

# Gwynedd Pension Fund – Investment Strategy Statement

This is the Investment Strategy Statement ('the Statement') of the Gwynedd Pension Fund ('the Fund'), which is administered by Cyngor Gwynedd ('the Administering Authority'). This Statement has been made in accordance with Section 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ('the Regulations') as amended.

The Statement has been prepared by the Fund's Pension Committee ('the Committee') having taken advice from the Fund's Investment advisor ('Hymans Robertson'). From 1<sup>st</sup> April, the Fund will be required to take its primary advice from the Pool, Wales Pension Partnership IM Co ('WPP'). The Committee acts on the delegated authority of the Administering Authority.

The Statement, which was approved by the Committee on 16 March 2026 is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Fund's investment strategy with such persons it considers appropriate.

The Committee seeks to invest in accordance with the Fund's Investment Strategy Statement any Fund money that is not needed immediately to make payments from the Fund. This Statement should be read in conjunction with the Fund's Funding Strategy Statement effective 1 April 2026.

## **Fund objective**

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis.

## **Funding principles**

The Committee aims to fund the Fund in such a manner that in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets, that investment risk and return are targeted at an adequate level, and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary and/or inflation increases.

The Fund's funding position is being reviewed at least at each triennial actuarial valuation, or more frequently as required.

## **Suitability of investments**

### **Investment strategy**

The investment strategy will be reviewed at least every three years following actuarial valuations of the Fund.

The approach that the Fund has taken to setting an appropriate investment strategy is set out below.

The Fund carried out an asset liability modelling exercise in conjunction with the 2025 actuarial valuation. A number of different contribution rates and investment strategies were modelled, and the future evolution of the Fund considered under a wide range of different scenarios. The Committee considered the chances of the Fund being fully funded at the end of the projection period, and considered the level of downside risk in the various strategies by identifying the lower funding levels which might emerge in the event of poor outcomes.

This approach helps to ensure that the investment strategy takes due account of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners, deferred, and active members), together with the level of disclosed surplus or deficit (relative to the funding bases used).

The Committee monitors the investment strategy on an ongoing basis, focusing on factors including, but not limited to:

- The Fund’s level of funding and liability profile
- The outlook for asset returns
- The level of expected risk
- Environmental, Social, and Governance (ESG) factors.

### Strategic asset allocation

The Committee has translated its objectives into a suitable strategic asset allocation benchmark for the Fund. This benchmark is consistent with the Committee’s views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund’s liabilities.

Asset class	Strategic asset allocation (%)	Tolerance range (+/-%)
Listed equity	35.0	+/- 5.0
Private equity	5.0	n/a
Private credit	7.5	n/a
Property/Real estate	10.0	n/a
Infrastructure	7.5	n/a
Other alternatives <sup>1</sup>	5.0	n/a
Credit <sup>2</sup>	27.5	+/- 3.0
UK government bonds	2.5	+/- 2.5
Cash	0.0	+/- 2.5
<b>Total</b>	<b>100.0</b>	<b>n/a</b>

1. Other alternatives are investments that do not fit in any other asset classes (including natural capital).

2. Credit comprises credit instruments of investment grade quality, including (but not limited to) corporate bonds and non-UK government bonds (e.g. absolute return bonds, multi-asset credit).

The strategic asset allocation reflects a long-term target which will take time to reach as private investments draw capital. In the meantime the Fund will be overweight to listed equities, credit and cash, which will be reduced over time to fund new investments in private markets investments, notably property, infrastructure, private credit and natural capital. As a result, the Fund does not seek to adhere to the tolerance limits during this process. Further information is set out in the 'Cashflow' section below.

Tolerance ranges have been set under advice from the Fund's investment advisers. Factors taken into account by the Committee in its decision-making process include:

- The materiality of under- and overweight positions
- Any asset transitions that have already been scheduled
- Market views on the relative attractiveness of different asset classes
- Liquidity and transaction costs
- The Committee's confidence in the managers' and the Pool's ability to meet performance targets, informed by manager ratings provided by the Fund's investment adviser.

