



Essex County Council

Essex Pension Fund Investment Steering Committee

10:00	Wednesday, 29 November 2023	Committee Room 2 County Hall, Chelmsford, CM1 1QH
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For information about the meeting please ask for:

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6 Urgent Part I Business

To consider any matter which in the opinion of the Chairman should be considered in public by reason of special circumstances (to be specified) as a matter of urgency.

Exempt Items

(During consideration of these items the meeting is not likely to be open to the press and public)

The following items of business have not been published on the grounds that they involve the likely disclosure of exempt information falling within Part I of Schedule 12A of the Local Government Act 1972. Members are asked to consider whether or not the press and public should be excluded during the consideration of these items. If so it will be necessary for the meeting to pass a formal resolution:

That the press and public are excluded from the meeting during the consideration of the remaining items of business on the grounds that they involve the likely disclosure of exempt information falling within Schedule 12A to the Local Government Act 1972, the specific paragraph(s) of Schedule 12A engaged being set out in the report or appendix relating to that item of business.

7 Part II Minutes of ISC Meeting 11 October 2023

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

8 Quarterly Investment Manager Monitoring

8a Investment tables: Quarter ended 30 September 2023

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

8b Traffic Light Rating Report

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

9 Investment Manager Monitoring - Responsible Investment (RI) Engagement Reports

9a JP Morgan Asset Management (JPM) - Infrastructure Mandate

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

- 9b IFM Investors (IFM) - Infrastructure Mandate**
- Information relating to the financial or business affairs of any particular person (including the authority holding that information);
- 9c Partners Group - Global Property and Infrastructure Mandates**
- Information relating to the financial or business affairs of any particular person (including the authority holding that information);
- 10 Net Zero Journey Plan**
- Information relating to the financial or business affairs of any particular person (including the authority holding that information);
- 11 Strategic Implementation Framework - Pillar 3 - Exploring changes to existing or new mandates**
- 11a UK Property Mandate Review - Introduction from Hymans Robertson**
To receive a Bitesize Training introduction presentation from Hymans Robertson
- 11b Manager Presentation**
To receive a presentation from CBRE
- 12 Strategic Implementation Framework - Pillar 3 - Exploring changes to existing or new mandates**
- 12a Impact Investing Property - Introduction from Hymans Robertson**
To receive a Bitesize Training introduction presentation from Hymans Robertson
- 12b Manager Presentation**
To receive a training presentation from an Impact Property Manager, Orchard Street
- 13 Strategic Implementation Framework - Pillar 1 - Implementing and maintaining strategic targets**
- Information relating to the financial or business affairs of any particular person (including the authority holding that information);
- 14 Independent Investment Adviser (IIA) Contractual Arrangements**
- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

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Urgent Exempt Business

To consider in private any other matter which in the opinion of the Chairman should be considered by reason of special circumstances (to be specified) as a matter of urgency.

Essex Pension Fund Investment Steering Committee	ISC 01
Date: 29 November 2023	

Essex Pension Fund Investment Steering Committee (ISC) Membership, Apologies and Declarations of Interest

Report by the Head of Fund Compliance and Governance

Enquiries to Amanda Crawford on 03330 321763

This Report is for noting

Executive Summary

Report Type: Governance

The ISC continues to carry a vacancy for the Borough, City and District Councils representative position (formerly Cllr C Riley).

No apologies have been received at the time of writing.

1. Purpose of the Report

- 1.1 To present Membership, Apologies and Declarations of Interest for the 29 November 2023 ISC.

2. Recommendation

- 2.1 That the Committee should note:
 - Membership as agreed as shown overleaf;
 - Apologies and substitutions; and
 - Declarations of Interest to be made by Committee Members in accordance with the Members' Code of Conduct and the Essex Pension Fund's Conflict of Interest Policy.

3. Membership

(Quorum: 4)

5 Conservative Group: 1 Liberal Democrat Group: 1 Non-Aligned Group

Membership

Representing

Councillor S Barker

Essex County Council (Chairman)

Councillor M Platt

Essex County Council (Vice Chairman)

Councillor A Goggin

Essex County Council

Councillor A Hedley

Essex County Council

Councillor M Hoy

Essex County Council

Councillor D King

Essex County Council

Councillor C Souter

Essex County Council

Observers

Vacant

Borough, City and District Representative

Sandra Child

Scheme Members

Minutes of the Meeting of the Essex Pension Fund Investment Steering Committee (ISC), held in Committee Room 2 at 10.00 on 11 October 2023

1. Membership, Apologies and Declarations of Interest

The report of the Membership, Apologies and Declarations of Interest were received.

Membership

Present:

Essex County Council (ECC)

Cllr S Barker	(Chairman)
Cllr M Durham	(substituting for Cllr M Platt)
Cllr A Goggin	
Cllr A Hedley	
Cllr M Mackrory	(substituting for Cllr D King)
Cllr C Souter	

Scheme Member Representative

Sandra Child (UNISON) (Observer)

The following Officers and Advisers (O&A) were also present in support of the meeting:

Jody Evans	Director for Essex Pension Fund
Samantha Andrews	Head of Fund Investments
Amanda Crawford	Head of Fund Compliance and Governance
Senita Kaur	Compliance Analyst
Suzanne Sinclair	Compliance Analyst
Aleya Miah	Compliance Officer
Mark Stevens	Independent Investment Adviser (IIA)
John Dickson	Hymans Robertson
Samuel Hampton	Hymans Robertson
Tom Prince	Hymans Robertson

The following Essex Pension Fund staff were present via Zoom as Observers of the meeting:

Sara Maxey	Head of Actuarial and Funding
Leah Eade	Graduate Pension Trainee
Jamie Dougal	Investment Officer

Members noted that the meeting would be recorded to assist with the production of the minutes for the meeting.

Opening Remarks

The Chairman welcomed the Committee, Observers and Advisers to the meeting including substitute Members Cllr M Durham, who was substituting for Cllr M Platt, and Cllr M Mackrory, who was substituting for Cllr D King. The Fund's new Compliance Officer, Aleya Miah, was also welcomed to her first ISC meeting having taken over from Marcia Wong who has now retired from the Fund.

Apologies for Absence

It was noted that Cllr M Platt and Cllr D King had sent their apologies, along with PSB Members Rachel Hadley and Cllr J Lamb, and Essex Pension Fund Advisory Board (PAB) Members Nicola Mark, Andrew Coburn, Lloyd Williamson and Debs Hurst.

Cllr M Hoy was absent from the meeting.

