

# Avon Pension Fund Committee Investment Panel

**Date: Wednesday 3rd September 2025**

**Time: 1.00pm**

**Venue: Kaposvar Room - Guildhall, Bath**

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

Councillor Shaun Stephenson-McGall (Chair), Councillor Toby Simon, Councillor Chris Dando, John Finch, Pauline Gordon and Jackie Peel

Chief Executive and other appropriate officers  
Press and Public



## NOTES:

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

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

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](http://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>

**Mark Durnford**

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## Avon Pension Fund Committee Investment Panel - Wednesday 3rd September 2025

at 1.00pm 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. 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.

#### 3. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

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

#### 4. TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

#### 5. ITEMS FROM THE PUBLIC - TO RECEIVE 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: 4TH JUNE 2025 (Pages 7 - 18)

#### 8. LOCAL IMPACT - RISK FINANCING - TO FOLLOW

9. REVIEW OF INVESTMENT PERFORMANCE FOR PERIODS ENDING 30 JUNE 2025 (Pages 19 - 112)

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 June 2025.

10. STRATEGIC REVIEW IMPLEMENTATION (Pages 113 - 134)

11. LIQUIDITY AND CASHFLOW ANALYSIS (Pages 135 - 154)

12. RISK MANAGEMENT FRAMEWORK REVIEW FOR PERIODS ENDING 30 JUNE 2025 (Pages 155 - 192)

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.

13. FORWARD AGENDA (Pages 193 - 194)

This report sets out the forward agenda for the Panel for 2025/26. 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.

**AVON PENSION FUND COMMITTEE INVESTMENT PANEL**

**Minutes of the Meeting held**

Wednesday 4th June 2025, 1.30 pm

**Present:** Councillor Toby Simon, Councillor Chris Dando, 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), Rebecca Whelan (Senior Investments Officer) and Jeff Wring (Director of Financial Services, Assurance & Pensions)

**48 EMERGENCY EVACUATION PROCEDURE**

In the absence of Councillor Shaun Stephenson-McGall, Councillor Toby Simon informed the Panel that he had agreed to act as Chair for the duration of the meeting.

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

**49 DECLARATIONS OF INTEREST**

There were none.

**50 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

Councillor Shaun Stephenson-McGall had sent his apologies to the Panel.

**51 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR**

There was none.

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

There were none.

**53 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS**

There were none.

**54 MINUTES: 26TH FEBRUARY 2025 (PUBLIC & EXEMPT)**

The Panel **RESOLVED** that the minutes of the meeting held on 26th February 2025 be confirmed as a correct record and signed by the Chair.

## 55 LOCAL IMPACT PORTFOLIO

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.

## 56 REVIEW OF INVESTMENT PERFORMANCE FOR PERIODS ENDING 31 MARCH 2025

The Senior Investments Officer introduced the report to the Panel and highlighted the following points.

- The Fund's assets stood at £5,776m on 31 March 2025, delivering a net return of -1.9% over the quarter. This was in line with the strategic benchmark return of -1.8%. There were positive returns generated from Brunel Diversifying Returns, Brunel UK Property and many of the Private Market portfolios, but these were not able to offset the negative returns from the Brunel listed portfolios, given the weakness in global equities over the quarter. The LDI portfolio acted as a drag on returns as UK gilt yields rose.
- The first quarter of 2025 was marked by heightened volatility and shifting investor sentiment, driven by geopolitical tensions, trade policy uncertainty, and inflation concerns. Global equities experienced mixed performance, with European and Asian markets generally outperforming the US, which experienced periods of sharp sell-offs.
- The announcement by China's DeepSeek that it had developed an artificial intelligence (AI) model comparable to market leaders, but at a significantly lower cost, had a notable impact on global markets, particularly in the US. This development prompted investors to reassess the long-standing assumptions of the dominance of US companies in AI innovation, which had underpinned the strong performance of major US technology and consumer discretionary stocks, especially the "Magnificent Seven".
- Trade tariffs were another key theme during the quarter. President Trump announced tariffs on certain countries (Mexico and Canada) and on some goods (cars, steel and aluminium) which buffeted markets as they grappled with the uncertainty over the severity of pending tariff announcements, that were released on 2nd April.
- The FTSE Developed Paris Aligned Index (PAB) returned -7.9% over the quarter, closely replicating the performance of the benchmark index over the period. Performance was impaired by exposure to the consumer discretionary sector and, in particular, large positions in Tesla and Amazon. The product's low exposure to the energy also hindered returns.

- During the period the Fund rebalanced its equity overweight down by 5% bringing the overall equity allocation down to c. 45%, which is within the rebalancing range set out in the Investment Strategy Statement. This was implemented via the synthetic equity strategy held in within the QIF. Transaction costs incurred were 0.035% (approximately £104,447) which is in line with expectations. The equity protection strategy was also rebalanced to bring the overall coverage ratio closer to the 50% target.
- Three legacy mandates are in wind down (Partners Group, JP Morgan Hedge Fund and Schroder Property). These are causing an ongoing reporting discrepancy and officers have instructed the Fund's custodian (State Street) to remove them from performance reporting against the portfolio's strategic benchmark. Officers will monitor the distributions and report progress periodically to the Panel.

Steve Turner addressed the Panel and highlighted the following points from the Mercer Performance Monitoring Report.

- Market sentiment continued to be driven by the soft-landing narrative in the US, as a result of uncertainty around policies under Trump's presidency.
- The funding level is estimated to have decreased over the quarter to c.102%, as the assets fell alongside an increase in the estimated present value of the liabilities. Much of this has now been recovered.
- The Equity Protection counteracted equity market losses, and most of the alternative Liquid Growth and Illiquid Growth investments were positive.
- In March, the Synthetic Equity exposure was reduced by £300m to address the overweight position to equities relative to the strategic benchmark. This brought the allocation back to within the target range (+/- 5%).
- Brunel – Looking to increase their performance.

The Group Manager for Funding, Investment & Risk commented that Brunel's structural underweight to energy continued to create challenges and added complexity given new pooling arrangements. She added that their ESG criteria beliefs remain and that a representative(s) would be asked to attend and address a future meeting of the Panel.

The Head of Pensions added that a decision in principle regarding pooling would be required by the Committee in September.

Jackie Peel asked if Equity Protection was doing what it is expected to do and was it likely to continue.

Steve Turner replied that it was and said that the FRMG (Funding and Risk Management Group) are able to review it if required. He added that not all Pools have the same risk management processes in place.

The Group Manager for Funding, Investment & Risk said that this was a factor that will need to be discussed as arrangements regarding pooling progress.

Jackie Peel referred to page 56 of the agenda pack and the performance of the Equity Asset Classes and asked why the decision was made to take the £300m from the passive fund rather than the active even though the active was more overweight. Steve Turner replied that the main reason behind the decision was the speed of execution. He added that the overall allocation would be reviewed at the end of the next quarter.

Jackie Peel asked why the figures relating to Equity Asset Classes did not appear to correlate between pages 56 & 57 of the agenda pack.

The Head of Pensions replied that this would be reviewed and answered in due course.

Pauline Gordon asked if further explanation could be given on why the equity protection offset was relatively small given the decline in the Fund's equity portfolio over the quarter.

Nick Page replied that it is difficult for the equity protection to fully compensate for active equity underperformance but that the strategy performed in line with expectation, offsetting the passive benchmark performance of -1.1%. He reminded the Panel that the Equity Protection strategy protects 50% of the Equity Portfolio, adding that it doesn't protect against every market fall and that a 3% fall in the context of the strategy, which is designed to protect against significant and sustained market falls of around 15% - 20%, was relatively modest.

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

## **57 RISK MANAGEMENT FRAMEWORK REVIEW FOR PERIODS ENDING 31 MARCH 2025**

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

The Panel **RESOLVED** to note the performance of each of the underlying RMF strategies and current collateral position as set out in Exempt Appendix 1.



**58 FORWARD AGENDA**

The Investments Manager introduced the report to the Panel. He said that for the scheduled meeting on 3rd September 2025 the following reports have been listed.

**Strategic:**

- Local Impact portfolio - update
- Projects from Strategic Review
- Future of Pooling - update

**Routine:**

- Quarterly Investment Performance
- Risk Management Framework Monitoring

He said that in addition to these items officers would take steps to invite a Local Impact Fund Manager and a Brunel Portfolio Manager to attend and update the Panel.

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

The meeting ended at 3.39 pm

Chair(person) .....

Date Confirmed and Signed .....

**Prepared by Democratic Services**

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

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<b>Bath &amp; North East Somerset Council</b>	
MEETING:	<b>AVON PENSION FUND INVESTMENT PANEL</b>
MEETING DATE:	<b>03 September 2025</b>
TITLE:	<b>Review of Investment Performance for Periods Ending 30 June 2025</b>
WARD:	ALL
<b>AN OPEN PUBLIC ITEM</b>	
<p>List of attachments to this report:</p> <p>Appendix 1 – Mercer Performance Monitoring Report</p> <p>Appendix 2 – Brunel Quarterly Performance Report</p> <p>Exempt Appendix 3 – Brunel Presentation – TO FOLLOW</p>	

## **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 June 2025.
- 1.2. The Mercer report at Appendix 1 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.
- 1.3. 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.

## **2. RECOMMENDATION**

### **The Investment Panel:**

- 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 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 stood at £6,031m on 30 June 2025, delivering a net return of 3.7% over the quarter. This was 0.3% ahead of the return for the strategic

benchmark. There were positive returns generated from the Brunel listed equity portfolios and the LDI portfolio, as gilt yields fell. Multi Asset Credit (MAC) and Diversifying Returns also contributed positively, although with the exception of MAC, the Brunel portfolios underperformed their respective benchmarks. Returns for the private markets portfolios were also positive, although performance versus benchmarks were mixed.

- 4.2. The estimated funding level stood at 106% at 30 June 2025 (c. £367m surplus).
- 4.3. The discount rate is reviewed each month with a full review each quarter as per the agreed approach at FRMG. The changes each quarter are based on the expected CPI+ return outlook which is based on the Fund's investment strategy and hedging levels. It considers a combination of Mercer's capital market assumptions and real yield changes based on asset class correlations across the portfolio. The discount rate is sense checked for reasonableness by the Fund actuary taking into account the long-term sustainability of contributions. The June update allows for the updated discount rate of 5.55% p.a. (equivalent to a discount rate of CPI+3.15% p.a. at 30 June 2025).
- 4.4. Over 1 year to the end of June the Fund returned 3.4% in absolute terms and -2.5% in relative terms. The Brunel listed portfolios all delivered positive returns, however these fell short of their respective benchmarks contributing to underperformance over one year. Returns from private markets were again positive and on the whole performed in line or ahead of benchmark. The equity protection strategy detracted over one year.
- 4.5. Further details relating to performance attribution can be found in section 4 of Appendix 1.

## **B – Investment Manager Performance**

- 4.6. Brunel reports on the performance of the assets they manage on behalf of the Fund. The report for each Brunel portfolio can be found on pages 17-58 of Appendix 2.
- 4.7. The second quarter of 2025 was marked by heightened volatility, as markets contended with renewed trade tensions and escalating geopolitical risks. The announcement of aggressive new tariffs by the U.S. administration in early April triggered a sharp sell-off, but sentiment stabilised following a temporary suspension of most measures to allow for trade negotiations. Despite these headwinds, global equities posted strong gains, ultimately closing the quarter in positive territory. European markets led the rally, supported by a weaker dollar, improving macroeconomic indicators, and a rate cut from the European Central Bank.

Technology stocks were the standout performers, rebounding sharply as the pause in tariff implementation created a strong risk-on environment which was strengthened by better-than-expected earnings announcements and renewed enthusiasm for AI technologies among investors. In contrast, the healthcare and energy sectors lagged, weighed down by weak earnings and geopolitical disruptions. Consumer staples also underperformed, as investors rotated into cyclical and growth-oriented sectors amid improving risk appetite. Overall, equity markets delivered robust double-digit gains, rebounding from early-quarter turbulence and reflecting a broader shift in investor sentiment as recession fears receded, and diplomatic engagement gained traction.

Global bond markets demonstrated resilience amid heightened volatility in Q2 2025, navigating a complex backdrop of geopolitical tensions, shifting central

bank policies, and trade uncertainty. Yields fluctuated sharply early in the quarter following the U.S. “Liberation Day” tariff announcement, with government bond yields initially falling on recession fears before rebounding as trade tensions eased. Despite the turbulence, fixed income delivered broadly positive returns, supported by moderating inflation and expectations of future rate cuts.

- 4.8. At an individual portfolio level, the Brunel Global High Alpha portfolio returned 4.4%, lagged its benchmark return by 0.8% as weak stock selection in aggregate more than offset the benefits from sector allocation. Positive allocation was driven by underweights in energy and consumer staples. Selection was strong within IT where the underweight in Apple and overweight in TSMC were the largest contributors, with the latter benefitting from renewed AI-related demand. Underweight in two semiconductor names – Nvidia and Broadcom – were two of the largest detractors over the quarter. Manager performance was mixed reflecting the marked differential in investment styles, with the growth focussed Baillie Gifford fund outperforming the value style of the Harris fund.

The Global Sustainable Equity portfolio also delivered a positive return of 3.4% but this was 1.8% behind the MSCI ACWI benchmark return. In a reversal of Q1 performance whilst two underlying managers, RBC and Nordea, managed to outperform, this was offset by underperformance from Jupiter and Mirova. Positioning in the healthcare sector had a defining impact upon returns, with those managers that had great exposure to the life-sciences sector underperforming over the quarter.

The FTSE Developed Paris Aligned Index (PAB) returned 4.9% over the quarter, closely replicating the performance of the benchmark index over the period. Although the index has a positive tilt towards growth and an overweight allocation to technology stocks, returns were held back by weak stock selection in the technology sector. The majority of this is attributable to underweight positions in Nvidia and Broadcom. The portfolio did benefit from an underweight towards the energy sector which was the weakest performing sector given the fall in oil prices over the quarter.

The Diversifying Returns Fund (DRF) returned 1.1% over the period, whilst its benchmark (SONIA +3%) returned 1.8%. The fund demonstrated its defensive qualities during the period at the end of the first quarter/beginning of the second quarter when markets experienced a sharp selloff, with the portfolio down significantly less than global equities. The Multi Asset Credit Fund (MAC) returned 2.6%, ahead of its primary benchmark (SONIA +4%) return of 2.0%. All three underlying managers experienced similar levels of performance.

The private markets portfolios delivered positive absolute returns during Q2 2025, navigating the complex landscape shaped by US policy volatility and geopolitical uncertainty. The direct lending market faced pressure from tariff-related disruptions and broader concerns surrounding President Trump’s One Big Beautiful Bill Act (OBBBA), which unsettled foreign investors in US assets and raised questions about the energy transition. Nevertheless, the Brunel direct lending portfolio remained robust, with managers closely monitoring for signs of stress but reporting no material increase in underperforming credits or adverse tariff effects to date. Secured income strategies continued to perform well, supported by strong income yields as capital values remained challenged. In the infrastructure space, the UK market stood out buoyed by structural tailwinds such as rising demand from electrification, green hydrogen, and AI-

driven data centre expansion. The growing adoption of Power Purchase Agreements further reinforced the sector’s role in supporting companies to meet their supply chain decarbonisation targets.

## C - INVESTMENT STRATEGY AND PORTFOLIO REBALANCING

4.9. **Returns versus Strategic Assumptions:** Returns versus the strategic assumptions used during the 2023 investment review can be found on p16/17 of Appendix 1. Equity and liquid growth assets classes are generally in line with 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.

1.1. **Rebalancing:** During the period £1.6 million was called into the Schroders Wessex Gardens portfolio. The first call into the Foresight SME Funding Strategy was also made as the Fund made its first investment into a regionally based childcare business. All calls for Brunel private markets portfolios during the period were funded from cash that has accumulated from distributions.

## D – RESPONSIBLE INVESTING

1.2. **Responsible Investment (RI) Activity:** A summary of portfolio carbon metrics measured by Brunel over the quarter is included on page 10 of Appendix 2. The Fund undertakes in-depth carbon analysis on an annual basis and publishes the results in its Annual Responsible Investment Report, which is cleared by Committee in September.

4.10. **Voting and Engagement Activity:** As a responsible investor, we actively endorse collaborative engagement and seek to use our power as a shareholder to encourage corporate change. Voting and engagement are delegated to the Brunel Pension Partnership for the actively managed equity portfolios and to Legal and General Investment Management (LGIM) for the passive portfolios. On significant issues, Brunel may request that their shares held by LGIM are split out and a different vote made. The voting records of Brunel and LGIM at company meetings held over the last quarter are summarised in the following table:

### Votes cast at company meetings in the quarter to 30 June 2025:

Manager	Quarter to 30 June 2025		
	Number of Meetings	Number of Resolutions	Votes against management recommendation
Brunel/LGIM - Passive Portfolios	751	11818	3018
Brunel - Active Portfolios	224	3396	166

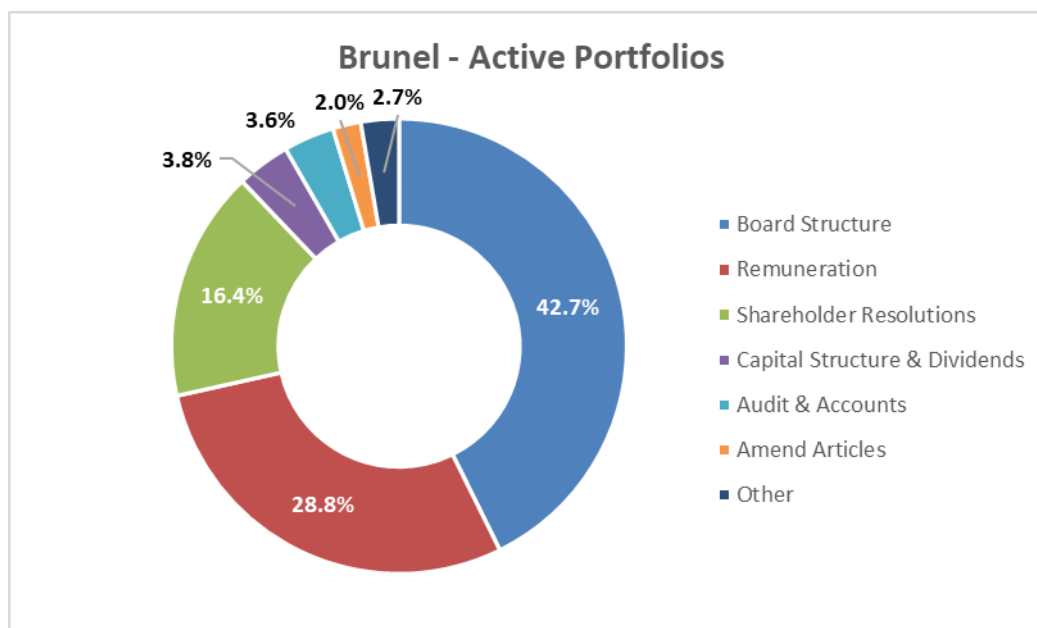
Points to note:

- a) Brunel and LGIM actively vote the shares held within their funds on behalf of their client funds, including Avon.
- b) The votes against management recommendations will reflect matters where there is concern that the company is not addressing the relevant issue and managing it effectively. The Fund would expect that votes against management should be primarily on the priority areas set out in the Fund’s Investment Strategy Statement.



An analysis of the issues where votes have been cast against management recommendations is set out below.

**Votes against management recommendation by issue – Quarter to 30 June 2025**

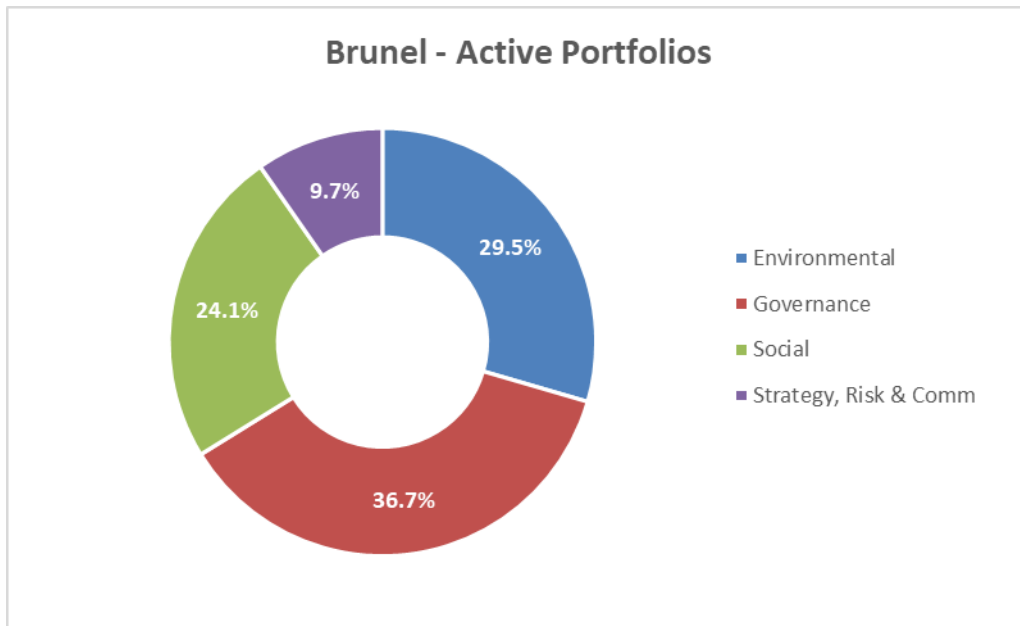


1.1. **Engagement:** Brunel conduct significant engagement with investee companies on behalf of the Fund. A breakdown of the engagement undertaken over the last quarter is summarised as follows:

**Company engagement in the quarter to 30 June 2025:**

	Quarter to 30 June 2025	
	Number of Companies	Number of Issues
Brunel - Active Portfolios	225	776

**Breakdown by issues engaged on:**



Further information on Brunel’s engagement activity can be found on their website using the following link:

<https://www.brunelpensionpartnership.org/library/>

## 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.

<b>Contact person</b>	Rebecca Whelan, Senior Investments Officer (Tel. 01225 395355)
<b>Background papers</b>	Data supplied by Mercer, Brunel & State Street Performance

	Measurement
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<b>Please contact the report author if you need to access this report in an alternative format</b>
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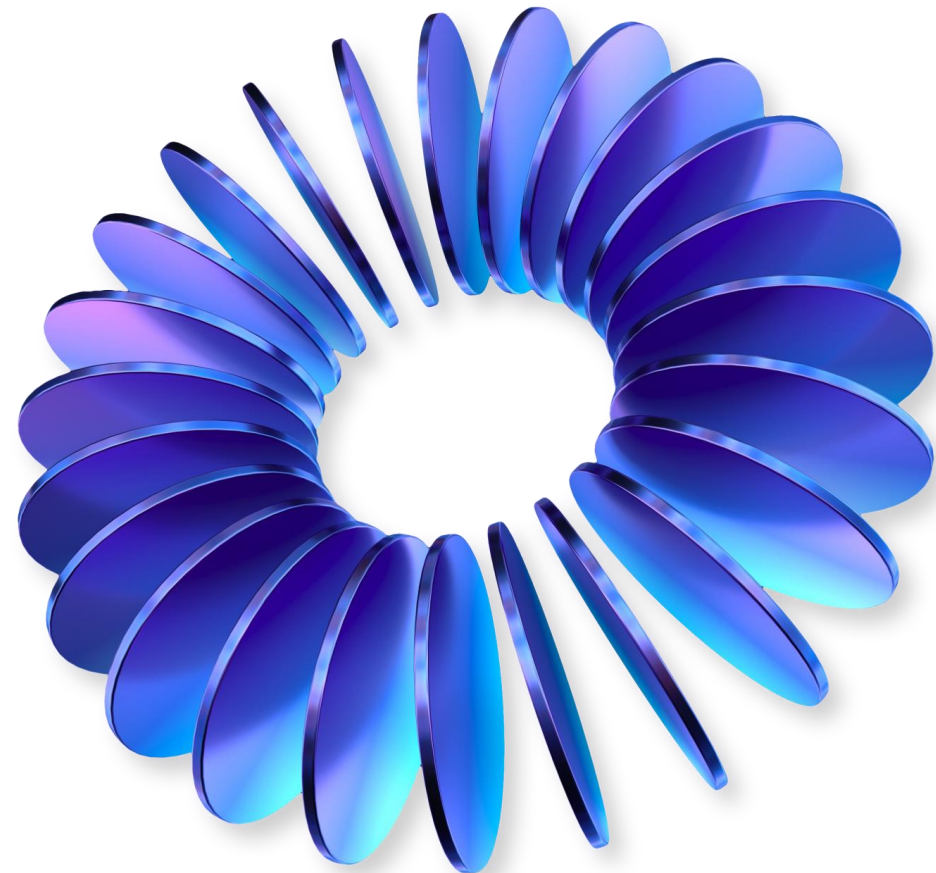
# Avon Pension Fund

Panel Investment Report  
Quarter to 30 June 2025

August 2025

Steve Turner

A business of Marsh McLennan



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# Executive Summary



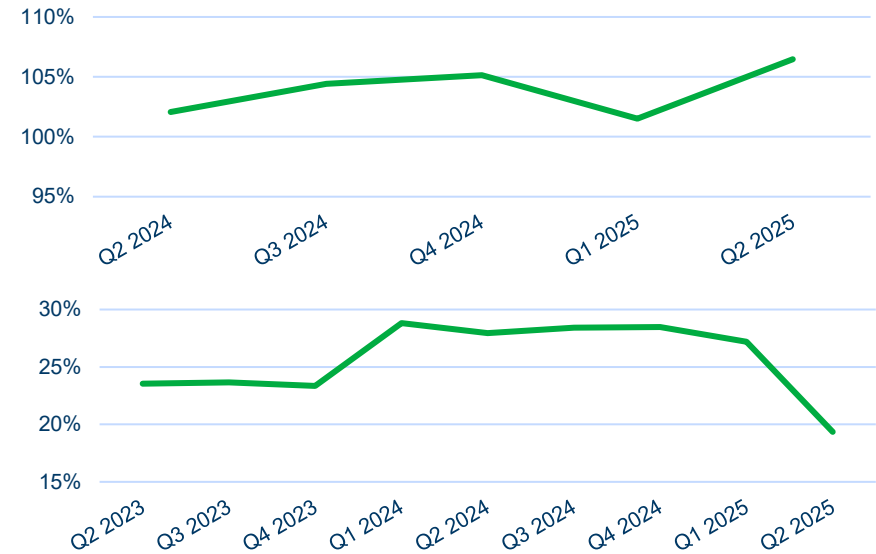
# Executive Summary

## Market background

- Financial markets were primarily driven by trade and geopolitics-led developments through the second quarter of 2025. Tariff uncertainty under US President Donald Trump fuelled concerns over not just the growth and inflation outlook, but also the potential impact on fiscal and monetary policy.
- While most developed market central banks continued cutting rates, policymakers expressed caution against headwinds emerging from tariff-induced disruptions. Meanwhile, the geopolitical landscape became increasingly uncertain towards the end of the quarter amidst the Israel-Iran conflict, which was soon followed by a ceasefire deal.
- Overall, bond yields were lower across developed markets, while global equities ended the quarter on a positive note as the easing of global trade and geopolitical tensions supported risky assets.

