

Avon Pension Fund Committee Investment Panel

Date: Friday, 17th September, 2021

Time: 2.00 pm

Venue: Council Chamber - Guildhall, Bath

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

Councillor Shaun Stephenson-McGall (Chair), Councillor Paul Crossley,
Councillor Chris Dando, John Finch, Pauline Gordon and Shirley Marsh-
Hughes

Chief Executive and other appropriate officers
Press and Public



Mark Durnford

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NOTES:

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

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

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. We request that those filming/recording meetings avoid filming public seating areas, children, vulnerable people etc; however, the Council cannot guarantee this will happen.

The Council will broadcast the images and sounds 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.

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 can be found at:

<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.

6. **Supplementary information for meetings**

Additional information and Protocols and procedures relating to meetings

<https://democracy.bathnes.gov.uk/ecCatDisplay.aspx?sch=doc&cat=13505>

Avon Pension Fund Committee Investment Panel - Friday, 17th September, 2021

at 2.00 pm in the Council Chamber - Guildhall, Bath

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: 26TH FEBRUARY 2021 AND 28TH MAY 2021 (Pages 7 - 18)

8. BRUNEL PRESENTATION

The Panel will receive a presentation from Brunel at the meeting.

9. EQUITY REVIEW (Pages 19 - 86)

10. INVESTMENT PERFORMANCE (Pages 87 - 174)

This paper reports on the performance of the Brunel and legacy portfolios and seeks to update the Panel on routine aspects of the Fund's investments. The report contains performance statistics for periods ending 30 June 2021.

11. RISK MANAGEMENT (Pages 175 - 196)

The Funding and Risk Management Group (FRMG) is responsible for agreeing the operational aspects relating to the Fund's risk management framework thereby ensuring that strategic objectives continue to be met. This report informs Panel of issues considered and decisions made by FRMG as well as any recommendations.

12. FORWARD AGENDA (Pages 197 - 200)

This report sets out the forward agenda for the Panel for 2021. It is provisional as the Panel will respond to issues as they arise and as work is delegated from the Committee.

The Committee Administrator for this meeting is Mark Durnford who can be contacted on 01225 394458.

BATH AND NORTH EAST SOMERSET

MINUTES OF AVON PENSION FUND COMMITTEE INVESTMENT PANEL MEETING

Friday, 26th February, 2021

PRESENT:

Panel: Councillor Shaun Stephenson-McGall (Chair), Councillor Chris Dando, Councillor Bruce Shearn, John Finch, Pauline Gordon and Shirley Marsh -Hughes

Advisors: Steve Turner (Mercer), Josh Caughey (Mercer) and Hemal Popat (Mercer)

Also in attendance: Tony Bartlett (Head of Business, Finance and Pensions), Liz Woodyard (Group Manager for Funding, Investment & Risk) and Nathan Rollinson (Investments Manager)

35 WELCOME & INTRODUCTIONS

The Chair welcomed everyone to the meeting.

36 DECLARATIONS OF INTEREST

There were none.

37 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

There were none.

38 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

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

There were none.

40 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

41 MINUTES - 20TH NOVEMBER 2020 (PUBLIC) AND 20TH NOVEMBER 2020 (EXEMPT)

Pauline Gordon commented that on page 18 of the minutes the last sentence should read that she 'agreed that the concepts underpinning the Dynamic Strategy are the same as that under Static.'

With that amendment in mind the minutes of the meeting on 20th November 2020 were confirmed as a correct record.

42 PRIVATE MARKET PORTFOLIOS

The Group Manager for Funding, Investments & Risk introduced this report to the Panel. She explained that the investment cycles for the Brunel private markets are every two years. Where a client allocates to a cycle in year 1, they have the option to 'top-up' their committed amount in year 2.

She said that for Cycle 2 which began in April 2020, Avon allocated to the Secure Income, Renewable Infrastructure and Private Debt portfolios but did not commit the full allocation at that point; in March 2021 the Fund has an opportunity to increase the amount committed.

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 the 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 Panel **RESOLVED** to agree to top up the commitments to the private market portfolios as outlined in Exempt Appendix 1.

43 BRUNEL PENSION PARTNERSHIP - UPDATE ON POOLING

The Group Manager for Funding, Investment & Risk introduced this report to the Panel. She explained that the reporting process for this work was changing with Mercer moving to taking a more strategic role.

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 the 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 Panel **RESOLVED** to:

- (i) Note the progress made on pooling of assets.
- (ii) Note the project plan for the transition of assets.

44 REVIEW OF INVESTMENT PERFORMANCE FOR PERIODS ENDING 31 DECEMBER 2020

The Investments Manager introduced this report to the Panel. He said that it should be noted that the Brunel Performance Report shows the portfolios that the Fund are invested in are tracking below their indices for carbon intensity.

He explained that the Fund is currently undertaking an analysis of its current disclosures to better understand what is required under the new FRC Stewardship

Code and the TCFD reporting requirements in order to meet compliance for the 2020/21 financial year.

He stated that officers and Mercer have reviewed counterparty banks shortlisted for the implementation of the dynamic equity protection strategy. He added that having assessed the banks across a broad set of criteria including cost, operational capability and client servicing, officers and Mercer, under delegated authority, agreed to appoint three banks to minimise concentration risk. He said that the final appointment of each bank will be subject to an independent legal review of key trade terms and documentation.

He said that the residual holding in the Ruffer DGF (c. £160m) was sold in December in anticipation of private markets drawdowns and to align the portfolio with the 10% strategic allocation. He added that the cash proceeds of the sale were subsequently invested in the Fund's liquidity strategy, managed by BlackRock.

Steve Turner, Mercer addressed the Panel and said that a number of political events as well as news of the vaccine rollout drove strong returns across most assets over Q4.

He said that there were a number of strong returns seen in Q4, in particular the Brunel Global High Alpha Equity portfolio outperformed its index by 1.2% over the quarter and by 13.6% over the year. He added that it was also pleasing to see in Q4 the performance of the Brunel Global Sustainable Equities and Emerging Markets portfolios, outperform their respective indices by 0.5%. He added that the newly launched Brunel Diversified Returns Fund was able to capture significant upside too, posting a return of 3% above its cash benchmark.

John Finch asked how the risk/reward number for property had been calculated, commenting that it seemed low relative to other real assets such as infrastructure.

Steve Turner replied that he would need to check before replying definitely. He added that he would like to say that it is based on the actual valuation of the assets contained within the portfolio, where property values have remained reasonably stable, compared to the wider sector.

Pauline Gordon asked whether the significant outperformance of the Global High Alpha portfolio was sustainable and whether it might reverse over the coming year and questioned the degree of risk taken to generate the returns within that particular portfolio.

Steve Turner replied that while Brunel have greater transparency on the risk drivers of the portfolio, based on what he knows about the portfolio and the balance of growth and value styles of the underlying managers he would expect a degree of consistency in returns, accepting that recent outperformance has been exceptional. He commented that the allocation to Baillie Gifford was a key contributor to the portfolios returns as they outperformed the benchmark by around 100% last year with a lot of their stocks doubling in value. He added that this was unlikely to be repeated on a regular basis.

The Chair asked, in terms of the currency market, if it was known why the Pound has strengthened recently more against the Dollar than the Euro.

Steve Turner replied that it was difficult to be precise but felt that sterling had strengthened on the market's perception of the vaccine rollout.

The Group Manager for Funding, Investment & Risk asked if the expectation regarding interest rates or bond yields were having an effect on the currency markets.

Steve Turner replied that he didn't think that this was a considerable factor at the present time.

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 the 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 Panel **RESOLVED** to note the information as set out in the reports.

45 FORWARD AGENDA

The Group Manager for Funding, Investment & Risk introduced this report to the Panel. She informed them that a workshop was likely to take place prior to their meeting on May 28th 2021.

The Panel **RESOLVED** to note their forward agenda.

The meeting ended at 3.55 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

AVON PENSION FUND COMMITTEE INVESTMENT PANEL

Minutes of the Meeting held

Friday, 28th May, 2021, 3.00 pm

Members: Councillor Shaun Stephenson-McGall (Chair), Councillor Paul Crossley, Councillor Chris Dando, John Finch, Pauline Gordon and Shirley Marsh -Hughes

Advisors: Steve Turner (Mercer), Joshua Caughey (Mercer) and Hemal Popat (Mercer)

Also in attendance: Tony Bartlett (Head of Business, Finance and Pensions), Liz Woodyard (Group Manager for Funding, Investment & Risk) and Nathan Rollinson (Investments Manager), David Vickers (Brunel) and Chris Crozier (Brunel)

1 WELCOME & INTRODUCTIONS

The Chair welcomed everyone to the meeting.

2 DECLARATIONS OF INTEREST

There were none.

3 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

There were none.

4 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

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

There were none.

6 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

7 MINUTES: 26TH FEBRUARY 2021

The Panel noted the minutes of the previous meeting.

8 BRUNEL UPDATE PRESENTATION

David Vickers, Chief Investment Officer, Brunel addressed the Panel and gave them a presentation, a summary of the presentation is set out below.

- PMI – Shows broad measures of economic growth
- Renewed demand for commodities
- Credit spreads are back near pre-Covid levels
- More bankruptcies were experienced in 2019 than in 2020
- A decade of potentially lower returns should be expected
- Value stocks have risen since the Covid vaccination scheme began

Macro outlook

- Economies well on the way to recovery driven by stimulus.
- Global vaccine deployment is allowing markets to “look through lockdowns and outbreaks”
- Pent up demand and high savings rate can spur on the economy.
- High debt levels keep interest rates low
- We are early in the economic cycle, but....
- Equity valuations are not cheap, the boost from lower interest rates is over.
- Credit spreads are at or near all-time lows and companies are more indebted than ever.
- Inflation is picking up (base effect) but the future path of inflation is unclear

Steve Turner, Mercer asked if those outlook points were likely to make it easier or harder to invest in a climate orientated way.

David Vickers replied that while periods of underperformance for certain types strategies should be expected, in the long-term the inherent quality factor of Brunel portfolios should be additive to returns. He commented that in the current environment he had seen the equity market rally broaden out beyond traditional value stocks in the energy and banking sectors. He referred to the recent case of the Dutch Government ruling that Shell's emissions targets should be accelerated as indicative of the market's direction of travel.

Other key market trends

Themes for consideration include:

- Unwinding of fiscal stimulus
- Trade tensions
- Political risk e.g. Taiwan
- A change in the global tax system
- A wave of defaults as stimulus and forbearance is withdrawn
- Investing in China – Human Rights issues / Modern Slavery
- Cyber risk
- Climate change – an integral part of how we manage your assets, but a new trend for some!

- A continued and prolonged change in equity leadership from growth to value

Councillor Paul Crossley asked if the speed at which capital was being invested in sustainable and 'green' investments could create artificially high valuations, posing a significant risk to 'green' investment strategies.

David Vickers replied that there is dispersion among regions as to how far advanced they are in adopting 'green' and sustainable investment strategies, with the UK leading the way. Certain markets, including the US, are less well advanced indicating that the market remains robust.

Shirley Marsh-Hughes asked if Brunel would consider all of their portfolios to be sustainable.

David Vickers replied that they all are except for the ones that are passive. He added that all the active portfolios are sustainable with a big ESG input into them.

Pauline Gordon asked if there were any key differences between the developed and emerging markets in terms of the macros highlighted.

David Vickers replied that emerging markets are cheaper on aggregate than developed ones and benefit from a weaker dollar. He added that one thing to be mindful of is that 50% of the emerging market is in China.

The Chair asked if an opinion could be given from a geo-political point of view with regard to Taiwan and the fact that they produce around 80% of the world's microchips.

David Vickers replied that China were committed to being at the forefront of technology and chip manufacture and had been vocal around elevating their position on the world stage. He added that, critically to investment markets, supply chains had started to consolidate and that increasingly global onshoring will take place.

John Finch asked if he thought inflation would now really take off or are we just witnessing a bounce back from the lows and will it flatten.

David Vickers replied that the general thinking is that this is a bounce back and that it will fade. He added that the problem may occur if markets believe that the rate is going to continue to increase.

The Chair thanked him on behalf of the Panel for his attendance and presentation.

9 GOVERNANCE OF RISK MANAGEMENT STRATEGIES

The Group Manager for Funding, Investment & Risk introduced the report to the Panel and highlighted the following points from it.

The governance has evolved as the strategies have developed and been implemented involving significant and ongoing Investment Panel engagement. The strategies are now at a point where the role of the Committee needs to focus on ongoing delivery of investment objectives and strategic effectiveness rather than broader detailed operational aspects.

The proposed framework therefore addresses the following:

- a) The role of the Committee and Panel in terms of strategic oversight of the Risk Management strategies
- b) The operational arrangements to agree structures and implementation of the strategies
- c) Timeliness of decision making given need to react to market environment

A Funding and Risk Management Group (FRMG) will formalise the decision-making process. It will consist of Officers (including Head of Pensions), Investment & Risk Consultants and the Fund Actuary. This will ensure both the funding and investment aspects of each strategy are holistically considered.

There will be a Terms of Reference (ToR) for the group and minutes of each meeting will be provided to the Investment Panel. FRMG will meet at least quarterly to review in depth the strategies, with the ability to convene more frequent meetings as necessary depending on market conditions or whether action needed to control risk or change the structures (in order to ensure the strategic outcome is delivered). FRMG meetings will cover both strategic and operational matters. All actions and decisions of the FRMG will be reported to the next Panel meeting.

John Finch commented that he felt that it was right to separate the operational and strategic roles.

Shirley Marsh-Hughes said that she felt the formation of the FRMG made good sense, but she was concerned about the timing of the Panel hearing from them only every quarter.

The Group Manager for Funding, Investment & Risk replied that if required an emergency meeting of the Panel could be called and added that the notes of the Group meetings could be shared with the Panel.

The Head of Business Finance & Pensions added that officers will do the best they can to communicate with all parties on decisions taken.

The Panel is supportive of the formation of a FRMG, notes the proposed changes within the report and that proposed changes to the Terms of Reference will be considered at full Committee.

10 LEGACY PORTFOLIOS

The Investments Manager introduced this report to the Panel. He explained that the Fund has several legacy portfolios that need to either be managed down as a result of strategic asset allocation decisions or transitioned to Brunel portfolios.

He said that a number of the legacy portfolios are illiquid or not easily sold, for example hedge funds, infrastructure, and therefore will have to be managed down over time.

He stated that officers will report back to Panel on an annual basis as to the progress made in winding down legacy portfolios.

The Panel noted the report.

11 INVESTMENT PERFORMANCE

The Investments Manager introduced this report to the Panel and highlighted the following areas from within it.

Private Markets Investments: Pace of deployment within the renewable infrastructure portfolio remained steady over the quarter, reflective of the fact the Brunel portfolio focuses on high-quality, essential services. The Secured Income portfolio saw a notable pickup in pace of deployment due to increased acquisition activity of underlying managers.

The Brunel private debt portfolio launched during the period and is expected to start drawing down in May on the Fund's £245m commitment.

The re-registration of the Fund's UK property assets (to be managed by Brunel) commenced in January. As part of the transition the Fund committed £10m to an affordable housing fund, which works with regional house builders to develop new-build housing for the underserved affordable rental sector.

Redemptions in non-transferable funds held by the legacy UK property manager are expected to conclude by the end 2Q 2021.

Steve Turner, Mercer addressed the Panel on their report (Appendix 2) and said that it had been reformatted to focus on forward looking strategic issues and that they would welcome any comments from the Panel.

Joshua Caughey, Mercer highlighted to the Panel some areas from the report.

Market background

Economic data continued to point towards a global recovery but with wide regional dispersions. Markets looked beyond the temporary setbacks created by Covid-19 restrictions. This led to another quarter of positive returns for risk assets and weaker performance for defensive assets, in particular government bonds.

In terms of market outlook Mercer continues to prefer emerging market equities and to a lesser extent small cap equities. Within growth fixed income, we revised the outlook for loans marginally higher at the expense of high yield following the recent high yield outperformance.

Within defensive fixed income, we continue to like securitised bonds on a relative basis and remain on the underweight side of neutral in UK sovereign bonds and index-linked bonds. We think that government bonds yields will move higher on the back of strong economic growth and a pick-up in inflation. We expect inflation to rise sharply over the next few months as economies reopen, but we expect this will largely be temporary.

Funding level attribution

The Fund's assets returned 2.7% over the quarter, whilst the liabilities are expected to have increased by c. 0.6% due to the rise in inflation. The combined effect of this, also allowing for cashflow over the period, saw the funding level improve from 95% to 97%. The funding level is estimated to have increased by c.13% over the year to 31 March 2021.

Pauline Gordon asked if any further comment could be given on the 3 year Value at Risk (VaR) figures which were now significantly lower than what they were under the static system.

Steve Turner, Mercer replied that they have changed the way they were modelling the equity protection and have assumed that the protection qualities are permanent. He added that they were also reporting a marked reduction of the overall level of the VaR.

Total Fund performance

Fund returns over the quarter were driven by the rise in the value of the LDI portfolio as it protected against inflation increases. The equity portfolio also continued to deliver returns, and the currency hedging policy made a positive contribution as sterling strengthened.

The equity portfolio underperformed relative to the benchmark, however. In particular the Sustainable Equities fund has struggled due to its strong bias away from "value" factors, which have done well over the last few months. The equity protection also detracted from relative performance at the total Fund level. Falls in the MAC and Renewable Infrastructure mandates meant they also underperformed their cash/inflation plus benchmarks.

Relative performance at the mandate level has been stronger over the one year period to 31 March 2021, with the High Alpha Equity, Fund of Hedge Funds and MAC mandates standing out. Underperformance relative to the strategic benchmark over this period is mainly due to the impact of the equity protection strategy, but it is important to note that this has behaved in line with expectations given the increase in the underlying equity markets.

The Panel thanked Steve Turner and Joshua Caughey for attending and noted the report.

12 FORWARD AGENDA

The Group Manager for Funding, Investment & Risk introduced this report to the Panel. She said that the Panel will need to agree meeting dates for 2022 at some point in the near future and added that an Equity Review was planned for September 2021 and this would likely include a workshop prior to the Panel meeting being held.

The Panel noted the report.

The meeting ended at 4.25 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

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Access to Information Arrangements

Exclusion of access by the public to Council meetings

Information Compliance Ref: 1133/21

Meeting / Decision: AVON PENSION FUND INVESTMENT PANEL

Date: 17th September 2021

Author: Liz Woodyard

Exempt Report Title: Equity Portfolio Review

Exempt Appendix 1 – Mercer report – Part 2

Exempt Appendix 2 – Brunel Portfolio Specifications for new passive portfolios

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 report and appendices 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.

The exempt report and appendices contain information on potential future trades by the fund, and includes information on costs and structures that may impact the ability to procure efficiently in the near future. This information 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:	17 SEPTEMBER 2021
TITLE:	Review of Investment Performance for Periods Ending 30 June 2021
WARD:	ALL
AN OPEN PUBLIC ITEM	
<p>List of attachments to this report:</p> <p>Appendix 1 – Fund Valuation</p> <p>Appendix 2 – Mercer Performance Monitoring Report</p> <p>Appendix 3 – Brunel Update & Portfolio Monitoring Summary</p> <p>Appendix 4 – Brunel Quarterly Performance Report</p>	

1. THE ISSUE

- 1.1. This paper reports on the performance of the Brunel and legacy portfolios and seeks to update the Panel on routine aspects of the Fund's investments. The report contains performance statistics for periods ending 30 June 2021.
- 1.2. The Mercer Performance Monitoring Report at Appendix 2 is presented in its revised format and will continue to evolve over time to focus on strategic issues.
- 1.3. The performance of the Fund's Risk Management Framework is considered separately under Agenda Item 10 – Risk Management Framework Review.
- 1.4. The update on Brunel investment activity can be found at Appendix 3. As the transition of our assets to Brunel is drawing to a close the focus for the Panel is now on the ongoing management and performance of the Brunel portfolios. A summary table is included which is designed to flag any concerns from a performance and/or RI perspective. For completeness the legacy portfolios are included.
- 1.5. Appendix 4 is the quarterly performance report published by Brunel which focuses on the performance of the Brunel portfolios and responsible investment activity undertaken on the Fund's behalf over the quarter.

2. RECOMMENDATION

- 2.1. **Notes 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 2019 will impact the next triennial valuation which will be calculated as at 31 March 2022. The returns quoted are net of investment management fees.

4. INVESTMENTS UPDATE

A – Fund Performance

- 4.1. The Fund's assets increased by £270m in the quarter (4.3% net investment return) ending 30 June 2021 giving a value for the Fund of £5,571m. Appendix 1 provides a breakdown of the Fund valuation and allocation of monies by asset class.
- 4.2. Financial market asset prices moved higher in the quarter to 30 June. A significant increase in US inflation initially benefitted 'value' stocks as the market anticipated an interest rate rise to head off inflation. This pattern reversed later in the quarter as the Fed indicated their desire to keep rates 'lower for longer', benefitting 'growth' stocks. The MSCI All Country World Index returned 7.4% in GBP terms over the quarter. The 10-year US treasury yield decreased 0.12% to end the period at 1.47%. In the UK, the 10-year gilt yield ended lower at 0.72%. Commodity prices increased over the period with Oil and Gold posting returns of 3.5% and 7.6%, respectively. The re-emergence of inflation also supported infrastructure asset values which have historically provided a partial hedge in high inflationary environments. Significant lending activity in software, cyber security and healthcare supported private debt assets. Demand for industrial property and grade A office space improved. Sterling appreciated against the US Dollar by 0.1% and by 0.6% against the Japanese Yen. It depreciated against the Euro by 0.8%. Further information on 2Q asset class performance can be found on pages 6-7 of Appendix 2.

B – Investment Manager Performance

- 4.3. Brunel reports on the performance of the assets they manage on behalf of the Fund. The report for each Brunel portfolio can be found on pages 17-33 of Appendix 4.
- 4.4. The Mercer report at Appendix 2 provides strategic level information including total fund level performance, current funding level and an analysis of how the Fund's mandates are performing against expected strategic returns.
- 4.5. The High Alpha and Sustainable Equity portfolios posted positive relative returns over the quarter, driven mainly by stock selection and inherent 'growth' biases. The mandates measured against cash benchmarks also outperformed with the DRF portfolio exceeding its performance target by 4.5% over the same timeframe. Elsewhere, the Hedge Fund mandate performed well in local currency terms noting that the Fund no longer has a strategic allocation to this asset class and the allocation is being sold down over time. The Core Infrastructure mandate posted positive absolute returns as revised valuations began to reflect a post-pandemic recovery. The Fund's LDI portfolio provided a tailwind to total fund returns over the quarter as inflation expectations rose and the Fund's inflation positions added value. Of those mandates with a 1-year track record all posted positive absolute returns with the exception of the Renewable Infrastructure mandate which is still in its build-up phase. Notable outperformance came from Hedge Funds and Core Infrastructure portfolios. The High Alpha portfolio was the standout performer amongst the Fund's equity mandates, outperforming its benchmark by nearly 6% over the year.

There have been significant downward revisions to the values of some underlying overseas property assets over the year, however it is worth noting that the manager has delivered significant value on a since inception basis. The currency hedge detracted marginally over the quarter but was additive to returns over 1- and 3-year timeframes as Sterling strengthened over these periods.

5. INVESTMENT STRATEGY AND PORTFOLIO REBALANCING

5.1. Returns versus Strategic Assumptions: Returns since the last valuation date (March 2019) for all equity mandates and core infrastructure are ahead of the assumed strategic returns used during the 2019/20 investment review. The legacy property portfolio lags assumed returns due to the impact of COVID on the property market and the other mandates are either still in build-up phase or do not have a sufficient track record (e.g. Brunel MAC) to properly compare against strategic return assumptions.

5.2. Rebalancing: There was no rebalancing activity during the quarter. Further proceeds were received from the wind down of the Schroder UK Property portfolio, some of which has been invested in Brunel's UK Property portfolio post quarter end.

5.3. Responsible Investment (RI) Activity: A summary of RI activity undertaken by Brunel is included on pages 9 – 10 of Appendix 4.

Separately, the Fund became a signatory to the '2021 Global Investor Statement to Governments on the Climate Crisis'. This Statement, coordinated by the Investor Agenda and signed by over 450 investors representing \$41tn in assets, calls on Governments to strengthen their Nationally Defined Contributions to align with the transition to net-zero emissions by 2050 or sooner, commit to sector-specific decarbonisation roadmaps supported by robust domestic policy, incentivise zero-emissions energy and transport infrastructure investment and support mandated climate risk disclosures.

5.4. Voting and Engagement Activity: Hermes engaged with 422 companies held by Avon in the Brunel active portfolios on a range of 1,171 ESG issues. Environmental topics featured in 21.4% of engagements, 82.9% of which related directly to climate change. Social topics featured in 18.5% of engagements, where human capital, human rights and diversity featured prominently. Of the 47.5% of Governance related engagements most focussed on executive remuneration and board diversity. Over the last quarter Hermes made voting recommendations at 397 meetings (5,769 resolutions). At 257 meetings they recommended opposing one or more resolutions. 70% of the issues Hermes voted against management on comprised board structure and remuneration. During the quarter, the underlying investment managers undertook the following voting activity on behalf of the Fund:

Companies meetings voted: 2,634

Resolutions voted: 37,338

Votes For: 31,675

Votes Against: 4,839

Abstained: 78

Withheld vote*: 746

** A Withheld vote is essentially the same as a vote to abstain, it reflects a view to vote neither for nor against a resolution. Although the use of 'abstain' or 'withheld' reflects the different terms used in different jurisdictions, a 'withheld' vote can often be interpreted as a more explicit vote against management. Both votes may be counted as votes against management, where a minimum threshold of support is required*

6. RISK MANAGEMENT

6.1. 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 Investment Panel further strengthens the governance of investment matters and contributes to reduced risk in these areas.

7. EQUALITIES

7.1. A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

8. CLIMATE CHANGE

8.1. The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint in line with the Council's Climate Strategy. The Fund acknowledges the financial risk to its assets from climate change and addresses this through its strategic asset allocation to Low Carbon Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

9. OTHER OPTIONS CONSIDERED

9.1. None

10. CONSULTATION

10.1. The Council's Section 151 Officer has had the opportunity to input to this report and have cleared it for publication.

