



# East Sussex Pension Fund

Q1 2020 Investment Monitoring Report

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The table summarises the status of the key considerations for the Fund

	"RAG Status"	Comment	Action	Responsibility / Timescale
Strategic Allocation		Under review	Recommendation for Fund's strategic asset allocation to be discussed at the June Committee meeting	Hymans to present paper at June Committee meeting
Fund Performance		Fund return ahead of benchmark over all time periods shown	No action proposed	-
Manager Performance		Passive manager performance in line with benchmark Following the significant fall in markets over the quarter, several managers are now behind benchmark over longer time periods	No action proposed	-
Manager Changes		No significant changes over quarter	No action proposed	-
Asset Allocation		Protection allocation in breach of upper limit Alternatives allocation in breach of lower limit Absolute return and M&G absolute return credit allocations in breach of limits	No rebalancing recommended at this stage.  Drawdowns into infrastructure and real-estate debt will increase alternatives allocation	Officers to respond to capital calls when made over coming years. DGFs expected to fund the capital calls

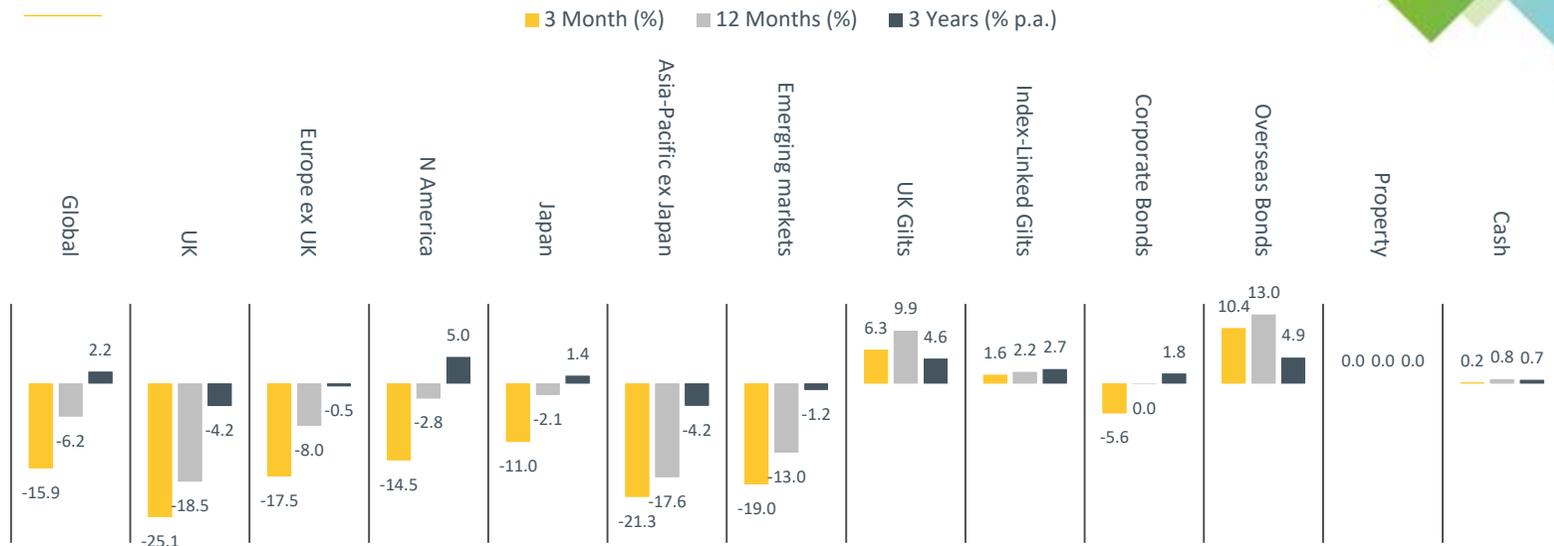
■ In line with expectations
 ■ Behind expectations, no action proposed
 ■ Behind expectations, action proposed

Q4 GDP numbers were broadly in-line with recent trends - a modest slowdown year-on-year. The global spread of Coronavirus, and the impact on supply and demand from necessary containment measures, will inevitably impact the rate of global economic growth in 2020 and possibly beyond.

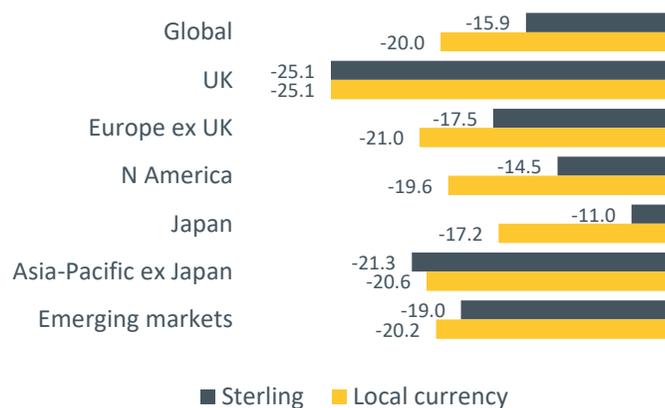
Falling domestic demand globally and steep oil price declines are disinflationary. The slump in global demand for oil has been compounded by a price war between OPEC (led by Saudi Arabia) and Russia, Brent crude falling to its lowest level since 2002. Inflation, which was already below target in the major advanced economies, is forecast to slow in 2020, with some Eurozone countries and Japan expected to enter deflation.

The US Federal Reserve (Fed) and the Bank of England (BoE) have cut rates to record lows and the Bank of Japan and the European Central Bank have joined the Fed and BoE in restarting and expanding their quantitative easing programs. The Fed's now unlimited purchase program will, for the first time, include corporate debt.

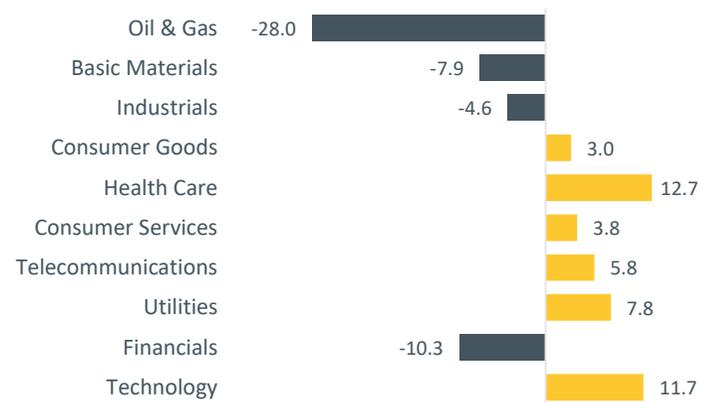
## Historic returns for world markets [1]



## Regional equity returns [2]



## Global equity sector returns (%) [3]



[1] All returns are in Sterling terms. Indices shown (from left to right) are as follows: 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, JP Morgan GBI Overseas Bonds, MSCI UK Monthly Property Index; UK Interbank 7 Day. [2] FTSE All World Indices [3] Relative to FTSE All World Indices.

Total Fund Performance

- The Fund returned -10.2% over the quarter, which was driven mostly by the equity allocation
- Other return seeking assets also sold off, although their impact was less pronounced

Key Actions

- Infrastructure investments expected to draw down capital over the next 3-4 years.
- Fund has committed £60m to the M&G Real Estate Debt VI Fund, which started to draw down capital during Q2 2019. The Fund is now c.50% drawn.

Asset Allocation

- Allocation to alternatives underweight. Further drawdowns into infrastructure and real estate debt will address this over time.
- Protection overweight, following the market crash
- Absolute return allocation overweight and M&G absolute return credit underweight at underlying fund level.

