

Local Members Interest	

PENSIONS PANEL – 10 SEPTEMBER 2013

Report of the Director of Finance and Resources

PENSION FUND INVESTMENT PERFORMANCE 2013/14

1. Purpose of Report

1.1 To provide, for information;

- i) a summary of performance of the Staffordshire Pension Fund as at 30 June 2013; and
- ii) a portfolio of the Pension Fund's investments as at 30 June 2013.

2. Performance Summary

2.1 Period

	<u>Fund</u>	<u>Benchmark</u>	<u>Relative</u> <u>Performance</u>
	%	%	%
June 2013 Quarter	-0.3	-0.6	0.3

2.2 Global equity markets finished the second quarter of 2013 in positive territory but this hid large intra –quarter volatility. At one point in late May the MSCI All Countries World Index was up 7.83% but it ended the quarter flat returning a net -0.3% in sterling terms. US and Japanese stocks were the best performers, with European equities performing worst, ending the quarter marginally down.

2.3 Quantitative Easing (QE) was in the news again, however, unlike previous quarters, it was the indication that QE may be coming to an end which caused the biggest market reaction. At the June meeting of the US Federal Reserve it was indicated that QE would likely be tapered though late 2013 and possibly stopped in 2014 ahead of interest rate increases. In reaction bonds were sold off and global equity markets fell.

2.4 Japan continued with its own significant QE program (dubbed 'Abenomics' after Japanese President, Shinzo Abe who instigated it), which seemed to be boosting the countries economy, as GDP and consumer confidence grew and equities markets rose. Like all global markets though Japan was affected by the US tapering scare, but had recovered a lot of the lost ground by quarter end.

- 2.5 In China during the second quarter, there were several signs that the economy has begun to slowdown which would have negative ramifications globally. The picture was also complicated by a mini credit crunch in the countries inter-bank lending market in June as the Shanghai Libor index rose to 10%.
- 2.6 In the UK, economic data remained generally positive during the quarter, with the service sector continuing to grow and signs that the property market was beginning to thaw outside of foreign-investor dominated central London. As per all global markets though, the US tapering scare hit UK equities which posted a small loss for the quarter.
- 2.7 Staffordshire Pension Fund had a marginally negative Q2 2013, generating a return of -0.3%, although the benchmark return of -0.6% was outperformed by 0.3%. Even though the past quarter has been a neutral one, this should be seen in the context that the 1 year performance of the Fund has been 16.1%, 1.8% above benchmark.
- 2.8 Since 30 June 2013, when the Pension Fund had a market value of £3.03 billion, markets have rallied but fallen back again on geopolitical concerns. As at 30 August 2013, the Pension Fund had an estimated market value of £3.11 billion.

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 30 June 2013**

- 3.1 A copy of the Staffordshire Pension Fund's portfolio of investments as at 30 June 2013 is attached.

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Background Documents:
Portfolio Evaluation Performance Measurement Data