

PENSIONS PANEL – 1 MARCH 2022

Report of the Director for Corporate Services

PENSION FUND INVESTMENT PERFORMANCE Q4 2021

1. Purpose of Report

1.1 To provide, for information;

- i) a summary of performance of the Staffordshire Pension Fund at 31 December 2021; and
- ii) a portfolio of the Pension Fund's investments at 31 December 2021 (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
December 2021 Quarter	5.1	5.2	-0.1
Year to date 2021/22	14.2	13.4	+0.8

2.2 Global equity markets rose strongly over the quarter, with the MSCI World index rising 8.1% in local terms and finishing the year 24.2% higher. Optimism initially grew, with the ongoing vaccine rollout, but this was tempered towards the end of the quarter with the emergence of the Covid-19 Omicron variant.

2.3 In the US, equities rose, buoyed by strong economic data but inflationary pressures continued to grow, with CPI up to 6.8% year on year in November. As a result, the Federal Reserve (Fed) adopted a more hawkish tone and indicated there would be several interest rate rises in 2022.

2.4 In the UK, equities rose over the quarter but at a slower rate than in the US or European markets. GDP was lower than forecast due to an increase in Covid infection rates and increasing inflation concerns, which had reached a 10-year CPI high, of 5.1%, in November. This led to the Bank of England raising interest rates in December by 0.15% to 0.25%.

2.5 In Europe, the European Central Bank (ECB) confirmed it would end its Pandemic emergency purchase program in March 2022, and despite inflation

hitting an annual rate of 4.9% in November, it did not indicate there would be interest rate rises in 2022 as a result.

- 2.6 Emerging Markets fell overall, during the quarter, with the MSCI Emerging Markets Index falling by 1.3%. Economic data from China remained weak, increasing market expectations of more central-bank stimulus and a possible easing of regulatory pressures in 2022.

3. **Fund Value**

- 3.1 The Fund had a market value of £7.0 billion at 31 December 2021, its highest reported value to date.
- 3.2 Over the quarter the Fund returned 5.1%, which was a marginal underperformance of 0.1% versus the Fund's Strategic Asset Allocation benchmark return of 5.2%. The best performing asset class relative to its benchmark was Private Equity, returning 9.7% over the quarter against a benchmark return of 3.0%. Property was a detractor from performance along with the overallocation to cash during the quarter.
- 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 10.7% per annum, well above the investment return assumptions used by the Actuary as part of the triennial valuation.

4. **Portfolio of Investments at 31 December 2021**

- 4.1 A copy of the Staffordshire Pension Fund's portfolio of investments at 31 December 2021 is attached at Appendix 1.

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Background Documents:
Portfolio Evaluation Performance Measurement Data