The Committee reviews the asset allocation and tolerance ranges at each quarterly meeting. The review is based on the latest available investment performance reporting provided by the Pool and legacy investment managers, supported by more up to date information where available.

The Committee expects to be notified by the Pool if the tolerance range for any asset class should be breached.

### **Local investment**

The Committee aims initially to invest up to 2% of the total value of the Fund's assets in investments that have a quantifiable benefit to the local area covered by the Administering Authority and the economic development of the region. This relates to a portion of the 10% target allocation to property, as the Committee recognises that it is most straightforward to assess if real assets are regionally located, and in line with solutions offered by the Pool. The Committee will continue to work with the Pool to establish an approach for other asset classes, and taking into account the economic priorities/growth plans of the strategic authority and those of the Pool's partner funds.

### **Expected returns**

The Committee aims to achieve a return on the Fund's investments that is materially above the discount rate used by the actuary to value the liabilities (5.9% p.a. for 31 March 2025 valuation). In setting the investment strategy the Committee aims to maintain a strong funding level and mitigate future volatility in employer contribution rates, supported by asset-liability modelling.

The long-term asset class returns assumed by the Fund as at 31 March 2025 were as follows:

Asset class	Median expected return over 17 years (% p.a.)
Listed equities (Global)	8.8
Listed equity (UK)	8.5
Listed equity (Emerging markets)	8.7
Private equity	10.2
Private credit	9.0
Property / real estate (UK)	7.4
Infrastructure	8.4
Other alternatives (Natural capital)	9.3
Credit (Corporate bonds)	5.9
Credit (Absolute return bonds)	5.4
Credit (Multi-asset credit)	7.7
UK Government Bonds	6.2
Cash	4.7
Total Fund	8.6

Median expected return refers to the middle outcome from a distribution of simulated investment returns, i.e. half the simulated outcomes are higher than the median, half are lower.

These returns reflect financial conditions as at 31 March 2025.

At 31 March 2025, the expected volatility of the investment strategy was 10.6% p.a.

This volatility includes an assumed diversification benefit. In the absence of this diversification, the expected volatility would have increased by 3.5% p.a.

Further details on the Fund's risks, including the approach to mitigating these risks, is included further down in this document.

## Statement on diversification

### Asset classes

The Pool may invest on behalf of the Fund in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash, property and commodities either directly or through pooled funds. The Pool may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks.

The Committee reviews the nature of Fund investments on a regular basis, with particular reference to suitability and diversification. The Committee seeks and considers written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a security or product not previously known to the Committee is proposed, appropriate advice is sought and considered to ensure its suitability and diversification.

The strategic asset allocation and tolerances table above details the maximum percentage of total Fund value that the Fund aims to invest in each asset class. In line with the Regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007.

The Fund invests across a range of asset classes covering both regulated and unregulated markets. The exposure to unregulated markets is made up of investments in private markets. These types of investments enable the Fund as a long-term investor to benefit from the diversification and illiquidity premium these assets provide.

