

# Review of Fund Investments 2020/21

Tyne & Wear Pension Fund



# Agenda

- Fund performance
- Investment strategy
- Update on asset pooling

# Market background

Global equity returns since last actuarial valuation



Source: DataStream

# Asset class returns

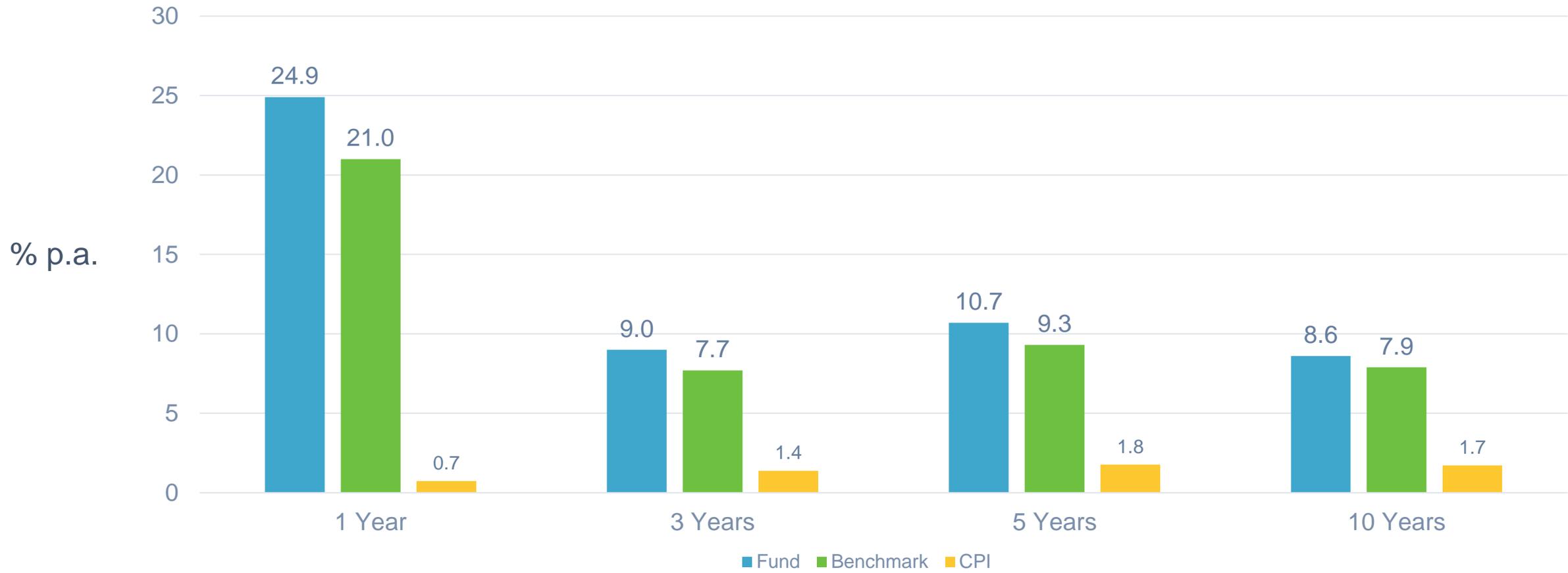
12 months to 31 March 2021



Source: Datastream, Portfolio Evaluation

# Long-term Fund performance

To 31 March 2021



Source: Datastream, Portfolio Evaluation

# Performance attribution 2020/21

## Absolute return (+24.9%)

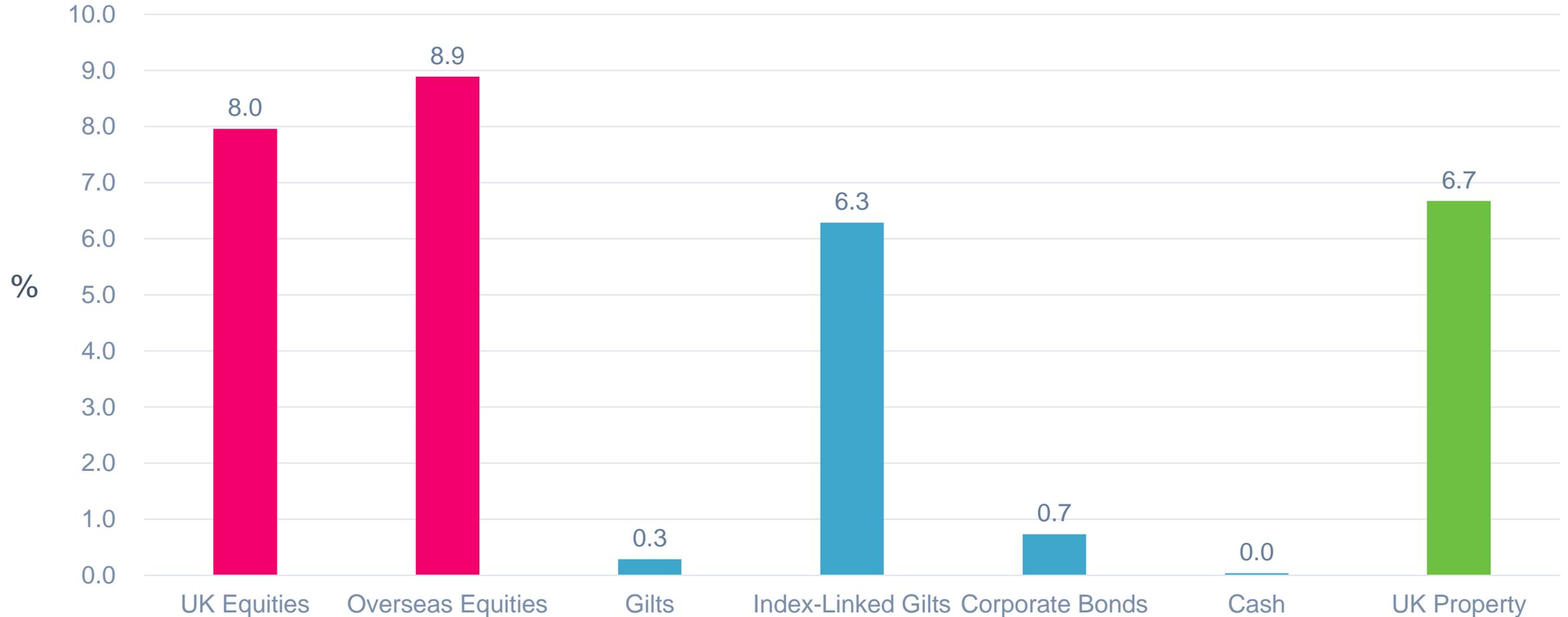
- Strong absolute returns were driven by markets recovering from the depths of the Covid-19 market crashes in 2020
- Very strong positive returns from all equity mandates, bonds also contributed

## Relative return (+3.9%)

- Significant outperformance from all active equity mandates and private equity
- Active bond mandates also outperformed
- Global property underperformed – the asset class faced significant challenges over the period and currency movements have also impacted returns
- Underperformance from the private credit holdings, in part due to currency impacts

