

East Sussex Pension Fund

Q3 2025 Investment Monitoring Report

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Fund Value
£5,273,833,926

Over the quarter, the Fund's asset value increased by c.£200.2m.

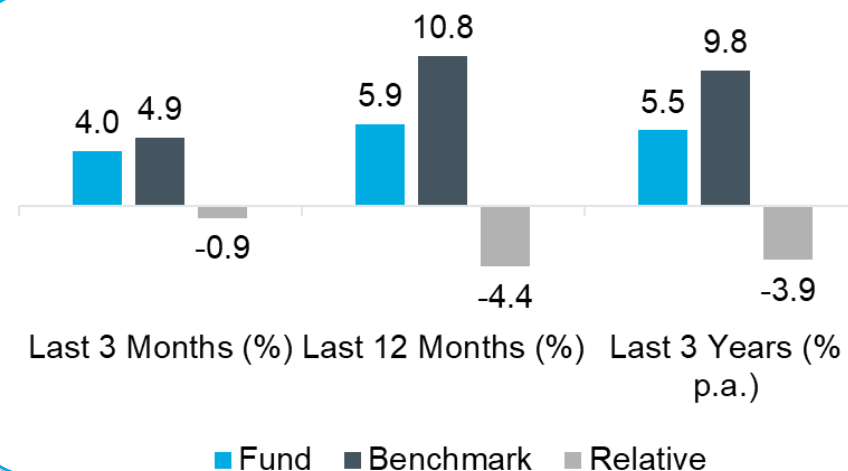
Total Net Return
4.0%

Over the quarter, the Fund returned 4.0% against its benchmark of 4.9%.

High-level asset allocation

	Actual	Benchmark	Relative
Growth	49.3%	45.5%	3.8%
Income	42.3%	47.5%	-5.2%
Protection	6.7%	7.0%	-0.3%

Total fund performance



Commentary

- Total Fund performance was 4.0% in absolute terms, underperforming the composite benchmark by 0.9%.
- 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 -4.4% p.a. and -3.9% p.a. respectively.
- The Fund's income portfolio remains under-weight relative to the strategic asset allocation.

Market Background

Market update

The US economy grew at an upwardly revised annualised 3.8% in Q2, driven by consumer spending, AI investment and waning import headwinds; purchasing managers' indices (PMI) indicated continued, albeit slower, expansion in Q3. Most other economies experienced modest slowdowns.

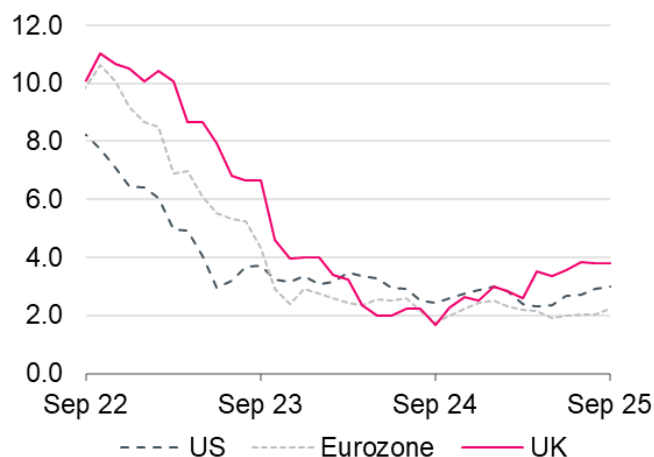
US annual CPI inflation increased to 2.9% in August, with tariffs' effects less pronounced than anticipated. UK inflation remained elevated at 3.8%, but core inflation eased to 3.6%. Eurozone inflation unexpectedly rose to 2.2%, with the core rate at 2.3% for a fifth month. The Federal Reserve (Fed) cut rates – by 0.25% pa, to 4.0–4.25% pa – for the first time this year.

The Fed projects two more cuts in 2025 and one in 2026, while markets anticipate up to four in 2026. The Bank of England lowered rates by 0.25% pa, to 4.0% pa, in August; markets expect one more cut in 2026, amid inflation worries. The European Central Bank is likely to keep rates stable, with inflation near target and the deposit rate at 2.0% pa.