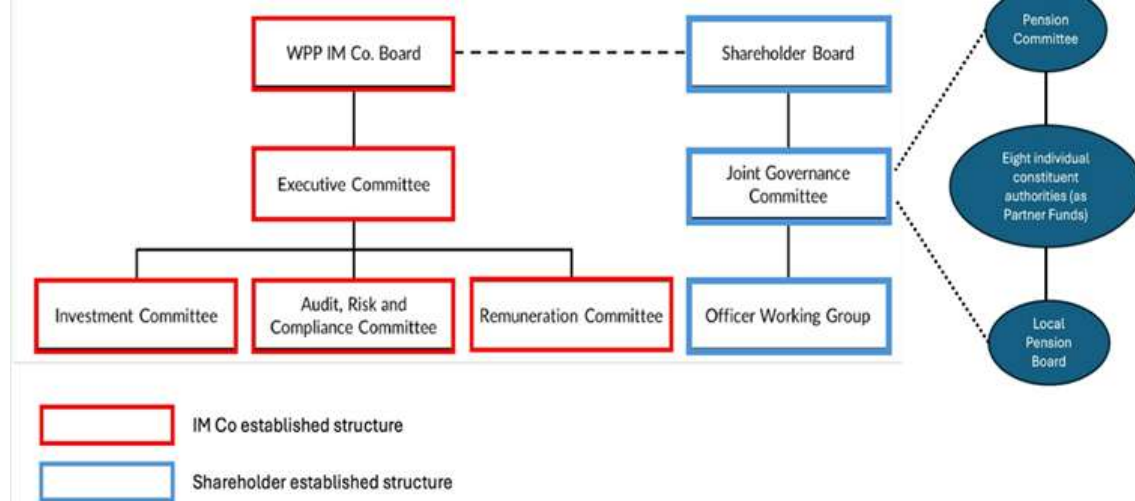
### **Managers**

By law, the Pool must be authorised by the Financial Conduct Authority to perform relevant regulated investment activities on behalf of the Fund. In addition, the Committee expects any investment managers appointed by the Pool to be authorised under the Financial Services and Markets Act 2000 to undertake investment business.

The Committee expects the Pool to agree specific benchmarks with each manager the Fund's assets are invested with so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The Fund's investment managers will be expected to hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the managers will be expected to maintain diversified portfolios through direct investment or pooled vehicles. Managers of index-tracking funds in which the Fund's assets are invested in are expected to hold a mix of investments within each pooled fund that reflects that of their respective benchmark indices.

It is expected that the Pool will report quarterly to the Committee on how managers and the Pool itself are performing in relation to the targets and expectations set for them. Interim arrangements may be put in place until the Pool is in a position to provide this service to the Committee.

The diagram below illustrates the WPP governance structure from 1<sup>st</sup> April 2026:



The Shareholder Board exists to exercise the rights of the Constituent Authorities as owners of the Investment Management Company ('IM Co') (e.g. appointment and removal of senior IM Co Directors, approval of IM Co budget, approval of remuneration policy, etc) and will consist of S151 or senior LGPS officers from all eight Constituent Authorities. The Shareholder Board will be supported by the Joint Governance Committee and Officers Working Group, comprising of elected members, scheme member representative and officer representatives from all eight Constituent Authorities. The Constituent Authorities remain involved in all aspects of WPP's governance structure. There will also be two shareholder representatives sitting on the IM Co Board.

The WPP details how it deals with all aspects of Governance through its Inter Authority Agreement (IAA), which defines the standards, roles and responsibilities of the Constituent Authorities, its Members, Committees and Officers. The IAA includes a Scheme of Delegation outlining the decision-making process, taking into account the relevant legislation.

There is also a Shareholder Agreement and Client Services Agreement in place. The Shareholder Agreement details the relationship between the IM Co and Constituent Authorities, as shareholders, and regulates the operation and management of the Company. The Client Service Agreement details the terms and conditions of services to be provided by the IM Co for the Constituent Authorities.

### Restrictions on investment

The Regulations have removed the previous restrictions that applied under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The Committee's approach to setting its investment strategy and assessing the suitability of different types of investment takes account of the various risks involved. The Committee consider rebalancing the asset portfolio on a quarterly basis to maintain the asset split in line with the agreed interim and long-term asset allocation targets, or otherwise take appropriate steps to reach the targets (for example, building up or winding down allocations to less liquid private market funds). Therefore, it is not considered necessary to set additional restrictions on investments.

## Risks

The Committee is aware that the Fund needs to take a degree of risk (e.g. investing in growth assets) to help it achieve its funding objectives. The Committee has an active risk management programme in place that aims to help it identify the risks being taken and it has put in place processes to manage, measure, monitor and (where possible) mitigate the risks being taken. One of the Committee's overarching beliefs is to only take as much investment risk as is necessary.

The risk metrics identified by the Fund as part of asset-liability modelling are set out in the Funding risks section which follows.

The principal risks affecting the Fund are set out below, together with the Fund's approach to managing these risks and the contingency plans that are in place, as applicable.

