

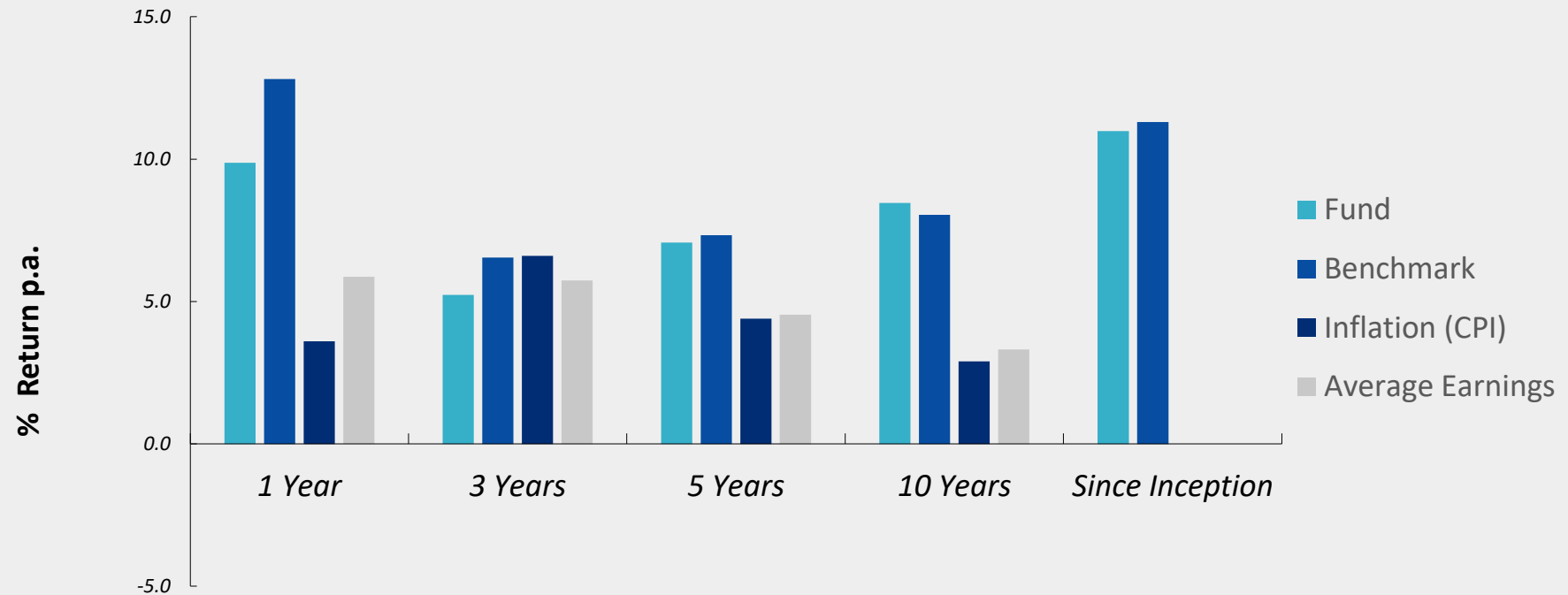
AGM 2024
Investment
Jacqueline Gillies



Agenda

- Performance
- Developments

Fund Performance to 31st March 2024

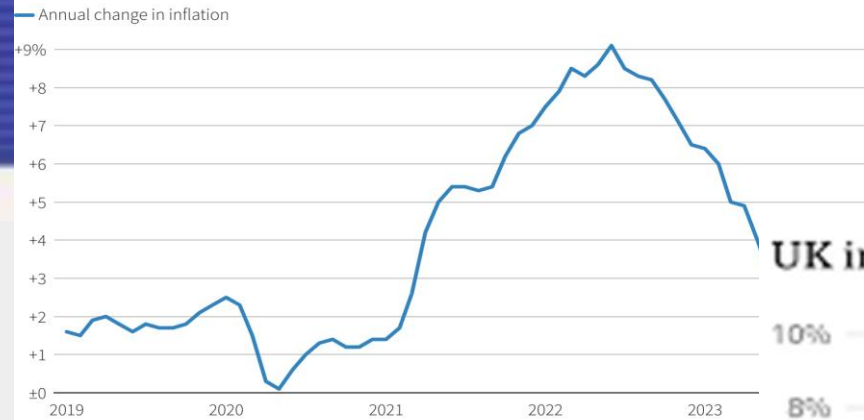


Market Review



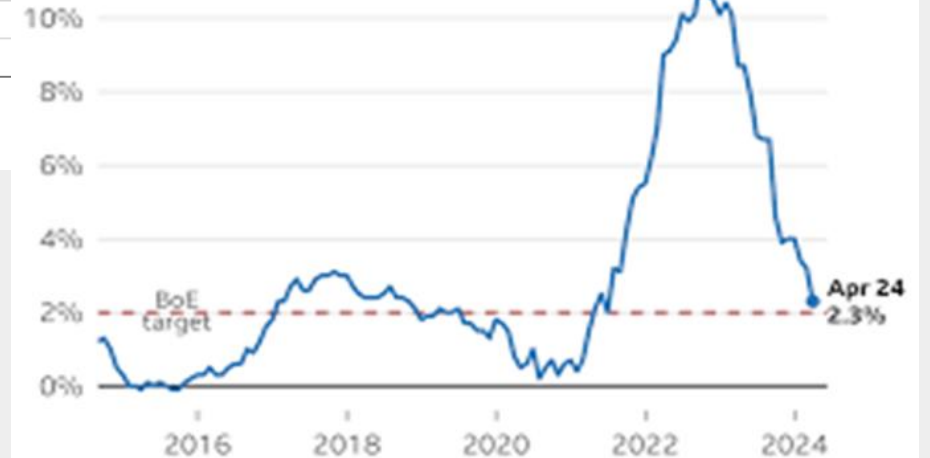
Annual change in US Consumer Price Index

