

**PENSION FUND COMMITTEE
INVESTMENT SUB-COMMITTEE**



Thursday, 16 November 2023

Democratic and Members' Services
Emma Duncan
Service Director: Legal and Governance

10:00

New Shire Hall
Alconbury Weald
Huntingdon
PE28 4YE

Red Kite Room

New Shire Hall, Alconbury Weald, Huntingdon, PE28 4YE

AGENDA

Open to Public and Press

1. **Apologies for absence and declarations of interest**
*Guidance on declaring interests is available at
<http://tinyurl.com/ccc-conduct-code>*
2. **Public minutes of the Pension Fund Investment Sub-Committee** **5 - 8**
held 13 September 2023
3. **Action Log** **9 - 10**
4. **Petitions and Public Questions**
5. **Stewardship and Engagement Update** **11 - 20**
6. **Cambridgeshire Pension Fund Monitoring Report Quarter - 30** **21 - 38**
September 2023 (Public)
7. **Exclusion of Press and Public**
*To resolve that the press and public be excluded from the meeting on
the grounds that the agenda contains exempt information under*

Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed information relating to the financial or business affairs of any particular person (including the authority holding that information)

8. Cambridgeshire Pension Fund Monitoring Report Quarter - 30

September 2023 (Private)

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

9. Confidential minutes of the Pension Fund Investment Sub-

Committee held 13 September 2023

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

10. Analytics for Climate Transition

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

11. Long Lease Property Update

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

12. M&G Secured Loans

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

13. Cambridge and Counties Bank

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

14. Independent Advisor Contract

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

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The Pension Fund Committee Investment Sub-Committee comprises the following members:

Councillor Alison Whelan (Chair) Councillor Mike Black (Vice-Chair) Councillor Chris Boden Liz Brennan and Mr Lee Phanco Councillor Adela Costello Councillor Alan Sharp

Clerk Name:	Dawn Cave
Clerk Telephone:	01223 699178
Clerk Email:	dawn.cave@cambridgeshire.gov.uk

Pension Committee Investment Sub-Committee

Date: 13 September 2023

Time: 10:00am-11.20am

Place: New Shire Hall, Alconbury Weald

Present: County Councillors A Whelan (Chair), M Black (Vice Chair); Fenland District Councillor C Boden; L Brennan (via Zoom) and L Phanco

Officers: B Barlow, D Cave, M Hudson, M Whitby; S Heywood and A Jose (via Zoom)

Advisers/Consultant: J Crowther, P Gent and C West (Mercer); S Gervaise-Jones

77. Apologies and Declarations of Interest

Apologies were received from Councillor Costello.

Lee Phanco declared an interest as Chair of the Board of Trustees and Directors of the Kelsey Kerridge Sports Centre, one of the Fund's Admitted employers.

78. Public minutes of the Pension Fund Investment Sub-Committee held 25th May 2023

The public minutes of the Committee meeting held 25th May 2023 were agreed as a correct record.

79. Action Log

The Sub-Committee reviewed the Action Log.

The Action Log was noted.

80. Petitions and Public Questions

There were no petitions or public questions were received.

81. Cambridgeshire County Council Pension Fund Quarterly Performance Report for the period ending 30th June 2023

The Sub-Committee received the public report summarising the performance of the Pension Fund for the quarter to 30th June 2023. Members noted:

- the positive returns for equities had largely been driven by strong performance in the US, specifically tech stocks. Equity performance for the rest of the world was relatively flat;

- the implications of continued tight monetary policy from central banks;
- negative performance from the more defensive bonds.
- that overall, the Fund's liabilities fell, and assets increased, leading to a 165% funded position as at 30th June 2023;
- the Strategic Asset Allocation process was progressing with a number of asset transitions undertaken in the quarter, most significantly to the UBS index-linked gilt portfolio;
- there were positive returns relative to the Fund's liabilities, but those returns were behind the benchmark (1.4% versus 2.9%), the key contributors to this lower figure being Private Equity and JO Hambro.

A Member asked whether there was any protection from exchange rate losses. It was confirmed that at a high level there was some currency hedging through the passive equities mandate, and some elements of currency hedging through other asset classes, covering about a third of the portfolio. Over the last three years, the Dollar had been very strong, and the Fund had benefited from those unhedged assets not being hedged.

Members requested that the information on the degree of hedging be included in future reports, especially given the substantial overseas investment, and the challenge that more should be invested in UK businesses. It was agreed that the Sub-Committee needed to fully understand the risks and benefits of overseas investment.

The Sub-Committee resolved to note the report.

82. Exclusion of Press and Public

The Sub-Committee resolved that the press and public be excluded from the meeting for the following items on the grounds that they contained exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended (information relating to the financial or business affairs of any particular person (including the authority holding that information)) and that it would not be in the public interest for this information to be disclosed as they contained commercially sensitive information.

83. Cambridgeshire County Council Pension Fund Quarterly Performance Report for the period ending 30th June 2023

The Sub-Committee received the private report summarising the performance of the Pension Fund for the quarter to 30th June 2023.

The Sub-Committee resolved to note the report.

84. Confidential minutes of the Pension Fund Investment Sub-Committee held 25th May 2023

The confidential minutes of the Committee meeting held 25th May 2023 were agreed as a correct record.

85. Strategic Asset Allocation Update

The Sub-Committee received an update on the implementation of the new Strategic Asset Allocation, agreed at the Pension Fund Committee in March.

It was unanimously resolved to:

1. note the report and presentation by Mercer;
2. approve the switch of the Schroders government bond assets to UBS pooled index-linked gilts.

86. Climate Aware Passive Equity Implementation Update

The Sub-Committee considered a post transition update on progress with implementing the agreed climate aware passive equity portfolio structure.

It was resolved to note the report and presentation from Mercer.

87. Infrastructure Options

The Sub-Committee considered a report on timberland options available to the Fund for future investment within its Infrastructure portfolio.

It was resolved unanimously to target a 1% allocation to timberland/forestry as an asset class, within the increased infrastructure allocation, with the potential to build over time.

Cambridgeshire Pension Fund

Cambridgeshire Pension Fund Investment Sub-Committee 16th November 2023

Action log from ISC meeting held on 13 th September 2023				
Item No.	Item	Action to be taken by	Comments	Completed
87	<p>Timberland</p> <p>To explore further options on timberland.</p>	Ben Barlow	APEX will be looking to onboard a timberland product within the ACCESS pool, starting their search in January 2024. This should culminate in a preferred provider being identified by the end of 2024 that will then be available within the pool for investment.	Ongoing

Action log from ISC meeting held on 23 rd February 2023				
Item No.	Item	Action to be taken by	Comments	Completed
	<p>Private Equity Review</p> <p>Head of Pensions with assistance from Mercer to implement the investment commitment to the Harbourvest Global 2023 Fund.</p>	Mark Whitby/ Mercer	The Fund has completed submission of subscription documents for the HV 2023 Global Fund with first drawdown expected later on this year.	Completed

Action log from ISC meeting held on 17 th November 2022				
Item No.	Item	Action to be taken by	Comments	Completed
53	<p>Property Portfolio Review</p> <p>Mercer to carry out a market review and provide a selection of Long Lease property managers to the Investment Sub Committee along side the ACCESS pool.</p>	Ben Barlow	This is the subject of a separate agenda item at this meeting.	Ongoing

Cambridgeshire Pension Fund

Investment Sub-Committee

16 November 2023

Report by: Head of Pensions

Subject: Stewardship and Engagement Update

Purpose of the Report: To update the Investment Sub Committee on stewardship and engagement matters relating to the Fund's investments.

Recommendations: The Investment Sub Committee is asked to:

a) Note the report.

