

# East Sussex Pension Fund

Investment Performance – Executive Summary Report  
Quarter to 30 September 2024

Isio Investment Advisory

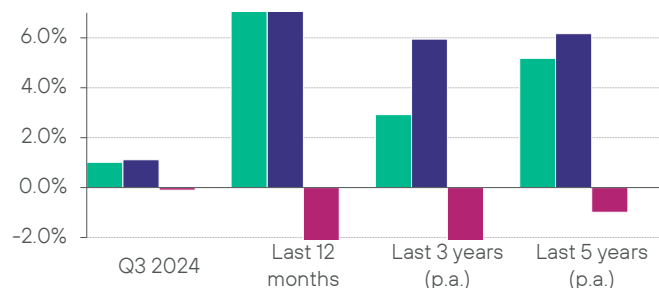
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# Performance Summary

# Executive Summary – 30 September 2024

Access Pool Fund		Q3 2024 Performance			Value at Quarter End	
		Fund	Benchmark	Relative	30-Jun-24	30-Sept-24
Yes	UBS Osmosis – Sustainable Equity	0.8%	0.2%	+0.6%	£407.9m	£411.1m
Yes	Longview - Global Equity	1.5%	0.2%	+1.3%	£514.4m	£519.9m
No	WHEB – Sustainable Equity	-1.2%	0.2%	-1.5%	£229.6m	£226.9m
No	Wellington – Sustainable Equity	4.3%	0.5%	+3.8%	£246.8m	£257.3m
No	Storebrand – Sustainable Equity	0.8%	0.2%	+0.6%	£478.2m	£482.2m
Yes	Baillie Gifford – Global Equity	0.7%	0.5%	+0.3%	£219.9m	£221.4m
No	Harbourvest – Private Equity <sup>1,2</sup>	-5.3%	0.8%	-6.1%	£184.1m	£175.7m
No	Adams Street – Private Equity <sup>1,2</sup>	-6.6%	0.8%	-7.4%	£186.3m	£172.9m
Yes	Newton – Absolute Return	2.0%	1.8%	+0.2%	£368.7m	£371.2m
Yes	Ruffer - Absolute Return	3.1%	1.8%	+1.2%	£450.8m	£458.8m
No	Schroders – Property	1.2%	1.2%	+0.0%	£344.1m	£337.5m
No	UBS – Infrastructure <sup>2</sup>	-5.8%	0.6%	-6.3%	£34.6m	£32.4m
No	Pantheon – Infrastructure <sup>2</sup>	-4.3%	0.6%	-4.8%	£85.9m	£82.2m
No	M&G – Infrastructure <sup>2</sup>	1.1%	0.6%	+0.5%	£50.6m	£52.3m
Yes	IFM – Infrastructure	2.2%	0.6%	+1.6%	£248.5m	£254.0m
No	ATLAS - Listed Infrastructure	8.0%	7.5%	+0.5%	£97.0m	£104.7m
No	M&G – Real Estate Debt <sup>2</sup>	1.7%	2.2%	-0.5%	£33.6m	£32.5m
Yes	M&G – Diversified Credit	1.7%	2.0%	-0.3%	£184.0m	£187.1m
Yes	BlueBay - Total Return	3.5%	2.0%	+1.5%	£170.0m	£172.3m
Yes	M&G - Corporate Bonds	2.4%	2.0%	+0.4%	£129.8m	£132.9m
Yes	UBS - Over 5 Year Index-linked Gilts	1.6%	1.5%	+0.1%	£228.0m	£231.7m
<b>Total Assets</b>		<b>1.0%</b>	<b>1.1%</b>	<b>-0.1%</b>	<b>£4892.6m</b>	<b>£4917.1m</b>

## Period returns – to 30 September 2024



## Commentary

- The Fund's assets delivered a positive absolute return over the quarter, returning 1.0% slightly below the benchmark return, by 0.1%.
- Most of the public equity managers posted absolute and relative returns with Wellington performing the strongest. WHEB produced negative absolute and relative performance.
- The Fund's illiquid infrastructure holdings posted mixed results with UBS the biggest detractor and ATLAS the biggest contributor to returns.
- As a whole, the various credit mandates posted largely positive results in absolute terms
- The long-term returns at Fund level remain robust, and in line with expectations although lagging the benchmark. This underperformance has been driven by weak relative performance from the Fund's impact and growth equity managers, challenging "cash plus" and "inflation plus" benchmarks over a period when both metrics have been high, and a variety of the private market mandates seeing mark downs over the 1 and 3 year periods.

