East Sussex Pension Fund

Investment Performance
Quarter to 31 December 2020

Isio Investment Advisory

isio.

Document Classification: Confidential

Contents

Highlights

Executive Summary – 31 December 2020

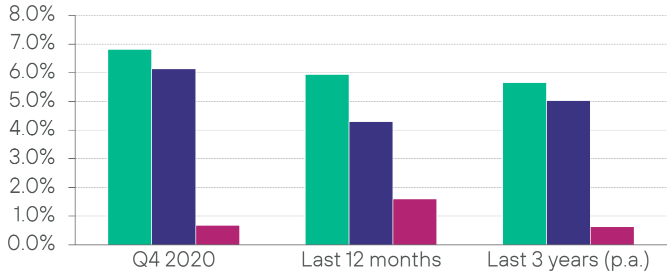
The Fund's assets delivered a positive return of 6.8% over the quarter, which was broadly in line with the benchmark.

Equities posted strong returns over the quarter as markets continued to rally strongly.

Over the quarter, the Fund completely disinvested from both UBS Fundamental Index Fund and the UBS Climate Aware Fund, with the proceeds being invested with four new mandates.

Access Pool	Fund	Q4 2020 Performance			Value at quarter end	
		Fund	Benchmark	Relative	30-Sep-20	31-Dec-20
Yes	UBS – Regional Equities	8.7%	9.1%	-0.4%	£345.1m	£350.6m
Yes	UBS - Fundamental Index	10.5%	10.6%	-0.1%	£403.9m	-
Yes	UBS - UK Equity	12.6%	12.6%	-0.0%	£240.5m	£63.4m
Yes	UBS - Climate Aware	6.7%	6.6%	+0.1%	£179.1m	-
Yes	Longview - Global Equity	9.9%	8.5%	+1.4%	£392.3m	£430.5m
No	WHEB - Sustainability Fund	1.1%	0.9%	+0.2%	-	£221.3m
No	Wellington – Global Impact Fund	3.4%	0.4%	+3.0%	-	£223.3m
No	Storebrand – Global ESG Plus Fund	2.1%	1.4%	+0.7%	-	£439.3m
No	Harbourvest – Private Equity[1,2]	3.6%	8.7%	-5.1%	£114.2m	£114.2m
No	Adams Street – Private Equity[1,2]	5.2%	8.7%	-3.5%	£128.2m	£129.9m
Yes	Newton – Absolute Return	5.1%	0.6%	+4.5%	£462.9m	£486.6m
No	Schroders – Property	2.1%	2.1%	-0.0%	£338.9m	£343.4m
No	UBS – Infrastructure[2]	-5.1%	0.6%	-5.7%	£22.1m	£38.4m
No	Pantheon – Infrastructure[2]	2.4%	0.6%	+1.9%	£25.7m	£31.0m
No	M&G Infrastructure[2]	-1.1%	0.6%	-1.7%	£25.6m	£28.2m
No	ATLAS Global Infrastructure Equity Fund	-0.5%	-2.6%	+2.1%	-	£79.0m
No	M&G -Private Debt[2]	1.8%	1.0%	+0.8%	£42.0m	£38.3m
No	M&G - Alpha Opportunities	4.3%	0.8%	+3.5%	£268.4m	£279.9m
Yes	Ruffer -Absolute Return	6.6%	0.6%	+6.0%	£442.0m	£470.9m
Yes	M&G -Corporate Bonds	5.1%	4.5%	+0.5%	£161.7m	£170.0m
Yes	UBS - Over 5 Year IL Gilt Fund	1.4%	1.4%	0.0%	£219.7m	£138.4m
	Total Assets	**6.8%**	**6.1%**	**0.7%**	**£3,847m**	**£4,110m**

Period returns – to 31 December 2020



	Q4 2020	Last 12 months	Last 3 years (p.a.)
Scheme Return	6.8%	6.0%	5.7%
Benchmark Return	6.1%	4.3%	5.0%
Investment Objective	0.7%	1.6%	0.6%

Commentary

- The Fund's assets delivered a positive absolute return of 6.8% over the quarter, outperforming the benchmark by 0.7%.
- The Fund's equity mandates performed strongly over the quarter as announcements over COVID-19 vaccines improved the outlook for global economies.
- M&G Alpha Opportunities, Newton and Ruffer all performed strongly over the quarter.
- During the quarter, the Fund completely disinvested from both the UBS Fundamental Index Fund and the UBS Climate Aware Fund, with the proceeds being re-invested with four new mandates; WHEB – Sustainability Fund, ATLAS – Global Infrastructure Equity Fund, Wellington – Global Impact Fund and Storebrand - ESG Plus Fund.

Notes: Totals may not sum precisely due to rounding. All returns are net of fees. Unless stated otherwise, all performance figures and objectives provided by Northern Trust as at 31 December 2020. [1] Valuation and performance information as at 30 September 2020. Fund Total value includes cash held with Northern Trust. [2] Valuations shown are either 3m or 6m lagged and adjusted for distributions / drawdowns and currency movements.

Source: Investment Managers, Northern Trust, Isio calculations.

Manager Performance – 31 December 2020

The Table shows manager performance over the short medium and long-term.

The Longview equity performance and UBS/ M&G infrastructure mandate returns are significantly below benchmark.

Fund	Q4 2020 Performance			1 Year Performance			3 Year Performance			Since Inception performance		
	Fund	Objective	Relative	Fund	Objective	Relative	Fund	Objective	Relative	Fund	Objective	Relative
UBS – Regional Equities	8.7%	9.1%	-0.4%	12.8%	13.3%	-0.5%	-	-	-	10.5%	10.7%	-0.2%
UBS - Fundamental Index	10.5%	10.6%	-0.1%	-	-	-	-	-	-	-	-	-
UBS - UK Equity	12.6%	12.6%	-0.0%	-9.7%	9.8%	0.1%	-1.0%	-0.9%	-0.1%	-1.0%	-0.9%	-0.1%
UBS - Climate Aware	6.7%	6.6%	+0.1%	-	-	-	-	-	-	-	-	-
Longview - Global Equity	9.9%	8.5%	+1.4%	-1.3%	12.7%	-14.0%	-	-	-	6.6%	14.8%	-8.2%
WHEB - Sustainability Fund	1.1%	0.9%	+0.2%	-	-	-	-	-	-	-	-	-
Wellington – Global Impact Fund	3.4%	0.4%	+3.0%	-	-	-	-	-	-	-	-	-
Storebrand – Global ESG Plus Fund	2.1%	1.4%	+0.7%	-	-	-	-	-	-	-	-	-
Harbourvest – Private Equity[1]	3.6%	8.7%	-5.1%	13.6%	14.2%	-0.6%	14.0%	10.8%	3.1%	7.6%	11.2%	-3.5%
Adams Street – Private Equity[1]	5.2%	8.7%	-3.5%	15.8%	14.2%	1.7%	15.3%	10.8%	4.5%	9.9%	10.6%	-0.7%
Newton – Absolute Return	5.1%	0.6%	+4.5%	-	-	-	-	-	-	5.2%	2.9%	2.3%
Schroders – Property	2.1%	2.1%	-0.0%	-1.6%	-1.1%	-0.6%	2.1%	2.3%	-0.2%	6.6%	7.9%	-1.3%
UBS - Infrastructure	-5.1%	0.6%	-5.7%	-9.4%	2.7%	-12.1%	-2.9%	2.6%	-5.4%	4.5%	1.5%	3.0%
Pantheon – Infrastructure[1]	2.4%	0.6%	+1.9%	1.1%	2.7%	-1.5%	-	-	-	1.4%	3.3%	-1.9%
M&G Infrastructure	-1.1%	0.6%	-1.7%	-5.2%	2.7%	-7.9%	-	-	-	1.7%	3.1%	-1.4%
ATLAS Global Infrastructure Equity Fund	-0.5%	-2.6%	+2.1%	-	-	-	-	-	-	-	-	-
M&G -Private Debt	1.8%	1.0%	+0.8%	1.1%	4.6%	-3.5%	-	-	-	3.1%	2.7%	0.5%
M&G -Alpha Opportunities	4.3%	0.8%	+3.5%	6.6%	3.6%	3.0%	4.0%	3.2%	0.8%	4.0%	1.4%	2.6%
Ruffer -Absolute Return	6.6%	0.6%	+6.0%	14.9%	3.1%	11.8%	-	-	-	16.3%	3.1%	13.1%
M&G -Corporate Bonds	5.1%	4.5%	+0.5%	-	-	-	-	-	-	9.0%	6.7%	2.3%
UBS -Over 5 Year IL Gilt Fund	1.4%	1.4%	0.0%	12.5%	12.4%	+0.1%	-	-	-	8.3%	8.3%	0.0%
Total Assets	**6.8%**	**6.1%**	**0.7**	**6.0%**	**4.3%**	**1.6%**	**5.7%**	**5.0%**	**0.6%**			

Notes: Totals may not sum precisely due to rounding. All returns are net of fees. Unless stated otherwise, all performance figures and objectives provided by Northern Trust as at 31 December 2020. [1] Valuation and performance information as at 30 September 2020.
Source: Investment Managers, Northern Trust, Isio calculations.

Looking Forward

Summary

This page sets out the main action / discussion points.

Status key

- Action
- Decision
- Discussion
- Information only

Key issues

Item	Action points / Considerations	Status

Overall Investment Strategy	**New Investments over the quarter**
	• Over the Quarter the Fund fully disinvested from both the UBS Climate Aware Equity Fund and the UBS Fundamental Equity Fund, in addition the Fund also significantly reduced its exposure to the UBS UK Equity Fund (from 6.3% at 30 September 2020 down to 1.5% at 31 December 2020). The proceeds were reinvested into four equity funds.
	  • Storebrand Smart Beta and ESG Fund – £430.1m invested on the 3rd of December 2020
	  • Wellington Active Impact Equity Fund – £216.0m invested on the 2nd of December 2020
	  • WHEB Active Impact Equity Fund – £218.8m invested on the 1st of December 2020
	  • ATLAS Global Infrastructure Equity Fund - £78.0m invested on the 2nd of December 2020
	The new mandates better incorporate the Fund's responsible investment objectives, and significantly reduce fossil fuel exposure. The ATLAS mandate also provides a proxy exposure to direct infrastructure investment.
	
	Outstanding Investment Items
	We have noted three investment items below which have been previously agreed by Committee and are either in progress or yet to be implemented:
	  • The Committee has agreed an increase of 2% to the Fund's unlisted infrastructure allocation. A final decision remains outstanding on where this should be funded from. Sources being considered include Newton Absolute Return Fund and M&G Alpha Opportunities Fund.
	  • A review of individual manager performance benchmarks and targets
	  • Development of a specific investment risk register which links to the main fund risk register
	
	Equity Allocation Review
	• Isio is preparing a paper for the Fund to review the remaining UBS equity allocation and to consider potential options to reallocate this.
	Private Equity Allocation – Cashflow Review
	• Isio is reviewing of the Fund's private equity commitments and will provide advice on future commitments for the Fund in order to maintain the agreed target allocation.
		Discussion

Looking Forward (Cont.)

Summary

This page sets out the main action / discussion points.

Status key

- Action
- Decision
- Discussion
- Information only

Key issues		
Item	Action points / Considerations	Status
Overall Investment Strategy	**Business plan - 2021** Isio has been liaising with the officers to develop a plan for the year. This includes an impact assessment analysing the ESG approach adopted by the Fund's managers, a strategic asset allocation review and a review of the existing fixed income portfolio in the light of changing market conditions and cashflow requirements. This plan will also incorporate options to increase the Fund's infrastructure exposure and more detailed consideration of a range of responsible investment considerations (including climate scenario modelling, a responsible investment implementation statement and potentially mapping the Fund's key objectives against the UN Sustainable Investment Goals in order to create clear key performance indicators against which progress can be assessed).	
Investment Managers	**Ruffer – Investment into Bitcoin** In December, Ruffer sold part of the fund's allocation to gold an invested the proceeds in Bitcoin. Ruffer believes that paper currencies will be debased through significant inflation. The rationale for adding Bitcoin is to protect the portfolio against this threat, similar to their reasoning for holding gold. Ruffer views Bitcoin as a potential store for value for a scenario where paper currencies devalue. Ruffer has a clear rationale for adding Bitcoin that is consistent with their market view. Whilst a little controversial, Bitcoin has seen increasing interest from institutional investors (and was most recently boosted post the quarter end following an investment by Tesla). The addition of Bitcoin contributed positively to the performance of the mandate over the quarter. However it raises some concerns from an ESG perspective. In particular, from an environmental perspective mining Bitcoin is quite energy intensive, there are also concerns around the use of Bitcoin in criminal activity and potential regulatory risks involved. Ruffer makes the argument that mining gold is more energy intensive than Bitcoin and that the mining of gold creates a much wider environmental impact (pollution, destruction of habitats, dams etc). Ruffer notes that Bitcoin mining seeks to utilise a significant proportion of renewable energy, with an estimate that around 50% is from renewable energy sources (the equivalent for Gold is around 25%). Ruffer also believes that the reputation of Bitcoin being associated with nefarious activity is also somewhat historic, with an expectation that the historic association are receeding as Bitcoin becomes more mainstream. Their current holding is c. 2-3% of the portfolio, which is relatively small, however, we will continue to actively engage with Ruffer on this. We have not seen significant changes with the Fund's other investment managers.	Discussion

Topical Research

Topical Research

This page sets out current topical research issues from Isio.

Diversified Private Credit

We have identified a gap in the market for private debt strategies that offer diversification and flexibility and have worked with managers to design a solution that we see as the next evolution for investors - Diversified Private Credit ('DPC').

DPC strategies can invest in a range of private credit markets (corporate lending, real estate debt, infrastructure debt, private asset-backed securities ('ABS') and opportunistic credit) through a single fund

Click here for more

Asset Backed Funding

Isio stands firm in its belief that Asset Backed Funding(ABF) play an integral part in offering positive solutions to stubbornly persistent pension deficits, in order to achieve better funding outcomes for both employers and trustees.

In this series of articles, we will explore how ABFs have become more mainstream, with clearer support from stakeholders and with the increased knowledge and experience gained by professional trustees and advisers meaning both the time and costs involved in implementation have reduced significantly

Click here for Part 1
Click here for Part 2

Diversified Private Markets

Diversified Private Markets Funds offer an attractive investment opportunity for investors looking to access a wide range of private market assets such as private equity, private debt and real assets, within a low governance, efficient structure.

Fund structure varies across different managers, with the degree of liquidity being the key distinguishing feature. Typically, products with less liquidity are compensated accordingly, resulting in higher target returns

Click here for more

Climate change regulation is coming

The DWP is urgently consulting on new mandatory requirements for large DB and DC pension schemes. This will require all schemes with at least £1bn of assets to adapt their governance and risk reporting processes to be in line with the 11 recommendations of the international industry-led Task Force on Climate-related Financial Disclosures (TCFD).

