Bond Fund | 84.2 | 13.5 | 16.7 | 15.0 | 86.0 | 13.2 |
| Equities | | | | | | |
| UK – Legal & General | 86.7 | 13.9 | 34.0 | 15.0 | 90.8 | 13.6 |
| UK - Smaller Companies Fund | 25.8 | 4.1 | * | 4.0 | 26.0 | 4.2 |
| Henderson O/seas – developed Legal & General | 151.7 | 24.3 | 26.2 | 24.0 | 163.8 | 24.2 |
| O/seas – emerging Dimensional | 38.9 | 6.2 | 4.2 | 8.0 | 40.7 | 6.1 |
| Property | | | | | | |
| Aviva | 36.7 | 5.9 | 7.3 | 8.0 | 37.2 | 6.2 |
| Private Equity | | | | | | |
| Capital Dynamics | 82.6 | 13.2 | 2.9 | 10.0 | 92.8 | 14.3 |
| Yorkshire Fund | 1.1 | 0.2 | * | | 0.9 | 0.2 |
| Infrastructure | | | | | | |
| Alinda | 27.0 | 4.3 | 2.5 | 6.0 | 29.8 | 5.2 |
| Capital Dynamics | 9.4 | 1.5 | * | | 0.0 | 0.0 |
| Henderson PFI Fund II | 1.3 | 0.2 | * | | 0.9 | 0.2 |
| Pooled Multi Asset | | | | | | |
| Baillie Gifford DGF | 67.1 | 10.7 | 3.5 | 8.0 | 69.4 | 11.2 |
| Cash | 12.2 | 2.0 | 2.7 | 2.0 | 17.8 | 3.0 |
| Total | 607.0 | 100.0 | 100.0 | 100.0 | 655.1 | 100.0 |

3.14 The independent WM Company measures the returns on the Brent Pension Fund. Table 2 sets out returns for the periods to 31 March 2015.

Table 2: Investment Returns in Individual Markets

| Investment Category | RETURNS | | | | | | Benchmark/ Index Description |
|------------------------------------|-------------------------|-------------|-----------------|-----------------------|-------------|-----------------|---------------------------------|
| | Quarter Ending 31/12/14 | | | Quarter Ended 31/5/15 | | | |
| | Fund % | Benchmark % | WM Local Auth % | Fund % | Benchmark % | WM Local Auth % | |
| Fixed Income | | | | | | | |
| Total Return Bond Fund Henderson | -1.4 | 1.5 | -0.2 | 2.1 | 1.5 | 2.8 | Absolute return 6% p.a. |
| Equities | | | | | | | |
| UK – Legal & General | 0.6 | 0.6 | 0.9 | 4.7 | 4.7 | 4.9 | FTSE All Share |
| UK - Small Companies Henderson | -1.2 | -0.9 | * | 0.8 | 3.3 | * | FTSE Small Cap |
| O/seas – developed Legal & General | 5.4 | 5.4 | 3.7 | 8.0 | 8.0 | 8.2 | FTSE Dev World ex UK |
| O/seas – emerging Dimensional | -2.7 | -0.7 | 0.2 | 4.4 | 7.4 | 5.6 | MSCI Emerging Markets |
| Property | | | | | | | |
| Aviva | 3.1 | 4.6 | * | 3.0 | 2.8 | 2.8 | IPD All Properties Index |
| Private Equity | | | | | | | |
| Capital Dynamics | 1.9 | 1.9 | * | * | * | * | Absolute return 8% p.a. |
| Yorkshire Fund Managers | * | * | * | * | * | * | Absolute return 8% p.a. |
| Infrastructure | | | | | | | |
| Alinda | 10.8 | 1.9 | * | 9.5 | 2.0 | * | Absolute return 8% p.a. |
| Pooled Multi Asset | | | | | | | |
| Baillie Gifford DGF | 0.8 | 1.0 | * | 3.2 | 1.0 | * | Base Rate + 3.5% p.a. |
| Cash | | | | | | | |
| | 0.1 | 0.1 | * | 0.0 | 0.1 | * | Base Rate |
| Total | 2.1 | 2.3 | 3.1 | 4.1 | 4.3 | 5.6 | |
| | | | | | | | |
| | | | | | | | |