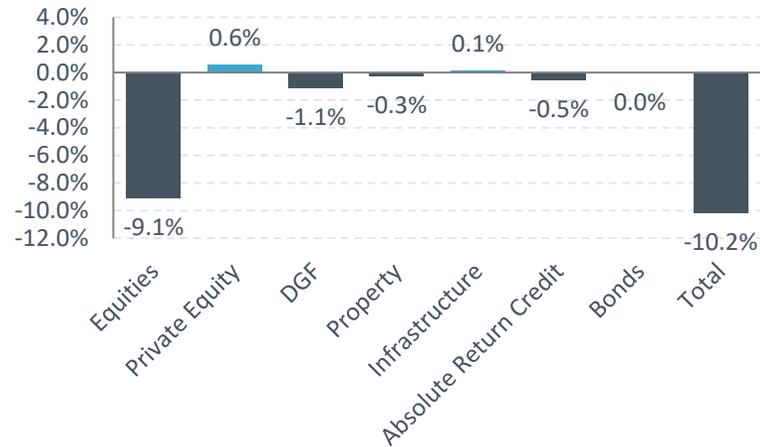
Fund performance vs benchmark/target

	Last 3 months (%)	Last 12 months (%)	Last 3 years (% p.a.)	Last 5 years (% p.a.)
<b>Total</b>	<b>-10.2</b>	<b>-3.9</b>	<b>1.9</b>	<b>5.4</b>
<b>Benchmark</b>	<b>-11.2</b>	<b>-5.0</b>	<b>1.2</b>	<b>4.2</b>
<b>Relative</b>	<b>1.2</b>	<b>1.1</b>	<b>0.6</b>	<b>1.1</b>

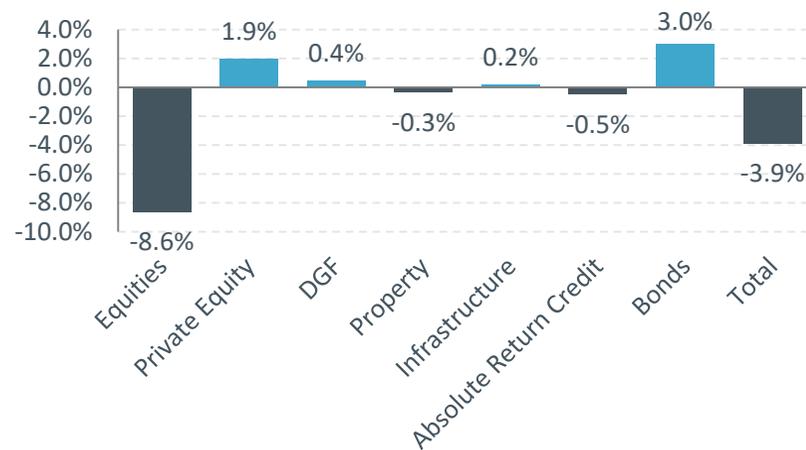
Asset Allocation

	Actual	Benchmark	Relative	Rebalancing Range
<b>Equity</b>	<b>45.2%</b>	<b>45.5%</b>	<b>-0.3%</b>	<b>39.5% - 51.5%</b>
<b>Alternatives</b>	<b>31.9%</b>	<b>35.5%</b>	<b>-3.6%</b>	<b>37.0% - 55.0%</b>
<b>Protection</b>	<b>22.2%</b>	<b>19.0%</b>	<b>3.2%</b>	<b>16.0% - 22.0%</b>

3 Month Performance Attribution\*



12 Month Performance Attribution\*



\*Note: Private equity performance is derived from valuations that are either 3 or 6 months lagged

## Asset Allocation

Access Pool	Manager	Valuation (£m)		Actual Proportion	Benchmark	Relative	Rebalancing Ratings
		Q4 2019	Q1 2020				
No*	UBS - Regional Equities	370.9	312.4	9.0%	8.0%	1.0%	36.0% - 44.0%
No*	UBS - Fundamental Index	470.7	363.2	10.4%	11.5%	-1.1%	
No*	UBS - UK Equity	295.5	220.9	6.3%	7.0%	-0.7%	
No*	UBS - Climate Aware	190.8	160.0	4.6%	5.0%	-0.4%	
No*	UBS - Global EM Equity	44.6	36.2	1.0%	1.5%	-0.5%	
Yes	Longview - Global Equity	307.8	238.8	6.8%	7.0%	-0.2%	3.5% - 7.5%
No	Harbourvest - Private Equity	102.3	109.5	3.1%	2.8%	0.4%	
No	Adams Street - Private Equity	115.9	135.6	3.9%	2.8%	1.1%	
	<b>Total Equity</b>	<b>1898.5</b>	<b>1576.7</b>	<b>45.2%</b>	<b>45.5%</b>	<b>-0.3%</b>	<b>60.0% - 73.0%</b>
No	Newton - Absolute Return	455.3	414.8	11.9%	10.5%	1.4%	9.5% - 11.5%
No	Schroders - Property	364.2	351.8	10.1%	10.0%	0.1%	8.0% - 12.0%
No	UBS - Infrastructure	14.7	16.7	0.5%	1.0%	-0.5%	2.0% - 6.0%
No	Pantheon - Infrastructure	26.3	30.1	0.9%	2.0%	-1.1%	
No	M&G - Infrastructure	18.4	20.7	0.6%	1.0%	-0.4%	
No	M&G - Private Debt	31.3	38.8	1.1%	3.0%	-1.9%	1.0% - 5.0%
No	M&G - UK Financing Fund	0.7	0.0	0.0%	0.0%	0.0%	7.0% - 9.0%
No	M&G - Alpha Opportunities	262.7	239.1	6.9%	8.0%	-1.1%	
	<b>Total Alternatives</b>	<b>1173.8</b>	<b>1112.0</b>	<b>31.9%</b>	<b>35.5%</b>	<b>-3.6%</b>	<b>22.0% - 28.0%</b>
Yes**	Ruffer - Absolute Return	445.4	418.5	12.0%	10.5%	1.5%	9.5% - 11.5%
No	M&G - Corporate Bonds	148.9	144.3	4.1%	3.5%	0.6%	2.5% - 4.5%
No*	UBS - Over 5 Year IL Gilt Fund	208.3	212.3	6.1%	5.0%	1.1%	4.0% - 6.0%
	<b>Total Protection</b>	<b>802.7</b>	<b>775.1</b>	<b>22.2%</b>	<b>19.0%</b>	<b>3.2%</b>	<b>7.5% - 9.5%</b>
No	Cash	33.9	23.9	0.7%	0.0%	0.7%	0.0% - 2.0%
	<b>Total Scheme</b>	<b>3908.9</b>	<b>3487.6</b>	<b>100.0%</b>	<b>100.0%</b>		

\*The UBS funds are provided to members of the ACCESS Pool but the funds themselves sit outside of the pool.

Source: Investment Managers and LINK

\*\*Valuations shown are either 3m or 6m lagged and adjusted for distributions / drawdowns and currency movements

### Key actions agreed previously

- Fund has committed £60m to the M&G Real Estate Debt VI Fund, which is expected to fully draw down over the next c12-18 months
- Fund has committed c£235m to infrastructure, which is expected to draw down over the next 3-4 years.

