

East Sussex Pension Fund

Q4 2024 Investment Monitoring Report

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Fund Value
£5,070,754,331

Over the quarter, the assets increased by circa £95.2m

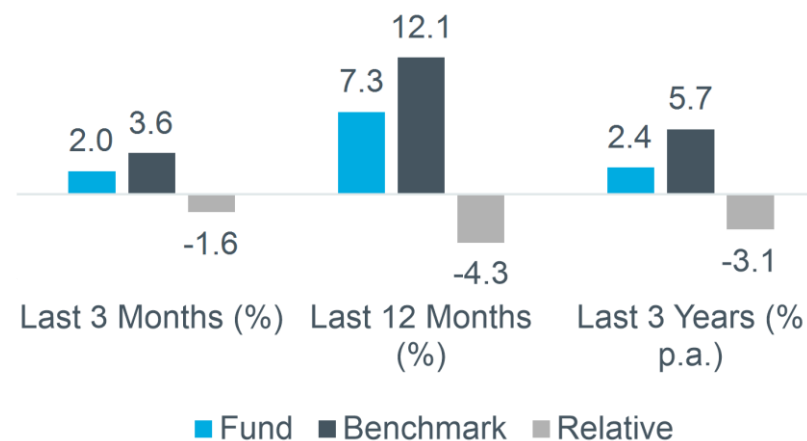
Total Net Return
2.0%

Over the quarter the Fund returned 2.0% against its benchmark of 3.6%,

High-level asset allocation

GrIP	Actual	Benchmark	Relative
Growth	50.0%	45.5%	4.5%
Income	42.5%	50.5%	-8.0%
Protection	6.2%	4.0%	2.2%

Total fund performance



Commentary

- Over the fourth quarter of 2024, total Fund performance was 2.0% in absolute terms, underperforming the composite benchmark by 1.6%.
- 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 -4.3% and -3.1% p.a. respectively.

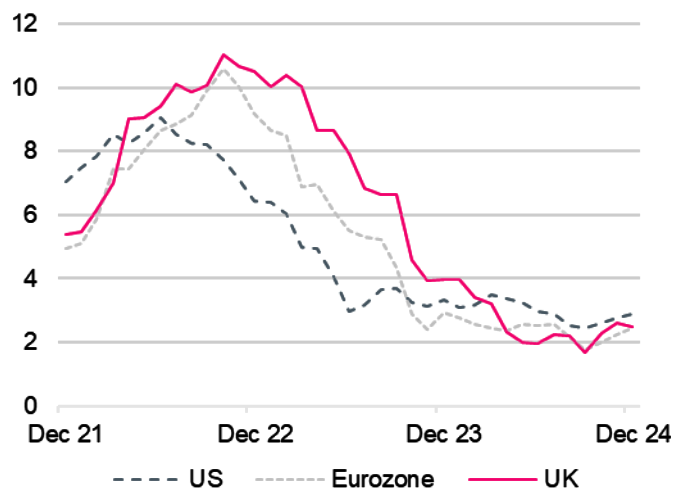
Market Background

Market update

December's US GDP release showed the economy continued to expand at a robust annualised pace of 3.1% in Q3: as consumer and government spending, and business investment all lent support. The eurozone grew a more modest 0.4%, as service sector activity offset ongoing manufacturing weakness, while the UK economy stagnated.

Year-on-year headline CPI inflation rose in Q4 to 2.9%, 2.5% and 2.4%, in the US, UK and eurozone, respectively, largely due to a smaller negative impact from energy prices relative to last year's sharp declines. Core inflation, which excludes volatile energy and food prices, was little changed, but remains above headline measures, at 3.2% in the US and UK, and 2.7% in the eurozone.

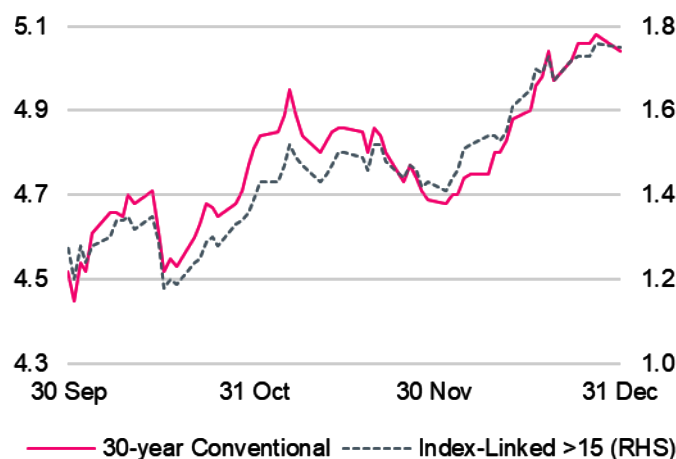
Annual CPI Inflation (% year on year)



Central banks looked through rising headline inflation and cut rates in Q4. The European Central Bank and Federal Reserve (Fed) both cut rates by 0.5% pa, to 3.0% pa and 4.25–4.5% pa, respectively. Amid signs of more persistent inflation, the Bank of England (BoE) lowered rates by a smaller 0.25% pa, to 4.75% pa. At the end of December, markets were expecting just two rate cuts from the BoE and Fed in 2025, down from five at the end of September.

