

Review of Fund Investments 2019/20

Tyne and Wear Pension Fund

- Paul Potter
- 9 November 2020

Agenda

- Fund performance
- Investment strategy
- Update on asset pooling

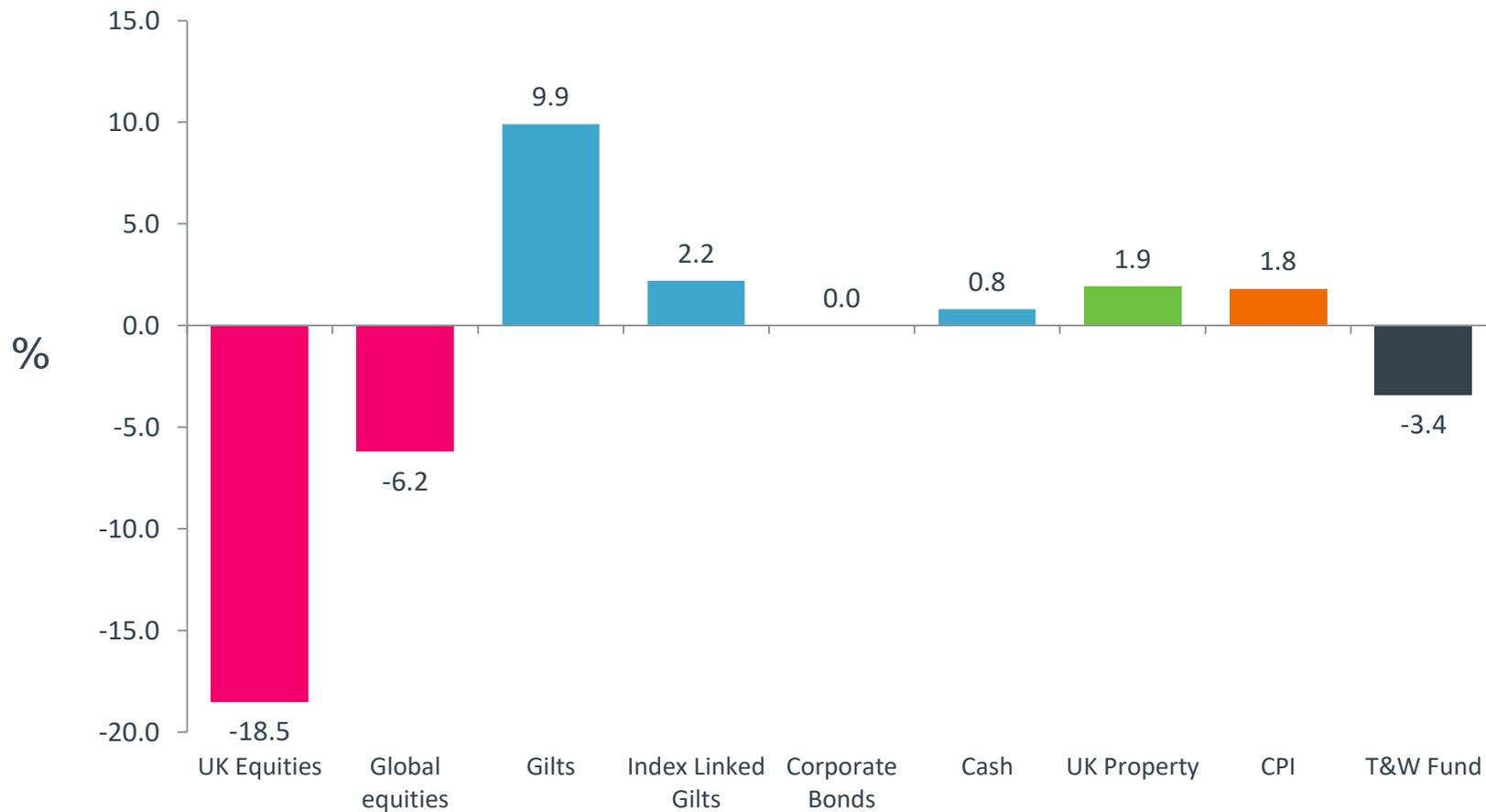
Market background

Global equity returns since last actuarial valuation



