



# CLWYD PENSION FUND COMMITTEE

**James Zealander**  
Senior Relationship Manager, Link Group

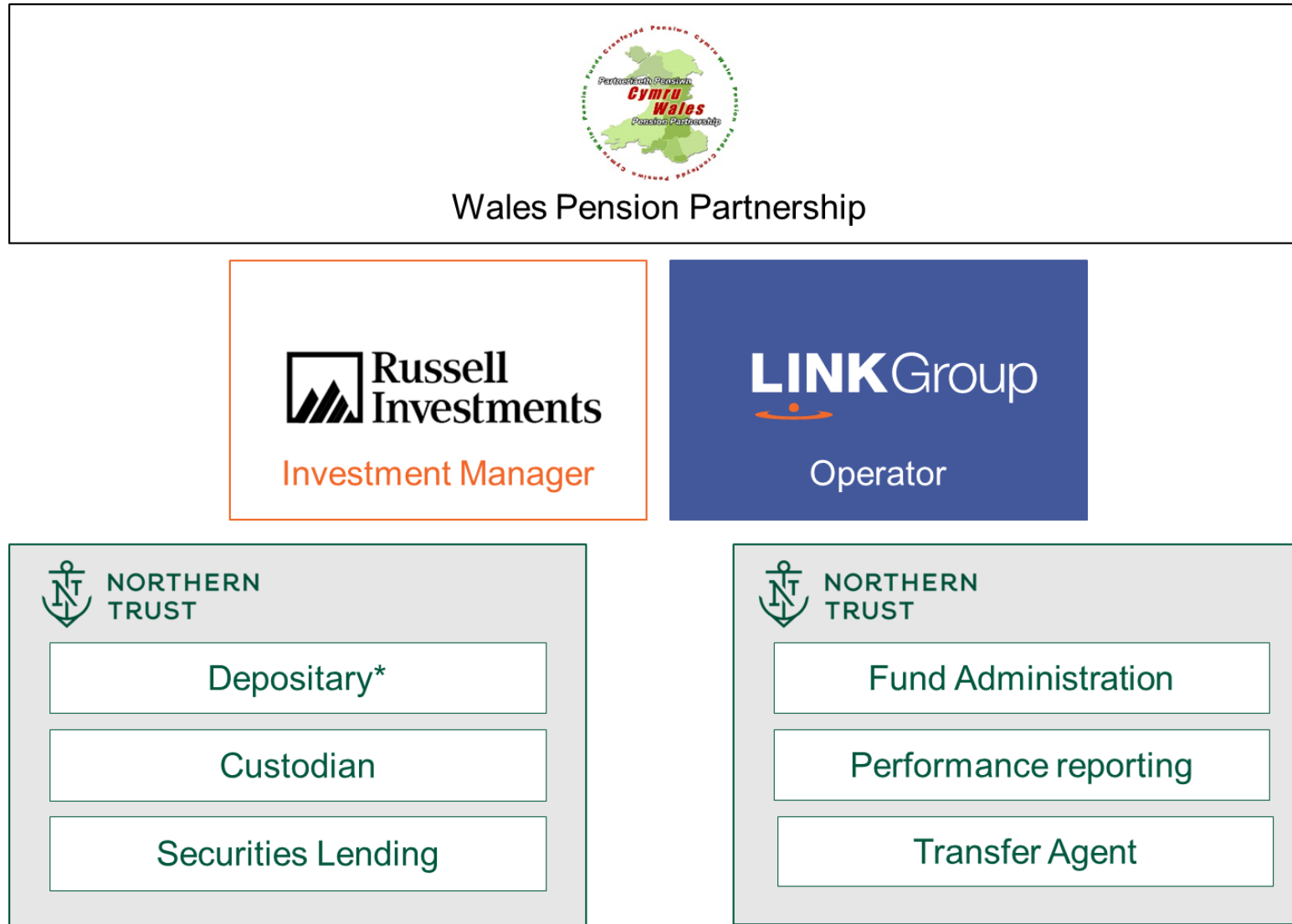
**Aidan Quinn, CFA**  
Director, EMEA Client Team, Russell Investments

21 June 2023

EMBRACE  
THE POSS/IBLE®

# LINK FUND SOLUTIONS

# WPP Operating Model



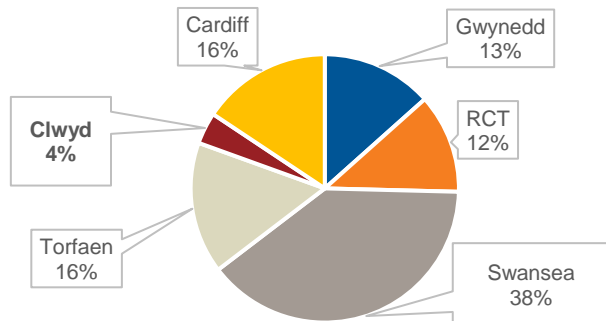
# Market Updates

## Proposed Acquisition

- As discussed since the last Joint Governance Committee on 29 March 2023;
- Below is the update in relation to the progress of the sale of the Fund Solutions business (FS Business) and ongoing negotiations with the UK Financial Conduct Authority (FCA) to settle the FCA investigation against Link Fund Solutions Limited (LFSL).
- Link Group announced on 20<sup>th</sup> April 2023 (Sydney time) that:
- Link Group and LFSL have reached a conditional agreement for the sale of the FS Business, excluding its Luxembourg and Swiss entities, and excluding Woodford related liabilities, on a debt and cash free and normalised working capital adjustments basis, to the Waystone Group for an aggregate consideration value of between £110 million and £140 million (the Sale).
- At the same time, Link Group and LFSL have reached a conditional agreement with the FCA to settle its investigation into LFSL in respect of LFSL's role as authorised corporate director (ACD) of the LF Woodford Equity Income Fund (now known as the LF Equity Income Fund) (WEIF), (the Settlement).
- The Settlement is conditional on, amongst other things, completion of the Sale and the English High Court sanctioning a scheme of arrangement proposed under Part 26 of the Companies Act 2006 addressing WEIF related redress and claims against LFSL (Scheme), as outlined below. The FCA has confirmed its intention to support the Scheme and intends to support its approval by WEIF Investors.
- As part of the Settlement, and conditional on the Scheme, Link Group has agreed to contribute to LFSL all of the available consideration to be received from the Waystone Group under the Sale, meaning Link Group would receive no net proceeds of the Sale. There is no further contribution required of Link Group'.
- The Scheme will provide that the payment of amounts to WEIF Investors, in accordance with the Scheme, will be in return for a full and final release from WEIF Investors to LFSL and the wider Group.
- The Sale is targeted to complete by October 2023 and is not contingent on the Scheme or the Settlement becoming unconditional.

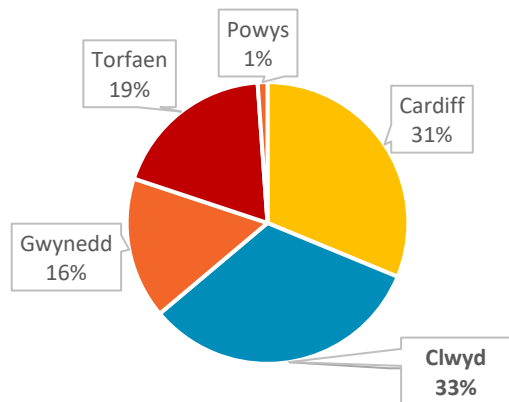
# March 2023 Fund Snapshot

## Global Opportunities

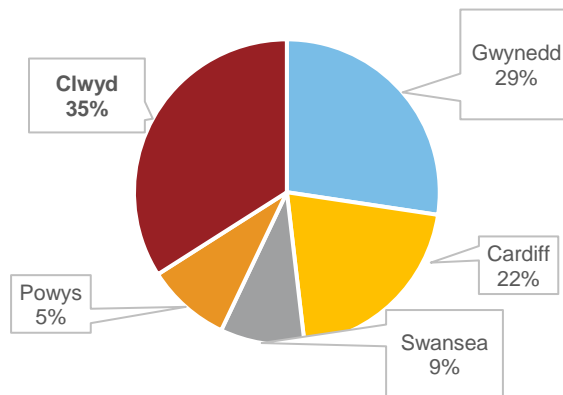


| Fund                            | Fund AUM              | Inception date            | Clwyd – March 23 AUM |
|---------------------------------|-----------------------|---------------------------|----------------------|
| Global Opportunities            | £3,269,124,129        | 6 <sup>th</sup> Feb 2019  | £130,027,219         |
| Emerging Markets                | £354,601,402          | 14 <sup>th</sup> Feb 2019 | £115,711,384         |
| Multi Asset Credit              | £655,191,299          | 19 <sup>th</sup> Aug 2020 | £230,688,013         |
| <b>Total Active Investments</b> |                       |                           | <b>£476,426,616</b>  |
| <b>Total Investments</b>        | <b>£4,278,916,830</b> |                           | <b>£476,426,616</b>  |

