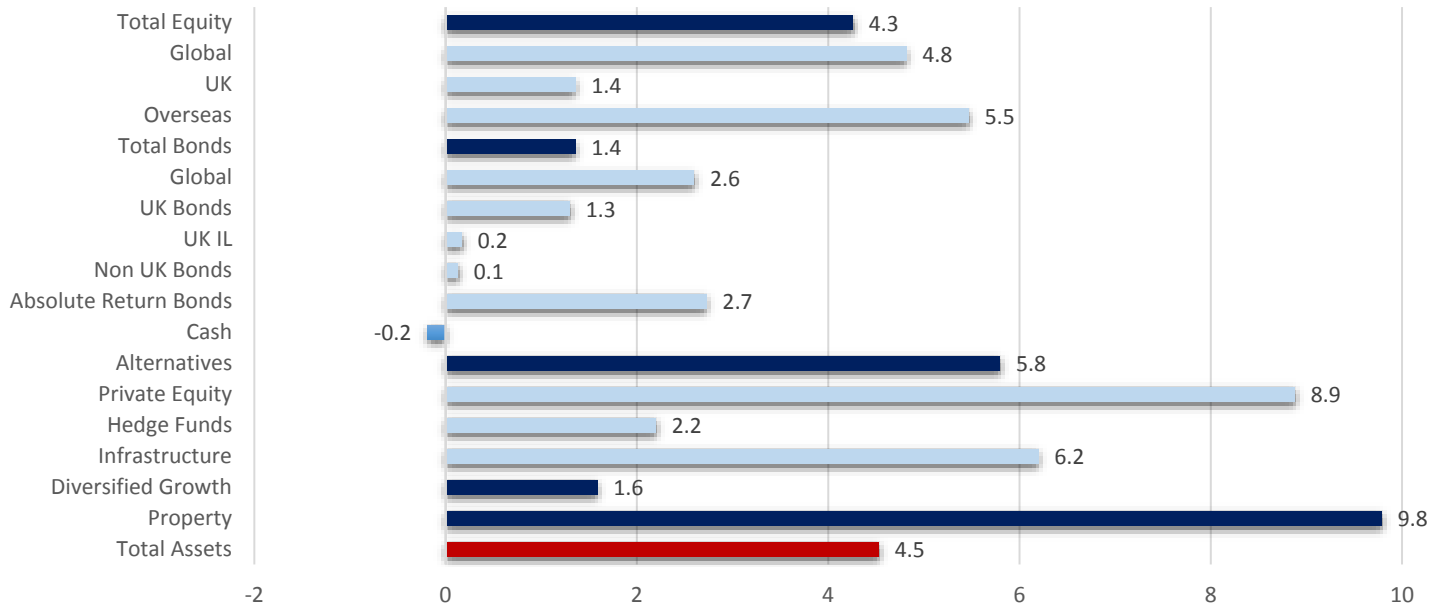


## Hammersmith & Fulham Pension Fund Performance Summary For Periods to End March 2018

### Universe Overview - Latest Year

#### Latest Year Performance



- Despite a relatively difficult environment for investors the average local authority fund produced a return of 4.5% for the year
- This was below the long term average but the return was ahead of inflation and broadly in line with actuarial assumptions.
- Asset returns were tightly grouped with bonds, equities and alternatives returning 1%, 4%, and 6% respectively for the year.
- Most funds outperformed their benchmarks by a small margin.