Declarations of Interest

The following Declarations were received:

Cllr S Barker declared she was in receipt of an Essex LGPS pension and is a Member on the Audit, Governance and Standards Committee. In addition, she declared that her son holds a deferred Essex LGPS pension;

Cllr M Durham declared he is a Cabinet Member, a Member of Maldon District Council and is a Governor of Essex Partnership University NHS Foundation Trust (EPUT);

Cllr A Goggin declared that his wife and sister were in receipt of an Essex LGPS Pension;

Cllr A Hedley declared that he was in receipt of an Aviva Group Pension and that he is the Chairman of the Audit, Governance and Standards Committee;

Cllr M Mackrory declared he is in receipt of an Essex LGPS pension and his son is employed by Aviva; and

Sandra Child declared that she is in receipt of an Essex LGPS Pension.

Resolved:

The Committee noted the content of the report.

2. Minutes of the previous Meeting

a. Minutes of ISC morning meeting 14 June 2023

The Minutes of the ISC morning meeting held on 14 June 2023 were approved as a correct record and signed by the Chairman.

The Chairman brought to Members' attention one matter arising from the minutes. It was noted that updates regarding the progress made with the Strategic Implementation Framework will be provided as part of Agenda Items 11, 12 and 13.

Resolved:

The Committee noted the update from the matter arising.

b. Minutes of ISC afternoon meeting 14 June 2023

The Minutes of the ISC afternoon meeting held on 14 June 2023 were approved as a correct record and signed by the Chairman.

The Chairman brought to Members' attention matters arising from the minutes. It was noted that:

- an update regarding the Investment Strategy Statement (ISS) Stakeholder Consultation has been provided at Agenda Item 3; and
- as agreed at the 14 June 2023 meeting, the Deed of Novation relating to Link Fund Solutions contract was sealed by the ECC Monitoring Officer and provided to their solicitors on 22 June 2023.

Resolved:

The Committee noted the updates from the matters arising.

3. Investment Strategy Statement (ISS) – Outcome of the Stakeholder Consultation

The Committee was provided with an update regarding the outcome of the Stakeholder Consultation on the Fund's draft ISS. Members were reminded that the Fund is required to maintain an ISS setting out its principles for governing the Fund's assets.

At the 14 June 2023 ISC meeting, the Committee was presented with the draft ISS, which had been updated to reflect recent developments the Fund had made regarding its Investment Strategy and Responsible Investment (RI) Policy since its last review in 2020 and agreed to release the ISS for a full stakeholder Consultation.

All Fund stakeholders were invited to respond to the Consultation, which was widely publicised on the Fund's website, through the Active Annual Benefit Statements and by email to Fund Employers, Board/Committee Members, Fund Advisers and investment managers. It was also communicated via various employee roadshows held over the course of summer.

The Essex Pension Fund Advisory Board (PAB) received the ISS at their 5 July 2023 meeting. At that meeting Officers received positive feedback particularly around the comprehensiveness of the Consultation. The PAB Chairman also noted that the Statement was interesting, engaging, and easier to digest.

The twelve-week Consultation concluded on 24 September 2023 resulting in twenty-four responses being received, a 50% response rate improvement from the 2020 Consultation. Of which 75% confirmed they were supportive of the direction the Fund was taking in evolving its investment strategy and RI Policy. In addition, an overwhelming 83% of the responses were from active Scheme Members.

Resolved:

The Committee **agreed:**

- the minor presentational changes made to the ISS, as detailed in section 6 of the report; and
- to approve the updated ISS for publication as shown in Appendix A of the report.

The Committee noted:

- that the ISS was passed to the PAB for noting; and
- the content of the report.

4. Outcome of Responsible Investment (RI) Workshop

The Director for Essex Pension Fund thanked the Committee for attending the RI Workshop held on 18 September 2023 and provided an overview of the items discussed. This included:

- Impact Investing with the focus of the session on 'impact' in the Real Estate asset class;
- the development of a Net Zero Journey Plan; and
- engagement revisited with the focus of the session on sustainability in the fixed income asset class.

A discussion was held regarding how impact investing worked in the real estate space specifically around refurbishing properties that in a few years would potentially not be fit for purpose.

Following a discussion, Members requested a training session from an impact property manager to understand how it would work in practice in particular, how such investments can generate sufficient returns and that it be brought to the next meeting.

Resolved:

The Committee noted the content of the report.

5. Market Commentary: Quarter 2 2023

The Committee received a report from Hymans Robertson and a presentation the Independent Investment Adviser (IIA), Mark Stevens, detailing the Market Returns and his views on the global economy during quarter 2 of 2023.

It was confirmed that a lot had happened since the June quarter being reported on of which he would update the Committee at the next ISC meeting in November.

Since the June 2023 ISC meeting, markets have continued to rise steadily, in particular within equity markets, and therefore the much-anticipated widespread recession has not materialised.

Sterling was strong versus other major currencies due to the Bank of England raising interest rates and although inflation was high, it now looked like it was levelling off.

In addition, the June quarter performance was enhanced by market excitement around the emerging Artificial Intelligence (AI) industry.

The Committee were made aware of possible issues arising around falling property values within the UK property market, impacted by interest rates, and that although Government Bond markets had not been strong in quarter two, they were stable.

Members were reminded that at the end of March quarter there had been unease about banks potentially collapsing following the surprise news around Silicon Valley Bank and although the threat dissipated quickly, this threat could re-emerge in the future.

Resolved:

The Committee noted the content of the report.

6. Responsible Investment (RI) Project Plan Update

The Head of Fund Investments provided the Committee with an update on progress against the Fund's RI Project Plan.

It was noted that six out of fifteen areas of activity were now complete, with three areas currently in progress.

It was highlighted that on 30 August 2023, following its Spring 2023 assessment, the Financial Reporting Council (FRC) published its updated list of signatories to the UK Stewardship Code confirming that Essex Pension Fund had been successful in its Submission in retaining the Fund's signatory status. Members applauded this achievement for the Fund and Committee.

Resolved:

The Committee noted:

- the progress made against the Fund's 2023/24 RI Project Plan; and
- the content of the report.

7. Schedule of Future Meetings and Events

Members were reminded of the agreed schedule of future meeting dates for the remainder of the municipal year and were made aware of the forthcoming ACCESS Investor Day due to be held on Thursday 30 November 2023.

A poster focusing on the key items on the ACCESS Investor Day agenda was provided to Members highlighting that all ACCESS investment managers would be in attendance including potential managers. In addition, it was also confirmed that Waystone, Link Fund Solutions' successor, would also be in attendance.

Resolved:

The Committee noted the content of the report.

8. Urgent Part I Business

There was none.

Exclusion of the Public and Press

That the press and public are excluded from the meeting during the consideration of the remaining items of business on the grounds that they involve the likely disclosure of exempt information falling within Schedule 12A to the Local Government Act 1972, the specific paragraph(s) of Schedule 12A engaged being set out in the report or appendix relating to that item of business.

Resolved:

The Chairman brought the above statement to Members' attention and the Committee **agreed** to proceed.

