

East Sussex Pension Fund

Q2 2025 Investment Monitoring Report

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Fund Value
£5,073,576,403

Over the quarter, the Fund's asset value increased by c.£97.1m.

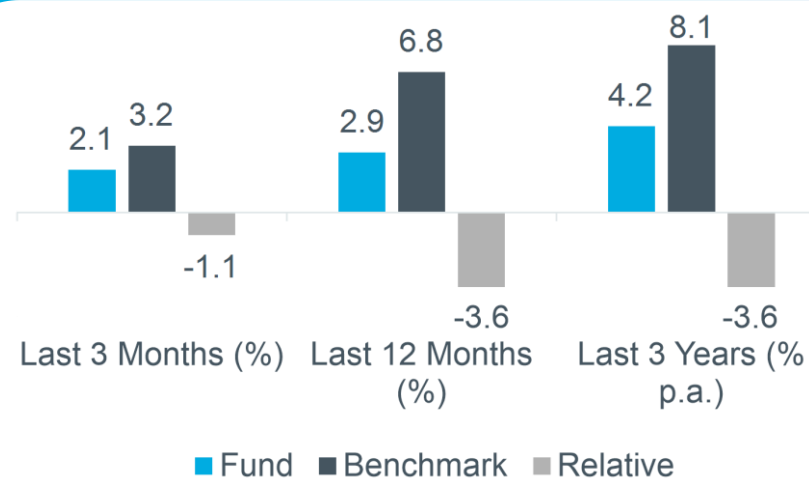
Total Net Return
2.1%

Over the quarter, the Fund returned 2.1% against its benchmark of 3.2%.

High-level asset allocation

	Actual	Benchmark	Relative
Growth	48.3%	45.5%	2.8%
Income	42.9%	50.5%	-7.6%
Protection	7.1%	4.0%	3.1%

Total fund performance

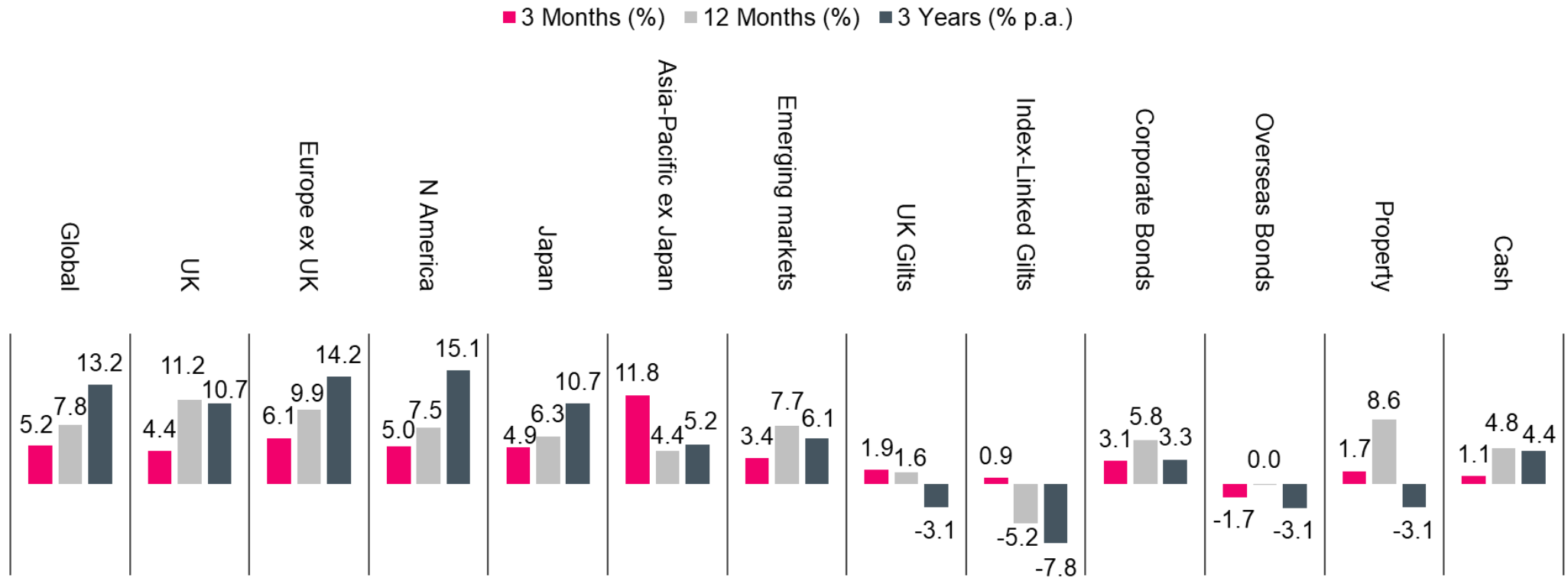


Commentary

- Total Fund performance was 2.1% in absolute terms, underperforming the composite benchmark by 1.1%.
- 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 -3.6% p.a.
- The Fund's income portfolio remains under-weight relative to the strategic asset allocation.

