

Clwyd Pension Fund Monitoring Report Quarter to 30 June 2022

Kieran Harkin

August 2022



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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.

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Overview



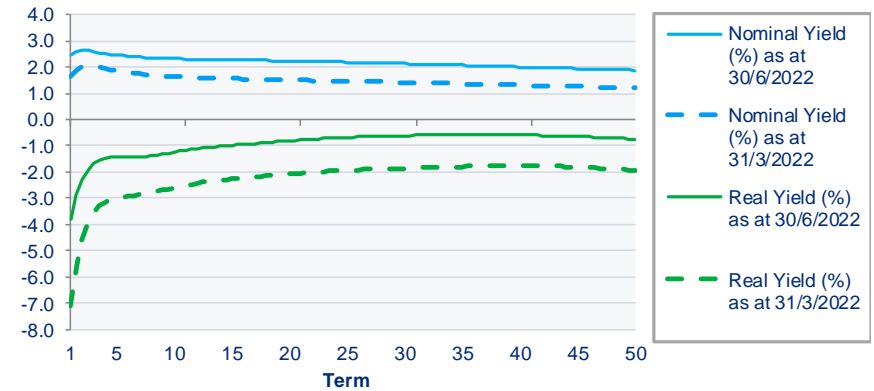
Executive Dashboard

Page 7	Asset Allocation		Page 8	Investment Performance	
<p>Assets are broadly in line with their strategic target weights. Total Credit is underweight (-2.2%) and marginally outside the range. Credit and Risk Management Framework is also underweight (-2.6%), but within range. Property has increased above its range (+0.5%). Allocation to Infrastructure has increased but remains below its target of 8%.</p>	<p>Signal Previous Qtr  Current Qtr </p>		<p>The Fund returned -7.5% over the quarter against a benchmark of -6.4%. Over the one year and three year periods to 30 June 2022, the Fund returned -1.5% and 5.7% p.a. against a benchmark of -2.2% and 5.4% p.a., respectively.</p>	<p>Signal Previous Qtr  Current Qtr </p>	
<p>Asset Allocation Private Market allocation has now reached slightly above the target (+0.8%). Underlying portfolios within private markets continue to increase towards their targets, including Local/ Impact, Infrastructure and Private Credit.</p>			<p>Performance vs Target The one year and three year performance is behind the strategic target and the actuarial past service and future service liabilities targets.</p>		
Page 12	Manager Research		Additional Comments		
<p>No significant news to report over the quarter.</p>		<p>Signal Previous Qtr  Current Qtr </p>	<p>The Fund’s investment strategy will be reviewed in the coming year following the results from the triennial actuarial valuation as at 31 March 2022.</p>		

Market Conditions

Yield / Spread	Values at (%)		Change (%)		
	30/06/2022	31/03/2022	3M	1Y	3Y
Over 5Y Index-Linked Gilts Yield	-0.81	-2.02	1.23	1.38	1.11
Over 15Y Fixed Interest Gilts Yield	2.56	1.74	0.81	1.36	1.14
Over 10 Year Non-Gilts Yield	4.29	3.11	1.15	2.08	1.62
Over 10 Year Non-Gilts Spread	1.75	1.34	0.40	0.63	0.36

Exchange Rates	£1 is worth		Appreciation (%)		
	30/06/2022	31/03/2022	3M	1Y	3Y
US Dollar (\$)	1.214	1.317	-7.76	-12.09	-1.55
Euro (€)	1.162	1.183	-1.83	-0.28	1.30
100 Japanese Yen (¥)	1.650	1.598	3.24	7.61	6.36



3 months to 30/06/2022

12 months to 30/06/2022



Source: Refinitiv. All returns are shown in sterling unless otherwise stated. Local currency returns (LOC) are an approximation of a currency hedged return.

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Russia-Ukraine

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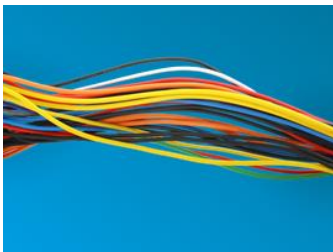


The return of inflation

What now?



Investing in China



Digital assets

What does the future hold?



