East Sussex Pension Fund

Investment Performance - Summary Report

Quarter to 31 December 2023

Isio Investment Advisory

isio.

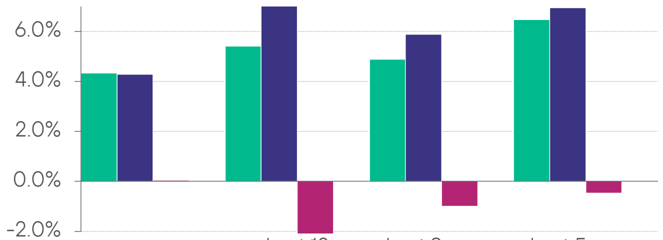
Contents

Highlights

Executive Summary – 31 December 2023

Access Pool	Fund	Q4 2023 Performance			Value at Quarter End	
		Fund	Benchmark	Relative	30-Sep-23	31-Dec-23
Yes	UBS Osmosis – Sustainable Equity	7.7%	6.7%	+1.1%	£246.6m	£364.4m
Yes	Longview - Global Equity	6.1%	6.7%	-0.6%	£495.7m	£477.8m
No	WHEB – Sustainable Equity	6.7%	6.7%	-0.0%	£209.1m	£223.0m
No	Wellington – Sustainable Equity	10.3%	6.3%	+3.9%	£214.4m	£236.4m
No	Storebrand – Sustainable Equity	7.5%	6.7%	+0.8%	£489.2m	£427.0m
Yes	Baillie Gifford – Global Equity	8.1%	6.3%	+1.8%	£184.8m	£199.7m
No	Harbourvest – Private Equity [1,2]	-5.3%	6.6%	-11.9%	£192.2m	£180.2m
No	Adams Street – Private Equity [1,2]	-6.2%	6.6%	-12.8%	£199.3m	£186.2m
Yes	Newton – Absolute Return	4.8%	1.9%	+2.9%	£336.4m	£352.4m
Yes	Ruffer - Absolute Return	2.3%	1.9%	+0.4%	£443.3m	£453.5m
No	Schroders – Property	-0.7%	-1.2%	+0.5%	£342.9m	£338.0m
No	UBS – Infrastructure [2]	-7.8%	0.6%	-8.5%	£35.6m	£32.3m
No	Pantheon – Infrastructure [2]	-2.2%	0.6%	-2.8%	£88.4m	£86.5m
No	M&G – Infrastructure [2]	2.1%	0.6%	+1.5%	£56.0m	£58.8m
Yes	IFM – Infrastructure	5.5%	0.6%	+4.9%	£235.6m	£248.7m
No	ATLAS - Listed Infrastructure	7.0%	6.8%	+0.2%	£93.5m	£100.0m
No	M&G – Real Estate Debt [2]	2.5%	2.2%	+0.3%	£39.8m	£35.7m
Yes	M&G – Diversified Credit	2.6%	2.0%	+0.6%	£309.0m	£317.0m
Yes	M&G - Corporate Bonds	10.9%	11.2%	-0.3%	£118.4m	£131.3m
Yes	UBS - Over 5 Year Index-linked Gilts	10.5%	10.5%	-0.0%	£170.7m	£240.7m
	Total Assets	4.3%	4.3%	0.9%	£4500.9m	£4689.4m

Period returns – to 31 December 2023



	Q4 2023	Last 12 months	Last 3 years (p.a.)	Last 5 years (p.a.)
Scheme Return	4.3%	5.4%	4.9%	6.5%
Benchmark Return	4.3%	10.2%	5.9%	7.0%
Relative	0.0%	-4.8%	-1.0%	-0.5%
Sample 60:40 Portfolio	6.3%	10.7%	2.9%	7.0%

Commentary

- The Fund's assets delivered a positive absolute return over the quarter, returning 4.3% and being in line with the benchmark return of 4.3%.
- The public equity managers all posted positive absolute and largely positive relative returns mostly due to increasing hopes that interest rate hikes had peaked.
- The Fund's illiquid holdings in private equity, posted negative performance in Q4 2023.
- The various credit mandates posted positive results in both absolute and relative terms as UK Gilt yields fell and spreads narrowed by varying degrees across credit sectors.
- The longer term returns at Fund level remain robust, with public equity assets adding significant value.

This page provides an overview of performance for the Fund and its underlying mandates.

Note: Sample 60:40 portfolio consists of 60% allocation to MSCI ACWI and a 40% allocation to a bond portfolio split 20% in BofA Merrill Lynch Global Corporate Index, and 10% in FTSE Gilts (all maturities) and FTSE Index Linked Gilts (all maturities) respectively, with all portfolio returns unhedged in GBP terms.

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 2023. Fund Total value excludes cash held with Northern Trust. [1] Valuation and performance information as at 30 September 2023. [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 2023

Fund	Q4 2023 Performance			1 Year Performance			3 Year Performance			5 Year Performance		
	Fund	Benchmark	Relative	Fund	Objective	Relative	Fund	Objective	Relative	Fund	Objective	Relative
UBS Osmosis – Sustainable Equity	7.7%	6.7%	+1.1%	18.3%	16.8%	+1.5%	-	-	-	-	-	-
Longview - Global Equity	6.1%	6.7%	-0.6%	12.7%	16.8%	-4.1%	11.8%	9.8%	+2.0%	10.3%	12.6%	-2.3%
WHEB - Sustainable Equity	6.7%	6.7%	-0.0%	4.5%	16.8%	-12.3%	0.2%	10.0%	-9.7%	-	-	-
Wellington – Sustainable Equity	10.3%	6.3%	+3.9%	7.6%	15.3%	-7.7%	1.9%	9.2%	-7.3%	-	-	-
Storebrand – Sustainable Equity	7.5%	6.7%	+0.8%	16.2%	16.8%	-0.6%	8.0%	10.0%	-2.0%	-	-	-
Baillie Gifford – Global Equity	8.1%	6.3%	+1.8%	11.6%	15.3%	-3.7%	-	-	-	-	-	-
Harbourvest – Private Equity[1]	-5.3%	6.6%	-11.9%	-3.9%	16.8%	-20.8%	20.2%	9.8%	+10.5%	15.8%	13.2%	+2.6%
Adams Street – Private Equity[1]	-6.2%	6.6%	-12.8%	-7.5%	16.8%	-24.3%	18.2%	9.8%	+8.4%	15.0%	13.2%	+1.7%
Newton – Absolute Return	4.8%	1.9%	+2.9%	2.5%	7.3%	-4.8%	0.7%	4.7%	-4.0%	3.9%	4.1%	-0.2%
Ruffer - Absolute Return	2.3%	1.9%	+0.4%	-6.6%	7.3%	-13.9%	2.7%	4.7%	-2.0%	5.8%	4.2%	+1.7%
Schroders – Property	-0.7%	-1.2%	+0.5%	-5.4%	-1.4%	-4.0%	2.6%	2.1%	+0.6%	1.5%	1.3%	+0.2%
UBS – Infrastructure	-7.8%	0.6%	-8.5%	-9.0%	5.9%	-14.9%	3.7%	8.6%	-4.9%	-1.0%	6.3%	-7.3%
Pantheon – Infrastructure[1]	-2.2%	0.6%	-2.8%	6.7%	5.9%	+0.7%	18.8%	8.6%	+10.2%	-	-	-
M&G – Infrastructure	2.1%	0.6%	+1.5%	3.5%	5.9%	-2.4%	11.7%	8.6%	+3.1%	-	-	-
IFM – Infrastructure	5.5%	0.6%	+4.9%	-	-	-	-	-	-	-	-	-
ATLAS – Listed Infrastructure	7.0%	6.8%	+0.2%	5.5%	-2.6%	+8.2%	8.2%	6.8%	+1.4%	-	-	-
M&G – Real Estate Debt	2.5%	2.2%	+0.3%	9.2%	8.8%	+0.4%	4.2%	6.2%	-2.1%	-	-	-
M&G – Diversified Credit	2.6%	2.0%	+0.6%	10.1%	7.8%	+2.3%	4.1%	5.2%	-1.2%	5.1%	4.7%	+0.4%
M&G - Corporate Bonds	10.9%	11.2%	-0.3%	9.3%	9.7%	-0.4%	-8.3%	-8.3%	+0.0%	0.1%	-0.6%	+0.6%
UBS - Over 5 Year Index-linked Gilts	10.5%	10.5%	-0.0%	0.2%	0.2%	+0.1%	-13.5%	-13.5%	-0.1%	-4.9%	-4.9%	-0.0%
Total Assets	4.3%	4.3%	0.0%	5.4%	10.2%	-4.8%	**4.9%**	**5.9%**	**-1.0%**	**6.5%**	**7.0%**	**-0.5%**

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 December 2023.
[1] Valuation and performance information as at 30 September 2023.
Source: Investment Managers, Northern Trust, Isio calculations.

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

The active impact public equity mandates have continued to struggle relative to their benchmarks over the last 12 months.

The private equity mandates have delivered very strong performance over the 3 and 5 year periods, however the performance has been largely negative over the last 12 months.

Most of the infrastructure mandates, have performed particularly strongly over the last quarter with the exception of UBS and Pantheon.

Of the managers that have been in place for the longer term, UBS infrastructure has most significantly underperformed its benchmark. This is primarily driven by the disappointing performance of Archmore Fund I.

Looking Forward

Key issues

Item	Action points / Considerations	Status
Overall Investment Strategy	**Liquid Fixed Income Manager Selection** • At the Q1 2022 Committee meeting, Isio presented a paper detailing the proposed implementation approach for selection of the manager to manage the agreed increased allocation to fixed income. The Committee subsequently reached agreement on a preferred choice of manager, Bluebay, and are due to arrange implementation once the fund is available on the ACCESS platform	Information only
	Illiquid Fixed Income Allocation • The Officers and IWG group have requested Isio consider the options available to the Fund in relation to implementing the strategic allocation to illiquid fixed income. Isio prepared a briefing paper in early 2023 considering this allocation. The Officers are currently working with Isio and ACESS to assess what is available for implementation of this mandate.	Information only
	Index-Linked Gilt Update • Barnett Waddingham provided Isio with initial analysis on the level of Index-Linked Gilt holdings and the funding implications of these. Once Isio have undertaken further analysis this will be discussed within the IWG with a subsequent update at the Q2 Committee meeting.	Information only
Investment Managers	• Wellington – following a material change in team, Isio refreshed their due diligence on the manager, and subsequently downgraded the fund. Isio remain comfortable with the manager but continue to monitor them closely and will provide a further detailed update at the Q1 Committee meeting. • M&G AOF Sustainable Version – Isio researched and presented a formal view on the newly launched sustainable version of the Fund's existing holding AOF. Isio will provide their views on this fund at the Q1 Committee meeting. • BlackRock have bought 60% stake in the private assets of Global Infrastructure Partners (the parent company of ATLAS). Isio to provide an update at the Q1 Committee meeting on how this impacts the ATLAS infrastructure fund. • Schroders contacted Isio to share that there was an upcoming resolution on which the mutual real estate clients, managed by Schroders Capital Real Estate Solutions are going to be asked to vote. The resolution related to the Metro Property Unit Trust, a 'Partnership' strategy created by the business in 2013 where Schroders are Manager. Schroders were seeking 'clients' approval for the wind-up of this strategy. Isio responded to Schroders that it was in support of the wind-up as it agreed that the Trust will be unlikely to meet its investment objective over the long-term.	Discussion

Summary

This page sets out the main action / discussion points.

