East Sussex Pension Fund

Q1 2025 Investment Monitoring Report

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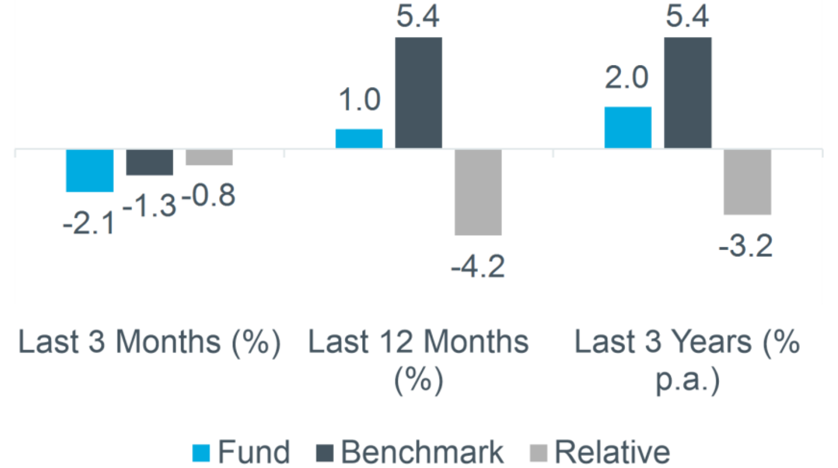
Total fund performance



Fund Value
£4,976,482,872

Over the quarter, the Fund's asset value decreased by c. £94.3m.

Total Net Return
-2.1%

Over the quarter, the Fund returned -2.1% against its benchmark of -1.3%.

High-level asset allocation

	Actual	Benchmark	Relative
Growth	48.3%	45.5%	2.8%
Income	43.0%	50.5%	-7.5%
Protection	7.2%	4.0%	3.2%

Commentary

- Total Fund performance was -2.1% in absolute terms, underperforming the composite benchmark by 0.8%.
- Performance of Fund assets is similarly behind benchmark over longer time periods. Over the past 12 months and 3-years, the Fund has relative returns of -4.2% and -3.2% p.a. respectively.
- The Fund's income portfolio is under-weight relative to the strategic asset allocation.

Source: Northern Trust and is net of fees.

Market Background

Market update

Annualised US GDP grew 2.4% in Q4, supported by consumer and government spending. Early Q1 surveys suggest a slower start to 2025 due to tariff uncertainty. European growth stayed muted, but recent PMIs improved amid optimism around defence and infrastructure investment.

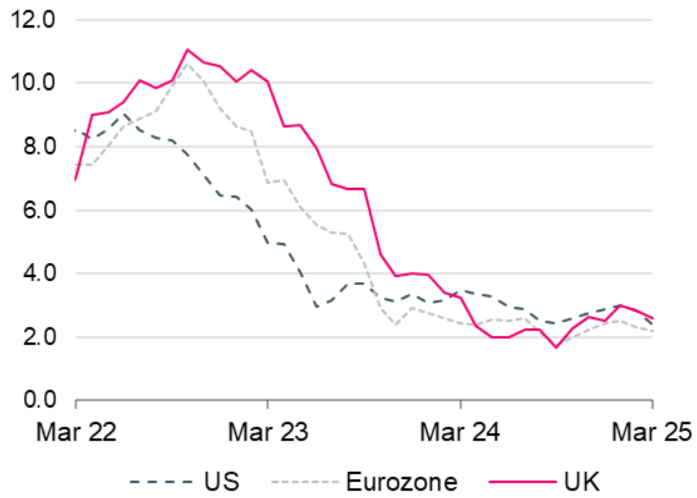
In March, annual headline CPI inflation cooled in the US, UK, and eurozone – to 2.4%, 2.6%, and 2.2%, respectively. Forecasts suggest UK inflation will quicken temporarily before easing towards 2%. Core inflation remained higher: at 2.8%, 3.4%, and 2.4% in the US, UK, and eurozone.

The European Central Bank cut rates twice, to 2.5% pa, while the Bank of England reduced rates 0.25% pa, to 4.5% pa. The US Federal Reserve held rates at 4.5% pa. However, by quarter-end, expectations for US cuts had risen to three in 2025.

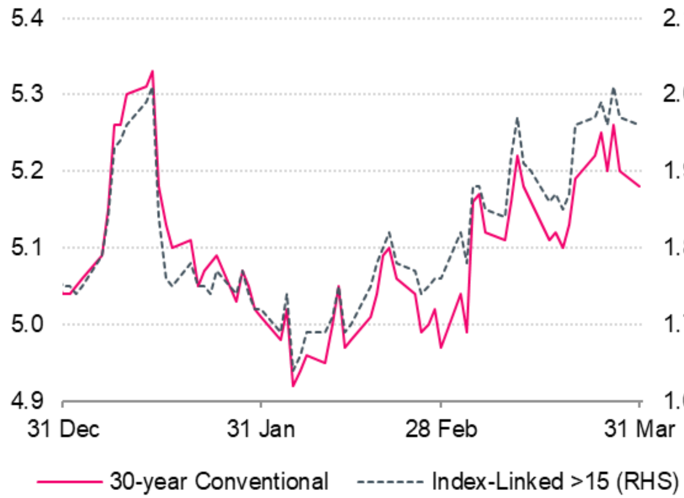
The prospect of further cuts dragged the trade-weighted US dollar down 2.3%. The equivalent yen measure gained 3.3% as interest-rate differentials narrowed. Gold surged 19% in Q1, to record highs, supported by economic uncertainty, a weaker dollar, and falling US treasury yields.

