

**PENSION FUND COMMITTEE
INVESTMENT SUB-COMMITTEE**



Thursday, 26 May 2022

Democratic and Members' Services

Fiona McMillan
Monitoring Officer

10:00

New Shire Hall
Alconbury Weald
Huntingdon
PE28 4YE

**New Shire Hall, Alconbury Weald, Huntingdon, PE28 4YE
[Venue Address]**

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 - 10**
held 17th February 2022
3. **Action Log** **11 - 12**
4. **Cambridgeshire Pension Fund Monitoring Report - fourth Quarter** **13 - 30**
to 31 March 2022
5. **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)

6. **Confidential minutes of the Pension Fund Investment Sub-Committee held 17th February 2022**
 - Information relating to the financial or business affairs of any particular person (including the authority holding that information);
7. **Schroders - Overview of Property Portfolio**
 - Information relating to the financial or business affairs of any particular person (including the authority holding that information);
8. **Climate Aware Passive Equity Investing**
 - Information relating to the financial or business affairs of any particular person (including the authority holding that information);
9. **Private Equity Update**
 - Information relating to the financial or business affairs of any particular person (including the authority holding that information);
10. **ACCESS Asset Pooling Update**
 - 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 Catherine Rae (Vice-Chair) Councillor Chris Boden Mr Lee Phanco and Mr John Walker Councillor Ian Gardener Councillor Alan Sharp

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

Pension Committee Investment Sub-Committee

Date: 17 February 2022

Time: 10:00am- 12.55pm

Place: New Shire Hall, Alconbury Weald

Present: County Councillors A Whelan (Chair), C Rae (Vice-Chair), I Gardener and A Sharp; J Walker and L Phanco

Officers: B Barlow (virtual), D Cave, S Heywood (virtual), R McRobbie (virtual), R Perry, T Wardzala (virtual) and M Whitby

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

18. Apologies and Declarations of Interest

There were no apologies for absence.

John Walker declared a personal interest (i) as a retired member of the Local Government Pension Scheme (LGPS), (ii) his daughter-in-law was a current member of the LGPS and (ii) his son was a deferred member of the LGPS.

19. Action Log

The Action Log was noted.

20. Cambridgeshire County Council Pension Fund Quarterly Performance Report for the period ending 31st December 2021

The Sub-Committee received a report summarising the performance of the Pension Fund for the quarter to 31st December 2021.

There had been an increase in liabilities, largely driven by fall in gilt yields. Assets had increased marginally less, leading to a slight reduction in the funding level from 111% to a still healthy 109%.

Equities were overweight compared to the strategic allocation by 4.4% at the end of the quarter, reflecting the strong sustained, positive performance from that asset class, whilst Alternatives were under weight (-3.7%). The latter was mainly due to the slow draw down for private equity, and it was expected that this would be addressed in the medium term.

Relative returns were 1.9% adverse against benchmark over Q4, reflecting below benchmark returns for all major asset classes. Strong but below benchmark equity returns over the quarter were limited by the impact of equity protection which returned a negative 1.2%. Dodge & Cox, a Value manager, had underperformed, but this was more than offset by JO Hambro's strong performance. Over the year, there had been very strong returns, mainly driven

by equities and growth assets, delivering 12.5% returns per annum over three years, but slightly below benchmark.

Q4 had been good for growth assets globally, although Asian and Emerging Markets had lagged. There had been a strong recovery in developed economies post Covid, coupled with the expectation that Central banks would be measured in paring back some of the support they had provided when the pandemic first struck. Q4 also saw the emergence of the Omicron Covid-19 variant, and whilst there had been some reaction in the markets to that initially, the position stabilised as it emerged that Omicron was a milder and less harmful variant.

It was noted that in 2022 Gilt yields started to rise, leading to negative returns for defensive assets. 2022 had also started with higher and stickier inflation, and stronger central bank responses, e.g. increase in BoE interest rates.

Twelve month returns were strong across the board. Gilt returns were slightly negative which was a reflection of gilt yields rising over the year, and also stronger inflation. Members noted the progression of the funding level over time, from 100% at the beginning of 2021 to 109% by the end of the year.

The actual asset allocation showed deviations from the strategic asset allocation. It was anticipated that the overweight equity allocation would reduce by the end of the financial year, which was currently offset by underweight allocations to property and private equity. To date, 2022 had seen a reversal of market conditions indicating that there were likely to be negative returns for global equities.

