

Local Members Interest	

## **PENSIONS PANEL – 3 SEPTEMBER 2021**

### **Report of the Director of Corporate Services**

#### **PENSION FUND INVESTMENT PERFORMANCE Q2 2021**

##### **1. Purpose of Report**

1.1 To provide, for information;

- i) a summary of performance of the Staffordshire Pension Fund as at 30 June 2021;
- ii) a portfolio of the Pension Fund's investments as at 30 June 2021 at Appendix 1.

##### **2. Performance Summary**

<b>2.1 <u>Period</u></b>	<b>Fund %</b>	<b>Benchmark %</b>	<b>Relative Performance %</b>
June 2021 Quarter	6.0	5.6	+0.4

- 2.2 Equity markets rose over the quarter, as economies continued to re-open and pent up demand was released, which outweighed concerns over the new Delta variant. Although there was volatility over the quarter, the MSCI world rose by 7.3% and whilst bond yields fell slightly, they remain well above the levels at the start of the year.
- 2.3 In the US, the Federal Reserve (Fed) announced that loose monetary policy may soon be coming to an end, driven by rising equity prices. The Fed also indicated that interest rates were likely to rise at least once before the end of 2023. However, the Fed maintained that it believes higher than expected inflation to be transitory, after it hit 5% year on year in the quarter, partly due to the low base from 12 months ago. The US Dollar rose against most major currencies in the second quarter of 2021 and the S&P 500 rose 8.2% over the quarter.
- 2.4 The European Central Bank remained more dovish in tone, with no indication of interest rate rises in the medium term. Whilst the European commission increased its 2021 growth forecast from 3.7% to 4.2%. European equities growth slightly lagged US and UK equities over Q2, with the Euro Stoxx 50 returning 3.7%.

- 2.6 In the UK, equity markets rose over the quarter as the economy reopened and the Covid 19 vaccine program was extended to cover all adults. The Bank of England raised its forecast for economic growth in 2021 from 5% to 7.25%, however it maintained quantitative easing and interest rates at the same levels, despite inflation rising over the 2% target. UK unemployment fell to 4.8% in the quarter and the FTSE 100 returned 4.8%.

### 3. **Fund Value**

- 3.1 The Fund had a market value of £6.47 billion as at 30 June 2021, its highest reported value to date.
- 3.2 Over the quarter the Fund returned 6.0%, which outperformed the Fund's Strategic Asset Allocation benchmark return (5.6%) by 0.4%. The best performing asset class relative to its benchmark, was private equity.
- 3.3 The year to 30 June 2021 has seen the Fund produce an annual return of 19.7%, 2.9% above its strategic benchmark return. Private equity was the main driver of returns, returning 43.1% over the year.
- 3.4 The Fund has outperformed its strategic benchmark return over a 3, 5 and 10-year period. Annualised returns over 10 years are 9.6% 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 2021**

- 4.1 A copy of the Staffordshire Pension Fund's portfolio of investments as at 30 June 2021 is attached at Appendix 1.

**John Tradewell**  
**Director for Corporate Services**

---

Contact: Melanie Stokes, Assistant Director for Treasury & Pensions  
Telephone No. (01785) 276330

Background Documents:  
Portfolio Evaluation Performance Measurement Data