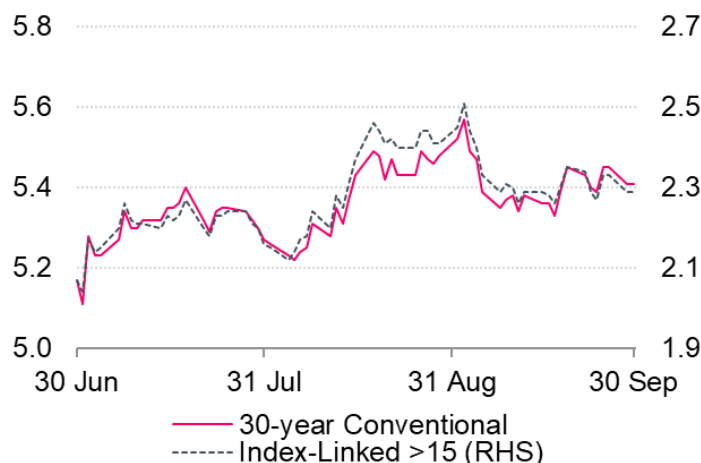
Ten-year US Treasury yields fell 0.1% pa, to 4.2% pa, as labour-market concerns suggested faster rate cuts, despite upside inflation risks. Meanwhile, UK, European and Japanese yields rose amid inflation, fiscal pressures and political uncertainty. Credit spreads tightened to historic lows across regions and ratings.

The trade-weighted US dollar rose 0.2% over Q3, despite weakening in August and September on narrowing interest-rate differentials and rate-cut expectations. The equivalent euro measure rose 0.7%, while sterling and the yen declined 1.6% and 2.1%, respectively. Gold prices rose 16.7% in Q3, taking year-to-date gains to 46.0%. Despite July's gains and intermittent strength in August and September, oil prices fell 0.8%, weighed by increased OPEC+ supply and inventory-building.

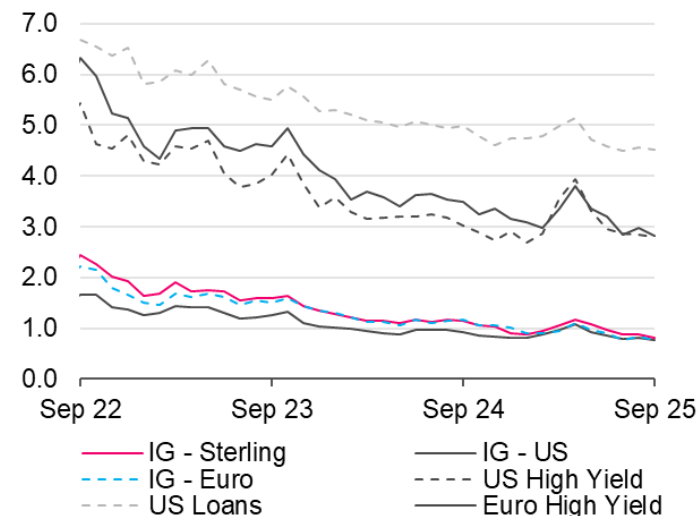
Annual CPI Inflation (% year on year)



Gilt yields chart (% p.a.)



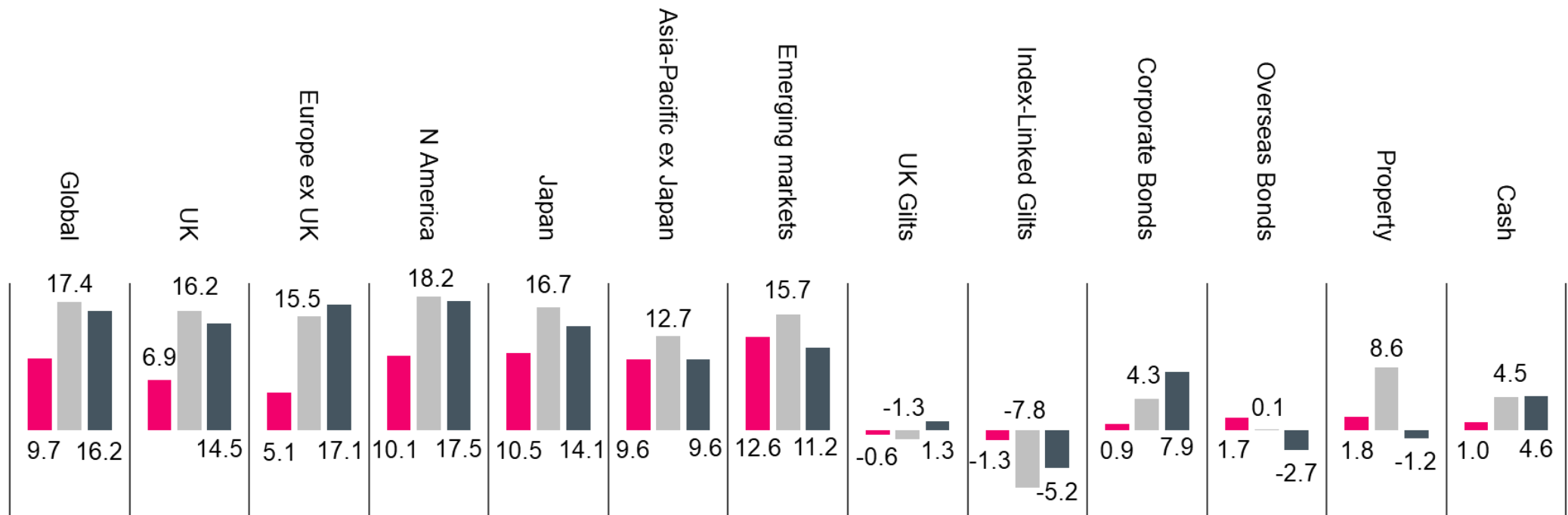
Investment and speculative grade credit spreads (% p.a.)



