



East Sussex Pension Fund

Q2 2020 Investment Monitoring Report

Paul Potter, Partner

Ben Fox, Investment Consultant

Mark Tighe, Investment Analyst

Executive Summary

The table summarises the status of the key considerations for the Fund

	"RAG Status"	Comment	Action	Responsibility / Timescale
Strategic Allocation		Agreed at the June Committee meeting to increase the infrastructure allocation from 4% to 8% and amend the structure of the Fund's equity allocation	No action proposed	Meetings have taken place with managers and recommendations made for pooled funds to make an investment subscription to
Fund Performance		Fund return ahead of benchmark over all longer time periods shown	No action proposed	-
Manager Performance		Passive manager performance in line with benchmark All active managers ahead of benchmark since inception	No action proposed	-
Manager Changes		No significant changes over quarter	No action proposed	-
Asset Allocation		Protection allocation in breach of upper limit Alternatives allocation in breach of lower limit Absolute return and M&G absolute return credit allocations in breach of limits	No rebalancing recommended at this stage. Drawdowns into infrastructure and real-estate debt will increase alternatives allocation	Officers to respond to capital calls when made over coming years. DGFs expected to fund the capital calls

■ In line with expectations
 ■ Behind expectations, no action proposed
 ■ Behind expectations, action proposed

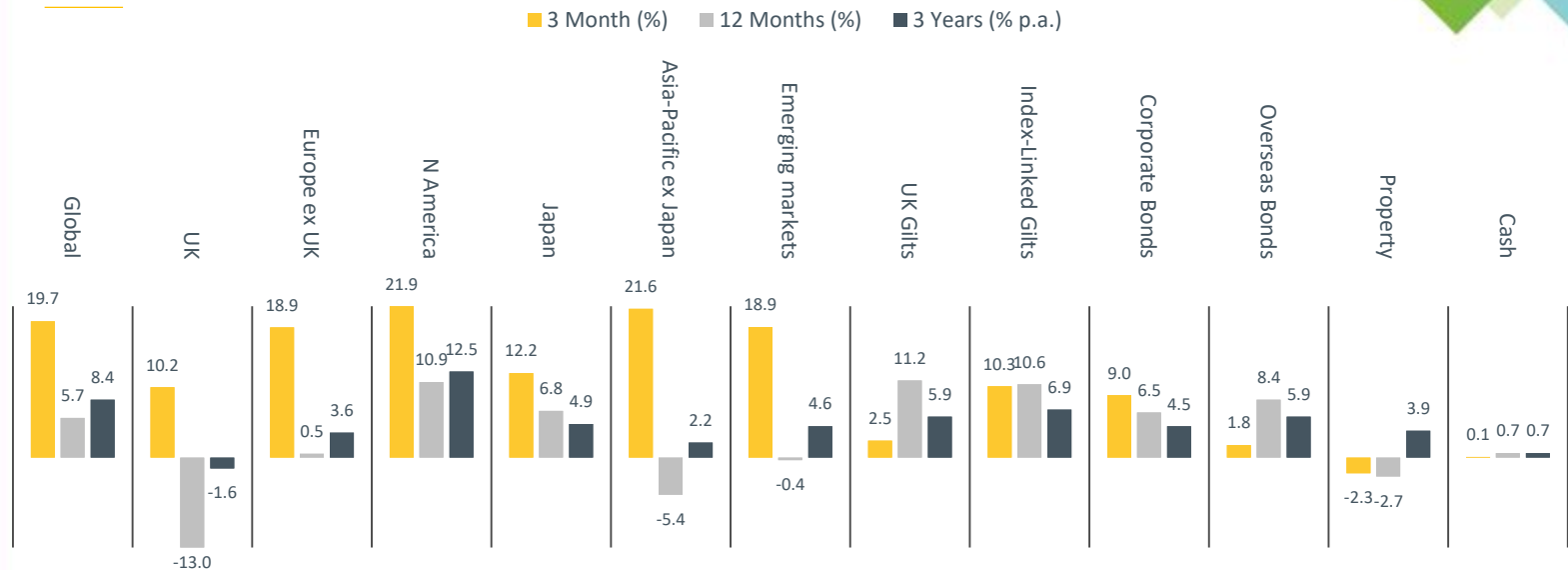
Market Background

Q1 figures confirmed GDP had fallen across the world since the end of 2019. As many of the developed economies went into lockdown during March, falls in second-quarter GDP are likely to be even greater. Purchasing Managers' Indices for both services and manufacturing in the major western economies plunged to record lows in April but, after rebounding in May, saw record rises in June.

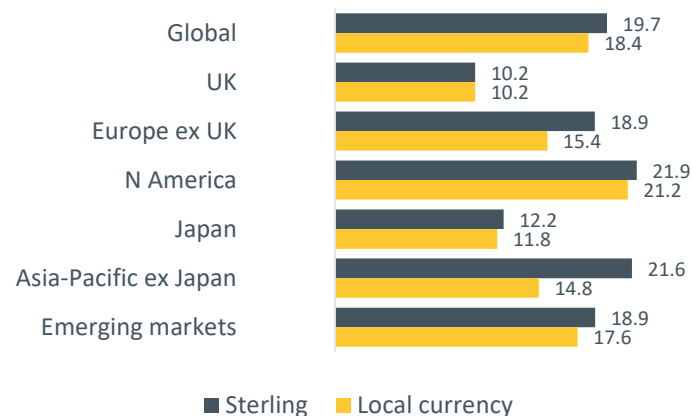
Forecasts for global GDP growth in 2020 as a whole have fallen significantly since the end of the first quarter. However, there has been some moderation in the pace of downgrades to global 2020 GDP data, with some country-level exceptions. UK CPI inflation fell from 1.5% in March to 0.5% in May. Lower energy prices made a big contribution to the fall but core inflation (excluding food and energy) has also fallen from 1.6% to 1.2%.

In April, the Fed significantly expanded the corporate credit purchase programmes it had announced in March to include, for the first time, speculative-grade debt. In June, the European Central Bank announced a further €600bn of QE and the Bank of England raised its QE programme from £645bn to £745bn. Sterling consolidated the rebound from its late-March depths in April, but subsequently weakened. In trade-weighted terms, it has fallen more than 2% since the end of March.

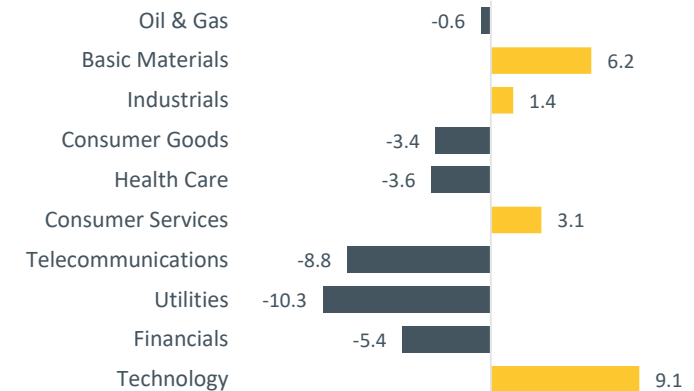
Historic returns for world markets ^[1]



Regional equity returns ^[2]



Global equity sector returns (%) ^[3]



^[1] All returns are in Sterling terms. Indices shown (from left to right) are as follows: FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, FTSE Emerging, FTSE Fixed Gilts All Stocks, FTSE Index-Linked Gilts All Maturities, iBoxx Corporates All Investment Grade All Maturities, JP Morgan GBI Overseas Bonds, MSCI UK Monthly Property Index; UK Interbank 7 Day. ^[2] FTSE All World Indices ^[3] Relative to FTSE All World Indices.

Total Fund Performance

- The Fund returned 9.7% over the quarter, which was driven mostly by the equity allocation
- Other return seeking assets, with the exception of property, also delivered positive performance, although their impact was less pronounced

Key Actions

- Infrastructure investments expected to draw down capital over the next 3-4 years.
- Fund has committed £60m to the M&G Real Estate Debt VI Fund, which started to draw down capital during Q2 2019. The Fund is now c.74% drawn.

