

Avon Pension Fund Committee Investment Panel

Date: Monday, 13th November, 2017

Time: 2.00 pm

**Venue: Conference Room 1.1 West, Civic Centre,
Keynsham - Civic Centre, Keynsham**

To: All Members of the Avon Pension Fund Committee Investment Panel

Councillor David Veale (Chair), Councillor Patrick Anketell-Jones, Councillor Rob Appleyard, Councillor Mary Blatchford, Shirley Marsh and Paul Scott

Chief Executive and other appropriate officers
Press and Public



NOTES:

1. **Inspection of Papers:** Papers are available for inspection as follows:

Council's website: <https://democracy.bathnes.gov.uk/ieDocHome.aspx?bcr=1>

Paper copies are available for inspection at the **Public Access points:-** Reception: Civic Centre - Keynsham, Guildhall - Bath, The Hollies - Midsomer Norton. Bath Central and Midsomer Norton public libraries.

2. **Details of decisions taken at this meeting** can be found in the minutes which will be circulated with the agenda for the next meeting. In the meantime, details can be obtained by contacting as above.

3. **Recording at Meetings:-**

The Openness of Local Government Bodies Regulations 2014 now allows filming and recording by anyone attending a meeting. This is not within the Council's control.

Some of our meetings are webcast. At the start of the meeting, the Chair will confirm if all or part of the meeting is to be filmed. If you would prefer not to be filmed for the webcast, please make yourself known to the camera operators.

To comply with the Data Protection Act 1998, we require the consent of parents or guardians before filming children or young people. For more information, please speak to the camera operator.

The Council will broadcast the images and sound live via the internet www.bathnes.gov.uk/webcast The Council may also use the images/sound recordings on its social media site or share with other organisations, such as broadcasters.

4. **Public Speaking at Meetings**

The Council has a scheme to encourage the public to make their views known at meetings. They may make a statement relevant to what the meeting has power to do. They may also present a petition or a deputation on behalf of a group. They may also ask a question to which a written answer will be given. **Advance notice is required not less than two full working days before the meeting. This means that for meetings held on Thursdays notice must be received in Democratic Services by 5.00pm the previous Monday.** Further details of the scheme:

<https://democracy.bathnes.gov.uk/ecCatDisplay.aspx?sch=doc&cat=12942>

5. **Emergency Evacuation Procedure**

When the continuous alarm sounds, you must evacuate the building by one of the designated exits and proceed to the named assembly point. The designated exits are signposted. Arrangements are in place for the safe evacuation of disabled people.

Sean O'Neill

Democratic Services

Lewis House, Manvers Street, Bath, BA1 1JG

Telephone: 01225 395090

Web-site - <http://www.bathnes.gov.uk>

E-mail: Democratic_Services@bathnes.gov.uk

Avon Pension Fund Committee Investment Panel - Monday, 13th November, 2017

at 2.00 pm in the Conference Room 1.1 West, Civic Centre, Keynsham - Civic Centre, Keynsham

A G E N D A

1. EMERGENCY EVACUATION PROCEDURE

The Chair will draw attention to the emergency evacuation procedure as set out under Note 9.

2. DECLARATIONS OF INTEREST

At this point in the meeting declarations of interest are received from Members in any of the agenda items under consideration at the meeting. Members are asked to complete the green interest forms circulated to groups in their pre-meetings (which will be announced at the Council Meeting) to indicate:

(a) The agenda item number in which they have an interest to declare.

(b) The nature of their interest.

(c) Whether their interest is a **disclosable pecuniary interest** or an **other interest**, (as defined in Part 2, A and B of the Code of Conduct and Rules for Registration of Interests)

Any Member who needs to clarify any matters relating to the declaration of interests is recommended to seek advice from the Council's Monitoring Officer or a member of his staff before the meeting to expedite dealing with the item during the meeting.

3. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

To receive any declarations from Members of the Committee and Officers of personal/prejudicial interests in respect of matters for consideration at this meeting, together with their statements on the nature of any such interest declared.

4. TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

5. ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

6. ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

To deal with any petitions or questions from Councillors and, where appropriate, co-opted and added members.

7. MINUTES: 4 SEPTEMBER 2017 (Pages 5 - 12)
8. COLLATERAL MANAGEMENT POLICY (Pages 13 - 44)
9. RISK MANAGEMENT FRAMEWORK MONITORING (Pages 45 - 70)
10. REVIEW OF INVESTMENT PERFORMANCE FOR PERIODS ENDING 30 SEPTEMBER 2017 (Pages 71 - 144)
11. WORKPLAN (Pages 145 - 146)

The Committee Administrator for this meeting is Sean O'Neill who can be contacted on 01225 395090.

AVON PENSION FUND COMMITTEE INVESTMENT PANEL

Minutes of the Meeting held

Monday, 4th September, 2017, 2.00 pm

Members: Councillor Christopher Pearce (Chair), Councillor David Veale, Councillor Mary Blatchford and Paul Scott

Advisors: Steve Turner (Mercer), Nick Page (Mercer) and Hemel Popat (Mercer)

Also in attendance: Tony Bartlett (Head of Business, Finance and Pensions), Liz Woodyard (Investments Manager), Matt Betts (Assistant Investments Manager), Nathan Rollinson (Assistant Investments Manager) and Helen Price (Investments Officer)

10 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer advised the meeting of the procedure.

11 DECLARATIONS OF INTEREST

There were none.

12 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Shirley Marsh and Cllr Rob Appleyard.

13 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

The Chair welcomed Paul Scott, the new Independent Member, to his first meeting of the Panel.

The Investment Manager reported that the process of asking the staff of all member funds whether they would be interesting in transferring to the Brunel Pensions Partnership had been completed, and staff in the Avon Fund had been offered positions in BPP.

14 ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

There were none.

15 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

16 MINUTES: 24TH MAY 2017

The Minutes of the 24th May 2017 were approved as a correct record and signed by the Chair.

17 PROPOSAL FOR EQUITY RISK MANAGEMENT STRATEGY

The Panel, having been satisfied that the public interest would be better served by not disclosing relevant information, **RESOLVED**, in accordance with the provisions of section 100(A)(4) of the Local Government Act 1972 that the public should be excluded from the meeting for this item of business, because of the likely disclosure of exempt information as defined in paragraph 3 of Part I of Schedule 12A of the Act as amended.

The Assistant Investments Manager introduced the item.

The Mercer team commented on their report.

The Panel debated the options with advice from Officers and the Investment Consultants.

After discussion the Panel **RESOLVED** to agree the option which they considered best achieved the Fund's objective, and delegated its implementation to Officers in consultation with the Investment Consultant, subject to the Panel being consulted if the Fund's advisors suggest strategic changes before expiry.

18 REVIEW OF INVESTMENT PERFORMANCE FOR PERIODS ENDING 30 JUNE 2017

The Panel returned to open session.

The Assistant Investments Manager introduced this item and summarised the key information.

Mr Turner presented the Mercer performance monitoring report and commented on the manager monitoring performance information on page 23 of the report (agenda page 78).

The Panel, having been satisfied that the public interest would be better served by not disclosing relevant information, **RESOLVED**, in accordance with the provisions of Section 100(A)(4) of the Local Government Act 1972, that the public should be excluded from the meeting for the report on Exempt Appendix 6, because of the likely disclosure of exempt information as defined in paragraph 3 of Part I of Schedule 12A of the Act as amended.

The Investment Manager presented Exempt Appendix 6.

The Panel returned to open session.

RESOLVED:

1. To note the information as set out in the reports.
2. That there were no issues to be notified to the Committee.

19 WORKPLAN

RESOLVED to note the workplan.

The meeting ended at 4.01 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

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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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Access to Information Arrangements

Exclusion of access by the public to Council meetings

Information Compliance Ref: LGA 1772/17

Meeting / Decision: Avon Pension Fund Investment Panel

Date: 13th November 2017

Author: Liz Woodyard

Exempt Report Title: Collateral Management Policy

Exempt Appendix Title:

Exempt Appendix 1 – Mercer Report: Collateral Management

The Report contains exempt information, according to the categories set out in the Local Government Act 1972 (amended Schedule 12A). The relevant exemption is set out below.

Stating the exemption:

3. *Information relating to the financial or business affairs of any particular person (including the authority holding that information).*

The public interest test has been applied, and it is concluded that the public interest in maintaining the exemption outweighs the public interest in disclosure at this time. It is therefore recommended that the Report and appendix be withheld from publication on the Council website. The paragraphs below set out the relevant public interest issues in this case.

PUBLIC INTEREST TEST

If the Committee wishes to consider a matter with press and public excluded, it must be satisfied on two matters.

Firstly, it must be satisfied that the information likely to be disclosed falls within one of the accepted categories of exempt information under the Local

Government Act 1972. Paragraph 3 of the revised Schedule 12A of the 1972 Act exempts information which relates to the financial or business affairs of the organisations which is commercially sensitive to the organisations. The officer responsible for this item believes that this information falls within the exemption under paragraph 3 and this has been confirmed by the Council's Information Compliance Manager.

Secondly, it is necessary to weigh up the arguments for and against disclosure on public interest grounds. The main factor in favour of disclosure is that all possible Council information should be public and that increased openness about Council business allows the public and others affected by any decision the opportunity to participate in debates on important issues in their local area. Another factor in favour of disclosure is that the public and those affected by decisions should be entitled to see the basis on which decisions are reached.

Weighed against this is the fact that the exempt Report and exempt appendix contains strategic and financial information about the proposal, which is commercially sensitive and could prejudice the commercial interests of the organisation if released. It would not be in the public interest if advisors and officers could not express in confidence opinions or proposals which are held in good faith and on the basis of the best information available.

It is also important that the Committee should be able to retain some degree of private thinking space while decisions are being made, in order to discuss openly and frankly the issues under discussion in order to make a decision which is in the best interests of the Fund's stakeholders.

The Council considers that the public interest is in favour of not holding this matter in open session at this time and that any reporting on the meeting is prevented in accordance with Section 100A(5A)

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

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| Bath & North East Somerset Council | |
|---------------------------------------------------------------------------|---------------------------------------------|
| MEETING: | AVON PENSION FUND INVESTMENT PANEL |
| MEETING DATE: | 13 NOVEMBER 2017 |
| TITLE: | RISK MANAGEMENT FRAMEWORK MONITORING |
| WARD: | ALL |
| AN OPEN PUBLIC ITEM | |
| List of attachments to this report: | |
| Exempt Appendix 1 – Risk Management Framework Quarterly Monitoring Report | |

1 THE ISSUE

- 1.1 The Committee has agreed a number of risk management strategies that are designed to protect the funding level from a decrease in equity markets and increases in inflation and interest rate risk. This began with the establishment of a Qualified Investor Fund (QIF), which initially contained assets attaching to the Liability Risk Management Framework. Since agreement from the Committee on 5 July 2017 and further ratification from the Panel at 4 September 2017 meeting, Officers have been working towards implementing an appropriate equity risk management strategy to manage equity downside risk and further protect recent gains in the funding level. The intention is to hold the equity risk management assets in the QIF.
- 1.2 The Panel require a report to monitor the effectiveness of the risk management framework by addressing the impact of performance of the QIF in aggregate on the funding position. The report will also provide Panel members with a dedicated review of the liability and equity risk management mandates, commentary of the collateral position of the QIF (against the proposed 2 tier monitoring framework) and an update on performance of the QIF against the agreed investment guidelines. Mercer has drafted a monitoring report that they will present at the meeting (Exempt Appendix 1).
- 1.3 From 4Q17 QIF performance will be reported as an appendix to the quarterly Investment Performance Report. Given that 3Q17 is the first full quarter since inception of the QIF, the report is presented as a standalone item so Panel members have the opportunity to consider in detail the format and content.

2 RECOMMENDATION

That the Investment Panel:

- 2.1 **Agrees the format and contents of the Risk Management Framework Quarterly Monitoring Report.**
- 2.2 **Notes that the report will be part of the quarterly Investment Performance Report (as a separate appendix) in the future.**
- 2.3 **Notes that there is sufficient collateral in the QIF to support the LDI and proposed equity protection strategies.**

3 FINANCIAL IMPLICATIONS:

- 3.1 The triennial valuation of the Fund's liabilities and assets determines the contribution levels. The extent to which changes in the value of the Fund's assets and liabilities can be managed and the cost of doing so will affect the next triennial valuation in 2019.

4 RISK MONITORING FRAMEWORK

- 4.1 The risk management strategy seeks to manage investment risks with regard to the liabilities; this ensures the investment strategy is aligned to the funding position. As a result the risk management framework allows the Fund to reduce investment risk as the funding level approaches 100% funding. In time this should stabilise the cost of funding the pension benefits for scheme employers.
- 4.2 Mercer's report (Exempt Appendix 1) sets out all the aspects of the monitoring framework that need to be considered by the Panel. These include:
- (1) **Overall funding position** – The funding level is c. 9% ahead of plan. At 30 September 2017 the estimated funding level was 96%, which equates to a deficit of £165m in monetary terms.
 - (2) **Liability hedging mandate** – At November 2016 meeting it was resolved that Panel members should be notified when triggers were either changed or activated. Activity during the period to 30 September was:
 - a. No interest rate triggers were activated during the period. As a result the interest rate hedge ratio remained static at c.14%, expressed as a percentage of assets (6.8% on a gilts flat basis).
 - b. 10 inflation based triggers were activated over the period, 8 of which were activated at the very outset as market conditions had moved favourably during the set-up phase of the mandate. The majority of hedge extensions took place in the first band that covers liabilities which fall due between 2017- 2032. In aggregate this hedging activity meant the inflation hedge ratio moved from c.12% to c.29% at the end of the period (expressed on a gilts flat basis this equates to a move from 6.4% to 14.4%).
 - c. BlackRock remained in compliance with investment guidelines throughout the quarter. Officers in consultation with the Investment Advisor will undertake a twice yearly review of the appropriateness of the trigger framework and invite BlackRock to present to the Panel on the same basis.
 - (3) **Equity option mandate** – the equity option strategy has not yet been implemented. Reporting will commence at Q4 with an update to Panel on the value of physical equity prices against the extent to which the equity option structure has added to, or detracted, from performance.
 - (4) **FX** – As a result of EMIR (European Markets Infrastructure Regulations for derivatives), the current collateral of £40m will be increased to c. £165m over time. This strategy is not as yet part of the QIF and is managed separately by Record.
 - (5) **Collateral and counterparty position** – Exempt Appendix 1 refers to the proposed collateral management two tier monitoring framework [see Exempt Item 8] that will contain an early warning test and a collateral top up test. Currently the LDI mandate passes both collateral adequacy tests; in addition

the proposed equity option strategy will also pass both tests meaning there is sufficient collateral in the QIF to support both strategies. BlackRock will monitor collateral on a daily basis and Mercer will report the collateral position against the parameters included in the report on a quarterly basis.

5 RISK MANAGEMENT

- 5.1 A key risk to the Fund is that the investments fail to generate the returns required to meet the Fund's future liabilities. This risk is managed via Asset Liability Study which determines the appropriate risk adjusted return profile (or strategic benchmark) that is aligned with the Funding Strategy. An Investment Panel has been established to consider in greater detail investment performance and related matters and report back to the committee on a regular basis.

6 EQUALITIES

- 6.1 An Equality Impact Assessment has not been completed as this report is for information only.

7 CONSULTATION

- 7.1 N/a as delegated to Investment Panel.

8 ISSUES TO CONSIDER IN REACHING THE DECISION

- 8.1 The issues to consider are contained in the report.

9 ADVICE SOUGHT

- 9.1 The Council's Monitoring Officer (Divisional Director – Legal and Democratic Services) and Section 151 Officer (Strategic Director – Resources) have had the opportunity to input to this report and have cleared it for publication.

| | |
|----------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| Contact person | Liz Woodyard, Investments Manager (Tel: 01225 395306) |
| Background papers | Committee Papers and Investment Panel minutes |
| Please contact the report author if you need to access this report in an alternative format | |

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Access to Information Arrangements

Exclusion of access by the public to Council meetings

Information Compliance Ref: LGA 1796/17

Meeting / Decision: Avon Pension Fund Investment Panel

Date: 13th November 2017

Author: Nathan Rollinson

Report Title: RISK MANAGEMENT FRAMEWORK MONITORING

Exempt Appendix Title:

Exempt Appendix 1 – Risk Management Framework Quarterly Monitoring Report

The Report contains exempt information, according to the categories set out in the Local Government Act 1972 (amended Schedule 12A). The relevant exemption is set out below.

Stating the exemption:

3. *Information relating to the financial or business affairs of any particular person (including the authority holding that information).*

The public interest test has been applied, and it is concluded that the public interest in maintaining the exemption outweighs the public interest in disclosure at this time. It is therefore recommended that the exempt appendix be withheld from publication on the Council website. The paragraphs below set out the relevant public interest issues in this case.

PUBLIC INTEREST TEST

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the organisations which is commercially sensitive to the organisations. The officer responsible for this item believes that this information falls within the exemption under paragraph 3 and this has been confirmed by the Council's Information Compliance Manager.

Secondly, it is necessary to weigh up the arguments for and against disclosure on public interest grounds. The main factor in favour of disclosure is that all possible Council information should be public and that increased openness about Council business allows the public and others affected by any decision the opportunity to participate in debates on important issues in their local area. Another factor in favour of disclosure is that the public and those affected by decisions should be entitled to see the basis on which decisions are reached.

Weighed against this is the fact that the exempt appendix contains strategic and financial information, which is commercially sensitive and could prejudice the commercial interests of the organisation if released. It would not be in the public interest if advisors and officers could not express in confidence opinions or proposals which are held in good faith and on the basis of the best information available.

It is also important that the Committee should be able to retain some degree of private thinking space while decisions are being made, in order to discuss openly and frankly the issues under discussion in order to make a decision which is in the best interests of the Fund's stakeholders.

The Council considers that the public interest is in favour of not holding this matter in open session at this time and that any reporting on the meeting is prevented in accordance with Section 100A(5A)

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

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| Bath & North East Somerset Council | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|--------------------------|
| MEETING: | AVON PENSION FUND INVESTMENT PANEL | |
| MEETING DATE: | 13 NOVEMBER 2017 | AGENDA ITEM NUMBER |
| TITLE: | Review Of Investment Performance For Periods Ending 30 September 2017 | |
| WARD: | ALL | |
| AN OPEN PUBLIC ITEM | | |
| List of attachments to this report: Appendix 1 – Fund Valuation Appendix 2 – Mercer performance monitoring report Exempt Appendix 3 – RAG Monitoring Summary Report | | |

1 THE ISSUE

- 1.1 This paper reports on the performance of the Fund's investment managers and seeks to update the Panel on routine aspects of the Fund's investments. The report contains performance statistics for period ending 30 September 2017.
- 1.2 The report focuses on the performance of the individual investment managers and the implementation of the investment strategy. The full performance report with aggregate investment and funding analysis will be reported to the Committee meeting on 8 December 2017.

2 RECOMMENDATION

That the Investment Panel:

- 2.1 **Notes the information as set out in the reports.**
- 2.2 **Identifies any issues to be notified to the Committee.**

3 FINANCIAL IMPLICATIONS

- 3.1 The returns achieved by the Fund for the three years commencing 1 April 2016 will impact the next triennial valuation which will be calculated as at 31 March 2019. The returns quoted are net of investment management fees.

4 INVESTMENT PERFORMANCE

A – Fund Performance

- 4.1 The Fund's assets increased by £132m (c. 2.9%) in the quarter ending 30 September 2017 giving a value for the investment Fund of £4,616m. Appendix 1 provides a breakdown of the Fund valuation and allocation of monies by asset class and managers.
- 4.2 Global equities delivered a quarter of positive performance on encouraging economic news and a sustained upward trend in corporate earnings. US equities were boosted by strong corporate profits and consumer confidence leading the Federal Reserve to hint at further rate increases in Q4. UK equities, although posting gains, lagged most other major markets. A lack of progress in Brexit talks weighed on performance as did the outlook for the economy, where rising inflation continues to put a strain on real wages. A rate hike from the Bank of England would help curb inflation but compound the strain on household budgets. An indication from the European Central Bank that they would soon look to start reducing the pace of bond purchases under its QE programme lifted European equities. Japanese equities rallied as a result of strong export data and highly supportive monetary policy. Emerging market equities were the strongest performing region, posting gains of 7.6% in local currency terms. Elsewhere, UK gilt prices were negatively impacted by the turnaround in interest rate hike expectations and the Bank of England's commitment to tackle inflation. Over the quarter, sterling appreciated against the Dollar and marginally more so against the Yen (by 3.3% and 3.5% respectively). Sterling depreciated against the Euro over the quarter by 0.3%.
- 4.3 The Fund's overall performance relative to benchmarks is unavailable at the time of publishing. Full performance data will be reported to the Pensions Committee on 8 December 2017.

B – Investment Manager Performance

- 4.4 A detailed report on the performance of each investment manager has been produced by Mercer – see pages 25 to 45 of Appendix 2.
- 4.5 Manager absolute returns over the quarter were largely positive. All but two of the managers posted positive absolute returns over the quarter, reflective of wider market returns. DGF managers Aberdeen Standard (formerly Standard Life) and Pyrford achieved -0.2% (TBC at meeting) and -0.6, respectively.
- 4.6 Relative returns were disappointing with the majority of managers underperforming their targets, on a 3 year rolling basis. Precise detail of amber rated managers can be found at Exempt Appendix 3.
- 4.7 Among the managers that are yet to reach the 3 year mark SLI recorded a negative absolute return net of fees of -0.2% (TBC at meeting) over the three-months to 30 September 2017 compared to a target return of 1.4%. JP Morgan achieved a quarterly absolute return of 1.9% in USD terms and IFM posted 13.5% net IRR since inception, again in local currency terms.

- 4.8 Exempt Appendix 3 summarises the latest Performance Monitoring Report used internally to monitor manager performance. The summary report highlights the managers that are rated amber or red, detailing the performance and/or organisational issue(s), how they are being monitored and any actions taken by Officers and/or the Panel.

5 INVESTMENT STRATEGY AND PORTFOLIO REBALANCING

- 5.1 **Asset Class Returns versus Strategic Assumptions:** Developed market equity returns over the last 3 years were 15.5% p.a., materially ahead of the assumed strategic return of 8.05% p.a. on the same basis. The 3 year return from emerging market equities increased from 11.1% last quarter to 11.6% in Q3; again well ahead of the assumed 3 year return of 8.7%. Index Linked Gilts remain considerably above the assumed strategic return as yields remain low relative to historic averages. Similarly, property and infrastructure are significantly ahead of their assumed strategic returns on a 3 year basis. Hedge funds remain below long-term averages due in part to exceptionally low cash rates.
- 5.2 **Manager Selection Update:** At the 5 July Special Committee Meeting it was resolved to delegate the selection of a new Diversified Growth Fund (DGF) and a Multi Asset Credit Fund (MAC) to Officers in consultation with Mercer to meet the requirements of the recommended changes to the Investment Strategy. As at 30 September 2017 the allocation to the new DGF mandate (Ruffer) had been fully funded and the allocation to the MAC mandate (Loomis) had been partially funded with the remaining commitment settling in early October. The new mandates have been funded from divesting from corporate bonds, reducing emerging market, global and UK equities in line with the revised investment strategy.
- 5.3 **Currency Hedging:** The impact of the currency hedging overlay on Fund performance will be reported to the Committee on 8 December 2017. From January 2018 currency hedging contracts within the EU will be subject to daily exchange of variation margin under EMIR (European Market Infrastructure Regulation). This will mean that additional collateral needs to be held as part of the currency hedging programme. To avoid missing the deadline and potentially breaching EMIR margining rules the Fund will start posting collateral against its currency positions from 1 November 2017 and has been carrying a larger cash holding in anticipation of this requirement.
- 5.4 **Rebalancing:** As at 26th October all asset allocations, with the exception of an overweight cash position, remain within the acceptable range requiring no rebalancing action. Officers did not undertake any rebalancing activity during the quarter.

6 MIFID II Opt Up progress

- 6.1 In July the FCA released details of the revised criteria that LGPS schemes would have to fulfil in order to opt up to 'professional investor' status from the default position of 'retail investor'. To date 7 managers have resolved to treat the Fund as an 'elective professional' client. The deadline for full compliance is 3 January 2018. The Fund's status across all mandates will be reported to the Committee on 8 December 2017.

7 Transfer to New Custodian

- 7.1 As part of the pooling project, a single administrator and custodian, State Street, has been appointed for the Brunel pool (BPP Ltd and the 10 funds). Once the

Brunel portfolios are established and the assets transferred, the local funds will have minimal custody requirements (limited to cash management and cash instructions, investment accounting and reporting) as most of the operational custody aspects will be managed by BPP Ltd and the investment managers within each portfolio. However, in the interim, we will require the full suite of custody services that we currently have with BNY Mellon.

