

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

13 SEPTEMBER 2019

PERFORMANCE OF THE FUND'S PORTFOLIO FOR THE QUARTER
ENDING 30 JUNE 2019

Report of the Treasurer

1.0 PURPOSE OF REPORT

- 1.1 To report the investment performance of the overall Fund, and of the individual Fund Managers, for the period to 30 June 2019.

2.0 PERFORMANCE REPORT

- 2.1 The Fund Analysis & Performance Report produced by BNY Mellon Asset Servicing (MAS) provides a performance analysis of the North Yorkshire Pension Fund for the quarter ending 30 June 2019.
- 2.2 The report highlights the performance of the total Fund by asset class against the customised Fund benchmark. It also includes an analysis of the performance of each manager against their specific benchmark and a comparison of performance levels over time.

3.0 PERFORMANCE OF THE FUND

- 3.1 The absolute overall return for the quarter, 4.1% was above the customised benchmark for the Fund, 3.8%, by 0.3%.
- 3.2 The 12 month absolute rolling return was 5.8%, 0.6% below the customised benchmark of 6.4%
- 3.3 Absolute and relative returns over the rolling years to each of the last four quarter ends were as follows:

Quarter End	Absolute %	Relative %
30 June 2019	+5.8	-0.6
31 March 2019	+7.5	+0.8
31 December 2018	-2.1	-3.0
30 September 2018	+10.5	+2.8

- 3.4 The performance of the various managers against their benchmarks for the quarter ended 30 June 2019 is detailed in **Section 4** below. This performance is measured on a time-weighted basis and expressed as a +/- variation to their benchmark.
- 3.5 **Appendix 1** is designed to present a fuller picture of recent investment performance by showing Fund Manager Performance over the three years to 30 June 2019 in absolute percentage terms from a starting point of “100”.
- 3.6 The separate report of the Investment Consultant explains developments in the financial markets and in NYPF’s investments, and also look ahead over the short, medium and longer term.

4.0 **FUND MANAGER PERFORMANCE**

- 4.1 In monetary terms, the absolute return of 4.1% in the quarter increased the invested value of the Fund by £133.0m to £3,710m. This quarter, 12 managers/funds outperformed their respective benchmarks and 6 underperformed against their respective benchmarks. At the end of the June 2019 quarter the value of the Fund was £188m above the value at the end of June 2018, an increase of 5.3%
- 4.2 The table below shows the performance of the Fund’s investments against the relevant benchmarks as at 30 June 2019. Performance targets set by the Fund are measured on a rolling 3 year basis and shown in the ‘3 Years’ section of the table.

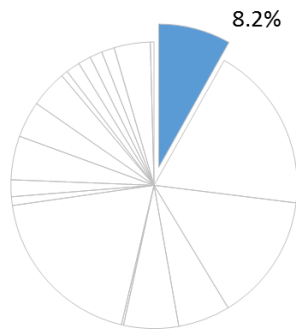
Manager	Quarter		One Year		3 Years		
	Fund (%)	B'mk (%)	Fund (%)	B'mk (%)	Fund (%)	B'mk (%)	Target (%)
Overseas Equities							
Fidelity	6.8	6.4	7.7	8.6	12.8	13.2	15.2
Global Equities							
Baillie Gifford GA	7.5	6.2	9.4	10.1	19.0	14.0	16.0
Baillie Gifford LTGG	4.7	6.2	4.6	10.1	25.9	14.0	17.0
Dodge & Cox	4.9	6.3	4.9	10.3	13.4	14.1	>14.1
Veritas	7.3	6.3	14.0	10.3	14.6	14.1	8.0 - 12.0
UK Equities							
Standard Life	5.2	3.3	-7.6	-2.7	12.0	10.5	13.5
Fixed Income							
M&G	1.6	2.0	8.8	9.6	6.4	6.2	6.7
Property							
Hermes	0.8	0.6	5.4	4.1	8.1	6.6	7.1
LGIM Property	0.8	0.6	3.1	3.4	6.9	6.3	6.3
Threadneedle	0.4	0.6	3.2	3.4	8.2	6.3	7.3 - 7.8
Diversified Growth							
Newton Diversified	4.4	0.2	9.2	0.7	2.3	0.5	4.5
Private Debt							
Bluebay	1.7	1.5	3.6	6.0			
Permira Credit	2.2	1.5	6.0	6.0			
Insurance Linked Securities							
Leadenhall DI	0.3	0.2					
Leadenhall NA	0.1	0.2					
Leadenhall RE	0.2	0.2					
Cash							
Treasury Investment	0.2	0.2					