Enquiries to: Ben Barlow, Funding and Investments Manager
Tel – 07831 123167
E-mail – Ben.Barlow@Westnorthants.gov.uk

1. Executive summary

- 1.1. The Cambridgeshire Pension Fund recognises the importance of promoting good governance and management in the companies in which the Fund invests. The Fund expects investment managers to exercise voting rights and engage with companies with the aim of good stewardship of the Fund's assets.
- 1.2. This report updates the Investment Sub-Committee (ISC) on:
 - 1.2.1. The Fund's voting activity during the six months to 30 June 2023 for assets held within the ACCESS pool.
 - 1.2.2. A summary of engagement activity on behalf of the Fund by ACCESS sub-fund managers covering the period between January to June 2023.
 - 1.2.3. A summary of engagement with investment managers directly by the Fund covering the period between January and June 2023.
 - 1.2.4. A summary of the Local Authority Pension Fund Forum (LAPFF) engagement and voting activity for the period between April to September 2023.
- 1.3. Further information on specific stewardship and engagement activities summarised in this report is available from Officers on request.

2. Background

- 2.1. The Fund believes that Environmental, Social and Corporate Governance (ESG) issues create material risks and opportunities which will influence long term investment performance and the ability of the Fund to achieve its investment and funding objectives. Therefore, good ESG and stewardship practices should be integrated throughout the investment process of the Fund.

- 2.2. Good stewardship can protect and enhance value for companies and markets as a whole. The Fund is committed to being a long-term steward of the assets in which it invests. It believes in the importance of investment managers acting as active asset owners through proactive voting and engagement with companies. In addition, the Fund believes that acting collectively with other investors is an effective way to engage with companies.
- 2.3. The Fund includes in its Investment Strategy Statement a policy on the exercise of the rights (including voting rights) attached to investments. Specifically with regards to stewardship and engagement, the Fund expects its investment managers to:
 - 2.3.1. Exercise our rights as owners of investments by actively participating in company level decisions tabled as shareholder votes at General Meetings.
 - 2.3.2. Engage with companies where there are concerns over ESG issues.
 - 2.3.3. Vote on pool-aligned assets in accordance with the ACCESS Voting guidelines on a “comply or explain” basis and inform the Fund of voting outcomes.
 - 2.3.4. Report on their voting activity on a regular basis, with ACCESS Pool managers required to report on a monthly basis.
- 2.4. The Fund believes that acting collectively with other investors, for example, with partner authorities in the ACCESS pool or through membership of the Local Authority Pension Fund Forum (LAPFF), is an effective way to engage with companies.

3. Voting

- 3.1. The ACCESS Joint Committee agreed the voting guidelines for inclusion by the pool operator, Waystone, in their Investment Management Agreements. These guidelines set out those matters of importance to the ACCESS authorities and promote good corporate governance and management in the companies in which investments are made. In circumstances where investment managers do not adopt the positions set out in these guidelines, they are required to provide a robust explanation of the position adopted.
- 3.2. ACCESS also expects that investment managers will be signatories to and comply with the Financial Reporting Council’s Stewardship Code and Principles of Responsible Investment.
- 3.3. A summary of the voting activity for the six months ending 30 June 2023, including votes for and against management, is set out below for each of the ACCESS sub-funds in which the Fund invests:

Sub-Fund Name	Number of Meetings	Number of Votes Cast		
		For	Against	Other
Dodge and Cox - LF ACCESS Global Stock	71	1,006	159	30
J O Hambro - LF ACCESS Global Equity – JOHCM	41	486	72	61
Longview - LF ACCESS Global Equity	25	185	192	32
	137	1,677	423	123

- 3.4. During the six months ending 30 June there were 137 company meetings, which include Annual General Meetings (AGMs) and Extraordinary General Meetings (EGMs).
- 3.5. Of the three ACCESS sub-funds in which the Cambridgeshire Pension Fund invests, there were 2,223 occasions to vote by the investment managers. There were 123 instances where votes were not cast, or managers chose to abstain from voting. Of the votes cast, 1,677 were for and 423 against management proposals.

3.6. Investment managers use their discretion to cast votes not aligned to the ACCESS voting guidelines where they feel it is in the shareholders best interest to do so. There were no instances where the fund manager has overridden the ACCESS voting policy in the last six months for assets held under pooled governance.

4. ENGAGEMENT ACTIVITIES – ACCESS POOL

4.1. The Cambridgeshire Pension Fund receives regular reporting on engagement activities for assets held within the ACCESS Pool. This includes dialogue between investment managers and LFS in order to promote good corporate governance and management in companies in which the Fund invests.

4.2. A summary of engagements by managers covering the six months to 30 June 2023 is shown below. Please refer to exempt Appendix A for identification of the companies involved in the engagement examples.

Manager	Number of Assets	Types of Engagement			Engagement example
		E	S	G	
Dodge & Cox	85	4	3	11	Dodge and Cox discussed a variety of environmental, social and governance-related items with Company A, including pipeline, research and development (R&D) efforts, and other topical issues. They also discussed a variety of social topics, including access to medicine, diversity, equality and inclusion, and environmental topics, including carbon emissions reduction targets. They also discussed the structure and decision making process of the R&D organisation and outlook on certain products, and plans for the oncology business. Additionally, Dodge and Cox's Global Industry Analyst and ESG Integration Analyst met with the Vice President of Reputation and Responsible Business. A variety of ESG topics were discussed, including Company A's new composite ESG performance rating for compensation targets, drug pricing and access to medicine, its efforts to increase diversity in clinical trials, and its greenhouse gas emissions reduction targets.
JO Hambro	40		1	1	JO Hambro wrote to the Lead Independent Director welcoming Company B's ongoing climate transition strategy and seeking assurances regarding the role of independent directors in overseeing matters relating to strategic human capital, an area they view as crucial in supporting the transition. Noting the additional attention to culture in the mining sector, JO Hambro welcomed Company B's public submission and participation in the Western Australia

Manager	Number of Assets	Types of Engagement			Engagement example
		E	S	G	
					Parliamentary Inquiry into Sexual Harassment Against Women in the FIFO Mining Industry and noted favourably the subsequent company disclosure on identification and mitigation of cultural matters, including bullying and harassment. While JO Hambro observed effective scrutiny over underperformance, they asked that greater attention also be paid to areas of outperformance to ensure that results are achieved in a manner that is consistent with target culture and conduct expectations, noting the potential for human capital metrics to be gamed or the potential for conduct issues to drive outperformance (for instance the Australian Banking Royal Commission identified multiple instances of a coupling of conduct issues and abnormally high sales performance). They also asked that the lead independent director ensure that monitoring and reporting of human capital metrics includes healthy scepticism of strong (and therefore potentially under-examined) performance, including but not limited to areas such as employee engagement. They also raised concerns regarding continued reports of executive turnover at Company B, noting that it remains critical that the company manages culture in a way that continues to both differentiate and generates value, and facilitates attraction of key talent going forward, a crucial component in supporting the continued transition of the business.
Longview	36	3	3	6	In June 2023 Longview engaged with the CEO and Head of Investor Relations of Company C for a detailed discussion on various aspects of their business and industry dynamics. Longview were interested in the CEO's evaluation of performance versus the goals he set when he joined in 2018. He explained that he had tried to preserve the company's performance while backing leaders across Company C to shift from perceiving 'people as cost', to a mindset of 'talent management'. He felt the company also has a greater focus on sustainability, they now

Manager	Number of Assets	Types of Engagement			Engagement example
		E	S	G	
					rely on a set of principles with enough flexibility to allow managing directors to develop their own plans in local marketplaces. Longview also enquired about the benefits of having local and hyper-local scale. In the UK, Company C benefits from scale at both the national and sector levels. They are exploring how they can share front-line resources across the business and deploy labour to a much more flexible roster, particularly with the emergence of hybrid working.

Engagement Activity - Direct

- 4.3. The Fund engages directly with investment managers through regular meetings with officers on a rotational basis, the Investment User Group hosted by ACCESS and via quarterly Investment Sub-Committee meetings.
- 4.4. Discussions and challenge include fund performance as well as stewardship and engagement activities the investment manager has undertaken on behalf of the Fund.
- 4.5. In addition to proactive voting, investment managers should act as active asset owners through engagement with companies where there are concerns over environmental, social and governance (ESG) issues.
- 4.6. The Fund has written to investment managers setting out it's aims and ambitions for the Fund to reach net carbon zero by 2050 or earlier and asking how the investment manager can help the Fund achieve these goals. Investment managers have acknowledged these aims and ambitions and are keen to help the Fund on its decarbonisation journey and achieve the milestones set out within the Fund's Climate Action Plan.
- 4.7. The table below represents engagement with our managers at meetings covering the period of six months to June 2023:

Date	Meeting Type	Manager
6th April	Local	HarbourVest
3rd May	Local	JO Hambro
16th May	Local	M&G
12 th June	IUG	UBS
13th June	Local	Allianz
14th June	Local	M&G

5. Voting and Engagement – Passive Funds

- 5.1. UBS invest in pooled passive funds on behalf of the Fund. The passive funds are not within the ACS structure itself, therefore UBS do not have to adhere to the ACCESS voting policy. However, UBS operate a high-quality programme of stewardship and engagement

on behalf of the Fund. UBS produce an Annual Stewardship report, the report is available on request.

- 5.2. UBS are responsible for the assets and the associated voting and ownership rights the Fund invests with Osmosis, as the assets are held in a segregated account managed by UBS against the Osmosis index. However, Osmosis have examined the UBS voting policy and believe it is significantly aligned with their own. Osmosis will continue to engage on the assets held within the Fund's portfolio.

6. Local Authority Pension Fund Forum

- 6.1. The Cambridgeshire Pension Fund is a member of the Local Authority Pension Fund Forum (LAPFF). LAPFF exists to promote the investment interests of local authority pension funds and to maximise their influence as shareholders, whilst promoting corporate social responsibility and high standards of corporate governance among the companies in which they invest.
- 6.2. LAPFF engages with hundreds of companies to amplify the local authority voice and accelerate change. Their understanding of problems facing companies and ability to voice concerns is enhanced by also engaging with company stakeholders.
- 6.3. The following table is a summary showing the companies and topics which LAPFF has engaged between April and June 2023.

Period	Engagement Topics	Engagements	Example
April – June 2023	<ul style="list-style-type: none"> • Audit Practices • Board Composition • Diversity Equality and Inclusion • Remuneration • Other • Employment Standards • Supply Chain Management • Governance (General) • Environmental Risk • Human Rights 	Adidas AG, Alphabet INC, Amazon.com INC, Ameren Corporation, Anglo-American PLC, Associated British Foods PLC, Bank Leumi Le-Israel BM, Bank of America Corporation, Barclays PLC, Berkshire Hathaway INC, BHP Group Limited (AUS), Borgwarner INC, BP PLC, Bridgestone Corp, Cenovus Energy INC, Centerpoint Energy INC, Centrica PLC, Chevron Corporation, Chubb Limited, CK Hutchinson Holdings LTD, Comcast Corporation, Costar Group INC, Coterra Energy INC, DBS Bank LTD, Dollarama INC, Drax Group PLC, E.On SE, EDF (Electricite De France), Electric Power Development Co, Enbridge INC, Exxon Mobil Corporation, Glencore PLC, Grupo Mexico Sa De	LAPFF sought a meeting with BP's CEO to better understand BP's decision to move down its 2030 carbon reduction targets. LAPFF had a cordial meeting and gained some explanations of BP's thinking, with further research and engagement in this area to follow. Further contact and engagement with the company is ongoing.

	<ul style="list-style-type: none"> Climate Change 	<p>CV, GSK PLC, Hennes and Mauritz AB (H&M), Honeywell International INC, HSBC Holdings INC, Iberdrola SA, Ilex Corporation, Imperial Oil LTD, JP Morgan Chase & Co, Kamigumi Co LTD, Kellogg Company, Kingfisher PLC, Lindt and Sprungli AG, Lockheed Martin Corporation, Marathon Petroleum Corporation, Markel Corporation, Meta Platforms INC, Mitsubishi UFJ Financial GRP, National Grid PLC, New York Community Bancorp INC, Next Plc, Nike Inc, Nintendo Co Ltd, Paccar INC, Pennon Group PLC, Public Storage, Quest Diagnostics Incorporated, Raytheon Technologies Corp, Rio Tinto Group (AUS), Roche Holding AG, Sanofi, Sanwa Holdings Corp, Severn Trent PLC, Shell PLC, Southern Company, Sumitomo Mitsui Financial Group, Tesla INC, The Goldman Sachs Group INC, The Home Depot INC, The Mosaic Company, The TJX Companies INC, The Travelers Companies INC, Tokyo Electric Power Co INC, Totalenergies SE, Toyota Motor Corp, United Utilities Group PLC, Vale SA, Valero Energy Corporation, Volvo AB, Wells Fargo & Company, Welltower INC, WH Group Ltd.</p>	
July – September 2023	<ul style="list-style-type: none"> Environmental Risk Diversity Equity and Inclusion Human Rights 	<p>AIA Group LTD, Allianz SE, Alphabet INC, Apple INC, Associated British Foods PLC, AVIVA PLC, AXA, Barratt Developments PLC,</p>	<p>LAPFF wrote to Centrica one of the major UK energy suppliers and</p>

	<ul style="list-style-type: none"> • Climate Change • Supply Chain Management • Social Risk • Employment Standards • Board Composition • Remuneration Audit Practices 	<p>Bayerische Motoren Werke AG, Berkshire Hathaway INC., Booking Holdings INC., Burberry Group PLC, Centrica PLC, China Construction Bank Corp, China Life Insurance (CHN), Devon Energy Corporation, FEDEX Corporation, Ford Motor Company, General Motors Company, Grupo Mexico SA DE CV, Hennes & Mauritz AB (H&M), J Sainsbury PLC, KKR & CO INC, Legal & General Group PLC, Lloyds Banking Group PLC, Marks & Spencer Group PLC, Mercedes-Benz Group AG, Meta Platforms INC, Metlife INC., Mizuho Financial Group INC, Muenchener Rueck AG (Munich RE), National Grid Gas PLC, Nestle SA, Northumbrian Water Group, Occidental Petroleum Corporation, Persimmon PLC, Ping An Insurance Group, Prudential PLC, Renault SA, Rio Tinto Group (AUS), Ryanair Holdings PLC, Salesforce INC, Severn Trent PLC, Shinhan Financial Group LTD, SSE PLC, Suzano SA, Taylor Wimpey PLC, Tesla INC, The Procter & Gamble Company, Total Energy Services INC, Unilever PLC, United Utilities Group PLC, Vale SA, Volkswagen AG, Volvo AB, WH Smith PLC, Whitbread PLC, Zurich Insurance Group AG.</p>	<p>owner of British Gas. The company responded by setting out how it is supporting customers through the cost-of-living crisis. The company also outlined ongoing support and advice that it provides low-income customers.</p>
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6.4. Voting Alerts

- 6.4.1. LAPFF issued fifty-five voting alerts in the three-month period to June 2023 and three alerts for the quarter ending September 2023. ACCESS is considering the

treatment of LAPFF voting alerts as part of the ESG/RI Sub-Group chaired by the Fund's Head of Pensions.

7. Recommendations

7.1. That the Investment Sub Committee:

7.1.1. Note the report.

8. Relevant Pension Fund Objectives

- 8.1. To have robust governance arrangements in place, to facilitate informed decision-making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- 8.2. To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.
- 8.3. To ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
- 8.4. To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.

9. Finance and Resources Implications

- 9.1. There are no resources implications arising from the proposals in this paper. Legal fees for review of subscription documentation are included in the Fund's budget.

10. Risk management

- 10.1. The mitigated risks associated with this report has been captured in the Fund's risk register as detailed below -

RISK MITIGATED	RESIDUAL RISK
Failure to respond to changes in economic conditions.	Amber
As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund's investments.	Amber
Failure to understand and monitor risk and compliance	Green
Failure to provide relevant information to the Pension Committee/Local Pension Board to enable informed decision making.	Green

- 10.2. The Fund's full risk register can be found on the Fund's website at the following link:
[Fund's Risk Register](#)

11. Communication Implications

11.1. None.

12. Legal Implications

- 12.1. There are no legal implications arising from the report.

13. Consultation with Key Advisers

13.1. Not applicable

14. Alternative Options Considered

14.1. Included in the paper.

15. Background Papers

15.1. None.

16. Appendices

16.1. None

Checklist of Key Approvals

Is this decision included in the Business Plan?	Not applicable.
Will further decisions be required? If so, please outline the timetable here	No.
Is this report proposing an amendment to the budget and/or policy framework?	No.
Has this report been cleared by Chief Finance Officer/Section 151 Officer?	08/11/2023
Has this report been cleared by Head of Pensions? Yes. Mark Whitby	19/10/2023
Has this report been cleared by Legal Services?	08/11/2023

Cambridgeshire Pension Fund Monitoring Report Quarter to 30 September 2023

Chris West

November 2023

PRIVATE AND CONFIDENTIAL

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Please also 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.

Chris West

Executive Dashboard

Funding

The present value of the Fund's liabilities was broadly stable over the quarter at £2.6bn.

The Fund's assets (including cash) increased over the quarter by £2.7m to £4,301m as at 30 September 2023. The Fund's assets (including cash) have increased by £196m over the last twelve months.

The estimated funding level at 30 September 2023 was c.167%, up from c.165% as at 30 June 2023. For comparison, the funding level at 31 March 2022 (the date of the previous actuarial valuation) was 125%.

Performance

Short Term Performance

The Fund outperformed the benchmark over the quarter (returning 0.1% vs -0.4%).

Key Contributors to Relative Performance – Quarter

Outperformance by Dodge & Cox - Global Equity	+0.5%
Underperformance by Longview - Global Equity	-0.2%

Longer Term Performance

	Fund	B'mark
Quarter (%)	0.1	-0.4
1 Year (%)	4.5	8.4
3 Years (% p.a.)	6.7	6.9

Asset Allocation

On 27 July 2023, £64m was transferred from Dodge & Cox - Global Equity to M&G - Multi Asset Credit, in order to transition towards the target strategic allocations agreed as part of the strategy review completed earlier in 2023.

Overweight

Equities

+7.7%

Underweight

Fixed Income

-5.3%

Alternatives

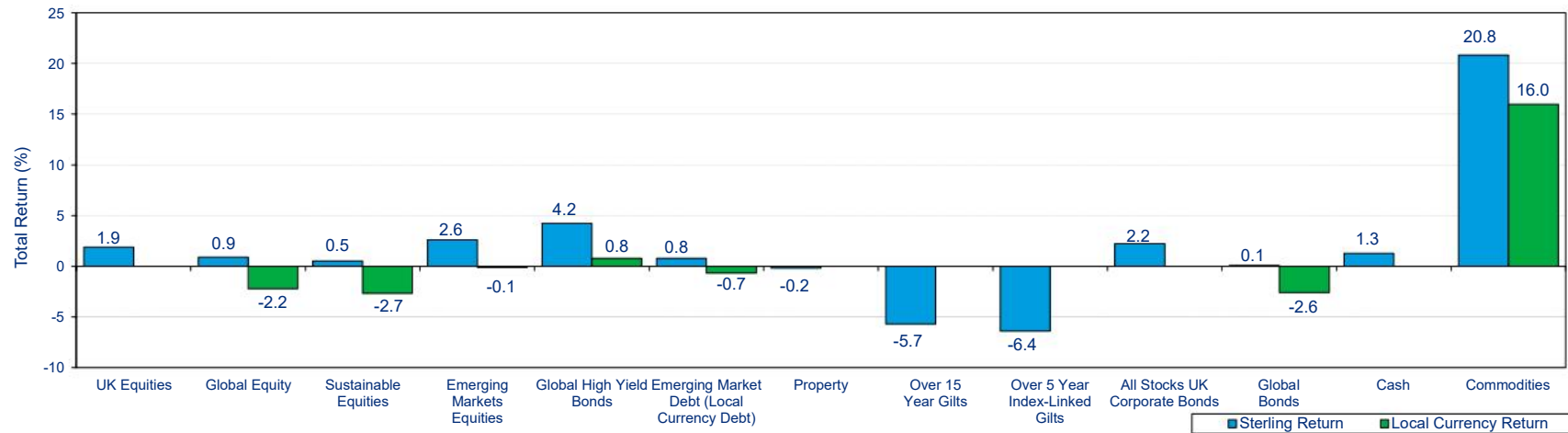
-2.4%

Manager Research

Redacted

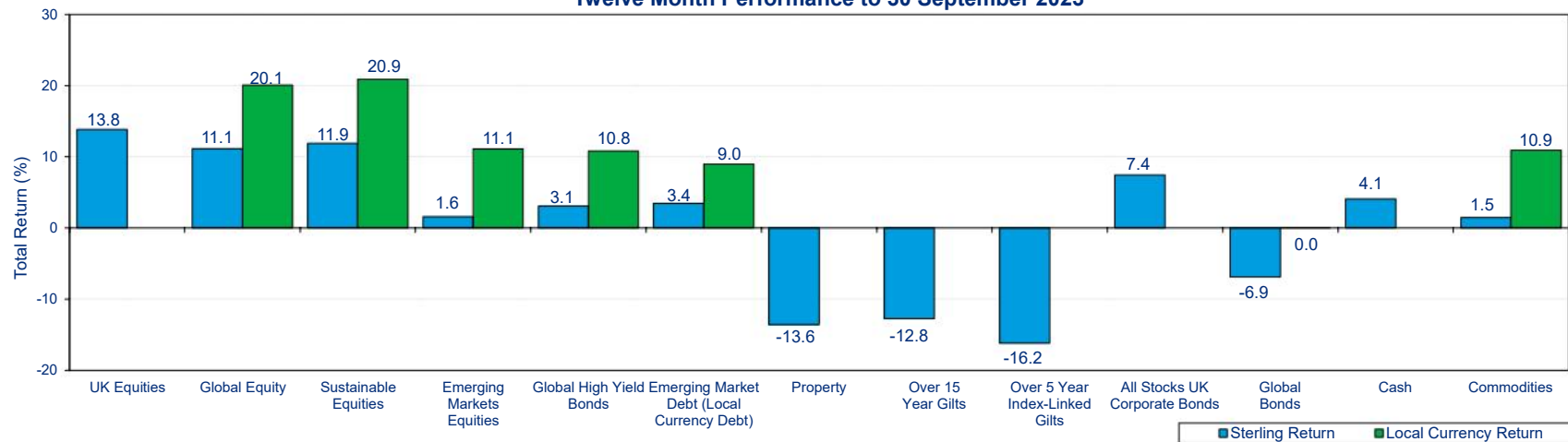
Market Index Performance

Three Month Performance to 30 September 2023



Source: Refinitiv.

