

Local Members Interest	

PENSIONS PANEL – 3 DECEMBER 2019

Report of the Director of Corporate Services

PENSION FUND INVESTMENT PERFORMANCE 2019/20

1. Purpose of Report

1.1 To provide, for information;

- i) a summary of performance of the Staffordshire Pension Fund as at 30 September 2019;
- ii) a portfolio of the Pension Fund's investments as at 30 September 2019.

2. Performance Summary

2.1 Period

	<u>Fund</u> %	<u>Benchmark</u> %	<u>Relative</u> <u>Performance</u> %
June 2019 Quarter	3.5	4.0	-0.5
September 2019 Quarter	3.2	2.7	0.5
Year to date	6.9	6.7	0.2

2.2 Despite a marked rise in volatility during August, when US-China trade tensions escalated, equity markets made modest gains during the third quarter of 2019. The MSCI All Countries World Index rose +1.1% in local currency terms.

2.3 Supportive central bank actions helped bolster the confidence of investors during the quarter. In July, the US Federal Reserve cut interest rates for the first time since 2008 and then made a further reduction in September. The European Central Bank (ECB) also trimmed rates and announced new measures aimed at reviving the beleaguered Eurozone economy, including recommencing quantitative easing.

2.4 Despite facing numerous challenges, UK equities posted positive returns for the quarter. This was helped by the weakening of Sterling, as this increases the earnings of companies that make a large proportion of their profits overseas. Unfortunately, UK commercial property has not been able to replicate this and has weakened as 2019 has progressed; principally due to

the prolonged Brexit related political uncertainty which has stifled market activity and affected investor sentiment.

3. Fund Value

- 3.1 The Fund had a market value of £5.3 billion as at 30 September 2019.
- 3.2 Over the quarter the Fund returned 3.2%, which was higher than the Fund's Strategic Asset Allocation benchmark return of 2.7%. The best performing asset classes relative to their benchmark were private debt and private equity, whilst Hedge Funds were the main detractors from performance, underperforming the benchmark by 1.4%.
- 3.3 The Fund has outperformed its strategic benchmark over the 1, 3, 5 and 10-year periods. Annualised returns over all these periods are more than 9% 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 2019

- 4.1 A copy of the Staffordshire Pension Fund's portfolio of investments as at 30 September 2019 is attached at Appendix 1.

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Background Documents:
Portfolio Evaluation Performance Measurement Data