HEALTH WEALTH CAREER

CAMBRIDGESHIRE COUNTY COUNCIL PENSION FUND

INVESTMENT MONITORING REPORT
QUARTER TO 30 JUNE 2019

July 2019

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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.

Joanne Holden
Peter Gent

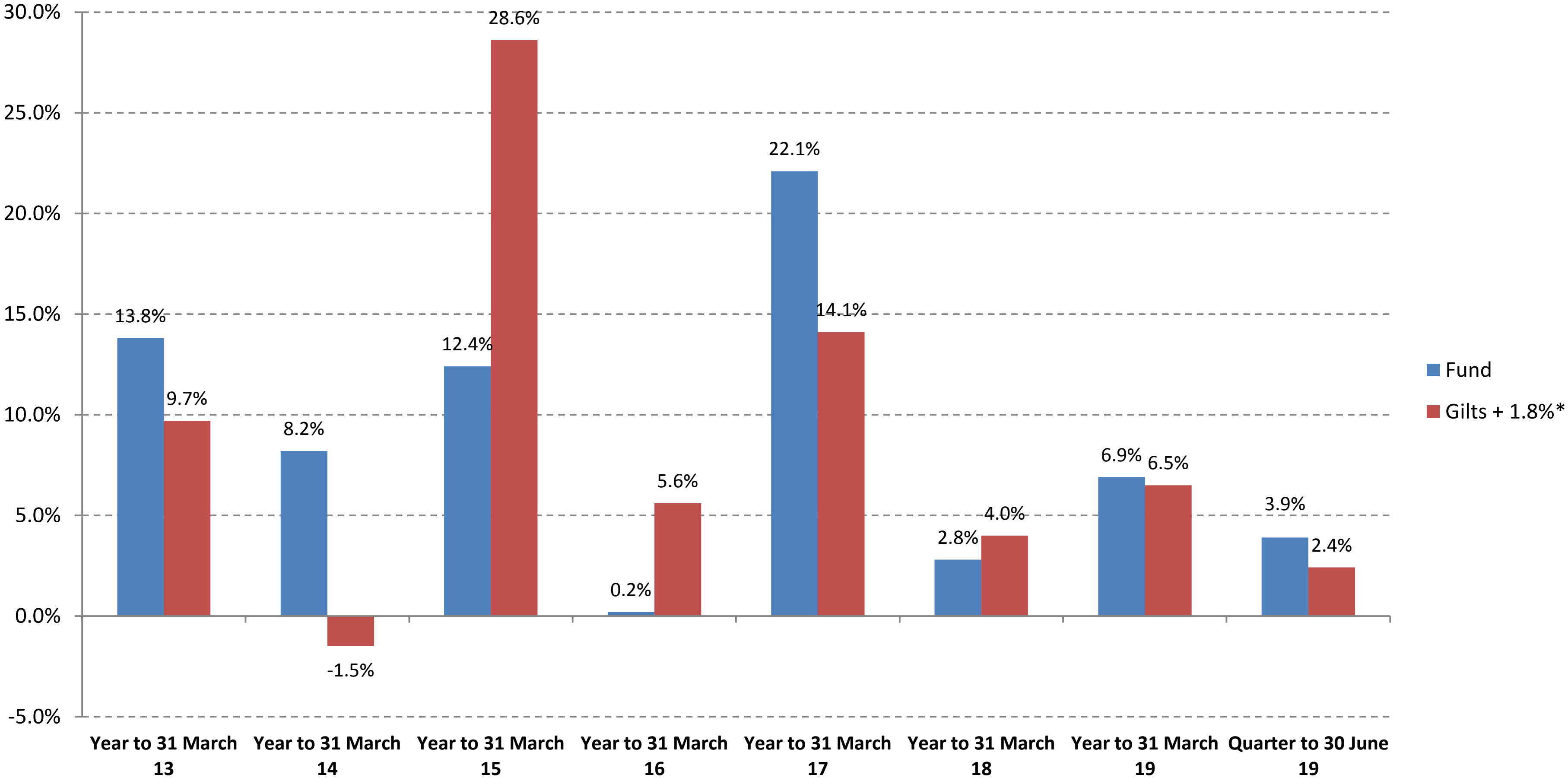
EXECUTIVE SUMMARY
MONITORING DASHBOARD

Category		Comments	Current Status	Status Last Quarter
Asset Allocation		The portfolio was c. 2.3% underweight Fixed Income, 1.5% underweight alternatives and c. 3.8% overweight equities, as at 30 June 2019. However, all the allocations were within the set ranges.	Amber	Amber
Funding Level Change		The present value of the Fund's liabilities increased slightly over the quarter (from £3,886m to £3,981m), due to the fall in gilt yields. The Fund's assets (excluding cash) increased over the quarter by £132.2m from £3,181.8m as at 31 March 2019 to £3,314.0m as at 30 June 2019. Driven primarily by strong performance of the global equity assets, The estimated funding level at 30 June 2019 was 83.2%, a significant positive evolution from the funding level at the end of March of 80.6%	Green	Green
Active Management	Overall Portfolio Performance	The Fund returned +**3.8% (net of fees)** over the quarter to 30 June 2019, underperforming the benchmark by 0.6%.	Green	Green
	Short-term: Total scheme performance versus benchmark over the quarter	Schroders UK equity and Dodge & Cox global equity portfolios significantly underperformed their benchmarks whereas JO Hambro's global equity and Schroders strategic bonds portfolios significantly outperformed their benchmarks. The Schroders bonds and M&G's secured loans portfolios outperformed their benchmarks by c. 0.2%/0.3% and the M&G residential property portfolio underperformed its benchmark by c. 0.5%. The Schroders property portfolio relative performance was flat.	Green	Green
	Long-term: Total Fund performance versus benchmark over the last three years	Over the three year period, the JO Hambro global equity portfolio outperformed its benchmark by c. 1.0% p.a. and the Dodge & Cox global equity and Schroders UK equity portfolios underperformed by c. 0.2% p.a. and c. 0.6% p.a., respectively. The Schroders fixed income portfolios relative performance was also mixed, the strategic bond portfolio outperformed by c. 1.3% p.a. but the bonds portfolio underperformed by c. 1.2% p.a. Within the alternatives portfolio, M&G secured loans underperformed by 0.5% p.a. and Schroders property outperformed by 0.1% p.a. over the three year period to 30 June 2019.	Green	Green

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.

