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Merton Council

Pension Fund Investment Advisory Panel Agenda

Membership

Councillors:

Laxmi Attawar (Chair)

Adam Bush (Vice-Chair)

Tobin Byers

Gwyn Isaac

Tina Pickard (Pensioner Rep)

Caroline Holland (LBM)

Roger Kershaw (LBM)

Nemashe Sivayogan (LBM)

Additional Attendees:

Investment Consultant – Hymans Robertson LLP

Date: Thursday 24 June 2021

Time: 6.00 pm

**Venue: Committee Rooms, 1st floor, Merton Civic Centre, London Road,
Morden, SM4 5DX**

This is a public meeting and attendance by the public is encouraged and welcomed.

For more information about the agenda please contact

Merton.PensionFund@merton.gov.uk or telephone [020 8545 3458](tel:02085453458).

All Press contacts: communications@merton.gov.uk, 020 8545 3181

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Pension Fund Investment Advisory Panel Agenda

24 June 2021

- | | | |
|----|--|---------|
| 1 | Apologies for absence | |
| 2 | Declarations of pecuniary interest | |
| 3 | Minutes of the previous meeting | 1 - 2 |
| 4 | Quarterly Fund Performance Review (Jan - Mar 21) | 3 - 16 |
| 5 | Pension Fund - Work Plan | 17 - 18 |
| 6 | Pension Fund - Training Policy | |
| 7 | AOB | |
| 8 | Exclusion of the public
To RESOLVE that the public are excluded from the meeting during consideration of the following report(s) on the grounds that it is (they are) exempt from disclosure for the reasons stated in the report(s). | |
| 9 | Minutes of the previous meeting (exempt) | 19 - 20 |
| 10 | Quarterly Fund and investment Managers Performance Review (Jan-Mar 21) | 21 - 50 |
| 11 | Multi Asset Credit - discussion and decision-making | |
| 12 | Investment Priorities 2021-22 | 51 - 52 |
| 13 | AOB
a) Audit update | |
| 14 | Future meeting dates | |
| | <ul style="list-style-type: none">• 23 Sept 2021• 24 November 2021• 09 March 2022 | |

Note on declarations of interest

Members are advised to declare any Disclosable Pecuniary Interest in any matter to be considered at the meeting. If a pecuniary interest is declared they should withdraw from the meeting room during the whole of the consideration of that matter and must not participate in any vote on that matter. For further advice please speak with the Managing Director, South London Legal Partnership.

Merton Pension Fund Advisory Panel

Minutes of the meeting held on

10 March 2021 (Virtual Meeting)

Attendance:

Cllr. Laxmi Attawar (Chair),
Cllr Adam Bush (Vice Chair)
Cllr. Tobin Byers
Gwyn Isaac (GMB Union Rep)
Caroline Holland (LBM)
Roger Kershaw (LBM)
Nemashe Sivayogan (LBM)

Absent

Tina Pickard

Additional Attendees

Mercer- Investment Consultant
Ernst & Young – External Auditors
Northern Trust – Global Custodians
London CIV

1.0 MEETING (Part 1)

- 1.1 Introductions made by Chair.
- 1.2 Members Declaration of Interest – None.

2. Minutes of Last Meeting Held (Part 1) – 25 November 2020 (Decision making)

- 2.1 The actual minutes were agreed as a true record.

3. 2020-21 Audit Plan

- 3.1 Suresh talked through the overview of the plan. End of September 2021 planned date for publication of the final accounts.
- 3.2 Ongoing discussions around EY proposed increase to the scale fee.

4. Quarterly Fund Performance Review (October 2020 to December 2020) (For Information)

- 4.1 Over the 3 months to 31 Dec 2020, total Fund assets returned 8.2% compared to the target of 1.2%. This equates to an outperformance of 7%.
- 3.2 The Fund's total market value increased by £67m over the quarter, from £817m to £884m. Over the last 12 months, the Fund performance was 12.2%, and 3

year annualised performance was 8.2%. The annual performance target is 4.8%.

3.3 RK said the Fund continues to grow in value largely due to the increase in the value of equities, which the Fund is still overweight in.

4. Introduction and update from the Global Custodian – Northern Trust (NT)

4.1 NS gave the background on the pension fund custodian function. NT are our Global Custodians for the whole fund from Dec 2020

4.2 Paul Webb gave an overview of the role of the custodian. The custodian is the official record keeper of the funds' assets.

5. AOB - None

Committee:

Pension Fund Advisory Panel

Date: 24 June 2021

Merton Pension Board

Date: 28 June 2021

Wards: All

Subject: Merton Pension Fund Performance – March 2021

Lead officer: Caroline Holland - Director of Corporate Services

Lead member: Councillor. Tobin Byers

Contact officer: Roger Kershaw- AD Resources

This is a Public Document

RECOMMENDATION

Members are asked to note the content of this report, in particular, the market values and performance of the total Fund and component portfolios for the quarters ending 31 March 2021, attribution of the results and the market environment during the period.

1.0 PURPOSE OF REPORT

- 1.1 To report the investment performance at total Fund level, and of the individual fund managers, for the quarter ending 31 March 2021. The report highlights the performance of the total Fund by asset class compared to the customised benchmark.
- 1.2 The report gives the Committee a consistent basis on which to review the performance of the Fund as at 31 March 2021. The report provides information to support future actions including periodic rebalancing and review of investment strategy and investment management arrangement.