Asset Allocation

- Allocation to alternatives underweight. Further drawdowns into infrastructure and real estate debt will address this over time.
- Protection overweight, following the Q1 market crash
- Absolute return allocation overweight and M&G absolute return credit underweight at underlying fund level.

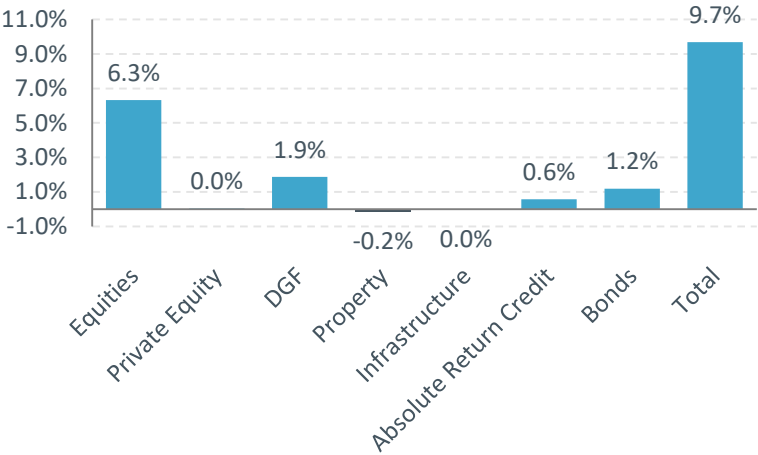
Fund performance vs benchmark/target

	Last 3 months (%)	Last 12 months (%)	Last 3 years (%) p.a.	Last 5 years (%) p.a.
Total	9.7	1.2	4.6	7.6
Benchmark	10.0	0.8	4.3	6.9
Relative	-0.2	0.4	0.2	0.7

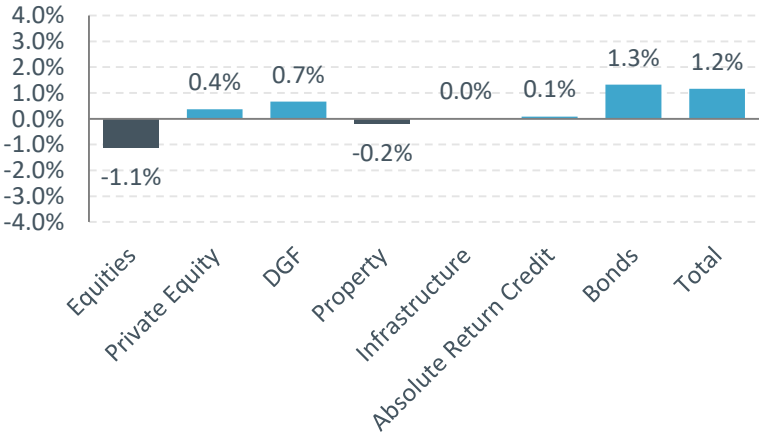
Asset Allocation

	Actual	Benchmark	Relative	Rebalancing Range
Equity	46.7%	45.5%	1.2%	41.0% - 50.0%
Alternatives	30.5%	35.5%	-5.0%	32.0% - 39.0%
Protection	22.2%	19.0%	3.2%	17.0% - 21.0%

3 Month Performance Attribution*



12 Month Performance Attribution*



*Note: Private equity performance is derived from valuations that are either 3 or 6 months lagged

Asset Allocation

Access Pool	Manager	Valuation (£m)		Actual Proportion	Benchmark	Relative	Rebalancing Ratings
		Q1 2020	Q2 2020				
No*	UBS - Regional Equities	312.4	368.9	9.7%	8.0%	1.7%	36.0% - 44.0%
No*	UBS - Fundamental Index	363.2	424.7	11.2%	11.5%	-0.3%	
No*	UBS - UK Equity	220.9	247.0	6.5%	7.0%	-0.5%	
No*	UBS - Climate Aware	160.0	191.6	5.0%	5.0%	0.0%	
No*	UBS - Global EM Equity	36.2	42.9	1.1%	1.5%	-0.4%	
Yes	Longview - Global Equity	238.8	272.6	7.2%	7.0%	0.2%	3.5% - 7.5%
No**	Harbourvest - Private Equity	109.5	107.6	2.8%	2.8%	0.1%	
No**	Adams Street - Private Equity	135.6	121.9	3.2%	2.8%	0.5%	
Total Equity		1,576.7	1,777.3	46.7%	45.5%	1.2%	41.0% - 50.0%
Yes	Newton - Absolute Return	414.8	447.0	11.7%	10.5%	1.2%	9.5% - 11.5%
No	Schroders - Property	351.8	344.0	9.0%	10.0%	-1.0%	8.0% - 12.0%
No	UBS - Infrastructure	16.7	16.3	0.4%	1.0%	-0.6%	2.0% - 6.0%
No	Pantheon - Infrastructure	30.1	33.6	0.9%	2.0%	-1.1%	
No	M&G - Infrastructure	20.7	21.6	0.6%	1.0%	-0.4%	
No	M&G - Private Debt	38.8	36.5	1.0%	3.0%	-2.0%	1.0% - 5.0%
No	M&G - UK Financing Fund	0.0	0.0	0.0%	0.0%	0.0%	
No	M&G - Alpha Opportunities	239.1	261.7	6.9%	8.0%	-1.1%	
Total Alternatives		1,112.0	1,160.7	30.5%	35.5%	-5.0%	32.0% - 39.0%
Yes	Ruffer - Absolute Return	418.5	449.5	11.8%	10.5%	1.3%	9.5% - 11.5%
Yes	M&G - Corporate Bonds	144.3	160.5	4.2%	3.5%	0.7%	2.5% - 4.5%
No*	UBS - Over 5 Year IL Gilt Fund	212.3	236.8	6.2%	5.0%	1.2%	4.0% - 6.0%
Total Protection		775.1	846.8	22.2%	19.0%	3.2%	17.0% - 21.0%
No	Cash	23.9	22.9	0.6%	0.0%	0.6%	0.0% - 2.0%
Total Scheme		3,487.6	3,807.6	100.0%	100.0%		

*The UBS funds are provided to members of the ACCESS Pool but the funds themselves sit outside of the pool.

Source: Investment Managers and LINK

**Valuations shown are either 3m or 6m lagged and adjusted for distributions / drawdowns and currency movements

Key actions agreed previously

- Changes to the Fund's equity portfolio expected to be made during the remainder of 2020, in line with agreed changes at the June Committee meeting
- Allocation to listed infrastructure expected to also be funded during the remainder of 2020
- Fund has committed £60m to the M&G Real Estate Debt VI Fund, which is expected to fully draw down over the next c12-18 months
- Fund has committed c£235m to unlisted infrastructure, which is expected to draw down over the next 3-4 years.