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.

Market Background

Market update

US GDP contracted 0.5% in Q1 2025, down from 2.4% in Q4. However, this figure was distorted by surging imports before April's tariff announcement, with underlying domestic demand and investment still growing. US companies rushed to buy foreign goods, boosting Q1 GDP data for many economies.

UK annual CPI inflation rose to a greater-than-expected 3.4% in May, driven partly by Ofgem's energy-price-cap hike. US inflation held steady at 2.4%, while the eurozone's rate dipped below the European Central Bank's (ECB) 2% target. Core inflation remained higher at 3.5%, 2.8% and 2.3% in the UK, US and eurozone, respectively.

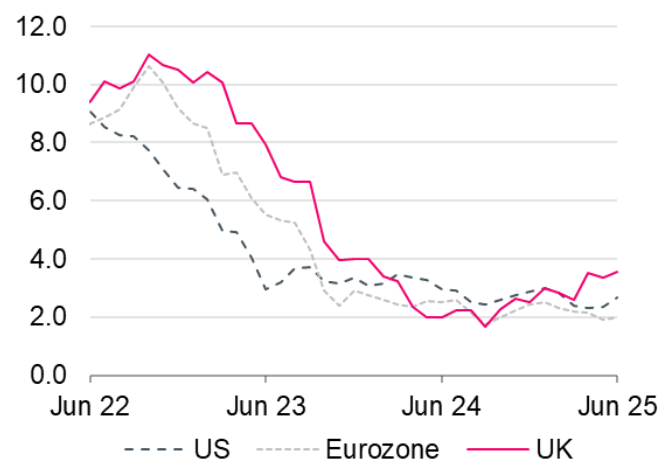
Given ongoing disinflation signs, the ECB cut rates twice more in Q2, to 2.0% pa. The Bank of England (BoE) lowered rates by 0.25% pa, to 4.25% pa, and appears to be looking past the energy-price-driven uptick in inflation. The US Federal Reserve (Fed) held rates at 4.5% pa amid robust employment and growth data. Markets expect a couple more 0.25% pa cuts from the BoE and Fed this year.

On 2 April, the US administration announced larger-than-expected reciprocal tariffs, triggering a drop in global equities and a surge in bond yields as US Treasuries were sold. In response, the US paused tariffs for 90 days and agreed a trade deal with China.

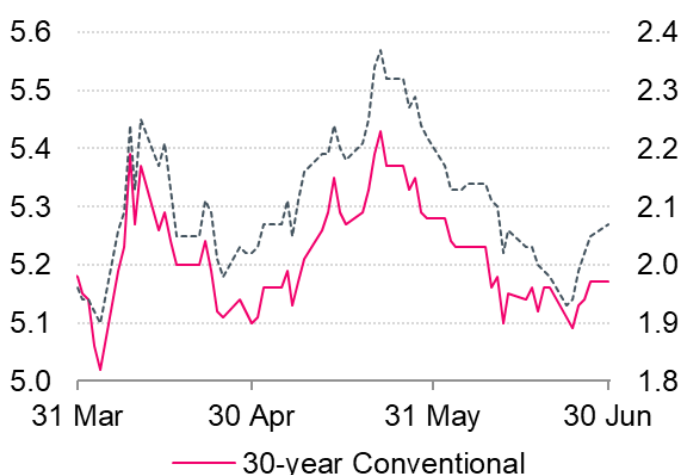
Global equities recovered their losses, rising 9.4% in local-currency terms. Renewed investor confidence and strong earnings supported mega-cap tech stocks. Growth outperformed value, but the former is behind over the year to date.

With its high technology exposure, the US outperformed the global benchmark. Asia Pacific ex Japan outperformed, benefiting from easing trade tensions and a falling US dollar. All other regions delivered positive returns but more markedly underperformed.

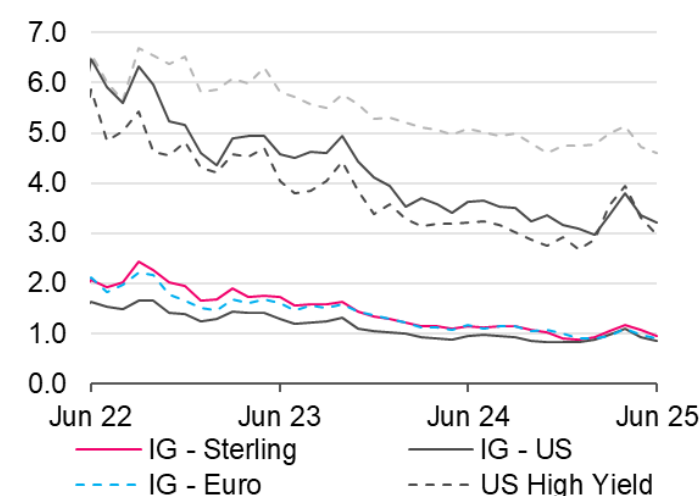
Annual CPI Inflation (% year on year)

