

## PENSIONS PANEL – 9 SEPTEMBER 2014

### Report of the Director of Finance and Resources

#### PENSION FUND INVESTMENT PERFORMANCE 2014/15

##### 1. Purpose of Report

1.1 To provide, for information;

- i) a summary of performance of the Staffordshire Pension Fund as at 30 June 2014; and
- ii) a portfolio of the Pension Fund's investments as at 30 June 2014.

##### 2. Performance Summary

###### 2.1 Period

<u>Period</u>	<u>Fund</u> %	<u>Benchmark</u> %	<u>Relative</u> <u>Performance</u> %
June 2014 Quarter	2.0	2.2	-0.2

2.2 Global equities made solid gains over the second quarter of 2014 with the MSCI All Countries World Index up 4.50%. Emerging Markets and Japan, outperformed global markets as did the US. Europe underperformed global markets due to the poor performance of Financial and Commodity stocks.

2.3 The equity markets were aided by the ongoing support of the world's central banks. Janet Yellen, the US Federal Reserve chairwoman, bolstered markets by indicating that interest rates would remain at a record low for some time to come. Not to be outdone, ECB President Mario Draghi announced a series of bold policy measures in June.

2.4 In the US during the quarter, it was revealed that the economy had actually contracted. A weather battered Q1 2014 saw growth revised down to an annual rate of -2.1% from +0.1%. The US economy did rebound strongly in Q2 as it was released post quarter end that the US grew by an annualised 4.0%.

2.5 Euro-zone growth stalled completely in Q2 with GDP flat (0.0%). The three largest economies in the bloc, which account for two thirds of the GDP, all failed to register growth. Germany and Italy contracted by 0.2% and French GDP was flat.

2.6 Euro-zone inflation slowed more than economists forecasted in Q2 2014 which led to the ECB introducing measures to counter the prospect of deflation and boost the economy. The measures included cutting the deposit

rate for banks from zero to -0.1%, as well as a package of up to €400 billion of cheap loans for Eurozone banks, designed to stimulate bank lending.

- 2.7 The UK economy continued to strengthen and outperform its G7 peers during Q2 2014. Sterling hit a six-year high against the US Dollar and business sentiment was at a 22-year high according to a report by Lloyds Bank. The concern persists with the UK economy that it is being driven by a housing boom and this has increased speculation that the Bank of England (BoE) will increase rates earlier than expected, possibly in 2014.
- 2.8 Geopolitical events continued to stalk markets in Q2. The conflict in Ukraine, as a result of the Russian annexation of Crimea, led to further sanctions on Russia and an eruption of violence in the Middle East caused the price of oil to spike.
- 2.9 Staffordshire Pension Fund had positive performance in Q2 2014 with a return of 2.0%. This was marginally below the Fund's benchmark return for the quarter of 2.2%. Over the longer term the Fund has outperformed its benchmark in both the one, three and five year periods with returns in excess of 9.0% per annum. At, £3.36 billion, the market value of the Fund at 30 June 2014 is the highest market value of the Fund reported to date.

### 3. **Portfolio of Investments at 30 June 2014**

- 3.1 A copy of the Staffordshire Pension Fund's portfolio of investments as at 30 June 2014 is attached.

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#### Background Documents:

Portfolio Evaluation Performance Measurement Data