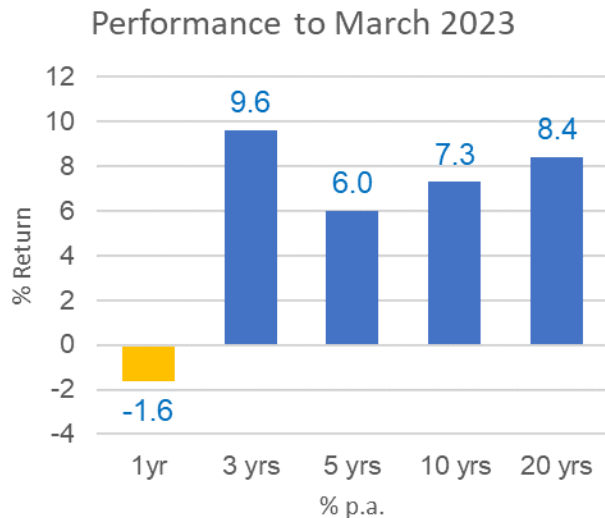




Gloucestershire Pension Fund

Performance to March 2023

How Did The LGPS Perform?



The average fund delivered a negative investment return in the latest year.

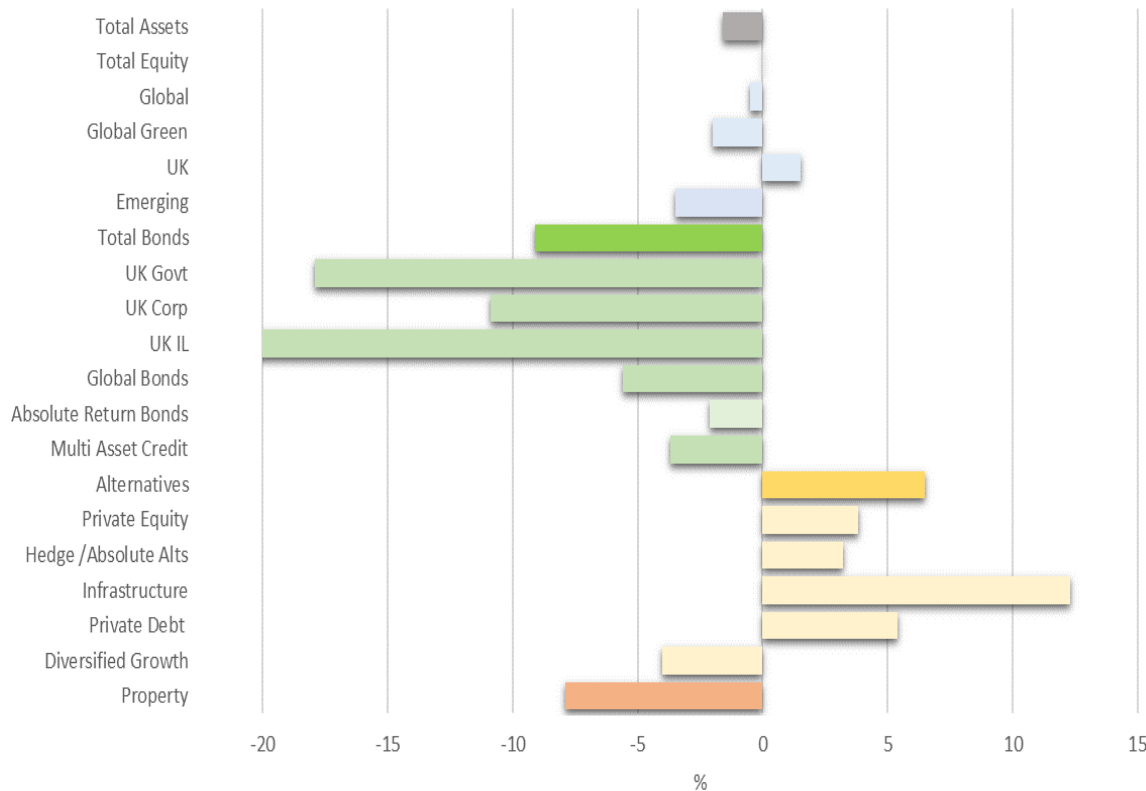
Asset class results strongly diverged and the range of results widened.