Allocation comment

- Absolute return mandates in breach of upper limit, but expected to fund draw downs into infrastructure and private debt over time
- M&G Absolute Return Credit in breach of lower limit.
- UBS IL Gilts in breach of upper limit

Manager performance – net of fees

	Last 3 months (%)			Last 12 months (%)			Last 3 years (% p.a.)			Since Inception (% p.a.)		
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
Equity												
UBS - Regional Equities	20.1	20.1	-0.0	5.7	5.6	0.1				6.1	6.0	0.1
UBS - Fundamental Index	16.1	16.0	0.1	-6.8	-7.1	0.3				0.9	0.8	0.1
UBS - UK Equity	10.5	10.2	0.3	-12.8	-12.9	0.0				-4.6	-4.7	0.0
UBS - Climate Aware	19.7	19.8	-0.1	6.3	6.3	0.0				6.7	7.0	-0.2
UBS - Global EM Equity	18.7	18.8	-0.1	-0.9	-0.5	-0.4				-0.1	0.2	-0.2
Longview - Global Equity	14.2	19.8	-4.7	-4.6	6.3	-10.2	4.9	8.1	-2.9	12.4	10.7	1.5
Alternatives												
Newton - Absolute Return	8.1	0.7	7.3	1.5	3.1	-1.6	3.2	3.1	0.1	3.9	3.0	0.8
Schroders - Property	-1.6	-2.0	0.4	-3.8	-2.6	-1.2	3.1	3.4	-0.3	6.9	6.7	0.3
M&G - Absolute Return Credit	8.1	0.8	7.3	2.5	3.5	-1.1	2.4	3.6	-1.1	3.9	3.5	0.4
Protection												
Ruffer - Absolute Return	7.3	0.7	6.5	10.2	3.1	6.8	3.5	3.1	0.4	4.0	3.0	1.0
M&G - Corporate Bonds	11.3	10.0	1.2	12.9	9.9	2.7	7.2	5.9	1.2	8.1	8.1	0.0
UBS - Over 5 Year IL Gilt Fund	11.5	11.5	0.0	12.0	11.9	0.1				10.0	10.0	0.0
Total	9.7	10.0	-0.3	1.2	0.8	0.4	4.6	4.3	0.2			

We have estimated net returns based on each manager's expected fee levels. Total Fund performance was provided by WM until 31 March 2016, including private market returns. In Q2 2016, total Fund performance was calculated excluding private market investments. From Q3 2016 to Q3 2017 total Fund performance has been calculated using estimated valuations for private market investments. From Q4 2017 total Fund performance has been provided by Northern Trust. From Q4 2018, Northern Trust applied updated benchmarks across several of the Fund's managers, but this was not back-dated. For those managers now in ACCESS, longer-term performance has been estimated by chain linking returns before and after the transfer into the Pool. Returns since the transfer have been taken from Link.

Total Fund performance includes the contribution from the Fund's illiquid private mandates, which are derived from lagged valuations, whereas their benchmark is based on up-to-date indices. In the case of private equity in particular, this can cause meaningful short-term tracking error, as performance derived from lagged private equity values is compared to equity indices over the recent quarter.

- UBS performed broadly in line with their respective benchmarks. Longer-term performance is broadly in line
- Longview underperformed its MSCI World benchmark, primarily due to stock selection within the consumer discretionary and IT sectors.
- Newton and Ruffer outperformed their cash-plus benchmark as risk markets rebounded strongly from the COVID-19 driven falls seen in Q1 2020.

- This page includes manager/RI ratings and any relevant updates over the period.
- There were no manager rating changes over the quarter.
- We hope to be able to roll out manager RI ratings across other asset classes later this year.

Manager ratings

Mandate	Hymans Rating	RI
UBS - Passive Equities	Preferred	Good
Longview - Global Equity	Preferred	Adequate
Harbourvest - Private Equity	Preferred	-
Adams Street - Private Equity	Preferred	-
Newton - Absolute Return	Suitable	Good*
Ruffer - Absolute Return	Positive	-
Schroders - Property	Suitable	-
UBS - Infrastructure	Suitable	-
Pantheon - Infrastructure	Preferred	-
M&G - Infrastructure	Positive	-
M&G - Private Debt	Preferred	-
M&G - Absolute Return Credit	Preferred	-
M&G - Corporate Bonds	Preferred	-
UBS - Over 5 Year IL Gilt Fund	Preferred	-

*Based on our rating of Newton's equity funds

Longview business update

Over the quarter, Ramzi Rishani, Longview Co-Founder who retired in 2018, sold his remaining equity position in the business to Northill Capital. The remaining Partners now represent 10% of the businesses equity, down from c.15% when Ramzi left. In addition, Longview announced that Jamie Carter will join the business from Oldfield Partners in January 2021 as Chief Operating Officer.

Newton business update

In early Q3 2020, Newton announced that its CEO Hanneke Smits has been promoted to CEO of BNY Mellon Investment Management, Newton's parent organisation. This follows the decision by BNY Mellon Investment Management's current CEO Mitchell Harris to retire. Smits will begin in her new role on 1 October 2020 and Newton are currently searching for Smits' successor. We had a meeting with Smits following the news and are awaiting news of her successor.

A number of changes that were announced in the previous quarter came into effect with Ilga Haubelt assuming responsibility for the equity income team and Charles French assuming responsibility for the equity opportunities team.

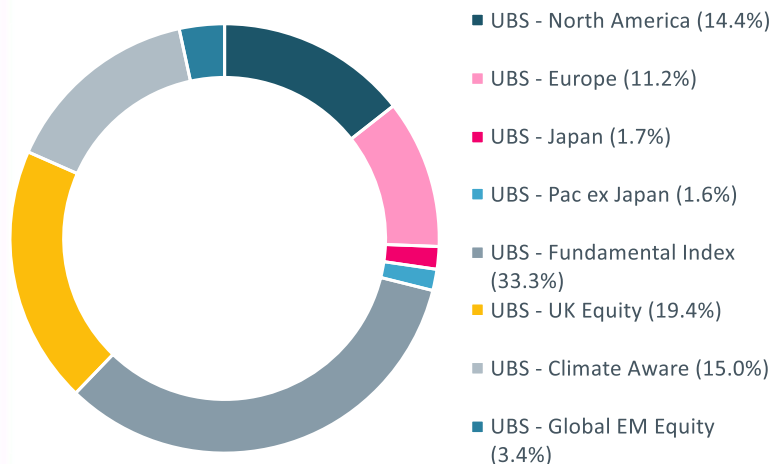
UBS Equities

- Benchmark: Various regional indices
- Target: Match benchmark over all time periods
- UBS have successfully tracked underlying benchmarks to date

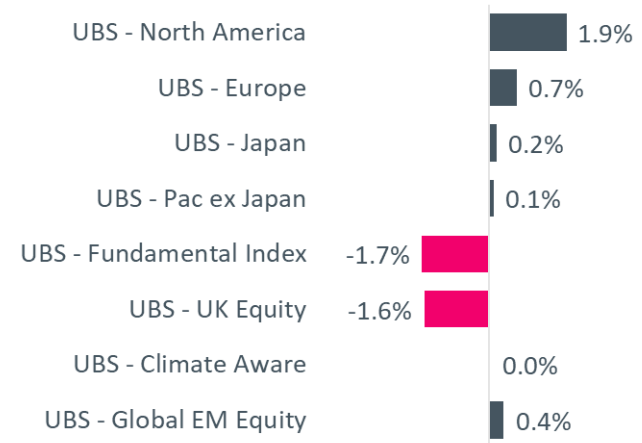
Fund performance vs benchmark

	Last 3 months (%)	B'mark	Relative	Last 12 months (%)	B'mark	Relative
UBS - North America	21.9	21.9	0.0	11.0	10.9	0.1
UBS - Europe	18.7	18.8	-0.1	0.6	0.6	0.0
UBS - Japan	12.2	12.2	0.0	6.8	6.7	0.1
UBS - Pac ex Japan	21.5	21.5	0.0	-5.4	-5.5	0.1
UBS - Fundamental Index	16.1	16.0	0.1	-6.8	-7.1	0.3
UBS - UK Equity	10.5	10.2	0.3	-12.8	-12.9	0.0
UBS - Climate Aware	19.7	19.8	-0.1	6.3	6.3	0.0
UBS - Global EM Equity	18.7	18.8	-0.1	-0.9	-0.5	-0.4

Fund Allocation



Fund Allocation Relative to Target



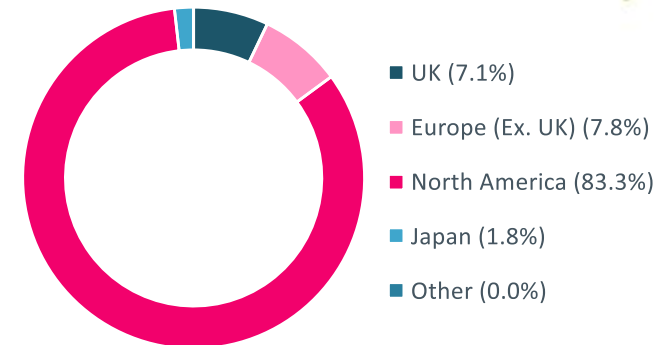
Longview Global Equities

- Benchmark: MSCI ACWI
- Target: Outperform benchmark by 3% (gross) p.a. over rolling 3 year periods
- Performance behind benchmark over all time periods considered
- Performance shown gross of fees
- This Fund transferred into the ACCESS Pool on 4 February 2019. Performance data until this date is taken from Longview and after this date from Link, the Access pool operator.