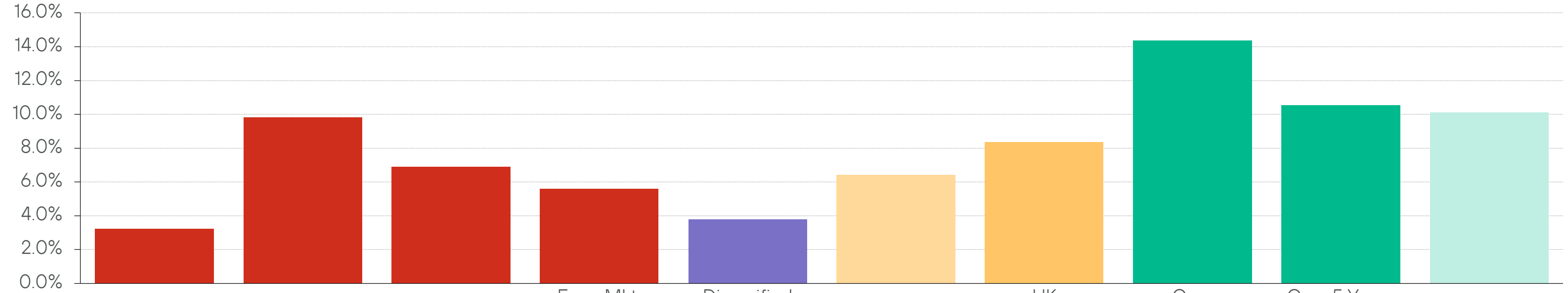
Status key

- Action
- Decision
- Discussion
- Information only

Market Background

Market Background – Overview Q4 2023

Returns by Asset Class – Q4 2023



	UK Equity	Global Equity (£ hedged)	Global Equity (unhedged)	Emg. Mkt. Equity (£ hedged)	Diversified Growth Funds	Glbl High Yield (£ hedged)	UK Inv. Grade Credit	Over 15 Years Gilts	Over 5 Years Index-Linked Gilts	Example Liabilities
Returns	3.2%	9.8%	6.9%	5.6%	3.8%	6.4%	8.3%	14.4%	10.5%	10.1%

Key Upcoming Events

- The dates for the Bank of England's Monetary Policy Committee (MPC) announcements in Q1 2024 are 1 February and 21 March.
- The dates for the US Federal Reserve's Federal Open Market Committee (FOMC) announcements in Q1 2024 are 31 January and 20 March.

Commentary

- Growth markets delivered strong positive returns over Q4 2023, largely due to increasing hopes that interest rate hikes had peaked, and expectations that the Bank of England and the Federal Reserve could accelerate rate cuts in 2024.
- Global equities added significant value over the period, with the interest rate-sensitive Technology sector performing particularly strongly. However, the UK market materially underperformed over the quarter; this was largely driven by weakness in larger multinational companies with overseas revenue exposure, as the Pound Sterling strengthened against the US Dollar.
- Over the quarter credit markets rallied, with both global high yield and UK investment grade credit performed positively, as yields fell and credit spreads narrowed.
- Declines in long dated gilt yields resulted in positive government bond performance.

Summary

Equity markets produced positive performance over the quarter, outperforming most other asset classes.

Positive global sentiment was driven by a shift in monetary policy expectations away 'higher for longer', towards projected rate cuts in the short-term. UK gilt yields reflected this sentiment, with yields declining towards the end of the quarter, resulting in positive returns.

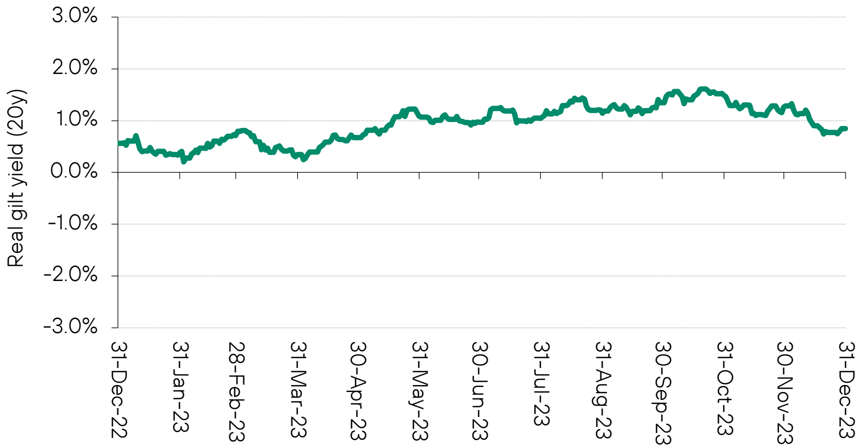
The US Federal Reserve and the Bank of England both kept base interest rates unchanged at 5.50% and 5.25%, respectively during the quarter.

Hedged global equities outperformed unhedged equivalents over the period, as the Pound Sterling strengthened against the US Dollar.

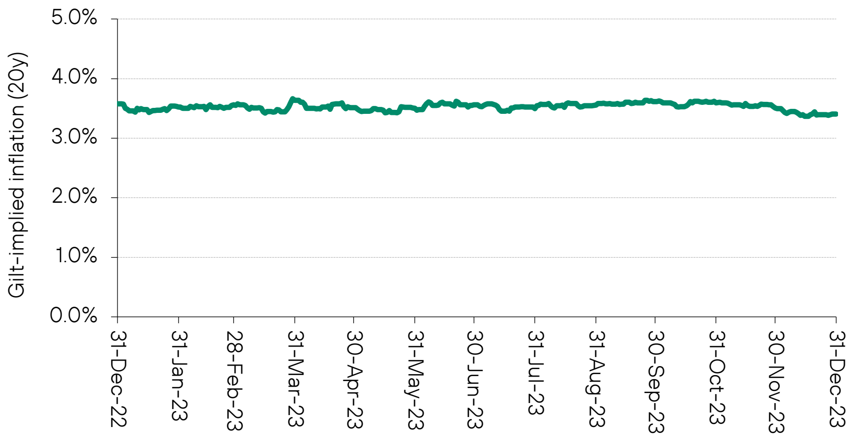
Notes: Please see the 'Explanation of Market Background' appendix for details of the returns representing each asset class.
Sources: Refinitiv, DGF investment managers, Isio calculations.

Market Background – Yields

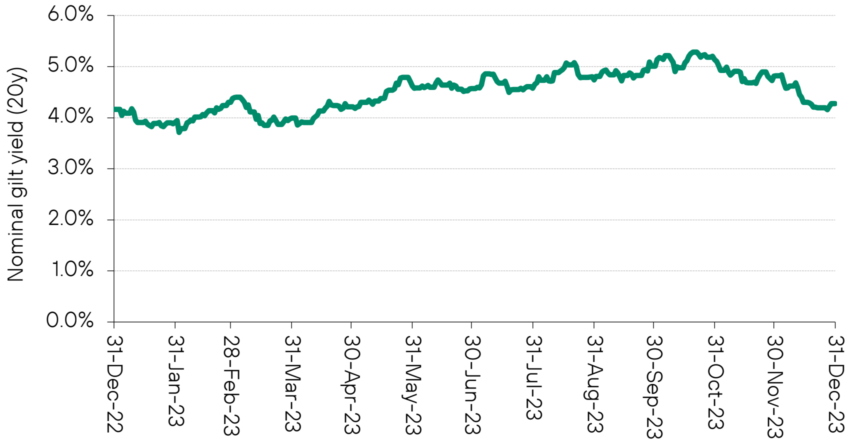
Real Gilt Yields – Last 12 months



Gilt-Implied Inflation – Last 12 months



Nominal Gilt Yields – Last 12 months



Example Liabilities

- The liabilities for an example DB pension scheme[1] increased by c.10.1% over the quarter. This can be broken down into the following components:
  - c. 5.2% increase, due to the fall in real yields;
  - c. 3.6% increase, due to the fall in nominal yields; and
  - c. 1.3% increase due to the "unwinding" effect (also known as "interest" on the liabilities).
- The liabilities for an example DB pension scheme increased by c.3.6% over the last 12 months.

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 and Implied Inflation Changes

20-year Real Gilt Yield	
October	0.14%
November	-0.23%
December	-0.42%
Quarter	**-0.50%**

20-year Nominal Gilt Yield	
October	0.12%
November	-0.32%
December	-0.53%
Quarter	**-0.73%**

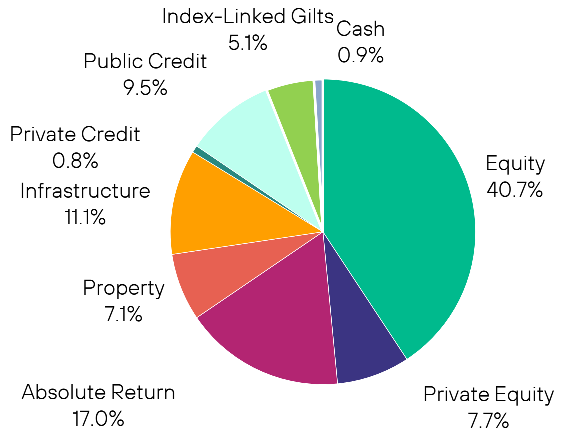
20-year Gilt-Implied Inflation	
October	-0.02%
November	-0.09%
December	-0.10%
Quarter	**-0.21%**

Notes: Please see the 'Explanation of Market Background' appendix for details of the example liabilities. Monthly yield changes may not sum to quarterly changes, due to rounding. Zero coupon rates are shown.
[1] The duration of the scheme liabilities has been assumed to be 15 years and 70% of the benefits are assumed to be linked to inflation.
Sources: Bank of England, Isio calculations.

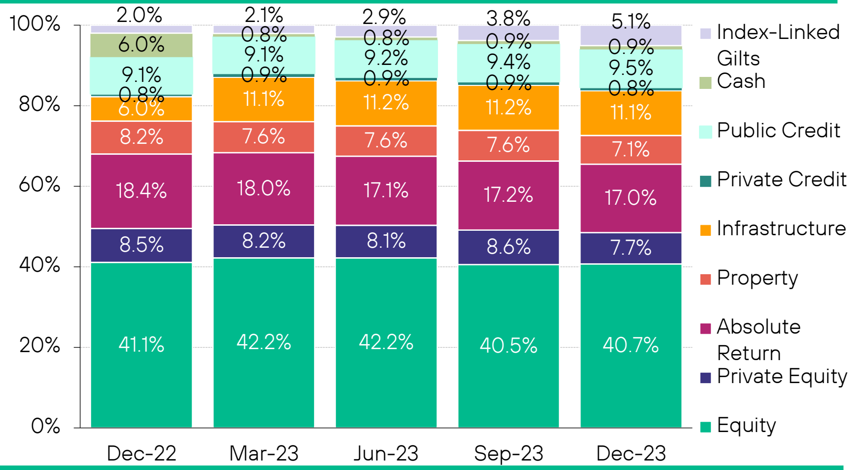
Strategy Overview

Asset Allocation – at 31 December 2023

Asset Allocation – 31 December 2023

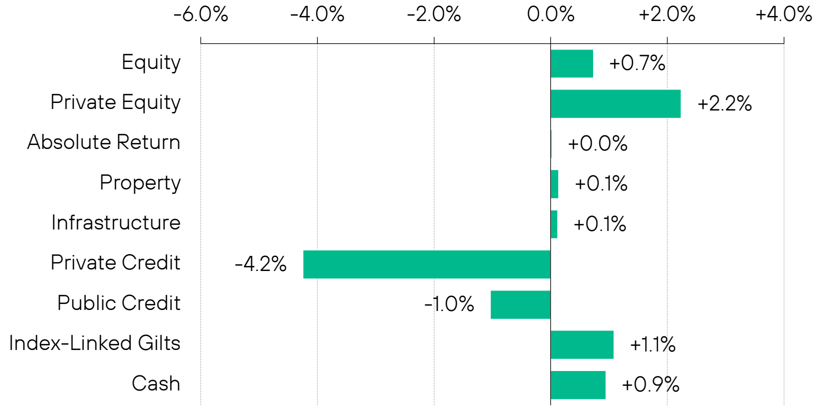


Asset Allocation Changes Since 31 December 2023



This page provides and overview of the current asset allocation position of the Fund.

Assets Relative to Benchmark – 31 December 2023



Commentary

- As at 31 December 2023, the Fund's asset allocation remained off-benchmark relative to the newly agreed target asset allocation; though steps are being taken to address this through the continued implementation of the target investment strategy.
- The index-linked gilts and private equity are currently overweight; while the private and public credit allocations are underweight.
- The allocations will be brought more closely in line with the strategic benchmark as the new mandates are agreed and implemented going forward.
- More specifically, a commitment to private credit is expected to be made in the near future with capital drawn into the chosen fund following this.
- Over Q4 2023 the fund has implemented the increase in the allocation to Index-Linked Gilts.
- A market level trigger framework is now in place to move the allocation to Index-linked Gilts to an overweight position should market levels become attractive to do so.

