

Review of Fund Investments 2021/22

Tyne & Wear Pension Fund

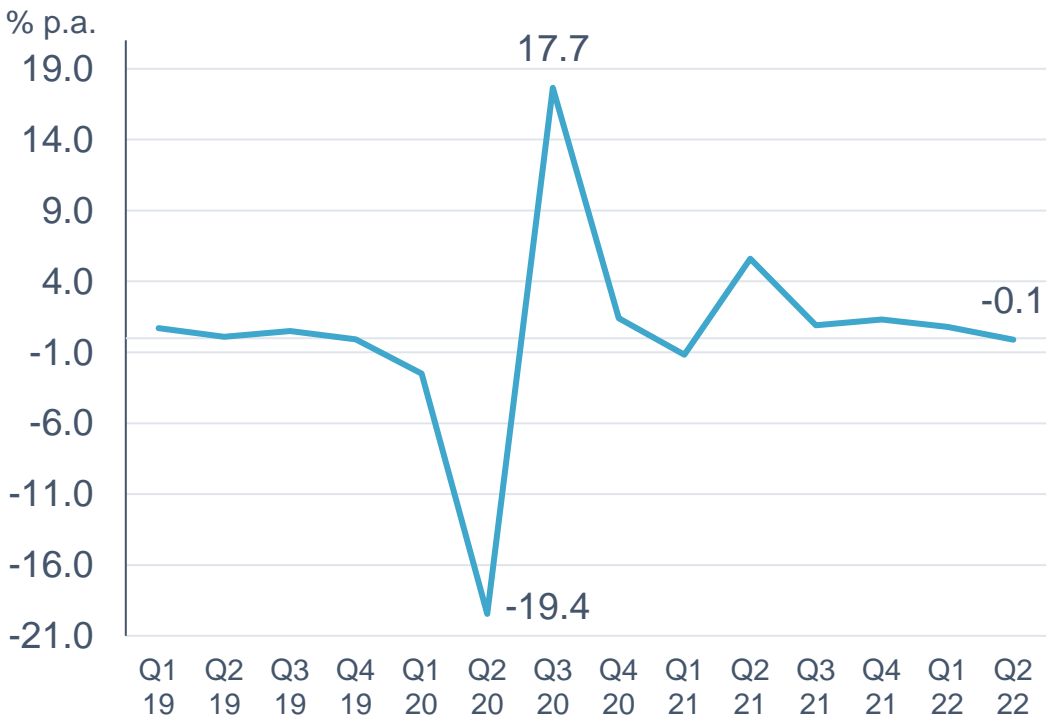


Agenda

- Fund performance
- Investment strategy
- Update on asset pooling

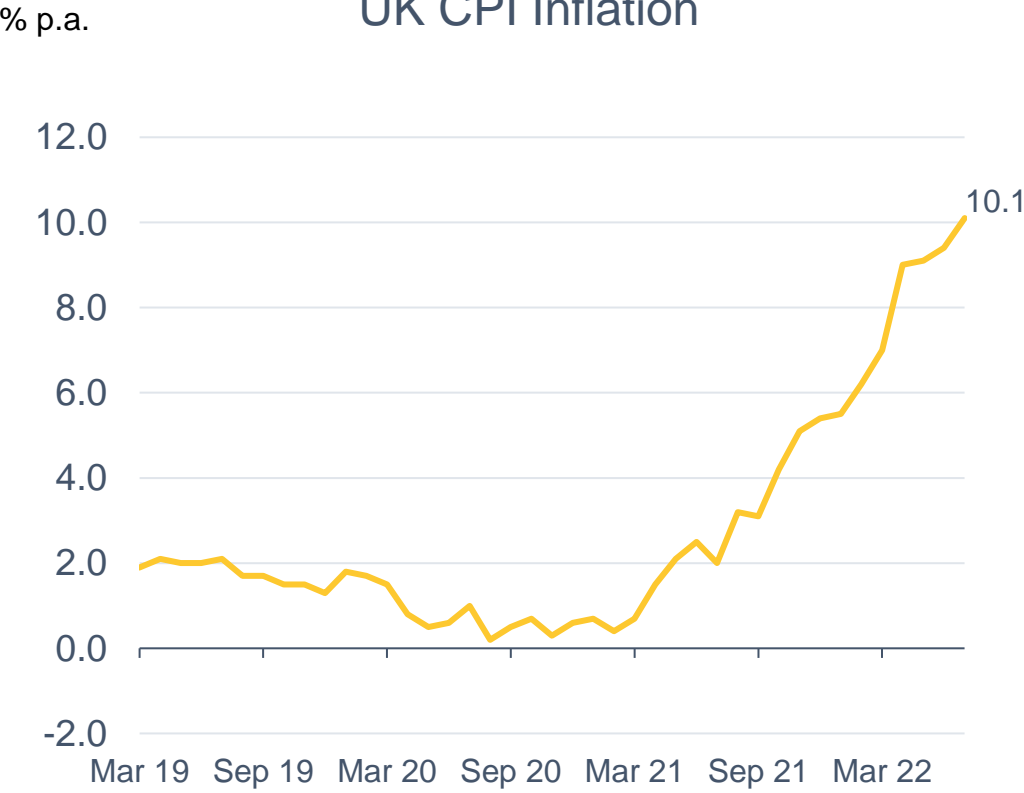