This page provides an overview of performance for the Fund and its underlying mandates.

**Note:** Sample 60:40 portfolio consists of 60% allocation to MSCI ACWI and a 40% allocation to a bond portfolio split 20% in BofA Merrill Lynch Global Corporate Index, and 10% in FTSE Gilts (all maturities) and FTSE Index Linked Gilts (all maturities) respectively, with all portfolio returns unhedged in GBP terms.

# Manager Performance – 30 September 2024

Fund	Q3 2024 Performance			1 Year Performance			3 Year Performance			5 Year Performance		
	Fund	Benchmark	Relative	Fund	Benchmark	Relative	Fund	Benchmark	Relative	Fund	Benchmark	Relative
UBS Osmosis – Sustainable Equity	0.8%	0.2%	+0.6%	21.6%	20.5%	+1.1%	-	-	-	-	-	-
Longview - Global Equity	1.5%	0.2%	+1.3%	16.0%	20.5%	-4.5%	9.3%	9.3%	+0.0%	9.2%	11.1%	-1.9%
WHEB - Sustainable Equity	-1.2%	0.2%	-1.5%	8.4%	20.5%	-12.1%	-2.8%	9.3%	-12.0%	-	-	-
Wellington – Sustainable Equity	4.3%	0.5%	+3.8%	20.0%	19.9%	+0.1%	1.5%	8.3%	-6.8%	-	-	-
Storebrand – Sustainable Equity	0.8%	0.2%	+0.6%	21.3%	20.5%	+0.8%	7.8%	9.3%	-1.5%	-	-	-
Baillie Gifford – Global Equity	0.7%	0.5%	+0.3%	19.8%	19.9%	-0.1%	-0.7%	8.3%	-8.9%	-	-	-
Harbourvest – Private Equity <sup>1</sup>	-5.3%	0.8%	-6.1%	-8.4%	21.4%	-29.8%	2.8%	9.8%	-7.0%	12.7%	11.8%	+0.9%
Adams Street – Private Equity <sup>1</sup>	-6.6%	0.8%	-7.4%	-10.5%	21.4%	-31.9%	0.2%	9.8%	-9.5%	10.9%	11.8%	-0.9%
Newton – Absolute Return	2.0%	1.8%	+0.2%	11.8%	7.7%	+4.2%	2.0%	6.0%	-4.0%	3.1%	4.7%	-1.6%
Ruffer - Absolute Return	3.1%	1.8%	+1.2%	4.8%	7.7%	-2.9%	0.7%	6.0%	-5.3%	5.3%	4.8%	+0.5%
BlueBay –Total Return	3.5%	2.0%	+1.5%	-	-	-	-	-	-	-	-	-
Schroders – Property	1.2%	1.2%	+0.0%	1.5%	1.7%	-0.2%	-0.1%	-0.4%	+0.3%	1.7%	1.7%	+0.1%
UBS – Infrastructure	-5.8%	0.6%	-6.3%	-7.0%	3.7%	-10.6%	4.2%	8.1%	-3.9%	-1.7%	6.3%	-8.0%
Pantheon – Infrastructure <sup>1</sup>	-4.3%	0.6%	-4.8%	-3.2%	3.7%	-6.8%	10.6%	8.1%	+2.5%	9.3%	6.3%	+3.0%
M&G – Infrastructure	1.1%	0.6%	+0.5%	-16.7%	3.7%	-20.3%	-2.0%	8.1%	-10.1%	2.1%	6.3%	-4.2%
IFM – Infrastructure	2.2%	0.6%	+1.6%	7.8%	3.7%	+4.1%	-	-	-	-	-	-
ATLAS – Listed Infrastructure	8.0%	7.5%	+0.5%	12.0%	17.8%	-5.8%	7.8%	7.2%	+0.6%	-	-	-
M&G – Real Estate Debt	1.7%	2.2%	-0.5%	10.5%	9.2%	+1.3%	4.9%	7.5%	-2.6%	4.3%	6.3%	-2.0%
M&G – Diversified Credit	1.7%	2.0%	-0.3%	10.9%	8.2%	+2.7%	5.4%	6.5%	-1.1%	5.8%	5.3%	+0.5%
M&G - Corporate Bonds	2.4%	2.0%	+0.5%	12.3%	11.1%	+1.2%	-6.0%	-6.5%	+0.4%	-2.6%	-3.3%	+0.7%
UBS - Over 5 Year Index-linked Gilts	1.6%	1.5%	+0.1%	6.4%	6.4%	-0.0%	-14.3%	-14.3%	-0.0%	-8.7%	-8.7%	-0.0%
<b>Total Assets</b>	<b>1.0%</b>	<b>1.1%</b>	<b>-0.1%</b>	<b>9.7%</b>	<b>12.8%</b>	<b>-3.1%</b>	<b>2.9%</b>	<b>6.0%</b>	<b>-3.0%</b>	<b>5.2%</b>	<b>6.2%</b>	<b>-1.0%</b>