# Markets since 31 March 2021

To 30 September 2021



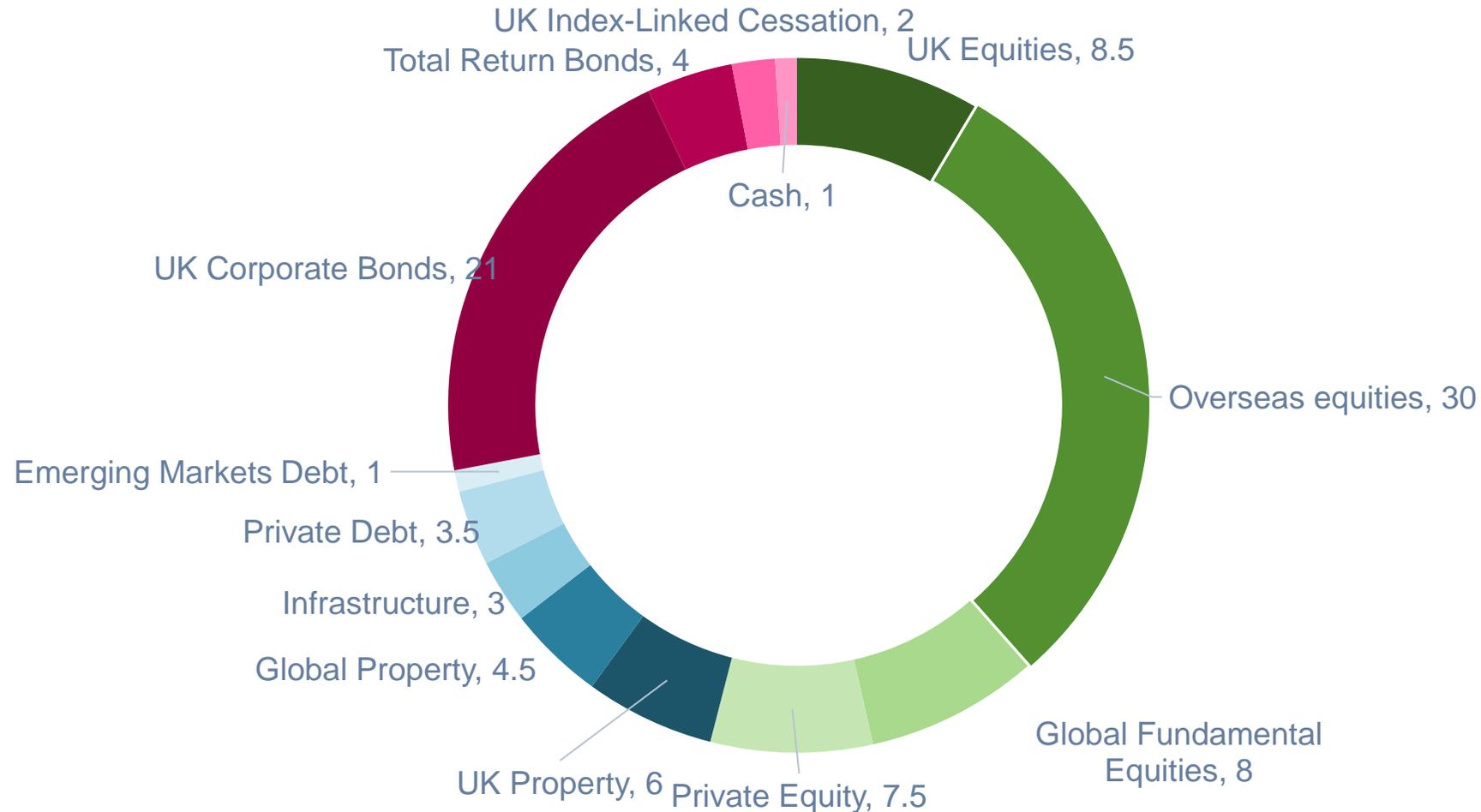
Source: Datastream. UK Property return to 31 August 2021.

# Investment strategy

- During the year the Fund has undertaken a “health check” of its current investment strategy, against some potential future allocations, to consider the impact the Covid-19 pandemic has had on markets
- The health check concluded that the current strategy is still fit for purpose, however some alternative strategies should be considered at the formal strategy review, including an increase in private market holdings
- The Fund was also tested against three different climate change scenarios, indicating how the funding level may be impacted
- A full review will take place in 2022, in line with the actuarial valuation

# The Fund's current investment strategy

Interim strategic asset allocation (%)



# Update on pooling

- Requirement for all England and Wales LGPS funds
- Fund investments to be aggregated with other LGPS funds within chosen pool (Border to Coast)
- Pensions Committee will retain responsibility for setting employer contributions and investment strategy
- Multi-year process for aggregating assets

# Update on pooling

Passive mandates with LGIM	Border to Coast sub-funds	Asset outside of the pool
c. 40% of assets	c. 25% of assets	c. 35% of assets
Global fundamental equities	Global equities	Active regional equities
Regional equities	UK equities	Property
Emerging market debt	Sterling IG credit	Other credit
Corporate Bonds	Private markets	Legacy private markets
Gilts		
Further progress made on pool Multi-Asset Credit and potentially:		
<ul style="list-style-type: none"><li>• Property</li><li>• Further private markets</li></ul>		

# Conclusions

## Performance

- Very strong absolute performance during FY 21/22 as markets recovered from pandemic lows
- Relative performance also very strong as most active managers outperformed rising markets
- Long-term absolute and relative returns remain very strong

## Investment strategy

- Investment strategy health check confirmed current strategy remained suitable despite impact on pandemic on markets, but signalled potential further improvements for consideration during the 2022 full review
- Potential changes in strategy as part of the Fund's response to climate change will also need to be considered

## Pooling

- Transition to pooling continues to make good progress, with further assets earmarked to be transitioned in
- Further funds launching e.g. property, climate change opportunities – will require in depth due diligence to ensure they are in the Fund's best interests

# Thank you

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