Expectations that US interest rates will remain higher-for-longer saw the trade-weighted US dollar rise 6.4%. Equivalent sterling, yen, and euro measures fell 1.5%, 4.5%, and 2.0%, respectively. Oil prices rose 3.9% but remained relatively low, at \$75 per barrel. Despite reaching new highs in October, gold prices fell 0.3% due to a stronger dollar and profit-taking by investors following gold's large gains in 2024.

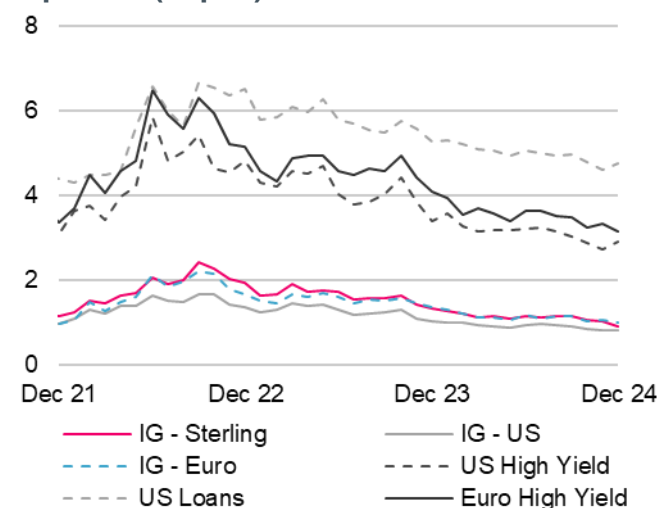
Gilt yields chart (% p.a.)



US 10-year yields rose 0.8% pa to 4.5% pa, driven by strong growth, expectations of a more inflationary policy mix under Trump, and anticipated higher bond issuance to fund tax cuts. UK 10-year gilt yields rose 0.6% pa to 4.6% pa, spiking after the Autumn Budget, as investors digested a likely slower pace of rate cuts and higher gilt issuance. French 10-year yields rose 0.3% pa to 3.2% pa as political ructions led Moody's to downgrade the country's debt. Equivalent German and Japanese yields rose 0.2% pa to 2.4% pa and 1.1% pa, respectively.

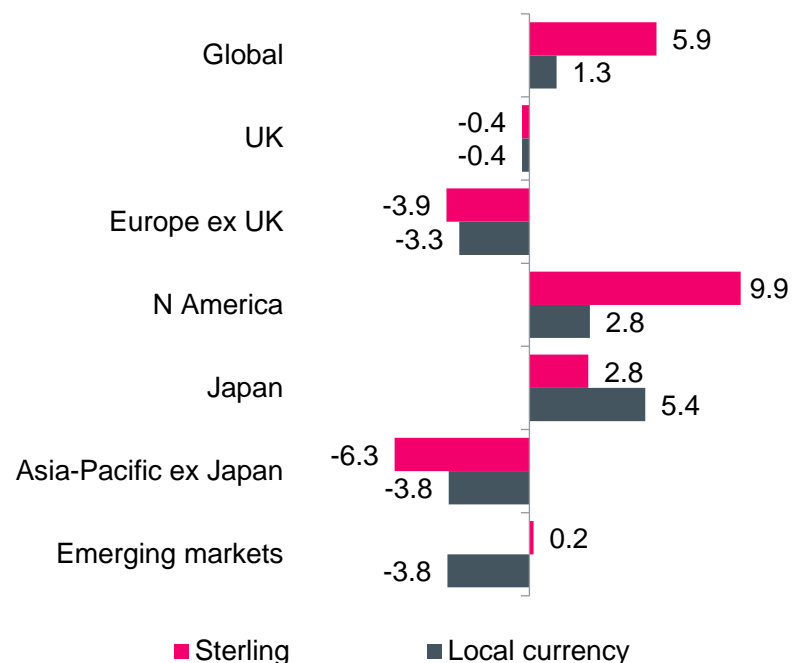
Credits spreads fell further in Q4, leaving both investment- and speculative-grade spreads near historic lows. Global investment grade credit spreads remained at 0.9% pa while speculative grade credit spreads fell 0.2% pa to 3.1% pa.