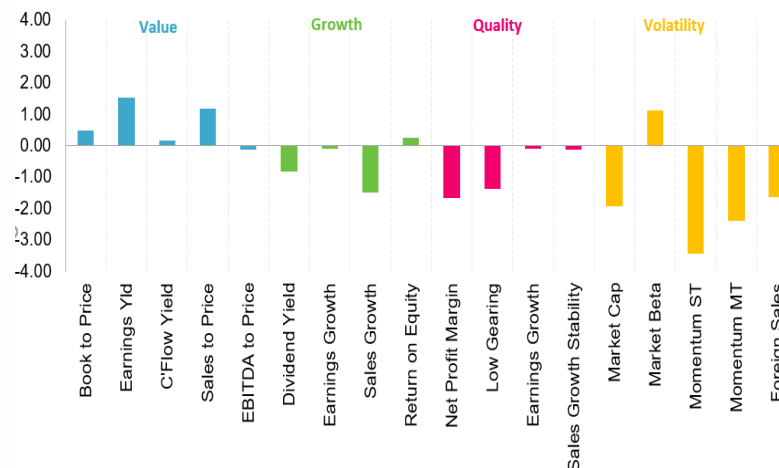
Fund performance vs benchmark

	Last 3 months (%)	Last 12 months (%)	Last 3 years (%) p.a.	Last 5 years (%) p.a.
Longview - Global Equity	14.3	-3.9	5.5	10.8
Benchmark	19.8	6.3	8.1	11.8
Relative	-4.6	-9.6	-2.3	-0.9
Target (%)	20.5	9.3	11.1	14.8
Relative to Target (%)	-5.2	-12.1	-5.0	-3.5

Country Allocation



Pooled Fund Skyline (as at 30 June 2020)



Performance attribution – Top/Bottom 3 Sectors

	Average Weight			Outperformance Source		
	Fund (%)	Index (%)	Difference (%)	Selection (%)	Allocation (%)	Total (%)
Industrials	13.4	10.1	3.4	2.0	-0.0	2.0
Consumer Staples	9.4	8.7	0.7	0.7	-0.1	0.6
Utilities	0.0	3.5	-3.5	0.0	0.5	0.5
Financials	26.2	12.9	13.3	-0.0	-1.0	-1.0
Consumer Discret.	6.4	10.8	-4.4	-2.5	-0.4	-2.9
IT	12.8	20.0	-7.1	-2.4	-0.9	-3.3

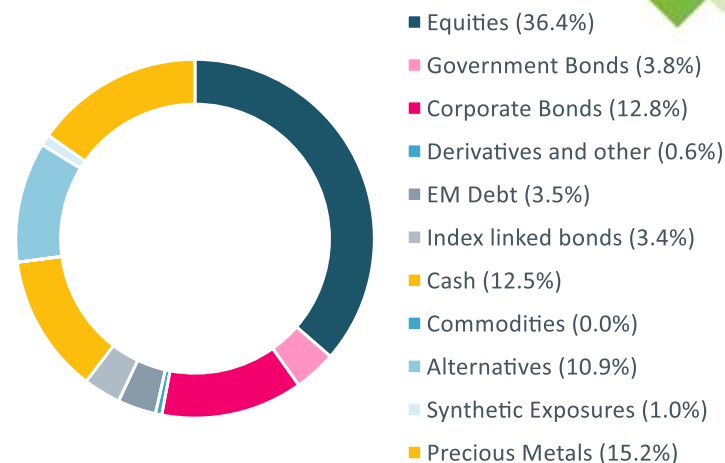
Newton Real Return Fund

- Benchmark: 3m LIBOR + 2.5% p.a.
- Target: 3-month LIBOR + 4% p.a. (gross) over rolling 5 years
- Performance ahead of target of the quarter but behind target over longer periods considered
- Performance shown gross of fees
- This Fund transferred into the ACCESS Pool during Q1 2020

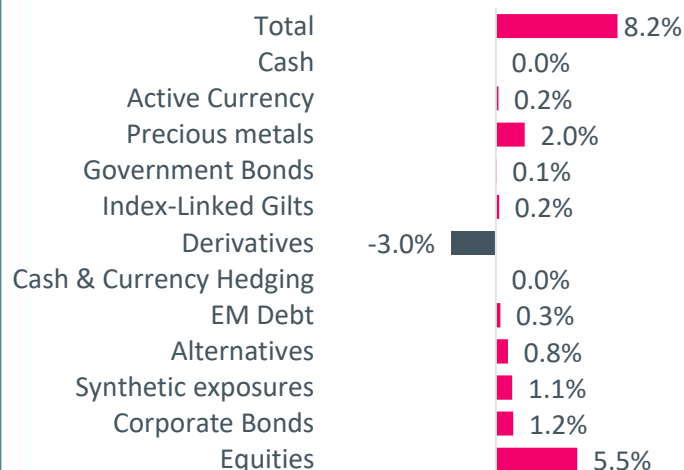
Fund performance vs benchmark

	Last 3 months (%)	Last 12 months (%)	Last 3 years (%) p.a.	Last 5 years (%) p.a.
Newton - Absolute Return	8.2	2.1	3.8	4.0
Benchmark	0.7	3.1	3.1	3.0
Relative	7.4	-1.0	0.7	1.0
Target (%)	1.1	4.6	4.6	4.5
Relative to Target (%)	7.0	-2.5	-0.8	-0.5

Asset Allocation



Performance Attribution



Performance Attribution Explanation

Positive performance over the quarter was driven by the fund's exposure to equity markets. Within equities, the fund's stock selection added further value.

Exposure to precious metals also contributed positively as the price of gold increased substantially over the quarter.

Derivative contracts designed to hedge against falls in equity and credit markets detracted from returns, as would be expected in a rising market.

Ruffer Absolute Return Fund

- Benchmark: 3-month LIBOR + 2.5%
- Target: 3-month LIBOR + 4% p.a. (gross) over rolling 5 years
- Performance behind benchmark for all time periods considered other than 12 months
- Performance shown gross of fees
- This Fund transferred into the ACCESS Pool on 4 December 2019.

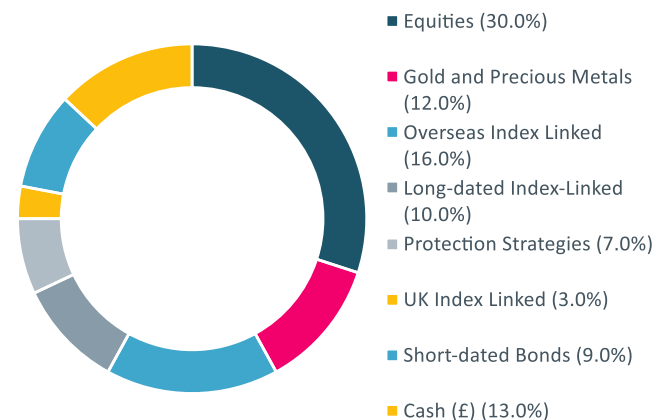
Fund performance vs benchmark

	Last 3 months (%)	Last 12 months (%)	Last 3 years (% p.a.)	Last 5 years (% p.a.)
Ruffer - Absolute Return	7.5	11.0	4.3	3.4
Benchmark	0.7	3.1	3.1	3.0
Relative	6.7	7.6	1.1	0.4
Target (%)	1.1	4.6	4.6	4.5
Relative to Target (%)	6.3	6.1	-0.3	-1.1

Performance Attribution

Forward FX	0.0%
Multi-Strategies	-1.4%
Cash (£)	0.1%
Options	-1.3%
Global Funds	0.0%
UK Index Linked	1.9%
Non-UK Conventional Bonds	0.0%
UK Conventional Bonds	0.0%
Overseas Index Linked	0.9%
Gold and Precious Metals	5.2%
Equities	2.2%
Total	7.5%

Asset Allocation



Performance Attribution Explanation

Following an impressive first quarter of 2020, where Ruffer protected capital extremely well, Ruffer were also able to capture a good proportion of upside when markets rebounded in Q2 2020, returning 7.5%.

