Pension Fund Committee

2 December 2025

Pension Fund Investments

For Decision

Local Councillor(s): All

Senior Leadership Team:
S Cremer, Corporate Director, Section 151 Officer

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Statutory Authority: Dorset Council

Report status: Public (the exemption paragraph is N/A)

Executive summary (maximum of 500 words)

The estimated value of the pension fund's assets at 30 September 2025 was £4,406m compared to £4,071m at the start of the financial year, an increase of £335m. Approximately 85% of the pension fund's assets were under the management of Brunel Pension Partnership, the fund's investment pooling manager.

The total return from the pension fund's investments over the quarter to 30 September 2025 was 4.9%, compared to the combined benchmark return of 6.1%. The total return for the 12 months to 30 September 2025 was 10.1% compared to the benchmark return of 14.0%. Annualised returns for three years were 9.7% compared to the benchmark return of 11.2% and for five years were 7.8% compared to the benchmark of 9.4%.

Most asset classes recorded positive returns in the quarter, driven by subsiding concerns regarding US trade tariff policy, continued high expectations for Artificial Intelligence (AI) developments and a weaker US dollar providing support to emerging markets and precious metals. There is a heightened risk that markets could see significant corrections if sentiment towards AI changes.

Following a government directive for LGPS funds to consolidate into fewer and stronger investment pools at its last meeting, 9 September 2025, the Committee resolved to join Local Pension Partnership Investments (LPPI).

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.

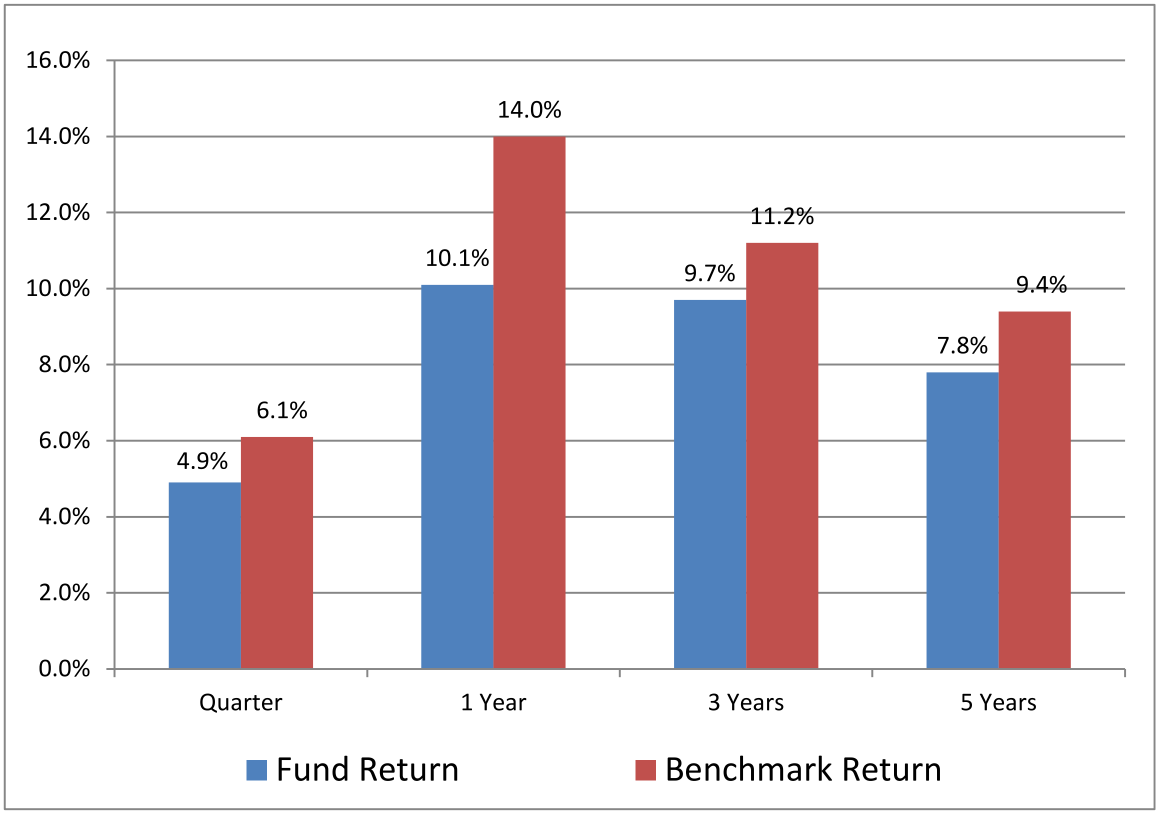
1. Asset Valuation Summary

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 September 2025, compared with the target allocation agreed by the Committee June 2023. There were no significant variances between actual and target allocations.

