

From: Chairman Pension Fund Committee  
Interim Corporate Director - Finance

To: Pension Fund Committee – 12 December 2025

Subject: Investment Performance and Asset Allocation Update

Classification: Unrestricted

## Executive Summary:

This report provides a summary of the Fund's investment strategy, asset allocation, performance, cashflow position and responsible investment activity. Detailed performance information is provided in the *Quarterly Fund Performance Report* found in Appendix 1.

## Recommendation:

The Committee is asked to note the report.

## FOR INFORMATION

### 1. INTRODUCTION

1.1 This report provides an update on the Fund's investment activity and performance, as well as on responsible investment developments that have taken place since the Committee's last meeting.

### 2 FUND VALUE AND ASSET ALLOCATION

2.1 As of 31 October 2025 (the latest available data), the Fund's value was £9.4bn compared to £8.7bn as at 30 June 2025, the position previously reported to the Committee. The table below sets out the current asset allocation versus the Fund's strategic asset allocation and its rebalancing policy.

Asset Class	Strategic Asset Allocation (%)	Tolerance Band (%)	Current Asset Allocation (%)	Variance	Status
<b>Equities</b>	<b>53</b>	<b>+/- 10</b>	<b>58.8</b>	<b>5.8</b>	<b>In range</b>
UK Equities	10	+/- 2.5	11.5	1.5	In range
Global Equities	38	+/- 5	41.5	3.5	In range
Emerging Market Equities	5	+/- 2.5	5.8	0.8	In range
<b>Fixed Income</b>	<b>22</b>	<b>+/- 5</b>	<b>17.7</b>	<b>-4.3</b>	<b>In range</b>
Credit	15	+/- 5	14.5	-0.5	In range

RMF (Index Linked Gilts)	7	-	3.2	-3.8	N/A
<b>Alternatives</b>	<b>25</b>	<b>+/- 10</b>	<b>22.3</b>	<b>-2.7</b>	<b>In range</b>
Absolute Return	5	-	4.9	-0.1	N/A
Infrastructure	5	-	4.5	-0.5	N/A
Private Equity	5	-	4.6	-0.4	N/A
Property	10	-	8.4	-1.7	N/A
<b>Cash</b>	<b>0</b>	<b>5</b>	<b>1.2</b>	<b>1.2</b>	<b>In range</b>
<b>Total</b>	<b>100</b>		<b>100</b>		

- 2.2 The current asset allocation is broadly aligned with the new strategic asset allocation, allowing for approved tolerance bands. Global, UK and emerging market equities are overweight and conversely private equity, infrastructure, property and the risk management framework are underweight. Some excess cash is being held to meet liquidity requirements for the Fund's alternatives portfolio including private equity and infrastructure drawdowns.
- 2.3 Whilst the current asset allocation remains in range of the Fund's approved tolerance bands, Officers are recommending that Committee agree to a rebalancing of global equities.
- 2.4 DTZ have identified two properties requiring c.£180m of cash inflow into their portfolio. There is sufficient cash available within the Fund to meet DTZ's potential immediate requirements and this will be used to fund the investments in the very short term. However, the situation presents the opportunity to consider opportunistically rebalancing from equities, given the Fund's overweight position, equities strong returns over 2025 YTD and equity valuations on many metrics also at historic highs. Cash from redeeming investments will be held to meet liquidity requirements for the Fund's alternatives portfolio including private equity and infrastructure drawdowns.
- 2.5 Further detail on the rebalancing recommendation is discussed in the Strategy paper under agenda item 11 on today's agenda

