

## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Tuesday, 22 March 2016
<b>Report Subject</b>	Economic and Market Update
<b>Report Author</b>	Chief Executive

### 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 December 2015.

The economic and market environment during the quarter has been mixed with the following key contributors driving much of the sentiment:

- Lower economic growth than had been forecast
- Concerns regarding the extent of the slowdown in China
- The continued slump in the price of Oil

Despite the uncertain outlook, markets rallied strongly over the quarter with strong returns across many Growth assets (Commodities aside). The returns from UK Government Bonds were negative during the quarter due to a rise in yields.

### RECOMMENDATIONS

1	To note and discuss the Economic and Market Update 31 December 2015.
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

<b>1.00</b>	<b>INVESTMENT AND FUNDING RELATED MATTERS</b>
1.01	<p><b>Economic and Market Update 31 December 2015</b></p> <p>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:</p> <ul style="list-style-type: none"><li>• <b>Market Background</b> – section contains key financial markets data during the period in question including performance of specific markets including equities, bonds, inflation and currencies.</li><li>• <b>Economic Statistics</b> – section contains key economic statistics during the period in question including Gross Domestic Product (GDP) Growth, Inflation, Unemployment and Manufacturing</li><li>• <b>Market Commentary</b> – section provides detailed commentary on the economic and market performance of major global regions and financial markets (including alternative assets).</li></ul>
<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None directly as a result of this report.
<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	None directly as a result of this report.
<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	None.
<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 – Economic and Market Update Period Ending 31 December 2015.
<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>Economic and Market Update Period Ending 30 September 2015.</p> <p><b>Contact Officer:</b> Philip Latham, Clwyd Pension Fund Manager <b>Telephone:</b> 01352 702264 <b>E-mail:</b> philip.latham@flintshire.gov.uk</p>

**7.00 GLOSSARY OF TERMS**

7.01

A list of commonly used terms are as follows:

- (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.

**A comprehensive list of investment terms can be found via the following link:**

<http://www.barings.com/ucm/groups/public/documents/marketingmaterials/021092.pdf>