

Local Members Interest	

## PENSIONS PANEL – 5 SEPTEMBER 2017

### Report of the Director of Finance and Resources

#### PENSION FUND INVESTMENT PERFORMANCE 2017/18

#### 1. Purpose of Report

1.1 To provide, for information;

- i) a summary of performance of the Staffordshire Pension Fund as at 30 June 2017; and
- ii) a portfolio of the Pension Fund's investments as at 30 June 2017.

#### 2. Performance Summary

##### 2.1 Period

	<u>Fund</u> %	<u>Benchmark</u> %	<u>Relative Performance</u> %
June 2017 Quarter	0.5	0.6	-0.1

2.2 Equity values continued to grow in Q2 2017 with the MSCI World up 4.0%. The US outperformed Europe in local currency terms with the S&P 500 up 2.9% and the MSCI Europe up 1.8%

2.3 During the quarter, the UK held a snap election; initially anticipated to increase the Conservative Party majority, it resulted in a hung parliament, as the Labour Party increased their share of Parliamentary seats. This surprise election caused some volatility during the quarter but overall the FTSE All-Share continued on a positive trajectory, hitting an all-time high of over 7500 before falling back again by the end of June. The value of Sterling remained low, despite the Bank of England Governor suggesting the Bank may be ready to raise interest rates.

2.4 In the US, Wall Street hit record highs, helped by a weakening Dollar. Global investment in the US remained resilient, despite the Federal Reserve increasing interest rates to 1.25% in June and the unpredictability of President Trump's governance.

2.5 Emerging Markets outperformed developed markets during the quarter, helped by a weakened Dollar. China, South Korea and Taiwan were amongst the strongest performers with countries such as Brazil and Russia, which are heavily exposed to commodities, performing less well.

2.6 In Europe, markets reacted well to France electing the Pro-Europe Emmanuel Macron as President. Eurozone inflation reduced to 1.3% year on year, however, the European central bank made suggestions towards the end of the quarter that it may look to raise interest rates going forward.

### 3. **Fund Value**

3.1 The Fund had a market value of £4.7 billion as at 30 June 2017; the highest reported to date.

3.2 Over the quarter the Fund returned 0.5%, slightly underperforming its strategic benchmark by 0.1%. The best performing asset classes relative to their benchmarks were Global Equities and Private Equity but these were offset by UK Equity, Property and Hedge Funds which delivered marginal underperformances, relative to benchmark, this quarter.

3.3 Despite the small underperformance over the quarter, in the longer term the Fund is still outperforming its strategic benchmark. 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 30 June 2017**

4.1 A copy of the Staffordshire Pension Fund's portfolio of investments as at 30 June 2017 is attached.

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**Director of Finance and Resources**

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#### Background Documents:

Portfolio Evaluation Performance Measurement Data