

# WIRRAL COUNCIL

## PENSIONS COMMITTEE

18 SEPTEMBER 2017

<b>SUBJECT:</b>	<b>INVESTMENT PERFORMANCE</b>
<b>WARD/S AFFECTED:</b>	<b>NONE</b>
<b>REPORT OF:</b>	<b>MANAGING DIRECTOR FOR DELIVERY</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 2017.

### 2.0 BACKGROUND AND KEY ISSUES

- 2.1 The Fund returned 21.45 per cent in the financial year to the end of March 2017 compared to its bespoke benchmark return of 17.79 per cent, an outperformance of 3.11 per cent.
- 2.2. Global geopolitical developments provided the most significant headwinds to investment markets over the financial year to the end of March 2017.

On June 23 2016 the United Kingdom voted to leave the European Union leading to a sharp correction in UK focused equity prices and a depreciation of sterling of around 7 per cent on a trade-weighted basis.

However, once the markets had digested the ramifications of the unanticipated referendum outcome, asset prices recovered over a short period and were given a further impetus by the Bank of England's Monetary Policy Committee on 4 August when it announced a package of measures to support the economy including a cut in Bank Rate and expanded asset purchases.

Markets were caught off guard for the second time over the period with the surprise result of the US election.

On 8 November the US S&P 500 futures plunged as much as 6 per cent, 10-year Treasury yields declined by almost 20 basis points, and the dollar weakened by 2 per cent against a basket of currencies.

Once again, markets recovered quickly and in the first few days after the election equity prices and bond yields rose on expectations of faster growth and higher corporate profits in the United States, and on an anticipated shift towards a more expansionary fiscal policy, lower taxes, and a relaxation of regulation. In particular, campaign pledges to launch a 1\$trillion fiscal stimulus package equivalent to around

5 per cent of US GDP, and to cut personal and corporate taxes, added further momentum to an upward shift in market sentiment.

Notwithstanding the uncertainties of the general market environment investment returns were positive across all major asset classes over the period with risk assets (equities) outperforming traditional safe haven assets (bonds) and real assets such as property.

Stock markets throughout the developed world generated double digit returns with the United States and Japan returning over 30 per cent, Europe 25 percent and the UK over 18 per cent in sterling terms. The UK market benefited from the depreciation in sterling following “Brexit” given that around two thirds of revenues from the largest listed companies are generated overseas.

Bond markets, with higher inflation expectations and a rise in US interest rates priced in also generated positive returns with index linked bonds benefiting from heightened inflation expectations.

The annualised performance of the Fund against its benchmark over 1, 3 and 5 year periods is tabulated below.

	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>
<b>MPF</b>	21.45	11.44	10.72
<b>Benchmark</b>	17.79	9.19	8.63
<b>Relative Return</b>	3.11	2.06	1.92

### **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 longer term liabilities.

### **4.0 OTHER OPTIONS CONSIDERED**

4.1 Not relevant for this report

### **5.0 CONSULTATION**

5.1 Not relevant for this report

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

6.1 There are no implications arising directly from this report

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

7.1 The Fund returned 21.45 percent in the financial year ending March 31<sup>st</sup> 2017 and outperformed its bespoke benchmark which returned 17.79 per cent over the comparable period.

## **8.0 LEGAL IMPLICATIONS**

8.1 There are no implications arising directly from this report

## **9.0 EQUALITIES IMPLICATIONS**

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

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

## **10.0 CARBON REDUCTION IMPLICATIONS**

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

## **11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

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

## **12.0 RECOMMENDATION/S**

12.1 Members note the report.

## **13.0 REASON/S FOR RECOMMENDATION/S**

13.1 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

**SUBJECT HISTORY (last 3 years)**

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