

AGENDA

Meeting: Investment Sub-Committee
Place: The North Wiltshire Room - County Hall, Trowbridge BA14 8JN
Date: Thursday 16 June 2016
Time: 10.30 am

Please direct any enquiries on this Agenda to Libby Beale, of Democratic Services, County Hall, Bythesea Road, Trowbridge, direct line 01225 718214 or email elizabeth.beale@wiltshire.gov.uk

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Chairman's Briefing:	Date	Time	Place
	Thursday 16 June	10am	North Wilts Room

Membership:

Cllr Charles Howard (Chairman)	Cllr Mark Packard
Cllr Tony Deane	Cllr Steve Weisinger

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PART 1

Items to be considered when the meeting is open to the public

1 **Membership**

10:30am

To note any changes to the membership of the Sub-Committee.

2 **Attendance of non-members of the Committee**

To note the attendance of any non-members of the Committee.

3 **Apologies**

To receive any apologies for absence or substitutions for the meeting.

4 **Minutes** (*Pages 7 - 12*)

To confirm the Part 1 (public) minutes of the meeting held on 25 February 2016.

5 **Declarations of Interest**

To receive any declarations of disclosable interests or dispensations granted by the Standards Committee.

6 **Chairman's Announcements**

To receive any announcements through the Chairman.

7 **Public Participation and Councillors Questions**

The Council welcomes contributions from members of the public.

Statements

If you would like to make a statement at this meeting on any item on this agenda, please register to do so at least 10 minutes prior to the meeting. Up to 3 speakers are permitted to speak for up to 3 minutes each on any agenda item. Please contact the officer named above for any further clarification.

Questions

To receive any questions from members of the public or members of the Council received in accordance with the constitution. Those wishing to ask questions are required to give notice of any such questions in writing to the officer named above (acting on behalf of the Corporate Director), no later than 5pm on 9 June 2016 in order to receive a written response prior to the meeting. Any question received between the above deadline, and no later than 5pm two clear working days before the meeting, may only receive a verbal response at the meeting.

Please contact the officer named on the first page of this agenda for further advice. Questions may be asked without notice if the Chairman decides that the matter is urgent.

Details of any questions received will be circulated to Committee members prior to the meeting and made available at the meeting and on the Council's website.

8 **Date of next meeting**

To note that the next meeting will be held on 15 September 2016.

9 **Urgent items**

Any other items of business which, in the opinion of the Chairman, should be considered as a matter of urgency. Urgent items of a confidential nature may be considered under Part II of this agenda.

10 **Exclusion of the public**

To consider passing the following resolution:

To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Item Numbers 11-18 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraphs 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

PART 2

Items during consideration of which it is recommended that the public should be excluded because of the likelihood that exempt information would be disclosed.

11 **Minutes** *(Pages 13 - 18)*

To confirm the Part 2 (confidential) minutes of the meeting held on 25 February 2016.

12 **Update on the Government's Proposals on Pooling of Investments** **10:35am**

A verbal update will be provided by the Head of Pensions on the latest developments with the Government's proposal to consult on the pooling of investments.

13 **Partners Infrastructure Investment** *(Pages 19 - 40)* **10:45am**

A report from officers and a short presentation from Partners proposing an investment in their Direct Infrastructure Fund.

- 14 **Investment Quarterly Progress Report** *(Pages 41 - 96)* **11:20am**
Three confidential reports, including one from Mercer, updating on the performance of the Fund's investments as to the end of March 2016 are circulated for Committee consideration.
- 15 **Barings- Review of 2015-16 and Plans for the Future** *(Pages 97 - 142)* **11:45am**
A confidential Annual Report from Barings is attached and Members are asked to consider this along with the verbal report at the meeting.
- 16 **Loomis Sayles- Review of 2016-16 and Plans for the Future** *(Pages 143 - 192)* **12:30pm**
A confidential Annual Report from Loomis Sayles is attached and Members are asked to consider this along with the verbal report at the meeting.
- 17 **Investec - Review of 2015-16 and Plans for the Future** *(Pages 193 - 240)* **13:30pm**
A confidential Annual Report from Investec is attached and Members are asked to consider this along with the verbal report at the meeting.
- 18 **Baillie Gifford- Review of 2015-16 and Plans for the Future** *(Pages 241 - 286)* **14:15pm**
A confidential Annual Report from Baillie Gifford is attached and Members are asked to consider this along with the verbal report at the meeting.

Close: 15:00

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INVESTMENT SUB-COMMITTEE

PART 1 MINUTES OF THE INVESTMENT SUB-COMMITTEE MEETING HELD ON 25 FEBRUARY 2016 AT KENNET ROOM, COUNTY HALL, TROWBRIDGE, BA14 8JN.

Present:

Cllr Tony Deane, Cllr Charles Howard (Chairman) and Cllr Mark Packard

Also Present:

Joanne Holden and Jim Edney.

1 Membership

There had been no changes to the membership of the Sub-Committee.

2 Attendance of non-members of the Committee

There were no non-members of the Sub-Committee present.

3 Apologies

Apologies for absence were received from Cllr Steve Weisinger and Michael Hudson.

