

Local Members Interest	

PENSIONS PANEL – 14 SEPTEMBER 2020

Report of the Director of Corporate Services

PENSION FUND INVESTMENT PERFORMANCE Q2 2020

1. Purpose of Report

1.1 To provide, for information;

- i) a summary of performance of the Staffordshire Pension Fund as at 30 June 2020;
- ii) a portfolio of the Pension Fund's investments as at 30 June 2020.

2. Performance Summary

2.1 Period

	<u>Fund</u> %	<u>Benchmark</u> %	<u>Relative</u> <u>Performance</u> %
June 2020 Quarter	12.9	12.5	0.4
19/20 Financial Year	-12.9	-11.6	-1.3

2.2 Equity markets rebounded strongly during the second quarter of 2020, recovering much of the losses incurred during the first quarter of 2020, with the MSCI World up 18.5% in local currency terms. Within this, the US market outperformed considerably, with the S&P 500 rising 20.4%, Europe and Japan also outperformed but to a lesser degree, whilst Emerging Markets modestly underperformed.

2.3 Much of the bounce back in equity markets was driven by Technology stocks, which were less affected by the Covid-19 pandemic, or by companies that are short term beneficiaries of the control imposed by governments. US equities recorded their best performance since the final quarter of 1998. This was despite the US economy shrinking by an annualised rate of 5% during the first quarter, ending the longest period of economic expansion in the country's history.

2.4 In the UK, equities recovered as the government announced a phased reopening of the economy, while fiscal support programmes, such as the employee furlough scheme and loans for struggling companies, underpinned some share prices. Following confirmation that the economy had contracted by 2.2% in the first quarter, the Bank of England extended its QE programme

by £100 billion, and speculation increased that policymakers could introduce negative interest rates, should economic weakness persist.

3. Fund Value

- 3.1 The Fund had a market value of £5.4 billion as at 30 June 2020.
- 3.2 Over the quarter the Fund returned 12.9%, which was higher than the Fund's Strategic Asset Allocation benchmark return of 0.4%. The best performing asset classes relative to their benchmark, were Hedge Funds and Private Debt, whilst Private Equity was the main detractor from performance, underperforming its benchmark by 2.1%.
- 3.3 The Fund has still outperformed its strategic benchmark over a 10 years. Annualised returns over this period are more than 9% per annum, well above the investment return assumptions used by the Actuary as part of the triennial valuation.

4. Portfolio of Investments as at 30 June 2020

- 4.1 A copy of the Staffordshire Pension Fund's portfolio of investments as at 30 June 2020 is attached at Appendix 1.

John Tradewell
Director of Corporate Services

Contact: Melanie Stokes, Head of Treasury & Pensions
Telephone No. (01785) 276330

Background Documents:
Portfolio Evaluation Performance Measurement Data