



# Pensions Fund Committee - Investment Sub-Committee

A meeting of the Pensions Fund Committee - Investment Sub-Committee will be held at the The Court Room - The Guildhall, Northampton, NN1 1DE on Wednesday 22 November 2023 at 2.00 pm

## Agenda

1.	<b>Apologies for absence</b>
2.	<b>Declarations of Interest</b> 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.	<b>Chair's Announcements</b>
4.	<b>Minutes of Previous Meeting (Pages 5 - 8)</b>
5.	<b>Review of the Action Log (Pages 9 - 10)</b>
6.	<b>Stewardship and Engagement Reporting (Pages 11 - 24)</b>
7.	<b>Quarterly Performance Report for the period ending 30 September 2023 (Pages 25 - 42)</b>
8.	<b>Exclusion of Press and Public</b> 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 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.

Should Members decide not to make a decision in public, they are recommended to resolve as follows:

“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.”

<b>9.</b>	<b>Quarterly Performance Report for the period ending 30 September 2023</b> (Pages 43 - 86)
<b>10.</b>	<b>Private Minutes of the Investment Sub-Committee held on 27 September 2023</b> (Pages 87 - 90)
<b>11.</b>	<b>Analytics for Climate Transition</b> (Pages 91 - 128)
<b>12.</b>	<b>Long Lease Allocation Update and AVIVA presentation</b> (Pages 129 - 156)
<b>13.</b>	<b>Equity Portfolio Reivew</b> (Pages 157 - 224)
<b>14.</b>	<b>Independent Advisor Contract</b> (Pages 225 - 228)
<b>15.</b>	<b>Urgent business</b>

Catherine Whitehead  
Proper Officer  
14 November 2023

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

## **Information about this Agenda**

### **Apologies for Absence**

Apologies for absence and the appointment of substitute Members should be notified to [democraticservices@westnorthants.gov.uk](mailto: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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### **Queries Regarding this Agenda**

If you have any queries about this agenda please contact Jeverly Findlay, Democratic Services via the following:

Tel:

Email: [democraticservices@westnorthants.gov.uk](mailto:democraticservices@westnorthants.gov.uk)

Or by writing to:

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



### **Pensions Fund Committee - Investment Sub-Committee**

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

#### **Present:**

Councillor Malcolm Longley (Chair)  
 Councillor Graham Lawman  
 Councillor Phil Bignell  
 Councillor Cathrine Russell  
 Andy Langford

#### **Also Present:**

David Crum, Independent Advisor  
 Chris West, Mercer Ltd  
 Jonathan Crowther, Mercer Ltd  
 Henry Barstow, M & G  
 Charlie Hayes, M & G  
 Alex Grieves, M& G

#### **Apologies for Absence:**

Councillor Charles Morton  
 Peter Borley-Cox  
 Robert Austin

#### **Officers:**

Ben Barlow, Funding and Investment Manager  
 Mark Whitby, Head of Pensions  
 Amala Jose, Pension Services Financial Manager

#### 92. **Declarations of Interest**

Andy Langford declared a disclosable pecuniary interest as a member of LGPS.  
 Councillor Cathrine Russell declared that her son had been working for a bank unbeknownst to her but that he would not be working there for much longer.

#### 93. **Minutes of Previous Meeting**

#### **RESOLVED:**

That the minutes of the Investment sub-committee of 31 May 2023 be approved and signed as a correct record.

#### 94. **Review of the Action Log**

The Funding and Investment Manager advised that 2 actions were now complete. A response had been provided on Longview's engagement with the bank in question regarding their approach to Scope 3 emissions. They believed that the bank was moving forward quickly in terms of its carbon footprint. The Passive Equity paper would be considered in private session. The Private Equity Review and Property Portfolio review were still ongoing. Good progress was being made in considering the new allocations in long lease property.

**RESOLVED:** That the Action Log be noted.

95. **Quarterly Performance Report for the period ending 30 June 2023**

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

Referring to the performance over the second quarter there had been positive equity market returns driven by the United States markets. Other world returns were quite flat. Fewer than 10 stocks had made up the return of the second quarter in the United States; these were mainly technologically based. Returns were more negative in defensive bonds. On a positive note, the funding level had increased to 148% over the last quarter and it was expected that this would continue into quarter 3 also. The UK currently had high inflation and high interest rates. It appeared to be a critical time with regard to interest rates as the Bank of England had recently decided to not increase the interest rates again. The Bank of England had thrown gilts back into the market for quantitative easing. The positive performance was being driven by the gilt yields. The Committee welcomed the positive performance.

Councillor Bignell enquired if there was a downside to the high performance, Chris West considered that the reaction to a strong funding level could result in de-risking and reduced growth. In the next strategy review it was important to find the balance. The funding level increase was consistent with other pension funds. The Head of Pensions considered that the challenge would be with regard to the communication with scheme employers. As the terms of the fund were over a 20 year period there was no deficit payment. Contributions for employers had been reduced in previous years. It was highlighted that previously a decision had been made to increase gilt holdings by 5%, which was positive.

David Crum suggested that assumptions could be tightened up, the fund could de-risk or the investment strategy could be reviewed again. Chris West advised that the equity portfolio was being reviewed so the risks would be considered and the portfolio diversified; however there was a risk that this would be against the actuary rate.

With regard to manager performance this would be covered in the private session.

**RESOLVED:**

That the Investment Sub-Committee noted the quarterly performance report for the period ending 30 June 2023.

96. **Exclusion of Press and Public**

**RESOLVED:** That Under Section 100A of the Local Government Act 1972, the Local Pension Board agreed that the public be excluded from the meeting for the following items of business on the grounds that if the public were present it would be likely that exempt information under Part 3 of Schedule 12A to the Act would be disclosed to them.

The meeting closed at 4.05 pm

Chair: \_\_\_\_\_

Date: \_\_\_\_\_

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

INVESTMENT SUB-COMMITTEE  
 22 November 2023  
 LOCATION: COURT ROOM, THE GUILDHALL

Actions log from ISC meeting held in Holding Room, The Guildhall on 23 September 2023

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

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
11	<b>Private Equity Review</b> Head of Pensions with assistance from Mercer to implement the investment commitment to the Harbourvest Global 2023 Fund.	Mark Whitby/ Mercer	The Fund has completed submission of subscription documents for the HV 2023 Global Fund with first drawdown expected Q4 2023.	<b>Completed</b>

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><b>Property Portfolio Review</b></p> <p>Mercer to carry out a market review and provide a selection of Long Lease property managers to the Investment Sub-Committee along side the ACCESS pool.</p>	Ben Barlow	This is the subject of a separate agenda item at this meeting.	<b>Ongoing</b>



## West Northamptonshire Council

### Investment Sub Committee

22/11/2023

### Mark Whitby – Head of Pensions

<b>Report Title</b>	Stewardship & Engagement Update
<b>Report Author</b>	Ben Barlow, Funding and Investments Manager <a href="mailto:Ben.Barlow@westnorthants.gov.uk">Ben.Barlow@westnorthants.gov.uk</a>

#### Contributors/Checkers/Approvers

<b>MO</b>	Sarah Hall on behalf of Catherine Whitehead	08/11/2023
<b>S151</b>	James Smith on behalf of Martin Henry	03/11/2023
<b>Head of Pensions</b>	Mark Whitby	26/10/2023

#### List of Appendices

None

#### **1. Purpose of Report**

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- 1.1. To provide an update to the Investment Sub Committee on stewardship and engagement matters relating to the Fund's investments.