Market background

UK GDP



Source: DataStream (Data as of 30 June 2022)

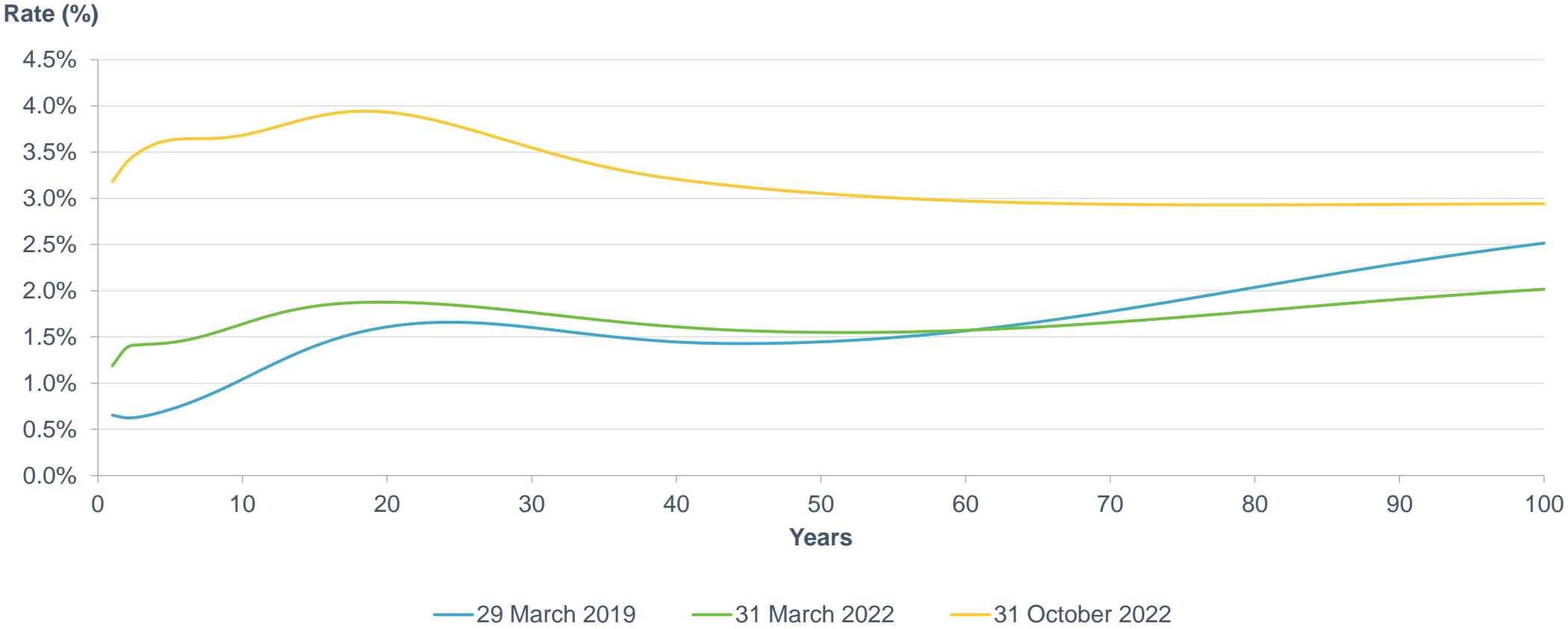
UK CPI Inflation



Source: DataStream (Data as of 30 September 2022)