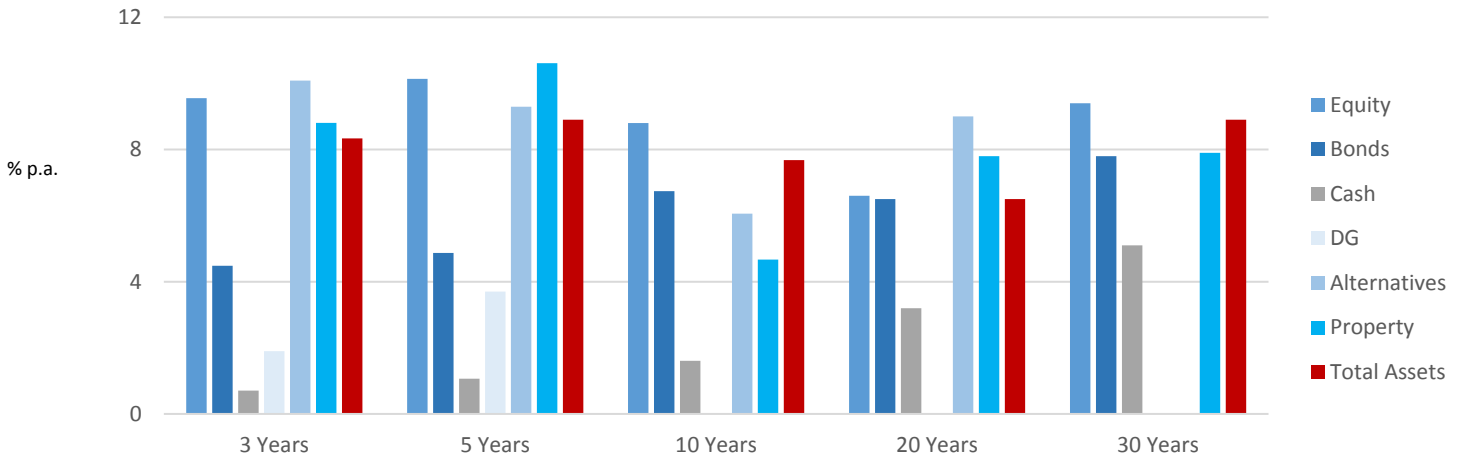
### Asset Allocation

- Funds saw the largest reduction in equity exposure since the LGPS began as funds continued the move to less 'risky' assets.
- There was also a focus on income generating assets as many funds are now faced with the possibility of negative cash flow.

% Allocation	End March		
	2017	2018	Change
<b>Equities</b>	<b>62</b>	<b>55</b>	<b>-7</b>
<i>UK</i>	<i>20</i>	<i>15</i>	<i>-5</i>
<i>Overseas</i>	<i>42</i>	<i>40</i>	<i>-2</i>
<b>Bonds</b>	<b>15</b>	<b>18</b>	<b>3</b>
<i>UK</i>	<i>8</i>	<i>8</i>	<i>-</i>
<i>Global</i>	<i>3</i>	<i>4</i>	<i>1</i>
<i>Overseas</i>	<i>1</i>	<i>1</i>	<i>-</i>
<i>Absolute Return</i>	<i>3</i>	<i>5</i>	<i>2</i>
<b>Cash</b>	<b>2</b>	<b>3</b>	<b>1</b>
<b>Alternatives</b>	<b>10</b>	<b>11</b>	<b>1</b>
<i>Private Equity</i>	<i>5</i>	<i>5</i>	<i>-</i>
<i>Infrastructure</i>	<i>2</i>	<i>3</i>	<i>1</i>
<i>Hedge Funds</i>	<i>3</i>	<i>3</i>	<i>-</i>
<b>Diversified Growth (DG)</b>	<b>3</b>	<b>4</b>	<b>1</b>
<b>Property</b>	<b>8</b>	<b>9</b>	<b>1</b>

## Universe Longer Term Results

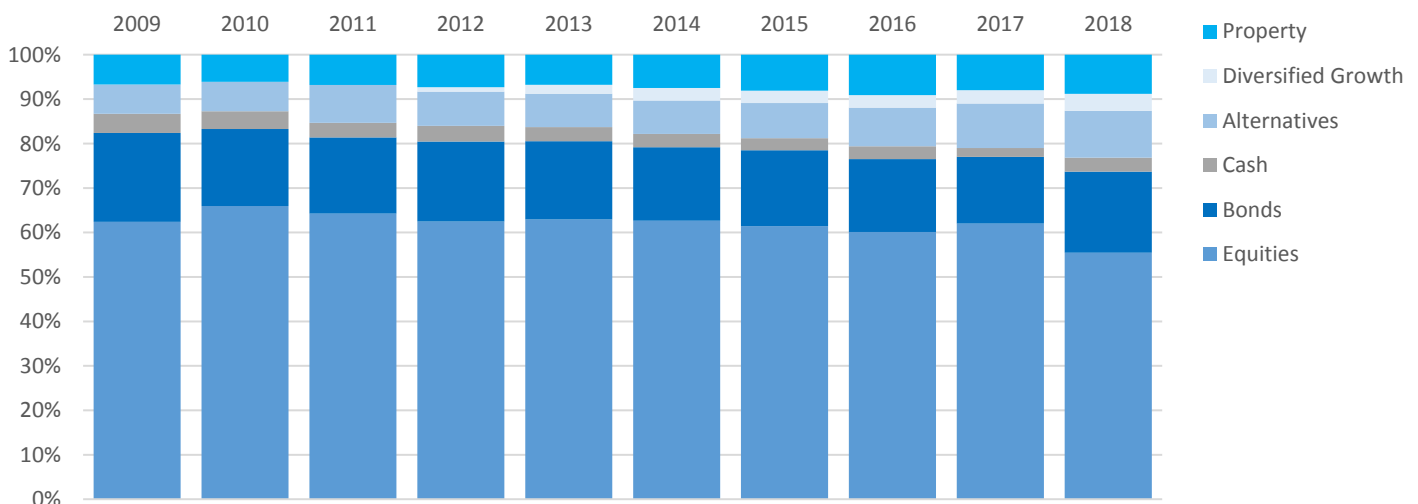
- Long term performance of the LGPS has been excellent. The average funds delivered a positive return in 25 of the last 30 years and delivered an annualised performance of 9% p.a.
- Equities have driven the strong long term performance.
- Alternatives have performed strongly due in a large part to the good returns from private equity.
- Bonds have performed well over the longer term assisted by 'quantitative easing' and strong demand from pension funds.



