



Pensions Fund Committee - Investment Sub-Committee

A meeting of the Pensions Fund Committee - Investment Sub-Committee will be held at the Holding Room - The Guildhall, Northampton, NN1 1DE on Wednesday 27 September 2023 at 2.00 pm

Agenda

1.	Apologies for absence
2.	Declarations of Interest Members are asked to declare any interest and the nature of that interest that they may have in any of the items under consideration at this meeting.
3.	Chair's Announcements
4.	Minutes of Previous Meeting (Pages 5 - 8)
5.	Review of the Action Log (Pages 9 - 10)
6.	Quarterly Performance Report for the period ending 30 June 2023 (Pages 11 - 28)
7.	Exclusion of Press and Public The following report(s) contain exempt information as defined in the following paragraph(s) of Part 1, Schedule 12A of Local Government Act 1972. Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information). Members are reminded that whilst the following item(s) have been marked as exempt, it is for the meeting to decide whether or not to consider each of them in private or in

	<p>public. In making the decision, members should balance the interests of individuals or the Council itself in having access to the information. In considering their discretion members should also be mindful of the advice of Council Officers.</p> <p>Should Members decide not to make a decision in public, they are recommended to resolve as follows:</p> <p>“That under Section 100A of the Local Government Act 1972, the public and press be excluded from the meeting for the following item(s) of business on the grounds that, if the public and press were present, it would be likely that exempt information falling under the provisions of Schedule 12A, Part I, Paragraph(s) 3 would be disclosed to them, and that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.”</p>
8.	Quarterly Performance Report for the period ending 30 June 2023 (Pages 29 - 72)
9.	Minutes of the Investment Sub-Committee Meeting held in Private on 22 February 2023 (Pages 73 - 78)
10.	Manager Presentation - M & G (Pages 79 - 96)
11.	Strategic Asset Allocation Update (Pages 97 - 108)
12.	Climate Aware Passive Equity Implementation Update (Pages 109 - 126)
13.	Infrastructure Options (Pages 127 - 148)
14.	Urgent business

Catherine Whitehead
Proper Officer
19 September 2023

Pensions Fund Committee - Investment Sub-Committee Members:

Councillor Malcolm Longley (Chair)

Councillor Charles Morton (Vice-Chair)

Councillor Graham Lawman

Councillor Phil Bignell

Councillor Cathrine Russell

Peter Borley-Cox

Robert Austin

David Crum

Apologies for Absence

Apologies for absence and the appointment of substitute Members should be notified to democraticservices@westnorthants.gov.uk prior to the start of the meeting.

Declarations of Interest

Members are asked to declare interests at item 2 on the agenda or if arriving after the start of the meeting, at the start of the relevant agenda item

Local Government and Finance Act 1992 – Budget Setting, Contracts & Supplementary Estimates

Members are reminded that any member who is two months in arrears with Council Tax must declare that fact and may speak but not vote on any decision which involves budget setting, extending or agreeing contracts or incurring expenditure not provided for in the agreed budget for a given year and could affect calculations on the level of Council Tax.

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Email: democraticservices@westnorthants.gov.uk

Or by writing to:

West Northamptonshire Council
The Guildhall
St Giles Street
Northampton
NN1 1DE

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Pensions Fund Committee - Investment Sub-Committee

Minutes of a meeting of the Pensions Fund Committee - Investment Sub-Committee held at The Jeffrey Room - The Guildhall, Northampton, NN1 1DE on Wednesday 31 May 2023 at 2.00 pm.

Present:

Councillor Malcolm Longley (Chair)
 Councillor Charles Morton (Vice-Chair)
 Councillor Graham Lawman
 Councillor Phil Bignell
 Peter Borley-Cox
 Robert Austin

Also Present:

Chris West – Mercer
 James Thurgood – Mercer
 David Crum – Independent Advisor

Apologies for Absence:

Councillor Cathrine Russell

Officers:

Mark Whitby, Head of Pensions
 Tomasz Wardzala, Pension Services Financial Manager
 Fiona Coates, Pension Services Financial Manager

84. **Apologies for absence**

Apologies for absence were received from Councillor Cathrine Russell.

85. **Declarations of Interest**

Robert Austin declared a disclosable pecuniary interest as a member of LGPS.
 Councillor Graham Lawman declared an interest as his wife was a deferred member of the LGPS and Phil Bignell disclosed a personal interest as his wife was a member of the LGPS.

86. **Chair's Announcements**

There were no announcements.

87. **Minutes of Previous Meeting**

RESOLVED:

That the minutes of the Investment sub-committee of 22 February 2023 be approved and signed as a correct record.

