

Local Members Interest	

## PENSIONS PANEL – 21 MAY 2013

### Report of the Director of Finance and Resources

#### PENSION FUND INVESTMENT PERFORMANCE 2012/13

#### 1. Purpose of Report

1.1 To provide, for information;

- i) a summary of performance of the Staffordshire Pension Fund as at 31 March 2013; and
- ii) a portfolio of the Pension Fund's investments as at 31 March 2013.

#### 2. Performance Summary

##### 2.1 Period

	<u>Fund</u> %	<u>Benchmark</u> %	<u>Relative</u> <u>Performance</u> %
June 2012 Quarter	-2.2	-1.8	-0.4
Sept 2012 Quarter	3.2	2.8	0.4
Dec 2012 Quarter	2.8	2.3	0.5
Mar 2013 Quarter	9.7	9.3	0.4
Financial Year 2012/13	13.8	12.9	1.0

2.2 Equity markets began the year strongly, initially aided by the deal made by the US Government on 31 December to avert the automatic spending cuts and tax rises which encompassed the 'fiscal cliff'. The MSCI world index rose 9.8% in local currency terms, of which Japan was the standout market for the second quarter in a row, with the US also performing well.

2.3 European equities delivered positive returns during the quarter but sentiment faded as the period progressed due to the re-emergence of Euro-zone worries. During February an inconclusive outcome to the Italian general election raised doubts about the countries commitment to austerity policies and in March, Cyprus had to request a bailout from the EU and ECB for its stricken banking sector.

2.4 UK equities followed global equities and moved higher over the quarter but the underlying economic data was mixed, with retail sales struggling and

unemployment remaining stable. During the quarter the UK reported negative growth for Q4 2012, this brought with it fears of an unprecedented 'triple dip' recession, these fears turned out to be misplaced after it was announced after quarter end that the UK grew 0.3% for Q1 2013.

- 2.6 The UK suffered a downgrade of its credit rating from Moody's during the quarter, this from the prized 'Aaa' to Aa1. Much like previous downgrades to comparable economies such as France and the US, the downgrade caused little stir in the market as it had been expected and effectively 'priced in' by investors.
- 2.7 Driven primarily by equity market returns, the Staffordshire Pension Fund returned 9.7% over the quarter, 0.4% above its benchmark return of 9.3%. This continued the positive performance since the summer of 2012 and meant that the Fund finished the financial year 1.0% ahead of its benchmark with a positive return of 13.8%.
- 2.8 Since 31 March 2013, when the Pension Fund had a market value of £3.01 billion, markets have continued to rise. As at 10 May 2013, the Pension Fund had an estimated market value of £3.13 billion, the highest estimated market value to date.

**Note:** Pension Fund returns are in line with the annual volatility expected from investing in a range of asset classes and do not affect the Fund's ability to pay Pensioners their benefits. Investment managers are kept under regular review, with any changes to their investment process being considered carefully, to ensure they have no negative impact on the Fund's longer term return potential.

### 3. **Portfolio of Investments at 31 March 2013**

- 3.1 A copy of the Staffordshire Pension Fund's portfolio of investments as at 31 March 2013 is attached.

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**Director of Finance and Resources**

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#### Background Documents:

Portfolio Evaluation Performance Measurement Data