Equity	9.6	10.1	8.8	6.6	9.4
Bonds	4.5	4.9	6.7	6.5	7.8
Cash	0.7	1.1	1.6	3.2	5.1
Alternatives	10.1	9.3	6.1	9.0	-
DG	1.9	3.7	-	-	-
Property	8.8	10.6	4.7	7.8	7.9
<b>Total Assets</b>	<b>8.3</b>	<b>8.9</b>	<b>7.7</b>	<b>6.5</b>	<b>8.9</b>

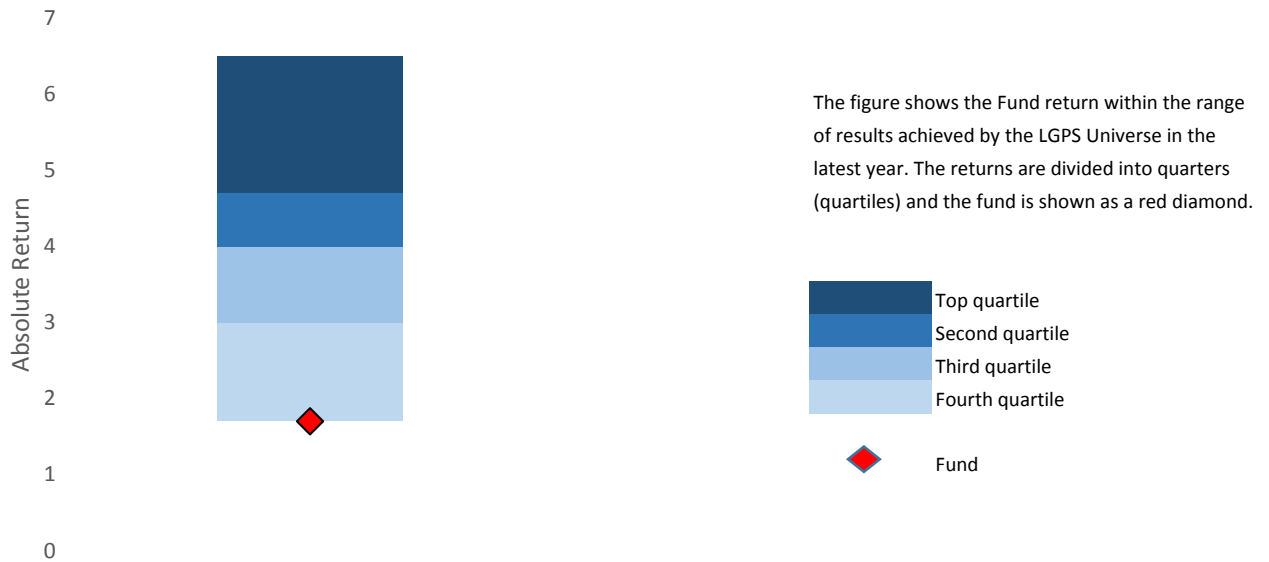
## Asset Allocation

- Equities remain the largest allocation within most fund's assets. Three quarters of this allocation is now invested overseas.
- Alternatives have increased markedly over the decade. Private equity makes up a half of this allocation with infrastructure increasing in recent years and expected to increase further.
- Within the bond allocation, there has been a marked move from index based towards absolute return mandates.



