

MEETING: **PENSION BOARD**

DATE : **12 JULY 2021**

TITLE: **PENSION FUND INVESTMENT PERFORMANCE 2020/21**

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 2020/21

As at 31st March 2021, the market value of the Pension Fund was £2,528 million with performance against the benchmark set out below:

	3 Months %	1 Year %
Fund	4.5	29.3
Benchmark	3.8	24.2
Relative Performance	+0.7	+5.1

Following the uncertainty in the markets at the beginning of 2020, there was a sustained recovery period in the year. There was a strong performance of 29.3% by the Fund, which is position 16 out of 100 LGPS funds, mainly due to the performance of our equity and alternatives investments.

Equity Investment Manager's Performance

The table below summarises the performance of the individual equity Investment Managers as at 31st March 2021:

	Market Value 31/03/21 £m	Performance 3 Months %	Performance 1 Year %
Black Rock Aquila Life UK Equity	211.6	5.3	26.7
Benchmark		5.2	27.2
Relative Performance		+0.1	+0.5
Black Rock ACS Low Carbon	298.0	3.7	11.8
Benchmark		3.6	11.5
Relative Performance		+0.1	+0.3
Black Rock Aquila Life Global Dev	172.1	10.4	43.5
Benchmark		10.3	42.7
Relative Performance		+0.1	+0.8
Fidelity Emerging Market Equity	67.2	1.3	50.3
Benchmark		1.3	42.2
Relative Performance		0.0	+8.1
WPP Global Growth Fund	432.8	5.3	49.5
Benchmark		3.6	38.9
Relative Performance		+1.7	+10.6
WPP Global Opportunities Fund	442.9	5.9	42.0
Benchmark		3.6	38.9
Relative Performance		+2.3	+3.1

During the period, 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.

Fixed Income Manager's Performance

	Market Value 31/03/21 £m	Performance 3 Months %	Performance Since Inception %
WPP Multi Asset Credit Fund	177.1	0.6	6.0
Benchmark		1.0	2.6
Relative Performance		-0.4	+3.4
WPP Absolute Return Bond Fund	307.1	1.7	2.3
Benchmark		0.5	1.0
Relative Performance		+1.2	+1.3

The fixed income funds launched in the year have performed well with the market conditions being favourable. This fund is in its infancy and therefore a more typical performance will develop in the future.

Property Investment Manager's Performance

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

	Market Value 31/03/21 £m	Performance 3 Months %	Performance 1 Year %
UBS	47.6	4.2	5.1
Lothbury Property Trust	61.3	1.0	1.2
Black Rock Property Fund	53.7	2.2	4.0
Threadneedle Property Fund	31.9	2.2	1.6
Threadneedle Property Unit Trust		2.6	2.0
Benchmark		2.2	2.5

Property returns have been positive with a recovery in capital values reflecting increase in investor confidence. Industrial and logistic properties are growing due to the impact e-commerce has on the supply chain.

Partners Group

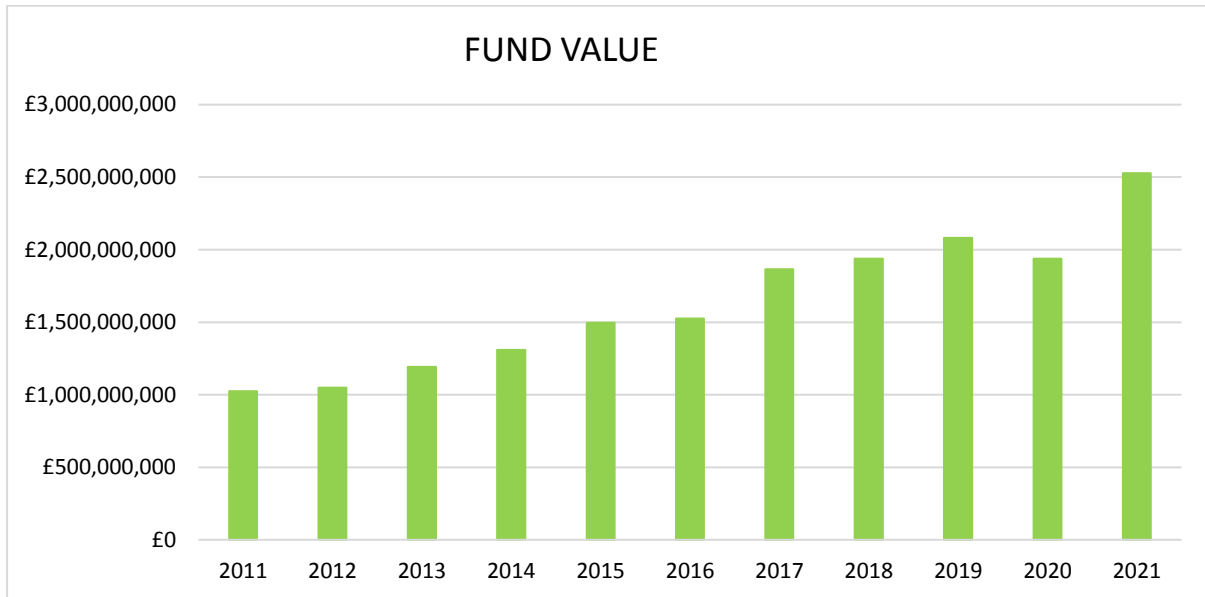
Partners Group is responsible for managing the Fund's private equity investments and infrastructure.

	Market Value 31/03/21 £m
Partners Private Equity	165.4
Partners Infrastructure	46.2
Total	211.6

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:

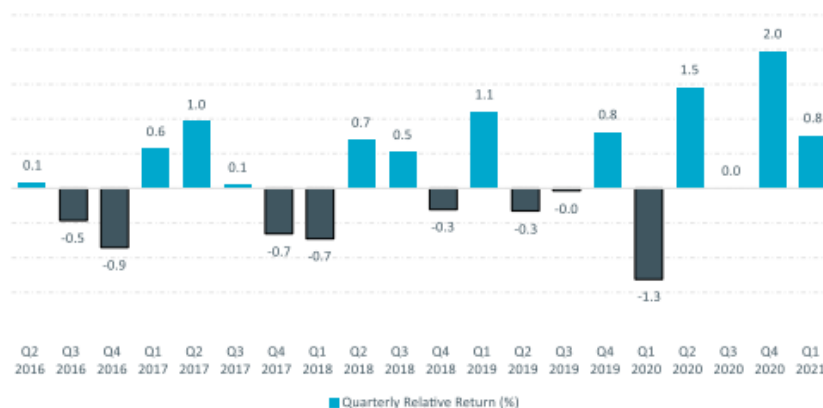


The Gwynedd Pension Fund is in a relatively healthy position with the value of the fund steadily increasing apart from the decrease on 31st March 2020 due to the effect of the pandemic. The performance of the fund's investments has been above the benchmark in each of the periods measured, as shown in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

	1 Year %	3 Years % p.a.	5 Years % p.a.
Fund	29.3	9.2	10.4
Benchmark	24.2	7.4	9.5
Relative Performance	+5.1	+1.8	+0.9

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