9. Part II Minutes of ISC morning meeting 14 June 2023

The Minutes of the Part II ISC morning meeting held on 14 June 2023 were approved as a correct record and signed by the Chairman.

10. Quarterly Investment Manager Monitoring

a. Investment Tables: Quarter ended 30 June 2023

Mark Stevens, IIA, provided the Committee with an update on the value of the Fund and its constituent portfolios, performance against benchmarks, and assets under ACCESS Pool Governance as at 30 June 2023.

It was explained that the Fund value has remained robust with the help of two investment managers benefiting from the AI excitement. Members were also informed that good diversification among the Fund's investments helped to maintain stability and that the skills of managers and the blend between them can assist in withstanding market changes and trends.

It was highlighted that the underperformance of some of the Investment managers was largely due to lag in private market valuations and that one of the managers' underlying portfolio was doing well despite comparison against their benchmark.

Resolved:

The Committee noted the content of the report.

b. Traffic Light Rating Report

Tom Prince, Hymans Robertson, advised Members that since the last ISC meeting in June 2023, there had been no change to either investment manager ratings or RI ratings for the Fund's investment managers.

Members were advised that the report now listed Permira, the Fund's Direct Lending Manager. In addition, Members discussed the managers whose ratings were accompanied by some minor concerns raised by Hymans Robertson.

Resolved:

The Committee noted the content of the report.

The Chairman informed Members the meeting would break for a short adjournment.

The meeting was adjourned at 11:10am.

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The Committee reconvened at 11:15am.

11. Strategic Implementation Framework – Pillar 3 – Exploring changes to existing or new mandates

UK Property Manager Arrangements – CBRE Review

John Dickson, Hyman Robertson, introduced the next three agenda items highlighting the following:

- the Investment Strategy Review concluded the Fund has a high probability of achieving its funding objectives;
- asset liability modelling concluded that there was scope to de-risk the Investment Strategy;
- the ISC agreed to reduce the equity allocation by 5-10% and increase the bond allocation by 5-10%, and;
- rebalancing would be carried out incrementally in a measured manner with the initial step involving a 5% transfer from equities to bonds.

The Committee were reminded that they agreed to terminate Aviva's appointment as the Fund's core UK property manager at their June ISC meeting and therefore have been placed on 'care and maintenance' pending the appointment of a new manager. It was agreed that the ISC would review the credentials of CBRE in the first instance.

It was highlighted that ACCESS have selected CBRE as their preferred UK core property manager and Hymans also rated their investment capabilities highly and

assessed their RI capabilities as 'good' which should provide the Committee with an extra layer of confidence.

Hymans Robertson have a positive view of them particularly since CBRE have proposed a dedicated team and coherent approach with single management and have a clear focus on property assets and a global capability.

It was recommended that CBRE be invited to attend a future ISC.

Resolved:

The Committee agreed:

- to appoint CRBE 'in principle' to manage the Fund's UK Core Property Mandate;
- that Officers, in consultation with Advisers, agree the Investment Management Agreement (IMA) and transition plans with CBRE and that details be brought back to the ISC for ratification;
- that CBRE be invited to present to the ISC at the November meeting; and
- the content of the report be noted.

12. Strategic Implementation Framework – Pillar 1 – Implementing and maintaining strategic targets & Pillar 3 – Exploring changes to existing or new mandates

Investment Structure Review - Bonds

Samuel Hampton and Tom Prince, Hymans Robertson, presented a set of recommendations for the structure review of the bond portfolio to bring it in line with its target allocation of 18% - 23% and asked Members to consider the merits of rebalancing the existing bond mandates and the potential introduction of a new investment grade credit mandate.

The criteria used to assess managers in the space included:

- solutions in the ACCESS pool (three funds fell into this category);
- actively managed;
- high level of liquidity and credit quality;
- medium duration of c. 6 years;
- in line with the move to de-risk, operating in developed rather than emerging markets.

Analysis concluded that of the three funds already in the ACCESS pool, two of them met these criteria. Members were advised that both would be attending the LINK investor day, giving Members who are planning on attending an opportunity to meet representatives.

Hymans recommended rebalancing the existing bond allocation which was currently overweight to M&G Alpha Opportunities Fund (due to proxy allocation for direct lending) and underweight to Janus Henderson MAC (a legacy position following the recent replacement of GSAM) by bringing the Janus Henderson MAC fund back to its target allocation. They further recommended continuing to use

M&G Alpha Opportunities fund as a proxy for the direct lending allocation. It was noted that retaining discipline in rebalancing ensures good governance processes are followed.

Resolved:

The Committee agreed:

- the increase in the Fund's bond target will be achieved by introducing a new investment grade credit mandate;
- Officers and Advisers undertake further due diligence on the two funds available through the ACCESS pool;
- Janus Henderson MAC fund be rebalanced back to its target allocation of 5.5% using the overweight position of the M&G Alpha Opportunities fund;
- M&G Alpha Opportunities mandate continue to be used as a proxy for the direct lending allocation; and
- the content of the report be noted.

**13. Strategy Implementation Framework – Pillar 1 – Implementing and maintaining strategic targets
Investment Structure Review – Equity Portfolio**

Samuel Hampton, Hymans Robertson, presented a set of recommendations for the structure review of the equity portfolio to bring it in line with its target allocation of 45%.

It was explained that a pro rata reduction across the equity portfolio would be the default position, but the following factors needed to be considered:

- active vs index tracking;
- emerging market equity exposure;
- index tracking composition; and
- style tilts.

It was noted that a slight deviation from the pro rata approach, namely allocating 4% to Columbia Threadneedle and Robeco, offered the desired explicit exposure to emerging markets with the Fund's other global equity mandates offering fluctuating exposure.

The report recommended that the Fund retain a broadly equal split between active and index tracking solutions within the overall equity portfolio, target a 4% standalone allocation to emerging market (EM) equities which will ensure that the Fund retains diversification from a regional perspective and that the Fund maintain a broadly neutral 'style' tilt which Hymans Robertson believed would be a suitable approach providing additional diversification for the portfolio.

Resolved:

The Committee agreed:

- the equity portfolio be brought in line with a 45% target allocation in the first instance;
- to maintain a specific allocation to emerging market equities of 4% of the

- Fund split equally between Columbia Threadneedle and Robeco;
- the global equity mandates target allocations of Baillie Gifford, Longview, and M&G each be trimmed from 7.0% to 6.2% of the Fund;
- the global and RAFI index tracking mandates target allocations managed by UBS be trimmed from 16.2% to 15.1% and 8.2% to 7.3% of the Fund respectively;
- the implementation and timing of the strategic allocation changes be delegated to Officers in consultation with Advisers; and
- the content of the report be noted.

