

# Smart Pension Investment Report

As at 30th June 2018



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



# Smart Pension Investment Report

## Commentary

The new investment strategy went live on 4th April and the default Growth fund 'Smart Growth – Moderate' climbed 7.6% during the quarter exceeding its benchmark and performing in line with manager expectations.

## Global Equity Markets

Following a difficult start to the year, equity markets were again volatile in the second quarter, as fears mounted over the ongoing trade dispute between the United States and China. Investors worried about US tariffs on US\$50 billion of Chinese imports and China's subsequent retaliation with similar tariffs on US imports. Europe also made the headlines, with Italian and German politics particularly in focus. Despite the trade dispute, uncertain political outlook in Europe and high levels of volatility, equity markets in the major developed economies continued to grind higher over the period. This was set against a backdrop of steady global growth, gradually rising inflation rates and still accommodative monetary policy. On a regional basis, US equities were among the leading global performers, while European equities also delivered positive returns for investors. Given the focus on the potential impact of the trade conflict with China, emerging market (EM) equity indices were weak, and underperformed their developed world counterparts.

## Global Government Bonds

The performance of developed market 10-year government bond yields diverged further in the second quarter. US yields rose higher, while both UK and core European rate fell modestly. In the US, investors continued to weigh up the implications of President Donald Trump's fiscal stimulus and strong payrolls data. Amid the strength in the economy, the US Federal Reserve raised its benchmark interest rate from 1.75% to 2.0%. This contributed to the modest rise in overall US

government yields. Although the European Central Bank (ECB) announced its long-awaited tapering of quantitative easing, there was a 'dovish' tone to the announcement, with the first-rate hike now indicated to be in September 2019. In the UK, gilt yields mirrored moves in core mainland European government bond markets, with 10-year rates falling modestly.

## Global Currency Markets

The key move in currency markets over the second quarter of the year was the sharp rise in the value of the US dollar. The strength in the world's reserve currency was driven by the US Federal Reserve continuing to raise interest rates, as well as an increase in demand for safe-haven assets amid rising geopolitical tensions between the US and China – the world's two largest economies. Safe-haven demand also boosted the value of the Japanese yen over the quarter. In contrast, more cyclical currencies such as the euro and sterling fell back amid the market volatility. In continental Europe, the euro was weak given the dovish comments from ECB president Mario Draghi and rising political concerns in both Italy and Germany. In the UK, meanwhile, the pound weakened as worries over ongoing Brexit negotiations more than offset the fact that the Bank of England was more hawkish than expected, with a rate rise expected in the third quarter. The performance of emerging market currencies was weak over the quarter. The weakness was most pronounced in emerging economies running large current account deficits, notably Argentina, Turkey, Brazil and South Africa, while in contrast Asian currencies held up relatively well as economic fundamentals in the region continued to be more supportive. However, the Chinese yuan still fell notably against the dollar amid the US – China trade dispute.

# Smart Pension Quarterly Investment Report

## April 2018 – June 2018

### Growth Phase

	Asset Class	Smart Growth Cautious	Smart Growth Moderate (Default)	Smart Growth Speculative
LGIM UK FTSE 100 Equity Index Fund	Equity	40%	50%	50%
LGIM World (ex UK) Developed Equity Index Fund	Equity	30%	25%	25%
LGIM All Stocks Index Linked Gilt Fund	Fixed Income	20%	15%	10%
LGIM North America Equity Index Fund	Equity	10%	10%	15%
<b>Total</b>		<b>100%</b>	<b>100%</b>	<b>100%</b>

