

Pension Fund Committee

9 September 2025

Pension Fund Investments

For Decision

Local Councillor(s):	All
Senior Leadership Team:	Sean Cremer, Corporate Director, S151 Officer
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Report Status:	Public

Executive Summary

The estimated value of the pension fund's assets at 30 June 2025 was £4,204m compared to £4,071m at the start of the financial year, an increase of £133m.

The total return from the pension fund's investments over the quarter to 30 June 2025 was 3.6%, compared to the combined benchmark return of 3.7%. The total return for the 12 months to 30 June 2025 was 7.3% compared to the benchmark return of 9.1%. Annualised returns for three years were 7.5% compared to the benchmark return of 9.1% and for five years were 7.2% compared to the benchmark of 8.1%.

Markets saw high levels of volatility over the quarter largely driven by uncertainty regarding US trade tariff policy, extensions of US tax relief measures ("one big beautiful bill") and increasing geopolitical uncertainty.

Recommendation(s):

That the Committee review and comment upon the activity and overall performance of the pension fund's investments.

Reason for the recommendation(s):

To ensure that the pension fund has the appropriate management and monitoring arrangements in place, and to ensure that asset allocation in line with agreed strategic targets.

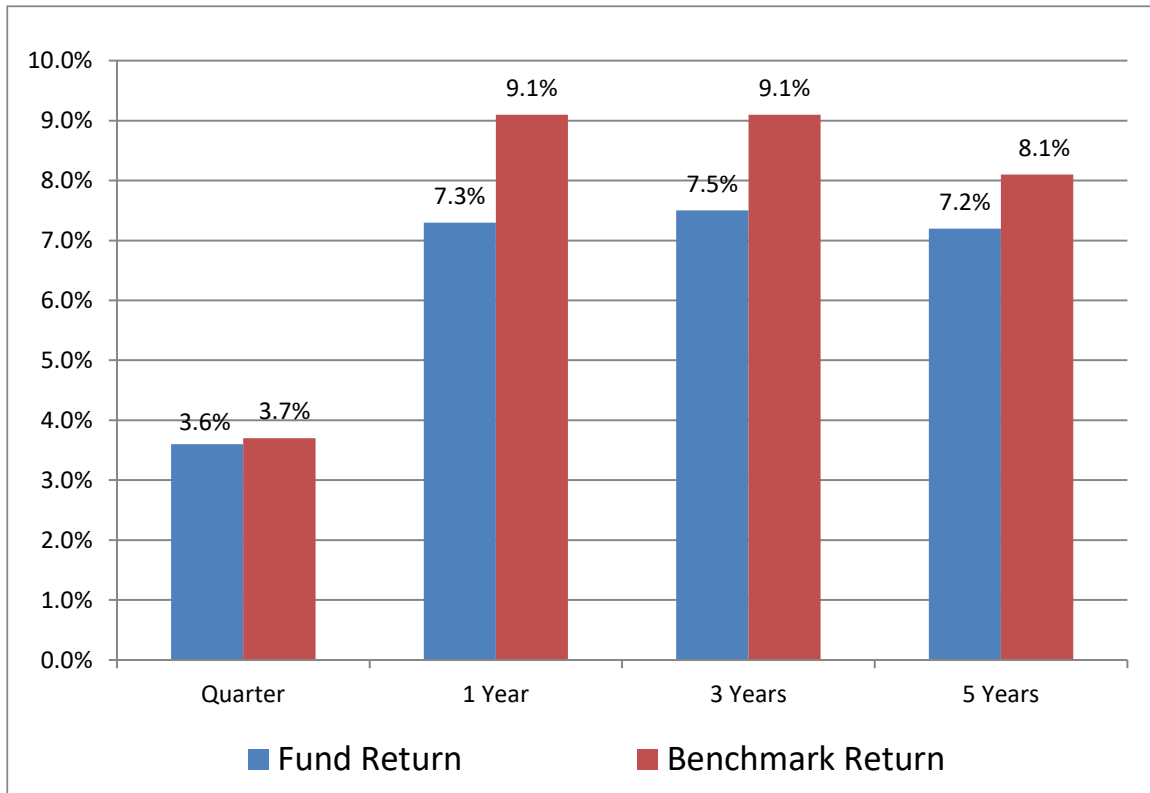
1. Asset Valuation Summary

- 1.1 The table below shows the pension fund's asset valuation by asset class at the beginning of the financial year and as at 30 June 2025, compared with the target allocation agreed by the Committee June 2023. There were no significant variances between actual and target allocations.

