Bath & North East Somerset Council

Improving People's Lives

Avon Pension Fund Committee Investment Panel

Date: Friday, 1st December, 2023
Time: 10.00am
Venue: Kaposvar Room - 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 Jackie Peel

Chief Executive and other appropriate officers
Press and Public

Mark Durnford
Democratic Services
Lewis House, Manvers Street, Bath, BA1 1JG
Telephone: 01225 394458
Web-site - http://www.bathnes.gov.uk
E-mail: Democratic_Services@bathnes.gov.uk

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, 1st December, 2023

at 10.00am in the Kaposvar Room - 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 5.

2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

3. 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 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 4.4 Appendix 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.

4. TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

5. ITEMS FROM THE PUBLIC - TO RECEIVE 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: 15TH SEPTEMBER 2023 (PUBLIC & EXEMPT) (Pages 5 - 14)

8. REVIEW OF INVESTMENT PERFORMANCE FOR PERIODS ENDING 30 SEPTEMBER 2023 (Pages 15 - 118)

   This paper reports on the performance of the individual portfolios and seeks to update the Panel on routine aspects of the Fund's investments.

9. RISK MANAGEMENT FRAMEWORK REVIEW FOR PERIODS ENDING 30 SEPTEMBER 2023 (Pages 119 - 134)

This report informs the Panel of issues considered and decisions made by the FRMG as well as any recommendations.

10. RISK MANAGEMENT FRAMEWORK: DYNAMIC EQUITY PROTECTION REVIEW (Pages 135 - 192)

11. FORWARD AGENDA (Pages 193 - 194)

This report sets out the forward agenda for the Panel for 2023/24. 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 Council

AVON PENSION FUND COMMITTEE INVESTMENT PANEL

Minutes of the Meeting held

Friday, 15th September, 2023, 10.00 am

Bath and North East Somerset Councillors: Shaun Stephenson-McGall (Chair), Paul Crossley and Chris Dando

Independent Co-opted Voting Members: John Finch, Pauline Gordon and Jackie Peel

Advisors: Steve Turner (Mercer) and Nick Page (Mercer)

Also in attendance: Nick Dixon (Head of Pensions), Liz Woodyard (Group Manager for Funding, Investment & Risk), Nathan Rollinson (Investments Manager) and Jeff Wring (Director, One West)

11 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer drew attention to the Emergency Evacuation Procedure.

12 DECLARATIONS OF INTEREST

There were none.

13 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

There were none.

14 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

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

Mel Clarke addressed the Panel, a copy of her statement will be attached as an online appendix to these minutes, a summary is set out below.

I acknowledge the work that APF have done on decarbonisation, but I am worried that progress is too slow and the level of transparency is inadequate

The fund has a Commitment to be net zero by 2050 (Responsible investing report 2022, page 7), but net zero by 2050 falls short of what is actually required to keep climate risk within acceptable levels. Please consider revising this target and bring it in line with up-to-date climate research. Many organisations are now saying they will reach Net Zero by 2030.

Sir David King, previously the UK government's chief scientific advisor, now head of the climate change advisory group has said that: "Achieving net zero by 2050 is no longer enough to ensure a safe future for humanity; we must revise global targets beyond net zero, and commit to net-negative strategies urgently."

Another important point is that the funds responsible investment reports do not give an up to date picture of the current carbon intensity of the fund. To get an idea how things currently lie, I have tried to access recent reports via the publicly available APF meeting minutes.

However, I find that almost all key information is redacted. Redacting of virtually all documentation in this way leaves pension fund members with no way to assess what the fund current climate performance is.

The Chair thanked her for her statement on behalf of the Panel.

He said that we are very aware for the need to accelerate our net zero targets and are currently reviewing them with the intention to bring forward the 2050 target in a way that is compatible with achieving our investment return objective. The Committee will be considering the new targets at its meeting in December and we will be in a position to share our revised targets with members and other stakeholders then.

He added that each year we publish comprehensive climate data in a number of ways, through newsletters, our annual report and accounts and our responsible investing report. Although lot of the data is only analysed and published annually, each quarter we report on the carbon footprint of our equity portfolios and these can be found in the quarterly Panel meeting report from Brunel which are available on the meetings website.

He stated that as a Fund we are transparent as we put all non-commercially sensitive information in the public arena; however there are some topics that the Panel have to consider that are commercially sensitive and these are discussed in private to ensure Panel members have all the information they require to make informed decisions. Once a decision is made it will be included in future public documents that monitor our portfolios and their performance.

16 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

17 MINUTES: 14TH JULY 2023

The Panel **RESOLVED** that the minutes of the meeting held on 14th July 2023 be confirmed as a correct record and signed by the Chair.

18 LOCAL IMPACT PORTFOLIO FRAMEWORK

The Group Manager for Funding, Investment & Risk introduced this report to the Panel. She stated that a robust decision making framework was required, one that would enable quick and timely decisions to be made. She said that the Panel's recommendation would then be presented to the Committee.

She explained that where possible all assets would be managed by Brunel, but that this may depend on size or nature of the asset concerned.

She said work was already progressing on the Schroders Greencoat opportunity that was presented to the Panel in July.

John Finch asked how realistic was it that Brunel will be able to create the portfolios that we are seeking.

The Group Manager for Funding, Investment & Risk replied that she felt that in time they could be able to create a vehicle that could support this work more fully and at the same time be cost effective for them.

Jackie Peel referred to page 23 of the agenda and asked about the Fund's overall return objective of c. 6.5%, net of fees over a 10-year period. She asked at what point could the returns be assessed.

Steve Turner, Mercer replied that performance of the portfolio will be reported over time, but that in principle the concept will be like infrastructure assets already held. He added that this will likely be shown as a J-curve, with initial negative returns before positive returns could be seen after 4-6 years.

The Group Manager for Funding, Investment & Risk added that the monitoring of Private Markets is a difficult issue and said that they would also be monitoring the expected return information given to them by the Fund Manager.

The Head of Pensions commented that for some private investments, depending on the stage at when our investment is made, there maybe a build / development phase and therefore a different report structure will be required that shows figures in relation to budget and timescales.

The Chair referred to the Geographic Coverage section of the report and asked for an explanation of what was meant by the word 'material'.

Steve Turner replied that when the design parameters were first discussed they said that the portfolio would be a mixture of South West specific funds and UK diversified strategies with a 15 – 20% South West element. He added that Greencoat was 100% South West specific.

He said that a great deal of flexibility is needed to find suitable opportunities in the area.

Pauline Gordon asked if it was known which Funds were interested in investing at this stage.

Steve Turner replied that the principle Funds were Avon and at least one other fund and that the investment could be in the region of £100m - £150m. He said that this would be sufficient to get the strategy off the ground and felt that they have a strong pipeline of assets in place.

John Finch commented that he was aware of more managers investigating options for similar types of investment.

Councillor Chris Dando asked for clarification on what was meant by making a quick decision.

The Group Manager for Funding, Investment & Risk replied that decisions were not likely to fall into line with the current meeting cycles as meetings may be required to take place at short notice. She added that this is why the flexible / hybrid model has been included in the options.

Councillor Dando said that he would welcome any emerging options to be shared with the Panel informally prior to the delegated Working Group making an actual decision. He added that there needs to be a transparency to the process.

Jackie Peel said that flexibility would be required to enable timely decisions to be made with speed and agility and would therefore support Option 3.

Pauline Gordon asked if this was comparable with the work undertaken for the Risk Management Framework.

The Group Manager for Funding, Investment & Risk replied that the FRMG don't make strategic decisions and that their remit is set out in the Committee's Terms of Reference.

Councillor Dando said that he felt a flow chart of the process would help.

The Director, One West commented that clarity was needed on where and how decisions will be made. He said that he felt that Option 3 was a good fit and if chosen should be reviewed after 12 months. He added that all decisions of the Working Group would be reported to the Panel, but it would not be eligible to re-decide them.

The Group Manager for Funding, Investment & Risk said that if timely they would bring options to a scheduled meeting of the Panel.

The Head of Pensions said that the proposed configuration of the Working Group would be 3 Investment Panel members and 3 officers, with decisions being taken solely by the Panel members.

The Chair asked that the points made today by the Panel are conveyed to the Committee prior to them meeting.

The Investment Panel **RESOLVED** to agree that Option 3 (Delegate to a Working Group of Panel members and officers) be chosen as the Local Impact Portfolio Framework to be recommended to the Avon Pension Fund Committee.

19 REVIEW OF INVESTMENT PERFORMANCE FOR PERIODS ENDING 30TH JUNE 2023

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

The Fund's assets were £5,455m on 30 June 2023 and delivered a net investment return of -0.1% over the quarter. The marginal decline in the value of Fund assets over the quarter was driven mainly by the protection assets (LDI and equity protection). The UK property portfolio and the long-lease property component of the Fund's Secured Income allocation also struggled to generate meaningful positive performance with property valuations affected by the high interest rate environment.

Positive equity performance served to offset much of the negative performance from real assets. The passive Paris-aligned index outperformed the two active equity mandates.

A net amount of £125m was drawn down from a combination of cash at hand and the Fund's liquidity management strategy to fund Brunel private market portfolios during the quarter, including the first drawdown to Cycle 3 Secured Income.

A redemption request from IFM Infrastructure for £100m was submitted at the end of the quarter, addressing the overweight to the asset class due to strong returns. Proceeds will be used to fund private market calls arising from the Brunel portfolios.

Steve Turner, Mercer addressed the Panel and began by stating that the last 18 months have been challenging for investment markets to be able to generate strong absolute returns.

He highlighted the following points from within Appendix 3 (Mercer Performance Report.

- Our medium-term outlook (as at July 2023) is mixed.
- We remain slightly negative on equities due to expectations for flat or negative corporate profit growth in 2023.
- We continue to a have a modestly positive view on growth fixed income markets (e.g. Multi Asset Credit) due to attractive credit spreads and yields.

Private Markets – Important to maintain a disciplined long-term approach and to wait for these assets to be deployed over time.

<u>Mandate Performance to 30 June 2023</u>

He explained that over a one year period there is a divergence in performance between the Brunel Global High Alpha Equity and Brunel Global Sustainable Equity due to Alpha's exposure to the big seven tech stocks. He added that the High Alpha fund was slightly more carbon intensive relative to the Sustainable fund, but is a lot less versus the market.

Brunel Diversified Returns Fund – No overall portfolio concerns, suggest discussion with Brunel at next appropriate opportunity.

Brunel UK Property – Feel this market area has stabilised.

Brunel Secured Income – 60% in long lease property (15-20 years). Asset class is held by 85% UK DB Investors who are strategic sellers of these assets over time.

Some Private Market assets starting to show strong performance. Important to have in mind the pace of deployment -v- expectations.

Equity Protection Strategy – Deep dive review is in progress.

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

20 RISK MANAGEMENT FRAMEWORK REVIEW FOR PERIODS ENDING 30 JUNE 2023

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.

21 FORWARD AGENDA

The Group Manager for Funding, Investment & Risk introduced this report to the Panel. She informed them that the provisional agenda for the next meeting on 1st December is as follows:

Strategic:
- Responsible Investment Disclosures: TCFD Statement
- Equity Protection analysis

Routine:
- Quarterly Investment Performance
- Risk Management Framework Monitoring

She added that dates for meetings in 2024 had now been agreed.

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

The meeting ended at 11.17 am

Chair(person) ....

Date Confirmed and Signed ....

Prepared by Democratic Services

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:	**1 December 2023**
TITLE:	**Review of Investment Performance for Periods Ending 30 September 2023**
WARD:	ALL
AN OPEN PUBLIC ITEM	
List of attachments to this report: Appendix 1 – Quarterly Portfolio Monitoring Summary Appendix 2 – Brunel Quarterly Performance Report Appendix 3 – Mercer Performance Monitoring Report Exempt Appendix 4 – Mercer Paper: UK Property Fund Market Update	

1. THE ISSUE

1.1. This paper reports on the performance of the individual portfolios and seeks to update the Panel on routine aspects of the Fund's investments. The report contains performance statistics for periods ending 30 September 2023.

1.2. Appendix 1 contains a summary table which is designed to flag any concerns from a performance, operational and/or Responsible Investing (RI) perspective.

1.3. Appendix 2 is the quarterly performance report published by Brunel which includes further details on the performance of the Brunel portfolios and responsible investment activity undertaken on the Fund's behalf. This report now consolidates public and private markets portfolio information into a single report.

1.4. The Mercer report at Appendix 3 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.

1.5. Exempt Appendix 4 serves to update Panel members on the impact of recent market events on the investor profile of UK property funds, and sets out views on the long-term implications for the long lease property component of the Fund's Secured Income allocation. Mercer will present their paper at the meeting. There are no immediate actions arising.

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. Returns achieved by the Fund for the three years commencing 1 April 2023 will impact the next triennial valuation which will be calculated as at 31 March 2025. The returns quoted are net of investment management fees.

4. INVESTMENTS UPDATE

A – Fund Performance

4.1. The Fund's assets were £5,268m on 30 September 2023 and delivered a net investment return of -2.9% over the quarter. The decline in the value of Fund assets over the quarter was driven mainly by the LDI portfolio and equity assets. Overseas property and secured income portfolios also detracted.

4.2. Over 1 year the Fund returned -2.1% in absolute terms and -6.9% in relative terms, primarily driven by property portfolios whose valuations have been impacted by the higher interest rate environment. Cash benchmarks have made it difficult for these portfolios to outperform on a relative basis too. The performance drag created by the Fund's dynamic equity protection strategy compounded underperformance over 3 years where the Fund delivered a return of 1.5% against a benchmark of 7.0%. Detailed performance attribution can be found on p17/18 of Appendix 3.

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 19-36 of Appendix 2.

4.4. Quarter 3 saw a decided change in tone and outlook. Although interest rates are no longer rising rapidly, the expectation is that they will now remain at higher levels for longer. This weighed on both global equity and bond markets. Brunel's portfolios were mixed during the quarter, with a number rising in absolute terms, whilst others fell. The Global High Alpha portfolio returned -0.6% during the quarter, underperforming the benchmark by 1.2%. The underweight to the energy sector combined with slower than expected revenue growth from stocks in IT, healthcare and financials weighed on performance.

The Global Sustainable Equity portfolio delivered a return of -4.1% over the quarter, underperforming its benchmark by 4.7%. Many sustainable strategies struggled to outperform during the period due to the inherent 'growth' investment style of these funds. Since inception in 2021, this portfolio has underperformed its benchmark by 5.6%. Metrics designed to assess the quality of the underlying companies in the portfolio highlight sound financial underpinnings, which are expected to be rewarded over time. We believe the long-term proposition for sustainable stocks remains intact.

The Multi Asset Credit (MAC) portfolio delivered an absolute return of 1.9%, flat against both its primary (cash + 4%) benchmark and its secondary benchmark, which comprises loans and high yield bonds. Since inception the MAC portfolio has delivered -0.7% in absolute terms, underperforming the cash benchmark by -6.9%. The Diversifying Returns Fund (DRF) generated an absolute return of 2.0% matching its primary (cash + 3%) benchmark. Since inception the DRF fund has generated +2.5%, underperforming its cash benchmark by -2.1%.

In private markets, deal flow has tentatively began to pick up, thanks to increased certainty in interest rate movements. However, raising capital remains difficult with many private equity and debt funds extending fundraising periods. Likewise, global property transactions were down over 50% according to CBRE and property funds continue to be plagued by redemptions. The Fund's core infrastructure delivered an absolute return of 3.3% over the quarter, reflecting increased demand for airport, pipeline and seaport assets. The Brunel infrastructure portfolios are still in build-up but performance data is starting to become more meaningful. A very mild 2023 has negatively impacted many operating renewable businesses as a result of low production rates causing lower than anticipated revenues. Lower production rates have been offset somewhat by higher power prices. Brunel's exposure to renewables is well diversified by geography, technology and revenue profile, however the known risks around supply chains, cost of capital and certain types of subsidy regimes continue to be monitored. Deployment rates can be found at Appendix 1.

Turning to Secured Income, the two long lease property funds held in the portfolio have been impacted by rising rates, resulting in valuation declines. Both long lease property funds received large redemption requests in 2022 and are still in the process of selling assets to raise cash. M&G has paid down approximately 80% of redemption requests and Aberdeen has cleared approximately 40% of its redemption queue. Further asset disposals are expected. The operational infrastructure component of the Secured Income portfolio, which has benefitted from higher power prices over the past year, continues to offset depressed long lease property valuations.

Private debt benefitted from its focus on traditionally resilient sectors such as healthcare, professional services, and established software which helped the portfolio deliver an interim IRR of 13.8%. The Brunel Private Debt portfolio benefits from the defensive, high quality underlying credits that are typically senior in the capital structure and sponsor-backed. This portfolio remains in build-up phase with c.60% capital deployed at the end of the quarter.

5. INVESTMENT STRATEGY AND PORTFOLIO REBALANCING

5.1. **Returns versus Strategic Assumptions:** Returns versus the strategic assumptions used during the 2023 investment review can be found on p19/20 of Appendix 3. It should be noted that actual asset returns relate to a relatively short time period (post investment strategy review) so there are limitations at this stage to making direct comparisons with the longer-term strategic assumptions. Equity and liquid growth assets classes are generally delivering in line or exceeding expected returns. Property is below its modelled return and the other private market mandates are largely still in build-up phase or do not have a sufficient track record to properly compare against strategic return assumptions.

5.2. **Rebalancing:** Post period end £200m was transferred from the Brunel Passive Paris-aligned equity portfolio into the BlackRock Risk Management (RMF) vehicle to facilitate further interest rate hedging. Equity exposure was replicated synthetically so as not to impact the strategic allocation to equities. The offsetting nature of the synthetic equity strategy and the dynamic equity protection strategy continues to benefit the overall collateral position of the RMF.

5.3. **Responsible Investment (RI) Activity**: A summary of portfolio carbon metrics measured by Brunel over the quarter is included on page 10 of Appendix 2.

5.4. **Voting and Engagement Activity:** Hermes engaged with 153 companies held by Avon in the Brunel active equity portfolios on a range of 521 ESG issues. Environmental topics featured in 35% of engagements, 60% of which related directly to climate change. Social topics featured in 31% of engagements, where conduct and culture, human rights and diversity featured prominently. Of the 18% of Governance related engagements most focussed on executive remuneration and board diversity. Over the last quarter Hermes made voting recommendations at 123 meetings (1,234 resolutions). At 69 meetings they recommended opposing one or more resolutions. 86% of the issues Hermes voted against management on comprised board structure and remuneration.

6. RISK MANAGEMENT

6.1. An effective governance structure, defining clear responsibilities, and ensuring that the decision-making body has an adequate level of knowledge and access to expert advice, is a key aspect of the risk management process.

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 Paris Aligned Global Equities, Sustainable 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 Head of Pensions has had the opportunity to input to this report and has 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	

Investment Dashboard at 30 September 2023

1. Investment Strategy

	Objective	Commentary	RAG	Trend
1	**Funding level**	• 93%. Estimated to be c.5% lower over year to 30 Sept. • £382m deficit		⇩
2	**Investment Performance**	• Behind strategic benchmark over 1 and 3 years		⇩
	Qtr return	• Negative quarter of -2.9% equity and protection assets lead detractors		⇩
	1 Year return	• Behind funding objective at -2.1% p.a.		⇩
	3 Year return	• Behind funding objective at 1.5% p.a.		⇩
	Local Impact investing	• Panel approved initial 1% of assets to local renewable infrastructure fund at July meeting – currently on track to make first investment by end of 2023		⇧

2. Portfolios

	Objective	Commentary	RAG	Trend
1	Brunel Listed Market portfolios	• Equity portfolio underperformance driven by quality, ESG bias, underweight large tech in Q2 23 • Credit portfolios benefitting from higher yields and favourable lending conditions • Portfolios benchmarked vs cash+ underperform due to higher interest rates – expected to readjust over time		⇔
2	**Private Markets Portfolios**			
	Infrastructure (Brunel)	Capital deployment: • Cycle 1: 89% • Cycle 2: 48% • Cycle 3: 15%		⇔
	Secured Income (Brunel)	Performance: • Underperformed due to underlying movements in gilt prices causing a softening of values. • Portfolio still well positioned for current environment with high quality tenant base and inflation linked leases. • Cycle 1: 100% • Cycle 2: 100% • Cycle 3: 53%		⇔
	Private Debt (Brunel)	Capital deployment: • Cycle 2: 61% • Cycle 3: 15%		⇔

	UK Property (Brunel)	• 100% in Brunel preferred funds • Underweight office and retail sectors / overweight industrials and alternatives • Outperformed benchmark SI		⟺
3	**Legacy portfolios**			
	IFM (infra)	£100m redeemed in 2023 (settled Oct 2023). Now in line with 4% SAA		⟺
	JPM Hedge Funds	n/a		⟺
	Partners (Intl Property)	• Majority of funds in realisation phase. c.70% of unrealised value held in fund with 2029 contractual expiry. Pace of distributions has slowed.		⟺
	Schroder (UK Property)	• Single closed end debt fund (£12m) due to expire in 2025		⟺

3. Responsible investing

	Objective	Commentary	RAG	Trend
1	**Climate change targets**			
	43% reduction in absolute emissions by 2025	• Remains on track despite increase in carbon footprint for Dec-2022 • Benefit of switch of entire passive equity allocation to Paris-aligned strategy yet to feed through		⇧
	30% of total assets in sustainable and Paris-aligned investments by 2025			⟺
3	**Brunel Climate Policy**	• 2023 Climate Policy launched • Reporting priorities incl. Climate Solutions and 'green revenues' reporting on private and listed markets. • Annual review of policy to commence shortly		⟺

Avon Pension Fund Performance Report

Quarter ending 30 September 2023

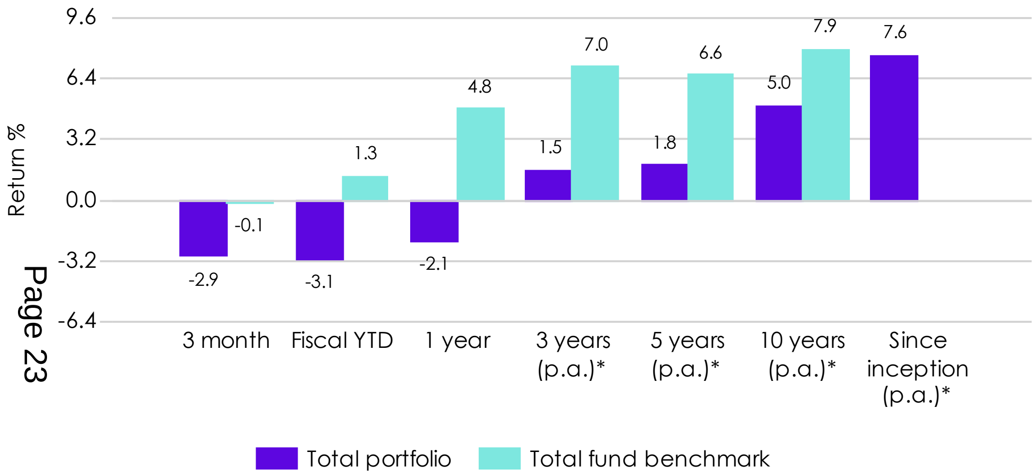
AVON PENSION FUND

Brunel Pension Partnership

Contents

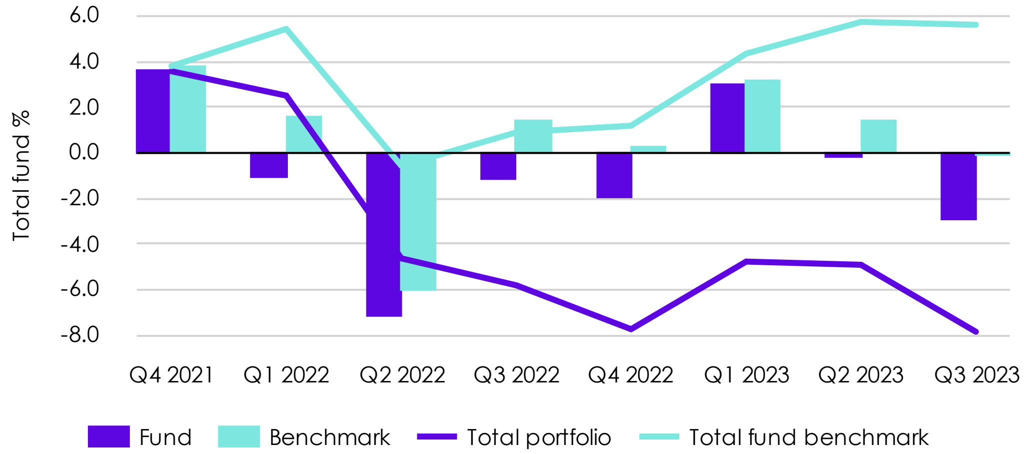
Pension Fund performance

Performance (annualised)



Source: State Street Global Services
*per annum. Net of all fees.

