

Quarterly Investment Dashboard Q4 2022

London Borough of Southwark Pension Fund



Prepared for: The Pension Advisory Panel

Prepared by: Aon

Date: 22 February 2023

At a glance...

Assets

£1,962.9m ▼

Assets decreased by £31.0m over the quarter.

Funding

-

Comments

- The Fund's total assets decreased by £31.0m over the quarter, from £1,994.0m to £1,962.9m.
- At the 5 December 2022 PAP Meeting, it was agreed, in consultation with Aon, to fully redeem the Fund's holdings in the Blackrock ARB and Blackrock DDG Fund.
- It was subsequently agreed to amend the Fund's strategic allocation to equities from 45% to 50% and the strategic allocation to credit from 5% to 0%. This has been reflected in our report.
- We note that it was also agreed to switch the 10% allocation from Diversified Growth to Multi-Asset Credit. **This has been reflected in our report with a caveat that the Fund remained invested in a diversified growth fund over the quarter and it is in the process of transitioning the assets across.**
- Over the quarter, the PAP agreed to invest £30m in the Temporis Renewable Energy Fund ("TREF") thus increasing the allocation the Fund's allocation to the sustainable infrastructure portfolio.
- Post quarter end, following Aon's recommendation, the PAP agreed to switch 50% of their holdings in the LGIM MSCI Low Carbon target Index Fund to the LGIM Low Carbon Transition Developed Index.
- More information on notable developments are found in the Manager Review section.

Surplus

-

Manager ratings

10 **Buy rated** 10 **Not rated**
1 **Qualified** 0 **Not recommended**

Performance (short term)

-2.4% ▼

The scheme returned -1.1% vs 1.3% over the quarter.

Performance (longer term)

-1.2% ▼

The scheme returned 4.7% vs 5.9% over the three-year period.

Fund performance – Snapshot

Fund performance & benchmark



Relative performance



Quarterly (relative)

-2.4%



The scheme returned -1.1% vs 1.3% over the quarter.

3 year (relative)

-1.2%



The scheme returned 4.7% vs 5.9% over the period.