In terms of manager allocations, JO Hambro had driven active equity performance resulting in the overweight position, with passive equity also overweight due to high returns. Multi Asset Credit was underweight and had become more underweight over Q4, reflective of the lower growth relative to equities due to performance being relatively flat over the quarter. Again, it was likely that position would be reversed by the year end.

Reviewing the Alternatives allocation, it was noted that this was underweight by 3.7%. M&G Shared Ownership was expected to move towards target allocation. Similarly Private Equity allocation was below target, but would be addressed by further commitments coming forward. Infrastructure was overweight (6.5% compared to a 6.0% target), which helped balance the Alternatives portfolio.

There had been strong equity market returns over the short term and also over the 3 year period, but this had been offset by the equity protection which had the expected effect of limiting excessive upside equity performance.

In terms of equity performance, JO Hambro had given strong overperformance over 1 and 3 years, as the markets had favoured their Growth and momentum style approach. Dodge & Cox follow a Value investment style, which performed better in more defensive climates. However, Dodge & Cox had performed in line with expectations over 12 months and outperformed the Value benchmark, but Value as an investment style had underperformed generally.

For Longview, there continued to be some client outflows, but this was offset by strong performance in terms of assets under management. Longview had underperformed in Q4 but were reassuringly above benchmark over 2021.

Turning to Fixed Income, the two MAC managers' performance had been masked since inception. Despite some moderate underperformance in Q4, both Bluebay and M&G got off to a strong start since inception in September 2020, but this was not visible in the 12 month returns reflected in the report.

In the Alternatives portfolio, Schroder Property was a core portfolio (office, retail, industrial) had been modestly behind the benchmark for 3 and 5 year period, but this performance did not cause concern. The M&G residential portfolio had a focus on build to let type properties, and was measured against an absolute return benchmark of 6%pa which was challenging for property assets. It had been a tough period for residential property markets in the pandemic, with delayed lettings leading to uninspiring performance, but still marginally positive. Stronger returns were anticipated as more properties were let.

In terms of Private Equity, for 1 and 3 year figures, there was some mixed performance. Harbourvest and Adam Street showed incredibly strong returns over 1 year, of 62.8% and 74% respectively. Over time this would drift down towards targets as capital paid from the Pension Fund to managers, so this performance would not be sustained in the medium to long-term. Foresight had made a slower start, partly due to early stage expenses and the impact of the pandemic. The mixed performance for Infrastructure managers UBS, IFM and JPM was noted.

It was noted that the Levelling Up White Paper, published on 2nd February, included an ambition for LGPS funds to allocate 5% to local investing. The Fund was already investing locally through the Foresight mandate.

Arising from the presentation:

- In response to a Member question on funding levels, it was confirmed that this had fallen slightly as the increase in liabilities in the quarter was marginally higher than the increase in assets;
- A Member observed that there were quite a few areas of underperformance compared to benchmarks, in equities and also Alternatives. With equities, Mercer advised that the post pandemic recovery had been largely fuelled by the US tech stock sector, which was seen extraordinarily high levels of returns, and this skewed the benchmark. Heavy exposure to that sector was not seen as desirable. Despite this, managers continued to be challenged on underperformance e.g. Dodge & Cox. In terms of Alternatives, there were reasons for underperformance, as returns tended to follow a timeline, with young and mature mandates not achieving benchmark returns. Benchmarking was imperfect in the Alternatives arena, especially given the number of vintages involved, and more attention should be paid to the listed numbers;

- It was noted that Longview had been under review, but performance was in line with other managers. It was likely that there would be a request at the next ACCESS Joint Committee for a new quality manager search, but that process would take time. It was also stressed that although there had been large outflows at Longview, these were not material enough to cause concern;
- Noting the underperformance in residential property over one and three years, a Member observed that there had been strong growth in rental returns and capital values over the period. It was confirmed that underperformance was attributable to the absolute return benchmark used, and issues over the pandemic period, when properties were not fully let.

The Sub-Committee resolved to note the report.

21. 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.

22. Confidential minutes of the Pension Fund Investment Sub Committee held 25th November 2021

The confidential minutes of the Committee meeting held 25th November 2021 were agreed as a correct record, with one correction: Cllr A Sharp was not present, but had given apologies.

23. Climate Action Plan

The Sub-Committee considered proposals for carbon reduction with appropriate targets, and a Climate Action Plan.