Quarterly performance



Source: State Street Global Services. Net of all fees.

Key events

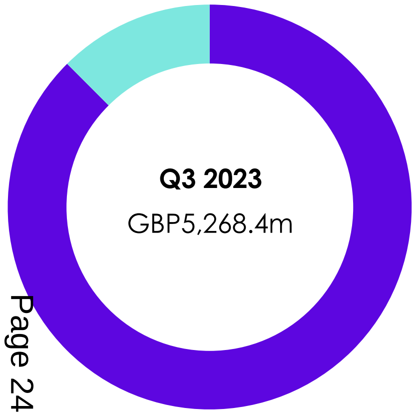
Quarter 3 saw a decided change in tone and outlook. Although interest rates are no longer rising rapidly, the expectation is that they will now remain at higher levels for longer. This weighed on both global equity and bond markets. The dollar was strong and energy prices pushed higher. Sterling continued to languish.

The total portfolio dropped 2.9% during the quarter, whilst the benchmark fell 0.1%. Over the last year, the fund has fallen 2.1% vs benchmark growth of 4.8%.

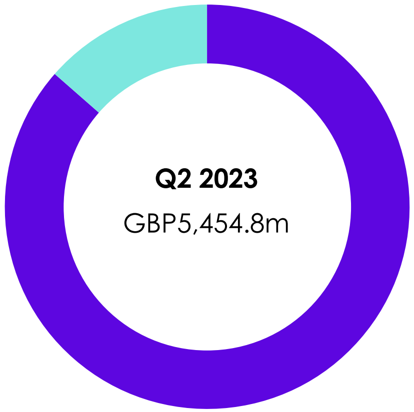
Brunel's portfolios were mixed during the quarter, with a number rising in absolute terms, whilst others fell. Unhedged portfolios tended to benefit from weaker Sterling.

Asset summary

Assets transitioned to Brunel



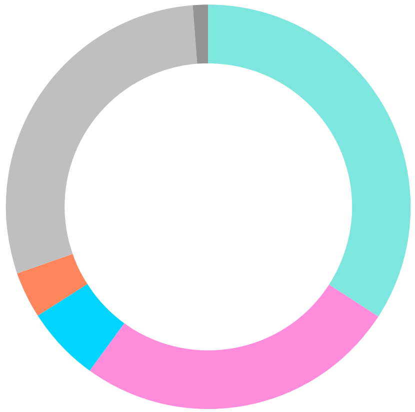
Transitioned	87.54%
Legacy assets	12.46%



Transitioned	86.41%
Legacy assets	13.59%

Source: State Street Global Services. Net of all fees.

Asset allocation breakdown



Key:

Equities	34.13%
Private markets	25.83%
Fixed income	6.00%
Property	3.71%
Other	29.10%
Cash	1.23%

Source: State Street Global Services. Net of all fees.
Data includes legacy assets

Overview of assets

Detailed asset allocation

Equities	£1,797.91m	34.13%
Global High Alpha Equities	£617.90m	11.73%
PAB Passive Global Equities	£614.07m	11.66%
Global Sustainable Equities	£565.17m	10.73%
Legacy Assets	£0.77m	0.01%

Fixed income	£316.21m	6.00%
Multi-Asset Credit	£316.21m	6.00%

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Private markets (incl. property)	£1,556.17m	29.54%
Secured Income Cycle 1	£308.65m	5.86%
UK Property	£182.58m	3.47%
Private Debt Cycle 2	£154.27m	2.93%
Secured Income Cycle 3	£132.20m	2.51%
Infrastructure Cycle 1	£107.50m	2.04%
Secured Income Cycle 2	£105.81m	2.01%
Infrastructure (Renewables) Cycle 2	£60.04m	1.14%
Private Debt Cycle 3	£26.48m	0.50%
Infrastructure Cycle 3	£7.80m	0.15%
Legacy Assets	£470.85m	8.94%

Other	£1,533.28m	29.10%
Blackrock Risk Management	£1,066.12m	20.24%
Diversifying Returns Fund	£346.91m	6.58%
Legacy Assets	£120.25m	2.28%

Cash not included

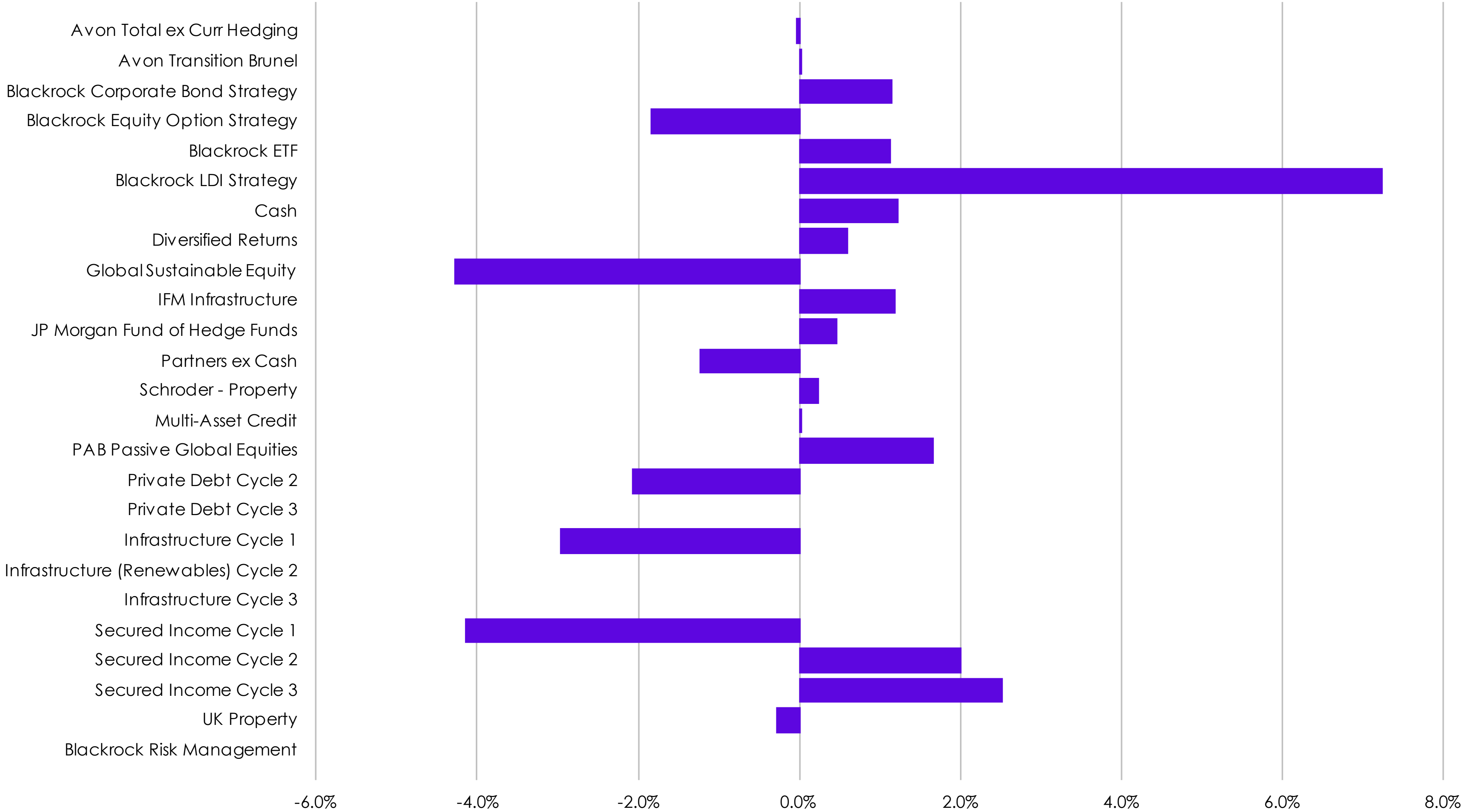
Overview of assets

Top 10 Equity Holdings at Pension Fund

ISIN	Security Name	Sector	Sub-sector	Country	Market Value (£)	% of Pension fund	ESG Score
US5949181045	MICROSOFT CORP	Information Technology	Systems Software	UNITED STATES	86,046,648.34	1.63%	15.06
US0231351067	AMAZON.COM INC	Consumer Discretionary	Broadline Retail	UNITED STATES	61,643,723.17	1.17%	30.61
US88160R1014	TESLA INC	Consumer Discretionary	Automobile Manufacturers	UNITED STATES	44,712,000.59	0.85%	25.23
US02079K3059	ALPHABET INC-CL A	Communication Services	Interactive Media &	UNITED STATES	43,626,853.60	0.83%	24.04
US0378331005	APPLE INC	Information Technology	Technology Hardware	UNITED STATES	40,737,737.91	0.77%	17.22
US57636Q1040	MASTERCARD INC - A	Financials	Transaction & Payment	UNITED STATES	37,759,852.01	0.72%	17.07
DK0062498333	NOVO NORDISK A/S-B	Health Care	Pharmaceuticals	DENMARK	33,629,114.25	0.64%	23.06
US91324P1021	UNITEDHEALTH GROUP INC	Health Care	Managed Health Care	UNITED STATES	27,871,544.52	0.53%	15.30
US67066G1040	NVIDIA CORP	Information Technology	Semiconductors	UNITED STATES	25,566,791.78	0.49%	13.59
NL0010273215	ASML HOLDING NV	Information Technology	Semiconductor Materials &	NETHERLANDS	18,355,323.71	0.35%	9.63

Table excludes cash and legacy assets. This is an estimated aggregate position using Brunel Portfolios.

Strategic asset allocation



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Performance attribution

Pension fund performance attribution - to quarter end

	End market value £'000	Actual % allocation at end of quarter	Strategic asset allocation (%)	Difference (%)	Fund return (%): 3 months	Contribution to return: 3 month
Avon Total ex Curr Hedging	**5,266,000**	**100.0%**	**100.00%**	**-0.0%**	**-2.3%**	**-2.3%**
Avon Transition Brunel	5	0.0%	-	0.0%	1.1%	0.0%
Blackrock Corporate Bond Strategy	165,443	3.1%	2.00%	1.1%	1.1%	0.0%
Blackrock Equity Option Strategy	-96,943	-1.8%	-	-1.8%	3.7%	0.1%
Blackrock ETF	59,927	1.1%	-	1.1%	-1.1%	-0.0%
Blackrock LDI Strategy	1,012,770	19.2%	12.00%	7.2%	-7.5%	-1.5%
Cash	64,792	1.2%	-	1.2%	1.7%	0.0%
Diversified Returns	346,912	6.6%	6.00%	0.6%	2.1%	0.1%
Global Sustainable Equity	565,170	10.7%	15.00%	-4.3%	-4.1%	-0.4%
IFM Infrastructure	325,290	6.2%	5.00%	1.2%	3.3%	0.2%
JP Morgan Fund of Hedge Funds	24,174	0.5%	-	0.5%	8.2%	0.0%
Partners ex Cash	132,819	2.5%	3.75%	-1.2%	-3.8%	-0.1%
Schroder - Property	12,738	0.2%	-	0.2%	-0.1%	-0.0%
Multi-Asset Credit	316,209	6.0%	6.00%	0.0%	1.9%	0.1%
PAB Passive Global Equities	614,073	11.7%	10.00%	1.7%	0.2%	0.0%
Private Debt Cycle 2	154,272	2.9%	5.00%	-2.1%	N/M	N/M

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Performance attribution

Pension fund performance attribution - to quarter end

	End market value £'000	Actual % allocation at end of quarter	Strategic asset allocation (%)	Difference (%)	Fund return (%): 3 months	Contribution to return: 3 month
Private Debt Cycle 3	26,485	0.5%	0.50%	-	N/M	N/M
Infrastructure Cycle 1	107,496	2.0%	5.00%	-3.0%	N/M	N/M
Infrastructure (Renewables) Cycle 2	60,038	1.1%	1.14%	-	N/M	N/M
Infrastructure Cycle 3	7,799	0.1%	0.15%	-	N/M	N/M
Secured Income Cycle 1	308,645	5.9%	10.00%	-4.1%	N/M	N/M
Secured Income Cycle 2	105,805	2.0%	-	2.0%	N/M	N/M
Secured Income Cycle 3	132,202	2.5%	-	2.5%	N/M	N/M
UK Property	182,581	3.5%	3.75%	-0.3%	N/M	N/M
Blackrock Risk Management	1,066,120	20.2%	20.24%	-	-10.2%	-2.2%

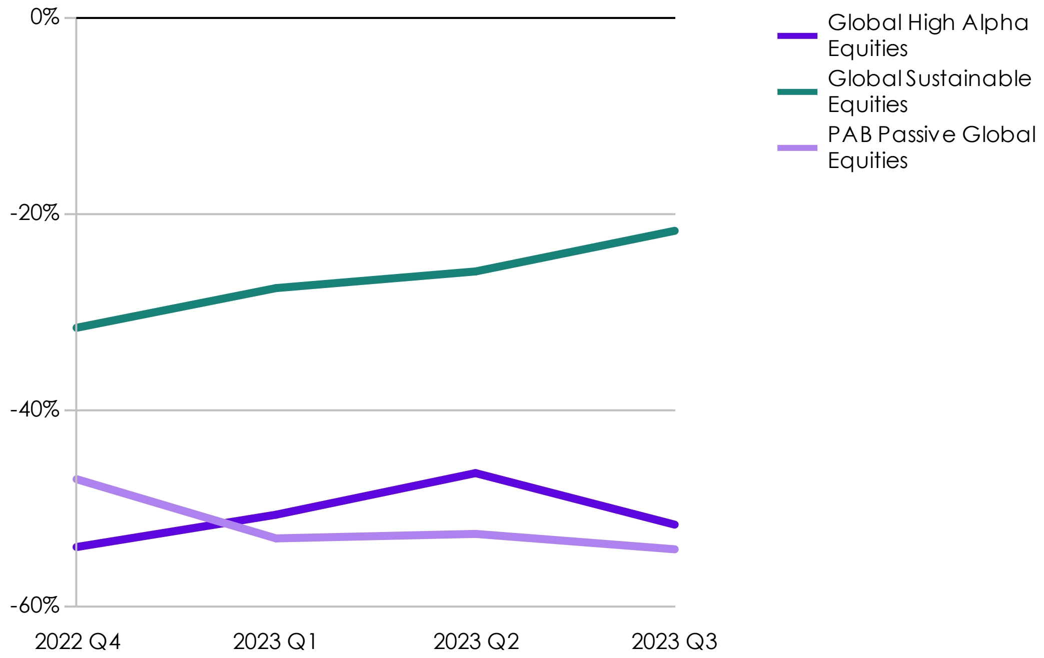
Private Markets 3 month performance is not material.

Stewardship and climate metrics

Portfolio	WACI		Total Extractive Exposure[1]		Extractive Industries (VOH)[2]	
	2023 Q2	2023 Q3	2023 Q2	2023 Q3	2023 Q2	2023 Q3
Global High Alpha Equities	**84**	**79**	**1.2**	**1.4**	**2.9**	**2.9**
MSCI World*	157	163	3.1	3.8	8.4	9.2
Global Sustainable Equities	**138**	**149**	**1.6**	**1.9**	**5.0**	**5.2**
MSCI ACWI*	186	191	3.1	3.8	8.3	9.2
PAB Passive Global Equities	**76**	**76**	**0.6**	**0.7**	**3.2**	**3.4**
FTSE Dev World TR UKPD*	160	167	3.0	3.7	8.6	9.5

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

Weighted Average Carbon Intensity relative to benchmark



Stewardship reporting links

Engagement records
www.brunelpensionpartnership.org/stewardship/engagement-records/

Holdings records
www.brunelpensionpartnership.org/stewardship/holdings-records/

Voting records
www.brunelpensionpartnership.org/stewardship/voting-records/

Risk and return summary

Brunel portfolio performance - 3 year

	Annualised return	Risk (standard deviation)	Benchmark return	Benchmark standard deviation
Global High Alpha Equities	8.3%	13.7%	10.7%	12.4%
Global Sustainable Equities	3.9%	14.7%	9.5%	11.7%
Diversifying Returns Fund	3.0%	4.4%	4.6%	0.6%
Infrastructure Cycle 1	6.4%	5.1%	6.6%	2.1%
Secured Income Cycle 1	-0.1%	5.3%	6.6%	2.1%

Since portfolio inception

Risk and return summary

Legacy manager performance - 3 year

	Annualised return	Risk (standard deviation)	Benchmark return	Benchmark standard deviation
Avon Total ex Curr Hedging	1.7%	6.6%	7.0%	6.4%
Avon Total ex Hedging ex LDI	2.2%	5.4%	7.0%	6.4%
Blackrock Equity Option Strategy	265.2%	-	-	-
Blackrock ETF	2.8%	8.6%	0.0%	0.0%
Cash	2.9%	2.5%	1.5%	0.5%
General Cash	2.7%	-	-	-
IFM Infrastructure	11.9%	5.5%	6.7%	0.5%
JP Morgan Fund of Hedge Funds	8.8%	9.6%	5.7%	0.5%
Partners ex Cash	-4.0%	6.4%	8.4%	1.0%
Record Currency	109.8%	-	-	-
Record Equitisation	11.6%	12.4%	12.8%	12.4%
Schroder - Property	4.3%	5.8%	3.2%	10.8%
Schroder Equity	-23.1%	34.5%	9.5%	11.7%
TT International - UK Equities	1.4%	4.4%	11.8%	12.7%

Risk and return summary

Legacy manager performance - 3 year

	Annualised return	Risk (standard deviation)	Benchmark return	Benchmark standard deviation
Avon Pension Fund	1.5%	7.3%	7.0%	6.4%

Portfolio overview

Portfolio	Benchmark	Outperformance target	AUM (GBPm)	Perf. 3 month	Excess 3 month	Perf. 1 year	Excess 1 year	Perf. 3 year	Excess 3 year	Perf. SII*	Excess SII*	Initial investment
Equities (34.11%)			**1,797.14**									
Global High Alpha Equities	MSCI World	+2-3%	617.90	-0.6%	-1.2%	13.6%	1.5%	8.3%	-2.4%	11.3%	1.5%	15 Nov 2019
Global Sustainable Equities	MSCI ACWI	+2%	565.17	-4.1%	-4.9%	3.6%	-7.4%	3.9%	-5.5%	3.9%	-5.5%	30 Sep 2020
PAB Passive Global Equities	FTSE Dev World PAB	Match	614.07	0.2%	-	14.9%	-0.1%	-	-	3.2%	-0.1%	29 Oct 2021
Fixed income (6.00%)			**316.21**									
Multi-Asset Credit	SONIA +4%	0% to +1.0%	316.21	1.9%	-0.3%	10.6%	2.5%	-	-	-0.5%	-6.7%	02 Jun 2021
Private markets (incl. property) (20.60%)			**1,085.32**									
Private Debt Cycle 2	SONIA	+4%	154.27	N/M	N/M	11.0%	2.9%	-	-	13.8%	7.3%	17 Sep 2021
Private Debt Cycle 3	SONIA	+4%	26.48	N/M	N/M	-	-	-	-	9.1%	2.5%	20 Dec 2022
Infrastructure Cycle 1	CPI	+4%	107.50	N/M	N/M	1.6%	-5.0%	7.1%	0.6%	7.2%	2.7%	02 Jan 2019
Infrastructure (Renewables) Cycle 2	CPI	+4%	60.04	N/M	N/M	7.4%	0.8%	-	-	9.1%	2.5%	12 Oct 2020
Infrastructure Cycle 3	n/a - absolute return target	net 8% IRR	7.80	N/M	N/M	-	-	-	-	-7.3%	-14.0%	13 Oct 2022
Secured Income Cycle 1	CPI	+2%	308.64	N/M	N/M	-13.3%	-19.9%	-1.4%	-7.9%	-1.3%	-5.8%	15 Jan 2019
Secured Income Cycle 2	CPI	+2%	105.80	N/M	N/M	-11.8%	-18.4%	-	-	-1.6%	-9.2%	01 Mar 2021
Secured Income Cycle 3	CPI	+2%	132.20	N/M	N/M	-	-	-	-	-	-0.5%	01 Jun 2023
UK Property	MSCI/AREF UK	+0.5%	182.58	N/M	N/M	-15.3%	-1.4%	-	-	3.2%	1.4%	04 Jan 2021

Portfolio overview

Portfolio	Benchmark	Outperformance target	AUM (GBPm)	Perf. 3 month	Excess 3 month	Perf. 1 year	Excess 1 year	Perf. 3 year	Excess 3 year	Perf. SII*	Excess SII*	Initial investment
Other (6.58%)			**346.91**									
Diversifying Returns Fund	SONIA +3%	0% to +2.0%	346.91	2.1%	0.1%	4.2%	-2.9%	3.0%	-1.6%	2.3%	-2.1%	27 Jul 2020
Total Brunel assets (excl. cash) (67.30%)			**3,545.58**									

*Since initial investment
Table above excludes Blackrock Risk Management
Private Markets 3 month performance is not material.

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Portfolio overview

Legacy assets

Portfolio	AUM (GBPm)	Perf. 3 month	Excess 3 month	Perf. 1 year	Excess 1 year	Perf. 3 year	Excess 3 year	Perf. SII*	Excess SII*	Initial investment
Equities (0.01%)			**0.77**							
TT International - UK Equities	0.31	1.3%	-0.6%	-1.2%	-15.0%	1.4%	-10.4%	4.0%	-0.9%	01 Jul 2007
Schroder Equity	0.46	1.7%	0.9%	-59.2%	-70.2%	-23.1%	-32.5%	0.9%	-9.5%	01 Apr 2011
Private markets (incl. property) (8.94%)			**470.85**							
Schroder - Property	12.74	-0.1%	0.6%	5.0%	18.9%	4.3%	1.1%	7.8%	1.9%	01 Jan 2009
IFM Infrastructure	325.29	3.3%	0.8%	11.4%	2.2%	11.9%	5.1%	11.9%	6.4%	01 Apr 2016
Partners ex Cash	132.82	-3.8%	-7.1%	-17.3%	-29.8%	-4.0%	-12.4%	3.9%	-3.9%	01 Sep 2009
Other (3.51%)			**185.04**							
Record Currency	2.37	-76.5%	-76.5%	-52.1%	-52.1%	109.8%	109.8%	-	-	01 Mar 2016
JP Morgan Fund of Hedge Funds	24.17	8.2%	6.0%	0.2%	-8.0%	8.8%	3.1%	8.2%	3.8%	01 Jul 2015
Record Equitisation	33.77	2.1%	0.1%	12.2%	-2.0%	11.6%	-1.2%	5.4%	-0.5%	01 Apr 2012
Avon Transition Brunel	0.00	1.1%	1.1%	-83.1%	-83.1%	-	-	-67.0%	-	01 Jan 2022
Blackrock ETF	59.93	-1.1%	-1.1%	0.9%	0.9%	2.8%	2.8%	4.0%	4.0%	08 Mar 2019
Cash	64.79	1.7%	0.4%	1.9%	-2.0%	2.9%	1.4%	2.9%	1.9%	01 Dec 2017
Total legacy assets (excl. cash) (12.46%)	**656.66**									

*Since initial investment

Chief Investment Officer commentary

Quarter three saw a decided change in tone and outlook. At the margin, as you can see on the chart below, this was enough to drive both global equities and global bonds lower. The only respite for UK investors was the weakness of the pound, which meant any unhedged global exposure benefited from a much in demand US dollar which pushed the greenback higher. Commodities and energy prices in particular enjoyed a buoyant quarter, with Brent crude oil up over 25%. This was predominantly driven by production cuts in Saudi Arabia and Russia limiting short-term supply, and doing so when the global economy is still more resilient than expected to interest rate rises introduced by central banks around the world. This was a significant headwind for our active equity franchise.

Emerging markets did not escape the general equity market malaise, but it was the weakness in the Chinese stock market in particular that dragged the broader benchmark down, as resurgent concerns around Chinese property companies – and their ability to repay debt – set a negative tone.

Whilst inflation over the period moderated, the continued resilience of the US economy led market participants and, indeed, Federal Reserve members to lower their conviction that the hitherto expected rate cuts of 2024 would materialise. This change in opinion seems eminently rational as it appeared incongruous that the Federal Reserve could engineer a soft landing, avoid a recession, and yet still see the need for rates to be cut. This change in heart was most obviously seen in what is called the "dot plot", which maps out the interest rate forecasts of individual Federal Reserve members. This means that the prevailing wisdom of the markets today is that rates will be higher for longer and it was this opinion, along with concerns about an increasing supply-demand imbalance, that drove bond yields up (prices down), particularly at the long end. The exception to this global trend was in the UK, where the government bond market – which had previously been hit the hardest – showed signs of relative stability.