Market Background

Historical returns for world markets

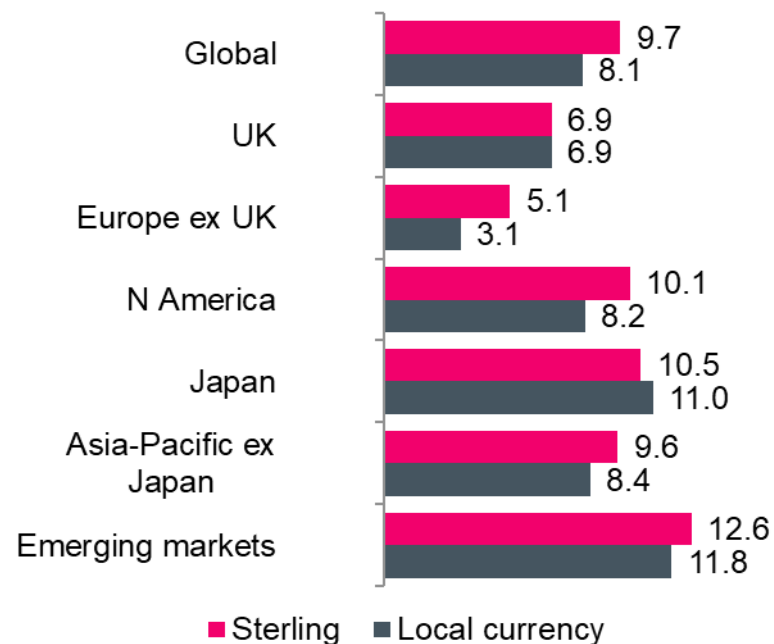
■ 3 Months (%) ■ 12 Months (%) ■ 3 Years (% p.a.)



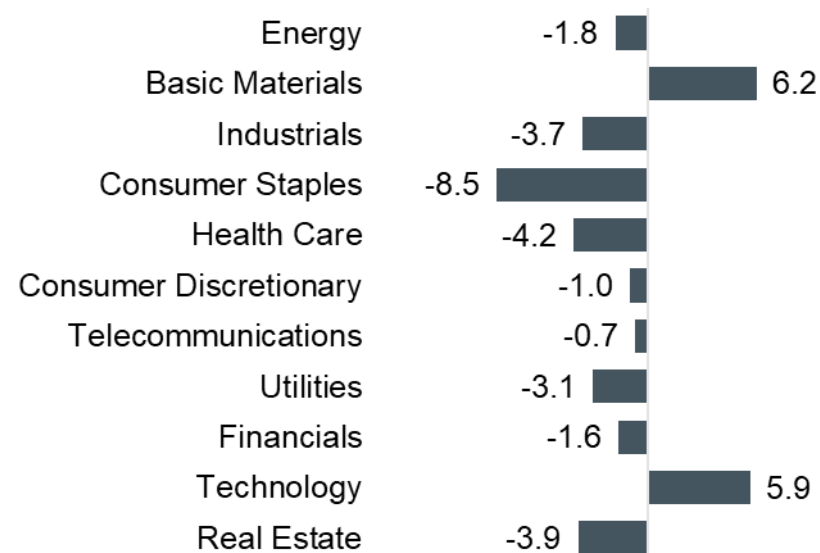
Data source: LSEG DataStream. [1] FTSE All World Indices. Commentary compares regional equity returns in local currency. [2] Returns shown in Sterling terms and relative to FTSE All World. [3] Returns shown in Sterling terms. Indices shown (from left to right) are: FTSE All World, FTSE All Share, FTSE 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

Regional equity returns ^[1]



Global equity sector returns ^[2]



Market commentary

Global equities gained 8.1% as trade tensions subsided. Markets were boosted by Q2 corporate earnings, AI momentum, resilient growth data and the Fed's first cut of the year. Despite intra-quarter wobbles, tech stocks outperformed, lifting growth over value. Basic materials topped the sectoral rankings, while all other sectors lagged.