### Allocation comment

- Absolute return mandates in breach of upper limit, but expected to fund draw downs into infrastructure and private debt of time
- M&G Absolute Return Credit in breach of lower limit.
- UBS IL Gilts in breach of upper limit

## Manager performance – net of fees

	Last 3 months (%)			Last 12 months (%)			Last 3 years (% p.a.)			Since Inception (% p.a.)		
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
<b>Equity</b>												
UBS - Regional Equities	-15.7	-15.8	0.1	-5.6	-5.7	0.2				-2.5	-2.5	0.1
UBS - Fundamental Index	-22.8	-23.0	0.3	-15.4	-15.6	0.2				-5.5	-5.5	0.1
UBS - UK Equity	-25.2	-25.1	-0.1	-18.5	-18.3	-0.2				-9.3	-9.2	-0.1
UBS - Climate Aware	-16.1	-15.6	-0.6	-5.7	-5.5	-0.2				-1.6	-1.4	-0.2
UBS - Global EM Equity	-18.9	-19.0	0.1	-13.5	-13.2	-0.4				-7.4	-7.2	-0.2
Longview - Global Equity	-22.4	-15.7	-8.0	-13.1	-5.5	-8.0	0.7	1.9	-1.1	10.7	8.3	2.3
<b>Alternatives</b>												
Newton - Absolute Return	-9.0	0.8	-9.8	-2.1	3.2	-5.2	0.9	3.1	-2.1	3.2	3.0	0.1
Schroders - Property	-2.7	-1.3	-1.4	-1.7	0.0	-1.7	4.5	4.9	-0.4	7.3	7.1	0.2
M&G - Absolute Return Credit	-7.7	0.9	-8.5	-3.6	3.7	-7.0	0.3	3.6	-3.2	3.2	3.5	-0.3
<b>Protection</b>												
Ruffer - Absolute Return	-0.5	0.8	-1.3	4.2	3.2	1.0	0.8	3.1	-2.2	3.4	3.0	0.3
M&G - Corporate Bonds	-3.1	-4.3	1.2	4.3	2.3	2.0	3.6	2.7	0.9	7.2	7.2	0.0
UBS - Over 5 Year IL Gilt Fund	2.0	1.9	0.1	23.7	23.6	0.1				15.3	15.3	0.0
<b>Total</b>	-10.2	-11.2	1.2	-3.9	-5.0	1.1	1.9	1.2	0.6			

We have estimated net returns based on each manager's expected fee levels. Total Fund performance was provided by WM until 31 March 2016, including private market returns. In Q2 2016, total Fund performance was calculated excluding private market investments. From Q3 2016 to Q3 2017 total Fund performance has been calculated using estimated valuations for private market investments. From Q4 2017 total Fund performance has been provided by Northern Trust. From Q4 2018, Northern Trust applied updated benchmarks across several of the Fund's managers, but this was not back-dated. For those managers now in ACCESS, longer-term performance has been estimated by chain linking returns before and after the transfer into the Pool. Returns since the transfer have been taken from Link.

Total Fund performance includes the contribution from the Fund's illiquid private mandates, which are derived from lagged valuations, whereas their benchmark is based on up-to-date indices. In the case of private equity in particular, this can cause meaningful short-term tracking error, as performance derived from lagged private equity values is compared to equity indices over the recent quarter.

- UBS performed broadly in line with their respective benchmarks, although the Climate Aware fund was slightly outside the stated 0.5% tracking error target (of the FTSE Developed Index). Longer-term performance is broadly in line

- Longview underperformed its MSCI World benchmark, primarily due to an overweight position to financials and stock selection within consumer staples.

- Newton and Ruffer underperformed their cash-plus benchmark as risk markets struggled over the quarter. However, Ruffer's -0.5% performance was impressive given the economic backdrop.

- This page includes manager/RI ratings and any relevant updates over the period.
- There were no manager rating changes over the quarter.
- We hope to be able to roll out manager RI ratings across other asset classes later this year.

## Manager ratings

Mandate	Hymans Rating	RI
UBS - Passive Equities	Preferred	Good
Longview - Global Equity	Preferred	Adequate
Harbourvest - Private Equity	Preferred	-
Adams Street - Private Equity	Preferred	-
Newton - Absolute Return	Suitable	Good*
Ruffer - Absolute Return	Positive	-
Schroders - Property	Positive	-
UBS - Infrastructure	Suitable	-
Pantheon - Infrastructure	Preferred	-
M&G - Infrastructure	Positive	-
M&G - Private Debt	Preferred	-
M&G - Absolute Return Credit	Preferred	-
M&G - Corporate Bonds	Preferred	-
UBS - Over 5 Year IL Gilt Fund	Preferred	-

\*Based on our rating of Newton's equity funds

## M&G business update

M&G announced a change to the structure of their investment teams, bringing together their capabilities across all asset classes onto a single platform. All public debt strategies (retail and institutional) will now be under the leadership of Jim Leaviss.

A new private and alternative assets department has been created, bringing together all M&G's existing private and alternatives teams onto one platform under the leadership of Will Nicoll.

## Pantheon infrastructure update

Pantheon has informed us that the responsibilities of its Co-Head of Infrastructure and Real Assets, Kathryn Leaf, are changing. Owing to personal reasons, Leaf will no longer have a leadership role within the infrastructure and real assets team and will no longer have any investor relations responsibilities. Leaf will be focused solely on investing. Andrea Echberg will now take sole charge of the team having co-managed the team with Leaf. These changes will take effect from 1 July 2020.

We are comfortable with this change and while significant, we do not believe it indicates that Leaf is likely to depart from the firm in the coming months. We do not believe it will have a materially negative impact on Pantheon's capabilities but will continue to monitor the team closely.

UBS Equities

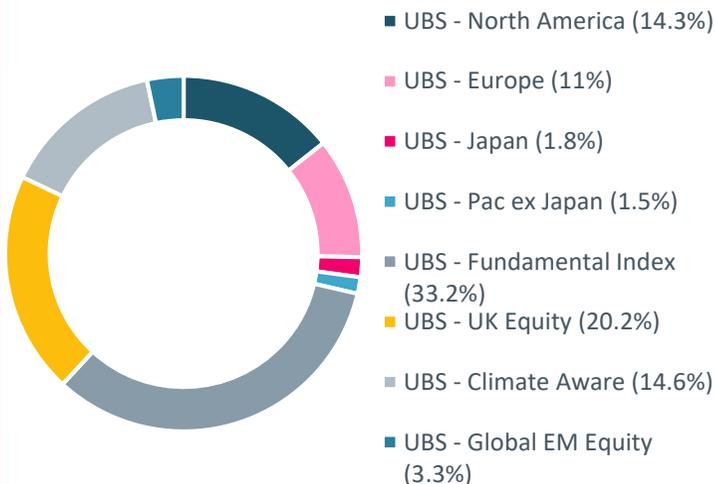
- Benchmark: Various regional indices
- Target: Match benchmark over all time periods
- UBS have successfully tracked underlying benchmarks to date
- UBS Climate Aware Fund totalled £2.1bn at the end of March. The Committee has previously agreed to commit a further 5% of Fund assets (c£175m) to the Climate Aware Fund at a future date. We note that a recommendation on the Fund's equity allocation is covered in a separate paper.

Fund performance vs benchmark

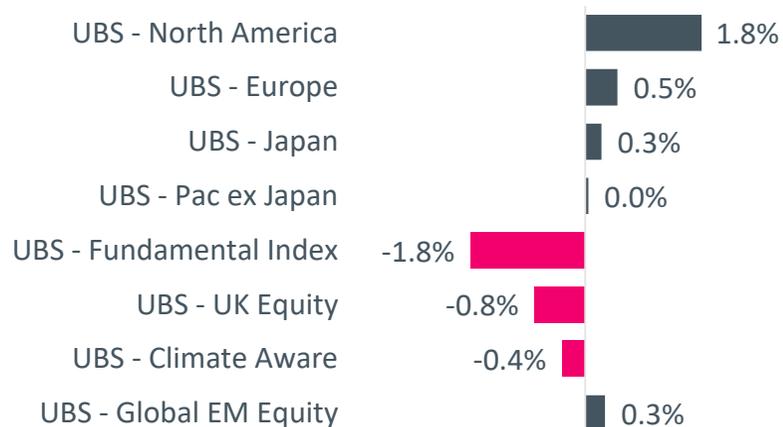
UBS Performance Table

	Last 3 months (%)	B'mark	Relative	Last 12 months (%)	B'mark	Relative
UBS - North America	-14.4	-14.5	0.1	-2.8	-2.9	0.1
UBS - Europe	-17.3	-17.3	0.0	-7.8	-8.0	0.2
UBS - Japan	-10.9	-11.0	0.1	-2.1	-2.2	0.1
UBS - Pac ex Japan	-21.2	-21.3	0.1	-17.6	-17.7	0.1
UBS - Fundamental Index	-22.8	-23.0	0.3	-15.4	-15.6	0.2
UBS - UK Equity	-25.2	-25.1	-0.1	-18.5	-18.3	-0.2
UBS - Climate Aware	-16.1	-15.6	-0.6	-5.7	-5.5	-0.2
UBS - Global EM Equity	-18.9	-19.0	0.1	-13.5	-13.2	-0.4