## Emerging Markets



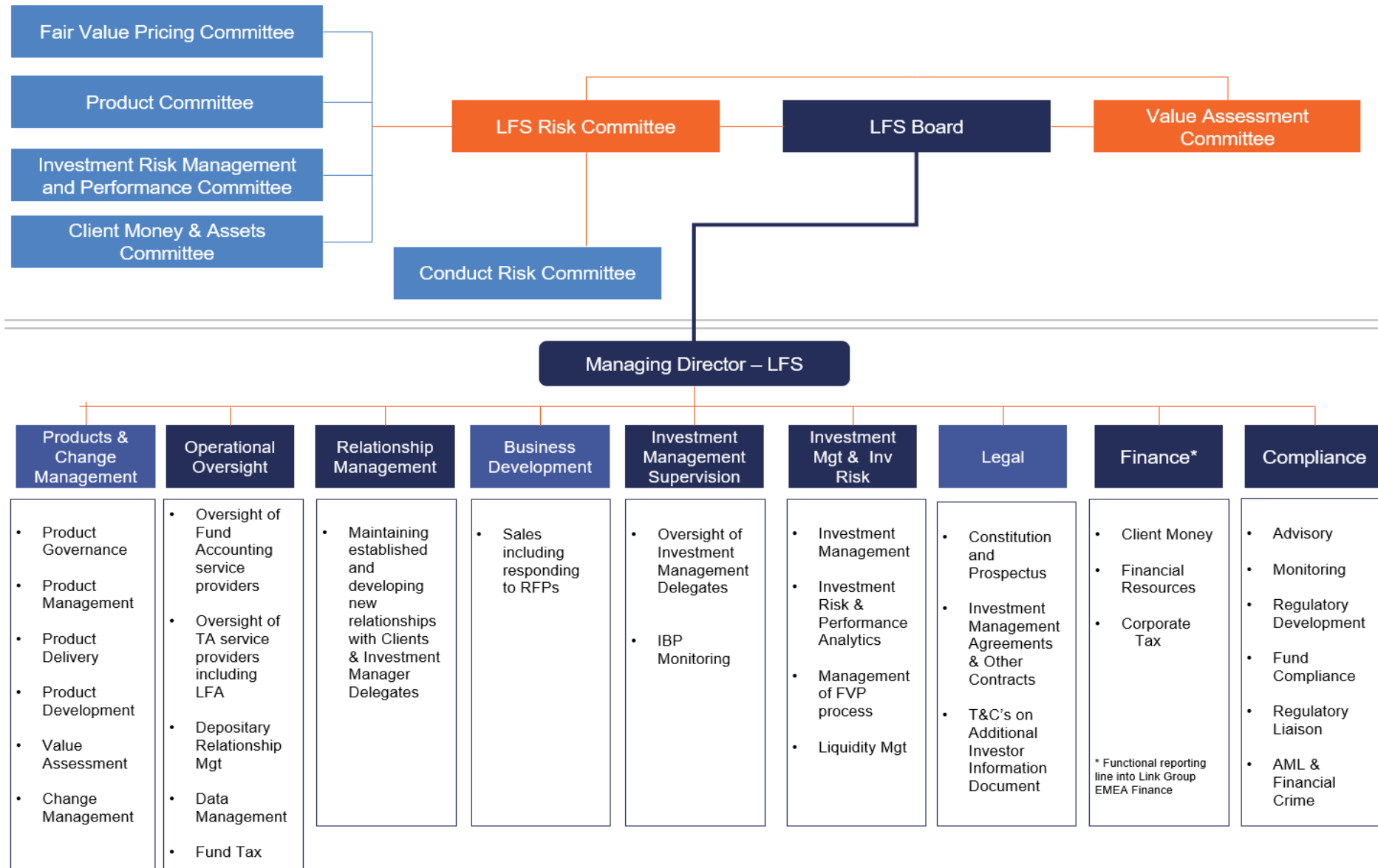
## Multi Asset Credit



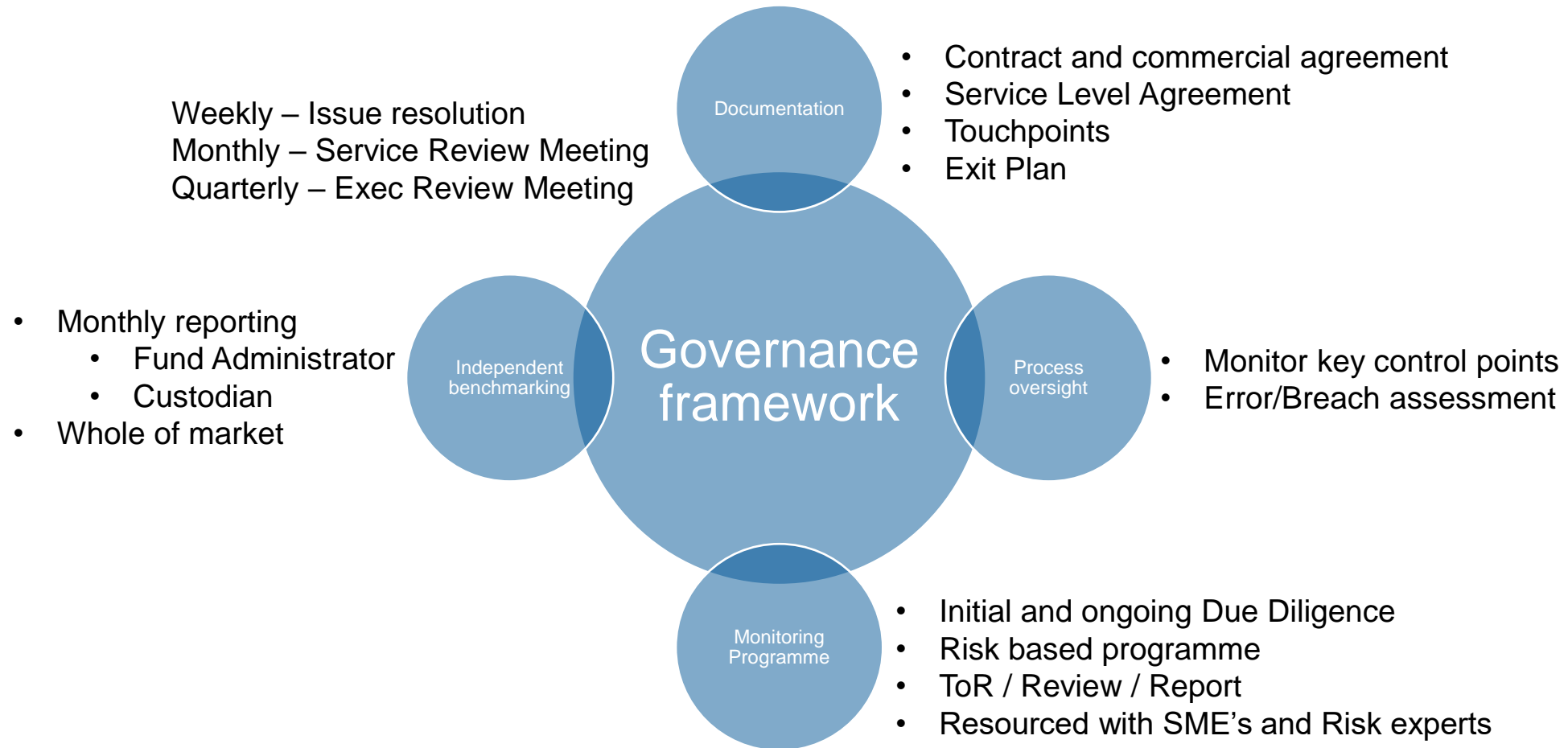
Key:

- Dyfed
- Powys
- Gwynedd
- RCT
- Torfaen
- Clwyd
- Swansea
- Cardiff

# Governance Structure for Link Fund Solutions Ltd.







# Operational Oversight – core principles



# Sub-Funds Update

| Fund Launches & Changes                      |   |        |  |
|--|---|--------|--|
|  | Activity  | Status | Commentary   |
| <b>Completed Fund Launches &amp; Changes</b> | N/a   |        | N/a  |
| <b>Ongoing Fund Launches &amp; Changes</b>   | Addition of Robeco to the Global Credit fund, removal of T Rowe Price | ✓      | New Investment Manager 'Robeco' to be implemented June 2023  |
|  | Establishment of a Sustainable Equities Fund                          | ✓      | Weekly Transition Calls ongoing with full working party and Legacy managers with launch date agreed for 20 June 2023 |

**Status key:**

-  Completed or already in place
-  On target;
-  Delay Expected;
-  Not Applicable



# RUSSELL INVESTMENTS UPDATE

# WPP Partnership

Significant progress made



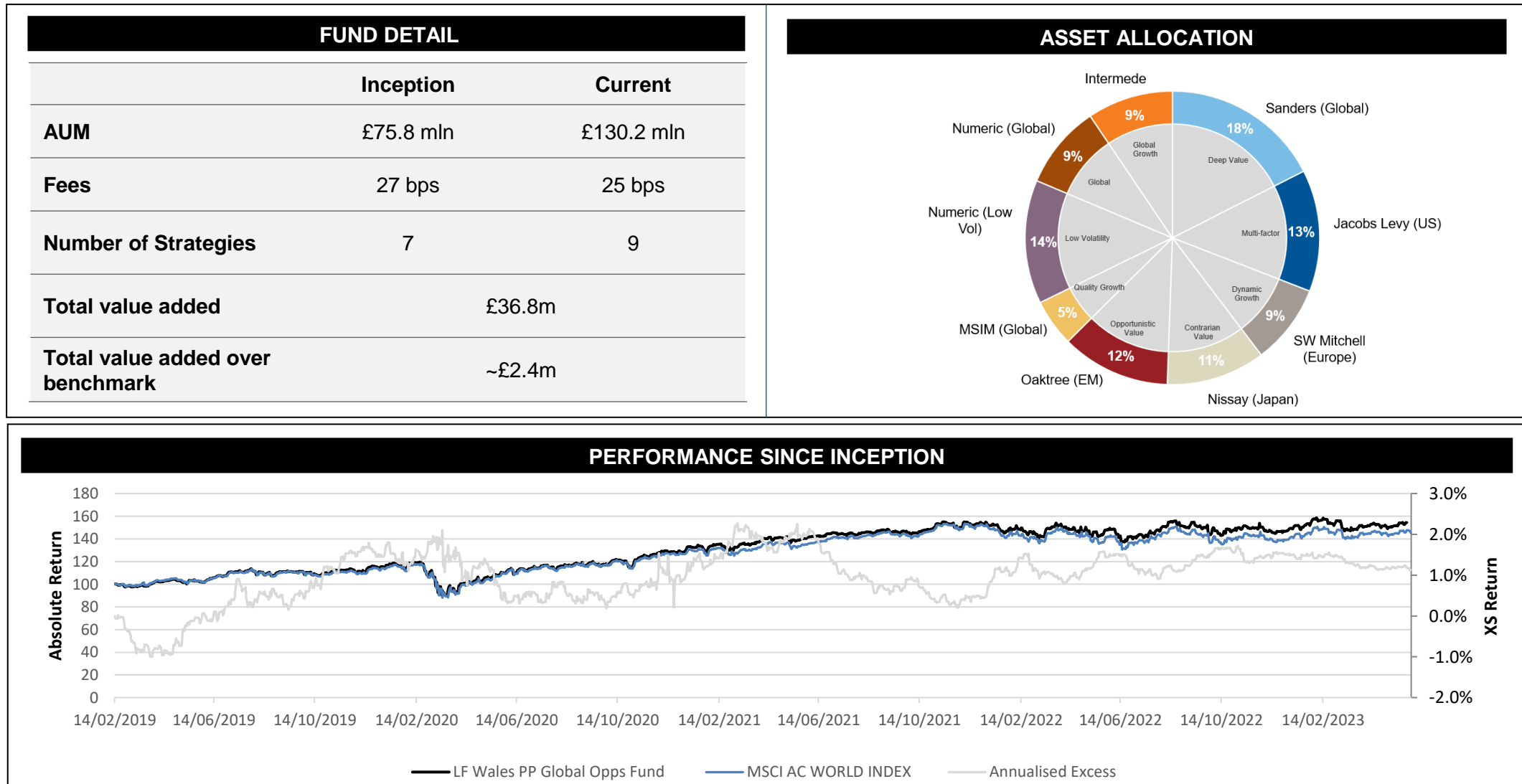
|  |  |  |
|--|--|--|
| <b>Fund Platform Provider:</b><br><b>LINK</b> Asset Services | <b>Investment Man. Partner:</b><br>Russell Investments | <b>Asset Servicer:</b><br>NORTHERN TRUST |
|--|--|--|



