



East Sussex Pension Fund

Q3 2020 Investment Monitoring Report

Paul Potter, Partner

Ben Fox, Investment Consultant

Mark Tighe, Investment Analyst

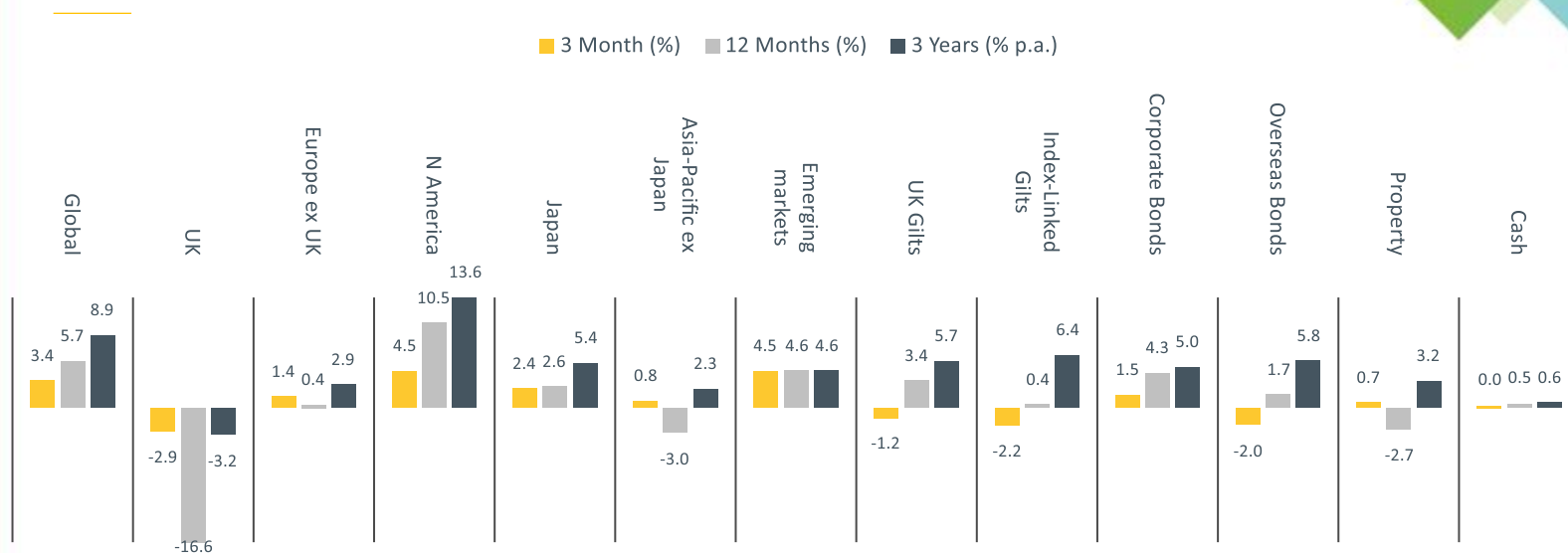
Q3 GDP data will likely reveal record-breaking growth rates for many economies, following Q2's record-breaking declines. Despite signs of a recovery, there is evidence to suggest the pace of improvement in major advanced economies slowed markedly towards the end of Q3. Monthly UK GDP releases show the pattern of growth experienced by the major advanced economies - April marked the nadir of the downturn with the economy returning to month-on month growth in May. Although above longer-term trend growth, the monthly pace of growth slowed from 6.4% in July to 2.1% in August. Purchasing Managers' Indices for both services and manufacturing in the major western economies signalled that the recovery in global activity continued in September.

Sterling partially reversed some of its losses in the first half of 2020, rising 1.7% in trade-weighted terms since the end of June, though weakness returned as trade talks faltered in September. Even allowing for September's gains, the US dollar fell 2.8% in trade-weighted terms in Q3.

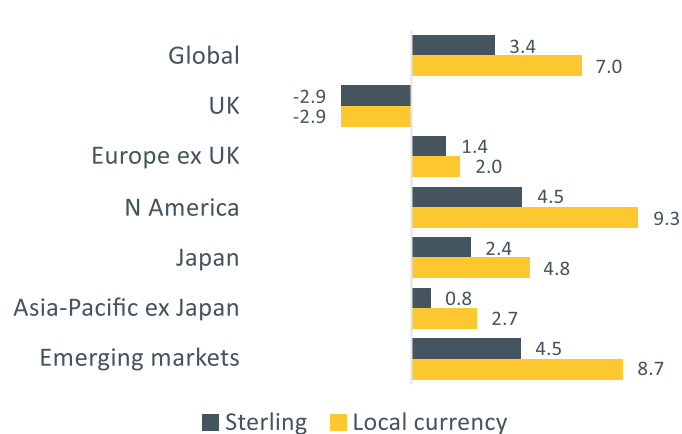
Globally, every major economy has seen its core inflation rate fall since end-2019. Having risen to 1.0% in July, headline UK CPI inflation fell to 0.2% in August, its lowest level since December 2015.

The Fed's shift to "flexible" average inflation targeting over Q3 likely means interest rate rises are even further away than previously envisaged. The Bank of England continues to send mixed messages on the potential use of negative interest rates, but an operational review is ongoing and market pricing, at least, suggests negative interest rates may be introduced in 2021.

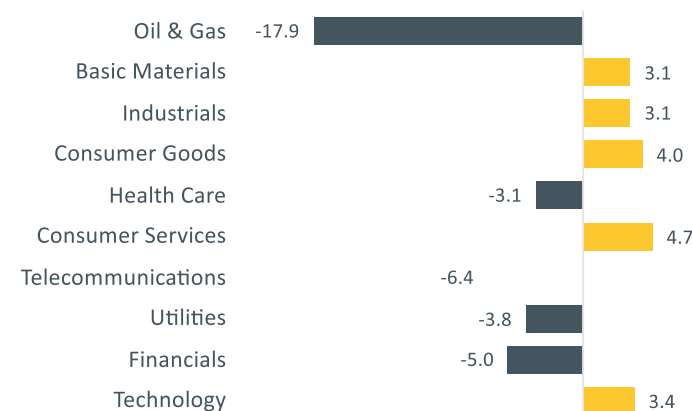
Historic returns for world markets [1]



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 1.1% over the quarter, which was driven mostly by the DGF allocation
- The equity and private equity allocations also supported returns

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.

