

PENSIONS PANEL – 4 JUNE 2024

Report of the Director of Finance

PENSION FUND INVESTMENT PERFORMANCE 2023/24

Purpose of Report

1. To provide, for information;
 - (a) a summary of performance of the Staffordshire Pension Fund at 31 March 2024; and
 - (b) a portfolio of the Pension Fund’s investments at 31 March 2024 (**Appendix 1**).

Performance Summary

2. Fund performance for the 2023/24 financial year is detailed in the table below:

Performance for Quarter Ending	Fund %	Strategic Benchmark %	Relative Performance %
June 2023	1.70	2.00	-0.30
September 2023	-0.46	0.42	-0.88
December 2023	5.63	5.28	0.35
March 2024	5.28	5.70	-0.42
2023/24 year	12.41	13.95	-1.54

3. Resilient economic data and relatively strong earnings reports helped global equities rally over the first quarter of 2024. The FTSE All-world returned 9.1% the strongest quarter since 2019. Japan was the best performing market over the quarter with the TOPIX growing 18.1%, following the Bank of Japan’s announcement in March of its first interest rate rise in 17 years.
4. Another strong performing quarter for the ‘magnificent seven’ stocks (Apple, Microsoft, Alphabet, Amazon, NVIDIA, Tesla and Meta), led to a positive quarter for US equity markets, with the S&P 500 up over 10%. Interest rates were held by the Federal Reserve (Fed) during the quarter, but rate cut expectations have fallen, with only three reductions now priced in for 2024, rather than the six original forecast by markets back in October 2023. The US dollar rose against the Euro, Sterling, and the Japanese Yen over the first quarter of 2024.
5. The UK equity market underperformed versus international peers in the first quarter of 2024, this being due to the composition of the FTSE 100 plus the poor performance of the UK economy, which was in a technical recession for the end of 2023. The Consumer Price Index (CPI) has continued to fall over

the first quarter of 2024 and the Bank of England is predicting inflation to fall below its 2% target in 2024, helped by the reduction in the energy price cap in April.

6. European markets saw positive returns in the first quarter of 2024 but trailed global markets overall. Inflation in the Eurozone eased to 2.6% in February and the European Central Bank (ECB) maintained interest rates during its first-quarter meetings, although officials hinted at forthcoming rate cuts.
7. Emerging equity markets underperformed developed markets over the quarter, although the Chinese market did rebound from recent lows, as the Chinese Government announced further measures to support the economy.

Fund Market Value

8. The Fund had a market value of £7.533 billion as of 31 March 2024, an increase of £0.354 billion since 31 December 2023.
9. Over the quarter the Fund returned +5.28%, underperforming its Strategic Asset Allocation benchmark return of +5.70%, by -0.42%. Global Active Equities was the highest performing asset class compared to benchmark over the quarter, whilst Private Equity generated the lowest comparative return, due to its low relative performance versus a strongly performing public equity benchmark.
10. Longer term, the Fund has outperformed its Strategic Asset Allocation benchmark return over the 3- and 5-year periods. Annualised returns since inception stand at +7.98% per annum, well above the investment return assumptions used by the Actuary as part of the triennial valuation.
11. A copy of the Staffordshire Pension Fund's portfolio of investments at 31 March 2024 is attached at **Appendix 1**.

Director of Finance

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Background Documents:
Northern Trust Performance Report

Equalities Implications: There are no direct equalities implications.

Legal Implications: There are no direct legal implications.

Resources and Value for Money Implications: There are no direct resources and value for money implications.

Risk Implications: There is risk that the Pension Fund's investments underperform benchmarks.

Climate Change Implications: There are no direct climate change implications arising from this report.

Health Impact Assessment screening – There are no health impact assessment implications arising from this report.