3.15 The Fund's return of 4.1% under-performed its benchmark of 4.3% in 1Q15.

Compliance with statutory investment limits

3.17 LGPS investment regulations state that the Administering Authority shall have regard both to the diversification and the suitability of investments. The following table demonstrates full compliance when comparing the Fund's actual investment exposure with the statutory limits under regulation:

| Investment | Statutory limit under regulation | Actual exposure at 31 Dec 2014 | Compliant Yes / No |
|-------------------------------------|---|---------------------------------------|---------------------------|
| Any single holding | 10% | 3% | Yes |
| Unit trusts managed by any one body | 35% | 24% | Yes |
| Lending to any one borrower | 10% | Nil | Yes |
| Unlisted securities of companies | 15% | Nil | Yes |
| Any single partnership | 5% | 3% | Yes |
| Total investment in partnerships | 30% | 19% | Yes |

Outstanding contractual commitments

- 3.18 The Brent Pension Fund has not entered into any new investments in private equity/infrastructure since November 2011 and whilst significant capital call payments have been made over the past two years, the outstanding contractual commitments on existing investments continue to remain significant as follows:

CD: 28,001,677

| | 30 Sept 2014 £'000 | 31 Dec 2014 £'000 | 15 Mar 20145 £'000 |
|-------------------------|-------------------------------|------------------------------|-------------------------------|
| Capital Dynamics | 30,404 | 28,524 | 28,002 |
| Alinda | 3,231 | 2,564 | 2,000 |
| Yorkshire Fund Managers | 0 | 0 | 0 |
| Total | 33,632 | 33,632 | 30,002 |

- 3.19 These outstanding investment commitments mean that the Fund needs to retain a sizeable cash balance to meet capital call payments as they arise. It also prevents the Fund from moving to its strategic allocations in Property and limits the extent to which any new investments can be considered at the present time.

4. UPDATE ON LONDON COLLECTIVE INVESTMENT VEHICLE (CIV)

- 4.1 Some 29 of London's 33 Authorities have signed up to the CIV. Much of the infrastructure has been put into place; in December 2014, an Asset Service Provider (Northern Trust) was appointed. Much of the work carried out by London Councils and the Technical Sub Group (TSG). The application to the Financial Conduct Authority (FCA) is on the verge of being submitted, once key hires have been made.
- 4.2 The timetable has slipped, as mentioned at the last Pension Fund Sub Committee. Fund authorisation is set for autumn 2015 with the aim of having assets under management before Christmas.
- 4.3 On current projections, there will be four managers at launch, with 15 sub-funds, covering 24 boroughs. The projected fee saving at launch is £2.6mn, which will grow over time as more funds migrate to the CIV, and/or authorities switch to funds which are on the CIV.

4.4 It remains unclear what the final outcome of the latest Government Consultation over LGPS reform will be, given the national political cycle. If successful, the CIV will address many of the issues raised during the Consultations process.

5. FINANCIAL IMPLICATIONS

5.1 These are included within the report.

6. DIVERSITY IMPLICATIONS

6.1 None.

7. STAFFING IMPLICATIONS

7.1 None.

8. LEGAL IMPLICATIONS

8.1 None.

9. BACKGROUND INFORMATION

9.1 Henderson Investors – September 2014 quarter report
Legal & General – September 2014 quarter report
Dimensional Asset Management – September 2014 quarter report
Baillie Gifford – September 2014 quarter report

10. CONTACT OFFICERS

10.1 Persons wishing to discuss the above should contact the Investment and Pensions Section, on 020 8937 1472 at Brent Civic Centre.

CONRAD HALL
Chief Finance Officer

JULIAN PENDOCK
Investment and Pensions Manager

QUARTERLY REVIEW PREPARED FOR

Brent Council Pension Fund

Q1 2015

3 June 2015

Peter Davies

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BRENT COUNCIL PENSION FUND
Quarterly Review, January – March 2015

Economy

1. The slowdown in the US economy continued in Q1, when the rate of growth was only 0.2% *annualised*. Combined with slowing jobs data, this appeared likely to delay the timing of the first rise in US interest rates. The UK reported just 0.3% growth in Q1, compared with +0.6% in the previous quarter. The Eurozone is showing signs of a slow recovery, while China's official growth rate of 7% p.a. is looking to be at odds with other measures of activity within the economy. The fall in the oil price has (temporarily) reduced inflation to zero in the UK and North America, thereby joining the Eurozone - where weak consumer demand has been the major factor.