Agreed long-term allocation

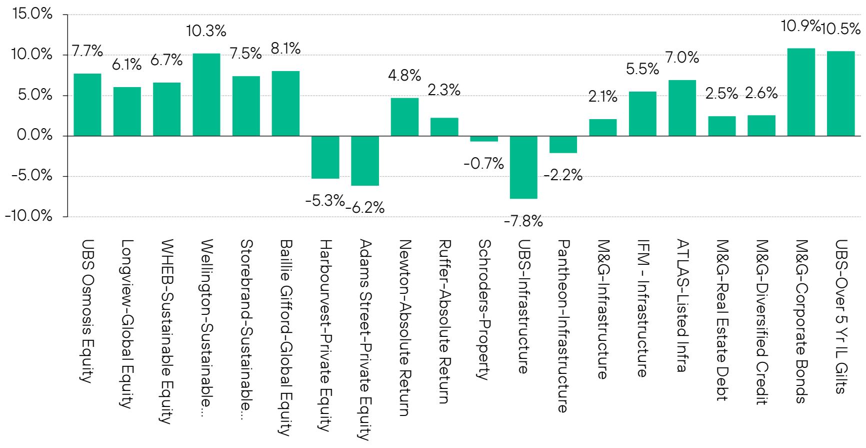
Equity	40.0%
Private Equity	5.5%
Absolute Return	17.0%
Balanced Property	7.0%
Index-Linked Gilts	4.0%
Infrastructure	11.0%
Public (Diversified) Credit	10.5%
Private Credit	5.0%

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

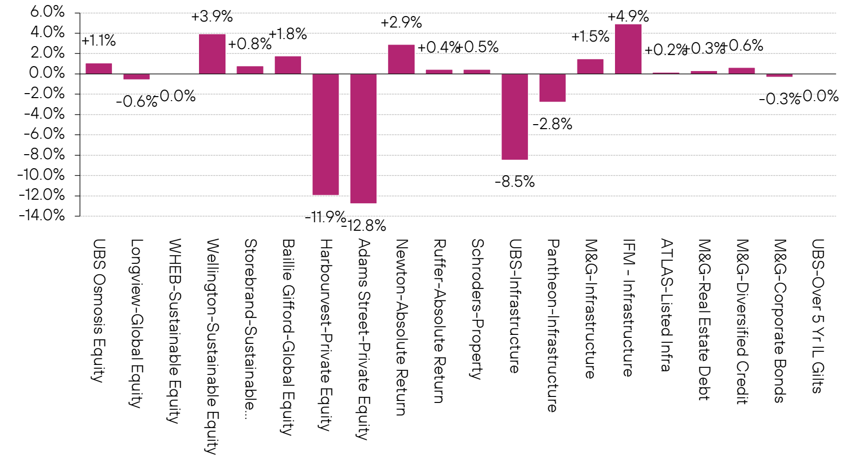
Investment Managers

Performance Summary – to 31 December 2023

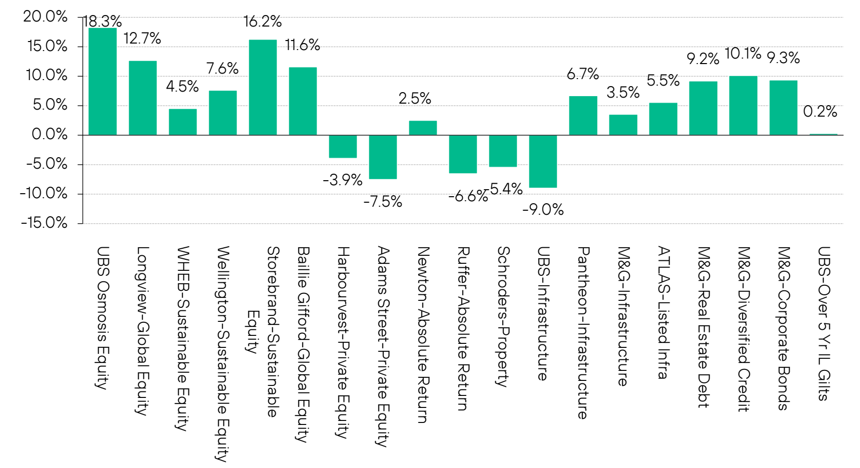
Absolute Return – Q4 2023



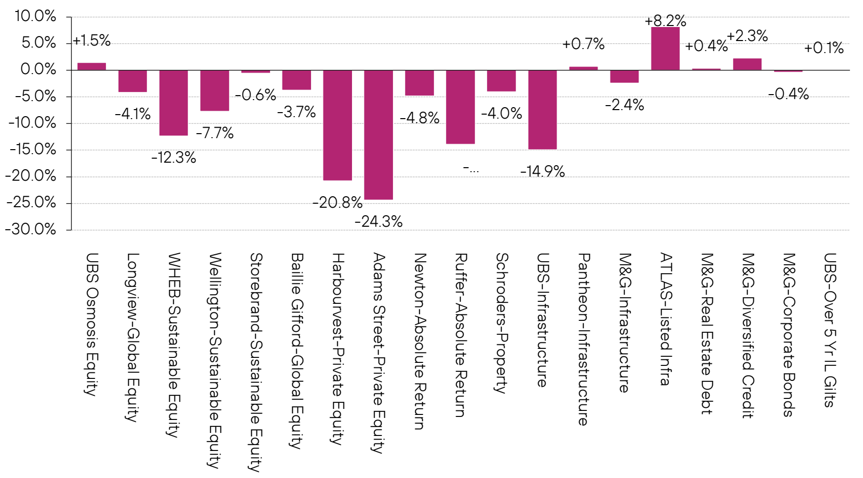
Relative Return – Q4 2023



Absolute Return – 12 months



Relative Return – 12 months



Note: Returns net of fees. 12 month relative and absolute returns are not available for the IFM Infrastructure mandate as it was incepted post 31 December 2022.
Source: Investment Managers, Northern Trust, Isio calculations.

Summary

The Fund's mandates delivered largely positive absolute performance over Q4, with public equity, corporate bonds and index-linked gilts funds producing positive returns. ATLAS and IFM infrastructure funds also exhibited positive returns.

Meanwhile, the UBS Infrastructure fund, and the private equity mandates delivered the most notable negative absolute performance.

On a relative basis over Q4, Harbourvest equity, Adams Street equity, UBS infrastructure and Pantheon infrastructure all underperformed.

Private equity relative returns over the quarter have been particularly poor as prior public equity performance fed through to private equity valuations.

UBS / Osmosis – Sustainable Equity

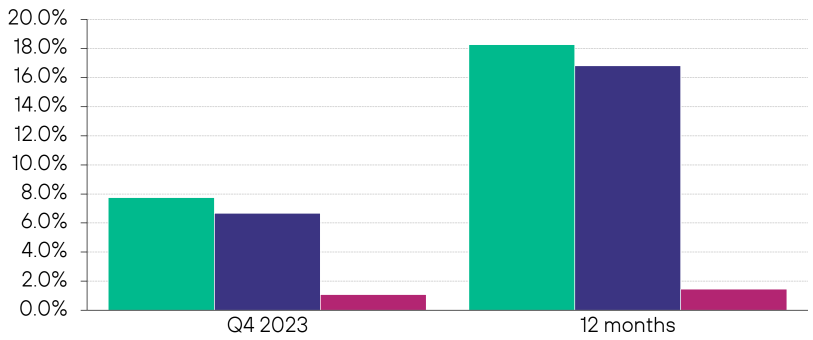
Overview

The Fund adopts an optimised, smart beta approach, investing in global equities with the aim of approximating the performance and risk profile of the index, with an explicit incorporation of ESG and climate-related risks.

Process	Bottom Up		Top Down
Stock Selection	Low		High
Active Share	Low		High

Key area	Comments
Key contributors/ detractors	• Strongest contributors were Advanced Micro Devices (US IT), Intuit (US IT) and RTX (Japan Communication Services). Key detractors were Intel (US IT), Costco (US Consumer Staples) and Lilly Eli (US Health Care). Osmosis remains confident in the uncorrelated resource efficiency which drives the positive active return against the MSCI World benchmark.
Portfolio positioning	• Fastenal (US Industrials), Lilly Eli (US Health Care) and Monster Bev (US Consumer Staples) were added to the portfolio. US IT firm VMWare and US Health Care firm Seagen were sold. • The overall sector and country weights have remained similar to the previous quarter, maintaining the targeted tight factor exposures to the MSCI World benchmark.
Outlook	• Osmosis remains comfortable, despite the continued uncertainty in financial markets, an environment of higher interest rates and increased volatility posed by geopolitical tensions in the Middle East. Osmosis also remains confident in their Resource Efficiency signal, given it has added value in line with expectations since the Fund's inception.

Performance to 31 December 2023



	Q4 2023	12 months
Return	7.7%	18.3%
Benchmark	6.7%	16.8%
Relative	+1.1%	+1.5%

Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	568	587	Slight decrease, but in line with quant process
12m turnover	24%	24%	Remained constant
Active share	47%	48%	Low, in line with expectations
Top 3 sectors	Information Technology (24%), Financials (16%), Health Care (14%).		
Top 3 stocks	Apple Inc (6%), Microsoft Corp (4%), NVIDIA Corp(2%).		
Top 3 regions	North America (73%), Europe (18%), Asia (9%).		

Mandate: Sustainable Passive Global Equities

Current Value: £364.4m

Current Weighting: 7.7%

Inception: March 2022

Benchmark: MSCI World

Objective: Achieve superior risk-adjusted returns by targeting maximum resource efficiency exposure while maintaining a tight tracking error to the MSCI World.

Pooled: Via Access Pool

Note: Totals may not sum due to rounding. Performance quoted net of fees. Performance shown since inception of the Fund's investment on 3 March 2022.
Source: Investment manager, Northern Trust, Isio calculations.

Longview - Global Equity

Overview

The strategy utilises a bottom-up approach to invest in 30-35 high quality global companies which have strong business fundamentals and a market capitalisation greater than $5 billion.

Process	Bottom Up	● (between, towards Top Down)	Top Down
Stock Selection	Low	● (near High)	High
Active Share	Low	● (near High)	High

Key area	Comments
Key contributors/ detractors	• Energy was the only negative sector in the Index whilst Healthcare and Consumer Staples were the only other sectors that did not deliver double-digit returns. The Financials sector was the biggest contributor. • Some of the largest detractors to relative performance over the period were Sanofi, AON, and Becton Dickinson.
Portfolio positioning	• During the quarter, two new holdings were added to the portfolio; Estee Lauder and Thermo Fisher. The position in Estee Lauder was subsequently sold as Longview decided there was no longer enough upside to continue. The position in L3Harris was also sold.
Outlook	• The portfolio remains concentrated, with a high active share, and therefore investors should expect periods of material out or under performance. • The team continues to focus on what they perceive as high quality companies which trade at reasonable valuations.

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

Performance to 31 December 2023

	Q4 2023	12 months	3 years (p.a.)	5 years (p.a.)
Return	6.1%	12.7%	11.8%	10.3%
Benchmark	6.7%	16.8%	9.8%	12.6%
Relative	-0.6%	-4.1%	+2.0%	-2.3%

Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	30	30	In line with expectations
12m turnover	18%	19%	Low relative to peers
Active share	90%	90%	High relative to peers
Top 3 sectors	Financials (34%), Health Care (23%), Consumer Staples (14%)		
Top 3 stocks	Booking (4%), CDW (4%), TJX Companies (4%)		
Top 3 regions	US (85%), UK (6%), Netherlands (6%)		

Mandate: Active Global Equities

Current Value: £477.8m

Current Weighting: 10.1%

Inception: April 2013

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

Benchmark: MSCI AC World

Pooled: Via Access Pool

WHEB – Impact Equity

Overview

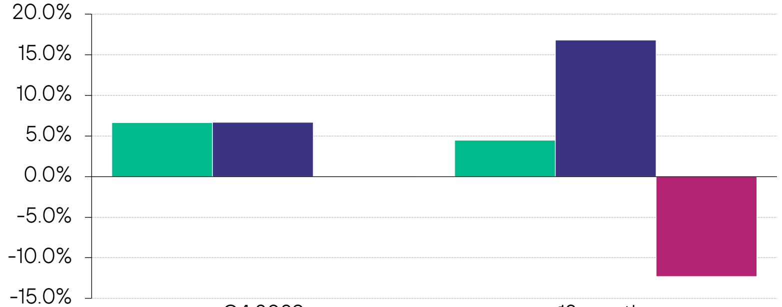
The Fund utilises an unconstrained global equity approach which focuses on investing in companies capitalising on opportunities created by the transition to healthy, low carbon and sustainable economies, across nine broad sustainability themes.

