

MEETING	PENSIONS COMMITTEE
DATE	16 SEPTEMBER 2024
TITLE	WALES PENSION PARTNERSHIP UPDATE
PURPOSE	To receive and note a quarterly update from Wales Pension Partnership
RECOMMENDATION	RECEIVE AND NOTE THE INFORMATION
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1. INTRODUCTION

This is a regular report which provides the members of the Pensions Committee with an update on the work undertaken by the Wales Pension Partnership (WPP) on behalf of the eight LGPS funds in Wales.

The WPP is now well established, with Waystone as its operator to provide FCA regulated services and Russell Investments who provide investment management solutions to the WPP on all listed assets. Northern Trust are the appointed global custodian and depositary. Hymans Robertson are the governance and oversight advisor and Robeco provide voting and engagement services to the WPP in accordance with its stewardship responsibilities and commitments.

2. JGC QUARTERLY UPDATE

The WPP's decision making body, the Joint Governance Committee (JGC), last met formally on 17th July 2024. The host authority has provided a summary of the items discussed at that meeting which is attached as Appendix 1 to this report.

3. OPERATOR UPDATE

A copy of the latest quarterly update from the operator is attached under Appendix 3.

The update provides a snapshot of the full range of WPP investment sub-funds as at 31st March 2024.

Gwynedd Pension Fund currently has exposure to eight of the eleven sub-funds and as of 31st March 2024, these were as follows:

- **Global Opportunities - £434.6m**
- **Global Growth- £415.4m**
- **Emerging Markets - £59.9m**
- **Global Passive - £470.5m**
- **Multi Asset Credit - £226.0m**
- **Absolute Return Bond- £412.2m**
- **Global Credit Fund - £223.0m**
- **Sustainable Equity Fund- £317.1m**

4. PERFORMANCE REPORTS AS AT 31st MARCH 2024

The performance reports can be seen in Appendix 4.

Global equities rose while fixed income markets edged lower in the first quarter of 2024. For equities, the year-end rally continued into the new year, propelling benchmark indices in the US, Europe and Japan to record highs. Sentiment was boosted by strong earnings results, optimism over artificial intelligence (AI)-related technology and expectations of interest rate cuts. Nevertheless, the US dollar strengthened against most currencies as investors were faced with the prospect of fewer cuts than initially expected given a buoyant US economy. Within fixed income, high yield outperformed investment grade assets, with risk-on sentiment driving the market. Oil prices rose amid continuing geopolitical concerns in the Middle East and Ukraine. The Federal Reserve, the European Central Bank, and Bank of England (BoE) all left interest rates unchanged, as expected. In contrast, the Bank of Japan ended eight years of negative interest rates with its first rate increase in 17 years

The performance of the sub funds that Gwynedd Pension Fund invests in are monitored by officers, and as part of the quarterly investment review by Hymans Robertson and no concerns have been raised.

5. PRIVATE MARKETS UPDATE (PRIVATE EQUITY)

Schroders Capital were appointed WPP's Private Equity Allocator in September 2022. Schroders Capital provided a progress update on the Private Equity Investment programme (included in Appendix 5)

The Gwynedd Pension Fund has invested £2.2m as at 31st March 2024, but this amount will significantly increase over time.

6. REAL ESTATE PROCUREMENT

Following the completion of a rigorous public procurement process, with the support of bfinance and Hymans Robertson, Private Real Estate Investment Managers have been appointed for the partnership. The appointed managers are:

- UK Core Real Estate – Schroders
- International Real Estate – CBRE
- Impact / Local Real Estate – Schroders

The brief for each manager is as follows:

UK Core Real Estate, to take existing pooled fund investments and transition them over time to an open-ended direct property investment portfolio.

International Real Estate, to establish an open-ended investment vehicle investing in funds and direct assets on a global basis.

Local / Impact Real Estate, to develop an investment programme utilising fund investments and direct asset investments in UK Impact strategies, with at least 50% of assets located in Wales.

Gwynedd Pension Fund will in due course consider our property portfolio in order to take advantage of these options.

7. RECOMMENDATION

To receive and note the information.