



Pensions Fund Committee - Investment Sub-Committee

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

Agenda

1.	Apologies for absence
2.	Declarations of Interest Members are asked to declare any interest and the nature of that interest that they may have in any of the items under consideration at this meeting.
3.	Chair's Announcements
4.	Minutes of Previous Meeting (Pages 5 - 6) To confirm the minutes of the previous meetings held on 22 February 2023.
5.	Quarterly Performance Report for the period ending 31 March 2023 (Pages 7 - 24)
6.	Stewardship and Engagement Update (Pages 25 - 58)
7.	Exclusion of Press and Public The following report(s) contain exempt information as defined in the following paragraph(s) of Part 1, Schedule 12A of Local Government Act 1972. Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information).

Members are reminded that whilst the following item(s) have been marked as exempt, it is for the meeting to decide whether or not to consider each of them in private or in public. In making the decision, members should balance the interests of individuals or the Council itself in having access to the information. In considering their discretion members should also be mindful of the advice of Council Officers.

Should Members decide not to make a decision in public, they are recommended to resolve as follows:

“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) XXXXX 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.”

8.	Private Minutes of the Investment Sub-Committee meeting held on 22 February 2023 (Pages 59 - 62)
9.	Review of the Action Log (Pages 63 - 64)
10.	Analytics for Climate Transition (ACT) (Pages 65 - 100)
11.	Climate Aware Passive Equity Implementation Update (Pages 101 - 114)
12.	Investment Strategy Review (Pages 115 - 132)
13.	Infrastructure Options (Pages 133 - 160)
14.	Urgent Business The Chairman to advise whether they have agreed to any items of urgent business being admitted to the agenda.

Pensions Fund Committee - Investment Sub-Committee Members:

Councillor Malcolm Longley (Chair)

Councillor Charles Morton (Vice-Chair)

Councillor Graham Lawman

Councillor Phil Bignell

Councillor Cathrine Russell

Peter Borley-Cox

Robert Austin

David Crum

Information about this Agenda

Apologies for Absence

Apologies for absence and the appointment of substitute Members should be notified to democraticservices@westnorthants.gov.uk prior to the start of the meeting.

Declarations of Interest

Members are asked to declare interests at item 2 on the agenda or if arriving after the start of the meeting, at the start of the relevant agenda item

Local Government and Finance Act 1992 – Budget Setting, Contracts & Supplementary Estimates

Members are reminded that any member who is two months in arrears with Council Tax must declare that fact and may speak but not vote on any decision which involves budget setting, extending or agreeing contracts or incurring expenditure not provided for in the agreed budget for a given year and could affect calculations on the level of Council Tax.

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Tel:

Email: democraticservices@westnorthants.gov.uk

Or by writing to:

West Northamptonshire Council
One Angel Square
Angel Street
Northampton
NN1 1ED



Investment Sub-Committee

Minutes of a meeting of the Investment Sub-Committee held at The Jeffrey Room, The Guildhall, Northampton, NN1 1DE on Wednesday 22 February 2023 at 2.00 pm.

Present:

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

Also Present:

Chris West, Mercer Ltd
 James Thurgood, Mercer Ltd

Adam Street Partners:

Ross Morrison (Partner, Primary Investments)
 Yohan Hill (Director of ESG)
 Ana Maria Harrison (Partner)

Officers:

Mark Whitby, Head of Pensions
 David Crum, Independent Advisor
 Robbie McRobbie, Pension Services Financial Manager
 Ben Barlow, Funding and Investment Manager
 Marina Watkins, Democratic Services Officer

79. **Apologies for Absence**

Apologies for absence were received from James Smith, Assistant Director - Finance (Strategy) and Councillor Cathrine Russell.

80. **Declarations of Interest**

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

81. **Minutes of Previous Meeting**

RESOLVED:

That the minutes of the Investment sub-committee of 30 November 2022 be approved and signed as a correct record.

82. **Quarterly Performance Report for the Period Ending 31 December 2022**

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

The overall financial situation was improving with increases in inflation and interest rates slowing down. Economic growth was starting to increase in China after the disruption of Covid. Asset returns were positive, and a positive performance in quarter four had made up for ground lost over the earlier part of the financial year. The estimated funding level had increased to 135%, with a modest increase in assets over the quarter (£34.6m), coupled with the decrease in liabilities (£80m).

Baillie Gifford had performed poorly, although this was not unexpected and was somewhat offset over the long term where performance was good. Should performance not improve, there may be a future recommendation to come out of the portfolio, which had a high growth style which was not particularly aligned with diversification. It was noted that the performance was negative but constituted a small part of the portfolio.

RESOLVED:

That the Investment Sub-Committee noted the quarterly performance report for the period ending 31 December 2022.

83. **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 3.55 pm

Chair: _____

Date: _____

Northamptonshire Pension Fund Monitoring Report Quarter to 31 March 2023

Chris West
May 2023

Important Notices

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Please also note:

- The value of investments can go down as well as up and you may not get back the amount you have invested. In addition investments denominated in a foreign currency will fluctuate with the value of the currency.
- The valuation of investments in property based portfolios, including forestry, is generally a matter of a valuer's opinion, rather than fact.
- When there is no (or limited) recognised or secondary market, for example, but not limited to property, hedge funds, private equity, infrastructure, forestry, swap and other derivative based funds or portfolios it may be difficult for you to obtain reliable information about the value of the investments or deal in the investments.
- Care should be taken when comparing private equity / infrastructure performance (which is generally a money-weighted performance) with quoted investment performance (which is generally a time-weighted performance). Direct comparisons are not always possible.

Chris West

Executive Dashboard

Funding

The present value of the Fund's liabilities was £2.4bn as at quarter end. We note that the liabilities as at 31 March 2023 are now rolled forward from the 31 March 2022 actuarial valuation, whereas previously they have been based on the 2019 actuarial valuation.

The Fund's assets (including cash) increased over the quarter by £100.4m to £3,213m as at 31 March 2023. The Fund's assets (including cash) have decreased by £102.4m over the last twelve months.

The estimated funding level at 31 March 2023 was c.135%, the same as at 31 December 2022. For comparison, the funding level at 31 March 2022 (the date of the last actuarial valuation) was 113%.