Similar to Newton, Ruffer's drivers of performance were exposure to equities and precious metals – primarily gold.

The detractors from performance were the fund's derivative contracts, which are designed to protect against equity volatility, and the fund's multi strategy credit protection funds. The multi strategy funds hedge against turmoil in credit markets.

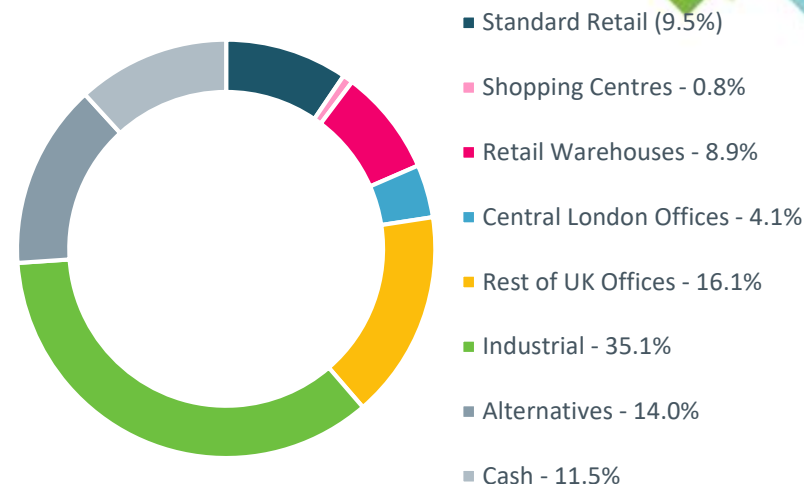
Schroders Property Fund

- Benchmark: IPD All Balanced Funds
- Target: Outperform benchmark by 0.75% p.a. (net) over rolling 3 years
- Performance behind benchmark over all time periods considered
- Performance shown net of fees

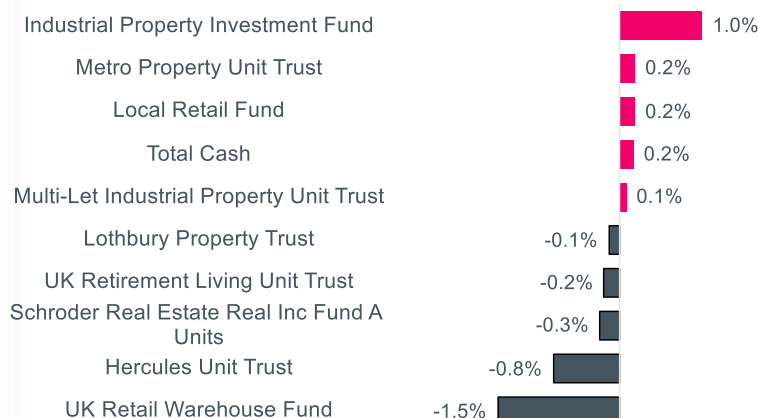
Fund performance vs benchmark/target

	Last 3 months (%)	Last 12 months (%)	Last 3 years (%) p.a.	Last 5 years (%) p.a.
Schroders - Property	-1.6	-3.8	3.1	4.5
Benchmark	-2.0	-2.6	3.4	4.7
Relative	0.4	-1.2	-0.3	-0.2
Target (%)	-1.8	-1.9	4.1	4.9
Relative to Target (%)	0.2	-2.0	-1.0	-0.4

Sector Allocation



Top 5/Bottom 5 Contributors (12 months)



Performance attribution Explanation

The Schroders mandate outperformed its benchmark over the quarter, but is behind over longer periods. Transactions remain suppressed, though valuation clauses have been lifted on some properties. Rent collection remained weak over Q2, with rates collected ranging from 49% to 92% across Schroders' SRECaP investment platform.

The portfolio is aligned with Schroders' House View of being underweight relative to benchmark in retail and overweight to industrials and alternatives sectors. At quarter end there was c£25.8m (7.5%) of cash on account. The Fund has committed £8.4m to the UK Retirement Living Fund and £6.4m to the Social Supported Housing Fund. Uncommitted cash totals c£11.0 million (3.2% of portfolio value).

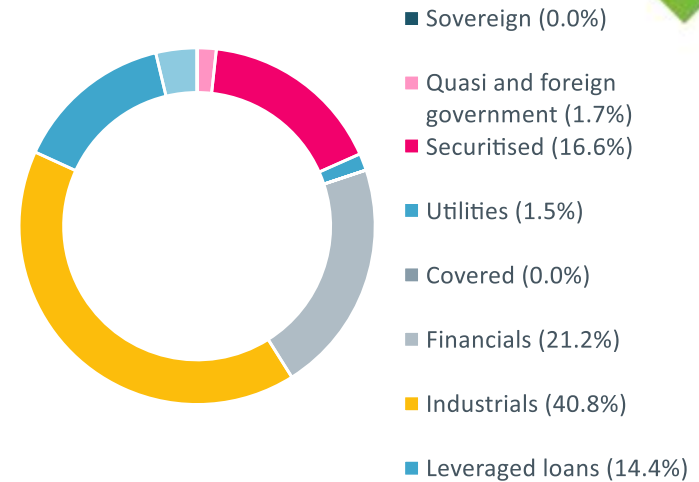
M&G Alpha Opportunities Fund

- Benchmark: 3 Month Libor + 3%
- Target: 3 Month Libor + 5% (gross)
- Performance shown gross of fees

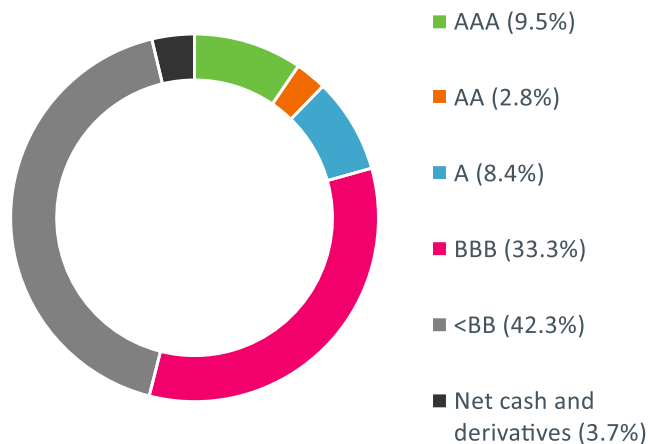
Fund performance vs benchmark/target

	Last 3 months (%)	Last 12 months (%)	Last 3 years (%) p.a.	Last 5 years (%) p.a.
M&G - Absolute Return	8.2	2.8	2.8	3.6
Benchmark	0.8	3.5	3.6	3.5
Relative	7.4	-0.7	-0.7	0.1
Target (%)	5.0	5.5	5.6	5.5
Relative to Target (%)	3.0	-2.6	-2.6	-1.8

Sector Allocation



Credit Ratings



Performance attribution Explanation

At the start of the quarter, M&G looked to add risk into the portfolio across Dollar and Euro investment grade bonds. In May, purchases were focused on cyclical sectors. Profits were taken across several positions in June.

Industrial and financial corporates were the main driver of returns. Leveraged loans also meaningfully contributed.

