

Northamptonshire Pension Fund Monitoring Report Quarter to 31 December 2023

Chris West
February 2024



Important Notices

References to Mercer shall be construed to include Mercer LLC and/or its associated companies.

© 2024 Mercer LLC. All rights reserved.

This contains confidential and proprietary information of Mercer and is intended for the exclusive use of the parties to whom it was provided by Mercer. Its content may not be modified, sold or otherwise provided, in whole or in part, to any other person or entity, without Mercer's prior written permission.

The findings, ratings and/or opinions expressed herein are the intellectual property of Mercer and are subject to change without notice. They are not intended to convey any guarantees as to the future performance of the investment products, asset classes or capital markets discussed. Past performance does not guarantee future results. Mercer's ratings do not constitute individualised investment advice.

Information contained herein has been obtained from a range of third party sources. While the information is believed to be reliable, Mercer has not sought to verify it independently. As such, Mercer makes no representations or warranties as to the accuracy of the information presented and takes no responsibility or liability (including for indirect, consequential or incidental damages), for any error, omission or inaccuracy in the data supplied by any third party.

This does not contain regulated investment advice in respect of actions you should take. No investment decision should be made based on this information without obtaining prior specific, professional advice relating to your own circumstances.

This does not constitute an offer or a solicitation of an offer to buy or sell securities, commodities and/or any other financial instruments or products or constitute a solicitation on behalf of any of the investment managers, their affiliates, products or strategies that Mercer may evaluate or recommend.

For the most recent approved ratings of an investment strategy, and a fuller explanation of their meanings, contact your Mercer representative.

For Mercer's conflict of interest disclosures, contact your Mercer representative or see www.mercer.com/conflictsofinterest.

Mercer's universes are intended to provide collective samples of strategies that best allow for robust peer group comparisons over a chosen timeframe. Mercer does not assert that the peer groups are wholly representative of and applicable to all strategies available to investors.

Please also note:

- The value of investments can go down as well as up and you may not get back the amount you have invested. In addition investments denominated in a foreign currency will fluctuate with the value of the currency.
- The valuation of investments in property based portfolios, including forestry, is generally a matter of a valuer's opinion, rather than fact.
- When there is no (or limited) recognised or secondary market, for example, but not limited to property, hedge funds, private equity, infrastructure, forestry, swap and other derivative based funds or portfolios it may be difficult for you to obtain reliable information about the value of the investments or deal in the investments.
- Care should be taken when comparing private equity / infrastructure performance (which is generally a money-weighted performance) with quoted investment performance (which is generally a time-weighted performance). Direct comparisons are not always possible.

Chris West

Overview

Executive Dashboard

Funding

The present value of the Fund's liabilities increased over the quarter (from £2.2bn to £2.4bn).

The Fund's assets (including cash) increased over the quarter by c.£184m to £3.4bn as at 31 December 2023. The Fund's assets (including cash) have increased by c.£316m over the last twelve months.

The estimated funding level as at 31 December 2023 was c.141%, compared to c.148% as at 30 September 2023.

The funding level as 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 by Baillie Gifford - Global Equity	+0.3%
Outperformance by Baillie Gifford - DGF	+0.3%
Underperformance in Real Estate	-0.3%
Underperformance in Private Equity	-0.9%

Longer Term Performance

	Fund	B'mark
Quarter (%)	5.3	6.1
1 Year (%)	9.1	11.5
3 Years (% p.a.)	3.6	5.3

Asset Allocation

Over the quarter, assets were transitioned in order to move towards the Fund's target strategic asset allocation.

An £80m top-up to BlueBay MAC was funded by a £50m redemption from Newton Global Equity and the full redemption of remaining Liontrust UK Equity assets (c.£32m) while M&G Shared Ownership Fund called capital of c.£1.7m.

Overweight		Underweight	
Equities	+1.3%	Fixed Income	-0.3%
		Alternatives	-1.0%

Manager Research

Rating Changes

There were no rating changes over the quarter.