Click here for more

Market Background

Market Background – Overview Q4 2020

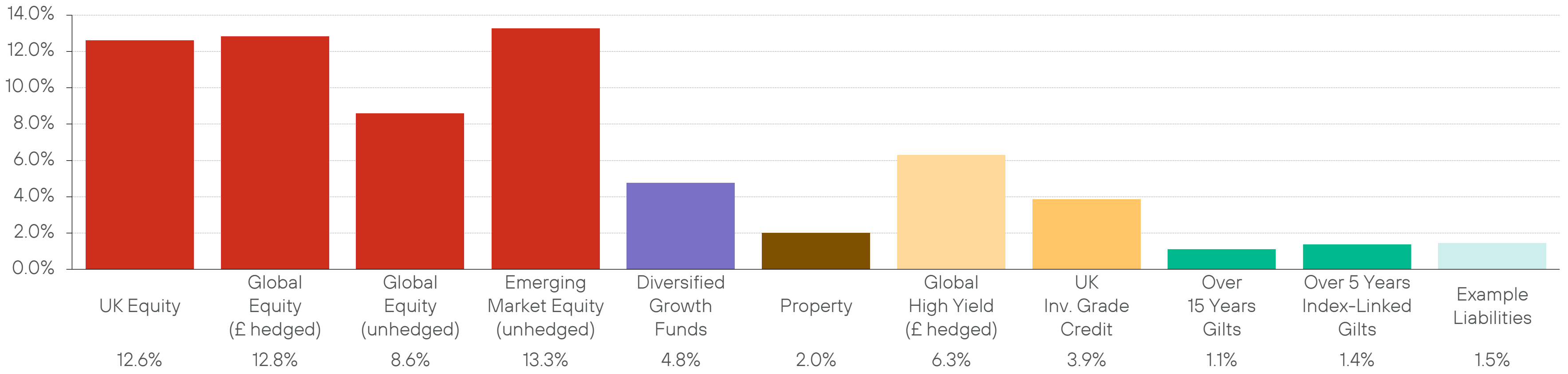
Summary

Markets rallied over Q4 2020 as promising news of a vaccine for COVID-19 was announced. Political uncertainty reduced as the US presidential election concluded and the UK agreed a trade deal with the EU ahead of the Brexit deadline.

Global equity markets performed positively for a third consecutive quarter. Emerging Markets posted the largest return with the US and UK equity markets also rallying on renewed hopes of an economic recovery.

Gilt yields fell slightly over Q4 driven in part by the increased demand from central banks as quantitative easing stimulus was extended. These supportive measures also aided returns in the credit markets.

Returns by Asset Class – Q4 2020



Key upcoming events

- The dates for the Bank of England's Monetary Policy Committee (MPC) announcements in Q1 2021 are 4 February and 18 March.
- The dates for the US Federal Reserve's Federal Open Market Committee (FOMC) announcements in Q1 2021 are 27 January and 17 March.

Commentary

- Global markets rallied over the quarter as announcements over a COVID-19 vaccine boosted the global economic outlook. Markets were further aided by additional support measures announced by governments and central banks.
- Emerging Market equities posted the strongest return, while UK equities performed well over the quarter due to its higher weighting towards more economically sensitive sectors which rebounded on the news of effective vaccines for COVID-19.
- Credit markets delivered positive returns, particularly for higher risk credit assets, as credit spreads tightened across the board. However, credit spreads remain wider than Q4 2019 as uncertainty remains for some businesses and their earnings stream.
- Gilt yields decreased modestly over the quarter as the Bank of England announced an increase to its asset purchase program to support the economy as another national lockdown was announced in the UK.

Note: Please see Appendix 3 for details of the returns representing each asset class.
Source: Refinitiv, DGF investment managers, Isio calculations.

Market Background – Government Bond Yields Q4 2020

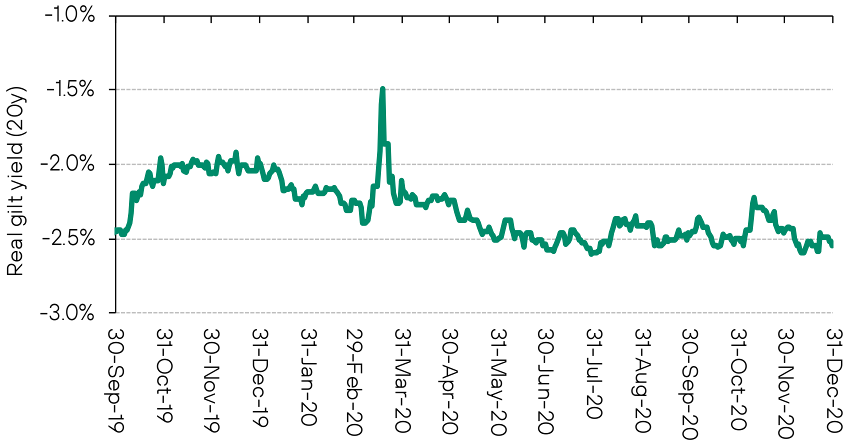
Summary

These charts show yield movements at the 20-year tenor over the past year.

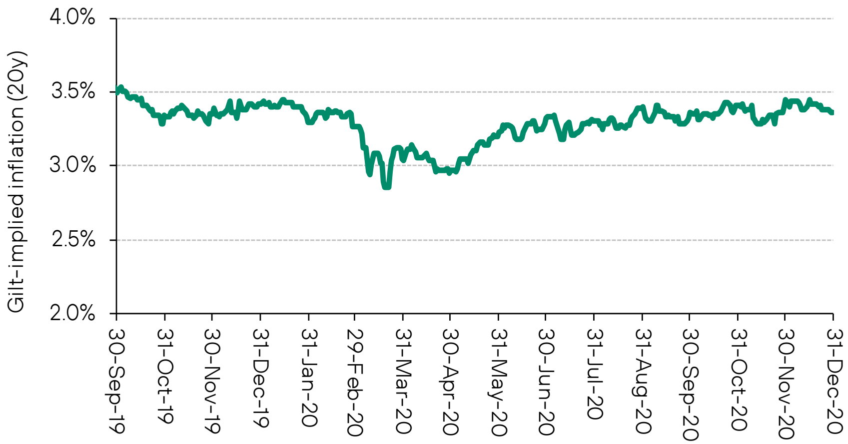
Gilt Yield Changes:

20-year Real Gilt Yield	
October	-0.04%
November	0.04%
December	-0.09%
Quarter	**-0.08%**
20-year Nominal Gilt Yield	
October	0.05%
November	0.03%
December	-0.13%
Quarter	**-0.05%**
20-year Gilt-Implied Inflation	
October	0.09%
November	0.00%
December	-0.04%
Quarter	**0.04%**

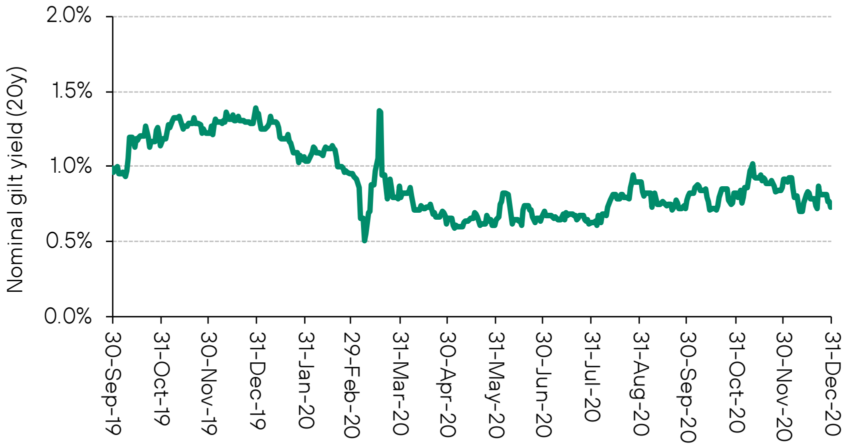
Real Gilt Yields – Last 12 months



Gilt-Implied RPI Inflation – Last 12 months



Nominal Gilt Yields – Last 12 months



Example Liabilities

- Long term interest rates remain close to historical low levels as markets anticipate interest rates remaining low for a considerable period of time.
- Inflation expectations rose during the quarter despite the changes announced the calculation of RPI to align this with CPIH from 2030. Long term implied CPI has increased in recent periods. This will create a pressure on liability values and should be discussed with the Scheme Actuary to understand their thoughts on the funding measure of the liabilities.

Note: Please see Appendix 3 for details of the example liabilities. Monthly yield changes may not sum to quarterly changes, due to rounding.
Source: Bank of England, Isio calculations.

Strategy Overview

Asset Allocation – at 31 December 2020

Summary

As at December 2020 the Fund was broadly in line with it's strategic benchmark, with a slight overweight to equity and multi-asset and a corresponding underweight to credit, infrastructure and property.

The Committee has agreed to review the credit mandate over the coming months and we suggest that this is rebalanced once this is complete.

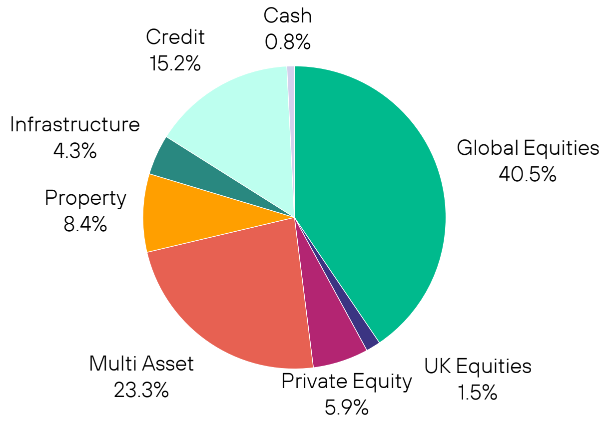
Total Assets

Start of quarter	£3,847m
End of quarter	£4,110m

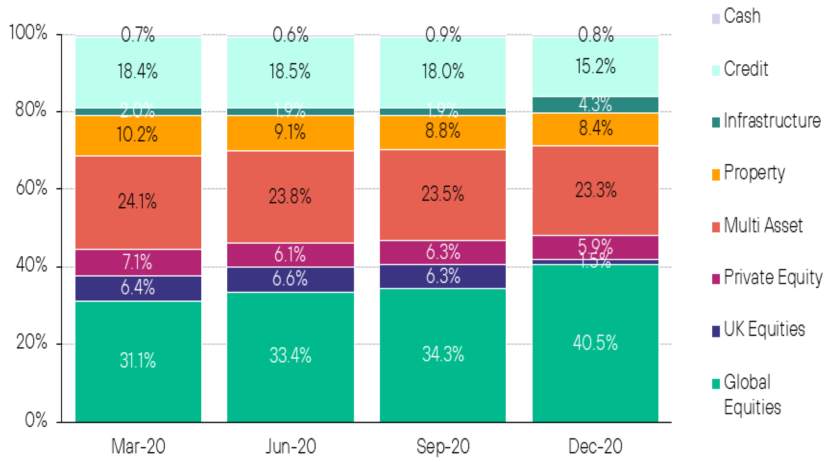
Target Allocation

Equity	40.0%
Absolute Return	20.0%
Private Equity	5.5%
Property	10.0%
Infrastructure	8.0%
Private Debt	3.0%
Diversified Credit	7.0%
Index-Linked Gilts	3.0%
Fixed Interest Bonds	3.5%

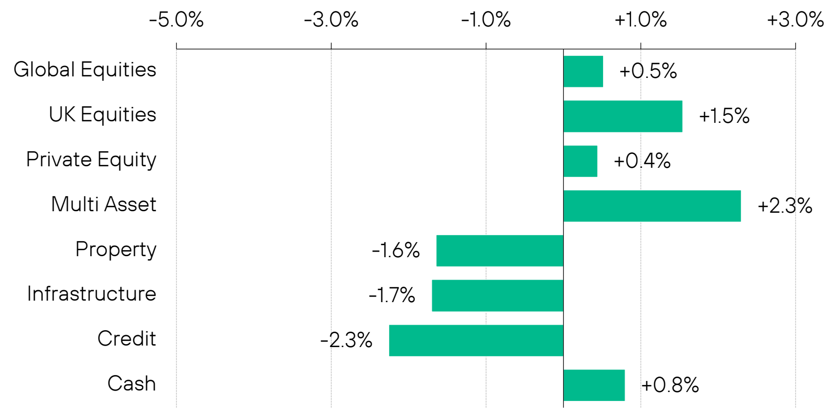
Asset Allocation – 31 December 2020



Asset Allocation Changes Since 31 March 2020



Assets Relative to Benchmark – 30 September 2020



Note: Totals may not sum due to rounding.
Source: Investment managers, Isio calculations.

Commentary

- Over the quarter the Fund reduced its exposure to UK equities and completely disinvested from the UBS Climate aware and Fundamental strategies. The proceeds, c. £963m, were reinvested into four new mandates.
- Over the previous 12 months the Fund's asset allocation has remained relatively stable.
- The introduction of the ATLAS infrastructure equity fund over the quarter has helped bring the Fund closer in line with the benchmark allocation to infrastructure, but remains 1.7% underweight.
- As at December 2020 the Fund was broadly in line with it's strategic benchmark, with a slight overweight to equity and multi-asset and a corresponding underweight to credit, infrastructure and property.

Investment Managers

Performance Summary – to 31 December 2020

Summary

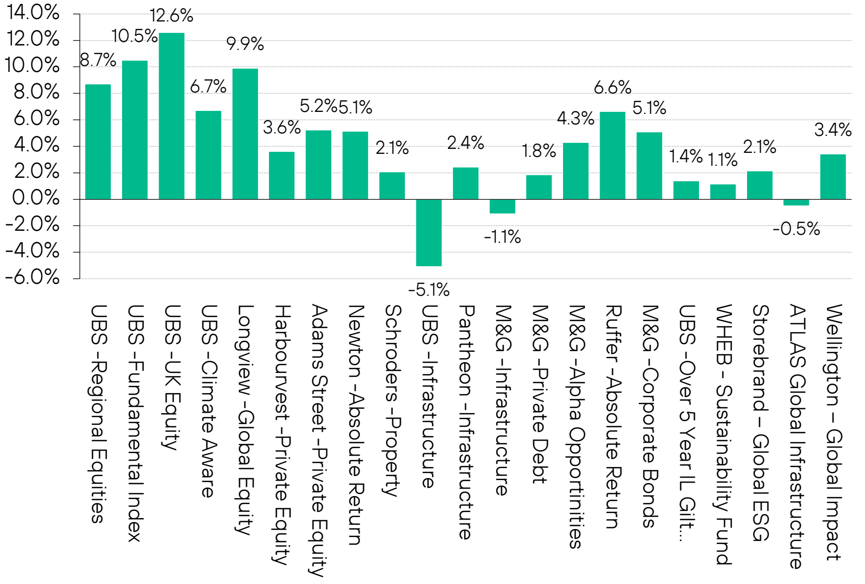
The majority of the Fund's assets delivered positive absolute returns over Q4, as global markets continued to make gains in light of positive vaccine news and continued central government & fiscal support.

In absolute terms the biggest contributor to performance was the UBS passive equity allocations.