Asset Allocation

- Allocation to alternatives underweight. Further drawdowns into infrastructure and real estate debt will address this over time.
- Protection still overweight, following the market crash at the start of the year.

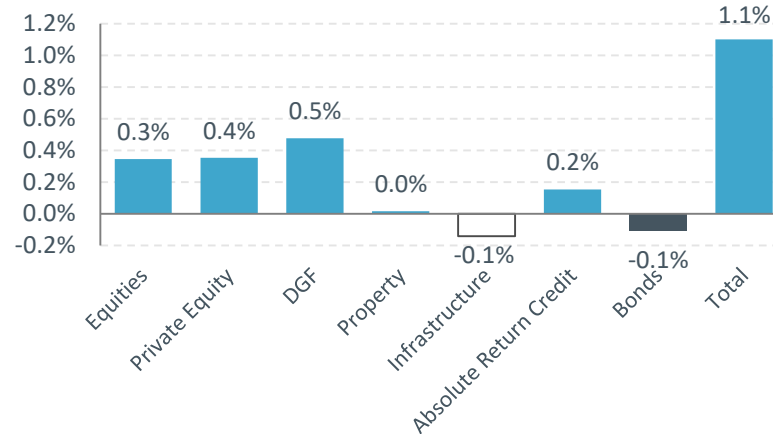
Fund performance vs benchmark/target

	Last 3 months (%)	Last 12 months (%)	Last 3 years (% p.a.)	Last 5 years (% p.a.)
Total	1.1	-0.7	4.6	8.5
Benchmark	0.7	-0.9	4.1	7.7
Relative	0.4	0.3	0.5	0.7

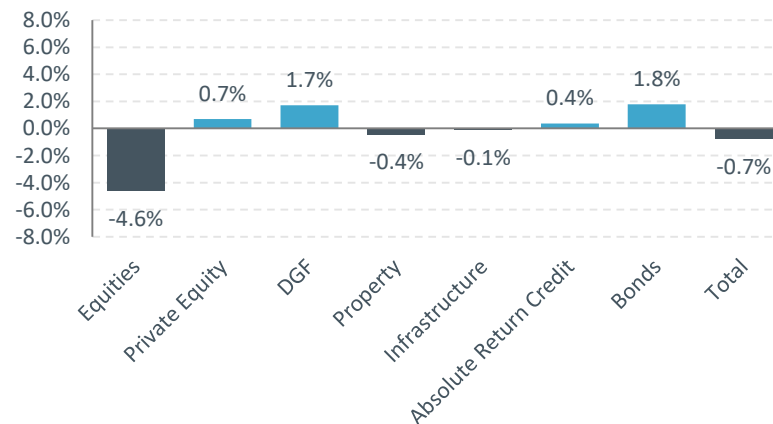
Asset Allocation

GRIP	Actual	Benchmark	Relative	Rebalancing Range
Growth	46.8%	45.5%	1.3%	41.0% - 50.0%
Alternatives	30.9%	35.5%	-4.6%	32.0% - 39.0%
Protection	21.4%	19.0%	2.4%	17.0% - 21.0%

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

Manager	Valuation (£m)		Actual Proportion	Benchmark	Relative	Rebalancing Ranges
	Q2 2020	Q3 2020				
UBS - Regional Equities	368.9	309.2	8.0%	8.0%	0.0%	36.0% - 44.0%
UBS - Fundamental Index	424.7	404.0	10.5%	11.5%	-1.0%	
UBS - UK Equity	247.0	240.6	6.2%	7.0%	-0.8%	
UBS - Climate Aware	191.6	179.1	4.7%	5.0%	-0.3%	
UBS - Global EM Equity	42.9	35.9	0.9%	1.5%	-0.6%	
Longview - Global Equity	272.6	391.8	10.2%	7.0%	3.2%	3.5% - 7.5%
Harbourvest - Private Equity	107.6	114.2	3.0%	2.8%	0.2%	
Adams Street - Private Equity	121.9	128.2	3.3%	2.8%	0.6%	
Total Growth	1777.3	1802.9	46.8%	45.5%	1.3%	41.0% - 50.0%
Newton - Absolute Return	447.0	462.9	12.0%	10.5%	1.5%	9.5% - 11.5%
Schroders - Property	344.0	342.9	8.9%	10.0%	-1.1%	8.0% - 12.0%
UBS - Infrastructure	16.3	22.1	0.6%	1.0%	-0.4%	2.0% - 6.0%
Pantheon - Infrastructure	33.6	25.7	0.7%	2.0%	-1.3%	
M&G - Infrastructure	21.6	25.6	0.7%	1.0%	-0.3%	
M&G - Private Debt	36.5	42.0	1.1%	3.0%	-1.9%	1.0% - 5.0%
M&G - UK Financing Fund	0.0	0.0	0.0%	0.0%	0.0%	
M&G - Alpha Opportunities	261.7	268.4	7.0%	8.0%	-1.0%	7.0% - 9.0%
Total Alternatives	1160.7	1189.5	30.9%	35.5%	-4.6%	32.0% - 39.0%
Ruffer - Absolute Return	449.5	441.7	11.5%	10.5%	1.0%	9.5% - 11.5%
M&G - Corporate Bonds	160.5	161.7	4.2%	3.5%	0.7%	2.5% - 4.5%
UBS - Over 5 Year IL Gilt Fund	236.8	219.5	5.7%	5.0%	0.7%	4.0% - 6.0%
Total Protection	846.8	822.9	21.4%	19.0%	2.4%	17.0% - 21.0%
Cash	22.4	35.2	0.9%	0.0%	0.9%	0.0% - 2.0%
Total Scheme	3,807.1	3,850.5	100.0%	100.0%		

*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

- Newton absolute return mandate in breach of upper limit, but expected to fund draw downs into infrastructure and private debt over time
- No other mandates in breach of rebalancing ranges.