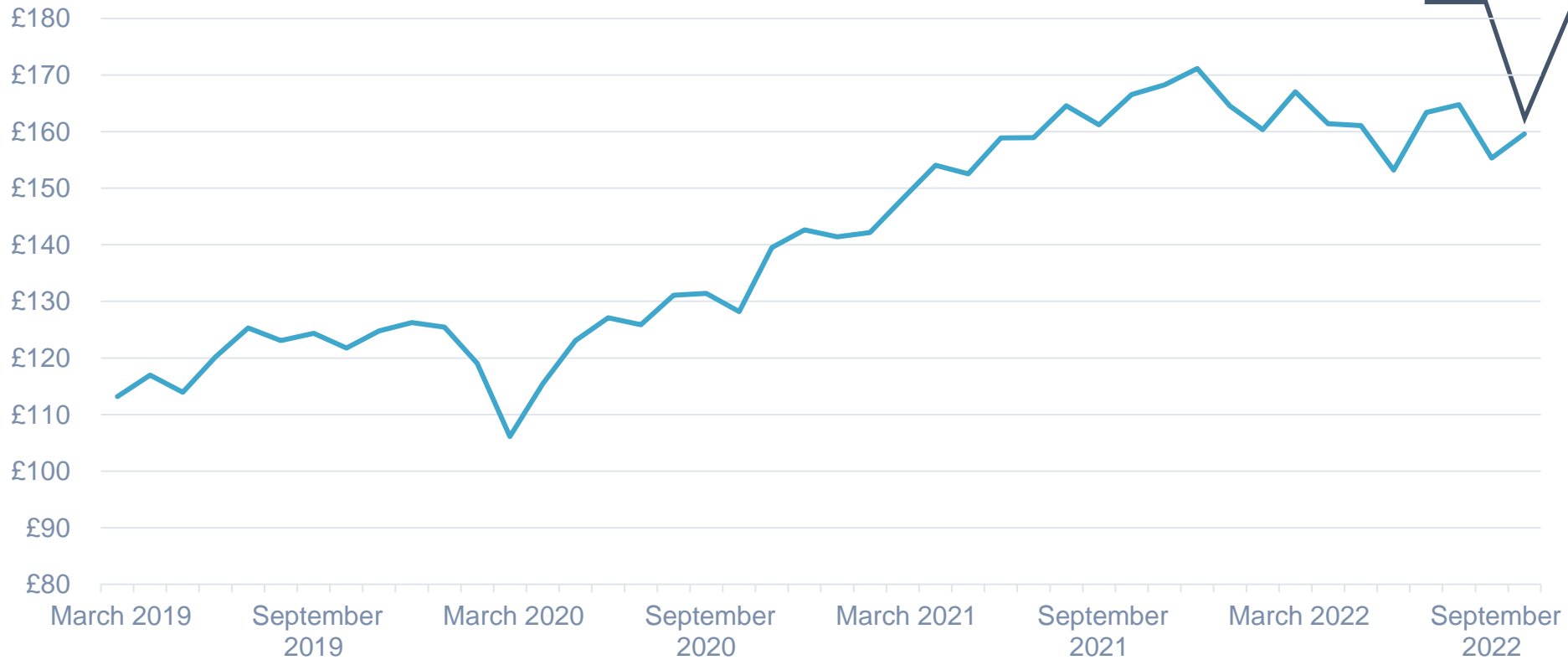
Market background

Nominal gilt yields (% p.a.)



