East Sussex Pension Fund

Investment Performance
Quarter to 30 June 2021

Isio Investment Advisory

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Document Classification: Confidential

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Highlights

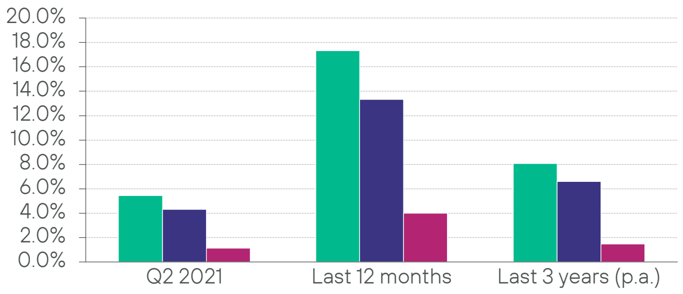
Executive Summary – 30 June 2021

The Fund's assets delivered a positive return of 5.5% over the quarter, outperforming its respective benchmark by 1.1%.

Over the quarter all of the Fund's mandates returned positive absolute performance, as markets continued to react positively to the global vaccine rollout and supportive monetary measures from central banks.

Access Pool	Fund	Q2 2021 Performance			Value at quarter end	
		Fund	Benchmark	Relative	31-Mar-21	30-June-21
Yes	UBS - UK Equity	6.1%	5.6%	+0.5%	£66.7m	£70.8m
Yes	UBS – Global Equity	6.8%	6.9%	-0.1%	£362.0m	£386.6m
Yes	Longview - Global Equity	5.9%	7.3%	-1.4%	£458.8m	£485.8m
No	WHEB - Sustainability Fund	6.4%	7.8%	-1.4%	£222.7m	£236.9m
No	Wellington – Global Impact Fund	9.0%	7.6%	+1.4%	£222.8m	£242.7m
No	Storebrand – Global ESG Plus Fund	7.4%	7.8%	-0.4%	£454.5m	£488.5m
No	Harbourvest – Private Equity[1,2]	40.8%	7.6%	+33.2%	£110.5m	£151.3m
No	Adams Street – Private Equity[1,2]	12.0%	7.6%	+4.4%	£154.5m	£166.4m
Yes	Newton – Absolute Return	2.5%	0.7%	+1.8%	£492.3m	£504.5m
No	Schroders – Property	3.8%	3.8%	+0.0%	£347.8m	£358.1m
No	UBS – Infrastructure[2]	1.0%	2.2%	-1.3%	£37.7m	£28.1m
No	Pantheon – Infrastructure[2]	5.0%	2.2%	+2.7%	£38.1m	£43.9m
No	M&G Infrastructure[2]	2.4%	2.2%	+0.2%	£32.7m	£35.0m
No	ATLAS Global Infrastructure Equity Fund	2.0%	2.7%	-0.7%	£77.3m	£78.8m
No	M&G - Private Debt[2]	1.4%	1.0%	+0.4%	£42.4m	£40.2m
No	M&G - Alpha Opportunities	1.6%	0.8%	+0.8%	£285.1m	£289.7m
Yes	Ruffer -Absolute Return	0.1%	0.7%	-0.5%	£510.0m	£510.7m
Yes	M&G -Corporate Bonds	2.6%	2.7%	+0.1%	£158.4m	£162.5m
Yes	UBS - Over 5 Year IL Gilt Fund	3.8%	3.9%	-0.1%	£128.8m	£133.7m
	Total Assets	**5.5%**	**4.3%**	**1.1%**	**£4,235m**	**£4,466m**

Period returns – to 30 June 2021



	Q2 2021	Last 12 months	Last 3 years (p.a.)
Scheme Return	5.5%	17.3%	8.1%
Benchmark Return	4.3%	13.3%	6.6%
Investment Objective	1.1%	4.0%	1.5%

Commentary

- The Fund's assets delivered a strong positive absolute return of 5.5% over the quarter, outperforming the respective benchmark by 1.1%. Over the quarter all of the Fund's assets returned positive absolute performance, as investor optimism increased with the successful vaccine rollout and continued supportive central bank measures.
- Over the period, the Harbourvest private equity mandate was the standout performer in both absolute and relative terms with the Fund benefitting from a number of IPOs and asset sales as well as a general uptick in the valuation of assets as markets continue to open and normalise following various COVID lockdowns.
- The Fund's benefited over the quarter, as risk assets continued to perform well, underpinned by easing US inflation concerns and improving investor sentiment.
- . Longer term returns at fund level remain strong, particularly over the 12 month period where the Fund has returned 17%, outperforming the benchmark by 4.0%.

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 30 June 2021. Fund Total value includes cash held with Northern Trust. [1] Valuation and performance information as at 31 March 2021. [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 – 30 June 2021

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

The UBS Infrastructure Fund continues to materially underperform its respective benchmark across all time periods and should continue to be monitored closely.

The Schroders property fund has also underperformed its benchmark since inception but to a lessor degree.

Fund	Q2 2021 Performance			1 Year Performance			3 Year Performance			Since Inception performance		
	Fund	Objective	Relative	Fund	Objective	Relative	Fund	Objective	Relative	Fund	Objective	Relative
UBS - UK Equity	6.1%	5.6%	+0.5%	21.3%	21.5%	-0.1%	2.3%	2.1%	+0.2%	2.3%	2.2%	+0.0%
UBS – Global Equity	6.8%	6.9%	-0.1%	23.6%	24.2%	-0.6%	12.4%	12.6%	-0.3%	12.1%	12.3%	-0.2%
Longview - Global Equity	5.9%	7.3%	-1.4%	25.8%	24.6%	+1.2%	-	-	-	10.6%	16.6%	-6.0%
WHEB - Sustainability Fund	6.4%	7.8%	-1.4%	-	-	-	-	-	-	8.3%	13.2%	-4.9%
Wellington – Global Impact Fund	9.0%	7.6%	+1.4%	-	-	-	-	-	-	12.4%	12.3%	+0.1%
Storebrand – Global ESG Plus Fund	7.4%	7.8%	-0.4%	-	-	-	-	-	-	13.4%	13.8%	-0.3%
Harbourvest – Private Equity[1]	40.8%	7.6%	+33.2%	52.7%	26.1%	+26.6%	24.0%	14.3%	+9.7%	9.4%	11.5%	-2.1%
Adams Street – Private Equity[1]	12.0%	7.6%	+4.4%	52.1%	26.1%	+26.0%	23.0%	14.3%	+8.7%	11.4%	10.9%	+0.5%
Newton – Absolute Return	2.5%	0.7%	+1.8%	12.9%	2.6%	+10.3%	-	-	-	6.2%	2.9%	+3.3%
Schroders – Property	3.8%	3.8%	+0.0%	8.2%	8.5%	-0.4%	2.6%	3.0%	-0.4%	6.8%	8.1%	-1.3%
UBS - Infrastructure	1.0%	2.2%	-1.3%	-18.2%	4.5%	-22.7%	-5.1%	3.4%	-8.6%	4.3%	1.6%	2.7%
Pantheon – Infrastructure[1]	5.0%	2.2%	+2.7%	3.6%	4.5%	-0.9%	4.7%	3.7%	+1.0%	5.5%	3.7%	+1.8%
M&G – Infrastructure	2.4%	2.2%	+0.2%	18.7%	4.5%	+14.2%	-	-	-	8.2%	3.6%	+4.6%
ATLAS - Global Infrastructure Equity Fund	2.0%	2.7%	-0.7%	-	-	-	-	-	-	-0.8%	2.7%	-3.5%
M&G - Private Debt	1.4%	1.0%	+0.4%	9.1%	4.1%	+5.0%	-	-	-	1.6%	4.6%	-3.0%
M&G - Alpha Opportunities	1.6%	0.8%	+0.8%	10.7%	3.1%	+7.6%	5.3%	3.5%	1.7%	4.1%	1.4%	+2.7%
Ruffer - Absolute Return	0.1%	0.7%	-0.5%	16.7%	2.6%	+14.1%	-	-	-	16.7%	3.0%	+13.8%
M&G - Corporate Bonds	2.6%	2.7%	-0.1%	1.3%	0.9%	+0.4%	-	-	-	3.1%	1.5%	+1.6%
UBS - Over 5 Year IL Gilt Fund	3.8%	3.9%	-0.1%	-6.3%	-4.4%	-1.8%	4.7%	5.3%	-0.6%	5.3%	5.9%	-0.6%
Total Assets	**5.5%**	**4.3%**	**1.1%**	**17.3%**	**13.3%**	**4.0%**	**8.1%**	**6.6%**	**1.5%**			

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 March 2021. [1] Valuation and performance information as at 31 December 2021.
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	**Fossil Fuel Analysis** • Isio is producing a short paper highlighting and comparing the relevant investment and fossil fuel risks that the Fund is exposure to. The paper will also include an introduction to the climate scenario modelling that we recommend the Fund carries out over the later part of the year. The paper will be presented at the September Committee meeting. **Infrastructure Allocation Implementation** • Isio is preparing a paper to allow the Committee to make a decision in how to implement the newly agreed increased allocation to Infrastructure equity. This will include a comparison of a range of open ended funds as well as our assessment on their capabilities, ESG credentials and their ability to incorporate renewables within their mandates. The paper will be presented at the September Committee meeting. **Fixed Income Allocation Implementation** • Isio is liaising with the Access Pool to ascertain the fixed income options currently available on their platform as well as the timescales of future options becoming available. Once this position is clear, Isio will propose an implementation route for the newly agreed fixed income allocation to the Committee.	Information only Information only Information only
Investment Managers	• We have no immediate concerns regarding the investment managers at this time. • We suggest to continue monitoring the Longview Global Equity Fund given recent team changes and propose the Fund conduct a formal review of the position towards the end of 2021. • Given weak UBS infrastructure performance since inception, we propose this fund continues to be monitored closely.	

Market Background

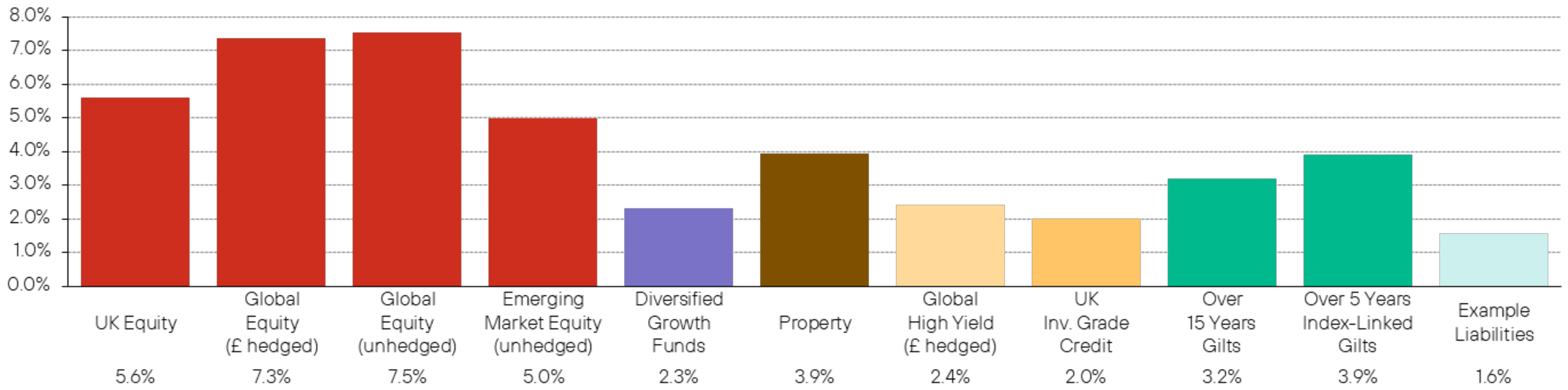
Market Background – Overview Q2 2021

Summary

Global equity markets were the strongest performing asset class over the quarter, as economies continued to reopen and global monetary policy remains accommodative.

Gilt yields declined over the quarter following a resurgence in Q1, as investors became concerned about the impact of the COVID-19 delta variant and increasingly sceptical of the potential for continued inflationary pressures.

Returns by Asset Class – Q2 2020



Key Upcoming Events

- The dates for the Bank of England's Monetary Policy Committee (MPC) announcements in Q3 2021 are 5 August (despite inflation concerns, UK base rate held, and MPC voted to continue its bond purchasing programme) and 23 September.
- The dates for the US Federal Reserve's Federal Open Market Committee (FOMC) announcements in Q3 2021 are 28 July and 22 September. At the 28 July announcement, the US base rate and bond purchases were held steady, while the Fed noted the economy has improved, but suggested some way to go before tapering monetary policy.

Commentary

- Global equity markets registered positive returns over Q2, this was primarily due to investor optimism strengthening as COVID-19 vaccinations continue to be successfully rolled out and businesses re-open. Performance over the quarter was further backed by the reassurance on continued monetary stimulus measures from central banks.
- Credit markets delivered positive performance as they have benefitted from narrowing credit spreads, positive fundamentals, including low expected default rates and supportive monetary policy.
- Gilt yields declined over the quarter following a significant rally in Q1, as investors weighed the impact of the COVID-19 delta variant on the promise of an economic reopening. Additionally, consideration was given to what extent the recent inflationary pressures would be transitory in nature.

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 Q2 2021

Summary

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

The “Example Liabilities” indicate how a typical scheme’s past-service liabilities may have moved.