Asset class returns

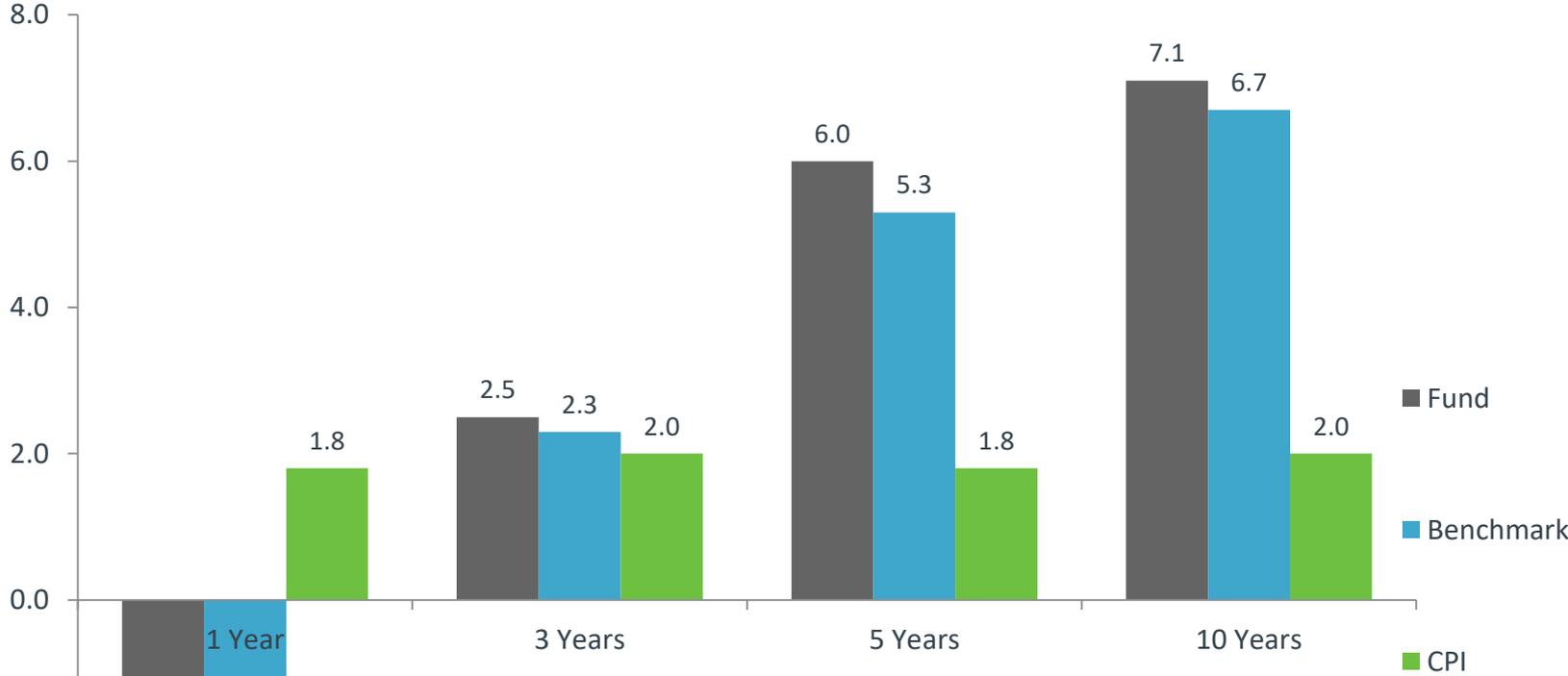
12 months to 31 March 2020



Source: Datastream

Long term Fund performance (% p.a.)

Tyne and Wear Fund - To 31 March 2020



Source: Datastream, Portfolio Evaluation

Performance attribution 2019/20

Absolute return (-3.4%)