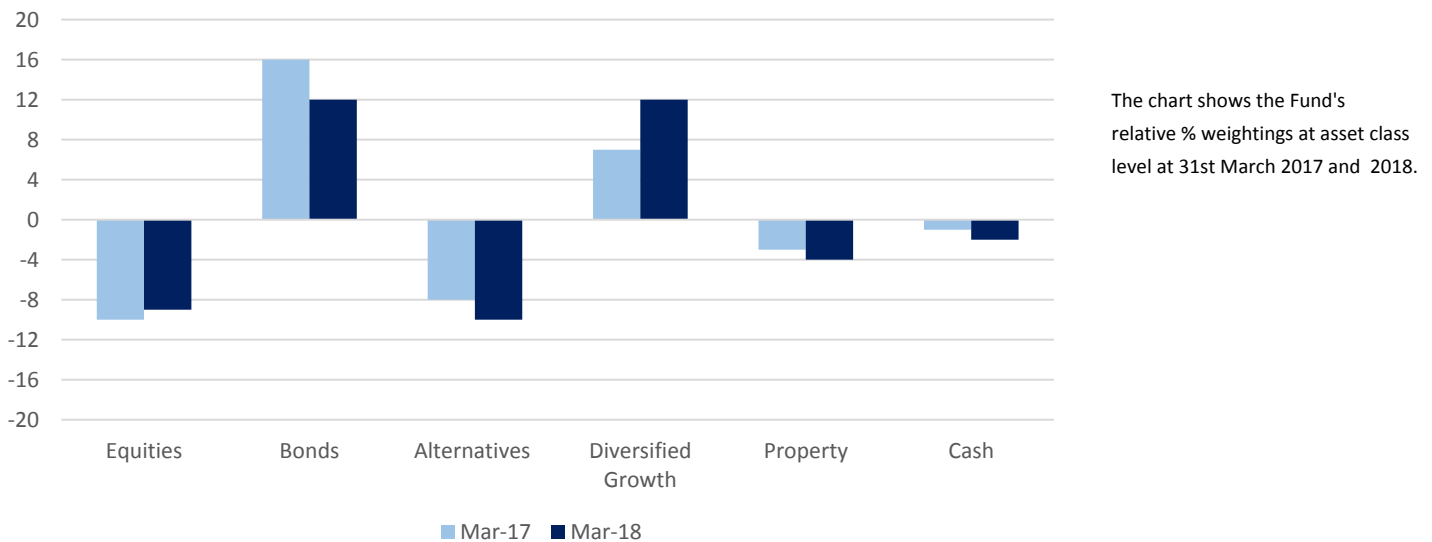
## Fund Performance - Latest Year

- The Fund return of 1.7% was below the average and ranked in the 95th percentile.
- Equity selection, where the Fund ranked 97th percentile had a large drag on the relative performance.
- Asset allocation was also detrimental as can be seen below.



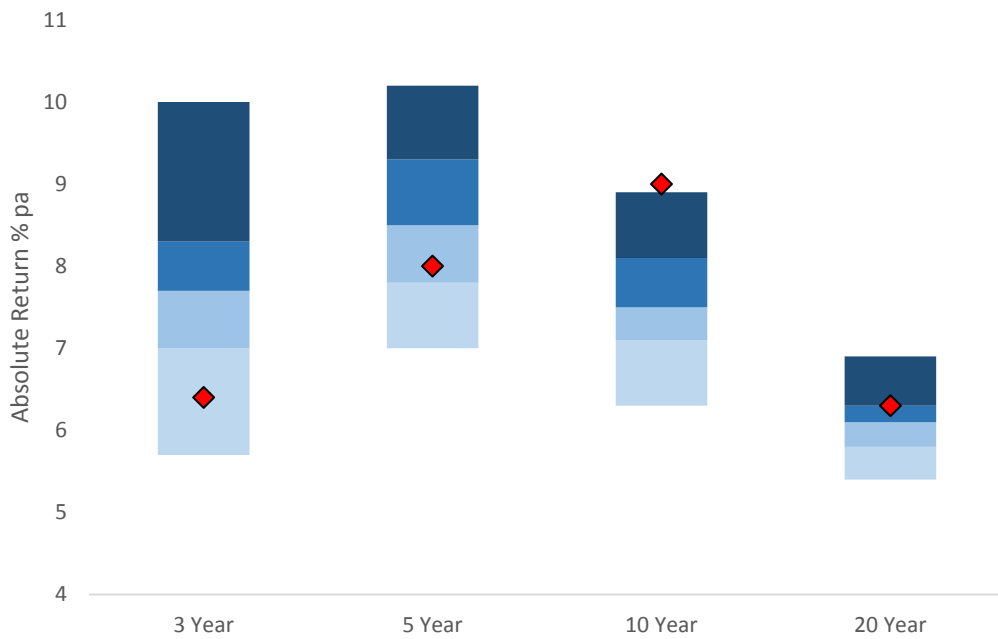
## Fund Asset Allocation

- The Fund is structured quite differently from the average fund.
- The Fund has a significantly lower equity allocation and a much higher bond allocation.
- Over the latest year this structure had a negative impact on the result relative to other funds.



