

Diversified Growth Fund

As at 30 June 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. Over shorter time periods, fluctuations against this target should be expected. The DGF forms part of a member's Lifecycle.

Over the quarter, the DGF delivered a return of 2.9% compared to the return objective of 1.7%. Over the 12 months a return of 13.8% was achieved compared to the return objective of 5.7%.

The fund places importance on responsible investment (RI) and is managed against explicit targets. Overtime the RI allocation will fluctuate but is targeted to account for at

least 75% of the portfolio. At 30 June, 74% of the assets are considered to be managed consistent with the RI objectives.

Lifecycle: The retirement Lifecycle is in three phases, from savings, to the glidepath phase, to retirement. During the glidepath phase, 70% of member pension savings are gradually moved from the DGF to the Retirement Countdown Fund (RCF), over a 10-year period. At the end of the 10-year period, 70% of a member's pension savings are invested in the RCF and 30% invested in the DGF.

Full details of lifecycle and fund objectives are set out in the Statement of Investment Principles, [here](#).

About the fund

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.

What happened over the quarter

The second quarter 2024 was positive for the DGF, with the Fund outperforming its objective.

The positive return on global equity and bond markets has been driven by falling inflation levels and the expectation that central banks will cut interest rates sooner than previously thought.

Despite a challenging April driven by higher-than-expected inflation, global markets recovered in May driven by strong corporate earnings releases. The positive trend continued into June as equity markets continued to deliver positive returns, particularly in the US and emerging markets. Bond markets also delivered gains in anticipation of falling interest rates.

Towards the end of the quarter the DGF started to implement a new investment grade corporate bond portfolio. This led to a temporary cash holding at the end of June. This cash was invested in investment grade corporate bonds at the start of July.

Key facts

Fund size: £4.743 billion

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: 197.8123p

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 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

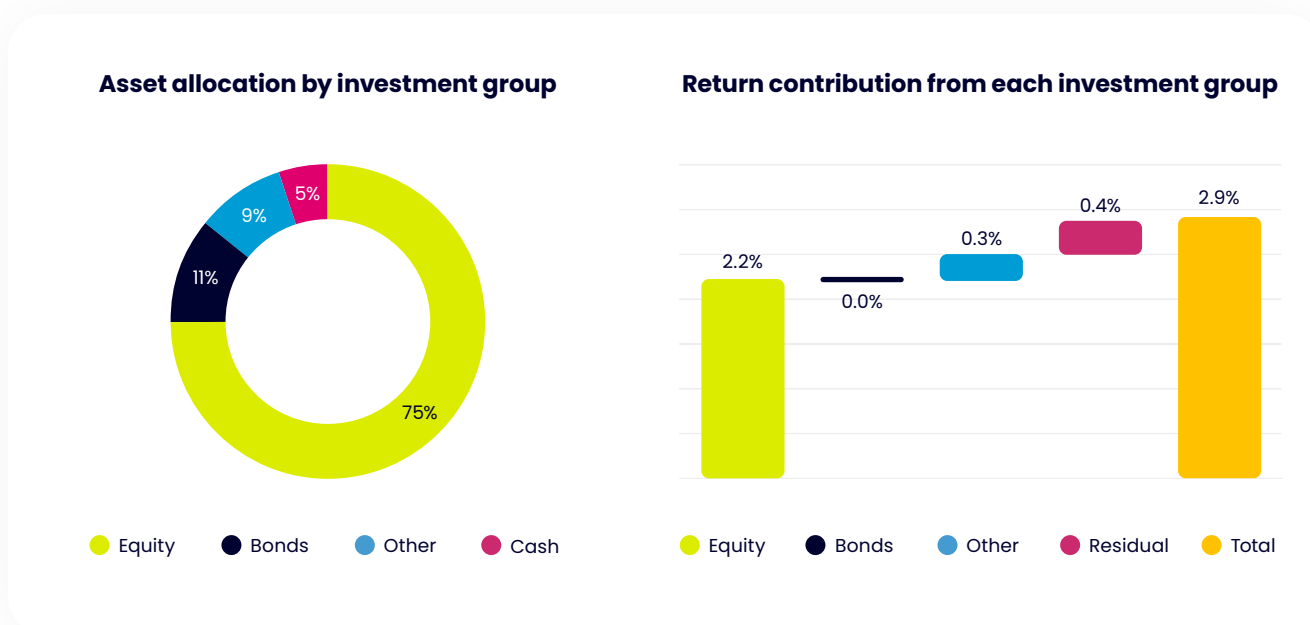
To achieve:

- 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 responsible investment 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)	2.9%	13.8%	6.6%	21.9%	92.4%	13.0%	-19.8%	16.7%	4.4%	15.7%
Return objective (cumulative)	1.7%	5.7%	32.7%	40.9%	66.3%	8.1%	14.9%	7.6%	3.4%	3.7%
Fund (annualised)		13.8%	2.2%	4.0%	5.9%					
Return objective (annualised)		5.7%	10.3%	7.6%	5.0%					

Fund breakdown



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.

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