## Funding level and risk

- The funding level is estimated to have increased over the quarter to c.106%, due to both the assets increasing in value and the estimated present value of the liabilities falling.
  - The funding level is estimated to be c. 4% higher over the year to 30 June 2025.
- 
- The Value-at-Risk (“VaR”) decreased over the quarter to £1,096m, due to changes in Mercer’s approach to deriving capital market assumptions. Further information can be found in the Appendix.
  - As a percentage of liabilities, the VaR is c.19% under the new approach.



Source for charts: State Street, Mercer estimates. See further footnotes on pages 10-11.

## Asset allocation and strategy

- Over the quarter, a net amount of c. £4m was drawn down to the private market portfolio. Amongst this was the first capital call towards the Foresight SME Financing strategy, of c. £3m.



# Executive Summary

Performance	<ul style="list-style-type: none"> <li>In aggregate, positive returns were driven by the equity holdings and LDI (due to a fall in UK gilt yields).</li> <li>All of the Liquid Growth and Illiquid Growth assets were positive, except for Overseas Property and the Local Impact – Renewables asset. The Equity Protection detracted from returns, which was in line with expectations given rising markets.</li> </ul>			
	<ul style="list-style-type: none"> <li>At the underlying level, relative performance of the mandates against their respective benchmarks was mixed. Notable detractors included the active equity mandates, Property and Secured Income, whilst the Synthetic Equity and Infrastructure assets were the main contributors.</li> </ul>			
	<ul style="list-style-type: none"> <li>Underperformance relative to the strategic benchmark over the one-year period was driven by the active equity mandates, the Equity Protection Strategy, the Diversified Returns Fund and the Overseas Property mandate.</li> </ul>			
	<ul style="list-style-type: none"> <li>The drivers of underperformance over the three year period were the Active Equity, Equity Protection, Property and Secured Income mandates.</li> </ul>			
	<ul style="list-style-type: none"> <li>The Currency Hedge added to returns over the three month, one year and three year periods, due to the strengthening of Sterling.</li> </ul>			
	<ul style="list-style-type: none"> <li>Absolute returns compared to the strategic returns modelled at the strategy review in 2023 have been positive for three out of four of the Equity mandates, with Sustainable Equities being the exception due to manager underperformance.</li> <li>Within the Liquid Growth portfolio, relative returns have been positive for the Multi-Asset Credit mandate but negative for the Diversified Returns mandate.</li> <li>Absolute returns have been negative for the Illiquid Growth assets except for Private Debt. However, many of these assets are still in the drawdown phase.</li> </ul>			
Liability hedging mandate	<ul style="list-style-type: none"> <li>BlackRock was in compliance with the investment guidelines over the quarter.</li> <li>The interest rate and inflation hedge ratios are c.28% and c.15% respectively (as a proportion of assets).</li> <li>Following the June 2025 Committee meeting, it was agreed to discontinue the yield trigger framework in favour of adopting a strategic hedge ratio target of 50%. This will be implemented as part of the 2025 investment strategy review.</li> </ul>			
Collateral position	<ul style="list-style-type: none"> <li>Inclusive of assets within the collateral waterfall and the updated collateral monitoring framework, there was a total interest rate buffer of more than 10.0% as at end June 2025.</li> <li>BlackRock would request additional collateral if the interest rate buffer fell below 3%.</li> </ul>			

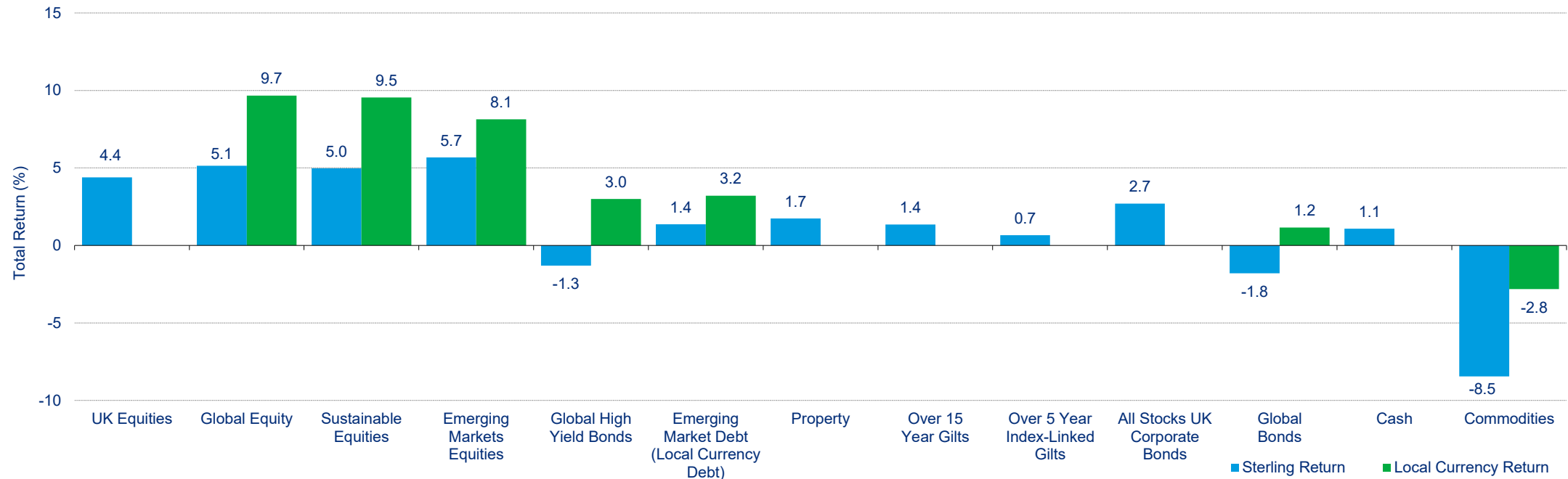
	3 Months (%)	1 Year (%)	3 Years (% p.a.)
Total Fund (1)	3.7	3.4	3.5
Strategic Benchmark (2) (ex currency hedge)	3.4	6.0	7.7
Relative (1 - 2)	+0.3	-2.6	-4.2

# Market Background



# Market Background

## Return over 3 months to 30 June 2025 (%)



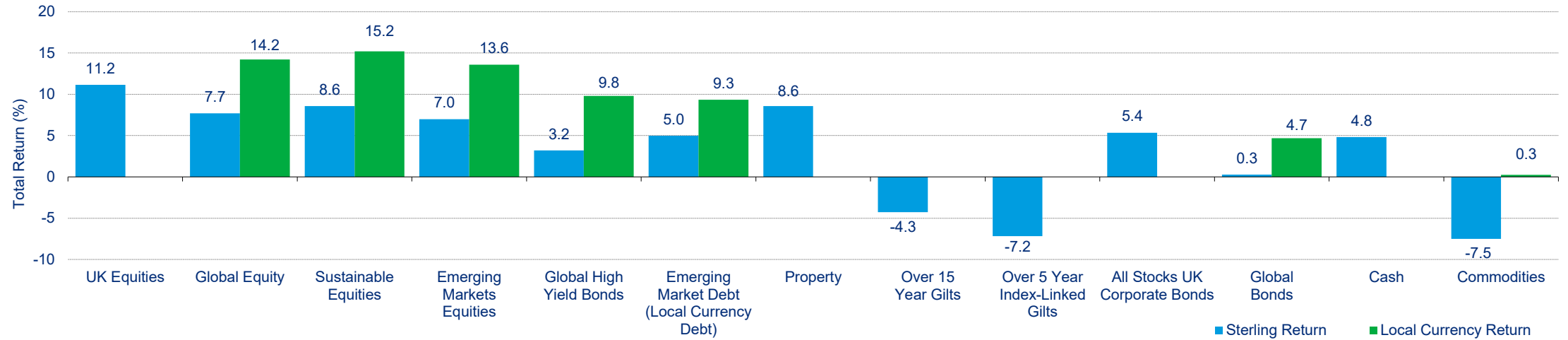
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Financial markets were primarily driven by trade and geopolitics-led developments through the second quarter of 2025. Tariff uncertainty under US President Donald Trump fuelled concerns over not just the growth and inflation outlook, but also the potential impact on fiscal and monetary policy. While most developed market central banks continued cutting rates, policymakers expressed caution against headwinds emerging from tariff-induced disruptions. Although the US Federal Reserve left rates unchanged in Q2, it revised growth and inflation forecasts for the year. Market sentiment continued to be influenced by a soft-landing narrative in the US. In Europe, Germany's political landscape under new Chancellor Merz and spending plans under the draft budget for 2025 took centre-stage. Meanwhile, the geopolitical landscape became increasingly uncertain towards the end of the quarter amidst the Israel-Iran conflict, which was soon followed by a ceasefire deal.

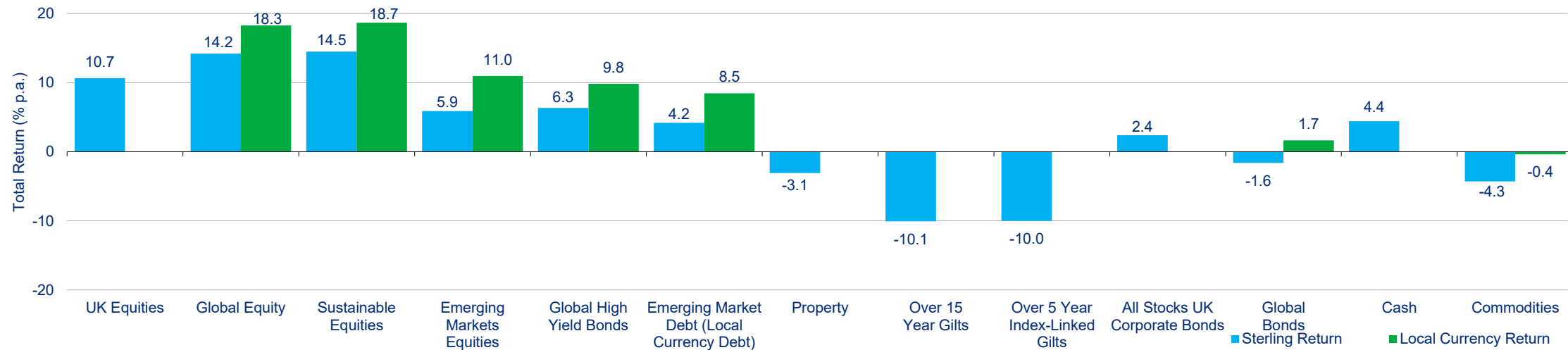
Overall, bond yields were lower across developed markets, while global equities ended the quarter on a positive note as the easing of global trade and geopolitical tensions supported risky assets.

# Market Background – 1 & 3 Years

## Return over 1 year to 30 June 2025 (%)



## Return over 3 years to 30 June 2025 (% p.a.)



# Funding Level and Risk

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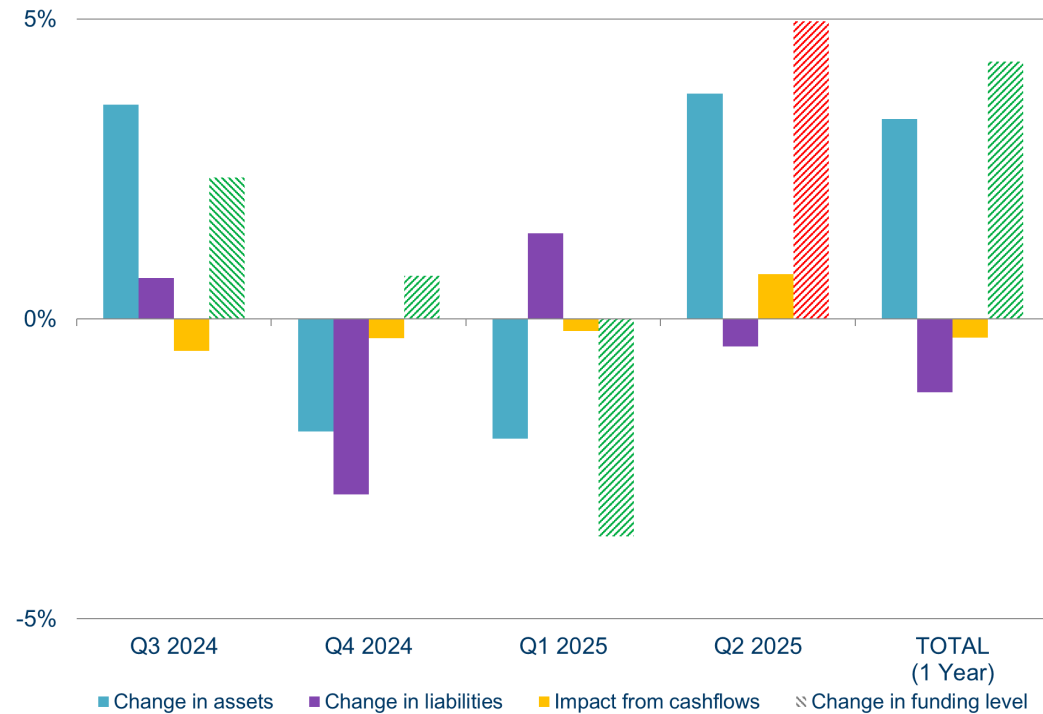
# Funding Level and Deficit

The Fund's assets returned 3.7% over the quarter. The liabilities are estimated to have fallen by 0.5%, which allows for market movements, benefit accrual and benefits paid.

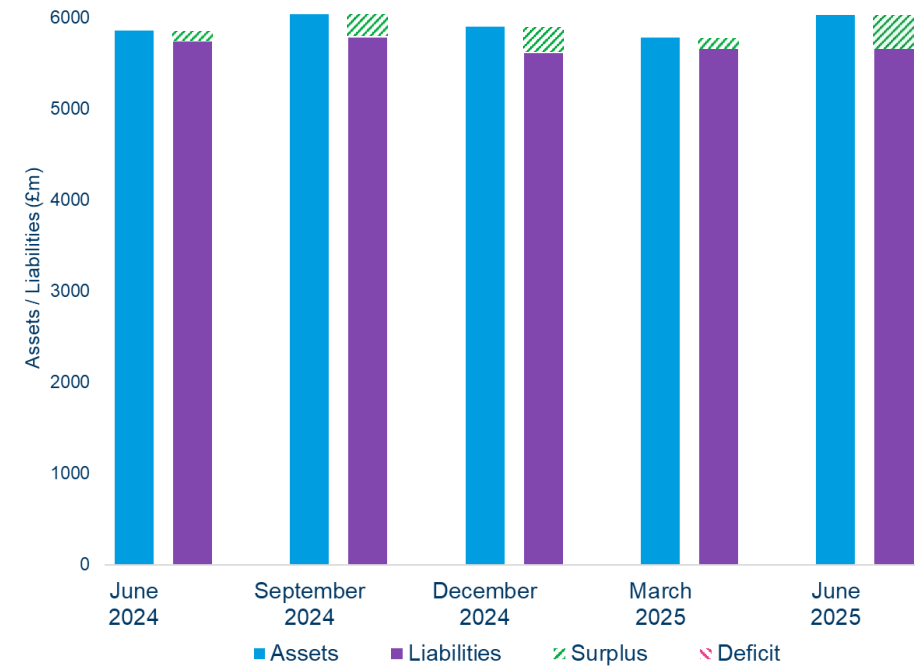
The combined effect of this saw the estimated funding level increase to c.106%.

The funding level is estimated to be c.4% higher over the year to 30 June 2025.

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The surplus was estimated to have increased over Q1 from £86m to £367m.

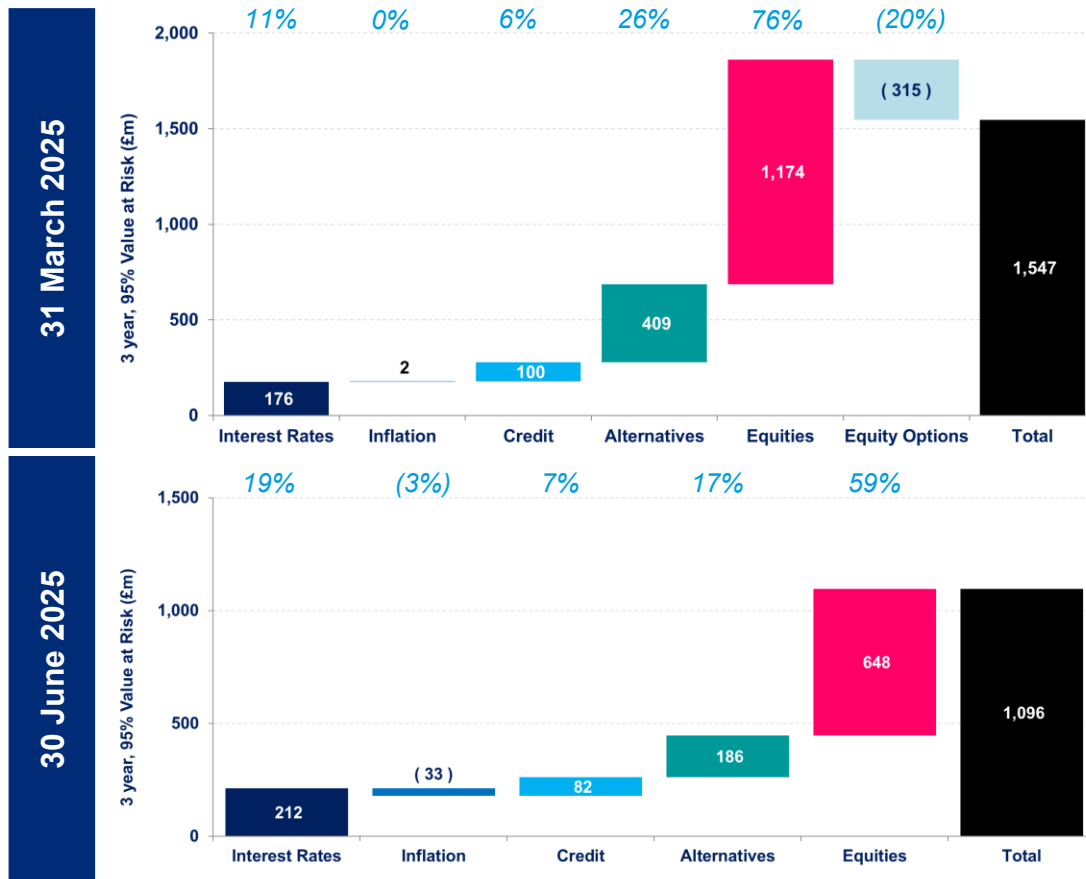


Liability values are estimated by Mercer. They are based on the actuarial valuation assumptions as at 31 March 2022 and the 'CPI plus' discount basis. This margin above CPI is dynamic, and so changes on a monthly basis due to market conditions and is reviewed each quarter to also consider any changes in return outlook. This can sometimes result in retrospective changes to previous liability value estimates presented in previous reports. 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.
- 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 95<sup>th</sup> 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.

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- As at 30 June 2025, if a 1-in-20 ‘downside event’ occurred over the next three years, the funding position could deteriorate by at least an additional **£1.1bn**.
- Each bar to the left of the 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 £452m over the quarter**. This was driven by changes to Mercer’s approach to deriving capital market assumptions. Further details can be found in the Appendix.
- VaR fell as a percentage of liabilities over the quarter from c.27% to c.19%, primarily due to these changes.

\*From Q2 2025, the offset to risk from the equity options are shown implicitly within the ‘Equities’ bucket, rather than separately, due to modelling refinements.  
 Note: Further details on the rationale and impact of changes to Mercer’s Capital Market Assumptions are included in the Appendix.

# Performance Summary





# Total Fund Performance

	3 Months (%)	1 Year (%)	3 Years (% p.a.)
Total Fund (1)	3.7	3.4	3.5
Total Fund (ex currency hedge)	2.8	2.0	2.7
Strategic Benchmark (2) (ex currency hedge)	3.4	6.0	7.7
<b>Relative (1 - 2)</b>	<b>+0.3</b>	<b>-2.6</b>	<b>-4.2</b>

Source: Custodian, Mercer estimates. Returns are net of fees. 'Relative' figures may not sum due to rounding.

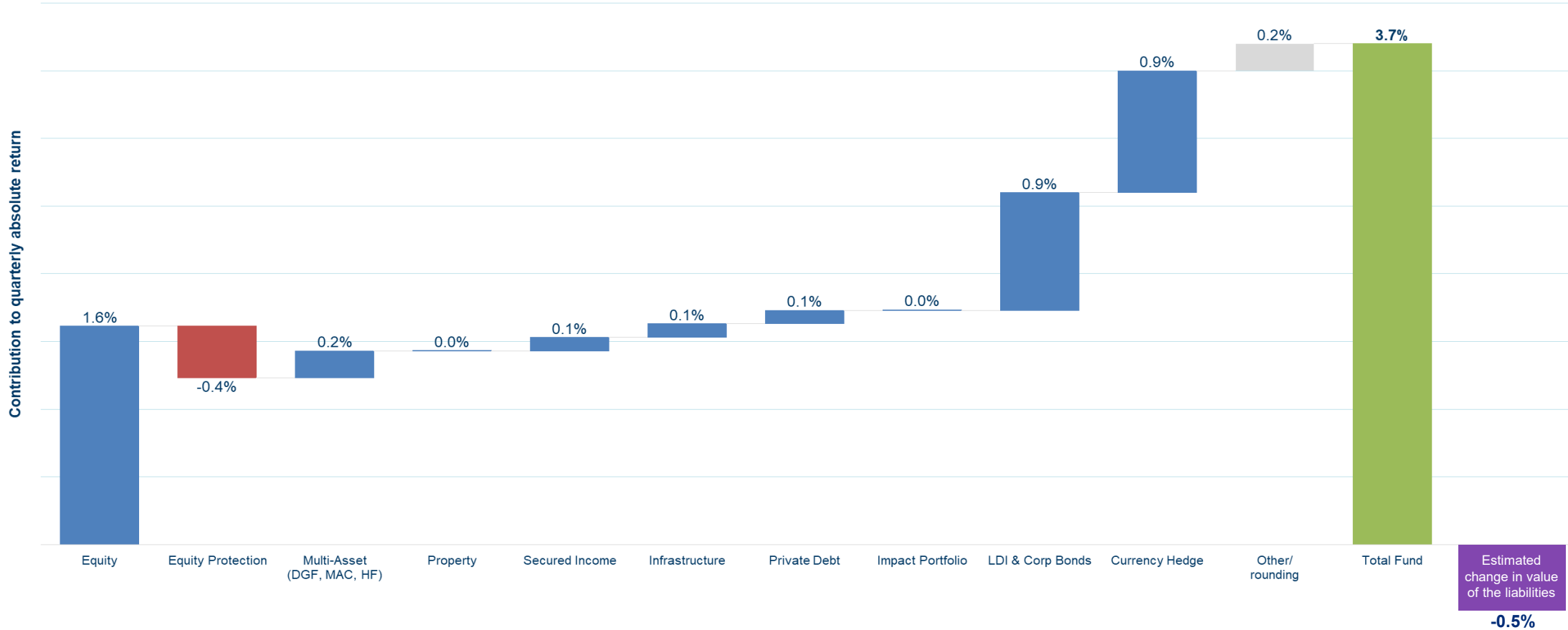
## Commentary

- As illustrated on the next slide, positive returns were predominantly driven by the Equity and LDI holdings.
- All of the Liquid Growth and Illiquid Growth assets were positive, except for just Overseas Property and the Local Impact – Renewables asset. The Equity Protection detracted from returns, in line with expectations given rising markets.
- At the underlying level, relative performance of the mandates against their respective benchmarks was mixed. Notable detractors included the active equity mandates, Property and Secured Income, whilst the Synthetic Equity and Infrastructure holdings were the main contributors.
- Underperformance relative to the strategic benchmark over the one-year period was driven by the active equity mandates, the Equity Protection Strategy, the Diversified Returns Fund and the Overseas Property mandate, as well as the way in which the LDI allocation is reflected in the methodology for total Fund benchmark returns\*.
- The drivers of underperformance over the three year period were the Active Equity, Equity Protection, Property and Secured Income mandates.
- The Currency Hedge added to returns over the three month, one year and three year periods, due to the strengthening of Sterling.

\*With regards to LDI, the total Fund benchmark assumes a fixed target % allocation, whereas in practice the allocation can vary materially, with the portfolio still delivering the expected performance in £ terms as it hedges the relevant liability exposures. As LDI performance was negative in Q4 2024 and Q1 2025 due to gilt yield movements, and the % allocation to LDI was above the SAA, this has had an unusually large impact on total performance.

# Total Fund Performance Attribution – Quarter

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Source: Custodian, Mercer estimates.