Process	Bottom Up		Top Down
Stock Selection	Low		High
Active Share	Low		High

Key area	Comments
Key contributors/ detractors	• The fund delivered strong performance over the quarter with positive contributions across most themes, most notably Resource Efficiency • Information Technology and Consumer Staples were the weakest performing themes over the quarter. Largest detractors were HelloFresh, SolarEdge and Lonza.
Portfolio positioning	• 2 new additions: Bureau Veritas (Safety) and Veralto (Water Management). • 2 exits: HelloFresh (Wellbeing) and Daikin (Resource Efficiency).
Outlook	• WHEB's faith in the sustainability-led growth drivers and competitive advantages of the companies themselves is as strong as ever. With the mandate's higher active share, we expect it to continue to deliver relative return volatility.

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

Performance to 31 December 2023



	Q4 2023	12 months
Return	6.7%	4.5%
Benchmark	6.7%	16.8%
Relative	-0.0%	-12.3%

Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	41	41	Relatively concentrated – low end of target
12m turnover*	37%	32%	Further detail on right
Active share	97%	97%	High relative to peers
Top 3 sectors	Industrials (31%), Healthcare (30%), IT (24%)		
Top 3 stocks	Agilent Technologies (4%), Ansys (4%), Icon (4%)		
Top 3 regions	North America (63%), Western Europe (17%), UK (8%)		

Mandate: Active Impact Global Equity

Current Value: £223.0m

Current Weighting: 4.7%

Inception: December 2020

Benchmark: MSCI World

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

Pooled: No

***12m turnover:** The manager has confirmed that the higher turnover is as a result of the higher market volatility, which led to more upgrades and downgrades and ad hoc redemptions, which resulted in higher trading activity. They expect it to come down in future.

Wellington – Global Impact Fund

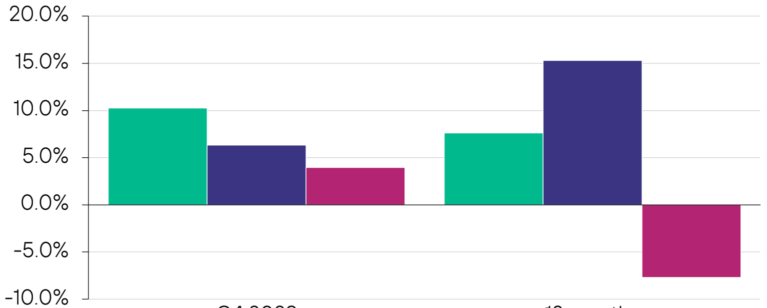
Overview

The Fund aims to invest in innovative companies whose core products and services addresses the world's major social and environmental challenges. Wellington choose stocks from the universe list which has been derived from a number of sources such as internal and field research, company meetings, conferences or third party research.

Process	Bottom Up	Top Down
Stock Selection	Low	High
Active Share	Low	High

Key area	Comments
Key contributors/ detractors	• Stock selection was the key relative performance driver in Q4, with holdings in Industrials, Financials and Consumer Discretionary adding value. GoDaddy, Xylem and PGT Innovations were the largest contributors, driven by positive earnings growth and valuation re-rating. • Longer term performance remains weak, with the Fund's relative tilt towards smaller companies weighing on returns.
Portfolio positioning	• The Fund increased exposure to the Resource Efficiency and Education themes over the period, while also eliminating holdings in two companies (Illumina and Nokia) based on deteriorating investment cases.
Outlook	• While the Fund is diversified across themes, key exposures are to Health, Resource Efficiency and Financial Inclusion. The Fund has tilts towards fast growing, smaller companies, which have higher valuations than the market.

Performance to 31 December 2023



	Q4 2023	12 months
Return	10.3%	7.6%
Benchmark	6.3%	15.3%
Relative	+3.9%	-7.7%

Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	66	64	High end of 50-70 range
12m turnover	29%	31%	Higher than typical, to be monitored.
Active share	97%	97%	High, in line with expectations
Top 3 sectors	Resource Efficiency (21%), Healthcare (16%), Financial Inclusion (12%)		
Top 3 stocks	Boston Scientific (3%), Xylem Inc (3%), Abbott Laboratories (3%)		
Top 3 regions	North America (64%), Europe ex UK (17%), Emerging markets (10%)		

Mandate: : Active Impact Global Equities

Current Value: £236.4m

Current Weighting: 5.0%

Inception: December 2020

Benchmark: MSCI AC World

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

Pooled: No

Sources: Investment manager, Isio calculations.
Notes: Returns net of fees.

Storebrand – Sustainable Equity

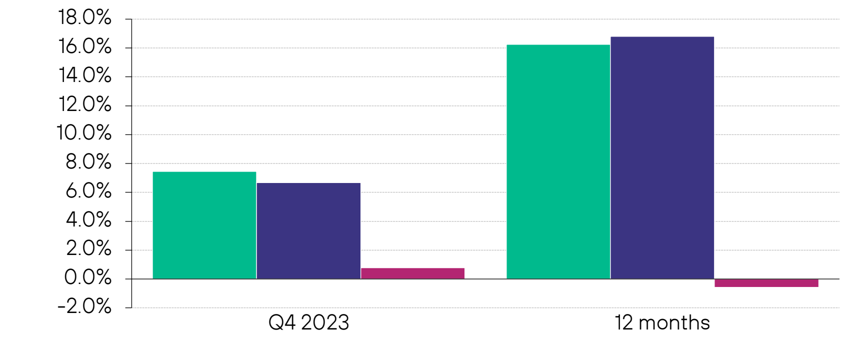
Overview

The Fund adopts an optimised, smart beta approach, investing in global equities with the aim of approximating the performance and risk profile of the index, with an explicit incorporation of ESG and climate-related risks.

Process	Bottom Up	Top Down
Stock Selection	Low	High
Active Share	Low	High

Key area	Comments
Key contributors/ detractors	• The fund outperformed the MSCI World Index by 0.8% during Q4. Exclusion of fossil fuel-related stocks contributed a 0.9% on a relative basis. Non-climate solutions companies had a challenging quarter, detracting -0.5% from relative returns,
Portfolio positioning	• Continued increase in the number of emerging market climate solution companies.
Outlook	• Storebrand is working on carbon intensity data and implementing change into how this information is used in portfolio construction.

Performance to 31 December 2023



	Q4 2023	12 months
Return	7.5%	16.2%
Benchmark	6.7%	16.8%
Relative	+0.8%	-0.6%

Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	689	751	Decrease
12m turnover	15%	9%	Increase
Active share	41%	42%	Low, as expected
Top 3 sectors	IT (25%), Financials (14%), Industrials (13%)		
Top 3 stocks	Apple (5%), Microsoft (5%), Amazon (2%)		
Top 3 regions	United States (69%), Japan (7%), UK (4%)		

Mandate: Sustainable Passive Global Equities

Current Value: £427.0m

Current Weighting: 9.0%

Inception: December 2020

Benchmark: MSCI World

Objective: Reproduce risk-return profile of the MSCI World Index

Pooled: No

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

Baillie Gifford – Global Paris Aligned Equity

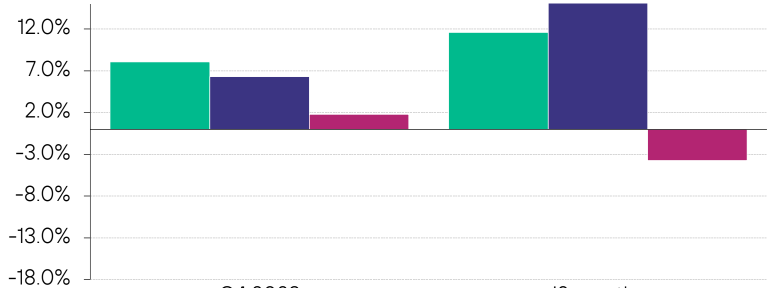
Overview

The Fund utilises an unconstrained global equity approach which focuses on investing in companies displaying above average earnings growth and sustainable competitive advantages in their respective industries, whilst aligning to the UN Paris Agreement climate commitments.

Process	Bottom Up		Top Down
Stock Selection	Low		High
Active Share	Low		High

Key area	Comments
Key contributors/ detractors	• The Fund experienced a positive performance over the quarter. Against an economic backdrop, BG continue to revisit the underlying growth drivers that underpin the portfolio and remain confident that the growth tailwinds will endure despite global economic challenges. • The IT sector was the clear contributor in Q4. The energy sector was the biggest detractor over the last quarter.
Portfolio positioning / transactions	• BG made 5 purchases (Block Inc, CATL 'A", LVMH, PDD Holdings Inc and Texas Instruments) and 3 sales (Farfetch, Illumina, Rio Tinto).
Outlook	• Aggregate earnings in the BG portfolio are accelerating and a wide variety of companies are reaping the benefits of their adaption to the new economic environment. They believe that the portfolio is of increasingly superior quality, operational flexibility and expected earnings growth.

Performance to 31 December 2023



	Q4 2023	12 months
Return	8.1%	11.6%
Benchmark	6.3%	15.3%
Relative	+1.8%	-3.7%

Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	94	91	Broadly unchanged
12m turnover	16%	14%	Slight increase
Active share	82%	84%	In line with expectation
Top 3 sectors	Consumer Disc (21%), IT (18%), Financials (18%)		
Top 3 stocks	Microsoft (5%), Amazon.com (4%), Moody's (4%)		
Top 3 regions	North America (66%), Europe ex UK (15%), Emerging Markets (10%)		

Mandate: Global Equities

Current Value: £199.7m

Current Weighting: 4.2%

Inception: August 2021

Benchmark: MSCI AC World

Objective: Outperform benchmark by 2.0% p.a. (net of fees) over rolling 5-year periods

Pooled: Via Access Pool

Note: Totals may not sum due to rounding. Performance quoted net of fees. The Fund switched into the Paris-aligned version of the Global Alpha Fund over Q2 2022 and performance is combined.
Source: Investment manager, Northern Trust, Isio calculations.

Harbourvest – Private Equity

Overview

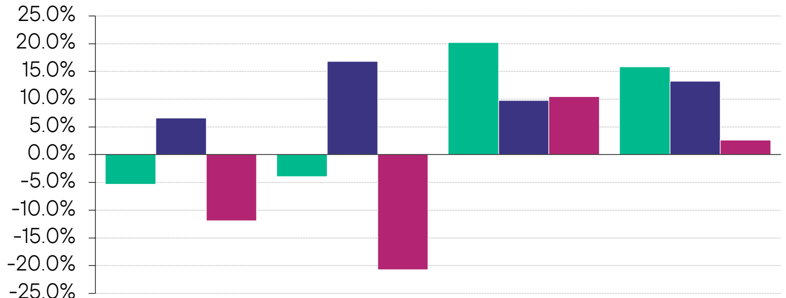
HarbourVest manage a global private equity portfolio for the Fund, invested globally across a range of subclasses (buyout, venture, debt/credit, among others).

Style	Multiple: Buyout, venture, credit
Stage	Multiple: Primary, secondary
Access	Fund-of-Funds
Vintage Year	Multiple: 2004-2021
Regional Focus	Global

Key area	Comments (3 month lagged)
Performance	• Further details of performance will be contained within the Q3 Reports, which are in the process of being finalised
Developments over quarter	• Several funds distributed proceeds back to investors during Q3, with the most sizeable distributions coming from Cleantech II and Fund IX Buyout
Outlook	• HarbourVest has not provided specific outlook for the portfolio.

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

Performance to 31 December 2023



	Q4 2023	12 months	3 years (p.a.)	5 years (p.a.)
Return	-5.3%	-3.9%	20.2%	15.8%
Benchmark	6.6%	16.8%	9.8%	13.2%
Relative	-11.9%	-20.8%	+10.5%	+2.6%

Metrics (3m lag)	Current Quarter	Last Quarter	View/change
IRR (net)	10.5%	10.8%	Slight decrease
Capital Deployed/Raised	74%	72%	Slight increase
DPI	0.97x	1.03x	Slight decrease
TVPI	1.7x	1.7x	No change
Top 3 subclasses	Buyout (55%), Venture (43%), Credit (1%)		
Top 3 regions	North America (57%), Europe (26%), Asia (16%)		

Mandate: Private Equity

Current Value: £180.2m

Current Weighting: 3.8%

Inception: January 2003

Benchmark: MSCI World + 1.5%

Objective: MSCI World + 3.0%

Pooled: No

Adams Street – Private Equity

Overview

Adams Street manage a global private equity portfolio for the Fund, combining Partnerships and Co-investments, invested globally across a range of subclasses (buyout, venture, energy, debt/credit, among others).