It was resolved to:

1. note the presentation from Mercer;
2. note the proposed Climate Action Plan for 2022, 2023 and beyond;
3. approve the decarbonisation targets to reduce the carbon emissions of listed equities by 23% by 2024 and by 57% by 2030;
4. approve that the Head of Pensions with assistance from Mercer to produce options for implementing climate aware passive equity funds.

24. Structured Equity Protection Update

Members considered an update on Structured Equity Protection.

It was resolved, by a majority, to:

1. note Mercer's report on structured equity protection;
2. approve the continuation of the equity protection strategy after May 2022, with a coverage of 25% of the Fund's equities, to be reviewed after one year;
3. delegate to the Head of Pensions the efficient implementation of the above decisions to cease or extend the equity protection strategy including:
 - 3.1. The structure of the equity protection contracts;
 - 3.2. The ability to close out and roll-over the structure in accordance with the agreed triggers.
 - 3.3. The ability, if a triggering event occurs less than six months from the expiry of the structure to extend the term of protection to the earliest date for which market contracts are available, in consultation with the Chair.

As it was his last meeting, the Chair thanked Richard Perry and wished him well for his retirement.

Chair

Cambridgeshire Pension Fund

Cambridgeshire Pension Fund Investment Sub-Committee 26th May 2022

Action log from ISC meeting held on 17 th February 2022				
Item No.	Item	Action to be taken by	Comments	Completed
5	Climate Action Plan			
	Member requested information on progress against the Climate Action Plan is brought forward from 2024 to 2023.	Ben Barlow	Progress against the Climate Action Plan will be reported quarterly via business plan updates and more formerly via Mercer's annual reporting. Progress will also be published on the Fund's member and employer websites.	Ongoing
	The Head of Pensions advised that he would be having discussions with the County Council's Director of Climate Change around how the Pension Fund's strategy tied in with the County Council's Climate Change ambition.	Mark Whitby	Meeting held between Sheryl French, the County Council's Assistant Director, Climate Change and Energy Services and Head of Pensions. Commitment to continue to update on progress.	Completed
	Head of Pensions with assistance from Mercer to produce options for implementing climate aware passive equity funds.	Mark Whitby	See agenda item 07.	Completed
6	Equity Protection			

Action log from ISC meeting held on 17 th February 2022				
Item No.	Item	Action to be taken by	Comments	Completed
	Implement the continuation of the equity protection strategy after May 2022, with a coverage of 25% of the Fund's equities, to be reviewed after one year;	Mark Whitby	Instructed Schroders and Mercer to manage the programme up to May 2023 in best interests of the Fund. Verbal update to be provided	Ongoing
	A Member suggested that there should be a full training session before equity protection was next reviewed in 2023.	Ben Barlow	Date to be arranged for virtual training session during 2022.	Ongoing

Cambridgeshire Pension Fund Monitoring Report Quarter to 31 March 2022

Chris West

May 2022



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- 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 decreased over the quarter (from £3,959m to £3,764m).

The Fund's assets (including cash) decreased slightly over the quarter by £39.5m to £4,284.5m as at 31 March 2022. The Fund's assets (including cash) have increased by £435.2m over the last twelve months.

The estimated funding level at 31 March 2022 was c. 114%, up from c. 109% as at 31 December 2021. For comparison, the funding level at 31 March 2019 (the date of the last actuarial valuation) was 100%.

Performance

Short Term Performance

The Fund marginally outperformed the benchmark over the quarter (returning -1.3% vs -1.4%).

Key Contributors to Relative Performance – Quarter

Equity Downside Protection	+0.5%
Underperformance by JO Hambro - Global Equity	-9.0%
Outperformance by Dodge & Cox - Global Equity	+2.3%

Longer Term Performance

	Fund	B'mark
1 Year (%)	9.9	11.0
3 Years (% p.a.)	9.9	11.1

Asset Allocation

There were no material changes to the Fund's investment arrangements over the quarter.