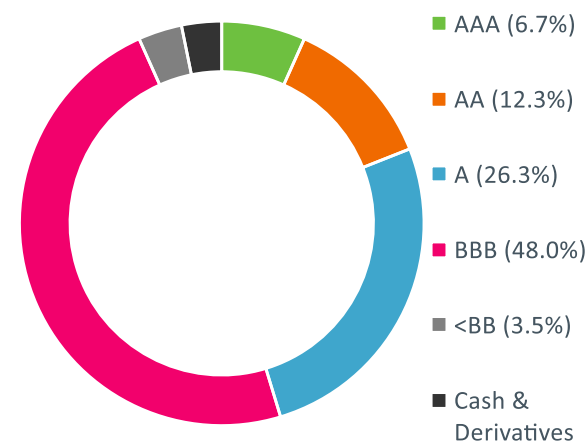
M&G Corporate Bonds Fund

- Benchmark:
 - 50% iBoxx Non-Gilts Over 15Y
 - 50% iBoxx Non-Gilts
- Target: Outperform benchmark by 0.8% p.a. (gross)
- Performance shown gross of fees
- Performance ahead of benchmark and target over all time periods considered
- M&G mandate has a marginally lower average credit quality than the benchmark
- This Fund transferred into the ACCESS Pool during Q1 2020

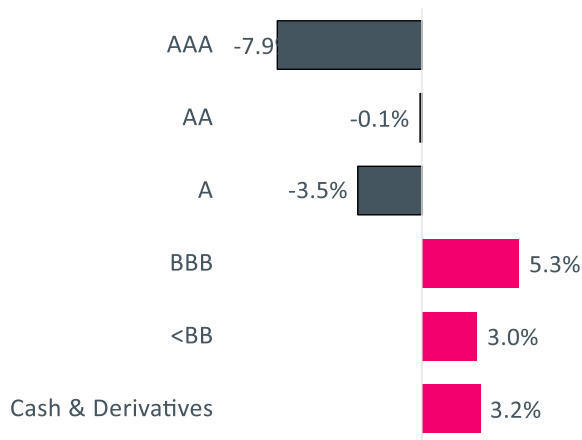
Fund performance vs benchmark/target

	Last 3 months (%)	Last 12 months (%)	Last 3 years (% p.a.)	Last 5 years (% p.a.)
M&G - Corporate Bonds	11.4	13.2	7.5	8.7
Benchmark	10.0	9.9	5.9	7.2
Relative	1.3	3.1	1.6	1.4
Target (%)	10.2	10.7	6.7	7.4
Relative to Target (%)	1.1	2.3	0.8	1.2

Credit Ratings



Credit rating allocation relative to benchmark



Performance attribution relative to benchmark

Sector	Outperformance Source		
	Sector Selection (%)	Stock Selection (%)	Total (%)
Financial	0.4	0.2	0.7
Utility	-0.2	0.2	-0.1
Quasi & Foreign Government	-0.2	-0.0	-0.2
Industrial	0.6	0.3	0.9
Sovereign	-0.0	0.0	-0.0
Covered	0.0	0.0	0.0
Securitised	0.1	-0.1	0.0
Cash and other	n/a	n/a	-0.0

UBS Index-Linked Gilts Fund

- Benchmark: FTSE Index-Linked Gilts Over 5 Years
- Target: Match benchmark
- Performance broadly matched benchmark since inception
- Real yields fell over the quarter resulting in positive performance for index-linked assets.

Fund Performance vs benchmark/target

	Last 3 months (%)	Last 12 months (%)	Since Inception (% p.a.)
UBS - Over 5 Year IL Gilt Fund	11.5	12.0	10.0
Benchmark	11.5	11.9	10.0
Relative	0.0	0.1	-0.0

HarbourVest and Adams Street Private Equity

- Benchmark: MSCI ACWI+1.5%
- Target: MSCI ACWI+3.0%
- Note: Starting valuations are as at 31 March 20 for Adams Street and 31 Dec 19 for HarbourVest. Drawdowns and distributions reflect actual movements over the quarter. Ending valuations reflect the starting valuation adjusted for drawdowns and distributions, and updated for exchange rate movements, as several underlying funds are non-Sterling denominated

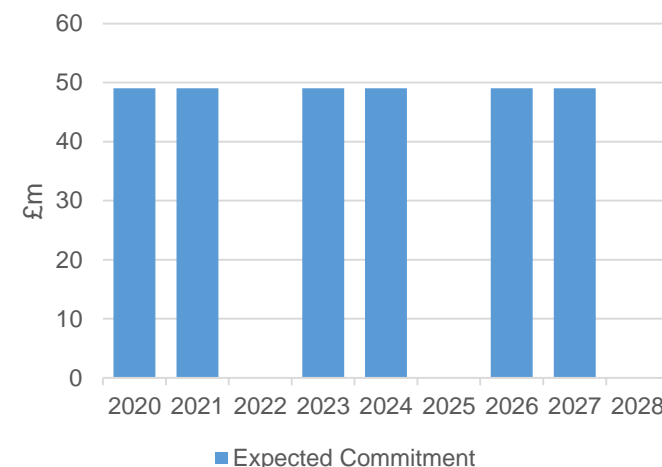
Market Value and cashflow over quarter

	Market Value at start (£m)	Drawdowns over quarter (£m)	Distributions over quarter	Market Value at end
DEFAULT ISSUER HARBOURVEST PTNS VII CAYMAN BUYOUT FD LP (EPF09)	0.4	-	0.0	0.3
HARBOURVEST INTL PEP V - CAYMAN PSHP FD	2.4	-	0.3	2.3
HARBOURVEST INTL PEP VI - CAYMAN PSHP FUND	17.5	-	-	16.9
HARBOURVEST PARTNERS CAYMAN CLEANTECH FUND I	12.3	-	0.9	11.6
HARBOURVEST PARTNERS CAYMAN CLEANTECH FUND II	19.6	0.3	-	19.6
HARBOURVEST PARTNERS IX CAYMAN CREDIT OPPORTUNITIES FUND	1.7	0.1	-	1.6
HARBOURVEST PARTNERS IX CAYMAN VENTURE FUND	9.7	-	0.3	9.8
HARBOURVEST PARTNERS IX-CAYMAN BUYOUT FUND	12.7	0.4	0.5	12.3
HARBOURVEST PARTNERS VII - CAYMAN MEZZANINE FUND	0.1	-	-	0.0
HARBOURVEST PARTNERS XI AIF LP	8.0	0.7	-	8.0
HARBOURVEST PTRS VII - CAYMAN VENTURE FUND	1.0	-	0.1	1.0
HARBOURVEST PTRS VIII - CAYMAN BUYOUT FUND	2.3	-	0.1	2.0
HARBOURVEST PTRS VIII - CAYMAN MEZZANINEAND DISTRESSED DEBT FD	0.2	-	-	0.1
HARBOURVEST PTRS VIII - CAYMAN VENTURE FUND	1.8	-	0.2	1.5
HIPEP IV SUPPLEMENTAL EUROPEAN COMPANIONFUND	0.1	-	-	1.0
HIPEP VII (AIF) PARTNERSHIP FUND LP	12.5	0.5	-	12.6
HIPEP VIII (AIF) PARTNERSHIP FUND LP	6.8	1.3	0.1	7.5

Market value and cashflows over quarter

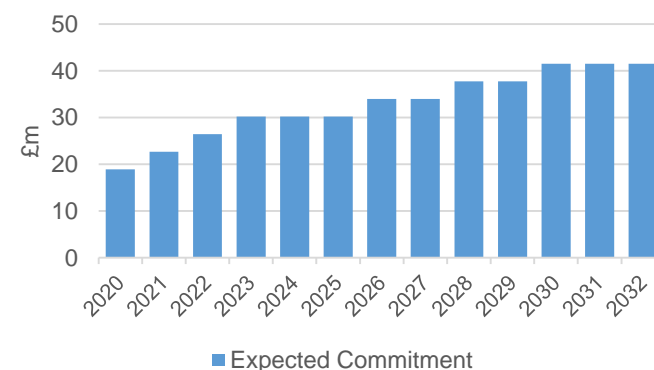
	Market Value at start (£m)	Drawdowns over quarter (£m)	Distributions over quarter	Market Value at end
ADAMS STREET DIRECT FUNDS	6.1	0.1	0.4	3.0
ADAMS STREET CO-INVESTMENT FUND II	1.7	0.0	0.1	1.4
ADAMS STREET GLOBAL FUNDS 2014 - 2019	48.2	4.5	0.0	48.2
ADAMS STREET PSHP FUNDS	30.5	0.0	2.0	23.6
ADAMS STREET FEEDER FUNDS	23.0	0.0	0.8	20.6
ADAMS STREET OFFSHORE COMPANY LIMITED FUNDS	26.1	0.0	2.4	23.4

Projected Future commitments to maintain target allocations*



*Provided by HarbourVest. 2020 commitments were suspended. Next private markets review expected Q4 20.