Style	Multiple: Buyout, venture, debt
Stage	Multiple: Primary, secondary, co-investment
Access	Fund-of-Funds
Vintage Year	Multiple: 2003-2021
Regional Focus	Global

Key area	Comments (3 month lagged)
Performance	• Similarly to last quarter, there was a small reduction in IRR, which is in line with expectations as private equity valuations continue to be adjusted downwards in line with public markets.
Developments over quarter	• There was one new primary investment in Angular Ventures IIII. There were three new co-investment in Nomios Netherlands, Tech-24 and WCT Holdings. There was one new growth equity investment in Turquoise Health Co. • c.$5.1m in distributions and c.$3.7m capital called
Outlook	• There is increased confidence that interest rates have peaked as globally inflation continues to slow. The US and Japanese equity markets saw strong returns whilst the UK and Chinese equity markets fell behind. There is a slowdown for IPOs meaning the secondaries market is now becoming an option for liquidity, but it also means private equity could become more illiquid.

Performance to 31 December 2023

	Q4 2023	12 months	3 years (p.a.)	5 years (p.a.)
Return	-6.2%	-7.5%	18.2%	15.0%
Benchmark	6.6%	16.8%	9.8%	13.2%
Relative	-12.8%	-24.3%	+8.4%	+1.7%

Metrics (3m lag)	Current Quarter	Last Quarter	View/change
IRR (net)	11.4%	11.7%	Slight reduction
Capital Deployed/Raised	81%	81%	Unchanged
DPI	1.1x	1.1x	Unchanged
TVPI	1.8x	1.8x	Unchanged
Top 3 subclasses (Partnerships)	Buyout (61%), Venture (29%), Other (7%)		
Top 3 regions (Partnerships)	United States (53%), Western Europe (28%), Asia (11%)		

Mandate: Private Equity

Current Value: £186.2m

Current Weighting: 3.9%

Inception: March 2003

Benchmark: MSCI World + 1.5%

Objective: MSCI World + 3.0%

Pooled: No

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

Newton – Absolute Return

Overview

The Fund aims to generate returns by investing in a wide universe of global securities. The Fund allocates between return seeking, and risk reducing positions, dynamically changing asset allocations over time in order to add value. The primary aim is to deliver positive risk adjusted returns in all market economic environments.

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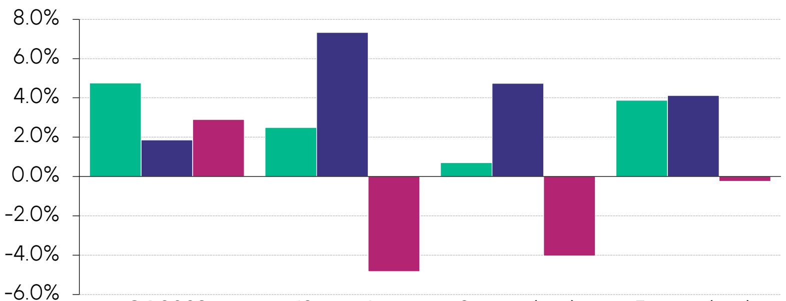
Target Return	Low		High
Return Drivers	Market beta		Active management
Diversification	Low		High

Key area	Comments
Key contributors/ detractors	• Positive returns were driven by global equities and index derivatives, after stronger than expected US economic data • All areas of the Fund delivered positive returns, including EM Debt, Corporate Bonds and Precious metals, although Government Bonds contributed the least.
Portfolio positioning	• Newton added to its 'return-seeking' assets in light of lower inflation figures and increased expectation that monetary policy would be loosened in H1 2024. • Profits were taken in some equities, alternatives and high yield bond positions.
Outlook	• Newton believe 2024 will be unpredictable driven by uncertain interest rate trends, geopolitics, recession risk. and potentially an economic slowdown that increases unemployment. Newton believe this uncertainty will present opportunities across the capital structure to exploit.

Performance to 31 December 2023



	Q4 2023	12 months	3 years (p.a.)	5 years (p.a.)
Return	4.8%	2.5%	0.7%	3.9%
Benchmark	1.9%	7.3%	4.7%	4.1%
Relative	+2.9%	-4.8%	-4.0%	-0.2%

Metrics	Current Quarter	Last Quarter	View/change
Correlation to equity (1 year)	46%	39%	In line with expectations
Volatility (1 year)	4.6%	4.6%	In line with expectations
Top 3 asset-classes	Equities (38.4%), Cash (17.7%) Alternatives (14.5%)		
Equity sector breakdown	Technology (7.8%), Financials (6.6%), Consumer Discretionary (5.5%),		

Mandate: Diversified Growth Fund

Current Value: £352.4m

Current Weighting: 7.4%

Inception: April 2010

Benchmark: 3-month SONIA + 2.5%

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

Pooled: Via Access Pool

Notes: Returns net of fees. Inception date 31 March 2004.
Sources: Investment manager, Isio calculations. Correlation and Volatility statistics sourced from daily data points from Factset retrospectively and going forward

Schroders - Balanced Property

Overview

The Schroders Property Fund is a medium risk balanced property fund investing across the retail, offices, industrials and alternative property sectors.

Expected volatility	Low		High
Lease Length	Short		Long
Shape of outcomes	0% Contractual		100% Contractual
Diversification	Low		High

Key area	Comments
Key contributors / detractors	• Over the quarter, the portfolio outperformed the benchmark. The UK Retirement Living Fund (ReLF) gave strong positive performance over the quarter. Other strong performing funds included the Local Real Fund (LRF), Unite UK Student Accommodation Fund and Octopus Healthcare Fund. • The weakest performing funds over the quarter were the Metro Property Unit Trust and the Future Workplace Property Unit Trust. There was also weak performance from three core diversified funds that continue to have redemption queues.
Portfolio positioning	• The Portfolio has been structured with downside protection provided via the defensive holdings (c.10.6%) in cash and convenience retail.
Outlook	• Schroders expect 2024 to see reduced inflation and cuts in interest rates. They believe the UK commercial real estate market pricing is close to a floor and looks fair value in relation to other asset classes, but there may be an increase in values from mid-year. Their defensive style strategies have enabled them to deliver outperformance over the last 12 months.

Performance to 31 December 2023

	Q4 2023	12 months	3 years (p.a.)	5 years (p.a.)
Return	-0.7%	-5.4%	2.6%	1.5%
Benchmark	-1.2%	-1.4%	2.1%	1.3%
Relative	+0.5%	-4.0%	+0.6%	+0.2%

Metrics	Current Quarter	Last Quarter	View/Change
Net acquisitions / (Sales)	£5.6m	-£7.1m	Increase
Cash yield	3.2%	3.4%	Decrease
No of assets	19	18	Increase
Top 3 sectors	Industrial, Alternatives (via student accommodation, social supported housing, retirement living and care homes) and Regional Offices.		

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

Mandate: Balanced Property

Current Value: £338.0m

Current Weighting: 7.1%

Inception: December 2009

Benchmark: IPD All Balanced Fund Index

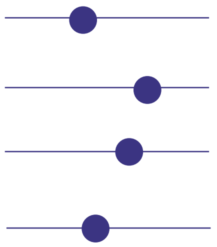
Objective: Outperform benchmark by 0.75% p.a. (net) over rolling 3 years

Pooled: No

M&G - Infrastructure

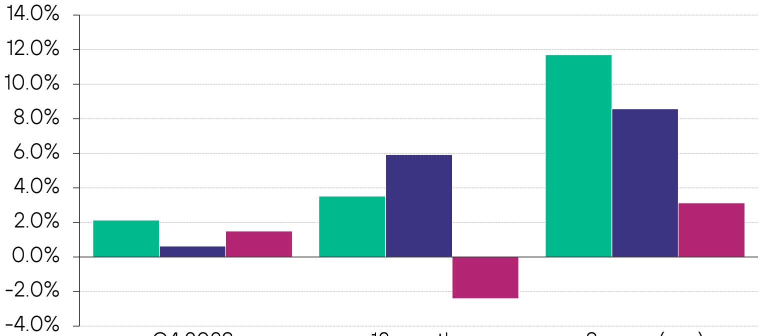
Overview

The fund provides investors with access to a diversified portfolio (Brownfield III and Greenfield II) of infrastructure assets. It focuses on investments which provide a contracted or regulated income stream, which enables the Fund to generate robust cash yields which are inflation-linked, making it attractive to pension scheme investors.

Expected volatility	Low		High
Lease Length	Short		Long
Shape of outcomes	0% Contractual		100% Contractual
Diversification	Low		High

Key area	Comments (3-month lag)
Key contributors/ detractors	• The Brownfield Fund's valuation increased by 3.1% quarter-on-quarter. ITG was the largest contributor (+6.8%) with Infrafibre Germany also contributing to strong performance (+5.1%). • The Greenfield Fund's valuation increased 1.2% over the quarter. The strong performance from EnergyNest (+6.3%) and Gridserve (+3.5%) was partially offset by X-bus (-2.1%) and Zenobe (-0.9%).
Portfolio positioning	• The Brownfield Fund continues to progress a transaction to sell a co-control stake in Last Mile to rebalance the portfolio. The Fund is also considering an equity capital raise for IFG to continue the growth of the business. • The Greenfield Fund equity raise for Zenobe closed over Q3, with KKR collectively investing c. £900m.
Outlook	• The Funds will not invest in new deals. Both PMs are focused on value creation and will remain diligent in the management of portfolio assets amidst a more challenging environment.

Performance to 31 December 2023



	Q4 2023	12 months	3 years (p.a.)
Return	2.1%	3.5%	11.7%
Benchmark	0.6%	5.9%	8.6%
Relative	+1.5%	-2.4%	+3.1%

Metrics (3m lag)	Brownfield	Greenfield
Portfolio Value to current paid in capital	1.2x	1.3x
Number of assets	6 investments	7 investments
Top sectors	Transport (34%) Fibre Telecoms (31%), and Energy (19%)	Telecoms (32%), Energy Transition (24%) and Transport (18%)
Period	The Fund's investment period ends in Dec 2023, and a Dec 2029 termination date	The Fund remains in its investment period, which ends in December 2025

Mandate: Infrastructure

Current Value: £58.8m

Current Weighting: 1.2%

Inception: October 2018

Benchmark: CPI + 2.5%

Objective: CPI + 3%

Pooled: No

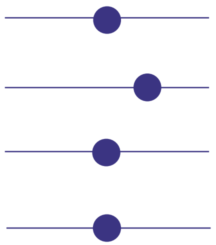
Note: Totals may not sum due to rounding. Performance quoted net of fees
Source: Investment manager, Northern Trust, Isio calculations. Manager information has a one quarter lag.

Atlas - Listed Infrastructure

Overview

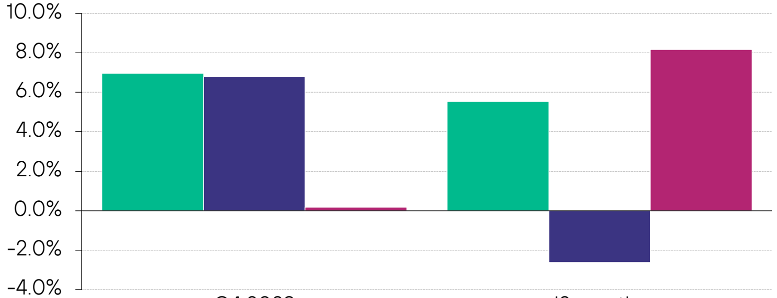
The fund provides investors with access to a diversified portfolio of brownfield and greenfield infrastructure assets. It focuses on investments which provide a contracted or regulated income stream, which enables the Fund to generate robust cash yields which are inflation-linked, making it attractive to pension scheme investors.

Expected volatility	Low		High
Lease Length	Short		Long
Shape of outcomes	0% Contractual		100% Contractual
Diversification	Low		High



Key area	Comments
Key contributors/ detractors	• At a stock level, there were strong positive returns from holdings in United Utilities (UK Water), Edison International (NA Electric Utilities) and Norfolk Southern Corporation (North American Railways. The key detractors were SES (European Communications) and Orsted (European Renewables),
Portfolio positioning	• During the quarter there was a new position in Consolidated Edison (US Utility), mostly through a reduction in the position weight in E.ON (EU Utility). The position in Aeroports de Paris (European Airports) was fully exited, to partly fund a small position in Cellnex (EU Communications) with the remainder to be sold for cash in lieu of an alternative use of capital. • These increased overall base case returns and improved several key risk metrics including stagflation and recession risk of loss exposure.
Outlook	• Atlas note that this quarter saw a change in market sentiment as there was improved inflation data and commentary from Central Banks, which shifted investors views around the timing of interest rate cuts.

