

# Smart Pension Investment Report

As at 29th December 2017



[www.AutoEnrolment.co.uk](http://www.AutoEnrolment.co.uk)



# Smart Pension Investment Report

**Strong performance continued in 2017 for Smart's investment funds with Lifestyle Default 1 gaining 2.15% in December resulting in an annual increase of 10.8% before fees as at the 29th December 2017.**

## Commentary

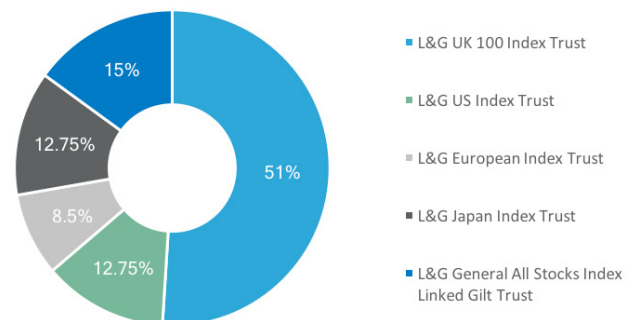
All funds performed positively throughout December, and once again Smart Pension members invested in Lifestyle Default 1 will have benefited from a 10% strategy performance in 2017. As we have been anticipating throughout our monthly notes in 2017, global equity markets finished the year, at or close to record highs. The strong year-end rally was in part due to the first major policy win for the US Trump administration with the passing of the ambitious and far-reaching Trump tax plan. Time will tell if the facts match up to the Trump bluster or not but, for now, markets are content with the fact that the Trump administration is able to function effectively and get policy passed.

Looking forward to the new year we see no reason to expect anything other than more of the same:

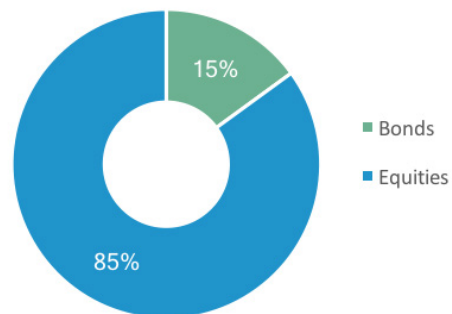
- Global equity markets to continue to perform strongly led by the US, and Japan was driven by accommodative policy.
- In the UK, the well-established correlation between the British Pound and the FTSE100 remains intact, but for the time being the Pound is finding some support which may slow gains in the index.
- Interest rate gains to remain capped well below historical lows.
- Global growth to remain low.

The headlines are likely to remain dominated by Brexit domestically, and Trump internationally, both of which carry a significant potential risk for markets. However, we remain confident that Smart members are invested appropriately for another positive year of growth.

## Lifestyle Default 1 Regional Allocation



## Lifestyle Default 1 Asset Allocation



# Auto Enrolment Master Trust Report December 2017

## Gross Strategy Performance as at close 29/12/2017

(Source Bloomberg)

All performance numbers shown are on a rolling period basis so 1y figures are for the 12 months up to and including 29th December 2017.

### Overview

#### Auto Enrolment Master Trust Funds

	1m	3m	6m	1y	3y	5y
Lifestyle Default 1	2.15	4.22	5.13	10.83	35.87	74.41
Lifestyle Default 2	1.59	3.06	3.68	7.71	25.85	53.33
Lifestyle Default 3	1.04	1.88	2.22	4.58	15.69	31.90
Lifestyle Default 4	0.44	0.55	0.55	0.99	3.79	6.64
GLMT (LGIM Diversified Fund)		2.3	4.4	9.6	33.0	58.7
Sharia	1.49	5.31	7.79	15.65	53.21	

#### Source Funds

	1m	3m	6m	1y	3y	5y
L&G UK 100 Index Trust	3.04	4.15	5.29	11.77	30.03	59.17
L&G US Index Trust	1.92	6.24	7.24	10.75	55.45	142.58
L&G European Index Trust	-0.14	0.59	2.87	16.84	44.83	97.09
L&G Japan Index Trust	0.77	7.58	8.31	14.00	61.90	117.19
L&G Cash	0.02	0.06	0.10	0.20	0.63	1.03
L&G General All Stocks Index Linked Gilt Trust	1.84	1.93	1.37	1.60	11.86	19.06

#### Benchmarks

	1m	3m	6m	1y	3y	5y
FTSE100 (Div. Reinvested)	5.03	5.03	6.94	11.95	31.96	62.59
Blackrock Sterling Liquidity Fund	0.02	0.06	0.10	0.21	1.04	0.00
MSCI World Index (GBP)	1.58	5.66	9.51	17.26	28.52	88.61

## How we invest

**Effective lifestyling:** We created Default Funds to suit members' needs through their working lives.

**High quality investments:** We use funds which are cost-effective and provide the purest form of index tracking.

**Diversification:** We split investments across different geographical locations and use investment funds holding large numbers of stocks and shares.

