

BATH AND NORTH EAST SOMERSET

AVON PENSION FUND COMMITTEE INVESTMENT PANEL

Wednesday 25th February 2026

Present:- Councillors George Leach (Chair), Toby Simon, Chris Dando, John Finch, Pauline Gordon and Jackie Peel

Also in attendance: Nick Dixon (Head of Pensions), Matt Betts (Group Manager, Funding, Investment & Risk), Nathan Rollinson (Investments Manager) and Rebecca Whelan (Senior Investments Officer)

72 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer drew attention to the Emergency Evacuation Procedure.

73 DECLARATIONS OF INTEREST

There were none.

74 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Councillor Chris Dando was present at the meeting remotely via Teams.

75 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

76 ITEMS FROM THE PUBLIC - TO RECEIVE STATEMENTS, PETITIONS OR QUESTIONS

There were none.

77 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

78 MINUTES: 3RD SEPTEMBER 2025 (PUBLIC & EXEMPT)

The Panel **RESOLVED** that the minutes of the meeting held on 3rd September 2025 be confirmed as a correct record and signed by the Chair.

79 QUARTERLY INVESTMENTS PERFORMANCE

The Senior Investments Officer introduced the report to the Panel and highlighted the following points.

- The Fund's assets stood at £6,323m on 31 December 2025, delivering a net return of 2.6% over the quarter. This was 0.9% behind the return for the strategic benchmark. In a similar pattern to recent quarters, whilst the Brunel listed equity portfolios delivered positive returns over the quarter, these were behind those of their respective benchmark indices. The private markets positions were broadly positive over the quarter.
- The estimated funding level stood at 108% at 31 December 2025 (c. £472m surplus), ahead of the current recovery plan by 11% from 31 March 2022. The funding level will be reset to the 2025 valuation next quarter to reflect the latest Funding Strategy Statement.
- Over 1 year to the end of December the Fund returned 7.5% in absolute terms and -1.7% in relative terms.
- Global markets entered the fourth quarter of 2025 with momentum, supported by easing inflationary pressures, improving economic sentiment, and a broadening of growth drivers across regions.
- Global equity markets posted steady gains in Q4, with many indices ending the year at or near record highs.

The Investments Manager addressed the Panel and updated them with regard to the Local Impact Portfolio.

- The Fund has a 5% strategic allocation to local impact investments across 3 core themes: renewable infrastructure, affordable housing and SME funding. At 31 December 2025 3% (£180m) had been committed to underlying managers and c. £67m deployed. As the portfolio is still in its build up phase performance is not yet meaningful, however pace of capital deployment and the developing pipeline of opportunities is meeting expectations.
- Affordable Housing – With a strong pipeline of opportunities in the South West and one potential site currently in contract, deployment of a portion of the Fund's £10m co-invest allocation is expected imminently. The Fund has been asked to consider topping up its allocation to affordable housing to help deliver high potential sites in the region. A recommendation will be brought back to Panel in due course.
- Octopus are also in the process of agreeing terms with a local housing association to support the deployment of the Fund's Avon co-invest allocation (£10m).

Steve Turner, Mercer, addressed the Panel and highlighted the following areas from Appendix 1.

- The funding level is estimated to have decreased marginally over the quarter to c.108%. The small dip seen in Q1 of 2025 was due to a large sell-off in equity markets and US tariffs.
- The US Federal Reserve reduced its policy rate amidst a weakening labour market and cooling inflation. Meanwhile, fundamentals in the UK favoured a further rate cut by the Bank of England, with the Autumn Budget easing fiscal credibility concerns.

Pauline Gordon highlighted that despite strong UK equity performance, many of these companies derived the majority of their revenues from overseas. She asked about the difference in performance between the benchmark and the BlackRock passive equity portfolio.

Steve Turner replied that this was due to a combination of the currency impact of the US Dollar denominated swap used as part of this strategy as well funding costs attached to synthetic strategies.

The Head of Pensions asked for the reason behind the increase in liabilities.

Steve Turner replied that this was mainly driven by the discount rate.

- Overall, equity markets ended higher across developed markets and bond yields were mixed during Q4. UK gilt yields fell as cooling inflation and weakening labour market built the case for more BoE cuts.

Performance -v- Expected Returns

- Equity performance was realised much quicker than expected and showed around 4 years' worth of regular performance in the last 12 months.
- Brunel UK Property - Returns below expectations since December 2022 due to the challenges seen in Property markets, but currently on an upward trend.
- Renewable Energy – Number of recent headwinds, asset class under a bit of pressure.

Councillor Toby Simon asked if there was any significant exposure to long leases.

Steve Turner replied that within the Brunel Secured Income fund there were 60% of traditional long lease properties that includes a small exposure to residential properties.

Mandate Performance

- Sustainable Equity Investment – Performance is not a clear catalyst for reversal.
- Brunel Global Sustainable Equity – Not overweight to Magnificent 7 stocks.

The Head of Pensions asked if the three year underperformance figures for Brunel Global Sustainable Equity were comparable with other funds.

Steve Turner replied that it was and said that it would be difficult to find a manager that had been able to keep pace with the benchmark.

The Investment Panel **RESOLVED** to note the information as set out in the reports.

80 RISK MANAGEMENT FRAMEWORK MONITORING

The Panel, having been satisfied that the public interest would be better served by not disclosing relevant information, **RESOLVED**, in accordance with the provisions of the Section 100(A)(4) of the Local Government Act 1972 that the public should be excluded from the meeting for this item of business, because of the likely disclosure of exempt information as defined in paragraph 3 of Part I of Schedule 12A of the Act as amended.

The Avon Pension Fund Investment Panel notes the performance of each of the underlying RMF strategies and current collateral position as set out in Exempt Appendix 1.

81 PANEL WORKPLAN

The Group Manager for Funding, Investment & Risk addressed the Panel and explained that alongside the Investment Strategy Review, an Investment Governance Review was also due to commence as changes were required due to the Fit for Future programme. He said that this review would focus on investment decision making, roles, responsibilities & structures and monitoring investments.

He added that David Crumb has been appointed to carry out the Investment Governance Review.

He explained that the review was due to begin next week, involve a range of interested parties and recommendations were expected to be shared with the Committee at their June meeting.

He added that the Committee were due to be briefed next week on the progress of the transition plan with LPPI.

John Finch asked if any current Brunel staff were due to join LPPI as part of this process.

The Head of Pensions replied that there was a possibility of 12 – 15 roles transferring and that LPPI were expected to open a small Bristol office.

Jackie Peel asked if a progress update on the legal framework of the transition could be given.

The Head of Pensions replied that the Fund were in receipt of advice from Osborne Clarke relating to the Shareholder Agreement and the Articles of Association. He

added that no concerns have been raised in respect of the Investment Management Agreement.

The Panel **RESOLVED** to note their forward agenda.

The meeting ended at 2.36 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services