Market background

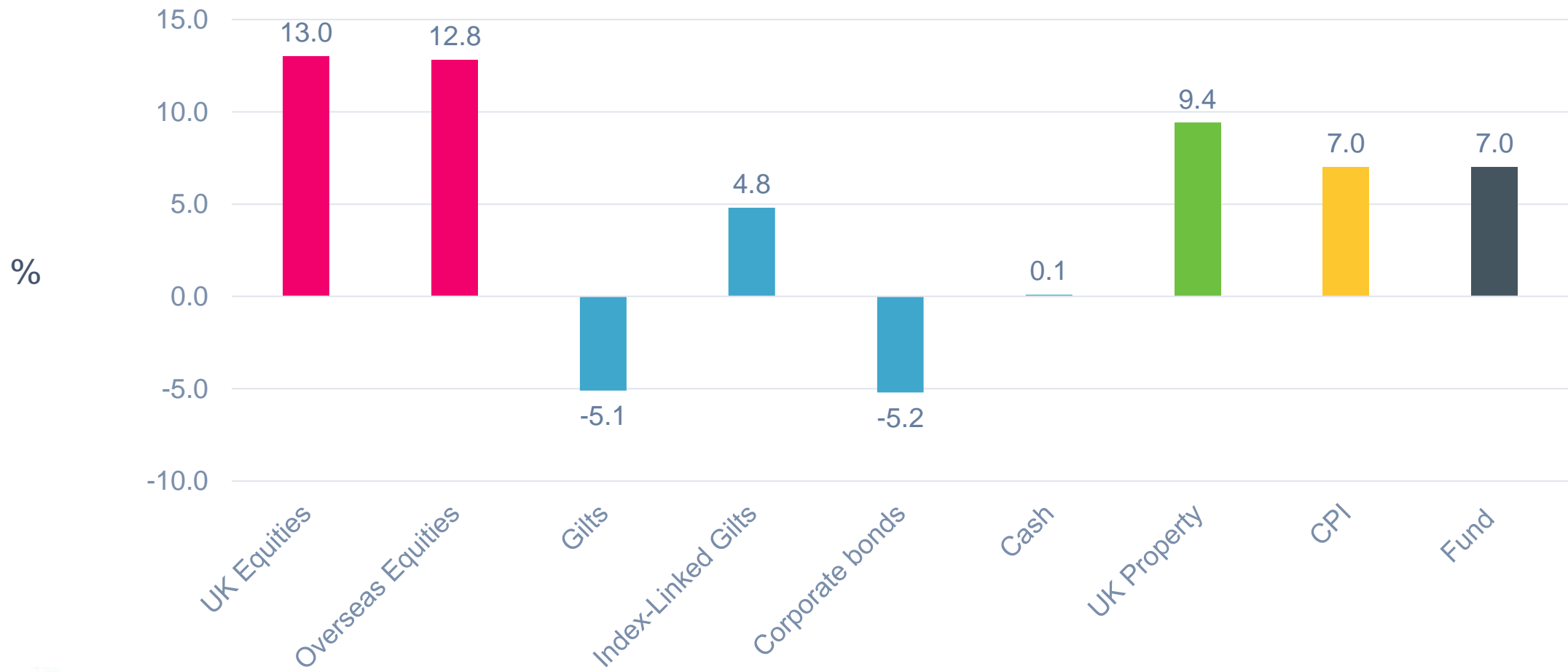
Global equity returns since last valuation (2019)



Source: Datastream (Data as of 31 October 2022)