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
Growth												
UBS - Regional Equities	3.1	3.0	0.0	5.4	5.3	0.1				6.7	6.7	0.1
UBS - Fundamental Index	-0.6	-0.6	0.0	-9.9	-10.2	0.3				0.6	0.5	0.1
UBS - UK Equity	-2.9	-2.9	0.0	-16.5	-16.5	0.0				-5.2	-5.3	0.0
UBS - Climate Aware	3.4	3.3	0.1	5.4	5.7	-0.3				7.5	7.7	-0.2
UBS - Global EM Equity	4.2	4.4	-0.2	4.1	4.5	-0.3				1.4	1.7	-0.3
Longview - Global Equity	1.7	3.2	-1.4	-7.2	5.6	-12.1	5.2	8.5	-3.1	12.2	10.8	1.3
Alternatives												
Newton - Absolute Return	3.6	0.6	2.9	3.5	3.0	0.5	4.7	3.1	1.5	4.1	3.0	1.1
Schroders - Property	0.2	0.2	0.0	-3.8	-2.8	-1.0	2.2	2.7	-0.4	6.8	6.5	0.3
M&G - Absolute Return Credit	2.5	0.8	1.7	4.3	3.4	0.9	3.0	3.5	-0.6	4.1	3.5	0.5
Protection												
Ruffer - Absolute Return	0.9	0.6	0.2	8.6	3.0	5.5	4.0	3.1	0.9	4.0	3.0	1.0
M&G - Corporate Bonds	0.8	0.8	0.0	7.7	4.8	2.8	7.4	6.2	1.2	8.0	8.0	0.0
UBS - Over 5 Year IL Gilt Fund	-2.4	-2.5	0.1	21.6	21.2	0.3				15.9	15.9	0.0
Total	1.1	0.7	0.4	-0.7	-0.9	0.3	4.6	4.1	0.5			

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. 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 outperformed their cash-plus benchmark as risk markets continued their recovery from the COVID-19 driven falls seen in Q1 2020.

- This page includes manager/RI ratings and any relevant updates over the period.
- There were no manager rating changes over the quarter.

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	Adequate
Schroders - Property	Suitable	-
UBS - Infrastructure	Suitable	Good
Pantheon - Infrastructure	Preferred	Good
M&G - Infrastructure	Positive	-
M&G - Private Debt	Preferred	Good
M&G - Absolute Return Credit	Preferred	Adequate
M&G - Corporate Bonds	Preferred	Adequate
UBS - Over 5 Year IL Gilt Fund	Preferred	-

Ruffer business update

Over the quarter, Ruffer announced that Jonathan Ruffer formally stepped down from the businesses Executive Committee, which is responsible for the day-to-day management of the firm, his investment responsibilities remain unchanged.

Newton business update

Newton announced over the quarter that Andrew Downs will become interim CEO of Newton which became effective at the start of October and is a result of former CEO Hanneke Smits' promotion to CEO of BNY Mellon IM. Andrew has 26 years' experience at Newton and is a member of the firm's board and executive management committee. Newton are still searching for a permanent CEO.

In relation to the Global Income strategy, over the quarter Rob Hay moved to the equity income team as a portfolio manager from the global concentrated strategy. This follows a number of departures within the income strategy over recent quarters.

Schroders business update

Schroders has announced that Duncan Owen, its Global Head of Real Estate, has resigned and will be leaving the firm on 31 December 2020. Owen will remain a Special Advisor to Schroders. Sophie van Oosterom will join the firm in January 2021 as new Global Head of Real Estate and joins from CBRE Global Investors where she was CEO and CIO of its EMEA division.

UBS Equities

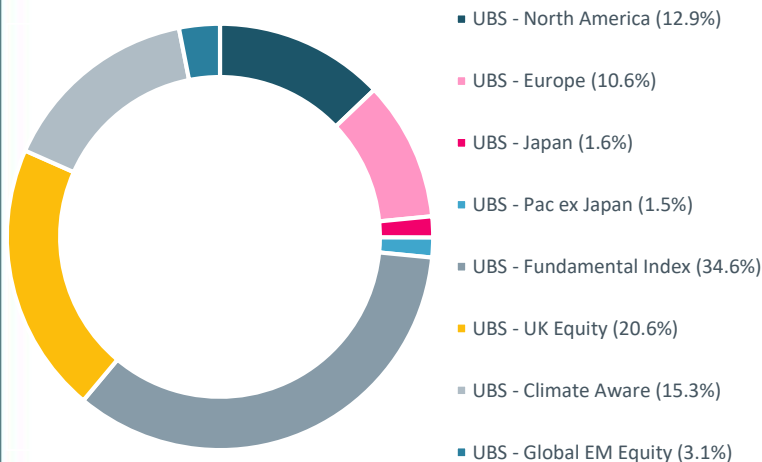
- Benchmark: Various regional indices
- Target: Match benchmark over all time periods
- UBS have successfully tracked underlying benchmarks to date

Fund performance vs benchmark

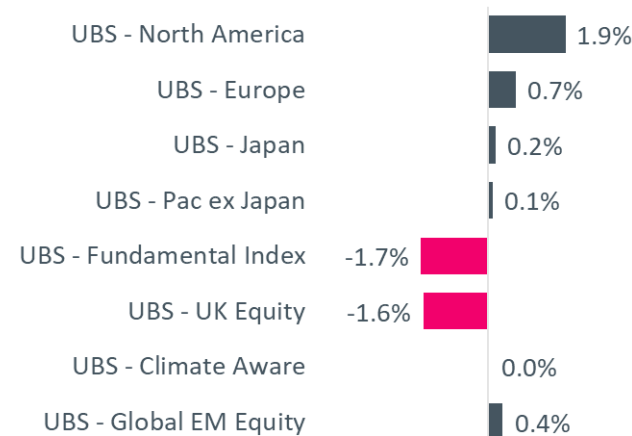
UBS Performance Table

	Last 3 months (%)	B'mark	Relative	Last 12 months (%)	B'mark	Relative
UBS - North America	4.6	4.5	0.1	10.7	10.4	0.2
UBS - Europe	1.5	1.5	0.0	0.5	0.6	-0.1
UBS - Japan	2.3	2.4	-0.1	2.5	2.5	0.0
UBS - Pac ex Japan	0.8	0.8	0.0	-3.0	-3.1	0.1
UBS - Fundamental Index	-0.6	-0.6	0.0	-9.9	-10.2	0.3
UBS - UK Equity	-2.9	-2.9	0.0	-16.5	-16.5	0.0
UBS - Climate Aware	3.4	3.3	0.1	5.4	5.7	-0.3
UBS - Global EM Equity	4.2	4.4	-0.2	4.1	4.5	-0.3

