HEALTH WEALTH CAREER

CAMBRIDGESHIRE COUNTY COUNCIL PENSION FUND

INVESTMENT MONITORING REPORT QUARTER TO 31 DECEMBER 2020

February 2021

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Points to note:

- The value of investments can go down as well as up and you may not get back the amount you have invested. In addition investments denominated in a foreign currency will fluctuate with the value of the currency.
- The valuation of investments in property based portfolios, including forestry, is generally a matter of a valuer's opinion, rather than fact.
- When there is no (or limited) recognised or secondary market, for example, but not limited to property, hedge funds, private equity, infrastructure, forestry, swap and other derivative based funds or portfolios it may be difficult for you to obtain reliable information about the value of the investments or deal in the investments.
- Care should be taken when comparing private equity / infrastructure performance (which is generally a money-weighted performance) with quoted investment performance (which is generally a time-weighted performance). Direct comparisons are not always possible.

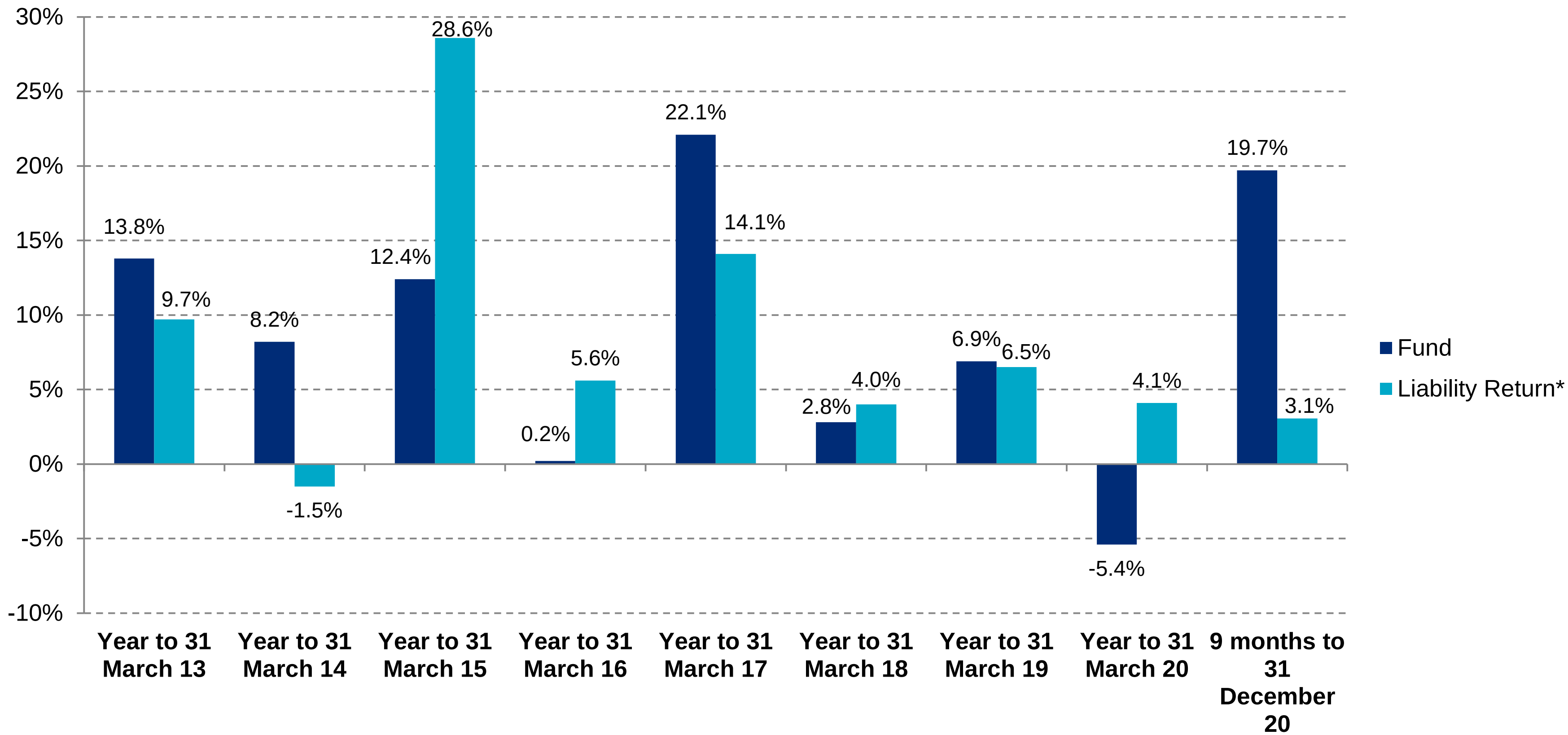
Peter Gent

EXECUTIVE SUMMARY
MONITORING DASHBOARD

Key
- Red: Committee to consider if action is required.
- Amber: To be kept under on-going review. Includes where action is required but has already been agreed.
- Green: In line with objective and no action required.

Category		Comments	Current Status	Status Last Quarter
Asset Allocation		As at 31 December 2020, the Fund's asset allocation was overweight to equities (+5.2%) and underweight to alternatives (-4.8%) and fixed income (-0.4%).	Amber	Amber
Funding Level Change		The present value of the Fund's liabilities increased over the quarter (from £3,630m to £3,704m). The Fund's assets (including cash) increased over the quarter by £222.4m from £3,421.9m as at 30 September 2020 to £3,644.3m as at 31 December 2020. The Fund's assets (including cash) have increased by £205.0m over the last twelve months. The estimated funding level at 31 December 2020 was c. 98.4%, up from c. 93.6% as at 30 September 2020. For comparison, the funding level at 31 March 2019 (the date of the last actuarial valuation) was 99.7%	Green	Green
Performance	Quarter	The **equity portfolio outperformed the benchmark over the quarter**, returning 10.2% vs a benchmark return of 9.6%. **The stand-out performer was Dodge & Cox**, who outperformed the benchmark by 9.3%. The **fixed Income portfolio also outperformed the benchmark over the quarter**, returning 4.0% vs a benchmark return of 0.4%. **Due to numerous factors, including stale pricing, provisional performance figures understating actual returns and currency impacts, we estimate that the alternatives portfolio underperformed**, returning -1.3% vs a benchmark return of 4.2%. The impact of the difficulties in calculating alternatives performance meant that the total return for the portfolio lagged the benchmark, returning 6.2% vs 6.9%.	Green	Amber
Performance	Longer-term	Over the 3 years to December 2020, the total Equity portfolio returned 7.3% vs a benchmark return of 9.0%. Note that this includes performance of previously terminated mandates and whist Dodge & Cox have underperformed over this period, recent performance has been more compelling. The total Fixed Income portfolio has outperformed over the last 3 years by 0.5% vs the benchmark. The Alternatives portfolio has underperformed, returning 5.2% vs the benchmark of 7.3%. As a reminder however, the bespoke nature of these alternative mandates means that there is no comparable investable Index and benchmarking will inevitably lead to large discrepancies between fund and benchmark, especially over the short to medium term. In aggregate, this has led to an underperformance of 2.2% vs the benchmark over the past 3 years.	Amber	Amber

EXECUTIVE SUMMARY
PERFORMANCE VS STRATEGIC TARGET (1)

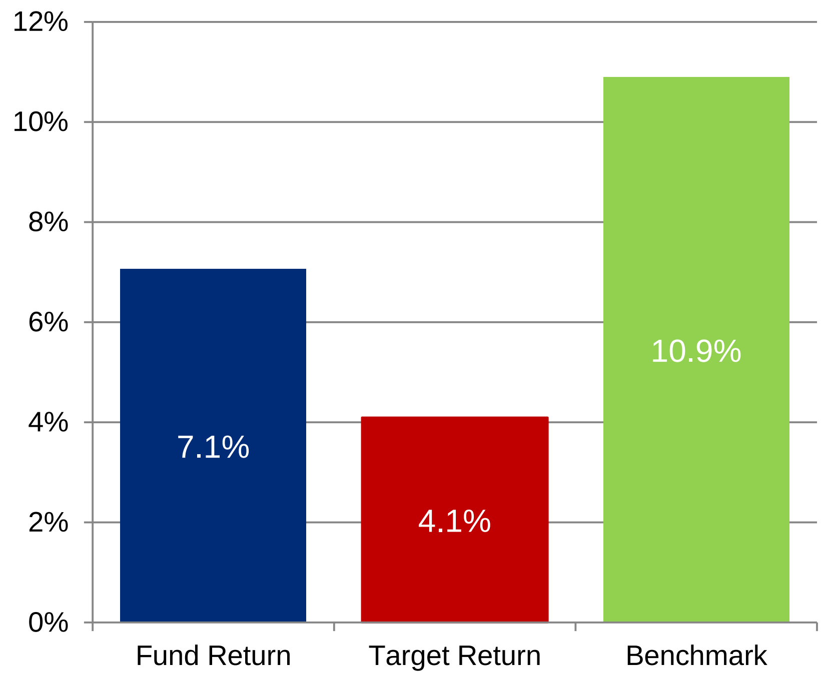


Showing as Gilts + 1.6% prior to 31 March 2016. Gilts + 1.8% to 31 March 2019 and a flat 4.1% after 31 March 2019. Performance is gross of fees.

The above chart compares the Fund's actual return on the assets versus an estimate of the liability return, therefore helping to illustrate how the Fund has performed from a funding level perspective. Whilst the asset return is relatively simplistic to calculate, the liability return is more complex due to the changing assumptions made over time by the Fund's actuary. These assumptions are defined triennially at each actuarial valuation. At the last valuation (31 March 2019) the actuary set the discount rate (i.e. a proxy of the Fund's liability return on a forward looking basis) at 4.1% per annum. In other words, all else equal, if the Fund's asset performance exceeds 4.1% going forward, the deficit will fall. If the performance of the assets lags 4.1%, the deficit will increase.

EXECUTIVE SUMMARY
PERFORMANCE VS STRATEGIC TARGET (2)

Performance of Fund Assets versus Target (since March 2019)



This graph shows the net performance of the Fund's assets against its Strategic Benchmark and Target Return since 31 March 2019.

At the 31 March 2019 Actuarial Valuation, the Target Return was set at 4.1% p.a.

The Fund has achieved a return of 7.1% p.a. since the last actuarial valuation, which is 3.0% ahead of the target of 4.1% p.a.

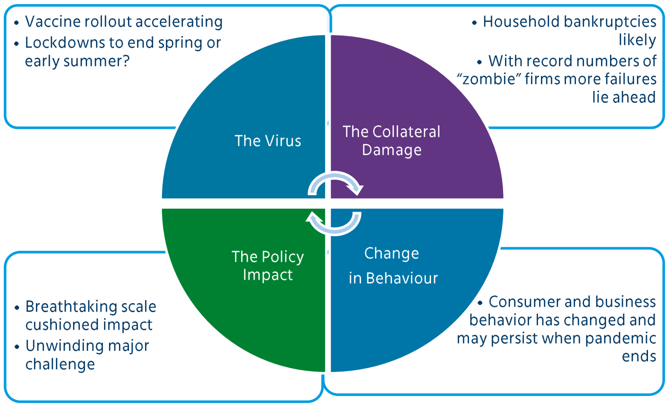
Over the same period the asset class benchmark achieved a return of 10.9% p.a.

The Benchmark return represents market indices applied against the strategic allocation for each sector.

Figures shown are based on performance provided by the investment managers, WM, Mercer estimates and Thomas Reuters Datastream. Performance data to 31 December 2020.

CURRENT TOPICS

The Great Acceleration: Themes and Opportunities 2021

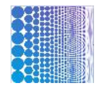


Post-Pandemic the world *will* be different

The New World

- Holistic, qualitative approach to risk
- Inflation risk management
- Opportunistic strategies
- Re-test value of regional strategies

Business as Unusual



- Public and private credit opportunities
- Reassess your real assets exposure
- ESG ratings matter more than ever
- Review manager diversity

Position for Transition

- Total portfolio climate-transition plan
- Grey, green, or in-between
- Decarbonize-at-the-right-price
- Seek out sustainable assets and strategies

Relevance to the Fund

✔

The pandemic has accelerated trends that were already in motion and this presents risks and opportunities for the Fund – for example around inflation, climate change and ESG risks.

Cryptoassets – Too hot to handle? Or Too cool for school?

- **What are cryptoassets?** Cryptoassets are digital assets stored on decentralized networks. There is no central governing body, and users themselves operate the system by consensus.
- **Where did the demand come from?** Cryptoassets are the result of a <u>libertarian project which arose out of the ashes of the GFC</u>. Specifically they arose out of concerns with the indiscipline of monetary authorities and government seigniorage (government ability to profit from making money).
- **What's changed?** Access to cryptoassets is getting easier and easier, <u>but</u> more linked to other markets (for example on Robinhood you can trade stocks, options, metals, and crypto).
- **Why are people excited?** Cryptoassets are highest risk assets, but also offer the potential for <u>asymmetric returns</u> (aka positive convexity). Asymmetric assets can go up and down, but the upside is bigger than the downside. A classic example is a lottery ticket, or in finance, a short position on a bond.

Regulatory opinions

Have we landed on what I would call the design, governance and arrangements for what I might call a sort of lasting digital currency? No, I don't think we're there yet, honestly. I don't think cryptocurrencies as originally formulated are it.

Andrew Bailey, Governor of the Bank of England. January 2021.

Investing in cryptoassets, or investments and lending linked to them, generally involves taking very high risks with investors' money. If consumers invest in these types of product, they should be prepared to lose all their money

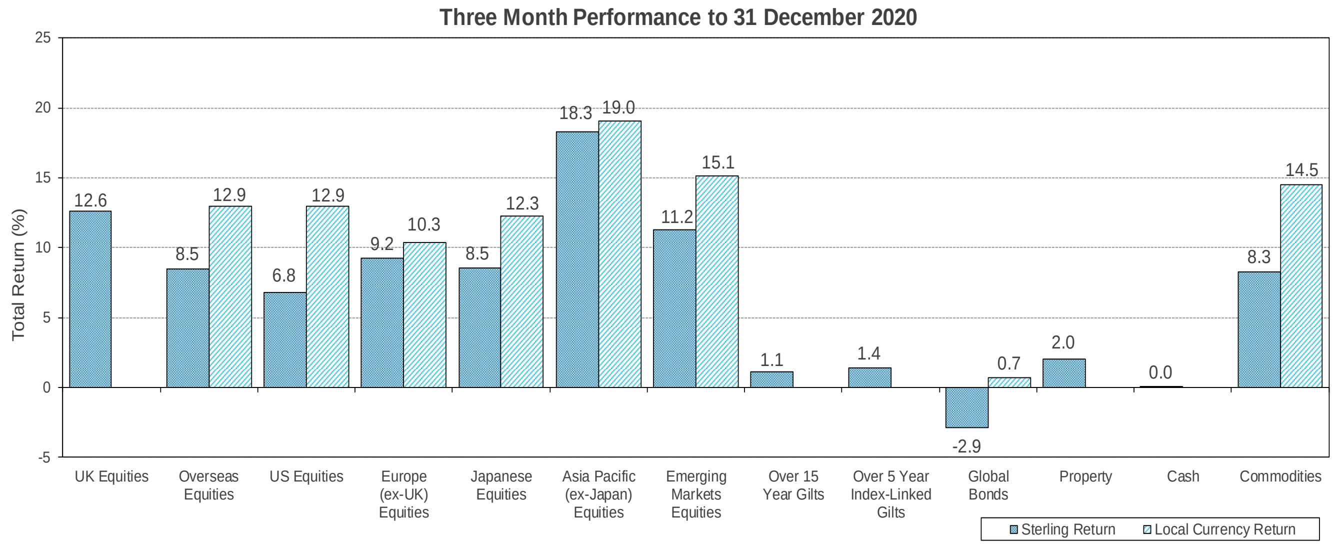
FCA, January 2021.

Relevance to the Fund

Whilst Cryptocurrencies are gaining traction and making headlines, their relevance to pension funds remains very limited for the time-being. That said, it's possible absolute return style managers look at smaller allocations in due course (as Ruffer has done recently).

MARKET BACKGROUND

Return Over 3 Months to 31 December 2020

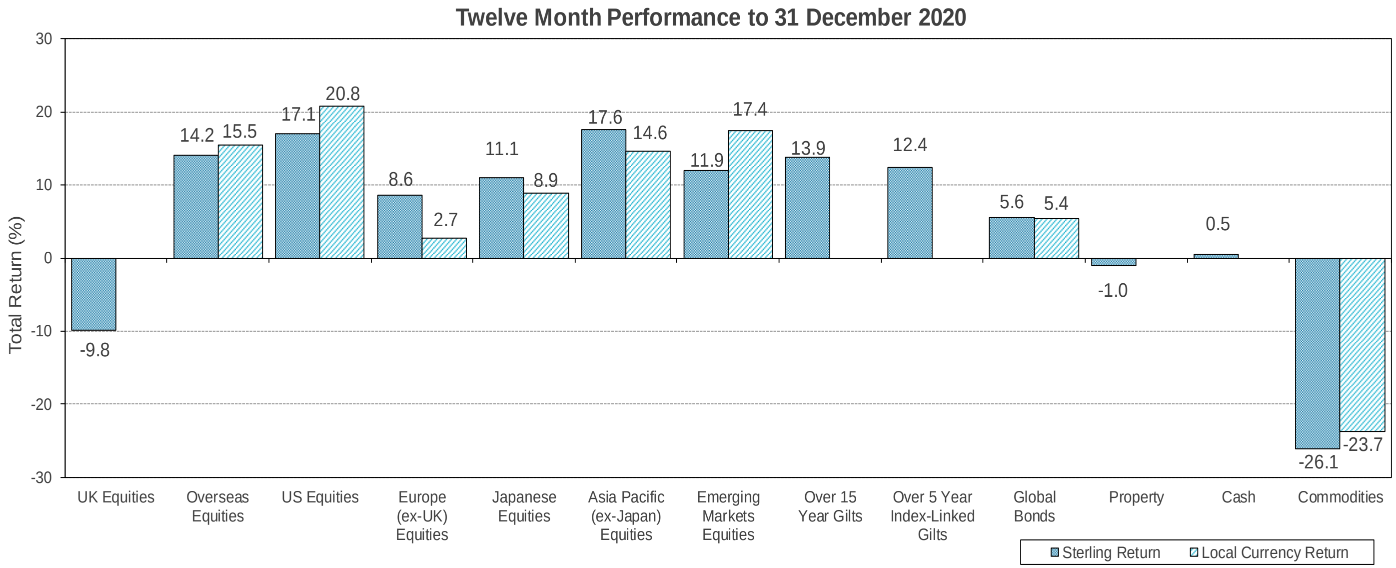


Source: Thomson Reuters Datastream.

- Global equity markets rallied over the quarter, returning 8.5% in sterling terms and 12.9% in local currency terms – the third positive quarter in a row. Many major indices, including the S&P500, showed mid to high double digit returns for the year. Volatility was higher over the third quarter as markets reacted to a return of pandemic-related restrictions and to major political events including the US election and the final Brexit negotiations.
- US equities returned 6.8% in sterling terms, compared to 12.9% in local currency terms over the quarter, as markets focused on the prospect for vaccine roll-outs. European (ex UK) equities returned 9.2% in sterling terms (10.3% local) driven by similar dynamics as well as a cyclical recovery in value stocks that are expected to benefit most from a full reopening and have a heavier weight in many European indices.
- In the UK, quarter-on-quarter GDP rebounded by 16% to the end of June (non-annualised). Headline CPI inflation marginally fell to 0.3% at the end of November from 0.5% at the end of September. The Brexit deal at year end was major good news but this was tempered by large swathes of the country entering Christmas in full lockdown after a more contagious strain of COVID-19 started to spread across London and the South East.
- The UK yield curve shifted down marginally over the quarter as inflation expectations changed little and additional fiscal stimulus as well as monetary accommodation was announced in the UK over the quarter.

MARKET BACKGROUND

Return Over 12 Months to 31 December 2020

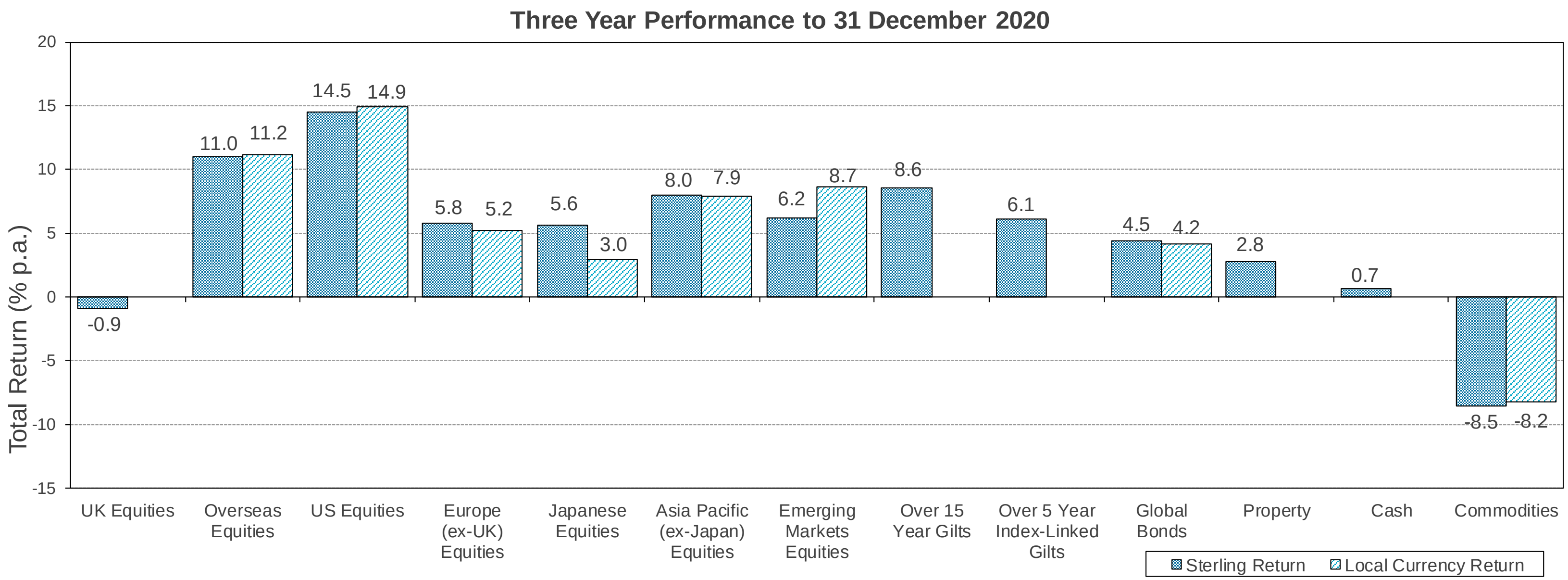


Source: Thomson Reuters Datastream.

- Over one year to 31 December 2020, equities posted mixed performance in Sterling terms and positive performance in local terms, while defensive assets performed well. Commodity markets have priced in a severe contraction, which is expected to be reflected in lower demand for resources.

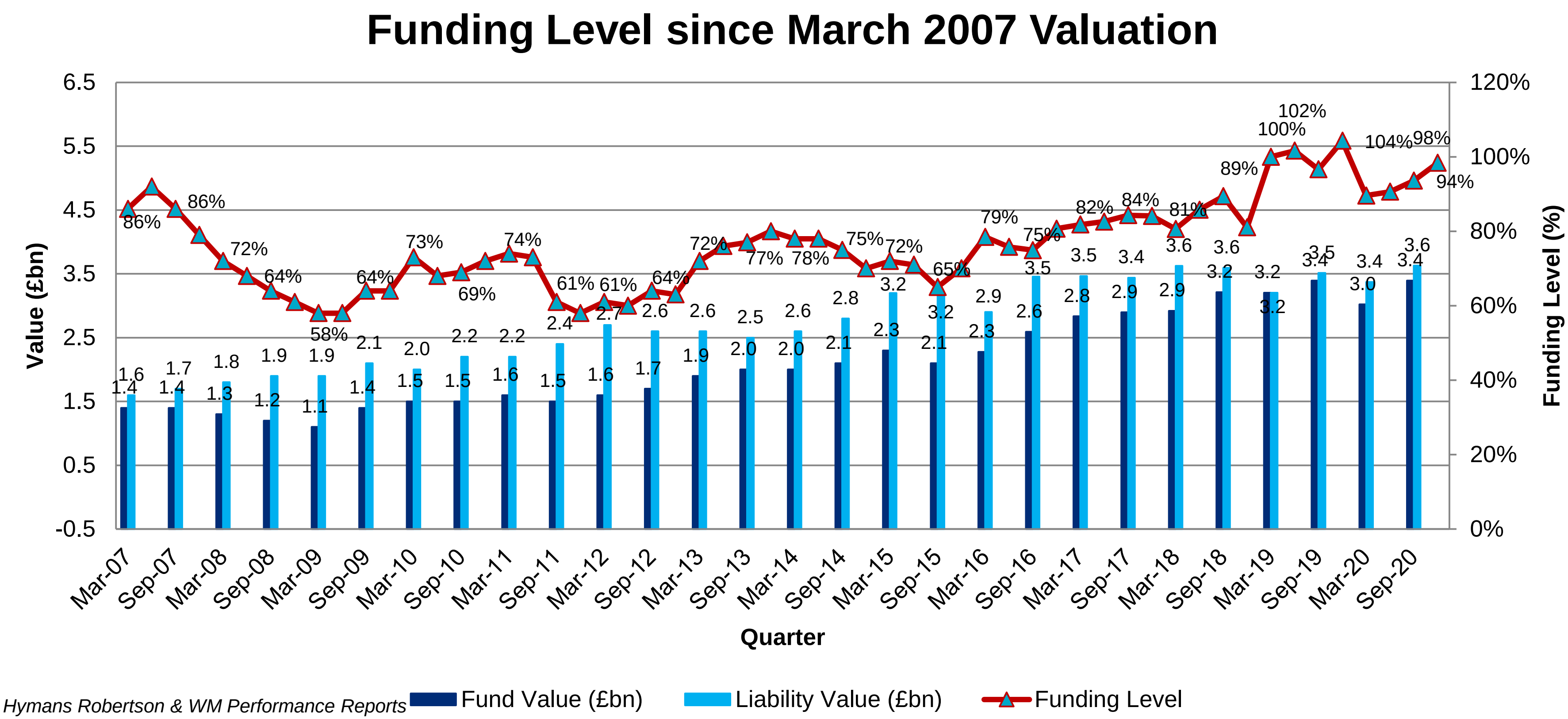
MARKET BACKGROUND

Return Over 3 Years to 31 December 2020



Source: Thomson Reuters Datastream.

HISTORIC FUNDING LEVELS



Source: Hymans Robertson & WM Performance Reports

The funding level is a ratio of assets to liabilities.

There has been a general trend over the period shown (i.e. from 2007) of both increasing liabilities and increasing assets. There was an increase in funding level at the March 2016 valuation as actual experience was reassessed against assumptions made at the 2013 valuation. Post the 2016 valuation, gilt yields continued to fall, albeit this was reversed in mid-2016 when a rise in yields along with strong asset performance caused a rise in funding level. The results of the 31 March 2019 valuation pushed up the funding level to 100% and it peaked at 104% as at 31 December 2019, before falling materially in March 2020 due to the market sell-off. The funding level as at 31 December 2020 was 98% reflecting a strong asset performance during the quarter relative to liabilities.

WHAT'S CAUSED THE CHANGES?
TO 31 DECEMBER 2020

Surplus / (deficit)	£m
Surplus / (deficit) as at 31/03/2019	(11)
Contributions (less benefits accruing)	(2)
Interest on surplus	(9)
Excess returns on assets	167
Impact of change in yields and inflation	(258)
Surplus / (deficit) as at 31/12/2020	(113)

The funding level at the latest formal valuation was 100%. As at 31 December 2020 the funding level has decreased to 98%.

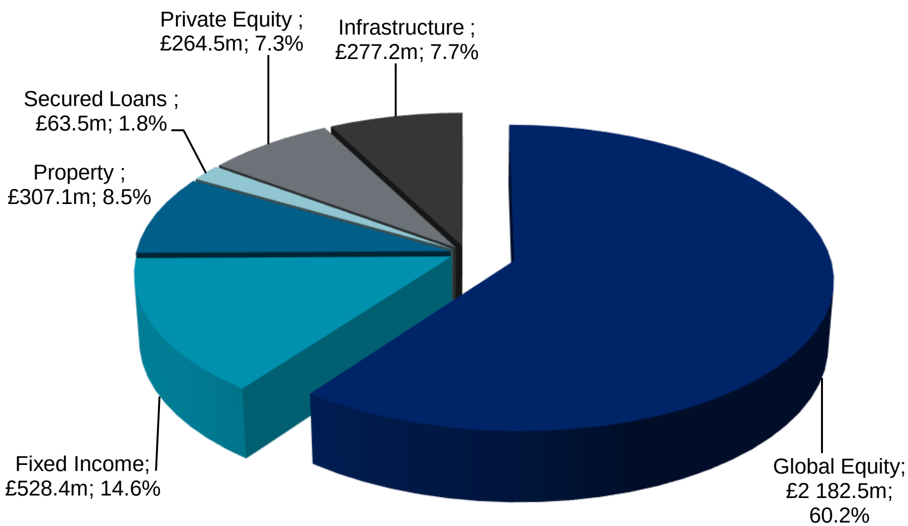
The funding level increased over the quarter (from 94% as at 30 September 2020) due predominantly to strong performance of the assets, particularly the global equity allocation. The liability value increased marginally.

Wording and data provided by Hymans Robertson. Surplus/deficit figure will not reconcile with Mercer's number given the difference in assets.

ASSET CLASS ALLOCATION AT END DECEMBER 2020

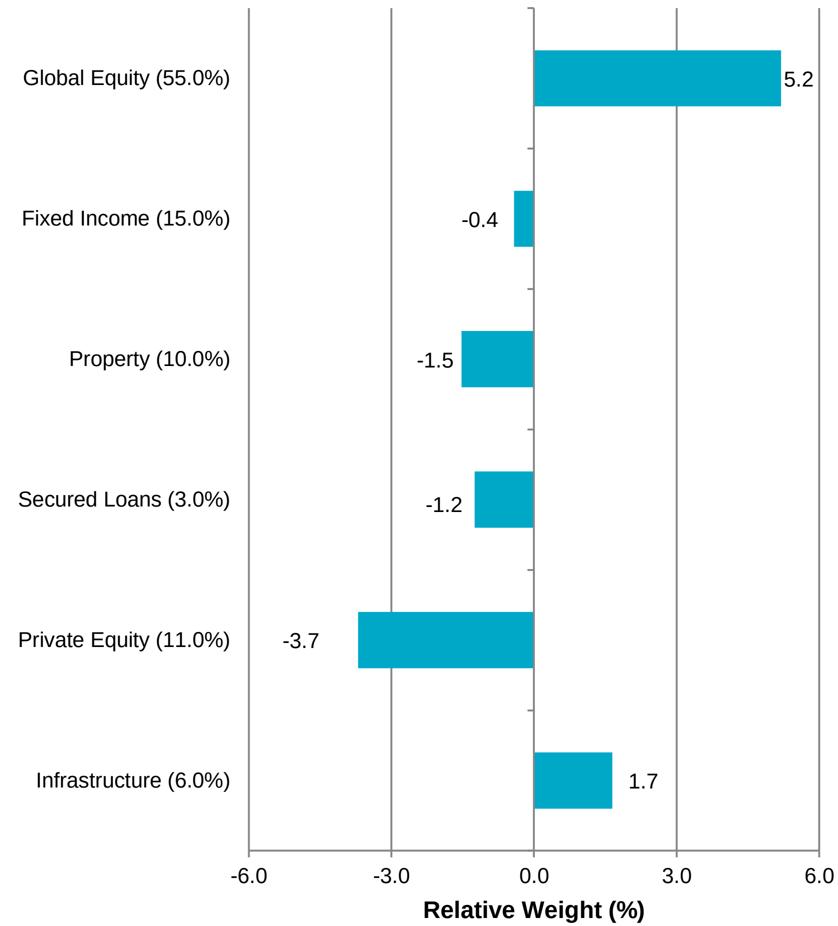
Asset Class Allocation

Total Invested Assets Value £3,623.2m



Source: Investment Managers and Mercer.
Figures may not sum to 100% due to rounding.
Valuations for private equity and infrastructure debt funds (exc. Equitix) are provisional.
Total invested assets value excludes cash (c. £21.0m) which is not considered for allocation purposes and comparison against the benchmark.
Infrastructure includes cash committed to the IFM infrastructure mandate.

Asset Weighting Relative to Benchmark

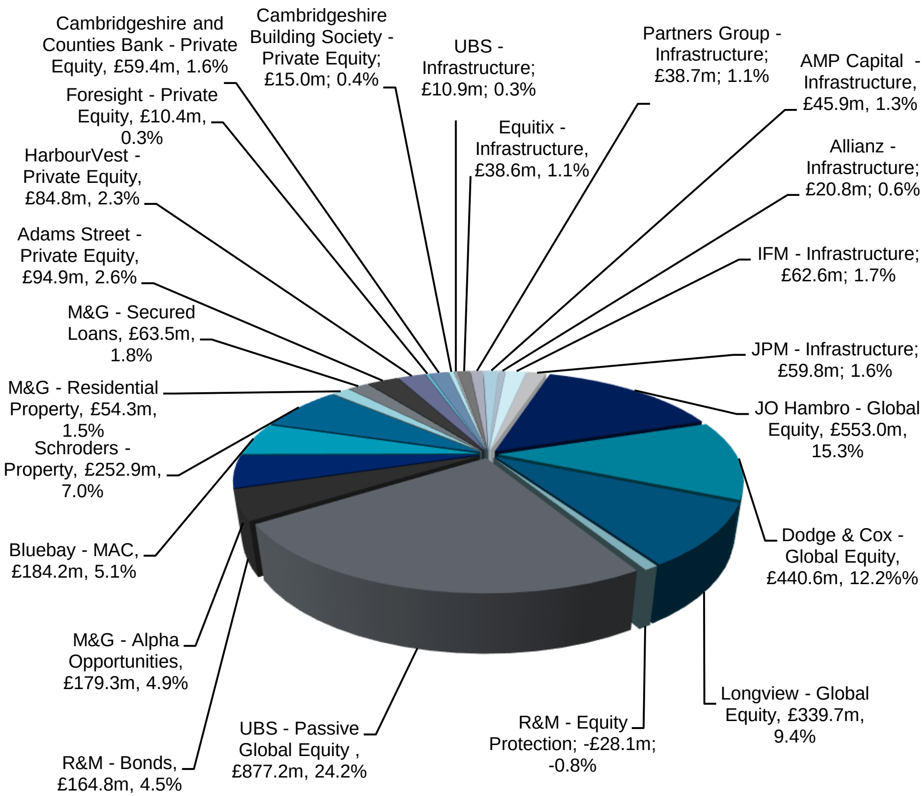


Figures in brackets denote benchmark weights.

MANAGER ALLOCATION AT END DECEMBER 2020

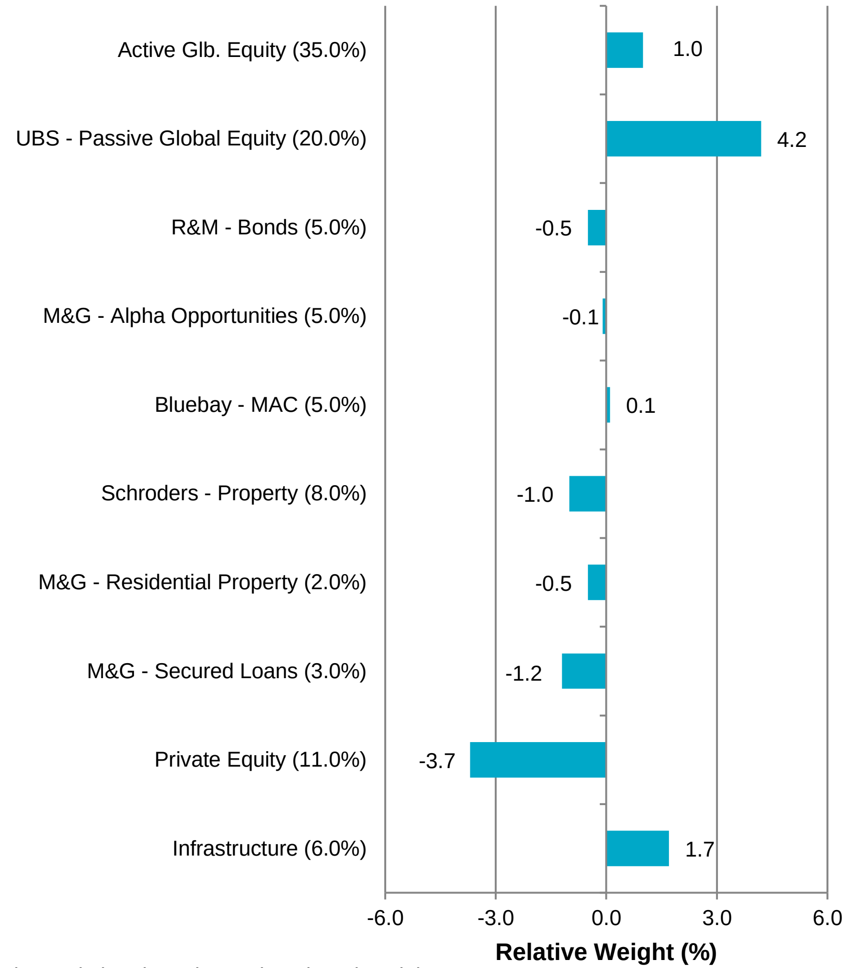
Manager Allocation

Total Invested Assets Value £3,623.2m



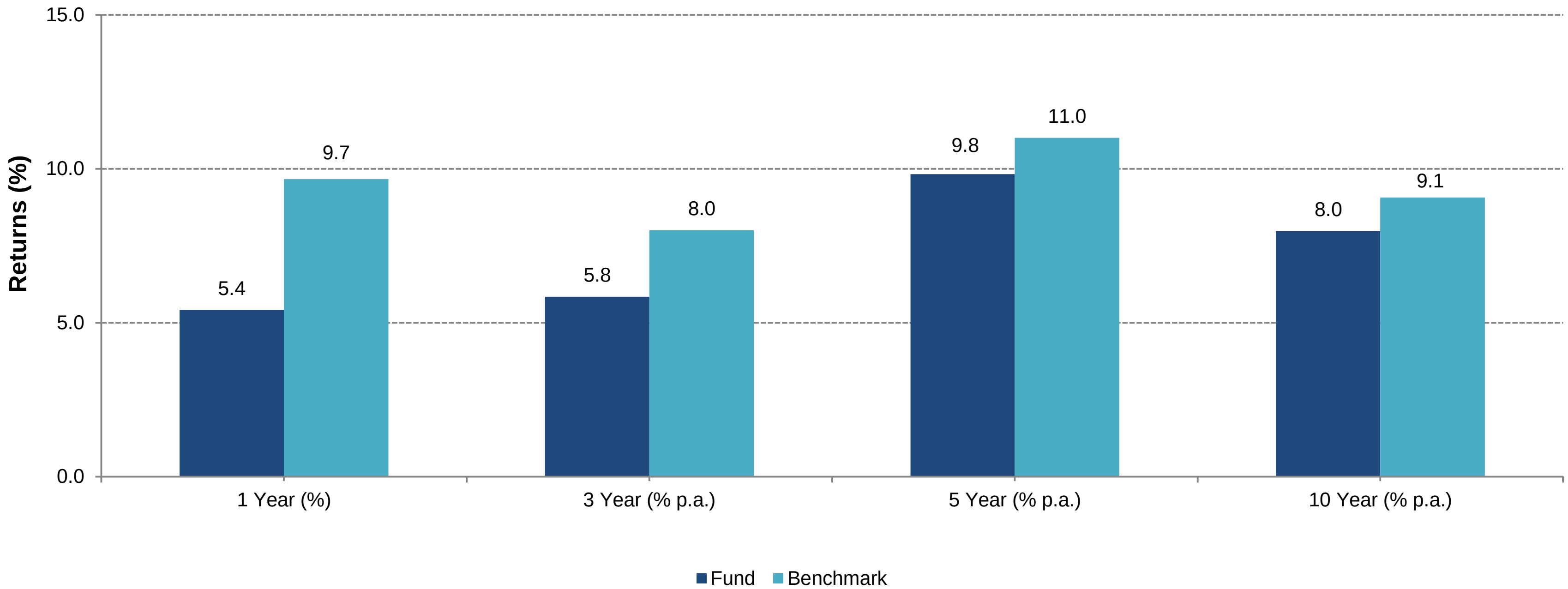
Source: Investment Managers and Mercer.
Figures may not sum to 100% due to rounding.
Valuations for private equity and infrastructure debt funds (exc. Equitix) are provisional.
Total invested assets value excludes cash (c. £21.0m) which is not considered for allocation purposes and comparison against the benchmark.
UBS's passive global equity portfolio shown includes their passively managed UK equity portfolio.
IFM infrastructure represents committed cash.

Manager Weighting Relative to Benchmark



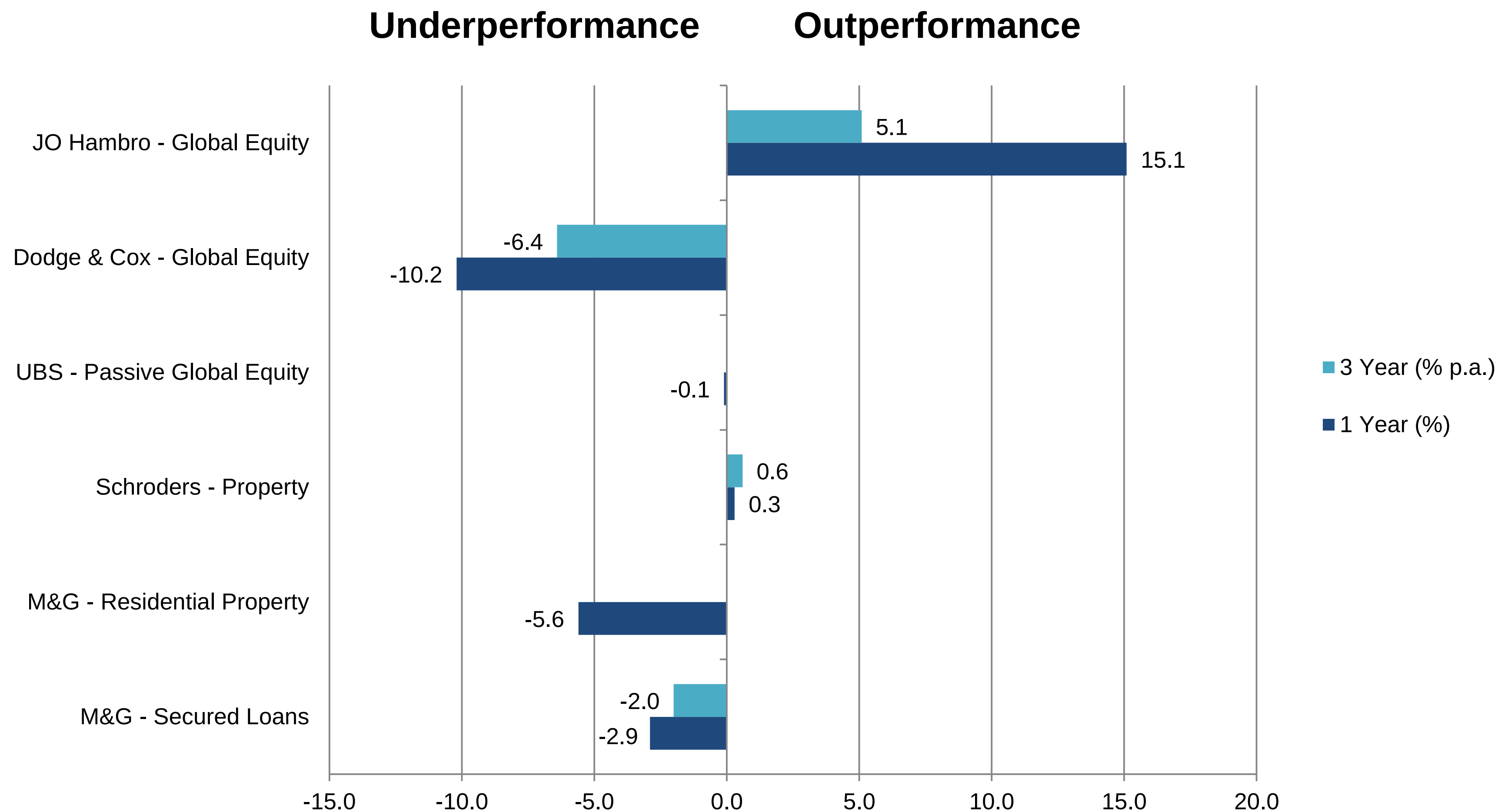
Figures in brackets denote benchmark weights.

NET FUND PERFORMANCE VERSUS BENCHMARK



Figures shown are based on performance provided by the Investment Managers, Link Asset Services, Mercer estimates and Thomson Reuters Datastream.
Performance up to 31 March 2016 provided by WM and chain linked with performance provided by the Investment Managers onwards for the underlying portfolios and Mercer estimates for the Total Fund.
Includes performance of terminated mandates.

NET EXCESS PERFORMANCE BY MANAGER



Figures shown are based on performance provided by the Investment Managers, Link Asset Services, Mercer estimates and Thomson Reuters Datastream.

ASSET CLASS ALLOCATIONS

Asset Class	Actual Allocation				Benchmark Allocation (%)	Tolerance Ranges (%)
	Start of Quarter (£m)	End of Quarter (£m)	Start of Quarter (%)	End of Quarter (%)		
Global Equity [a]	2,092.7	2,182.5	61.5	60.2	55.0	-
Equities	**2,092.7**	**2,182.5**	**61.5**	**60.2**	**55.0**	**50.0 - 60.0**
Government Bonds	164.5	164.8	4.8	4.5	5.0	-
Non-Government Bonds	227.8	363.5	6.7	10.0	10.0	-
Fixed Income	**392.3**	**528.4**	**11.5**	**14.6**	**15.0**	**12.0 - 18.0**
Property	302.4	307.1	8.9	8.5	10.0	-
Secured Loans	61.2	63.5	1.8	1.8	3.0	-
Private Equity [b]	267.5	264.5	7.9	7.3	11.0	-
Infrastructure [b] [c]	286.3	277.2	8.4	7.7	6.0	-
Alternatives	**917.4**	**912.4**	**27.0**	**25.2**	**30.0**	**25.0 - 35.0**
Total Invested Assets	**3,402.4**	**3,623.2**	**100.0**	**100.0**	**100.0**	**-**
Cash	19.5	21.0	-	-	-	-
Total Assets (including Cash)	**3,421.9**	**3,644.3**	-	-	**-**	**-**

Source: Investment Managers, Link Asset Services and Mercer.
Figures may not sum to total due to rounding.
[a] *Includes the global equity portfolios managed by JO Hambro, Dodge & Cox, Longview, UBS and the River & Mercantile equity protection portfolio.*
[b] *End of quarter valuation is provisional.*
[c] *Includes the cash committed to the IFM infrastructure mandate.*

MANAGER ALLOCATIONS

Asset Class	Actual Allocation				B'mark Allocation (%)
	Start of Quarter (£m)	End of Quarter (£m)	Start of Quarter (%)	End of Quarter (%)	
JO Hambro - Global Equity	504.2	553.0	14.8	15.3	35.0
Dodge & Cox - Global Equity	376.4	440.6	11.1	12.2	
Longview - Global Equity	309.2	339.7	9.1	9.4	
River & Mercantile - Equity Protection	6.0	-28.1	0.2	-0.8	
UBS - Passive Global Equity	896.8	877.2	26.4	24.2	20.0
Total Equities	**2,092.7**	**2,182.5**	**61.5**	**60.2**	**55.0**
River & Mercantile - Bonds	164.5	164.8	4.8	4.5	5.0
Bluebay - MAC	113.6	184.2	3.3	5.1	10.0
M&G - Alpha Opportunities	114.3	179.3	3.4	4.9	
Total Fixed Income	**392.3**	**528.4**	**11.5**	**14.6**	**15.0**
Schroders - Property	248.1	252.9	7.3	7.0	8.0
M&G - Residential Property	54.3	54.3	1.6	1.5	2.0
M&G - Secured Loans	61.2	63.5	1.8	1.8	3.0
Adams Street - Private Equity	102.9	94.9	3.0	2.6	11.0
HarbourVest - Private Equity	85.1	84.8	2.5	2.3	
Foresight - Private Equity	5.1	10.4	0.1	0.3	
Cambridge and Counties Bank - Private Equity	59.4	59.4	1.7	1.6	
Cambridge Building Society - Private Equity	15.0	15.0	0.4	0.4	
UBS - Infrastructure	11.8	10.9	0.3	0.3	6.0
Equitix - Infrastructure	38.0	38.6	1.1	1.1	
Partners Group - Infrastructure	44.1	38.7	1.3	1.1	
AMP Capital - Infrastructure	45.4	45.9	1.3	1.3	
Allianz - Infrastructure	20.9	20.8	0.6	0.6	
IFM - Infrastructure [a]	61.8	62.6	1.8	1.7	
JPM - Infrastructure	64.3	59.8	1.9	1.6	
Total Alternatives [b]	**917.4**	**912.4**	**27.0**	**25.2**	**30.0**
Total Invested Assets	**3,402.4**	**3,623.2**	**100.0**	**100.0**	100.0
Cash	19.5	21.0	-	-	-
Total Assets (including Cash)	**3,421.9**	**3,644.3**	**-**	**-**	**-**
Total invested in ACCESS	**2,200.9**	**2,389.8**	**64.8**	**66.0**	**-**

Invested in pool

Source: Investment Managers, Link Asset Services and Mercer. Figures may not sum to total due to rounding. [a] Cash committed to the IFM infrastructure mandate. [b] End of quarter valuations for private equity and infrastructure mandates (exc. Equitix) are provisional. [c] Drifting benchmark allocation.

ASSET ALLOCATION
COMMENTS

- As at 31 December 2020, the Fund's asset allocation was overweight to equities (+5.2%) and underweight to alternatives (-4.8%) and fixed income (-0.4%).
- Over October 2020, c. £108.0m were disinvested from the passive equity portfolio managed by UBS. The assets were transferred to the alpha opportunities fund managed by M&G (c. £58.0m) and to the multi-asset credit fund managed by BlueBay (c. £58.0m), on 2 November 2020. The balance was funded from the NT cash account.
- Over the quarter to 31 December 2020, there were the following private markets/property cashflows:

Manager	Contributions (£m)	Distributions (£m)	Net Cashflow (£m)
Adams Street - Private Equity	(3.0)	5.5	2.5
Harbourvest - Private Equity	(16.1)	5.9	(10.2)
Foresight - Private Equity	(5.4)	-	(5.4)
UBS - Infrastructure	-	0.3	0.3
Partners Group - Infrastructure	-	4.9	4.9
AMP Capital - Infrastructure	(1.3)	0.2	(1.1)
Allianz - Infrastructure	-	0.1	0.1
JPM - Infrastructure	-	1.0	1.0
Total Cashflows	**(25.7)**	**17.9**	**(7.8)**

Source: Investment Managers and Thomson Reuters Datastream. Figures may not sum due to rounding.

NET PERFORMANCE BY MANAGER

Manager	Last Quarter		Last Year		Last 3 Years		Last 5 Years	
	Fund (%)	B'mark (%)	Fund (%)	B'mark (%)	Fund (% p.a.)	B'mark (% p.a.)	Fund (% p.a.)	B'mark (% p.a.)
JO Hambro - Global Equity	9.7	8.5	27.8	12.7	14.8	9.7	16.2	14.0
Dodge & Cox - Global Equity	17.1	7.8	2.1	12.3	3.8	10.2	11.6	13.9
Longview - Global Equity	9.9	8.5	-	-	-	-	-	-
UBS - Passive Global Equity	11.3	11.3	7.3	7.4	-	-	-	-
Total Equities	**11.9**	**9.6**	**9.1**	**10.8**	**7.3**	**9.0**	**-**	**-**
Total Equities (inc. Equity Options) [(a)]	**10.2**	**9.6**	**8.0**	**10.8**	**6.8**	**9.0**	**-**	**-**
River & Mercantile - Bonds	0.2	0.2	7.5	7.5	-	-	-	-
Bluebay - MAC	7.8	0.0	-	-	-	-	-	-
M&G - Alpha Opportunities	4.2	1.0	-	-	-	-	-	-
Total Fixed Income	**4.0**	**0.4**	**5.0**	**3.5**	**2.9**	**2.4**	**-**	**-**
Schroders – Property	1.9	2.1	-0.7	-1.0	2.9	2.3	4.1	3.9
M&G - Residential Property	0.1	1.5	0.4	6.0	-	-	-	-
M&G - Secured Loans	3.7	1.0	1.7	4.5	2.7	4.7	3.6	4.6
Adams Street - Private Equity [(b) (c)]	-5.4	7.9	10.9	12.9	14.4	10.8	15.9	14.5
HarbourVest - Private Equity [(b) (c)]	-12.2	7.9	0.2	12.9	10.4	10.8	13.4	14.5
Foresight - Private Equity	0.0	7.9	-	-	-	-	-	-
Cambridge and Counties Bank - Private Equity [(d)]	0.0	7.9	0.0	12.9	0.0	10.8	0.0	14.5
Cambridge Building Society - Private Equity [(d)]	0.0	7.9	0.0	12.9	0.0	10.8	-	-
UBS - Infrastructure [(b) (c)]	-5.4	2.5	-15.0	10.0	0.4	10.0	3.9	10.0
Equitix - Infrastructure [(b)]	1.7	2.5	10.5	10.0	11.9	10.0	13.7	10.0
Partners Group - Infrastructure [(b) (c)]	-1.2	2.5	9.8	10.0	8.8	10.0	13.0	10.0
AMP Capital - Infrastructure [(b) (c)]	-1.3	2.5	5.7	10.0	4.0	10.0	-	-
Allianz - Infrastructure [(b) (c)]	0.0	1.0	7.1	4.0	-	-	-	-
IFM - Infrastructure	1.3	2.5	0.6	10.0	-	-	-	-
JPM - Infrastructure [(b) (c)]	-5.4	2.5	-	-	-	-	-	-
Total Alternatives [(e)]	**-1.3**	**4.2**	**1.3**	**7.8**	**5.2**	**7.3**	**-**	**-**
Total [(a) (f)]	**6.1**	**6.9**	**5.4**	**9.7**	**5.8**	**8.0**	**9.8**	**11.0**
FTSE Over 5 Year Index-Linked Gilt Index	-	1.4	-	12.4	-	6.1	-	9.3

Figures shown are based on performance provided by the Investment Managers, Link Asset Services, WM, Mercer estimates and Thomson Reuters Datastream.
Performance up to 31 March 2016 provided by WM and chain linked with performance provided by the Investment Managers onwards for the underlying portfolios and Mercer estimates for the Total Fund.
Total Equities, Total Fixed Income, Total Alternatives and Total Fund performance includes the performance of terminated mandates.

[(a)] *Includes the contribution of the equity protection strategy managed by River & Mercantile.*

[(b)] *Figures shown in GBP are calculated by Mercer using a Modified Dietz approach over each period and are based on data provided by Investment Managers and Thomson Reuters Datastream. We have assumed gross performance equal to net performance for monitoring purposes.*

[(c)] *End of quarter valuation is provisional and, therefore, the quarterly return is also provisional. The return includes the impact of movements in the exchange rates for non-sterling denominated funds.*

[(d)] *Performance assumed to be 0.0% for performance measurement purposes.*

[(e)] *Includes the performance of cash previously committed to the IFM infrastructure mandate.*

[(f)] *Total Fund performances include quarterly performances for Adams Street, HarbourVest, UBS, Equitix, Partners Group, AMP Capital ,Allianz and JPM calculated by Mercer using a Modified Dietz approach based on data provided by these managers. Over the long term, performances are chain linked using quarterly Total Fund performances. Performance shown is net of illiquid mandates' fees.*

APPENDIX

APPENDIX A
BENCHMARKS

Asset Class	Allocation (%)	Benchmark	
Global Equity	58.0	35.0%	MSCI AC World (NDR) Index
		23.0%	Composite Benchmark [(a)]
Fixed Income	12.0	Composite Benchmark - See Appendix B.	
Property	10.0	80%	MSCI All Balanced Property Funds Index
		20%	Absolute Return of 6.0% p.a.
Secured Loans	3.0	3 Month Sterling LIBOR +4% p.a.	
Private Equity	11.0	MSCI World Index	
Infrastructure	6.0	Composite Benchmark - See Appendix B.	
Total	**100.0**	-	

Figures may not sum to total due to rounding.

[(a)] *In relation to the UBS passive global equity asset class.*

APPENDIX B
TARGETS

Manager	Benchmark	Outperformance Target	Tracking Error Expectation / Tolerance / Expected Volatility
J O Hambro - Global Equity	MSCI AC World (NDR) Index	+3% p.a. (gross of fees)	5% - 12% p.a. [a]
Dodge & Cox - Global Equity	MSCI World (NDR) Index	+3% p.a. (gross of fees)	-
Longview - Global Equity	MSCI World (NDR) Index	- [b]	-
UBS - Passive Global Equity	Composite Benchmark	To match the benchmark	-
River & Mercantile - Equity Protection	-	-	-
River & Mercantile - Gilts & Cash	Assumed equal to fund performance	-	-
M&G - Alpha Opportunities	1 Month Sterling LIBOR + 4% p.a.	To outperform the benchmark	-
BluaBay - MAC	3 Month Sterling LIBOR	-	-
Schroders - Property	MSCI All Balanced Property Funds Index	+0.75% p.a. (net of fees)	-
M&G - Residential Property	Absolute Return of 6.0% p.a.	To outperform the benchmark	-
M&G - Secured Loans	3 Month Sterling LIBOR +4.0% p.a.	To outperform the benchmark	-
Adams Street - Private Equity	MSCI World Index	+3% p.a. (gross of fees)	-
HarbourVest - Private Equity	MSCI World Index	+3% p.a. (gross of fees)	-
Foresight - Private Equity	MSCI World Index	+3% p.a. (gross of fees)	-
Cambridge and Counties Bank - Private Equity	MSCI World Index	+3% p.a. (gross of fees)	-
Cambridge Building Society - Private Equity	MSCI World Index	-	-
UBS - Infrastructure	IRR of 10.0% p.a.	To outperform the benchmark	-
Equitix - Infrastructure	IRR of 10.0% p.a.	To outperform the benchmark	-
Partners Group - Infrastructure	IRR of 10.0% p.a.	To outperform the benchmark	-
AMP Capital - Infrastructure	IRR of 10.0% p.a.	To outperform the benchmark	-
Allianz - Infrastructure	IRR of 4.0% p.a.	To outperform the benchmark	-
JPM - Infrastructure	IRR of 10.0% p.a.	To outperform the benchmark	-

[a] *Tracking error expectation.*
[b] *To achieve capital growth, net of fees, over the long term.*

APPENDIX B
TARGETS

UBS - Passive Global Equity

Fund	Benchmark	Outperformance Target	Tracking Error Tolerance
UK Equity	FTSE All-Share Index	To match the benchmark	Up to ± 0.20% p.a.
North America Equity (GBP Hedged)	FTSE North America (GBP Hedged) Index	To match the benchmark	Up to ± 0.25% p.a.
Europe (ex-UK) Equity (GBP Hedged)	FTSE Developed Europe (ex-UK) (GBP Hedged) Index	To match the benchmark	Up to ± 0.50% p.a.
Japan Equity (GBP Hedged)	FTSE Japan (GBP Hedged) Index	To match the benchmark	Up to ± 0.25% p.a.
Asia Pacific (ex-Japan) Equity (GBP Hedged)	FTSE Developed Asia Pacific (ex-Japan) (GBP Hedged) Index	To match the benchmark	Up to ± 0.50% p.a.
Global Fundamentally Weighted Equity (GBP Hedged)	FTSE RAFI Developed 1000 (GBP Hedged) Index	To match the benchmark	Up to ± 0.50% p.a.
Global Optimised Volatility Equity	MSCI World Minimum Volatility (NDR) Index	To match the benchmark	Up to ± 0.50% p.a.
Global Quality Companies Equity	MSCI World Quality (NDR) Index	To match the benchmark	Up to ± 0.50% p.a.

APPENDIX C
GUIDE TO MERCER RATINGS

INTRODUCTION

This is a guide to the investment strategy research ratings (herein referred to as rating[s]) produced by Mercer's Investments business (herein referred to as "Mercer" or "we" or "our"). The guide describes what the ratings are intended to mean and how they should and should not be interpreted.

If you have any questions or would like more information about specific topics after reading this guide, please contact your Mercer consultant or click "Contact us" on our website www.mercer.com.

WHAT DO MERCER'S RATINGS SIGNIFY?

Mercer's ratings generally signify our forward looking opinion of an investment strategy's prospects for either outperforming a suitable benchmark or achieving objectives over a time frame appropriate for that particular strategy (herein referred to as outperformance). The rating is recorded in the strategy's entry on the Global Investment Manager Database (GIMD™) /MercerInsight®.

Rratings are normally assigned to investment strategies rather than to specific funds or vehicles. In this context, the term "strategy" refers to the process that leads to the construction of a portfolio of investments, regardless of whether the strategy is offered in separate account format or through one or more investment vehicles. There are exceptions to this practice. These are primarily in real estate and private markets where the rating is normally applied to specific funds.

WHAT DO MERCER'S RATINGS NOT SIGNIFY?

This section contains important exclusions and warnings; please read it carefully.

Past Performance

The rating assigned to a strategy may or may not be consistent with its past performance. Although the rating reflects our expectations on future performance over a time frame appropriate for the particular strategy, we do not guarantee that these expectations will be fulfilled.

Creditworthiness

Unlike those of credit rating agencies, our ratings are not intended to imply any opinions about the creditworthiness of the manager providing the strategy.

Vehicle-specific Considerations

With the exceptions described above our ratings are normally assigned to strategies rather than to specific investment vehicles. Potential investors in specific investment vehicles should consider not only our ratings for the strategies being offered through those investment vehicles but also any investment vehicle-specific considerations. These may include, for example, frequency of dealing dates and any legal, tax, or regulatory issues relating to the type of investment vehicle and where it is domiciled. Our ratings do not constitute individualized investment advice.

Management Fees

Our ratings in the area of Alternative Investments follow market practice and reflect performance expectations on a net-of-fees basis. For traditional asset classes, where fees are generally lower and market practice varies, ratings reflect performance expectations on a gross-of-fees basis. The rationale for this is that fees can vary significantly among clients. However, we will consider fees in our assessment of whether a strategy is likely to deliver value to our clients.

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