Positive returns were driven by the Equity holdings and LDI (due to a fall in UK gilt yields). The Currency Hedge contribution was positive due to the strengthening of Sterling.

The Equity Protection counteracted equity market gains, although the effects are less visible quarter-on-quarter in terms of the 'profit and loss'.

All of the alternative Liquid Growth and Illiquid Growth asset class buckets were positive.

# Total Fund Performance Attribution – 1 Year

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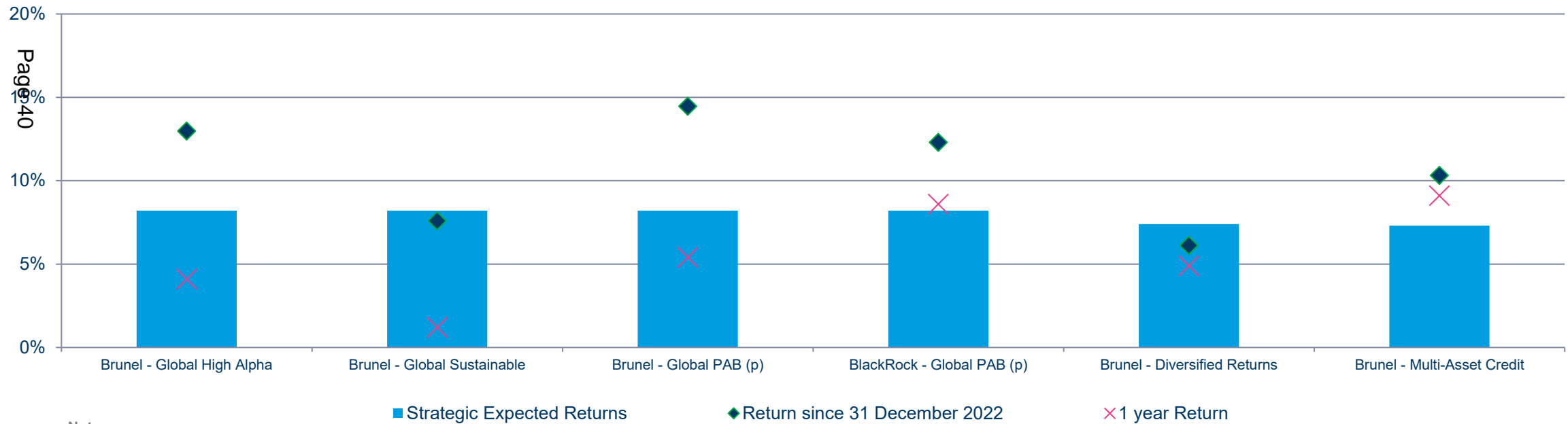
Source: Custodian, Mercer estimates.

The Equity holdings and the Currency Hedge were the main drivers of positive returns over the one year period. The Liquid Growth and Illiquid Growth asset class buckets were also positive.

The LDI detracted over the year due to a rise in UK gilt yields, although the liabilities fell by a greater extent, in line with expectations. The Equity Protection detracted due to the rise in underlying equity markets.

# Performance vs. Expected Strategic Returns

	Brunel Global High Alpha	Brunel Global Sustainable	Brunel / BlackRock Passive Global PAB	Brunel Diversified Returns	Brunel Multi-Asset Credit
<b>Benchmark Allocation</b>	10.5%	10.5%	20.5%	6.0%	6.0%
<b>Commentary</b>	Returns above expectations since December 2022 due to equity market strength, though mandate has underperformed the benchmark over this period.	Returns below expectations since December 2022 (despite equity market strength) due to manager underperformance.	Brunel PAB (FTSE index) returns above expectations since December 2022 due to equity market strength. BlackRock synthetic PAB (MSCI index) returns above expectations since May 2023; when exposure was put in place.	Returns below expectations since December 2022, due to muted returns in 2024.	Returns above expectations since December 2022 thanks to strength in high-yield debt markets.

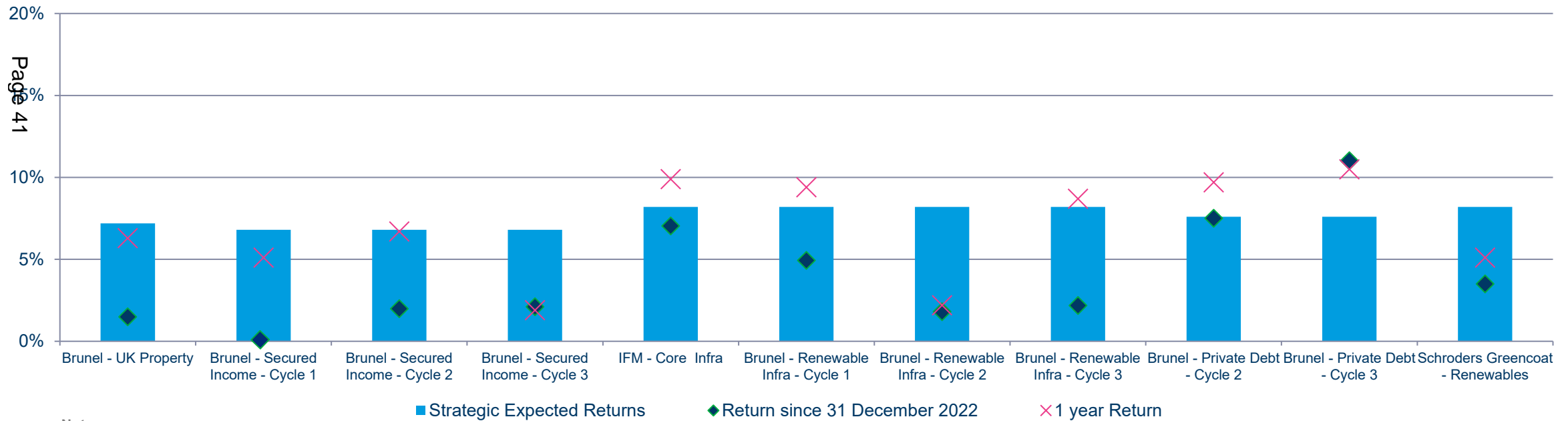


**Notes:**

We have illustrated the performance of the key mandates within the Fund's investment strategy. Actual returns are from 31 December 2022 to 30 June 2025. 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. Mandates with a track record less than one year have not yet been included.

# Performance vs. Expected Strategic Returns

	Brunel UK Property	Brunel Secured Income	IFM Core Infra	Brunel Renewable Infra	Brunel Private Debt	Schroders Greencoat - Renewables
<b>Benchmark allocation</b>	3.5%	9.0%	4.0%	5.0%	4.5%	3%
<b>Commentary</b>	Returns below expectations since December 2022 due to the challenges seen in Property markets. The Secured Income mandates came out of the drawdown phase relatively recently, with the last capital call to Cycle 3 occurring in Q2 2024.		Returns slightly below expectations since December 2022. Returns prior to this date, since the mandate's inception, are noticeably stronger.	Returns for all cycles below expectations since December 2022. Mandates are still in the drawdown phase; the first drawdowns were in Q1 2019, Q4 2020 and Q4 2022 respectively. Returns are stronger over the since inception periods.	Returns marginally below expectations for Cycle 2 and above for Cycle 3 since December 2022. Mandates are still in the drawdown phase.	Return below expectations, but mandate is still in the drawdown phase.



**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 June 2025. 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. Mandates with a track record less than one year have not yet been included.

# Mandate Performance to 30 June 2025

Manager / Asset Class	3 Months			1 Year			3 Year			3 Year Performance Target (% p.a.)**	3 Year Performance vs Target	5 Year		
	Fund (%)	B'mark (%)	Relative (%)	Fund (%)	B'mark (%)	Relative (%)	Fund (% p.a.)	B'mark (% p.a.)	Relative (% p.a.)			Fund (% p.a.)	B'mark (% p.a.)	Relative (% p.a.)
Brunel Global High Alpha Equity	4.4	5.1	-0.7	4.1	7.7	-3.6	12.4	14.2	-1.8	+2-3	Target not met	10.9	12.7	-1.8
Brunel Global Sustainable Equity	3.4	5.2	-1.8	1.2	7.6	-6.4	7.8	13.3	-5.5	+2	Target not met	-	-	-
Brunel Passive Global Equity Paris-Aligned	4.9	5.0	-0.1	5.4	5.6	-0.2	13.3	13.4	-0.1	-	N/A (p)	-	-	-
MSCI World Paris-Aligned (Synthetic)*	10.4	5.8	+4.6	8.6	6.3	+2.3	-	-	-	-	N/A (p)	-	-	-
Brunel Diversified Returns Fund	1.2	1.8	-0.6	4.9	7.9	-3.0	5.0	7.5	-2.5	-	Target not met	-	-	-
Brunel Multi-Asset Credit	2.6	2.0	+0.6	9.1	9.0	+0.1	9.5	8.5	1.0	-	Target met	-	-	-
Brunel UK Property	1.0	1.4	-0.4	6.3	6.3	0.0	-5.2	-4.1	-1.1	-	Target not met	-	-	-
Brunel Secured Income - Cycle 1	1.1	1.8	-0.7	5.1	3.6	+1.5	-4.7	4.5	-9.2	+2	Target not met	0.5	5.0	-4.5
Brunel Secured Income - Cycle 2	0.9	1.8	-0.9	6.7	3.6	+3.1	-2.3	4.5	-6.8	+2	Target not met	-	-	-
Brunel Secured Income - Cycle 3	1.0	1.8	-0.8	1.9	3.6	-1.7	-	-	-	+2	N/A	-	-	-
IFM Core Infrastructure	2.4	2.3	+0.1	9.9	10.0	-0.1	7.1	9.6	-2.5	-	Target not met	9.9	7.9	+2.0
Brunel Renewable Infrastructure - Cycle 1	2.0	1.8	+0.2	9.4	3.6	+5.8	6.8	4.5	+2.3	+4	Target not met	6.0	5.0	+1.0
Brunel Renewable Infrastructure - Cycle 2	1.2	1.8	-0.6	2.2	3.6	-1.4	7.1	4.5	+2.6	+4	Target not met	-	-	-
Brunel Renewable Infrastructure - Cycle 3	5.7	1.8	+3.9	8.7	3.6	+5.1	-	-	-	+4	N/A	-	-	-
Brunel Private Debt - Cycle 2	2.3	2.0	+0.3	9.7	9.0	+0.7	9.3	8.5	+0.8	-	Target met	-	-	-
Brunel Private Debt - Cycle 3	1.4	2.0	-0.6	10.5	9.0	+1.5	-	-	-	-	N/A	-	-	-
Schroders Greencoat Wessex Gardens	-0.2	1.8	-2.0	5.1	7.9	-2.8	-	-	-	-	N/A	-	-	-
Octopus Affordable Housing	3.2	1.8	+1.4	-	-	-	-	-	-	-	N/A	-	-	-
Foresight Regional Investment	-	-	-	-	-	-	-	-	-	-	N/A	-	-	-
BlackRock Corporate Bonds	3.3	3.3	0.0	4.5	4.5	0.0	-1.1	-1.1	0.0	-	N/A (p)	-4.4	-4.4	0.0
BlackRock LDI	1.2	1.2	0.0	-7.0	-6.1	-0.9	-5.6	-5.0	-0.6	-	N/A (p)	-2.0	-2.1	+0.1
Equity Protection Strategy	-1.9	N/A	N/A	-2.7	N/A	N/A	-4.3	N/A	N/A	-	N/A	-	-	-

Source: Investment Managers, Custodian, Mercer estimates. Returns are net of fees, unless otherwise stated. Returns are in GBP terms

Relative returns are calculated 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 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.

Performance for the LDI portfolio is estimated by Mercer based on the change in exposure. These returns are gross of fees.

\*Performance for MSCI World Paris-Aligned (Synthetic) has been converted to GBP by Mercer, as the associated index is denominated in USD. There will therefore be differences between actual performance and the benchmark shown as a result of only a portion of the mandate (the profit/loss on the positions) being exposed to currency movements, whilst the benchmark is entirely exposed to currency movements. The funding leg cost of synthetic equity will also have an impact on the mandate's relative performance, however this is offset elsewhere within the BlackRock portfolio so does not have an impact on overall relative performance.

\*\*Where the outperformance target has not already been incorporated into the benchmark returns shown. See Appendix for further details.

# Asset Allocation



# Valuation by Asset Class

Asset Class	Start of Quarter (£'000)	End of Quarter (£'000)	Start of Quarter (%)	End of Quarter (%)	Benchmark (%)	Ranges (%)	Relative (%)
Global Equity	798,991	845,450	13.8%	14.0%	10.5%	5.5 - 15.5	+3.5%
Global Sustainable Equity	648,956	671,048	11.2%	11.1%	10.5%	5.5 - 15.5	+0.6%
Paris-Aligned Equity*	983,464	1,037,429	17.0%	17.2%	20.5%	12.5 - 28.5	-3.3%
<b>Total Equity</b>	<b>2,431,412</b>	<b>2,553,927</b>	<b>42.1%</b>	<b>42.3%</b>	<b>41.5%</b>	<b>36.5 - 46.5</b>	<b>0.8%</b>
Diversified Returns Fund	385,269	389,741	6.7%	6.5%	6.0%	3 - 9	+0.5%
Multi-Asset Credit	369,145	378,860	6.4%	6.3%	6.0%	3 - 9	+0.3%
<b>Total Liquid Growth</b>	<b>754,414</b>	<b>768,601</b>	<b>13.1%</b>	<b>12.7%</b>	<b>12.0%</b>	<b>7 - 17</b>	<b>+0.7%</b>
Property	287,108	284,404	5.0%	4.7%	7.0%	No set range	-2.3%
Secured Income	620,690	618,401	10.7%	10.3%	9.0%	No set range	+1.3%
Core Infrastructure	246,967	252,817	4.3%	4.2%	4.0%	No set range	+0.2%
Renewable Infrastructure	235,618	240,813	4.1%	4.0%	5.0%	No set range	-1.0%
Private Debt	252,095	260,914	4.4%	4.3%	4.5%	No set range	-0.2%
Local Impact	40,984	52,137	0.7%	0.9%	3.0%	No set range	-2.1%
<b>Total Illiquid Growth</b>	<b>1,683,463</b>	<b>1,709,485</b>	<b>29.1%</b>	<b>28.3%</b>	<b>32.5%</b>	<b>No set range</b>	<b>-4.2%</b>
Corporate Bonds	182,592	188,527	3.2%	3.1%	2.0%	No set range	+1.1%
LDI & Equity Protection	1,112,590	1,153,656	19.3%	19.1%	12.0%	No set range	+7.1%
<b>Total Protection</b>	<b>1,295,182</b>	<b>1,342,183</b>	<b>22.4%</b>	<b>22.3%</b>	<b>14.0%</b>	<b>No set range</b>	<b>+8.3%</b>
<i>Synthetic Equity Offset*</i>	-541,658	-573,834	-9.4%	-9.5%		-	
Other**	153,279	230,327	2.7%	3.8%	0.0%	0 - 5	+3.8%
<b>Total</b>	<b>5,776,113</b>	<b>6,030,707</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>		<b>0.0%</b>

Source: Custodian, Investment Managers, Mercer.

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.

\*\*Valuation includes the Fund of Hedge Fund mandate (due to be terminated), internal cash, the ETF and currency instruments.

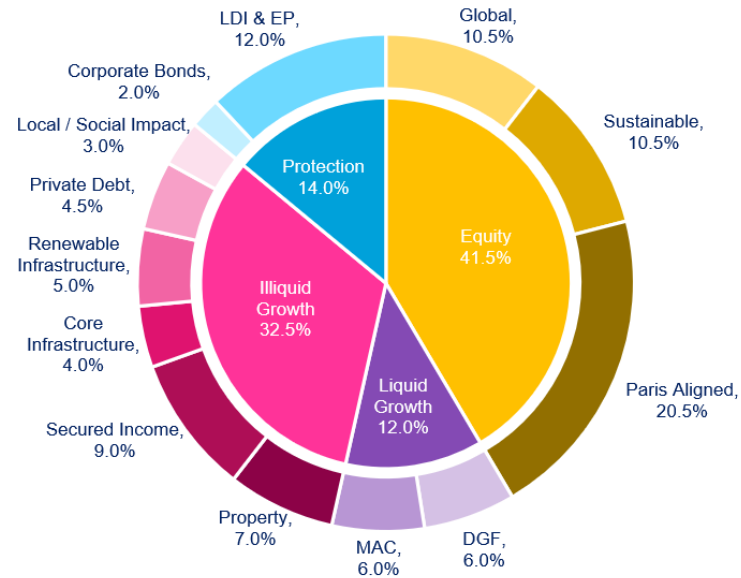


# Valuation by Mandate

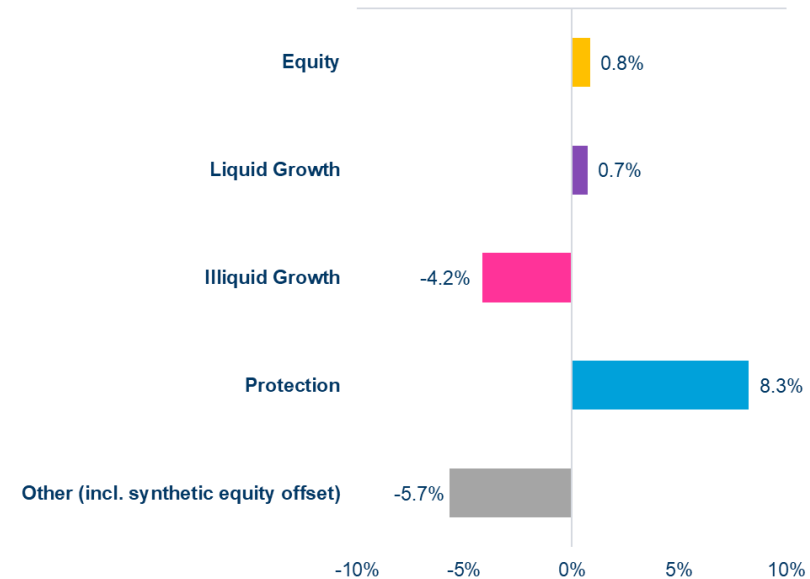
Manager	Asset Class	Start of Quarter (£'000)	Cashflows (£'000)	End of Quarter (£'000)	Start of Quarter (%)	End of Quarter (%)
Brunel	Global High Alpha Equity	726,463	-	758,100	12.6%	12.6%
Brunel	Global Sustainable Equity	648,956	-	671,048	11.2%	11.1%
Brunel	Passive Global Equity Paris Aligned	441,806	-12	463,595	7.6%	7.7%
BlackRock	MSCI World Paris-Aligned (Synthetic)	541,658	-	573,834	9.4%	9.5%
Brunel	Diversified Returns Fund	385,269	-	389,741	6.7%	6.5%
Brunel	Multi-Asset Credit	369,145	-	378,860	6.4%	6.3%
Brunel	UK Property	188,821	-1	190,619	3.3%	3.2%
Schroders	UK Property	13,105	-	13,267	0.2%	0.2%
Partners	Overseas Property	85,183	-2,113	80,518	1.5%	1.3%
Brunel	Secured Income – Cycle 1	288,336	-4,037	287,562	5.0%	4.8%
Brunel	Secured Income – Cycle 2	98,202	-1,408	97,689	1.7%	1.6%
Brunel	Secured Income – Cycle 3	234,152	-3,231	233,150	4.1%	3.9%
IFM	Core Infrastructure	246,967	-	252,817	4.3%	4.2%
Brunel	Renewable Infrastructure – Cycle 1	117,541	-1,875	118,126	2.0%	2.0%
Brunel	Renewable Infrastructure – Cycle 2	92,986	1,889	96,154	1.6%	1.6%
Brunel	Renewable Infrastructure – Cycle 3	25,092	-156	26,533	0.4%	0.4%
Brunel	Private Debt - Cycle 2	184,131	-	188,326	3.2%	3.1%
Brunel	Private Debt - Cycle 3	67,964	3,600	72,588	1.2%	1.2%
Schroders Greencoat	Local Impact – Renewables	35,591	1,066	36,594	0.6%	0.6%
Octopus	Local Impact - Affordable Housing	5,393	6,945	12,513	0.1%	0.2%
Foresight	Local Impact - SME Financing	-	3,079	3,030	0.0%	0.1%
BlackRock	Corporate Bonds	182,592	-	188,527	3.2%	3.1%
BlackRock	LDI & derivatives MTM	1,112,590	-	1,153,656	19.3%	19.1%
BlackRock	Synthetic offset	-541,658	-	-573,834	-9.4%	-9.5%
JP Morgan	Fund of Hedge Funds	15,206	-	13,895	0.3%	0.2%
Record	Currency Hedging	85,350	-	141,561	1.5%	2.3%
BlackRock	ETF	23,701	-	24,611	0.4%	0.4%
Internal Cash	Cash	101,119	35,974	137,167	1.8%	2.3%
Residual assets	Residual Assets	432	-	444	0.0%	0.0%
<b>Total</b>		<b>5,776,113</b>	<b>39,721</b>	<b>6,030,707</b>	<b>100%</b>	<b>100%</b>

# 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. The 2025 Investment Strategy Review is now underway, which may see further changes to the overall buckets and/or underlying allocations.
- In the first part of the review, the Committee agreed in-principle to some changes, including the removal of the DGF allocation, an increase of the MAC allocation and a new allocation to Index-Linked Gilts (alongside a restructuring of the liability hedging structures). The ratification of these changes are subject to tests in the second part of the review.
- The right-hand side chart displays the actual relative weights of the key portfolio building blocks compared to the current SAA:
  - The underweight to Illiquid Growth reflects the fact that in aggregate, capital is still being drawn (i.e. in excess of distributions being returned).
  - 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 to persist and is unlikely to trigger any consideration for action, which would continue to be driven more specifically by collateral adequacy requirements.
- Over the quarter, a net amount of c. £4m was drawn down to the private market portfolio. Amongst this was the first capital call towards the Foresight SME Financing strategy, of c. £3m.

# Appendix

# Q2 2025 Equity Market Review

In Q2 2025, global equities rose as both the easing of global trade and geopolitical tensions supported risky assets. Q2 2025 had begun with global equities being volatile following President Trump's tariff announcement on April 2, "Liberation Day." Nonetheless, a 90-day tariff suspension aided recovery, with both the US and China agreeing to the suspension.

**Global equities** rose 5.1% in unhedged sterling terms and 9.7% in local currency terms as the sterling appreciated against the US dollar.

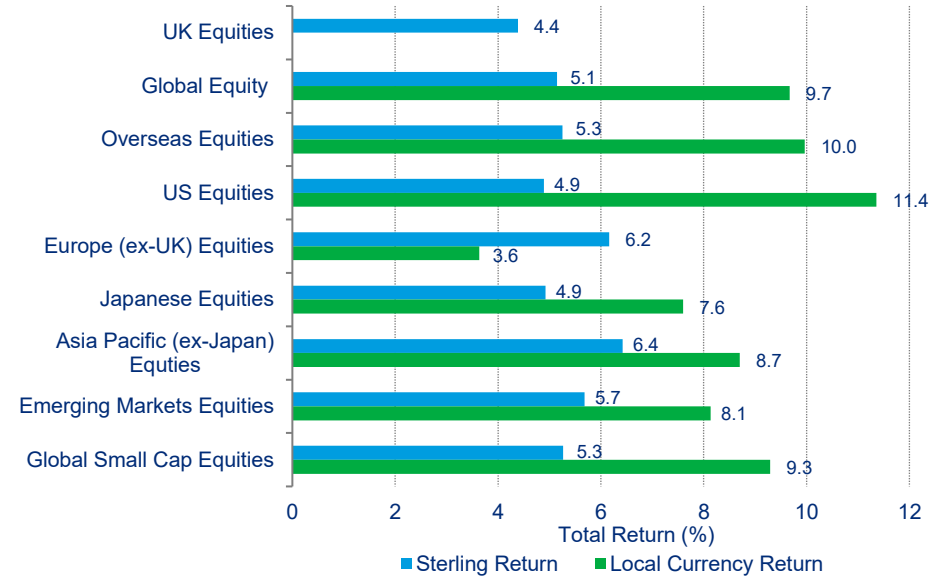
**US equities** returned 11.4% in local currency terms, whilst European (ex-UK) equities returned 3.6%, and Japanese equities returned 7.6%.

**Emerging markets equities** returned 8.1% in local terms.

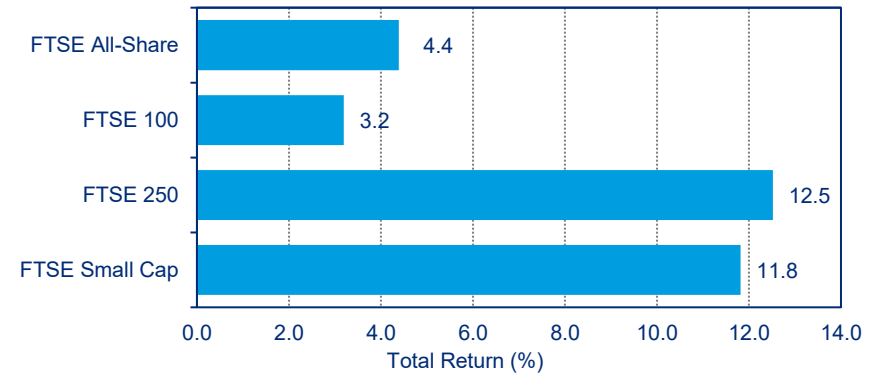
**Global small cap stocks** returned 9.3% in local terms, amid easing concerns around the global economic outlook.

The **FTSE All Share** index returned 4.4% over the quarter, with the large-cap **FTSE 100** index returning 3.2%. More domestically focused equities (**FTSE 250**) produced returns of 12.5%. The **small-cap** index produced a positive 11.8% return.