Overweight

Equities +3.3%

Underweight

Fixed Income -2.4%

Alternatives -0.9%

Manager Research

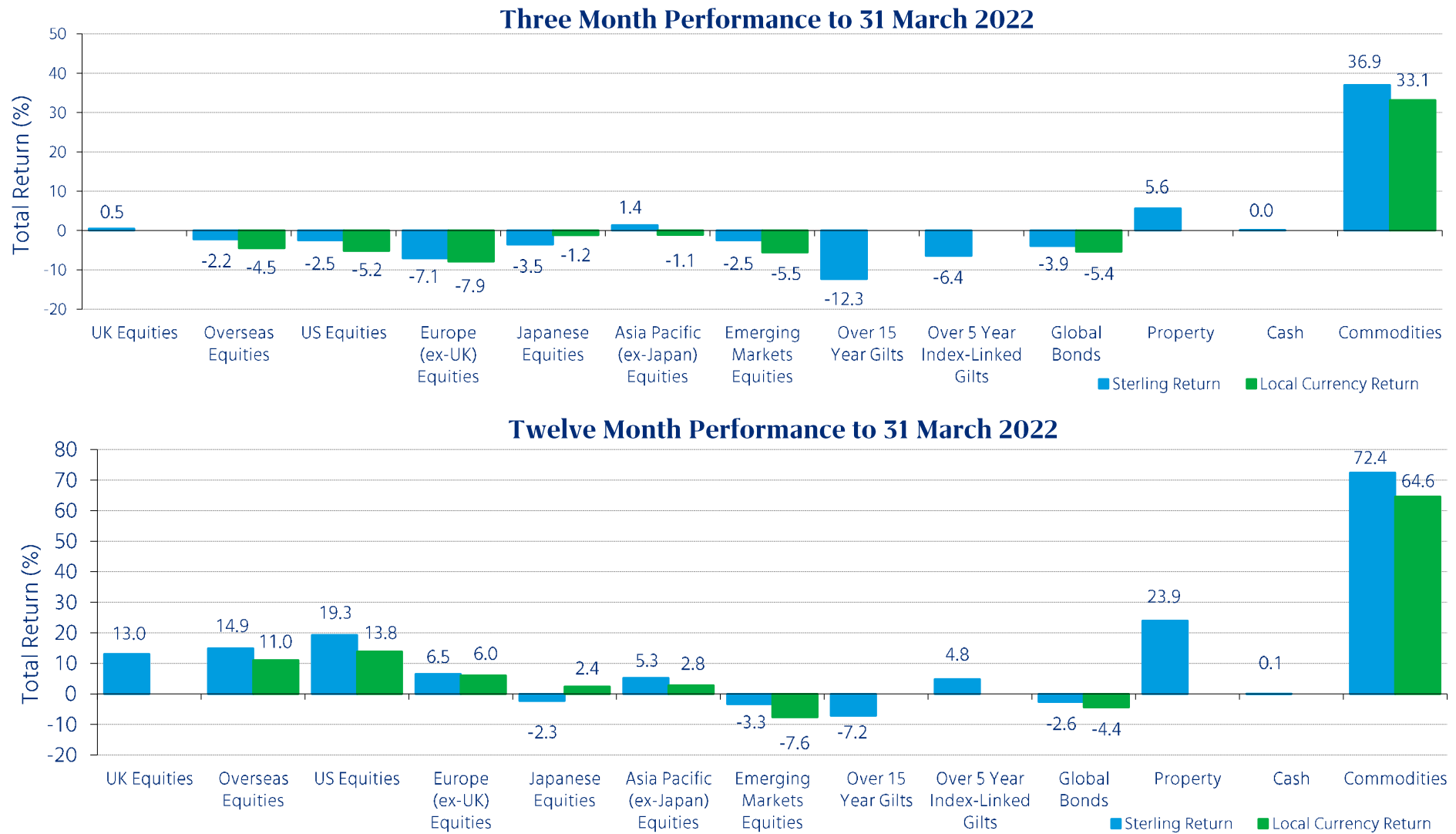
Rating Changes

Redacted.