Emerging markets led global equity performance, buoyed by a weaker US dollar and a rebound in Chinese equities. Japanese equities posted strong gains, supported by trade developments and a softer yen. Developed Asia Pacific ex Japan and the US also modestly outperformed.

European equities underperformed. Despite an EU-US trade deal, Europe ex UK delivered modest returns, weighed down by Germany's Q2 GDP contraction and unfavourable sector composition. UK equities reached new nominal highs but also lagged.

The MSCI UK Property Total Return Index rose 1.8% in Q3 and 8.6% over 12 months, supported by steady income and 2.6% capital growth. Industrial and retail capital values rose 4.9% and 3.1%, respectively, in the 12 months to June, while offices fell by 1.4%.

Asset allocation

	Valuation (£m)		Actual Proportion	Benchmark	+ / -
	Q2 25	Q3 25			
Longview Global Equity	499.6	510.9	9.7%	40.0%	2.6%
Storebrand Smart Beta And ESG	476.4	516.6	9.8%		
UBS Osmosis	436.7	473.6	9.0%		
Baillie Gifford Global Alpha	235.7	257.1	4.9%		
WHEB Active Impact Equity	202.8	213.6	4.0%		
Wellington Active Impact Equity	264.5	276.8	5.2%	5.5%	1.2%
Adams Street Private Equity	162.3	169.4	3.2%		
HarbourVest Private Equity	174.3	184.5	3.5%		
Total Growth	2,452.3	2,602.5	49.3%	45.5%	3.8%

Asset allocation

	Valuation (£m)		Actual	Benchmark	+ / -
	Q2 25	Q3 25	Proportion		
Bluebay Total Return	176.3	177.1	3.4%	10.5%	-0.9%
M&G Corporate Bonds	127.6	127.4	2.4%		
M&G Alpha Opportunities	196.9	200.1	3.8%		
M&G Real Estate Debt VI	24.9	24.0	0.5%	5.0%	-3.9%
Golub Capital SeniorLoan Fund	0.0	32.7	0.6%		
Newton Real Return Fund	304.4	314.2	6.0%	14.0%	1.0%
Ruffer Absolute Return	466.7	477.2	9.0%		
Atlas Infrastructure	112.7	113.7	2.2%		
IFM Global Infrastructure Fund	274.6	272.9	5.2%	11.0%	-0.9%
M&G Infrastructure	42.7	43.4	0.8%		
Pantheon Infrastructure	72.1	71.7	1.4%		
UBS Infrastructure	33.3	33.1	0.6%		
CBRE Real Estate Fund	337.9	338.9	6.4%	7.0%	-0.5%
Schroders Property	3.9	4.1	0.1%		
Total Income	2,174.1	2,230.4	42.3%	47.5%	-5.2%
UBS Index Linked Gilts	359.6	353.0	6.7%	7.0%	-0.3%
Total Protection	359.6	353.0	6.7%	7.0%	-0.3%
Cash	87.5	87.9	1.7%	-	1.7%
Total Fund	5,073.6	5,273.8	100.0%	100.0%	

Asset allocation commentary

During Q3 2025, the Fund met a £32.7m capital call for the Golub private debt mandate. This was achieved through a series of net distributions across multiple mandates:

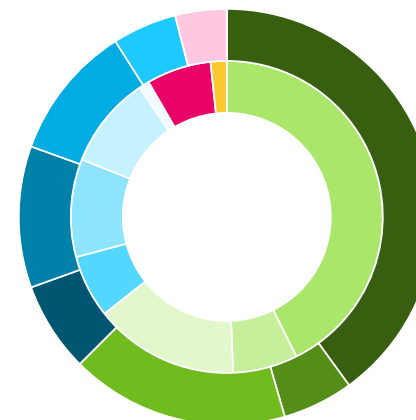
- c. £5.2m net distribution from Atlas Infrastructure.
- c. £5.2m net distribution from Ruffer Absolute Return.
- c. £4.4m net distribution from Bluebay Total Return.
- c. £4.0m net distribution from Newton Real Return.
- c. £2.5m net distribution from Longview Global Equity.
- c. £2.4m net distribution from Adams Street Private Equity.
- c. £2.1m net distribution from WHEB Impact Equity.
- c. £2.0m net distribution from CBRE Real Estate.
- c. £1.9m net distribution from HarbourVest Private Equity.
- c. £1.7m net distribution from Pantheon Infrastructure.
- c. £1.4m net distribution from M&G Real Estate Debt.
- c. £1.2m net distribution from IFM Infrastructure.