Asset Class	31-Mar-25		30-Jun-25		Target Allocation	
	£M	%	£M	%	£M	%
UK Equities	436.1	10.7%	457.2	10.9%	378.4	9.0%
Global Equities	1,822.6	44.8%	1,894.7	45.1%	1,891.8	45.0%
Emerging Markets Equities	157.2	3.9%	167.8	4.0%	168.2	4.0%
Total Listed Equities	2,415.9	59.3%	2,519.7	59.9%	2,438.3	58.0%
Corporate Bonds	267.1	6.6%	274.5	6.5%	273.3	6.5%
Multi Asset Credit	292.4	7.2%	300.1	7.1%	273.3	6.5%
Diversified Returns	270.7	6.7%	273.8	6.5%	294.3	7.0%
Infrastructure	312.7	7.7%	314.8	7.5%	336.3	8.0%
Private Equity	137.2	3.4%	135.8	3.2%	210.2	5.0%
Property	285.0	7.0%	284.6	6.8%	378.4	9.0%
Liability Driven Investment	0.0	0.0%	-	0.0%	-	0.0%
Cash	88.8	2.2%	97.7	2.3%	-	0.0%
F/X Hedging	0.8	0.0%	2.9	0.1%	-	0.0%
Total Asset Valuation	4,070.6	100.0%	4,203.9	100.0%	4,203.9	100.0%

2. Investment Performance Summary

- 2.1 The overall performance of the pension fund's investments to 30 June 2025 is summarised below (returns for three and five years are annualised figures).



2.2 Appendix 1 summarises by investment manager and investment vehicle the value of Assets Under Management (AUM) as at 30 June 2025 plus each investment's return compared to its benchmark for the quarter, one, three and five years, and 'Since Initial Investment' (SII). All percentages quoted for periods over one year are annualised returns

3. Economic and Market Background

3.1 The second quarter of 2025, like the first quarter, was extremely volatile largely driven by uncertainty regarding US trade tariff policy, extensions of US tax relief measures ("one big beautiful bill") and increasing geopolitical uncertainty.

3.2 Further information relating to the economic and market background relevant to the pension fund's investments can be found in the independent investment adviser's quarterly report (Appendix 2) and in Brunel's quarterly report (Appendix 3).

4. Investment Pooling

4.1 In accordance with the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, Dorset participates with nine other LGPS funds to pool investment assets

through the Brunel Pension Partnership. Brunel is wholly owned in equal shares by the ten administering authorities that participate in the pool and is authorised by the Financial Conduct Authority (FCA).

- 4.2 As at 30 June 2025, approximately 85% of the pension fund's assets were under the management of Brunel.
- 4.3 Brunel's performance report for the quarter ending 30 June 2025 is included as Appendix 3 to this report. This report includes market summaries from Brunel's investment officers and an overall performance summary for the pension fund, together with more detailed information in relation to Dorset's assets under Brunel's management.
- 4.4 The administering authorities of two of the eight LGPS investment pools (Brunel Pension Partnership and ACCESS) received a joint letter from the ministers for Pensions and Local Government advising them that they would need to identify a new pool to work with by 30 September 2025. This is subject to a separate item on the agenda for this meeting.

5. Private Markets

- 5.1 The pension fund has investments in private equity funds managed by two external managers, HarbourVest and Patria (formerly managed by Aberdeen group), and Brunel.
- 5.2 Private Equity is an asset class that takes several years for commitments to be fully invested. The table below summarises the pension fund's commitments, drawdowns, distributions received and closing valuations by manager as at 30 June 2025.

	<u>Commitment</u>	<u>Drawdown</u>		<u>Distributions</u>	<u>Valuation</u>
	<u>£m</u>	<u>£m</u>	<u>%</u>	<u>£m</u>	<u>£m</u>
HarbourVest	102.6	95.1	93%	133.4	53.3
Patria	74.3	67.5	87%	100.7	6.9
Brunel	160.4	64.2	40%	3.8	75.5
Total	337.3	226.7	67%	237.9	135.7

- 5.3 The pension fund has two external infrastructure managers, Federated Hermes and IFM. The target for each manager is a 10% absolute annual return and this is used at the benchmark for these investments. In addition to the assets under the management of Federated Hermes and IFM, the pension fund also has holdings in infrastructure funds under the management of Brunel.

- 5.4 The performance of the pension fund's property investments managed by CBRE is detailed in Appendix 4. In addition to the assets under the management of CBRE, the pension fund also has holdings in secured long income property funds under the management of Brunel.

6. Legal considerations

- 6.1 None.