For illustrative purposes only.

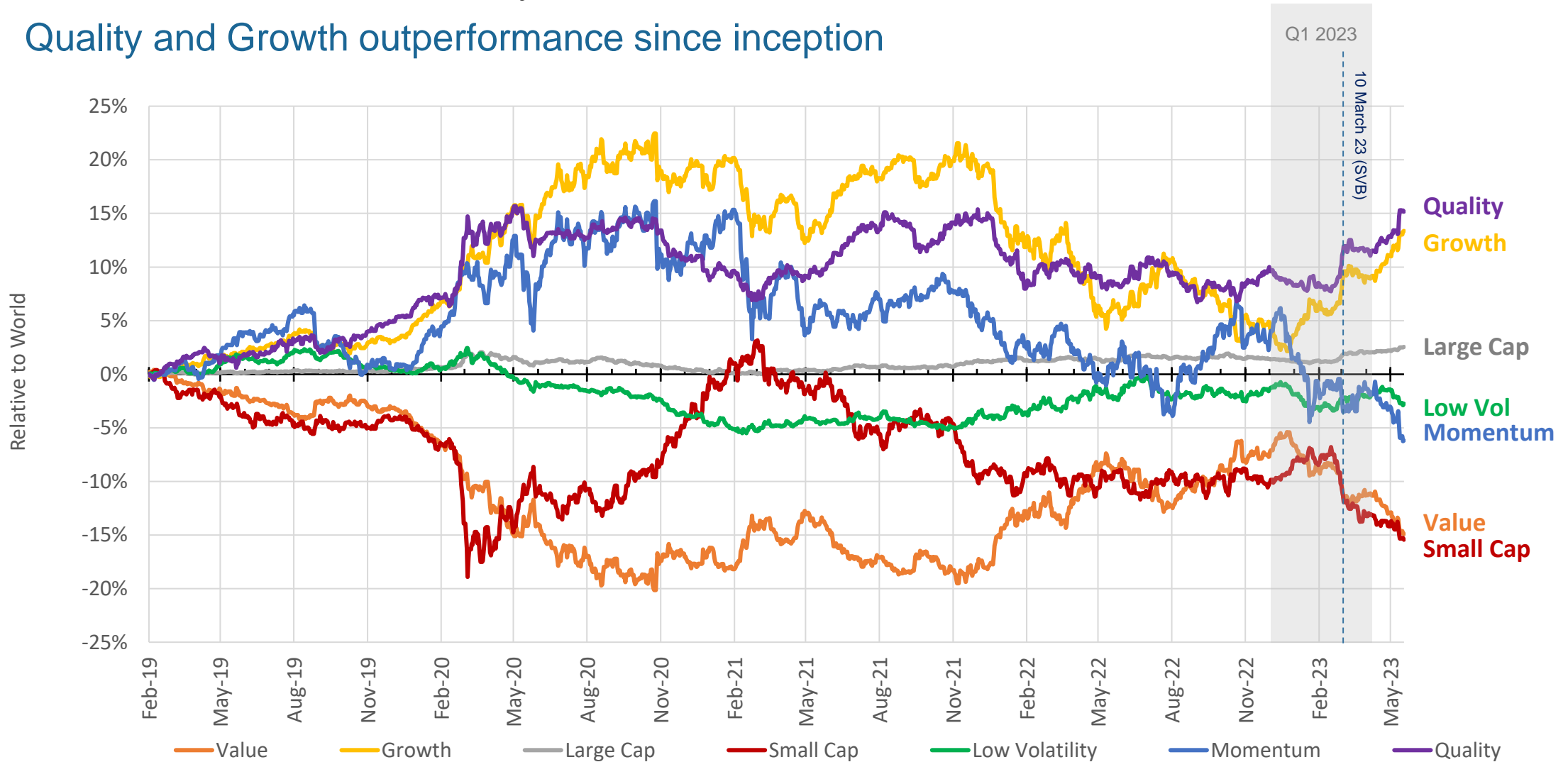
# LF WPP GLOBAL OPPORTUNITIES EQUITY

# Global Opportunities Equity Fund



# Market Performance - Styles

## Quality and Growth outperformance since inception



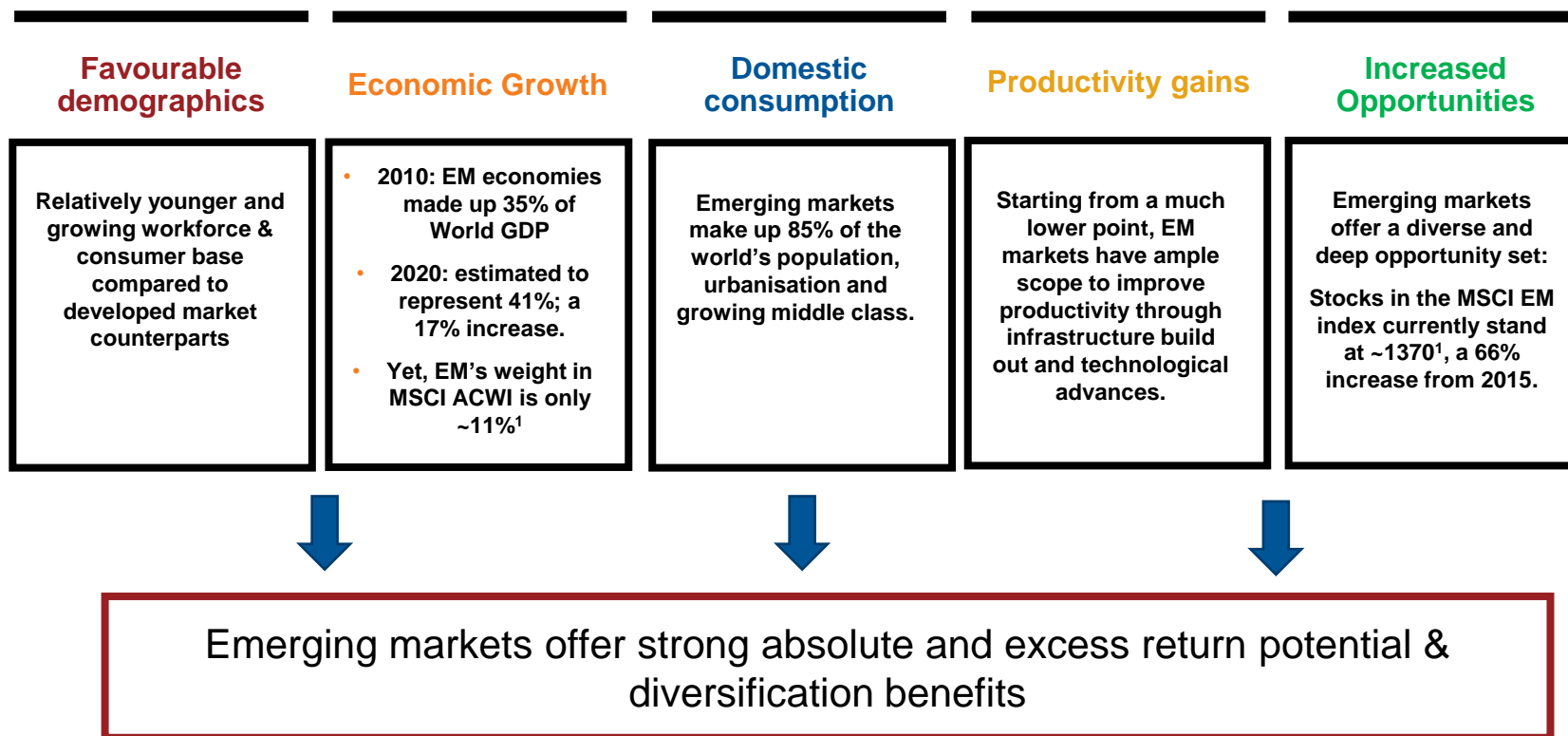
Notes: Weekly, All indices MSCI, Indexed to 100 at beginning of time window; Geometric excess return vs MSCI World, TR NET, USD. Source: Bloomberg and Russell Investments. Data as of 31 May 2023

# LF WPP EMERGING MARKET EQUITY

# Emerging Markets

## Key Characteristics

“A developing economy that has not yet progressed to meet the criteria to be classified as a developed economy based on factors including economic development, size, liquidity and market access.”