The average return was well ahead of the median (three quarters of funds underperformed the average)

The Northern Pool funds and LPPI performed particularly strongly

Longer term results are still well ahead of inflation and funds' actuarial assumptions.

The Latest Year



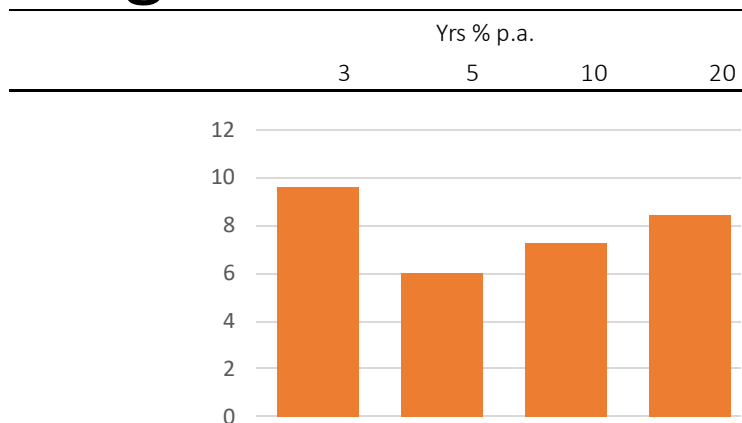
A good year for alternative investments, the only area to deliver positive results.

Equity performance was flat – and most active managers failed to add value.

Bond performance was deeply negative with diversified strategies performing least badly.

Property saw a strong decline in values over the year.

Longer Term Results



	3	5	10	20
Total Assets	9.6	6.0	7.3	8.4
Equity	14.5	7.6	8.8	10.0
Global	14.9	8.4	10.0	6.4
UK	13.1	4.8	6.0	8.3
Overseas	14.2	7.6	9.6	10.6
Emerging	8.6	2.2	4.8	10.0
Bonds	-0.9	0.3	2.6	4.5
Cash	0.9	0.6	0.7	1.0
Alternatives	11.6	10.3	9.8	8.5
Private Equity	17.1	15.7	13.9	9.0
Hedge Funds	6.4	3.9		
Infrastructure	8.0	8.2		
Property	2.9	3.2	6.8	6.0

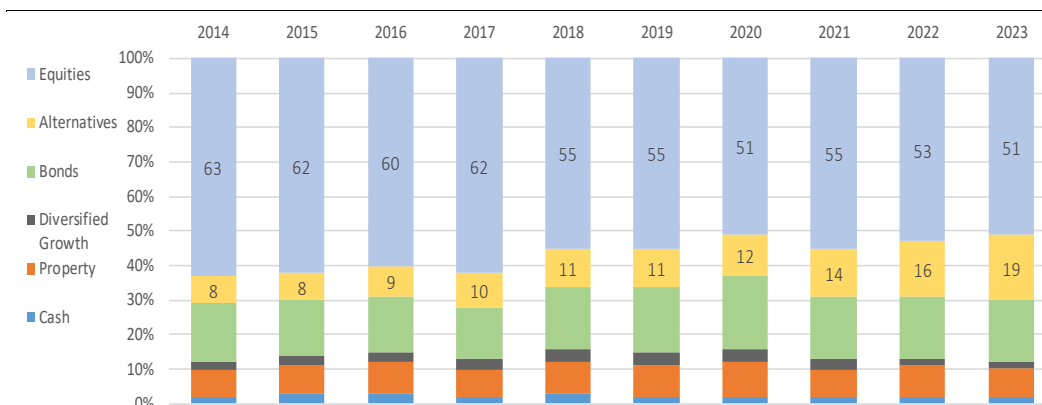
The best results (green) over the longer term were delivered by equities.

Over the medium term alternatives have performed best, driven by excellent private equity results over all periods. Infrastructure has also delivered strong returns.

Property performance has been poor over the recent past.

