

**PENSION FUND COMMITTEE
INVESTMENT SUB-COMMITTEE**



Thursday, 17 November 2022

Democratic and Members' Services
Fiona McMillan
Monitoring Officer

10:00

New Shire Hall
Alconbury Weald
Huntingdon
PE28 4YE

**Red Kite room New Shire Hall PE28 4YE
[Venue Address]**

AGENDA

Open to Public and Press

1. **Apologies for absence and declarations of interest**
*Guidance on declaring interests is available at
<http://tinyurl.com/cc-conduct-code>*
2. **Public Pension Fund Investment Sub-Committee minutes held 22 September 2022** 5 - 8
3. **Action Log** 9 - 10
4. **Petitions and Public Questions**
5. **Cambridgeshire Pension Fund Monitoring Report - Quarter to 30 September 2022** 11 - 28
6. **Stewardship and Engagement Update** 29 - 34
7. **Exclusion of Press and Public**
To resolve that the press and public be excluded from the meeting on the grounds that the agenda contains exempt information under

Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed information relating to the financial or business affairs of any particular person (including the authority holding that information)

8. Confidential minutes of Pension Fund Investment Sub-Committee held 22 September 2022

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

9. Cambridgeshire and Counties Bank Introduction

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

10. BlueBay Multi Asset Credit – Environmental, Social & Governance (ESG)

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

11. Property Portfolio Review

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

12. Climate Aware Passive Equity Investing

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

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Public speaking on the agenda items above is encouraged. Speakers must register their intention to speak by contacting [Democratic Services](#) no later than 12.00 noon three working days before the meeting. Full details of arrangements for public speaking are set out in Part 4, Part 4.4 of the Council's Constitution: [Procedure Rules hyperlink](#)

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The Pension Fund Committee Investment Sub-Committee comprises the following members:

Councillor Alison Whelan (Chair) Councillor Catherine Rae (Vice-Chair) Councillor Chris Boden Mr Lee Phanco and Mr John Walker Councillor Adela Costello Councillor Alan Sharp

Clerk Name:	Dawn Cave
Clerk Telephone:	01223 699178
Clerk Email:	dawn.cave@cambridgeshire.gov.uk

Public minutes of the Pension Committee Investment Sub-Committee

Date: 22 September 2022

Time: 10:00am-12.25pm

Place: New Shire Hall, Alconbury Weald

Present: County Councillors A Whelan (Chair), C Boden, A Costello and A Sharp; J Walker and L Phanco

Officers: B Barlow, D Cave (virtual), S Heywood (virtual), R McRobbie (virtual), D Snowdon and M Whitby

Advisers/Consultant: P Gent and C West (Mercer); S Gervaise-Jones

External presenters: B Peterkin and R Kuo (Dodge & Cox) (virtual)

35. Apologies and Declarations of Interest

Apologies were presented on behalf of Councillor C Rae.

John Walker declared a personal interest (i) as a retired member of the Local Government Pension Scheme (LGPS), (ii) his son and daughter-in-law were deferred members of the LGPS.

36. Public minutes of the Pension Fund Investment Sub-Committee held 26th May 2022

The public minutes of the Committee meeting held 26th May 2022 were agreed as a correct record.

37. Action Log

With regard to item 8 on the Action Log, officers advised that the Private Equity options meeting on 6th September had gone well, and the Sub-Committee would be presented with decisions for passive options at the November meeting.

The Action Log was noted.

Public Question

A public question from Cambridge Mothers Climate Action Network was considered by the Sub-Committee. This, and the officer response, is appended at Appendix 1.

The Chair thanked the Cambridge Mothers Climate Action Network for submitting their question, and officers for providing a response.

38. Cambridgeshire County Council Pension Fund Quarterly Performance Report for the period ending 30th June 2022

The Sub-Committee received a report summarising the performance of the Pension Fund for the quarter to 30th June 2022. The following points were highlighted:

- The value of the majority of Fund’s assets had decreased over the quarter, by £179M. However, this was exceeded by the decrease in the Fund’s liabilities, so the overall change in the funding position was positive. Each asset class was broadly in line with strategic targets. Alternatives were slightly overweight against the target allocation.
- The Fund outperformed the benchmark over the quarter (returning -4.3% against -6.4%), with notable outperformance by Longview;
- There was material underperformance by the Bluebay (MAC) mandate during the quarter (-9.7%) but this was in line with that asset class;
- The main reason for the current economic situation globally was inflation. Central banks were continuing to increase interest rates in their attempts to rein in inflation, and those increases were steeper than the market had anticipated. This was putting a downward pressure on prices, and for equities in particular, leading to a deterioration in market expectations. More recently, there had been some rebound in equity markets, particularly in the US, with other regions also seeing some positive returns;
- There was a negative return for Global equities over the second quarter, but the Fund’s Global equity allocation had outperformed the MSCI World Index return. In terms of individual managers, JO Hambro had underperformed over Quarter 2, but their longer term returns were more reassuring. Dodge & Cox follow a Value style, and had outperformed the index materially over the quarter (-2.5%), with positive returns over 12 months. Similarly Longview had enjoyed strong returns, with a positive return of 3% over the 12 month period;
- The performance of other asset classes including bonds, property and other Alternatives were outlined, along with the performance of each mandate against their relative asset classes.

Arising from the presentation:

- A Member asked how the benchmarks for each manager allocation were formulated. It was noted that they were developed by Mercer, based on their knowledge and experience of markets concerned, working with officers and the investment managers;
- In response to a question on the benchmarks for longer term performance, e.g. for one and three years, officers confirmed that these represented an accumulation of the short term figures, weighted according to the investment in those particular funds. Over a longer period of time these became a more effective comparator;

- A Member asked whether a stricter comparator was available to measure Fund performance, noting that there was a lot of comparator information available for LGPS Funds, and that the LAPF produced tables showing different metrics. Mercer advised that type of information could be considered but cautioned that they did not take into account all factors e.g. a Fund may appear to have strong performance compared to peer authorities but this could be due to having a more risky approach to asset allocation, and the Cambridgeshire Fund was well funded so did not need to take a high degree of risk. The Member commented that there were surprising difference between local authority pension funds in terms of allocations, and he was unclear as to why there was such great variability, and asked how Investment Sub-Committee Members could judge what the correct balance was. Mercer advised that the local authority universe was reviewed when looking at allocation, but ultimately allocations should be driven by the Cambridgeshire Fund's objectives and beliefs. The variability in performance among local authority funds reflected the wide range of different Fund sizes, ages, beliefs, funding levels and resources availability (i.e. officer capacity). At the time of the last Strategy Review, Cambridgeshire was very much middle of the pack in terms of equity allocations. A higher equity allocation may result in improved performance, but would be inherently riskier;
- A Member asked how the Sub-Committee could judge the direction of travel, and the metric that should be used going forward. The Independent Advisor highlighted that the upcoming Strategy Review would specifically address asset allocation, and would be an opportune moment to look at the wider picture. There were a multitude of reasons why funds end up in different situations, especially as funds move to more climate aware portfolios. The Member suggested that the LAPF asset allocations could be shared as part of that review process, as it would help if Members had as much information as possible;
- In discussion, it was stressed that asset allocation should be based on what was best for the Fund's current and future pensioners. The Fund was currently in a very stable position, and as a result was able to deliver stable contribution rates to employers;
- There was a discussion on the change in the funding level since the previous quarter, and the corresponding fall in the liability position. Advisors confirmed that whilst inflation pushed up the cost of liabilities across the board, the overall liability position had fallen due to level at which the present value was discounted: the increase in long term interest rates had reduced liabilities, long term gilt yields were used as the proxy.