### **Investment performance: quarter to 30 September 2025**

- 2.6 The Fund's investments returned 4.7% in the three months to 30 September 2025, compared to the benchmark return of 4.4%.
- 2.7 **UK equities** delivered strong gains over the quarter, with the FTSE All Share Index rising 6.9%. The market showed an increased focus on fiscal and political risks this quarter, and with cautious trading updates from several UK corporates, domestically oriented small and mid-caps underperformed. However, large cap stocks with significant overseas earnings benefitted from a weaker sterling early in the quarter. The Fund's UK equity manager, Schroders, returned 5.5% over the quarter, underperforming the 6.9% benchmark due to the increased allocation to small and mid-caps.
- 2.8 **Global equities** rose strongly over the quarter as investor optimism was supported by resilient economic data and expectations of interest rate cuts in early 2026. However, geopolitical tensions and mixed corporate earnings limited gains in some regions. The MSCI ACWI returned 9.5% in sterling terms and

7.6% in local currency during the three months to 30 September 2025. The Fund's global equity mandates collectively returned 6.9%, underperforming the benchmark.

- 2.9 Amongst the Fund's global equity managers, all except the Schroders Global Active Value portfolio underperformed their respective benchmarks. Baillie Gifford returned 4.4% against its fixed weight regional benchmark of 8.1%, while M&G, Impax and Robeco delivered returns of 6.7%, 6.8% and 8.0% respectively, compared with the MSCI ACWI benchmark of 9.5%. The Schroders Global Active Value Fund outperformed, returning 10.8% over the quarter due to strong positioning and stock selection.
- 2.10 After taking into account the impact of the Risk Management Framework, overall global equities performance increased slightly to 7.1%, though this was still below the 80% MSCI ACWI benchmark of 7.6%.
- 2.11 **Emerging market equities** delivered strong gains over the quarter, supported by improving economic data, easing inflation pressures, and renewed investor confidence following the extension of the US-China trade truce and strong optimism in AI and technology. The MSCI Emerging Markets Index rose 12.6% in sterling terms for the three months to 30 September 2025.
- 2.12 The Fund's emerging market equity portfolio outperformed the benchmark with an overall return of 15.1%. Both of the Fund's managers added value of this period, with Robeco returning 16.7% and Columbia Threadneedle returning 13.4%. Outperformance was driven by strong stock selection in Asian markets and an overweight to technology and consumer sectors.
- 2.13 **Fixed income** markets delivered modest positive returns over the quarter due to a supported environment for credit. High yield outperformed investment grade credit in the quarter, reflecting the ongoing investor demand for yield. US investment grade credit spreads declined, helped by resilient consumer sector and lower interest rates following the weakening in the US labour market. Corporate bonds also outperformed government debt, supported by improving risk sentiment. The Fund's credit mandates returned 1.9% in the three months to 30 September 2025, outperforming the composite benchmark return of 1.0%. All of the Fund's fixed income managers outperformed their respective benchmarks. CQS and M&G delivered returns of 2.4% and 1.5%, respectively, against their cash benchmarks of 1.0%. The Schroders Strategic Bond Portfolio returned 2.7% vs a benchmark of 1.1%, while Goldman Sachs achieved 1.4% against a 0.9% benchmark.
- 2.14 The Index Linked Gilts portfolio, which is a buy and hold portfolio and is part of the Risk Management Framework (RMF) managed by Insight, returned -3.5% in the quarter as real yields rose sharply and affected our buy and hold portfolio.
- 2.15 **Property** total returns were 1.4% in the quarter, below the MSCI UK All Property index return of 1.7%. In the wider market, all major sectors delivered positive total returns, supported by stabilising valuations and renewed investor interest, particularly within the industrial and residential sectors. The office sector continued to face structural challenges but showed signs of improvement as rental growth remained resilient in prime locations. Within the Fund's property portfolio, the direct property portfolio returned 1.2% against the benchmark. Fidelity outperformed with a return of 1.6% compared to the Balanced Property Index return of 1.2%. The M&G Residential Property Fund

also performed strongly, posting a return of 1.4% in the quarter. The UK Active Value Property Fund (formerly Kames) underperformed with a return of -1.2% against the same benchmark.

