

Nest Virtual Roundtable – Nest investment update and retirement roadmap



Elizabeth Fernando, Chief Investment Officer
Mark Rowlands, Head of Retirement

3 December 2024

nestpensions.org.uk

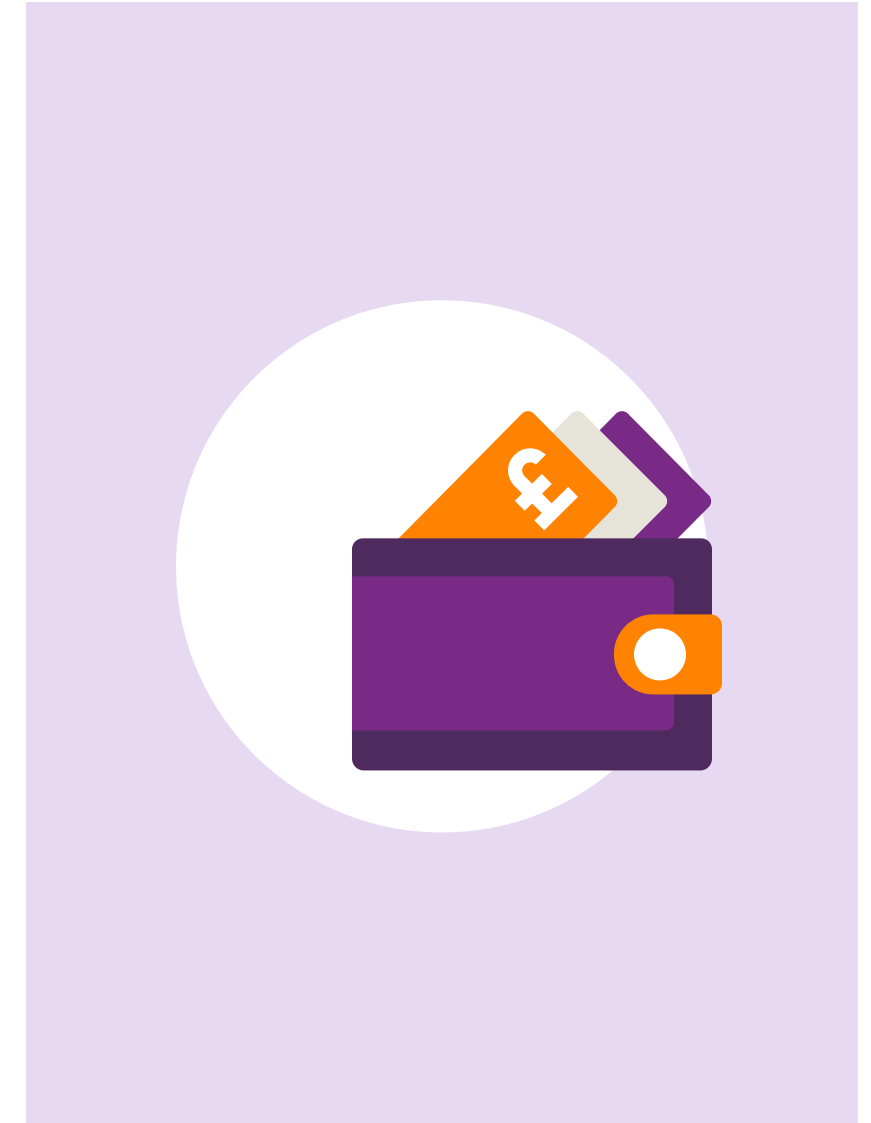
Agenda

1 Investment update

2 Retirement roadmap – Our future retirement solution

Housekeeping

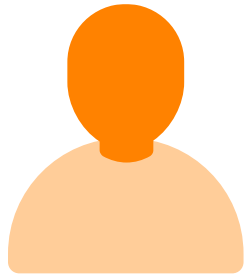
- > Time for questions after each session. Please keep cameras and mics off until that point.
- > Please fill out the feedback form.
- > Slides and recording will be sent out after the event



