

**Committee:**  
**Merton Pension Committee**  
**Merton Pension Board**

**Date: 12 October 2023**  
**Date: 10 October 2023**

Wards: All

**Subject: Merton Pension Fund Performance – Quarter ending June 2023**

**Lead Officer:** Roger Kershaw – Assistant Director – Finance and Digital

**Lead Member:** Councillor Billy Christie - Cabinet Member - Corporate Services

**Contact Officer:** Nemashe Sivayogan – Head of Treasury and Pensions

This is a Public Document

## **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 quarter ending 30 June 2023, 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 2023. The report highlights the performance of the total Fund by asset class compared to the customised benchmark for the quarter, one year and since inception.
- 1.2 The report gives the Committee a consistent basis on which to review the performance of the Fund as at 30 June 2023. 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 Robertson provides useful analysis and insights of the Pension Fund activities and results for the quarter ending 30 June 2023.

The following table shows the total Fund valuation as at 2023.

## VALUATION SUMMARY Period ending 30 June 2023

Mandate	Valuation (£m)		Actual Proportion	Benchmark	Relative
	Q1 23	Q2 23			
UBS Alternative Beta	49.0	0.0	0.0%	5.0%	-5.0%
LCIV RBC Sustainable Equity Fund	84.3	84.2	9.7%	10.0%	-0.3%
LCIV Baillie Gifford Global Alpha Growth Paris Aligned Fund	74.8	77.1	8.9%	10.0%	-1.1%
BlackRock World Low Carbon Equity Tracker	104.8	109.9	12.7%	10.0%	2.7%
<b>Global Equities</b>	<b>312.8</b>	<b>271.2</b>	<b>31.4%</b>	<b>35.0%</b>	<b>-3.6%</b>
UBS GEM HALO	47.4	46.6	5.4%	5.0%	0.4%
LCIV JP Morgan Emerging Market Equity Fund	35.0	34.1	3.9%	5.0%	-1.1%
<b>Emerging Market Equities</b>	<b>82.4</b>	<b>80.7</b>	<b>9.3%</b>	<b>10.0%</b>	<b>-0.7%</b>
LCIV Ruffer Absolute Return Fund	61.7	57.6	6.7%	5.0%	1.7%
LCIV Baillie Gifford Diversified Growth Fund	24.7	11.3	1.3%	5.0%	-3.7%
<b>Diversified Growth</b>	<b>86.4</b>	<b>69.0</b>	<b>8.0%</b>	<b>10.0%</b>	<b>-2.0%</b>
UBS Triton Property Fund	16.8	16.8	1.9%	2.5%	-0.6%
BlackRock UK Property Fund	7.4	7.3	0.8%	2.5%	-1.7%
<b>Property</b>	<b>24.2</b>	<b>24.1</b>	<b>2.8%</b>	<b>5.0%</b>	<b>-2.2%</b>
Henley Secure Income Property Fund II	30.2	42.4	4.9%	1.0%	3.9%
<b>Social Impact</b>	<b>30.2</b>	<b>42.4</b>	<b>4.9%</b>	<b>1.0%</b>	<b>3.9%</b>
MIRA Infrastructure Global Solutions II L.P. Fund	21.1	20.9	2.4%	2.0%	0.4%
Quinbrook Low Carbon Power LP Fund	16.7	11.3	1.3%	1.5%	-0.2%
Quinbrook Net Zero Power Fund	17.3	16.4	1.9%	3.0%	-1.1%
JP Morgan Infrastructure Fund	64.1	62.8	7.3%	5.0%	2.3%
<b>Infrastructure</b>	<b>119.2</b>	<b>111.4</b>	<b>12.9%</b>	<b>11.5%</b>	<b>1.4%</b>
Permira Credit Solutions IV Fund	25.2	26.3	3.0%	4.5%	-1.5%
Permira Credit Solutions V Fund	5.2	6.2	0.7%	0.0%	0.7%
Churchill Middle Market Senior Loan II Fund	20.1	18.7	2.2%	3.0%	-0.8%
<b>Private Credit</b>	<b>50.5</b>	<b>51.3</b>	<b>5.9%</b>	<b>7.5%</b>	<b>-1.6%</b>
Allspring RMF Fund	66.0	68.3	7.9%	10.0%	-2.1%
<b>Risk Management Framework</b>	<b>66.0</b>	<b>68.3</b>	<b>7.9%</b>	<b>10.0%</b>	<b>-2.1%</b>
LCIV CQS / PIMCO MAC Fund	73.3	74.7	8.6%	10.0%	-1.4%
<b>Multi Asset Credit</b>	<b>73.3</b>	<b>74.7</b>	<b>8.6%</b>	<b>10.0%</b>	<b>-1.4%</b>
Cash	25.5	71.1	8.2%	0.0%	8.2%
<b>Total Fund</b>	<b>870.5</b>	<b>864.2</b>	<b>100.0%</b>	<b>100.0%</b>	