(In the table below, bracketed figures show the forecasts at the time of the previous Quarterly Review in January)

| Consensus real growth (%) | | | | | | Consumer prices latest (%) |
|--|-------------|-------------|-------------|--------------|--------------|---|
| | 2012 | 2013 | 2014 | 2015E | 2016E | |
| UK | -0.1 | +1.7 | +2.8 | +2.5 (+2.7) | +2.4 | -0.1 (CPI) |
| USA | +2.2 | +1.9 | +2.4 | +2.6 (+3.1) | +2.5 | -0.1 |
| Eurozone | -0.5 | -0.4 | +0.8 | +1.5 (+1.1) | +1.9 | +0.3 |
| Japan | +1.9 | +1.7 | +0.3 | +0.8 (+1.0) | +1.5 | +2.3 |
| China | +7.8 | +7.7 | +7.4 | +6.9 (+7.0) | +6.8 | +1.4 |

[Source of estimates: The Economist, May 9th, 2015]

2. In the UK Budget on March 18th, George Osborne relaxed some of the austerity measures for 2019 which he had announced in the Autumn Statement. The longer-term spending forecasts were also helped by estimated interest savings of £41bn over the next five years due to the lower costs of servicing government debt. Measures to help savers included the waiver of tax on the first £1000 of interest income, above-inflation rises in the income tax thresholds, and matching finance for those saving via ISAs for a deposit on their first home. The Budget as a whole was seen as paving the way for the impending General Election.
3. The European Central Bank embarked on its programme of Quantitative Easing in March, intending to purchase €60bn of government and private sector bonds per month until September 2016. This has led to the weakening of the Euro, which has in turn boosted the outlook for European companies which export outside the Eurozone.

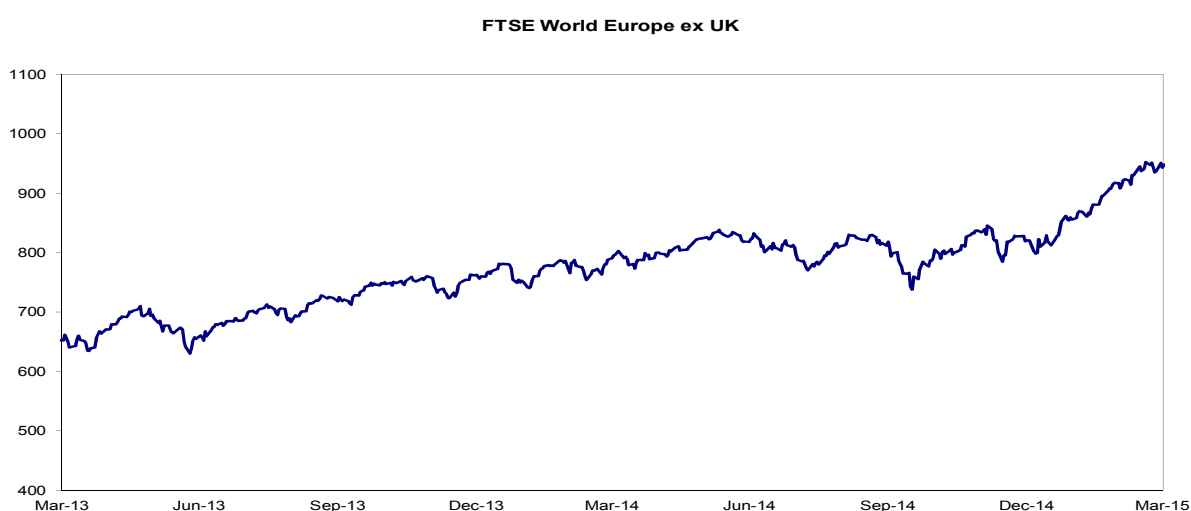
4. In February the new Greek government was granted a four-month extension to its bailout on the condition that it agreed suitable economic reform measures. These have not yet been forthcoming to the satisfaction of the European lending institutions, and although the combative Greek Minister of Finance has been sidelined from the negotiations, it is still not clear how Greek will be able to meet its immediate repayment schedule.

Markets

5. **Equity** markets rose steadily through the quarter, although there were large regional differences. The UK continued to lag other markets, while Japan and Pacific Basin stocks were particularly strong. Continental European equities gained 10% in sterling terms, spurred on by the weaker Euro and the start of Quantitative Easing by the ECB.

| Capital return (in £, %) to 31.3.15 | | | |
|--|--------------------------------------|-----------------|------------------|
| Weight % | Region | 3 months | 12 months |
| 100.0 | FTSE All-World Index | +7.0 | +16.2 |
| 53.7 | FTSE All-World North America | +5.4 | +22.6 |
| 8.4 | FTSE All-World Japan | +15.4 | +24.7 |
| 11.9 | FTSE All-World Asia Pacific ex Japan | +9.0 | +16.5 |
| 16.2 | FTSE All-World Europe (ex-UK) | +10.2 | +3.5 |
| 7.0 | FTSE All-World UK | +3.4 | +2.8 |
| 9.1 | FTSE All-World Emerging Markets | +6.7 | +12.9 |