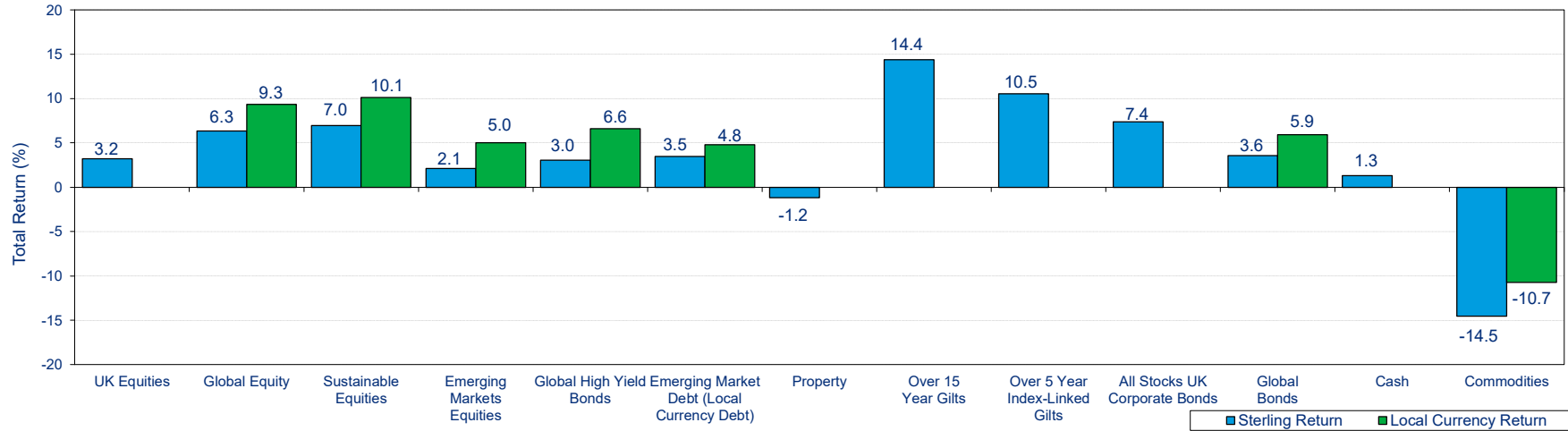
M&G – Multi Asset Credit No longer on Watch (W).

Manager Developments

Suni Harford, UBS President Asset Management and GED Lead for Sustainability and Impact decide to retire, leaving at the end of February 2024. There is no change to Mercer ratings.

