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# Merton Council

## Pensions Committee Agenda

### Membership

#### Councillors:

Laxmi Attawar (Chair)  
John Braithwaite (Vice-Chair)  
Billy Christie  
Gwyn Isaac

#### Co-opted members:

Gwyn Isaac (GMB Union rep)  
Emma Price (Pensioner rep)  
Caroline Holland (LBM)  
Roger Kershaw (LBM)  
Nemashe Sivayogan (LBM)

**Date: Thursday 15 September 2022**

**Time: 7.00 pm**

**Venue: Council chamber - 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](mailto:Merton.PensionFund@merton.gov.uk) or telephone [020 8545 3458](tel:02085453458).

All Press contacts: [communications@merton.gov.uk](mailto:communications@merton.gov.uk), 020 8545 3181

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## **Pensions Committee Agenda**

### **15 September 2022**

- |    |  |         |
|----|--|---------|
| 1  | Apologies for absence  |         |
| 2  | Declarations of pecuniary interest   |         |
| 3  | Minutes of the previous meeting (30 June 2022)   | 1 - 2   |
| 4  | Quarterly Performance Review (April-June 2022)   | 3 - 14  |
| 5  | AOB  |         |
| 6  | Future meeting dates<br>Future Meeting Dates: <ul style="list-style-type: none"><li>- 1<sup>st</sup> December 2022</li><li>- 30<sup>th</sup> March 2023</li></ul>  |         |
| 7  | Exclusion of the public<br>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). |         |
| 8  | Minutes of the previous meeting (30 June 2022) (exempt)  | 15 - 16 |
| 9  | Quarterly Performance Review (April - June 2022)   | 17 - 48 |
| 10 | Pension Administration - Q2 2022 Performance Update  | 49 - 56 |
| 11 | ESG and Climate Risk Report  | 57 - 78 |
| 12 | AOB  |         |

#### **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 Pensions Committee

Minutes of the meeting held on

30 June 2022

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### Attendance:

Cllr Laxmi Attawar (Chair)  
Cllr John Braithwaite (Vice Chair)  
Gwyn Isaac (GMB Union Rep)  
Caroline Holland (LBM)  
Roger Kershaw (LBM)  
Nemashe Sivayogan (LBM)

### Apologies:

Cllr Billie Christie  
Emma Price (Pensioner Rep)

### External attendees:

Hymans Robertson - Investment Consultant  
Ernst & Young – External Auditor (Liz Jackson)

### 1.0 MEETING (Part 1)

- 1.1 Introduction made by Chair.
- 1.2 Apologies from Councillor Billie Christie and Emma Price.
- 1.3 Members Declaration of Interest – None.

### 2. Minutes of Last Meeting Held (Part 1) – 24 March 2022

- 2.1 Agreed as true record.

### 3. Merton Pension Fund Audit Plan 2021/22

- 3.1 EY presented the detailed audit plan for 2021/22 audit. EY also informed the Committee that the audit had started and talked through the respective risks. The aim to complete the audit by the 30 Nov 2022.

### 4. Quarterly Fund Performance Review (Jan – Mar 2022)

- 4.1 RK said this is the first time he has reported a decrease in fund valuation. This is due to the Ukraine/Russia war. The Fund returned negative 4.2 against a benchmark of negative 1.1.
- 4.2 £135m was moved out of equity before the fall in markets which was fortuitous and reduced the negative impact.

### 5. AOB

None.

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## Committee:

**Merton Pension Committe**

**Date: 15 September 2022**

**Merton Pension Board**

**Date: TBD**

Wards: All

**Subject: Merton Pension Fund Performance – June 2022**

**Lead Officer:** Caroline Holland - Director of Corporate Services

**Lead Member:** Councillor Billy Christie

**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 30 June 2022, 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 30 June 2022. 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 30 June 2022. 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 Hymans provides useful analysis and insights of the Pension Fund activities and results for the quarter ending June 2022.

The following table shows the total Fund valuation for the quarter ended June 2022.

