

1. INTRODUCTION

- 1.1. This report presents the performance of the Pension Fund investments up to 30 September 2024 and since manager inception. More detailed information on the financial markets and individual managers can be found in **Appendices A and B**.

FINANCIAL MARKET DATA

- 1.2. A summary of financial market returns to 30 September 2024 is shown in Table 1 below, in percentages.

TABLE 1: FINANCIAL MARKET RETURNS Q3 2024

Market Returns		Quarter	1 Year	3 Years (annualised)
EQUITIES	FTSE all world	0.8	20.2	8.8
	UK FTSE All Share	2.3	13.4	7.4
	Europe (ex UK)	0.0	15.3	5.6
	North America	0.1	23.7	11.3
	Japan	0.7	10.7	3.2
	Asia (ex-Japan)	0.3	18.1	4.5
	Emerging Markets	4.8	17.0	2.8
UK gilts		2.3	2.0	-6.9
ILGs		1.4	1.55	-11.8
Corp bonds		2.3	2.7	-2.7
UK Property		1.8	2.9	0.3
Commodities (approx.)		-7.9	-12.6	1.5
Cash - 3m LIBOR		0.0	0.0	0.0
RPI (UK) Inflation		0.3	2.7	8.0
US CPI (Inflation)		-5.3	-6.9	4.8

- 1.3. Global Economic Overview: In the third quarter of 2024, global economic activity exhibited mixed signals. The United States experienced stronger-than-anticipated Gross Domestic Product (GDP) growth, bolstered by resilient consumer spending and a robust labour market. Conversely, China's economy showed signs of deceleration, with GDP growth falling short of expectations, largely due to challenges in the property sector and subdued domestic demand. In the Eurozone, Germany's economy remained stagnant, with manufacturing output declining, contributing to a broader regional slowdown. Central banks worldwide continued to adjust monetary policies in response to evolving economic conditions. The Federal Reserve implemented a 50-basis point rate cut in September, aiming to support economic growth amid concerns of a potential slowdown. Similarly, the European Central Bank reduced rates by 25 basis points in September, responding to softening inflation and economic activity indicators. In the UK, the Bank of England enacted its first rate cut in four years in August, reflecting efforts to stimulate the economy amid flat GDP growth and persistent inflationary pressures.
- 1.4. UK Economic Conditions: The UK economy remained subdued in Q3 2024, with GDP growth stagnating. The Bank of England's monetary tightening policies, including the August rate cut, aimed to balance stimulating growth while controlling inflation. However, the new Prime Minister's warning of a "painful" autumn budget, indicating potential tax increases and spending cuts, added to economic uncertainties. Inflation ticked up slightly to 2.2% in September, surpassing the Bank's 2.0% target, prompting cautious optimism about future rate cuts.

1.5. Equity Market Performance:

- **Global Equities:** The FTSE All-World Index rose by 0.8% over the quarter, reflecting modest gains amid global economic uncertainties.
- **UK Equities:** The FTSE All-Share Index increased by 2.3%, supported by declining inflation and a weaker pound, which benefited exporters.
- **Europe (ex-UK):** European equities remained flat, with the MSCI EMU Index showing no change, as economic data, particularly in manufacturing, remained disappointing.
- **North America:** US equities saw a marginal increase of 0.1%, with sector performances mixed. Utilities and real estate sectors outperformed, while information technology posted only a small advance.
- **Japan:** Japanese equities rose by 0.7%, benefiting from a weaker yen, which supported exporters, despite domestic economic challenges.
- **Asia (ex-Japan):** Equities in this region gained 0.3%, with markets like China performing strongly due to announced stimulus measures, while South Korea lagged due to a sell-off in technology stocks.
- **Emerging Markets:** Emerging market equities advanced by 4.8%, outperforming developed markets, driven by monetary policy easing in the US and China, and strong performances in markets like Thailand and China.

1.6. Fixed Income and Commodities

- **UK Gilts:** Delivered solid quarterly gains as the Bank of England's recent rate cut helped stabilize yields, although long-term returns remain under pressure.
- **Index-Linked Gilts (ILGs):** Posted modest growth this quarter, reflecting inflation adjustments, but long-term performance continues to face significant headwinds.
- **Corporate Bonds:** Held steady with moderate gains, supported by favourable yield movements amid central bank actions and global economic adjustments.
- **Commodities:** Continued to decline, driven primarily by falling oil prices due to global economic concerns and supply-side adjustments.

1.7. Property and Inflation

- **UK Property:** The UK property market showed resilience, with a 1.8% increase over the quarter, indicating a potential stabilization after previous declines.
- **Inflation:** UK inflation ticked upward, exceeding the Bank of England's target, driven by persistent price pressures. Meanwhile, US inflation showed mixed signals, reflecting regional economic disparities.

In summary, Q3 2024 presented a complex economic landscape, with regional disparities in growth and market performance. Central banks' monetary policy adjustments played a crucial role in shaping financial markets, while geopolitical developments and domestic policies added layers of uncertainty. Investors remained cautious, balancing opportunities against potential risks in a dynamically evolving global economy.