2.0 FUND PERFORMANCE

- 2.1 The attached Fund Analysis & Performance Report (**Appendix 1**) produced by the Fund's investment and performance consultants Mercer provides useful analysis and insights of the Pension Fund activities and results for the quarters ending March 2021.

The table below shows the total fund valuation for the quarter ended March 2021.

VALUATION SUMMARY PERIOD ENDING 31 MARCH 2021

Mandate	Valuation (£m)		Actual Proportion	Benchmark	Relative
	Q4 20	Q1 21			
UBS World Equity Tracker Fund	56.4	54.1	6.0%	0.0%	6.0%
UBS Alternative Beta	83.3	88.0	9.8%	10.0%	-0.2%
LCIV RBC Sustainable Equity Fund	104.2	104.4	11.6%	10.0%	1.6%
LCIV Baillie Gifford Global Alpha Growth Fund	107.3	109.6	12.2%	10.0%	2.2%
BlackRock World Low Carbon Equity Tracker	90.8	94.2	10.5%	10.0%	0.5%
Global Equities	442.1	450.3	50.1%	40.0%	10.1%
UBS GEM HALO	60.6	60.6	6.7%	5.0%	1.7%
LCIV JP Morgan Emerging Market Equity Fund	39.6	39.5	4.4%	5.0%	-0.6%
Emerging Market Equities	100.1	100.1	11.1%	10.0%	1.1%
LCIV Pyrford Global Total Return Fund	35.5	0.0	0.0%	0.0%	0.0%
LCIV Ruffer Absolute Return Fund	0.0	37.4	4.2%	5.0%	-0.8%
LCIV Baillie Gifford Diversified Growth Fund	35.7	35.4	3.9%	5.0%	-1.1%
Diversified Growth	71.1	72.8	8.1%	10.0%	-1.9%
UBS Triton Property Fund	16.4	16.8	1.9%	2.5%	-0.6%
BlackRock UK Property Fund	7.5	7.6	0.8%	2.5%	-1.7%
Property	23.9	24.4	2.7%	5.0%	-2.3%
MIRA Infrastructure Global Solutions II L.P Fund	8.1	7.6	0.8%	3.0%	-2.2%
Quinbrook Low Carbon Power LP Fund	11.6	11.8	1.3%	1.5%	-0.2%
JP Morgan Infrastructure Fund	18.5	18.0	2.0%	3.0%	-1.0%
Infrastructure	38.2	37.5	4.2%	7.5%	-3.3%
Permira Credit Solutions IV Fund	12.3	14.9	1.7%	4.5%	-2.8%
Churchill Middle Market Senior Loan II Fund	14.0	16.3	1.8%	3.0%	-1.2%
Private Credit	26.3	31.3	3.5%	7.5%	-4.0%
Wells Fargo RMF Fund	107.4	106.4	11.8%	10.0%	1.8%
Risk Management Framework	107.4	106.4	11.8%	10.0%	1.8%
LCIV CQS MAC Fund	73.3	74.8	8.3%	10.0%	-1.7%
Multi Asset Credit	73.3	74.8	8.3%	10.0%	-1.7%
Cash	3.8	1.2	0.1%	0.0%	0.1%
Total Fund	886.2	898.8	100.0%	100.0%	

The benchmark showing 2016 strategic allocation. The table will show the 2019 strategic allocation after the implementation of the new strategy. Please see appendix 1 for move detail

- 2.2 The Fund's total market value increased by £12.6 m over the quarter, from £886.2m to £898.8m. The increase in asset value was largely attributable to the increase in global equities, and the increased capital calls into Private Credit. The other assets classes remained essentially stable over the quarter.
- 2.3 the table below shows the fund performance for 3 months, 12 months and 3 years. Over the 3 months to 31 March 2021, total Fund assets returned 2% compared to the target of 2.3%. This equates to underperformance by 0.3%. Over the last 12 months, the Fund performance was 30.8%, and 3 year return was 10.4%. The annual actuarial expected return is 4.8%.