Investing in hedge funds

The polarizing debate

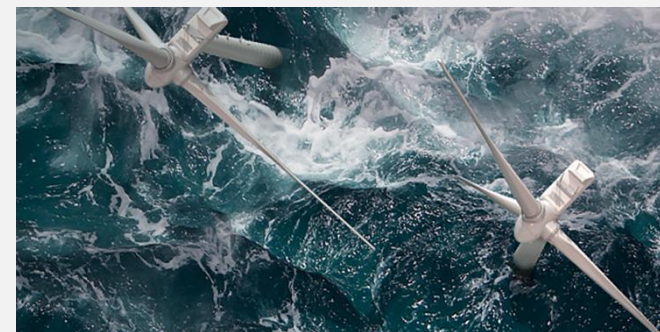
We're getting practical about climate investing

Pacesetters: Addressing challenges of climate investing

is Mercer's third paper in a series of thought leadership on transformational investment, in collaboration with the World Economic Forum and some of the world's most sophisticated investors.

This paper:

- Details practical solutions to address four challenges of climate investing;
- Introduces a benchmarking tool, developed by Mercer, that provides practical climate investing protocols; and
- Shares global best practices of large asset owners, captured via Mercer's new benchmarking tool.



Strategy Monitoring

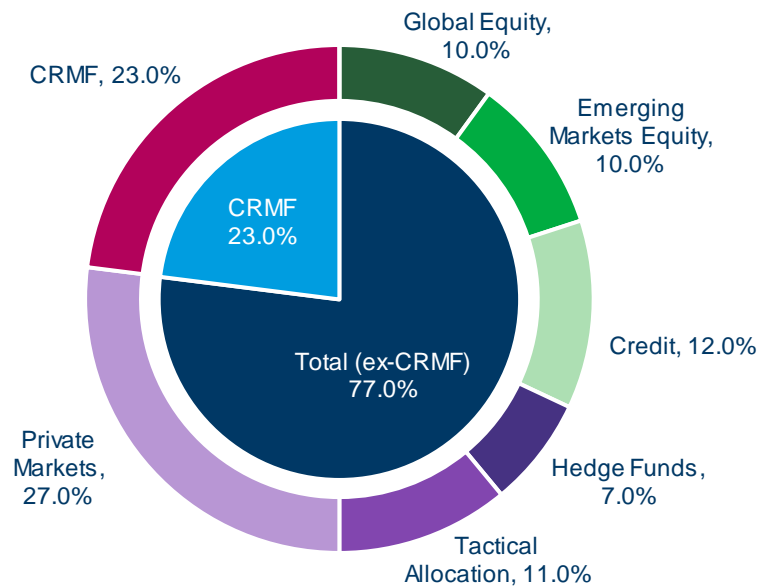


Asset Allocation

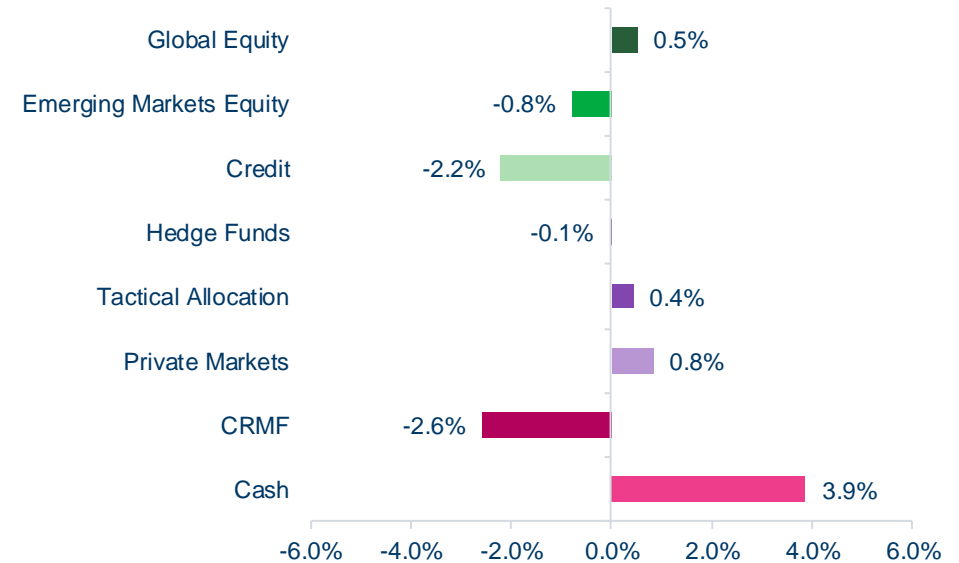
	31/03/2022 Market Value (£M)	Net Cash Flow (£M)	Investment Growth/ Decline (£M)	30/06/2022 Market Value (£M)	31/03/2022 Allocation (%)	30/06/2022 Allocation (%)	30/06/2022 B'mark (%)	30/06/2022 B'mark Range (%)
Total	2,457.1	7.9	-184.8	2,280.2	100.0	100.0	100.0	--
Total (ex-CRMF)	1,751.1	-0.8	-23.9	1,726.5	71.3	75.7	77.0	--
Total CRMF	626.3	--	-160.9	465.4	25.5	20.4	23.0	10.0 - 35.0
Cash	79.6	8.7	0.0	88.3	3.2	3.9	0.0	0.0 - 5.0