In January the nationwide inflation rate fell to 3.1%



Published February 13, 2024 at 1:33 PM GMT
Sources: Bureau of Labor Statistics, LSEG

UK inflation at 2.3% in April 2024



Source: Office for National Statistics



Market Review



Yields Recently Hit The Highest Since 2007

We have been in an upward channel since April

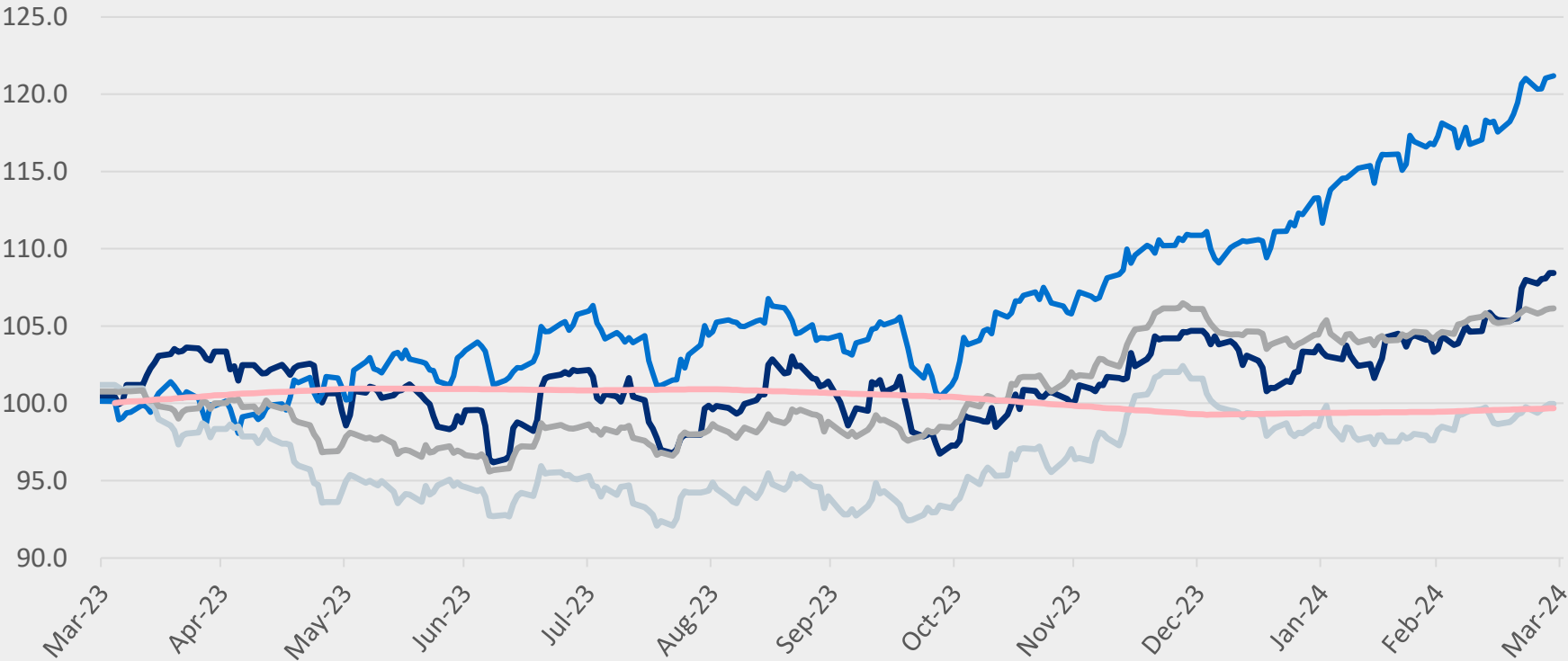


Source: Bloomberg

**HIGHER
FOR