A separate schedule of the risks the Fund actively monitors is set out in the Fund's Funding Strategy Statement.

### Funding risks

The main funding risks affecting the Fund are:

- Financial mismatch – The risk that the Fund's assets fail to grow in line with the cost of meeting its liabilities.
- Demographic changes – The risk that improved longevity and developments in other demographic factors increase the cost of providing benefits.
- Systemic risk – The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities.

The Committee manages financial mismatch in two ways:

1. The strategic benchmark for the Fund was set taking into account asset-liability modelling which assessed the likelihood of remaining fully funded at the end of a 17 year projection period and a risk measure based on the likelihood of an increase in contribution rates being required at the next actuarial valuation in 2028. This analysis reflects the agreed level contributions and is based on financial conditions as at 31 March 2025. The analysis is being revisited every three years in line with the actuarial valuation cycle.
2. The Committee assesses risk relative to that benchmark by monitoring the Fund's asset allocation and investment returns against the benchmark.

The Committee keeps mortality and other demographic assumptions which could influence the cost of benefits under review. These assumptions are considered formally at triennial valuations.

The Committee seeks to mitigate systemic risk through a diversified portfolio. However, the Committee recognises that it is not possible to make specific provisions for all possible eventualities that may arise.

### Asset risks

The main asset risks affecting the Fund are:

- Concentration risk – The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulty achieving the Fund’s funding objective.
- Liquidity risk – The risk that the Fund is unable to meet its immediate liabilities due to a lack of liquid assets.
- Currency risk – The risk that the currency in which the Fund’s assets are denominated underperforms relative to Sterling (the currency in which the liabilities are denominated).
- Manager performance risk – The failure by the Pool, or asset managers appointed by the Pool to achieve the rate of investment return assumed in setting their mandate.
- ESG risks – The extent to which ESG considerations are not reflected in asset prices and/or have not been considered in investment decision making, leading to financial underperformance relative to expectations.
- Climate change-related risks – The extent to which climate change causes a material deterioration in the value of the Fund’s assets as a consequence of factors including, but not limited to, transition policy changes and physical impacts.

The Fund’s strategic asset allocation benchmark targets investment in a diversified range of asset classes. Tolerance ranges set by the Committee aim to ensure the Fund’s ‘actual’ allocation does not deviate substantially from its target. The Fund aims to invest assets in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund’s asset concentration risk.

By considering more liquid assets such as quoted equities and bonds, the Committee recognises the need and ensures the Fund’s ability to access sufficient level of funds in the short term to pay out benefits.

The Committee assesses the Fund’s currency risk as part of its risk analysis processes. The Committee aims to invest in a range of overseas markets in order to provide a diversified approach to currency markets.

The Committee attempts to reduce the risk of underperformance by any single manager by aiming for the Fund’s assets to be invested with a range of managers and having a significant proportion of the Fund’s assets managed on an index-tracking basis. The Committee also assesses the managers’ performance on a regular basis, and will take adequate steps, including requesting managers be replaced in the case of persistent underperformance.

The Committee addresses ESG and climate change-related risks through a thoughtfully crafted investment strategy considering policy horizon scanning as well as available data and research, in order to target sustainable growth opportunities.

### Other provider risks

Further third-party risks affecting the Fund are:

- Transition risk – The risk of occurring unexpected costs in relation to the transition of assets among managers
- Custody risk – The risk of losing economic rights to the Fund’s assets or outright loss of the assets while held in custody or being traded
- Credit default risk – The possibility of default of a counterparty in meeting its obligations

The Committee manages risks in these areas through a process of regular scrutiny of the appointed service providers including the Pool and audit of the operations conducted in the name of the Fund. In cases where management of specific risks has been delegated to service providers (e.g. custody risk in relation to pooled funds), the Committee actively monitors how the relevant service providers exercise the responsibilities delegated to them and will replace providers should serious concerns arise.

The Fund has appointed Northern Trust as its custodian.

