

Quarterly Investment Dashboard Q1 2023

London Borough of Southwark Pension Fund



Prepared for: The Pension Advisory Panel

Prepared by: Aon

Date: 23 June 2023

At a glance...

Assets

£2,015.0m 

Assets increased by £52.1m over the quarter.

Funding

109%

No change
vs 31 Mar 2022

Surplus

£169M

 £8M
vs 31 Mar 2022

Manager ratings

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

Relative performance (short term)

-0.3% 

The scheme returned 2.8% vs 3.1% over the quarter.

Relative performance (3 year p.a.)

-0.7% 

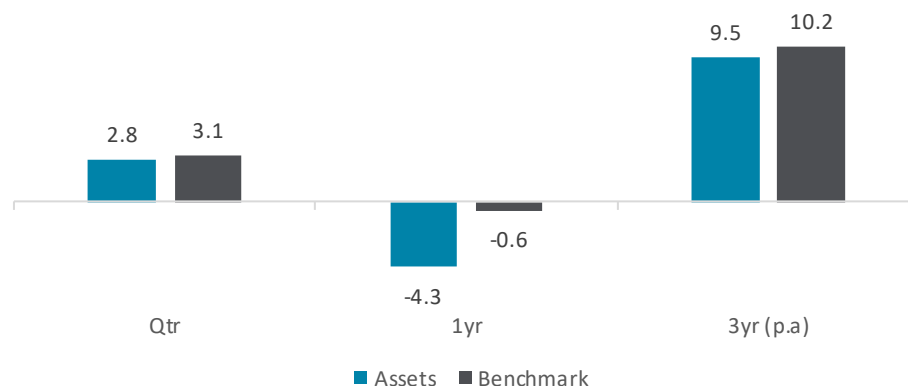
The scheme returned 9.5% p.a. vs 10.2% p.a. over the three-year period.

Comments

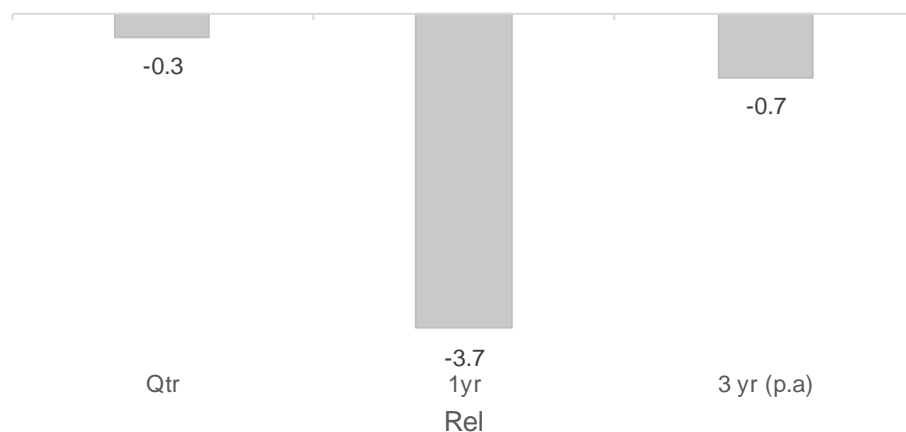
- The Fund's total assets increased by £52.1m over the quarter, from £1,962.9m to £2,012.5m.
- We note that the PAP has agreed to switch the 10% allocation from Diversified Growth to Multi-Asset Credit. **This has been reflected in our report with a caveat that the Fund remained invested in a diversified growth fund over the quarter and it is in the process of transitioning the assets across.**
- During the quarter, following Aon's recommendations, 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 as part of their wider objective to reach net-zero by 2030.
- Following the Fixed Income Manager Selection Day on 9 March 2023, the PAP agreed to invest c.£100m in the Robeco Climate Global Credits Fund with the monies being sourced from the Blackrock Diversified Dynamic Growth Fund ("DDG"). This decision will be ratified at the next PAP meeting.
- As part of the Fund's cashflow management framework, the Officers fully redeemed their holdings in the Blackrock Sterling Liquidity Fund (SLF) and invested the proceeds into money market funds and the LGIM Sterling Liquidity Fund. The amounts invested in both of these vehicles should be monitored against the agreed framework and the Officers have the authority to move monies where required or deemed appropriate.
- More information on notable developments can be found in the Manager Review section

Fund performance – Snapshot

Fund performance & benchmark



Relative performance



Quarterly (relative)

-0.3%



The scheme returned 2.8% vs 3.1% over the quarter.