14. Structural Reform of the LGPS – Pooling Quarterly Update of ACCESS Joint Committee (AJC)

The Director for Essex Pension Fund reported on the two meetings of the AJC since the last ISC meeting.

It was explained that at the 05 June 2023 AJC, Cllr Kemp-Gee (Hampshire) and Cllr Barker (Essex) were re-elected as the Chairman and Vice Chairman of the AJC for a further two-year term respectively.

In addition, an update on the BAU Evaluation and the pending acquisition of Link Fund Solutions by Waystone was noted along with the requirement for Essex to enact a Deed of Novation.

AJC Members were also advised that discussions were still ongoing and verbal assurance had been received from Apex CEO that the MJ Hudson team supporting ACCESS would be transferred to Apex and would continue to support ACCESS on the outstanding actions regarding the real estate asset class.

The Committee were reminded that at their 14 June 2023 meeting they agreed:

- ACCESS's RI Guidelines for formal adoption by ACCESS; and
- for Officers to enact the Deed of Novation in regard to Link's contract as and when required.

It was further explained that at the 04 September 2023 AJC, further discussions were held regarding the developments around the sale of Link Fund Solutions to Waystone as well as the developments around the sale of MJ Hudson's investment advisory arm of the business to Apex.

The AJC also discussed the proposed ACCESS response to the latest Pooling Consultation and were updated with the news that two ACCESS emerging market equity sub funds had now been launched; the outcome of the RI/Environmental, Social and Governance (ESG) Adviser Phase II procurement; updates on the Third-Party Review Communication Adviser Procurement; and the Operator retender timetable.

ISC Members were also made aware of recent events including the enactment of the Deed of Novation which was sealed by the ECC Monitoring Officer on 22 June

2023 which resulted in the successful transition of Link Fund Solutions to Waystone as of 09 October 2023, in addition the successful purchase of MJ Hudson by Apex.

Resolved:

The Committee noted the content of the report.

15. Local Government Pensions Scheme (LGPS): Next steps on investments Consultation

Members were reminded that at the 22 March 2023 Essex Pension Fund Strategy Board (PSB) meeting, the PSB agreed to enact the Out of Committee Decision-Making Process as detailed within the Fund's Governance Policy and Compliance Statement for any pending consultations requiring Board/Committee approval outside their agreed schedule of future meetings.

The Out of Committee Decision-Making process was enacted on 27 September 2023 allowing ISC Members to approve the Fund's response to the Department for Levelling Up, Housing and Communities (DLUHC) regarding the LGPS: Next steps on investments Consultation ahead of the 02 October 2023 deadline.

The Fund's response supported the response developed by the ACCESS pool in collaboration with the ACCESS Administering Authorities and was presented to the Committee noting that it was submitted to DLUHC on 02 October 2023.

Resolved:

The Committee noted:

- the response to the LGPS: Next steps on investments Consultation; and
- the content of the report.

16. Urgent Exempt Business

There being none, the meeting closed at 12.02 pm.

**Chairman
29 November 2023**

Essex Pension Fund Investment Steering Committee	ISC 03
Date: 29 November 2023	

Market Commentary: Quarter 3 2023

Report by Hymans Robertson

Enquiries to Jody Evans on 03330 138489

This Report is for noting

Executive Summary

Report Type: Monitoring

Key highlights include:

- Q2 data released in Q3 led to further upward revisions to 2023 global growth forecasts: growth is expected to slow rather than collapse;
- global equities returned 0.9% in Q3 with UK, Emerging Markets and Japan the standout performing regions;
- inflation continued to decline but remained above target, with market expectation that there will be a prolonged period of higher interest rates to bring inflation back to target;
- bond yields continued to rise to more attractive levels making this asset class more desirable; and
- whilst UK property market remains challenging with rental growth being suppressed and capital values under pressure, for long term investors opportunities are arising to enter the market at more attractive yields by buying at a discount to existing market values.

1. Purpose of Report

1.1 To update the ISC on recent market conditions.

2. Recommendation

2.1 That the Committee should note the content of the report.

Q3 2023 Capital Markets Outlook

Essex Pension Fund

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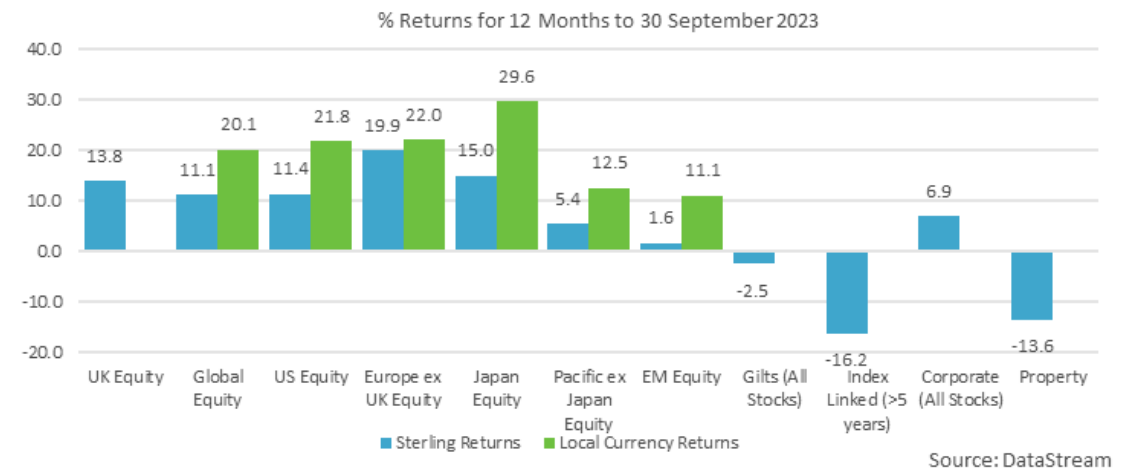
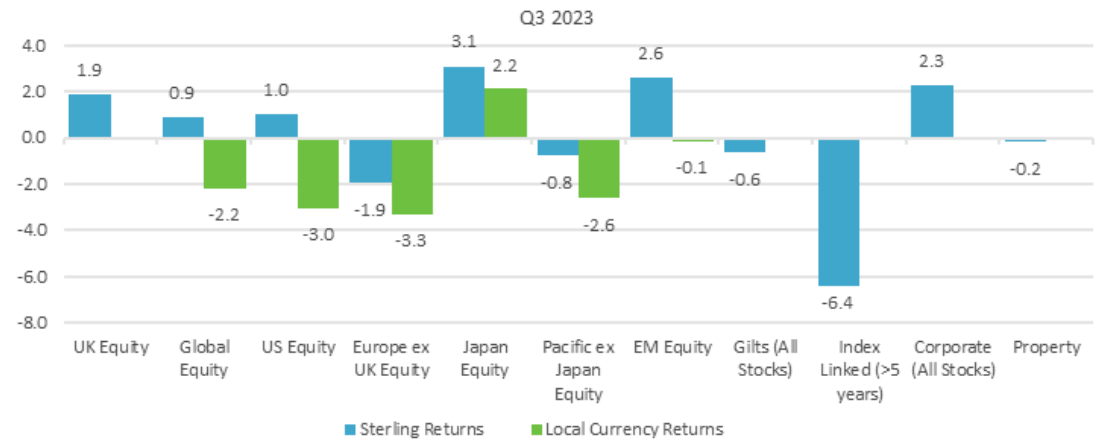
Market background

Market Returns

Better-than-expected Q2 data, released in Q3, led to further upwards revisions to 2023 global growth forecasts for Q3. Survey indicators suggested that economic activity weakened in Q3, particularly in Europe, but growth is expected to slow, rather than collapse.

