

 the low tax borough	<b>London Borough of Hammersmith &amp; Fulham</b>  <b>AUDIT, PENSIONS AND STANDARDS COMMITTEE</b>  13 <sup>th</sup> February 2014
<b>PENSION FUND – FUND MANAGER BRIEFINGS</b>	
<b>Report of the Executive Director of Finance and Corporate Governance</b>	
<b>Open Report</b>	
<b>Classification:</b> For Information  <b>Key Decision:</b> No	
<b>Wards Affected:</b> All	
<b>Accountable Executive Director:</b> Jane West, Executive Director of Finance and Corporate Governance	
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## 1. EXECUTIVE SUMMARY

- 1.1. The first separate quarterly meeting with fund managers took place on 20<sup>th</sup> January 2014. Majedie and MFS presented to the meeting and outlined their approach to investing, the reasons for their recent performance and their plans for the future. Further meetings are being booked with the Fund's other fund managers in the next few months.

## 2. RECOMMENDATIONS

- 2.1. That the report and appendices are noted.

## 3. REASONS FOR DECISION

- 3.1. No actions came out of the meeting.

## 4. INTRODUCTION AND BACKGROUND

- 4.1. At the meeting of the Committee on 5<sup>th</sup> December 2013, it was agreed that separate quarterly meetings be set up with fund managers and that a summary of each meeting is reported back to the formal Committee meetings.

4.2. The first meeting took place on 20<sup>th</sup> January 2014 and representatives from Majedie Asset Management and MFS International (UK) Limited presented to the meeting attended by four committee members and an officer. The presentation slides they used are attached as Appendices 1 and 2 respectively.

## **5. PROPOSAL AND ISSUES**

5.1. Below is a summary of the key points arising from the presentations by the fund managers at the meeting:

### **5.2 Majedie Asset Management**

- The positive relative performance seen over the last 12 months has been due to investments in cyclical stocks such as airlines, stock selection in peripheral Europe and being underweight to shares with exposure to emerging markets.
- The main detractor from performance was their underestimation of the extent of issues with some major UK retailers.
- Going forward, Majedie have re-positioned the portfolio to be less cyclical and more defensive, as they believe 2014 will be a year for capital preservation and not capital appreciation. The main risk they see to this strategy is that they could miss out on performance if the markets follow a euphoric track this year, however if this happens, it is likely to be a short term phenomenon only.
- Majedie commented that the buy-back of more equity in the firm by the employees is a positive move, aligning their interests with those of clients even more closely.

### **5.3 MFS International (UK) Limited**

- The performance of MFS over the last 12 months has been slightly behind benchmark. MFS stated that the strategy they follow would not be expected to outperform in the market conditions seen in the last 12 months, which have been driven by momentum.
- MFS explained that their process is to select quality companies with above average growth prospects and hold them for the long term – usually 5-10 years. The detractors from performance over the short term were stock selection in technology, where being underweight was a negative and retailing where the Fund's exposure to retailers in the emerging markets was affected by the general performance of the emerging markets.
- MFS plan to continue with their long term approach with low turnover of names of around 15% and adding or trimming according to relative valuations in between. They stated that the overall theme of their portfolio was the emergence of the middle class consumer.

5.4 Future meetings with other fund managers are being booked and the Committee will be informed of the proposed dates as soon as possible. The outcomes from these meetings will be reported to the next meeting of the Committee in May/June 2014.

**6. OPTIONS AND ANALYSIS OF OPTIONS**

6.1. Not applicable.

**7. CONSULTATION**

7.1. Not applicable.

**8. EQUALITY IMPLICATIONS**

8.1. Not applicable.

**9. LEGAL IMPLICATIONS**

9.1. Not applicable.

**10. FINANCIAL AND RESOURCES IMPLICATIONS**

10.1. There are no direct financial implications arising from this report.

**11. RISK MANAGEMENT**

11.1. Not applicable.

**12. PROCUREMENT AND IT STRATEGY IMPLICATIONS**

12.1. Not applicable.

**LOCAL GOVERNMENT ACT 2000**  
**LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT**

<b>No.</b>	<b>Description of Background Papers</b>	<b>Name/Ext of holder of file/copy</b>	<b>Department/ Location</b>

**LIST OF APPENDICES:**

Appendix 1: Fund Manager presentation – Majedie Asset Management

Appendix 2: Fund Manager presentation – MFS International (UK) Limited