

Avon Pension Fund Committee Investment Panel

Date: Wednesday 25th February 2026

Time: 1.00pm

Venue: Council Chamber - Guildhall, Bath

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

Councillor George Leach (Chair), Councillor Toby Simon, Councillor Chris Dando, John Finch, Pauline Gordon and Jackie Peel

Chief Executive and other appropriate officers
Press and Public



Mark Durnford

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NOTES:

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

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

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

3. **Recording at Meetings:-**

The Openness of Local Government Bodies Regulations 2014 now allows filming and recording by anyone attending a meeting. This is not within the Council's control. Some of our meetings are webcast. At the start of the meeting, the Chair will confirm if all or part of the meeting is to be filmed. If you would prefer not to be filmed for the webcast, please make yourself known to the camera operators. We request that those filming/recording meetings avoid filming public seating areas, children, vulnerable people etc; however, the Council cannot guarantee this will happen.

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

4. **Public Speaking at Meetings**

The Council has a scheme to encourage the public to make their views known at meetings. They may make a statement relevant to what the meeting has power to do. They may also present a petition or a deputation on behalf of a group.

Advance notice is required not less than two full working days before the meeting. This means that for meetings held on Thursdays notice must be received in Democratic Services by 5.00pm the previous Monday.

Further details of the scheme can be found at:

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

5. **Emergency Evacuation Procedure**

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

6. **Supplementary information for meetings**

Additional information and Protocols and procedures relating to meetings

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

Avon Pension Fund Committee Investment Panel - Wednesday 25th February 2026

at 1.00pm in the Council Chamber - Guildhall, Bath

A G E N D A

1. EMERGENCY EVACUATION PROCEDURE

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

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: 3RD SEPTEMBER 2025 (PUBLIC & EXEMPT) (Pages 7 - 20)

8. QUARTERLY INVESTMENTS PERFORMANCE (Pages 21 - 110)

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 31 December 2025.

9. RISK MANAGEMENT FRAMEWORK MONITORING (Pages 111 - 126)

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.

10. PANEL WORKPLAN (Pages 127 - 130)

This report sets out the forward agenda for the Panel for 2026. It is provisional as the Panel will respond to issues as they arise and as work is delegated from the Committee.

The Democratic Services Officer 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 3rd September 2025, 1.00 pm

Members: Councillor Toby Simon, John Finch, Pauline Gordon and Jackie Peel

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

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

59 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.

60 DECLARATIONS OF INTEREST

Councillor Toby Simon declared an other interest in agenda item 8 (Local Impact Portfolio) as he has a personal investment in the Octopus Titan VCT.

61 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Councillor Shaun Stephenson-McGall and Councillor Chris Dando had sent their apologies to the Panel.

62 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

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

There were none.

64 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

65 MINUTES: 4TH JUNE 2025

The Panel **RESOLVED** that the minutes of the meeting held on 4th June 2025 be confirmed as a correct record and signed by the Chair.

66 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.

67 REVIEW OF INVESTMENT PERFORMANCE FOR PERIODS ENDING 30 JUNE 2025

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

- 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.
- The estimated funding level stood at 106% at 30 June 2025 (c. £367m surplus).
- 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.
- 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.
- 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.
- 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.

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

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

68 STRATEGIC REVIEW IMPLEMENTATION

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.

69 LIQUIDITY AND CASHFLOW ANALYSIS

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.

70 RISK MANAGEMENT FRAMEWORK REVIEW FOR PERIODS ENDING 30 JUNE 2025

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

- 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%.

- 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.

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.

71 FORWARD AGENDA

The Group Manager for Funding, Investment & Risk introduced the report to the Panel.

She explained that pooling arrangements would dominate the work focus of the investments team for the remainder of the year and therefore the Panel’s focus would be on monitoring performance and considering pooling issues related to the investment strategy if required.

Jackie Peel asked if meeting dates for 2026 for the Panel could be circulated.

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

The meeting ended at 3.47 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

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

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Bath & North East Somerset Council	
MEETING:	AVON PENSION FUND INVESTMENT PANEL
MEETING DATE:	25 February 2026
TITLE:	Review of Investment Performance for Periods Ending 31 December 2025
WARD:	ALL
AN OPEN PUBLIC ITEM	
List of attachments to this report: Appendix 1 – Mercer Performance Monitoring Report Appendix 2 – Brunel Quarterly Performance Report	

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 31 December 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. Brunel quarterly performance reporting will cease on 31 March 2026.

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 will impact the next triennial valuation which will be calculated as at 31 March 2025. The returns quoted are net of investment management fees.

4. INVESTMENTS UPDATE

A – Fund Performance

- 4.1. The Fund’s assets stood at £6,323m on 31 December 2025, delivering a net return of 2.6% over the quarter. This was 0.9% behind the return for the

strategic benchmark. In a similar pattern to recent quarters, whilst the Brunel listed equity portfolios delivered positive returns over the quarter, these were behind those of their respective benchmark indices. The private markets positions were broadly positive over the quarter.

- 4.2. The estimated funding level stood at 108% at 31 December 2025 (c. £472m surplus), ahead of the current recovery plan by 11% from 31 March 2022. The funding level will be reset to the 2025 valuation next quarter to reflect the latest Funding Strategy Statement.
- 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 December update allows for the updated discount rate of 5.48% p.a. (equivalent to a discount rate of CPI+3.10% p.a. at 31 December 2025).
- 4.4. Over 1 year to the end of December the Fund returned 7.5% in absolute terms and -1.7% in relative terms. Once again, there were some positive absolute performances from the Brunel listed equity portfolios, however these lagged the stronger returns from the wider benchmark indices. The MAC portfolio performed in line with its benchmark over one year. The Brunel private market portfolios generally delivered positive returns, with the Infrastructure and Private Debt portfolios mostly ahead of benchmarks, whilst the Secured Income portfolios were mixed versus benchmarks.
- 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 18-48 of Appendix 2.
- 4.7. Global markets entered the fourth quarter of 2025 with momentum, supported by easing inflationary pressures, improving economic sentiment, and a broadening of growth drivers across regions. Investor confidence strengthened as policy uncertainty moderated and risk assets continued to benefit from resilient corporate earnings and a more stable macro backdrop. Global equity markets posted steady gains in Q4, with many indices ending the year at or near record highs. One of the defining features of the quarter was a broadening out of market leadership, with the US market lagging behind Europe, Asia and emerging markets which all delivered strong returns. These markets benefitted from a weaker US dollar, more attractive valuations, and investor rotation away from US technology stocks.

Government bond markets experienced a relatively stable quarter, as inflation continued to ease and major central banks, including the Federal Reserve and Bank of England, shifted toward rate cuts, which supported government bond returns. Returns for corporate bonds were strong, with investment-grade spreads holding near multi-year lows as easing inflation and expectations of continued central bank rate cuts supported strong demand. Despite mid-year volatility, fixed income delivered positive returns for 2025 overall, supported by

clearer policy direction and improving risk sentiment. Overall, the environment of moderating inflation, improving visibility on monetary policy, and supportive fiscal dynamics supported government bond markets heading into 2026.

Alternative assets participated in the broad-based strength of Q4. Infrastructure and property benefited from improving global growth sentiment and easing political risk in many regions. Real assets, particularly materials and commodities, were supported by continued demand for inflation hedges and strong investor appetite for diversification. Precious metals were one of the standout performers in 2025, with gold rising by more than 60% for the year, while silver posted gains exceeding 140%. Both metals are considered “safe-haven” assets and benefitted from investor concern about ongoing geopolitical uncertainty, moderating but still elevated global inflation, and expectations of slower global growth.

Looking ahead, markets will likely remain sensitive to inflation trends, central-bank policy signals, and the durability of global growth. While the broad-based rally of recent quarters has strengthened investor sentiment, the path forward may be more uneven as valuations tighten and macro data take on greater importance.

- 4.8. At an individual portfolio level, the Brunel Global High Alpha portfolio returned 1.1% over the quarter, against 3.3% for the MSCI World Index. Sector attribution showed stock selection as the main detractor, notably in Financials (Mastercard and 3i) and Industrials (ADP and Wolters Kluwer). Selection was strongest in the Materials sector. Alphabet and TSMC were the largest positive contributors, with Alphabet boosted by AI integration and chip supply deal with Anthropic. Conversely, AutoZone, Oracle and Microsoft were the weakest performers. Looking at the underlying managers, Harris outperformed the market, benefitting from its value style, while other managers underperformed the benchmark index to varying degrees, most notably Baillie Gifford. During the quarter, Alliance Bernstein exited the portfolio and was replaced by PineBridge.

The Global Sustainable Equity (GSE) portfolio delivered a return of 1.4% during the quarter, which was 2.1% behind the return for the MSCI ACWI benchmark index. As in previous quarters, it should be acknowledged that the MSCI ACWI does not look to achieve the same exposures as the GSE portfolio and there is a philosophical mismatch between the fund and the benchmark. This is evidenced by the main drivers of performance for the index over the year, with metals and mining the best performing sub-sectors, largely driven by the price of gold. With the exception of some copper exposure, the sector does not align itself to sustainable investing and therefore the GSE portfolio is largely underweight this sector. In addition, underweights to aerospace and defence has also detracted from relative performance.

The FTSE Developed Paris Aligned Index (PAB) returned 4.2% over the quarter, and 11.0% for the 12-month period ending 31 December 2025. The PAB portfolio closely replicated the performance of the benchmark index over these periods. Technology was the best-performing sector in the index, followed by health care, with the largest single stock contribution coming from Alphabet. The index’s low exposure to energy stocks had a marginal negative effect on portfolio when compared to a market-cap weighted index.

Multi Asset Credit (MAC) returned 1.5%, slightly behind the primary target (SONIA +4%) return of 2.0%. Spreads remained tight, moving near to all-time lows following more compression over the quarter. This signifies investor

confidence in the health of financial companies and, as spreads tighten, the value of bonds typically rise, producing positive returns on top of regular income the bonds already produce.

The Diversifying Returns Fund (DRF) returned 1.0% over the quarter, whilst its benchmark (SONIA +3%) returned 1.7%. The portfolio captured attractive returns from allocations to equities and commodities, but fixed income detracted. During the quarter the Fund's holding in DRF was sold and the proceeds split between the MAC portfolio and the purchase of index linked gilts in the BlackRock QIF.

Turning to private markets, in Private Debt performance remained solid, helped by all-in (total) yields remaining attractive, but competition continued to push spreads lower. In Secured Income, for the two UK long lease property funds, income continued to drive performance but with more positive valuation evidence. Both long lease property funds outperformed the MSCI Long Income Index over the 12 months to September (one quarter lag).

For the Brunel UK Property fund, 2025 was a year of transition for UK real estate. After a slow start due to global tariff concerns and economic uncertainty, confidence improved following the November Budget. Brunel's core diversified funds maintained stable NAVs and yields, with occupancy above 90%, although liquidity pressures persisted in open-ended, indirect fund vehicles. Specialist funds outperformed, with logistics and industrial strategies delivering NAV growth of around 1% and health care and residential funds continuing to perform well. The Fund returned 1.3% over the quarter.

For the Brunel Infrastructure portfolios, performance was mixed with cycles 1 and 3 delivering positive returns, but cycle 2 was negative over the quarter. Diversification across vintages, geographies, sectors, technologies, and managers remains crucial in navigating a volatile and rapidly evolving global landscape. Overall, portfolio performance continues to compare favourably to demanding benchmarks, reflecting a disciplined approach to risk management and opportunity selection. While renewables face certain headwinds, the structural trend towards decarbonisation and growing demand for clean energy present compelling opportunities.

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.

4.10. Local Impact: The Fund has a 5% strategic allocation to local impact investments across 3 core themes: renewable infrastructure, affordable housing and SME funding. At 31 December 2025 3% (£180m) had been committed to underlying managers and c. £67m deployed. As the portfolio is still in its build up phase performance is not yet meaningful, however pace of capital deployment and the developing pipeline of opportunities is meeting expectations. During the quarter Wessex Gardens (renewable infrastructure) made a distribution of £1.5m, Foresight (SME) acquired a second portfolio company and Octopus (affordable housing) made its first distribution. Octopus are also in the process of

agreeing terms with a local housing association to support the deployment of the Fund's Avon co-invest allocation (£10m). The Fund's inaugural Local Impact Report was published during the quarter and is available to read here: <https://www.avonpensionfund.org.uk/sites/default/files/2025-10/local-impact-investment-report-2025.pdf>

- 4.11. **Rebalancing:** During the quarter the Fund's holding in the Diversifying Returns Fund (DRF) was sold (c.£400 million). Of the proceeds, £120 million was used to purchase index linked gilts within the BlackRock QIF, and the remaining £280 million was switched into the MAC portfolio.

The Brunel UK Property fund was rebalanced during the quarter to reinvest £9 million of accumulated cash. The proceeds were reinvested into three managers, M&G, LGIM and Octopus, to bring the portfolio into line with the fund's core allocation. All calls for Brunel private markets portfolios during the period were funded from cash that has accumulated from distributions.

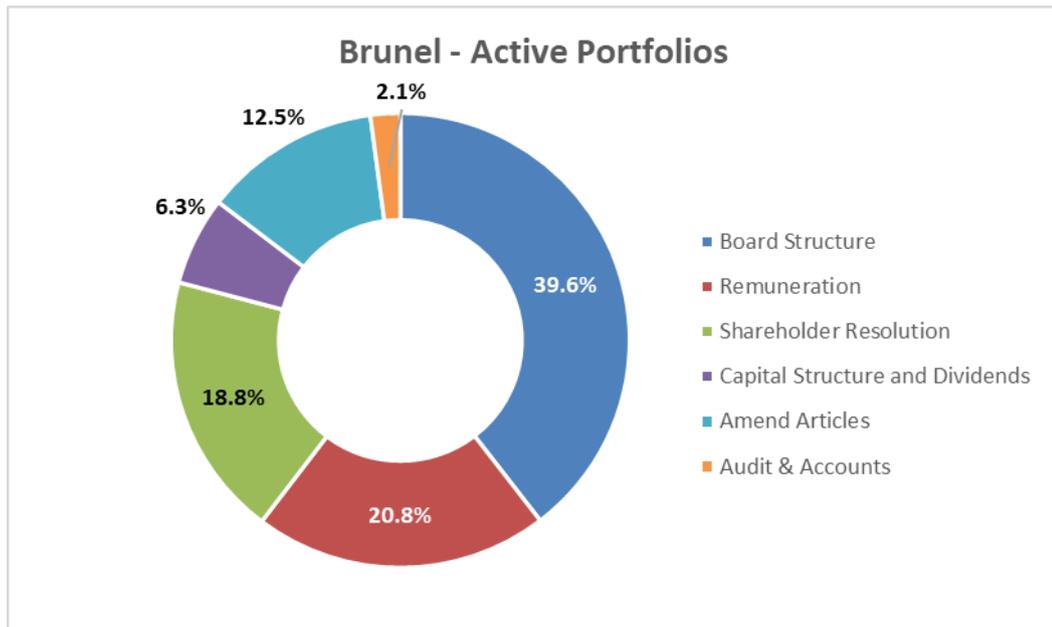
D – RESPONSIBLE INVESTING

- 1.1. **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.
- 4.12. **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 31 December 2025:

Manager	Quarter to 31 December 2025		
	Number of Meetings	Number of Resolutions	Votes against management recommendation
Brunel/LGIM - Passive Portfolios	94	853	253
Brunel - Active Portfolios	31	326	22

Votes against management recommendation by issue – Quarter to 31 December 2025



Points to note:

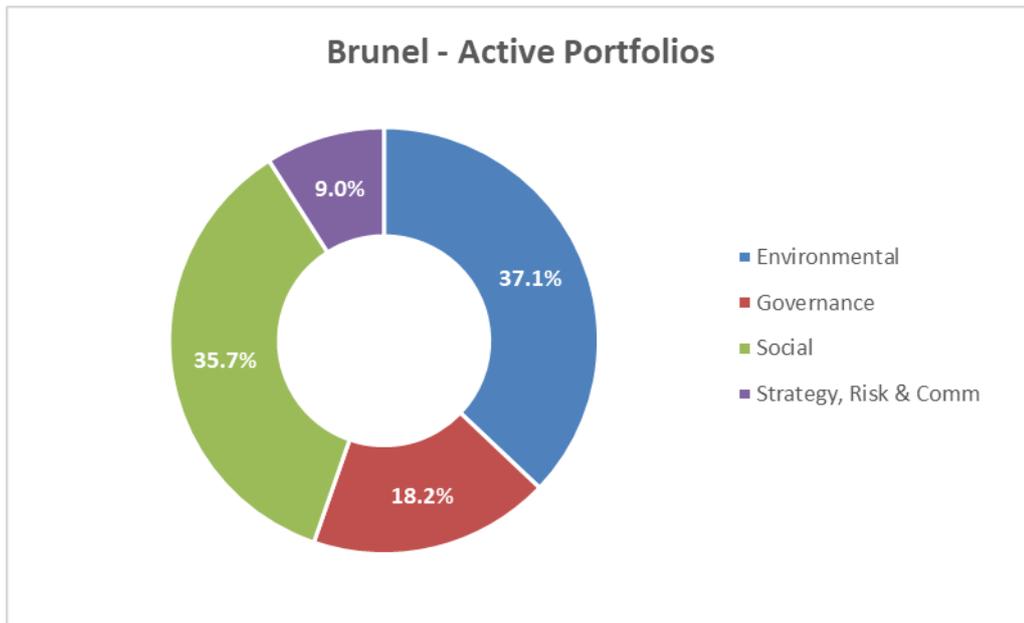
- a) Brunel and LGIM actively vote the shares held within their funds on behalf of their client funds, including Avon.
- b) The votes against management recommendations will reflect matters where there is concern that the company is not addressing the relevant issue and managing it effectively. The Fund 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.