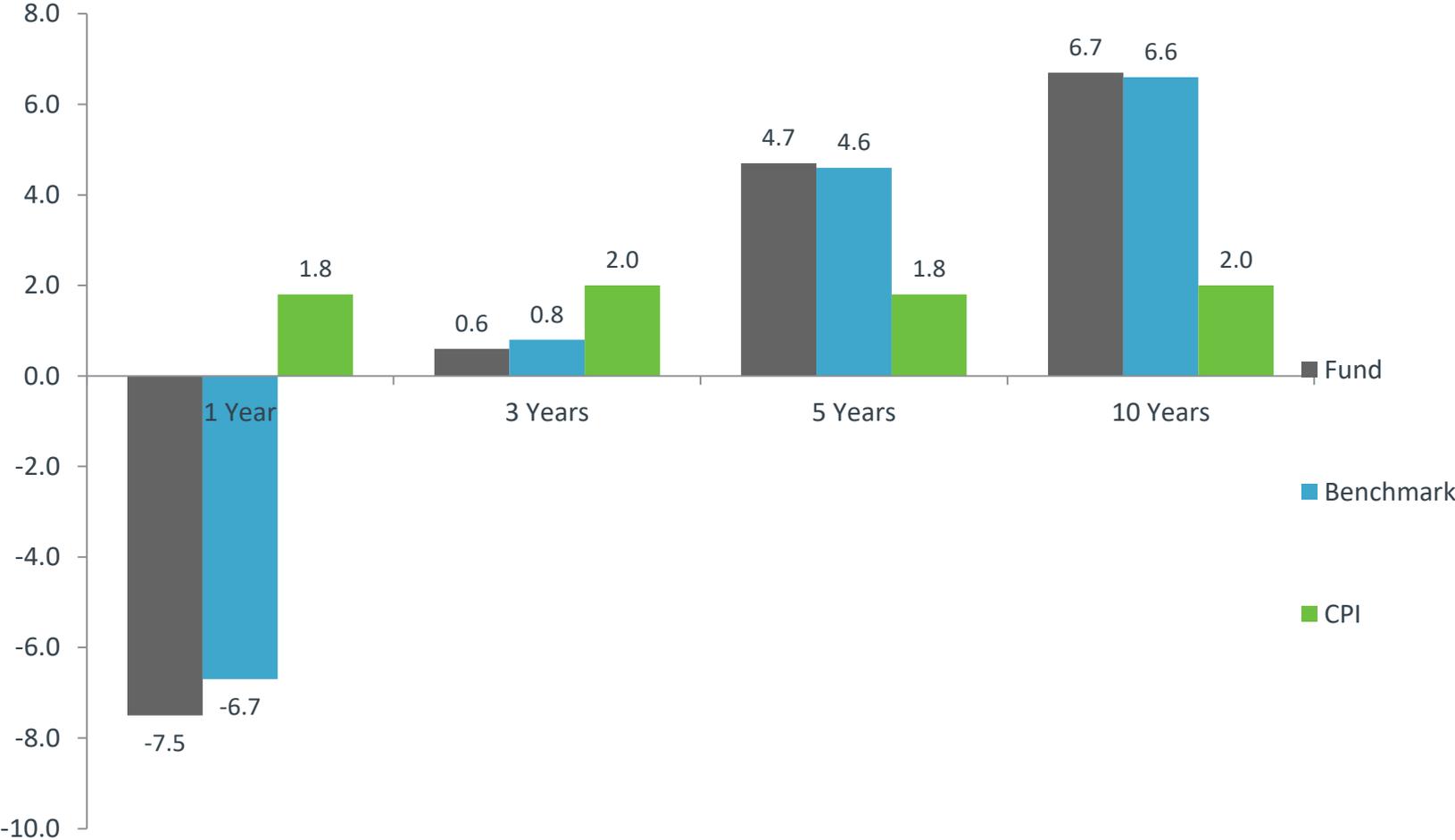
- Negative return from all equity mandates
- Negative return from small Emerging Market Bonds mandate
- All other asset classes posted a positive return

Relative performance (-0.4%)

- Private markets investments are assessed against long term absolute return targets
- Positive returns from private equity (6%), infrastructure (4%) and property (3.3% UK : 3.5% global), but below long term targets
- Some underperformance within equity mandates – Border to Coast, TT

Long term Fund performance (% p.a.)