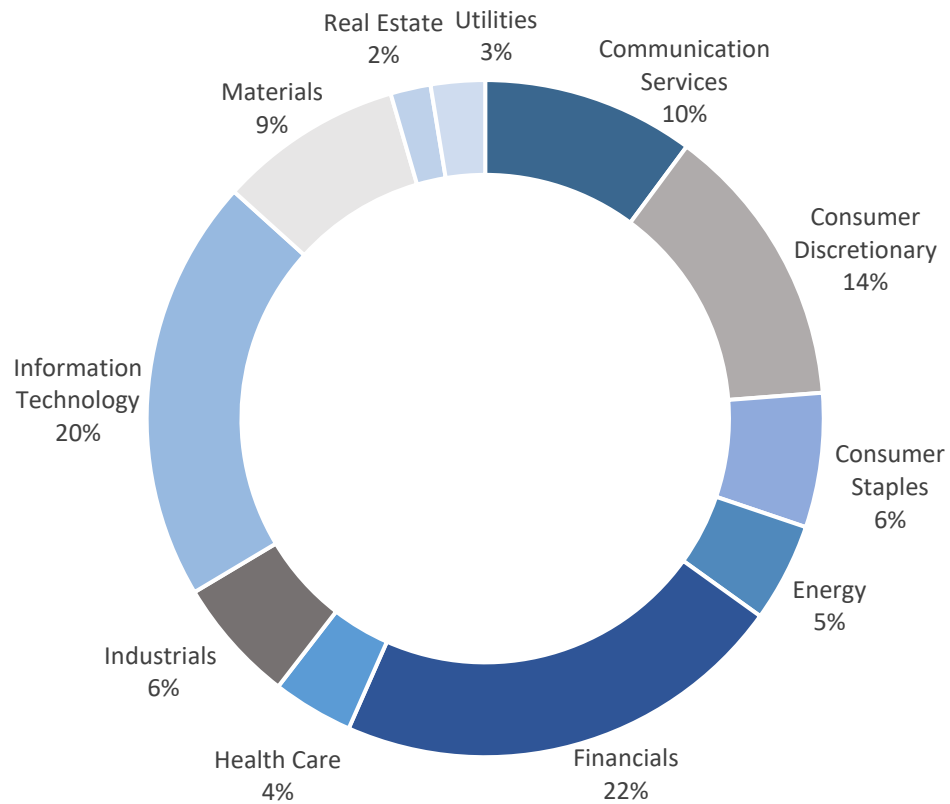
Source: IMF, Bloomberg as of 31<sup>st</sup> January 2023.

<sup>1</sup> MSCI data as of 31<sup>st</sup> January 2023.

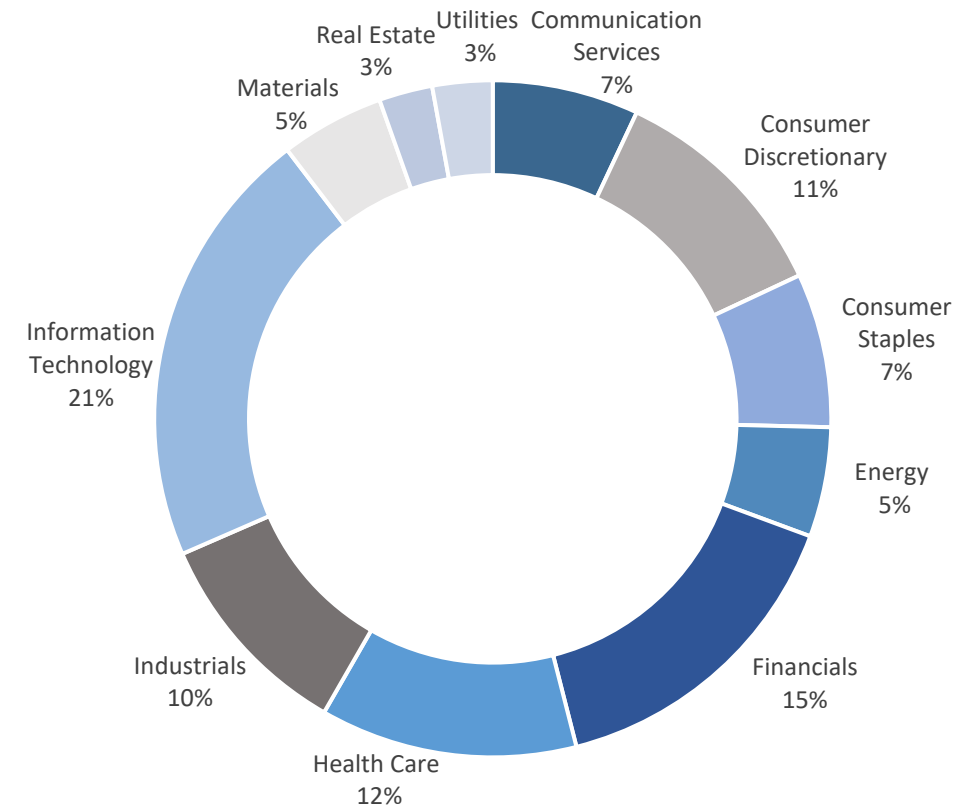
# MSCI EM vs ACWI Index

## Sector Allocation Breakdown

### MSCI EM



### MSCI ACWI

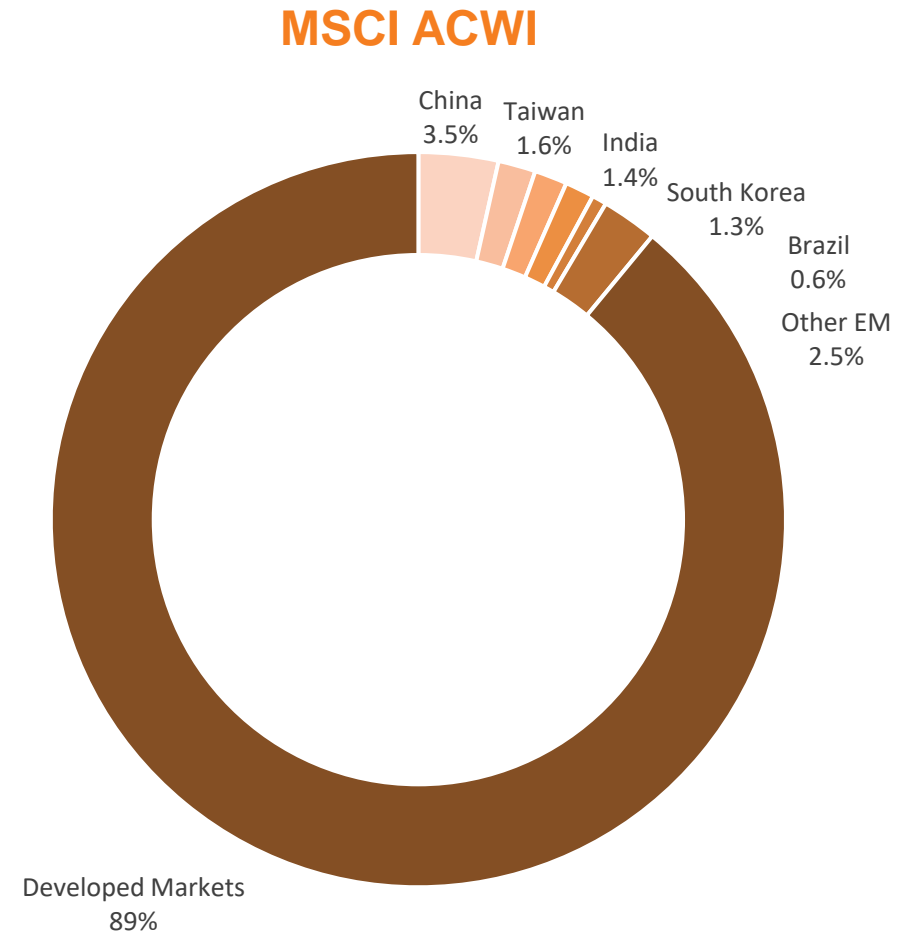
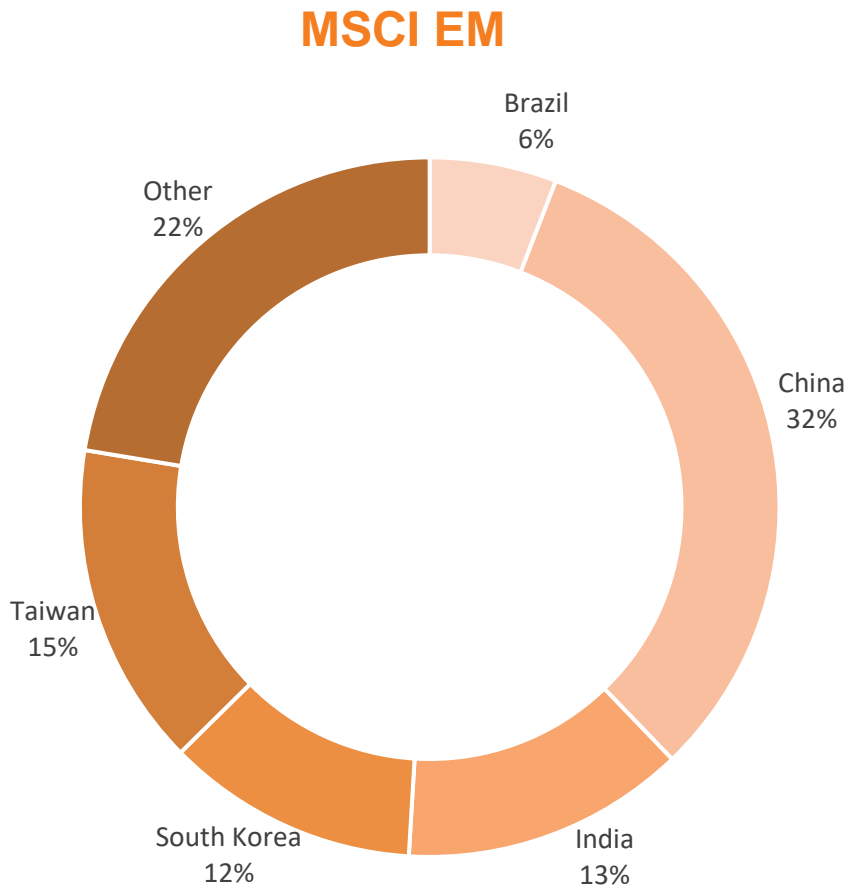


Source: MSCI Index as at 28<sup>th</sup> February 2023. Numbers may not sum to 100% due to rounding.



