

MEETING	PENSIONS COMMITTEE
DATE	21 NOVEMBER 2022
TITLE	CURRENCY HEDGING
PURPOSE	TO RECEIVE THE COMMITTEE'S APPROVAL FOR THE FUND TO PERFORM CURRENCY HEDGING
RECOMMENDATION	ALLOW THE FUND TO PERFORM CURRENCY HEDGING
AUTHOR	DAFYDD L EDWARDS, FUND DIRECTOR DELYTH JONES-THOMAS, INVESTMENT MANAGER

1. INTRODUCTION

The Gwynedd Pension Fund has a global investment portfolio and this is beneficial in times of a weakened currency. During June 2022 UK sterling had fallen by 10% compared to the US dollar, and by a further 17% during September 2022.

The Fund therefore needs to ensure that its protected from any future rises against the sterling and therefore in conjunction with the Fund advisors, Hymans Robertson have explored the possible impact of currency hedging.

2. CURRENCY HEDGING

The paper in Appendix 1 sets out the impact of currency hedging on the Fund in terms of options, proportion and risks.

The proposed option available to the Fund is as follows:

- Hedge a proportion of the currency risk by switching BlackRock global equity funds to currency hedged basis

This would hedge the currency risk of c40% of the Fund's global equities allocation. The hedge would need to be removed when the Sterling moves to within perhaps 20% of its long-term average exchange rate. This would correspond to an exchange rate of \$1.30 to \$1.35 (about 15% to 20% above current levels).

3. RECOMMENDATION

The Pensions Committee is asked to allow the Fund to perform currency hedging.