



# Complete Agenda

**Democratic Service**  
Swyddfa'r Cyngor  
CAERNARFON  
Gwynedd  
LL55 1SH

Meeting

**PENSIONS COMMITTEE**

Date and Time

**10.00 am, MONDAY, 25TH NOVEMBER, 2024**

Location

**Virtual Meeting**

**NOTE**

**\* For public access to the meeting, please contact us\***

Contact Point

**Lowri Haf Evans**

**01286 679878**

**[lowrihafevans@gwynedd.llyw.cymru](mailto:lowrihafevans@gwynedd.llyw.cymru)**

(DISTRIBUTED 18/11/24)

## **PENSIONS COMMITTEE**

### **MEMBERSHIP (9)**

#### **Plaid Cymru (4)**

Councillors

Iwan Huws  
Ioan Thomas

R Medwyn Hughes

Elin Hywel

#### **Independent (2)**

Councillors

John Pughe Roberts

John Brynmor Hughes

#### **Lib / Lab (1)**

Councillor Stephen Churchman

#### **Co-opted Members (2)**

Councillor Robin Wyn Williams    Isle of Anglesey County Council  
Councillor Goronwy Owen Edwards    Conwy County Borough Council

#### **Ex-officio Members**

Chair and Vice-Chair of the Council

# **A G E N D A**

## **1. APOLOGIES**

To receive any apologies for absence

## **2. DECLARATION OF PERSONAL INTEREST**

To receive any declaration of personal interest

## **3. URGENT ITEMS**

To note any items which are urgent business in the opinion of the Chairman so that they may be considered

## **4. MINUTES**

5 - 10

The Chairman shall propose that the minutes of the meeting of this committee held on 16<sup>th</sup> of September 2024 to be signed as a true record

## **5. WALES PENSION PARTNERSHIP UPDATE**

11 - 60

To receive and note the information.

## **6. DEFINED BENEFIT STRATEGIC INVESTMENT FORUM**

61 - 62

The Committee is requested to consider and receive the information

## **7. EXCLUDE PRESS AND PUBLIC**

The Chairman shall propose that the press and public be excluded from the meeting during the discussion on the following item due to the likely disclosure of exempt information as defined in paragraph 12, Part 4, Schedule 12A of the Local Government Act 1972.

There is an acknowledged public interest in openness in relation to the use of public resources and related financial issues. It is also acknowledged that there are occasions, in order to protect the financial interests of public authorities that matters related to commercial information need to be discussed without being publicised. Publication of such commercially sensitive information would be inappropriate having regard to the legitimate interests of third parties and could undermine confidence to engage with the Council and therefore the Councils ability make decisions on behalf of the fund. This would be contrary to the wider public interest of securing value for money and the best overall outcome and for those reasons the matter should be exempt in the public interest.

## **8. ROBECO ENGAGEMENT SERVICE- ENGAGEMENT REPORT 01.04.2024 - 30.06.2024**

To consider the report  
(copy for Members only).

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## PENSIONS COMMITTEE 16-09-24

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### **Attendance:**

### **Councillors:**

Stephen Churchman, Richard Medwyn Hughes (Chair), Elin Hywel, John Pughe Roberts, Ioan Thomas and Robin Williams (Isle of Anglesey County Council)

### **Officers:**

Dewi Morgan (Head of Finance Department), Ffion Madog Evans (Assistant Head of Finance Department - Accountancy and Pensions), Delyth Jones Thomas (Investment Manager), Meirion Jones (Pensions Manager) and Lowri Haf Evans (Democracy Services Officer)

### **Others invited:**

Ned Michael (observing – Pensions Board Member)

Yvonne Thomas (Audit Manager, Audit Wales)  
Richard Warden (Hymans Robertson)

### **1. APOLOGIES**

Apologies received from Goronwy Edwards (Conwy Borough County Council), John Brynmor Hughes and Iwan Huws.

### **2. DECLARATION OF PERSONAL INTEREST**

None to note.

### **3. URGENT ITEMS**

None to note.

### **4. MINUTES**

The Chair received the minutes of the meeting held on 17<sup>th</sup> June 2024 as correct.

### **5. FUNDING RISK UPDATE AND 2025 VALUATION PLANNING**

Richard Warden (Hymans Robertson) was welcomed to the meeting.

In response to the planning required for the 2025 valuation, information was presented by the Fund's actuary, Hymans Robertson, focusing on finance risks in the current environment, the options available to manage those risks and the benefits to be had on any opportunities in the 2025 valuation.

Gratitude was expressed for the presentation.

In response to a question regarding liability considerations to appropriate levels of fraud, it was noted that asset liability scenarios were created so that potential scenarios were

considered to manage risk and improve performance. It was reiterated that an 'asset shock', which would suggest a unique pattern of asset price movements, was also being implemented as a means of looking at potential models in response to risks within a challenging environment.

In response to a question regarding risk management and what the Fund could do to prepare for the 2025 valuation, and whether there were adequate resources for completing the work, it was noted that asset liability was part of the valuation and that any conclusions would be shared with the Committee.

**RESOLVED:**

**To accept and note the information.**

**6. FINAL ACCOUNTS OF THE GWYNEDD PENSION FUND FOR THE YEAR ENDING 31 MARCH 2024 AND RELEVANT AUDIT**

Yvonne Thomas (Audit Wales) was welcomed to the meeting.

A report along with the Gwynedd Pension Fund Statement of Accounts 2023/24 (post audit), was submitted by the Investment Manager providing details of the Pension Fund's financial activities during the year ending 31 March 2024. Members were reminded that a draft of the accounts had been submitted to the 17 June 2024 meeting and although there was no change to the core accounts, two changes in the notes were highlighted following an audit by Audit Wales. Note 15 - Fair Value Hierarchy, where the category of properties had moved from level 2 to level 3, was highlighted in response to how the investment managers categorised the investments. In addition, attention was drawn to a change to Note 23 - Related Party Transactions / Key Management Personnel, whereby it was observed that the Chair of the Pensions Committee was now included as one of the key management personnel.

Yvonne Thomas (Wales Audit) was invited to submit the 'ISA260' report. It was reported that the auditors intended to issue an unqualified audit opinion on the accounts this year, once the Letter of Representation had been signed. It was explained that the auditors could never provide complete assurance that the accounts had been accurately stated, but rather that they worked to a level of 'relevance'. A relevance level of £30.744 million had been set for audit this year to try to identify and correct misstatements that may otherwise lead to someone using the accounts being misled. The misstatement was again referred to in the original accounts (Note 15 – Fair Value Hierarchy; property category had moved from level 2 to level 3) and it was noted that this had now been corrected by the Managers.

It was noted that the information presented was of high quality and very positive - a good reflection of the good arrangements within the Finance Department and the Officers were thanked for the good collaboration.

The Auditors were thanked for their cooperation and thorough work. Appreciation was expressed for the commitment and the accuracy of the work, and the Investment Manager and his team were thanked for preparing the accounts. It was reiterated that the report was encouraging and positive and that the outcome of the audit highlighted the good work of the officers.

**RESOLVED**

- **To accept the information**
- **To note the 'ISA 260' report by Audit Wales, and accept the auditors' comments**

- **To approve the Gwynedd Pension Fund's post-audit Statement of Accounts for 2023/24**
- **To authorise the Chair and the S.151 Officer to certify the Letter of Representation (electronically)**

**7. GWYNEDD PENSION FUND'S DRAFT ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2024**

A (draft) report was submitted by the Investment Manager detailing the activities of the Pension Fund during the year ending on 31 March 2024. It was noted that the format of the Annual Report was in accordance with CIPFA guidelines and included the details of Committee and Pension Board membership, administration, investments, financial performance, the actuary's report, accounts, and the communication statements held by the Pension Fund. It was highlighted that unlike previous annual reports, funding and governance investment statements were not included so as to avoid a hefty document. Instead, there would be a link to the statements in the report.

It was clarified that the document has been reviewed as part of the audit of the accounts by Audit Wales and that the final version would be presented to the Annual Pension Fund meeting at the end of November.

The members expressed their thanks for the report.

**RESOLVED**

**To accept and note the Gwynedd Pension Fund Annual Report (draft) for 2023/24**

**8. WALES PENSION PARTNERSHIP (WPP) UPDATE**

The Investment Manager highlighted that the report was now a regular one that would be presented to Members, noting the latest information on the WPP's work. It was explained that the report would reconcile the information that every fund in Wales received, it would include the decisions of the Governance Joint Committee together with a standard quarterly update. Attention was drawn to a discussion at the July 2024 meeting of the Joint Committee which included updating the Standard Business Plan, reviewing the risk register and relevant policies.

Reference was made to the Operator update, which provided a snapshot of the full range of WPP investment sub-funds as at 31 March 2024 with the Gwynedd Pension Fund which now pooled in 8 out of 11 sub-funds with 85% of the Gwynedd Fund pooled with the Partnership.

It was reported that this financial year had been an encouraging one with equity investments performing well, with the American, European and Japanese markets at a record high, and this had fed into the value of the Gwynedd Pension Fund at its highest and highlighted the details of the performance of each equity and fixed income sub-fund. Reference was made to a presentation received by Schroders Capital, the Partnership's private equity allocator and it was explained that the Gwynedd Pension Fund had invested £2.2m as at 31 March 2024, with a view to increasing this amount significantly over time.

The members thanked the officer for the report.

**RESOLVED**

**To accept and note the information.**

## **9. TREASURY MANAGEMENT 2023/24**

A report was submitted by the Investment Manager reporting on the actual results of the Council's treasury management 2023/24, against the strategy approved by the Full Council on 2 March 2023. It was reported that it had been a very busy and prosperous year for the Council's treasury management activity as the activity had remained within the constraints originally set. It was confirmed that there had been no defaults by institutions in which the Council had invested money with.

It was reported that £3.5m in interest had been received on investments, which was higher than the £3.2m included in the budget. It was noted that this interest income was shared with the Pension Fund on a daily balance basis and the Pension Fund received £1.2 million of income in the year in question.

It was reported that, in the context of investment activities, the Council had continued to invest with Banks and Building Societies, Money Market Funds, Pooled Funds, Local Authorities and the Debt Management Office. It was noted that the funds were consistent with the type of investments made for a number of years by now.

In the context of a compliance and indicators report, it was reported that all activities had fully complied with the CIPFA code of practice and the Council's treasury management strategy – that was good news and demonstrated that there was firm control over the funds. Reference was made to the indicators where it was highlighted that all indicators set conformed to the expectation, except one (Interest Rate Disclosure). It was explained that this indicator was set in the low interest conditions of March 2023 and therefore it was reasonable that the amounts were so different.

The members thanked the officer for the report.

**RESOLVED**

**To accept and note the information.**

## **10. HYMANS ROBERTSON NATIONAL KNOWLEDGE ASSESSMENT**

A report was submitted by the Pensions Manager providing Information about the National Knowledge Assessment which was a valuable resource developed by Hymans Robertson to stakeholders to improve their understanding and had information necessary to navigate the complexities of pension schemes. It was highlighted that the assessment would provide the fund with an insight into the joint intelligence levels of the Pensions Committee and the Pension Board as well as benchmarking scores against other participating Funds. It was noted that the assessment included with a key area for achieving a standard of good governance and that the assessment was in an online questionnaire format.

It was reiterated that the results will be useful for creating targeted training schemes for Members in the future and encouraged everyone to get involved.

**RESOLVED**

**To note the content of the report.**

**To encourage all Members of the Pensions Committee and the Pensions Board to participate in the assessment.**



**11. 2025 CONFERENCE DATES**

Submitted - a report listing the dates of the pensions conferences for 2024. It was noted that the conferences gave Members an opportunity to expand their knowledge and discuss current issues. Members were asked to consider the dates and declare an interest to the Investment Manager in those events that was convenient to them. It was reiterated that the intention was to formalise the attendance list, setting a procedure to seek fairness and fair representation.

The members expressed their thanks for the report.

**RESOLVED**

**To approve the list of dates.**

**To accept the arrangements to formalise the process for attending conferences.**

**12. EXCLUSION OF PRESS AND PUBLIC**

**RESOLVED to exclude the press and public from the meeting during the discussion on the following items due to the likely disclosure of exempt information as defined in paragraph 14, Schedule 12A of the Local Government Act 1972 - Information about the financial or business transactions of any specific person (including the authority that retains that information).**

There was an acknowledged public interest in being open about the use of public resources and related financial issues. However, it was also acknowledged that there were occasions, in order to protect public financial interests, where commercial information must be discussed without being publicised. The reports related specifically to a proposed procurement process. Publicising such commercially sensitive information could be detrimental to the interests of the Council and its partners by undermining competition. This would be contrary to the wider public interest of securing the best overall outcome. For these reasons, the matter was closed in the public interest.

**13. APPOINTMENT OF INVESTMENT ADVISER - TENDERING PROCESS AND RESULT**

A report was submitted by the Investment Manager outlining the tender process undertaken for an investment adviser for the Fund. It was noted that four companies had applied for this contract and it was explained that, in accordance with the Council's Constitution, the decision was delegated to Council officers.

The contents of the report were discussed, highlighting the proposals and performance of the four companies. Officers decided to re-appoint Hymans Robertson for the work with a seven-year contract commencing on 01-09-24.

