

Overview

The Diversified Growth Fund (DGF) is a growth focussed fund where the member's assets are invested in a broad range of investments seeking to grow faster than inflation whilst at the same time managing risk. It forms part of a member's Journey Path.

During the quarter, the fund's investment strategy was revised reflecting new objectives agreed by the Trustee. The investment strategy has a revised return and risk objectives and gives increased attention to responsible investment.

The greater focus on responsible investing has been reflected across the portfolio, for example, through the increased use of sustainable bonds, and the incorporation of environmental, social and governance (ESG) factors within the DGF's equity and cash allocations. Progress to incorporate responsible investment within the DGF is on track, with 50% of the assets allocated to responsible investments. In the second quarter, the DGF delivered a return of 7.9% compared to the return objective of 1.3%. Over the 12 months a return of 17.2% was achieved compared to the return objective of 3.6%. The return over a 5-year period was 38.9% compared to the return objective of 18.7%.

Journey Path: The retirement Journey Path is in three phases, from growth, to pre-retirement, to retirement. During the pre-retirement phase the majority of member pension savings are gradually moved from the DGF to the Retirement Countdown Fund (RCF), over a 15-year period. The allocation then remains constant in the retirement phase.

Full details of Journey Path and Fund Objectives are set out in the Statement of Investment Principles, [here](#).

Description

The DGF allocates investments between five groups, consisting of different asset classes, each of which has different risk and return characteristics. The balance across the asset classes is at the Investment Manager's discretion, subject to agreed guidelines.

The Investment Manager bases its decisions on its long-term risk and return assessment of different asset classes, anticipated levels of diversification, impact of changing economic conditions and the integration of responsible investment considerations.

The integration of responsible investment considerations seeks to manage investment risk with the aim of enhancing long-term portfolio returns which is in the best interests of the members and beneficiaries of the Fund.

Changes over the quarter

The Trustee finalised its strategic investment review and a revised investment strategy was implemented. The revisions led to an increase in the return objective, associated risk levels and focus on responsible investing. As a result, the DGFs exposure to equities was increased and bonds reduced.

Within equities an ESG (environmental, social and governance) focused fund was added to the portfolio. The ESG global equity fund seeks to maximise its exposure to companies with positive ESG and carbon reduction credentials.

Within bonds the sustainable allocation was increased. One of these investments provides funding for a broad range of projects that seek to achieve positive environmental change such as renewable energy, green buildings and green transportation. The DGF also allocated to a cash fund which takes into account environmental factors and ended any direct exposure to fossil fuels.

Key facts

Fund Size: £2,394 million

Fund Launch Date: 18 December 2012

Base Currency: GBP

Domicile: United Kingdom

Return Objective: CPI +4% p.a. (net of asset-based charge)

Annual Management Charge: 0.3%

Unit Price: 185.5271p

Valuation and Dealing Frequency: Weekly

Pricing Basis: Single price

Objectives

Return objective

To deliver a return in excess of inflation, as measured using the Consumer Price Index (CPI) of 4% a year (CPI + 4% a year) or more over the long-term, net of the asset-based charge.

Risk objective

The expected risk, measured in terms of annual volatility, is 12.5% a year. The expected range is from 10% to 15%.

Responsible Investment objective

To achieve:

- Net Zero carbon emissions by 2050, consistent with the Paris Climate Agreement
- At least half of the portfolio's net asset value in investments which support the Trustee's RI beliefs by the end of 2021.

Fund returns

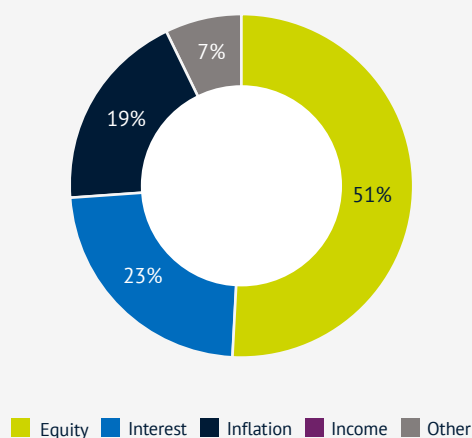
	Returns					Five-year annual member returns				
	3 months	12 months	3 years (per year)	5 years (per year)	Since Inception *	2020	2019	2018	2017	2016
Fund (cumulative)	7.9%	17.2%	21.3%	38.9%	80.5%	4.4%	15.7%	-6.2%	11.0%	10.4 %
Return Objective (cumulative)	1.3%	3.6%	11.2%	18.7%	33.7%	3.4%	3.7%	3.6%	3.3%	3.4%
Fund (annualised)		17.2%	6.7%	6.8%	7.2%					
Return objective (annualised)		3.6%	3.6%	3.5%	3.5%					

Source: Cardano Risk Management Limited and BNY Mellon. **Fund returns figures shown relate to past performance and are presented net of investment fees. Past performance is not a reliable indicator of current or future performance.** Return Objective is calculated using a return objective of SONIA + 3% p.a. (net of asset-based charge) since inception to 31 May 2021, then CPI + 4% p.a. (net of asset-based charge) from 1 June 2021.

* Since Inception figures presented since 31 December 2012.

Fund Breakdown

Risk Allocation by investment group



Return contribution from each investment group