Source: Investment Managers and Mercer.
Figures may not sum to total due to rounding.

Benchmark Asset Allocation as at 30 June 2022



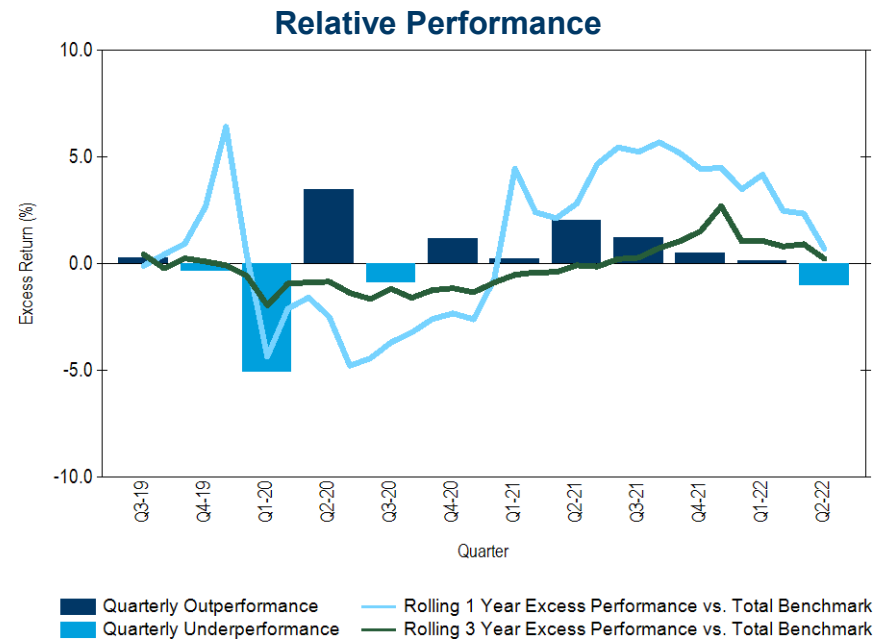
Deviation from Benchmark Asset Allocation



Investment Performance

	2022 Q2 (%)	1 Yr (%)	3 Yrs (%)
Total	-7.5	-1.5	5.7
Total Benchmark	-6.4	-2.2	5.4
Strategic Target (CPI +3.4% p.a.)	4.9	13.1	7.6
Actuarial Target - Past Service Liabilities (CPI +1.75% p.a.)	4.5	11.3	5.9
Actuarial Target - Future Service Liabilities (CPI + 2.25% p.a.)	4.6	11.9	6.4

Figures shown are net of fees and based on performance provided by the Investment Managers, Mercer estimates and Refinitiv. Strategic and Actuarial targets are derived from realised CPI over the corresponding periods. Prior to Q2 2022, CPI was based on Mercer’s Market Forecasting Group assumptions. For periods over one year the figures in the table above have been annualised.