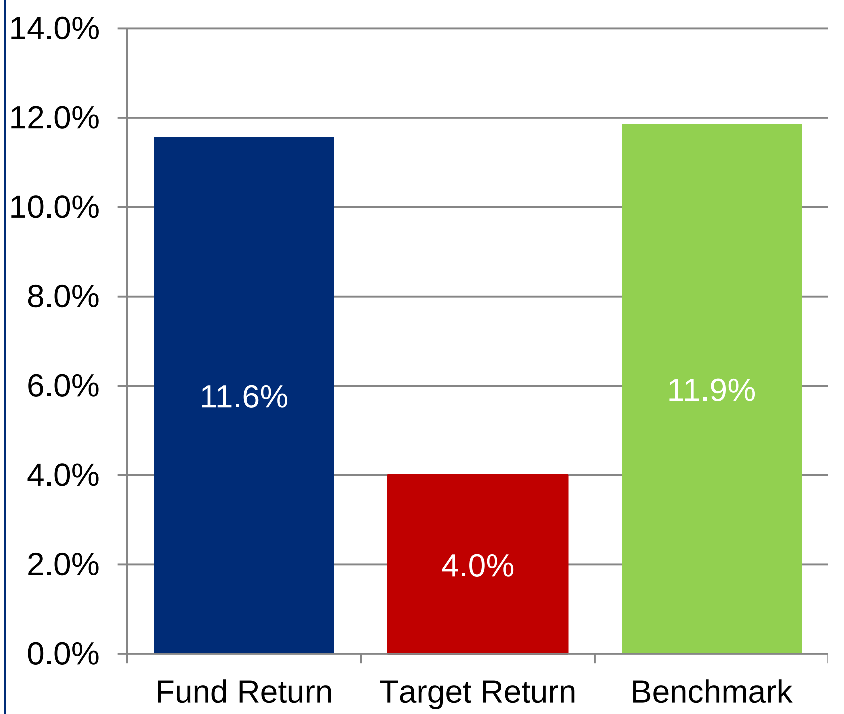
EXECUTIVE SUMMARY
PERFORMANCE VS STRATEGIC TARGET (1)



** Showing as Gilts + 1.6% prior to 31 March 2016*

EXECUTIVE SUMMARY
PERFORMANCE VS STRATEGIC TARGET (2)

Performance of Fund Assets versus Target (since March 2016)



This graph shows the performance of the Fund's assets against its Strategic Benchmark and Target Return since March 2016.

At the 31 March 2016 Actuarial Valuation, the Target Return was set at 4.0% p.a.

The Fund has achieved a return of 12.2% p.a. which is 8.2% ahead of the target return of 4.0% p.a.

Over the same period the Benchmark achieved a return of 4.7% 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, Mercer estimates and Thomas Reuters Datastream.
Performance data to 30 June 2019.

CURRENT TOPICS

Who is right: equity or bond markets?

US led trade war impacting China, other emerging markets and Europe; Brexit hurting UK

US Federal Reserve expected to cut rates; QT already curtailed; BoE and ECB prepared to do more QE

Will markets "look through" weaker earnings as Fed "comes to rescue"?

What should you do?

- Bond markets have historically moved quickly to price-in changes in the economic outlook
- Look for conflicting or confirming evidence

•Consider protective strategies when equities constitute a significant proportion of investment risk
•Consider strategies that are nimble and can help limit downside risk during market stress
•Consider other tail risk mitigation strategies

•Benign markets and strong returns on risky assets will not last forever
•Seek contractual income and assets with more predictable returns and actively manage default risk

Do you care?

Equity - Equity risk in the portfolio remains high, although the introduction of option protection mitigates this to some extent.

Bonds - We continue to support the shift towards more flexible areas of the market (via MAC for example). However, the largest risk is UK yields falling further, given the link with the Fund's liabilities and the current relatively low hedge ratio.

We would note the time horizon for a local government Scheme is longer than with a corporate Scheme.

Conclusions from the European asset allocation survey

UK SCHEMES CONTINUE TO DIVERSIFY THEIR EXPOSURES AWAY FROM EQUITIES

The trend of falling equity exposure continued over 2018 with the average equity allocation now reaching a new low of just over 20%. Average bond holdings increased from 50% to 54% with allocations to alternatives up 1% to 26%.

PASSIVE MANAGEMENT CONTINUES TO GROW IN POPULARITY

Although the amount of passively invested bonds has remained flat over the year, the slow shift in favour of passively managed equity has continued increasing from 53% to 55%. Many investors are refocusing their governance budgets on liability risk considerations or towards alternate asset classes.

SCHEMES ARE TARGETING HIGHER HEDGE RATIOS

Following a year of volatility in bond and equity markets, and amid wider de-risking, schemes are targeting higher hedge ratios. Schemes targeting hedge ratios of 90%+ have increased in number from 27% to 41% over the course of 2018.

CASHFLOW NEGATIVE SCHEMES HAVE INCREASED IN NUMBER

Over 2018 a significantly higher proportion of schemes were cashflow negative (64% versus 56% in the year prior). Of the schemes that are cashflow positive, 72% expect to become cashflow negative within the next 10 years.

PARTICIPANTS ARE INCREASINGLY CONSIDERING SUSTAINABILITY ISSUES

Sustainability is gathering momentum – 55% of schemes now consider ESG risks. Regulatory drivers are the primary reason for considering risks, however attitudes are changing for investors, with the financial materiality of risks and reputational risks also being significant reasons for considering ESG risks.

Largely for noting only, while the industry trends are interesting and are likely to tie into a lot of the projects that the ISC has and will look at going forward, again we would note the nuances between corporate and local government Schemes.

CMA Investigation: Final Order

- CMA undertook review of both the Investment Consultancy and Fiduciary Management markets to evaluate whether they were functioning correctly
- The review was intensive and many leading market participants contributed to the review over the course of 2 years
- The CMA have set out a number of recommendations which aim to improve the functioning of both markets
- There are **six key recommendations** which need to be implemented – the majority by December 2019

1. Tendering of first time fiduciary management ("FM") appointments
2. Setting strategic objectives for schemes' investment consultant
3. Separation of advice and marketing in FM presentations
4. Reporting of performance to prospective FM clients
5. Cost disclosure for existing and prospective FM clients
6. Performance of recommended asset managers

Given the commentary within the DWP consultation, it appears that the only Remedy applicable to the LGPS is the requirement for Administering Authorities to set strategic objectives for their IC provider.

DWP consultation: further SIP requirements

Requirement	1 Oct '19	1 Oct '20	1 Oct '21
Update SIP to include policies in relation to: financially material considerations over the appropriate time horizon of the investments (including ESG considerations and explicitly climate change), the extent to which non-financial matters are taken into account, as well as their approach to the stewardship of investments	DB DC		
Publish the SIP on a publicly available website	DC*	DB	
SIP to include a policy in relation to the arrangements with the investment managers; includes an explanation of how the trustees incentivise their appointed investment managers to align investment strategy with the trustees' policies and to make investment decisions based on long-term performance		DB DC	
Produce an implementation statement setting out how the trustees acted on the principles set out in their SIP. This must be made publicly available		DC	
Produce an annual disclosure on their voting and engagement activities in the scheme's Annual Report (for DC this is also to be included within the implementation statement, as detailed above)		DB DC	
Publish voting and engagement disclosure on a publicly available website			DB

Where a scheme offers any defined contribution benefits, the **full SIP must be published. This includes any content in relation to defined benefit or additional voluntary contribution sections.*

Not relevant for LGPS. In this regard the DWP regulations do not apply, as the MHCLG has already regulated the LGPS in this area.