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 31 December 2025:

	Quarter to 31 December 2025	
	Number of Companies	Number of Issues
Brunel - Active Portfolios	198	677

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.

Contact person	Rebecca Whelan, Senior Investments Officer (Tel. 01225
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	395355)
Background papers	Data supplied by Mercer, Brunel & State Street Performance Measurement
Please contact the report author if you need to access this report in an alternative format	

Panel Investment Report

Quarter to 31 December 2025

Steve Turner

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Executive Summary

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01

Executive Summary

Market background

- Over Q4, economic resilience and ongoing AI-led optimism drove financial markets, despite uncertainty driven by regional politics.
- While some developed market central banks continued cutting rates, the narrative of a sharp slowdown was brushed aside, supported by abating risks from tariffs and trade. The US Federal Reserve reduced its policy rate amidst a weakening labour market and cooling inflation. Meanwhile, fundamentals in the UK favoured a further rate cut by the Bank of England, with the Autumn Budget easing fiscal credibility concerns.
- Overall, equity markets ended higher across developed markets and bond yields were mixed during Q4. UK gilt yields fell as cooling inflation and weakening labour market built the case for more BoE cuts.

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Funding level and risk

- The funding level is estimated to have decreased marginally over the quarter to c.108%. The rise in the value of assets was largely matched by a rise in the estimated present value of liabilities, but cashflow payments out of the Fund led to a minor fall in the position.
- The funding level is estimated to be c. 3% higher over the year to 31 December 2025.



- The Value-at-Risk (“VaR”) increased over the quarter to £1,278m, due to the rise in the value of the assets as well as an increase in the underlying volatility assumptions.
- As a percentage of liabilities, the VaR increased to c.22%.



Asset allocation and strategy

- During the quarter, the Fund made progress in implementing the new strategy, with the termination of the Diversified Growth Fund allocation, the topping up of Multi-Asset Credit, and the topping up of the risk management portfolio alongside a restructuring of the interest rate hedging (i.e. investment in UK gilts).
- There was a net amount of c. £1m drawn down to the private market portfolio during the period.

Executive Summary

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Performance

- In aggregate, positive returns were driven mainly by the equity and LDI holdings. Most of the alternative Growth portfolio buckets were also positive, with Private Debt being the main exception.
- The Equity Protection Strategy detracted from returns, which was in line with expectations given rising markets.

- At the underlying level, relative performance of the mandates against their respective benchmarks was mixed. The Active Equity and Private Debt mandates detracted, though most of the alternative Growth portfolios delivered positive relative returns.
- Underperformance relative to the strategic benchmark over the one-year period was driven by the Active Equity mandates, the Equity Protection Strategy and the Secured Income mandates.
- Underperformance over the three year period was mostly due to the Active Equity mandates, with Equity Protection, Infrastructure and Secured Income also detracting.

	3 Months (%)	1 Year (%)	3 Years (% p.a.)
Total Fund (1)	2.6	7.5	6.5
Strategic Benchmark (2) (ex currency hedge)	3.5	9.2	9.7
Relative (1 - 2)	-0.9	-1.7	-3.2

- The Currency Hedge added to returns over the one-year and three-year periods due to Sterling strengthening. The impact was marginal over three months.

- Absolute returns compared to the strategic returns modelled at the strategy review in 2023 have been positive for all of the Equity mandates.
- Amongst the alternative Growth portfolios, relative returns have been positive for the Multi-Asset Credit and Private Debt mandates, but negative for Property and the other Private Market mandates. However, many of these assets are still in the drawdown phase.

Liability hedging mandate

- BlackRock was in compliance with the investment guidelines over the quarter.
- As part of the investment strategy review, it was agreed to discontinue the yield trigger framework in favour of adopting a strategic hedge ratio target of 50%. This was implemented in October.
- At the end of the quarter, the interest rate and inflation hedge ratios were c. 50% and c. 59% respectively (as a proportion of assets).

Collateral position

- Inclusive of assets within the collateral waterfall and the updated collateral monitoring framework, there was a total interest rate buffer of c.5.8% as at end December 2025.
- BlackRock would request additional collateral if the interest rate buffer fell below 3%.

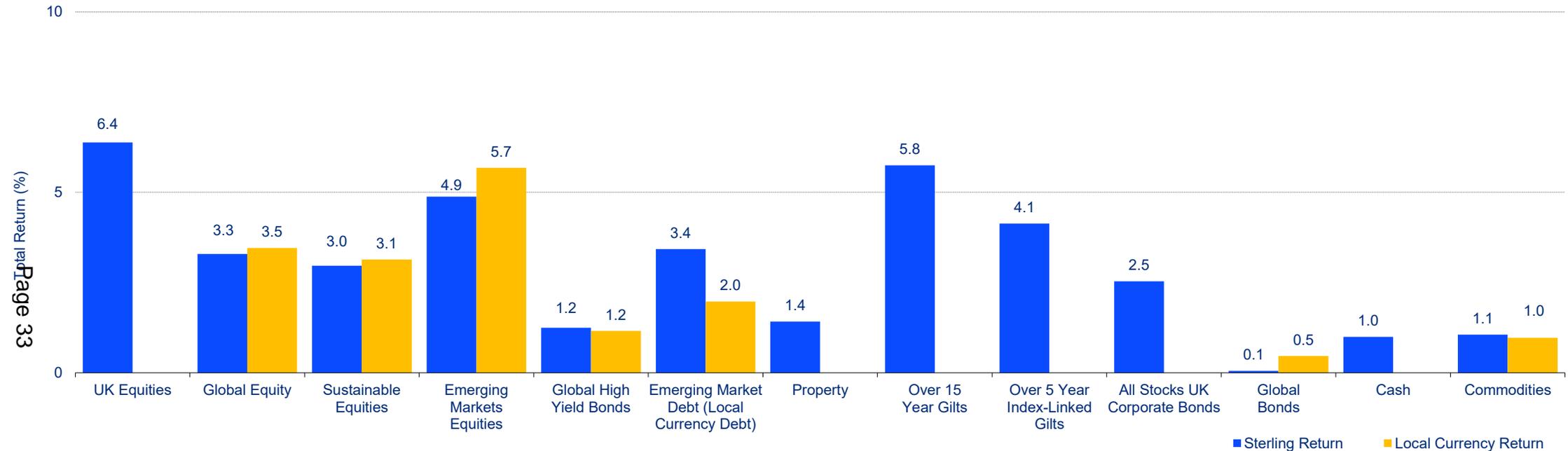
Market Background

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02

Market Background

Return over 3 months to 31 December 2025 (%)



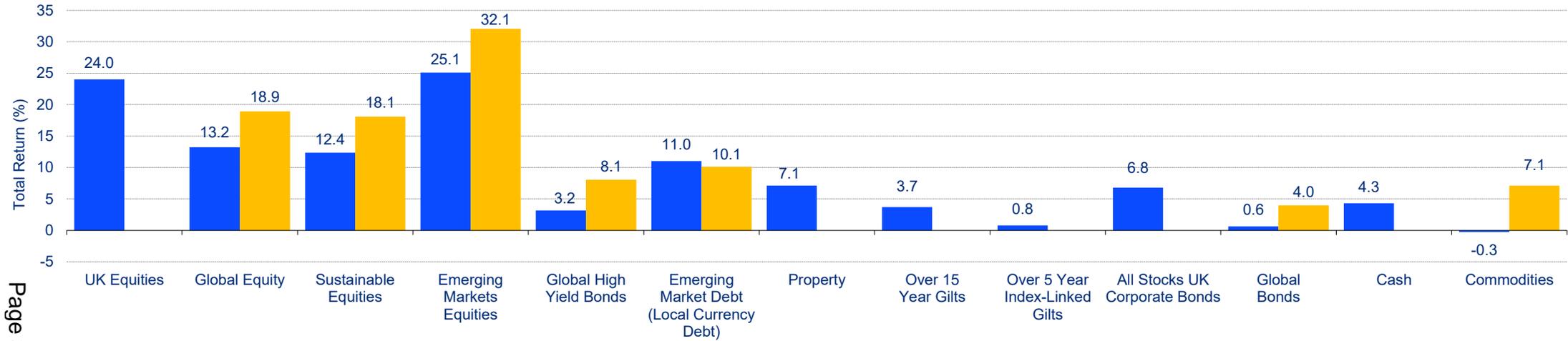
Over Q4, economic resilience and ongoing AI-led optimism drove financial markets, despite uncertainty driven by regional politics.

While some developed market central banks continued cutting rates, the narrative of a sharp slowdown was brushed aside, supported by abating risks from tariffs and trade. During Q4, the US Federal Reserve reduced its policy rate amidst a weakening labour market and cooling inflation. In Europe, political upheaval in France and German fiscal stimulus largely dominated market sentiments, and the ECB left rates unchanged. Meanwhile, fundamentals in the UK favoured a further rate cut by the Bank of England, with the Autumn budget easing fiscal credibility concerns. In Japan, leadership under new President Sanae Takaichi and her fiscal plans stirred some volatility. The Bank of Japan continued hiking interest rates against the backdrop of favourable fundamentals.

Overall, equity markets ended higher across developed markets and bond yields were mixed during Q4.

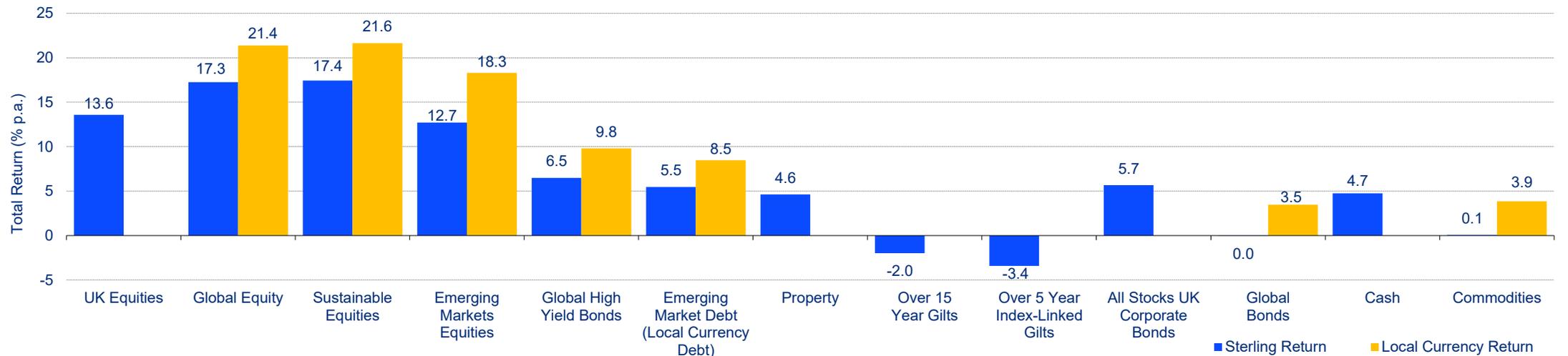
Market Background – 1& 3 years

Return over 1 year to 31 December 2025 (%)



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Return over 3 years to 31 December 2025 (% p.a.)



Funding Level and Risk

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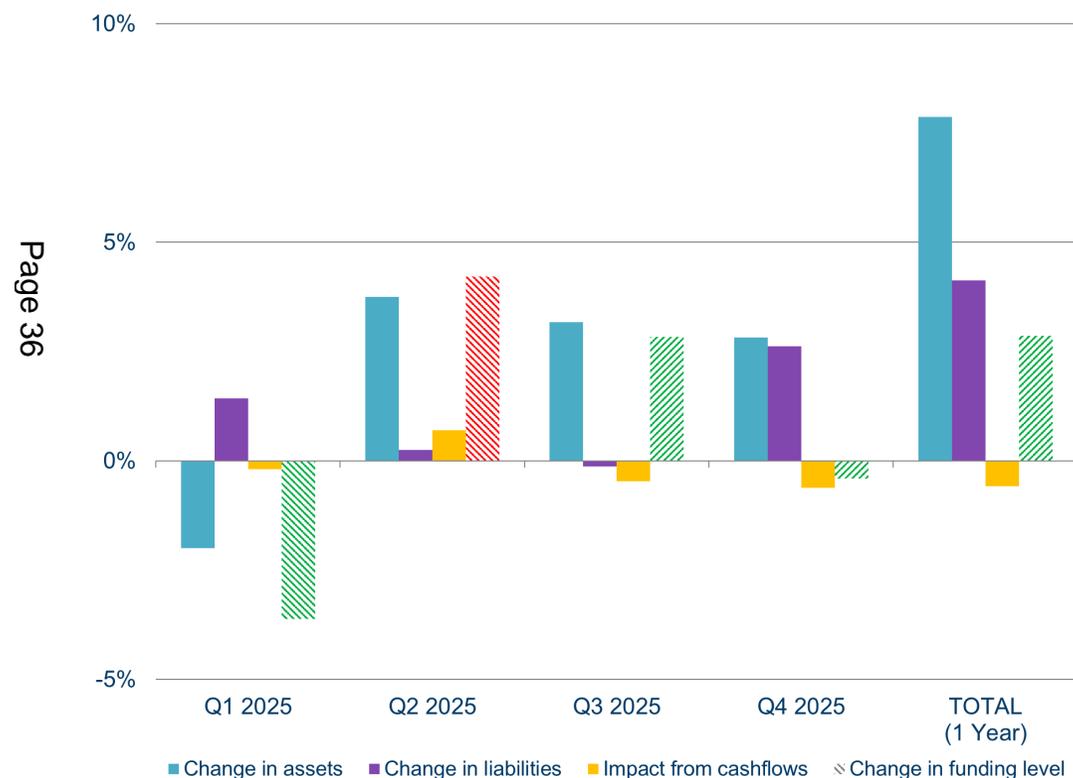
03

Funding Level and Deficit

The Fund's assets returned 2.6% over the quarter. The liabilities are estimated to have increased by 2.6%, which allows for market movements, benefit accrual and benefits paid.

Given there was a net cash outflow from the Fund assets over the period, taken together the estimated funding level decreased slightly to c.108%.

The funding level is estimated to be c.3% higher over the year to 31 December 2025.



The surplus was estimated to have decreased over Q4 from £487m to £476m.