The Sub-Committee resolved to note the report.

39. Exclusion of Press and Public

The Sub-Committee resolved that the press and public be excluded from the meeting for the following items on the grounds that they contained exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended (information relating to the financial or business affairs of any particular person (including the authority holding that information)) and that it would not be in the public interest for this information to be disclosed as they contained commercially sensitive information.

40. Confidential minutes of the Pension Fund Investment Sub-Committee held 26th May 2022

The confidential minutes of the Committee meeting held 26th May 2022 were agreed as a correct record.

41. Manager presentation - Dodge & Cox

Members received a presentation from Dodge & Cox.

The Sub-Committee resolved to note the report.

42. BlueBay Multi Asset Credit – Environmental, Social & Governance (ESG)

The Sub-Committee considered a report on an ESG variant to the Fund's current BlueBay Multi Asset Credit product.

It was resolved, by a majority, to:

- (i) Defer a decision on the new MAC ESG product offered by BlueBay.

Cambridgeshire
Pension Fund

Cambridgeshire Pension Fund Investment Sub-Committee
17th November 2022

Action log from ISC meeting held on 22 nd September 2022				
Item No.	Item	Action to be taken by	Comments	Completed
38	Strategy Review A Member suggested that the LAPF asset allocations could be shared as part of the upcoming Strategy Review.	Ben Barlow	Scheduled for February 2023 ISC meeting.	Ongoing
42	Bluebay Multi Asset Credit Further information to be provided on the merits of onboarding the ESG variant to an ACCESS Sub Fund over the standard MAC product.	Ben Barlow	Bluebay to present at November 2022 ISC meeting.	Ongoing

Action log from ISC meeting held on 26 th May 2022				
Item No.	Item	Action to be taken by	Comments	Completed
8	Private Equity Review Deeper review of Private Equity options to be undertaken during 2022-23	Ben Barlow	Scheduled for February 2023 ISC meeting.	Ongoing

Action log from ISC meeting held on 17 th February 2022				
Item No.	Item	Action to be taken by	Comments	Completed
5	Climate Action Plan			
	Head of Pensions with assistance from Mercer to produce options for implementing climate aware passive equity funds.	Ben Barlow	Climate aware passive options brought before May 2022 ISC Meeting. Virtual Manager Presentations completed on 6th September. Mercer to bring options for approval at November 2022 ISC meeting.	Ongoing
	Member requested information on progress against the Climate Action Plan is brought forward from 2024 to 2023.	Ben Barlow	Progress against the Climate Action Plan will be reported quarterly via business plan updates and more formerly via Mercer's annual reporting. Progress against the Climate Action Plan has been published on the Fund's member and employer websites together with an update report to Pension Committee in July 2022 and Pension Board in October 2022.	Ongoing
6	Equity Protection			
	A Member suggested that there should be a full training session before equity protection was next reviewed in 2023.	Ben Barlow	Officers are liaising with Investment Consultant and Provider – likely to be Jan/Feb 2023.	Ongoing

Cambridgeshire Pension Fund Monitoring Report Quarter to 30 September 2022

Chris West

November 2022



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Please also note:

- The value of investments can go down as well as up and you may not get back the amount you have invested. In addition investments denominated in a foreign currency will fluctuate with the value of the currency.
- The valuation of investments in property based portfolios, including forestry, is generally a matter of a valuer's opinion, rather than fact.
- When there is no (or limited) recognised or secondary market, for example, but not limited to property, hedge funds, private equity, infrastructure, forestry, swap and other derivative based funds or portfolios it may be difficult for you to obtain reliable information about the value of the investments or deal in the investments.
- Care should be taken when comparing private equity / infrastructure performance (which is generally a money-weighted performance) with quoted investment performance (which is generally a time-weighted performance). Direct comparisons are not always possible.

Chris West

Executive Dashboard

Funding

The present value of the Fund's liabilities decreased over the quarter (from £3,241m to £3,038m).

The Fund's assets (including cash) decreased marginally over the quarter by £8.3m to £4,096.8m as at 30 September 2022. The Fund's assets (including cash) have decreased by £77.1m over the last twelve months.

The estimated funding level at 30 September 2022 was c. 135%, up from c. 127% as at 30 June 2022. For comparison, the funding level at 31 March 2019 (the date of the previous actuarial valuation) was 100%.

Performance

Short Term Performance

The Fund marginally outperformed the benchmark over the quarter (returning -0.4% vs -0.5%).

Key Contributors to Relative Performance – Quarter

Outperformance in Private Equity	+0.6%
Schroders - Equity Protection	+0.3%
Underperformance by Dodge & Cox - Global Equity	-0.5%
Underperformance by JO Hambro - Global Equity	-0.3%

Longer Term Performance

	Fund	B'mark
1 Year (%)	-2.8	-3.4
3 Years (% p.a.)	5.8	5.9

Asset Allocation

In September 2022, £63m was disinvested from the UBS passive equity portfolios. These assets are earmarked to meet capital calls expected from the Fund's private equity managers and M&G Shared Ownership.

