

REPORT TO: SUPERANNUATION INVESTMENT SUB-COMMITTEE
OF THE FINANCE COMMITTEE - 17 AUGUST 2005

REPORT ON: TAYSIDE SUPERANNUATION FUNDS PERFORMANCE SUMMARIES

REPORT BY: DEPUTE CHIEF EXECUTIVE (FINANCE)

REPORT NO: 497-2005

1 PURPOSE OF REPORT

This report reviews the investment performance of the Main Fund's four Fund Managers (excluding Property) for the quarter to 30 June 2005. It also considers the performance of the Transport Fund which shares two of these managers.

The report compares investment performances of the Funds with the Funds' specific benchmarks which consist of various stock market indices.

2 RECOMMENDATIONS

The Sub-Committee is asked to note the information contained herein with regard to the performance of the Tayside Superannuation Fund and Tayside Transport Superannuation Fund and their Fund Managers.

3 FINANCIAL IMPLICATIONS

None.

4 LOCAL AGENDA 21 IMPLICATIONS

None.

5 EQUAL OPPORTUNITIES IMPLICATIONS

None.

6 INTRODUCTION

The Funds moved to a new more specialised structure in early July 2003. The performance measurement information is now provided by Northern Trust, the Funds' custodian.

7 SUMMARY OF PERFORMANCE

The percentage returns on total assets achieved in the quarter, twelve months and three years ended 30 June 2005 by each manager compared with their benchmark were as follows:-

In brackets after each manager is their target pa above benchmark over rolling 3 year periods	<u>Quarter to 30/06/05</u>		<u>Year to 30/06/05</u>		<u>Annualised 3 Years to 30/06/05</u>	
	<u>Manager</u>	<u>Benchmark</u>	<u>Manager</u>	<u>Benchmark</u>	<u>Manager</u>	<u>Benchmark</u>
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
Main (including Property)	4.9	5.2	17.7	16.3	8.2	7.8
Transport (including Property)	5.1	5.5	16.7	16.2	7.4	6.6
Fidelity Pensions Management * (+1.5%)	5.0	5.1	14.9	15.5	7.1	7.2
Baillie Gifford & Co (+1.5%)	5.8	5.6	19.5	17.9	7.8	8.3
Alliance Bernstein * (+2.0%)	4.4	5.6	21.5	17.9	N/A	N/A

Goldman Sachs	(+0.75%)	4.3	5.0	13.3	12.7	N/A	N/A
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* Manager for Main Fund only

Attached at Appendix 1 is a summary of performance for each of the Superannuation Fund's investment managers. The summary shows performance in each investment category over the last quarter (to 30 June 2005). The rates of return shown in the summary are expressed as a percentage of the value of the fund at the beginning of the quarter after adjusting for net investment (+ or -) in the period. These rates of return are compared with the returns on the appropriate investment category indices over the same period.

8 GENERAL COMMENTARY

Every quarter the Fund benchmarks its performance against that of other Scottish Local Authority Funds. This information runs a quarter behind the other information used in this report.

For the last period available (to 31 March 2005) the Main Fund's performance relative to its benchmark ranked against other Funds as follows: Quarter - 1st, Year - 2nd, 3 Years - 1st.

In the quarter to 30 June 2005, the Main Fund return of 4.9% under-performed the benchmark return of 5.2%. Fidelity, Goldman Sachs and Alliance Bernstein under-performed the benchmark but Baillie Gifford out-performed. The Transport Fund return of 5.1% under-performed its benchmark of 5.5%.

In the year to 30 June 2005, the Main Fund return of 17.7% out-performed the benchmark of 16.3%. Fidelity under-performed but Baillie Gifford, Alliance Bernstein and Goldman Sachs out-performed. The Transport Fund return of 16.7% was over its benchmark of 16.2%.

In the three years to 30 June 2005, the Main Fund return of 8.2% out-performed its benchmark of 7.8%. Baillie Gifford and Fidelity under-performed over this period. The Transport Fund return of 7.4% out-performed its benchmark of 6.6%.

9 FIDELITY PENSIONS MANAGEMENT

For the quarter to 30 June 2005, Fidelity achieved a return of 5.0%, under-performing the benchmark return of 5.1%. Fidelity under-performed in Europe and Pacific Equities and UK and Overseas Bonds.

10 BAILLIE GIFFORD & CO

For the quarter ended 30 June 2005, Baillie Gifford achieved a return of 5.8%, out-performing the benchmark return of 5.6%. Out-performance was achieved in all asset categories except UK Equities and Cash.

11 ALLIANCE BERNSTEIN

For the quarter ended 30 June 2005, Alliance Bernstein achieved a return of 4.4% under-performing the benchmark return of 5.6%. Under-performance occurred in all investment categories except North American Equities.

12 GOLDMAN SACHS

For the quarter ended 30 June 2005, Goldman Sachs' return of 4.3% under-performed the benchmark return of 5.0%. Out-performance occurred in all Overseas Bonds but this failed to offset under-performance in other areas.

13 BACKGROUND PAPERS

None

DAVID K DORWARD
DEPUTE CHIEF EXECUTIVE (FINANCE)

9 AUGUST 2005

**TAYSIDE SUPERANNUATION FUND
MANAGERS' INVESTMENT PERFORMANCE
QUARTER TO 30 JUNE 2005**

<u>Investment Categories</u>	Fidelity		Baillie Gifford		Alliance Bernstein		Goldman Sachs		Benchmark	Benchmark Description
	%	+/-	%	+/-	%	+/-	%	+/-	%	
UK Equities	5.1	0.1	3.7	(1.3)	4.4	(0.6)			5.0	FTSE All-Share
North America	8.2	0.6	10.9	3.3	8.4	0.8			7.6	TSE AW North America
Continental Europe	4.1	(0.7)	6.0	1.2	2.9	(1.9)			4.8	FTSE AW Developed Europe ex UK
Japan	2.6	0.8	6.1	4.3	1.7	(0.1)			1.8	FTSE Japan
Pacific (ex Japan)	7.9	(2.9)	11.8	1.0	9.8	(1.0)			10.8	FTSE AW Asia Pacific ex Japan
Other International Equities	10.2	0.3	13.5	3.6	7.4	(2.5)			9.9	MSCI Emerging Markets Free
UK Gilts	4.9	0.2					6.5	(0.3)		
UK Other	4.5	(0.2)					5.0	(0.9)		
Overseas	3.7	(0.5)					5.1	0.9	4.2	Merrill Lynch Sterling Non Gilts (ex UK)
Index-Linked	4.4	0.0					4.3	(0.1)	4.4	FTSE Index Linked Gilts under 5 years
Cash	0.0	(1.2)	0.8	(0.4)	2.0	0.8	1.1	(0.1)	1.2	7 Day LIBID
TOTAL	5.0	(0.1)	5.8	0.2	4.4	(1.2)	4.3	(0.7)		