

Clwyd Pension Fund Monitoring Report Quarter to 30 September 2023

Steve Turner

November 2023



Important Notices

References to Mercer shall be construed to include Mercer LLC and/or its associated companies.

© 2023 Mercer LLC. All rights reserved.

This contains confidential and proprietary information of Mercer and is intended for the exclusive use of the parties to whom it was provided by Mercer. Its content may not be modified, sold or otherwise provided, in whole or in part, to any other person or entity, without Mercer's prior written permission.

The findings, ratings and/or opinions expressed herein are the intellectual property of Mercer and are subject to change without notice. They are not intended to convey any guarantees as to the future performance of the investment products, asset classes or capital markets discussed. Past performance does not guarantee future results. Mercer's ratings do not constitute individualised investment advice.

Information contained herein has been obtained from a range of third party sources. While the information is believed to be reliable, Mercer has not sought to verify it independently. As such, Mercer makes no representations or warranties as to the accuracy of the information presented and takes no responsibility or liability (including for indirect, consequential or incidental damages), for any error, omission or inaccuracy in the data supplied by any third party.

This does not constitute an offer or a solicitation of an offer to buy or sell securities, commodities and/or any other financial instruments or products or constitute a solicitation on behalf of any of the investment managers, their affiliates, products or strategies that Mercer may evaluate or recommend.

For the most recent approved ratings of an investment strategy, and a fuller explanation of their meanings, contact your Mercer representative.





For Mercer's conflict of interest disclosures, contact your Mercer representative or see www.mercer.com/conflictsofinterest.

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.

Steve Turner







Contents

	Overview	1
	Strategy Monitoring	6
	Investment Manager Summary	9
	Appendix	13

Overview



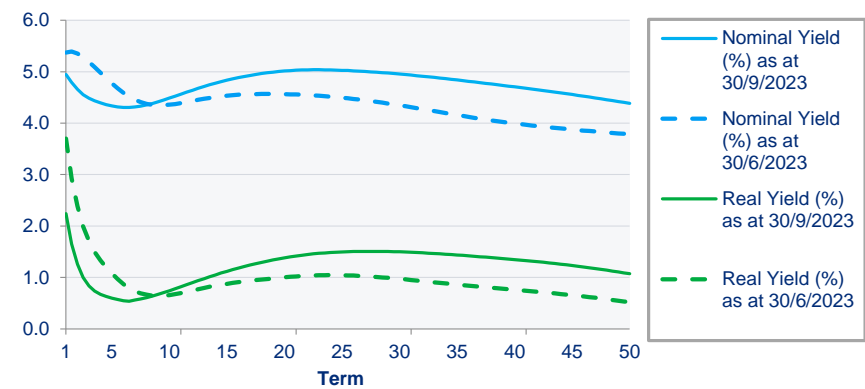
Executive Dashboard

Page 7	Asset Allocation		Page 8	Investment Performance	
<p>Assets are broadly in line with their strategic target weights. Physical Global Equity and Local/Impact are the most underweight (-6.2% and -1.5% respectively). The actual overall exposure to equities is closer to the target position when allowing for synthetic equities.</p> <p>Cash and Risk Management Framework and Property are the most overweight (4.3% and 1.6% respectively), but within ranges.</p>	<p>Signal</p> <p>Previous Qtr </p> <p>Current Qtr </p>	<p>The Fund returned -2.2% over the quarter against a benchmark of -0.6%. Over the one year, three year and five year periods to 30 September 2023, the Fund returned 1.7%, 4.5% p.a. and 3.9% p.a. against a benchmark of 6.5%, 4.1% p.a. and 4.4% p.a., respectively.</p>	<p>Signal</p> <p>Previous Qtr </p> <p>Current Qtr </p>		
<p>Asset Allocation vs Ranges</p> <p>Global Equity is outside the range (1.2% below minimum range).</p>		<p>Performance vs Target</p> <p>The one year and three year performance is behind the strategic target.</p>			
Page 13	Manager Research		Additional Comments		
<p>No significant news to report over the quarter.</p>	<p>Signal</p> <p>Previous Qtr </p> <p>Current Qtr </p>		<p>The Fund reduced its existing Hedge Fund holdings with MAN Group with the proceeds moved to Cash to meet Cashflow needs including drawdowns into private markets.</p>		

