

Local Authority Pension Performance Initial Indicators Q2 2016

Latest Quarter

In the period to end June 2016 we expect that the average Local Authority pension fund returned **5.6%**, the best quarterly result of the last three years. This result was perhaps surprising given the uncertainty that surrounded markets.

The EU referendum was the key influencer of markets in the quarter to end June. Optimism and an increased level of certainty about the UK staying in was replaced by shock when the country voted to leave.

The immediate response was a lowering of growth expectations but this did not result in any immediate new fiscal measures with interest rates remaining unchanged and no new quantitative easing implemented.

Gilt yields had lowered prior to the EU vote before falling sharply afterwards with ultra-long gilts ending the quarter at a historic low of 1.6%

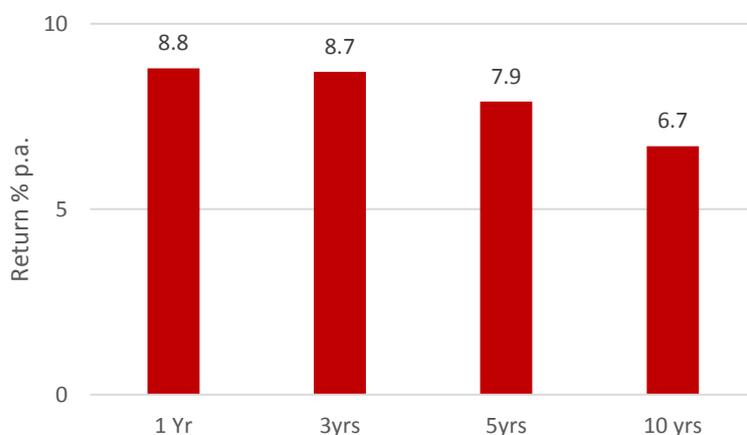
Global equities were up slightly over the quarter but most UK pension funds are unhedged and therefore these gains were greatly enhanced by the relative strength of all currencies relative to Sterling.

UK equities performed relatively well given the shock news of the referendum decision – this was largely because of the relatively high level of overseas earnings amongst the largest quoted companies, while oil & gas stocks continued their recent momentum due to the current commodity price recovery.

Longer Term

Despite recent volatility the longer term results are extremely strong, with the average fund returning in excess of 6% pa over all longer term periods- well ahead of inflation and actuarial assumptions.

Local Authority Pension Fund Long Term Returns



The latest quarter indicators are based on the final asset allocation of the PIRC Local Authority Universe with index returns applied. Long term results are built up from the PIRC Local Authority Universe. As at end March this Universe was valued at £70 bn. The historical returns have a near perfect correlation with the results previously provided by State Street/ WM Company (Correlation = 1.00)



LOCAL AUTHORITY PENSION PERFORMANCE ANALYTICS

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