Overweight

Alternatives	+1.3%
Cash in transit	+1.5%

Underweight

Equities	-0.8%
Fixed Income	-2.0%

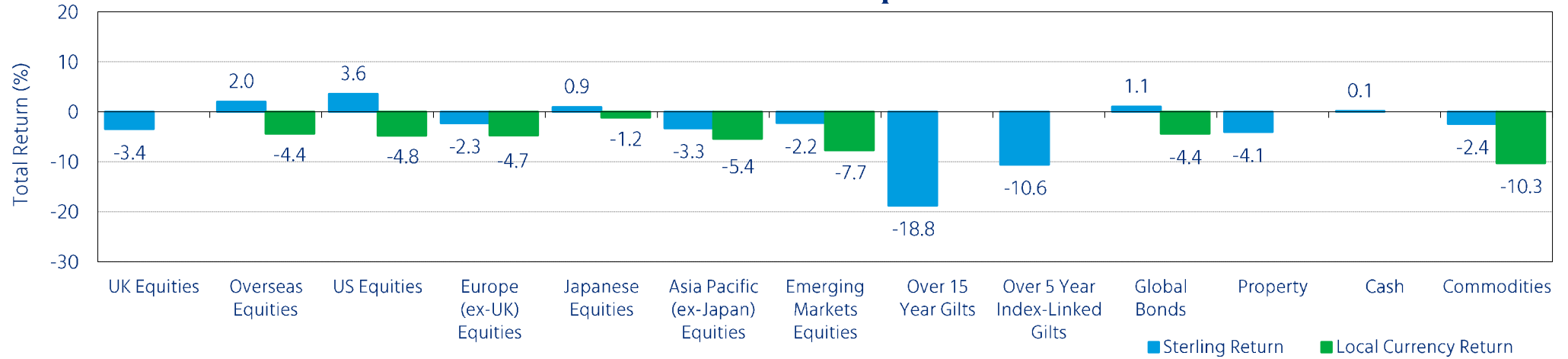
Manager Research

Rating Changes

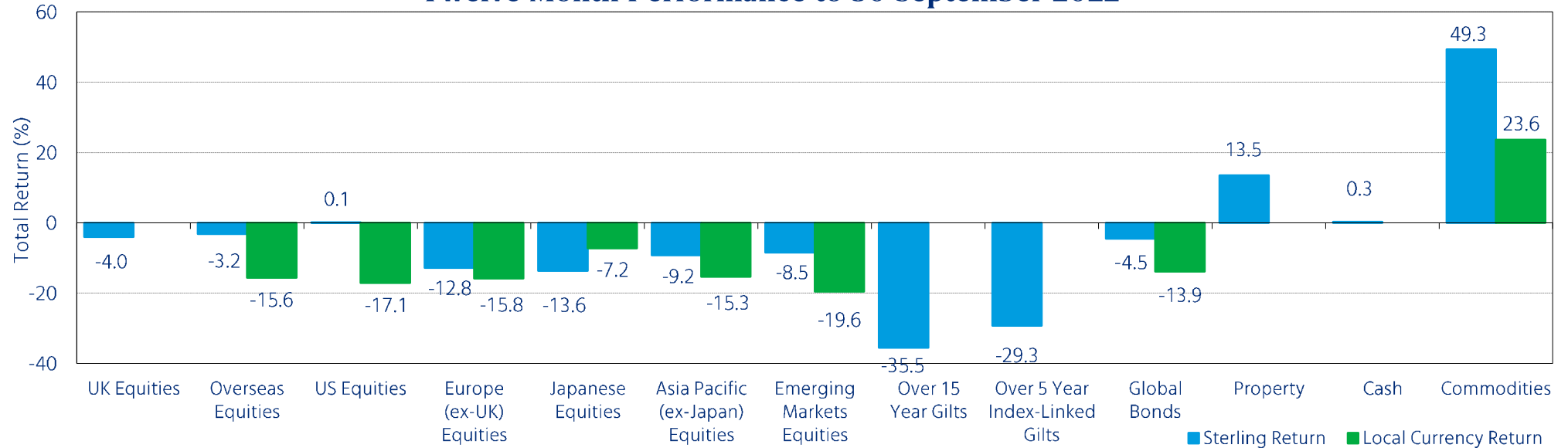
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Market Index Performance

Three Month Performance to 30 September 2022

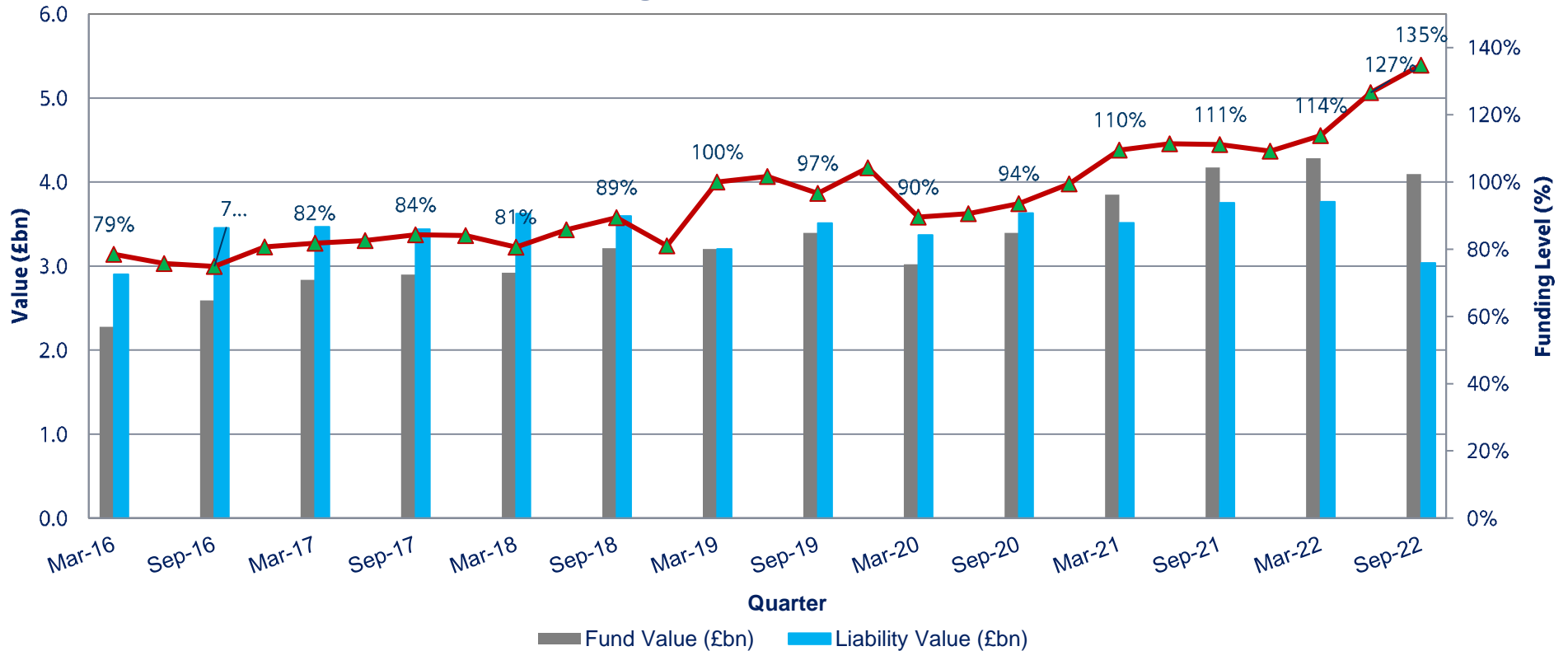


Twelve Month Performance to 30 September 2022



Funding

Funding Level since March 2016 Valuation



Source: Hymans Robertson & WM Performance Reports. Figures don't reconcile with the Hymans Robertson Funding report due to differences in the total asset value. The Funding Level is a ratio of assets to liabilities.

- There has been a general trend from 2016 of a rise in both liabilities and assets.
- There was an increase in funding level at the March 2016 and March 2019 valuations.
- The funding level as at 30 September 2022 was 135%, which is higher than the funding level as at 30 June 2022, largely driven by a fall in liability value.

