

Local Members Interest	

## PENSIONS PANEL – 6 MARCH 2018

### 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 31 December 2017; and
- ii) a portfolio of the Pension Fund's investments as at 31 December 2017.

#### 2. Performance Summary

##### 2.1 Period

	<u>Fund</u> %	<u>Benchmark</u> %	<u>Relative Performance</u> %
June 2017 Quarter	0.5	0.6	-0.1
September 2017 Quarter	1.7	1.6	0.1
December 2017 Quarter	3.8	4.0	-0.2
Year to Date	6.2	6.3	-0.1

- 2.2 Global equity markets accelerated higher in the final quarter of 2017, with many indices hitting all time highs. Japan in particular had a good quarter (rising 8.7%) helped by their Prime Minister winning a snap election by a landslide. The MSCI World rose a further 5.3% over Q4, taking the 2017 total to an impressive 18.5%.
- 2.3 UK stocks had a strong end to the year, driven by mining, oil and gas equities, with the FTSE 100 finishing 2017 at its highest ever level. UK commercial property also had a strong quarter with robust occupational demand and strengthening capital values driven by demand from overseas buyers. In November 2017 the Bank of England raised interest rates for the first time since 2007, this was on fears that inflation would continue to overshoot its target and this in turn caused the pound to strengthen.
- 2.4 In the US, the S&P 500 rose to a record high as investors were encouraged by reforms to the US tax code that included a significant cut to the rate of corporation tax. The Federal Reserve again raised interest rates over the quarter which caused the dollar to stabilise after falling for most of the year.

- 2.5 Emerging Markets continued to perform well, helped by global growth and a more stable US Dollar, they outperformed developed markets during the quarter.
- 2.6 In Europe, the economic signs were encouraging; unemployment fell over the quarter and annual GDP growth was 2.6%, the highest growth rate since 2011. As a result the European Central Bank reduced the pace of its economic stimulus programme. Despite the improving economic picture there was political uncertainty during the quarter, with the Catalan region of Spain attempting to declare independence and the break down of talks in Germany over the formation of a coalition government.

### 3. **Fund Value**

- 3.1 The Fund had a market value of £4.9 billion as at 31 December 2017; the highest reported to date. (N.B. Since the quarter end there has been a fall in global markets, which will have impacted the market value of the Fund.)
- 3.2 Over the quarter the Fund returned 3.8%, slightly underperforming its strategic benchmark by -0.2%. The best performing asset classes relative to their benchmarks were Bonds and the Alternatives portfolios. Underperformances in Property and Emerging Markets detracted from performance against the benchmark, although absolute returns were all positive.
- 3.3 Despite the marginal underperformance this quarter, the Fund has outperformed its strategic benchmark in the 1, 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 31 December 2017**

- 4.1 A copy of the Staffordshire Pension Fund's portfolio of investments as at 31 December 2017 is attached.

**Andrew Burns**  
**Director of Finance and Resources**

---

Contact : Melanie Stokes  
Telephone No. (01785) 276330

Background Documents:  
Portfolio Evaluation Performance Measurement Data