**Notes:** Totals may not sum precisely due to rounding. All returns are net of fees. Unless stated otherwise, all performance figures and benchmarks provided by Northern Trust as at 30 September 2024.

<sup>1</sup> Valuation and performance information as at 30 June 2024.

**Source:** Investment Managers, Northern Trust, Isio calculations.

The table shows manager performance over the short, medium and long-term.

The private equity mandates have continued to struggle relative to their benchmarks over the last 12 months, with Adams Street the standout detractor.

The infrastructure mandates have returned relatively negative performance over the quarter with UBS's performance the standout detractor.

Of the managers that have been in place for the longer term, M&G infrastructure and UBS infrastructure have most significantly underperformed benchmark.

# Looking Forward

# Looking Forward

## Key issues

Item	Action points / Considerations	Status
Overall Investment Strategy	<p><b>Liquid Fixed Income Manager Selection</b></p> <ul style="list-style-type: none"> <li>At the Q1 2022 Committee meeting, Isio presented a paper detailing the proposed implementation approach for selection of the manager to manage the agreed increased allocation to fixed income. The Committee subsequently reached agreement on a preferred choice of manager, Bluebay, and have now funded the mandate on the 17th April 2024 via the ACCESS platform</li> <li>Investment Grade Credit – at the point of the last investment strategy review the Committee took the decision to allocate the Fund's liquid credit allocation to Multi Asset Credit (as per above). Given the attractive yield available on Investment Grade Corporate bonds at the time, the source of the capital, at this point, it was agreed to phase the implementation of the switch. We believe that market conditions have changed such that now is a good time to consider transferring more assets. This has been discussed with the IWG..</li> </ul>	●
	<p><b>Illiquid Fixed Income Allocation</b></p> <ul style="list-style-type: none"> <li>The Officers and IWG group have requested Isio consider the options available to the Fund in relation to implementing the strategic allocation to illiquid fixed income. Isio prepared a briefing paper in early 2023 considering this allocation. The Officers are currently working with Isio and ACCESS to assess what is available for implementation of this mandate. ACCESS are looking to progress their offering in the near term to facilitate the Fund's implementation in the asset class.</li> </ul>	●
	<p><b>Equity Dividends</b></p> <ul style="list-style-type: none"> <li>At the July Investment Strategy Day the Committee discussed the underlying makeup of the Fund's equity portfolio and the exposure and contribution to equity returns from income and growth this gave.. The Committee should consider whether there is merit in investigating this allocation further and if any changes to the make are required. We believe there could be rationale to reduce the bias to growth in the portfolio and rebalance to other areas, increasing diversification, such as income, to reduce sector (and performance) concentration risk and make the portfolio more robust. Ahead of any changes, it is important, however, to understand any portfolio tilts that would be introduced by this action – historically, a tilt to dividend stocks have implied a UK or energy sector bias for example. This, alongside the income profile of any changes being considered, will need to be investigated further if the Committee is interested in pursuing this.</li> </ul>	●

## Summary

This page sets out the main action / discussion points.