As a result, the Fund's cash position remained broadly unchanged from the previous quarter, with only a modest £0.4m increase driven by interest income.

Asset allocation vs benchmark (agreed long-term allocation)

Benchmark

- Equity 40.0%
- Private Equity 5.5%
- Absolute Return 17.0%
- Balanced Property 7.0%
- Infrastructure 11.0%
- Diversified Credit 10.5%
- Private Credit 5.0%
- Index-Linked Gilts 4.0%
- Cash 0.0%



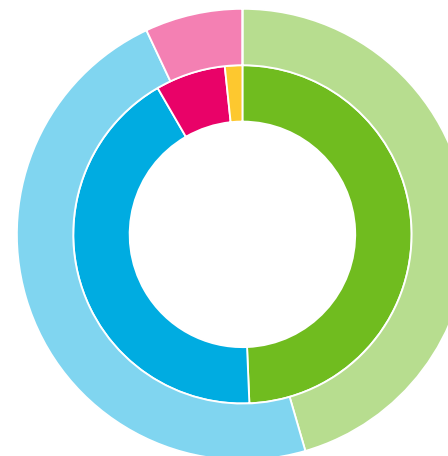
Actual

- Equity 42.6%
- Private Equity 6.7%
- Absolute Return 15.0%
- Balanced Property 6.5%
- Infrastructure 10.1%
- Diversified Credit 9.6%
- Private Credit 1.1%
- Index-Linked Gilts 6.7%
- Cash 1.7%

Asset allocation vs benchmark (GrIP)

Benchmark

- Growth 45.5%
- Income 47.5%
- Protection 7.0%
- Cash 0.0%



Actual

- Growth 49.3%
- Income 42.3%
- Protection 6.7%
- Cash 1.7%

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	2.8	9.2	-5.9	-1.3	16.8	-15.5	8.6	16.2	-6.6	11.5	11.9	-0.3
Storebrand Smart Beta And ESG	8.4	9.2	-0.7	14.2	16.8	-2.3	14.9	16.2	-1.1	11.1	12.6	-1.4
UBS Osmosis	8.5	9.2	-0.7	15.2	16.8	-1.4	16.0	16.2	-0.2	12.3	12.7	-0.4
Baillie Gifford Global Alpha	9.1	9.6	-0.4	16.6	16.8	-0.2	13.5	15.7	-1.9	2.9	9.9	-6.4
WHEB Active Impact Equity	6.4	9.2	-2.6	-4.9	16.8	-18.6	1.6	16.2	-12.6	-0.3	12.4	-11.3
Wellington Active Impact Equity	4.7	9.6	-4.5	7.6	16.8	-7.9	7.8	15.7	-6.8	5.3	11.4	-5.5
Adams Street Private Equity	6.0	9.9	-3.6	10.1	18.3	-6.9	-4.3	17.2	-18.3	10.4	11.1	-0.6
HarbourVest Private Equity	7.0	9.9	-2.6	10.1	18.3	-7.0	-2.2	17.2	-16.6	8.9	11.5	-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	-0.2	0.0	-0.2	0.1	0.8	-0.7	5.8	5.5	0.3	5.8	5.0	0.8
M&G Alpha Opportunities	1.6	1.7	-0.1	6.9	7.3	-0.4	8.9	7.6	1.2	4.5	2.7	1.7
M&G Real Estate Debt VI	2.1	1.9	0.2	8.9	8.3	0.6	8.1	8.6	-0.5	4.4	6.5	-1.9
Bluebay Total Return	3.0	1.7	1.3	6.2	7.4	-1.1	-	-	-	8.1	7.6	0.5
Newton Real Return Fund	4.5	1.6	2.9	8.3	6.8	1.4	7.0	7.1	-0.1	4.3	2.6	1.7
Ruffer Absolute Return	3.4	1.6	1.8	5.3	6.8	-1.5	0.7	7.1	-6.0	4.7	2.6	2.1
Atlas Infrastructure	5.6	6.2	-0.5	13.7	9.1	4.2	11.1	6.0	4.9	8.7	7.6	1.0
IFM Global Infrastructure Fund	-0.2	0.8	-1.0	7.9	5.8	2.0	-	-	-	6.8	5.4	1.3
M&G Infrastructure	1.7	0.8	0.8	-3.2	5.8	-8.5	-6.5	6.0	-11.8	2.0	5.9	-3.8
Pantheon Infrastructure	1.8	0.8	1.0	4.1	5.8	-1.6	0.9	6.0	-4.9	8.2	5.8	2.2
UBS Infrastructure	0.4	0.8	-0.5	-2.4	5.8	-7.7	-6.1	6.0	-11.4	3.8	3.0	0.8
CBRE Real Estate Fund	0.9	1.2	-0.3	-	-	-	-	-	-	0.6	6.8	-5.8
Income												
UBS Index Linked Gilts	-1.8	-1.9	0.0	-10.4	-10.3	-0.1	-7.2	-7.2	0.0	-4.5	-4.5	0.0
Total Fund	4.0	4.9	-0.9	5.9	10.8	-4.4	5.5	9.8	-3.9	8.0	-	-