Allocation

	30/06/2022 Market Value (£M)	30/09/2022 Market Value (£M)	30/06/2022 Allocation (%)	30/09/2022 Allocation (%)	30/09/2022 B'mark (%)	30/09/2022 B'mark Range (%)
Total Invested Assets	4,095.8	4,096.2	100.0	100.0	100.0	--
Equities	2,303.8	2,219.0	56.2	54.2	55.0	50.0 - 60.0
Fixed Income	560.1	534.0	13.7	13.0	15.0	12.0 - 18.0
Alternatives	1,231.9	1,280.2	30.1	31.3	30.0	25.0 - 35.0
Cash in transit	--	63.0	--	1.5	--	--

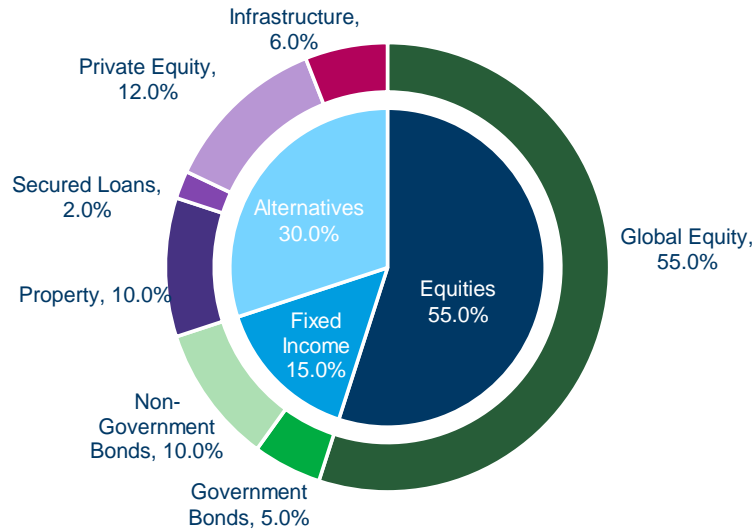
Source: Investment Managers, Link Asset Services and Mercer.

Figures may not sum to total due to rounding.

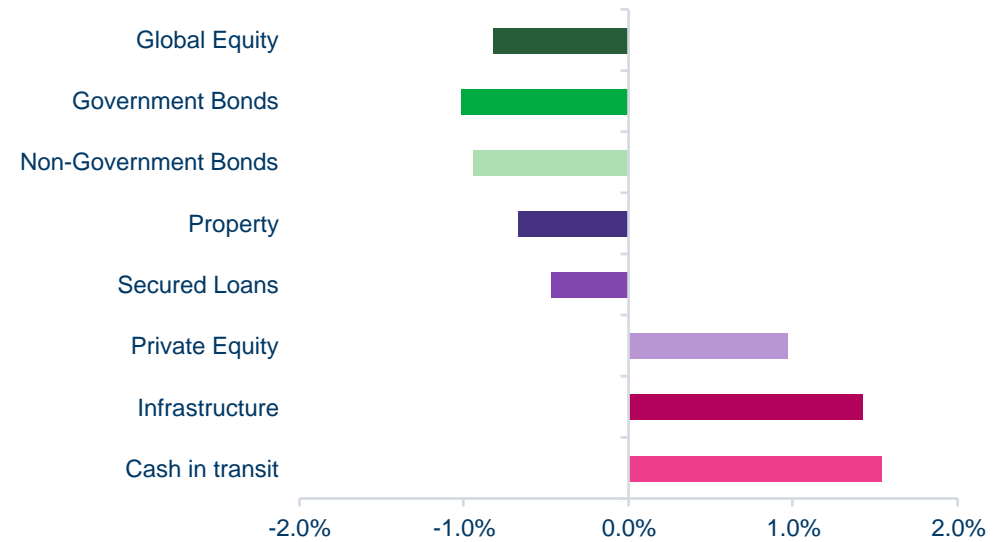
The total market value shown in the table above excludes cash (c. £8.7m) at the start of quarter.

Cash value at quarter end includes proceeds of £63m disinvestment from UBS equity in September 2022, earmarked to meet capital calls expected from the Fund's private equity managers and M&G Shared Ownership.

Benchmark Asset Allocation as at 30 September 2022



Deviation from Benchmark Asset Allocation



Manager Allocation (1/3)

	30/06/2022 Market Value (£M)	30/09/2022 Market Value (£M)	30/06/2022 Allocation (%)	30/09/2022 Allocation (%)	30/09/2022 B'mark (%)	30/09/2022 B'mark Range (%)
Total Invested Assets	4,095.8	4,096.2	100.0	100.0	100.0	--
Equities (inc. Equity Options)	2,303.8	2,219.0	56.2	54.2	55.0	50.0 - 60.0
Active Global Equity	1,415.7	1,405.0	34.6	34.3	35.0	--
JO Hambro - Global Equity	472.3	467.8	11.5	11.4	--	--
Dodge & Cox - Global Equity	548.6	537.5	13.4	13.1	--	--
Longview - Global Equity	394.8	399.7	9.6	9.8	--	--
Schroders - Equity Protection	20.9	33.1	0.5	0.8	--	--
Passive Equity	867.2	780.8	21.2	19.1	20.0	--
UBS - Passive Equity	867.2	780.8	21.2	19.1	20.0	--
Fixed Income	560.1	534.0	13.7	13.0	15.0	12.0 - 18.0
Government Bonds	183.6	163.1	4.5	4.0	5.0	--
Schroders - Bonds	183.6	163.1	4.5	4.0	5.0	--
Non-Government Bonds	376.5	370.9	9.2	9.1	10.0	--
Bluebay - Multi-Asset Credit	178.9	174.9	4.4	4.3	5.0	--
M&G - Multi-Asset Credit	197.6	196.0	4.8	4.8	5.0	--

Source: Investment Managers, Link Asset Services and Mercer.

Figures may not sum to total due to rounding.

End of quarter valuations for private equity and infrastructure mandates (exc. Equitix and IFM) are provisional and their benchmark allocations are drifting.

The total market value shown in the table above excludes cash (c. £8.7m) at the start of quarter.

Cash value at quarter end includes proceeds of £63m disinvestment from UBS equity in September 2022, earmarked to meet capital calls expected from the Fund's private equity managers and M&G Shared Ownership.

The total market value invested in ACCESS is c. £2,480.5m at the start of quarter and c. £2,381.8m at the end of quarter (shown in pink in the table above).

Manager Allocation (2/3)

	30/06/2022 Market Value (£M)	30/09/2022 Market Value (£M)	30/06/2022 Allocation (%)	30/09/2022 Allocation (%)	30/09/2022 B'mark (%)	30/09/2022 B'mark Range (%)
Alternatives	1,231.9	1,280.2	30.1	31.3	30.0	25.0 - 35.0
Property	392.5	382.3	9.6	9.3	10.0	--
Schroder - Property	318.7	307.6	7.8	7.5	7.0	--
M&G - Residential Property	57.5	58.5	1.4	1.4	1.5	--
M&G - Shared Ownership	16.2	16.2	0.4	0.4	1.5	--
Secured Loans	61.9	62.6	1.5	1.5	2.0	--
M&G - Secured Loans	61.9	62.6	1.5	1.5	2.0	--
Private Equity	484.7	531.3	11.8	13.0	12.0	--
Adams Street - Private Equity	176.6	200.9	4.3	4.9	--	--
HarbourVest - Private Equity	183.6	202.4	4.5	4.9	--	--
Foresight - Private Equity	24.5	28.0	0.6	0.7	--	--
Cambridgeshire and Counties Bank	85.0	85.0	2.1	2.1	--	--
Cambridgeshire Building Society	15.0	15.0	0.4	0.4	--	--

Source: Investment Managers, Link Asset Services and Mercer.

Figures may not sum to total due to rounding.

End of quarter valuations for private equity and infrastructure mandates (exc. Equitix and IFM) are provisional and their benchmark allocations are drifting.