Projected Future commitments to maintain target allocation*



*Provided by Adams Street. 2020 commitments were suspended. Next private markets review expected Q4 20.

Infrastructure

- Benchmark: CPI+2.0%
- Target: CPI+3%
- UBS Fund I is now winding down and paying capital back to investors. UBS Fund III is yet to draw down capital.
- The Pantheon fund is currently in ramp-up mode and 32% drawn as at quarter end.
- The InfraCapital Brownfield III fund is currently in ramp-up mode and 54% drawn as at quarter end.
- The Fund committed to the InfraCapital Greenfield II fund in January 2020 and the fund is yet to draw down capital.

UBS Commitment and distributions

UBS	Fund I	Fund III
Total Commitment (\$m)	35.0	50.0
Commitment Drawn (\$m)	33.3	0.0
Distributions (\$m)	22.9	0.0
Outstanding Commitment (\$m)	1.7	50.0
Market Value (£m)	16.4	0.0

InfraCapital Commitment and distributions

InfraCapital	Brownfield III	Greenfield II
Total Commitment (£m)	42.0	20.0
Commitment Drawn (£m)	22.5	0.0
Distributions (£m)	0.3	0.0
Outstanding Commitment (£m)	19.5	20.0
Market Value (£m)	21.6	0.0

Pantheon Commitment and distributions

Pantheon	
Total Commitment (\$m)	117.0
Commitment Drawn (\$m)	37.8
Distributions (\$m)	2.4
Outstanding Commitment (\$m)	79.2
Market Value (£m)	31.3

Commitment and distributions

M&G

Total Commitment (£m)	60.0
Commitment Drawn (£m)	44.2
Distributions (recallable) (£m)	18.0
Outstanding Commitment (£m)	33.8
Market Value (£m)	25.6

M&G Real Estate Debt Fund

- Benchmark: 3m LIBOR +4%
- Objective: 3m LIBOR +5%
- The M&G REDF VI Fund is currently in ramp-up mode and c74% drawn at quarter end.

Fossil Fuel Exposure

- The table shows the Fund's fossil fuel exposure at 30 June 2020
- The biggest contributions come from the Fund's holding in the passive UK and RAFI equity holdings
- This is a function of both the Fund's strategic allocation to these holdings and the higher fossil fuel exposure within these funds themselves.

	Actual Fossil Fuel Exposure (%)	Actual Fossil Fuel Exposure (£m)	Benchmark Fossil Fuel Exposure (%)	Relative (%)	Management Style
UBS - North America	4.6	8.5	4.7	0.0	Passive
UBS - Europe	5.1	7.3	5.3	-0.1	Passive
UBS - Japan	4.9	1.0	4.9	0.0	Passive
UBS - Pac ex Japan	9.5	1.9	9.9	-0.4	Passive
UBS - Fundamental Index	11.4	48.2	11.6	-0.2	Passive
UBS - UK Equity	13.1	32.3	13.2	-0.1	Passive
UBS - Climate Aware	4.5	8.7	5.6	-1.1	Passive
UBS - Global EM Equity	9.7	4.2	9.8	-0.1	Passive
Longview - Global Equity	0.0	0.0	6.9	-6.9	Active
Harbourvest - Private Equity*	3.9	4.2	6.9	-3.0	Active
Adams Street - Private Equity*	2.1	2.5	6.9	-4.9	Active
Newton - Absolute Return	1.1	4.8	-	-	Active
Ruffer - Absolute Return	1.4	6.3	-	-	Active
Schroders - Property	0.0	0.0	-	-	Active
M&G - Infrastructure	0.0	0.0	-	-	Active
Pantheon - Infrastructure	0.0	0.0	-	-	Active
M&G - Infrastructure	0.0	0.0	-	-	Active
M&G - Private Debt	0.0	0.0	-	-	Active
M&G - Alpha Opportunities	3.1	8.1	-	-	Active
M&G - Corporate Bonds	8.8	14.0	9.4	-0.7	Active
UBS - Over 5 Year IL Gilt Fund	0.0	0.0	0.0	0.0	Passive
Cash	0.0	0.0	0.0	0.0	Active
Total Fund	4.0	152.2	-	-	

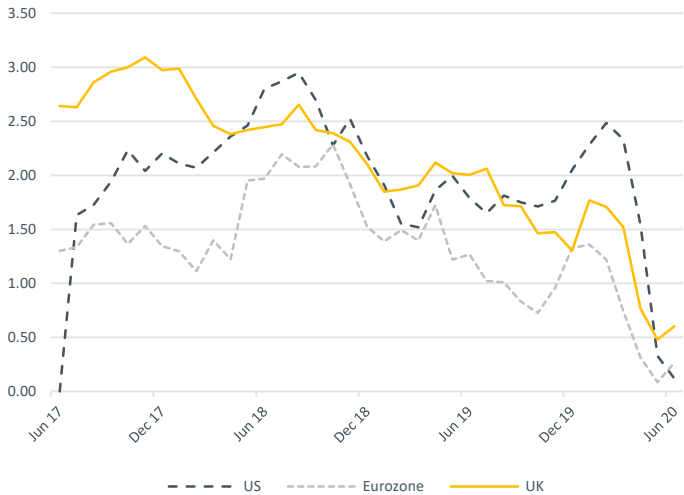
*Figures as at 31 March 2020
Source: Investment Managers and LINK

Sovereign bond yields changed little in the US and Germany, but UK 10-year gilts have fallen a further 0.2%. Index-linked gilt yields have fallen further than conventional gilt yields, resulting in a slight rise in implied inflation. Reflecting the expansion of central bank support, global investment-grade spreads fell from 2.8% p.a. to 1.6% p.a. Global speculative-grade credit spreads fell from 9.2% p.a. to 6.4% p.a., further supported by the specific details of the Fed's purchases and a rise in oil prices from \$22 to \$41 per barrel.

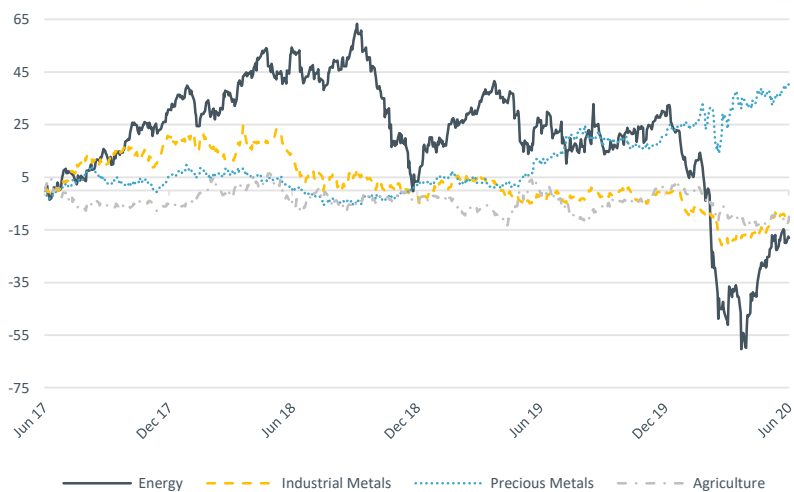
Global equity indices rose 18.4% in local currency terms. Sector composition helps to explain why the US (heavy in technology) leads the regional ranking tables for both this quarter and the year to date and why the UK (hardly any technology and heavy in financials) brings up the rear over both periods. After a poor first quarter, cyclical sectors have fared better in the second: basic materials, industrials and consumer services have outperformed the market; oil & gas has been broadly in line.