4.3 In the following section, the Fund's investments are analysed under the relevant asset heading with diagrams showing the size of the investment in relation to the total assets of the Fund as at 30 June 2019 and the quarterly increase or decrease in value of each investment up until 30 June 2019.

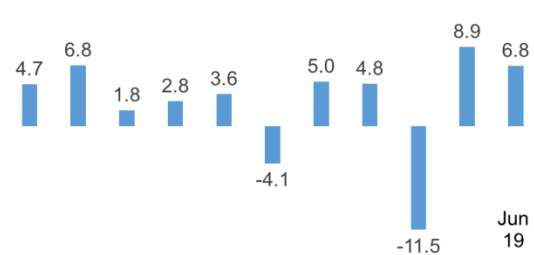
4.4 Overseas Equities

a) Fidelity

Fund Share



Quarterly Fund Value Movements (%)

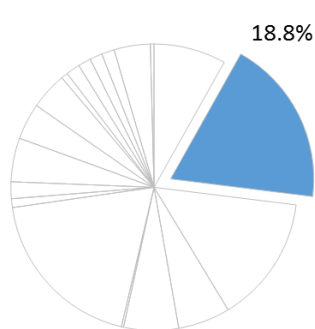


Fidelity returned +6.8% for the quarter against the benchmark return of +6.4% resulting in a relative outperformance of +0.4%. Relative performance over the year was -0.9% against the benchmark of +8.6%. Relative performance over the past three years was -0.4% against the benchmark of +13.2%.

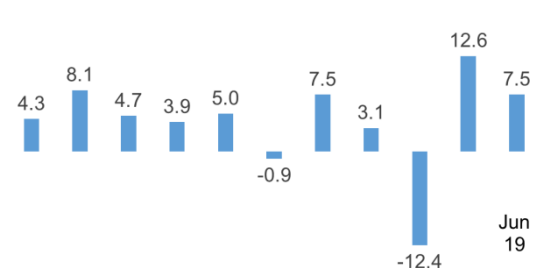
4.5 Global Equities

a) Baillie Gifford

Fund Share



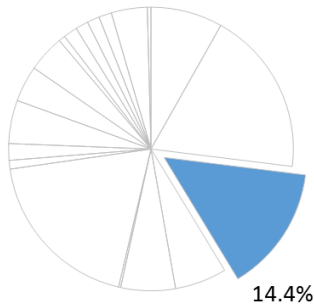
Quarterly Fund Value Movements (%)



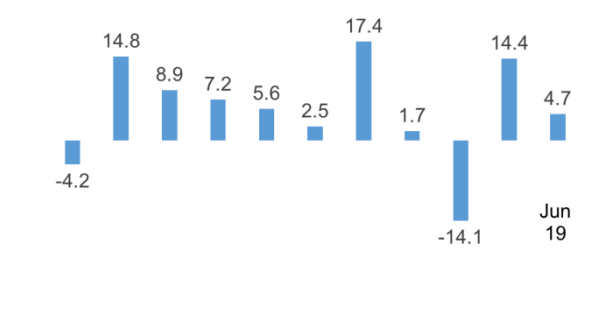
The Global Alpha fund returned +7.5% for the quarter against the benchmark return of +6.2%, resulting in a relative outperformance of +1.3%. Relative performance over the year was -0.7% against the benchmark of +10.1%. Relative performance over the past three years was +5.0% against the benchmark of +14.0%. Since inception the fund returned +12.0% against a benchmark of +9.5%, +2.5% in relative terms.