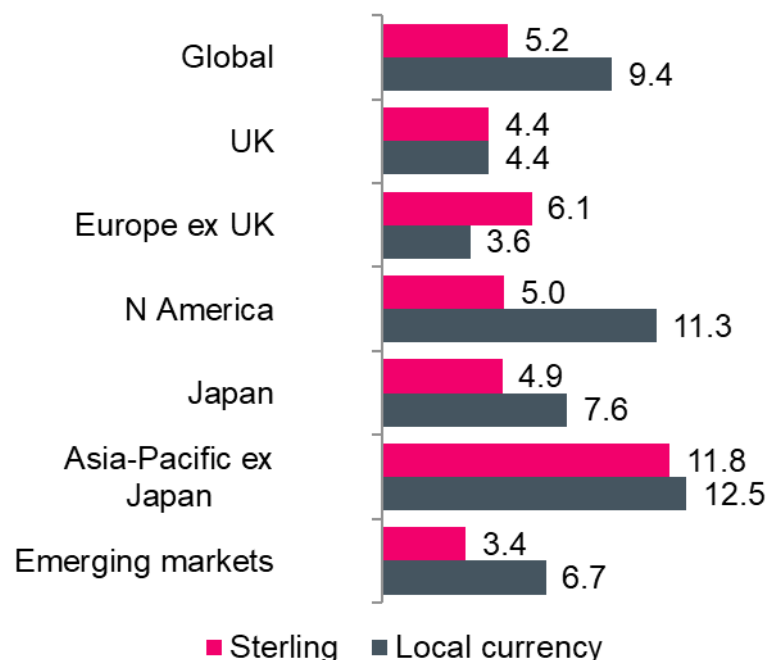
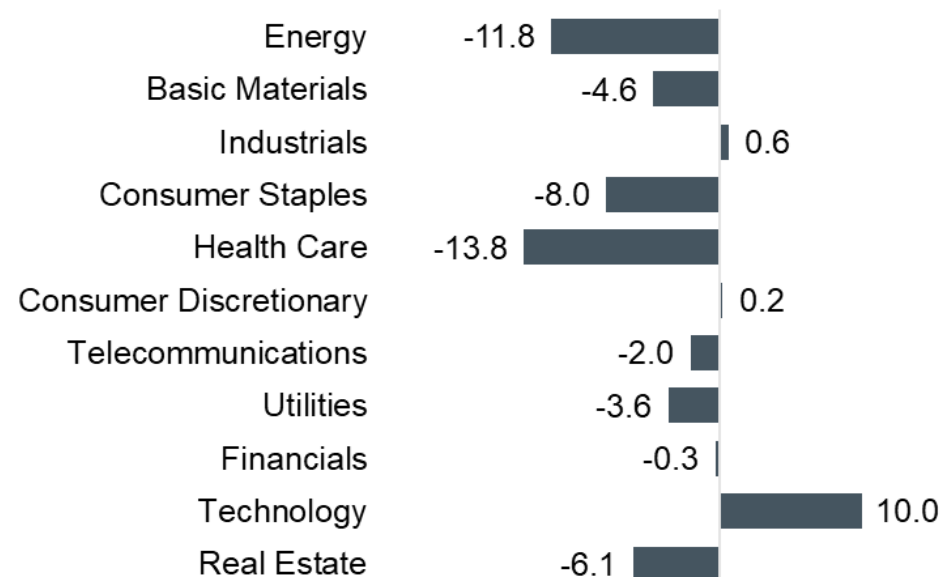


Gilt yields chart (% p.a.)



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



Regional equity quarterly returns ^[1]Global equity sector quarterly returns ^[2]

Market commentary

Ten-year gilts yields fell 0.2% pa amid downside economic surprises and interest-rate cuts. However, longer-dated gilt yields were little changed, due to concerns about rising bond issuance and waning institutional demand. Thirty-year US and Japanese yields rose 0.2% pa and 0.4% pa, respectively.

Despite trade ructions, sterling investment-grade spreads ended the quarter only marginally wider, while equivalent US and euro spreads ended lower. Highlighting improved sentiment, US and euro speculative-grade bond spreads ended 0.6% and 0.2% pa tighter, respectively.

The trade-weighted US dollar fell a further 5.0% in Q2 on trade and fiscal policy concerns, while equivalent euro and sterling measures rose 4.0% and 1.2%, respectively. Oil prices spiked amid conflict in the Middle East but fell when a ceasefire was agreed. Oil ended down 9.5% as demand forecasts were lowered and OPEC+ announced production increases. Gold prices rose further, up 5.1% in Q2, amid geopolitical uncertainty and the dollar's decline.

The MSCI UK Property Total Return Index rose 1.7% in Q2 and 8.6% over 12 months, supported by steady income and 2.6% capital growth. Industrial and retail capital values rose 5.3% and 3.0%, respectively, in the 12 months to June, while offices fell by 1.8%.