Bonds, the worst performing of the major asset classes (in red), have now delivered a return below CPI over the last ten years.

Fund Structures



Global Equities	6	7	12	30	34	33	33	35	35	36
UK Equities	24	21	20	14	12	11	9	9	7	6
Overseas Equities	33	33	28	13	9	11	10	12	10	9
UK Govt / Inv Grade	13	13	13	8	9	9	10	8	8	8
Overseas Bonds	3	2	2	3	3	2	2	2	1	1
Absolute Return Bonds	1	1	2	3	4	4	5	5	4	3
MAC	0	0	0	1	2	3	3	3	4	5
Private Debt	0	0	0	0	0	0	1	2	2	2
Private Equity	4	4	5	5	5	5	5	7	8	8
Infrastructure	0	0	1	2	3	3	4	5	6	7
Hedge Funds	2	2	2	2	2	2	2	1	2	2
Diversifying Alts	1	2	1	1	1	1	1	1	1	1
Diversified Growth	3	3	3	3	4	4	4	2	2	2
Property	8	8	9	8	9	9	10	8	9	9
Cash	3	3	3	2	3	2	1	3	2	2

Funds have reallocated 12% of total assets from equities into alternatives over the last decade.

This has been the key structural change.

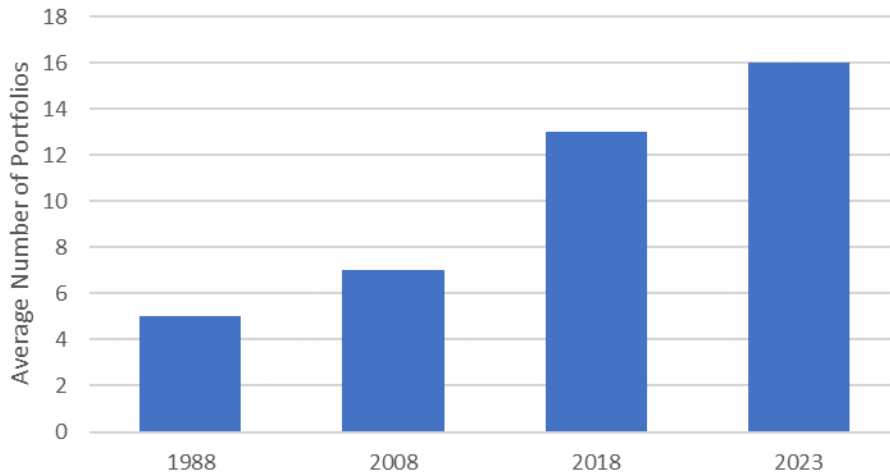
Infrastructure has emerged into a significant proportion of assets.

2016/17 was a pivotal year in terms of equity management away from regional to global mandates.

This was also the year funds really began to diversify bond exposure away from government to alternative forms of credit.

Fund Structures (2)

Growth in Complexity Over Time

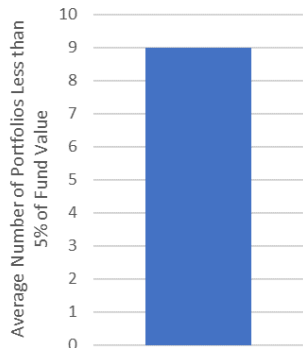


The top chart shows funds have continued to become ever more complex. Pooling has made little impact.

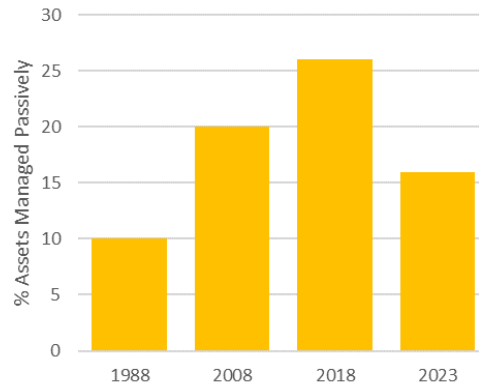
Increased complexity brings increased administration, cost and governance.