Fund Allocation



Fund Allocation Relative to Target



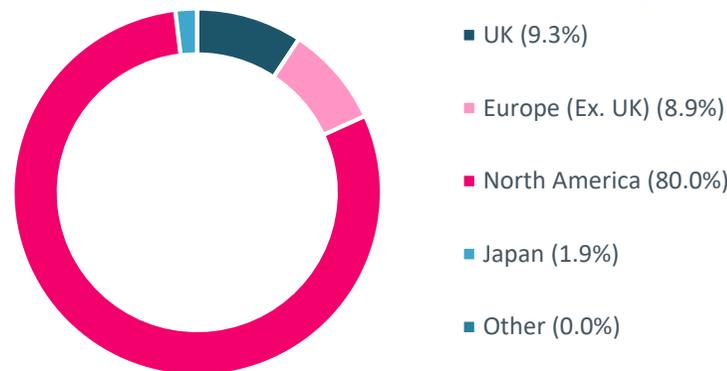
Longview Global Equities

- Benchmark: MSCI ACWI
- Target: Outperform benchmark by 3% (gross) p.a. over rolling 3 year periods
- Performance behind benchmark over recent time periods, but ahead over five years.
- Performance shown gross of fees
- This Fund transferred into the ACCESS Pool on 4 February 2019. Performance data until this date is taken from Longview and after this date from Link, the Access pool operator.

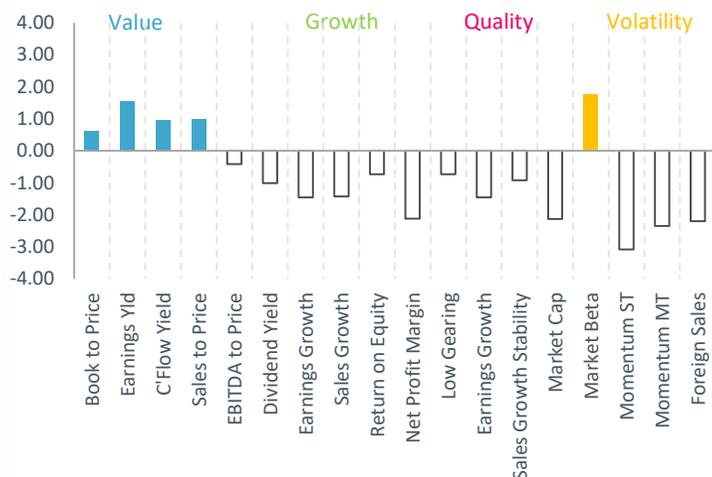
Fund performance vs benchmark

	Last 3 months (%)	Last 12 months (%)	Last 3 years (% p.a.)	Last 5 years (% p.a.)
Fund	-22.2	-12.4	1.4	7.1
Benchmark	-15.7	-5.5	1.9	6.7
Relative	-7.8	-7.4	-0.5	0.4
Target (%)	-14.9	-2.5	4.9	9.7
Relative to Target (%)	-8.6	-10.2	-3.4	-2.4

Country Allocation



Pooled Fund Skyline (as at 31 March 2020)



Performance attribution – Top/Bottom 3 Sectors

	Beginning Weight			Outperformance Source		
	Fund (%)	Index (%)	Difference (%)	Selection (%)	Allocation (%)	Total (%)
Energy	0.0	4.9	-4.9	0.0	1.5	1.5
Cash	3.9	0.0	3.9	0.0	0.9	0.9
Materials	0.0	4.4	-4.4	0.0	0.3	0.3
Industrials	13.4	11.0	2.4	-1.4	-0.2	-1.6
Financials	26.9	15.7	11.2	-0.5	-1.8	-2.2
Consumer Staples	9.8	8.3	1.5	-3.1	0.0	-3.1

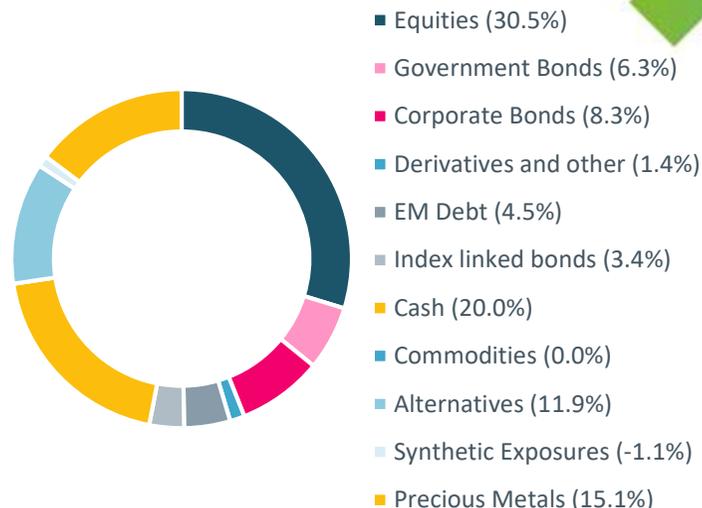
Newton Real Return Fund

- Benchmark: 3m LIBOR + 2.5% p.a.
- Target: 3-month LIBOR + 4% p.a. (gross) over rolling 5 years
- Performance behind benchmark over all time periods considered
- Performance shown gross of fees
- This Fund transferred into the ACCESS Pool during Q1 2020

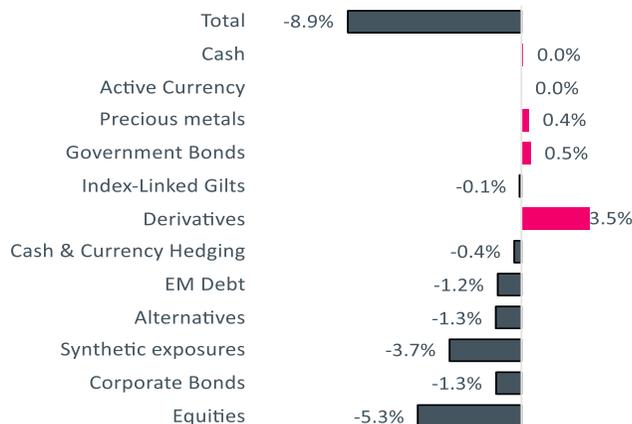
Fund performance vs benchmark

	Last 3 months (%)	Last 12 months (%)	Last 3 years (% p.a.)	Last 5 years (% p.a.)
Fund	-8.9	-1.5	1.5	1.8
Benchmark	0.8	3.2	3.1	3.0
Relative	-9.6	-4.6	-1.5	-1.2
Target (%)	1.2	4.7	4.6	4.5
Relative to Target (%)	-9.9	-5.9	-2.9	-2.6

Asset Allocation



Performance Attribution



Performance attribution Explanation

Although the key detractor from returns over the quarter was the fund's equity exposure, stock selection within equities helped relative to the wider market. Several credit positions also detracted.

Derivative contracts designed to hedge against falls in equity and credit markets were the largest driver of returns. Exposure to government bonds and gold also helped, as investors moved to low risk assets.