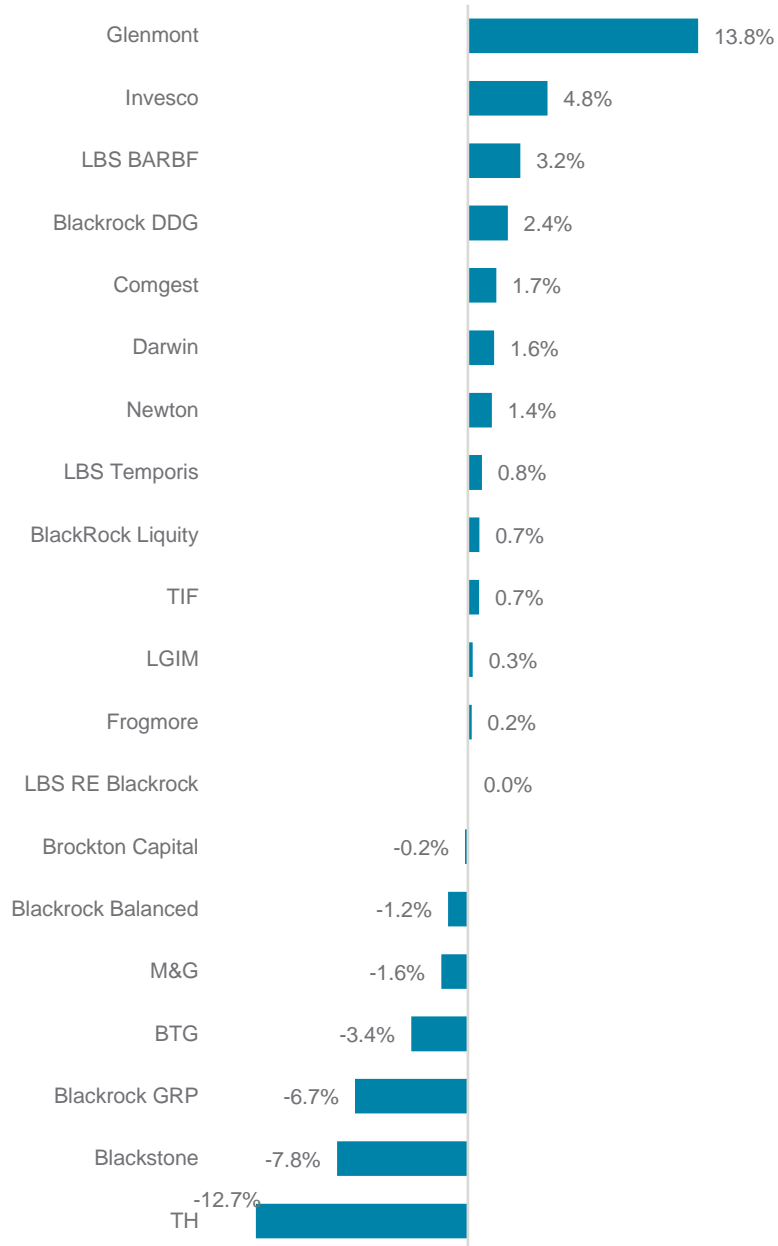
Comments

Over the quarter, the Fund underperformed the benchmark

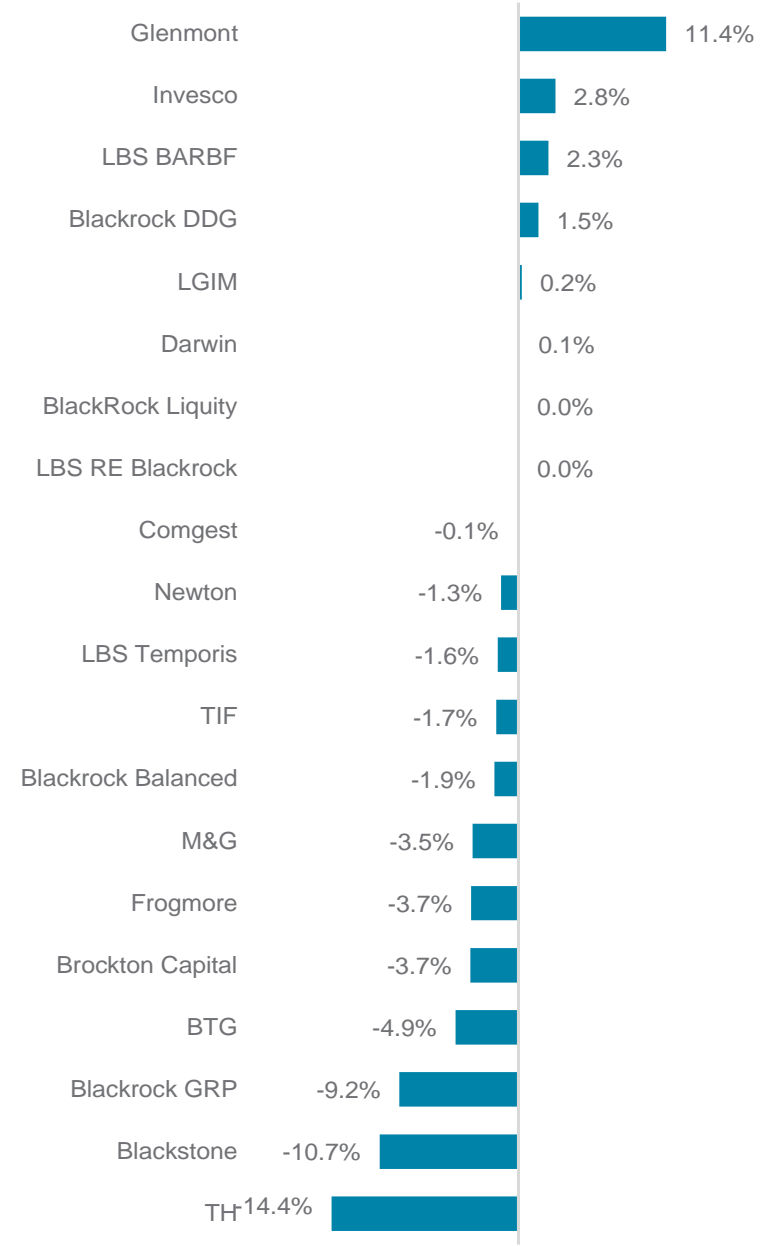
Notable detractors to performance were the Nuveen, Blackstone and BlackRock GRP funds, whilst the notable contributors to performance were the Glennmont, Invesco and the Blackrock ARB Funds