**RESOLVED**

**To accept and note the information.**

**To note the result of the procurement procedure.**

**14. ACTUARIAL, BENEFITS AND GOVERNANCE CONSULTANCY SERVICES TENDER PROCESS AND RESULT**

A report was submitted by the Pensions Manager outlining the tender process undertaken for the appointment of a new actuary for the Fund. It was noted that two companies had applied for this contract and it was explained that the evaluation committee had assessed both the proposals against the established criteria.

The contents of the report was discussed, highlighting the proposals and performance of both companies. The evaluation committee reached the decision to re-appoint Hymans Robertson for the work with a seven-year contract commencing 01-09-24.

**RESOLVED**

**To accept and note the information.**

**To note the result of the procurement procedure.**

**15. ROBECO ENGAGEMENT SERVICE – ENGAGEMENT REPORT 01.01.2024 - 31.03.2024**

A quarterly report was submitted summarising the work Robeco (WPP Voting and Engagement Provider) undertook on behalf of the Pension Fund including engagement work.

The contents of the report were discussed, and concerns were raised by Members about the standard of the company's engagement and consultancy work. In response it was noted that there was an intention that, when drawing up future contracts, WPP wanted to ensure that a proactive element was part of the engagement responsibilities, along with the requirements of presenting clear and understandable information. It was noted that WPP needed to review response arrangements to the information being submitted by a Polling and Engagement Provider to optimise the relationship.

**RESOLVED to accept and note the information.**

The meeting commenced at 14:00 and ended at 15:15

**CHAIR**

MEETING	<b>PENSIONS COMMITTEE</b>
DATE	<b>25 NOVEMBER 2024</b>
TITLE	<b>WALES PENSION PARTNERSHIP UPDATE</b>
PURPOSE	<b>To receive and note a quarterly update from Wales Pension Partnership</b>
RECOMMENDATION	<b>RECEIVE AND NOTE THE INFORMATION</b>
AUTHOR	<b>DELYTH JONES-THOMAS, INVESTMENT MANAGER</b>

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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 18<sup>th</sup> September 2024. The host authority has provided a summary of the items discussed at that meeting which is attached as Appendix 1 to this report. The 2024/25 Business Plan was reviewed and this can be seen in Appendix 2.

## 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 30<sup>th</sup> June 2024.

Gwynedd Pension Fund currently has exposure to eight of the eleven sub-funds and as of 30<sup>th</sup> June 2024, these were as follows:

- **Global Opportunities - £441.1m**
- **Global Growth- £412.9m**
- **Emerging Markets - £62.0m**
- **Global Passive - £444.8m**
- **Multi Asset Credit - £228.9m**
- **Absolute Return Bond- £431.9m**
- **Global Credit Fund - £223.1m**
- **Sustainable Equity Fund- £319.6m**

#### **4. PERFORMANCE REPORTS AS AT 30<sup>th</sup> JUNE 2024**

The performance reports can be seen in Appendix 4.

Global equities rose while fixed income markets lagged in the second quarter. Gains in equity markets were more modest versus the previous period. Markets diverged with Asia Pacific ex Japan, Emerging Markets, US and UK equities performing well. In contrast, Japan and Europe ex UK lagged, recording losses over the period. Political uncertainty was further heightened by surprise election announcements in the UK and France alongside the unusually large number of global elections already scheduled this year.

The Federal Reserve and the Bank of England kept interest rates unchanged at their policy meetings. US equities benefitted from solid quarterly earnings, although some gains were driven by a narrow cohort of technology stocks. Meanwhile, the strength of the economy and stubbornly high inflation forced a rapid adjustment to interest rate expectations. The yield on 10-year US Treasuries rose 20 basis points (bps) to 4.40%. UK equities hit new all-time highs as investors were encouraged after the economy exited last year's mild recession. Although inflation disappointed in April, May's figure fell to the lowest since 2021 (2.0%). However, the unexpected general election announcement prompted investors to adjust their expectation of an initial interest rate cut from June to September or November, sending gilt yields higher. The benchmark 10-year gilt yield ended up 24 bps at 4.17%. Elsewhere, the European Central Bank held rates in April but cut its benchmark rate by 25 bps in June, its first rate cut in five years. The yield on 10-year German bunds increased by 20 bps to 2.50%.

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. Russell Investments also continuously assess the managers within their portfolio and will reduce, increase or eliminate their holdings to try and enhance the sub- fund's long- term performance. This is currently being undertaken within the Global Growth sub- fund with a change in manager selection.

#### **5. PRIVATE MARKETS UPDATE**

Most of the major private market investment programmes have now launched – Infrastructure, Private Credit and Private Equity. Real Estate managers have been appointed, currently looking at the detailed legalities of establishing the Real Estate investment programmes.

Russell Investments provided the WPP with a Private Credit progress update in the latest JGC and the presentation is attached in Appendix 5.

#### **6. PROCUREMENT**

There are 2 new procurement exercises underway, with the aim of the recommendation reports going to the December 2024 JGC for approval.

- Oversight Advisor – existing contract with Hymans Robertson ends 31 December 2024.
- Voting & Engagement Service provider – existing contract with Robeco ends 31 March 2025.

## **7. CALL FOR EVIDENCE**

In September 2024, the Chancellor has launched a landmark pensions review to boost investment, increase saver returns and tackle waste in the pensions system. The Chancellor has appointed the Minister for Pensions to lead the review. The review will focus on defined contribution workplace schemes and the Local Government Pension Scheme.

In its initial stages the review will be considering evidence on a range of questions which can be found here: [Pensions Investment Review: Call for Evidence - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/pensions-investment-review-call-for-evidence) Gwynedd Pension Fund, Wales Pension Partnership and a number of the Fund's key stakeholders have responded to this initial stage. The response by Gwynedd Pension Fund can be found in Appendix 6.

Officers have had a meeting with Treasury and MHCLG which was very positive, and a meeting with the Minister has also been scheduled.

## **8. RECOMMENDATION**

To receive and note the information.

## Wales Pension Partnership (WPP) - JGC Update

JGC meeting date: Wednesday 18 September 2024

Location: Hybrid, hosted by Clwyd

Chair: Cllr Elwyn Williams, Dyfed

Vice Chair: Cllr Medwyn Hughes, Gwynedd

Agenda item	Detail																
Host Authority update	<p>Anthony Parnell of the Host Authority provided an update in relation to work that has been completed since the last JGC meeting and WPP’s next steps / priorities.</p> <p>Anthony mentioned that as at 31 March 2024, the WPP has pooled c74% of its assets - total WPP holdings of £25bn, £18.5bn (including passive investments of £5.2bn) has been pooled and £6.5bn un-pooled</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tbody> <tr> <td>Cardiff &amp; Vale of Glamorgan</td> <td style="text-align: right;">86%</td> </tr> <tr> <td>Clwyd</td> <td style="text-align: right;">26%</td> </tr> <tr> <td>Dyfed</td> <td style="text-align: right;">80%</td> </tr> <tr> <td>Greater Gwent (Torfaen)</td> <td style="text-align: right;">74%</td> </tr> <tr> <td>Gwynedd</td> <td style="text-align: right;">85%</td> </tr> <tr> <td>Powys</td> <td style="text-align: right;">69%</td> </tr> <tr> <td>RCT</td> <td style="text-align: right;">83%</td> </tr> <tr> <td>Swansea</td> <td style="text-align: right;">70%</td> </tr> </tbody> </table> <p>Forthcoming JGC dates:</p> <ul style="list-style-type: none"> <li>• 10 December 2024 - virtual via Zoom</li> <li>• 12 March 2025 – Hybrid, hosted by Swansea</li> <li>• 16 July 2025 – virtual via Zoom</li> <li>• 17 September 2025 – Hybrid, hosted by Torfaen</li> <li>• 8 December 2025 – virtual via Zoom</li> <li>• 10 March 2026 – Hybrid, hosted by Cardiff</li> </ul> <p>Anthony also presented the 2024/25 Business Plan update as at 30 June 2024 (attached).</p>	Cardiff & Vale of Glamorgan	86%	Clwyd	26%	Dyfed	80%	Greater Gwent (Torfaen)	74%	Gwynedd	85%	Powys	69%	RCT	83%	Swansea	70%
Cardiff & Vale of Glamorgan	86%																
Clwyd	26%																
Dyfed	80%																
Greater Gwent (Torfaen)	74%																
Gwynedd	85%																
Powys	69%																
RCT	83%																
Swansea	70%																

<p>Risk Register Q3 2024 Review</p>	<p>The OWG is responsible for maintaining the WPP Risk Register and reporting back any changes or developments to the JGC on a quarterly basis. The OWG has a dedicated Risk Sub-Group to take ownership of the Risk Register and quarterly reviews of the document.</p> <p>During Q3 2024, a review has taken place of the Training &amp; Resources and Communication Risks. There were no significant changes.</p> <p>Hymans presented the updated section of the Risk Register which was approved by the JGC. The Risk Register has been uploaded on the WPP website. The next review will take place in Q4 2024 and will focus on the Investment Section Risks.</p>
<p>Operator Update</p>	<p>Waystone presented their quarterly update report as at 30 June 2024 (attached). This provides an update on WPP's sub funds and corporate and engagement activity.</p>
<p>Performance Reports as at 30 June 2024</p>	<p>Russell Investments presented a Q2 2024 performance summary paper (attached) summarising the performance of each individual ACS sub fund for the quarter ending 30 June 2024.</p>
<p>Private Markets update - Private Credit</p>	<p>Russell Investments were appointed WPP's Private Credit Allocator in March 2022, and the Private Credit Investment programme was launched in April 2023. Russell Investments provided a Private Credit progress update to the WPP (attached).</p>
<p><b>Exempt Items</b> – the following items were discussed during the non-public part of the meeting.</p>	
<p>Securities Lending Report – 30 June 2024</p>	<p>Stock Lending commenced in March 2020 and Northern Trust presented the Securities Lending Report for Q2 2024 (quarter ending 30 June 2024).</p>
<p>Robeco Engagement Report – Q2 2024</p>	<p>In March 2020, Robeco was appointed as WPP's Voting &amp; Engagement Provider to undertake Voting and Engagement functions on behalf of the WPP. Robeco commenced their engagement service in April 2020, and they have provided an engagement report for Q2 2024. The engagement theme chosen for this quarter was Climate and Nature Transition of Financial Institutions.</p>

Responsible Investment and Climate Risk reports	<p>Each quarter, Hymans Robertson produce quarterly Responsible Investment &amp; Climate Risk Reports for the WPP's sub funds.</p> <p>For Q2 2024 (quarter ending 30 June 2024), the ARB and MAC reports were produced.</p> <p>Hymans presented the reports to the JGC members.</p>
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Webcast link for the 18 September 2024 JGC meeting below:

[Agenda for Wales Pension Partnership Joint Governance Committee on Wednesday, 18th September, 2024, 10.30 am](#)

WPP's website address - [Wales Pension Fund | Home \(walespensionpartnership.org\)](#)

Next meeting:

- Tuesday 10 December 2024 – Virtual meeting





Wales Pension Partnership  
Business Plan  
2024-2025  
Q1 Review  
(April to June 2024)

## Governance

Work to be completed	Completed	Comments
<ul style="list-style-type: none"> <li>Oversight Advisor procurement process</li> </ul>	In progress	To be completed by December 2024
<ul style="list-style-type: none"> <li>Voting &amp; Engagement Service provider procurement process</li> </ul>	In progress	To be completed by December 2024
<ul style="list-style-type: none"> <li>Annual review of WPP's policies and plans</li> </ul>	Ongoing	
<ul style="list-style-type: none"> <li>Quarterly reviews of the Risk Register</li> </ul>	Ongoing	
<ul style="list-style-type: none"> <li>Respond to any pooling related consultations and carry out any necessary changes as a result of consultation outcomes</li> </ul>	Ongoing	

## Ongoing Sub-Fund development

Work to be completed	Completed	Comments
<ul style="list-style-type: none"> <li>Launch the real estate investment programmes</li> </ul>	In progress	
<ul style="list-style-type: none"> <li>Launch additional Private Market vintages</li> </ul>	Ongoing	
<ul style="list-style-type: none"> <li>Consideration of WPP's Levelling up / impact requirements</li> </ul>	Ongoing	
<ul style="list-style-type: none"> <li>Consultation with CAs on need for further sub-funds, review and develop, as required</li> </ul>	Ongoing	
<ul style="list-style-type: none"> <li>Consideration of Local Investment opportunities</li> </ul>	Ongoing	

### Operator Services

Work to be completed	Completed	Comments
<ul style="list-style-type: none"> <li>Complete Operator contract procurement process and implement new operator contract</li> </ul>	In progress	New contract to commence in December 2024
<ul style="list-style-type: none"> <li>Operator and Sub-Fund governance Oversight</li> </ul>	Ongoing	