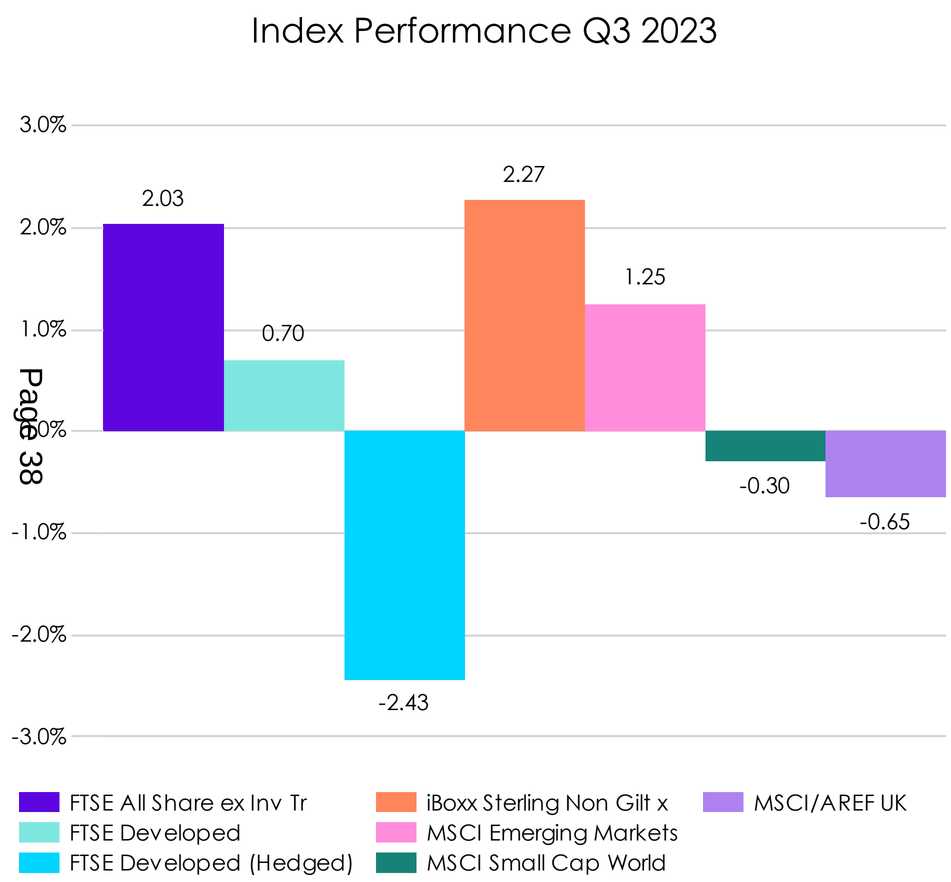
A secondary but much more muted consequence of this repricing of interest rate expectations was that Growth stocks underperformed Value stocks. The performance of the so-called 'Magnificent Seven' stocks was also much more moderate. Their performance was mixed in aggregate, and collectively they marginally underperformed the broader benchmark.

There has also been a creeping but marked change in view around the efficacy of previous episodes of quantitative easing, with market participants, academics and policy makers beginning to view the scale of quantitative easing as a policy error - albeit with hindsight. This raises the bar for its use in the future and so goes some way towards removing the so-called 'Fed put', whereby the FED bails out investors and companies by buying government securities to increase the domestic money supply and spur economic activity.

In private equity and private debt, deal flow has tentatively begun to pick up, thanks to the increased certainty in interest rate movements. However, capital-raising remains difficult, with many GP's extending fundraising periods. We are also increasingly seeing that new deals are typically funded with a larger portion of equity, owing to increased cost of debt funding. In addition, whist the IPO market has shown sporadic signs of reopening, it nevertheless remains subdued. Likewise, global property transactions are down some 57% according to CBRE, despite property funds continuing to be plagued by redemptions.

At the time of writing (just past quarter-end), there has been a rapid deterioration in the situation in Israel-Palestine and the Gaza Strip, which has left both the immediate and long-term future in the region highly uncertain. The humanitarian consequences look grave indeed and, whilst the financial impact today looks limited, it has certainly added to the concerns faced by global investors.

Chief Investment Officer commentary



Source: State Street

Global High Alpha Equities

Launch date
6 December 2019

Investment strategy & key drivers
High conviction, unconstrained global equity portfolio

Liquidity
Managed

Benchmark
MSCI World

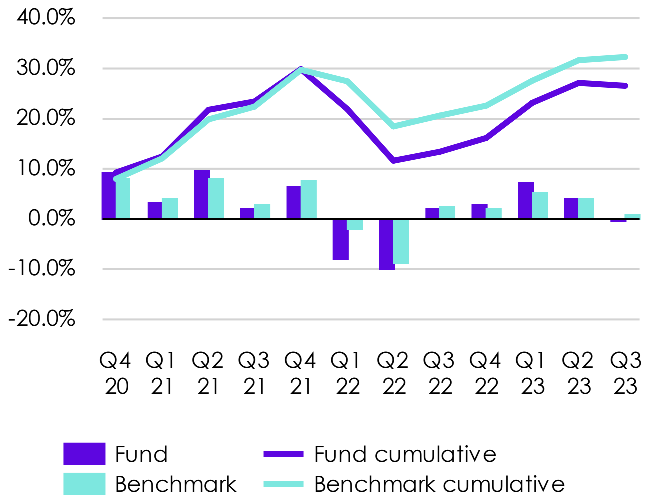
Outperformance target
+2-3%

Total fund value
£3,942m

Risk profile
High

Avon's Holding:
GBP618m

Rolling 3yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	-0.6	13.6	8.4	11.9
Benchmark	0.7	12.1	10.7	10.4
Excess	-1.2	1.5	-2.3	1.5

Source: State Street Global Services
*per annum. Net of all fees.

Performance commentary

Global developed equities (as proxied by the MSCI World index) returned 0.7% in GBP terms over the quarter. This was the weakest quarterly performance since the second quarter of 2022, as markets reflected fears that interest rates would need to be higher for longer to achieve inflation targets. Among the most impacted were some of the large Growth and Tech names that have driven performance over recent quarters. Value outperformed Growth whilst Quality was neutral against the broad MSCI World index.

The portfolio returned -0.6% during the period, underperforming the benchmark by 1.2%.

Sector attribution showed a small negative impact from allocation which was largely a result of the underweight to the Energy sector, the strongest-performing sector due to oil prices rising as inventories fell and production cuts were announced. The larger negative impact on relative performance came from stock selection, which was weakest in the IT, Healthcare and Financials sectors. The largest single detractor to relative returns over the quarter was Adyen (online payments platform), which fell 39% on the day it reported slower-than-expected revenue growth in its digital customer base in the US. This strong market reaction to companies unable to meet relatively high earnings expectations is an ongoing theme, as earnings come under pressure even while expectations remain high.

Performance among the underlying managers varied considerably, grouped according to their investment style. Those managers with a Value focus outperformed (Harris and RLAM) whilst the two more Growth-focused managers (BG and AB) underperformed. Fiera, which has a Quality focus, also underperformed, impacted by an underweight to Energy and the underperformance of luxury giants LVMH and Richemont. The latter were both examples of companies being penalised for reporting quarterly results below consensus estimates.

From inception to quarter-end, the portfolio outperformed the benchmark by 1.5% p.a

Global High Alpha Equities

Top 5 holdings

	Weight %	B'mark weight %	Client value (GBP)*
MICROSOFT CORP	**5.66**	**4.06**	**34,986,760**
AMAZON.COM INC	**3.67**	**2.13**	**22,660,990**
ALPHABET INC	**2.86**	**2.73**	**17,665,000**
MASTERCARD INC	**2.76**	**0.62**	**17,081,955**
UNITEDHEALTH GROUP INC	**2.34**	**0.87**	**14,479,195**

*Estimated client value

Top 5 active overweights

	Weight %	Benchmark weight %
MASTERCARD INC	**2.76**	**0.62**
TAIWAN SEMICONDUCTOR	**1.61**	**-**
MICROSOFT CORP	**5.66**	**4.06**
AMAZON.COM INC	**3.67**	**2.13**
UNITEDHEALTH GROUP INC	**2.34**	**0.87**

Top 5 active underweights

	Weight %	Benchmark weight %
APPLE INC	**0.88**	**4.92**
META PLATFORMS INC	**-**	**1.23**
EXXON MOBIL CORP	**-**	**0.89**
BERKSHIRE HATHAWAY INC	**-**	**0.85**
JPMORGAN CHASE & CO	**-**	**0.79**

Largest contributors to ESG risk

	ESG risk score* Q2 2023	ESG risk score* Q3 2023
AMAZON.COM INC	**30.53**	**30.61**
MICROSOFT CORP	**15.32**	**15.06**
ALPHABET INC-CL A	**24.50**	**24.04**
MASTERCARD INC - A	**17.07**	**17.07**
NESTLE SA-REG	**27.29**	**27.25**

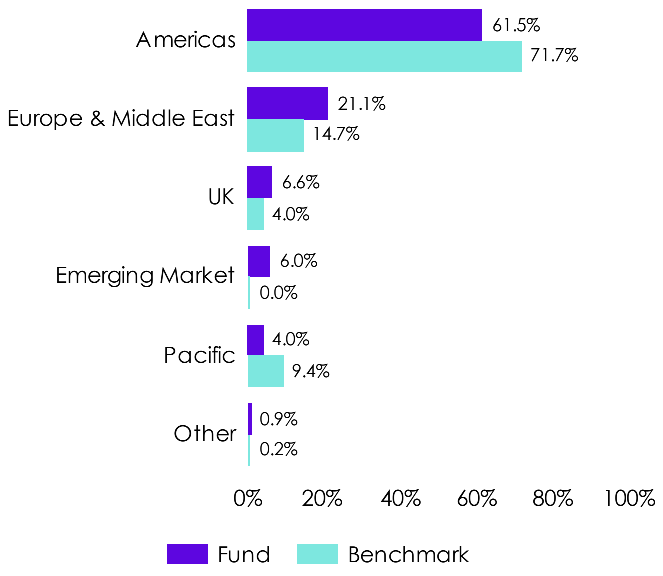
*Source: Sustainalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

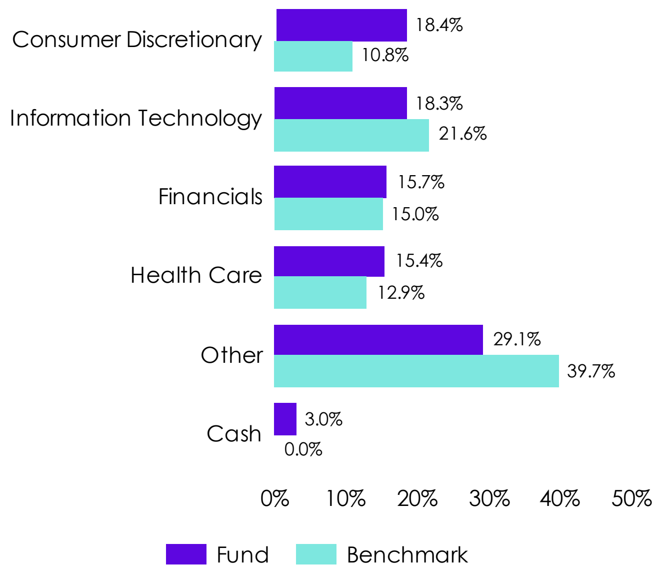
Portfolio	WACI		Total Extractive Exposure[1]		Extractive Industries (VOH)[2]	
	2023 Q2	2023 Q3	2023 Q2	2023 Q3	2023 Q2	2023 Q3
Global High Alpha	**84**	**79**	1.24	1.39	2.89	2.92
MSCI World*	**157**	**163**	3.07	3.81	8.36	9.24

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

Regional exposure



Sector exposure



Global Sustainable Equities

Launch date
20 October 2020

Investment strategy & key drivers
Global equity exposure concentrating on ESG factors

Liquidity
Managed

Benchmark
MSCI ACWI

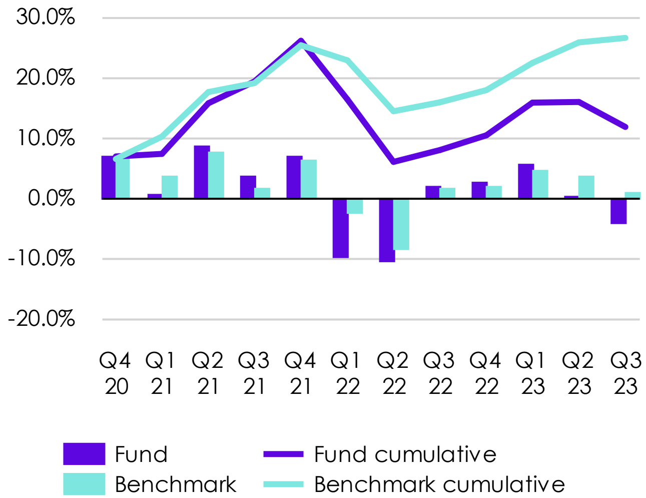
Outperformance target
+2%

Total fund value
£213m

Risk profile
High

Avon's Holding:
GBP565m

Rolling 3yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	-4.1	3.6	-	3.3
Benchmark	0.7	11.0	-	8.9
Excess	-4.9	-7.4	-	-5.6

Source: State Street Global Services
*per annum. Net of all fees.

Performance commentary

The fund returned -4.1% over the quarter on a net basis, a relative underperformance of 4.9% against the MSCI ACWI benchmark. Over the 1-year period, the fund had returned 3.6% on a net basis, underperforming the MSCI ACWI by 7.4%, much of which came in the quarter covered here. Whilst disappointing, we note that all sustainable strategies struggled to outperform the benchmark this quarter. At the time of writing, performance data for 52 managers was available on our database - only 7 had outperformed the benchmark, and they had increased exposure to the Energy sector or the Financials sector. Outside of these top 7 managers, with their obvious Value-orientated exposure, the average sustainable manager underperformed by 4.1% gross. Two of the sub-managers underperformed by ~-2.7%, whilst two others underperformed inline with peers. Unfortunately, Ownership have a concentrated Growth bias that underperformed by -8%, giving back all their outperformance in the first 6 months of 2023.

This quarter saw market sentiment shift to favour more Value-orientated, defensive strategies. The oil price increased as Saudi Arabia and Russia cut back on production. Moreover, a more hawkish FED meeting in September confirmed rates were likely to stay higher for longer and the market ultimately discounted an imminent rate cut - which again favoured defensive stocks. This market environment favoured stocks with high ESG risks. The top decile of high-risk companies returned 6.6% against -1.7% for low-risk stocks.

We have undertaken a lot of work with the managers to understand the fundamental quality of the businesses we are invested in. We look at metrics such as low leverage but also the quality of the debt, such as interest coverage ratios and what future financing looks like. Do the companies continue to operate with stable margins which should ensure growth over time and a secure income flow? Do the intrinsic valuations of these companies justify their current price? Most importantly, do these companies provide a net benefit to society and strive for a positive future, characteristics that will hopefully be rewarded over time?

However, the market has many participants, not all of which have a regard for the long-term outlook of a company, instead giving greater focus to short-term profits, such as the oil price.

Global Sustainable Equities

Top 5 holdings

	Weight %	B'mark weight %	Client value (GBP)*
MASTERCARD INC	2.82	0.55	15,912,066
MICROSOFT CORP	2.60	3.63	14,677,114
ANSYS INC	2.14	0.04	12,100,393
VISA INC	2.03	0.61	11,465,482
INTUIT INC	2.01	0.24	11,376,241

*Estimated client value

Largest contributors to ESG risk

	ESG risk score* Q2 2023	ESG risk score* Q3 2023
MASTERCARD INC - A	17.07	17.07
MICROSOFT CORP	15.32	15.06
INTUIT INC	16.41	17.95
FORTIVE CORP	34.76	34.76
ANSYS INC	15.53	15.89

*Source: Sustainanalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

Portfolio	WACI 2023 Q2	WACI 2023 Q3	Total Extractive Exposure[1] 2023 Q2	Total Extractive Exposure[1] 2023 Q3	Extractive Industries (VOH)[2] 2023 Q2	Extractive Industries (VOH)[2] 2023 Q3
Global Sustainable	138	149	1.55	1.90	4.99	5.25
MSCI ACWI*	186	191	3.07	3.81	8.33	9.16

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

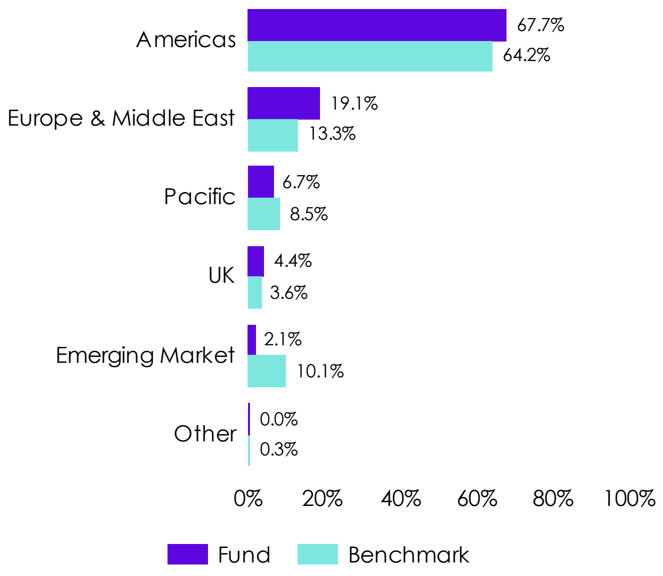
Top 5 active overweights

	Weight %	Benchmark weight %
MASTERCARD INC	2.82	0.55
ANSYS INC	2.14	0.04
INTUIT INC	2.01	0.24
SYNOPSYS INC	1.87	0.11
WORKDAY INC	1.52	0.07

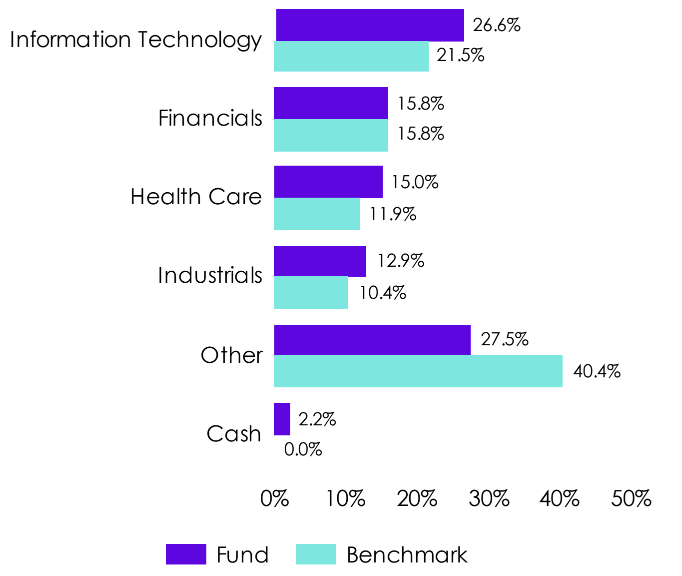
Top 5 active underweights

	Weight %	Benchmark weight %
APPLE INC	-	4.40
ALPHABET INC	1.07	2.44
TESLA INC	-	1.15
META PLATFORMS INC	-	1.10
MICROSOFT CORP	2.60	3.63

Regional exposure



Sector exposure



Diversifying Returns Fund

Launch date
12 August 2020

Investment strategy & key drivers
Strategy utilising currencies, credit, rates and equities

Liquidity
Managed

Benchmark
SONIA +3%

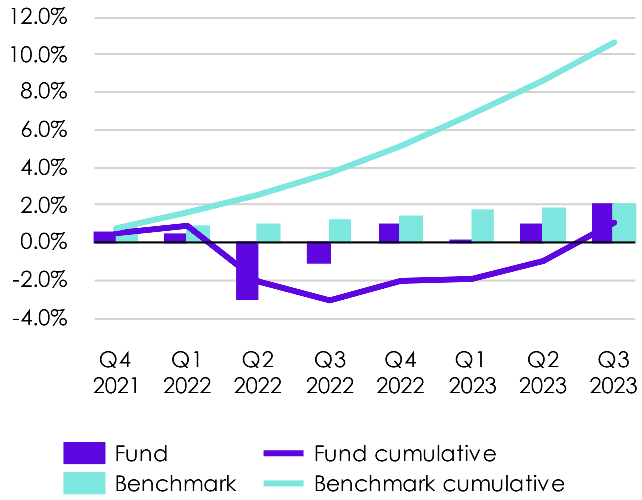
Outperformance target
0% to +2.0%

Total fund value
£1,047m

Risk profile
Moderate

Avon's Holding:
GBP347m

Rolling 2yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	2.0	4.2	3.0	2.5
Benchmark	2.0	7.1	4.7	4.6
Excess	-	-3.0	-1.6	-2.1

Source: State Street Global Services
*per annum. Net of all fees.

Performance commentary

The Diversifying Returns Fund returned 2.0% over the third quarter of 2023. The benchmark return was also 2.0%.

The sterling hedged 50/50 equity/bond index we monitor returned -2.2% over the quarter. Whilst the fund fell behind the cash-plus benchmark (which remains hard to beat in an environment where interest rates have risen aggressively) the fund has again demonstrated an ability to provide returns that are differentiated from traditional asset classes.

Fulcrum generated a positive return of 1.2% over the quarter. In the asset allocation bucket, positive returns from commodities were not enough to offset losses from equities and bonds. The alternative premia and relative value strategies did provide positive returns. Notably, the fund benefited from being long 2-year gilts, as rate expectations shifted.

JPM was up 2.3% for the quarter. The equity Value signal made the largest positive contribution to returns. Positive returns were also generated by the equity Quality and fixed income trend signals, the latter maintaining short exposure to duration as rates continued to rise. The largest negative contribution to return over the quarter came from the equity trend signal, which was positioned long following strong returns from equites over the first half of the year.

Lombard Odier returned of 0.9%, despite equities and bonds providing negative returns on a sterling-hedged basis. Exposure to commodities and commodity carry generated positive returns. The largest negative contribution to return did come from sovereign bonds, though the trend overlay lowered this exposure, reducing the size of the loss.

UBS returned 2.4% over the three-month period. The largest positive contribution to returns came from long exposure to the Norwegian kroner and Columbian peso, which both tend to be pro-cyclical and do well when energy prices rise, as was the case over the quarter. There was also a 25bps rate increase by the Norges Bank. The largest negative contributions to returns came from short positions in the New Zealand dollar and Chinese renminbi. Both currencies strengthened following stronger-than-expected Chinese data releases. The New Zealand dollar also strengthened because of positive domestic growth figures.

Multi-Asset Credit

Launch date
7 July 2021

Investment strategy & key drivers
Exposure to higher yield bonds with moderate credit risk

Liquidity
Managed

Benchmark
SONIA +4%

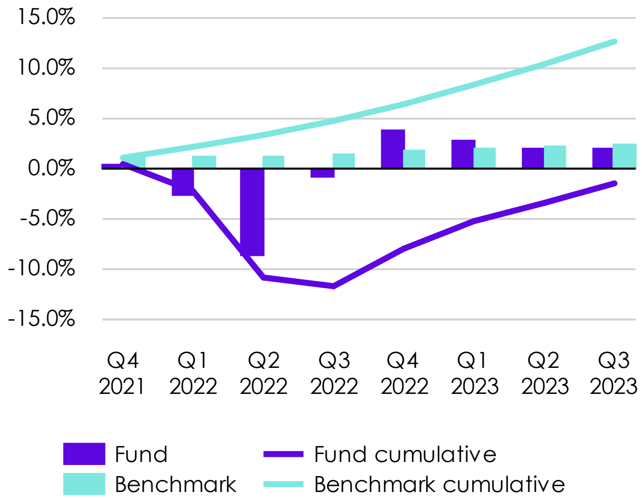
Outperformance target
0% to +1.0%

Total fund value
£[illegible]745m

Risk profile
Moderate

Avon's Holding:
GBP316m

Rolling 2yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	1.9	10.6	-	-0.7
Benchmark	2.3	8.2	-	6.2
Excess	-0.3	2.4	-	-6.9

Source: State Street Global Services
*per annum. Net of all fees.

Performance commentary

Sub-investment grade credit produced a positive return last quarter, despite continued volatility in treasury markets. As mentioned in the CIO Commentary, a higher for longer mentality coupled with an increasing supply imbalance in longer dated treasuries resulted in rising yields. This resulted in heavy price pressure on longer dated issues. Shorter dated issues came through the quarter relatively unscathed.

The US yield curve steepened drastically due to pressures on the long end. The US 10yr yield rose to 4.57%, an increase of +76bps on the quarter. The US 2yr remained relatively stable, rising to 5.04%, a rise of +17bps. Spreads remained quite stable throughout the period.

Returns were mixed at an asset class level. Rate sensitive asset classes once again suffered because of rising yields. Global High Yield bonds - proxied by Bloomberg Global High Yield Index – were flat on the quarter. Whereas the longer duration areas such as Investment Grade, proxied by Bloomberg Global Corporates, fell by -2.3% in local terms. Floating rate assets held up well. Leveraged Loans, approximated by Morningstar LSTA US Leveraged Loan Index, rose by +2.5% in local terms.