Cost Transparency Initiative

The FCA established the Institutional Disclosure Working Group ("IDWG") in 2017, with a remit to support consistent and standardised disclosure of costs and charges to institutional investors.

The IDWG published a summary of their findings in July 2018 which included a recommendation to form a group to encourage and support the use of cost disclosure templates as well as monitor their use. In November 2018, this group was announced as the Cost Transparency Initiative ("CTI").

The objective of the CTI is for all UK asset managers to be able to publish completed templates in 2019/2020. They will be client specific, reflecting agreed terms with each investor. At this stage there is no regulation that obliges managers to complete the CTI templates, although this may change in the future. As a result, the process is reliant on pressure from the FCA, CTI, asset owners and advisors.

CTI removes some of the barriers to collecting detailed cost information, but relies on pressure from individual stakeholders.

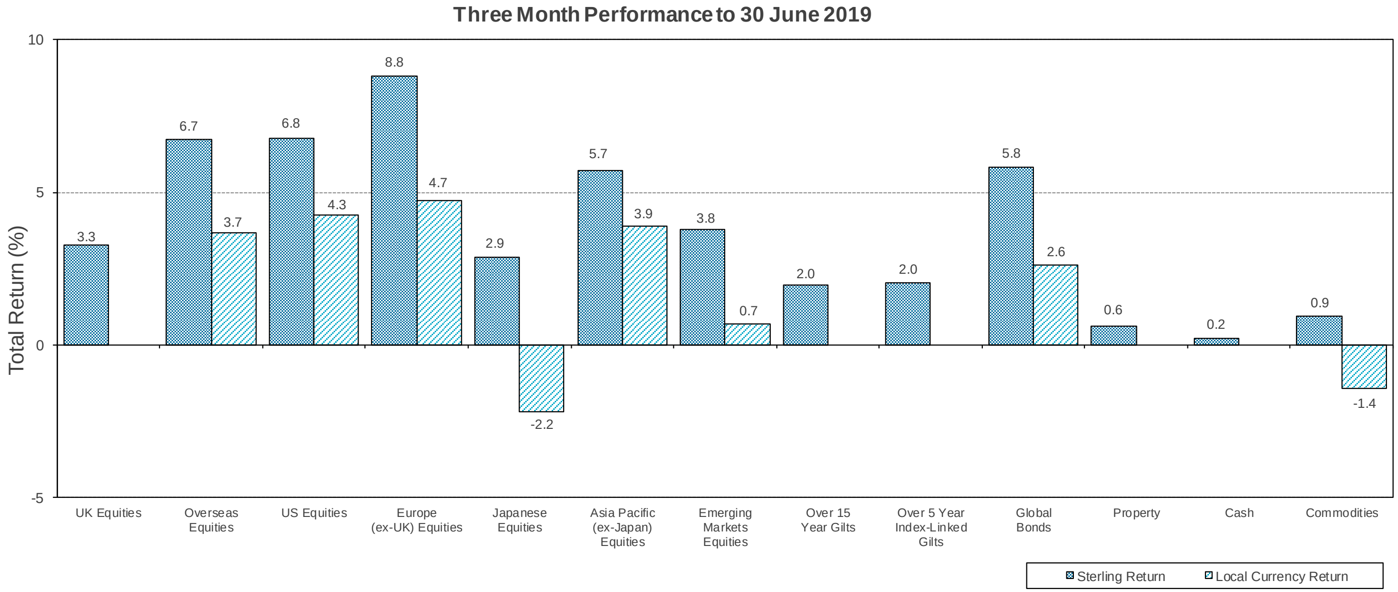
Mercer is working with a third party firm to collect data from managers on behalf of our clients in a cost effective manner.
We will be collecting data in bulk later in the year which we expect to result in a more efficient process. Please speak to your consultant if you would like to take advantage of the opportunity to join this data request.

Particular emphasis from the public sector Schemes on cost transparency more generally.

Mercer is working with a third party firm to collect data, the Fund could be included in this if required

MARKET BACKGROUND TO 30 JUNE 2019

Return Over 3 Months to 30 June 2019

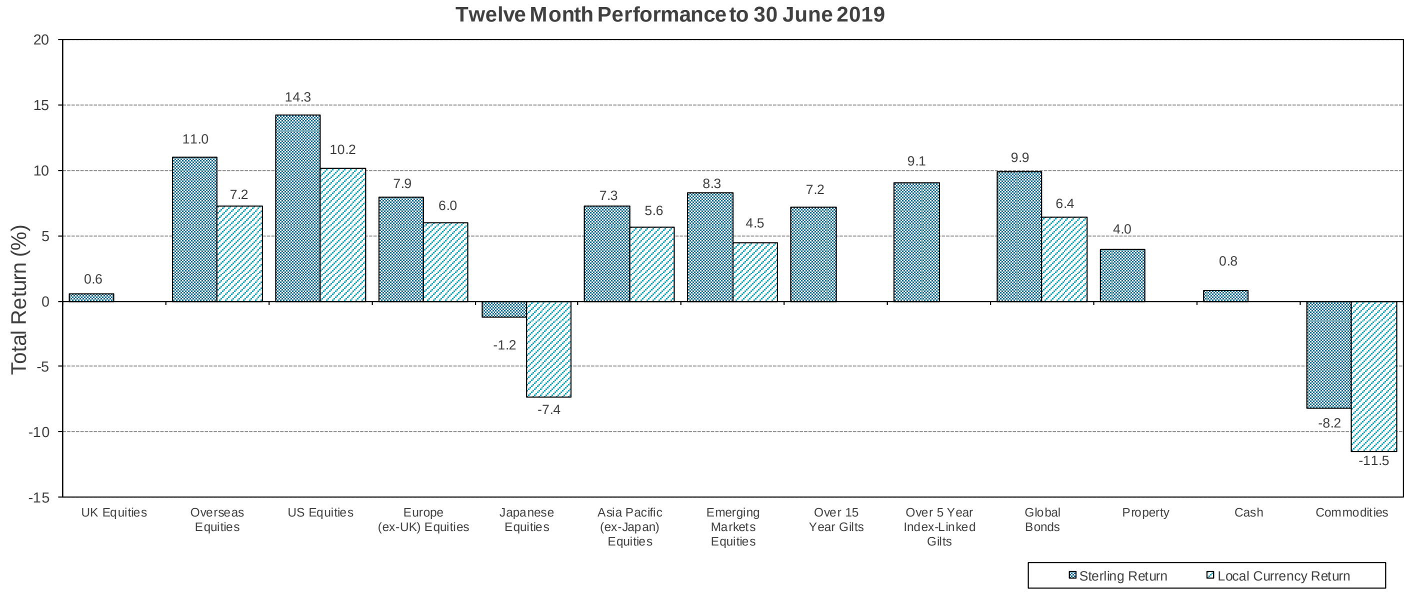


Source: Thomson Reuters Datastream.

