

WPP Annual Update – 2023/2024

Welcome to the Wales Pension Partnership ('WPP') annual update which provides you with a snapshot of the work that the WPP has undertaken over the past twelve months.



WPP training sessions continue to be held virtually with excellent attendance and engagement. Four training sessions have been held during 2023/24 in line with the approved 2023/24 training plan, all of which were extended to individual Pension Committee and Pension Board members. Once again, external presenters were invited to present and positive feedback continues to be received. We would like to thank all those that continue to make these training sessions a success.

Details of our 2024/25 training plan as well as our 2024/25 workplan are included in our business plan, which can be found on the WPP website: [Wales Pension Fund | Home \(walespensionpartnership.org\)](https://walespensionpartnership.org).

As of 31 March 2024, the pool has increased its proportion of pooled assets to c74% (which includes the passive Investments). In June 2023, WPP launched a £1.2bn Sustainable Global Active Equity sub fund, with all eight Welsh Funds participating. This new sub fund sees Russell Investments manage a diversified multi-manager sustainable active equity solution built to the WPP's bespoke requirements and offers the flexibility to evolve as the WPP's requirements change, or as the sustainable landscape continues to develop. In February 2024, Waystone and Russell Investments hosted a Sustainable Global Active Equity Manager Day where managers presented to officers and JGC members.

With the assistance of bfinance, significant progress has been made in the design and implementation of the WPP private markets investment propositions. Following the launch of the Infrastructure and Private Credit investment programmes in 2022/23, September 2023 saw the launch of the WPP Private Equity fund with our allocator partner, Schroders Capital. March 2024 saw the first in-person AGM for the WPP Infrastructure investments. Officers and JGC members met with WPP's closed ended infrastructure allocator partner, GCM Grosvenor, and the open ended infrastructure managers (IFM, Octopus and CBRE) to receive updates on deployment of capital and key market developments.

In relation to Real Estate, procurements were launched in November 2023 to identify partners to address the Constituent Authorities requirements across Core UK property, Global property, and local investments in Wales. These procurements presented an interesting challenge given the substantial existing investments constituent Authorities hold in this asset class. Appointments are due to be confirmed in August 2024.

The establishment of these private market investment programmes, along with the existing Wales renewable energy collaboration with Capital Dynamics, provides an exciting opportunity to utilise LGPS asset pooling to achieve unprecedented Social and Environmental impact investment in Wales and across the UK. We look forward to providing more details on these investments and their local impact as the portfolios grow.

The equity rally towards the end of 2023 continued into 2024 propelling benchmark indices in the US, Europe to record highs. Investors were buoyed by better than anticipated earnings and expectations that central bank interest rate rises were approaching their peak. However, renewed banking sector turmoil and tightening credit conditions among lenders weighed on risk appetite. In Europe, government bonds weakened in January 2024 following indications from the European Central Bank that interest rate cuts would be implemented in the summer rather than the spring of 2024. However, lower inflation boosted expectations of earlier rate cuts, triggering a fall in bond yields. Against this uncertain background, the majority of the equity funds under performed their benchmark, with the exception of UK equity fund which rallied slightly towards the end of 2023 on reports of easing UK inflation. Fixed income assets were volatile over the 12 month period, but the majority of the funds ended the period up amongst evidence of falling inflation and with data pointing to a resilient economy.

The table below shows the performance of the equity and fixed income sub funds over the last 12 months:

	WPP 12-month performance to 31 March 2024 (Net of Fees)				
	Inception Date	AUM (£'000)	Fund %	Benchmark %	Relative %
Equity sub-funds					
Global Growth	February 2019	3,585,966	15.81	20.60	(4.79)
Global Opportunities	February 2019	3,289,782	19.94	20.60	(0.66)
UK Opportunities	October 2019	743,500	10.10	8.43	1.67
Emerging Markets	October 2021	260,181	3.92	7.44	(3.52)
Sustainable Active *	June 2023	1,571,073	14.95	19.09	(4.14)
Fixed Income sub-funds					
UK Credit	August 2020	708,077	7.64	6.78	0.86
Global Government Bond	August 2020	488,949	1.53	2.05	(0.52)
Global Credit	August 2020	1,033,998	4.69	4.87	(0.18)
Multi-Asset Credit Fund	August 2020	732,567	10.21	9.35^	
Absolute Return Bond	September 2020	572,939	6.76	7.26^	

Source: Northern Trust report as at 31 March 2024

* launched June 2023 data since inception

^ These represent the performance targets of the Multi-Asset Credit and Absolute Return Bond Funds

During 2023/24, the WPP submitted its third annual Stewardship Report, continuing its signatory status to the UK Stewardship Code. Over the year, the WPP also completed its first all-Wales Climate Report ([Wales Pension Fund | All Wales Climate Report \(walespensionpartnership.org\)](https://walespensionpartnership.org)) assessing climate exposures across all assets held by the Welsh Funds. A number of recommendations within the report are now being progressed, including the evolution of WPP's investment offerings. This exercise will now be conducted triennially with a Pool-level report produced in interim years, with the first due to be completed by the end of 2024. Keen to understand nature considerations within its assets, WPP carried out a deep-dive into its exposure to deforestation risk across its active listed-equity sub-funds, an area WPP continues to engage with Size of Wales.

As part of its commitment to stewardship, WPP engages with Robeco, its Voting & Engagement (V&E) Provider. WPP played an active role in Robeco's client panel in 2023, with a number of engagement themes (Ocean Biodiversity; Hazardous Chemicals and sovereign engagement) launched following direct WPP input. The tables below summarise the V&E activity carried out by Robeco on WPP's behalf over the last 12 months.

Votes Cast	15,496	Number of meetings	1,238
For	13,316 (86%)	With management	13,213 (85%)
Against	1816 (12%)	Against management	2,270 (15%)
Other	364 (2%)	Not applicable	13 (<0.1%)
Total	15,496	Total	15,496

	Total
Environment	194
Social	100
Governance	77
SDGs	153
Global Controversy	68
Voting related	12
Total	604

Source: Robeco; % of totals have been rounded to the nearest whole number; both voting and engagement reporting changed in at end-March 2024, stats have been incorporated as far as able to reflect the change.

The Wales Pension Partnership's journey continues with good progress being made across all aspects of the pool and we look forward to further involvement of the pool over the next few years. The level of collaboration between the eight Constituent Authorities remains strong and we would like to thank them for their continued support and contribution.