#### **2. Executive Summary**

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- 2.1. The Northamptonshire Pension Fund recognises the importance of promoting good governance and management in the companies in which the Fund invests. The Fund expects investment managers to exercise voting rights and engage with companies with the aim of good stewardship of the Fund's assets.
- 2.2. This report updates the Investment Sub-Committee (ISC) on:
- 2.2.1. The Fund's voting activity during the six months to 30 June 2023 for assets held within the ACCESS pool.

- 2.2.2. A summary of engagement activity on behalf of the Fund by ACCESS sub-fund managers covering the period between January to June 2023.
- 2.2.3. A summary of engagement with investment managers directly by the Fund covering the period between January to June 2023.
- 2.2.4. A summary of the Local Authority Pension Fund Forum (LAPFF) engagement and voting activity for the period between April to September 2023.
- 2.3. Further information on specific stewardship and engagement activities summarised in this report is available from Officers on request.

### **3. Recommendations**

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- 3.1. The ISC is asked to note the report.

### **4. Reason for Recommendations**

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- 4.1. This is an information only paper providing an update on stewardship and engagement activities relating to the Fund's investments.
- 4.2. Future recommendations and decisions on the Fund's investments will be brought before the Pensions Committee or ISC for approval as appropriate.

### **5. Report Background**

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- 5.1. The Fund believes that Environmental, Social and Corporate Governance (ESG) issues create material risks and opportunities which will influence long term investment performance and the ability of the Fund to achieve its investment and funding objectives. Therefore, good ESG and stewardship practices should be integrated throughout the investment process of the Fund.
- 5.2. Good stewardship can protect and enhance value for companies and markets as a whole. The Fund is committed to being a long-term steward of the assets in which it invests. It believes in the importance of investment managers acting as active asset owners through proactive voting and engagement with companies. In addition, the Fund believes that acting collectively with other investors is an effective way to engage with companies.
- 5.3. The Fund includes in its Investment Strategy Statement a policy on the exercise of the rights (including voting rights) attached to investments. Specifically with regards to stewardship and engagement, the Fund expects its investment managers to:
  - 5.3.1. Exercise our rights as owners of investments by actively participating in company level decisions tabled as shareholder votes at General Meetings.
  - 5.3.2. Engage with companies where there are concerns over ESG issues.
  - 5.3.3. Vote pool-aligned assets in accordance with the ACCESS voting guidelines on a "comply or explain" basis and inform the Fund of voting outcomes.
  - 5.3.4. Report on their voting activity on a regular basis, with ACCESS Pool managers required to report on a monthly basis.
- 5.4. The Fund believes that acting collectively with other investors, for example, with partner authorities in the ACCESS pool or through membership of the Local Authority Pension Fund Forum (LAPFF), is an effective way to engage with companies.

## 6. Voting

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

Sub-Fund Name	Manager	Number of Meetings	Number of Votes Cast		
			For	Against	Other
LF ACCESS Long Term Global Growth	Baillie Gifford	33	345	36	32
LF ACCESS UK Equity Fund - Liontrust	Liontrust	102	1,744	60	30
LF ACCESS Global Equity - Newton	Newton	54	772	144	29
LF ACCESS Diversified Growth	Baillie Gifford	47	537	14	26
LF ACCESS Global Equity	Longview	25	185	192	32
		<b>261</b>	<b>3,583</b>	<b>446</b>	<b>149</b>

- 6.4. During the six months ending 30 June there were 261 company meetings, which include Annual General Meetings (AGMs) and Extraordinary General Meetings (EGMs).
- 6.5. Of the five ACCESS sub-funds in which the Northamptonshire Pension Fund invests, there were 4,178 occasions to vote by the investment managers. There were 149 instances where votes were not cast, or managers chose to abstain from voting. Of the votes cast, 3,583 were for and 446 against management proposals.
- 6.6. Investment managers use their discretion to cast votes not aligned to the ACCESS voting guidelines where they feel it is in the shareholders best interest to do so. There were 74 instances where Baillie Gifford has voted outside the ACCESS voting policy in the last six months for assets held under pool governance, including relating to appointment of auditors, election of directors, and remuneration.

## 7. Engagement Activities – ACCESS Pool

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

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

Manager	Number of Assets	Types of Engagement			Engagement example
		E	S	G	
Baillie Gifford (LF ACCESS Long Term Global Growth)	39	7	8	18	<p>Baillie Gifford made contact with Company A to communicate concerns regarding the compensation committee's decision to reprice options and amend performance targets for outstanding awards, and to explain their decision to oppose the executive pay resolution. During the year, the compensation committee repriced stock options and amended corresponding performance targets attached to equity awards granted to management. The performance options were granted in February 2022 with a 10-year term. However, in April 2023 the board and committee made significant changes to the exercise price and vesting criteria in response to market conditions which meant the awards were out-of-the-money. They had a call with a compensation committee member to explain their concerns. Specifically, that this decision does not align with their clients' experience as long-term shareholders and that it is inconsistent with the virtues the company espouses for incentive compensation in its proxy statement. Baillie Gifford outlined their belief that making changes 1 year into a 10-year plan when short-term conditions had affected the options' value is premature and indicates a lack of resolve by the board. Whilst not indifferent to the retention concerns put forward by the board, we explained that changing vesting conditions for outstanding awards and without shareholder approval is contrary to the principles of pay for performance. Furthermore, it is doubly disappointing given lengthy conversations last year in relation to executive remuneration where expectations were outlined. Baillie Gifford opposed the executive compensation resolution, which received a 26% oppose vote at the AGM. This was followed up with a letter to the board reiterating our expectations for executive remuneration and their commitment to be constructive shareholders. Baillie Gifford remains enthusiastic about the prospects for the company and look forward to future opportunities to engage.</p>