b) Baillie Gifford LTGG

Fund Share



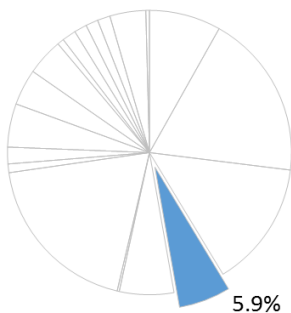
Quarterly Fund Value Movements (%)



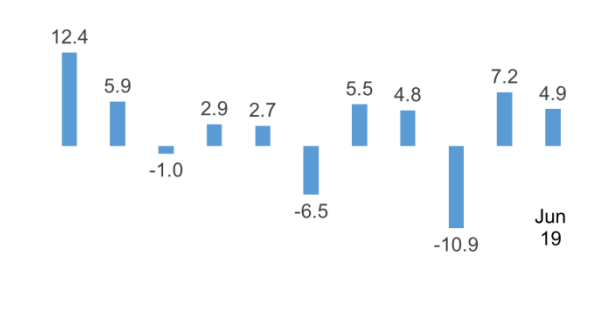
The LTGG Fund returned +4.7% for the quarter against a benchmark return of +6.2%, -1.5% in relative terms. Relative performance over the year was -5.5% against the benchmark of +10.1%. Relative performance over the past three years was +11.9% against the benchmark of +14.0%. Since inception the fund returned +14.9% against a benchmark of +9.4%, +5.5% in relative terms.

c) Dodge & Cox

Fund Share



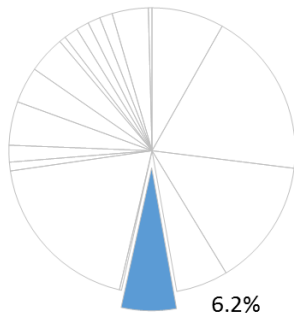
Quarterly Fund Value Movements (%)



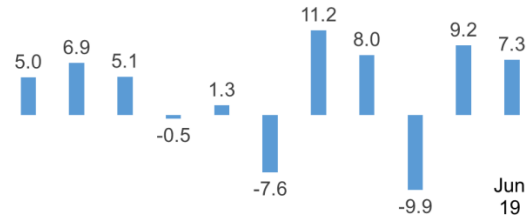
Dodge and Cox returned +4.9% for the quarter against a benchmark return of +6.3%, -1.4% in relative terms. Relative performance over the year was -5.4% against the benchmark of +10.3%. Relative performance over the past three years was -0.7% against the benchmark of +14.1%.

d) Veritas

Fund Share



Quarterly Fund Value Movements (%)



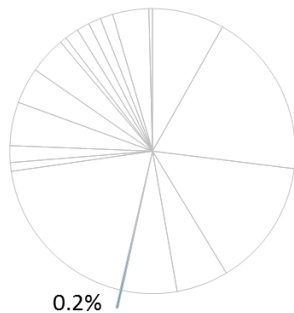
Veritas had a return of +7.3% for the quarter against a benchmark return of +6.3%, resulting in a relative outperformance of +1.0%. Relative performance over the year was +3.7% against the benchmark of +10.3%. Relative performance over the past three years was +0.5% against the benchmark of +14.1%.

