

**WIRRAL COUNCIL**  
**PENSIONS COMMITTEE**  
**4 JULY 2016**

<b>SUBJECT:</b>	<b>INVESTMENT PERFORMANCE</b>
<b>WARD/S AFFECTED:</b>	<b>NONE</b>
<b>REPORT OF:</b>	<b>STRATEGIC DIRECTOR</b> <b>TRANSFORMATION &amp; RESOURCES</b>
<b>KEY DECISION?</b>	<b>NO</b>

**1.0 EXECUTIVE SUMMARY**

- 1.1 This report sets out the investment performance of Merseyside Pension Fund for the fiscal year ended March 2016 as computed and reported by the WM Company.

**2.0 BACKGROUND AND KEY ISSUES**

- 2.1 The Fund returned 1.2 per cent in the financial year to the end of March 2016 compared to its bespoke benchmark return of -0.4 per cent, an outperformance of 1.6 per cent.
- 2.2. Over the financial year to the end of March 2016, asset markets were buffeted by concerns over slowing global growth and the response of many central banks acting over the year to support economic activity. At the beginning of the year investors were anguishing over a possible Grexit from the EU. Relief finally came in July when a resolution to the Greek bail-out program was accepted by both the Greek Government and its creditors. There were positive developments elsewhere in Europe as economic growth surprised on the upside, the unemployment rate moved lower.

In August, however, there was a sharp reversal in mood. Evidence of a slowing Chinese economy became more pronounced and this prompted the Chinese regime to pursue a significant devaluation of the Yuan. Slowing Chinese growth caused particular pain for the global commodity markets and the price of oil fell to a decade low of \$27 per barrel. Amidst the turmoil the European Central Bank suggested that, if necessary, it could increase its quantitative easing programme. In the US the Federal Reserve postponed a rise in interest rates that had been anticipated for the September meeting; A small increase of a quarter of a percentage point to 0.5% was voted through in December once markets and commodity prices had rebounded from their low levels.

Concerns over China continued to dominate investors' attention through the first quarter of 2016 causing another sell off in equities and corporate bonds and a flight to the traditional 'safe-haven' assets such as developed market government bonds and precious metals. However, concerns abated somewhat into the end of quarter end as central banks detailed yet further monetary policy accommodation.

Against the challenging economic backdrop global equity markets struggled to deliver positive returns. For UK based investors the UK and European stock markets both delivered negative 4% returns, Asia Pacific including Japan delivered a negative return of 5.9% and Emerging Markets suffered the most with a negative return of 10%. Of the major regions only the US S&P 500 Index delivered positive returns of +4%, but this was driven by the strength of the US dollar against Pounds Sterling rather than a broad positive move in the underlying US stock prices.

The property market sector continued to deliver strong returns rising over 11% during the year with capital value growth contributing 6.4% and income 5%.

In fixed income, renewed demand for safe-haven assets helped to send long-term interest rates near historic lows across developed markets. This drove a positive performance from UK government bonds with returns over the year of 2.9%.

- 2.3. The performance of the Fund against its benchmark and against CPI and UK average weekly earnings indices for 1, 3, and 5 year periods is tabulated below.

	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>
MPF	<b>1.2</b>	<b>6.5</b>	<b>7.1</b>
Benchmark	<b>-0.4</b>	<b>4.8</b>	<b>5.9</b>
Relative Return	<b>1.2</b>	<b>1.7</b>	<b>1.2</b>
CPI	<b>0.2</b>	<b>0.6</b>	<b>1.5</b>
Average Earnings	<b>1.8</b>	<b>2.5</b>	<b>1.6</b>

Source: WM Quarterly Review Periods to End March 2016

### **3.0 RELEVANT RISKS**

- 3.1 The performance of the Fund, relative to its benchmark, is a key indicator of the successful implementation of the Fund's investment strategy which is established with a view to meeting the Fund's liabilities over the long-term.

### **4.0 OTHER OPTIONS CONSIDERED**

- 4.1 Not relevant for this report

### **5.0 CONSULTATION**

- 5.1 Not relevant for this report

### **6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS**

- 6.1 None associated with the subject matter.

## **7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

7.1 There are no implications arising directly from this report

## **8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS**

8.1 The Fund returned 1.2 percent in the financial year ending March 31 2016 and outperformed its bespoke benchmark which returned -0.4 per cent over the comparable period.

## **9.0 LEGAL IMPLICATIONS**

9.1 There are no implications arising directly from this report

## **10.0 EQUALITIES IMPLICATIONS**

10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

## **11.0 CARBON REDUCTION IMPLICATIONS**

11.1 There are no carbon usage implications, nor any other relevant environmental issues arising from this report.

## **12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

12.1 There are no planning or community safety implications arising from this report.

## **13.0 RECOMMENDATION/S**

13.1 Members note the report.

## **14.0 REASON/S FOR RECOMMENDATION/S**

14.1 The performance of the Fund, relative to its benchmark, is a key indicator of the successful implementation of the Fund's investment strategy which is established with a view to meeting the Fund's liabilities over the long-term.

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## **APPENDICES**

NONE

## **BACKGROUND PAPERS/REFERENCE MATERIAL**

The WM Company – Merseyside Pension Fund Quarterly Performance Review.

## BRIEFING NOTES HISTORY

Briefing Note	Date

## SUBJECT HISTORY (last 3 years)

Council Meeting	Date
A report on the Fund's investment performance is brought annually to Pensions Committee	