Performance to 31 December 2023



	Q4 2023	12 months
Return	7.0%	5.5%
Benchmark	6.8%	-2.6%
Relative	+0.2%	+8.2%

Metrics	Current Quarter	Last Quarter	View/change
Cash yield	4.5%	4.6%	Within expectations
Net acquisitions/sales	2 new positions established in the quarter 1 position exited in the quarter	2 new positions established and 1 position up weighted. 3 positions exited and 2 positions down weighted.	Within expectations
Number of individual positions in portfolio	21	20	Within expectations
Top 3 sectors	Electric utilities (49%), Water (12%), Railway (9%)		

Mandate: Global Infrastructure Equity

Current Value: £100.0m

Current Weighting: 2.1%

Inception: December 2020

Benchmark: FTSE Developed Core 50/50 Infrastructure Index

Objective: CPI + 3%

Pooled: No

Note: Totals may not sum due to rounding. Performance quoted net of fees. Cash yield is Prospective portfolio yield, pre cash, pre withholding

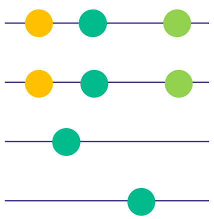
Source: Investment manager, Northern Trust, Isio calculations.

M&G Real Estate Debt

Overview

The Funds directly originate private loans that are secured by commercial real estate. REDF VI invests directly in whole loans, while REDF IV and V obtain senior and junior exposure, respectively. The Funds are UK and Europe focused but have scope to invest in the US. The Funds' investment periods ended in June 2021 and reinvestment periods ended December 2022. Wind up is expected in December 2027.

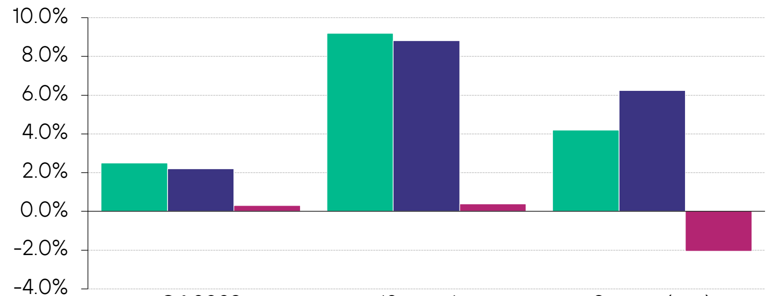
Target Return	Low	High
Target Exposure	Senior only	Mezzanine
Size of Borrower	Large-cap	Small-cap
Target Fund Size	Small	Large



REDF IV   REDF V   Both Funds/REDF VI

Key area	Comments
Capital Activity	• There were no full realisations however, a few holdings made partial repayments to their principal.
Minor/Major Watchlist Names	• **Project Carlton** (Minor): The borrower is in advanced stages of sale discussions with a preferred bidder. • **Project Lime Street** (Minor): There was a LTV covenant breach resulting in surplus cash being withheld. • **Project Charlie** (Minor): New addition due to no refinancing terms being agreed within 6-months of the facility maturity. **Project Pontiac** (Major): Loan extension terms being formally agreed to enable refinancing of the asset. • **Project Genesis** (Major): No material updates on the position.
Outlook	• M&G believe that the subdued volume of real estate transactions has yet to impact valuations. However, they remain upbeat regarding demand for high quality assets - making their Funds resilient to any such downturn.

Performance to 31 December 2023



	Q4 2023	12 months	3 years (p.a.)
Return	2.5%	9.2%	4.2%
Benchmark	2.2%	8.8%	6.2%
Relative	+0.3%	+0.4%	-2.1%

(IV / V / VI)	Q3 2023	Q2 2023	View/change
IRR (gross projected)	3.8% / 12.2% / 6.6%	3.8% / 12.2% / 6.6%	No material change
Total capital invested	124% / 126% / 114%	124% / 126% / 114%	No change
Positions outstanding	27 / 16 / 50	27 / 16 / 50	No change
Watchlist	5 / 4 / 5	4 / 3 / 4	Project Charlie added
Top 3 sectors	REDF IV: Retail (27%), Office (26%), Residential (21%) REDF V: Retail (42%), Office (35%), Hotel (13%) REDF VI: Office (36%), Retail (31%), Residential (15%)		
Phase	Distribution period – due to end December 2027. Reinvestment period has now ended.		

Mandate: Private Debt

Current Value: £35.7m

Current Weighting: 0.8%

Inception: April 2019

Benchmark: 3-month SONIA + 4%

Objective: 3-month SONIA + 5%

Pooled: No

Notable Developments

•We downgraded the Funds to Partially Meets Criteria in mid-2021 following the resignation of four senior members within M&G's Real Estate Debt business in April 2021.

•There was a capital call in REDF IV in Q2, however, this was used to clear a subline in addition to meeting future funding commitments for Project Grey. No further capital calls are expected for REDF IV/V/V

Notes: REDF VI figures are inclusive of this Fund's allocations to REDF IV and V (and vice versa). Gross projected IRRs are based on M&G's assumptions on performance of the existing portfolios. Total Capital Invested includes capital drawn from investors, capital used to fund investments by way of the subline, and capital expected to be drawn over time. *Cashflow profile is an estimate using analysis produced in September 2023, including actual capital called during Q3 2023.

Sources: M&G, Isio calculations.

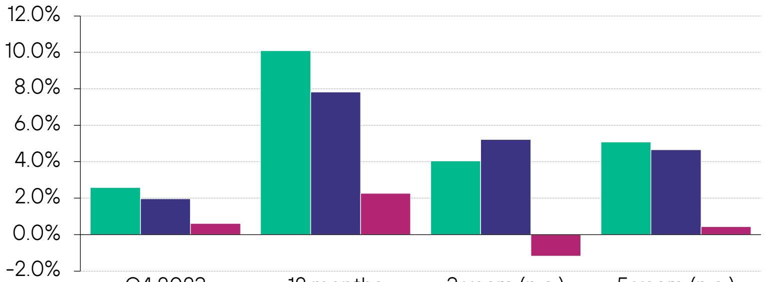
M&G – Diversified Credit

Overview

The Fund aims to take advantage of diversified opportunities across various areas of the public credit spectrum. M&G have generally maintained an IG average rating for the Fund with a European bias. M&G will seek to protect capital when the Fund is not being adequately compensated for taking risk. Currency and interest rate risks are typically hedged out of the portfolio.

Target Return	Low	High
Return Drivers	Sector Allocation	Credit Selection
Interest Rate Sensitivity	Low	High
Diversification	Low	High

Performance to 31 December 2023



	Q4 2023	12 months	3 years (p.a.)	5 years (p.a.)
Return	2.6%	10.1%	4.1%	5.1%
Benchmark	2.0%	7.8%	5.2%	4.7%
Relative	+0.6%	+2.3%	-1.2%	+0.4%

Mandate: Multi Asset Credit

Current Value: £317.0m

Current Weighting: 6.7%

Inception: November 2009

Benchmark: 3-month SONIA +3%

Objective: 3-month SONIA +5% (gross)

Pooled: Via Access Pool

Key area	Comments
Key contributors/ detractors	• The Fund outperformed its objective over Q4 amidst a wider credit market rally. • Financial corporate bonds, primarily champion national banks such as Deutsche Bank and Société Générale, were the main contributor to Q4 returns.
Portfolio positioning	• M&G are seeing fewer opportunities in riskier areas, e.g. High Yield, due to tighter credit spreads amidst limited supply. They sold some riskier names during Q4's rally. • M&G continue to see value in the financial sector, particularly in well-capitalised European banks.
Outlook	• M&G expect to reduce risk in the short term as market pricing is tight, but they are seeing pockets of value, primarily across REITs and financials.

Metrics	Current Quarter	Last Quarter	View/change
Yield	8.2%	8.8%	Fell due to market movements
Average credit rating	BBB+	BBB+	No change
Modified duration (years)	0.00	-0.04	No major change
Spread duration (years)	3.4	3.6	Reflects minor de-risking of strategy
Number of issuers	363	371	

Notes: Returns net of fees (based on share class A (GBP)). Benchmark used is 1 month LIBOR from fund inception to 30 June 2021 and 1 month SONIA thereafter. Objective shown is benchmark +2.5% p.a. The Fund was launched on 26 April 2007.

Sources: Investment manager, Isio calculations.

M&G - Corporate Bonds

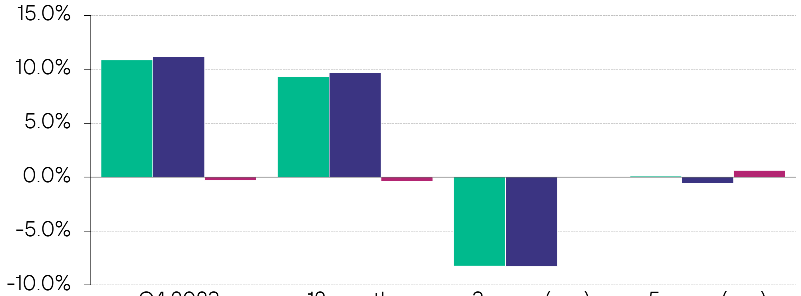
Overview

The Fund invests in a variety of UK Corporate Bonds, including but not limited to Industrial, Financial, Sovereign and Utility bonds.

	Low		High
Target Return	Low		High
Return Drivers	Sector Allocation		Credit Selection
Interest Rate Sensitivity	Low		High
Diversification	Low		High

Key area	Comments
Key contributors/ detractors	• Industrial Corporate bonds detracted the most, whilst Financial Corporate bonds were the strongest contributor to performance.
Portfolio positioning	• Over the quarter the manager reduced the level of risk in the portfolio as credit spreads tightened. • The manager reduced the exposure to RAC following strong performance and removed exposure to Atos after a decline in confidence of a management turnaround.
Outlook	• M&G note that there is the spectre of a geopolitical or financial event that could spark future bond market volatility. A significant number of elections globally across 2024 could see company executives facing a period of high financing costs for the first time. • M&G believe a patient and highly selective approach to fixed income investment is the best strategy to take advantage of the market.

Performance to 31 December 2023



	Q4 2023	12 months	3 years (p.a.)	5 years (p.a.)
Return	10.9%	9.3%	-8.3%	0.1%
Benchmark	11.2%	9.7%	-8.3%	-0.6%
Relative	-0.3%	-0.4%	0.0%	+0.6%

Metrics	Current Quarter	Last Quarter	View/change
Yield	5.6%	6.6%	Slight decrease
Average credit rating	A	A	No change
Modified duration	9.5	9.0	In line with expectations

Mandate: Corporate Bonds

Current Value: £131.3m

Current Weighting: 2.8%

Inception: December 1996

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

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

Pooled: Via Access Pool

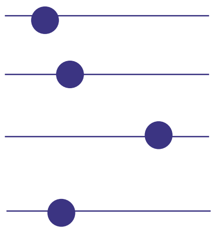
Note: Totals may not sum due to rounding. Performance quoted net of fees
Source: Investment manager, Northern Trust, Isio calculations.

UBS – Over 5 Year Index-linked Gilts

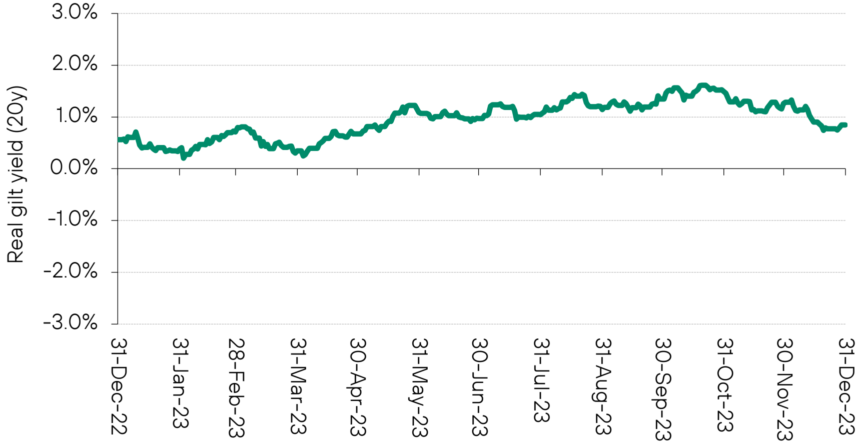
Overview

The Fund 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.

