

AGENDA

Meeting: Investment Sub-Committee
Place: Kennet Room, County Hall, Trowbridge, BA14 8JN
Date: Thursday 25 February 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

Press enquiries to Communications on direct lines (01225) 713114/713115.

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Chairman's Briefing:	Date	Time	Place
	Thursday 25 February	10am	Kennet 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 - 10*)

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

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 18 February 2016. 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 **Investment Themes and Opportunities** (Pages 11 - 12) **10:35am**

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

9 **Date of next meeting**

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

10 **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.

11 **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 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.

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.

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

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

13 **Update on the Government's proposals on the pooling of investments** **10:55am**

A verbal update will be provided by the Head of Pensions on the latest developments with the Government's proposal on the pooling of investments for the Sub-Committee's consideration.

14 **Investment Quarterly Progress Reports** (Pages 19 - 68) **11:10am**

Three confidential reports are circulated updating the Sub-

Committee on the performance of the Fund's investments as to the end of December 2015.

15 **Barings Mandate update** **11:40am**

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

16 **Loomis Sayles Changes to Tactical Asset Allocation** *(Pages 69 - 86)* **11:50am**

A confidential paper is circulated for Sub-Committee consideration on the 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.

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INVESTMENT SUB-COMMITTEE

PART 1 MINUTES OF THE INVESTMENT SUB-COMMITTEE MEETING HELD ON 23 NOVEMBER 2015 AT COUNTY HALL, TROWBRIDGE BA14 8JN .

Present:

Cllr Tony Deane, Cllr Charles Howard, Cllr Mark Packard and Cllr Steve Weisinger

Also Present:

Cllr Gordon King, Barry Reed, Joanne Holden, Jim Edney and Michael Hudson.

29 Membership

There were no changes to the membership of the Sub-Committee.

30 Attendance of non-members of the Sub-Committee

Cllr Gordon King and Barry Reed (Local Pension Board member) were in attendance.

31 Apologies

Apologies for absence were received from Mike Pankiewicz.

32 Minutes of the previous meeting

Resolved:

To confirm the Part 1 minutes of the meeting held on 10 September 2015.

33 Declarations of Interest

There were no declarations of interest.

34 Chairman's Announcements

There were no Chairman's Announcements.

35 Public Participation and Councillors Questions

There was no public participation.

36 Date of next meeting

The next meeting of the Sub-Committee was to be held on 25 February 2015.

37 Urgent items

There were no urgent items.

38 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 39-44 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.

39 Minutes of the previous meeting

Resolved:

To confirm the Part 2 minutes of the meeting held on 10 September 2015.

40 Update on the Government's proposals on the pooling of investments

David Anthony, Head of Pensions, updated on the Government's proposals for the pooling of investments.

41 Investment Quarterly Progress Reports

Confidential reports were circulated updating the Sub-Committee on the performance of the Fund's investments as to the end of September 2015.

Resolved:

To note the investment reports and the update provided by officers and advisers.

To invite Barings to the December meeting of the Wiltshire Pension Fund Committee to discuss performance.

42 **CBRE- Review of Property Mandate during 2014-15 and Plans for the Future**

Two confidential reports were circulated, updating the Sub-Committee on the performance of the Fund's investments as to the end of September 2015. Representatives from CBRE explained the performance of the Fund's mandate.

Resolved:

To note the reports and verbal update.

43 **M&G - Review of the Financing Funds during 2014-15 & Plans for the Future**

Two confidential reports were circulated updating the Sub-Committee on the performance of the Fund's investments as to the end of September 2015. Representatives from M&G updated on the performance of its mandate.

Resolved:

To note the reports and verbal update.

44 **Partners Group- Review of the Infrastructure mandate during 2014-15 & Plans for the Future**

Two confidential reports were circulated updating the Committee on the performance of the Fund's investments as to the end of September 2015. Representatives from Partners Group updated on the performance of the Fund's mandate.

Resolved:

To note the reports and verbal update.

To review the Fund's position on hedging within this mandate and the infrastructure investments compared in its asset allocation at the next appropriate meeting.

(Duration of meeting: 10.30 am - 2.10 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

Press enquiries to Communications, direct line (01225) 713114/713115

HEALTH WEALTH CAREER

2016 THEMES AND OPPORTUNITIES FOR INVESTORS

As we enter 2016 investors are faced with many sources of uncertainty in the economic and political environment. But uncertainty does not just present risk – it also can create interesting opportunities.