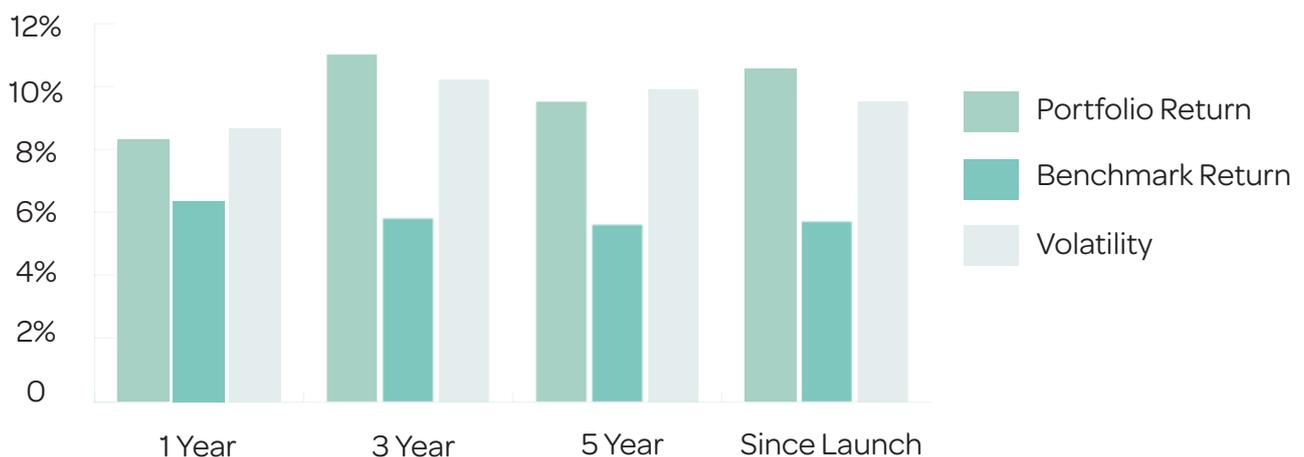
### Performance Overview

#### Smart Growth Moderate (Default) - Cumulative Returns

	1m	3m	6m	1y	3y	5y
Fund	0.2	7.6	2.4	8.3	33.2	48.7
Benchmark (UK CPI 4%)	0.5	1.6	3.2	6.3	17.0	27.5

#### Smart Growth Moderate (Default) - Annualised Returns

	1y	3y	5y
Fund	8.3	11.0	9.7
Benchmark (UK CPI 4%)	6.5	5.8	5.4



## How we invest

**Model strategies or do-it-yourself:** We have built some model strategies designed with a mixture of investments that you can use or you can choose your own investments from our selection.

**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.

### Funds

We invest your pension contributions into a Legal & General fund and offer a number of different funds which are tailored for you based on your age. There are currently sixteen different funds you can choose from. You can choose to manage your investment yourself or opt for one of our model strategies. We also offer a Sharia fund for members wishing their pension contributions to be compliant with Islamic law.

To learn more about fund selection, visit [autoenrolment.co.uk/fund-selection](https://www.autoenrolment.co.uk/fund-selection).

#### 1. Smart Growth Fund – Higher risk

This fund carries a higher risk of fluctuation to your savings but has the potential for high growth, though this is not guaranteed.

#### 2. Smart Growth Fund – Moderate risk

This fund has been created so that it will typically suit most of our members, it has the medium level of risk of these funds.

#### 3. Smart Growth Fund – Lower risk

This fund carries the lowest risk of loss but also reduced likelihood of a high return, but it may be suitable if you are concerned about volatility.

#### 4. Smart De-risking Fund

This fund has been created so that it will typically suit most of our members who are approaching their target retirement age and would like a lower level of volatility than the Smart growth.

#### 5. Smart Lower Risk Fund

This fund has been created so that it will typically suit most of our members who are approaching their target retirement age and would like an even lower level of volatility than the Smart growth funds and the de-risking fund.

#### 6. Smart UK FTSE 100 Equity Index Fund

Aims to track the return of the FTSE 100 Index, which

contains the largest listed companies on the UK stock market.

#### 7. Smart World (ex UK) Developed Equity Index Fund

Aims to track the performance of the FTSE Developed (ex UK) Index, which provides broad exposure to large and mid-cap companies in the developed world, excluding the UK.

#### 8. Smart North America Equity Index Fund

Aims to track the return of the FTSE USA Index, which provides broad exposure to companies in the North American equity market.

#### 9. Smart World Emerging Markets Equity Index Fund

Aims to track the return of the FTSE All-World Emerging Index, which provides access to key emerging economies including Brazil, Russia, India and China.

#### 10. Smart All Stocks Index – Linked Gilts Index Fund

Aims to track the return of the FTSE Actuaries British Government Index – Linked All Stocks Index, which features UK government bonds with returns linked to the Retail Price Index (RPI).

#### 11. Smart Overseas Bond Index Fund – GBP Hedged

Aims to invest in different types of bonds, including corporate and government bonds both in the UK and overseas.

#### 12. Smart Cash Fund

Aims to maintain capital and provide a return in-line with money market rates by investing in a range of money market securities denominated in sterling.

#### 13. Smart Income Fund

Aims to provide long-term investment growth up to and during retirement, to facilitate the drawdown of retirement income.