	31-Mar-25		30-Sep-25		Target Allocation	
Asset Class	**£M**	**%**	**£M**	**%**	**£M**	**%**
UK Equities	436.1	10.7%	488.9	11.1%	396.5	9.0%
Global Equities	1,822.6	44.8%	2,008.0	45.6%	1,982.7	45.0%
Emerging Markets Equities	157.2	3.9%	189.9	4.3%	176.2	4.0%
Total Listed Equities	***2,415.9***	***59.3%***	***2,686.8***	***61.0%***	***2,555.5***	***58.0%***
Corporate Bonds	267.1	6.6%	278.4	6.3%	286.4	6.5%
Multi Asset Credit	292.4	7.2%	306.8	7.0%	286.4	6.5%
Diversified Returns	270.7	6.7%	283.2	6.4%	308.4	7.0%
Infrastructure	312.7	7.7%	320.5	7.3%	352.5	8.0%
Private Equity	137.2	3.4%	142.3	3.2%	220.3	5.0%
Property	285.0	7.0%	287.0	6.5%	396.5	9.0%
Liability Driven Investment	0.0	0.0%	-	0.0%	-	0.0%
Cash	88.8	2.2%	103.7	2.4%	-	0.0%
F/X Hedging	0.8	0.0%	- 2.7	-0.1%	-	0.0%
Total Asset Valuation	**4,070.6**	**100.0%**	**4,406.0**	**100.0%**	**4,406.0**	**100.0%**

2. Investment Performance Summary

2.1 The overall performance of the pension fund's investments to 30 September 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 September 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 Most asset classes recorded positive returns in the third quarter of 2026, driven by subsiding concerns regarding US trade tariff policy, continued high expectations for Artificial Intelligence (AI) developments and a weaker US dollar providing support to emerging markets and precious metals. There is a heightened risk that markets could see significant corrections if sentiment towards AI changes.

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 September 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 September 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.

4.5 At its last meeting, September 2025, the Committee resolved to join Local Pension Partnership Investments (LPPI) alongside five of the other Brunel partner funds. An update on progress in implementing this decision is provided later in the agenda for this meeting.

4.6 On 20 November 2025 the Ministry of Housing, Communities & Local Government (MHCLG) launched a consultation seeking views on whether two draft statutory instruments "will effectively deliver the policy proposals set out in the government's response to the LGPS Fit for the Future consultation". Officers will draft a response to the consultation and circulate to Committee members for comment before the consultation ends 2 January 2026.

Local Government Pension Scheme in England and Wales: Fit for the Future - technical consultation - GOV.UK

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 September 2025.

	Commitment	Drawdown		Distributions	Valuation
	£m	£m	%	£m	£m
HarbourVest	104.5	96.8	93%	138.8	54.0
Patria	75.6	68.9	87%	105.2	4.5
Brunel	160.4	71.3	44%	3.8	83.8
Total	**340.5**	**236.9**	**70%**	**247.9**	**142.3**

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 identified.

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 draft results of the latest full assessment as at 31 March 2025 were that the pension fund had a funding level of 98% i.e. assets were estimated to be 98% 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 96% at the last valuation as at 31 March 2022.

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 30 June 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 £79M (1.8% of total investment assets).

9. Well-being and health implications

9.1 None identified.

10. Other implications

10.1 None identified.

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 There are no equalities implications arising from this report.

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)]
[Investment Strategy Statement | Dorset Pension Fund]

[Dorset County Pension Fund Holdings Report 30 June 2025 | Dorset Pension Fund]
[Dorset County Pension Fund to join new investment pool | 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 September 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	Qtr	1 Yr	3 Yr	5 Yr	SII
	£m	%	%	%	%	%
Global Equities:						
Brunel Global Sustainable Equities	**418.5**	5.7	6.9	9.2	-	6.0
MSCI AC World GBP Index		9.7	17.4	16.2	-	11.7
Excess		-4.0	-10.5	-7.0	-	-5.7
Brunel Global High Alpha Equity	**302.7**	7.1	12.0	14.3	10.8	12.4
MSCI World TR Index		9.3	17.3	16.8	14.0	12.9
Excess		-2.2	-5.3	-2.5	-3.2	-0.5
Brunel Smaller Companies Equities	**291.9**	2.9	4.0	7.6	-	3.4
MSCI World Small Cap		10.6	13.7	10.8	-	6.6
Excess		-7.7	-9.7	-3.2	-	-3.2
Brunel Emerging Market Equity	**189.9**	13.5	18.5	11.9	5.5	5.2
MSCI Emerging Markets		12.9	17.7	11.6	6.6	6.5
Excess		0.6	0.8	0.3	-1.1	-1.3
LGIM Passive Developed Equities	**128.0**	9.3	17.4	16.5	13.7	12.2
FTSE World Developed		9.4	17.6	16.8	13.8	12.3
Excess		-0.1	-0.2	-0.3	-0.1	-0.1
LGIM Passive Dev. Equities (Hedged)	**139.3**	7.8	18.1	22.7	14.8	13.0
FTSE World Developed Hedged		7.9	18.4	23.0	15.0	13.2
Excess		-0.1	-0.3	-0.3	-0.2	-0.2
Low Volatility Global Equity	**329.0**	6.7	-	-	-	6.9
MSCI AC World Index		9.7	-	-	-	9.3
Excess		-3.0	-	-	-	-2.4