- Northern Trust do not report a since inception benchmark number for total scheme, only performance which we have shown in the table.
- Golub Capital SeniorLoan Fund has a since inception date of 30th June 2025.
- Infrastructure CPI benchmark data sourced directly from DataStream as these are not available from Northern Trust

Manager performance commentary

- The main detractors on a relative basis came from the growth portfolio. Global equity strategies underperformed against their benchmarks, with Longview lagging by -5.9% and both impact equity mandates (WHEB and Wellington) behind by -2.6% and -4.5% respectively. Private equity mandates also fell short, with Adams Street and HarbourVest underperforming by -3.6% and -2.6%. These strategies delivered positive returns in absolute terms, but faced tough comparisons against the MSCI World and MSCI ACWI indices, which had an exceptionally strong quarter.
- The top relative performers were the diversified credit mandates. Newton Real Return led the way, outperforming by +2.9%, supported by its flexible multi-asset positioning. BlueBay Total Return added +1.3% relative, while Ruffer Absolute Return delivered +1.8%, benefiting from tactical allocations. These strategies provided valuable diversification and resilience during the quarter.
- Infrastructure performance was mixed, both in absolute and relative terms. Returns ranged from +5.6% for Atlas Infrastructure to small negatives for IFM Global Infrastructure. Dispersion reflects differences in sector exposure, valuation timing, and discount rate assumptions, which can create short-term variability even within the same asset class.
- Overall, the Fund delivered a positive absolute return, against challenging benchmarks.

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
Golub Capital SeniorLoan Fund			Not Rated	Not Rated
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**Baillie Gifford**

Over the quarter the retirement of Spencer Adair was announced, one of the four decision makers on the Baillie Gifford Global Alpha strategy. Spencer has been part of the Global Alpha team since inception in 2005 and a partner of the firm since 2013. Spencer is due to retire on 31 March 2026 and will remain fully involved in the strategy in the interim.

From 1 April 2026, the Global Alpha portfolio will continue to be managed by three experienced decision makers: Helen Xiong, Malcolm MacColl, and Michael Taylor. Together, they have over 60 years of investment experience and are all partners of the firm. Malcolm has been a manager of Global Alpha since inception in 2005, Helen since 2021 and Mike since 2025.

Baillie Gifford were keen to stress their strong track record of managing generational change while maintaining strategy identity at Baillie Gifford. The addition of Mike prior to Spencer's retirement should provide suitable cover and a transition period.

Ruffer

On 30 September, Ruffer announced that their founder, Jonathan Ruffer, is retiring from his role as Chairman at the end of December 2025. Henry Maxey will become Chairman and remain as Co-Chief Investment Officer. Campbell Fleming, Deputy Chairman, will support Henry in his role as Chairman, as he has done for Jonathan, and he will continue to hold the regulatory responsibilities for the oversight and governance of the firm. These changes are part of the firm's succession plans and there will be no broader impacts on the business or investment team.

Current issues in LGPS – October 2025 edition

Actuarial valuations, pooling, devolution, dashboards and the Pension Schemes Bill – as ever, plenty to keep the LGPS occupied as we enter the second half of the fiscal year.