Manager Developments

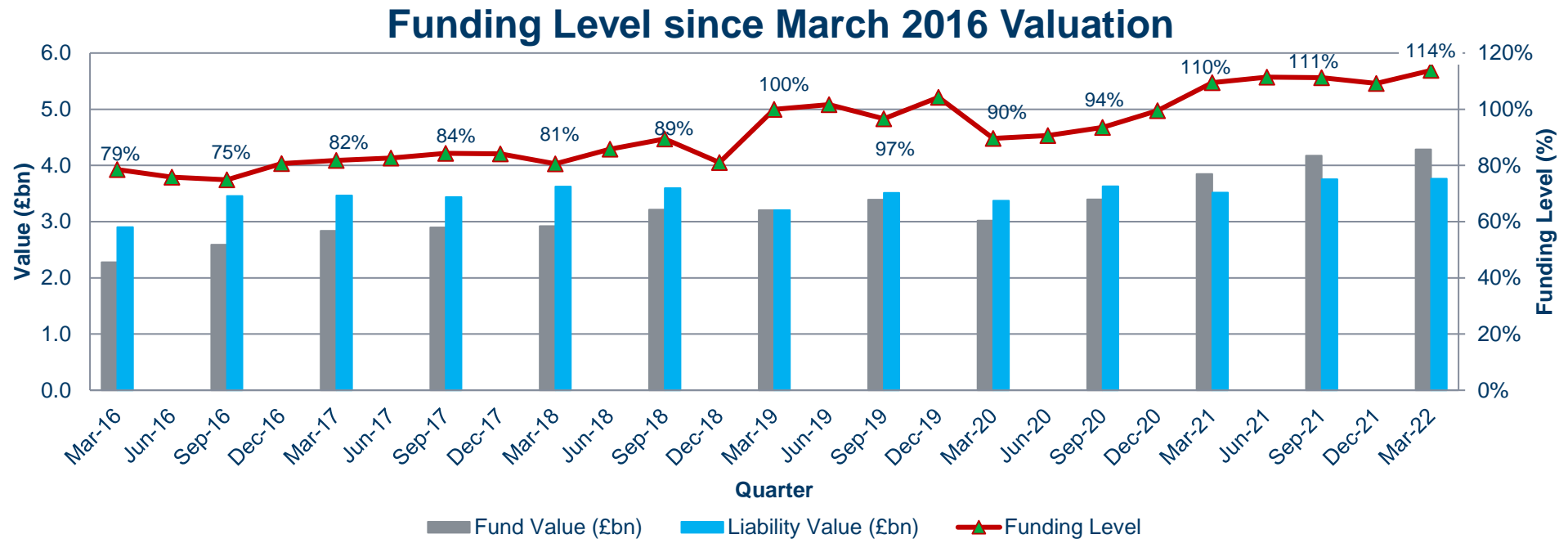
Redacted.

Market Index Performance



Source: Refinitiv.

Funding



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.

- There has been a general trend from 2016 of a rise in both liabilities and assets.
- There was an increase in funding level at the March 2016 and March 2019 valuations.
- The funding level as at 31 March 2022 was 114%, which is higher than the funding level as at 31 December 2021 as the liabilities decreased by more than the assets over the quarter.

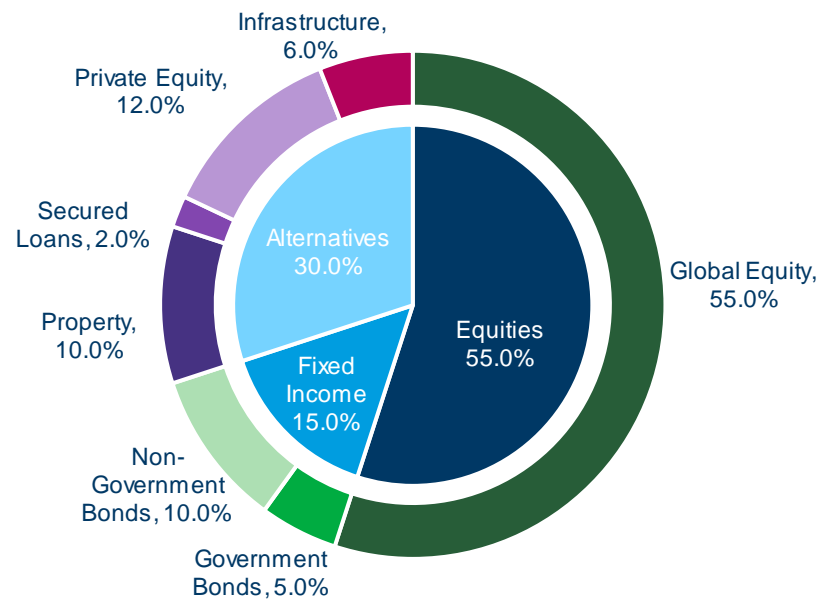
Allocation

	31/12/2021 Market Value (£M)	31/03/2022 Market Value (£M)	31/12/2021 Allocation (%)	31/03/2022 Allocation (%)	31/03/2022 B'mark (%)	31/03/2022 B'mark Range (%)
Total Invested Assets	4,300.4	4,265.2	100.0	100.0	100.0	--
Equities	2,541.6	2,486.7	59.1	58.3	55.0	50.0 - 60.0
Fixed Income	615.7	602.1	14.3	14.1	15.0	12.0 - 18.0
Alternatives	1,143.1	1,176.4	26.6	27.6	30.0	25.0 - 35.0

