Pension Fund Committee

2 June 2026

Pension Fund Investments

For Review and Consultation

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 31 March 2026 was £4,537m compared to £4,071m at the start of the financial year, an increase of £466m. Approximately 86% of the pension fund's assets were under the management of Brunel Pension Partnership (Brunel), the fund's then investment pooling manager. From 1 April 2026, LPPI are now the pension fund's investment pooling manager.

The total return from the pension fund's investments over the quarter to 31 March 2026 was 0.5%, compared to the combined benchmark return of 1.2%. The total return for the 12 months to 31 March 2026 was 12.1% compared to the benchmark return of 15.0%. Annualised returns for three years were 9.4% compared to the benchmark return of 11.6% and for five years were 6.5% compared to the benchmark of 8.5%.

Markets in the quarter were highly volatile driven by the conflict in the Middle East and the resulting disruption to global energy supplies. This is likely to feed through into higher inflation (although the duration and magnitude of the impact remain uncertain). Consequently, previous expectations that central banks would continue reducing interest rates are now likely to remain on hold until inflationary pressures become clearer. Concerns remain that an Artificial Intelligence (AI)

‘bubble’ is developing in US technology stocks and that sufficient returns to justify valuations won’t materialise from the billions being invested.

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

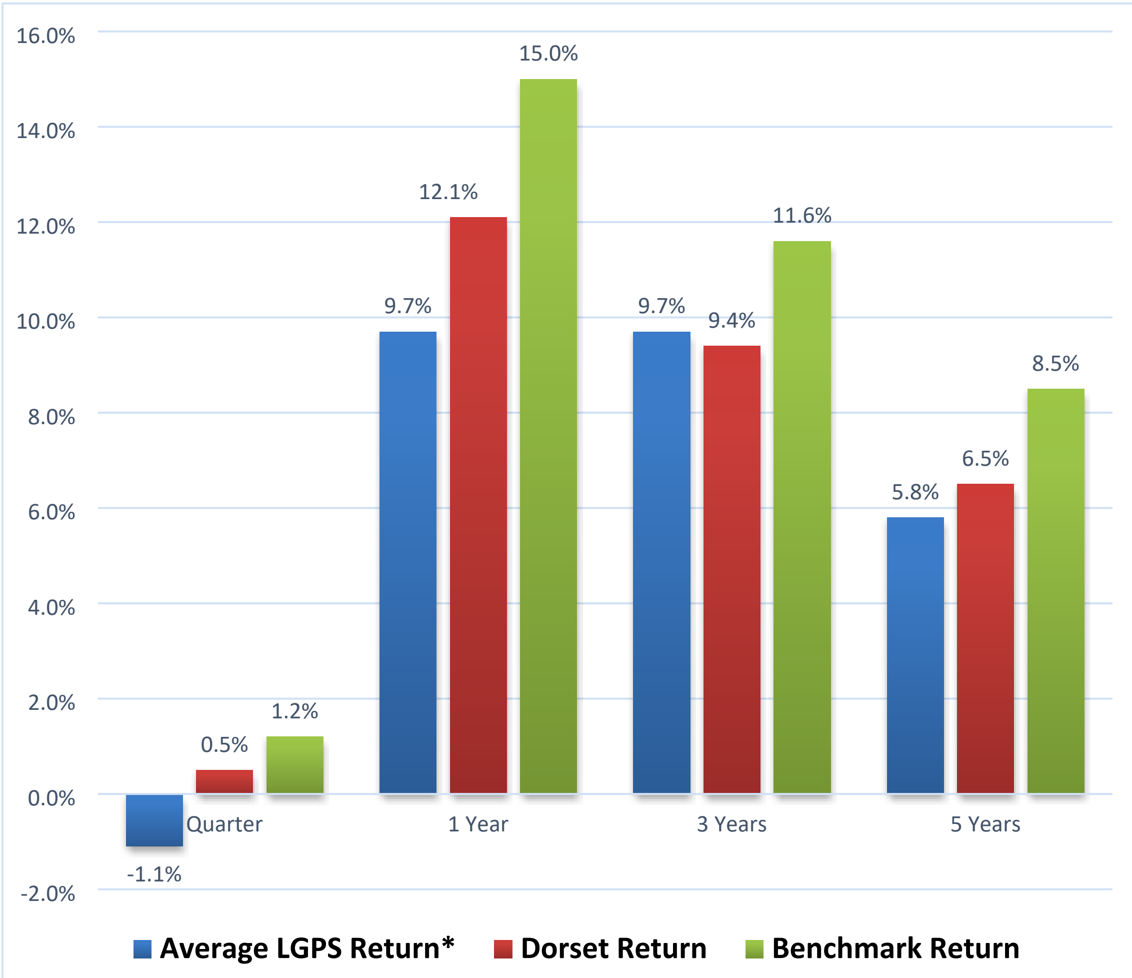
1.1 The table below shows the pension fund’s asset valuation by asset class at the beginning of the financial year and as at 31 March 2026, compared with the target allocation agreed by the Committee June 2023.

