

Committee:

Merton Pension Committee

Date: 23 September 2021

Merton Pension Board

Date: 27 September 2021

Wards: All

Subject: Merton Pension Fund Performance – June 2021

Lead officer: Caroline Holland - Director of Corporate Services

Lead member: Councillor. Tobin Byers

Contact officer: Roger Kershaw- AD Resources

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RECOMMENDATION

Members are asked to note the content of this report, in particular, the market values and performance of the total Fund and component portfolios for the quarters ending 30 June 2021, attribution of the results and the market environment during the period.

1.0 PURPOSE OF REPORT

- 1.1 To report the investment performance at total Fund level, and of the individual fund managers, for the quarter ending 30 June 2021. The report highlights the performance of the total Fund by asset class compared to the customised benchmark.
- 1.2 The report gives the Committee a consistent basis on which to review the performance of the Fund as at 30 June 2021. The report provides information to support future actions including periodic rebalancing and review of investment strategy and investment management arrangement.

2.0 FUND PERFORMANCE

- 2.1 The attached Fund Analysis & Performance Report (**Appendix 1**) produced by the Fund's investment and performance consultants Hymans provides useful analysis and insights of the Pension Fund activities and results for the quarters ending June 2021.

The table below shows the total fund valuation for the quarter ended June 2021.

VALUATION SUMMARY

PERIOD ENDING 30 JUNE 2021

Mandate	Valuation (£m)		Actual Proportion	Benchmark	Relative
	Q1 21	Q2 21			
UBS World Equity Tracker Fund	54.1	36.5	3.9%	0.0%	3.9%
UBS Alternative Beta	88.0	95.2	10.3%	10.0%	0.3%
LCIV RBC Sustainable Equity Fund	104.4	113.7	12.3%	10.0%	2.3%
LCIV Baillie Gifford Global Alpha Growth Fund	109.6	117.4	12.7%	10.0%	2.7%
BlackRock World Low Carbon Equity Tracker	94.2	101.1	10.9%	10.0%	0.9%
Global Equities	450.3	463.8	50.1%	40.0%	10.1%
UBS GEM HALO	60.6	61.8	6.7%	5.0%	1.7%
LCIV JP Morgan Emerging Market Equity Fund	39.5	40.8	4.4%	5.0%	-0.6%
Emerging Market Equities	100.1	102.6	11.1%	10.0%	1.1%
LCIV Ruffer Absolute Return Fund	37.4	37.6	4.1%	5.0%	-0.9%
LCIV Baillie Gifford Diversified Growth Fund	35.4	37.1	4.0%	5.0%	-1.0%
Diversified Growth	72.8	74.8	8.1%	10.0%	-1.9%
UBS Triton Property Fund	16.8	16.6	1.8%	2.5%	-0.7%
BlackRock UK Property Fund	7.6	7.8	0.8%	2.5%	-1.7%
Property	24.4	24.3	2.6%	5.0%	-2.4%
MIRA Infrastructure Global Solutions II L.P Fund	7.6	8.2	0.9%	3.0%	-2.1%
Quinbrook Low Carbon Power LP Fund	11.8	11.7	1.3%	1.5%	-0.2%
JP Morgan Infrastructure Fund	18.0	17.0	1.8%	3.0%	-1.2%
Infrastructure	37.5	36.9	4.0%	7.5%	-3.5%
Permira Credit Solutions IV Fund	14.9	14.8	1.6%	4.5%	-2.9%
Churchill Middle Market Senior Loan II Fund	16.3	16.7	1.8%	3.0%	-1.2%
Private Credit	31.3	31.5	3.4%	7.5%	-4.1%
Wells Fargo RMF Fund	106.4	108.2	11.7%	10.0%	1.7%
Risk Management Framework	106.4	108.2	11.7%	10.0%	1.7%
LCIV CQS MAC Fund	74.8	76.3	8.2%	10.0%	-1.8%
Multi Asset Credit	74.8	76.3	8.2%	10.0%	-1.8%
Cash	1.2	7.5	0.8%	0.0%	0.8%
Total Fund	898.8	926.1	100.0%	100.0%	

2.2 The Fund's total market value increased by £27.3m over the quarter, from £898.8m to £926.1m. The increase in asset value was largely attributable to the increase in global equities, and cash. The other assets classes remained essentially stable over the quarter.

2.3 Over the 3 months to 30 June 2021, total Fund assets returned 4.8% compared to the benchmark of 4.3%. This equates to an overperformance of 0.5%. Over the last

12 months, the Fund performance was 20.1%, and 3 year annualised performance was 10.4%. The annual Actuarial performance target is 4.8%.