Performance

Short Term Performance

The Fund underperformed the benchmark over the quarter (returning 3.2% vs 3.7%)

Key Contributors to Relative Performance - Quarter

Outperformance by Baillie Gifford - Global Equity	+0.6%
Outperformance by Liontrust - UK Equity	+0.3%
Underperformance in Private Equity	-0.6%
Underperformance by CBRE - Property	-0.6%

Performance Summary

	Fund	B'mark
Quarter (%)	3.2	3.7
1 Year (%)	-4.8	-3.8
3 Years (% p.a.)	9.7	9.4

Asset Allocation

During the reported period there was an investment of c. £40m to UBS Gilts.

Overweight

Alternatives +2.5%

Underweight

Fixed Income -2.0%

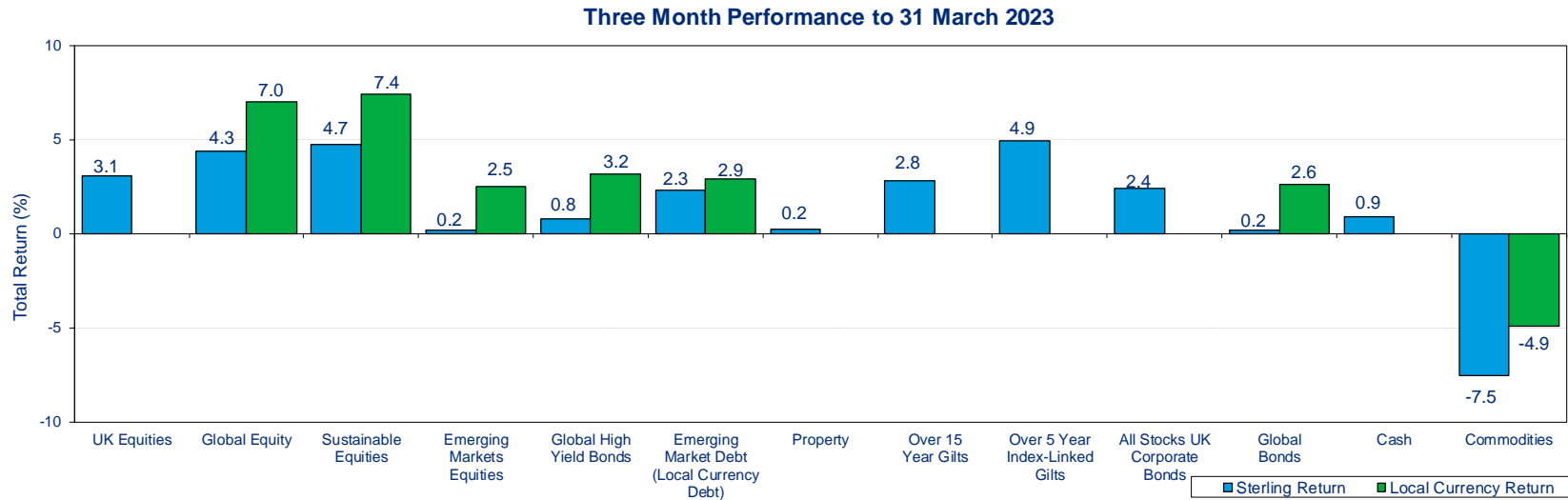
Equities -0.6%

Please note that these positions are relative to the previous strategic benchmark allocations and we will revert to those agreed at the March 2023 Committee meetings from the Q2 2023 report onwards.

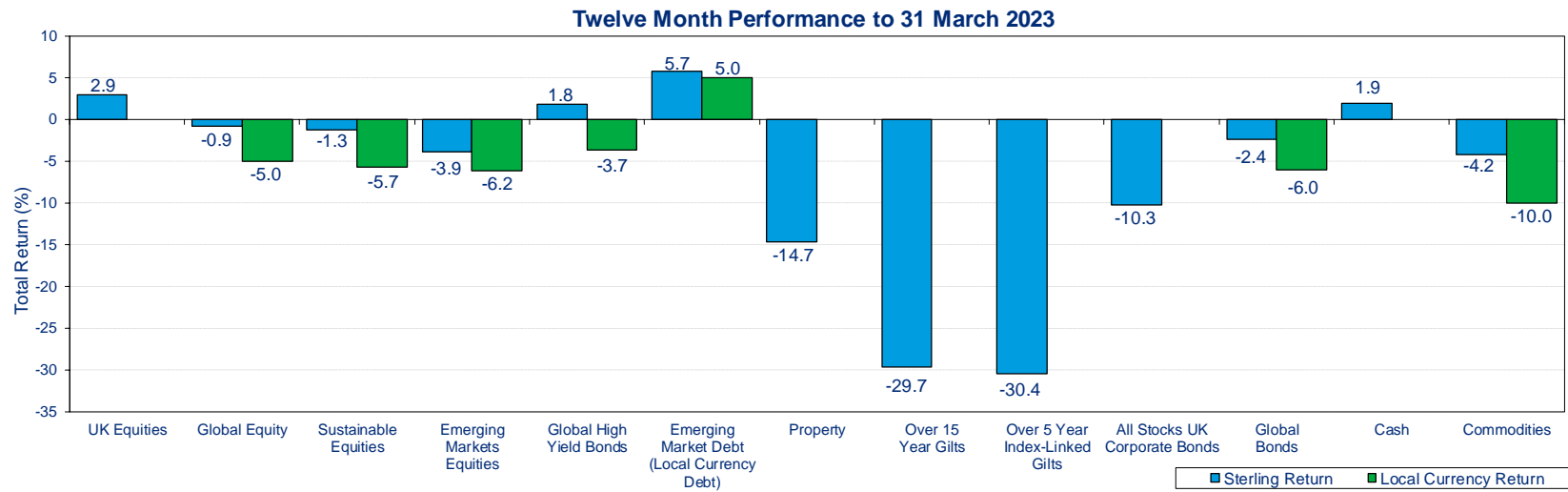
Manager Research

Redacted.