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

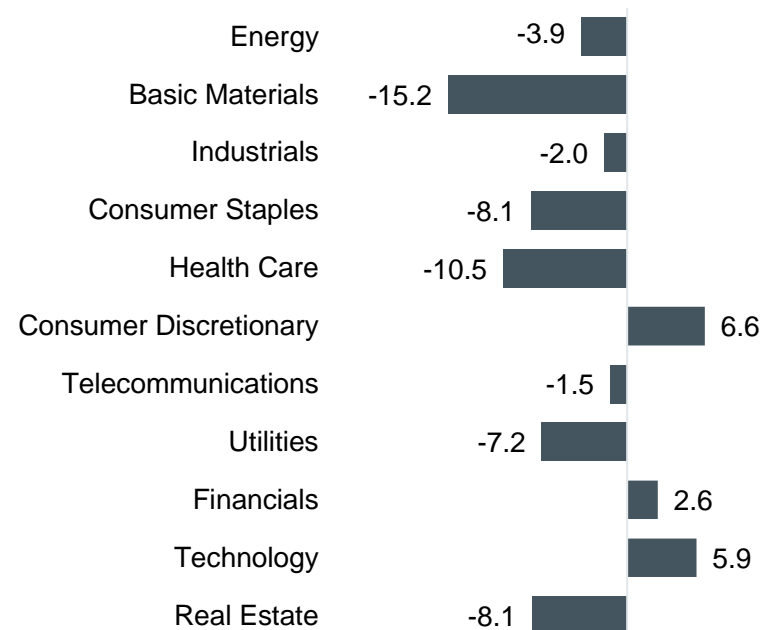


Market Background

Regional equity returns ^[1]



Global equity sector returns ^[2]



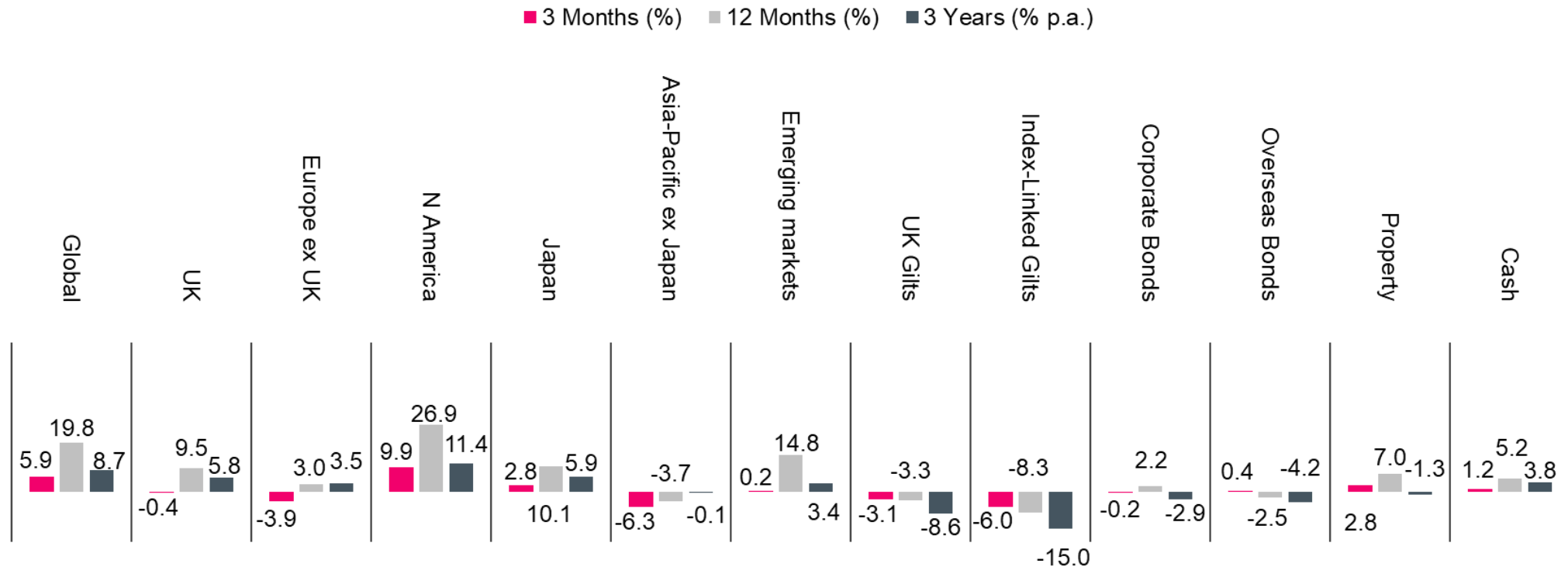
Market commentary

Despite falling in December, the FTSE All World Total Return Index gained 1.3% in Q4. Japan outperformed, as yen weakness lent support to the export-heavy market. The US also outperformed with domestically focused stocks supported by Trump's tax and deregulation policies, and large-cap tech stocks rising on strong earnings. The prospect rising trade frictions, higher US rates, and a stronger dollar contributed to underperformance in other regions, led by emerging and Asian markets, followed by Europe ex-UK and the UK.

The MSCI UK Property Total Return Index rose 2.8% quarter-to-date to end-December, driven by income and a rise in capital values. The 12-month total return to end-December edged up to 7.0%, as 12-month capital growth turned positive in December.