Fund Allocation



Fund Allocation Relative to Target



Source: Investment Manager

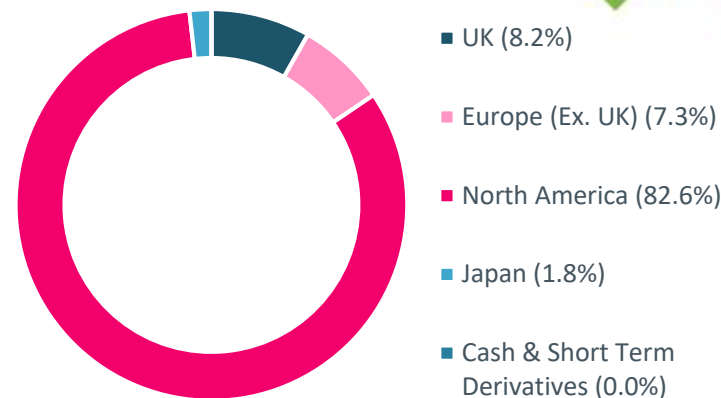
Longview Global Equities

- 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.)
Longview - Global Equity	1.8	-6.5	5.8	11.9
Benchmark	3.2	5.6	8.5	13.9
Relative	-1.3	-11.5	-2.5	-1.7
Target (%)	3.9	8.6	11.5	16.9
Relative to Target (%)	-2.0	-13.9	-5.1	-4.2

Country Allocation



Pooled Fund Skyline (as at 30 September 2020)



Performance attribution – Top/Bottom 3 Sectors

	Beginning Weight			Outperformance Source		
	Fund (%)	Index (%)	Difference (%)	Selection (%)	Allocation (%)	Total (%)
Healthcare	23.9	13.8	10.1	1.5	-0.3	1.2
Energy	0.0	2.9	-2.9	0.0	0.8	0.8
Consumer Staples	9.8	8.2	1.6	0.3	0.0	0.3
IT	13.2	21.5	-8.3	-0.3	-0.4	-0.7
Consumer Discret.	6.3	11.5	-5.3	-0.7	-0.4	-1.1
Financials	24.3	12.4	12.0	-0.7	-0.8	-1.5

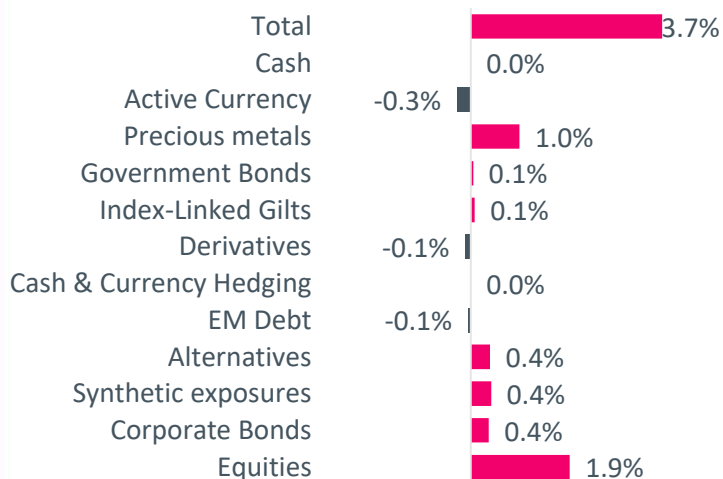
Newton Real Return Fund

- 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

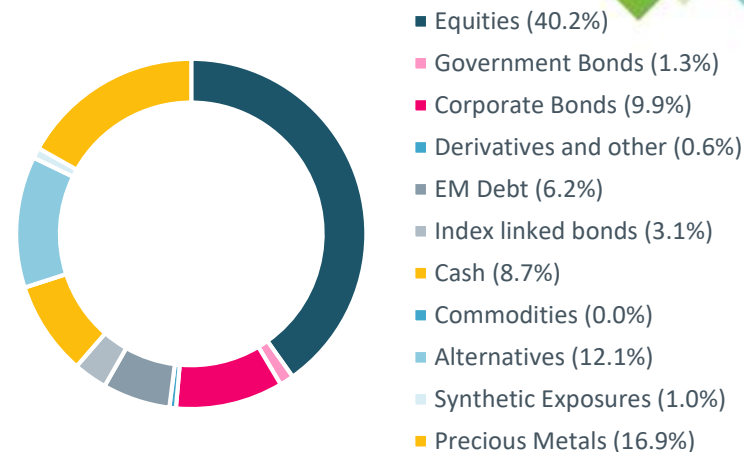
Fund performance vs benchmark

	Last 3 months (%)	Last 12 months (%)	Last 3 years (% p.a.)	Last 5 years (% p.a.)
Newton - Absolute Return	3.7	4.1	5.3	4.9
Benchmark	0.6	3.0	3.1	3.0
Relative	3.1	1.1	2.1	1.9
Target (%)	1.0	4.5	4.6	4.5
Relative to Target (%)	2.7	-0.4	0.7	0.4

Performance Attribution



Asset Allocation



Performance attribution explanation

The Fund's equity allocation was the primary driver of performance over the quarter as equity markets continued to rise. Within equities, technology stocks in particular were amongst the top contributors.

In addition, exposure to precious metals also boosted performance as the prices bounced back sharply from the lows seen earlier in the year.

Derivative contracts designed to hedge against falls in equity and credit markets detracted from returns. These did however help protect against market falls in September.