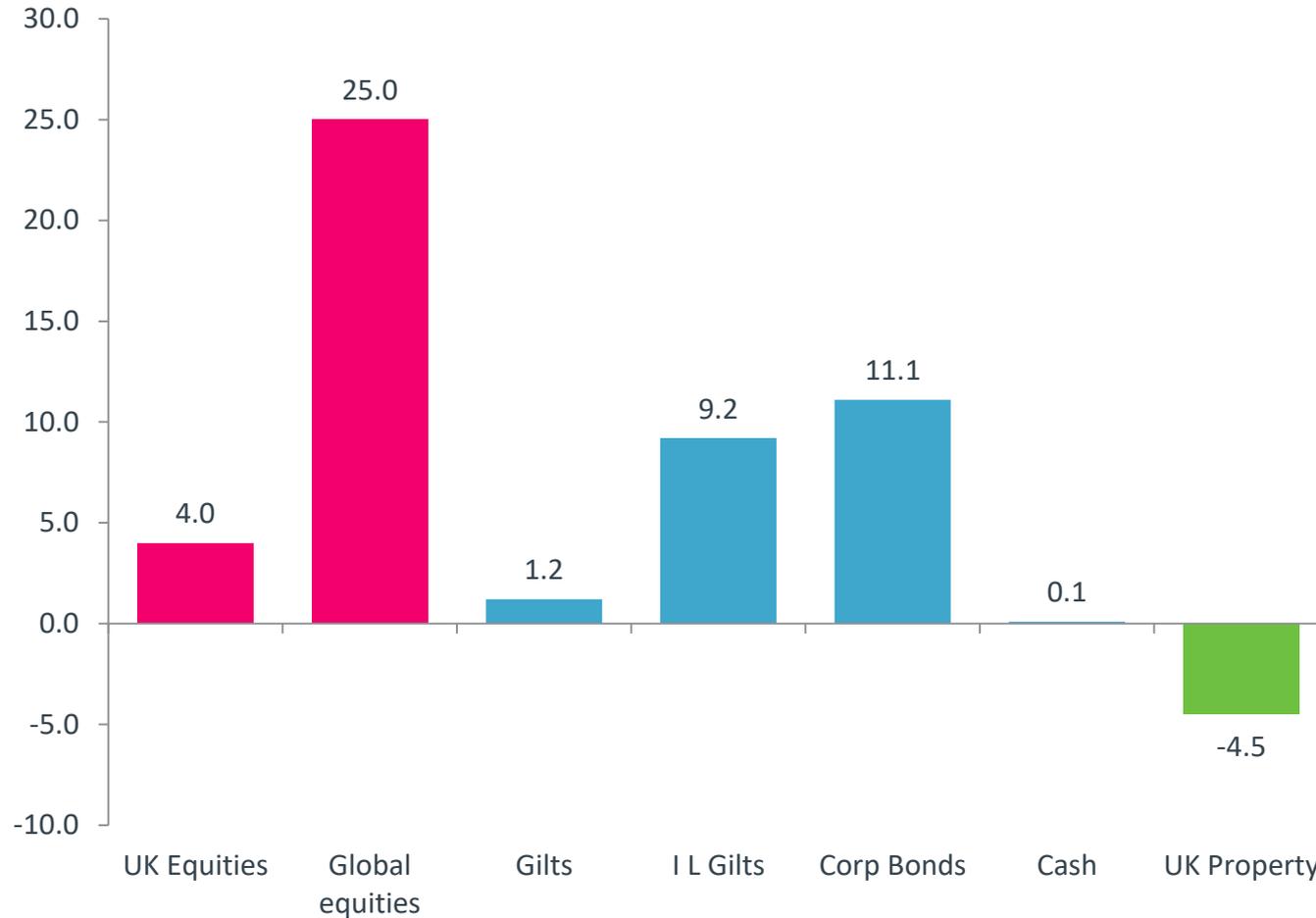
Northumberland Fund - To 31 March 2020



Source: Datastream, Portfolio Evaluation

Markets since 31 March

31 March – 2 November

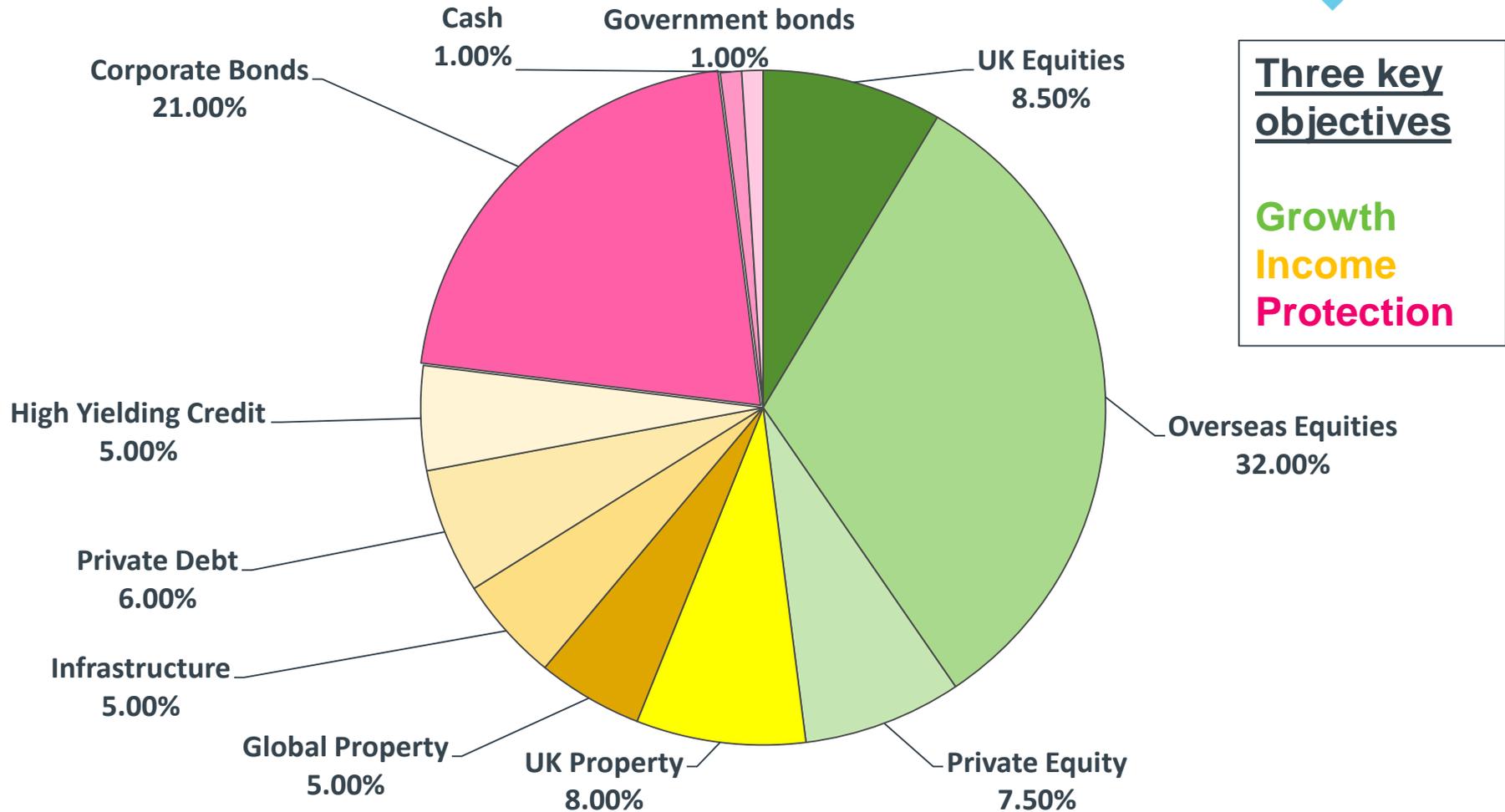


Source: Datastream, (Property to end September)

Investment strategy

- Formal review of Tyne and Wear investment strategy was carried out in conjunction with 2019 actuarial valuation
- Reduction in **Growth** assets. Increase in **Income** and **Protection** assets
 - Reduction in equity allocation (-15%)
 - Specific focus on reducing UK equities (-10.25%)
 - Increased commitments to private debt, infrastructure and residential property (+6%)
 - Higher allocation to corporate bonds (+9.5%)
 - Changes to other bond mandates
 - Consider ESG tilted equity mandate

Long term target investment strategy



Merger with Northumberland Pension Fund



- A further review of the strategy was carried out in relation to the merger with Northumberland
- Considered the respective liability structures, funding positions, actuarial assumptions etc.
- Concluded that the target investment strategy is appropriate for the combined fund assets

Implementing the strategy

Update on asset 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

Asset pooling – progress to date



| Passive mandates with Legal and General | Investments made with Border to Coast to date | Assets still outside of the pool |
|---|--|---|
| Circa 45% of assets | Circa 25% of assets | Circa 30% of assets |
| Equities | Active UK equities | Active regional equities |
| Corporate Bonds | Active global equities | UK / Global property |
| Index Linked Gilts | Active corporate bonds | Multi Asset Credit |
| | New investments <ul style="list-style-type: none"> - Private Equity - Infrastructure - Private Debt | Legacy private markets investments (not to be pooled) |

Conclusions

- Asset values have recovered strongly from the lows at end of March
- Outperformance against benchmark over 3, 5 and 10 years
- Investment strategy for the combined fund continues to be put in place
- Transition to asset pooling making good progress



Thank you

Any questions?

General risk warning

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