## VALUATION SUMMARY PERIOD ENDING 30 JUNE 2022

Mandate	Valuation (£m)		Actual Proportion	Benchmark	Relative
	Q1 22	Q2 22			
UBS Alternative Beta	52.3	44.8	5.3%	10.0%	-4.7%
LCIV RBC Sustainable Equity Fund	91.3	83.3	9.9%	10.0%	-0.1%
LCIV Baillie Gifford Global Alpha Growth Fund	79.5	69.9	8.3%	10.0%	-1.7%
BlackRock World Low Carbon Equity Tracker	109.3	97.4	11.6%	10.0%	1.6%
<b>Global Equities</b>	<b>332.4</b>	<b>295.4</b>	<b>35.1%</b>	<b>40.0%</b>	<b>-4.9%</b>
UBS GEM HALO	50.7	48.4	5.8%	5.0%	0.8%
LCIV JP Morgan Emerging Market Equity Fund	35.5	32.9	3.9%	5.0%	-1.1%
<b>Emerging Market Equities</b>	<b>86.1</b>	<b>81.3</b>	<b>9.7%</b>	<b>10.0%</b>	<b>-0.3%</b>
LCIV Ruffer Absolute Return Fund	89.9	58.3	6.9%	5.0%	1.9%
LCIV Baillie Gifford Diversified Growth Fund	85.8	50.2	6.0%	5.0%	1.0%
<b>Diversified Growth</b>	<b>175.7</b>	<b>108.5</b>	<b>12.9%</b>	<b>10.0%</b>	<b>2.9%</b>
UBS Triton Property Fund	20.4	20.7	2.5%	2.5%	0.0%
BlackRock UK Property Fund	9.0	9.2	1.1%	2.5%	-1.4%
Henley Secure Income Property Fund II	0.0	4.5	0.5%	0.0%	0.5%
<b>Property</b>	<b>29.4</b>	<b>34.4</b>	<b>4.1%</b>	<b>5.0%</b>	<b>-0.9%</b>
MIRA Infrastructure Global Solutions II L.P Fund	15.0	15.8	1.9%	3.0%	-1.1%
Quinbrook Low Carbon Power LP Fund	14.3	16.1	1.9%	1.5%	0.4%
Quinbrook Net Zero Power Fund	33.9	33.1	3.9%	0.0%	3.9%
JP Morgan Infrastructure Fund	17.3	18.1	2.1%	3.0%	-0.9%
<b>Infrastructure</b>	<b>80.5</b>	<b>83.1</b>	<b>9.9%</b>	<b>7.5%</b>	<b>2.4%</b>
Pemira Credit Solutions IV Fund	22.4	22.7	2.7%	4.5%	-1.8%
Churchill Middle Market Senior Loan II Fund	17.7	20.0	2.4%	3.0%	-0.6%
<b>Private Credit</b>	<b>40.1</b>	<b>42.7</b>	<b>5.1%</b>	<b>7.5%</b>	<b>-2.4%</b>
Allspring RMF Fund	101.3	73.8	8.8%	10.0%	-1.2%
<b>Risk Management Framework</b>	<b>101.3</b>	<b>73.8</b>	<b>8.8%</b>	<b>10.0%</b>	<b>-1.2%</b>
LCIV CQS / PIMCO MAC Fund	76.7	70.6	8.4%	10.0%	-1.6%
<b>Multi Asset Credit</b>	<b>76.7</b>	<b>70.6</b>	<b>8.4%</b>	<b>10.0%</b>	<b>-1.6%</b>
Cash	5.2	51.1	6.1%	0.0%	6.1%
<b>Total Fund</b>	<b>927.3</b>	<b>840.9</b>	<b>100.0%</b>	<b>100.0%</b>	

At the time of writing, latest quarterly information in respect of mandate held with MIRA and Pemira are unavailable. We have lagged reporting by 3 months, therefore the valuations shown are as at Q4 2021 and Q1 2022 respectively. The FX rate used is lagged and at each of these dates also.

- 2.2 The Fund's total market value decreased by £86m over the quarter, from £927m to £841m.
- 2.3 The second quarter of the year saw global markets contract as the impact of the Russia-Ukraine conflict was fully felt coupled with spiralling global inflation which saw central banks respond with a series of interest rate rises.
- 2.4 Over the 3 months to 30 June 2022, total Fund assets returned -9.1% compared to the benchmark of -5.9%. This equates to an underperformance of -3.2%. Over the last 12 months, the Fund performance was -9.4%, and 3 year annualised performance was 4.2%. The annual Actuarial performance target is 4.8%.