	31-Mar-25		31-Mar-26		Target Allocation	
Asset Class	**£M**	**%**	**£M**	**%**	**£M**	**%**
UK Equities	436.1	10.7%	532.6	11.7%	408.3	9.0%
Global Equities	1,822.6	44.8%	2,044.0	45.1%	2,041.5	45.0%
Emerging Markets Equities	157.2	3.9%	200.7	4.4%	181.5	4.0%
Total Listed Equities	***2,415.9***	***59.3%***	***2,777.3***	***61.2%***	***2,631.3***	***58.0%***
Corporate Bonds	267.1	6.6%	282.3	6.2%	294.9	6.5%
Multi Asset Credit	292.4	7.2%	309.4	6.8%	294.9	6.5%
Diversified Returns	270.7	6.7%	293.8	6.5%	317.6	7.0%
Infrastructure	312.7	7.7%	340.6	7.5%	362.9	8.0%
Private Equity	137.2	3.4%	153.1	3.4%	226.8	5.0%
Property	285.0	7.0%	289.2	6.4%	408.3	9.0%
Cash	88.8	2.2%	95.6	2.1%	-	0.0%
F/X Hedging	0.8	0.0%	- 4.6	-0.1%	-	0.0%
Total Asset Valuation	**4,070.6**	**100.0%**	**4,536.7**	**100.0%**	**4,536.7**	**100.0%**

1.2 At its last meeting March 2026 the Committee agreed some changes to the pension fund’s asset allocation targets effective from 1 April 2026. Actual asset allocation as at 30 June 2026 will be reported against these revised targets at the next meeting of the Committee in September 2026.

2. Investment Performance Summary

2.1 The overall performance of the pension fund’s investments to 31 March 2026 is summarised below (returns for three and five years are annualised figures).



*The average LGPS return is estimated by Pensions & Investment Research Consultants (PIRC) based on 62 participating LGPS funds with a combined value of approximately £275bn.

2.2 Appendix 1 summarises by investment manager and investment vehicle the value of Assets Under Management (AUM) as at 31 March 2026 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 quarter to 31 March 2026 was highly volatile driven by the conflict in the Middle East and the resulting disruption to global energy supplies. This is likely to feed through into higher inflation, although the duration and magnitude of the impact remain uncertain and will depend largely on the length and severity of the conflict. The consequences are also being felt in monetary policy expectations. Central banks had previously been expected to continue reducing interest rates, however, policy easing is now likely to remain on hold until inflationary pressures become clearer.

3.2 There are still concerns that an Artificial Intelligence (AI) ‘bubble’ is developing in US technology stocks and that sufficient returns to justify valuations won’t materialise from the billions being invested. The quarter saw a temporary moderation in prices but there has been a strong rebound in the current quarter to date.

3.3 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 31 March 2026, approximately 86% of the pension fund’s assets were under the management of Brunel.

4.3 Brunel’s performance report for the quarter ending 31 March 2026 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 In April 2025 the administering authorities of two of the eight LGPS investment pools (Brunel and ACCESS) were instructed by government to join one of the six other pools. In September 2025, the Committee resolved that Local Pension Partnership Investments (LPPI) was the preferred pool Dorset wished to work with, alongside five of the other Brunel partner funds plus three existing LPPI partner funds and in March 2026, the Committee resolved to become a shareholder and client of LPPI. All pension fund investment assets are now under the management of LPPI and the process for winding up Brunel has begun.

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 LPPI (Brunel until 31 March 2026).

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 31 March 2026.

	Commitment	Drawdown		Distributions	Valuation
	£m	£m	%	£m	£m
HarbourVest	106.4	98.6	93%	146.4	52.8
Patria	76.5	69.6	91%	107.9	2.8
Brunel	160.4	84.2	52%	3.8	97.5
Total	**343.4**	**252.3**	**73%**	**258.2**	**153.1**

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 LPPI (Brunel until 31 March 2026).

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 (and now LPPI). Approximately 10% of the pension fund's assets are invested in a global sustainable equities fund, with all other actively managed former Brunel funds 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 [to follow]

14. Background papers

[Funding Strategy Statement | Dorset Pension Fund]
[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 31 March 2026 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	**412.3**	-2.8	7.6	5.8	4.9	5.1
MSCI AC World GBP Index		-1.2	18.0	14.6	11.0	11.0
Excess		-1.6	-10.4	-8.8	-6.1	-5.9
Brunel Global High Alpha Equity	**290.6**	-5.0	7.3	9.2	7.3	10.7
MSCI World TR Index		-1.5	16.9	14.8	11.8	12.1
Excess		-3.5	-9.6	-5.6	-4.5	-1.4
Brunel Smaller Companies Equities	**294.1**	1.7	11.9	5.3	3.0	3.2
MSCI World Small Cap		3.5	24.1	11.5	7.0	7.2
Excess		-1.8	-12.2	-6.2	-4.0	-4.0
LGIM Passive Developed Equities	**131.0**	-1.2	17.8	14.8	11.5	11.6
FTSE World Developed		-1.2	18.0	15.0	11.7	11.7
Excess		0.0	-0.2	-0.2	-0.2	-0.1
LGIM Passive Dev. Equities (Hedged)	**141.2**	-2.6	19.9	17.6	11.1	12.2
FTSE World Developed Hedged		-2.5	20.2	17.9	11.3	12.4
Excess		-0.1	-0.3	-0.3	-0.2	-0.2
Low Volatility Global Equity	**349.9**	2.6	15.4	-	-	10.3
MSCI AC World Index		-1.2	18.0	-	-	8.9
Excess		3.8	-2.6	-	-	1.4