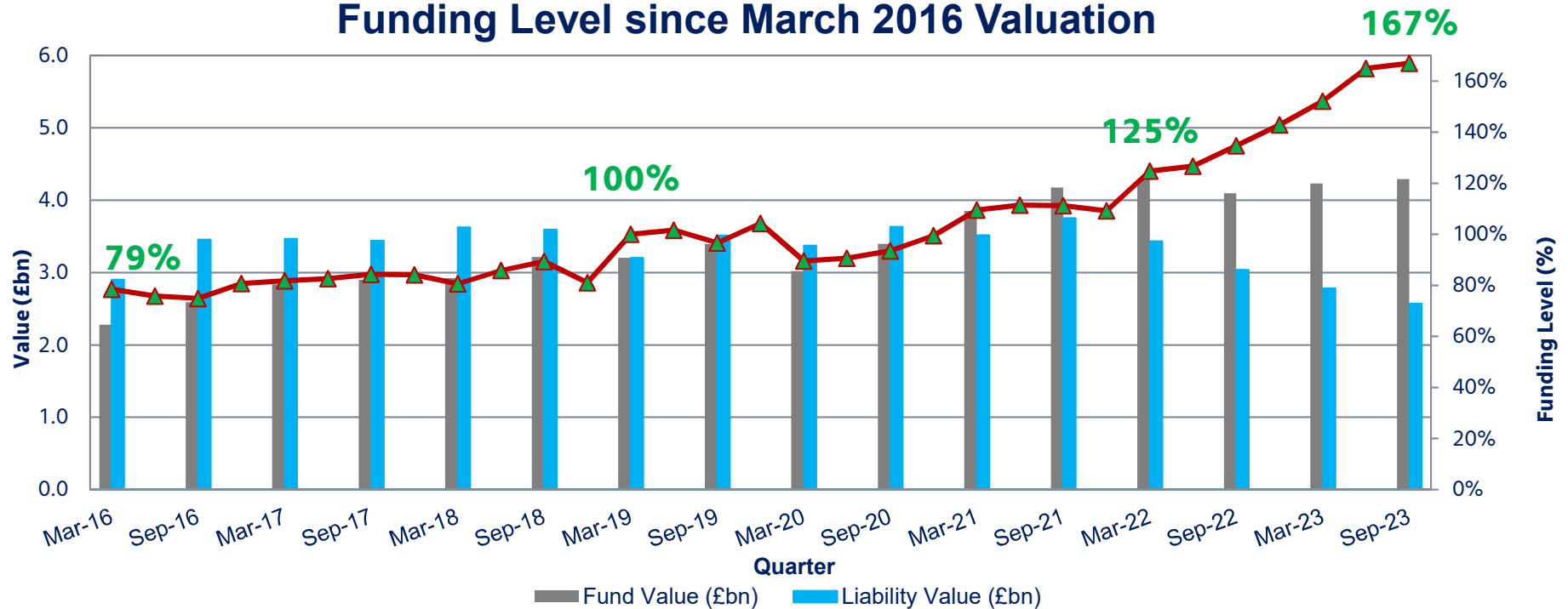
Twelve Month Performance to 30 September 2023



Source: Refinitiv.

Funding

Funding Level since March 2016 Valuation



Source: Hymans Robertson & WM Performance Reports. Figures don't reconcile with the Hymans Robertson Funding report due to differences in the total asset value. The Funding Level is a ratio of assets to liabilities.

Over recent quarters, the estimated value of the liabilities has fallen due to (primarily) rises in gilt yields, which has led to an increase in the funding level as the assets have not experienced such falls.

Allocation

	30/06/2023 Market Value (£M)	30/09/2023 Market Value (£M)	30/06/2023 Allocation (%)	30/09/2023 Allocation (%)	30/09/2023 B'mark (%)
Total Invested Assets	4,279.5	4,287.0	100.0	100.0	100.0
Equities	2,215.0	2,150.4	51.8	50.2	42.5
Fixed Income	800.1	844.7	18.7	19.7	25.0
Alternatives	1,264.4	1,291.9	29.5	30.1	32.5

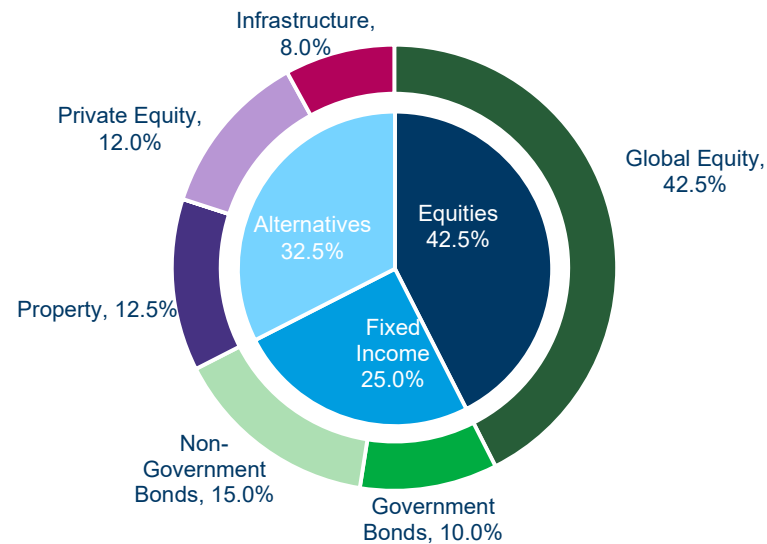
Source: Investment Managers, Link Asset Services and Mercer.

Figures may not sum to total due to rounding.

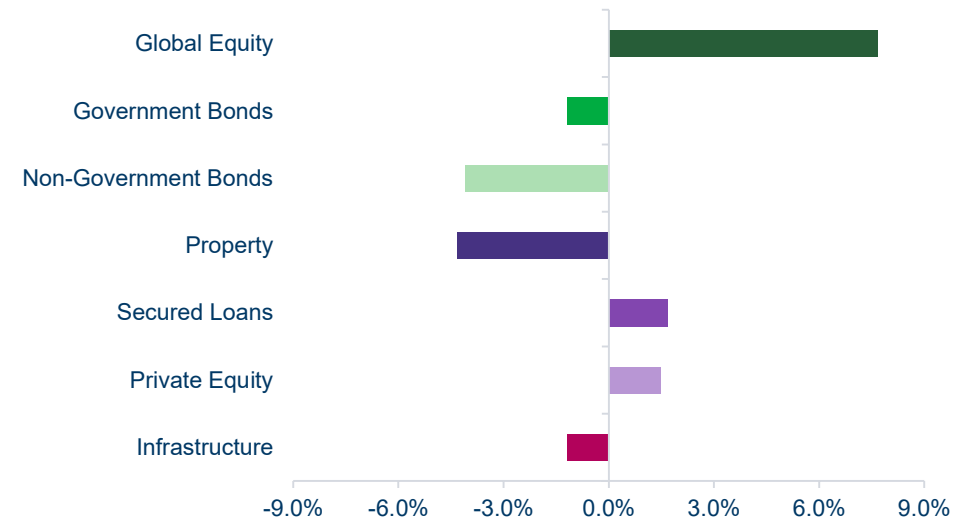
The total market value shown in the table above excludes cash (c. £18.7m at the start of quarter and c. £13.9m at the end of quarter).

Benchmark allocation reflects the Fund's agreed investment strategy. However, some deviation is expected in the short-term as the Fund transitions towards this. As such, for total benchmark performance measurements purposes, the benchmark allocation is equal to the actual fund allocation, from 31 March 2023.

Benchmark Asset Allocation as at 30 September 2023



Deviation from Benchmark Asset Allocation



Benchmark allocation is shown for representative purposes. For performance measurement purposes, from 31 March 2023 given the transitions, we have assumed that the benchmark allocation is equal to the actual fund allocation.