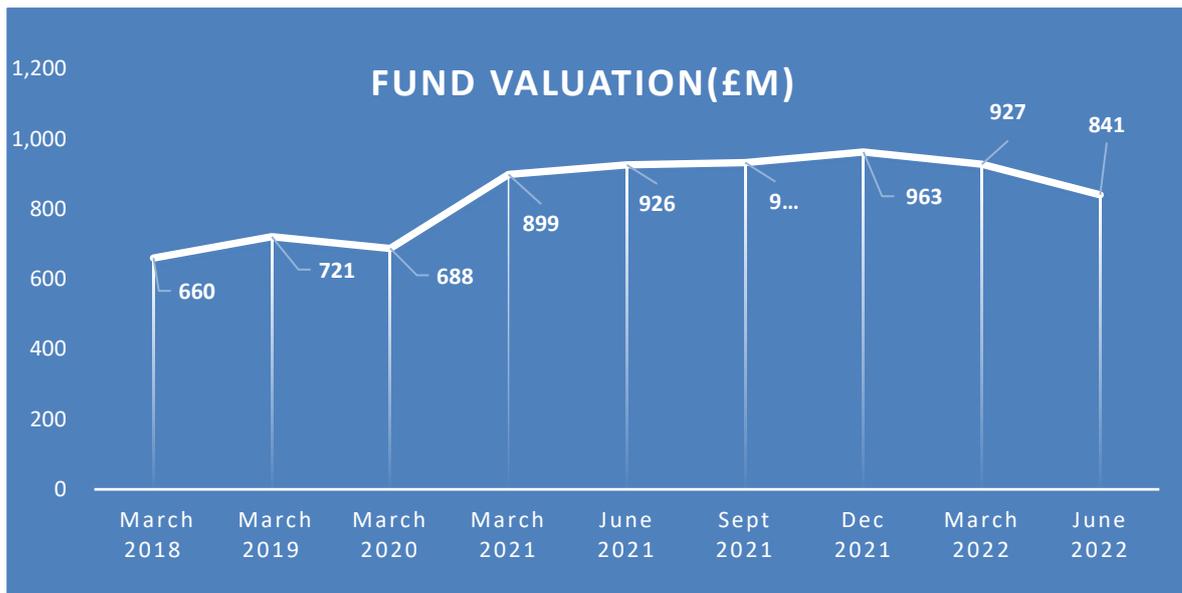
# PERFORMANCE SUMMARY

## 1 APRIL 2022 TO 30 JUNE 2022

Mandate	Last 3 Months (%)			Last 12 Months (%)			Last 3 Years (% p.a.)			Since Inception (% p.a.)		
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
UBS Alternative Beta	-6.1	-6.2	0.0	2.8	2.7	0.2	5.1	5.1	0.0	1.1	1.1	0.0
LCIV RBC Sustainable Equity Fund	-8.8	-8.7	-0.1	-8.7	-1.1	-7.7	9.0	9.2	-0.2	9.4	7.4	1.9
LCIV Baillie Gifford Global Alpha Growth Fund	-12.1	-8.4	-4.0	-23.4	-2.7	-21.3	5.6	8.8	-2.9	6.2	7.3	-1.1
BlackRock World Low Carbon Equity Tracker	-11.0	-10.4	-0.7	-3.7	-3.9	0.3	8.6	8.8	-0.1	11.8	11.9	-0.1
<b>Global Equities</b>												
UBS GEM HALO	-4.6	-4.0	-0.6	-22.1	-15.0	-8.3	0.1	2.1	-1.9	3.8	4.5	-0.7
LCIV JP Morgan Emerging Market Equity Fund	-7.0	-3.4	-3.7	-19.2	-13.4	-6.7	-	-	-	2.1	2.1	-0.1
<b>Emerging Market Equities</b>												
LCIV Ruffer Absolute Return Fund	-4.2	1.0	-5.1	2.1	3.3	-1.2	-	-	-	5.2	3.3	1.8
LCIV Baillie Gifford Diversified Growth Fund	-8.8	1.1	-9.8	-10.1	3.9	-13.5	0.1	3.9	-3.6	0.7	3.5	-2.8
<b>Diversified Growth</b>												
UBS Triton Property Fund	3.0	3.9	-0.9	23.4	23.3	0.2	10.1	9.2	0.8	2.0	1.8	0.2
BlackRock UK Property Fund	2.9	3.9	-1.0	21.4	23.3	-1.5	8.5	9.2	-0.7	3.7	4.0	-0.3
Henley Secure Income Property Fund II	-	-	-	-	-	-	-	-	-	0.0	0.0	0.0
<b>Property</b>												
MIRA Infrastructure Global Solutions II L.P. Fund	2.7	1.8	0.9	10.6	7.4	3.0	-	-	-	5.4	6.0	-0.5
Quinbrook Low Carbon Power LP Fund	3.8	1.8	1.9	15.2	7.4	7.2	7.3	7.4	-0.1	7.7	6.9	0.8
Quinbrook Net Zero Power Fund	-10.0	1.5	-11.3	-	-	-	-	-	-	0.5	4.6	-3.9
JP Morgan Infrastructure Fund	1.6	2.5	-0.9	6.9	10.4	-3.2	-	-	-	5.8	9.4	-3.3
<b>Infrastructure</b>												
Permira Credit Solutions IV Fund	1.5	1.7	-0.2	7.3	7.0	0.3	-	-	-	5.1	5.6	-0.5
Churchill Middle Market Senior Loan II Fund	0.4	1.7	-1.3	4.0	7.0	-2.7	2.8	6.8	-3.7	3.9	6.4	-2.4
<b>Private Credit</b>												
Allspring RMF Fund	-28.6	-28.6	0.0	-32.7	-32.7	0.0	-	-	-	-5.9	-5.9	0.0
<b>Risk Management Framework</b>												
LCIV CQS / PIMCO MAC Fund	-7.8	1.3	-9.0	-7.5	4.8	-11.8	0.0	4.7	-4.4	1.0	4.3	-3.2
<b>Multi Asset Credit</b>												
Cash	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Fund</b>	<b>-9.1</b>	<b>-5.9</b>	<b>-3.5</b>	<b>-9.4</b>	<b>-2.3</b>	<b>-7.2</b>	<b>4.2</b>	<b>5.4</b>	<b>-1.2</b>	<b>6.0</b>	<b>5.2</b>	<b>0.8</b>

Note: Q2 2022 performance figures for MIRA and Permira are lagged by 3-months due to lack of manager information at the time of writing (see comment on left). As such, the performance shown is reflective of Q1 2022.

- 2.5 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.
- 2.6 The Strategic Asset Allocation (SAA) has been updated to reflect the recommendations of the 2020 Investment Strategy Review.
- 2.7 The Fund continues to move towards its target allocation and to draw down commitments for infrastructure and private credit. The Fund recently made an allocation to the 5% social impact asset class and made its first investment to the newly appointed Henley Secure Income Property Fund II which focuses on social housing projects.
- 2.8 The Fund moved to a diversified portfolio in 2018 and since then the Fund value has increased steadily. Over this period the Fund value has appreciated by £181m or 29%.