7. Financial implications

- 7.1 The Local Government Pension Scheme (LGPS) is a national pension scheme administered locally. Dorset Council is the administering authority for the LGPS in Dorset which provides pensions and other benefits for employees of the Council, other councils and a range of other organisations within the county.
- 7.2 The LGPS is a 'defined benefit' scheme which means that benefits for scheme members are calculated based on factors such as age, length of membership and salary. Member benefits are not calculated on the basis of investment performance as they would be in a 'defined contribution' scheme.
- 7.3 Administering authorities are required to maintain a pension fund for the payment of benefits to scheme members funded by contributions from scheme members and their employers, and from the returns on contributions invested prior to benefits becoming payable.
- 7.4 Contribution levels for scheme members are set nationally, and contribution levels for scheme employers are set locally by actuaries engaged by administering authorities. As scheme member rates cannot be changed locally and benefits are defined, the risk of investment underperformance is effectively borne by scheme employers.
- 7.5 In September 2024 the LGPS Scheme Advisory Board (SAB) published a statement making clear that that "when decision makers exercise their LGPS investment responsibilities, the primary purpose must be to achieve the required returns in an appropriately risk-managed way to pay pensions when they become due, minimising the need for additional funding in the future."
- 7.6 The pension fund's actuary, Barnett Waddingham, undertakes a full assessment of the funding position every three years. The results of the latest full assessment as at 31 March 2022 were that the pension fund had

a funding level of 96% i.e. assets were estimated to be 96% of the value that they would have needed to be to pay for the expected benefits accrued to that date, based on the assumptions used, compared to 92% at the last valuation as at 31 March 2019.

8. Natural environment, climate & ecology implications

- 8.1 The pension fund's Investment Strategy Statement requires all external investment managers to consider and manage all financially material risks arising from environmental issues, including those associated with climate change.
- 8.2 At its meeting in September 2020, the Committee agreed to a strategy of decarbonisation meaning a reduction in allocations of investment to companies which are high carbon emitters and looking to influence the demand for fossil fuels and their financing, not just their supply.
- 8.3 Significant decarbonisation has been and will continue to be achieved through the transition of assets to the management of Brunel. Approximately 10% of the pension fund's assets are invested in Brunel's global sustainable equities fund, with all other actively managed Brunel funds are committed to a policy of a 7% year on year reduction in their carbon footprint.
- 8.3 The pension fund no longer has any direct investments in individual companies, including 'fossil fuel' companies, but it does have indirect exposure to such companies through its holdings in pooled investment vehicles. As at 31 March 2025, the value of the pension fund's investments in companies primarily involved in the exploration, production, mining and/or refining of fossil fuels was estimated at approximately £75M (1.8% of total investment assets).

9. Well-being and health implications

- 9.1 None.

10. Other implications

- 10.1 None.

11. Risk implications

- 11.1 The risks associated with the pension fund's investments are assessed in detail and considered as part of the strategic asset allocation. The pension

fund's Investment Strategy Statement requires all external investment managers to consider and manage all financially material risks.

12. Equalities

12.1 None.

13. Appendices

Appendix 1: Performance summary by investment manager

Appendix 2: Independent Investment Adviser's quarterly report

Appendix 3: Brunel's quarterly report

Appendix 4: CBRE Quarterly Investment Report

14. Background papers

[Funding Strategy Statement \(dorsetpensionfund.org\)](https://www.dorsetpensionfund.org/funding-strategy-statement)

[Investment Strategy Statement | Dorset Pension Fund](#)

[Dorset County Pension Fund Holdings Report 31 March 2025 | Dorset Pension Fund](#)

[LGPS Scheme Advisory Board - Home](#)

Appendix 1

Performance by Investment Manager

The following tables summarise by investment manager and investment vehicle the value of Assets Under Management (AUM) as at 30 June 2025 plus each investment's return compared to its benchmark for the quarter, one, three and five years, and 'Since Initial Investment' (SII). All percentages quoted for periods over one year are annualised returns.

Brunel Pension Partnership

Investment	AUM £m	Qtr %	1 Yr %	3 Yr %	5 Yr %	SII %
Global Equities:						
Brunel Global Sustainable Equities	396.1	3.4	1.2	7.8	-	5.1
MSCI AC World GBP Index		5.2	7.6	13.3	-	10.1
Excess		-1.8	-6.4	-5.5	-	-5.0
Brunel Global High Alpha Equity	282.8	4.4	4.0	12.4	10.9	11.7
MSCI World TR Index		5.1	7.7	14.2	12.7	11.8
Excess		-0.7	-3.7	-1.8	-1.8	-0.1
Brunel Smaller Companies Equities	283.6	7.9	4.5	7.7	-	2.9
MSCI World Small Cap		5.3	6.1	8.3	-	4.5
Excess		2.6	-1.6	-0.6	-	-1.6
Brunel Emerging Market Equity	167.4	6.5	7.1	5.5	4.0	3.1
MSCI Emerging Markets		5.7	7.0	5.9	5.1	4.5
Excess		0.8	0.1	-0.4	-1.1	-1.4
LGIM Passive Developed Equities	117.2	5.3	7.8	13.8	12.4	11.0
FTSE World Developed		5.4	7.9	14.0	12.5	11.1
Excess		-0.1	-0.1	-0.2	-0.1	-0.1
LGIM Passive Dev. Equities (Hedged)	129.3	9.7	14.6	17.7	14.5	12.1
FTSE World Developed Hedged		9.8	14.8	17.9	14.7	12.3
Excess		-0.1	-0.2	-0.2	-0.2	-0.2
Low Volatility Global Equity	308.4	1.7	-	-	-	0.2
MSCI AC World Index		5.2	-	-	-	-0.3
Excess		-3.5	-	-	-	0.5