#### 14. Smart Annuity Fund

Aims to invest in a way which matches the broad characteristics of investments underlying the pricing of a typical non-inflation linked annuity.

#### 15. Smart Sharia Fund

Aims to create long term appreciation of capital through investment in a diversified portfolio of securities which meets Islamic investment principles.

#### 16. Smart Ethical Global Equity Index Fund

Aims to track a filtered index, which excludes companies that operate in industries that breach certain ethical criteria.

# Smart Pension Quarterly Investment Report

## April 2018 – June 2018

### Smart Growth Cautious

	1m	3m	6m	1y	3y	5y
Fund	0.20	6.49	1.82	7.04	18.39	26.97
Benchmark (UK CPI 3%)	0.5	1.3	2.7	5.3	14.0	22.7

### Smart Growth Speculative

	1m	3m	6m	1y	3y	5y
Fund	0.30	8.28	2.32	8.73	27.88	39.97
Benchmark (UK CPI 5%)	0.6	1.8	3.7	7.3	20.0	32.5

### De Risking Phase

	Asset Class	Smart Lower Risk	Smart De Risking (Default)	Smart Cash
LGIM UK FTSE 100 Equity Index Fund	Equity	5%	25%	
LGIM World (ex UK) Developed Equity Index Fund	Equity		25%	
LGIM All Stocks Index Linked Gilt Fund	Fixed Income	10%	15%	
LGIM North America Equity Index Fund	Equity			
LGIM Cash	Cash	85%	25%	100%
LGIM Overseas Bond Index Fund - GBP Hedged	Fixed Income		10%	
<b>Total</b>		<b>100%</b>	<b>100%</b>	<b>100%</b>

### Smart De Risking

	1m	3m	6m	1y	3y	5y
Fund	0.26	4.87	1.41	4.92	15.89	26.71
Benchmark (UK CPI +2%)	0.35	1.0	2.1	4.3	11.0	17.5

### Smart Lower Risk

	1m	3m	6m	1y	3y	5y
Fund	0.02	0.61	0.29	0.84	1.93	3.28
Benchmark (UK CPI +1%)	0.3	0.82	1.65	3.30	7.95	12.5

# Smart Pension Quarterly Investment Report

## April 2018 – June 2018

### Smart Cash

	1m	3m	6m	1y	3y	5y
Fund	0.04	0.11	0.21	0.36	1.11	2.06
Benchmark (3m LIBOR)		0.67				

### Smart Pension Fund Overview

#### Smart Blended Funds

	1m	3m	6m	1y	3y	5y
Smart Growth - Cautious	0.20	6.49	1.82	7.04	18.39	26.97
Smart Growth - Moderate						
Smart Growth - Speculative	0.30	8.28	2.32	8.73	27.88	39.97
Smart De Risking	0.26	4.87	1.41	4.92	15.89	26.71
Smart Lower Risk	0.02	0.61	0.29	0.84	1.93	3.28
Smart Income	0.11	1.95	-0.39	3.64	23.46	
Smart Cash	0.04	0.11	0.21	0.36	1.11	2.06
Smart Diversified	-0.16	2.78	-0.12	4.26	32.02	50.99

#### Self-Select Funds

	1m	3m	6m	1y	3y	5y
LGIM UK FTSE 100 Equity Index Fund	-0.25	9.58	1.63	8.62	32.44	49.13
LGIM World (ex UK) Developed Equity Index Fund	0.66	7.81	3.02	9.94	57.27	93.66
LGIM All Stocks Index Linked Gilt Fund	-0.68	-1.01	-0.90	1.84	24.89	48.33
LGIM North America Equity Index Fund	1.44	10.13	5.08	12.55	65.00	110.86
LGIM Cash	0.04	0.11	0.21	0.36	1.11	2.06
LGIM Overseas Bond Index Fund - GBP Hedged	0.27	-0.23	-0.18	0.48	6.15	15.82
LGIM Retirement Income Multi Asset Fund	0.11	1.95	-0.39	3.64	23.46	
LGIM Diversified	-0.16	2.78	-0.12	4.26	32.02	50.99
LGIM World Emerging Markets Equity Index Fund	-3.11	-2.51	-4.51	5.83	35.81	46.69
HSBC ANANAH GLOBAL Equity	0.59	9.72	4.50	11.61	32.75	59.09
LGIM Ethicla Global Index Fund	0.76	7.63	2.06	8.81	51.73	87.55

## 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 workplace 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.



**Darren Agombar**  
Chief Investment Officer

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

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