- Developed equity markets, with the exception of Japan, experienced a strong quarter. Emerging markets saw lower albeit still positive returns. Sterling weakness gave unhedged UK investors an additional boost.
- US equities returned 6.8% in sterling terms. Markets weakened significantly in May as trade tensions resurfaced but recovered in June when the Federal Reserve hinted at up to two interest rate cuts later in the year. A continued slowdown in earnings growth remained a concern.
- European (ex-UK) equities returned 8.8% in sterling terms. While economic data continued to be underwhelming, the prospect of more ECB stimulus boosted investor sentiment. Emerging markets returned 3.8% which was mostly due to sterling depreciation. The trade talks continued to be a headwind.
- Global small cap stocks underperformed broader equity markets (up 5.0% in sterling terms).
- In the UK, GDP expanded by 1.8% over the year to Q1, the strongest pace of expansion since mid-2017 probably due to stockpiling ahead of the original Brexit date (Source: Consensus Economics). CPI inflation fell to 2.0% (Source: ONS) at the end of May. The Bank of England kept short-dated interest rates at 0.75% and offered a more dovish outlook. Sterling weakened against the US Dollar, Euro and Yen (-2.3%, -3.7% and -4.9%, respectively).

M A R K E T B A C K G R O U N D T O 3 0 J U N E 2 0 1 9

Return Over 12 Months to 30 June 2019

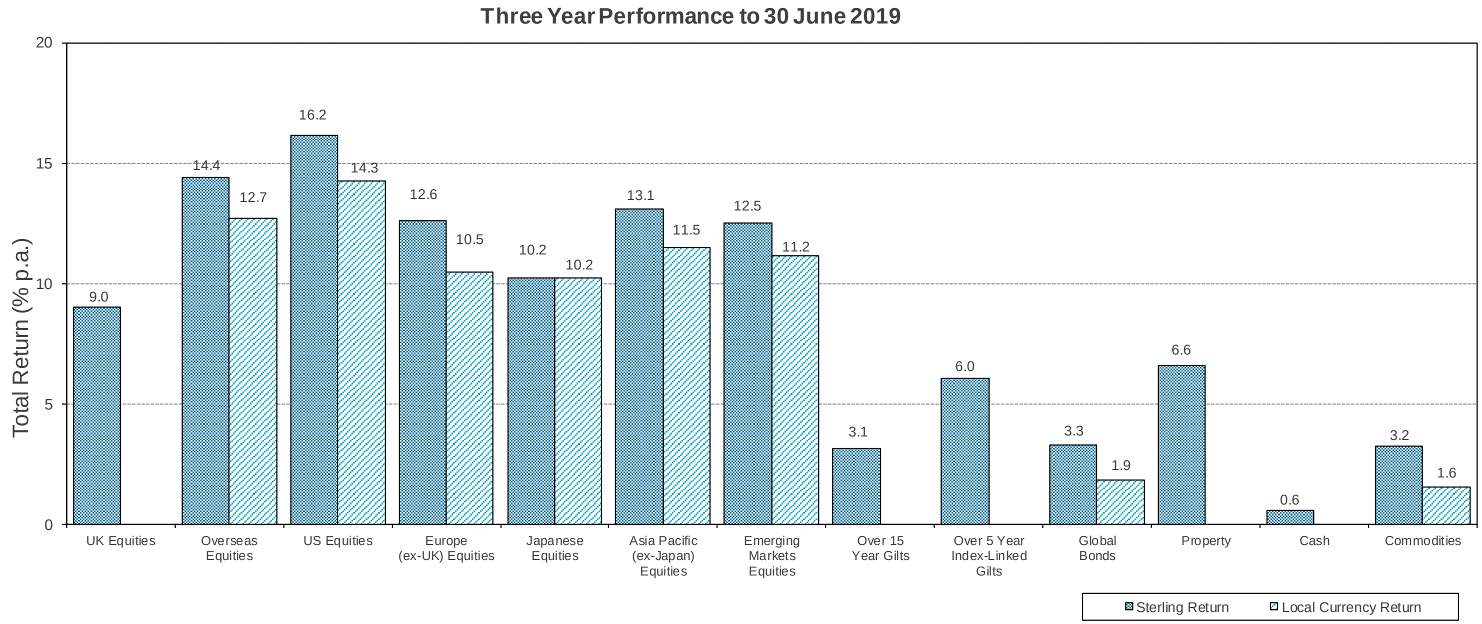


Source: Thomson Reuters Datastream.

- Over the one-year period to 30 June 2019, most major equity markets posted positive returns in both sterling and local currency terms, with the exception of Japanese equities in both sterling and local currency terms. Over 5-year index-linked gilts and over 15 year gilts and delivered returns of 9.1% and 7.2%, respectively. Global bonds delivered a positive return of 9.9% in sterling terms and of 6.4% in local currency terms. Commodities, measured by the S&P GSCI Commodities Index, delivered returns of -8.2% and -11.5%, in sterling and in local currency terms, respectively.