## Equity Performance

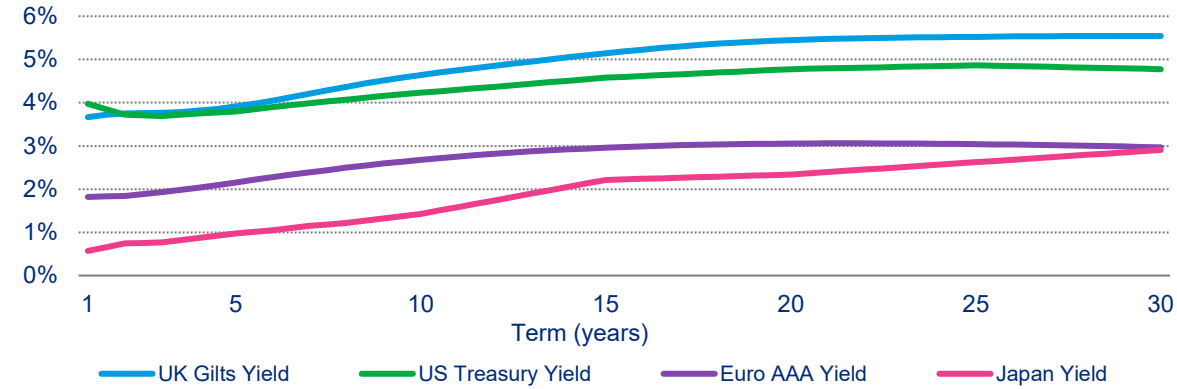


## FTSE Performance by Market Cap

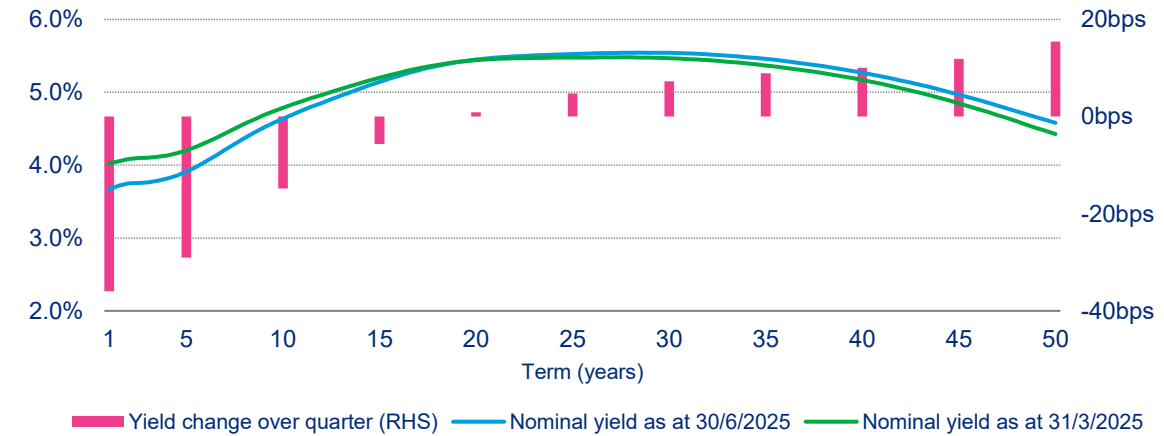


# Q2 2025 Bond Market Review

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Source: Mercer and Bloomberg



Source: Mercer

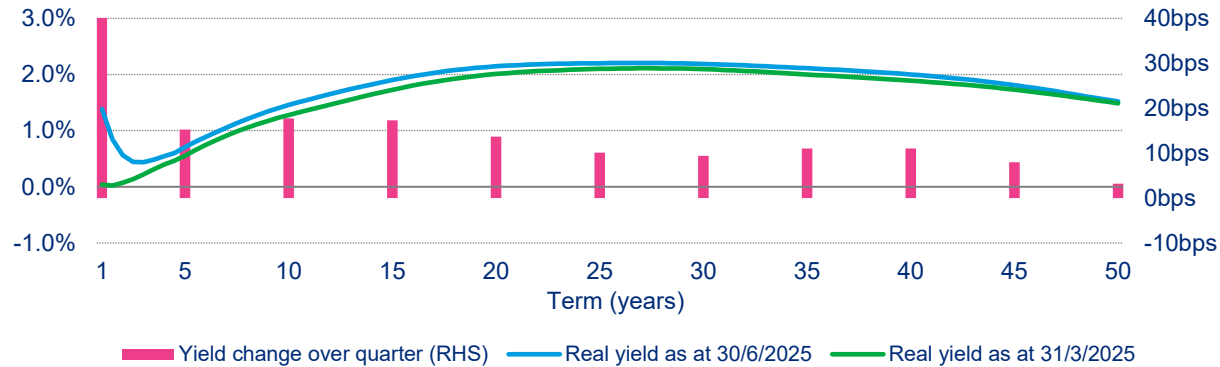
## Government Bond Yields

Global government bond yields were mostly down over the second quarter.

In the US, the treasury curve steepened with long-term yields moving higher amidst macro volatility and fiscal spending concerns after the House passed the 'One Big Beautiful Bill'. In contrast, German bund yields moved lower across the curve. Meanwhile, in the UK, gilt yields declined sharply during the quarter amid expectations of more rate cuts by the BoE.

The 10-year benchmark bond yield in the US rose 0.02%, closing the quarter at 4.23%. In contrast, the UK and German 10-year yield fell 0.19% and 0.13%, respectively. The 10-year JGB yield also decreased by 0.06% during the quarter as tariff headwinds lowered BoJ rate hike bets.

# Q2 2025 Bond Market Review

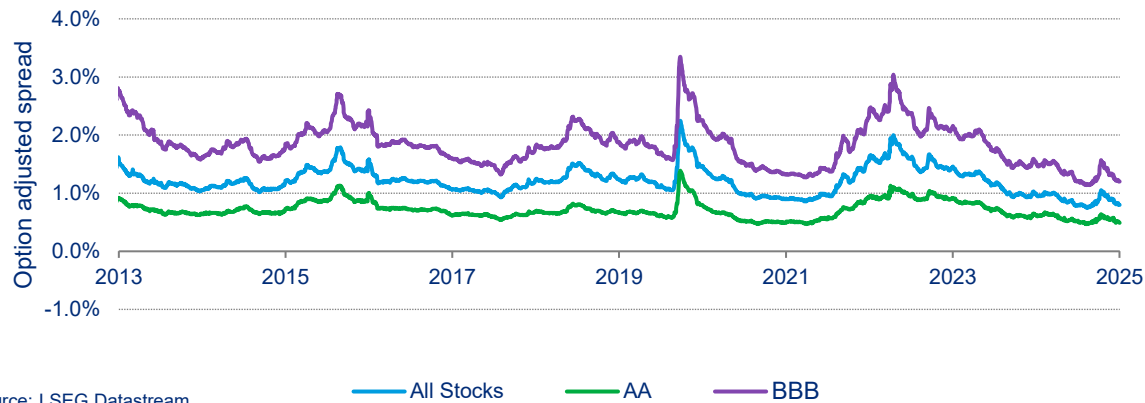


Source: Mercer

## UK Index-Linked Gilt Yields

UK real yields rose across the curve over the previous quarter. Both headline and services inflation in the UK continued to exhibit a deflationary trend through the quarter, albeit with some upside risks emerging from higher energy prices. While the BoE cut rates by 25bps in Q2, the Monetary Policy Committee (“MPC”) maintained a ‘gradual and careful’ assessment of the timing of further easing citing “elevated global uncertainty”. UK 5-year, 10-year and 30-year breakeven rates finished the quarter at 3.10%, 3.03% and 3.04%, respectively, with the 10-year at the lowest level since December 2020.

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Source: LSEG Datastream

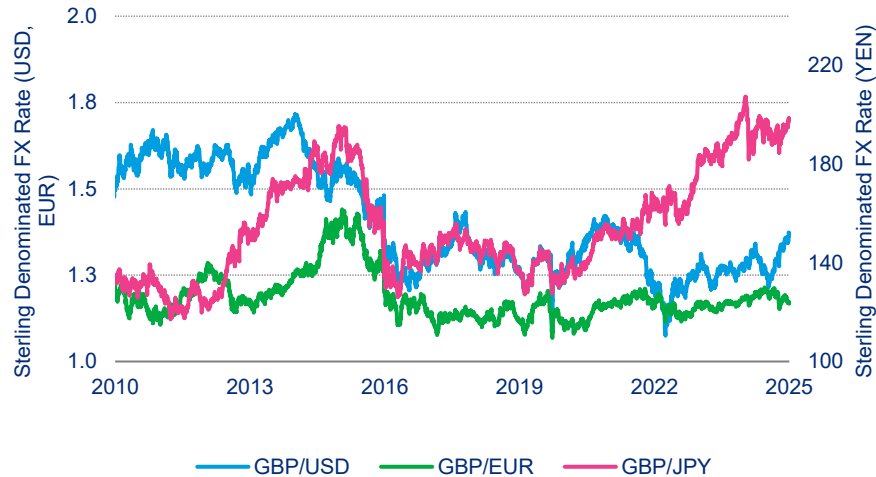
## Corporate bonds

Spreads on UK investment-grade credit tightened across the credit quality spectrum through the second quarter, with spreads for AA-rated credit down 6bps at 49bps, as well as BBB-rated credit down 11 bps at 120bps.

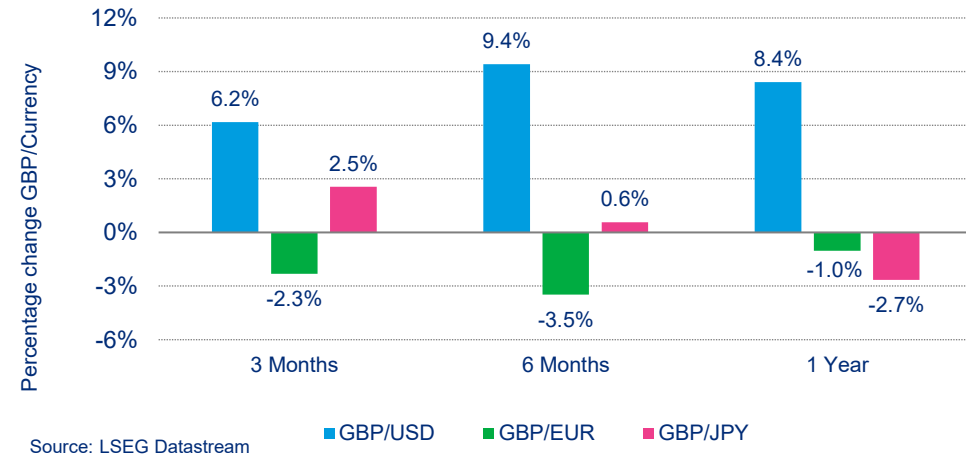
# Q2 2025 Currency Market Review

In the second quarter of 2025, sterling strengthened against the US dollar and Japanese yen, whilst weakened against the Euro. Sterling appreciated 6.2% and 2.5% against USD and JPY, respectively, while depreciating 2.3% against EUR. The US dollar fell ~7% over the quarter on the back of waning US exceptionalism amidst signs of a gradual slowdown. On a 12-month basis, sterling strengthened 8.4% against USD, while declining 1% and 2.7% against EUR and JPY, respectively.

**Sterling Denominated FX Rate**



**Change in sterling against foreign currencies**



# Q2 2025 Property

UK property as measured by the MSCI Index increased by 1.7% over the second quarter of 2025.

# Summary of Mandates

Manager	Mandate	Benchmark/Target	Outperformance Target (p.a.)	Inception Date
BlackRock	Passive Paris-Aligned Equity (Synthetic Exposure)	MSCI World Climate PAB Index (USD - converted to GBP for performance measurement purposes)	-	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 Paris-Aligned Equity	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
Schroders Greencoat	Local Impact – Renewables*	SONIA + 3% p.a.	-	February 2024
Octopus	Local Impact - Affordable Housing*	SONIA + 3% p.a.	-	March 2025
Foresight	Local Impact - SME Financing*	SONIA + 3% p.a.	-	April 2025
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 for Renewable Infrastructure is a net GBP IRR of 8% p.a., for Local Impact – Renewables and Local Impact - Affordable Housing it is 7% p.a., and for Local Impact – SME Financing it is 15% p.a. The inflation/cash-plus benchmarks are 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.

The cash-plus objective is aligned for the Local Impact portfolio despite underlying differences to reflect the return which was strategically targeted for this portfolio.



# 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
Sustainable Equity	MSCI World Low Carbon Target
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

# Changing capital market assumptions

- Mercer has historically used a stable model for deriving capital market assumptions. Initial gilt yields and credit spreads reflect market conditions and drive future returns. Growth assets were modelled with stable “risk premia”.
- Discussions about market valuations and outlook has generally been facilitated via our dynamic asset allocation views.
- We have decided to update our approach to capital market assumptions to include a view on market valuations and how they impact expectations.
- We are making this change for four reasons.
  - (a) To improve their predictive ability
  - (b) To better reflect the market conditions which have changed markedly since 2022.
  - (c) To have our capital market assumptions respond more quickly to future changes in conditions.
  - (d) To be consistent globally across Mercer.
- The new approach is now in use from 30 June 2025.
- The following slide provides more detail on the changes and how they may impact asset liability analysis.

# Summary of changes

Asset class or area	Change?	Change in methodology?		10-year impact	Comment
		Current	New		
Equities	Yes	Fixed equity risk premium ("ERP") of 3.7%	Gordon growth model with price earnings reversion ( <i>dividend yield + real growth + inflation + valuation adjustment</i> )	↓	Equity expected returns will be more dynamic reflecting whether equity market performance and price/earnings ratios are high / low by historical standards. The connection to bond yields will be much weaker.
Investment Grade Credit	No	Market based credit spread with adjustment for defaults and spread reversion		=	No change in model, but there will be impact from different parameterisation and the underlying gilt model (see below).
Gilts	Yes	Market based yields	Market based yield but with adjustment for yield reversion	↑	Element of yield reversion to be included to better reflect expected path of yields given current market and historical levels.
Cash	Yes	Based on market inputs	Market based but with adjustment reversion	↓	Element of yield reversion to be included to better reflect yields in current market environment relative to historical levels.
Inflation	Yes	Driven by breakeven inflation	Driven by a view on long term inflation levels and reversion towards that	↓	Our long-term level is set based on long term expectations from consensus economics. These are cross referenced against central targets.
Reversion / Dispersion	Yes	Limited reversion allowed for	Ongoing reversion in key variables leads to less dispersion of returns.	↓	While short term uncertainty will remain at a similar level, in the longer-term returns will be less dispersed. This is because if early years shows prices or yield moving in one direction, they are likely to revert in the longer term under our new approach.

Mercer's Capital Market Assumptions are subject to change and are reviewed on an ongoing basis. They will change over time as financial conditions change. Asset class assumptions other than those shown above will also change.

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# Avon Pension Fund Performance Report

Quarter ending 30 June 2025

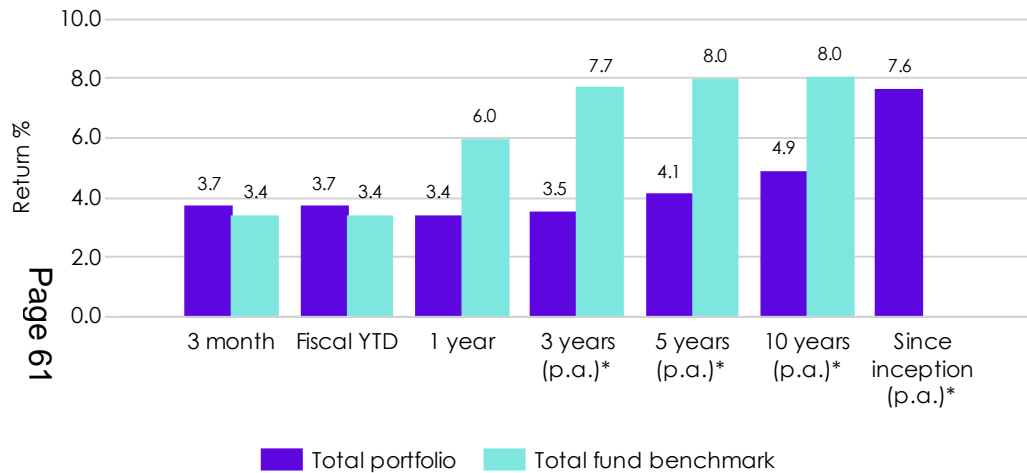
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# Pension Fund performance

## Performance (annualised)



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

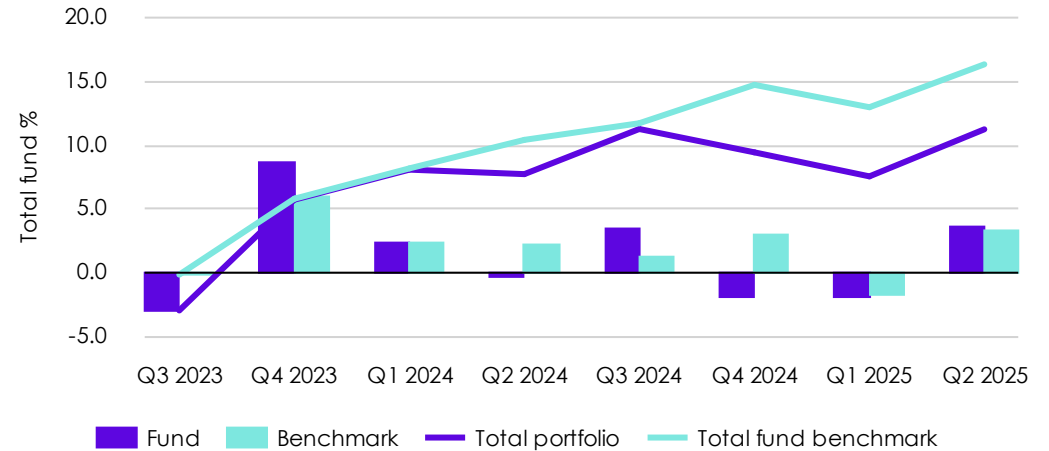
## Key events

In the second quarter, markets again saw significant volatility as investors grappled with US tariff policy uncertainty and war in the Middle East. In both cases, investors' worst fears ultimately proved unfounded and most major asset classes delivered positive returns over the quarter.

The Trump administration unveiled tariffs on every major US trading partner on so-called 'Liberation Day'. This took the announced tariff rate to a post-war high of nearly 30%, up from 2% before Trump took office. The tariffs were quickly moderated following a period of intense market volatility which had seen global equities sharply down. By the end of the quarter, equities had staged a powerful comeback, returning over 5%

Towards the end of May, market attention turned to fiscal policy as the House of Representatives passed an extension of Trump's 2017 tax relief measures ('One Big Beautiful Bill

## Quarterly performance



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

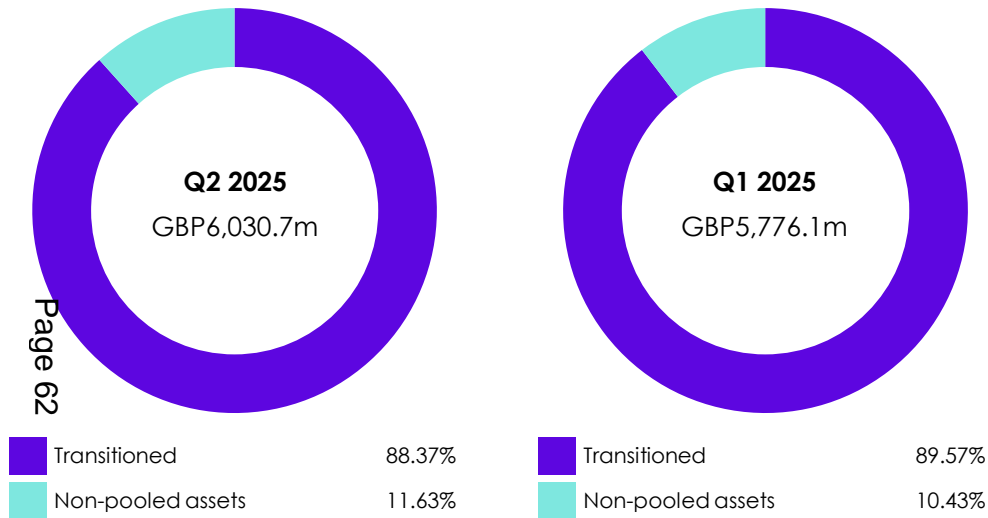
Act') prompting a brief sell-off in Treasuries, which was exacerbated by a US credit rating downgrade by Moody's. While US stocks and bonds recovered from April's volatility, the US dollar saw continued weakness, ending the quarter down 7%.

After a strong first quarter, European equities delivered returns of 6.2% (in GBP terms). UK equities faced headwinds from high exposure to the energy and healthcare sectors which were the only negative equity sectors at a global level over the quarter. Nevertheless, the FTSE All-Share delivered healthy returns of 4.4%.

Looking ahead, US policy remains the key source of volatility. Markets remain focused on the outcome of US tariffs. Geopolitical uncertainty continues to increase with Israel and Iran adding further uncertainty to the US approach to Ukraine, Russia and, increasingly, China.

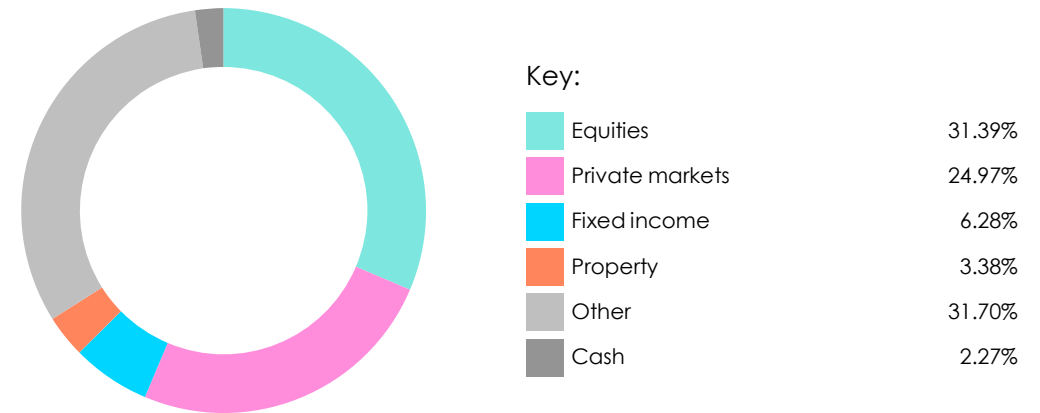
## Asset summary

### Assets transitioned to Brunel



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

### Asset allocation breakdown



Source: State Street Global Services. Net of all fees. Data includes non-pooled assets

## Overview of assets

### Detailed asset allocation

Equities	£1,893.19m	31.39%
Global High Alpha Equities	£758.10m	12.57%
Global Sustainable Equities	£671.05m	11.13%
PAB Passive Global Equities	£463.60m	7.69%
Non-pooled Assets	£0.44m	0.01%
Fixed income	£378.86m	6.28%
Multi-Asset Credit	£378.86m	6.28%

Private markets (incl. property)	£1,709.49m	28.35%
Secured Income Cycle 1	£287.56m	4.77%
Secured Income Cycle 3	£233.15m	3.87%
UK Property	£190.62m	3.16%
Private Debt Cycle 2	£188.33m	3.12%
Infrastructure Cycle 1	£118.13m	1.96%
Secured Income Cycle 2	£97.69m	1.62%
Infrastructure (Renewables) Cycle 2	£96.15m	1.59%
Private Debt Cycle 3	£72.59m	1.20%
Infrastructure Cycle 3	£26.53m	0.44%
Non-pooled Assets	£398.74m	6.61%
Other	£1,912.01m	31.70%
Blackrock Risk Management	£1,342.20m	22.26%
Diversifying Returns Fund	£389.74m	6.46%
Non-pooled Assets	£180.07m	2.99%

Cash not included

<b>Summary</b>	<b>Overview of assets</b>	<b>Strategic asset allocation</b>	<b>Performance attribution</b>	<b>Responsible investment</b>	<b>Risk and return</b>	<b>Portfolio overview</b>	<b>CIO commentary</b>	<b>Portfolios</b>	<b>Glossary</b>	<b>Disclaimer</b>
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## Overview of assets