Market Index Performance

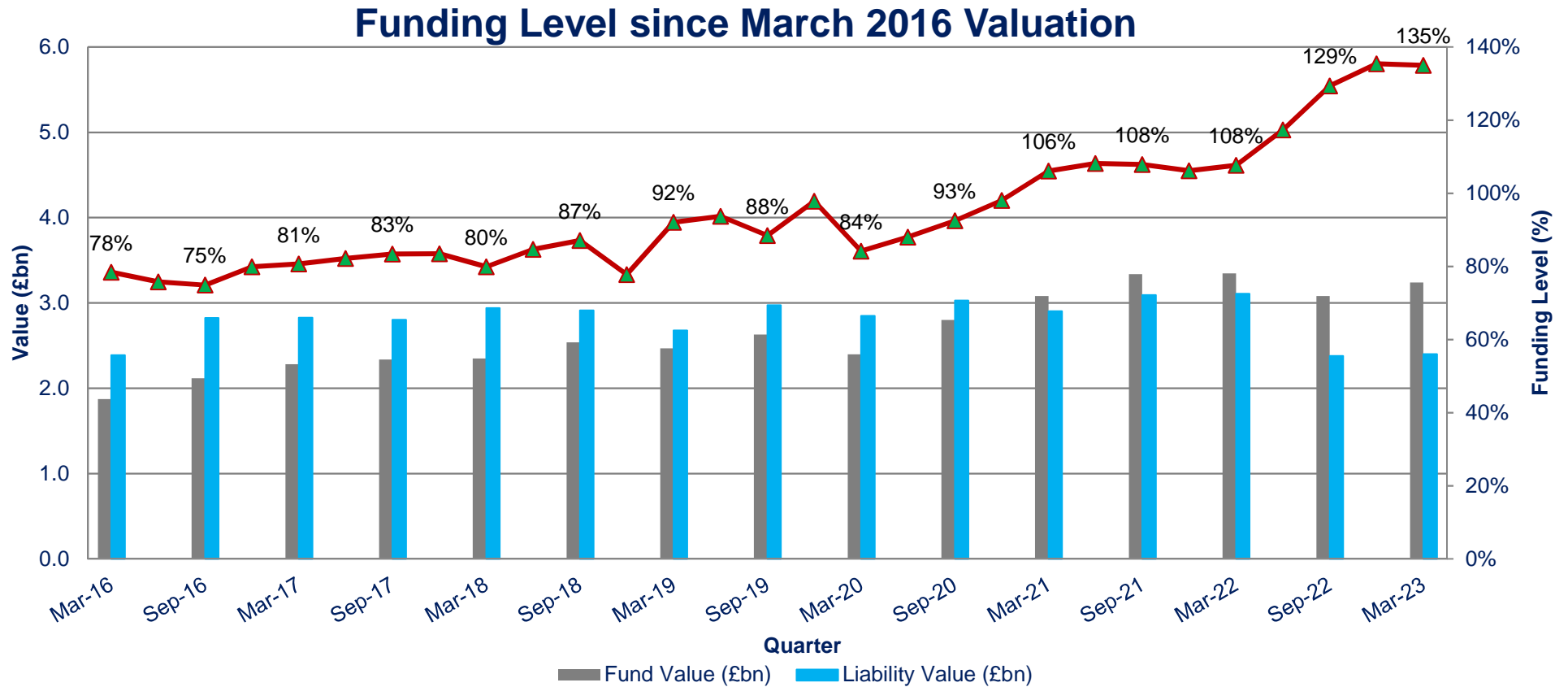


Source: Refinitiv.



Source: Refinitiv.

Funding



Source: Hymans Robertson & WM Performance Reports. Figures don't reconcile with the Hymans Robertson Funding report due to differences in the total asset value. The Funding Level is a ratio of assets to liabilities.

- There has been a general trend from 2016 of a rise in both liabilities and assets, though more recently the estimated value of the liabilities has fallen due to rises in gilt yields, which has led to an increase in the funding level as the assets have not fallen to the same degree.
- There was an increase in funding level at the March 2016, March 2019 and March 2022 valuations.
- The funding level as at 31 March 2022 was 135%, which is the same as the funding level as at 31 December 2022.

Allocation

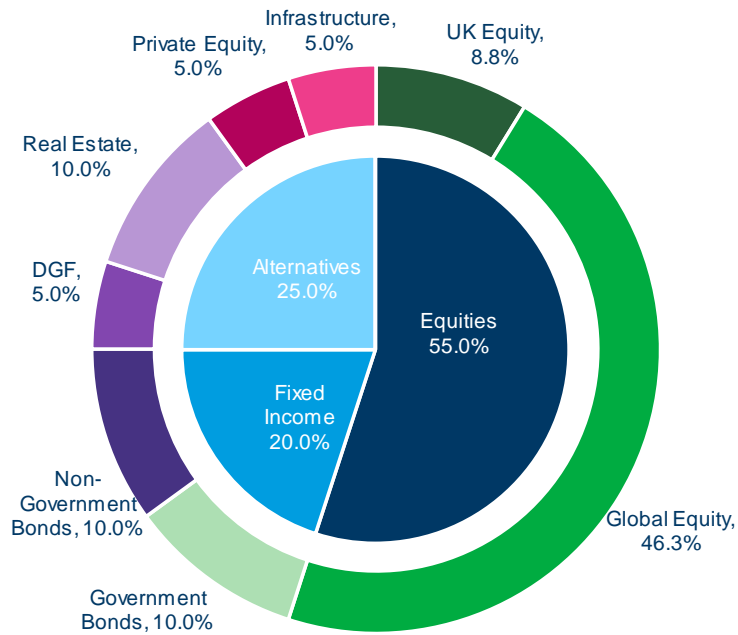
	31/12/2022 Market Value (£M)	31/03/2023 Market Value (£M)	31/12/2022 Allocation (%)	31/03/2023 Allocation (%)	31/03/2023 B'mark B'mark (%)	31/03/2023 B'mark Range (%)
Total Invested Assets	3,108.0	3,213.2	100.0	100.0	100.0	--
Equities	1,645.4	1,749.3	52.9	54.4	55.0	50.0 - 60.0
Fixed Income	561.8	579.7	18.1	18.0	20.0	15.0 - 25.0
Alternatives	900.7	884.2	29.0	27.5	25.0	20.0 - 30.0

Source: Investment Managers, Link Asset Services and Mercer.

