

Local Members Interest	

PENSIONS PANEL – 1 DECEMBER 2015

Report of the Director of Finance and Resources

PENSION FUND INVESTMENT PERFORMANCE 2015/16

1. Purpose of Report

1.1 To provide, for information;

- i) a summary of performance of the Staffordshire Pension Fund as at 30 September 2015; and
- ii) a portfolio of the Pension Fund’s investments as at 30 September 2015.

2. Performance Summary

2.1 Period

	<u>Fund</u> %	<u>Benchmark</u> %	<u>Relative</u> <u>Performance</u> %
June 2015 Quarter	-2.4	-2.8	0.4
September 2015 Quarter	-3.7	-3.5	-0.2
Financial Year to Date	-6.0	-6.2	0.2

2.2 Global equity markets suffered bouts of extreme volatility over the third quarter of 2015. All major indices finished in negative territory with the MSCI World falling 7.72%.

2.3 Dictating sentiment was China; with markets fearing the world’s second-largest economy could be headed for major slow down in growth. In August the surprise decision to devalue the yuan by Chinese authorities led many to speculate the situation was worse than feared and caused a further stock market sell-off dubbed ‘Black Monday’. From June 12 to August 24, the Shanghai Composite index shed 38% of its value.

2.4 In the US the Federal Reserve (Fed) meeting on 17 September was widely tipped to be the meeting where the US would start the process of raising rates. The Fed has set out clear indicators, particularly based on employment data, for raising rates but with the emerging global issues, particularly based around China, the Fed decided it was not time to raise rates.

- 2.5 In the UK, as in all markets, equities had a disappointing time. UK CPI continued to hover around zero and the Bank of England followed the Federal Reserve in holding interest rates at their historical lows. Solid trade data and positive historical GDP revisions continue to suggest that the UK is in a strong position particularly versus its European peers.
- 2.6 Europe continued to show a modest recovery helped by the Greek debt crisis being resolved. Unemployment fell to 10.9% and Q2 GDP came in at 1.5%. Europe remains firmly two-speed though, with Germany's export driven economy continuing to benefit from quantitative easing derived euro weakness and other Eurozone countries moribund.

3. **Fund Value**

- 3.1 Given equity market performance over the quarter, it was no surprise that the Fund generated a negative return of -3.7%, with the market value of the Fund standing at £3.6 billion at 30 September 2015. However, the Fund is still successfully outperforming the return of its benchmark over the financial year to date with an excess return of 0.2%.
- 3.2 The Fund's Global Equity portfolio (-5.8%) had the biggest impact on the Funds performance this quarter whilst Property was the best performing asset class, with a return of +2.8% over the quarter and a return of +15.4%, for the financial year to date.
- 3.3 Over the longer term, the Fund continues to outperform its benchmark return in the 1, 3 and 5 year time periods, with positive excess returns of 0.9% and 0.8% p.a. in the 3 and 5 year periods respectively.

4. **Portfolio of Investments as at 30 September 2015**

- 4.1 A copy of the Staffordshire Pension Fund's portfolio of investments as at 30 September 2015 is attached.

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Background Documents:

Portfolio Evaluation Performance Measurement Data