**Fund Longer Term Returns**

- Performance has been below the average over the near term largely as a result of the Fund's relatively low equity exposure.
- Over the ten year period the result remains extremely good.
- Over all periods the Fund has outperformed both inflation and actuarial assumptions.

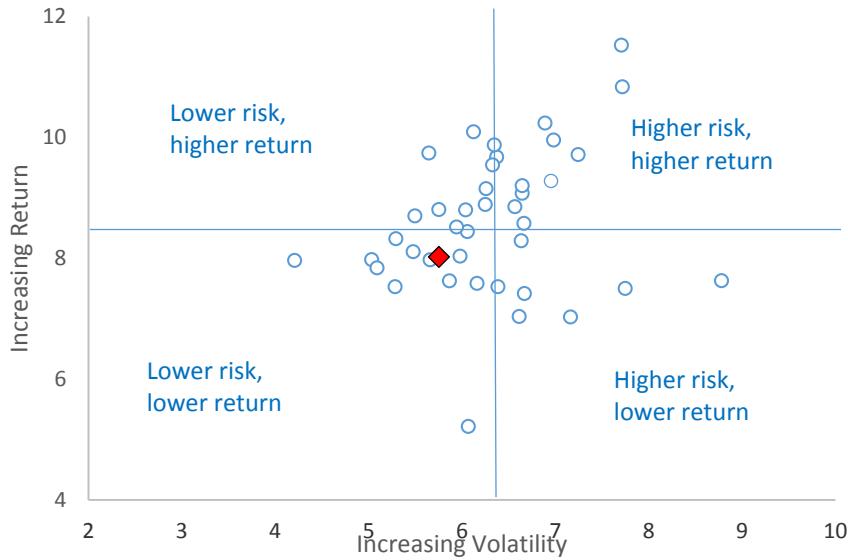


Fund	6.4	8.0	9.0	6.3
Universe Average	8.3	8.8	7.7	6.5
Ranking	(92)	(65)	(4)	(35)

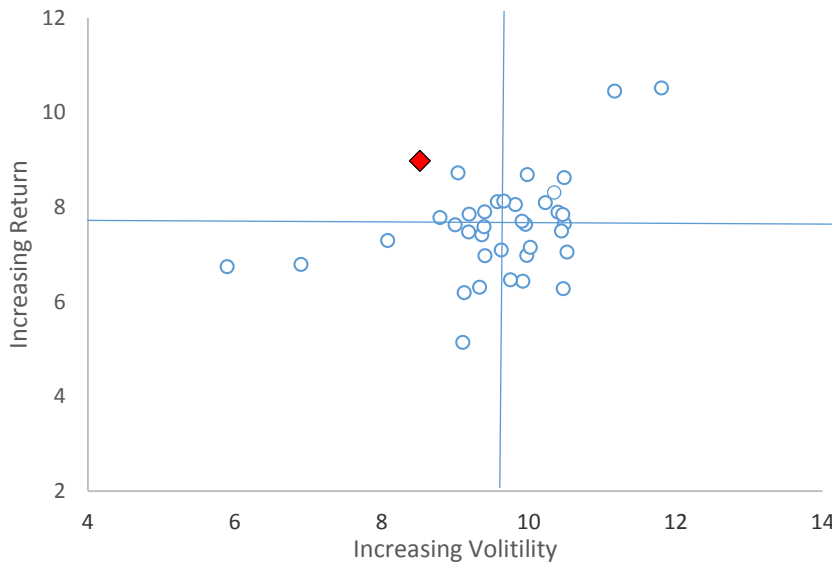
**Risk and Return**

- Funds have typically been rewarded for additional volatility i.e. higher exposure to equity - more so nearer-term
- Over ten years, the Fund delivered a much higher than average return at a relatively low level of volatility (the optimal combination).
- Over the latest five years, the Fund volatility has remained lower than average but the relative return has reduced.

**Last Five Years (% p.a.)**



**Last Ten Years (% p.a.)**



The charts show the funds (blue rimmed dots) in the LGPS Universe in risk/return space. The further up the vertical axis a fund is the better the return achieved. The further along the horizontal axis the more risk has been taken.

The blue lines are the median results. These divide the funds into quadrants. Most funds would prefer to be in the top left quadrant.