Today's opportunities are largely a byproduct of the extended rally in asset prices since the financial crisis – we believe very few assets today are “cheap.” A major driver of this asset price inflation has been the ultra-stimulative monetary policy pursued by developed world central banks. Although policy is expected to remain supportive in 2016, we will likely see increased divergence between a gradual “normalization” in the US and the UK and further easing in Europe and Japan.

The long-term economic consequences of this experimental monetary policy are still unclear, but in the short term there are concerns around the monetary authorities' ability to offset any downturn in economic activity with rates hovering around (and in some cases below) zero. We believe that a global recession is unlikely – our central case is for the developed world recovery to remain broadly on track in 2016¹ – but investors must stay mindful of this risk.

The pace and impact of China's deceleration, heightened geopolitical risks, and increasingly nationalist politics in Europe and the US are other sources of uncertainty. So while we expect the global economy to continue to “muddle through” in the year ahead, there is no room for complacency.

KEY THEMES FOR 2016

We have raised four broad investment themes that we believe are important to reflect in portfolios in 2016²:



REDUCED
LIQUIDITY
IN “LIQUID”
MARKETS



A MATURING
CREDIT
CYCLE



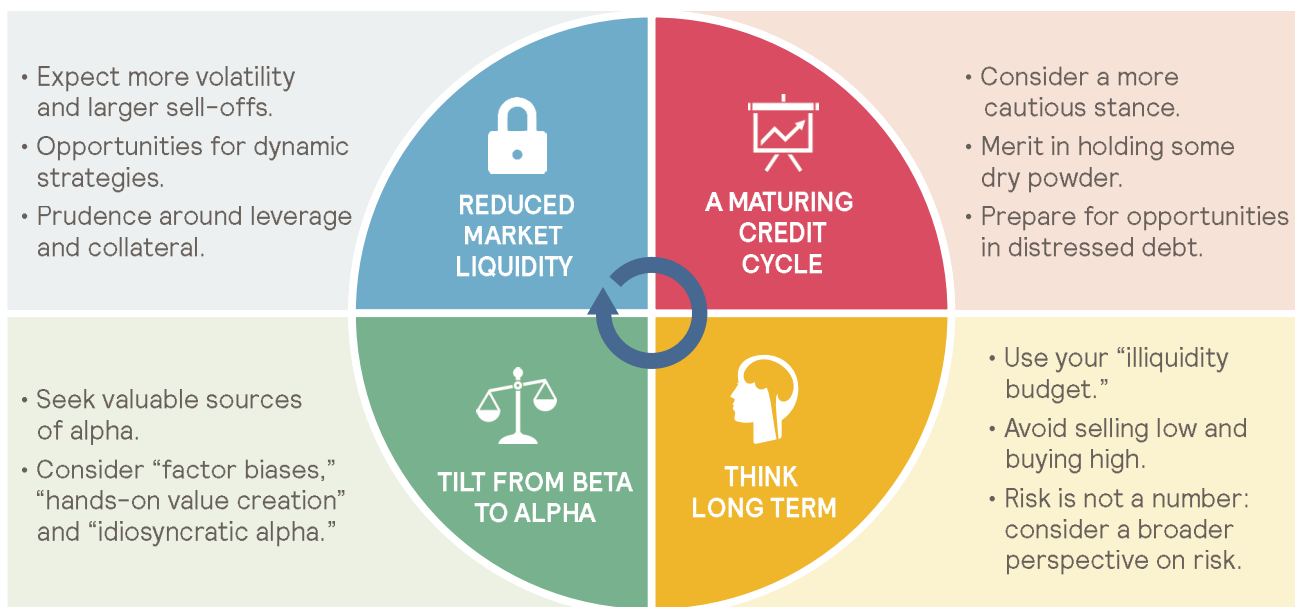
TILT FROM
“BETA”
TO “ALPHA”



THINK LONG
TERM

¹ Please read Mercer's “2016 Economic and Market Outlook” for further detail.

² Details about “2016 Themes and Opportunities” are available.



TAKING ACTION IN 2016

These themes represent our observations on the challenges and opportunities present in the current investment environment. We aim to provoke useful discussion, but keep in mind that the appropriate response at an investor level will be heavily influenced by the specific beliefs, objectives, and constraints of each investor. We look forward to helping investors adapt their strategies as new risks and opportunities arise over the course of 2016.

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