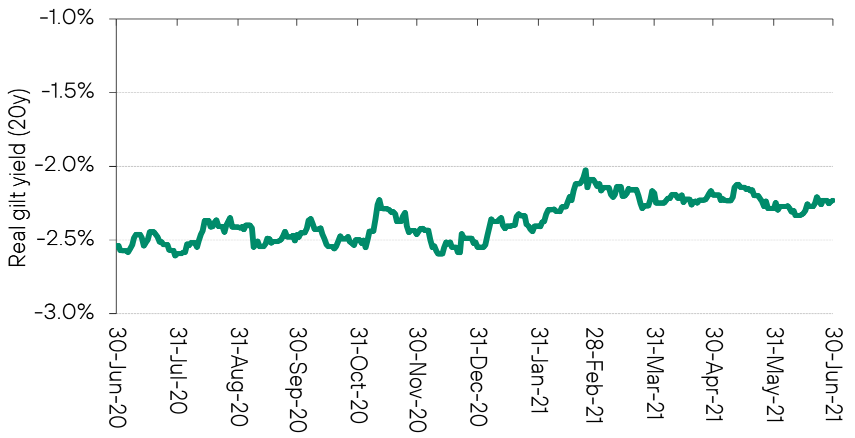
Gilt Yield Changes:

20-year Real Gilt Yield	
April	-0.01%
May	-0.09%
June	0.05%
Quarter	**-0.05%**

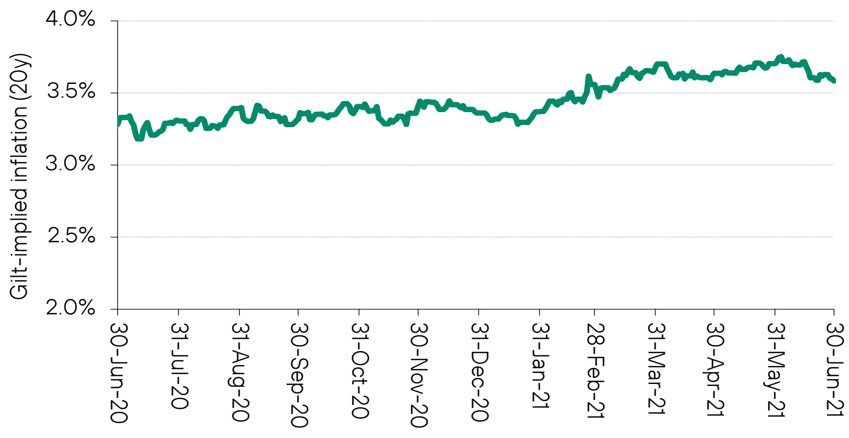
20-year Nominal Gilt Yield	
April	-0.05%
May	-0.03%
June	-0.06%
Quarter	**-0.14%**

20-year Gilt-Implied Inflation	
April	-0.04%
May	0.07%
June	-0.12%
Quarter	**-0.09%**

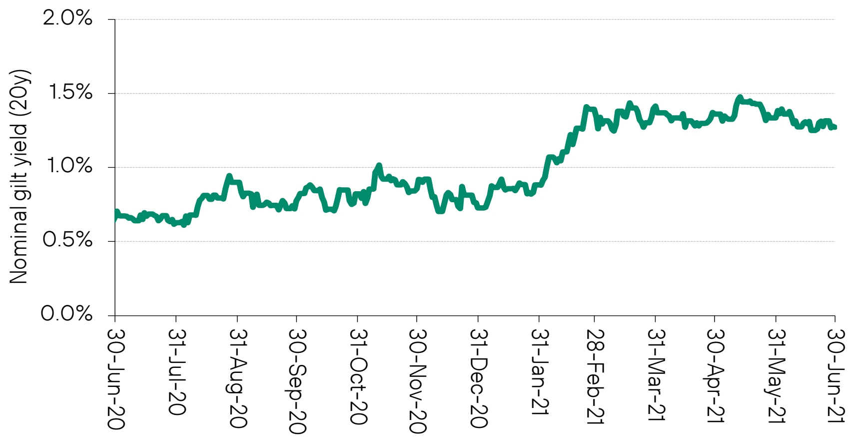
Real Gilt Yields – Last 12 months



Gilt-Implied RPI Inflation – Last 12 months



Nominal Gilt Yields – Last 12 months



Example Liabilities

- The liabilities for an example DB pension scheme increased by c.1.6% over the quarter. This can be broken down into the following components:
  - c. 0.7% increase, due to the fall in real yields;
  - c. 0.9% increase, due to the fall in nominal yields; and
  - c. 0.0% due to the “unwinding” effect (also known as “interest” on the liabilities).
- The liabilities for an example DB pension scheme decreased by c.8.0% over the last 12 months.

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 30 June 2021

Summary

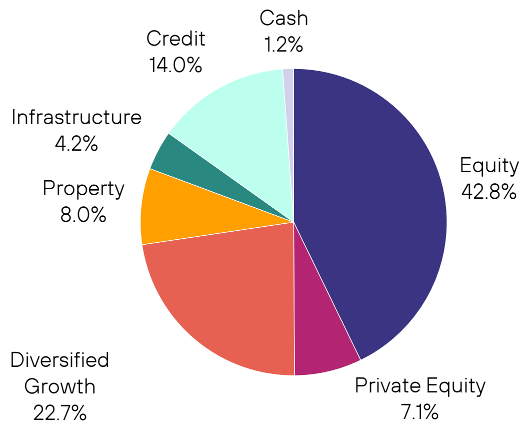
As at June 2021, the Fund's asset allocation remains broadly inline with Fund's strategic benchmark and small under or over-weights can will occur over time as the valuation of the Fund's assets respond to market performance.

We will report against the newly agreed strategic benchmark from Q3 2021 onwards.

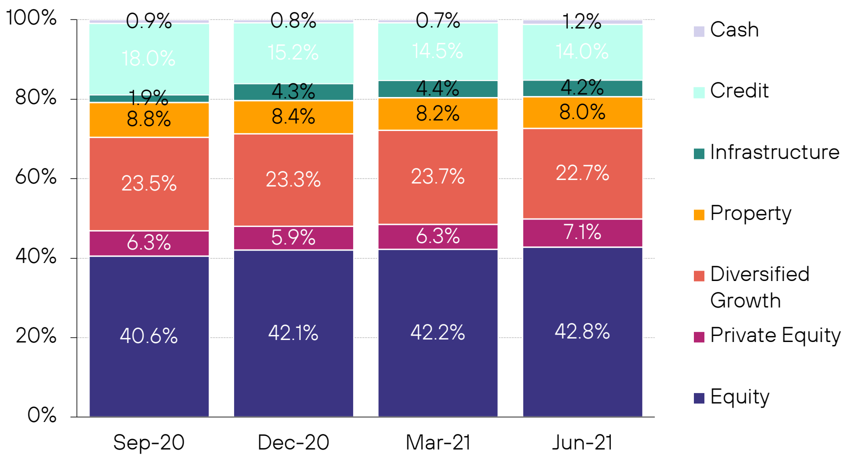
Total Assets	
Start of quarter	£4,235m
End of quarter	£4,466m

Target Allocation	
Equity	40.0%
Diversified Growth	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%

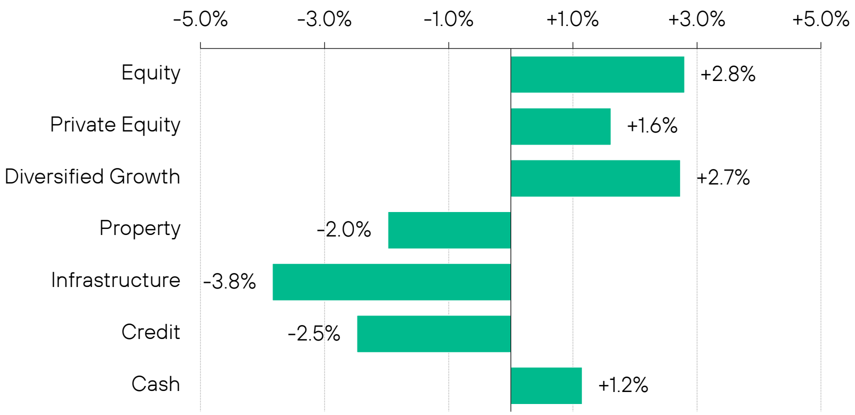
Asset Allocation – 30 June 2021



Asset Allocation Changes Since 30 September 2020



Assets Relative to Benchmark – 30 June 2021



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

Commentary

- As at June 2021, the Fund's asset allocation remains broadly in line with Fund's strategic benchmark, with slight overweight to equity (including private equity) and diversified growth, with underweight positions in infrastructure, credit and property.
- The biggest positive shift in relative weighting over the quarter occurred within the Fund's equity holdings. This was largely driven by the overall positive performance of global equity markets compared to other risk asset classes.
- Over the last 12 months the Fund's asset allocation continues to remain relatively stable.
- The Committee has agreed to review the credit and infrastructure mandates over the second half of the year and we suggest that this is rebalanced towards the agreed benchmark once this is complete.
- In July, following quarter end, the Committee agreed a new strategic allocation, which will be implemented over the coming months and will be reported against from Q3 2021.

Investment Managers

Performance Summary – to 30 June 2021

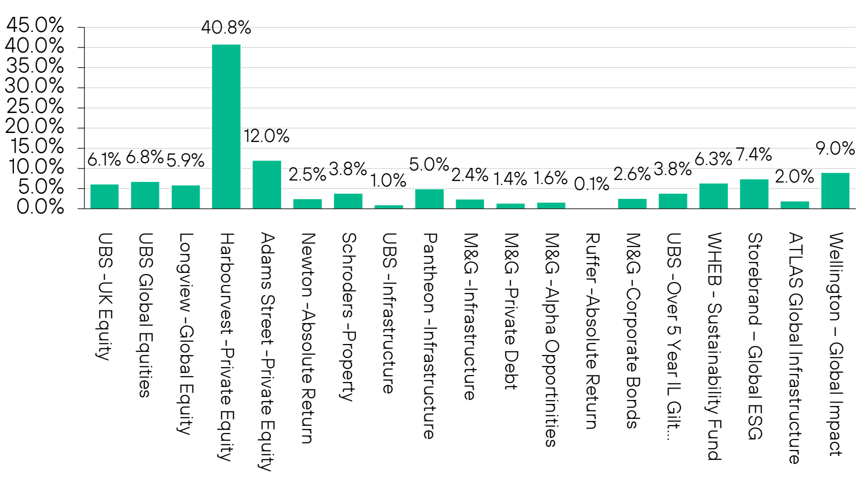
Summary

All of the Fund's assets delivered positive absolute performance over the quarter.

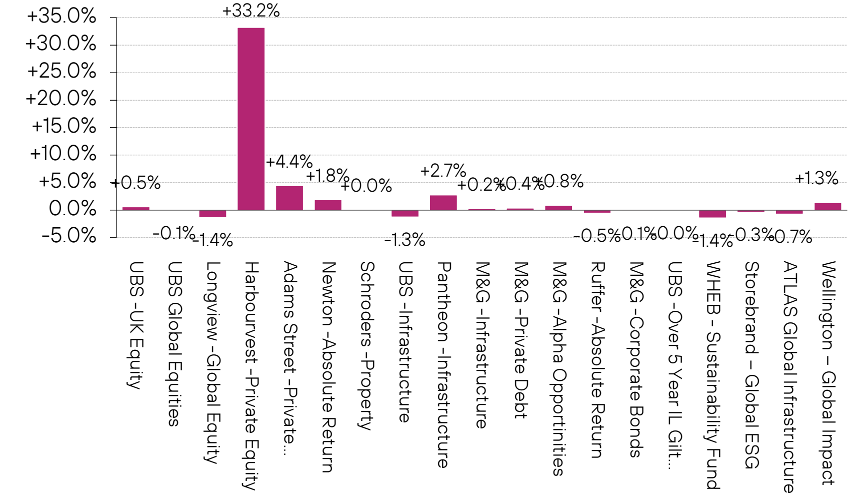
The Fund's private equity mandate with Harbourvest was the standout performer in both relative and absolute terms.

Relative performance over the quarter was more mixed with WHEB and Longview equity funds and the UBS infrastructure fund all posting a small relative underperformance.

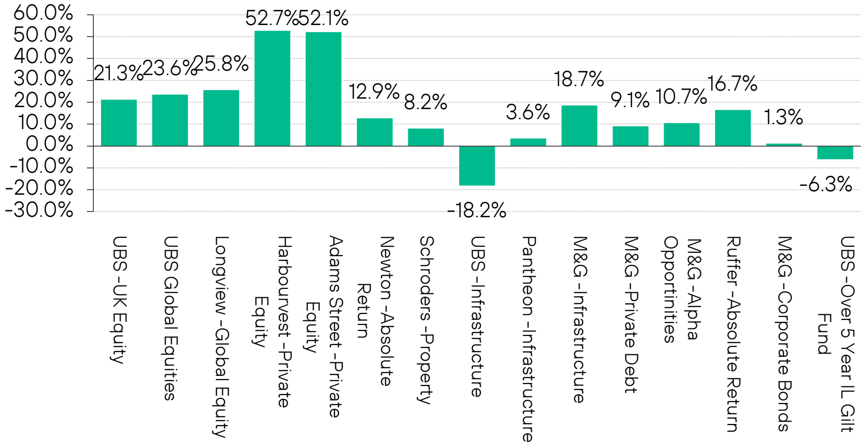
Absolute Return – Q2 2021



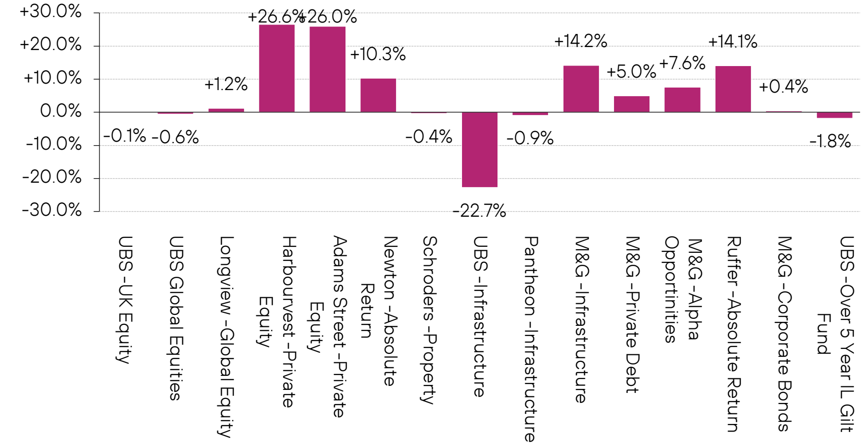
Relative Return – Q2 2021



Absolute Return – 12 months



Relative Return – 12 months



Note: Returns net of fees. 12 month relative and absolute returns are not available for the WHEB, Storebrand, ATLAS & Wellington mandates as they were incepted in Q4 2020.
Source: Investment Managers, Northern Trust, Isio calculations.