- 2.16 Amongst the two **absolute return** mandates, Pyrford and Ruffer achieved absolute returns of 1.9% and 3.4%, respectively - outperforming the RPI benchmark of 0.4%.
- 2.17 All three of the **private equity** and **infrastructure** managers outperformed their cash benchmark of 1.0% in the quarter. HarbourVest showed the greatest outperformance with a return of 5.2%, whilst YFM had a strong return of 3.6%, followed by Partners Group who returned 2.8%.

### 3 Longer term performance

- 3.1 For the year ended 30 September 2025, the Fund achieved an overall return of 8.8%, outperforming the benchmark return of 8.5%. All asset classes excluding property, UK and global equities outperformed their respective benchmarks during the year.
- 3.2 Fixed income delivered strong results, supported by stable yields and tightening credit spreads. All of the Fund's credit managers outperformed their benchmarks, with CQS posting the highest return of 8.1% against a 4.4% benchmark. Collectively, the Fund's credit mandates returned 6.7%, outperforming the composite benchmark return of 4.1%.
- 3.3 Equities produced robust absolute returns but underperformed their benchmarks. Global equities returned 12.7% overall against the MSCI ACWI benchmark of 16.7%, while UK equities returned 13.7% against the FTSE benchmark of 16.2%. Within global equities, Schroders Global Active Value was the only manager to outperform, delivering 19.9% for the year. Emerging market equities were the strongest performer during the year, returning 24.6% against a benchmark of 16.9%, with both managers producing strong results.
- 3.4 Absolute return strategies also contributed positively during the year, with both Ruffer and Pyrford outperforming the cash benchmark of 4.5%. Ruffer returned 6.6% and Pyrford 5.7% over the year.
- 3.5 Within alternatives, Partners Group was the best performer, achieving 19.1% against the SONIA benchmark of 4.6%, while private equity also generated a positive return of 7.5% against the same benchmark.
- 3.6 For the three-year period, the Fund returned 6.0%, below the benchmark of 8.5%. The main detractors from performance over this period were global and UK equities, as well as some underperformance from absolute return and private equity managers.
- 3.7 Global equities returned 12.9% against the 15.7% MSCI ACWI benchmark, with the M&G Global Dividend Fund being the only mandate to perform in line with the benchmark. Impax remained the largest detractor from performance within the global equity portfolio. The Fund's fixed income portfolios continued to provide consistent outperformance, however, with the credit mandates returning 8.9% collectively against a benchmark of 5.3%.
- 3.8 Alternatives produced mixed results during this period, with Partners Group again recording strong outperformance within the infrastructure asset class,

returning 11.9% compared to the benchmark of 4.7%, while pooled property and private equity underperformed over the same period.

