

PUBLIC

MINUTES of a meeting of the **PENSIONS AND INVESTMENT COMMITTEE**
held at County Hall, Matlock on 7 March 2018

PRESENT

Councillor J Perkins (in the Chair)

Derbyshire County Council

Councillors R Ashton, N Atkin, A Fox, P Makin, S Marshall-Clarke, R Mihaly and
B Ridgway

Derby City Council

Councillor M Carr

Derbyshire County Unison

Mr M Wilson

13/18 **MINUTES RESOLVED** that the minutes of the meeting held on 24
January 2018 be confirmed as a correct record and signed by the Chairman.

14/18 **INVESTMENT REPORT** Mr Anthony Fletcher the external adviser
from AllenbridgeEpic Investment Advisers Limited, attended the meeting and
presented his report to the Committee. The report incorporated Mr Fletcher's
view on the global economic position, information on global market returns, the
performance of the Derbyshire Fund, and his latest recommendations on
investment strategy and asset allocation.

Details were provided of Mr Fletcher's investment recommendations in
UK Equities, North American Equities, European Equities, Japan, Asia/Pacific,
Emerging Markets, Bonds, Multi-Asset Credit, Property, Alternatives,
Infrastructure, Private Equity and Cash, along with those of the Derbyshire
Pension Fund In-House Fund Management Team.

The Fund's latest asset allocation, as at 31 January 2018, and the
recommendations of the Director of Finance and ICT and the Fund's
Independent Adviser in relation to the Pension Fund's benchmark were
reported. Relative to the benchmark, the Fund as at 31 January 2018 was
overweight in equities and cash, but underweight in bonds, property and
alternative investments. Details were also provided of the recommendations of
the Director of Finance and ICT which had been adjusted to reflect the impact
of future investment commitments. These commitments largely related to

alternatives, multi-asset credit and property, and totalled around £260m at 31 January 2018. The In-house Investment Fund Manager Team believed that these were likely to occur over the next 18 to 24 months.

The Fund's investment assets had increased by £81.9m between 31 October 2017 and 31 January 2018. Over the twelve months to 31 January 2018, the Fund's investment assets had risen by £493.9m, reflecting strong equity market returns. A copy of the latest portfolio was presented.

A summary of world equities, UK fixed income and UK index linked bond performance between 23 February 2017 and 22 February 2018 was given. Equity markets had continued the climb higher in November and December 2017. Investor risk appetite remained strong, buoyed by optimism over the prospects for the global economy and US Congress approval for Donald Trump's tax reforms.

Equity markets had fallen in late January 2018, a trend which continued into February 2018, following weaker than expected Q4 2017 US GDP growth and a rise in US bond yields in response to continued tightening in the US labour market and wage growth hitting its highest level in nine years. Bond returns have largely traded sideways over the last 12 months, strengthening at the end of Q1 2017 on doubts over Trump's ability to deliver his proposed fiscal stimulus and signs of a slowdown in US economic growth, and weakening at the end of Q2 2017.

In terms of asset class valuations, many global stock markets were still trading at, or close to, all-time highs and it was noted that recent asset class returns over the last 12 months were well in excess of long term averages.

Details were given on the Fund's performance over 1, 3, 5 and 10 years to 31 December 2017. The Fund had outperformed the benchmark over each of the periods.

The Chairman thanked Mr Fletcher for his very comprehensive report.

RESOLVED that (1) the report of the external advisor, Mr Fletcher, be noted;

(2) the asset allocations, total assets and long term performance analysis in the report of the Director of Finance and ICT be noted;

(3) that the strategy outlined in the report of the Director of Finance and ICT be approved; and

(4) the Committee thanked the officers of the In-house Investment Team for the outperformance that had been achieved.

15/18 **VOTING ACTIVITY** Details of the Fund's UK voting activity for the period 23 November 2017 to 22 February 2018 were presented, along with votes against management proposals. The resolutions in respect of Compass Group Plc and Victrex Plc were subsequently withdrawn by the companies. In all other cases, a "for" vote was carried.

Comparable voting activity information in respect of the Fund's US equities would be presented at the next meeting.

RESOLVED that the report be noted.

16/18 **EXCLUSION OF THE PUBLIC** **RESOLVED** that the public be excluded from the meeting during the Committee's consideration of the remaining items on the agenda to avoid the disclosure of the kind of information detailed in the following summary of proceedings:-

SUMMARY OF PROCEEDINGS CONDUCTED AFTER THE PUBLIC HAD BEEN EXCLUDED FROM THE MEETING

1. To confirm the exempt minutes of the meeting held on 24 January 2018 (contains exempt information)
2. To consider the exempt reports of the Director of Finance and ICT on:-
 - a) Local Government Pension Scheme Investment Pooling
(contains information relating to the financial or business affairs of any particular person (including the Authority holding that information))
 - b) Stage 2 Appeal under the LGPS Application for Adjudication of Disagreement Procedure – JC
(contains information relating to any individual)
 - c) Stage 2 Appeal under the LGPS Application for Adjudication of Disagreement Procedure – SMB
(contains information relating to any individual)