

MEETING: **PENSION BOARD**

DATE : **18 JULY 2022**

TITLE: **PENSION FUND INVESTMENT PERFORMANCE 2021/22**

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 in 2021/22

As at 31st March 2022, the market value of the Pension Fund was £2,776 million with performance against the benchmark set out below:

	3 Months %	1 Year %
Fund	-0.6	10.0
Benchmark	0.3	12.1
Relative Performance	-0.9	-2.1

Following the uncertainty in the markets at the beginning of 2020, there has been a long period of recovery since then, but the impact of the war in Ukraine has destabilized the markets towards the end of the year. There was a performance of 10.0% by the Fund, although this is behind the benchmark, this is position 23 out of 100 LGPS funds, which is in the top quartile.

Equity Investment Manager's Performance

The table below summarises the performance of the individual equity Investment Managers as at 31st March 2022:

	Market Value 31/03/22 £m	Performance 3 Months %	Performance 1 Year %
Black Rock Aquila Life UK Equity	239.3	0.5	13.1
Benchmark		0.5	13.0
Relative Performance		+0.0	+0.1
Black Rock ACS Low Carbon	346.1	-2.5	16.1
Benchmark		-2.6	15.7
Relative Performance		+0.1	+0.4
Black Rock Aquila Life Global Dev	200.8	2.9	16.7
Benchmark		2.8	16.1
Relative Performance		+0.1	+0.6
WPP Emerging Markets Fund	59.8	-4.9	-8.6
Benchmark		-4.3	-7.6
Relative Performance		-0.6	-1.0
WPP Global Growth Fund	430.7	-5.1	2.6
Benchmark		-2.6	12.4
Relative Performance		-2.5	-9.8
WPP Global Opportunities Fund	454.1	-1.4	10.9
Benchmark		-2.6	12.4
Relative Performance		+1.2	-1.5

During the period, Black Rock's investments delivered above benchmark returns as they held 'value' stocks (particularly energy, basic materials and financial) which performed well against a backdrop of supply and demand pressures and rising interest rates.

There was a significantly lower performance than the benchmark from WPP funds in the year, with Baillie Gifford contributing to this in the Global Growth fund as growth stocks performed negatively. It should be noted that this follows a very strong performance since the start of our investment with WPP, so a negative performance is to be expected in the performance cycle, and it can be seen in section 3 that three years' performance is ahead of the benchmark.

Fixed Income Manager's Performance

	Market Value 31/03/22 £m	Performance 3 Months %	Performance 1 Year %
WPP Multi Asset Credit Fund	197.9	-3.9	-2.3
Benchmark		1.1	4.2
Relative Performance		-5.0	-6.1
WPP Absolute Return Bond Fund	353.9	1.4	0.4
Benchmark		0.6	2.1
Relative Performance		+0.8	-1.7

The fixed income funds launched last year have had a challenging year with a negative start to 2022 from the global financial markets. Market volatility was driven by Russia's attack on Ukraine. Government bonds were also selling although there was a level of geo-political uncertainty. By the end of the period, inflation was at its highest for decades leading to the US Federal Reserve and the Bank England increasing interest rates.

Property Investment Manager's Performance

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

	Market Value 31/03/22 £m	Performance 3 Months %	Performance 1 Year %
UBS	77.7	8.8	26.0
Lothbury Property Trust	73.4	5.5	17.5
Black Rock Property Fund	65.3	6.7	21.3
Threadneedle Property Fund	39.5	4.1	23.8
Threadneedle Property Unit Trust		4.0	21.7
Benchmark		5.6	23.2

Property returns have been positive with a continuation of recovery in capital values reflecting the growing confidence of investors. Growth has continued in the industrial and logistics areas as the change comes from e-commerce.