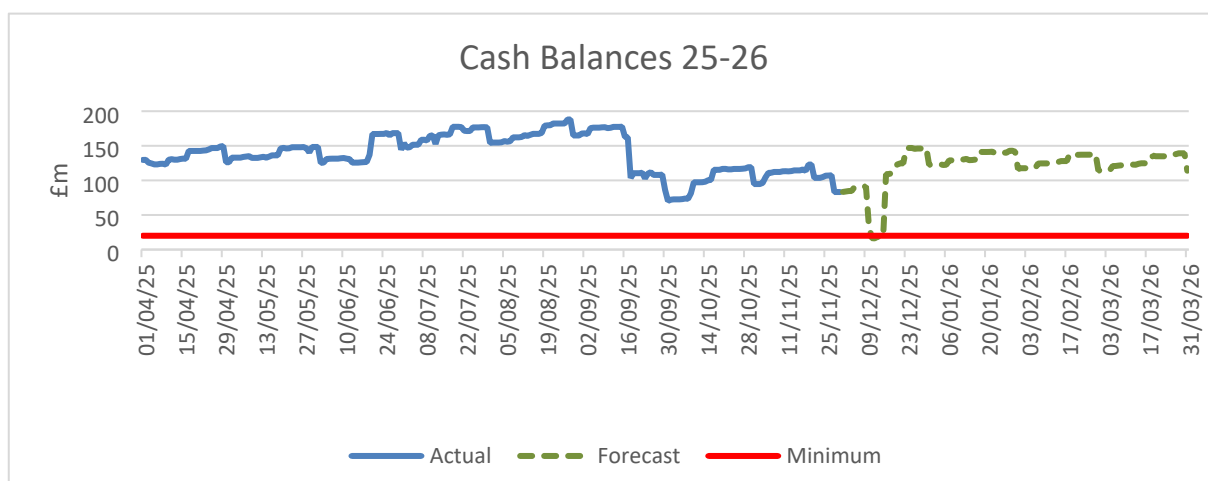
## 4 CASH FLOW

4.1 The cash balance as of 30 September 2025 was £105.2m, down from £144.4m at the end of the previous quarter. This figure excludes c.£109m of cash currently held within Insight arising from the sale of assets from the Pyrford Total Return Fund in 2024, under the Committee’s strategic asset allocation implementation plan. This additional liquidity source has been available for use to meet investment requirements both for existing commitments, future asset class rebalancing, as well as any additional collateral under the Risk Management Framework. This cash is earmarked for use with DTZ to complete on the purchase of the large property portfolio, as discussed in section 2 of this paper. Following Officer’s recommendation, this cash will be replaced following a rebalancing of the global equities mandate.

### Actual Cash Flow Experience and In-Year Forecast (2025-26)

4.2 The chart below shows the Fund’s actual cash flow experience from 1 April to 21 November 2025 (the date of writing this report) as well as forecast of cash flows to 31 March 2026. The chart shows that operational (non-investment) cash flows occur within a fairly repetitive cycle from one month to the next, which reflects standardised timing for contribution receipts and payroll payments.

4.3 Actual cash flow experience in the year to date has been largely influenced by the timing of transaction activity within the alternatives allocation, particularly the private equity and infrastructure mandates. The forecast shown reflects a quick drop to near minimal levels, which is following the property purchases reflected above. However, following this and the rebalancing of global equities, cash balances are relatively flat through to the end of 2025/26, reflecting significant net distributions expected from Partners Group, which are anticipated to offset larger drawdowns from HarbourVest.



### Cash Flow Forecast (2025-2028)

4.4 Officers maintain a forecast of the Fund’s cash flows over the medium term to ensure that liquidity requirements are identified and managed in an orderly

fashion. The 3-year cash flow forecast for the Fund based on existing investment commitments is summarised in the table below.

	<b>2025-26 Q3,Q4 £m</b>	<b>2026-27 Full Year £m</b>	<b>2027-28 Full Year £m</b>
<b>Opening cash balance</b>	<b>105.2</b>	<b>118.6</b>	<b>234.2</b>
<b>Revenue</b>			
Pensions contributions	162.5	326.0	339.0
Property income	8.7	18.0	18.6
<b>Total inflows</b>	<b>171.2</b>	<b>344.0</b>	<b>357.6</b>
Pensions payments	-155.5	-328.0	-337.6
Admin, governance and oversight	-7.1	-7.7	-7.9
Investment management fees	-1.9	-4.0	-4.2
<b>Total outflows</b>	<b>-164.6</b>	<b>-339.8</b>	<b>-349.7</b>
<b>Net revenue cashflow</b>	<b>6.6</b>	<b>4.2</b>	<b>7.9</b>
<b>Investments</b>			
YFM	-5.4	45.9	38.2
Partners Group	31.5	106.0	95.0
HarbourVest	-55.0	11.5	77.4
Property purchases	-180.0	0.0	0.0
Liquidation of Insight ILF	110.0	0.0	0.0
Global Equities rebalancing	90.0	0.0	0.0
Potential new infrastructure	0.0	-28.0	-104.0
Potential new private equity	0.0	-24.0	-70.0
<b>Net investment cashflow</b>	<b>6.8</b>	<b>111.4</b>	<b>36.6</b>
<b>Closing internal cash balance</b>	<b>118.6</b>	<b>234.2</b>	<b>278.8</b>
<b>Cash held with Insight</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total cash balance (internal + Insight)</b>	<b>118.6</b>	<b>234.2</b>	<b>278.8</b>