PERFORMANCE SUMMARY

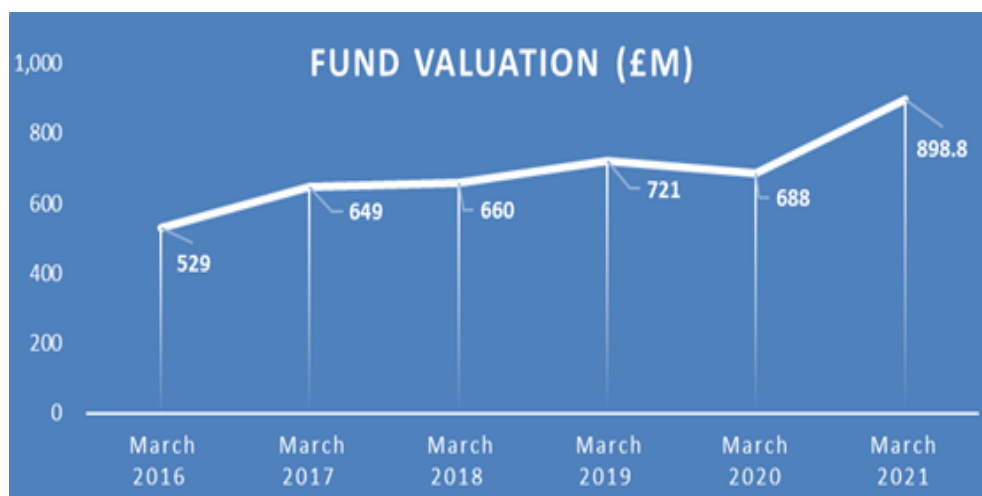
1 JANUARY 2021 TO 31 MARCH 2021

Mandate	Last 3 Months (%)			Last 12 Months (%)			Last 3 Years (% p.a.)		
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
UBS World Equity Tracker Fund	4.1	4.1	-0.0	39.4	39.4	-0.0	-	-	-
UBS Alternative Beta	5.5	5.5	-0.0	15.7	15.8	-0.1	-	-	-
LCIV RBC Sustainable Equity Fund	0.2	4.0	-3.6	46.4	38.5	5.7	-	-	-
LCIV Baillie Gifford Global Alpha Growth Fund	2.2	3.6	-1.3	56.5	39.6	12.1	-	-	-
BlackRock World Low Carbon Equity Tracker	3.7	3.9	-0.2	37.4	37.2	0.2	-	-	-
Global Equities									
UBS GEM HALO	-0.1	1.3	-1.4	45.9	45.3	0.4	-	-	-
LCIV JP Morgan Emerging Market Equity Fund	-0.1	1.3	-1.5	53.5	42.3	7.8	-	-	-
Emerging Market Equities									
LCIV Ruffer Absolute Return Fund	4.8	0.6	4.1	-	-	-	-	-	-
LCIV Baillie Gifford Diversified Growth Fund	-0.7	0.9	-1.6	18.0	3.6	13.8	-	-	-
Diversified Growth									
UBS Triton Property Fund	4.0	2.2	1.8	4.2	2.5	1.7	3.6	2.4	1.2
BlackRock UK Property Fund	2.2	2.2	0.0	4.0	2.5	1.5	2.6	2.4	0.2
Property									
MIRA Infrastructure Global Solutions II L.P. Fund	4.5	1.8	2.6	9.0	7.4	1.5	-	-	-
Quinbrook Low Carbon Power LP Fund	0.7	1.8	-1.1	20.2	7.4	12.0	-	-	-
JP Morgan Infrastructure Fund	1.3	2.5	-1.2	7.1	10.4	-3.0	-	-	-
Infrastructure									
Permira Credit Solutions IV Fund	1.3	1.7	-0.4	6.9	7.0	-0.0	-	-	-
Churchill Middle Market Senior Loan II Fund	1.8	1.7	0.1	3.4	7.0	-3.3	-	-	-
Private Credit									
Wells Fargo RMF Fund	-0.9	-0.9	0.0	25.5	25.5	0.0	-	-	-
Risk Management Framework									
LCIV CQS MAC Fund	2.1	1.1	1.0	25.2	4.4	20.0	-	-	-
Multi Asset Credit									
Cash	-	-	-	-	-	-	-	-	-
Total Fund	2.0	2.3	-0.3	30.8	18.9	10.0	10.4	6.3	3.8

Note, performance for the LCIV Ruffer Absolute Return Fund is since inception on 13 January 2021.

- 2.4 The Fund is an open fund and long-term investment focused. The Fund will continue to work on this basis with the key focus to ESG and maintain a stable contribution rate.
- 2.5 The Fund continues to remain underweight to Property, Private Credit, Infrastructure. The private credit and infrastructure will be on their target allocation once all committed capitals are called in. As part of the new strategy implementation the property portfolio will be reviewed and the allocation will be fully implemented.
- 2.6 Global and Emerging Markets Equity shows an overweight. The main reason for these are the good performance of the equity and the funds allocation to private credit and infrastructure placed in equities, which will remain until the private markets portfolio is fully drawn down. also the 5% allocation to Social Impact is yet to be implemented.

- 2.7 The following graph illustrates the Fund's market value trend over the past 6 years and as at 31 March 2021. It shows that in this period the Fund value has appreciated by £370m or 41%.



3.0 Market Background/Outlook

- 3.1 The first quarter of 2021 delivered two main surprises: faster-than-expected vaccine rollouts and bigger-than-expected US fiscal stimulus. The backdrop of vaccination-led reopening's, plus substantial monetary and fiscal stimulus, drove expectations for a faster economic recovery and further gains for equities. Global stocks, as measured by the FSTE All World Developed index, delivered returns of 4.1%, in sterling terms over the quarter.
- 3.2 Markets ended the quarter on a high note, with a 4.6% return delivered by global equities over the quarter. The better-than-expected vaccine rollouts and US fiscal stimulus drove expectations for a faster economic recovery and further gains for equity markets. Meanwhile, the yield curve steepened as the market continued to price in higher inflation in the future.
- 3.3 Market update on individual asset classes and general updates are available on the quarterly performance report –Appendix 1

4. OTHER ISSUES AFFECTING THE FUND

- 4.1 None

5. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 5.1 All relevant implications are included in the report.