Asset allocation

	Valuation (£m)		Actual Proportion	Benchmark	+ / -
	Q1 25	Q2 25			
Longview Global Equity	510.2	499.6	9.8%	40.0%	1.7%
Storebrand Smart Beta And ESG	450.3	476.4	9.4%		
UBS Osmosis	415.7	436.7	8.6%		
Baillie Gifford Global Alpha	213.5	235.7	4.6%		
WHEB Active Impact Equity	200.7	202.8	4.0%		
Wellington Active Impact Equity	253.4	264.5	5.2%	5.5%	1.1%
Adams Street Private Equity	174.1	162.3	3.2%		
HarbourVest Private Equity	185.5	174.3	3.4%		
Total Growth	2,403.3	2,452.3	48.3%	45.5%	2.8%

Asset allocation

	Valuation (£m)		Actual Proportion	Benchmark	+ / -
	Q1 25	Q2 25			
Bluebay Total Return	171.4	176.3	3.5%	10.5%	-0.6%
M&G Corporate Bonds	124.5	127.6	2.5%		
M&G Alpha Opportunities	195.1	196.9	3.9%		
M&G Real Estate Debt VI	28.4	24.9	0.5%	5.0%	-4.5%
Newton Real Return Fund	292.8	304.4	6.0%	17.0%	-1.8%
Ruffer Absolute Return	455.2	466.7	9.2%		
Atlas Infrastructure	104.4	112.7	2.2%		
IFM Global Infrastructure Fund	267.9	274.6	5.4%	11.0%	-0.4%
M&G Infrastructure	42.8	42.7	0.8%		
Pantheon Infrastructure	77.3	72.1	1.4%		
UBS Infrastructure	35.3	33.3	0.7%		
CBRE Real Estate Fund	340.1	337.9	6.7%	7.0%	-0.3%
Schroders Property	3.5	3.9	0.1%		
Total Income	2,138.8	2,174.1	42.9%	50.5%	-7.6%
UBS Index Linked Gilts	357.5	359.6	7.1%	4.0%	3.1%
Total Protection	357.5	359.6	7.1%	4.0%	3.1%
Cash	76.9	87.5	1.7%	-	1.7%
Total Fund	4,976.5	5,073.6	100.0%	100.0%	

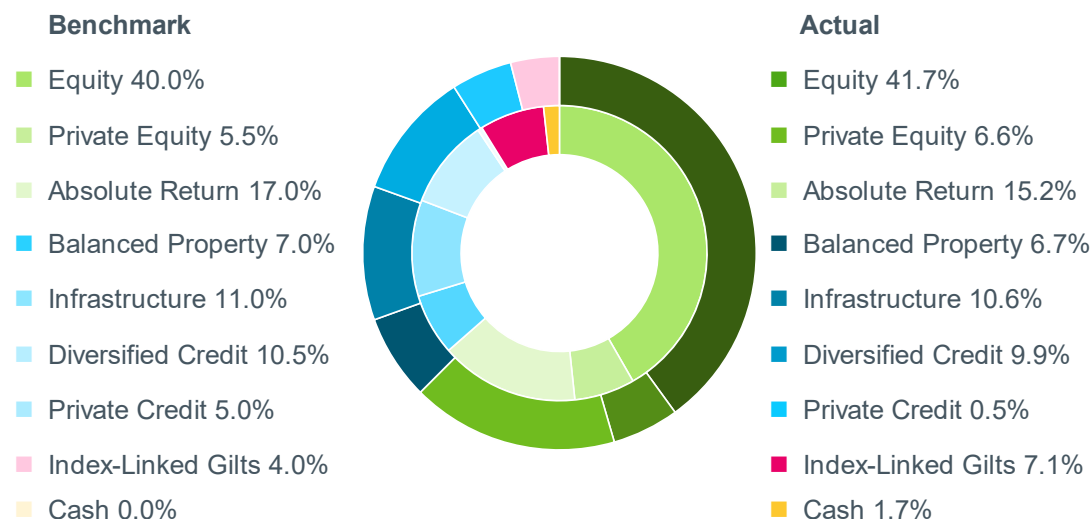
Asset allocation commentary

This quarter saw limited asset allocation activity within the Fund, with no transitions taking place over Q2 2025. As a result, the Fund's overall positioning remained broadly consistent with the previous quarter, with changes in asset allocation driven primarily by mandate-level performance.