- 4.5 The table shows that the Fund's cashflow from pension contributions and property income is currently sufficient for meeting its ongoing pension liabilities, albeit only slightly net positive. This situation looks to continue over the medium term with net revenue cashflow remaining positive for both 2026-27 and 2027-28. One thing worth noting is that 31 March 2025 is the date of the latest triennial valuation exercise and the results of the which may require changes to contribution rates. These changes will, in turn, impact upon cash flow. As such, officers will continue to monitor progress of the triennial valuation into their forecasts and will update when new contribution rates are known.
- 4.6 The figures in the table above include cash flows from planned commitments to private equity and infrastructure, as well as the imminent property purchases and portfolio rebalancing mentioned earlier in this paper. In addition, 2026-27 and 2027-28, the Fund's alternatives allocation is expected to provide large inflows as a result of the alternatives allocation being mostly fully drawn and resulting to distributing. Additionally, as a result of the Fund's decision to join Border to Coast, the Fund will be exploring opportunities for investment within the alternatives portfolio and initial estimates for cash flow have been added.

These figures are indicative and no decision has yet been made regarding BCPP propositions.

- 4.7 The size and timing of the investment cash flows relating to the alternative investment allocations cannot be precisely predicted, and capital calls can be issued at relatively short notice (two weeks). Therefore, it is important that the Fund has adequate liquidity to manage this inherent uncertainty.
- 4.8 In addition to current and forecast cash levels and given the recommendation within section 2 above, officers have no concerns over liquidity.

## **5 Responsible Investment Update**

- 5.1 In preparation of our transition to Border to Coast from the ACCESS Pool, we will be working closely with the new pool to implement and discharge the Fund's stewardship responsibilities. We are currently in the process of familiarising and integrating our policies and procedures with BCPP in preparation for formal onboarding.
- 5.2 Officers were invited to a meeting with a representative from Border to Coast to discuss the Fund's Responsible Investment views and policy. This information is being gathered from all of the Border to Coast partner funds to infer their new Responsible Investment Strategy that is in the process of being reviewed.
- 5.3 Officers attended the first Responsible Investment Officer Operations Group (RI OOG) meeting with representations across all partner funds on 17 November. These meetings will take place quarterly.
- 5.4 In this meeting, the pool provided an update on the reporting cycles for the RI Strategy, Engagement strategy & RI Policies. Once these reports have been agreed by the Borders to Coast Board they will be shared with the committee.

## **6 Voting Activity for the 3 months to 30 September 2025**

- 6.1 The Fund regards the exercise of ownership rights, including voting rights, as a critically important activity that enhances value and supports the maintenance of a sustainable financial system in which the interests of the Fund's beneficiaries are effectively accounted for when companies make important strategic decisions
- 6.2 Asset managers are required to conduct all voting decisions at company meetings on behalf of the Fund. For pooled assets, voting should be conducted in accordance with the ACCESS voting guidelines on a comply or explain basis. For non-pooled assets with voting rights, asset managers should adhere to their own voting policies.
- 6.3 Asset managers are required to provide feedback information on voting decisions on a quarterly basis. A summary of the voting activity of the managers for the quarter to 30 September 2025 is shown in the table below:

<b>Manager</b>	<b>Fund Name</b>	<b>Number of Meetings</b>	<b>No. of votes for</b>	<b>No. of votes Against, Abstained or Withheld</b>