4.6 UK Equities

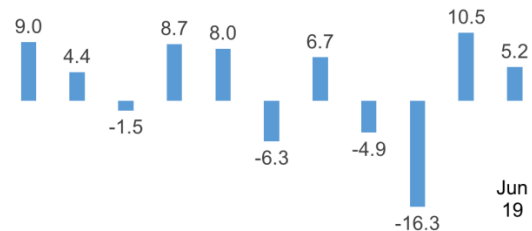
During the quarter the transition from the Standard Life mandate to the BCPP UK Equity Alpha Fund took place.

a) Standard Life

Fund Share



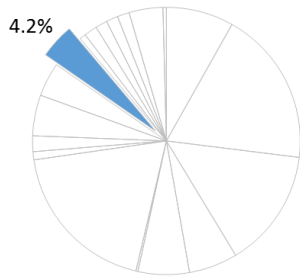
Quarterly Fund Value Movements (%)



The Standard Life equities fund returned +5.2% for the quarter against a benchmark return of +3.3%, resulting in a relative outperformance of +1.9%. Relative performance over the year was -4.9% against the benchmark of -2.7%. Relative performance over the past three years was +1.5% against the benchmark of +10.5%. Since inception the fund returned +7.2% against a benchmark of +8.3%, -1.1% in relative terms.

b) BCPP UK Equity

Fund Share



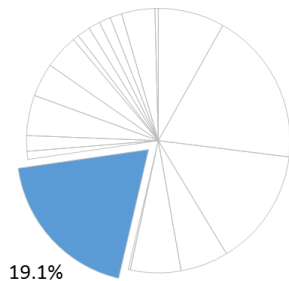
As BCPP UK Equity is a new investment, data is only available for June 2019. This shows a return of +1.8% for the month against a benchmark return of +3.7%, -1.9% in relative terms.

Performance data for a full quarter will be included in the next report to be presented to the November meeting, where BCPP will also provide a quarterly report to the Committee.

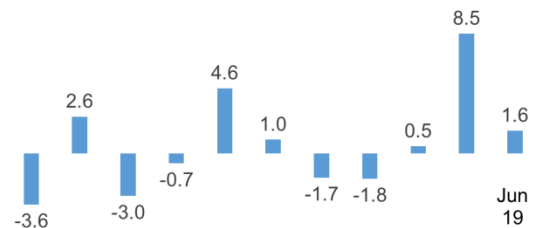
4.7 Fixed Income

a) M&G

Fund Share



Quarterly Fund Value Movements (%)

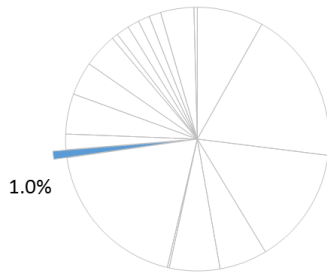


M&G returned +1.6% for the quarter against a benchmark return of +2.0%, -0.4% in relative terms. Relative performance over the year was -0.8% against the benchmark of +9.6%. Relative performance over the past three years was +0.2% against the benchmark of +6.2%.

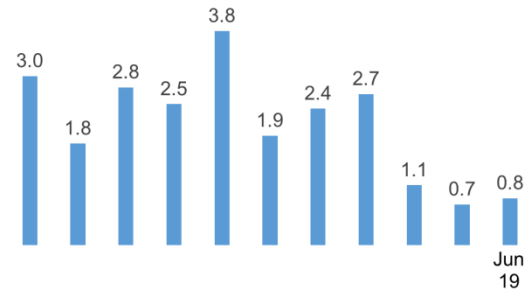
4.8 Property

a) Hermes

Fund Share



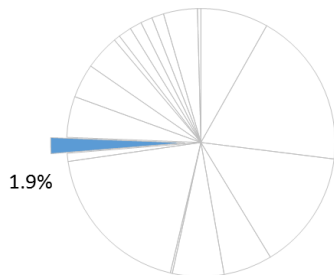
Quarterly Fund Value Movements (%)



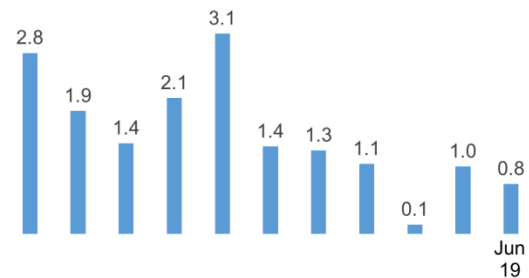
Hermes have returned +0.8% for the quarter against a benchmark return of +0.6%, resulting in a relative outperformance of +0.2%. Relative performance over the year was +1.3% against the benchmark of +4.1%. Relative performance over the past three years was +1.5% against the benchmark of +6.6%.