Manager	Number of Assets	Types of Engagement			Engagement example
		E	S	G	
Baillie Gifford (LF ACCESS Diversified Growth)	102	9	3	12	Baillie Gifford held a meeting with the IR and VP of Sustainability at Company B, they covered various subjects, including competitive positioning, decarbonisation, copper market dynamics, circularity, and the philosophy of their corporate governance. Baillie Gifford were left with the impression of a thoroughly integrated sustainability proposition across the spokes of E, S, and G. They were also impressed by the communication of the company representatives and their strong sense of mission and strategic engagement. Baillie Gifford gained a better understanding of the risks and opportunities facing the company from a sustainability perspective. These are material considerations for the overall investment case. The visit to the corporate HQ also had the unexpected result of highlighting a seemingly very strong corporate culture.
Newton	63	8	4	2	Newton engaged with Company C to discuss climate change risk management. Newton's aim was to influence Company C to set absolute Scope 3 emissions targets and to strengthen its net-zero ambitions. Newton encouraged Company C to look to invest in clean energy alternatives and to improve their climate related disclosures as currently lagging peers. Newton felt the discussions were successful and are on track for seeing improvement.
Longview	36	3	3	6	In June 2023 Longview engaged with the CEO and Head of Investor Relations of Company D for a detailed discussion on various aspects of their business and industry dynamics. Longview were interested in the CEO's evaluation of performance versus the goals he set when he joined in 2018. He explained that he had tried to preserve the company's performance while backing leaders across Company D to shift from perceiving 'people as cost', to a mindset of 'talent management'. He felt the company also has a greater focus on sustainability, they now rely on a set of principles with enough flexibility to allow managing directors to develop their own plans in local marketplaces. Longview also enquired about the benefits of having local and hyper-local scale. In the UK, Company D benefits from scale at both the national and sector levels. They are

Manager	Number of Assets	Types of Engagement			Engagement example
		E	S	G	
					exploring how they can share front-line resources across the business and deploy labour to a much more flexible roster, particularly with the emergence of hybrid working.
Liontrust	80	6	10	15	<p>Liontrust met with the group chief sustainability officer of Company E and the global head of sustainable finance strategy &amp; implementation to discuss the group’s newly released energy policy and coal phase-out policy as well as its net zero ambitions. Company E asked Liontrust to provide feedback ahead of publishing its Climate Transition Plan. Liontrust wanted to understand how the company’s climate transition plan fits within the group’s wider strategy, executive pay, and other material issues. They asked whether there is a risk that the company’s coal phase-out policy and fossil fuel policy will materially restrict the number of clients that it can work with. The company considers the strategic importance of clients from a business perspective together with their carbon profiles and reputation risks. Their policies are designed to allow for flexibility and subjectivity so that the carbon profiles of clients does not always take precedence over other equally material considerations. The aim of the company is to identify clients who will thrive through the energy transition. If a client is not positioned properly to face the transition, the client ultimately will not be viable and the relationship will not benefit the company. They also asked how the group balances its net zero ambitions with its operations in Asia, considering that the region is still largely reliant on coals and fossil fuel to power its economic development. The company confirmed that these considerations are front and centre in executing their climate transition plan. This is why they chose not to implement thresholds on coal (as requested by certain stakeholders) and instead focused on transition plans and engagement with clients. Similarly, rather than having a blanket ban on unconventional oil and gas (O&amp;G), they looked at different types of unconventional O&amp;G and took into consideration the local energy systems that depend on them. Liontrust provided feedback on what they would like to see in the group’s upcoming Climate Transition report. They would hope to see</p>



Manager	Number of Assets	Types of Engagement			Engagement example
		E	S	G	
					how the net zero plan connects with the overall strategy, with key material risks / opportunities, and with executive pay.

### Engagement Activity – Direct

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

Date	Meeting	Manager
6 <sup>th</sup> April	Local	HarbourVest
11 <sup>th</sup> April	Local	CBRE
16 <sup>th</sup> May	Local	M&G
12 <sup>th</sup> June	IUG	UBS
13 <sup>th</sup> June	Local	Allianz
14 <sup>th</sup> June	Local	M&G

### 8. Voting and Engagement – Passive Funds

- 8.1. UBS invest in pooled passive funds on behalf of the Fund. The passive funds are not within the ACS structure itself, therefore UBS do not have to adhere to the ACCESS voting policy. However, UBS operate a high-quality programme of stewardship and engagement on behalf of the Fund. UBS produce an Annual Stewardship report, the report is available on request.

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

**9. Local Authority Pension Fund Forum**

9.1. The Northamptonshire Pension Fund is a member of the Local Authority Pension Fund Forum (LAPFF). LAPFF exists to promote the investment interests of local authority pension funds and to maximise their influence as shareholders, whilst promoting corporate social responsibility and high standards of corporate governance among the companies in which they invest.

9.2. LAPFF engages with hundreds of companies to amplify the local authority voice and accelerate change. Their understanding of problems facing companies and ability to voice concerns is enhanced by also engaging with company stakeholders.

9.3. The following table is a summary showing the companies and topics which LAPFF has engaged between April and June 2023.

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

		<p>PLC, Lindt and Sprungli AG, Lockheed Martin Corporation, Marathon Petroleum Corporation, Markel Corporation, Meta Platforms INC, Mitsubishi UFJ Financial GRP, National Grid PLC, New York Community Bancorp INC, Next Plc, Nike Inc, Nintendo Co Ltd, Paccar INC, Pennon Group PLC, Public Storage, Quest Diagnostics Incorporated, Raytheon Technologies Corp, Rio Tinto Group (AUS), Roche Holding AG, Sanofi, Sanwa Holdings Corp, Severn Trent PLC, Shell PLC, Southern Company, Sumitomo Mitsui Financial Group, Tesla INC, The Goldman Sachs Group INC, The Home Depot INC, The Mosaic Company, The TJX Companies INC, The Travelers Companies INC, Tokyo Electric Power Co INC, Totalenergies SE, Toyota Motor Corp, United Utilities Group PLC, Vale SA, Valero Energy Corporation, Volvo AB, Wells Fargo &amp; Company, Welltower INC, WH Group Ltd.</p>	
<p>July – September 2023</p>	<ul style="list-style-type: none"> <li>● Environmental Risk</li> <li>● Diversity Equity and Inclusion</li> <li>● Human Rights</li> <li>● Climate Change</li> <li>● Supply Chain Management</li> <li>● Social Risk</li> <li>● Employment Standards</li> <li>● Board Composition</li> <li>● Remuneration</li> <li>● Audit Practices</li> </ul>	<p>AIA Group LTD, Allianz SE, Alphabet INC, Apple INC, Associated British Foods PLC, AVIVA PLC, AXA, Barratt Developments PLC, Bayerische Motoren Werke AG, Berkshire Hathaway INC., Booking Holdings INC., Burberry Group PLC, Centrica PLC, China Construction Bank Corp, China Life Insurance (CHN), Devon Energy Corporation, FEDEX Corporation, Ford Motor Company, General Motors Company, Grupo Mexico SA DE CV, Hennes &amp; Mauritz AB (H&amp;M), J Sainsbury PLC, KKR &amp; CO INC, Legal &amp; General Group PLC, Lloyds Banking Group PLC, Marks &amp; Spencer Group PLC, Mercedes-Benz Group AG, Meta Platforms</p>	<p>LAPFF wrote to Centrica one of the major UK energy suppliers and owner of British Gas. The company responded by setting out how it is supporting customers through the cost-of-living crisis. The company also outlined ongoing support and advice that it provides low-income customers.</p>