88. **Quarterly Performance Report for the period ending 31 March 2023**

At the Chair's invitation, Chris West and James Thurgood from Mercer presented the quarterly performance report.

Referring to the performance over 2022/23 it had been a poor year for equity and bond markets, most financial institutions had suffered poor performance overall and interest rates had risen in order to tackle inflation. The UK was the only developed market which had seen an inflation rise. However, in the last quarter the situation had been relatively positive for every asset class. It is important to note, during the year one of the biggest bank collapses in US history had occurred with the collapse of the Silicon Valley bank.

With regard to Manager performance in the first quarter of 2023, Liontrust had performed well, with underweight financials relative to their benchmark, however they were overweight with regard to consumer discretionary where they outperformed. Newton - Global equity had performed decently over the last quarter but their long-term performance over 13 years was flat. Baillie Gifford had performed well with a 16% return compared to the benchmark of 4.4%. The fund had a 6.5% share in Nvidia and their share price had doubled. Longview had marginally underperformed.

The return on gilts in the last year had been negative 30%. Bluebay- Multi-Asset Credit had negative 6% and M&G 2%. Baillie Gifford DFG had performed well in the first quarter but not over the year and will be removed from the portfolio as per Strategic Asset Allocation. CBRE Property's performance had been negative versus the benchmark but this was expected to improve as they had funds in lots of holding. Private equity was performing well relative to the benchmark.

Further to an enquiry from Councillor Lawman, Chris West explained that performance of management contribution was relative to the return and weight of the portfolio. Baillie Gifford had performed well relative to the benchmark as they had a diverse portfolio. If asset values shrank this meant they were underweight. The longer-term performance of CBRE would be monitored.

David Crum queried how the benchmark was set. Mercer advised that it was set using a broad index from the peer group. However, it could be more accurate to set a composite benchmark in the future, as some portfolios were very diverse.

RESOLVED: That the Investment Sub-Committee note the quarterly performance report for the period ending 31 March 2023.

89. **Stewardship and Engagement Update**

The Pension Services Financial Manager advised that the report would be submitted to the Committee on a six-monthly basis and drew their attention to the summary in voting activities in paragraph 6.1.3 of the report and the engagement activities set out in section 6.2.

The Pensions Service Financial Manager provided number of examples where managers undertaken engagements with invested companies on behalf of the Fund. Councillor Lawman queried what the expected outcome would be with regard to Longview's engagement on the banks future. The Pension Services Financial Manager advised that there would be an update at the end of June.

Further to an enquiry from Councillor Bignell, the Head of Pensions advised that the amber risks in 7.3.1 of the report were lifted from the main risk register. Controls were in place to mitigate the risks.

RESOLVED: That the Investment Sub-Committee note the Stewardship Report.

90. **Exclusion of Press and Public**

The Chair moved that the remainder of the meeting be held in private:

That under Section 100A of the Local Government Act 1972, the public and press be excluded from the meeting for the following item(s) of business on the grounds that, if the public and press were present, it would be likely that exempt information falling under the provisions of Schedule 12A, Part I, Paragraph(s) 3 would be disclosed to them, and that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

RESOLVED: Members agreed that the public and press were excluded from the remainder of the meeting and the Investment Sub-Committee moved into private session.

The meeting closed at 4.15 pm

Chair: _____

Date: _____

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Democratic Support Service
 One Angel Square
 Angel Street
 Northampton
 NN1 1ED

INVESTMENT SUB-COMMITTEE
 27 September 2023
 LOCATION: JEFFERY ROOM, THE GUILDHALL

Actions log from ISC meeting held in Jeffery Room, The Guildhall on 31 May 2023

Item No.	Item	Action to be taken by	Comments	Completed
6	<p>Stewardship and Engagement Update</p> <p>1. Provide update on Longview’s engagement on the banks future</p>	Fiona Coates	The bank continue evolving their approach to Scope 3 emissions reduction before making any such commitments. They are still in the process of evaluating their approach to financed emissions in a way that would be consistent with a net zero transition. They are looking at how to evolve the composition of emissions in relation to their highest emitting sectors. They also confirmed that they are making progress regarding their existing climate-related commitments including carbon neutrality and Scope 1 and 2 decarbonisation. Overall, they believe that the bank has come together on this topic and they are moving at an accelerated pace in terms of carbon footprinting while rallying SMEs across the bank to progress the work.	Complete

Actions log from ISC meeting held in Jeffery Room, The Guildhall on 22 February 2023

