

MEETING: **PENSION BOARD**

DATE : **6 DECEMBER 2021**

TITLE: **PENSION FUND INVESTMENT PERFORMANCE UP TO 30 SEPTEMBER 2021**

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

RECOMMENDATION: **NOTE THE INFORMATION**

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1. Introduction

The investment performance of individual asset managers is monitored by the Investment Panel on a quarterly basis. The asset managers are invited to present to the Panel in turn.

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

2. Pension Fund Investment Performance up to 30th September 2021

On 30th September 2021, the market value of the Pension Fund was £2,709 million with performance against the benchmark set out below:

| | 3 Months % | 1 Year % |
|-----------------------------|----------------------|--------------------|
| Fund | 1.7 | 21.4 |
| Benchmark | 1.8 | 18.5 |
| Relative Performance | -0.1 | +2.9 |

Following the uncertainty in the global markets at the beginning of 2020, there was a long period of recovery in the year with the Fund performing well, mainly due to our equity and alternative investment returns.

Since then, returns have been lower due to concerns about market recovery, high inflation and the performance of China's markets.

Equity Investment Manager's Performance

The table below summarises the performance of the individual equity Investment Managers as at 30th September 2021.

| | Market Value 30/09/21 £m | Performance 3 Months % | Performance 1 Year % |
|-----------------------------------|---|---------------------------------------|-------------------------------------|
| Black Rock Aquila Life UK Equity | 228.6 | 2.2 | 28.0 |
| Benchmark | | 2.2 | 27.9 |
| Relative Performance | | +0.0 | +0.1 |
| Black Rock ACS Low Carbon | 332.3 | 3.9 | 24.6 |
| Benchmark | | 3.8 | 24.1 |
| Relative Performance | | +0.1 | +0.5 |
| Black Rock Aquila Life Global Dev | 184.5 | 1.6 | 34.2 |
| Benchmark | | 1.5 | 33.6 |
| Relative Performance | | +0.1 | +0.6 |
| Fidelity Emerging Market Equity | 64.9 | -7.3 | 14.0 |
| Benchmark | | -5.9 | 13.1 |
| Relative Performance | | -1.4 | +0.9 |
| WPP Global Growth Fund | 446.5 | 0.8 | 27.1 |
| Benchmark | | 1.4 | 22.2 |
| Relative Performance | | -0.6 | +4.9 |
| WPP Global Opportunities Fund | 437.9 | 0.5 | 24.3 |
| Benchmark | | 1.4 | 22.2 |
| Relative Performance | | -0.9 | +2.1 |

During the year, there have been very positive returns on equity investments with markets bouncing back after the collapse due to the pandemic in March 2020. The Wales Pension Partnership funds performed very strongly as value stocks performed well and the blended approach worked well.

Recently performance has been lower as China's markets suffer from over-reliance on technological stocks and concerns over the economic recovery.

Fixed Income Manager's Performance

| | Market Value 30/09/21 £m | Performance 3 Months % | Performance Since Inception % |
|-------------------------------|---|---------------------------------------|--|
| WPP Multi Asset Credit Fund | 205.8 | 0.1 | 8.4 |
| Benchmark | | 1.0 | 4.1 |
| Relative Performance | | -0.9 | +4.3 |
| WPP Absolute Return Bond Fund | 331.7 | 0.2 | 2.2 |
| Benchmark | | 0.5 | 2.1 |
| Relative Performance | | -0.3 | +0.1 |

The fixed income funds launched last year have performed well with the market conditions being favourable. The latest quarter has been more challenging with concerns continuing about high inflation.

Property Investment Manager's Performance

The table below summarises the performance of the individual Property Asset Managers:

| | Market Value 30/09/21 £m | Performance 3 Months % | Performance 1 Year % |
|----------------------------------|---|---------------------------------------|-------------------------------------|
| UBS | 66.7 | 3.7 | 14.9 |
| Lothbury Property Trust | 66.2 | 2.6 | 9.7 |
| Black Rock Property Fund | 57.5 | 3.7 | 11.5 |
| Threadneedle Property Fund | 34.7 | 4.4 | 12.6 |
| Threadneedle Property Unit Trust | | 4.7 | 13.5 |
| Benchmark | | 4.5 | 13.2 |

The year has been challenging with uncertainty in some sectors such as offices and retail. Retail is starting to stabilise but it is uncertain what the future of offices will look like at present. Industrial and logistics growth has continued as the change comes from e-commerce and its impact on the supply chain.

The property managers have gained acclaim in the responsible investment field with their GRESB (Global Real Estate Sustainability Benchmark) rankings. UBS is ranked number 1, Lothbury number 4, Black Rock is number 7 and Threadneedle is ranked 32, out of 102 investment managers.

