

Local Members Interest	

## PENSIONS PANEL – 4 MARCH 2014

### 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 31 December 2013; and
- ii) a portfolio of the Pension Fund's investments as at 31 December 2013.

#### 2. Performance Summary

##### 2.1 Period

	<u>Fund</u> %	<u>Benchmark</u> %	<u>Relative Performance</u> %
June 2013 Quarter	-0.3	-0.6	0.3
September 2013 Quarter	2.8	2.1	0.7
December 2013 Quarter	4.6	3.9	0.7

2.2 Global equity markets continued to rally in the fourth quarter of 2013. The MSCI World Index was up 8.43% over the quarter, in local currency terms, with the US posting the strongest performance; up 10.33%. This positive sentiment was reinforced by the higher than expected US Q3 GDP figure reported during the quarter (+4.1%) and the good reception the market gave the US Federal Reserve's decision to begin tapering its asset purchases.

2.3 The Eurozone moved out of recession in Q3 2013 and continued to do so in Q4 2013, thanks to stronger than expected expansion in its biggest countries, France and Germany. With an improving economic backdrop and rising asset prices, is the worst over for the Eurozone and are we finally seeing the beginnings of a sustained recovery? Problems do still persist, however, most notably high levels of unemployment and in November the ECB reduced interest rates to 0.25%, to counter the threat of deflation.

2.4 Whilst economies appear to be strengthening in the US and Europe, the outlook is less positive in Asia and Emerging Markets. In Japan, GDP growth slowed in Q3 2013 to +1.1%, down from +4.5% at the start of the year, leading to concerns about the sustainability of Prime Minister Abe's economic

recovery. In Emerging Markets; for example Brazil, GDP growth was negative in the third quarter for the first time since Q1 2009.

- 2.5 The UK enjoyed another good quarter with equities posting solid returns, unemployment falling faster than expected and the housing sector continuing to recover. Post quarter end, it was revealed Q4 2013 GDP was +0.7% which gave an annual GDP figure for 2013 of +1.9%. This was the highest annual growth figure since 2007, before the financial crises hit.
- 2.6 Staffordshire Pension Fund had a positive Q4 2013, generating a return of 4.6% and outperforming its benchmark return by 0.7%. This has concluded a successful 2013 for the Fund's investments, with a portfolio return of 17.7% which is 2.4% ahead of its benchmark return.

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

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

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**Director of Finance and Resources**

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Background Documents:  
Portfolio Evaluation Performance Measurement Data