

Local Members Interest	

PENSIONS PANEL – 4 SEPTEMBER 2018

Report of the Director of Finance and Resources

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 30 June 2018; and
- ii) a portfolio of the Pension Fund's investments as at 30 June 2018.

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

2.2 The second quarter of 2018 was a much more volatile quarter when compared to its equivalent in 2017, but global equity markets still performed well generally; this was despite the potential trade war between the US and China and concerns that the global economy is perhaps slowing. US interest rates continued to rise which led to the US Dollar rising sharply.

2.3 Within global equity markets, Europe outperformed the US, with the MSCI Europe up 4.1% and the S&P 500 up 3.3% (in local currencies). Emerging Markets suffered with the rising US Dollar, for example, the MSCI Brazil index was down over 14% during the quarter.

2.4 In Europe, equity markets rose over the quarter, despite political uncertainty in Italy and Germany and further evidence of slowdown in economic momentum.

2.5 In the UK, equities delivered a robust performance, with the FTSE All Share up 9.2%. The value of sterling fell during the quarter, which meant that equity performance was led by firms which make their earnings overseas. Given the relatively weak economic forecasts, the Bank of England did not raise base rate during the quarter, but they did subsequently raise the rate in August 2018.

3. Fund Value

- 3.1 The Fund had a market value of £5.0 billion as at 30 June 2018; the highest reported to date.
- 3.2 Over the quarter the Fund returned 4.9%, slightly underperforming its strategic benchmark by -0.2%. The best performing asset classes relative to their benchmarks were active global equities and property. UK equities and a higher allocation to low returning corporate bonds were detractors from performance.
- 3.3 Although the Fund has underperformed its strategic benchmark over the 1 year period and is level with the benchmark over the 3 year period, it has still achieved positive absolute returns and continues to outperform its strategic benchmark in the 5 and 10 year periods. Annualised returns over both 3 and 5 years are in excess of 10% 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 2018

- 4.1 A copy of the Staffordshire Pension Fund's portfolio of investments as at 30 June 2018 is attached.

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Background Documents:
Portfolio Evaluation Performance Measurement Data