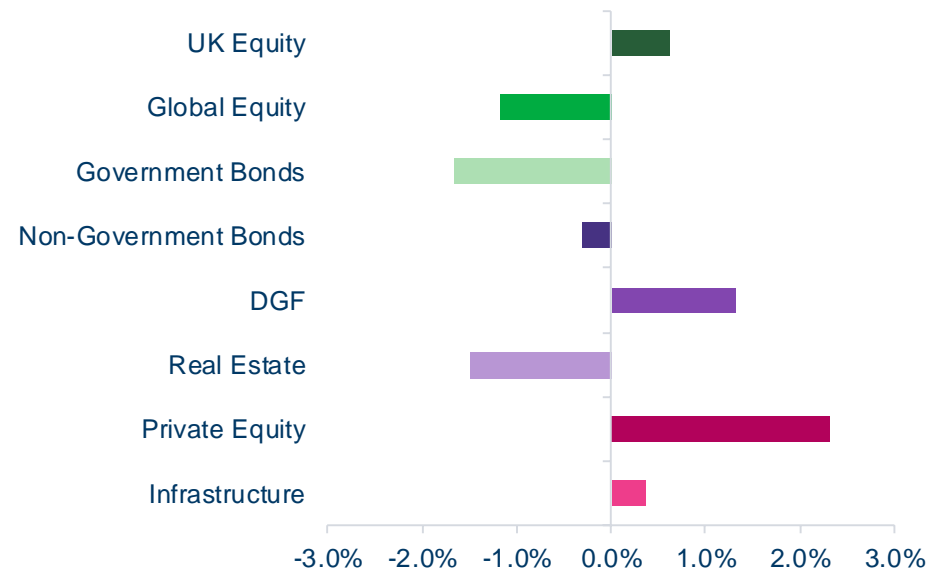
Figures may not sum to total due to rounding. Please note that these positions are relative to the previous strategic benchmark allocations and we will revert to those agreed at the March 2023 Committee meetings from the Q2 2023 report onwards.

The total market value shown in the table above at quarter end excludes assets invested in Catapult's Private Equity (c. £0.5m at the start and end of the quarter) and cash (c. £9.6m at the start of quarter and c. £10.2m at the end of quarter).

Benchmark Asset Allocation as at 31 March 2023



Deviation from Benchmark Asset Allocation



Manager Allocation (1/3)

	31/12/2022 Market Value (£M)	31/03/2023 Market Value (£M)	31/12/2022 Allocation (%)	31/03/2023 Allocation (%)	31/03/2023 B'mark (%)
Total	3,108.0	3,213.2	100.0	100.0	100.0
Equities	1,645.4	1,749.3	52.9	54.4	55.0
UK Equity	283.0	301.2	9.1	9.4	8.8
Liontrust - UK Equity ^(a)	283.0	301.2	9.1	9.4	8.8
Global Equity	1,362.4	1,448.1	43.8	45.1	46.3
Active Global Equity	755.8	812.4	24.3	25.3	26.3
Newton - Global Equity ^(a)	296.5	313.8	9.5	9.8	8.8
Baillie Gifford - Global Equity ^(a)	168.5	195.6	5.4	6.1	8.8
Longview - Global Equity ^(a)	290.8	302.9	9.4	9.4	8.8
Passive Equity	606.6	635.8	19.5	19.8	20.0
UBS - Passive Equity ^(a)	606.6	635.8	19.5	19.8	20.0
Fixed Income	561.8	579.7	18.1	18.0	20.0
Government Bonds	255.2	268.1	8.2	8.3	10.0
UBS – Gilts ^(a)	255.2	268.1	8.2	8.3	10.0
Non-Government Bonds	306.6	311.6	9.9	9.7	10.0
Bluebay - Multi-Asset Credit	145.8	147.9	4.7	4.6	5.0
M&G - Multi-Asset Credit ^(a)	160.8	163.7	5.2	5.1	5.0

Source: Investment Managers, Link Asset Services and Mercer.

Figures may not sum to total due to rounding.

The total market value shown in the table above at quarter end excludes assets invested in Catapult's Private Equity (c. £0.5m at the start and end of the quarter) and cash (c. £9.6m at the start of quarter and c. £10.2m at the end of quarter).

The HarbourVest, Adams Street, AMP Capital, Allianz and JPM end of quarter valuations are provisional.

Please note that these positions are relative to the previous strategic benchmark allocations and we will revert to those agreed at the March 2023 Committee meetings from the Q2 2023 report onwards.

^(a) The total market value invested in ACCESS is c. £2,260m at the start of quarter and c. £2,384m at the end of quarter.

Manager Allocation (2/3)

	31/12/2022 Market Value (£M)	31/03/2023 Market Value (£M)	31/12/2022 Allocation (%)	31/03/2023 Allocation (%)	31/03/2023 B'mark (%)
Alternatives	900.7	884.2	29.0	27.5	25.0
DGF	198.5	202.8	6.4	6.3	5.0
Baillie Gifford – DGF ^(a)	198.5	202.8	6.4	6.3	5.0
Real Estate	293.7	273.5	9.4	8.5	10.0
CBRE - Property	232.2	212.4	7.5	6.6	7.0
M&G - Residential Property	47.1	46.8	1.5	1.5	1.5
M&G - Shared Ownership	14.4	14.4	0.5	0.4	1.5
Private Equity	233.4	235.1	7.5	7.3	5.0
HarbourVest - Private Equity	130.3	129.2	4.2	4.0	--
Adams Street - Private Equity	103.1	105.9	3.3	3.3	--

Source: Investment Managers, Link Asset Services and Mercer.

Figures may not sum to total due to rounding.

The total market value shown in the table above at quarter end excludes assets invested in Catapult's Private Equity (c. £0.5m at the start and end of the quarter) and cash (c. £9.6m at the start of quarter and c. £10.2m at the end of quarter).

The HarbourVest, Adams Street, AMP Capital, Allianz and JPM end of quarter valuations are provisional.

Please note that these positions are relative to the previous strategic benchmark allocations and we will revert to those agreed at the March 2023 Committee meetings from the Q2 2023 report onwards.

^(a) The total market value invested in ACCESS is c. £2,260m at the start of quarter and c. £2,384m at the end of quarter.

Manager Allocation (3/3)

	31/12/2022 Market Value (£M)	31/03/2023 Market Value (£M)	31/12/2022 Allocation (%)	31/03/2023 Allocation (%)	31/03/2023 B'mark (%)
Infrastructure	175.1	172.8	5.6	5.4	5.0
AMP Capital - Infrastructure Debt	35.5	34.7	1.1	1.1	--
Allianz - Infrastructure Debt	12.1	11.9	0.4	0.4	--
IFM - Infrastructure Equity	66.9	67.6	2.2	2.1	--
JPM - Infrastructure Equity	60.6	58.6	2.0	1.8	--

Source: Investment Managers, Link Asset Services and Mercer.