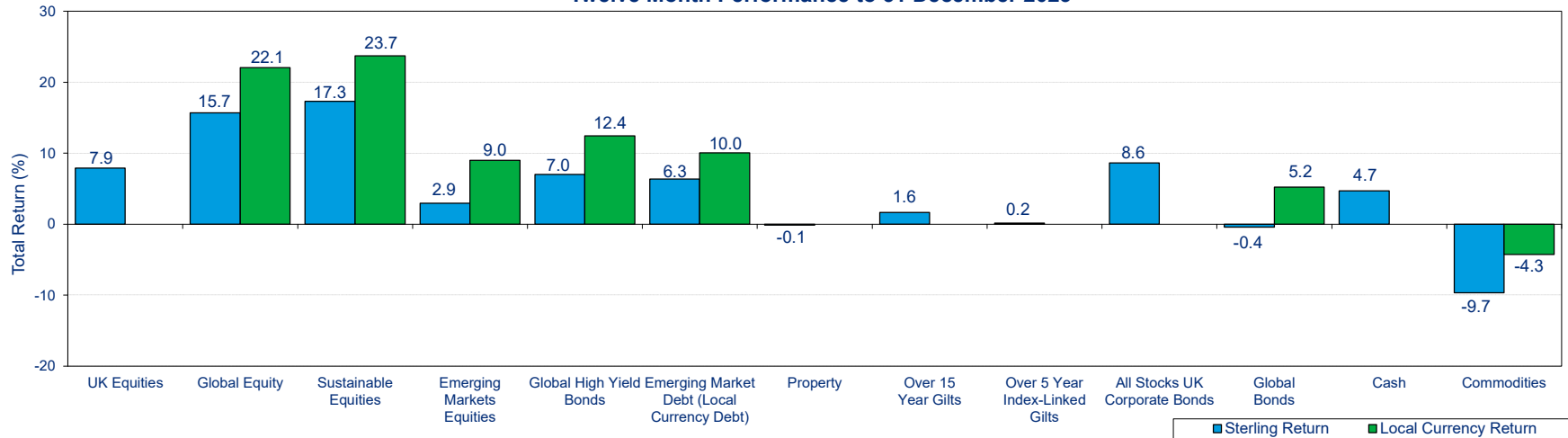
Market Index Performance

Three Month Performance to 31 December 2023



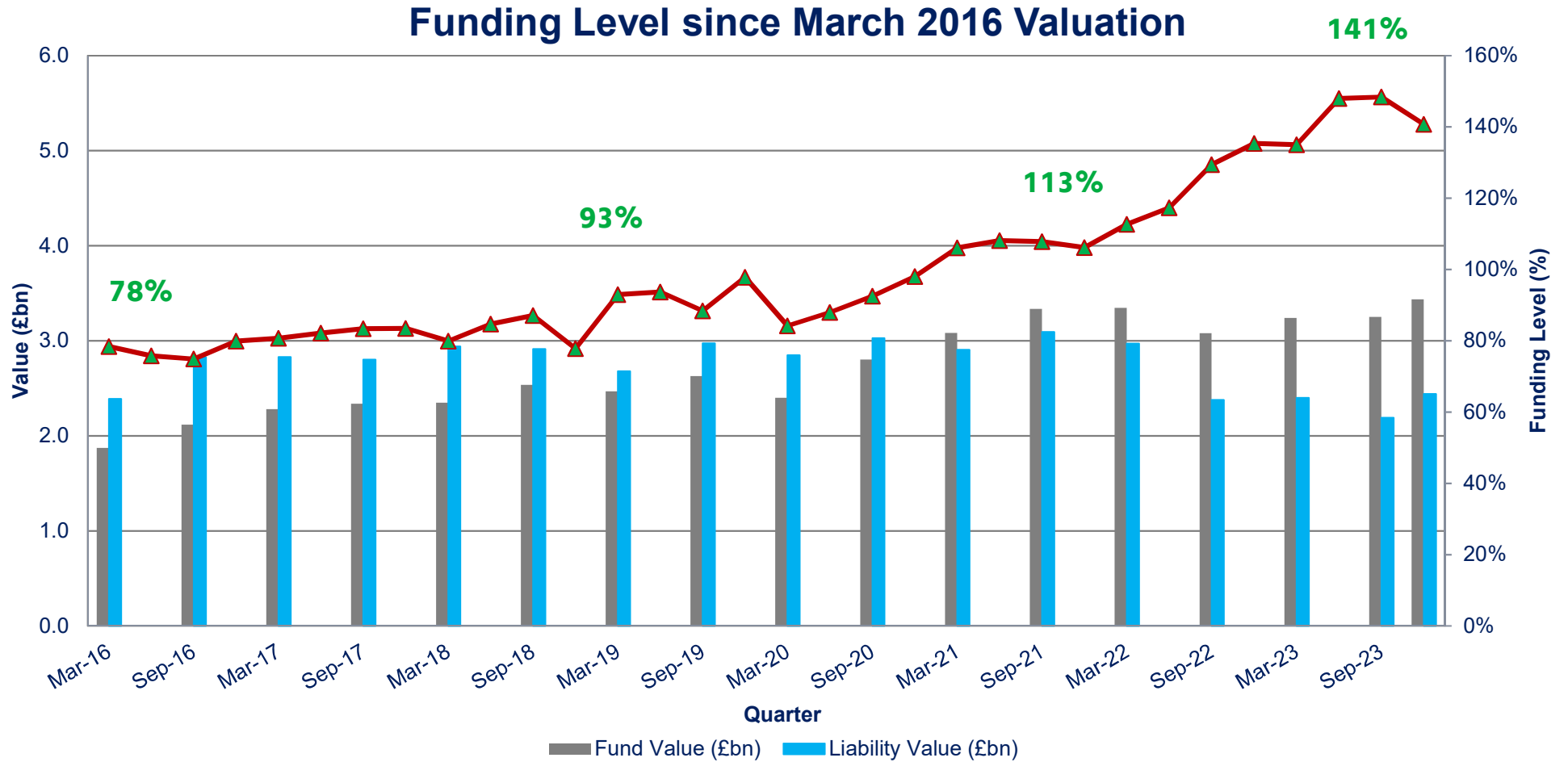
Source: Refinitiv.