# MSCI EM vs ACWI Index

## Country Allocation Breakdown



Source: MSCI Index as at 28<sup>th</sup> February 2023. Numbers may not sum to 100% due to rounding.

# Emerging Market Sub-Fund

**Aim:** To launch an EM sub-fund that can deliver **stable excess returns**, offer access to a range of complementary specialist managers, while **generating manager fee savings** compared to current arrangements



## ENSURING LOW CORRELATIONS WITH GLOBAL OPPORTUNITIES

Providing deeper access to mid- and smaller capitalisation stocks compared to global opportunities



## ADOPTION OF A CHINA SPECIALIST

China has an increasing weight in the EM index and is a broad market suitable for active management

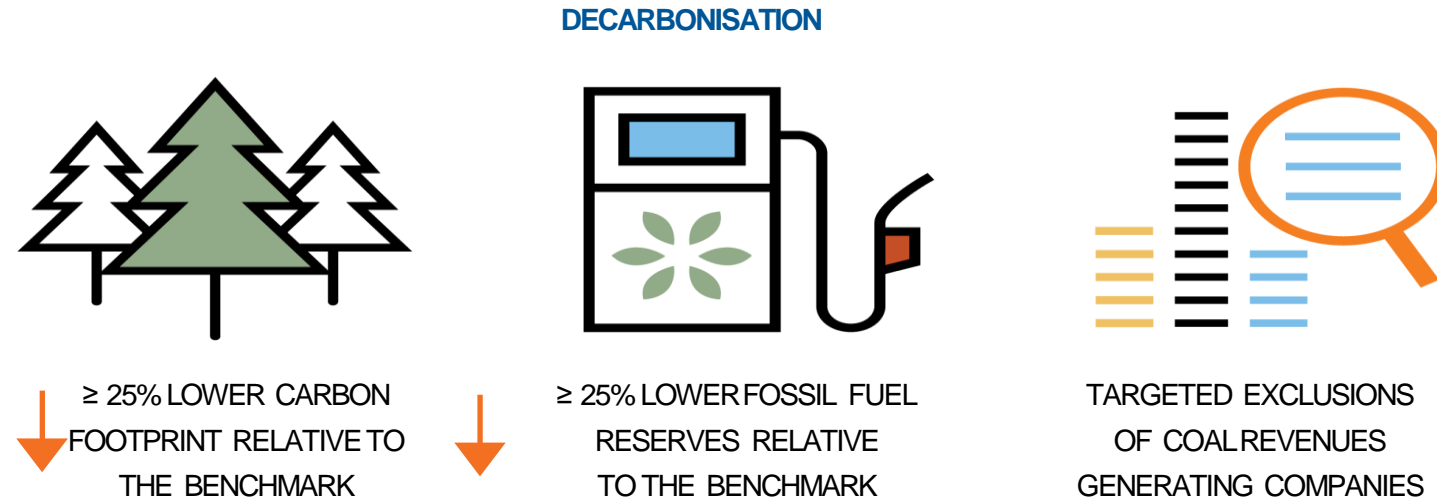


## IMPLEMENTING VIA EPI & DECARBONISATION

- Using EPI framework:
- Trade efficiencies
  - Manager access at competitive fees and below typical account size thresholds
  - De-carbonisation from launch

# Implementing Decarb for the WPP funds

## Without compromising the underlying investment engine



- The three approaches above will be used on the Emerging Market and Global Opportunities Portfolios with an aim to maintain a low tracking error versus the managers
- Meaning both funds will help you achieve your decarbonisation goals while balancing manager alpha to still deliver you consistent positive returns

Source: Russell Investments, for illustrative purposes only.

# Net-zero carbon emissions goal

NET ZERO BY  
**2050**



**2050** net-zero carbon emissions for its investment portfolios globally

Member of the Net Zero Asset Managers Initiative

**2030** carbon neutral for global business operations

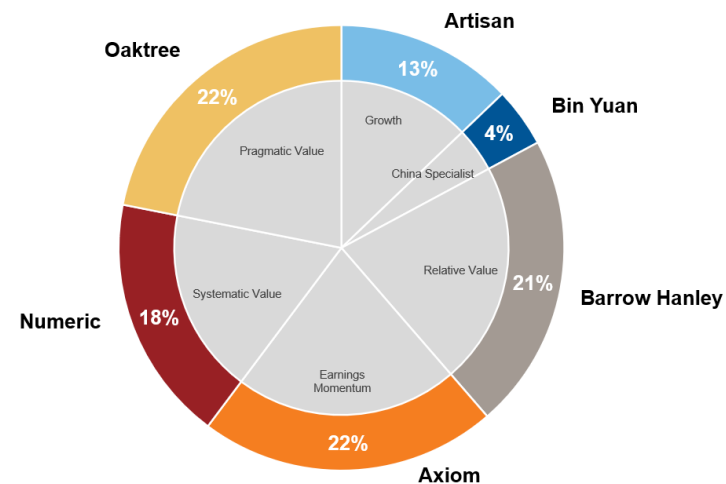
Source: Russell Investments,

# Emerging Markets Equity Fund

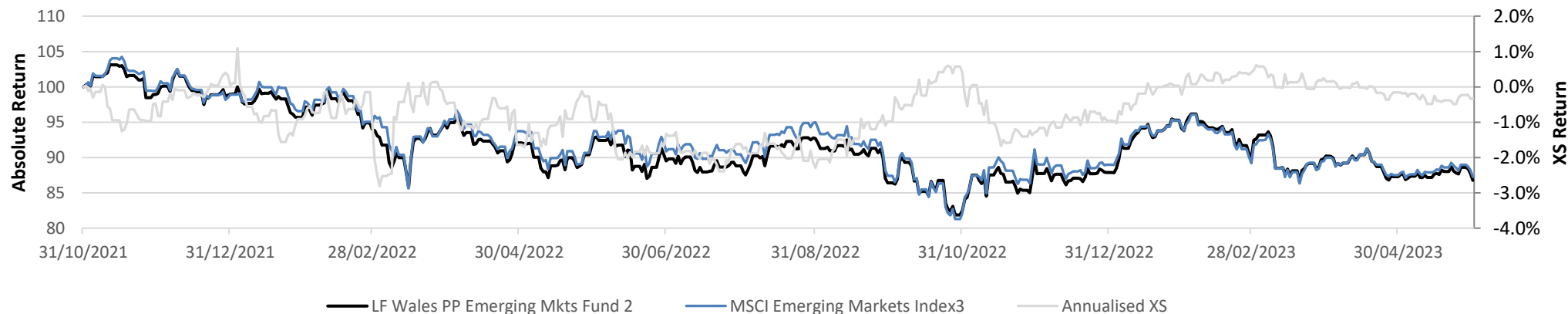
## FUND PERFORMANCE

| 31 May 2023                                 | YTD  | 1 YR Return | ITD (AR) Return |
|---|------|-------------|-----------------|
| LF WPP Emerging Markets Equity Fund (Gross) | -1.2 | -6.4        | -8.5            |
| LF WPP Emerging Markets Equity Fund (Net)   | -1.3 | -6.7        | -8.8            |
| MSCI Emerging Markets Net                   | -1.9 | -6.9        | -8.2            |
| Excess Returns (Gross)                      | 0.7  | 0.2         | -0.6            |

## ASSET ALLOCATION



## PERFORMANCE SINCE INCEPTION



# LF WPP SUSTAINABLE ACTIVE EQUITY

# Mapping the landscape

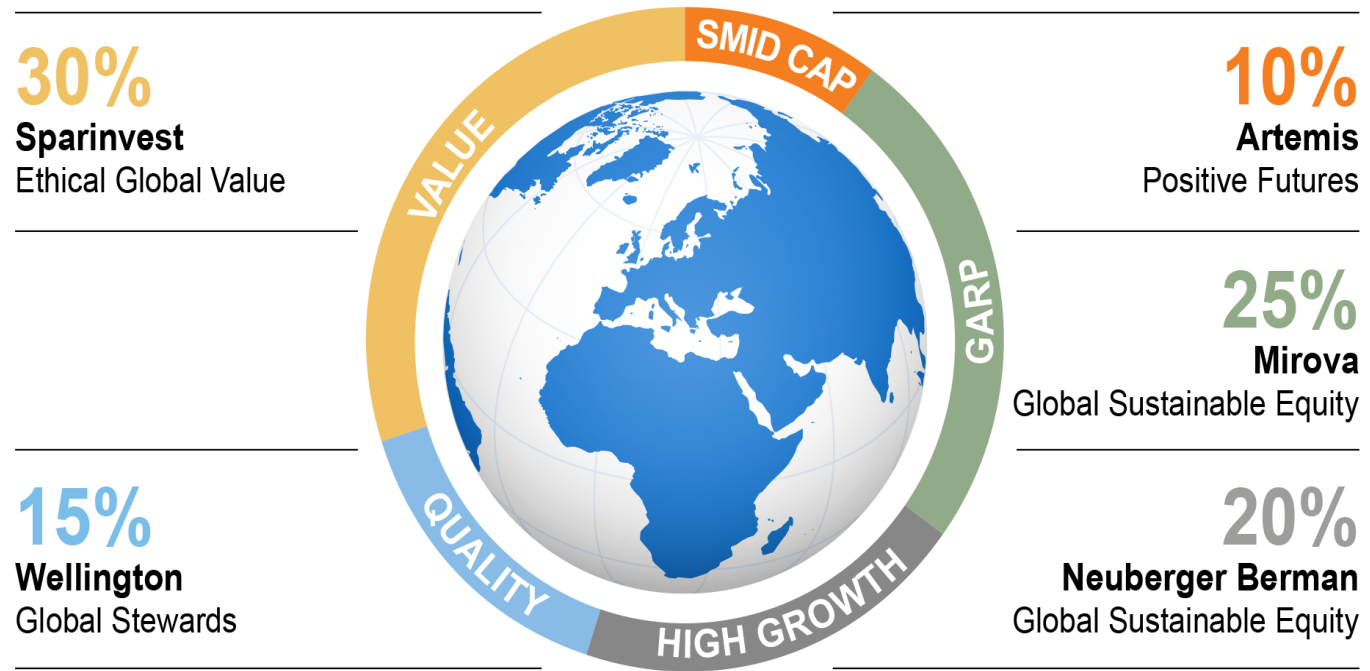
## Different types of products available

