

As at 30 June 2023

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 the exposure to risk. It forms part of a member's Journey Path.

Over the quarter, the DGF delivered a return of -1.3% compared to the return objective of 3.0%. Over the 12 months a return of 2.5% was achieved compared to the return objective of 12.3%. The return over a 5-year period was 13.7% compared to the return objective of 42.1%.

In keeping with the Trustee's Responsible Investment (RI) objectives, sustainability remained core to the Fund with an RI allocation of 80%.

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

We have continued to closely monitor the Fund against its objectives and manage it within the agreed guidelines.

Persistent inflation and central bank actions continued to be the biggest drivers in markets with performance across asset classes being mixed.

Markets were relatively calm in April, with equities being supported by news of strong economic data. May, however proved to be a difficult month for most asset classes; performance was driven primarily by Industrial metals as concerns began to grow about a slowing Chinese economy. In June, equities rallied driven by technology stocks and optimism around the state of the Japanese economy.

Over the quarter, bond markets were impacted by central banks further increasing interest rates, which was linked to continued high levels of inflation.

Key facts

Fund Size: £3,390 million

Fund Launch Date: 18 December 2012

Base Currency: GBP

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

Annual Management Charge: 0.3%

Unit Price: 173.8216p

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, and
- At least half of the portfolio's net asset value in investments which support the Trustee's RI beliefs.

Fund returns

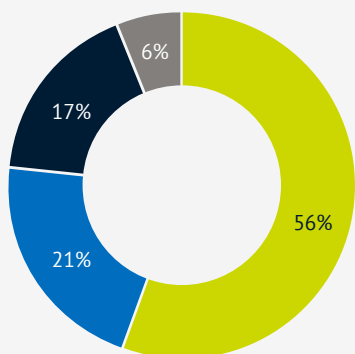
	Returns					Single-year member returns				
	3 months	12 months	3 years	5 years	Since Inception *	2022	2021	2020	2019	2018
Fund (cumulative)	-1.3%	2.5%	9.8%	13.7%	69.1%	-19.8%	16.7%	4.4%	15.7%	-6.2%
Return objective (cumulative)	3.0%	12.3%	32.3%	42.1%	70.8%	14.9%	7.6%	3.4%	3.7%	3.6%
Fund (annualised)		2.5%	3.2%	2.6%	5.1%					
Return objective (annualised)		12.3%	9.8%	7.3%	5.2%					

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.

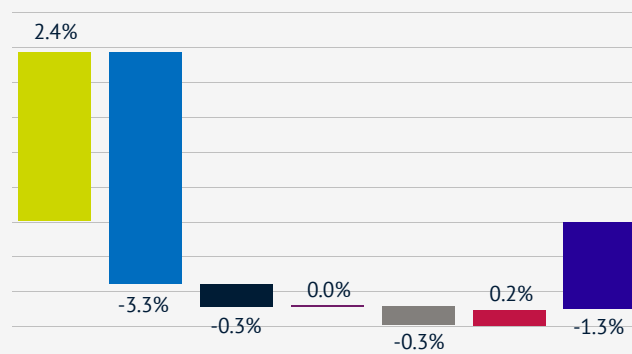
Fund Breakdown

Risk Allocation by investment group



Equity Interest Inflation Income Other

Return contribution from each investment group



Equity Interest Inflation Income Other Residual Total