Investment	AUM £m	Qtr %	1 Yr %	3 Yr %	5 Yr %	SII %
LGIM Passive Smart Beta	181.9	-1.1	5.8	9.1	10.5	8.4
SciBeta Multifactor Composite		-1.2	5.3	8.5	9.9	8.0
Excess		0.1	0.5	0.6	0.6	0.4
LGIM Passive Smart Beta (Hedged)	195.6	3.2	12.6	12.8	12.6	8.8
SciBeta Multifactor Hedged Composite		3.1	12.0	12.3	12.1	8.4
Excess		0.1	0.6	0.5	0.5	0.4
UK Equities:						
LGIM Passive UK Equities	457.2	4.4	11.2	10.7	11.0	5.6
FTSE All Share		4.4	11.2	10.7	10.8	5.5
Excess		0.0	0.0	0.0	0.2	0.1
Fixed Income:						
Brunel Multi Asset Credit	300.1	2.6	9.1	9.5	-	4.2
SONIA + 4%		2.0	9.0	8.5	-	7.4
Excess		0.6	0.1	1.0	-	-3.2
Brunel Sterling Corporate Bonds	274.5	2.8	6.9	-	-	6.4
iBoxx Sterling Non Gilts Overall Return		2.8	5.3	-	-	4.8
Excess		0.0	1.6	-	-	1.6
Other:						
Brunel Diversifying Returns Fund	273.8	1.2	4.9	5.0	-	4.1
SONIA + 3%		1.8	7.9	7.5	-	5.8
Excess		-0.6	-3.0	-2.5	-	-1.7
Private Markets:						
Brunel Private Equity Cycle 1	59.6	-1.4	4.2	4.5	15.1	17.5
MSCI AC World Index		5.2	7.6	13.3	11.8	11.8
Excess		-6.6	-3.4	-8.8	3.3	5.7
Brunel Private Equity Cycle 3	13.2	6.3	2.9	-	-	9.3
MSCI AC World Index		5.2	7.6	-	-	14.6
Excess		1.1	-4.7	-	-	-5.3
Brunel Private Equity Cycle 4	2.7	10.7	18.8	-	-	17.1
MSCI AC World Index		5.2	7.6	-	-	10.0
Excess		5.5	11.2	-	-	7.1
Brunel Secured Income Cycle 1	53.8	0.7	4.6	-4.9	0.6	1.2
CPI		1.8	3.6	4.5	5.0	4.1
Excess		-1.1	1.0	-9.4	-4.4	-2.9
Brunel Secured Income Cycle 3	30.9	1.8	3.8	-	-	3.6
CPI		1.8	3.6	-	-	2.7
Excess		0.0	0.2	-	-	0.9
Brunel Infrastructure Cycle 3	38.6	6.0	10.6	-	-	4.9
CPI		1.8	3.6	-	-	4.3
Excess		4.2	7.0	-	-	0.6

Other Managers

Manager / Investment	AUM	Qtr	1 Yr	3 Yr	5 Yr	SII
	£m	%	%	%	%	%
CBRE / Property	226.8	1.4	4.9	-2.6	3.2	6.5
MSCI UK All Properties (Quarterly)		1.3	6.3	-3.2	2.8	6.2
Excess		0.1	-1.4	0.6	0.4	0.3
HarbourVest / Private Equity	53.3	-2.5	-2.9	-5.7	14.0	12.0
FTSE All Share		4.4	11.2	10.7	10.8	6.1
Excess		-6.9	-14.1	-16.4	3.2	5.9
Patria / Private Equity	6.9	-13.7	-14.0	-4.9	6.0	3.8
FTSE All Share		4.4	11.2	10.7	10.8	6.4
Excess		-18.1	-25.2	-15.6	-4.8	-2.6
Federated Hermes / Infrastructure	77.9	1.0	-1.3	-1.2	0.8	4.8
10% Absolute Return		2.3	10.0	10.0	10.0	10.0
Excess		-1.3	-11.3	-11.2	-9.2	-5.2
IFM / Infrastructure	171.3	0.1	6.5	5.9	9.9	11.8
10% Absolute Return		2.3	10.0	10.0	10.0	10.0
Excess		-2.2	-3.5	-4.1	-0.1	1.8