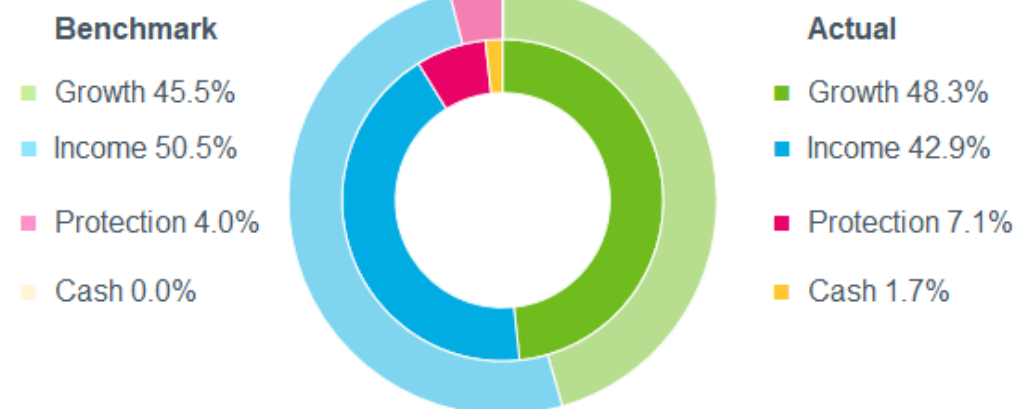
The only material asset allocation movement not attributable to performance was within cash, which increased by £10.6m over the quarter. Although dampened by negative performance, the cash balance was bolstered by the following activity:

- c. £4.3m net distribution from M&G Real Estate Debt
- c. £5.3m net distribution from Adams Street Private Equity.
- c.£3.9m net distribution from Harbour Vest Private Equity.
- c.£2.2m net distribution from Pantheon Infrastructure.
- c.£2.7m net distribution from CBRE Real Estate.

Asset allocation vs benchmark (agreed long-term allocation)



Asset allocation vs benchmark (GrIP)



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	-2.1	5.0	-6.7	-2.5	7.2	-9.1	8.0	13.6	-4.9	11.5	11.3	0.2
Storebrand Smart Beta And ESG	5.8	5.0	0.8	6.2	7.2	-1.0	12.4	13.6	-1.1	9.7	11.2	-1.3
UBS Osmosis	5.1	5.0	0.0	7.1	7.2	-0.2	13.7	13.6	0.1	10.5	10.8	-0.2
Baillie Gifford Global Alpha	10.4	5.1	5.1	7.7	7.2	0.5	10.8	12.7	-1.7	0.8	8.0	-6.7
WHEB Active Impact Equity	1.1	5.0	-3.7	-11.7	7.2	-17.7	0.4	13.6	-11.6	-1.7	11.0	-11.4
Wellington Active Impact Equity	4.4	5.1	-0.6	7.2	7.2	0.0	8.5	12.7	-3.7	4.5	9.8	-4.8
Adams Street Private Equity	-3.8	5.4	-8.7	-2.9	8.6	-10.6	-5.8	14.3	-17.6	10.2	10.7	-0.5
HarbourVest Private Equity	-4.0	5.4	-8.9	-2.6	8.6	-10.3	-4.4	14.3	-16.3	8.7	11.2	-2.3

Growth

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	2.5	3.1	-0.5	2.7	2.7	0.0	0.3	0.2	0.1	5.9	5.1	0.8
M&G Alpha Opportunities	0.9	1.8	-0.9	7.0	7.6	-0.6	8.1	7.5	0.6	4.5	2.7	1.8
M&G Real Estate Debt VI	2.6	2.0	0.5	8.5	8.6	-0.1	6.6	8.5	-1.7	4.3	6.4	-2.0
Bluebay Total Return	2.8	1.8	1.1	6.7	7.7	-0.9	-	-	-	7.2	7.7	-0.5
Newton Real Return Fund	4.0	1.6	2.3	5.7	7.1	-1.3	3.9	7.0	-2.9	4.1	2.5	1.6
Ruffer Absolute Return	2.5	1.6	0.9	4.9	7.1	-2.0	1.1	7.0	-5.5	4.6	2.5	2.0
Atlas Infrastructure	8.0	-1.9	10.1	16.2	10.4	5.2	5.5	3.1	2.4	7.9	6.7	1.2
IFM Global Infrastructure Fund	2.5	2.2	0.3	10.5	5.6	4.7	-	-	-	7.6	5.6	1.9
M&G Infrastructure	-0.4	2.2	-2.6	-3.7	5.6	-8.8	-4.2	6.5	-10.0	1.8	6.0	-4.0
Pantheon Infrastructure	-3.9	2.2	-6.0	-2.1	5.6	-7.3	6.4	6.7	-0.3	8.2	5.9	2.2
UBS Infrastructure	-5.8	2.2	-7.8	-8.4	5.6	-13.2	-1.9	6.5	-7.9	3.9	3.0	0.8
CBRE Real Estate Fund	0.1	1.5	-1.4	-	-	-	-	-	-	-0.3	5.5	-5.5
Income												
UBS Index Linked Gilts	0.6	0.7	-0.1	-7.2	-7.2	0.0	-10.1	-10.0	-0.1	-4.4	-4.4	0.0
Protection												
Total Fund	2.1	3.2	-1.1	2.9	6.8	-3.6	4.2	8.1	-3.6	7.9	-	-