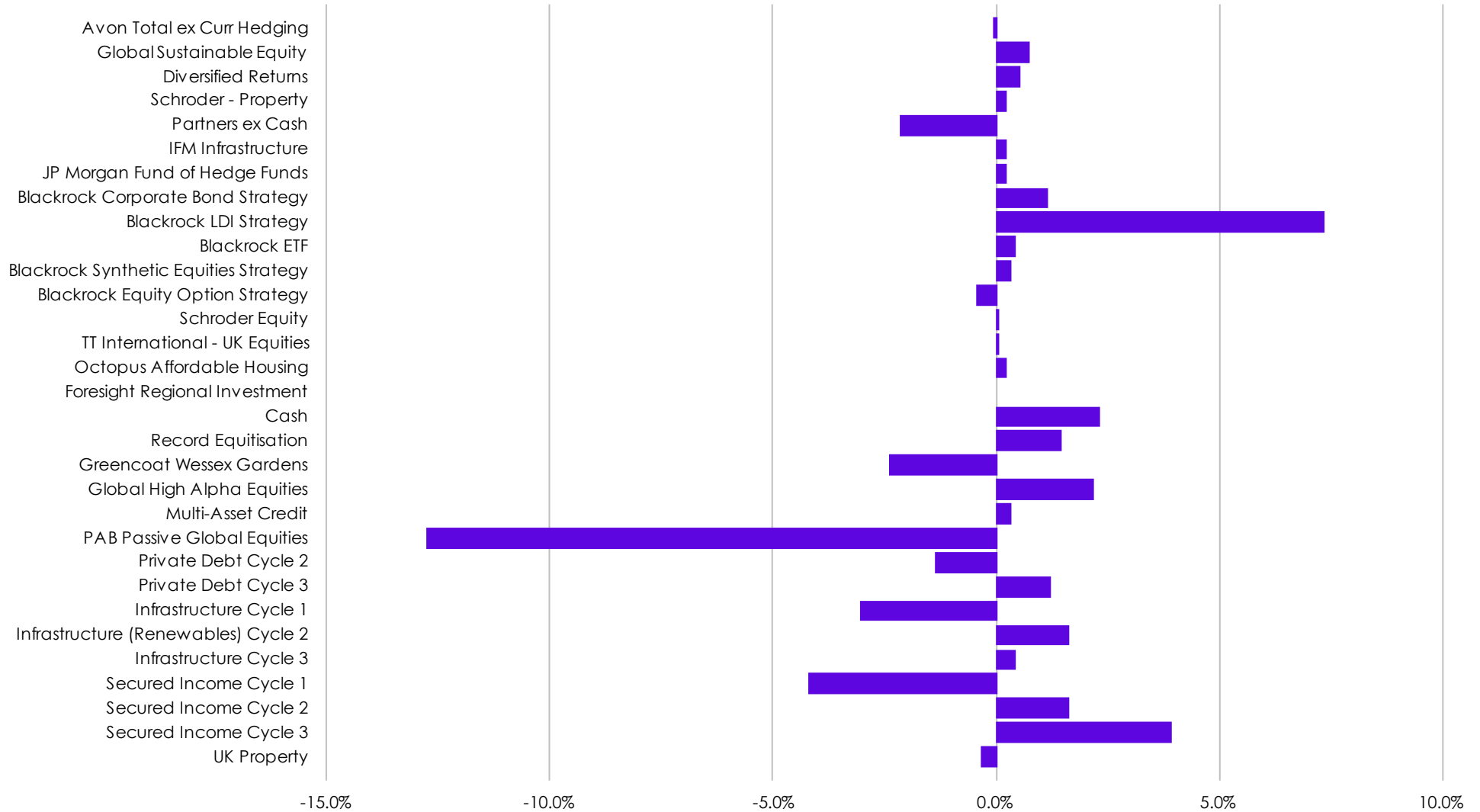
### Top 10 Equity Holdings at Pension Fund

ISIN	Security Name	Sector	Sub-sector	Country	Market Value (£)	% of Pension fund	ESG Score
US5949181045	MICROSOFT CORP	Information Technology	Systems Software	UNITED STATES	90,116,250.06	1.49%	17.39
US0231351067	AMAZON.COM INC	Consumer Discretionary	Broadline Retail	UNITED STATES	68,267,523.27	1.13%	25.82
US67066G1040	NVIDIA CORP	Information Technology	Semiconductors	UNITED STATES	55,199,228.08	0.92%	12.46
US57636Q1040	MASTERCARD INC - A	Financials	Transaction & Payment	UNITED STATES	39,848,712.13	0.66%	14.25
US02079K3059	ALPHABET INC-CL A	Communication Services	Interactive Media &	UNITED STATES	35,699,543.25	0.59%	24.89
US68740391003	TAIWAN SEMICONDUCTOR-SP ADR	Information Technology	Semiconductors	TAIWAN	33,908,241.69	0.56%	14.67
US0378331005	APPLE INC	Information Technology	Technology Hardware	UNITED STATES	25,632,549.31	0.43%	18.99
NL0010273215	ASML HOLDING NV	Information Technology	Semiconductor Materials &	NETHERLANDS	25,346,134.63	0.42%	8.87
US88160R1014	TESLA INC	Consumer Discretionary	Automobile Manufacturers	UNITED STATES	25,303,185.32	0.42%	24.76
US92826C8394	VISA INC-CLASS A SHARES	Financials	Transaction & Payment	UNITED STATES	24,388,939.57	0.40%	14.46

Table excludes cash and non-pooled 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
<b>Avon Total ex Curr Hedging</b>	<b>5,976,050</b>	<b>100.0%</b>	<b>100.00%</b>	<b>-0.0%</b>	<b>2.8%</b>	<b>2.8%</b>
Global Sustainable Equity	671,048	11.2%	10.50%	0.7%	3.4%	0.4%
Diversified Returns	389,741	6.5%	6.00%	0.5%	1.2%	0.1%
Schroder - Property	13,267	0.2%	-	0.2%	1.2%	0.0%
Partners ex Cash	80,518	1.3%	3.50%	-2.2%	-3.0%	-0.0%
IFM Infrastructure	252,817	4.2%	4.00%	0.2%	2.4%	0.1%
JP Morgan Fund of Hedge Funds	13,895	0.2%	-	0.2%	-8.6%	-0.0%
Blackrock Corporate Bond Strategy	188,527	3.2%	2.00%	1.2%	3.3%	0.1%
Blackrock LDI Strategy	1,155,950	19.3%	12.00%	7.3%	1.9%	0.4%
Blackrock ETF	24,611	0.4%	-	0.4%	3.8%	0.0%
Blackrock Synthetic Equities Strategy	20,176	0.3%	-	0.3%	5,432.4%	0.7%
Blackrock Equity Option Strategy	-25,315	-0.4%	-	-0.4%	-87.1%	-0.4%
Schroder Equity	127	0.0%	-	0.0%	2.4%	0.0%
TT International - UK Equities	318	0.0%	-	0.0%	3.1%	0.0%
Octopus Affordable Housing	12,513	0.2%	-	0.2%	3.2%	0.0%
Foresight Regional Investment	3,030	0.1%	0.05%	-	-10.7%	-0.0%

# 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
Cash	137,167	2.3%	-	2.3%	-0.0%	0.0%
Record Equitisation	86,907	1.5%	-	1.5%	3.1%	0.0%
Greencoat Wessex Gardens	36,594	0.6%	3.00%	-2.4%	-0.2%	-0.0%
Global High Alpha Equities	758,100	12.7%	10.50%	2.2%	4.4%	0.5%
Multi-Asset Credit	378,860	6.3%	6.00%	0.3%	2.6%	0.2%
AB Passive Global Equities	463,595	7.8%	20.50%	-12.7%	4.9%	0.4%
Private Debt Cycle 2	188,326	3.2%	4.50%	-1.3%	N/M	N/M
Private Debt Cycle 3	72,588	1.2%	-	1.2%	N/M	N/M
Infrastructure Cycle 1	118,126	2.0%	5.00%	-3.0%	N/M	N/M
Infrastructure (Renewables) Cycle 2	96,154	1.6%	-	1.6%	N/M	N/M
Infrastructure Cycle 3	26,533	0.4%	-	0.4%	N/M	N/M
Secured Income Cycle 1	287,562	4.8%	9.00%	-4.2%	N/M	N/M
Secured Income Cycle 2	97,689	1.6%	-	1.6%	N/M	N/M
Secured Income Cycle 3	233,150	3.9%	-	3.9%	N/M	N/M
UK Property	190,619	3.2%	3.50%	-0.3%	N/M	N/M

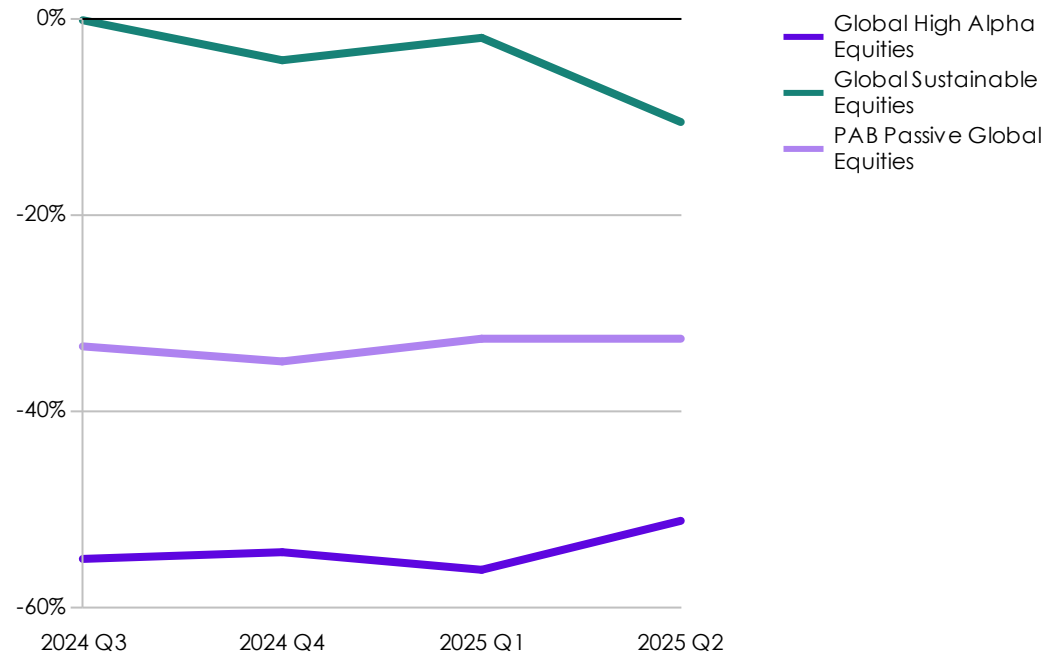
Private Markets 3 month performance is not material. Private Markets interim period performance is calculated using NAVs provided on business day 8. Later revisions to these NAVs are not captured in the calculations so please use caution when using this data.

# Stewardship and climate metrics

Portfolio	WACI		Total Extractive Exposure <sup>1</sup>		Extractive Industries (VOH) <sup>2</sup>	
	2025 Q1	2025 Q2	2025 Q1	2025 Q2	2025 Q1	2025 Q2
<b>Global High Alpha Equities</b>	<b>58</b>	<b>65</b>	<b>1.2</b>	<b>1.4</b>	<b>2.0</b>	<b>1.8</b>
MSCI World*	132	133	3.1	3.1	8.1	7.3
<b>Global Sustainable Equities</b>	<b>156</b>	<b>143</b>	<b>1.6</b>	<b>1.4</b>	<b>8.2</b>	<b>6.9</b>
MSCI ACWI*	159	160	3.2	3.2	8.0	7.3
<b>PAB Passive Global Equities</b>	<b>90</b>	<b>91</b>	<b>0.8</b>	<b>0.8</b>	<b>3.5</b>	<b>3.3</b>
FTSE Dev World TR UKPD*	134	135	3.1	3.1	8.4	7.5

\*Benchmark. <sup>1</sup> Extractive revenue exposure as share (%) of total revenue. <sup>2</sup> Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost. Changes between quarters may reflect improved data quality and coverage.

## Weighted Average Carbon Intensity relative to benchmark



## Stewardship reporting links

**Engagement records**

[www.brunelpensionpartnership.org/stewardship/engagement-records/](http://www.brunelpensionpartnership.org/stewardship/engagement-records/)

**Holdings records**

[www.brunelpensionpartnership.org/stewardship/holdings-records/](http://www.brunelpensionpartnership.org/stewardship/holdings-records/)

**Voting records**

[www.brunelpensionpartnership.org/stewardship/voting-records/](http://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
<b>Equities</b>				
Global High Alpha Equities	12.4%	13.0%	14.2%	11.6%
Global Sustainable Equities	7.8%	12.6%	13.3%	11.1%
PAI Passive Global Equities	13.3%	12.4%	13.4%	12.4%
<b>Fixed income</b>				
Multi-Asset Credit	9.5%	4.7%	8.5%	0.3%
<b>Other</b>				
Diversifying Returns Fund	5.0%	3.6%	7.5%	0.3%
<b>Private markets (incl. property)</b>				
Private Debt Cycle 2	7.5%	11.0%	8.5%	0.3%
Infrastructure Cycle 1	6.6%	4.4%	4.5%	1.8%
Infrastructure (Renewables) Cycle 2	5.2%	7.4%	4.5%	1.8%
Secured Income Cycle 1	-5.1%	17.3%	4.5%	1.8%
Secured Income Cycle 2	-2.7%	7.0%	4.5%	1.8%
UK Property	-5.0%	6.7%	-4.1%	8.5%

## Risk and return summary

### Non-pooled manager performance - 3 year

	Annualised return	Risk (standard deviation)	Benchmark return	Benchmark standard deviation
Avon Total ex Curr Hedging	2.7%	8.5%	7.7%	6.6%
Avon Total ex Hedging ex LDI	4.3%	6.5%	7.7%	6.6%
Blackrock Equity Option Strategy	60.2%	-	-	-
Blackrock ETF	5.7%	8.5%	0.0%	-
Cash	2.6%	1.4%	4.3%	0.3%
General Cash	1.9%	-	-	-
IFM Infrastructure	7.1%	3.9%	9.6%	0.3%
JP Morgan Fund of Hedge Funds	2.0%	29.2%	8.5%	0.3%
Partners ex Cash	-17.6%	8.1%	8.5%	0.3%
Record Currency	-100.0%	-	-	-
Record Equitisation	9.5%	10.2%	10.5%	10.4%
Schroder - Property	3.4%	12.6%	-4.1%	8.5%
Schroder Equity	-24.5%	34.0%	13.3%	11.1%
TT International - UK Equities	1.0%	4.1%	10.7%	10.7%
Avon Pension Fund	3.5%	9.0%	7.7%	6.6%

## 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
<b>Equities (31.39%)</b>			<b>1,892.74</b>									
Global High Alpha Equities	MSCI World	+2-3%	758.10	4.4%	-0.8%	4.1%	-3.7%	12.4%	-1.8%	11.7%	-0.1%	15 Nov 2019
Global Sustainable Equities	MSCI ACWI	+2%	671.05	3.4%	-1.8%	1.2%	-6.5%	7.8%	-5.4%	6.2%	-5.5%	30 Sep 2020
PAB Passive Global Equities	FTSE Dev World PAB	Match	463.59	4.9%	-	5.4%	-0.1%	13.3%	-0.1%	7.9%	-0.1%	29 Oct 2021
<b>Fixed income (6.28%)</b>			<b>378.86</b>									
Multi-Asset Credit	SONIA +4%	0% to +1.0%	378.86	2.6%	0.6%	9.1%	0.2%	9.5%	1.0%	4.2%	-3.2%	02 Jun 2021
<b>Private markets (incl. property) (21.73%)</b>			<b>1,310.75</b>									
Private Debt Cycle 2	SONIA	+4%	188.33	N/M	N/M	9.2%	0.2%	7.5%	-1.0%	7.6%	-0.1%	17 Sep 2021
Private Debt Cycle 3	SONIA	+4%	72.59	N/M	N/M	10.4%	1.4%	-	-	10.4%	1.4%	20 Dec 2022
Infrastructure Cycle 1	CPI	+4%	118.13	N/M	N/M	9.4%	5.8%	6.6%	2.1%	6.9%	2.8%	02 Jan 2019
Infrastructure (Renewables) Cycle 2	CPI	+4%	96.15	N/M	N/M	2.2%	-1.4%	5.2%	0.7%	5.3%	-	12 Oct 2020
Infrastructure Cycle 3	n/a - absolute return target	net 8% IRR	26.53	N/M	N/M	9.8%	6.2%	-	-	5.7%	1.4%	13 Oct 2022
Secured Income Cycle 1	CPI	+2%	287.56	N/M	N/M	5.1%	1.5%	-5.1%	-9.5%	-0.1%	-4.2%	15 Jan 2019
Secured Income Cycle 2	CPI	+2%	97.69	N/M	N/M	6.9%	3.3%	-2.7%	-7.1%	1.3%	-4.5%	01 Mar 2021
Secured Income Cycle 3	CPI	+2%	233.15	N/M	N/M	1.9%	-1.7%	-	-	-	-2.7%	01 Jun 2023
UK Property	MSCI/AREF UK	+0.5%	190.62	N/M	N/M	6.3%	-	-5.0%	-0.9%	3.0%	0.3%	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 (6.46%)			389.74									
Diversifying Returns Fund	SONIA +3%	0% to +2.0%	389.74	1.2%	-0.6%	4.9%	-3.0%	5.0%	-2.4%	3.9%	-1.8%	27 Jul 2020
<b>Total Brunel assets (excl. cash) (65.86%)</b>			<b>3,972.09</b>									

\*Since initial investment

\* Excess to benchmark, may not include outperformance

Private Markets 3 month performance is not material. Private Markets interim period performance is calculated using NAVs provided on business day 8. Later revisions to these NAVs are not captured in the calculations so please use caution when using this data.

## Portfolio overview

### Non-pooled 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
<b>Equities (0.01%)</b>			<b>0.44</b>							
Schroder Equity	0.13	2.4%	-2.8%	1.0%	-6.6%	-24.5%	-37.7%	0.8%	-10.2%	01 Apr 2011
TT International - UK Equities	0.32	3.1%	-1.3%	2.4%	-8.7%	1.0%	-9.6%	3.7%	-2.0%	01 Jul 2007
<b>Private markets (incl. property) (6.61%)</b>			<b>398.74</b>							
Schroder - Property	13.27	1.2%	-0.2%	-5.0%	-11.3%	3.4%	7.5%	7.2%	1.5%	01 Jan 2009
Partners ex Cash	80.52	-3.0%	-5.1%	-13.3%	-22.3%	-17.6%	-26.1%	0.8%	-6.6%	01 Sep 2009
IFM Infrastructure	252.82	2.4%	0.1%	9.9%	-0.2%	7.1%	-2.5%	11.0%	4.6%	01 Apr 2016
Octopus Affordable Housing	12.51	3.2%	1.5%	-	-	-	-	3.2%	0.8%	03 Mar 2025
Foresight Regional Investment	3.03	-10.7%	-12.5%	-	-	-	-	-10.7%	-12.5%	01 Apr 2025
Greencoat Wessex Gardens	36.59	-0.2%	-2.0%	5.1%	-2.8%	-	-	3.5%	-4.6%	12 Feb 2024
<b>Other (5.26%)</b>			<b>317.23</b>							
JP Morgan Fund of Hedge Funds	13.89	-8.6%	-10.7%	-4.6%	-13.6%	2.0%	-6.6%	6.3%	1.1%	01 Jul 2015
Blackrock ETF	24.61	3.8%	3.8%	2.1%	2.1%	5.7%	5.7%	5.1%	5.1%	08 Mar 2019
Cash	137.17	-	-1.1%	2.2%	-2.5%	2.6%	-1.7%	2.8%	0.9%	01 Dec 2017
Record Equitisation	86.91	3.1%	-0.1%	10.2%	-0.3%	9.5%	-1.0%	6.2%	-0.4%	01 Apr 2012

# Portfolio overview

## Non-pooled 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
Other (5.26%)			317.23							
Record Currency	54.65	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-	-	01 Mar 2016
<b>Total non-pooled assets (excl. cash) (11.88%)</b>	<b>716.42</b>									

\*Since initial investment

\* Excess to benchmark, may not include outperformance

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# Chief Investment Officer commentary

The second quarter of 2025 saw significant volatility across markets as investors grappled with tariff policy uncertainty and war in the Middle East. In both cases, investors' worst fears ultimately proved unfounded and most major asset classes delivered positive returns over the quarter. The Trump administration unveiled tariffs on every major US trading partner on so-called "Liberation Day". This took the announced tariff rate to a post-war high of nearly 30%, up from 2% before Trump took office. The tariffs were quickly moderated following a period of intense market volatility which had seen global equities sharply down. By the end of the quarter, equities had staged a powerful comeback, returning over 5%.

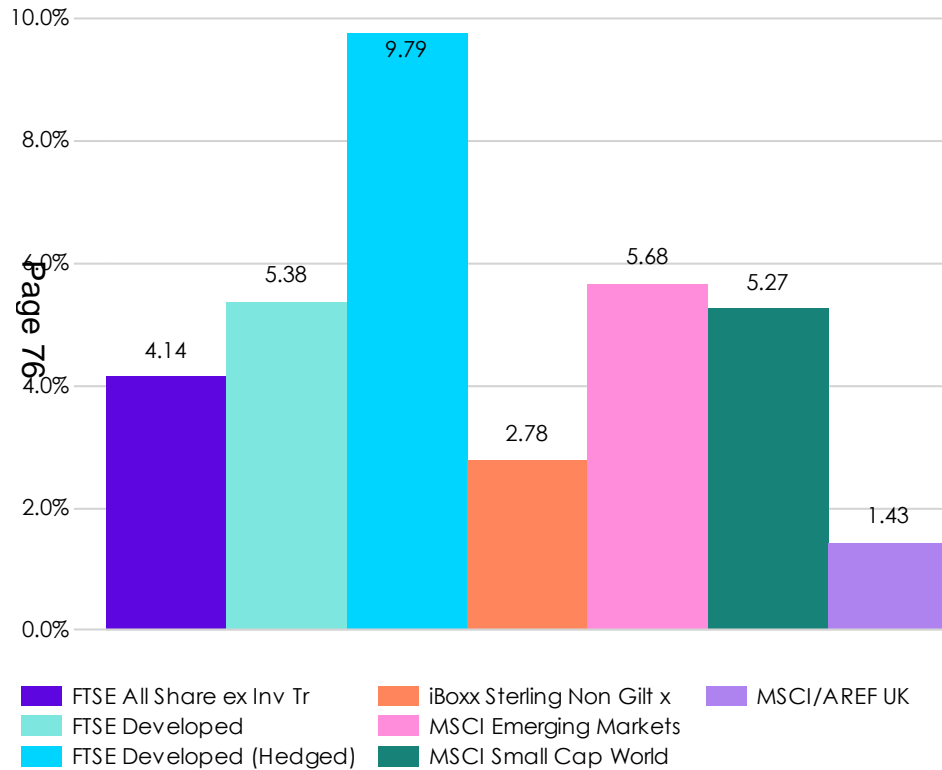
Towards the end of May, market attention turned to fiscal policy as the House of Representatives passed an extension of Trump's 2017 tax relief measures the One Big Beautiful Bill Act (OBBA) prompting a brief sell-off in Treasuries, which was exacerbated by a US credit rating downgrade by Moody's. The bill extends tax cuts passed in 2017, increases defence spending, and cuts spending on programmes such as Medicaid. While US stocks and bonds recovered from April's volatility, the US dollar saw continued weakness, with the dollar ending the quarter down 7%. Major central banks were either on hold – such as the US Federal Reserve, the Bank of Japan, or easing monetary conditions modestly. The Bank of England retained its quarterly pattern of rate cuts, lowering the base rate to 4.25% while the European Central Bank (ECB) cut its main policy rate twice leaving it at 2%.

US shares advanced in Q2. Gains were led by the information technology and communication services sectors as investor appetite for some of the Magnificent 7 stocks reignited, while stocks with exposure to artificial intelligence staged a strong recovery after some weakness earlier in the year. US shares were also supported by corporate earnings for Q1, which were generally robust. After a strong first quarter of the year, European equities delivered returns of 6.2% in Sterling. However, again dollar weakness against the euro meant that in dollar terms, European equities are the key recipient for flows from investors looking to diversify away from the US. UK equities faced headwinds from high exposure to the energy and healthcare sectors which were the only negative equity sectors at a global level over the quarter. Despite this, the FTSE All-Share still delivered healthy returns of 4.4%.

Looking ahead, US policy remains the key source of volatility. Markets remain focused on the outcome of US tariffs. Geopolitical uncertainty has increased with Israel and Iran adding further uncertainty to the US approach to Ukraine, Russia and increasingly China.

# Chief Investment Officer commentary

Index Performance Q2 2025



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**

£523m

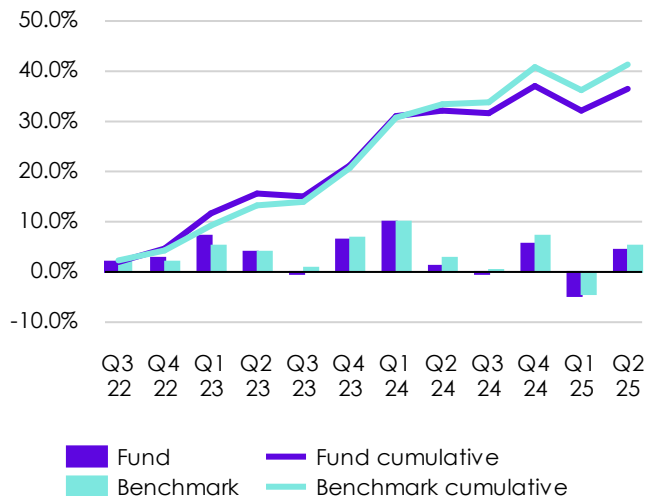
**Risk profile**

High

**Avon's Holding:**

GBP758m

## Rolling 3yr performance



## Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	4.4	4.1	12.4	12.1
MSCI World	5.1	7.7	14.2	12.2
Excess	-0.8	-3.7	-1.8	-0.1

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

## Performance commentary

Global developed equities (as proxied by the MSCI World index) returned 5.1% in GBP terms over the quarter as equity markets rebounded from the negative performance in Q1 2025 despite continuing geopolitical and economic uncertainties. The quarter experienced a strong risk-on sentiment driven by easing inflation, push back of US tariffs, and resilient corporate earnings. This environment favoured growth stocks over value, further driven by continued enthusiasm around AI and technology, which dominate growth indices. Cyclical sectors significantly outperformed defensive sectors in general. IT and Communication Services were the best performing sectors whilst Energy was the worst performing sector as oil prices fell, and concerns rose over slowing global demand. Broad style indices showed growth outperformed, whilst both quality and value underperformed.

The portfolio returned 4.4%, underperforming the index by 0.8% as weak selection in aggregate more than offset the benefits from sector allocation. Positive allocation was driven by underweights in Energy and Consumer Staples. Selection was strong in IT where the underweight in Apple and overweight in TSMC were the largest contributors, the latter's exposure to AI-related demand making it a key beneficiary of the broader tech sector's focus on AI and advanced computing. Underweight holdings in the two largest semiconductor names in the index (NVidia and Broadcom, which both performed strongly) were two of the largest detractors. Selection was weakest in Financials where the largest detractors were overweight holdings in Mastercard and two insurance related names (Brown & Brown and Progressive Corporation) which were both impacted as

investors became increasingly concerned about a broader pullback in the insurance sector. Another large detractor was United Health Group after the company announced that its CEO stepped down, suspended earnings guidance and was then revealed to be under federal investigation for possible fraud linked to Medicare schemes. Both managers who held the company have significantly reduced their holding.