6. LEGAL AND STATUTORY IMPLICATIONS

- 6.1 All relevant implications are included in the report.

7. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 7.1 N/A

8. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

8.1 Risk management is an integral part of designing the investment portfolio of the fund.

9. BACKGROUND PAPERS

9.1 Hymans Robertson LLP – quarterly performance report.

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London Borough of Merton Pension Fund

Q1 2021 Investment Monitoring Report

Nick Jellema – Senior Investment Consultant

Kameel Kapitan – Investment Associate Consultant

Jamie McLaughlan – Investment Analyst

Executive Summary

The Fund's assets returned 2.0% over Q1 2021. To provide context, we have assessed total returns against a composite benchmark - a weighted average of the underlying manager benchmarks. Against this comparator, the Fund was marginally behind (top left chart). We have also shown performance against the Fund's actuarial target (top right chart).

Owing to the positive performance, assets grew from £883.1m to £898.8m.

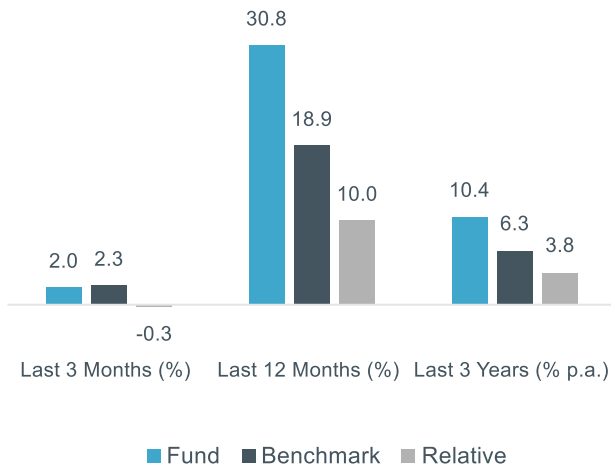
In markets, global equities rose 6.2% in the first quarter as the COVID recovery wave continued. The property market also saw gains as its recovery from the uncertainty experienced in 2020 persists.

The backdrop for fixed income markets was more challenging with rising yields creating headwinds. Despite this, high yield markets still performed well, outperforming investment grade.

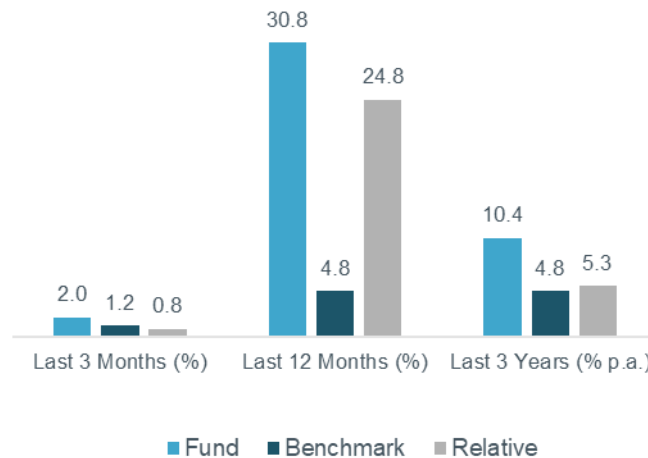
From a fund mandate perspective:

- The equity mandates in general delivered strong absolute performance, albeit overall were behind benchmarks
- Ruffer delivered strong absolute and relative performance
- The LCIV MAC fund benefited from the returns on high yield and liquid loans
- The two emerging market funds and Baillie Gifford Diversified Growth Fund detracted from relative performance

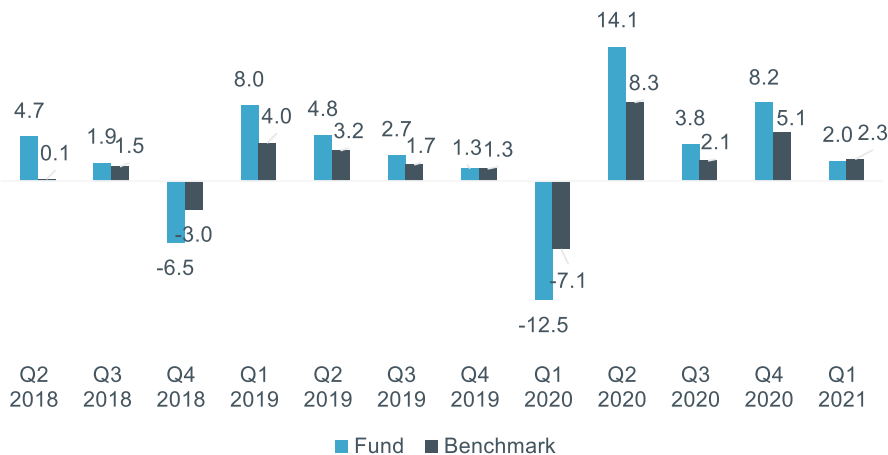
Fund performance vs benchmark/target



Fund performance vs actuarial target



Relative quarterly performance vs benchmark/target



Following the 2019 strategy review the agreed long-term target allocation for the Fund is as follows:

- Global equities: 30%
- Emerging market equities: 10%
- Diversified growth fund: 8%
- Property: 5%
- Private credit: 6.5%
- Infrastructure: 11.5%
- Social Impact: 5%
- Multi-asset credit: 9%
- Risk management framework: 15%

In time the Fund will transition towards this target allocation. As it does, the benchmark (as agreed with Officers) shown in the table and used in the benchmark performance calculation on the next will be gradually updated to reflect progress to date.