It is generally accepted that, at a level of less than 5% of a fund's total value a portfolio is likely to have little meaningful impact on the overall risk or return delivered. Currently the average fund has 8 portfolios less than this value.

To What End?



Decline In Passive Management



Why then such a proliferation?

Passive management, the lowest cost of investment strategies has declined as funds invest in higher cost alternatives where there is no passive option.



Fund Performance

Latest Year Range of Results

The blocks on the right show the funds listed from that with the highest to that with the lowest return.

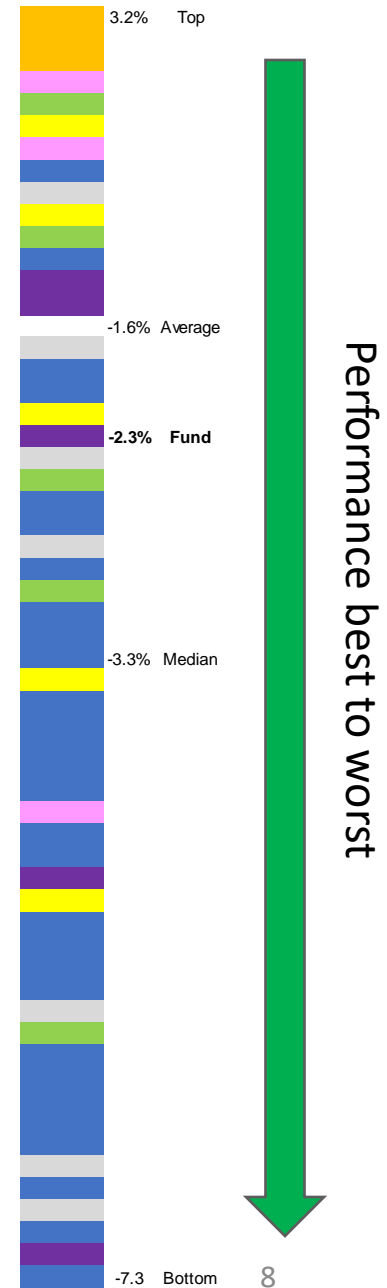
The Fund, with a return of -2.0% ranked in the 33rd percentile.

All top three funds this year (in green) were in LPPI.

London funds performed relatively poorly with all bar one underperforming its benchmark over the period.

Large funds had a strong year with 6 of the 7 top performers being over £5bn in value. The smallest funds largely delivered bottom quartile results.

- Wales
- LPPI
- Northern
- London
- Brunel
- Borders to Coast
- Access

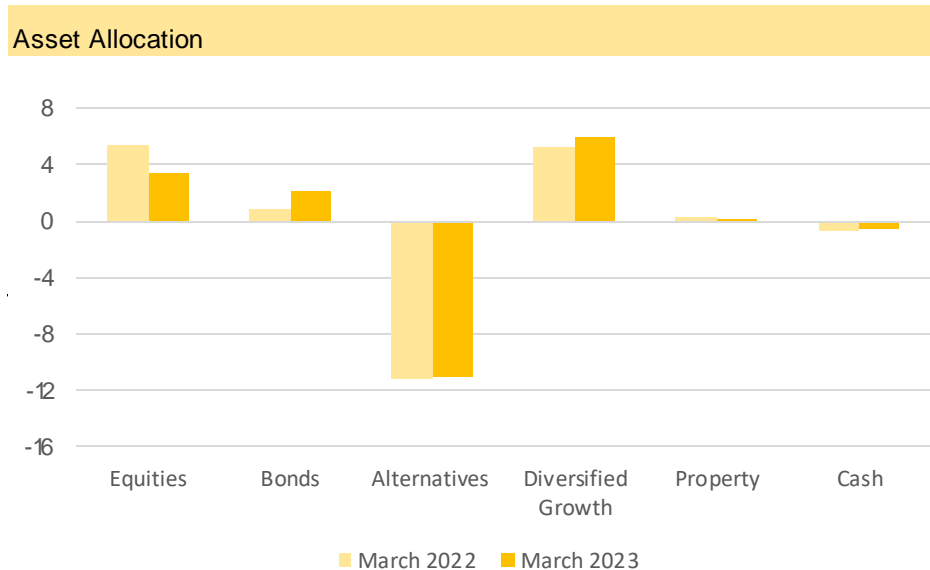


What Drove Performance in 2022/23?

