

By: Chairman Superannuation Fund Committee
Corporate Director of Finance

To: Superannuation Fund Committee – 15 March 2019

Subject: **FUND POSITION STATEMENT**

Classification: Unrestricted

Summary: To provide a summary of the Fund asset allocation and performance.

FOR DECISION

INTRODUCTION

1. The Fund Position Statement is attached in Appendix 1.
2. The Quarter being reported saw very significant falls in equity markets, particularly in October. Markets have recovered very strongly since then with January seeing UK equities increase by 4.1% and Global Equities by 4.5%. The extract from Sarasin's quarterly report attached in Appendix 2 gives a thoughtful analysis of where markets are.

INVESTMENT RETURN QUARTER TO 31 DECEMBER

2. The Fund fell in value by 8.40% compared with the benchmark fall of 5.48%.
3. Global and UK both fell by over 10% in the Quarter.
4. Of the equity managers only the Schroders UK equity mandate fell by less than the benchmark.

INVESTMENT RETURN ONE YEAR

5. The impact of the Quarter on the one-year return at Fund level was to put performance behind the benchmark (-2.88% against -0.20%).
6. The DTZ Property mandate is performance measured on a calendar year basis. The final MSCI numbers have yet to be received but current indications are that the customized benchmark return will be c7.5%. This will be reported more fully to the June meeting of the Committee.

EVALUATION

7. The performance in the last Quarter is clearly concerning and reinforces the Fund's dependency on equities. The strong performance of equity markets to date in 2019 is making good the losses.
8. In the past virtually all local authority pension funds used to participate in the WM performance monitoring service which allowed the Fund to compare itself with its peers. This service ceased two years ago. One of the commercial attempts to fill this gap is run by CEM and the Fund participates along with 40 other local authority pension funds including six other ACCESS funds (Cambridgeshire, East Sussex, Essex, Isle of Wight, Northamptonshire and Suffolk) with a total value of £206bn and 347 global funds with a total value of £7.3tr. The headline results of their latest report as at 31 December 2018 are:
 - (1) The Fund's five-year return at 9% was above both the LGPS median of 8.6% and the Global median of 7.9%.
 - (2) Net value added is the component of total return from active management. The Fund's five-year net value added of 0.7% compares to a median of 0.1% for the LGPS universe and 0.2% globally.

ASSET ALLOCATION

9. The Committee is formally required to consider asset allocation at each meeting. Members are asked to consider whether they wish to reduce the equity allocation in light of the rise in equity markets.

RECOMMENDATION

10. Members are asked to:
 - (1) Note the fund performance.
 - (2) Consider any changes to asset allocation.

Nick Vickers
Business Partner (Pension Fund)
Tel: 07920 428575
E-mail: nick.vickers@kent.gov.uk