

PENSIONS PANEL – 6 DECEMBER 2016

Report of the Director of Finance and Resources

PENSION FUND INVESTMENT PERFORMANCE QUARTER 2 2016/17

1. Purpose of Report

1.1 To provide, for information;

- i) a summary of performance of the Staffordshire Pension Fund as at 30 September 2016; and
- ii) a portfolio of the Pension Fund's investments as at 30 September 2016.

2. Performance Summary

2.1 Period

	<u>Fund</u> %	<u>Benchmark</u> %	<u>Relative Performance</u> %
June 2016 Quarter	5.9	6.2	-0.3
September 2016 Quarter	6.9	6.1	0.8
2016/17 Financial Year to date	13.2	12.6	0.5

- 2.2 The MSCI World Index rose by +4.8% in local currency terms during the third quarter; both Europe and the US had positive quarters with Europe outperforming the US. Emerging Markets (EM) also outperformed domestic markets, with the MSCI EM up +7.59% in local currency terms. China and Brazil were notable outperformers.
- 2.3 The UK had a better than expected quarter following the Brexit vote, there was an initial boost at the beginning of the quarter as markets recovered from the sudden drop at the end of June. This was followed by a more stable period in August and September. The Bank of England cut the base rate to 25bp, from 50bp and also extended its quantitative easing programme. The pound has remained weaker against the Euro and Dollar following the Brexit vote, however, this appears to have helped to boost economic growth.
- 2.4 Oil Prices fell overall during the quarter, albeit they increased towards the end of the period following the agreement by OPEC to limit production. Meanwhile the US Federal Reserve (FED) held interest rates at their September meeting despite rumors they may have been raised. Prior to the US Presidential election there was still speculation that they could rise in December; this may have now changed. Inflation remained below the FED target of 2%, at 1.1%.

- 2.5 In Europe, the European Central Bank (ECB) did not extend its asset purchase scheme as some had hoped. Inflation in Europe remained very low, however manufacturing and car sales were positive. European Banks struggled, with Deutsche Bank in particular seeing a sharp fall in its share price following the announcement of a large fine from the US department for Justice.

3. **Fund Value**

- 3.1 The Fund had a market value of £4.2 billion as at 30 September 2016.
- 3.2 Over the quarter the Fund returned 6.9%, outperforming its strategic benchmark by 0.8%. This was predominantly driven by positive returns from equity markets and the fall in the value of Sterling. However, it was also helped by the fact the Fund is underweight in several lower returning asset classes, such as bonds but is overweight in the higher returning global equities. Private equity, UK equities and Property all outperformed their relative benchmarks.
- 3.3 Longer term, the Fund has outperformed its strategic benchmark by 0.5%, in the year to date and over the 3 and 5 year time periods it continues to outperform its strategic benchmark by 0.3% and 0.7% respectively.

4. **Portfolio of Investments as at 30 September 2016**

- 4.1 A copy of the Staffordshire Pension Fund's portfolio of investments as at 30 September 2016 is attached.

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Background Documents:

Portfolio Evaluation Performance Measurement Data