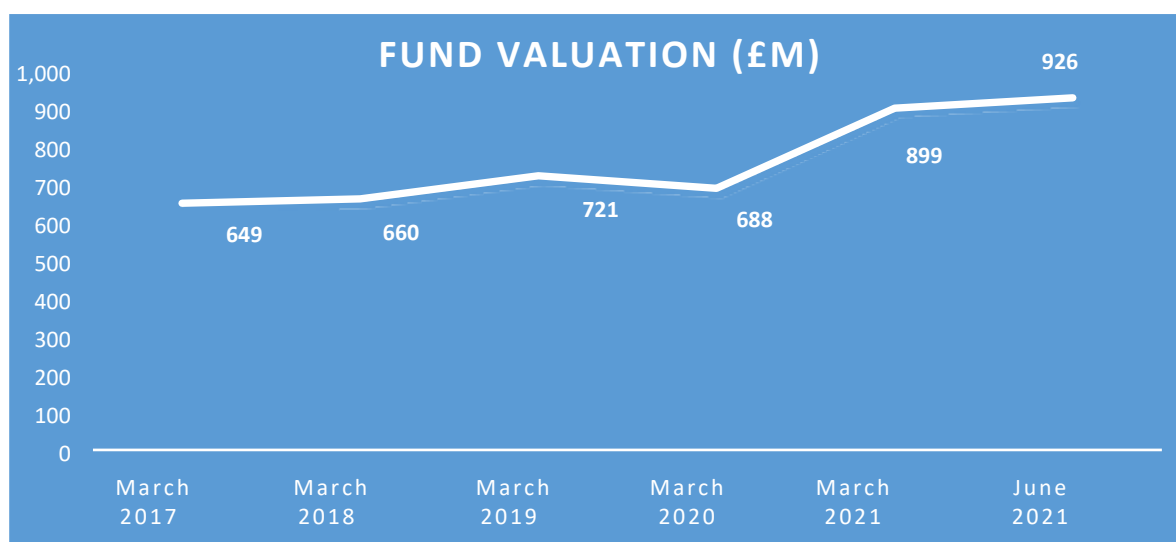
PERFORMANCE SUMMARY 1 APRIL 2021 TO 30 JUNE 2021

Mandate	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
UBS World Equity Tracker Fund	7.5	7.5	0.0	25.0	25.0	-0.1	-	-	-
UBS Alternative Beta	7.1	7.0	0.1	22.0	22.0	0.0	-	-	-
LCIV RBC Sustainable Equity Fund	8.9	7.6	1.2	29.6	24.4	4.2	17.0	13.3	3.3
LCIV Baillie Gifford Global Alpha Growth Fund	7.1	7.5	-0.4	30.9	25.5	4.3	18.8	13.4	4.7
BlackRock World Low Carbon Equity Tracker	7.3	7.8	-0.5	24.7	25.3	-0.5	-	-	-
Global Equities									
UBS GEM HALO	1.8	4.9	-2.9	22.9	25.9	-2.4	-	-	-
LCIV JP Morgan Emerging Market Equity Fund	3.2	4.9	-1.6	30.6	26.0	3.7	-	-	-
Emerging Market Equities									
LCIV Ruffer Absolute Return Fund	0.7	0.8	-0.1	5.5	1.4	4.0	-	-	-
LCIV Baillie Gifford Diversified Growth Fund	4.9	0.9	4.0	14.3	3.6	10.3	4.6	4.0	0.5
Diversified Growth									
UBS Triton Property Fund	3.5	3.8	-0.3	10.0	8.5	1.3	4.1	3.0	1.0
BlackRock UK Property Fund	2.8	3.8	-1.0	8.2	8.5	-0.3	2.9	3.0	-0.2
Property									
MIRA Infrastructure Global Solutions II L.P. Fund	-0.7	1.8	-2.5	8.2	7.4	0.7	-	-	-
Quinbrook Low Carbon Power LP Fund	4.5	1.8	2.6	5.2	7.4	-2.1	-	-	-
JP Morgan Infrastructure Fund	0.9	2.5	-1.6	6.1	10.4	-3.9	-	-	-
Infrastructure									
Permira Credit Solutions IV Fund	2.0	1.7	0.3	9.1	7.0	2.0	-	-	-
Churchill Middle Market Senior Loan II Fund	1.5	1.7	-0.2	4.4	7.0	-2.4	-	-	-
Private Credit									
Wells Fargo RMF Fund	1.6	1.6	0.0	25.5	25.5	0.0	-	-	-
Risk Management Framework									
LCIV CQS MAC Fund	2.0	1.1	0.9	13.4	4.3	8.7	4.0	4.7	-0.7
Multi Asset Credit									
Cash	-	-	-	-	-	-	-	-	-
Total Fund	4.8	4.3	0.5	20.1	14.5	5.0	10.4	7.8	2.4

- 2.4 The Fund is an open fund and long-term investment focused. The Fund will continue to work on this basis with the key focus to ESG and maintain a stable contribution rate.
- 2.5 The Strategic Asset Allocation (SAA) has been updated to reflect the recommendations of the 2020 Investment Strategy Review.
- 2.6 The Fund continues to remain underweight to Property, Private Credit, Infrastructure, and Multi Asset Credit and overweight to Global and Emerging Markets Equity, which will remain until the private markets portfolio is fully drawn down. The 5% allocation to Social Impact is yet to be implemented.

STRATEGIC ASSET ALLOCATION 30 JUNE 2021

- 2.7 The following graph illustrates the Fund's market value trend over the past 5 ½ years and as at 30 June 2021. It shows that in this period the Fund value has appreciated by £277m or 30%.



3.0 Market Background/Outlook

- 3.1 Global equities had a positive month in June, capping a strong second quarter. Meanwhile, US Treasury yields declined as worries over a sustained rise in inflation eased.
- 3.2 Inflation data continued to rise, reflecting base effects, higher energy prices, and COVID-19 pandemic-related supply disruptions. But markets appeared confident that the rise in inflation will not be sustained and is unlikely to force central banks to tighten monetary policy prematurely.
- 3.3 More market update on individual asset classes is available on the quarterly performance report –Appendix 1

4. OTHER ISSUES AFFECTING THE FUND

- 4.1 None

5. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 5.1 All relevant implications are included in the report.

6. LEGAL AND STATUTORY IMPLICATIONS

- 6.1 All relevant implications are included in the report.

7. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 7.1 N/A

8. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

8.1 Risk management is an integral part of designing the investment portfolio of the fund.

9. BACKGROUND PAPERS

9.1 Hymans Robertson LLP – quarterly performance report.

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