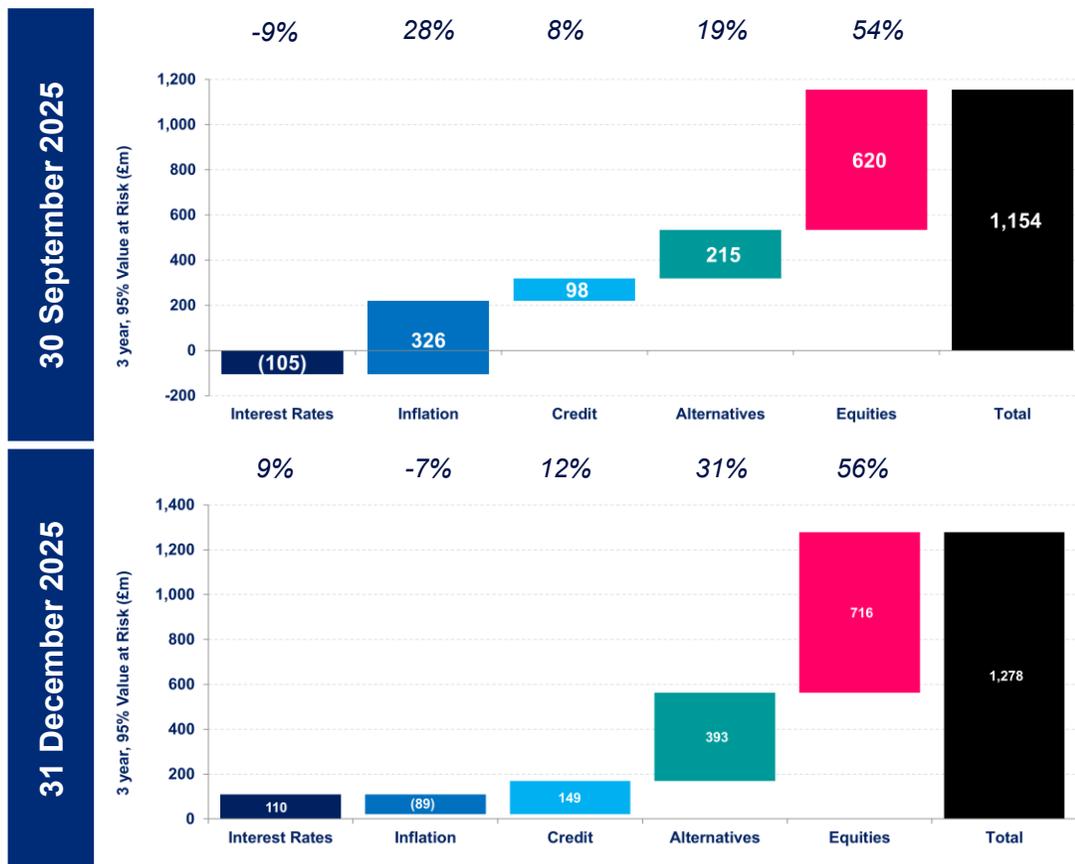


Liability values are estimated by Mercer. They are based on the actuarial valuation assumptions as at 31 March 2022 and the 'CPI plus' discount basis. This margin above CPI is dynamic, and so changes on a monthly basis due to market conditions and is reviewed each quarter to also consider any changes 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 95th percentile Value-at-Risk (VaR) over a one-year period. In other words, if we consider a downside scenario which has a 1-in-20 chance of occurring, what would be the impact on the deficit relative to our 'best estimate' of what the deficit would be in three years' time.

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- As at 31 December 2025, if a 1-in-20 'downside event' occurred over the next three years, the funding position could deteriorate by at least an additional **£1.3bn**.
- Each bar to the left of the total represents the contribution to this total risk from the primary underlying risk exposures (interest rates and inflation, changes in credit spreads, volatility of alternative assets and equity markets, and the benefit from equity options*).
- **Overall, the VaR increased by £124m over the quarter.** The reflection of the new investment strategy resulted in a modest increase (consistent with the findings of the strategy review), however the increase over the period was predominantly driven by the rise in the value of the assets as well as an increase in the underlying volatility assumptions.
- VaR rose as a percentage of liabilities over the quarter from c. 20.3% to c. 21.9%.

*The offset to risk from the equity options are shown implicitly within the 'Equities' bucket, rather than separately, due to modelling refinements.

Performance Summary

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04

Total Fund Performance

	3 Months (%)	1 Year (%)	3 Years (% p.a.)
Total Fund (1)	2.6	7.5	6.5
Total Fund (ex currency hedge)	2.5	6.2	5.6
Strategic Benchmark (2) (ex currency hedge)	3.5	9.2	9.7
Relative (1 - 2)	-0.9	-1.7	-3.2

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

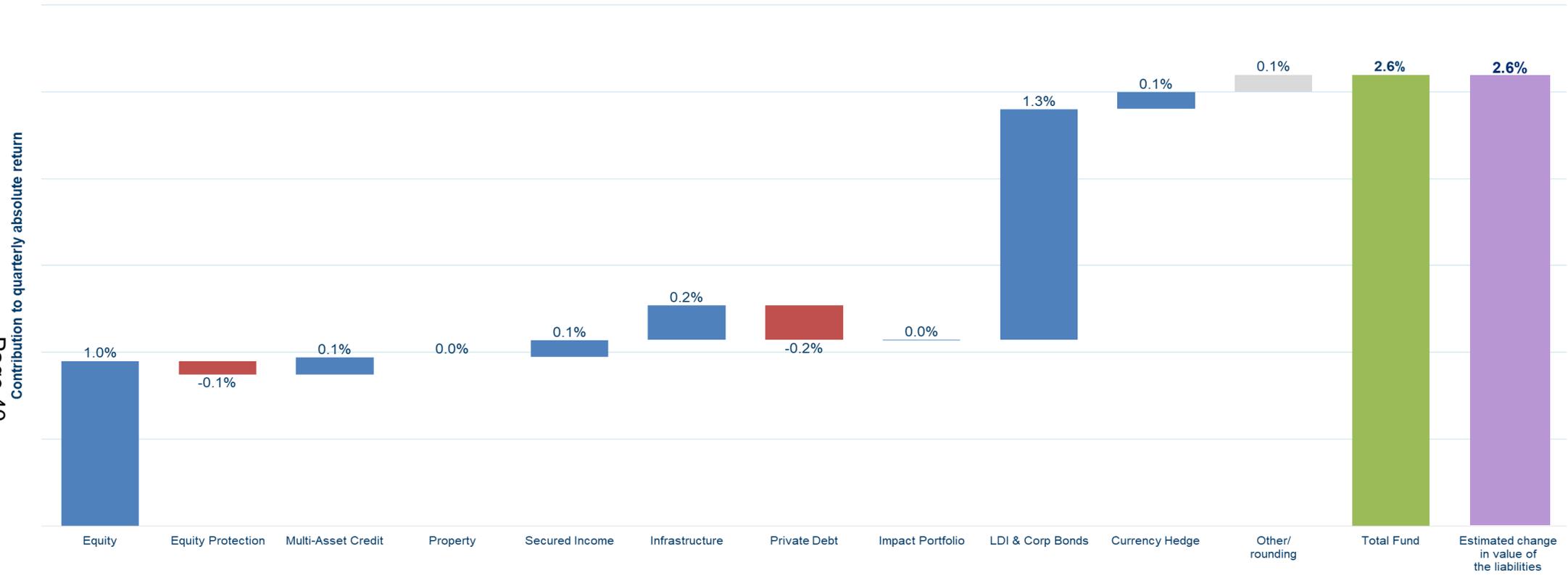
Commentary

- As illustrated on the next slide, positive absolute returns were predominantly driven by the Equity holdings and the LDI portfolio (due to falling UK gilt yields).
- Most of the alternative Growth portfolio buckets were also positive, with Private Debt being the main exception. The Equity Protection strategy offset a proportion of equity market gains as expected.
- At the underlying level, relative performance of the mandates against their respective benchmarks was mixed. The Active Equity and Private Debt mandates detracted, whilst most of the other Growth portfolios delivered positive relative returns.
- Underperformance relative to the strategic benchmark over the one-year period was driven by the Active Equity mandates, the Equity Protection Strategy and the Secured Income mandates. The way in which the Synthetic Equity is benchmarked also impacted the relative position*.
- Underperformance over the three year period was mostly due to the Active Equity mandates, with Equity Protection, Infrastructure and Secured Income also detracting.
- The Currency Hedge added to returns over the one-year and three-year periods due to Sterling strengthening. The impact was marginal over three months.

*With regards to Synthetic Equity, the benchmark is the MSCI PAB index, however the total Fund benchmark solely reflects the FTSE PAB index, which delivered higher returns than the MSCI index. Also note Synthetic Equity returns are impacted by funding costs.

Total Fund Performance Attribution – Quarter

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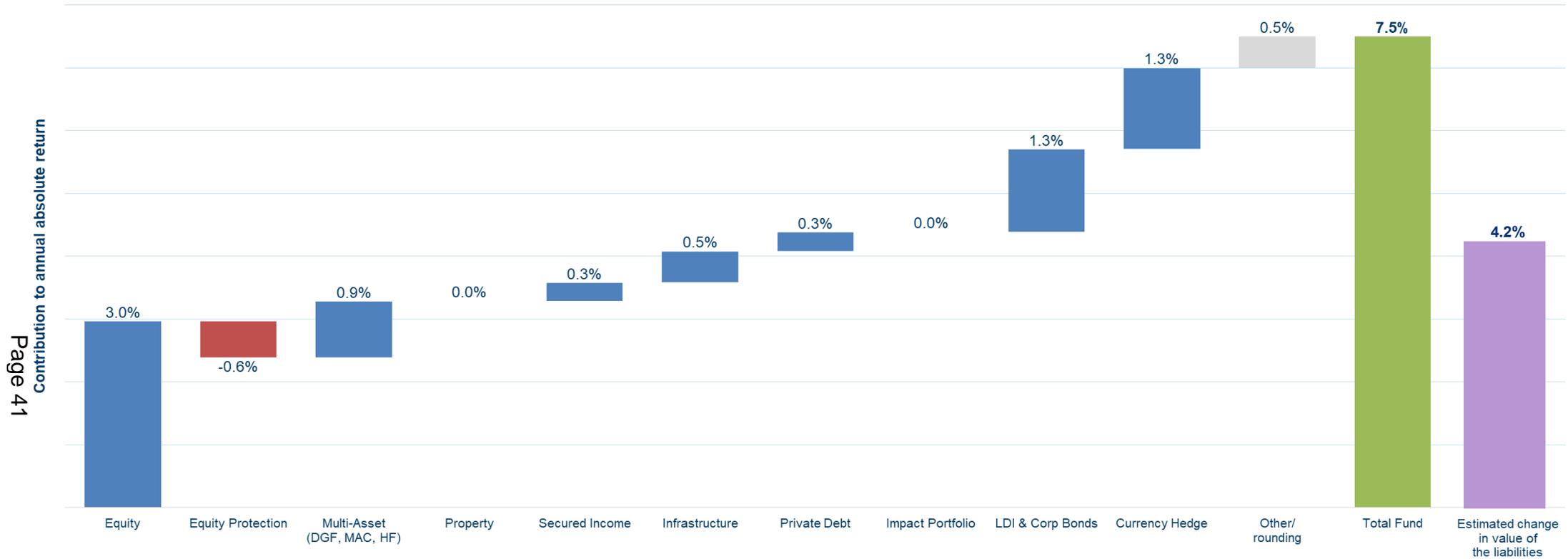
Source: Custodian, Mercer estimates.

Positive returns were driven by the Equity holdings and the LDI portfolio (due to falling UK gilt yields). Most of the alternative Growth portfolio buckets were also positive, with Private Debt being the main exception.

The Equity Protection offset some equity market gains as expected given the role of the allocation.

The Currency Hedge contribution was slightly positive due to the slight strengthening of Sterling in aggregate against the other relevant currencies.

Total Fund Performance Attribution – 1 Year



Source: Custodian, Mercer estimates.

The Equity holdings primarily drove positive returns over the one year period.

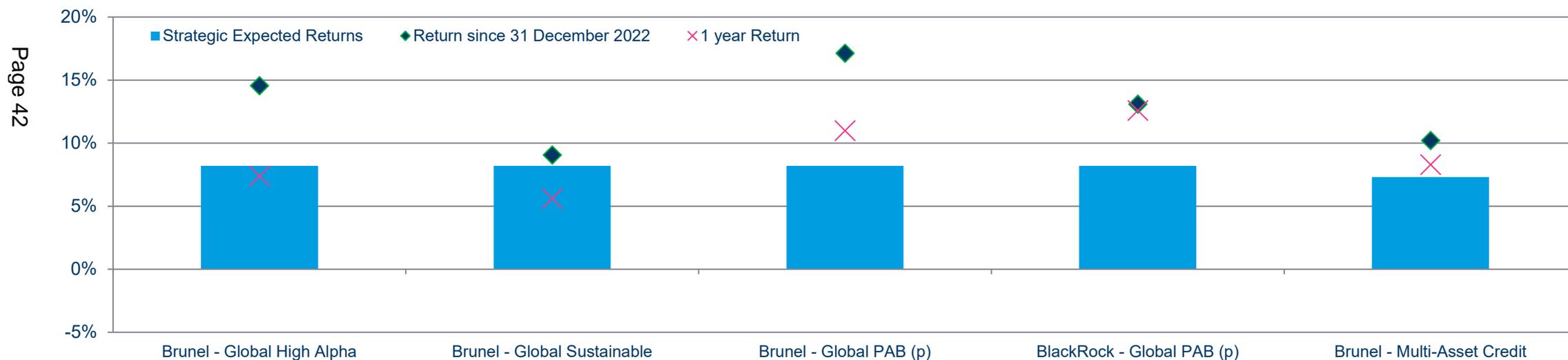
The other Growth asset class buckets were all also positive, with the exception of the Impact Portfolio for which the assets are early in their drawdown phase.

The LDI portfolio was positive due to a fall in UK gilt yields, in line with the interest rate hedged element of the liabilities.

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 Multi-Asset Credit
Benchmark Allocation	10.5%	10.5%	20.5%	6.0%
Commentary	Returns above expectations since December 2022 due to equity market strength, though mandate has underperformed the benchmark over this period.	Returns slightly above expectations since December 2022 due to equity market, though mandate has underperformed the benchmark over this period.	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 above expectations since December 2022 largely due to strength in high-yield debt markets.