The portfolio returned +1.9% over the quarter, which was marginally behind the primary benchmark (SONIA +4%) and +0.3% ahead of the secondary composite benchmark, comprised of 50% Bloomberg Global High Yield and 50% Morningstar LSTA US Leveraged Loan Index. Neuberger Berman, CQS and Oaktree returned +1.3%, +3.1% and +2.7% respectively. Neuberger Berman lagged due to their rate sensitive allocation to Investment Grade Corporates. Neuberger remain happy to hold investment grade as it offers attractive risk adjusted returns in higher rate environments.

Since inception performance is now -0.7%, which lags the primary benchmark by -6.9%. The composite benchmark has returned approximately -0.1% over the same period.

All three managers maintain a cautiously optimistic outlook. All-in yields remain over 9% for the Multi-Asset Credit portfolio with a duration of 2.6 years. Investors should remain cautious of the higher for longer narrative, given the potential default pressure it could exert on stressed credits with floating rate liabilities. Our managers have been heavily focussed on the quality of floating rate issuers, leaving them well positioned to undercut market default rates.

PAB Passive Global Equities

Launch date
1 November 2021

Investment strategy & key drivers
Passive global equity exposure aligned to Paris Agreement climate goals

Liquidity
High

Benchmark
FTSE Dev World PAB

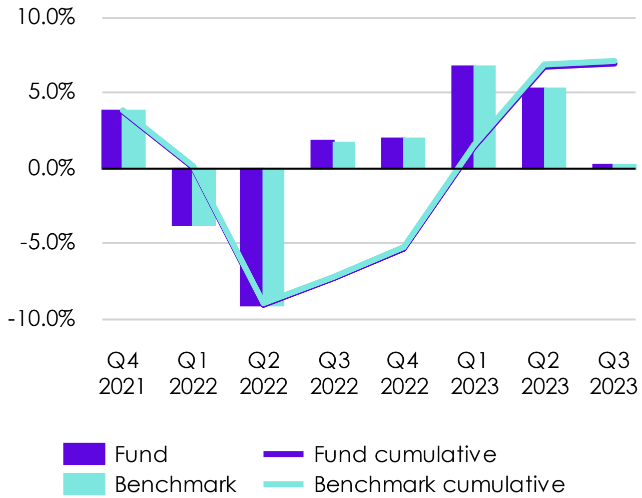
Outperformance target
Match

Total fund value
£2,356m

Risk profile
High

Avon's Holding:
GBP614m

Rolling 2yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	0.2	14.9	-	3.2
Benchmark	0.2	15.0	-	3.2
Excess	-	-0.1	-	-0.1

Source: State Street Global Services
*per annum. Net of all fees.

Performance commentary

The FTSE Developed Paris Aligned index (PAB) returned 0.2% over Q3 2023. The PAB Passive Global Equities product closely replicated the performance of the benchmark over this period. The product underperformed the market capitalisation parent benchmark which returned 0.7%.

This underperformance can be attributed to PAB having less exposure to the Energy sector which is expected given the decarbonisation objectives of the product. A higher allocation to the Consumer Discretionary sector, which underperformed the broader market, also contributed to underperformance relative to the market cap benchmark.

The PAB did gain a positive contribution to returns, relative to the market cap benchmark, through a higher allocation to Alphabet because of a strong positive tilt score on scope 3 emissions, green revenues and TPI management quality. The company's share price benefitted from profits beating analyst expectations, strong growth in its cloud division and positive reaction to news that its AI chat bot was being rolled out across Europe and Brazil. A higher allocation to Novo Nordisk, which scores well on both scope 1 and 2 emissions, scope 3 emissions and TPI management quality, also contributed positively as momentum behind the Wegovy weight loss drug continued.

At portfolio level, the PAB index has greater exposure to the Consumer Discretionary and Health Care sectors and less exposure to the Energy, Consumer Staples and Financials sectors than the market cap index. The PAB also has a higher level of exposure to the US and companies at the top end of the market cap spectrum.

PAB Passive Global Equities

Top 5 holdings

	Weight %	Client value (GBP)*
TESLA INC	**6.61**	**40,593,842**
ALPHABET INC	**6.13**	**37,646,968**
MICROSOFT CORP	**5.92**	**36,382,776**
APPLE INC	**5.75**	**35,327,123**
AMAZON.COM INC	**5.38**	**33,010,042**

*Estimated client value

Largest contributors to ESG risk

	ESG risk score*	
	Q2 2023	Q3 2023
TESLA INC	**27.25**	**25.23**
AMAZON.COM INC	**30.53**	**30.61**
APPLE INC	**16.43**	**17.22**
MICROSOFT CORP	**15.32**	**15.06**
ALPHABET INC-CL A	**24.50**	**24.04**

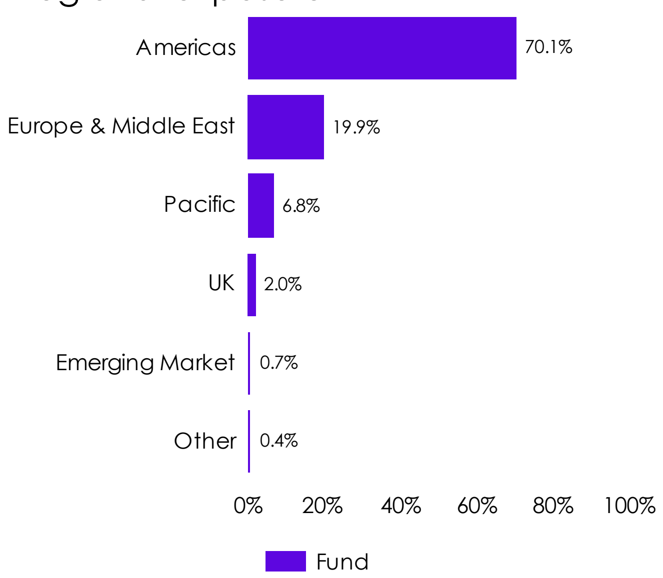
*Source: Sustainanalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

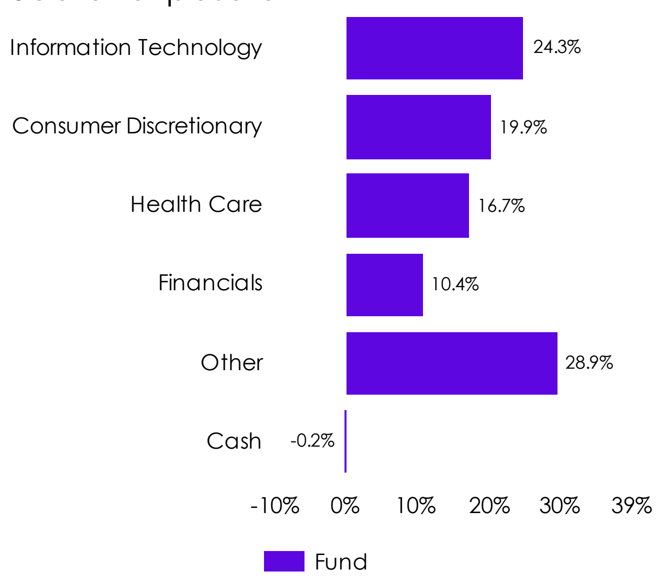
Portfolio	WACI		Total Extractive Exposure[1]		Extractive Industries (VOH)[2]	
	2023 Q2	2023 Q3	2023 Q2	2023 Q3	2023 Q2	2023 Q3
PAB Passive Global	**76**	**76**	0.61	0.72	3.21	3.39
FTSE Dev World TR	**160**	**167**	2.99	3.67	8.64	9.52

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

Regional exposure



Sector exposure



Private Debt Cycle 2

Investment objective
Global portfolio of senior direct loans, predominantly to PE-sponsored companies

Benchmark
SONIA

Outperformance target
+4%

Launch date
1 May 2020

Commitment to portfolio
£245.00m

The fund is denominated in GBP

Commitment to Investment
£245.00m

Amount Called
£148.95m

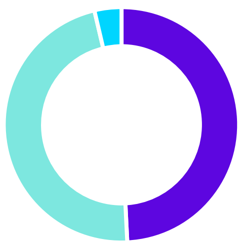
% called to date
60.80

Number of underlying funds
1

Avon's Holding:
GBP154.27m

Country

Invested in underlying investments



Europe	49.2%
North America	47.1%
Asia Pacific	3.7%
Other	-

Source: Aksia and underlying managers
Country data is lagged by one quarter

Sector

GICs level 1

Health Care	29.1%
Information Technology	21.3%
Industrials	17.0%
Consumer Discretionary	15.6%
Financials	8.2%
Other	8.8%

Source: Aksia and underlying managers
Sector data is lagged by one quarter

Performance commentary

Deal Activity began to pick up as GPs acclimatised to the new environment. A contributing factor to this was increased certainty amongst buyers and sellers around the future of interest rate movements. Deals continued to take place albeit with a larger portion of equity (owing to lower levels of debt funding). Fundraising remained difficult and GPs continued to extend offer periods. Inflation began to come down but certain input costs continued to be high. Despite slight improvements in macroeconomic conditions, GPs continued to be inward-looking, focusing on the resilience of their portfolios. Debt manager watchlists began to grow as underlying companies competed with persistent inflation and high interest costs. There was continued pressure on interest coverage ratios (though not to be point of serious stress). Against this backdrop it was especially important to invest with managers who have operated through multiple cycles and show conservatism in their underwriting practices. Large restructuring/workout teams were also at a premium (with many managers actively looking to build such teams out).

The portfolio ended the quarter ~60% invested. Portfolio performance was positive (and showed improvement vs the prior quarter), reflecting the impact of higher interest rates. The portfolio had one position that required restructuring (a US dental services organization). This business struggled to recover from some Covid-related issues. The business required additional liquidity in the form of equity from the sponsor. The company's credit metrics are beginning to look stronger, since the equity injection.

Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter	TVPI	Contribution to return: 1 year	Contribution to return: since inception
154.3	11.0%	13.8%	13,476,474	4,216,210	9,260,264	6,443,230	1.15	0.2%	0.0%

*Money weighted return. Net of all fees.

Private Debt Cycle 3

Investment objective
Global portfolio of senior direct loans, predominantly to PE-sponsored companies

Benchmark
SONIA

Outperformance target
+4%

Launch date
1 April 2022

Commitment to portfolio
£170.00m

The fund is denominated in GBP

Commitment to Investment
£90.93m

Amount Called
£26.12m

% called to date
28.72

Number of underlying funds
3

Avon's Holding:
GBP26.48m

Portfolio performance was flat vs the prior quarter (but remains positive) but we would note that investment measures are too young to be meaningful.

Performance commentary

Deal activity began to pick up as GPs acclimatised to the new environment. A contributing factor was increased certainty amongst buyers and sellers around the future of interest rate movements. Deals continued to take place, albeit with a larger portion of equity (owing to lower levels of more expensive debt funding). Fundraising remained difficult as GPs continued to extend fundraising periods. Headline inflation began to come down. However, certain input costs continued to be high. Despite slight improvements in macroeconomic conditions, GPs continued to be inward-looking, focusing on the resilience of their portfolios. Debt manager watchlists began to grow as underlying companies competed with persistent inflation and high interest costs. There was continued pressure on interest coverage ratios (though not to the point of serious stress). Against this backdrop, it was especially important to invest with managers who operated through multiple cycles and showed conservatism in their underwriting practices. Large restructuring/workout teams were also at a premium (with many managers actively looking to build such teams out).

Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter	TVPI	Contribution to return: 1 year	Contribution to return: since inception
26.5	-	9.1%	5,765,870	282,912	5,482,958	884,926	1.06	0.0%	0.0%

*Money weighted return. Net of all fees.

Infrastructure Cycle 1

Investment objective
Portfolio of predominantly European sustainable infrastructure assets

Benchmark
CPI

Outperformance target
+4%

Launch date
1 October 2018

Commitment to portfolio
£115.00m

The fund is denominated in GBP

Commitment to Investment
£114.58m

Amount Called
£102.42m

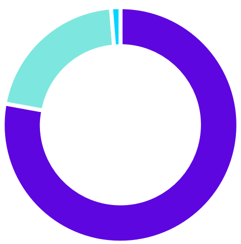
% called to date
89.39

Number of underlying funds
5

Avon's Holding:
GBP107.50m

Country

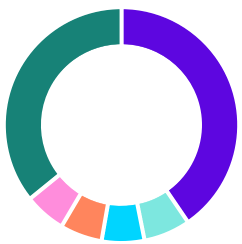
Commitment in underlying investments



Europe (incl. UK)	77.9%
North America	20.8%
Rest Of World	1.3%

Source: Stepstone
Country data is lagged by one quarter

Sector



Wind & Solar	40.4%
Distributed Energy	6.4%
Diversified Social	5.9%
Rail	5.8%
Diversified Renewables	5.7%
Other	35.8%

Source: Stepstone
Sector data is lagged by one quarter

Performance commentary

Global economic growth was resilient over the first half of 2023. Weak manufacturing impacted economies more reliant on exports, and a period of further economic weakness is expected. Consumer demand has yet to see a decline thanks to low unemployment & higher wages. Inflation has started to fall but pressure from the interest rate environment is set to continue.

Renewable developers, specifically in offshore wind, reported increased challenges in Q3 2023 due to rising CAPEX and cost of capital.

While renewables in general have shown resilience, a US specific renewables fund in Cycle 1 has been experiencing difficulties compounded by key team departures in 2021 that forced a governance restructuring. Whilst disappointing, the outlook is brighter now than earlier in 2023. Negotiations and arbitrations with key stakeholders have helped to recoup certain costs and improve the cashflow outlook.

Overall, Brunel's exposure to Renewables is well diversified by geography, technology and revenue profile and the risks discussed continue to be monitored.

As at the end of Q3 2023, Cycle 1 Infrastructure remained ~93% committed with overall deployment increasing to ~84%.

Project Anemoi, the final Tactical investment in Cycle 1, into an operating offshore wind farm in Scotland, was closed at the start of Q4 2023, thus completing Cycle 1. Focus is shifting to portfolio performance and monitoring. Early benchmarking metrics for Cycle 1 infrastructure are positive.

Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter	TVPI	Contribution to return: 1 year	Contribution to return: since inception
107.5	1.6%	7.2%	1,510,443	709,051	801,392	3,921,340	1.17	0.0%	0.0%

*Money weighted return. Net of all fees.

Infrastructure (Renewables) Cycle 2

Investment objective
Global portfolio of renewable energy and associated infrastructure assets

Benchmark
CPI

Outperformance target
+4%

Launch date
1 May 2020

Commitment to portfolio
£120.00m

The fund is denominated in GBP

Commitment to Investment
£120.00m

Amount Called
£57.96m

% called to date
48.30

Number of underlying funds
1

Avon's Holding:
GBP60.04m

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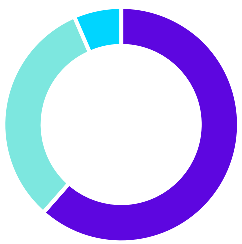
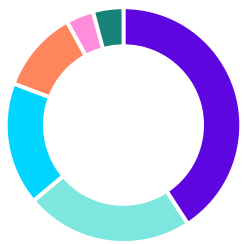
Country

Commitment in underlying investments



Source: Stepstone
Country data is lagged by one quarter

Sector



Source: Stepstone
Sector data is lagged by one quarter

Performance commentary

Global economic growth was resilient over the first half of 2023, albeit a still relatively weak performance. With poor manufacturing data impacting those economies more reliant on exports, expectations are still for a period of further economic weakness across H2 2023 and into 2024. Consumer demand has yet to see a fall in activity, primarily driven by low unemployment rates, wage inflation and post pandemic financial support. Inflation rates have started to fall but pressure from the higher interest rate environment is set to continue, with rates likely to be higher for longer, leaving businesses and consumers likely to further tighten their expenditure to cover higher debt servicing costs.

Renewable developers, specifically in offshore wind, reported increased challenges in Q3 2023 due to rising CAPEX and cost of capital thus impacting projects which had locked in PPA or government revenue contracts at prices now no longer financially viable.

While renewables in general have shown resilience, an investment in the 2R portfolio focusing on developing large offshore wind projects has been particularly impacted by these issues which have been further exacerbated by construction challenges.

A very mild 2023 has negatively impacted many operating renewable businesses as a result of low production rates causing lower than anticipated revenues versus budget. The lower production rates were somewhat netted off by higher power prices. Brunel's exposure to Renewables is well

Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter	TVPI	Contribution to return: 1 year	Contribution to return: since inception
60.0	7.4%	9.1%	1,259,198	313,562	945,636	666,289	1.13	0.1%	0.0%

*Money weighted return. Net of all fees.

Infrastructure (Renewables) Cycle 2

diversified by geography, technology and revenue profile and the risks discussed continue to be monitored.

As at the end of Q3 and not including the recently approved deal, Cycle 2R is ~80% committed and ~48% invested across 6 primary funds and 10 Tacticals. If all approved investments were to be signed and closed, one more Primary allocation will be required to complete the Cycle 2 Renewables' portfolio construction.

As reported to clients in Q3 2023, an approved commitment to a final primary fund has been put on pause and a new search has begun. On a more positive note, the primary commitment into Q-Energy V and a co-investment into Silicon Ranch Corporation have now been finalised. Q-Energy aims to form a diverse portfolio of platform businesses across renewable energy and energy transition in select market segments across Europe. The Tactical investment into Silicon Ranch Corporation is a co-investment into a fully integrated US solar company. A UK solar opportunity and an infrastructure debt co-investment deal in onshore wind & solar in the Nordics has been approved by Brunel and is in final stages of StepStone DD. Together the two investments complete the Tactical allocation for Cycle 2R.

Infrastructure Cycle 3

Investment objective
Global portfolio of infrastructure assets, mainly focussed on climate solutions, energy transition and efficiency

Benchmark
n/a - absolute return target

Outperformance target
net 8% IRR

Launch date
1 April 2022

Commitment to portfolio
£55.00m

The fund is denominated in GBP

Commitment to Investment
£55.00m

Amount Called
£8.26m

% called to date
15.02

Number of underlying funds
1

Avon's Holding:
GBP7.80m

Performance commentary

Global economic growth was resilient over the first half of 2023. Weak manufacturing impacted economies more reliant on exports, and a period of further economic weakness is expected. Consumer demand has yet to see a decline thanks to low unemployment & higher wages. Inflation has started to fall but pressure from the interest rate environment is set to continue.

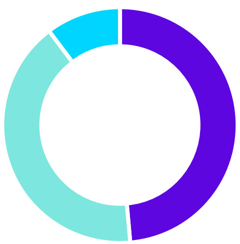
Renewable developers, specifically in offshore wind, reported increased challenges in Q3 2023 due to rising CAPEX and cost of capital. A very mild 2023 has negatively impacted many operating renewable businesses. The lower production rates were somewhat netted off by higher power prices. Brunel's exposure to Renewables is well diversified by geography, technology and revenue profile.

As at the end of Q3, Cycle 3 is ~35% committed and ~16% invested. During Q3, two primary commitments, ICG Infra Equity Fund II and CIP Fund V, have been closed, providing European mid-market exposure and traditional renewable energy exposure across diversified technologies and geographies respectively.

Activity continues at a good pace and post Quarter end the portfolio is ~43% committed including deals subject to final StepStone due diligence. In Q3 2023 a European Natural Capital Primary Fund was approved in addition to two Tacticals: A GP-led secondary opportunity and a Co-investment in a midwestern telecommunications infrastructure platform focusing on Fibre to the Home.

Country

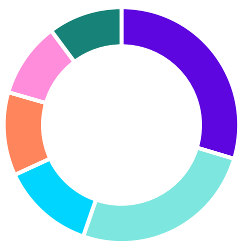
Commitment in underlying investments



Europe (incl. UK)	48.6%
North America	41.1%
Rest Of World	10.3%

Source: Stepstone
Country data is lagged by one quarter

Sector



Timber	29.6%
Utilities	25.7%
Wind	12.8%
Agriculture	11.4%
Diversified Renewables	10.3%
Other	10.2%

Source: Stepstone
Sector data is lagged by one quarter

Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter	TVPI	Contribution to return: 1 year	Contribution to return: since inception
7.8	-	-7.3%	504,422	35,866	468,556	-125,205	0.94	-0.0%	-0.0%

*Money weighted return. Net of all fees.

Secured Income Cycle 1

Investment objective
Portfolio of long-dated income streams, a majority of which are UK inflation-linked

Benchmark
CPI

Outperformance target
+2%

Launch date
1 October 2018

Commitment to portfolio
£345.00m

The fund is denominated in GBP

Commitment to Investment
£345.00m

Amount Called
£344.71m

% called to date
99.92

Number of underlying funds
3

Avon's Holding:
GBP308.64m

Performance commentary

The two long lease property funds held in the portfolio have been impacted by rising interest rates, resulting in valuation declines. Despite economic uncertainty, both funds are confident about their tenant credit ratings, though they are monitoring the situation closely. Rent collection is back up to pre-pandemic levels. M&G Secured Property Income Fund (SPIF) has 100% occupancy, and ASI Long Lease Property (LLP) has only one void in the portfolio (1.9% vacancy), which they are in the process of leasing. Neither fund is leveraged.

Both long lease property funds received large redemption requests after June 2022 (close to 20% of NAV). M&G Secured Property Income Fund (SPIF) made good progress towards clearing their redemption queue, having paid down approximately 77% of the requests as at August. The fund has completed on £860m of disposals of assets, including recent sales of a large office asset in London and a small asset in Derby, both at premiums to book value. Abrdn Long Lease has been selling selective assets strategically but is further behind with its sales programme, having only paid back 35% of its redemption queue. Further sales are expected.

Greencoat Renewable Income (GRI) has continued to draw down investor commitments in Q3. These recent calls have funded further investment into Solar II, the solar PV fund managed by Greencoat, and purchased a stake in the London Array offshore wind farm. The London Array is located in the Thames Estuary 12 miles from the Kent and Essex coasts. The Array consists of 175 wind turbines with a total capacity of 630MW and benefits from Renewable Obligation Certificates (ROCs).

Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter	TVPI	Contribution to return: 1 year	Contribution to return: since inception
308.6	-13.3%	-1.3%	26,285	2,939,563	-2,913,278	-8,275,030	0.98	-0.9%	-0.0%

*Money weighted return. Net of all fees.

Secured Income Cycle 2

Investment objective
Portfolio of long-dated income streams, a majority of which are UK inflation-linked

Benchmark
CPI

Outperformance target
+2%

Launch date
1 May 2020

Commitment to portfolio
£120.00m

The fund is denominated in GBP

Commitment to Investment
£120.00m

Amount Called
£120.00m

% called to date
100.00

Number of underlying funds
3

Avon's Holding:
GBP105.80m

Performance commentary

The two long lease property funds held in the portfolio have been impacted by rising interest rates, resulting in valuation declines. Despite economic uncertainty, managers on both funds are confident about their tenant credit ratings, though they are monitoring the situation closely. Rent collection is back up to pre-pandemic levels. M&G Secured Property Income Fund (SPIF) has 100% occupancy, and ASI Long Lease Property (LLP) has only one void in the portfolio (1.9% vacancy), which they are in the process of leasing. Neither fund is leveraged.

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Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter	TVPI	Contribution to return: 1 year	Contribution to return: since inception
105.8	-11.8%	-1.6%	99,005	2,694,876	-2,595,870	-1,571,600	0.95	-0.3%	-0.0%

*Money weighted return. Net of all fees.

Secured Income Cycle 3

Investment objective
Portfolio of long-dated income streams, a majority of which are UK inflation-linked

Benchmark
CPI

Outperformance target
+2%

Launch date
1 April 2022

Commitment to portfolio
£240.00m

The fund is denominated in GBP

Commitment to Investment
£127.63m

Amount Called
£127.63m

% called to date
100.00

Number of underlying funds
3

Avon's Holding:
GBP132.20m

Performance commentary

The two long lease property funds held in the portfolio have been impacted by rising interest rates, resulting in valuation write downs. Despite economic uncertainty, both funds are confident about their tenant credit ratings, though they are monitoring the situation closely. Rent collection is back up to pre-pandemic levels. M&G Secured Property Income Fund (SPIF) has 100% occupancy, and ASI Long Lease Property (LLP) has only one void in the portfolio (1.9% vacancy), which they are in the process of leasing. Neither fund is leveraged.

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There is approximately £19m to commit to the fund for Cycle 3, either via a primary subscription or via a further secondary market trade, should the opportunity arise. The allocation to Greencoat Renewable Income (GRI) is expected to be drawn down by the end of this year, given the fund's strong pipeline.

Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter	TVPI	Contribution to return: 1 year	Contribution to return: since inception
132.2	-	-	20,639,391	837,679	19,801,712	-1,127,880	1.04	0.1%	0.0%

*Money weighted return. Net of all fees.