		<p>INC, Metlife INC., Mizuho Financial Group INC, Muenchener Rueck AG (Munich RE), National Grid Gas PLC, Nestle SA, Northumbrian Water Group, Occidental Petroleum Corporation, Persimmon PLC, Ping An Insurance Group, Prudential PLC, Renault SA, Rio Tinto Group (AUS), Ryanair Holdings PLC, Salesforce INC, Severn Trent PLC, Shinhan Financial Group LTD, SSE PLC, Suzano SA, Taylor Wimpey PLC, Tesla INC, The Procter &amp; Gamble Company, Total Energy Services INC, Unilever PLC, United Utilities Group PLC, Vale SA, Volkswagen AG, Volvo AB, WH Smith PLC, Whitbread PLC, Zurich Insurance Group AG.</p>	
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#### 9.4. Voting Alerts

9.4.1. LAPFF issued fifty-five voting alerts in the three-month period to June 2023 and three alerts for the quarter ending September 2023. ACCESS is considering the treatment of LAPFF voting alerts as part of the ESG/RI Sub-Group chaired by the Fund's Head of Pensions.

### 10. Implications (including financial implications)

#### 10.1. Resources and Financial

10.1.1. There are no resources or financial implications arising from the report.

#### 11.2 Legal

11.2.1 There are no legal implications arising from the report.

### 12. Risk Management

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

Risk	Residual risk rating
Failure to respond to changes in economic conditions.	Amber
As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund's investments.	Amber
Failure to understand and monitor risk and compliance	Green

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

12.1. The Fund's full risk register can be found - [Northamptonshire Risk Register](#)

### **13. Relevant Pension Fund Objectives**

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13.1. The following objectives have been considered in this report –

13.1.1. To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.

13.1.2. To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.

13.1.3. To ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.

13.1.4. To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.

### **14. Consultation**

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14.1. Not applicable.

### **15. Consideration by Overview and Scrutiny**

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15.1. Consideration by Overview and Scrutiny is not required.

### **16. Climate Impact**

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16.1. This an information update paper only. There are no climate impact considerations arising as a direct result of this paper.

### **17. Communications**

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17.1. There are no communication implications. This paper does not require any further communication activities.

### **18. Background Papers**

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18.1. Not applicable

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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# Northamptonshire Pension Fund Monitoring Report Quarter to 30 September 2023

Chris West

November 2023

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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 £3.3bn to £3.2bn).

The Fund's assets (including cash) decreased over the quarter by £36m to £3,249.8m as at 30 September 2023. The Fund's assets (including cash) have increased by £110m over the last twelve months.

The estimated funding level at 30 September 2023 was c.148%, no change from the 30 June 2023 position. For comparison, the funding level at 31 March 2022 (the date of the last actuarial valuation) was 113%.

### Performance

#### Short Term Performance

The Fund underperformed the benchmark over the quarter.

#### Key Contributors to Relative Performance - Quarter

Outperformance in Private Equity	+0.2%
Underperformance by Baillie Gifford - Global Equity	-0.3%
Underperformance by Longview - Global Equity	-0.3%
Underperformance by Baillie Gifford - DGF	-0.3%

#### Longer Term Performance

	Fund	B'mark
Quarter (%)	-1.3	-0.6
1 Year (%)	4.5	6.6
3 Years (% p.a.)	4.2	5.5

### Asset Allocation

On 27 July 2023, £80m was transferred from Liontrust - UK Equity to M&G - Multi Asset Credit in order to move towards the strategic target allocations agreed at the last investment strategy review earlier in 2023.

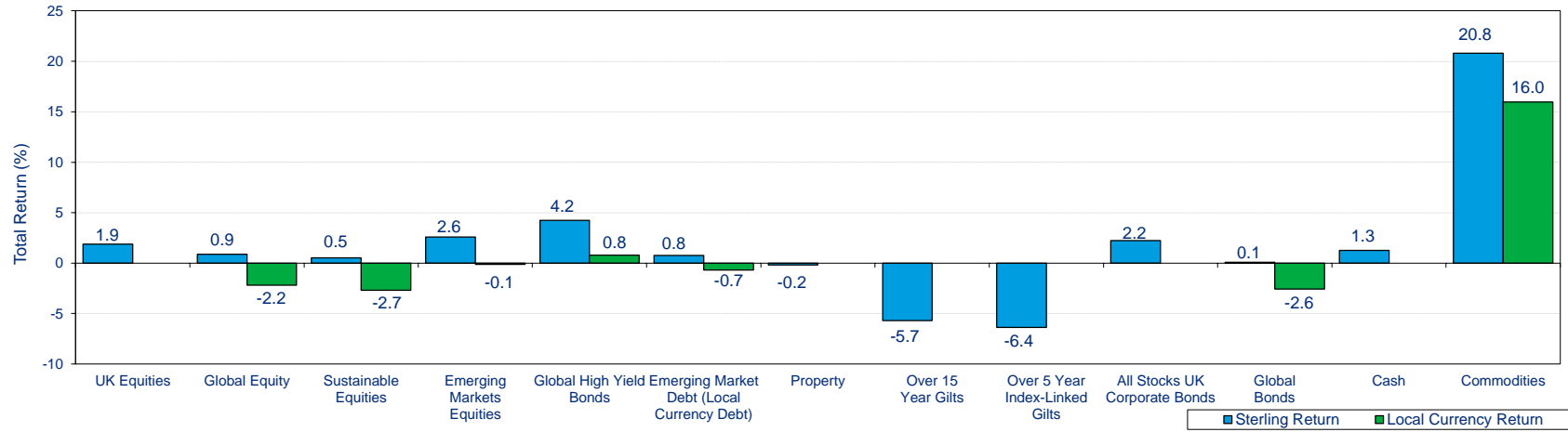
Overweight		Underweight	
Equities	+2.7%	Fixed Income	-3.2%
Alternatives	+0.5%		