LONGER**

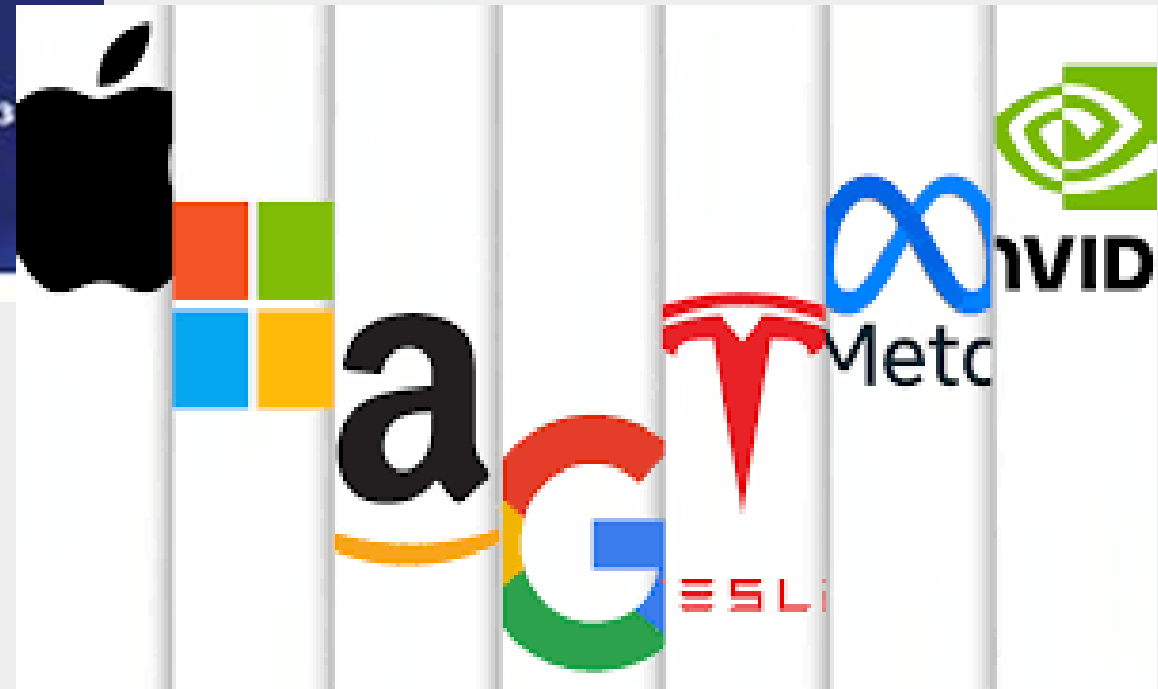
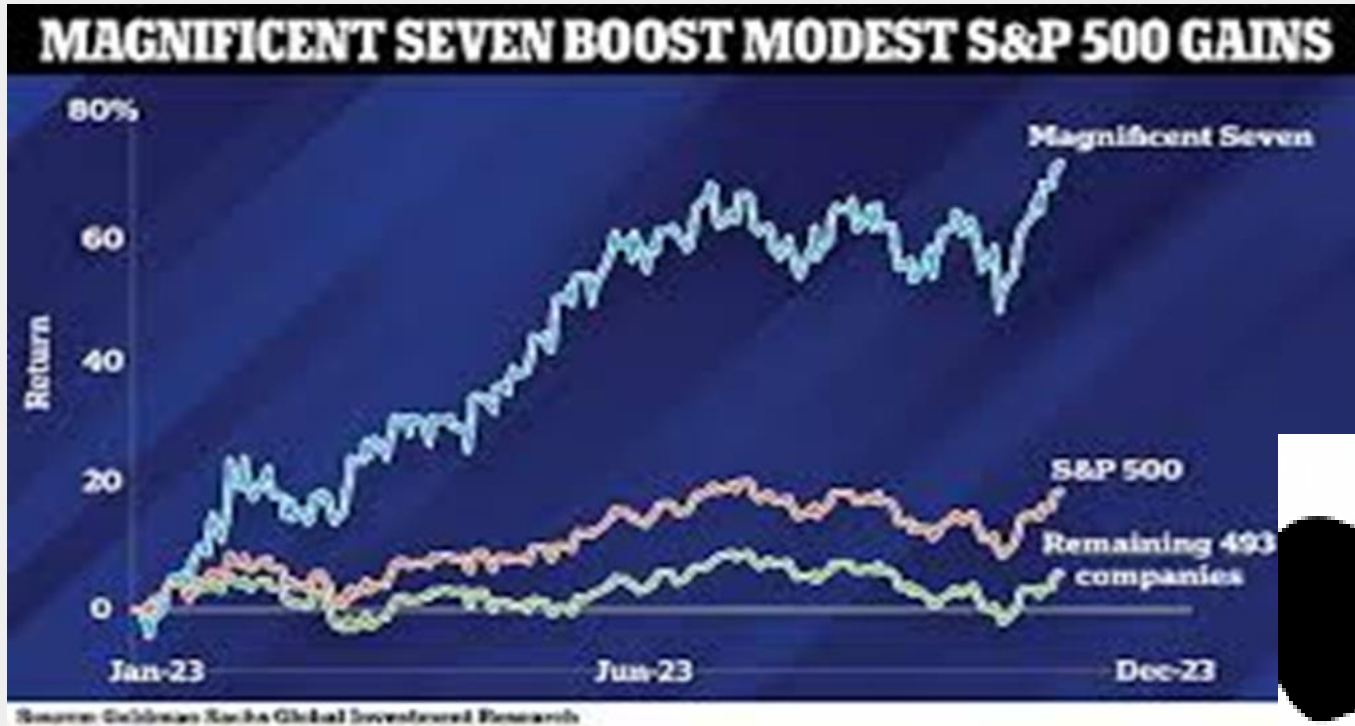
The graphic is a yellow rectangle with a red upward-pointing arrow on the left side. It features three circular icons: the Statue of Liberty, the seal of the Board of Governors of the Federal Reserve System, and the Euro symbol (€). The text "HIGHER FOR LONGER" is displayed in a grid of white boxes on a dark background.