### Investments and Reporting

Work to be completed	Completed	Comments
<ul style="list-style-type: none"> <li>Develop &amp; Implement Private Markets reporting</li> </ul>	In progress	Private Markets reporting options being considered
<ul style="list-style-type: none"> <li>Climate-related / Task Force on Climate-related Financial Disclosures (TCFD) reporting</li> </ul>	In progress	Climate-related report in the process of being developed
<ul style="list-style-type: none"> <li>Stewardship Code reporting</li> </ul>	In progress	2023/24 report to be submitted by 31 October 2024
<ul style="list-style-type: none"> <li>Consider additional reporting that demonstrates WPP's commitment to Responsible Investment</li> </ul>	Ongoing	
<ul style="list-style-type: none"> <li>On-going Sub-Fund responsible investment and climate risk performance reporting, scrutiny and challenge</li> </ul>	Ongoing	
<ul style="list-style-type: none"> <li>Annual performance review of WPP Sub-Funds</li> </ul>		To be reviewed in Q1 (January to March) 2025
<ul style="list-style-type: none"> <li>Review of Russell Investment's service delivery in delivering WPP's objectives across Sub-Funds</li> </ul>	In progress	

<ul style="list-style-type: none"> <li>On-going engagement with Constituent Authorities regarding ESG / RI standards and their climate ambitions</li> </ul>	Ongoing	
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### Communication and Training

Work to be completed	Completed	Comments
<ul style="list-style-type: none"> <li>Formulation of the WPP's Annual Responsible Investment Progress Report</li> </ul>	Yes	Report presented at the July 2024 JGC and published on website
<ul style="list-style-type: none"> <li>Formulation of the WPP's annual training plan</li> </ul>		To be formulated in Q1 (January to March) 2025
<ul style="list-style-type: none"> <li>Formulation of the WPP's Annual Update</li> </ul>	Yes	2023/24 Annual Update published in August 2024
<ul style="list-style-type: none"> <li>Formulation of the WPP's Annual Report</li> </ul>	In progress	2023/24 Annual Report to be published Autumn 2024

### Resources, budget and fees

Work to be completed	Completed	Comments
<ul style="list-style-type: none"> <li>Annual review of resources and capacity</li> </ul>		To be reviewed in Q1 (January to March) 2025
<ul style="list-style-type: none"> <li>Formulation of Annual WPP Budget</li> </ul>		To be formulated in Q1 (January to March) 2025
<ul style="list-style-type: none"> <li>Review and Monitoring of Operator / external provider fees</li> </ul>	Ongoing	

## Training Plan

Training topics to be completed during 2024–2025 as per approved 2024-2025 Training Plan and progress to date:

	Completed	Comments
• WPP Pooled Investments	Yes	18 June 2024
• Overview of cyber security and consideration for WPP	Yes	18 June 2024
• Policies – Responsible Investment Policy		Scheduled for 18 October 2024
• Policies – Climate Policy		Scheduled for 18 October 2024
• Policies – Stewardship Policy		Scheduled for 18 October 2024
• RI – Net Zero journey planning		Scheduled for 28 November 2024
• RI – Climate Metrics		Scheduled for 28 November 2024
• Progress of other LGPS pools & Collaboration Opportunities		
• Any new regulatory / guidance developments		

## Budget

2024-2025 Budget Monitoring Report:

	<b>Budget 2024 – 2025 £000</b>	<b>Forecast 2024 – 2025 £000</b>	<b>Variances 2024 – 2025 £000</b>
Host Authority *	231	209	22
External Advisors *	1,411	1,411	0
<b>TOTAL to be recharged</b>	<b>1,642</b>	<b>1,620</b>	<b>22</b>
Operator Services **	40,734	40,734	0
Allocator Services **	7,006	7,006	0
<b>TOTAL to be deducted from the NAV</b>	<b>47,740</b>	<b>47,740</b>	<b>0</b>

*\*Host Authority and External Advisor costs are to be funded equally by all eight of the WPP's Constituent Authorities and these will be recharged on an annual basis.*

*\*\*Operator / Allocator Services costs are based on each Constituent Authority's percentage share of WPP assets and are deducted directly from the Net Asset Value (NAV) of the Constituent Authority's assets.*

## Investments

### Equity Sub-Funds

#### Global Growth Fund

Managed by: Link Fund Solutions

Portfolio Value: £2bn\*

#### Global Opportunities Fund

Managed by: Russell Investments

Portfolio Value: £2bn\*

#### UK Opportunities Fund

Managed by: Russell Investments

Portfolio Value: £0.6bn\*

#### Emerging Markets Fund

Managed by: Russell Investments

Portfolio Value: £0.6bn\*

#### Sustainable Active Equity Fund

Managed by: Russell Investments

Portfolio Value: £1.2bn\*

### Fixed Income Sub-Funds

#### Absolute Return Bond Fund

Managed by: Russell Investments

Portfolio Value: £0.4bn\*

#### Global Government Bond Fund

Managed by: Russell Investments

Portfolio Value: £0.5bn\*

#### Multi-Asset Credit Fund

Managed by: Russell Investments

Portfolio Value: £0.6bn\*

#### Global Credit Fund

Managed by: Russell Investments

Portfolio Value: £0.8bn\*

#### UK Credit Fund

Managed by: Link Fund Solutions

Portfolio Value: £0.5bn\*

### Private Markets

#### Infrastructure – closed ended

Managed by: GCM Grosvenor

#### Infrastructure – open ended

Managed by: CBRE, IFM and Octopus

#### Private Credit

Managed by: Russell Investments

#### Private Equity

Managed by: Schroders Capital

\* Portfolio Values as at launch date



Wales Pension Partnership

<https://www.walespensionpartnership.org/>





Wales Pension Partnership  
Joint Governance Committee  
Q2 2024 review – 18 September 2024



# Market Updates





Waystone Management (UK) Limited (WMUK) have been re-appointed by the Wales Pension Partnership as Operator to the Pool.

Waystone Management (UK) Limited (WMUK) are undertaking a full integration project to migrate former LFSL employees on to WMUK's systems (e.g. email, HR system & Finance platform) before October 2024. WMUK are undertaking a full review of all systems and controls to ensure the processes remain best in class. A timeline of events will be shared once they become available to ensure any potential updates for our clients is planned accordingly and undertaken in phased approach.





FCA business plan is looking at key items. Full regulatory update is issued to Host on monthly basis but can be obtained by signing up to on the Waystone Website. [UK/EU updates Archives - Waystone Compliance](#)

Title	Timing	WMUK Impact	WPP Impact
FCA speeches on asset management	Immediate	To Note	Low
Assessment of Value (AOV) - Industry update	Immediate	High	High
FCA: Operational resilience – insights and observations for firms	Immediate	High	High
The Pensions Regulator - cyber security guidance revised to help tackle threat	Immediate	Low	Medium
FCA: Updated webpage on sustainability disclosure and labelling regime and final Anti-Greenwashing guidance and consultation on Sustainability Disclosure Requirement (SDR) application to portfolio management Services	Immediate	Low	Medium
Sustainability Disclosure requirements(SDR): Implementation update 2024	Immediate	Medium	Medium
HM Treasury (HMT)/FCA joint roadmap for Overseas Funds Regime (OFR) implementation and transition from Temporary Marketing Permissions Regime (TMPR)	Immediate	To Note	Medium

## Oversight of Third Parties Q2-24

Activity	Status	Commentary
Transfer Agency – Northern Trust		Transfer Agency review commenced end of Q2 2024. Review to undertake all dealing and processing functions by NT. (Fieldwork planned for November 2024 as merged with another review) date to be confirmed.
Fund Administration – Northern Trust		Fund Administration review completed in Q1 2024. No material findings reported across the business that includes functions solely for WPP.  Draft Report – Report issued to Northern Trust for review and comment, expected final version to be issued in August 2024.
Due Diligence Visits - Northern Trust		An annual Questionnaire completed in Q1-24, which demonstrates that the vendor is assessed on monthly basis against service levels and key performance indicators. In addition, it checks that they have the ability, capacity, financial soundness, and correct authorisation/s to perform the services outsourced to them and that they continue to fulfil their contractual obligations.  Final Report Issued in Q2-24, with two Medium rated findings that are not specific WPP. Findings to be issued with quarterly management information.
Due Diligence Visits - Russell Investments		No planned scheduled visits in this Quarter.

**Status key:**

-  Completed or already in place
-  On target;
-  Delay Expected;
-  Not Applicable

# WPP SUB FUND VALUES AS AT 30 JUNE 2024

<b>Equities</b>	
<b>Fund</b>	<b>AUM</b>
Global Growth	£3,534,088,096
Global Opportunities	£3,333,445,807
UK Opportunities	£736,475,156
Emerging Markets	£268,560,479
Sustainable Active Equity Fund	£1,582,290,626
<b>Sub-Total</b>	<b>£9,454,860,164</b>

<b>Fixed Income</b>	
<b>Fund</b>	<b>AUM</b>
Multi Asset Credit	£734,919,140
Global Credit	£1,009,138,378
Global Government Bond	£484,859,340
Absolute Return Bond	£575,716,556
Sterling Credit	£707,349,580
<b>Sub-Total</b>	<b>£3,511,982,994</b>

<b>Total Active Investments</b>	<b>£12,966,843,158 as at 30 June 2024</b>
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## WPP SUB FUND VALUES & PERCENTAGE OWNERSHIP AS AT 30 JUNE 2024

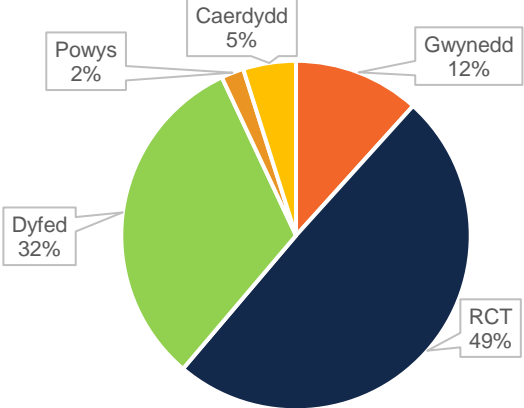
Fund name	Gwynedd	Powys	Clwyd	Swansea	Cardiff	Torfaen	RCT	Dyfed	Sub Fund Total
WS WPP Global Growth Fund	£412,949,712	£73,887,992			£172,586,733		£1,748,094,904	£1,126,568,755	£3,534,088,096
WS WPP Global Opportunities Equities Fund	£441,058,748			£1,200,619,177	£543,212,762	£656,155,873	£492,399,247		£3,333,445,807
WS Wales PP UK Opportunities Fund					£152,181,964	£584,293,192			£736,475,156
WS Wales PP Emerging Markets Equity Fund	£61,996,204	£15,806,721			£119,223,471	£71,534,083			£268,560,479
WS Wales PP Sustainable Active Equity Fund	£319,632,801	£74,488,073	£346,184,809	£229,186,886	£143,243,172	£171,910,370	£114,602,256	£183,042,259	£1,582,290,626
WS Wales PP Multi Asset Credit Fund	£228,856,084	£33,464,763	£248,009,348	£67,392,254	£157,196,691				£734,919,140
WS Wales PP Global Credit Fund	£223,130,930	£27,031,921			£182,297,921	£254,535,034		£322,142,572	£1,009,138,378
WS Wales PP Global Government Bond Fund					£232,454,392	£252,404,948			£484,859,340
WS Wales PP Absolute Return Bond Fund	£431,893,383	£72,197,884		£71,625,289					£575,716,556
WS Wales PP Sterling Credit Fund							£707,349,580		£707,349,580
<b>Constituent Authority Total</b>	<b>£2,119,517,862</b>	<b>£296,877,354</b>	<b>£594,194,157</b>	<b>£1,568,823,606</b>	<b>£1,702,397,106</b>	<b>£1,990,833,500</b>	<b>£3,062,445,987</b>	<b>£1,631,753,586</b>	<b>£12,966,843,158</b>

Fund name	Gwynedd	Powys	Clwyd	Swansea	Cardiff	Torfaen	RCT	Dyfed
WS WPP Global Growth Fund	12%	2%			5%		49%	32%
WS WPP Global Opportunities Equities Fund	13%			36%	16%	20%	15%	
WS Wales PP UK Opportunities Fund					21%	79%		
WS Wales PP Multi Asset Credit Fund	31%	5%	34%	9%	21%			
WS Wales PP Emerging Markets Equity Fund	23%	6%			44%	27%		
WS Wales PP Global Credit Fund	22%	3%			18%	25%		32%
WS Wales PP Global Government Bond Fund					48%	52%		
WS Wales PP Absolute Return Bond Fund	75%	13%		12%				
WS Wales PP Sterling Credit Fund							100%	
WS Wales PP Sustainable Active Equity Fund	20%	5%	22%	15%	9%	11%	7%	12%

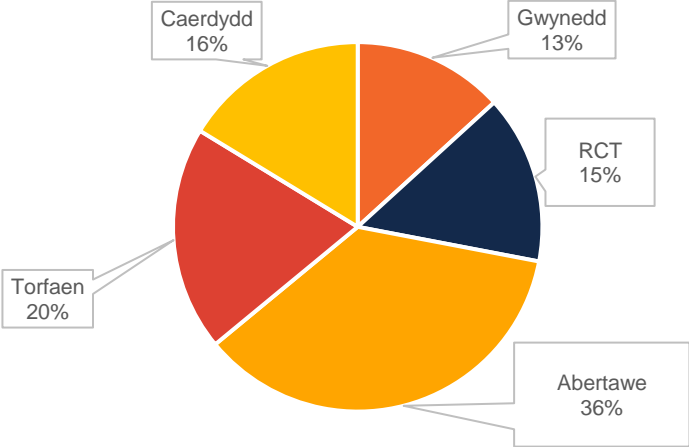
# June 2024 Fund Snapshot - Equities

- Key:
- Dyfed
  - Powys
  - Gwynedd
  - RCT
  - Torfaen
  - Clwyd
  - Swansea
  - Cardiff