Twelve Month Performance to 31 December 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.

The increase in the asset values over the quarter was more than offset by an increase in the value of liabilities, as UK yields fell.

Allocation

	30/09/2023 Market Value (£M)	31/12/2023 Market Value (£M)	30/09/2023 Allocation (%)	31/12/2023 Allocation (%)	31/12/2023 B'mark (%)
Total Invested Assets	3,224.1	3,403.1	100.0	100.0	100.0
Equities	1,457.2	1,490.5	45.2	43.8	42.5
Fixed Income	863.7	1,011.2	26.8	29.7	30.0
Alternatives	903.3	901.4	28.0	26.5	27.5

Source: Investment Managers, Link Asset Services and Mercer.

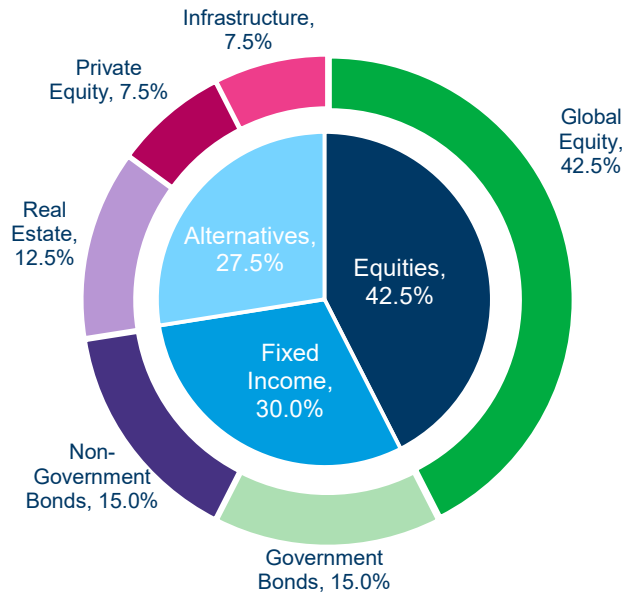
Figures may not sum to total due to rounding.

The total market value shown in the table above excludes assets invested in Catapult's Private Equity (c. £0.6m at the start of quarter and c. £0.6m end of the quarter) and cash (c. £25.5m at the start of quarter and c. £30.4m at the end of quarter).

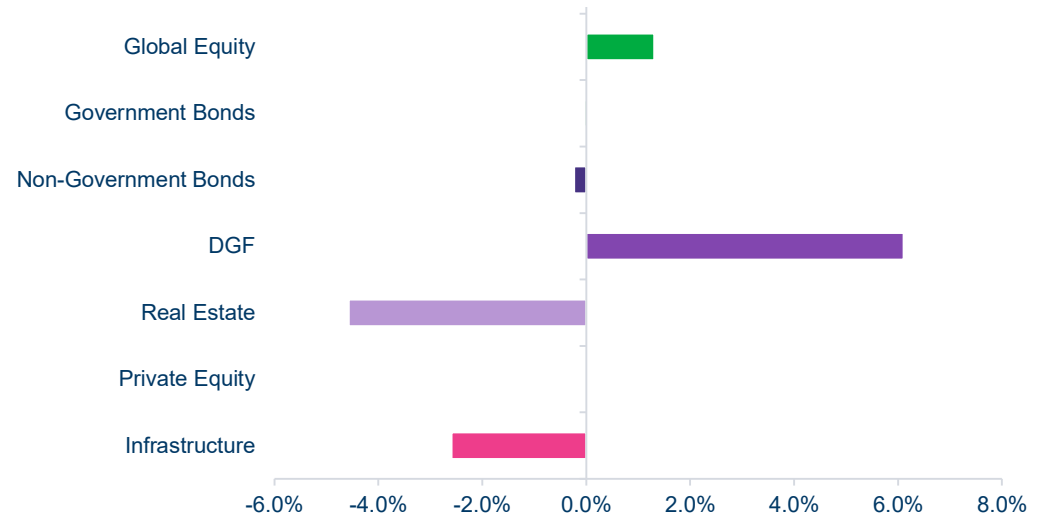
The total market value shown in the table above includes assets invested with Liontrust UK Equity (c. £31.6m at the start of quarter and c. £0.1m at the end of quarter).

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 31 December 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 (1/2)

	30/09/2023 Market Value (£M)	31/12/2023 Market Value (£M)	30/09/2023 Allocation (%)	31/12/2023 Allocation (%)	31/12/2023 B'mark (%)
Total	3,224.1	3,403.1	100.0	100.0	100.0
Equities	1,457.2	1,490.5	45.2	43.8	42.5
Global Equity	1,425.6	1,490.4	44.2	43.8	42.5
Active Global Equity	777.5	784.9	24.1	23.1	22.5
Newton - Global Equity	330.1	299.7	10.2	8.8	7.5
Baillie Gifford - Global Equity	196.4	218.8	6.1	6.4	7.5
Longview - Global Equity	251.1	266.4	7.8	7.8	7.5
Passive Equity	648.1	705.5	20.1	20.7	20.0
UBS - Climate Aware Rules Based	453.3	497.3	14.1	14.6	14.0
Osmosis - Core Equity	194.8	208.2	6.0	6.1	6.0
Fixed Income	863.7	1,011.2	26.8	29.7	30.0
Government Bonds	460.6	508.7	14.3	14.9	15.0
UBS - Gilts	460.6	508.7	14.3	14.9	15.0
Non-Government Bonds	403.1	502.4	12.5	14.8	15.0
BlueBay - Multi-Asset Credit	150.4	243.2	4.7	7.1	7.5
M&G - Multi-Asset Credit	252.6	259.2	7.8	7.6	7.5

Source: Investment Managers, Link Asset Services and Mercer.

Figures may not sum to total due to rounding.

The total market value shown in the table above excludes assets invested in Catapult's Private Equity (c. £0.6m at the start of quarter and c. £0.6m end of the quarter) and cash (c. £25.5m at the start of quarter and c. £30.4m at the end of quarter).

The total market value shown in the table above includes assets invested with Liontrust UK Equity (c. £31.6m at the start of quarter and c. £0.1m 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 (2/2)

	30/09/2023 Market Value (£M)	31/12/2023 Market Value (£M)	30/09/2023 Allocation (%)	31/12/2023 Allocation (%)	31/12/2023 B'mark (%)
Alternatives	903.3	901.4	28.0	26.5	27.5
DGF	194.3	207.7	6.0	6.1	--
Baillie Gifford - DGF	194.3	207.7	6.0	6.1	--
Real Estate	274.3	270.8	8.5	8.0	12.5
CBRE - Property	213.0	209.0	6.6	6.1	6.5
Aviva - Long Lease Property	--	--	--	--	3.0
M&G - Residential Property	47.4	46.2	1.5	1.4	1.5
M&G - Shared Ownership	13.9	15.6	0.4	0.5	1.5
Private Equity	260.5	255.9	8.1	7.5	7.5
HarbourVest - Private Equity	144.6	143.5	4.5	4.2	--
Adams Street - Private Equity	116.0	112.4	3.6	3.3	--
Infrastructure	174.2	167.0	5.4	4.9	7.5
AMP Capital - Infrastructure Debt	31.1	28.0	1.0	0.8	--
Allianz - Infrastructure Debt	11.7	11.6	0.4	0.3	--
IFM - Infrastructure Equity	70.4	70.6	2.2	2.1	--
JPM - Infrastructure Equity	61.0	56.8	1.9	1.7	--

Source: Investment Managers, Link Asset Services and Mercer.

Figures may not sum to total due to rounding.

The total market value shown in the table above excludes assets invested in Catapult's Private Equity (c. £0.6m at the start of quarter and c. £0.6m end of the quarter) and cash (c. £25.5m at the start of quarter and c. £30.4m at the end of quarter).