UK Property

Investment strategy & key drivers

Portfolio of active UK property funds seeking capital & income returns

Liquidity

Illiquid

Benchmark

MSCI/AREF UK

Outperformance target

+0.5%

Commitment to portfolio

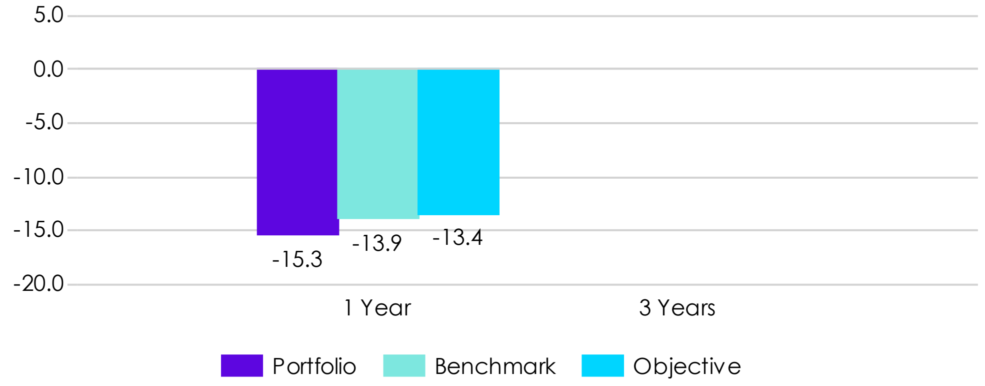
£210.0m

Amount Called

£174.1m

Number of portfolios

13



Performance commentary

Investment volumes remained subdued over the last quarter, with 2023 investment levels expected to reach only half those of 2022 by end-December. Retail, office and industrial yields rose in August by around 10bps, responding to the macro backdrop of 'higher for longer' expectations for interest rates.

Surprisingly, office rental growth continued to rise in London and elsewhere, though the outlook for secondary offices remained poor, as corporates adapted to hybrid working and responded to low economic growth.

Speculative development in the industrial sector was at a peak, with a further 8m sq ft of new space set to reach completion by end-December. Though industrial rental growth had slowed from an annual rate of 13.3% last August, the 6.8% rental growth figure continued to attract investors.

Residential and Healthcare remained the resilient sectors, with limited capital declines and the benefits of a structural tailwind, given the UK supply shortage in both sectors.

Property holdings summary

Holding	Cost (GBP millions)	Market value (GBP millions)	Perf. 3 month	Perf. FYTD	Perf. 1 year	Perf. 3 year	Perf. 5 year	Inception Date
Brunel UK Property	118.7	182.6	0.5%	0.9%	-15.3%	-	-	Jan 2021

Glossary

Term	Comment
absolute risk	Overall assessment of the volatility that an investment will have
ACS	Authorised Contractual Scheme - a collective investment arrangement that holds and manages assets on behalf of a number of investors
active risk/weight	A measure of the percentage of a holding that differs from the benchmark index; can relate to an equity, a sector or a country/region
amount called	In private investments, this reflects the actual investment amount that has been drawn down
amount committed	In private investments, this is the amount that a client has committed to an investment - it will be drawn down (called) during the investment period
annualised return	Returns are quoted on an annualised basis, net of fees
asset allocation	Performance driven by selecting specific country, sector positions or asset classes as applicable
basis points (BP)	A basis point is 0.01% - so 100bps is 1.0%. Often used for fund performance and management fees
CTB	Climate Transition Benchmark - targets 30% lower carbon exposure from 2020 and then a 7% annual reduction
DLUHC	Department for Levelling Up, Housing & Communities; the government body with oversight of pooling
DPI	Distributed to Paid In; ratio of money distributed to Limited Partners by the Fund, relative to contributions. Used for private markets investments
duration	A measure of bond price sensitivity to changes in interest rates. A high duration suggests a bond's price will fall by relatively more if interest rates increase than a bond with a low duration

Term	Comment
EBITDA margin	An EBITDA margin is a profitability ratio that measures how much in Earnings a company is generating Before Interest, Taxes, Depreciation, and Amortization, as a percentage of revenue.
ESG	ESG is an umbrella term to capture the various environmental, social and governance risks investors factor into their assessment of a company's sustainability profile. Brunel views assessing ESG factors as a central part of our fiduciary duty
ESG Score	MSCI (Morgan Stanley Capital International) score based on its assessment of the ESG credentials of an underlying investment. If the portfolio score is below the index, the portfolio is assessed by MSCI to be investing in companies with a better ESG score
extractive exposures VOH	Value of Holdings of invested companies which derive revenues from extractive industries
GP or general partner	In Private Equity, the GP is usually the firm that manages the fund
gross performance	Performance before deduction of fees
Growth	Growth stocks typically exhibit faster long term growth prospects and are often valued at higher price multiples
IRR	Internal Rate of Return - a return that takes account of actual money invested
legacy assets	Client assets not managed via the Brunel Pension Partnership
Low Volatility	Low Volatility is a strategy that attempts to minimise the return volatility.
LP or limited partner	In private equity, an LP is usually a third party investor in the fund
M&A	Mergers and acquisitions

Glossary

Term	Comment
Momentum	An investment strategy that aims to capitalize on the continuance of existing trends in the market
Money-weighted return	A performance measure that takes into account the timing and size of cash flows, including contributions and withdrawals.
MWR	Money weighted return - similar to an IRR - it reflects the actual investment return taking into account cashflows
NAV	Net asset value
net performance	Performance after deduction of all fees
PAB	Paris-Aligned Benchmark - targets a 50% lower carbon exposure from 2020 and then a 7% annual reduction
Quality	Quality stocks typically have a high Return on Equity, a very consistent profit outcome and exhibit higher and stable margins
relative risk	Relative volatility when compared with a benchmark
sector/stock selection	Performance driven by the selection of individual investments within a country or sector
since inception	Period since the portfolio was formed
since initial investment	Period since the client made its first investment in the fund
SONIA	Sterling Overnight Index Average - Overnight interbank interest rate - replacement for LIBOR
source of performance data	Source of performance data is provided net of fees by State Street Global Services unless otherwise indicated

Term	Comment
standard deviation	Standard deviation is a measure of volatility for an investment using historical data. Volatility is used as a measure of investment risk. A higher number may indicate a more volatile (or riskier) investment but should be taken in context with other measures of risk
time-weighted return	A performance measure that eliminates the impact of cash flows, focussing solely on the investment's rate of return over a specific time period. It does not account for the timing and size of contributions and withdrawals.
total extractive exposure	Revenue derived from extractive operations as a % of total corporate revenue
total return (TR)	Total Return - including price change and accumulated dividends
tracking error	A measure of relative volatility around a benchmark. A fund which differs greatly from the benchmark is likely to have a high tracking error
transitioned assets	Client assets that have been transferred to the Brunel Pension Partnership
TVPI	Total Value to Paid In; ratio of the current value of remaining investments within a fund, plus the total value of all distributions to date, relative to the total amount of capital paid in
Value	Value stocks typically have a low valuation when measured on a Price to Book or Price to earnings ratio
WACI	Weighted Average Carbon Intensity; measures the carbon intensity of businesses rather than total carbon emissions. It is expressed as tonnes of CO2 equivalent per million GBP of investment exposure
yield to worst	Lowest possible yield on a bond portfolio assuming no defaults

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Performance data is provided net of fees by State Street Global Services unless otherwise indicated.

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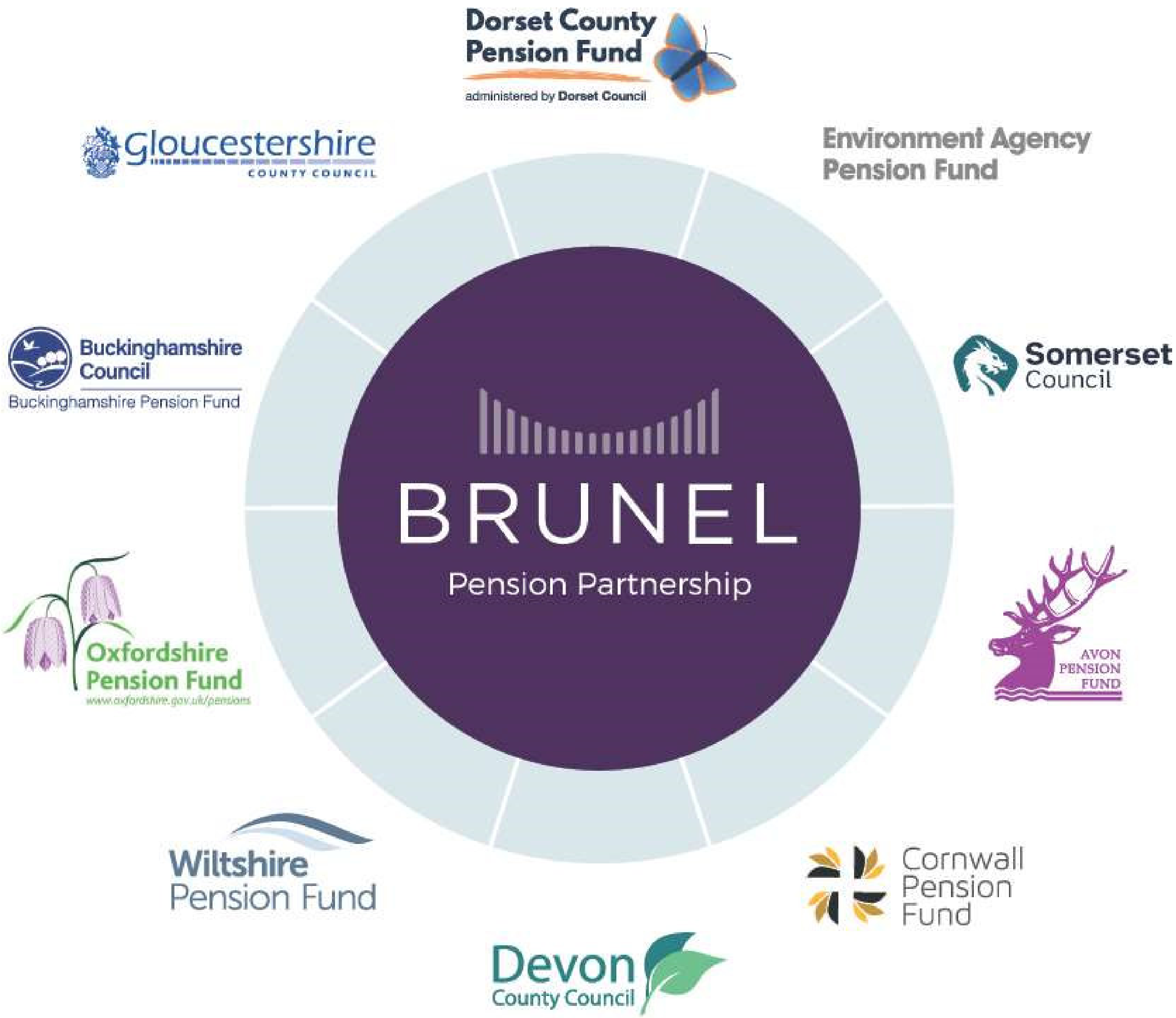
Dorset County Pension Fund
administered by Dorset Council
Environment Agency Pension Fund
Somerset Council
AVON PENSION FUND
Cornwall Pension Fund
Devon County Council
Wiltshire Pension Fund
Oxfordshire Pension Fund
www.oxfordshire.gov.uk/pensions
Buckinghamshire Council
Buckinghamshire Pension Fund
Gloucestershire
COUNTY COUNCIL
BRUNEL
Pension Partnership

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Mercer

welcome to brighter

Avon Pension Fund

Panel Investment Report Quarter to 30 September 2023

November 2023

Steve Turner

A business of Marsh McLennan

Contents

Executive Summary

1

Executive Summary

Market background

- Over the quarter equities were broadly negative and came under pressure amid some hawkish central bank announcements, particularly by the US Federal Reserve.
- UK nominal and real yields rose at medium to longer tenors, and realised inflation remains considerably above target.

Mercer market views

- Our medium term outlook (as at October 2023) is mixed.
- We remain cautious on equities due to expectations for flat or negative corporate profit growth in 2023.
- We continue to a have a modestly positive view on growth fixed income markets (e.g. Multi Asset Credit) due to relatively attractive credit spreads and yields.

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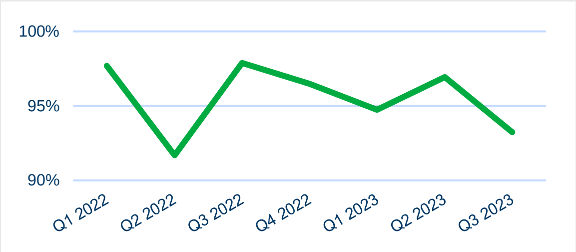
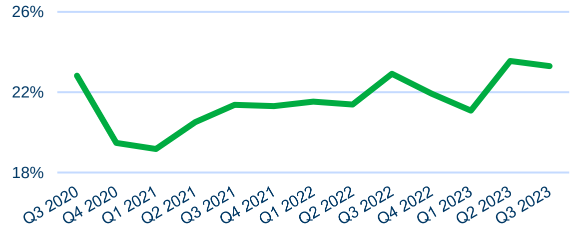
Funding level and risk

- The funding level is estimated to have decreased over the quarter to c. 93% as the assets delivered a negative return whilst the estimated value of the liabilities increased.
- It is estimated to be c. 5% lower over the year to 30 September 2023 (as illustrated to the right).



- The Value-at-Risk remained broadly unchanged over the quarter at £1,316m, and as a percentage of liabilities at 23%.
- The reduction in risk that can be seen in 2020 was due to the move from a static to dynamic equity protection strategy. Levels have gradually increased since 2020 due to market movements and changes in forward-looking assumptions.



Executive Summary

Performance

- The negative return over the quarter was driven by the LDI portfolio and Equity assets. Overseas Property and Secured Income also detracted, whilst the rest of the portfolios delivered positive returns.
- The Currency Hedge detracted from returns over the period due to a relative weakening of Sterling.
- Underperformance relative to the strategic benchmark over the one year period to 30 September 2023 is mainly due to the underperformance of the Overseas Property and Secured Income mandates against their cash/inflation-plus benchmarks, as well as the Sustainable Equity mandate.
- These mandates, in conjunction with the Equity Protection strategy, also explain the underperformance over three years.

	3 Months (%)	1 Year (%)	3 Years (% p.a.)
Total Fund **(1)**	-2.9	-2.1	1.5
Strategic Benchmark **(2)** (ex currency hedge)	-0.1	4.8	7.0
Relative **(1 - 2)**	**-2.8**	**-6.9**	**-5.5**

- The Currency Hedge overlay had positive returns over the one year period, but has detracted over three years. It should be noted that the benchmark does not make an allowance for the currency hedge.

- Absolute returns compared to the strategic returns modelled at the strategy review in 2023 have been mostly positive for the Equity and the Liquid Growth assets,-whilst they have been generally negative within the Illiquid Growth assets.
- A key point underpinning these is that it is comparing only a nine-month period of returns, which is relatively short, so we would caution against making any meaningful conclusions at this stage, on actual performance versus the assumptions used.

Asset allocation and strategy

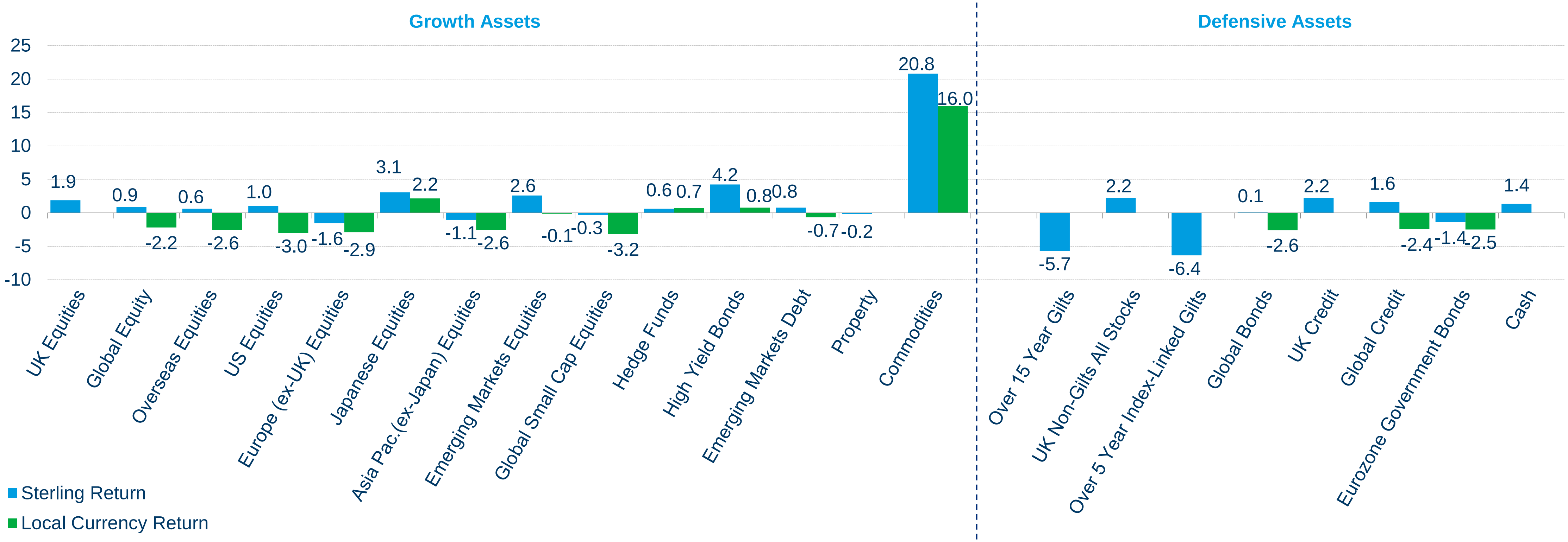
- A net amount of c. £31m was drawn down to the Brunel private market portfolios during the quarter.
- Action was taken at the end of Q3 to begin to allocate to the new 3% target allocation to the Local/Social Impact portfolio, with a £55m commitment to the Schroders Greencoat Wessex Gardens strategy, which aims to invest in renewable infrastructure assets and adjacent technologies in the South West region.

Market Background

2

Market Background

Return over 3 months to 30 September 2023 (%)



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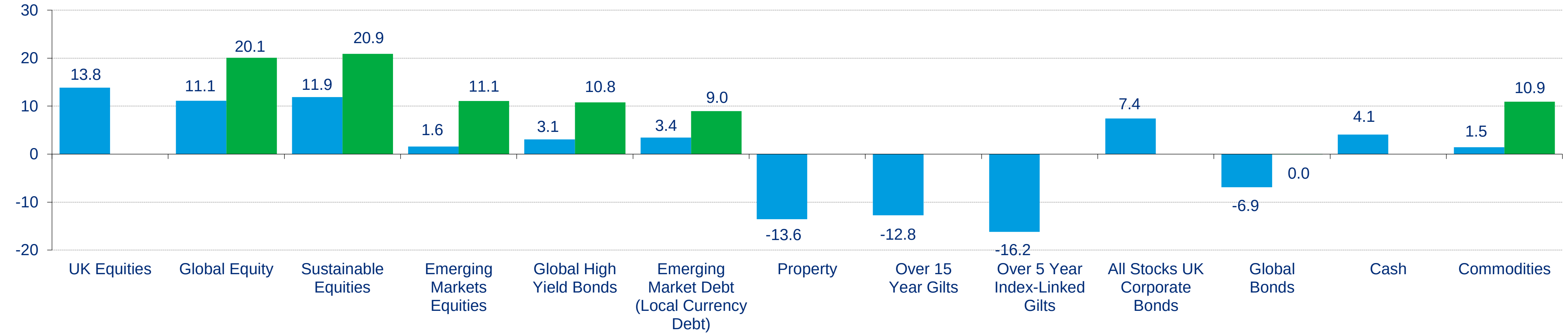
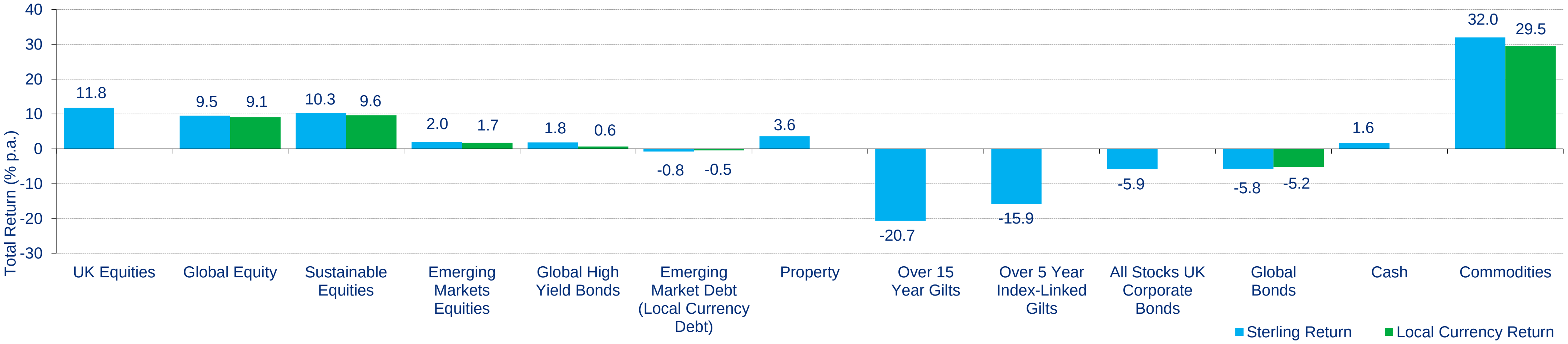
Developed market central bank actions were mixed over the quarter, with some deciding to pause hiking interest rates, and others continuing to increase policy rates. Headline inflation continued to slow and core inflation fell in most regions. Inflation expectations also continued to decline over the quarter. During the quarter, equities were broadly negative and came under pressure amid some hawkish central bank announcements especially by the US Federal Reserve.

Market Background – 1 & 3 Years

Return over 12 months to 30 September 2023 (%)



Return over 3 years to 30 September 2023 (% p.a.)



Mercer

Source: Refinitiv

Mercer Market Views

3

Market Outlook (November 2023)

We believe a period of macroeconomic normalisation will occur over the coming quarter with cooling core inflation and softening labour markets providing a tailwind for equity prices. Our conviction is tempered somewhat by stretched equity valuations driven by US large cap technology companies and optimistic earnings expectations. However, we believe there are regions within equities that present very interesting opportunities. Emerging market debt (and various sub segments of it) stands out as the asset class with the most attractive risk-reward profile. We are negative on developed market high yield bonds as we believe current spreads do not compensate you enough for the likely pick up in default activity as economies slow. We are overweight on developed market sovereign bonds as the latest sell-off has brought yields into a reasonably attractive territory. We are underweight cash-like assets as a funding source for these positions.

Equities

At a headline level, we are overweight equities. Within the asset class we are overweight **emerging market (EM) equities** versus developed market (DM) equities. Emerging market central banks are ahead of the curve, having hiked interest rates earlier than developed market central banks. With slowing inflation firmly underway some are in a position to begin cutting rates – something many developed market counterparts are not in a position to do. Loosening monetary policy should create a decent tailwind for emerging markets going forward.

Growth Fixed Income

We are overweight growth fixed income at a high level. Within growth fixed income, we are overweight **frontier market debt**. We view the asset class as an idiosyncratic opportunity. Yields remain attractive both for hard currency and local currency. Our GDP-weighted hard currency (HC) yield currently sits at 18.4%, compared to 8.5% available in more mainstream HC EMD. Positioning is extremely light given its low exposure in investor portfolios globally. Risks, of course, remain high in many individual countries, but when a broad selection of the bonds of these countries are combined, the risk of the asset class is much lower, with FMD one of the best performing bond asset classes in 2023 and with only modest volatility.

Defensive Fixed Income

We are overweight defensive fixed income versus cash. Government bond yields have sold off sharply and are now at close to their highest in two decades. While we think central banks are a long way from cutting interest rates, valuations are reasonably attractive for the first time in many years. Soft economic growth should lead to softer inflation over time. The main exception to this is Japan, where we expect yields to rise further. We have increased our nominal duration and moved overweight **nominal government bonds**. We do not have a preference between global nominal and real bonds because breakeven inflation rates appear at broadly fair levels. Regionally, we are also overweight UK gilts as we believe disinflation momentum will persist and the Bank of England will not need to hike rates again. Also in the UK, we prefer nominal to real because the inflation rates implied by break-evens appear too high. In Japan, we are significantly underweight duration as we believe the Bank of Japan will tighten policy over the next few years.

Currency

In currencies, we remain bearish on the US dollar. Large twin deficits (fiscal and current account) coupled with extended valuations against developed and emerging market counterparts are conducive in our view for significant currency depreciation. We are positive on the Japanese yen as monetary policy tightening should be supportive. In addition, the yen remains very cheap versus the US dollar, possibly providing an asymmetric investment opportunity. We continue to favour emerging market currencies on valuation grounds.