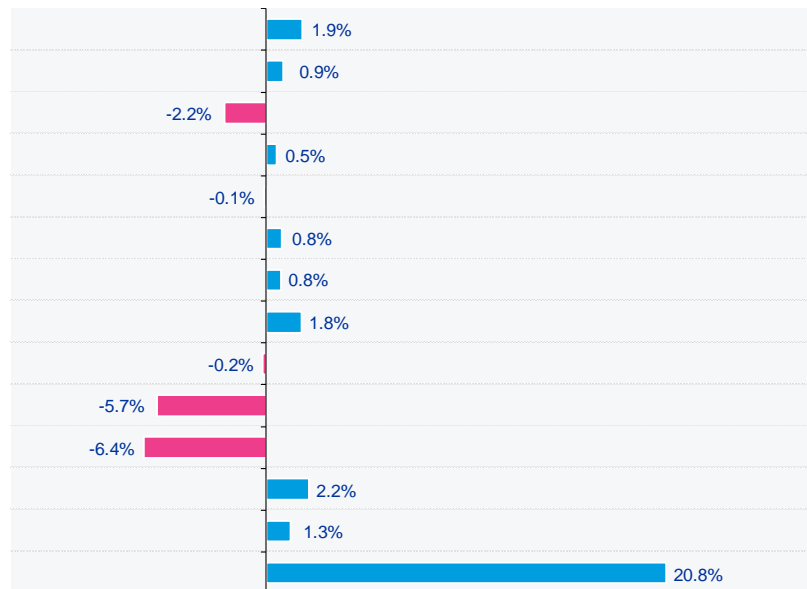
Market Conditions

Yield / Spread	Values at (%)		Change (%)		
	30/09/2023	30/06/2023	3M	12M	3Y
Over 5Y Index-Linked Gilts Yield	1.23	0.84	0.39	1.39	3.61
Over 15Y Fixed Interest Gilts Yield	4.79	4.36	0.41	1.01	4.05
Over 10 Year Non-Gilts Yield	6.08	5.96	0.11	-0.11	3.96
Over 10 Year Non-Gilts Spread	1.36	1.42	-0.06	-0.70	-0.12

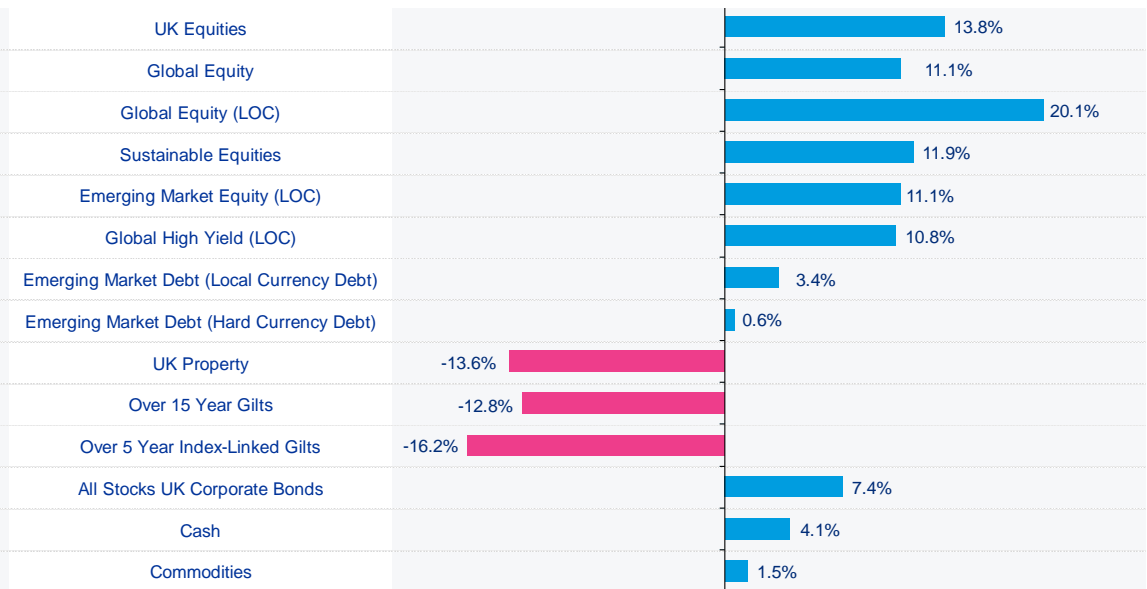
Exchange Rates	£1 is worth		Appreciation (%)		
	30/09/2023	30/06/2023	3M	12M	3Y
US Dollar (\$)	1.221	1.271	-4.00	9.34	-1.90
Euro (€)	1.153	1.165	-1.07	1.17	1.50
100 Japanese Yen (¥)	1.821	1.838	-0.88	12.72	10.12