[Source: FTSE All-World Review, March 2015]



6. Health Care stocks were again buoyant on takeover activity in the sector; Oil & Gas

was still depressed by the weaker oil price, but Basic Materials regained some of the ground lost during 2014.

| Capital return (in £, %) to 31.3.15 | | |
|--|-----------------|------------------|
| Industry Group | 3 months | 12 months |
| Health Care | +12.6 | +33.3 |
| Technology | +6.6 | +28.7 |
| Consumer Services | +10.0 | +26.1 |
| Consumer Goods | +8.9 | +18.5 |
| FTSE All-World | +7.0 | +16.2 |
| Industrials | +7.7 | +14.8 |
| Financials | +5.2 | +14.6 |
| Telecommunications | +6.4 | +11.1 |
| Utilities | -0.6 | +8.6 |
| Basic Materials | +6.0 | +1.8 |
| Oil & Gas | +1.1 | -9.5 |

[Source: FTSE All-World Review, March 2015]

7. Within the **UK equity** market, the mid- and small-cap sectors were relatively strong. The FTSE 100 Index crossed the 7,000 level for the first time, thereby surpassing the peak previously reached at the end of 1999.

| (Capital only %, to 31.3.15) | 3 months | 12 months |
|-------------------------------------|-----------------|------------------|
| FTSE 100 | +3.2 | +2.6 |
| FTSE 250 | +6.2 | +5.0 |
| FTSE Small Cap | +5.3 | +2.8 |
| FTSE All-Share | +3.7 | +3.0 |

[Source: Financial Times]

8. **Government bond** yields in Europe and North America fell yet further during the quarter, as the table of 10-year yields below shows. At shorter durations, many bonds in Germany, Switzerland and elsewhere were actually offering *negative* yields to maturity. The ECB's QE programme and falling levels of inflation were the main contributory factors.

| 10-year government bond yields (%) | | | | | |
|---|---------------|---------------|------------------|-----------------|-----------------|
| | Dec 12 | Dec 13 | Sept 2014 | Dec 2014 | Mar 2015 |
| US | 1.76 | 3.03 | 2.49 | 2.17 | 1.94 |
| UK | 1.85 | 3.04 | 2.43 | 1.76 | 1.70 |
| Germany | 1.32 | 1.94 | 0.95 | 0.54 | 0.18 |
| Japan | 0.79 | 0.74 | 0.53 | 0.33 | 0.41 |

[Source: Financial Times]

Currencies

9. Expectations of an early rise in US interest rates pushed the dollar higher against all other currencies, although it has given back some of these gains during April as the Fed has indicated the first interest rate rise could be delayed somewhat. The Euro was extremely weak against sterling also, as fears of a Greek crisis resurfaced.

| | 31.3.14 | 31.12.14 | 31.3.15 | £ move | |
|----------|----------------|-----------------|----------------|---------------|------------|
| | | | | 3m | 12m |
| \$ per £ | 1.667 | 1.559 | 1.485 | - 4.7% | - 10.9% |
| € per £ | 1.210 | 1.289 | 1.382 | +7.2% | +14.2% |
| ¥ per £ | 171.7 | 186.9 | 178.0 | - 4.8% | + 3.7% |

GBP vs USD



Commodities

10. During January, crude oil prices continued their downward path, with Brent Crude falling as low as \$47 per barrel, but by the end of March it had regained its end-December level of \$55, and in April it advanced further to \$65. Copper followed a similar course to oil, recovering strongly from its January lows.



Property

11. The **UK property** market again recorded strong growth in the quarter, but with Retail still lagging well behind Office and Industrial properties.

| | 3-month | 12-month |
|---------------------|----------------|-----------------|
| All Property | + 3.0% | +18.3% |
| Retail | + 1.9% | +13.3% |
| Office | + 4.0% | +22.9% |
| Industrial | + 3.6% | +22.7% |

[Source: IPD Monthly Index of total returns, March 2015]

Outlook

12. In April and May the price of oil has risen sharply, to a level almost 50% above its mid-January low. This in turn has caused government bond yields to rise from the extraordinarily low levels they had reached in March, and caused nervousness in equity markets. This may mark the start of the long-awaited 'normalisation' process in equity and bond markets.

