

**MEETING: PENSION BOARD**

**DATE: 23 November 2020**

**TITLE: UPDATE ON PENSION FUND INVESTMENT PERFORMANCE 2020/21**

**PURPOSE: TO INFORM THE BOARD OF THE MONITORING AND PERFORMANCE OF PENSION FUND INVESTMENTS**

**RECOMMENDATION: NOTE THE INFORMATION**

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## **1. Introduction**

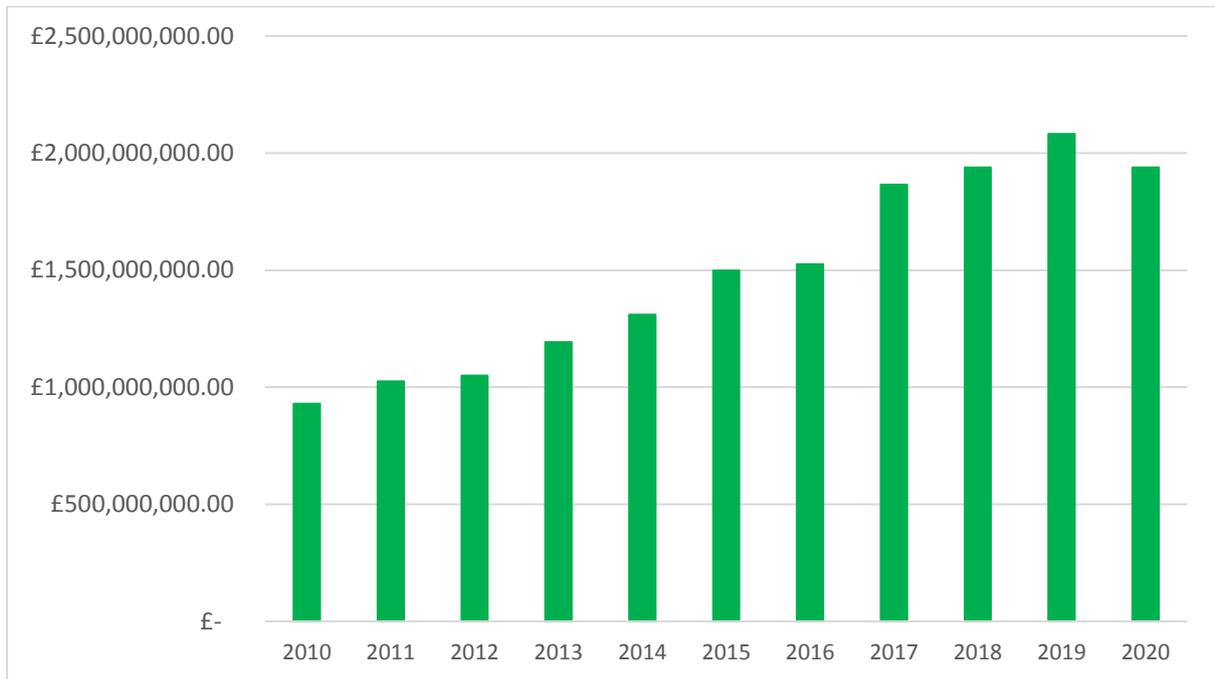
Quarterly performance of the Pension Fund is monitored by members of the Pensions Committee in quarterly meetings of the Investment Panel.

The investment performance of individual asset managers is monitored by the Investment Panel. The asset managers are invited to present to the Panel in turn. The active equity and active bond managers attend two meetings each year and the other investment managers attend once each year.