At the time of writing, latest quarterly information in respect of mandates held with MIRA, Quinbrook, Permira and Churchill are unavailable. We have lagged reporting by 3 months, therefore the valuations shown are as at Q1 2023 respectively. The FX rate used is lagged and at each of these dates also.

- 2.2 The Fund's total market value decreased by £6.3m over the quarter, from £870.5 to £864.2m.
- 2.3 Over the 3 months to 30 June 2023, total Fund assets returned 1.1% compared to the benchmark of 2.5%. This equates to an underperformance of 1.4%. Over the last 12 months, the Fund performance was 4.6% and 3 year annualised performance was 4.5%.these again under performed the bench mark by 2.3% for 12 months and 3 years The annual Actuarial performance target is 4.2%.

## PERFORMANCE summary 30 June 2023

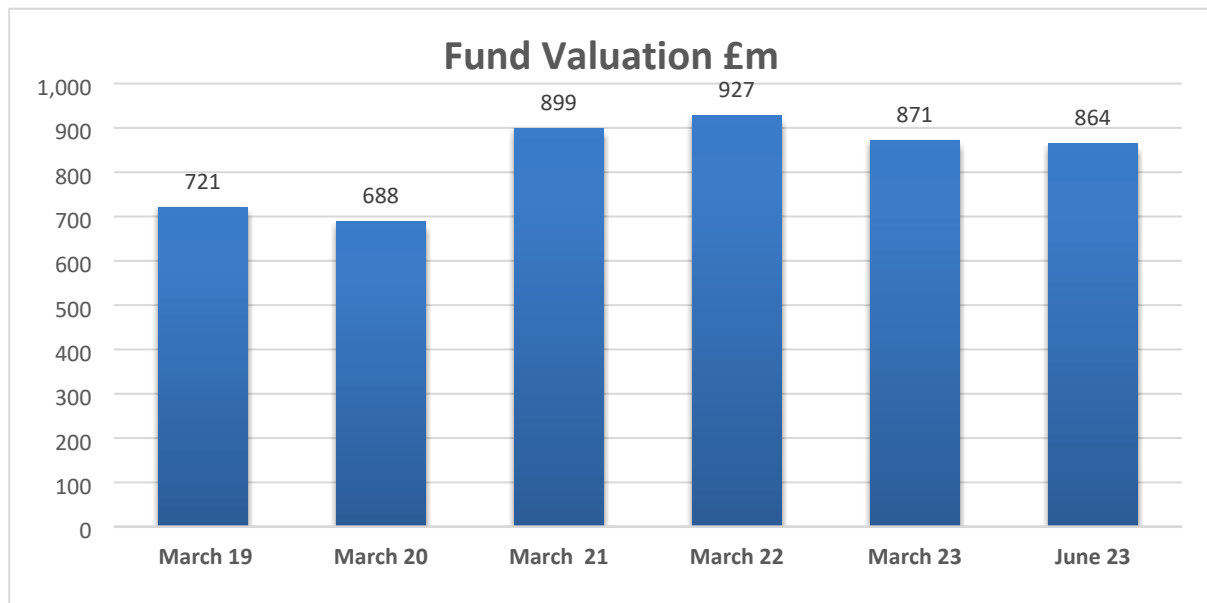
Mandate	Last 3 Months (%)			Last 12 Months (%)			Last 3 Years (% p.a.)			Since Inception (% p.a.)		
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
UBS Alternative Beta	2.1	2.7	-0.6	11.4	12.1	-0.7	11.8	12.0	-0.2	1.5	1.5	-0.0
LCIV RBC Sustainable Equity Fund	-0.1	3.9	-3.9	1.1	14.9	-12.0	6.2	12.2	-5.4	7.8	8.8	-1.0
LCIV Baillie Gifford Global Alpha Growth Paris Aligned Fund	3.2	3.3	-0.1	-	-	-	-	-	-	-0.2	4.7	-4.7
BlackRock World Low Carbon Equity Tracker	4.8	4.7	0.1	12.9	11.4	1.4	10.7	10.2	0.5	12.1	11.8	0.3
<b>Global Equities</b>												
UBS GEM HALO	-1.9	-1.9	0.0	-4.4	-2.9	-1.6	-2.9	1.3	-4.2	2.0	2.9	-0.9
LCIV JP Morgan Emerging Market Equity Fund	-2.6	-1.9	-0.8	3.8	-1.0	4.8	3.1	2.6	0.4	2.5	1.2	1.3
<b>Emerging Market Equities</b>												
LCIV Ruffer Absolute Return Fund	-6.5	1.8	-8.2	-1.2	6.2	-7.0	-	-	-	2.5	4.5	-1.9
LCIV Baillie Gifford Diversified Growth Fund	-2.1	2.1	-4.1	-1.8	7.0	-8.2	0.3	4.8	-4.3	0.2	4.2	-3.9
<b>Diversified Growth</b>												
UBS Triton Property Fund	0.6	0.4	0.2	-16.7	-17.4	0.8	4.2	3.4	0.8	0.9	0.7	0.2
BlackRock UK Property Fund	-0.2	0.4	-0.6	-18.2	-17.4	-1.0	2.4	3.4	-0.9	1.0	1.4	-0.3
<b>Property</b>												
Henley Secure Income Property Fund II	-1.3	1.5	-2.7	-3.0	6.1	-8.6	-	-	-	-2.9	5.9	-8.3
<b>Social Impact</b>												
MIRA Infrastructure Global Solutions II L.P Fund	2.0	1.8	0.2	5.8	7.4	-1.5	8.2	7.4	0.7	5.5	5.9	-0.4
Quinbrook Low Carbon Power LP Fund	-0.7	1.8	-2.4	6.0	7.4	-1.3	13.9	7.4	6.0	6.1	6.7	-0.6