Figures may not sum to total due to rounding.

The total market value shown in the table above at quarter end excludes assets invested in Catapult's Private Equity (c. £0.5m at the start and end of the quarter) and cash (c. £9.6m at the start of quarter and c. £10.2m at the end of quarter).

The HarbourVest, Adams Street, AMP Capital, Allianz and JPM end of quarter valuations are provisional.

Please note that these positions are relative to the previous strategic benchmark allocations and we will revert to those agreed at the March 2023 Committee meetings from the Q2 2023 report onwards.

^(a) The total market value invested in ACCESS is c. £2,260m at the start of quarter and c. £2,384m at the end of quarter.

Manager Performance (1/2)

	2023 Q1 (%)	B'mark (%)	1 Yr (%)	B'mark (%)	3 Yrs (%)	B'mark (%)	5 Yrs (%)	B'mark (%)
Total	3.2	3.7	-4.8	-3.8	9.7	9.4	6.2	6.2
UK Equity	6.5	3.1	2.6	2.9	12.7	13.8	2.9	5.0
Liontrust - UK Equity	6.5	3.1	2.6	2.9	12.7	13.8	3.2	5.0
Global Equity	6.3	4.6	-1.5	-1.4	16.1	15.2	11.2	9.4
Newton - Global Equity	5.9	4.4	0.1	-1.4	14.8	15.5	10.9	9.7
Baillie Gifford - Global Equity	16.1	4.4	-12.4	-1.4	11.8	15.5	--	--
Longview - Global Equity	4.2	4.4	5.8	-1.4	18.1	15.5	--	--
UBS - Passive Equity	4.8	4.9	-1.3	-1.4	14.8	14.7	8.9	8.9
Fixed Income	3.2	3.9	-16.5	-16.8	-3.8	-3.9	-1.2	-0.7
UBS - Gilts	5.0	4.9	-30.6	-30.4	-10.9	-10.8	-4.8	-4.7
Bluebay - Multi-Asset Credit	1.4	2.8	-5.9	-1.7	--	--	--	--
M&G - Multi-Asset Credit	1.8	2.8	1.9	-1.7	--	--	--	--

Figures shown are net of fees and based on performance provided by the Investment Managers, Link Asset Services, Hymans, Mercer estimates and Refinitiv.

For periods over one year the figures in the table above have been annualised.

M&G Multi-Asset Credit performance figures are reported by Link Asset Group with one month lag. M&G Shared Ownership last quarter performance is always assumed zero due the lag in final data.

The HarbourVest, Adams Street, AMP Capital and Allianz quarterly returns are provisional.

Total Fund and Alternatives performances include quarterly performances for HarbourVest, Adams Street, AMP Capital, Allianz and JPM calculated by Mercer using a Modified Dietz approach based on data provided by these managers. Over the long term, performances are chain linked using quarterly Total Fund performances. Performance shown is net of illiquid mandates' fees. Performance for the underlying private equity and infrastructure mandates is shown in the GBP currency with a quarter lag. Benchmark performance shown for the underlying private equity mandates is the rolling 3 year MSCI World Index return, averaged on a quarterly basis.

Totals include performance of terminated mandates.

Manager Performance (2/2)

	2023 Q1 (%)	B'mark (%)	1 Yr (%)	B'mark (%)	3 Yrs (%)	B'mark (%)	5 Yrs (%)	B'mark (%)
Alternatives	-2.6	1.9	-4.1	-0.4	7.3	7.7	4.7	5.6
Baillie Gifford - DGF	2.2	1.8	-8.5	5.8	3.6	4.4	0.5	4.3
CBRE - Property	-8.6	-0.2	-12.8	-14.5	0.9	2.6	1.2	2.5
M&G - Residential Property	-0.7	1.5	0.9	6.0	1.8	6.0	--	--
M&G - Shared Ownership	0.0	1.5	1.6	6.0	--	--	--	--
HarbourVest - Private Equity	-7.4	2.2	16.4	8.9	29.1	8.9	24.3	9.2
Adams Street - Private Equity	-6.8	2.2	1.4	8.9	30.2	8.9	24.9	9.2
AMP Capital - Infrastructure Debt	-2.5	2.5	14.4	10.0	7.9	10.0	5.8	10.0
Allianz - Infrastructure Debt	9.0	1.0	-28.0	4.0	-9.4	4.0	--	--
IFM - Infrastructure Equity	-0.4	2.5	19.7	10.0	12.0	10.0	--	--
JPM - Infrastructure Equity	0.4	2.5	16.9	10.0	--	--	--	--

Figures shown are net of fees and based on performance provided by the Investment Managers, Link Asset Services, Hymans, Mercer estimates and Refinitiv.

For periods over one year the figures in the table above have been annualised.

M&G Multi-Asset Credit performance figures are reported by Link Asset Group with one month lag. M&G Shared Ownership last quarter performance is always assumed zero due the lag in final data.

The HarbourVest, Adams Street, AMP Capital and Allianz quarterly returns are provisional.

Total Fund and Alternatives performances include quarterly performances for HarbourVest, Adams Street, AMP Capital, Allianz and JPM calculated by Mercer using a Modified Dietz approach based on data provided by these managers. Over the long term, performances are chain linked using quarterly Total Fund performances. Performance shown is net of illiquid mandates' fees. Performance for the underlying private equity and infrastructure mandates is shown in the GBP currency with a quarter lag. Benchmark performance shown for the underlying private equity mandates is the rolling 3 year MSCI World Index return, averaged on a quarterly basis.

Totals include performance of terminated mandates.