- 7.2 As a result the funds are transferring to State Street over the coming months. Avon is planning to transfer December tranche. A fully resourced project plan is in place to support the funds with the transfer, given the operational risks involved. However, as most of our assets are in pooled vehicles the risks are minimised. Please note that from December month end, State Street will be providing our performance measurement reports.

8 RISK MANAGEMENT

- 8.1 The Avon Pension Fund Committee is the formal decision-making body for the Fund. As such it has responsibility to ensure adequate risk management processes are in place. A key risk to the Fund is that the investments fail to generate the returns required to meet the Fund's future liabilities. This risk is managed via the Asset Liability Study which determines the appropriate risk adjusted return profile (or strategic benchmark) for the Fund and through the selection process followed before managers are appointed. This report monitors the performance of the investment managers. The Investment Panel has been established to consider in greater detail investment performance and related matters and report back to the Committee on a regular basis.

9 EQUALITIES

- 9.1 An equalities impact assessment is not necessary as the report is primarily for information only.

10 CONSULTATION

- 10.1 This report is primarily for information and therefore consultation is not necessary.

11 ISSUES TO CONSIDER IN REACHING THE DECISION

- 11.1 The issues to consider are contained in the report.

12 ADVICE SOUGHT

- 12.1 The Council's Section 151 Officer (Divisional Director – Business Support) has had the opportunity to input to this report and has cleared it for publication.

| | |
|----------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|
| Contact person | Nathan Rollinson, Assistant Investments Manager (Tel: 01225 395357) |
| Background papers | Data supplied by BNY Mellon Performance Measurement |
| Please contact the report author if you need to access this report in an alternative format | |

AVON PENSION FUND VALUATION - 30 SEPTEMBER 2017

| | Passive Multi-Asset | Active Equities | | | | | Enhanced Indexation | Active Bonds | Funds of Hedge Funds | | DGFs | | | MAC | Property | | Infra- structure | Currency Hedging | In House Cash | TOTAL | Avon Asset Mix % |
|-----------------------|------------------------|-----------------|---------------|--------------|--------------|--------------------|------------------------|-----------------|----------------------|-------------------------|--------------|------------------|--------------|--------------|------------------|------------------------|---------------------|---------------------|------------------|---------------|---------------------|
| All figures in £m | BlackRock | TT Int'l | Jupiter (SRI) | Genesis | Unigestion | Schroder Global | Invesco | Royal London | JP Morgan | Terminating Mandates | Pyrford | Standard Life | Ruffer | Loomis | Schroder - UK | Partners - Overseas | IFM | Record | General Cash | | |
| EQUITIES | | | | | | | | | | | | | | | | | | | | | |
| UK | 197.9 | 185.4 | 194.1 | | | 13.1 | | | | | | | | | | | | | | 590.5 | 12.79% |
| North America | 100.3 | | | | | 210.6 | | | | | | | | | | | | | | 310.9 | 6.73% |
| Europe | 108.9 | | | | | 54.7 | | | | | | | | | | | | | | 163.6 | 3.54% |
| Japan | 15.3 | | | | | 23.3 | | | | | | | | | | | | | | 38.6 | 0.84% |
| Pacific Rim | 55.8 | | | | | 12.6 | | | | | | | | | | | | | | 68.4 | 1.48% |
| Emerging Markets | | | | 208.4 | 225.8 | 37.6 | | | | | | | | | | | | | 0.0 | 471.8 | 10.22% |
| Global ex-UK | | | | | | | 392.7 | | | | | | | | | | | | | 392.7 | 8.51% |
| Global inc-UK | | | | | | | | | | | | | | | | | | 32.0 | | 32.0 | 0.69% |
| Total Overseas | 280.3 | 0.0 | 0.0 | 208.4 | 225.8 | 338.8 | 392.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 32.0 | 0.0 | 1478.0 | 32.0% |
| Total Equities | 478.2 | 185.4 | 194.1 | 208.4 | 225.8 | 351.9 | 392.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 32.0 | 0.0 | 2068.5 | 44.8% |
| DGFs | | | | | | | | | | | 137.4 | 240.1 | 226.0 | | | | | | | 603.5 | 13.1% |
| Hedge Funds | | | | | | | | | 215.8 | 1.8 | | | | | | | | | | 217.6 | 4.7% |
| MAC | | | | | | | | | | | | | | 194.0 | | | | | | 194.0 | 4.2% |
| Property | | | | | | | | | | | | | | | 207.3 | 205.0 | | | | 412.3 | 8.9% |
| Infrastructure | | | | | | | | | | | | | | | | | 259.6 | | | 259.6 | 5.6% |
| BONDS | | | | | | | | | | | | | | | | | | | | 0.0 | 0.0% |
| Index Linked Gilts | 500.9 | | | | | | | | | | | | | | | | | | | 500.9 | 10.9% |
| Conventional Gilts | | | | | | | | | | | | | | | | | | | | 0.0 | 0.0% |
| Corporate Bonds | 83.2 | | | | | | | 133.0 | | | | | | | | | | | | 216.2 | 4.7% |
| Overseas Bonds | | | | | | | | | | | | | | | | | | | | 0.0 | 0.0% |
| Total Bonds | 584.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 133.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 717.1 | 15.5% |
| Cash | 5.2 | 0.4 | 14.0 | | | 1.7 | | | | | | | | | 3.9 | | | | 91.0 | 116.2 | 2.5% |
| FX Hedging | | | | | | | | | | | | | | | | | | 27.6 | | 27.6 | 0.6% |
| TOTAL | 1067.5 | 185.8 | 208.1 | 208.4 | 225.8 | 353.6 | 392.7 | 133.0 | 215.8 | 1.8 | 137.4 | 240.1 | 226.0 | 194.0 | 211.2 | 205.0 | 259.6 | 59.6 | 91.0 | 4616.4 | 100.0% |

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AVON PENSION FUND

PANEL INVESTMENT PERFORMANCE REPORT QUARTER TO 30 SEPTEMBER 2017

NOVEMBER 2017

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IMPORTANT NOTICES

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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.
- Where the investment is via a fund of funds the investment manager typically has to rely on the underlying managers for valuations of the interests in their funds.
- 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.

CONTENTS

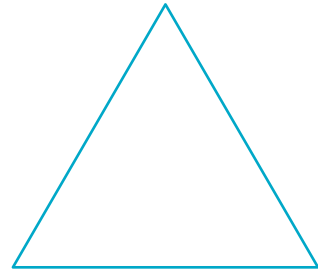
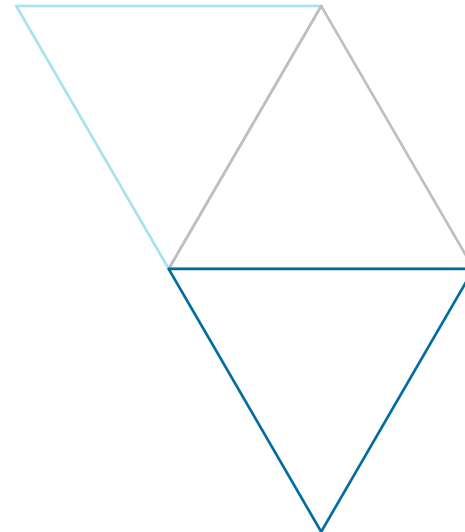
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SECTION 1

EXECUTIVE SUMMARY

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EXECUTIVE SUMMARY

This report has been prepared for the Investment Panel of the Avon Pension Fund (“the Fund”), to assess the performance and risks of the investment managers of the Fund.

Fund Performance

- The value of the Fund’s assets increased by £132m (2.9%) over the third quarter of 2017, to £4,616m at 30 September 2017. This increase was driven by positive returns from most asset classes, in particular equities, property and infrastructure.

Strategy

- Global (developed) equity returns over the last three years were 15.5% p.a., materially ahead of the assumed strategic return of 8.05% p.a. from the review in April 2017. We remain broadly neutral in our medium-term outlook for developed market equities (over the next one to three years). Accommodative monetary policy remains generally supportive of equity markets, but uninspiring earnings growth and political risks in Europe and the UK persist.

Page 81 • The three-year return from emerging market equities has increased to 11.6% p.a. from 11.1% p.a. last quarter. It is above the assumed strategic return of 8.70% p.a. as returns have been strong over the last year and fundamentals have improved. As with developed markets, we are neutral in our medium-term outlook for emerging market equities over the next one to three years.

- The material improvement in the Fund’s funding position, which has largely been a result of strong equity returns, combined with the current market outlook, led to the Committee agreeing to decrease the strategic allocation to equities and to implement an equity protection strategy (more details overleaf).
- UK government bond returns over the three-year period remain significantly above the long-term assumed strategic returns as investor demand for gilts remains high. Fixed interest gilts returned 9.5% p.a. versus an assumed return of 1.90% p.a. and index-linked gilts returned 10.8% p.a. versus an assumed return of 2.15% p.a. Gilt yields rose slightly over the quarter, resulting in neutral or small negative returns from gilts.
- UK corporate bonds returned 5.9% p.a. over the three-year period against an assumed strategic return of 3.25% p.a.
- The three-year UK property return of 9.5% p.a. remains substantially above the assumed return of 5.75% p.a.
- Hedge fund returns remain below long-term averages and the strategic return of 5.10% p.a., having been affected by low cash rates. Active managers in general have struggled to generate meaningful returns in recent times.
- The Fund’s currency hedging policy was positive overall for Fund performance, since Sterling rose against the US Dollar and Japanese Yen over the quarter, but fell against the Euro.

EXECUTIVE SUMMARY

Managers

- Manager absolute returns over the quarter were largely positive. The exceptions were Pyrford and JP Morgan, who delivered returns of -0.6% and -1.9% respectively. Genesis and Invesco produced the highest returns over the quarter, both above 3%.
- Absolute returns over the year to 30 September 2017 were strong. All mandates, aside from the BlackRock corporate bond and matching (LDI) mandates, delivered positive absolute return, with overseas equities mandates leading the way, partly driven by the significant weakening of sterling over 2016. In terms of relative performance, out of the active equity managers, only Schroders and Invesco outperformed their benchmarks over the year. Of those underperforming, the emerging markets equities mandates with Unigestion and Genesis delivered the most significant underperformance. The underperformance for both of these strategies has been driven by their respective style biases, since Unigestion has a 'low market beta' tilt and Genesis has a 'quality' bias, both of which would be expected to result in underperformance versus the broader market during a rallying equity market.
- Over the three-year period all mandates with a three-year track record produced positive absolute returns. A number of active funds underperformed their benchmarks over the period: Genesis, Unigestion, Pyrford, Schroder property and Partners (see comments on the measurement of Partners' performance later). Jupiter, TT and Schroder global equities failed to achieve their performance objectives, but did outperform their respective benchmarks, net of fees. Invesco and RLAM achieved their performance targets.
- Broadly speaking, the Fund's active equity managers have a tilt towards quality and low volatility style factors, along with a lack of exposure to value. Over the three-year period, high quality, defensive stocks have underperformed the broader market, which may help to explain the recent underperformance of some of the Fund's active equity mandates. However, over the calendar year as a whole, defensive stocks have outperformed value stocks.

Key Points for Consideration

- The liability risk management strategy went live at the beginning of the quarter, with the Fund's gilts switched into the QIF structure at BlackRock and the de-risking triggers turned on. A number of inflation triggers were subsequently hit during the quarter and the implied levels of hedging were implemented. Full details of this strategy are included in the new risk management report.
- The implementation of the following strategic changes agreed by the Committee took place over the quarter:
 - 1) Switch from equities to a new Diversified Growth Fund ("DGF") mandate, managed by Ruffer.
 - 2) Switch from equities and corporate bonds to a Multi-Asset Credit ("MAC") mandate, managed by Loomis Sayles.
- The agreed equity protection strategy is being implemented during Q4 2017.

EXECUTIVE SUMMARY

MANAGER INFORMATION

| Manager | Mandate | Research Rating | Short Term Performance (1 year) | Long Term Performance (3 year) | ESG | Page |
|--------------------------|--------------------------|------------------------------------------------------------------------|---------------------------------|--------------------------------|-----|------|
| BlackRock | Equity | ✓ | ✓ | ✓ | P2 | 25 |
| BlackRock | Corporate Bond | ✓ | ✗ | ✓ | P2 | 25 |
| BlackRock | LDI | ✓ | ✓ | ✓ | P2 | 25 |
| Jupiter | UK Equities | - | ✗ | - | 2 | 26 |
| TT International | UK Equities | - | ✗ | - | 3 | 27 |
| Schroder | Global Equities | ✓ | - | - | 2 | 28 |
| Genesis | Emerging Market Equities | ✓ | ✗ | ✗ | 3 | 29 |
| Unigestion | Emerging Market Equities | - | ✗ | ✗ | N | 30 |
| Invesco | Global ex-UK Equities | ✓ | ✓ | ✓ | 4 | 31 |
| Pyram | DGF | - | ✗ | ✗ | N | 34 |
| Standard Life | DGF | - | ✗ | N/A | 4 | 35 |
| Meets criteria | ✓ | A or B+ rating; achieved performance target | | | | |
| Partially meets criteria | - | B, N or R rating; achieved benchmark return but not performance target | | | | |
| Does not meet criteria | ✗ | C rating; did not achieve benchmark | | | | |

Focus Points

- Schroder has announced that Frank Thormann has been hired for a Portfolio Manager position. See page 28 for details.
- A number of the active equity managers (Jupiter, TT International, Genesis and Unigestion) have underperformed their benchmarks over the longer-term. In some cases this can be explained by the managers' style tilts underperforming the wider market, for example Unigestion has a low-volatility tilt, which has detracted. However, in other cases the underperformance is less explainable, for example Genesis has a quality tilt and quality stocks have outperformed the wider market over the year to date.
- A general lack of exposure to value stocks across all managers has detracted over the three-year period.

EXECUTIVE SUMMARY

MANAGER INFORMATION CONTINUED

| Manager | Mandate | Research Rating | Short Term Performance (1 year) | Long Term Performance (3 year) | ESG | Page |
|----------------------------|---------------------|------------------------------------------------------------------------|---------------------------------|--------------------------------|-----|------|
| Ruffer | DGF | ✓ | N/A | N/A | 3 | 36 |
| JP Morgan | Fund of Hedge Funds | ✓ | ✓ | N/A | 4 | 38 |
| Schroder | UK Property | - | ✗ | ✗ | 3 | 41 |
| Partners | Global Property | ✓ | ✗ | ✗ | 4 | 42 |
| IFM | Infrastructure | ✓ | ✓ | N/A | 2 | 43 |
| Loomis Sayles | Multi-Asset Credit | ✓ | N/A | N/A | 3 | 44 |
| RLAM | Bonds | ✓ | ✓ | ✓ | 3 | 45 |
| Record Currency Management | Currency Hedging | - | N/A | N/A | N | 46 |
| Meets criteria | ✓ | A or B+ rating; achieved performance target | | | | |
| Partially meets criteria | - | B, N or R rating; achieved benchmark return but not performance target | | | | |
| Does not meet criteria | ✗ | C rating; did not achieve benchmark | | | | |

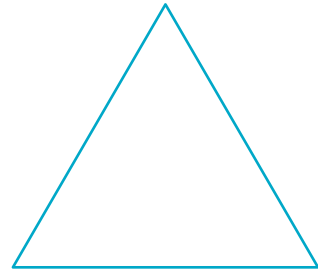
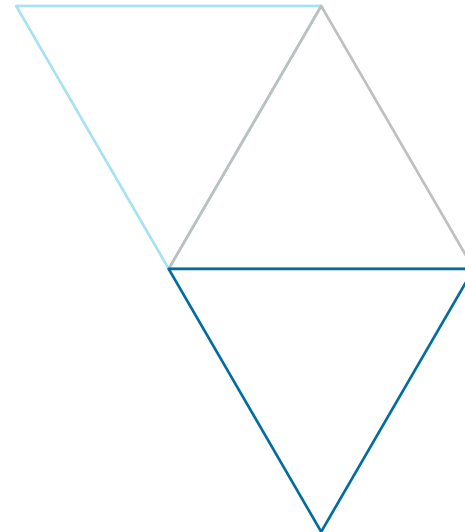
Focus Points

- We have upgraded Loomis' World Credit Asset Fund ESG rating to ESG3. See page 44 for details.
- Partners' performance target is 10% p.a. and benchmark taken as 8% p.a. (estimated net IRR, in local currency terms).

SECTION 2

MARKET BACKGROUND

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MARKET BACKGROUND INDEX PERFORMANCE

Equity Market Review

All major equity markets moved higher over the quarter in local currency and sterling terms. Emerging Markets equities were the strongest performing region, posting gains of 7.6% in local currency terms, and 4.5% in sterling terms.

Within UK equities, small capitalisation stocks outperformed larger capitalization stocks over the quarter, returning 3.0% against a return of 2.1% for the broader market. UK economic growth is estimated to have increased by 0.3% to Q2 2017. Brexit negotiations continued with little progress whilst consumer confidence and household spending fell. Year on year CPI rose from 2.7% to 2.9% to the end of August.

Within global equity markets, US equities performed well amid continued strong household spending, business investment and a healthy job market. In September, the Federal Reserve announced the start of its balance sheet reduction programme and reiterated that a rate hike is still expected in Q4 this year, despite core inflation and wage growth remaining at low levels. The Eurozone continued its recovery, benefitting from strong manufacturing and high business and consumer confidence levels, particularly following the German elections. In Japan, President Abe called for a snap general election in October, whilst North Korea's nuclear tests weighed on market sentiment and added to market volatility. Emerging markets rallied over the quarter, driven by higher commodity prices, a weak US dollar and promising corporate earnings growth. Latin America led performance within emerging markets, with Brazil in particular benefiting from increased oil prices, positive macroeconomic data releases and some political progress.

Bond Market Review

Bond market returns were mixed over the quarter. Strong demand for risk assets boosted global corporate credit, emerging market debt and high yield bond returns, which were all positive in local currency terms. However, due to sterling appreciation over the quarter, returns were weaker in sterling terms and even negative for some credit assets.

In the UK, gilt yields rose, particularly at the short end of the curve. The Over 15 Year Gilt Index underperformed the broader global bond market, generating a negative return of 0.5%, over the quarter.

Real yields also rose marginally over the quarter. The Over 5 Year Index-Linked Gilts Index fell 0.8% over the quarter.

Movements in credit spreads were marginal over the quarter, with the Sterling Non-Gilts All Stocks Index ending the quarter at c.1.0%. UK credit assets returned 0.1% over the quarter, which was inferior to the return of global credit in local currency terms.

Currency Market Review

Over the quarter, sterling appreciated against the dollar and marginally more so against the Yen (by 3.3% and 3.5% respectively). Sterling depreciated against the euro over the quarter by 0.3%. The same trends hold when compared to six months and one year ago.

Commodity Market Review

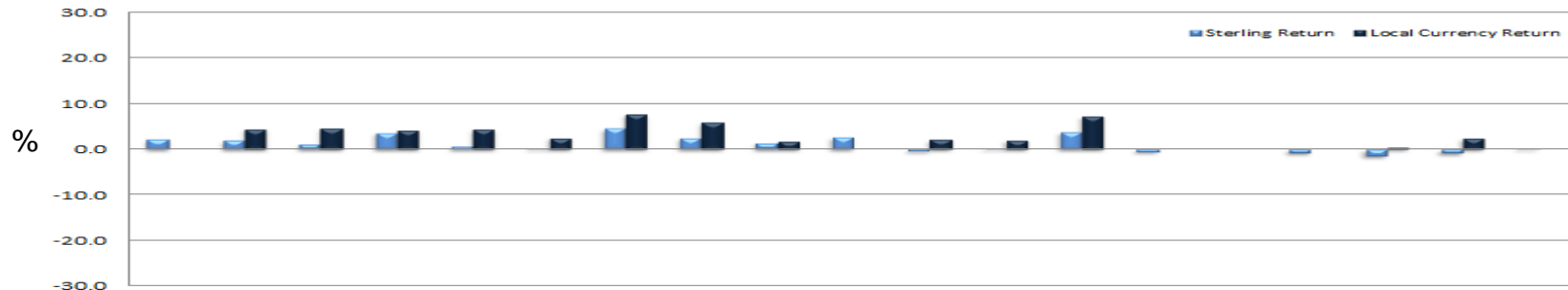
Commodities produced mixed returns over the quarter, with the overall index rising by 7.2% in US dollar terms. Energy was the strongest performer, instigated by the increase in the Brent Crude Oil price, from US\$ 47.82/barrel to US\$ 57.6/barrel following increased Chinese demand, temporary supply disruptions from Hurricane Harvey and added pressure from Turkey's threat to Iraqi Kurdistan's crude exports.

Industrial metals were also strong over the quarter, with nickel and copper rising by 11.4% and 8.5% respectively amid robust Chinese demand. The price of gold increased from c.\$1,244/oz to c.\$1,284/oz over the quarter.

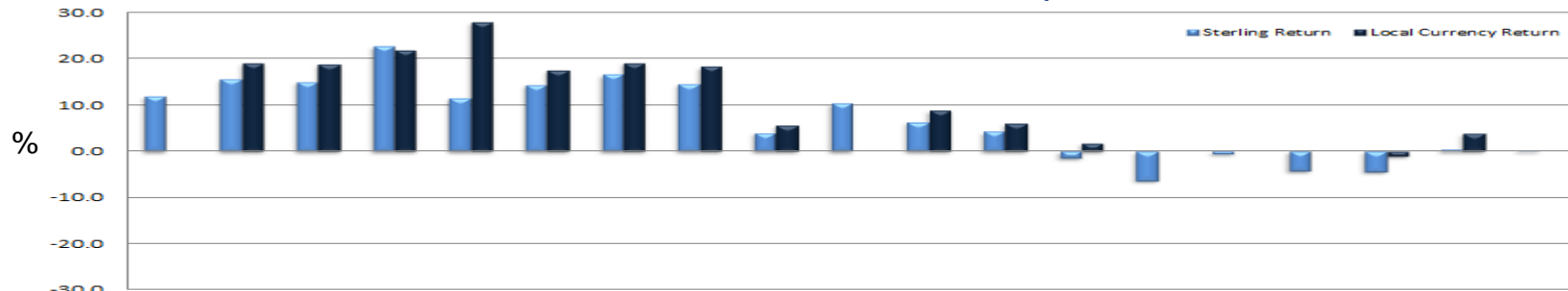
Source: Thomson Reuters Datastream.