Spotlight on the actuarial valuations:

2025 valuations in England and Wales: Early insights and employer engagement - Having reached the half-way point in the valuation year, initial results are emerging. Our recent [webinar](#) showed positive headlines with the LGPS remaining in a strong position, although results across funds will be varied due to the impact of actual experience and beliefs about the future. As a follow up to the webinar, we also produced a [briefing note](#) giving more details. The next step in the valuation journey is employer results; clear messaging on outcomes will be important to help funds cut through the noise. Look out for the next webinar in our valuation series which will focus on employer engagement. And talking of employers...

Engaging with academies at the 2025 valuations - As we get closer to the employer results stage, funds are starting to hear more from academy schools. This may have been triggered by a recent [article](#) in the Education trade press. We would encourage funds to actively consider how to engage this employer group – for many it will be their largest (by number) – when communicating the 2025 valuation results. The Department for Education (DfE) also recently ran a “Power Hour” [session](#) for academies, focussing on the 2025 valuations. All four actuarial firms who advise LGPS funds presented. The DfE is happy (in fact, keen!) for funds to share this with their academy employers.

Scottish ‘Section 13’ report (2023 valuations) - The Government Actuary’s Department (GAD) has published its national Section 13 valuation [report](#) on the 2023 round of local Scottish LGPS valuations. The report reviews the local valuations against four key criteria (compliance, consistency, solvency, and long-term cost efficiency). No funds were flagged under these criteria; however, GAD has made general recommendations to form future reviews. Whilst we agree with the principles of this Section 13 analysis, there are some elements of the report where we will continue to engage with GAD to represent the best interests of LGPS stakeholders. If you have any questions about this report, or your own fund’s analysis, please speak to your usual Hymans consultant.

Devolution – the first proposals are in - Local Government Devolution isn’t just about bins and social care; it will have a significant impact on the LGPS too. The question is, how close are you to the decisions being made? Do you know who the administering authority is likely to be? What changes may be made to participating employers? The priority areas have now submitted their final proposals, with the remainder due in a couple of short months. Check out our [blog](#) here for our latest thinking on this important topic.

Current issues in LGPS – October 2025 edition

Dashboards – think to the future - By now all LGPS funds will be joining the ecosystem. But what happens next? We've published a blog [here](#) which looks at lessons from the continent and outlines some points for consideration by Boards and Committees in the year ahead. Within the LGPS the only constant seems to be changes so early planning is going to be vital to keep on top of everything.

Pension Schemes Bill - A lot has been going on with the government's reforms of the LGPS and the progress of the Pension Schemes Bill as it winds its way through the parliamentary process. Our own Robbie McInroy spoke at the LGA's latest 'LGPS Live' webinar on 1 October, discussing the competing requirements being placed on the LGPS, including surplus management, local investment and pooling. You can watch the recording [here](#). Robbie also provided [evidence](#) on the Bill to MPs at the scrutiny committee stage. Following this, several amendments were made, most notably the removal of proposed powers for government to direct pools to make specific investments and the inclusion of the Scottish LGPS within the Bill.

Wrapping up 2025 accounting - As further education bodies and academies begin to receive their year-end FRS102 accounting results, we are seeing questions from employers and their auditors seeking to further understand the movement in their balance sheet from one year to the next. To help employers digest their results and give context to the current accounting landscape, we are running a 2025 accounting "wrap-up" webinar on 21 October. This is relevant for all types of LGPS employers and other stakeholders who are looking to increase their knowledge of pension accounting. To attend this webinar, please register [here](#). If you have any questions in the meantime, please reach out to our specialists at LGPSCentralAccountingTeam@hymans.co.uk.

Still Hot and Bothered? - Earlier this year, our fund actuaries shared an LGPS-focused version of Club Vita's research about how climate change could reshape future longevity patterns. Club Vita has now released an updated version, offering broader insights into climate-related longevity trends for pension funds and insurers in the pensions market. Vita's paper includes new analysis on how climate change impacts may vary across socio-economic groups. You can download the updated paper [here](#).

Current issues in LGPS – October 2025 edition

Events, webinars & training

Pensions UK Annual Conference 2025: 2030 Ready - We're hoping to meet up with many of you at [this year's conference](#) in Manchester, 14 - 16 October. Ian Colvin will be joining industry experts for a panel session called 'Ofsted For Local Authorities? The Future of LGPS Governance'. They'll explore the practicalities of the triennial independent governance reviews, how these reviews will happen and who might take them on.