Contact person	Nathan Rollinson, Investments Manager (Tel. 01225 395357)
Background papers	Data supplied by Mercer, Brunel & State Street Performance Measurement
Please contact the report author if you need to access this report in an alternative format	

AVON PENSION FUND VALUATION - 30 JUNE 2021

	Brunel Portfolios	Cash Management Strategy	Funds of Hedge Funds	Property		Infra- structure	Currency Hedging	In House Cash	TOTAL	Avon Asset Mix %
All figures in £m	Multi	BlackRock	JP Morgan	Schroder (UK)	Partners (Overseas)	IFM	Record	General Cash		
Equities										
Emerging Markets	299.9								299.9	5.4%
Global Developed Markets	440.8						44.1		484.9	8.7%
Global Sustainable Equities	586.8								586.8	10.5%
Global Low Carbon	745.1								745.1	13.4%
Total Equities	2072.6						44.1		2116.7	38.0%
Exchange-Traded Funds		139.5							139.5	2.5%
Diversified Return Funds	530.2								530.2	9.5%
Hedge Funds			283.8						283.8	5.1%
Multi Asset Credit	324.6								324.6	5.8%
Property	115.4			58.7	179.2				353.3	6.3%
Core Infrastructure						389.5			389.5	7.0%
Renewable Infrastructure	55.3								55.3	1.0%
Secured Income	350.6								350.6	6.3%
Risk Management Strategies										
BlackRock QIF	929.6								929.6	16.7%
Currency Hedging							28.2		28.2	0.5%
Cash								67.4	69.2	1.2%
TOTAL	4378.3	139.5	283.8	58.7	179.2	389.5	72.2	67.4	5570.7	100%

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Avon Pension Fund

Panel Investment Report Quarter to 30 June 2021

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September 2021

Steve Turner
Joshua Caughey



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Executive summary



Executive summary

Market background

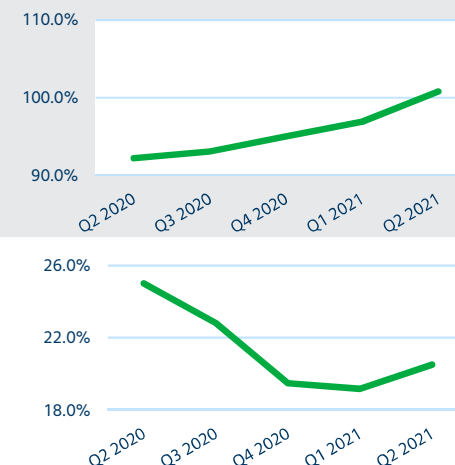
- The gradual emergence of many developed countries from restrictions as vaccine rollouts continued drove investor optimism, helping to bring about another strong quarter for risk assets.
- Markets largely saw through continued elevated inflation expectations, but it remains a key question as well as the potential impact of the delta variant on the economic recovery. Government bond yields fell thanks to central bank signals that have been less dovish than expected.

Mercer market views

- Our medium term views on the global economy are favourable, as we expect it to strengthen sharply as economies re-open more fully. Governments and central banks are likely to continue to support economic activity.

Funding level and risk

- The funding level is estimated to have improved from 97% to 101% over Q2 as asset growth outweighed the rise in the value of the liabilities.
- It is estimated to have increased of by 9% over the year to 30 June 2021 (as illustrated to the right).
- The Value-at-Risk rose over the quarter to £1,134m, or 20.5% of liabilities.
- Risk as a proportion of liabilities has reduced over the year, largely due to the decision to move towards a dynamic equity option strategy.
- Whilst this was implemented in Q2 2021, its impact has been illustrated from Q4 2020.



Executive summary

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Performance

- Fund returns over the quarter were driven by the continued strength in growth assets.
- Most underlying mandates delivered positive relative returns, particularly those monitored against cash plus benchmarks.

- Underperformance relative to the strategic benchmark over the one and three year period to 30 June 2021 is mainly due to the impact of the equity protection strategy, but this has behaved in line with expectations given the increase in the underlying equity markets.
- Relative performance was mixed at the mandate level, though the High Alpha Equity, Hedge Fund and Core Infrastructure mandates have continued to stand out in outperforming their benchmarks.

	3 Months (%)	1 Year (%)	3 Years (% p.a.)
Total Fund (1)	4.3	12.6	5.6
Strategic Benchmark (2) (ex currency hedge)	3.9	14.7	7.6
Relative (1 - 2)	+0.4	-2.1	-2.0

- Absolute returns for all growth mandates, except for the two older property fund holdings, have been above the strategic returns modelled at the last investment strategy review in March 2019.

Asset allocation and strategy

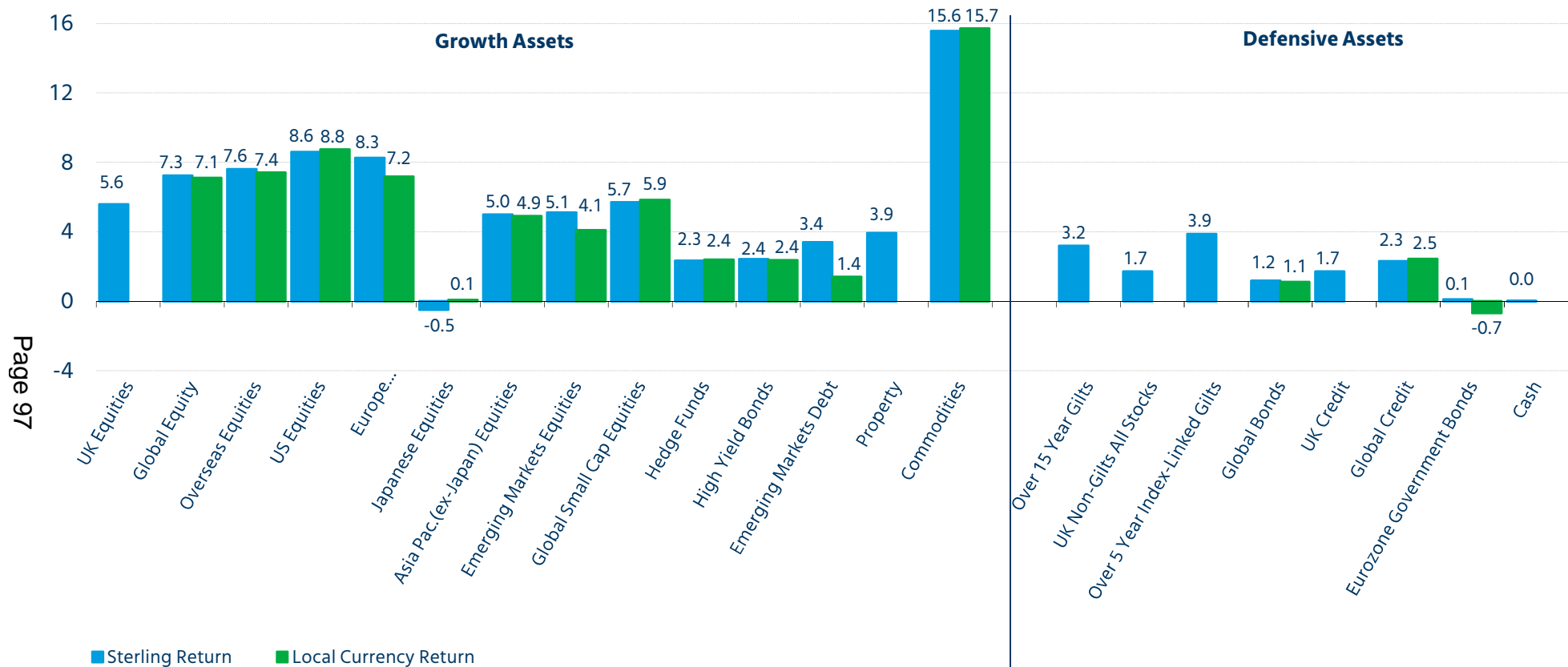
- In May, the Fund implemented the new dynamic structure for the equity option strategy.
- In June, the Fund terminated its Multi-Asset Credit holdings with Loomis Sayles, transferring these to a new MAC fund with Brunel.
- At quarter end, all asset classes were within their ranges, except for the Renewable Infrastructure and Private Debt mandates which are still in the process of being drawn down.

Market background



Market background

Return Over 3 Months to 30 June 2021 (%)

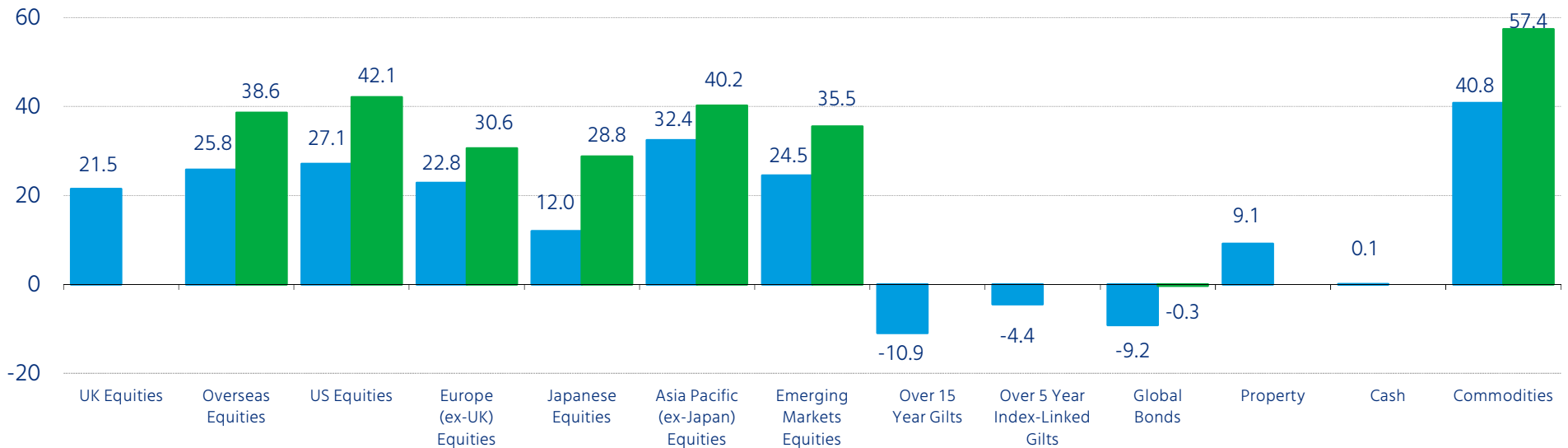


The second quarter of 2021 began with many developed countries gradually emerging from restrictions as vaccine rollouts started to have a notable positive impact on healthcare systems, in spite the emergence of a “variant of concern” first identified in India. However, countries with lower vaccination rates across Asia Pacific increased restrictions again towards quarter end. Global growth momentum remained robust as the service sector started to recover lost ground whilst goods demand remained solid. Supply chain stress and base effects drove a strong rebound in inflation that still exceeded already elevated expectations, at least for the US.

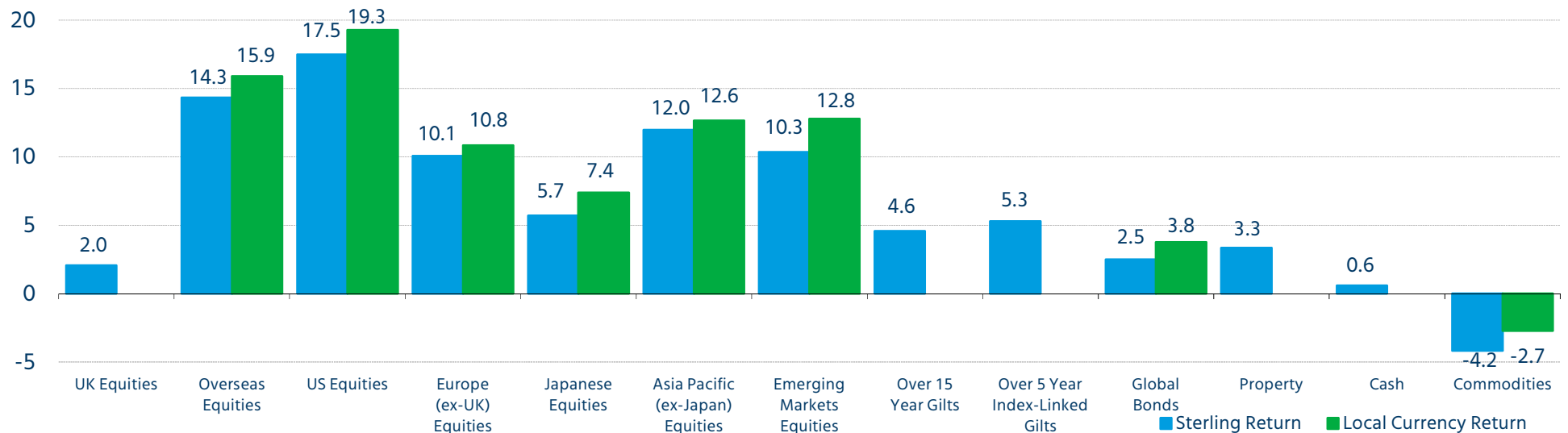
However, markets largely saw through this in what was another strong quarter for risk assets.

Market background – longer term

Return Over 12 Months to 30 June 2021 (%)



Return Over 3 Years to 30 June 2021 (% p.a.)



Mercer market views



Market Outlook

● Overweight ● Neutral weight ● Underweight

Mercer's current position/view

Position/view last time (if changed)

Global equities continued to rally with the US S&P 500 index now twice the level it was in March 2020. Equity markets continue to be driven higher by hopes of strong economic growth and loose monetary policy. The vaccine rollout has continued at pace across most of the developed world, allowing economies to re-open. Concern over the COVID-19 Delta variant did not undermine markets.

COVID, mobility restrictions, the policy response and the vaccine rollout continued to drive economic growth. In the UK, Eurozone and North America, a largely successful vaccine rollout has led to an easing of restrictions and a surge in consumption and broader economic activity. In countries where the vaccine rollout has been much slower, economic activity has been more mixed, although manufacturing has been strong almost everywhere. The re-opening of economies & supply side disruptions in some sectors have contributed to higher inflation. Much of the increase is the result of temporary factors that will abate, although we remain alert to signs of tightness in labor markets, which could lead to a broader pick-up in inflation.

We expect the global economy to grow at a rapid rate in the middle and later part of 2021. This will be driven by the reopening of economies across the world as the vaccine rollout progresses. Consumers, whose savings rates have been abnormally high over last 18 months, are set to spend a lot more, especially on things that have been closed or restricted. Consumers may also spend some of the savings that have been built up over the last 18 months. Business investment is expected to remain strong supported by high confidence levels and easy access to finance.

The US Federal Reserve has started to consider tapering its bond purchases, while other central banks are starting to sound less dovish. Despite this, monetary policy remains exceptionally loose and is set to remain so for some time. Central banks, especially in the developed world, have indicated they err on the side of caution.

In terms of financial markets we think the outlook for risk assets such as equities and growth fixed income remains positive, although our concern about valuations have increased a little. Strong economic growth is likely to lead to strong corporate profit growth and this alongside still very supportive monetary policy provides a strong tailwind to equities and growth fixed income. We continue to prefer equities over growth fixed income as equities have greater upside given tight bond spreads. In terms of risk, the COVID-19 Delta variant has the potential to stop economies from reopening. Further out and assuming COVID-19 is brought under, the key risk comes from tighter US and global monetary policy.

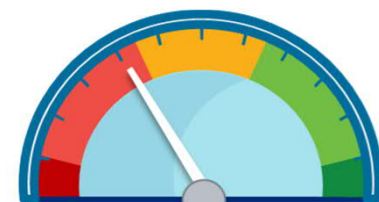
We have a preference to be positioned for an economic recovery, which should benefit risk assets. We acknowledge that after five consecutive quarters of strong performance, valuations for most assets are stretched. Nevertheless, we believe we are still in the early stages of a strong recovery and therefore risk assets should continue to outperform defensive assets over the near term.



LISTED EQUITIES



GROWTH FIXED INCOME



DEFENSIVE FIXED INCOME



CASH*

* In lieu of cash, investors might consider liquid alpha-oriented strategies with low sensitivity to equity, credit and duration.

Listed equities

ASSET CLASS	APRIL 2021	JULY 2021	COMMENTARY
Global Equity	Neutral	Neutral	The MSCI World Index returned around 8% in GBP terms over 2021Q2 and 12% year-to-date¹. We have maintained our broad market equity sector position at neutral/negative within the global equities portfolio. At this time our concerns about valuations and frothy sentiment in equity markets are offset by the strong foundation for the economic recovery laid by successful vaccine roll-outs in the US and UK with Europe gradually catching up, and robust fiscal and monetary policy support on a global level. While the current environment favors broad market equities in absolute terms, other sectors such as small cap equities stand to benefit more strongly from these positive expected developments in the near term.
Global Small Cap Equity	Neutral	Neutral	The MSCI Small Cap index returned almost 5% in GBP terms over 2021Q2 and 14% on a year-to-date basis¹. We have maintained our small cap allocation at the overweight side of neutral. The macro environment remains favorable, especially for small caps that are expected to benefit significantly from the full and unconstrained domestic reopening that have happened in the US and UK already with other developed countries to follow as vaccine roll-out picks up. Small caps' greater exposure to value sectors relative to broad market equities also makes them a good proxy to express our preference of value over growth. Arguably this trade had a good run now but we believe that the reopening trade has not peaked yet.
Emerging Markets	Overweight	Neutral	The MSCI Emerging Markets index returned around 5% in GBP terms over 2021Q2 and 6.5% on a year-to-date basis¹. We have downgraded our overweight position to the overweight side of neutral for emerging markets equities within the global equities portfolio. Valuations are still more inviting than for other equity sectors. However, even if our outlook for EM over a three year time horizon remains positive, the macro headwinds we are seeing both in China and other EM countries in the near term has informed our decision to reduce the outright overweight position.

Growth fixed income

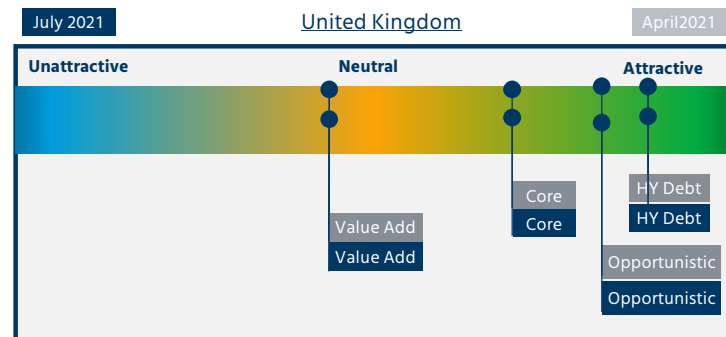
ASSET CLASS	APRIL 2021	JULY 2021	COMMENTARY
EM Debt (Local Currency)	Neutral	Neutral	EMD local currency markets advanced through Q2 2021, posting positive GBP return of 3.4%.¹. We have maintained our position at a higher conviction neutral within the growth fixed income portfolio. EM FX continues to screen inexpensive relative to USD with EM rates, whilst still at historic lows, offering value relative to DM rates. The increasingly robust rollout of the COVID-19 vaccine and improving global growth numbers should be particularly supportive of EM markets. Global trade and manufacturing continue to improve on both demand and supply factors; a broad strengthening of commodity prices will also be supportive to a number of EM countries. We maintain a preference for local currency due partly to the lower duration profile but also as a result of FX valuations continuing to appear cheap on a historic basis.
EM Debt (Hard Currency)	Neutral	Neutral	EMD hard currency markets advanced through Q2 2021, as at June 30 2021, the index was up 3.9% in GBP terms.¹. We have maintained our overall neutral allocation within the growth fixed income portfolio. Whilst the risk-off sentiment seen during Q1 2021 abated during Q2, inflation expectations continue to act as a slight dampener to the positive sentiment stemming from the roll-out of the COVID-19 vaccines and greater global growth expectations. The spread dislocation between investment and non-investment grade continues with higher quality spreads broadly returning to pre-COVID tightness. Overall, the economic backdrop for emerging markets has improved with measures of global trade and manufacturing continuing to recover on both demand and supply factors along with further stability in commodity prices. The arrival of COVID-19 vaccines and improving global growth should be particularly supportive of EM markets.
Global Loans	Neutral	Neutral	Over 2021Q2, global loans returned 1.3% in GBP terms¹. We have maintained our bank loans position at neutral within the growth fixed income portfolio. With an average price below par and a yield over 4.2%, global loan valuations look relatively attractive given the general context of low to negative yields globally. Further, their floating rate nature and senior secured position makes them quite appealing in the current environment. Forward looking default rate expectations continue to trend lower, and we believe investors are seeing sufficient reward for the level of risk. Our outlook for strong growth and elevated rate volatility has us favoring the floating-rate nature of the loan asset class versus high yield.
High Yield	Neutral	Neutral	Over 2021Q2, global high yield returned 2.3% on a GBP hedged basis¹. We have maintained our global high yield position at the negative side of neutral within the growth fixed income portfolio. High yield valuations have become less attractive as spreads have continued to narrow and are now inside of where they entered 2020. As a result, further spread compression, particularly within the higher quality segment of the market, appears quite limited at this point. While the backdrop remains favorable for credit assets, we hold a slight preference for global loans over high yield given the floating rate nature and senior secured status of the loan asset class.

Defensive fixed income

ASSET CLASS	APRIL 2021	JULY 2021	COMMENTARY
UK Sovereign Fixed Income	Neutral	Neutral	Over 2021Q2, UK gilts returned 0.6% in GBP terms¹. We have maintained a marginally negative neutral position in UK gilts within the defensive fixed income portfolio. Following the sell-off in Q1, rates stabilised over the second quarter and edged back towards the record lows seen during the Covid-19 crisis with markets gradually becoming more confident, that, for now, inflation will be transitory and that Bank of England actions will keep inflation expectations under control. We expect a continued range-bound environment over the short term, and possibly upward bias in rates reflecting a durable global economic recovery, especially in the light of the UK's full reopening and an eventual pull back of policy-led stimulus over longer periods.
UK Inflation Linked Bonds	Neutral	Underweight	Over 2021Q2, UK index linked bonds returned 3.6% in GBP terms¹. Despite the pull back in breakevens over the quarter, we have moved from the negative side of neutral to an underweight position within the defensive fixed income portfolio with market pricing for inflation appearing expensive considering the subsiding tail risk of runaway inflation. UK Breakevens remain unattractive on outright valuation grounds, and also relative to nominal sovereign bonds, with UK inflation unlikely to average 3.5% over the next 10 years. However, we acknowledge a wider possible range of future inflation outcomes for the market. UK breakevens continue to be supported by a captive local market supported by lack of issuance. In late 2020 it was decided that RPI would switch to CPIH from 2030; however, we still believe there exists some degree of uncertainty around the final outcome.
UK Buy and Maintain Credit	Neutral	Neutral	Over 2021Q2, UK credit returned 1.7% in GBP terms¹. We have maintained UK investment grade credit within the defensive fixed income portfolio at neutral. Spreads ground marginally tighter from Q1, and we expect them to consolidate at current levels, offering carry but limited capital gain with very few areas offering value. Over the short term, the corporate bond market should continue to benefit from a stronger economy and technical tailwinds in the form of investor demand for spread products, and expected weaker supply than over the second half of 2021. Over the medium term we are becoming more cautious, with a lot of good news already priced in but with very little reward for tail risks.

Real estate outlook and opportunities

Relative attractiveness by Fund Style



- **Core:** We have maintained our positive view on core investment strategies compared with last quarter. We expect this positivity to translate into improved investment sentiment and occupier demand, albeit from a low base. Investors will continue to focus on income security, such as that offered by long lease strategies, but pricing of mainstream core real estate remains attractive relative to other asset classes and we expect performance to recover strongly by year end.
- **Value Add:** Income risk strategies remain at neutral. The market has most likely moved through the depths of the economic downturn and optimism about the path to recovery is returning, but risks remain elevated for some sectors of real estate occupier demand, for example offices and retail.
- **Opportunistic:** Opportunistic strategies remain attractive in our view as the probability of achieving asset acquisitions at discounted pricing increases the longer the pandemic continues. Special situations opportunities are most likely to emerge in the retail and leisure sectors. Increasing obsolescence due to the growth of ESG requirements may also result in redevelopment opportunities.
- **High Yield Debt:** Real estate debt funds continue to look attractive for income seeking investors as traditional bank lenders reduce activity while underlying assets devalue. Together, these features mean higher margins can be achieved by non-bank lenders particularly outside of London and the most liquid sectors.

Market Outlook

- In the UK, a largely successful vaccine rollout has led to an easing of restrictions and a surge in consumption and broader economic activity. We expect the economy to grow at a rapid rate in the middle and later part of 2021, led by consumer spending, while monetary policy is set to remain exceptionally loose for some time.
- In our view the outlook for real estate remains positive overall given the improving macro-economic backdrop. However, valuations in some sub-sectors, for example weaker retail and office assets, may have further to fall amid ongoing uncertainty about secular shifts occupier demand.
- Our top three sector/geographic picks in terms of real estate fundamentals:
 1. **Operational real estate:** Funds targeting assets where real estate performance is linked to an operating platform, including residential, self-storage, senior housing and leisure.
 2. **Logistics:** Fundamentals remain strong for logistics sites in and around major urban areas, although attractive pricing is difficult to achieve for standing assets. Build to core strategies attractive.
 3. **Accessible non-fashion retail:** Retail Parks with rebased rents, sustainable income profiles and low fashion exposure have attractive risk return dynamics at current pricing levels.

Funding level and risk



Change in deficit

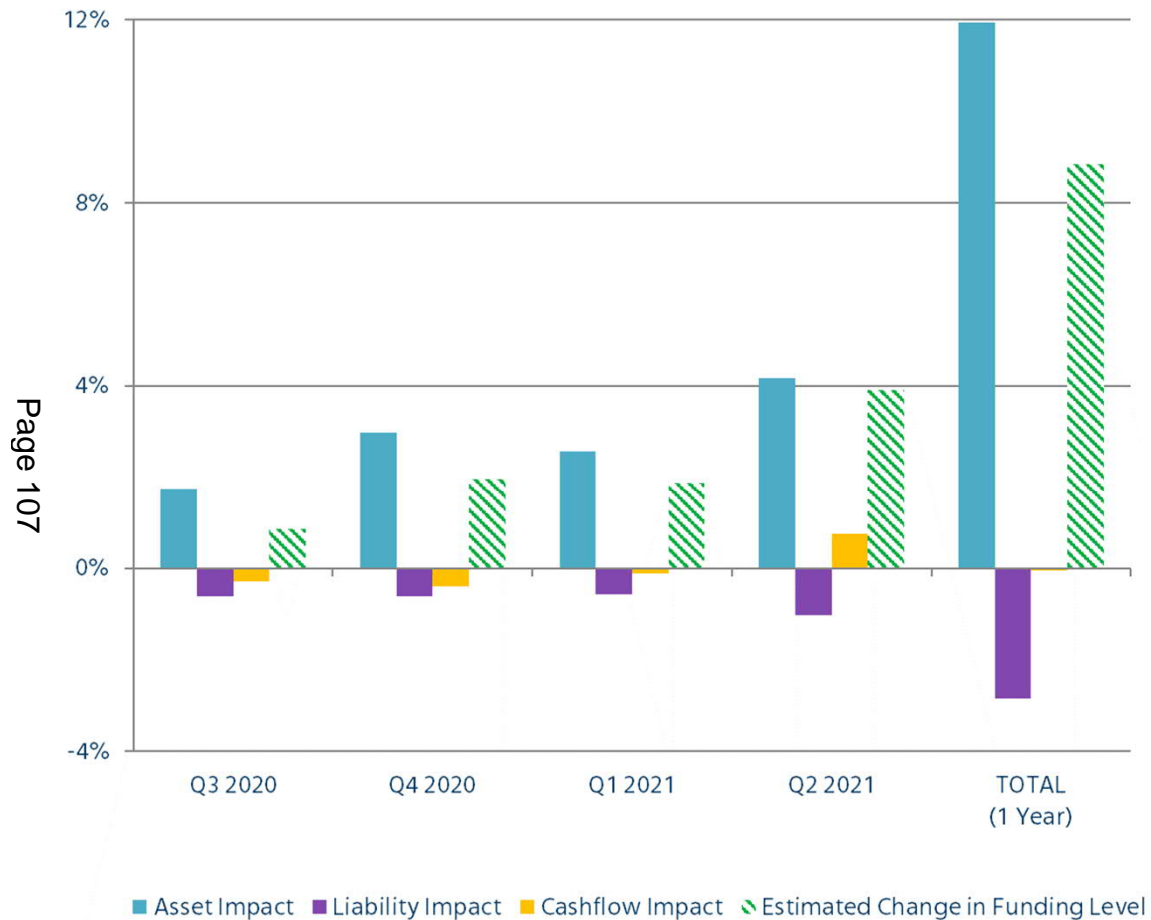


Based on financial markets, investment returns and net cashflows into the Fund, the deficit was estimated to have been eliminated over Q2 for the to Fund to finish the quarter with a surplus of £43m.

