

## Diversified Growth Fund

As at 31 December 2024

### Overview

The Diversified Growth Fund (DGF) is a growth focused 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 2.6% compared to the return objective of 1.9%. Over the 12 months a return of 12.8% was achieved compared to the return objective of 6.1%.

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 31 December, 80% 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 strong performance seen over 2024 continued into Q4, with the fund outperforming its objective.

October was a challenging month across most asset classes. Investors grew increasingly concerned about the potential for higher longer-term inflation and the implications of the US election. In the UK, commentary ahead the Budget added to market uncertainty. November markets were stronger with the confirmation of a Trump presidency, which fueled strong gains in US equities. Meanwhile, central banks continued to ease monetary policy, with the Fed and Bank of England both delivering their second interest rate cut of the year.

However, December proved to be a challenging month, marking a lackluster end to an otherwise strong year for markets. While the economic outlook remained positive, caution remained over persistent inflation. This led to concerns that interest rates may remain higher for longer, potentially slowing the pace of future cuts into 2025.

### Key facts

**Fund size:** £5.271 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:** 207.9339p

**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

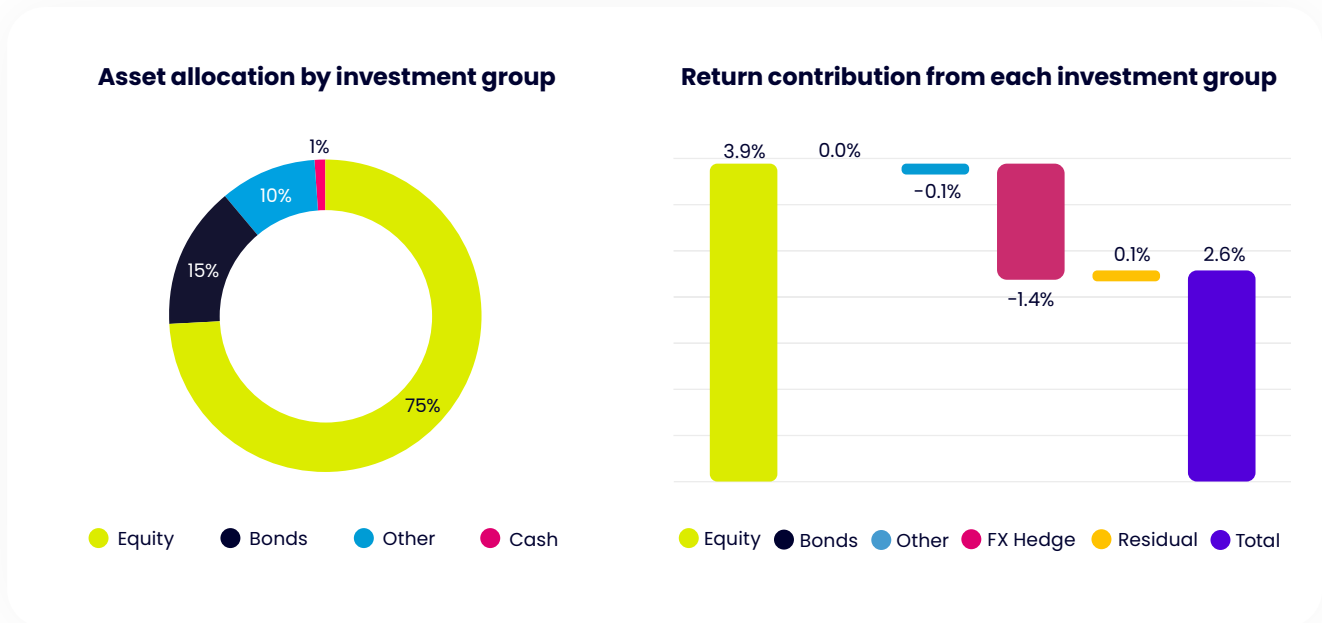
To achieve:

- 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*	2024	2023	2022	2021	2020
<b>Fund (cumulative)</b>	2.6%	12.8%	2.2%	24.6%	102.3%	12.8%	13.0%	-19.8%	16.7%	4.4%
<b>Return objective (cumulative)</b>	1.9%	6.1%	29.8%	42.1%	73.5%	6.1%	8.1%	14.9%	7.6%	3.4%
<b>Fund (annualised)</b>		12.8%	0.7%	4.5%	6.0%					
<b>Return objective (annualised)</b>		6.1%	9.4%	7.8%	5.2%					

## 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%. 'FX Hedge' refers to hedging the non-GBP exposure within the Equity building block.

\* Since Inception figures presented since 31 December 2012.

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