Manager performance commentary

- Total Fund performance over Q2 2025 was 2.1%, underperforming the composite benchmark of 3.2%.
- On a relative basis, the stand-out detractors include:
 - The Longview Global Equity strategy underperformed its MSCI World benchmark by 6.7% over Q2 2025. Relative underperformance can be attributed to the strategy having no exposure to the surging semiconductor sector (+41% return over the quarter), stock-specific weakness at UnitedHealth and Fiserv, and de-ratings across its life sciences holdings. These three factors contributed roughly equally to the shortfall.
 - The Fund's private equity mandates, Admas Street and Harbour Vest, returned -3.8% and -4.0% respectively, compared with a positive 5.4% return from their benchmark (MSCI ACWI +1.5% p.a.). Although public equity markets rallied over the quarter, private equity performance can reflect subjective or stale valuations therefore diverge over the short term. In addition, private equity is typically exposed to additional risk factors such as liquidity risk, concentration risk, and exit risk, which can make shorter-term comparisons to public indexes inappropriate.
- The Fund's infrastructure mandates delivered highly contrasting performance over Q2 2025, with returns ranging from +8.0% to -5.8% across the 5 mandates. While these strategies all target infrastructure assets, their performance can diverge significantly due to differences in portfolio composition, sector focus, and valuation methodologies. In addition, the timing of revaluations and the use of discount rates can create short-term dispersion in reported returns, even where underlying assets share similar long-term characteristics.

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

Newton - In June 2025, James Lydotes, Deputy CIO - Equity and Head of Equity Inc., left the firm to pursue other opportunities. In May, Therese Niklasson, Global Head of Sustainable Investment and a member of the Executive Management Committee, departed as part of a redundancy programme, alongside four Real Return portfolio managers (Andrew Warwick, Chris King, Matt Brown and Phil Shucksmith) with responsibilities reallocated to other senior investors.

M&G - In Q2, Jacqui Hughes joined as Interim Chief Client Officer and member of the Asset Management Executive Committee, replacing Jeff Cotton who left in April. The firm continued to execute on its growth strategy with the acquisition of a majority stake in P Capital Partners, a European private credit business, and by forming a long-term strategic partnership with Dai-ichi Life Holdings. As part of this partnership, Dai-ichi intends to acquire around 15% of M&G plc via on-market purchases (subject to regulatory approval), with the right to appoint a director to M&G's board should this threshold be met.

Baillie Gifford - In Q2, as planned, the four new partners announced last quarter were officially appointed in Q2 2025. These include Investment Managers Kirsty Gibson and Mike Taylor, as well as Client Relationship Directors Grant Walker and Ryan Fitzpatrick. With these additions, the total number of partners at Baillie Gifford now stands at 59.

CBRE - In Q2, Adam Gallistel (formerly of GIC) joined in Q2 as Co-CEO and CIO, replacing Kim Hourihan, and joined the Executive Committee. Maurice Voskuilen was appointed CFO with responsibility for Indirect's financial operations, while Su Patel (who joined as Senior Director in Corporate Finance at the end of 2024) now leads corporate finance matters following the retirement of COO Gill Roantree in Q1. Manu Chopra, General Counsel, has assumed oversight of Indirect board governance in addition to his ongoing responsibility for regulatory and legal compliance. Separately, CBRE Group restructured its corporate organisation into four segments: Real Estate Investments (which includes CBRE IM), Advisory Services, Building Operations & Experience, and Project Management.

Current issues in LGPS – August 2025 edition

The summer holidays don't mean a rest for national level changes which will likely affect LGPS funds. And there's no rest for those involved with the valuation or accounting exercises.

Access and fairness consultation – our response - We have [published](#) our draft response ahead of the closure of MHCLG's 'Access and fairness' consultation on 7 August. This sets out our thoughts on the proposals and highlights some of the practical issues which we believe will need to be considered. As many of the amendments would require retrospective changes, we believe clear and practical implementation expectations would need to be set out by the government so that LGPS funds can deliver the changes in an efficient and effective way. Our prior Briefing Note, providing a detailed overview of the proposals, can be read [here](#).

A tool to tackle English devolution - The deadlines for councils in the priority devolution areas to submit final proposals to the government will soon be here, with submissions due by 26 September. For those not in priority areas, it will soon be your turn, with submissions due by 28 November. To help funds navigate through this significant exercise, we're developing a Devolution Toolkit. As well as identifying all the activities you'll need to keep an eye on, it will help to structure workloads and pick out times when your fund's resources may become stretched. Our dedicated Project Manager team can help you through the changes, no matter what form devolution takes in your local area. Please speak to your usual Hymans contact for further details.

Inheritance tax on pensions - In some rare welcome news for busy LGPS administrators, the government has [announced](#) a new approach to the inheritance tax (IHT) charge on death benefits that is due to take effect from 6 April 2027. It has decided to switch tack and make personal representatives (not scheme administrators) liable for reporting and paying any IHT due. Our [blog](#) provides an overview of the key changes that were contained in the announcement.