MARKET BACKGROUND INDEX PERFORMANCE

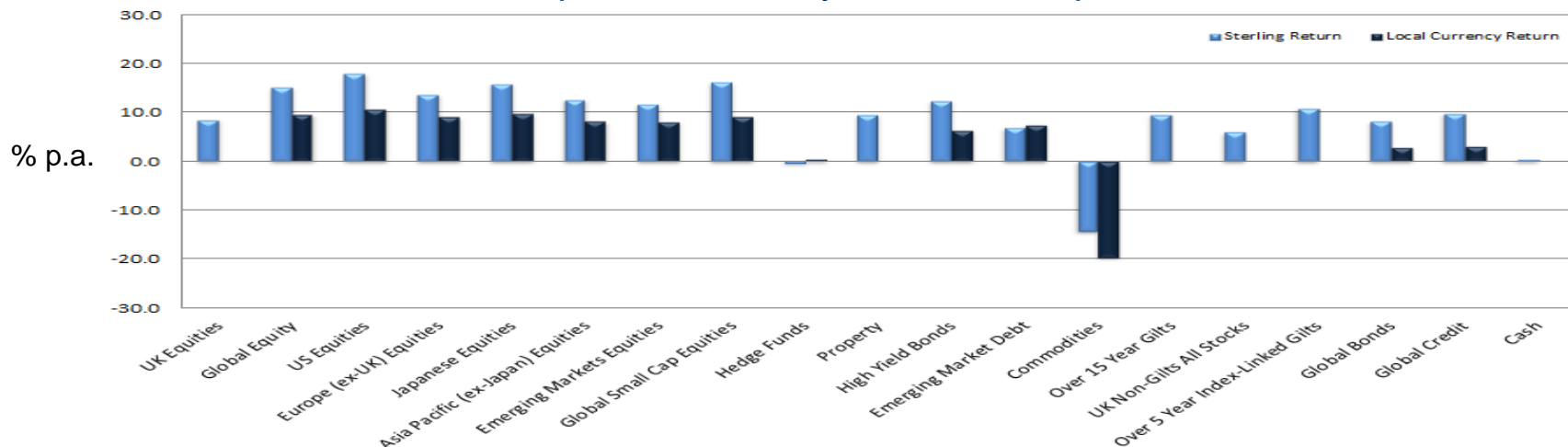
Return over the 3 months to 30 September 2017



Return over the 12 months to 30 September 2017



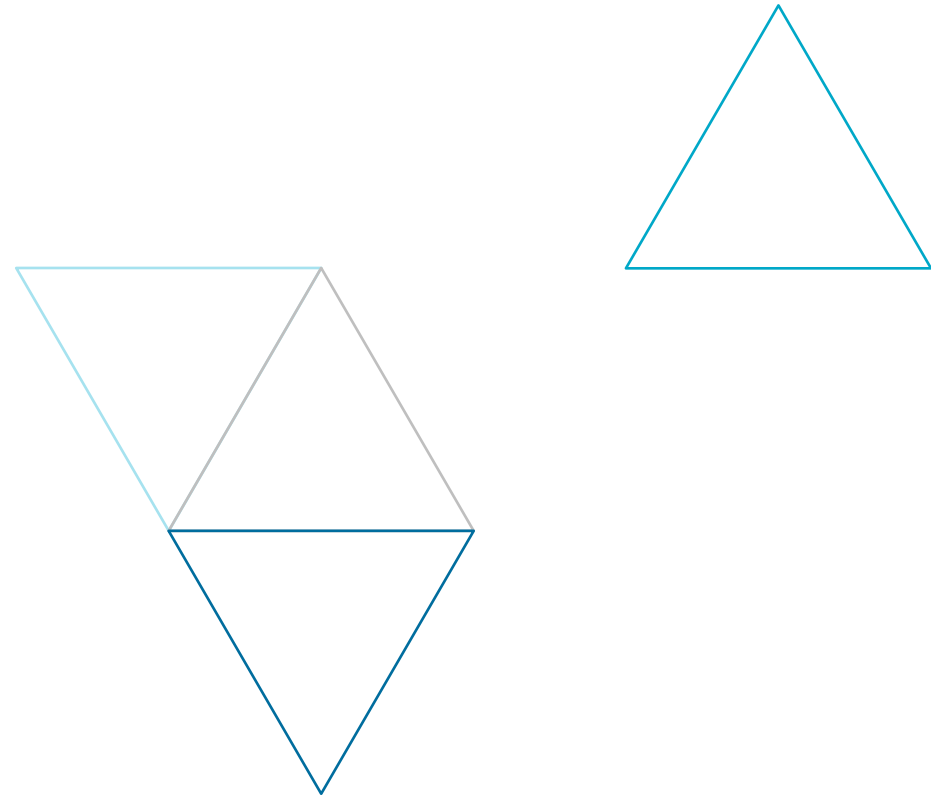
Return p.a. over the 3 years to 30 September 2017



SECTION 3

STRATEGIC ASSUMPTIONS

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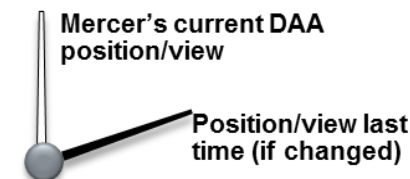
MARKET BACKGROUND

INDEX PERFORMANCE VERSUS STRATEGY

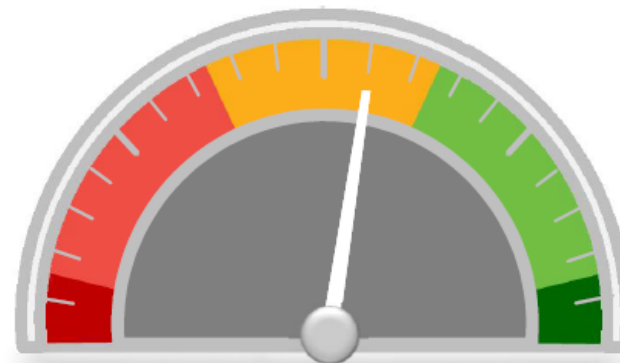
| Asset Class | Strategy Assumed Return % p.a. | 3 year Index Return % p.a. | Comment |
|------------------------------------------------------------------------------|-----------------------------------|-------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Developed Equities (Global) (FTSE All-World Developed) | 8.05 | 15.5 | Remains significantly ahead of the assumed strategic return. This has decreased from 16.0% p.a. last quarter as the latest quarter's return of 1.6% was lower than the 3.2% return of Q3 2014, which fell out of the 3 year return. |
| Emerging Market Equities (FTSE AW Emerging) | 8.70 | 11.6 | The three year return from emerging market equities has increased from 11.1% p.a. last quarter, as the return of 4.5% experienced last quarter was higher than the quarter that fell out of the period (3.2%). The three year return is above the assumed strategic return. |
| Diversified Growth | 6.95 (Libor + 4% / RPI + 5%) | 6.0 (4.5 / 7.2) | DGFs are expected to produce an equity like return over the long term but with lower volatility – this is the basis for the Libor and RPI based benchmarks. Low cash rates and low inflation means that both benchmarks have significantly underperformed the long term expected return from equity. An absolute strategic return of 6.95% has been used, along with the specific manager targets for comparison. During periods of strong equity returns we would expect DGFs to underperform equities. |
| UK Gilts (FTSE Actuaries Over 15 Year Gilts) | 1.90 | 9.5 | UK gilt returns remain considerably above the long term strategic assumed return as yields remain low relative to historic averages. Over Q3, returns were negative as yields increased marginally, leading to a decrease of the long-term returns. Corporate bond returns are also ahead of the strategic assumed return. |
| Index Linked Gilts (FTSE Actuaries Over 5 Year Index-Linked Gilts) | 2.15 | 10.8 | |
| UK Corporate Bonds (BofAML Sterling Non Gilts) | 3.25 | 5.9 | |
| Fund of Hedge Funds (HFRX Global Hedge Fund Index) | 5.10 | -0.4 | Hedge fund returns remain below long term averages and the strategic return, as they are affected by low cash rates. It should be noted that the index includes a wide variety of strategies that may have had very divergent returns. |
| Property (IPD UK Monthly) | 5.75 | 9.5 | Property returns continue to be ahead of the expected returns. Slowing rental growth post-Brexit has meant fundamentals have weakened and a more cautious outlook may be required. Nevertheless, property returned 2.7% over the third quarter of 2017. |
| Infrastructure (S&P Global Infrastructure) | 6.95 | 12.8 | Infrastructure returns are well above the expected returns, driven by a strong return in the first half of 2016. This return was in part driven by currency as sterling depreciated significantly following the EU Referendum. Returns of this index have been largely driven by currency moves. The 100% hedge in place for the infrastructure mandate removes the currency effect from the actual returns earned. This is also true for the global property mandate with Partners. |

DYNAMIC ASSET ALLOCATION (DAA) DASHBOARD – Q4 2017

- Extremely Unattractive
- Unattractive
- Neutral
- Attractive
- Extremely Attractive



DEVELOPED MARKET EQUITIES



EMERGING MARKET EQUITIES

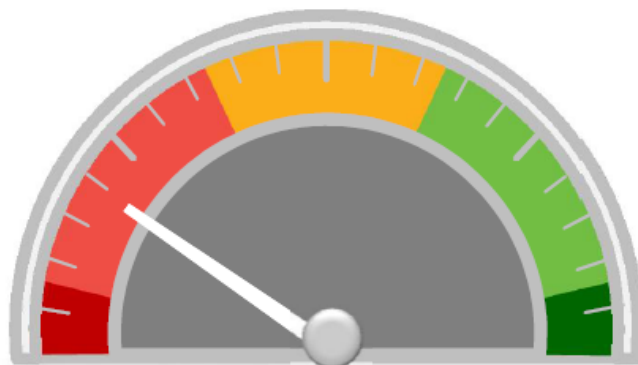
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- ✓ Strong global economic data continues to support developed equity markets
 - ✓ Relatively loose monetary policy remains supportive of equity markets, albeit gradual tightening by central banks is expected.
 - ⚠ Valuations are starting to appear stretched, while geopolitical issues remain a key risk in the short term
- ✓ Continue to be supported by strong economic fundamentals whilst valuations remain around their long-term averages
 - ✓ Resilience to developed market shocks is increasingly evident as domestically-driven growth continues
 - ⚠ North Korea geopolitics and Chinese credit tightening present potential headwinds to this asset class

These charts summarise Mercer's views on the medium term outlook for returns from the key asset classes; by medium term we mean one to three years. These views are relevant for reflecting medium term market views in determining appropriate asset allocation. We do not expect investors to make frequent tactical changes to their asset allocation based upon these views. These are also based from the view of an absolute return investor, and so do not take into account pension scheme liabilities.

DYNAMIC ASSET ALLOCATION (DAA) DASHBOARD – Q4 2017

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FIXED INTEREST GILTS (ALL STOCK)



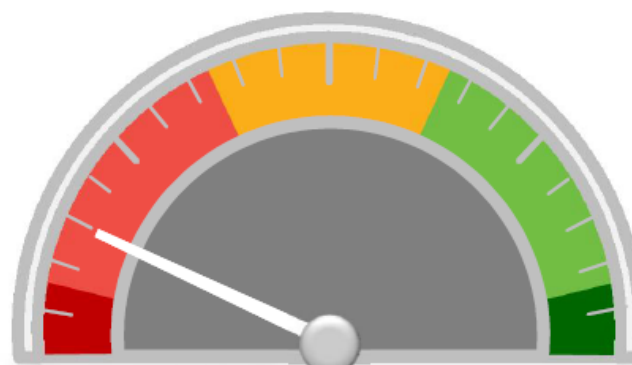
Geopolitical uncertainties could result in safe haven demand, restricting yields from increasing significantly



The market continues to be sensitive to monetary policy as demonstrated by the recent yield spikes



Valuations remain expensive with yields extremely low relative to historic averages



INDEX-LINKED GILTS



Expectations of growth and inflationary increases improve the outlook, albeit inflation has been below expectations



Valuations remain expensive as real yields remain extremely low relative to long-term averages

DYNAMIC ASSET ALLOCATION (DAA) DASHBOARD – Q4 2017

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NON-GOVERNMENT BONDS (£ ALL-STOCK)



Credit spreads have tightened, but provide some coverage given expectations that the downgrade environment should remain benign



Prospective total returns are limited and yields remain historically low, as do credit spreads



Hawkish signals from the BoE could give rise to further market volatility, albeit generally shorter duration relative to government bonds



UK PROPERTY



Values are being supported by capital markets, whilst the industrial sector is performing strongly and rental growth is expected to be strong



Concerns surrounding Brexit negotiations remain a key risk to occupiers.

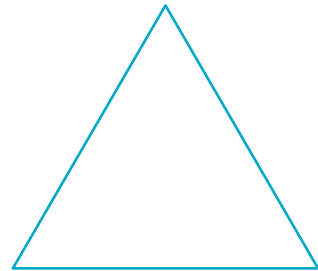
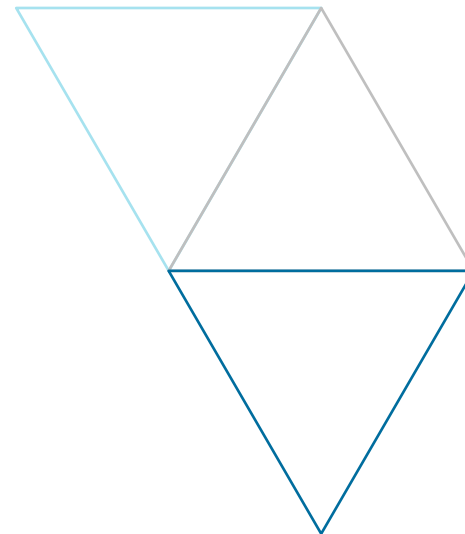


Fundamentals appear to be showing early signs of weakness whilst yields remain low, but not compared to bonds

SECTION 4

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FUND VALUATIONS



FUND VALUATIONS

VALUATION BY ASSET CLASS

| Asset Allocation | | | | | | | | | |
|---------------------------------------|--------------------------|------------------------|----------------------|--------------------|--------------------------------|--------------|---|-----|----------------|
| Asset Class | Start of Quarter (£'000) | End of Quarter (£'000) | Start of Quarter (%) | End of Quarter (%) | Target Strategic Benchmark (%) | Ranges (%) | | | Difference (%) |
| Developed Market Equities | 1,794,034 | 1,596,692 | 40.0 | 34.6 | 34.0 | 29 | - | 39 | +0.6 |
| Emerging Market Equities | 424,359 | 434,208 | 9.5 | 9.4 | 6.0 | 3 | - | 9 | +3.4 |
| Diversified Growth Funds | 378,846 | 603,476 | 8.4 | 13.1 | 15.0 | 10 | - | 20 | -1.9 |
| Fund of Hedge Funds | 220,527 | 217,548 | 4.9 | 4.7 | 5.0 | 0 | - | 7.5 | -0.3 |
| Property | 395,757 | 412,426 | 8.8 | 8.9 | 10.0 | 5 | - | 15 | -1.1 |
| Infrastructure | 259,393 | 259,560 | 5.8 | 5.6 | 5.0 | 0 | - | 7.5 | +0.6 |
| Multi Asset Credit | - | 194,000 | - | 4.2 | 11.0 | 6 | - | 16 | -6.8 |
| Corporate Bonds | 344,522 | 213,412 | 7.7 | 4.6 | 2.0 | No set range | | | +2.6 |
| LDI | 500,638 | 511,298 | 11.2 | 11.1 | 12.0 | No set range | | | -0.9 |
| Cash (including currency instruments) | 166,329 | 173,563 | 3.7 | 3.8 | - | 0 | - | 5 | +3.8 |
| Total | 4,484,616 | 4,616,239 | 100.0 | 100.0 | 100.0 | | | | 0.0 |

Source: BNY Mellon, Mercer. Green numbers indicate the allocation is within tolerance ranges, whilst red numbers indicate the allocation is outside of tolerance ranges.

- Invested assets increased over the quarter by £132m due to positive returns from most asset classes. At the end of the quarter, all asset classes were within the agreed tolerance ranges except EM equities and the newly funded Multi Asset Credit mandate with Loomis Sayles. This has been implemented in two tranches, with the second tranche completed on 20 October 2017.

FUND VALUATIONS

VALUATION BY MANAGER

Manager Allocation

| Manager | Asset Class | Start of Quarter (£'000) | Cashflows (£'000) | End of Quarter (£'000) | Start of Quarter (%) | End of Quarter (%) |
|------------------|-----------------------------------------------|--------------------------|-------------------|------------------------|----------------------|--------------------|
| BlackRock | Equities | 468,029 | -5,611 | 470,516 | 10.4 | 10.2 |
| BlackRock | Corporate Bonds | 80,731 | -112 | 80,422 | 1.8 | 1.7 |
| BlackRock | LDI | 506,336 | - | 516,471 | 11.3 | 11.2 |
| Jupiter | UK Equities | 204,319 | - | 208,038 | 4.6 | 4.5 |
| TT International | UK Equities | 239,949 | -60,000 | 185,815 | 5.4 | 4.0 |
| Schroder | Global Equities | 343,132 | - | 353,548 | 7.7 | 7.7 |
| Genesis | Emerging Market Equities | 200,626 | - | 208,376 | 4.5 | 4.5 |
| Unigestion | Emerging Market Equities | 223,733 | -62,000 | 225,832 | 5.0 | 4.9 |
| Invesco | Global ex-UK Equities | 385,705 | - | 392,733 | 8.6 | 8.5 |
| SSgA | Europe ex-UK & Pacific inc. Japan Equities | 164,465 | -165,261 | - | 3.7 | - |
| Pyrford | DGF | 138,603 | - | 137,379 | 3.1 | 3.0 |
| Standard Life | DGF | 240,243 | - | 240,097 | 5.4 | 5.2 |

Source: BNY Mellon, Avon. Totals may not sum due to rounding.

FUND VALUATIONS

VALUATION BY MANAGER CONTINUED

| Manager Allocation | | | | | | |
|----------------------------|---------------------|--------------------------|-------------------|------------------------|----------------------|--------------------|
| Manager | Asset Class | Start of Quarter (£'000) | Cashflows (£'000) | End of Quarter (£'000) | Start of Quarter (%) | End of Quarter (%) |
| Ruffer | DGF | - | 226,000 | 226,000 | - | 4.9 |
| MAN | Fund of Hedge Funds | 406 | - | 270 | 0.0 | 0.0 |
| Signet | Fund of Hedge Funds | 1,389 | - | 1,501 | 0.0 | 0.0 |
| JP Morgan | Fund of Hedge Funds | 218,731 | - | 215,777 | 4.9 | 4.7 |
| Schroder | UK Property | 206,066 | - | 211,235 | 4.6 | 4.6 |
| Partners | Property | 195,461 | 14,533 | 204,994 | 4.4 | 4.4 |
| IFM | Infrastructure | 259,393 | - | 259,560 | 5.8 | 5.6 |
| Loomis Sayles | Multi-Asset Credit | - | 194,000 | 194,000 | - | 4.2 |
| RLAM | Bonds | 263,791 | -132,000 | 132,990 | 5.9 | 2.9 |
| Record Currency Management | Currency Hedging | 38,748 | -8,799 | 59,635 | 0.9 | 1.3 |
| Internal Cash | Cash | 104,547 | -192 | 90,994 | 2.3 | 2.0 |
| Total | | 4,484,616 | 557 | 4,616,239 | 100.0 | 100.0 |

Source: BNY Mellon, Avon. Totals may not sum due to rounding.

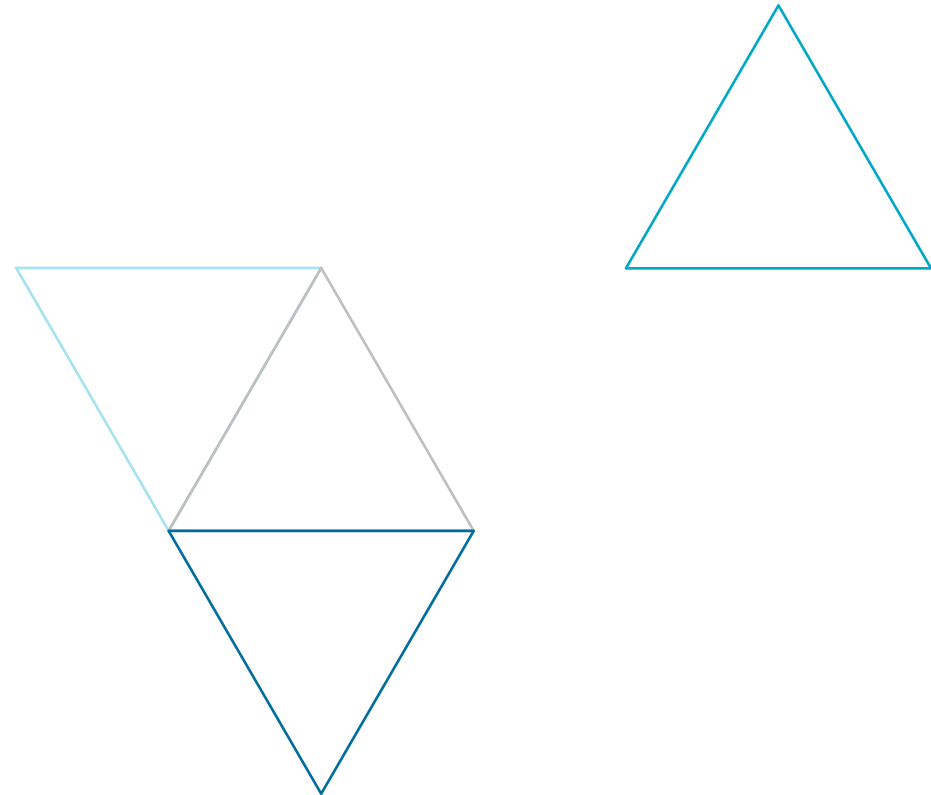
The cashflow column shows only the cash movements within the asset portfolio. It does not include non-investment cash movements such as employer contributions or pension payments made, however these amounts are included in the 'Internal Cash' start and end balance to reflect the asset value position of the total Fund.

SECTION 5

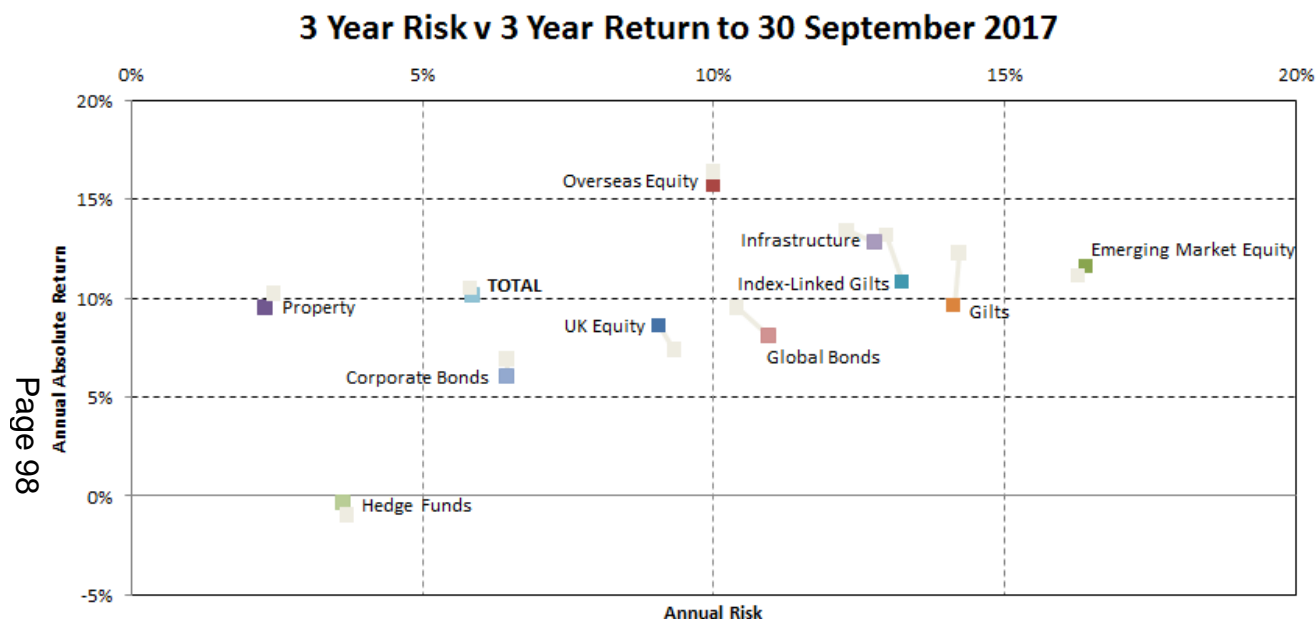
PERFORMANCE

SUMMARY

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MANAGER MONITORING RISK RETURN ANALYSIS



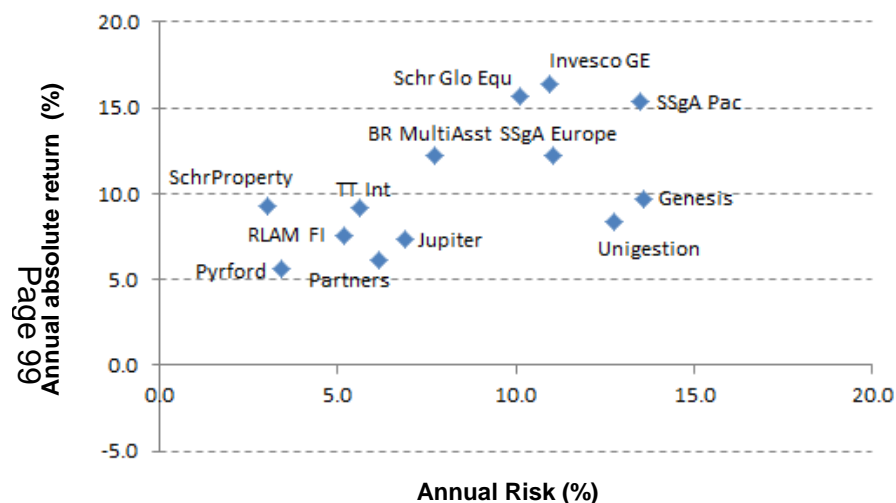
This chart shows the 3 year absolute returns against three year volatility (based on monthly data in sterling terms), to the end of September 2017, for each of the broad underlying asset benchmarks (using the indices set out in the Appendix), along with the total Fund strategic benchmark (using the benchmark indices and allocations from BNY Mellon). We also show the positions as at last quarter, in grey.

Comments

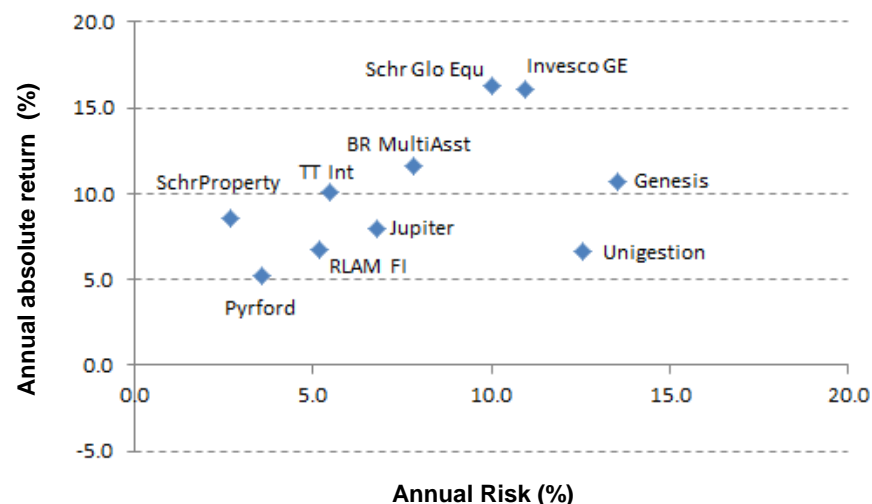
- Changes in observed returns and volatilities over the quarter were very limited. Still, the asset classes saw their 3-year returns broadly decreasing. The major exception to that were the UK equities.