Manager performance was mixed, reflecting the marked differential between investment styles. MSCI World Growth index outperformed MSCI World Value by 10% in GBP terms, and the risk-on environment led to underperformance of quality and defensive strategies. Baillie Gifford with a strong growth bias outperformed (+9.6%) whereas Harris (a value manager) delivered the weakest relative performance (-5%).

# Global High Alpha Equities

## Top 5 holdings

	Weight %	B'mark weight %	Client value (GBP)*
MICROSOFT CORP	6.12	4.66	46,417,150
AMAZON.COM INC	4.39	2.78	33,310,290
TAIWAN SEMICONDUCTOR	3.78	-	28,668,219
ALPHABET INC	3.03	2.53	22,948,282
MASTERCARD INC	2.86	0.61	21,644,578

\*Estimated client value

## Top 5 active overweights

	Weight %	Benchmark weight %
TAIWAN SEMICONDUCTOR	3.78	-
MASTERCARD INC	2.86	0.61
AMAZON.COM INC	4.39	2.78
MOODY'S CORP	1.61	0.11
MICROSOFT CORP	6.12	4.66

## Top 5 active underweights

	Weight %	Benchmark weight %
APPLE INC	0.81	4.09
NVIDIA CORP	2.83	5.12
META PLATFORMS INC	-	2.15
TESLA INC	-	1.22
JPMORGAN CHASE & CO	-	1.08

## Largest contributors to ESG risk

	ESG risk score*	
	Q1 2025	Q2 2025
AMAZON.COM INC	26.10	25.82
MICROSOFT CORP	13.65	17.39
ALPHABET INC-CL A	24.89	24.89
TAIWAN SEMICONDUCTOR-SP	15.19	14.67
MASTERCARD INC - A	14.25	14.25

\*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.

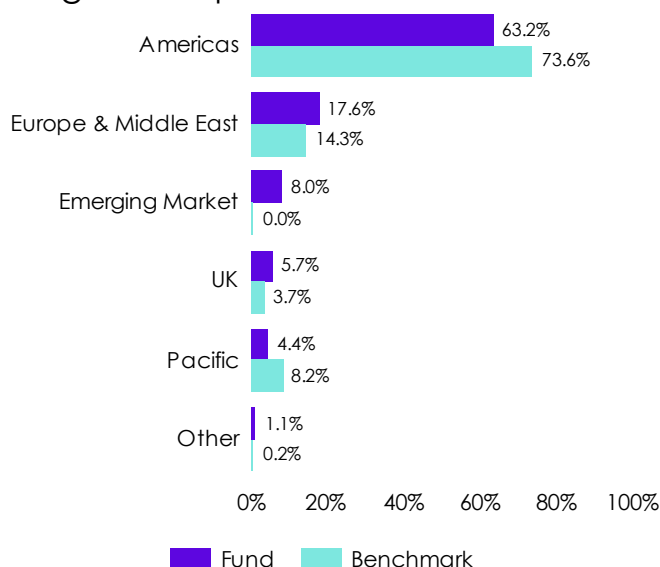
## Carbon metrics

Portfolio	WACI		Total Extractive Exposure <sup>1</sup>		Extractive Industries (VOH) <sup>2</sup>	
	2025 Q1	2025 Q2	2025 Q1	2025 Q2	2025 Q1	2025 Q2
Global High Alpha	58	65	1.20	1.44	1.98	1.84
MSCI World*	132	133	3.12	3.13	8.13	7.31

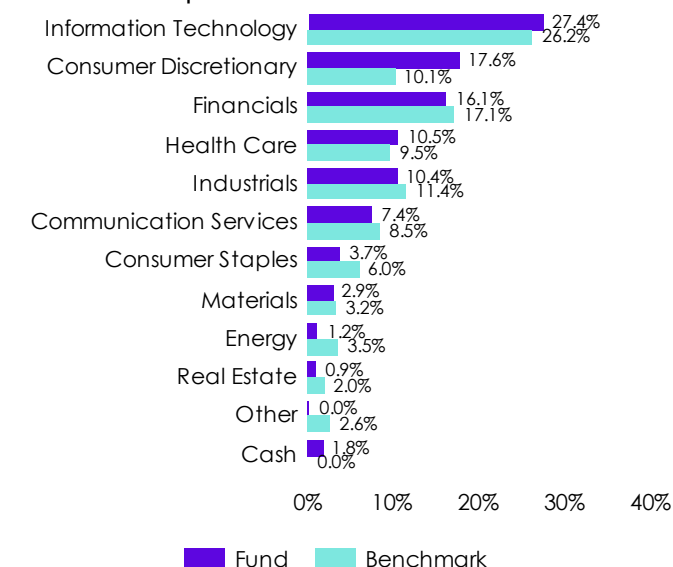
\*Benchmark. <sup>1</sup> Extractive revenue exposure as share (%) of total revenue. <sup>2</sup> Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost. Changes between quarters may reflect improved data quality and coverage.

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## 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**

£781m

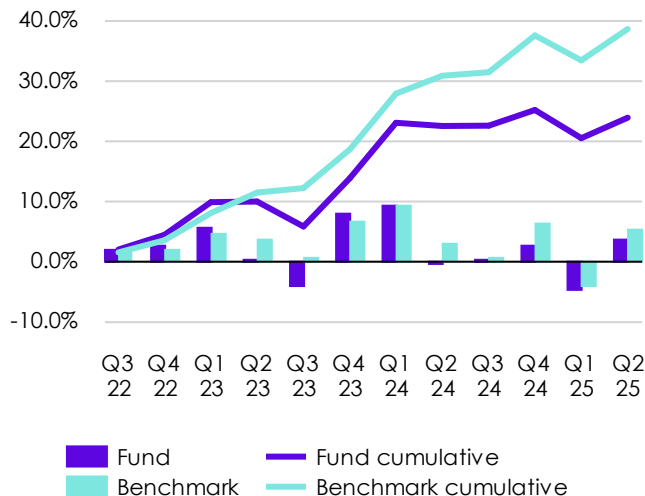
**Risk profile**

High

**Avon's Holding:**

GBP671m

## Rolling 3yr performance



## Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	3.4	1.2	7.8	5.9
MSCI ACWI	5.2	7.6	13.3	11.4
Excess	-1.8	-6.5	-5.4	-5.5

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

## Performance commentary

The portfolio returned a healthy 3.4% during Q2 2025. The broad MSCI ACWI index, which accounts for every stock in the world, good and bad, returned 5.2% over the quarter.

The quarter started off with Trump's "liberation day", where the US laid out plans for heavy trade tariffs across the globe. Global markets did not take kindly to these proposals and had subsequently dropped to -9% by the 8th of April. However, from this trough onwards, the markets saw a sense of optimism coined by the phrase "Trump always chickens out" or the "TACO" trade for short. The subsequent 12 weeks, saw concessions made on various different tariffs on several different goods. The MSCI ACWI eventually saw a swing of 14% to the upside, finishing the quarter 5% up.

This quarter we also witnessed escalating tensions in the middle east between Israel and Iran, the US ultimately assisting Israel in strikes on Iran's nuclear sites. Whilst there are broader implications for US involvement in middle eastern tensions, from a markets perspective we saw a little volatility but the market continued on it's upward trend towards the end of the quarter.

The macro volatility we have witnessed YTD, does leave the US in a precarious position. YTD the MSCI AC Europe index has returned 13.25%, whilst the MSCI USA index has returned -2.8%. Whilst we have seen positive returns over Q2, there are still some potential headwinds out there, tariffs have been momentarily put on pause, however we may see them reinforced, which may feed into inflation numbers later in the

year, as well as an increasing US budgetary deficit and a potential impact on company margins.

In terms of the underlying managers, we were pleased to see outperformance from both RBC and Nordea during this quarter. However, this has been balanced by the underperformance of both Mirova and Jupiter. This is a reversal from what we witnessed in Q1. The difference in performance this quarter can be attributed to positioning within the healthcare sector, those managers with greater exposure to the life-science sub-sector underperformed over the quarter.

Ownership capital also underperformed during the quarter, we will re-allocate capital away from Ownership over Q3.

# Global Sustainable Equities

## Top 5 holdings

	Weight %	B'mark weight %	Client value (GBP)*
MICROSOFT CORP	3.32	4.18	22,298,443
NVIDIA CORP	2.95	4.58	19,792,080
MASTERCARD INC	2.28	0.54	15,331,559
TAIWAN SEMICONDUCTOR	2.07	1.06	13,865,186
WASTE MANAGEMENT INC	1.90	0.11	12,760,642

\*Estimated client value

## Top 5 active overweights

	Weight %	Benchmark weight %
WASTE MANAGEMENT INC	1.90	0.11
MASTERCARD INC	2.28	0.54
ECOLAB INC	1.64	0.08
AMERICAN WATER WORKS CO INC	1.56	0.03
ACCENTURE PLC	1.64	0.22

## Top 5 active underweights

	Weight %	Benchmark weight %
APPLE INC	-	3.67
ALPHABET INC	-	2.27
META PLATFORMS INC	-	1.92
NVIDIA CORP	2.95	4.58
AMAZON.COM INC	1.25	2.49

## Largest contributors to ESG risk

	ESG risk score*	
	Q1 2025	Q2 2025
MICROSOFT CORP	13.65	17.39
ECOLAB INC	23.86	23.56
NVIDIA CORP	-	12.46
WASTE MANAGEMENT INC	18.74	17.85
MASTERCARD INC - A	14.25	14.25

\*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.

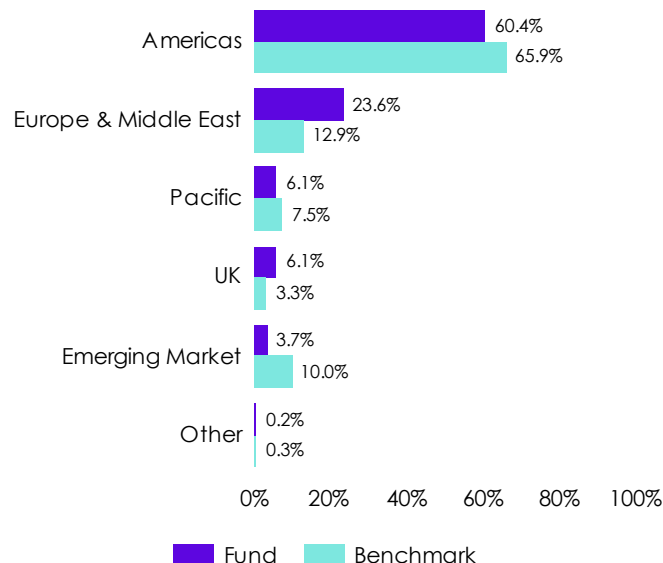
## Carbon metrics

Portfolio	WACI		Total Extractive Exposure <sup>1</sup>		Extractive Industries (VOH) <sup>2</sup>	
	2025 Q1	2025 Q2	2025 Q1	2025 Q2	2025 Q1	2025 Q2
Global Sustainable	156	143	1.59	1.41	8.25	6.92
MSCI ACWI*	159	160	3.17	3.18	8.03	7.26

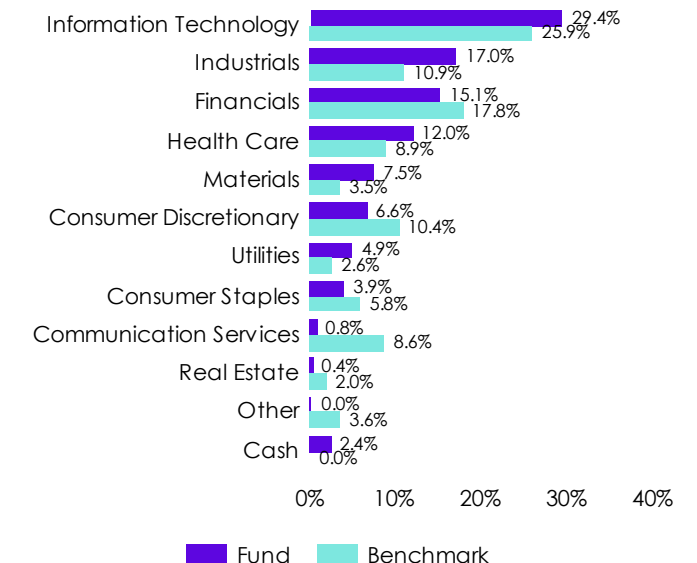
\*Benchmark. <sup>1</sup> Extractive revenue exposure as share (%) of total revenue. <sup>2</sup> Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost. Changes between quarters may reflect improved data quality and coverage.

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## 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**

£34m

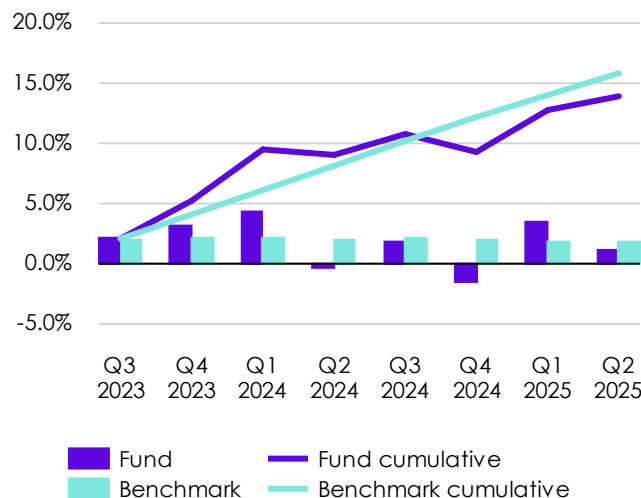
**Risk profile**

Moderate

**Avon's Holding:**

GBP390m

## Rolling 2yr performance



## Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	1.1	4.9	5.0	4.1
SONIA +3%	1.8	7.9	7.5	5.8
Excess	-0.7	-3.0	-2.5	-1.8

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

## Performance commentary

The Diversifying Returns Fund returned 1.1% over the second quarter of 2025. SONIA +3% returned 1.8%. The sterling hedged 50/50 equity/bond index we monitor returned 5.6% over the quarter.

Over the period, traditional asset classes rebounded after a weak Q1, but not before a sharp equity market fall in early April. Global equities returned -16.5% on a sterling hedged basis during the draw down that lasted from 18 February to 8 April. The DRF fund returned -2.9% over the same period, highlighting the fund's defensive properties.

It was a strong quarter for Fulcrum who returned 4.4%, benefiting from positive returns to both equities and fixed income in the asset allocation sleeve of their fund. They were also able to generate positive returns through relative value

and macro positioning, and from convexity in portfolio hedging which paid off in April and generated positive returns over the period.

JPM returned -1.7%. The quarter saw strong performance for growth equities and this proved a major headwind for the Equity Value signal which made the largest negative contribution to returns. Equity trend was also weak due to high levels of volatility. Some factors, including Relative Value Equity Momentum, FX Momentum and Credit Carry all performed well, but did not generate sufficiently strong returns to offset losses from other factors.

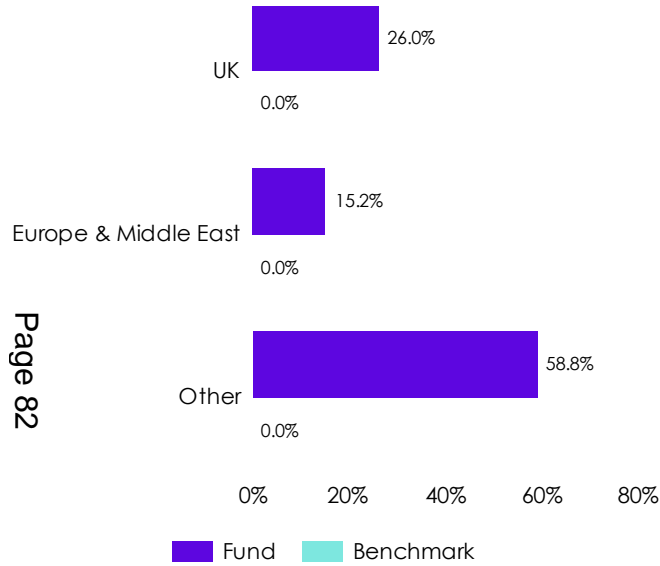
Lombard Odier returned 1.3% over the quarter as sovereign bond and DM equity exposure both made positive contributions to returns. Commodity exposure was a

detractor. The fund lagged more traditional asset allocators due to its defensive nature, deleveraging during bouts of volatility, and leading to a higher exposure to sovereign bonds than equities, the latter being the better performing of the two asset classes over the period.

UBS continued to see positive returns from the US dollar short position, as they returned 0.4%. Short positions in the Chinese Renminbi and Sterling also made positive contributions to returns, but these were somewhat offset by a short position in the Japanese Yen and long position in the Norwegian Kroner.

# Diversifying Returns Fund

## Regional exposure



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# 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**

£303m

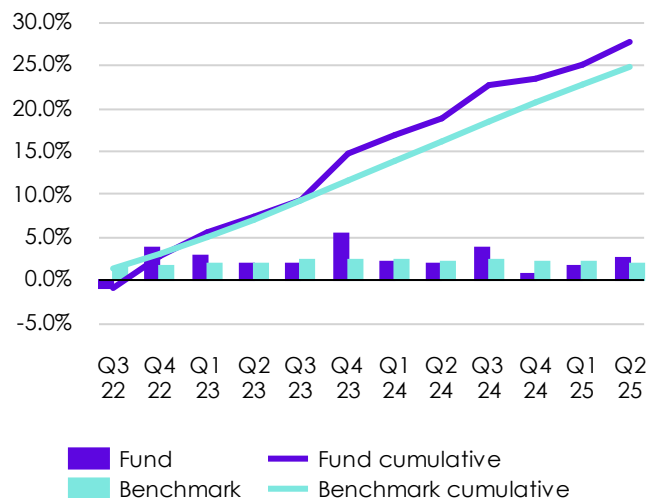
**Risk profile**

Moderate

**Avon's Holding:**

GBP379m

## Rolling 3yr performance



## Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	2.6	9.1	9.5	4.3
SONIA +4%	2.0	9.0	8.5	7.5
Excess	0.6	0.2	1.0	-3.3
Bloomberg Global High Yield Index	3.4	11.4	10.6	3.2
Morningstar LSTA US Leveraged Loan Index	2.3	7.3	9.2	6.0

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

## Performance commentary

The second quarter of 2025 was volatile but ultimately a positive one for leveraged finance. April was the most volatile period as the United States (US) announced global tariffs that caught financial markets off guard. Risk assets sold off globally but ultimately recovered as tariffs were rolled back with deadlines extended.

US government yields fell slightly over the period, with the 2-year yield falling from 3.89% to 3.71%. Rate volatility was extremely high given the tariff uncertainty, with 2-year yields going as low as 3.6% in April. Credit spreads initially rose in April by over 90bps to 470bps, ultimately falling to 332bps at quarter end.

The lower rates and spreads benefitted fixed rate securities more than floating. High Yield bonds – fixed rate instruments

- returned almost 5% in local terms. Whereas Leveraged Loans – floating rate instruments – returned just over 2% in local terms. Convertible Bonds were the best performers, rising over 8%; conversely, Collateralised Loan Obligations were the lowest performer with many sub-investment grade tranches returning in the region of 1%.

The Multi-Asset Credit portfolio returned +2.6%; this was ahead of the primary target (SONIA+4%) but behind the composite secondary benchmark. These benchmarks returned +2.0% and +3.1% respectively. All three managers experienced similar levels of performance.

Spreads are once again tight and moving nearer to all-time lows following a rally last quarter. Investors should be mindful

of the mark to market impact from widening but should take comfort with a yield to worst of 6.9%.

# 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

£2,654m

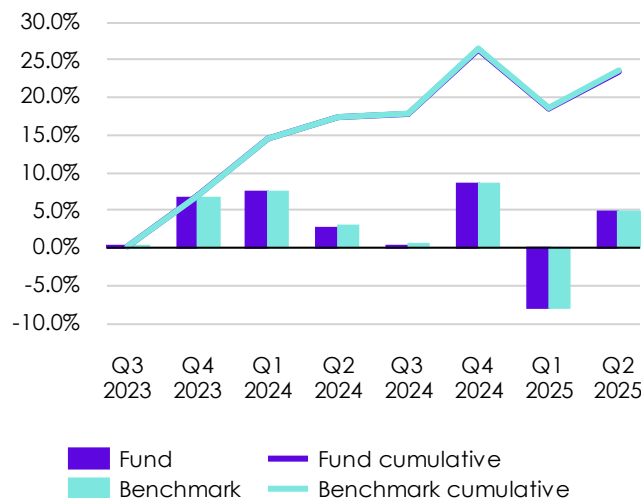
## Risk profile

High

## Avon's Holding:

GBP464m

## Rolling 2yr performance



## Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	4.9	5.4	13.3	8.0
FTSE Dev World PAB	5.0	5.6	13.4	8.0
Excess	-0.0	-0.1	-0.1	-0.1

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

## Performance commentary

The FTSE Developed Paris Aligned index (PAB) product returned 4.9% over Q2 2025 and 5.4% for the 12 month period ending 30th June 2025. The PAB product closely replicated the performance of the benchmark index over these periods.

Although the product has a positive tilt to growth and overweight allocation to the Technology sector, both in favour over the quarter, returns were held back by weak stock selection within the Technology sector. The majority of this is attributable to underweight positions in Nvidia and Broadcom. Following a challenging Q1 for AI exposed stocks such as Nvidia and Broadcom, they again found investor favour in Q2, following positive trading updates and as companies continue to spend on AI infrastructure.

Nvidia and Broadcom are both held in the fund, but the size of their position is restricted by lower than average Green Revenue and TPI Management Quality scores, and due to the index constraint on the magnitude of exposure to any sector. In simple terms, this last point means there is a limit to how much the index can invest in the Technology sector and companies with better scores on targeted metrics are favoured over Broadcom and Nvidia.

The product's low exposure to the Energy sector was beneficial this quarter. Energy was the worst performing sector over the period as oil prices fell and not owning companies such as Exxon Mobil and Chevron helped returns.

The product is designed to ensure that EVIC derived carbon exposure decreases on the required trajectory at each

rebalance date. This requirement was met at the last rebalance in September 2024. Between rebalance dates, the product's carbon exposure has the potential to drift ahead of, or behind, the target decarbonisation trajectory.



# PAB Passive Global Equities

## Top 5 holdings

	Weight %	Client value (GBP)*
AMAZON.COM INC	5.73	26,576,412
TESLA INC	5.46	25,303,195
ALPHABET INC	5.07	23,519,468
MICROSOFT CORP	4.62	21,400,654
APPLE INC	4.21	19,508,352

\*Estimated client value

## Largest contributors to ESG risk

	ESG risk score*	
	Q1 2025	Q2 2025
AMAZON.COM INC	26.10	25.82
TESLA INC	24.76	24.76
MICROSOFT CORP	13.65	17.39
APPLE INC	18.75	18.99
ALPHABET INC-CL A	24.89	24.89

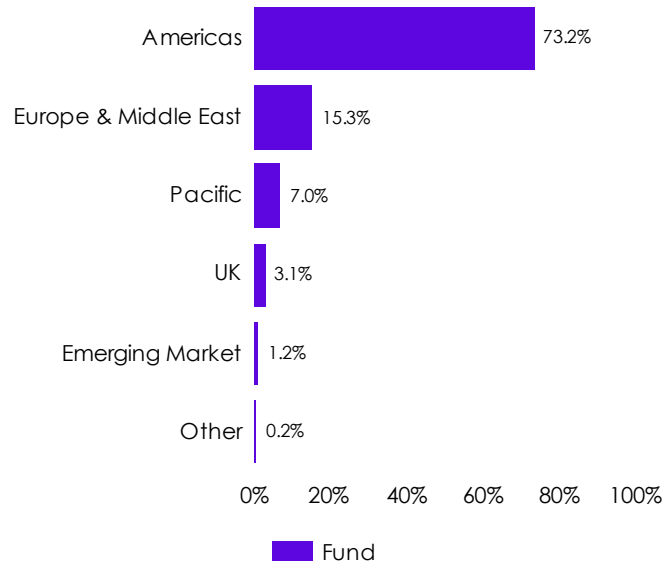
\*Source: Sustainalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

## Carbon metrics

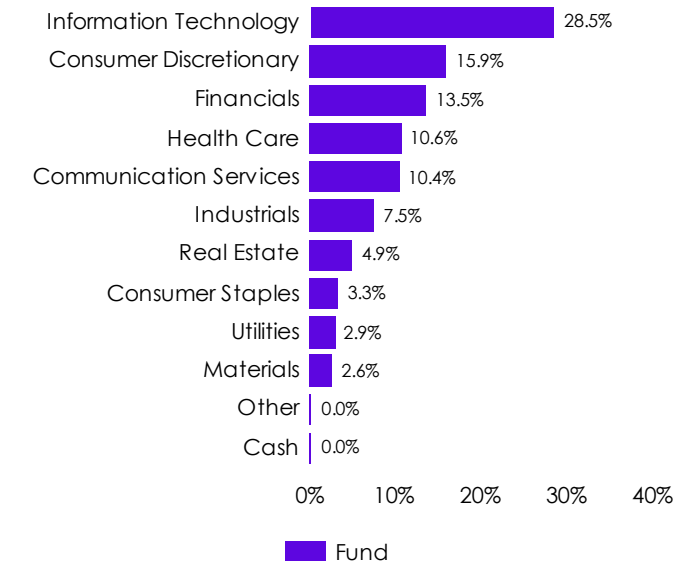
Portfolio	WACI		Total Extractive Exposure <sup>1</sup>		Extractive Industries (VOH) <sup>2</sup>	
	2025 Q1	2025 Q2	2025 Q1	2025 Q2	2025 Q1	2025 Q2
	<b>PAB Passive Global</b>	<b>90</b>	<b>91</b>	0.84	0.84	3.49
<b>FTSE Dev World TR</b>	<b>134</b>	<b>135</b>	3.07	3.11	8.37	7.51

\*Benchmark. <sup>1</sup> Extractive revenue exposure as share (%) of total revenue. <sup>2</sup> Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost. Changes between quarters may reflect improved data quality and coverage.