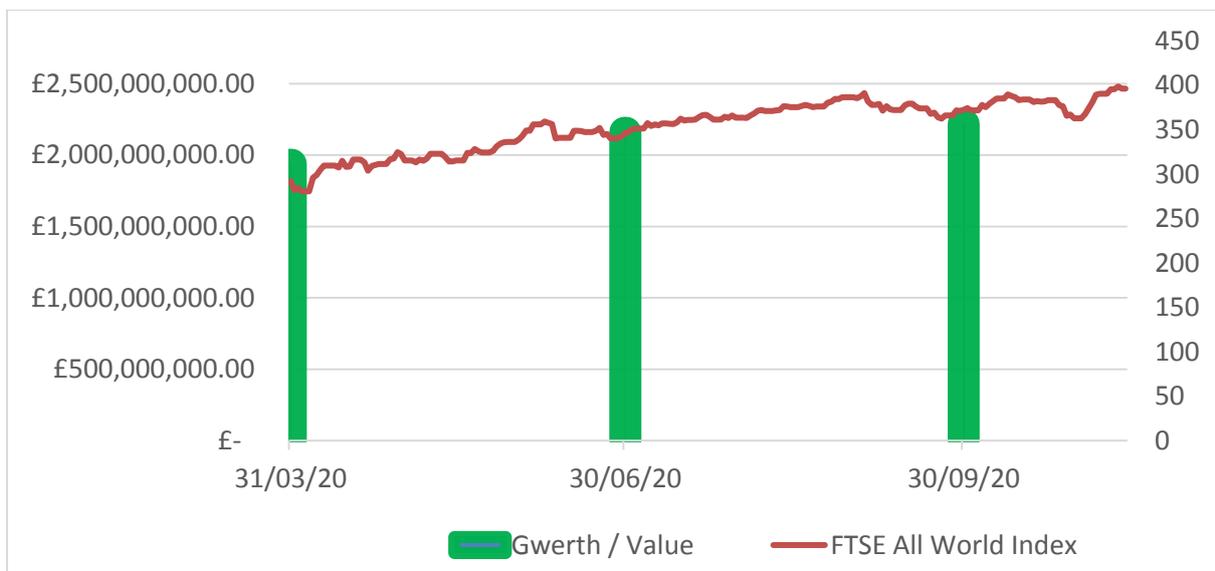
Whilst quarterly and annual monitoring takes place, it should be noted that pension fund returns over the longer term are the aim, and there will inevitably be some fluctuations from year to year, and more volatile performance from quarter to quarter. Generally, individual asset managers' performance is assessed over 3 years.

## 2. Gwynedd Pension Fund Market Value

The market value of the Gwynedd Pension Fund over the last 10 years can be seen below:



The Gwynedd Pension Fund is in a relatively healthy position with the value of the fund steadily increasing since 2010, but with a fall on 31 March 2020 due to the impact of the COVID pandemic on the markets. Since then, the values have bounced back as shown in the graph below, with global equity values continuing to rise, especially in recent weeks after new vaccine potential:



### 3. Performance up to 30<sup>th</sup> September 2020

On 30<sup>th</sup> September, the market value of the Pension Fund was £2,218 million with the performance against the benchmark shown below:

|                                     | Quarter 1<br>2020/21<br>% | Quarter 2<br>2020/21<br>% | 1 year to<br>30/09/20<br>% |
|-------------------------------------|---------------------------|---------------------------|----------------------------|
| Fund                                | 11.5                      | 2.2                       | 0.2                        |
| Benchmark                           | 10.0                      | 2.2                       | -0.4                       |
| <b>Relative Performance (Gross)</b> | <b>+1.5</b>               | <b>+0.0</b>               | <b>+0.6</b>                |

There was a strong quarter 1 performance with markets bouncing back from the decline in the last quarter of 2019/20 with strong performances from international equities specifically in the technology field. UK equities have performed less well as there are a number of oil stocks and banks in the UK. Quarter 2 saw a more stable performance with markets performing strongly in the Summer, but slowing down by September with the possibility of a second wave.

#### Equity Investment Manager's Performance

The table below summarises the performance of the individual equity Investment Managers:

|                                    | Market<br>value<br>30/09/20<br>£m | Performance<br>3 months<br>% | Performance<br>1 year<br>% |
|------------------------------------|-----------------------------------|------------------------------|----------------------------|
| Black Rock                         | 178.5                             | -1.4                         | -11.2                      |
| Benchmark                          |                                   | -1.2                         | -11.1                      |
| <b>Relative Performance</b>        |                                   | <b>-0.2</b>                  | <b>-0.1</b>                |
| Black Rock Fundamental Indexation  | 137.5                             | -0.8                         | -10.0                      |
| Benchmark                          |                                   | -1.0                         | -10.7                      |
| <b>Relative Performance</b>        |                                   | <b>0.2</b>                   | <b>0.7</b>                 |
| Black Rock Low Carbon              | 269.6                             | -                            | -                          |
| Benchmark                          |                                   | -                            | -                          |
| <b>Relative Performance</b>        |                                   | <b>-</b>                     | <b>-</b>                   |
| Fidelity Emerging Market Equity    | 57.1                              | 5.2                          | 9.0                        |
| Benchmark                          |                                   | 4.7                          | 5.2                        |
| <b>Relative Performance</b>        |                                   | <b>0.5</b>                   | <b>3.6</b>                 |
| Wales PP Global Growth Fund        | 372.1                             | 3.1                          | 7.6                        |
| Benchmark                          |                                   | 3.4                          | 5.3                        |
| <b>Relative Performance</b>        |                                   | <b>-0.3</b>                  | <b>2.3</b>                 |
| Wales PP Global Opportunities Fund | 372.9                             | 3.0                          | 5.1                        |
| Benchmark                          |                                   | 3.4                          | 5.3                        |
| <b>Relative Performance</b>        |                                   | <b>-0.4</b>                  | <b>-0.2</b>                |
| Wales PP MAC Fund                  | 169.9                             | -                            | -                          |
| Benchmark                          |                                   | -                            | -                          |
| <b>Relative Performance</b>        |                                   | <b>-</b>                     | <b>-</b>                   |

During the period there have been transfers to two new funds, the Black Rock Low Carbon Fund, and the Welsh Pension Partnership Multi Asset Credit Fund, with the Absolute Return Bond Fund also being launched over the period end.

There have been positive returns on bonds and equities, with strong performance in the US and Japan. The performance by the Welsh Partnership Funds have been under the benchmark recently. The portfolio has managers with different styles and different life cycles e.g. value v growth, and presently the pandemic has had a negative impact but this may change in the future.

### **Equity Investment Manager's Performance**

The table below summarises the performance of the individual equity Investment Managers:

|                                  | <b>Market value<br/>30/09/20<br/>£m</b> | <b>Performance<br/>3 months<br/>%</b> | <b>Performance<br/>1 year<br/>%</b> |
|----------------------------------|---|---------------------------------------|-------------------------------------|
| <b>Benchmark</b>                 |   | <b>0.2</b>                            | <b>-2.8</b>                         |
| UBS                              | 47.1                                    | 0.9                                   | -1.0                                |
| Lothbury Property Trust          | 60.0                                    | -0.5                                  | -4.2                                |
| Black Rock Property Fund         | 50.4                                    | 0.7                                   | -2.3                                |
| Threadneedle TPEN                | 28.9                                    | 0.3                                   | -2.8                                |
| Threadneedle Property Unit Trust | 1.8                                     | 1.0                                   | -2.7                                |

Fund property returns have generally performed well against the benchmark. There were no trading from March, but the market re-opened in September.

Residential assets and supermarkets have performed well, but the high street has not performed as well, and there is uncertainty about the future of offices. Lothbury has performed below the benchmark because of their high exposure to the retail sector. The other managers have exposure to sectors such as industrial sites and health centers and have therefore performed better.

### **Partners Group**

Partners Group is responsible for managing the Fund's private equity investments and infrastructure.

|                         | <b>Market value<br/>30/06/20*<br/>£m</b> |
|-------------------------|--|
| Partners Private Equity | 134.6                                    |
| Partners Infrastructure | 44.9                                     |
| <b>Total</b>            | <b>179.5</b>                             |

\*Information at 30/09/20 not published yet.

Monitoring the performance of private equity and infrastructure investments is much more difficult than traditional assets, such as quoted bonds and equities. Private equity funds have a fixed life span of about 10-15 years. Real profits / returns can

only be confirmed when individual assets are sold, so actual performance cannot be assessed until the fund is closed. The Fund's program for private equity and infrastructure investments is reviewed annually by our consultants, Hymans Robertson.

#### **4. Recommendation**

The board is asked to note the information.