Market background

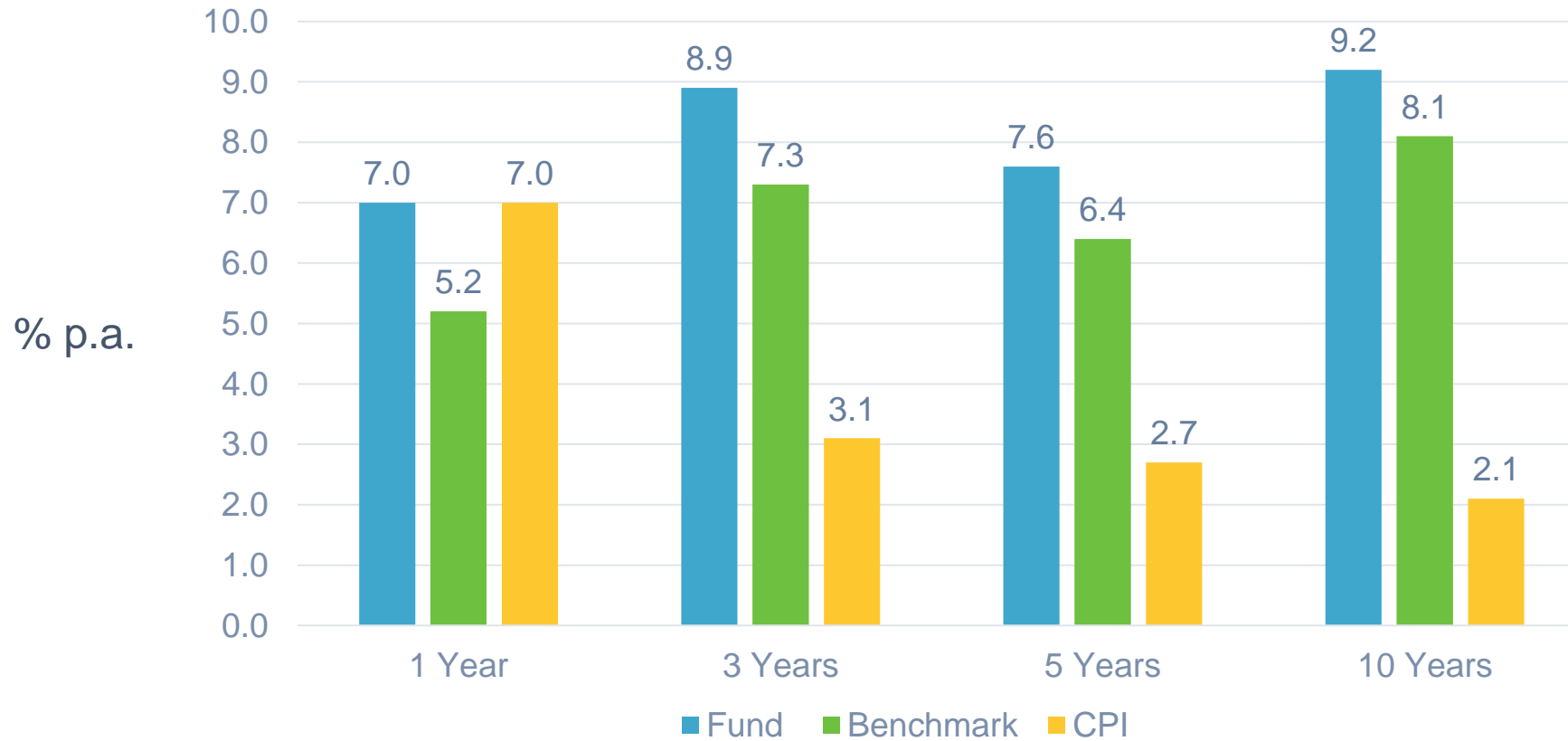
Asset class returns, 12 months to 31 March 2022



Source: Datastream, Portfolio Evaluation

Long-term Fund performance

To 31 March 2022



Source: Datastream, Portfolio Evaluation

Performance attribution 2021/22

Absolute return (+7.0%)

- Equity investments delivered solid returns though, as expected, less than previous years
- Fixed interest investments struggled in rising interest rate environment
- Very strong positive returns from property funds

Relative return (+1.8%)

- Significant outperformance from private markets investments (debt and equity)
- Property and Infrastructure also outperformed

