

As at 30 September 2021

## 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.

In the third quarter, the DGF delivered a return of 2.5% compared to the return objective of 2.0%. Over the 12 months a return of 17.4% was achieved compared to the return objective of 4.9%. The return over a 5-year period was 35.9% compared to the return objective of 20.1%.

In keeping with the Responsible (RI) objectives the Fund further built out its allocation to sustainable bonds, helping to ensure the Fund remains ahead of its RI allocation target at 57%.

Journey Path: The retirement Journey Path is split into 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 changes over the quarter have been focussed on the Interest investment group with the continued build out of the allocation to sustainable bonds, including the addition of five new sustainable and green bonds. At the end of the quarter, this portfolio accounted for 17% of Fund assets.

One of the most recent bond purchases was the inaugural UK green gilt. This was the largest "green bond" issued by any country to date. There was huge demand for the issue with the Fund achieving a meaningful allocation on behalf of its members. Proceeds will support the UK's commitment to being a world leader in green finance.

## Key facts

**Fund Size:** £2,556 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:** 190.0812p

**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

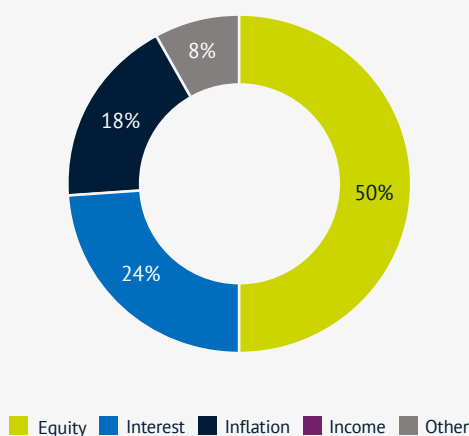
	Returns					Five-year annual member returns				
	3 months	12 months	3 years (per year)	5 years (per year)	Since Inception *	2020	2019	2018	2017	2016
Fund (cumulative)	2.5%	17.4%	24.7%	36.4%	84.9%	4.4%	15.7%	-6.2%	11.0%	10.4%
Return Objective (cumulative)	2.0%	4.9%	12.4%	20.1%	36.3%	3.4%	3.7%	3.6%	3.3%	3.4%
Fund (annualised)		17.4%	7.6%	6.4%	7.3%					
Return objective (annualised)		4.9%	4.0%	3.7%	3.6%					

**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