The total market value shown in the table above excludes cash (c. £8.7m) at the start of quarter.

Cash value at quarter end includes proceeds of £63m disinvestment from UBS equity in September 2022, earmarked to meet capital calls expected from the Fund's private equity managers and M&G Shared Ownership.

The total market value invested in ACCESS is c. £2,480.5m at the start of quarter and c. £2,381.8m at the end of quarter (shown in pink in the table above).

Manager Allocation (3/3)

	30/06/2022 Market Value (£M)	30/09/2022 Market Value (£M)	30/06/2022 Allocation (%)	30/09/2022 Allocation (%)	30/09/2022 B'mark (%)	30/09/2022 B'mark Range (%)
Infrastructure	292.8	304.1	7.1	7.4	6.0	--
UBS - Infrastructure	9.2	9.9	0.2	0.2	--	--
Equitix - Infrastructure	30.6	30.3	0.7	0.7	--	--
Partners Group - Infrastructure	50.4	51.3	1.2	1.3	--	--
AMP Capital - Infrastructure Debt	42.2	42.8	1.0	1.0	--	--
Allianz - Infrastructure Debt	15.1	14.9	0.4	0.4	--	--
IFM - Infrastructure Equity	82.4	87.7	2.0	2.1	--	--
JPM - Infrastructure Equity	62.9	67.3	1.5	1.6	--	--
Cash in transit	--	63.0	--	1.5	--	--

Source: Investment Managers, Link Asset Services and Mercer.

Figures may not sum to total due to rounding.

End of quarter valuations for private equity and infrastructure mandates (exc. Equitix and IFM) are provisional and their benchmark allocations are drifting.

The total market value shown in the table above excludes cash (c. £8.7m) at the start of quarter.

Cash value at quarter end includes proceeds of £63m disinvestment from UBS equity in September 2022, earmarked to meet capital calls expected from the Fund's private equity managers and M&G Shared Ownership.

The total market value invested in ACCESS is c. £2,480.5m at the start of quarter and c. £2,381.8m at the end of quarter (shown in pink in the table above).

Net Manager Performance (1/2)

	2022 Q3 (%)	B'mark (%)	1 Yr (%)	B'mark (%)	3 Yrs (%)	B'mark (%)	5 Yrs (%)	B'mark (%)
Total	-0.4	-0.5	-2.8	-3.4	5.8	5.9	6.4	6.9
Equities	-1.1	-0.3	-6.0	-6.4	5.5	6.4	6.3	7.6
Equities (ex. Equity Options)	-1.7	-0.3	-6.9	-6.4	6.2	6.4	6.7	7.6
JO Hambro - Global Equity	-1.0	1.4	-15.9	-4.2	6.5	7.2	9.1	8.4
Dodge & Cox - Global Equity	-2.0	0.6	3.3	4.7	8.6	5.4	7.0	6.3
Longview - Global Equity	1.3	1.4	0.7	-4.2	--	--	--	--
UBS - Passive Equity	-3.1	-3.3	-9.9	-10.2	5.0	4.9	--	--
Fixed Income	-4.7	-3.2	-15.9	-8.6	-4.4	-2.8	-1.2	0.1
Schroders - Bonds	-11.3	-11.3	-29.3	-29.3	--	--	--	--
Bluebay - Multi-Asset Credit	-2.3	0.4	-14.2	0.7	--	--	--	--
M&G - Multi-Asset Credit	-0.8	1.4	-2.6	4.7	--	--	--	--

Figures shown are net of fees and based on performance provided by the Investment Managers, Link Asset Services, WM, Mercer estimates and Refinitiv.

For periods over one year the figures in the table above have been annualised.

Total Equities, Total Fixed Income, Total Alternatives and Total Fund performance includes the performance of terminated mandates.

Total and Equities (inc. Equity Options) fund performance include the contribution of the equity protection strategy managed by Schroders.

M&G Shared Ownership last quarter performance is always assumed zero due the lag in final data.

Total Fund and Alternatives performances include quarterly performances for the private markets managers, calculated by Mercer using a Modified Dietz approach based on data provided by these managers (with the exception of IFM where performance is provided by the manager). Over the long term, performances are chain linked using quarterly Total Fund performances. Performance shown is net of illiquid mandates' fees. Performance for the underlying private equity and infrastructure mandates is shown in the GBP currency with a quarter lag. Benchmark performance shown for the underlying private equity mandates is the rolling 3 year MSCI World Index return, averaged on a quarterly basis.

M&G Multi-Asset Credit performance figures are reported by Link Asset Group with one month lag.

Net Manager Performance (2/2)

	2022 Q3 (%)	B'mark (%)	1 Yr (%)	B'mark (%)	3 Yrs (%)	B'mark (%)	5 Yrs (%)	B'mark (%)
Alternatives	2.8	0.7	11.6	5.1	11.4	8.3	10.0	8.2
Schroder - Property	-3.6	-4.0	9.8	13.3	6.4	7.6	6.2	6.7
M&G - Residential Property	1.9	1.5	6.5	6.0	2.9	6.0	--	--
M&G - Shared Ownership	0.0	1.5	9.1	6.0	--	--	--	--
M&G - Secured Loans	1.2	1.4	-4.4	4.8	0.4	4.6	1.5	4.7
Adams Street - Private Equity	0.6	2.3	21.2	9.2	29.0	9.2	24.5	9.7
HarbourVest - Private Equity	4.3	2.3	41.1	9.2	35.7	9.2	28.2	9.7
Foresight - Private Equity	0.5	2.3	20.7	9.2	--	--	--	--
UBS - Infrastructure	3.9	2.5	-4.4	10.0	-9.9	10.0	-3.1	10.0
Equitix - Infrastructure	8.0	2.5	3.9	10.0	0.5	10.0	5.5	10.0
Partners Group - Infrastructure	1.6	2.5	12.7	10.0	9.4	10.0	10.9	10.0
AMP Capital - Infrastructure Debt	4.3	2.5	12.2	10.0	5.0	10.0	5.4	10.0
Allianz - Infrastructure Debt	-12.3	1.0	-22.1	4.0	-6.1	4.0	--	--
IFM - Infrastructure Equity	8.3	2.5	23.9	10.0	--	--	--	--
JPM - Infrastructure Equity	6.2	2.5	15.1	10.0	--	--	--	--

Figures shown are net of fees and based on performance provided by the Investment Managers, Link Asset Services, WM, Mercer estimates and Refinitiv.

For periods over one year the figures in the table above have been annualised. Total Equities, Total Fixed Income, Total Alternatives and Total Fund performance includes the performance of terminated mandates.

Total and Equities (inc. Equity Options) fund performance include the contribution of the equity protection strategy managed by Schroders.

M&G Shared Ownership last quarter performance is always assumed zero due the lag in final data.

Total Fund and Alternatives performances include quarterly performances for the private markets managers, calculated by Mercer using a Modified Dietz approach based on data provided by these managers (with the exception of IFM where performance is provided by the manager). Over the long term, performances are chain linked using quarterly Total Fund performances. Performance shown is net of illiquid mandates' fees. Performance for the underlying private equity and infrastructure mandates is shown in the GBP currency with a quarter lag. Benchmark performance shown for the underlying private equity mandates is the rolling 3 year MSCI World Index return, averaged on a quarterly basis.

