

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

17 SEPTEMBER 2015

BOND STRATEGY REVIEW

Report of the Treasurer

1.0 PURPOSE OF REPORT

- 1.1 To update Members on the progress of the review.
- 1.2 To seek a decision from Members on rebalancing the allocation to bonds.

2.0 BOND STRATEGY REVIEW – PROGRESS TO DATE

- 2.1 Previous Committee meetings have initiated a review of fixed income investments. A bond strategy workshop has been held and has considered the Fund's managers and mandates; the complimentary characteristics of those mandates; their contribution to the overall strategy of the Fund; and alternatives for fixed income investing.
- 2.2 To date, the specific issues addressed have been:
 - 1. is the current allocation to bonds (c.23%) appropriate?
 - 2. is the Committee happy with the overall structure of the bond portfolio and the allocation between the 3 managers?
 - 3. does the Committee have confidence in the current bond managers, both in terms of adding value to the Fund's strategy and in their ability to outperform going forward?
 - 4. does the Committee wish to change the structure and/or add new managers to the portfolio?
- 2.3 The current allocation to bonds of 23% is approximately at the mid-point of the strategic asset allocation range of 15% - 30%. Although Members considered this to be appropriate, the decision at the Committee meeting on 9 July 2015 was to transfer £40m between the Fund's liability matching managers, from Amundi to M&G, so that both manage approximately £210m.
- 2.4 Members of the Committee have received presentations from Alcentra (SME Direct Lending) and M&G (Multi Asset Credit). Following a wish to explore additional investments providing an illiquidity premium, presentations have been arranged on 18 September 2015, from Leadenhall Capital Partners (Insurance Linked Securities) and Christofferson Robb & Company (Bank Capital Release).
- 2.5 In addition, the Investment Consultant will update Members at the meeting by providing a review of the Fund's allocation to fixed income based on the position as at 31 August 2015; some thoughts on possible rebalancing to respond to recent activity in financial markets; and ideas for the next steps for the bond strategy review. Members will have the opportunity to consider the options and any recommendations put forward.

3.0 **RECOMMENDATIONS**

- 3.1 That the Pension Fund Committee considers what next steps it wishes to take as part of the bond strategy review.

GARY FIELDING
Treasurer
Corporate Director – Strategic Resources
County Hall
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9 September 2015