Quinbrook Net Zero Power Fund	2.3	1.5	0.8	-	-	-	-	-	-	0.6	6.0	-5.2
JP Morgan Infrastructure Fund	2.1	2.5	-0.4	15.7	10.4	4.9	9.6	10.4	-0.7	7.9	9.7	-1.6
<b>Infrastructure</b>												
Permira Credit Solutions IV Fund	2.2	1.7	0.5	4.8	7.0	-2.0	5.9	7.0	-1.0	4.7	5.5	-0.8
Permira Credit Solutions V Fund	2.2	1.7	0.5	-	-	-	-	-	-	4.3	3.4	0.9
Churchill Middle Market Senior Loan II Fund	2.3	1.7	0.6	6.6	7.0	-0.4	5.4	7.0	-1.5	4.4	6.1	-1.6
<b>Private Credit</b>												
Allspring RMF Fund	5.5	5.5	0.0	2.1	2.1	0.0	-5.1	-5.1	0.0	-3.7	-3.7	0.0
<b>Risk Management Framework</b>												
LCIV CQS / PIMCO MAC Fund	1.8	2.2	-0.4	5.7	7.8	-1.9	3.5	5.6	-2.0	1.9	5.0	-3.0
<b>Multi Asset Credit</b>												
Cash	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Fund</b>	<b>1.1</b>	<b>2.5</b>	<b>-1.3</b>	<b>4.6</b>	<b>7.1</b>	<b>-2.3</b>	<b>4.5</b>	<b>6.9</b>	<b>-2.3</b>	<b>5.8</b>	<b>5.5</b>	<b>0.3</b>

Note: Performance figures for MIRA, Quinbrook LCP & NZPF, Permira IV & V and Churchill are lagged by 3-months due to lack of manager information at the time of writing (see comment on left). As such, the performance shown is reflective of Q1 2023.

### 2.4 From an asset class perspective:

- All equities mandates with the exception of LCIV RBC, contributed positively to overall performance.
- The two diversified growth funds detracted from overall performance.
- Of the funds real estate only UBS Triton contributed positively to overall performance.
- All private credit funds contributed positively whilst for infrasture only Quibbrook Low Carbon Power LP Fund detracted from overall performance.
- The Risk Management Framework made a negligible positive contribution to overall performance.

The chart below shows the Funds's net asset movement for the past five years.



### 3.0 Market Background/Outlook

- 3.1 As the year progressed into Q2 2023, the macroeconomic outlook for the rest of the year remained uncertain. Not only did inflation continue to put pressure on governments and markets, but the US banking crisis has also brought down investors' confidence. As a result of aggressive central banks' efforts to control the tension, including multiple rate hikes, global growth has declined.
- 3.2 More market background information and LGPS updates can be found in the Hymans 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.

This page is intentionally left blank