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

Global Property Market Outlook

- With inflation having fallen back to more moderate levels and growth slowing under pressure from higher borrowing costs, most economists believe major central banks are at or near the end of their rate hiking cycle. Reaching interest rate stability is the first and most important point for a turn in real estate markets.
- The yield spread of property over local government bonds (as shown in the chart on the right) is currently very low in a historic context. Reversion of the yield spread through rising property yields seems therefore inevitable. However, we expect the yield spread to move closer to the historic norms of 200-250bps rather than the 400-500bps yield spread that prevailed for much of the past decade.
- Importantly, strong fundamentals coupled with high inflation also means that the negative impact of rising property yields is partially mitigated by the positive effects of rental growth as part of valuations. Resilient labour markets and healthy savings rates are effectively softening the blow of the capital market correction.
- While some uncertainties remain, the global economy appears to be on course for a “soft landing”, supporting the strong occupational fundamentals in most property sectors and markets. Together with relatively low Net Asset Values, the period ahead could finally present the opportunity for investors seeking to gain/increase exposure to income-producing real estate to enter into core/core-plus funds. With subscription queues having reduced across even the strongest of these funds, new capital may be drawn in a matter of months.
- Finally, over the longer term, real estate can provide asynchronized returns from liquid investments or other private market asset classes due to the asset class’s inflation-linked qualities and ability to tap into different economic sectors. This remains a fundamental reason to include the asset class in a diversified portfolio.

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	EUROPE		
Equity	Core/ Core+	Value Add	Oppor-tunistic
Themes	CPI Linkage	ESG refurbs	Niche sectors
	UK repriced assets	Secondary locations	Aggregation
	CBD-style offices	High leverage	Spec Development

Attractive value: With substantially higher interest rates and less bank financing available, real estate debt strategies show highly attractive risk-adjusted returns. Equity investors can also tap into this theme by backing certain opportunistic managers. Strong capital value growth prospects remain for several undersupplied niche sectors across markets.

Worst value: We think that real estate markets will see more repricing in Q4 2023 and the first half of 2024. We have maintained the US Core/Core+ segment as “less attractive” for now as this market works through this process of repricing. While capital value corrections are also still likely in the other regions, the worst looks to be behind us in the UK and parts of Europe, while markets in Asia Pacific are more boosted by growth and should see more shallow declines.

Disclaimer: For illustration purposes only. The above table presents a simplified perspective at the time of writing this report and is subject to change without notice. All categories offer attractive opportunities and optimal allocations are subject to manager selection. The outlook represented is for new investors with a non-constrained risk budget over a 3 to 5 year investment horizon. ‘Unattractive’ positions therefore do not imply advice to liquidate existing investments.

Further guidance is available in Mercer’s *Global Market Summary: Quarterly Real Estate Report, October 2023*

Very attractive	Attractive	Neutral	Less Attractive	Unattractive	Not applicable

Funding Level and Risk

4

Funding Level and Deficit

The Fund's assets returned -2.9% over the quarter, whilst the liabilities are estimated to have increased by c. 0.4%* due to the rise in inflation expectations.

The combined effect of this saw the estimated funding level decrease to c. 93%.

The funding level is estimated to be c. 5% lower over the year to 30 September 2023.

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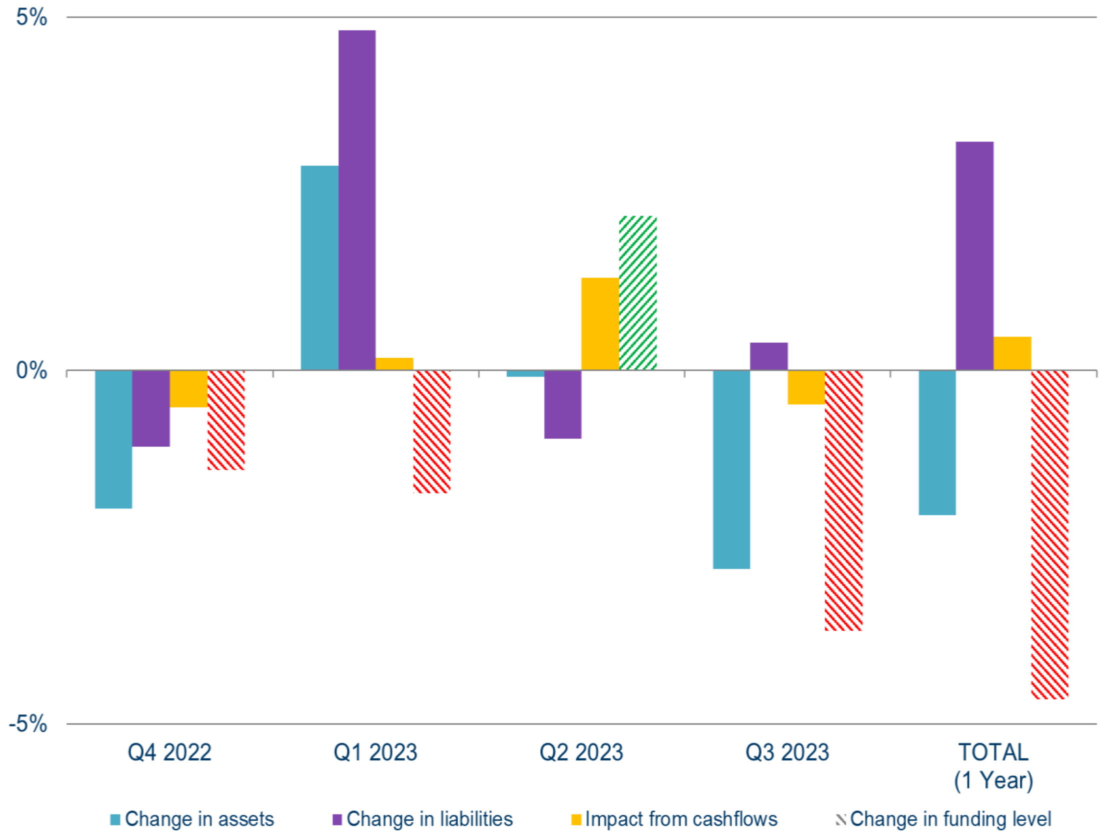


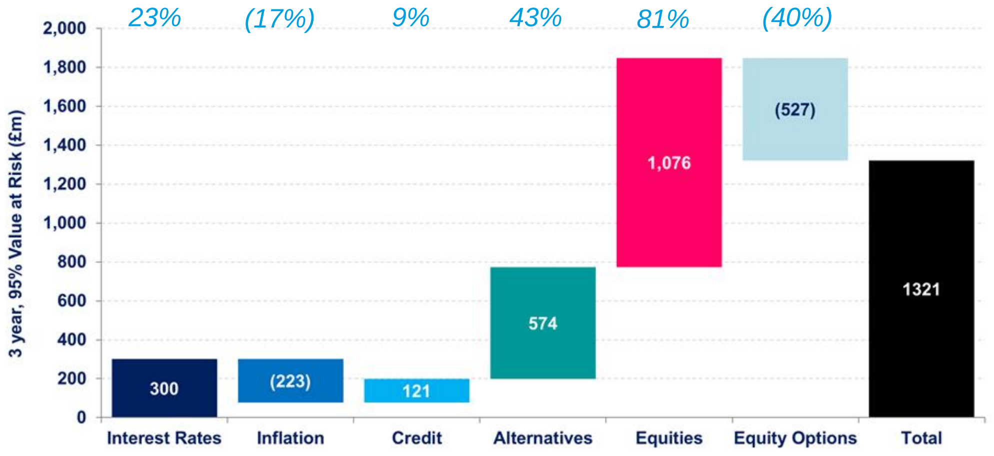
The deficit was estimated to have increased over Q3 to c. £382m:

*Since the Q2 investment report, the liability values from December 2022 to June 2023 have been restated retrospectively to reflect cashflow experience.
Liability values are estimated by Mercer. They are based on the actuarial valuation assumptions as at 31 March 2022 and the 'CPI plus' discount basis.
Impact figures are estimated by Mercer.

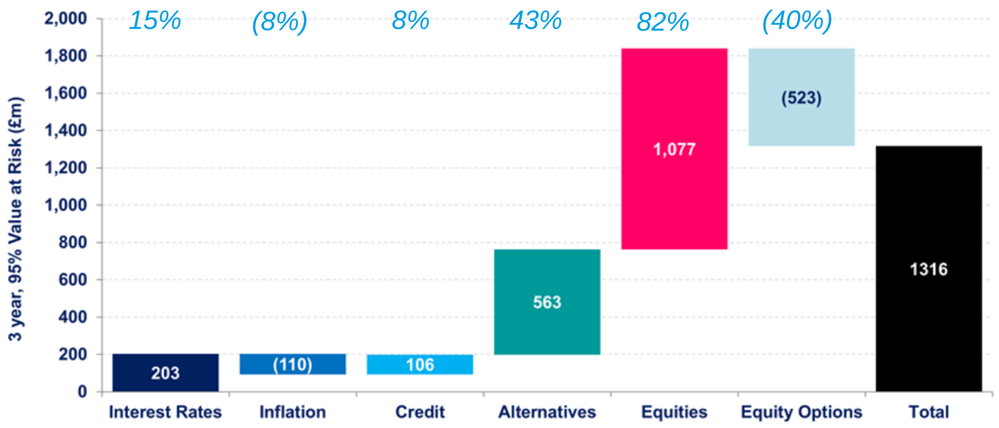
Risk Decomposition – 3 Year Value at Risk

- The two charts below illustrate the main risks that the Fund is exposed to, and the size of these risks in the context of the change in the deficit position.
- The purpose of showing these 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 final columns show 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.

30 June 2023



30 September 2023



- As at 30 September 2023, if a 1-in-20 ‘downside event’ occurred over the next three years, the funding position could deteriorate by at least an additional **£1.3bn**.
- Each bar to the left of the total 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 decreased by £5m over the quarter**.
- VaR remained broadly unchanged as a percentage of liabilities at 23%.

Mercer

VaR figures shown are based on approximate liability data rather than actual Fund cashflows, and are based on the strategic asset allocation at the time. They are therefore illustrative only and should not be used as a basis for taking any strategic decisions.
Both are using cashflows from the 2022 valuation and reflecting the new SAA.

Performance Summary

5

Total Fund Performance

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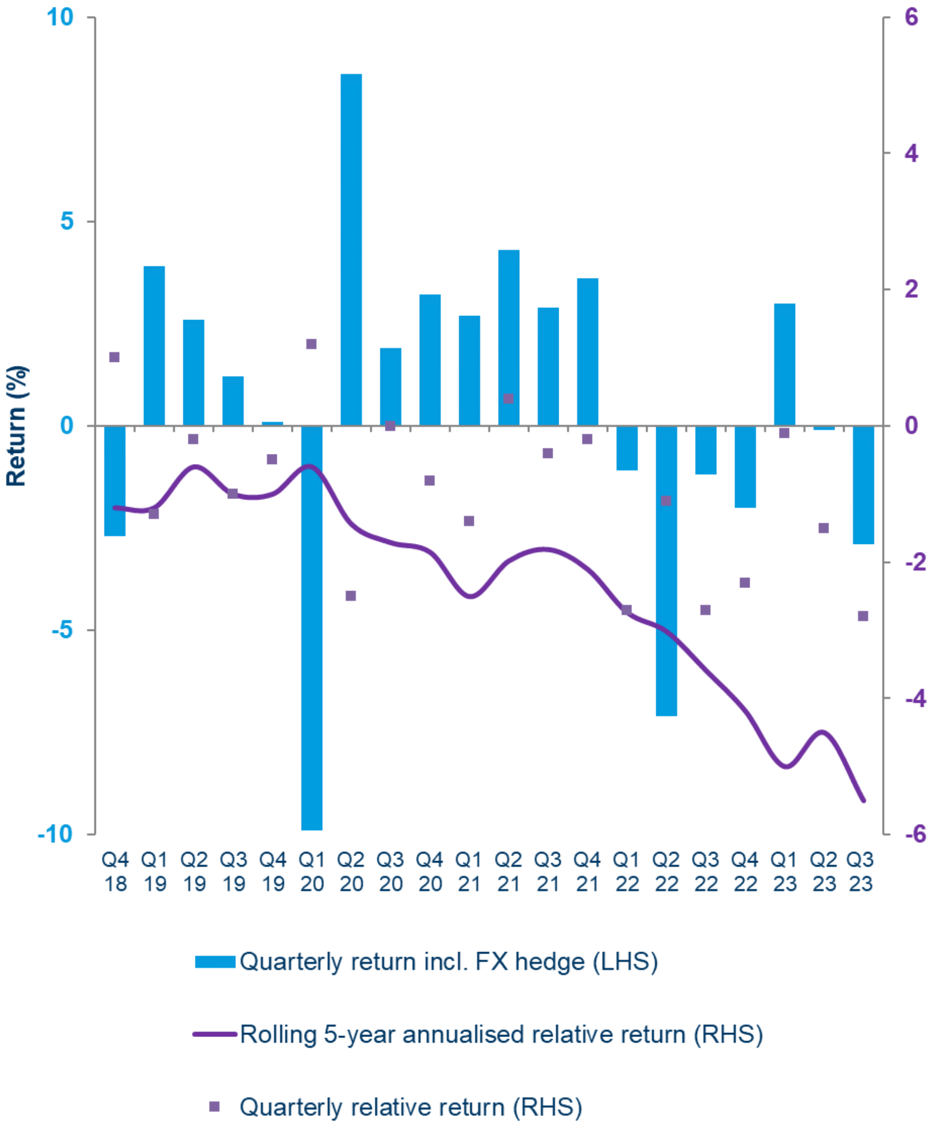


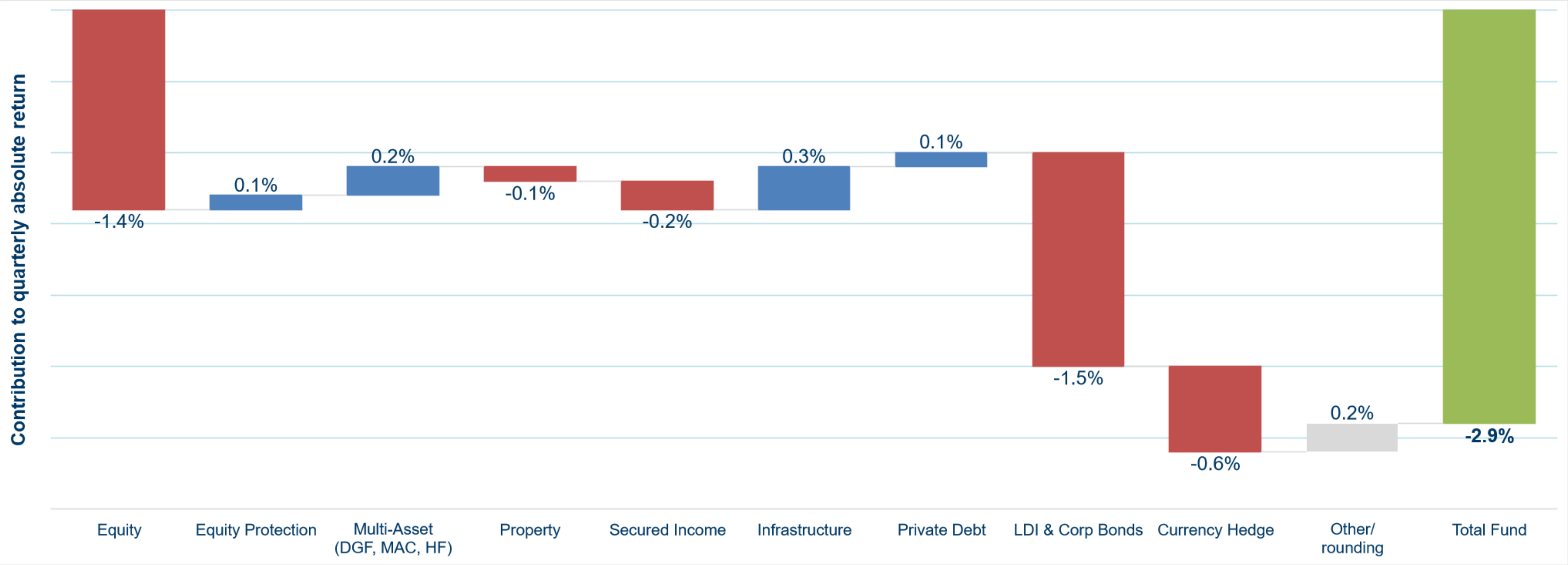
	3 Months (%)	1 Year (%)	3 Years (% p.a.)
Total Fund **(1)**	-2.9	-2.1	1.5
Total Fund (ex currency hedge)	-2.3	-3.8	1.7
Strategic Benchmark **(2)** (ex currency hedge)	-0.1	4.8	7.0
Relative (1 - 2)	**-2.8**	**-6.9**	**-5.5**

Source: Custodian, Mercer estimates. Returns are net of fees.

Commentary

- As illustrated on the next slide, the negative return of Fund assets over the quarter was driven by the LDI portfolio and Equity assets.
- Relative performance was mixed. UK Property, Infrastructure and Private Debt fared well, but total underperformance was ultimately driven by below-benchmark returns for the active equity mandates (which make up around a fifth of the portfolio), and Overseas Property and Secured Income have continued to underperform their cash/inflation-plus benchmarks in the current environment.
- These asset classes also drove underperformance over three years, and the Equity Protection strategy also detracted over this period (as we would expect given the positive performance from the physical equity holdings).
- The Currency Hedge detracted from returns over the quarter and three years due to a relative weakening of Sterling.

Total Fund Performance Attribution – Quarter

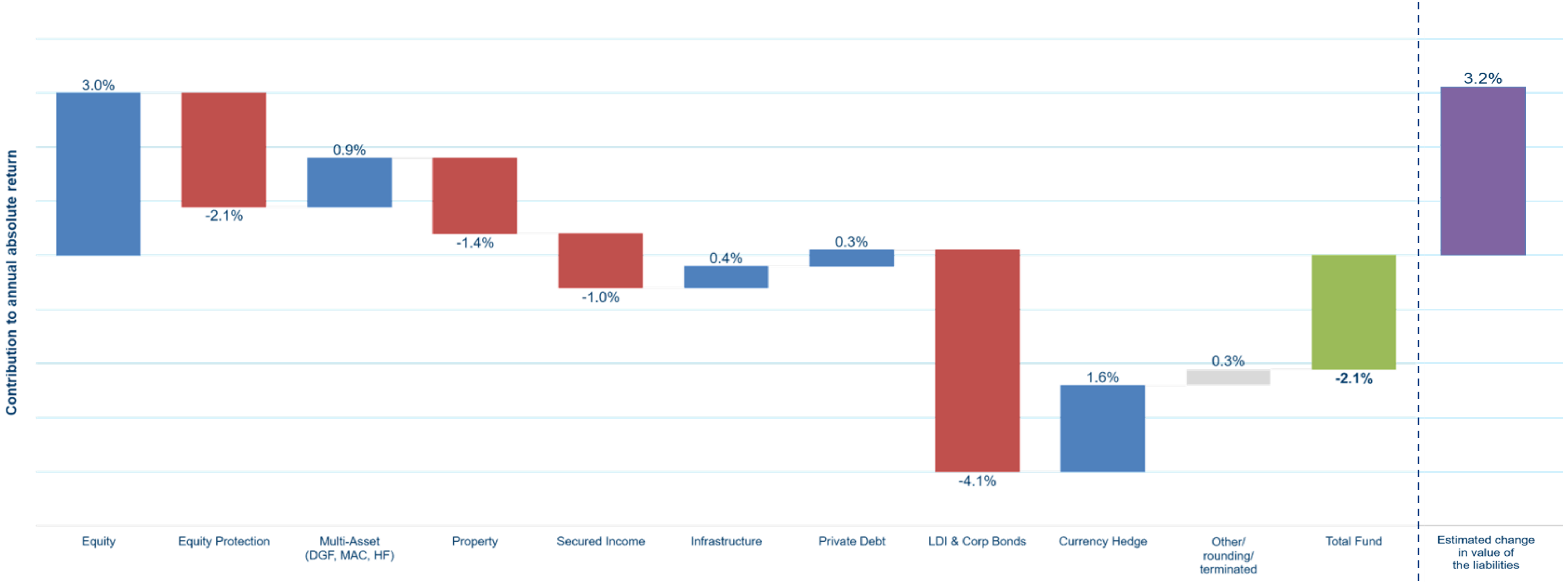


Source: Custodian and Mercer estimates
'Other' contributions to the total can include the relatively small holdings in the ETF, cash, the impact of cashflows and terminated mandates, as well as rounding.

The negative return on the Fund assets over the quarter was driven mainly by the decline in value of the LDI portfolio as nominal yields and inflation expectations rose, and negative performance from the Equity portfolio. The Equity Protection dampened losses somewhat, though proportionally this was only marginal, as the majority of the negative performance in Equities was due to active management (i.e. the underlying benchmark index returns were slightly positive).

The other broad Growth asset categories were mixed. The Currency Hedge contribution was negative due to the weakening of Sterling.

Total Fund Performance Attribution – 1 Year



Source: Custodian and Mercer estimates
‘Other’ contributions to the total can include the relatively small holdings in the ETF, cash, the impact of cashflows and terminated mandates, as well as rounding.

The negative returns from LDI and the Equity Protection were the main detractors over the 1 year period.

Property and Secured Income have also had a difficult year, though all other Growth asset categories contributed positively, especially Equity.

The Currency Hedge contribution was positive due to the strengthening of Sterling.

Performance vs. Expected Strategic Returns

Growth Asset	Brunel Global High Alpha	Brunel Global Sustainable	Brunel Passive Global PAB	Brunel Diversified Returns	Brunel Multi-Asset Credit
Benchmark Allocation	10.5%	10.5%	20.5%	6.0%	6.0%
Commentary	Returns above expectations* since December 2022 due to equity market strength year-to-date. Active management contribution has been marginally positive over this period.	Returns below expectations* since December 2022 due to a negative active management contribution. However period is still less than one year.	Returns above expectations* since December 2022 due to equity market strength.	Returns below expectations* since December 2022 due to flat Q1 performance, however period is still less than one year.	Returns above expectations* since December 2022 thanks to strength in high-yield debt markets year-to-date.

**Expected strategic returns reflect the assumptions for the 2023 Investment Strategy Review, which are as at 31 December 2022.*
Given this, the return period covers nine months whereas the expected returns are per annum, so there are limitations at this stage to making direct comparisons.

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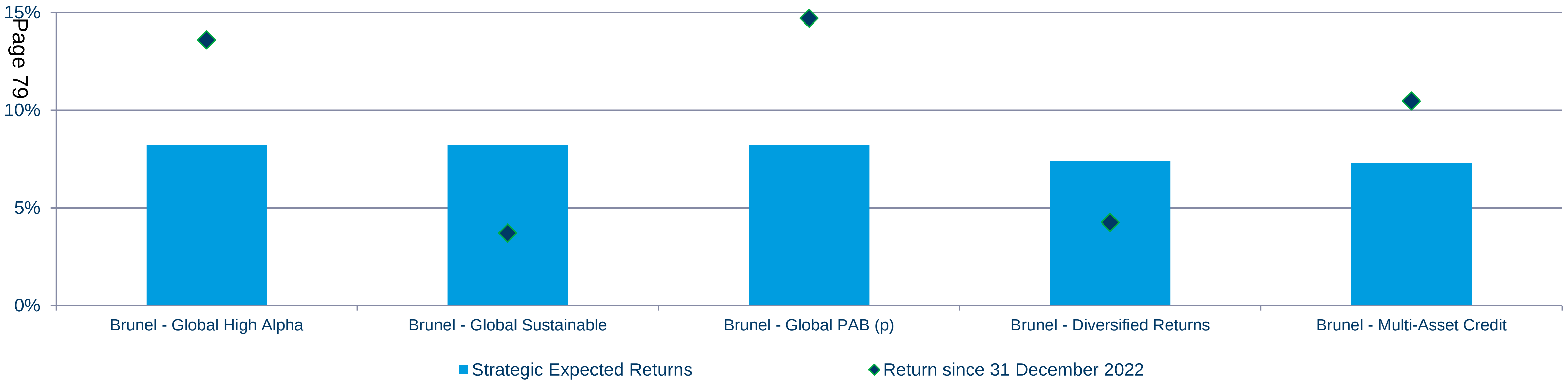
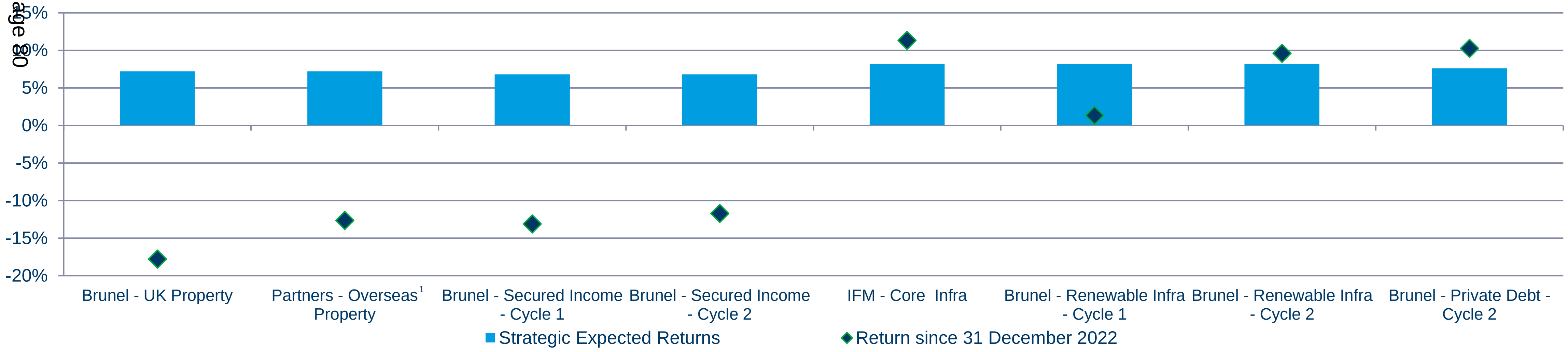


Notes:
We have illustrated the performance of the key mandates within the Fund's investment strategy.
Actual returns are from 31 December 2022 to 30 September 2023, except if otherwise stated below. Returns for periods over a year have been annualised.
The strategic expected returns are from the 2023 strategy review, which reflect the 10 year mean Mercer Q4 2022 asset model assumptions.