### 3.0 Market Background/Outlook

- 3.1 Equities and fixed income fell in tandem in June, capping the end to a challenging second quarter and one of the worst first halves of a year in decades for investors.
- 3.2 The main reason for the weak global sentiment has been concerns that persistently high inflation will lead to aggressive central bank tightening and undermine consumer spending.
- 3.3 The MSCI All Country World index lost 8.4% on the month, and 15.7% on the quarter.
- 3.4 More market background information and LGPS updates can be found in the Hymans Quarterly performance report.

### 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

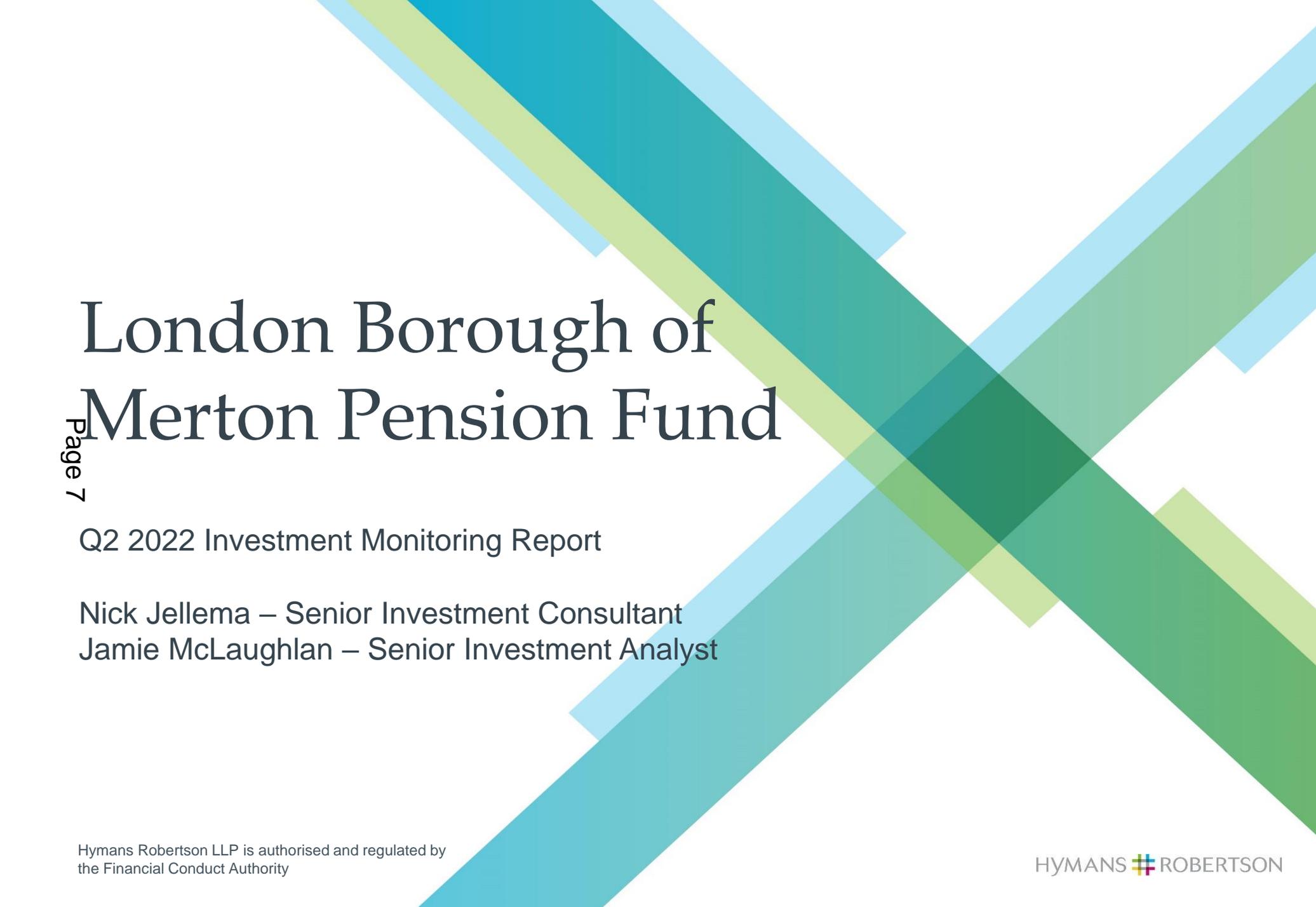
- 7.1 N/A

### 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

Q2 2022 Investment Monitoring Report

Nick Jellema – Senior Investment Consultant

Jamie McLaughlan – Senior Investment Analyst

Executive Summary

The Fund's assets returned -9.1% during the second quarter of 2022. 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 behind benchmark by -3.5% (top left chart). We have also shown performance against the Fund's actuarial target (top right chart), on the 3-year measure the Fund is slightly behind with relative returns of -0.6% p.a.