UK commercial property values continue to fall, although there is little or no transaction activity to guide valuations. As measured by the MSCI UK Monthly Property Index, capital values in May were almost 6% below end-2019 levels. Initial evidence suggests commercial tenants withheld rents at the June quarter collection day in England & Wales to a greater extent than in March.

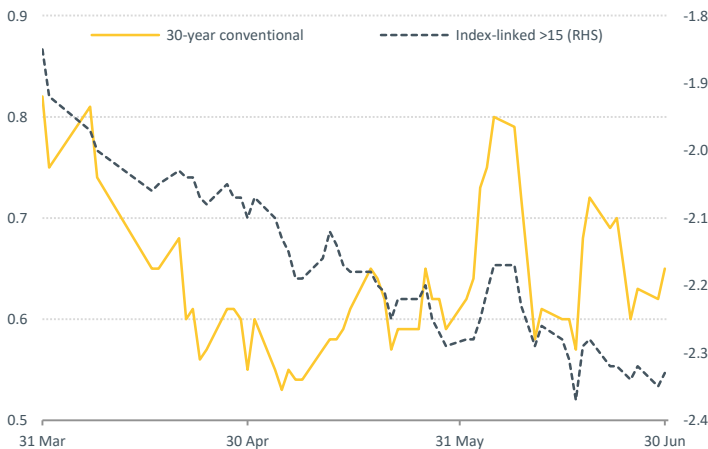
Annual CPI Inflation (% p.a.)



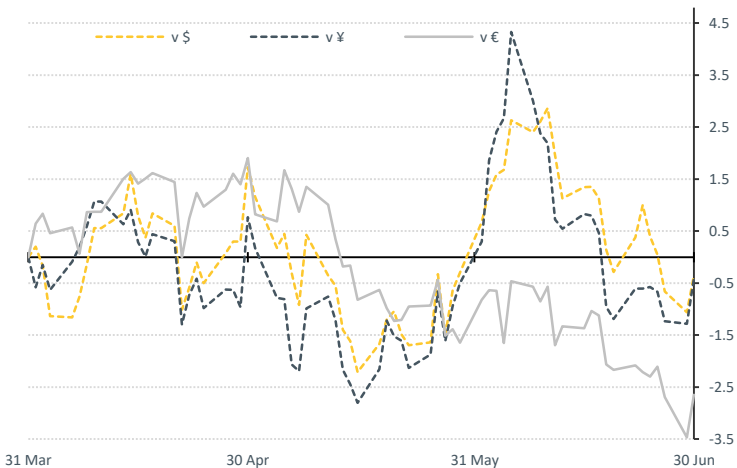
Commodity Prices (% change)



Gilt yields chart (% p.a.)



Sterling trend chart (% change)



Source: Reuters

Manager Benchmarks & Targets

Mandate	Date Appointed	Benchmark Description	Performance Target (% p.a.)
UBS - North America	12/06/2018	FTSE All World North America Index	FTSE All World North America Index
UBS - Europe	12/06/2018	FTSE All World Developed Europe ex-UK Index	FTSE All World Developed Europe ex-UK Index
UBS - Japan	12/06/2018	FTSE All World Japan Index	FTSE All World Japan Index
UBS - Pac ex Japan	12/06/2018	FTSE All World Developed Asia Pacific ex-Japan Index	FTSE All World Developed Asia Pacific ex-Japan Index
UBS - Fundamental Index	07/02/2018	FTSE RAFI All-World 3000	FTSE RAFI All-World 3001
UBS - UK Equity	17/01/2018	FTSE All-Share Index	FTSE All-Share Index
UBS - Climate Aware	22/06/2018	FTSE Developed Index	FTSE Developed Index
UBS - Global EM Equity	21/02/2018	FTSE Emerging Index	FTSE Emerging Index
Longview - Global Equity	16/04/2013	MSCI ACWI	MSCI ACWI + 3% p.a. (gross)
Harbourvest - Private Equity	-	MSCI All World + 1.5%	MSCI All World + 3% (gross)
Adams Street - Private Equity	-	MSCI All World + 1.5%	MSCI All World + 3% (gross)
Newton - Absolute Return	06/05/2010	LIBOR + 2.5% p.a.	LIBOR + 4% (gross)
Ruffer - Absolute Return	06/05/2010	LIBOR + 2.5% p.a.	LIBOR + 4% (gross)
Schroders - Property	20/02/2010	IPD All Balanced Index	IPD All Balanced Index +0.75% p.a. (net)
UBS - Infrastructure	-	CPI + 2%	CPI + 3%
Pantheon - Infrastructure	-	CPI + 2%	CPI + 3%
M&G - Infrastructure	-	CPI + 2%	CPI + 3%
M&G - Private Debt	-	LIBOR + 4%	LIBOR + 5%
M&G - UK Financing Fund	-	-	-
M&G - Absolute Return Credit	01/01/2010	LIBOR + 3% p.a.	LIBOR + 5%
M&G - Corporate Bonds	01/01/2010	50% - iBoxx £ Non-Gilts Over 15 Year Index 50% - iBoxx £ Non-Gilts Index	Composite benchmark + 0.75% p.a. (net)
UBS - Over 5 Year IL Gilt Fund	14/02/2018	FTSE Gilt British Govt Index Linked Over 5 Year Index	FTSE Gilt British Govt Index Linked Over 5 Year Index

Manager Ratings

Mandate	Hymans Rating	RI
UBS - Passive Equities	Preferred	Good
Longview - Global Equity	Preferred	Adequate
Harbourvest - Private Equity	Preferred	-
Adams Street - Private Equity	Preferred	-
Newton - Absolute Return	Suitable	Good*
Ruffer - Absolute Return	Positive	-
Schroders - Property	Suitable	-
UBS - Infrastructure	Suitable	-
Pantheon - Infrastructure	Preferred	-
M&G - Infrastructure	Positive	-
M&G - Private Debt	Preferred	-
M&G - Absolute Return Credit	Preferred	-
M&G - Corporate Bonds	Preferred	-
UBS - Over 5 Year IL Gilt Fund	Preferred	-

*Based on our rating of Newton's equity funds

Hymans Rating

Preferred	Our highest rated managers in each asset class. These should be the strategies we are willing to put forward for new searches.
Positive	We believe there is a strong chance that the strategy will achieve its objectives, but there is some element that holds us back from providing the product with the highest rating.
Suitable	We believe the strategy is suitable for pension scheme investors. We have done sufficient due diligence to assess its compliance with the requirements of pension scheme investors but do not have a strong view on the investment capability. The strategy would not be put forward for new searches based on investment merits alone.
Negative	The strategy is not suitable for continued or future investment and alternatives should be explored.
Not Rated	Insufficient knowledge or due diligence to be able to form an opinion.

Responsible Investment

Strong	Strong evidence of good RI practices across all criteria and practices are consistently applied.
Good	Reasonable evidence of good RI practices across all criteria and practices are consistently applied.
Adequate	Some evidence of good RI practices but practices may not be evident across all criteria or applied inconsistently.
Weak	Little to no evidence of good RI practices.
Not Rated	Insufficient knowledge to be able to form an opinion on.

Risk Warning

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investment in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

In some cases, we have commercial business arrangements/agreements with clients within the financial sector where we provide services. These services are entirely separate from any advice that we may provide in recommending products to our advisory clients. Our recommendations are provided as a result of clients' needs and based upon our independent research. Where there is a perceived or potential conflict, alternative recommendations can be made available.

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Geometric v Arithmetic Performance

Hymans Robertson are among the investment professionals who calculate relative performance geometrically as follows:

$$\frac{(1 + \text{Fund Performance})}{(1 + \text{Benchmark Performance})} - 1$$

Some industry practitioners use the simpler arithmetic method as follows:

$$\text{Fund Performance} - \text{Benchmark Performance}$$

The geometric return is a better measure of investment performance when compared to the arithmetic return, to account for potential volatility of returns.

The difference between the arithmetic mean return and the geometric mean return increases as the volatility increases.