LGPS benchmarking salary survey - We have recently launched our salary and benefits benchmarking survey. Our aim is to build a comprehensive and LGPS-specific data set to ensure that LGPS funds have the evidence and data they need when undertaking workforce planning. Alongside salaries for around 20 roles across the breadth of LGPS pensions teams, we will also be asking for information relating to other benefits offered (e.g. cycle to work scheme), training or additional qualifications and working from home policy. All funds who take part will receive a free summary report, detailing Current issues in LGPS 2 salary benchmarks for a few of the roles. There will also be the opportunity to receive a more detailed report which covers all of the roles and additional information collected in the survey. The survey will remain open until the end of August. Funds can sign up now, by registering an interest [here](#).

Pensions adequacy: the Gender Pensions Gap in the LGPS - Awareness and discussion of the Gender Pensions Gap (GPG) in the LGPS space has been picking up at pace. With the Access and Fairness Consultation being followed by the UK Government announcing a new Pensions Commission to improve future pension outcomes, GPG and pensions adequacy are now rightly receiving the attention they deserve. Our first [briefing note](#) in our Pensions Adequacy series explores the results from analysis we have carried out into the GPG for a number of LGPS funds.

Current issues in LGPS – August 2025 edition

Spotlight on Responsible Investment:

CTAP-ping into the desire for climate resilience - The UK government is [consulting](#) on making 'Climate Transition Plans' mandatory for UK financial firms, including providers/asset managers and pension funds. The idea is to improve the availability of decision-useful information to help asset owners and companies decarbonise and improve climate resilience. There are no timescales outlined in this first consultation phase, but if you'd like to take action, you might consider developing your own climate transition action plan (CTAP) ahead of the regulatory requirement. Our recent [webinar](#) has some practical guidance. And of course, you can engage with asset managers on their climate risk plans.

What does effective engagement look like? - In a landscape where asset manager activity is changing, it's vital to ensure investors' expectations and long term interests are met – and now is an important time to refocus those efforts. Investor resource is finite, so engagement should be focused to best fulfil responsibilities. We encourage investors to focus on building and implementing an effective stewardship framework. What does that framework look like? Some ideas are [here](#).

Fiduciary duty and sustainability – what do you need to know? - When it comes to making decisions relating to climate change, local investment and sustainability, the question of fiduciary duty often comes up. We know that funds should take account of financial factors, but to what extent do ESG considerations count as such? To start with, many issues that initially seem non-financial are, on closer examination, in fact financial. There's also an emerging view that pension schemes can (but are not required to) take account of issues such as member standards of living, broader best interests and the impacts of firms in which schemes invest. We explore this issue in more depth [here](#).

Spotlight on the actuarial valuations:

2025 valuations (England & Wales) - It's all systems go for English & Welsh valuations with funds submitting data throughout July. We have our first cab off the rank with initial fund results being issued and we expect many more to follow in the coming weeks. Current issues in LGPS 3 2025 promises to be an interesting valuation year and we will be discussing initial results, early insights and the big themes from our view across the LGPS in our upcoming webinar on 2nd September. Look out for the invites coming soon. Consulting on the updated Funding Strategy Statement (FSS) is an important part of the valuation exercise. As well as communicating this to employers in the fund, the recent [LGPC bulletin](#) reminded funds to consider whether the Department for Education (DfE), as guarantor for Academies and Further Education bodies, should be included in the consultation exercise. The DfE has set up a specific email address for this purpose: LGPS.WORKINGGROUP4@education.gov.uk.

2026 valuations (Scotland) - It's now only 8 months until the Scottish 2026 valuations officially kick off and preparations are ramping up. As funds finalise year end processes, now is the perfect time to turn attention to the upcoming valuation to get all your ducks in a row. We will be working closely with our funds to cleanse data and put plans together for a successful valuation. Look out for more information coming soon or speak to your Hymans contact for further information on what to expect and when.

Current issues in LGPS – August 2025 edition

Accounting surpluses on the horizon

Having just passed the 31 July FRS102 reporting date for colleges and universities, early indications suggest that net asset (surplus) positions will be even more common at 2025 than 2024. The biggest driver of this is the increase in the corporate bond yield, which is used to determine the discount rate for financial reporting. This higher discount rate means that obligations (liabilities) at this year-end will likely be lower than last year. However, the overall net position will depend on individual pension fund (and individual investment strategy) performance over the year. To speak to our accounting experts about dealing with net asset (surplus) positions, please reach out to LGPSCentralAccountingTeam@hymans.co.uk.

And now for something completely different...Design Thinking - In the next [blog](#) in his series about Design Thinking, our LGPS digital expert Chris shows how defining the right problem to solve is the most critical – but often most overlooked – step in the design process. Moving beyond empathy, he explores the ‘Define’ stage, and how we can turn user insights into clear, actionable problem statements that align teams, focus decisions, and prevent wasted effort.

Events, webinars & training

Reset Connect, London Climate Action Week 2025 - As London Climate Action Week got underway, we joined the [Reset Connect](#) conference, which brought together sustainability leaders, innovators and decision-makers to address climate change and drive impactful transformation. We have collated some of the [key highlights](#) we took from the day. Our Biodiversity Lead, André Ranchin, also contributed his views in two insightful talks on issues impacting the ocean and marine biodiversity.