Investment	AUM	Qtr	1 Yr	3 Yr	5 Yr	SII
	£m	%	%	%	%	%
LGIM Passive Smart Beta	**207.6**	4.3	12.9	11.3	10.0	9.4
SciBeta Multifactor Composite		4.1	12.3	10.8	9.5	9.0
Excess		0.2	0.6	0.5	0.5	0.4
LGIM Passive Smart Beta (Hedged)	**217.3**	2.8	14.8	14.0	9.6	9.4
SciBeta Multifactor Hedged Composite		2.6	14.2	13.5	9.1	9.0
Excess		0.2	0.6	0.5	0.5	0.4
UK Equities:						
LGIM Passive UK Equities	**532.6**	2.4	21.5	13.3	11.2	7.1
FTSE All Share		2.4	21.5	13.3	11.1	7.1
Excess		0.0	0.0	0.0	0.1	0.0
Fixed Income:						
Brunel Multi Asset Credit	**309.4**	-0.6	5.8	8.6	-	4.2
SONIA + 4%		1.9	8.3	8.9	-	7.6
Excess		-2.5	-2.5	-0.3	-	-3.4
Brunel Sterling Corporate Bonds	**282.3**	-1.3	5.7	6.2	-	5.8
iBoxx Sterling Non Gilts Overall Return		-1.6	4.4	4.3	-	4.2
Excess		0.3	1.3	1.9	-	1.6
Other:						
Brunel Diversifying Returns Fund	**293.8**	2.8	8.5	7.5	5.3	4.8
SONIA + 3%		1.7	7.2	7.8	6.4	6.0
Excess		1.1	1.3	-0.3	-1.1	-1.2
Private Markets:						
Brunel Private Equity Cycle 1	**64.2**	2.8	11.9	8.9	17.9	17.6
MSCI AC World Index		-1.2	18.0	14.6	11.0	12.3
Excess		4.0	-6.1	-5.7	6.9	5.3
Brunel Private Equity Cycle 3	**25.5**	0.0	11.1	-	-	8.5
MSCI AC World Index		-1.2	18.0	-	-	15.1
Excess		1.2	-6.9	-	-	-6.6
Brunel Private Equity Cycle 4	**7.8**	0.0	19.3	-	-	14.4
MSCI AC World Index		-1.2	18.0	-	-	12.6
Excess		1.2	1.3	-	-	1.8
Brunel Secured Income Cycle 1	**54.9**	1.2	4.5	1.7	0.8	1.6
CPI		0.6	3.3	3.0	5.2	3.9
Excess		0.6	1.2	-1.3	-4.4	-2.3
Brunel Secured Income Cycle 3	**30.9**	1.1	4.1	-	-	3.1
CPI		0.6	3.3	-	-	2.5
Excess		0.5	0.8	-	-	0.6
Brunel Infrastructure Cycle 3	**47.2**	0.4	9.7	5.6	-	4.8
CPI		0.6	3.3	3.0	-	3.8
Excess		-0.2	6.4	2.6	-	1.0

Other Managers

Manager / Investment	AUM	Qtr	1 Yr	3 Yr	5 Yr	SII
	£m	%	%	%	%	%
CBRE / Property	**228.3**	1.0	6.3	4.4	3.6	6.5
MSCI UK All Properties (Quarterly)		1.3	5.4	3.4	2.9	6.2
Excess		-0.3	0.9	1.0	0.7	0.3
HarbourVest / Private Equity	**52.8**	6.9	12.5	4.0	14.4	12.3
FTSE All Share		2.4	21.5	13.3	11.1	6.6
Excess		4.5	-9.0	-9.3	3.3	5.7
Patria / Private Equity	**2.8**	-0.9	-11.4	-4.3	4.8	3.8
FTSE All Share		2.4	21.5	13.3	11.1	6.9
Excess		-3.3	-32.9	-17.6	-6.3	-3.1
Federated Hermes / Infrastructure	**77.4**	-0.1	6.5	-1.3	2.7	4.9
10% Absolute Return		2.4	10.0	10.0	10.0	10.0
Excess		-2.5	-3.5	-11.3	-7.3	-5.1
IFM / Infrastructure	**191.0**	3.7	11.6	7.4	12.2	12.1
10% Absolute Return		2.4	10.0	10.0	10.0	10.0
Excess		1.3	1.6	-2.6	2.2	2.1