Partners Group

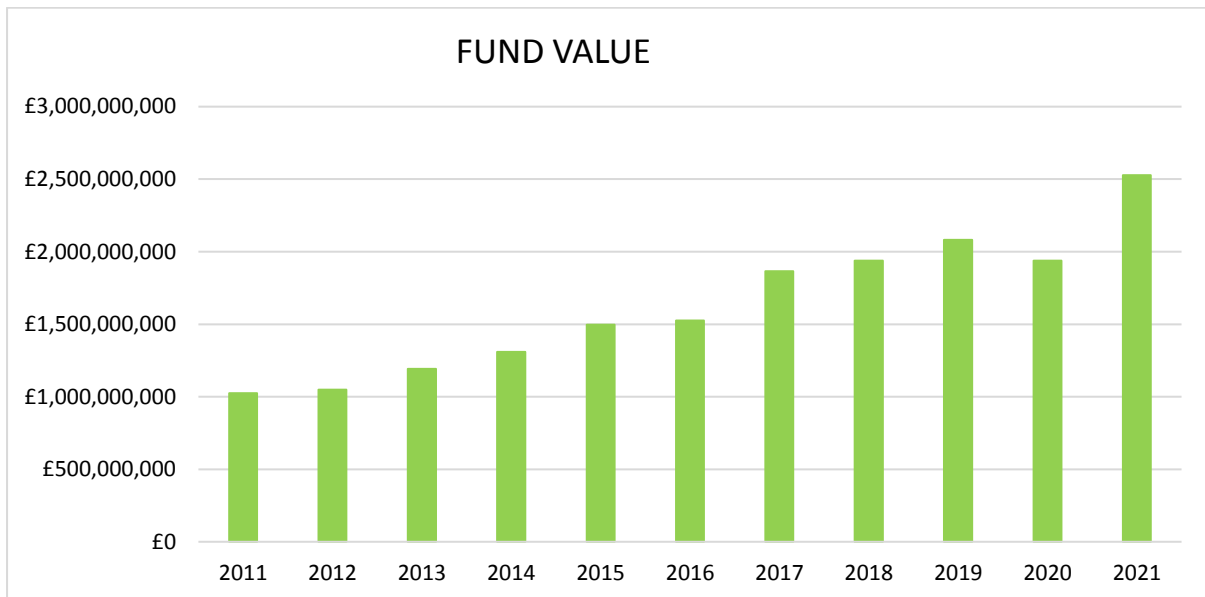
Partners Group is responsible for managing the Fund's private equity investments and infrastructure.

| | Market Value 30/06/21 £m |
|-------------------------|---|
| Partners Private Equity | 175.3 |
| Partners Infrastructure | 50.8 |
| Total | 226.1 |

Monitoring the performance of private equity and infrastructure investments is much more difficult than traditional assets, such as quoted bonds and equities. Private equity funds have a fixed life span of about 10-15 years. Real profits / returns can only be confirmed when individual assets are sold, so actual performance cannot be assessed until the fund is closed. The Fund's programme for private equity and infrastructure investments is reviewed annually by our consultants, Hymans Robertson.

3. Pension Fund's historical performance

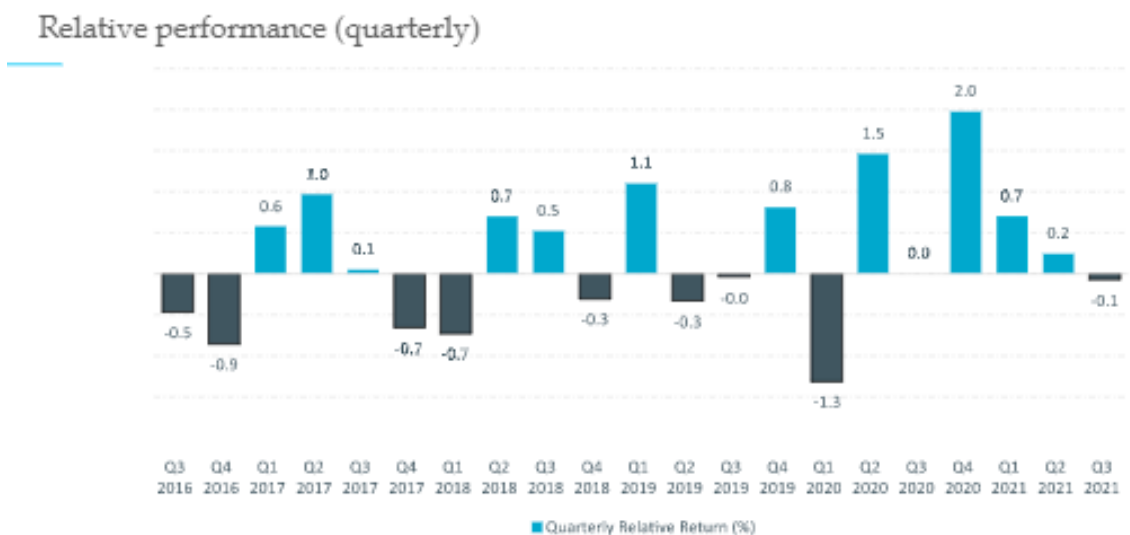
The market value of the Gwynedd Pension Fund over the last 10 years is shown in the graph below:



The Gwynedd Pension Fund is in a relatively healthy position with the value of the fund steadily increasing for some time now apart from the decrease on 31st March 2020 due to the effect of the pandemic. The performance of the fund's investments has been above the benchmark in each of the periods measured, as shown in the table below:

| | 1 Year % | 3 Years % p.a. | 5 Years % p.a. |
|-----------------------------|-------------|----------------|----------------|
| Fund | 21.4 | 8.5 | 9.5 |
| Benchmark | 18.5 | 7.6 | 9.5 |
| Relative Performance | +2.9 | +0.9 | +0.0 |

The chart below shows the quarterly performance of the fund over the last 5 years.



It is widely recognised that longer-term performance is a more valid performance indicator than a single year because strategies designed for long-term good performance can occasionally suffer short-term losses.

4. Recommendation

The Board is asked to note the information.