

**PENSIONS PANEL – 8 JUNE 2022**

**Report of the Director for Corporate Services**

**PENSION FUND INVESTMENT PERFORMANCE Q1 2022**

**Purpose of Report**

1. To provide, for information;
  - (a) a summary of performance of the Staffordshire Pension Fund at 31 March 2022; and
  - (b) a portfolio of the Pension Fund’s investments at 31 March 2022 (Appendix 1).

**Performance Summary**

2. <u>Period</u>	<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
March 2022 Quarter	-1.6	-1.3	-0.3
Financial Year 2021/22	12.2	11.9	+0.3

3. Global equity markets had a volatile first quarter of 2022, with the MSCI World Index losing 4.6% in local terms over the period. Concerns over the Russian invasion of Ukraine led to sharp falls at the end of February, with marginal recovery towards the end of March. The war also led to sharp rises in oil, gas, and commodity prices, which have begun to feed into higher inflation figures globally.
4. In the US, annual inflation hit 7.9% in February, which was its highest level in 30 years. As a result, the Federal Reserve (Fed) began to raise interest rates which caused the US Dollar to rise in value against other currencies. The Fed also reduced its 2022 GDP forecast to 2.8% from 4.0%, which it had predicted in December 2021.
5. In the UK, the FTSE 100 outperformed global markets over the quarter, due to its large weighting in energy and materials companies. The Bank of England

raised interest rates twice during the quarter which took the Base Rate to 0.75%; the level it was prior to the onset of the Coronavirus pandemic.

6. In Europe, equity markets performed poorly due to fears over its reliance on Russian oil and gas imports, and unlike other major central banks, the European Central Bank (ECB) held interest rates stable over the quarter.
7. Along with developed market equities, emerging market equities fell over the quarter, with Russian stocks removed entirely from major indices due to their invasion of Ukraine. Within emerging markets, China underperformed as the latest Coronavirus lockdowns concerned investors.

### **Fund Value**

8. The Fund had a market value of £6.8 billion at 31 March 2022, down slightly on the previous quarter.
9. Over the quarter the Fund returned -1.6%, which was an underperformance of 0.3% versus the Fund's Strategic Asset Allocation benchmark return of -1.3%. The best performing asset class relative to their benchmark was Private Debt, returning 3.4% versus a 3.1% benchmark return over the quarter. Property, Global Sustainable Equities, Private Equity, and Infrastructure were detractors from performance during the quarter.
10. Despite the underperformance in the quarter, the Fund has outperformed its Strategic Asset Allocation benchmark return over a 3, 5 and 10-year period. Annualised returns over 10 years are 9.9% per annum, well above the investment return assumptions used by the Actuary as part of the triennial valuation.

### **Portfolio of Investments at 31 March 2022**

11. A copy of the Staffordshire Pension Fund's portfolio of investments at 31 March 2022 is attached at Appendix 1.

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#### Background Documents:

Portfolio Evaluation Performance Measurement Data