MANAGER MONITORING RISK RETURN ANALYSIS

3 year Risk vs 3 year Return to 30 June 2017



3 year Risk vs 3 year Return to 30 September 2017



Comments

- Unigestion, Genesis, TT and Schroder Global Equity saw their three-year return increasing over the quarter, whilst returns from Invesco and Schroder Property decreased.

Partners performance to 30 September 2017 is unavailable at the time of writing.

MANAGER MONITORING

MANAGER PERFORMANCE TO 30 SEPTEMBER 2017

| Manager / fund | 3 months (%) | | | 1 year (%) | | | 3 year (% p.a.) | | | 3 year outperformance target (% p.a.) | 3 year performance versus target |
|---------------------------|--------------|--------|----------|------------|--------|----------|-----------------|--------|----------|---------------------------------------|----------------------------------|
| | Fund | B'mark | Relative | Fund | B'mark | Relative | Fund | B'mark | Relative | | |
| BlackRock Equities | 2.0 | 2.0 | 0.0 | 15.6 | 15.3 | +0.3 | 13.4 | 13.0 | +0.4 | - | N/A |
| BlackRock Corp Bonds | -0.1 | -0.1 | 0.0 | -2.8 | -2.7 | -0.1 | 8.7 | 8.6 | +0.1 | - | N/A |
| BlackRock LDI | 0.6 | 0.3 | +0.3 | -2.0 | -2.3 | +0.3 | 8.7 | 8.7 | 0.0 | - | N/A |
| Jupiter | 1.8 | 1.4 | +0.4 | 10.1 | 11.1 | -0.9 | 8.3 | 8.3 | +0.1 | +2 | Target not met |
| TT International | 2.9 | 2.1 | +0.8 | 11.0 | 11.9 | -0.8 | 10.3 | 8.5 | +1.7 | +3-4 | Target not met |
| Schroder Equity | 3.1 | 2.0 | +1.0 | 17.3 | 15.5 | +1.6 | 16.6 | 15.1 | +1.3 | +4 | Target not met |
| Genesis | 3.9 | 4.6 | -0.7 | 16.3 | 19.0 | -2.3 | 10.5 | 12.1 | -1.4 | - | Target not met |
| Unigestion | 0.9 | 4.5 | -3.4 | 9.6 | 18.6 | -7.6 | 6.8 | 11.7 | -4.4 | +2-4 | Target not met |
| Invesco | 3.3 | 1.5 | +1.8 | 18.0 | 14.7 | +2.9 | 16.7 | 15.3 | +1.2 | +0.5 | Target met |
| SSgA Europe (terminated) | 1.9 | 3.7 | -1.7 | 22.3 | 22.5 | -0.2 | 14.0 | 13.7 | +0.3 | +0.5 | Target not met |
| SSgA Pacific (terminated) | -0.3 | 0.6 | -0.9 | 12.9 | 12.6 | +0.2 | 14.6 | 14.4 | +0.1 | +0.5 | Target not met |
| Pyrford | -0.6 | 2.3 | -2.8 | 2.1 | 9.0 | -6.4 | 5.5 | 7.3 | -1.7 | - | Target not met |
| Standard Life # | 0.1 | 1.4 | -1.2 | 3.0 | 5.5 | -2.4 | N/A | N/A | N/A | - | N/A |
| JP Morgan | 1.9 | 0.8 | +1.0 | 5.7 | 3.4 | +2.2 | N/A | N/A | N/A | - | N/A |
| Schroder Property | 2.5 | 2.4 | +0.1 | 8.9 | 9.3 | -0.4 | 8.3 | 8.9 | -0.6 | +1 | Target not met |
| Partners Property * | N/A | N/A | N/A | N/A | N/A | N/A | 7.3** | 10.0** | -2.5** | - | Target not met |
| IFM | 4.2 | 0.7 | +3.4 | 17.5 | 3.0 | +14.0 | 13.5** | 3.1** | +10.1** | - | N/A |
| RLAM | 0.4 | 0.1 | +0.3 | 2.5 | -0.2 | +2.7 | 6.8 | 5.9 | +0.8 | +0.8 | Target met |
| Internal Cash * | 0.0 | 0.0 | 0.0 | -1.5 | 0.2 | -1.6 | -0.3 | 0.3 | -0.5 | - | N/A |

- Source: BNY Mellon, Avon, Mercer estimates.
- **Returns are in GBP terms**, consistent with overall fund return calculations before currency hedging is applied, **except for JP Morgan, Partners and IFM, whose performance is shown as IRR in local currency terms.**
- In the relative performance columns, returns in blue text exceeded their respective benchmarks, those in red underperformed, and black text shows performance in line with benchmark.
- In the table above, and throughout this report, relative returns have been calculated geometrically (i.e. the portfolio return is divided by the benchmark return) rather than arithmetically (where the benchmark return is subtracted from the portfolio return).
- In the table above, Partners performance is measured against an IRR target of 10% p.a.
- A summary of the benchmarks for each of the mandates is given in Appendix 1.

* Performance to 30 June 2017 as this is the latest date that this is available to.

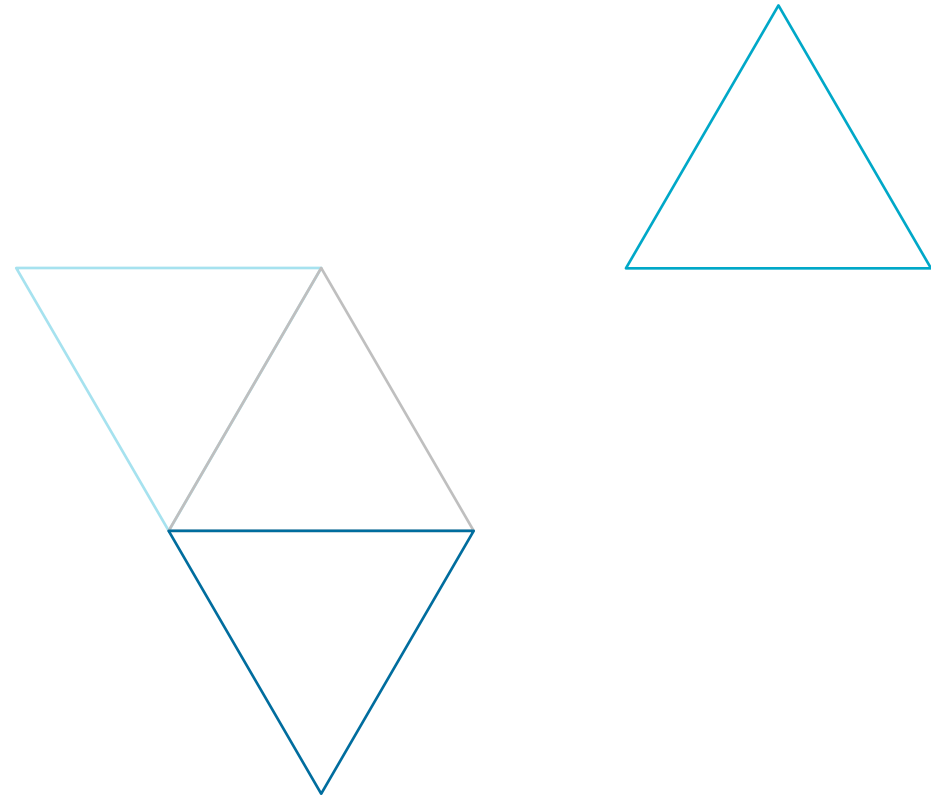
** Performance is shown since inception.

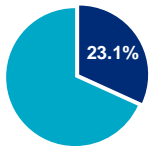
Performance figures for Standard Life are shown gross of fees, whereas monetary changes reflect net of fee performance.

SECTION 6

MANAGER PERFORMANCE

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BLACKROCK – PASSIVE MULTI-ASSET (POOLED EQUITIES, SEGREGATED BONDS)

£1,067.5M END VALUE (£1,055.3M START VALUE)

Item Monitored

Outcome

Mercer Rating



A (no change over period under review).
ESGp2 for equities

Performance Objective
In line with the benchmark



Portfolios performed broadly in line with their
benchmarks over three years

Manager Research and Developments

- BlackRock Equities returned 2.0% in Q3, Corporate Bonds -0.1% and the LDI Portfolio 0.6%. All performed broadly in line with their benchmarks as expected. Returns over one and three year periods were within the tracking error ranges.

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Reason for investment

To provide asset growth as part of a diversified portfolio

Reason for manager

- To provide low cost market exposure across multi asset classes
- Provide efficient way for rebalancing between bonds and equities within a single portfolio

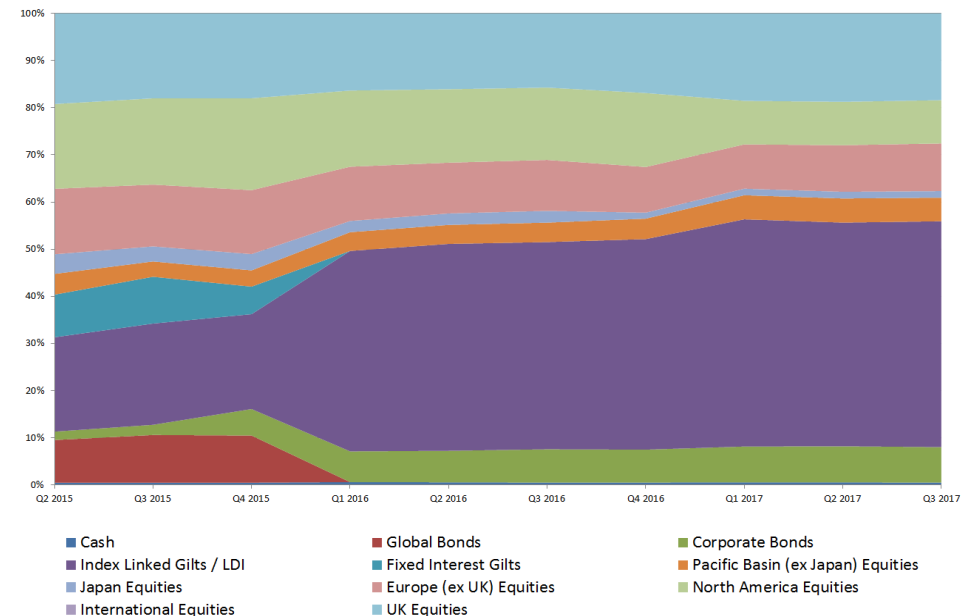
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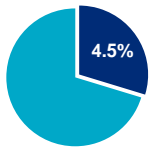
Performance

| | Quarter (%) | | 1-Year (%) | | 3-Year (% p.a.) | |
|-----------------|-------------|-----------|------------|-----------|-----------------|-----------|
| | Fund | Benchmark | Fund | Benchmark | Fund | Benchmark |
| Equities | 2.0 | 2.0 | 15.6 | 15.3 | 13.4 | 13.0 |
| Corporate Bonds | -0.1 | -0.1 | -2.8 | -2.7 | 8.7 | 8.6 |
| LDI * | 0.6 | 0.3 | -2.0 | -2.3 | 8.7 | 8.7 |

* LDI portfolio includes legacy Index-Linked Gilts and the new LDI portfolio. Full details on the Index-Linked Gilts purchased in July will be provided in this quarter's full LDI report.

Asset Allocation





JUPITER ASSET MANAGEMENT – UK EQUITIES (SRI) (SEGREGATED)

£208.0M END VALUE (£204.3M START VALUE)

Item Monitored

Outcome

| | |
|----------------------------------------------------------|----------------------------------------------------------|
| Mercer Rating | ● B (no change over period under review). ESG2 |
| Performance Objective <i>Benchmark +2% p.a.</i> | ● Underperformed benchmark by 0.1% p.a. over three years |
| Tracking error was 4.6% p.a. – <i>source: Jupiter</i> | Number of stocks: 58 |

Manager Research and Developments

- Jupiter outperformed its benchmark over the quarter by 0.4%. Jupiter's performance was below TT's - the other UK equity fund invested in by the Fund.
- Over the quarter key contributors were Thomas Cook, Victrex and Intertek, all of whom benefitted from improving trading outlooks. Detractors included Augean which traded lower due to a dispute with HM Treasury regarding landfill tax payments, and Shire, which was relatively weak due to the longer term outlook around its product pipeline. Strong performance from the Oil & Gas and Mining sectors was partially countered by weakness in the Tobacco sector. These are all sectors which the portfolio does not invest in.
- Jupiter underperformed the benchmark by 0.9% over the year but outperformed by 0.1% p.a. over the three years to 30 September 2017.

Reason for investment

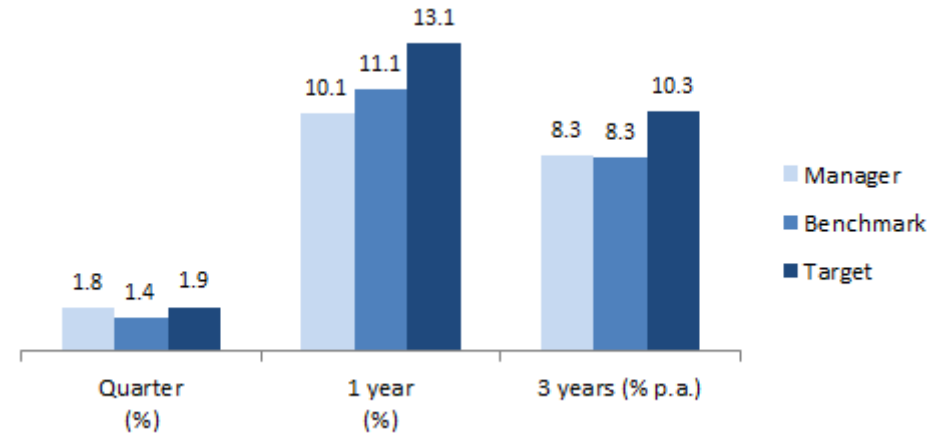
To provide asset growth as part of a diversified equity portfolio and to provide a specific SRI allocation

Reason for manager

- Clear and robust approach to evaluating SRI factors within the investment process
- Dedicated team of SRI analysts to research SRI issues and lead engagement and voting activities
- Corporate commitment to SRI investment approach within a more mainstream investment team

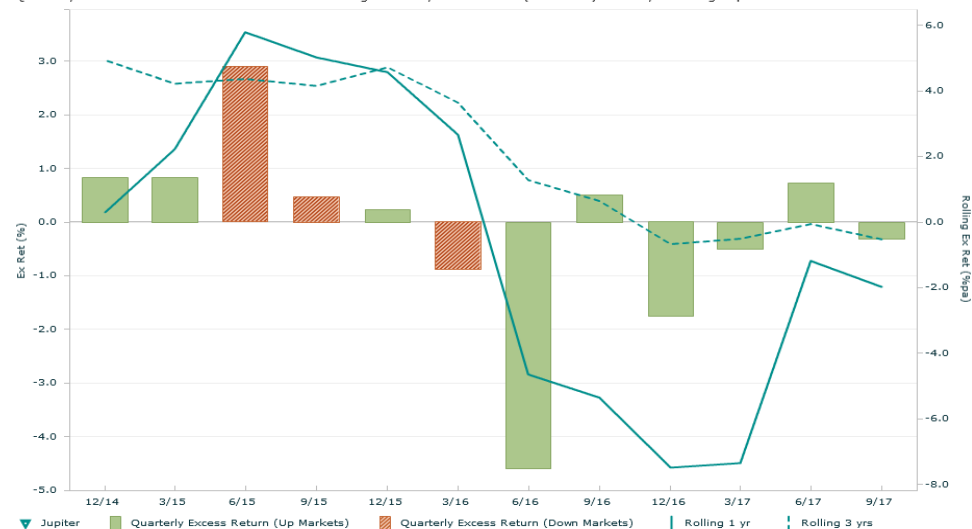
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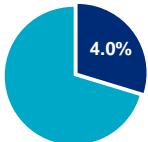
Performance



Rolling relative returns

Quarterly Excess Return vs. FTSE All Share with rolling 1 and 3 yr lines in GBP (after fees) over 3 yrs ending September-17





TT INTERNATIONAL – UK EQUITIES (UNCONSTRAINED) (SEGREGATED)

£185.8M END VALUE (£239.9M START VALUE)

Item Monitored

Outcome

Mercer Rating



B (no change over period under review). ESG3

Performance Objective
Benchmark +3-4% p.a.



Outperformed benchmark by 1.7% p.a. over three years

Three year tracking error was
3.6% p.a. – source: Mercer

Number of stocks: 45

Manager Research and Developments

- TT has outperformed the benchmark over the quarter by 0.8%, underperformed by 0.8% over the year, but outperformed by 1.7% p.a. over three years.
- The fund was ahead of its benchmark due to outperformance in Industrials and Consumer Services over the quarter. Construction company Kingspan was the largest contributor within Industrials, whilst the Irish hotel company Dalata drove the outperformance within Consumer Services. The largest detractor was Greencore, which was sold as TT was becoming concerned about the outlook for M&S (M&S is Greencore's largest customer).
- Turnover increased from 10.9% in Q2 2017 to 13.9% in Q3 while the three year tracking error (a proxy for risk relative to benchmark) decreased to 3.6% p.a.
- Assets in TT's UK equity strategies decreased over the quarter to £579m despite the positive returns; this consists of the assets within TT's pooled fund and four segregated accounts (one of which is the Fund's holdings). This compares to £634m in June 2017, £568m in Sept. 2016 and £474m in Sept. 2014. A significant portion (c.32%) of the firm's UK equity assets are managed on behalf of the Fund.
- Performance over the year has been below benchmark. This underperformance is more concerning than that of the active emerging market strategies since the TT fund does not have a notable style bias.

Reason for investment

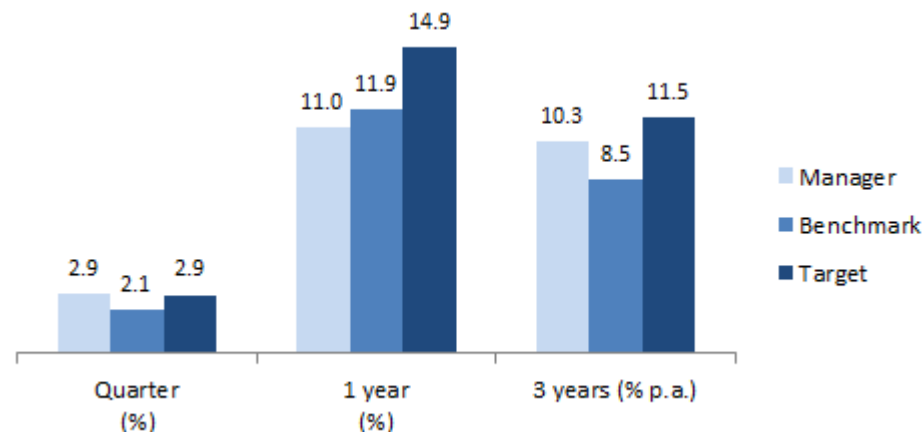
To provide asset growth as part of a diversified equity portfolio

Reason for manager

- Favoured the partnership structure that aligns manager's and Fund's interests
- Focussed investment activity and manages its capacity
- Clear, robust stock selection and portfolio construction

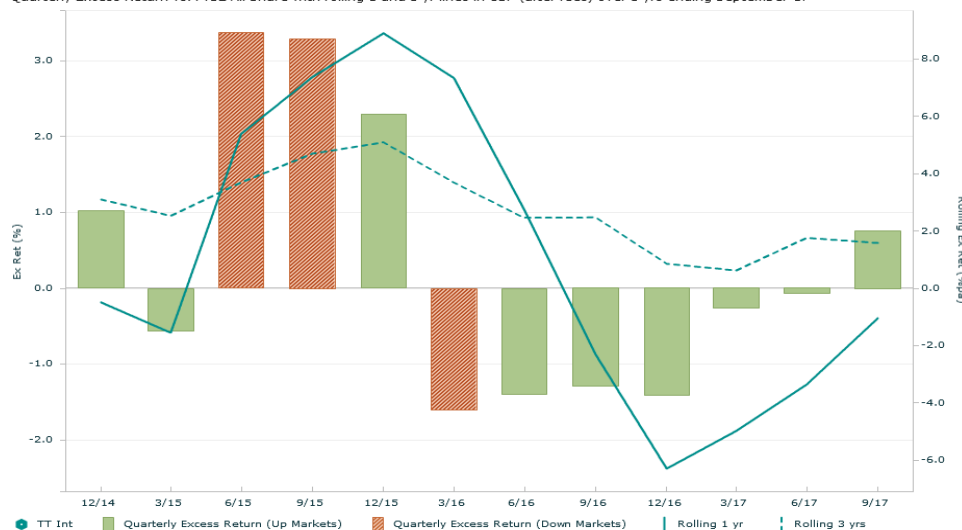
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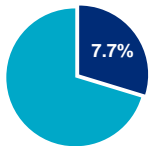
Performance



Rolling relative returns

Quarterly Excess Return vs. FTSE All Share with rolling 1 and 3 yr lines in GBP (after fees) over 3 yrs ending September-17





SCHRODER – GLOBAL EQUITY PORTFOLIO (SEGREGATED)

£353.5M END VALUE (£343.1M START VALUE)

Item Monitored

Outcome

Mercer Rating



B+ (no change over period under review). ESG2

Performance Objective
Benchmark +4% p.a.



Outperformed benchmark by 1.3% p.a. over three years

Three year tracking error was 2.5% p.a. – source: Mercer

Manager Research and Developments

- The fund outperformed the benchmark by 1.0% over the quarter, largely due to positive stock selection in IT and industrials. From a regional perspective, North America, Emerging Markets and Japanese positions were the main contributors.
- Largest contributors over the quarter were Alibaba Group and Alcoa. Lloyds and Omcast were the largest detractors to returns.
- The strategy performed above its benchmark over the one and three year periods to 30 September 2017.
- Schroder has informed us of a new hire to the Global Equity team headed by Alex Tedder. Frank Thormann, Global Portfolio Manager at Union Investment with 18 years' experience, has been hired to join the team. Tedder told us he had been looking for another Portfolio Manager for some time and the team were aware of the search and took part in the interview process.

Reason for investment

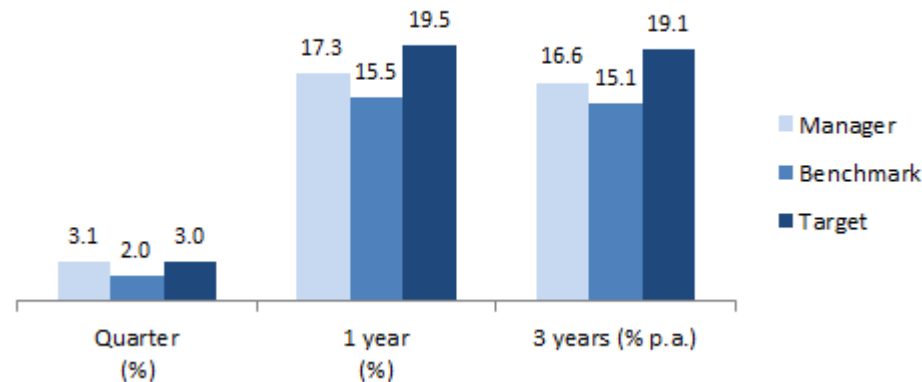
To provide asset growth as part of a diversified equity portfolio

Reason for manager

- Clear philosophy and approach
- Long term philosophy aligned with Fund's goals, commitment to incorporating ESG principles throughout the investment process
- Evidence of ability to achieve the Fund's performance target

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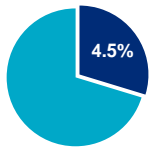
Performance



Rolling relative returns

Quarterly Excess Return vs. MSCI AC World with rolling 1 and 3 yr lines in GBP (after fees) over 3 yrs ending September-17





GENESIS ASSET MANAGERS – EMERGING MARKET EQUITIES (POOLED)

£208.4M END VALUE (£200.6M START VALUE)

Item Monitored

Outcome

Mercer Rating



A (no change over period under review). ESG3

Performance Objective
Benchmark



Underperformed benchmark by 1.4% p.a. over three years

Three year tracking error was 3.6% p.a. – source: Genesis

Number of stocks: 128

Manager Research and Developments

- The fund has underperformed by 0.7% over the quarter, by 2.3% over the year and by 1.4% p.a. over the three years to 30 September 2017.
- On a regional basis, Taiwan was the largest contributor to returns over the quarter, whilst China and India were both significant detractors.
- The biggest detractors at a stock specific level were the Chinese companies Tencent and Baidu.
- From a sector perspective, Industrials was the largest contributor, whilst IT was the most significant detractor.
- Given the types of quality growth companies Genesis favors, we would normally expect them to do better in flat or down markets and struggle in environments where markets rapidly rise. In this respect, whilst the underperformance in Q3 and over the last 12 months was disappointing, it is in keeping with this view.