### Manager Research

Redacted

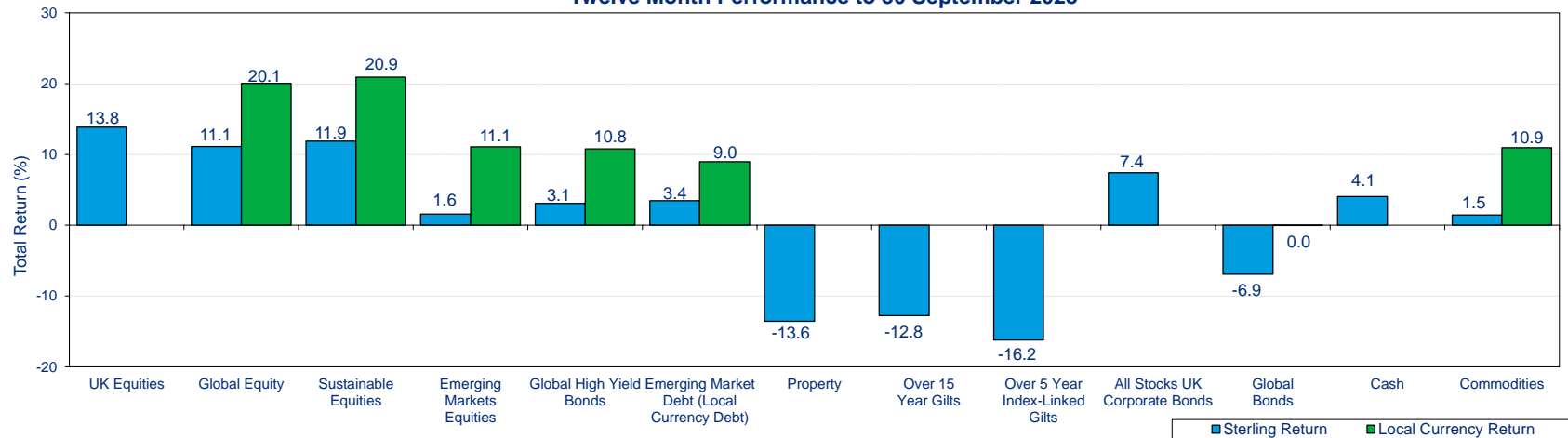
# Market Index Performance

Three Month Performance to 30 September 2023



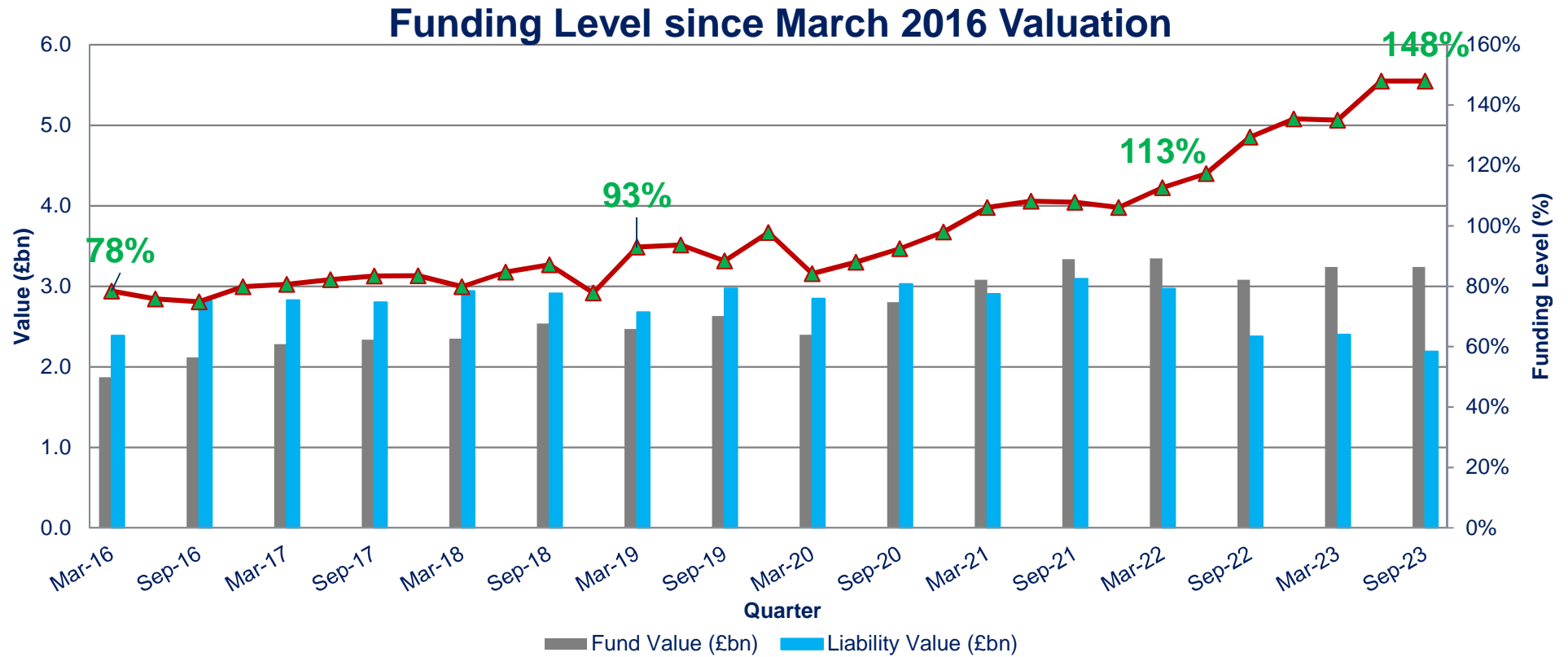
Source: Refinitiv.

Twelve Month Performance to 30 September 2023



Source: Refinitiv.