Investment update

Elizabeth Fernando

Nest key statistics



13.6m
members



1m
employers



£46.2bn
assets under management

Source: Nest in numbers as at end of October 2024

Nest's in-house experts



Mark Fawcett
CEO of Nest Invest &
Managing Director of
Investments



Paul Todd
Chief Operating Officer



Elizabeth Fernando
Chief Investment Officer



Diandra Soobiah
Director of Responsible
Investment & ESG
Integration



Mike Smith
Head of Fund Administration



Rachel Farrell
Director of Public &
Private Markets



Anders Lundgren
Head of Public Markets
& Real Estate



Stephen O'Neill
Head of Private Markets



Charlotte Griffiths
Director of Investment
Strategic Delivery



Pippa Strutt
Director of Brand &
External Communications

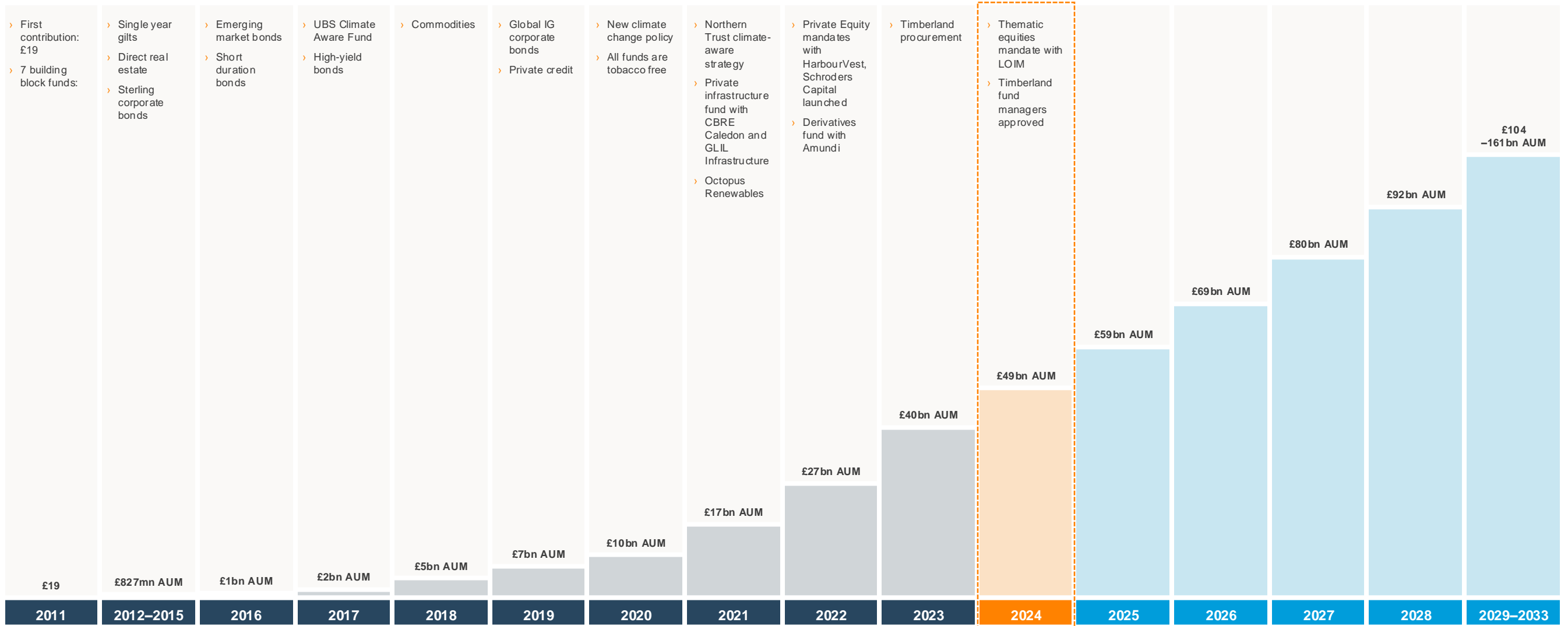


Nick Huntley
Head of Investment
Technology

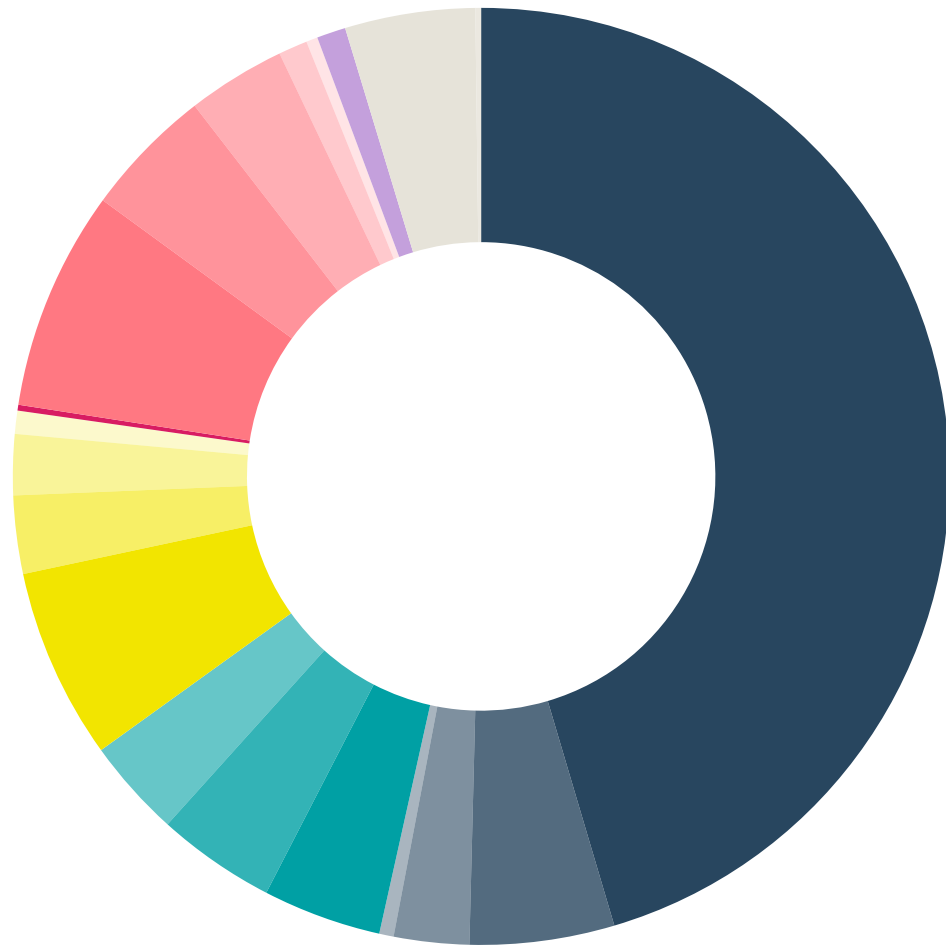


Jiwei Dong
Head of Market Risk
& Asset Allocation

Nest's investment journey



Protecting funds from market volatility