	Fund	Universe	Relative	Ranking
Fund	-2.0	-1.6	-0.4	33
Asset Class Performance				
Equity	-0.6	0.0	-0.6	37
Bonds	-7.7	-9.1	1.6	46
Alternatives	15.3	6.5	8.3	12
Diversified Growth	-2.9	-4.0	1.2	31
Property	-9.8	-7.9	-2.1	42

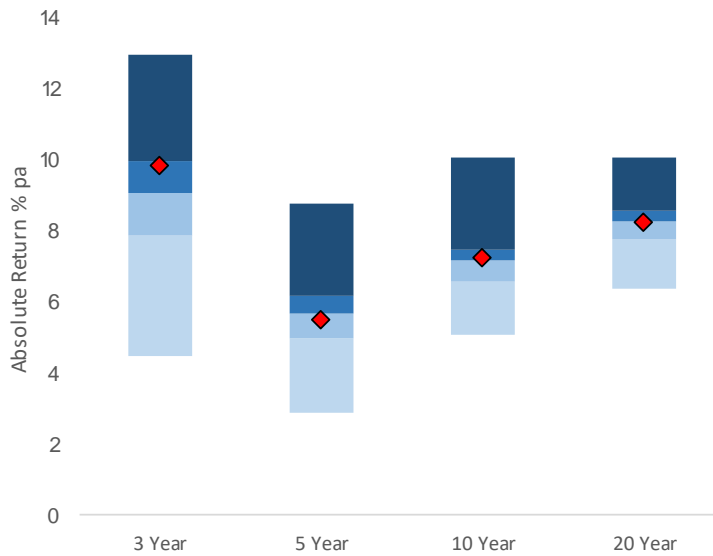
Asset class performance was generally good, ranking in the top half of the sample in every area.

Asset allocation had a large negative impact however— particularly the low exposure to alternatives.