This occurred as the value of the assets rose by more than the present value of the liabilities over the period.

This is calculated using the actuarial valuation assumptions as at 31 March 2019 and the 'CPI plus' discount basis.

Funding level attribution



Impact figures are estimated by Mercer.

The Fund's assets returned 4.3% over the quarter, whilst the liabilities are expected to have increased by c. 1% due to the rise in inflation.

The combined effect of this, also allowing for expected cashflow over the period, saw the funding level improve from 97% to 101%.

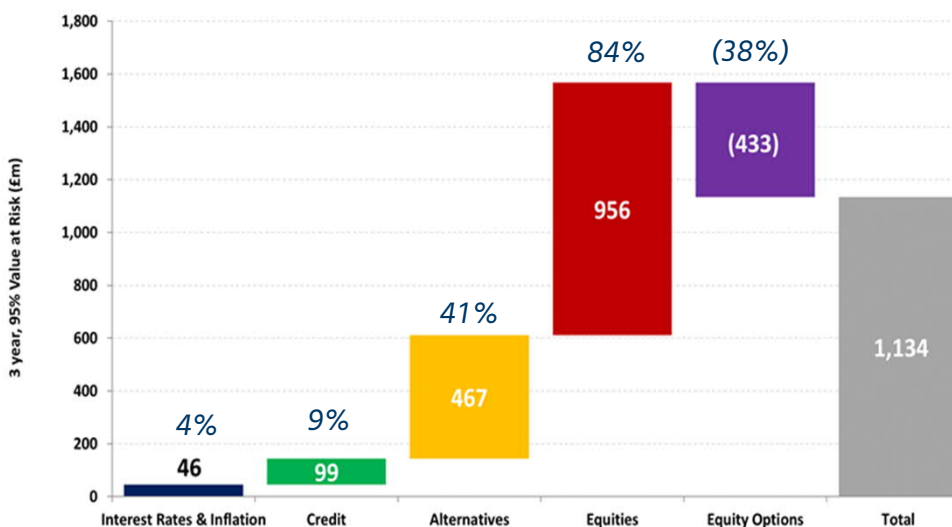
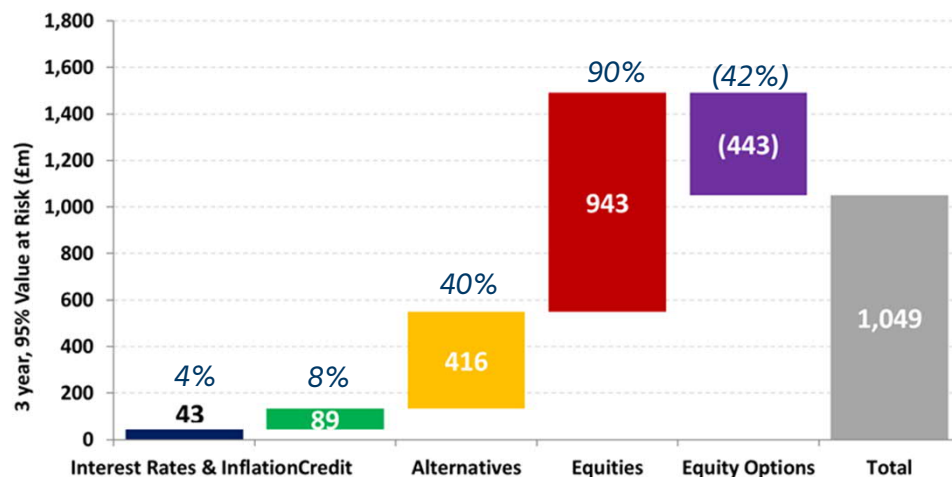
The funding level is estimated to have increased by c. 9% over the year to 30 June 2021.

Risk decomposition – 3 year Value at Risk

31 March 2021

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30 June 2021

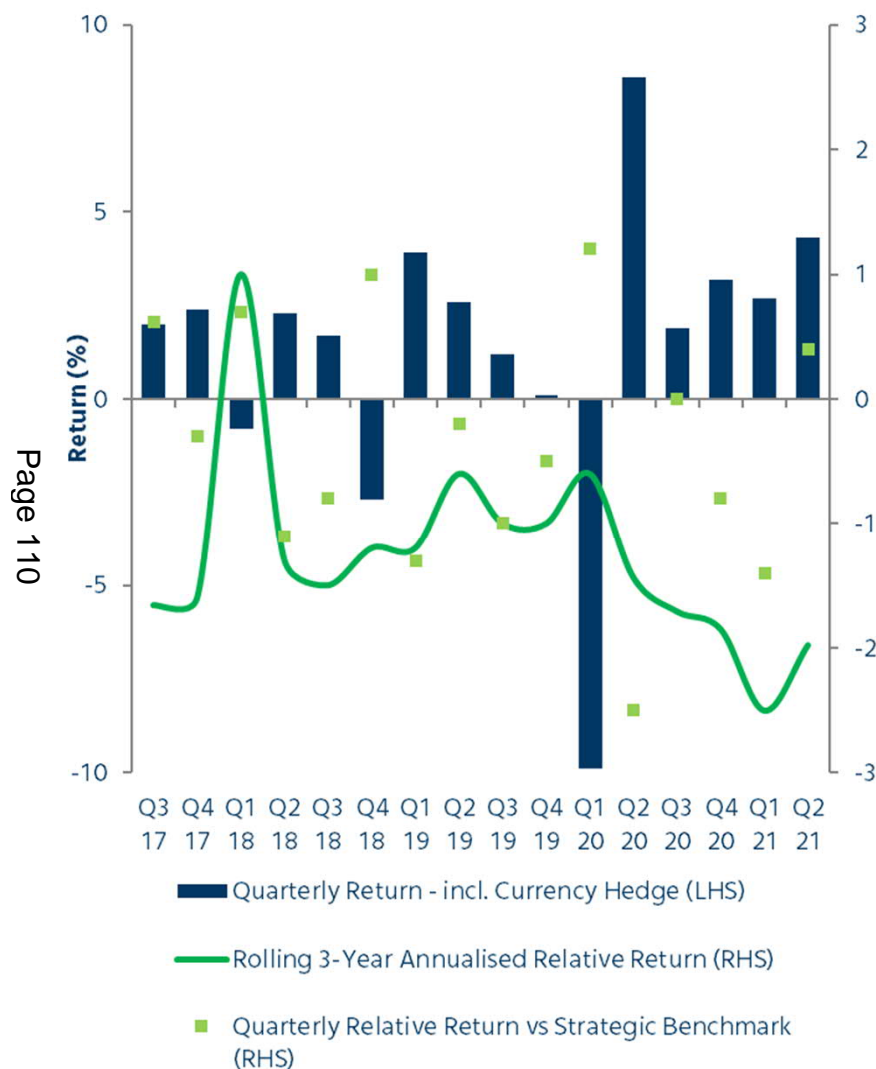


- The two charts to the left illustrate the main risks that the Fund is exposed to on the 2019 funding basis, and the size of these risks in the context of the change in the deficit position.
- The purpose of showing these charts is to ensure there is an awareness of the risks faced and how they change over time, and to initiate debate on an ongoing basis around how to best manage these risks, so as not to lose sight of the ‘big picture’.
- The grey column on the right hand side of each chart shows the estimated 95th percentile Value-at-Risk (VaR) over a one-year period. In other words, if we consider a downside scenario which has a 1-in-20 chance of occurring, what would be the impact on the deficit relative to our ‘best estimate’ of what the deficit would be in three years’ time.
- If we focus on the chart at 30 June 2021, it shows that if a 1-in-20 ‘downside event’ occurred over the next three years, the funding position could deteriorate by at least an additional **£1.1bn**.
- Each bar to the left of the grey bar represents the contribution to this total risk from the primary underlying risk exposures (interest rates and inflation, changes in credit spreads, volatility of alternative assets and equity markets, and the benefit from equity options).
- Overall, **the VaR rose over the quarter**, which was largely due to the increase in the absolute value of all asset classes over the period.
- Both decompositions illustrate the use of a dynamic equity option strategy, which the Fund implemented during the quarter. This has significantly reduced the VaR via an increased offsetting amount from the equity options.

Performance summary

5

Total Fund performance



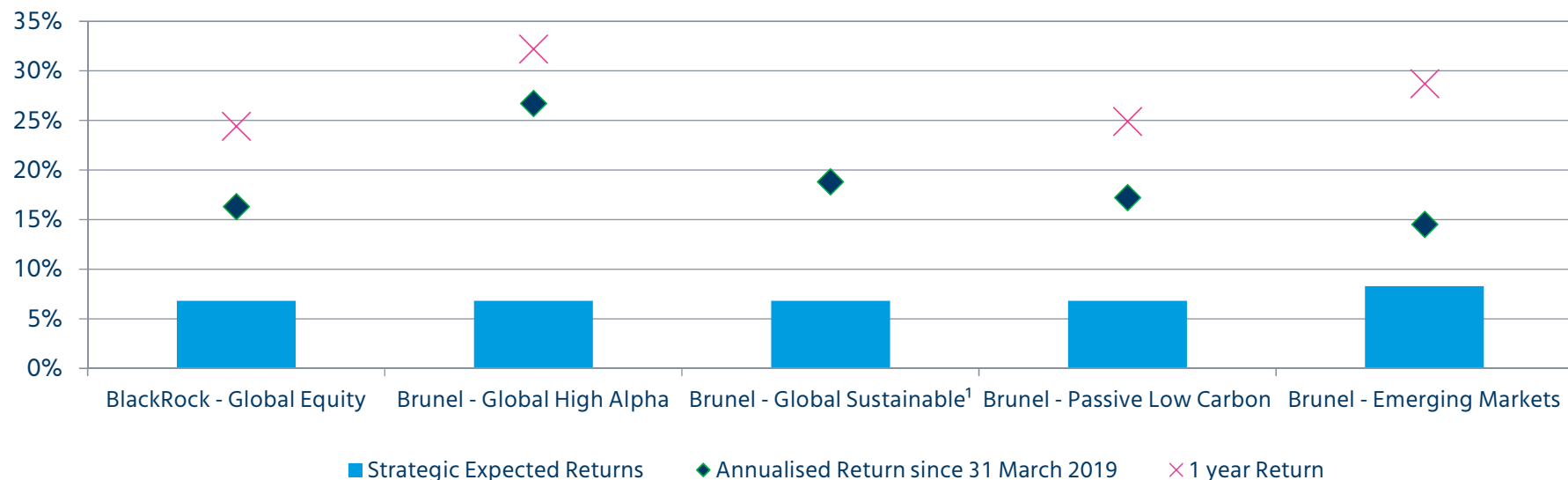
	3 Months (%)	1 Year (%)	3 Years (% p.a.)
Total Fund (1)	4.3	12.6	5.6
Total Fund (ex currency hedge)	4.4	10.3	5.4
Strategic Benchmark (2) (ex currency hedge)	3.9	14.7	7.6
Relative (1 - 2)	+0.4	-2.1	-2.0

Commentary

- Fund returns over the quarter were driven by the continued strength in growth assets.
- The continued rise in equity markets bolstered the physical equity holdings, and the two active global mandates topped this up with outperformance thanks to stock selection and sustainable-themed holdings doing well. Markets also helped the Diversified Returns mandate to become the largest outperformer in the portfolio, against its cash plus benchmark, though at the portfolio level returns were curtailed again by the equity protection in place. The Hedge Fund and Core Infrastructure mandates also did well against their cash plus benchmarks.
- Relative performance at the mandate level has been mixed over the one year period to 30 June 2021. The High Alpha Equity mandate remains strongly up, and Hedge Funds and Core Infrastructure have continued to do particularly well. The Renewable Infrastructure mandate is in negative territory, but this largely reflects that it is still in the drawdown phase, and it has nevertheless still outperformed its benchmark since inception after a strong start.
- Underperformance relative to the strategic benchmark over the one and three year period is mainly due to the impact of the equity protection strategy, but it is important to note that this has behaved in line with expectations given the increase in the underlying equity markets. The currency hedging policy made a positive contribution over both periods as sterling strengthened.

Performance vs. expected strategic returns

	BlackRock Global Equity	Brunel Global High Alpha	Brunel Global Sustainable	Brunel Passive Low Carbon	Brunel Emerging Markets
Benchmark allocation	12.0%	10.0%	10.0%	10.0%	5.5%
Commentary	Returns have been above expectations for all equity mandates, given the strength of equity markets since 2019.				
	Returns are above strategic expectations and the fund has tracked the underlying market	Strong manager outperformance adding to returns	Strong returns from equity markets, although the fund has underperformed the benchmark to date	Returns are above strategic expectations and the fund has tracked the underlying market	Returns are above strategic expectations as the fund has performed broadly in line with the underlying market



Notes:

We have illustrated the key mandates within the Fund's investment strategy.

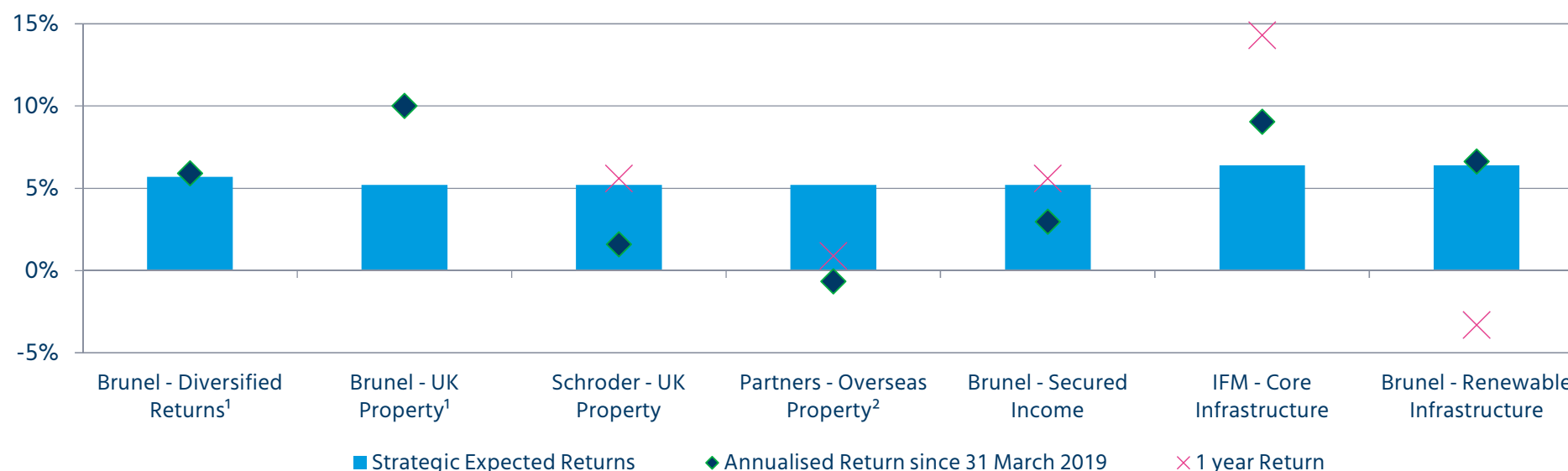
The strategic expected returns are from the 2019 strategy review, which reflect the 20 year mean Mercer Q1 2019 asset model assumptions.

Actual returns between 31 March 2019 to 31 March 2021, except if otherwise stated below.

¹ Returns are shown since the mandate's inception date (not annualised).

Performance vs. expected strategic returns

	Brunel Diversified Returns	Brunel UK Property	Schroder UK Property	Partners Overseas Property	Brunel Secured Income	IFM Core Infra	Brunel Renewable Infra
Benchmark allocation	10.0%	3.75%	0% (Transferring to Brunel)	3.75%	10.0%	5.0%	5.0%
Commentary	Returns above expectation so far thanks to exposure to rising equity markets, as well as currency positioning by one of the managers	Mandate inception in January 2021; too early to draw conclusions although property market has fared well so far in 2021	Returns below expectations due to the impact of the pandemic on some of the holdings, including retail and leisure	Returns below expectations due as mandate still in drawdown phase (so focus should be on more longer-term performance). Pandemic has had recent impact on some of the holdings, including in hospitality, retail and senior housing	Returns marginally below expectations but mandate is still in the drawdown phase	Returns above expectations as real assets have continue to deliver	Returns above expectations (despite contracting over one year period) but mandate is still in the drawdown phase



Notes:

We have illustrated the key mandates within the Fund's investment strategy.

The strategic expected returns are from the 2019 strategy review, which reflect the 20 year mean Mercer Q1 2019 asset model assumptions.

Actual returns between 31 March 2019 to 31 March 2021, except if otherwise stated below.

¹ Returns are shown since the mandate's inception date (not annualised).

² Returns are shown up to 31 March 2021, as this is the latest data available.

Manager performance to 30 June 2021

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Manager / Asset Class	3 Months			1 Year			3 Year			3 Year	3 Year
	Fund (%)	B'mark (%)	Relative (%)	Fund (%)	B'mark (%)	Relative (%)	Fund (% p.a.)	B'mark (% p.a.)	Relative (% p.a.)	Performance Target (% p.a.)	Performance vs Target
BlackRock Global Equity	7.6	7.6	0.0	24.4	24.4	0.0	13.7	13.3	+0.4	-	Target met
Brunel Global High Alpha Equity	9.3	7.8	+1.4	32.2	24.9	+5.8	N/A	N/A	N/A	+2-3	N/A
Brunel Global Sustainable Equities	8.4	7.4	+0.9	N/A	N/A	N/A	N/A	N/A	N/A	+2	N/A
Brunel Global Low Carbon Equity	7.7	7.8	-0.1	24.9	25.1	-0.2	N/A	N/A	N/A	-	N/A
Brunel Emerging Market Equity	4.6	5.0	-0.4	28.7	26.4	+1.8	N/A	N/A	N/A	+2-3	N/A
Brunel Diversified Returns Fund	5.8	0.0	+5.8	N/A	N/A	N/A	N/A	N/A	N/A	+4-5	N/A
JP Morgan FoHF	2.5	0.8	+1.7	17.6	3.3	+13.9	9.5	4.6	+4.6	-	Target met
Schroder UK Property	2.2	3.8	-1.5	5.6	8.5	-2.6	2.1	3.0	-0.9	+1	N/A
Brunel UK Property	5.6	3.8	+1.7	N/A	N/A	N/A	N/A	N/A	N/A	-	N/A
Partners Overseas Property*	0.9	2.5	-1.6	0.9	10.0	-8.3	1.0	10.0	-8.2	-	Target not met
Brunel Secured Income	2.7	1.7	+1.0	5.6	2.5	+3.0	N/A	N/A	N/A	+2	N/A
IFM Core Infrastructure**	6.1	1.2	+4.9	14.3	5.2	+8.7	10.4	5.7	+4.5	-	Target met
Brunel Renewable Infrastructure	-0.7	1.7	-2.4	-3.3	2.5	-5.7	N/A	N/A	N/A	+4	N/A
BlackRock Corporate Bonds	2.6	2.6	0.0	2.0	2.0	0.0	7.0	7.0	0.0	-	N/A
BlackRock LDI	2.5	2.5	0.0	27.3	27.3	0.0	3.7	3.7	0.0	-	Target met

Since inception performance for Partners, which was the largest underperformer over the three year period, has been more favourable at 5.4% p.a. *

Source: Investment Managers, Custodian, Mercer estimates.

Returns are in GBP terms, consistent with overall fund return calculations before currency hedging is applied, **except for JP Morgan and Partners , whose performance is shown in local terms. Returns are net of fees.**

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 (mainly reflecting passive mandates).

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.

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 the Appendix.

*Partners performance is to 31 March 2021 as this is the latest date that this is available. The mandate's inception was in 2009.

**IFM returns are in GBP terms after the manager switched to GBP reporting in January 2020. Historical USD performance has been converted to GBP.

Asset allocation

6

Valuations by asset class

Asset Class	Start of Quarter (£'000)	End of Quarter (£'000)	Start of Quarter (%)	End of Quarter (%)	Benchmark (%)	Ranges (%)			Difference (%)
Global Equity	688,410	755,574	13.0	13.7	12.0	7	-	17	1.7
Global Sustainable Equity	541,101	586,798	10.2	10.7	10.0	5	-	15	0.7
Global Low Carbon Equity	691,544	745,054	13.0	13.6	10.0	5	-	15	3.6
Emerging Market Equity	286,760	299,916	5.4	5.5	5.5	3	-	9	0.0
Diversified Growth Funds	501,330	530,215	9.5	9.6	10.0	5	-	15	-0.4
Fund of Hedge Funds*	276,402	283,763	5.2	5.2	-	No set range			0.2
Multi-Asset Credit	317,539	317,354	6.0	5.8	6.0	3	-	9	-0.2
Property	377,969	353,307	7.1	6.4	7.5	5	-	10	-1.1
Secured Income**	280,324	350,558	5.3	6.4	10.0	5	-	15	-3.6
Core Infrastructure	365,544	389,545	6.9	7.1	5.0	2.5	-	7.5	2.1
Renewable Infrastructure**	50,205	55,286	0.9	1.0	5.0	2.5	-	7.5	-4.0
Private Debt	-	-	-	-	5.0	0	-	7.5	-
Corporate Bonds	130,825	134,187	2.5	2.4	2.0	No set range			0.4
LDI & Equity Protection	562,219	526,595	10.6	9.6	12.0	No set range			-2.4
Cash***	230,621	169,542	4.4	3.1	-	0	-	5	3.1
Total	5,301,031	5,570,651	100.0	100.0	100.0				

Source: Custodian, Investment Managers, Mercer. Green numbers indicate the allocation is within tolerance ranges, whilst red numbers indicate the allocation is outside of tolerance ranges.

Totals may not sum due to rounding and other residual holdings.

*Mandate due to be terminated.

**Valuations include both funding cycle allocations.

***Valuation includes the ETF and currency instruments, as well as assets in transit towards the new Brunel MAC mandate.

Renewable Infrastructure and Private Debt mandates are still being drawn down so allocations are below target ranges.

Valuations by manager

Manager	Asset Class	Start of Quarter (£'000)	Cashflows (£'000)	End of Quarter (£'000)	Start of Quarter (%)	End of Quarter (%)
BlackRock	Global Equity	249,770		268,832	4.7	4.9
Schroder	Global Equities	1,515		1,524	0.0	0.0
Brunel	Global High Alpha Equity	403,274		440,841	7.6	8.0
Brunel	Global Sustainable Equity	541,101		586,798	10.2	10.7
Brunel	Global Low Carbon Equity	691,544		745,054	13.0	13.6
Brunel	Emerging Market Equity	286,760		299,916	5.4	5.5
Brunel	Diversified Returns Fund	501,330		530,215	9.5	9.6
Brunel	Multi-Asset Credit	-	317,354	317,354	0.0	5.8
JP Morgan	Fund of Hedge Funds	276,402		283,763	5.2	5.2
Loomis Sayles	Multi-Asset Credit	317,539	-320,925	-	6.0	0.0
Brunel	UK Property	106,841	2,469	115,388	2.0	2.1
Schroder	UK Property	92,565	-34,487	58,712	1.7	1.1
Partners	Overseas Property	178,563	-2,207	179,206	3.4	3.3
Brunel*	Secured Income	280,324	61,731	350,558	5.3	6.4
IFM	Core Infrastructure	365,544		389,545	6.9	7.1
Brunel*	Renewable Infrastructure	50,205	5,510	55,286	0.9	1.0
BlackRock	Corporate Bonds	130,825		134,187	2.5	2.4
BlackRock	LDI & Equity Protection	562,219		526,595	10.6	9.6
Record**	Currency Hedging	97,316	-25,000	72,250	1.8	1.3
BlackRock	ETF	108,631	25,000	67,385	2.0	1.2
Internal Cash***	Cash	58,223	12,695	73,977	1.1	1.3
Total		5,301,031	42,137	5,570,651	100.0	100.0

Source: Investment Managers, Mercer. Totals may not sum due to rounding and other residual holdings.

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. Q2 Cash valuation also includes the assets in transit towards the new Brunel MAC mandate.

* Valuations include both funding cycle allocations.

** Valuation includes the collateral holdings for the currency overlay.

Current topics



Current topics

Liquidity Risk



Regulated markets are not always liquid and the "liquidity gap" has narrowed

Declining liquidity in regulated markets has been secular trend since the 2008 crisis. Over the same period, unregulated markets have deepened leading to a significant rise in secondary market trading.

Relevance to the Fund

Liquidity is still an important consideration for Officers, particularly in times of severe market stress. It could also be subject to cash calls from the risk management and currency overlay portfolios.

Selling assets with poor secondary market liquidity to meet cash flow or collateral calls should be the last resort. Not all assets traded on regulated markets are liquid.

Infrastructure – investing in the future

Long-term trends with positive investment implications:

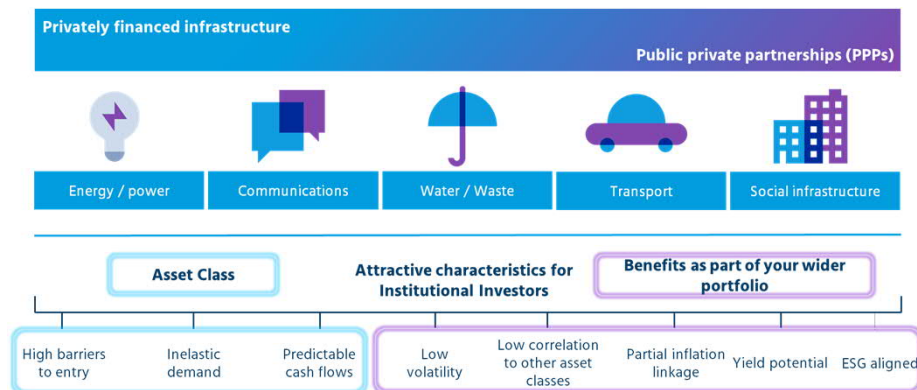
Policy: Shift from monetary to fiscal stimulus

Urbanization: Regulatory and corporate imperatives

Population demographics: Increasing demand for infrastructure

Sustainability: Regulatory and corporate imperatives

Technology: Digitalization, data usage & communication



Risk/return considerations:

Political and regulatory factors
Infrastructure assets are subject to political scrutiny as well as potential regulation, given their importance to society.

Environmental, social and governance factors
Many infrastructure investments have environmental footprints that must be managed as well as a focus on health & safety and the impact on local communities.

Legal and compliance factors
Infrastructure assets are subject to numerous laws, statutes and regulations and asset owners must be proactive as these requirements change over time.

Operating and technical factors
Infrastructure investments are often complicated assets with unique characteristics and risk to manager (e.g. operating risk and technical risk).

Infrastructure can also help meet ESG rules, provided substance overrules form

Relevance to the Fund

These considerations are a reminder on the attractiveness of the asset class, in which the Fund also has a sizeable allocation and capital is continuing to be drawn down.

Current topics

Why consider responsible investment?



Mercer's Sustainable Investment Pathway



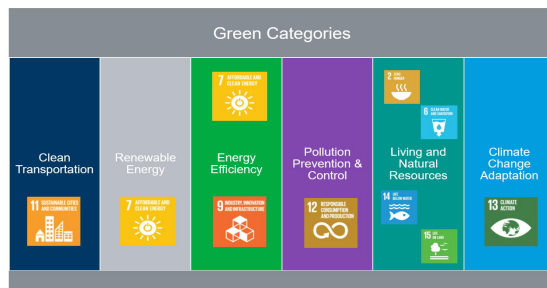
Relevance to the Fund



The Fund has committed to net zero by 2050, and has begun to develop a plan to implement and monitor this.