Appendix



Appendix A

Benchmarks

Name	B'mark (%)	Performance Benchmark	Performance Target	Tracking Error Expectation
Total	100.0	-	-	-
Liontrust - UK Equity	8.8	FTSE All-Share Index	+2.0% p.a. (gross of fees)	2.0% - 6.0% p.a.
Global Equity	46.3	-	-	-
Newton - Global Equity	8.8	MSCI AC World (NDR) Index	+2.0% p.a. (gross of fees)	2.0% - 6.0% p.a.
Baillie Gifford - Global Equity	8.8	MSCI AC World (NDR) Index	-	-
Longview - Global Equity	8.8	MSCI World (NDR) Index	-	-
UBS - Passive Equity	20.0	Composite	To match the benchmark	-
Fixed Income	20.0	-	-	-
UBS - Gilts	10.0	Composite	To match the benchmark	-0.1% - 0.1% p.a.
Bluebay - Multi-Asset Credit	5.0	Composite	-	-
M&G - Multi-Asset Credit	5.0	Composite	-	-
Baillie Gifford - DGF	5.0	Bank of England UK Base Rate +3.5% p.a.	-	0.0% - 10.0% p.a.
Real Estate	10.0	-	-	-
CBRE - Property	7.0	MSCI All Balanced Property Funds Index	+1.0% p.a. (gross of fees)	0.0% - 3.0% p.a.
M&G - Residential Property	1.5	Absolute Return of 6.0% p.a.	-	-
M&G - Shared Ownership	1.5	Absolute Return of 6.0% p.a.	-	-
Private Equity	5.0	-	-	-
HarbourVest - Private Equity		MSCI World Index	+3.0% p.a. (gross of fees)	-
Adams Street - Private Equity		MSCI World Index	+3.0% p.a. (gross of fees)	-
Infrastructure	5.0	-	-	-
AMP Capital - Infrastructure Debt		IRR of 10.0% p.a.	-	-
Allianz - Infrastructure Debt		IRR of 4.0% p.a.	-	-

Name	B'mark (%)	Performance Benchmark	Performance Target	Tracking Error Expectation
IFM - Infrastructure Equity	IRR of 10.0% p.a.		-	-
JPM - Infrastructure Equity	IRR of 10.0% p.a.		-	-

Bluebay - Multi-Asset Credit: composite benchmark is 50% ICE BofAML Global High Yield Constrained and 50% Morningstar LSTA US Leveraged Loan 100 Hedged.
 M&G - Multi-Asset Credit: composite benchmark is 50% ICE BofAML Global High Yield Constrained and 50% Morningstar LSTA US Leveraged Loan 100 Hedged.

Appendix B

Detailed Attribution Analysis - Quarter



Please note that the relative return and relative weight charts use unrounded performance and allocation figures to calculate the relative difference, hence the numbers are not directly comparable to the implied relative difference given in the performance and allocation tables. Figures shown for the private equity and infrastructure mandates (with the exception of IFM) are estimated in GBP to the quarter end date.

Explanation of Attribution Analysis Chart

The purpose of the attribution analysis chart is give a visual representation of the contribution of each portfolio to the relative performance of the Total Scheme against the Total Benchmark". The contribution is apportioned between "Manager Contribution" and "Allocation Contribution. Further explanation of the terms used in the chart is given below.

Relative Weight - This is the difference in percentage terms of the actual Scheme allocation and benchmark allocation at both the start and end of the period. A bar greater (less) than zero indicates that the Scheme was overweight (underweight) to that portfolio.

Relative Performance - This shows the relative performance of the portfolio against its benchmark performance. A bar greater than zero indicates there was outperformance, whereas a bar less than zero indicates underperformance.

Quarterly Manager Contribution - This shows the contribution at a total level of the relative performance achieved by the portfolio, taking into account the initial actual allocation. A larger allocation will lead to a greater contribution at a total level (all other things being equal).

Positive (negative) relative performance will result in positive (negative) manager contribution. Note that for passive mandates manager contributions should be close to zero, given its performance objective of tracking the benchmark. In calculation terms this is as follows:

$$\text{Manager Contribution} = (\text{Performance}_{pi} - \text{Performance}_{bi}) \times \text{Initial Actual Allocation}_{pi}$$

Quarterly Allocation Contribution - The allocation contribution shows whether a portfolio underweight / overweight position has had a positive or negative effect on the Total Scheme outperformance / underperformance in relation to the Total Scheme Benchmark.

For example, an overweight allocation to a portfolio whose benchmark performance was superior to that of the Total Scheme Benchmark would result in a positive contribution. In calculation terms this is as follows:

$$\text{Allocation Contribution} = (\text{Performance}_{bi} - \text{Performance}_{bT}) \times (\text{Actual Allocation}_{pi} - \text{Benchmark Allocation}_{bi})$$

Please note that the relative return and relative weight figures shown in the chart use unrounded performance and allocation figures to calculate the relative differences. Therefore, the numbers are not directly comparable to the implied relative differences given in the performance table and allocation tables.

Key: pi = portfolio i; bi = portfolio i benchmark; bT = Total Fund benchmark

Attribution for Quarters with Significant Events - In cases where there are significant events over the quarter (for example large cashflows, new or terminated portfolios), both manager and allocation contributions are first calculated for the underlying part periods. The quarterly contributions are then a sum of the part period contributions.

Appendix C

Investment Performance

Investment Performance to 31 March 2023	2022 Q2 (%)	2022 Q3 (%)	2022 Q4 (%)	2023 Q1 (%)	1 Yr (%)	3 Yrs (%)
Total	-7.6	-1.0	0.8	3.2	-4.8	9.7
Total Benchmark	-7.2	-1.5	1.5	3.7	-3.8	9.4

Figures shown are net of fees and are based on performance provided by the Investment Managers, Link Asset Services, WM, Mercer estimates and Refinitiv. Includes the performance of terminated mandates.

For periods over one year the figures in the table above have been annualised.

Total Fund performances include quarterly performances for the private market managers, calculated by Mercer using a Modified Dietz approach based on data provided by these managers (with the exception of IFM where performance is provided by the manager). Over the long term, performances are chain linked using quarterly Total Fund performances. Performance for these managers is net of illiquid mandates' fees, in GBP, and last quarter returns are provisional.



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West Northamptonshire Council

Investment Sub Committee

31/05/2023

Mark Whitby – Head of Pensions

Report Title	Stewardship & Engagement Update
Report Author	Ben Barlow, Funding and Investments Manager Ben.Barlow@westnorthants.gov.uk

Contributors/Checkers/Approvers

MO	Sarah Hall on behalf of Catherine Whitehead	
S151	James Smith on behalf of Martin Henry	11/05/2023
Head of Pensions	Mark Whitby	28/04/2023

List of Appendices

Appendix A – Exempt – LAPFF Workplan for 2023-24

1. Purpose of Report

- 1.1. To provide an update to the Investment Sub Committee on stewardship and engagement matters relating to the Fund's investments.

2. Executive Summary

- 2.1. The Northamptonshire Pension Fund recognises the importance of promoting good governance and management in the companies in which the Fund invests. The Fund expects investment managers to exercise voting rights and engage with companies with the aim of good stewardship of the Fund's assets.
- 2.2. This report updates the Investment Sub-Committee (ISC) on:
- 2.2.1. The Fund's voting activity during the six months to 31 December 2022 for assets held within the ACCESS pool, covering approximately 73% of the Fund's assets.