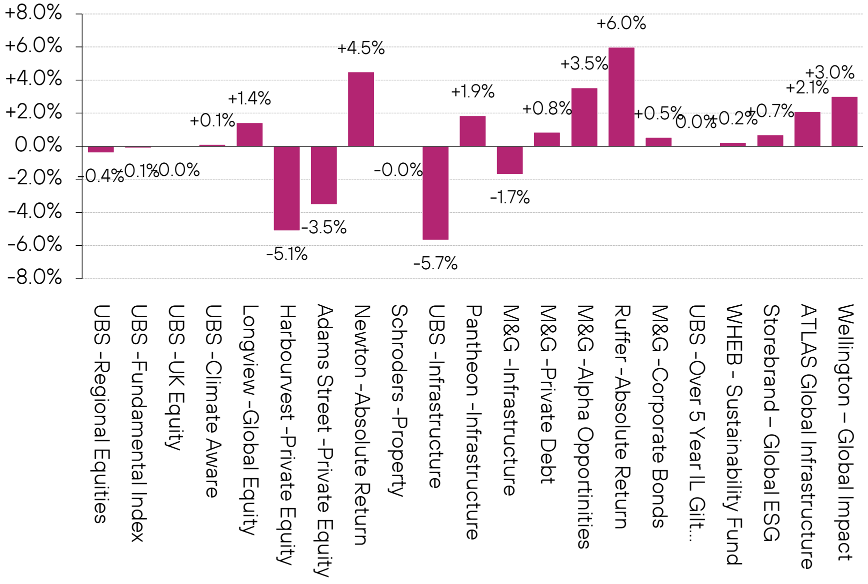
In relative terms the Ruffer Absolute Return Fund was the strongest performer, driven by strong equity performance and increases in the value of the index-linked holdings.

The private market mandates underperformed, though we note there is likely to be a lag in valuations/ performance feeding through.

Absolute Return – Q4 2020



Relative Return – Q4 2020



Note: Returns net of fees.
Source: Investment Managers, Northern Trust, Isio calculations.

UBS – Equity

Mandate: Passive Equities

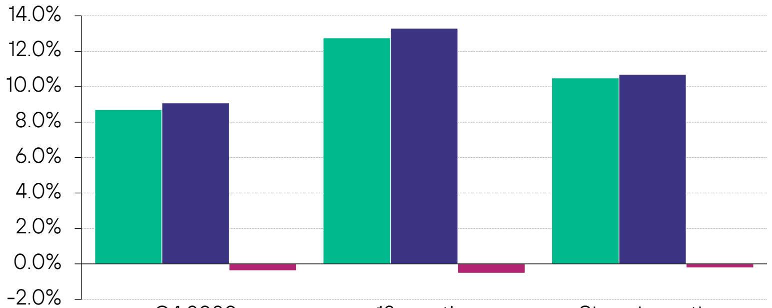
Current Value: £414.0m

Current Weighting: 10.1%

Inception: UK Equities – 31 December 2017 & Regional Equities 31 January 2018

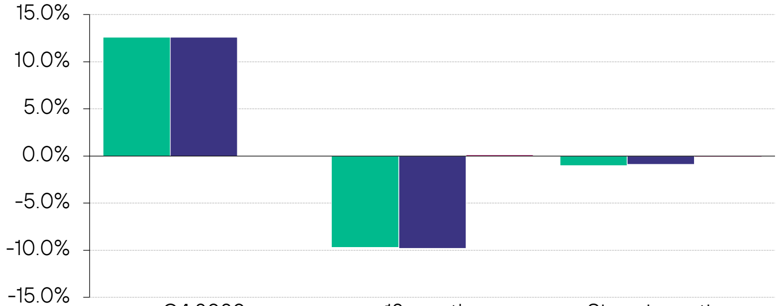
Objective: To track their respective underlying respective regional equity benchmarks

Regional Equities Performance to 31 December 2020



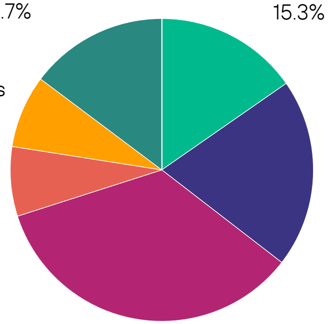
	Q4 2020	12 months	Since inception
Return	8.7%	12.8%	10.5%
Benchmark	9.1%	13.3%	10.7%
Relative	-0.4%	-0.5%	-0.2%

UK Equities Performance to 31 December 2020



	Q4 2020	12 months	Since inception
Return	12.6%	-9.7%	-1.0%
Benchmark	12.6%	-9.8%	-0.9%
Relative	-0.0%	+0.1%	-0.1%

Geographic Exposure as at 31 December 2020



Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

Commentary

- All UBS passive equity mandates performed positively over the quarter with the Life Pacific ex Japan Equity Tracker Fund being the standout performer in absolute terms.
- The Fund fully redeemed its positions in the UBS Life Climate Aware and UBS Life All World Equity Fundamentally Weighted Index Funds on 16th November 2020.
- The quarter finished on a high note for global equities as multiple successful COVID-19 vaccines emerged as did an improving outlook for US fiscal and monetary support with the upcoming inauguration of US President Joe Biden bolstering investor confidence.
- The breakthrough for an effective COVID-19 vaccine drove a desire for more procyclical investments, which in turn caused a noticeable style rotation from Growth and Momentum performing strongly to Value outperforming; investing. Cyclical stocks benefited the most from this reversal and small caps outperformed large caps.

Longview - Global Equity

Mandate: Active Global Equities

Current Value: £430.5m

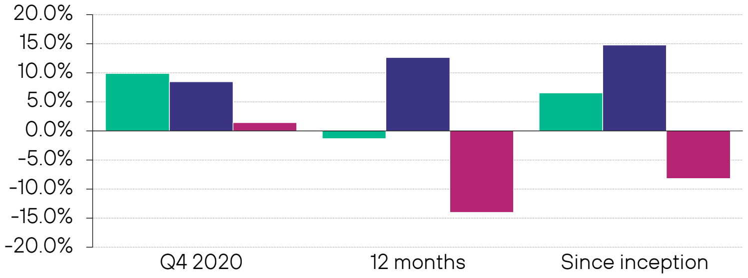
Current Weighting: 10.5%

Inception: 4 February 2019

Objective: Outperform benchmark by 3% (gross) p.a. over rolling 3 year periods.

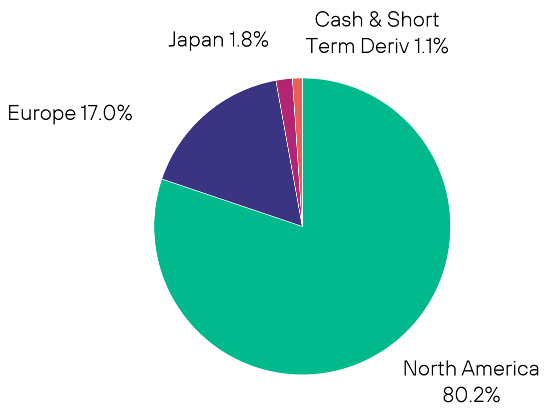
Benchmark: MSCI ACWI

Longview Global Equity Performance to 31 December 2020

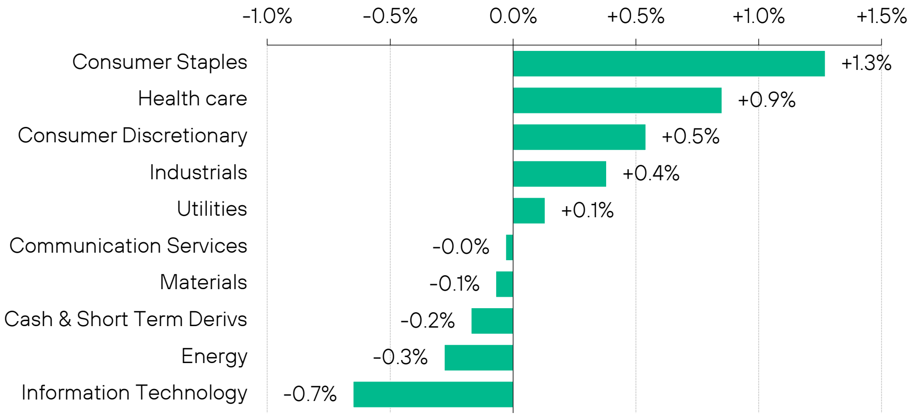


	Q4 2020	12 months	Since inception
Return	9.9%	-1.3%	6.6%
Benchmark	8.5%	12.7%	14.8%
Relative	1.4%	-14.0%	-8.2%

Sector split as at 31 December 2020



Performance Attribution as at 31 December 2020



Commentary

- The fund delivered a positive absolute return of 9.9% over the quarter outperforming the benchmark by 1.4%.
- Performance over the past 12 months has been significantly behind benchmark.
- Consumer Staples was the biggest contributor to performance over the period. Healthcare positions also contributed strongly to performance.
- The Fund continues to seek to consistently generate alpha through investing in a concentrated portfolio of global companies, focusing on a bottom up approach. As at 31 December 2020 there were 32 stocks held within the portfolio.
- We have a number of concerns with Longview following some changes in the senior team and given the recent losses in assets under management. We provide further comment in our separate report on the overall equity portfolio.

Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

WHEB – Sustainability Fund

Mandate: ESG focused Global Equity

Current Value: £221.3m

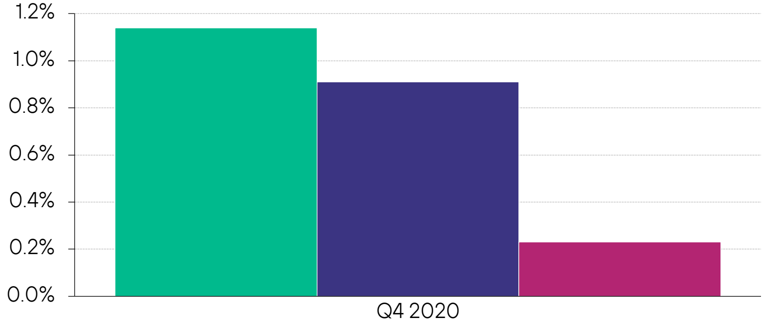
Current Weighting: 5.4%

Inception: 1 December 2020

Benchmark: MSCI World Total Return Net GBP

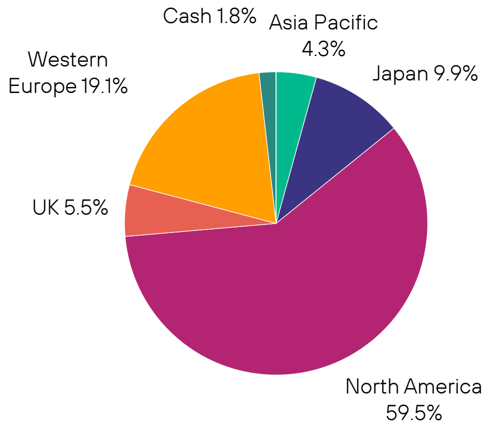
Objective: to achieve capital growth over the medium to longer term.

WHEB – Sustainability Fund Performance to 31 December 2020

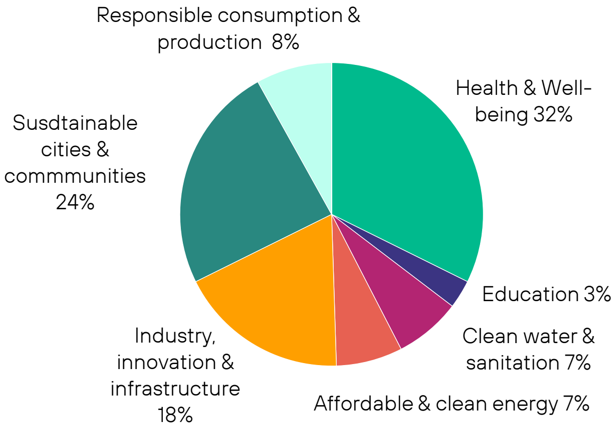


	Q4 2020
Return	1.1%
Benchmark	0.9%
Relative	+0.2%

Geographic breakdown at Q4 2020



Impact positioning at Q4 2020



Commentary

- The initial investment in the WHEB sustainability Fund was made on 1 December 2020, as such we are have shown part period performance for the Fund over the time invested.
- The Cleaner Energy theme was the strongest contributor to performance over the period followed by sustainable transport.
- Over the period the manager acquired a new position in Vestas, which is a leading wind turbine manufacturer with the largest global installed base, with a proven trace record for quality and innovation, this further bolsters the Fund's Cleaner Energy theme.

Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

Wellington – Global Impact Fund

Mandate: Global Impact Equities

Current Value: £223.3m

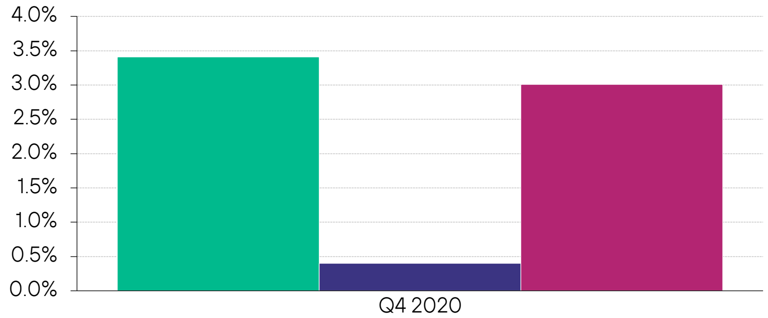
Current Weighting: 5.4%

Inception: 2 December 2020

Benchmark: MSCI AC World

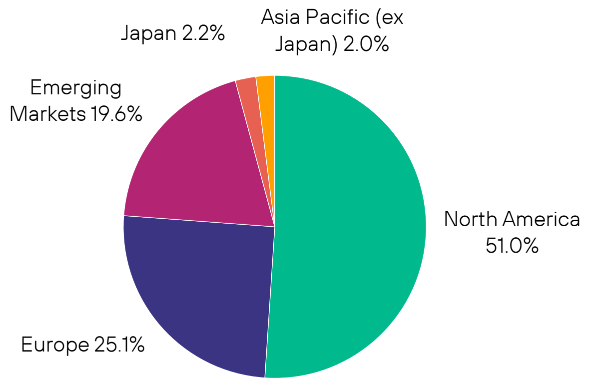
Objective: To outperform the MSCI All Country World Index over the long-term.

Performance to 31 December 2020

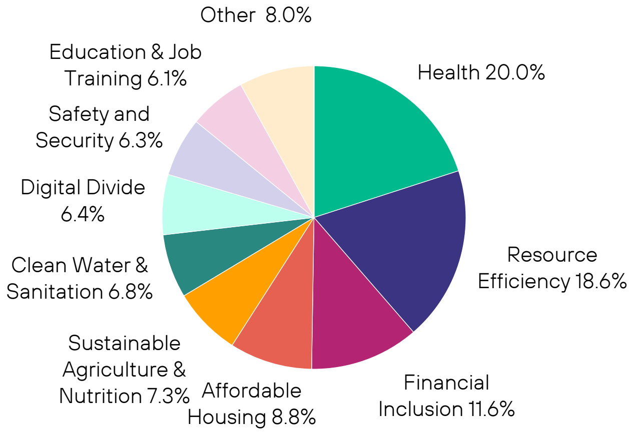


	Q4 2020
Return	3.4%
Benchmark	0.4%
Relative	+3.0%

Geographic Allocation at 31 December 2020



ESG Theme Distribution at 31 December 2020



Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

Commentary

- The initial investment in the Wellington – Global Impact Fund was made on 2 December 2020, as such we show part period performance for the Fund over the time invested.
- The Global Impact Fund as a whole performed well over the quarter, returning an absolute positive performance of 3.4%, this was largely driven by four of the Fund's impact themes, Life Essentials, Human Empowerment and Environment, with Resource Efficiency being the largest absolute contributor to performance.
- Performance was further enhanced by continued momentum in climate investing as a number of countries made further commitments to tackling climate change and furthering a green agenda.