Partners Group

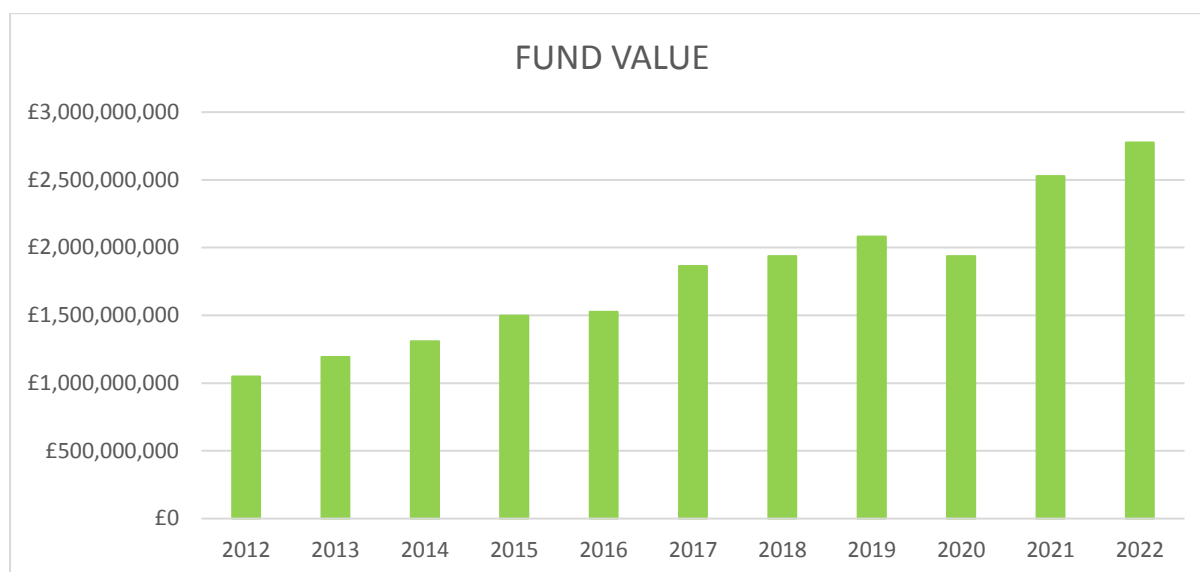
Partners Group is responsible for managing the Fund's private equity investments and infrastructure.

	Market Value 31/03/22 £m
Partners Private Equity	155.1
Partners Infrastructure	61.8
Total	216.9

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 historical performance over 10 years

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

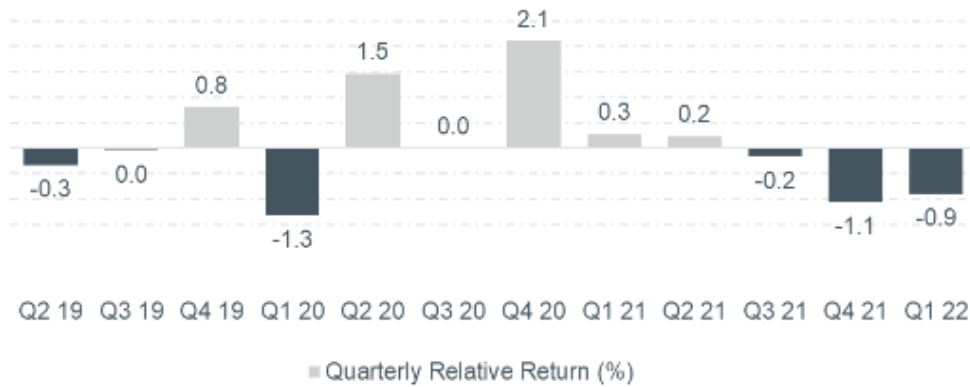


The Gwynedd Pension Fund is in a relatively healthy position with the value of the fund having gradually increased for some time now apart from the decrease on 31st March 2020 due to the effect of the pandemic. The performance of the fund's investments has been lower than the benchmark in the year, mainly due to the performance of some of the equity and fixed income funds, but over a period of three years, the performance has been higher than the benchmark, as seen in the table below:

	1 Year %	3 Years % p.a.
Fund	10.0	9.8
Benchmark	12.1	9.6
Relative Performance	-2.1	+0.2

The 3 year performance of the Fund has been very strong and is in the 7th position from all LGPS funds. The chart below shows the quarterly performance of the fund over the last 3 years.

Relative performance (quarterly)



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.