3 year (relative) p.a.

-0.7%



The scheme returned 9.5% p.a. vs 10.2% p.a. over the period.

Comments

Over the quarter, the Fund underperformed the benchmark.

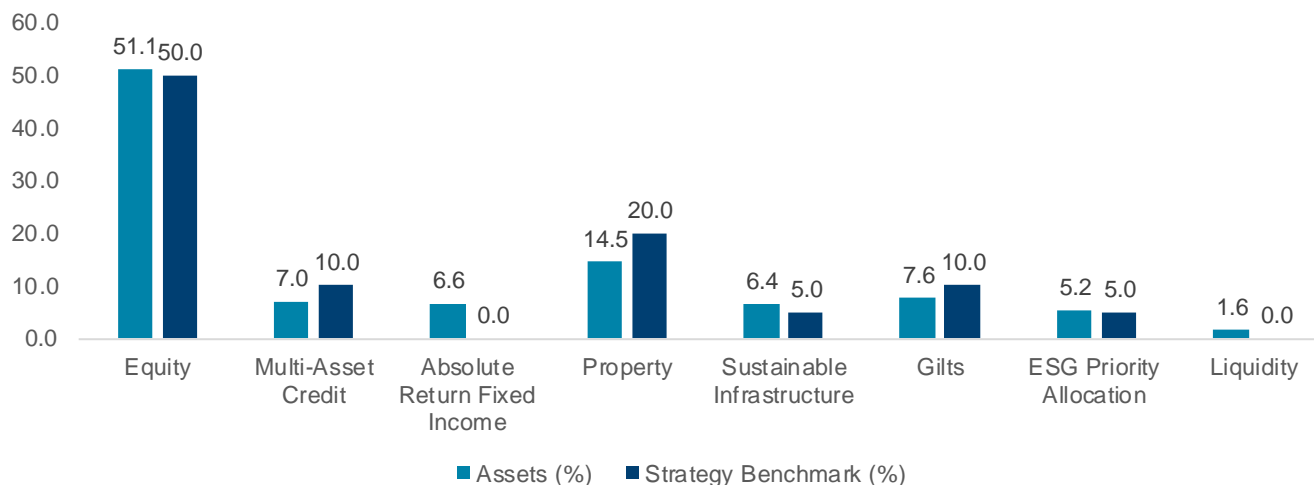
The property portfolio, particularly Frogmore and Brockton were notable detractors to performance whilst the sustainable infrastructure portfolio, particularly Glennmont and Blackrock were notable contributors to performance