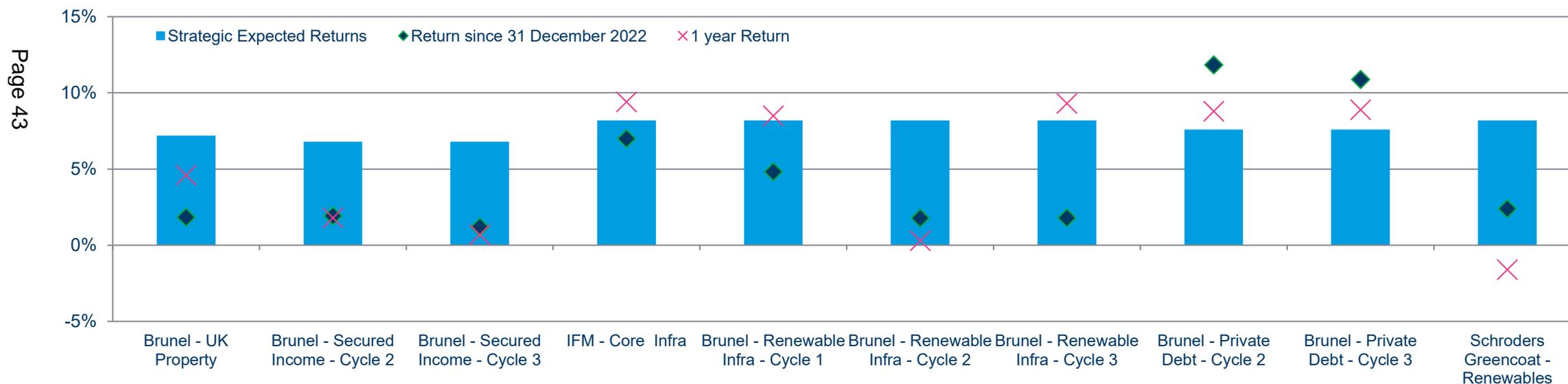


Notes:

We have illustrated the performance of the key mandates within the Fund's investment strategy. Actual returns are from 31 December 2022 to 31 December 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
Benchmark allocation	3.5%	9.0%	4.0%	5.0%	4.5%	3%
Commentary	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 2024.		Returns slightly below expectations since December 2022, though performance has picked up again in the past year.	Returns for all cycles below expectations since December 2022. Mandates are still in the drawdown phase; the first drawdowns were in 2019, 2020 and 2022 respectively.	Returns above expectations since December 2022. Mandates are still in the drawdown phase.	Return below expectations, but mandate is still early 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 31 December 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 31 December 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	1.1	3.3	-2.2	7.4	13.2	-5.8	13.7	17.3	-3.6	+2-3	Target not met	9.1	13.0	-3.9
Brunel Global Sustainable Equity	1.4	3.5	-2.1	5.6	14.4	-8.8	8.8	16.8	-8.0	+2	Target not met	5.5	12.1	-6.6
Brunel Passive Global Equity Paris-Aligned	4.2	4.2	0.0	11.0	11.1	-0.1	17.2	17.3	-0.1	-	N/A (p)	-	-	-
MSCI World Paris-Aligned (Synthetic)*	1.5	2.7	-1.2	12.6	10.2	2.4	-	-	-	-	N/A (p)	-	-	-
Brunel Multi-Asset Credit	1.5	2.0	-0.5	8.3	8.4	-0.1	9.9	8.9	1.0	-	Target met	-	-	-
Brunel UK Property	0.4	1.0	-0.6	4.6	5.2	-0.6	2.0	2.9	-0.9	-	Target not met	-	-	-
Brunel Secured Income - Cycle 1	2.2	0.6	1.6	5.5	3.3	2.2	1.1	3.3	-2.2	+2	Target not met	1.0	5.1	-4.1
Brunel Secured Income - Cycle 2	1.2	0.6	0.6	1.8	3.3	-1.5	2.3	3.3	-1.0	+2	Target not met	-	-	-
Brunel Secured Income - Cycle 3	1.3	0.6	0.7	0.7	3.3	-2.6	-	-	-	+2	N/A	-	-	-
IFM Core Infrastructure	3.3	2.3	1.0	9.4	9.5	-0.1	7.5	9.9	-2.4	-	Target not met	9.6	8.3	1.3
Brunel Renewable Infrastructure - Cycle 1	3.1	0.6	2.5	8.5	3.3	5.2	5.5	3.3	2.2	+4	Target not met	6.8	5.1	1.7
Brunel Renewable Infrastructure - Cycle 2	-1.3	0.6	-1.9	0.3	3.3	-3.0	1.2	3.3	-2.1	+4	Target not met	5.3	5.1	0.2
Brunel Renewable Infrastructure - Cycle 3	3.2	0.6	2.6	9.3	3.3	6.0	2.8	3.3	-0.5	+4	Target not met	-	-	-
Brunel Private Debt - Cycle 2	-6.3	2.0	-8.3	8.8	8.4	0.4	8.4	8.9	-0.5	-	Target not met	-	-	-
Brunel Private Debt - Cycle 3	1.6	2.0	-0.4	8.9	8.4	0.5	10.5	8.9	1.6	-	Target met	-	-	-
Schroders Greencoat Wessex Gardens	2.5	1.7	0.8	-1.6	7.4	-9.0	-	-	-	-	N/A	-	-	-
Octopus Affordable Housing	0.8	1.7	-0.9	-	-	-	-	-	-	-	N/A	-	-	-
Foresight Regional Investment	-6.1	1.7	-7.8	-	-	-	-	-	-	-	N/A	-	-	-
BlackRock Corporate Bonds	3.2	3.2	0.0	7.4	7.4	0.0	5.6	5.6	0.0	-	N/A (p)	-4.9	-4.9	0.0
BlackRock LDI	6.3	4.8	1.5	3.0	1.9	1.0	-2.2	-2.0	-0.2	-	N/A (p)	-1.6	-1.4	-0.2
Equity Protection Strategy	-0.4	N/A	N/A	-2.9	N/A	N/A	-3.5	N/A	N/A	-	N/A	-2.7	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

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05

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*	914,746	892,362	14.8%	14.1%	10.5%	5.5 - 15.5	+3.6%
Global Sustainable Equity	709,091	718,803	11.5%	11.4%	10.5%	5.5 - 15.5	+0.9%
Paris-Aligned Equity**	1,136,073	1,174,470	18.4%	18.6%	20.5%	12.5 - 28.5	-1.9%
Total Equity	2,759,910	2,785,635	44.6%	44.1%	41.5%	36.5 - 46.5	+2.6%
Diversified Returns Fund	402,613	-	6.5%	-	-	-	-
Multi-Asset Credit	387,300	674,333	6.3%	10.7%	10.0%	5 - 15	+0.7%
Total Liquid Growth	789,913	674,333	12.8%	10.7%	10.0%	5 - 15	-1.3%
Property	286,638	282,849	4.6%	4.5%	4.0%	No set range	+0.5%
Secured Income	609,209	610,586	9.9%	9.7%	9.0%	No set range	+0.7%
Core Infrastructure	256,837	265,299	4.2%	4.2%	4.0%	No set range	+0.2%
Renewable Infrastructure	237,528	244,146	3.8%	3.9%	5.0%	No set range	-1.1%
Private Debt	289,006	279,551	4.7%	4.4%	3.5%	No set range	+0.9%
Local Impact	53,899	62,147	0.9%	1.0%	5.0%	No set range	-4.0%
Natural Capital	-	-	-	-	2.0%	No set range	-2.0%
Total Illiquid Growth	1,733,117	1,744,579	28.0%	27.6%	32.5%	No set range	-4.9%
Corporate Bonds	189,643	195,768	3.1%	3.1%	2.0%	No set range	+1.1%
LDI & Equity Protection	1,143,069	1,348,320	18.5%	21.3%	14.0%	No set range	+7.3%
Total Protection	1,332,712	1,544,088	21.5%	24.4%	14.0%	No set range	+8.4%
<i>Synthetic Equity Offset**</i>	-625,403	-642,268	-10.1%	-10.2%	-	-	-
Other***	194,205	216,181	3.1%	3.4%	0.0%	0 - 5	+3.4%
Total	6,184,471	6,322,548	100.0%	100.0%	100.0%		

Source: Custodian, Investment Managers, Mercer.

Totals may not sum due to rounding.

*Global Equity valuation also includes the collateral holdings for the currency overlay which are held in overseas equities and two residual equity portfolios.

**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.

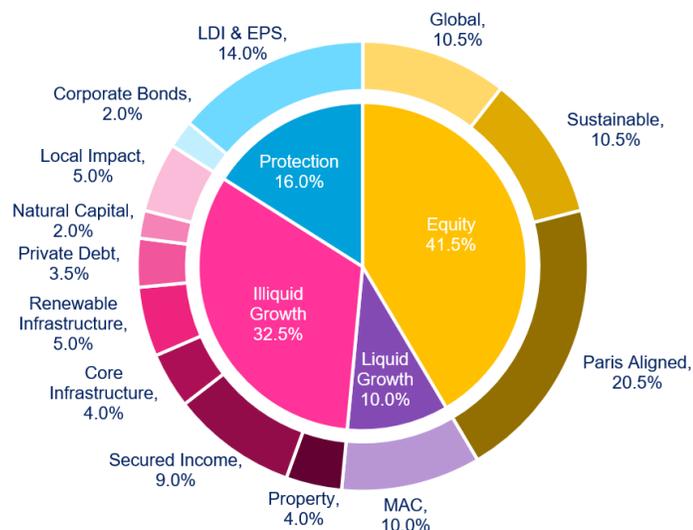
Valuation by Mandate

Manager	Asset Class	Start of Quarter (£'000)	Cashflows (£'000)	End of Quarter (£'000)	Start of Quarter (%)	End of Quarter (%)
Brunel	Global High Alpha Equity	811,548	-	820,435	13.1%	13.0%
Brunel	Global Sustainable Equity	709,091	-	718,803	11.5%	11.4%
Brunel	Passive Global Equity Paris Aligned	510,669	-12	532,202	8.3%	8.4%
BlackRock	MSCI World Paris-Aligned (Synthetic)	625,403	-	642,268	10.1%	10.2%
Brunel	Diversified Returns Fund	402,613	-403,601	-	6.5%	-
Brunel	Multi-Asset Credit	387,300	280,000	674,333	6.3%	10.7%
Brunel	UK Property	193,168	-53	193,992	3.1%	3.1%
Schroders	UK Property	13,420	-	13,554	0.2%	0.2%
Partners	Overseas Property	80,050	-2,287	75,303	1.3%	1.2%
Brunel	Secured Income – Cycle 1	285,182	-5,363	286,165	4.6%	4.5%
Brunel	Secured Income – Cycle 2	96,424	-1,096	96,479	1.6%	1.5%
Brunel	Secured Income – Cycle 3	227,603	-2,512	227,942	3.7%	3.6%
IFM	Core Infrastructure	256,837	-	265,299	4.2%	4.2%
Brunel	Renewable Infrastructure – Cycle 1	119,386	-1,854	121,240	1.9%	1.9%
Brunel	Renewable Infrastructure – Cycle 2	92,513	634	92,026	1.5%	1.5%
Brunel	Renewable Infrastructure – Cycle 3	25,629	4,253	30,880	0.4%	0.5%
Brunel	Private Debt - Cycle 2	208,537	-1,546	194,376	3.4%	3.1%
Brunel	Private Debt - Cycle 3	80,470	3,283	85,175	1.3%	1.3%
Schroders Greencoat	Local Impact – Renewables	34,744	-1,103	34,505	0.6%	0.5%
Octopus	Local Impact - Affordable Housing	15,586	3,272	18,981	0.3%	0.3%
Foresight	Local Impact - SME Financing	3,569	5,235	8,661	0.1%	0.1%
BlackRock	Corporate Bonds	189,643	-	195,768	3.1%	3.1%
BlackRock	LDI & derivatives MTM	1,143,069	120,017	1,348,320	18.5%	21.3%
BlackRock	Synthetic offset	-625,403	-	-642,268	-10.1%	-10.2%
JP Morgan	Fund of Hedge Funds	15,265	-	14,585	0.2%	0.2%
Record	Currency Hedging	130,099	-40,000	100,308	2.1%	1.6%
BlackRock	ETF	25,907	-	26,544	0.4%	0.4%
Internal Cash	Cash	125,681	19,475	146,218	2.0%	2.3%
Residual assets	Residual Assets	451	-	452	0.0%	0.0%
Total		6,184,471	-24,228	6,322,548	100.0%	100.0%

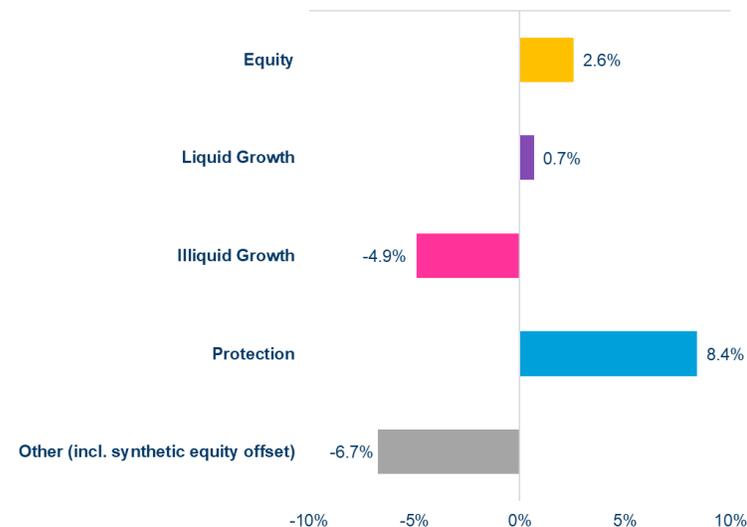
Source: Custodian, Investment Managers, Mercer. Totals may not sum due to rounding. The cashflow column shows only the cash movements within the asset portfolio. It does not include non-investment cash movements such as employer contributions or pension payments made, however these amounts are included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

Positioning relative to target

Strategic Asset Allocation (“SAA”)



Relative positioning



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Commentary

- The Committee agreed changes to the Strategic Asset Allocation as part of the 2025 Investment Strategy Review. This is now reflected in the report.
- The Fund made progress in implementing the new strategy over Q4:
 - The DGF allocation was redeemed in October; proceeds were €-£403.6m.
 - The Multi-Asset Credit allocation was topped up, with an investment of £280m.
 - The BlackRock risk management portfolio was topped up by £120m in October, and restructured to reflect the new strategic interest rate hedge ratio target of 50%, alongside reducing portfolio leverage.
- The right-hand side chart displays the actual relative weights of the key portfolio building blocks compared to the 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). Included within this is the target allocation to Natural Capital, which the Fund has not yet committed to due to the pooling transition.
 - 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. £1m was drawn down to the private market portfolio.

Appendix

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Q4 2025 Equity Market Review

In Q4 2025, global equity markets rose, supported by robust earnings, easing inflation, and anticipation of lower interest rates. However, concerns over stretched tech and AI stock valuations persisted throughout the quarter.

Global equities rose 3.3% in unhedged sterling terms and 3.5% in local currency terms as the sterling remained flat against the US dollar.

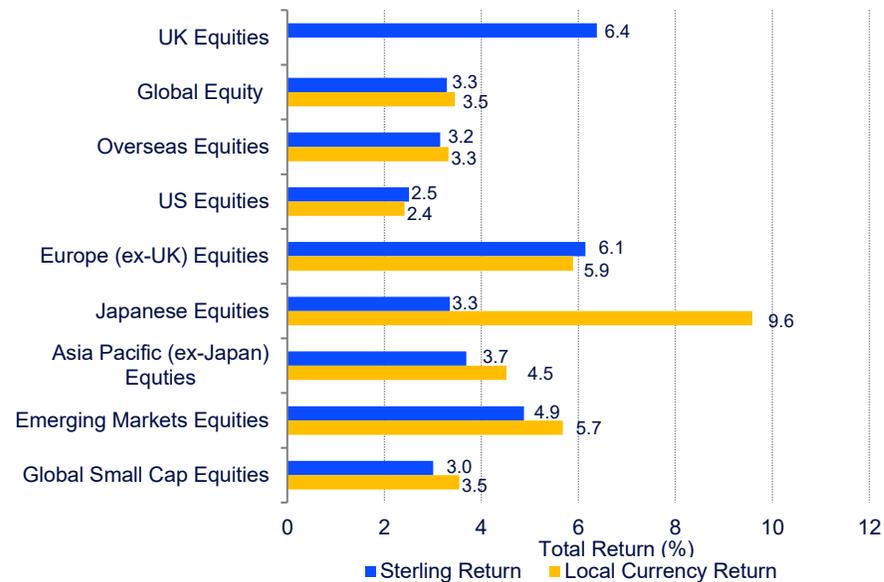
US equities returned 2.4% in local currency terms, whilst European (ex-UK) equities returned 5.9%, and Japanese equities returned 9.6%.

Emerging markets equities returned 5.7% in local terms.

Global small cap stocks returned 3.5% in local terms, driven by rising expectations for near-term policy easing from the Fed.

The **FTSE All Share** index returned 6.4% over the quarter, with the large-cap **FTSE 100** index returning 6.9%. More domestically focused equities (**FTSE 250**) produced returns of 2.9%. The **small-cap** index produced a positive 4.6% return.