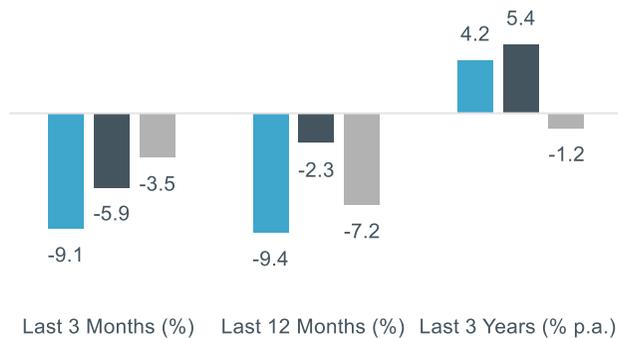
Overall, the Fund's assets decreased by £86.8m from £927.7m to £840.9m. The second quarter of the year saw global markets contract as the impact of the Russia-Ukraine conflict was fully felt coupled with spiralling global inflation which saw central banks respond with a series of interest rate rises.

Property and infrastructure assets bucked this trend. Gilt implied inflation dropped as real yields improved due to the Bank of England tightening monetary policy.

From a Fund asset class perspective:

- Equity funds all negatively detracted from overall performance
- The diversified growth funds both struggled.
- Real assets contributed positively to performance.
- The Risk Management Framework contributed negatively to performance as Sterling depreciated relative to EUR and USD. A rise in gilt yields also punished assets held as backing collateral for hedging.

Fund performance vs benchmark/target



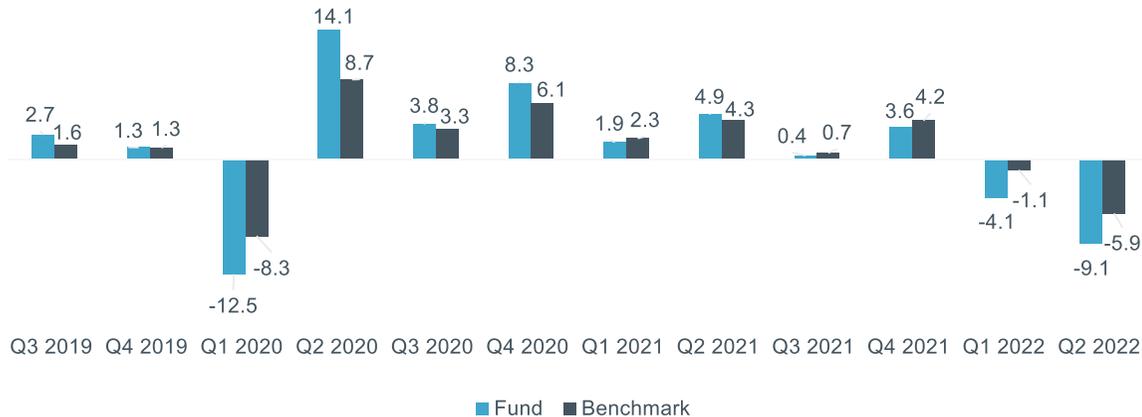
Fund performance vs actuarial target



■ Fund ■ Benchmark ■ Relative

■ Fund ■ Benchmark ■ Relative

Relative quarterly performance vs benchmark/target



■ Fund ■ Benchmark

## Asset Allocation

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

- Global equities: 30.0%
- Emerging market equities: 10.0%
- Diversified growth fund: 8.0%
- Property: 5.0%
- Private credit: 6.5%
- Infrastructure: 11.5%
- Social Impact: 5.0%
- Multi-asset credit: 9.0%
- Risk management framework: 15.0%

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.

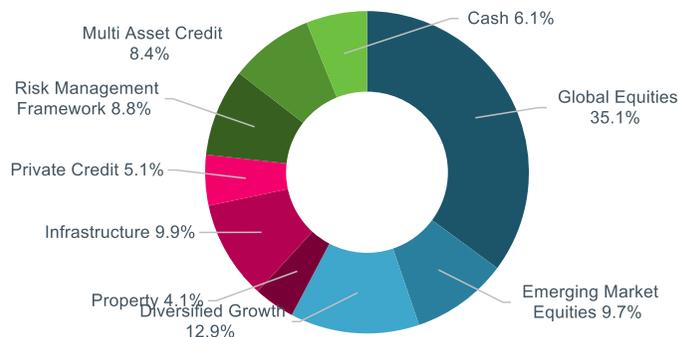
The Fund made its first investment to the newly appointed Henley Secure Income Property Fund II which focuses on social housing projects.

There were a few divestments completed during the quarter, £4.5m of equities were sold across the UBS Alternative Beta mandates. Each of the diversified growth funds had £28m sold in preparation for funding upcoming manager commitments.