Item No.	Item	Action to be taken by	Comments	Completed
5	<p>Passive Equity Options</p> <p>2. Head of Pensions with assistance from Mercer to finalise allocations, fees and target currency hedging (subject to strategy review) and implement the new allocations during 2023-24</p>	Mark Whitby/ Mercer	Transition has been completed as planned, update will be provided at September ISC meeting	Complete
6	<p>Private Equity Review</p> <p>1. 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.	Ongoing

Actions log from ISC meeting held in Jeffery Room, The Guildhall on 21 September 2022

Item No.	Item	Action to be taken by	Comments	Completed
11	<p>Property Portfolio Review</p> <p>1. Mercer to carry out a market review and provide a selection of Long Lease property managers to the Investment Sub-Committee.</p>	Mark Whitby/ Mercer	Consider managers for new allocation(s) in long lease property, following completion of ACCESS-led manager selection exercise	Ongoing

Northamptonshire Pension Fund

Monitoring Report

Quarter to 30 June 2023

Chris West

August 2023

PRIVATE AND CONFIDENTIAL

This report is private and not for public publication as it contains exempt information relating to the financial or business affairs of a particular person as defined in and paragraph 3 of Schedule 12A of the Local Government Act 1972 and publication is not in the public interest.



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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 £2.4bn to £2.2bn).

The Fund's assets (including cash) increased over the quarter by £54m to £3,277m as at 30 June 2023. The Fund's assets (including cash) have increased by £164m over the last twelve months.

The estimated funding level at 30 June 2023 was c.148%, up from c.135% as at 31 March 2023. For comparison, the funding level at 31 March 2022 (the date of the last actuarial valuation) was 113%.

Asset Allocation

Over the quarter, a number of asset transitions were undertaken in order to move towards the Fund's new target strategic asset allocation.

The most significant changes comprised funding an additional allocation to the UBS index-linked gilt portfolio, totaling 5% of Fund assets, sourced from a disinvestment of 5% of the Liontrust UK Equity holdings.

The Fund's passive equity portfolio at UBS was also reorganised over the quarter to fund new climate-aware passive equity allocations, managed against indices provided by UBS and Osmosis.

Asset allocation vs new target strategic asset allocation

Overweight		Underweight	
Equities	+5.7%	Fixed Income	-5.3%
		Alternatives	-0.3%

Performance

Short Term Performance

The Fund underperformed the benchmark over the quarter and 1 year periods.

Key Contributors to Relative Performance - Quarter

Outperformance in Global Equity	+0.4%
Outperformance by Liontrust - UK Equity	+0.1%
Underperformance in Private Equity	-0.5%
Underperformance by Baillie Gifford – DGF	-0.3%

Longer Term Performance

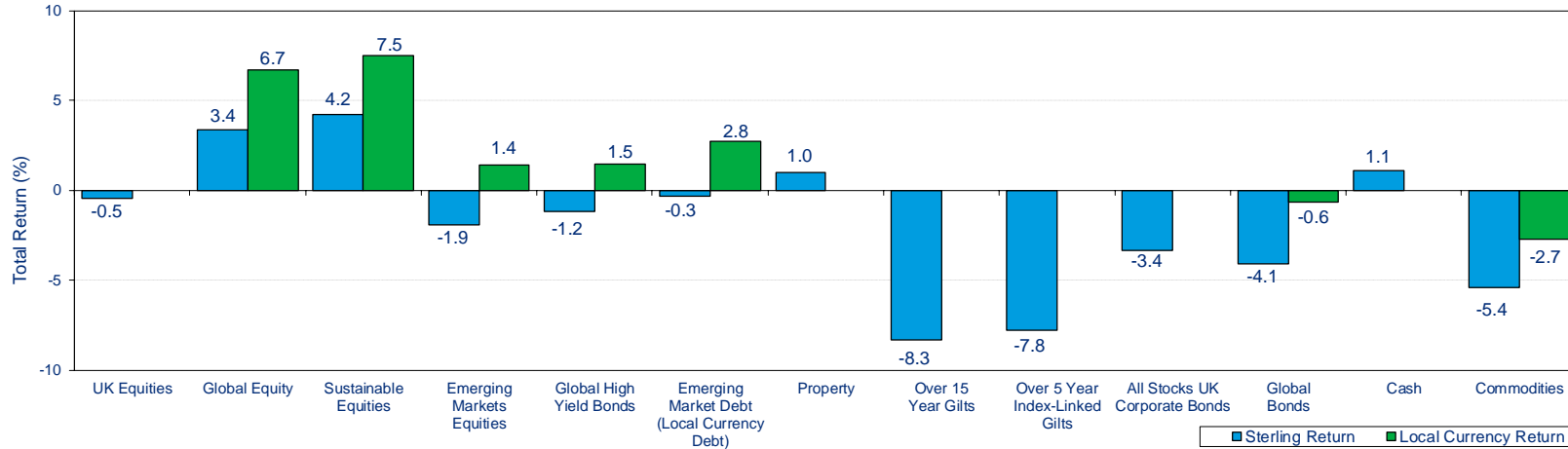
	Fund	B'mark
Quarter (%)	1.5	2.0
1 Year (%)	4.7	5.6
3 Years (% p.a.)	5.7	6.2