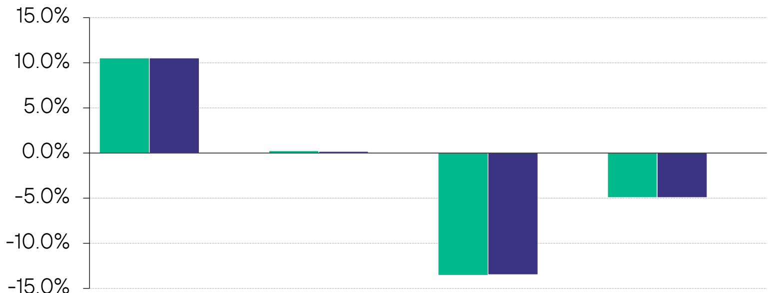
Target Return	Low	High
Return Drivers	Sector Allocation	Credit Selection
Interest Rate Sensitivity	Low	High
Diversification	Low	High



Real Gilt Yields – Last 12 months



Performance to 31 December 2023



	Q4 2023	12 months	3 years (p.a.)	5 years (p.a.)
Return	10.5%	0.2%	-13.5%	-4.9%
Benchmark	10.5%	0.2%	-13.5%	-4.9%
Relative	-0.0%	+0.1%	-0.1%	0.0%

Mandate: Index Linked Gilts

Current Value: £240.7m

Current Weighting: 5.1%

Inception: February 2018

Benchmark: FTSE Index-Linked Gilts Over 5 Years

Objective: Match benchmark

Pooled: Via Access Pool

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

Appendices

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

A2: Explanation of Market Background

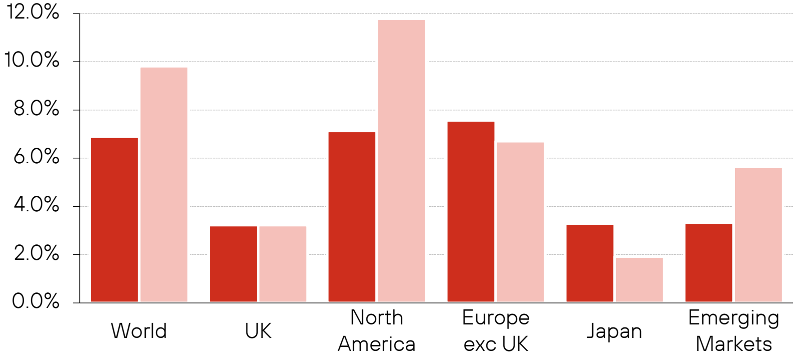
A3: How to Read the Fund Manager Pages

A4: Disclaimers

Appendix 1

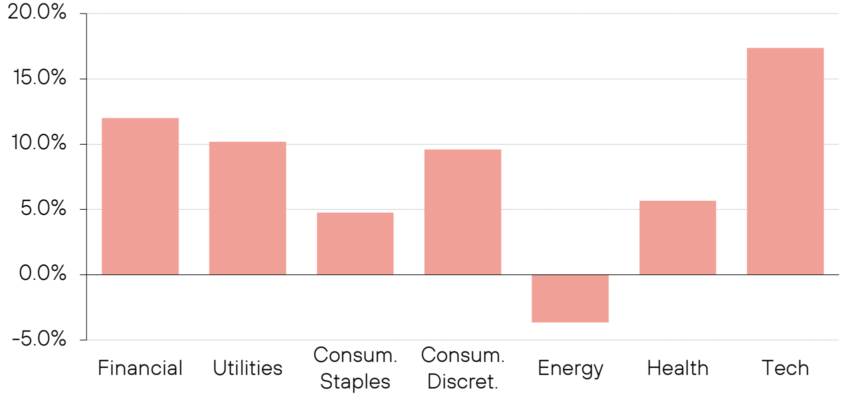
Market Background – Global Equity

Regional Returns – Q4 2023



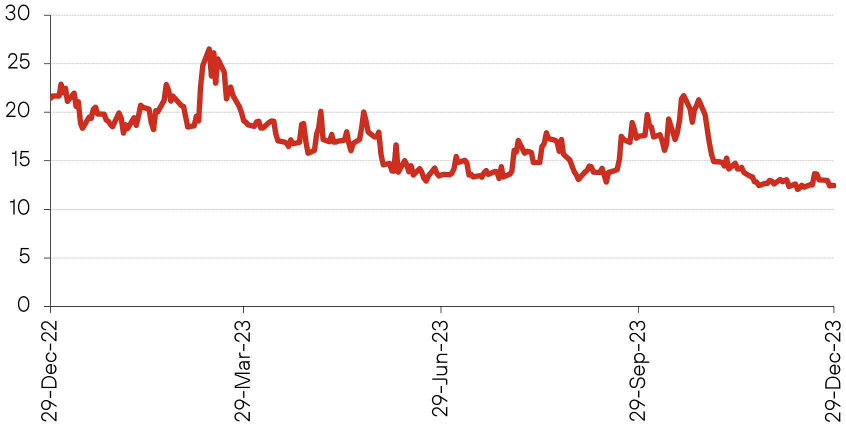
	World	UK	North America	Europe exc UK	Japan	Emerging Markets
Unhedged	6.9%	3.2%	7.1%	7.6%	3.3%	3.3%
Hedged	9.8%	3.2%	11.8%	6.7%	1.9%	5.6%

Sector Returns – Q4 2023 (Local)



	Financial	Utilities	Consum. Staples	Consum. Discret.	Energy	Health	Tech
Sector	12.0%	10.2%	4.8%	9.6%	-3.7%	5.7%	17.4%

VIX Volatility Index – Last 12 months



Commentary

- Equities performed strongly, with yield-sensitive sectors such as Technology underpinning returns, as markets began to expect more aggressive interest rate cuts.
- Unsurprisingly, given the constituents of the index, the US market was the strongest performing major region over the period; albeit unhedged exposure materially underperformed as Sterling strengthened against the US Dollar ('USD').
- While UK small and mid-cap markets performed strongly, as investors gained confidence in the domestic economy, the country's overall underperformance was driven by multinational firms whose earnings are in part denominated in USD.
- European markets performed well, in large part due to the performance of Technology and Real Estate stocks.
- Emerging markets lagged their developed counterparts. This was primarily due to the impact of ongoing economic deceleration and regulatory change in China (the largest component of the index), which continues to weigh on performance.

Summary

The end of 2023 saw a surge in equity markets, with shifting expectations around monetary policy supporting sentiment.

US shares rallied, as expectations of both a 'soft-landing' and potential interest rate cuts in 2024 boosted investor confidence. The IT sector (which makes up a material portion of the US market) performed particularly strongly in Q4.

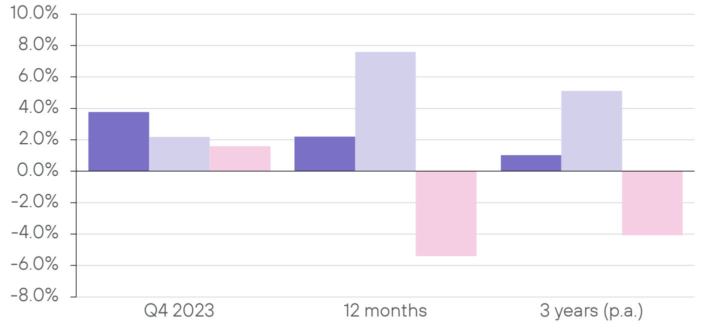
Concerns around the economic slowdown in China continued to drive underperformance from Emerging Markets.

Hedged mandates outperformed their unhedged equivalents over the quarter, as Sterling strengthened against the US Dollar.

Notes: Please see the 'Explanation of Market Background' appendix for details of the underlying indices. Please note that sector returns are based on local USD pricing.
Sources: Refinitiv.

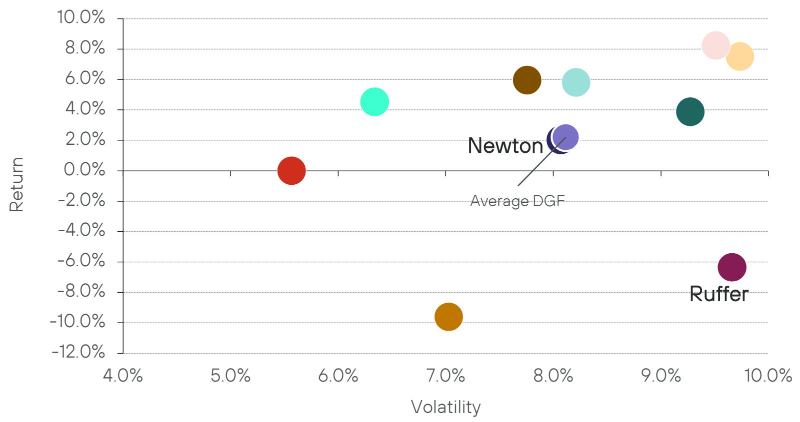
Market Background – Absolute Return

Sample Manager Average Returns– Q4 2023

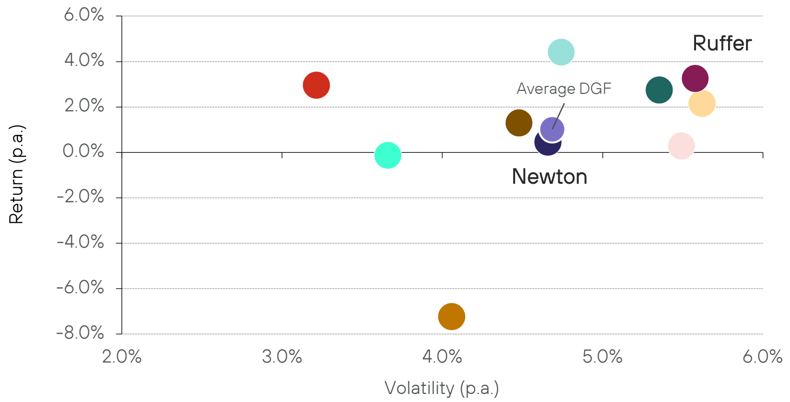


	Q4 2023	12 months	3 years (p.a.)
Average DGF	3.8%	2.2%	1.0%
Cash +3.5%	2.2%	7.6%	5.1%
Relative	1.6%	-5.4%	-4.1%

Sample Manager Returns and Volatility – 12 months



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



Commentary

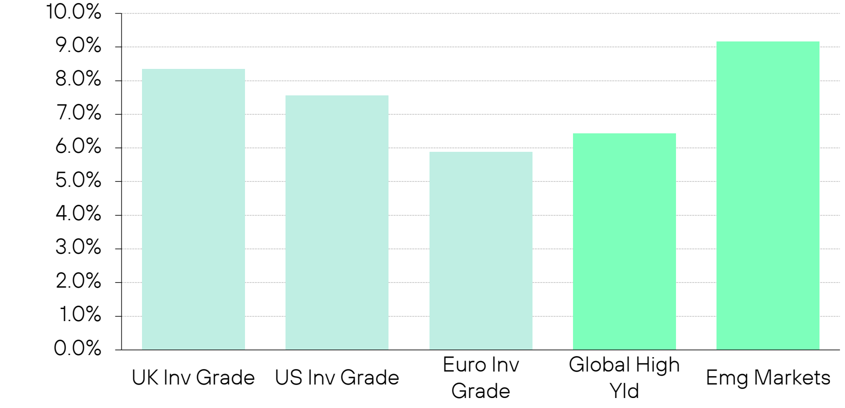
- The average DGF outperformed the cash plus target over Q4 2023 but is trailing the cash + 3.5% objective over longer periods.
- Positive Q4 performance was mostly driven by allocations to core asset classes. Equity valuations were buoyed by the expectation that inflation was falling, and that more accommodative monetary policy may be deployed. Similarly, the value placed on fixed income assets benefitted from the fall in yields experienced over the period.
- A number of managers managed to generate additional returns by adding duration, in anticipation of a fall in global yields as central bank rhetoric began to move towards interest rate cuts. It remains to be seen how managers will react to the change in market valuations experienced over Q4.
- The majority of DGF managers remain aware of geopolitical tensions, as well as the potential impact of moving into a recessionary economic environment.

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.