LGC Investment Seminar Scotland: 30 – 31 October, Edinburgh - As we move towards the 2026 LGPS valuations in Scotland, we've been analysing the data and developing our thinking around surplus management. With LGPS funds likely to enter a valuation year in strong funding positions for a second time, we're helping to prepare and have meaningful conversations with stakeholders. Richard Warden will be joining his fellow namesake, Richard (McIndoe), from Strathclyde Pension Fund to discuss the topic on 31 October in a session called 'Valuation Outlook: Strategy, Surpluses & What's Next'. The event is being chaired by our colleague Ben Farmer. We look forward to seeing many of you over the two days.

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	SONIA 3 Month +4% p.a.
Golub Capital SeniorLoan Fund	30/06/2025	-
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	SONIA 3 Month +3% p.a.
M&G Alpha Opportunities	30/11/2009	SONIA 3 Month +3% p.a.
Newton Real Return Fund	30/04/2010	SONIA 3 Month +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	UK CPI +2% p.a.
M&G Infrastructure	31/10/2018	UK CPI +2% p.a.
Pantheon Infrastructure	04/05/2018	UK CPI +2% p.a.
UBS Infrastructure	31/01/2008	UK CPI +2% p.a.
CBRE Real Estate Fund	01/10/2024	MSCI UK All Balanced Property
UBS Index Linked Gilts	31/01/2018	FTA Index-Linked Gilts Over 5 years
Cash	31/12/2002	SONIA 1 Month

Hymans manager ratings explained

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 explained

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

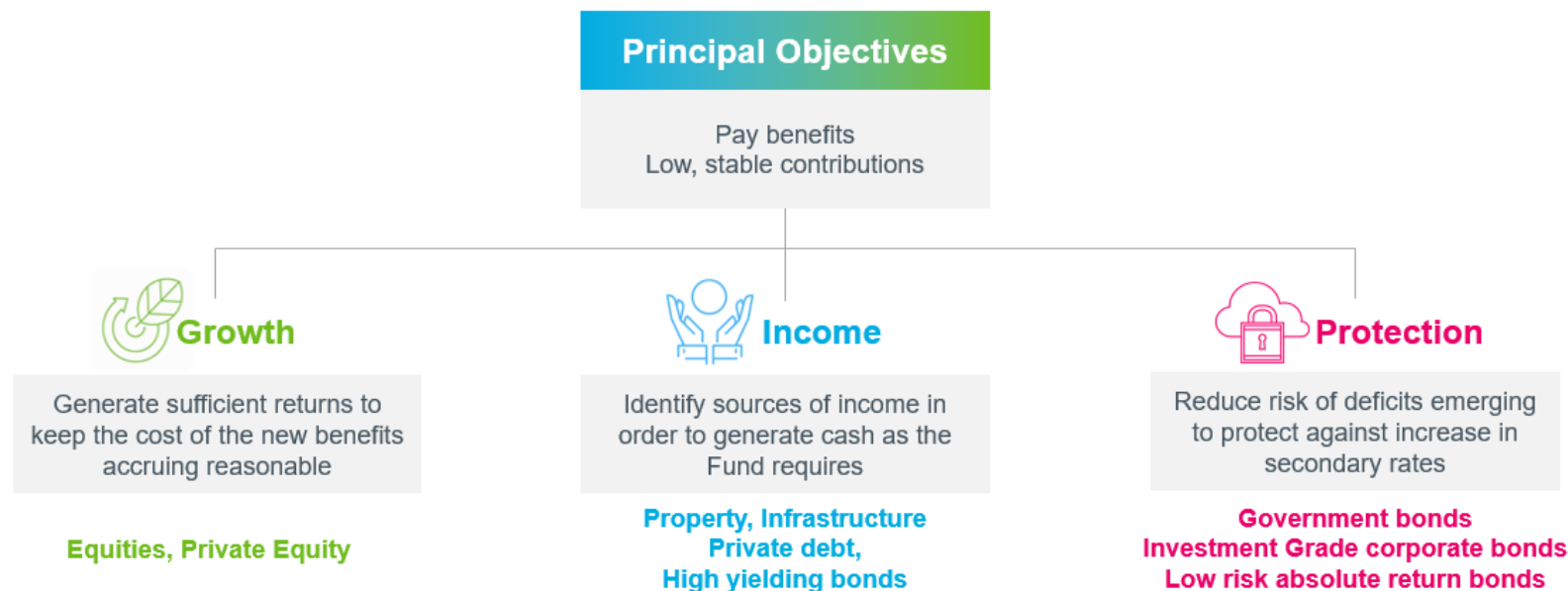
‘Style’ refers to the type of stocks a manager will typically research and select for portfolios. It is important to diversify these ‘styles’ in order to manage concentration risks.

- **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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