

From: Chairman Superannuation Fund Committee  
Corporate Director of Finance

To: Superannuation Fund Committee – 23 June 2021

Subject: Fund Position

Classification: Unrestricted

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**Summary:**

To provide a summary of the Fund's asset allocation and performance.

**Recommendation:**

The Committee to note the Fund's asset allocation and performance as at 31 March 2021

**FOR INFORMATION**

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**1. Introduction**

- 1.1 This report provides an update on the asset allocation and manager performance.
- 1.2 A copy of the Fund Position Statement is at appendix 1

**2. Asset Allocation**

- 2.1 As at 31 March 2021 the Fund's value was £7.5bn, an increase of £126m over the quarter and table 1 below compares the actual asset allocation to that set out in the Fund's Investment Strategy.

Table 1 asset allocation

Asset Class	Value £m	Actual %	Benchmark %	Over / Under weight %
UK Equity	1,321	17.6	23.5	-5.9
Global Equity	3,259	43.4	32	11.4
Fixed Income	989	13.2	15	-1.8
Private Equity	197	2.6	4	-1.4
Infrastructure	77	1.0	3.5	-2.5
Property	778	10.4	13	-2.6
Absolute Return	541	7.2	8	-0.8
Cash	346	4.6	1	3.6
<b>Total</b>	<b>7,508</b>	<b>100</b>	<b>100</b>	

- 2.2 The Fund has risen in value by £126m in the quarter, an appreciation of 1.53%. The growth was mainly led by the UK stocks' continued recovery although all asset classes achieved positive returns and helped improve the relative underweight positions of all the remaining asset classes.
- 2.3 Through the synthetic equity in the equity protection programme managed by Insight, the Fund continues to have exposure to UK and Global equities as in the UBS passive funds. Including the synthetic equity exposure, the current total equity allocation of the Fund is 61% which continues to remain overweight to its strategic allocation of 55.5%.
- 2.4 In March 2021 the Committee decided to rebalance the overweight global equity position by redeeming £150m from the Baillie Gifford Global Equity Fund. £75m each from the proceeds of the redemption were subsequently invested in the CQS and M&G Alpha Opportunity Multi-Asset-Credit funds in April 2021.
- 2.5 Upon advice from Mercer, the Committee also decided to rebalance the two absolute return mandates. £45m was transferred from Pyrford to Ruffer and the transition was completed within the month of March 2021.
- 2.6 Cash managed internally remains high and as at 31 March was temporarily further raised to 4.6% of the Fund, due to cash held from the Baillie Gifford redemption pending investment in the credit funds.

### **3. Investment performance quarter to 31 March 2021**

- 3.1 The quarter saw continued growth in equities albeit the returns were more subdued than in the previous quarter. UK equities remained the highest performing asset class.
- 3.2 Performance from most of the active managers fell short of benchmark returns, except for the Global Active Value fund managed by Schroders. Technology stocks lagged in this quarter, after having rallied in the last few months, and contributed to the negative returns in the Baillie Gifford portfolio.
- 3.3 The continued rise in global stocks has seen the market levels reach the caps stipulated in the Fund's equity protection programme. This will negatively impact the fund's participation in further rises in global equities.
- 3.4 Fixed income managers, other than GSAM, provided higher than benchmark returns. The DTZ property portfolio benefitted from the uplift in the annual December revaluation which captured some of the post pandemic improvement in activity and sentiment in the property market.
- 3.5 Private equity valuations continued to register significant growth on the back of improved opportunity sets in the post pandemic environment however some significant early-stage investments in the new Partners Group funds continued the drag in performance.
- 3.6 Returns achieved by the Absolute Return portfolios remained positive but whilst Pyrford lagged the benchmark Ruffer saw some phenomenal outperformance partly on the back of its bitcoin investment and its esoteric multi asset strategy.

### **4. Longer term investment returns**

- 4.1 Despite the stop and start nature of the recovery from the pandemic over the last year, the stimulus packages provided by governments have sustained the developed economies and the success of the vaccination programmes has further helped confidence.
- 4.2 Starting from the low in March 2020, the markets (particularly listed and private equities) have bounced back, with global equities leading the recovery and UK equities catching up in the latter half of the year.
- 4.3 Global stock markets are now at all-time highs. Against this backdrop, and with a high global equities weighting, the Fund has recorded a phenomenal 1- year return of 31.5% against a benchmark return of 18.9%. The Fund's active managers have contributed greatly to the out-performance with Baillie Gifford leading with a stellar 77% return against a benchmark return of 35%.
- 4.4 Similarly, despite volatility, all fixed income managers have achieved high double digit returns and significant out-performance against benchmarks.
- 4.5 The 1-year property returns remain subdued due to the slow pick up of the market. Property investments have generally recorded negative overall capital growth during this period but were sustained by positive income returns.
- 4.6 Overall, the Fund's 3-year returns are a healthy 9.1% boosted by the recent performance and well above the benchmark return of 6.3%.

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**June 2021**

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