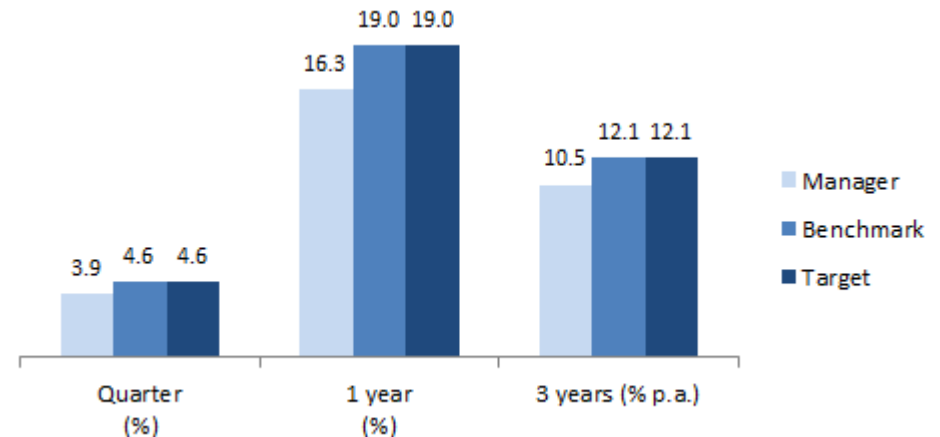
Reason for investment

To provide asset growth as part of a diversified equity portfolio

Reason for manager

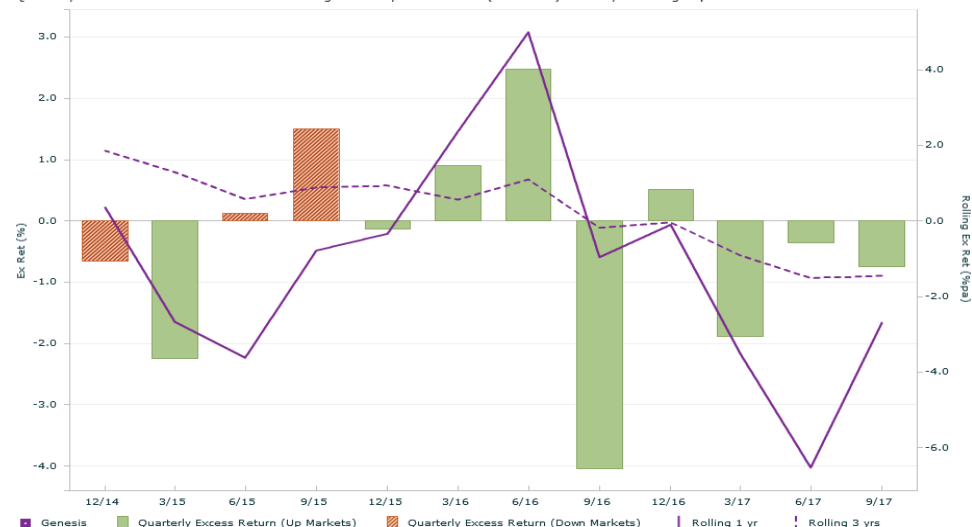
- Long term investment approach which takes advantage of evolving growth opportunities
- Niche and focussed expertise in emerging markets
- Partnership structure aligned to delivering performance rather than growing assets under management

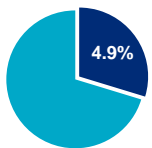
Performance



Rolling relative returns

Quarterly Excess Return vs. MSCI EM with rolling 1 and 3 yr lines in GBP (after fees) over 3 yrs ending September-17





UNIGESTION – EMERGING MARKET EQUITIES (POOLED – SUB-FUND)

£225.8M END VALUE (£223.7M START VALUE)

Item Monitored

Outcome

Mercer Rating



R (no change over period under review)

Performance Objective
Benchmark +2-4% p.a.



Underperformed benchmark by 4.4% p.a. over three years

Tracking error since inception was 5.8% p.a. – source: *Unigestion*

Number of stocks: 103

Manager Research and Developments

- The fund has underperformed by 3.4% over the quarter, by 7.6% over the year and by 4.4% p.a. over the three years to 30 September 2017. This is now the eight straight quarter of underperformance.
- The underperformance over the quarter was due to underperformance in July and September. In July, the portfolio was harmed by the strong market rebound which was mainly driven by cyclical industries such as Media, Software and Insurance. Stock selection in Banks was also detrimental for the relative performance. In September, a rally mainly driven by Real Estate, Automobiles, Software and Technology hurt relative performance. Stock specific calls in Energy, Automobiles and Food were negative for total strategy performance.
- Volatility since inception is 14.2%, lower than the index (17.0%) and consistent with the strategy's objectives (and bias to quality and large- or mega-cap stocks).
- Performance over the year has been well below benchmark. This has come at a time when emerging markets have produced a very strong return, which is expected. The fund uses a defensive, high quality, low volatility approach, which should outperform in times of market volatility, but underperform in strongly performing markets.

Reason for investment

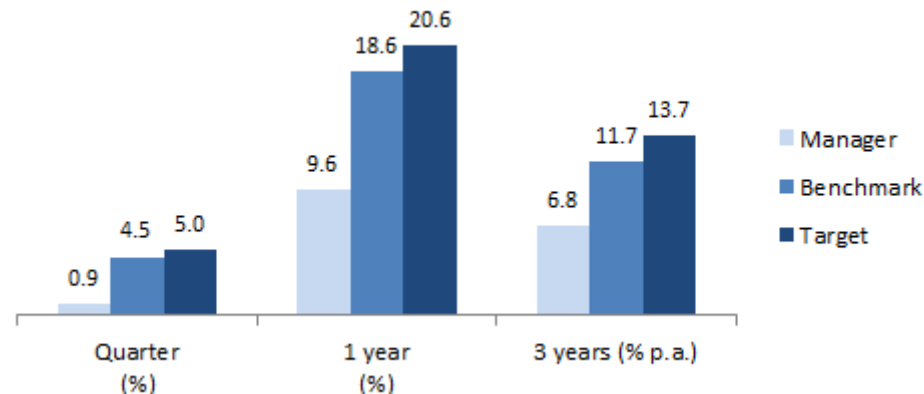
To provide asset growth as part of a diversified equity portfolio

Reason for manager

- Risk-based active management approach
- Aim for lower volatility than the MSCI Emerging Markets Index
- Combine fundamental and quantitative analysis

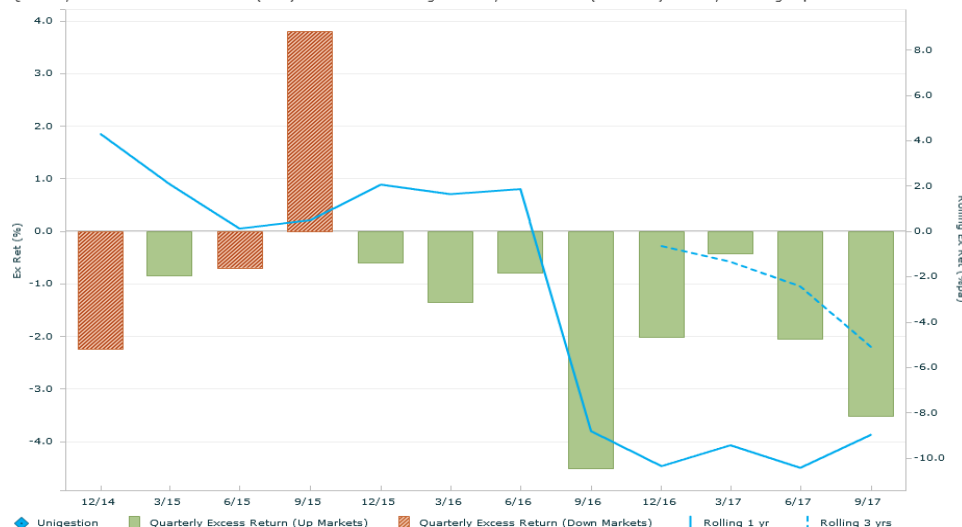
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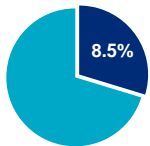
Performance



Rolling relative returns

Quarterly Excess Return vs. MSCI EM (Free) NET WHT with rolling 1 and 3 yr lines in GBP (after fees) over 3 yrs ending September-17





INVESCO – GLOBAL EX-UK EQUITIES (ENHANCED INDEXATION) (POOLED)

£392.7M END VALUE (£385.7M START VALUE)

Item Monitored

Outcome

Mercer Rating



B+ (no change over period under review). ESG4

Performance Objective

Benchmark +0.5% p.a.



Performed in line with benchmark over three years

Tracking error since inception was 1.5% p.a. – source: Invesco

Number of stocks: 423

Manager Research and Developments

- The fund has outperformed its benchmark by 1.8% over the last quarter, and outperformed by 2.9% over the year. The fund outperformed the benchmark by 1.2% p.a. over the three year period to 30 September 2017.
- Outperformance over the quarter was largely due to stock selection in September, where the overweight in Consumer Discretionary and Energy stocks were the largest contributors.
- All sector and country allocations were broadly within +/- 1.0% of benchmark weightings, in line with general expectations for an enhanced indexation product.

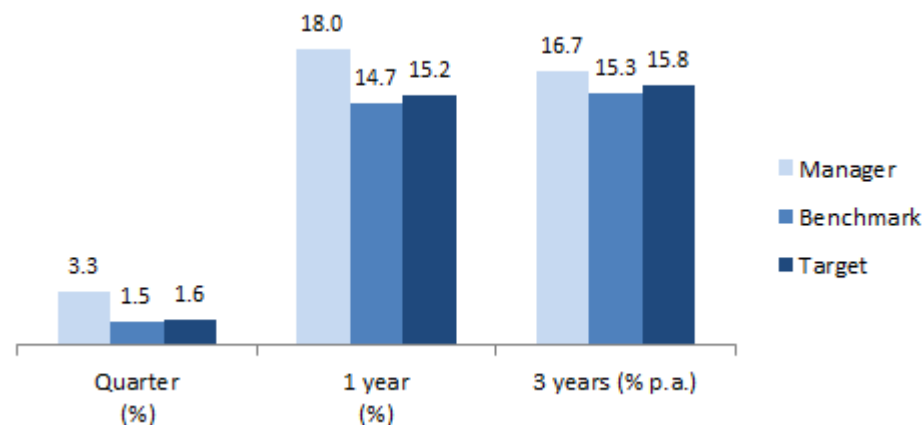
Reason for investment

To provide asset growth as part of a diversified equity portfolio

Reason for manager

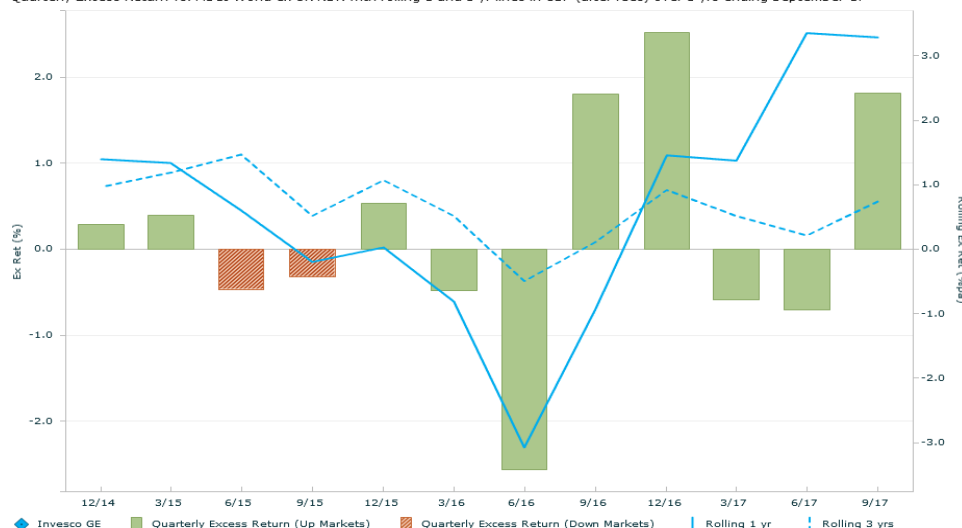
- Robust investment process supported by historical performance record, providing a high level of assurance that the process could generate the outperformance target on a consistent basis
- One of few to offer a Global ex UK pooled fund

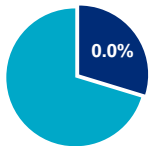
Performance



Rolling relative returns

Quarterly Excess Return vs. MSCI World ex UK NDR with rolling 1 and 3 yr lines in GBP (after fees) over 3 yrs ending September-17





SSGA – EUROPE EX-UK EQUITIES (ENHANCED INDEXATION) (POOLED)

£0.0M END VALUE (£58.5M START VALUE)

Item Monitored

Outcome

Mercer Rating



R (no change over period under review)

Performance Objective

Benchmark +0.5% p.a.



Outperformed benchmark by 0.3% p.a. over three years

Three year tracking error was

1.4% p.a. – source: Mercer

Manager Research and Developments

- **Mandate was fully disinvested on 27 September 2017.**
- The fund has outperformed benchmark over the three year period but has failed to achieve its performance target.

Page 109

Reason for investment

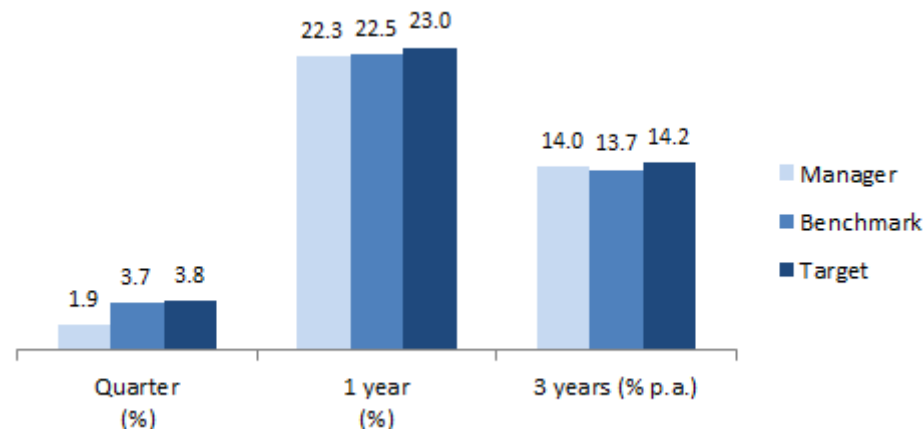
To provide asset growth as part of a diversified equity portfolio

Reason for manager

- Strength of their quantitative model and process, and ongoing research to develop the model
- Historic performance met the risk return parameters the Fund was seeking
- Two Funds (European and Pacific) to achieve the Fund's customised asset allocation within overseas equities

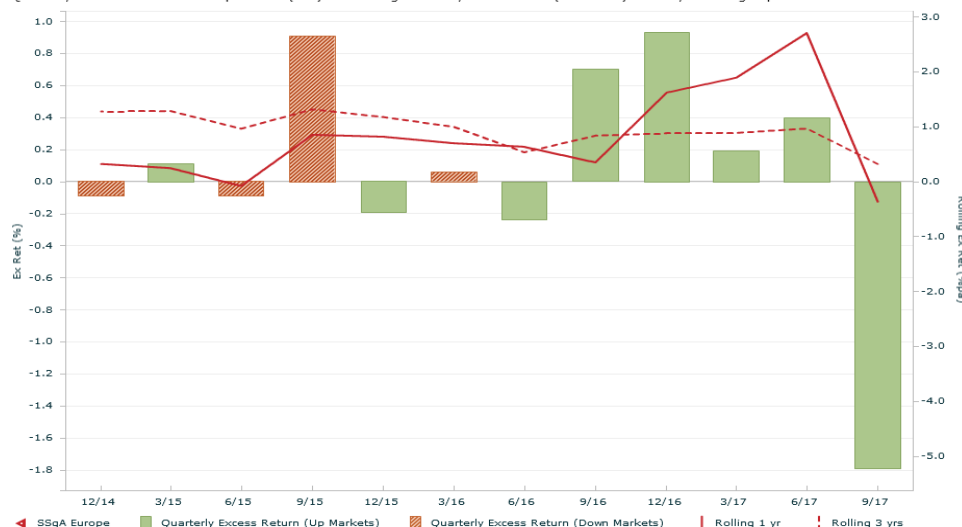
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Performance



Rolling relative returns

Quarterly Excess Return vs. Europe ex UK (WM) with rolling 1 and 3 yr lines in GBP (after fees) over 3 yrs ending September-17





SSGA – PACIFIC INC. JAPAN EQUITIES (ENHANCED INDEXATION) (POOLED)

£0.0M END VALUE (£105.9M START VALUE)

Item Monitored

Outcome

Mercer Rating



N (no change over period under review)

Performance Objective

Benchmark +0.5% p.a.



Outperformed benchmark by 0.1% p.a. over three years

Three year tracking error was

1.1% p.a. – source: Mercer

Manager Research and Developments

- **Mandate was fully disinvested on 27 September 2017.**
- The fund has outperformed benchmark over the three year period but has failed to achieve its performance target.

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Reason for investment

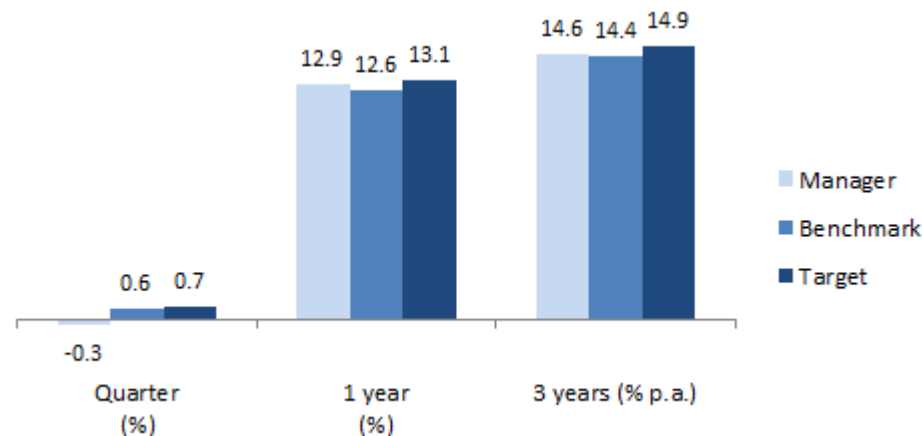
To provide asset growth as part of a diversified equity portfolio

Reason for manager

- Strength of their quantitative model and process, and ongoing research to develop the model
- Historic performance met the risk return parameters the Fund was seeking
- Two Funds (European and Pacific) to achieve the Fund's customised asset allocation within overseas equities

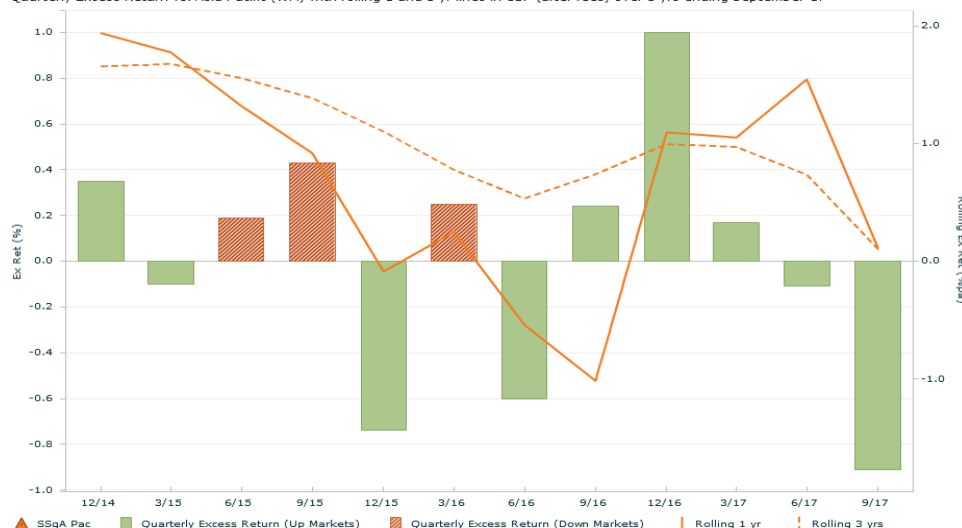
© MERCER 2017

Performance



Rolling relative returns

Quarterly Excess Return vs. Asia Pacific (WM) with rolling 1 and 3 yr lines in GBP (after fees) over 3 yrs ending September-17





PYRFORD – DGF (POOLED)

£137.4M END VALUE (£138.6M START VALUE)

Item Monitored

Outcome

Mercer Rating



R (no change over period under review)

Performance Objective
RPI +5% p.a.



Underperformed objective by 1.7% p.a. over three years

Manager Research and Developments

- The fund has underperformed its objective (RPI + 5% p.a.) over the quarter by 2.8%, by 6.4% over the year and by 1.7% p.a. over three years.
- The equity portfolio detracted over the quarter, with both the UK and overseas portfolios notably underperforming the wider market. The rise in bond yields proved damaging for the equity portfolio as it was biased to high dividend paying defensive sectors that can be perceived as sensitive to rising bond yields. Furthermore, the portfolio's bonds lost some ground in absolute terms as yields rose sharply towards the end of the quarter. The portfolio's UK bonds, all positioned at the short end of the curve, outperformed the wider market (longer duration bonds), as did the portfolio's overseas bonds. Finally, currency management contributed to performance over the quarter.
- Despite a slight increase in UK bonds at the expense of cash, the strategy allocation remained broadly the same, after Pyrford decided to decrease exposure to equities and increase bond exposure in Q3 2016.
- Pyrford continues to adopt a defensive stance by owning short duration securities in order to protect the capital value of the portfolio from expected rises in yields. At the end of the quarter the modified duration of the fixed income portfolio stood at 1.9 years.

Reason for investment

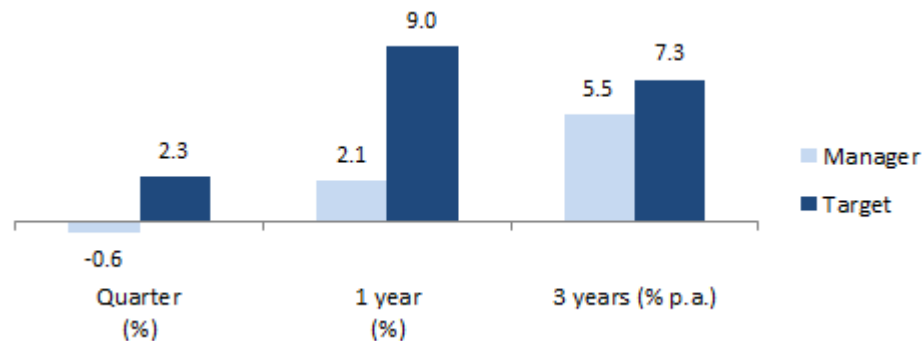
To provide equity like return over the long term but with a lower level of volatility

Reason for manager

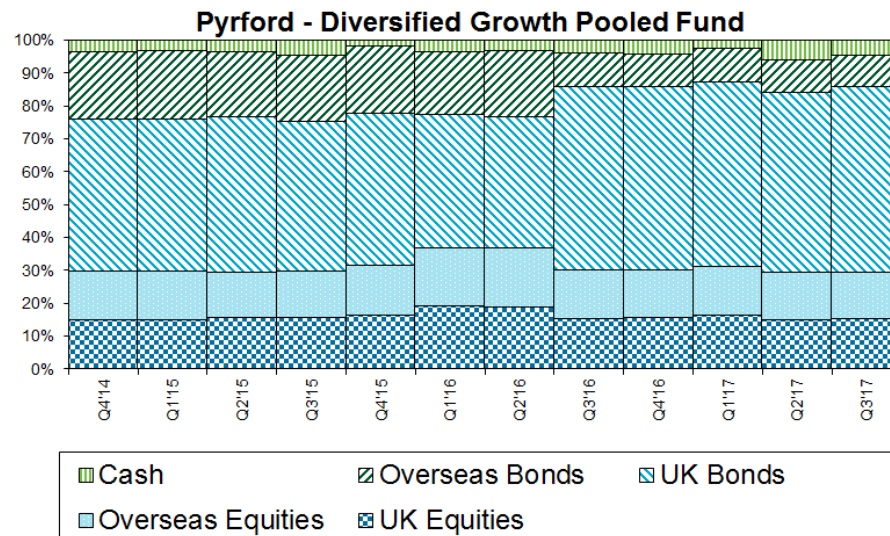
- Asset allocation skill between equities, bonds and cash
- Fundamental approach to stock selection

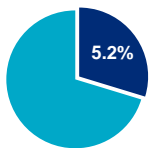
© MERCER 2017

Performance



Asset Allocation





STANDARD LIFE – DGF (POOLED) £240.1M END VALUE (£240.2M START VALUE)

Item Monitored

Outcome

Mercer Rating



B+ (W) (no change over period under review).
ESG4

Performance Objective
Cash +5% p.a.