Commitments to infrastructure and private credit investments continued to be drawn down over time.

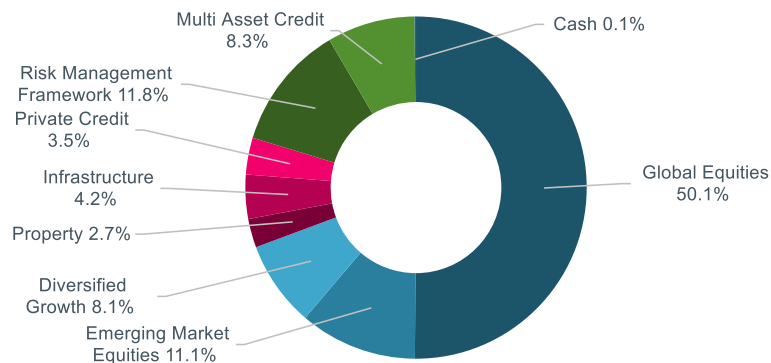
The Fund's allocation to social impact investment is still to be considered.

In the meantime, the Fund will continue to carry a larger growth allocation which in itself carries risk. Fund Officers and Panel members are in the process of considering options available to them to address this and potentially reduce the level of risk within the current allocation.

Asset Allocation

Mandate	Valuation (£m)		Actual Proportion	Benchmark	Relative
	Q4 20	Q1 21			
UBS World Equity Tracker Fund	56.4	54.1	6.0%	0.0%	6.0%
UBS Alternative Beta	83.3	88.0	9.8%	10.0%	-0.2%
LCIV RBC Sustainable Equity Fund	104.2	104.4	11.6%	10.0%	1.6%
LCIV Baillie Gifford Global Alpha Growth Fund	107.3	109.6	12.2%	10.0%	2.2%
BlackRock World Low Carbon Equity Tracker	90.8	94.2	10.5%	10.0%	0.5%
Global Equities	442.1	450.3	50.1%	40.0%	10.1%
UBS GEM HALO	60.6	60.6	6.7%	5.0%	1.7%
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LCIV Ruffer Absolute Return Fund	0.0	37.4	4.2%	5.0%	-0.8%
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Diversified Growth	71.1	72.8	8.1%	10.0%	-1.9%
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Quinbrook Low Carbon Power LP Fund	11.6	11.8	1.3%	1.5%	-0.2%
JP Morgan Infrastructure Fund	18.5	18.0	2.0%	3.0%	-1.0%
Infrastructure	38.2	37.5	4.2%	7.5%	-3.3%
Permira Credit Solutions IV Fund	12.3	14.9	1.7%	4.5%	-2.8%
Churchill Middle Market Senior Loan II Fund	14.0	16.3	1.8%	3.0%	-1.2%
Private Credit	26.3	31.3	3.5%	7.5%	-4.0%
Wells Fargo RMF Fund	107.4	106.4	11.8%	10.0%	1.8%
Risk Management Framework	107.4	106.4	11.8%	10.0%	1.8%
LCIV QQS MAC Fund	73.3	74.8	8.3%	10.0%	-1.7%
Multi Asset Credit	73.3	74.8	8.3%	10.0%	-1.7%
Cash	3.8	1.2	0.1%	0.0%	0.1%
Total Fund	886.2	898.8	100.0%	100.0%	

Asset class exposures



Manager performance

Total Fund return was 2.0% over the period, marginally behind (0.2%) of the calculated composite benchmark. Over longer timeframes returns are more favourable with 12 month and 3 year performance driven by the Fund's equity allocation.

UBS's strong performance was driven by the Life Developed World Equity Fundamentally Weighted fund which delivered 10.4% in the quarter. Within the broader equity holdings, RBC's Sustainable Equity Fund only returned 0.2% and detracted from relative performance (4.0% benchmark).

Both emerging market funds encountered challenging conditions with a stronger dollar and a Chinese equity market sell-off in February providing headwinds.

Ruffer's defensive positioning and preference for cyclical stocks served it well over the period compared to the Baillie Gifford mandate.

The property funds benefited from the continued recovery in valuations following the write-downs of 2020 albeit UBS were slightly behind benchmark over the quarter.

The MAC holding with CQS delivered ahead of benchmark as high yield debt and liquid loans performed well.

In calculating total fund benchmark we have assumed benchmark values for Wells Fargo (equal to actuals). We are currently working with Wells Fargo to agree a suitable benchmark. Given the structure of the mandate, we are comfortable with this method in the interim.