Performance vs. Expected Strategic Returns

Growth Asset	**Brunel UK Property**	**Partners Overseas Property**	**Brunel Secured Income**	**IFM Core Infra**	**Brunel Renewable Infra**	**Brunel Private Debt**
Benchmark allocation	3.75%	3.75%	9.0%	4.0%	5.0%	4.5%
Commentary	Returns below expectations* since December 2022 due to the challenges seen in Property markets year-to-date.			Returns above expectations* since December 2022.	Returns for cycle 2 assets (first drawdown in October 2021) above expectations* since December 2022, though the assets within cycle 1 (first drawdown in January 2021) have reported lower returns. Mandates are still in the drawdown phase.	Returns above expectations* since December 2022. Mandates are still in the drawdown phase.

**Expected strategic returns reflect the assumptions for the 2023 Investment Strategy Review, which are as at 31 December 2022.*
Given this, the return period covers nine months whereas the expected returns are per annum, so there are limitations at this stage to making direct comparisons.



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We have illustrated the performance of the key mandates within the Fund's investment strategy.
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The strategic expected returns are from the 2023 strategy review, which reflect the 10 year mean Mercer Q4 2022 asset model assumptions.
[1] Returns are shown up to 30 June 2023, as this is the latest data available.

Mandate Performance to 30 September 2023

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Manager / Asset Class	3 Months			1 Year			3 Year			3 Year Performance Target (% p.a.)**	3 Year Performance vs Target
	Fund (%)	B'mark (%)	Relative (%)	Fund (%)	B'mark (%)	Relative (%)	Fund (% p.a.)	B'mark (% p.a.)	Relative (% p.a.)		
Brunel Global High Alpha Equity	-0.6	0.7	-1.3	13.6	12.1	+1.3	8.3	10.7	-2.2	+2-3	Target not met
Brunel Global Sustainable Equity	-4.1	0.7	-4.8	3.6	11.0	-6.7	3.9	9.5	-5.1	+2	Target not met
Brunel Passive Global Equity Paris-Aligned	0.2	0.2	0.0	14.9	15.0	-0.1	N/A	N/A	N/A	-	N/A (p)
MSCI World Paris-Aligned (Synthetic)	-0.7	-0.7	0.0	N/A	N/A	N/A	N/A	N/A	N/A	-	N/A (p)
Brunel Diversified Returns Fund	2.1	2.0	+0.1	4.2	7.1	-2.7	3.0	4.6	-1.5	-	Target not met
Brunel Multi-Asset Credit	1.9	2.3	-0.4	10.6	8.2	+2.2	N/A	N/A	N/A	-	N/A
Brunel UK Property	0.5	-0.7	+1.2	-15.6	-13.9	-2.0	N/A	N/A	N/A	-	N/A
Partners Overseas Property*	-4.9	2.5	-7.2	-13.9	10.0	-21.8	-2.2	10.0	-11.1	-	Target not met
Brunel Secured Income - Cycle 1	-2.6	0.4	-3.0	-13.2	6.6	-18.6	-0.1	6.6	-6.3	+2	Target not met
Brunel Secured Income - Cycle 2	-1.5	0.4	-1.9	-11.7	6.6	-17.2	N/A	N/A	N/A	+2	N/A
IFM Core Infrastructure	3.3	2.5	+0.8	11.4	9.2	+2.0	11.9	6.7	+4.9	-	Target met
Brunel Renewable Infrastructure - Cycle 1	3.8	0.4	+3.4	1.3	6.6	-5.0	6.4	6.6	-0.2	+4	Target not met
Brunel Renewable Infrastructure - Cycle 2	1.1	0.4	+0.7	9.6	6.6	+2.8	N/A	N/A	N/A	+4	N/A
Brunel Private Debt - Cycle 2	4.6	2.3	+2.2	10.3	8.2	+1.9	N/A	N/A	N/A	-	N/A
BlackRock Corporate Bonds	1.1	1.1	0.0	7.2	7.2	0.0	-11.5	-11.5	0.0	-	N/A (p)
BlackRock LDI	-7.5	-7.5	0.0	-22.7	-22.7	0.0	-1.0	-1.0	0.0	-	N/A (p)
Equity Protection Strategy	0.1	N/A	N/A	-7.0	N/A	N/A	-5.0	N/A	N/A	-	N/A

Source: Investment Managers, Custodian, Mercer estimates. Returns are net of fees. Returns are in GBP terms
Relative returns have been calculated geometrically (i.e. the portfolio return is divided by the benchmark return) rather than arithmetically.
A summary of the benchmarks for each of the mandates is given in the Appendix.
Green = mandate exceeded target. Red = mandate underperformed target. Black = mandate performed in line with target (mainly reflecting passive mandates).

Performance for Partners in IRR terms. Performance for IFM is in TWR terms.
Performance of the Equity Protection Strategy is estimated by Mercer based on the change in market value of the options over time, accounting for realised profit/loss upon rolling of the strategy.
*Partners performance is to 30 June 2023, as this is the latest data available.
**Where the outperformance target has not already been incorporated into the benchmark returns shown. See Appendix for further details.
Performance is not yet illustrated for Private Market Cycle 3 investments, which will become more meaningful with the passage of time.

Asset Allocation

6

Valuation by Asset Class

Asset Class	Start of Quarter (£'000)	End of Quarter (£'000)	Start of Quarter (%)	End of Quarter (%)	Benchmark (%)	Ranges (%)	Relative (%)
Global High Alpha Equity	635,125	652,442	11.6	12.4	10.5	5.5 - 15.5	+1.9
Global Sustainable Equity	589,576	565,170	10.8	10.7	10.5	5.5 - 15.5	+0.2
Paris-Aligned Equity*	1,346,330	1,342,923	24.7	25.5	20.5	12.5 - 28.5	+5.0
Diversified Returns Fund	339,865	346,912	6.2	6.6	6.0	3 - 9	+0.6
Fund of Hedge Funds**	22,335	24,174	0.4	0.5	-	No set range	+0.5
Multi-Asset Credit	310,208	316,209	5.7	6.0	6.0	3 - 9	+0.0
Property	332,948	328,138	6.1	6.2	7.0	No set range	-0.8
Secured Income	543,334	546,652	10.0	10.4	9.0	No set range	+1.4
Core Infrastructure	314,803	325,290	5.8	6.2	4.0	No set range	+2.2
Renewable Infrastructure	168,655	175,333	3.1	3.3	5.0	No set range	-1.7
Private Debt	158,685	180,756	2.9	3.4	4.5	No set range	-1.1
Local / Social Impact	-	-	-	-	3.0	No set range	-3.0
Corporate Bonds	163,667	165,443	3.0	3.1	2.0	No set range	+1.1
LDI & Equity Protection	1,023,496	900,673	18.8	17.1	12.0	No set range	+5.1
*Synthetic Equity Offset**	-733,621	-728,850	*-13.4*	*-13.8*	-	-	-
Other***	239,340	127,087	4.4	2.4	-	0 - 5	+2.4
Total	**5,454,760**	**5,268,365**	**100.0**	**100.0**	**100.0**		

Source: Custodian, Investment Managers, Mercer. Red numbers indicate the allocation is outside of tolerance ranges.
Totals may not sum due to rounding.
*Paris-Aligned includes synthetic exposure via the BlackRock QIF; Synthetic Equity Offset reflects an offsetting value to account for the difference between the exposure to equity markets and the actual mark to market value of the holding.
**Mandate due to be terminated.
***Valuation includes internal cash, the ETF and currency instruments.

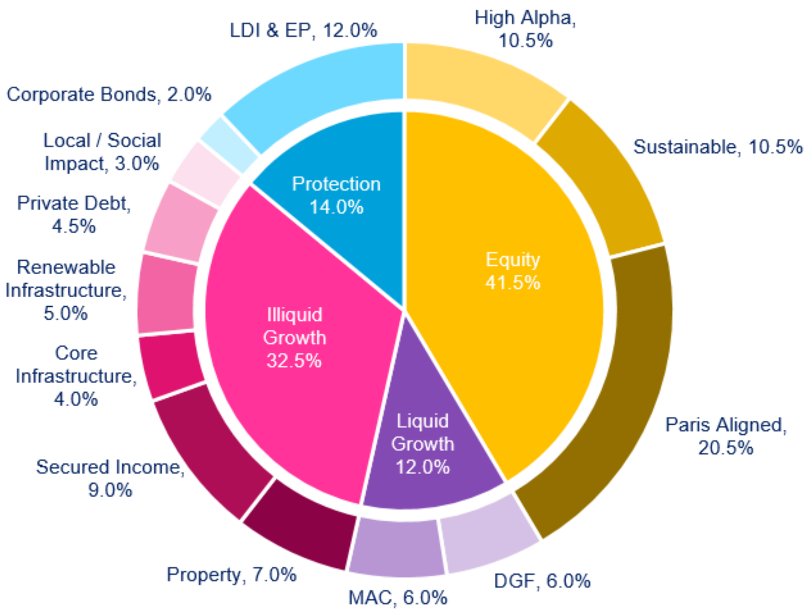
Valuation by Manager

Manager	Asset Class	Start of Quarter (£’000)	Cashflows (£’000)	End of Quarter (£’000)	Start of Quarter (%)	End of Quarter (%)
Brunel	Global High Alpha Equity	621,442		617,895	11.4	11.7
Brunel	Global Sustainable Equity	589,576		565,170	10.8	10.7
Brunel	Passive Global Equity Paris Aligned	612,709	-12	614,073	11.2	11.7
BlackRock	MSCI Paris-Aligned (Synthetic)*	733,621		728,850	13.4	13.8
Brunel	Diversified Returns Fund	339,865		346,912	6.2	6.6
JP Morgan	Fund of Hedge Funds	22,335		24,174	0.4	0.5
Brunel	Multi-Asset Credit	310,208		316,209	5.7	6.0
Brunel	UK Property	181,693	-45	182,581	3.3	3.5
Schroders	UK Property	12,750	-34	12,738	0.2	0.2
Partners	Overseas Property	138,506	-367	132,819	2.5	2.5
Brunel	Secured Income – Cycle 1	319,833	-2,923	308,645	5.9	5.9
Brunel	Secured Income – Cycle 2	109,972	-2,690	105,805	2.0	2.0
Brunel	Secured Income – Cycle 3	113,528	19,802	132,202	2.1	2.5
IFM	Core Infrastructure	314,803		325,290	5.8	6.2
Brunel	Renewable Infrastructure – Cycle 1	102,773	758	107,496	1.9	2.0
Brunel	Renewable Infrastructure – Cycle 2	58,427	816	60,038	1.1	1.1
Brunel	Renewable Infrastructure – Cycle 3	7,456	407	7,799	0.1	0.1
Brunel	Private Debt – Cycle 2	138,568	9,030	154,272	2.5	2.9
Brunel	Private Debt – Cycle 3	20,117	5,483	26,485	0.4	0.5
BlackRock	Corporate Bonds	163,667		165,443	3.0	3.1
BlackRock	LDI & Equity Protection	1,023,496		900,673	18.8	17.1
BlackRock	*Synthetic Equity Offset**	-733,621		-728,850	-13.4	-13.8
Record	Currency Hedging (incl. collateral)	70,650		36,142	1.3	0.7
BlackRock	ETF	125,687	-65,000	59,927	2.3	1.1
Internal Cash	Cash	55,925	7,586	64,792	1.0	1.2
Total		**5,454,760**	**-27,190**	**5,268,365**	100.0	100.0

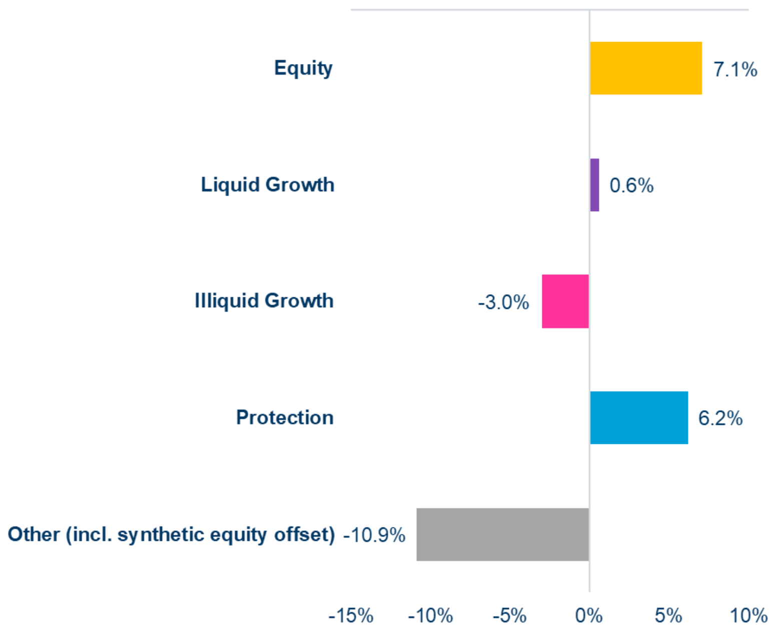
Source: Investment Managers, Mercer. Totals may not sum due to rounding.
The cashflow column shows only the cash movements within the asset portfolio. It does not include non-investment cash movements such as employer contributions or pension payments made, however these amounts are included in the ‘Internal Cash’ start and end balance to reflect the asset value position of the total Fund. * MSCI Paris-Aligned synthetic exposure is via the BlackRock QIF; Synthetic Equity Offset reflects an offsetting value to account for the difference between the exposure to equity markets and the actual mark to market value of the holding.

Positioning relative to target

Strategic Asset Allocation ("SAA")



Relative positioning



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Commentary

- The Plan last updated its Strategic Asset Allocation as part of the 2023 Investment Strategy Review.
  - Action was taken at the end of Q3 to begin to allocate to the new 3% target allocation to the Local/Social Impact portfolio, with a £55m commitment to the Schroders Greencoat Wessex Gardens strategy, which aims to invest in renewable infrastructure assets and adjacent technologies in the South West region.
- The right hand side chart displays the actual relative weights of the key portfolio building blocks compared to the SAA:
  - The overweight to Equity reflects relative outperformance to other parts of the portfolio over the past year.
  - The underweight to Illiquid Growth reflects the fact that capital is yet to be drawn down to the new allocation to a Local / Social Impact portfolio. The other parts of this sub portfolio are in line with the target in aggregate.
  - The overweight to Protection reflects the collateral boost provided by the synthesising of some of the Equity allocation; meaning that in practice an overweight to this building block is likely persist and is unlikely to trigger any consideration for action, which would continue to be driven more specifically by collateral adequacy requirements.

Current Topics

7

Current Topics

“LGPS: Next Steps on Investment” Consultation

“LGPS: Next Steps on Investment” Consultation – Proposals and Mercer Responses

Asset Pooling

Proposals to **accelerate and expand pooling** and a deadline proposed of 31 March 2025 to transition at least all listed assets.

We fully understand the government’s desire to set a deadline for pooling listed assets, however we are of the opinion that 31 March 2025 is too soon from a practical perspective.
Larger pools may offer the potential for greater economies of scale, but assets under management should not be the only consideration.
In terms of passively managed funds held outside the pools, we would strongly caution against a “pooling at all costs” approach.

Levelling Up

Require funds to have a plan to invest up to **5% of assets to support levelling up**. Private markets mentioned as the principal way in which this can be implemented.

We support the comply-or-explain nature of the proposals, consistent with Administering Authorities being responsible for setting investment strategy.
Any reporting on Levelling Up needs to be cognisant of the many pressures facing the LGPS and their Officers.

Private Equity

Ambition of **10% allocation** to private equity

In our view, such guidance goes against the principle that Administering Authorities are responsible for setting the investment strategy and could potentially limit ability to manage pension fund affordability and contribution stability.
We foresee practical issues in defining private equity.
The interaction between the government’s levelling up plans for the LGPS and the 10% allocation to Private Equity needs to be defined.

Relevance to the Fund

✔

The outcome of the LGPS Next will have an impact on the Fund. Further work could be done around mapping the Fund’s existing investments to the Levelling Up Missions.

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Improved Funding Levels

Improved Funding Position

Why may funding levels have improved?

- Likely a combination of asset returns and reduced liability values.
- As gilt yields rise, asset return expectations also tend to rise (but this is not always the case). As asset return expectations rise, the value placed on the Fund’s liabilities tend to fall.
- Dependent on the **actuarial assumptions** (how much expected returns and therefore the actuarial discount rate is linked to gilt yields).
- We can help you **engage with the Fund Actuary** to understand the current state of play in terms of funding position, discount rate, contributions impact and underlying assumptions.

Interim investment strategy review

The market environment has **fundamentally changed** since 31 March 2022 with yields and inflation potentially persisting **higher for longer**

Understand the current **Risk/Return** characteristics	Consider alternatives that **Reduce Risk and Increase Liquidity**	Consider asset classes that are **attractive** in this high yield environment

Undertaking an interim investment strategy review will ensure the Fund can capitalise on a strong position ahead of the next actuarial valuation

Liquidity analysis review

Assess impact on net cashflow position if contributions were to reduce significantly

Plan for how additional **Cashflow Requirements** would be met from wider Fund assets	Assess whether the pace of **Private Markets Commitments** needs to be revised	Ensure any strategic considerations are mindful of the consultation

Important to consider investment strategy and liquidity implications ahead of the next valuation

Relevance to the Fund

✔

The Fund has been working on a strategy review throughout 2023 including liquidity analysis.

Mercer

Current Topics

Private Equity

Why continue to invest in it?

Returns for private capital have outperformed public markets over long-term timeframes

- **Expanded investment universe**
- **Greater alpha potential**
- **Better diversification of return**
- **Governance and control**

PE Strategies

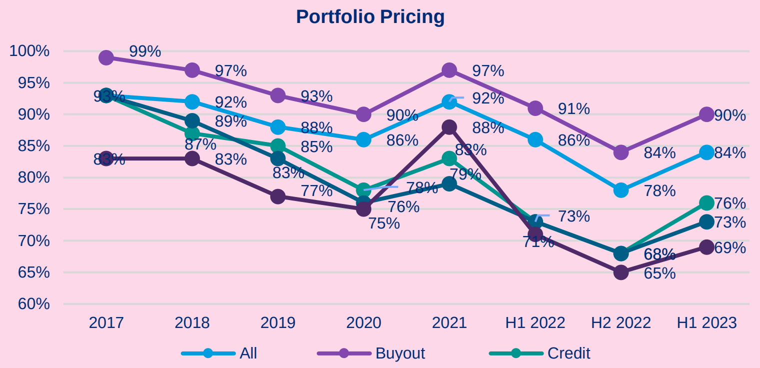
Venture Capital
Minority equity investments to help companies launch, develop, or expand initial operations.

Buyout
Majority equity investments in mature companies with operating cash flows.

Growth Equity
Minority equity investments to help companies grow quickly by expanding operations or entering new markets.

Special Situations
Special Situations arise from market volatility, pricing dislocations and periods of stress/distress.

Secondary Market Opportunities



Relevance to the Fund

The fund has considered private equity in the past but agreed not to make an allocation. Current focus within the illiquid asset portfolio is on the Local/Social Impact portfolio and Natural Capital

High Lease to Value Property: Impact of corporate DB redemptions

Implications for LGPS

Pooled Real Estate funds are shrinking, but the exit of corporate DB investors may create attractive entry pricing opportunities for some funds via the secondary market. We envisage three alternative scenarios for investors to consider:

Steady State
(low/medium probability)

Controlled Shrinkage
(base case)

Liquidity Crunch
(low/medium probability)

Relevance to the Fund

The Fund has several investments in Property and we consider the market in our separate paper for the Panel

Natural Capital

Biodiversity and natural capital

Biodiversity is the variety of living things on Earth and includes the variability within and between species, and within and between ecosystems.

Natural capital includes the renewable and non-renewable natural assets providing resources and services to people and economic systems.

Why is it important?

- **Biodiversity loss can create financial risk**
- **Investing in companies that have a negative impact on nature creates reputational and legal risk**
- **Investing in nature will help realize net zero objectives**

Mercer's Sustainable Investment Pathway - Recommendations

1 Beliefs — 2 Policy — 3 Process — 4 Portfolio

ESG Good Practice
1. Revisit your ESG beliefs and policies.
- Understand nature and climate linkages.
- Include nature in climate policies.

2. Monitor the stewardship activity of asset managers.
3. Conduct audits of asset managers

ESG Leader
1. Revisit your ESG beliefs and policies.
   - Conduct belief sessions that include nature.
   - Include nature positivity in investment policy.
2. Include nature as a stewardship priority.
3. Understand exposure to the TNFD priority sectors.
4. Allocate to natural capital opportunities (see right hand side).

Relevance to the Fund

The Fund continues to progress on ESG matters and has agreed to consider allocations to Natural Capital following the climate review workshop.

Appendix

Q3 2023 Equity Market Review

In the US, equities were broadly negative, the rally in the so-called magnificent seven (e.g. Nvidia & Microsoft) slowed. The hawkish US Fed announcement had an adverse impact on US equities. Within equities, emerging markets outperformed developed markets but still generated negative returns on an absolute basis. Energy was the best-performing sector last quarter.

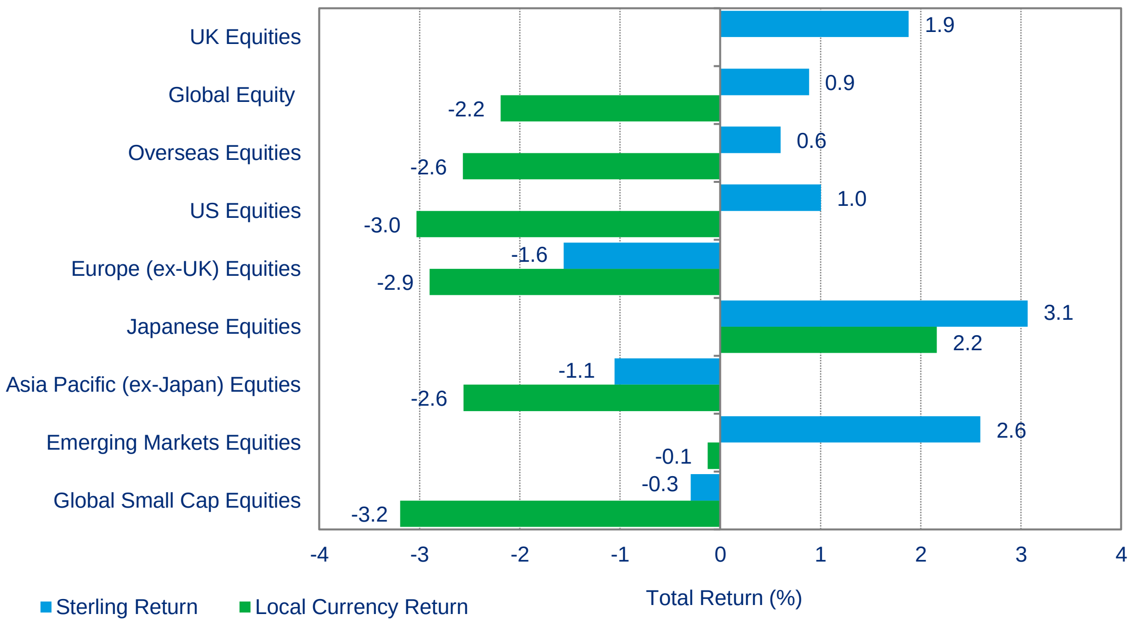
Global equities returned 0.9% in sterling terms and -2.2% in local currency terms as the dollar appreciated versus sterling.