Market Review

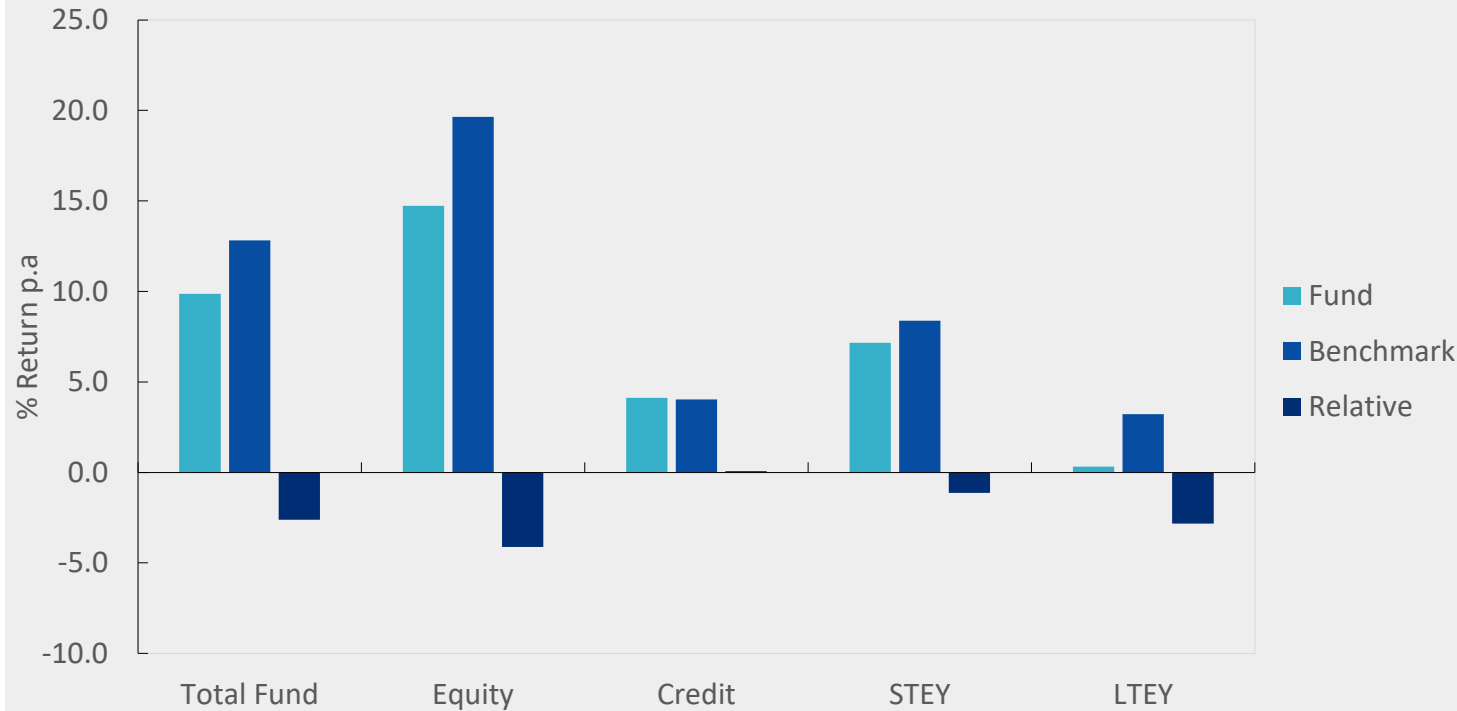


- UK Equities (FTSE All Share)
- Global Equities (MSCI ACWI)
- Gilts (FTSE All Stocks)
- Corporates (ICE BofA Sterling Non Gilts)
- UK Property (MSCI UK All Property)

Market Review

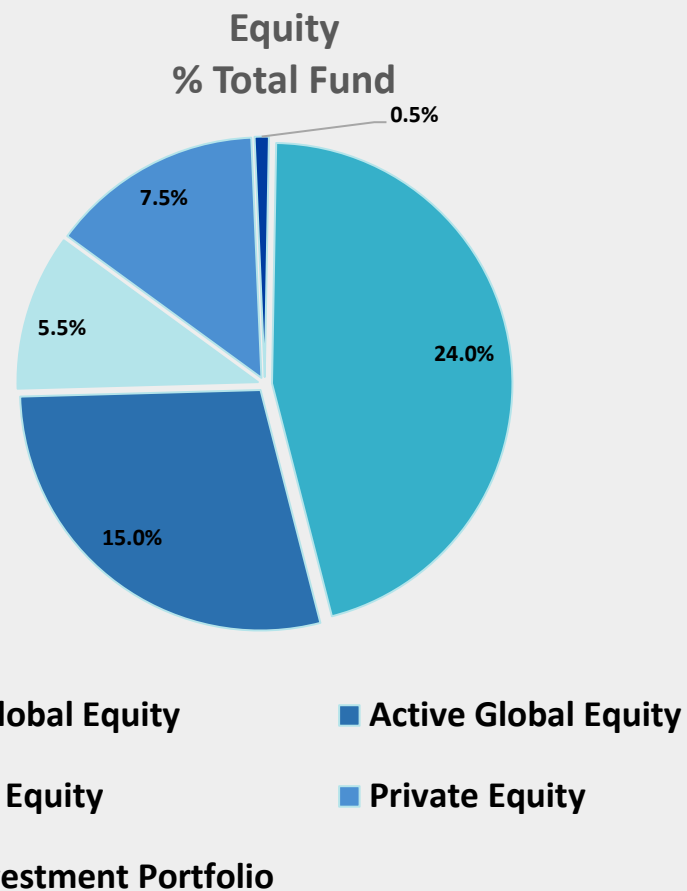


Fund Performance 2023/24 by Asset Class



Asset Class	Fund Return (%)	Benchmark Return (%)
Equity	14.7	19.7
Credit	4.1	4.0
STEY	7.2	8.4
LTEY	0.3	3.2
Total Fund	9.9	12.8