Underperformed objective by 2.4% p.a. over the
year

Manager Research and Developments

- Over the quarter the fund returned 0.1% against an objective of 1.4%, and returned 3.0% against an objective of 5.5% over the year (gross of fees).
- The portfolio's bias to emerging market equities over Brazilian equities detracted from performance. Brazilian equities were one of the top-performing asset classes during the quarter, outperforming emerging markets as a whole, after the Brazilian government unveiled a large privatisation programme. Furthermore, sterling hit a one year high and gilt yields rose as investors brought forward their expectations of higher interest rates. Consequently, the UK versus German interest rates strategy dragged on performance, as did the long US dollar versus sterling position. Rises in global yields and indications that a number of central banks were preparing to gradually reduce their monetary support programmes led the Australian interest rates strategy detracting from portfolio performance.

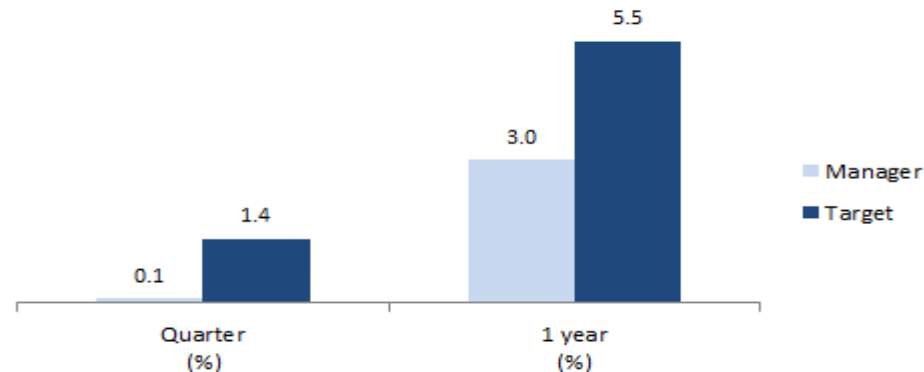
Reason for investment

To provide equity like return over the long term but with a lower level of volatility

Reason for manager

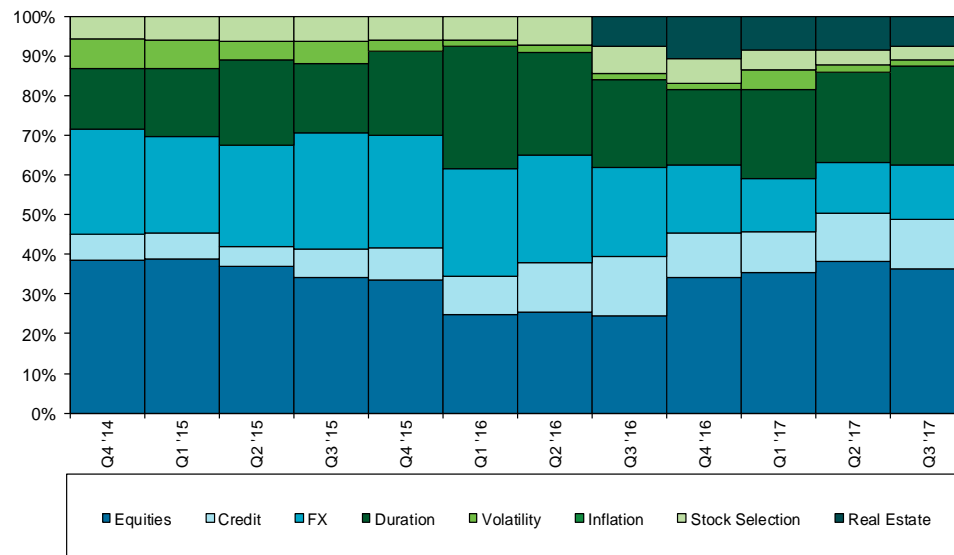
- Diversification from equities
- Exposure to relative value strategies and different approach to Pyrford's largely static asset allocation investment strategy

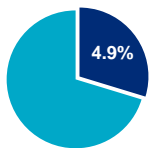
Performance



Performance figures are shown gross of fees, whereas monetary changes reflect net of fee performance.

Asset Allocation/Risk Exposure





RUFFER – DGF (SEGREGATED)

£226.0M END VALUE (£0.0M START VALUE)

Item Monitored

Outcome

Mercer Rating



A (no change over period under review). ESG3

Performance Objective
Cash +5% p.a.



Too early to determine

Manager Research and Developments

- Mandate was initiated on 27 September 2017.

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Reason for investment

To provide equity like return over the long term but with a lower level of volatility

Reason for manager

- Experience and insights of the investment team
- Focus on capital preservation
- Dynamic allocation between risk and defensive assets depending on market conditions

DGF MANDATES

Performance characteristics vs. BofAML LIBOR 6 month average UK in GBP (after fees) over 3 yrs ending September-17

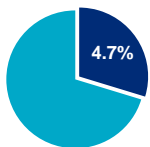
Comparison with the International Multi-asset GBP (Net) universe (Actual Ranking) (quarterly calculations)



| | Ret (%pa) | Std Dev (%pa) | IR |
|-----------------|-----------|---------------|----------|
| ▲ Pyrford DGF | 5.2 (26) | 3.6 (50) | 1.3 (12) |
| ■ SLI GARS | 1.1 (50) | 4.0 (46) | 0.1 (49) |
| ⬢ Ruffer DGF | 3.9 (33) | 5.9 (26) | 0.6 (34) |
| 95th Percentile | 12.1 | 9.0 | 1.5 |
| Upper Quartile | 7.2 | 7.2 | 1.2 |
| Median | 4.6 | 5.6 | 0.8 |
| Lower Quartile | 2.5 | 4.7 | 0.3 |
| 5th Percentile | 0.9 | 3.3 | 0.0 |
| Number | 54 | 54 | 54 |

Commentary

- Over the three years to 30 September 2017, Pyrford outperformed the Standard Life GARS pooled fund and the Ruffer pooled fund by 4.1% p.a. and 1.3% p.a. respectively.
- Pyrford therefore lies above the median of the DGF universe for performance. On the other hand, Standard Life was in the lower quartile of the universe and Ruffer was below the median. It should be noted that this universe is very diverse in styles.
- This performance was achieved with similar levels of volatility between Pyrford and Standard Life (volatilities of 3.6% p.a. and 4.0% p.a. respectively), while Ruffer had a volatility of 5.9% p.a.
- Pyrford and Standard Life (which were in the lower quartile for volatility) were less volatile than most managers in the universe, while Ruffer was above the median.
- The information ratio (a measure of risk adjusted returns) for Pyrford was the 12th highest of the universe, for Standard Life was the 6th lowest and for Ruffer was below the median.
- The information ratio (IR) measures the amount of 'information' that the manager can extract from the market. Expressed in another way this is the amount of excess return generated per unit of risk or tracking error added. The IR is therefore a measure of the skill of the manager. If the IR is large and it is measured over a reasonable period of time, then this is an indication that the manager has some skill in managing money. Mercer defines the IR as the annualised excess return divided by the annualised tracking error.



JP MORGAN – FUND OF HEDGE FUNDS

£215.8M END VALUE (£218.7M START VALUE)

Item Monitored Outcome

| | |
|-----------------------------------------------|------------------------------------------------------|
| Mercer Rating | ● B+ (no change over period under review). ESG4 |
| Performance Objective <i>Cash +3% p.a.</i> | ● Outperformed target by 2.2% over the year (in USD) |

Item

| | |
|-----------------|----|
| Number of funds | 35 |
|-----------------|----|

Strategy Contribution to Performance over the Quarter in USD (%)

| | |
|-------------------------------|---------------------------------------|
| Relative Value | 0.99 |
| Opportunistic/Macro | -0.02 |
| Long/Short Equities | 0.96 |
| Merger Arbitrage/Event Driven | 0.27 |
| Credit | -0.11 |
| Total | 1.87 (including cash and fees) |

In USD terms, the fund returned 1.9% over Q3 (1.1% above benchmark). This return was in line with the wider hedge fund indices, which is discussed over the next two pages.

Reason for investment

To reduce volatility of the Growth portfolio and increase diversification

Reason for manager

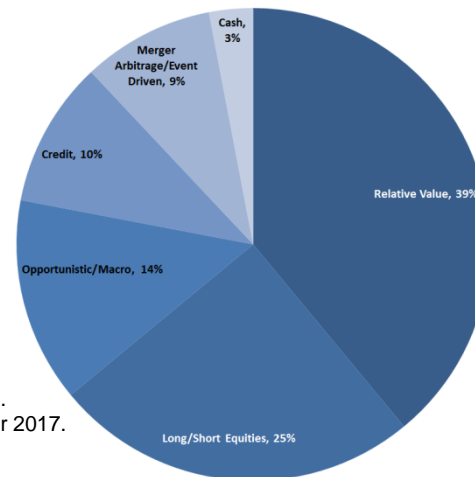
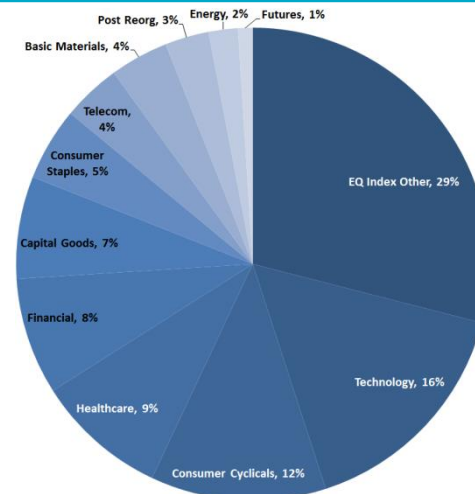
- Niche market neutral investment strategy
- Established team with strong track record
- Complemented other funds in the portfolio

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Performance (GBP, JP Morgan return converted from USD)

| | | | |
|--------------|-------|--------|------|
| Last Quarter | -1.4% | Target | 0.8% |
| Last Year | 2.3% | Target | 3.4% |

Portfolio Composition and Equity Sector Allocation

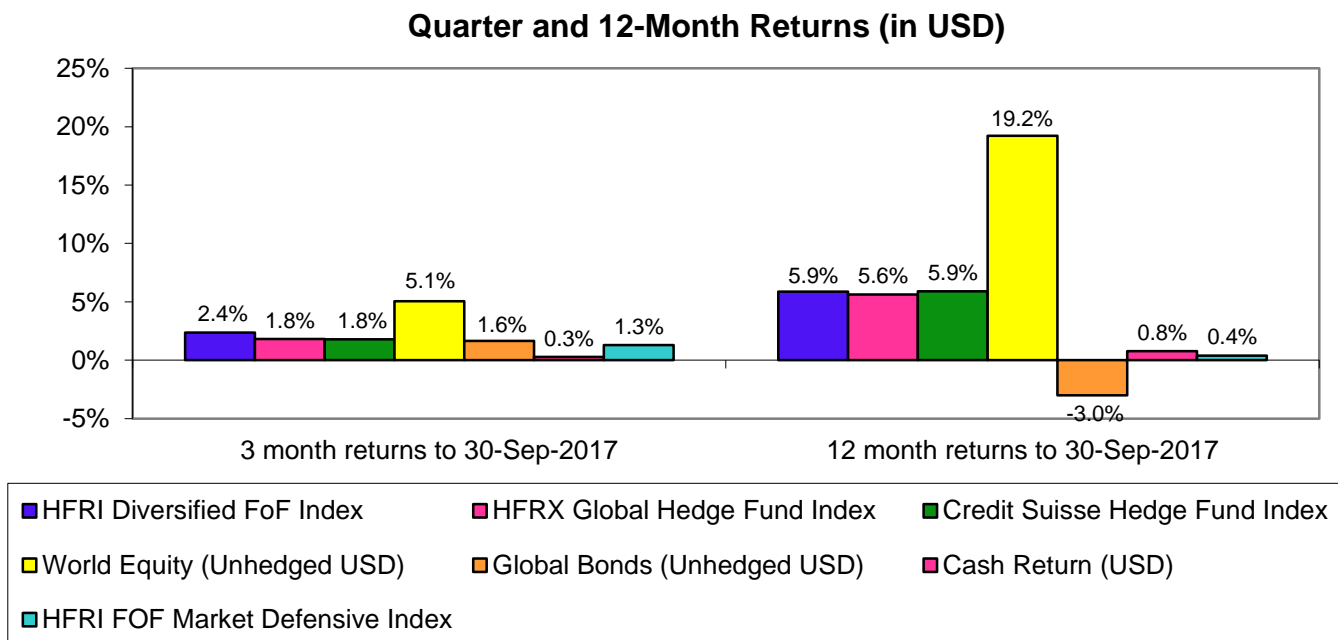


Source: JP Morgan.
As at 30 September 2017.

HEDGE FUND COMMENTARY – Q3 2017

- Hedge funds overall generated modest returns in the third quarter, earning respectable year-to-date results. All major hedge fund strategies earned positive returns for the quarter.
- As expected, hedge funds have not kept pace with risk-assets during what has been a directional rally, with global equities posting only two down months in the past six quarters. However, hedge funds have continued to fulfill a diversifying mandate and have outperformed bonds, their risk-reducing counterpart, over the past two years.
- The industry continued to reverse trend from 2015 and 2016, as investors were net allocators to hedge funds for the second quarter in a row, adding \$1.7 billion in Q3 2017. Industry assets rose to a record \$3.15 trillion. In addition to net inflows, gains were driven by positive performance across most strategies.

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Returns are in USD. Source: Source: Credit Suisse Hedge Index LLC.

HEDGE FUND COMMENTARY – Q3 2017

Relative Value (39%)

- Fixed Income and Convertible Arbitrage strategies gained 0.2% and 1.6%, respectively, during the third quarter of 2017.
- Relative value and arbitrage-oriented strategies broadly earned positive results for the quarter, although fixed income-oriented strategies struggled to produce strong results in a muted volatility and low interest rate environment. Convertible arbitrage strategies benefitted from tightening credit spreads, though returns were offset by hedges.

Long/Short Equities (24%)

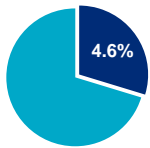
- Long/Short Equity and Equity Market Neutral (“EMN”) strategies earned 3.0% and 4.4%, respectively, in Q3 2017.
- Dispersion characteristics have remained favorable at both the sector and individual stock level, creating opportunities for alpha generation. In fact, inter-stock correlations within the S&P 500 are at the lowest point since before the dot-com bubble. As we have witnessed historically, this has benefitted security selection and should continue to present opportunities for alpha, though we expect a fair degree of manager dispersion.

Opportunistic / Macro (15%)

- The broad Global Macro universe gained 1.8% during the quarter, while Managed Futures earned 1.3%.
- Macro has largely been a tale of two strategies, as discretionary managers have produced gains, on average, while systematic strategies have declined in 2017.
- A continued lack of broad market volatility, paired with fluctuations in rates and currencies (particularly resulting from central bank expectations), have meaningfully impacted results and we have continued to witness material dispersion of manager returns across both strategies.

Merger Arbitrage / Event Driven (8%)

- Event-driven and distressed strategies posted positive, yet muted returns in the third quarter.
- While equity exposure was generally additive and broad credit markets provided modest support, idiosyncratic positions were the material determinants of performance. Notably, exposure to Puerto Rican debt was a drag on results during the quarter.
- Merger arbitrage generated slight gains amidst healthy deal volume, yet compressed spreads relative to recent history.



SCHRODER – UK PROPERTY FUND OF FUNDS

£211.2M END VALUE (£206.1M START VALUE)

Item Monitored

Outcome

| | |
|----------------------------------------------------|---------------------------------------------------------|
| Mercer Rating | ● B (no change over period under review). ESG3 |
| Performance Objective <i>Benchmark +1% p.a.</i> | ● Underperformed benchmark by 0.4% p.a. over five years |

Manager Research and Developments

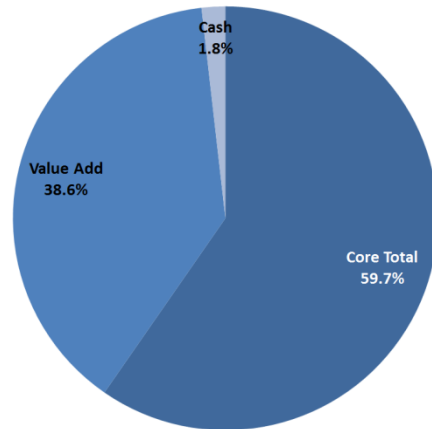
- The fund slightly outperformed the benchmark by 0.1% over the quarter. The Industrial Property Investment Fund and Metro Property Unit Trust were the largest contributors to returns. Value Add funds added to performance over the quarter, while Core funds and cash holdings diluted returns.
- Over the five year period, the fund has outperformed its benchmark by 0.4% p.a., largely due to performance from Value Add strategies.
- Over the quarter, there were c. £8.5m of purchases and c. £5.2m of sales. Units were acquired in Hermes Property Unit Trust (c. £6.0m) and Threadneedle Property Unit Trust (c. £2.5m). Units were sold from Aviva Investors Pensions Property Fund (c. £2.8m) and BlackRock UK Property Fund (c. £2.2m).

Manager and Investment type splits

Top 5 Holdings

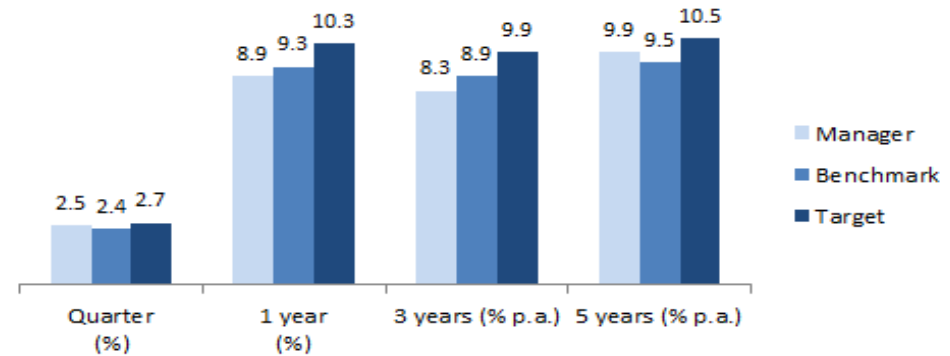
Proportion of Total Fund (%)

| | |
|---------------------------------------|------|
| L&G Managed Property Fund | 12.8 |
| Industrial Property Investment Fund | 12.4 |
| Metro Property Unit Trust | 9.9 |
| Hermes Property Unit Trust | 9.9 |
| Schroder Real Estate Real Income Fund | 9.7 |

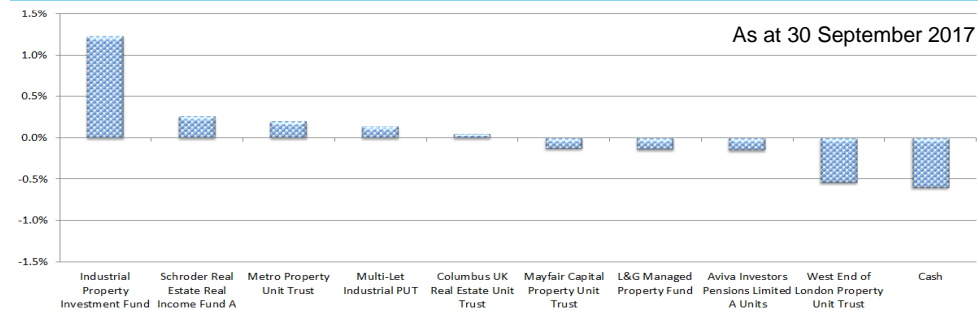


As at 30 September 2017

Performance



Top 5 Contributing and Detracting Funds over 12 Months

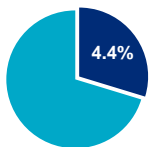


Reason for investment

To reduce volatility of the Growth portfolio and increase diversification

Reason for manager

- Demonstrable track record of delivering consistent above average performance
- Team though small is exclusively dedicated to UK multi-manager property management but can draw on extensive resources of Schroder's direct property team
- Well structured and research orientated investment process



PARTNERS – OVERSEAS PROPERTY

£205.0M END VALUE (£195.5M START VALUE)

Item Monitored Outcome

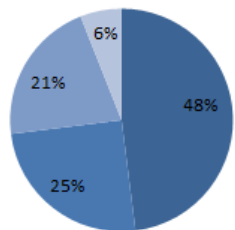
| | |
|------------------------------------------|----------------------------------------------------------------------------------------------------|
| Mercer Rating | ● B+ (no change over period under review). ESG4 |
| Performance Objective IRR of 10% p.a. | ● IRR since inception to 30 June 2017 at 7.3% p.a. (in local currency) is below target of 10% p.a. |

Manager Research and Developments (Q2 2017)

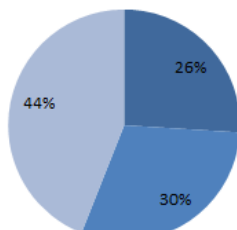
- The portfolio delivered a net return of -3.3% over Q2 2017 for USD programmes in local currency, and -0.1% for EUR programmes, versus the target of c. 2.5%.
- Partners' drawdowns are made gradually over time, and the Fund is not yet fully invested. As a result of the volatile timing of cash flows for such investments, for example the initial costs of purchasing and developing properties, focus should be on longer term performance. Their IRR from inception to 30 June 2017 at 7.3% p.a. (in local currency) is below their target of 10% p.a.; over the year to date to 30 June 2017 IRR was -0.5% (in local currency terms).
- Over Q2, the allocation to Europe increased from 46% to 48%, with North America decreasing (from 26% to 25%) and Asia Pacific also decreasing (from 22% to 21%). These remain within the guidelines.
- Note that Partners are rated B+ for global real estate, but A for secondary global real estate (as a result of their private equity skill set).

Geographical and Investment type splits as at 30 June 2017

Geographical Split Based on Net Asset Value



Investment Type Split Based on Net Asset Value



■ Europe (10% - 50%) ■ North America (10% - 50%) ■ Direct (0% - 30%) ■ Primary (40% - 100%)
 ■ Asia Pacific (10% - 50%) ■ Rest of World (0% - 20%) ■ Secondary (0% - 50%)

Portfolio update as at 30 June 2017

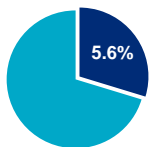
| Partners Fund | Total Drawn Down (£m) | Total Distributions (£m) | Net Asset Value (£m) | Since Inception Net IRR (local currency) |
|---------------------------------------------------|-----------------------|--------------------------|----------------------|------------------------------------------|
| Global Real Estate 2008 | 36.44 | 27.29 | 20.43 | 5.8 |
| Real Estate Secondary 2009 | 23.47 | 12.56 | 22.02 | 9.7 |
| Asia Pacific and Emerging Market Real Estate 2009 | 27.91 | 16.44 | 15.16 | 3.3 |
| Distressed US Real Estate 2009 | 22.78 | 24.03 | 8.85 | 9.1 |
| Global Real Estate 2011 | 30.35 | 15.23 | 28.37 | 10.1 |
| Direct Real Estate 2011 | 18.05 | 11.56 | 12.71 | 8.2 |
| Real Estate Secondary 2013 | 12.37 | 3.67 | 14.78 | 21.6 |
| Global Real Estate 2013 | 75.99 | 5.69 | 77.26 | 4.6 |
| Real Estate Income 2014 | 22.66 | 2.14 | 21.55 | 2.4 |
| Asia Pacific Real Estate 2016 | 5.00 | 1.30 | 5.17 | n/a |
| Total | 210.77 | 89.55 | 194.25 | 7.3 |

Reason for investment

To reduce volatility of the Growth portfolio and increase diversification

Reason for manager

- Depth of experience in global property investment and the resources they committed globally to the asset class
- The preferred structure for the portfolio was via a bespoke fund of funds (or private account) so the investment could be more tailored to the Fund's requirements



IFM – INFRASTRUCTURE (POOLED)

£259.6M END VALUE (£259.4M START VALUE)

Item Monitored

Outcome

| | |
|-------------------------------------------|----------------------------------------------------------|
| Mercer Rating | ● B+ (no change over period under review). ESG2 |
| Performance Objective Cash + 2.5% p.a. | ● Outperformed objective by 10.1% over the year (in USD) |

Item

| | |
|--------------------|----|
| Number of holdings | 15 |
|--------------------|----|

Manager Research and Developments

- Over the quarter the fund returned 4.2% in US Dollar terms, against Avon's performance objective of 0.7% (cash + 2.5% p.a.). Key contributors to performance were Freeport, M6toll and Manchester Airports Group.
- As a consequence of this quarter's performance, IRR since inception on 1 June 2016 rose to 13.5%. Please note that this is still early in the life of the fund.
- During the quarter, IFM completed the acquisition of 28.34% of the outstanding shares of OHL Mexico along with a €400m loan to OHL Concesiones.
- The pooled fund also received income of \$152.2m over the quarter, with major dividend distributions from 50Hertz, Manchester Airports Group, Veolia Energia Polska, Indiana Toll Road and Colonial Pipeline Company.