## Funding



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

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

# Allocation

	30/06/2023 Market Value (£M)	30/09/2023 Market Value (£M)	30/06/2023 Allocation (%)	30/09/2023 Allocation (%)	30/09/2023 B'mark (%)
<b>Total Invested Assets</b>	<b>3,278.6</b>	<b>3,224.3</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Equities	1,576.2	1,457.2	48.1	45.2	42.5
Fixed Income	809.3	863.7	24.7	26.8	30.0
Alternatives	893.1	903.4	27.2	28.0	27.5

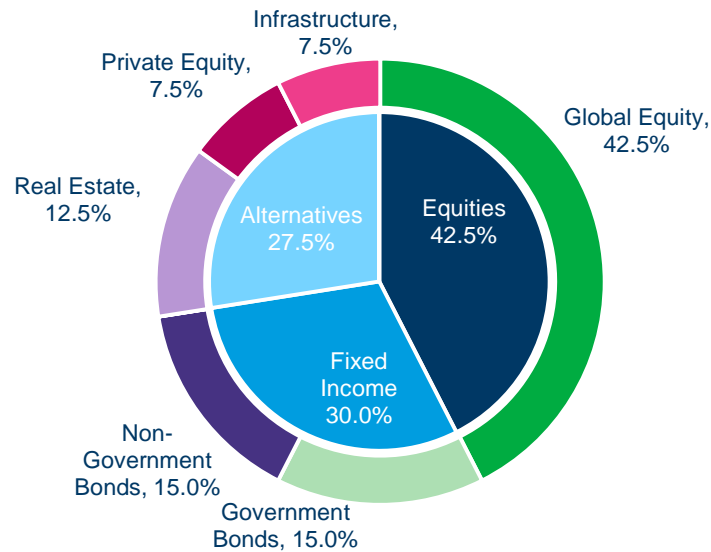
Source: Investment Managers, Link Asset Services and Mercer.

Figures may not sum to total due to rounding.

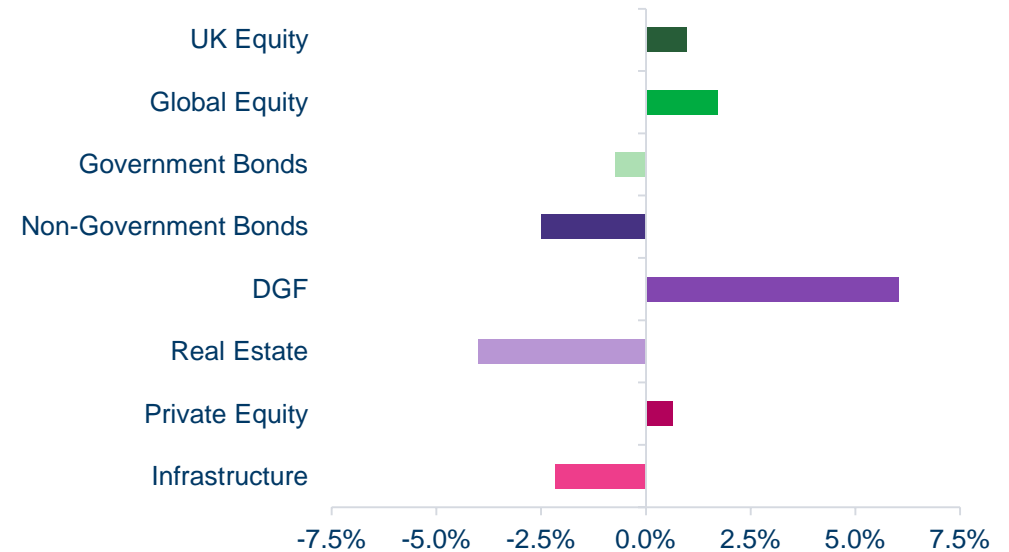
The total market value shown in the table above at quarter end excludes assets invested in Catapult's Private Equity (c. £0.6m at the start and c. £0.6m end of the quarter) and cash (c. £6.9m at the start of quarter and c. £25.5m at the end of quarter).

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

## Benchmark Asset Allocation as at 30 September 2023



## Deviation from Benchmark Asset Allocation



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

## Manager Allocation (1/3)

	30/06/2023 Market Value (£M)	30/09/2023 Market Value (£M)	30/06/2023 Allocation (%)	30/09/2023 Allocation (%)	30/09/2023 B'mark (%)
<b>Total</b>	<b>3,278.6</b>	<b>3,224.3</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Equities</b>	<b>1,576.2</b>	<b>1,457.2</b>	<b>48.1</b>	<b>45.2</b>	<b>42.5</b>
<b>UK Equity</b>	<b>121.8</b>	<b>31.6</b>	<b>3.7</b>	<b>1.0</b>	<b>--</b>
Liontrust - UK Equity	121.8	31.6	3.7	1.0	--
<b>Global Equity</b>	<b>1,454.4</b>	<b>1,425.6</b>	<b>44.4</b>	<b>44.2</b>	<b>42.5</b>
<b>Active Global Equity</b>	<b>794.7</b>	<b>777.5</b>	<b>24.2</b>	<b>24.1</b>	<b>22.5</b>
Newton - Global Equity	332.0	330.1	10.1	10.2	7.5
Baillie Gifford - Global Equity	205.1	196.4	6.3	6.1	7.5
Longview - Global Equity	257.6	251.1	7.9	7.8	7.5
<b>Passive Equity</b>	<b>659.7</b>	<b>648.1</b>	<b>20.1</b>	<b>20.1</b>	<b>20.0</b>
UBS - Climate Aware Rules Based	464.9	453.3	14.2	14.1	14.0
Osmosis - Core Equity	194.9	194.8	5.9	6.0	6.0
<b>Fixed Income</b>	<b>809.3</b>	<b>863.7</b>	<b>24.7</b>	<b>26.8</b>	<b>30.0</b>
<b>Government Bonds</b>	<b>491.3</b>	<b>460.6</b>	<b>15.0</b>	<b>14.3</b>	<b>15.0</b>
UBS - Gilts	491.3	460.6	15.0	14.3	15.0
<b>Non-Government Bonds</b>	<b>318.0</b>	<b>403.1</b>	<b>9.7</b>	<b>12.5</b>	<b>15.0</b>
BlueBay - Multi-Asset Credit	150.1	150.4	4.6	4.7	7.5
M&G - Multi-Asset Credit	167.8	252.6	5.1	7.8	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. £0.6m at the start and c. £0.6m end of the quarter) and cash (c. £6.9m at the start of quarter and c. £25.5m at the end of quarter).