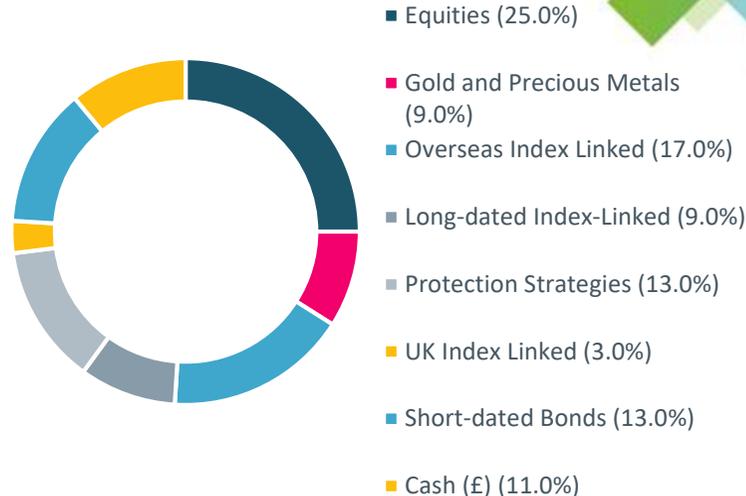
Ruffer Absolute Return Fund

- Benchmark: 3-month LIBOR + 2.5%
- Target: 3-month LIBOR + 4% p.a. (gross) over rolling 5 years
- Performance behind benchmark for all time periods considered other than 12 months
- Performance shown gross of fees
- This Fund transferred into the ACCESS Pool on 4 December 2019.

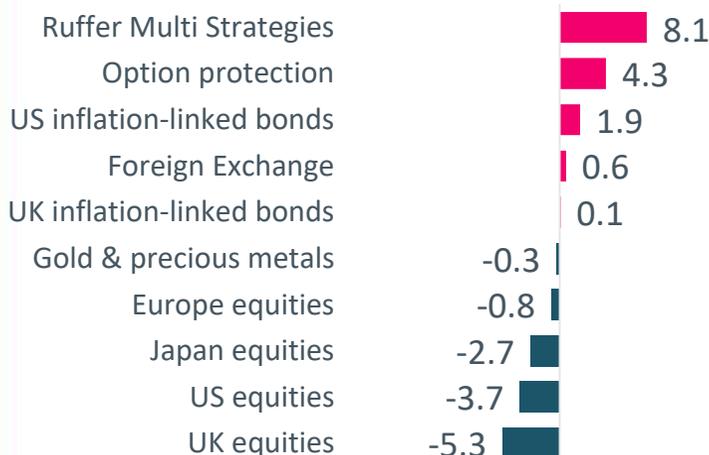
Fund performance vs benchmark

	Last 3 months (%)	Last 12 months (%)	Last 3 years (% p.a.)	Last 5 years (% p.a.)
Fund	-0.3	5.0	1.6	2.0
Benchmark	0.8	3.2	3.1	3.0
Relative	-1.1	1.7	-1.4	-1.0
Target (%)	1.2	4.7	4.6	4.5
Relative to Target (%)	-1.5	0.3	-2.8	-2.5

Asset Allocation



Top 5/Bottom 5 Contributors



Performance attribution Explanation

During a quarter where risk markets fell sharply, Ruffer protected capital extremely well.

The primary contributors to performance were the fund's derivative contracts which are linked to volatility in equity markets, some rising in value by more than 100%, and the fund's multi strategy credit protection funds. The multi strategy funds hedge against turmoil in credit markets and therefore rose steeply in value over the quarter as credit markets fell.

The largest detractor from performance was the fund's equity holdings. These fell on average by around 25% as equity markets globally struggled in the wake of Covid-19.

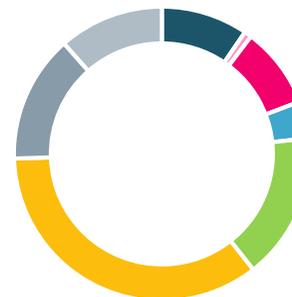
Schroders Property Fund

- Benchmark: IPD All Balanced Funds
- Target: Outperform benchmark by 0.75% p.a. (net) over rolling 3 years
- Performance behind benchmark over all time periods considered
- Performance shown net of fees

Fund performance vs benchmark/target

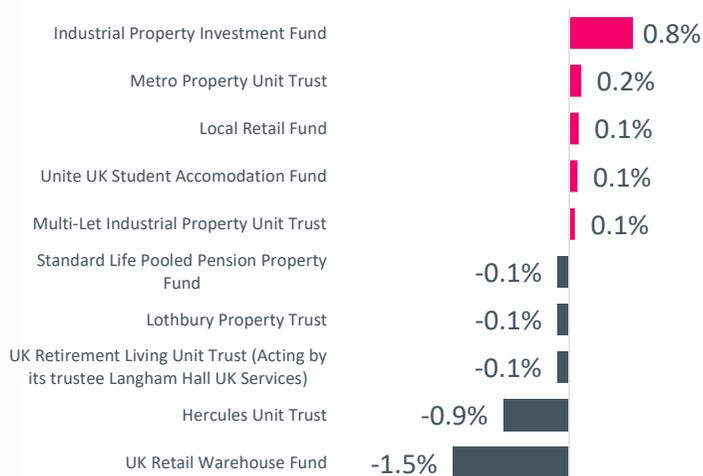
	Last 3 months (%)	Last 12 months (%)	Last 3 years (% p.a.)	Last 5 years (% p.a.)
<b>Fund</b>	<b>-2.7</b>	<b>-1.7</b>	4.5	5.5
<b>Benchmark</b>	<b>-1.3</b>	<b>0.0</b>	4.9	5.8
<b>Relative</b>	<b>-1.4</b>	<b>-1.7</b>	-0.4	-0.3
<b>Target (%)</b>	<b>-1.1</b>	<b>0.7</b>	5.6	6.0
<b>Relative to Target (%)</b>	<b>-1.6</b>	<b>-2.4</b>	-1.1	-0.5

Sector Allocation



- Standard Retail - 9.5%
- Shopping Centres - 0.8%
- Retail Warehouses - 8.9%
- Central London Offices - 4.1%
- Rest of UK Offices - 16.1%
- Industrial - 35.1%
- Alternatives - 14.0%
- Cash - 11.5%

Top 5/Bottom 5 Contributors (12 months)



Performance attribution Explanation

The Schroders Property fund underperformed its benchmark over 3 months and 1 year to the end of Q1 2020. Due to the ongoing COVID 19 outbreak, many property fund managers, including Schroders, have been unable to properly value their funds as surveyors are unable to evaluate physical properties .

The fall in the portfolio valuation was based on estimates predominately concentrated in the retail and leisure sectors, as well as office and industrial assets where tenants were likely to be impacted by COVID-19, such as serviced offices or retail spend manufacturing.

The fund is underweight to retail warehouses and shopping centres, and holds 11.5% in cash, which would have helped during the quarter.