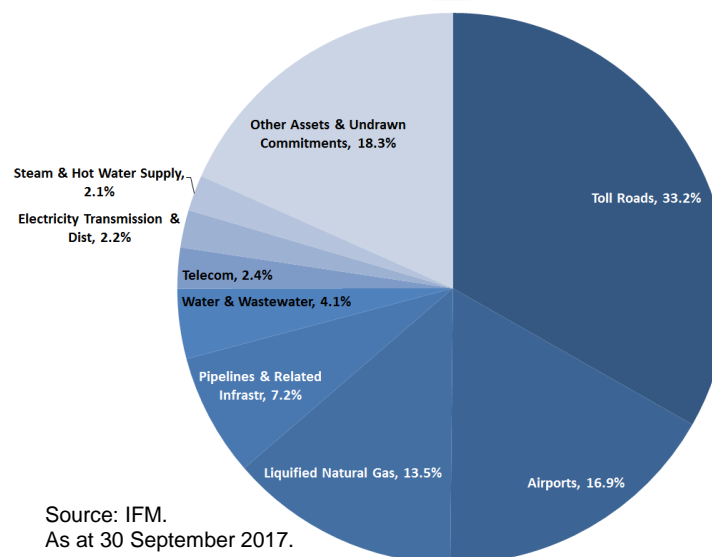
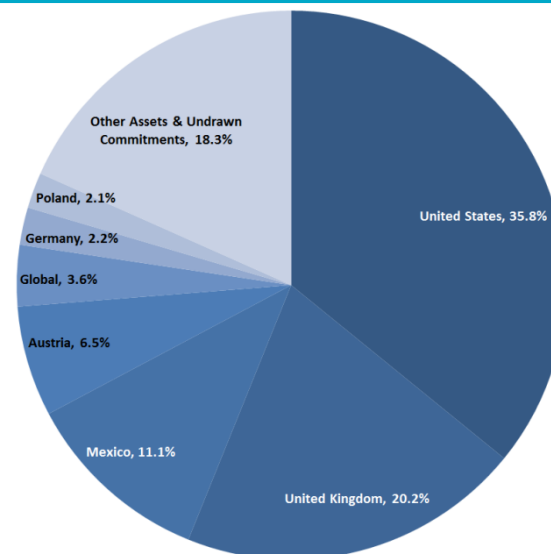
Reason for investment

To reduce volatility of the Growth portfolio and increase diversification

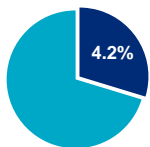
Reason for manager

- Invests in core infrastructure assets in countries with established regulatory environments and strong rule-of-law.
- Seeks to invest in assets with strong market positions, predictable regulatory environments, high barriers to entry, limited demand elasticity and long lives

Geographical and Sub-Sector Allocation



Source: IFM.
As at 30 September 2017.



LOOMIS SAYLES – MULTI-ASSET CREDIT ^(POOLED)

£194.0M END VALUE (£0.0M START VALUE)

Item Monitored

Outcome

Mercer Rating



A (no change over period under review). ESG3

Performance Objective
Benchmark



Too early to determine

Manager Research and Developments

- Mandate was initiated on 29 September 2017.
- After a regular meeting with Loomis we continued to believe that an A rating is appropriate for the World Credit Asset Fund. In addition, we note that the ESG approach clearly feeds through the investment process in two areas (credit research and portfolio construction) and so we believe that it is appropriate to move the ESG rating up to ESG3 from ESG4.

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Reason for investment

To maintain stability in the Fund as part of a diversified fixed income portfolio

Reason for manager

- Core low to moderate Multi-Asset Credit option
- Depth and breadth of fundamental credit analysis

ROYAL LONDON ASSET MANAGEMENT – FIXED INTEREST (POOLED)

£133.0M END VALUE (£263.8M START VALUE)

| Item Monitored | Outcome |
|------------------------------------------------------|------------------------------------------------------------------|
| Mercer Rating | <div></div> A (no change over period under review). ESG3 |
| Performance Objective <i>Benchmark +0.8% p.a.</i> | <div></div> Outperformed benchmark by 0.8% p.a. over three years |

Manager Research and Developments

- Performance for the quarter was ahead of benchmark by 0.3%. The fund also outperformed over the year by 2.7% and over the three years by 0.8% p.a., meeting its outperformance target.
- Royal London retain their short duration position, in the expectation of a gradual increase in UK government bonds yields. This positioning did not have a material impact upon relative performance.
- The key drivers of performance over the quarter were the bias towards financials and subordinated bonds, and the underweight allocation in consumer-related sectors, along with stock selection within secured and structured sectors.
- Royal London remain underweight AAA-AA bonds, and overweight BBB-unrated. The bias had a positive impact upon performance.
- After a regular update meeting we held with Royal London, we retain our conviction in this strategy. Royal London have a strong and established pedigree in UK credit management. We remain impressed by their key decision makers, as they convey a deep understanding of UK credit markets and consistency in their philosophy that untapped alpha can be harvested in under-researched areas of the market.

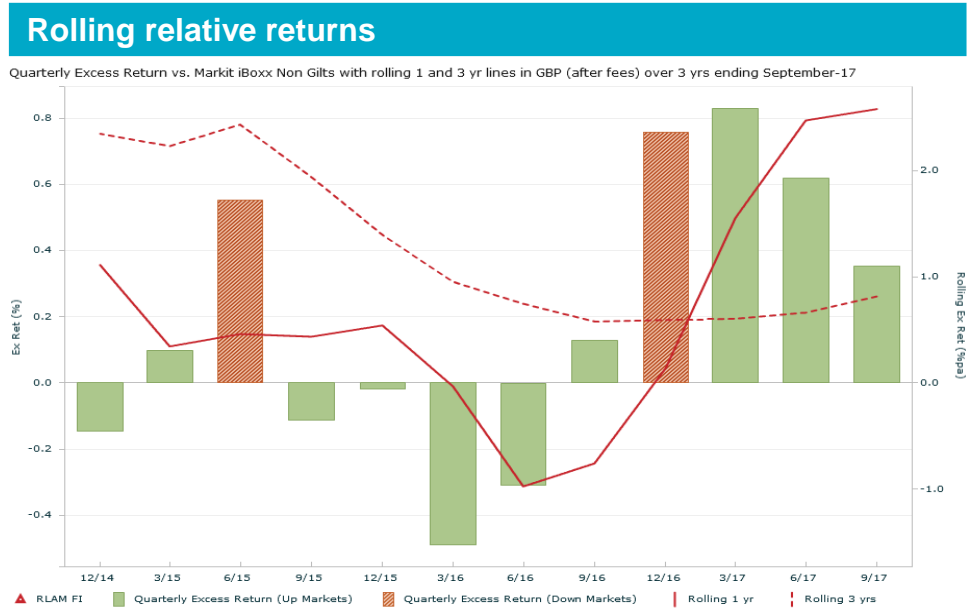
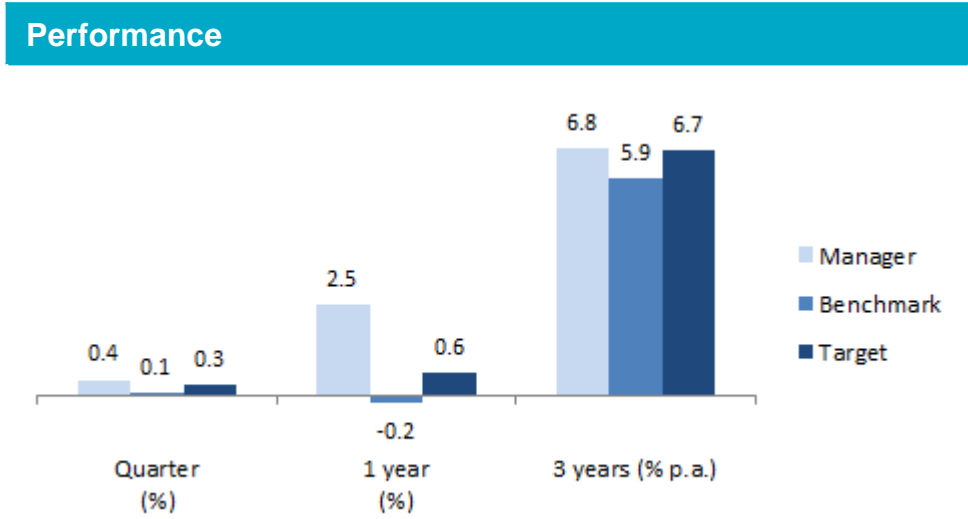
| Weighted Duration | Start of Quarter | End of Quarter |
|-------------------|------------------|----------------|
| <i>Fund</i> | 8.0 | 8.0 |
| <i>Benchmark</i> | 8.1 | 8.0 |

Reason for investment

To maintain stability in the Fund as part of a diversified fixed income portfolio



Reason for manager

- Focussed research strategy to generate added value
- Focus on unrated bonds provided a “niche” where price inefficiencies are more prevalent. Product size means can be flexible within market



RECORD – CURRENCY HEDGING (SEGREGATED)

£59.6M END VALUE (£38.7M START VALUE)

| Item Monitored | Outcome |
|------------------------------|--------------------------------------------------------------------------------------------------------------------------|
| Mercer Rating |  N (no change over period under review) |
| Performance Objective N/A |  In line with the 50% hedging position |

Manager Research and Developments

Over the quarter, sterling appreciated against the dollar and more so against the yen (by c.3.9% and c.4.7% respectively) but fell in value against the euro (by c.2.6%). Sterling remains weaker against the dollar and the euro compared to one year ago amidst the sharp depreciation following the UK referendum result in June 2016. (These currency exchange movements are based on end of day pricing, which may not tie in precisely with the pricing points used by Record).

The fund's policy is to passively hedge 50% of currency exposure on developed global equities (dollar, euro and yen), and 100% on the hedge fund global property and infrastructure mandates.

Performance for each of these separate accounts is shown to the right; as expected, performance for the passive mandate has been broadly in line with the (informal) 50% benchmark; where this differs from the movement in currency rates this relates to the timing of the implementation trades (2pm) and the currency rates quoted (4pm fix).

Reason for investment

To manage the volatility arising from overseas currency exposure, whilst attempting to minimise negative cashflows that can arise from currency hedging

Reason for manager

- Straightforward technical (i.e. based on price information) process
- Does not rely on human intervention
- Strong IT infrastructure and currency specialists

Currency Hedging Q3 2017 Performance (£ terms)

Passive Developed Equity Hedge

| Currency | Start Exposure (£) | End Exposure (£) | Currency Return (%) | 50% Benchmark Return (%) | Record Hedge Return (%) | Net Return (%) |
|--------------|--------------------|--------------------|---------------------|--------------------------|-------------------------|----------------|
| USD | 571,333,534 | 571,439,794 | (3.18%) | 1.37% | 1.38% | (1.73%) |
| EUR | 198,129,836 | 174,650,950 | 0.35% | (0.22%) | (0.20%) | 0.34% |
| JPY | 132,628,287 | 74,651,999 | (3.36%) | 1.60% | 1.86% | (1.35%) |
| Total | 902,091,657 | 820,742,743 | (2.43%) | 1.06% | 1.09% | (1.23%) |

Passive Hedge Fund Hedge

| Currency | Start Exposure (£) | End Exposure (£) | Currency Return (%) | 100% Benchmark Return (%) | Record Hedge Return (%) | Net Return (%) |
|--------------|--------------------|--------------------|---------------------|---------------------------|-------------------------|----------------|
| USD | 219,746,698 | 223,424,780 | (3.18%) | 2.84% | 2.88% | (0.22%) |
| Total | 219,746,698 | 223,424,780 | (3.18%) | 2.84% | 2.88% | (0.22%) |

Passive Property Hedge

| Currency | Start Exposure (£) | End Exposure (£) | Currency Return (%) | 100% Benchmark Return (%) | Record Hedge Return (%) | Net Return (%) |
|--------------|--------------------|--------------------|---------------------|---------------------------|-------------------------|----------------|
| USD | 34,607,735 | 31,229,934 | (3.18%) | 2.84% | 2.88% | (0.22%) |
| EUR | 160,654,878 | 173,169,530 | 0.35% | (0.40%) | (0.39%) | 0.19% |
| Total | 195,262,613 | 204,399,464 | (0.27%) | 0.17% | 0.18% | 0.12% |

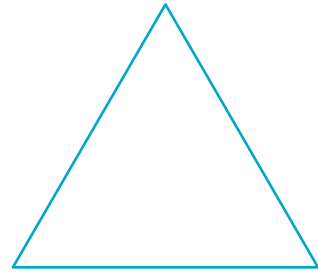
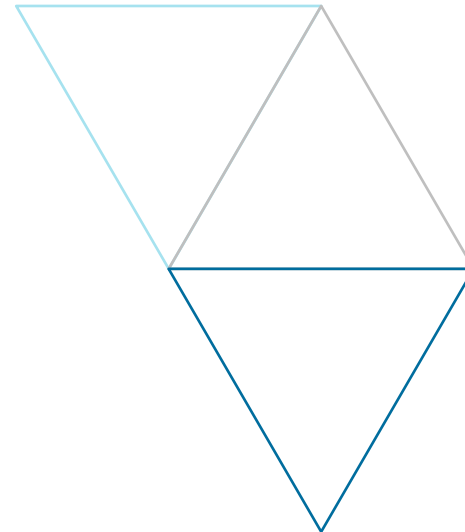
Passive Infrastructure Hedge

| Currency | Start Exposure (£) | End Exposure (£) | Currency Return (%) | 100% Benchmark Return (%) | Record Hedge Return (%) | Net Return (%) |
|--------------|--------------------|--------------------|---------------------|---------------------------|-------------------------|----------------|
| USD | 144,100,012 | 119,647,457 | (3.18%) | 2.84% | 2.88% | (0.22%) |
| EUR | 32,951,903 | 37,005,254 | 0.35% | (0.40%) | (0.42%) | 0.16% |
| Total | 177,051,916 | 156,652,711 | (2.48%) | 2.20% | 2.22% | (0.14%) |

APPENDIX 1

SUMMARY OF MANDATES

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SUMMARY OF MANDATES

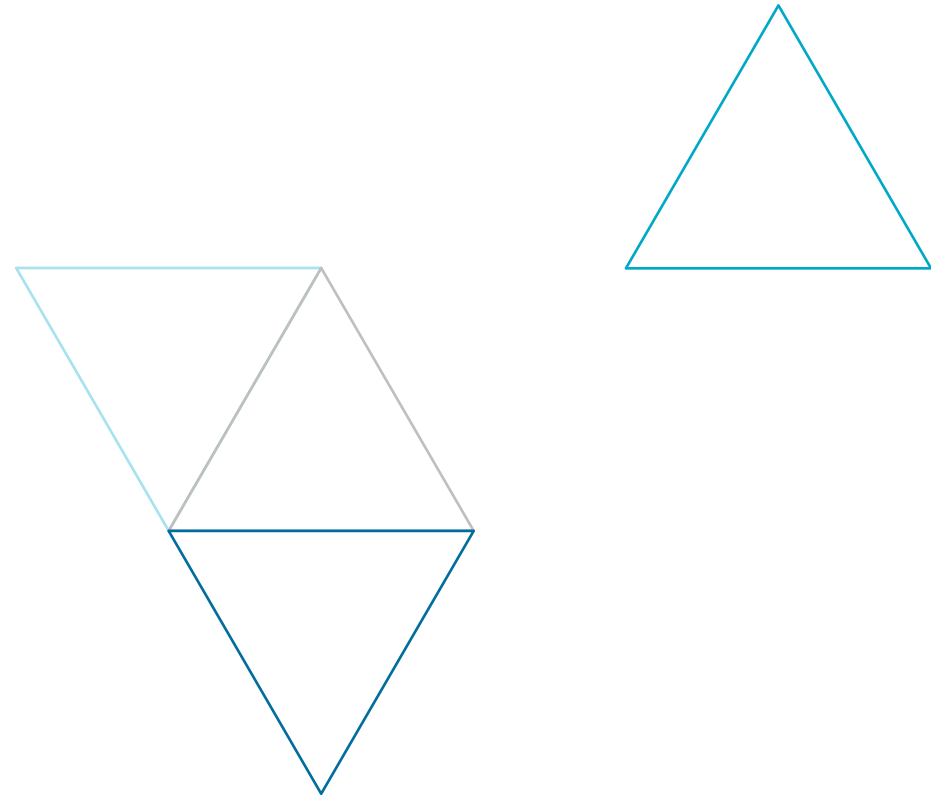
| Manager | Mandate | Benchmark | Outperformance Target (p.a.) |
|-------------------------------|----------------------------------------------|---------------------------------------------------------------------------------------------|------------------------------|
| BlackRock | Passive Global Equity | Composite using monthly mean fund weights | - |
| BlackRock | Passive Corporate Bond | Composite using monthly mean fund weights | - |
| BlackRock | Matching (Liability Driven Investing) | Return on liabilities being hedged | - |
| Jupiter Asset Management | UK Equities (Socially Responsible Investing) | FTSE All Share | +2% |
| TT International | UK Equities (Unconstrained) | FTSE All Share | +3-4% |
| Schroder | Global Equities (Unconstrained) | MSCI AC World Index Free | +4% |
| Genesis | Emerging Market Equities | MSCI EM IMI TR | - |
| Unigestion | Emerging Market Equities | MSCI EM NET TR | +2-4% |
| Invesco | Global ex-UK Equities (Enhanced Indexation) | MSCI World ex UK NDR | +0.5% |
| Barclays | Diversified Growth Fund | RPI +5% p.a. | - |
| Standard Life | Diversified Growth Fund | 6 Month LIBOR +5% p.a. | - |
| Ruffer | Diversified Growth Fund | 3 Month LIBOR +5% p.a. | - |
| JP Morgan | Fund of Hedge Funds | 3 Month LIBOR +3% p.a. | - |
| Schroder | UK Property | IPD UK Pooled | +1% |
| Partners | Overseas Property | Net IRR of 10% p.a. (local currency) | - |
| IFM | Infrastructure | 6 Month LIBOR +2.5% p.a. | - |
| Loomis Sayles | Multi-Asset Credit | 50% Barclays Global Agg, 25% Barclays Global HY, 15% JPM CEMBI, 10% S&P/LSTA Leveraged Loan | +0.5-1.0% |
| Royal London Asset Management | UK Corporate Bonds | iBoxx £ Non-Gilts All Maturities | +0.8% |
| Record | Passive Currency Hedging | N/A | - |
| Cash | Internally Managed | 7 Day LIBID | - |

APPENDIX 2

MARKET STATISTICS

INDICES

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MARKET STATISTICS INDICES

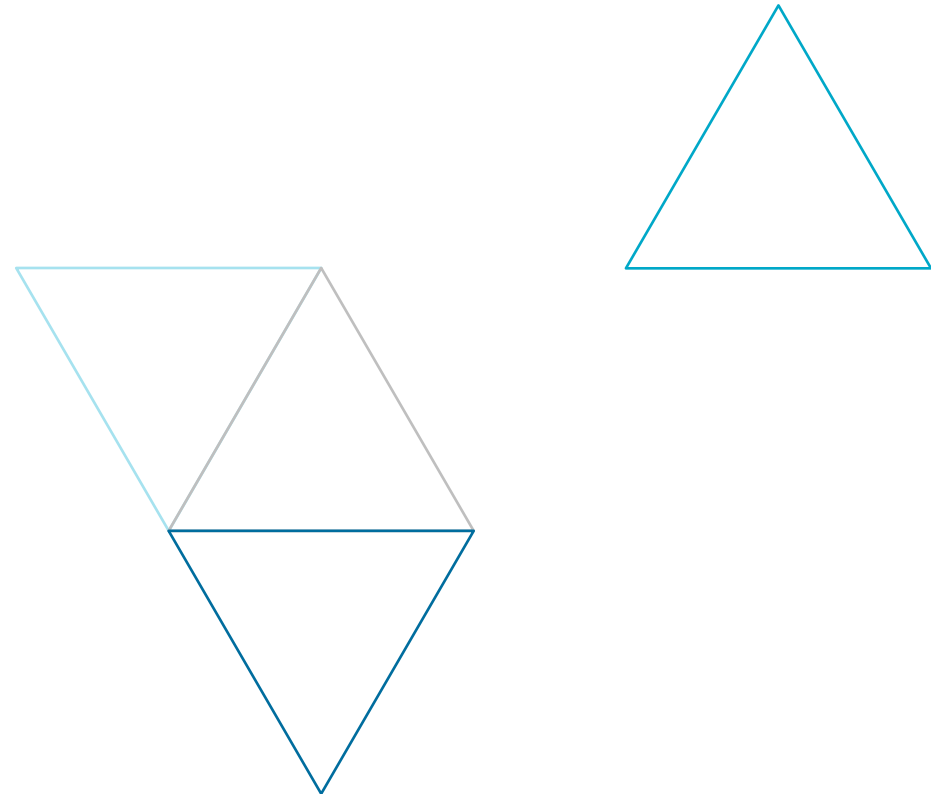
| Asset Class | Index |
|----------------------------------|----------------------------------------------------------------------------|
| UK Equities | FTSE All-Share |
| Global Equity | FTSE All-World |
| Overseas Equities | FTSE World ex UK |
| US Equities | FTSE USA |
| Europe (ex-UK) Equities | FTSE W Europe ex UK |
| Japanese Equities | FTSE Japan |
| Asia Pacific (ex-Japan) Equities | FTSE W Asia Pacific ex Japan |
| Emerging Markets Equities | FTSE AW Emerging |
| Global Small Cap Equities | FTSE World Small Cap |
| Hedge Funds | HFRX Global Hedge Fund |
| High Yield Bonds | BofA Merrill Lynch Global High Yield |
| Emerging Market Debt | JP Morgan GBI EM Diversified Composite |
| Property | IPD UK Monthly Total Return: All Property |
| Infrastructure | S&P Global Infrastructure |
| Commodities | S&P GSCI |
| Over 15 Year Gilts | FTA UK Gilts 15+ year |
| Sterling Non Gilts | BofA Merrill Lynch Sterling Non Gilts All Stocks |
| Over 5 Year Index-Linked Gilts | FTA UK Index Linked Gilts 5+ year |
| Global Bonds | BofA Merrill Lynch Global Broad Market |
| Global Credit | Barclays Capital Global Credit |
| Eurozone Government Bonds | BofA Merrill Lynch EMU Direct Government |
| Cash | BofA Merrill Lynch United Kingdom Sterling LIBOR 3 month constant maturity |

These are the indices used in this report for market commentary; individual strategy returns are shown against their specific benchmarks.