Mandate	Valuation (£m)		Actual Proportion	Benchmark	Relative
	Q1 22	Q2 22			
UBS Alternative Beta	52.3	44.8	5.3%	10.0%	-4.7%
LCIV RBC Sustainable Equity Fund	91.3	83.3	9.9%	10.0%	-0.1%
LCIV Baillie Gifford Global Alpha Growth Fund	79.5	69.9	8.3%	10.0%	-1.7%
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<b>Diversified Growth</b>	<b>175.7</b>	<b>108.5</b>	<b>12.9%</b>	<b>10.0%</b>	<b>2.9%</b>
UBS Triton Property Fund	20.4	20.7	2.5%	2.5%	0.0%
BlackRock UK Property Fund	9.0	9.2	1.1%	2.5%	-1.4%
Henley Secure Income Property Fund II	0.0	4.5	0.5%	0.0%	0.5%
<b>Property</b>	<b>29.4</b>	<b>34.4</b>	<b>4.1%</b>	<b>5.0%</b>	<b>-0.9%</b>
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JP Morgan Infrastructure Fund	17.3	18.1	2.1%	3.0%	-0.9%
<b>Infrastructure</b>	<b>80.5</b>	<b>83.1</b>	<b>9.9%</b>	<b>7.5%</b>	<b>2.4%</b>
Permira Credit Solutions IV Fund	22.4	22.7	2.7%	4.5%	-1.8%
Churchill Middle Market Senior Loan II Fund	17.7	20.0	2.4%	3.0%	-0.6%
<b>Private Credit</b>	<b>40.1</b>	<b>42.7</b>	<b>5.1%</b>	<b>7.5%</b>	<b>-2.4%</b>
Allspring RMF Fund	101.3	73.8	8.8%	10.0%	-1.2%
<b>Risk Management Framework</b>	<b>101.3</b>	<b>73.8</b>	<b>8.8%</b>	<b>10.0%</b>	<b>-1.2%</b>
LCIV CQS / PIMCO MAC Fund	76.7	70.6	8.4%	10.0%	-1.6%
<b>Multi Asset Credit</b>	<b>76.7</b>	<b>70.6</b>	<b>8.4%</b>	<b>10.0%</b>	<b>-1.6%</b>
Cash	5.2	51.1	6.1%	0.0%	6.1%
<b>Total Fund</b>	<b>927.3</b>	<b>840.9</b>	<b>100.0%</b>	<b>100.0%</b>	

At the time of writing, latest quarterly information in respect of mandate held with MIRA and Permira are unavailable. We have lagged reporting by 3 months, therefore the valuations shown are as at Q4 2021 and Q1 2022 respectively. The FX rate used is lagged and at each of these dates also.

## Asset class exposures



## Manager performance

The second quarter of 2022 saw the Fund return absolute returns of -9.1% underperforming the composite benchmark with relative returns of -3.5%.

Over longer timer periods shown, this trend has continued with relative returns of -7.2% and -1.2% p.a. for 12-months and 3 years respectively.

Despite the equity and diversified growth funds (“DGF”) contributing negatively to overall performance, investments in less liquid asset such as property, infrastructure and private credit provided some resilience with the majority recording positive absolute returns.

Of the two DGFs, Baillie Gifford was the main detractors this quarter with absolute returns of -8.8%. Its directional style suffered as broader markets fell.

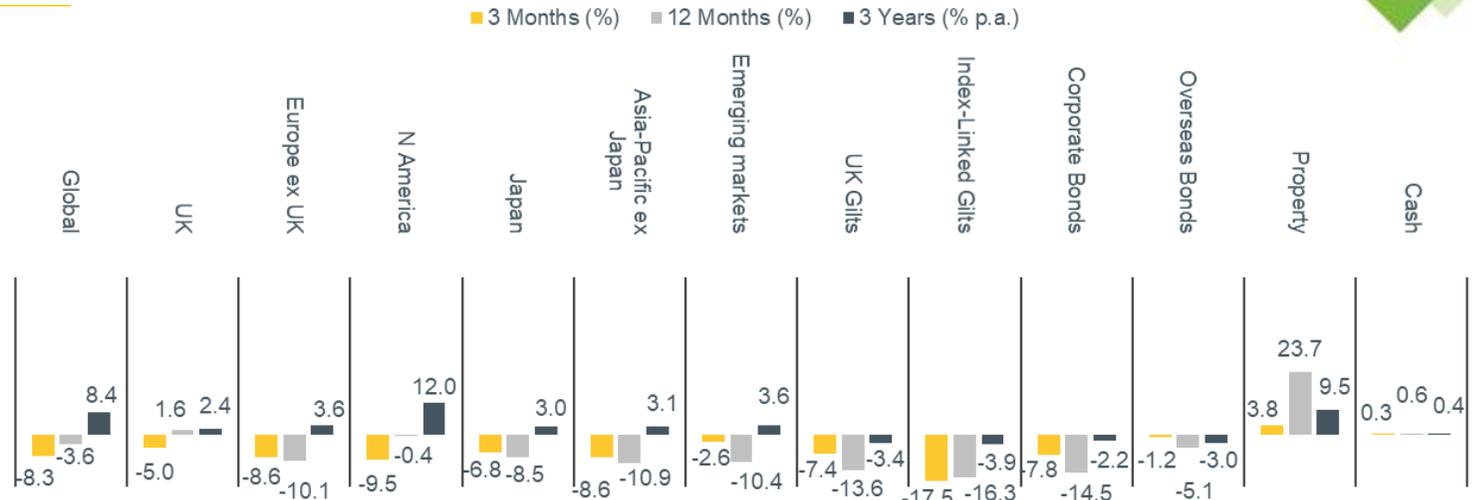
The Risk Management Framework was the largest detractor to performance. Rising yields coupled with a depreciating pound-sterling saw this framework struggle in raw performance terms.