## 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

£188.24m

## % called to date

76.83

## Number of underlying funds

1

## Avon's Holding:

GBP188.33m

## Performance commentary

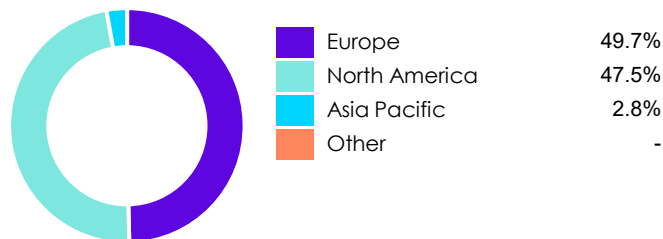
At the end of Q2, the portfolio was 77% invested and 100% committed to seven funds (2 US, 3 European & 2 Global). Performance, hedged to GBP, remained strong relative to the very challenging target return. Some strategies in the portfolio are largely finalising their investment activity and/or completing their investment periods. We would expect all strategies to have finalised their investment periods and be in/ entering 'harvest-mode' across the next ~18 months. ICG SDP 4, for instance, had realised over 50% of its entire loan book by end-Q2.

During the quarter, it emerged that foreign investors could face adverse tax treatment under provisions in the Republicans' 'One Big Beautiful Bill Act', which was being debated by Congress, posing a potential material threat to post-tax returns for foreign investors in US private direct loans, regardless of treaty or exemptions benefits. These provisions were mercifully short-lived and were ultimately removed from the final bill, but only once the G7 offered a concession to exempt the US from the Global Minimum Tax.

The second quarter of 2025 was characterised by acute US policy volatility that weighed heavily on private markets. The Trump administration's sudden imposition of global tariffs in April sent shockwaves through financial markets, triggering a temporary freeze in deal activity as corporates and investors adopted a cautious stance. A dramatic reversal and upswing in deal activity occurred in Q2, with US LBOs totalling \$46bn in April alone, a 25% increase year-on-year and almost twice the 3-year monthly average.

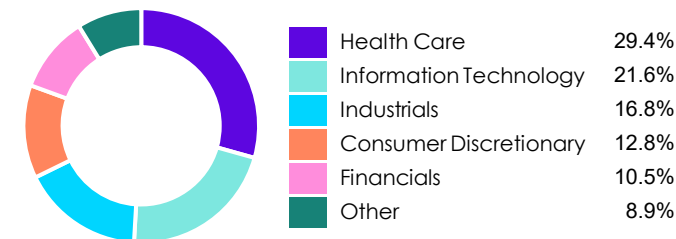
This movement impacted direct lending markets in several ways: (i) a slowing of new-platform deals for Brunel lenders,

## Country Invested in underlying investments



Source: Aksia and underlying managers  
Country data is lagged by two quarters

## Sector GICs level 1



Source: Aksia and underlying managers  
Sector data is lagged by two quarters

## Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows latest quarter	Outflows latest quarter	Net cash flow latest quarter	Value added latest quarter	TVPI	Contribution to return: 1 year	Contribution to return: since inception
188.3	9.2%	7.6%	0	0	0	4,194,970	1.18	0.3%	0.0%

\*Money weighted return. Net of all fees. Private Markets interim period performance is calculated using NAVs provided on business day 8. Later revisions to these NAVs are not captured in the calculations so please use caution when using this data.

## Private Debt Cycle 2

thus skewing deal-flow to follow-on financings for incumbent borrowers (and presenting further opportunities for direct lenders to win business by participating in follow-on financings for borrowers they weren't previously working with); and (ii) a moderate reversal of spread compression as markets are generally demanding a (slightly) higher risk premium for assets for new financing. On the latter point, this is not a uniform trend, as we have seen some notable examples of wider pricing on ~2020/2021 deals underwritten by direct lenders that have been able to refinance via the BSL markets. (One notable example is a large US compliance software firm which replaced its direct lending tranche with a BSL priced ~3% tighter).

As relates to the Brunel direct lending book, the historic focus on middle-market borrowers has been a source of stability as: (i) the portfolio is less exposed to large borrowers moving in and out of BSL markets; and (ii) these businesses (be they North American or European) are generally less reliant on international trade, so US tariff policy is less of a shock-factor.

Overall, DPI remains strong for the Brunel direct lending book (due to its contractual cashflow profile and less reliance on M&A exit activity). Whilst we continue to monitor the portfolio for signs of stress, we have not seen any significant or unexpected increase in either underperforming credits or adverse expected tariff impacts to date. This may change if threatened tariffs are enacted and become permanent.

### Pipeline

There is no fund pipeline as the portfolio is fully committed.

# 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

£170.00m

## Amount Called

£73.92m

## % called to date

43.48

## Number of underlying funds

6

## Avon's Holding:

GBP72.59m

## Performance commentary

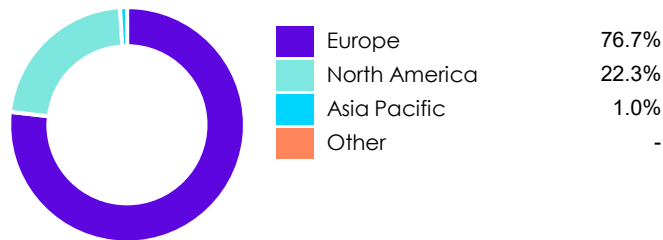
The portfolio is fully committed to six funds (3 European, 3 US) with all now called capital. The portfolio is >40% invested and performance is positive but flat versus the prior quarter.

During the quarter, it emerged that foreign investors could face adverse tax treatment under provisions in the Republican's One Big Beautiful Bill Act (OBBBA) that was being debated by Congress, posing a potential material threat to post-tax returns for foreign investors in US Private Direct Loans, regardless of Treaty or Exemptions benefits. These provisions were mercifully short-lived and ultimately removed from the Final Bill, but only once the G7 had conceded to exempt the US from Global Minimum Tax.

The second quarter of 2025 was characterised by acute U.S. policy volatility that weighed heavily on private markets. The Trump administration's sudden imposition of global tariffs in April sent shockwaves through financial markets, triggering a temporary freeze in deal activity as corporates and investors adopted a cautious stance. A dramatic reversal and upswing in deal activity occurred in Q2, with US LBOs totalling \$46bn in April alone, a 25% increase y-o-y and almost twice the 3-year monthly average.

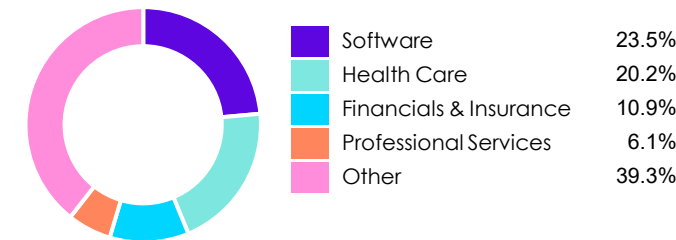
This has impacted direct lending markets in several ways: (i) a slowing of new-platform deals for Brunel lenders thus skewing deal-flow to follow-on financings for incumbent borrowers (and presenting further opportunities for direct lenders to win business by participating in follow-on financings for borrowers they weren't previously working with); and (ii) a moderate reversal of spread compression as markets are generally demanding a (slightly) higher risk premium for assets for new financing. On the latter point, this

## Country Invested in underlying investments



Source: Aksia and underlying managers  
Country data is lagged by two quarters

## Sector GICs level 1



Source: Aksia and underlying managers  
Sector data is lagged by two quarters

## Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows latest quarter	Outflows latest quarter	Net cash flow latest quarter	Value added latest quarter	TVPI	Contribution to return: 1 year	Contribution to return: since inception
72.6	10.4%	10.4%	5,497,205	1,897,442	3,599,763	1,024,020	1.13	0.1%	0.0%

\*Money weighted return. Net of all fees. Private Markets interim period performance is calculated using NAVs provided on business day 8. Later revisions to these NAVs are not captured in the calculations so please use caution when using this data.

## Private Debt Cycle 3

is not a uniform trend as we have seen some notable examples of wider pricing on ~2020/2021 deals underwritten by direct lenders that have been able to refinance via the BSL markets (one notable example is a large US compliance software firm which replaced its direct lending tranche with a BSL priced ~3% tighter).

The historic focus on middle-market borrowers in the Brunel direct lending book has been a source of stability as: (i) the portfolio is less exposed to large borrowers moving in and out of BSL markets; and (ii) these businesses (both North American and European) are generally less reliant on international trade so US tariff policy is less of a shock-factor.

Overall, DPI remains strong for the Brunel direct lending book (due to its mechanical contractual cashflow profile, and less reliance on M&A exit activity). Whilst we continue to monitor the portfolio for signs of stress, we have not seen any significant, unexpected increase in either underperforming credits or adverse expected tariff impacts to date. This may change if threatened tariffs are enacted and become permanent.

### Pipeline

There is no fund pipeline as the portfolio is fully committed.

# 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

£114.48m

## Amount Called

£111.91m

## % called to date

97.76

## Number of underlying funds

5

## Avon's Holding:

GBP118.13m

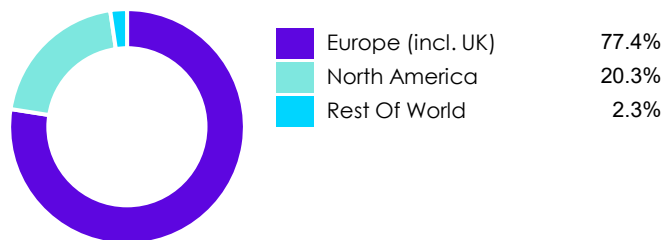
## Performance commentary

As at the end of Q2 2025, the portfolio was ~97% invested and 97% committed across nine primary funds, five tactical co-investments and one secondary investment, following the exit from Pattern Energy. Overall, we are pleased with the evolution and performance of Cycle 1, which had 76% sustainable infrastructure exposure (as of September 2024). Realisation proceeds from the sale of Pattern Energy, announced in previous reports, were distributed to clients in June 2025. USD depreciation versus GBP took some of the shine off what was a very attractive exit valuation for an investment that has delivered huge environmental and societal impact during your hold period.

Q2 2025 saw US policy uncertainty surge to crisis-era levels, driven by Trump's aggressive tariff agenda and shifting fiscal priorities. The Baker-Bloom-Davis Policy Uncertainty Index hit levels last seen during COVID and the 2008 crisis. Inflation expectations rose to 30-year highs, constraining the Fed and increasing stagflation risks. Outside of Tariffs, there was Trump's One Big Beautiful Bill Act (OBBBA) of which Section 899 created huge consternation for foreign investors in US assets and the broader energy transition respectively. Despite Section 899 being dropped from the tax bill post quarter end, as the US was exempted from G7 Global Minimum Tax Regulations, it emphasises the heightened risks posed to non-US investors in the President's 'new America'.

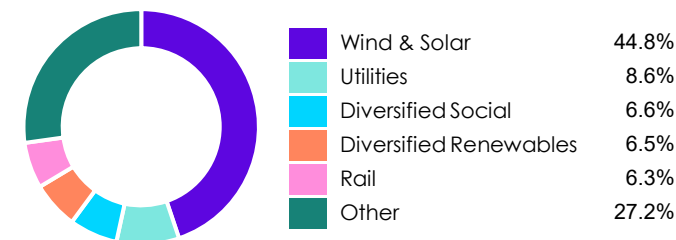
Europe is moving in the opposite direction. Germany's €1 trillion defence and infrastructure stimulus and proposed EU-wide initiatives could total €1.7 trillion (c.10% of EU GDP). The question remains whether countries other than Germany have the fiscal headroom to finance this. Germany appears overly focused on subsidies to reduce energy costs, as

## Country Commitment in underlying investments



Source: Stepstone  
Country data is lagged by one quarter

## Sector



Source: Stepstone.  
Sector data is lagged by one quarter

## Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows latest quarter	Outflows latest quarter	Net cash flow latest quarter	Value added latest quarter	TVPI	Contribution to return: 1 year	Contribution to return: since inception
118.1	9.4%	6.9%	1,740,379	3,584,405	-1,844,026	2,429,150	1.26	0.2%	0.0%

\*Money weighted return. Net of all fees. Private Markets interim period performance is calculated using NAVs provided on business day 8. Later revisions to these NAVs are not captured in the calculations so please use caution when using this data.

# Infrastructure Cycle 1

opposed to reconsidering significant prior policy mistakes - particularly the total phase-out of nuclear power. Attractive new investment opportunities are presenting themselves, especially in transport, energy transition, and digital connectivity.

Existing infrastructure investments face a complex backdrop. Core assets with inflation-linked cash flows remain defensive, but rising discount rates are lowering valuations to differing degrees, based on Central Bank policy rate differentials, inflation expectations and currency fluctuations. Value-add and greenfield strategies face cost inflation, significant supply chain risks and funding headwinds but may benefit from fiscal tailwinds and market dislocations.

Renewable energy development is split, Europe still benefits from policy support, but the outlook in the US has become more uncertain. The favourable Biden era IRA has been repealed to varying degrees for different technologies by the OBBBA, which severely restricts tax credits and other favourable regulations. Even if renewables remain the cheaper source of energy on a levelized cost of energy basis, this fact is being ignored despite AI driven rapid energy demand growth. Mag 7 hyperscaler customers are signing multi-decade PPAs for firm power sources such as hydro, nuclear, and gas-fired generation, given the necessity of reliable power. There is a question whether renewable developers will be able to adapt to the new environment in the short-term. Bankruptcies and company liquidations are rising in solar and battery manufacturing sectors.

Some uncertainty has dissipated over the summer, as post quarter end the UK government announced its rejection of

Zonal Pricing and laid out the Reformed National Pricing package, though these impacts remain to be seen. We believe this is a sensible decision, if overdue.

In this volatile, rapidly diverging global landscape, diversification across vintages, geographies, sectors, technologies and managers is crucial. The cycle 1 Brunel infrastructure portfolio was built accordingly, from the outset in 2018, and performance relative to a very challenging target is strong.

## Pipeline

Cycle 1 is fully committed, so no new investments are required.

# 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

£90.73m

## % called to date

75.61

## Number of underlying funds

1

## Avon's Holding:

GBP96.15m

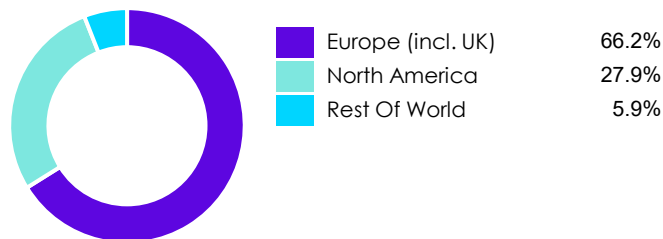
## Performance commentary

At the end of Q2 2025, the Cycle 2 Renewables portfolio was ~94% committed and ~78% invested across seven primary funds and ten tactical co-investments following the strong exit from Akuo by ICG during the quarter. Cycle 2-R had 100% sustainable infra exposure (as of Sep 2024).

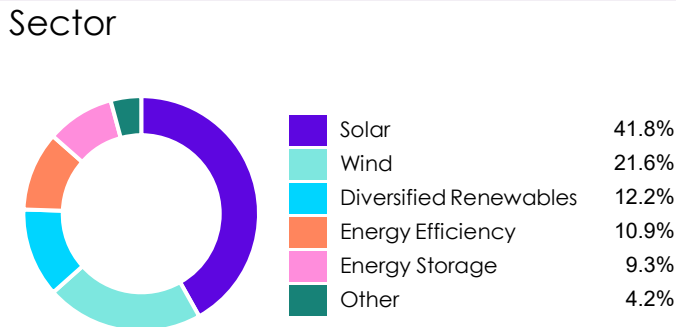
Q2 2025 saw US policy uncertainty surge to crisis-era levels, driven by Trump's aggressive tariff agenda and shifting fiscal priorities. The Baker-Bloom-Davis Policy Uncertainty Index hit levels last seen during COVID and the 2008 crisis. Inflation expectations rose to 30-year highs, constraining the Fed and increasing stagflation risks. Outside of Tariffs, there was Trump's One Big Beautiful Bill Act (OBBA) and Section 899, which created further uncertainty for renewables and foreign investors respectively. Despite Section 899 being dropped from the tax bill post quarter end, it emphasises the heightened regulatory risk posed under Trump.

Given the uncertainty around tariffs, OBBA, and their impacts on renewables development, there is a heightened risk of negative impacts on the renewables market. The US battery supplier for the Waratah Super Battery (WSB) project in Australia (a Blackrock/GIP coinvest), is facing financial distress due to its use of Chinese-manufactured cells. Akaysha, the project developer and main contractor for WSB, is attempting to mitigate risks. The project is mechanically complete, although the Commercial Operation Date (COD) has been pushed back to later in 2025 from the original expected date of March 2025. The investment remains sound but shows the challenges even late-stage greenfield projects are facing, not envisaged at entry.

## Country Commitment in underlying investments



Source: Stepstone  
Country data is lagged by one quarter



Source: Stepstone.  
Sector data is lagged by one quarter

## Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows latest quarter	Outflows latest quarter	Net cash flow latest quarter	Value added latest quarter	TVPI	Contribution to return: 1 year	Contribution to return: since inception
96.2	2.2%	5.3%	2,865,418	877,829	1,987,589	1,180,780	1.13	0.0%	0.0%

\*Money weighted return. Net of all fees. Private Markets interim period performance is calculated using NAVs provided on business day 8. Later revisions to these NAVs are not captured in the calculations so please use caution when using this data.



# Infrastructure (Renewables) Cycle 2

The U.S. residential solar industry is under severe pressure from high interest rates, heavy corporate debt, and mounting policy uncertainty, including the potential loss of key federal tax credits. Recent bankruptcies like Sunnova and Solar Mosaic highlight how the sector's reliance on cheap financing and subsidies has become unsustainable amid the Trump administration's pro-fossil fuel stance and ongoing regulatory headwinds.

Renewable energy development is split, Europe still benefits from policy support, but the outlook in the US has become more uncertain. The favourable Biden era IRA has been repealed to varying degrees for different technologies by the OSHA which severely restricts tax credits and other favourable regulations. Even if renewables remain the cheaper source of energy on a levelized cost of energy basis, this fact is being ignored in spite of A.I driven rapid energy demand growth. Mag 7 hyperscaler customers are signing multi-decade PPAs for firm power sources such as hydro, nuclear and gas-fired generation, given the necessity of reliable power. There is a question whether renewable developers will be able to adapt to the new environment in the short-term, with bankruptcies and company liquidations on the rise in solar and battery manufacturing sectors.

Some uncertainty has dissipated over the summer, as post quarter end the UK government announced its rejection of Zonal Pricing and laid out the Reformed National Pricing package, though these impacts remain to be seen. We believe this is a sensible decision, if overdue.

## Pipeline

The Cycle 2 Renewables portfolio is now fully committed, so no new investments are required.

# 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

£25.23m

## % called to date

45.88

## Number of underlying funds

1

## Avon's Holding:

GBP26.53m

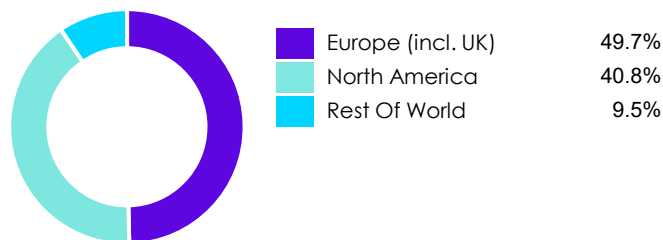
## Performance commentary

At the end of Q2 2025, Cycle 3 was ~80% committed and ~50% invested across ten primary funds, one secondary fund, eight tactical coinvests and a tactical, mini-secondaries portfolio of 6 investments. One tactical coinvest that had been agreed has since been removed. Therefore ~4 co-investments remain to be sourced to complete the commitment of Cycle 3 Infrastructure. (The deadline is September 2025, so an extension will be required by mutual agreement between StepStone and Brunel). UK opportunities in particular are being targeted, given improvement in deal flow.

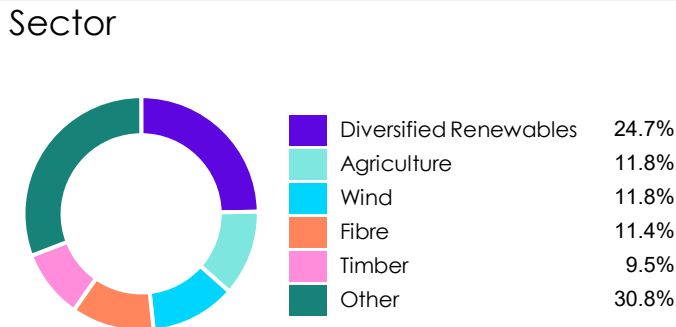
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Europe is moving in the opposite direction. Germany's €1 trillion defence and infrastructure stimulus and proposed EU-wide initiatives could total €1.7 trillion (about 10% of EU GDP). The question remains whether countries other than Germany have the fiscal headroom to provide the finance. Germany appears overly focused on subsidies to reduce energy costs,

## Country Commitment in underlying investments



Source: Stepstone  
Country data is lagged by one quarter



Source: Stepstone.  
Sector data is lagged by one quarter

## Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows latest quarter	Outflows latest quarter	Net cash flow latest quarter	Value added latest quarter	TVPI	Contribution to return: 1 year	Contribution to return: since inception
26.5	9.8%	5.7%	2,170,837	2,270,089	-99,252	1,540,220	1.08	0.0%	0.0%

\*Money weighted return. Net of all fees. Private Markets interim period performance is calculated using NAVs provided on business day 8. Later revisions to these NAVs are not captured in the calculations so please use caution when using this data.

## Infrastructure Cycle 3

as opposed to reconsidering significant prior policy mistakes - in particular, the total phase-out of nuclear power. Attractive new investment opportunities are presenting themselves, especially in transport, energy transition, and digital connectivity.

During the quarter, Aurora Sustainable Lands announced a 10-year agreement with Microsoft to deliver 4.8 million nature-based carbon removal credits, protecting the forests generating the carbon removal for more than 100 years and surpassing the minimum 40-year agreements for carbon projects. At 425,000 acres, this is (to Aurora's knowledge) the largest-ever permanent conservation project in the eastern US. The deal will provide investments and jobs across timberland communities, and it is ground-breaking in three crucial respects. Firstly, it starts delivering credits immediately. Secondly, it uses the new Improved Forestry Management v2.1 protocol, which incorporates dynamic baselines, enhanced additionality and monitoring requirements, improved quantification accuracy, and increased transparency. Thirdly, it unifies carbon capture and forest permanency requirements, which until now had been generally dissociated.

In further good news, the proceeds from Havfram were distributed in May. Over the past two years, as vessel construction progressed on-schedule, the company built a contract backlog in excess of \$800 million. This represented approximately 11GW of new offshore wind generation capacity across 11 projects. While the timing of this exit is early relative to expectations at entry, we see it as a prudent derisking in the current volatile renewables environment. Brunel and StepStone will look to recycle the proceeds given

we are still in the investment period of Cycle 3 tacticals, hence the increase in required new deals - from two last quarter to four this quarter.

Cycle 3 Infrastructure is progressing well, with pro-forma portfolio construction indicating that 73% of client capital will be invested in Sustainable Infrastructure (as defined by Brunel and Stepstone's agreed LPA definitions). The portfolio will comprise: 14% Natural Capital, 26% Renewable Energy, 25% Energy-Transition/Efficiency, 28% Generalist, and 7% reserved for FX and costs.

By agreement per the specification, the portfolio will again be skewed to Core/Core+ assets at c.60%, with Value-add making more than 30%, which is higher than previous cycles.

### Pipeline

Work continues reviewing new tactical opportunities that are currently in the pipeline. Four tactical coinvests are now required to complete Cycle 3 deployment. Stepstone presented a US RNG opportunity to Brunel for veto during the quarter, which was rejected by Brunel due to heightened US risks and uncertainties, as described above.

# 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

£344.16m

## % called to date

99.76

## Number of underlying funds

3

## Avon's Holding:

GBP287.56m

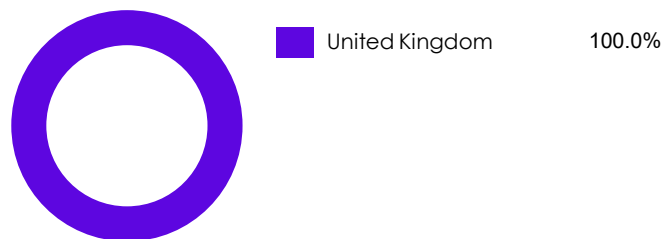
## Performance commentary

Performance remained positive during the reporting period. The Bank of England cut short-term interest rates to 4.25% in May, and the resulting benefits on performance should be seen in coming quarters. Performance throughout 2025 has been driven by income. As anticipated there has been a lack of yield compression across the UK Real Estate market so capital values remain challenged amid macro uncertainty, especially around tariff impacts, and muted investment volumes. However, both long lease property funds maintain attractive return forecasts.

Open-ended long lease property funds, including M&G Secured Property Income Fund (SPIF) and Aberdeen's Long Lease Property (LLP), continue to make progress with paying down redemption queues. SPIF has seen inflows continue into 2025, with meaningful commitments received during Q1, and verbal confirmation of a large commitment post-quarter end which would largely offset the remaining redemption queue. LLP has an active sales pipeline and expects to sell several assets over the next 12 months to meet redemption requests. SPIF outperformed the MSCI UK Long Income Property Fund Index on an annual basis, as well as on a longer-term basis. Both funds continue to see strong distribution yields above 5% and a high degree of inflation-linkage in cashflows (albeit collared).