Manager performance – 31 March 2023

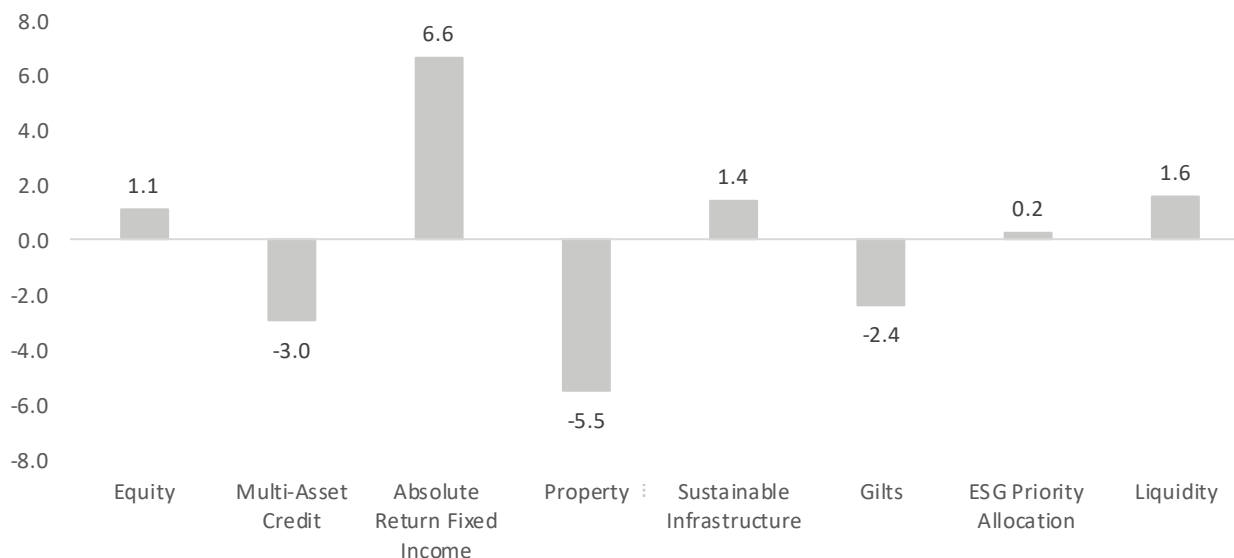
	3 month		1 year		3 years (p.a.)	
	Return	Relative	Return	Relative	Return	Relative
Blackrock Bal. (Low Carbon Equity & ILG)	3.6	-0.5	-9.7	-3.1	10.6	-0.1
LGIM (Low Carbon Equity and ILG)	4.9	0.5	-7.5	0.4	11.3	1.1
Newton Active Global Equity	7.3	2.4	0.2	-1.3	14.7	-4.2
Comgest Growth Emerging Markets Plus	2.4	1.2	-5.2	-0.3	-	-
Blackrock Diversified Dynamic Growth	3.1	2.1	-3.6	-6.3	3.9	1.1
LBS Blackrock Absolute Return Fixed Income	-1.2	-2.2	0.7	-2.0	3.3	0.0
Nuveen Real Estate	0.6	-1.1	-12.6	-19.6	4.0	-4.8
Invesco Real Estate UK Residential Fund	-5.0	-6.9	5.3	-2.7	3.7	-4.3
M&G UK Residential Property Fund	-0.8	-2.7	0.7	-7.3	0.9	-7.1
Frogmore Real Estate Partners III	-17.6	-21.5	-20.4	-36.9	-7.9	-24.4
Brockton Capital Fund III	-4.7	-8.3	-2.8	-17.8	4.5	-10.5
Glennmont Clean Energy Fund	14.6	12.3	37.5	27.5	14.6	4.6
Blackrock Global Renewable Power	7.2	4.8	19.4	9.4	-	-
BTG Pactual OEF Fund	2.3	0.8	20.0	14.0	-	-
Darwin Bereavement Services Fund	1.0	-0.5	5.8	-0.2	-	-
Temporis Impact Fund	0.7	-1.7	2.2	-7.8	-	-
Temporis Renewable Energy Fund	0.0	-2.4	20.3	10.3	11.3	1.3
Blackstone Strategic Capital Holdings GP Stakes Fund II	-10.4	-13.2	17.7	5.7	-	-
Blackrock Sterling Liquidity Fund	0.9	0.0	2.2	0/0		

Strategic allocation – Snapshot

Strategic allocation & benchmark



Relative allocation



Assets

£2,015.0m ▲

Assets increased by £52.1m over the quarter.

Comments

- All asset classes remain well within the maximum strategic allocation limit.
- 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.**
- Following the Fixed Income Manager Selection Day on 9 March 2023, the PAP agreed to invest c.£100m in the Robeco Climate Global Credits Fund with the monies being sourced from the Blackrock Diversified Dynamic Growth Fund (“DDG”). This decision will be ratified at the next PAP meeting.
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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

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