

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Tuesday, 8 November 2016
Report Subject	Economic and Market Update
Report Author	Pension Finance 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 30 September 2016.

The economic and market environment during the third quarter continued to be dominated by the UK's decision to leave the EU. Key contributors driving sentiment include:

- The sharp fall in Sterling
- Political uncertainties such as the impact of Brexit and the run up to the US Presidential election
- Central Bank intervention

Despite the continued uncertainty in markets, positive returns were seen across all Equity markets with returns to the Sterling investor boosted by the fall in the currency. Property returns were negative over the quarter whilst the Sterling based Commodities index return was negative due to the sharp depreciation of Sterling relative to the US\$. However Commodity returns in US\$ terms continued to rise in the third quarter.

RECOMMENDATIONS

1	To note and discuss the Economic and Market Update 30 September 2016.
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	<p>Economic and Market Update 30 September 2016</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">• 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	<p>Economic and Market risks will impact on the Fund's investment return.</p> <p>Funding and Investment Risks F3 & F4</p>

5.00	APPENDICES
5.01	Appendix 1 – Economic and Market Update Period Ending 30 September 2016.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Economic and Market Update Period Ending 30 June 2016.</p> <p>Contact Officer: Debbie Fielder, Pension Finance Manager</p>

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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>