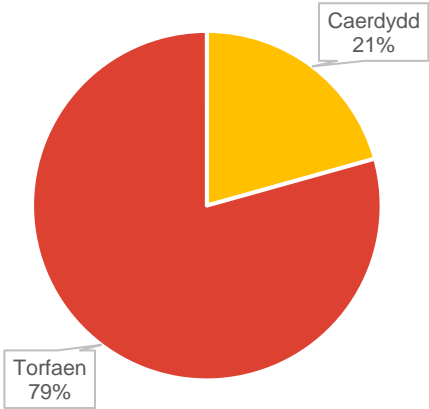
**Global Growth**



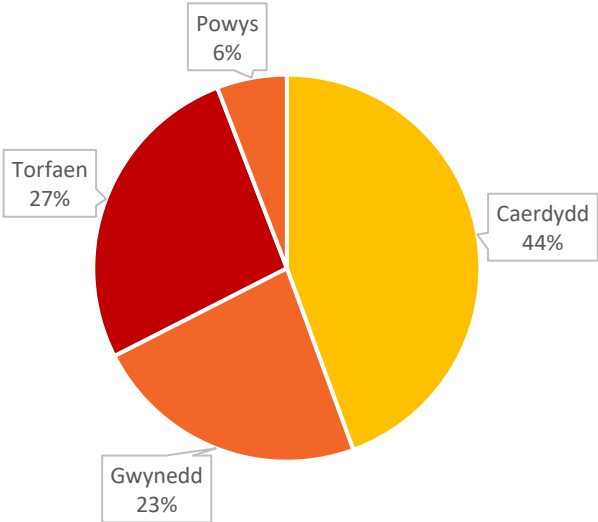
**Global Opportunities**



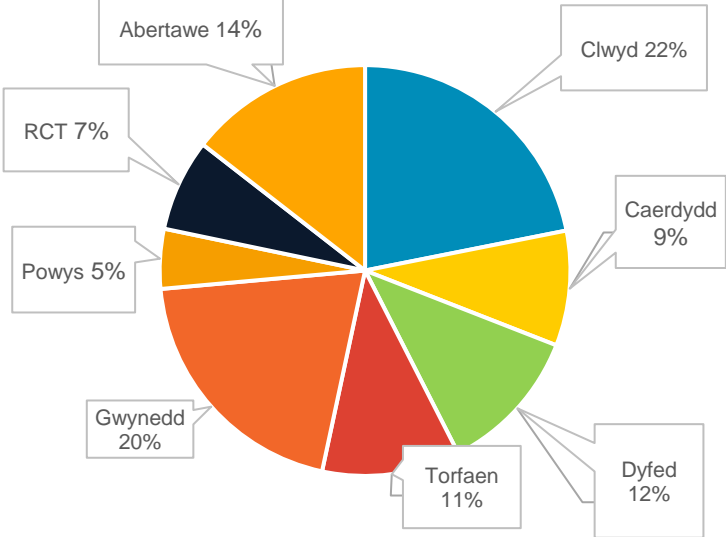
**UK Opportunities**



**Emerging Markets**

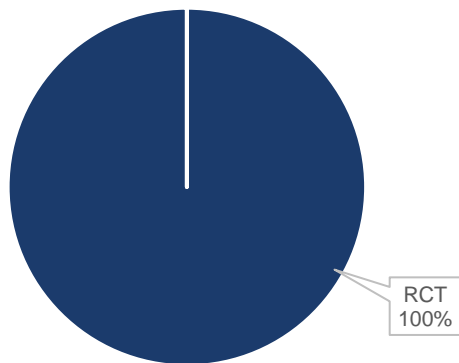


**Sustainable Active Equity**

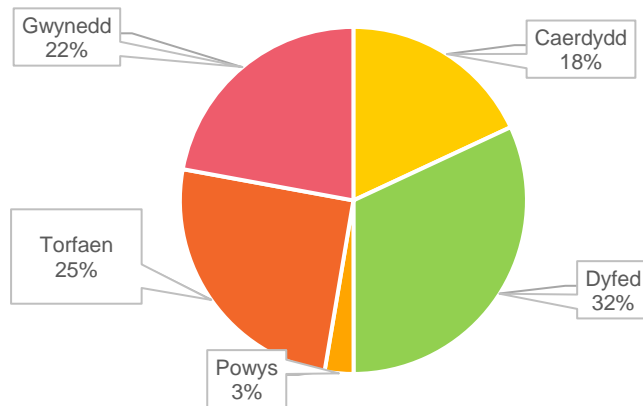


# June 2024 Fund Snapshot - Fixed Income

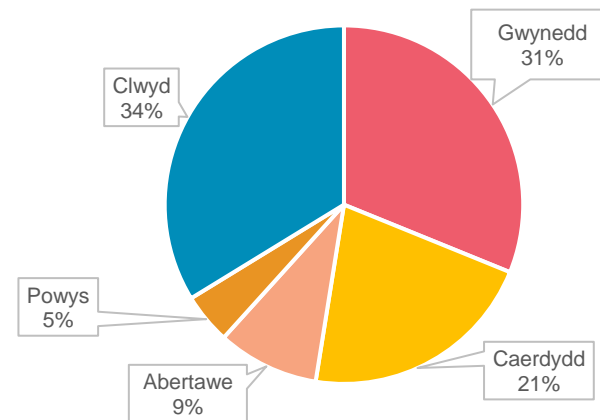
## Sterling Credit



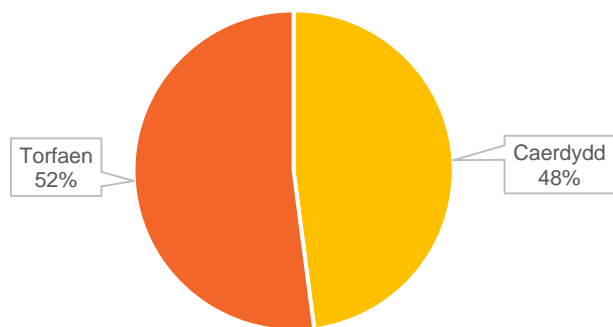
## Global Credit



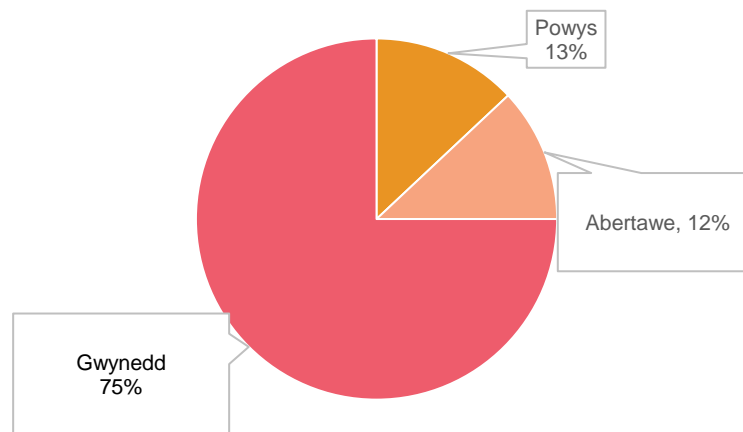
## Multi Asset Credit



## Global Gov. Bond



## Absolute Return Bond



- Key:
- Dyfed
  - Powys
  - Gwynedd
  - RCT
  - Torfaen
  - Clwyd
  - Swansea
  - Cardiff

# Sub-Funds Update

## Fund Launches & Changes

	Activity	Status	Commentary
<b>Completed Fund Launches &amp; Changes</b>	N/a		N/a
	Addition of New Investment Manager to the Global Growth Fund, as an addition to current Managers	✓	<p>Proposed addition of new manager was being discussed with the Host and Russell Investment with further update/meetings to be arranged through Q2-24.</p> <p>WPP confirmed that additional papers were being provided by RI to consider the funds position, with update provided at OWG in July whereby it was agreed that RI will take on the Management of this fund. Project Transition has been set up and weekly calls scheduled with a target completion date Q4-24.</p>
	Removal of Artemis from Sustainable Active Equity Fund	✓	<p>Artemis has announced the departure of the current portfolio management team. This strategy accounted for £118m (or 8.8%) of the WS Wales PP Sustainable Active Equity Fund, as at 29 Dec 2023. RI to wind down exposure across the mandate as soon as possible. RI plan to re-allocate proceeds equally to two other growth-oriented strategies, Mirova and Neuberger Berman.</p> <p>This has gone through WMUK Governance and Depositary, with the change approved. The removal to take effect from 11 July 2024. Investor notice to be issued on 4 July 2024 to all Constituent Authorities.</p>

**Status key:**





- Completed or already in place
- On target;
- Delay Expected;
- Not Applicable



# Market Updates

Market Updates			
	Activity	Status	Commentary
<b>Russia / Ukraine</b>	Impact to ACS sub-funds holding Russian companies	✓	WMUK continue to monitor the situation and will advise Constituent Authorities of any developments. Our Fair Value Pricing Committee regularly discuss, and assets are still priced accordingly. All WPP Funds holding no Russian companies.
<b>Middle East</b>	Impact to ACS sub-funds holding Israeli companies	✓	<p>Currently 8 securities held in Israeli companies across five sub funds;            Global Opportunities Fund - 1 company with 0.01% exposure.            Global Credit Fund – 2 companies with 0.245%.            Multi Asset Credit Fund – 2 companies with 0.596%.            Absolute Return Fund – 2 companies with 0.064%.            Global Government Bond Fund – 1 company with 0.343%</p> <p>Total value of approx. £9.54m.</p> <p>Situation currently being monitored as part of the BAU oversight process.</p> <p>Figures from end of March 2024.</p>

**Status key:**

-  Completed or already in place
-  On target;
-  Delay Expected;
-  Not Applicable

# WMUK Corporate Update & Engagement

## Key Q2 and future WPP Engagement

**Waystone attendance at OWG/JGC meetings in period:**

- OWG 21 May 2024

**Waystone attendance at OWG/JGC meetings in next quarter:**

- OWG 22 July 2024
- WPP JGC 17 July 2024
- WPP JGC 18 September 2024

**Waystone attendance at Strategic Relationship Review:**

- 17 May 2024

**Waystone - Pension Committee attendance in period:**

- Clwyd Pension Meeting in person 19 June 2024

**Waystone - Pension Committee attendance in next quarter :**

- None at Present

**WPP Pension Board Chairs Engagement meeting**

- None at Present

**Other meetings in period**

- Host Authority update – occurs bi-weekly
- WPP briefing / training session – (Cyber & Listed Sub Fund Session) 18 June 2024
- LGPS Liquidity Round Table – 16 May 2024

**Other meetings in next quarter**

- Host Authority update – occurs bi-weekly
- LGPS – Levelling Up round table – 18 Sept 2024

# WMUK Engagement Protocol – Business as Usual

Strategic Relationship Review	Frequency	Objective
<b>WPP Attendees</b> <ul style="list-style-type: none"><li>Chris Moore</li><li>Anthony Parnell</li><li>Two Section 151 / Deputy Section 151 officers</li></ul>	<ul style="list-style-type: none"><li>Bi-annual</li></ul>	<ul style="list-style-type: none"><li>Ensure strategic alignment between Host Authority and WMUK</li></ul>
<b>JGC Engagement</b>	<b>Frequency</b> <ul style="list-style-type: none"><li>Quarterly</li></ul>	<b>Objective</b> <ul style="list-style-type: none"><li>Engage with JGC on pertinent matters and strategic deliverables</li></ul>
<b>WPP Attendees</b> <ul style="list-style-type: none"><li>Joint Governance Committee (JGC)</li></ul>		<b>Waystone Attendees</b> <ul style="list-style-type: none"><li>Karl Midl, Country Head, UK and CEO / Peter Ritchie, Head of Investment Management required</li><li>Richard Thornton, Head of Relationship Management, Asset Owners</li><li>James Zealander, Senior Relationship Manager</li><li>Russell Investments</li></ul>
<b>OWG Engagement</b>	<b>Frequency</b> <ul style="list-style-type: none"><li>Quarterly</li></ul>	<b>Objective</b> <ul style="list-style-type: none"><li>Identify and deliver on opportunities to improve and expand the relationship</li><li>Provide update on open projects or issues</li><li>Monthly KPI Review (Data supplied quarterly)</li></ul>
<b>WPP Attendees</b> <ul style="list-style-type: none"><li>Officers Working Group (OWG)</li></ul>		<b>Waystone Attendees</b> <ul style="list-style-type: none"><li>James Zealander, Senior Relationship Manager</li><li>Richard Thornton, Head of Relationship Management, Asset Owners</li><li>Peter Ritchie, Head of Investment Management Oversight</li><li>Heidi Robinson, Relationship Manager (as required)</li><li>Ad-hoc Link attendance from functional departments: Tax, Compliance, Product, etc.</li><li>Russell Investments</li></ul>