Equity Portfolio Performance

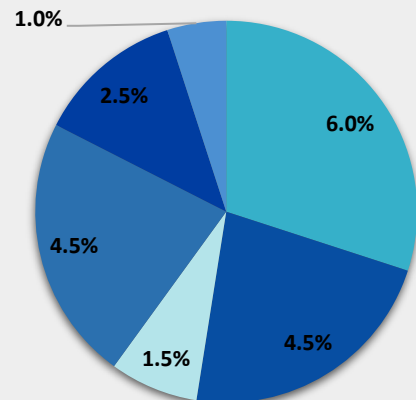


Equity Manager	Portfolio Return (%)	Benchmark Return (%)
L&G Market Cap - Passive	21.7	21.9
L&G RAFI - Passive	20.0	19.5
Baillie Gifford	18.2	21.2
Lazard	10.9	20.6
Oldfield	4.6	20.6
Veritas	16.9	20.6
Lombard Odier	7.9	0.1
JP Morgan	12.1	12.7
Active Emerging Markets	7.7	8.0
Pantheon	1.7	20.6
Partners Group	0.0	20.6
Total Equity	14.7	19.7

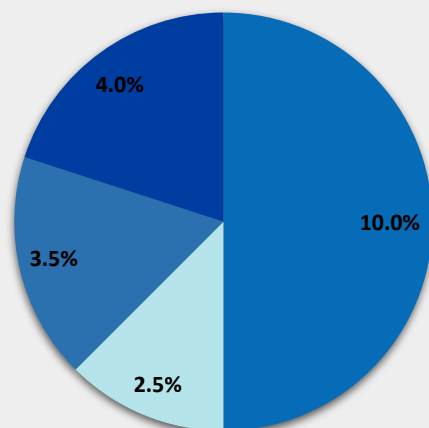
Income Portfolio Performance

- Absolute Return
- Private Debt
- Direct Investment Portfolio
- Multi Asset Credit
- Emerging Market Debt
- Cash
- UK Property
- Global Property
- Global Infrastructure
- Direct Investment Portfolio

Short Term Enhanced Yield (STEY)



Long Term Enhanced Yield (LTEY)



STEY Manager	Portfolio Return (%)	Benchmark Return (%)
PIMCO	6.9	8.4
Ruffer	-6.0	8.1
Barings (multi-asset credit)	11.3	9.1
Oak Hill	13.0	9.1
Barings (private debt)	10.0	9.1
Alcentra	6.1	9.1
ICG Long Bow	6.0	9.1
Partners Group (private debt)	10.1	9.1
Ashmore	10.0	7.0
Total STEY	7.2	8.4

LTEY Manager	Portfolio Return (%)	Benchmark Return (%)
DTZ	-2.2	-1.5
Partners Group (real estate)	-15.5	7.4
JP Morgan	9.8	8.0
Total LTEY	0.3	3.2

