

Local Members Interest	

## PENSIONS PANEL – 6 JUNE 2017

### Report of the Director of Finance and Resources

#### PENSION FUND INVESTMENT PERFORMANCE 2016/17

#### 1. Purpose of Report

1.1 To provide, for information;

- i) a summary of performance of the Staffordshire Pension Fund as at 31 March 2017; and
- ii) a portfolio of the Pension Fund's investments as at 31 March 2017.

#### 2. Performance Summary

##### 2.1 Period

	<u>Fund</u> %	<u>Benchmark</u> %	<u>Relative</u> <u>Performance</u> %
June 2016 Quarter	5.9	6.2	-0.3
September 2016 Quarter	6.9	6.1	0.8
December 2016 Quarter	4.0	4.1	-0.1
March 2017 Quarter	4.3	4.0	0.3
2016/17 Financial Year	22.9	21.9	0.9

2.2 The positive momentum driving equity markets higher after the US election continued into Q1 with the MSCI World up 6.38%. Europe performed well with the MSCI Europe up 7.44% and Emerging Markets were also strong performers with China, India, South Korea, Mexico and Brazil all up over +10% (all figures quoted are in US Dollar terms).

2.3 During the quarter, the UK applied for Brexit under Article 50 and Scotland threatened a second independence referendum. As both of these occurrences were as expected, they had little market impact and the FTSE continued on a positive trajectory – hitting an all-time high in March 2017. The market currently anticipates that Brexit will become more of a risk in 2018, as negotiations move towards a conclusion.

2.4 In the US, Wall Street also hit a series of record highs over the first two months of 2017, before the rally cooled somewhat in March. Investors were

initially buoyed by President Trump's pro-growth, pro-business proclamations and this sent markets soaring. However, seeds of doubt crept in after he failed to push through his healthcare plan which meant investors became increasingly cautious that he could deliver his plans.

2.5 Emerging Markets had their strongest start to the year, since 2012, as a fall in the US dollar, combined with improving growth prospects on the back of higher commodity prices, saw Emerging Markets outperform Developed Markets.

2.6 In Europe, investor sentiment was lifted by signs that the region's economy was finally improving, with business surveys hitting a five-year high and consumer confidence approaching pre-financial crisis levels. This led some to speculate that the European Central Bank might hike rates later this year. Meanwhile, the Eurozone project was boosted by the failure of anti-EU parties to gain popular support in the elections in Austria and the Netherlands.

### 3. **Fund Value**

3.1 The Fund had a market value of £4.6 billion as at 31 March 2017; the highest reported to date.

3.2 Over the quarter the Fund returned 4.3%, outperforming its strategic benchmark by 0.3%. Equities were the highest returning asset class, followed by Alternatives and Property whilst Bonds were the lowest. Reassuringly, there were no significant underperformances affecting the excess return of the Fund.

3.3 With an absolute return of 22.9% over the year, the Fund has outperformed its strategic benchmark by 0.9%, with the Private equity and Property portfolios being the biggest contributors to the outperformance. Longer term, annualised returns over the 3 and 5 year time periods are in excess of 11% per annum, which is well above the investment return assumptions used by the Actuary, as part of the triennial valuation.

### 4. **Portfolio of Investments as at 31 March 2017**

4.1 A copy of the Staffordshire Pension Fund's portfolio of investments as at 31 March 2017 is attached.

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**Director of Finance and Resources**

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#### Background Documents:

Portfolio Evaluation Performance Measurement Data