# WMUK Engagement Protocol continued...

Host Authority Update	Frequency	Objective
<b>WPP Attendees</b> <ul style="list-style-type: none"> <li>▪ Anthony Parnell</li> <li>▪ Tracey Williams</li> </ul>	<ul style="list-style-type: none"> <li>▪ Bi-Weekly</li> </ul>	<ul style="list-style-type: none"> <li>▪ Regular Host Authority – WMUK to discuss deliverables and business updates</li> <li>▪ Richard Thornton, Head of Relationship Management, Asset Owners</li> <li>▪ James Zealander, Senior Relationship Manager</li> <li>▪ Heidi Robinson, Relationship Manager (as required)</li> <li>▪ Clair Baguley, Client Service Manager (as required)</li> </ul>
Chairpersons of the Pension Board Committees	Frequency	Objective
<ul style="list-style-type: none"> <li>▪ Individual Pension Fund Committee meetings</li> </ul>	<ul style="list-style-type: none"> <li>▪ Annual</li> </ul>	<ul style="list-style-type: none"> <li>▪ General update on the ACS and planned initiatives</li> <li>▪ Richard Thornton, Head of Relationship Management, Asset Owners</li> <li>▪ James Zealander, Senior Relationship Manager</li> <li>▪ Heidi Robinson, Relationship Manager (as required)</li> <li>▪ Russell Investments</li> </ul>
Manager Engagement Days	Objective	
<ul style="list-style-type: none"> <li>▪ Open to all involved parties</li> </ul>	<ul style="list-style-type: none"> <li>▪ Annual</li> <li>▪ Open day for presentations on strategy and performance (with IM)</li> <li>▪ Waystone Client Team</li> <li>▪ Northern Trust</li> <li>▪ Russell Investments and other Investment Managers</li> <li>▪ Other consultants as required (e.g. bFinance)</li> </ul>	
Pension Board Engagement	Frequency	Objective
<b>WPP Attendees</b> <ul style="list-style-type: none"> <li>▪ Chairpersons of the Constituent Authorities</li> <li>▪ Host Authority</li> </ul>	<ul style="list-style-type: none"> <li>▪ Bi-Annual</li> </ul>	<ul style="list-style-type: none"> <li>▪ General update on the ACS and planned initiatives</li> <li>▪ Waystone Client Team</li> <li>▪ Russell Investments</li> </ul>

# Thank you

## Relationship Managers

Name: James Zealander  
Role: Senior Relationship Manager  
Number: +44 (0)7522 348 474  
Email: [James.Zealander@waystone.com](mailto:James.Zealander@waystone.com)

Heidi Robinson  
Relationship Manager  
+44 (0) 7843 804917  
[Heidi.Robinson@waystone.com](mailto:Heidi.Robinson@waystone.com)

## Head of Client Relations

Name: Richard Thornton  
Role: Head of Relationship Management – Asset Owners  
Number: +44 (0) 7765 220277  
Email: [Richard.Thornton@waystone.com](mailto:Richard.Thornton@waystone.com)

## Executive Contact

Name: Karl Midl  
Role: Country Head, UK and CEO  
Number: +44 (0)7951 266225  
Email: [Karl.Midl@waystone.com](mailto:Karl.Midl@waystone.com)

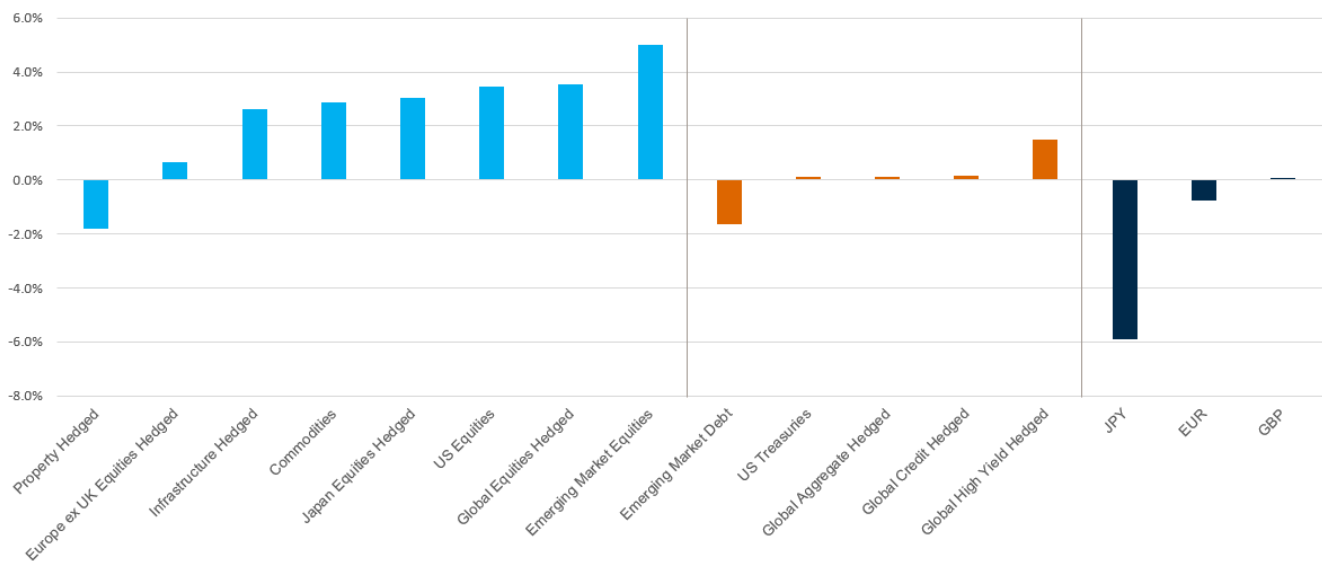
# JGC - WPP Performance Summary Q2 2024

## Global Market Commentary

Global equities rose while fixed income markets lagged in the second quarter. Gains in equity markets were more modest versus the previous period. Markets diverged with Asia Pacific ex Japan, Emerging Markets, US and UK equities performing well. In contrast, Japan and Europe ex UK lagged, recording losses over the period. Political uncertainty was further heightened by surprise election announcements in the UK and France alongside the unusually large number of global elections already scheduled this year.

The Federal Reserve and the Bank of England kept interest rates unchanged at their policy meetings. US equities benefitted from solid quarterly earnings, although some gains were driven by a narrow cohort of technology stocks. Meanwhile, the strength of the economy and stubbornly high inflation forced a rapid adjustment to interest rate expectations. The yield on 10-year US Treasuries rose 20 basis points (bps) to 4.40%. UK equities hit new all-time highs as investors were encouraged after the economy exited last year's mild recession. Although inflation disappointed in April, May's figure fell to the lowest since 2021 (2.0%). However, the unexpected general election announcement prompted investors to adjust their expectation of an initial interest rate cut from June to September or November, sending gilt yields higher. The benchmark 10-year gilt yield ended up 24 bps at 4.17%. Elsewhere, the European Central Bank held rates in April but cut its benchmark rate by 25 bps in June, its first rate cut in five years. The yield on 10-year German bunds increased by 20 bps to 2.50%.

## Asset class performance – Quarter to Date (June) 2024



Benchmarks : Global equity hedged (MSCI World ACWI), UK equity (FTSE All Share), US equity hedged (Russell 1000 Net GBPH), Europe ex UK equity (MSCI Europe ex UK Equity Net GBPH), Japan equity (TOPIX Net GBPH), Emerging equity (MSCI Emerging Markets Net), Global HY bonds (BofAML Global High Yield 2% Constrained Index), EMD LC (JP Morgan GBI-EM Global Diversified Index), Global credit hedged (Bloomberg Barclays Global Aggregate Credit Index), Global aggregate hedged (Bloomberg Barclays Global Aggregate Bond Index GBPH), UK Government Bonds (ICEBofAML UK Gilts All Stocks (GB), Property hedged (FTSEEPRA Nareit Dev Re GBP)

## Global Growth Equity Fund:

	Three Months	1 Year	3 Year	Since Inception
<b>Gross</b>	-0.5	13.6	3.9	10.5
<b>Net</b>	-0.6	13.2	3.5	10.1
<b>MSCI AC World Index Net</b>	2.8	20.1	8.6	12.2
<b>Excess returns (gross)</b>	-3.3	-6.4	-4.7	-1.8
<b>Excess returns (Net)</b>	-3.4	-6.9	-5.2	-2.2

**Inception Date: 31st January 2019**

**Source: Northern Trust as of 30 June 2024**

**Benchmark: MSCI AC World Net Total Return Index GBP**

**Objective: The sub-fund aims to achieve a long-term capital appreciation, net of fees.**

Inception date is based starting NAV for the sub-fund. This inception date may differ from the investment manager, who typically takes over following a transition period.

### Overall Fund Commentary

Growth, quality, and momentum led global markets modestly higher in the quarter. Again these styles were reflected in the strong performance of the IT and Communication sectors which are notable underweights for the fund. Consumer discretionary performance has slipped out of the leading sectors and weighed on Baillie Gifford's returns (-1.65% relative). Value experienced a negative return which was particularly difficult for Pzena (-4.74% relative) and Veritas (-4.85% relative).

## Global Opportunities Equity Fund:

	Three Months	1 Year	3 Year	Since Inception
<b>Gross</b>	1.5	18.6	8.6	12.9
<b>Net</b>	1.5	18.3	8.4	12.6
<b>MSCI AC World Index Net</b>	2.8	20.1	8.6	12.2
<b>Excess returns (gross)</b>	-1.4	-1.5	0.0	0.7
<b>Excess returns (Net)</b>	-1.4	-1.8	-0.2	0.4

**Inception Date: COB 31<sup>st</sup> January 2019**

**Source: Northern Trust as of 30 June 2024**

**Benchmark: MSCI AC World Net Total Return Index GBP**

**Objective: The sub-fund aims to achieve long-term capital appreciation, net of fees.**

Inception date is based starting NAV for the sub-fund. This inception date may differ from the investment manager, who typically takes over following a transition period.

### Overall Fund Commentary

Through the quarter the Fund's tilt to value and small cap stocks were unfavourable, as in the first quarter. In sectors, stock selection within industrials was the main detractor of relative returns, notably off-benchmark positions in Nagoya Railroad, Mabuchi Motors and JGC Holdings. Underweight exposure to NVIDIA, Apple and Broadcom in information technology detracted although an overweight to chipmaker TSMC was rewarded. In health care an off-benchmark position in Nippon Shinyaku and overweights to Cigna Group and

Eurofins Scientific were detrimental. In consumer discretionary although underweights to Toyota Motor and Home Depot were effective, this was partly offset by an overweight to HIS. Elsewhere, allocations and stock selection within financials (overweight HDFC Bank, MISUMI) and real estate were positive, limiting further underperformance.

### Sustainable Active Equity Fund:

	Three Months	1 Year	3 Year	Since Inception
<b>Gross</b>	0.9	14.5	-	15.9
<b>Net</b>	0.8	14.1	-	15.5
<b>MSCI AC World Index Net</b>	2.8	20.1	-	21.9
<b>Excess returns (gross)</b>	-2.0	-5.6	-	-6.0
<b>Excess returns (Net)</b>	-2.0	-6.0	-	-6.4

**Inception Date: COB 23<sup>rd</sup> June 2023**

**Source: Northern Trust as of 30 June 2024**

**Benchmark: MSCI AC World Net Total Return Index GBP plus 1.5% per annum**

**Objective: The sub-fund aims to achieve a total return (the combination of income and capital growth) of the equivalent of the MSCI AC World Net Total Return Index GBP plus 1.5% per annum, net of fees, over a rolling five year period.**

Inception date is based starting NAV for the sub-fund. This inception date may differ from the investment manager, who typically takes over following a transition period.

### Overall Fund Commentary

Large cap growth stocks were the best performers, while mid cap and small cap value stocks lagged the most. High dividend yielding stocks also underperformed. In sectors, technology and communication services were the best performers as continued optimism over the potential of AI propelled shares higher. Names within utilities also did well. In contrast, stocks within materials and industrials struggled.

The Fund's tilt towards small cap and value stocks served as a headwind. Within sectors, an underweight to and selection within technology (underweight Nvidia and Apple) was ineffective. Selection within consumer staples (overweight Estee Lauder) and consumer discretionary (overweight American Eagle) was also unrewarded. However, an overweight to Taiwan Semiconductor Manufacturing Co and an underweight to energy stocks was additive.



## EM Market Commentary

EM outperformed developed market equities in the second quarter. The index climbed for the third-successive quarter as large constituents including China, India and Taiwan outperformed. The information technology sector remained a standout performer, driven by semiconductor giant TSMC, amid high demand for artificial intelligence related technology stocks.

Accommodative government policy changes helped boost wider investor sentiment within China. In India, incumbent prime minister Narendra Modi and his Bharatiya Janata Party (BJP) surprisingly lost 63 seats and failed to gain a clear majority in the country's election. Investors reacted positively to political certainty later in the period as Modi negotiated a coalition to lead for a record-equalling third term. Investors also reacted positively to election results in South Africa but responded negatively in Mexico, amid concerns at Claudia Sheinbaum's reform policies. Brazil and South Korea lagged the benchmark return.