US 10-year yields fell 0.4% pa, to 4.2%, as investors focused on tariffs' growth risks. European sovereign bond yields rose as investors anticipated higher issuance and defence and infrastructure spending. German bond yields climbed 0.4% pa, to 2.7% pa, while UK yields edged up 0.1% pa, to 4.7% pa. Japanese yields also rose 0.4% pa, to 1.5% pa, reflecting moderate economic recovery and expectations of monetary policy normalisation. at quarter-end.

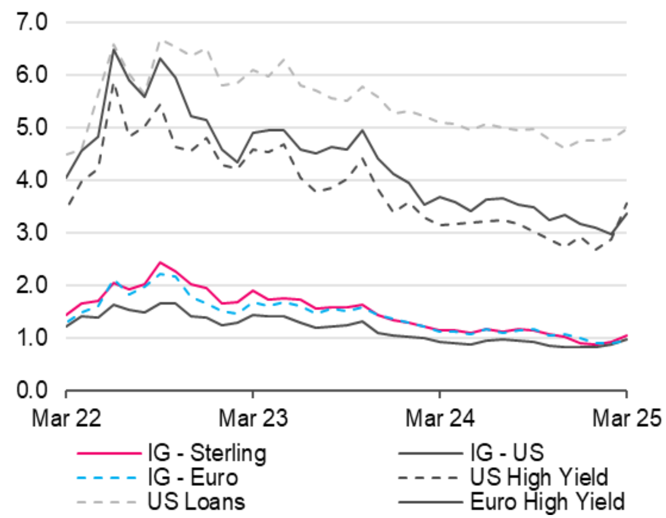
Annual CPI Inflation (% year on year)



Gilt yields chart (% p.a.)



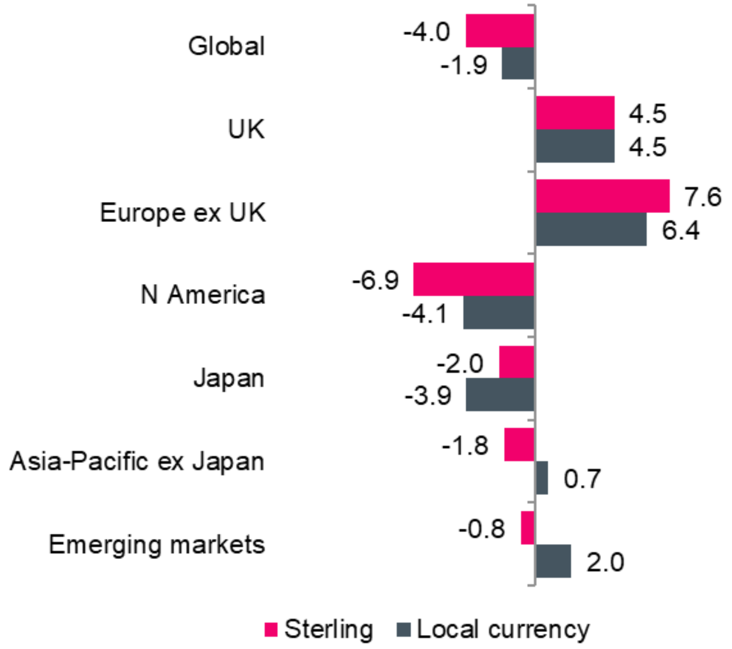
Investment and speculative grade credit spreads (% p.a.)



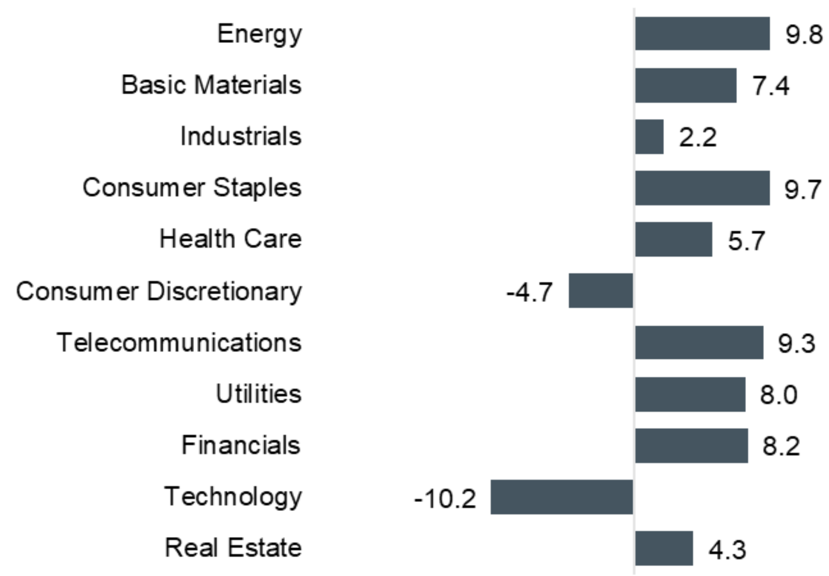
Data source: LSEG DataStream, Barings, ICE

Market Background

Regional equity returns [1]



Global equity sector returns [2]



Market commentary

UK investment-grade credit spreads widened 0.1% pa, to 1.1% pa, in sympathy with their US counterparts. Meanwhile, European investment-grade spreads fell. US speculative-grade credit spreads rose 0.6% pa, to 3.6% pa, while equivalent European spreads rose less, by 0.2% pa, to 3.3% pa. Spreads remained low relative to longer-term averages at quarter-end.