3 months to 30/09/2023



12 months to 30/09/2023



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

Mercer’s latest strategic investment insights



Market Environment

[2023 midyear economic and market outlook](#)



Alternatives / Private Markets

[Infrastructure financing in Africa – Opportunities & impact for investors](#)

[Venture capital then & now – Private markets insights](#)

[The strategic case for real estate investment trusts \(REITs\)](#)

[Trends in private equity](#)

Note: In order to gain access to the content on this page, you will need a MercerInsight Community account. If you don’t already have one, you can sign up for one [here](#). **Access is free**



Strategic research

The investment playbook for single family offices: [Part 1: Taking a view](#) | [Part 2: Assets and allocations](#) | [Part 3: Considering the future](#)

[The ongoing case for emerging market equities](#)

[How adopting a military strategy could help investors](#)

[Responding to a crisis](#)

[Mind the defined contribution inflation gap](#)

[Pension buyout dilemma](#)

[Listed natural resource equity – Inflation protection at a reasonable price? 2023 update](#)

[Five ways to prepare for a polycrisis for wealth managers](#)

Mercer’s latest investor blogs and podcasts



Mercer’s investor podcast: *Critical Thinking, Critical Issues*SM


[How can wealth managers build resilient portfolios to overcome today's challenges?](#)

[What are insurers doing to navigate today’s higher yields?](#)

Mercer’s latest region-focused insights

United Kingdom

[UK capital market monitor – August 2023](#)



Insights, ideas, innovation. It’s all here: MercerInsight® Community

Simplify your search. Get strategic research tailored to your interests from thought leaders across the investment industry, including Mercer and hundreds of third-party publishers. Membership is complimentary, and it takes seconds to sign up.

[Join the community](#)

Dynamic Asset Allocation – Q4 2023

Economic Outlook

Economic growth has so far proved resilient in 2023 but is set to slow modestly as several positive tailwinds fade. We expect regional divergence with the most overheated economies such as the US decelerating while emerging markets and China fare better on the back of policy support.

Inflation has fallen and should continue to decline as some remaining inflationary components roll over. Labour markets, however, remain tight and should put upward pressure on inflation well into 2024. However, the slower growth we expect should help rebalance labour markets leading to slower wage growth.

Central banks are cautiously moving from increasing interest rates to pausing and going on extended hold with rates now firmly in restrictive territory.

We believe the recent conflict in Israel is unlikely to have a major impact on global markets and does not change our view. Any impact would come via energy markets, which we will be watching closely.

DAA Positioning

At a high level, we have a positive outlook on all main asset classes, with a preference for growth fixed income assets versus cash due to attractive yields. We are modestly positive towards equities due to cooling core inflation and softening labour markets but our conviction is slightly tempered by stretched equity valuations driven by US mega cap stocks. However, we believe that there are regions within equities that present very interesting opportunities. In particular we are more positive on emerging market equities, because we expect emerging markets, in particular China, to perform better due to policy support. A generally weak US dollar should also support emerging market equities.

New look UK Dynamic Asset Allocation will be made available for performance reports in 2024.

You can access the Q4 2023 Global Economics and DAA report via the **MercerInsight® Community** [here](#).