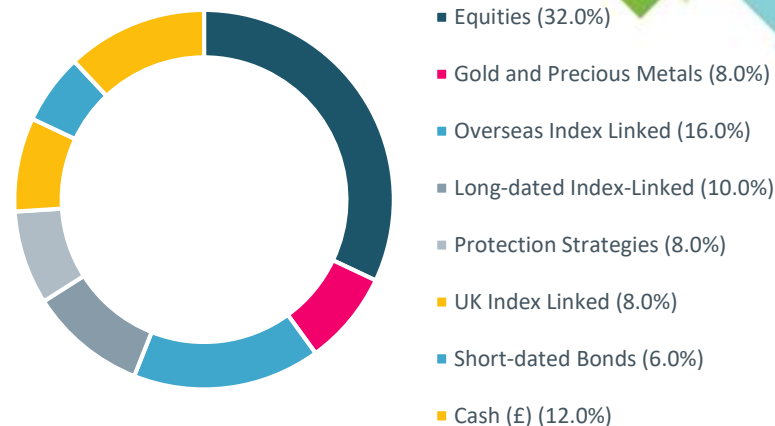
Ruffer Absolute Return Fund

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

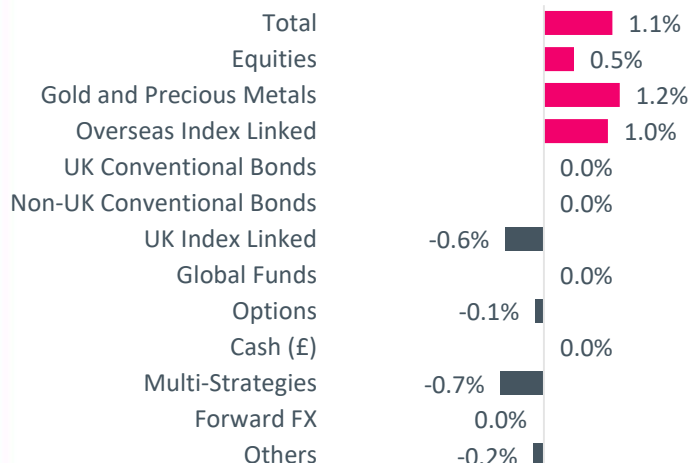
Fund performance vs benchmark

	Last 3 months (%)	Last 12 months (%)	Last 3 years (% p.a.)	Last 5 years (% p.a.)
Ruffer - Absolute Return	1.1	9.4	4.8	4.8
Benchmark	0.6	3.0	3.1	3.0
Relative	0.4	6.3	1.7	1.8
Target (%)	1.0	4.5	4.6	4.5
Relative to Target (%)	0.0	4.7	0.2	0.3

Asset Allocation



Performance attribution



Performance attribution explanation

Ruffer continued to outperform over the quarter, adding to what has been a very impressive 12 month period for the fund.

The primary contributors to performance were the fund's gold holdings which rose sharply in response to falling US real yields and a declining US dollar. In addition, also helped by falling real yields, was the fund's US inflation linked bonds allocation.

The largest detractor from performance was the fund's multi-strategy credit protection funds. The multi strategy funds hedge against turmoil in credit markets and therefore fell in value over the quarter as credit spreads tightened as investors' risk appetite increased.

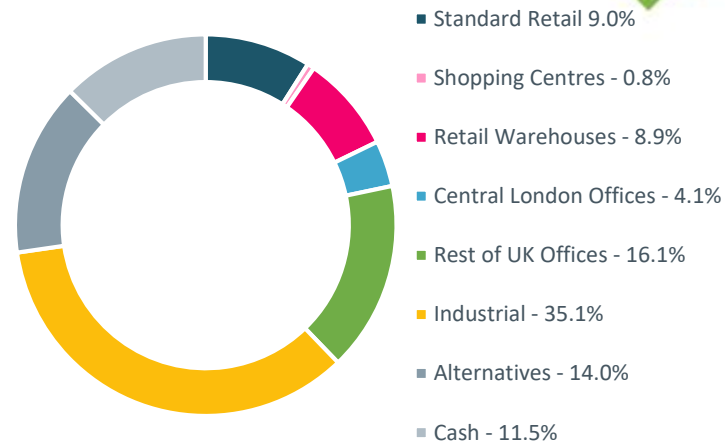
Schroders Property Fund

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

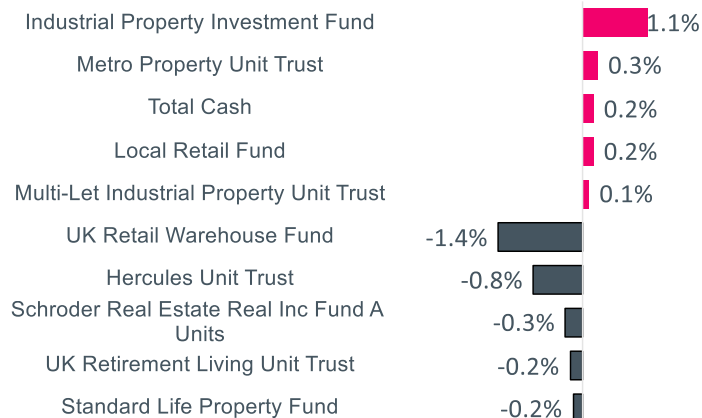
Fund performance vs benchmark/target

	Last 3 months (%)	Last 12 months (%)	Last 3 years (%) p.a.	Last 5 years (%) p.a.
Schroders - Property	0.2	-3.8	2.2	3.8
Benchmark	0.2	-2.8	2.7	4.1
Relative	0.0	-1.0	-0.4	-0.2
Target (%)	0.4	-2.0	3.4	4.3
Relative to Target (%)	-0.2	-1.8	-1.1	-0.4

Sector Allocation



Top 5/Bottom 5 Contributors (12 months)



Performance attribution explanation

The Schroders Property fund matched its benchmark over 3 months but remains behind over 1 year.

The material uncertainty clause applied to the fund as a result of valuers being unable to properly assess property valuations has now been lifted.

The portfolio is aligned with Schroders' House View of being underweight relative to benchmark in retail and overweight to industrials and alternatives sectors. At quarter end c.11.5% of the portfolio was being held as cash.

Rent collection over the quarter was strongest in the office and industrial sectors.