Mandate	Last 3 Months (%)			Last 12 Months (%)			Last 3 Years (% p.a.)		
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
UBS World Equity Tracker Fund	4.1	4.1	-0.0	39.4	39.4	-0.0	-	-	-
UBS Alternative Beta	5.5	5.5	-0.0	15.7	15.8	-0.1	-	-	-
LCIV RBC Sustainable Equity Fund	0.2	4.0	-3.6	46.4	38.5	5.7	-	-	-
LCIV Baillie Gifford Global Alpha Growth Fund	2.2	3.6	-1.3	56.5	39.6	12.1	-	-	-
BlackRock World Low Carbon Equity Tracker	3.7	3.9	-0.2	37.4	37.2	0.2	-	-	-
Global Equities									
UBS GEM HALO	-0.1	1.3	-1.4	45.9	45.3	0.4	-	-	-
LCIV JP Morgan Emerging Market Equity Fund	-0.1	1.3	-1.5	53.5	42.3	7.8	-	-	-
Emerging Market Equities									
LCIV Ruffer Absolute Return Fund	4.8	0.6	4.1	-	-	-	-	-	-
LCIV Baillie Gifford Diversified Growth Fund	-0.7	0.9	-1.6	18.0	3.6	13.8	-	-	-
Diversified Growth									
UBS Triton Property Fund	4.0	2.2	1.8	4.2	2.5	1.7	3.6	2.4	1.2
BlackRock UK Property Fund	2.2	2.2	0.0	4.0	2.5	1.5	2.6	2.4	0.2
Property									
MIRA Infrastructure Global Solutions II L.P Fund	4.5	1.8	2.6	9.0	7.4	1.5	-	-	-
Quinbrook Low Carbon Power LP Fund	0.7	1.8	-1.1	20.2	7.4	12.0	-	-	-
JP Morgan Infrastructure Fund	1.3	2.5	-1.2	7.1	10.4	-3.0	-	-	-
Infrastructure									
Permira Credit Solutions IV Fund	1.3	1.7	-0.4	6.9	7.0	-0.0	-	-	-
Churchill Middle Market Senior Loan II Fund	1.8	1.7	0.1	3.4	7.0	-3.3	-	-	-
Private Credit									
Wells Fargo RMF Fund	-0.9	-0.9	0.0	25.5	25.5	0.0	-	-	-
Risk Management Framework									
LCIV CQS MAC Fund	2.1	1.1	1.0	25.2	4.4	20.0	-	-	-
Multi Asset Credit									
Cash	-	-	-	-	-	-	-	-	-
Total Fund	2.0	2.3	-0.3	30.8	18.9	10.0	10.4	6.3	3.8

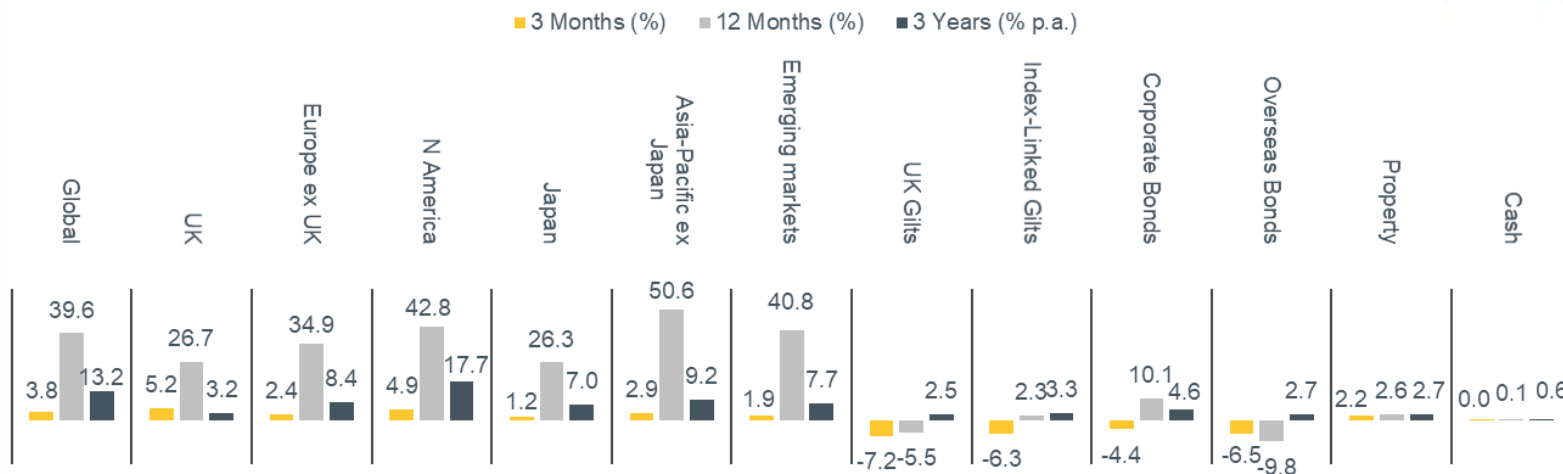
Note, performance for the LCIV Ruffer Absolute Return Fund is since inception on 13 January 2021.

Consensus forecasts for global GDP growth have continued to improve, to 5.6% in 2021, following a 3.6% contraction in 2020. Recent data confirms that although the quarterly pace of global growth slowed in Q1 after a robust H2 2020, the hit to activity from tighter restrictions has been less than initially feared. Expectations of a re-acceleration of growth beyond Q2 seem well-founded amid significant progress in vaccine rollouts and massive fiscal support in the US. Indeed, March's global composite PMI rose to its highest level in over 6 years.