US equities returned -3.0% in local currency terms, whilst European (ex-UK) equities returns -2.9%, and Japanese equities returned 2.2%.

Emerging markets ('EM') equities returned -0.1% in local terms.

Global small cap stocks returned -3.2% in local terms. Small-cap equities were negative as more cyclical assets underperformed during the quarter.

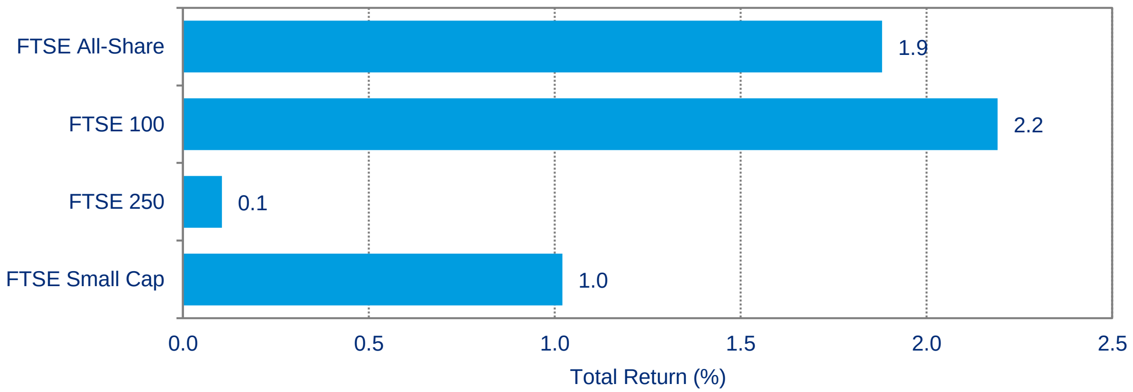
Equity Performance



The **FTSE All Share** index returned 1.9% over the quarter with the large cap **FTSE 100** index returning 2.2%. More domestically focused, equities (**FTSE 250**) produced positive returns. The **small cap** index produced a positive 1.0% return.

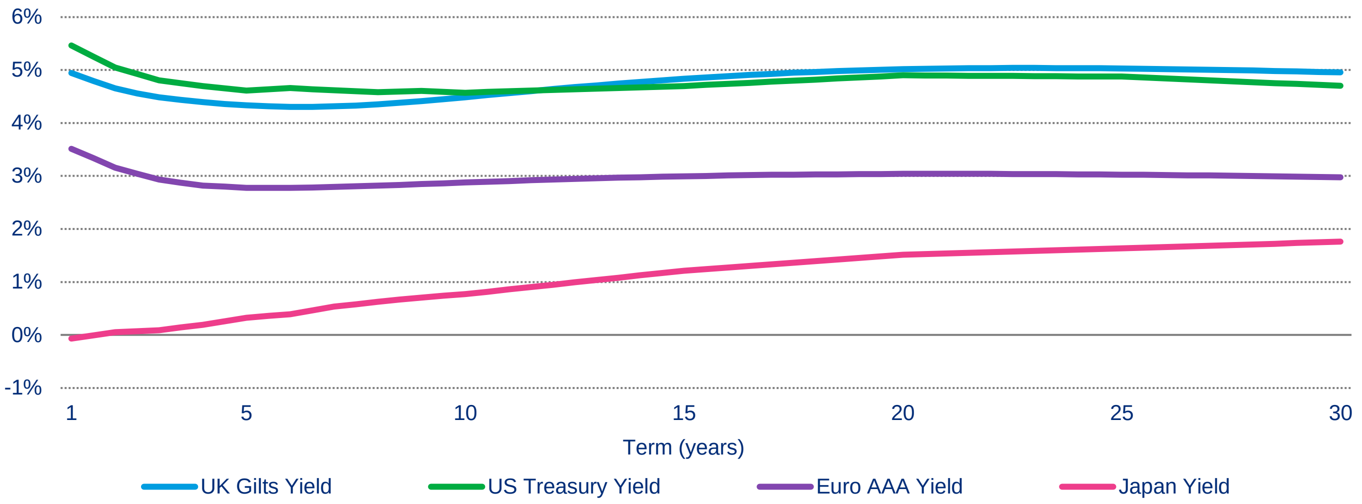
Strong performance in the basic materials and energy sectors supported the UK performance relative to global equities.

FTSE Performance by Market Cap



Source: Refinitiv

Q3 2023 Bond Market Review



Source: Mercer and Bloomberg

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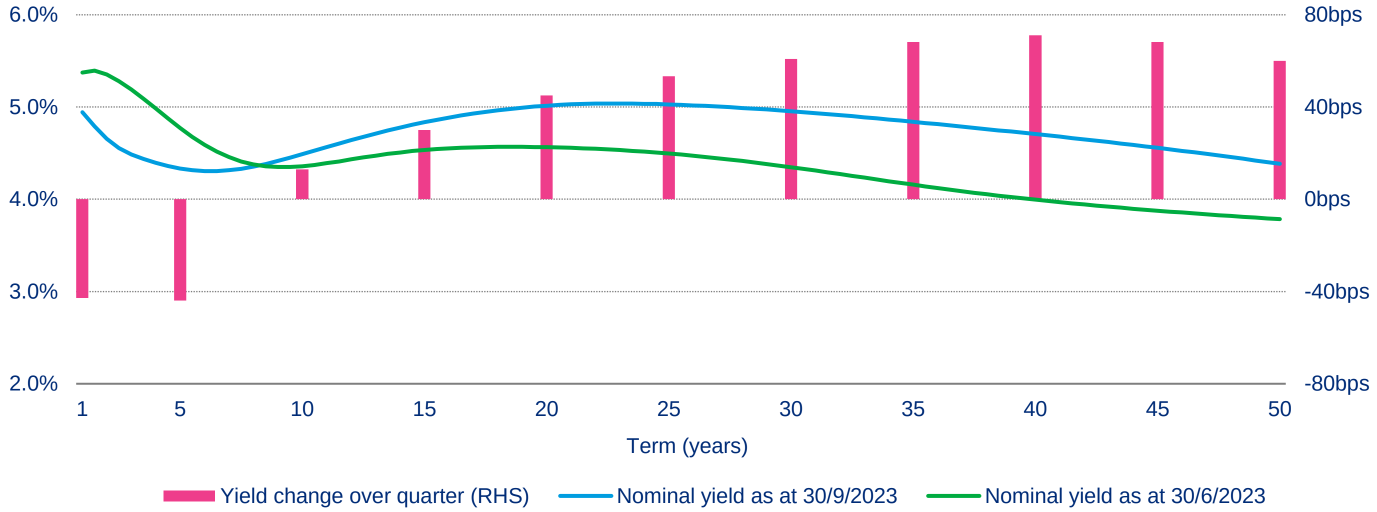


Source: Mercer

Government Bond Yields

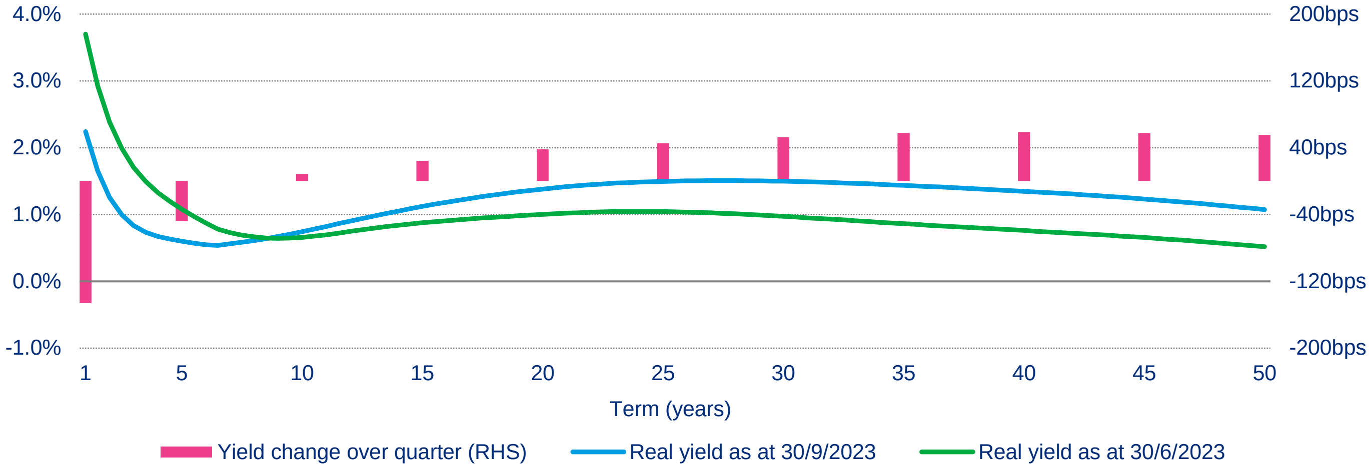
10-year global government bond yields rose sharply over the quarter. Across developed markets, curves steepened after prolonged flattening since the start of the central banks' policy tightening. In the UK, short-dated gilts were volatile and fell sharply post lower than expected inflation numbers and the BoE's dovish hikes. Intra quarter UK yields surpassed the levels witnessed during the gilt crisis in September 2022 but finished the quarter around 4.5%.

Unlike the UK, in the US most of the steepening was driven by the long end of the curve. 2-year yields in the UK fell by 30bps while in the US it rose by 25bps. 20-year yields rose by around 50bps in the UK and 100bps in the US.

Both the Federal Reserve and the Bank of England raised interest rates just once over the quarter.

The German 10-year yield rose by c.50bps. The European Central Bank raised rates twice over the quarter and signaled that it is close to the peak of rate hike cycle and now leaning more towards leaving rates on hold for a long period to bring inflation back to target rather than continuing to hike rates further. Most of the rise in yields took place in September due to spill over from the US.

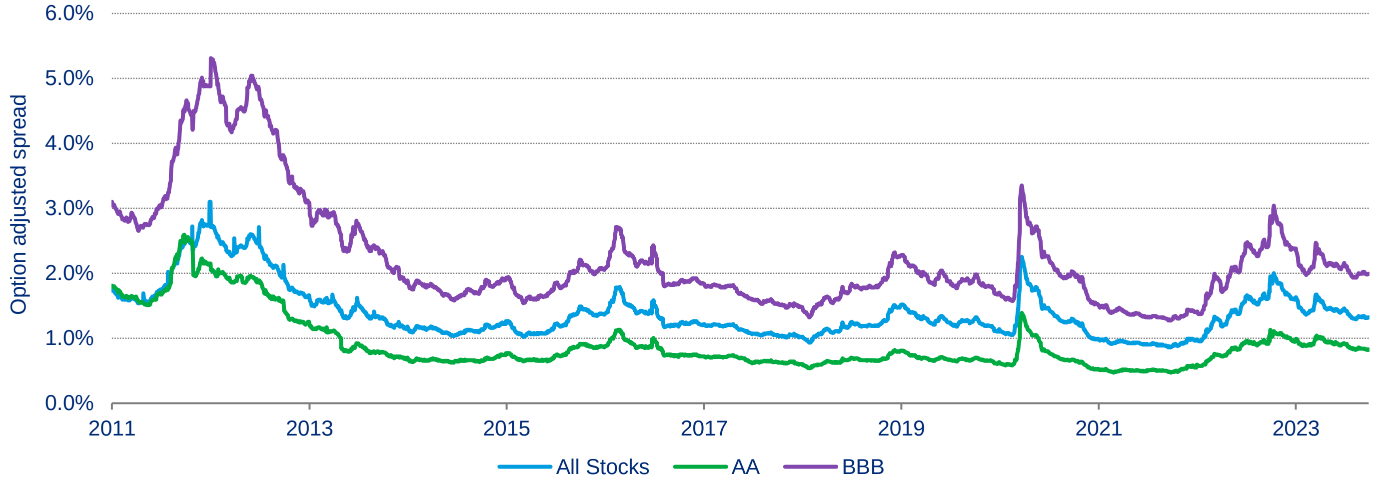
Q3 2023 Bond Market Review



Source: Mercer

UK Index-Linked Gilt Yields

UK real yields rose most in the long end of the curve, led by spillover effect from the US real yields move. UK inflation remains considerably above target. Real yields, for all maturities remain in positive territory. Market based measures of inflation expectations, in the form of breakeven inflation were flat over the quarter. The UK 10-year breakeven rate finished the quarter at ~3.85%. Market based measures of inflation expectations for the US rose over the quarter.



Source: Refinitv

Corporate bonds

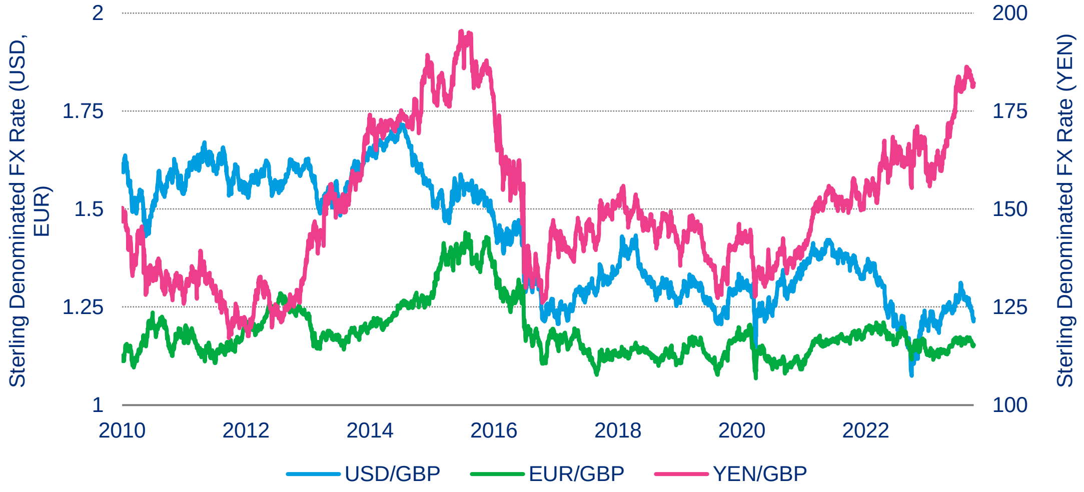
Spreads on UK investment grade credit tightened marginally over the quarter, with spreads on lower rated credit tightening more than for higher rated credit. UK credit outperformed equivalent duration government bonds.

Q3 2023 Currency Market Review

Sterling's performance over the quarter was negative, depreciating versus the US dollar, euro and against yen. While the weakness was more prominent against the dollar and euro versus yen, Sterling weakness against the dollar was driven by a combination of a strong US dollar, stagflation risks in the UK, a surprise hold by the BoE in September and lower than expected hawkishness in the August meeting.

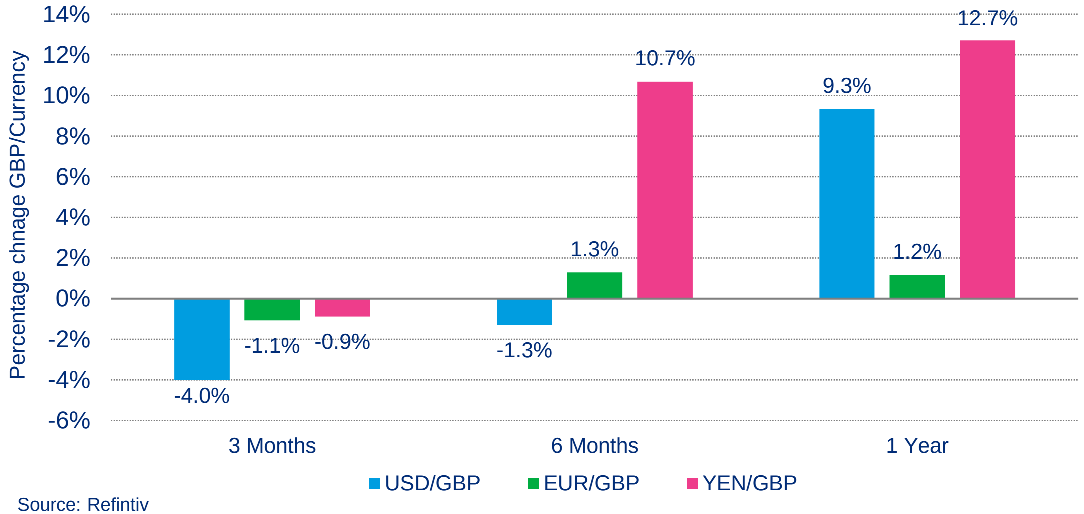
On a 12-months basis, sterling has appreciated considerably versus US dollar and yen but marginally versus euro.

Sterling Denominated FX Rate



Source: Refinitiv

Change in sterling against foreign currencies



Source: Refintiv

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Q3 2023 Property

UK property as measured by the MSCI Index decreased by 0.2% over the quarter.

Summary of Mandates

Manager	Mandate	Benchmark/Target	Outperformance Target (p.a.)	Inception Date
BlackRock	Passive Paris-Aligned Equity (Synthetic Exposure)	MSCI Paris-Aligned Benchmark	-	May 2023
Brunel	Global High Alpha Equity	MSCI World	+2-3%	November 2019
Brunel	Global Sustainable Equity	MSCI AC World	+2%	September 2020
Brunel	Passive Global Equity Paris Aligned	FTSE Developed World PAB Index	-	October 2021
Brunel	Diversified Returns Fund	SONIA +3-5% p.a.	-	July 2020
Brunel	Multi-Asset Credit	SONIA +4-5% p.a.	-	June 2021
Brunel	UK Property	MSCI/AREF UK Quarterly Property Fund Index	-	January 2021
Partners	Overseas Property	Net IRR of 10% p.a. (local currency)	-	September 2009
Brunel	Secured Income (Cycles 1-3)	CPI	+2%	January 2019
IFM	Core Infrastructure	SONIA +5% p.a.	-	April 2016
Brunel	Renewable Infrastructure (Cycles 1-3)*	CPI	+4%	January 2019
Brunel	Private Debt (Cycles 2-3)	SONIA + 4% p.a.	-	September 2021
BlackRock	Buy-and-Maintain Corporate Bonds	Return on bonds held	-	February 2016
BlackRock	Matching (Liability Driven Investing)	Return on liabilities being hedged	-	February 2016
Record	Passive Currency Hedging	N/A	-	March 2016
BlackRock	Exchange-Traded Fund (ETF)	Bespoke benchmark to reflect total Fund allocation	-	March 2019
Cash	Internally Managed	-	-	-

* The primary performance objective of this mandate is a Net IRR of 8% p.a. (GBP). Its inflation-plus benchmark is used by the custodian due to a greater ability to incorporate and the objective has value over the relative short-term, however, over time, comparison against the IRR objective will become more relevant.

Market Background Indices

Asset Class	Index
UK Equity	FTSE All-Share
Global Equity	FTSE All-World
Overseas Equity	FTSE World ex-UK
US Equity	FTSE USA
Europe (ex-UK) Equity	FTSE World Europe ex-UK
Japanese Equity	FTSE Japan
Asia Pacific (ex-Japan) Equity	FTSE World Asia Pacific ex-Japan
Emerging Markets Equity	FTSE Emerging
Global Small Cap Equity	MSCI World Small Cap
Hedge Funds	HFRX Global Hedge Fund
High Yield Bonds	ICE BofAML Global High Yield
Emerging Market Debt	JP Morgan GBI EM Diversified Composite
Property	MSCI UK Monthly Total Return: All Property
Commodities	S&P GSCI
Over 15 Year Gilts	FTA UK Gilts 15+ year
Sterling Non Gilts	ICE BofAML Sterling Non Gilts
Over 5 Year Index-Linked Gilts	FTA UK Index Linked Gilts 5+ year
Global Bonds	ICE BofAML Global Broad Market
Global Credit	Bloomberg Capital Global Credit
Eurozone Government Bonds	ICE BofAML EMU Direct Government
Cash	SONIA

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Bath & North East Somerset Council

Access to Information Arrangements

Exclusion of access by the public to Council meetings

Information Compliance Ref: IG-1624455
Meeting / Decision: Avon Pension Fund Investment Panel
Date: 1st December 2023
Author: Nathan Rollinson
Report Title: Review of Investment Performance for Periods Ending 30 September 2023 **List of attachments to this report:** Appendix 1 – Quarterly Portfolio Monitoring Summary Appendix 2 – Brunel Quarterly Performance Report Appendix 3 – Mercer Performance Monitoring Report **Exempt Appendix 4 – Mercer Paper: UK Property Fund Market Update**

The appendix 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 appendix be withheld from publication on the Council website. The paragraphs below set out the relevant public interest issues in this case.

<u>PUBLIC INTEREST TEST</u>

If the Panel 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 organisation which is commercially sensitive. 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 Panel 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.

Therefore it is recommended that exemptions set out above apply. 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:	**1 DECEMBER 2023**
TITLE:	**Risk Management Framework Review for Periods Ending 30 September 2023**
WARD:	ALL
AN OPEN PUBLIC ITEM	
List of attachments to this report: **Exempt Appendix 1 – Mercer Report: Risk Management Framework Review to 30 Sept 2023**	

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 (RMF) 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. Exempt Appendix 1 shows all risk management strategies are rated green and continue to perform in line with expectation.

2. RECOMMENDATION

The Avon Pension Fund Investment Panel is asked to note:

2.1. **The performance of each of the underlying RMF strategies and current collateral position.**

3. FINANCIAL IMPLICATIONS

2.2. 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

4.1. The underlying equity benchmark fell over the quarter, with the equity protection strategy (EPS) performing in line with expectations, increasing the net equity performance by 0.15% as markets moved toward the protection levels. Since inception the EPS has detracted c. 2.0% from equity returns and reduced volatility by c. 25%.

4.2. Following the reinstatement of the interest and inflation trigger framework in October 2023, several interest rate triggers were hit leading BlackRock to trade up to the 40% cap on the aggregate interest rate hedge ratio. The inflation hedge ratio was around 22% at the same date. To facilitate the new triggers being switched on, £200m of equities were transferred from the Brunel passive Paris-aligned strategy into the synthetic Paris-aligned strategy managed by BlackRock. As a result there was no impact on the strategic target allocation to equities and the collateral could withstand a 4.7% increase in yields at period end.

5. RISK MANAGEMENT

5.1. An effective governance structure, defining clear responsibilities, and ensuring that the decision-making body has an adequate level of knowledge and access to expert advice, is a key aspect of the risk management process.

6. EQUALITIES

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

7. CLIMATE CHANGE

7.1. 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 Paris Aligned Global Equities, Sustainable Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

8. OTHER OPTIONS CONSIDERED

8.1. None

9. CONSULTATION

9.1. The Head of Pensions has had the opportunity to input to this report and has cleared it for publication.

Contact person	Nathan Rollinson, Investments Manager (Tel. 01225 395357)
Background papers	FRMG papers
Please contact the report author if you need to access this report in an alternative format	

Bath & North East Somerset Council

Access to Information Arrangements

Exclusion of access by the public to Council meetings

Information Compliance Ref: IG-1624439
Meeting / Decision: Avon Pension Fund Investment Panel
Date: 1st December 2023
Author: Nathan Rollinson
Report Title: Risk Management Framework Review for Periods Ending 30 September 2023 **List of attachments to this report:** **Exempt Appendix 1** – Mercer Report: Risk Management Framework Review to 30 Sept 2023

The appendix 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).*

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Bath & North East Somerset Council

Access to Information Arrangements

Exclusion of access by the public to Council meetings

Information Compliance Ref: IG-1624446
Meeting / Decision: Avon Pension Fund Investment Panel
Date: 1st December 2023
Author: Nathan Rollinson
Exempt Report Title: Risk Management Framework: Dynamic Equity Protection Review **Exempt Appendix 1 –** Mercer Report: Dynamic Equity Protection Review

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

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Bath & North East Somerset Council		
MEETING:	**AVON PENSION FUND INVESTMENT PANEL**	
MEETING DATE:	**1 December 2023**	**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 2023/24. 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
27 Feb 2024	**Routine:** • Quarterly Investment Performance • Risk Management Framework Monitoring
5 June 2024	**Routine:** • Quarterly Investment Performance • Risk Management Framework Monitoring
5 September 2024	**Routine:** • Quarterly Investment Performance • Risk Management Framework Monitoring
26 November 2024	**Routine:** • Quarterly Investment Performance • Risk Management Framework Monitoring

5 RISK MANAGEMENT

5.1 An effective governance structure, defining clear responsibilities, and ensuring that the decision-making body has an adequate level of knowledge and access to expert advice, is a key aspect of the risk management process.

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 Paris Aligned 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 Head of Pensions has had the opportunity to input to this report and has cleared it for publication.

Contact person	Nathan Rollinson, Investments Manager 01225 395357
Background papers	
Please contact the report author if you need to access this report in an alternative format	