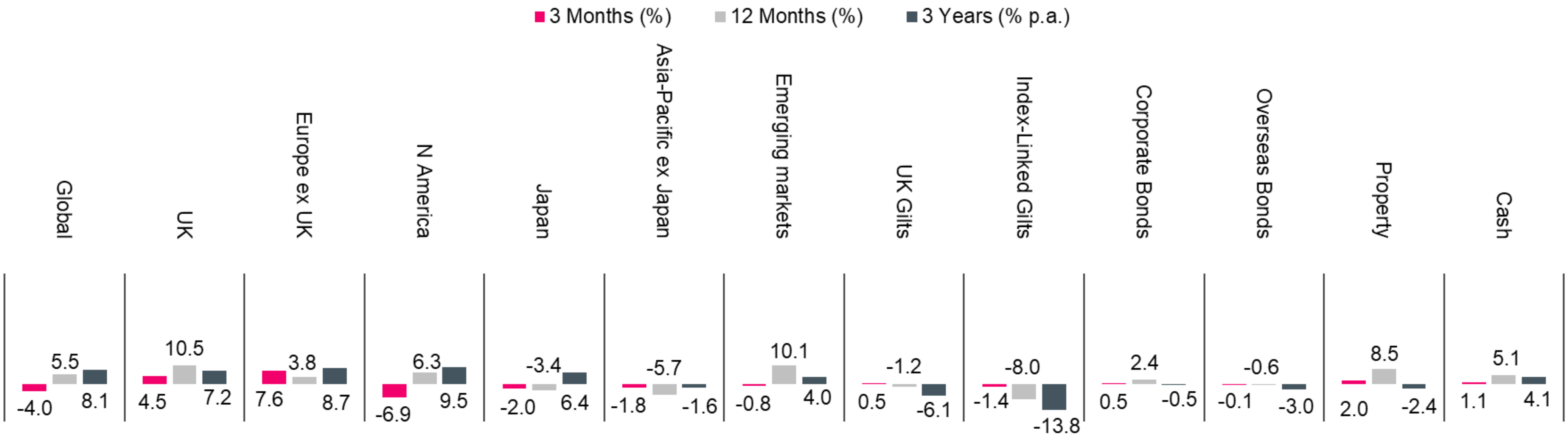
Global equities fell in Q1, with the FTSE All World down 1.9%, as tariff-driven uncertainty affected sentiment. Investors favoured lower-valued stocks over expensive US tech, with value outperforming growth. US equities underperformed, marking their weakest quarter since 2022. Japanese equities lagged as yen strength weighed on exports. Europe ex-UK outperformed globally, buoyed by its value tilt, and optimism around fiscal spending. UK equities similarly benefited from value outperformance. Emerging markets and Asia Pacific ex Japan outperformed.

The MSCI UK Property Total Return index rose 2.0% in Q1, supported by income and capital growth. Over 12- months, the index gained 8.5%, including a 2.5% rise in aggregate capital values. Industrial and retail capital values rose 5.1% and 3.9% in 12 months, while offices fell 3.1%.

Data source: LSEG DataStream. [1] FTSE All World Indices. Commentary compares regional equity returns in local currency. [2] Returns shown in Sterling terms and relative to FTSE All World

Market Background

Historical returns for world markets



Data source: LSEG DataStream. [1] FTSE All World Indices. Commentary compares regional equity returns in local currency. [2] Returns shown in Sterling terms and relative to FTSE All World. [3] Returns shown in Sterling terms. Indices shown (from left to right) are: FTSE All World, FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, FTSE Emerging, FTSE Fixed Gilts All Stocks, FTSE Index-Linked Gilts All Maturities, iBoxx Corporates All Investment Grade All Maturities, ICE BofA Global Government Index, MSCI UK Monthly Property; UK SONIA.

Asset allocation

	Valuation (£m)		Actual Proportion	Benchmark	+ / -
	Q4 24	Q1 25			
Longview Global Equity	535.9	510.2	10.3%	40.0%	1.1%
Storebrand Smart Beta And ESG	479.0	450.3	9.0%		
UBS Osmosis	435.1	415.7	8.4%		
Baillie Gifford Global Alpha	230.3	213.5	4.3%		
WHEB Active Impact Equity	223.6	200.7	4.0%		
Wellington Active Impact Equity	263.3	253.4	5.1%		
Adams Street Private Equity	182.6	174.1	3.5%	5.5%	1.7%
HarbourVest Private Equity	185.3	185.5	3.7%		
Total Growth	**2,535.0**	**2,403.3**	**48.3%**	**45.5%**	**2.8%**

Source: Northern Trust. Note: The benchmark allocations were sourced from the Q3 2024 Isio performance report.