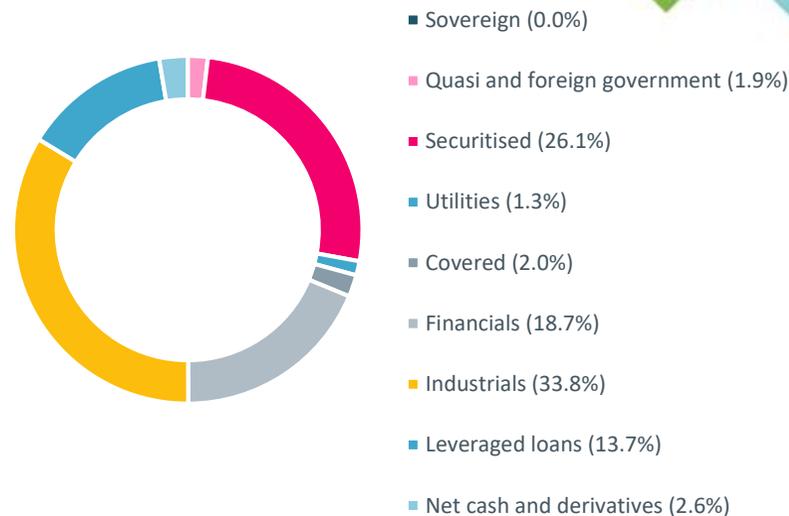
**M&G Alpha Opportunities Fund**

- Benchmark: 3 Month Libor + 3%
- Target: 3 Month Libor + 5% (gross)
- Performance shown gross of fees

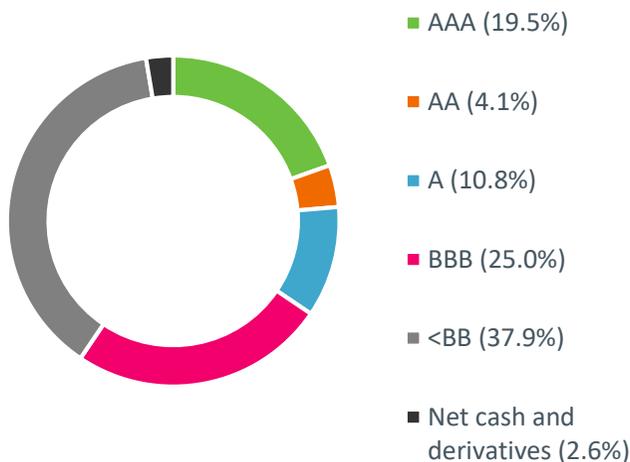
Fund performance vs benchmark/target

	Last 3 months (%)	Last 12 months (%)	Last 3 years (% p.a.)	Last 5 years (% p.a.)
<b>Fund</b>	<b>-7.6</b>	<b>-3.2</b>	0.6	2.1
<b>Benchmark</b>	<b>0.9</b>	<b>3.7</b>	3.6	3.5
<b>Relative</b>	<b>-8.4</b>	<b>-6.7</b>	-2.8	-1.4
<b>Target (%)</b>	<b>5.1</b>	<b>5.7</b>	5.6	5.5
<b>Relative to Target (%)</b>	<b>-12.1</b>	<b>-8.4</b>	-4.7	-3.3

Sector Allocation



Credit Ratings



Performance attribution Explanation

The fund's corporate bond selection detracted from performance over the quarter. In particular, bonds in the Industrial and Financial sectors were amongst the worst performers. Leveraged loans also detracted.

Going forward, the key for M&G will be to mitigate underlying defaults in the positions they are holding. Higher spreads provide the opportunity for investment at more attractive levels, but clearly the level of defaults that materialise will be important.

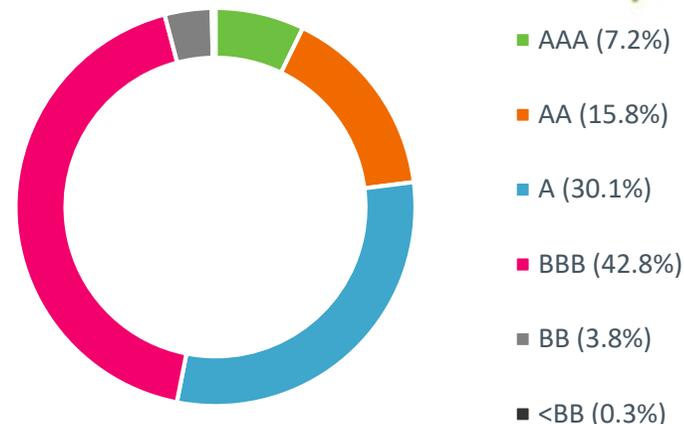
**M&G Corporate Bonds Fund**

- Benchmark:
  - 50% iBoxx Non-Gilts Over 15Y
  - 50% iBoxx Non-Gilts
- Target: Outperform benchmark by 0.8% p.a. (gross)
- Performance shown gross of fees
- Performance ahead of benchmark and target over all time periods considered
- M&G mandate has a marginally lower average credit quality than the benchmark
- This Fund transferred into the ACCESS Pool during Q1 2020

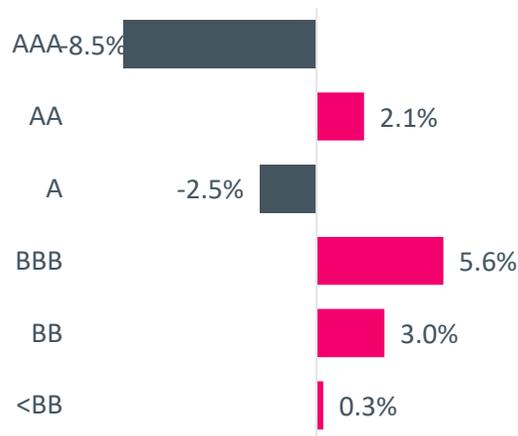
Fund performance vs benchmark/target

	Last 3 months (%)	Last 12 months (%)	Last 3 years (% p.a.)	Last 5 years (% p.a.)
<b>Fund</b>	<b>-3.0</b>	<b>4.7</b>	4.0	5.2
<b>Benchmark</b>	<b>-4.3</b>	<b>2.3</b>	2.7	3.9
<b>Relative</b>	<b>1.3</b>	<b>2.3</b>	1.2	1.2
<b>Target (%)</b>	<b>-4.1</b>	<b>3.1</b>	3.5	4.1
<b>Relative to Target (%)</b>	<b>1.1</b>	<b>1.5</b>	0.5	1.0

Credit Ratings



Credit rating allocation relative to benchmark



Performance attribution relative to benchmark

Sector	Outperformance Source		
	Sector Selection (%)	Stock Selection (%)	Total (%)
Financial	0.4	0.1	0.4
Utility	0.6	-0.3	0.3
Quasi & Foreign Government	0.3	-0.2	0.1
Industrial	0.5	-0.4	0.1
Sovereign	0.0	0.0	0.0
Covered	0.0	0.0	0.0
Securitised	-0.3	0.1	-0.1
Cash and other	n/a	n/a	0.4

Source: Investment Manager

**UBS Index-Linked Gilts Fund**

Fund Performance vs benchmark/target

	Last 3 months (%)	Last 12 months (%)	Since Inception (% p.a.)
<b>UBS - Over 5 Year IL Gilt Fund</b>	<b>2.0</b>	<b>23.7</b>	<b>15.3</b>
<b>Benchmark</b>	<b>1.9</b>	<b>23.6</b>	<b>15.2</b>
<b>Relative</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>

- Benchmark: FTSE Index-Linked Gilts Over 5 Years
- Target: Match benchmark
- Performance broadly matched benchmark since inception
- Real yields fell over the quarter resulting in positive performance for index-linked assets.