Gilts are going green

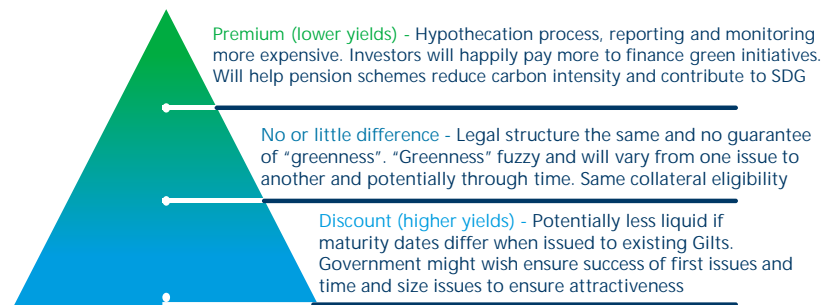
£15 billion to be issued this fiscal year beginning September



Source: HM Treasury, Green Financing Framework



The pricing conundrum



Evidence for green sovereign issues in France, Ireland, Belgium and Norway is mixed with green bond prices very close to current yield curves

Relevance to the Fund

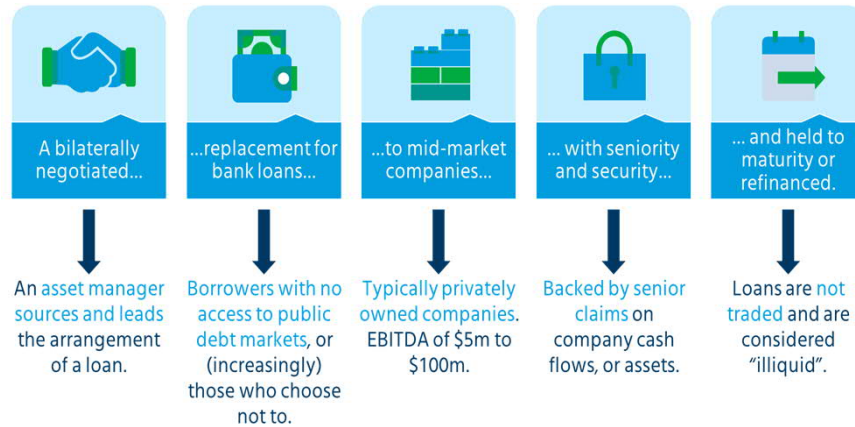


The Fund could consider a "green bond" strategy in future and how this could fit within the portfolio. It could in the first instance engage with BlackRock on their views on pricing, future growth and their potential role in LDI portfolios.

Current topics

Private Debt revisited

What is Private Debt?



How did we get here?

Investor appetite

Attractive Risk Return

Replacing lower performing asset classes in an era of falling yields

Supply constraints

Regulations & Consolidation

Banks continue to reduce lending activities

Demand for private finance

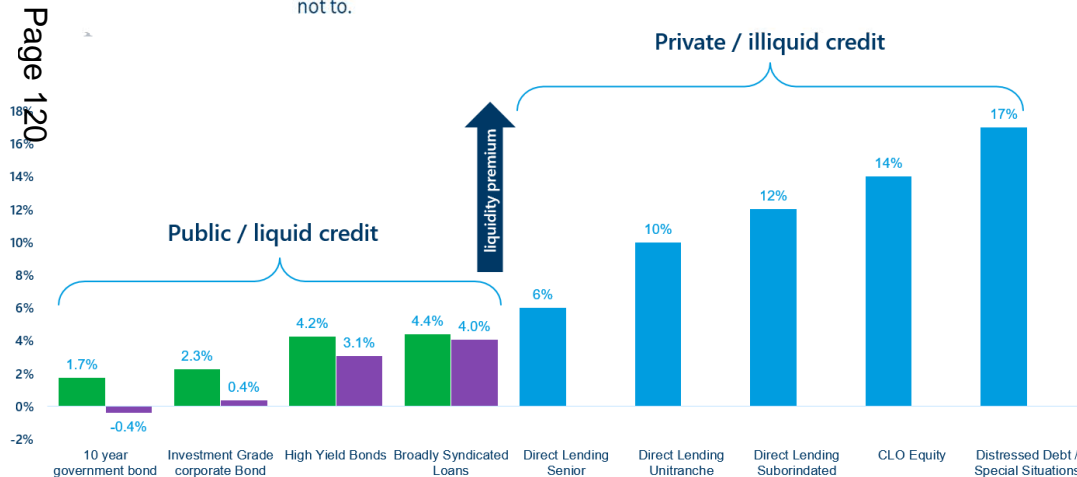
Private Debt Growth

Driving demand for credit no longer supplied by Banks

Relevance to the Fund



The Fund has already earmarked a 5% strategic allocation to Private Debt into which capital will begin to be drawn down. This serves as a timely reminder of the benefits of investing in the asset class.



Source: DataStream and S&P LCD. 10 year government bond: Bloomberg Barclays US Treasury Billwether. 10 year and Germany Government Stored Yield Curve 10 year, Investment Grade Corporate Bond: Bloomberg Barclays US Corporate Investment Grade and Bloomberg Barclays Euro Aggregate Corporates, High Yield Bonds: Bloomberg Barclays US High Yield 2% Issuer Cap and Bloomberg Barclays Pan European High Yield, Broadly Syndicated Loans: S&P Leveraged Loan Index and S&P European Leveraged Loan Index. Private Credit spreads are estimates based on Mercer analysis.

What is the evidence?

- ✓ Lower default and higher recovery rates
- ✓ Higher return than other growth fixed income asset classes, with no realised increase in risk
- ✓ Resiliency and downside protection versus more volatile growth asset classes

Appendix

Q2 2021 equity market review

Global equity markets rallied over the quarter, returning 7.3% in sterling terms and 7.1% in local currency terms. Volatility in equity markets was lower compared to the first quarter of the year. However, fears of inflation and an acceleration in policy tightening did lead to a number of spikes in volatility. Reopenings across the western world and the ongoing strong recovery in corporate earnings supported equity momentum.

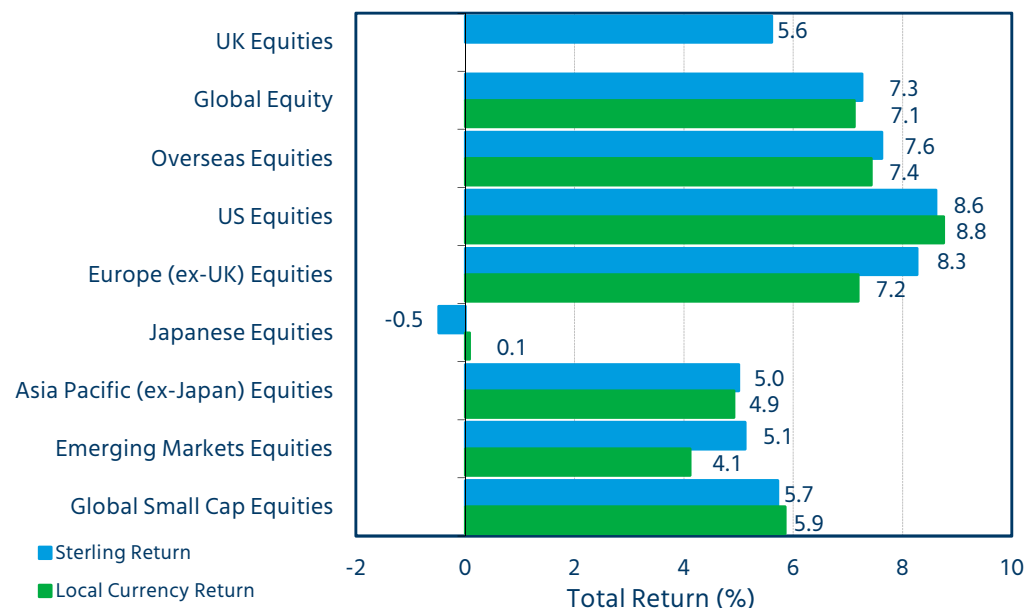
US equities returned 8.8% in local currency terms whilst European (ex UK) equities returned 7.2%. With a heavier weight in growth than in value and heavy exposure to tech stocks, the US benefited more from growth outperforming value over the quarter.

Emerging markets ('EM') equities returned 4.1% in local terms. Brazilian and Russian equities saw strong returns over the quarter, driven by rising commodity prices. Returns were positive for all other regions as well, including for India in spite of a pandemic-related slowdown. China was the weakest EM performer as a result of the ongoing regulatory crackdown on its tech sector and credit tightening.

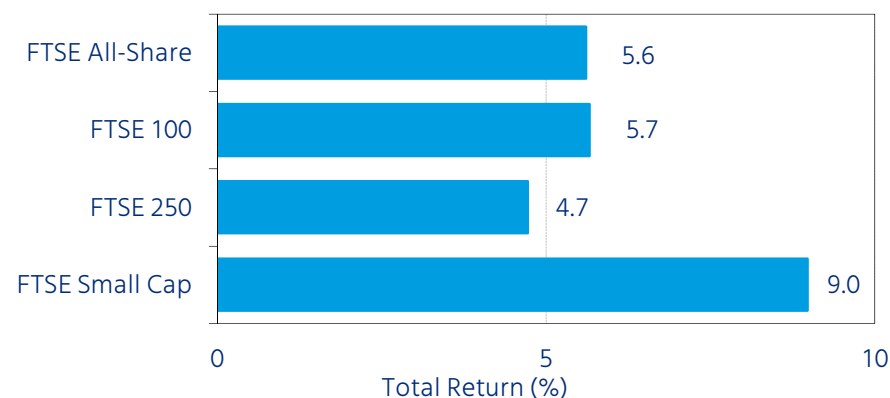
Global small cap stocks returned 5.9% in local terms. Small caps lagged global equities as momentum began to slow somewhat after a very strong first quarter.

The **FTSE All Share index** returned 5.6% over the quarter. The large exposure to financials, oil & gas, and basic materials supported UK equities as markets priced in the cyclical recovery and rising commodity prices.

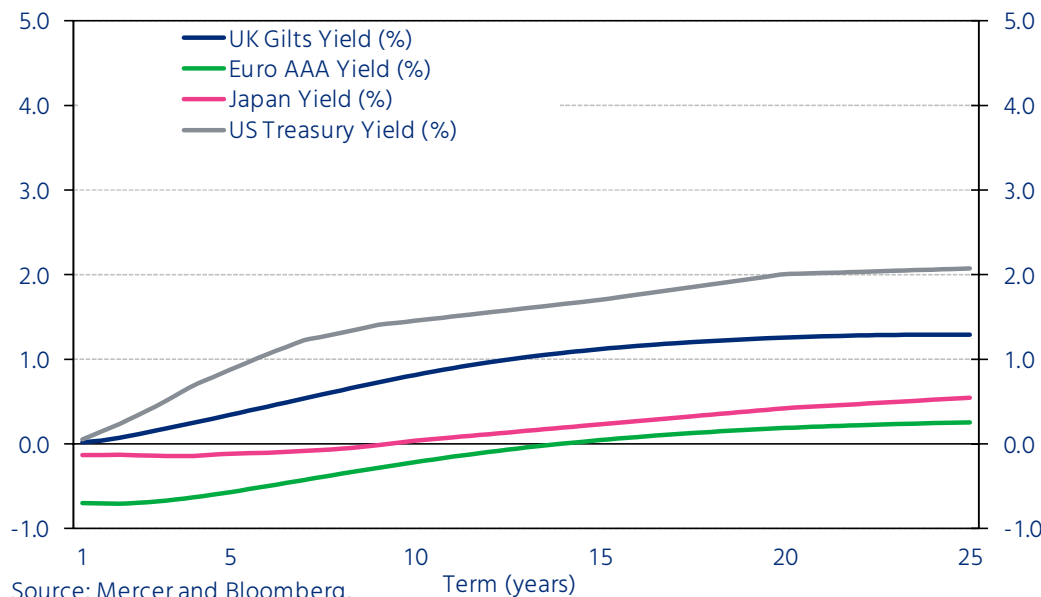
Equity Performance - Three Months to 30 June 2021



FTSE Performance by Market Cap (FTSE) - Three Months to 30 June 2021

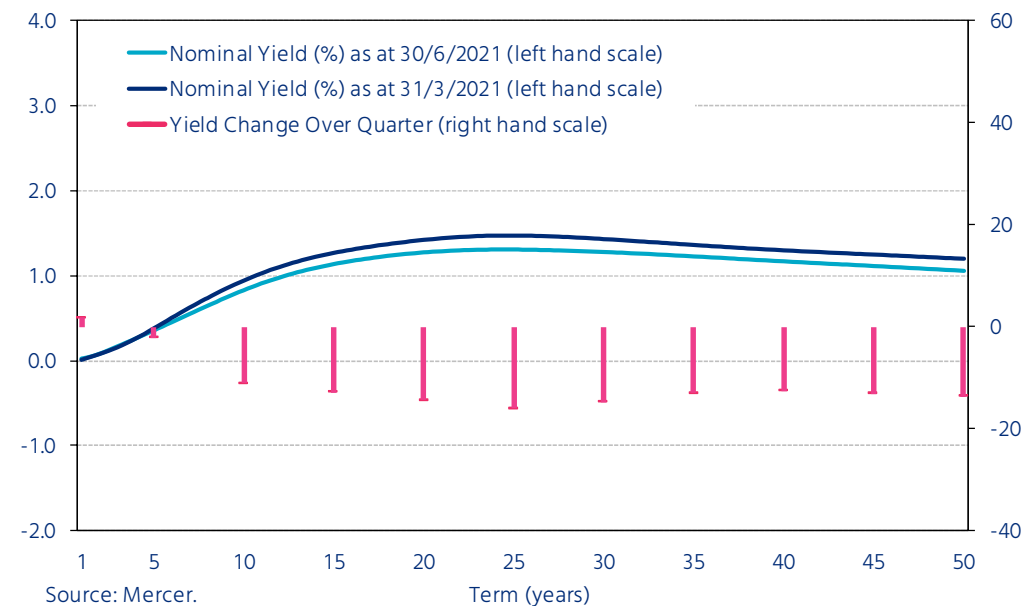


Q2 2021 bond market review (1)



Government Bond Yields

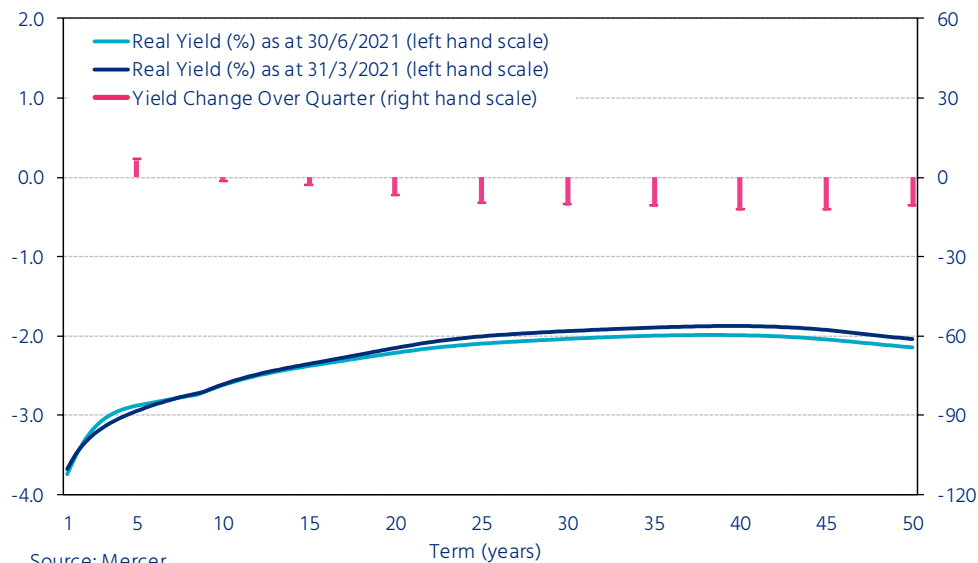
Government bond yields generally fell globally over the quarter after the rebound seen in Q1. The US 10-year government bond yield fell by 30 basis points as inflation worries eased somewhat towards quarter end and the Federal Reserve qualified its June statement that was initially perceived to be less dovish than expected. UK and Japanese 10-year benchmark yields fell by 13 and 4 basis points respectively. However, the German 10-year yield rose by 9 basis points.



UK Nominal Gilt Yields

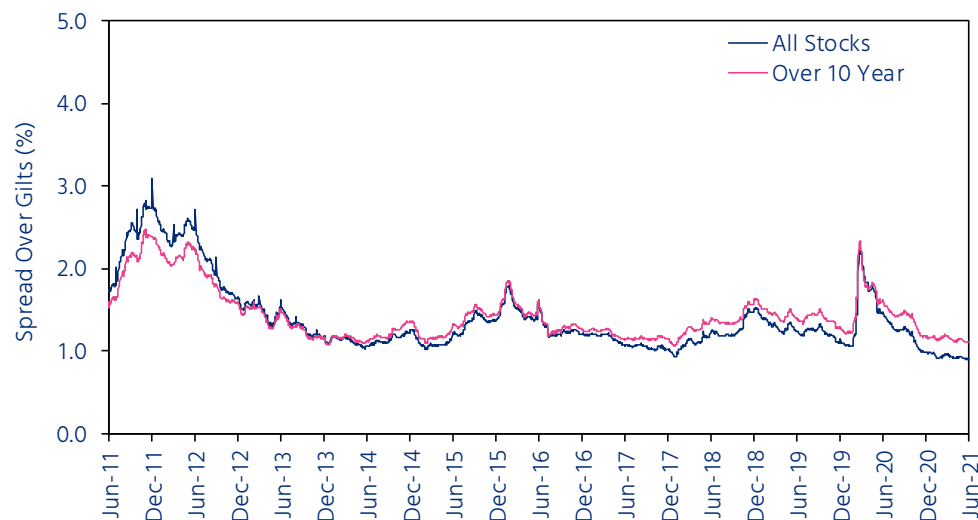
The UK yield curve shifted downwards over the quarter as inflation expectations eased despite fiscal and monetary policy continuing to remain loose.

Q2 2021 bond market review (2)



UK Index-Linked Gilt Yields

UK real yields fell across the curve, in line with nominal yields. The fall in nominal yields offset the decrease in inflation expectations.



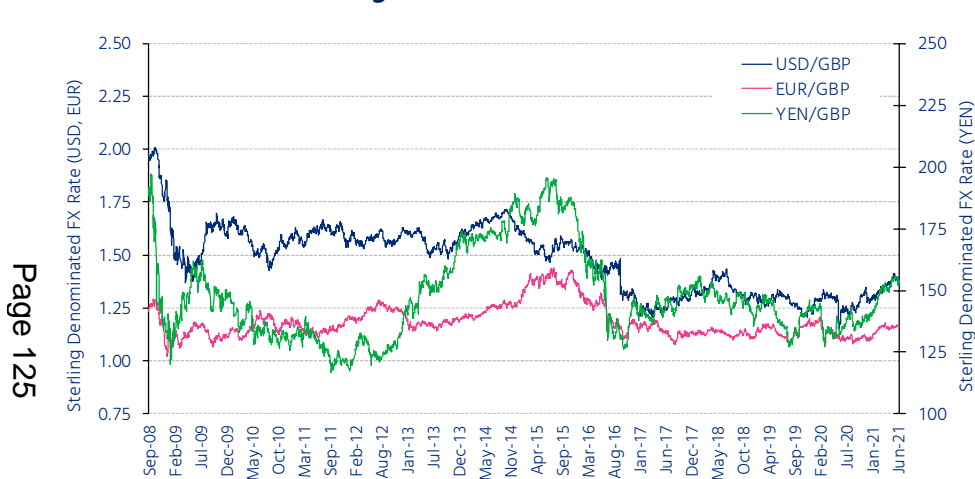
Corporate bonds

UK investment grade credit spreads tightened marginally over the quarter, as demand for spread assets remained strong. Investment grade spreads for the All Stocks Index have retraced all of the spread widening experienced in 2020 and remain below their late-2019 level.

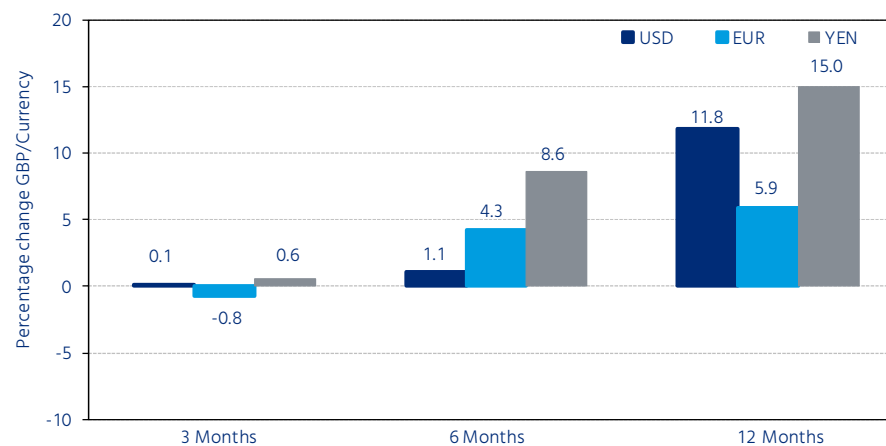
Q2 2021 currency market review

Sterling was relatively stable against all major developed currencies compared to previous quarters. On a one year basis, sterling has enjoyed a post Brexit rally after the final transition out of the EU. There was also optimism over Britain's gradual reopening thanks to its successful vaccination programme. The US dollar weakened against other major developed market currencies on a one year basis driven by the combination of rising inflation relative to other countries and concerns over excessively loose monetary and fiscal policy.

Sterling Denominated FX Rate



Change in sterling against foreign currencies



Q2 2021 property

UK property as measured by the MSCI Index increased by 3.9% over the quarter to 30 June 2021.

Summary of mandates

Manager	Mandate	Benchmark/Target	Outperformance Target (p.a.)
BlackRock	Global Equity (passive)	MSCI World	-
Brunel	Global High Alpha Equity	MSCI World	+2-3%
Brunel	Global Sustainable Equity	MSCI AC World	+2%
Brunel	Global Low Carbon Equity (passive)	MSCI World Low Carbon	-
Brunel	Emerging Market Equities	MSCI Emerging Markets	+2 -3%
Ruffer	Diversified Growth Fund	3 Month LIBOR +5% p.a.	-
Brunel	Diversified Returns Fund	SONIA	+4-5%
JP Morgan	Fund of Hedge Funds	3 Month LIBOR +3% p.a.	-
Brunel	Multi-Asset Credit	SONIA	+4-5%
Schroder	UK Property	IPD UK Pooled	+1%
Brunel	UK Property	MSCI/AREF UK Quarterly Property Fund Index	-
Partners	Overseas Property	Net IRR of 10% p.a. (local currency)	-
Brunel	Secured Income	CPI	+2%
IFM	Core Infrastructure	3 Month LIBOR +5% p.a.	-
Brunel	Renewable Infrastructure	CPI	+4%
Brunel	Private Debt	3 Month LIBOR + 4% p.a.	-
BlackRock	Buy-and-Maintain Corporate Bonds	Return on bonds held	-
BlackRock	Matching (Liability Driven Investing)	Return on liabilities being hedged	-
Record	Passive Currency Hedging	N/A	-
BlackRock	Exchange-Traded Fund (ETF)	Bespoke benchmark to reflect total Fund allocation	-
Cash	Internally Managed	7 Day LIBID	-

Market statistics indices

Asset Class	Index
UK Equities	FTSE All-Share
Global Equity	FTSE All-World
Global Developed Equity	FTSE AW Developed
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
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.

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Appendix 3

Brunel Asset Transition Update

Brunel now manage £4.37bn (at 30/06/21). This includes £350m in Secured Income and £55.3m in Renewable Infrastructure invested on behalf of the Fund. The investments in Private Debt have yet to commence.

Brunel portfolio	Value at 30/06/21	Transitioning Mandates / Managers	Date of transition
Passive Low Carbon Equities	£745m	Low Carbon Global Equities - Blackrock	July 2018
UK Equities	£0m	UK Equities - TT Int'l	Nov 2018
Emerging Market Equities (EM)	£300m	EM Equities – Genesis, Unigestion	Oct 2019
Global High Alpha Equities	£441m	Global Equities - Schroder	Nov 2019
Risk Management Strategies	£930m	LDI and EPS - Blackrock	Oct 2019
Diversified Return Funds	£530m	Diversified Growth Funds – Pyrford, Ruffer (partial)	July 2020
Sustainable Equities	£587m	UK Equities & Global Sustainable Fund – Jupiter UK Equities & Global High Alpha (partial) - Brunel	Sept 2020
UK Property (pooled funds)	£122m	UK Property (partial) - Schroder	Jan 2021
Multi Asset Credit	£318m	Multi Asset Credit - Loomis	June 2021

The transition is now complete, for Avon and the pool, with the launch of the Multi Asset Credit portfolio alongside the other Fixed Income portfolios in June/July. Brunel now manage c. 75% of the client assets across the pool. The final transition cost update will be in the September Committee papers.

Brunel provides quarterly investment reports client group and pension committees (included as an appendix to this Quarterly Investment Monitoring report). The project to revise the client reporting from Brunel is progressing and we expect to see revised reporting early in 2022.

Brunel Portfolio Monitoring Summary

Brunel Portfolios Q221				
Mandate	Performance 'RAG' Rating	Comments	ESG 'RAG' Rating	Comments
Passive Low Carbon Equities (Dec-17)		<ul style="list-style-type: none"> Under review as part of equity allocation review Paris aligned Brunel offering as potential replacement 		
Global High Alpha Equities (Dec-19)		<ul style="list-style-type: none"> 'Growth' bias of the portfolio benefitted relative returns Stock selection main driver of positive relative returns, noting overweight to Healthcare 5% off-benchmark allocation to China detracted following regulatory crackdown. Direct allocation to China remains small and Brunel are working with managers to understand risks/opportunities in the region 		<ul style="list-style-type: none"> WACI significantly below benchmark (unchanged since last qrtr) Exposure to extractive industries approx. half of benchmark
Global Sustainable Equities (Oct-20)		<ul style="list-style-type: none"> Portfolio benefits from 'growth' and 'quality' bias Prior quarter 'value' rally leads to underperformance vs benchmark since inception 		<ul style="list-style-type: none"> Carbon intensity reduction of c.26% vs benchmark
Emerging Market Equities (Nov-19)		<ul style="list-style-type: none"> Underweights to the Energy sector and India detracted 5% underweight to China led to positive relative impact 		<ul style="list-style-type: none"> Highest WACI of all portfolios
Diversified Returns Fund (Aug-20)				<ul style="list-style-type: none"> Systematic strategies are hard to assess on traditional ESG metrics. Brunel working with underlying managers to develop reporting.
Secured Income 2018-20 £345m 2020-22 £120m		<ul style="list-style-type: none"> Cycle 1: 86% (69%) deployed Cycle 2: 37% (33%) deployed 		
Renewable Infrastructure 2018-20 £115m 2020-22 £120m		<ul style="list-style-type: none"> Cycle 1: 40% (39%) deployed Cycle 2: 11% (6%) deployed 		
Private Debt 2020-22 £245m		<ul style="list-style-type: none"> Capital drawdown post quarter-end 		
UK Property Jan-2021 2021: £210m		<ul style="list-style-type: none"> Pipeline of opportunities in Multi Let, Industrial and Affordable Housing sectors as Brunel build up model portfolio 		
MAC (July-21)	n/a	<ul style="list-style-type: none"> Performance of MAC portfolio commences post quarter-end 	n/a	
Risk Management Strategies				Integration of ESG in risk management strategies under review.