Strategy Monitoring

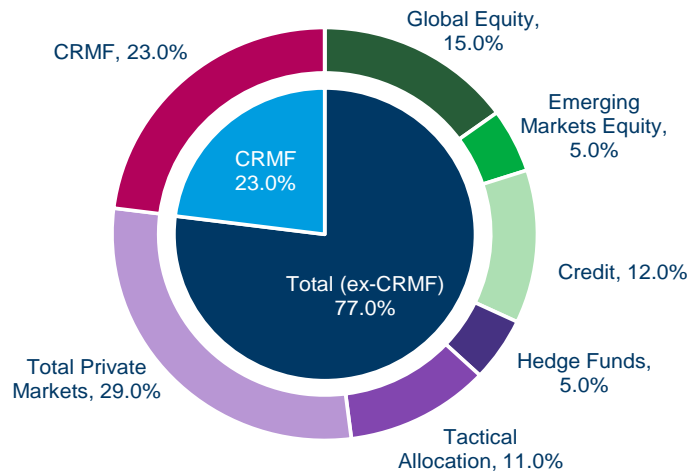


Asset Allocation

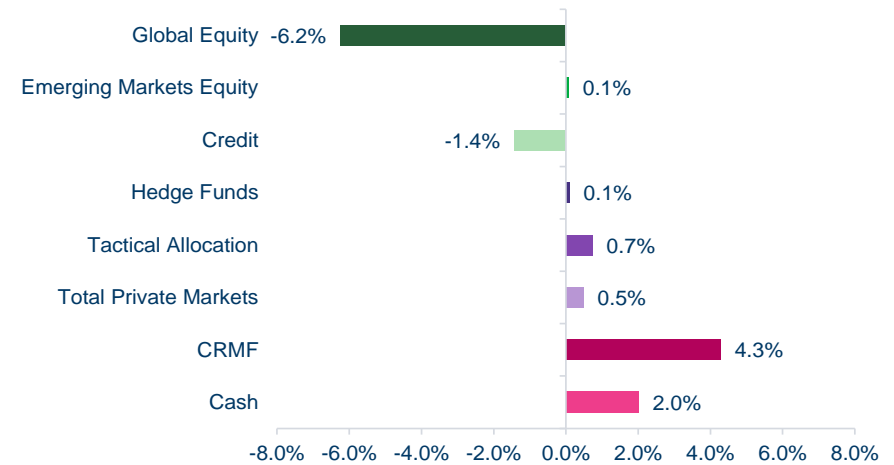
	30/06/2023 Market Value (£M)	Net Cash Flow (£M)	Investment Growth/ Decline (£M)	30/09/2023 Market Value (£M)	30/06/2023 Allocation (%)	30/09/2023 Allocation (%)	30/09/2023 B'mark (%)	30/09/2023 B'mark Range (%)
Total	2,286.3	-7.3	-49.7	2,229.4	100.0	100.0	100.0	--
Total (ex-CRMF)	1,610.7	-41.2	7.0	1,576.5	70.5	70.7	77.0	--
Total CRMF	664.7	--	-56.6	608.1	29.1	27.3	23.0	10.0 - 35.0
Cash	10.9	33.9	0.0	44.8	0.5	2.0	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 September 2023



Deviation from Benchmark Asset Allocation

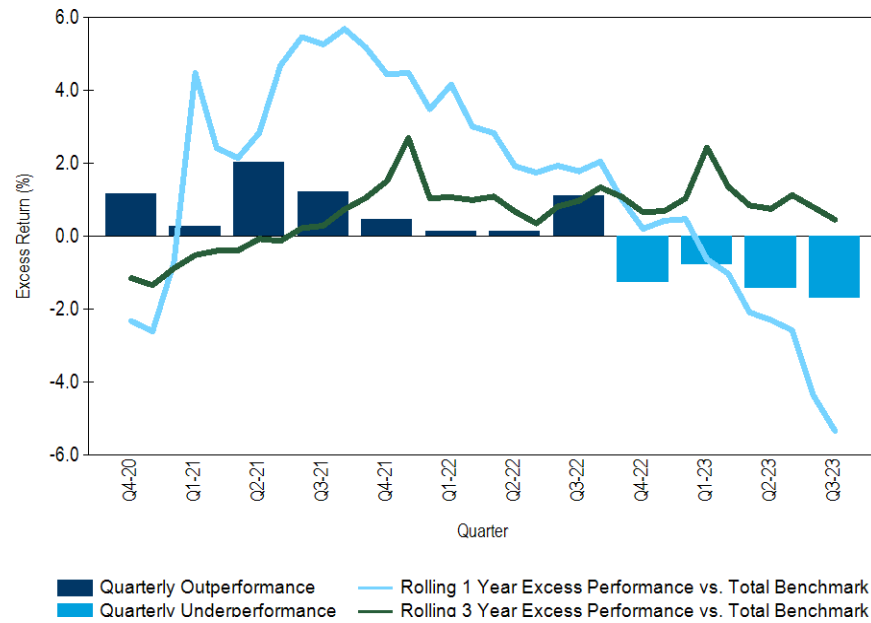


Investment Performance

	2023 Q3 (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)
Total	-2.2	1.7	4.5	3.9
Total Benchmark	-0.6	6.5	4.1	4.4

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.