UBS – Equity

Mandate: Passive Equities

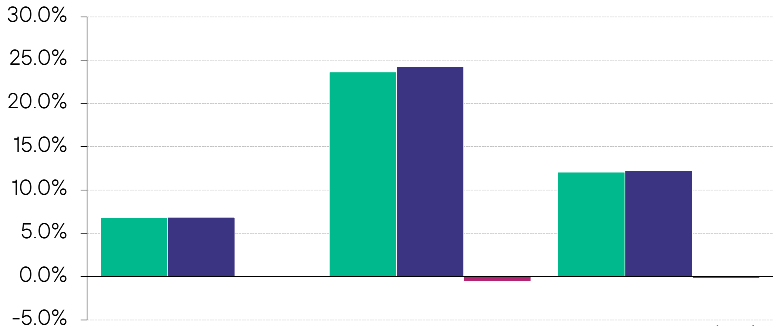
Current Value: £457.4m

Current Weighting: 10.2%

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

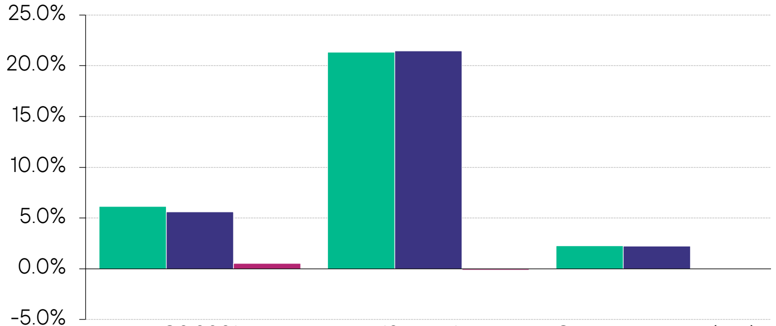
Objective: To track their respective underlying respective regional equity benchmarks

Global Performance to 30 June 2021



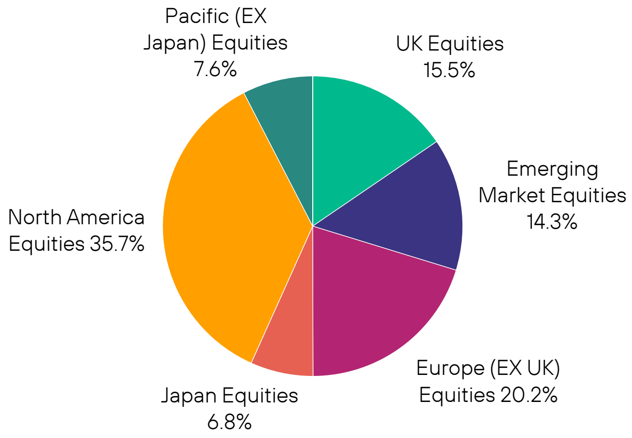
	Q2 2021	12 months	Since inception (p.a.)
Return	6.8%	23.6%	12.1%
Benchmark	6.9%	24.2%	12.3%
Relative	-0.1%	-0.6%	-0.2%

UK Equities Performance to 30 June 2021



	Q2 2021	12 months	Since inception (p.a.)
Return	6.1%	21.3%	2.3%
Benchmark	5.6%	21.5%	2.2%
Relative	+0.5%	-0.1%	+0.0%

Geographic Exposure as at 30 June 2021



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

Commentary

- Both UBS equity mandates delivered positive performance, in line with their respective benchmarks, over the period
- Global equity markets continued to perform strongly as positive investor sentiment was underpinned by the success of the COVID-19 vaccine deployment and encouraging macro-economic and corporate earnings growth data.
- The US was the strongest performing regional market, with company profitability benefitting from supportive fiscal stimulus, and economic re-opening.
- By contrast, Japanese equities delivered flat performance, as gradual increases in COVID-19 case numbers over the quarter led to a delay in the lifting of restrictions. This was reflected in the release of relatively weak short-term economic data.
- While posting positive returns, UK equities lagged relative to the UK and Europe, as the emergence of the 'delta' variant of COVID-19, led to a delay in lifting of some restrictions, negatively impacting sectors such as retail, travel and leisure.

Longview - Global Equity

Mandate: Active Global Equities

Current Value: £485.8m

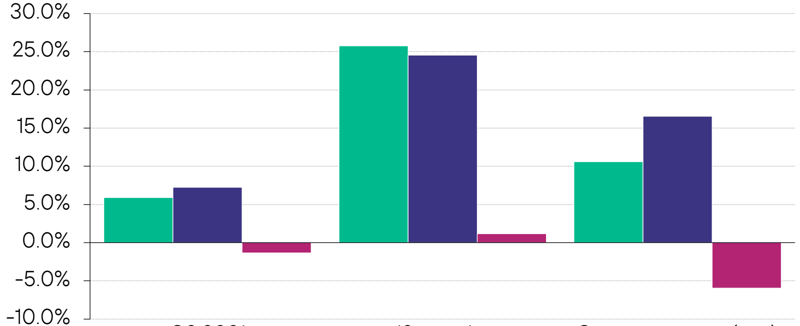
Current Weighting: 10.9%

Inception: 4 February 2019

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

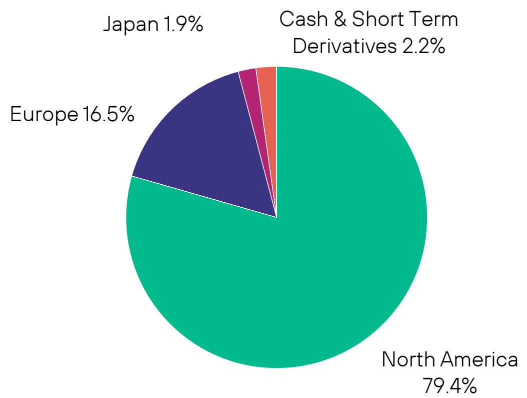
Benchmark: MSCI ACWI

Longview Global Equity Performance to 30 June 2021

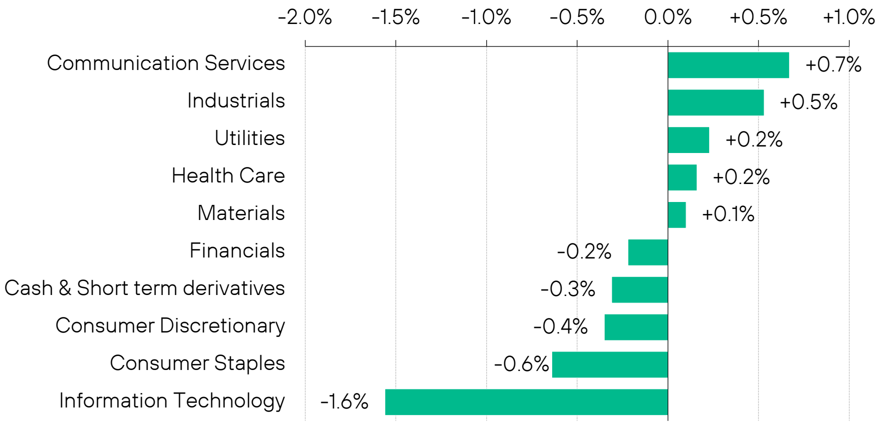


	Q2 2021	12 months	Since inception (p.a.)
Return	5.9%	25.8%	10.6%
Benchmark	7.3%	24.6%	16.6%
Relative	-1.4%	+1.2%	-6.0%

Geographic Allocation at 30 June 2021



Performance Attribution as at 30 June 2021



Commentary

- The fund delivered a positive absolute return of 5.9% over the quarter, lagging the benchmark by 1.4% and continues to underperform since inception.
- Stock selection in communication services was the largest contributor to relative performance over Q2, with the Fund's holdings outperforming the broad sector returns.
- By contrast, Longview's underweight position to the Information Technology sector was a significant detractor from relative performance, as valuations of fast growing technology stocks benefitted from the fall in long term yields.
- 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 30 June 2021 there were 33 stocks held within the portfolio.
- Longview view macro factors as risks rather than opportunities and they continue to emphasise the importance of focussing on companies whose strong market position is protection against macro shocks, whilst still maintaining a long-term focus.

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: £236.9m

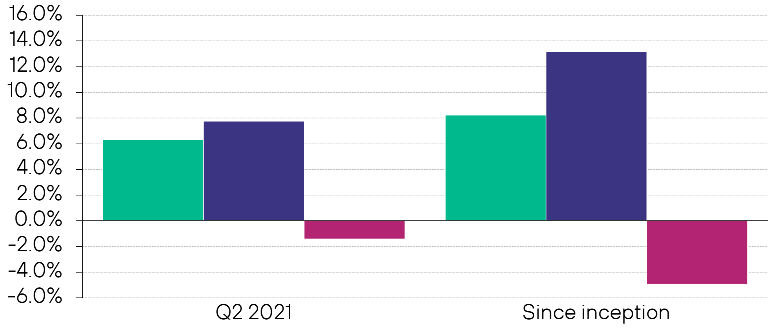
Current Weighting: 5.3%

Inception: 1 December 2020

Benchmark: MSCI World Total Return Net GBP

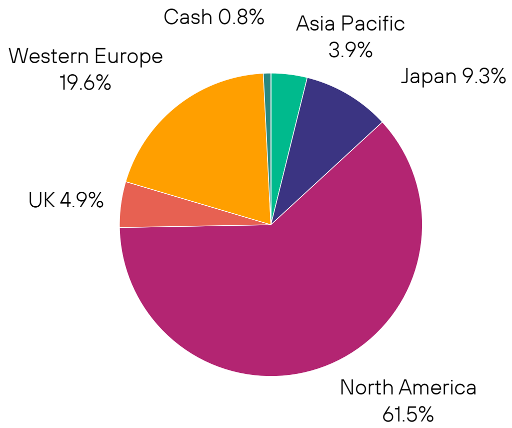
Objective: To achieve capital growth over the medium to longer term.

WHEB – Sustainability Fund Performance to 30 June 2021

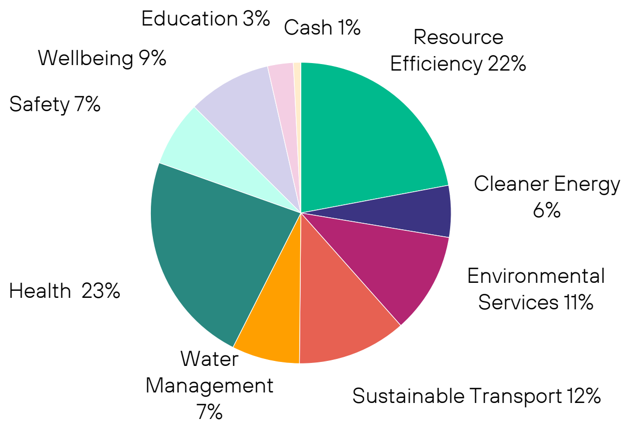


	Q2 2021	Since inception
Return	6.3%	8.2%
Benchmark	7.7%	13.2%
Relative	-1.4%	-4.9%

Geographic Allocation at 30 June 2021



Impact Positioning at 30 June 2021



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

Commentary

- The fund produced positive absolute performance of 6.3% over the quarter, however underperformed the benchmark by 1.4%.
- Underperformance was partly driven by the Fund's lack of exposure to certain sectors which are unrelated to Sustainability, but which performed strongly over Q2. Negative relative returns were also driven by various stock-specific idiosyncratic factors, such as the impact of changes in regulation on Grand Canyon Education, as well as underwhelming earnings guidance from industrial firm Daifuku.
- The Fund's health and wellbeing themes were the strongest contributors, with Sonova delivering particularly strong performance, as demand for specialist hearing care solutions recovered strongly. HelloFresh, a new addition to the portfolio, also contributed strongly, with economic restrictions having benefitted its business model.
- WHEB initiated a new position in First Solar over the quarter as part of the clean energy theme. The manager believes that the solar company's use of specific raw materials gives it a competitive advantage relative to its peers, given evolving regulation.

Wellington – Global Impact Fund

Mandate: Global Impact Equities

Current Value: £242.7m

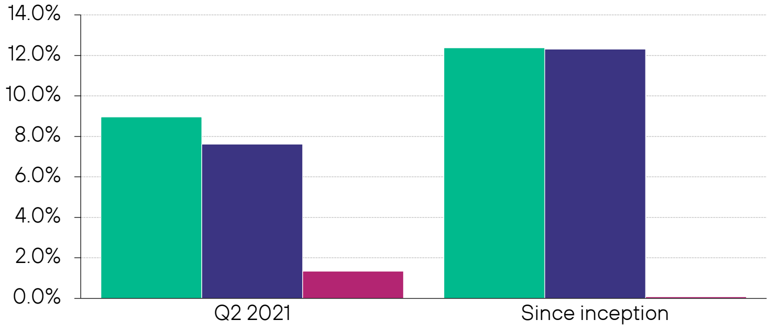
Current Weighting: 5.4%

Inception: 2 December 2020

Benchmark: MSCI AC World

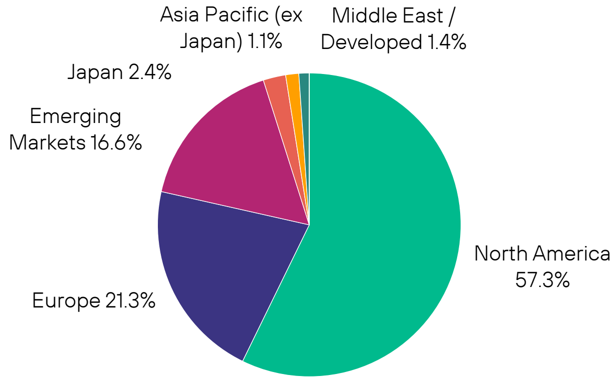
Objective: To outperform the MSCI All Country World Index over the long-term.

Performance to 30 June 2021

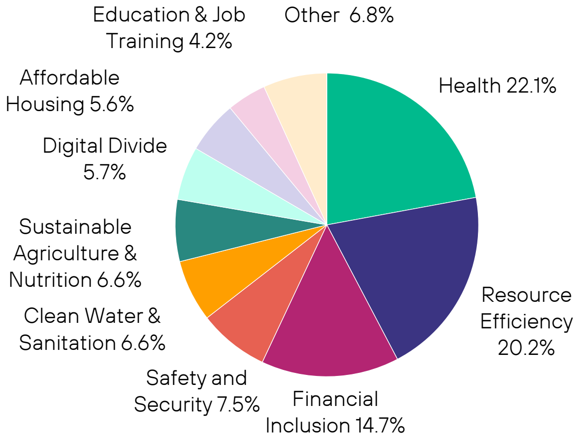


	Q2 2021	Since inception
Return	9.0%	12.4%
Benchmark	7.6%	12.3%
Relative	+1.3%	+0.1%

Geographic Allocation at 30 June 2021



ESG Theme Distribution at 30 June 2021



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

Commentary

- The Global Impact Fund delivered a return of 9.0% over the quarter, outperforming broader equity markets by 1.3%, in what was a strong quarter for risk assets.
- The Fund's Life Essentials, Human Empowerment and Environment themes all contributed positively to returns, while Alternative Energy was the only detractor from performance in absolute terms.
- Stock selection within Industrials and Information Technology drove outperformance over the period, with Wellington noting that cybersecurity companies added particular value, following weak performance in Q1. Additionally, the fund's holdings in infrastructure companies continued to benefit from the agreements of green infrastructure deals in the US.
- While Wellington continue to see opportunities across their themes, they remain cognisant of several risks, most notably the impact of rising Covid-19 infection rates and the potential for rising inflation expectations to drive tightening monetary policy.