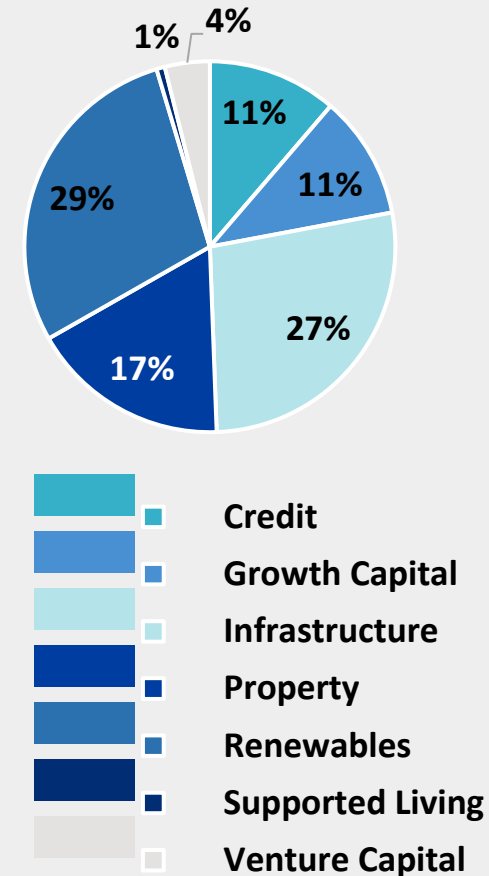
Direct Impact Portfolio

Direct Impact Portfolio: Investment Strategy

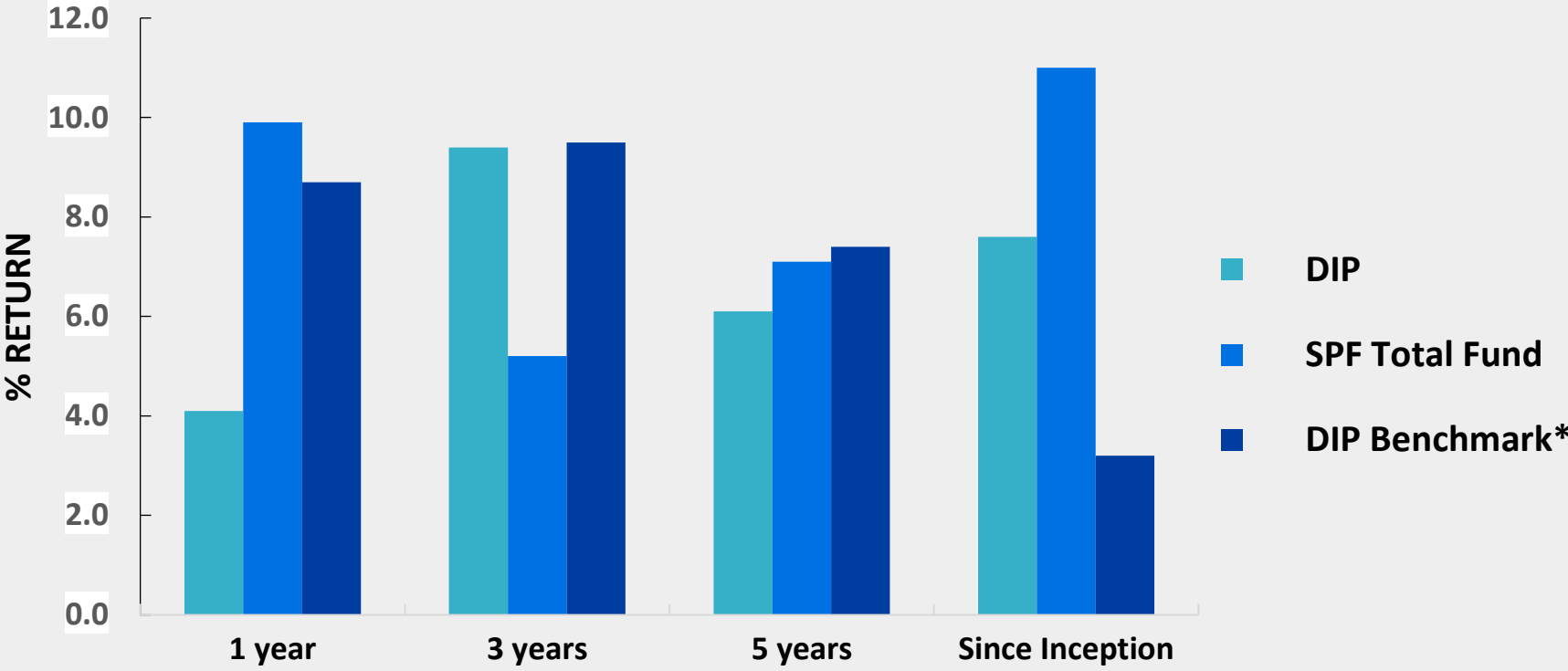
Objectives	<p>Primary objective identical to overall Fund investment objective.</p> <p>Secondary objective of adding value through investments with a positive local, economic or ESG (environmental, social, governance) impact.</p>
Capacity	<p>Target allocation of 5% of total Fund (based on Net Asset Values). Range of 2.5% to 7.5% of total Fund.</p>
Investment Size	<p>Target: £30m to £100m</p> <p>Minimum: £20m</p> <p>Maximum: greater of £250m or 1% of Total Fund Value.</p>

£40m of new investments in solar energy and high growth technology companies was approved in 2022/23.

COMMITMENTS BY SECTOR £2,046m



Direct Impact Portfolio



Impact

Impact	2023
Environmental <ul style="list-style-type: none"> - CO2e (tons) emissions avoided p.a. - Homes powered p.a. - Average sized cars removed from the roads p.a. 	176,696 317,412 167,357
Social <ul style="list-style-type: none"> - Infrastructure projects - stakes in 	>15,400 assets
Governance <ul style="list-style-type: none"> - PRI Signatories 	33(35)
Local <ul style="list-style-type: none"> - Scottish Investments – stakes in - 99 Schools - 13 hospitals - >1,100 Affordable Housing Units - 670 Build to Rent units 	£200m £128m £160m £163m



Stewardship

POLICY

The Fund is a signatory to the United Nations Principles for Responsible Investment (PRI) and has adopted the principles as its responsible investment policy.

STRATEGY

Responsible Investment activity is carried out by:

- the Fund's investment managers who are required to exercise the Fund's voting rights, to incorporate analysis of ESG issues into their investment analysis and expected to engage on these issues with the companies in which they invest;
- Sustainalytics, a specialist responsible investment engagement overlay provider; and
- the Fund itself through direct engagement, and collaboration with other investors including the Local Authority Pension Fund Forum (LAPFF), ShareAction, Institutional Investor Group on Climate Change (IIGCC), Climate Action 100+ and other *ad hoc* alliances.