Asset allocation

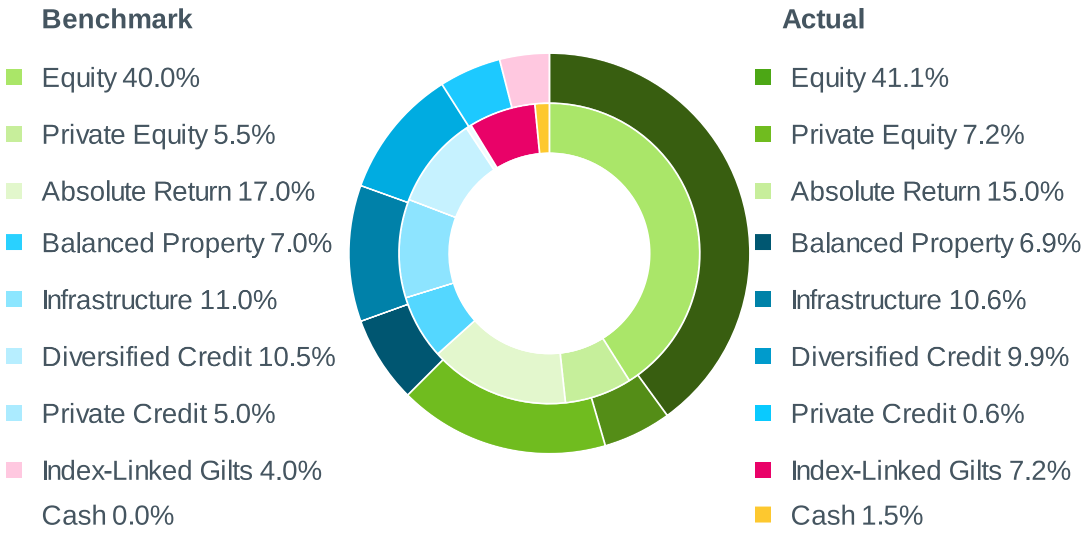
	Valuation (£m)		Actual Proportion	Benchmark	+ / -
	Q4 24	Q1 25			
Bluebay Total Return	173.9	171.4	3.4%	10.5%	-0.6%
M&G Corporate Bonds	129.9	124.5	2.5%		
M&G Alpha Opportunities	191.1	195.1	3.9%		
M&G Real Estate Debt VI	29.1	28.4	0.6%	5.0%	-4.4%
Newton Real Return Fund	329.1	292.8	5.9%	17.0%	-2.0%
Ruffer Absolute Return	445.5	455.2	9.1%		
Atlas Infrastructure	97.8	104.4	2.1%	11.0%	-0.4%
IFM Global Infrastructure Fund	262.5	267.9	5.4%		
M&G Infrastructure	44.6	42.8	0.9%		
Pantheon Infrastructure	80.7	77.3	1.6%		
UBS Infrastructure	33.9	35.3	0.7%		
CBRE Real Estate Fund	339.0	340.1	6.8%	7.0%	-0.1%
Schroders Property	0.0	3.5	0.1%		
Total Income	**2,157.1**	**2,138.8**	**43.0%**	**50.5%**	**-7.5%**
UBS Index Linked Gilts	313.1	357.5	7.2%	4.0%	3.2%
Total Protection	**313.1**	**357.5**	**7.2%**	**4.0%**	**3.2%**
Cash	65.5	76.9	1.5%	0.0%	1.5%
Total Fund	**5,070.8**	**4,976.5**	**100.0%**	**100.0%**	

Source: Northern Trust. Note: The benchmark allocations were sourced from the Q3 2024 Isio performance report.

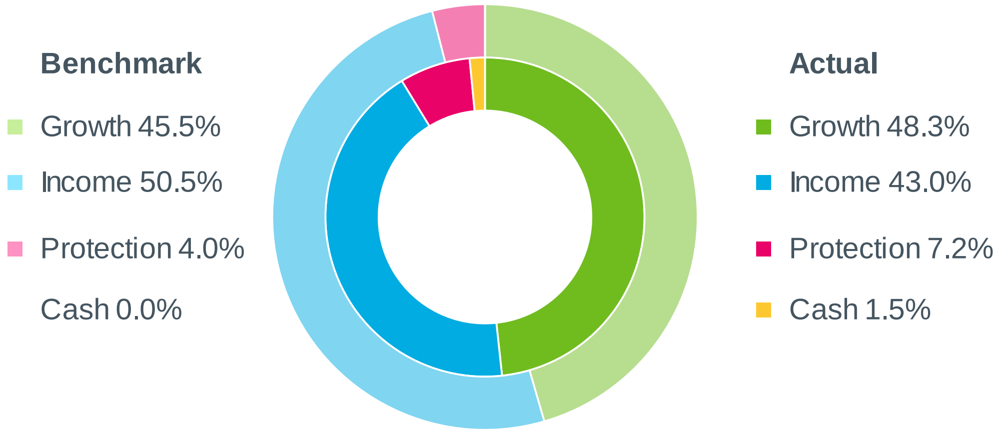
Asset allocation commentary

- Following a c.£101m top-up to the UBS Index-Linked Gilts mandate in December 2024, the Fund invested a further c.£51m into the strategy during Q1 2025. This was partly funded by a c.£35m disinvestment from the Newton Real Return fund over the quarter, which followed a c.£43m disinvestment from the same mandate in Q4 2024.
- Once again, the increased allocation to index-linked gilts was dampened by negative performance over the quarter. Consequently, despite the £51m investment, the UBS Index-Linked Gilts allocation only rose by c.£44m quarter-on-quarter. For more information, please see the performance commentary on slide 11.
- Other notable transitions over Q1 2025 include:
  - c.£5.6m distribution from the M&G Corporate Bonds mandate.
  - c.£3.4m net distribution from Adams Street Private Equity.
  - c.£3.2m net capital call to Harbour Vest Private Equity.
  - c.£2.0m distribution from CBRE Real Estate.