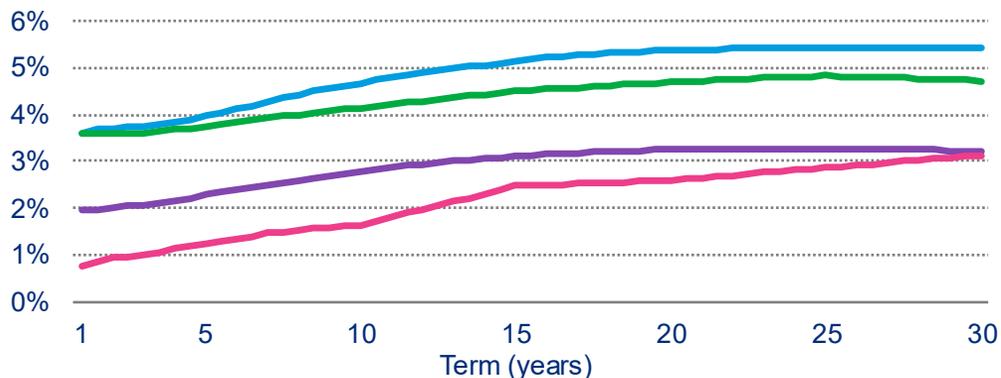
Equity Performance



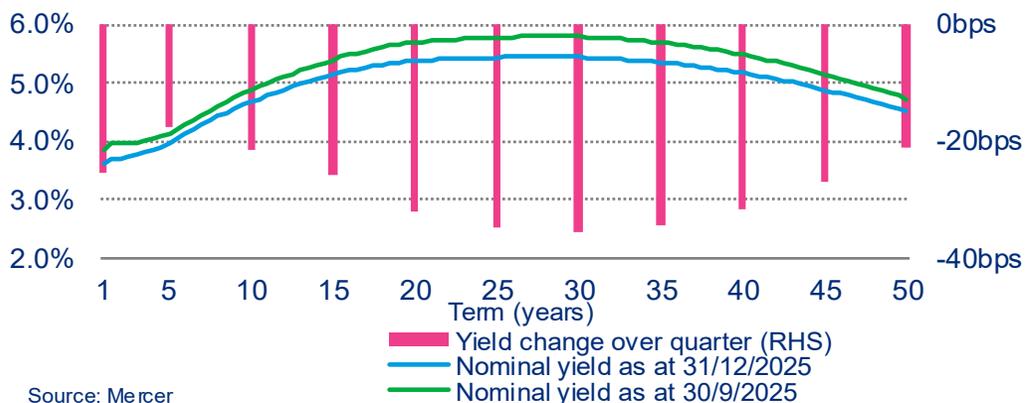
FTSE Performance by Market Cap



Q4 2025 Bond Market Review



— UK Gilts Yield — US Treasury Yield — Euro AAA Yield — Japan Yield
Source: Mercer and Bloomberg



Source: Mercer

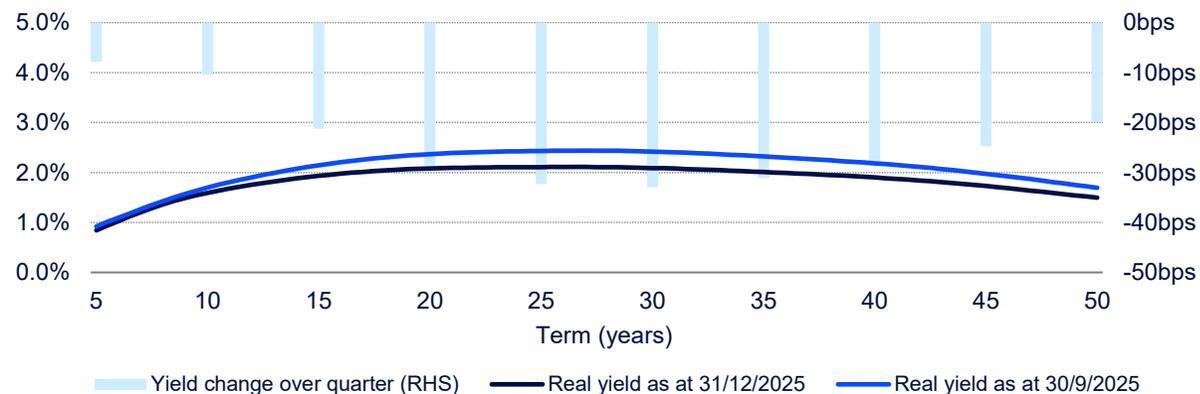
Government Bond Yields

Government bond yields showed a mixed trend across economies in Q4.

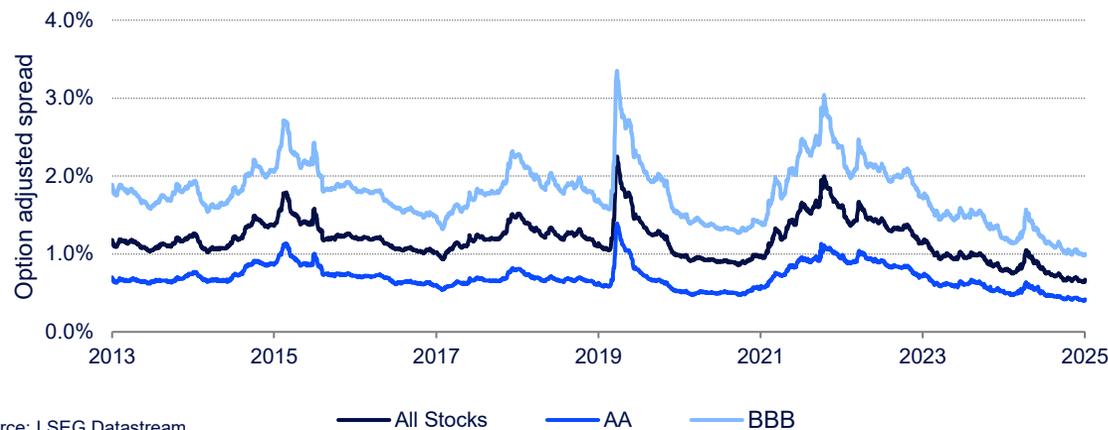
In the US, the yield curve steepened, with the 2-year yield declining 13bps, while the longer-end moved modestly higher. This was due to market pricing of more Fed rate cut into 2026, even as economic landscape held up relatively well. Meanwhile, bond yields in Germany and Japan were higher across the curve in Q4. The 10-year JGB yield rose sharply by 42bps as BoJ continued hiking rates, amidst fiscal expansion plans under the new Prime Minister Sanae Takaichi. In the Euro area, the 14bps rise in German bund yields was driven by its expansive spending plans and geopolitical headwinds.

In contrast, in the UK, the 10-year gilt yield eased 22bps (to 4.48%) as cooling inflation and weakening labour market built the case for more BoE cuts.

Q4 2025 Bond Market Review



Source: Mercer



Source: LSEG Datastream

UK Index-Linked Gilt Yields

UK real yields were mixed across the curve over the previous quarter. In Q4, inflation, both headline and services, showed signs of easing, which was accompanied by a weakening labour market. This not only prompted the BoE to cut rates by 25bps in Q4 but also led the forward guidance to emphasise on an easing bias. The UK 5-year, 10-year and 30-year breakeven rates finished the quarter at 3.10%, 2.93% and 3.09%, respectively. The 10-year breakeven rate fell below 3% for the first time since 2020.

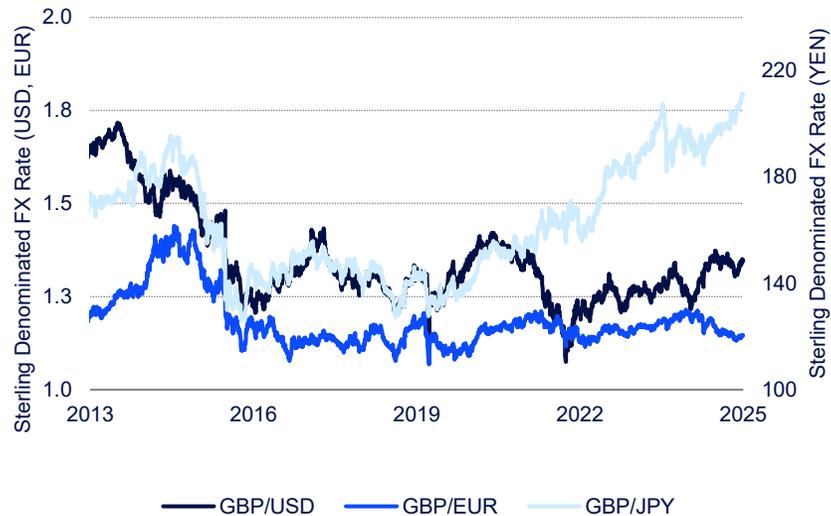
Corporate bonds

Spreads on UK investment-grade credit tightened across the credit quality spectrum through the fourth quarter, falling to multi-year lows. Spreads on AA-rated credit was down 1bps at 42bps, and that for BBB-rated credit was lower by 4bps at 100bps.

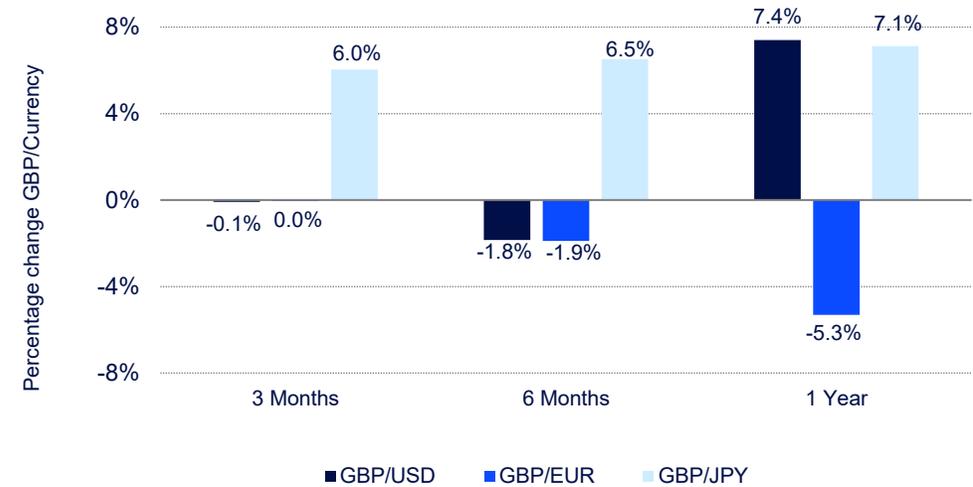
Q4 2025 Currency Market Review

In the fourth quarter of 2025, sterling remained flat against the US dollar and the euro, whilst strengthening 6.0% against the Japanese yen. Meanwhile, the dollar index gained ~1% over the quarter, supported by economic resilience and AI-driven exuberance. On a 1-year basis, sterling strengthened 7.4% against USD and 7.1% against JPY, while declining 5.3% against EUR.

Sterling Denominated FX Rate



Change in sterling against foreign currencies



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Q4 2025 Property

UK property as measured by the MSCI Index increased by 1.4% over the fourth quarter of 2025.

Summary of Mandates

Manager	Mandate	Benchmark/Target	Outperformance Target (p.a.)	Inception Date
BlackRock	Equity Protection Strategy	n/a	n/a	November 2017
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	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

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We are leaders in risk, strategy and people. One company, with four global businesses, united by a shared purpose to build the confidence to thrive through the power of perspective.



Avon Pension Fund Performance Report

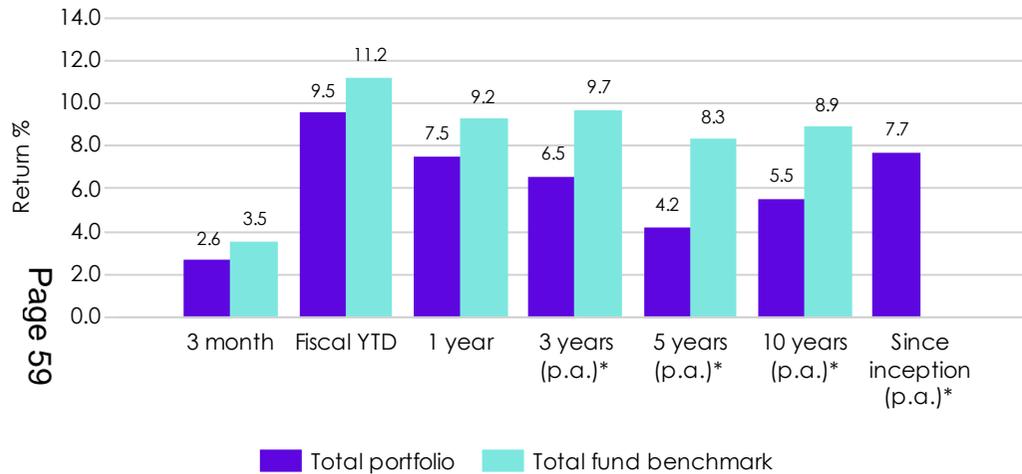
Quarter ending 31 December 2025

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Pension Fund performance

Performance (annualised)



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

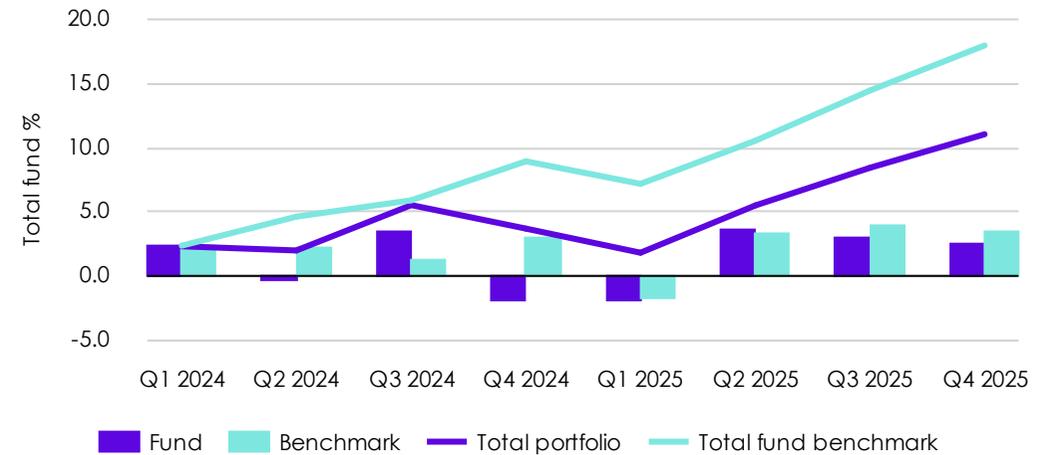
Key events

Over the fourth quarter of 2025, global equity markets delivered modest but steady gains, with several equity indices finishing the year near record or multi-year highs, capping a strong period for risk assets overall.

There was marked divergence across global government bond markets during the final quarter of 2025. Despite volatility, UK gilts were the notable outperformer as November's Budget was well received by markets. Returns were more muted in US Treasuries. The Federal Open Market Committee cut interest rates by 25 basis points when they met in October and again in December.

Global mergers and acquisitions (M&A) exceeded \$4 trillion in 2025, the second-best year ever for transactions (bettered only by 2021), driven by the highest ever number of mega-deals (those >\$10bn). Deal value increased 50% from 2024.