M&G Multi-Asset Credit performance figures are reported by Link Asset Group with one month lag.

Appendix

Appendix A

Benchmarks

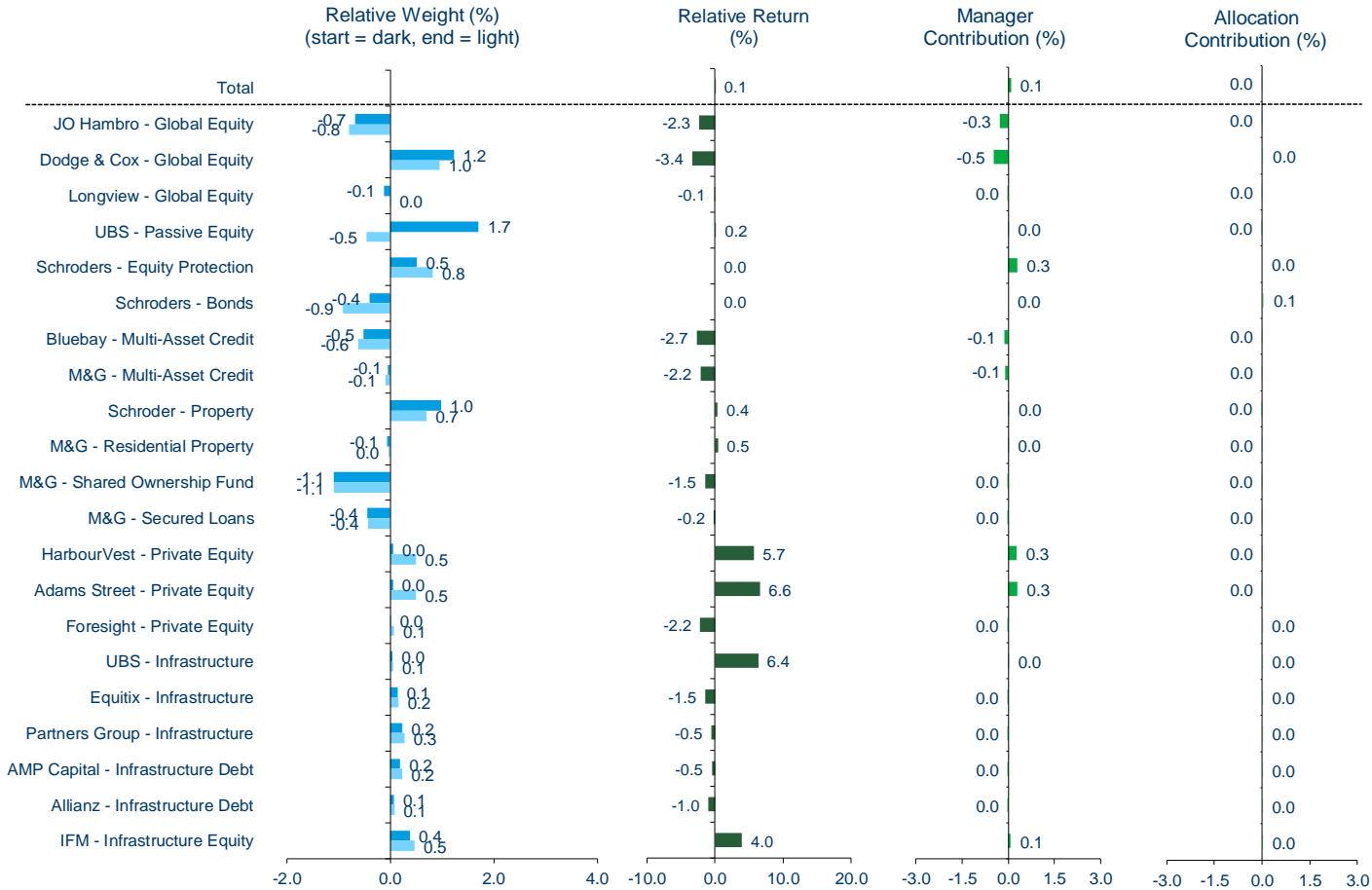
Name	B'mark (%)	Performance Benchmark	Performance Target	Tracking Error Expectation
Total Invested Assets	100.00	-	-	-
Equities (inc. Equity Options)	55.00	-	-	-
JO Hambro - Global Equity	35.0	MSCI AC World (NDR) Index	+3.00% p.a. (gross of fees)	5.00% - 12.00% p.a.
Dodge & Cox - Global Equity		MSCI AC World Value Index	+3.00% p.a. (gross of fees)	-
Longview - Global Equity		MSCI AC World (NDR) Index	Capital growth, net of fess, over the long term	-
Schroders - Equity Protection		-	-	-
UBS - Passive Equity	20.00	Composite Benchmark	To match the benchmark	-
Fixed Income	15.00	-	-	-
Schroders - Bonds	5.00	Assumed equal to fund performance	-	-
Bluebay - Multi-Asset Credit	5.00	SONIA	-	-
M&G - Multi-Asset Credit	5.00	SONIA + 4% p.a.	-	-
Alternatives	30.00	-	-	-
Schroder - Property	7.00	MSCI All Balanced Property Funds Index	+0.75% p.a. (net of fees)	-
M&G - Residential Property	1.50	Absolute Return of 6.0% p.a.	-	-
M&G - Shared Ownership	1.50	Net Return of 5-7% p.a.	-	-
M&G - Secured Loans	2.00	SONIA +4.0% p.a.	-	-
Private Equity	12.00	-	-	-
Adams Street - Private Equity		MSCI World Index	+3.00% p.a. (gross of fees)	-
HarbourVest - Private Equity		MSCI World Index	+3.00% p.a. (gross of fees)	-

Name	B'mark (%)	Performance Benchmark	Performance Target	Tracking Error Expectation
Foresight - Private Equity		MSCI World Index	+3.00% p.a. (gross of fees)	-
Infrastructure	6.00	-	-	-
UBS - Infrastructure		IRR of 10.0% p.a.	-	-
Equitix - Infrastructure		IRR of 10.0% p.a.	-	-
Partners Group - Infrastructure		IRR of 10.0% p.a.	-	-
AMP Capital - Infrastructure Debt		IRR of 10.0% p.a.	-	-
Allianz - Infrastructure Debt		IRR of 4.0% p.a.	-	-
IFM - Infrastructure Equity		IRR of 10.0% p.a.	-	-
JPM - Infrastructure Equity		IRR of 10.0% p.a.	-	-

Dodge & Cox performance is monitored against the MSCI AC World Value Index, but the MSCI AC World (NDR) Index is used in total benchmark performance calculations.

Appendix B

Detailed Attribution Analysis - Quarter



Please note that the relative return and relative weight charts use unrounded performance and allocation figures to calculate the relative difference, hence the numbers are not directly comparable to the implied relative difference given in the performance and allocation tables. All Global Equity Funds use MSCI AC World index as the underlying benchmark. Total Fund performance figures exclude the Cambridgeshire and Counties Bank and Cambridgeshire Building Society private equity mandates so relative weights will not tie up with the allocation tables. Private equity and infrastructure mandate performance is based on estimates for current quarter.