Storebrand – Global ESG Plus Fund

Mandate: ESG Focused Global Equities

Current Value: £488.5m

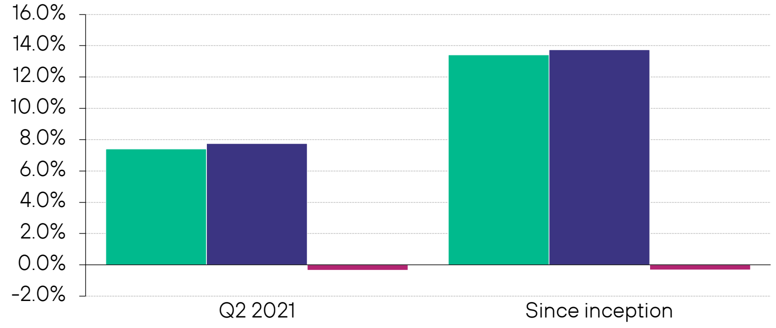
Current Weighting: 10.9%

Inception: 3 December 2020

Benchmark: MSCI World NR

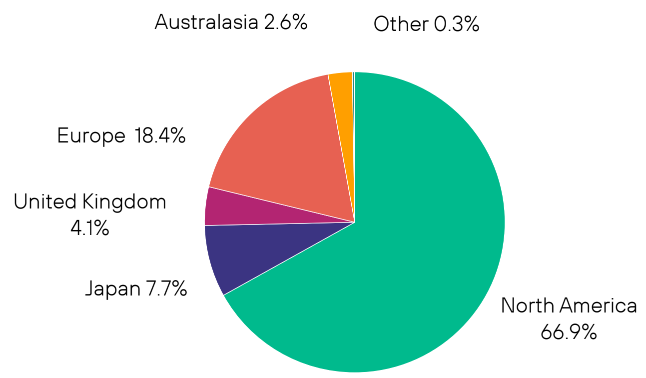
Objective: Outperform benchmark by 4.0% p.a. (net of fees)

Performance to 30 June 2021

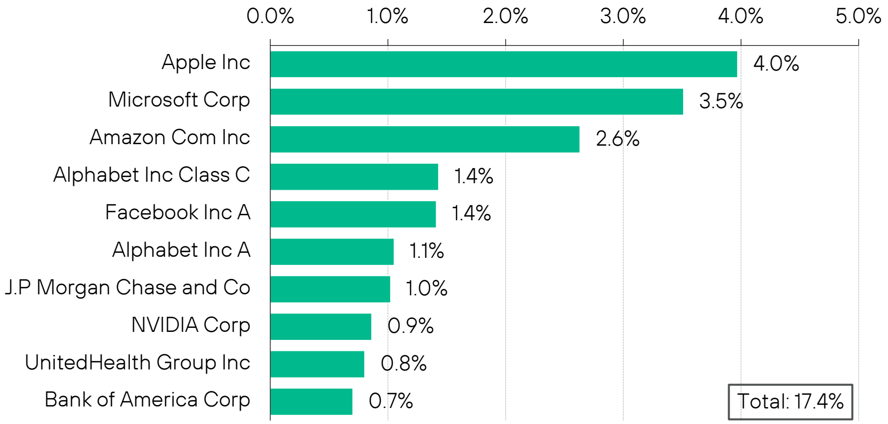


	Q2 2021	Since inception
Return	7.4%	13.4%
Benchmark	7.7%	13.8%
Relative	-0.3%	-0.3%

Geographic Allocation at 30 June 2021



Top 10 Holdings as at 30 June 2021



Commentary

- The fund delivered absolute performance of 7.4%, marginally underperforming its MSCI World benchmark by 0.3% over the quarter. The small magnitude of relative performance is in line with expectations, given the Fund's risk-controlled process.
- The main drivers of relative underperformance came from the climate solutions segment of the Fund. Within this, green transport was negatively impacted by the UK railroad nationalisation, as well as the spread of the 'delta' variant of COVID-19.
- Renewable energy also underperformed, continuing a trend from Q1; however this comes following an extremely strong period of performance for the sector.
- On the other hand, the Fund's lack of exposure to fossil fuels was the main contributor to performance, as Storebrand note that the economic cost of CO2 emissions has reached record highs.
- Storebrand's outlook regarding remains optimistic, with the manager believing that incorporation of science based targets, decarbonisation and green exposures make the fund well positioned to capitalise on the transition to a low carbon economy.

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: £151.3m

Current Weighting: 3.4%

Inception: 31 January 2003

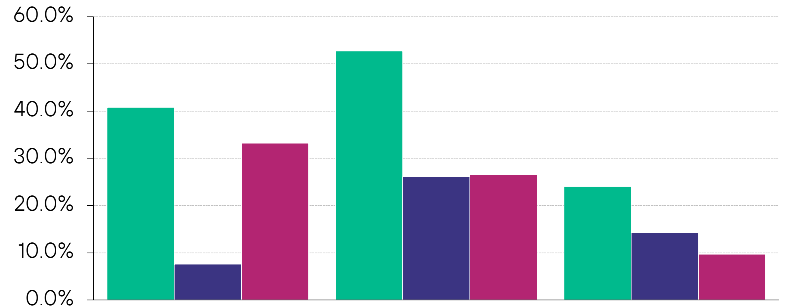
Benchmark: MSCI World +1.5%

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	1.3	-	0.2	1.9
HARBOURVEST INTL PEP V - CAYMAN PSHP FD	1.6	-	-	2.2
HARBOURVEST PTRS VIII - CAYMAN BUYOUT FUND	1.5	-	0.3	1.5
HARBOURVEST PARTNERS IX- CAYMAN BUYOUT FUND	11.3	-	0.9	13.4
HARBOURVEST PARTNERS XI AIF	12.9	2.1	0.9	18.8
HARBOURVEST INTL PEP VI - CAYMAN PSHP FUND	14.8	-	0.8	19.5
HIPEP VII (AIF) PARTNERSHIP FUND LP	12.4	0.1	0.9	16.5
HIPEP VIII (AIF) PARTNERSHIP FUND LP	11.2	1.2	0.4	16.2
HARBOURVEST PARTNERS CAYMAN CLEANTECH FUND I	11.0	-	-	18.1
HARBOURVEST PARTNERS CAYMAN CLEANTECH FUND II	18.6	0.3	1.4	26.5
DEFAULT ISSUER HARBOURVEST PTNS VII CAYMAN BUYOUT FD LP	0.3	-	-	0.2
HARBOURVEST PTRS VIII - CAYMAN MEZZANINEAND DISTRESSED DEBT FD	0.1	-	-	0.1
HARBOURVEST PTRS VII - CAYMAN VENTURE FUND	0.8	-	-	0.6
HARBOURVEST PARTNERS VII - CAYMAN MEZZANINE FUND	0.0	-	-	0.0
HARBOURVEST PARTNERS IX CAYMAN VENTURE FUND	10.1	-	1.5	13.5
HARBOURVEST PARTNERS IX CAYMAN CREDIT OPPORTUNITIES FUND	1.3	-	0.1	1.4

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.

Performance to 30 June 2021



	Q2 2021	12 months	3 years (p.a.)
Return	40.8%	52.7%	24.0%
Benchmark	7.6%	26.1%	14.3%
Relative	+33.2%	+26.6%	+9.7%

Commentary – 3 Month Lagged

- The HarbourVest portfolio produced an exceptional return of 40.8% over the quarter, translating into 33.2% outperformance relative to the public equity market benchmark.
- Quarterly returns were underpinned by the HIPEP VII & VIII Funds as well as the IX Venture Fund, all of which benefitted from IPO and sale activity, as liquidity continued to pick up in the market. There was also a broad upward tick in valuations across the portfolio, reflecting continued strong investor demand for private equity assets and continued strong public equity market performance.
- 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.
- The overall portfolio has been volatile over the past 12 months, however is now ahead of the benchmark over the period, as well as over the longer term.
- We note the future commitments required to maintain the allocation with the manager have been agreed in principle.

Adams Street – Private Equity

Mandate: Private Equity

Current Value: £166.4m

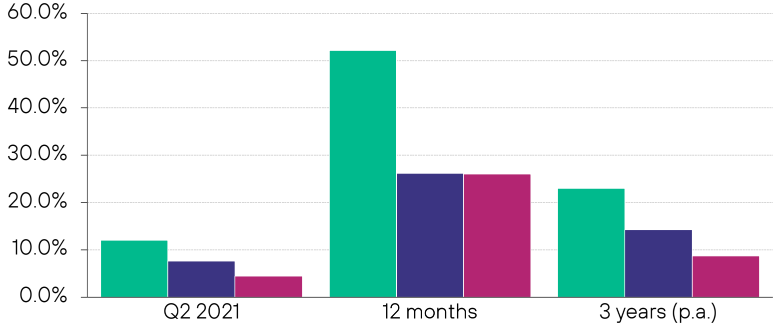
Current Weighting: 3.7%

Inception: 31 March 2003

Benchmark: MSCI World +1.5%

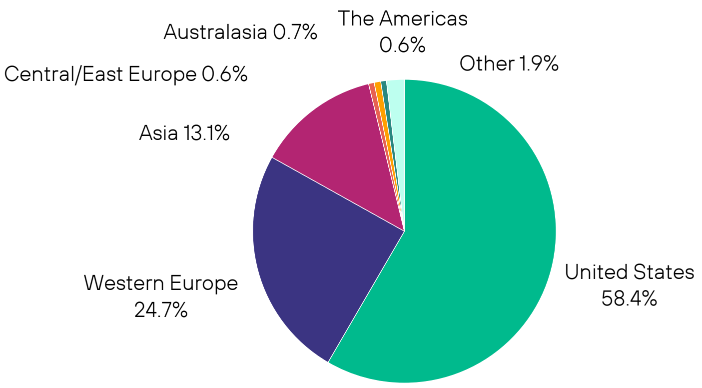
Objective: MSCI World +3.0%

Performance to 30 June 2021



	Q2 2021	12 months	3 years (p.a.)
Return	12.0%	52.1%	23.0%
Benchmark	7.6%	26.1%	14.3%
Relative	+4.4%	+26.0%	+8.7%

Geographical Exposure as at 31 March 2021



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

Adams Street	Market Value at start (£m)	Drawdowns over quarter (£m)	Distributions over quarter (£m)	Market Value at end (£m)
Adams Street Direct Funds	2.1	0.0	0.1	2.1
Adams Street Co-Investment Fund II	1.5	-	-	1.8
Adams Street Global Funds 2014-2019	29.1	1.4	3.5	29.7
Adams Street Partnership Funds	26.1	0.0	2.7	25.8
Adams Street Feeder Funds	66.2	4.1	2.0	77.7
Adams Street Offshore Company Limited Funds	29.5	0.0	3.3	29.3

Commentary – 3 Month Lagged

- The Adams Street portfolio produced a positive absolute performance of 12.0% over the quarter, outperforming its composite benchmark by 4.4%.
- The continued strong returns in private equity over the period were partially driven by exposure to growth areas of the market such as technology and healthcare, for which demand has remained very strong, thereby supporting increasing valuations.
- Adams Street remain optimistic regarding the outlook across private equity investments, believing the increase in economic activity and abundance of available cash for investment will contribute toward substantial deal flow for the remainder of 2021. Adams Street also note a significant pick up in liquidity from asset sales over the first quarter of 2021, and anticipate a continued pick up in distributions over the coming quarters.
- We note the future commitments required to maintain the strategic allocation with the manager have been agreed in principle.

Newton – Absolute Return

Mandate: Diversified Growth Fund

Current Value: £504.5m

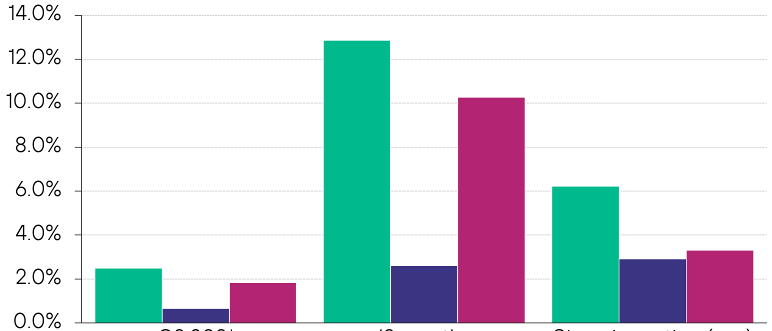
Current Weighting: 11.3%

Inception: 21 January 2020

Benchmark: 3 Month LIBOR+2.5%

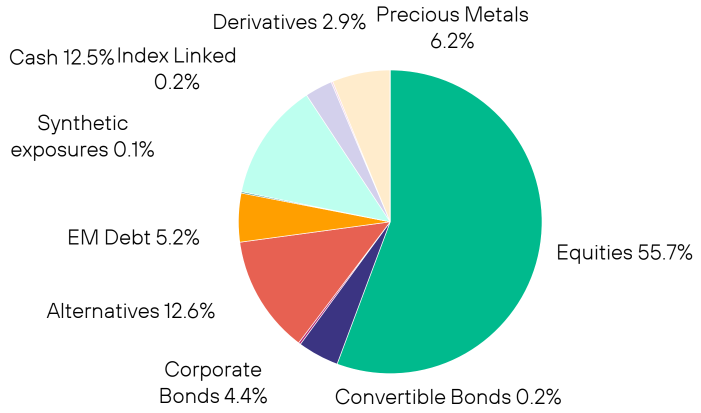
Objective: 3-month LIBOR + 4% p.a. (gross) over rolling 5 years

Performance to 30 June 2021

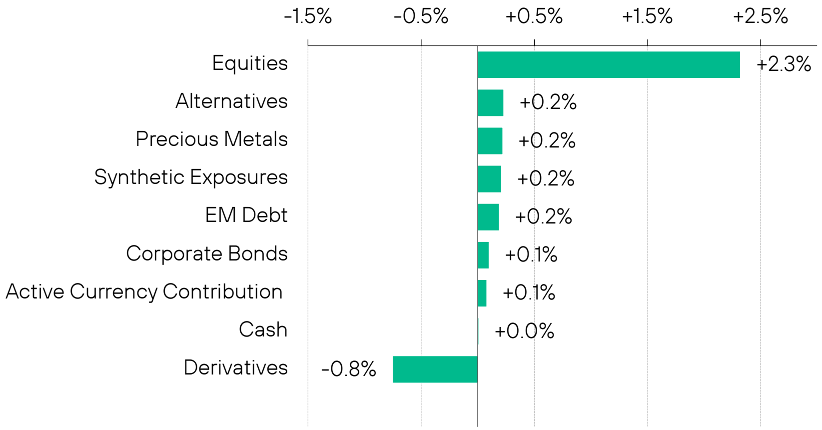


	Q2 2021	12 months	Since inception (p.a.)
Return	2.5%	12.9%	6.2%
Benchmark	0.7%	2.6%	2.9%
Relative	+1.8%	+10.3%	+3.3%

Sector Allocation at 30 June 2021



Contributors to Performance to 30 June 2021



Commentary

- Positive returns over the quarter remained in line with peers during a strong quarter for global markets. All elements of the 'return-seeking core' contributed positively, with equity the main driver once again as risk assets benefitted from strong economic and earnings data following continued vaccine rollout efforts and the gradual unlocking of economies. The Fund's 'stabilising layer', most notably equity market protection, detracted from performance .
- The Fund removed the small remaining exposure to developed market government bonds for the first time since the financial crisis, anticipating future yield rises. Additionally, exposure to credit was reduced marginally, with Newton viewing the environment of spread compression as unappealing for credit risk-return.
- Newton believe that risk assets have already experienced the lions share of returns from the pickup in economic activity for the year, anticipating market volatility for the second half of the year, and as such, maintain heightened protection and cash levels.

