

Local Members Interest	

PENSIONS PANEL – 30 NOVEMBER 2021

Report of the Director for Corporate Services

PENSION FUND INVESTMENT PERFORMANCE Q3 2021

1. Purpose of Report

1.1 To provide, for information;

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

2. Performance Summary

2.1 Period

	<u>Fund</u> %	<u>Benchmark</u> %	<u>Relative</u> <u>Performance</u> %
June 2021 Quarter	6.0	5.6	+0.4
September 2021 Quarter	2.3	2.0	+0.3
Year to date 2021/22	8.6	7.7	+0.9

2.2 Global equity markets were mixed over the quarter, with gains in the first 2 months followed by declines in September. Thanks to the increasing vaccine rollout, the reopening of economies and the reduction in COVID-19 restrictions continued. Fears over increasing inflation, supply chain issues and increased regulatory pressures were present throughout the quarter but Corporate earnings were encouraging, despite these issues.

2.3 In the US, the economic recovery continued despite concerns over the Delta variant of COVID-19; albeit the rate of recovery started to slow. The Dollar rose over the quarter, with the Federal Reserve (Fed) announcing that loose monetary policy may soon be coming to an end. Fed Chair Jay Powell warned higher inflation may persist longer than had previously been expected, and these hawkish tones led many to price in interest rate rises before the end of next year. The US continued to face supply chain issues and labour constraints which added to inflationary pressures during the quarter.

- 2.4 In the UK, equity markets followed the global trend with rises in July and August, reducing in September. Supply chain issues continued with the shortage of lorry drivers adding to the issue. The Bank of England indicated that conditions were right for “modest tightening” of monetary policy in the year ahead, with consistently above forecast inflation figures. The market began to price in interest rate rises before the end of the year.
- 2.5 European equity markets saw modest losses over the quarter, with no change in the European Central Bank tone, unlike its US and UK counterparts.
- 2.6 Emerging Markets fell overall during the quarter, due to losses in China, and particularly the concerns over property developer Evergrande, but also an increase in regulation in the Technology sector.

3. Fund Value

- 3.1 The Fund had a market value of £6.6 billion as at 30 September 2021, its highest reported value to date.
- 3.2 Over the quarter the Fund returned 2.3%, which outperformed the Fund’s Strategic Asset Allocation benchmark return (2.0%) by 0.3%. The best performing asset class relative to its benchmark, was the Alternatives portfolio (Hedge Fund & Infrastructure), returning 9.1% over the quarter, against its benchmark return of 1.2%.
- 3.3 The year to 30 September 2021 has seen the Fund produce an annual return of 19.8%, 2.4% above its Strategic Asset Allocation benchmark return. Private Equity was the main driver of returns, returning 47.9% over the year.
- 3.4 The Fund has outperformed its Strategic Asset Allocation benchmark return over a 3, 5 and 10-year period. Annualised returns over 10 years are 10.9% 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 2021

- 4.1 A copy of the Staffordshire Pension Fund’s portfolio of investments as at 30 September 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