Explanation of Attribution Analysis Chart

The purpose of the attribution analysis chart is give a visual representation of the contribution of each portfolio to the relative performance of the Total Scheme against the Total Benchmark". The contribution is apportioned between "Manager Contribution" and "Allocation Contribution. Further explanation of the terms used in the chart is given below.

Relative Weight - This is the difference in percentage terms of the actual Scheme allocation and benchmark allocation at both the start and end of the period. A bar greater (less) than zero indicates that the Scheme was overweight (underweight) to that portfolio.

Relative Performance - This shows the relative performance of the portfolio against its benchmark performance. A bar greater than zero indicates there was outperformance, whereas a bar less than zero indicates underperformance.

Quarterly Manager Contribution - This shows the contribution at a total level of the relative performance achieved by the portfolio, taking into account the initial actual allocation. A larger allocation will lead to a greater contribution at a total level (all other things being equal).

Positive (negative) relative performance will result in positive (negative) manager contribution. Note that for passive mandates manager contributions should be close to zero, given its performance objective of tracking the benchmark. In calculation terms this is as follows:

$$\text{Manager Contribution} = (\text{Performance}_{pi} - \text{Performance}_{bi}) \times \text{Initial Actual Allocation}_{pi}$$

Quarterly Allocation Contribution - The allocation contribution shows whether a portfolio underweight / overweight position has had a positive or negative effect on the Total Scheme outperformance / underperformance in relation to the Total Scheme Benchmark.

For example, an overweight allocation to a portfolio whose benchmark performance was superior to that of the Total Scheme Benchmark would result in a positive contribution. In calculation terms this is as follows:

$$\text{Allocation Contribution} = (\text{Performance}_{bi} - \text{Performance}_{bT}) \times (\text{Actual Allocation}_{pi} - \text{Benchmark Allocation}_{bi})$$

Please note that the relative return and relative weight figures shown in the chart use unrounded performance and allocation figures to calculate the relative differences. Therefore, the numbers are not directly comparable to the implied relative differences given in the performance table and allocation tables.

Key: pi = portfolio I; bi = portfolio I benchmark; bT = Total Fund benchmark

Attribution for Quarters with Significant Events - In cases where there are significant events over the quarter (for example large cashflows, new or terminated portfolios), both manager and allocation contributions are first calculated for the underlying part periods. The quarterly contributions are then a sum of the part period contributions.



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Cambridgeshire Pension Fund

Investment Sub Committee

17 November 2022

Report by: Head of Pensions

Subject: Stewardship and Engagement Update

Purpose of the Report: To update the Investment Sub Committee stewardship and engagement matters relating to the Fund's investments.

Recommendations: The Investment Sub Committee:

- a) Note the report.

Enquiries to: Ben Barlow, Funding and Investments Manager.
Tel – 07831 123167
E-mail – Ben.Barlow@Westnorthants.gov.uk

1. Executive summary

- 1.1. The Cambridgeshire Pension Fund recognises the importance of promoting good governance and management in the companies in which the Fund invests. The Fund expects investment managers to exercise voting rights and engage with companies with the aim of good stewardship of the Fund's assets.
- 1.2. This report updates the ISC on:
 - 1.2.1. The Fund's voting activity during the six months to 30 June 2022 for assets held within the ACCESS pool, covering approximately 60% of the Fund's assets.
 - 1.2.2. a summary of investment managers engagement activity on behalf of ACCESS authorities in which the Fund invests within the ACCESS Pool covering the period between April to June 2022.
 - 1.2.3. a summary of the Local Authority Pension Fund Forum (LAPFF) engagement and voting activity for the period between April to September 2022.
- 1.3. Further information on specific stewardship and engagement activities summarised in this report is available from Officers on request.

2. Background

- 2.1. The Fund believes that Environmental, Social and Corporate Governance (ESG) issues create material risks and opportunities which will influence long term investment performance and the ability of the Fund to achieve its investment and funding objectives. Therefore, good ESG and stewardship practices should be integrated throughout the investment process of the Fund.
- 2.2. Good stewardship can protect and enhance value for companies and markets as a whole. The Fund is committed to being a long-term steward of the assets in which it invests. It believes in the importance of investment managers acting as active asset owners through

proactive voting and engagement with companies. In addition, the Fund believes that acting collectively with other investors is an effective way to engage with companies.

- 2.3. The Fund includes in its Investment Strategy Statement a policy on the exercise of the rights (including voting rights) attached to investments. Specifically with regards to stewardship and engagement, the Fund expects its investment managers to:
 - 2.3.1. Exercise our rights as owners of investments by actively participating in company level decisions tabled as shareholder votes at General Meetings.
 - 2.3.2. Engage with companies where there are concerns over ESG issues.
 - 2.3.3. Vote pool-aligned assets in accordance with the ACCESS Voting guidelines on a “comply or explain” basis and inform the Fund of voting outcomes.
 - 2.3.4. Report on their voting activity on a regular basis, with ACCESS Pool managers required to report on a monthly basis.
- 2.4. The Fund believes that acting collectively with other investors, for example, with partner authorities in the ACCESS pool or through membership of the Local Authority Pension Fund Forum (LAPFF), is an effective way to engage with companies.

3. Voting

- 3.1. The Fund has been working collaboratively with ten other Funds in the ACCESS Pool to jointly meet HM Government’s published criteria on asset pooling.
- 3.2. The ACCESS Joint Committee (AJC) is the formal decision-making group within the ACCESS Pool. Each Administering Authority is represented on the AJC by a representative from its Pension Committee (or equivalent governance body). The Fund has 60% of its assets under pooled governance.
- 3.3. The AJC agreed the voting guidelines for inclusion by the pool operator, Link Fund Solutions (LFS), in their Investment Management Agreements. These guidelines set out those matters of importance to the ACCESS Council’s and promote good corporate governance and management in the companies in which investments are made. In circumstances where investment managers do not adopt the positions set out in these guidelines, they are required to provide a robust explanation of the position adopted.
- 3.4. ACCESS also expects that investment managers will be signatories to and comply with the Financial Reporting Council’s Stewardship Code and United Nations Principles of Responsible Investment.
- 3.5. A summary of the voting activity for the six months ending 30 June 2022 is set out below for each of the ACCESS sub-funds the Fund invests:

Sub-Fund Name	Manager	Number of Meetings	Number of Votes Cast		
			For	Against	Other
LF ACCESS Global Stock	Dodge & Cox	66	948	128	14
LF ACCESS Global Equity – JOHCM	J O Hambro	33	383	62	5
LF ACCESS Global Equity	Longview	29	250	188	34
		128	1581	378	53

- 3.6. During the six months ending 31 March 2022 there were 128 company meetings, which include Annual general Meetings (AGMs) and Extraordinary General Meetings (EGMs).
In total there were 2,012 votes cast by investment managers on behalf of ACCESS Authorities in which the Cambridgeshire Pension Fund invests within the ACCESS pool. Of

the votes cast, 1,581 were for and 378 against manager’s proposals. There were 53 instances where votes were not cast, or managers chose to abstain from voting.