While inflation generally declined, it remained above target, and markets are coming to expect that central banks will have to keep interest rates higher for longer to return inflation to target.

Against this backdrop, sovereign bond yields rose, and global equity markets weakened. Perhaps owing to reduced expectations of outright recessions, credit spreads marginally tightened.



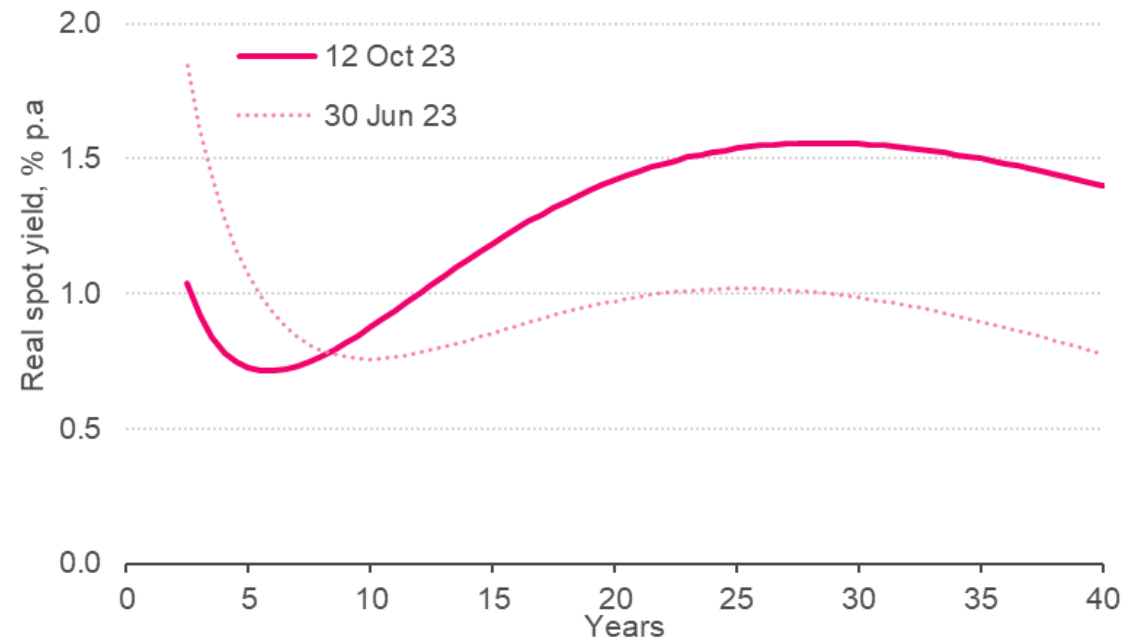
Asset class views

Index-linked government bonds

Real yields also look reasonably attractive versus our assessment of fair value

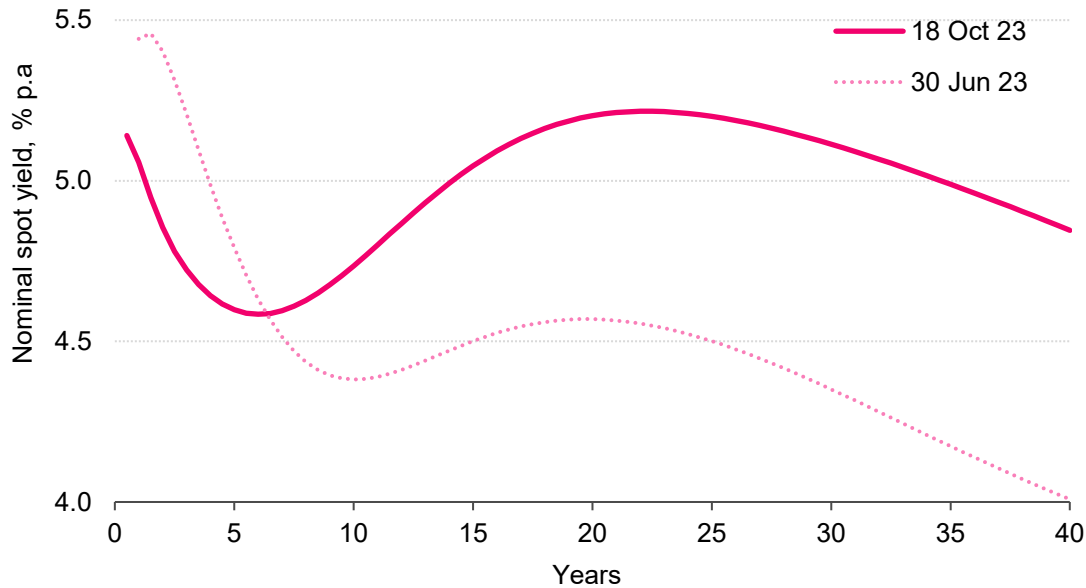
The technical backdrop is slightly less challenging for index-linked gilts: index-linked gilts are not being sold as part of quantitative tightening; the DMO may be likely to reduce linker issuance if demand dries up; and, even if DB buy-outs and deleveraging reduced demand, insurers still ultimately hedge inflation risk.

Given our belief that central banks will ultimately use the tools at their disposal to return inflation towards target, we also expect long-term implied inflation to fall. We think a decline in longer-term implied inflation is more likely to be driven by a fall in nominal yields than a rise in real yields.



	Fundamentals	Valuations	Technicals	Overall
Index-linked	Attractive	Neutral-Attractive	Neutral	Attractive

Government bonds



We have little issue with the near-term path of interest rates implied by the market, but we do not think interest rates will remain as high for as long as suggested by forward nominal yields.

Forward yields remain above our assessment of fair value at all but the very longest terms, but sharp falls at longer terms suggest the best value is on offer between 10 and 20 years.

Government financing requirements and redemptions means gilt issuance is increasing at a time when the Bank of England, who has recently been a key buyer in recent years, is selling nominal gilts. This, alongside the trend of corporate DB schemes moving to buyout, poses a challenging technical backdrop.