Equities		
44.5%	■	Climate aware global developed equities
5.1%	■	Climate aware global emerging market equities
2.7%	■	Private equity
0.5%	■	Thematic equity
Growth Credit		
4.1%	■	Emerging market debt
4.1%	■	Global high yield bonds
3.2%	■	Private credit
Real assets		
6.5%	■	Hybrid property (UK direct & REITs)
2.5%	■	Infrastructure equity
2.3%	■	Infrastructure equity – renewables
0.9%	■	Property Income
0.2%	■	Timberland
Investment grade bonds		
7.6%	■	Global investment grade bonds
4.3%	■	Sterling corporate bonds
3.4%	■	Short duration UK investment grade bonds
1.0%	■	Short duration investment grade bonds
0.4%	■	Short duration GILTs
Alternatives		
0.9%	■	Commodities
Cash		
5.5%	■	Low risk sterling liquidity
0.3%	■	Derivatives

Source: Data as at end of September 2024 (Nest 2040 Retirement Fund)

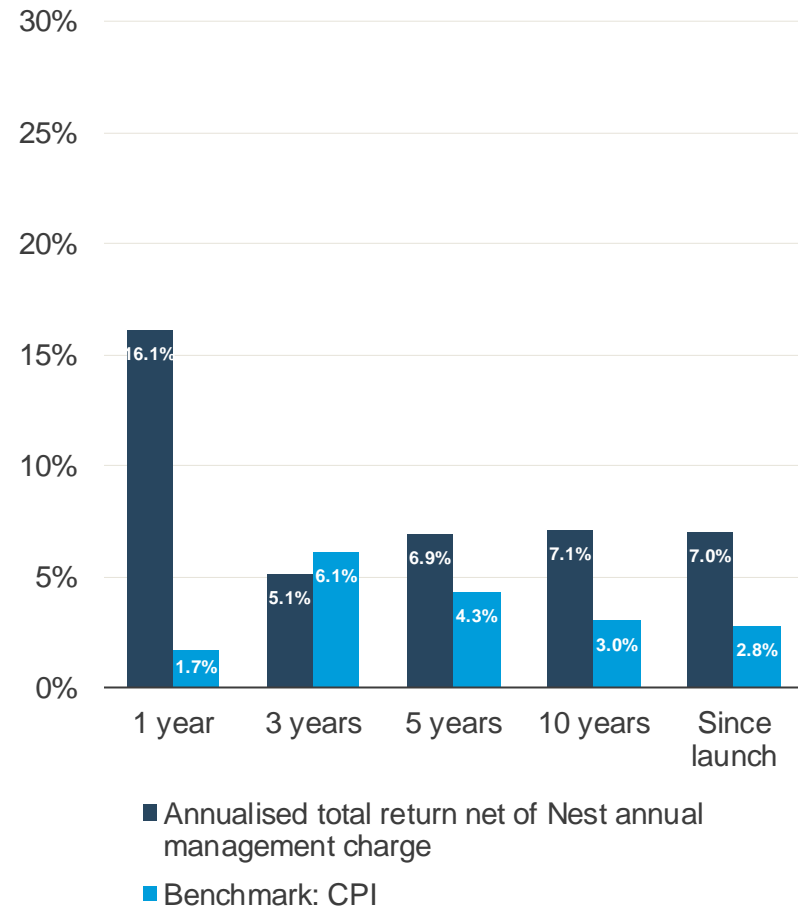
One of the most diversified portfolios in the industry

Increased opportunities with private markets, which offer more sophisticated investments