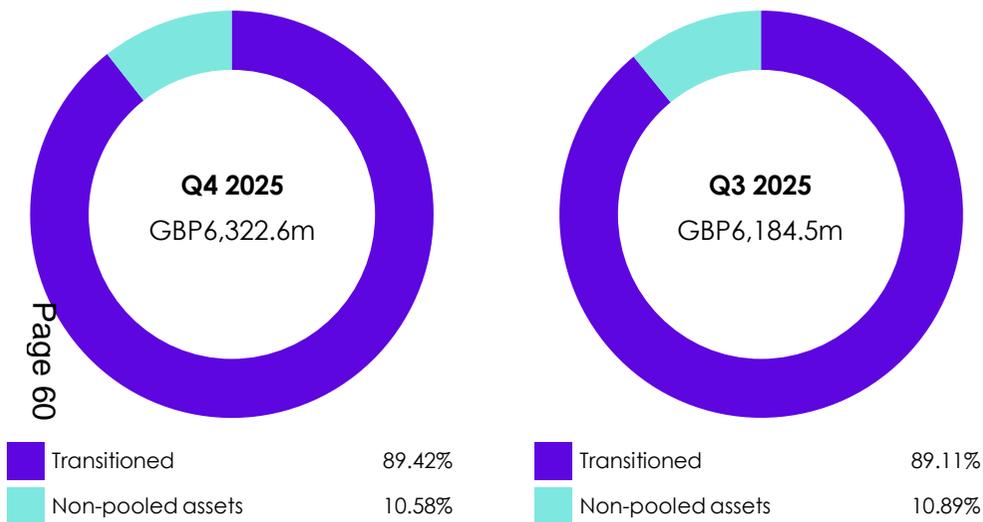
Quarterly performance



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

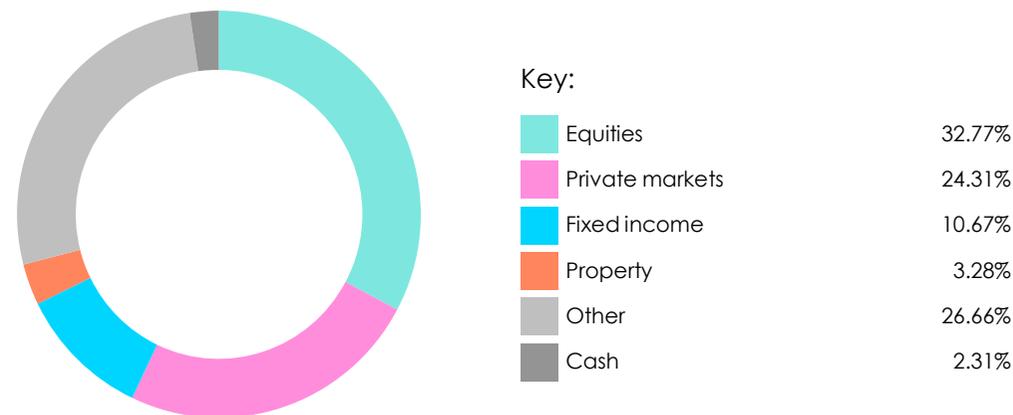
Asset summary

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

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Overview of assets

Detailed asset allocation

Equities	£2,071.89m	32.77%
Global High Alpha Equities	£820.44m	12.98%
Global Sustainable Equities	£718.80m	11.37%
PAB Passive Global Equities	£532.20m	8.42%
Non-pooled Assets	£0.45m	0.01%
Fixed income	£674.33m	10.67%
Multi-Asset Credit	£674.33m	10.67%

Private markets (incl. property)	£1,744.58m	27.59%
Secured Income Cycle 1	£286.17m	4.53%
Secured Income Cycle 3	£227.94m	3.61%
Private Debt Cycle 2	£194.38m	3.07%
UK Property	£193.99m	3.07%
Infrastructure Cycle 1	£121.24m	1.92%
Secured Income Cycle 2	£96.48m	1.53%
Infrastructure (Renewables) Cycle 2	£92.03m	1.46%
Private Debt Cycle 3	£85.18m	1.35%
Infrastructure Cycle 3	£30.88m	0.49%
Non-pooled Assets	£416.30m	6.58%
Other	£1,685.53m	26.66%
Blackrock Risk Management	£1,544.09m	24.42%
Diversifying Returns Fund	£0.00m	0.00%
Non-pooled Assets	£141.44m	2.24%

Cash not included

Overview of assets

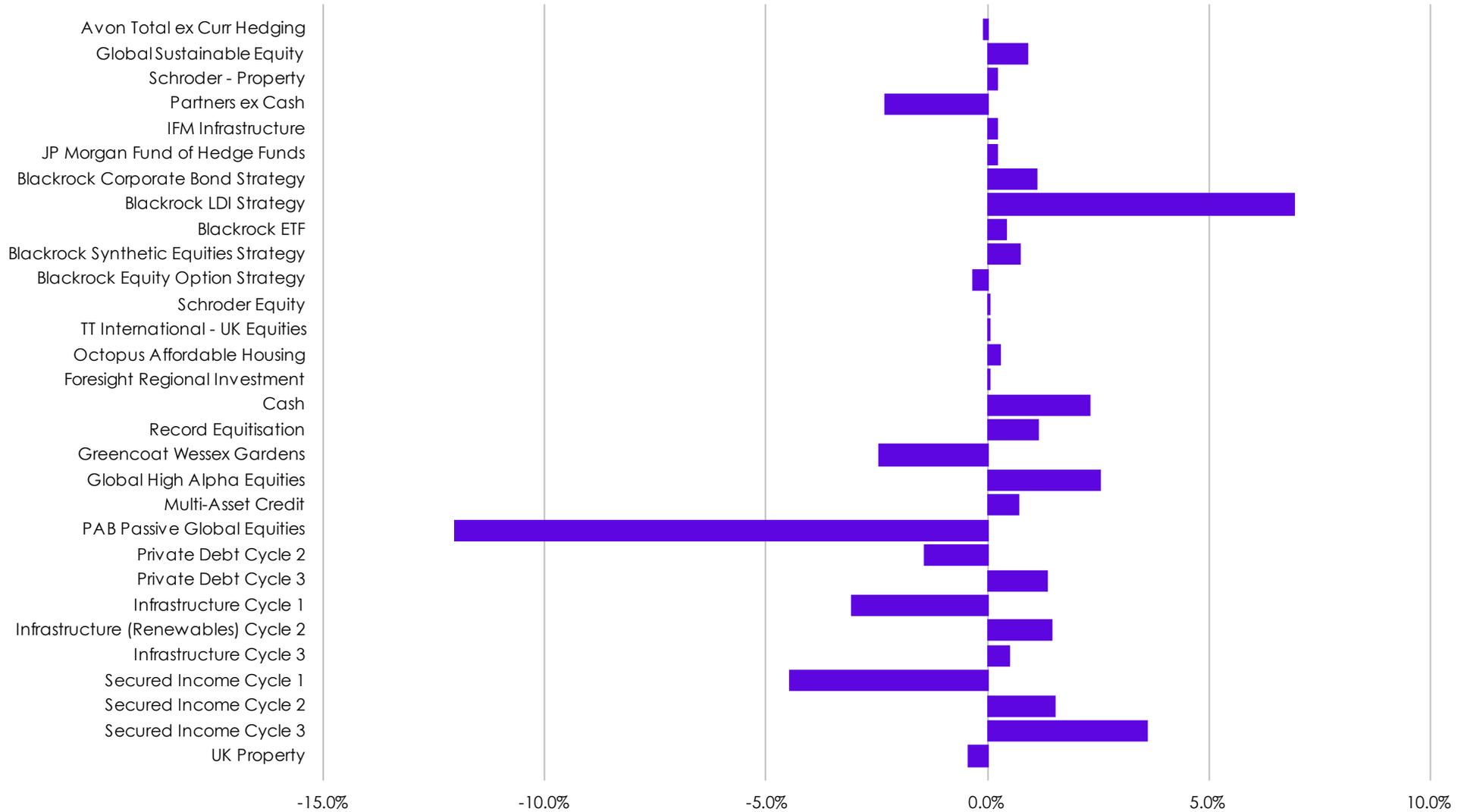
Top 10 Equity Holdings at Pension Fund

ISIN	Security Name	Sector	Sub-sector	Country	Market Value (£)	% of Pension fund	ESG Score
US5949181045	MICROSOFT CORP	Information Technology	Systems Software	UNITED STATES	81,808,957.86	1.29%	14.36
US67066G1040	NVIDIA CORP	Information Technology	Semiconductors	UNITED STATES	74,377,728.77	1.18%	12.45
US02079K3059	ALPHABET INC-CL A	Communication Services	Interactive Media &	UNITED STATES	72,075,022.30	1.14%	19.99
US0378331005	APPLE INC	Information Technology	Technology Hardware	UNITED STATES	45,933,832.56	0.73%	15.22
US0231351067	AMAZON.COM INC	Consumer Discretionary	Broadline Retail	UNITED STATES	45,692,356.84	0.72%	16.64
US68740391003	TAIWAN SEMICONDUCTOR-SP ADR	Information Technology	Semiconductors	TAIWAN	42,160,763.83	0.67%	13.33
US11135F1012	BROADCOM INC	Information Technology	Semiconductors	UNITED STATES	36,618,736.77	0.58%	19.98
US88160R1014	TESLA INC	Consumer Discretionary	Automobile Manufacturers	UNITED STATES	29,822,188.75	0.47%	18.84
NL0010273215	ASML HOLDING NV	Information Technology	Semiconductor Materials &	NETHERLANDS	25,951,023.35	0.41%	8.93
US92826C8394	VISA INC-CLASS A SHARES	Financials	Transaction & Payment	UNITED STATES	25,588,718.18	0.40%	13.86

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
Avon Total ex Curr Hedging	6,293,710	99.9%	100.00%	-0.1%	2.5%	2.5%
Global Sustainable Equity	718,803	11.4%	10.50%	0.9%	1.4%	0.2%
Schroder - Property	13,554	0.2%	-	0.2%	1.0%	0.0%
Partners ex Cash	75,304	1.2%	3.50%	-2.3%	-3.1%	-0.0%
FM Infrastructure	265,299	4.2%	4.00%	0.2%	3.3%	0.1%
JP Morgan Fund of Hedge Funds	14,585	0.2%	-	0.2%	-4.5%	-0.0%
Blackrock Corporate Bond Strategy	195,768	3.1%	2.00%	1.1%	3.2%	0.1%
Blackrock LDI Strategy	1,316,390	20.9%	14.00%	6.9%	8.7%	1.6%
Blackrock ETF	26,544	0.4%	-	0.4%	2.5%	0.0%
Blackrock Synthetic Equities Strategy	46,962	0.7%	-	0.7%	-17.6%	-0.2%
Blackrock Equity Option Strategy	-20,080	-0.3%	-	-0.3%	-23.8%	-0.1%
Schroder Equity	129	0.0%	-	0.0%	0.0%	0.0%
TT International - UK Equities	323	0.0%	-	0.0%	0.3%	0.0%
Octopus Affordable Housing	18,981	0.3%	-	0.3%	0.8%	0.0%
Foresight Regional Investment	8,661	0.1%	0.14%	-	-6.1%	-0.0%
Cash	146,218	2.3%	-	2.3%	0.4%	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
Record Equitisation	71,474	1.1%	-	1.1%	6.5%	0.1%
Greencoat Wessex Gardens	34,505	0.5%	3.00%	-2.5%	2.5%	0.0%
Global High Alpha Equities	820,435	13.0%	10.50%	2.5%	1.1%	0.2%
Multi-Asset Credit	674,333	10.7%	10.00%	0.7%	1.5%	0.1%
PAB Passive Global Equities	532,202	8.5%	20.50%	-12.0%	4.2%	0.4%
Private Debt Cycle 2	194,376	3.1%	4.50%	-1.4%	N/M	N/M
Private Debt Cycle 3	85,175	1.4%	-	1.4%	N/M	N/M
Infrastructure Cycle 1	121,240	1.9%	5.00%	-3.1%	N/M	N/M
Infrastructure (Renewables) Cycle 2	92,026	1.5%	-	1.5%	N/M	N/M
Infrastructure Cycle 3	30,880	0.5%	-	0.5%	N/M	N/M
Secured Income Cycle 1	286,165	4.5%	9.00%	-4.5%	N/M	N/M
Secured Income Cycle 2	96,479	1.5%	-	1.5%	N/M	N/M
Secured Income Cycle 3	227,942	3.6%	-	3.6%	N/M	N/M
UK Property	193,992	3.1%	3.50%	-0.4%	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 ¹		Extractive Industries (VOH) ²	
	2023 Q4	2024 Q4	2025 Q3	2025 Q4	2025 Q3	2025 Q4
Global High Alpha Equities	107	91	1.2	1.1	1.0	1.6
MSCI World*	176	161	3.1	3.0	7.3	7.1
Global Sustainable Equities	196	200	1.2	1.3	6.3	6.1
MSCI ACWI*	211	190	3.1	3.0	7.1	7.1
PAB Passive Global Equities	145	115	0.9	0.7	3.7	3.7
FTSE Dev World TR UKPD*	182	165	3.1	3.0	7.6	7.4

*Benchmark. ¹ Extractive revenue exposure as share (%) of total revenue. ² Value of holdings (VOH) - companies who derive revenues from extractives. Source: S&P. Changes between periods may reflect improved data quality and coverage.

Stewardship reporting links

Engagement records

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

Holdings records

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

Voting records

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

Risk and return summary

Brunel portfolio performance - 3 year

	Annualised return	Risk (standard deviation)	Benchmark return	Benchmark standard deviation
Equities				
Global High Alpha Equities	13.7%	11.4%	17.3%	9.9%
Global Sustainable Equities	8.8%	10.8%	16.8%	9.7%
PAB Passive Global Equities	17.2%	10.8%	17.3%	10.8%
Fixed income				
Multi-Asset Credit	9.9%	3.3%	8.9%	0.2%
Other				
Diversifying Returns Fund	6.4%	3.5%	7.8%	0.2%
Private markets (incl. property)				
Private Debt Cycle 2	8.1%	12.0%	8.9%	0.2%
Private Debt Cycle 3	9.9%	-	8.9%	-
Infrastructure Cycle 1	5.6%	3.6%	3.3%	1.5%
Infrastructure (Renewables) Cycle 2	1.3%	2.4%	3.3%	1.5%
Infrastructure Cycle 3	6.1%	4.7%	3.3%	1.5%
Secured Income Cycle 1	0.8%	16.7%	3.3%	1.5%
Secured Income Cycle 2	1.9%	5.9%	3.3%	1.5%

Risk and return summary

Brunel portfolio performance - 3 year

	Annualised return	Risk (standard deviation)	Benchmark return	Benchmark standard deviation
Private markets (incl. property)				
UK Property	2.0%	1.7%	2.9%	2.2%

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	5.6%	7.8%	9.7%	5.6%
Avon Total ex Hedging ex LDI	6.8%	6.2%	9.7%	5.6%
Blackrock Equity Option Strategy	27.2%	-	-	-
Blackrock ETF	7.3%	7.7%	0.0%	-
Cash	2.5%	1.2%	4.6%	0.2%
General Cash	1.9%	-	-	-
IFM Infrastructure	7.5%	3.8%	9.9%	0.2%
JP Morgan Fund of Hedge Funds	3.6%	29.4%	8.9%	0.2%
Partners ex Cash	-18.7%	7.2%	8.9%	0.2%
Record Currency	-100.0%	-	-	-
Record Equitisation	12.4%	8.9%	13.4%	9.0%
Schroder - Property	0.7%	11.7%	2.9%	2.2%
Schroder Equity	0.5%	3.5%	16.8%	9.7%
TT International - UK Equities	0.6%	3.2%	13.6%	9.0%
Avon Pension Fund	6.5%	8.1%	9.7%	5.6%

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
Equities (32.76%)			2,071.44									
Global High Alpha Equities	MSCI World	+2-3%	820.44	1.1%	-2.2%	7.4%	-5.8%	13.7%	-3.6%	12.1%	-0.9%	15 Nov 2019
Global Sustainable Equities	MSCI ACWI	+2%	718.80	1.4%	-2.1%	5.6%	-8.8%	8.8%	-8.0%	7.0%	-6.2%	30 Sep 2020
PAB Passive Global Equities	FTSE Dev World PAB	Match	532.20	4.2%	-	11.0%	-0.1%	17.2%	-0.1%	10.5%	-0.1%	29 Oct 2021
Fixed income (10.67%)			674.33									
Multi-Asset Credit	SONIA +4%	0% to +1.0%	674.33	1.5%	-0.5%	8.3%	-0.2%	9.9%	1.0%	4.6%	-3.0%	02 Jun 2021
Private markets (incl. property) (21.01%)			1,328.27									
Private Debt Cycle 2	SONIA	+4%	194.38	N/M	N/M	9.0%	0.6%	8.1%	-0.8%	8.5%	0.7%	17 Sep 2021
Private Debt Cycle 3	SONIA	+4%	85.18	N/M	N/M	8.9%	0.4%	9.9%	1.0%	9.7%	0.9%	20 Dec 2022
Infrastructure Cycle 1	CPI	+4%	121.24	N/M	N/M	8.5%	5.2%	5.6%	2.3%	7.0%	3.1%	02 Jan 2019
Infrastructure (Renewables) Cycle 2	CPI	+4%	92.03	N/M	N/M	0.4%	-2.9%	1.3%	-1.9%	4.1%	-0.8%	12 Oct 2020
Infrastructure Cycle 3	n/a - absolute return target	net 8% IRR	30.88	N/M	N/M	10.1%	6.8%	6.1%	2.8%	5.8%	1.9%	13 Oct 2022
Secured Income Cycle 1	CPI	+2%	286.17	N/M	N/M	5.1%	1.8%	0.8%	-2.5%	0.4%	-3.5%	15 Jan 2019
Secured Income Cycle 2	CPI	+2%	96.48	N/M	N/M	1.2%	-2.2%	1.9%	-1.3%	1.5%	-3.9%	01 Mar 2021
Secured Income Cycle 3	CPI	+2%	227.94	N/M	N/M	1.4%	-1.9%	-	-	-	-2.5%	01 Jun 2023
UK Property	MSCI/AREF UK	+0.5%	193.99	N/M	N/M	4.6%	-0.7%	2.0%	-0.9%	3.0%	0.2%	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 (0.00%)			-									
Diversifying Returns Fund	SONIA +3%	0% to +2.0%	-	0.5%	-1.3%	8.7%	1.3%	6.4%	-1.5%	4.3%	-1.6%	27 Jul 2020
Total Brunel assets (excl. cash) (64.44%)			4,074.05									

