

Pensions Fund Committee - Investment Sub-Committee

Minutes of a meeting of the Pensions Fund Committee - Investment Sub-Committee held at The Jeffrey Room - The Guildhall, Northampton, NN1 1DE on Wednesday 31 May 2023 at 2.00 pm.

Present:

Councillor Malcolm Longley (Chair)
Councillor Charles Morton (Vice-Chair)
Councillor Graham Lawman
Councillor Phil Bignell
Peter Borley-Cox
Robert Austin

Also Present:

Chris West – Mercer
James Thurgood – Mercer
David Crum – Independent Advisor

Apologies for Absence:

Councillor Cathrine Russell

Officers:

Mark Whitby, Head of Pensions
Tomasz Wardzala, Pension Services Financial Manager
Fiona Coates, Pension Services Financial Manager

84. Apologies for absence

Apologies for absence were received from Councillor Cathrine Russell.

85. Declarations of Interest

Robert Austin declared a disclosable pecuniary interest as a member of LGPS.
Councillor Graham Lawman declared an interest as his wife was a deferred member of the LGPS and Phil Bignell disclosed a personal interest as his wife was a member of the LGPS.

86. Chair's Announcements

There were no announcements.

87. Minutes of Previous Meeting

RESOLVED:

That the minutes of the Investment sub-committee of 22 February 2023 be approved and signed as a correct record.

88. **Quarterly Performance Report for the period ending 31 March 2023**

At the Chair's invitation, Chris West and James Thurgood from Mercer presented the quarterly performance report.

Referring to the performance over 2022/23 it had been a poor year for equity and bond markets, most financial institutions had suffered poor performance overall and interest rates had risen in order to tackle inflation. The UK was the only developed market which had seen an inflation rise. However, in the last quarter the situation had been relatively positive for every asset class. It is important to note, during the year one of the biggest bank collapses in US history had occurred with the collapse of the Silicon Valley bank.

With regard to Manager performance in the first quarter of 2023, Liontrust had performed well, with underweight financials relative to their benchmark, however they were overweight with regard to consumer discretionary where they outperformed. Newton - Global equity had performed decently over the last quarter but their long-term performance over 13 years was flat. Baillie Gifford had performed well with a 16% return compared to the benchmark of 4.4%. The fund had a 6.5% share in Nvidia and their share price had doubled. Longview had marginally underperformed.

The return on gilts in the last year had been negative 30%. Bluebay- Multi-Asset Credit had negative 6% and M&G 2%. Baillie Gifford DFG had performed well in the first quarter but not over the year and will be removed from the portfolio as per Strategic Asset Allocation. CBRE Property's performance had been negative versus the benchmark but this was expected to improve as they had funds in lots of holding. Private equity was performing well relative to the benchmark.

Further to an enquiry from Councillor Lawman, Chris West explained that performance of management contribution was relative to the return and weight of the portfolio. Baillie Gifford had performed well relative to the benchmark as they had a diverse portfolio. If asset values shrank this meant they were underweight. The longer-term performance of CBRE would be monitored.

David Crum queried how the benchmark was set. Mercer advised that it was set using a broad index from the peer group. However, it could be more accurate to set a composite benchmark in the future, as some portfolios were very diverse.

RESOLVED: That the Investment Sub-Committee note the quarterly performance report for the period ending 31 March 2023.

89. **Stewardship and Engagement Update**

The Pension Services Financial Manager advised that the report would be submitted to the Committee on a six-monthly basis and drew their attention to the summary in voting activities in paragraph 6.1.3 of the report and the engagement activities set out in section 6.2.

The Pensions Service Financial Manager provided number of examples where managers undertaken engagements with invested companies on behalf of the Fund. Councillor Lawman queried what the expected outcome would be with regard to Longview's engagement on the banks future. The Pension Services Financial Manager advised that there would be an update at the end of June.

Further to an enquiry from Councillor Bignell, the Head of Pensions advised that the amber risks in 7.3.1 of the report were lifted from the main risk register. Controls were in place to mitigate the risks.

RESOLVED: That the Investment Sub-Committee note the Stewardship Report.

90. **Exclusion of Press and Public**

The Chair moved that the remainder of the meeting be held in private:

That under Section 100A of the Local Government Act 1972, the public and press be excluded from the meeting for the following item(s) of business on the grounds that, if the public and press were present, it would be likely that exempt information falling under the provisions of Schedule 12A, Part I, Paragraph(s) 3 would be disclosed to them, and that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

RESOLVED: Members agreed that the public and press were excluded from the remainder of the meeting and the Investment Sub-Committee moved into private session.

The meeting closed at 4.15 pm

Chair: _____

Date: _____