

## Committee:

**Merton Pension Committe**

**Date: 24 November 2021**

**Merton Pension Board**

**Date: 29 November 2021**

Wards: All

**Subject: Merton Pension Fund Performance – September 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 September 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 September 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 September 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 September 2021.

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

## VALUATION SUMMARY PERIOD ENDING 30 SEPTEMBER 2021

Mandate	Valuation (£m)		Actual Proportion	Benchmark	Relative
	Q2 21	Q3 21			
UBS World Equity Tracker Fund	36.5	32.3	3.5%	0.0%	3.5%
UBS Alternative Beta	95.2	96.1	10.3%	10.0%	0.3%
LCV RBC Sustainable Equity Fund	113.7	116.7	12.5%	10.0%	2.5%
LCV Baillie Gifford Global Alpha Growth Fund	117.4	116.8	12.5%	10.0%	2.5%
BlackRock World Low Carbon Equity Tracker	101.1	105.0	11.3%	10.0%	1.3%
<b>Global Equities</b>	<b>463.8</b>	<b>466.9</b>	<b>50.0%</b>	<b>40.0%</b>	<b>10.0%</b>
UBS GEM HALO	61.8	57.6	6.2%	5.0%	1.2%
LCV JP Morgan Emerging Market Equity Fund	40.8	39.5	4.2%	5.0%	-0.8%
<b>Emerging Market Equities</b>	<b>102.6</b>	<b>97.1</b>	<b>10.4%</b>	<b>10.0%</b>	<b>0.4%</b>
LCV Ruffer Absolute Return Fund	37.6	37.9	4.1%	5.0%	-0.9%
LCV Baillie Gifford Diversified Growth Fund	37.1	37.5	4.0%	5.0%	-1.0%
<b>Diversified Growth</b>	<b>74.8</b>	<b>75.4</b>	<b>8.1%</b>	<b>10.0%</b>	<b>-1.9%</b>
UBS Triton Property Fund	16.6	18.1	1.9%	2.5%	-0.6%
BlackRock UK Property Fund	7.8	8.0	0.9%	2.5%	-1.6%
<b>Property</b>	<b>24.3</b>	<b>26.1</b>	<b>2.8%</b>	<b>5.0%</b>	<b>-2.2%</b>
MIRA Infrastructure Global Solutions II L.P. Fund	8.2	12.8	1.4%	3.0%	-1.6%
Quinbrook Low Carbon Power LP Fund	11.7	12.0	1.3%	1.5%	-0.2%
JP Morgan Infrastructure Fund	17.0	16.9	1.8%	3.0%	-1.2%
<b>Infrastructure</b>	<b>36.9</b>	<b>41.8</b>	<b>4.5%</b>	<b>7.5%</b>	<b>-3.0%</b>
Permira Credit Solutions IV Fund	14.8	20.4	2.2%	4.5%	-2.3%
Churchill Middle Market Senior Loan II Fund	16.7	17.1	1.8%	3.0%	-1.2%
<b>Private Credit</b>	<b>31.5</b>	<b>37.5</b>	<b>4.0%</b>	<b>7.5%</b>	<b>-3.5%</b>
Wells Fargo RMF Fund	108.2	104.3	11.2%	10.0%	1.2%
<b>Risk Management Framework</b>	<b>108.2</b>	<b>104.3</b>	<b>11.2%</b>	<b>10.0%</b>	<b>1.2%</b>
LCV CQS MAC Fund	76.3	77.2	8.3%	10.0%	-1.7%
<b>Multi Asset Credit</b>	<b>76.3</b>	<b>77.2</b>	<b>8.3%</b>	<b>10.0%</b>	<b>-1.7%</b>
Cash	7.5	6.6	0.7%	0.0%	0.7%
<b>Total Fund</b>	<b>926.1</b>	<b>932.9</b>	<b>100.0%</b>	<b>100.0%</b>	

At the time of writing, latest quarterly information in respect of mandate held with MIRA is unavailable. Q3 2021 valuation is therefore based on Q2 2021 information and includes all known capital calls which occurred during Q3 2021.

- 2.2 The Fund's total market value increased by £6.8m over the quarter, from £926.1m to £932.9m. Global equities made modest returns whilst the fall in the Emerging Markets returns was somewhat offset by the increase in infrastructure and private credit.
- 2.3 Over the 3 months to 30 September 2021, total Fund assets returned 0.5% compared to the benchmark of 0.7%. This equates to an underperformance of 0.2%. Over the last 12 months, the Fund performance was 16.4%, and 3 year annualised performance was 9.9%. The annual Actuarial performance target is 4.8%.

