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|------------------------|--|
| Local Members Interest |  |
| Nil                    |  |

**PENSIONS PANEL – 3 MARCH 2015**

**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 31 December 2014; and
- ii) a portfolio of the Pension Fund's investments as at 31 December 2014.

**2. Performance Summary**

2.1 Period

|                   | <u>Fund</u><br>% | <u>Benchmark</u><br>% | <u>Relative</u><br><u>Performance</u><br>% |
|-------------------|------------------|-----------------------|--|
| June 2014 Quarter | 2.0              | 2.2                   | -0.2                                       |
| Sept 2014 Quarter | 2.2              | 2.3                   | -0.1                                       |
| Dec 2014 Quarter  | 3.4              | 3.5                   | -0.1                                       |

2.2 Global equities were broadly positive over the fourth quarter of the year with the MSCI World and MSCI All Countries World Indices rising by +3.25% and +2.91% respectively, in local currency terms.

2.3 Oil prices fell sharply during the quarter which resulted in poor performances by the Energy and Commodity sectors. Russia was particularly badly affected by falling oil prices, with a significant depreciation in the rouble, to which the Russian government responded by raising interest rates, from 10.5% to 17% in December.

2.4 The US economy continued to perform well during the quarter with positive revisions to Q3 GDP growth and continuing falls in the unemployment rate. The Federal Reserve ended its quantitative easing programme as expected in October 2014, but announced it would be patient before introducing a rise in interest rates.

- 2.5 Europe performed less well in Q4 2014, with Greece's forthcoming January elections causing political uncertainty and reigniting fears of a Greek exit from the EU. The European Central Bank pledged to continue monetary support for the region which helped to balance out growth and deflation fears.
- 2.6 In the UK, November saw the Consumer Price Index (CPI) fall to 1%, its lowest level in 12 years. GDP continued to increase, with a rise of 0.7% for Q3. Post quarter end the first estimate of Q4 growth was announced at 0.5% prompting fears the UK recovery was beginning to soften.
- 2.7 In other markets, China reduced its interest rates to try to combat lower growth and Japan saw an improving picture as the market reacted well to the government's monetary and fiscal policies.

### 3. **Fund Value**

- 3.1 At £3.56 billion, the market value of the Fund, at 31 December 2014, continues to increase above that of previously reported levels. The Fund generated a positive return of 3.4% over the quarter, slightly behind the benchmark return of 3.5%. Over the year to date, the Fund has returned 7.7%, which is above the return assumptions made by the Actuary in their 2013 valuation. It is pleasing to note that this continues to be in line with the longer term Fund returns of 7.7% per annum, over the last 20 years.

### 4. **Portfolio of Investments as at 31 December 2014**

- 4.1 A copy of the Staffordshire Pension Fund's portfolio of investments as at 31 December 2014 is attached.

**Andrew Burns**  
**Director of Finance and Resources**

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Background Documents:  
Portfolio Evaluation Performance Measurement Data