

# Agenda Item 11

## THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

### INVESTMENT COMMITTEE – 15 APRIL 2024

#### REPORT BY THE TRI-BOROUGH DIRECTOR OF TREASURY AND PENSIONS

#### QUARTERLY PERFORMANCE REVIEW

The purpose of this report is to present the Northern Trust quarterly performance review for the Fund at 31 December 2023. Quarterly performance reports from investment managers have been included as appendices.

**FOR INFORMATION**

#### **1. BACKGROUND**

- 1.1 The Investment Committee receives a quarterly report, summarising the value of the Fund and the performance of each fund manager, as well as any other relevant investment updates.

#### **2. NEED**

- 2.1 The Terms of Reference for the Investment Committee require it to consider and decide all matters pertaining to the Council's Pension Fund. This report provides a basis for the Investment Committee to regularly review the performance of the investment managers and the Fund.

#### **3. FUND VALUATION AND PERFORMANCE**

- 3.1 The table below shows the portfolio valuation as at quarter end on 31 December 2023 compared with 30 September 2023 quarter end valuations.
- 3.2 Investment asset allocations are reviewed using recent valuations as part of the regular rebalancing agenda item.

Fund Manager	Value at 31.12.23 £000	Allocation %	Value at 30.09.23 £000	Movement in Quarter £000
Baillie Gifford (Global Equities Pooled)	340,423	21%	309,935	30,488
BlackRock	935,563	57%	876,169	59,394
Adams Street (Private Equity)	124,929	8%	131,989	-7,060
CBRE (Osiris Property Fund Pooled)	7,406	0.5%	7,660	-,254
Kames (Capital UK Actual Property Fund Pooled)	8,602	0.5%	9,524	-922
Direct Property	150,963	9%	139,729	11,234
LGIM (Sterling Liquidity Fund Pooled)	0	0%	42,004	-42,004
Index Linked Gilts	73,164	4%	64,528	8,636
Client Cash	1,978	0%	2,126	-148
<b>Total Allocation</b>	<b>1,643,027</b>	<b>100%</b>	<b>1,583,664</b>	<b>59,363</b>

- 3.3 Following the 24 January 2024 Investment Committee meeting, the decision to rebalance was actioned immediately, and the above figures have since been brought in line with the strategic allocation. Updated figures are provided as part of the rebalancing agenda item.
- 3.4 The highlights from the Northern Trust (Appendix 1) performance report are:
- 3.5 The Fund value increased by 3.75% to £1,643 million in the quarter to 31 December 2023 (£1.584 million at the 30 September 2023 valuation).
- 3.6 Baillie Gifford overperformed against its quarterly benchmark by 3.16%. The three and five-year benchmarks are underperforming by 10.21% and 2.40% respectively.
- 3.7 BlackRock performed in line with its quarterly and yearly benchmark. The Fund aims to achieve index returns in line with the MSCI World Index.
- 3.8 Adams Street outperformed its comparable public markets and private equity benchmark since inception, totalling 13.05% Net IRR versus 8.54% for PME at 30 September 2023 (in USD). The custodian report includes a three-month lagged benchmark to represent the lag on private equity valuations. After calculating the known cashflows during the quarter, the fund has underperformed by 7.17% during the quarter.
- 3.9 Pooled property manager CBRE Global Investors underperformed by 1.93% on the quarterly benchmark. The Fund is winding down and capital receipts are received following disposal of assets. None were received during the quarter.

- 3.10 Property manager Kames outperformed the quarterly benchmark by 0.22%. The Fund is winding down and capital receipts are received following disposal of assets. None were received during the quarter.
- 3.11 Cash has been gaining interest at an average of 5% since being held with the custodian, totalling around £500k interest in the last three months.
- 3.12 Index-linked gilts are of varying maturities and the performance benchmark currently replicates the account return. The current strategy is to hold until maturity to mitigate CPI risk on the Pension Fund's liabilities.
- 3.13 Further detail can be found in the individual fund manager reports and on pages 5 and 6 of the Northern Trust, Investment Risk and Analytical Services report.

#### **4. FUNDING POSITION**

- 4.1 The latest actuarial report shows the Fund has a funding level of 188% as at 31 December 2023 (196% as at September 2023)
- 4.2 There is an improved position since the 31 March 2022 valuation, where the valuation was 154%.
- 4.3 The report is attached at Appendix 6.

**FOR INFORMATION**

**Phil Triggs**  
**Tri-Borough Director of Treasury and Pensions**

**Contact officer:** Julia Stevens, Pension Fund Manager  
**E-mail:** pensioninvestment@rbkc.gov.uk

#### **LIST OF APPENDICES:**

- Appendix 1:** Northern Trust Performance Report
- Appendix 2:** Baillie Gifford quarterly report
- Appendix 3:** Baillie Gifford additional information
- Appendix 4:** Adams Street Quarterly Report
- Appendix 5:** Osiris Quarterly Report
- Appendix 6:** Actuarial Funding Report – December 2023