Storebrand – Global ESG Plus Fund

Mandate: ESG Focused Global Equities

Current Value: £439.2m

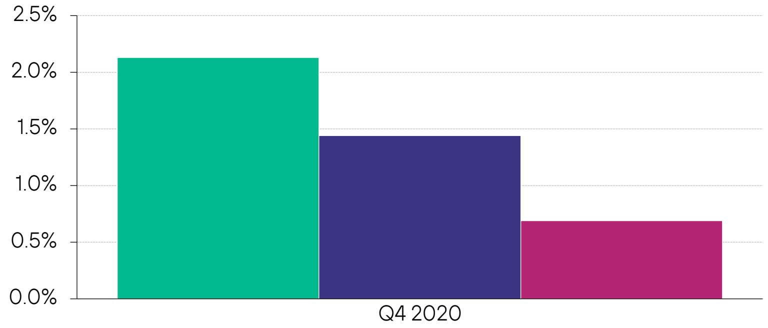
Current Weighting: 10.7%

Inception: 3 December 2020

Benchmark: MSCI World NR

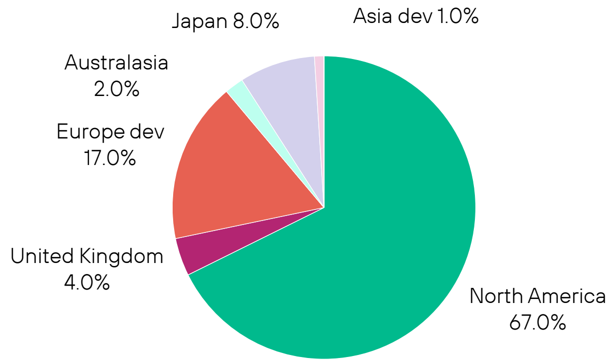
Objective: Outperform benchmark by 4.0% p.a. (net of fees)

Performance to 31 December 2020

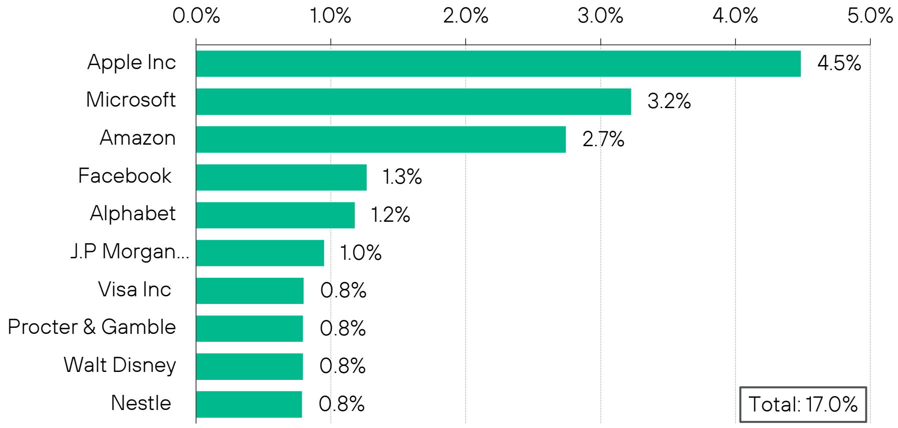


	Q4 2020
Return	2.1%
Benchmark	1.4%
Relative	+0.7%

Geographic Allocation at 31 December 2020



Top 10 Holdings as at 31 December 2020



Commentary

- The initial investment in the Storebrand Global ESG Plus Fund was made on 3 December 2020, as such we show part period performance for the Fund over the time invested.
- The Global ESG Plus Fund outperformed its MSCI World benchmark by 0.7%, returning 2.1% over the quarter, this was aided by positive climate related news flow as several countries bolstered their commitments to the Paris Agreement.
- The Fund excludes fossil fuel producers, this contributed -0.2% on a relative basis, reflecting the 25% rise in oil price (which was driven by positive COVID vaccine news and speculation of increased travel).
- The Fund maintains a 10% allocation to companies that provide services and products to help reduce climate change, this sleeve contributed +1.3% to relative performance over the quarter.

Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

Harbourvest – Private Equity

Mandate: Private Equity

Current Value: £114.2m

Current Weighting: 2.8%

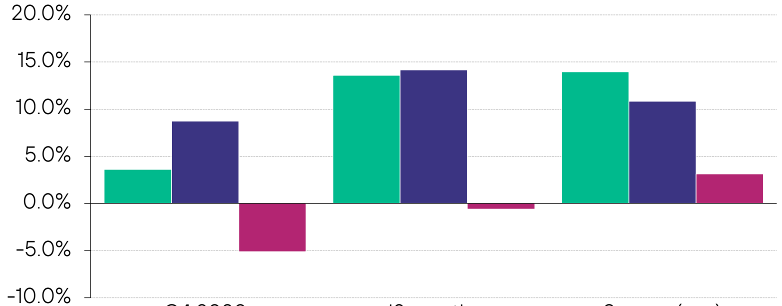
Inception: 31 January 2003

Benchmark: MSCI World +1.5%

Objective: MSCI World +3.0%

Harbourvest	Market Value at start (£m)	Drawdowns over quarter (£m)	Distributions over quarter (£m)	Market Value at end (£m)
HIPEP IV SUPPLEMENTAL EUROPEAN COMPANIONFUND	0.0	-	-	0.0
HARBOURVEST PTRS VIII - CAYMAN VENTURE FUND	1.6	-	0.2	1.5
HARBOURVEST INTL PEP V - CAYMAN PSHP FD	2.2	-	0.3	1.9
HARBOURVEST PTRS VIII - CAYMAN BUYOUT FUND	2.2	-	0.7	1.6
HARBOURVEST PARTNERS IX- CAYMAN BUYOUT FUND	12.7	-	1.2	12.2
HARBOURVEST PARTNERS XI AIF	9.8	-	0.3	11.7
HARBOURVEST INTL PEP VI - CAYMAN PSHP FUND	17.3	-	1.8	16.3
HIPEP VII (AIF) PARTNERSHIP FUND LP	13.3	-	1.2	13.3
HIPEP VIII (AIF) PARTNERSHIP FUND LP	9.4	-	-	9.7
HARBOURVEST PARTNERS CAYMAN CLEANTECH FUND I	11.3	-	-	11.3
HARBOURVEST PARTNERS CAYMAN CLEANTECH FUND II	19.8	-	1.8	18.8
DEFAULT ISSUER HARBOURVEST PTNS VII CAYMAN BUYOUT FD LP	0.4	-	0.0	0.4
HARBOURVEST PTRS VIII - CAYMAN MEZZANINEAND DISTRESSED DEBT FD	0.1	-	0.0	0.1
HARBOURVEST PTRS VII - CAYMAN VENTURE FUND	1.0	-	0.1	0.9
HARBOURVEST PARTNERS VII - CAYMAN MEZZANINE FUND	0.0	-	0.0	0.0
HARBOURVEST PARTNERS IX CAYMAN VENTURE FUND	10.2	-	0.8	11.5
HARBOURVEST PARTNERS IX CAYMAN CREDIT OPPORTUNITIES FUND	1.7	-	0.2	1.5

Performance to 31 December 2020



	Q4 2020	12 months	3 years (p.a.)
Return	3.6%	13.6%	14.0%
Benchmark	8.7%	14.2%	10.8%
Relative	-5.1%	-0.6%	+3.1%

Commentary

- The Harbourvest portfolio returned positive absolute performance of 3.6% over the quarter, however, did underperform its benchmark by 5.1%. This is partly due to the lag in performance experienced with private market assets and is not overly concerning.
- The Harbourvest portfolio remains marginally overweight relative to its strategic target allocation, however, we do expect that to gradually fall over time as the Funds continue to return capital to the Fund.
- To date the Fund has committed over $317m, with approximately $231 retuned through distributions and a current market value of £114.2m.
- Prior to 2014, investments with Harbourvest were made through, Buyout, Mezzanine or Venture fund-of-funds and since then commitments from the Fund have been to the annual vintage of two of Harbourvest's flagship fund-of-fund products HIPEP or the Fund program.

Note: Totals may not sum due to rounding. Performance quoted net of fees. Harbourvest valuations are lagged by 3 months.
Source: Investment manager, Northern Trust, Isio calculations.

Adams Street – Private Equity

Mandate: Private Equity

Current Value: £129.9m

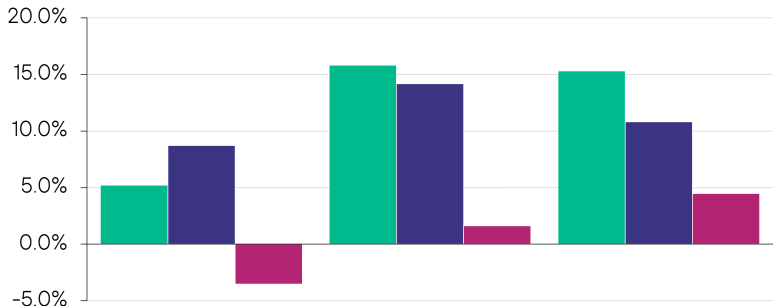
Current Weighting: 3.2%

Inception: 31 March 2003

Benchmark: MSCI World +1.5%

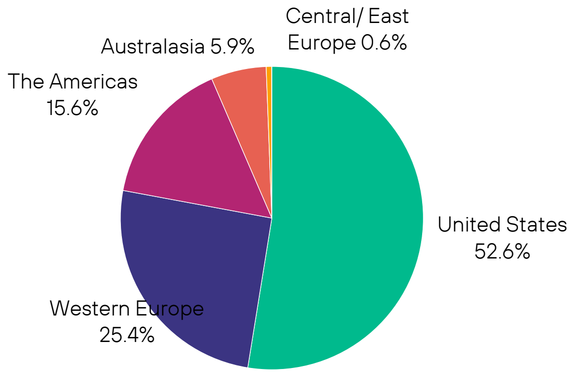
Objective: MSCI World +3.0%

Performance to 31 December 2020



	Q4 2020	12 months	3 years (p.a.)
Return	5.2%	15.8%	15.3%
Benchmark	8.7%	14.2%	10.8%
Relative	-3.5%	+1.6%	+4.5%

Geographical Exposure as at 30 September 2020



Adams Street	Market Value at start (£m)	Drawdowns over quarter (£m)	Distributions over quarter (£m)	Market Value at end (£m)
Adams Street Direct Funds	2.0	-	0.1	1.8
Adams Street Co-Investment Fund II	1.4	-	-	1.4
Adams Street Global Funds 2014-2019	24.0	-	0.6	24.4
Adams Street Partnership Funds	27.0	-	4.0	24.0
Adams Street Feeder Funds	48.1	2.0	1.5	51.8
Adams Street Offshore Company Limited Funds	25.4	-	2.0	26.6

Commentary

- The Adams Street portfolio returned a positive absolute performance of 5.2% over the quarter, however, underperformed its composite benchmark by 3.5%. This is partly linked to the lag in private market valuations.
- Over Q3, Adams Street have seen the secondary investment market rebound strongly as investor sentiment returned. As a result bid ask spreads have tightened and opportunities to acquire high quality assets at discount have increased.
- Adams Street have commented on the challenges to determine valuations of assets they are keen to acquire as company fundamentals have been obscured by the effects of continued regional lockdowns, with some sectors booming, such as tech-enabled businesses, whilst high street retail and aerospace sectors are impeded.

Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

Newton – Absolute Return

Mandate: Diversified Growth Fund

Current Value: £486.6m

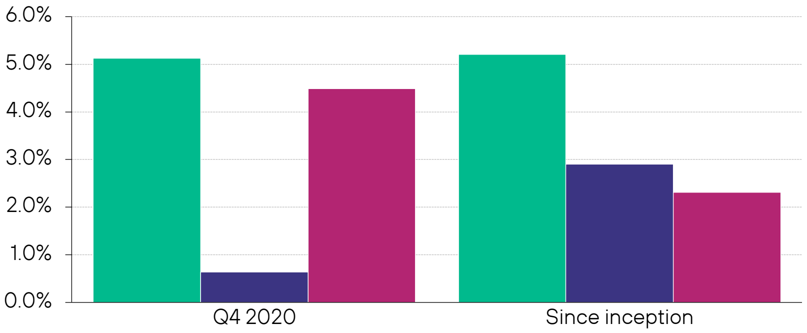
Current Weighting: 11.8%

Inception: 21/01/2020

Benchmark: 3 Month LIBOR+2.5%

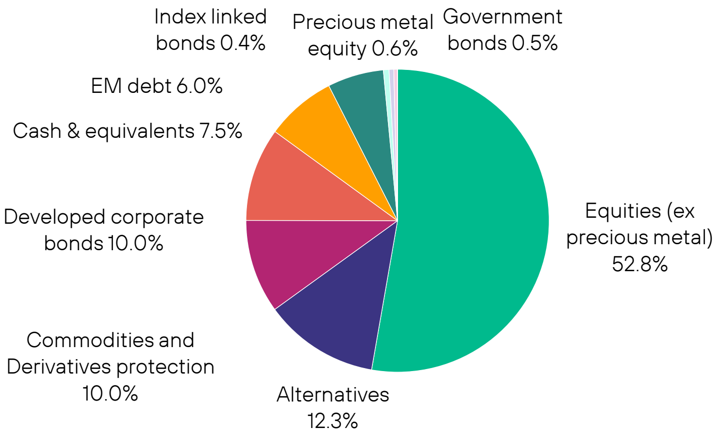
Objective: 3-month LIBOR + 4% p.a. (gross) over rolling 5 years

Performance to 31 December 2020

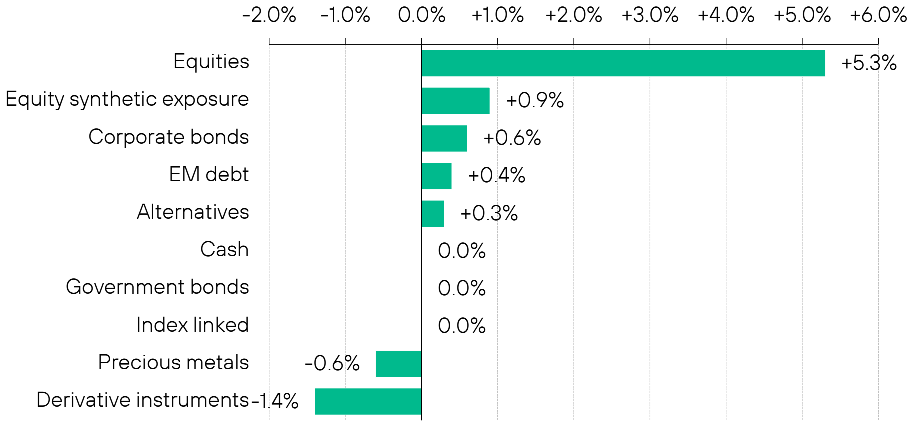


	Q4 2020	Since inception
Return	5.1%	5.2%
Benchmark	0.6%	2.9%
Relative	+4.5%	+2.3%

Sector Allocation at 31 December 2020



Contributors to performance to 31 December 2020



Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

Commentary

- The Fund delivered strong performance over the quarter.
- Performance over the period was primarily driven by the Fund's allocation to equities, which benefitted from the wider rally in global markets. All underlying sleeves within the "return-seeking core" contributed positively to performance.
- The portfolio's allocation to equities, with a particular focus on the Fund's cyclical exposure, was increased over the period, given Newton's optimistic outlook for 2021. This activity saw the "return-seeking core" increase to c.63% of the portfolio.
- Despite being optimistic, Newton believe that short-term volatility will likely persist, and are of the view that vaccine optimism has already been significantly priced in by markets. Post-quarter end, Newton increased the portfolios short-futures position, to provide increased protection markets suffer a set back.