Market Background

Historical returns for world markets



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

Asset allocation

	Valuation (£m)		Actual Proportion	Benchmark	+ / -
	Q3 24	Q4 24			
Longview Global Equity	519.9	535.9	10.6%	40.0%	2.7%
Storebrand Smart Beta And ESG	482.2	479.0	9.4%		
UBS Osmosis	411.1	435.1	8.6%		
Baillie Gifford Global Alpha	221.4	230.3	4.5%		
WHEB Active Impact Equity	226.9	223.6	4.4%		
Wellington Active Impact Equity	257.3	263.3	5.2%	5.5%	1.8%
Adams Street Private Equity	172.9	182.6	3.6%		
HarbourVest Private Equity	175.7	185.3	3.7%		
Total Growth	2,467.6	2,535.0	50.0%	45.5%	4.5%

Asset allocation

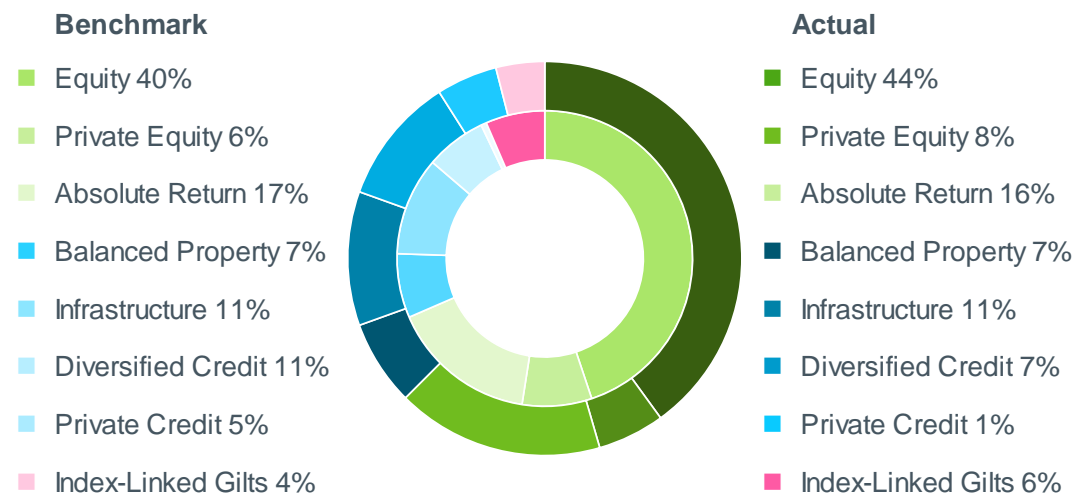
	Valuation (£m)		Actual Proportion	Benchmark	+ / -
	Q3 24	Q4 24			
Bluebay Total Return	172.3	173.9	3.4%	10.5%	-0.7%
M&G Corporate Bonds	132.9	129.9	2.6%		
M&G Alpha Opportunities	187.1	191.1	3.8%		
M&G Real Estate Debt VI	32.5	29.1	0.6%	5.0%	-4.4%
Newton Real Return Fund	371.2	329.1	6.5%	17.0%	-1.7%
Ruffer Absolute Return	458.8	445.5	8.8%		
Atlas Infrastructure	104.7	97.8	1.9%	11.0%	-0.8%
IFM Global Infrastructure Fund	254.0	262.5	5.2%		
M&G Infrastructure	52.3	44.6	0.9%		
Pantheon Infrastructure	82.2	80.7	1.6%		
UBS Infrastructure	32.4	33.9	0.7%	7.0%	-0.3%
CBRE Real Estate Fund	0.0	339.0	6.7%		
Schroders Property	337.5	0.0	0.0%		
Total Income	2,217.9	2,157.1	42.5%	50.5%	-8.0%
UBS Index Linked Gilts	231.7	313.1	6.2%	4.0%	2.2%
Total Protection	231.7	313.1	6.2%	4.0%	2.2%
Cash	58.4	65.5	1.3%	0.0%	1.3%
Total Scheme	4,975.6	5,070.8	100.0%	100.0%	

Asset allocation commentary

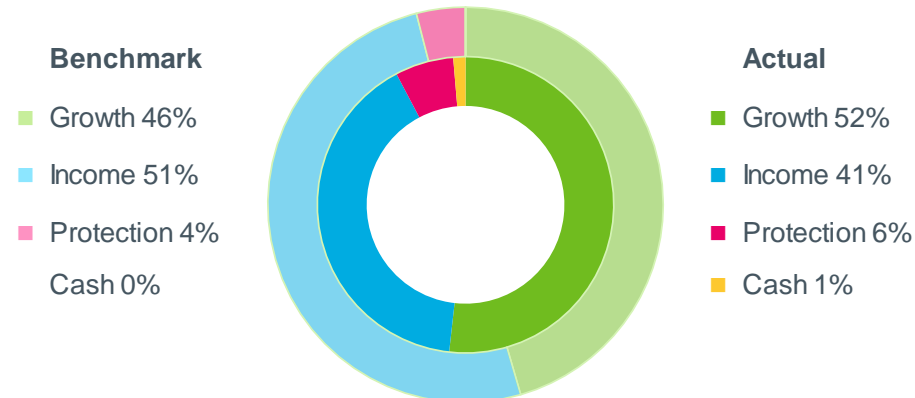
- Over Q4 2024, the Fund completed the disinvestment from the Schroders Property fund, with proceeds invested into the CBRE Real Estate Fund. This follows the completion of the Global Real Estate procurement exercise last year, conducted by ACCESS. CBRE were appointed as the Pool's Global Real Estate manager. This fund switch therefore contributes to the Fund's pooling objective. The Fund's allocation to property remains broadly in-line with the agreed long-term allocation.
- Notably, the Fund's index-linked gilts assets have increased by c.£81.4m over the quarter. This increase in allocation has been primarily driven by a c.£101m top-up investment, which took place in December 2024, after the pre-set triggers were hit. The investment was funded by the following disinvestments and distributions:
 - £31m disinvestment from Storebrand Smart Beta and ESG
 - £4.1m distribution from M&G Real Estate Debt
 - £9m distribution from Adams Street Private Equity
 - £5.9m distribution from Harbour Vest Private Equity
 - £43m disinvestment from Newton Real Return
 - £7.4m disinvestment from M&G Infrastructure
 - £8.9m disinvestment from Pantheon Infrastructure

The increased allocation to index-linked gilts was dampened by negative performance over the quarter. For more information, please see the performance commentary on slide 11.

Asset allocation vs benchmark (agreed long-term allocation)



Asset allocation vs benchmark (GrIP)



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

Manager performance vs benchmark

	Last 3 Months (%)			Last 12 Months (%)			Last 3 Years (% p.a.)			Since Inception (% p.a.)		
	Fund	B'mark	+ / -	Fund	B'mark	+ / -	Fund	B'mark	+ / -	Fund	B'mark	+ / -
Longview Global Equity	3.1	6.9	-3.6	12.7	20.8	-6.7	9.1	9.2	0.0	12.7	11.8	0.8
Storebrand Smart Beta And ESG	5.9	6.9	-1.0	19.6	20.8	-1.0	7.2	9.2	-1.8	11.1	12.6	-1.3
UBS Osmosis	5.8	6.9	-1.0	19.4	20.8	-1.2	-	-	-	12.3	12.7	-0.3
Baillie Gifford Global Alpha	4.0	6.0	-1.9	15.3	19.6	-3.6	0.7	8.2	-6.9	0.1	9.1	-8.2
WHEB Active Impact Equity	-1.5	6.9	-7.8	0.2	20.8	-17.1	-4.6	9.2	-12.6	0.5	12.4	-10.6
Wellington Active Impact Equity	2.3	6.0	-3.5	11.4	19.6	-6.9	1.5	8.2	-6.2	5.0	10.9	-5.4
Adams Street Private Equity	11.2	6.3	4.6	6.1	21.1	-12.4	1.1	9.7	-7.9	10.8	10.9	-0.1
HarbourVest Private Equity	8.9	6.3	2.5	5.4	21.1	-12.9	4.1	9.7	-5.2	9.2	11.4	-2.0

Growth











































Manager performance vs benchmark

	Last 3 Months (%)			Last 12 Months (%)			Last 3 Years (% p.a.)			Since Inception (% p.a.)		
	Fund	B'mark	+ / -	Fund	B'mark	+ / -	Fund	B'mark	+ / -	Fund	B'mark	+ / -
M&G Corporate Bonds	-2.3	-1.9	-0.4	-1.1	-2.0	0.9	-7.2	-7.5	0.3	5.9	5.0	0.8
M&G Alpha Opportunities	2.2	1.9	0.3	10.5	8.0	2.2	6.5	6.9	-0.3	4.4	2.5	1.9
M&G Real Estate Debt VI	2.2	2.1	0.2	10.2	9.0	1.1	5.4	7.9	-2.4	3.9	6.3	-2.2
Bluebay Total Return	0.9	1.9	-1.0	-	-	-	-	-	-	6.4	5.6	0.8
Newton Real Return Fund	0.1	1.7	-1.6	6.8	7.5	-0.7	0.7	6.4	-5.4	4.0	2.4	1.6
Ruffer Absolute Return	-2.9	1.7	-4.6	-0.5	7.5	-7.5	-0.7	6.4	-6.6	4.4	2.4	2.0
Atlas Infrastructure	-6.6	1.8	-8.3	-2.2	12.3	-12.9	3.5	5.3	-1.8	5.2	7.3	-1.9
IFM Global Infrastructure Fund	3.4	1.5	1.8	5.6	4.6	1.0	-	-	-	7.1	5.3	1.7
M&G Infrastructure	-0.6	1.5	-2.1	-18.9	4.6	-22.4	-3.1	7.6	-9.9	2.6	6.0	-3.2
Pantheon Infrastructure	9.7	1.5	8.0	8.6	4.6	3.8	13.8	7.6	5.7	10.0	5.8	3.9
UBS Infrastructure	4.8	1.5	3.2	5.7	4.6	1.1	6.9	7.6	-0.7	4.4	2.9	1.5
CBRE Real Estate Fund	0.1	2.4	-2.3	-	-	-	-	-	-	-1.5	2.4	-3.8
Income												
UBS Index Linked Gilts	-7.4	-7.3	0.0	-10.8	-10.8	-0.1	-17.9	-17.9	0.0	-4.5	-4.5	0.0
Total Scheme	2.0	3.6	-1.6	7.3	12.1	-4.3	2.4	5.7	-3.1	8.0	-	-

Manager performance commentary

- Total Fund performance over Q4 2024 was 2.0%, underperforming the composite benchmark of 3.6%.
- On a relative basis, the stand-out detractors were:
 - WHEB Active Impact Equity which underperformed its MSCI World benchmark by 7.8% over the quarter. Unfortunately, this trend continues longer-term, with the strategy underperforming its benchmark by 10.6% p.a. since inception.
 - Atlas Infrastructure has underperformed its FTSE Developed Core 50/50 Infra benchmark by 8.3%, returning -6.6% over the quarter. In contrast, one of the Fund's other infrastructure mandates, Pantheon Infrastructure, returned c.9.7% over Q4. In fact, the Pantheon strategy had the highest relative returns over the quarter, of 8.0%.
- The worst performing fund on an absolute basis was the UBS Index-Linked Gilts mandate, returning -7.4% over the quarter. Gilt yields rose considerably over the quarter due to expectations that UK interest rates will stay higher for longer. This consequently caused gilt prices to fall dramatically over Q4. Although this contributed negatively to overall performance, the fund performed broadly in-line with its index-linked gilt benchmark.
- On a positive note, both the Fund's private equity managers posted strong returns over the quarter. Harbour Vest and Adams Street returned 8.9% and 11.2% respectively, both significantly outperforming the MSCI AC World benchmark of 6.3% over the quarter.
- 3- and 12-month performance compares favourably to the Fund's actuarial discount rate of 4.6% p.a. However, over the 3-year period the Fund has underperformed this by 2.2% p.a.

Manager ratings

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

Adams Street - Greg Holden announced his retirement and departed the secondaries team in December 2024. Greg Holden primarily covered buyout GPs throughout the European region. The team has been planning for Greg's retirement resulting in a smooth transition of responsibilities and coverage over time. The Partner and Principal group collectively have and will assume responsibility for Greg's coverage and roles on the team. Stephen Bluestein will be joining the Primary Team in Menlo Park, as a Partner. His focus will be on Primaries (mostly venture) and Leaders (VC co-investments).

Pantheon - Kathryn Leaf, previously Co-Head of Investment and Head of Real Assets will become CEO effective January 1, 2025. She succeeds Managing Partner Paul Ward. Kathryn has more than 25 years of experience investing in the private markets. Jeff Miller, previously Co-Head of Investment and Global Head of Private Equity, will become Chief Investment Officer effective January 1, 2025, with oversight across all our asset classes. Jeff and Kathryn have been Co-Heads of Pantheon's investment teams since the beginning of 2023. Paul Ward will assume the role of Executive Chairman in 2025. He will remain an important presence in the London office as well as a senior contributor to the Partnership Board and Executive Committee.

CBRE - In December 2024 CBRE IM announced a new Co-CEO structure. Andy Glanzman has been promoted to Co-CEO and President, responsible for developing and executing CBRE IM's business strategy and overseeing day-to-day operations. Andy reports directly to Bob Sulentic, CEO and Chair of CBRE. Adam Gallistel will join as Co-CEO and CIO on April 1, 2025, bringing his extensive experience from Singapore sovereign wealth fund GIC. Adam will be responsible for investment strategy and performance and will have a strong focus on investor engagement. Adam will also report directly to Bob Sulentic. Kim Hourihan will be with the Firm in her current position as global CIO through March 31, 2025. Thereafter, she will be available as needed through June 30, 2025, as she pursues opportunities outside the Firm.

WHEB - In January 2025 WHEB announced the acquisition of the business by Foresight Group. Foresight is an impact-focussed manager and specialises in listed and private investment solutions. Its focus includes reducing global carbon emissions, enhancing social infrastructure for businesses and communities, and supporting the long-term growth of ambitious companies. We will provide further views once we have greater clarity on the acquisition.

Current issues in LGPS – December 2024

The most wonderful time of the year

2024 has been particularly busy for those involved in running the LGPS. This has been reflected across our communications, with a whopping seven Sixty Second Summaries, 26 briefing notes or similar publications, and 12 webinars being run over the last 11 months. Our [festive lookback](#) provides a quick reminder of the key themes in 2024. And, if you need a challenge, we invite you to complete the LGPS wordsearch in under 5 minutes!

Unpacking the Mansion House speech and Autumn Budget

[Watch our webinar on-demand](#) where our multi-discipline panel share their thoughts and key takeaways from Chancellor Rachel Reeves' first Budget, delivered on 30 October, and their immediate (within 12 hours!) thoughts on the Mansion House speech. The webinar also covered two items in the Budget of particular interest to LGPS funds – the consultation to bring unused pension benefits and death grants into scope for inheritance tax purposes, and the switch in the measure of public debt for its fiscal targets, which now includes the LGPS. Please click [here](#) and [here](#) respectively for further details.

LGPS consultation – fit for the future?

Mansion House speeches have increasingly become nerve racking occasions for the LGPS. This one was a case in point, with the government's announcement of "megafunds" setting hares in advance. As widely expected, the speech saw the Chancellor delivering announcements impacting the LGPS in England & Wales, covering pooling, UK investment and, at last, the Good Governance review. They also released the interim Pension Investment Review [report](#), providing support for their plans. A 'fit for the future' [consultation](#) has now launched with a deadline of 16 January 2025. Our [briefing note](#) explores how we got to this point, what the consultation covers, how this develops the issue and what's next.

DfE guarantee for FE bodies

The UK Government, via the Department of Education (DfE), is now providing a [LGPS guarantee](#) to certain further education (FE) bodies in England. It doesn't extend to universities. The guarantee is structured in a similar way to the existing one that covers academy trusts and is subject to an annual limit. The wording encourages FE bodies to engage with LGPS funds about how the guarantee will affect their funding strategies, with the DfE expecting the lowest risk employer funding strategies to apply, on a par with academies and local authorities. Some funds are likely to be contacted by affected employers to seek 'inter-valuation' contribution rate reviews ahead of the 2025 valuation. That aside, and given the change in the covenant of these employers, funds themselves may want to be on the front foot and initiate a review of rates payable in 2025/26. Please agree a plan with your Fund Actuary.

Current issues in LGPS – December 2024

How do we make productive finance a success?

In the second [publication](#) of our productive finance series, we take a deeper dive into the governmental and historical challenges faced in this area and consider the key success factors and actions that need to happen for it to be a force for good in the UK. The first publication in the series – available [here](#) - introduced the concept of productive finance.

COP29

The Conference of the Parties of the UNFCCC met at CPO29 in Azerbaijan last month to negotiate global agreements for addressing climate change. The COP faced criticisms around lobbying and the absence of key decision-makers. However, agreements included \$300bn per year in climate financing (albeit less than the target \$1.3trn). Rules were also agreed to harmonise carbon-credit markets globally, but without the usual consultation, which raised concerns about their rigour. Nevertheless, these decisions will drive capital to climate solutions. The shortfall in scale of action (alongside diminishing US support) highlights the role of asset owners in driving change through capital allocation and stewardship.

A bundle of presents from our 2025 valuations team...

Just like Santa's elves, we've been busy producing lots of goodies for LGPS funds in the lead up to the festive period...

- Those of you who tuned in to (or watched [on demand](#)) our October webinar on *Employer engagement through the 2025 LGPS valuation* will have been eagerly anticipating some further insights on this topic. Two written pieces are now available – a [briefing note](#) explaining the importance of employer risk monitoring with sector-specific risks for LGPS funds to be aware of, and a [60 Second Summary](#) outlining the crucial steps for bridging expectation gaps amongst employers and fostering effective collaboration among stakeholders.
- In November we held the third webinar in our 2025 valuation series, this time on *Considering climate and longevity risks in your LGPS funding valuation*. If you missed it, the recording is now available to watch [on demand](#).
- Many LGPS funds have now begun exploring changes to actuarial assumptions ahead of the 2025 valuation with their actuaries. Setting assumptions is an important part of the process that you don't have to wait to do – speak to your actuary about reviewing them now if you want to get ahead!

Current issues in LGPS – December 2024

Responsible Investment - news and views

Our latest quarterly [newsletter](#) considers if RI has kept pace with the rapid advancement of artificial intelligence, and how governance can play an important role to mitigate the environmental impact and control security risks. The update also shines a light on modern slavery and how active stewardship can help to address human rights violations, before finishing with some 'ESG snippets', including the recent launch of the Taskforce on Inequality and Social-related Financial Disclosures (TISFD).

New FSS guidance

On 27 November, the Scheme Advisory Board in England & Wales [recommended](#) that its new [Funding Strategy Statement guidance](#), produced in conjunction with CIPFA, be approved by MHCLG. It looks like this guidance will be available prior to the 2025 valuation. The requirements of the new guidance largely reflect the changes we made to FSSs at the 2022 valuation, and so updating these documents at the 2025 valuation should be relatively straight forward. This will allow funds to concentrate on reviewing supplementary funding policies, such as those covering cessations or academies.

Club Vita's latest webinars

As well as providing pension funds with longevity analysis, [Club Vita](#) regularly host webinars to explore emerging trends in longevity risk. In its most recent episodes of the popular "The Risk of Living Longer" webinar series, the panellists explored the impact of behavioural change on longevity outcomes (click [here](#)) and the possibilities for preventing dementia (click [here](#)).