Asset allocation vs benchmark (agreed long-term allocation)



Asset allocation vs benchmark (GrIP)



Source: Northern Trust. Note: The benchmark allocations were sourced from the Q3 2024 Isio performance report.

Manager performance vs benchmark

	Last 3 Months (%)			Last 12 Months (%)			Last 3 Years (% p.a.)			Since Inception (% p.a.)		
	Fund	B'mark	+ / -	Fund	B'mark	+ / -	Fund	B'mark	+ / -	Fund	B'mark	+ / -
Longview Global Equity	-4.9	-4.7	**-0.2**	-1.8	4.8	**-6.3**	7.0	8.3	**-1.2**	12.0	11.1	**0.7**
Storebrand Smart Beta And ESG	-6.0	-4.7	**-1.3**	3.1	4.8	**-1.5**	6.9	8.3	**-1.3**	8.9	10.6	**-1.5**
UBS Osmosis	-4.5	-4.7	**0.3**	4.4	4.8	**-0.3**	8.4	8.3	**0.1**	9.7	9.9	**-0.2**
Baillie Gifford Global Alpha	-6.9	-4.3	**-2.7**	-1.3	4.9	**-5.9**	2.8	7.6	**-4.5**	-1.8	7.1	**-8.4**
WHEB Active Impact Equity	-8.0	-4.7	**-3.5**	-15.7	4.8	**-19.5**	-4.5	8.3	**-11.8**	-2.0	10.4	**-11.3**
Wellington Active Impact Equity	-3.8	-4.3	**0.5**	2.2	4.9	**-2.5**	2.1	7.6	**-5.1**	3.8	9.2	**-5.0**
Adams Street Private Equity	-2.8	-3.9	**1.1**	0.7	6.2	**-5.2**	-3.3	9.1	**-11.3**	10.5	10.6	**0.0**
HarbourVest Private Equity	-1.6	-3.9	**2.3**	2.6	6.2	**-3.4**	1.4	9.1	**-7.1**	9.0	11.1	**-1.9**
Growth												

Source: Fund performance and benchmark data provided by Northern Trust. Performance is shown net of fees.

Manager performance vs benchmark

	Last 3 Months (%)			Last 12 Months (%)			Last 3 Years (% p.a.)			Since Inception (% p.a.)		
	Fund	B'mark	+ / -	Fund	B'mark	+ / -	Fund	B'mark	+ / -	Fund	B'mark	+ / -
M&G Corporate Bonds	0.1	-0.3	**0.4**	-0.9	-1.5	**0.6**	-4.4	-4.6	**0.2**	5.9	5.0	**0.8**
M&G Alpha Opportunities	2.1	1.8	**0.3**	8.6	7.8	**0.7**	7.5	7.2	**0.3**	4.5	2.6	**1.8**
M&G Real Estate Debt VI	1.7	2.1	**-0.3**	7.8	8.8	**-1.0**	5.3	8.2	**-2.7**	4.0	6.4	**-2.2**
Bluebay Total Return	-0.6	1.8	**-2.4**	-	-	**-**	-	-	**-**	5.7	7.5	**-1.6**
Newton Real Return Fund	-0.4	1.7	**-2.1**	1.8	7.3	**-5.2**	2.0	6.7	**-4.5**	3.9	2.4	**1.5**
Ruffer Absolute Return	2.3	1.7	**0.6**	2.4	7.3	**-4.6**	-1.2	6.7	**-7.4**	4.5	2.4	**2.0**
Atlas Infrastructure	6.7	2.8	**3.8**	4.5	13.4	**-7.9**	2.8	4.0	**-1.1**	6.5	7.5	**-0.9**
IFM Global Infrastructure Fund	2.0	1.2	**0.9**	8.5	4.6	**3.7**	-	-	**-**	7.3	5.2	**1.9**
M&G Infrastructure	-3.8	1.2	**-4.9**	-3.9	4.6	**-8.1**	-4.7	7.2	**-11.1**	1.9	5.9	**-3.8**
Pantheon Infrastructure	-3.0	1.2	**-4.1**	1.6	4.6	**-2.9**	10.7	7.2	**3.2**	9.1	5.8	**3.2**
UBS Infrastructure	-1.5	1.2	**-2.6**	-5.0	4.6	**-9.2**	2.5	7.2	**-4.5**	4.3	2.9	**1.3**
CBRE Real Estate Fund	1.0	1.5	**-0.5**	-	-	**-**	-	-	**-**	-0.5	4.0	**-4.2**
Income												
UBS Index Linked Gilts	-2.0	-2.0	**0.0**	-10.5	-10.4	**0.0**	-16.6	-16.6	**-0.1**	-4.7	-4.6	**0.0**
Protection												
Total Fund	-2.1	-1.3	**-0.8**	1.0	5.4	**-4.2**	2.0	5.4	**-3.2**	7.9	-	**-**

Source: Fund performance and benchmark data provided by Northern Trust. Performance is shown net of fees. Note: Northern Trust do not report a since inception benchmark number for total scheme, only performance which we have shown in the table.