b) Legal & General

Fund Share



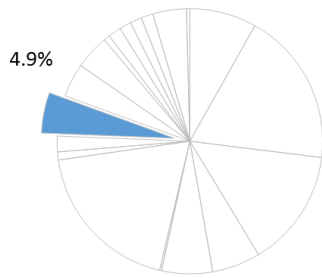
Quarterly Fund Value Movements (%)



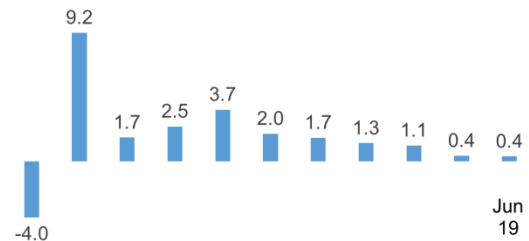
LGIM returned +0.8% for the quarter against a benchmark return of +0.6%, +0.2% in relative terms. Relative performance over the year was -0.3% against the benchmark of +3.4%. Relative performance over the past three years was +0.6% against the benchmark of +6.3%.

c) Threadneedle

Fund Share



Quarterly Fund Value Movements (%)

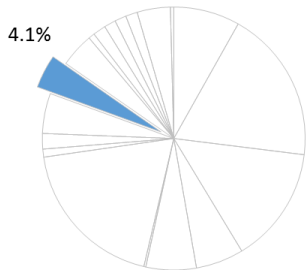


Threadneedle returned +0.4% for the quarter against a benchmark return of +0.6%, -0.2% in relative terms. Relative performance over the year was -0.2% against the benchmark of +3.4%. Relative performance over the past three years was +1.9% against the benchmark of +6.3%.

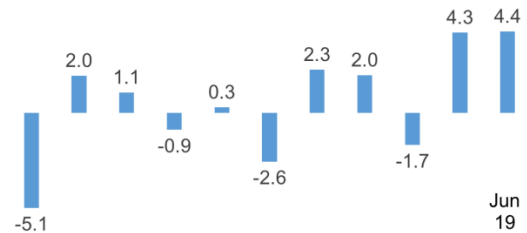
4.9 Diversified Growth Funds

a) Newton Investments

Fund Share



Quarterly Fund Value Movements (%)

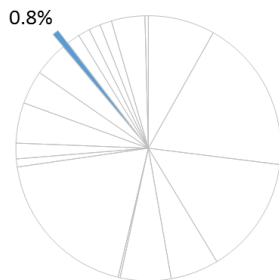


Newton returned +4.4% for the quarter against a benchmark return of +0.2%, resulting in a relative outperformance of +4.2%. Relative performance over the year was +8.5% against the benchmark of +0.7%. Relative performance over the past three years was +1.8% against the benchmark of +0.5%.

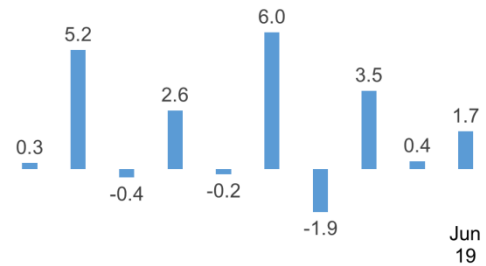
4.10 Private Debt

a) Bluebay

Fund Share



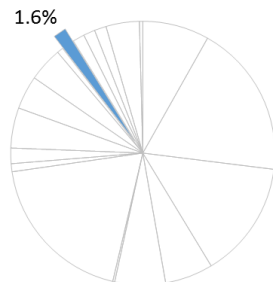
Quarterly Fund Value Movements (%)



