

WPP Sub-fund Rebalancing and Alteration Policy

Introduction

- 1 The Wales Pension Partnership (“WPP”) is the pooling arrangement for the assets of the eight Welsh Local Government Pension Scheme funds (“Constituent Authorities”).
- 2 This policy sets out WPP’s approach to rebalancing the assets held within sub-funds. The policy outlines the framework that WPP has put in place to ensure that manager allocations within sub-funds are monitored and rebalanced where appropriate.
- 3 This policy applies to the full range of sub-funds held in the WPP ACS umbrella, covering equity and fixed income mandates. WPP recognises that Constituent Authorities may have other assets held outside of WPP and these assets are not covered by this policy. The WPP’s rebalancing policy is designed to ensure all investors have clarity over the rebalancing policies in place.
- 4 This policy will be formally reviewed by the OWG on an annual basis and, if necessary, changes to the policy will be taken to the JGC for approval.

Rationale for rebalancing

- 5 A rebalancing policy ensures that the manager allocations within sub-funds are suitably monitored to ensure that they remain consistent with the objectives when the sub-funds were established.
- 6 In addition, having a rebalancing policy and monitoring process helps to ensure that any drift of manager allocations within sub-funds is monitored, reported to investors, and advised on if needed.
- 7 A clear policy helps set clarity over the steps that can be taken by the Portfolio Managers (“PM”) to manage this risk.

Rebalancing

- 8 WPP invests in a range of funds, which have either Russell Investments (Russell) or Waystone Management (UK) Ltd (Waystone) as a Portfolio Manager (“PM”). These funds can consist of a single manager, e.g. the WPP Sterling Credit sub-fund where Fidelity are the investment manager, or hold multiple investment managers, as is the case for the majority of other sub-funds.
- 9 For single manager sub-funds, such as WPP Sterling Credit, manager rebalancing considerations are not relevant.
- 10 For the funds with Russell as the PM, Russell Investments seek to actively manage all allocations to the underlying investment managers at the Fund level. Activity is reported to investors on a quarterly basis.
- 11 For the sub-funds with Waystone as PM, and with multiple managers:
 - 11.1 A target allocation to the underlying investment managers is set at inception. This central strategic target allocation is reviewed annually or biennially.
 - 11.2 Waystone has set a two tiered tolerance level framework for manager allocations which is monitored on a daily basis.
 - 11.3 When tolerance levels are breached, Waystone have discretion over whether or not to rebalance, i.e., breaching the tolerance level does not automatically trigger rebalancing activity.

- 11.4 A quarterly (or ad-hoc) report is prepared for the Waystone Investment Committee that includes reference to the tolerance levels along with any recommendations on rebalancing within the fund.
- 11.5 Waystone's investment committee will consider suitable action and will advise investors of any rebalancing activity.
- 12 The current Private Markets mandates are managed by Schroder, Russell and GCM Grosvenor. The mandates are a rolling series of closed-ended vehicles, with new funds (vintages) launched approximately one to two years apart, depending on investor demand. Where changes are required to the fund holdings contained in the mandates, these are reported to investors.
- 13 For the open ended Infrastructure sub fund, with multiple managers, GCM Grosvenor facilitate:
 - 13.1 A target allocation to the underlying investment managers, which is set by WPP at inception.
 - 13.2 Quarterly reporting versus the target allocation.
 - 13.3 Rebalancing where required, noting that this is instructed by the Constituent Authorities.

Further Information

- 14 If you require any further details on the WPP rebalancing policy, please contact walespensionpartnership@carmarthenshire.gov.uk and refer to the WPP website.

Version 2.0.

October 2023