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

Schroders - Property

Mandate: Balanced Property

Current Value: £358.1m

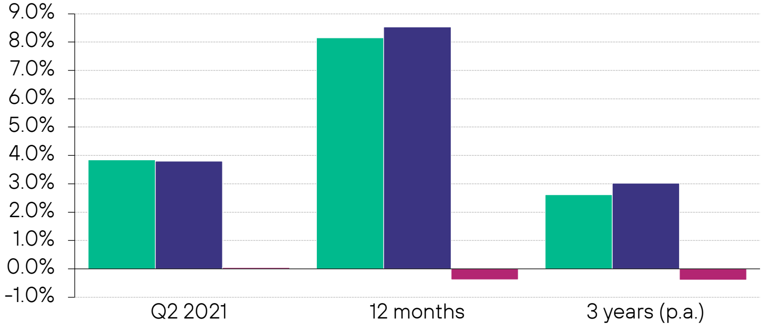
Current Weighting: 8.0%

Inception: 31 December 2009

Benchmark: IPD All Balanced Fund Index

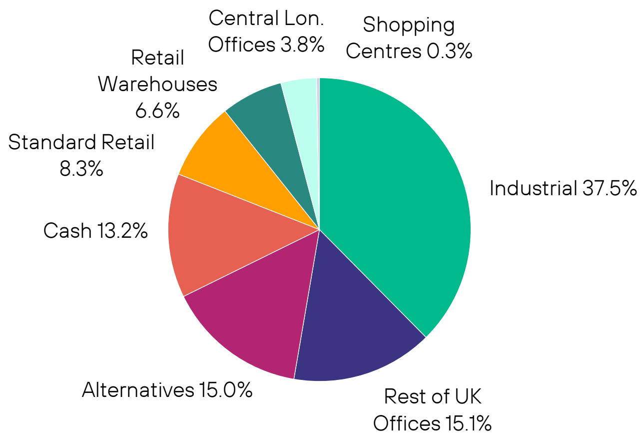
Objective: Outperform benchmark by 0.75% p.a. (net) over rolling 3 years

Performance to 30 June 2021

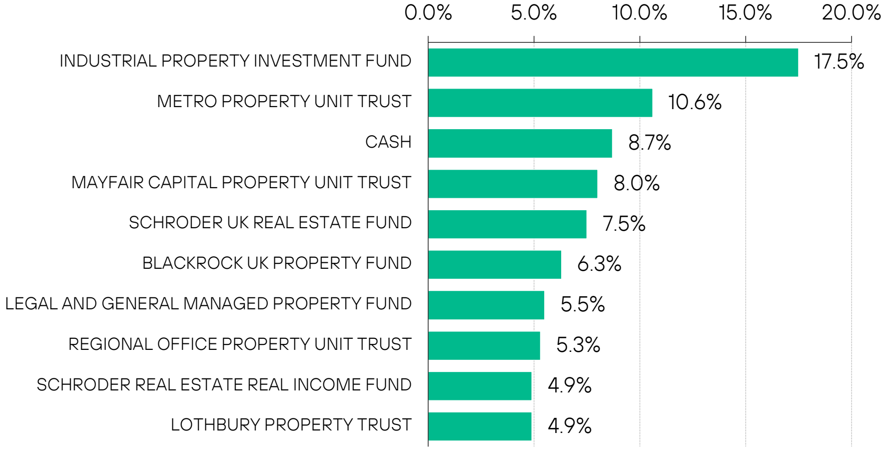


	Q2 2021	12 months	3 years (p.a.)
Return	3.8%	8.2%	2.6%
Benchmark	3.8%	8.5%	3.0%
Relative	+0.0%	-0.4%	-0.4%

Sector Allocation at 30 June 2021



Top 10 Holdings as at 30 June 2021



Commentary

- The fund delivered a positive absolute return of 3.8% over the quarter, performing in line with its benchmark.
- Industrial assets performed strongly over the quarter following further yield compression in the sector, with Schroders confident that it will be the best performing of the main property sectors over 2021. Tenant demand remains strong for assets such as logistics spaces, as many businesses focus on growing their online exposure and home delivery.
- The Fund made one acquisition over the quarter, as a £1.2m commitment to the UK Retirement Living Fund was drawn down. This capital is to be used to fund the purchase and development of retirement communities in Tunbridge Wells.
- Overall, Schroders remain optimistic about the future of UK commercial property and expect to see a rebound in demand for offices towards the end of the year.

Note: Totals may not sum due to rounding. Performance quoted net of fees. Within the portfolio sector allocation, cash also includes cash held within the underlying funds.
Source: Investment manager, Northern Trust, Isio calculations.

UBS - Infrastructure

Mandate: Infrastructure

Current Value: £28.1m

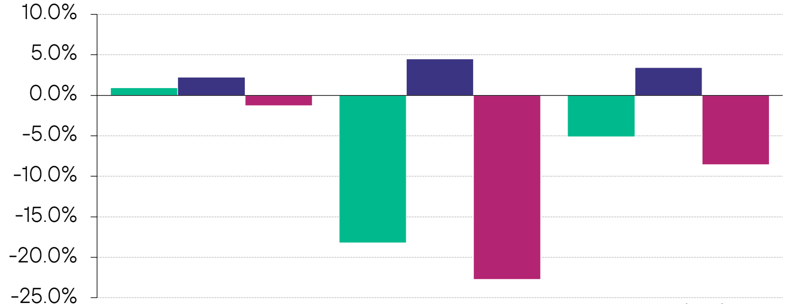
Current Weighting: 0.6%

Inception: 31 January 2008

Benchmark: CPI + 2.0%

Objective: CPI + 3%

Performance to 30 June 2021

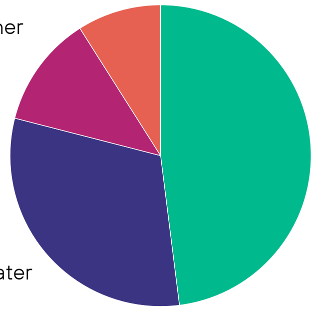


	Q2 2021	12 months	3 years (p.a.)
Return	1.0%	-18.2%	-5.1%
Benchmark	2.2%	4.5%	3.4%
Relative	-1.3%	-22.7%	-8.6%

Commitments and Distributions to 30 June 2021

UBS	Fund I	Fund III
Total Commitment ($m)	35.0	50.0
Commitment Drawn ($m)	33.3	35.4
Distributions ($m)	23.8	-
Outstanding Commitment ($m)	1.7	14.6
Estimated Market Value (£m)	8.6	19.5

Underlying Asset Split as at 31 March 2021



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

Commentary – 3 Month Lagged

- Over the quarter the portfolio returned 1.0%, underperforming the CPI linked benchmark by 1.3%.
- Fund I remains in the value realisation phase and is paying capital back to Investors, whilst Fund III is in its investment phase and continues to draw capital for investment.
- Underperformance continues to be driven by Fund I, where the Fund's large holding in Southern Water (SW) is detracting from the overall portfolio. Despite revenue being c. 4% above budget for the quarter, EBITDA was c. 8% below. SW management have agreed a 2-5 year execution plan following on from an independent review of the business' total expenditure. The firm has also raised £300m from the issuance of a 6 year bond, to ensure sufficient liquidity for the remainder of 2021.
- Fund III continues to see strong deal flow and are targeting small-to-middle market deals across digital infrastructure, energy transition, unregulated utilities and transportation in Europe, whilst focusing on energy storage and telecom opportunities within the Americas.

Pantheon – Infrastructure

Mandate: Infrastructure

Current Value: £43.9m

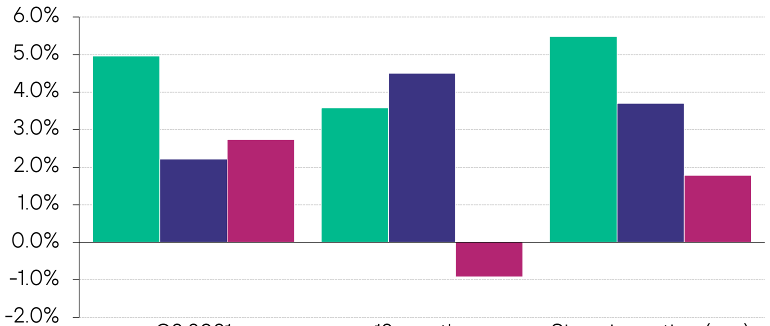
Current Weighting: 1.0%

Inception: 4 May 2018

Benchmark: CPI + 2.5%

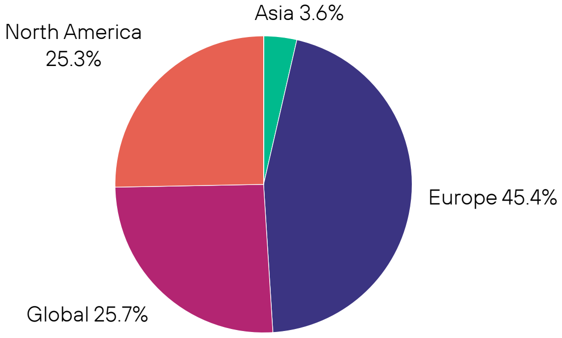
Objective: CPI + 3%

Performance to 30 June 2021



	Q2 2021	12 months	Since inception (p.a.)
Return	5.0%	3.6%	5.5%
Benchmark	2.2%	4.5%	3.7%
Relative	+2.7%	-0.9%	+1.8%

Geographical Allocation at 31 March 2021



Commitments and Distributions to 31 March 2021

Pantheon	
Total Commitment ($m)	117.0
Commitment Drawn ($m)	52.6
Distributions ($m)	5.9
Outstanding Commitment ($m)	64.4
Market Value (£m)	43.9

Commentary - 3 Month Lagged

- The fund delivered a positive absolute return of 5.0% over the quarter, outperforming the benchmark by 2.7%.
- Performance was underpinned by strong market demand for assets, driving increased valuations for the majority of the portfolio. The biggest uplift was in Telxius, a leading provider of telecommunication infrastructure in Europe and the Americas, whose valuation increased by 135% in light of plans to sell some apportion of its assets.
- Pantheon note they have seen a marked increased in deal flow over the year to-date. The firm closed one investment over Q1, a £32m stake in MapleCo, a UK-based smart meter business with strong regulatory dynamics and positive tailwinds. Pantheon also have a significant number of deals they expect to complete over Q2, being funded from a combination of the Fund's credit facilities and expected capital calls.
- Pantheon are monitoring the increasing inflationary environment and its potential impact on Fund assets.

Note: Totals may not sum due to rounding. Performance quoted net of fees. Performance information available to 31 December 2020 due to 3 month reporting lag.
Source: Investment manager, Northern Trust, Isio calculations.

M&G – Infrastructure

Mandate: Infrastructure

Current Value: £35.0m

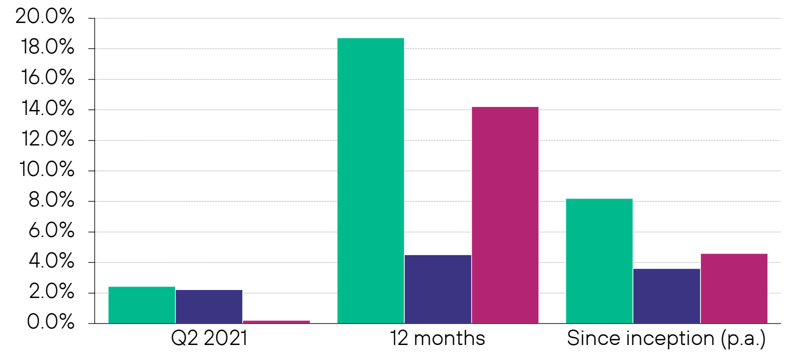
Current Weighting: 0.8%

Inception: 31 October 2018

Benchmark: CPI + 2.5%

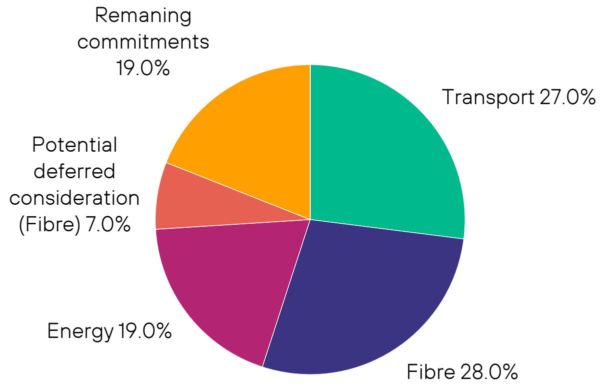
Objective: CPI + 3%

Performance to 30 June 2021



	Q2 2021	12 months	Since inception (p.a.)
Return	2.4%	18.7%	8.2%
Benchmark	2.2%	4.5%	3.6%
Relative	+0.2%	+14.2%	+4.6%

Brownfield Sector Exposure to 30 June 2021



Commitments and Distributions to 30 June 2021

M&G – Infracapital	Brownfield III	Greenfield II
Total Commitment (£m)	42.0	20.0
Commitment Drawn (£m)	30.6	-
Distributions (£m)	4.4	-
Outstanding Commitment (£m)	11.4	-
Market Value (£m)	35.0	-

Commentary

- The Portfolio delivered positive performance over Q2, marginally outperforming its benchmark. Performance continues to be solely drivne by the Brownfield III Fund as the Greenfield fund remains undrawn. Current net IRR on the Brownfield III fund is 13.9%.
- Performance over Q2 was driven by valuation uplifts across the portfolio, with particular strong performance from the Fund's Infrafibre Germany holding. The asset rose in value following a positive settlement agreement being reached with a former shareholder, which allows the business to move past historical issues.
- The Fund made one acquisition over the quarter, due to complete in July, for BCTN, a leading European inland terminal operator which provides end-to-end logistics solutions. The Fund acquired 100% ownership for c. €90m and believe there is strong growth potential for the asset, which also brings positive ESG credentials to the Fund.
- Greenfield II has reached c.97% of its capital commitment target and M&G expect drawdowns to commence over the remainder of 2022.