Manager Research

Redacted

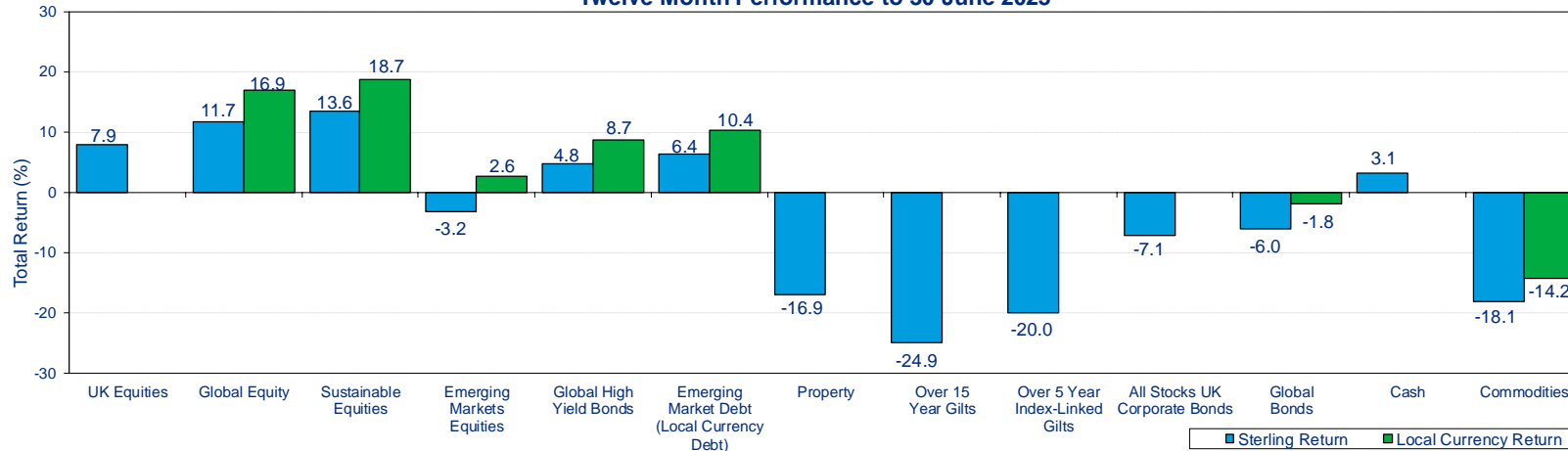
Market Index Performance

Three Month Performance to 30 June 2023



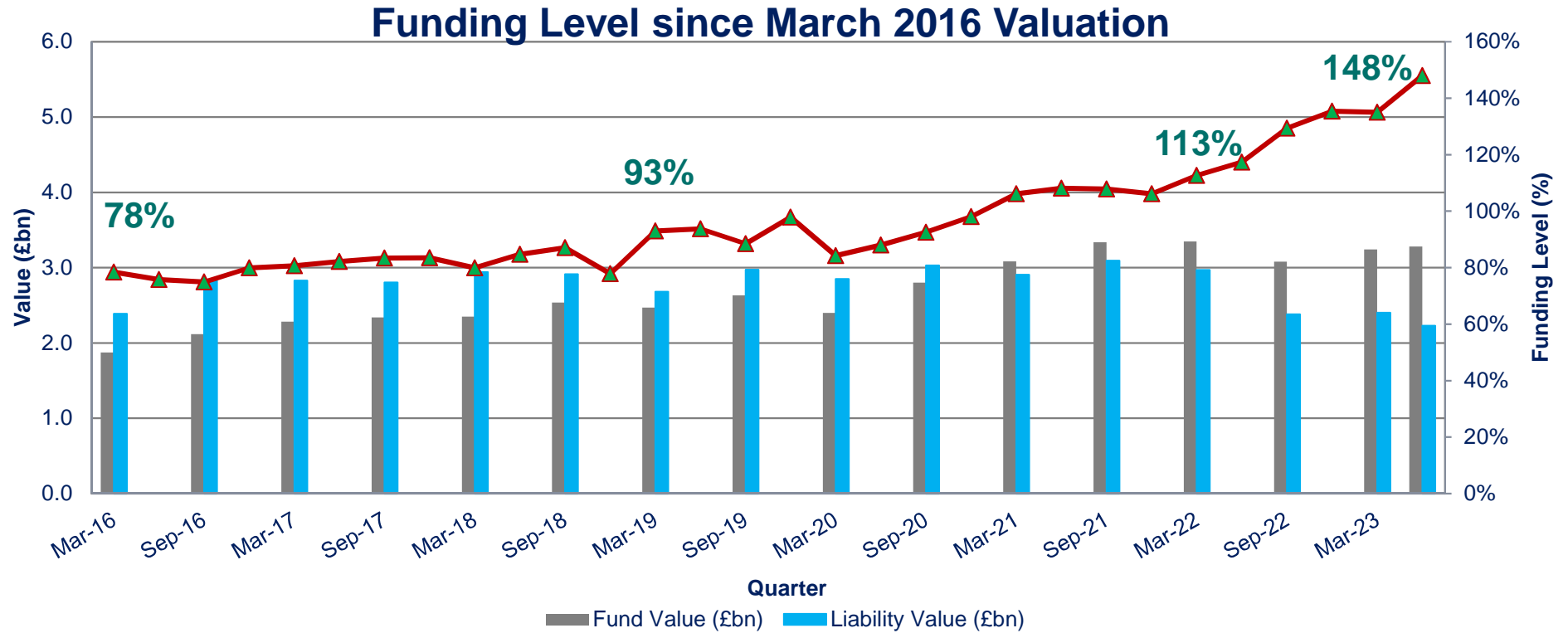
Source: Refinitiv.

Twelve Month Performance to 30 June 2023



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.

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