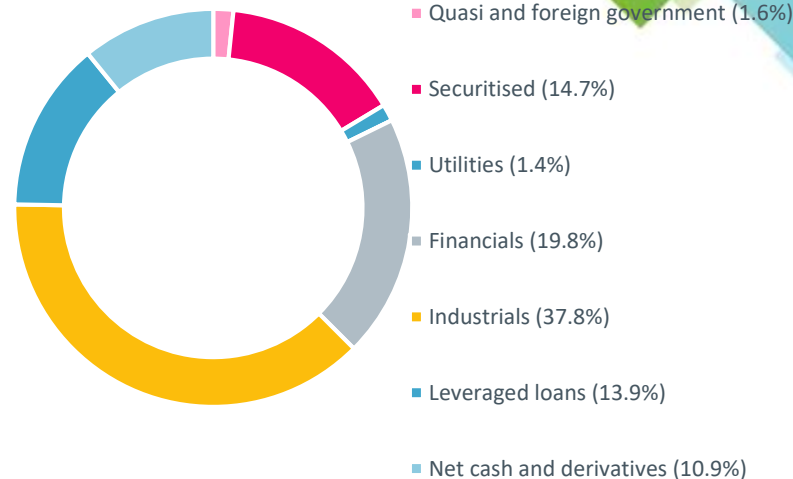
M&G Alpha Opportunities Fund

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

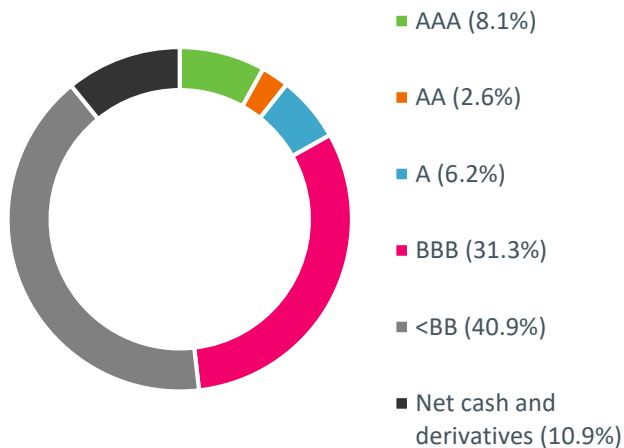
Fund performance vs benchmark/target

	Last 3 months (%)	Last 12 months (%)	Last 3 years (% p.a.)	Last 5 years (% p.a.)
M&G - Absolute Return	2.6	4.7	3.3	4.4
Benchmark	0.8	3.4	3.5	3.5
Relative	1.8	1.3	-0.2	0.9
Target (%)	5.0	5.4	5.5	5.5
Relative to Target (%)	-2.3	-0.6	-2.1	-1.0

Sector Allocation



Credit Ratings



Performance attribution explanation

The largest contributor to the relative returns were corporate bonds as credit spreads continued to tighten over the quarter.

Credit selection in the industrial and financial sectors was particularly beneficial to the performance. Returns were also boosted by the leveraged loans holdings. The cash holding slightly detracted from performance.

At the start of the quarter the manager reduced the fund's exposure to credit. Some of the profits were reinvested into AAA UK Residential Mortgage Backed Securities. The manager continued to decrease the fund's credit risk in August. The manager is retaining cash to deploy it should attractive opportunities arise.

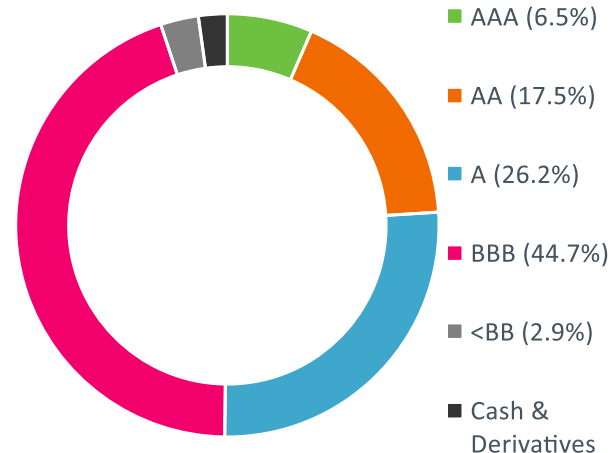
M&G Corporate Bonds Fund

- 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

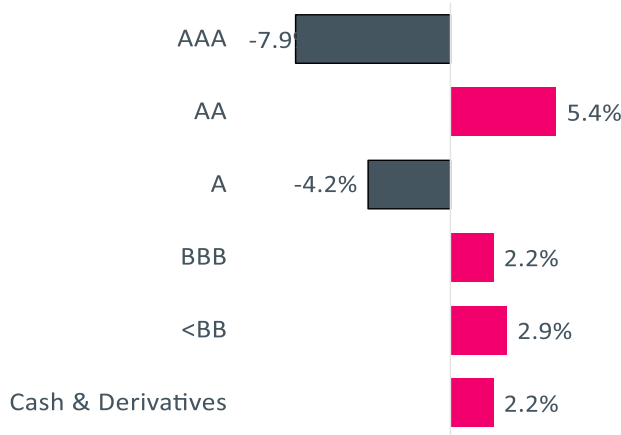
Fund performance vs benchmark/target

	Last 3 months (%)	Last 12 months (%)	Last 3 years (% p.a.)	Last 5 years (% p.a.)
M&G - Corporate Bonds	0.9	8.1	7.7	8.8
Benchmark	0.8	4.8	6.2	7.2
Relative	0.1	3.2	1.5	1.5
Target (%)	1.0	5.6	7.0	7.4
Relative to Target (%)	-0.1	2.4	0.7	1.3

Credit Ratings



Credit rating allocation relative to benchmark



Performance attribution relative to benchmark

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

UBS Index-Linked Gilts Fund

Fund Performance vs benchmark/target

	Last 3 months (%)	Last 12 months (%)	Since Inception (% p.a.)
UBS - Over 5 Year IL Gilt Fund	-2.4	21.6	15.9
Benchmark	-2.5	21.2	15.8
Relative	0.1	0.3	0.1

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

HarbourVest and Adams Street Private Equity

- Note: Starting valuations are as at 30 June 2020 for Adams Street and 31 March 2020 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