Manager performance commentary

- Most notably, global equities significantly detracted from performance over Q1 2025. Ongoing macroeconomic and geopolitical uncertainty caused a reversal in investor risk-appetite, with sentiment impacted by the anticipation and implementation of new tariffs. This volatility has exacerbated post-quarter-end, amidst global tariff negotiations.
- Total Fund performance over Q1 2025 was -2.1%, underperforming the composite benchmark of -1.3%.
- On a relative basis, the stand-out detractors were:
    - The Fund's 'growth-orientated' equity mandates, Baillie Gifford Global Alpha and WHEB Active Impact Equity, underperformed their respective benchmarks by 2.7% and 3.5% respectively. This reflects the broader challenges faced by 'growth' stocks over the quarter, which are inherently more susceptible to the volatility described in the first paragraph.
    - The M&G and Pantheon Infrastructure strategies underperformed their CPI + 2% benchmark by 4.9% and 4.1% respectively over the quarter. Whilst the Pantheon's longer-term absolute and relative performance remains strong, the persistent underperformance of the M&G Infrastructure mandate (lagging the benchmark by 11.1% p.a. over the past three years) remains a cause for concern.
- Over Q1 2025 real yields rose, due to concerns around stagflation and the UK's fiscal position. Consequently, the Fund's Inflation-Linked Gilts mandate posted negative returns. Although this contributed negatively to overall performance, the fund performed broadly in-line with its index-linked gilt benchmark.

Manager ratings

Mandate	Performance vs target	Manager developments	Hymans manager ratings	Hymans RI ratings
Longview Global Equity	🟢	🟢	Preferred	Acceptable
Storebrand Smart Beta And ESG	🟡	🟢	Preferred	Strong
UBS Osmosis	🟢	🟢	Not Rated	Good
Baillie Gifford Global Alpha	🟡	🟢	Preferred	Good
WHEB Active Impact Equity	🟡	🟢	Not Rated	Not Rated
Wellington Active Impact Equity	🟡	🟢	Preferred	Good
M&G Corporate Bonds	🟢	🟢	Preferred	Good
M&G Real Estate Debt VI	🟡	🟢	Preferred	Good
Adams Street Private Equity	🟡	🟢	Preferred	Acceptable
HarbourVest Private Equity	🟡	🟢	Preferred	Acceptable
Bluebay Total Return	🟢	🟢	Positive	Not Rated
M&G Alpha Opportunities	🟢	🟢	Not Rated	Good
Newton Real Return Fund	🟡	🟢	Not Rated	Good
Ruffer Absolute Return	🟡	🟢	Positive	Acceptable
Atlas Infrastructure	🟢	🟢	Positive	Not Rated
IFM Global Infrastructure Fund	🟢	🟢	Preferred	Good
M&G Infrastructure	🟡	🟢	Not Rated	Good
Pantheon Infrastructure	🟢	🟢	Not Rated	Good
UBS Infrastructure	🟡	🟢	Suitable	Good
CBRE Real Estate Fund	🟢	🟢	Suitable	Good
UBS Index Linked Gilts	🟢	🟢	Preferred	Good

Performance RAG key

Green	broadly in line with/ahead of Hymans' expectations
Amber	slightly behind expectations over an appropriate time horizon
Red	significantly behind expectations over an appropriate time horizon

Manager developments RAG key

Green	no ongoing concerns to raise to the Committee
Amber	moderate concerns over recent developments with further investigation required
Red	material concern where action (client discussion) required

Manager business updates

Schroders - Oliver Gregson was appointed as CEO of Schroders Wealth Management. Philip Chandler has been appointed CIO of Schroder Investment Solutions and will straddle this with his Head of UK Multi-Asset position. Sophie Van Oosterom decided to leave Schroders in 2025, Nick Montgomery will replace her as Schroders Capital's Global Head of Real Estate. Peter Lowe has also been promoted to Head of UK Real Estate Investment.

HarbourVest - In Q1, it was confirmed that Managing Director in institutional EMEA IR Olav König will retire at the end of June 2025 after 12 years at HarbourVest, and Managing Director in Institutional EMEA IR Ilan Rosen will retire at the end of 2025 after 22 years at HarbourVest.

IFM - In Q1, IFM Investors have announced that they have entered into a binding agreement with NEST, one of the UK's largest pension schemes. NEST will take a 10% ownership stake in IFM, joining the existing Australian pension scheme shareholders, who will maintain their current ownership.

Current issues in LGPS – March 2025 edition

With responses to the 'fit for the future' consultation out of the way, funds have been turning their attention to other matters. Our webinar about the English devolution programme is worth a listen. And our investment team has pulled together its outlook for 2025, highlighting the key themes facing the LGPS. Other topics include a new regime for exit credits in Scotland and fresh longevity projections.

LGPS investment outlook

Welcome to our LGPS Investment Outlook – a bit later than usual, as our focus at the start of the year was responding to the Government's *Fit for the Future* consultation. This year's outlook explores key investment topics as we move into the 2025 England & Wales actuarial valuation year. Elsewhere, political interest in the LGPS remains strong, with continued pressure to invest in UK growth, despite shifts in terminology. Other important areas of focus include defining 'local' investment, implementing Mansion House reforms, and advancing net-zero commitments within the LGPS.

A revolution in Local Government devolution

Interest continues to grow around Local Government devolution and reorganisation in England. Regular pieces are appearing in the press, with the first Authorities to go through the re-organisation process being announced. On 28 February, we hosted a webinar, with input from Jeremy Hughes (LGA), to discuss what this means for LGPS funds. You can watch the webinar on-demand here. Our accompanying briefing note explores the actuarial, governance and investment implications of devolution.