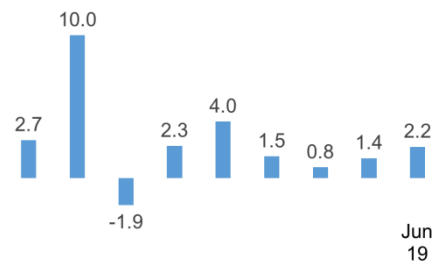
Bluebay returned +1.7% for the quarter against a benchmark return of +1.5%, +0.2% in relative terms. Relative performance over the year was -2.4% against the benchmark of +6.0%.

b) Permira

Fund Share



Quarterly Fund Value Movements (%)

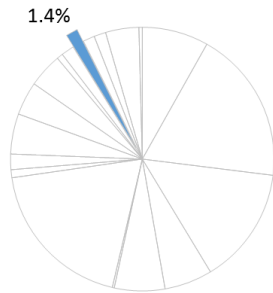


Permira returned +2.2% for the quarter against a benchmark return of +1.5%, +0.7% in relative terms. Performance over the year matched the benchmark of +6.0%.

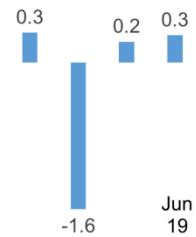
4.11 Insurance Linked Securities

a) Leadenhall Diversified

Fund Share



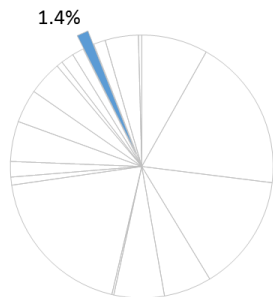
Quarterly Fund Value Movements (%)



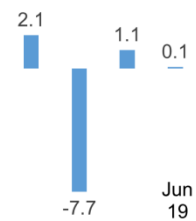
The Leadenhall Diversified Fund achieved the benchmark, returning +0.3% for the quarter against a benchmark return of +0.2%, +0.1% in relative terms.

b) Leadenhall Nat Cat Focus

Fund Share



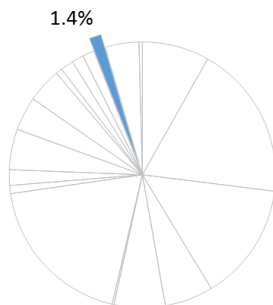
Quarterly Fund Value Movements (%)



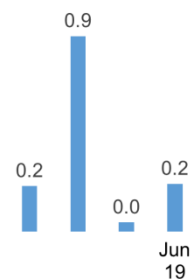
The Leadenhall Nat Cat Focus Fund returned +0.1% for the quarter against a benchmark return of +0.2%, -0.1% in relative terms.

c) Leadenhall Remote

Fund Share



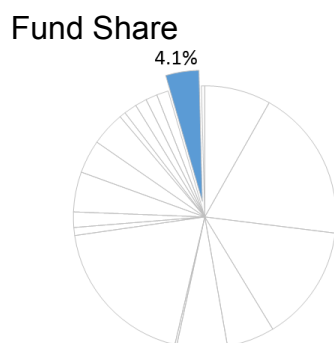
Quarterly Fund Value Movements (%)



The Leadenhall Remote Fund returned +0.2% for the quarter against a benchmark return of +0.2%.

4.12 Cash Investment

a) North Yorkshire County Council



In the quarter the NYCC Treasury Management fund achieved the benchmark return of +0.2%.

5.0 RISK INDICATORS

5.1 The Report includes three long-term risk indicators.

5.2 The Fund's annualised **Standard Deviation**, which is a reflection of volatility, was +7.1% for the rolling three year period to 30 June 2019, +1.1% above the benchmark.

5.3 The **Sharpe Ratio** is a measure of how well the return compensates an investor relative to the risk taken. A higher Sharpe Ratio reflects a better return for a given level of risk or lower risk for a given level of return. The ratio for the Fund for the rolling three year period to June 2019 was +0.2% above the benchmark of +1.5%.

