

Local Members Interest	

PENSIONS PANEL – 2 March 2021

Report of the Director of Corporate Services

PENSION FUND INVESTMENT PERFORMANCE Q4 2020

1. Purpose of Report

1.1 To provide, for information;

- i) a summary of performance of the Staffordshire Pension Fund as at 31 December 2020;
- ii) a portfolio of the Pension Fund's investments as at 31 December 2020.

2. Performance Summary

2.1 Period

	<u>Fund</u> %	<u>Benchmark</u> %	<u>Relative Performance</u> %
June 2020 Quarter	12.9	12.5	0.4
September 2020 Quarter	2.4	1.5	0.9
December 2020 Quarter	6.8	6.6	0.2
Financial Year to date	23.5	21.7	1.7

2.2 Global equity markets rallied in Q4 2020, with the MSCI World increasing by 12.4% in local currency terms. The approval of several Covid-19 vaccines, the Brexit deal agreement and optimism over Joe Biden winning the US election all contributed to the rise, but the discovery of a new more contagious variant of Covid-19 subsequently tainted some of the optimism and market gains were reduced.

2.3 In the US, in addition to the election, the approval of a \$900bn stimulus package helped the S&P to return 11.7% over the quarter; financials and energy, helped by an increase in the oil price, were the lead performing sectors.

2.4 Emerging markets outperformed developed markets over the quarter, helped by US dollar weakness. The Hang Seng (Hong Kong) and Nikkei 225 (Tokyo) returned 16.1% and 18.4% respectively. In Europe the energy and auto

sectors benefited from the positive Covid-19 vaccine news and the European Central Bank's €1.8 trillion Pandemic Recovery Fund was approved.

- 2.5 In the UK, an agreement was finally reached with the EU on a free trade deal and the Bank of England announced an extension of its government bond purchases by £150 billion to support the economy. During the quarter, there was growth in the UK manufacturing sector, but a slight contraction in the services sector, due to ongoing Covid-19 restrictions and the second period of lockdown in November.

3. Fund Value

- 3.1 The Fund had a market value of £5.9 billion as at 31 December 2020.
- 3.2 Over the quarter the Fund returned 6.8%, which was just higher than the Fund's Strategic Asset Allocation benchmark return of 6.6%. The best performing asset class relative to its benchmark, was Private Equity.
- 3.3 The Fund has modestly outperformed its strategic benchmark over a 3, 5 and 10-year period. Annualised returns over 10 years are 9.0% per annum, well above the investment return assumptions used by the Actuary as part of the triennial valuation.

4. Portfolio of Investments as at 31 December 2020

- 4.1 A copy of the Staffordshire Pension Fund's portfolio of investments as at 31 December 2020 is attached at Appendix 1.

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Background Documents:
Portfolio Evaluation Performance Measurement Data