Schroders - Property

Mandate: Balanced Property

Current Value: £343.4m

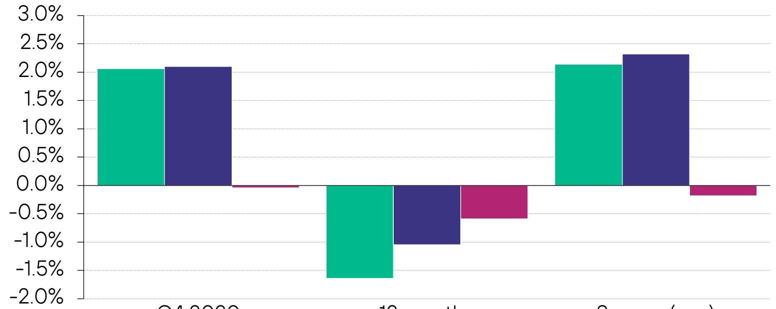
Current Weighting: 8.4%

Inception: 31 December 2009

Benchmark: IPD All Balanced Fund Index

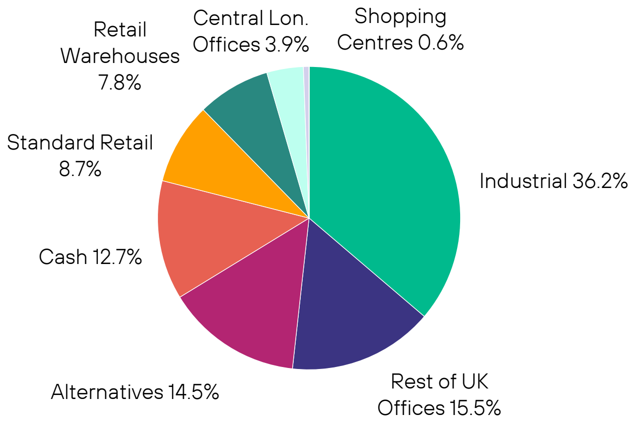
Objective: Outperform benchmark by 0.75% p.a. (net) over rolling 3 years

Performance to 31 December 2020

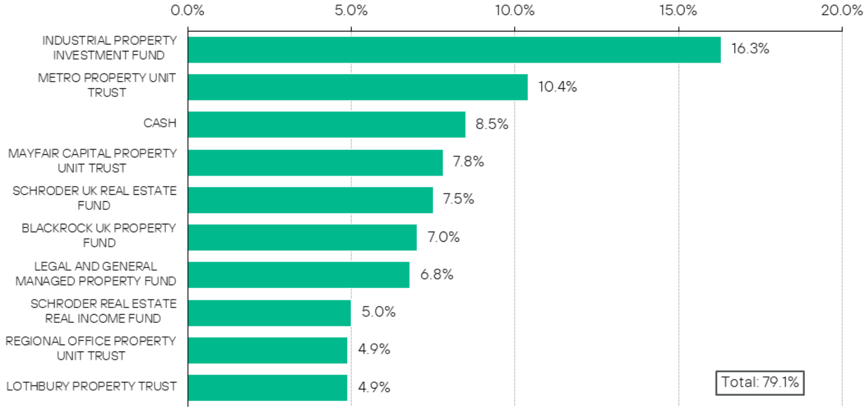


	Q4 2020	12 months	3 years (p.a.)
Return	2.1%	-1.6%	2.1%
Benchmark	2.1%	-1.1%	2.3%
Relative	-0.0%	-0.6%	-0.2%

Sector Allocation at 31 December 2020



Top 10 holdings as at 31 December 2020



Commentary

- The fund delivered a positive absolute return of 2.1% over the quarter and in line with its respective benchmark.
- Industrial assets have been the star performer over the quarter and year as COVID has increased the growth in online retail as a result of continued lockdowns. The trend is further intensified by manufacturers wanting to increase their supply chains to stock more key items. Schroders expect this trend to continue through 2021.
- The biggest detractors to performance has been the Fund's allocations to the Hercules Unit Trust and UK Retail Warehouse Fund, both of which consist heavily of retail assets which have suffered heavy write downs in capital values as well as reduced rent collection.
- Schroders remain positive about the outlook for 2021, expecting to see transaction activity increase, with a return to pre-COVID levels by 2022 and are keen to actively pursue good value opportunities as they arise.

Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

UBS - Infrastructure

Mandate: Infrastructure

Current Value: £38.4m

Current Weighting: 0.9%

Inception: 31 January 2008

Benchmark: CPI + 2.0%

Objective: CPI + 3%

Performance to 31 December 2020

	Q4 2020	12 months	3 years (p.a.)
Return	-5.1%	-9.4%	-2.9%
Benchmark	0.6%	2.7%	2.6%
Relative	-5.7%	-12.1%	-5.4%

Commitments and Distributions to 31 December 2020

UBS	Fund I	Fund III
Total Commitment ($m)	35.0	50.0
Commitment Drawn ($m)	33.3	35.4
Distributions over 2020 ($m)	1.0	-
Outstanding Commitment ($m)	1.7	24.6
Market Value (£m)	12.7	25.4

Commentary – 3 month lagged

- Over the quarter the Fund returned performance of negative 5.1% underperforming the CPI linked benchmark by 5.7%.
- Fund I is in the investment phase and is paying capital back to Investors, whilst Fund III is in ramp up mode and continues to draw capital from the Fund.
- UBS remain cautious on their outlook for Q4 with renewed and prolonged COVID-19 lockdowns expected to weigh on the economy.
- Since inception performance of the fund is in line with expectations, however recent Fund performance below expectations. We note that Fund III is very early in its life cycle, which could lead to a degree of J-curve effect and could be expected to impact performance. However we will investigate recent underperformance with the manager.
- The fund information being provided by UBS at present is currently limited and we are working with the manager to improve this for the Fund.

Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

Pantheon – Infrastructure

Mandate: Infrastructure

Current Value: £31.0m

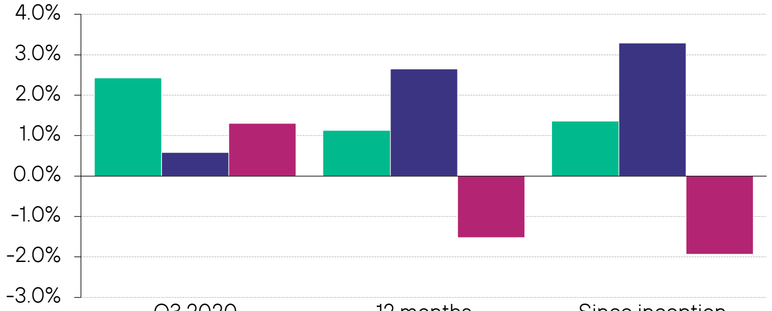
Current Weighting: 0.9%

Inception: 4 May 2018

Benchmark: CPI + 2.5%

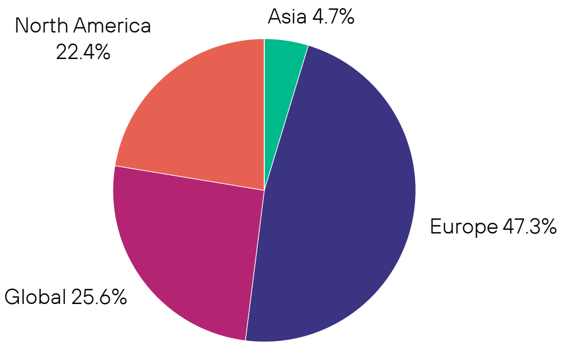
Objective: CPI + 3%

Performance to 31 December 2020



	Q3 2020	12 months	Since inception
Return	2.4%	1.1%	1.4%
Benchmark	0.6%	2.7%	3.3%
Relative	+1.3%	-1.5%	-1.9%

Geographical Allocation at 30 September 2020



Commitments and Distributions to 30 September 2020

Pantheon	
Total Commitment ($m)	117.0
Commitment Drawn ($m)	39.2
Distributions ($m)	4.4
Outstanding Commitment ($m)	77.8
Market Value (£m	31.0

Commentary

- The fund delivered a positive absolute return of 2.4% over the quarter, outperforming the benchmark by 1.1%.
- The Fund remains in ramp-up mode with c.34% of the commitment drawn as at 30 September 2020, with the manager confident remaining committed capital will be drawn over 2021.
- Pantheon noted the resilience of the underlying assets throughout the COVID-19 pandemic and that most infrastructure subsectors are benefitting from tailwinds, such as power generation and utilities.
- Subsectors that detracted were public transport assets, which continued to suffer negatively as a result of a new series of lockdowns globally and Pantheon is cautious that this will continue for some time yet.
- The team was busy over Q3 and Q4 2020 and closed or committed to 11 transactions representing 29% of the Fund. Current gross multiple and gross IRR is 1.1x and 7.8%.

Note: Totals may not sum due to rounding. Performance quoted net of fees. Performance information available to 30 September 2020 due to 3 month reporting lag.
Source: Investment manager, Northern Trust, Isio calculations.

M&G – Infrastructure

Mandate: Infrastructure

Current Value: £28.2m

Current Weighting: 0.7%

Inception: 31 October 2018

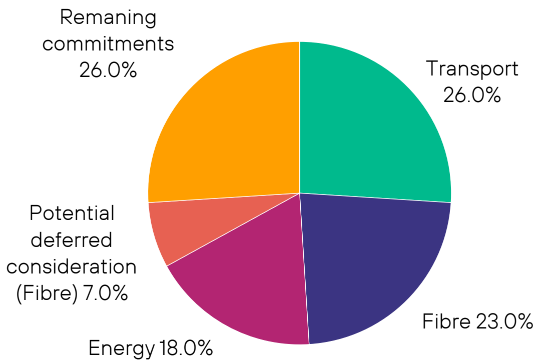
Benchmark: CPI + 2.5%

Objective: CPI + 3%

Performance to 31 December 2020

	Q4 2020	12 months	Since inception
Return	-1.1%	-5.2%	1.7%
Benchmark	0.6%	2.7%	3.1%
Relative	-1.7%	-7.9%	-1.4%

Brownfield Sector exposure to 31 December 2020



Commitments and Distributions to 31 December 2020

M&G – Infracapital	Brownfield III	Greenfield II
Total Commitment (£m)	42.0	20.0
Commitment Drawn (£m)	29.2	0.0
Distributions (£m)	0.4	0.0
Outstanding Commitment (£m)	12.8	0.0
Market Value (£m)	28.2	0.0

Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

Commentary

- The fund delivered a negative absolute return of 1.1% over the quarter, underperforming by 1.7%. Performance is driven solely by the Brownfield III Fund as the Greenfield fund remains undrawn. Current net IRR since inception for the Brownfield III Fund (Sterling) is 2.4% and forecast net IRR is 9.2%.
- The Brownfield III Fund is now 73% drawn. The manager expects to call c. £3.5m of the East Sussex commitment to an upcoming investment within the Greenfield Fund in the coming months.
- Over the quarter the majority of assets delivered steady valuation increase, with a notable exception of the German Fibre Group, which has been impacted by the CEO's departure. M&G advise that a thorough business plan review is now underway.
- The Fund's pipeline remains focussed on Continental Europe with sectors that provide diversification to the current portfolio, particularly the energy sector working with utility groups and some renewable energy sub-sectors.

ATLAS – Global Infrastructure Equity Fund

Mandate: Global Infrastructure Equity

Current Value: £79.0m

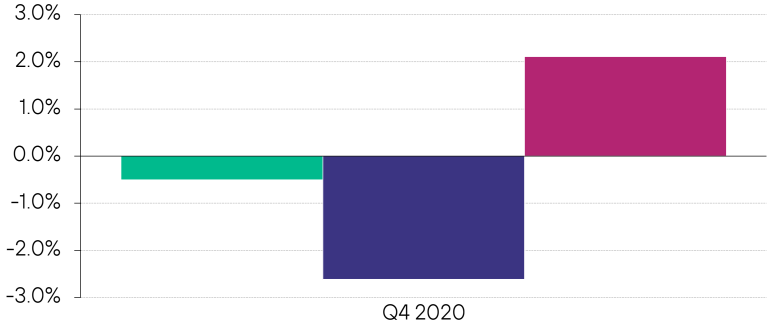
Current Weighting: 1.9%

Inception: 2 December 2020

Benchmark: MSCI World Total Return Index

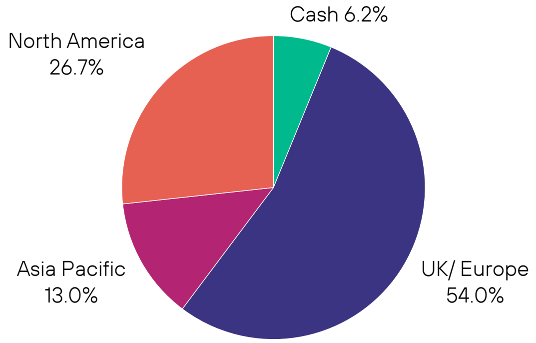
Objective: CPI + 5%

Performance to 31 December 2020

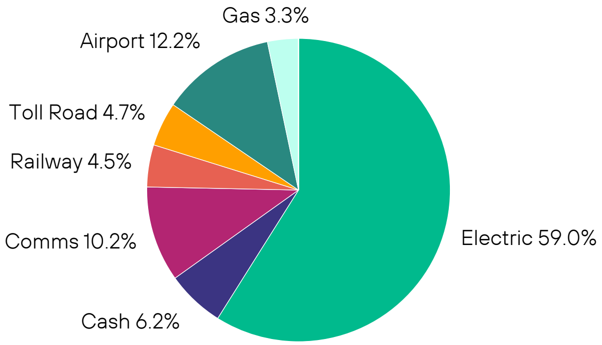


	Q4 2020
Return	-0.5%
Benchmark	-2.6%
Relative	+2.1%

Geographic Allocation at 31 December 2020



Sector Allocations at 31 December 2020



Commentary

- The initial investment in the Atlas Global Infrastructure Equity Fund was made on 2 December 2020. The returns are very short term.
- The weakest sectors over the quarter were US communication towers and utilities in Japan due to a 3rd wave of Covid-19 and the UK water sector that was impacted by regulatory concerns.
- At asset level, Snam, an Italian gas transmission operator announced strategic plans to focus on the opportunity to develop hydrogen as a renewable substitute for natural gas, with a commitment from the Italian government to install 5GW of hydrogen capacity by 2030.

Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

Ruffer – Absolute Return

Mandate: Diversified Growth Fund

Current Value: £470.9m

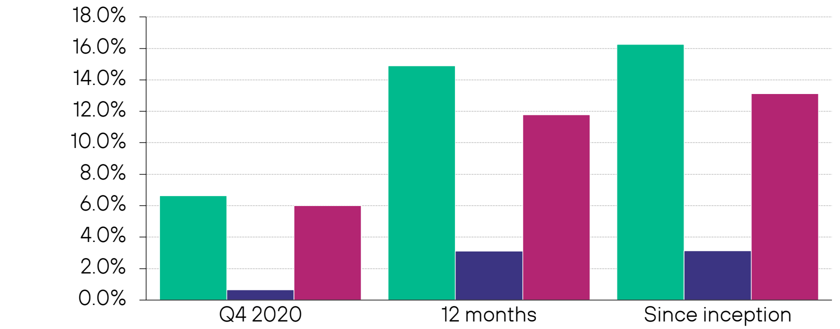
Current Weighting: 11.5%

Inception: 4 December 2019

Benchmark: 3-month LIBOR + 2.5%

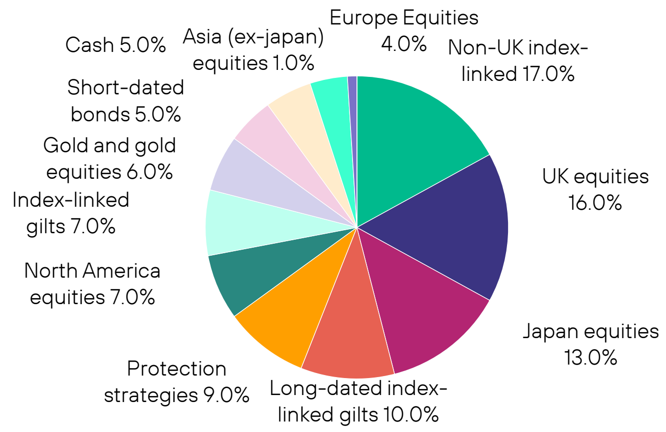
Objective: 3-month LIBOR + 4% p.a. (gross) over rolling 5 years

Performance to 31 December 2020

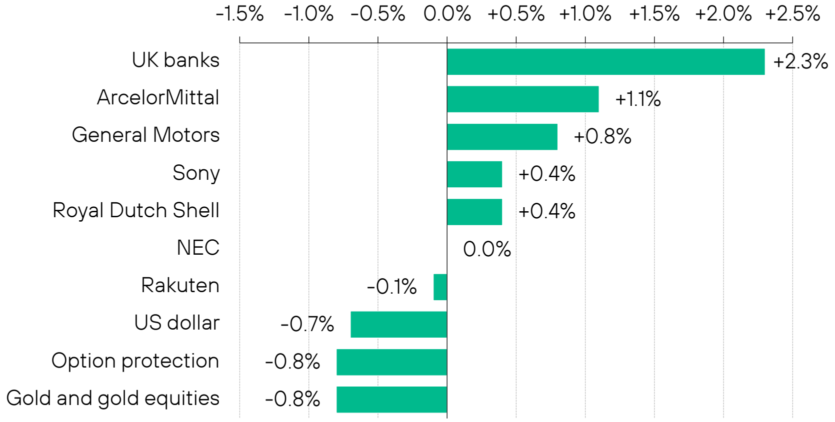


	Q4 2020	12 months	Since inception
Return	6.6%	14.9%	16.3%
Benchmark	0.6%	3.1%	3.1%
Relative	+6.0%	+11.8%	+13.1%

Asset Allocation at 31 December 2020



Contributors to performance at 31 December 2020



Commentary

- The Fund returned absolute positive performance of 6.6% over the quarter, outperforming its respective benchmark by 6%. Performance was boosted by the arrival of multiple effective COVID-19 vaccines which caused a rally in global equities and in turn provided strong positive gains for the Fund's equity exposures.
- Detractors to performance were mainly gold and gold equities. The value of gold fell as risk appetite increased among investors.
- During the quarter, the Fund increased exposure to the US dollar to offset risk asset exposures.
- Other the quarter the Fund acquired a small allocation to Bitcoin, which contributed positively to performance over the period.

Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

M&G – Real Estate Debt Fund

Mandate: Private Debt

Current Value: £38.2m

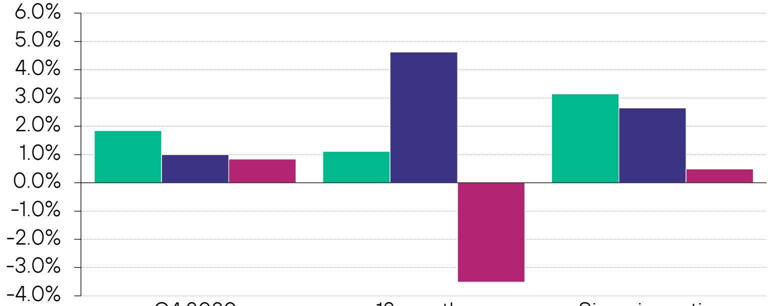
Current Weighting: 0.9%

Inception: 11 April 2019

Benchmark: Benchmark: 3m LIBOR +4%

Objective: Objective: 3m LIBOR +5%

Performance to 31 December 2020

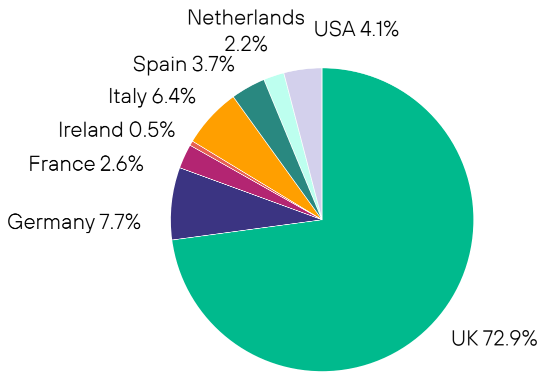


	Q4 2020	12 months	Since inception
Return	1.8%	1.1%	3.1%
Benchmark	1.0%	4.6%	2.7%
Relative	+0.8%	-3.5%	+0.5%

Commitments and Distributions to 31 December 2020

M&G – Real Estate Debt Fund	
Total Commitment (£m)	60
Commitment Drawn (£m)	38.2
Distributions (£m)	19.4
Outstanding Commitment (£m)	21.8
Market Value (£m)	38.2

Average Invested Capital by Geography across the portfolio



Commentary

- The Fund currently has exposure to 3 Funds within the M&G Private Debt portfolio, Funds IV, V & VI. The portfolio returned absolute positive performance of 1.8% over the quarter, outperforming its respective benchmark by 0.8%. Performance since inception is broadly aligned with the target (though clearly still quite short term).
- From a sector perspective, COVID continues to cause significant disruption, particularly in the hotel and retail sectors. The manager expects the Hotel sector to bounce back quite quickly, but believes COVID has accelerated the demise of high street retail in favour of online commerce.
- Since inception performance has been in line with expectations, however the fund has underperformed over the last 12 months. We note that the Fund currently has a European focus with a significant bias to the UK.
- M&G believes that the current market environment offers excellent opportunities to deploy capital and to take advantage of the dislocation in markets caused by the pandemic. M&G remains cautiously optimistic.

Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

M&G - Alpha Opportunities Fund

Mandate: Multi Asset Credit

Current Value: £279.9m

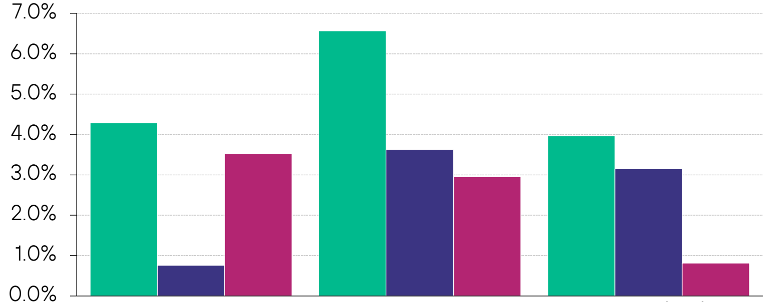
Current Weighting: 6.8%

Inception: 30 November 2009

Benchmark: 3 Month Libor + 3%

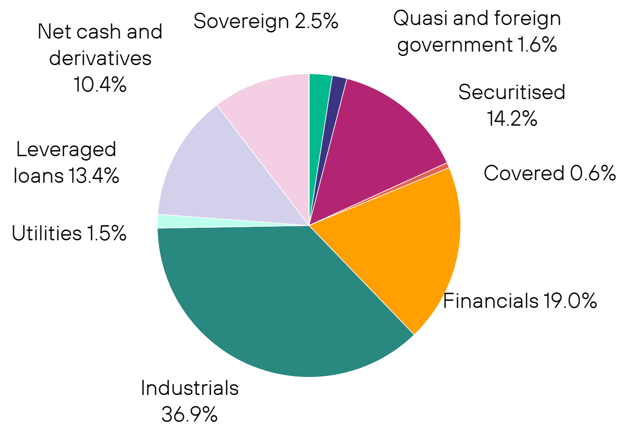
Objective: 3 Month Libor + 5% (gross)

Performance to 31 December 2020

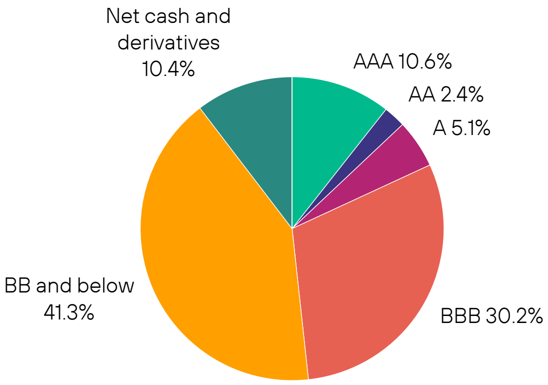


	Q4 2020	12 months	3 years (p.a.)
Return	4.3%	6.6%	4.0%
Benchmark	0.8%	3.6%	3.2%
Relative	+3.5%	+3.0%	+0.8%

Sector Allocation as at 31 December 2020



Credit Ratings as at 31 December 2020



Commentary

- Broad exposure to risk assets continued to be the key driver in Q4 2020 as credit valuations continued to rally, returning broadly to pre-pandemic levels.
- Over Q4, M&G increased exposure to issuers more acutely impacted by the pandemic, such as Heathrow, Rolls Royce and Airbus. M&G believes that they have purchased these bonds at attractive prices and expect to benefit over the longer term as their prices recover.
- Despite these additions, the portfolio's overall risk (measured through spread duration) fell over Q4, in line with M&G's cautious outlook and emphasis on downside protection.
- M&G believes that current market optimism will make stock selection more important (e.g. identifying fallen angels) as valuations continue to price in a consistent recovery, supported by governments and central banks – which will inevitably taper over time.

Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

M&G – Corporate Bonds

Mandate: Corporate Bonds

Current Value: £170.0m

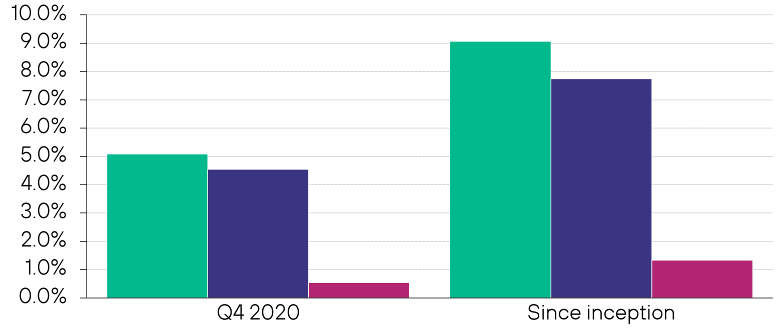
Current Weighting: 4.1%

Inception: 26 February 2020

Benchmark: Benchmark: - 50% iBoxx Non-Gilts Over 15Y - 50% iBoxx Non-Gilts

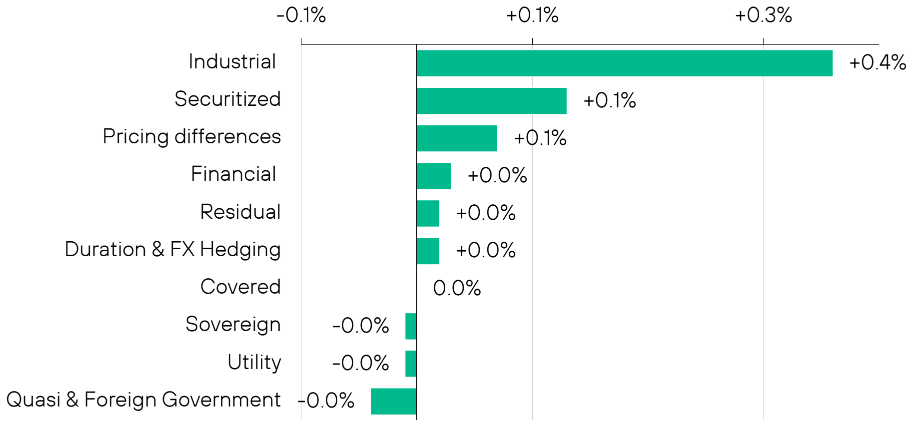
Objective: Outperform benchmark by 0.8% p.a. (gross)

Performance to 31 December 2020

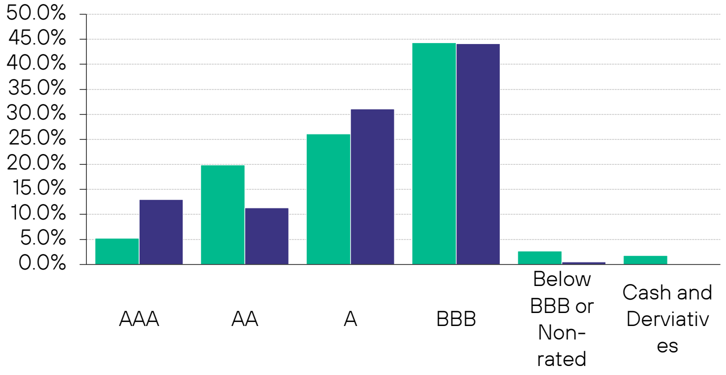


	Q4 2020	Since inception
Return	5.1%	9.1%
Benchmark	4.5%	7.7%
Relative	+0.5%	+1.3%

Performance Attribution as at 31 December 2020



Fund Credit ratings to Benchmark at 31 December 2020



	AAA	AA	A	BBB	Below BBB or Non-rated	Cash and Derviatives
Credit Rating	5.2%	19.9%	26.1%	44.3%	2.7%	1.8%
Benchmark	13.0%	11.3%	31.1%	44.1%	0.5%	0.0%

Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

Commentary

- The Fund returned 5.1% over the quarter outperforming the benchmark by 0.5%.
- Performance was supported by broad credit markets moving higher.
- During the quarter the manager decreased overall credit risk in the fund following strong performance and tightening spreads. This is in line with what we expect to see from M&G.

UBS – Over 5 Year IL Gilt Fund

Mandate: Index Linked Gilts

Current Value: £45.9m

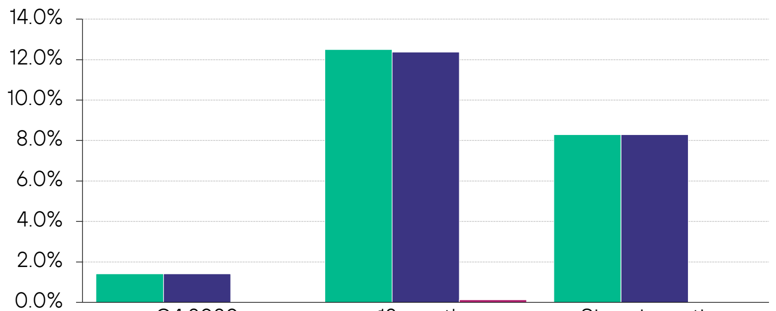
Current Weighting: 5.7%

Inception: 28 August 2017

Benchmark: FTSE Index- Linked Gilts Over 5 Years

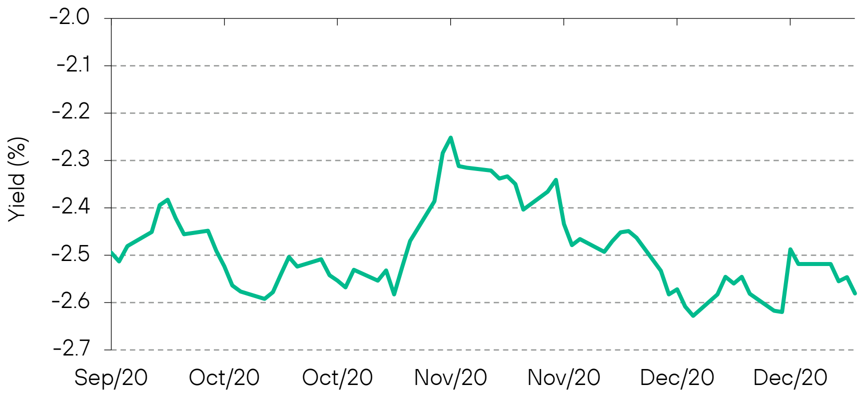
Objective: Match benchmark

Performance to 31 December 2020



	Q4 2020	12 months	Since inception
Return	1.4%	12.5%	8.3%
Benchmark	1.4%	12.4%	8.3%
Relative	0.0%	+0.1%	0.0%

Real Gilt Yields – Last Q4 2020



Commentary

- Performance tracked the benchmark as expected.
- Real yields remain close to historical lows.

Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

Fossil Fuel Exposure

The Table shows the Fund's fossil fuel exposure as at 31 December 2020.

The Fund's biggest contributors to Fossil Fuels is the Ruffer – Absolute Return Fund and the M&G Corporate Bond Fund.

This is a function of both the Fund's strategic allocation and the higher fossil fuel exposure within each underlying fund's allocation

Fund	Actual Fossil Fuel Exposure (%)	Actual Fossil Fuel Exposure (£m)	Benchmark Fossil Fuel Exposure (%)	Relative (%)	Management Style
UBS – Japan	4.7%	£1.5	4.7%	0.0%	Passive
UBS - Europe	5.3%	£4.4	5.3%	0.0%	Passive
UBS - UK	12.4%	£7.9	12.4%	0.0%	Passive
UBS – Pacific (ex Japan)	9.2%	£3.0	9.3%	0.0%	Passive
UBS – North America	4.3%	£6.1	4.2%	0.0%	Passive
UBS – Emerging Markets	9.0%	£5.5	9.1%	0.0%	Passive
Longview - Global Equity	0.0%	£0.0	-	-	Active
WHEB - Sustainability Fund	0.0%	£0.0	-	-	Active
ATLAS Global Infrastructure Equity Fund	3.5%	£2.8	15.0%	-11.5%	Active
Wellington – Global Impact Fund	0.0%	£0.0	-	-	Active
Storebrand – Global ESG Plus Fund	0.0%	£0.1	-	-	Passive – Smart Beta
Harbourvest – Private Equity[1]	1.4%	£1.6	-	-	Active
Adams Street – Private Equity[1]	1.5%	£1.9	-	-	Active
Newton – Absolute Return	0.0%	£0.0	-	-	Active
Schroders – Property	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 -UK Financing Fund	0.0%	£0.0	-	-	Active
M&G -Alpha Opportunities	3.2%	£8.8	9.5%	-6.4%	Active
Ruffer -Absolute Return	4.0%	£18.6	-	-	Active
M&G -Corporate Bonds	8.4%	£14.2	9.7%	-1.4%	Active
UBS -Over 5 Year IL Gilt Fund	0.0%	0.0%	-	-	Passive
Cash	0.0%	0.0%	-	-	Passive
Total Assets	**1.9%**	**£76.4m**	**-**	**-**	

Notes: Totals may not sum precisely due to rounding. All asset valuations have been provided by Northern Trust. Benchmark data where available has been provided by investment manager. 1. Data provided as at 30 September 2020.

Source: Investment Managers, Northern Trust, Link, Isio calculations.

Appendices

Market Background – Global Equity

Summary

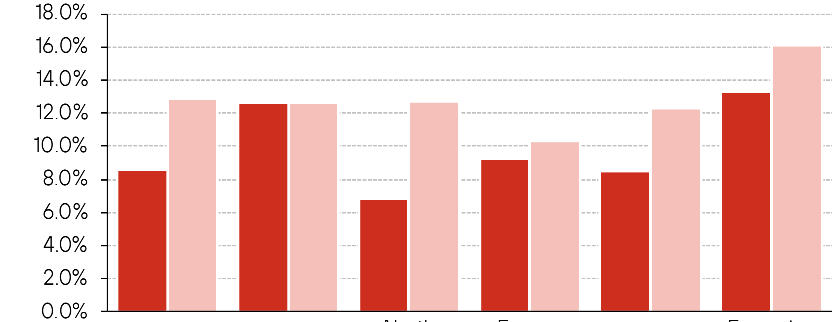
Promising news of a COVID-19 vaccine improved the global economic outlook leading equity markets to perform positively across the globe over Q4.

Central banks across the world have maintained loose monetary conditions through low interest rates and asset purchase programs.

Further fiscal support was also announced over Q4. In the US, Congress agreed a new stimulus package, whilst the UK Government extended the furlough and emergency loan schemes.

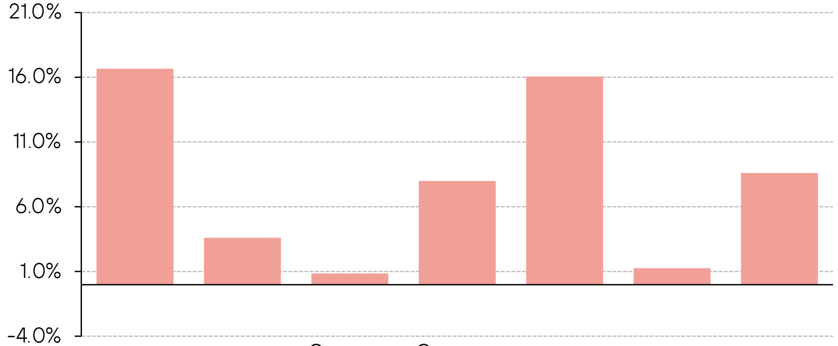
GBP hedged assets outperformed unhedged assets over Q4, with Sterling strengthening against most currencies over the period.

Regional Returns – Q4 2020



	World	UK	North America	Europe exc UK	Japan	Emerging Markets
Sterling	8.6%	12.6%	6.8%	9.2%	8.5%	13.3%
Local	12.8%	12.6%	12.7%	10.3%	12.3%	16.1%

Sector Returns – Q4 2020



	Financial	Utilities	Consum. Staples	Consum. Discret.	Energy	Health	Tech
Sector	16.7%	3.6%	0.9%	8.0%	16.1%	1.2%	8.6%

VIX Volatility Index – Last 12 months

Commentary

- Equity market returns were positive over Q4 following promising news of a COVID-19 vaccine. Markets were also supported by announcements of further accommodative monetary and fiscal support.
- Emerging Market equities provided the largest return as the region benefitted from a weakening US Dollar in the risk-on environment. The region's outlook also improved on hopes of easing trade tensions following the result of the US Presidential Elections.
- UK equities rebounded strongly over Q4 as the UK reached a trade deal agreement with the European Union ahead of the Brexit deadline.
- At a sector level, cyclical stocks rebounded following the news of a vaccine. Energy stocks performed strongly as demand for crude oil increased and the improved economic outlook also aided the financial sector.
- We expect volatility to remain elevated in the short-term, as markets remain sensitive to COVID-19 developments and further lockdown measures.

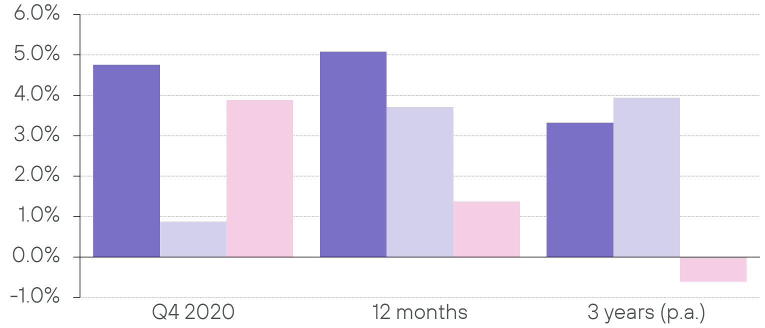
Note: Please see Appendix 2 for further information.
Source: Datastream, Isio calculations.

Market Background – Diversified Growth Funds ("DGFs")

Summary

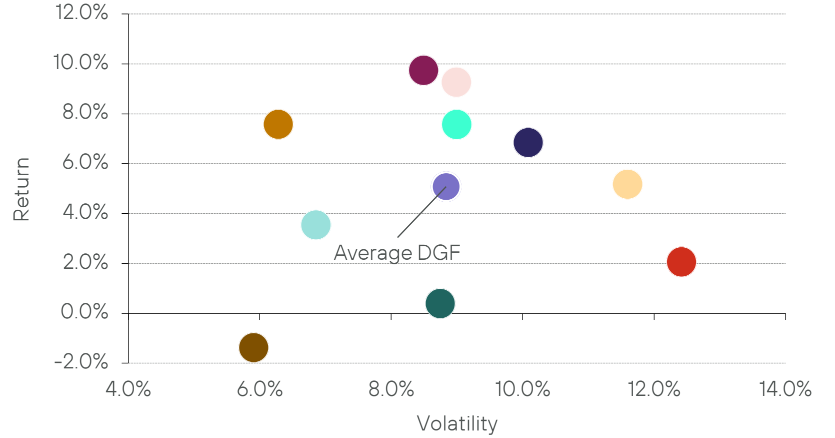
Within our sample of managers we have incorporated the performance of ten DGFs with various manager styles, aiming to give a balanced view of the market.

Sample Manager Average Returns– Q4 2020

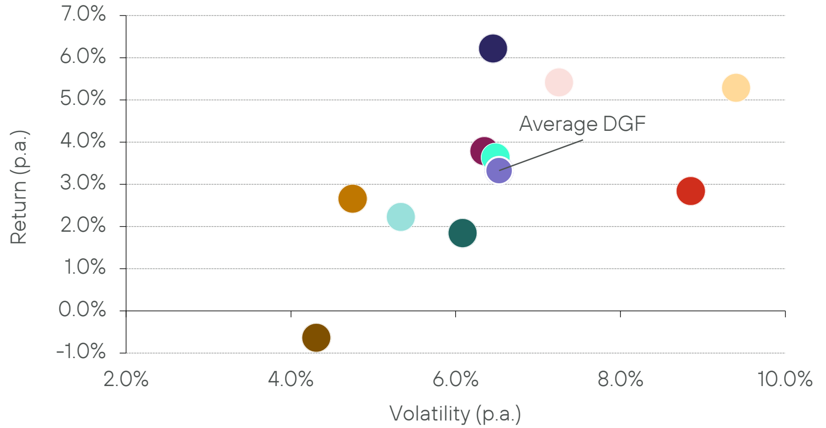


	Q4 2020	12 months	3 years (p.a.)
Average DGF	4.8%	5.1%	3.3%
Cash +3.5%	0.9%	3.7%	3.9%
Relative	3.9%	1.4%	-0.6%

Sample Manager Returns and Volatility – 12 months



Sample Manager Returns and Volatility – 3 years (p.a.)



Note: Please see Appendix 2 for further information.
Source: Datastream, Isio calculations.

Commentary

- The average DGF manager delivered positive performance over the last 12 months as equites continued their ascent with many major indices such as the S&P 500 reaching all time highs in Q4.
- Equities were the main drivers of performance as they benefited from the development of a COVID-19 vaccine and the continued support from central banks and governments through accommodative monetary and fiscal policy . As such DGF managers who maintained exposure to growth assets delivered the strongest returns.
- Overall, managers generally maintain a positive outlook for the year ahead as the combination of ongoing fiscal and monetary support, pent-up demand and economic re-opening is likely drive growth assets higher. However, managers remain aware of risks such as increasing debt, inflation risk, and political instability.

Market Background – Real Assets

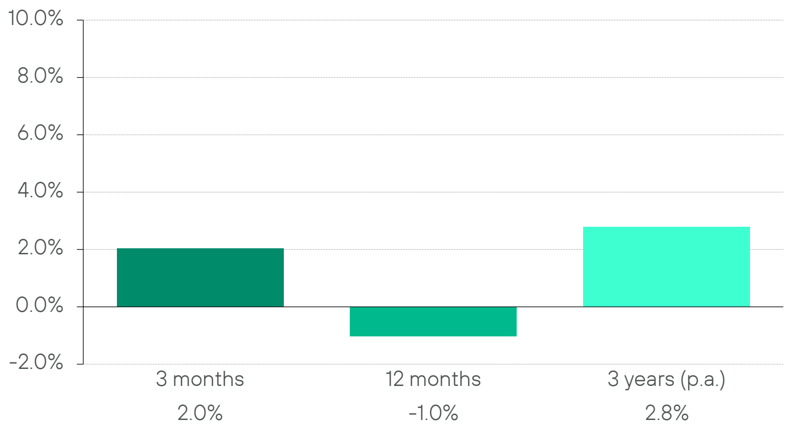
Summary

Both Core and Long Lease Property returns remained stable over the quarter, returning positive absolute performance. This was in part due to increased rent collections and improved capital values across a number of sectors.

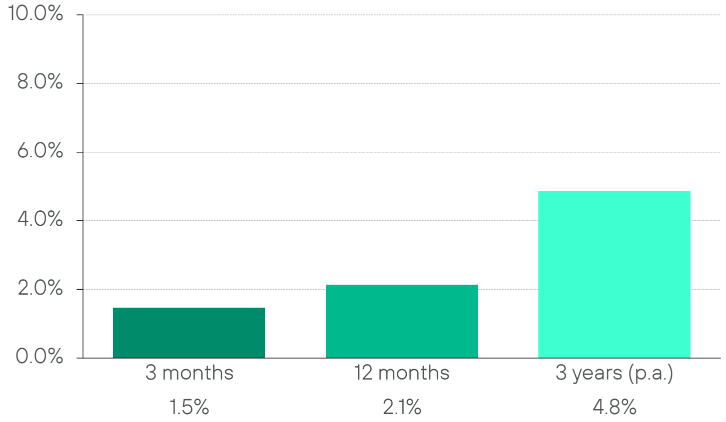
Leisure and hospitality assets have continued to struggle as a result of the persistent restrictions and lockdowns caused by COVID-19.

Transaction activity increased over the quarter, however, is expected to stay muted until around mid 2021 as the mass vaccination program gets further underway and restrictions on life ease further.

Core UK Property Returns



Long Lease UK Property Returns



Commentary – Core UK Property

- Core UK property continued to recover and provided positive absolute returns for its second consecutive quarter following the outbreak of COVID-19 earlier in the year.
- Material Uncertainty clauses which were brought in by valuers back in March 2020 are not expected to be reinstated across property funds again as a result of the third lockdown, as property viewings and lettings are still going ahead, with strong uptake in letting activity across the quarter.
- Rent collections remain in the region of 60-80% for Core UK Property, with retail and leisure assets most impacted.
- Over the past quarter Industrial assets have remained the star performer in terms of both rent collection and capital appreciation as demand continues to increase. While retail sector e.g. shopping centres continued to underperform.
- Looking forward the late Brexit deal could prompt recovery as businesses have greater certainty over trade agreements.