| RUSSELL INVESTMENTS<br>ESG MANAGED UNIVERSE |  |   |  |  |  |
|---|--|---|--|--|--|
| INVESTMENT APPROACH                         | TRADITIONAL  | ESG INTEGRATED  | SUSTAINABLE  | THEMATIC   | IMPACT   |
| PRIMARY OUTCOME                             | Financial Emphasised   |   |  |  | ESG Emphasised   |
| IMPACT GOALS                                |  | Avoid harm and mitigate ESG risks   |  |  |  |
|   |  |   | Benefit all stake holders  |  |  |
|   |  |   |  | High impact solutions  |  |
| DEFINITION                                  | Limited or no focus on ESG factors of underlying investment analysis and execution | Consider ESG criteria alongside financial analysis in the investment approach to identify risk and return opportunities | Emphasis on companies that consider diverse stakeholders and/or benefit from the transition to a sustainable world | Investing focused on themes and sectors positioned to solve global sustainability related challenges | Investing in companies delivering measurable positive social & environmental impacts alongside financial returns |

Source: Russell Investments for illustrative purposes only

# Sustainable Active Equity

## Sub-fund structure at launch



| Benchmark                           | Target Return | All Net Zero Aligned | All Signatories to PRI |
|-------------------------------------|---------------|----------------------|------------------------|
| MSCI All Country World Index (ACWI) | +2%           | ✓                    | ✓                      |

Source: Russell Investments for illustrative purposes only. Target excess return Gross of fees.



# Sustainable Active Equity

## Example strategy – Mirova

| Manager/<br>Strategy                                  | Sustainability focus/summary   | Net Zero<br>Aligned | Signatory to PRI |
|---|--|---------------------|------------------|
| <p><b>Mirova</b></p> <p>Global Sustainable Equity</p> | <ul style="list-style-type: none"> <li>Focus is sustainable companies that offer positive solutions to sustainability challenges</li> <li>Selects companies they can reference to UN SDGs, and have a positive impact on their four long term transition themes:</li> <li>Demographics, Technology, Environment, &amp; Governance</li> </ul> | ✓                   | ✓                |



Established in 2012, Mirova is an asset management company dedicated to sustainable investing managing \$25.5Bn in AUM.



Equity investment team supported by ESG Research Team



Bottom-up, Quality-growth style. Targeting companies with low ESG risk and the potential to compound growth as sources of excess return



*Example stock: Vestas Wind systems*

Source: Mirova. Russell Investments. As at 30<sup>th</sup> June 2022.

# Case study - Vestas

## Largest global wind turbine manufacturer

### DESCRIPTION

The company has a leading market share in onshore wind turbine manufacturing. Growth in onshore turbines is slowing, however the company has two alternative and growing earnings streams in the service and the offshore wind turbine business.

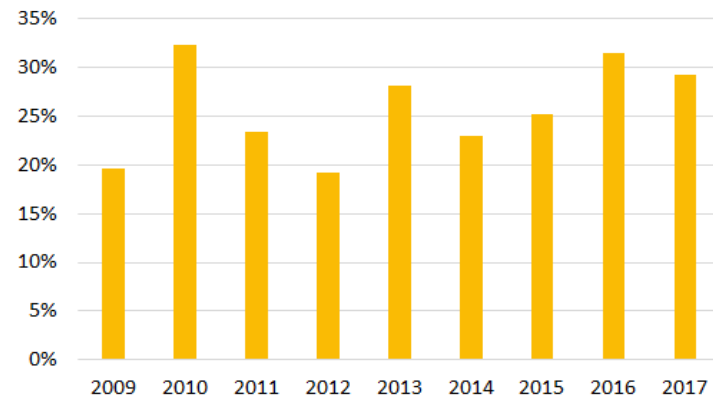
# Vestas®



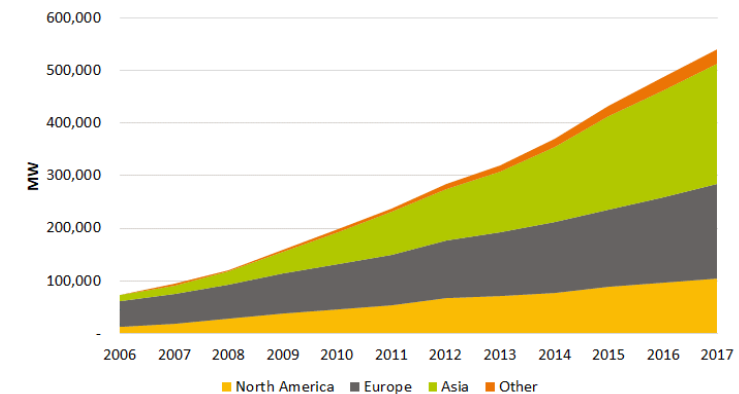
### BUSINESS MODEL

- ✓ Legacy onshore wind turbines
- ✓ Growing service business
- ✓ Future offshore wind potential
- ✓ Dominant market position in onshore wind
- ✓ Strong balance sheet
- ✓ Proven track record of productivity

### VESTAS MARKET SHARE (EXCL CHINA)



### CUMULATIVE INSTALLED WIND GENERATION



Source: Sparinvest, Prudent Investments

# Case study - ArcelorMittal

## Sustainable steel production to meet the world's underlying needs for steel

### DESCRIPTION

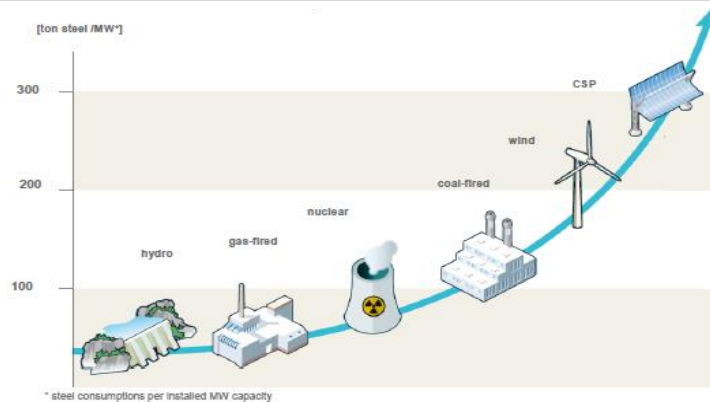
As a market leading steel producer, ArcelorMittal is a global supplier to sectors like automobiles, construction, industrial machinery and household appliances. Within construction, ArcelorMittal is part of efforts to find less steel intense solutions – but the underlying need for steel remains. Steel also has a role to play in a low carbon and circular economy.



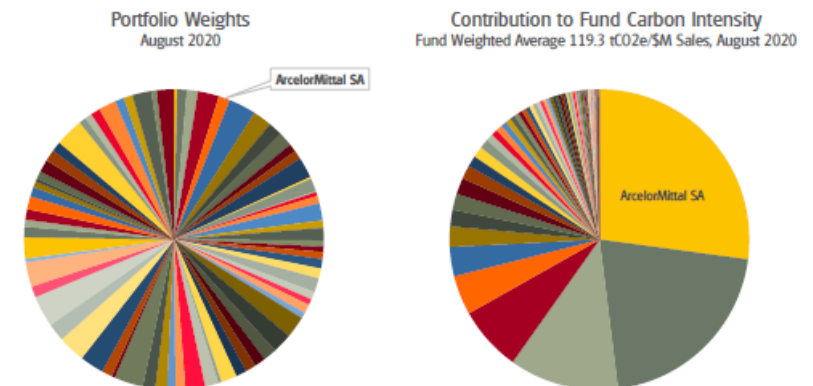
### BUSINESS MODEL

- ✓ Committed to becoming carbon neutral within Europe by 2050, with a 30% reduction target by 2030 - in line with the EU's green deal.
- ✓ Using technology called 'Smart Carbon' – uses the principles of the circular economy to reduce the use of coking coal.
- ✓ Utilizes green hydrogen as an energy source in steel making

### STEEL INTENSITY INCREASING WITH TRANSITION TO LOW CARBON SOURCES OF ENERGY GENERATION



### ARCELORMITTAL WITHIN SPARINVEST'S ETHICAL GLOBAL VALUE FUND



Source: Sparinvest, Prudent Investments. ArcelorMittal

# Net-zero goals



**5yr from launch**  
>40% of assets to  
be Net Zero or  
Aligned to Net Zero

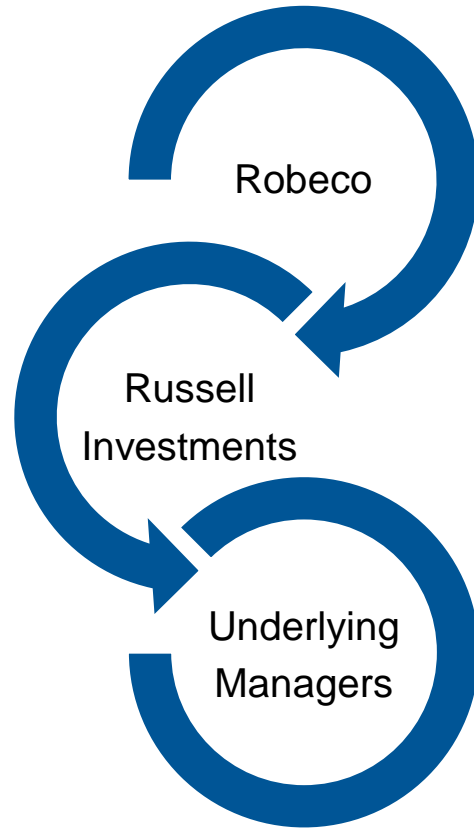
**2030**  
50% Carbon  
Emissions reduction

**2040**  
100% of assets to  
be Net Zero or Aligned  
to Net Zero

50% Carbon Emissions reduction for the portfolio (scope 1 and 2 emissions) vs benchmark, based on WACI approach.