## EM Equity Fund:

	Three Months	1 Year	3 Year	Since Inception
<b>Gross</b>	3.3	10.6	-	-1.3
<b>Net</b>	3.5	10.2	-	-1.7
<b>MSCI Emerging Market Index plus 1.5%</b>	5.3	14.9	-	0.7

**Inception Date: COB 20th October 2021**

**Source: Northern Trust as of 30 June 2024**

**Benchmark: MSCI Emerging Markets Index Net plus 1.5% per annum.**

**Objective: To achieve capital appreciation, the equivalent of the MSCI Emerging Market Index Net plus 1.5% per annum, over any five year period, after all costs and charges have been taken.**

Inception date is based starting NAV for the sub-fund. This inception date may differ from the investment manager, who typically takes over following a transition period.

## Overall Fund Commentary

The Fund's exposure to momentum remained a positive contributor. However, negative selection within China (underweight Tencent) was a key detractor. An overweight allocation, particularly exposure to Hong Kong names, mitigated further underperformance. Country allocation was negative as an overweight to Brazil – one of the weakest-performing countries this quarter – and an underweight to Taiwan (TSMC) weighed on returns. An underweight to Saudi Arabia suited the market environment. Strong selection within South Korea (industrials and semiconductor names) contributed positively. This included exposure to SK hynix, HD Hyundai Electric and underweights to battery manufacturer Samsung SDI and pharmaceutical company HLB.

## UK Market Commentary

UK equities outperformed other markets except Asia Pacific ex Japan, the US and emerging markets. Performance was helped in April by a lack of major tech companies when some of the “Magnificent 7” suffered notable falls. Solid results and takeover news also boosted shares, notably BHP’s bid for mining peer Anglo American. The FTSE 100 hit new all-time highs following reports the economy exited last year’s mild recession. In upwardly revised figures later in the quarter GDP grew 0.7% QoQ (0.3% YoY) in the first quarter, the strongest growth since 2021. Although inflation disappointed in April, May’s figures saw inflation fall to the lowest since 2021, to 2.0% from 2.3%, in line with market expectations and hitting the Bank of England’s target.

## UK Opportunities Equity Fund:

	Three Months	1 Year	3 Year	Since Inception
<b>Gross</b>	2.6	13.3	4.9	5.4
<b>Net</b>	2.6	12.9	4.4	5.0
<b>FTSE All Share</b>	3.7	13.0	7.4	5.7
<b>Excess returns (gross)</b>	-1.1	0.3	-2.5	-0.3
<b>Excess returns (Net)</b>	-1.2	-0.1	-3.0	-0.7

**Inception Date:** COB 23<sup>rd</sup> September 2019

**Source:** Northern Trust as of 30 June 2024

**Benchmark:** FTSE All Share Index

**Objective:** The Sub-fund aims to achieve long-term capital appreciation, net of fees.

Inception date is based starting NAV for the sub-fund. This inception date may differ from the investment manager, who typically takes over following a transition period.

## Overall Fund Commentary

The Fund’s tilt towards small and mid-cap stocks was unfavourable. In sectors, an underweight to and selection within health care was a key detractor, particularly the underweight to AstraZeneca. Other detractors included an overweight to Wise and an underweight to HSBC Holdings within financials. However, an underweight to Diageo within consumer staples and an overweight to John Wood within energy contributed positively.

## Fixed Income Market Commentary

Government 10-year yields in the US, UK and Europe were higher over the quarter. In Europe, French bonds lagged as investors gravitated to German bunds in response to heightened political uncertainty in France, triggered by snap parliamentary elections. In credit markets, spreads widened, more notably in European and US high yield. In the US, evidence of weakening inflation later in the quarter cemented expectations of two 25 basis point (bps) interest rate cuts by the Federal Reserve (Fed) this year. The Fed and the Bank of England (BoE) kept interest rates unchanged at their policy meetings. The European Central Bank (ECB) held rates in April but cut its benchmark rate by 25 basis points (bps) in June.

The BoE held interest rates at 5.25% at both its May and June meetings. In April disappointing inflation data, in both the UK and US, and strong wage growth at home, dampened expectations of interest rate cuts. The outcome, along with heightened political uncertainty due to the unexpected announcement of a general election in July, prompted investors to adjust their expectation of an initial rate cut by the BoE from June to September or November, sending gilt yields higher. There was better news in May's figures, which saw inflation fall to the lowest since 2021, to 2.0% from 2.3%, in line with market expectations and hitting the BoE's target. Investors were also encouraged by reports the economy exited last year's shallow recession. In upwardly revised figures later in the quarter GDP grew 0.7% QoQ (0.3% YoY) in the first quarter, the strongest growth since 2021. Over the quarter, the benchmark 10-year gilt yield was 24 bps higher at 4.17%.

## Global Government Bond Fund:

	Three Months	1 Year	3 Year	Since Inception
<b>Gross</b>	-0.8	2.4	-2.8	-2.3
<b>Net</b>	-0.8	2.2	-3.0	-2.5
<b>FTSE World Gvt Bond Index (GBP Hedged)*</b>	-0.3	2.3	-3.3	-3.1
<b>Excess returns (gross)</b>	-0.4	0.1	0.6	0.8
<b>Excess returns (Net)</b>	-0.5	-0.1	0.4	0.6

**Inception Date: COB 30<sup>th</sup> July 2020**

**Source: Northern Trust as of 30 June 2024, \* Benchmark Russell Investments as of 30 June 2024**

**Benchmark: FTSE World Government Bond Index (GBP Hedged)**

**Objective: The Sub-fund aims to achieve total return (the combination of income and growth), in excess of the FTSE World Government Bond Index (GBP Hedged), over any five year period, after all costs and charges have been taken.**

Inception date is based starting NAV for the sub-fund. This inception date may differ from the investment manager, who typically takes over following a transition period.

## Overall Fund Commentary

Government 10-year yields in the US, UK and Europe were higher over the quarter. In the US, evidence of weakening inflation cemented expectations of two 25 basis point (bps) interest rate cuts by the Federal Reserve this year. The European Central Bank cut its benchmark interest rate by 25 bps to 3.75% from 4.0%, its first rate cut in five years. However, the bank provided no signs on further action and raised its inflation forecasts for this year and 2025.

Similar to the previous quarter, the Fund's short-dated US Treasury positioning detracted from relative performance. Exposure to short-dated bonds in Brazil was also unrewarded. Positioning within Japanese bonds (underweight 10-year issues) suited the market environment although exposure to the Japanese yen weighed on wider returns.

## Global Credit Fund:

	Three Months	1 Year	3 Year	Since Inception
<b>Gross</b>	0.1	5.7	-3.4	-2.2
<b>Net</b>	0.1	5.5	-3.5	-2.3
<b>Bloomberg Barclays Global Agg Credit Index (GBP Hedged)</b>	0.1	5.2	-3.0	-2.1
<b>Excess returns (gross)</b>	0.0	0.5	-0.4	0.0
<b>Excess returns (Net)</b>	0.0	0.3	-0.5	-0.2

**Inception Date:** COB 27<sup>th</sup> July 2020

**Source:** Northern Trust as of 30 June 2024

**Benchmark:** Bloomberg Barclays Global Aggregate Credit Index (GBP Hedged)

**Objective:** The Sub-fund aims to achieve a total return (the combination of income and growth), in excess of the Bloomberg Barclays Global Aggregate Credit Index (GBP Hedged), over any five-year period, after all costs and charges have been taken.

Inception date is based starting NAV for the sub-fund. This inception date may differ from the investment manager, who typically takes over following a transition period.

### Overall Fund Commentary

Credit spreads widened over the quarter with the exception of Asia Pacific investment grade and emerging market corporate credit. Spreads widened the most in hard currency emerging market debt (+57 bps to 344). US high yield and European high yield spreads widened by double digits (+10 bps to 309 and +12 bps to 359, respectively). Global high yield spreads widened by 4 bps to 386.

Within this environment, overweight exposure to investment grade in Europe (financials, utilities) was helpful. In US credit, an overweight to high yield (financials, industrials) and an underweight to investment grade contributed positively. Exposure to hard currency emerging market debt detracted largely due to underweights to investment grade in Asia and the Middle East although an underweight to investment grade in Europe was additive. Elsewhere, an underweight to sovereign debt in Spain was helpful.

## Multi Asset Credit Fund:

	Three Months	1 Year	3 Year	Since Inception
<b>Gross</b>	1.4	9.6	0.5	2.7
<b>Net</b>	1.3	9.2	0.1	2.3
<b>3 Month GBP SONIA + 4%</b>	2.3	9.6	7.1	6.3

**Inception Date: COB 27<sup>th</sup> July 2020**

**Source: Northern Trust as of 30 June 2024**

**Objective: To achieve a total return (the combination of income and capital growth), the equivalent of the 3 Month GBP SONIA + 4%, over any five year period, after all costs and charges have been taken. We have not shown excess return as this is a target.**

Inception date is based starting NAV for the sub-fund. This inception date may differ from the investment manager, who typically takes over following a transition period.

### Overall Fund Commentary

Credit markets moved higher over the period amid strong demand for corporate credit and elevated issuance. With refinancing costs receding in recent months they have become more easily absorbed by earnings growth. Broadly, economic data was supportive of consumer credit behavior with tight labour markets (in the US) and solid wage growth. This environment suited securitized bond specialist Voya.

High yield outperformed investment grade credit, benefitting Barings but weighing on gains of those managers with underweight exposure to high yield (RBC UK (BlueBay)). In general credit spreads widened over the quarter, widening the most in hard currency emerging market debt (+57 bps to 344). US high yield and European high yield spreads widened by double digits (+10 bps to 309 and +12 bps to 359, respectively). Global high yield spreads widened by 4 bps to 386. In investment grade, European spreads widened by 6 bps to 104 while global investment grade (+2 bps to 94) and US investment grade (+3 bps to 88) spread movement was more modest.

Corporate fundamentals in the US and Europe remain strong benefitting those managers with overweight allocations to those regions. In emerging market debt (EMD), local EMD (as measured by the JP Morgan GBI-EM Global Diversified Index), was 1.7% lower over the quarter, impacting performance for RBC UK (BlueBay). Hard currency EMD (as measured by the JPM EMBI Global Index) recorded a 0.4% rise, the latter weighing on gains for European EMD specialist Man GLG due to its underweight exposure.

## Absolute Return Bond Strategy Fund:

	Three Months	1 Year	3 Year	Since Inception
<b>Gross</b>	1.9	8.4	4.1	3.8
<b>Net</b>	2.1	8.4	3.9	3.6
<b>3 Month GBP SONIA + 2%</b>	1.8	7.5	5.0	4.4

**Inception Date: COB 30<sup>th</sup> September 2020**

**Source: Northern Trust as of 30 June 2024**

**Objective: To achieve a total return (the combination of income and capital growth), the equivalent of the 3 month GBP SONIA plus 2%, over any five year period, after all costs and charges have been taken. we have not shown excess return as this is a target.**

Inception date is based starting NAV for the sub-fund. This inception date may differ from the investment manager, who typically takes over following a transition period.

### Overall Fund Commentary

Credit spreads widened over the quarter with the exception of Asia Pacific investment grade and emerging market corporate credit. Global high yield spreads widened by 4 bps to 386. In investment grade, European spreads widened by

6 bps to 104 while global investment grade (+2 bps to 94) and US investment grade (+3 bps to 88) spread movement was more modest. In securitised credit relatively benign markets provided a positive backdrop with low volatility and generally solid spread performance. In emerging market debt (EMD), local EMD (as measured by the JP Morgan GBI-EM Global Diversified Index), was 1.7% lower over the quarter while hard currency EMD (as measured by the JPM EMBI Global Index) recorded a 0.4% gain.

Within this environment, Insight benefitted from the widening in spreads between French and German bonds due to its short position in France relative to Germany. Rising yields in Japan was beneficial to Insight and Wellington due to their short duration positioning in the market.

### Sterling Credit Fund:

	Three Months	1 Year	3 Year	Since Inception
<b>Gross</b>	-0.1	11.1	-2.6	-1.8
<b>Net</b>	-0.1	11.0	-2.7	-2.3
<b>ICE Bank of America Merrill Lynch Euro-Sterling Index plus 0.65%</b>	0.0	10.3	-3.2	-2.3

**Inception Date:** COB 27<sup>th</sup> July 2020

**Source:** Northern Trust as of 30 June 2024

**Benchmark:** ICE Bank of America Merrill Lynch Euro-Sterling Index Plus 0.65%.

**Objective:** The sub-fund aims to achieve a total return (the combination of income and capital growth), the equivalent of the ICE Bank of America Merrill Lynch Euro Sterling Index plus 0.65% each year, over any three year period after all costs and charges have been taken.

Inception date is based starting NAV for the sub-fund. This inception date may differ from the investment manager, who typically takes over following a transition period.