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

ATLAS – Global Infrastructure Equity Fund

Mandate: Global Infrastructure Equity

Current Value: £78.8m

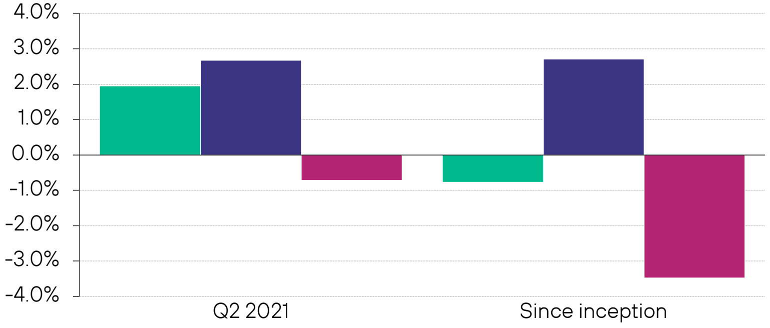
Current Weighting: 1.8%

Inception: 2 December 2020

Benchmark: FTSE Developed Core 50/50 Infrastructure Index

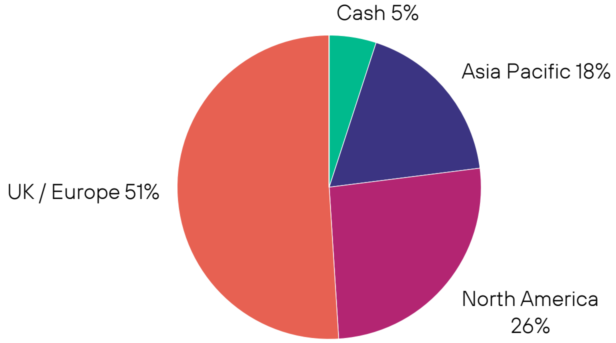
Objective: CPI + 5%

Performance to 30 June 2021

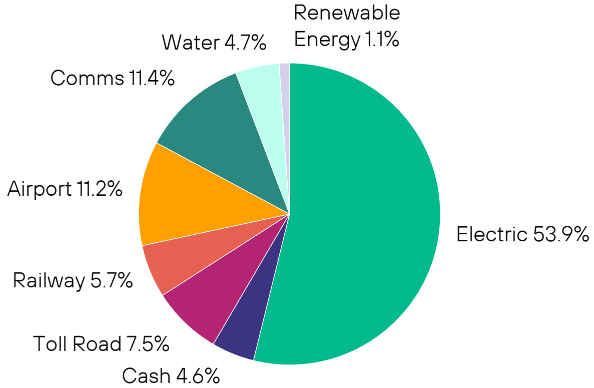


	Q2 2021	Since inception
Return	2.0%	-0.8%
Benchmark	2.7%	2.7%
Relative	-0.7%	-3.5%

Geographic Allocation at 30 June 2021



Sector Allocations at 30 June 2021



Commentary

- The Fund delivered a return of 2.0% over the quarter, underperforming its market benchmark by 0.7%.
- Underperformance over the quarter was driven by a number of factors, including a lack of exposure to sectors which performed well, such as pipelines and storage, as well as North American Towers. At a stock level, European communications company Eutelsat weighed on performance, with the market reacting negatively to the firm's M&A activity.
- Performance was helped by stock selection in the electric utilities sector across Asia Pacific and North America.
- The team added two new positions over Q2: National Grid (UK electric) and Acciona (Spanish renewables). These were funded through reductions in the size of existing positions in SSE and Red Electra, both of which had been strong recent performers, and for whom expected forward expected returns had fallen.

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: £510.7m

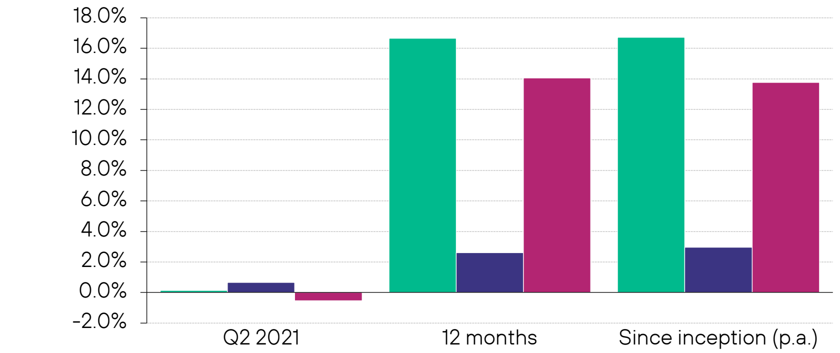
Current Weighting: 11.4%

Inception: 4 December 2019

Benchmark: 3-month LIBOR + 2.5%

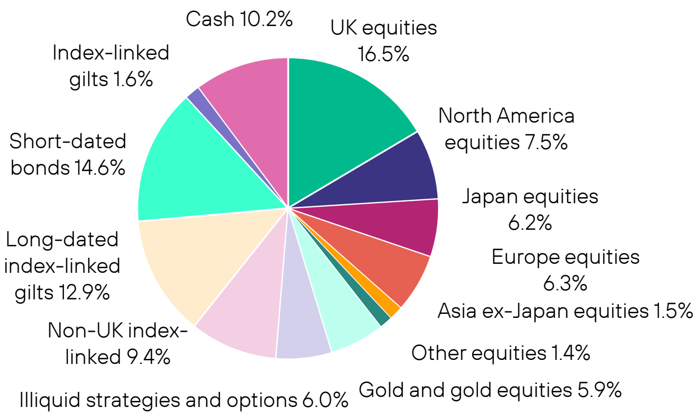
Objective: 3-month LIBOR + 4% p.a. (gross) over rolling 5 years

Performance to 30 June 2021

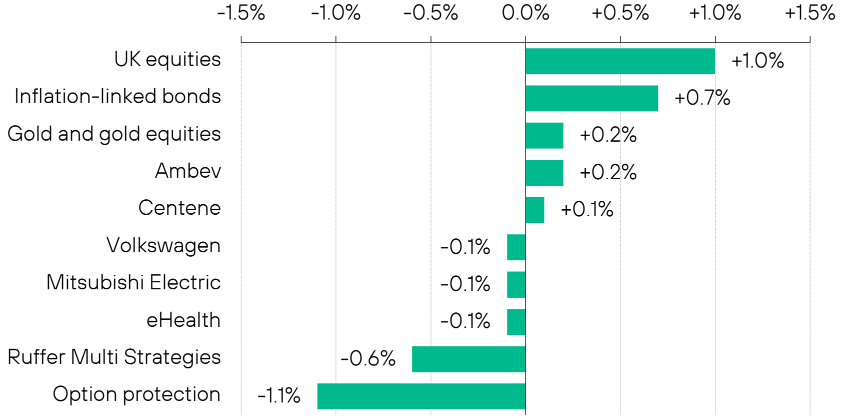


	Q2 2021	12 months	Since inception (p.a.)
Return	0.1%	16.7%	16.7%
Benchmark	0.7%	2.6%	3.0%
Relative	-0.5%	+14.1%	+13.8%

Asset Allocation at 30 June 2021



Contributors to Performance at 30 June 2021



Commentary

- The Fund lagged its peers in Q2, however longer term returns remained strong. Equities were the largest contributors to positive performance, most notably UK value and cyclical stocks which performed well in anticipation of economies reopening. As markets rallied protection strategies detracted from performance whilst interest rate protection (against rising rates) was the largest performance detractor, as bond yields fell giving up some of the gains seen from Q1.
- Over the quarter Ruffer tilted the equity portfolio slightly away from cyclicals, while adding protection against equity market falls. The gold allocation was trimmed due to a strengthening US dollar - an environment associated with gold falling in value.
- Ruffer maintain their view that the combination of lower interest rates and fiscal support from governments will lead to higher inflation, and therefore continue to hold assets which offer inflation protection such as Inflation Linked Bonds and Gold.

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: £40.2m

Current Weighting: 0.9%

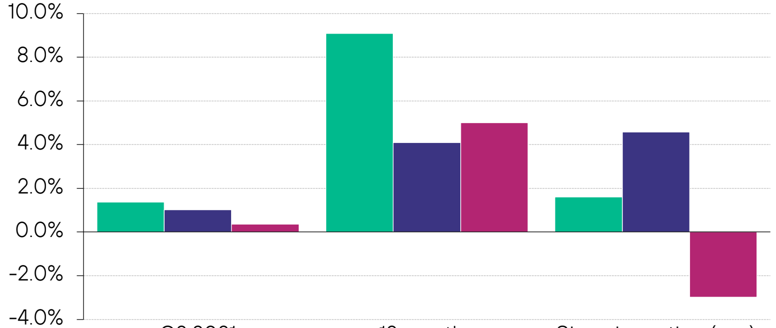
Inception: 11 April 2019

Benchmark: Benchmark: 3m LIBOR +4%

Objective: Objective: 3m LIBOR +5%

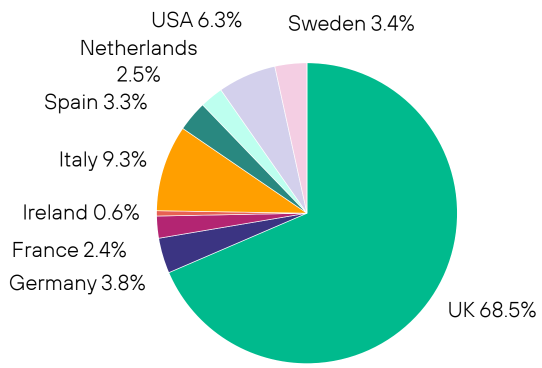
M&G announced the resignation of four members within their Real Estate Debt business in April. As three of those resigning formed part of the investment committee ('IC'), M&G have proposed a newly elected IC which investors subsequently approved. We have downgraded the Funds to Partially Meets Criteria as a result of the loss of experience from the departing team members.

Performance to 30 June 2021



	Q2 2021	12 months	Since inception (p.a.)
Return	1.4%	9.1%	1.6%
Benchmark	1.0%	4.1%	4.6%
Relative	+0.4%	+5.0%	-3.0%

Average Invested Capital by Geography Across the Portfolio



Commitments and Distributions to 30 June 2021

M&G – Real Estate Debt Fund	
Total Commitment (£m)	60.0
Commitment Drawn (£m)	38.5
Distributions (£m)	24.9
Outstanding Commitment (£m)	21.5
Market Value (£m)	40.2

Commentary – 3 month lag

- The Funds continued to perform in line with target returns. Minor watchlist positions reduced from four to three with none of the positions expected to incur any losses.
- Project Genesis was restructured over Q1 resulting in the senior lenders (M&G and an external party) holding an equal equity ownership of the asset. The restructuring allows short-term liquidity to be provided while the shopping centre recovers from lockdown restrictions, in addition to new capital made available for value-add initiatives.
- Project Charlie, an office in Berlin, was added to the minor watchlist due to a major tenant vacating and COVID-19 restrictions limiting new viewings. The covenant has been breached but temporarily waived until Jan 2022 to provide flexibility.
- Deployment was limited over Q1 but is set to continue following the approval of the new Investment Committee post-quarter end. M&G can now reinvest capital repayments across a strong pipeline until Dec 2022 to maintain market exposure.

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: £289.7m

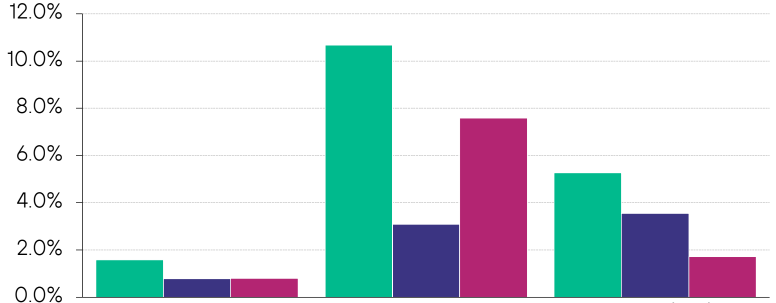
Current Weighting: 6.5%

Inception: 30 November 2009

Benchmark: 3 Month Libor +3%

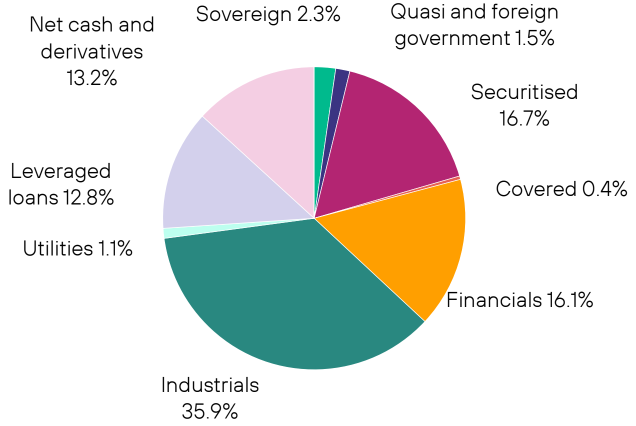
Objective: 3 Month Libor +5% (gross)

Performance to 30 June 2021

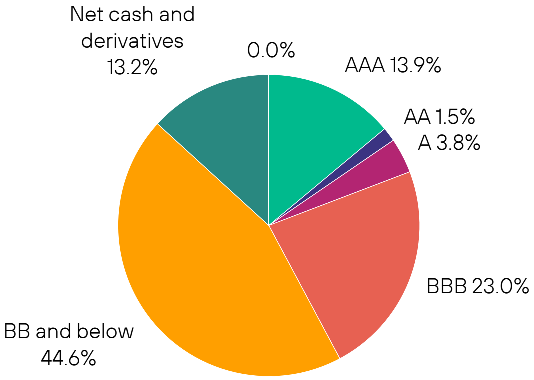


	Q2 2021	12 months	3 years (p.a.)
Return	1.6%	10.7%	5.3%
Benchmark	0.8%	3.1%	3.5%
Relative	+0.8%	+7.6%	+1.7%

Sector Allocation as at 30 June 2021



Credit Ratings as at 30 June 2021



Commentary

- The Fund performed positively in what was a relatively strong quarter for investment grade corporate bonds following a fall in yields and a tightening of credit spreads.
- Industrials and Financials were the main contributors to performance as the sectors continued their recovery from the pandemic. Two of the largest contributors were Unibail and Hammerson, which reflected a strong quarter for Real Estate.
- The Fund maintained its relatively high allocation to cash (c.13%) which can be deployed should valuations become more attractive in the case of a risk-off environment. This position could result in a cash drag on performance relative to the wider market should volatility remain muted and credit continues to perform positively.
- M&G believe the macroeconomic backdrop remains uncertain and any contractionary policies by central banks will result in a sharp correction in credit markets, for which they are positioned to take advantage of.