# Sustainable Active Equity

## Active ownership: Multi-layered approach



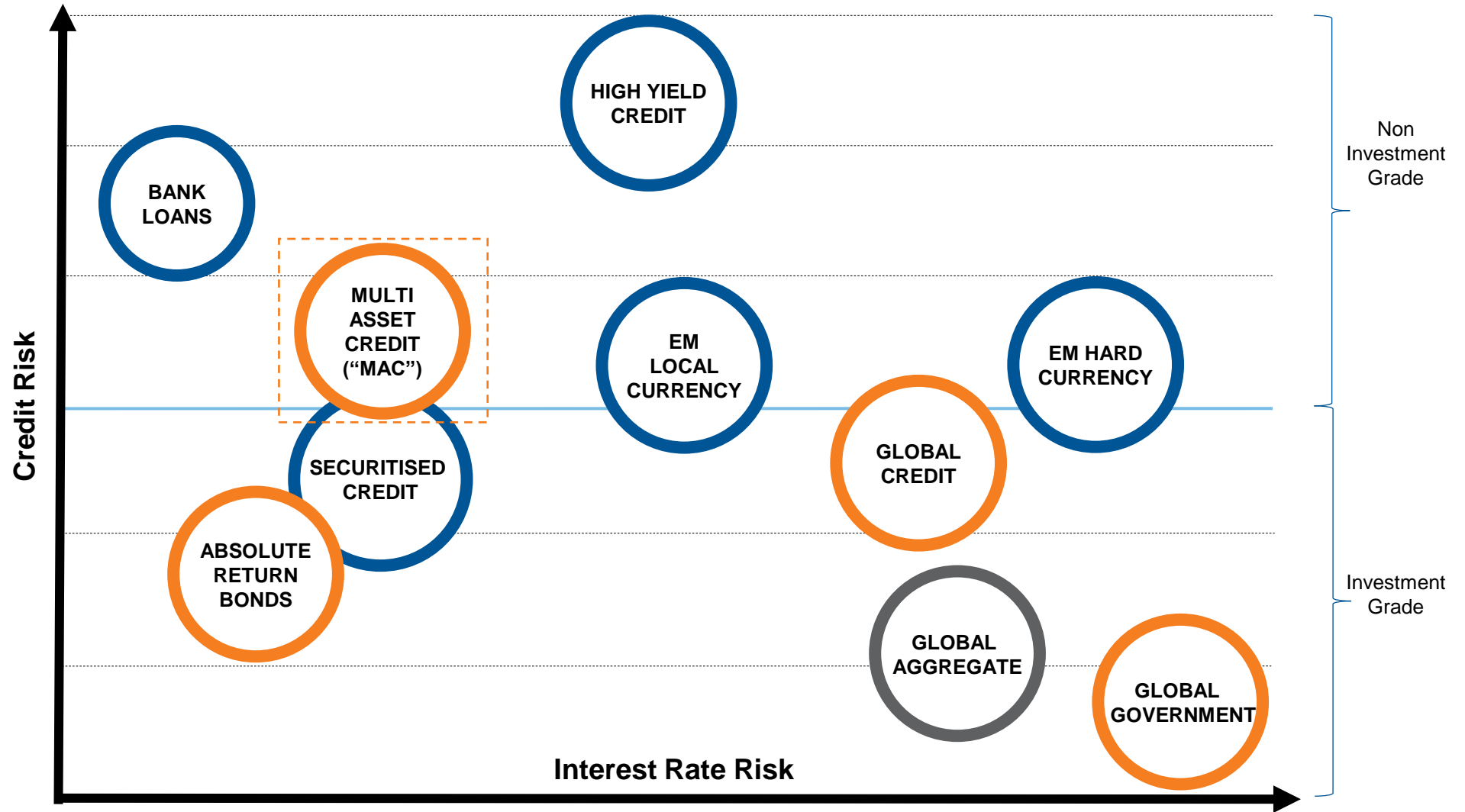
- ▶ As the WPP’s appointed proxy voting and engagement provider, Robeco, would conduct a similar role for this sub-fund
- ▶ Russell Investment’s have developed a robust active ownership capability which would serve to augment and complement the role of Robeco
- ▶ We pursue a multi-channel approach to stewardship:
  1. Engaging with issuers directly
  2. Engaging through and with our sub-managers as partners, and
  3. Joining collaborative engagement efforts with third-party market participants
- ▶ As part of our stewardship activities, we engage with companies on overall business strategy, capital allocation, and environmental, social and governance practices while encouraging appropriate levels of risk mitigation.
- ▶ Focus on select issuers based on the materiality of the exposure and the issues in question
- ▶ Chosen sustainable managers will also execute their own programs in alignment with their stated sustainability and investment objectives.
- ▶ Under this “double active” scenario both Russell Investments and the managers will press for beneficial change in line with industry best practices.
- ▶ Russell Investments will monitor sub-fund activity internally through our “**enhanced oversight**” disciplines,

Source: Russell Investments for illustrative purposes only

# FIXED INCOME UPDATE

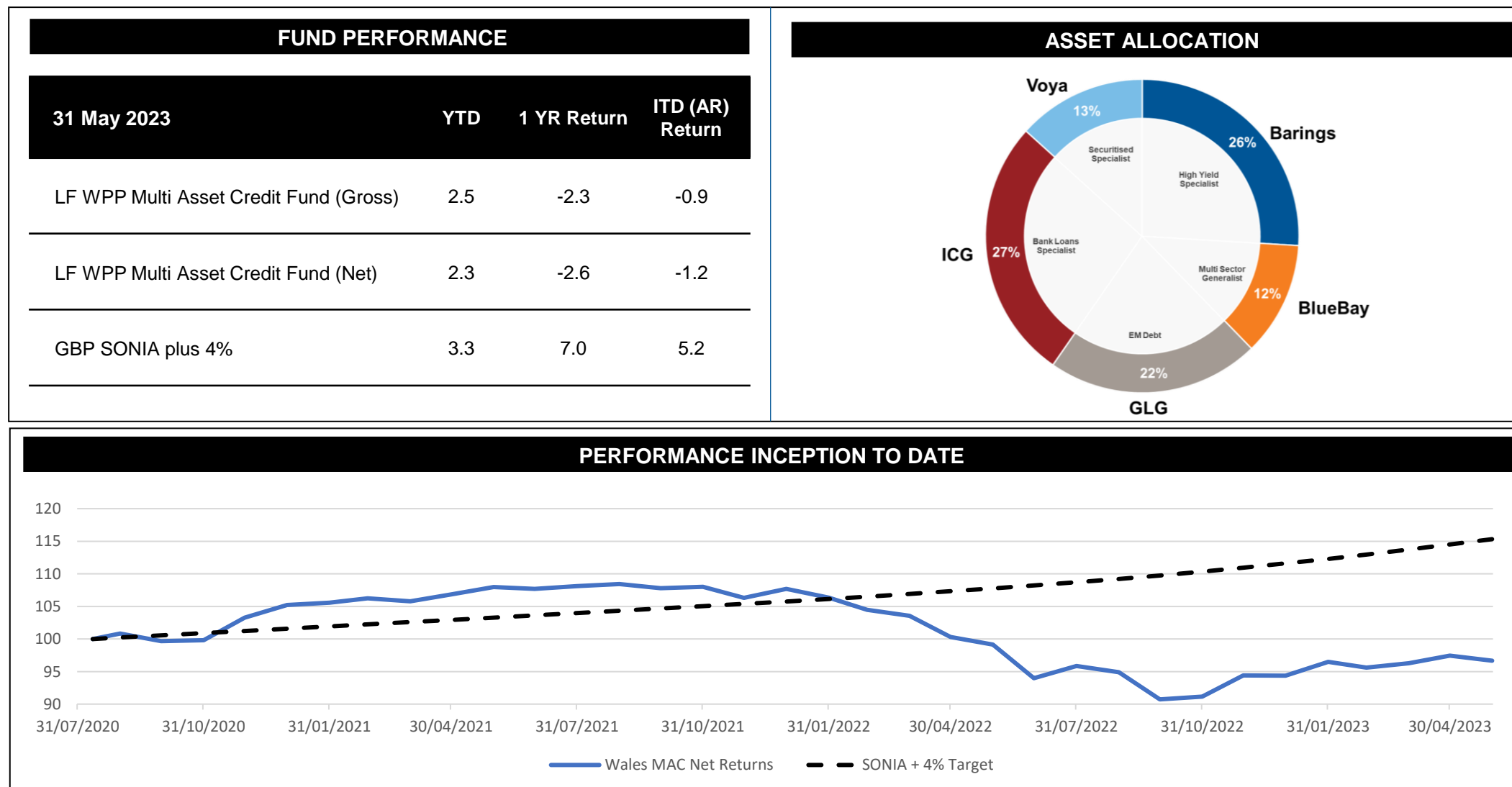
# Understanding risks in fixed income

## Multi Asset Credit



For illustrative purposes only.

# Multi Asset Credit Fund (MAC)





# WHAT'S NEXT?

# What's in the pipeline?



**Sustainable fixed income**



**UNGC violator exclusion policy**

Source: Russell Investments.