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
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
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% p.a.
Adams Street Private Equity	31/03/2003	MSCI ACWI +1.5% p.a.
HarbourVest Private Equity	31/01/2003	MSCI ACWI +1.5% p.a.
Bluebay Total Return	17/04/2024	3 Month SONIA +3% p.a.
M&G Alpha Opportunities	30/11/2009	3 Month SONIA +3% p.a.
Newton Real Return Fund	30/04/2010	3 Month SONIA +2.5% p.a.
Ruffer Absolute Return	30/04/2010	SONIA 3 Month +2.5% p.a.
Atlas Infrastructure	02/12/2020	FTSE Developed Core Infrastructure 50/50
IFM Global Infrastructure Fund	03/01/2023	CPI +2% p.a.
M&G Infrastructure	31/10/2018	CPI +2% p.a.
Pantheon Infrastructure	04/05/2018	CPI +2% p.a.
UBS Infrastructure	31/01/2008	CPI +2% p.a.
CBRE Real Estate Fund	01/10/2024	MSCI UK All Balanced
UBS Index Linked Gilts	31/01/2018	FTSE Index-Linked Over 5 years
Cash	31/12/2002	1 Month SONIA

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

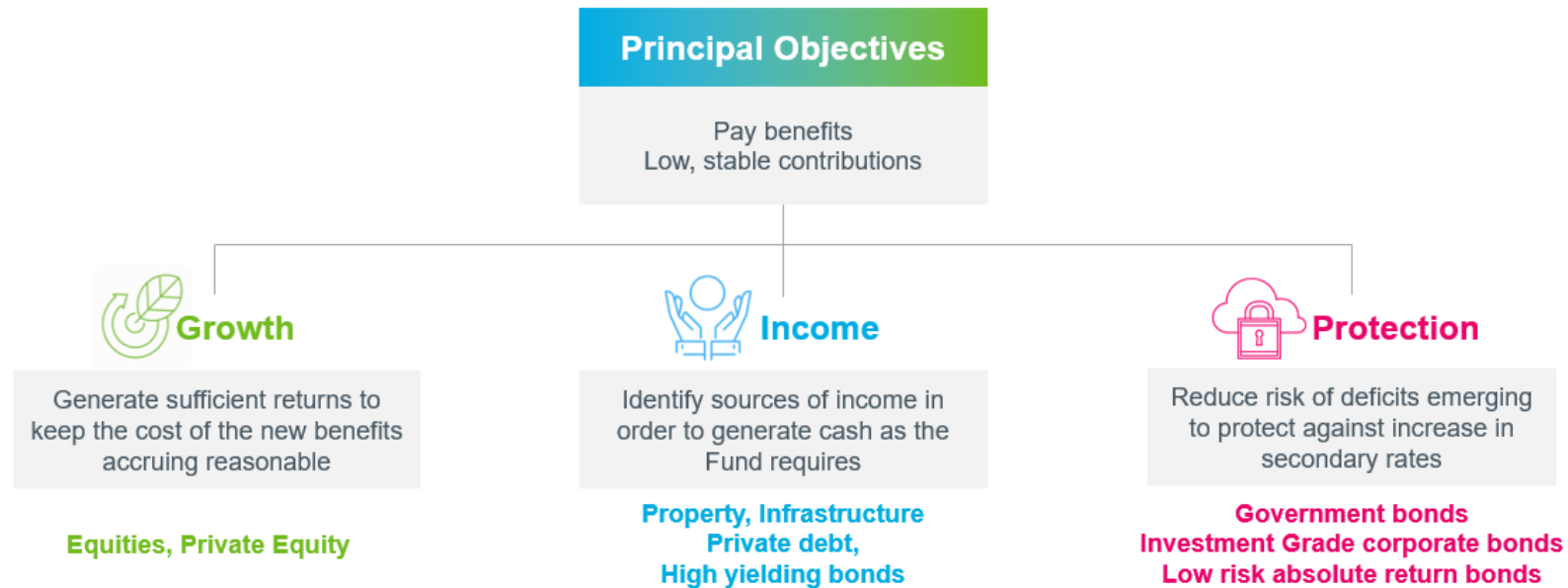
‘Style’ refers to the type of stocks a manager will typically research and select for portfolios. It is important to diversify these ‘styles’ in order to manage concentration risks.

- **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 of risk based on 'ups and downs' of stock/portfolio over a period of time.

Growth, Income and Protection



Geometric v arithmetic performance

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

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

Some industry practitioners use the simpler arithmetic method as follows:

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

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

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

Risk warning

This report is provided to the Pension Fund Investment Panel ('the Panel') and Officers of the East Sussex Pension Fund ('the Fund') in our capacity as your investment adviser. Its purpose is to assist the Committee with their monitoring of the Fund's investments. The report shows how the assets have performed over various time periods, on an absolute basis and relative to the agreed benchmarks, in the context of general market movements. It also shows how the asset allocation compares with the Fund's strategic target allocation. The 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. No investment decisions should be taken based solely on the contents of this report.

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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.

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