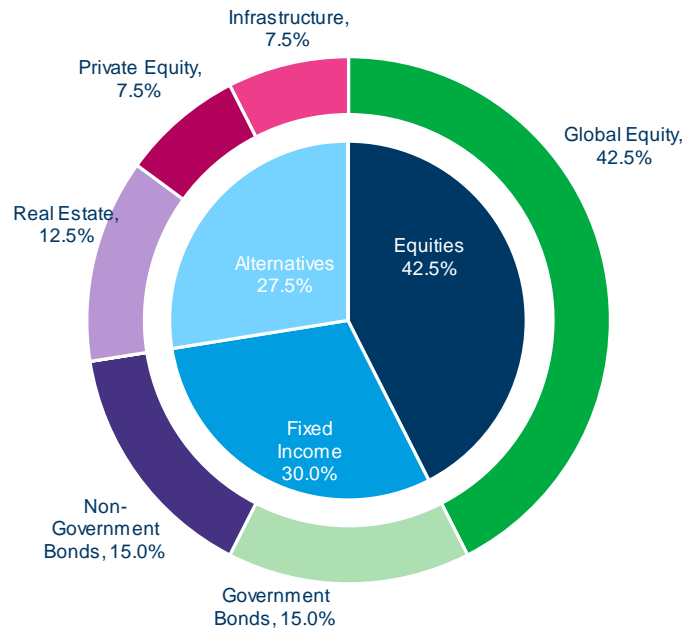
	31/03/2023 Market Value (£M)	30/06/2023 Market Value (£M)	31/03/2023 Allocation (%)	30/06/2023 Allocation (%)	30/06/2023 B'mark (%)
Total	3,220.4	3,270.5	100.0	100.0	100.0
Equities	1,749.3	1,576.2	54.3	48.2	42.5
Fixed Income	579.7	806.2	18.0	24.7	30.0
Alternatives	891.3	888.0	27.7	27.2	27.5

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

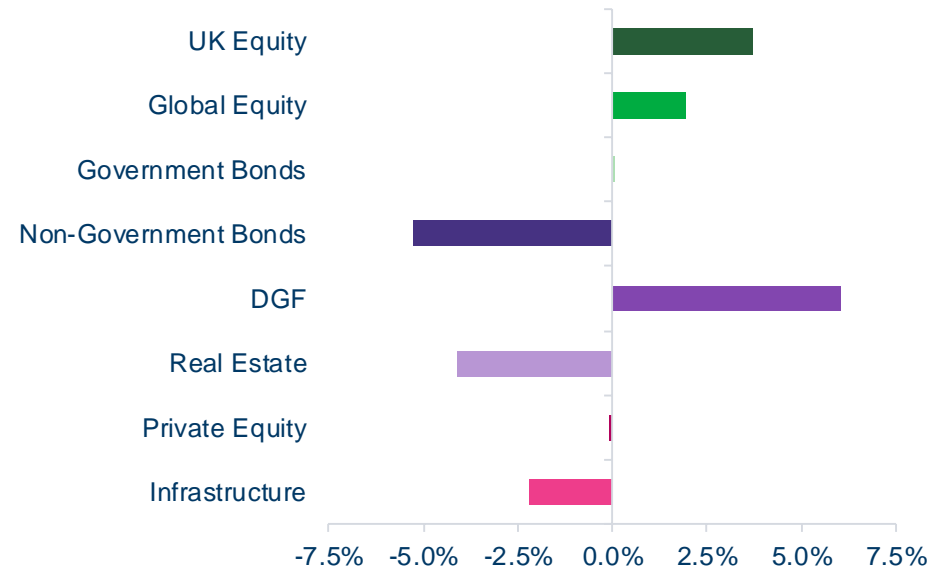
The total market value shown in the table above at quarter end excludes assets invested in Catapult's Private Equity (c. £0.5m at the start and c. £0.6m end of the quarter) and cash (c. £10.2m at the start of quarter and c. £6.9m at the end of quarter).

The new 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 thereafter.

Benchmark Asset Allocation as at 30 June 2023



Deviation from Benchmark Asset Allocation



Benchmark allocation is shown for representative purposes. For performance measurement purposes, from the 28th April 2023 given the transition, we have assume that the benchmark allocation is equal to the actual fund allocation.

Manager Allocation (1/3)

	31/03/2023 Market Value (£M)	30/06/2023 Market Value (£M)	31/03/2023 Allocation (%)	30/06/2023 Allocation (%)	30/06/2023 B'mark (%)
Total	3,220.4	3,270.5	100.0	100.0	100.0
Equities	1,749.3	1,576.2	54.3	48.2	42.5
UK Equity	301.2	121.8	9.4	3.7	--
Liontrust - UK Equity	301.2	121.8	9.4	3.7	--
Global Equity	1,448.1	1,454.4	45.0	44.5	42.5
Active Global Equity	812.4	794.7	25.2	24.3	22.5
Newton - Global Equity	313.8	332.0	9.7	10.2	7.5
Baillie Gifford - Global Equity	195.6	205.1	6.1	6.3	7.5
Longview - Global Equity	302.9	257.6	9.4	7.9	7.5
Passive Equity	635.8	659.7	19.7	20.2	20.0
UBS - Passive Equity	635.8	--	19.7	--	--
UBS – Climate Aware Rules Based	--	464.9	--	14.2	14.0
Osmosis - Core Equity	--	194.9	--	6.0	6.0
Fixed Income	579.7	806.2	18.0	24.7	30.0
Government Bonds	268.1	488.3	8.3	14.9	15.0
UBS - Gilts	268.1	488.3	8.3	14.9	15.0
Non-Government Bonds	311.6	318.0	9.7	9.7	15.0
Bluebay - Multi-Asset Credit	147.9	150.1	4.6	4.6	7.5
M&G - Multi-Asset Credit	163.7	167.8	5.1	5.1	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 at quarter end excludes assets invested in Catapult's Private Equity (c. £0.5m at the start and c. £0.6m end of the quarter) and cash (c. £10.2m at the start of quarter and c. £6.9m at the end of quarter).

The HarbourVest, Adams Street, AMP Capital, Allianz and JPM end of quarter valuations are provisional.

The new 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 thereafter.

Manager Allocation (2/3)

	31/03/2023 Market Value (£M)	30/06/2023 Market Value (£M)	31/03/2023 Allocation (%)	30/06/2023 Allocation (%)	30/06/2023 B'mark (%)
Alternatives	891.3	888.0	27.7	27.2	27.5
DGF	202.8	198.5	6.3	6.1	--
Baillie Gifford - DGF	202.8	198.5	6.3	6.1	--
Real Estate	273.2	274.8	8.5	8.4	12.5
CBRE - Property	212.4	213.4	6.6	6.5	6.5
TBC - Long Lease Property	--	--	--	--	3.0
M&G - Residential Property	46.8	47.4	1.5	1.4	1.5
M&G - Shared Ownership	14.1	14.1	0.4	0.4	1.5
Private Equity	239.8	242.0	7.4	7.4	7.5
HarbourVest - Private Equity	132.5	133.8	4.1	4.1	--
Adams Street - Private Equity	107.3	108.2	3.3	3.3	--

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 at quarter end excludes assets invested in Catapult's Private Equity (c. £0.5m at the start and c. £0.6m end of the quarter) and cash (c. £10.2m at the start of quarter and c. £6.9m at the end of quarter).

The HarbourVest, Adams Street, AMP Capital, Allianz and JPM end of quarter valuations are provisional.

The new 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 thereafter.

Manager Allocation (3/3)

	31/03/2023 Market Value (£M)	30/06/2023 Market Value (£M)	31/03/2023 Allocation (%)	30/06/2023 Allocation (%)	30/06/2023 B'mark (%)
Infrastructure	175.5	172.7	5.5	5.3	7.5
AMP Capital - Infrastructure Debt	35.2	34.4	1.1	1.1	--
Allianz - Infrastructure Debt	12.6	12.5	0.4	0.4	--
IFM - Infrastructure Equity	67.6	68.0	2.1	2.1	--
JPM - Infrastructure Equity	60.2	57.9	1.9	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 at quarter end excludes assets invested in Catapult's Private Equity (c. £0.5m at the start and c. £0.6m end of the quarter) and cash (c. £10.2m at the start of quarter and c. £6.9m at the end of quarter).

The HarbourVest, Adams Street, AMP Capital, Allianz and JPM end of quarter valuations are provisional.

The new 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 thereafter.

Manager Performance (1/2)

	2023 Q2 (%)	B'mark (%)	1 Yr (%)	B'mark (%)	3 Yrs (%)	B'mark (%)	5 Yrs (%)	B'mark (%)
Total	1.5	2.0	4.7	5.6	5.7	6.2	5.4	5.5
UK Equity	0.5	-0.5	12.8	7.9	8.5	10.0	1.1	3.1
Liontrust - UK Equity	0.5	-0.5	12.8	7.9	8.5	10.0	1.2	3.1
Global Equity	4.7	3.6	14.7	11.9	10.1	10.3	10.6	8.8
Newton - Global Equity	5.8	3.3	16.0	11.3	10.6	9.9	10.5	8.9
Baillie Gifford - Global Equity	4.9	3.3	19.1	11.3	0.3	9.9	--	--
Longview - Global Equity	4.6	3.3	16.3	11.3	14.7	9.9	--	--
UBS - Passive Equity	3.6	3.7	12.0	12.2	10.5	10.5	8.3	8.3
UBS – Climate Aware Rules Based	5.3	5.3	--	--	--	--	--	--
Osmosis - Core Equity	0.2	0.2	--	--	--	--	--	--
Fixed Income	-2.3	-2.2	-6.4	-5.5	-6.4	-6.4	-1.5	-1.0
UBS - Gilts	-7.8	-7.8	-20.1	-20.0	-15.4	-15.3	-6.1	-6.0
Bluebay - Multi-Asset Credit	1.5	2.2	5.6	9.1	--	--	--	--
M&G - Multi-Asset Credit	2.5	2.2	5.2	9.1	--	--	--	--

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

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

UBS Climate Aware Rules Based: performance shown since inception. Inception date taken as 28 April 2023 for performance measurement purposes.

Osmosis Core Equity: performance shown since inception. Inception date taken as 12 June 2023 for performance measurement purposes.

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.

The HarbourVest, Adams Street, AMP Capital and Allianz quarterly returns are provisional.

Total Fund and Alternatives performances include quarterly performances for HarbourVest, Adams Street, AMP Capital, Allianz and JPM calculated by Mercer using a Modified Dietz approach based on data provided by these managers. Over the long term, performances are chain linked using quarterly Total Fund performances. Performance shown is net of illiquid mandates' fees. Performance for the underlying private equity and infrastructure mandates is 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.

Totals include performance of terminated mandates.

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

Manager Performance (2/2)

	2023 Q2 (%)	B'mark (%)	1 Yr (%)	B'mark (%)	3 Yrs (%)	B'mark (%)	5 Yrs (%)	B'mark (%)
Alternatives	-1.3	2.2	-5.7	1.6	5.6	7.1	4.3	5.8
Baillie Gifford - DGF	-2.1	2.0	-1.8	6.8	0.2	4.8	0.3	4.5
CBRE - Property	0.4	0.4	-16.3	-17.4	2.2	3.4	0.9	2.2
M&G - Residential Property	1.4	1.5	0.9	6.0	2.3	6.0	--	--
M&G - Shared Ownership	0.0	1.5	-3.5	6.0	--	--	--	--
HarbourVest - Private Equity	-2.9	4.3	4.5	17.1	30.3	17.1	25.6	11.3
Adams Street - Private Equity	-1.4	4.3	-0.9	17.1	36.3	17.1	24.9	11.3
AMP Capital - Infrastructure Debt	0.5	2.5	9.7	10.0	7.8	10.0	7.2	10.0
Allianz - Infrastructure Debt	5.4	1.0	-15.5	4.0	-7.3	4.0	--	--
IFM - Infrastructure Equity	0.9	2.5	15.8	10.0	13.1	10.0	--	--
JPM - Infrastructure Equity	0.0	2.5	13.9	10.0	--	--	--	--

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

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

UBS Climate Aware Rules Based: performance shown since inception. Inception date taken as 28 April 2023 for performance measurement purposes.