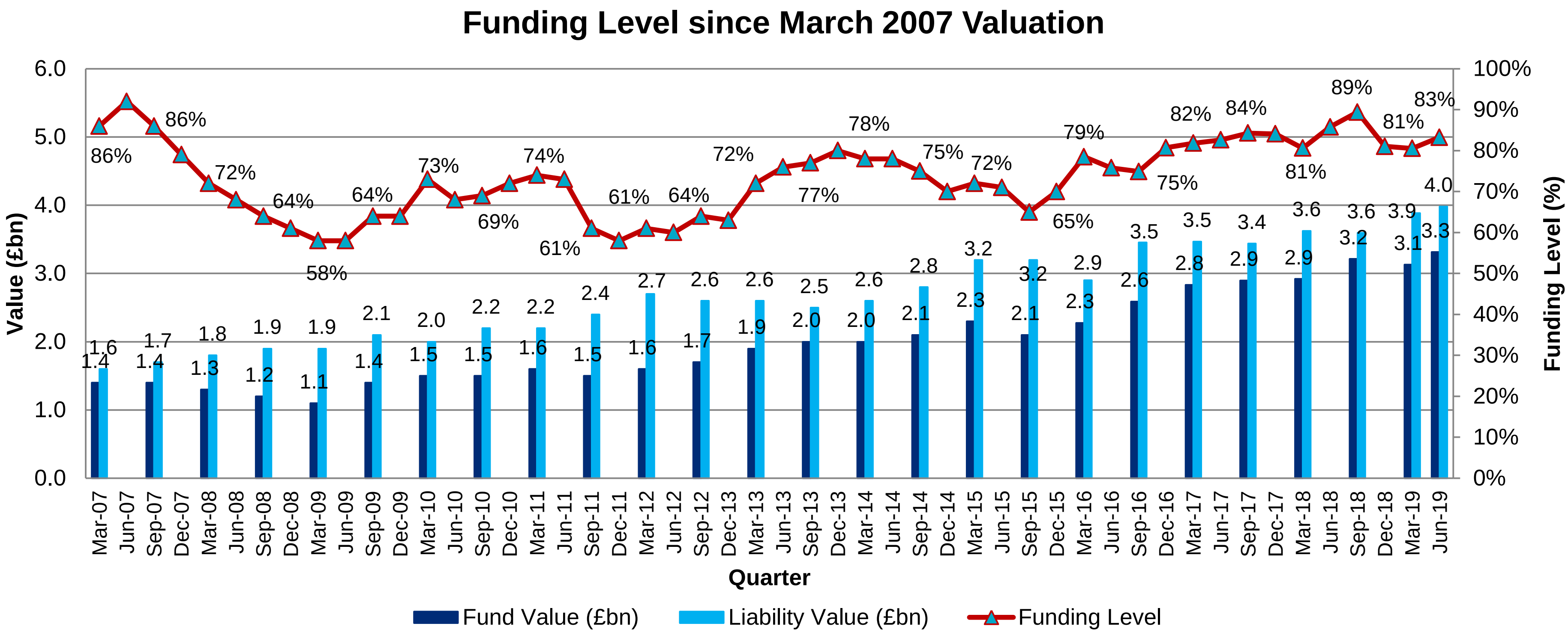
MARKET BACKGROUND TO 30 JUNE 2019

Return Over 3 Years to 30 June 2019



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 falling gilt yields, which has increased the value placed on liabilities. Assets have produced strong returns in general too, but not high enough over a sustained period to keep pace with the rising value of liabilities. 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 to 81%. The funding level fell significantly in Q4 2018 as equity markets sold off. However, over 2019 YTD the funding level has recovered to 83.2%.

WHAT'S CAUSED THE CHANGES?
TO 30 JUNE 2019

Surplus / (deficit)	£m
Surplus / (deficit) as at 31/03/2016	(625)
Contributions (less benefits accruing)	(65)
Interest on surplus	(74)
Excess returns on assets	598
Impact of change in yields and inflation	(561)
Surplus / (deficit) as at 30/06/2019	(727)

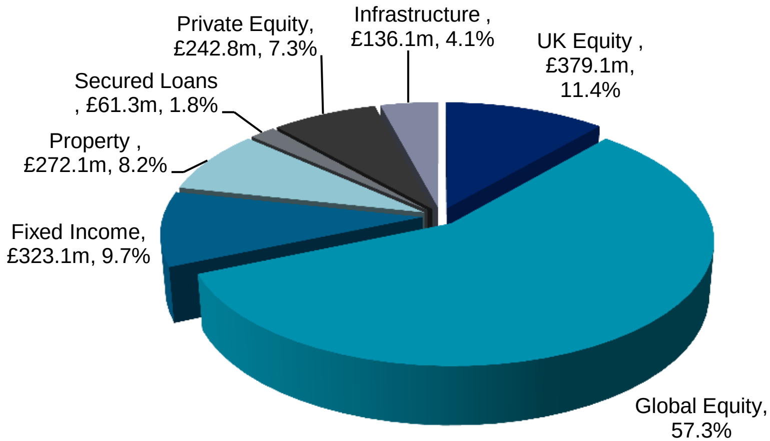
The funding level at the latest formal valuation was 80.6%. As at 30 June 2019 the funding level has increased to 83.2%. The funding level increased slightly over the quarter due predominantly to strong performance of the assets, particularly equities

Data provided by Hymans Robertson. Funding levels provided by the Actuary are based on the 2016 valuation. Surplus/deficit figure will not reconcile with Mercer's number given difference in assets