HarbourVest and Adams Street Private Equity

- Benchmark: MSCI ACWI+1.5%
- Target: MSCI ACWI+3.0%
- Note: Starting valuations are as at 31 Dec 19 for Adams Street and 30 Sept 19 for HarbourVest. Drawdowns and distributions reflect actual movements over the quarter. Ending valuations reflect the starting valuation adjusted for drawdowns and distributions, and updated for exchange rate movements, as several underlying funds are non-Sterling denominated

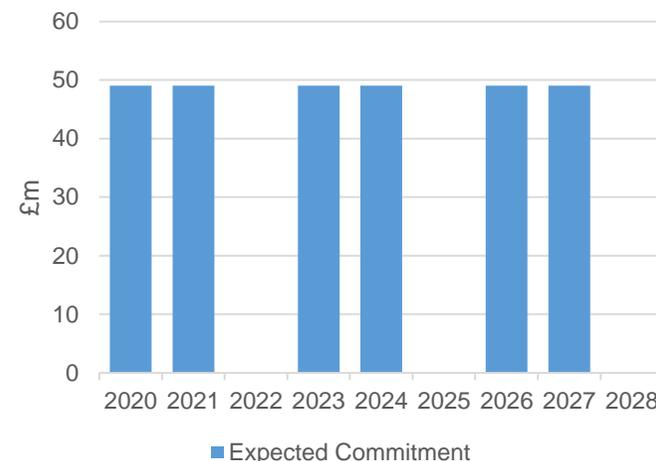
Market Value and cashflow over quarter

	Market Value at start (£m)	Drawdowns over quarter (£m)	Distributions over quarter	Market Value at end
HARBOURVEST PTNS VII CAYMAN BUYOUT FD LP	0.4		0.0	0.4
HARBOURVEST INTL PEP V - CAYMAN PSHP FD	2.6		0.3	2.4
HARBOURVEST INTL PEP VI - CAYMAN PSHP FUND	17.6		0.9	17.5
HARBOURVEST PARTNERS CAYMAN CLEANTECH FUND I	13.2		0.8	12.3
HARBOURVEST PARTNERS CAYMAN CLEANTECH FUND II	18.0	0.3	0.3	19.6
HARBOURVEST PTNSIX CAYMAN CREDIT OPPORTUNITIES FUND	1.6		0.0	1.7
HARBOURVEST PARTNERS IX CAYMAN VENTURE FUND	9.3		0.4	9.7
HARBOURVEST PARTNERS IX-CAYMAN BUYOUT FUND	11.7		0.4	12.7
HARBOURVEST PARTNERS VII - CAYMAN MEZZANINE FUND	0.1		0.0	0.1
HARBOURVEST PARTNERS XI AIF LP	3.1	4.7	0.1	8.0
HARBOURVEST PTRS VII - CAYMAN VENTURE FUND	1.1		0.1	1.0
HARBOURVEST PTRS VIII - CAYMAN BUYOUT FUND	2.3		0.1	2.3
HARBOURVEST PTRS VIII - CAYMAN MEZ AND DISTRESSED DEBT	0.2		0.0	0.2
HARBOURVEST PTRS VIII - CAYMAN VENTURE FUND	1.7		0.1	1.8
HIPEP IV SUPPLEMENTAL EUROPEAN COMPANIONFUND	0.1		0.0	0.1
HIPEP VII (AIF) PARTNERSHIP FUND LP	11.2	0.6	0.4	12.5
HIPEP VIII (AIF) PARTNERSHIP FUND LP	6.5		0.1	6.8

Market value and cashflows over quarter

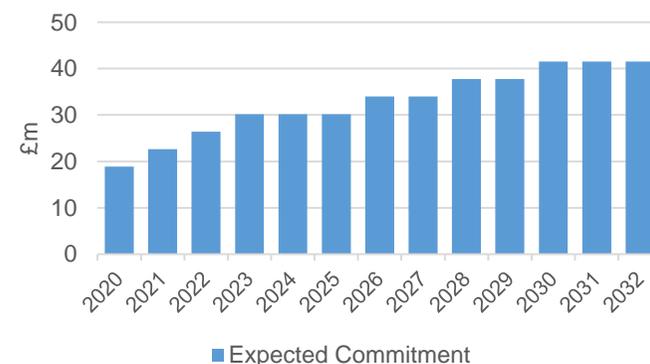
	Market Value at start (£m)	Drawdowns over quarter (£m)	Distributions over quarter	Market Value at end
ADAMS STREET DIRECT FUNDS	5.7	0.0	0.0	6.1
ADAMS STREET CO-INVESTMENT FUND II	1.6	0.0	0.0	1.7
ADAMS STREET GLOBAL FUNDS 2014 - 2019	40.0	6.7	0.0	48.2
ADAMS STREET PSHP FUNDS	28.9	0.0	0.4	30.5
ADAMS STREET FEEDER FUNDS	21.6	0.0	0.1	23.0
ADAMS STREET OFFSHORE COMPANY LIMITED FUNDS	25.6	0.0	1.6	26.1

Projected Future commitments to maintain target allocations\*



\*Provided by HarbourVest. 2020 commitments have been suspended pending the outcome of the strategy review

Projected Future commitments to maintain target allocation\*



\*Provided by Adams Street. 2020 commitments have been suspended pending the outcome of the strategy review

## Infrastructure

- Benchmark: CPI+2.0%
- Target: CPI+3%
- UBS Fund I is now winding down and paying capital back to investors. UBS Fund III is yet to draw down capital.
- The Pantheon fund is currently in ramp-up mode and 28% drawn as at quarter end.
- The InfraCapital Brownfield III fund is currently in ramp-up mode and 44% drawn as at quarter end.
- The Fund committed to the InfraCapital Greenfield II fund in January 2020 and the fund is yet to draw down capital.

### UBS Commitment and distributions

UBS	Fund I	Fund III
Total Commitment (\$m)	35.0	50.0
Commitment Drawn (\$m)	33.3	0.0
Distributions (\$m)	22.9	0.0
Outstanding Commitment (\$m)	1.7	50.0
Market Value (£m)	16.7	0.0

### InfraCapital Commitment and distributions

InfraCapital	Brownfield III	Greenfield II
Total Commitment (£m)	42.0	20.0
Commitment Drawn (£m)	18.3	0.0
Distributions (£m)	0.2	0.0
Outstanding Commitment (£m)	23.7	20.0
Market Value (£m)	20.7	0.0

### Pantheon Commitment and distributions

Pantheon	
Total Commitment (\$m)	117.0
Commitment Drawn (\$m)	32.5
Distributions (\$m)	1.5
Outstanding Commitment (\$m)	84.5
Market Value (£m)	32.4

**M&G Real Estate Debt Fund**

- Benchmark: 3m LIBOR +4%
- Objective: 3m LIBOR +5%
- The M&G REDF VI Fund is currently in ramp-up mode and c50% drawn at quarter end.

Commitment and distributions

**M&G**

Total Commitment (£m)	60.0
Commitment Drawn (£m)	29.9
Distributions (£m)	14.3
Outstanding Commitment (£m)	30.1
Market Value (£m)	30.6

Fossil Fuel Exposure

- The table shows the Fund’s fossil fuel exposure at 31 March 2020
- The biggest contributions come from the Fund’s holding in the passive UK and RAFI equity holdings
- This is a function of both the Fund’s strategic allocation to these holdings and the higher fossil fuel exposure within these funds themselves.

	Actual Fossil Fuel Exposure (%)	Actual Fossil Fuel Exposure (£m)	Benchmark Fossil Fuel Exposure (%)	Relative (%)	Management Style
UBS - North America	4.9	7.7	5.0	0.0	Passive
UBS - Europe	5.9	7.1	6.0	-0.1	Passive
UBS - Japan	5.4	1.0	5.4	0.0	Passive
UBS - Pac ex Japan	9.5	1.6	9.9	-0.4	Passive
UBS - Fundamental Index	11.4	41.3	11.5	-0.2	Passive
UBS - UK Equity	13.9	30.8	14.5	-0.5	Passive
UBS - Climate Aware	5.0	8.0	6.0	-1.1	Passive
UBS - Global EM Equity	9.7	3.5	9.8	-0.2	Passive
Longview - Global Equity	0.0	0.0	6.9	-6.9	Active
Harbourvest - Private Equity*	3.3	3.6	6.9	-3.6	Active
Adams Street - Private Equity*	2.2	3.0	6.9	-4.7	Active
Newton - Absolute Return	1.2	5.1	-	-	Active
Ruffer - Absolute Return	1.2	5.1	-	-	Active
Schroders - Property	0.0	0.0	0.0	0.0	Active
M&G - Infrastructure	0.0	0.0	-	-	Active
Pantheon - Infrastructure	0.0	0.0	-	-	Active
M&G - Infrastructure	0.0	0.0	-	-	Active
M&G - Private Debt	0.0	0.0	-	-	Active
M&G - Alpha Opportunities	2.6	6.1	10.3	-	Active
M&G - Corporate Bonds	9.6	13.9	0.0	9.6	Active
UBS - Over 5 Year IL Gilt Fund	0.0	0.0	0.0	0.0	Passive
Cash	0.0	0.0	0.0	0.0	Active
<b>Total Fund</b>	<b>4.0</b>	<b>137.8</b>	-	-	