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: £162.5m

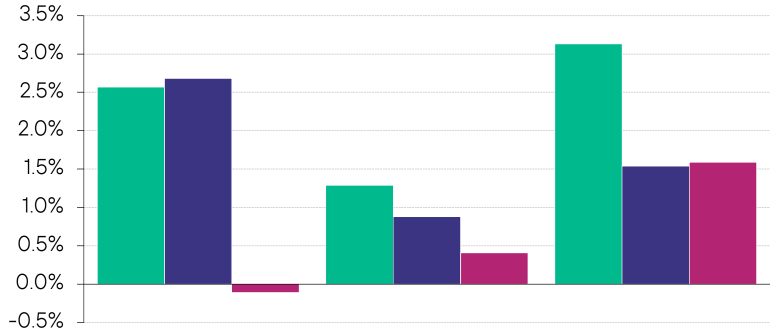
Current Weighting: 3.6%

Inception: 26 February 2020

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

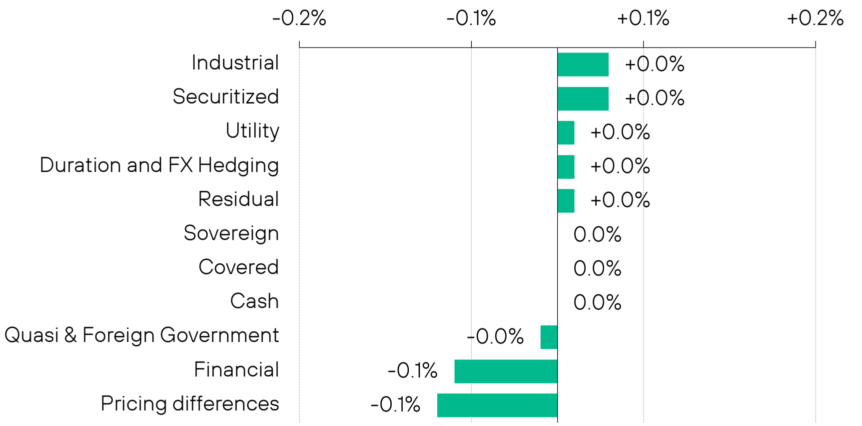
Objective: Outperform benchmark by 0.8% p.a. (gross)

Performance to 30 June 2021

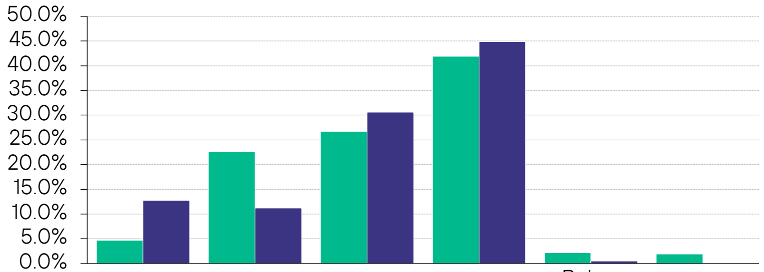


	Q2 2021	12 months	Since inception (p.a.)
Return	2.6%	1.3%	3.1%
Benchmark	2.7%	0.9%	1.5%
Relative	-0.1%	0.4%	+1.6%

Performance Attribution as at 30 June 2021



Fund Credit Ratings to Benchmark at 30 June 2021



	AAA	AA	A	BBB	Below BBB or Non-rated	Cash and Derviatives
Credit Rating	4.7%	22.6%	26.7%	41.9%	2.2%	1.9%
Benchmark	12.8%	11.2%	30.6%	44.9%	0.5%	0.0%

Commentary

- The Fund returned 2.6% over the quarter, performing broadly inline with its benchmark.
- Broad credit market performance was strong over the period benefitting from both the tightening of credit spreads and the fall in developed market government bond yields over the quarter.
- M&G continued to de-risk the fund through Q2, retaining an underweight position in credit spread duration and corporate risk relative to the benchmark. The team continued to reduce the fund's exposure to historically strong performing assets, taking profits on a number of investment grade holdings, with the proceeds largely re-invested into sovereign bonds or cash. These decisions were based on the view that valuations had become increasing stretched over the quarter.
- Looking further ahead, M&G believe the market is increasingly 'priced for perfection', and therefore that fundamental credit analysis will become increasingly important in order to add value and achieve attractive future risk-adjusted returns.

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

UBS – Over 5 Year IL Gilt Fund

Mandate: Index Linked Gilts

Current Value: £133.7m

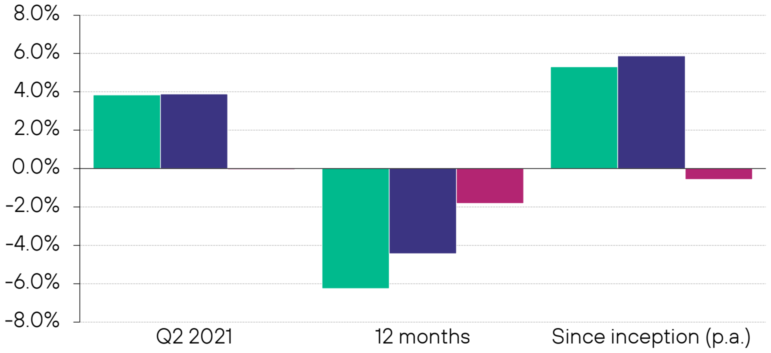
Current Weighting: 3.0%

Inception: 28 August 2017

Benchmark: FTSE Index- Linked Gilts Over 5 Years

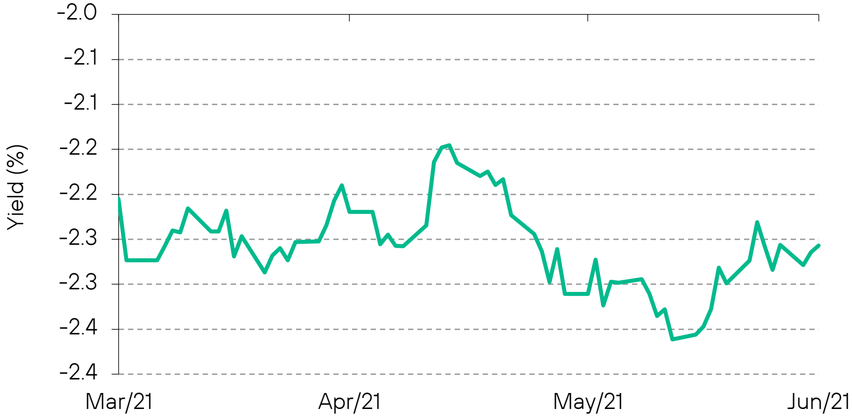
Objective: Match benchmark

Performance to 30 June 2021



	Q2 2021	12 months	Since inception (p.a.)
Return	3.8%	-6.3%	5.3%
Benchmark	3.9%	-4.4%	5.9%
Relative	-0.0%	-1.8%	-0.6%

Real Gilt Yields – Q2 2021



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

Commentary

- The Fund returned 3.8% over the quarter, in line with its benchmark , which is expected given the passive approach.
- Real gilt yields fell over the quarter, as a result of both increasing inflation expectations and falling nominal yields.
- This allocation has defensive characteristics, providing the Fund with protection against the impact of both interest rates and inflation expectations on the value placed on the liabilities.

Appendices

A1: Market Background: Global Equity, DGFs, Real Assets, Credit & Yields

A2: Explanation of Market Background

A3: Disclaimers

Market Background – Global Equity

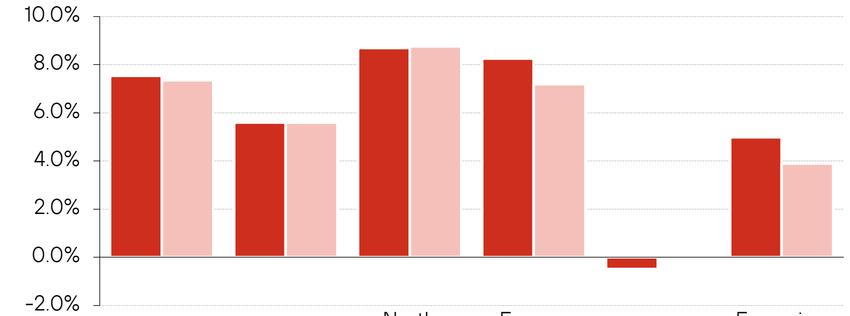
Summary

Global equities performed positively over Q2, which was aided by the ongoing COVID-19 vaccine rollout and continued stimulus measures.

US equities were the strongest performing region over the quarter with technology stocks being a key driver of returns.

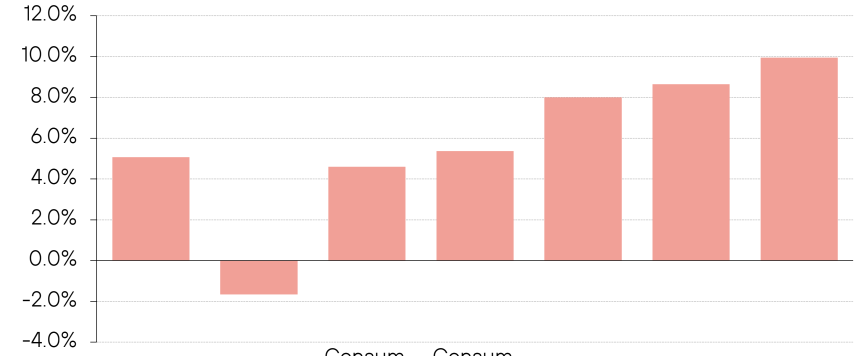
Large cap stocks marginally outperformed small cap stocks over the quarter, which is a reversal of the trend seen over the past 12 months.

Regional Returns – Q2 2021



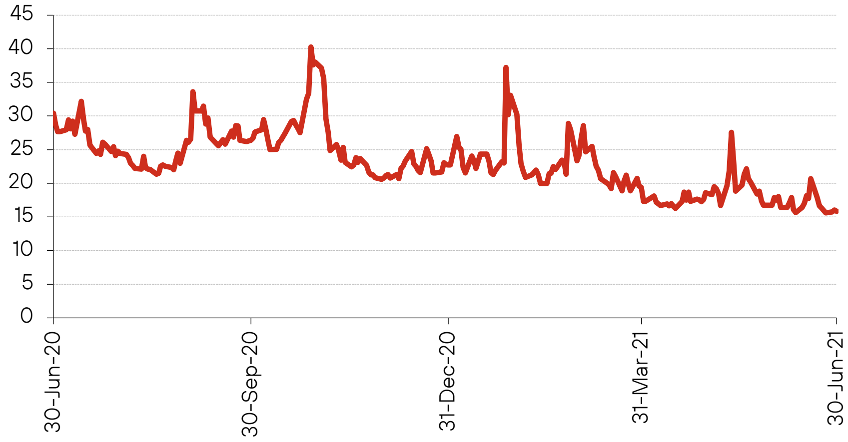
	World	UK	North America	Europe exc UK	Japan	Emerging Markets
Sterling	7.5%	5.6%	8.7%	8.3%	-0.5%	5.0%
Local	7.3%	5.6%	8.8%	7.2%	0.1%	3.9%

Sector Returns – Q2 2021



	Financial	Utilities	Consum. Staples	Consum. Discret.	Energy	Health	Tech
Sector	5.1%	-1.7%	4.6%	5.4%	8.0%	8.7%	10.0%

VIX Volatility Index – Last 12 months



Commentary

- Over Q2, global equity markets delivered positive returns with performance supported by the accelerating rollout of COVID-19 vaccines which has triggered a rise in investor optimism.
- UK equities posted robust performance with the market being driven by cyclical stocks which continued to increase in value as lockdown restrictions eased. Coupled with this, the UK economic outlook improved as GDP forecasts were upgraded in response to the reopening. US equities were the strongest performers on the global stage over Q2, with the mega-cap technology stocks rebounding following relative underperformance since the announcement of the vaccine.
- Emerging markets also delivered positive returns, albeit slightly more muted than other regions. This was in part due to sell-off in May as above consensus inflation data reignited concerns in respect the speed of monetary policy tightening.
- Volatility in equity markets has reduced over the past 12 months as markets have begun to stabilise following the heightened volatility seen in previous quarters.

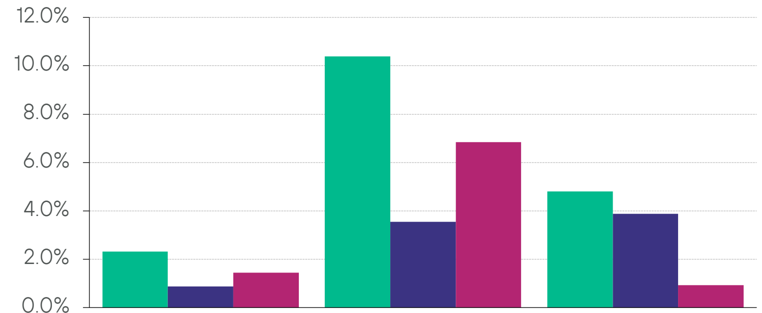
Note: Please see Appendix 3 for further information.
Source: Datastream, Isio calculations.

Market Background – Diversified Growth Funds (“DGFs”)

Summary

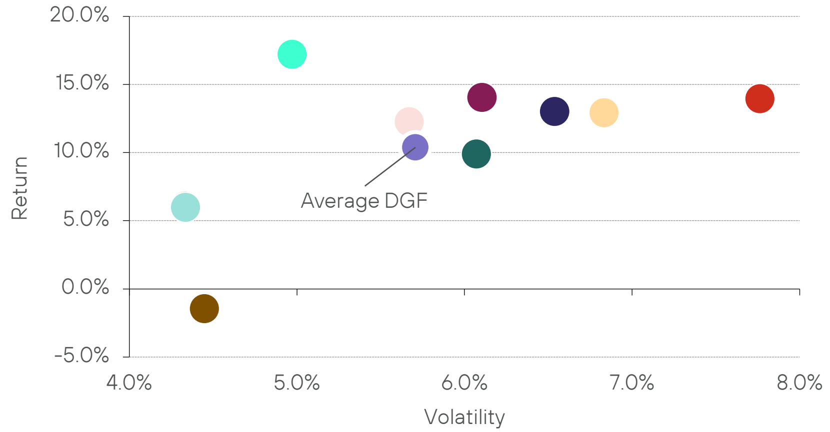
Within our sample of managers we have incorporated the performance of ten DGFs with various manager styles, aiming to give a balanced view of the market.

Sample Manager Average Returns – Q2 2021

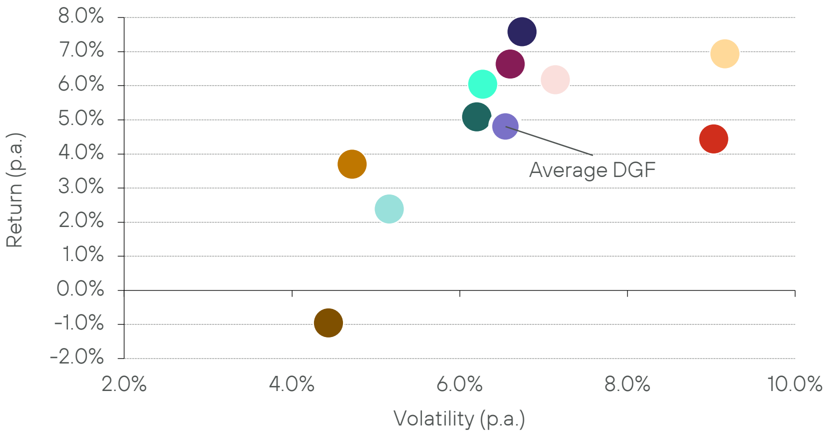


	Q2 2021	12 months	3 years (p.a.)
Average DGF	2.3%	10.4%	4.8%
Cash +3.5%	0.9%	3.5%	3.9%
Relative	1.4%	6.8%	0.9%

Sample Manager Returns and Volatility – 12 months



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



Commentary

- The average DGF delivered positive performance over Q2 2021 as equities and energy commodities rose following the accelerating roll-out of COVID-19 vaccines in the developed world. Credit markets also contributed positively to performance due to a marginal fall in Gilt yields following a sharp rise in the previous quarter.
- Growth assets were the main driver of returns over the 12-month period. Typically the managers with greater allocations to equity relative to fixed income markets were the strongest performers over the 12-month period.
- The majority of DGF managers are maintaining a positive outlook, however there are increasing concerns over the prospect of monetary and fiscal policy tightening, in response to stronger growth and inflation. Other risks identified by managers include increasing debt and political instability.