A new Scottish exit credit regime

Following a recent consultation, Scottish Minsters have confirmed the expected changes to the LGPS Regulations (Scotland) to allow funds to exercise discretion when making exit credit payments. The factors that funds should consider mirror the requirements for funds in England in Wales, with an additional requirement to follow any guidance provided by Scottish Ministers for this purpose (no guidance exists at time of writing). The required amendment Regulations have been laid and come into effect from 2 April 2025. They will apply retrospectively to cessation valuations from 1 June 2018 (except in the case of exit credits already paid on or before 1 April 2025).

InflationWatch

With headline CPI ticking up to 3.0%, and the Bank of England expecting further hikes this year, our latest edition of InflationWatch considers consensus forecasts and indicators around future inflation rates and where the balance of risk lies in the outlook for inflation and interest rates. Factors affecting the outlook include food and energy prices, upcoming increases to employer National Insurance contributions and potential increases to tariffs.

Source: Hymans Robertson

Current issues in LGPS – March 2025 edition

Accounting update:

Virgin Media ruling on pension benefit amendments

The Institute of Chartered Accountants in England and Wales (ICAEW) has published an article about the 2024 Virgin Media ruling. The case had raised concerns about the validity of past amendments to 'contracted out' pension benefits where the required actuarial certification was not in place. The article confirms it remains unclear whether remeasurement of the 'defined benefit obligation' will be necessary. Most employer accounts are therefore unlikely to recognise a change in accounting obligations meantime due to the ongoing legal and regulatory uncertainty. HM Treasury had stated previously that it does not believe that the ruling expressly addresses whether actuarial certifications are required for public service pension schemes such as the LGPS. We await the results of their assessment.

Market conditions yield further accounting surpluses

Corporate bond yields continue to drive high discount rate assumptions for year-end accounting purposes, meaning net asset (surplus) positions are expected to continue at 31 March 2025. Recent market conditions have led to more employers than ever before having accounting surpluses. If you want further information on how to deal with these, please reach out to our accounting experts at LGPSCentralAccountingTeam@hymans.co.uk.

Environmental, social and governance (ESG) update:

RI news & views

Our latest edition covers the ESG backlash and what it means for investors. Companies and asset managers alike have stepped away from climate and DEI commitments, leaving investors to challenge whether these changes are in their best long-term interest. We believe stewardship is more important than ever in this environment. We also cover reflections on the previous proxy voting season as we look ahead to 2025 and include ESG snippets to bring investors up to speed on an already eventful year to date.

UK Stewardship Code (2020) review

The FRC published a consultation in November about its review of the UK Stewardship Code. Many LGPS funds and their asset managers or pools are signatories to the Code, which sets high standards for stewardship across the industry. The consultation proposes a change to the definition of Stewardship, addressed in our response to the consultation. The updated Code is expected to be published in the early summer of 2025, and go live from 2026 – please speak to our team about steps to transition reporting to the updated Code once this is available.

Source: Hymans Robertson

Current issues in LGPS – March 2025 edition

Longevity update:

Climate change

The human impact of climate change is highly visible. Catastrophic fires, floods and other weather events regularly hit the news. However, the impact of climate change on our lives is much broader than the weather. Club Vita's climate change longevity scenarios take a holistic approach to its impact on longevity. First published in 2018, Vita has revised and updated its scenarios to allow for subsequent events and to readily align with other frameworks that may be used in scenario modelling. Their new paper includes the potential impact on future life expectancy and LGPS pension fund liabilities under each scenario. It's available now to LGPS funds – please look out for an email from your Fund Actuary.

New projections from the actuarial profession

The profession's Continuous Mortality Investigation (CMI) has released a consultation on proposed methods and core parameters for 'CMI_2024', the next version of its Mortality Projections Model. As well as the usual updates to the calibration data, it proposes to make four changes to how it calibrates the model to historical data. These changes aim to provide a better fit to recent data across the age range during and after the pandemic. This blog from the CMI provides further details. The consultation is open until 25 March. The CMI intends to provide an update on its plans for CMI_2024, after considering consultation responses, in April.

Source: Hymans Robertson

Manager details

Mandate	Date appointed	Benchmark description
Longview Global Equity	30/04/2013	MSCI World
Storebrand Smart Beta And ESG	03/12/2020	MSCI World Index
UBS Osmosis	03/03/2022	MSCI World
Baillie Gifford Global Alpha	11/08/2021	MSCI ACWI
WHEB Active Impact Equity	01/12/2020	MSCI World Index
Wellington Active Impact Equity	02/12/2020	MSCI ACWI
M&G Corporate Bonds	31/12/1996	Composite Benchmark
M&G Real Estate Debt VI	11/04/2019	3 Month SONIA +4%
Adams Street Private Equity	31/03/2003	MSCI ACWI +1.5%
HarbourVest Private Equity	31/01/2003	MSCI ACWI +1.5%
Bluebay Total Return	17/04/2024	3 Month SONIA +3%
M&G Alpha Opportunities	30/11/2009	3 Month SONIA +3%
Newton Real Return Fund	30/04/2010	3 Month SONIA +2.5%
Ruffer Absolute Return	30/04/2010	3 Month SONIA +2.5% p.a.
Atlas Infrastructure	02/12/2020	FTSE Developed Core Infrastructure 50/50
IFM Global Infrastructure Fund	03/01/2023	CPI +2%
M&G Infrastructure	31/10/2018	CPI +2%
Pantheon Infrastructure	04/05/2018	CPI +2%
UBS Infrastructure	31/01/2008	CPI +2%
CBRE Real Estate Fund	01/10/2024	IPD All Balanced Fund Index
UBS Index Linked Gilts	31/01/2018	FTSE Index-Linked Over 5 Years
Cash	31/12/2002	1 Month SONIA