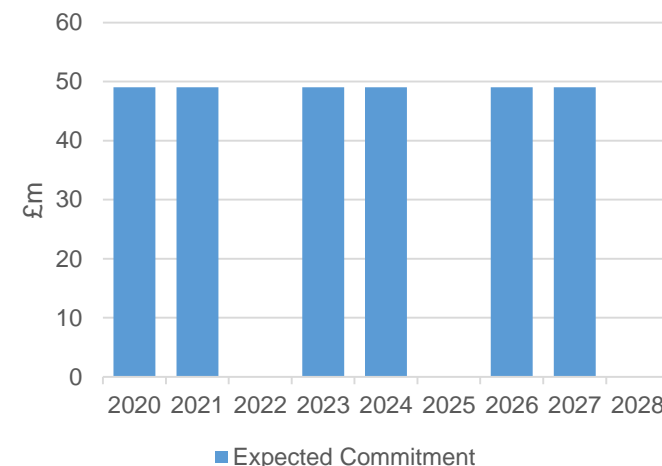
Market Value and cashflow over quarter

	Market Value at start (£m)	Drawdowns over quarter (£m)	Distributions over quarter	Market Value at end
DEFAULT ISSUER HARBOURVEST PTNS VII CAYMAN BUYOUT FD LP (EPF09)	0.3	-	-	0.4
HARBOURVEST INTL PEP V - CAYMAN PSHP FD	2.3	-	0.4	2.2
HARBOURVEST INTL PEP VI - CAYMAN PSHP FUND	16.9	-	1.1	17.3
HARBOURVEST PARTNERS CAYMAN CLEANTECH FUND I	11.6	-	0.3	11.3
HARBOURVEST PARTNERS CAYMAN CLEANTECH FUND II	19.6	-	-	19.8
HARBOURVEST PARTNERS IX CAYMAN CREDIT OPPORTUNITIES FUND	1.6	-	-	1.7
HARBOURVEST PARTNERS IX CAYMAN VENTURE FUND	9.8	-	0.5	10.2
HARBOURVEST PARTNERS IX-CAYMAN BUYOUT FUND	12.3	-	0.4	12.7
HARBOURVEST PARTNERS VII - CAYMAN MEZZANINE FUND	0.0	-	-	0.4
HARBOURVEST PARTNERS XI AIF LP	8.0	1.3	0.1	9.8
HARBOURVEST PTRS VII - CAYMAN VENTURE FUND	1.0	-	0.1	1.6
HARBOURVEST PTRS VIII - CAYMAN BUYOUT FUND	2.0	-	-	2.2
HARBOURVEST PTRS VIII - CAYMAN MEZZANINEAND DISTRESSED DEBT FD	0.1	-	-	0.1
HARBOURVEST PTRS VIII - CAYMAN VENTURE FUND	1.5	-	0.1	1.0
HIPEP IV SUPPLEMENTAL EUROPEAN COMPANIONFUND	1.0	-	-	1.0
HIPEP VII (AIF) PARTNERSHIP FUND LP	12.6	-	-	13.3
HIPEP VIII (AIF) PARTNERSHIP FUND LP	7.5	1.4	-	9.4

Market value and cashflows over quarter

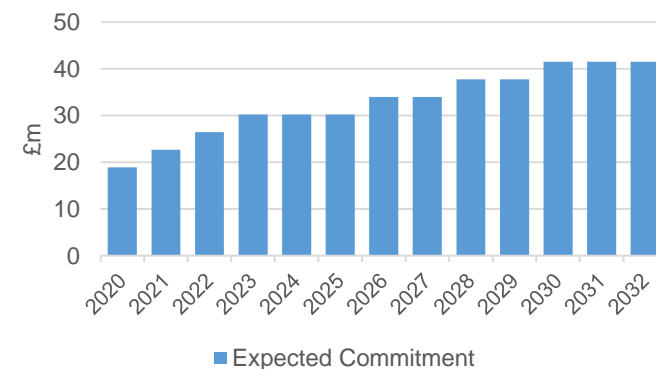
	Market Value at start (£m)	Drawdowns over quarter (£m)	Distributions over quarter	Market Value at end
ADAMS STREET DIRECT FUNDS	4.7	-	1.2	4.8
ADAMS STREET CO-INVESTMENT FUND II	1.4	-	0.1	1.4
ADAMS STREET GLOBAL FUNDS 2014 - 2019	48.2	-	0.0	51.2
ADAMS STREET PSHP FUNDS	25.1	-	0.3	21.2
ADAMS STREET FEEDER FUNDS	20.6	-	0.7	21.0
ADAMS STREET OFFSHORE COMPANY LIMITED FUNDS	23.4	-	0.7	22.6

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%
- Target: CPI+3%
- UBS Fund I is now winding down and paying capital back to investors. UBS Fund III purchased its first asset over the quarter.
- The Pantheon fund is currently in ramp-up mode and 33% drawn as at quarter end.
- The InfraCapital Brownfield III fund is currently in ramp-up mode and 63% 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	11.5
Distributions (\$m)	23.2	0.0
Outstanding Commitment (\$m)	1.7	38.5
Market Value (£m)	21.3	0.0

InfraCapital Commitment and distributions

InfraCapital	Brownfield III	Greenfield II
Total Commitment (£m)	42.0	20.0
Commitment Drawn (£m)	26.3	0.0
Distributions (£m)	0.7	0.0
Outstanding Commitment (£m)	15.7	20.0
Market Value (£m)	25.4	0.0

Pantheon Commitment and distributions

Pantheon	
Total Commitment (\$m)	117.0
Commitment Drawn (\$m)	39.2
Distributions (\$m)	4.4
Outstanding Commitment (\$m)	77.8
Market Value (£m)	23.3

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 c57% drawn at quarter end.

Commitment and distributions

M&G

Total Commitment (£m)	60.0
Commitment Drawn (£m)	52.4
Distributions (£m)	18.8
Outstanding Commitment (£m)	26.4
Market Value (£m)	33.7

Fossil Fuel Exposure

- The table shows the Fund’s fossil fuel exposure at 30 September
- 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
- The Committee has agreed to amend the Fund’s equity portfolio, which will result in the Fund’s fossil fuel exposure falling materially

	Actual Fossil Fuel Exposure (%)	Actual Fossil Fuel Exposure (£m)	Benchmark Fossil Fuel Exposure (%)	Relative (%)	Management Style
UBS - North America	4.1	6.1	4.1	0.0	Passive
UBS - Europe	4.7	5.8	4.8	-0.1	Passive
UBS - Japan	4.9	0.9	4.9	-0.1	Passive
UBS - Pac ex Japan	9.2	1.6	9.3	-0.1	Passive
UBS - Fundamental Index	10.9	44.2	11.0	0.0	Passive
UBS - UK Equity	11.3	27.2	11.4	-0.1	Passive
UBS - Climate Aware	4.2	7.6	5.0	-0.7	Passive
UBS - Global EM Equity	8.7	3.1	8.9	-0.2	Passive
Longview - Global Equity	0.0	0.0	6.9	-6.9	Active
Harbourvest - Private Equity*	2.3	2.5	6.9	-4.6	Active
Adams Street - Private Equity*	1.9	2.4	6.9	-5.0	Active
Newton - Absolute Return*	1.1*	5.0	-	-	Active
Ruffer - Absolute Return*	1.4*	6.2	-	-	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	3.0	7.9	9.7	-	Active
M&G - Corporate Bonds	8.8	14.1	9.4	-0.6	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
Total Fund	3.5	134.6	-	-	

