

By: Chairman Superannuation Fund Committee
Corporate Director of Finance

To: Superannuation Fund Committee – 15 November 2019

Subject: **FUND POSITION STATEMENT**

Classification: Unrestricted

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

FOR INFORMATION

INTRODUCTION

1. The Fund Position Statement is attached in the Appendix.

INVESTMENT RETURN QUARTER TO 30 SEPTEMBER

2. Market returns were generally positive with the exception of Emerging Markets equities.
3. The Fund had an unusually poor quarter with most equity managers underperforming, in fact of the active managers only Schroders UK equities and Sarasin global equities outperformed the benchmark. The Woodford return also significantly detracted from performance.
2. The most important thing to say about the quarter is that its far too short a period in which to judge the managers. However there are some issues worthy of consideration:
 - Baillie Gifford- the Committee has reduced the mandate size and this now seems well judged. They have been very reliant on internet related companies and the very strong performance of these companies has dissipated.
 - M&G- this is a portfolio based on a strong conviction is a particular style, dividend growth, and it predominantly a retail fund.
 - Schroders Global Active value- value stocks continue to underperform, the MSCI AC World value index lagged the Growth index by 8.6% for the year as a whole.

INVESTMENT RETURN 1 YEAR TO 30 SEPTEMBER

5. The poor quarter also impacts on the 12 month return figures. Again only Schroders UK equities and Sarasin global equities outperformed the benchmark.

6. The Fund has benefitted over a long period from strong returns from Baillie Gifford global equities and there has been a dip in performance. The Schroders Global Active Value and the M&G Global Dividend both performed poorly.
7. The strong performance of Goldman Sachs should be highlighted. Officers met with them in September and their long term buy and hold strategy saw most of their strategies adding value.
8. The disappointing absolute returns from the two Absolute Return managers is also of concern. These strategies emphasize protection of principal but they seem unable to achieve the target returns.

ASSET ALLOCATION

9. The Committee is formally required to consider asset allocation at each meeting. The Investment Strategy report makes a recommendation on using surplus Cash to invest in Multi Asset Credit.

RECOMMENDATION

10. Members are asked to note this report.

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