Source: Northern Trust

Hymans manager ratings

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

Hymans Responsible Investment ratings

Strong	Strong evidence that the manager consistently demonstrates leading practices across all criteria assessed.
Good	Manager demonstrates that they surpass acceptable standards but fall short of leading practices.
Acceptable	Manager demonstrates that they meet acceptable standards.
Weak	Manager does not meet acceptable standards.
Not Rated	Insufficient knowledge to be able to form an opinion on.

Glossary – equity manager styles

‘Style’ refers to the type of stocks a manager will typically research and select for portfolios. It is important to diversify these ‘styles’ in order to manage concentration risks.

- **Value** – this style tilt considers whether stocks held within the portfolio are discounted relative to their fundamentals, i.e. whether stocks have low market valuations versus current earnings or book value.
- **Growth –** this style tilt considers companies earning potential relative to its industry and the overall market. The key consideration within this factor is a company’s potential for growth and therefore commonly used metrics include historical earnings growth and forward earnings growth.
- **Quality** – this style tilt considers companies financial stability. A company’s quality can be evaluated using various metrics including: profitability, earnings quality, financial leverage and corporate governance.
- **Volatility** – this style tilt considers the systematic risk of the portfolio relative to the market.
- **Momentum** – this style tilt is based on the premise that stocks that have recently risen or fallen in price will continue to do so in the future.
- **Low volatility** – A low volatility equity manager will aim to construct a portfolio that exhibits significantly lower volatility than the benchmark index (low volatility is a relative, not absolute, term). A low volatility manager will generally target a volatility of around 15% p.a. versus a benchmark that exhibits a 20% p.a. volatility. A low volatility portfolio will generally be constructed through a quantitative assessment of past stock performance and correlation to select stocks that have historically exhibited low levels of volatility.
- **Neutral** - A neutral manager will aim to construct portfolios that have no significant sector or style biases relative to the benchmark index. This is more common in bottom up, in-depth research, managers (sometimes referred to as ‘stock pickers’) who aim to isolate stocks that are undervalued relative to their peers whilst avoiding taking a position on whether a country or industry itself will out or underperform. For example they might take an overweight position in BP if they believe the stock is fundamentally undervalued but remove their exposure to the more general oil market by compensating with an underweight position in Shell.

Glossary - other

- **Buy-out** – purchase of a more mature company usually as part of a private equity deal.
- **Capital structure** – how a company is financed through equity and debt.
- **Closed-ended** - When an investment fund has a finite lifecycle, money is invested and returned in full to the investor over a defined period (usually 5 – 8 years for private debt)
- **Commitment** – The investment amount initially made to a fund, this is then drawn by the manager over time and invested.
- **Dividend** – Annual income paid through holding an equity.
- **Duration** – A measure of the average expected life of an investment that indicates sensitivity to interest rate changes.
- **Indirect** – Access and asset via other funds rather than directly.
- **Information ratio** - This measures the risk-adjusted returns of a fund relative to its respective benchmarks. For active funds, a higher information ratio is better.
- **IRR** - a measure of performance taking into account cashflow.
- **Liquidity** – ability to sell a stock quickly at a known price.
- **MAC** – Multi Asset Credit, an investment fund made up of a mix of different types of debt/credit.
- **Mid-market** – focus on mid-sized companies.
- **Open (closed) ended investment** – Open ended investments have no end date and can be traded. Closed ended cannot usually be traded and have a finite life.
- **Senior secured** - Debt issued at a high level in a company's capital structure secured against company assets.
- **Sub-investment grade** – bond assets rated below investment grade (and therefore higher risk).
- **Tracking error –** This shows the difference in actual performance between a fund and its respective benchmark. This should be lower for passive funds tracking an index compared to active funds where the manager is trying to outperform a benchmark.
- **TVPI -** Total value (distributions plus residual values) divided by paid-in capital. An alternative measure of the return on investment for closed-end funds
- **Volatility** – a measure or risk based on ‘ups and downs’ of stock/portfolio over a period of time.

Growth, Income and Protection

Principal Objectives

Pay benefits
Low, stable contributions

Growth

Generate sufficient returns to keep the cost of the new benefits accruing reasonable

Equities, Private Equity

Income

Identify sources of income in order to generate cash as the Fund requires

Property, Infrastructure
Private debt,
High yielding bonds

Protection

Reduce risk of deficits emerging to protect against increase in secondary rates

Government bonds
Investment Grade corporate bonds
Low risk absolute return bonds

Geometric v arithmetic performance

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

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

Some industry practitioners use the simpler arithmetic method as follows:

Fund Performance - Benchmark Performance

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

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

Risk warning

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

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

This report may contain fund and fund manager specific research ratings and comments based on the views of our investment research team. Please speak to your investment adviser before taking any investment decisions or actions. They will advise whether formal investment advice is necessary, including a risk assessment and investment suitability information where appropriate.