Note: Please see Appendix 3 for further information. All returns are quoted net of management fee.
Source: Investment Managers, Isio calculations.

Market Background – Real Assets

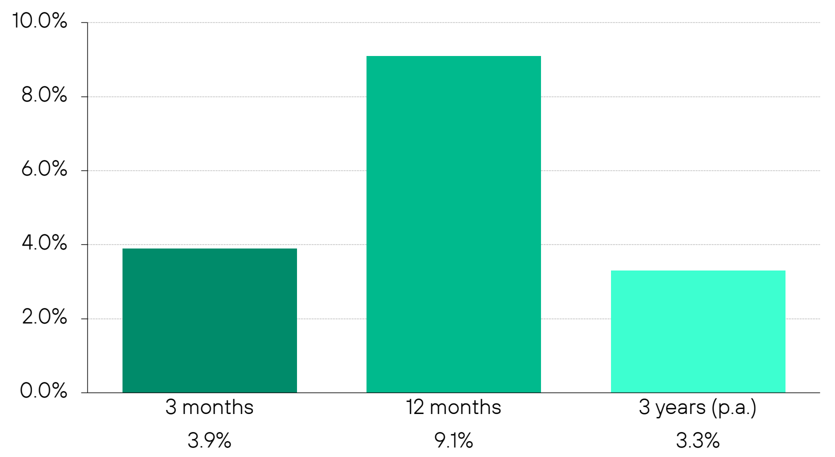
Summary

Both Core and Long Lease Property returned positive performance over the quarter, due to a positive income return combined with improved capital values across some sectors.

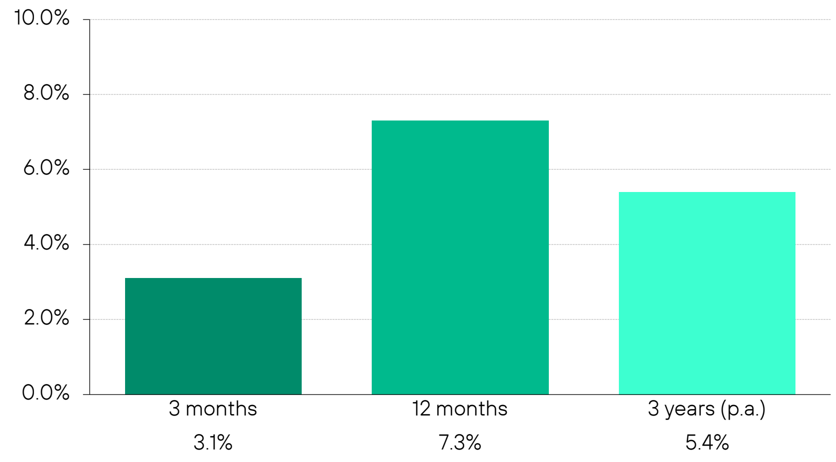
Further relaxation of social restrictions, and subsequent re-opening of retail and leisure properties increased overall rental income. Offices also saw greater activity as employers look forward towards a balanced work approach.

Despite a slight resurgence in retail, the sector is expected to continue to face challenges moving forward, as many businesses explore opportunities to use e-commerce.

Core UK Property Returns



Long Lease UK Property Returns



Commentary – Core UK Property

- Core UK property delivered strong positive returns over the quarter as Covid related restrictions eased further, which saw the reopening of many leisure facilities, whilst the vaccination programme continued.
- Rental collections improved throughout the quarter, with managers ranging from 70-80% collection. Most managers continue to take a long-term view to rent collection. In particular, retail collection proves to be sensitive as a result of social restrictions and the rising demand for e-commerce.
- Whilst the easing of social restrictions has helped increase retail sales in the short term, volumes remain 40% below the 10-year average and the online share of retail sales are c.50% above pre-Covid levels. Industrials have continued to perform well over the quarter, as more businesses look to offer online services which is driving demand in the sector.
- A continuation of the UK's vaccination success coupled with relaxation of restrictions helped boost the economic outlook with GDP increasing by 2.3%. This increased economic growth is helping to support UK property markets.

Commentary – Long Lease UK Property

- Long Lease Property delivered strong positive returns over the period, largely driven by strong capital growth.
- Rent collection levels remained robust relative to core UK property and improved over the quarter with a collection of 90%+ across managers. This strong position reflects a bias towards less economically sensitive, high-quality tenants, who have been less impacted by lockdown restrictions in the UK.
- Strong investor demand for industrial assets including logistics and warehouses continued. Offices saw a recovery over the quarter as companies prepare for a hybrid working approach. Leisure and hospitality continued to struggle somewhat, however easing of restrictions should boost their future outlook.
- Transaction activity in the UK property market, as measured by the number of deals completed, remains steady. However, activity is still below pre-pandemic levels.
- Managers forecast positive capital growth over the next couple of years in part due to the lessening effects of the pandemic and Brexit withdrawal agreement, however they have also lowered their yield predictions slightly.

Note: Please see Appendix 3 for further information.
Source: AREF / IPD and Investment Managers.

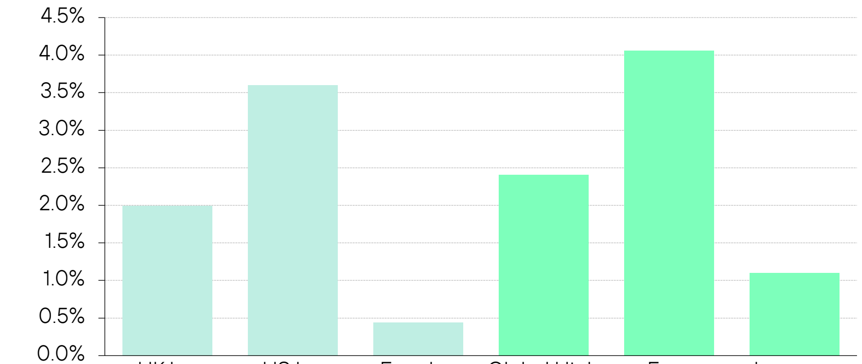
Market Background – Credit

Summary

Global credit markets largely delivered positive returns over the quarter as appetite for credit risk continued. These returns were driven by a combination of government bond yields falling and the tightening of credit spreads.

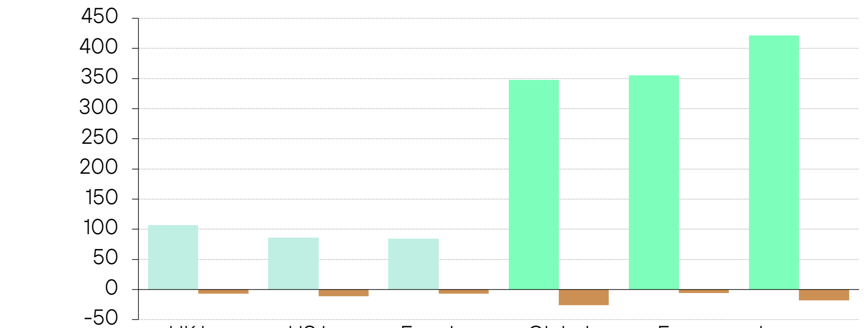
Over the quarter, central bank messaging was broadly supportive, with the European Central Bank pushing back the timeframe on tapering/selling its bond holdings. The US Federal Reserve were also keen to stress the spike in inflation expectations is expected to be transitionary. The net effect of this was interest rate expectations falling at longer maturities, supporting interest rate sensitive assets such as investment grade.

Credit Market Returns – Q2 2021



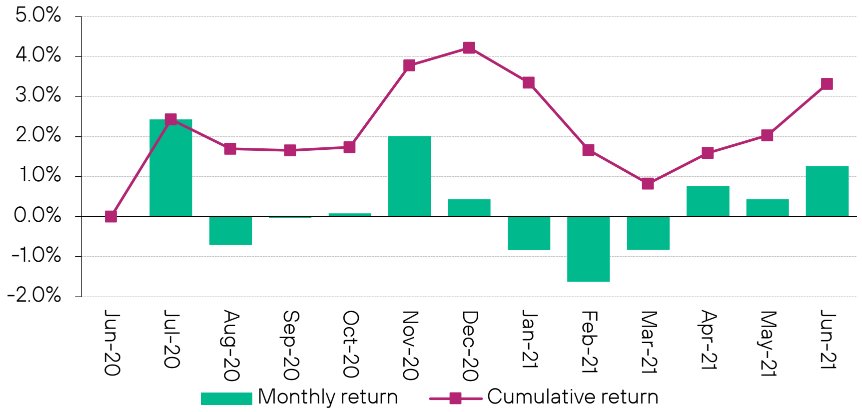
	UK Inv Grade	US Inv Grade	Euro Inv Grade	Global High Yld	Emg Markets	Leverag. Loans
£ Hedged	2.0%	3.6%	0.4%	2.4%	4.1%	1.1%

Credit Spreads – Q2 2021



	UK Inv Grade	US Inv Grade	Euro Inv Grade	Global High Yld	Emg Markets	Leverag. Loans
End of qtr	106	86	84	347	355	421
Qtr change	-7	-11	-7	-26	-6	-18

Global Broad Credit Market Return – Last 12 Months



Commentary

Global credit markets performed positively over Q2, with spread tightening driven by the improved macroeconomic outlook and the continued support of central banks.

- Investment grade ('IG') bond performance was positive over Q2 as falling government bond yields provided support alongside further spread tightening. This was due to the improving macro outlook for economies as they continue to re-open.
- Higher risk credit assets such as high yield ('HY') bonds continued to deliver strong returns driven by spread movements over Q2. HY outperformed the more defensive leveraged loans, as fixed rate bonds outperformed floating rate loans during a period when government bond yields fell. HY markets saw strong new issuance over the quarter which was swept up by investors seeking higher yielding assets.
- Emerging market ('EM') debt performance rebounded strongly over the quarter, driven by falling US Treasury yields. A strong rally in commodity prices also supported export driven EM economies, positive EM currency performance relative to the US Dollar also helped USD denominated debt (making it cheaper to repay in local currency terms).

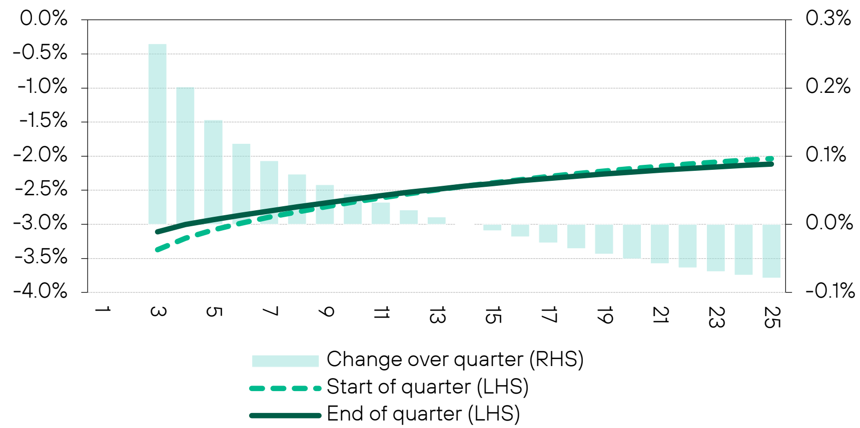
Note: Please see Appendix 3 for further information. Credit spreads are shown in basis points (100 bp = 1%).
Source: Investment Managers, Isio calculations, Eikon

Market Background – Yields

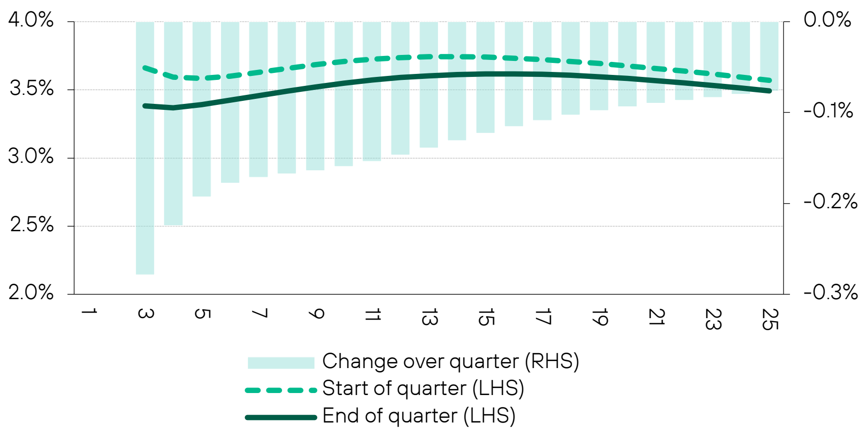
Summary

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

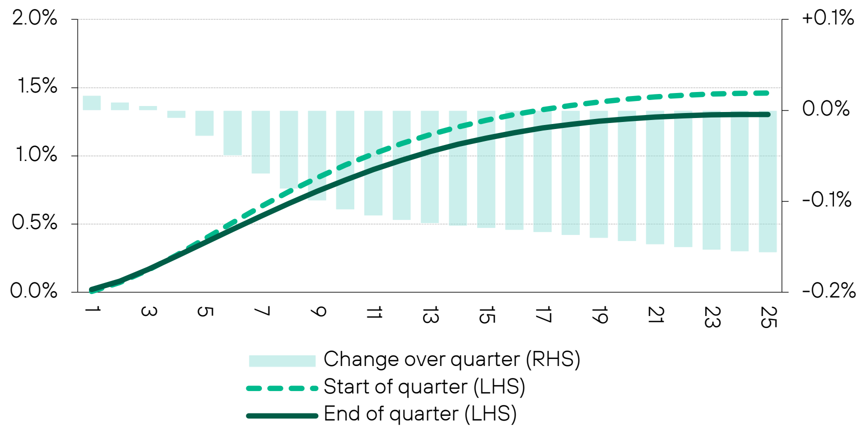
Real Gilt Yields – Q2 2021



Gilt-Implied Inflation – Q2 2021



Nominal Gilt Yields – Q2 2021



Commentary

- Long-dated (20-year) yields at the quarter-end were:
  - Real gilt yield: -2.2%
  - Nominal gilt yield: 1.3%
  - Gilt-implied inflation expectation: 3.6%

Note: Please see Appendix 5 for further information.
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 - 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.

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

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 – 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).

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.

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