*Fossil fuel allocations as at 30 June 2020
Source: Investment Managers and LINK

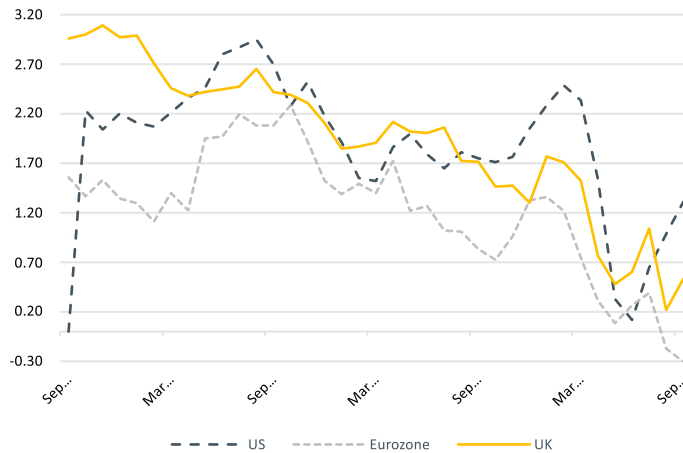
US 10-year treasury yields were little changed, ending the quarter at 0.68% p.a. Equivalent UK yields rose 0.06% p.a. to 0.23% p.a. while German bund yields drifted 0.07% p.a. lower to -0.52% p.a. Equivalent index-linked gilt yields fell, resulting in a rise in 10-year implied inflation to 3.3% p.a.

Despite rising towards the end of Q3, global investment-grade credit spreads fell from 1.6% p.a. to 1.4% p.a. and global speculative-grade spreads fell from 6.4% p.a. to 5.6% p.a. Defaults continued to rise but have been contained in the troubled US energy and retail sectors.

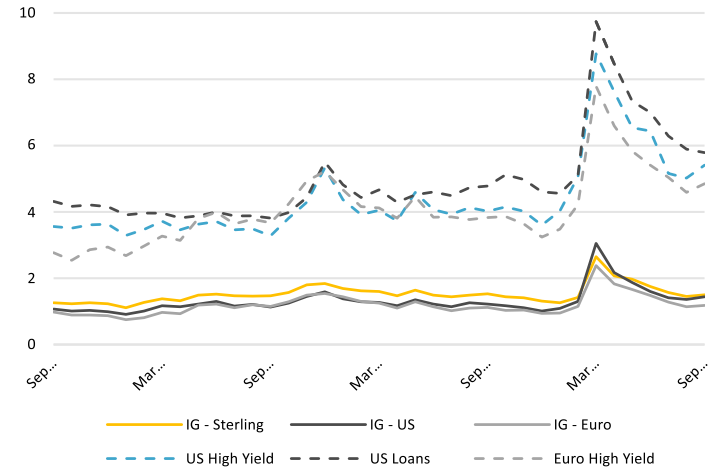
Global equity indices produced a total return of 7% in local currency terms, despite a return of volatility towards the end of Q3. Recent regional trends continued with the US outperforming and the UK underperforming. From a sector perspective technology extended its large year-to-date lead at the top of the performance rankings while oil & gas massively underperformed, cementing its place at the bottom.

The rolling 12-month performance of the MSCI UK Monthly Property Index continues to fall and is now -2.7% to the end of September. Capital values are, in aggregate, 7.8% lower over the same period. This is mainly due to an 18.6% fall in capital values in the retail sector over year, but values in other sectors have also fallen.

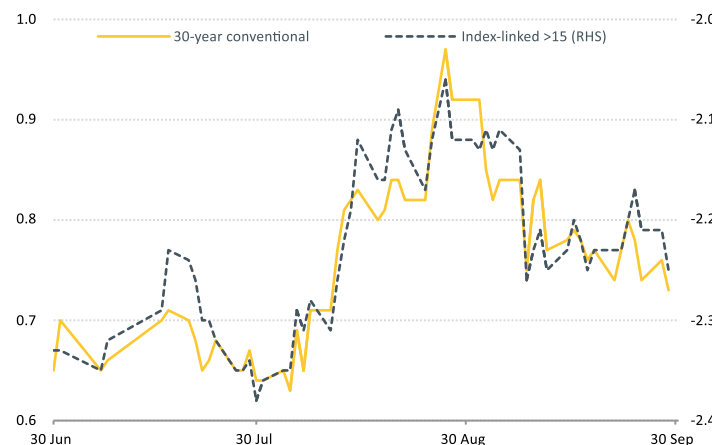
Annual CPI Inflation (% p.a.)



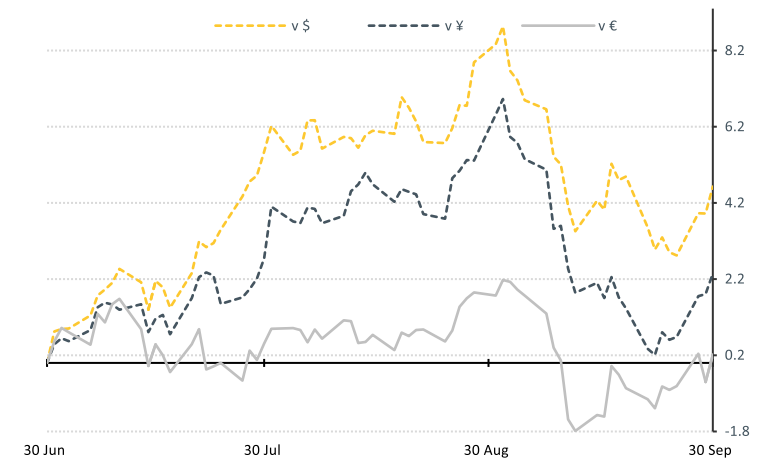
Investment and speculative grade credit spreads (% p.a.)



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	Adequate
Schroders - Property	Suitable	-
UBS - Infrastructure	Suitable	Good
Pantheon - Infrastructure	Preferred	Good
M&G - Infrastructure	Positive	-
M&G - Private Debt	Preferred	Good
M&G - Absolute Return Credit	Preferred	Adequate
M&G - Corporate Bonds	Preferred	Adequate
UBS - Over 5 Year IL Gilt Fund	Preferred	-

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.

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.

Hymans Robertson LLP has relied upon third party sources and all copyright and other rights are reserved by such third party sources as follows: DataStream data: © DataStream; Fund Manager data: Fund Manager; Morgan Stanley Capital International data: © and database right Morgan Stanley Capital International and its licensors 2018. All rights reserved. MSCI has no liability to any person for any losses, damages, costs or expenses suffered as a result of any use or reliance on any of the information which may be attributed to it; Hymans Robertson data: © Hymans Robertson. Whilst every effort has been made to ensure the accuracy of such estimates or data - including third party data - we cannot accept responsibility for any loss arising from their use. © Hymans Robertson LLP 2019.

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.