Markets since 31 March 2022

To 31 October 2022



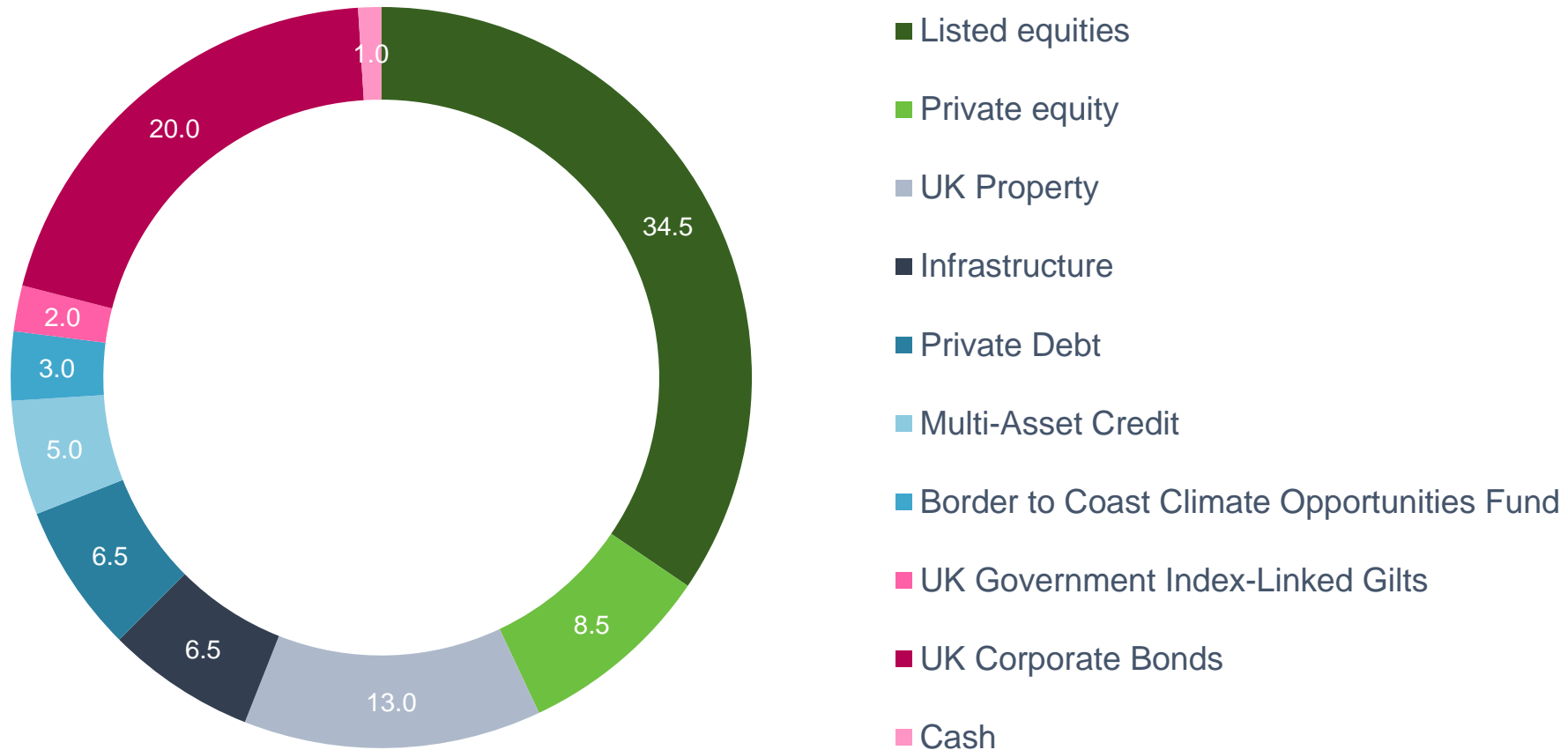
Source: Datastream.

Investment strategy

- A review of the investment strategy was completed in 2022
- The review concluded that the existing strategy remained appropriate but recommended reallocating further capital from Growth to Income assets
- This will involve an increased allocation to private markets
- The proposed changes are expected to:
 - Marginally improve expected funding outcomes and reduce downside risk
 - Reduce exposure to higher carbon assets in line with the Fund's carbon reduction targets
 - Increase exposure to companies providing decarbonisation solutions

Recommended investment strategy

Long-term strategic asset allocation (%)



Update on pooling

Passive mandates with LGIM	Border to Coast sub-funds	Asset outside of the pool
c. 37% of assets	c. 32% of assets	c. 31% of assets
Global fundamental equities	Global equities	Active regional equities
Regional equities	UK equities	Property
Corporate Bonds	Corporate bonds	Legacy private markets
Gilts	Private markets	
	Multi-asset credit	
	Climate opportunities (2Q22)	
Further pooling progress to be made on: <ul style="list-style-type: none"> • Further private markets • Property • Active regional equities 		

Conclusions

Performance

- Fund performance over period more in line with long term average than previous year
- Rising interest rates negatively impacting on fixed interest investments' values
- Alternative investments producing strong returns
- Market environment more challenging since year end due to inflationary pressures caused by Russia-Ukraine conflict and slow recovery of global supply chains from Covid

Investment strategy

- Investment strategy reviewed in 2022. Some growth assets moved into income assets to provide for more stable returns and modest improvement in expected investment outcomes
- Opportunity taken to invest in lower carbon funds to improve climate risk metrics

Pooling

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

Thank you

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