Longer Term Performance

Longer Term Returns and Rankings

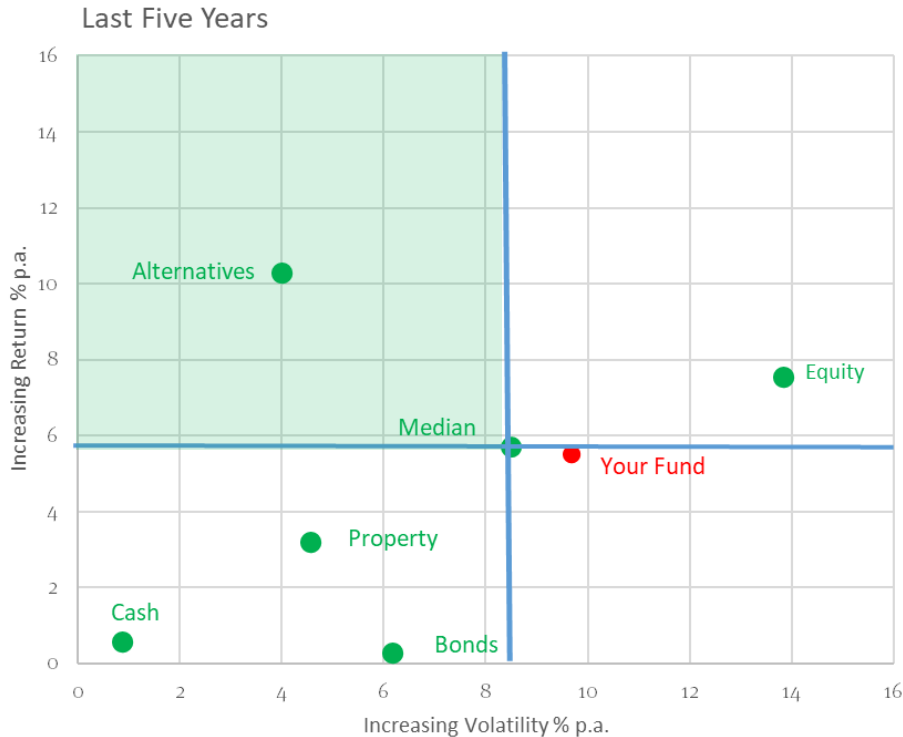


	3 Year	5 Year	10 Year	20 Year
Fund	9.9	5.5	7.3	8.3
Average	9.6	6.0	7.3	8.4
Ranking	(30)	(62)	(40)	(49)
<i>CPI Inflation</i>	<i>6.0</i>	<i>4.3</i>	<i>2.8</i>	<i>2.7</i>

The Fund has produced return in line with or ahead of average over all bar the last five year period.

The asset allocation has added value – particularly the relatively high equity exposure.

Diversification

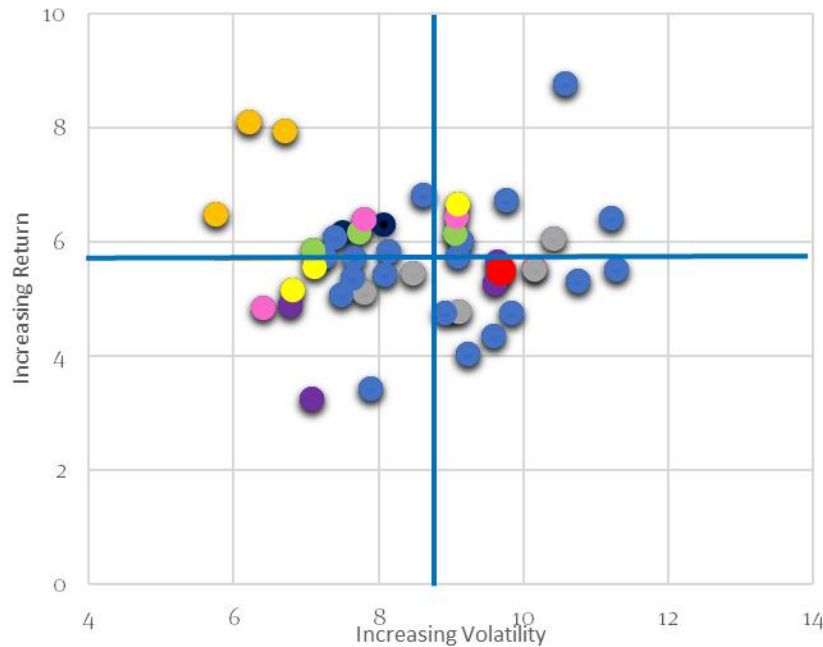


The Fund holds a range of assets to provide diversification, principally to reduce the volatility of equities.

Over the last five years equities have delivered a higher return than most other assets but at substantially higher volatility.

Your Fund had more in equities and has experienced higher volatility than most as a result. Over this period the Fund has achieved a slightly below average return.

Risk And Return – Last Five Years



- Wales
- LPPI
- Northern
- London
- Brunel
- Borders to Coast
- Access

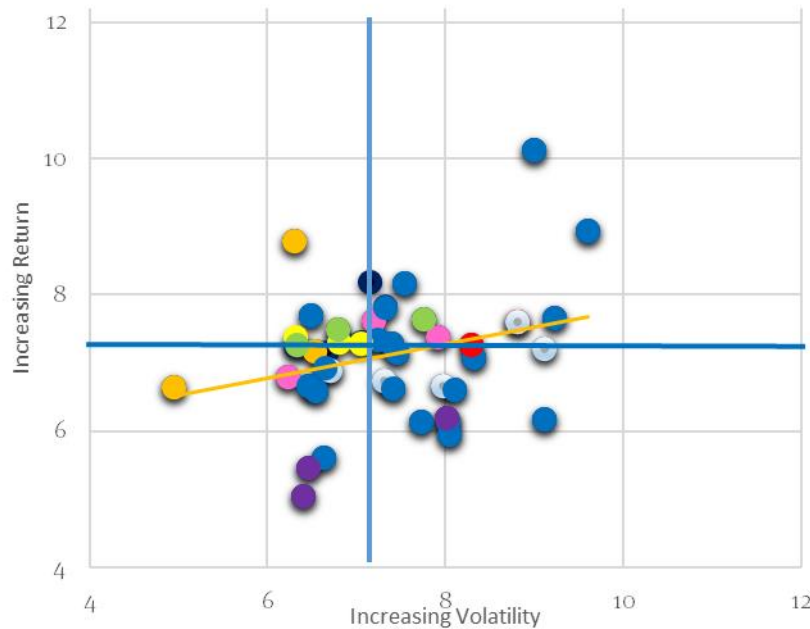
Here we show the individual funds in risk / return space with your Fund shown in red.