Legacy Portfolios Q221				
Core Infrastructure		Under review		
Hedge Funds		Mandate winding down	n/a	
UK Property	n/a	Fully redeemed	n/a	
International Property		Underlying funds to be held to expiry		

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Performance Report for Quarter Ending 30 June 2021

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The second quarter was marked by the rise of the Delta variant of Covid, not least in the UK, and by widely divergent decisions on lockdown easing and tightening around the world. Lockdown rules in the UK and, more specifically, in England, ensured a phased reopening over the course of the quarter, meaning that Brunel staff were able to start returning to the office. However, a delay to the final stage of opening – initially slated for June, but then postponed to July – made the return more staggered than first planned.

Despite the ongoing challenges, we continued to roll out new funds. In April, Brunel launched its Private Debt portfolio with Aksia, a dedicated, bespoke portfolio of funds targeting corporate direct lending strategies in Europe and North America. Our clients committed £945m to the fund, which has a strong focus on Responsible Investment. "Aksia is delighted to be working with Brunel Pension Partnership, an acknowledged thought leader in responsible investment, to customise a direct lending portfolio for its LGPS clients," said Valérie Bénard, Head of Aksia Europe.

On the listed markets side, Brunel launched its first fixed income portfolios: Passive Gilts and Passive Index-Linked Gilts. "These portfolios give our clients and their members access to the low-cost benefits of index-tracking investing," said David Cox, Head of Listed Markets at Brunel. "They also deliver to clients the benefits of high liquidity, which can be important in managing pension cashflows effectively." The announcement comes ahead of further fixed income fund launches due in July.

The challenge of finding indices that fully account for Responsible Investment concerns was a particular focus through the quarter, culminating in the announcement – at the start of July – that Brunel and FTSE Russell had launched new Paris-aligned benchmarks, a major step forward for the industry. "We placed great emphasis on developing indices that not only met current needs, but also have scope to evolve in response to rapid industry developments, so that we continue to deliver on our clients' investment objectives," said Faith Ward. "The project, led by David Cox, Brunel's Head of Listed Markets, has drawn on the time and expertise of teams and individuals across the partnership."

In May, Brunel published three reports that track our progress across our ambitions in Responsible Investment (RI). The 2021 Responsible Investment & Stewardship Outcomes Report demonstrated our performance against our own RI principles and policies. Among other highlights, it showed that we had engaged on 3,101 RI issues at 881 companies, and that companies held in our portfolios now had a higher percentage of women on boards. We also published our first Climate Change Action Plan Report (TCFD reporting), to demonstrate the value we attach to companies making TCFD disclosures, and to encourage other companies to do likewise. Our second Carbon Metrics report, meanwhile, showed that the Brunel Aggregate Portfolio had a carbon efficiency of 22% versus the benchmark, up from 15.4% the previous year. Our leadership on RI was demonstrated and recognised in other ways, too. In June, Helen Price led our involvement as one of sixty launch firms partnering with The Diversity Project to help tackle the underrepresentation of ethnic minorities in finance. At the end of June, Faith Ward was named Personality of the Year by Environmental Finance, a very well-deserved accolade.

Throughout the quarter, Brunel continued to review its working practices and how it could elicit the views of staff and support them in managing their work through unusual times. To this end, Brunel's HR department launched new staff surveys, and Laura Chappell wrote an Op-Ed for Professional Pensions on how, since the advent of Covid, there is even more onus on CEOs to place mental health at the top of corporate agendas.

Executive Summary

High Level Performance of Pension Fund

The fund delivered absolute performance of 4.3% over the quarter in GBP terms. Total fund return for the one-year period to 30 June was 12.6%, which was ahead of the benchmark return of 10.3%.

Key points from last quarter:

- 4.3% Absolute Net Performance Q2
- 12.6% Absolute Net Performance 1Y
- 2.2% Relative Net Performance vs Benchmark 1Y

Fund-specific Events

- Avon transitioned into Fixed Income assets with an investment into the Brunel Multi-Asset Credit (MAC) portfolio. This transaction was in flight through the end of the reporting period.

The Diversifying Returns sub-fund posted a 5.8% return over the quarter, with all four strategies contributing as the fund outperformed its benchmark by 5.7%. Drivers of return from across the different strategies included a long position in the Brazilian real, beta exposure to both Treasuries and equities, and carry in sovereign bond markets.

It was another strong quarter for emerging markets, a trend reflected in fund performance, which posted a 4.6% return. This lagged the benchmark by 0.4% - sector and regional allocations accounted for the small shortfall, especially underweights in Energy and India.

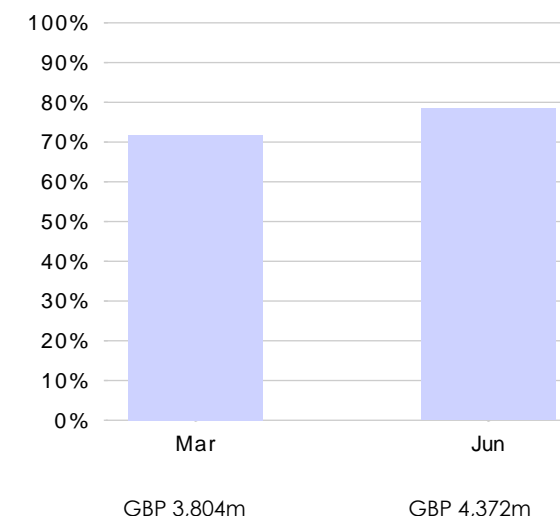
The Global High Alpha Equity sub-fund benefited from positive stock selection in what was already a strong quarter for global equities, outperforming the benchmark by 1.6%. Stock selection was particularly strong in Health Care and Financials.

An exceptional quarter saw the Sustainable Equities sub-fund return 8.5%, ahead of the benchmark return of 7.4%. Among the managers, RBC benefited from stock selection in Communication Services and among IT large caps, while Ownership's Health Care holdings performed strongly.

Total Fund Valuation

	Total (GBPm)
31 Mar 2021	5,301
30 Jun 2021	5,571
Net cash inflow (outflow)	43

Assets Transitioned to Brunel



Market Summary – Listed Markets

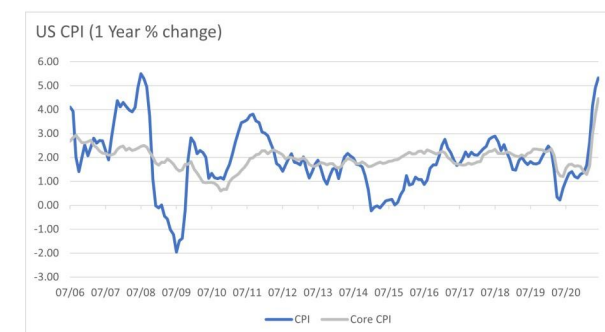
Future expectations of inflation dominated much of the financial press and the market movements we saw over the quarter.

In terms of global equity, April saw a resurgence in Growth/Quality stocks after the Value rally that had characterised much of Q1. The value rally earlier in the year was largely due to the re-opening of the parts of the economy most affected by the Covid pandemic and resulting lockdowns.

As we moved into May, we saw investors err on the side of caution as they debated a potential rise in inflation and, more importantly, if inflation was a longer-term market trend that would see an increase in interest rates from their current all-time lows. We saw a pickup in the yield of the US 10-year Treasury as an increase in inflation devalues bonds. We also saw de-risking in the global equity markets as the MSCI All Country World Index (ACWI) returned -1.03% for the month of May, led lower by Growth stocks, which suffer more than their Value counterparts in a rising interest rate environment. This dynamic was covered in depth in the 'Value vs Growth' paper the Brunel team published late last year. On the other hand, we saw gains in the commodity markets and precious metals: Brent crude and gold increased in price by 3.5% and 7.6%, respectively. Gold is often seen as a safe haven asset in times of inflation.

June confirmed the validity of Inflation expectations, as US year-on-year consumer price inflation (CPI) reached 5%, the highest it has been for 13 years. If we look more closely at the headline CPI figures, we can see that they started from a relatively low base. The price of a barrel of crude oil was \$41 last year compared with \$75 today. There have also been secondary effects in sectors affected during the pandemic, notably used cars and trucks, where the decline in new car production has increased the price of the secondary market. These technicalities led the Federal Reserve (Fed) to describe the current effects as "transitory". This suggested interest rates would remain low for the foreseeable future, which encouraged investors to return to the market. Through June, we saw an increase in the performance of large cap/Growth stocks, driven mostly by the IT sector, which provided a total return of 9.1% for the month, while the MSCI ACWI returned 4.29%.

After an interesting few months, in which inflation expectations dominated headlines, the MSCI ACWI returned 7.4% in GBP terms over the quarter; the MSCI Growth index returned 9.9%; and the equivalent Value index returned 4.9%. Over a one-year period, the MSCI ACWI has returned 25.1%, while the Growth index and Value index have returned 25.2% and 24.6%, respectively. The rally in cyclical Value stocks, year to date, has been enough to put Value on an equal footing with Growth stocks over the 12-month period to the end of June.



Market Summary – Listed Markets

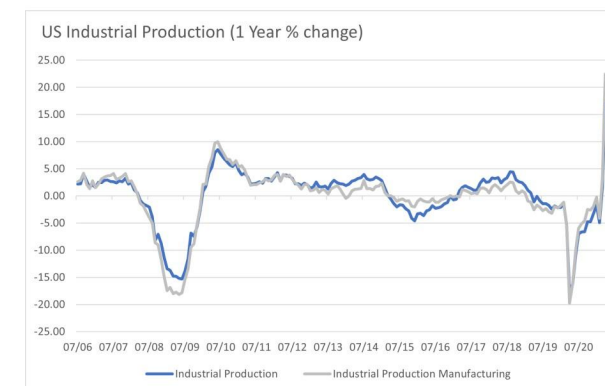
On a regional basis, much of the MSCI ACWI performance can be attributed to the US, albeit with a weight of 60% of the index, it provided a total return of 8.8%. The MSCI Emerging markets index returned 5% over the quarter and the FTSE All Share returned 5.8%

As discussed previously, the argument for transitory inflation assumes that the economic markers used in the CPI calculation were adversely affected by the pandemic and that, as the economy re-opens, the effect will decline over time. However, we should, for balance, discuss the opposing argument.

The last year-and-a-half has seen a huge amount of stimulus enter the market; unlike in the aftermath of the Great Financial Crisis, this stimulus has benefitted households directly, rather than shoring up the capital requirements of retail banks. At the time of writing, the June CPI numbers for the US have just been released at 5.4% and the core inflation rate, which excludes volatile goods such as oil, has risen 4.5%. The stimulus currently also shows no sign of abating, the US is still on course to deliver its \$1.9 trillion stimulus package. There have been discussions around the potential for central banks to control any rise in inflation by easing back on their bond purchasing schemes. However, bond purchasing still remains significant in the US, UK and Europe.

With all this additional capital, many believe prices will continue to rise. A data provider, EPFR, noted that global equity funds saw inflows of \$580bn in the first six months of this year at that rate, equity funds in 2021 will record more inflows than the last 20 years combined.

Last quarter, we mentioned that predicting the path of inflation, policy withdrawal and eventual rate tightening is difficult under the current environment. This is likely to be a debate that will continue over the next few months; the market is certainly not behaving as one would expect. An increase in inflation historically led to an increase in yields; however, at the time of writing, the 5.4% increase in US inflation has perversely led to a decrease in yields, leading to further debate over the nature of the current market and whether inflation really could be transitory.



Market Summary – Head of Private Markets

Overview

The continuing concern around the rapid spread of the Delta variant of Covid, as well as the supply chain challenges facing manufacturers around the world, tempered investors' enthusiasm in the last quarter. As Covid infection rates started to climb again, even in countries where the vaccine rollout is well underway, investors grew more fearful of further economically-damaging regional restrictions and a slow reopening of international travel.

Economic indicators continue to show clear signs of recovery, but the supply issues caused by the pandemic have made life particularly difficult for manufacturers in Europe and North America, slowing production and pushing up costs. Accessing labour has also proved an inflationary factor in some regions.

Central banks continue to view these problems as temporary, recognising that the post-pandemic recovery may cause a temporary spike in inflation. However, they remain confident that prices are not set to rise permanently, which would necessitate a tightening of global monetary policy.

Infrastructure

As investors looked beyond the pandemic, market conditions improved. The aggregate value of deals in Q2 of 2021 (\$98bn) represented a rise of 71% compared to Q2 2020 (\$57bn). Renewable Energy was again by far the largest contributing sector, based on the number of deals – a consistent trend dating back to 2016, if not earlier. Interest in the asset class is being fuelled by politics and regulation, prompting expectations of the re-emergence of inflation; Infrastructure has historically served as a partial hedge against inflation. It remains to be seen whether returns can hold up under intense competition for assets and given supply chain constraints are pushing up key raw material costs globally.

\$32 billion of capital was raised by all private infrastructure funds closed in Q2 2021. The total number of unlisted infrastructure funds seeking to raise new capital as of July 2021 is up 25% from the start of the year, with a record 328 funds targeting \$238bn. The US and Europe remained the dominant geographic focus.

Noteworthy events and trends during the quarter included the IEA publishing its Net-Zero Energy (NZE) Scenario analysis and the Biden administration in the United States continuing to push for an Infrastructure plan. Biden's government, which has committed to an energy transition and to rapid decarbonisation, managed to gain bi-partisan agreement for a \$1 trillion package to upgrade roads, bridges and broadband networks over the next eight years. The IEA issued a stark warning in its report. To keep the world from catastrophic overheating, a new clean energy revolution must take place at breakneck speed, involving unprecedented co-operation. Its NZE scenario looks a tall order on every front: political, technical, financial and, mostly important of all, behavioural.

Market Summary – Head of Private Markets

Private Equity

Investment sentiment and activity remained strong in Q2 2021. The valuation of assets remained high. Hence, GPs focused more on operational improvements to create value in their portfolio companies, as well as on finding pockets of opportunities in niche sectors. In addition, some GPs are executing more add-on acquisitions at lower prices to bring down the blended average acquisition multiple. Interest in technology companies remained strong and there is a trend towards GPs digitising their portfolio companies in order to improve efficiency and to achieve higher multiples as they position for exit. The fundraising market is bifurcated into a market between the “haves” and “have nots”. Fundraising for established platforms is moving quickly, while less proven GPs are struggling to gain the attention of the investor community. In addition, sector expertise has become increasingly important for GPs as the market continues to evolve.

Private Debt

Q2 was another record-breaking quarter for private equity activity, driven by continued economic recovery and ample dry powder. Private debt activity is expected to mirror private equity activity and initial signs from bellwether managers seem to support that assertion. Dealmaking was particularly frenetic in sectors such as software, cyber security and healthcare.

High yield bond and leveraged loan spreads continued to compress through Q2, continuing the same trend seen in Q1. We did not see the same compression of pricing for new loans in the direct lending market. The pricing of senior and unitranche middle market loans remained relatively stable through the first half of 2021.

There were several notable large fund raisings achieved by leading European direct lending managers. ICG raised €9bn, Ares €11bn and Arcmont is on track to raise €6bn.

Property

Direct investment in industrial assets remained strong, with occupier demand for last-mile delivery hubs particularly acute. A shortage of labour and a sharp increase in construction costs has slowed development supply this year, applying further upward pressure to rental levels.

Some pricing in the UK retail market recovered over the quarter, as investors looked to acquire retail parks anchored by supermarkets or discount operators. Retail rents overall, however, continued to be negotiated downwards by tenants.

Offices, where rent payments have been solid throughout the pandemic, began to see employees returning and initial projections for much lower space requirements by occupiers have moderated over the last few months, though biased towards sustainable buildings which promote employees' wellbeing.

Responsible Investment & Stewardship Review

Paris-Aligned Benchmarks

Following extensive work with several index providers, we supported the launch of a new suite of climate benchmarks that will form FTSE Russell's Paris-aligned climate benchmarks for global equity markets.

The launch will help us offer clients the Net Zero-aligned portfolios they have asked for and provide a path for the wider industry. We placed great emphasis on developing indices that not only met current needs, but also have scope to evolve in response to rapid industry developments, so that we continue to deliver on our clients' investment objectives.

The new index series reflects both FTSE Russell's expertise in index design and Brunel's expertise in climate investing. The framework provides a tilt exposure. Exposure to any given index constituent rises or falls according to several exposure objectives, covering fossil fuel reserves, carbon reserves and green revenues, as well as forward-looking alignment with Paris goals. The tilt is designed to ensure that the fund is on track to achieve Paris alignment.

The Paris-aligned Benchmark series meets the minimum requirement of the EU's Paris-aligned benchmarks by achieving a 50% reduction in carbon emissions over a ten-year period. It also integrates the Transition Pathway Initiative's analysis of how the world's largest and most carbon-exposed companies are managing the climate transition.

"Brunel Pension Partnership brings a huge amount of expertise in climate investing and were consulted on the construction of FTSE Russell's new EU Climate Benchmarks Index Series," said Aled Jones, Head of Sustainable Investment, EMEA, FTSE Russell. "This led to the inclusion of recently-issued guidance from the IIGCC Net Zero Investment Framework to limit investor exposure to Thermal Coal and Oil Sands. Other features involved limiting the active weight of banking sector constituents to no more than their underlying index weight, a move that reflects the sector's funding role for large carbon emitters as a contributory factor to climate change."

More details are available on the [FTSE Russell website](#). In the next section, we consider two educational RI initiatives that Brunel has recently been involved in.

Responsible Investment & Stewardship Review

Bath University Practice Track - Biodiversity

Brunel participated in Bath University's Practice Track initiative to provide a consultancy project for MSc students. The project allows students to increase their experience by working for UK businesses, whilst applying their knowledge, skills and research experience to deliver recommendations on a real business issue. We asked students to research biodiversity and posed the following question:

How can Brunel Pension Partnership integrate the findings of *The Economics of Biodiversity: The Dasgupta Review* into their investment decisions? Topics to consider include:

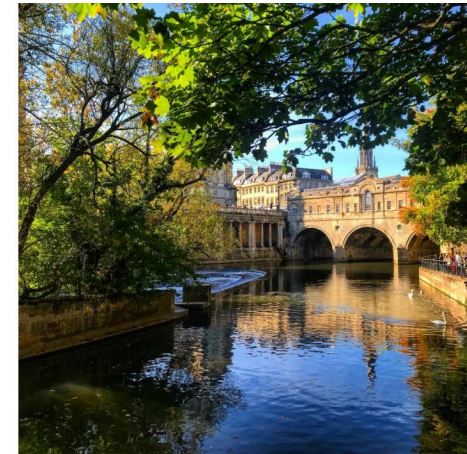
- What are the first steps pension funds should take when considering biodiversity?
- Which Sectors should be prioritised?
- What challenges remain?
- What are the key questions which we should be posing to companies?

Following four weeks of research, students presented their findings to Brunel and members of the RI subgroup. The research was a useful foundation to build from. The feedback from the students was overwhelmingly positive. For many, it was their first exposure to the investment industry, and several commented that they now have a greater appreciation and understanding of sustainability to take into their future careers. We will continue to work with the University of Bath and to explore future project opportunities to inspire the next generation.

The Skills Workshop

Covid-19 and lockdown offered us all a stark reminder of the social and economic inequalities that continue to blight our society, not least racial inequality. Finance has a particular problem. Research published by KPMG in 2019 showed that some 41% of financial services employees had parents working in the same sector – against a national average of 12% across other sectors.

The diversity project, in partnership with #TalkAboutBlack and the CFA UK, launched a new programme: 'The Skills Workshop'. This is a six-month programme of virtual workshops that aims to help university-aged students with financial literacy, application preparation, workplace confidence, access to organisations and networking. It will provide students with the insight, knowledge and direction to help start their financial careers. Brunel is one of sixty launch firms involved in the initiative, which is open to all students with a particular interest in increasing social mobility and tackling the underrepresentation of ethnic minorities in the industry. We will be providing insight into what asset owners do at the [virtual careers fair on 28 October](#).



INSIGHT



KNOWLEDGE



DIRECTION

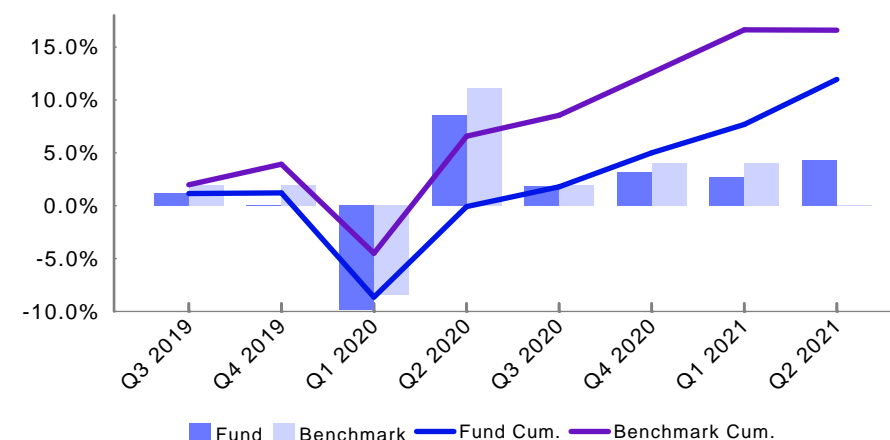
Find out more: www.diversityproject.com/theskillsworkshop

Summary of Pension Fund Performance

Performance of Fund Against Benchmark (Annualised Performance)

Period	Fund	Strategic BM	Excess
3 Month	4.3%	3.9%	0.4%
Fiscal YTD	4.3%	3.9%	0.4%
1 Year	12.6%	14.7%	-2.1%
3 Years	5.5%	9.0%	-3.4%
5 Years	7.2%	9.5%	-2.2%
10 Years	7.3%	8.7%	-1.4%
Since Inception	8.3%		

Rolling Quarter Total Fund (Net of Manager Fees)

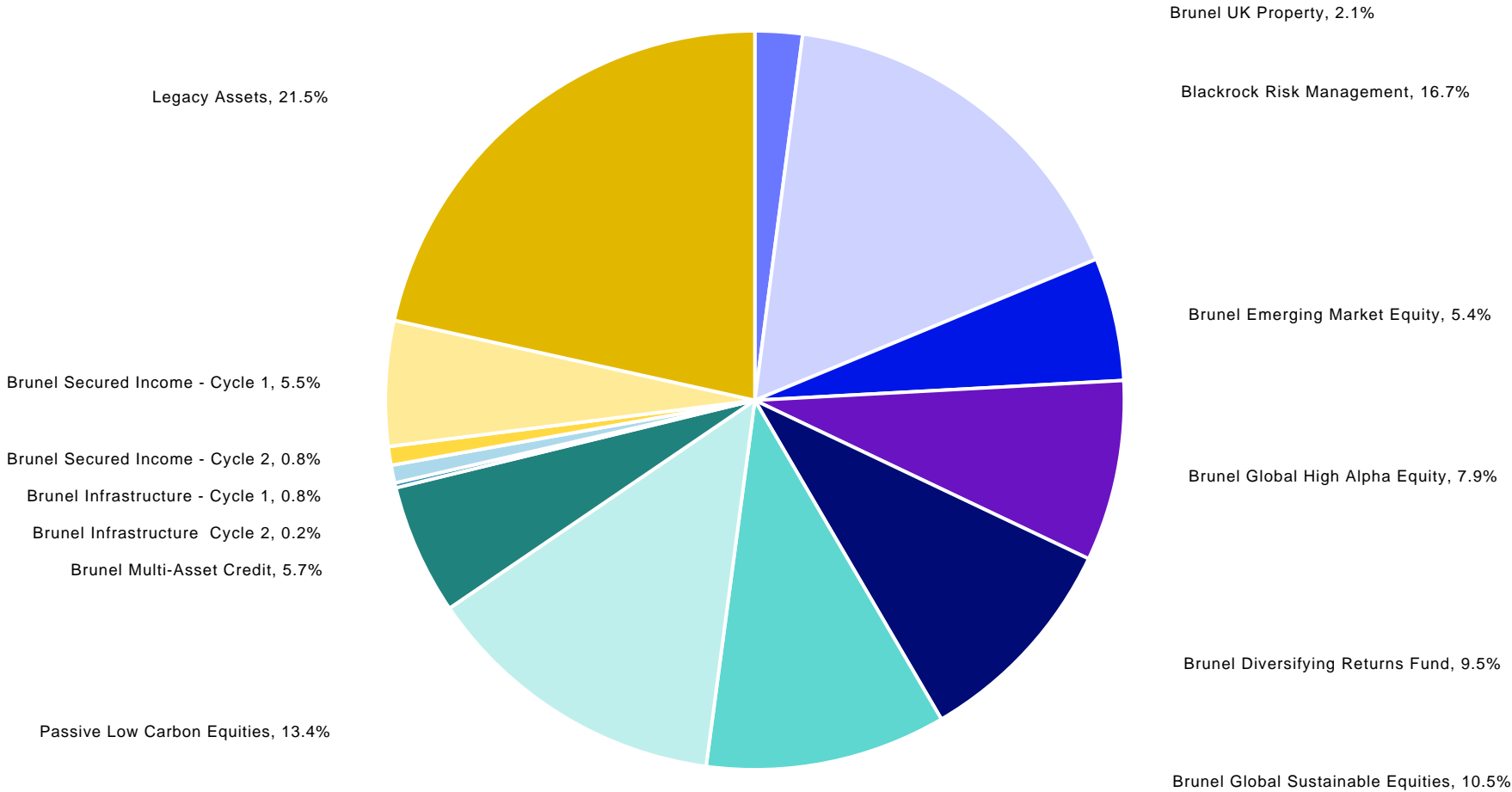


Key Drivers of Performance

Reviewing the performance of Brunel portfolios, the highlights were:

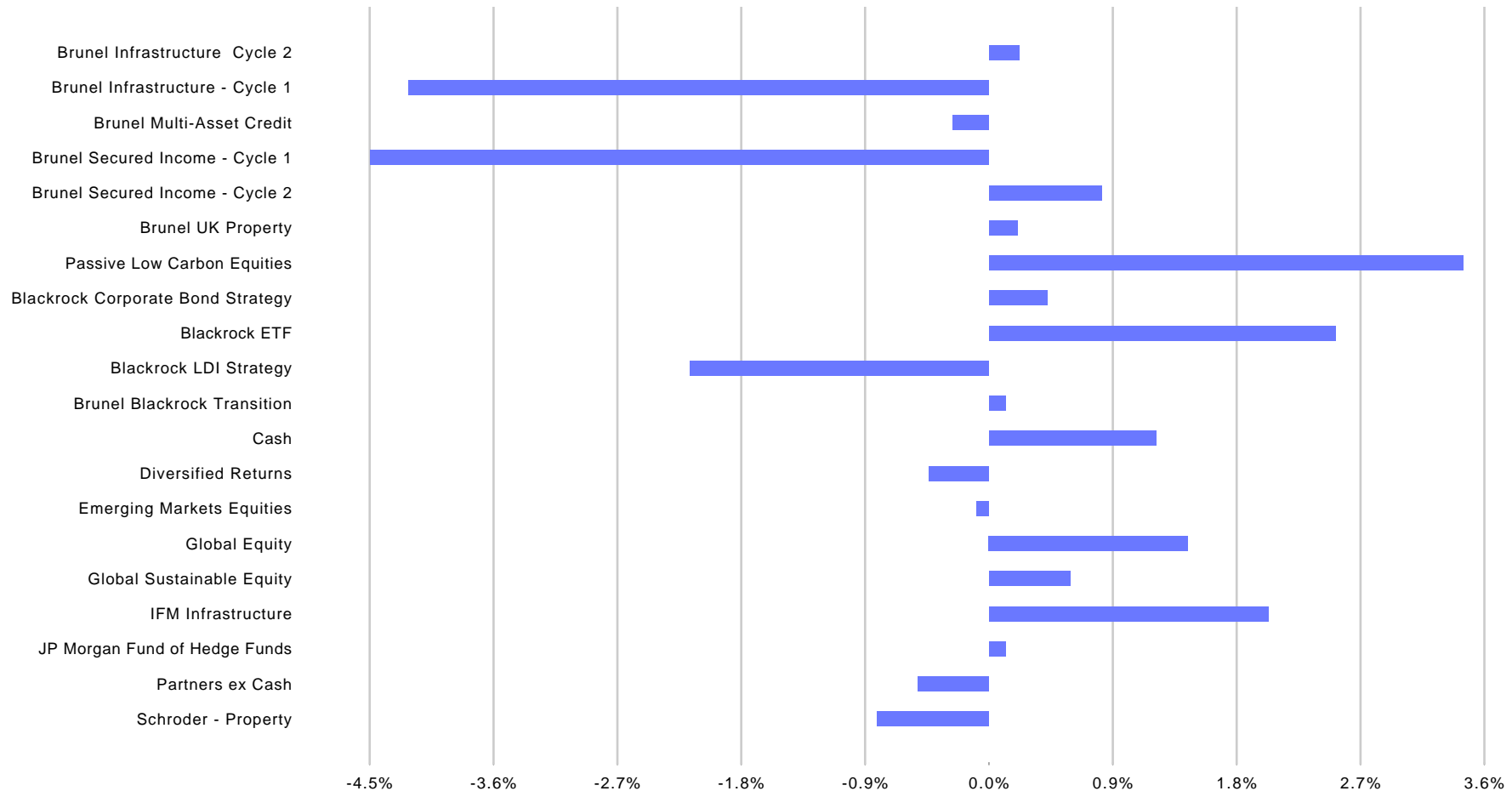
- The Diversified Return Fund returned 5.8% for the quarter, which was broadly in line with its benchmark SONIA.
- Global Emerging Markets added 4.6% over the quarter and 28.7% over the one-year period; one-year performance was ahead of benchmark by 2.3%.
- Global High Alpha returned 9.3% during the quarter, taking one-year performance to 32.2%; this was 7.2% ahead of the MSCI World TR benchmark
- Global Sustainable Equities returned 8.4% for the quarter, exceeding its benchmark by 1.1%.

