

Report to: Pension Committee

Date: 18 November 2025

By: Chief Finance Officer

Title of report: Investment Report

Purpose of report: This report provides Pension Committee with an update on the investment activities undertaken by the East Sussex Pension Fund.

RECOMMENDATION:

The Pension Committee is recommended to note the report.

1. Background

1.1 Under the Local Government Pension Scheme (LGPS) Regulations, the Council is required to maintain a Pension Fund for its employees and other 'scheduled bodies' as defined in the Regulations. The Pension Committee is required to maintain an Investment Strategy Statement (ISS) to govern the Fund's investments and receives a quarterly investment monitoring report, from its investment consultant.

1.2 The ACCESS Joint Committee was created following changes in the 2016 LGPS Investment Regulations. These changes aimed to facilitate collective investment vehicles and enable administering authorities to pool their investments. The Fit for the Future consultation has resulted in ACCESS no longer being a supported pool by government. New pooling arrangements are being considered.

2. Investment Workplan

2.1 Appendix 1 shows a workplan which will act as a reference point of all actions agreed at Pension Committee meetings and the forward investment plan.

2.2 The focus over the next 12 months is:

- LGPS Pooling
 - Finalising work to join new LGPS Pool
 - Shareholder Agreement
 - Client Agreements
 - Join Pool governance
 - Transition of assets
- Principles for Responsible Investment (PRI) Submission
- UK Stewardship code submission
- Engage with investment managers on the engagement priorities defined in the Statement of Responsible Investment Principles.

3. Quarterly Performance Report

3.1 The Quarterly Performance Report for Q3 2025 is attached as Appendix 2. Key highlights are:

Fund Valuation:

- 30 June 2025: £5.1bn
- 30 September 2025: £5.3bn **(+£0.2bn, +4.0% absolute return)**

Relative Performance:

- Q3 2025: **-0.9% vs benchmark**
- 12 months: **-4.4%**
- 3 years (p.a.): **-3.9%**

Asset Allocation:

- Overweight in Growth: **+3.8%**
- Overweight in Protection (including cash): **+1.4%**
- Underweight in Income: **-5.2%**

This imbalance is primarily due to the unfulfilled private debt allocation.

3.2 Performance Drivers:

Main detractors:

- Global equity strategies: Longview lagged by **-5.9%**, while impact equity mandates WHEB and Wellington underperformed by **-2.6%** and **-4.5%** respectively.
- Private equity mandates: Adams Street and HarbourVest underperformed by **-3.6%** and **-2.6%**, despite delivering positive absolute returns. These strategies faced tough comparisons against MSCI World and MSCI ACWI indices, which had an exceptionally strong quarter.

Top performers:

- Diversified growth mandates provided resilience:
 - Newton Real Return: **+2.9%**
 - BlueBay Total Return: **+1.3%**
 - Ruffer Absolute Return: **+1.8%**

These strategies benefited from flexible multi-asset positioning and tactical allocations, offering valuable diversification during the quarter.

3.3 Overall, the Fund achieved a positive absolute return despite challenging benchmarks.

4. Stewardship Code

4.1 Fund officers have submitted the 2024 Stewardship Code report to the Financial Reporting Council (FRC) within the required timeframe. The FRC will assess the submission to confirm whether the Fund retains its status as a recognised signatory. A positive outcome will reaffirm the Fund's commitment to responsible, long-term investment practices that serve the best interests of its beneficiaries. The results will be reported to the Committee at its February 2026 meeting.

5. Conclusion and reasons for recommendation

5.1 The Fund's investments are monitored regularly to ensure compliance with the strategic asset allocation set out in the ISS and to keep the Committee informed of any significant concerns regarding investment managers.

5.2 The Pension Committee is recommended to note this report.

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