<b>ACCESS POOL</b>				
Baillie Gifford	WS ACCESS Global Equity Core Fund	31	358	25
Schroders	WS ACCESS UK Equity Fund	14	197	49
Schroders GAV	WS ACCESS Global Active Value Fund	45	302	197
M&G	WS ACCESS Global Dividend Fund	2	7	9
Robeco	WS ACCESS Global Stars Equity	0	0	0
Robeco	WS ACCESS EM Equity Fund	3	43	5
Columbia Threadneedle	WS ACCESS Emerging Markets Equity Fund	24	133	45
Ruffer	WS ACCESS Absolute Return Fund	12	175	24
<b>NON-POOLED</b>				
Impax	Impax Environmental Markets (Ireland) Fund	4	53	4
Pyrford	Global Total Return	5	67	3

6.4 Officers also review the voting alerts received from LAPFF from time to time and share with the asset managers if it is identified that the portfolio holds the relevant shares. The voting alerts are intended to provide additional information on ESG issues related to upcoming voting opportunities and enable the Fund to discuss potentially important stewardship events with asset managers on a timely basis.

## 7 Engagement Activity

7.1 The Fund expects the investment managers who hold shares on its behalf to fully comply with the UK Stewardship Code 2020 (the Code) and to be a signatory to the UN supported Principles for Responsible Investment. Asset managers are expected to actively engage with companies to monitor and develop their management of material ESG issues to protect and enhance the value of the Fund's investments

7.2 Managers regularly report on engagements carried out with companies in the Fund's portfolio. An example of an engagement reported by Robeco Global Stars can be found in Appendix 2.



## 8 Securities Lending

- 8.1 The ACCESS pool has a common policy for securities lending. All the sub-funds participate in the programme, which is operated by Northern Trust, the Pool's custodian.
- 8.2 The Kent Pension Fund also has a securities lending programme with Northern Trust for the directly held segregated assets not yet in the pool.
- 8.3 Standard guidelines have been agreed in both the programmes to provide maximum protection for assets which include borrower/market restrictions as well as adequacy and type of collateral (cash) backing the loaned assets.
- 8.4 The programmes afford the managers the ability to recall shares for voting to meet their stewardship obligations. NTRS also operate a buffer management system which restricts a portion of lendable stocks to allow for representative voting
- 8.5 As well as increasing returns for shareholders, stock lending (and borrowing) provides liquidity to capital markets enabling more efficient pricing and supporting the viability of the capital markets in which investors such as the Kent Pension Fund participate on a long-term basis.
- 8.6 The Securities Lending performance for the quarter ending 30 September 2025 is set out in the table below:
- 8.7 Baillie Gifford Global Equity Core, Ruffer Absolute Return Fund, Robeco Global

<b>Fund</b>	<b>Manager</b>	<b>Average Stock on Loan</b>	<b>% On Loan</b>	<b>Net Earnings</b>
		<b>£m</b>		<b>£m</b>
<b>WS ACCESS Global Equity Core</b>	Baillie Gifford	109.741	11.3	0.079
<b>WS ACCESS Global Dividend</b>	M&G	114.563	7.7	0.032
<b>WS ACCESS Absolute Return</b>	Ruffer	97.301	21.8	0.043
<b>WS ACCESS UK Equity</b>	Schroders	44.369	4.7	0.015
<b>WS ACCESS Global Active Value Fund</b>	Schroders	21.350	4.5	0.017
<b>WS ACCESS EM Equity Fund</b>	Robeco	32.463	12.4	0.042
<b>WS ACCESS Emerging Markets Equity Fund</b>	Columbia Threadneedle	12.591	4.3	0.030
<b>WS ACCESS Global Stars Equity Fund</b>	Robeco	20.923	1.4	0.005
<b>Total</b>		<b>453.301</b>		<b>0.263</b>

Stars Equity Fund, Robeco EM Equity Fund & Columbia Threadneedle Emerging Market Equity Fund, lent a total of six of the top ten revenue earning stocks, which included: Rivian Automotive INC, United States Treasury, Shopify Inc, Visa INC, United States of America Treasury Notes & Duality Biotherapeutics.

## **Appendices**

Appendix 1 – Quarterly Performance Report (30 September 2025)

Appendix 2 – Engagement Example – Robeco Global Stars

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**24 November 2025**

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