13. Meanwhile, the intransigence of the Greek government in its negotiations over loan terms could come to a head shortly, and set off renewed fears of a break-up of the eurobloc.
14. The surprise overall majority of 12 achieved by the Conservative party in the UK General Election has removed the policy uncertainties which a coalition might have created, and the initial reaction of UK Equities was a 2.5% rise on the following day. Looking ahead, the Conservatives' pledge to hold an 'in-out' referendum on the UK's continuing membership of the EU is likely to create renewed uncertainty as 2017 approaches.
15. The pace of the rise in equity markets since the start of 2015 continues to be at odds with the extremely low level of sovereign bond yields – the former implying healthy growth in corporate profits, while the latter is more consistent with economic slowdown and muted inflation. At current levels, equity markets continue to look fully-valued.

Peter Davies

Senior Adviser – AllenbridgeEpic Investment Advisers

June 3rd, 2015

[All graphs supplied by Legal & General Investment Management]



MINUTES OF THE PENSION BOARD **Tuesday 7 July 2015 at 5.15 pm**

PRESENT: Mr D Ewart (Chair), Councillors Choudhary and Kabir, Mr T Dawson, Ms B George and Mr E Stewart

1. Appointment of Chair

The Democratic Services Manager opened the business part of the meeting by explaining that the membership of the Board had been agreed by the General Purposes Committee on 27 May 2015 but this was before the selection of Mr David Ewart as the independent member proposed to chair the Board. The Board was therefore asked to agree to Mr Ewart chairing the meeting and his appointment would be confirmed at the next meeting of the General Purposes Committee.

RESOLVED:

that Mr David Ewart be appointed to chair the meeting of the Board.

2. Apologies for absence

None

3. Declarations of interests

Members of the Board noted the Conflicts of Interest policy for members of the Brent Pension board circulated with the agenda.

No declarations of interest were declared.

4. Constitutional matters

Members of the Board discussed their terms of office, the frequency of meetings and the time of year they were scheduled for. It was felt that the term of office for members of the Board should be for an initial two year period and after that should be timed to fit with the re-evaluation timetable. The date of the next meeting of the Board was noted as being 2 February 2016. It was felt that there needed to be some momentum maintained in establishing the role of the Board. It was suggested that a further training session might be organised (see item below) and members of the Board encouraged to attend a meeting of the Pension Fund Sub-Committee (suggested as 28 October 2015 meeting). Further consideration could be given to whether two meetings a year was sufficient and the dates in the year for the meetings to be held and this could then be incorporated into the municipal calendar for 2016/17. In the meantime it was noted that additional meetings of the

Board could be called if there was business to warrant it and with the agreement of the chair.

The Board noted that minutes of the meetings would be submitted to the Pension Fund Sub-Committee for information and that the Board would need to prepare an annual report for submission to the General Purposes Committee.

RESOLVED:

- (i) that the membership (noting one vacancy still to be filled), terms of reference and arrangements for the Board, as set out in the report submitted and discussed at the meeting, be noted;
- (ii) that a quorum of 3 comprising at least one employer and one employee representative be agreed;
- (iii) that a programme of dates for future meetings be subject to further consideration.

5. Communication of Pension Board business back to employees and scheme members

The Board noted that the current Council web site on Pensions provided a link to the administrators of the scheme, Capita's web site. However this did not provide information about the work of the Board.

It was felt that an item should be included in the next edition of the pension newsletter explaining the establishment and role of the Board. Further consideration would need to be given to how the work of the Board could be communicated back to scheme members.

6. Development of a training strategy

The briefing held at the start of the meeting was felt to have been very useful. The Chair suggested that another session should be organised before the next meeting in February 2016 on the requirements of the Pensions Regulator and the duties of pension boards. After that a session could be held on the same date as the next meeting to consider an assessment of training needs for Board members.

RESOLVED:

that training sessions be arranged on a date before the next meeting of the Board and immediately prior to the next meeting on 2 February 2016.

7. Work plan 2015/16

The Board requested that the next Pension Fund Annual Report (for 2014/15) due to be submitted to the Pension Fund Sub-Committee be circulated to Board members.

RESOLVED:

that the work plan for 2015/16 comprise reports to the next scheduled meeting of the Board on the governance and the administration of the pension scheme and an

update on any cases referred to the Pension Regulator (and/or the Pension Ombudsman) and whether any action is required of the Board.

8. **Any other urgent business**

None.

9. **Date of next meeting**

Noted – 2 February 2016

The meeting closed at 7.30 pm

D EWART
Chair

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