Investment Manager Summary



Manager Allocation

	Investment Manager	31/03/2022 Market Value (£M)	Net Cash Flow (£M)	Investment Growth/ Decline (£M)	30/06/2022 Market Value (£M)	31/03/2022 Allocation (%)	30/06/2022 Allocation (%)	30/06/2022 B'mark (%)	30/06/2022 B'mark Range (%)
Total		2,457.1	7.9	-184.8	2,280.2	100.0	100.0	100.0	--
Total (ex-CRMF)		1,751.1	-0.8	-23.9	1,726.5	71.3	75.7	77.0	--
Total Equity		484.2	--	-34.8	449.4	19.7	19.7	20.0	10.0 - 30.0
Global Equity		263.4	--	-23.7	239.7	10.7	10.5	10.0	5.0 - 15.0
WPP Global Opportunities	Russell	129.8	--	-9.7	120.0	5.3	5.3	5.0	5.0 - 15.0
World ESG Equity	BlackRock	133.6	--	-14.0	119.7	5.4	5.2	5.0	5.0 - 15.0
Emerging Markets Equity		220.8	--	-11.1	209.7	9.0	9.2	10.0	5.0 - 15.0
WPP Emerging Markets Equity	Russell	220.8	--	-11.1	209.7	9.0	9.2	10.0	5.0 - 15.0
Total Credit		246.0	--	-22.6	223.4	10.0	9.8	12.0	10.0 - 14.0
WPP Multi-Asset Credit	Russell	246.0	--	-22.6	223.4	10.0	9.8	12.0	10.0 - 14.0
Total Hedge Funds		158.0	--	0.5	158.5	6.4	6.9	7.0	5.0 - 9.0
Hedge Funds	Man	158.0	--	0.5	158.5	6.4	6.9	7.0	5.0 - 9.0
Total Tactical Allocation		273.1	--	-12.5	260.7	11.1	11.4	11.0	9.0 - 13.0
Best Ideas	Various	273.1	--	-12.5	260.7	11.1	11.4	11.0	9.0 - 13.0
Total Private Markets		589.8	-0.8	45.5	634.5	24.0	27.8	27.0	15.0 - 37.0
Property	Various	146.3	0.0	2.6	149.0	6.0	6.5	4.0	2.0 - 6.0
Private Equity	Various	193.8	-6.8	15.0	202.1	7.9	8.9	8.0	6.0 - 10.0
Local / Impact	Various	67.1	2.9	8.4	78.4	2.7	3.4	4.0	0.0 - 6.0
Infrastructure	Various	118.2	-2.6	11.4	127.0	4.8	5.6	8.0	6.0 - 10.0
Private Credit	Various	51.8	6.6	6.1	64.4	2.1	2.8	3.0	1.0 - 5.0
Timber/ Agriculture	Various	12.5	-0.9	1.9	13.6	0.5	0.6	--	--
Total CRMF		626.3	--	-160.9	465.4	25.5	20.4	23.0	10.0 - 35.0
Cash and Risk Management Framework (CRMF)	Insight	626.3	--	-160.9	465.4	25.5	20.4	23.0	10.0 - 35.0
Cash		79.6	8.7	0.0	88.3	3.2	3.9	0.0	0.0 - 5.0
Cash		79.6	8.7	0.0	88.3	3.2	3.9	0.0	0.0 - 5.0

Source: Investment Managers and Mercer. Figures may not sum to total due to rounding.

Net cashflows exclude the reinvestment of income.

Hedged Funds (Legacy) valuation includes the Liongate portfolios.

Manager Performance

	Investment Manager	2022 Q2 (%)	B'mark (%)	1 Yr (%)	B'mark (%)	3 Yrs (%)	B'mark (%)
Total		-7.5	-6.4	-1.5	-2.2	5.7	5.4
Total Equity		-7.1	-6.3	-10.2	-7.6	4.7	6.8
WPP Global Opportunities	Russell	-7.5	-8.1	-3.5	-2.2	8.9	10.0
World ESG Equity	BlackRock	-10.4	-9.9	-2.4	-2.0	--	--
WPP Emerging Markets Equity	Russell	-4.9	-3.6	--	--	--	--
Total Credit		-9.3	1.2	-12.7	4.3	-1.7	3.1
WPP Multi-Asset Credit	Russell	-9.3	1.2	-12.7	4.3	--	--
Total Hedge Funds		0.3	1.1	4.3	3.8	3.9	3.9
Hedge Funds	Man	0.3	1.1	4.3	3.8	3.9	3.9
Total Tactical Allocation		-4.5	4.8	9.0	10.5	8.4	6.9
Best Ideas	Various	-4.5	4.8	9.0	10.5	8.2	6.9
Total Private Markets		7.7	1.8	26.2	8.1	12.7	5.9
Property	Various	1.8	3.8	15.5	23.7	6.8	9.5
Private Equity	Various	7.8	1.4	28.9	5.3	18.3	5.4
Local / Impact	Various	12.3	1.4	38.5	5.3	--	--
Infrastructure	Various	9.7	1.4	30.6	5.3	9.2	5.4
Private Credit	Various	11.5	1.8	23.4	7.5	7.7	7.5
Timber/ Agriculture	Various	15.7	1.4	19.0	5.3	4.9	5.4
Total CRMF		-25.7	-25.7	-19.8	-19.8	2.5	2.5
Cash and Risk Management Framework (CRMF)	Insight	-25.7	-25.7	-19.8	-19.8	2.5	2.5