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

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

## Manager Allocation (2/3)

	30/06/2023 Market Value (£M)	30/09/2023 Market Value (£M)	30/06/2023 Allocation (%)	30/09/2023 Allocation (%)	30/09/2023 B'mark (%)
<b>Alternatives</b>	<b>893.1</b>	<b>903.4</b>	<b>27.2</b>	<b>28.0</b>	<b>27.5</b>
<b>DGF</b>	<b>198.5</b>	<b>194.3</b>	<b>6.1</b>	<b>6.0</b>	<b>--</b>
Baillie Gifford - DGF	198.5	194.3	6.1	6.0	--
<b>Real Estate</b>	<b>275.0</b>	<b>274.6</b>	<b>8.4</b>	<b>8.5</b>	<b>12.5</b>
CBRE - Property	213.4	213.0	6.5	6.6	6.5
TBC - Long Lease Property	--	--	--	--	3.0
M&G - Residential Property	47.4	47.4	1.4	1.5	1.5
M&G - Shared Ownership	14.2	14.2	0.4	0.4	1.5
<b>Private Equity</b>	<b>247.1</b>	<b>262.3</b>	<b>7.5</b>	<b>8.1</b>	<b>7.5</b>
HarbourVest - Private Equity	138.2	145.3	4.2	4.5	--
Adams Street - Private Equity	108.9	117.0	3.3	3.6	--

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. £0.6m at the start and c. £0.6m end of the quarter) and cash (c. £6.9m at the start of quarter and c. £25.5m at the end of quarter).

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

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



## Manager Allocation (3/3)

	30/06/2023 Market Value (£M)	30/09/2023 Market Value (£M)	30/06/2023 Allocation (%)	30/09/2023 Allocation (%)	30/09/2023 B'mark (%)
<b>Infrastructure</b>	<b>172.6</b>	<b>172.2</b>	<b>5.3</b>	<b>5.3</b>	<b>7.5</b>
AMP Capital - Infrastructure Debt	33.8	29.7	1.0	0.9	--
Allianz - Infrastructure Debt	11.7	11.6	0.4	0.4	--
IFM - Infrastructure Equity	68.0	70.4	2.1	2.2	--
JPM - Infrastructure Equity	59.1	60.5	1.8	1.9	--

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. £0.6m at the start and c. £0.6m end of the quarter) and cash (c. £6.9m at the start of quarter and c. £25.5m at the end of quarter).

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

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

## Manager Performance (1/2)

	2023 Q3 (%)	B'mark (%)	1 Yr (%)	B'mark (%)	3 Yrs (%)	B'mark (%)	5 Yrs (%)	B'mark (%)
<b>Total</b>	<b>-1.3</b>	<b>-0.6</b>	<b>4.5</b>	<b>6.6</b>	<b>4.2</b>	<b>5.5</b>	<b>4.7</b>	<b>5.0</b>
<b>UK Equity</b>	<b>1.5</b>	<b>1.9</b>	<b>19.4</b>	<b>13.8</b>	<b>9.5</b>	<b>11.8</b>	<b>1.9</b>	<b>3.7</b>
Liontrust - UK Equity	1.5	1.9	19.4	13.8	9.5	11.8	2.0	3.7
<b>Global Equity</b>	<b>-2.0</b>	<b>-0.4</b>	<b>12.9</b>	<b>11.8</b>	<b>7.1</b>	<b>9.0</b>	<b>8.9</b>	<b>7.5</b>
Newton - Global Equity	-0.6	0.6	13.8	10.5	9.1	9.0	8.7	7.9
Baillie Gifford - Global Equity	-4.3	0.6	10.3	10.5	-6.0	9.0	--	--
Longview - Global Equity	-2.5	0.6	11.9	10.5	13.1	9.0	--	--
UBS - Climate Aware Rules Based	-2.5	-2.4	--	--	--	--	--	--
Osmosis - Core Equity	0.0	0.0	--	--	--	--	--	--
<b>Fixed Income</b>	<b>-3.2</b>	<b>-3.1</b>	<b>-3.9</b>	<b>-3.2</b>	<b>-6.9</b>	<b>-7.2</b>	<b>-2.1</b>	<b>-1.6</b>
UBS - Gilts	-6.3	-6.4	-16.2	-16.2	-16.4	-16.4	-7.0	-7.0
BlueBay - Multi-Asset Credit	0.2	1.9	8.3	11.4	0.6	2.4	--	--
M&G - Multi-Asset Credit	2.8	1.9	9.0	11.4	4.6	2.4	--	--

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.

Totals include performance of terminated mandates.

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.

CBRE Q3 fund performance is estimated as the change in value due to unavailability of data at the time of writing.

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 calculated by Mercer using an IRR approach and shown in the GBP currency with a quarter lag. Benchmark performance shown for the underlying private equity mandates is the rolling 3 year MSCI World Index return, averaged on a quarterly basis.

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

## Manager Performance (2/2)

	2023 Q3 (%)	B'mark (%)	1 Yr (%)	B'mark (%)	3 Yrs (%)	B'mark (%)	5 Yrs (%)	B'mark (%)
<b>Alternatives</b>	<b>1.2</b>	1.1	<b>-5.8</b>	2.5	<b>5.7</b>	7.0	<b>4.4</b>	5.7
Baillie Gifford - DGF	-2.1	2.1	-0.6	7.7	-1.5	5.2	-0.1	4.8
CBRE - Property	-0.2	-0.4	-16.3	-14.3	2.2	3.2	0.5	1.8
M&G - Residential Property	0.1	1.5	-0.9	6.0	2.4	6.0	--	--
M&G - Shared Ownership	0.0	1.5	-3.3	6.0	--	--	--	--
HarbourVest - Private Equity	0.4	2.9	-0.9	11.7	23.4	11.7	22.8	10.5
Adams Street - Private Equity	-2.1	2.9	-5.1	11.7	23.7	11.7	22.2	10.5
AMP Capital - Infrastructure Debt	-4.1	2.5	2.2	10.0	3.6	10.0	5.0	10.0
Allianz - Infrastructure Debt	-6.2	1.0	-9.7	4.0	-11.8	4.0	--	--
IFM - Infrastructure Equity	0.6	2.5	7.6	10.0	12.5	10.0	--	--
JPM - Infrastructure Equity	-0.7	2.5	5.6	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.

Totals include performance of terminated mandates.

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.

CBRE Q3 fund performance is estimated as the change in value due to unavailability of data at the time of writing.

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 calculated by Mercer using an IRR approach and shown in the GBP currency with a quarter lag. Benchmark performance shown for the underlying private equity mandates is the rolling 3 year MSCI World Index return, averaged on a quarterly basis.