Investment	AUM £m	Qtr %	1 Yr %	3 Yr %	5 Yr %	SII %
LGIM Passive Smart Beta	**193.5**	6.4	9.6	11.0	11.5	9.0
SciBeta Multifactor Composite		6.3	9.0	10.5	11.0	8.6
Excess		0.1	0.6	0.5	0.5	0.4
LGIM Passive Smart Beta (Hedged)	**205.1**	4.9	10.1	16.9	12.6	9.2
SciBeta Multifactor Hedged Composite		4.8	9.6	16.3	12.1	8.8
Excess		0.1	0.5	0.6	0.5	0.4
UK Equities:						
LGIM Passive UK Equities	**488.9**	6.9	16.2	14.5	13.1	6.4
FTSE All Share		6.9	16.2	14.5	13.0	6.3
Excess		0.0	0.0	0.0	0.1	0.1
Fixed Income:						
Brunel Multi Asset Credit	**306.8**	2.2	7.4	10.6	-	4.5
SONIA + 4%		2.1	8.7	8.8	-	7.5
Excess		0.1	-1.3	1.8	-	-3.0
Brunel Sterling Corporate Bonds	**278.4**	1.4	5.7	-	-	6.4
iBoxx Sterling Non Gilts Overall Return		0.7	3.7	-	-	4.6
Excess		0.7	2.0	-	-	1.8
Other:						
Brunel Diversifying Returns Fund	**282.9**	3.3	6.5	6.5	4.9	4.5
SONIA + 3%		1.8	7.6	7.7	6.0	5.9
Excess		1.5	-1.1	-1.2	-1.1	-1.4
Private Markets:						
Brunel Private Equity Cycle 1	**63.0**	7.8	14.1	4.6	16.7	18.1
MSCI AC World Index		9.7	17.4	16.2	13.1	12.9
Excess		-1.9	-3.3	-11.6	3.6	5.2
Brunel Private Equity Cycle 3	**16.5**	-0.3	2.9	-	-	8.2
MSCI AC World Index		9.7	17.4	-	-	17.3
Excess		-10.0	-14.5	-	-	-9.1
Brunel Private Equity Cycle 4	**4.3**	6.0	25.8	-	-	18.7
MSCI AC World Index		9.7	17.4	-	-	15.8
Excess		-3.7	8.4	-	-	2.9
Brunel Secured Income Cycle 1	**53.9**	0.7	3.7	-3.3	1.0	1.3
CPI		0.3	3.8	4.0	5.0	4.0
Excess		0.4	-0.1	-7.3	-4.0	-2.7
Brunel Secured Income Cycle 3	**30.5**	-0.5	1.5	-	-	2.5
CPI		0.3	3.8	-	-	2.6
Excess		-0.8	-2.3	-	-	-0.1
Brunel Infrastructure Cycle 3	**37.3**	-0.3	7.9	-	-	4.3
CPI		0.3	3.8	-	-	4.1
Excess		-0.6	4.1	-	-	0.2

Other Managers

Manager / Investment	AUM	Qtr	1 Yr	3 Yr	5 Yr	SII
	£m	%	%	%	%	%
CBRE / Property	**228.4**	2.1	6.1	-0.9	3.5	6.5
MSCI UK All Properties (Quarterly)		1.4	6.3	-1.5	3.0	6.2
Excess		0.7	-0.2	0.6	0.5	0.3
HarbourVest / Private Equity	**54.0**	7.0	10.5	-2.9	13.9	12.2
FTSE All Share		6.9	16.2	14.5	13.0	6.3
Excess		0.1	-5.7	-17.4	0.9	5.9
Patria / Private Equity	**4.5**	3.5	-4.0	-4.9	5.6	3.9
FTSE All Share		6.9	16.2	14.5	13.0	6.6
Excess		-3.4	-20.2	-19.4	-7.4	-2.7
Federated Hermes / Infrastructure	**79.2**	2.2	3.2	-3.1	2.6	4.9
10% Absolute Return		2.5	10.0	10.0	10.0	10.0
Excess		-0.3	-6.8	-13.1	-7.4	-5.1
IFM / Infrastructure	**178.2**	4.0	12.6	5.2	11.0	11.9
10% Absolute Return		2.5	10.0	10.0	10.0	10.0
Excess		1.5	2.6	-4.8	1.0	1.9