- 2.2.2. A summary of engagement activity on behalf of the Fund by ACCESS sub-fund managers covering the period between January to December 2022.
- 2.2.3. A summary of engagement with investment managers directly by the Fund covering the period between July to December 2022.
- 2.2.4. A summary of the Local Authority Pension Fund Forum (LAPFF) engagement and voting activity for the period between October to March 2023.
- 2.3. Further information on specific stewardship and engagement activities summarised in this report is available from Officers on request.

3. Recommendations

- 3.1. The ISC is asked to note the report.

4. Reason for Recommendations

- 4.1. This is an information only paper providing an update on stewardship and engagement activities relating to the Fund's investments.
- 4.2. Future recommendations and decisions on the Fund's investments will be brought before the Pensions Committee or ISC for approval as appropriate.

5. Report Background

- 5.1. The Fund believes that Environmental, Social and Corporate Governance (ESG) issues create material risks and opportunities which will influence long term investment performance and the ability of the Fund to achieve its investment and funding objectives. Therefore, good ESG and stewardship practices should be integrated throughout the investment process of the Fund.
- 5.2. Good stewardship can protect and enhance value for companies and markets as a whole. The Fund is committed to being a long-term steward of the assets in which it invests. It believes in the importance of investment managers acting as active asset owners through proactive voting and engagement with companies. In addition, the Fund believes that acting collectively with other investors is an effective way to engage with companies.
- 5.3. The Fund includes in its Investment Strategy Statement a policy on the exercise of the rights (including voting rights) attached to investments. Specifically with regards to stewardship and engagement, the Fund expects its investment managers to:
 - 5.3.1. Exercise our rights as owners of investments by actively participating in company level decisions tabled as shareholder votes at General Meetings.
 - 5.3.2. Engage with companies where there are concerns over ESG issues.
 - 5.3.3. Vote pool-aligned assets in accordance with the ACCESS voting guidelines on a "comply or explain" basis and inform the Fund of voting outcomes.
 - 5.3.4. Report on their voting activity on a regular basis, with ACCESS Pool managers required to report on a monthly basis.
- 5.4. The Fund believes that acting collectively with other investors, for example, with partner authorities in the ACCESS pool or through membership of the Local Authority Pension Fund Forum (LAPFF), is an effective way to engage with companies.

6. Issues and Choices

6.1. Voting – ACCESS Pool

- 6.1.1. The ACCESS Joint Committee agreed the voting guidelines for inclusion by the pool operator, Link Fund Solutions (LFS), in their Investment Management Agreements. These guidelines set out those matters of importance to the ACCESS Council's and promote good corporate governance and management in the companies in which investments are made. In circumstances where investment managers do not adopt the positions set out in these guidelines, they are required to provide a robust explanation of the position adopted.
- 6.1.2. ACCESS also expects that investment managers will be signatories to and comply with the Financial Reporting Council's Stewardship Code and United Nations Principles of Responsible Investment.
- 6.1.3. A summary of the voting activity for the six months ending 31 December 2022 is set out below for each of the ACCESS sub-funds in which the Fund invests:

Sub-Fund Name	Manager	Number of Meetings	Number of Votes Cast		
			For	Against	Other
LF ACCESS Long Term Global Growth	Baillie Gifford	11	48	6	0
LF ACCESS UK Equity Fund - Liontrust (Majedie)	Liontrust (Majedie)	69	855	33	9
LF ACCESS Global Equity - Newton	Newton	6	63	11	0
LF ACCESS Diversified Growth	Baillie Gifford	20	179	5	3
LF ACCESS Global Equity	Longview	5	52	31	8
		111	1,197	86	20

- 6.1.4. During the six months ending 31 December there were 111 company meetings, which include Annual general Meetings (AGMs) and Extraordinary General Meetings (EGMs).
- 6.1.5. In total there were 1,303 votes cast by the investment managers of the five ACCESS sub-funds in which the Northamptonshire Pension Fund invests. Of the votes cast, 1,197 were for and 86 against management proposals. There were 20 instances where votes were not cast, or managers chose to abstain from voting.
- 6.1.6. Investment managers use their discretion to cast votes not aligned to the ACCESS voting guidelines where they feel it is in the shareholders best interest to do so. Categories where votes against the ACCESS voting guidelines during the last 6 months include, appointment of auditors, election of directors, and remuneration. There were four instances where the fund manager has overridden the ACCESS voting policy in the last six months for assets held under pooled governance.

6.2. Engagement Activities – ACCESS Pool

- 6.2.1. The Northamptonshire Pension Fund receives regular reporting on engagement activities for assets held within the ACCESS Pool. This includes dialogue between investment managers and

LFS in order to promote good corporate governance and management in companies in which the Fund invests.

6.2.2. A summary of engagements by manager covering the twelve months to 31 December 2022 is shown below:

Manager	Types of Engagement	Volumes of Engagement
Baillie Gifford	<ul style="list-style-type: none"> • Corporate governance • Environmental/Social • AGM or EGM proposals 	49 engagements with 32 companies
Newton	<ul style="list-style-type: none"> • Climate change • Human capital management • Food and nutrition • Compensation • Diversity • Board effectiveness • Strategy 	32 engagements with 20 companies
Longview	<ul style="list-style-type: none"> • Corporate governance • Modern Slavery and human rights • Diversity & Inclusion • Compensation • Climate Change • Product governance • Capital allocation 	38 engagements with 16 companies
Liontrust	<ul style="list-style-type: none"> • Strategy & leadership • Market & competition • Valuation & model • Society & individuals • Governance & regulation • Operational • Environment & animals 	121 engagements with 55 companies

6.3. Engagement – Direct

6.3.1. The Fund engages directly with investment managers through regular meetings with officers on a rotational basis, the Investment User Group hosted by ACCESS and via quarterly Investment Sub-Committee meetings.