The total market value shown in the table above includes assets invested with Liontrust UK Equity (c. £31.6m at the start of quarter and c. £0.1m 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 Q4 (%)	B'mark (%)	1 Yr (%)	B'mark (%)	3 Yrs (%)	B'mark (%)	5 Yrs (%)	B'mark (%)
Total	5.3	6.1	9.1	11.5	3.6	5.3	7.3	7.5
Global Equity	8.3	7.5	18.1	15.9	6.5	8.4	13.0	11.4
Newton - Global Equity	6.5	6.3	18.5	15.3	8.9	8.2	12.5	11.7
Baillie Gifford - Global Equity	11.4	6.3	29.9	15.3	-6.5	8.2	--	--
Longview - Global Equity	6.1	6.3	12.7	15.3	11.8	8.2	--	--
UBS - Climate Aware Rules Based	9.7	9.7	--	--	--	--	--	--
Osmosis - Core Equity	6.9	6.8	--	--	--	--	--	--
Fixed Income	7.4	7.6	4.8	6.0	-5.8	-5.8	-0.9	-0.4
UBS - Gilts	10.5	10.5	0.3	0.2	-14.0	-13.9	-5.5	-5.5
BlueBay - Multi-Asset Credit	6.9	4.8	10.3	12.2	0.4	2.4	--	--
M&G - Multi-Asset Credit	2.6	4.8	10.1	12.2	4.0	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 Q4 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 Q4 (%)	B'mark (%)	1 Yr (%)	B'mark (%)	3 Yrs (%)	B'mark (%)	5 Yrs (%)	B'mark (%)
Alternatives	-1.1	2.7	-2.9	8.1	4.9	6.9	4.4	6.1
Baillie Gifford - DGF	6.9	2.2	4.7	8.3	-1.3	5.6	2.1	5.0
CBRE - Property	-4.3	-1.2	-12.4	-1.4	0.3	2.1	-0.6	1.3
M&G - Residential Property	-2.5	1.5	-1.7	6.0	1.5	6.0	1.7	6.0
M&G - Shared Ownership	0.0	1.5	-3.1	6.0	--	--	--	--
HarbourVest - Private Equity	3.4	2.7	-3.8	10.7	22.0	10.7	22.2	9.3
Adams Street - Private Equity	3.3	2.7	-6.0	10.7	22.0	10.7	21.4	9.3
AMP Capital - Infrastructure Debt	5.3	2.4	-1.7	10.0	5.8	10.0	5.	10.0
Allianz - Infrastructure Debt	0.8	1.0	8.8	4.0	-12.4	4.0	--	--
IFM - Infrastructure Equity	3.6	2.4	4.8	10.0	14.1	10.0	--	--
JPM - Infrastructure Equity	5.0	2.4	4.6	10.0	8.1	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 Q4 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
Total	100.0	-	-	-
Global Equity	42.5	-	-	-
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	+3.0% p.a. (gross of fees)	12.0% p.a.
Longview - Global Equity	7.5	MSCI World (NDR) Index	+3.0% p.a. (gross of fees)	4.0% - 6.0% p.a.
UBS - Climate Aware Rules Based	14.0	FTSE Developed (GBP Hedged) Index	-	-
Osmosis - Core Equity	6.0	Solactive Osmosis Resource Efficient Core Equity Ex-Fossil Fuels Index NTR	-	-
Fixed Income	30.0	-	-	-
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	-	-
Baillie Gifford - DGF	--	Bank of England UK Base Rate +3.5% p.a.	-	0.0% - 10.0% p.a.
Real Estate	12.5	-	-	-
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.	-	-
Private Equity	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	7.5	-	-	-

Name	B'mark (%)	Performance Benchmark	Performance Target	Tracking Error Expectation
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 Q4 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 to 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. Contributions are calculated on a monthly basis; longer term (including quarterly) contributions are the sum of the monthly contributions.

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.

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:

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

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

Appendix C

Investment Performance

Investment Performance to 31 December 2023

	2023 Q1 (%)	2023 Q2 (%)	2023 Q3 (%)	2023 Q4 (%)	1 Yr (%)	3 Yrs (%)
Total	3.3	1.7	-1.4	5.3	9.1	3.6
Total Benchmark	3.7	2.0	-0.7	6.1	11.5	5.3

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 31 March 2023.

10 Year Performance to 31 December 2023

	10 Yrs (%)	B'mark (%)
Total	7.3	7.6
Newton - Global Equity	11.8	10.8
Baillie Gifford - DGF	2.8	4.4
CBRE - Property	4.4	5.4

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 Q4 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.



Mercer Limited
1 Tower Place West
London
EC3R5BU
www.mercer.com

Mercer Limited is authorised and regulated by the Financial Conduct Authority
Registered in England No. 984275 Registered Office: 1 Tower Place West, London
EC3R5BU