Asset Allocation Split



Asset Allocation of Pension Fund

Allocation Against Strategic Benchmark



Brunel Portfolios Overview

Page 148

Portfolio	Benchmark	AUM (GBPm)	Perf. 3 Month	Excess 3 Month	Perf. 1 Year	Excess 1 Year	Perf. 3 Year	Excess 3 Year	Perf. 5 Year	Excess 5 Year	Perf. SII*	Excess SII*	Initial Investment
Brunel Diversifying Returns Fund	SONIA Benchmark	530	5.8%	5.7%							5.9%	5.9%	27 Jul 2020
Brunel Emerging Market Equity	MSCI EM TR Gross	300	4.6%	-0.4%	28.7%	2.3%					14.5%	-0.5%	09 Oct 2019
Brunel Global High Alpha Equity	MSCI World TR Gross	441	9.3%	1.6%	32.2%	7.2%					26.7%	10.1%	15 Nov 2019
Brunel Global Sustainable Equities	MSCI AC World GBP Index	587	8.4%	1.1%							18.8%	-2.1%	30 Sep 2020
Brunel Multi-Asset Credit	SONIA +4%	318									0.2%	-0.1%	02 Jun 2021
Passive Low Carbon Equities	MSCI World Low Carbon Target	745	7.7%	-0.0%	24.9%	-0.2%					13.6%	-0.1%	11 Jul 2018

*Since Initial Investment

Performance based on tradeable NAV

Where there are disparities between returns quoted above and returns provided for the same fund and period in the following pages, this is because the fund-specific pages reflect the posttransition phase, important for monitoring the performance of selected managers, while those given above reflect the Clients' actual experience from the point of initial investment, which in some cases includes the shared impact of transition costs.

Tradeable NAV performance reflects NET performance. The following product pages reflect the portfolio's NET performance

Passive Low Carbon Equities

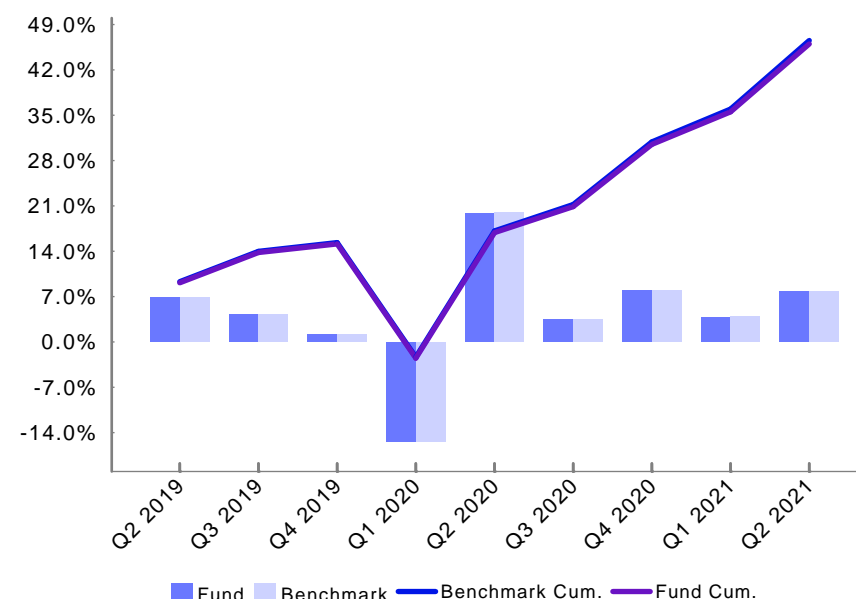
Overview

	Description
Portfolio Objective:	Provide exposure to equity returns and global economy with low exposure to carbon emissions and fossil fuels.
Investment Strategy & Key Drivers:	Portfolio is invested in global equities in accordance with Low Carbon index.
Liquidity:	High
Risk/Volatility:	High absolute risk with very low tracking error.
Total Fund Value:	£1,289,795,379

Performance to Quarter End

Ann. Performance	Fund	BM	Excess
3 Month	7.7%	7.8%	0.0%
Fiscal YTD	7.7%	7.8%	0.0%
1 Year	24.9%	25.1%	-0.2%
3 Years			
5 Years			
10 Years			
Since Inception	13.6%	13.7%	-0.1%

Rolling Performance*



* Partial returns shown in first quarter

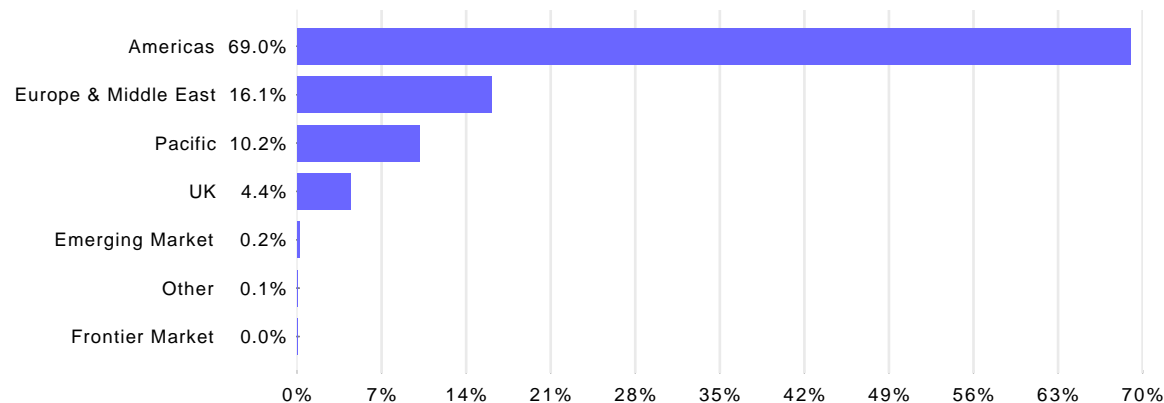
- The Passive Low Carbon portfolio recorded a return of 7.74% during Q2 2021, in line with the MSCI World Low Carbon Target Index, which returned 7.79%.
- The MSCI World Low Carbon Target performed in line with the MSCI World index, which returned 7.74% over the quarter. On a sectoral basis, there was a small positive contribution from a relative underweight to the Utilities sector, mostly offset by small detractions across other sectors.
- Over the previous 12 months, the Passive Low Carbon portfolio returned 24.9%.
- The MSCI Low Carbon Index performed in line with the MSCI World Index, rising 24.9% over the 12-month period. Positive contributions from Energy stocks, an underweight to the Utilities sector and an overweight to the Financials sector were mostly offset by poorly-performing stocks in the Materials sector.

Passive Low Carbon Equities – Region & Sector Exposure

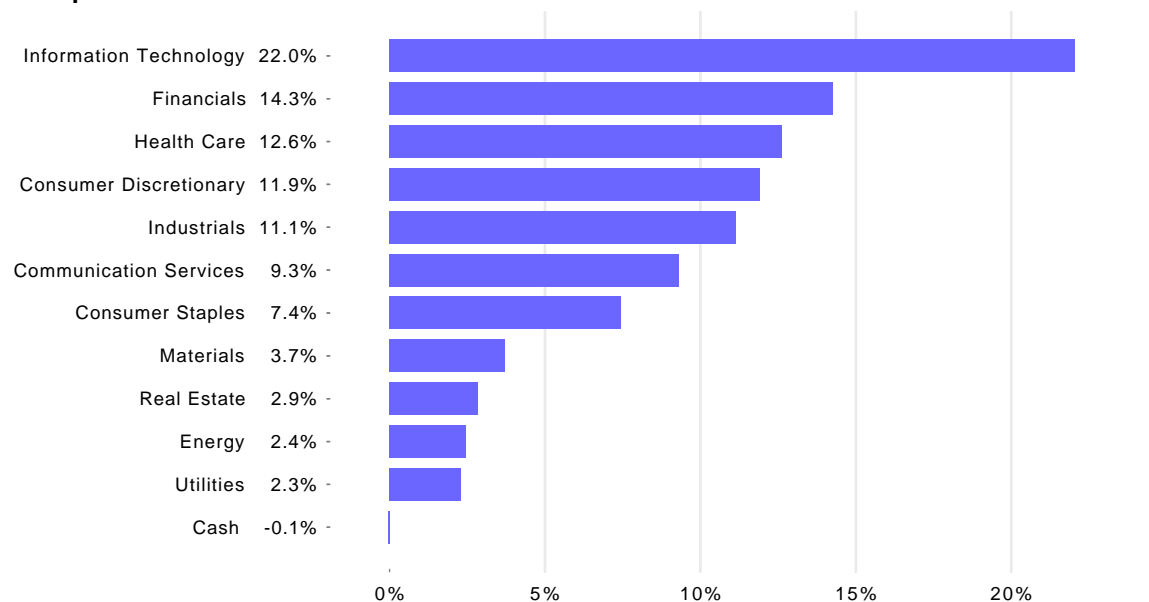
Top 20 Holdings

	Mkt. Val.(GBP)
APPLE INC	75,320,140
MICROSOFT CORP	63,318,543
AMAZON.COM INC	48,349,285
FACEBOOK INC-CLASS A	27,433,310
ALPHABET INC-CL C	24,217,201
ALPHABET INC-CL A	23,880,659
TESLA INC	17,278,309
NVIDIA CORP	16,328,361
JPMORGAN CHASE & CO	15,321,316
JOHNSON & JOHNSON	14,615,349
VISA INC-CLASS A SHARES	13,452,296
BERKSHIRE HATHAWAY INC-CL B	12,395,961
UNITEDHEALTH GROUP INC	12,309,289
NESTLE SA-REG	11,869,673
PROCTER & GAMBLE CO/THE	11,451,313
HOME DEPOT INC	11,267,975
MASTERCARD INC - A	10,821,746
PAYPAL HOLDINGS INC	10,438,190
BANK OF AMERICA CORP	10,416,728
WALT DISNEY CO/THE	10,249,909

Regional Exposure



Sector Exposure



Passive Low Carbon Equities – Responsible Investment

Top 10 ESG Contributors to Overall Score

	Insight	Momentum
1. ASML HOLDING NV	66.0	81.2
2. NEXTERA ENERGY INC	70.3	38.7
3. TEXAS INSTRUMENTS INC	64.9	82.2
4. ACCENTURE PLC	63.3	71.0
5. HONEYWELL INTERNATIONAL INC	64.8	50.0
6. NESTLE SA	58.9	43.2
7. SCHNEIDER ELECTRIC SE	71.7	46.2
8. NVIDIA CORP	57.5	32.4
9. SIEMENS AG	65.0	70.9
10. PROCTER & GAMBLE CO/THE	58.4	65.2

Bottom 10 ESG Detractors to Overall Score

	Insight	Momentum
1. NETFLIX INC	44.9	67.2
2. AT&T INC	44.4	46.8
3. VISA INC	48.1	33.9
4. JPMORGAN CHASE & CO	48.6	68.2
5. JOHNSON & JOHNSON	43.7	81.7
6. AMAZON.COM INC	50.2	60.9
7. FACEBOOK INC	42.7	63.2
8. ALPHABET INC	46.0	59.8
9. MICROSOFT CORP	47.8	32.0
10. APPLE INC	47.1	51.4

*From Q4 onwards we have moved to the latest and enhanced version of Truvalue Labs data. Please see supplementary note on the Client portal for more detail.

* Position 1 is the top contributor/detractor.



Weighted Average ESG Score	2021 Q1	2021 Q2
Portfolio	53.5	54.1
Passive Dev Equities	53.7	54.2

TruValue Labs & SASB

Brunel Assessment:

- Texas Instruments (Semiconductors) has introduced a new automotive battery monitor and balancer that reports high-accuracy voltage measurements to the microcontroller of Electric Vehicles (EV), helping to revolutionise EV battery technology.
- Visa (Software & IT services) are facing a new lawsuit from small business owners claiming Visa and Mastercard have been engaging in price-fixing. Visa announced a commitment to reach net-zero emissions by 2040.
- Microsoft (Technology) was victim to several sophisticated widespread hacks, the U.S. government and Western allies claim these have originated from Russia and China. Microsoft launched a new product, Cloud for Sustainability, to help companies track their carbon emissions.
- Alphabet (Technology & Communications) is facing its fifth government antitrust lawsuit, as governments continue their crackdown into Big-Tech competition.

100% of the bottom 10 ESG detractors are covered by engagement or specific voting activities.

The benchmark is the MSCI Developed World so that carbon reductions achieved to create the Brunel Passive Low Carbon Portfolio can be monitored. Carbon intensity of the Portfolio is half that of the MSCI Developed World Index.

Weighted Average Carbon Intensity (WACI)



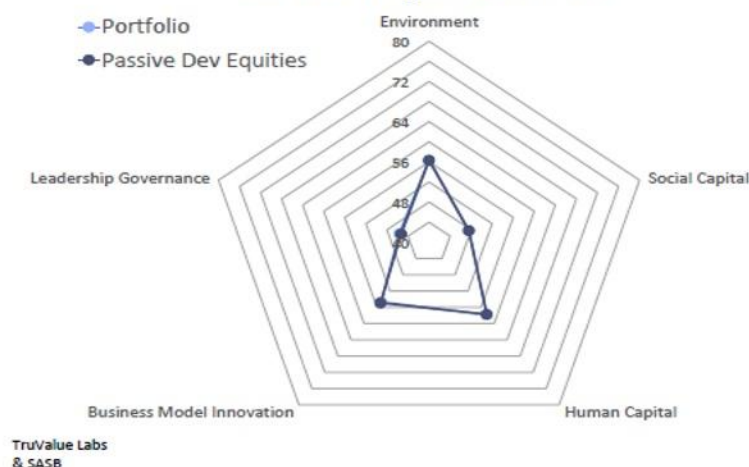
Source: Trucost

Extractive Exposure

	Total Extractive Exposure ¹		Extractive Industries (VOH) ²	
	Q1	Q2	Q1	Q2
Portfolio	2.4	2.0	4.3	4.3
Passive Dev EQ	2.9	2.6	7.6	7.2

1 Extractive revenue exposure as share (%) of total revenue.
2 Value of holdings (VOH)-companies who derive revenues from extractives.
Source: Trucost

Absolute Weighted ESG Scores



TruValue Labs & SASB

Brunel Diversifying Returns Fund

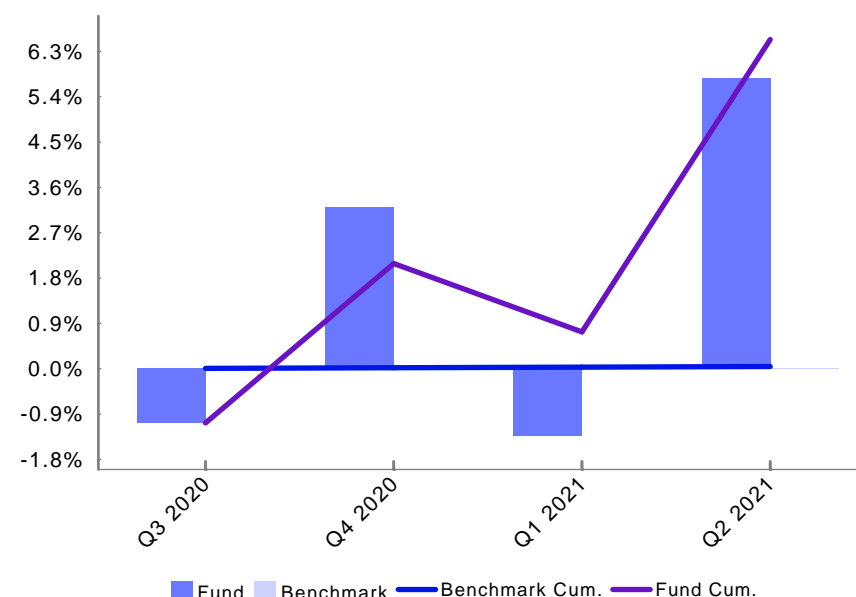
Overview

	Description
Portfolio Objective:	Provide exposure to a range of alternative return drivers and a degree of downside protection from equity risk.
Investment Strategy & Key Drivers:	Actively managed to achieve growth at moderate absolute risk, diversified between asset classes and by geography.
Liquidity:	Managed Liquidity.
Risk/Volatility:	Moderate absolute risk against cash.
Total Fund Value:	£1,468,929,629

Performance to Quarter End

Ann. Performance	Fund	BM	Excess
3 Month	5.8%	0.0%	5.7%
Fiscal YTD	5.8%	0.0%	5.7%
1 Year			
3 Years			
5 Years			
10 Years			
Since Inception	6.5%	0.0%	6.5%

Rolling Performance*



* Partial returns shown in first quarter

Over Q2 2021, the DRF fund returned 5.8%. Since the performance inception date of 12 August 2020, the fund has returned 6.5%. vs a performance target return (SONIA +3% p.a.) of 2.7% for the same period.

- The UBS currency strategy returned 8.9% over the second quarter. A long position in the Brazilian real, a high conviction portfolio position, made a large positive contribution to returns as the Brazilian central bank raised interest rates in June and indicated that a further 75 basis point hike is likely in August.
- The quarter saw volatility in markets but ultimately lower US Treasury yields and positive returns from global equity markets. Beta exposure to both asset classes in the Lombard Odier and William Blair portfolios helped each return in excess of 5% for the quarter.
- JPMorgan generated a positive return of 3% over the second quarter. Carry in sovereign bond markets made the largest contribution to return. Credit carry, fixed income carry and equity trend also made positive contributions to returns. The fixed income trend following signal made a negative contribution to returns over the quarter.

Brunel Emerging Market Equity

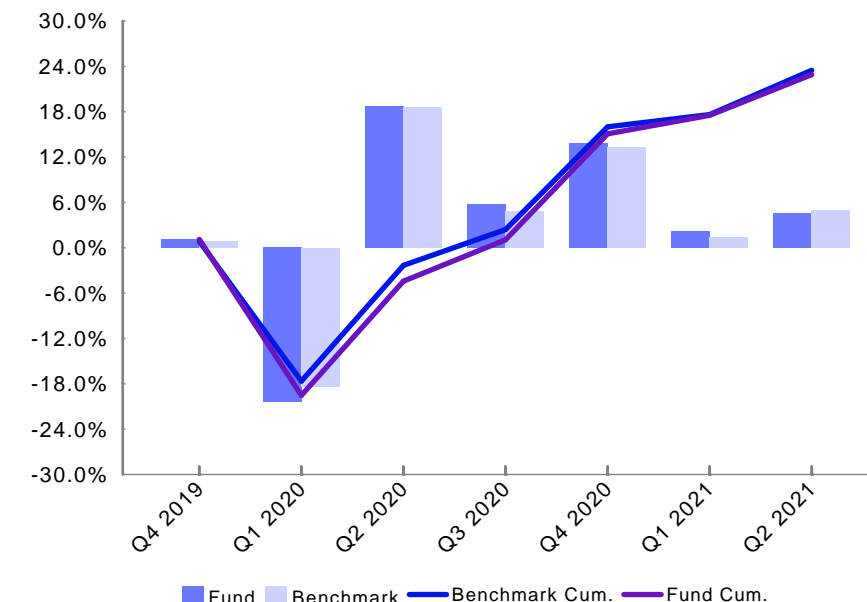
Overview

	Description
Portfolio Objective:	Provide exposure to emerging market equities, targeting excess returns and enhanced risk control from leading managers.
Investment Strategy & Key Drivers:	A geographically diverse portfolio, typically expected to achieve higher long-term growth rates than developed economies.
Liquidity:	Managed liquidity. Less exposure to more illiquid assets
Risk/Volatility:	High absolute risk with moderate to high relative risk, around 5% tracking error.
Total Fund Value:	£1,604,019,874

Performance to Quarter End

	Ann. Performance	Fund	BM	Excess
3 Month		4.6%	5.0%	-0.4%
Fiscal YTD		4.6%	5.0%	-0.4%
1 Year		28.6%	26.4%	2.2%
3 Years				
5 Years				
10 Years				
Since Inception		13.4%	13.7%	-0.3%

Rolling Performance*



* Partial returns shown in first quarter

It was another positive quarter of performance for emerging market equities. MSCI Emerging Markets, a proxy for emerging equities, returned +5.0% in GBP terms. This capped an impressive year for emerging markets, with trailing year returns of +26.4%.

Country dispersion was mixed over the quarter. China continued to lag other emerging markets after minor relapses in Covid cases, returning a modest +2.2% in Q2 2021. Brazil and Russia were amongst the most impressive over the quarter, returning +22.8% and +14.2% respectively. Both countries saw significant currency appreciation vs the US dollar; the Russian rouble was particularly successful as a result of rate rise expectations and stronger oil prices – the currency rose 13%. The quarter's country laggards included smaller Latin America countries like Chile and Peru, which fell by 13.8% and 8.9% respectively. Chile's stock market dived after voters backed hard-left independent candidates to write the country's new constitution, which represented a radical change from the traditional parties of the left and right.

Most sectors made positive returns in Q2 2021, the only exception was Real Estate, which depreciated 6%. Energy continued to outperform most sectors, mostly due to supportive oil prices. WTI Oil appreciated by an impressive 24% in GBP terms, mainly due to a significant shift in supply and demand dynamics.

Continued Commentary

Increased demand was a direct result of progress in global Covid vaccine rollout. Furthermore, prices were stimulated by Opec+ producers agreeing to only release a very modest amount of supply, which was not anticipated by the market.

Investment styles diverged significantly over the quarter. The most successful style was defensive securities, proxied by MSCI Emerging Markets Defensive Sectors, which outperformed the broader market index by +3.6%. On the flip side, prime value - which represents high quality companies trading at cheap valuations - struggled; this style underperformed the broader market by -2.5% over the quarter. Common styles like broad Value, Growth and Quality were largely in line with the market over Q2 2021.

The portfolio made a positive return over the quarter but lagged the benchmark on a relative basis. Total return was 4.6%, which was 0.4% behind the benchmark on a net-of-fees basis. Managers experienced very mixed performance; Genesis, Wellington and Ninety-One had relative returns of -0.1%, +0.5% and -1.3% respectively. It could be argued that allocations to sectors and countries were material last quarter, in particular, the underweight positioning in Energy and India were detrimental to relative performance. Stock selection remains the driving force behind returns in the longer term.

Relative performance was impacted by un-held names over the quarter. High-growth names bounced significantly from mid-May onwards. Examples include NIO, an electric vehicle producer, which appreciated by over 30%. The portfolio does not hold NIO, but the benchmark has a weighting of 0.6%, which resulted in a significant detractor from the portfolio's relative performance. Chinese education stocks also detracted from performance, as the Chinese government announced a crackdown on outside-hours education companies to rein in unfair pricing and bad practices. Companies like TAL Education and New Oriental suffered significantly, falling by 53% and 42% respectively. The portfolio maintains a collective overweight position of +0.42% vs benchmark in these two companies.

- Country allocation detracted significantly, accounting for almost all of the portfolio's relative under performance. The 6% underweight to India caused a drag on performance after the country returned 6.9%, almost 2% more than the benchmark. Brazil was also a significant detractor; it had a hugely impressive quarter, rallying 22.8%, partially driven by currency appreciation after its central bank raised interest rates to 4.25% to combat runaway inflation. The fund is currently 2% underweight. On the positive side, the underweight to China benefited the portfolio once again. Relapses in Covid cases in China caused it to underperform the benchmark by 2.7%; the 5% underweight resulted in a positive impact on relative performance.

- Sector allocation also hindered relative performance last quarter. Overall sector allocation impacts were more than the total underperformance. Energy was responsible for 50% of this alone. Oil price rises caused Energy to return 12.4% last quarter, comfortably in excess of the 5.0% broader market return. The fund has been underweight Energy since inception, with a current underweight of 3% causing a drag on performance.

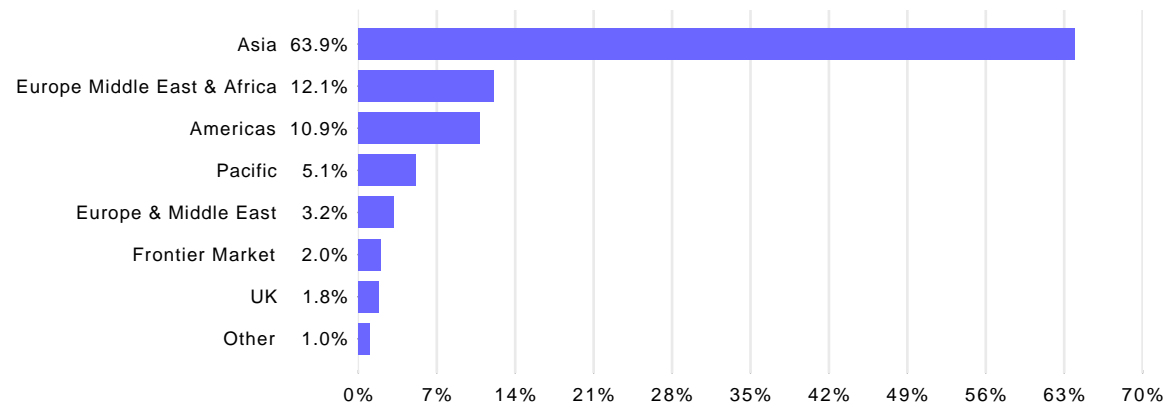
- Since-inception performance has slipped further behind benchmark as a result of the latest quarter's performance. Net-of-fees annualised portfolio return is now 13.4%, which is 0.3% behind benchmark. The portfolio remains ahead of benchmark on a gross-of-fees basis, with an annualised return of 14.0%, which is 0.3% ahead of benchmark.

