

Local Members Interest	

PENSIONS PANEL – 14 JUNE 2019

Report of the Director of Corporate Services

PENSION FUND INVESTMENT PERFORMANCE 2018/19

1. Purpose of Report

1.1 To provide, for information;

- i) a summary of performance of the Staffordshire Pension Fund as at 31 March 2019; and
- ii) a portfolio of the Pension Fund's investments as at 31 March 2019.

2. Performance Summary

2.1 Period

	<u>Fund</u> %	<u>Benchmark</u> %	<u>Relative</u> <u>Performance</u> %
June 2018 Quarter	4.9	5.1	-0.2
September 2018 Quarter	3.4	3.0	0.4
December 2018 Quarter	-6.8	-6.8	0.0
March 2019 Quarter	6.9	6.9	0.0
Financial Year 2018/19	8.1	7.9	0.2

2.2 The final quarter of 2018/19 saw a substantial market rebound after the weak performance of the previous quarter with the MSCI World Index rising 12.6%. US equities performed the best with the S&P 500 rising 13.5%, Europe also performed well, gaining 11.6%. Japan once again underperformed, rising only 7.7% and Emerging Markets also rebounded but on average underperformed the MSCI World Index

2.3 The prospect of a US/China trade war, concerns about slowing global growth and the impact of rising US interest rates had combined to cause the market falls in the previous quarter. These concerns decreased in Q4 2018/19 and investors were reassured by the more patient approach to interest rate increases by the US Federal Reserve and the US Government imposing no further tariffs on China.

2.4 UK equities were positive over Q4 2018, with the manufacturing sector experiencing a strong quarter; although this was attributed to pre-Brexit stockpiling. Brexit uncertainty continued to affect investor confidence and corporate performance despite a delay in the UK's exit from the European Union. Several well-known names in the UK retail sector also went into administration.

3. **Fund Value**

3.1 The Fund had a market value of over £5.1 billion as at 31 March 2019.

3.2 Over the quarter the Fund returned 6.9%, matching its strategic benchmark return target. The best performing asset class relative to its benchmark was the Alternatives portfolio whilst Global Equities were the main detractors from performance, underperforming the benchmark by 1.0%.

3.3 Despite relatively flat performance over the quarter, the Fund has outperformed its strategic benchmark over the 1, 3, 5 and 10- year periods. Annualised returns over all these periods are more than 8% per annum, well above the investment return assumptions used by the Actuary as part of the triennial valuation.

4. **Portfolio of Investments as at 31 March 2019**

4.1 A copy of the Staffordshire Pension Fund's portfolio of investments as at 31 March 2019 is attached.

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Background Documents:
Portfolio Evaluation Performance Measurement Data