*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
Equities (0.01%)			0.45							
Schroder Equity	0.13	-	-3.4%	5.6%	-8.8%	0.5%	-16.2%	0.9%	-10.6%	01 Apr 2011
TT International - UK Equities	0.32	0.3%	-6.1%	5.0%	-19.0%	0.6%	-13.0%	3.7%	-2.5%	01 Jul 2007
Private markets (incl. property) (6.58%)			416.30							
Schroder - Property	13.55	1.0%	-	-5.9%	-11.1%	0.7%	-2.2%	7.1%	1.5%	01 Jan 2009
Partners ex Cash	75.30	-3.1%	-5.1%	-11.0%	-19.5%	-18.7%	-27.6%	0.5%	-6.9%	01 Sep 2009
IFM Infrastructure	265.30	3.3%	1.0%	9.4%	-0.1%	7.5%	-2.4%	10.9%	4.4%	01 Apr 2016
Octopus Affordable Housing	18.98	0.8%	-1.0%	-	-	-	-	7.0%	0.9%	03 Mar 2025
Foresight Regional Investment	8.66	-6.1%	-7.9%	-	-	-	-	-30.7%	-36.2%	01 Apr 2025
Greencoat Wessex Gardens	34.51	2.5%	0.7%	-1.6%	-9.0%	-	-	2.4%	-5.5%	12 Feb 2024
Other (4.55%)			287.65							
JP Morgan Fund of Hedge Funds	14.59	-4.5%	-6.5%	-4.5%	-13.0%	3.6%	-5.3%	6.5%	1.1%	01 Jul 2015
Blackrock ETF	26.54	2.5%	2.5%	8.8%	8.8%	7.3%	7.3%	5.9%	5.9%	08 Mar 2019
Cash	146.22	0.4%	-0.5%	1.7%	-2.5%	2.5%	-2.1%	2.8%	0.8%	01 Dec 2017
Record Equitisation	71.47	6.5%	0.1%	25.0%	-0.1%	12.4%	-1.0%	7.0%	-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 (4.55%)			287.65							
Record Currency	28.83	-1,268.9%	-1,268.9%	-100.0%	-100.0%	-100.0%	-100.0%	-	-	01 Mar 2016
Total non-pooled assets (excl. cash) (11.14%)	704.41									

*Since initial investment

* Excess to benchmark, may not include outperformance

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Chief Investment Officer commentary

Over the fourth quarter of 2025, global equity markets delivered modest but steady gains, with several equity indices finishing the year near record or multi-year highs, capping a strong period for risk assets overall. Global markets overall outperformed US equities, with a broad-based advance across regions.

In the US, the S&P 500 Index returned 2.8% over the quarter in sterling terms. That quarterly gain contributed to the S&P returning 17.9% for the year. However, the weakness of the dollar in 2025 saw the S&P rise by 9.8% in sterling terms and only 3.9% in euro terms. Market leadership during the quarter remained concentrated in the Communication Services and Information Technology sectors, but there were some signs of market broadening. Several cyclical and defensive sectors—including Industrials, Financials, Health Care and Utilities—posted strong, double-digit gains for the year. The market reacted positively to the Fed's decision to continue the interest rate-cutting cycle in December, with indications that more cuts could be coming in 2026, especially if inflation continues to fall.

The FTSE Developed Europe ex UK index returned 6.5%. Major benchmarks finished the period near multi-year highs, supported by broad-based equity strength across the region. Investor confidence was bolstered by the continued Fed rate cuts. Financials performed particularly well, benefiting from lower interest rates that improved lending prospects and asset quality, while the relatively stable cash flows and dependable dividends of Health Care and Utilities stocks attracted interest from more cautious investors. At the same time, enthusiasm for Growth and technology stocks waned somewhat amid concerns about elevated valuations and sector-specific risks.

UK equities rose, with the FTSE All-Share up 6.4%, ending 2025 at close to multi-year highs. Performance was led by large, internationally-focused companies, particularly in financial, mining, defence and other commodity-linked sectors. These areas benefited from strong global demand, elevated commodity prices, and a slightly weaker pound. In contrast, companies more exposed to the domestic UK economy lagged, as consumer spending remained under pressure and cost challenges persisted.

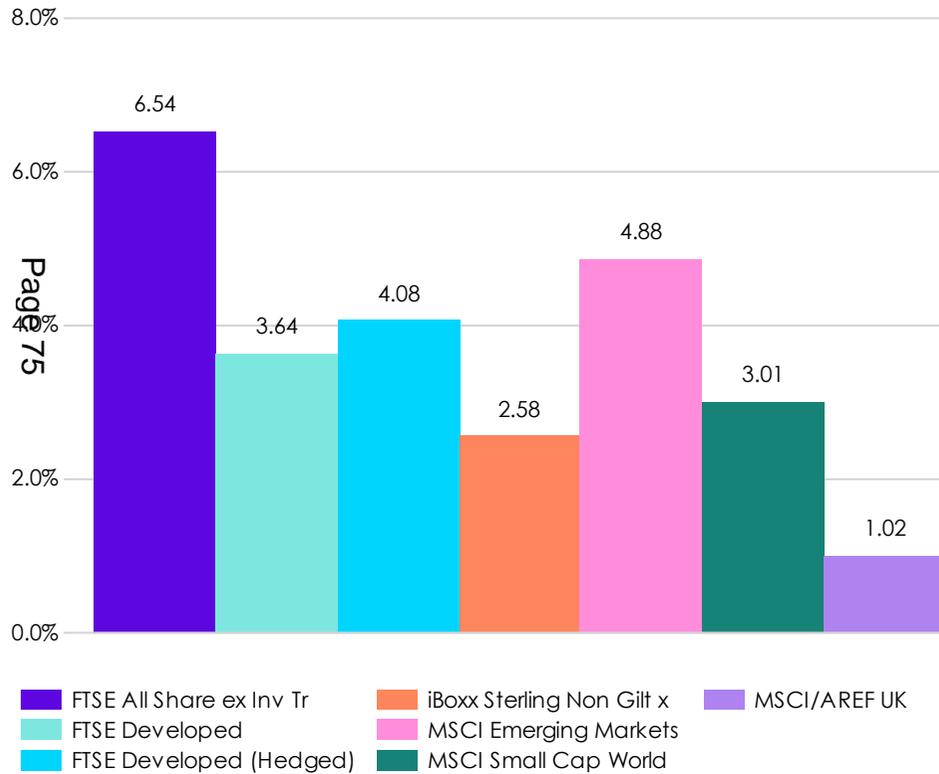
Japanese, Asian, and broader Emerging Markets all enjoyed steady gains over the quarter in sterling terms. In Japan, The Bank of Japan raised rates in December and signalled possible further hikes in 2026. That added to optimism about domestic growth and supported share prices. Asian markets and Emerging Markets both returned over 4% in sterling terms. South Korea was a standout contributor, supported by its heavy concentration in globally competitive chipmakers, while performance across Chinese and broader regional technology stocks was more mixed, but remained influential in shaping overall sentiment.

There was marked divergence across global government bond markets during the final quarter of 2025. Despite volatility, UK gilts were the notable outperformer. November's Budget was well received by markets and the Bank of England cut the base rate by 25 basis points at its December meeting. Returns were more muted in US Treasuries. The Federal Open Market Committee cut interest rates by 25 basis points when they met in October and again in December, taking the federal funds rate to 3.5-3.75%. Total returns were positive across Investment Grade credit markets, and Investment Grade outperformed government bonds. After initially widening on concerns about US regional bank exposures to non-bank financial institutions (NBFI), US credit spreads later compressed on improved market sentiment, leaving excess returns over government bonds flat over the period. Euro- and sterling-denominated Investment Grade outperformed government bonds.

Global mergers and acquisitions (M&A) exceeded \$4 trillion in 2025, the second-best year ever for transactions (bettered only by 2021), driven by the highest ever number of mega-deals (those >\$10bn). Deal value increased 50% from 2024. In total, 68 mega deals were announced, potentially reshaping entire sectors, from Industrials to Communication Services. The resurgence in markets and animal spirits was marked, given the political and economic backdrop. It was accompanied by a resurgence in fundraising activity, making 2025 the leading year for secondary private market transactions and for the number of private continuation vehicle transactions. There were, however, some signs of credit stress increasing, with two high profile examples in First Brands and Tricolor, both of which appear to have involved cases of fraud. The US administration continued its attack on renewable energy, particularly offshore wind. A renewed broadside just before Christmas affected projects in the very late stages of construction, and fully permitted.

Chief Investment Officer commentary

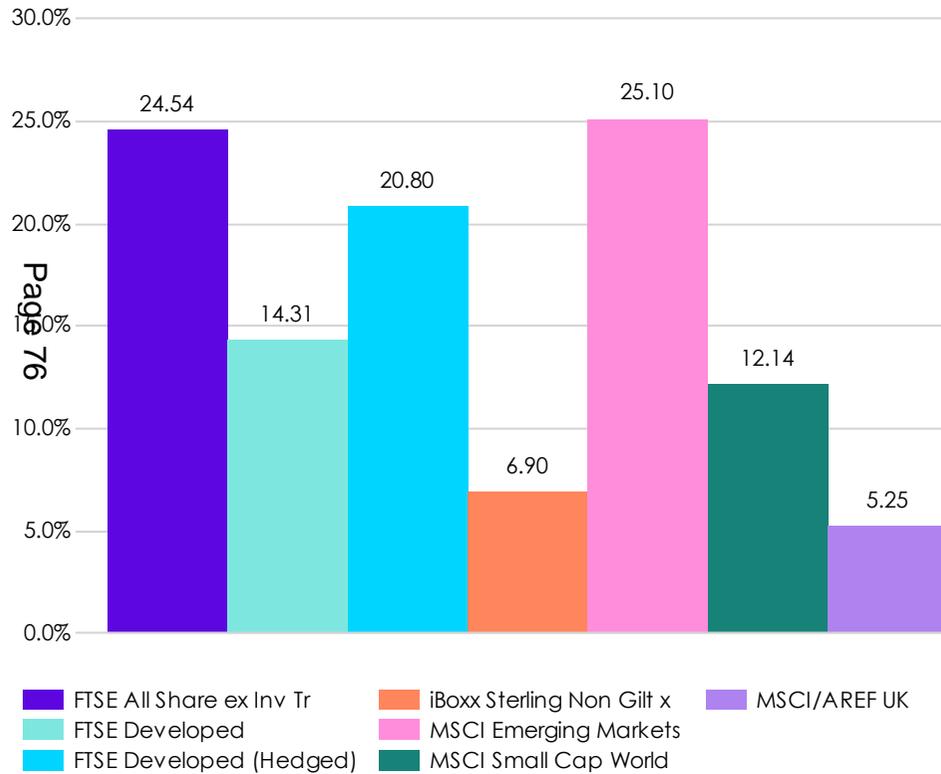
Index Performance Q4 2025



Source: State Street

Chief Investment Officer commentary

Index Performance 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

£870m

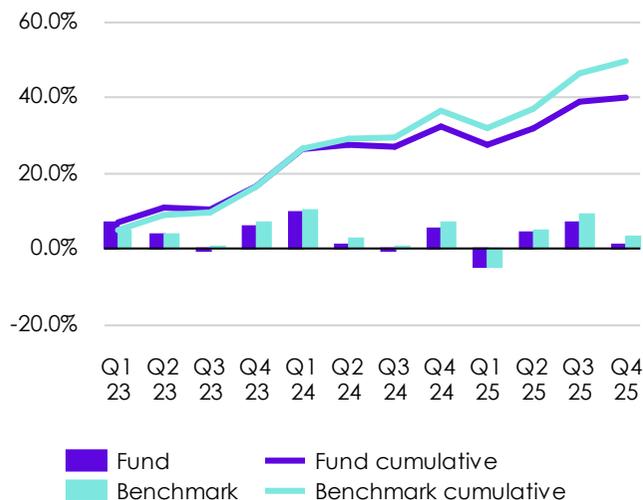
Risk profile

High

Avon's Holding:

GBP820m

Rolling 3yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	1.1	7.4	13.7	12.5
MSCI World	3.3	13.2	17.3	13.4
Excess	-2.2	-5.8	-3.6	-0.9

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

Performance commentary

Global developed equities (proxied by the MSCI World Index) rose 3.3% in GBP terms in Q4, extending strong risk asset performance as major indices approached record highs.

Sentiment was buoyed by easing inflation, resilient earnings, and expectations of dovish policy in 2026. Leadership broadened modestly beyond mega-cap tech, with Europe and Asia outperforming the US, although concentration risk persisted. Health Care rebounded, Materials benefited from precious metals strength, while Technology and Communication Services saw selective gains favouring cash-funded AI capex, with Alphabet rewarded for AI monetisation, while Meta, Microsoft, and Oracle faced margin pressure from heavy AI infrastructure spending. Consumer Discretionary lagged amid cautious consumer

trends and Value outperformed Growth as investors rotated to cyclicals and defensives.

The portfolio returned 1.1%, underperforming the index by 2.2%. Sector attribution showed stock selection as the main detractor, notably in Financials and Industrials. Within Industrials, Automatic Data Processing and Wolters Kluwer weighed on relative returns; ADP faced margin contraction and lowered its 2026 revenue outlook, while Wolters Kluwer cited currency headwinds and restructuring costs. In Financials, Mastercard and 3i Group were significant negative contributors. Selection was strongest in the Materials sector, supported by Steel Dynamics, which benefitted from anticipated US onshoring demand. Alphabet and TSMC were the largest positive contributors, with Alphabet boosted by AI

integration and a chip supply deal with Anthropic. Conversely, AutoZone, Oracle and Microsoft were the weakest performers; AutoZone's sharp decline followed an earnings and margin miss after trading at record highs earlier in the year.

Harris outperformed the market, benefitting from exposure to Value as a style, while other managers underperformed the benchmark index to varying degrees. Baillie Gifford suffered a weak relative performance over the quarter, as large positions in Roblox and Sea Limited performed poorly.

During the quarter, Alliance Bernstein exited the portfolio and was replaced by PineBridge.