Manager Allocation (1/3)

	30/06/2023 Market Value (£M)	30/09/2023 Market Value (£M)	30/06/2023 Allocation (%)	30/09/2023 Allocation (%)	30/09/2023 B'mark (%)
Total Invested Assets	4,279.5	4,287.0	100.0	100.0	100.0
Equities (inc. Equity Options)	2,215.0	2,150.4	51.8	50.2	42.5
Active Global Equity	1,290.4	1,242.1	30.2	29.0	22.5
JO Hambro - Global Equity	463.8	462.5	10.8	10.8	7.5
Dodge & Cox - Global Equity	515.9	476.7	12.1	11.1	7.5
Longview - Global Equity	310.7	302.9	7.3	7.1	7.5
Passive Equity	924.5	908.3	21.6	21.2	20.0
UBS – Climate Aware Rules Based	651.4	635.2	15.2	14.8	14.0
Osmosis - Core Equity (Fossil Free)	273.2	273.1	6.4	6.4	6.0
Fixed Income	800.1	844.7	18.7	19.7	25.0
Government Bonds	403.2	377.5	9.4	8.8	10.0
Schroders - Bonds	180.7	168.7	4.2	3.9	5.0
UBS - Gilts	222.4	208.8	5.2	4.9	5.0
Non-Government Bonds	396.9	467.2	9.3	10.9	15.0
BlueBay - Multi-Asset Credit	189.0	189.4	4.4	4.4	7.5
M&G - Multi-Asset Credit	207.9	277.8	4.9	6.5	7.5

Source: Investment Managers, Link Asset Services and Mercer.

Figures may not sum to total due to rounding.

The total market value shown in the table above excludes cash (c. £18.7m at the start of quarter and c. £13.9m at the end of quarter).

Benchmark allocation reflects the Fund's agreed investment strategy. However, some deviation is expected in the short-term as the Fund transitions towards this. As such, for total benchmark performance measurements purposes, the benchmark allocation is equal to the actual fund allocation, from 31 March 2023.

Manager Allocation (2/3)

	30/06/2023 Market Value (£M)	30/09/2023 Market Value (£M)	30/06/2023 Allocation (%)	30/09/2023 Allocation (%)	30/09/2023 B'mark (%)
Alternatives	1,264.4	1,291.9	29.5	30.1	32.5
Property	352.4	350.7	8.2	8.2	12.5
Schroder - Property	278.7	277.0	6.5	6.5	6.5
TBC - Long Lease Property	--	--	--	--	3.0
M&G - Residential Property	57.9	58.0	1.4	1.4	1.5
M&G - Shared Ownership	15.8	15.8	0.4	0.4	1.5
Secured Loans	68.7	71.0	1.6	1.7	--
M&G - Secured Loans	68.7	71.0	1.6	1.7	--
Private Equity	548.0	577.9	12.8	13.5	12.0
Adams Street - Private Equity	201.7	216.0	4.7	5.0	--
HarbourVest - Private Equity	197.2	208.0	4.6	4.9	--
Foresight - Private Equity	49.0	53.9	1.1	1.3	--
Cambridgeshire and Counties Bank	85.0	85.0	2.0	2.0	--
Cambridgeshire Building Society	15.0	15.0	0.4	0.3	--

Source: Investment Managers, Link Asset Services and Mercer.

Figures may not sum to total due to rounding.

The total market value shown in the table above excludes cash (c. £18.7m at the start of quarter and c. £13.9m at the end of quarter).

Benchmark allocation reflects the Fund's agreed investment strategy. However, some deviation is expected in the short-term as the Fund transitions towards this. As such, for total benchmark performance measurements purposes, the benchmark allocation is equal to the actual fund allocation, from 31 March 2023.

Manager Allocation (3/3)

	30/06/2023 Market Value (£M)	30/09/2023 Market Value (£M)	30/06/2023 Allocation (%)	30/09/2023 Allocation (%)	30/09/2023 B'mark (%)
Infrastructure	295.3	292.2	6.9	6.8	8.0
UBS - Infrastructure	7.6	7.9	0.2	0.2	--
Equitix - Infrastructure	31.3	31.5	0.7	0.7	--
Partners Group - Infrastructure	39.1	35.5	0.9	0.8	--
AMP Capital - Infrastructure Debt	40.6	35.9	0.9	0.8	--
Allianz - Infrastructure Debt	13.1	13.0	0.3	0.3	--
IFM - Infrastructure Equity	88.6	91.9	2.1	2.1	--
JPM - Infrastructure Equity	74.8	76.6	1.7	1.8	--

Source: Investment Managers, Link Asset Services and Mercer.

Figures may not sum to total due to rounding.

The total market value shown in the table above excludes cash (c. £18.7m at the start of quarter and c. £13.9m at the end of quarter).

Benchmark allocation reflects the Fund's agreed investment strategy. However, some deviation is expected in the short-term as the Fund transitions towards this. As such, for total benchmark performance measurements purposes, the benchmark allocation is equal to the actual fund allocation, from 31 March 2023.

Manager Performance (1/2)

	2023 Q3 (%)	B'mark (%)	1 Yr (%)	B'mark (%)	3 Yrs (%)	B'mark (%)	5 Yrs (%)	B'mark (%)
Total	0.1	-0.4	4.5	8.4	6.7	6.9	5.3	6.4
Equities (inc. Equity Options)	-0.1	-0.4	9.6	12.6	8.9	9.3	6.1	7.7
Equities (ex. Equity Options)	-0.1	-0.4	11.6	12.6	10.3	9.3	6.9	7.7
JO Hambro - Global Equity	-0.3	0.6	-1.1	10.5	1.5	9.0	5.6	7.9
Dodge & Cox - Global Equity	5.0	2.5	15.3	7.8	18.1	12.7	8.8	6.1
Longview - Global Equity	-2.5	0.6	11.9	10.5	13.1	9.0	--	--
UBS - Climate Aware Rules Based	-2.5	-2.4	--	--	--	--	--	--
Osmosis - Core Equity (Fossil Free)	0.0	0.0	--	--	--	--	--	--
Fixed Income	-2.5	-2.3	0.1	1.5	-3.9	-4.2	-1.1	-1.1
Schroders - Bonds	-6.7	-6.7	-14.9	-14.9	-15.9	-15.9	--	--
UBS - Gilts	-6.3	-6.4	--	--	--	--	--	--
BlueBay - Multi-Asset Credit	0.2	1.9	8.3	11.4	0.6	2.4	--	--
M&G - Multi-Asset Credit	2.8	1.9	9.0	11.4	4.5	2.4	--	--

Figures shown are net of fees and based on performance provided by the Investment Managers, Link Asset Services, WM, Mercer estimates and Refinitiv.

For periods over one year the figures in the table above have been annualised. Total Equities, Total Fixed Income, Total Alternatives and Total Fund performance includes the performance of terminated mandates.

Total and Equities (inc. Equity Options) fund performance include the contribution of the equity protection strategy managed by Schroders, to its expiration in May 2023.

M&G Multi-Asset Credit performance figures are reported by Link Asset Group with one month lag. M&G Shared Ownership last quarter performance is always assumed zero due the lag in final data.

Total Fund and Alternatives performances include quarterly performances for the private markets managers, calculated by Mercer using a Modified Dietz approach based on data provided by these managers (with the exception of IFM where performance is provided by the manager). Over the long term, performances are chain linked using quarterly Total Fund performances. Performance shown is net of illiquid mandates' fees. Performance for the underlying private equity and infrastructure mandates is calculated by Mercer using an IRR approach and shown in the GBP currency with a quarter lag. Benchmark performance shown for the underlying private equity mandates is the rolling 3 year MSCI World Index return, averaged on a quarterly basis.

For performance measurement purposes the benchmark allocation is equal to the actual fund allocation from 31 March 2023.