Relative Performance



Investment Manager Summary



Manager Allocation

	Investment Manager	30/06/2023 Market Value (£M)	Net Cash Flow (£M)	Investment Growth/ Decline (£M)	30/09/2023 Market Value (£M)	30/06/2023 Allocation (%)	30/09/2023 Allocation (%)	30/09/2023 B'mark (%)	30/09/2023 B'mark Range (%)
Total		2,286.3	-7.3	-49.7	2,229.4	100.0	100.0	100.0	--
Total (ex-CRMF)		1,610.7	-41.2	7.0	1,576.5	70.5	70.7	77.0	--
Total Equity		311.6	--	-3.3	308.3	13.6	13.8	20.0	10.0 - 30.0
Global Equity		198.7	--	-3.5	195.2	8.7	8.8	15.0	10.0 – 20.0
WPP Sustainable Active Equity	Russell	198.7	--	-3.5	195.2	8.7	8.8	15.0	10.0 – 20.0
Emerging Markets Equity		112.9	--	0.2	113.1	4.9	5.1	5.0	2.5 – 7.5
WPP Emerging Markets Equity	Russell	112.9	--	0.2	113.1	4.9	5.1	5.0	2.5 – 7.5
Total Credit		235.8	--	0.0	235.8	10.3	10.6	12.0	10.0 - 14.0
WPP Multi-Asset Credit	Russell	235.8	--	0.0	235.8	10.3	10.6	12.0	10.0 – 14.0
Total Hedge Funds		160.8	-48.0	0.8	113.6	7.0	5.1	5.0	2.5 – 7.5
Hedge Funds	Man	160.8	-48.0	0.8	113.6	7.0	5.1	5.0	2.5 – 7.5
Total Tactical Allocation		262.3	--	-0.8	261.5	11.5	11.7	11.0	9.0 - 13.0
Best Ideas	Various	262.3	--	-0.8	261.5	11.5	11.7	11.0	9.0 - 13.0
Total Private Markets		640.1	6.8	10.3	657.2	28.0	29.5	29.0	15.0 - 37.0
Private Markets		636.5	4.2	10.3	651.1	27.8	29.2	29.0	--
WPP Private Markets		3.6	2.6	0.0	6.2	0.2	0.3		--
Property	Various	134.5	-0.2	-9.4	124.8	5.9	5.6	4.0	2.0 - 6.0
Private Equity	Various	200.5	-4.8	6.3	202.0	8.8	9.1	8.0	6.0 - 10.0
Local / Impact	Various	96.1	2.7	2.2	101.1	4.2	4.5	6.0	4.0 – 8.0
Timber/ Agriculture	Various	11.7	-0.8	0.3	11.3	0.5	0.5	--	--
Total Private Debt		58.3	0.1	6.1	64.6	2.6	2.9	3.0	1.0 – 5.0
Private Debt	Various	58.3	-2.5	6.1	62.0	2.6	2.8	3.0	1.0 – 5.0
WPP Private Debt	Various	--	2.6	0.0	2.6	--	0.1		
Total Infrastructure		139.0	9.8	4.7	153.6	6.1	6.9	8.0	6.0 – 10.0