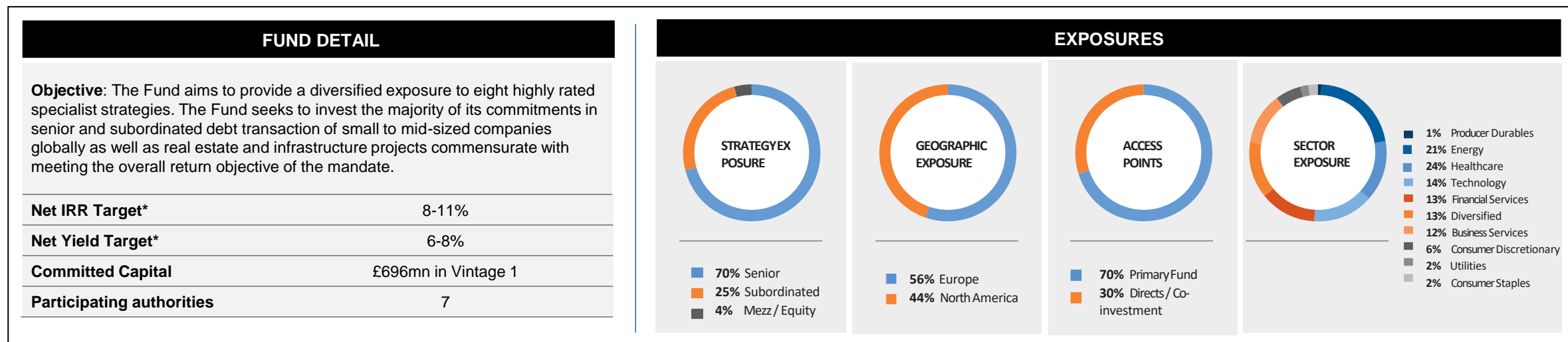
### Overall Fund Commentary

During the quarter, the fund outperformed the benchmark. UK bonds posted negative returns over the quarter, with corporate bonds outperforming government bonds (Gilts). Markets reeled from stronger than expected inflation data in April, fuelling expectations that high inflation could delay rate cuts by a few months. As a result, the two-year Gilt yield, which is especially sensitive to Bank of England (BoE) rate expectations, rose to its highest level since September 2023, nearing levels seen during the mini-budget turmoil in financial markets. The 10-year Gilt yield also hit 4.38% in May, its highest level since mid-October. The gap between 10-year UK and German government bond yields widened to above 183 bps, representing the widest spread excluding the mini-budget period. However, the UK's annual inflation rate fell from 2.3% to 2.0% in June, hitting the BoE's target for the first time since 2021. That said, policymakers remain concerned about underlying price pressures, including strong price growth in the services sector. On the monetary front, the BoE held interest rates at a 16-year high of 5.25%, with some policymakers indicating that their decision not to cut was now finely balanced. Gilt yields fell as a result, reversing some of their earlier losses. In the corporate credit space, credit spreads widened amid rising volatility due to political uncertainty. On the economic front, the S&P Global/CIPS UK manufacturing Purchasing Managers' Index (PMI) rose to 50.9 in June from 50.3 in March.



# WPP GLOBAL PRIVATE CREDIT FUND, VINTAGE 1 UPDATE

# WPP Global Private Credit Fund



PORTFOLIO BREAKDOWN									
FUND	DD COMPLETE?	CAPITAL COMMITTED	CAPITAL CALLED	STRATEGY / FOCUS	GEOGRAPHY	PORTFOLIO WEIGHT	ESG	IMPACT	
Hamilton Lane DC	Yes	\$255m	\$84.9m	Diversified	US	30%	✓	—	
BX Green Credit III	Yes	\$63m	\$7.6m	Impact / Energy	Global	7%	✓	✓	
Pemberton Strategic Credit III	Yes	£78m	£57.8m	Diversified	Europe	12%	✓	—	
LOIM Sustainable PC	Yes	\$66m	\$53.1m	Impact / Diversified	Global	8%	✓	✓	
Ares Capital Europe VI	Yes	£78m	£13.8m	Diversified	Europe	12%	✓	—	
HIG Bayside Credit Opportunities VII	Yes	£80m	£24.5m	Diversified	Europe	12%	✓	—	
Capital Four Private Debt V	Yes	£55m	—	Diversified	Europe	8%	✓	—	
Starwood European RE Debt II	Yes	£75m	—	Real Estate	Europe	11%	✓	—	
<b>8 Managers</b>	—	<b>£666m</b>	<b>£209.9m</b>	<b>Diversified</b>	<b>Global</b>	—	—	—	



# WPP Global Private Credit LP

Golden moment for Private Credit

PROVIDES  
DIVERSIFIED  
EXPOSURE TO  
EIGHT SPECIALIST  
STRATEGIES

OPEN-ARCHITECTURE  
APPROACH UTILISING  
A FULL SPECTRUM OF  
CAPABILITIES

TAILORED TO THE  
WPP'S  
SUSTAINABILITY  
PREFERENCES

## KEY OBJECTIVES:

**8% - 11%**

NET IRR TARGET

GBP-hedged

**6% - 8%**

NET YIELD TARGET

GBP-hedged

**8 yrs**

FUND TERM

From the end of the commitment period\*

**2 yrs**

COMMITMENT PERIOD

**£163 MN**

CARDIFF AND VALE OF  
GLAMORGAN PENSION  
FUND

**£50 MN**

CLWYD  
PENSION FUND

**£110 MN**

GWYNEDD  
PENSION FUND

**£49 MN**

POWYS  
PENSION FUND

**£20 MN**

CITY AND COUNTY OF  
SWANSEA PENSION  
FUND

**£150 MN**

GREATER  
GWENT  
(TORFAEN)  
PENSION FUND

**£150 MN**

DYFED  
PENSION FUND

**£696 MN**

TOTAL

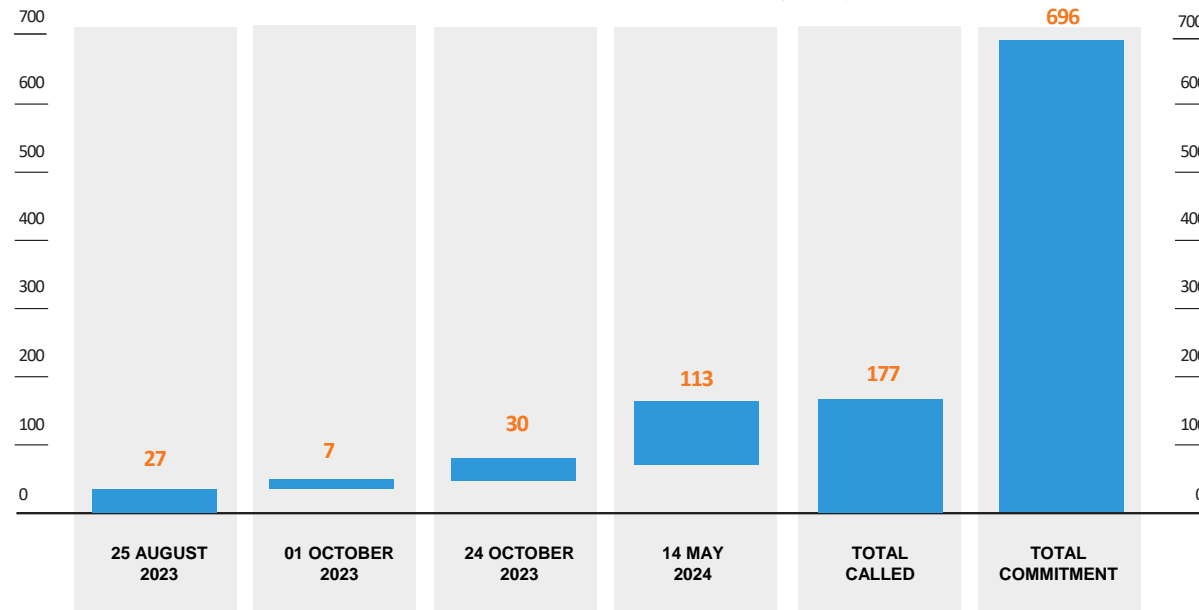
## GP COMMITMENT ALONGSIDE THE WPP OF UP TO 1% OF TOTAL COMMITMENT

# Vintage 1 Deployment Progress

Strong deployment to date

MANAGERS HAVE BEGUN TO CALL CAPITAL AS EXPECTED. WE EXPECT CAPITAL CALL ACTIVITY TO CONTINUE IN-LINE WITH EXPECTATIONS THROUGH 2024

CAPITAL CALLED VS TOTAL COMMITTED (£MN):



CAPITAL CALL FORECAST:

Fund	Life to Date		2024		2025		2026		Balance			
	In (£m)	D/Down	D/Down	Distrib	D/Down	Distrib	D/Down	Distrib	D/Down	Distrib		
£696 Total Commitment			177	0	190	45	203	92	114	151	13	289

MAJORITY OF COMMITMENT TO BE CALLED BY 2026

# Starwood European RE Debt Finance II

## Morrisons Sale & Leaseback

### KEY NUMBERS

**£138m**

First mortgage

**13.5%**

Gross IRR expectation

**53.9%**

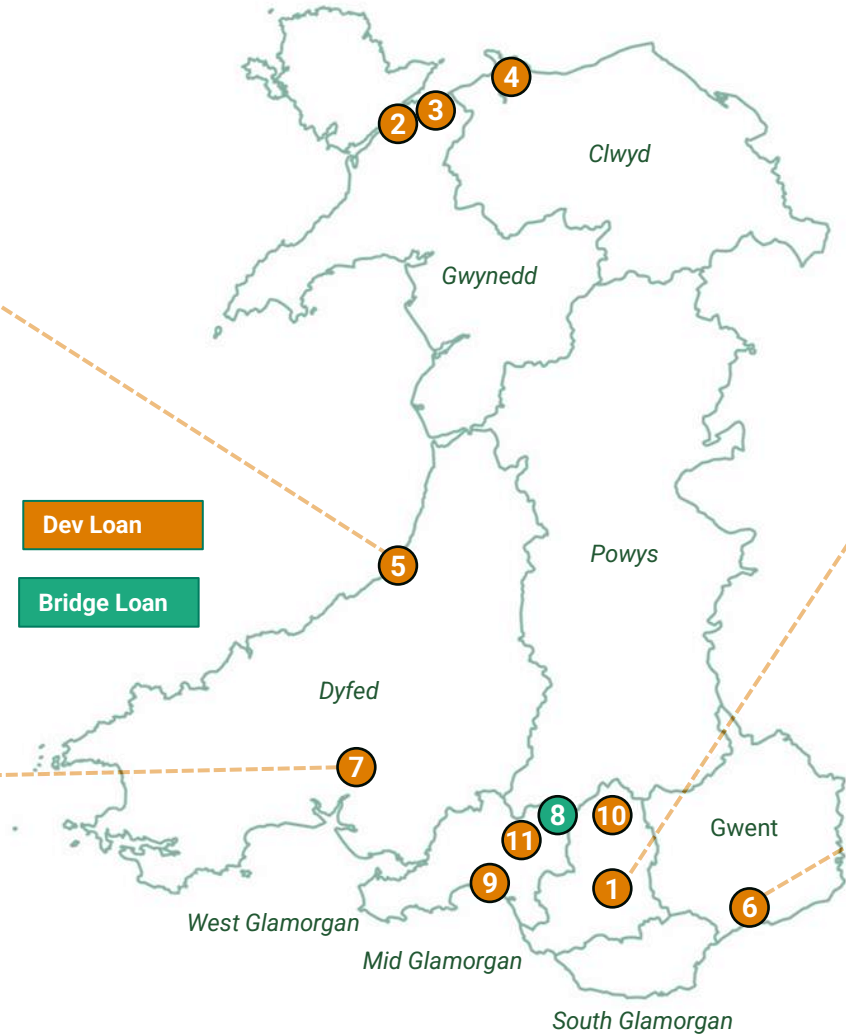
Loan-to-Value

### Description

- The fund provided a loan to asset manager ICG to finance the purchase of 7 as a part of a sale-leaseback transaction with WM Morrisons.
- The 7 properties are all on 15-year or more leases to Morrisons with our loan maturing in 2028.
- At the time of closing, ICG's sale-leaseback funds had a history of collecting all tenant rents with no defaults.



# Pluto Finance Pipeline Map – Wales – Live



## £7.4m Development Loan – Swansea



### Project Description

A £7.4m facility to fund the new build of 33no 3 and 4 bed houses (including 3 bed bungalows) in Swansea. The proposed project will deliver 8 affordable homes as part of the scheme. The development is “phase 2” after a successful phase 1 scheme of 28 bungalows was delivered and sold. The units are proposed to be highly energy efficient. The units will be finished to a high standard, with quality kitchens, appliances, sanitaryware and fixtures & fittings throughout.

### Loan Origination

The borrower is known to the originator having funded a previous scheme for them.

### Borrower Profile

The developer is a regional housebuilder, based in Magor, South Wales. They currently deliver around 200 -250 homes per year and have been in existence for around 15 years. Turnover for the last financial year was £90m.

They directly employ a relatively large Welsh workforce, subcontracting some of the build packages on each housing scheme. The developer undertakes numerous schemes simultaneously each year.

### Current status

The loan is in our pipeline, with formal DD to start soon.

Economics	
Facility Date	TBC
Loan Amount	£7,396,000
Gross IRR	13.06%
LTV	58.5%
RTV	64.5%

# Important Information And Disclosures

Unless otherwise specified, Russell Investments is the source of all data. All information contained in this material is current at the time of issue and, to the best of our knowledge, accurate. Any opinion expressed is that of Russell Investments, is not a statement of fact, is subject to change and does not constitute investment advice.

