

As at 31 December 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 lifecycle.

Over the quarter, the DGF delivered a return of 9.5% compared to the return objective of 1.2%. Over the 12 months a return of 13% was achieved compared to the return objective of 8.1%.

In keeping with the Trustee's Responsible Investment (RI) objectives, sustainability remained core to the Fund with an RI allocation of 74%.

Lifecycle: The lifecycle is in three phases - savings phase, glidepath phase and retirement phase. During the glidepath phase, the majority of member pension savings are gradually moved from the DGF to the Retirement Countdown Fund (RCF), over a 10-year period. The allocation then remains constant in the retirement phase.

Full details of lifecycle 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

Following the weak investment returns experienced in August and September, markets continued to struggle in October. Both Developed and Emerging equity markets had negative returns since many investors preferred safe haven assets such as Gold.

However, in November and December, both equities and bonds had solid investment returns. Better inflation numbers made investors more confident that central banks would change from increasing interest rates to reducing them.

A strong end to the quarter resulted in that the DGF outperformed its objective for 2023.

Key facts

Fund Size: £3,926 million

Fund Launch Date: 18 December 2012

Base Currency: GBP

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

Annual Management Charge: 0.30%

Unit Price: 184.3607p

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:

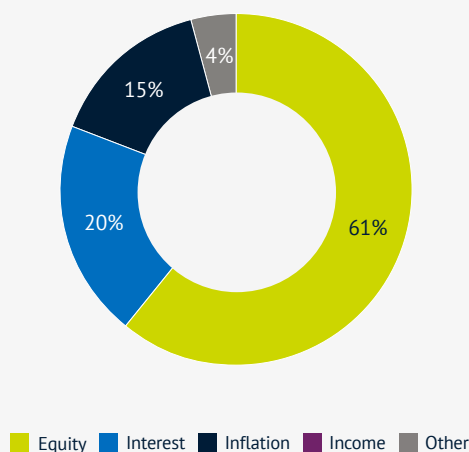
- Net Zero carbon emissions by 2050, consistent with the Paris Climate Agreement, and
- At least half of the portfolio's net asset value in investments which support the Trustee's RI beliefs.

Fund returns

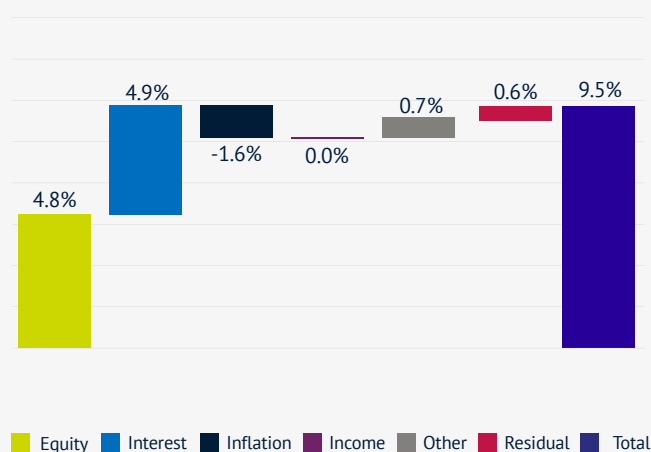
	Returns					Single-year member returns				
	3 months	12 months	3 years	5 years	Since Inception *	2023	2022	2021	2020	2019
Fund (cumulative)	9.5%	13.0%	5.8%	28.4%	79.3%	13.0%	-19.8%	16.7%	4.4%	15.7%
Return objective (cumulative)	1.2%	8.1%	33.6%	42.7%	70.4%	8.1%	14.9%	7.6%	3.4%	3.7%
Fund (annualised)		13.0%	1.9%	5.1%	5.5%					
Return objective (annualised)		8.1%	10.2%	7.4%	5.0%					

Fund Breakdown

Risk Allocation by investment group



Return contribution from each investment group over the quarter



Source: Cardano Risk Management Limited and BNY Mellon. Fund returns figures shown relate to past performance and are presented net of investment charges. 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 31st December 2012.

All data is provided as at 31 December 2023.