Investment performance as at end of September 2024

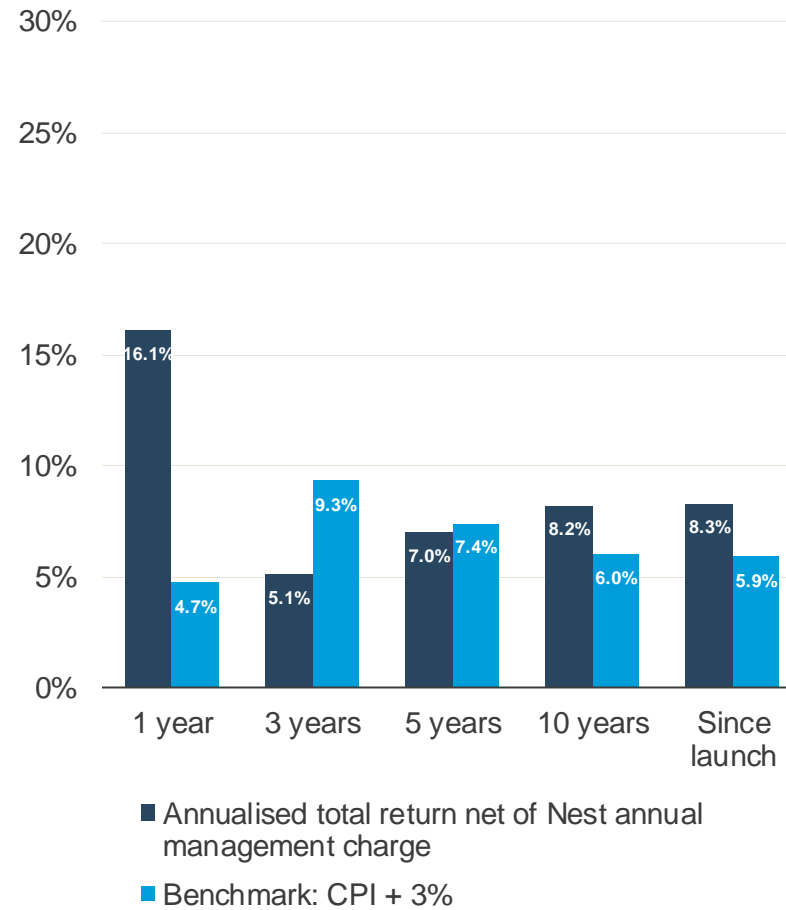
Nest 2060 Retirement Date Fund

Foundation phase



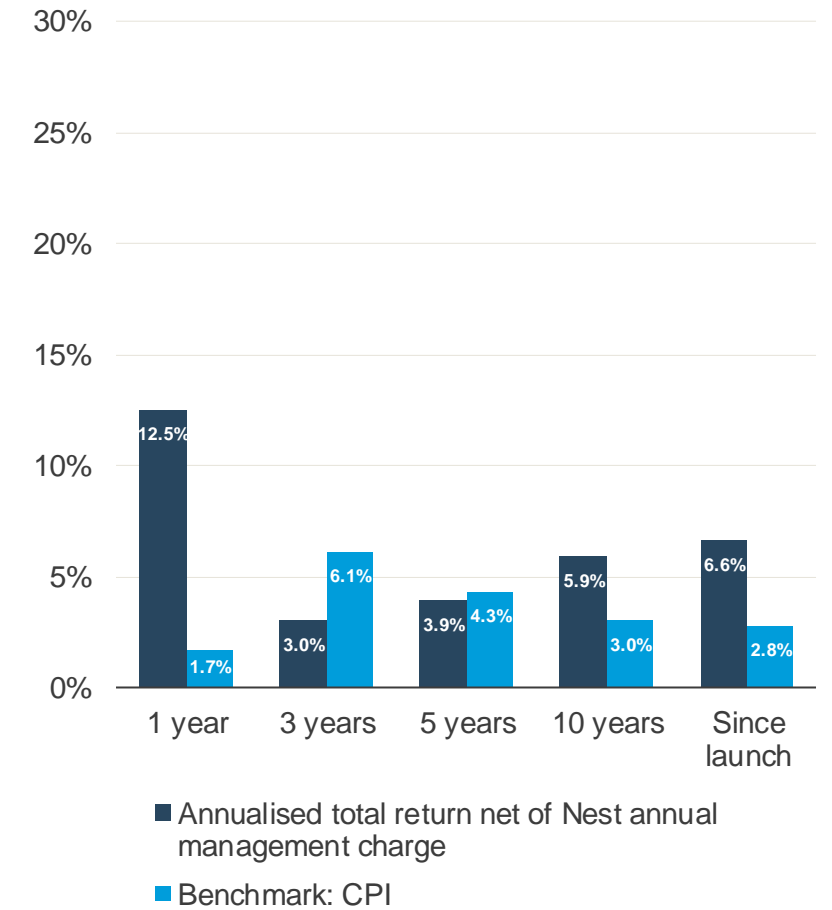
Nest 2040 Retirement Date Fund

Growth phase



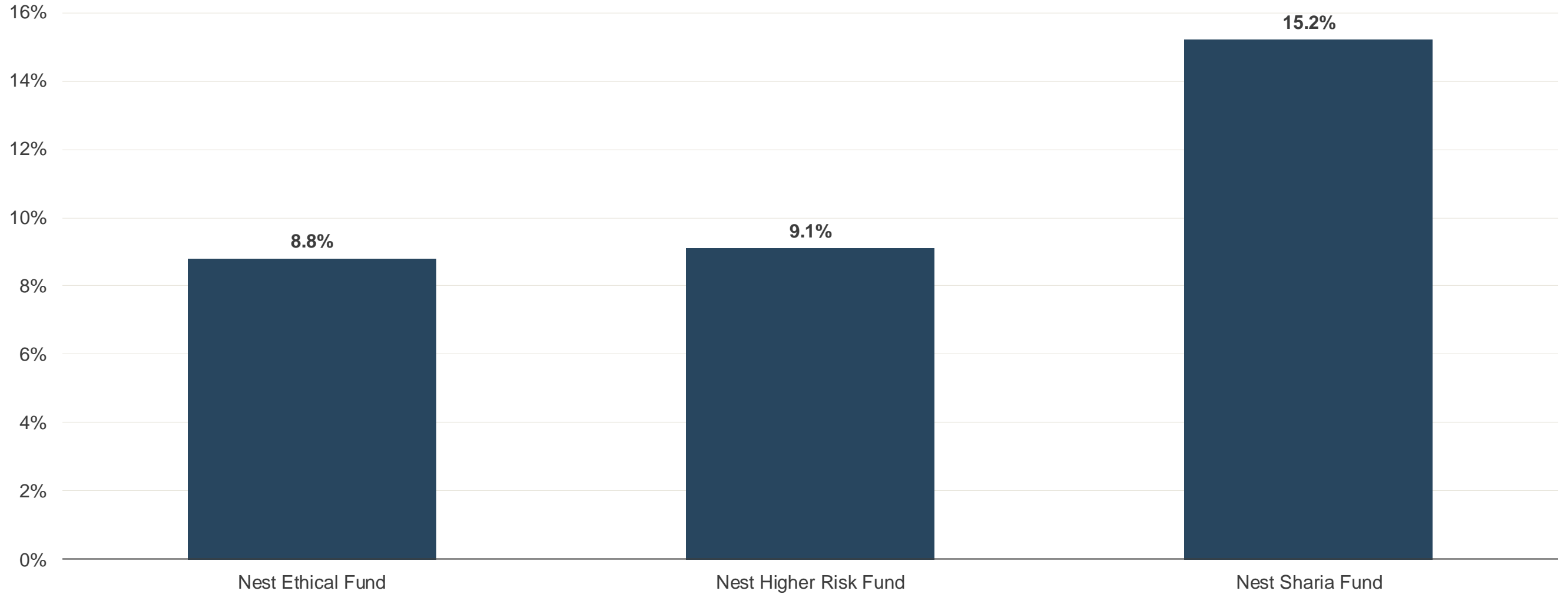
Nest 2024 Retirement Date Fund

Consolidation phase



Source: Nest quarterly investment report, as at end of September 2024

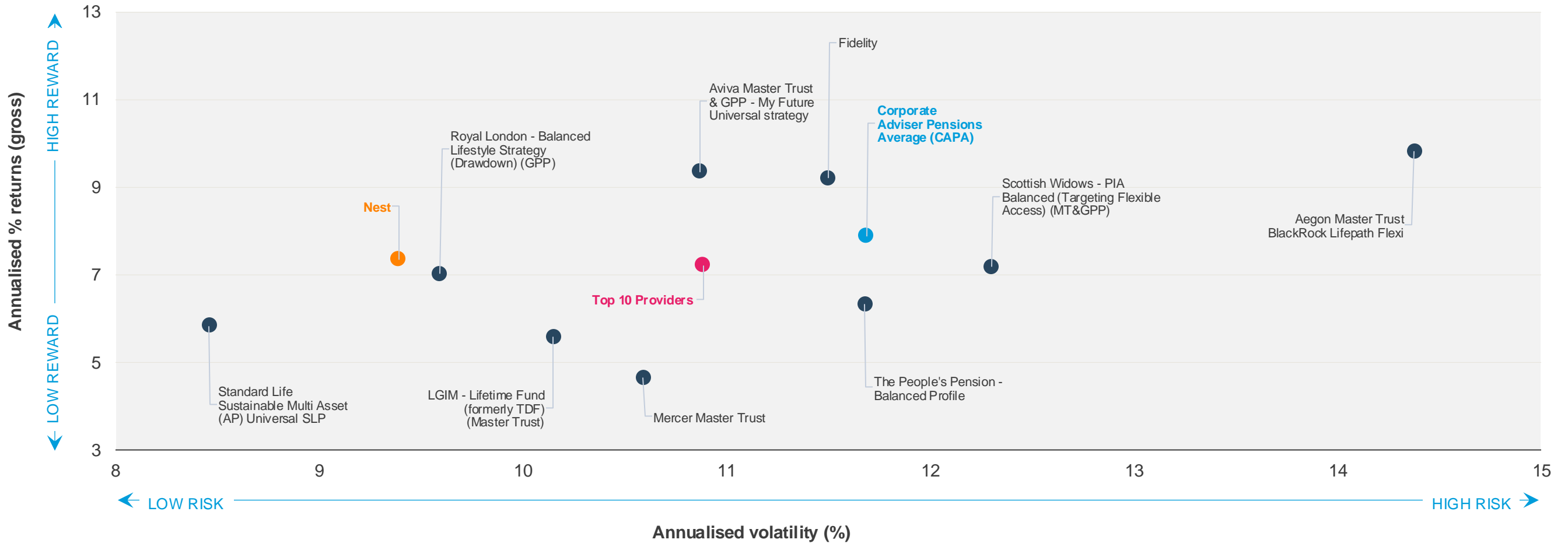
Our other funds (10-year performance as at end of September 2024)



Source: Nest annualised returns are in GBP and are net of Nest annual management charge of 0.3%.

Nest's investment performance within the market

We are achieving returns broadly in line with the market average and doing so at significantly lower levels of investment risk



Source: Corporate Adviser Pensions Average (CAPA) data showing five year annualised gross returns and levels of risk for the main default fund(s) of each provider for the asset mix for a member 30 years from retirement age. Data as at 30/06/2024.



By the end of the decade, this is
around **£10 billion** invested.



We invest in the UK in a variety of ways

£3.2bn in corporate bonds to established UK companies, such as BT & Co-op Group

£2.8bn in commercial and residential property across the UK

