

WPP Annual Update – 2021/2022

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. The year necessitated remote working once again with everyone pulling together to ensure we continued to deliver. The pandemic has left a lasting legacy to which we are all adapting. Hybrid working is now our new normal and teamwork is even more important at every level.



Training sessions have continued to be held virtually throughout 2021/22 and all training sessions have been well attended with good engagement. Six training sessions have been held during the year which have all been extended to individual Pension Committee and Pension Board members. The training sessions are varied, and presenters have ranged from external service providers, the Local Government Association, and officers from another pool. We have received positive feedback and we would like to thank all those that continue to make these training sessions a success.

Details of our 2022/23 training plan as well as our 2022/23 workplan are included in our business plan, which can be found on the WPP website: [Wales Pension Fund | Home \(walespensionpartnership.org\)](https://walespensionpartnership.org). The workplan is broken down into several key sections which are all vital to the continued success of the WPP, including Governance, Investments and Reporting, and Communication and Training. We continue to develop new and regularly review WPP policies to ensure they remain suitable and effective.

This year the WPP has extended its range of sub-funds further with the launch of the Emerging Markets sub fund, bringing the proportion of pooled assets to over 70% (which includes our passive Investments). The range of sub funds offered by the WPP provides the Constituent Authorities with the opportunities to meet their individual investment requirements. Each fund invests in at least two active sub funds, with one fund investing in as many as seven. Ongoing sub-fund development is another key activity outlined in WPP's workplan and it is crucial that ongoing discussions take place with the Constituent Authorities to ensure that their investment needs are met. We are very lucky as a pool for the level of collaboration that exists and would like to thank the Constituent Authorities for their continued contributions.

In July 2021, the Joint Governance Committee appointed bfinance as WPP's Allocator Advisor and they will assist the WPP with the identification of Allocators for the Private Market Asset Classes. In March 2022, the Private Debt and Infrastructure Allocators were appointed (details on website) and the procurement exercise for the Private Equity Allocator is underway, with the appointment due to be made in Autumn 2022. The Private Debt and Infrastructure sub funds will be launched later this financial year with the Private Equity sub fund in 2023/24. Discussions have also started in relation to the Property asset class.

2021/22 has been a mixed year, the period started off well providing a supportive environment for the Equity sub funds, where they delivered positive absolute returns. This momentum reversed into the back end of Q4 2021 and especially in Q1 2022 which presented one of the worst starts to a year for financial markets in over 50 years. Russia's invasion of Ukraine combined with the inflation uncertainty drove market volatility, with both equity and fixed income markets seeing significant drawdowns, resulting in all equity sub-funds recording negative returns during the last quarter of 2021/22. In fixed income, the situation has been similar, with credit markets offering little protection. An exception to this is the Absolute Return Bond Fund, which has been able to generate positive absolute returns in the challenging market environment, serving its purpose as an effective diversifying vehicle. The table below shows the performance of the sub funds over the last 12 months.

	WPP 12-month performance to 31 March 2022 (Net of Fees)				
	Inception Date	AUM (£'000)	Fund %	Benchmark %	Relative %
Equity sub-funds					
Global Growth	6 February 2019	3,303,494	2.61	12.42	(9.81)
Global Opportunities	14 February 2019	3,387,941	10.84	12.42	(1.58)
UK Opportunities	11 October 2019	730,278	1.10	13.03	(11.93)
Emerging Markets*	29 October 2021	464,615	(5.94)	(5.36)	(0.58)
Fixed Income sub-funds					
UK Credit	19 August 2020	574,224	(3.42)	(4.45)	1.03
Global Government Bond	19 August 2020	507,273	(3.70)	(4.17)	0.47
Global Credit	20 August 2020	757,659	(4.29)	(5.10)	0.81
Multi-Asset Credit Fund	11 August 2020	723,184	(2.28)	4.14^	
Absolute Return Bond	30 September 2020	509,602	0.42	2.14^	

* Please note that the performance is since inception.

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

We were delighted to announce that, during 2021/22, the WPP published its first annual Stewardship Report and has been accepted as a signatory to the 2020 UK Stewardship Code. Responsible Investment ('RI'), including climate risk, continues to be a key priority for the Constituent Authorities. Quarterly climate risk monitoring reports continue to be produced for both the Equity and Fixed Income sub-funds, and the WPP has been working with Link Fund Solutions, Russell Investments and the Constituent Authorities to develop a Sustainable Equity sub fund, which is due to launch in Autumn 2022. An annual progress update has been published providing an assessment of the progress the WPP has made towards delivering on the commitments in its RI Policy and Climate Risk Policy and provides a snapshot of the excellent work carried out by the WPP and, in particular, the RI sub-group throughout the year.

As part of its commitment to stewardship, WPP continues to engage with Robeco as its voting & engagement provider. WPP sets its own voting priorities, for 2021/22, the WPP focused on issues including climate change, board diversity, working practices and executive pay. The tables below summarise the stewardship activity carried out by Robeco on WPP's behalf over the last 12 months:

Votes Cast	10,904	Number of meetings	788
For	9,850	With management	9,643
Withhold	46	Against management	1,261
Abstain	69		
Against	921		
Other	18		
Total	10,904	Total	10,904

Number of engagement cases by topic					
	Q2 21	Q3 21	Q4 21	Q1 22	Total
Environment	45	28	50	47	170
Social	50	31	54	20	155
Corporate Governance	31	18	37	19	105
SDGs	-	16	29	15	60
Global Controversy	10	8	20	25	63
Total	136	101	190	126	553

Good progress is being made on making a success of pooling. There remains work to do to achieve our full potential and a few more years should bring us close to the point where all suitable assets have been pooled. Our Constituent Authorities' requirements will continue to evolve, whether because of changing economic conditions, new Government legislation or implementation of sustainability goals, and WPP will continue to be at their side on the journey.