	Fundamentals	Valuations	Technicals	Overall
Gilts	Neutral	Very Attractive	Unattractive	Attractive

Investment-grade corporate credit

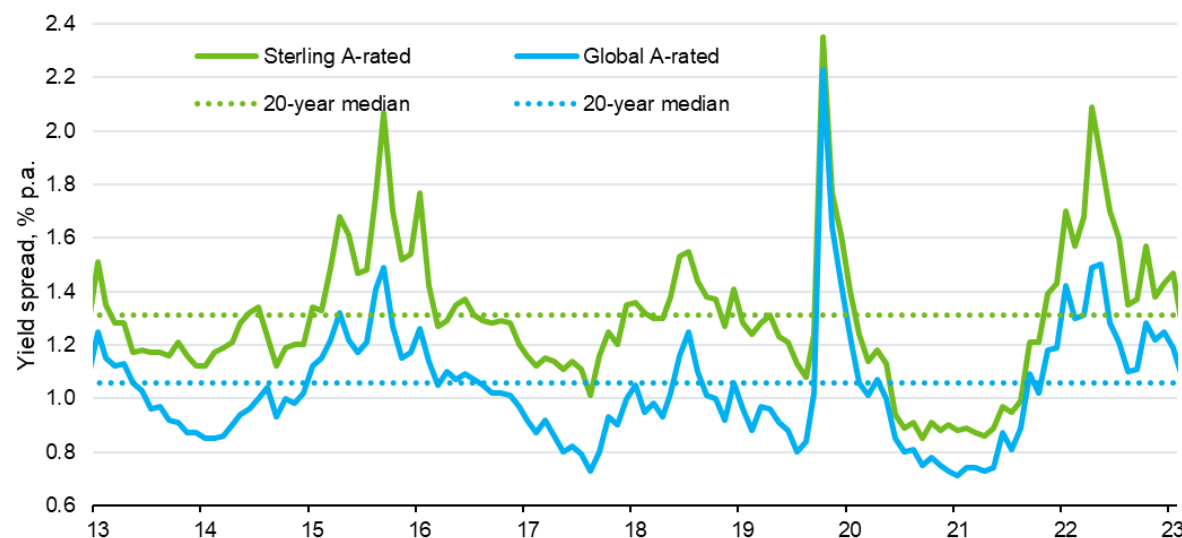
The fundamental outlook for credit is challenging.

Our assessment of valuation has been shaded down by recent spread tightening with global A-rated spreads more or less in-line with long-term median levels, at 1.1% p.a.

Given more attractive all-in yields and de-risking activity, institutional demand lends a degree of technical support to global investment-grade credit markets.

However, sterling credit markets face further technical headwinds with the BoE aiming to increase gilt sales from £80bn to £100bn over the next 12 months.

Spreads (bps)	30-Sep	-3 Mth	-12 Mth	10-yr Median
US A IG	125	130	167	128
Sterling A IG	131	147	209	128
Euro A IG	151	161	221	115



	Fundamentals	Valuations	Technicals	Overall
Global IG credit	Unattractive	Neutral	Neutral	Neutral
Sterling IG credit	Unattractive	Neutral	Neutral	Neutral

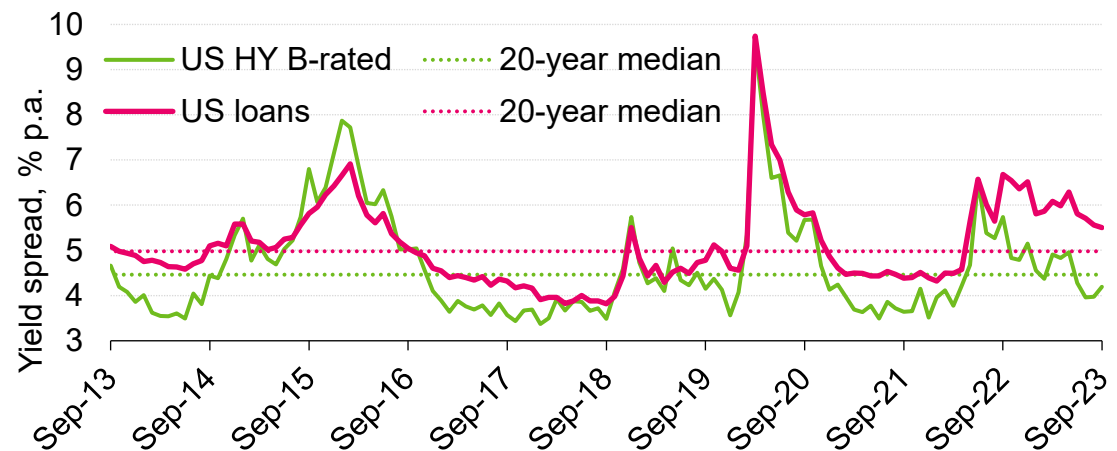
Speculative-grade credit

Speculative-grade default rates have risen above long-term average levels, but given strong corporate balance sheets and unexpected economic resilience in the US, defaults are only expected to rise a little further – a fairly benign outcome relative to past slowdowns.

However, high yield bond spreads at long-term median levels provide little additional compensation against a greater-than-expected rise in defaults as higher borrowing costs and slowing growth impact debt affordability.

Valuations, relative to the traded loan markets, are attractive when compared to new issuance in the market (which is now functioning again).

Spreads (bps)	30 Sept	-3 Mth	-12 Mth	10-yr Median
US HY	403	405	543	410
Euro Currency HY	459	458	632	396
US Loans 3-yr DM	551	581	668	487
Euro Loans 3-yr DM	521	595	769	483



	Fundamentals	Valuations	Technicals	Overall
High yield	Unattractive	Neutral	Neutral	Neutral to Cautious
Loans	Unattractive	Neutral to Attractive	Neutral	Neutral to Cautious
Private debt	Unattractive	Attractive (relative to US loans)	Neutral	Neutral

Global equities (returns)

The overall equity market environment was influenced by a combination of factors, including weaker forward-looking data, rising yields and renewed concerns around Chinese growth. These challenges look to persist and are likely to contribute to a broader dampening effect on global markets.

Energy emerged as the strongest performing sector in the quarter driven by an increase in oil prices due to expectations of reduced global supply.

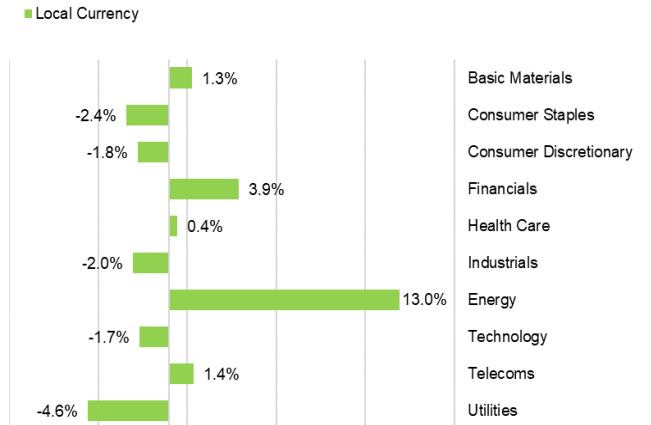
Utilities were a noticeable underperformer due to a rise in long-term sovereign bond yields, impacting its bond-like characteristics.