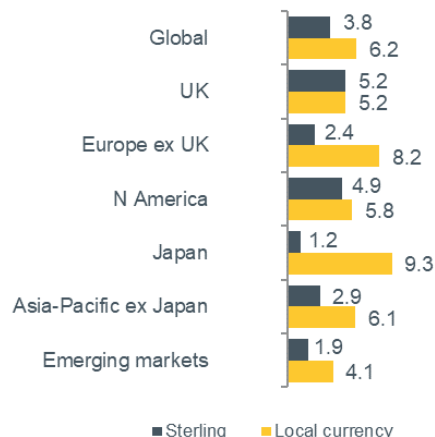
Global equity markets gained 6.2% during the quarter. The improving economic outlook was supportive for more cyclical sectors with energy, financials, basic materials, and industrials the top performing sectors year-to-date, in that order.

Sectoral performance helps explain regional equity performance: Japan and Europe ex-UK, with their above average exposures to industrials, lead the regional performance rankings year-to-date. Emerging markets underperformed markedly, weighed on by a stronger dollar and a Chinese equity market sell-off in February. Despite a higher than average exposure to oil & gas and financials, the UK market underperformed, perhaps weighed down by sterling strength given the high proportion of overseas earnings in the index.

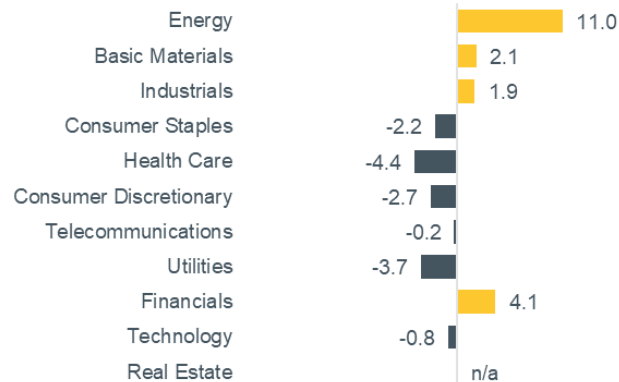
Historic returns for world markets [1]



Regional equity returns [2]



Global equity sector returns (%) [3]



Source: DataStream. [1] Returns shown in Sterling terms. Indices shown (from left to right) are: FTSE All World, FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, FTSE Emerging, FTSE Fixed Gilts All Stocks, FTSE Index-Linked Gilts All Maturities, iBoxx Corporates All Investment Grade All Maturities, JP Morgan GBI Overseas Bonds, MSCI UK Monthly Property; UK Interbank 7 Day. [2] FTSE All World Indices. Commentary compares regional equity returns in local currency. [3] Returns shown relative to FTSE All World. FTSE indices migrated to a new ICB structure in Q1 2021 – returns for Real Estate will be included when there is a sufficient track record.

While realised inflation has remained subdued, UK headline CPI inflation rose to 0.7% year-on-year in March, a resumption of activity and deferred consumption alongside rising oil prices are expected to lead to higher inflation in the short-term.

Reflecting the improvement in economic outlook, government bond yields rose significantly: UK 10-year government bond yields rose 0.7% p.a. to 0.8% p.a. Real yields rose less, with 10-year implied inflation, based on the difference in yield on conventional and index-linked gilts, rising 0.4% p.a. to 3.7% p.a.

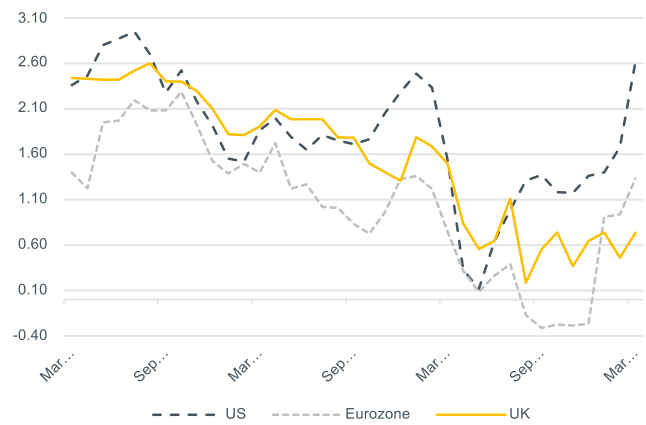
Rising sovereign bond yields weighed on total returns in fixed interest credit markets, which are negative year-to-date for investment-grade markets. Global investment-grade spreads fell 0.1% p.a. to 1.0% p.a. and speculative-grade spreads fell 0.4% p.a. to 3.7% p.a.

Sterling continued to move higher, rising 4.1% in trade-weighted terms. Relative improvement in the economic outlook and increased market-implied odds of rate rises saw the US dollar rise 2.5%, in trade-weighted terms, while the Euro and Japanese Yen fell 1.7% and 4.4%, respectively.