Brunel Emerging Market Equity – Region & Sector Exposure

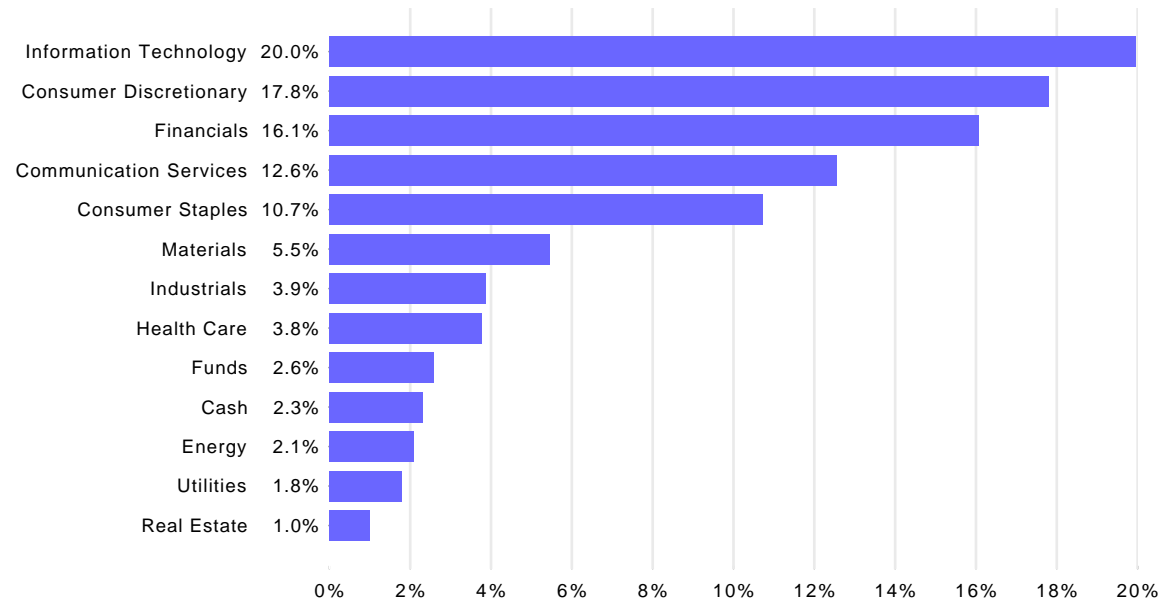
Top 20 Holdings

	Mkt. Val.(GBP)
TAIWAN SEMICONDUCTOR MANUFAC	115,011,938
TENCENT HOLDINGS LTD	101,004,205
SAMSUNG ELECTRONICS CO LTD	63,018,219
ALIBABA GROUP HOLDING-SP ADR	48,395,454
ISHARES MSCI INDIA ETF	40,457,588
SBERBANK PJSC -SPONSORED ADR	35,396,528
ALIBABA GROUP HOLDING LTD	28,897,984
AIA GROUP LTD	28,203,267
INFOSYS LTD-SP ADR	25,638,661
NASPERS LTD-N SHS	20,479,209
HDFC BANK LTD-ADR	18,347,400
SAMSUNG ELECTRONICS-PREF	16,736,292
MEDIATEK INC	16,605,278
WULIANGYE YIBIN CO LTD-A	16,364,822
YANDEX NV-A	15,959,412
BID CORP LTD	15,913,003
COUNTRY GARDEN SERVICES HOLD	14,928,172
CHINA CONSTRUCTION BANK-H	14,623,158
CHINA LONGYUAN POWER GROUP-H	14,240,562

Regional Exposure



Sector Exposure



Brunel Emerging Market Equity – Responsible Investment

Top 10 ESG Contributors to Overall Score

	Insight	Momentum
1. TAIWAN SEMICONDUCTOR MANUFACTURING	59.0	29.2
2. CHINA LONGYUAN POWER GROUP CORP LTD	69.2	43.6
3. AIA GROUP LTD	60.1	83.2
4. CONTEMPORARY AMPEREX TECHNOLOGY CO	66.2	46.3
5. MEDIATEK INC	62.7	65.7
6. DELTA ELECTRONICS INC	74.6	24.9
7. OTP BANK NYRT	67.7	78.7
8. INFOSYS LTD	58.1	79.5
9. HEINEKEN NV	61.7	70.9
10. XPENG INC	63.7	19.2

Bottom 10 ESG Detractors to Overall Score

	Insight	Momentum
1. ICICI BANK LTD	45.6	63.7
2. REALTEK SEMICONDUCTOR CORP	28.7	69.0
3. PETROLEO BRASILEIRO SA	39.0	61.3
4. NETEASE INC	43.7	75.2
5. NEW ORIENTAL EDUCATION & TECHNOLOGY	25.1	78.8
6. YANDEX NV	42.4	19.2
7. ANTA SPORTS PRODUCTS LTD	36.5	21.1
8. SAMSUNG ELECTRONICS CO LTD	49.4	73.3
9. ALIBABA GROUP HOLDING LTD	47.2	24.3
10. TENCENT HOLDINGS LTD	46.6	35.8

*From Q4 onwards we have moved to the latest and enhanced version of Truvalue Labs data. Please see supplementary note on the Client portal for more detail.

Weighted Average ESG Score	2021 Q1	2021 Q2
Portfolio	53.6	54.2
MSCI EM	53.7	54.4

TruValue Labs & SASB

* Position 1 is the top contributor/detractor.



Brunel Assessment:

- Taiwan Semiconductor Manufacturing (Semiconductors) production continues to be impacted by the country's worst drought in 56 years. No significant rain has fallen in more than 360 days, causing reservoirs to run dangerously low and water to be rationed.
- Anta Group (Sportswear) has announced its 24-month 'Lead to Win' plan, which involves investing ¥4bn in R&D and launching more high-end products. The plan will aim to grow the business by 18-25% over the next five years.
- Heineken (Food & Beverage) announced new ESG commitments as part of its 'Providing a Better World' strategy. The company aims to become carbon neutral in production by 2025 and across its entire value chain by 2040.
- Alibaba (E-commerce) has been hit by multiple fines as China's State Administration for Market Regulation (SAMA) tackles antitrust behaviour. Earlier this year, SAMA fined 12 companies, including Tencent, for pricing irregularities. A deeper investigation into Alibaba resulted in a record \$2.75 billion anti-monopoly fine from China.

70% of the bottom 10 ESG detractors are covered by engagement or specific voting activities.

The weighted average carbon intensity of the portfolio saw a slight uptick over the quarter, as a position in Gazprom was added to. The portfolio remains below its benchmark, the MSCI Emerging Markets, for both extractives revenue exposures and extractive industries value of holdings.

Weighted Average Carbon Intensity (WACI)



Source: Trucost

Extractive Exposure

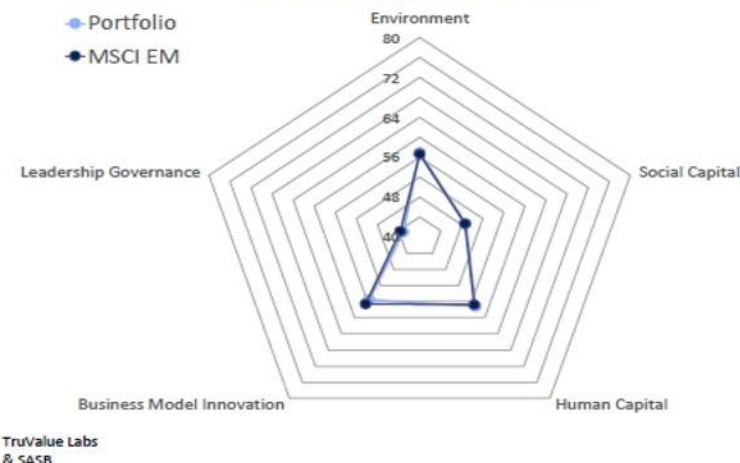
	Total Extractive Exposure ¹		Extractive Industries (VOH) ²	
	Q1	Q2	Q1	Q2
Portfolio	2.3	2.2	3.8	5.2
MSCI EM	3.4	3.7	8.2	8.6

¹ Extractive revenue exposure as share (%) of total revenue.

² Value of holdings (VOH)-companies who derive revenues from extractives.

Source: Trucost

Absolute Weighted ESG Scores



TruValue Labs & SASB

Brunel Global High Alpha Equity

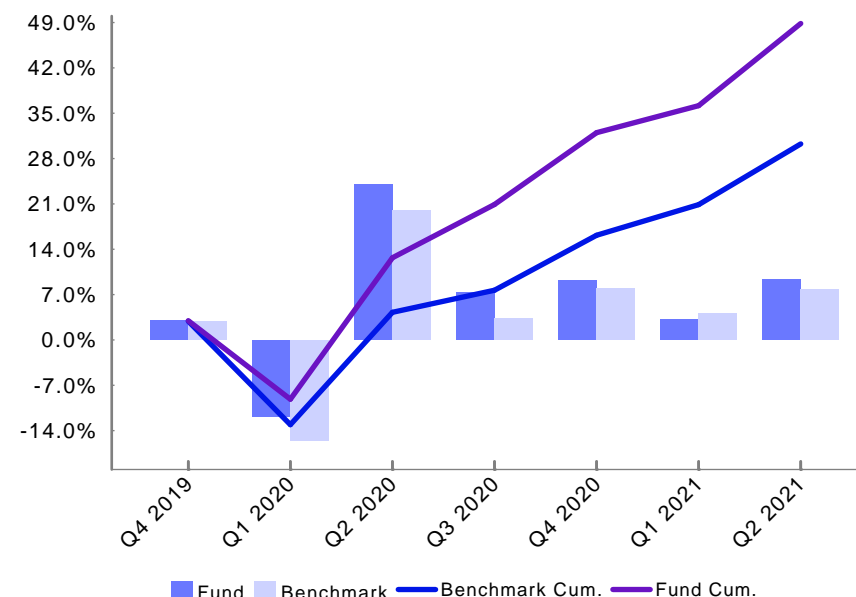
Overview

	Description
Portfolio Objective:	Provide global equity market exposure together with excess returns from accessing leading managers.
Investment Strategy & Key Drivers:	High conviction, concentrated portfolios with strong style/factor biases invested in a unconstrained manner.
Liquidity:	Managed liquidity. Less exposure to more illiquid assets.
Risk/Volatility:	High absolute risk with moderate to high relative risk, around 5-6% tracking error.
Total Fund Value:	£3,565,795,616

Performance to Quarter End

	Ann. Performance	Fund	BM	Excess
3 Month		9.3%	7.8%	1.6%
Fiscal YTD		9.3%	7.8%	1.6%
1 Year		32.1%	24.9%	7.2%
3 Years				
5 Years				
10 Years				
Since Inception		28.9%	18.4%	10.5%

Rolling Performance*



* Partial returns shown in first quarter

This quarter witnessed the continuance of the global equity rally, with US and global indices hitting new highs, despite short-lived hiatuses in May and June. Global developed equities (as proxied by the MSCI World index) delivered a 7.8% return, outperforming the MSCI Emerging Markets index by 2.8% in GBP terms. Within developed markets, the US and Europe ex UK outperformed, while Japan lagged. On a style basis, Quality and Growth outperformed Value over the quarter, whilst on a sector basis the best performers were IT, Real Estate and Consumer Services, with Utilities the poorest-performing sector.

The portfolio returned 9.3% over the quarter, outperforming the benchmark by 1.6%, almost entirely driven by stock selection.

- Stock selection was particularly strong in Health Care, with overweights in the likes of BioNTech, Moderna and Genmab (which returned 104%, 79% and 24% respectively). Other overweights to add strongly to relative performance included quality Financials names such as MSCI and Moody's, which performed well after underperforming last the previous quarter. In contrast, the second quarter saw challenges to some of the off-benchmark Chinese names, in particular, Tal Education (-53%), KE Holdings (-17%), and Pinduoduo (-5%) – see further comments on China below.
- Sector allocation was marginally beneficial over the quarter, mainly as a result of a zero allocation to Utilities, the worst-performing sector over the quarter.
- On a country allocation basis, the portfolio's overweight to China detracted (0.4%) whilst the underweight to the US had a small negative impact.

Continued Commentary

Four of the five managers outperformed the index this quarter. Harris underperformed following a significant outperformance over the previous two quarters. Fiera provided the largest contribution to fund returns, reflecting its large allocation within the fund and their strong outperformance (+2.6%) during the quarter. Baillie Gifford was the highest performing manager this quarter, as its growth style was rewarded. Manager performance continues to reflect the different investment styles of the managers.

Since inception, the portfolio has outperformed the index by 10.5% on an annualised basis, outperforming in five of the six full quarters. Attribution analysis shows that this outperformance was largely a result of positive stock selection, which reflects the approach of employing fundamental managers chosen for their ability to select concentrated portfolios of high conviction names.

As a developed market portfolio, exposure to China is limited as part of the off-benchmark allowance, and the allocation to China currently stands at 5%. Nevertheless, the growing influence of China (both through direct investment and, indirectly, through complex global supply chains), offers a source of opportunity and risk for global managers. As noted above, the quarter saw some China-related governance risks play out, as Tal Education was among the private education sector companies impacted by the Chinese government's decision to cap fees and operating times of the private education sector, citing the pressure on children. After quarter-end, China's cyber security regulator clamped down on three Chinese tech companies (not held in the portfolio) that had listed in the US in June, launching investigations and, in some cases, stopping them registering new users. Both instances are examples of regulatory risks that can be greater when investing in Chinese companies. Whilst the direct allocation to China remains a small part of the fund, Brunel is working with our investment managers to understand their approaches to China, and how they will continue to seek to address the related opportunities and risks.

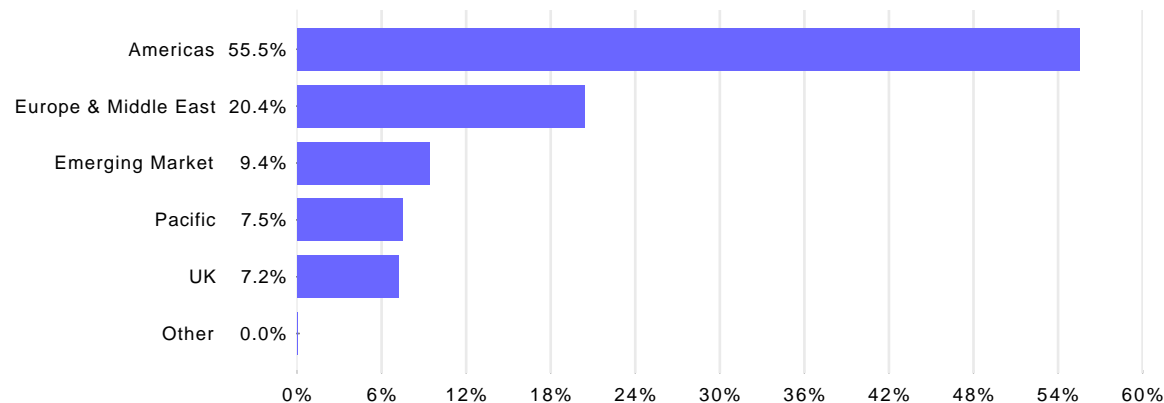
During the quarter, £67m was redeemed from the portfolio.

Brunel Global High Alpha Equity – Region & Sector Exposure

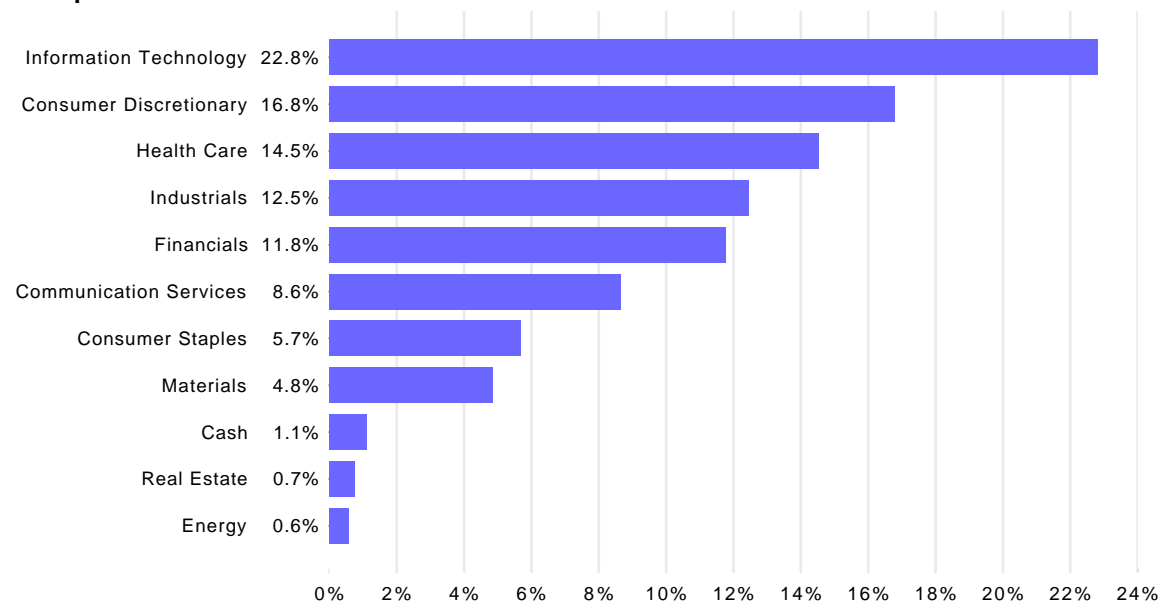
Top 20 Holdings

	Mkt. Val.(GBP)
MICROSOFT CORP	145,188,069
ALPHABET INC-CL A	108,567,447
MASTERCARD INC - A	95,644,378
MOODY'S CORP	79,409,003
AMAZON.COM INC	73,886,972
TAIWAN SEMICONDUCTOR-SP ADR	71,442,281
NESTLE SA-REG	66,356,776
KEYENCE CORP	65,088,729
TJX COMPANIES INC	59,311,455
ASML HOLDING NV	58,462,807
SCHWAB (CHARLES) CORP	54,437,895
NIKE INC -CL B	54,395,377
ALIBABA GROUP HOLDING-SP ADR	52,910,748
CAPGEMINI SE	45,092,602
TENCENT HOLDINGS LTD	44,722,333
APTIV PLC	43,705,376
FACEBOOK INC-CLASS A	42,833,176
UNITEDHEALTH GROUP INC	40,851,148
JOHNSON & JOHNSON	38,592,347
MSCI INC	38,370,340

Regional Exposure



Sector Exposure



Brunel Global High Alpha Equity – Responsible Investment

Top 10 ESG Contributors to Overall Score

	Insight	Momentum
1. ASML HOLDING NV	66.0	81.2
2. RECRUIT HOLDINGS CO LTD	65.8	50.0
3. CAPGEMINI SE	62.1	49.5
4. EUROFINS SCIENTIFIC SE	67.7	81.0
5. METTLER-TOLEDO INTERNATIONAL INC	65.6	76.1
6. TAIWAN SEMICONDUCTOR MANUFACTURING	59.0	29.2
7. CARRIER GLOBAL CORP	65.7	83.4
8. MURATA MANUFACTURING CO LTD	65.0	77.3
9. NESTLE SA	58.9	43.2
10. ADMIRAL GROUP PLC	73.2	12.1

Bottom 10 ESG Detractors to Overall Score

	Insight	Momentum
1. TENCENT HOLDINGS LTD	46.6	35.8
2. AUTOZONE INC	43.6	84.7
3. CHARLES SCHWAB CORP/THE	47.0	68.2
4. ALIBABA GROUP HOLDING LTD	47.2	24.3
5. JOHNSON & JOHNSON	43.7	81.7
6. FACEBOOK INC	42.7	63.2
7. NIKE INC	44.7	45.2
8. ALPHABET INC	46.0	59.8
9. MICROSOFT CORP	47.8	32.0
10. TJX COS INC/THE	35.9	13.9

*From Q4 onwards we have moved to the latest and enhanced version of Truvalue Labs data. Please see supplementary note on the Client portal for more detail.

Weighted Average ESG Score	2021 Q1	2021 Q2
Portfolio	54.1	54.4
MSCI World	53.7	54.2

* Position 1 is the top contributor/detractor.



TruValue Labs & SASB

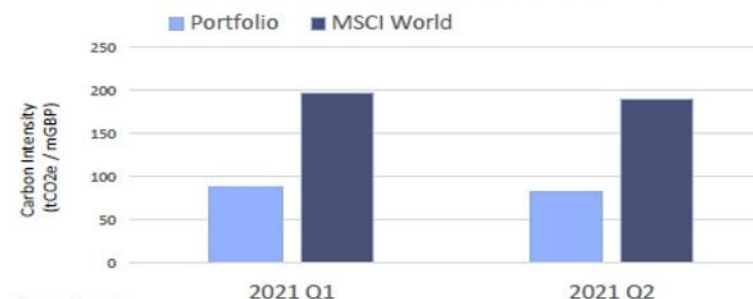
Brunel Assessment:

- Taiwan Semiconductor Manufacturing (Semiconductors) production continues to be impacted by the country's worst drought in 56 years. No significant rain has fallen in more than 360 days, causing reservoirs to run dangerously low and water to be rationed.
- Alibaba (E-commerce) has been hit by multiple fines as China's State Administration for Market Regulation (SAMA) tackles antitrust behaviour. Earlier this year, SAMA fined 12 companies, including Tencent, for pricing irregularities. A deeper investigation into Alibaba resulted in a record \$2.75 billion anti-monopoly fine from China.
- TJX (Consumer goods) is facing a lawsuit for breaching California's Consumer Privacy Act by sharing customers' data with third-party software firms. The suit claims arbitration terms were buried in hard-to-find fine print on their website.
- Mettler-Toledo (Health Care) has partnered with Everything Product Cloud to further the digitalisation of food safety. Their software tracks inspection data in real time, providing enhanced transparency and traceability of products manufactured.

90% of the bottom 10 ESG detractors are covered by engagement or specific voting activities.

The portfolio continues to have a carbon intensity significantly lower than its benchmark. Revenues from extractive activity and the extractives value of holdings are half that of its benchmark.

Weighted Average Carbon Intensity (WACI)



Source: Trucost

Extractive Exposure

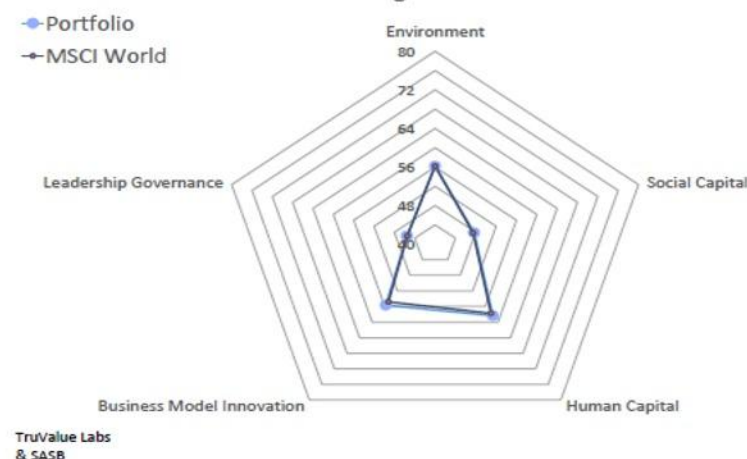
	Total Extractive Exposure ¹		Extractive Industries (VOH) ²	
	Q1	Q2	Q1	Q2
Portfolio	1.5	1.4	3.2	3.0
MSCI World	3.0	2.8	7.6	7.1

¹ Extractive revenue exposure as share (%) of total revenue.

² Value of holdings (VOH)-companies who derive revenues from extractives.

Source: Trucost

Absolute Weighted ESG Scores



TruValue Labs & SASB

Brunel Global Sustainable Equities

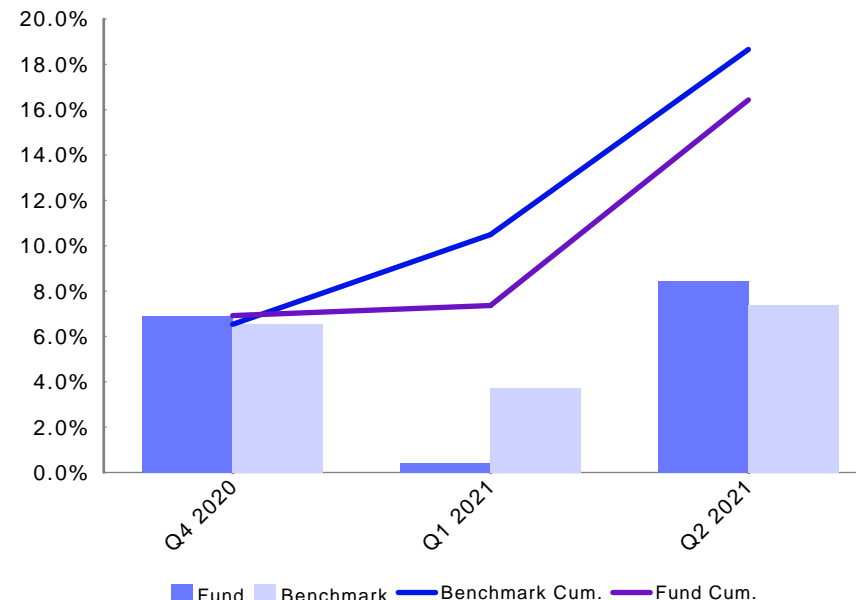
Overview

	Description
Portfolio Objective:	To provide exposure to global sustainable equities markets, including excess returns from manager skill and ESG considerations.
Investment Strategy & Key Drivers:	Actively managed, diversified by sector and geography. Consideration for a companies Environmental & Social sustainability.
Liquidity:	Managed Liquidity.
Risk/Volatility:	High, representing an equity portfolio.
Total Fund Value:	£2,022,059,559

Performance to Quarter End

	Ann. Performance	Fund	BM	Excess
3 Month		8.4%	7.4%	1.1%
Fiscal YTD		8.4%	7.4%	1.1%
1 Year				
3 Years				
5 Years				
10 Years				
Since Inception		16.4%	18.7%	-2.2%

Rolling Performance*



* Partial returns shown in first quarter

The Global Sustainable Equity portfolio launched on 19 October. Since the inception of the fund, the MSCI ACWI index has returned 18.6%, whilst the portfolio has returned 16.4% on a net-of-fees basis. Over the quarter, the fund returned 8.5% on a net basis, outperforming the MSCI ACWI, which returned 7.4%.

- During the quarter, there was a resurgence for Growth and Quality stocks after the Value rally of Q1 2021. However, the market did cool slightly through May, as inflation fears led investors to err on the side of caution and take some risk off the table. The ACWI returned -1% over the month, with the Growth index returning -2.6% for the month. Investors took a more optimistic view throughout June after the US Fed described the current inflation figures as "transitory", expressing a desire not to increase interest rates for the time being. This led the market to finish the quarter up 7.3% – the Brunel Global Sustainable Equity fund outperformed by 1.1%.