Japan stood out as the best performing region, benefitting from robust economic data and a weakening yen that boosted net export growth.

Europe underperformed given particularly weak forward-looking economic data and its large exposure to the struggling manufacturing sector.

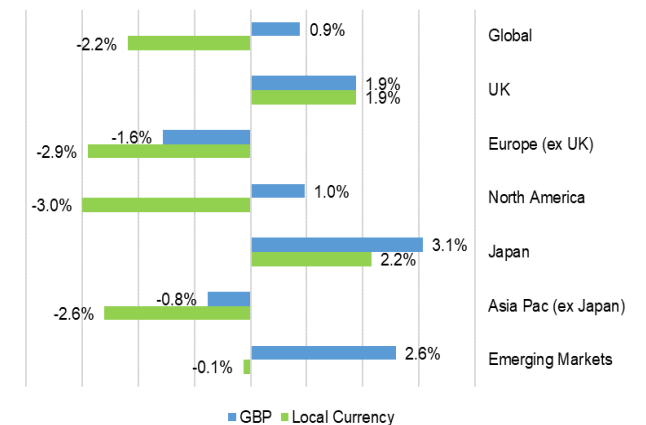
The UK's above-average exposure to energy and financial sectors stood it in good stead for good performance over the quarter.

Relative Q3 equity sector performance



Global Sector returns relative to FTSE All World Index 30 Jun 2023 to 30 Sep 2023. Source: Datastream

Q3 Regional Equity performance



Total returns 30 Jun 23 to 30 Sep 23. Source: DataStream

Global equities

MSCI World cyclically adjusted earnings yield



	Fundamentals	Valuations	Technicals	Overall
Global equity	Unattractive	Neutral	Neutral	Neutral to Cautious

Consensus global corporate earnings growth expectations for the 2023 have settled at 0.7%, although equivalent estimates for 2024 and 2025 are healthier at 10% and 11% respectively. However, we continue to view risks from here as skewed to the downside with further scope for disappointment as policy remains tight and the impact on consumer activity from inflated interest and inflation rates.

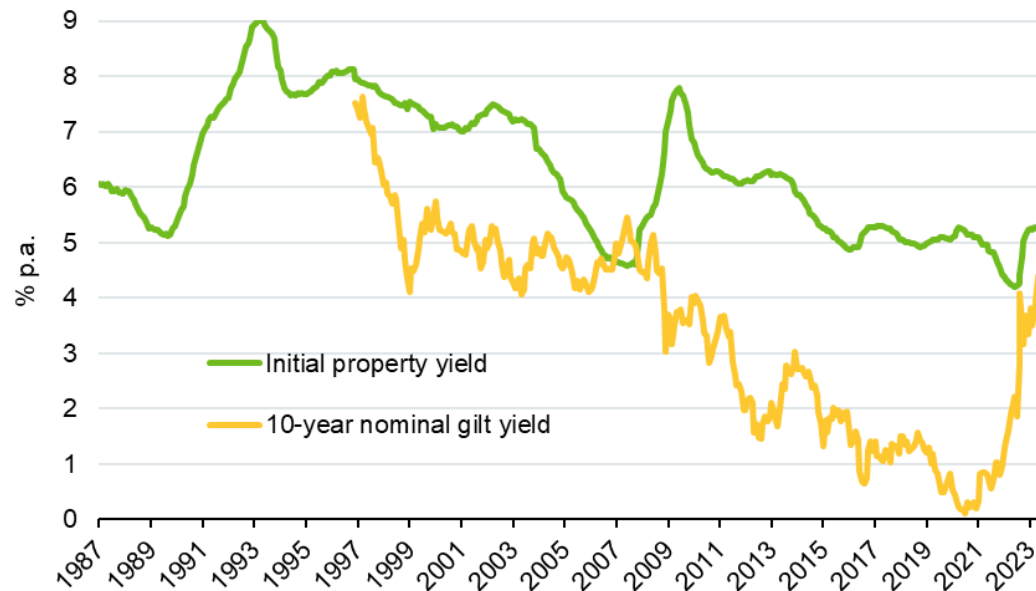
Global developed equity valuations are now in line with long-term medians, although far below their peak from the beginning of 2022.

Spread between the MSCI World's cyclically adjusted earnings yield and US 10-year real yield has been below both its post-crisis median as the rise in real yields has outpaced the rise in earnings yield. This suggests equities are looking more expensive relative to bonds versus history.

Our view on global equities remains neutral to cautious.

UK Property

Yields continue to rise – however, relative to gilts and other assets the yield premium on property looks very low versus longer-term history



The UK property market remains challenging with thin depth as some transactions continue to take place.


Real rental growth has been suppressed due to the current high inflation environment. As this is our primary fundamental indicator it has largely contributed to our view that UK property is fundamentally unattractive.

We believe capital values may come under pressure as the market continues to absorb the ongoing redemption pressure while the effects of rising interest rates impact the availability and cost of debt.

Property yields have risen significantly from a very low base at the market peak in the summer of 2022, pushing yields close to our neutral band.

There will be opportunities for long-term investors to enter the market at more attractive yields by buying at a discount to existing market values.

	Fundamentals	Valuations	Technicals	Overall
UK Direct	Unattractive	Neutral to Unattractive	Unattractive	Cautious

Essex Pension Fund Investment Steering Committee	ISC 04	
Date: 29 November 2023		

Responsible Investment (RI) Project Plan Update

Report by the Head of Fund Investments

Enquiries to Samantha Andrews on 03330 138501

This Report is for noting

Executive Summary

Report Type: Monitoring

Overall progress is in line with the RI Project Plan with **eight** out of **fifteen** areas of activity now complete and **five** areas currently in progress.

Further RI engagements meetings with the Fund's investment managers have now been completed. These include IFM, JPMorgan, Partners Group (Infrastructure) and Partners Group (Global Property). The outcomes of these engagement meetings are provided in Part II of the Agenda Pack.

Officers and Advisers are also due to meet Hamilton Lane (Private Equity) and Permira (Private Lending) on 27 November 2023.

1. Purpose of the Report

- 1.1 To provide an update on progress against the Fund's RI Project Plan and proposed next steps.

2. Recommendation

- 2.1 That the Committee note:
 - progress against the Fund's 2023/24 RI Project Plan; and
 - the content of the report.