Over the last five years there has been no reward for accepting additional volatility.

Over this period Pool membership is beginning to have an impact on outcomes.

LPPI (orange) have delivered above average results at some of the lowest levels of volatility in the LGPS. While funds in other pools are seeing returns come closer together London results (blue) remain widely dispersed.

Risk and Return – Last Ten Years



Over the last ten years the median fund has achieved a return of 7.3% pa with the same level of volatility.

Whilst outcomes vary across funds, in aggregate there has been some reward for accepting volatility (see orange trend line).

As in the five year period, over the last ten years, the Fund (in red) has experienced lower than average volatility but over this period has produced a slightly higher than average result.



Appendices

Performance Relative to Benchmark – Latest Year

Guide to Risk and Return Charts

Performance Relative to Benchmark Latest Year

Performance relative to other funds will depend on two factors:

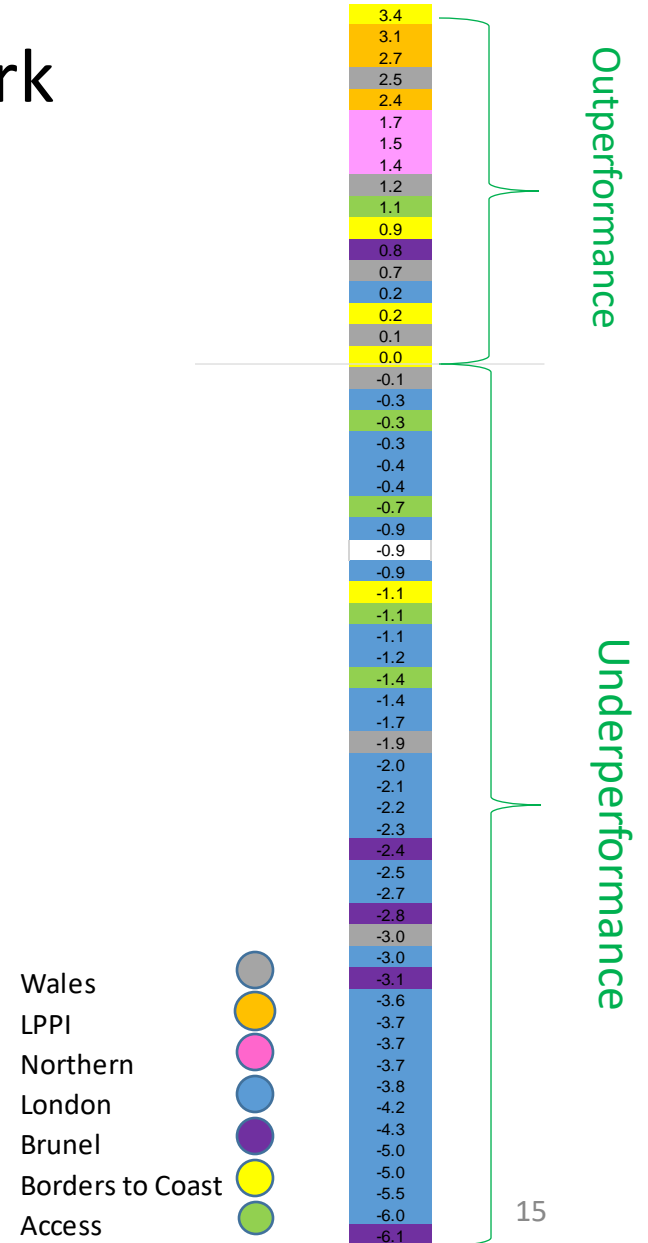
- The benchmark set
- Performance relative to that benchmark

While pooling won't impact the former it should now be having an effect on the latter.