Manager performance

Absolute performance

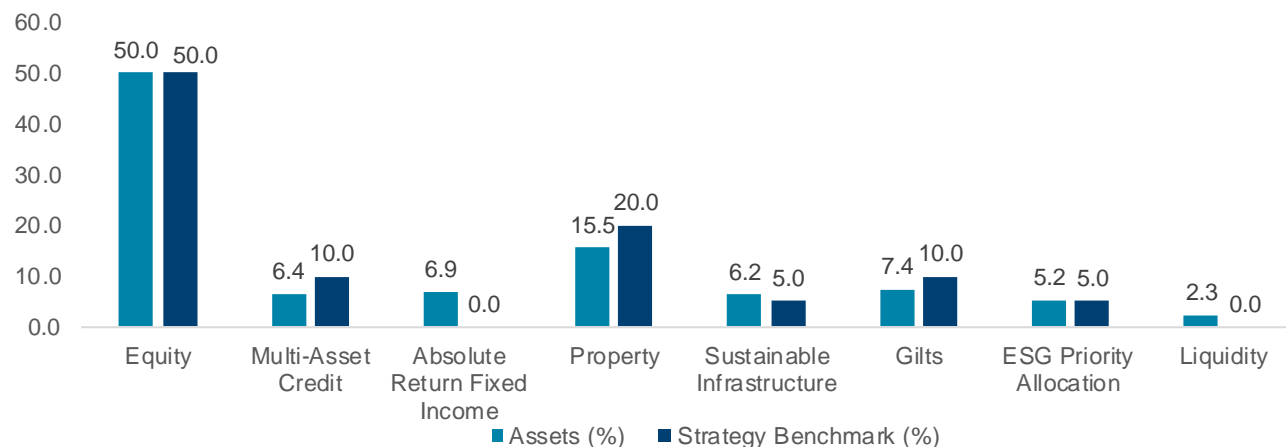


Relative performance

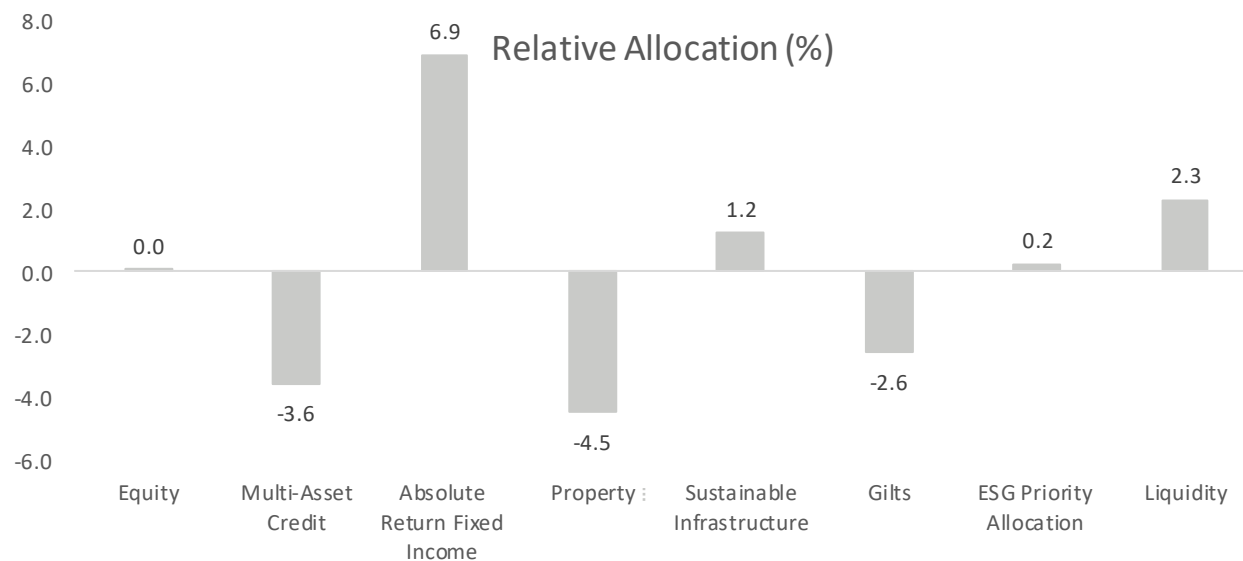


Strategic allocation – Snapshot

Strategic allocation & benchmark



Relative allocation



Source: J.P.Morgan and fund managers as required. Totals may not sum due to rounding

Assets

£1,962.9m ▼

Assets decreased by £31.0m over the quarter.