5.4 The **Tracking Error** figure reflects how closely a fund manager's actual return follows their respective benchmark. As at June 2019 the figure was 2.4%.

5.5 The **Information Ratio** is a measure of excess returns in relation to the benchmark and the consistency of those returns. A high IR could be derived from a high portfolio return, a low benchmark return and a low tracking error. For the period up to June 2019 the ratio for the Fund was 1.3%.

6.0 SOLVENCY

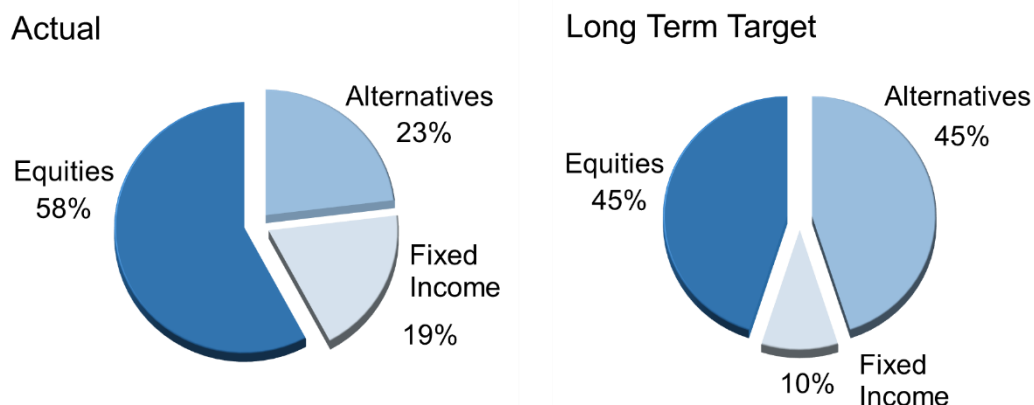
6.1 The Actuary has not prepared a funding update for the quarter to 30 June 2019 as the current assumptions, based on the 2016 Triennial Valuation, are due to be replaced by those agreed in the 2019 Valuation. Any update produced at this stage would therefore not be accurate as it would not reflect up to date assumptions.

6.2 A verbal update will be given at the meeting by the Actuary, under item 3, regarding the funding position to the end of March 2019 using the 2019 assumptions; an

indication of any changes to the funding position in the quarter to 30 June 2019 will also be provided.

7.0 REBALANCING

7.1 Asset Allocations as at 30 June 2019



7.2 To remind Members, a new long term target was approved at the May 2019 PFC meeting. The pie chart on the right has been updated to reflect this long term target. The current actual asset allocation shown in the pie chart on the left is not yet in line with this long term target. However, it was recognised that as the new strategy is moving away from equities and into alternative assets, in order to de-risk, it could take up to a number of years to achieve given the longer investment periods of these more illiquid assets. The actual asset allocations are still within the minimum and maximum ranges set out in the Investment Strategy Statement (Item 4 on the agenda).

7.3 To mitigate against equity risk in the short term, whilst the new long term strategy is being implemented, the Fund has set up an equity protection strategy following the last quarter end. Reporting on this equity protection strategy will be provided in future performance reports.

7.4 In the quarter to 30 June 2019, no rebalancing between asset classes took place.

8.0 PROXY VOTING

8.1 The report from PIRC is available on request summarising the proxy voting activity in the period April to June 2019. This report covers the votes cast on behalf of NYPF at all relevant company AGMs in the period and includes an analysis of voting recommendations at selected meetings and responses to company engagement.

9.0 RECOMMENDATION

9.1 Members are asked to note the investment performance of the Fund for the period ending 30 June 2019.

GARY FIELDING
Treasurer to North Yorkshire Pension Fund
NYCC
County Hall
Northallerton
5 September 2019

Investment Manager Performance - Cumulative Absolute Performance 3 years to June 2019

