

As at 31 March 2024

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 over longer time periods. There may be significant variability against this target, especially over shorter time periods. It forms part of a member's Journey Path.

Over the quarter, the DGF delivered a return of 4.3% compared to the return objective of 1.6%. Over the 12 months a return of 9.2% was achieved compared to the return objective of 7.3%.

The fund places importance on Responsible Investment (RI) and 77% of the holdings have an explicit sustainability or ESG objective.

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 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 three 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 a Strategic Investment Review, during the quarter we successfully transitioned to a revised investment strategy which the Trustee believes will provide better outcomes to members over the long-term. This new investment strategy provides a balance between aiming for strong growth over the long-term whilst retaining diversification to manage risk. The strategy invests in global equities, bonds and commodities.

Overall, the first quarter of 2024 was a good start for the new DGF strategy, with the Fund meaningfully outperforming its objective.

January was a challenging start to the year, with investors having a more pessimistic outlook than at the end of 2023. There were negative returns from bonds as economic data implied that interest rate cuts in the first quarter looked less likely. Equity performance across regions was mixed.

However, equities delivered strong returns in February and March as recession fears faded. Bonds still struggled in February but rebounded in March as central banks hinted at rate cuts in 2024. This also supported the performance of the commodity investments within the Fund.

Key facts

Fund Size: £4,474 million

Fund Launch Date: 18 December 2012

Base Currency: GBP

Return Objective: CPI +3.5% p.a. (net of asset-based charge)

Annual Management Charge: 0.30%

Unit Price: 192.2546p

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 3.5% a year (CPI + 3.5% a year) or more over the long-term, net of the asset-based charge.

Risk objective

Over longer time periods, for the volatility of the Fund (measured using three years) to be within the range of 12.5% p.a. to 14% p.a.

Responsible Investment objective

To achieve:

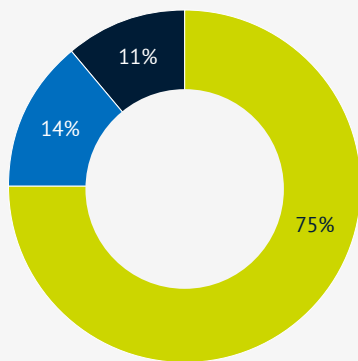
- Net Zero carbon emissions by 2050, with a 50% emission reduction by 2030, based on 2019 levels
- At least 75% of the Fund value in investments which support the Trustee's RI beliefs as set out in the SIP

Fund returns

	Returns					Single-year member returns				
	3 months	12 months	3 years	5 years	Since Inception *	2023	2022	2021	2020	2019
Fund (cumulative)	4.3%	9.2%	11.8%	23.0%	87.0%	13.0%	-19.8%	16.7%	4.4%	15.7%
Return objective (cumulative)	1.6%	7.3%	34.7%	43.8%	73.0%	8.1%	14.9%	7.6%	3.4%	3.7%
Fund (annualised)		9.2%	3.8%	4.2%	5.7%					
Return objective (annualised)		7.3%	10.4%	7.5%	5.0%					

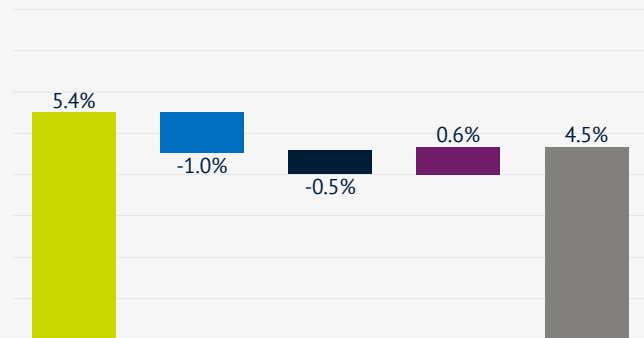
Fund Breakdown

Asset Allocation by investment group



Equity Bonds Other

Return contribution from each investment group



Equity Bonds Other Residual Total

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. From 1 Jan 2024, the return objective has been calculated using an objective of CPI+3.5%.

* Since Inception figures presented since 31st December 2012.

NOW:
Pensions

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