

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

PENSION BOARD – 5 NOVEMBER 2024

REPORT FROM THE TRI-BOROUGH DIRECTOR OF TREASURY AND PENSIONS

QUARTERLY INVESTMENT UPDATE

The purpose of this report is to present the Northern Trust quarterly performance review for the Fund at 30 June 2024

FOR INFORMATION

1. BACKGROUND

1.1 This paper provides the Pension Board with a breakdown of investment assets as at 30 June 2024.

2. FUND VALUATION AND PERFORMANCE

2.1 The table below shows the portfolio valuation as at quarter end on 30 June 2024 compared with 31 March 2024 quarter end valuations.

Fund Manager	Value at 30.06.24 £000	Allocation %	Value at 31.03.24 £000	Movement in Quarter £000
Baillie Gifford (Global Equities Pooled)	399,589	22%	397,956	1,633
BlackRock	941,186	52%	916,002	25,184
Adams Street (Private Equity)	132,137	7%	131,071	1,066
CBRE (Osiris Property Fund Pooled)	5,843	0%	6,380	-537
Kames (Capital UK Actual Property Fund Pooled)	8,296	0%	8,398	-102
Direct Property	178,000	10%	167,135	10,865
Index Linked Gilts	80,270	4%	83,490	-3,220
Client Cash	81,906	4%	93,285	-11,379
CIV	150	0%	150	0
Total Allocation	1,827,378	100%	1,803,866	23,511

2.1 Following the 16 September 2024 Investment Committee meeting, the decision was made to commit a further \$30m for 3 years to the Private Equity Fund.

Officers actioned the 2024 commitment and will action a further 2 years once the funds are open. The Fund Manager has been notified.

- 2.2 The £10m decrease in cash and increase in direct property was following a new property acquisition.
- 2.3 The remaining cash is being held with the custodian for upcoming property purchases.
- 2.4 The highlights from the Northern Trust (Appendix 1) performance report are:
- 2.5 The Fund value increased by 1.30% to £1,827 million in the quarter to 30 June 2024 (£1,803 million at the 31 March 2024 valuation).
- 2.6 Baillie Gifford underperformed against its quarterly benchmark by 2.83%. The three and five-year benchmarks continue to report an underperformance by 10.78% and 3.90% respectively.
- 2.7 Investment Advisors, Mercer, has completed a Baillie Gifford review, presented as part of the Investment Advisor update agenda item.
- 2.8 BlackRock MSCI fund has performed in line with its quarterly target. However, as a relatively new investment, long-term data is unavailable. The one-year rate of return was slightly below target (-0.08%).
- 2.9 Adams Street underperformed against its quarterly benchmark by 3.06%. The quarter (outperformed its comparable public markets and private equity benchmark since inception, totalling 12.82% Net IRR versus 9.44% for PME at 30 March 2024 (in USD).
- 2.10 Pooled property manager CBRE Global Investors underperformed by 1.93% on the quarterly benchmark. The Fund is winding down and capital receipts are being received as the pooled assets are sold.
- 2.11 Property manager Kames underperformed against the quarterly benchmark by 1.57%. The Fund is winding down and capital receipts are received following disposal of assets.
- 2.12 Cash has been gaining interest at an average of 5% since being held with the custodian and being held to use for property purchases.
- 2.13 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.
- 2.14 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.

3. FUNDING POSITION

- 3.1 The latest actuarial report shows the Fund has a funding level of 207% as at 30 June 2024 (199% as at 31 March 2024), the report is included as appendix 2.

FOR INFORMATION

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LIST OF APPENDICES:

Appendix 1: Custodian June 2024 quarter report

Appendix 2: June 2024 Quarterly funding report