- 6.3.2. Discussions and challenge include fund performance as well as stewardship and engagement activities the investment managers have undertaken on behalf of the Fund.
- 6.3.3. In addition to proactive voting, investment managers should act as active asset owners through engagement with companies where there are concerns over environmental, social and governance (ESG) issues.
- 6.3.4. The Fund has written to investment managers setting out its aims and ambitions for the Fund to reach net carbon zero by 2050 or earlier, and asking how the investment manager can help the Fund achieve these goals. Investment managers have acknowledged these aims and ambitions and are keen to help the Fund on its decarbonisation journey and achieve the milestones set out within the Fund’s Climate Action Plan.
- 6.3.5. The table below represents engagement with our managers at meetings covering the period of six months to December 2022:

Date	Meeting	Manager
8 th July	Local	BlueBay
12 th July	Local	JP Morgan
5 th September	Investment User Group (IUG)	M&G Alpha
28 th September	IUG	Longview Newton

6.4. Voting and Engagement – Passive Funds

- 6.4.1. UBS invest in pooled passive funds on behalf of the Fund. The passive funds are not within the ACS structure itself, therefore UBS do not have to adhere to the ACCESS voting guidelines. However, UBS operate a high-quality programme of stewardship and engagement on behalf of the Fund. UBS produce an Annual Stewardship report, the report is available on request.
- 6.4.2. UBS will be responsible for the assets and the associated voting and ownership rights when the Fund invests with Osmosis, as the assets will be held in a segregated account managed by UBS against the Osmosis index. However, Osmosis have examined the UBS voting policy and believe it is significantly aligned with their own. Osmosis will continue to engage on the assets held within the Fund’s portfolio.

6.5. Local Authority Pension Fund Forum

- 6.5.1. The Northamptonshire Pension Fund is a member of the Local Authority Pension Fund Forum (LAPFF). LAPFF exists to promote the investment interests of local authority pension funds and to maximise their influence as shareholders, whilst promoting corporate social responsibility and high standards of corporate governance among the companies in which they invest.
- 6.5.2. LAPFF engages with hundreds of companies to amplify the local authority voice and accelerate change. Their understanding of problems facing companies and ability to voice concerns is enhanced by also engaging with company stakeholders.

- 6.5.3. At the March 2023 meeting, the ACCESS Joint Committee have agreed to become a pool member of LAPFF. This should align voting priorities, enable ACCESS to demonstrate its participation in company engagement as well as good stewardship and strengthen the ability of LAPFF to engage, which will benefit ACCESS as an asset pool and individual Authorities.
- 6.5.4. The following table is a summary showing the companies and topics which the LAPFF has engaged between October and March 2023.

Period	Engagement Topics	Engagements
October-December 2022	<ul style="list-style-type: none"> • Social Risk • Environmental Risk • Supply Chain Management • Audit Practices • Governance (general) • Human Rights • Climate Change 	AIA Group LTD, AIR Liquide SA, Anglo American PLC , Arcelormittal SA, BHP Group Limited (AUS) , BHP Group Limited (AUS), Chipotle Mexican Grill INC , CRH PLC , DRAX Group PLC , Electric Power Development CO , Equinor ASA , Glencore PLC , Kasikornbank PCL , Kellogg Company , KLA Corporation , Lyondellbasell Industries N.V. , Mitsubishi UFJ Financial GRP, National Grid PLC , Renault SA , Rio Tinto Group (AUS) , Rio Tinto PLC , Rolls-Royce Holdings PLC , Sumitomo Mitsui Financial Group , Tesco PLC , The Home Depot INC , Vale SA
January – March 2023	<ul style="list-style-type: none"> • Campaign (general) • Remuneration • Employment Standards • Environmental Risk • Supply Chain Management • Governance (general) • Human Rights • Climate Change • Other 	Adidas AG, AIA Group LTD, Airtel Africa PLC, Amazon.Com INC., Associated British Foods PLC, Bank Hapoalim B M, Bank Leumi LE-Israel BM, Barclays PLC, Berkshire Hathaway INC., Biffa PLC, Britvic PLC, BT Group PLC, Centamin PLC, Chipotle Mexican Grill INC, CLS Holdings PLC, Constellation Brands INC., Direct Line Insurance Group PLC , DRAX Group PLC, Ford Motor Company, Frasers Group PLC, General Mills INC, General Motors Company, Genuit Group PLC, Grafton Group PLC, Hennes & Mauritz AB (H&M), Hill & Smith PLC, ICADE, Israel Discount Bank LTD, JBS SA, JD Sports Fashion PLC, JTC PLC, Kingfisher PLC, Marubeni Corp, Mcdonald’s Corporation, Mitsubishi UFJ Financial GRP, Mizrahi Tefahot Bank LTD, NCC Group PLC, Nestle SA, Next PLC, Otsuka Corporation, Pepsico INC., Rio Tinto PLC, RPS Group PLC, Shell PLC, Standard Chartered PLC, Starbucks Corporation, The Kraft Heinz Company, TP ICAP Group PLC, Unilever PLC, United Overseas Bank LTD, Videndum PLC, Vodafone Group PLC, Volvo AB, Walmart INC.

6.5.5. LAPFF produce a Workplan for each year. The Workplan for 2023-24 is in exempt Appendix A.

6.5.6. Voting Alerts

6.5.6.1. LAPFF issued two voting alerts in the six month period to March 2023, in relation to Starbucks and Rio Tinto.

7. Implications (including financial implications)

7.1. Resources and Financial

7.1.1. There are no resources or financial implications arising from the report.

7.2. Legal

7.2.1. There are no legal implications arising from the report.

7.3. Risk

7.3.1. The mitigated risks associated with this report has been captured in the Fund's risk register as detailed below –

Risk	Residual risk rating
Failure to respond to changes in economic conditions.	Amber
As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund's investments.	Amber
Failure to understand and monitor risk and compliance	Green
Failure to provide relevant information to the Pension Committee/Local Pension Board to enable informed decision making.	Green

7.3.2. The Fund's full risk register can be found - [Northamptonshire Risk Register](#)

7.4. Relevant Pension Fund Objectives

7.4.1. The following objectives have been considered in this report -

7.4.1.1. To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.

7.4.1.2. To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.

7.4.1.3. To ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.

7.4.1.4. To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.

7.5. Consultation

7.5.1. Not applicable.

7.6. Consideration by Overview and Scrutiny

7.6.1. Consideration by Overview and Scrutiny is not required.

7.7. Climate Impact

7.7.1. This an information update paper only. There are no climate impact considerations arising as a direct result of this paper.

7.8. Communications

7.8.1. There are no communication implications. This paper does not require any further communication activities.

8. Background Papers

8.1. Not applicable

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of the Local Government Act 1972.

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