At time of writing, Henley, MIRA and Permira reporting information was unavailable. For performance reporting purposes we have lagged performance and valuations shown within our report by 3 months. We expect, given the illiquid nature of these mandates, this will be a regular occurrence.

Mandate	Last 3 Months (%)			Last 12 Months (%)			Last 3 Years (% p.a.)			Since Inception (% p.a.)		
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
UBS Alternative Beta	-6.1	-6.2	0.0	2.8	2.7	0.2	5.1	5.1	0.0	1.1	1.1	0.0
LCIV RBC Sustainable Equity Fund	-8.8	-8.7	-0.1	-8.7	-1.1	-7.7	9.0	9.2	-0.2	9.4	7.4	1.9
LCIV Baillie Gifford Global Alpha Growth Fund	-12.1	-8.4	-4.0	-23.4	-2.7	-21.3	5.6	8.8	-2.9	6.2	7.3	-1.1
BlackRock World Low Carbon Equity Tracker	-11.0	-10.4	-0.7	-3.7	-3.9	0.3	8.6	8.8	-0.1	11.8	11.9	-0.1
<b>Global Equities</b>												
UBS GEM HALO	-4.6	-4.0	-0.6	-22.1	-15.0	-8.3	0.1	2.1	-1.9	3.8	4.5	-0.7
LCIV JP Morgan Emerging Market Equity Fund	-7.0	-3.4	-3.7	-19.2	-13.4	-6.7	-	-	-	2.1	2.1	-0.1
<b>Emerging Market Equities</b>												
LCIV Ruffer Absolute Return Fund	-4.2	1.0	-5.1	2.1	3.3	-1.2	-	-	-	5.2	3.3	1.8
LCIV Baillie Gifford Diversified Growth Fund	-8.8	1.1	-9.8	-10.1	3.9	-13.5	0.1	3.9	-3.6	0.7	3.5	-2.8
<b>Diversified Growth</b>												
UBS Triton Property Fund	3.0	3.9	-0.9	23.4	23.3	0.2	10.1	9.2	0.8	2.0	1.8	0.2
BlackRock UK Property Fund	2.9	3.9	-1.0	21.4	23.3	-1.5	8.5	9.2	-0.7	3.7	4.0	-0.3
Henley Secure Income Propety Fund II	-	-	-	-	-	-	-	-	-	0.0	0.0	0.0
<b>Property</b>												
MIRA Infrastructure Global Solutions II L.P Fund	2.7	1.8	0.9	10.6	7.4	3.0	-	-	-	5.4	6.0	-0.5
Quinbrook Low Carbon Power LP Fund	3.8	1.8	1.9	15.2	7.4	7.2	7.3	7.4	-0.1	7.7	6.9	0.8
Quinbrook Net Zero Power Fund	-10.0	1.5	-11.3	-	-	-	-	-	-	0.5	4.6	-3.9
JP Morgan Infrastructure Fund	1.6	2.5	-0.9	6.9	10.4	-3.2	-	-	-	5.8	9.4	-3.3
<b>Infrastructure</b>												
Permira Credit Solutions IV Fund	1.5	1.7	-0.2	7.3	7.0	0.3	-	-	-	5.1	5.6	-0.5
Churchill Middle Market Senior Loan II Fund	0.4	1.7	-1.3	4.0	7.0	-2.7	2.8	6.8	-3.7	3.9	6.4	-2.4
<b>Private Credit</b>												
Allspring RMF Fund	-28.6	-28.6	0.0	-32.7	-32.7	0.0	-	-	-	-5.9	-5.9	0.0
<b>Risk Management Framework</b>												
LCIV CQS / PIMCO MAC Fund	-7.8	1.3	-9.0	-7.5	4.8	-11.8	0.0	4.7	-4.4	1.0	4.3	-3.2
<b>Multi Asset Credit</b>												
Cash	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Fund</b>	-9.1	-5.9	-3.5	-9.4	-2.3	-7.2	4.2	5.4	-1.2	6.0	5.2	0.8

Note: Q2 2022 performance figures for MIRA and Permira are lagged by 3-months due to lack of manager information at the time of writing (see comment on left). As such, the performance shown is reflective of Q1 2022.

## Historic returns for world markets [1]



## Annual CPI Inflation (% p.a.)



## Sterling trend chart (% change)



Soaring inflation and higher borrowing costs have continued to squeeze consumer's real incomes, with consumer confidence surveys plunging as a result. The persistence of these inflationary pressures, coupled with the prospect of tighter financial conditions, has given rise to fears of recession, and has resulted in revised consensus forecasts for global growth of 2.9% in 2022 and 2.8% in 2023 (down from 4.1% and 3.2%, respectively, at the start of the year.)

While headline inflation continues to rise across developed markets, year-on-year US and UK core inflation, which excludes volatile energy and food prices, eased slightly, but remained elevated, at 6.0% and 5.9%, respectively. While US and UK inflation pressures look more broad-based, a large proportion of eurozone inflation still owes to volatile energy and food prices, with Eurozone core CPI increasing to 3.8% year-on-year.