Signatory of:



A proud participant of:



Stewardship: Responsible Investment 2023/24

PRI ASSESSMENT

Strathclyde Pension Fund achieved a maximum scores in 3 categories in the most recent annual PRI survey.

Signatory of:



Reporting

Reports summarising responsible investment are regularly received by the Committee. The Fund is a signatory to the UK Stewardship Code and publishes an annual stewardship report.



Engagement topics

Waste Management	Business ethics and corruption	Air pollution
Occupational Health & Safety	Cybersecurity & Data Privacy	Human rights
Climate Change	Food Security	Weapons
Executive remuneration	Deforestation and Biodiversity	Accounting and Taxation
Water rights	Equality and Diversity	Agricultural emissions
Farm Animal Welfare	Labour rights	Indigenous Land Rights
The Living Wage	Sanctions	Modern Slavery
		Responsible Cleantech

Voting Statistics



628 UK AGMs/ EGMs,
6,586 Overseas AGMs

8,183 resolutions
144,013 resolutions

Investment Strategy 2023/24

Asset Category	Target Allocation (%)	Main Objectives
Equity	52.5	To generate return
Hedging / Insurance	1.5	To reduce the exposure of the funding level to variations in interest rates and inflation
Credit	6.0	To ensure additional yield, provide income and reduce funding volatility
Short-term Enhanced Yield (STEY)	20.0	To provide an income stream above the expected return on investment grade corporate bonds
Long-term Enhanced Yield (LTEY)	20.0	To provide a long-term income stream and a degree of inflation protection



Review of Investment Strategy

Asset Category	Strategic Target (New) %
Equity	47.0%
Hedging / Insurance	10.0%
Credit	5.0%
Short-term Enhanced Yield	17.0%
Long-term Enhanced Yield	21.0%
Total	100%

- **Reduction in listed equity** to fund an **increase to fixed income assets** where yields have increased significantly since the last valuation
- **Increased allocation to infrastructure assets** which play a key role in achieving the Fund's climate action plan

Review of Investment Strategy

Implementation of the revised strategy will commence in Q2 2024.

- **Switch** of passive market cap equity allocation to Legal and General's **low carbon transition** index series
- **New emerging market equity** structure, emerging market debt will be removed
- **Increased** Hedging/ Insurance allocation split equally between **UK Gilts** and **Index Linked funds**
- Credit allocation will be split equally between an **ESG tilted fund** and a **Buy and Maintain credit** fund
- **Increased** allocation to **global infrastructure** from 3.5% to 4.5%, and
- the **potential to increase** the allocation to the Fund's **Direct Impact Portfolio**, subject to the conclusion of a review of DIP during 2024/25.

Stewardship: Climate Action Plan

Strathclyde Pension Fund:

has an agreed objective of implementing an investment strategy that is consistent with achieving the goal of **global net zero** emissions by **2050**

has set a target of **net zero emissions** across SPF portfolios by **2050** or sooner

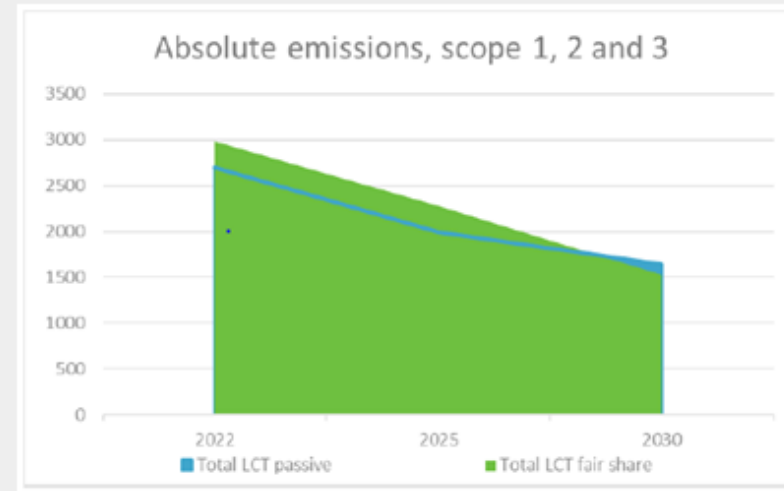
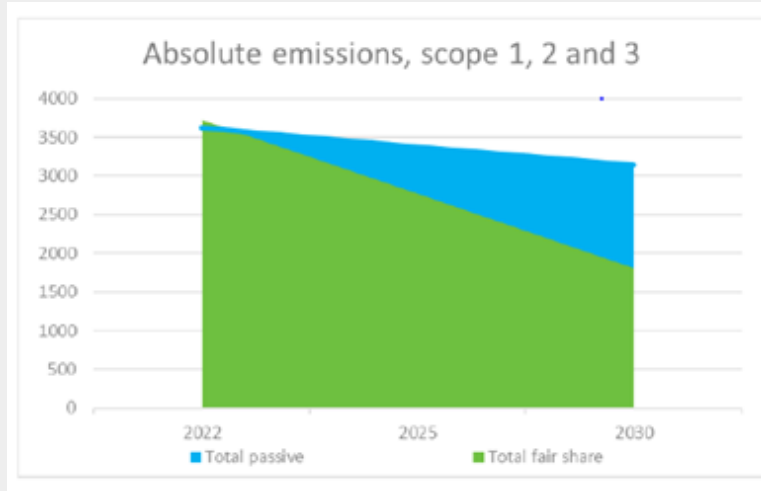
has an interim target for carbon reduction of at least **45%** from the baseline by **2030**

became a **PAII** signatory in **2022** and

in **2023**, approved and published its **Climate Action Plan**.