Comments

- All asset classes remain well within the maximum strategic allocation limit.
- At the 5 December 2022 PAP Meeting, it was agreed, in consultation with Aon, to fully redeem the Fund's holdings in the Blackrock ARB and Blackrock DDG Fund. The proceeds will be reinvested in equities and multi-asset credit as part of the move to a new strategy.
- It was subsequently agreed to amend the Fund's strategic allocation to equities from 45% to 50% and the strategic allocation to credit from 5% to 0%. This has been reflected in our report.
- We note that it was also agreed to switch the 10% allocation from Diversified Growth to Multi-Asset Credit. **This has been reflected in the charts and tables within this section with a caveat that the Fund remained invested in a diversified growth fund over the quarter and is in the process of transitioning the assets across.**
- The PAP agreed the strategic asset allocations as part of the triennial investment strategy review following the results of the 2022 Actuarial Valuation.

Explanation of Ratings – Overall ratings

Overall ratings

An overall rating is then derived taking into account both the above outcomes for the product. The table lists how the overall rating can be interpreted.

The comments and assertions reflect our views of the specific investment product and our opinion of its quality. Differences between the qualitative and Aon InForm outcome can occur and if meaningful these will be explained within the Key Monitoring Points section. Although the Aon InForm Assessment forms a valuable part of our manager research process, it does not automatically alter the overall rating where we already have a qualitative assessment. Overall rating changes must go through our qualitative manager vetting process. Similarly, we will not issue a Buy recommendation before fully vetting the manager on a qualitative basis.

Overall Rating	What does this mean?
Buy	We recommend clients invest with or maintain their existing allocation to our Buy rated high conviction products
Buy (Closed)	We recommend clients invest with or maintain their existing allocation to our Buy rated high conviction products, however it is closed to new investors
Qualified	A number of criteria have been met and we consider the investment manager to be qualified to manage client assets
Not Recommended	A quantitative assessment of this strategy indicates it does not meet our desired criteria for investment. This strategy is not recommended.
Sell	We recommend termination of client investments in this product
In Review	The rating is under review as we evaluate factors that may cause us to change the current rating

Disclaimer:

This document and any due diligence conducted is based upon information available to us at the date of this document and takes no account of subsequent developments. We will not provide any updates or supplements to this document or any due diligence conducted unless we have expressly agreed with you to do so.

In preparing this document we may have relied upon data supplied to us by third parties (including those that are the subject of due diligence) and therefore no warranty or guarantee of accuracy or completeness is provided. We cannot be held accountable for any error, omission or misrepresentation of any data provided to us by third parties (including those that are the subject of due diligence). This document is not intended by us to form a basis of any decision by any third party to do or omit to do anything.

Notwithstanding the level of skill and care used in conducting due diligence into any organisation that is the subject of a rating in this document, it is not always possible to detect the negligence, fraud, or other misconduct of the organisation being assessed or any weaknesses in that organisation's systems and controls or operations.

Any opinions or assumptions in this document have been derived by us through a blend of economic theory, historical analysis and/or other sources. Any opinion or assumption may contain elements of subjective judgement and are not intended to imply, nor should be interpreted as conveying, any form of guarantee or assurance by us of any future performance. Views are derived from our research process and it should be noted in particular that we cannot research legal, regulatory, administrative or accounting procedures and accordingly make no warranty and accept no responsibility for consequences arising from relying on this document in this regard. Calculations may be derived from our proprietary models in use at that time. Models may be based on historical analysis of data and other methodologies and we may have incorporated their subjective judgement to complement such data as is available. It should be noted that models may change over time and they should not be relied upon to capture future uncertainty or events.

Aon plc (NYSE:AON) exists to shape decisions for the better - to protect and enrich the lives of people around the world. Our colleagues provide our clients in over 120 countries and sovereignties with advice and solutions that give them the clarity and confidence to make better decisions to protect and grow their business.

Copyright © 2022 Aon Solutions UK Limited and Aon Investments Limited. All rights reserved. aon.com. Aon Wealth Solutions' business in the UK is provided by Aon Solutions UK Limited - registration number 4396810, or Aon Investments Limited - registration number 5913159, both of which are registered in England and Wales have their registered office at The Aon Centre, The Leadenhall Building, 122 Leadenhall Street, London EC3V 4AN. Tel: 020 7623 5500. Aon Investments Limited is authorised and regulated by the Financial Conduct Authority. This document and any enclosures or attachments are prepared on the understanding that they are solely for the benefit of the addressee(s). Unless we provide express prior written consent no part of this document should be reproduced, distributed or communicated to anyone else and, in providing this document, we do not accept or assume any responsibility for any other purpose or to any one other than the addressee(s) of this document. In this context, "we" includes any Aon Scheme Actuary appointed by you. To protect the confidential and proprietary information included in this document, it may not be disclosed or provided to any third parties without Aon's prior written consent.

