

Diversified Growth Fund

As at 30 September 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 2.5% compared to the return objective of 0.9%. Over the 12 months a return of 20.4% was achieved compared to the return objective of 5.3%.

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 September, 78% 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 third quarter of 2024 saw a continuation of the strong performance we have seen in the year so far with the fund outperforming its objective.

July began slowly, with equities making small positive gains while investors preferred government bonds due to increasing expectations of cuts in interest rates. August proved to be a mixed month across asset classes, due to notable volatility at the start of the month. This was brought about by a surprise interest rate increase from the Bank of Japan which caused large sell-offs in equity markets. This equity sell off reversed later in the month and carried into September. The quarter ended with gains across all asset classes, supported by the Federal Reserve's larger than expected interest rate cut.

While global inflation pressures eased during the quarter, they still present potential challenges for future central bank decisions regarding interest rates.

Key facts

Fund size: £5.019 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: 202.7289p

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

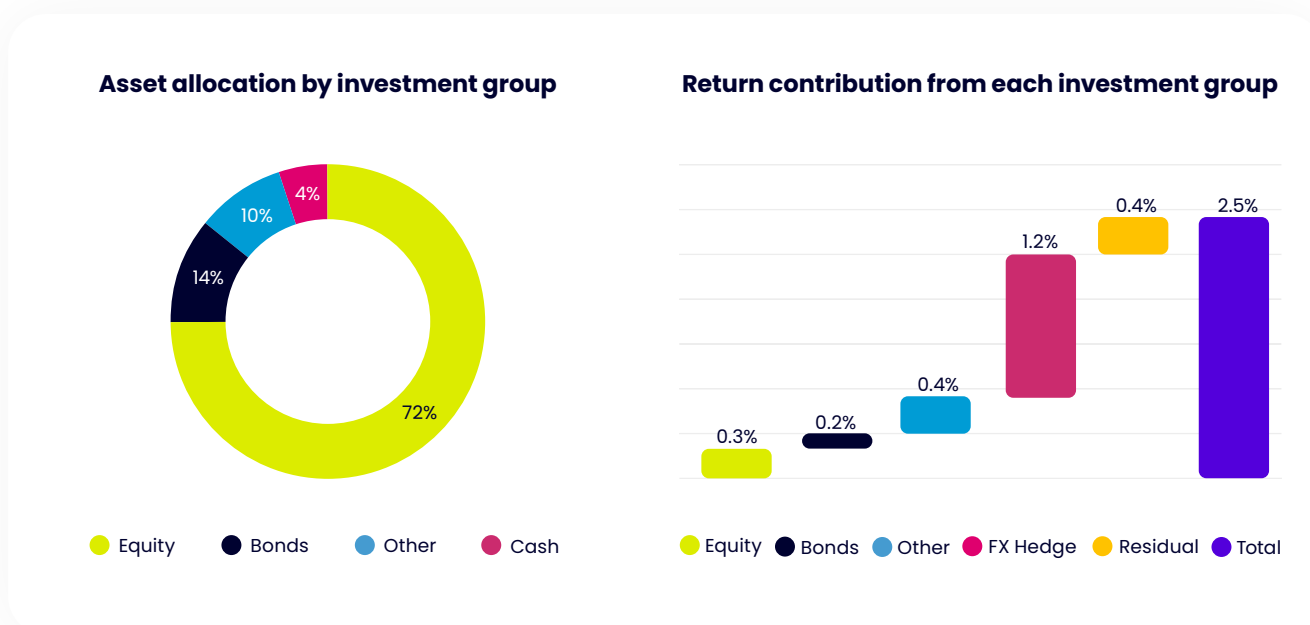
To achieve:

- 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)	2.5%	20.4%	6.7%	19.8%	97.2%	13.0%	-19.8%	16.7%	4.4%	15.7%
Return objective (cumulative)	0.9%	5.3%	31.5%	40.9%	70.9%	8.1%	14.9%	7.6%	3.4%	3.7%
Fund (annualised)		20.4%	2.2%	3.7%	6.0%					
Return objective (annualised)		5.3%	10.0%	7.6%	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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