ASSET CLASS ALLOCATION AT END JUNE 2019

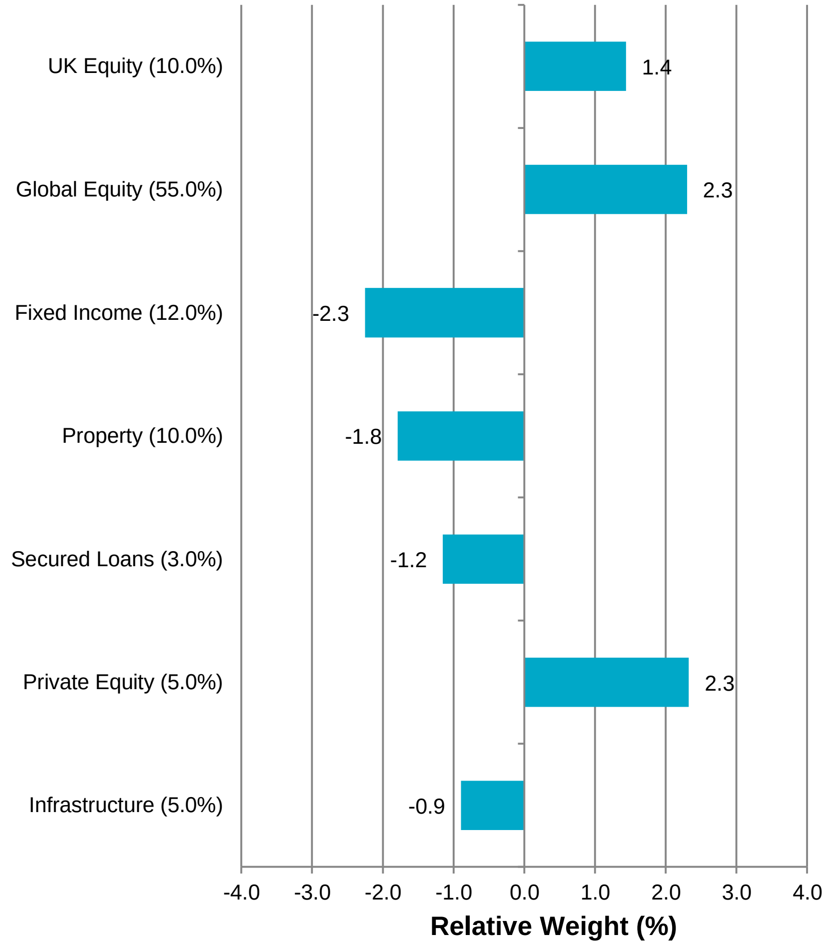
Asset Class Allocation

Total Invested Assets Value £3,314.0m



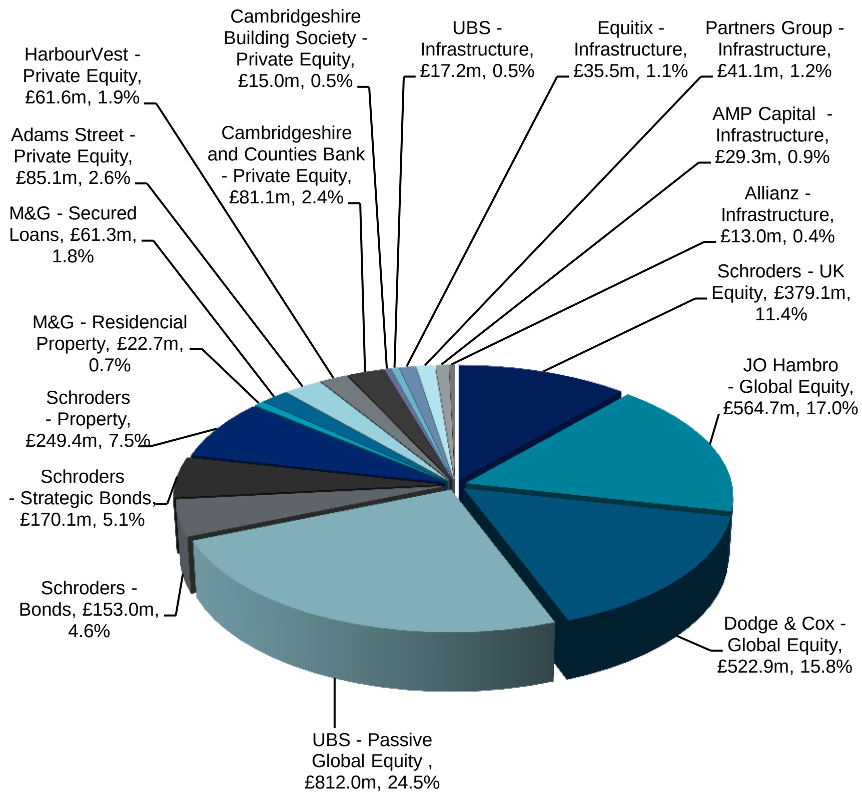
Source: Investment Managers and Mercer.
Figures may not sum to 100% due to rounding.
Valuations for private equity and infrastructure debt funds (exc. Equitix) are provisional.
Total invested assets value excludes cash (c. £7.7m) which is not considered for allocation purposes and comparison against the benchmark.
The global equity allocation shown includes the global equity portfolios managed by JO Hambro and Dodge & Cox and the passive global equity portfolio managed by UBS.

Asset Class Weight Relative to Benchmark

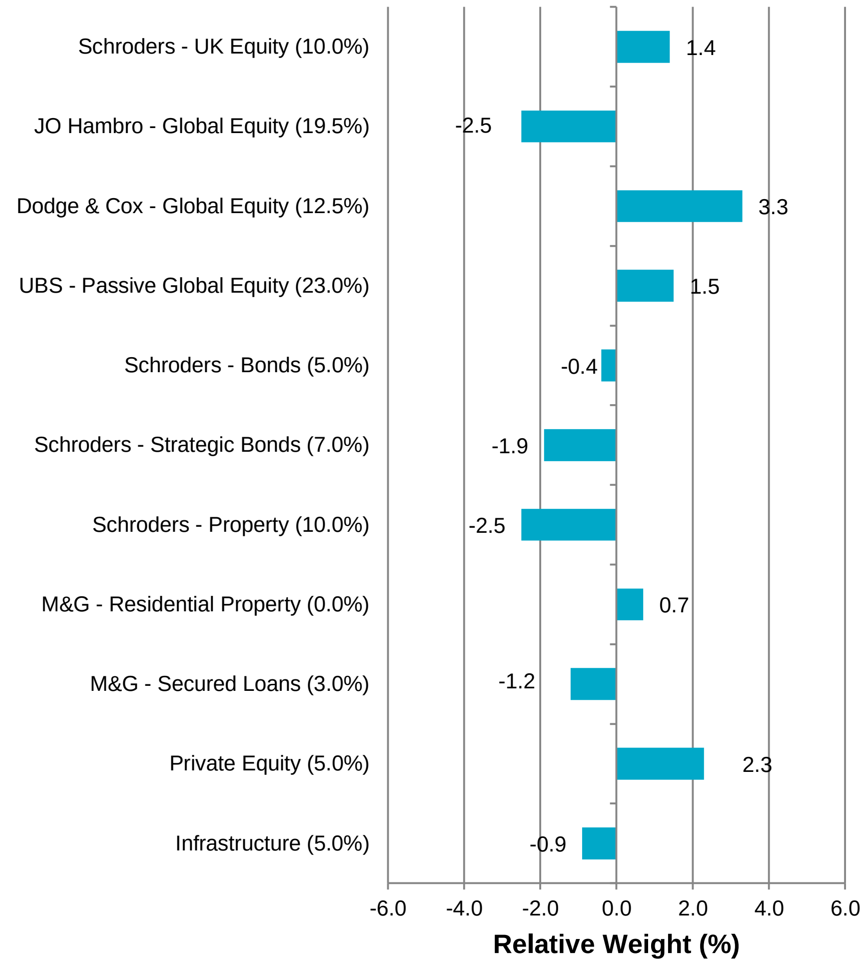


Figures in brackets denote benchmark weights.