Stewardship: Climate Action Plan 2023/24 update



The Net Zero Asset Managers initiative

IIGCC Net Zero Voting Guidance



Net Zero Progress DTZ UK Property Portfolio

PROGRESS AGAINST OBJECTIVES SET IN THE 2022/23 STRATEGY

Strong progress has been made against the Fund's Responsible Investment targets with reduction in Carbon Emissions and an above Benchmark GRESB score.

PROGRESS AGAINST RESPONSIBLE INVESTMENT OBJECTIVES OVER 2023

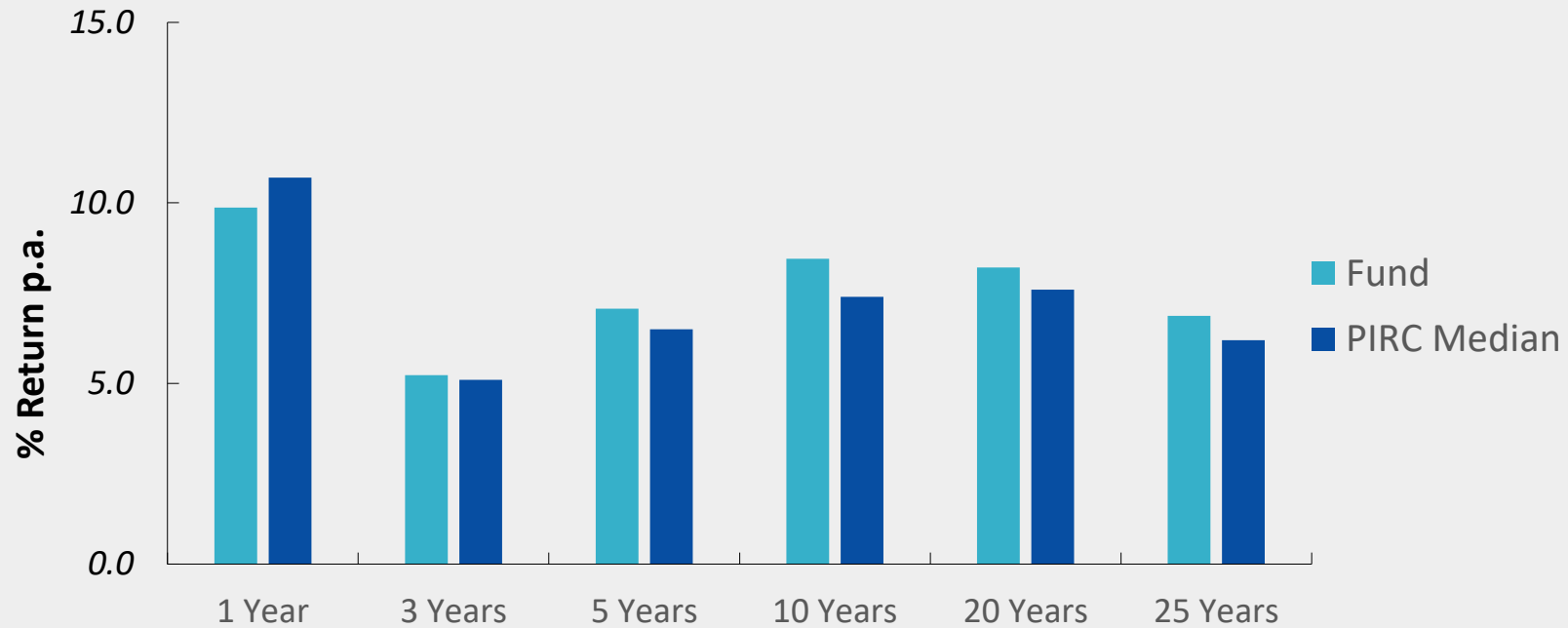
Reporting Metric	Unit of Measure	Type	2022 Target	2021 Performance	2022 Performance
Scope 1 & 2 Emissions	tCO ₂ e	Absolute Change vs 2019 baseline	-12.6%	-13%	-33%
	tCO ₂ e/m ²	Intensity Change vs 2019 baseline	-12.6%	-28%	-40%
Scope 3 Emissions	tCO ₂ e	Absolute Change vs 2019 baseline	-12.6%	-20%	-31%
	tCO ₂ e/m ²	Intensity Change vs 2019 baseline	-12.6%	-12%	-23%
Tenant Data Collection	% coverage by floor area	Absolute	50%	36%	49%
GRESB Score	Total score Green stars		-	70 (vs BM 70) 2 stars	77 (vs BM 73) 3 stars

MEES ASSESSMENT (% OF ERV)

Year	A to B	C to E	F & G
2022	24%	73%	2%
2023	39%	59%	2%

DTZ INVESTORS | SPF IAP 2024

Pension Fund Returns



Fund PIRC Percentile Ranking	1 Year	3 Years	5 Years	10 Years	20 Years	25 Years
	62	38	21	11	10	5

Jacqueline Gillies

Chief Investment Officer

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