

Local Members Interest	
N/A	

PENSIONS PANEL – 9 JUNE 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 March 2015; and
- ii) a portfolio of the Pension Fund's investments as at 31 March 2015.

2. Performance Summary

2.1 Period

	<u>Fund</u> %	<u>Benchmark</u> %	<u>Relative</u> <u>Performance</u> %
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
Mar 2015 Quarter	5.3	5.3	0.0
2014/2015 Financial Year	13.6	14.0	-0.4

2.2 Large currency movements impacted market returns in the first quarter of 2015. The MSCI World Index was up +4.9% in local currency terms, but only +2.3% in US Dollar terms. Meanwhile the US market lagged Europe, with the S&P500 up a modest +0.8% and the MSCI Europe up +11.6% in local currency terms, even though the Euro weakened considerably.

2.3 Despite this, US equity markets delivered solid returns over the quarter, in the face of mixed economic data. Q4 2014 GDP growth was initially reported at 2.6% before being revised down to 2.2% and payroll numbers were reported as being weaker. US investors spent much of the quarter watching the Federal Reserve, for signs of when they planned to increase interest rates. Fed Chair Janet Yellen duly delivered, by dropping the word 'patient' from a

statement on how long interest rates would be maintained at their current historic low; markets rallied in response.

- 2.4 Quantitative Easing in Europe was finally officially declared In January 2015, with the ECB announcing they were to buy €60bn of bonds per month, until September 2016. The move was highly predicted by the market and drew a fairly muted response. Sovereign bond markets in in Southern European countries had already rallied sharply in anticipation of the move.
- 2.5 The UK continued to be the strongest economy in Europe with 2.6% annual growth for 2014 announced during the quarter. Also reported was a 5% growth in consumer spending in February and double-digit growth in new car sales. The industrial economy continued to disappoint with weak data.
- 2.6 Japanese equities delivered another quarter of positive returns. Speculation that the Bank of Japan would expand its quantitative easing programme lifted market sentiment as inflation fell to zero, on the back of the lower global oil price.

3. **Fund Value**

- 3.1 At £3.75 billion, the market value of the Fund, at 31 March 2015, yet again reached an all time high. The Fund generated a return of 5.3% over the quarter mainly due to the strong returns from global equities, followed by positive returns on property and bonds, albeit to a lesser extent.
- 3.2 Over the 2014/15 financial year, the Fund returned 13.6%, well ahead of the return assumptions made by the Actuary in the 2013 valuation. With a return of 17.7%, property assets were the highest performing asset class over the year, with equities a short way behind at 15.2%. The Fund's bond holdings also continued to perform well.

4. **Portfolio of Investments as at 31 March 2015**

- 4.1 A copy of the Staffordshire Pension Fund's portfolio of investments as at 31 March 2015 is attached.

Andrew Burns
Director of Finance and Resources

Contact : Melanie Stokes
Telephone No. (01785) 276330

Background Documents:
Portfolio Evaluation Performance Measurement Data