MANAGER ALLOCATION AT END JUNE 2019

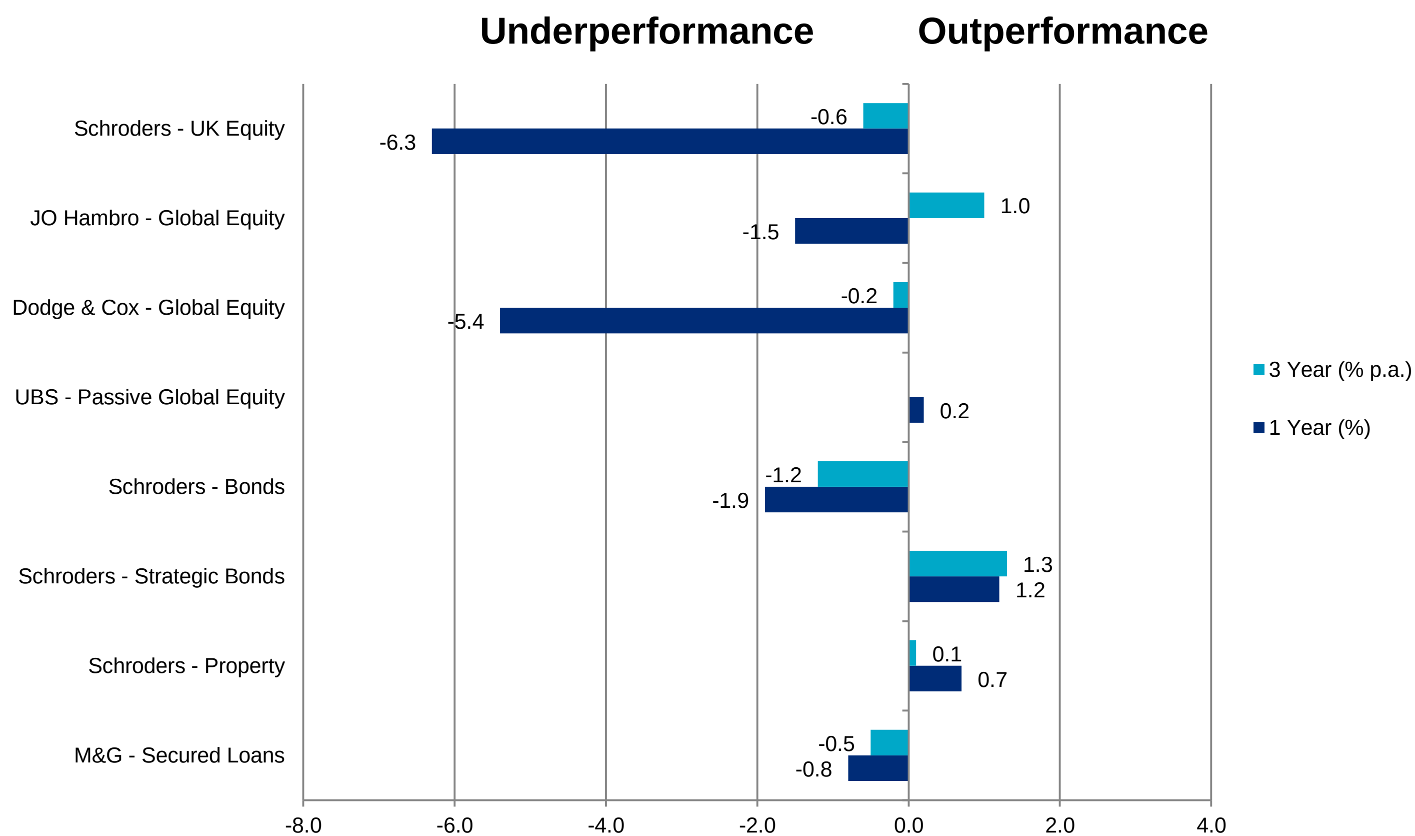


Source: Investment Managers and Mercer.
Figures may not sum to 100% due to rounding.
Valuations for private equity and infrastructure debt funds (exc. Equitix) are provisional.
Total invested assets value excludes cash (c. £7.7m) which is not considered for allocation purposes and comparison against the benchmark.
UBS's passive global equity portfolio shown includes their passively managed UK equity portfolio.



Figures in brackets denote benchmark weights.

NET EXCESS PERFORMANCE BY MANAGER



Figures shown are based on performance provided by the Investment Managers, 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 (%)		
UK Equity	389.4	379.1	12.2	11.4	10.0	-
Global Equity [a]	1,788.7	1,899.6	56.2	57.3	55.0	-
Equities	***2,178.1***	***2,278.7***	***68.5***	***68.8***	***65.0***	***60.0 - 70.0***
Government Bonds	149.6	153.0	4.7	4.6	5.0	-
Non-Government Bonds	165.7	170.1	5.2	5.1	7.0	-
Fixed Income	***315.2***	***323.1***	***9.9***	***9.7***	***12.0***	***9.0 - 15.0***
Property	257.7	272.1	8.1	8.2	10.0	-
Secured Loans	60.4	61.3	1.9	1.8	3.0	-
Private Equity [b]	247.1	242.8	7.8	7.3	5.0	-
Infrastructure [b]	123.2	136.1	3.9	4.1	5.0	-
Alternatives	***688.5***	***712.3***	***21.6***	***21.5***	***23.0***	***18.0 - 28.0***
Total Invested Assets	**3,181.8**	**3,314.0**	**100.0**	**100.0**	**100.0**	**-**
Cash	16.8	7.7	-	-	-	-
Total Assets (including Cash)	**3,198.7**	**3,321.7**	**-**	**-**	**-**	**-**

Source: Investment Managers and Mercer.
Figures may not sum to total due to rounding.
[a] *Includes the global equity portfolios managed by JO Hambro and Dodge & Cox and the passive global equity portfolio managed by UBS.*
[b] *End of quarter valuation is provisional.*

MANAGER ALLOCATIONS

Manager	Actual Allocation: Start of Quarter (£m)	Actual Allocation: End of Quarter (£m)	Actual Allocation: Start of Quarter (%)	Actual Allocation: End of Quarter (%)		Benchmark Allocation (%)
Schroders - UK Equity	389.4	379.1	12.2	11.4		10.0
JO Hambro - Global Equity	524.8	564.7	16.5	17.0		19.5
Dodge & Cox - Global Equity	498.8	522.9	15.7	15.8		12.5
UBS - Passive Global Equity	765.1	812.0	24.0	24.5		23.0
Total Equities	***2,178.1***	***2,278.7***	***68.5***	***68.8***		***65.0***
Schroders - Bonds	149.6	153.0	4.7	4.6		5.0
Schroders - Strategic Bonds	165.7	170.1	5.2	5.1		7.0
Total Fixed Income	***315.2***	***323.1***	***9.9***	***9.7***		***12.0***
Schroders - Property	248.0	249.4	7.8	7.5		10.0
M&G - Residential Property [a]	9.7	22.7	0.3	0.7		-
M&G - Secured Loans	60.4	61.3	1.9	1.8		3.0
Adams Street - Private Equity	84.5	85.1	2.7	2.6	7.3	5.0
HarbourVest - Private Equity	61.2	61.6	1.9	1.9		
Cambridge and Counties Bank - Private Equity	86.4	81.1	2.7	2.4		
Cambridge Building Society - Private Equity	15.0	15.0	0.5	0.5		
UBS - Infrastructure	16.8	17.2	0.5	0.5	4.1	5.0 [c]
Equitix - Infrastructure	35.0	35.5	1.1	1.1		
Partners Group - Infrastructure	38.6	41.1	1.2	1.2		
AMP Capital / Infrastructure [b]	19.9	29.3	0.6	0.9		
Allianz - Infrastructure	13.0	13.0	0.4	0.4		
Total Alternatives [d]	***688.5***	***712.3***	***21.6***	***21.5***		***23.0***
Total Invested Assets	**3,181.8**	**3,314.0**	**100.0**	**100.0**		**100.0**
Cash	16.8	7.7	-	-		-
Total Assets (including Cash)	**3,198.7**	**3,321.7**	**-**	**-**		**-**