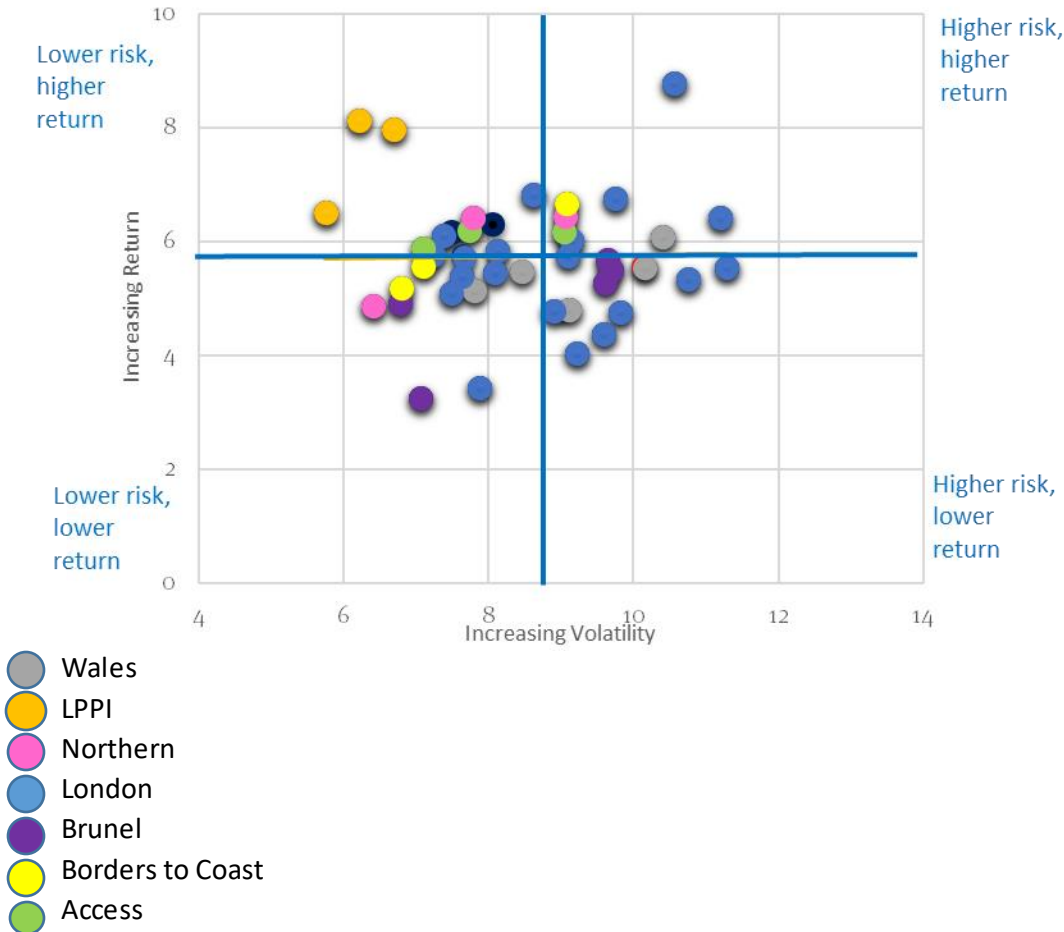
In the latest year three quarters of funds failed to outperform their strategic benchmark.

Only one London Fund outperformed. Conversely funds within LPPI and the Northern pool all outperformed.

Latest Year Relative Performance



Guide to Risk Return Charts



Within investments there is always a trade-off between risk and return. Normally the higher a return that is being looked for the more volatility the fund must expect.

The charts show all funds with sufficiently granular data, identified by Pool.

The further along the x axis the more variable the returns have been, the further up the y axis the better the return delivered. The blue lines mark the median risk and return.

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