3. Background

3.1 At its meeting on 14 June 2023, the Committee agreed a RI Project Plan including the workstreams, timings and steps required to be undertaken to achieve the 2023/24 Business Plan areas of activity in relation to RI and Stewardship.

3.2 Areas of activity include:

- the drafting of the 2024 Stewardship Code Submission;
- the release of the draft Investment Strategy Statement for a full stakeholder consultation and reporting back the outcome;
- assessing options for more impactful investing within the Fund's existing portfolio construction; and
- establishing climate metrics outcomes for the year 2022.

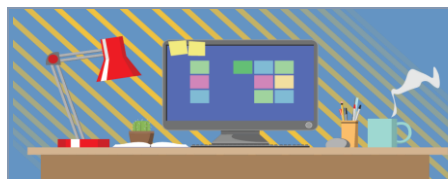
3.3 Appendix A provides the Fund's current progress against the RI Project Plan.

4. Background Papers

4.1 Responsible Investment (RI) Project Plan Update, ISC 04, 11 October 2023.

4.2 Essex Pension Fund (EPF) - Three Year Business Plan and 2023/24 Budget, PSB 04a, 22 March 2023.

4.3 [Essex Pension Fund UK Stewardship Code-2023](#)



Essex Pension Fund

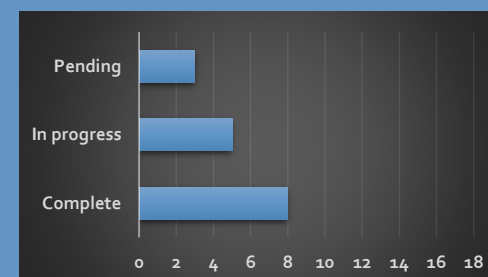
ISC Responsible Investment Project Plan 2023/24

Deliverables	Decisions and actions	Meeting Date	Due	Priority	Status
RI Training	Training as and when required	as required	Q4	Medium	In progress
Proposed scope and Project Plan	Agree scope of activities and Project Plan	14 June 2023	Q1	High	Completed
Review of Investment Strategy Statement (ISS)	Agree draft ISS can be released for full consultation	14 June 2023	Q1	High	Completed
Strategic Responsible Investment Framework	Continue assessment of options for more impactful investing within the existing portfolio construction with initial focus on Infrastructure and Private Equity	14 June 2023	Q1	Medium	Completed
Enact Engagement Plan with all managers including progress to date	Establish a Engagement Meeting Plan for O&A and ISC	14 June 2023	Q1	Medium	Completed
Strategic Responsible Investment Framework	Commence assessment of options for more impactful investing within the existing portfolio construction	14 June 2023	Q1	High	Completed
Meet Managers with focus on RI themes	Identify areas for ongoing engagement with Managers	14 June 2023	Q1	Medium	Completed
Review of Investment Strategy Statement	Review outcome of the ISS stakeholder consultation	11 October 2023	Q3	High	Completed
Meet Managers with focus on RI themes	Identify areas for ongoing engagement with Managers	11 October 2023	Q3	Medium	Completed
Strategic Responsible Investment Framework	Continue assessment of options for more impactful investing within the existing portfolio construction with initial focus on Infrastructure and Private Equity	29 November 2023	Q3	Medium	In progress
Early draft of Stewardship Code submission (template with gaps)	<ul style="list-style-type: none"> Agree climate metric outcomes Agree suitable engagement examples Identify areas for ongoing engagement with manager 	29 November 2023	Q3	Medium	In progress
Meet Managers with focus on RI themes	Identify areas for ongoing engagement with Managers	29 November 2023	Q3	Medium	In progress
Climate metrics (for manager monitoring, TCFD metrics and targets)	Establish climate metrics outcomes for 2022	29 November 2023	Q3	High	In progress
Final draft of Stewardship Code submission	<ul style="list-style-type: none"> Delegate completion of Stewardship Code submission to O&A for submission by 31 May 2024 Identify areas for ongoing engagement with managers 	28 February 2024	Q4	Medium	Pending
Annual review of Managers' compliance with Fund's RI and Stewardship Policy	<ul style="list-style-type: none"> Identify areas for ongoing engagement with Managers 	28 February 2024	Q4	Medium	Pending
Meet Managers with focus on RI themes	<ul style="list-style-type: none"> Identify areas for ongoing engagement with Managers 	28 February 2024	Q4	Medium	Pending

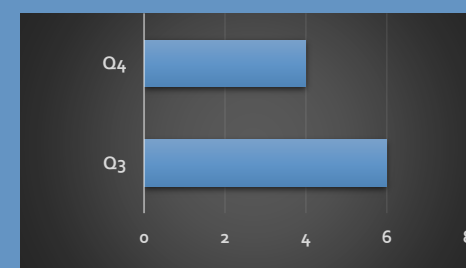
PROGRESS : 13 November 2023



TASK SUMMARY



ON THE HORIZON



Essex Pension Fund Investment Steering Committee	ISC 05
Date: 29 November 2023	

Schedule of Future Meetings and Events

Report by the Head of Fund Compliance and Governance

Enquiries to Amanda Crawford on 03330 321763

This Report is for noting

Executive Summary

Report Type: Governance

Members are being made aware of upcoming meetings and events in 2023/24, including the ACCESS Investor Day due to be held on Thursday 30 November 2023.

1. Purpose of the Report

- 1.1 To provide the Committee with an update on the schedule of future meetings and events.

2. Recommendation

- 2.1 That the Committee note the content of the report.

3. Background

- 3.1 The Committee was made aware, at its meeting on 27 November 2019, that future meetings and events would be brought to each meeting to ensure that, where applicable, these will be authorised according to internal Essex County Council (ECC) processes, formerly known as the Foreign Travel Committee.

4. Upcoming Events

- 4.1 Fund Officers will continue to ensure that a review of advertised Conferences/ Seminars is carried out in line with the Knowledge and Skills Strategy, taking into consideration individuals' Training Needs Analyses and the Fund's carbon footprint, and will communicate any suitable Conferences either through emails and/or this Agenda Item.
- 4.2 The Committee are reminded of the following event taking place tomorrow.

External Training Events	
ACCESS Investor Day, 30 Euston Square, London	Thursday 30 November 2023

- 4.3 Attendance at the above-named event was strongly recommended by Fund Officers.

5. Schedule of Meetings

- 5.1 The schedule of meetings agreed for the municipal year 2023/24 is as follows:

Investment Steering Committee	
Wednesday 28 February 2024	10:00 – 13:00

6. Finance and Resources Implications

- 6.1 If an event costs more than £500 for one member or £1,000 in total, then prior approval by ECC for any travel is compulsory.

7. Background Papers

- 7.1 Schedule of Future Meetings and Events, ISC 07, 11 October 2023.