\*Figures as at 31 December 2019  
Source: Investment Managers and LINK

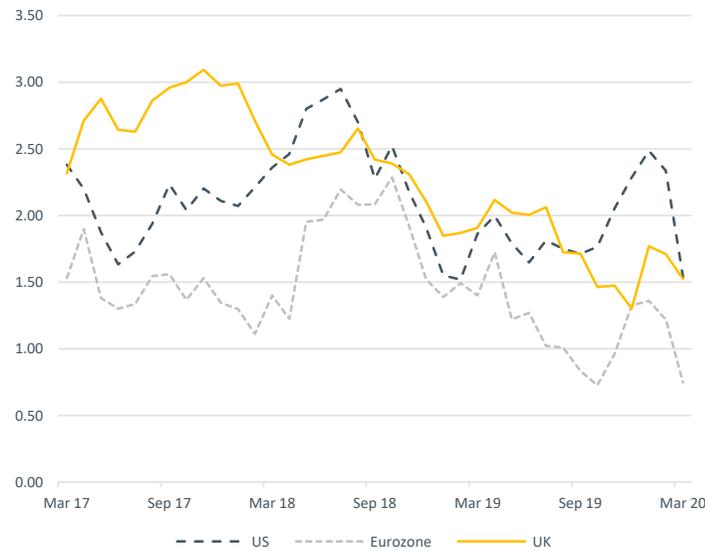
Developed market sovereign bond yields have been pushed near record lows, though have not been immune to volatility as investors liquidated bonds in a dash for cash in March. Sterling investment grade spreads rose 1.3% p.a., more than offsetting any benefit from falling underlying government bond yields.

Unsurprisingly, speculative grade credit spreads underperformed their investment grade counterparts with high yield energy bonds particularly hard hit. Leveraged loans underperformed within speculative-grade markets as a collapse in interest rate expectations weighed on floating-rate loans.

Global equity markets fell 20% in local currency terms and 15.9% in sterling terms, as weakening sterling benefited unhedged investors. The UK equity market was the worst performer with the FTSE 100 posting its biggest fall since 1987 as its sectoral composition and exposure to oil & gas hurt performance.

A number of UK property funds have suspended dealing as property valuers have been unable to accurately value the underlying assets with any certainty, inserting material uncertainty clauses into their valuations.

Annual CPI Inflation (% p.a.)



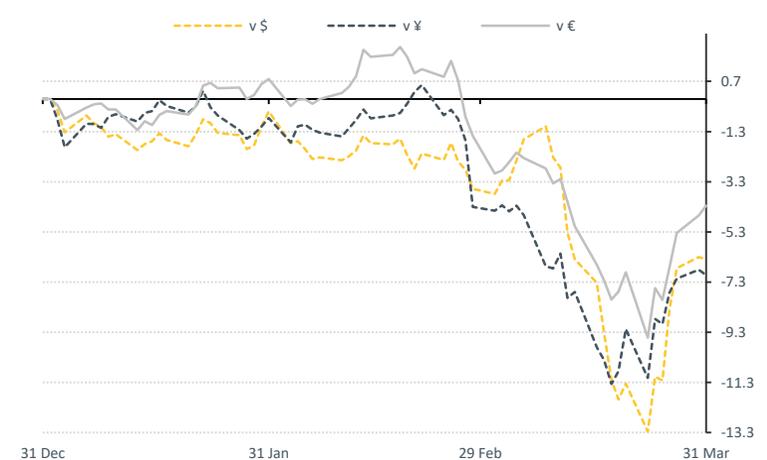
Commodity Prices (% change)



Gilt yields chart (% p.a.)



Sterling trend chart (% change)



Source: Reuters

## Manager Benchmarks & Targets

Mandate	Date Appointed	Benchmark Description	Performance Target (% p.a.)
UBS - North America	12/06/2018	FTSE All World North America Index	FTSE All World North America Index
UBS - Europe	12/06/2018	FTSE All World Developed Europe ex-UK Index	FTSE All World Developed Europe ex-UK Index
UBS - Japan	12/06/2018	FTSE All World Japan Index	FTSE All World Japan Index
UBS - Pac ex Japan	12/06/2018	FTSE All World Developed Asia Pacific ex-Japan Index	FTSE All World Developed Asia Pacific ex-Japan Index
UBS - Fundamental Index	07/02/2018	FTSE RAFI All-World 3000	FTSE RAFI All-World 3001
UBS - UK Equity	17/01/2018	FTSE All-Share Index	FTSE All-Share Index
UBS - Climate Aware	22/06/2018	FTSE Developed Index	FTSE Developed Index
UBS - Global EM Equity	21/02/2018	FTSE Emerging Index	FTSE Emerging Index
Longview - Global Equity	16/04/2013	MSCI ACWI	MSCI ACWI + 3% p.a. (gross)
Harbourvest - Private Equity		MSCI All World + 1.5%	MSCI All World + 3% (gross)
Adams Street - Private Equity		MSCI All World + 1.5%	MSCI All World + 3% (gross)
Newton - Absolute Return	06/05/2010	LIBOR + 2.5% p.a.	LIBOR + 4% (gross)
Ruffer - Absolute Return	06/05/2010	LIBOR + 2.5% p.a.	LIBOR + 4% (gross)
Schroders - Property	20/02/2010	IPD All Balanced Index	IPD All Balanced Index +0.75% p.a. (net)
UBS - Infrastructure		CPI + 2%	CPI + 3%
Pantheon - Infrastructure		CPI + 2%	CPI + 3%
M&G - Infrastructure		CPI + 2%	CPI + 3%
M&G - Private Debt		LIBOR + 4%	LIBOR + 5%
M&G - UK Financing Fund			
M&G - Absolute Return Credit	01/01/2010	LIBOR + 3% p.a.	LIBOR + 5%
M&G - Corporate Bonds	01/01/2010	50% - iBoxx £ Non-Gilts Over 15 Year Index 50% - iBoxx £ Non-Gilts Index	Composite benchmark + 0.75% p.a. (net)
UBS - Over 5 Year IL Gilt Fund	14/02/2018	FTSE Gilt British Govt Index Linked Over 5 Year Index	FTSE Gilt British Govt Index Linked Over 5 Year Index

## Manager Ratings

Mandate	Hymans Rating	RI
UBS - Passive Equities	Preferred	Good
Longview - Global Equity	Preferred	Adequate
Harbourvest - Private Equity	Preferred	-
Adams Street - Private Equity	Preferred	-
Newton - Absolute Return	Suitable	Good*
Ruffer - Absolute Return	Positive	-
Schroders - Property	Positive	-
UBS - Infrastructure	Suitable	-
Pantheon - Infrastructure	Preferred	-
M&G - Infrastructure	Positive	-
M&G - Private Debt	Preferred	-
M&G - Absolute Return Credit	Preferred	-
M&G - Corporate Bonds	Preferred	-
UBS - Over 5 Year IL Gilt Fund	Preferred	-

\*Based on our rating of Newton's equity funds

## Hymans Rating

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.

## Responsible Investment

Strong	Strong evidence of good RI practices across all criteria and practices are consistently applied.
Good	Reasonable evidence of good RI practices across all criteria and practices are consistently applied.
Adequate	Some evidence of good RI practices but practices may not be evident across all criteria or applied inconsistently.
Weak	Little to no evidence of good RI practices.
Not Rated	Insufficient knowledge to be able to form an opinion on.

## Risk Warning

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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## 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.