Manager Performance (2/2)

	2023 Q3 (%)	B'mark (%)	1 Yr (%)	B'mark (%)	3 Yrs (%)	B'mark (%)	5 Yrs (%)	B'mark (%)
Alternatives	1.9	1.0	-2.5	4.4	7.8	8.1	7.0	7.1
Schroder - Property	-0.7	-0.4	-10.1	-14.3	3.4	3.2	2.2	1.8
M&G - Residential Property	0.1	1.5	-0.9	6.0	2.4	6.0	--	--
M&G - Shared Ownership	0.0	1.5	-3.3	6.0	--	--	--	--
M&G - Secured Loans	3.7	2.3	14.4	8.3	5.5	5.7	3.7	5.4
Adams Street - Private Equity	-2.3	2.9	-6.7	11.7	20.9	11.7	18.4	10.5
HarbourVest - Private Equity	0.5	2.9	-0.7	11.7	21.5	11.7	19.7	10.5
Foresight - Private Equity	0.0	2.9	24.1	11.7	16.4	11.7	--	--
UBS - Infrastructure	-16.6	2.5	-12.5	10.0	-11.9	10.0	-7.0	10.0
Equitix – Infrastructure	0.5	2.5	5.2	10.0	-1.5	10.0	3.3	10.0
Partners Group – Infrastructure	-1.3	2.5	20.5	10.0	15.2	10.0	12.2	10.0
AMP Capital - Infrastructure Debt	-4.3	2.5	2.2	10.0	3.5	10.0	5.0	10.0
Allianz - Infrastructure Debt	-6.2	1.0	-9.7	4.0	-11.8	4.0	--	--
IFM - Infrastructure Equity	0.6	2.5	7.6	10.0	12.5	10.0	--	--
JPM - Infrastructure Equity	-0.7	2.5	5.8	10.0	--	--	--	--

Figures shown are net of fees and based on performance provided by the Investment Managers, Link Asset Services, WM, Mercer estimates and Refinitiv.

For periods over one year the figures in the table above have been annualised. Total Equities, Total Fixed Income, Total Alternatives and Total Fund performance includes the performance of terminated mandates.

Total and Equities (inc. Equity Options) fund performance include the contribution of the equity protection strategy managed by Schroders, to its expiration in May 2023.

M&G Multi-Asset Credit performance figures are reported by Link Asset Group with one month lag. M&G Shared Ownership last quarter performance is always assumed zero due the lag in final data.

Total Fund and Alternatives performances include quarterly performances for the private markets managers, calculated by Mercer using a Modified Dietz approach based on data provided by these managers (with the exception of IFM where performance is provided by the manager). Over the long term, performances are chain linked using quarterly Total Fund performances. Performance shown is net of illiquid mandates' fees. Performance for the underlying private equity and infrastructure mandates is calculated by Mercer using an IRR approach and shown in the GBP currency with a quarter lag. Benchmark performance shown for the underlying private equity mandates is the rolling 3 year MSCI World Index return, averaged on a quarterly basis.

For performance measurement purposes the benchmark allocation is equal to the actual fund allocation from 31 March 2023.

Appendix



Appendix A

Benchmarks

Name	B'mark (%)	Performance Benchmark	Performance Target	Tracking Error Expectation
Total Invested Assets	100.00	-	-	-
Equities (inc. Equity Options)	42.50	-	-	-
JO Hambro - Global Equity	7.50	MSCI AC World (NDR) Index	+3.00% p.a. (gross of fees)	5.00% - 12.00% p.a.
Dodge & Cox - Global Equity	7.50	MSCI AC World Value Index	+3.00% p.a. (gross of fees)	-
Longview - Global Equity	7.50	MSCI AC World (NDR) Index	+3.00% p.a. (gross of fees)	-
UBS – Climate Aware Rules Based	14.00	FTSE Developed (GBP Hedged) Index	To match the benchmark	-
Osmosis - Core Equity (Fossil Free)	6.00	Solactive Osmosis Resource Efficient Core Equity Ex-Fossil Fuels Index NTR	To match the benchmark	-
Fixed Income	25.00	-	-	-
Schroders - Bonds	5.00	Assumed equal to fund performance	-	-
UBS - Gilts	5.00	FTSE A Over 5 Year Index-Linked Gilts Index	To match the benchmark	-0.10% - 0.10% p.a.
BlueBay - Multi-Asset Credit	7.50	Composite Benchmark	-	-
M&G - Multi-Asset Credit	7.50	Composite Benchmark	-	-
Alternatives	32.50	-	-	-
Schroder - Property	6.50	MSCI All Balanced Property Funds Index	+0.75% p.a. (net of fees)	-
TBC - Long Lease Property	3.00	TBC	TBC	TBC
M&G - Residential Property	1.50	Absolute Return of 6.0% p.a.	-	-
M&G - Shared Ownership	1.50	Net Return of 5-7% p.a.	-	-
M&G - Secured Loans	--	SONIA +4.0% p.a.	-	-
Private Equity	12.00	-	-	-
Adams Street - Private Equity	--	MSCI World Index	+3.00% p.a. (gross of fees)	-

Name	B'mark (%)	Performance Benchmark	Performance Target	Tracking Error Expectation
HarbourVest - Private Equity	--	MSCI World Index	+3.00% p.a. (gross of fees)	-
Foresight - Private Equity	--	MSCI World Index	+3.00% p.a. (gross of fees)	-
Infrastructure	8.00	-	-	-
UBS - Infrastructure	--	IRR of 10.0% p.a.	-	-
Equitix – Infrastructure	--	IRR of 10.0% p.a.	-	-
Partners Group - Infrastructure	--	IRR of 10.0% p.a.	-	-
AMP Capital - Infrastructure Debt	--	IRR of 10.0% p.a.	-	-
Allianz - Infrastructure Debt	--	IRR of 4.0% p.a.	-	-
IFM - Infrastructure Equity	--	IRR of 10.0% p.a.	-	-
JPM - Infrastructure Equity	--	IRR of 10.0% p.a.	-	-

Dodge & Cox performance is monitored against the MSCI AC World Value Index, but the MSCI AC World (NDR) Index is used in total benchmark performance calculations.

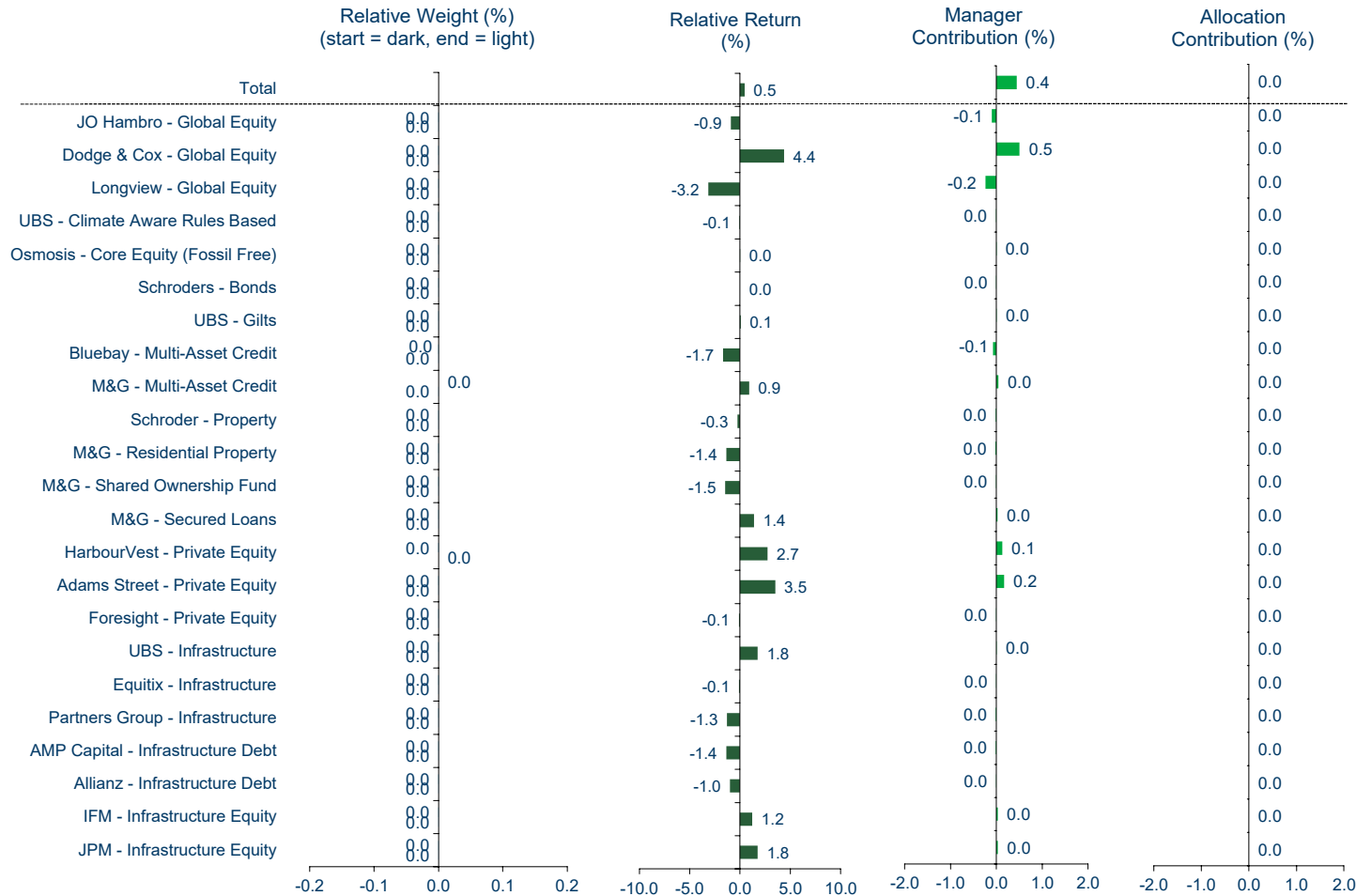
BlueBay - Multi-Asset Credit: composite benchmark is 50% ICE BofAML Global High Yield Constrained and 50% Morningstar LSTA US Leveraged Loan 100 Hedged.

