

By: Chairman Superannuation Fund Committee  
Corporate Director of Finance

To: Superannuation Fund Committee – 4 September 2020

Subject: **FUND POSITION**

Classification: Unrestricted

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

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## **FOR INFORMATION**

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### **INTRODUCTION**

1. This report provides an update on the asset allocation and manager performance.
2. A copy of the Fund Position Statement is at appendix 1.

### **ASSET ALLOCATION**

3. As at 30 June 2020 the fund's value was £6.542bn, an increase of £818m over the quarter and table 1 below compares the actual asset allocation at 30 June 2020 to that set out in the Fund's Investment Strategy.

**Table 1 asset allocation**

Asset Class	Fund		Benchmark	Over / (under) weight
	£m	%	%	%
UK Equity	1,213	18.5	23.5	-5.0
Global Equity *	2,781	42.5	32	10.5
Fixed Income	869	13.3	15	-1.7
Private Equity	139	2.1	4	-1.9
Infrastructure	60	0.9	3.5	-2.6
Property	737	11.3	13	-1.7
Absolute Return	517	7.9	8	-0.1
Cash *	226	3.5	1	2.5
<b>Total</b>	<b>6,542</b>	<b>100</b>	<b>100</b>	

\* £100m withdrawn from Baillie Gifford on 29.06.2020 and held as internally managed cash

4. Most asset classes rose in value during the quarter with the exception of property. Global equities rose by some £555m, 25%, resulting in the percentage of the Fund in global equities rising to 42.5%, an increase of 3.6%, despite the withdrawal of £100m from the Baillie Gifford fund at the end of June. The Fund was overweight in equities by some 5.5% at 30 June.

5. The value of the Fund's property portfolio fell by £30m over the 3 months and our direct property holdings in particular lost some value. The percentage of the Fund now invested in property has fallen to 11.3%, below the benchmark allocation.
6. The value of the Woodford fund fell in the 3 months being valued at £30m at the end of the period.

### **INVESTMENT PERFORMANCE QUARTER TO 30 JUNE 2020**

7. Overall the Fund's investments performed well in the June quarter achieving a return of 14.31% compared with a benchmark return of 8.31%.
8. Most managers other than property outperformed their benchmarks over the quarter with the best performance being achieved by Baillie Gifford who outperformed the benchmark by 20%.
9. The Fund's fixed income and absolute return managers' performances bounced back from significant underperformance in the March quarter. CQS in particular achieved a strong return after struggling in March.
10. The returns on the Fund's property portfolio were negative in the quarter and, with the exception of the M&G residential fund, managers underperformed reflecting the challenges of that asset class especially in the retail and leisure sectors.

### **LONGER TERM INVESTMENT RETURNS**

11. Over the longer term the Fund has performed ahead of benchmark.
12. The 1-year performance is 1.87% vs the benchmark of -0.91% and the Fund's improved returns reflect the recovery in the June quarter after a disappointing performance in the run up to the end of March. For the 3-year period the Fund's return was 4.91% pa against the benchmark of 4.28% pa.
13. The Fund's positive returns mainly reflect the strong performance of the Baillie Gifford fund as other managers despite strong performances in the June quarter underperformed their benchmarks. Both the Schroders GAV fund and Pymford significantly lag the benchmark and are giving cause for concern.
14. The returns from property over the 3-year period are positive and ahead of the benchmark due to strong returns being achieved prior to the difficulties of recent months.

### **RECOMMENDATION**

15. Members are asked to note the report.

**Alison Mings**  
**Treasury and Investments Manager**  
[Alison.mings@kent.gov.uk](mailto:Alison.mings@kent.gov.uk)