- Since the launch of the portfolio, there have been notable Value headwinds, as the economy began to reopen and give renewed optimism to the Cyclical Value parts of the market. However, we take comfort in the fact that all three managers have been able to provide differing sources of alpha since

Continued Commentary

the inception of the portfolio.

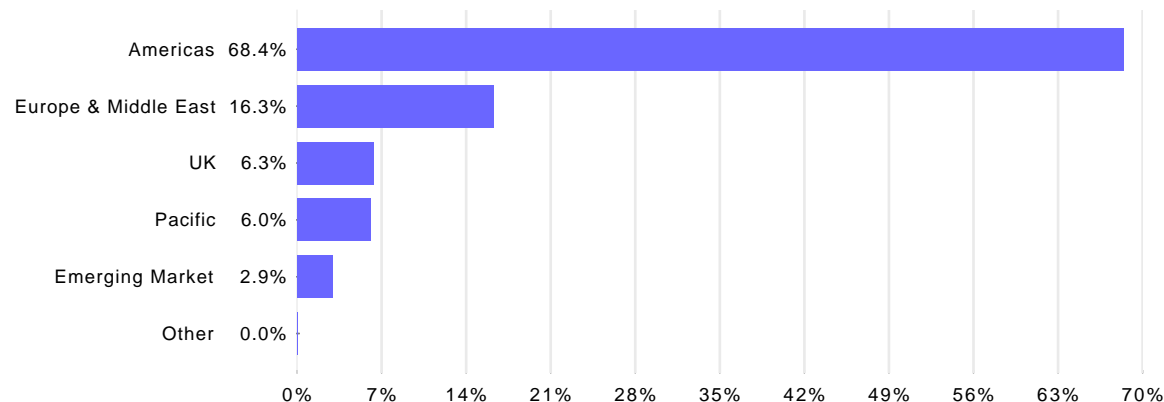
- Over the quarter, we have seen the broad sustainable managers outperform the market, RBC and Ownership returning 9.5% and 8.8% respectively. However, Nordea's Climate & Environment thematic strategy provided a return of 6.5%, underperforming the MSCI ACWI. Nordea's underperformance can be largely attributed to performance in June, when we saw Large Cap/Growth/technology stocks, outperform the other sections of the market. This was particularly notable in Nordea's small/midcap stock selection in the IT sector and overweight to the Industrials sector. However, over the quarter, we saw RBC add value through the selection of Communication Services and large cap IT holdings, whilst Ownership was able to add value through Health Care stock selection. The stock selection exhibited by Ownership and RBC led to an overall outperformance from the fund.
- The fund continues to demonstrate the characteristics that were outlined during the original construction phase of the portfolio. The Sustainalytics scores remain superior to that of the MSCI ACWI benchmark and we continue to see a carbon intensity reduction of 26% in comparison to the broader index.

Brunel Global Sustainable Equities – Region & Sector Exposure

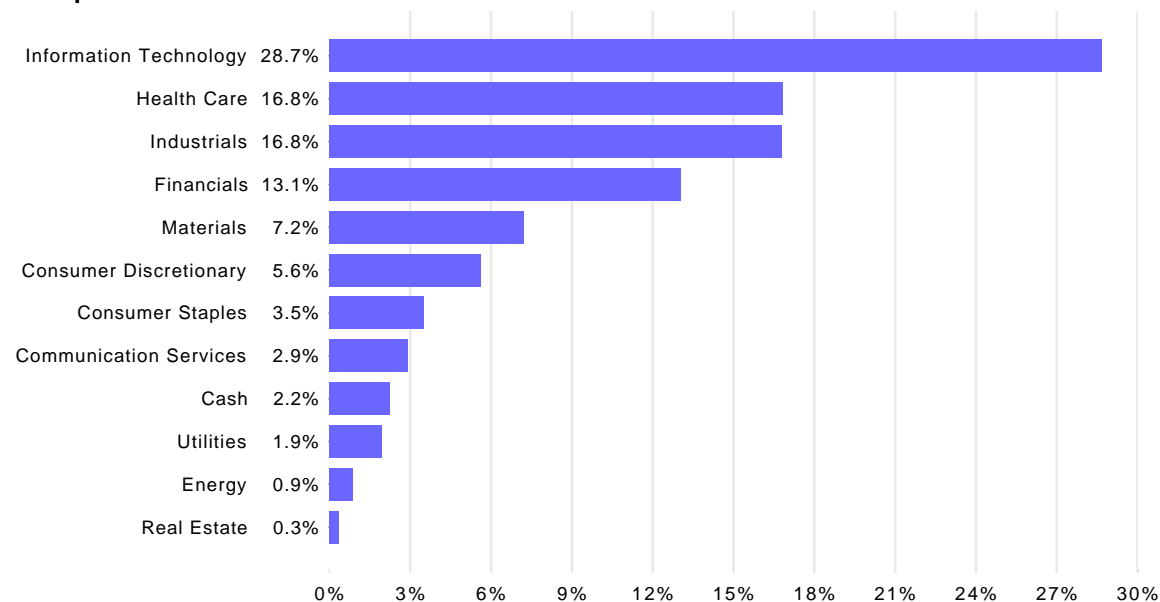
Top 20 Holdings

	Mkt. Val.(GBP)
MARKETAXESS HOLDINGS INC	58,392,271
MASTERCARD INC - A	52,263,467
ADYEN NV	51,815,371
ANSYS INC	46,513,735
MICROSOFT CORP	41,951,109
INTUIT INC	41,908,850
WORKDAY INC-CLASS A	40,905,482
ALPHABET INC-CL A	40,375,041
EDWARDS LIFESCIENCES CORP	38,937,217
PAYPAL HOLDINGS INC	37,767,704
BIO-TECHNE CORP	37,661,022
TRADEWEB MARKETS INC-CLASS A	37,431,474
ILLUMINA INC	37,341,461
MASIMO CORP	36,167,707
ECOLAB INC	35,329,866
ROCHE HOLDING AG-GENUSSCHEIN	34,778,508
PTC INC	32,877,045
DEUTSCHE POST AG-REG	31,852,742
UNITEDHEALTH GROUP INC	30,340,639
INTERCONTINENTAL EXCHANGE IN	29,178,205

Regional Exposure



Sector Exposure



Brunel Global Sustainable Equities – Responsible Investment

Top 10 ESG Contributors to Overall Score

	Insight	Momentum
1. ECOLAB INC	71.5	55.9
2. MASIMO CORP	68.1	65.9
3. ORSTED AS	72.3	38.1
4. FORTIVE CORP	67.9	24.6
5. CRODA INTERNATIONAL PLC	71.3	36.6
6. PTC INC	65.3	38.0
7. EDWARDS LIFESCIENCES CORP	64.1	81.3
8. FIRST REPUBLIC BANK/CA	65.3	82.6
9. WORKDAY INC	63.3	18.1
10. TERADYNE INC	74.1	38.5

Bottom 10 ESG Detractors to Overall Score

	Insight	Momentum
1. BLACKSTONE GROUP INC/THE	51.0	35.9
2. AMAZON.COM INC	50.2	60.9
3. INTERCONTINENTAL EXCHANGE INC	49.5	72.9
4. ROCHE HOLDING AG	50.5	40.5
5. ILLUMINA INC	51.0	44.9
6. PAYPAL HOLDINGS INC	49.7	70.2
7. INTUIT INC	50.4	24.5
8. MICROSOFT CORP	47.8	32.0
9. ALPHABET INC	46.0	59.8
10. TJX COS INC/THE	35.9	13.9

*From Q4 onwards we have moved to the latest and enhanced version of Truvalue Labs data.
Please see supplementary note on the Client portal for more detail.

Weighted Average ESG Score	2021 Q1	2021 Q2
Portfolio	59.2	59.2
MSCI ACWI	53.7	54.2

* Position 1 is the top contributor/detractor.



TruValue Labs & SASB

Brunel Assessment:

- Microsoft (Technology) was victim to several sophisticated widespread hacks, the U.S. government and Western allies claim these have originated from Russia and China. Microsoft launched a new product, Cloud for Sustainability, to help companies track their carbon emissions.
- TJX (Consumer goods) are facing a lawsuit for breaching California's Consumer Privacy Act by sharing customer data with third-party software firms. The suit claims arbitration terms were buried in hard-to-find fine print on their website.
- Croda International (Chemicals) has committed to Net Zero and having a 1.5°C Science Based Target. Croda has committed to reduce Scope 1 and 2 emissions by 46% from a 2018 baseline, as well as reduce its upstream Scope 3 emissions by 13.5% through collaboration within its supply chain.
- Workday (IT & Software Services) has introduced a new enterprise cloud application for HR leaders to advance belonging and diversity initiatives. The offering will measure relative performance and outcomes across talent acquisition and development to identify the highest opportunities for positive change.

80% of the bottom 10 ESG detractors are covered by engagement or specific voting activities.

As expected from this Sustainable Portfolio, the carbon intensity and exposure to extractive industries are significantly below benchmark. The Portfolio has considerably higher ESG scores compared to its Benchmark across Environment, Social and Human Capital categories.

Weighted Average Carbon Intensity (WACI)



Source: Trucost

Extractive Exposure

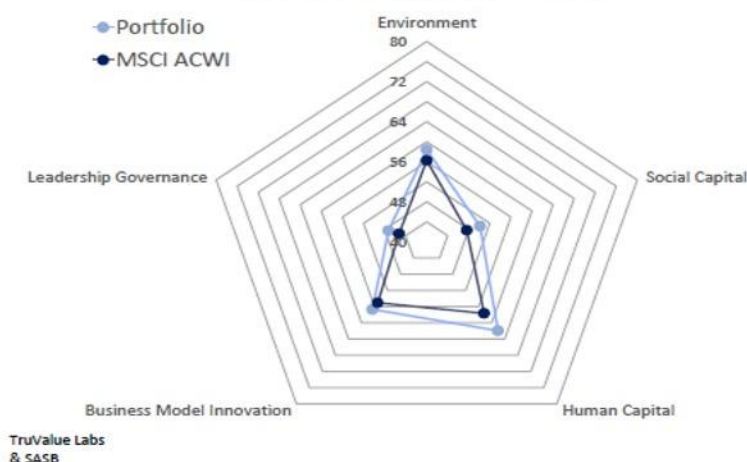
	Total Extractive Exposure ¹		Extractive Industries (VOH) ²	
	Q1	Q2	Q1	Q2
Portfolio	2.9	3.0	3.8	3.7
MSCI ACWI	3.0	2.8	7.7	7.3

¹ Extractive revenue exposure as share (%) of total revenue.

² Value of holdings (VOH)-companies who derive revenues from extractives.

Source: Trucost

Absolute Weighted ESG Scores



TruValue Labs & SASB

Glossary of Terms

Term	Previously referred as	Meaning
Absolute return		The actual return, as opposed to the return relative to a benchmark.
Allocation		Measures the impact of decisions to allocate assets differently from the benchmark.
Alternative Investment Fund (AIF)		An Alternative Investment Fund such as a hedge fund, private equity, real estate fund and other funds focused on alternative asset classes.
Alternative Investment Fund Managers (AIFM)		A fund manager that is authorised (full scope AIFM) or registered (if they manage AIFs with assets under management below certain thresholds) to manage AIFs such as hedge funds, private equity, real estate funds.
Alternative Investment Fund Managers Directive (AIFMD)		This is an EU law that requires each AIF managed within the scope of the Directive to have a single AIFM responsible for ensuring compliance with the Directive.
Annualised		Figures expressed as applying to one year.
Assets Under Management (AUM)		This measures the total market value of all the financial assets which a financial institution such as a mutual fund, venture capital firm, or brokerage house manages on behalf of its clients and themselves.
Attribution		Identifies the drivers of performance relative to the fund benchmark. The relative return is decomposed into two areas; Allocation and Selection.
Authorised Contractual Scheme (ACS)		An investment vehicle and fund manager, based in the UK, that allows LGPS pension funds or other organisations with money to invest alongside each other - while keeping a clear record of who owns what.
Benchmark Return		Expected return based on market indices as dictated by the fund strategy.
Brunel Board	Brunel Manager Board	Board of executive and non-executive directors, leading the Brunel company.
Brunel		Brunel Pension Partnership - The FCA-authorized investment manager entity that manages the pooled investments.
Brunel Executive Directors (ED)		The Executive Directors are responsible for overseeing the delivery of the Brunel objectives.

Glossary of Terms

Term	Previously referred as	Meaning
Brunel Pension Partnership Limited (Brunel)		One of the eight LGPS Pools in England & Wales. A FCA regulated company, wholly owned by the Administering Authorities, and responsible for implementing the asset allocation strategies of the Brunel Funds by investing Fund assets within defined 'portfolios'. In particular, it will research and select the investment funds needed to meet the requirements of the detailed Strategic Asset Allocations. These investment funds will be operated by professional external investment managers. Brunel Pension Partnership [c£30bn: Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, Wiltshire]
Chief Finance Officer (CFO)		A corporate officer primarily responsible for managing the financial risks of the corporation. This officer is also responsible for financial planning and record-keeping, as well as financial reporting to higher management. In the Local Authorities this is the S151 officer.
Chief Legal Officer (CLO)		The chief lawyer of the legal department, usually in a company or a governmental department who minimizes its legal risks by advising the company's other officers and board members on any major legal and regulatory issues the company confronts, such as litigation risks. In the Local Authorities this is the Monitoring Officer.
Collective Investment Scheme (CIS)		This is an investment scheme wherein several individuals come together to pool their money for investing in a particular asset(s) and for sharing the returns arising from that investment as per the agreement reached between them prior to pooling in the money.
Creation, Amendment and Deletion policy (CAD policy)		Brunel procedure for creation, amendment and deletion of portfolios
Cross Pool Collaboration Group (CPCG)		A collaborative group across the eight UK LGPS pools

Glossary of Terms

Term	Previously referred as	Meaning
Deloitte		Auditors, appointed to provide internal audit services to Brunel
Duration		The weighted average time to payment of cashflows (in years), calculated by reference to the time and amount of each payment. It is a measure of the sensitivity of price/value to movement in yields.
Environment, Social and Governance (ESG)		A subset of non-financial performance indicators used by investors to evaluate corporate behaviour and to determine the future financial performance of companies.
Full Business Case (FBC)		Strategic, financial, economic, commercial and management case.
Finance and Legal Assurance Group (FLAG)		Finance and Legal Assurance Group (with membership of each AAs equivalent to Chief Finance Officer (CFO) and Chief Legal Officer (CLO)) will sponsor the changes in the Funds and the arrangements for governance of the Brunel company.
Financial Conduct Authority (FCA)		This is a financial regulatory body in the United Kingdom, which operates independently of the UK government and is financed by charging fees to members of the financial services industry.
Freedom Of Information Request (FOI)		The Freedom of Information Act (FOIA) gives individuals the right to request access to recorded information held by public sector organisations.
Fund Manager		An organisation that provides investment products
FundRock		FundRock is a leading third party UCITS Management Company, Alternative Investment Fund Manager, Authorised Corporate Director and Authorised Contractual Scheme (ACS) Operator. FundRock serves as Brunel's ACS operator.
Fund Return		The total return achieved by the fund or asset class over the period. The return is obtained using the following equation on a monthly basis: $((\text{capital gain/loss} + \text{income}) / \text{average balance}) * 100$
Grant Thornton		Auditors appointed to provide external audit services to Brunel
INALYTICS		An investment transition advisor procured by Brunel to initially advise on the passive equities transition

Glossary of Terms

Term	Previously referred as	Meaning
Institutional Investors Group on Climate Change (IIGCC)		The Institutional Investors Group on Climate Change (IIGCC) is a forum for investors to collaborate on climate change. IIGCC's mission is to mobilise capital for the low carbon future by amplifying the investor voice and collaborating with business, policymakers and investors. IIGCC provides investors with a collaborative platform to encourage public policies, investment practices, and corporate behaviour that address long-term risks and opportunities associated with climate change.
Investment Management Agreement (IMA)		The contract with a fund manager
Investment Strategy Statement (ISS)	Replaces the Statement of Investment Principles	A document that replaces the Statement of Investment Principles under the 2016 LGPS (Management and Investment of Funds) Regulations. Administering Authorities are required to prepare and maintain an ISS documenting how the investment strategy for the fund is determined and implemented, including its approach to pooling.
Know Your Customer (KYC)		The process of a business identifying and verifying the identity of its clients. The term is also used to refer to the bank regulation which governs these activities.
Legal & General Investment Management (LGIM)		Investment management firm
Local Government Association (LGA)		This is an organisation which comprises local authorities in England and Wales. The LGA seeks to promote better local government; it maintains communication between officers in different local authorities to develop best practice. It also represents the interests of local government to national government.
Local Authority Pension Funds Investments (LAPF)		A magazine for local authority pension investment specialists.
Local Authority Pension Fund Forum (LAPFF)		The collaborative shareholder engagement group for local authority pension funds. The Forum provides a unique opportunity for Britain's local authority pension funds to discuss investment issues and shareholder engagement.
Local Government Pension Scheme (LGPS)		This is a nationwide scheme and is a valuable part of the pay and reward package for employees working in local government or working for other employers participating in the Scheme and for some councillors.

Glossary of Terms

Term	Previously referred as	Meaning
Local Government Pension Scheme (LGPS)		The Scheme is administered locally for participating employers through 99 regional pension funds
LGPS (Management and Investment of Funds) Regulations 2016 (Investment Regulations)	Draft LGPS (Management and Investment of Funds) Regulations 2016	Regulations 2016 (Investment Regulations) that came into effect 1 November 2016.
LGPS Code of Transparency (Transparency Code)		A move toward investment fee transparency and consistency, and part of the government's criteria for pooling investments.
Market volatility		The impact of the assets producing returns different to those assumed within the actuarial valuation basis, excluding the yield change and inflation impact.
Markets in Financial Instruments Directive II (MiFID II)	MiFID	MiFID is the European Union (EU) legislation that regulates firms who provide services to clients linked to 'financial instruments' (shares, bonds, units in collective investment schemes and derivatives), and the venues where those instruments are traded. MiFID applied in the UK from November 2007, and was revised by MiFID II, which took effect in January 2018. MiFID II is made up of MiFID (2014/65/EU) and the Markets in Financial Instruments Regulation (MiFIR - 600/2014/EU).
Money-weighted rate of return		The rate of return on an investment including the amount and timing of cashflows.
Portfolio	Fund	The grouping of the asset types to be available for funds. For example, Global Equities Core, Hedge funds, UK Gilts, LDI.
Portfolio group		The higher level category of asset types. For example, equities, alternatives, fixed interest.
Relative return		The return on a fund compared to the return on index or benchmark. This is defined as: Return on Fund minus Return on index or Benchmark.
Selection		Measures the impact of performance at asset class or manager level in relation to the overall fund.

Glossary of Terms

Term	Previously referred as	Meaning
Time-weighted rate of return		The rate of return on an investment removing the effect of the amount and timing of cashflows.
Yield (Gross Redemption Yield)		The return expected from a bond if held to maturity. It is calculated by finding the rate of return that equates the current market price to the value of future cashflows.

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Bath & North East Somerset Council	
MEETING:	AVON PENSION FUND INVESTMENT PANEL
MEETING DATE:	17 September 2021
TITLE:	Risk Management Framework Review for Periods Ending 30 June 2021
WARD:	ALL
AN OPEN PUBLIC ITEM	
<p>List of attachments to this report:</p> <p>Exempt Appendix 1 – Mercer Report: Risk Management Framework Review to 30 June 2021</p>	

1. THE ISSUE

- 1.1. The Funding and Risk Management Group (FRMG) is responsible for agreeing the operational aspects relating to the Fund's risk management framework thereby ensuring that strategic objectives continue to be met. This report informs Panel of issues considered and decisions made by FRMG as well as any recommendations.
- 1.2. Since the last Panel meeting there has been one meeting of the FRMG on the 26 August 2021. There are no strategic issues or concerns to raise with the Panel.
- 1.3. This quarter the report at Exempt Appendix 1 contains further detail relating to the dynamic equity protection strategy and an overview of the annual recalibration exercise of the liability benchmark which is used to determine the Fund's inflation and interest rate hedge ratio. Mercer will present their report at the meeting.

2. RECOMMENDATION

The Avon Pension Fund Investment Panel is asked to:

- 2.1. Note the updated funding level and LDI hedging position**
- 2.2. Note the impact and performance of the equity protection strategy**
- 2.3. Note the performance of the Buy & Maintain Corporate Bond strategy**
- 2.4. Note FRMG considerations regarding the hedge ratio of the liability benchmark portfolio**

3. FINANCIAL IMPLICATIONS

- 3.1. The risk management strategies have been implemented to provide greater certainty that the funding plan will be achieved and therefore contribution levels will be stable and minimised. Any changes to the framework can affect the level of employer contributions in the future.

4. UPDATE ON RISK MANAGEMENT STRATEGIES AND FUNDING LEVEL

- 4.1. FRMG reviews the performance of each strategy each quarter ahead of the Panel meeting. At the last meeting it also considered the change in the Liability benchmark portfolio (see section 5 below) and the trade outcome report for moving from static to dynamic equity hedging (see section 6).
- 4.2. The **funding level** was estimated to be 101% (net of the impact from the equity protection strategy) at the end of June 2021, a rise of c.4% over the quarter as a result of strong returns from the Fund's growth assets over the period. This shows that the Fund's position was ahead of the expected funding level by c.6%.
- 4.3. **The Liability Driven Investment (LDI)** strategy seeks to hedge the impact of inflation and interest rates on the value of the Fund's liabilities. The liability hedging component of the risk management framework delivered a return of 1.2% over the period versus a benchmark return of 1.1% due to falling yields and changes in inflation expectations. No interest rate or inflation triggers were breached over the quarter and based on the current liability benchmark the hedge ratios are estimated to be 10% and 39%, respectively. The mandate has performed as expected and the manager is in compliance with investment guidelines.
- 4.4. **The Equity Protection Strategy (EPS)** protects the fund's equity assets from a material fall in value whilst allowing the Fund to participate in equity gains sufficient to support the actuarial valuation assumptions. The underlying Developed Market (DM) equities returned 4.8% over the quarter; as a result, the value of the EPS detracted (return -2.1%) as markets rose further from the protection levels. The net return of the hedged DM equity portfolio was 2.8% over the quarter. The underlying EM equities returned 5.1% over the same period, net of protection. Note that these returns reflect the combined performance of the static and the dynamic strategies over the relevant periods.
- 4.5. **The Corporate Bond Buy-and-Maintain Strategy** seeks to reduce the funding risk in respect of the 'low risk' bucket of liabilities, which are valued on a corporate bond discount basis. There has been minimal change in the cashflow matching within the portfolio over the period and credit spreads have returned to pre-pandemic levels. No further action is required in respect of this portfolio at this stage.
- 4.6. **Collateral and Counterparty Position.** When interest rates rise, inflation falls or the EPS declines in value the investment manager is required to post collateral to maintain the strategies. An 'early warning' and 'top up' trigger allow the Fund time to source collateral from elsewhere in the portfolio. As a secondary line of defence, the investment manager has access to a pooled fund of listed equities that they can sell to generate cash collateral should the need arise. At 30 June 2021 the Fund's existing pool of collateral was within guidelines and could sustain a 3.1% rise in interest rates, a 0.4% fall in inflation or a 7% decline in the value of the EPS before triggering the 'early warning' test.

5. REFRESH OF THE LIABILITY BENCHMARK PORTFOLIO

- 5.1. The Liability Benchmark Portfolio (LBP) represents the liabilities the investment manager uses to hedge against. The LBP is reviewed on an annual basis taking account of market movements and the accrual of benefits.
- 5.2. FRMG considered the impact the most recent refresh of the LBP has had on the Fund's hedge ratios. Further details are provided on p9 of Exempt Appendix 1.

6. DYNAMIC EPS AND POST TRADE OUTCOME

- 6.1. The static equity protection was unwound in May 2021. The dynamic strategy was incepted at the same time the legacy strategy was rolled off to ensure the Fund hedged the correct equity notional amount at each stage
- 6.2. Total transaction costs of c. £1.3m (equivalent to 0.06% of total exposure traded) were in line with the pre-trade estimate of 0.05%-0.1%. There was some variation in costs between regions with the US incurring the lowest transaction costs and emerging markets incurring the highest.
- 6.3. Mercer have provided assurance that the dynamic strategy has been implemented in line with expectations.

7. RISK MANAGEMENT

- 7.1. 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 Investment Panel further strengthens the governance of investment matters and contributes to reduced risk in these areas.

8. EQUALITIES

- 8.1. A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

9. CLIMATE CHANGE

- 9.1. The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint in line with the Council's Climate Strategy. The Fund acknowledges the financial risk to its assets from climate change and is addressing this through its strategic asset allocation to Low Carbon Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

10. OTHER OPTIONS CONSIDERED

- 10.1. None

11. CONSULTATION

- 11.1. The Section 151 Officer have had the opportunity to input to this report and have cleared it for publication.

Contact person	Nathan Rollinson, Investments Manager (Tel. 01225 395357)
Background papers	None

Please contact the report author if you need to access this report in an alternative format

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Exclusion of access by the public to Council meetings

Information Compliance Ref: 1132/21

Meeting / Decision: AVON PENSION FUND INVESTMENT PANEL

Date: 17th September 2021

Author: Nathan Rollinson

Report Title: Risk Management Framework Review for Periods Ending 30 June 2021

Exempt Appendix 1 – Mercer Report: Risk Management Framework Review to 30 June 2021

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.

The exempt appendix contains information on potential future trades by the fund, and includes information on costs and structures that may impact the ability to procure efficiently in the near future. This information 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 has been served by the fact that a significant amount of information regarding the report has been made available – by way of the main report. 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:	17 September 2021	AGENDA ITEM NUMBER
TITLE:	Forward Agenda	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Nil		

1 THE ISSUE

- 1.1 This report sets out the forward agenda for the Panel for 2021. It is provisional as the Panel will respond to issues as they arise and as work is delegated from the Committee.

2 RECOMMENDATION

- 2.1 **That the Panel notes the Panel forward agenda.**

3 FINANCIAL IMPLICATIONS

3.1 There are no financial implications arising from this report.

4 FORWARD AGENDA

4.1 The provisional agenda is as follows:

Date	Proposed agenda
10 September 2021	Strategic <ul style="list-style-type: none">• Brunel update on listed market portfolios• Review of equity portfolio (part 2) Monitoring <ul style="list-style-type: none">• Investment performance• Risk Management Framework
19 November 2021	Strategic <ul style="list-style-type: none">• Cycle 3 Private Market commitments• Infrastructure – legacy portfolio Monitoring <ul style="list-style-type: none">• Investment performance• Risk Management Framework

4.2 The following Panel dates for 2022 have been agreed:

- 25 February
- 27 May
- 9 September
- 25 November

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 Investment Panel further strengthens the governance of investment matters and contributes to reduced risk in these areas.

6 CLIMATE CHANGE

6.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint. The Fund acknowledges the financial risk to its assets from climate change and addresses this through its strategic asset allocation to Low Carbon Equities, Sustainable Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

7 EQUALITIES

7.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

8 OTHER OPTIONS CONSIDERED

8.1 None.

9 CONSULTATION

9.1 The Council's Section 151 Officer has had the opportunity to input to this report and have cleared it for publication.

Contact person	Liz Woodyard, Group Manager, Funding, investments & Risk; 01225 395306
Background papers	
Please contact the report author if you need to access this report in an alternative format	

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