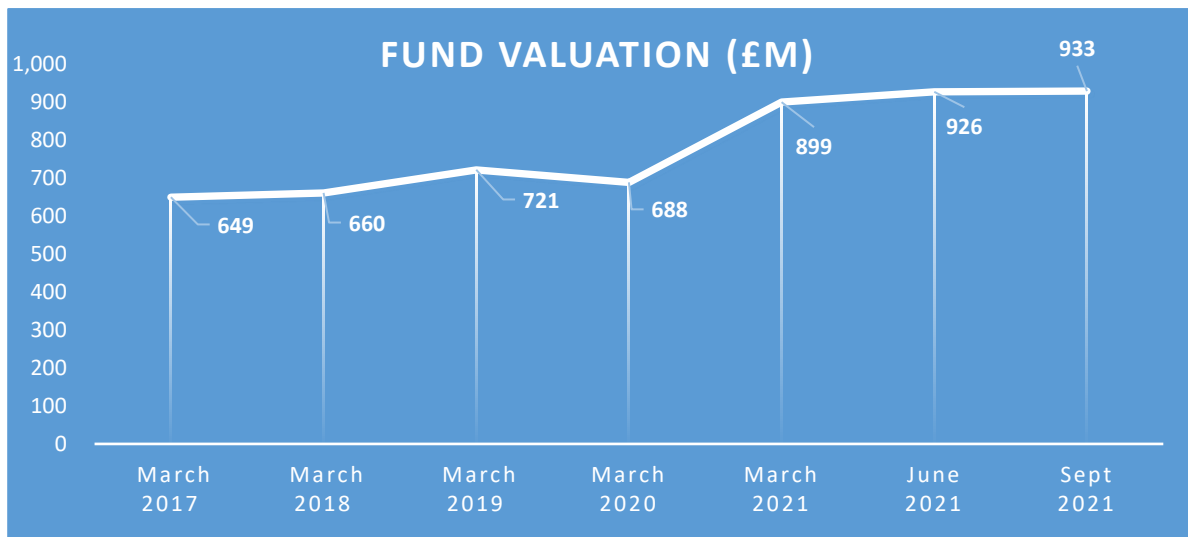
## PERFORMANCE SUMMARY

### 1 JULY 2021 TO 30 SEPTEMBER 2021

Mandate	Last 3 Months (%)			Last 12 Months (%)			Last 3 Years (% p.a.)		
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
UBS World Equity Tracker Fund	2.2	2.2	0.0	23.6	23.7	-0.1	-	-	-
UBS Alternative Beta	2.0	1.9	0.0	24.0	23.9	0.1	-	-	-
LCIV RBC Sustainable Equity Fund	2.6	2.5	0.2	25.3	23.5	1.4	16.0	11.9	3.6
LCIV Baillie Gifford Global Alpha Growth Fund	-0.6	1.5	-2.1	21.0	22.8	-1.5	17.4	12.0	4.9
BlackRock World Low Carbon Equity Tracker	3.9	2.5	1.4	24.6	23.9	0.6	-	-	-
<b>Global Equities</b>									
UBS GEM HALO	-6.9	-5.8	-1.1	9.6	13.3	-3.3	-	-	-
LCIV JP Morgan Emerging Market Equity Fund	-3.3	-5.8	2.7	16.8	13.3	3.0	-	-	-
<b>Emerging Market Equities</b>									
LCIV Ruffer Absolute Return Fund	0.6	0.8	-0.2	6.1	1.5	4.5	-	-	-
LCIV Baillie Gifford Diversified Growth Fund	1.1	0.9	0.2	11.7	3.6	7.8	4.9	4.0	0.9
<b>Diversified Growth</b>									
UBS Triton Property Fund	3.2	4.5	-1.2	12.7	13.2	-0.4	4.6	4.0	0.6
BlackRock UK Property Fund	3.7	4.5	-0.8	11.5	13.2	-1.5	3.5	4.0	-0.4
<b>Property</b>									
MIRA Infrastructure Global Solutions II L.P. Fund	N/A	1.8	-1.8	7.2	7.4	-0.2	-	-	-
Quinbrook Low Carbon Power LP Fund	0.1	1.8	-1.6	21.1	7.4	12.7	-	-	-
JP Morgan Infrastructure Fund	1.3	2.5	-1.2	6.0	10.4	-3.9	-	-	-
<b>Infrastructure</b>									
Pemira Credit Solutions IV Fund	1.7	1.7	0.0	7.7	7.0	0.6	-	-	-
Churchill Middle Market Senior Loan II Fund	N/A	1.7	-1.7	4.8	7.0	-2.0	-	-	-
<b>Private Credit</b>									
Wells Fargo RMF Fund	-2.6	-2.6	0.0	7.7	7.7	0.0	-	-	-
<b>Risk Management Framework</b>									
LCIV CQS MAC Fund	1.2	1.1	0.0	11.0	4.4	6.3	3.9	4.7	-0.7
<b>Multi Asset Credit</b>									
Cash	-	-	-	-	-	-	-	-	-
<b>Total Fund</b>	<b>0.5</b>	<b>0.7</b>	<b>-0.2</b>	<b>16.4</b>	<b>13.0</b>	<b>3.0</b>	<b>9.9</b>	<b>7.5</b>	<b>2.2</b>

*Note: 12-month performance for the LCIV Ruffer Absolute Return Fund is since inception on 13 January 2021. Furthermore, Q3 2021 performance figures for MIRA, Quinbrook, Pemira and Churchill have been assumed flat due to lack of manager information at the time of writing (see comment on left).*

- 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.
- 2.7 The following graph illustrates the Fund's market value trend over the past 5 ¾ years and as at 30 September 2021. It shows that in this period the Fund value has appreciated by £284m or 30%.



### 3.0 Market Background/Outlook

- 3.1 This quarters environment was characterised by an inflection point in global growth momentum, and persistent disruption to global trade and supply changes associated with rising COVID-19 Delta-variant caseloads, particularly in Asia.
- 3.2 Inflation volatility continued to cause concern, with many expecting central banks to raise interest rates multiple times over the next 12 months. Despite this, property markets continued to rebound as restrictions continued to ease.
- 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.