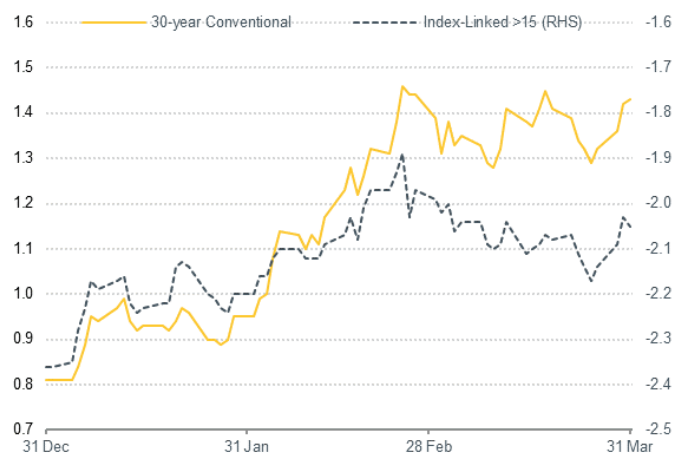
Despite slipping towards the end of the period, oil prices rose 22.4% in the first quarter to \$64 per barrel, while the dollar spot price of gold slipped 10.2% as bond yields rose.

The rolling 12-month total return on the MSCI UK Monthly Property Index was 2.6% to the end of March. Capital values, in aggregate, fell 2.9% over the period (driven by a 12.4% decline in retail sector), however aggregate monthly capital value growth has been positive since November.

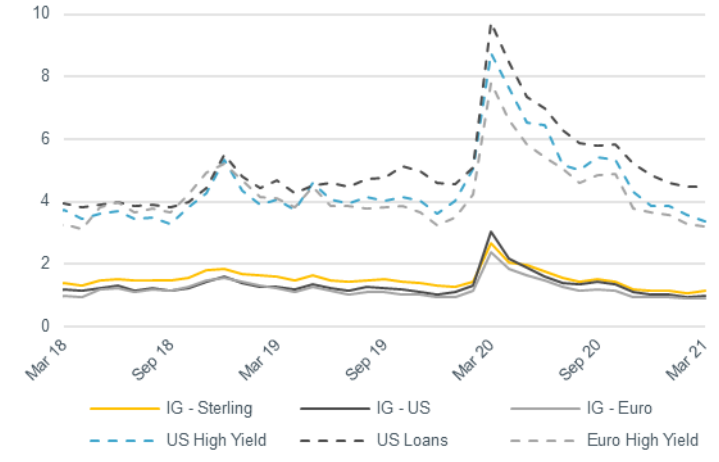
Annual CPI Inflation (% p.a.)



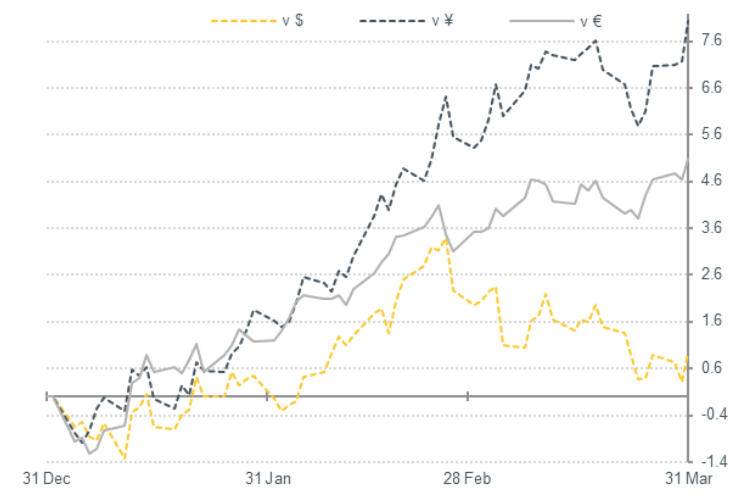
Gilt yields chart (% p.a.)



Investment and speculative grade credit spreads (% p.a.)



Sterling trend chart (% change)



Source: DataStream, Barings and ICE

Risk Warning

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investment in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

In some cases, we have commercial business arrangements/agreements with clients within the financial sector where we provide services. These services are entirely separate from any advice that we may provide in recommending products to our advisory clients. Our recommendations are provided as a result of clients' needs and based upon our independent research. Where there is a perceived or potential conflict, alternative recommendations can be made available.

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Geometric v Arithmetic Performance

Hymans Robertson are among the investment professionals who calculate relative performance geometrically as follows:

$$\frac{(1 + \text{Fund Performance})}{(1 + \text{Benchmark Performance})} - 1$$

Some industry practitioners use the simpler arithmetic method as follows:

$$\text{Fund Performance} - \text{Benchmark Performance}$$

The geometric return is a better measure of investment performance when compared to the arithmetic return, to account for potential volatility of returns.

The difference between the arithmetic mean return and the geometric mean return increases as the volatility increases.

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Planned Activities
Qtr 2 - July to Sept 2021
June 2021 Quarterly performance review
Investment Strategy implementation starts
Pension Fund's Statement of Accounts and Annual Report sign off
Members open day (virtual) in Sept 2021
Online training implementation (Pension Committee, Board and officers)
Annual carbon footprint - Analysis
Qtr 3 - Oct to Dec 2021
Sept 2021 Quarterly Performance Review
Investment Strategy implementation continues
Online training continues (Pension Committee, Board and officers)
Pensions Risk Register
Governance - Staff and pensioner members recruitment for the Pensions Committee and Board
Additional training
Qtr 4 - Jan to Mar 2022
December 2021 Quarterly Performance Review
Investment Strategy implementation continues
Online training continues (Pension Committee, Board and officers)

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