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

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

Prior to 30 November 2020, performance for all portfolios and sub-totals/total was estimated based on MWRR approach.

Russell WPP Global Opportunities and Russell Emerging Markets portfolios benchmark performance includes the outperformance target.

Total hedge funds performance includes performance of the legacy Liongate portfolio.

Hedge funds, best ideas and private markets portfolios performance has been estimated by Mercer.

Private Credit benchmark was revised to Absolute Return 7.5% p.a. in Q4 2020 and for all preceding periods.

Manager Ratings

	Investment Manager	12m Perf	3yr Perf
WPP Global Opportunities	Russell	●	●
World ESG Equity	BlackRock	●	--
WPP Emerging Markets Equity	Russell	--	--
WPP Multi-Asset Credit	Russell	●	--
Hedge Funds	Man	●	●
Best Ideas	Various	●	●
Property	Various	●	●
Private Equity	Various	●	●
Local / Impact	Various	●	--
Infrastructure	Various	●	●
Private Credit	Various	●	●
Timber/ Agriculture	Various	●	●
Cash and Risk Management Framework (CRMF)	Insight	●	●

	Active Funds , Target Specified	Active Funds , Target Not Specified	Passive Funds
● Meets criteria	Target or above performance	Benchmark or above performance	Within tolerance range
● Partially meets criteria	Benchmark or above performance, but below target	--	--
● Does not meet criteria	Below benchmark performance	Below benchmark performance	Outside tolerance range
● Not applicable	--	--	--

Appendix

4

Appendix A

Benchmarks

Name	Investment Manager	B'mark (%)	Performance Benchmark
Total		100.0	-
Total (ex-CRMF)		77.0	-
Total Equity		20.0	Composite Weighted Index
WPP Global Opportunities	Russell	5.0	MSCI AC World (NDR) Index +2.0% p.a.
World ESG Equity	BlackRock	5.0	MSCI World ESG Focus Low Carbon Screened Midday Index
WPP Emerging Markets Equity	Russell	10.0	MSCI Emerging Markets Index +1.5% p.a.
Total Credit		12.0	SONIA +4.0% p.a.
WPP Multi-Asset Credit	Russell	12.0	SONIA +4.0% p.a.
Total Hedge Funds		7.0	SONIA +3.5% p.a.
Hedge Funds	Man	7.0	SONIA +3.5% p.a.
Total Tactical Allocation		11.0	UK Consumer Price Index +3.0% p.a.
Best Ideas	Various	11.0	UK Consumer Price Index +3.0% p.a.
Total Private Markets		27.0	Composite Weighted Index
Property	Various	4.0	MSCI UK Monthly Property Index
Private Equity	Various	8.0	SONIA +5.0% p.a.
Local / Impact	Various	4.0	SONIA +5.0% p.a.
Infrastructure	Various	8.0	SONIA +5.0% p.a.
Private Credit	Various	3.0	Absolute Return +7.5% p.a.
Timber/ Agriculture	Various	--	SONIA +5.0% p.a.
Total CRMF		23.0	Composite Liabilities & Synthetic Equity
Cash and Risk Management Framework (CRMF)	Insight	23.0	Composite Liabilities & Synthetic Equity

Figures may not sum to total due to rounding.

Performance benchmark for WPP Global Opportunities and Russell Emerging Markets portfolios include the outperformance target.

Private Credit benchmark was revised to Absolute Return 7.5% p.a. in Q4 2020 and for all preceding periods.

Cash & Risk Management Framework benchmark is assumed equal to fund performance for calculation purposes.



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