

WPP Annual Update – 2022/2023

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.

WPP training sessions continue to be held virtually with excellent attendance and engagement. Four training sessions have been held during 2022/23 in line with the approved 2022/23 training plan, all of which were extended to individual Pension Committee and Pension Board members. Induction training was also provided to the four new JGC members. Once again, we invited external presenters to vary the training provided and continue to receive positive feedback. We would like to thank all those that continue to make these training sessions a success.



Details of our 2023/24 training plan as well as our 2023/24 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.

As of 31 March 2023, the pool has maintained its proportion of pooled assets at c70% (which includes our passive Investments). As a pool we are looking to increase this level during 2023/24 and with the help of Link Fund Solutions and Russell Investments, work has been progressing with the development of the Sustainable Active Equities sub fund. This new sub fund is a diversified multi-manager sustainable active equity solution built to the WPP's bespoke requirements. The fund is set to launch mid-2023 with an initial investment of c£1.2bn, all eight Welsh funds are participating. This sub fund will enhance the choices available to WPP's Constituent Authorities and aligns with their evolving sustainability objectives. The solution offers the flexibility to evolve as WPP's requirements change, or as the sustainable landscape continues to develop.

Since appointing the first private market allocators in 2021/22, this year has seen significant work being done in the private markets area with the initial launch of WPP's Infrastructure and Private Credit investment programmes, being built by GCM Grosvenor and Russell Investments respectively. WPP's open ended infrastructure investments (IFM, Octopus and CBRE) will give the Constituent Authorities access to globally diversified core, income oriented assets and renewables and will complete the first phase of WPP's illiquid investments project.

Phase 2 incorporates Private Equity investments and in December 2022 Schroders Capital were confirmed as the selected partner to build WPP's Private Equity investment programme. Work to launch the fund is underway and first commitments are expected before the end of 2023/24. The final phase of the project, looking at Real Estate investments, has reached the mandate specification stage, with the solution expected to address Constituent Authorities requirements across Core UK property, Global property, and local investments in Wales. Procurements are expected to launch later this year.

Equities continued to experience a volatile and challenging market environment over 2022/23. Investors anticipated a prolonged higher interest rate environment as central banks combatted persistently high inflation, resulting in negative absolute returns for equity sub funds early in the period. However, market conditions improved in the latter half of the period with investors encouraged by signs that inflation was being tamed and the prospect of China's reopening from Covid-19 restrictions. As a result, the majority of the equity sub funds delivered positive excess returns over the period. Fixed income markets struggled alongside equity markets as spreads notably widened, particularly within high yield credit. Despite the challenging environment, the Absolute Return Bond Fund generated positive absolute returns continuing to serve 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 2023 (Net of Fees)				
	Inception Date	AUM (£'000)	Fund %	Benchmark %	Relative %
Equity sub-funds					
Global Growth	6 February 2019	3,275,477	(0.90)	(1.43)	0.53
Global Opportunities	14 February 2019	3,270,570	0.28	(1.43)	1.71
UK Opportunities	11 October 2019	760,446	4.23	2.92	1.31
Emerging Markets	29 October 2021	355,136	(3.62)	(3.48)	(0.14)
Fixed Income sub-funds					
UK Credit	19 August 2020	520,811	(9.38)	(9.58)	0.20
Global Government Bond	19 August 2020	481,624	(5.10)	(6.62)	1.52
Global Credit	20 August 2020	693,812	(8.43)	(6.56)	(1.87)
Multi-Asset Credit Fund	11 August 2020	655,475	(6.23)	6.36^	
Absolute Return Bond	30 September 2020	559,335	2.07	4.32^	

Source: Northern Trust report as at 31 March 2023

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

During 2022/23, WPP was delighted to remain a signatory to the UK Stewardship Code, following publication of its second annual Stewardship Report. This year has also seen an enhanced approach as a responsible investor, with the establishment of an engagement framework to review its Stewardship Themes, enhanced reporting in accordance with the requirements of the UK Stewardship Code, and continued reviews of the existing sub fund mandates to ensure compatibility with WPP's Responsible Investment and Climate Risk Beliefs. Work also began on delivery of a Wales wide assessment of climate exposures, in preparation for upcoming reporting requirements in line with the Task Force on Climate-related Financial Disclosures.

As part of its commitment to stewardship, WPP continues to engage with Robeco as its Voting & Engagement Provider. WPP sets its own Stewardship Themes, for 2022/23, WPP focused on: net zero; supporting people (human capital) and delivering sustainable outcomes (governance). The tables below summarise the voting & engagement activity carried out by Robeco on WPP's behalf over the last 12 months. *

Votes Cast	15,523	Number of meetings	1,218
For	13,472 (87%)	With management	13,200 (85%)
Against	1,797 (12%)	Against management	2,323 (15%)
Other	254 (2%)		
Total	15,523	Total	15,523

	Total
Environment	199
Social	85
Corporate governance	73
SDGs	101
Global Controversy	72
Voting related	9
Total	539

Source: Robeco; % of totals have been rounded to the nearest whole number

The Wales Pension Partnership's journey continues with good progress being made across all aspects of the pool. The level of collaboration between the eight Constituent Authorities remains to be strong and we would like to thank the Constituent Authorities for their continued contributions. We look forward to evolving the pool further over the next few years.