### **Cashflow**

The Committee aims to maintain a minimum cash buffer of up to £40m, maintained currently in a Fund bank account, available on an ongoing basis to meet cashflow needs such as member benefit payments, and meeting capital commitments in the asset portfolio (e.g. over the valuation period to account for a higher-than-expected growth in liabilities).

This buffer will be reassessed on a regular basis to cater for situations where benefit payments are higher than originally expected (e.g. where pension increases are higher than originally expected or material transfer values need to be paid).

On a regular basis, and following the triennial valuation, Fund undertakes an exercise to assess the cashflow requirements of the Fund, and levers available to best meet changing cashflow needs as the maturity of the Fund evolves. This work was supported by the Fund Actuary and Investment Advisor.

The Fund commits to private market investments in line with its strategic asset allocation. these investments draw capital and pay distributions over time. The Fund has made commitments to work towards the long term target allocation, and has developed a liquidity and cashflow approach of investing capital that is earmarked for investment in private market funds across listed equity (75%) and listed bonds and cash (25%), as to reduce risk of the Fund being a 'forced seller' of growth assets in adverse market conditions. Listed equity and bonds are invested via Pool solutions.

Currently, cash is held outside the Pool in a bank account that accrues interest and is managed by Officers. In this way, the Fund maintains limited cash holdings outside the Pool while ensuring it's operational needs are being met.

### **Responsible investment (RI)**

The Committee recognises its responsibility as an asset owner and steward of capital over the long term, and oversees responsibilities delegated to service providers as part of its fiduciary duty.

The Committee also recognises that ESG factors can influence long term investment performance and the ability to achieve long term sustainable returns. In particular, the Committee acknowledges that climate change presents a particular risk to the financial stability of the global economy and has the potential to impact the Fund's investments. As such, climate change represents a long-term financial risk to the Fund and its holdings.

The Committee considers the Fund's approach to responsible investment in two key areas:

- **Sustainability** – Ensuring the financial impact of ESG factors on investments is being considered.
- **Stewardship and governance** – Ensuring the Pool acts as a responsible and active investor and/or asset owner through considered voting of shares and engagement with investee company management and service providers as part of the investment process, and that it is being held to account by the Committee for its actions in these areas.

The Committee maintains a [Responsible Investment Policy](#) setting out the objective and priorities of the Fund in relation to responsible investment, and how it expects the Pool and investment managers to incorporate ESG factors in the selection and ongoing management of investments, in addition to the Fund's stewardship practices. The Committee has also developed a set of Responsible Investment beliefs which are set out in the appendices and also in the RI policy.

The Pool maintains its own Responsible Investment Policy, which has been developed in consultation with the Pool's partner Funds. The Pool has appointed an engagement and voting services provider, Robeco.

The Committee have agreed the following set of RI investment beliefs:

- In accordance with the Committee's fiduciary duty, financial considerations should carry more weight than ESG considerations when making investment decisions, even though ESG matters can materially affect risk and returns. Therefore, ESG factors should be embedded in the investment process and in the decision-making processes of managers appointed by the Fund and by WPP.
- The Fund's Committee will seek to invest in sustainable assets, including investing within the Wales area when non-financial investments can derive from this, on condition that they satisfy the requirements of the fiduciary duty.
- The Committee accepts that it has a duty to be a responsible investor. It is expected that consulting with companies, rather than avoiding investing, will be more effective in changing corporate behaviour and reducing risk. Wherever possible, collaborative action (such as that taken via Local Authority Pension Fund Forum (LAPFF) membership and commissioned from Robeco alongside WPP partners) provides the most successful route to influence outputs.
- As a long-term investor, the Fund is vulnerable to systemic risks such as climate change and the expectation of a transfer to a low carbon economy. Financial outcomes can be improved through managing how open to such risks the Fund is.
- Shareholder comprehension and outcomes can be improved through providing transparency at each step of the value-adding chain.
- Training and education are likely to form a key element in developing the Fund and its Committee position on ESG-related matters.

To date, the Fund's approach to social investments has largely been to delegate this to their underlying investment managers as part of their overall efforts to incorporate ESG considerations in investment decision-making.