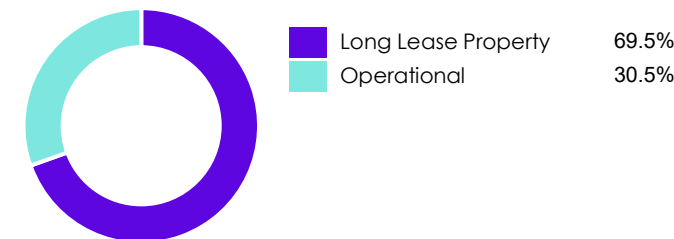
During the reporting period, Aberdeen concluded the process to bring the Aberdeen Long Lease Property fund over to abrdn Life Limited from Phoenix Life. This will allow the manager to review other vehicle structures for the fund, with the ultimate goal of broadening the investor base and securing inflows, thus improving the viability of the product.

## Country Invested in underlying investments



Source: Colmore  
Country data is lagged by one quarter

## Strategy



Source: Colmore  
Strategy data is lagged by one quarter

## Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows latest quarter	Outflows latest quarter	Net cash flow latest quarter	Value added latest quarter	TVPI	Contribution to return: 1 year	Contribution to return: since inception
287.6	5.1%	-0.1%	95,696,035	99,733,251	-4,037,216	3,262,850	1.00	0.2%	-0.0%

\*Money weighted return. Net of all fees. Private Markets interim period performance is calculated using NAVs provided on business day 8. Later revisions to these NAVs are not captured in the calculations so please use caution when using this data.

# Secured Income Cycle 1

Schroders Greencoat UK (f.k.a GRI) has now called 90.4% of total investor commitments as of Q1 2025, after a small investment into Stokeford Solar. The fund experienced a slight decrease in NAV in Q1, mainly due to changes in power price assumptions, operational assumptions, and Speyside (Scottish bioenergy asset) enduring longer-than-planned outages, which subsequently impacted the DCF valuation. However, the fund saw strong asset-level performance. Solar assets, including Toucan 3 (the non-Cornwall, non-Wessex Gardens assets from the original Toucan transaction), saw improved performance due to high irradiance over the period. It is anticipated that strong solar returns should continue into Q2, given one of the driest, sunniest Springs on record. The portfolio also benefits from contracted power price agreements while maintaining some merchant exposure, allowing Greencoat to take advantage of power price increases. The Toucan 3 assets are expected to begin distributing cash back to investors in July 2025. The most recent investment, Tiln battery and solar, is performing very well. It was marked at a 26% gross IRR in Q1 and has performed as well as standalone sites in country-wide battery leaderboards. Gross hold-to-life returns remain above fund target at 7.4% in the reporting period, and annual cash yield remained high at 6.3%.

Despite the headwinds of macro uncertainty and the geopolitical shifts experienced following the inauguration of President Trump, the UK renewables market is supported by structural tailwinds, including increased demand arising from the electrification of transport, heating, green hydrogen, and the advancements in artificial intelligence and data centres. Furthermore, companies are increasingly entering into Power Purchase Agreements to meet their and their supply chain's

global decarbonisation targets. Some uncertainty has dissipated over the summer, as post quarter end the UK government announced its rejection of Zonal Pricing and laid out the Reformed National Pricing package, though these impacts remain to be seen. We believe this is a sensible decision, if overdue.

## Pipeline

There is no fund pipeline, with the portfolio fully committed and invested.

# 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

£119.86m

## % called to date

99.89

## Number of underlying funds

3

## Avon's Holding:

GBP97.69m

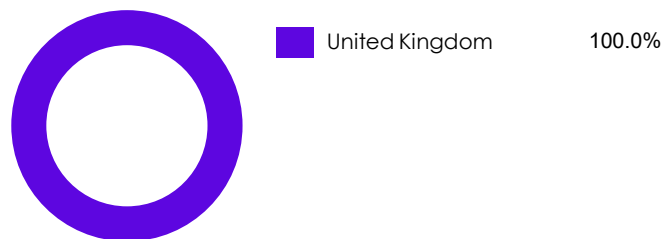
## Performance commentary

Performance remained positive during the reporting period. The Bank of England cut short-term interest rates to 4.25% in May, and the resulting benefits on performance should be seen in coming quarters. Performance throughout 2025 has been driven by income. As anticipated there has been a lack of yield compression across the UK Real Estate market so capital values remain challenged amid macro uncertainty, especially around tariff impacts, and muted investment volumes. However, both long lease property funds maintain attractive return forecasts.

Open-ended long lease property funds, including M&G Secured Property Income Fund (SPIF) and Aberdeen's Long Lease Property (LLP), continue to make progress with paying down redemption queues. SPIF has seen inflows continue into 2025, with meaningful commitments received during Q1, and verbal confirmation of a large commitment post-quarter end which would largely offset the remaining redemption queue. LLP has an active sales pipeline and expects to sell several assets over the next 12 months to meet redemption requests. SPIF outperformed the MSCI UK Long Income Property Fund Index on an annual basis, as well as on a longer-term basis. Both funds continue to see strong distribution yields above 5% and a high degree of inflation-linkage in cashflows (albeit collared).

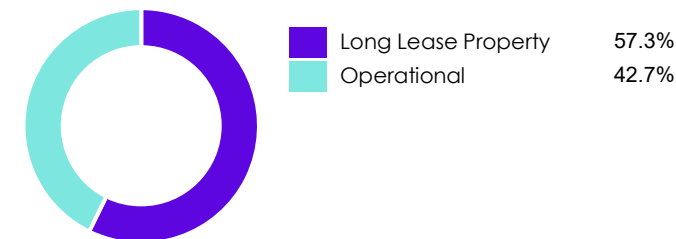
During the reporting period, Aberdeen concluded the process to bring the Aberdeen Long Lease Property fund over to abrdn Life Limited from Phoenix Life. This will allow the manager to review other vehicle structures for the fund, with the ultimate goal of broadening the investor base and securing inflows, thus improving the viability of the product.

## Country Invested in underlying investments



Source: Colmore  
Country data is lagged by one quarter

## Strategy



Source: Colmore  
Strategy data is lagged by one quarter

## Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows latest quarter	Outflows latest quarter	Net cash flow latest quarter	Value added latest quarter	TVPI	Contribution to return: 1 year	Contribution to return: since inception
97.7	6.9%	1.3%	27,115,983	28,524,209	-1,408,226	895,381	0.97	0.1%	0.0%

\*Money weighted return. Net of all fees. Private Markets interim period performance is calculated using NAVs provided on business day 8. Later revisions to these NAVs are not captured in the calculations so please use caution when using this data.

## Secured Income Cycle 2

Schroders Greencoat UK (f.k.a GRI) has now called 90.4% of total investor commitments as of Q1 2025, after a small investment into Stokeford Solar. The fund experienced a slight decrease in NAV in Q1, mainly due to changes in power price assumptions, operational assumptions, and Speyside (Scottish bioenergy asset) enduring longer-than-planned outages, which subsequently impacted the DCF valuation. However, the fund saw strong asset-level performance. Solar assets, including Toucan 3 (the non-Cornwall, non-Wessex Gardens assets from the original Toucan transaction), saw improved performance due to high irradiance over the period. It is anticipated that strong solar returns should continue into Q2, given one of the driest, sunniest Springs on record. The portfolio also benefits from contracted power price agreements while maintaining some merchant exposure, allowing Greencoat to take advantage of power price increases. The Toucan 3 assets are expected to begin distributing cash back to investors in July 2025. The most recent investment, Tiln battery and solar, is performing very well. It was marked at a 26% gross IRR in Q1 and has performed as well as standalone sites in country-wide battery leaderboards. Gross hold-to-life returns remain above fund target at 7.4% in the reporting period, and annual cash yield remained high at 6.3%.

Despite the headwinds of macro uncertainty and the geopolitical shifts experienced following the inauguration of President Trump, the UK renewables market is supported by structural tailwinds, including increased demand arising from the electrification of transport, heating, green hydrogen, and the advancements in artificial intelligence and data centres. Furthermore, companies are increasingly entering into Power Purchase Agreements to meet their and their supply chain's

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### Pipeline

There is no fund pipeline, with the portfolio fully committed and invested.

# 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

£240.00m

## Amount Called

£239.74m

## % called to date

99.89

## Number of underlying funds

3

## Avon's Holding:

GBP233.15m

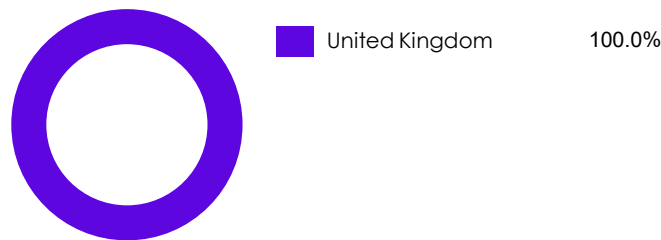
## Performance commentary

Performance remained positive during the reporting period. The Bank of England cut short-term interest rates to 4.25% in May, and the resulting benefits on performance should be seen in coming quarters. Performance throughout 2025 has been driven by income. As anticipated there has been a lack of yield compression across the UK Real Estate market so capital values remain challenged amid macro uncertainty, especially around tariff impacts, and muted investment volumes. However, both long lease property funds maintain attractive return forecasts.

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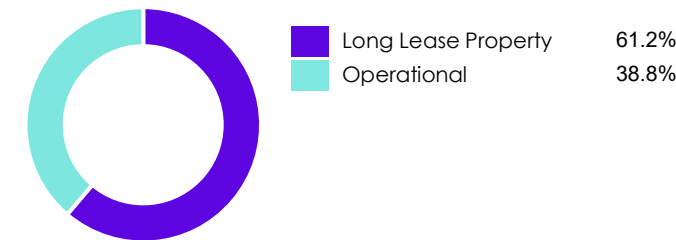
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## Country Invested in underlying investments



Source: Colmore  
Country data is lagged by one quarter

## Strategy



Source: Colmore  
Strategy data is lagged by one quarter

## Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows latest quarter	Outflows latest quarter	Net cash flow latest quarter	Value added latest quarter	TVPI	Contribution to return: 1 year	Contribution to return: since inception
233.2	1.9%	-	68,987,960	72,218,519	-3,230,559	2,228,600	1.05	0.1%	0.0%

\*Money weighted return. Net of all fees. Private Markets interim period performance is calculated using NAVs provided on business day 8. Later revisions to these NAVs are not captured in the calculations so please use caution when using this data.



## Secured Income Cycle 3

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### Pipeline

There is no fund pipeline, with the portfolio fully committed and invested.

# 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

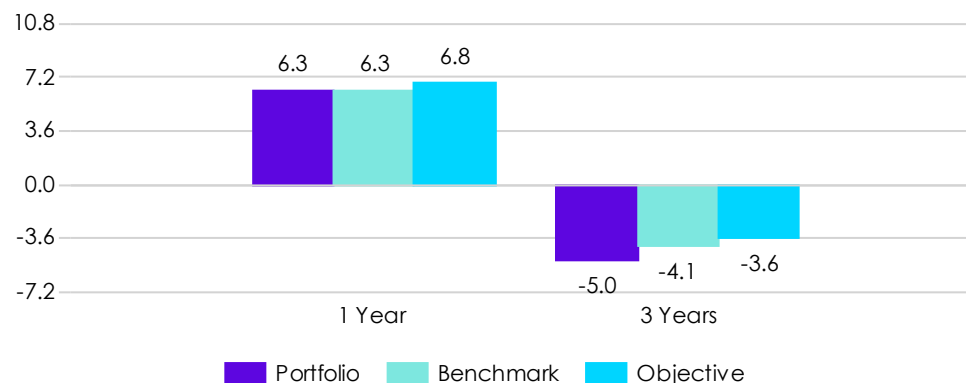
£210.0m

### Amount Called

£194.9m

### Number of portfolios

13



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## Performance commentary

Q2 2025 marked a cautiously optimistic phase for the UK property market, with early signs of stabilisation emerging across several sectors despite ongoing macroeconomic headwinds. Market consensus anticipates a gradual Bank of England easing cycle continuing later this year. Inflation, however, remains sticky and above-target, with services inflation proving particularly stubborn. These dynamics continue to shape investor sentiment and capital flows into real estate, as does hostility from the US.

UK REITs have become prime targets for public-to-private transactions, driven by wide share price discounts to NAV, strong institutional demand from well-capitalised private

market fund managers, and strategic consolidation, thereby reshaping the property investment landscape. This trend reflects a broader shift toward privatised control of income-generating real estate assets across the logistics, residential, and healthcare sectors. The bidding war for Assura, a major landlord to NHS GP surgeries, between fellow REIT PHP and two private infrastructure fund managers (KKR and Stonepeak), exemplifies the situation, with both property and infrastructure managers eyeing up unrealised value.

The MSCI/AREF UK Quarterly Property Fund Index reported a total return of 1.4% for Q1 2025 and 6.3% over the trailing 12 months, with Q2 data expected to reflect a similar trajectory.

The industrial sector experienced a slowdown in leasing activity and a decline in new development starts, reflecting elevated construction costs and rising vacancy rates. However, demand for energy-efficient logistics assets remains robust. Opportunistic capital is returning to the retail sector, particularly in shopping centres, where repricing has created selective value opportunities.

Build-to-rent and affordable housing continue to attract institutional capital, supported by strong rental growth and demographic tailwinds. In early July, the UK government launched a landmark £39 billion Social and Affordable Homes Programme, aiming to deliver 300,000 new homes

## Property holdings summary

Holding	Cost (GBP millions)	Market value (GBP millions)	Perf. 1 year	Perf. 3 year	Perf. 5 year	Perf. SII*	TVPI	Inception Date
Brunel UK Property	194.9	190.6	6.3%	-5.0%	-	3.0%	1.35	Jan 2021

# UK Property

over the next decade. This was notable in both size and term, designed to tackle the nationwide lack of affordable housing stock and provide longer-term certainty for councils, developers, and housing associations. (Previous settlement had been for only 5 years).

Post quarter end, the UK government announced plans to ban upward-only rent reviews (UORRs) in new commercial leases as part of the English Devolution and Community Empowerment Bill, aiming to support small businesses, reduce high street vacancies, and allow rents to reflect market conditions.

Several of Brunel's open-ended funds are undergoing structural changes. The Federated Hermes Property Unit Trust is progressing toward a merger with L&G's Managed Property Fund, which Brunel supports as part of a revised UK model portfolio. A full protective redemption was submitted for the entire combined holdings of our clients in Schroders Capital UK Real Estate Fund, with the intention of preserving optionality while they explore available liquidity management options. This includes potential suspension or gating of the fund to manage deferred redemptions which, we understand, have risen to greater than half the fund's NAV.

## Pipeline

There is no fund pipeline, with the portfolio fully committed to model funds. However, the L&G fund will become part of the UK model portfolio if the merger with HPUT concludes. The annual review of the UK model portfolio with Townsend may result in further changes.

\*Since initial investment

## Glossary

Term	Comment
<b>absolute risk</b>	Overall assessment of the volatility that an investment will have
<b>ACS</b>	Authorised Contractual Scheme - a collective investment arrangement that holds and manages assets on behalf of a number of investors
<b>active risk/weight</b>	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
<b>amount called</b>	In private investments, this reflects the actual investment amount that has been drawn down
<b>amount committed</b>	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
<b>annualised return</b>	Returns are quoted on an annualised basis, net of fees
<b>asset allocation</b>	Performance driven by selecting specific country, sector positions or asset classes as applicable
<b>basis points (BP)</b>	A basis point is 0.01% - so 100bps is 1.0%. Often used for fund performance and management fees
<b>CTB</b>	Climate Transition Benchmark - targets 30% lower carbon exposure from 2020 and then a 7% annual reduction
<b>DLUHC</b>	Department for Levelling Up, Housing & Communities; the government body with oversight of pooling
<b>DPI</b>	Distributed to Paid In; ratio of money distributed to Limited Partners by the Fund, relative to contributions. Used for private markets investments
<b>duration</b>	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
<b>EBITDA margin</b>	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.
<b>ESG</b>	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
<b>ESG Score</b>	The Morningstar Sustainalytics ESG Risk Ratings are based on an assessment of a company's exposure to risk and how well it manages those risks, resulting in a single score that indicates the company's overall ESG risk level. The rating is comprised of three central building blocks: corporate governance, Material ESG Issues (MEIs), and idiosyncratic issues. The scores are categorized across five risk levels: negligible, low, medium, high, and severe.
<b>extractive exposures VOH</b>	Value of Holdings of invested companies which derive revenues from extractive industries
<b>GP or general partner</b>	In Private Equity, the GP is usually the firm that manages the fund
<b>gross performance</b>	Performance before deduction of fees
<b>Growth</b>	Growth stocks typically exhibit faster long term growth prospects and are often valued at higher price multiples
<b>IRR</b>	Internal Rate of Return - a return that takes account of actual money invested
<b>legacy assets</b>	Client assets not managed via the Brunel Pension Partnership
<b>Low Volatility</b>	Low Volatility is a strategy that attempts to minimise the return volatility.
<b>LP or limited partner</b>	In private equity, an LP is usually a third party investor in the fund

## Glossary

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

Term	Comment
<b>standard deviation</b>	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
<b>time-weighted return</b>	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.
<b>total extractive exposure</b>	Revenue derived from extractive operations as a % of total corporate revenue
<b>total return (TR)</b>	Total Return - including price change and accumulated dividends
<b>tracking error</b>	A measure of relative volatility around a benchmark. A fund which differs greatly from the benchmark is likely to have a high tracking error
<b>transitioned assets</b>	Client assets that have been transferred to the Brunel Pension Partnership
<b>TVPI</b>	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
<b>Value</b>	Value stocks typically have a low valuation when measured on a Price to Book or Price to earnings ratio
<b>WACI</b>	WACI should read Weighted Average Carbon Intensity = Weight of Portfolio * (Carbon Emissions / Revenue)
<b>yield to worst</b>	Lowest possible yield on a bond portfolio assuming no defaults

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Investments in private markets are not as transparent as publicly-traded securities, and valuing private assets can be complex. Unlike publicly-traded stocks with daily market prices, private assets rely on periodic appraisals. Investment performance in this report is calculated using cash-adjusted market values provided on business day 8 after month end and may, therefore, not reflect current market sentiment.

Nothing in this report should be interpreted to state or imply that past performance is an indicator of future performance. References to benchmark or indices are provided for information only and do not imply that your portfolio will achieve similar results.

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Environment Agency Pension Fund



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## **Access to Information Arrangements**

### **Exclusion of access by the public to Council meetings**

Information Compliance Ref: LGA-2536562
Meeting / Decision: Avon Pension Fund Investment Panel
Date: 3 <sup>rd</sup> September 2025
Author: Rebecca Whelan
<b>Report Title:</b> Review of Investment Performance for Periods Ending 30 June 2025
<b>List of attachments to this report:</b> <b>Appendix 1</b> – Mercer Performance Monitoring Report <b>Appendix 2</b> – Brunel Quarterly Performance Report <b>Exempt Appendix 3</b> – Brunel Presentation

The exempt appendices 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.

Stating the exemption:

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

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

#### **PUBLIC INTEREST TEST**

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

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

The exempt appendix contains information on potential future trades by the fund, and includes information on costs and structures that may impact the ability to procure efficiently in the near future. This information is commercially sensitive and could prejudice the commercial interests of the organisation if released. It would not be in the public interest if advisors and officers could not express in confidence opinions or proposals which are held in good faith and on the basis of the best information available.

It is also important that the 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.

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)

**Access to Information Arrangements**

**Exclusion of access by the public to Council meetings**

Information Compliance Ref: LGA-2529908
Meeting / Decision: Avon Pension Fund Investment Panel
Date: 4 <sup>th</sup> September 2025
Author: Liz Woodyard
<b>Exempt Report Title: Strategic Review Implementation</b>
List of exempt attachments to this report: <b>Exempt Appendix 1 – Mercer report, Strategic Review implementation</b>

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.

Stating the exemption:

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

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

**PUBLIC INTEREST TEST**

If the 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 organisations which is commercially sensitive to the organisations. The

officer responsible for this item believes that this information falls within the exemption under paragraph 3 and this has been confirmed by the Council's Information Compliance Manager.

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

The exempt report and appendix contain information on potential future trades by the fund, and includes information on costs and structures that may impact the ability to procure efficiently in the near future. This information is commercially sensitive and could prejudice the commercial interests of the organisation if released. It would not be in the public interest if advisors and officers could not express in confidence opinions or proposals which are held in good faith and on the basis of the best information available.

It is also important that the 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.

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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### Access to Information Arrangements

#### Exclusion of access by the public to Council meetings

Information Compliance Ref: LGA-2529914
Meeting / Decision: Avon Pension Fund Investment Panel
Date: 4 <sup>th</sup> September 2025
Author: Liz Woodyard
<b>Exempt Report Title: Liquidity and Cashflow Analysis</b>
<b>List of exempt attachments to this report:</b> Exempt Appendix 1 – Mercer report, Liquidity and Cashflow

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.

Stating the exemption:

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

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

#### PUBLIC INTEREST TEST

If the 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 organisations which is commercially sensitive to the organisations. The

officer responsible for this item believes that this information falls within the exemption under paragraph 3 and this has been confirmed by the Council's Information Compliance Manager.

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

The exempt report and appendix contain information on potential future trades by the fund, and includes information on costs and structures that may impact the ability to procure efficiently in the near future. This information is commercially sensitive and could prejudice the commercial interests of the organisation if released. It would not be in the public interest if advisors and officers could not express in confidence opinions or proposals which are held in good faith and on the basis of the best information available.

It is also important that the 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.

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)

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<b>Bath &amp; North East Somerset Council</b>	
MEETING:	<b>AVON PENSION FUND INVESTMENT PANEL</b>
MEETING DATE:	<b>3 SEPTEMBER 2025</b>
TITLE:	<b>Risk Management Framework Review for Periods Ending 30 June 2025</b>
WARD:	ALL
<b>AN OPEN PUBLIC ITEM</b>	
List of attachments to this report: Exempt Appendix 1 – Mercer Report: Risk Management Framework Review 30 June 2025	

## **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.
- 1.2. Exempt Appendix 1 shows all risk management strategies are rated green and continue to perform in line with expectation.
- 1.3. There was a total collateral interest rate buffer of c.10% at 30 June, which is 7% above the point at which the manager would engage with the Fund to increase collateral.

## **2. RECOMMENDATION**

### **The Avon Pension Fund Investment Panel:**

- 2.1. **Notes the performance of each of the underlying RMF strategies and current collateral position as set out in Exempt Appendix 1.**

## **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. RISK MANAGEMENT STRATEGY PERFORMANCE**

- 4.1. The underlying equity benchmark rose 4.7% over the quarter, with the equity protection strategy (EPS) detracting 1.9% from the net equity performance. Since inception the dynamic EPS has detracted c. 2.5% from equity returns and reduced volatility by c. 24%.
- 4.2. At quarter end, the interest rate hedge ratio stood at 28% and the inflation hedge ratio was around 15%. The yield trigger framework for implementing hedging at attractive levels has been discontinued ahead of adopting a long-

term strategic hedge ratio target. This is in the process of being implemented and officers will report back at the November Panel meeting.

## **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.

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



**Access to Information Arrangements**

**Exclusion of access by the public to Council meetings**

Information Compliance Ref: LGA-2536579
Meeting / Decision: Avon Pension Fund Investment Panel
Date: 3 <sup>rd</sup> September 2025
Author: Rebecca Whelan
<b>Report Title: Risk Management Framework Review for Periods Ending 30 June 2025</b>
<b>List of attachments to this report:</b> Exempt Appendix 1 – Mercer Report: Risk Management Framework Review 30 June 2025

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

**PUBLIC INTEREST TEST**

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

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

The exempt appendix contains information on potential future trades by the fund, and includes information on costs and structures that may impact the ability to procure efficiently in the near future. This information is commercially sensitive and could prejudice the commercial interests of the organisation if released. It would not be in the public interest if advisors and officers could not express in confidence opinions or proposals which are held in good faith and on the basis of the best information available.

It is also important that the 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.

The Council considers that the public interest has been served by the fact that a significant amount of information regarding the exempt appendix has been made available – by way of the main report. The Council considers that the public interest is in favour of not holding this matter in open session at this time and that any reporting on the meeting is prevented in accordance with Section 100A(5A)

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

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<b>Bath &amp; North East Somerset Council</b>		
MEETING:	<b>AVON PENSION FUND INVESTMENT PANEL</b>	
MEETING DATE:	<b>3 SEPTEMBER 2025</b>	<b>AGENDA ITEM NUMBER</b>
TITLE:	<b>Forward Agenda</b>	
WARD:	<b>ALL</b>	
<b>AN OPEN PUBLIC ITEM</b>		
List of attachments to this report: None		

**1 THE ISSUE**

1.1 This report sets out the forward agenda for the Panel for 2025/26. It is provisional as the Panel will respond to issues as they arise and as work is delegated from the Committee.

1.2 For the rest of the year the change in pooling arrangements will dominate the work focus of the investments team. Therefore the Panel’s focus will be on monitoring performance and considering pooling issues related to our investment strategy if required.

**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 Any changes to pooling arrangements that will affect our investment management implementation will be brought to the Panel or Committee (as appropriate) for discussion.

4.2 The provisional agenda is as follows:

<b>Date</b>	<b>Proposed agenda</b>
26 November 2025	<p><b>Strategic:</b></p> <ul style="list-style-type: none"> <li>• Future of Pooling – update if required</li> </ul> <p><b>Routine:</b></p> <ul style="list-style-type: none"> <li>• Quarterly Investment Performance</li> <li>• Risk Management Framework Monitoring</li> </ul>
February 2026 TBC	<p><b>Strategic:</b></p> <ul style="list-style-type: none"> <li>• Future of Pooling – update if required</li> </ul> <p><b>Routine:</b></p> <ul style="list-style-type: none"> <li>• Quarterly Investment Performance</li> <li>• Risk Management Framework Monitoring</li> </ul>

**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.

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