## What we invest: Lifestyle Default Funds

The Default funds allocate members' pension assets depending on their age and time until retirement. There are five Default Funds. Most members will be invested in Default Fund 1 which is designed for men and women up to the age of 58 years. As members get older, they will progress through the other Default Funds until retirement. In most of a member's working life we are choosing investments to grow value whilst they can afford to take more risk. Then as a member approaches retirement, we reduce the investment risk by using a different mix of investment assets. This is called a 'lifestyling' arrangement.

Each Default Fund consists of a collection of Exchange-Traded Funds (ETFs). These are investment funds that hold assets such as stocks and bonds, managed by Legal and General Investment Management (LGIM). The Default Funds each hold a selection of these ETFs to deliver appropriate returns at acceptable levels of risk.

## Benchmarks

A Benchmark sets an expectation used to measure an investment and put its performance in context; with the choice of appropriate indices e.g. FTSE 100, a benchmark forms an objective test of the effectiveness of an investment strategy.

The benchmarks we include:

**FTSE100:** The Financial Times Stock Exchange 100 Index is an index of the 100 companies listed on the London Stock Exchange with the highest market capitalization.

**Blackrock Sterling Liquidity Fund:** The Fund invests in a broad range of fixed income securities (such as bonds) and money market instruments (MMIs).

**MSCI World Index (GDP):** Morgan Stanley Capital International's World Index is used as a common benchmark for 'world' or 'global' stock funds. It uses Gross Domestic Product (GDP) of nations to allocate an appropriate weighting to each stock market.

**Dow Jones Islamic Titans 100:** The Fund includes

thousands of broad-market, blue-chip, fixed income securities and indices that have passed rules-based screens for Sharia compliance.

## Funds

Each Default Fund contains a mix of investments. A fund pools together the money from investors and invests into different assets e.g. cash, bonds, equities. We spread members' pension pots across large numbers of shares to reduce the risk of any one investment under-performing. We do this using a type of unit trust called Exchange-Traded Funds or ETFs that are particularly cost-effective.

The funds we use include:

### 1. L&G UK 100 Index Trust

This fund aims to track the return of the FTSE 100 index in a low-cost way. It buys every share in this index in appropriate proportions, providing the purest form of index tracking and reducing risks.

### 2. L&G US Index Trust

This fund tracks the return of the FTSE World USA index. It employs a straightforward, low cost and pragmatic approach to passive fund management.

### 3. L&G European Index Trust

This fund tracks the return of the FTSE World Europe ex UK index. It includes a broad spread of listed companies across the continent which provides a wealth of investment opportunities due to its diversity.

### 4. L&G Japan Index Trust

This fund aims to track the return of the FTSE World Japan Index, which provides broad exposure to listed companies in Japan. It is a low-cost and efficient way to invest in Japanese equities.

### 5. L&G Cash

This fund aims to maintain capital and provide returns in line with money market rates by investing in a range of money market securities denominated in sterling. These securities offer a better rate of return than cash without taking equity risks.

### 6. L&G all stocks index linked gilt Trust

This fund aims to provide a higher return than the L&G Cash fund with a combination of income and growth (if the income is reinvested) by tracking the performance of the FTSE Actuaries British Government Index- Linked All Stocks Index. It holds fixed interest, longer-dated stocks.

## Measuring performance

Each Default Fund holds underlying unit trusts in different proportions and to calculate its performance we use those proportions and the returns on each of these unit trusts, comparing against appropriate benchmarks.

## Auto Enrolment Master Trust Report December 2017

All performance numbers shown are on a rolling period basis so 1y figures are for the 12 months up to and including 29th December 2017.

### Lifestyle Default 1

Funds	Weighting	1m	3m	6m	1y	3y	5y
L&G UK 100 Index Trust	51.00%	1.55	2.12	2.70	6.00	15.31	30.18
L&G US Index Trust	12.75%	0.24	0.80	0.92	1.37	7.07	18.18
L&G European Index Trust	8.50%	-0.01	0.05	0.24	1.43	3.81	8.25
L&G Japan Index Trust	12.75%	0.10	0.97	1.06	1.79	7.89	14.94
L&G General All Stocks Index Linked Gilt Trust	15.00%	0.28	0.29	0.21	0.24	1.78	2.86
	<b>100.00%</b>	<b>2.15</b>	<b>4.22</b>	<b>5.13</b>	<b>10.83</b>	<b>35.87</b>	<b>74.41</b>
<b>Benchmark</b>							
MSCI World Index (GBP)	100.00%	1.58	5.66	9.51	17.26	28.52	88.61
FTSE100	100.00%	5.03	5.03	6.94	11.95	31.96	62.59

### Lifestyle Default 2

Funds	Weighting	1m	3m	6m	1y	3y	5y
L&G UK 100 Index Trust	35.50%	1.08	1.47	1.88	4.18	10.66	21.01
L&G US Index Trust	9.00%	0.17	0.56	0.65	0.97	4.99	12.83
L&G European Index Trust	6.00%	-0.01	0.04	0.17	1.01	2.69	5.83
L&G Japan Index Trust	9.00%	0.07	0.68	0.75	1.26	5.57	10.55
L&G Cash	25.50%	0.01	0.02	0.03	0.05	0.16	0.26
L&G General All Stocks Index Linked Gilt Trust	15.00%	0.28	0.29	0.21	0.24	1.78	2.86
	<b>100.00%</b>	<b>1.59</b>	<b>3.06</b>	<b>3.68</b>	<b>7.71</b>	<b>25.85</b>	<b>53.33</b>
<b>Benchmark</b>							
MSCI World Index (GBP)	70.00%	1.10	3.96	6.66	12.09	19.97	62.02
Blackrock Sterling Liquidity Fund	30.00%	0.01	0.02	0.03	0.06	0.31	0.00
	<b>100.00%</b>	<b>1.11</b>	<b>3.98</b>	<b>6.68</b>	<b>12.15</b>	<b>20.28</b>	<b>62.02</b>

## Auto Enrolment Master Trust Report December 2017

All performance numbers shown are on a rolling period basis so 1y figures are for the 12 months up to and including 29th December 2017.

### Lifestyle Default 3

Funds	Weighting	1m	3m	6m	1y	3y	5y
L&G UK 100 Index Trust	20.50%	0.62	0.85	1.08	2.41	6.16	12.13
L&G US Index Trust	5.00%	0.10	0.31	0.36	0.54	2.77	7.13
L&G European Index Trust	3.50%	-0.00	0.02	0.10	0.59	1.57	3.40
L&G Japan Index Trust	5.00%	0.04	0.38	0.42	0.70	3.10	5.86
L&G General All Stocks Index Linked Gilt Trust	15.00%	0.28	0.29	0.21	0.24	1.78	2.86
L&G Cash	51.00%	0.01	0.03	0.05	0.10	0.32	0.53
	<b>100.00%</b>	<b>1.04</b>	<b>1.88</b>	<b>2.22</b>	<b>4.58</b>	<b>15.69</b>	<b>31.90</b>
<b>Benchmark</b>							
MSCI World Index (GBP)	40.00%	0.63	2.26	3.80	6.91	11.41	35.44
Blackrock Sterling Liquidity Fund	60.00%	0.01	0.04	0.06	0.13	0.63	0.00
	<b>100.00%</b>	<b>0.64</b>	<b>2.30</b>	<b>3.86</b>	<b>7.03</b>	<b>12.04</b>	<b>35.44</b>

### Lifestyle Default 4

Funds	Weighting	1m	3m	6m	1y	3y	5y
L&G UK 100 Index Trust	5.00%	0.15	0.21	0.26	0.59	1.50	2.96
L&G Cash	80.00%	0.02	0.05	0.08	0.16	0.51	0.82
L&G General All Stocks Index Linked Gilt Trust	15.00%	0.28	0.29	0.21	0.24	1.78	2.86
	<b>100.00%</b>	<b>0.44</b>	<b>0.55</b>	<b>0.55</b>	<b>0.99</b>	<b>3.79</b>	<b>6.64</b>
<b>Benchmark</b>							
FTSE100	5.00%	0.25	0.25	0.35	0.60	1.60	3.13
Blackrock Sterling Liquidity Fund	95.00%	0.02	0.06	0.09	0.20	0.99	0.00
	<b>100.00%</b>	<b>0.27</b>	<b>0.31</b>	<b>0.44</b>	<b>0.80</b>	<b>2.59</b>	<b>3.13</b>