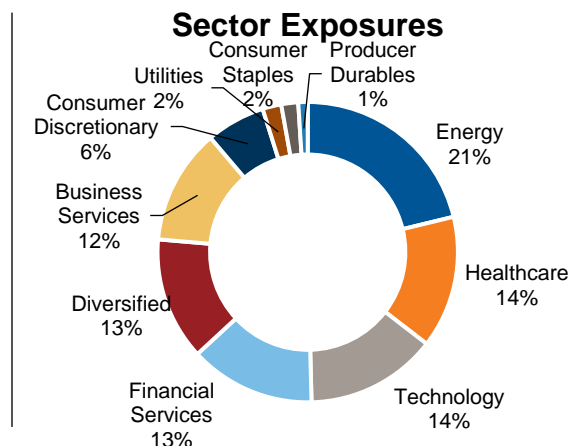
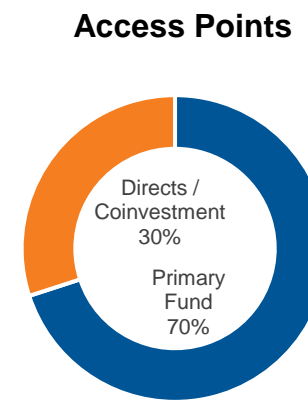
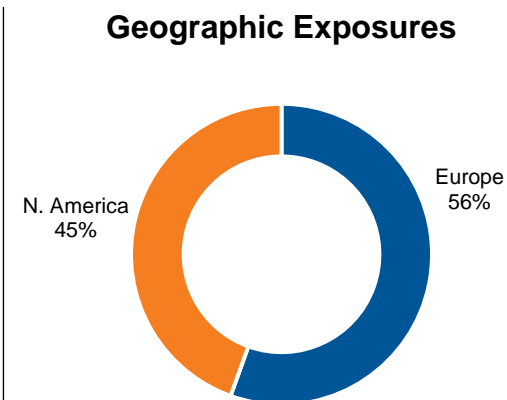
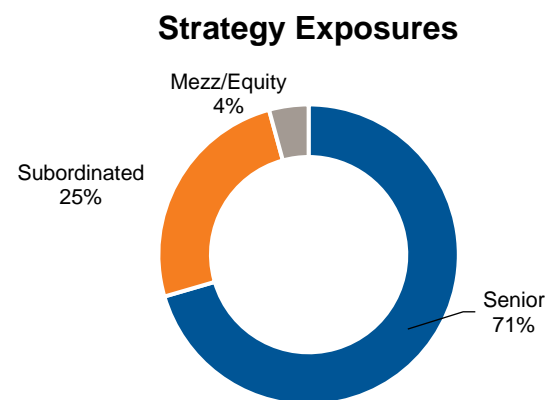
# WPP Global Private Credit Fund

## Vintage 1

- Launched 13<sup>th</sup> April 2023
- Closed with £520m of committed capital across six constituent authorities
  - Cardiff
  - Clwyd
  - Gwynedd
  - Powys
  - Swansea
  - Torfaen
- 1% committed GP capital bringing total commitments to £525m for Vintage 1

# Indicative portfolio

Expected IRR: 8%+



| Fund                           | Strategy           | Focus                     | Geography     | Portfolio Weight | Total Return Range | Investment Period* | Fund Term*     | ESG | Impact |
|--------------------------------|--------------------|---------------------------|---------------|------------------|--------------------|--------------------|----------------|-----|--------|
| Hamilton Lane DC*              | Diversified        | Diversified               | US            | 30%              | 7 - 9%             | 2 Years            | 6 Years        | ✓   |        |
| BX Green Credit III*           | Diversified        | Impact - Energy           | Global        | 15%              | 10 - 14%           | 5 Years            | 10 Years       | ✓   | ✓      |
| Pemberton Strategic Credit III | Diversified        | Diversified               | Europe        | 15%              | 10 - 12%           | 4 Years            | 8 Years        | ✓   |        |
| LOIM Sustainable PC            | Senior             | Impact - Diversified      | Global        | 10%              | 9 - 11%            | 2 Years            | 5 Years        | ✓   | ✓      |
| PC Manager 5                   | Senior             | Diversified               | Europe        | 10%              | 11 - 12%           | 3 Years            | 8 Years        | ✓   |        |
| PC Manager 6                   | Diversified        | Diversified               | Europe        | 10%              | 7 - 9%             | 4 Years            | 8 Years        | ✓   |        |
| PC Manager 7                   | Senior             | Diversified               | Europe        | 10%              | 7 - 9%             | 4 Years            | 8 Years        | ✓   |        |
| <b>7 Managers</b>              | <b>Diversified</b> | <b>Diversified/Impact</b> | <b>Global</b> | <b>100%</b>      | <b>8 - 10%</b>     | <b>3 Years</b>     | <b>8 Years</b> | -   | -      |

Source: Russell Investments as of 5/12/2023. For illustrative purposes only. Any reference to specific money managers should not be taken as a recommendation. Any forecast, projection or target is indicative only and not guaranteed in any way. Return target is net of underlying managers fees. Fund term is the weighted average of investments.

\* - Internal approvals for investment complete

# APPENDIX

# Universe Performance

## Wales Global Opportunities vs Morningstar Global Large Cap Blend Equity

**March 2023**

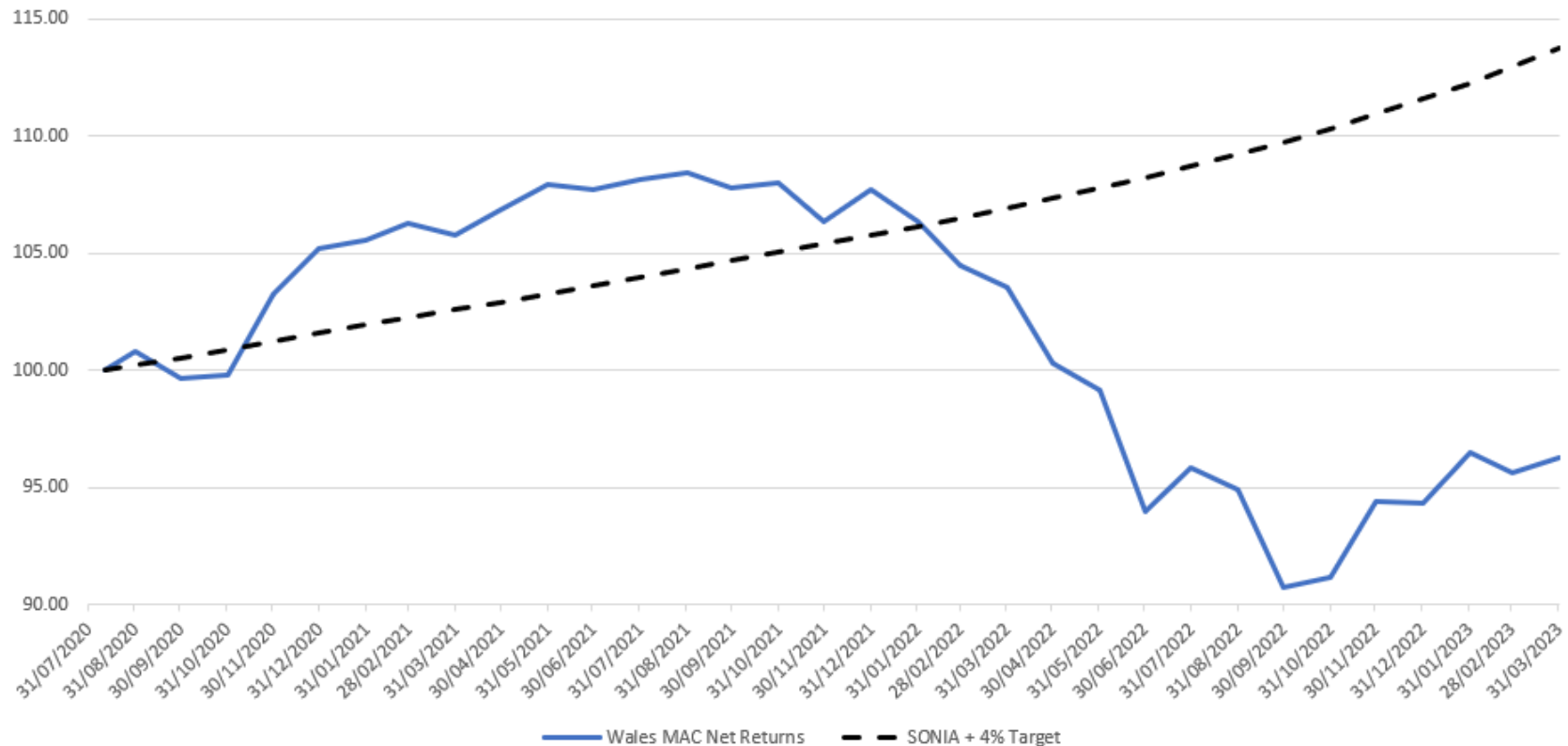
|     | Wales Global Opp XS Ret (Net) | Rank Percentile | Quartile | Sample size |
|-----|-------------------------------|-----------------|----------|-------------|
| Q1  | -1.03                         | 59              | 3        | 759         |
| 1Yr | 1.66                          | 26              | 2        | 680         |
| 3Yr | 0.92                          | 16              | 1        | 518         |

Source: Morningstar, Russell Investments, 31 March 2023.

Note: Peer group universe is the Morningstar EAA OE Global Large-Cap Blend Equity universe, vs MSCI ACWI. Wales Global Opportunities Equity Fund vs MSCI ACWI. All performance data is NET of fees. Periods longer than a year are annualised

# Multi Asset Credit Fund

## Performance Through Time



| Fund Characteristics | WPP MAC     |             |
|----------------------|-------------|-------------|
|                      | 31-Dec-2022 | 31-Mar-2023 |
| Effective Duration   | 2.4         | 2.3         |
| Yield to Worst       | 9.6%        | 9.9%        |
| Avg Credit Rating    | BB          | BB          |

| Period      | Volatility (6-10% Budget) |
|-------------|---------------------------|
| Rolling 12m | 8.9%                      |
| SI          | 6.5%                      |

# Important information and disclosures

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ESG integration is the practice of incorporating financially material environmental, social and governance (ESG) information or insights alongside traditional measures into the investment decision process to improve long term financial outcomes of portfolios and to identify investment opportunities. Unless otherwise stated in Fund documentation or included within the Fund's investment objective, inclusion of this statement does not imply that the Fund has an ESG-aligned investment objective or strategy, but rather describes how ESG information is considered as part of the overall investment process. Russell Investments Sustainability Risks Policy can be found here <https://russellinvestments.com/uk/about-us/responsible-investing>.

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