Source: Investment Managers and Mercer.
Figures may not sum to total due to rounding.
(a) *End of quarter valuation includes cashflow invested on 1 July 2019.*
(b) *End of quarter valuation includes assets invested in the AMP Capital Infrastructure Debt Fund IV on 5 July 2019 .*
(c) *Benchmark allocation within infrastructure drifts with actual allocations.*
(d) *End of quarter valuations for private equity and infrastructure mandates (exc. Equitix) are provisional.*

ASSET ALLOCATION
COMMENTS

- As at 30 June 2019, the Fund’s asset allocation was overweight to equities (+3.8%) and was underweight to both fixed income (-2.3%) and alternatives (-1.5%). However, the allocations were within the set tolerance ranges. We would note that the strategic allocations reported reflect the ISS as at 31 March and not the revised strategic allocations approved by the Pension Committee published in the revised ISS in April 2019. The revised allocations will be reflected in the Q3 report once the relevant asset transfers have been completed.

- On 25 June 2019, £5.0m was withdrawn from the UK equity portfolio managed by Schroders.

- **Over the quarter to 30 June 2019, there were also the following private markets cashflows. We would expect the net cash flow to be negative every quarter (i.e. contributions > drawdowns) as the Fund looks to increase the strategic allocation to these asset classes.**

Manager	Contributions (£m)	Distributions (£m)	Net cashflow (£m)
Adams Street - Private Equity	2.0	3.5	1.5
Harbourvest - Private Equity	0.5	1.6	1.1
Partners Group - Infrastructure	1.1	-	(1.1)
AMP Capital - Infrastructure	5.0	0.3	(4.7)
Total Cashflows	**8.6**	**5.4**	**(3.2)**

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.)
Schroders - UK Equity	-1.5	3.3	-5.7	0.6	8.4	9.0	5.9	6.3
JO Hambro - Global Equity	7.5	6.1	8.2	9.7	14.5	13.5	-	-
Dodge & Cox - Global Equity	4.9	6.5	4.9	10.3	13.4	13.6	-	-
UBS - Passive Global Equity	6.1	6.1	9.2	9.0	-	-	-	-
Total Equities	***4.8***	***5.7***	***5.1***	***8.2***	***12.7***	***12.8***	***-***	***-***
Schroders - Bonds	2.2	2.0	7.2	9.1	4.8	6.0	-	-
Schroders - Strategic Bonds	2.6	0.2	1.9	0.7	1.8	0.5	-	-
Total Fixed Income	***2.4***	***0.9***	***4.3***	***4.2***	***3.2***	***2.8***	***-***	***-***
Schroders - Property	0.6	0.6	4.1	3.4	6.4	6.3	7.7	8.3
M&G - Residential Property	1.0	1.5	-	-	-	-	-	-
M&G - Secured Loans	1.5	1.2	4.0	4.8	4.1	4.6	4.1	4.6
Adams Street - Private Equity [(a)] [(b)]	2.4	6.7	13.7	10.9	15.3	14.2	18.7	13.7
HarbourVest - Private Equity [(a)] [(b)]	2.3	6.7	11.8	10.9	16.2	14.2	19.1	13.7
Cambridge and Counties Bank - Private Equity [(c)]	0.0	6.7	0.0	10.9	0.0	14.2	-	-
Cambridge Building Society - Private Equity [(c)]	0.0	6.7	0.0	10.9	-	-	-	-
UBS - Infrastructure [(a)] [(b)]	2.4	2.5	6.5	10.0	7.1	10.0	5.0	10.0
Equitix - Infrastructure [(a)]	1.6	2.5	10.0	10.0	11.6	10.0	15.2	10.0
Partners Group - Infrastructure [(a)] [(b)]	3.6	2.5	11.3	10.0	13.7	10.0	15.0	10.0
AMP Capital - Infrastructure [(a)] [(b)]	4.0	2.5	9.1	10.0	-	-	-	-
Allianz - Infrastructure [(a)] [(b)]	0.0	1.0	-	-	-	-	-	-
Total Alternatives	***1.3***	***1.4***	***6.2***	***5.8***	***7.7***	***8.3***	***-***	***-***
Total [(d)] [(e)]	**3.8**	**4.4**	**5.1**	**7.6**	**10.6**	**10.8**	**9.1**	**9.8**
FTSE Over 5 Year Index-Linked Gilt Index	-	2.0	-	9.1	-	6.0	-	10.1

Figures shown are based on performance provided by the Investment Managers, 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.
(a) *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.*
(b) *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.*
(c) *Performance assumed to be 0.0% for performance measurement purposes.*
(d) *Total Fund performances include quarterly performances for Adams Street, HarbourVest, UBS, Equitix, Partners Group, AMP Capital and Allianz 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.*
(e) *Includes performance of terminated mandates.*

APPENDIX

APPENDIX A
BENCHMARKS

Asset Class	Allocation (%)	Benchmark	
UK Equity	10.0	FTSE All-Share Index	
Global Equity	55.0	35.5%	MSCI AC World (NDR) Index
		22.7%	MSCI World (NDR) Index
		41.8%	Composite benchmark [(a)]
Fixed Income	12.0	Composite benchmark	
Property	10.0	MSCI All Balanced Property Funds Index	
Secured Loans	3.0	3 Month Sterling LIBOR +4% p.a.	
Private Equity	5.0	MSCI World Index	
Infrastructure	5.0	Composite - 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
Schroders - UK Equity	FTSE All-Share Index	+2% (net of fees)	-
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)	-
UBS - Passive Global Equity	Composite Benchmark	To match the benchmark	-
Schroders - Bonds	FTSE A Over 5 Year Index-Linked Gilts Index	-	-
Schroders - Strategic Bonds	7 Day Sterling LIBOR	+4% (gross of fees)	-
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)	-
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	-

[a] *Tracking error expectation.*

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	FTSE North America Index	To match the benchmark	Up to ± 0.25% p.a.
Europe (ex-UK) Equity	FTSE Developed Europe (ex-UK) Index	To match the benchmark	Up to ± 0.50% p.a.
Japan Equity	FTSE Japan Index	To match the benchmark	Up to ± 0.25% p.a.
Asia Pacific (ex-Japan) Equity	FTSE Developed Asia Pacific (ex-Japan) Index	To match the benchmark	Up to ± 0.50% p.a.
Global Fundamentally Weighted Equity	FTSE RAFI Developed 1000 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.

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