M&G - Multi-Asset Credit: composite benchmark is 50% ICE BofAML Global High Yield Constrained and 50% Morningstar LSTA US Leveraged Loan 100 Hedged.

The new benchmark allocation is shown for representative purposes, due to the client being in transition. As such, for total benchmark performance measurements purposes, the benchmark allocation is equal to the actual fund allocation, from 31 March 2023.

Appendix B

Detailed Attribution Analysis - Quarter



Please note that the relative return and relative weight charts use unrounded performance and allocation figures to calculate the relative difference, hence the numbers are not directly comparable to the implied relative difference given in the performance and allocation tables.

All Global Equity Funds use MSCI AC World index as the underlying benchmark. Total Fund performance figures exclude the Cambridgeshire and Counties Bank and Cambridgeshire Building Society private equity mandates so relative weights will not tie up with the allocation tables. Figures shown for the private equity and infrastructure mandates (with the exception of IFM) are estimated in GBP to the quarter end date.

For performance measurement purposes the benchmark allocation is equal to the actual fund allocation from 31 March 2023.

Explanation of Attribution Analysis Chart

The purpose of the attribution analysis chart is give a visual representation of the contribution of each portfolio to the relative performance of the Total Scheme against the Total Benchmark". The contribution is apportioned between "Manager Contribution" and "Allocation Contribution. Further explanation of the terms used in the chart is given below.

Relative Weight - This is the difference in percentage terms of the actual Scheme allocation and benchmark allocation at both the start and end of the period. A bar greater (less) than zero indicates that the Scheme was overweight (underweight) to that portfolio.

Relative Performance - This shows the relative performance of the portfolio against its benchmark performance. A bar greater than zero indicates there was outperformance, whereas a bar less than zero indicates underperformance.

Quarterly Manager Contribution - This shows the contribution at a total level of the relative performance achieved by the portfolio, taking into account the initial actual allocation. A larger allocation will lead to a greater contribution at a total level (all other things being equal).

Positive (negative) relative performance will result in positive (negative) manager contribution. Note that for passive mandates manager contributions should be close to zero, given its performance objective of tracking the benchmark. In calculation terms this is as follows:

$$\text{Manager Contribution} = (\text{Performance}_{pi} - \text{Performance}_{bi}) \times \text{Initial Actual Allocation}_{pi}$$

Quarterly Allocation Contribution - The allocation contribution shows whether a portfolio underweight / overweight position has had a positive or negative effect on the Total Scheme outperformance / underperformance in relation to the Total Scheme Benchmark.

For example, an overweight allocation to a portfolio whose benchmark performance was superior to that of the Total Scheme Benchmark would result in a positive contribution. In calculation terms this is as follows:

$$\text{Allocation Contribution} = (\text{Performance}_{bi} - \text{Performance}_{bT}) \times (\text{Actual Allocation}_{pi} - \text{Benchmark Allocation}_{bi})$$

Please note that the relative return and relative weight figures shown in the chart use unrounded performance and allocation figures to calculate the relative differences. Therefore, the numbers are not directly comparable to the implied relative differences given in the performance table and allocation tables.

Key: pi = portfolio i; bi = portfolio i benchmark; bT = Total Fund benchmark

Attribution for Quarters with Significant Events - In cases where there are significant events over the quarter (for example large cashflows, new or terminated portfolios), both manager and allocation contributions are first calculated for the underlying part periods. The quarterly contributions are then a sum of the part period contributions.

Appendix C

Investment Performance

Investment Performance to 30 September 2023

	2022 Q4 (%)	2023 Q1 (%)	2023 Q2 (%)	2023 Q3 (%)	1 Yr (%)	3 Yrs (%)
Total	0.8	2.0	1.5	0.1	4.5	6.7
Total Benchmark	1.7	4.0	2.9	-0.4	8.4	6.9

Figures shown net of fees and are based on performance provided by the Investment Managers, Link Asset Services, WM, Mercer estimates and Refinitiv. Includes the performance of terminated mandates.

For periods over one year the figures in the table above have been annualised.

Total Fund performances include quarterly performances for the private market managers, calculated by Mercer using a Modified Dietz approach based on data provided by these managers (with the exception of IFM where performance is provided by the manager). Over the long term, performances are chain linked using quarterly Total Fund performances. Performance for these managers is net of illiquid mandates' fees, in GBP, and last quarter returns are provisional.

Total Fund performance figures include the Cambridgeshire and Counties Bank and Cambridgeshire Building Society private equity mandates to 30 June 2021, and exclude these mandates thereafter.

Total performance figures include the contribution of the equity protection strategy managed by Schroders, to its expiration in May 2023.

For performance measurement purposes the benchmark allocation is equal to the actual fund allocation from 31 March 2023.

10 Year Performance to 30 September 2023

	10 Yrs (%)	B'mark (%)
Total	7.5	8.5
Schroder - Property	5.8	6.0
M&G - Secured Loans	4.1	5.0
Adams Street - Private Equity	17.7	12.0
HarbourVest - Private Equity	18.6	12.0
UBS - Infrastructure	-0.7	10.0
Equitix - Infrastructure	10.0	10.0
Partners Group - Infrastructure	13.0	10.0

Figures shown net of fees and are based on performance provided by the Investment Managers, Link Asset Services, WM, Mercer estimates and Refinitiv. Includes the performance of terminated mandates.

For periods over one year the figures in the table above have been annualised.

Total Fund performances include quarterly performances for the private market managers, calculated by Mercer using a Modified Dietz approach based on data provided by these managers (with the exception of IFM where performance is provided by the manager). Over the long term, performances are chain linked using quarterly Total Fund performances. Performance for these managers is net of illiquid mandates' fees, in GBP, and last quarter returns are provisional.

Total Fund performance figures include the Cambridgeshire and Counties Bank and Cambridgeshire Building Society private equity mandates to 30 June 2021, and exclude these mandates thereafter.

Total performance figures include the contribution of the equity protection strategy managed by Schroders, to its expiration in May 2023.

Private Equity and Infrastructure figures are shown with a quarter lag.



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