APPENDIX 3

CHANGES IN YIELDS

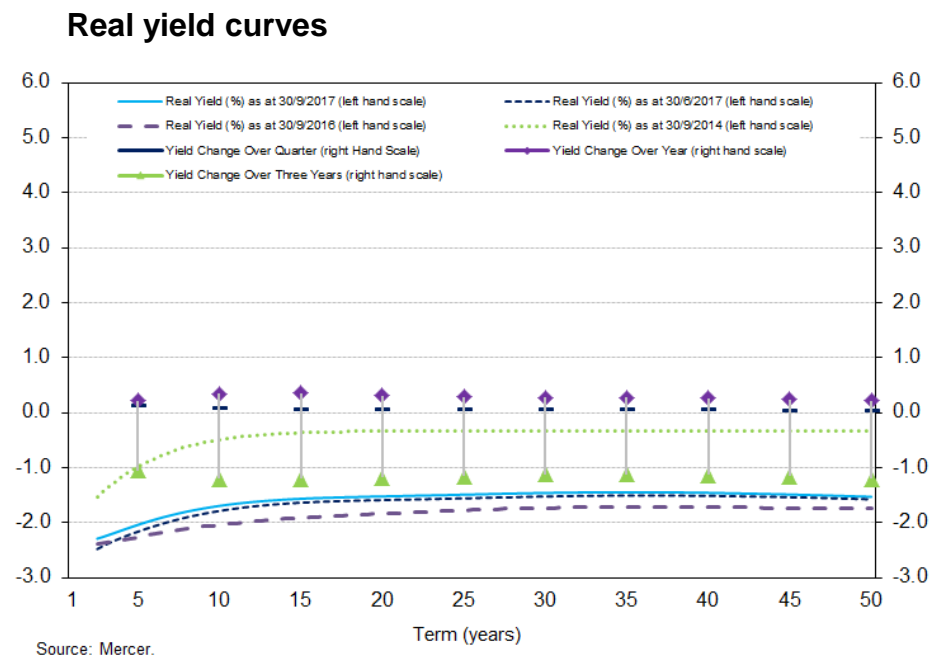
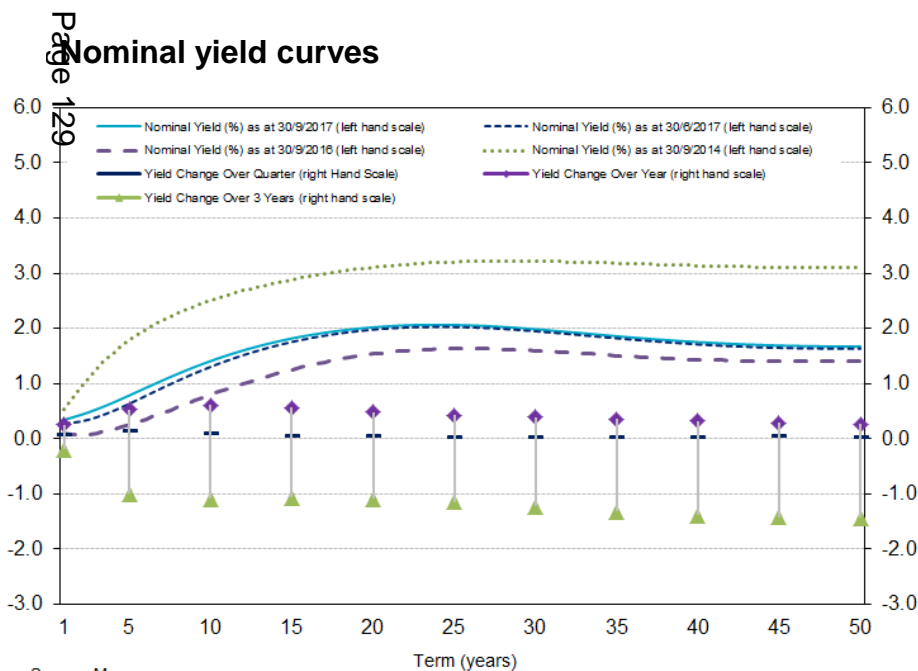
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CHANGES IN YIELDS

| Asset Class Yields (% p.a.) | 30 Sep 2017 | 30 Jun 2017 | 30 Sep 2016 | 30 Sep 2015 |
|--------------------------------|-------------|-------------|-------------|-------------|
| UK Equities | 3.68 | 3.61 | 3.46 | 3.71 |
| Over 15 Year Gilts | 1.84 | 1.80 | 1.42 | 2.38 |
| Over 5 Year Index-Linked Gilts | -1.51 | -1.57 | -1.78 | -0.83 |
| Sterling Non Gilts | 2.30 | 2.24 | 1.99 | 3.16 |

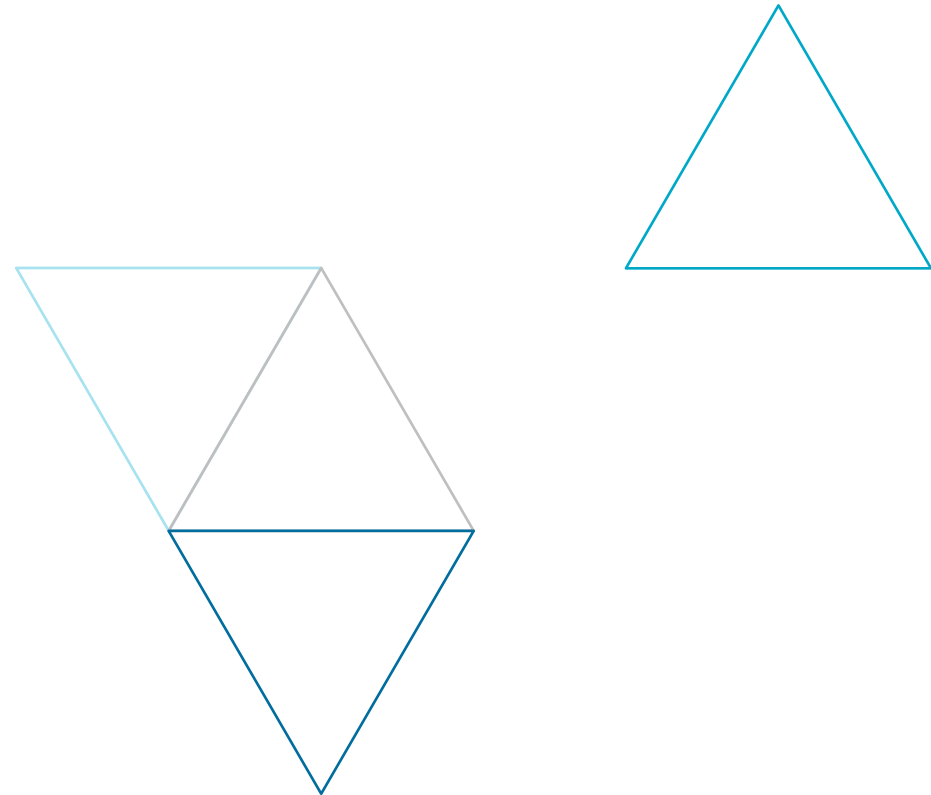
- Bond yields in the UK and the US fell slightly over the quarter, despite the Federal Reserve raising its interest rate by 0.25% at the March meeting, a move that had been predicted by markets.
- In the UK, there was a slight downward shift in the yield curve over the quarter for terms over five years. The Over 15 Year Gilt Index outperformed the broader global bond market over the quarter, generating a return of 2.6%.
- Real yields were slightly down over the quarter. This led to the Over 5 Year Index-Linked Gilts Index returning 2.0%.
- Credit spreads remained largely unchanged over the quarter, with the sterling Non-Gilts All Stocks index ending the quarter at c.1.2% and the Sterling Non-Gilts All Stocks over 10 years index ending the quarter at c.1.3%. UK credit assets returned 1.8% over the quarter. This broadly matched the return of global credit in local currency terms.



APPENDIX 4

GUIDE TO MERCER RATINGS

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GUIDE TO MERCER RATINGS

INTRODUCTION

This is a guide to the investment strategy research ratings (herein referred to as rating[s]) produced by Mercer's Investments business (herein referred to as Mercer). It describes what the ratings are intended to mean and how they should and should not be interpreted.

If you have any questions or would like more information about specific topics after reading this guide, please contact your Mercer consultant or click "Contact us" on our website www.mercer.com.

WHAT DO MERCER'S RATINGS SIGNIFY?

Mercer's ratings signify Mercer's opinion of an investment strategy's prospects for outperforming a suitable benchmark over a time frame appropriate for that particular strategy (herein referred to as outperformance). The rating is recorded in the strategy's entry on Mercer's Global Investment Manager Database (GIMD™) at www.mercergimd.com.

Mercer's ratings are normally assigned to investment strategies rather than to specific funds or vehicles. In this context, the term "strategy" refers to the process that leads to the construction of a portfolio of investments, regardless of whether the strategy is offered in separate account format or through one or more investment vehicles. There are exceptions to this practice. These are primarily in real estate and private markets where the rating is normally applied to specific funds.

WHAT DO MERCER'S RATINGS NOT SIGNIFY?

This section contains important exclusions and warnings; please read it carefully.

Past Performance

The rating assigned to a strategy may or may not be consistent with its past performance. While the rating reflects Mercer's expectations on future performance relative to a suitable benchmark over a time frame appropriate for the particular strategy, Mercer does not guarantee that these expectations will be fulfilled.

Creditworthiness

Unlike those of credit rating agencies, Mercer's ratings are not intended to imply any opinions about the creditworthiness of the manager providing the strategy.

Vehicle-Specific Considerations

As Mercer's ratings are normally assigned to strategies rather than to specific investment vehicles, potential investors in specific investment vehicles should consider not only the Mercer ratings for the strategies being offered through those investment vehicles but also any investment vehicle-specific considerations. These may include, for example, frequency of dealing dates and any legal, tax, or regulatory issues relating to the type of investment vehicle and where it is domiciled. Mercer's ratings do not constitute individualized investment advice.

Management Fees

To determine ratings, Mercer does not generally take investment management fees into account. The rationale for this is that, due to differing account sizes, differing inception dates, or other factors, the fees charged for a specific strategy will vary among clients. Potential investors in a specific strategy should therefore consider not only the Mercer rating for that strategy but also the competitiveness of the fee schedule that they have been quoted. The area of Alternative Investments is an exception — Mercer follows market practice for "Alternatives" and rates strategies on a net of fees basis.

GUIDE TO MERCER RATINGS

Operational Assessment

Mercer's research process and ratings do not include an evaluation of a manager's custodian, prime brokerage, or other vendor relationships, or an assessment of the manager's back office operations, including any compliance, legal, accounting, or tax analyses of the manager or the manager's investment vehicles. Research is generally limited to the overall investment decision-making process used by managers. In forming a rating, Mercer's investment researchers do not generally perform corporate-level operational infrastructure due diligence on a manager and do not perform financial or criminal background checks on investment management staff. Unless Mercer's investment researchers are aware of material information to the contrary (such as a view expressed by a manager's auditors or Mercer Sentinel®; see section 9), they assume that the manager's operational infrastructure is reasonable. Operational weaknesses that Mercer's investment researchers discover during their analysis of the four factors outlined in section 4 will be noted and, where appropriate, taken into account in determining ratings.

FACTORS CONSIDERED IN FORMING A RATING

In order to determine the rating for a particular strategy, Mercer's investment researchers review the strategy on the basis of four specific factors — idea generation, portfolio construction, implementation, and business management — each of which is assigned one of four scores: negative, neutral, positive, or very positive.

Mercer believes that idea generation, portfolio construction, and implementation are the main components of every investment process. These factors are defined as:

Idea generation encompasses everything that the investment manager (herein referred to as manager) does to determine the relative attractiveness of different investments.

Portfolio construction refers to the manner in which the manager translates investment ideas into decisions on which investments to include in a portfolio and what weightings to give to each of these investments.

Implementation refers to the capabilities surrounding activities that are required to achieve the desired portfolio structure.

Mercer believes that managers that do these activities well should have above-average prospects of outperformance. However, Mercer also believes that to remain competitive over longer periods, managers must be able to maintain and enhance their capabilities in these three areas. To do this, managers need to have significantly strong business management, which is the fourth factor Mercer assesses.

Business management refers to the overall stability of the firm, firm resources, and overall operations.

The four factors above apply to most product categories that Mercer researches. Variations on these factors are used in some product categories. Examples here include passive strategies, liability driven investment and private markets.

A strategy's overall rating is not determined as a weighted average of the four factor scores, and no prescribed calculations are made to arrive at the four-factor score or the overall rating. Instead, for each strategy, Mercer's investment researchers identify which factors Mercer believes are most relevant to a manager's investment process and place weight on the factors accordingly. Example considerations include:

- Mercer's confidence in the manager's ability to generate value-adding ideas.
- Mercer's view on any specified outperformance target.
- The opportunities available in the relevant market(s) to achieve outperformance.
- An assessment of the risks taken to try to achieve outperformance.
- An assessment of the strategy relative to peer strategies.
- An assessment of the manager's business management and its impact on particular strategies.

GUIDE TO MERCER RATINGS

MERCER RATING SCALE

| Ratings | Rationale |
|-----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| A | Strategies assessed as having “above average” prospects of outperformance |
| B+ | Strategies assessed as having “above average” prospects of outperformance, but which are qualified by at least one of the following: <ul style="list-style-type: none"> There are other strategies that Mercer believes are more likely to achieve outperformance Mercer requires more evidence to support its assessment |
| B | Strategies assessed as having “average” prospects of outperformance |
| C | Strategies assessed as having “below average” prospects of outperformance |
| No rating | Strategies not currently rated by Mercer |
| R | The R rating is applied in three situations: <ul style="list-style-type: none"> Where Mercer has carried out some research, but has not completed its full investment strategy research process In product categories where Mercer does not maintain formal ratings but where there are other strategies in which we have a higher degree of confidence Mercer has in the past carried out its full investment-strategy research process on the strategy, but we are no longer maintaining full research coverage |

The above definitions apply to the majority of product categories researched by Mercer. However for some product categories the rating scale reflects Mercer’s degree of confidence in a manager’s ability to achieve a strategy’s stated aims. Examples of where this applies include low volatility equities, cash, passive, liability driven strategies and DC specific solutions.

GUIDE TO MERCER RATINGS

SUPPLEMENTAL INDICATORS

Provisional (P)

If the Mercer strategy rating is followed by a (P) - for example, A (P) or B+ (P) - the rating is “provisional” - that is, there is temporary uncertainty about the rating, but it is expected that this will soon be resolved. For example, should two managers announce a merger, but without further details, this uncertainty may be highlighted by modifying the rating strategies for one or both of those firms - for instance, from A to A (P). (P) indicators are intended to be temporary and should normally last for no more than two weeks. As soon as the temporary uncertainty has been resolved, or if it becomes apparent that this uncertainty is unlikely to be resolved quickly, the (P) indicator will be removed and the rating confirmed or changed, or the strategy will be assigned the indicator “watch” (W).

Watch (W)

If the Mercer strategy rating is followed by a (W) – for example, A (W) or B+ (W) - the rating is “watch” - there is some uncertainty about the rating and resolution is not expected soon, but Mercer believes there is a low probability that the resolution of this uncertainty will lead to a change in the strategy’s rating. (W) indicators are typically issued when there is an expectation of long-term uncertainty surrounding the rating - for example, a change, or potential change, in a manager’s ownership.

Specifically Assigning (P) and (W) Supplemental Indicators

(P) and (W) indicators are assigned - and removed - by the regular ratings review process described earlier; however, there are circumstances where organizational or reputational issues that affect a manager warrant the specific assignment of a (P) or (W) indicator to an existing rating. In such circumstances, the decision to apply - or remove - a (P) or (W) indicator is taken by two senior members of the leadership group of the Manager Research team. These occasions are rare, and the relevant investment researchers will contribute to any discussions before a (P) or (W) indicator is assigned or removed.

High Tracking Error (T)

If the Mercer strategy rating is followed by a (T) — for example, A (T) or B+ (T) — the strategy is considered to have the potential to generate a tracking error substantially higher than the average for the relevant product category. In this context, “tracking error” refers to the variability of performance relative to the nominated benchmark for the strategy. A strategy may be assigned the (T) indicator because the potential for high tracking error has been demonstrated by the strategy’s past performance and/or because the nature of the investment process is such that a significantly higher than average tracking error could be expected. The absence of a (T) following a rating does not guarantee that the strategy’s tracking error will not be higher than the average for the relevant product category.

NICHE STRATEGIES

Mercer categorize a limited number of strategies as Niche. The Niche categorization is applied to strategies that are perceived as highly differentiated. Mercer does not have specific rules as to what characterizes a Niche strategy but examples might include strategies where a manager is seeking to exploit anomalies not generally recognized by other market participants. It might also be applied to strategies with a short track record and/or limited assets under management.

GUIDE TO MERCER RATINGS

RESEARCH INDICATIONS – INDICATIVE VIEW

For strategies where Mercer has conducted some initial research, we may apply Mercer Research Indications. Mercer's Research Indications are an indication of whether a strategy merits deeper / further due diligence. This indication is shown by an assigned indicative view, identified as a colour. A Research Indication does not necessarily result in future research. All Research Indications are assigned as R rating.

- Red – further research has “below average” prospects of resulting in an investable rating.
- Amber – further research has “average” prospects of resulting in an investable rating.
- Green – further research has “above average” prospects of resulting in an investable rating.

An investable rating is defined as an A or B+.

OPERATIONAL RISK ASSESSMENTS

Mercer Sentinel, a division within Mercer, undertakes operational risk assessments (ORAs) on managers, most often on behalf of clients. These ORAs assess managers' operations and implementation risk profiles and cover some of the areas mentioned in section 3, as well as other areas related to operational risk. ORAs are undertaken separately from the Manager Research process; however, the results are shared with the Lead Researcher for the manager. A Mercer Sentinel ORA that concludes with an unsatisfactory rating (namely, a “Review” rating) for a manager will result in an immediate (P) rating for all that manager's relevant rated strategies. Discussions will follow and any subsequent change in investment rating will be ratified by the standard Manager Research process. Contact your Mercer consultant for more information.

ENVIRONMENTAL, SOCIAL, AND CORPORATE GOVERNANCE RATINGS

Mercer also assigns ratings to strategies that represent Mercer's view on the extent to which environmental, social and corporate governance (ESG) and active ownership practices (voting and engagement) are integrated into the manager's investment process and decision-making across asset classes. ESG factors are incorporated into the investment process on the basis that these issues can impact revenue, operating costs, competitive advantage, and the cost of capital. During discussions with managers about ESG integration, Mercer assesses the use of ESG information to generate outperformance.

GUIDE TO MERCER RATINGS

ESG Rating Scale

| | |
|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ESG1 | The highest ESG rating is assigned to strategies that Mercer believes to be leaders in integrating ESG and active ownership into their core processes, and that provide clear evidence that ESG overall, or a particular ESG theme, is core to idea generation and portfolio construction. |
| ESG2 | The second highest rating is assigned to strategies that, in Mercer's view, include ESG factors as part of decision making, with a strong level of commitment made at a firmwide level and some indication that data and research are being taken into account by the managers in their valuations and investment process. |
| ESG3 | The penultimate rating is assigned to strategies for which, in Mercer's view, the manager has made some progress with respect to ESG integration and/or active ownership, but for which there is little evidence that ESG factors are taken into consideration in valuations and investment process. |
| ESG4 | The lowest ESG rating is assigned to strategies for which, in Mercer's view, little has been done to integrate ESG and active ownership into their core process. |

For passive strategies, Mercer applies an ESGp1 through to ESGp4. There are two key distinctions between ESG ratings for passive and active strategies. First, for passive, the bulk of the focus is on voting and engagement practices. Second, most of Mercer's analysis focuses on firm-wide levels of commitment rather than at the individual strategy level.

RATINGS REVIEW COMMITTEES

Mercer has a process for reviewing and ratifying the ratings proposed by individual investment researchers. For most product categories, strategy ratings are reviewed regularly by one of several RRCs that operate within Mercer. These committees are composed of professionals from Mercer's investment research and consulting groups who draw on research carried out by Mercer investment researchers and consultants. The role of the RRCs is to review this research from a quality control perspective and ensure consistency of treatment across strategies within a product category.

For certain asset classes, ratings will not have been reviewed by an RRC; however, the rating will have been reviewed by at least two suitably qualified investment researchers or consultants other than the recommending researcher. An R rating will not necessarily have been reviewed by an RRC but will have been subject to Mercer's standard peer review process.

CONFIDENTIALITY OF MERCER'S RATINGS

Mercer's ratings, along with all other information relating to Mercer's opinions on managers and the investment strategies they offer, represent Mercer's confidential and proprietary intellectual property and are subject to change without notice. The information is intended for the exclusive use of the parties to whom it was provided by Mercer and may not be modified, sold, or otherwise provided, in whole or in part, to any other person or entity (including managers) without Mercer's prior written permission.

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TOMORROW,
TODAY

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Access to Information Arrangements

Exclusion of access by the public to Council meetings

Information Compliance Ref: LGA 1794/17

Meeting / Decision: Avon Pension Fund Investment Panel

Date: 13th November 2017

Author: Nathan Rollinson

Report Title: Review Of Investment Performance For Periods Ending 30 September 2017

Appendix 1 – Fund Valuation

Appendix 2 – Mercer performance monitoring report (Panel version)

Exempt Appendix Title:

Exempt Appendix 3 – RAG Monitoring Summary Report

The Report contains exempt information, according to the categories set out in the Local Government Act 1972 (amended Schedule 12A). The relevant exemption is set out below.

Stating the exemption:

3. *Information relating to the financial or business affairs of any particular person (including the authority holding that information).*

The public interest test has been applied, and it is concluded that the public interest in maintaining the exemption outweighs the public interest in disclosure at this time. It is therefore recommended that the exempt appendix be withheld from publication on the Council website. The paragraphs below set out the relevant public interest issues in this case.

PUBLIC INTEREST TEST

If the Committee wishes to consider a matter with press and public excluded, it must be satisfied on two matters.

Firstly, it must be satisfied that the information likely to be disclosed falls within one of the accepted categories of exempt information under the Local Government Act 1972. Paragraph 3 of the revised Schedule 12A of the 1972 Act exempts information which relates to the financial or business affairs of the organisations which is commercially sensitive to the organisations. The officer responsible for this item believes that this information falls within the exemption under paragraph 3 and this has been confirmed by the Council's Information Compliance Manager.

Secondly, it is necessary to weigh up the arguments for and against disclosure on public interest grounds. The main factor in favour of disclosure is that all possible Council information should be public and that increased openness about Council business allows the public and others affected by any decision the opportunity to participate in debates on important issues in their local area. Another factor in favour of disclosure is that the public and those affected by decisions should be entitled to see the basis on which decisions are reached.

Weighed against this is the fact that the exempt appendix contains strategic and financial information, which is commercially sensitive and could prejudice the commercial interests of the organisation if released. It would not be in the public interest if advisors and officers could not express in confidence opinions or proposals which are held in good faith and on the basis of the best information available.

It is also important that the Committee should be able to retain some degree of private thinking space while decisions are being made, in order to discuss openly and frankly the issues under discussion in order to make a decision which is in the best interests of the Fund's stakeholders.

The Council considers that the public interest is in favour of not holding this matter in open session at this time and that any reporting on the meeting is prevented in accordance with Section 100A(5A)

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

Document is Restricted

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| Bath & North East Somerset Council | | |
|-----------------------------------------|------------------------------------|--------------------|
| MEETING: | AVON PENSION FUND INVESTMENT PANEL | |
| MEETING DATE: | 13 NOVEMBER 2017 | AGENDA ITEM NUMBER |
| TITLE: | WORKPLAN | |
| WARD: | ALL | |
| AN OPEN PUBLIC ITEM | | |
| List of attachments to this report: Nil | | |

1 THE ISSUE

- 1.1 This report sets out the workplan for the Panel to end 2018. The workplan is provisional as the Panel will respond to issues as they arise and as work is delegated from the Committee. The workplan includes projects arising from the revised Investment Strategy.

2 RECOMMENDATION

That the Panel:

- 2.1 **Note the workplan to be included in Committee papers.**

3 FINANCIAL IMPLICATIONS

- 3.1 There are no financial implications arising from this report. Costs for meeting managers are provided for in the budget.

4 PROVISIONAL WORKPLAN

- 4.1 The provisional workplan is as follows:

| Panel meeting | Proposed agenda |
|------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Panel Meeting 13 Nov 2017 | <ul style="list-style-type: none"> Review managers performance to Sept 2017 (including on-boarding plan to new custodian) Collateral Management Policy LDI reporting and monitoring |
| Panel Meeting 21 February 2018 | <ul style="list-style-type: none"> Review managers performance to December 2017 Transition plan Custody transition update Unigestion presentation Blackrock to update in the LDI and equity protection strategies |
| Panel Meeting 23 May 2018 | <ul style="list-style-type: none"> Review managers performance to March 2018 Transition plan update |
| Panel Meeting 10 September 2018 | <ul style="list-style-type: none"> Review BPP performance to June 2018 Transition plan update |
| Panel Meeting 12 November 2018 | <ul style="list-style-type: none"> Review BPP performance to September 2018 Transition plan update |

4.2 The Panel's workplan will be included in the regular committee report setting out the committee's and pensions section workplans. This will enable the Committee to alter the planned work of the Panel.

4.3 The workplan will be updated for each Panel meeting and reported to the Committee.

5 RISK MANAGEMENT

5.1 The Avon Pension Fund Committee is the formal decision-making body for the Fund. As such it has responsibility to ensure adequate risk management processes are in place. It discharges this responsibility by ensuring the Fund has an appropriate investment strategy and investment management structure in place that is regularly monitored. The creation of an Investment Panel further strengthens the governance of investment matters and contributes to reduced risk in these areas.

6 EQUALITIES

6.1 An equalities impact assessment is not necessary as the report contains only recommendations to note.

7 CONSULTATION

7.1 N/a

8 ISSUES TO CONSIDER IN REACHING THE DECISION

8.1 This report is for information only.

9 ADVICE SOUGHT

9.1 The Council's Monitoring Officer (Divisional Director – Legal & Democratic Services) and Section 151 Officer (Divisional Director – Business Support) have had the opportunity to input to this report and have cleared it for publication.

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|----------------------------------------------------------------------------------------------------|------------------------------------------------|
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| Background papers | |
| Please contact the report author if you need to access this report in an alternative format | |