Osmosis Core Equity: performance shown since inception. Inception date taken as 12 June 2023 for performance measurement purposes.

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.

The HarbourVest, Adams Street, AMP Capital and Allianz quarterly returns are provisional.

Total Fund and Alternatives performances include quarterly performances for HarbourVest, Adams Street, AMP Capital, Allianz and JPM calculated by Mercer using a Modified Dietz approach based on data provided by these managers. Over the long term, performances are chain linked using quarterly Total Fund performances. Performance shown is net of illiquid mandates' fees. Performance for the underlying private equity and infrastructure mandates is 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.

Totals include performance of terminated mandates.

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

Appendix



Appendix A

Benchmarks

Name	31/03/23 B'mark (%)	B'mark (%)	Performance Benchmark	Performance Target	Tracking Error Expectation
Total	100.0	100.0	-	-	-
Liontrust - UK Equity	8.8	8.8	FTSE All-Share Index	+2.0% p.a. (gross of fees)	2.0% - 6.0% p.a.
Global Equity	46.3	42.5	-	-	-
Newton - Global Equity	8.8	7.5	MSCI AC World (NDR) Index	+2.0% p.a. (gross of fees)	2.0% - 6.0% p.a.
Baillie Gifford - Global Equity	8.8	7.5	MSCI AC World (NDR) Index	-	-
Longview - Global Equity	8.8	7.5	MSCI World (NDR) Index	-	-
UBS - Passive Equity	20.0	--	Composite	To match the benchmark	-
UBS - Rules Based	--	14.0	FTSE Developed (GBP Hedged) Index	-	-
Osmosis - Core Equity	--	6.0	Solactive Osmosis Resource Efficient Core Equity Index NTR	-	-
Fixed Income	20.0	30.0	-	-	-
UBS - Gilts	10.0	15.0	Composite	To match the benchmark	-0.1% - 0.1% p.a.
Bluebay - Multi-Asset Credit	5.0	7.5	Composite	-	-
M&G - Multi-Asset Credit	5.0	7.5	Composite	-	-
Baillie Gifford - DGF	5.0	--	Bank of England UK Base Rate +3.5% p.a.	-	0.0% - 10.0% p.a.
Real Estate	10.0	12.5	-	-	-
CBRE - Property	7.0	7.0	MSCI All Balanced Property Funds Index	+1.0% p.a. (gross of fees)	0.0% - 3.0% p.a.
TBC - Long Lease Property	--	3.0	TBC	TBC	TBC
M&G - Residential Property	1.5	1.5	Absolute Return of 6.0% p.a.	-	-
M&G - Shared Ownership	1.5	1.5	Absolute Return of 6.0% p.a.	-	-

Name	31/03/23 B'mark (%)	B'mark (%)	Performance Benchmark	Performance Target	Tracking Error Expectation
Private Equity	5.0	7.5	-	-	-
HarbourVest - Private Equity			MSCI World Index	+3.0% p.a. (gross of fees)	-
Adams Street - Private Equity			MSCI World Index	+3.0% p.a. (gross of fees)	-
Infrastructure	5.0	7.5	-	-	-
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.	-	-

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 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 thereafter.

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.

Figures shown for the private equity and infrastructure mandates (with the exception of IFM) are estimated in GBP to the quarter end date.

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

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 June 2023	2022 Q3 (%)	2022 Q4 (%)	2023 Q1 (%)	2023 Q2 (%)	1 Yr (%)	3 Yrs (%)
Total	-1.0	0.8	3.3	1.5	4.7	5.7
Total Benchmark	-1.5	1.5	3.7	2.0	5.6	6.2

Figures shown are 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.

For performance measurement purposes the benchmark allocation is equal to the actual fund allocation from 28 April 2023.

10 Year Performance to 30 June 2023	10 Yrs (%)	B'mark (%)
Total	7.6	7.6
Liontrust - UK Equity	5.3	5.9
Newton - Global Equity	11.3	10.7
UBS - Passive Equity	10.7	10.8
Baillie Gifford - DGF	2.6	4.3
CBRE - Property	5.3	6.3

Figures shown are 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.

For performance measurement purposes the benchmark allocation is equal to the actual fund allocation from 28 April 2023.



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