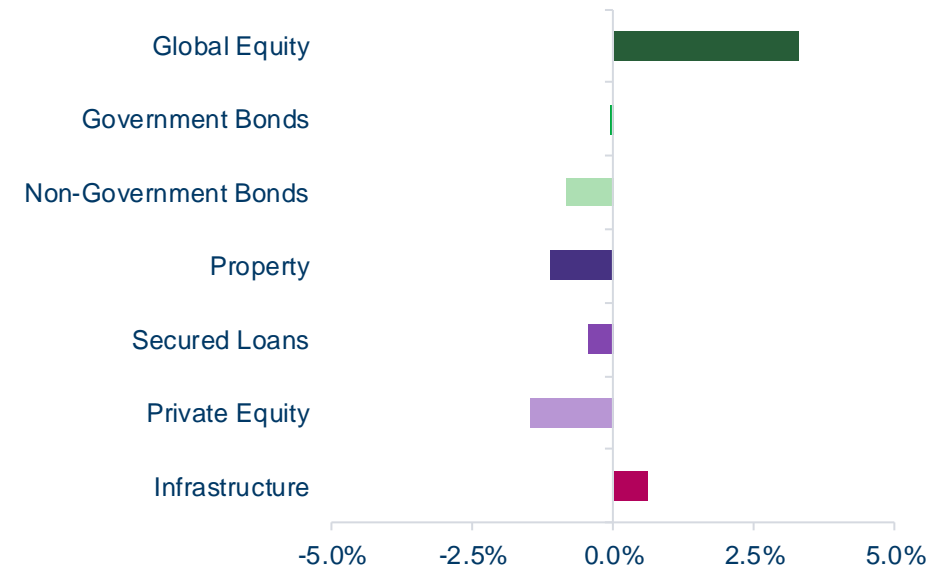
Source: Investment Managers, Link Asset Services and Mercer. Figures may not sum to total due to rounding.

The total market value shown in the table above excludes cash (c. £23.6m at the start of quarter and c. £19.3m at the end of quarter).

Benchmark Asset Allocation as at 31 March 2022



Deviation from Benchmark Asset Allocation



Manager Allocation (1/3)

	31/12/2021 Market Value (£M)	31/03/2022 Market Value (£M)	31/12/2021 Allocation (%)	31/03/2022 Allocation (%)	31/03/2022 B'mark (%)	31/03/2022 B'mark Range (%)
Total	4,300.4	4,265.2	100.0	100.0	100.0	--
Equities (inc. Equity Options)	2,541.6	2,486.7	59.1	58.3	55.0	50.0 - 60.0
Active Global Equity	1,556.1	1,516.7	36.2	35.6	35.0	--
JO Hambro - Global Equity	610.0	539.4	14.2	12.6	--	--
Dodge & Cox - Global Equity	534.7	562.5	12.4	13.2	--	--
Longview - Global Equity	411.3	414.8	9.6	9.7	--	--
Schroders - Equity Protection	-2.1	10.2	0.0	0.2	--	--
Passive Equity	987.7	959.8	23.0	22.5	20.0	--
UBS - Passive Equity	987.7	959.8	23.0	22.5	20.0	--
Fixed Income	615.7	602.1	14.3	14.1	15.0	12.0 - 18.0
Government Bonds	225.1	211.3	5.2	5.0	5.0	--
Schroders - Bonds	225.1	211.3	5.2	5.0	5.0	--
Non-Government Bonds	390.6	390.8	9.1	9.2	10.0	--
Bluebay - Multi-Asset Credit	196.4	197.8	4.6	4.6	5.0	--
M&G - Multi-Asset Credit	194.2	193.0	4.5	4.5	5.0	--

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. £23.6m at the start of quarter and c. £19.3m at the end of quarter).

End of quarter valuations for private equity and infrastructure mandates (exc. Equitix) are provisional and their benchmark allocations are drifting.

The total market value invested in ACCESS is c. £2,737.9m at the start of quarter and c. £2,669.5m at the end of quarter (shown in pink in the table above).