£1.7bn in cash providing companies with access to capital

£960m into UK infrastructure projects, including fibre networks, social housing and renewable energy

£803m worth of shares in major UK employers, including Sainsbury's and Taylor Wimpey

£349m in government lending (gilts)

£130m in shares of growing UK Businesses (private equity)

Nest has around
£10 billion invested in UK
assets

By the end of the decade,
this is expected to rise to
£20 billion

As at September 2024 | Data correct at time of print; however, asset allocations are indicative only and subject to change



13 million +

Nest members



1 million

Employers using Nest



£45 billion

Assets under management



40 years old

Average age of membership,
with 3.3m members aged over 50



£21,100

Median annual earnings
for active Nest members

Hornsea 1 Offshore Windfarm (£204,680,000) with 370 people employed.

Lincs Offshore Windfarm (£36,480,000) owned since 2022.

Sanctuary Buildings, London (£214,000,000) owned since 2020.

Forth Ports, Edinburgh (£13,500,000) with 1,100 people employed.

Clyde Windfarm (£20,710,000) with 50 people employed.

Pingewood Solar Farm (£11,600,000) owned since 2021.

Brigg Biomass Plant, North Lincolnshire (£68,350,000) owned since 2021.

G.Network Fibre Broadband, London (£19,600,000) owned since 2021.

