

**PENSIONS PANEL – 6 JUNE 2023**

**Report of the Director of Finance**

**PENSION FUND INVESTMENT PERFORMANCE 2022/23**

**Purpose of Report**

1. To provide, for information;
  - (a) a summary of performance of the Staffordshire Pension Fund at 31 March 2023; and
  - (b) a portfolio of the Pension Fund's investments at 31 March 2023 (Appendix 1).

**Performance Summary**

2. <u>Period</u>	<u>Fund</u> %	<u>Benchmark</u> %	<u>Relative</u> <u>Performance</u> %
June 2022 Quarter	-6.1	-6.4	+0.3
September 2022 Quarter	-0.4	-1.5	+1.0
December 2022 Quarter	2.0	0.3	+1.7
March 2023 Quarter	2.9	3.5	-0.6
Financial Year 2022/23	-1.9	-4.3	+2.4

3. Global equities performed strongly over the first quarter of 2023, with the MSCI World Index rising by 7.7%, despite the volatility caused by the collapse of Silicon Valley Bank in the US and the forced takeover of Credit Suisse by UBS. Resilient economic indicators, the reopening of China and the expectation that central banks have done enough tightening to control inflation outweighed a challenging geopolitical backdrop and the threat of recession.
4. In the US, the Federal Reserve (Fed) delivered cumulative policy rate increases of 0.5% during the quarter, leaving the Federal funds target range at 4.75% - 5.0%. Despite this, US equities performed well, with markets appearing to focus on better economic data, such as the increases in the S&P Global Flash US Purchasing Managers' Index and the US non-farm payrolls.
5. In the UK, equities increased over the quarter but lagged global markets. Inflation unexpectedly rose to 10.4% in February (the first increase in four months), leading the Bank of England to increase interest rates by 0.75% during the quarter, in a continued attempt to reduce inflation. Elsewhere, the

UK narrowly avoided recession, with GDP growth for the last quarter of 2022 revised up to 0.1%.

6. In Europe, despite rapidly rising interest rates and the turmoil in the banking sector, European (excluding UK) equity markets outperformed global equities on the back of falling energy prices and the resilience of services activity. Core inflation continued to increase from 5.2% to 5.7%, hence the European Central Bank (ECB) increased interest rates by 1.0% over the quarter, citing the strength of recent economic data.
7. Elsewhere, Japanese equities rose, performing broadly in line with global markets. Asia Pacific (excluding Japan) and emerging market equities also rose marginally, boosted by China's post-pandemic economic re-opening, which is feeding a strong rebound in economic activity in the People's Republic of China.

### **Fund Market Value**

8. The Fund had a market value of £6.6 billion as of 31 March 2023, an increase of £0.2 billion since 31 December 2022.
9. Over the quarter the Fund returned 2.9%, underperforming its Strategic Asset Allocation benchmark return, of 3.5%, by 0.6%. The best performing asset class relative to benchmark was listed equities, in particular global sustainable equities, returning 5.8% versus a benchmark return of 4.5%. Private equity was a detractor to Fund performance over the quarter returning -6.5% which was -9.0% below the private equity benchmark return of 2.5% over the same period.
10. Longer term, the Fund has outperformed its Strategic Asset Allocation benchmark return over a 1, 3, 5 and 10-year period. Annualised returns over 10 years are 8.3% per annum, well above the investment return assumptions used by the Actuary as part of the triennial valuation.

### **Portfolio of Investments at 31 March 2023**

11. A copy of the Staffordshire Pension Fund's portfolio of investments at 31 March 2023 is attached at Appendix 1.

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**Director of Finance**

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Background Documents:  
Portfolio Evaluation Performance Measurement Data