Commentary – Long Lease UK Property

- Long Lease Property continued to perform positively over Q4, despite the sustained COVID-19 related uncertainty and repeated threat of lockdowns, which highlights the resilience of the asset class.
- As in previous quarters, sectors that are unaffected by lockdown restrictions continue to perform strongly, such as industrial and supermarket retail. Whilst hotel and leisure assets have lagged behind, both in terms of rent collection and capital values.
- Rent collections have ranged from 80% to around 99% in some funds and this highlights both the effort of Investment managers to maximise rental payment but also the high credit and asset quality that long lease funds typically target.
- Transaction activity over the quarter has increased in comparison to H1 2020, but does remain muted, with managers not expecting it to pick up until mid 2021.
- Despite the challenges presented by COVID -19, there remains demand for this asset class due to its low-risk, secure, inflation-linked, long-term income streams.

Note: Please see Appendix 2 for further information.
Source: AREF / IPD and Investment Managers.

Market Background – Credit

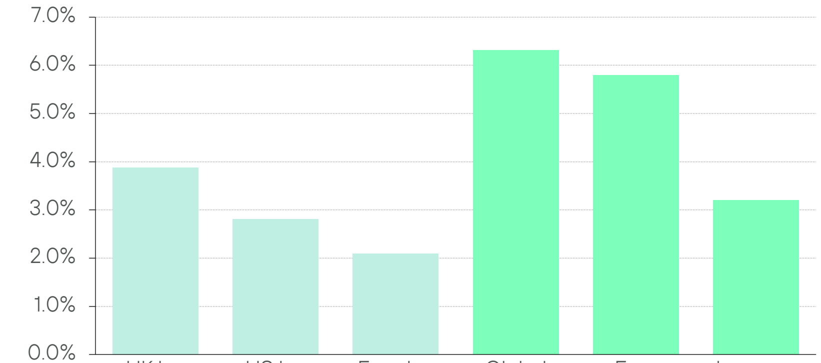
Summary

The market rally across global credit markets since the March 2020 lows regained pace, finishing the year on a high, following the slowdown at the end of Q3.

Drivers of performance included news of the approval of numerous COVID-19 vaccines globally, a positive reaction from investors to Joe Biden's victory in the US presidential elections and continued support from central banks and governments around the world.

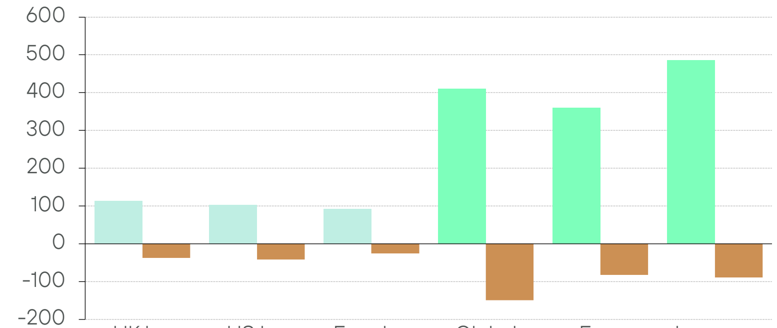
The strong end to the year saw spreads compress universally across credit markets. This spread tightening environment led to higher credit risk assets (e.g. HY, EM) to outperform lower risk (IG) bonds. This is emphasised by HY bond yields finishing 2020 120bps lower than they started the year. Spreads remained wider than the 31 December 2019 levels as market uncertainty remains regarding the ongoing second wave of COVID-19 and an effective role out of the freshly approved vaccines.

Credit Market Returns – Q4 2020



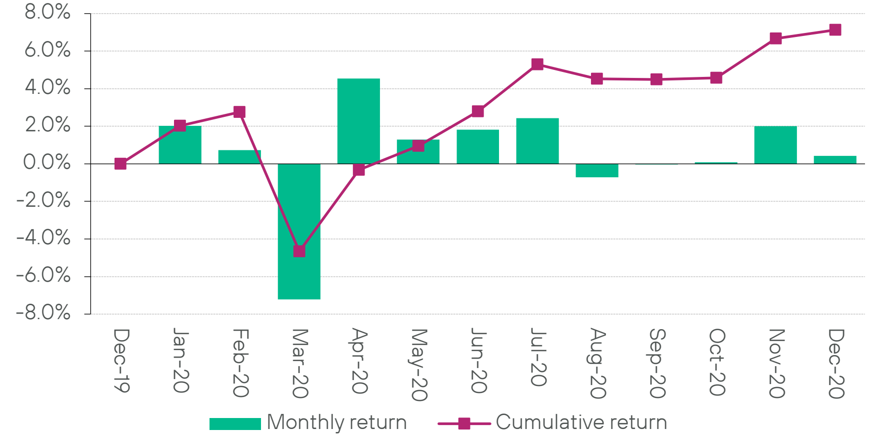
	UK Inv Grade	US Inv Grade	Euro Inv Grade	Global High Yld	Emg Markets	Leverag. Loans
£ Hedged	3.9%	2.8%	2.1%	6.3%	5.8%	3.2%

Credit Spreads – Q4 2020



	UK Inv Grade	US Inv Grade	Euro Inv Grade	Global High Yld	Emg Markets	Leverag. Loans
End of qtr	113	103	93	410	360	486
Qtr change	-37	-41	-25	-149	-82	-89

Global Broad Credit Market Return – Last 12 Months



Commentary

Broad credit market indices performed positively over Q4 as investor sentiment improved due to the results of the US elections and positive news regarding COVID-19 vaccines.

- Investment grade ('IG') bond spreads tightened over Q4, shrugging off September's concerns of a second wave of COVID-19 infections as vaccines began to be approved. IG outperformed government bonds as investors moved to a more "risk on" mindset.
- High yield ('HY') bond returns were broadly flat over October before delivering strong returns over the latter two months where yields decreased to record lows as prices were buoyed by inflows spurred by vaccine optimism.
- Emerging market ('EM') debt performance was muted over October followed by stronger returns to finish the year. Local currency appreciation over the quarter was a key driver to EM debt's positive performance.

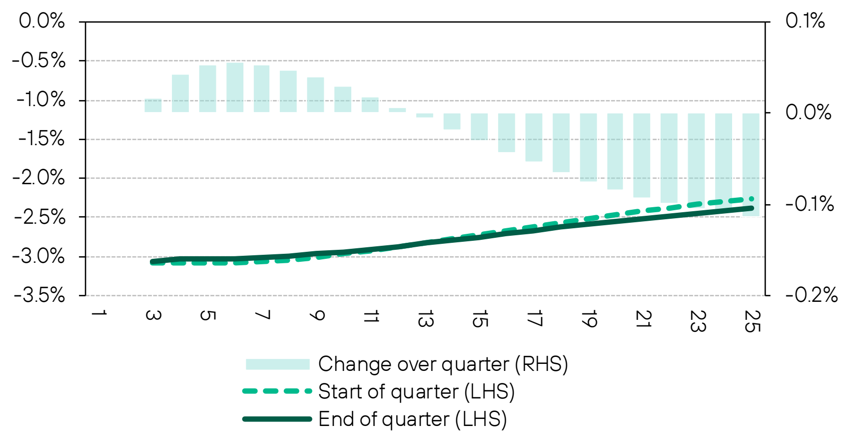
Note: Please see Appendix 2 for further information. Credit spreads are shown in basis points (100 bp = 1%).
Source: Investment Managers, Isio calculations, Eikon

Market Background – Yields

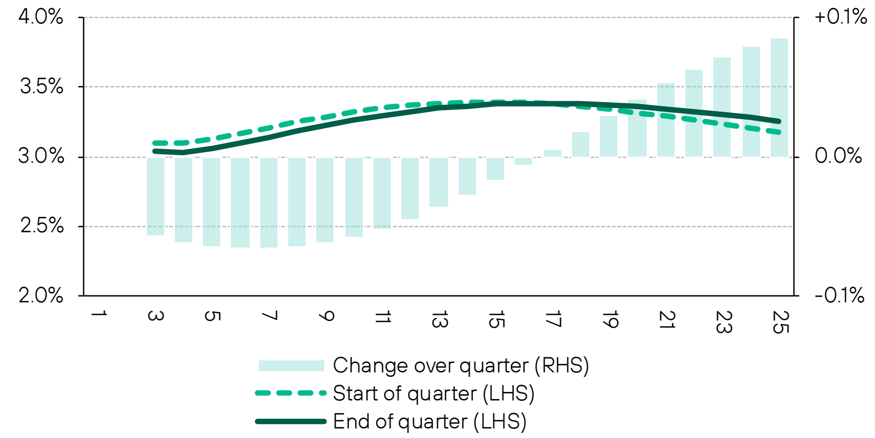
Summary

These curves show gilt yields and inflation expectations at varying time horizons. The horizontal axis represents the number of years.

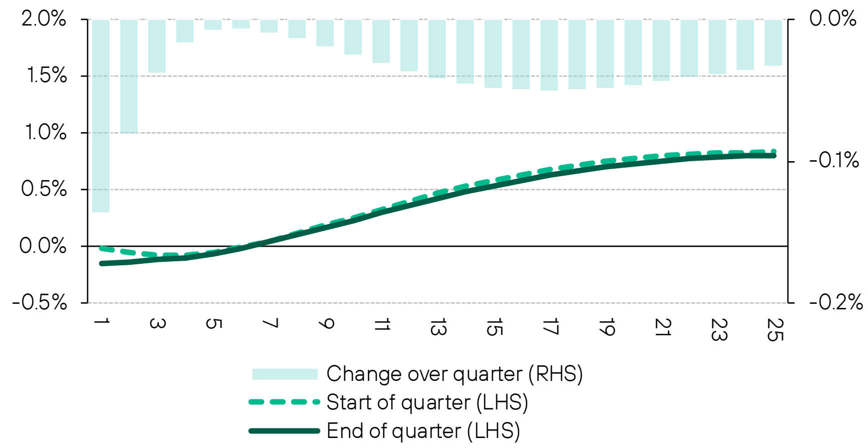
Real Gilt Yields – Q4 2020



Gilt-Implied Inflation – Q4 2020



Nominal Gilt Yields – Q4 2020



Commentary

- Long-dated (20-year) yields at the quarter-end were:
- Real gilt yield: -2.6%
- Nominal gilt yield: 0.7%
- Gilt-implied inflation expectation: 3.4%

Note: Please see Appendix 2 for details of the example liabilities. Monthly yield changes may not sum to quarterly changes, due to rounding.
Source: Bank of England, Isio calculations.

Explanation of Market Background

This glossary explains the components of the Market Background charts in Appendix 1.

All returns are in Sterling terms, unhedged, unless otherwise stated. Where “hedged” returns are quoted, these are local currency returns (i.e. any costs and imprecisions in hedging are assumed to be negligible).

Market Background – Overview

- Returns by Asset Class – The market indices underlying this chart are as follows:
  - UK Equity: FTSE All-Share
  - Global Equity: FTSE World (Unhedged and Hedged)
  - Emerging Market Equity: MSCI Emerging Markets
  - Diversified Growth Funds: mean of a sample of DGF managers
  - Property: IPD Monthly UK
  - Global High Yield: BoAML Global High Yield (GBP Hedged)
  - UK Inv. Grade Credit: BoAML Sterling Non-Gilt
  - Over 15 Years Gilts: FTSE Over 15 Year Gilt
  - Over 5 Years Index-Linked Gilts: FTSE Over 5 Year Index-Linked Gilt
  - Example Liabilities: a simplified calculation illustrating how a typical pension scheme’s past-service liabilities may have moved

Market Background – Global Equity

- Regional Returns – The market indices underlying this chart are as follows:
  - World: FTSE World
  - UK: FTSE All Share
  - North America: FTSE North America
  - Europe ex UK: FTSE Europe ex UK
  - Japan: FTSE Japan
  - Emg Mkts: MSCI Emerging Markets
- Sector Returns – The market indices underlying this chart are the relevant sectors from the MSCI All-Countries index.
- VIX Volatility Index – This is a forward-looking indicator. It represents the expected range of movement (in percentage terms) in the S&P 500 index (i.e. US equities in dollar terms) over the next year, at a 68% confidence level. It is calculated using options prices over a 30-day horizon.

Explanation of Market Background (cont.)

This glossary explains the components of the Market Background charts in Appendix 1.

All returns are in Sterling terms, unhedged, unless otherwise stated. Where "hedged" returns are quoted, these are local currency returns (i.e. any costs and imprecisions in hedging are assumed to be negligible).

Market Background – Real Assets

- Real Assets – The market indices underlying these charts are:
  - Core UK Property: IPD Monthly UK Index
  - Long Lease UK Property: IPD Long Income Property Fund Index

Market Background – Credit

- Sector Returns and Credit Spreads – The market indices underlying this chart are as follows:
  - UK Inv Grade: BoAML Sterling Non-Gilt
  - US Inv Grade: BoAML US Corporate (GBP Hedged)
  - Euro Inv Grade: BoAML Euro Corporate (GBP Hedged)
  - Global High Yield: BoAML Global High Yield (GBP Hedged)
  - Emerging Markets: JP Morgan EMBI Global (GBP Hedged)
  - Leveraged Loans: S&P/LSTA US Leveraged Loan Equity (GBP Hedged)
- Global broad credit market return – The market index underlying this chart is the BoAML Global Broad Market Corporate Index (GBP Hedged):
  - The Global Broad Market Index tracks the performance of investment grade public debt issued in the major domestic and eurobond markets, including 'global' bonds.
  - Qualifying bonds must have at least one year remaining term to maturity and a fixed coupon schedule. Bonds must be rated investment grade and be domiciled in a country having an investment grade foreign currency long-term debt rating (based on a composite of Moody's and S&P).

Explanation of Market Background (cont.)

This glossary explains the components of the Market Background charts in Appendix 1.

All returns are in Sterling terms, unhedged, unless otherwise stated. Where "hedged" returns are quoted, these are local currency returns (i.e. any costs and imprecisions in hedging are assumed to be negligible).

Market Background – Yields

- Yields – Yields shown are annual yields (i.e. they have been converted from the "continuously compounded" basis quoted by the Bank of England).
- Example Liabilities – This illustrates how a typical scheme's past-service liabilities may have moved.
  - It is based on a simplified calculation assuming a scheme with duration 20 years and liabilities split 70% inflation-linked and 30% fixed.
  - Liability movement is calculated using yield changes and unwinding (short-term interest rate with no premium) only, with no accrual, outgo, or inflation experience.
  - A rise in yields equates to a fall in the calculated value of the liabilities (due to the higher discount rate at which the future cashflows are valued); conversely, a fall in yields means a rise in liabilities.

Market Background - DGF

- **Diversified Growth Funds ("DGFs")** – Due to the lack of a market index for DGFs, we illustrate the performance of this by showing the returns of 10 of the largest funds by assets under management. Specifically:
  - Aberdeen Standard Global Absolute Return Strategies
  - Aviva Multi-Strategy Target Return
  - Baillie Gifford Diversified Growth
  - BlackRock Dynamic Diversified Growth
  - Invesco Perpetual Global Targeted Returns
  - L&G Diversified
  - Newton Real Return
  - Nordea Stable Return
  - Ruffer Absolute Return
  - Schroder Diversified Growth
- The 'Average DGF' performance is an equally-weighted average of the sample of 10 managers' performance figures.
- Returns are shown net of each manager's standard fee. While every effort has been taken to select vehicles with institutional/clean fee structures, the impact may not necessarily reflect any particular client's fee arrangements.
- Volatility is calculated by annualising the volatility of daily returns.
- As clients have specific selection criteria, the managers listed here may not meet any given client's criteria.
- DGFs encompass a range of investment approaches, return targets, and risk profiles. Consequently, different managers' returns are not necessarily a like-for-like comparison.

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