Manager Allocation (2/3)

	31/12/2021 Market Value (£M)	31/03/2022 Market Value (£M)	31/12/2021 Allocation (%)	31/03/2022 Allocation (%)	31/03/2022 B'mark (%)	31/03/2022 B'mark Range (%)
Alternatives	1,143.1	1,176.4	26.6	27.6	30.0	25.0 - 35.0
Property	365.0	379.4	8.5	8.9	10.0	--
Schroder - Property	294.0	307.4	6.8	7.2	7.0	--
M&G - Residential Property	55.7	56.7	1.3	1.3	1.5	--
M&G - Shared Ownership	15.3	15.3	0.4	0.4	1.5	--
Secured Loans	66.3	65.7	1.5	1.5	2.0	--
M&G - Secured Loans	66.3	65.7	1.5	1.5	2.0	--
Private Equity	429.5	448.7	10.0	10.5	12.0	--
Adams Street - Private Equity	172.5	178.5	4.0	4.2	--	--
HarbourVest - Private Equity	149.8	158.7	3.5	3.7	--	--
Foresight - Private Equity	16.1	20.6	0.4	0.5	--	--
Cambridgeshire and Counties Bank	76.0	76.0	1.8	1.8	--	--
Cambridgeshire Building Society	15.0	15.0	0.3	0.4	--	--

Source: Investment Managers and Mercer.

Figures may not sum to total due to rounding.

The total market value shown in the table above excludes cash (c. £23.6m at the start of quarter and c. £19.3m at the end of quarter).

End of quarter valuations for private equity and infrastructure mandates (exc. Equitix) are provisional and their benchmark allocations are drifting.

The total market value invested in ACCESS is c. £2,737.9m at the start of quarter and c. £2,669.5m at the end of quarter (shown in pink in the table above).

Manager Allocation (3/3)

	31/12/2021 Market Value (£M)	31/03/2022 Market Value (£M)	31/12/2021 Allocation (%)	31/03/2022 Allocation (%)	31/03/2022 B'mark (%)	31/03/2022 B'mark Range (%)
Infrastructure	282.4	282.6	6.6	6.6	6.0	--
UBS - Infrastructure	8.7	8.9	0.2	0.2	--	--
Equitix - Infrastructure	30.6	28.4	0.7	0.7	--	--
Partners Group - Infrastructure	49.5	49.8	1.2	1.2	--	--
AMP Capital - Infrastructure Debt	42.3	40.6	1.0	1.0	--	--
Allianz - Infrastructure Debt	19.4	19.2	0.5	0.4	--	--
IFM - Infrastructure Equity	72.9	76.1	1.7	1.8	--	--
JPM - Infrastructure Equity	58.9	59.6	1.4	1.4	--	--

Source: Investment Managers and Mercer.

Figures may not sum to total due to rounding.

The total market value shown in the table above excludes cash (c. £23.6m at the start of quarter and c. £19.3m at the end of quarter).

End of quarter valuations for private equity and infrastructure mandates (exc. Equitix) are provisional and their benchmark allocations are drifting.

The total market value invested in ACCESS is c. £2,737.9m at the start of quarter and c. £2,669.5m at the end of quarter (shown in pink in the table above).

Net Manager Performance (1/2)

	2022 Q1 (%)	B'mark (%)	1 Yr (%)	B'mark (%)	3 Yrs (%)	B'mark (%)	5 Yrs (%)	B'mark (%)
Total	-1.3	-1.4	9.9	11.0	9.9	11.1	7.9	9.1
Equities	-2.8	-2.7	11.0	11.6	12.2	13.2	9.3	10.3
Equities (inc. Equity Options)	-2.3	-2.7	9.4	11.6	11.0	13.2	8.6	10.3
JO Hambro - Global Equity	-11.6	-2.6	5.9	12.4	15.2	13.4	12.7	10.5
Dodge & Cox - Global Equity	4.4	2.1	14.7	14.8	12.8	9.4	8.2	7.1
Longview - Global Equity	0.8	-2.6	14.6	12.4	--	--	--	--
UBS - Passive Equity	-2.8	-2.8	10.4	10.3	13.3	13.2	--	--
Fixed Income	-3.2	-1.6	0.5	2.1	2.5	1.8	1.9	1.7
Schroders - Bonds	-6.1	-6.1	1.9	1.9	--	--	--	--
Bluebay - Multi-Asset Credit	-2.3	0.1	-0.8	0.1	--	--	--	--
M&G - Multi-Asset Credit	-0.6	1.1	0.3	4.1	--	--	--	--

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) performance figures include the contribution of the equity protection strategy managed by Schroders.