InflationWatch

Our latest quarterly [update](#) looks at key indicators that provide clues to the direction of travel on future inflation. It also considers other factors that may have an impact, including the US election result, measures announced in the UK's Autumn Budget, interest rates cuts by the Bank of England and energy prices

Manager details

Mandate	Date appointed	Benchmark description
Longview Global Equity	30/04/2013	MSCI World
Storebrand Smart Beta And ESG	03/12/2020	MSCI World Index
UBS Osmosis	03/03/2022	MSCI World
Baillie Gifford Global Alpha	21/08/2021	MSCI ACWI
WHEB Active Impact Equity	01/12/2020	MSCI World Index
Wellington Active Impact Equity	01/12/2020	MSCI ACWI
M&G Corporate Bonds	31/12/1996	Composite Benchmark
M&G Real Estate Debt VI	11/04/2019	3 Month SONIA +4%
Adams Street Private Equity	31/03/2003	MSCI ACWI +1.5%
HarbourVest Private Equity	31/01/2003	MSCI ACWI +1.5%
Bluebay Total Return	31/03/2016	3 Month SONIA +3%
M&G Alpha Opportunities	30/11/2009	3 Month SONIA +3%
Newton Real Return Fund	30/04/2010	3 Month SONIA +2.5%
Ruffer Absolute Return	30/04/2010	3 Month SONIA +2.5% p.a.
Atlas Infrastructure	02/12/2020	FTSE Developed Core Infrastructure 50/50
IFM Global Infrastructure Fund	03/01/2023	CPI +2%
M&G Infrastructure	31/10/2018	CPI +2%
Pantheon Infrastructure	04/05/2018	CPI +2%
UBS Infrastructure	31/01/2008	CPI +2%
Schroders Property	31/12/2009	IPD All Balanced Fund Index
UBS Index Linked Gilts	31/01/2018	FTSE Index-Linked Over 5 Years
Cash	31/12/2002	1 Month SONIA

Hymans manager ratings

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

Hymans Responsible Investment ratings

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

Glossary – equity manager styles

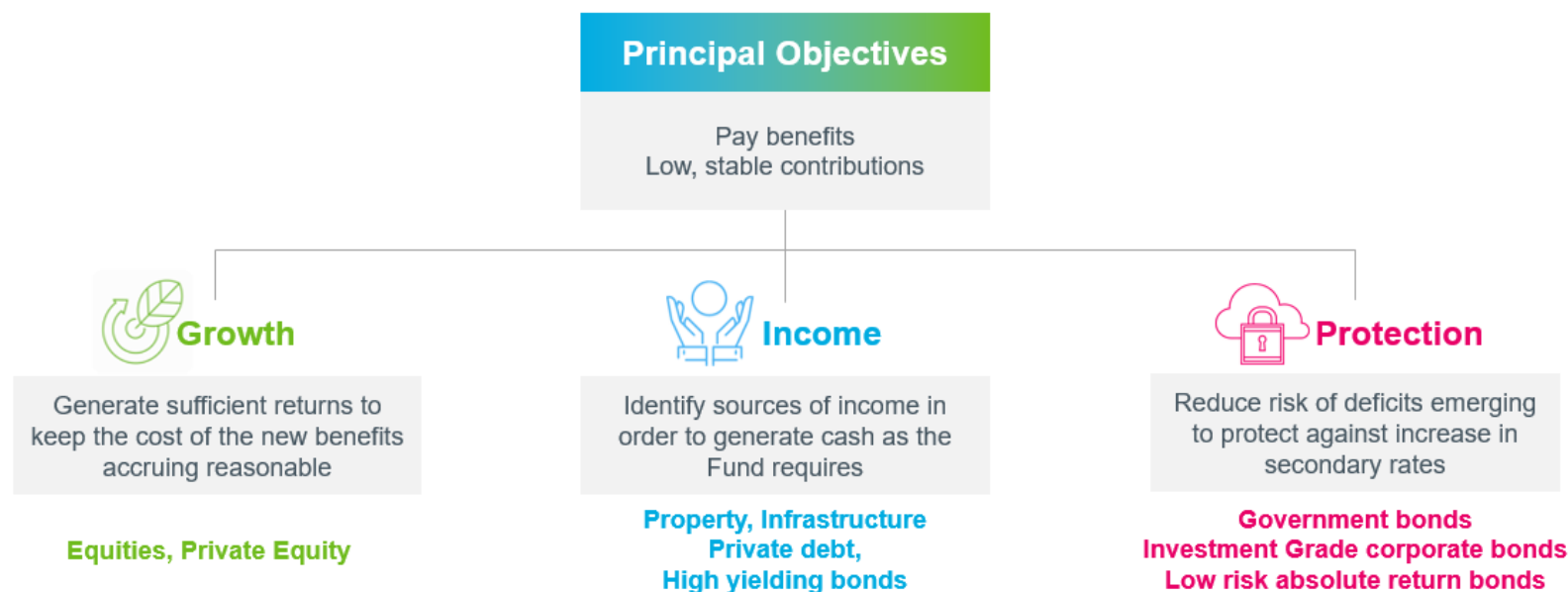
‘Style’ refers to the type of stocks a manager will typically research and select for portfolios. It is important to diversify these ‘styles’ in order to manage concentration risks.

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

Glossary - other

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

Growth, Income and Protection



Geometric v arithmetic performance

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

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

Some industry practitioners use the simpler arithmetic method as follows:

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

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

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

Risk warning

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

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

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