

Local Members Interest	

PENSIONS PANEL – 5 MARCH 2019

Report of the Director of Corporate Services

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 31 December 2018; and
- ii) a portfolio of the Pension Fund's investments as at 31 December 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
September 2018 Quarter	3.4	3.0	0.4
December 2018 Quarter	-6.8	-6.8	0.0
Year to date	1.0	0.9	0.1

2.2 Global equity markets had one of their worst quarters since the financial crisis in Q4 2018, tipping returns negative overall for the year. The MSCI World Index fell -13.4% over the quarter.

2.3 The US Government shutdown alongside a further interest rate rise and ongoing trade wars, saw US equities begin the global market downward trend in Q4 2018. The S&P fell -13.7% in the quarter. Emerging market equities also generally fell over the quarter, though they showed more resilience than other regions. Brazil was the stand out performer, ending the quarter with a return of +13.4% (+10.1% in local currency terms).

2.4 Europe did not perform as badly as the US in Q4 2018 with the MSCI Europe down -12.7% (-11.2% in local currency terms). Europe continues to suffer from slower economic growth and political uncertainty than other global regions.

- 2.5 In the UK, equities suffered from Brexit concerns and the increasing likelihood of a 'no deal' scenario. Sterling fell against the Dollar and the FTSE 100 fell by more than 10.0%, with the increased uncertainty. The retail sector continues to have a torrid time, with poor Christmas sales figures recently announced.

3. **Fund Value**

- 3.1 The Fund had a market value of £4.8 billion as at 31 December 2018.
- 3.2 Over the quarter the Fund returned -6.8%, matching its strategic benchmark. The best performing asset class relative to its benchmark was the Alternatives portfolio. Equities were the main detractors from performance, with UK equities in particular faring the worst.
- 3.3 The Fund has outperformed its strategic benchmark over the 1, 3, 5 and 10-year periods. Annualised returns over the 3, 5 and 10-year periods are more than 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 December 2018**

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

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Background Documents:
Portfolio Evaluation Performance Measurement Data