

Local Members Interest	

**PENSIONS PANEL – 5 June 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 March 2018; and
- ii) a portfolio of the Pension Fund’s investments as at 31 March 2018.

**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
December 2017 Quarter	3.8	4.0	-0.2
March 2018 Quarter	-2.9	-3.0	0.1
2017/2018 Financial Year	3.1	3.0	0.1

2.2 2018 began as 2017 had finished, with strong momentum in global equity markets; then in the first week of February 2018 markets tumbled. The fall in equity markets was caused by concerns that strong US economic growth would increase inflation and thus lead to higher interest rates. Markets did recover to some extent, but the threat of a trade war between the US and China ensured the recovery was muted and most global indices ended down for the quarter.

2.3 Within global equity markets, the US outperformed Europe, with the S&P 500 falling only 0.9%, whilst the MSCI Europe fell 4.4% (in local currencies). Emerging markets generally fared better than developed markets, with Brazil having a particularly strong quarter. The MSCI Brazil index rose by over 10% during the quarter.

2.4 In the UK the FTSE 100 Index started on a positive note before ending the quarter firmly in negative territory. Weakness in the UK housing market further unsettled investors, while Brexit developments remained in the news. A transition deal was met with tentative approval in March.

2.5 In Europe, as with other developed markets, equity markets were down for the quarter, with Ireland and Poland faring particularly badly. In political developments, as one area of uncertainty was resolved, with Angela Merkel finally agreeing a deal to form a coalition government in Germany four months after the election, another emerged; the lack of a clear winner in the Italian general election acted as a further drag on markets.

### 3. **Fund Value**

3.1 The Fund had a market value of £4.8 billion as at 31 March 2018; the highest reported at a financial year end.

3.2 Over the quarter the Fund returned -2.9%, slightly outperforming its strategic benchmark by 0.1%. The best performing asset classes relative to their benchmarks were global equities and the alternatives portfolios. Underperformance in bonds and emerging markets were the biggest detractors from performance.

3.3 The Fund has outperformed its strategic benchmark in the 1, 3, 5 and 10 year time periods. Annualised returns over both 3 and 5 years are in excess of 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 2018**

4.1 A copy of the Staffordshire Pension Fund's portfolio of investments as at 31 March 2018 is attached.

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**Director of Finance and Resources**

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Background Documents:  
Portfolio Evaluation Performance Measurement Data