

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 12 June 2019
Report Subject	Economic and Market Update
Report Author	Clwyd Pension Fund Manager

EXECUTIVE SUMMARY

The purpose of the report is to provide Committee Members with an economic and market update for the quarter.

This report covers the period ending 31 March 2019

After a dismal end to proceedings in 2018, markets have rebounded well in the first quarter of 2019. Significantly, after starting the year in positive fashion, equities managed to push on to produce one of the sharpest two month corrections in several years. Despite the strength of equity returns, many investors understandably seem resistant to buy into this rally after being severely wounded in October and December. Due to these bruising returns last year this rally remains somewhat unloved.

Markets saw positive returns across the board and were led by developed equity markets. The US market saw returns of 11.3% in the quarter, which contributed to a twelve month return of 17.5%. In the UK the FTSE All-Share Index delivered a return of 9.4% outpacing many other developed markets (with the exception of the US). This follows 2018, where the UK lagged most other developed markets for much of the year, due in part to the Brexit cloud.

It is clear from the data that the global economy is slowing. Economists are regularly lowering their GDP growth forecasts this year and next. Forward looking data supports the view that the current cycle has further to run, with PMIs, in a number of countries, starting to rebound from recent lows. Also slower growth is not automatically a bad thing.

A continuation of the economic cycle, clear visibility on central banks' interest rates and marginally reduced uncertainties on the global horizon are all reasons to be positive at present.

RECOMMENDATIONS

1	To note and discuss the Economic and Market Update 31 March 2019.
2	To note how the information in the report effectively “sets the scene” for what the Committee should expect to see in the Investment Strategy and Manager Summary report in terms of the performance of the Fund’s asset portfolio.

REPORT DETAILS

1.00	INVESTMENT AND FUNDING RELATED MATTERS
1.01	Economic and Market Update 31 March 2019 The economic and market update for the quarter from the Fund’s Investment Consultant is attached and will be presented at Committee. The report contains the following sections: <ul style="list-style-type: none">• Market Background – section contains key financial markets data during the period in question including performance of specific markets including equities, bonds, inflation and currencies.• Economic Statistics – section contains key economic statistics during the period in question including Gross Domestic Product (GDP) Growth, Inflation, Unemployment and Manufacturing• Market Commentary – section provides detailed commentary on the economic and market performance of major global regions and financial markets (including alternative assets).
2.00	RESOURCE IMPLICATIONS
2.01	None directly as a result of this report.
3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None directly as a result of this report.
4.00	RISK MANAGEMENT
4.01	None.
5.00	APPENDICES
5.01	Appendix 1 – Economic and Market Update Period Ending 31 March 2019.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Economic and Market Update Period Ending 31 December 2018.</p> <p>Contact Officer: Philip Latham, Clwyd Pension Fund Manager Telephone: 01352 702264 E-mail: philip.latham@flintshire.gov.uk</p>
7.00	GLOSSARY OF TERMS
7.01	<p>A list of commonly used terms are as follows:</p> <ul style="list-style-type: none"> (a) Absolute Return – The actual return, as opposed to the return relative to a benchmark. (b) Annualised – Figures expressed as applying to 1 year. (c) Duration – The weighted average time to payment of cashflows (in years), calculated by reference to the time and amount of each payment. It is a measure of the sensitivity of price/value to movements in yields. (d) Market Volatility – The impact of the assets producing returns different to those assumed within the actuarial valuation basis, excluding the yield change and inflation impact. (e) Money-Weighted Rate of Return – The rate of return on an investment including the amount and timing of cashflows. (f) Relative Return – The return on a fund compared to the return on index or benchmark. This is defined as: Return on Fund minus Return on Index or Benchmark. (g) Three-Year Return – The total return on the fund over a three year period expressed in percent per annum. (h) Time-Weighted Rate of Return – The rate of return on an investment removing the effect of the amount and timing of cashflows. (i) Yield (Gross Redemption Yield) – The return expected from a bond if held to maturity. It is calculated by finding the rate of return that equates the current market price to the value of future cashflows. <p>A comprehensive list of investment terms can be found via the following link:</p> <p>http://www.barings.com/ucm/groups/public/documents/marketingmaterials/021092.pdf</p>