The Pool is expected to report on RI activities as part of the Fund's annual ESG review (e.g. reporting on voting and engagement, and ESG-related metrics where possible).

At the present time, the Committee does not prioritise non-financial factors when selecting, retaining, or realising its investments.

The Fund has established a net zero ambition of aligning its investment portfolio with the objectives of the 2016 Paris Agreement by 2050 and will assess the feasibility of an earlier date, and recognises that the way in which the Fund's assets and liabilities are affected by climate change may evolve over time.

### Voting and engagement

The Committee expects the Pool to act as an active and responsible investor by commissioning considered voting on behalf of the Fund in its capacity as manager of the Fund's assets. The Committee regularly assesses the voting policies and guidelines issued by the Pool (and delegated investment managers) to ensure that these are in line with the Committee's responsible investment policies and objectives. The Committee provides input to and monitoring of the Pool's RI policies including in relation to voting and engagement through appropriate Officer groups. Managers and the Pool are strongly encouraged to vote in line with the agreed guidelines in respect of all resolutions at annual and extraordinary general meetings of companies under Regulation 7(2)(f). The Committee monitors the voting decisions made on its behalf on a regular basis.

In addition, Robeco has been appointed to assist the Pool in exercising its voting rights in line with the interest of its stakeholders and engaging with investee companies to enhance the long-term value of partner funds' investments within the Pool.

The Committee supports engagement activity (including engagement activity by the Pool) that seeks to:

- Achieve greater disclosure of information on the ESG-related risks that could affect the value of investments
- Achieve transparency of an investment's carbon exposure and how companies are preparing for the transition to a low carbon economy
- Encourage its asset managers to actively participate in collaborative engagements with other investors where this is deemed to be in the best interests of the Fund.

The Gwynedd Pension Fund takes its responsibilities as a shareholder and steward of capital seriously. It seeks to adhere to the UK Stewardship Code, though is not a signatory, and encourages the Pool and its appointed investment managers to do so too. Stewardship is seen as part of the responsibilities of share ownership, and therefore an integral part of the investment strategy. In addition, the Fund believes in collective engagement and is a member of the Local Authority Pension Fund Forum (LAPFF), through which it collectively exercises a voice across a range of corporate governance issues.

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Cyngor Gwynedd

4 March 2026

# Appendices

## **Appendix A – Responsible Investment Beliefs**

The Committee has also developed a set of Responsible Investment beliefs which are set out below and also in the Fund's [Responsible Investment Policy](#).

The Committee have agreed the following set of investment beliefs in relation to Responsible Investment:

- In accordance with the Committee's fiduciary duty, financial considerations should carry more weight than ESG considerations when making investment decisions, even though ESG matters can materially affect risk and returns. Therefore, ESG factors should be embedded in the investment process and in the decision-making processes of managers appointed by the Fund and by WPP.
- The Fund's Committee will seek to invest in sustainable assets, including investing within the Wales area when non-financial investments can derive from this, on condition that they satisfy the requirements of the fiduciary duty.
- The Committee accepts that it has a duty to be a responsible investor. It is expected that consulting with companies, rather than avoiding investing, will be more effective in changing corporate behaviour and reducing risk. Wherever possible, collaborative action (such as that taken via Local Authority Pension Fund Forum (LAPFF) membership and commissioned from Robeco alongside WPP partners) provides the most successful route to influence outputs.
- As a long-term investor, the Fund is vulnerable to systemic risks such as climate change and the expectation of a transfer to a low carbon economy. Financial outcomes can be improved through managing how open to such risks the Fund is.
- Shareholder comprehension and outcomes can be improved through providing transparency at each step of the value-adding chain.
- Training and education are likely to form a key element in developing the Fund and its Committee position on ESG-related matters.

## **Appendix B – Responsible Investment policy**

The Fund's RI policy can be found online here: [Responsible Investment Policy 2022](#).

## **Appendix C – Wales Pension Partnership**

Further information on the Pool can be found online here: [Wales Pension Partnership](#) and [Wales Pension Partnership Investment Management Company](#).