

Local Members Interest	

PENSIONS PANEL – 5 DECEMBER 2017

Report of the Director of Finance and Resources

PENSION FUND INVESTMENT PERFORMANCE 2017/18

1. Purpose of Report

1.1 To provide, for information;

- i) a summary of performance of the Staffordshire Pension Fund as at 30 September 2017; and
- ii) a portfolio of the Pension Fund's investments as at 30 September 2017.

2. Performance Summary

2.1 Period

	<u>Fund</u> %	<u>Benchmark</u> %	<u>Relative</u> <u>Performance</u> %
June 2017 Quarter	0.5	0.6	-0.1
September 2017 Quarter	1.7	1.6	0.1
Year to Date	2.3	2.2	0.1

2.2 Equity markets had a strong quarter to September 2017, with the MSCI World rising 3.9%. This was despite geopolitical concerns on the Korean peninsula and the devastating hurricanes in the US. The US outperformed Europe in local currency terms with the S&P 500 up 4.3% and the MSCI Europe up 3.5%.

2.3 UK equities continued to rise during the quarter with FTSE All-Share index up 2.1%. Inflation increased over the quarter, reaching 2.9% in August. Whilst this helped Sterling strengthen it was also a factor in the Bank of England communicating a rise in Bank Rate was likely (this duly occurred in November 2017). Brexit negotiations continued over the quarter but a lack of detail meant this had little impact on the market.

2.4 In the US the Federal Reserve indicated they would start to reverse their quantitative easing policy to reduce the size of their balance sheet. Towards the end of the quarter the Dollar strengthened as tax cuts were proposed by the Trump Administration, but overall the Dollar dropped 2.7%.

- 2.5 Emerging Markets outperformed developed markets during the quarter, returning 7.6% in local currency terms, helped by the weakening dollar. Brazil was the standout performer with Brazilian equities up 17.4% in local currency terms.
- 2.6 In Europe, the European Central Bank indicated it would reduce the pace of its quantitative easing program and the Euro strengthened over the quarter. In political developments, Angela Merkel was re-elected as Chancellor of Europe's largest economy, Germany.

3. **Fund Value**

- 3.1 The Fund had a market value of £4.8 billion as at 30 September 2017; the highest reported to date.
- 3.2 Over the quarter the Fund returned 1.7%, slightly outperforming its strategic benchmark by 0.1%. The best performing asset classes relative to their benchmarks were UK Equities and the Alternatives pool. Allocations to low returning Corporate Bonds and Cash were marginal detractors from performance.
- 3.3 The Fund has outperformed its strategic benchmark in the year to date and 3 and 5 year time periods. Annualised returns over both 3 and 5 years are in excess of 11% 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 September 2017**

- 4.1 A copy of the Staffordshire Pension Fund's portfolio of investments as at 30 September 2017 is attached.

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Background Documents:
Portfolio Evaluation Performance Measurement Data