India Buildings, Liverpool (£112,000,000) owned since 2017.

Deansgate Square, Manchester (£49,000,000) owned since 2021.

The Dolphin Shopping Area, Poole (£23,000,000) owned since 2013.

Green Square Accord Social Housing (£9,100,000) owned since 2020.

BBC Broadcasting House (£31,200,000) owned since 2003.

Principality Building Society, Cardiff (£19,900,000) with 1,092 people employed.

Thames Tideway Tunnel, London (£4,900,000) with 400 people employed.

Co-Op Group, Manchester (£5,200,000) with 65,000 people employed.

Eversholt, London (£9,900,000) with 115 people employed.

BT telephone exchanges (£9,900,000) owned since 2021.

Unilever, London (£24,700,000) with 6,000 people employed.

AstraZeneca, Cambridge (£66,800,000) with 8,700 people employed.



Recent investment mandates

Thematic equities

Investing in companies that will benefit from long-term structural changes to the economy.



Climate mitigation
and adaptation



Natural capital



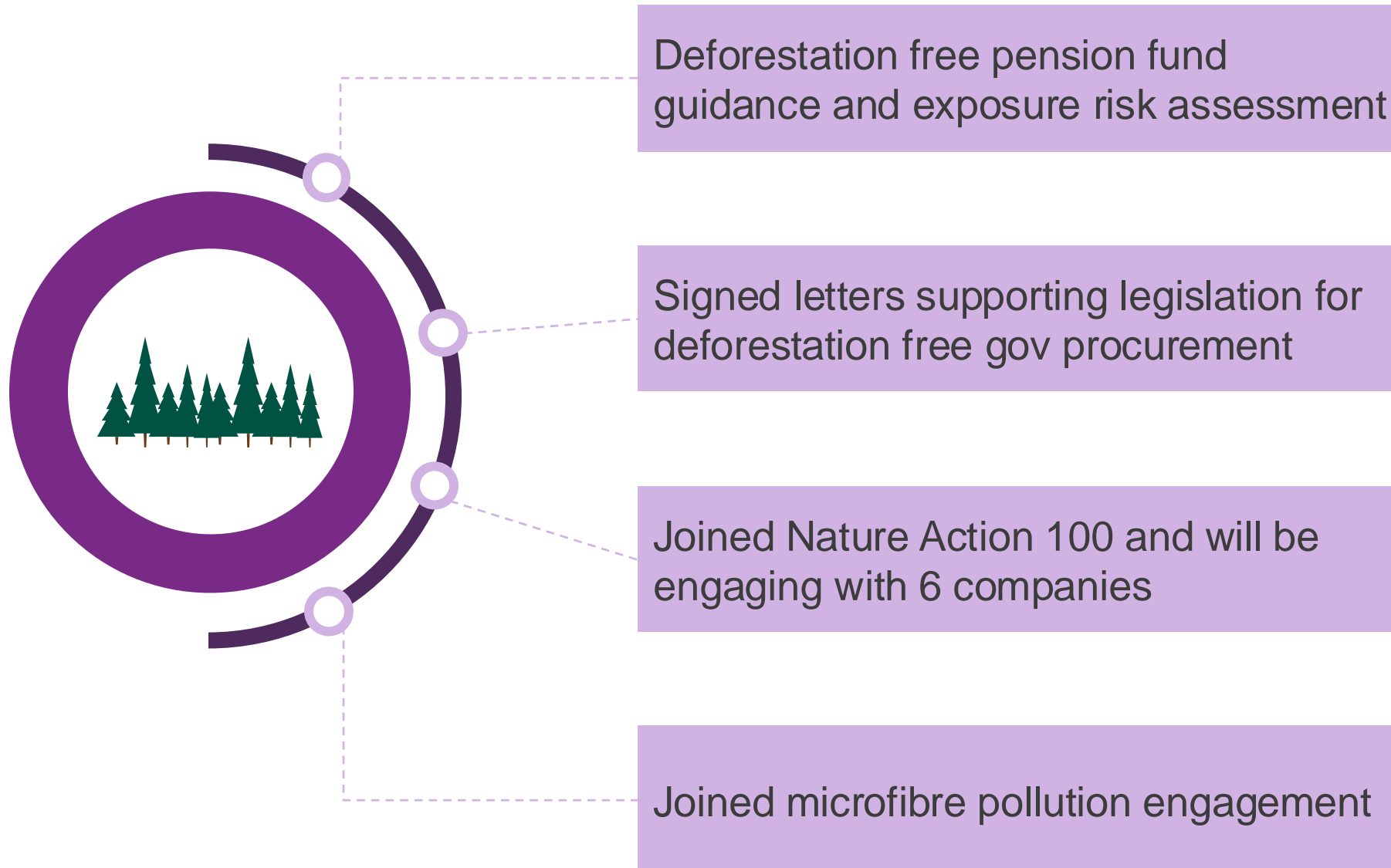
Social
transformations



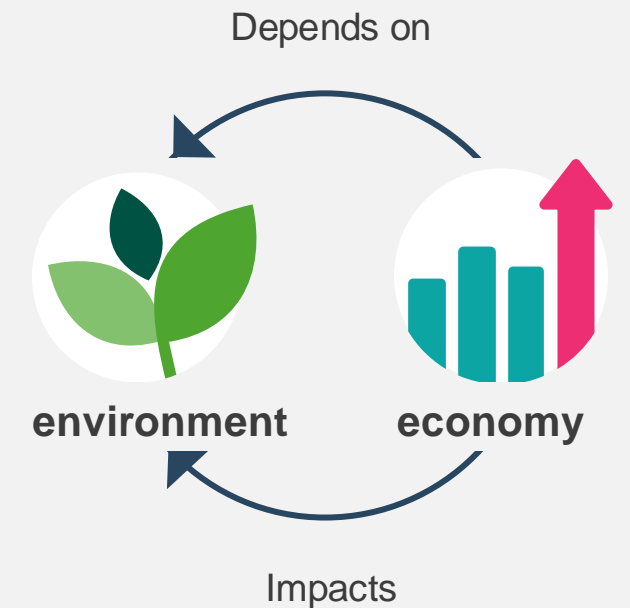
Timberland



What have we done on nature and biodiversity?