4 Minutes

Resolved:

To confirm the Part 1 (Public) minutes of the meeting held on 23 November 2015.

5 Declarations of Interest

There were no declarations of disclosable interests.

6 Chairman's Announcements

There were no Chairman's Announcements.

7 Public Participation and Councillors Questions

The Chairman drew attention to questions submitted to the meeting from members of the public, and responses given, which were available in the agenda supplement. Ms Linda Oubridge and Mr Sigurd Reimers read out their original questions and were invited to ask their supplementary questions.

Ms Linda Oubridge asked what the Fund was planning to do to invest in renewable energy. Mr Sigurd Reimers was concerned for the Local Authority Pension Fund Forum (LAPFF) ability to engage with fossil fuel companies due to the strong influence from vested interest inside these companies, he asked how Wiltshire Pension Fund would take a more critical approach to dealing with such interests, in particularly as part of the pooling arrangements. Mr Reimers requested the Fund define sustainability in its response to his previous question and whether this was linked to fossil fuels.

The Chairman advised that responses to supplementary questions would be provided in writing.

8 Investment Themes and Opportunities

A paper was circulated, and verbal update provided, by Jo Holden, Mercers, on their latest views on investment themes and opportunities for the Sub-Committee's consideration.

The Sub-Committee heard that a current theme was of reduced liquidity in 'liquid' markets. Numerous factors were contributing to volatility including: geopolitics, divergent monetary policy, and retreat in the banking sector. The effect of volatility on the performance of the Fund's investments in the long-term was not considered to be significant as the Fund was a long-term investor, however it was measured by short-term metrics which could impact upon the Fund. Advisors considered that the Fund was well balanced in its investments which would allow a flexible approach in response to volatility.

A second theme was that the credit cycle was maturing and the Sub-Committee was advised the Fund had addressed this with its mandate with Loomis Sayles. A third theme identified was a tilt in portfolios from 'Beta' to 'Alpha'; funds could respond by employing more 'active' managers. The final theme identified by Mercer was the need to adopt a long-term strategy for investment; this was something the Fund already practiced however it was suggested that more investment could be made in the private market, for instance in property and infrastructure.

The Sub-Committee discussed emerging markets and agreed that, despite problems in the short term, exposure in this market would be a profitable long-term investment. The impact of inflation was considered and advisors suggested that deflation would be a concern to the Fund but overall the portfolio was well balanced to react to either inflation or deflation. The Vice Chairman questioned whether the Fund would have sufficient cashflow as a result of investment in assets and a reduction in staffing in the public sector. Officers advised that even illiquid assets, such as property, could provide cashflow

although sufficient liquid assest would always be held to meet any immediate shortfall. Officers monitor the situation as liquidity is essential to pay benefits and investment income of between £20-£30m would currently be available to meet this before assets would have to be liquidated.

It was also explained that the Fund modelled for changes in staffing number and took advice from the actuary on future trends and liability cashflow. The current set annual increases in contribution rates also improve the current cashflow position.

Resolved:

To thank Jo Holden for her update and note the paper from Mercer.

9 Date of next meeting

The next ordinary meeting of the Sub-Committee was to be held on 16 June 2016.

10 Urgent items

There were no urgent items.

11 Exclusion of the public

Resolved:

That in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Minute Numbers 12 – 16 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraphs 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

12 Minutes

The Chairman presented the minutes of the last meeting and drew attention to minute number 44 for the Head of Pensions to provide a brief update on the mandate with Partners Group.

Resolved:

To confirm the Part 2 (confidential) minutes of the meeting held on 23 November 2015.

To request that officers circulate the investment options report for Partners group to Investment Sub-Committee members once finalised.

13 **Update on the Government's proposals on the pooling of investments**

A verbal update was provided by the Head of Pensions on the latest development with the Government's proposals on the pooling of investments for the Sub-Committee's consideration.

Resolved:

To note the update on the Government's proposals on the pooling of investments.

14 **Investment Quarterly Progress Reports**

Confidential reports updated the Sub-Committee on the performance of the Fund's investments as to the end of December 2015.

Resolved:

To note the investment reports and update provided by officers and advisors at the meeting.

15 **Barings Mandate update**

A verbal update was provided by officers and Mercers on the current position of their Dynamic Growth Fund for members' consideration.

Resolved:

To note the update provided on Barings' performance.

16 **Loomis Sayles Changes to Tactical Asset Allocation**

The Sub-Committee was requested to consider a proposal to change the tactical asset allocation between the two funds Loomis Sayles manage on behalf of the Fund in light of current market conditions.

Resolved:

To agree the change in fund allocation to 60% Strategic Alpha Bond Fund and 40% World Credit Asset Fund for the Loomis Sayles mandate.

To delegate authority to officers, in consultation with the Chairman and Vice-Chairman of the Wiltshire Pension Fund Committee, to return the Loomis Sayles mandate to a 50/50 allocation between Strategic Alpha Bond and World Credit Asset in response to a change in market conditions.

(Duration of meeting: 10.30 am - 12.05 pm)

The Officer who has produced these minutes is Libby Beale, of Democratic Services, direct line 01225 718214, e-mail elizabeth.beale@wiltshire.gov.uk

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