Despite severe supply side issues and risks to growth, central banks appear determined to bring down inflation. The Bank of England rose rates for the fifth consecutive time and the Fed delivered a bumper 0.75% p.a. increase, taking their base rates to 1.25% p.a. and 1.75% p.a., respectively. The European Central Bank have indicated a first rate hike is likely in July, and the end to negative rates by the end of Q3 2022.

Government bond yields rose as markets moved to price in significant further increases in interest rates, with UK 10-year gilt yields increasing 0.6% p.a. to 2.2% p.a. UK 10-year implied inflation, as measured by the difference between conventional and inflation-linked bonds of the same maturity, fell 0.8% p.a., from 4.4% p.a. to 3.6% p.a. as real yields rose more than their nominal counterparts.

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, ICE BofA Global Government Index, MSCI UK Monthly Property; UK Interbank 7 Day

With both inflation and growth concerns weighing on credit markets, global investment-grade credit spreads rose 0.5% p.a., to 1.8% p.a.; while US and European speculative-grade spreads both rose 2.4% p.a., to 5.9% p.a. and 6.4% p.a., respectively.

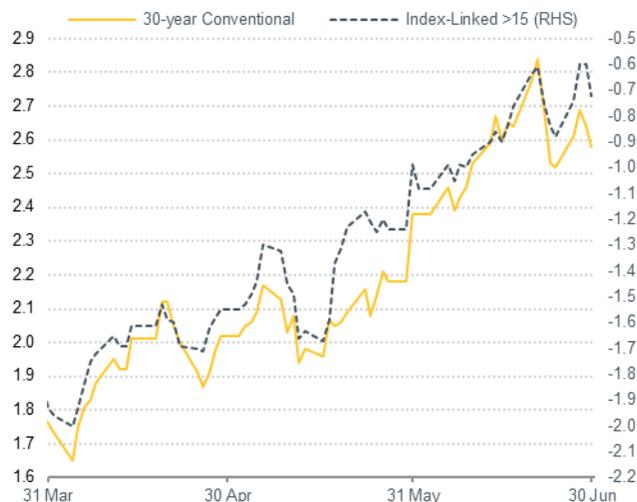
Commodity prices fell over the quarter, with expectations of lower demand leading to a fall in industrial metals prices as rising real yields weighed on precious metal prices.

Despite ongoing upwards revisions to consensus analyst earnings forecasts, global equities fell 8.3% over the quarter, as increases in expectations for the path of interest rates extended the recent decline in equity market valuations. The technology sector notably underperformed on the back of rising rates while returns within the consumer discretionary sector were impacted by a weakening consumer outlook. In contrast, consumer staples outperformed, as investors perhaps placed a premium on the sector's inherent pricing power.

North America underperformed, owing to its large exposure to the technology sector. Meanwhile, above-average exposure to energy, metals, and miners, saw the UK continue its recent outperformance. The easing of lockdown restrictions in China provided some relative support to Emerging and Asian markets equities.

Property remained a relative bright spot, with the MSCI UK IPD total return index rising 9.6% year-to-date; largely owing to a 11.9% rise in industrial capital values. Return on the all-property index, including income, was 23.7% in the 12 months to end-June.

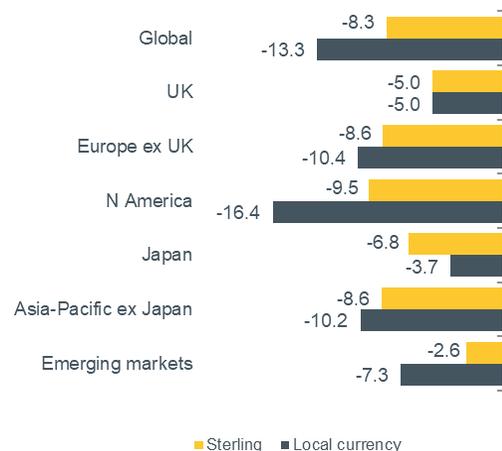
### Gilt yields chart (% p.a.)



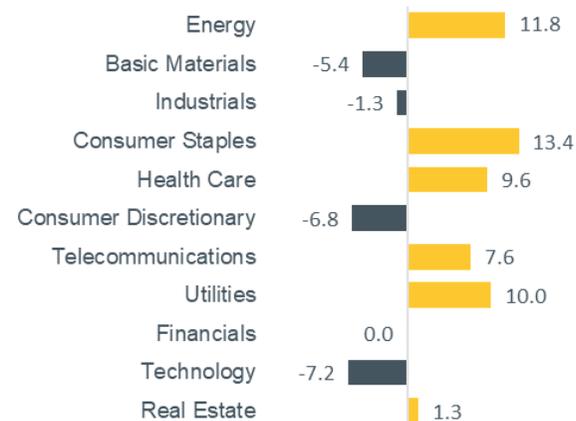
### Investment and speculative grade credit spreads (% p.a.)



### Regional equity returns [1]



### Global equity sector returns (%) [2]



Source: DataStream, Barings, ICE [1] FTSE All World Indices. Commentary compares regional equity returns in local currency. [2] Returns shown in Sterling terms and relative to FTSE All World.

## 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.

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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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