	Investment Manager	30/06/2023 Market Value (£M)	Net Cash Flow (£M)	Investment Growth/ Decline (£M)	30/09/2023 Market Value (£M)	30/06/2023 Allocation (%)	30/09/2023 Allocation (%)	30/09/2023 B'mark (%)	30/09/2023 B'mark Range (%)
Infrastructure	Various	135.4	9.8	4.7	150.0	5.9	6.7	8.0	6.0 - 10.0
WPP Infrastructure	Various	3.6	--	0.0	3.6	0.2	0.2		
Total CRMF		664.7	--	-56.6	608.1	29.1	27.3	23.0	10.0 - 35.0
Cash and Risk Management Framework (CRMF)	Insight	664.7	--	-56.6	608.1	29.1	27.3	23.0	10.0 - 35.0
Cash		10.9	33.9	0.0	44.8	0.5	2.0	0.0	0.0 - 5.0
Cash		10.9	33.9	0.0	44.8	0.5	2.0	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	2023 Q3 (%)	B'mark (%)	1 Yr (%)	B'mark (%)	3 Yrs (%p.a.)	B'mark (%p.a.)	5 Yrs (%p.a.)	B'mark (%p.a.)
Total		-2.2	-0.6	1.7	6.5	4.5	4.1	3.9	4.4
Total Equity		-1.1	1.2	4.7	8.3	4.4	6.5	4.5	6.5
WPP Sustainable Active Equity	Russell	-1.8	1.1	--	--	--	--	--	--
WPP Emerging Markets Equity	Russell	0.2	1.5	4.9	3.7	--	--	--	--
Total Credit		0.0	2.3	8.4	8.2	-0.4	5.6	0.3	4.1
WPP Multi-Asset Credit	Russell	0.0	2.3	8.4	8.2	-0.4	5.6	--	--
Total Hedge Funds		0.8	2.1	0.6	7.7	4.6	5.1	2.0	4.8
Hedge Funds	Man	0.8	2.1	0.6	7.7	4.6	5.1	2.0	4.8
Total Tactical Allocation		-0.3	1.5	2.3	6.0	8.9	7.0	5.9	5.9
Best Ideas	Various	-0.3	1.5	2.3	6.0	8.9	7.0	5.9	5.9
Total Private Markets		1.6	2.1	-2.6	5.4	12.9	6.3	9.4	5.6
Private Markets		1.6	2.1	-2.6	5.4	12.9	6.3	9.4	5.6
WPP Private Markets		0.0	0.0	--	--	--	--	--	--
Property	Various	-7.0	-0.2	-19.8	-13.6	-0.6	3.6	1.0	2.2
Private Equity	Various	3.2	2.5	2.9	9.2	18.6	6.7	13.8	6.3
Local / Impact	Various	2.3	2.5	3.1	9.2	--	--	--	--
Timber/ Agriculture	Various	2.9	2.5	5.1	9.2	10.9	6.7	6.0	6.3
Total Private Debt		10.3	1.8	5.6	7.5	9.3	7.5	7.2	7.5
Private Debt	Various	10.6	1.8	5.6	7.5	9.3	7.5	7.2	7.5
WPP Private Debt	Various	0.0	0.0	--	--	--	--	--	--
Total Infrastructure		3.3	2.5	0.2	9.2	12.8	6.7	9.1	6.3
Infrastructure	Various	3.3	2.5	0.2	9.2	12.8	6.7	9.1	6.3
WPP Infrastructure	Various	0.0	0.0	--	--	--	--	--	--
Total CRMF		-8.5	-8.5	-1.2	-1.2	-6.0	-6.0	-2.2	-2.2
Cash and Risk Management Framework (CRMF)	Insight	-8.5	-8.5	-1.2	-1.2	-6.0	-6.0	-2.2	-2.2

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 Emerging Markets and Sustainable Active Equity 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 Debt benchmark was revised to Absolute Return 7.5% p.a. in Q4 2020 and for all preceding periods.

Appendix

4

Appendix A

Benchmarks

Name	Investment Manager	30/06/23 B'mark (%)	30/09/2023 B'mark (%)	Performance Benchmark
Total		100.0	100.0	-
Total (ex-CRMF)		77.0	77.0	-
Total Equity		20.0	20.0	Composite Weighted Index
WPP Sustainable Active Equity	Russell	15.0	15.0	MSCI AC World (NDR) Index +2.0% p.a.
WPP Emerging Markets Equity	Russell	5.0	5.0	MSCI Emerging Markets Index +1.5%
Total Credit		12.0	12.0	SONIA +4.0% p.a.
WPP Multi-Asset Credit	Russell	12.0	12.0	SONIA +4.0% p.a.
Total Hedge Funds		5.0	5.0	SONIA +3.5% p.a.
Hedge Funds	Man	5.0	5.0	SONIA +3.5% p.a.
Total Tactical Allocation		11.0	11.0	UK Consumer Price Index +2.5% p.a.¹
Best Ideas	Various	11.0	11.0	UK Consumer Price Index +2.5% p.a. ¹
Total Private Markets		29.0	29.0	Composite Weighted Index
Property	Various	4.0	4.0	MSCI UK Monthly Property Index
Private Equity	Various	8.0	8.0	SONIA +5.0% p.a.
Local / Impact	Various	6.0	6.0	SONIA +5.0% p.a.
Private Debt	Various	3.0	3.0	Absolute Return +7.5% p.a.
WPP Private Debt	Various	--	3.0	Absolute Return +7.5% p.a.
Timber/ Agriculture	Various	--	--	SONIA +5.0% p.a.
Infrastructure	Various	8.0	8.0	SONIA +5.0% p.a.
WPP Infrastructure	Various			SONIA +5.0% p.a.
Total CRMF		23.0	23.0	Composite Liabilities & Synthetic Equity
Cash and Risk Management Framework (CRMF)	Insight	23.0	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 Debt 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.

¹ UK Consumer Price Index +2.5% p.a. based on the 20 year breakeven inflation spot rate.



Mercer Limited
1 Tower Place West
London
EC3R5BU
www.mercer.com

Mercer Limited is authorised and regulated by the Financial Conduct Authority
Registered in England No. 984275 Registered Office: 1 Tower Place West, London
EC3R5BU