- 3.7. Investment managers use their discretion to cast votes not aligned to the ACCESS voting guidelines where they feel it is in the shareholders best interest to do so. Categories where votes against the ACCESS voting guidelines during the last 6 months include, appointment of auditors, election of directors, and remuneration.
- 3.8. There were no instances where the fund manager has overridden the ACCESS voting policy in the last six months for assets held under pooled governance.
- 3.9. The ACCESS voting guidelines are expected to be reviewed shortly, as this was identified as a priority activity within the ACCESS RI Guidelines. This work being co-ordinated by the Pool’s ESG/RI sub-group, chaired by the Head of Pensions.

4. Engagement activities – ACCESS Pool

- 4.1. The Cambridgeshire Pension Fund receives regular reporting on engagement activities for assets held within the ACCESS Pool. This includes dialogue between investment managers and LFS in order to promote good corporate governance and management in companies in which the Fund invests.
- 4.2. A summary of engagements by manager is covering three months to 30 June 2022 is shown below :

Manager	Types of Engagement
Dodge & Cox	<ul style="list-style-type: none"> • Corporate governance • Environmental/Social • AGM or EGM proposals
JO Hambro	<ul style="list-style-type: none"> • Environmental • Social • Governance • Disclosure
Longview	<ul style="list-style-type: none"> • Corporate governance • Environmental/Social • AGM or EGM proposals

5. Engagement Activity – Direct

- 5.1. The Fund engages directly with investment managers through regular meetings with officers on a rotational basis and via quarterly Investment Sub Committee meetings.
- 5.2. Discussions and challenge include fund performance as well as stewardship and engagement activities the investment manager have undertaken on behalf of the Fund.
- 5.3. In addition to proactive voting, investment managers should act as active asset owners through engagement with companies where there are concerns over environmental, social and governance (ESG) issues.
- 5.4. The Fund has recently written to investment managers setting out it’s aims and ambitions for the Fund to reach net carbon zero by 2050 or earlier, and asking how the investment manager can help the Fund achieve these goals. Investment managers have acknowledged these aims and ambitions and are keen to help the Fund on its decarbonisation journey and achieve the milestones set out within the Fund’s Climate Action Plan.

6. Voting and Engagement – Passive Funds

6.1. UBS invest in pooled passive funds on behalf of the Fund. The passive funds are not within the ACS structure itself, therefore UBS do not have to adhere to the ACCESS voting policy. However, UBS operate a high-quality programme of stewardship and engagement on behalf of the Fund.

7. Local Authority Pension Fund Forum

7.1. The Cambridgeshire Pension Fund is a member of the Local Authority Pension Fund Forum (LAPFF). LAPFF exists to promote the investment interests of local authority pension funds and to maximise their influence as shareholders, whilst promoting corporate social responsibility and high standards of corporate governance among the companies in which they invest.

7.2. LAPFF engages with hundreds of companies to amplify the local authority voice and accelerate change. Their understanding of problems facing companies and ability to voice concerns is enhanced by also engaging with company stakeholders.

7.3. The following table is a summary showing the companies and topics which the LAPFF has engaged between April and September 2022.

Period	Engagement Topics	Engagements
April-June 2022	<ul style="list-style-type: none"> • Social Risk • Finance and Accounting • Employment Standards • Audit Practices • Governance (general) • Environmental Risk • Human Rights • Climate Change 	Mining, Electric Vehicles, Vale, Rio Tinto, Occupied Palestinian Territories (OPT) Engagements, J Sainsbury plc, Nestlé, Suzano, National Grid, London Stock Exchange Group, Anglo American, Arcelor Mittal, Novartis, LyondellBasell, Total, Water Utilities, Rathbones Votes Against Slavery, Asia Research and Engagement, Global Standard on Climate Lobbying, Human Rights Collaborations, CA100+ Transport Group, Institutional Investor Group on Climate Change (IIGCC), The Investor Initiative for Opioid Accountability (IOPA), Investor Initiative for Responsible Care
July-September 2022	<ul style="list-style-type: none"> • Climate Change • Employment Standards • Human Rights • Board Composition • Supply Chain Management • Governance • Social Risk • Campaign • Environmental Risk 	Alphabet inc., Amazon.com inc., Apple inc., BHP Group Limited (AUS), Charter Communications inc., CIMB Group Holdings BERHAD, Electric Power Development co., Ford Motor Company, ITV plc, JD Sports Fashion Plc, Kasikornbank pcl, Kellogg Company, Liberty Media Corporation, London Stock Exchange Group Plc, Marks & Spencer Group Plc, Mercedes-Benz Group AG, Meta Platforms Inc, Mizuho Financial Group Inc, National Grid Gas Plc, Next Plc, Paccar Inc., Rio Tinto Plc, Rolls-Royce Holdings Plc, Royal Mail plc, Siemens AG, SSE Plc, Starbucks Corporation, Sumitomo Mitsui Financial Group, Tesco

		Plc, Tesla Inc, Thermo Fisher Scientific Inc., TRANSDIGM Group Incorporated, Vale SA, Volvo AB, Walmart Inc.
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8. Recommendation

8.1. That the Investment Sub Committee:

8.1.1. Note the report.

9. Relevant Pension Fund Objectives

- 9.1. To have robust governance arrangements in place, to facilitate informed decision-making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- 9.2. To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.
- 9.3. To ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
- 9.4. To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.

10. Finance & Resources Implications

- 10.1. There are no resources implications arising from the proposals in this paper. Legal fees for review of subscription documentation are included in the Fund's budget.

11. Risk Management

- 11.1. The ISC have the Authority to review and maintain the asset allocation of the Fund within parameters agreed with the Pension Fund Committee and the authority to appoint and terminate investment managers to the Fund. In both proposing the strategy to the Pension Fund Committee and implementing the strategy the ISC are advised by external profession Investment Consultants, Mercer Ltd and the Fund's Independent Adviser.
- 11.2. The risks associated with implementing the strategy have been captured in the Fund's risk register as detailed below.

RISK MITIGATED	RESIDUAL RISK
Failure to respond to changes in economic conditions.	Amber
As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund's investments.	Amber
Failure to understand and monitor risk and compliance	Green
Failure to provide relevant information to the Pension Committee/Local Pension Board to enable informed decision making.	Green
Failure to respond to changes in economic conditions.	Amber

- 11.3. The Fund's full risk register can be found on the Fund's website at the following link: [Fund's Risk Register](#)

12. Communication Implications

- 12.1. None.

13. Legal Implications

13.1. There are no legal implications arising from the report.

14. Consultation with Key Advisers

14.1. This paper has been produced in conjunction with the Fund's Investment Consultants, Mercer.

15. Alternative Options Considered

15.1. Included in the paper.

16. Background Papers

16.1. None.

17. Appendices

17.1. Available on request.

Checklist of Key Approvals

Is this decision included in the Business Plan? Not applicable.

Will further decisions be required? If so, please outline the timetable here. No.

Is this report proposing an amendment to the budget and/or policy framework? No.

Has this report been cleared by Chief Finance Officer/Section 151 Officer? Yes. Sarah Heywood

Has this report been cleared by Head of Pensions? Yes. Mark Whitby

Has the Chair of the Pension Fund Committee been consulted? Yes. Cllr Whelan

Has this report been cleared by Legal Services? Yes. Fiona McMillan