Notes: Please see the 'Explanation of Market Background' appendix for details of the underlying indices. All returns quoted are net of management fees.
Sources: Investment Managers, Isio calculations

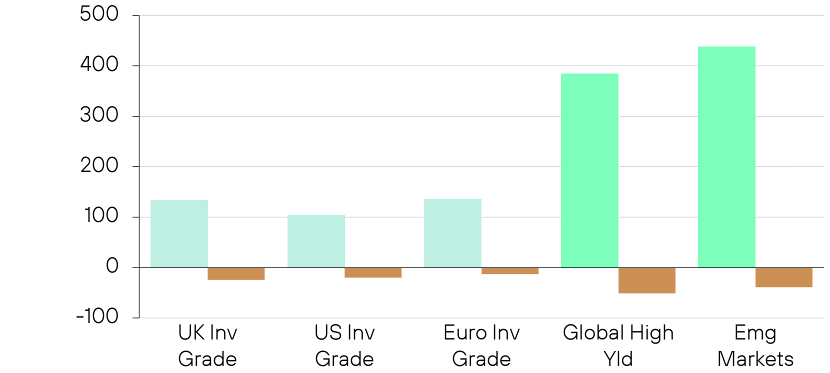
Market Background – Credit

Credit Market Returns – Q4 2023



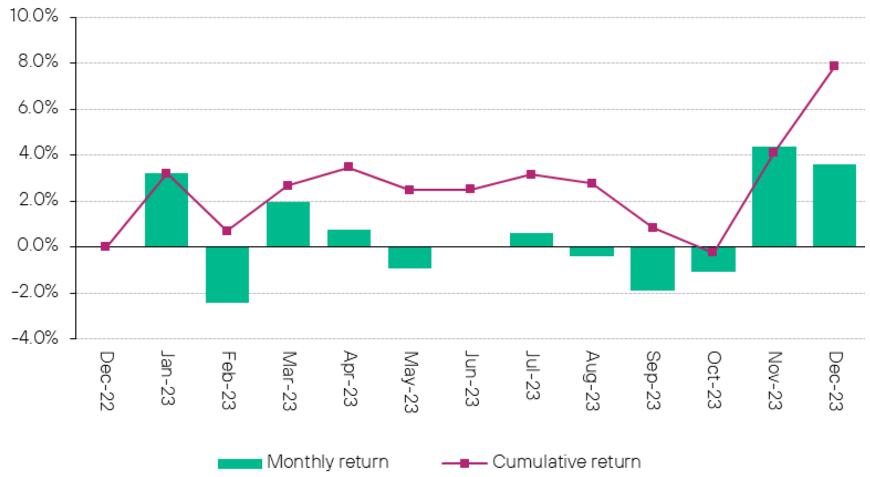
	UK Inv Grade	US Inv Grade	Euro Inv Grade	Global High Yld	Emg Markets
£ Hedged	8.3%	7.6%	5.9%	6.4%	9.2%

Credit spreads – Q4 2023



	UK Inv Grade	US Inv Grade	Euro Inv Grade	Global High Yld	Emg Markets
End of qtr	134	104	136	385	439
Qtr change	-24	-20	-13	-51	-39

Global broad credit market return – Last 12 months



Commentary

Credit market performance was consistently positive in Q4, largely driven by falling government bond yields, as improved inflation data led to expectations of rate cuts in 2024. This also fed into improved investor risk appetite, leading to narrowing credit spreads, supporting credit returns.

- **Investment grade ('IG') bonds** performed strongly, as they are particularly sensitive to interest rate expectations, while tightening spreads also underpinned performance. European indices underperformed the US and UK mainly due to their shorter duration.
- **High yield ('HY') bonds** also produced positive returns but underperformed US and UK IG due to HY's lower interest rate sensitivity. That said, spread tightening was greater in HY than IG due to its lower credit quality.
- **Emerging market ('EM') debt**, outperformed the IG and HY indices shown above due to its interest rate sensitivity being similar to IG and its credit spread sensitivity being similar to HY – thus benefitting strongly from both the rate and spread movements seen over Q4. The weakening of the US dollar also helped to make US dollar debt more affordable in local terms, thus reducing perceived credit risk in EM debt.

Summary

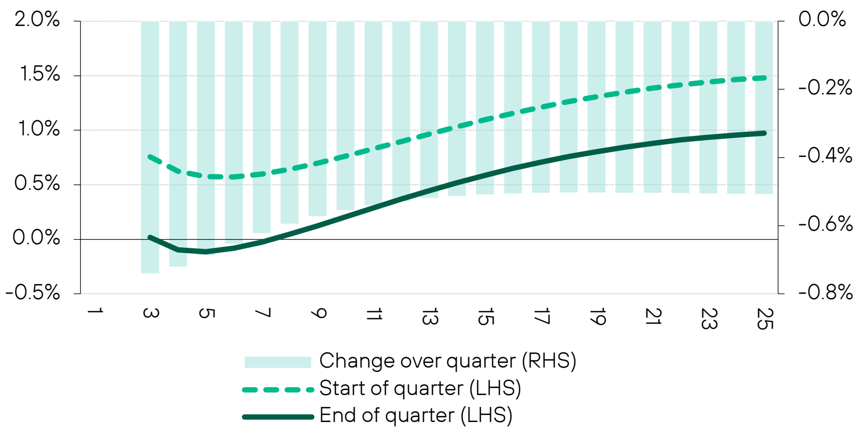
Credit markets had a strong quarter, as central bank messaging shifted towards a more supportive tone following softer global inflation and economic growth data. Subsequently, markets priced in more aggressive expectations for interest rate cuts in 2024. This drove performance in fixed rate bond assets, with longer duration, interest rate sensitive areas such as IG outperforming as a result.

The above central bank messaging also had the secondary effect of improving risk sentiment within investors, based on the premise of rate cuts boosting the global economy and reducing credit risk. This led to credit spreads tightening, particularly in higher credit risk areas such as HY and EM.

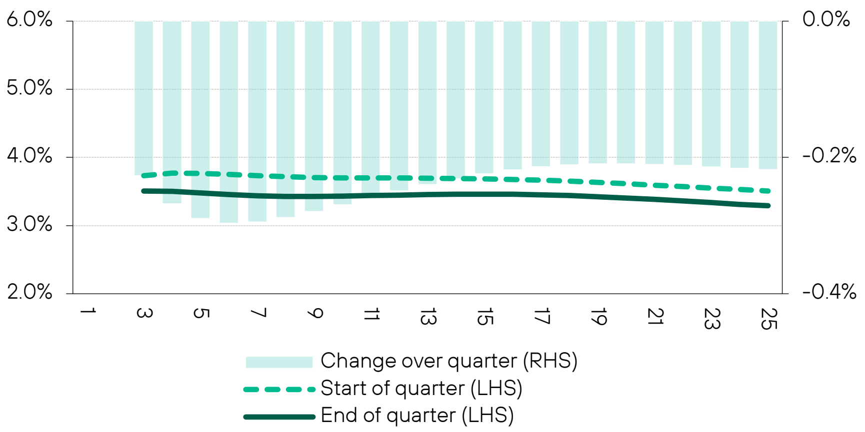
Notes: Please see the 'Explanation of Market Background' appendix for details on the underlying indices shown. Credit spreads are shown in basis points (100bps = 1%) and correspond to the incremental yield available on corporate bonds above government bonds of a similar maturity.
Sources: Thomson Reuters, PIMCO, Fidelity.

Market Background – Yields

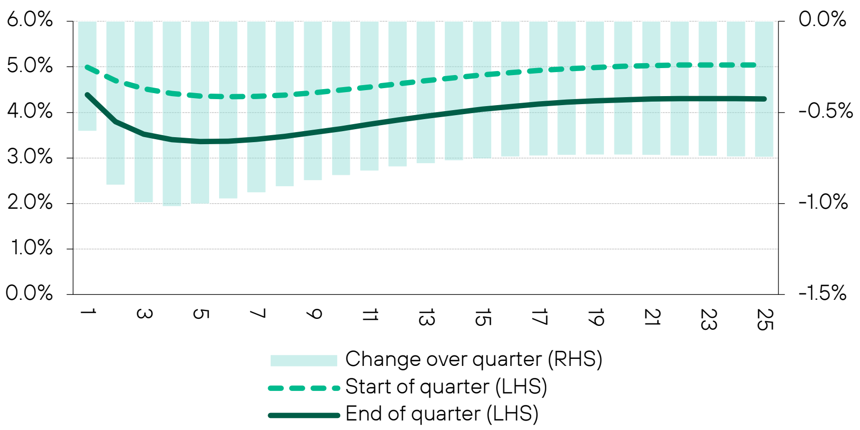
Real Gilt Yields – Q4 2023



Gilt-Implied Inflation – Q4 2023



Nominal Gilt Yields – Q4 2023



Commentary

- Long-dated (20-year) yields at the quarter-end were:
  - Real gilt yield: 0.8%
  - Nominal gilt yield: 4.3%
  - Gilt-implied inflation expectation: 3.4%

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

Sources: Bank of England, Isio calculations.

Explanation of Market Background

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
  - Absolute Return Funds: mean of a sample of 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.

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).

Explanation of Market Background (cont.)

Market Background – Absolute Return

- **Absolute Return Funds** – Due to the lack of a market index for Absolute Return, 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 Absolute Return Fund' 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.
- Absolute Return 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

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).

Explanation of Market Background (cont.)

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.

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).

How to Read the Fund Manager Pages

How to Read the "Overview" Section

Expected Volatility	Low	High

- This is a standard quantitative measure of our expectation of absolute annual volatility of the fund.
- The measure ranges from 1% p.a. for the least volatile strategies (e.g. Cash) to 30% p.a. for the most volatile strategies (e.g. Emerging Markets Equity).

Shape of Outcomes	0% Contractual	100% Contractual

- This is an Isio-specific measure of how "contractual" the expected return from the fund is.
- The measure ranges from 0% for strategies that have no fixed return component and are instead based on a share of any profits (e.g. Global Equity) to 100% for strategies where the return in normal conditions is fixed and predictable (e.g. Corporate Bonds).

Diversification	Low	High

- This Isio-specific measure shows how diversified we consider the fund to be, in terms of broad market risk drivers.
- The measure ranges from "low" for mandates that invest in a single asset class that is concentrated in other respects, such as geography (e.g. European Direct Lending) to "high" for mandates that invest in a wide range of diversified asset classes (e.g. Diversified Growth Funds).

Manager Ratings

We show two ratings for a manager:

Research View: This comprises our opinion of the manager as a whole, judged against the client's specific selection criteria (which usually include ESG considerations). The possible ratings are:

- Meets Criteria
- Partially Meets Criteria
- Significantly Fails to Meet the Criteria
- Not Evaluated

ESG View: This is a narrower opinion focusing specifically on the manager's treatment of ESG (Environmental, Social, and Governance) issues. The possible ratings are:

- Green
- Amber
- Red
- Not Evaluated

This page contains guidance on how to read the fund manager pages

Disclaimers

Performance, Opinions, and Estimated Liabilities

- This report sets out the past performance of various asset classes and fund managers. It should be noted that past performance is not a guide to the future.
- Our opinions (and comparison vs criteria) of the investment managers stated in this report are based on Isio's research and are not a guarantee of future performance. These are valid at the time of this report but may change over time.
- Our opinions of investment products are based on information provided by the investment management firms and other sources. This report does not imply any guarantee as to the accuracy of that information and Isio cannot be held responsible for any inaccuracies therein. The opinions contained in this report do not constitute any guarantees as to the future stability of investment managers which may have an effect on the performance of funds.
- Funds that make use of derivatives are exposed to additional forms of risk and can result in losses greater than the amount of invested capital.
- The estimated liabilities (where quoted) have been "rolled forward" from the last actuarial valuation and/or funding update, by taking current bond yields and inflation expectations into account. The methodology underlying the actuarial assumptions (e.g. discount-rate premium, mortality, real salary growth etc.) is assumed to remain constant for this estimate. Due to the approximate nature of the calculations, the Fund's actual experience and changes in future valuation assumptions may mean that the liabilities and funding position calculated at the next actuarial valuation (or funding update) could be significantly different from the quoted estimate.

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- This report has been prepared for the sole benefit of the East Sussex County Council as Administering Authority of the East Sussex Pension Fund and based on their specific facts and circumstances and pursuant to the terms of Isio Group/Isio Services Ltd's Services Contract. It should not be relied upon by any other person. Any person who chooses to rely on this report does so at their own risk. To the fullest extent permitted by law, Isio Group/Isio Services Ltd accepts no responsibility or liability to that party in connection with the Services.
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This report has been prepared for the sole benefit of East Sussex County Council as Administering Authority of the East Sussex Pension Fund

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