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

# Appendix

## Appendix A

### Benchmarks

Name	B'mark (%)	Performance Benchmark	Performance Target	Tracking Error Expectation
<b>Total</b>	<b>100.0</b>	-	-	-
<b>UK Equity</b>	--	-	-	-
Liontrust - UK Equity	--	FTSE All-Share Index	+2.0% p.a. (gross of fees)	2.0% - 6.0% p.a.
<b>Global Equity</b>	<b>42.5</b>	-	-	-
Newton - Global Equity	7.5	MSCI AC World (NDR) Index	+2.0% p.a. (gross of fees)	2.0% - 6.0% p.a.
Baillie Gifford - Global Equity	7.5	MSCI AC World (NDR) Index	-	-
Longview - Global Equity	7.5	MSCI World (NDR) Index	-	-
UBS - Climate Aware Rules Based	14.0	FTSE Developed (GBP Hedged) Index	-	-
Osmosis - Core Equity	6.0	Solactive Osmosis Resource Efficient Core Equity Index NTR	-	-
<b>Fixed Income</b>	<b>30.0</b>	-	-	-
UBS - Gilts	15.0	Composite	To match the benchmark	-0.1% - 0.1% p.a.
BlueBay - Multi-Asset Credit	7.5	Composite	-	-
M&G - Multi-Asset Credit	7.5	Composite	-	-
<b>Baillie Gifford - DGF</b>	--	<b>Bank of England UK Base Rate +3.5% p.a.</b>	-	<b>0.0% - 10.0% p.a.</b>
<b>Real Estate</b>	<b>12.5</b>	-	-	-
CBRE - Property	6.5	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	Absolute Return of 6.0% p.a.	-	-
M&G - Shared Ownership	1.5	Absolute Return of 6.0% p.a.	-	-
<b>Private Equity</b>	<b>7.5</b>	-	-	-
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)	-

Name	B'mark (%)	Performance Benchmark	Performance Target	Tracking Error Expectation
<b>Infrastructure</b>	<b>7.5</b>	-	-	-
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.	-	-

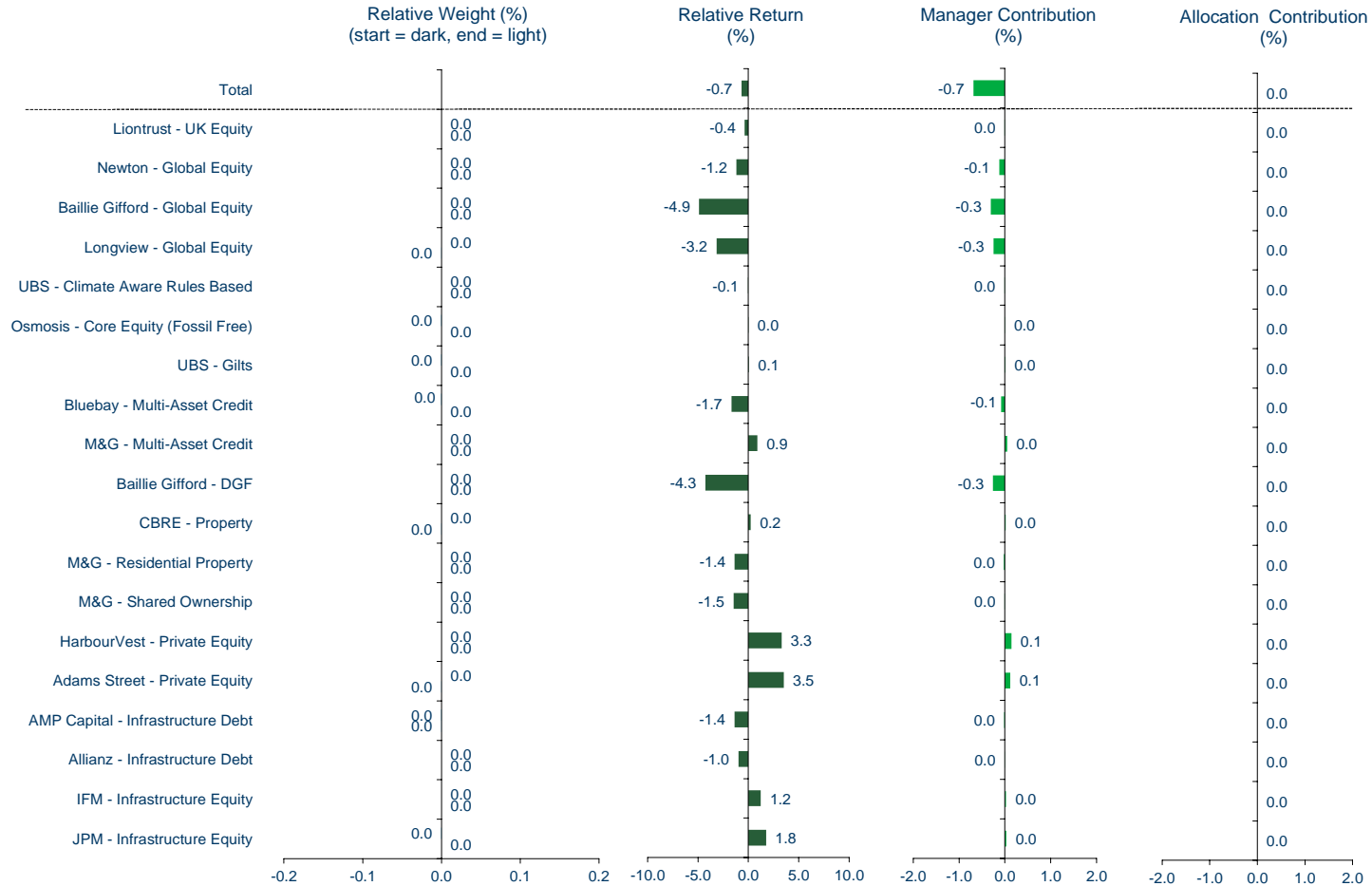
BlueBay - Multi-Asset Credit: composite benchmark is 50% ICE BofAML Global High Yield Constrained and 50% Morningstar LSTA US Leveraged Loan 100 Hedged.

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

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.

# 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.

CBRE Q3 fund performance is estimated as the change in value due to unavailability of data at the time of writing.

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

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

## Explanation of Attribution Analysis Chart

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

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

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

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

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

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

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

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

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

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

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

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



## Appendix C

### Investment Performance

#### Investment Performance to 30 September 2023

	2022 Q4 (%)	2023 Q1 (%)	2023 Q2 (%)	2023 Q3 (%)	1 Yr (%)	3 Yrs (%)
<b>Total</b>	<b>0.8</b>	<b>3.3</b>	<b>1.7</b>	<b>-1.3</b>	<b>4.5</b>	<b>4.2</b>
Total Benchmark	1.5	3.7	2.0	-0.6	6.6	5.5

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 31 March 2023.

#### 10 Year Performance to 30 September 2023

	10 Yrs (%)	B'mark (%)
<b>Total</b>	<b>7.2</b>	<b>7.3</b>
Liontrust - UK Equity	4.6	5.6
Newton - Global Equity	11.2	10.6
Baillie Gifford - DGF	2.2	4.4
CBRE - Property	5.1	6.0

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.

CBRE Q3 fund performance is estimated as the change in value due to unavailability of data at the time of writing.

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



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