A stable natural environment provides key ecosystem services which make life possible and that the economy depends on:



Key takeaways

Nest's scale and growth allows us to:

1

Have an expert internal team focused on member needs and member outcomes



2

Access a wide range of asset classes including private markets



3

Negotiate fees with external managers so members retain more of the performance



4

Engage with investee companies to bring about real world change



QA

What we will offer members in retirement

Mark Rowlands



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What we will offer members in retirement

Self managing life long income from a DC pot is “nastiest, hardest problem in finance”

Source: William Sharpe, Nobel prize winning economist

Overarching retirement principles

Our focus is sustainable lifelong income as a wage replacement



We won't forget the many with insufficient pots for income



We recognise members need help but still want agency



We'll lead with guided solution but signpost alternatives



We'll provide simple and easy to understand solutions



Our current options for accessing your pot



What are your options at retirement?



Self-managed options

These options allow you to access your pension pot and choose how much you want to take and when.

[More about Self-managed options](#)



Nest Guided Retirement Fund

If you're in this fund, you can take money out regularly. We'll continue to manage your pot with the aim of reducing the risk of it running out.

[More about Nest Guided Retirement Fund](#)



Options from other providers

You can use your Nest pot to access options from other providers. One of these options is to buy an annuity.

[More about Options from other providers](#)

Government restriction and a minimum viable product solution

Shortfalls of current offer

You can't get a tax-free lump sum

Only 25% of each withdrawal is tax free, elsewhere individuals can take up to 25% of pot tax free



We don't pay an 'income' into your bank account

You can't receive what feels like a genuine replacement income with money paid directly into your bank account on a regular basis. You need to come and 'collect' your money



Nest rather than member decides when to 'start' NGRF 'income'

The moment an individual is defaulted into NGRF, Nest immediately starts putting money into the wallet, regardless of whether member wants to start receiving and income. This is less than ideal



You're on your own post 85

NGRF sets aside money for your later life. But at 85 you need to use this money to buy an annuity. Which will be hard and there might not even be a market



Consistent themes emerge across our retirement research

Retirement is not as binary as people expect

The lines between pre and post-retirement are blurry, ill-defined and not necessarily final

Control over pensions is desirable but often feels unattainable

Even though majority happy to go with the flow, most people want to feel in control, Yet many imagine it is out of their hands

The road to retirement is bumpy and unpredictable

The journey frequently does not go as planned, and is often influenced by the unexpected