Total Fund and Alternatives performances include quarterly performances for the private markets managers (ex-IFM), 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. Performance for the underlying private equity and infrastructure mandates (ex-IFM) is shown in the fund 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.

Net Manager Performance (2/2)

	2022 Q1 (%)	B'mark (%)	1 Yr (%)	B'mark (%)	3 Yrs (%)	B'mark (%)	5 Yrs (%)	B'mark (%)
Alternatives	2.2	1.3	16.0	14.7	10.6	10.5	9.3	9.3
Schroder - Property	4.5	5.6	17.9	23.1	6.8	8.1	7.2	7.8
M&G - Residential Property	2.0	1.5	4.4	6.0	2.4	6.0	--	--
M&G - Shared Ownership	0.0	1.5	4.4	6.0	--	--	--	--
M&G - Secured Loans	-0.8	1.1	2.0	4.2	2.9	4.5	2.8	4.6
Adams Street - Private Equity	8.4	5.0	53.4	19.8	35.5	19.8	27.0	13.5
HarbourVest - Private Equity	-1.2	5.0	70.3	19.8	33.1	19.8	25.1	13.5
Foresight - Private Equity	2.2	5.0	1.8	19.8	--	--	--	--
UBS - Infrastructure	2.7	2.5	-19.0	10.0	-9.8	10.0	-18.7	10.0
Equitix - Infrastructure	0.9	2.5	-13.2	10.0	2.4	10.0	5.6	10.0
Partners Group - Infrastructure	3.9	2.5	17.9	10.0	11.8	10.0	12.0	10.0
AMP Capital - Infrastructure Debt	3.1	2.5	11.1	10.0	5.6	10.0	--	--
Allianz - Infrastructure Debt	-0.3	1.0	-6.9	4.0	3.2	4.0	--	--
IFM - Infrastructure Equity	4.3	2.5	21.2	10.0	--	--	--	--
JPM - Infrastructure Equity	1.5	2.5	3.9	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) performance figures include the contribution of the equity protection strategy managed by Schroders.

Total Fund and Alternatives performances include quarterly performances for the private markets managers (ex-IFM), 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. Performance for the underlying private equity and infrastructure mandates (ex-IFM) is shown in the fund 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.

Appendix

Appendix A

Benchmarks

Name	B'mark (%)	Performance Benchmark	Performance Target	Tracking Error Expectation
Total	100.00	-	-	-
Equities (inc. Equity Options)	55.00	-	-	-
JO Hambro - Global Equity	35.00	MSCI AC World (NDR) Index	+3.00% p.a. (gross of fees)	5.00% - 12.00% p.a.
Dodge & Cox - Global Equity		MSCI AC World Value Index	+3.00% p.a. (gross of fees)	-
Longview - Global Equity		MSCI AC World (NDR) Index	Capital growth, net of fees, over the long term	-
Schroders - Equity Protection		-	-	-
UBS - Passive Equity	20.00	Composite Benchmark	To match the benchmark	-
Fixed Income	15.00	-	-	-
Schroders - Bonds	5.00	Assumed equal to fund performance	-	-
Bluebay - Multi-Asset Credit	5.00	SONIA	-	-
M&G - Multi-Asset Credit	5.00	SONIA +4% p.a.	-	-
Alternatives	30.00	-	-	-
Schroder - Property	7.00	MSCI All Balanced Property Funds Index	+0.75% p.a. (net of fees)	-
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	2.00	SONIA +4.0% p.a.	-	-
Private Equity	12.00	-	-	-
Adams Street - Private Equity		MSCI World Index	+3.00% p.a. (gross of fees)	-
HarbourVest - Private Equity		MSCI World Index	+3.00% p.a. (gross of fees)	-

Name	B'mark (%)	Performance Benchmark	Performance Target	Tracking Error Expectation
Foresight - Private Equity		MSCI World Index	+3.00% p.a. (gross of fees)	-
Infrastructure	6.00	-	-	-
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.	-	-

LIBID/LIBOR were discontinued on 31 December 2021. SONIA used from 31 December 2021 onwards.

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.

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.

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.



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