### Sharia

Funds	Weighting	1m	3m	6m	1y	3y	5y
HSBC AMANAH GLOBAL Equity	100%	1.49	5.31	7.79	15.65	53.21	N/A

## Meet the team



### Fund managers

Investment funds are managed by a team at Legal and General Investment Management with average industry experience of 15 years, of which ten years has been at LGIM. The team is focused on achieving the equally important objectives of close tracking and maximising returns.

### Professional, experienced trustees oversee your work place pension.

We've ensured that a team of experienced, professional trustees with decades of experience between them in overseeing large pension schemes is in place to serve our clients and their employees. The trustees ensure pension legislation is followed, act in the best interests of members (now and in the future), and invest the scheme's assets in line with the trust deed.



#### Andy Cheseldine

Chair of the Board of Trustees

Andy is renowned for his deep knowledge and wealth of expertise in the pensions industry and has accrued more than 35 years of experience in consulting on defined benefit and defined contributions arrangements. His inclusion in the Top 50 People in Pensions Awards in 2015 and the Top 25 most influential investment consultants in the last five years is a testament to his reputation. Andy is an award-winning former partner at financial services firm Lane Clark & Peacock, a previous senior consultant at human resources firm Aon Hewitt and at Sedgewick Noble Lowndes, and has also served on the Pensions and Lifetime Savings Association Defined Contributions Council for more than 13 years.



#### Paul Jebson

Trustee

Paul has been a Trustee of the Standard Chartered pension scheme since 2003, and presently chairs their

Investment Committee. Paul was Managing Director, Global Head of Fund Management at Standard Chartered and is now also a Non-Executive Director of Sentosa Asian Credit Fund (a Singapore managed Asian fixed income fund).



#### Darren Agombar

Trustee

Darren has worked within the financial markets for over 25 years and has a wealth of experience in investing in a wide spectrum of asset classes. He has studied behavioural finance, and has gained a high level of expertise in the application of behavioural finance to investing and understanding investor behaviour. Darren is the Chief Investment Officer of a privately owned, independent investment management firm as well as the founder of Claradan, a company that provides behavioural analysis and strategies to businesses specialising in financial markets and services.



#### Anna Eagles

Trustee

Anna is a pensions actuary by background and a Fellow of the Institute and Faculty of Actuaries, with 22 years' experience advising trustees and corporate sponsors across DC, DB and hybrid schemes. Before joining Law Debenture, she was with Willis Towers Watson Ltd. Anna's experience includes handling the winding-up of a DC arrangement with many investment options including with-profits funds; feasibility analyses of wind-ups of legacy DC arrangements with unit-linked and with-profits investments and bulk transfers of DC to Master Trusts.

### Our investment management strategy

The trustees are responsible for the investment strategy of our Master Trust. We understand that financial expertise in balancing performance, risk and cost is key here and are delighted to be leveraging the deep expertise of our trustees with investment advice from Barnett Waddingham, the UK's largest independent provider of actuarial, administration, investment, workplace health and wealth and consultancy services to pension schemes and other clients.

#### Legal Disclaimer

The value of investments may go up or down due to fluctuations in currencies, financial markets and other risk factors. Default Funds may not fulfil their objectives; performance is not guaranteed and future performance may not be in line with the past. This report has been created by Smart Pension and is valid at the date it is published. It has been created for general information only and does not constitute specific legal advice or opinion. You should not rely on any of the information contained within this report without seeking further advice from qualified investment advisors. The facts and data contained in this report shall not be copied, made available, reproduced, extracted or published within your business, for commercial purposes, or to the public or any other purposes unless Smart Pension gives you consent. While we regularly review information and material provided in our report, and take steps to ensure it is easy to understand and accurate, we do not provide any guarantee or warranty in relation to material in our report or accept liability for any errors, incompleteness, inaccuracies or omissions. Should you find an error, please email us immediately at [content@smartpension.co.uk](mailto:content@smartpension.co.uk) to alert us.