Confidence in one's own ability to deal with pensions informs their journey

Financial confidence, even if misplaced, can affect decisions people take

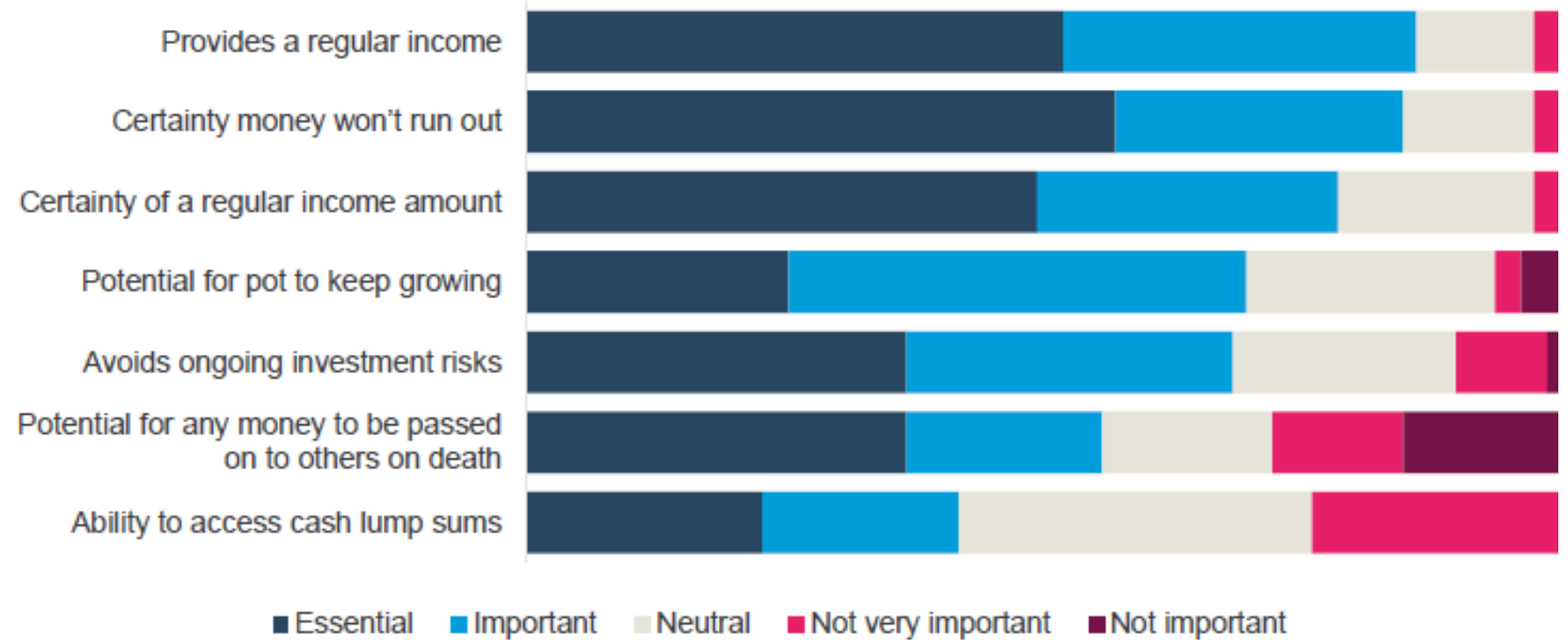
Old age always feels a long way off

No one wants to contemplate later life, even those well into retirement

Income is priority but not at expense of flexibility

Most people want certainty of a regular income, but they're willing to sacrifice a small degree of certainty for more flexible access

Retirement preferences: this isn't for the kids...



Source: Ignition House for Nest Corporation,

The future options available to members

Do it myself

Decide on tax free cash amount

Self-manage
income for life

Self-manage income
for shorter period

or

Transfer
out

Fully
withdraw

Buy
annuity

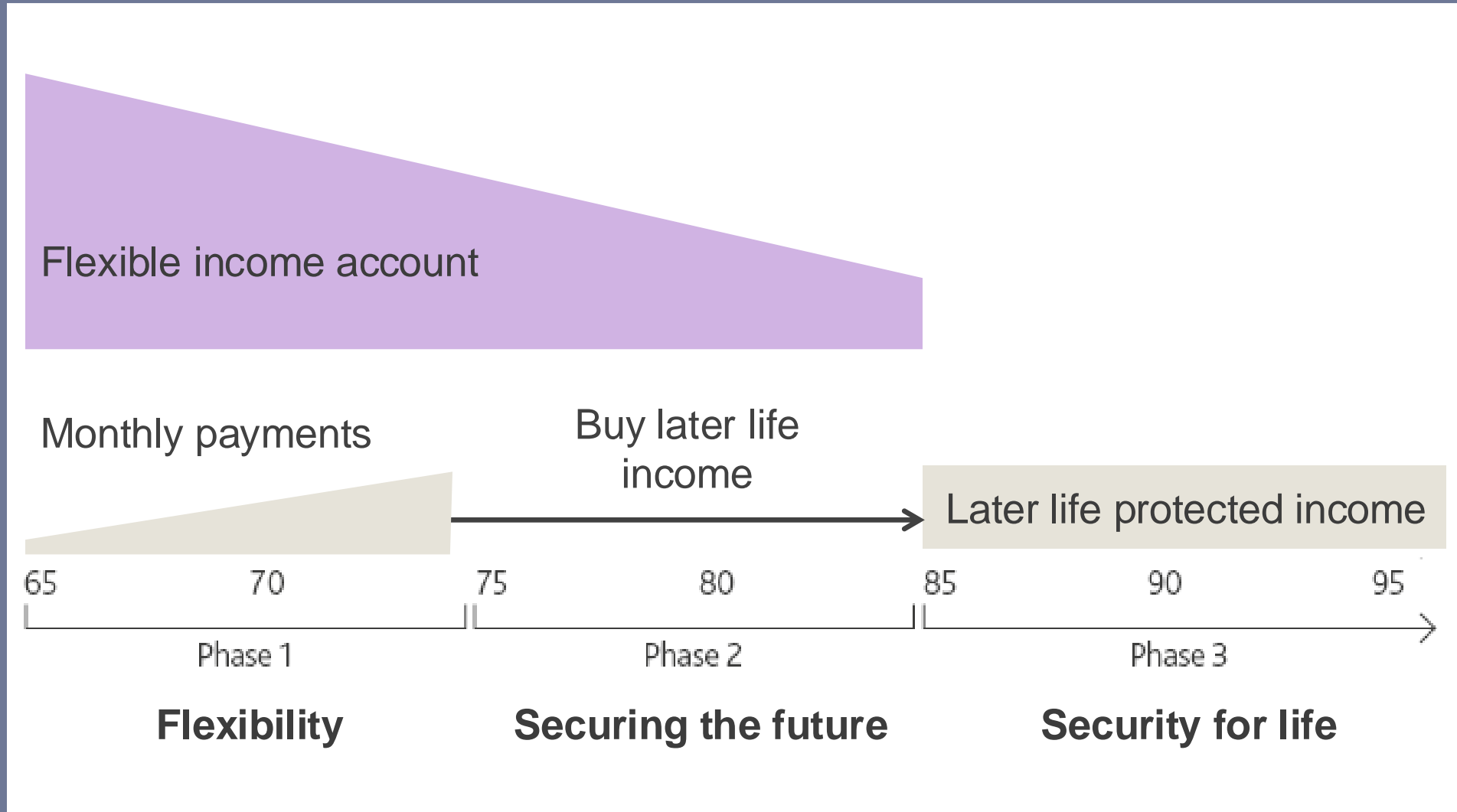
Do it for me

Decide on tax free cash amount

Join Nest guided income for life

‘Turn on’ income payments
(Nest sets level)

Later life income –
opt-out decision point at 75



Blueprint design – flexible lifelong income

QA



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