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**Any past performance figures are not necessarily a guide to future performance.**

Any data on past performance, modelling or back-testing contained herein is no indication as to future performance. No representation is made as to the reasonableness of the assumptions made within or the accuracy or completeness of any modelling or back-testing.

Any forecast, projection or target is indicative only and not guaranteed in any way.

Investments in private market securities are generally illiquid as such investments are neither tradable on any exchange or in the secondary market nor would they be transferrable. Internal rate of return (IRR) is the discount rate that makes the net present value of all cash flows (both positive and negative) equal to zero for a specific project or investment. IRR is typically used for calculating performance of private equity funds

The scenarios presented are an estimate of future performance based on evidence from the past on how the value of this investment varies, and/or current market conditions and are not an exact indicator. What you will get will vary depending on how the market performs and how long you keep the investment/product.

Some investments/bonds may not be liquid and therefore may not be sold instantly. If these investments must be sold on short notice, you might suffer a loss. Securitised derivatives have a limited life and may (unless there is some form of guaranteed return to the amount being investing in the product) expire worthless if the underlying instrument does not perform as expected.

ESG integration is the practice of incorporating financially material environmental, social and governance (ESG) information or insights alongside traditional measures into the investment decision process to improve long term financial outcomes of portfolios and to identify investment opportunities. Unless otherwise stated in Fund documentation or included within the Fund's investment objective, inclusion of this statement does not imply that the Fund has an ESG-aligned investment objective or strategy, but rather describes how ESG information is considered as part of the overall investment process. Russell Investments Sustainability Risks Policy can be found here <https://russellinvestments.com/uk/about-us/responsible-investing> .

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# Consultation Questions and Answers- Gwynedd Pension Fund

## Scales and Consolidation

### **5. To what extent has LGPS asset pooling been successful, including specific models of pooling, with respect to delivering improved long-term risk-adjusted returns and capacity to invest in a wider range of asset classes?**

Gwynedd Pension Fund has maximized the level of investment made via the Wales Pension Partnership (WPP) with 85% of the Fund's assets pooled or under pool management. Gwynedd's strategic asset allocation has historically been dominated by listed equities, but the pool has given the fund the opportunity to invest in a wide range of private market asset classes, facilitation of significant UK and local investments, and significant advances in responsible investment, including WPP becoming signatories of the Stewardship code. Gwynedd Pension Fund is committed to invest further into Wales, the UK and any levelling up opportunities and the WPP will be the key facilitator for these opportunities.

The WPP model uses an independent third-party fund operator with responsibility for investment manager appointments. This reduces conflicts, enables best in class operator and investment manager appointments, and obtains the scale benefits of the operator and its investment advisor. The design of this model allows the pre-existing excellent working relationship between the Welsh Administering Authorities to continue strongly. The decision-making process (one fund, one vote) ensuring local and collective objectives can be delivered via the WPP swiftly and successfully.

The current governance and pooling structure allows Gwynedd Pension Fund to comply with Welsh regulatory requirements e.g Welsh language Act, Well-being of Future Generations (Wales) Act and accounts and external audit regulation. This is a notable advantage to Gwynedd Pension Fund as we operate fully bilingually which could not be fulfilled with any other pool.

Many strategies have only recently started to build a track record of live performance and therefore it is still early days to properly evaluate long-term risk adjusted returns performance for the pooled investments. However, there is no doubt that WPP-established sub funds have been able to deliver significantly enhanced diversification for significantly reduced 'like-for-like' cost. The overall fees for Gwynedd Pension Fund have increased over recent years, however this is inevitable as the value of assets under management has increased along with increasing exposure to private markets, the Fund's members, officers, and independent adviser believe that WPP's funds provide excellent value for money.

## Cost v's Value

### **2. Is there a case for Government interventions, aimed at employers or other participants in the market, designed to encourage pension schemes to increase their investment budgets in order to seek higher investment returns from a wider range of asset classes?**

A push for higher investment returns can increase risk to employers who fund the LGPS since a sustained fall in the value of higher risk assets could cause an increase in employer contributions, and as a result impacting local taxpayers.

Considerations in seeking higher returns from broader range of assets include:

- 1) locally decided investment strategy appropriate to the liabilities of each individual LGPS fund (extent of surpluses, maturity of liabilities, cashflow positive or negative, appropriate diversification to reduce risk, etc);
- 2) level of risk acceptable to employers who fund the LGPS and agreed in locally decided funding strategies; and
- 3) fiduciary duty to pay pensions when due (which in turn leads to seeking appropriate risk-adjusted returns net of costs).

Gwynedd Pension Fund has increased allocations to a wider range of asset classes in order to diversify, notably private market assets. The WPP have established new sub-funds for private equity, infrastructure, and private debt which has allowed us to increase our proportion and therefore pooling has been key to this. We are also, along with the other LGPS funds in Wales invested in and are considering more allocations to local impact investments (private equity, infrastructure, and real estate), intended to support economic growth and have wider positive social and environmental impact, particularly in Wales. As we already invest in a wide range of asset classes, we do not require additional intervention from the Government to encourage this.



## Investing in the UK

### **1. What is the potential for a more consolidated LGPS and workplace DC market, combined with an increased focus on net investment returns (rather than costs), to increase net investment in UK asset classes such as unlisted and listed equity and infrastructure, and the potential impacts of such an increase on UK growth?**

Gwynedd Pension Fund and the WPP's declared intention since we voluntarily started pooling was to focus on net investment returns rather than costs.

We do not believe that the size of pools is stopping the LGPS from investing more in the UK. The limiting factors are:

- 1) availability and attractiveness of suitable UK investments relative to global investment options; and
- 2) fiduciary duty which requires LGPS funds to seek the most attractive risk-adjusted returns globally in each asset class it decides to invest in as part of its investment strategy.

As well as UK specific equity mandates, Wales has global mandates in listed and unlisted equities and in infrastructure that can invest in the UK. In those global mandates, allocations to the UK are reflective of investment manager views on the attractiveness of UK investment opportunities. In order to facilitate Welsh and UK investments within these mandates, the WPP have established a relationship with a number of allocators in order to link and promote viable local investments. If the pools were consolidated, then this arrangement would no longer take place.

Investment by LGPS pools in smaller scale, local opportunities is important. These could potentially cause additional UK growth, whereas investment by the LGPS in large-scale infrastructure for example could simply displace investment by international investors who will instead invest in other countries so that there is not a net increase in UK assets. We believe that consolidation and absorption of the WPP into a larger pool would likely make it more difficult to invest locally in the infrastructure of Wales.

### **2. What are the main factors behind changing patterns of UK pension fund investment in UK asset classes (including UK-listed equities), such as past and predicted asset price performance and cost factors?**

The primary driver of the shift away from UK investment is fiduciary duty – seeking attractive risk-adjusted returns in each asset class. This has led to greater diversification by geography across all asset classes and pursuit of the most attractive risk-adjusted returns from the global opportunity set.

We believe the following factors are relevant to the changing pattern from UK listed equities:

*Diversification (reducing risk) and maximizing the return opportunity set.* UK equities present a relatively small component of the global equity market (c.3%) and is materially underweight strategically important sectors such as technology (e.g. relative to the US). UK equities have cumulatively underperformed global equities ex-UK.

*Adoption of actively managed global equity mandates;* allowing discretion to managers to select stocks where they have highest conviction to outperform, regardless of where companies are listed.

*Investing in UK listed equities does not mean investing in the UK economy.* Some companies listed in the FTSE 100 generate the vast majority of their revenue from outside the UK.

*Unwelcome political instability.* Brexit and issues relating to political uncertainty have, arguably, not been conducive factors to make UK equities an attractive return opportunity.

*UK private sector DB pension schemes de-risking.* With significant improvements in funding levels, they have been able to de-risk (protecting the security of accrued benefits for members) and no longer need to invest in listed equities (global or UK) to generate the returns required.

*Higher transaction costs when purchasing UK listed equities.* Stamp Duty Reserve Tax of 0.5% is incurred when purchasing UK listed equities (but not on non-UK equities), which is a factor contributing to UK listed equities being relatively less attractive.

*Allocations to UK listed equities have reduced to help to fund higher allocations to Private Market assets.* We would be concerned that if the Government gave guidance on how much LGPS funds should be investing in UK listed equities, as this could reduce our ability to invest in UK private market assets.

*Concerns over the alignment of UK listed equities to institutional investors' Net Zero and decarbonisation ambitions.* Significant parts of the FTSE all-share index are invested in sectors such as Oil, Gas, Mining, Utilities and Banks. Institutional investors have legitimate concerns about how companies in these sectors are aligned to helping to achieve their funds' environmental aspirations.

**3. Is there a case for establishing additional incentives or requirements aimed at raising the portfolio allocations of DC and LGPS funds to UK assets or particular UK asset classes, taking into account the priorities of the review to improve saver outcomes and boost UK growth? In addition, for the LGPS, there are options to support and incentivise investment in local communities contributing to local and regional growth. What are the options for those incentives and requirements and what are their relative merits and predicted effectiveness?**

The Gwynedd Pension Fund strongly believes in the potential benefits from investment in local communities contributing to local and regional growth as demonstrated by our existing commitments to invest in UK assets.

There is a case for establishing additional incentives to encourage higher allocations to UK assets generally. Incentives could increase the relative attractiveness of investment in the UK and make it possible to invest more in the UK within existing fiduciary responsibilities.

If the government wishes to impose “requirements” (e.g. specific allocations to UK assets in aggregate or for specific asset classes) then it will be necessary to investigate the legal issues around the interaction of such requirements with fiduciary duties.

Incentivising local investment and thereby increasing its attractiveness could further increase allocations within the current constraints of fiduciary duty and provide additive investment in UK growth.

MEETING	<b>PENSIONS COMMITTEE</b>
DATE	<b>25 NOVEMBER 2024</b>
TITLE	<b>DEFINED BENEFIT STRATEGIC INVESTMENT FORUM</b>
PURPOSE	<b>To receive relevant feedback and information from the conference</b>
RECOMMENDATION	<b>Receive the information</b>
AUTHOR	<b>Councillors John Brynmor Hughes and Goronwy Edwards</b>

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## **1. INTRODUCTION**

The Defined Benefit Strategic Investment Forum was held in September and Councillors John Brynmor Hughes and Goronwy Edwards attended on behalf of the Committee.

## **2. DEFINED BENEFIT STRATEGIC INVESTMENT FORUM**

A report from the event is included as Appendix 1.

Councillors John Brynmor Hughes and Goronwy Edwards will provide verbal feedback and share relevant information from the conference.

## **3. RECOMMENDATION**

The Committee is requested to receive the information.

## Defined Benefit (DB) Strategic Investment Forum,

17<sup>th</sup> – 18<sup>th</sup> September 2024, Cameron House, Loch Lomond

1. DG Publishing's annual DB Strategic Investment Forum was at Cameron House, situated next to Loch Lomond in Scotland, and provided a reality check on the state of the DB pensions industry, with core themes for 2024 being collaboration, investment innovation and LGPS asset allocation. This DB conference enabled pensions 'trustees' to compare notes on the investment and funding challenges that funds with long-term investment horizons face in delivering guaranteed member outcomes.
2. Conference highlights included:
  - A panel discussion asking what the future of investment consulting will look like, with a panel of luminaries including William Bourne (independent adviser) and Denise Le Gal (Chair, Brunel Pool) in her last conference.
  - Rich Fox from Schroders on 'Pension reforms: what next?' (what the new government might mean for the LGPS).
  - A panel discussion (with Gresham House, Quinbrook and Barnett Waddingham) on 'integrating natural capital into UK pension funds'.
  - Amanda Stitt from T. Rowe Price on 'Fixed income opportunities' (in the "noise" of the US election).
  - A panel on 'LGPS asset allocation' chaired by Eric Lambert (independent adviser) in his last conference, looking at challenges in the LGPS.
  - Victoria Stevens from Liontrust on 'Investing in UK Growth' (the benefits of UK listed smaller companies).
  - A roundtable discussion facilitated by Dafydd Edwards (Powys Pension Fund's Independent Board Chair) on key drivers and barriers to scheme consolidation.
  - Justin Faiz from Pluto Finance on 'residential real estate debt' (themes driving returns and the case for a UK focussed strategy).
  - A panel chaired by John Harrison (Border to Coast) on what consolidation might mean for schemes, with Robert Bilton (Hymans) and Doug McMurdo (LAPFF chair).
3. There was valuable networking time giving opportunities to meet asset managers, including several engaged by WPP, such as Schroders (private equity and property allocator), Pluto (private debt assets in Russell Investments' mandate), and Gresham House (private assets including Clocaenog forest). Delegates also met several investment advisers (including Hymans Robertson), and other pension funds' representatives, with interesting new perspectives from the private sector, universities (including Cardiff) and Scottish LGPS funds.
4. Gwynedd Pension Fund delegates (Cllr John B Hughes and Cllr Goronwy Edwards) concluded that the conference was certainly worth attending, and well timed in the context of the Westminster Government's Pensions Review ('Call for Evidence'). While the journey was long, travel was the only cost incurred due to free delegate places from DG Publishing, and the event was all the better for the glorious weather.