

## ITEM Part Two report

### London Borough of Enfield

<b>REPORT TO;</b>	<b>Pension Policy &amp; Investment Committee</b>
<b>SUBJECT:</b>	<b>Options for Absolute Return Bonds (ARB) mandate</b>
<b>LEAD OFFICER</b>	<b>Paul Reddaway</b>

#### **1. RECOMMENDATIONS**

To agree in principle to dis-invest from Insight ARB 400+ product and to consider an alternative ARB manager with a less aggressive approach and lower volatility or to examine the LCIV Global Bonds Fund that targets an absolute return with high quality bonds.

#### **2. EXECUTIVE SUMMARY**

The Aon report considers the options from dis-investing from the Insight Absolute return Bonds.

#### **3. DETAIL**

At the previous Committee meetings, the Councillors raised concerns about the poor performance of the Fund's current Absolute Return Bonds (ARB) mandate with Insight Investments ("Insight"). It was therefore agreed that the mandate would be kept under review whilst acknowledging that the mandate only represented approximately 3% of total Fund assets.

Given the continued poor performance of Insight ARBs mandate, the Committee asked Aon to provide an overview of the role that ARBs are providing within the Fund's bond portfolio. The committee also asked Aon to forward alternative options, should the Committee lose conviction in the investment strategy and/or manager.

The Aon paper set out in Appendix1 – the merits of the current ARB mandate and considers other options available to the Committee.

The Fund's current ARBs manager, Insight, has returned 0.48% p.a. (to 31 August 2018) since inception (December 2013) net of fees, below its LIBOR + 4% p.a. target.

In previous meetings the Committee has expressed disappointment with the performance particularly given the high levels of fees (75 bps) associated with the strategy.

The report considers three options:

Option 1 – terminate ARBs and deploy across other fixed income assets

Option 2 – terminate ARBs and deploy across other existing assets

Option 3 – terminate ARBs and deploy across new assets

**LCIV Option**

The LCIV has a global Bonds Fund that targets an absolute return through high quality high yield global bonds and Emerging market debt. Whilst it is benchmarked against an index the product is designed to produce absolute returns.