Global High Alpha Equities

Top 5 holdings

	Weight %	B'mark weight %	Client value (GBP)*
ALPHABET INC	5.48	4.05	44,953,625
MICROSOFT CORP	4.94	4.12	40,489,718
TAIWAN SEMICONDUCTOR	4.07	-	33,412,150
NVIDIA CORP	4.00	5.47	32,819,714
AMAZON.COM INC	2.51	2.67	20,607,779

*Estimated client value

Top 5 active overweights

	Weight %	Benchmark weight %
TAIWAN SEMICONDUCTOR	4.07	-
MOODY'S CORP	1.60	0.10
ALPHABET INC	5.48	4.05
CME GROUP INC	1.39	0.12
STEEL DYNAMICS INC	1.20	0.03

Top 5 active underweights

	Weight %	Benchmark weight %
APPLE INC	1.01	4.87
TESLA INC	-	1.53
NVIDIA CORP	4.00	5.47
META PLATFORMS INC	0.61	1.73
JPMORGAN CHASE & CO	-	1.07

Largest contributors to ESG risk

	ESG risk score*	
	Q3 2025	Q4 2025
ALPHABET INC-CL A	20.10	19.99
MICROSOFT CORP	13.43	14.36
NVIDIA CORP	12.45	12.45
TAIWAN SEMICONDUCTOR-SP	13.16	13.33
AMAZON.COM INC	18.37	16.64

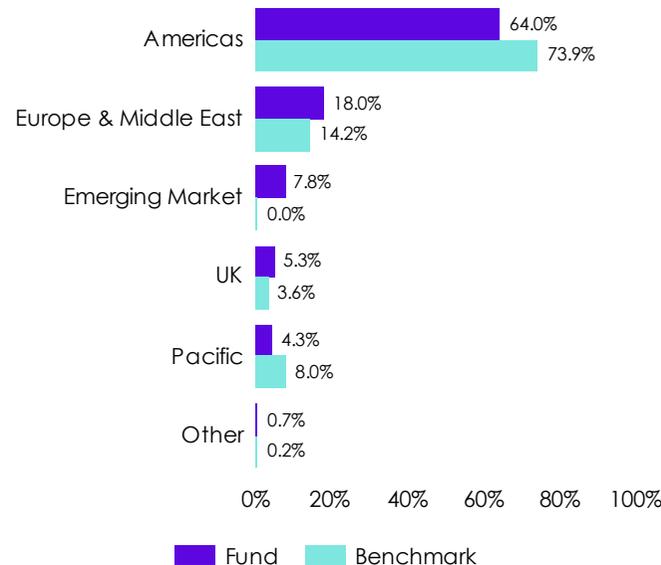
*Source: Sustainalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

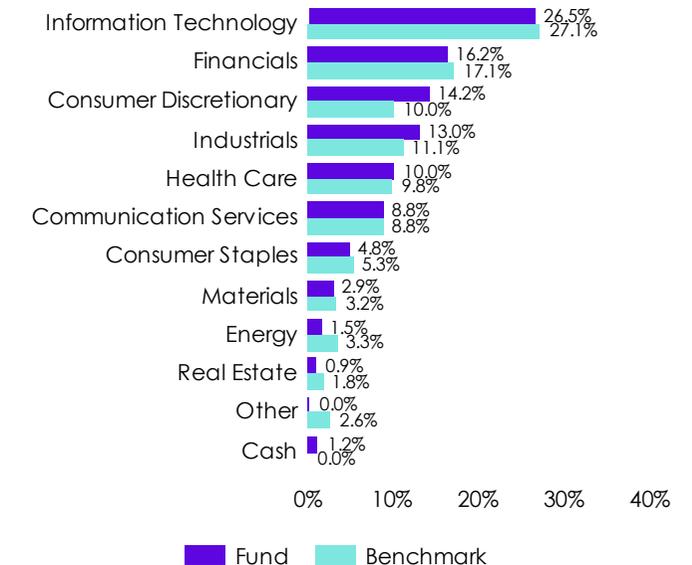
Portfolio	WACI		Total Extractive Exposure ¹		Extractive Industries (VOH) ²	
	2023 Q4	2024 Q4	2025 Q3	2025 Q4	2025 Q3	2025 Q4
Global High Alpha	107	91	1.22	1.10	1.05	1.65
MSCI World*	176	161	3.09	2.98	7.26	7.14

*Benchmark. ¹ Extractive revenue exposure as share (%) of total revenue. ² Value of holdings (VOH) - companies who derive revenues from extractives. Source: S&P. Changes between periods may reflect improved data quality and coverage.

Regional exposure



Sector exposure



Summary	Overview of assets	Strategic asset allocation	Performance attribution	Responsible investment	Risk and return	Portfolio overview	CIO commentary	Portfolios	Glossary	Disclaimer
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Global Sustainable Equities

Launch date
20 October 2020

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

Liquidity
Managed

Benchmark
MSCI ACWI

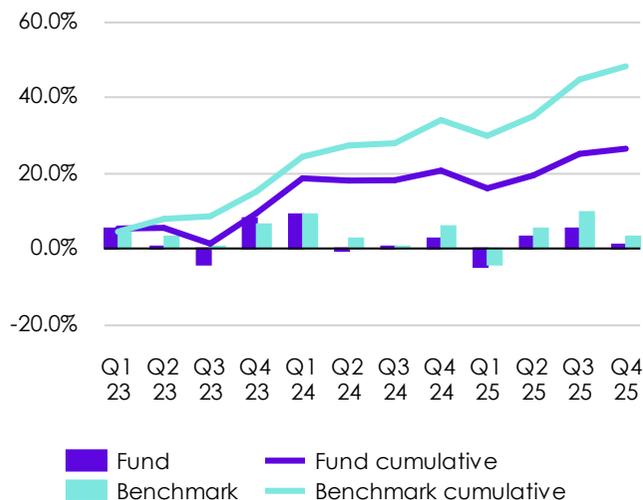
Outperformance target
+2%

Total fund value
£2050m

Risk profile
High

Avon's Holding:
GBP719m

Rolling 3yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	1.4	5.6	8.8	6.7
MSCI ACWI	3.5	14.4	16.8	12.9
Excess	-2.1	-8.8	-8.0	-6.3

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

Performance commentary

The Sustainable Equities portfolio returned 1.4% during Q4 2025 as equities ended the year on a positive note; the MSCI ACWI returned 3.5% during the last quarter of 2025. The portfolio returned 5.6% for the year on a net-of-fees basis, however, this can be viewed as a relatively difficult year for sustainable and Quality investing, as the MSCI ACWI returned 14.4% over the same time period. As in previous quarters, we should stress that the MSCI ACWI does not look to achieve the same exposures as the Sustainable Equity portfolio and there is a philosophical mismatch between fund and benchmark.

We can evidence that philosophical mismatch when we look at the main drivers of market performance over 2025. The best performing sub-sector over the year was metals and mining, largely driven by the price of gold. It returned 61%.

Whilst we do have a very small exposure to copper within the sub-sector, it is a part of the market that doesn't necessarily align itself to sustainable investing, or at least not in an overweight context. Other top-performing sub-sectors this year included aerospace and defence (42%) and banks (37%). There have been growing arguments around how the aerospace and defence sector aligns itself to sustainable investing, as the capacity of a country to defend itself involves an element of sustainability. However, it is rare to find a company that is purely focussed on defence. We acknowledge that rising defence spending will likely continue into the future as geopolitical tensions grow - and we do have exposure to companies that will benefit from this spending, albeit not to pure-play defence companies. Likewise, we also

have some exposure to banks. However, banks as a sector is likewise difficult to overweight in a sustainability context.

We also saw the continued AI boom throughout 2025, where the usual big tech names contributed heavily to market return. Notably, Nvidia and Alphabet returned 29% and 55% respectively. As we have discussed in previous quarters, we do have exposure to these names, and some underlying managers have notable overweight positions. However, it is difficult to overweight in a multi-manager portfolio when we have a strong focus on risk management and diversification of our underlying managers. At the end of the year, the top ten names represent 25% of the MSCI ACWI, which contains 3,000 stocks. Such a level of concentration represents a significant challenge for multi-manager funds.

However, as we head into 2026, we see areas of opportunity for sustainable investing. Health Care has been a notable underperformer over the past few years and is a staple of the sustainable investment universe. It had a difficult start to the year due to US policy uncertainty. However, we started to see more clarity for the sector in the early parts of Q4 and it became the best-performing sector for the quarter, returning 10%. The fund has overweight positioning to the sector, and we hope that this momentum continues into 2026.

We have also started to see a little more divergence in the larger US tech companies and in how the market is assessing their approach to AI. Notably, Meta and Oracle, both of which showed a stronger focus on debt funding for data centres, fell 10% and 30% respectively. We will likely see continued volatility from this part of the market as competition expands.

Relative to peers, the portfolio falls close to the 60th percentile across all time periods. Whilst this remains behind the median, the lag is largely due to the more Quality/Defensive exposures within the portfolio, relative to peers. During periods of increased market volatility and risk, when investors seek stability, we should see this trend reverse. The MSCI ACWI sits in the top quartile across all time periods, notably on the 9th and 5th percentile for 3- and 5-year periods, making it a difficult benchmark for all sustainable strategies.

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

Global Sustainable Equities

Top 5 holdings

	Weight %	B'mark weight %	Client value (GBP)*
TAIWAN SEMICONDUCTOR	3.52	1.31	25,334,372
NVIDIA CORP	3.21	4.87	23,106,441
BROADCOM INC	2.51	1.67	18,058,428
MICROSOFT CORP	2.48	3.67	17,843,506
WASTE MANAGEMENT INC	1.80	0.10	12,924,877

*Estimated client value

Top 5 active overweights

	Weight %	Benchmark weight %
TAIWAN SEMICONDUCTOR	3.52	1.31
WASTE MANAGEMENT INC	1.80	0.10
ECOLAB INC	1.59	0.07
AGILENT TECHNOLOGIES INC	1.35	0.04
AMERICAN WATER WORKS CO INC	1.24	0.03

Top 5 active underweights

	Weight %	Benchmark weight %
APPLE INC	1.35	4.33
AMAZON.COM INC	-	2.38
ALPHABET INC	1.51	3.60
NVIDIA CORP	3.21	4.87
META PLATFORMS INC	-	1.54

Largest contributors to ESG risk

	ESG risk score*	
	Q3 2025	Q4 2025
BROADCOM INC	-	19.98
NVIDIA CORP	12.45	12.45
MICROSOFT CORP	13.43	14.36
SHOPIFY INC - CLASS A	24.40	24.40
ECOLAB INC	19.41	19.41

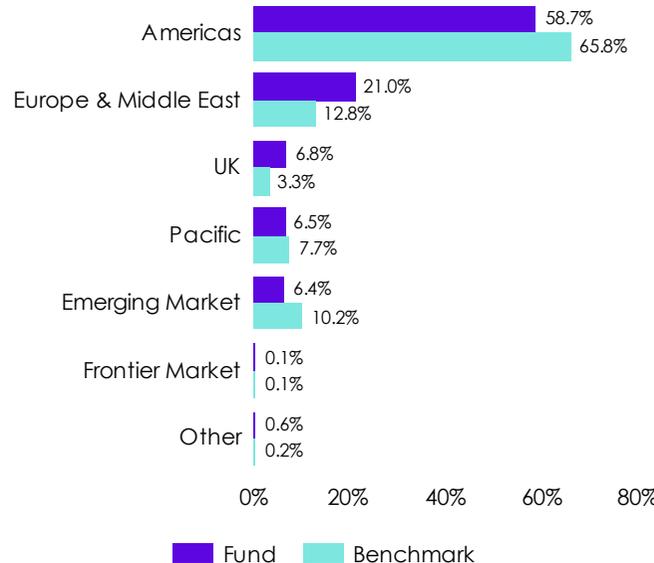
*Source: Sustainalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

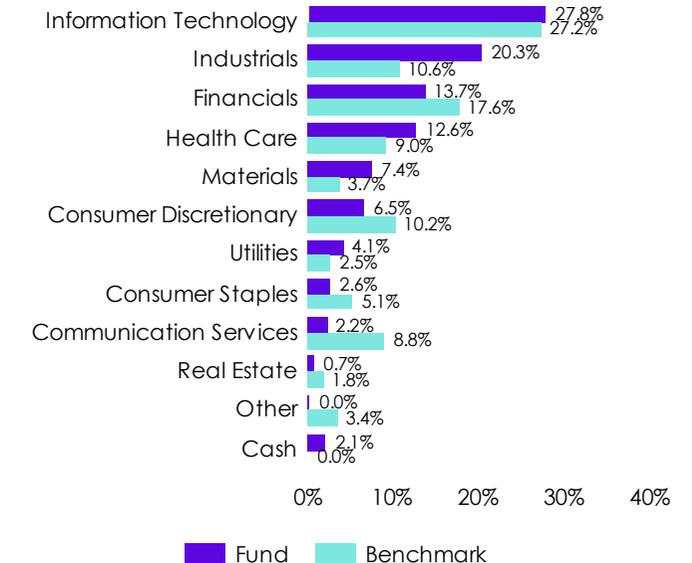
Portfolio	WACI		Total Extractive Exposure ¹		Extractive Industries (VOH) ²	
	2023 Q4	2024 Q4	2025 Q3	2025 Q4	2025 Q3	2025 Q4
Global Sustainable	196	200	1.21	1.26	6.28	6.15
MSCI ACWI*	211	190	3.14	3.03	7.15	7.06

*Benchmark. ¹ Extractive revenue exposure as share (%) of total revenue. ² Value of holdings (VOH) - companies who derive revenues from extractives. Source: S&P. Changes between periods may reflect improved data quality and coverage.

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

£64m

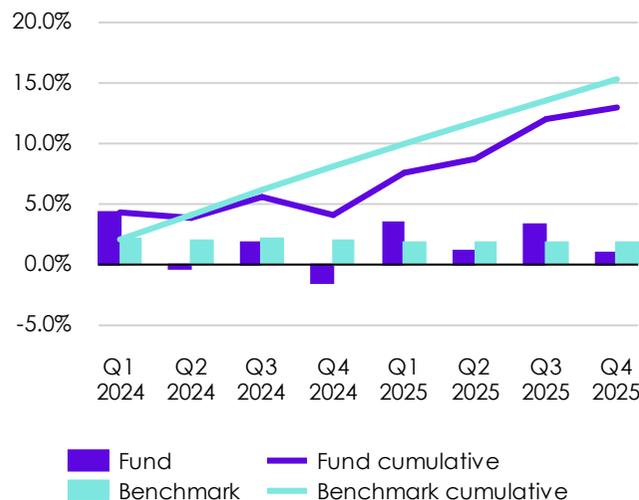
Risk profile

Moderate

Avon's Holding:

GBP-m

Rolling 2yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	1.0	9.1	6.5	4.5
SONIA +3%	1.7	7.4	7.8	6.0
Excess	-0.8	1.7	-1.3	-1.5

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

Performance commentary

The Diversifying Returns Fund returned 0.9% over the fourth quarter of 2025. SONIA +3% returned 1.7%. The sterling-hedged 50/50 equity/bond index we monitor returned 2.3% over the quarter.

The fourth quarter of 2025 marked a continuation of the risk-on environment seen throughout the year, as global monetary policy shifted decisively toward easing, inflation cooled further, and corporate earnings stayed resilient. Equities performed well, though persistent geopolitical tensions and elevated valuations continued to present risks. Gold again delivered strong returns, supported by falling real yields and heavy central bank demand.

The portfolio captured attractive returns from allocations to equities and commodities, but fixed income detracted.

Within alternative premia, JPM generated strong performance, but UBS had a weaker period. Overall, Q4 contributed positively to what was a strong year for the portfolio.

Fulcrum returned 1.1%, continuing to benefit from positive returns to equities and commodities within the Dynamic Asset Allocation sleeve. The Discretionary Macro sleeve made a small negative contribution, with thematic equities and fixed income soft over the period. Systematic macro added around 60bps to returns.

JPM returned 2.3%. The equity Value signal produced another strong quarter, though this was almost exactly offset by weak performance from the equity Quality signal, the weakest signal over the period. Strong positive contributions also

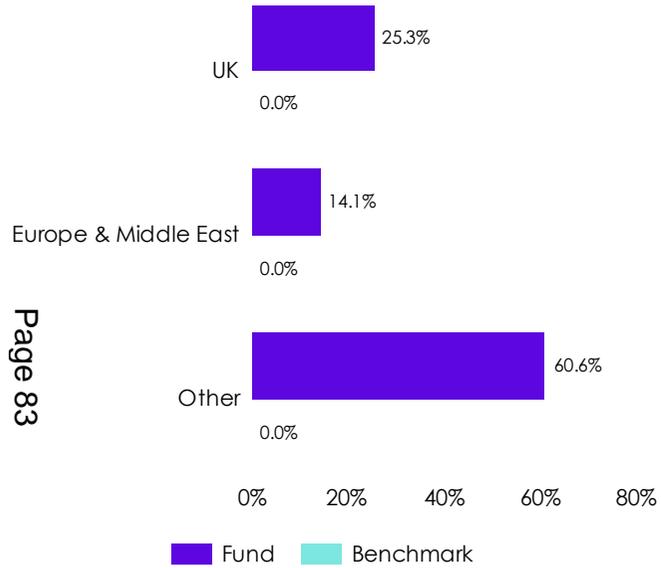
came from FX carry and equity Relative Value Momentum, closing out a strong six-month period for the manager.

Lombard Odier returned 1.9%. Positive returns were generated across credit, equities and commodities, supported in particular by strong gold prices. The trend signal made a small positive contribution, while the carry signal detracted around 35bps.

UBS returned -3.9% for the period. The long position in JPY was responsible for the poor performance over the quarter as markets reacted to prime minister Sanae Takaichi taking office. