



City of Westminster

Pension Board

Date: 3 November 2022

Classification: General Release

Title: Performance of the Council's Pension Fund

Wards Affected: All

Policy Context: Effective control over council activities

Financial Summary: There are no immediate financial implications arising from this report, although investment performance has an impact on the Council's employer contribution to the Pension Fund and this is a charge to the General Fund.

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1. EXECUTIVE SUMMARY

- 1.1 This report presents the performance of the Pension Fund's investments to 30 September 2022.
- 1.2 The Fund returned -1.76% net of fees over the quarter to 30 September 2022, slightly underperforming the benchmark by -0.39%.

2. RECOMMENDATION

- 2.1 The Board is asked to:
 - Note the performance of the investments.

3. BACKGROUND

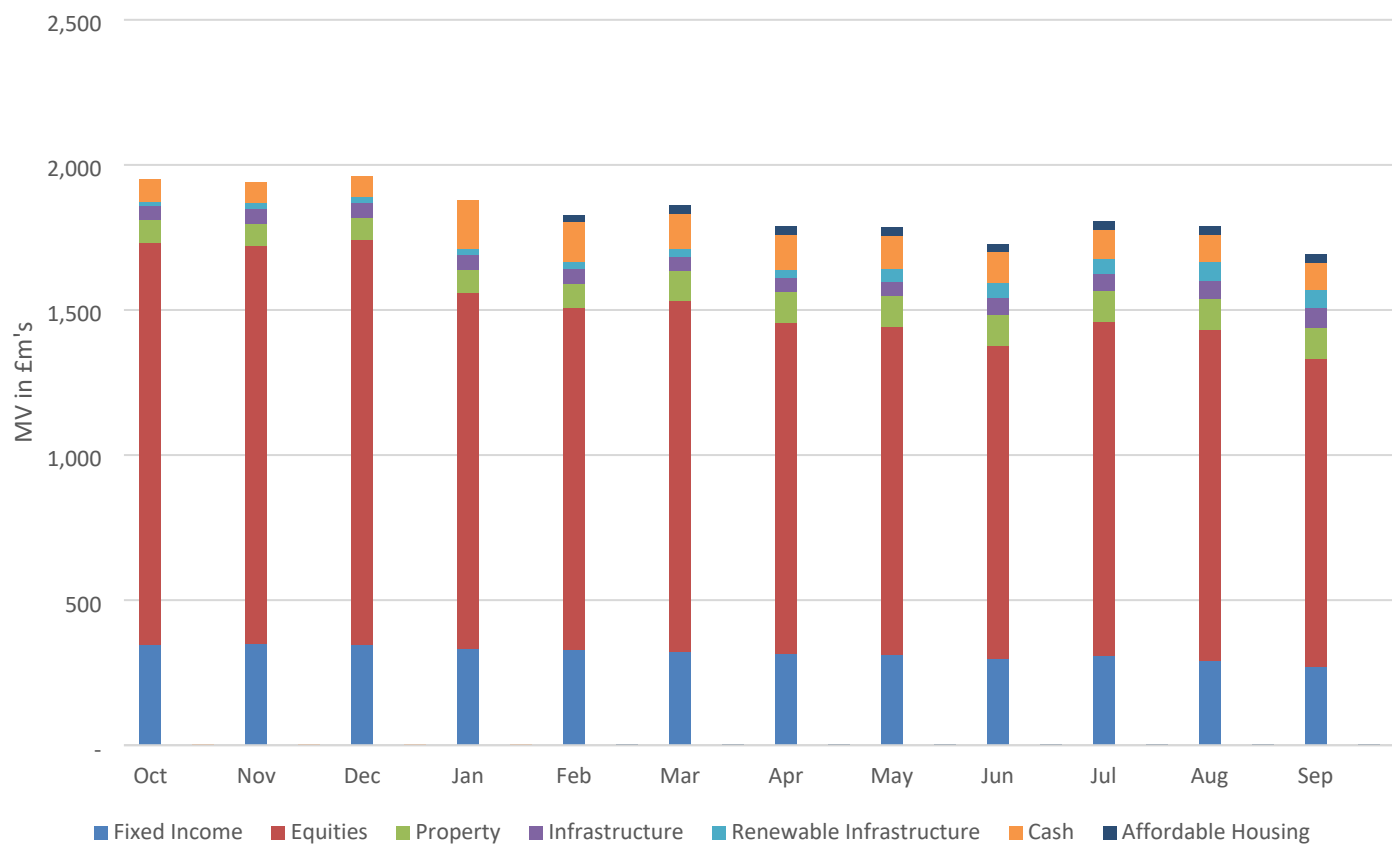
- 3.1 This report presents a summary of the Pension Fund's performance to 30 September 2022.

- 3.2 The market value of investments decreased by £36m to £1.691bn over the quarter to 30 September 2022, with the Fund returning -1.76% net of fees. The Fund slightly underperformed the benchmark by -0.39%, with the equity mandates and fixed income portfolios being the main detractors to performance.
- 3.3 Much of this underperformance can be attributed to continued heightened inflationary concerns alongside the supply chain disruption caused by the ongoing conflict in Ukraine and strict lockdown measures in China. There was also heightened market volatility following the unveiling of the Chancellor's mini budget on 23 September and Bank of England interventions in the UK Gilts market.
- 3.4 The Fund's underperformance was partially offset by strong outperformance of benchmarks within the Abrdn Long Lease Property fund and Quinbrook Renewable Infrastructure, which outperformed by 9.72% and 13.59% net of fees respectively.
- 3.5 Over the 12-month period to 30 September 2022, the Fund underperformed its benchmark net of fees by -3.79% returning -11.54%. This underperformance can be largely attributed to the Baillie Gifford (LCIV) Global Alpha Growth mandate, with the strategy's large-cap growth stock bias proving detrimental as investors sought safety in value-oriented parts of the market. Alongside this, there has been poor performance within the fixed income mandates, largely due to the base rate increases over the last 12 months.
- 3.6 The Abrdn long lease property fund has again performed strongly over the one-year period, outperforming its benchmark by 28.20% net of fees, owing to a rise in gilt yields over the year with the fund benchmarked against Gilts +2%. Alongside this, the Pantheon Infrastructure fund, Quinbrook Renewables and Macquarie Renewable Infrastructure mandate have returned 37.34%, 23.70% and 23.66% net of fees, respectively. Over the longer three-year period to 30 September 2022, the Fund slightly underperformed the benchmark net of fees by -0.39%.

4. ASSET ALLOCATION AND SUMMARY OF CHANGES

- 4.1 The chart shows the changes in asset allocation of the Fund from 1 October 2021 to 30 September 2022. Please note asset allocations may vary due to changes in market value.

Asset Allocation



*Fixed Income includes bonds, multi asset credit (MAC) and private debt

**Cash includes the NT ESG Ultra Short Bond Fund and Ruffer (LCIV) Absolute Return Fund

4.2 The current Westminster Pension Fund target asset allocation is 60% of assets within equities, 19% in fixed income, 6% in renewable infrastructure, 5% within infrastructure, 5% within property and 5% to affordable and socially supported housing.

4.3 During the quarter to 30 September 2022, capital calls for the Pantheon Global Infrastructure fund, Quinbrook Renewable Infrastructure fund and CVC Credit Private Debt mandate took place. Sales within the Insight Buy and Maintain Bond fund and Northern Trust ESG Short Duration Bond fund took place to fund these calls.

5. LONDON CIV UPDATE

5.1 The value of City of Westminster Pension Fund investments directly managed by the London CIV as at 30 September 2022 was £840m, representing 50% of Westminster's investment assets. A further £358m continues to benefit from reduced management fees, through Legal and General having reduced its fees to match those available through the LCIV.

- 5.2 During April 2022, Mike O'Donnell announced he would be stepping down from his role as CEO from March 2023. Following the quarter end, Dean Bowden was appointed as the successive London CIV CEO, with an anticipated start date of November 2022. Mike will support Dean in the period of transition before stepping back from the full time role. Dean joins the London CIV from Quilter Investors where he was most recently CEO and Director of Quilter Investors Portfolio Management and Managing Director and Director of Quilter Investors Limited.

If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:

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Background Papers: None

Appendices: None