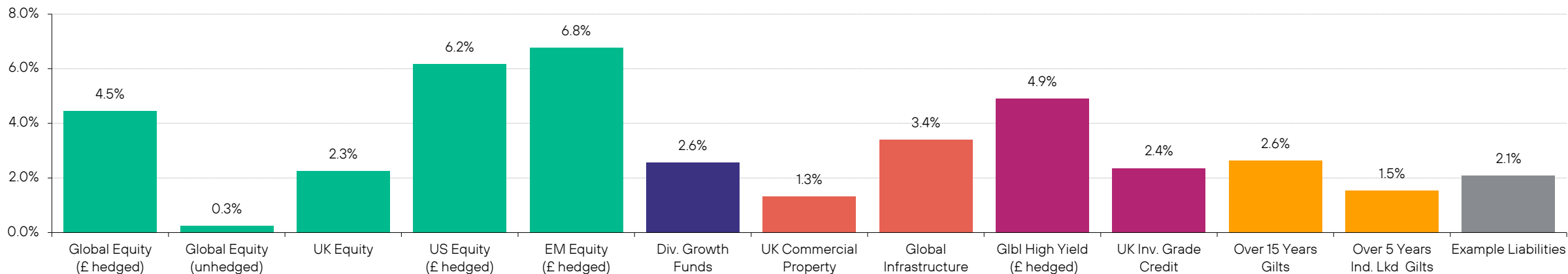
## Status key

- Action
- Decision
- Discussion
- Information only

# Market Summary

# Market Summary – Overview Q3 2024

## Market movements over the quarter



## Key Upcoming Events

### Notable events

- UK Autumn Budget (30 Oct), US Presidential Election (5 Nov)

### Q4 2024 Base rate publications

- UK: The dates for the Bank of England's Monetary Policy Committee ("MPC") announcements are 7 November and 19 December.
- US: The dates for the US Federal Reserve's Federal Open Market Committee ("FOMC") meetings are 7 November and 18 December.

### Q4 2024 Inflation publications

- UK: 16 October, 20 November, 18 December.
- US: 10 October, 13 November, 11 December.

## Commentary

- Global equities ended the quarter strongly, despite experiencing a sell-off in August driven by weak US jobs data and an unanticipated interest rate rise in Japan. Central bank rhetoric quickly eased concerns, with the US recovering strongly. Emerging Markets were buoyed by Chinese stimulus measures announced in September to reverse the region's recent slowdown.
- Fixed income markets benefitted from central banks beginning to cut interest rates, with risk-on sentiment further benefitting valuations as credit spreads marginally tightened.
- UK gilt yields fell over the period amid hopes of economic growth and stability under the new Labour government, coupled with the expectation of further near-term rate cuts.
- UK commercial property continued to perform positively as deal flow appeared to have already bottomed out with liquidity picking up, albeit slowly.

Sources: Refinitiv, DGF investment managers, LGIM, Isio calculations.

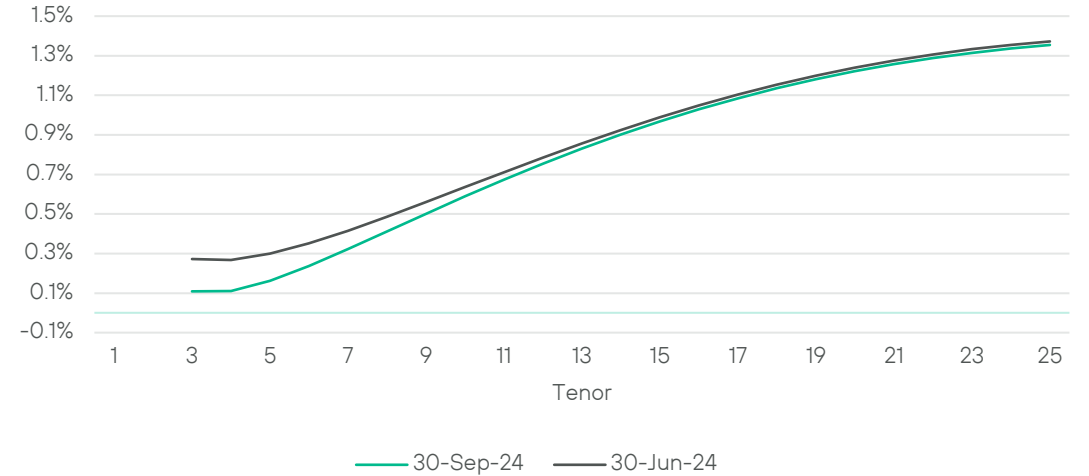


# Gilt Yield Summary Q3 2024

Nominal gilt yield curve



Real gilt yield curve



## Gilt Yield Changes

### 10-year Nominal Gilt Yield

July	-0.19%
August	0.0%
September	+0.02%
<b>Quarter</b>	<b>-0.17%</b>

## Gilt Yield Changes

### 10-year Real Gilt Yield

July	-0.13%
August	+0.07%
September	+0.01%
<b>Quarter</b>	<b>-0.05%</b>

Sources: BoE, Isio calculations.

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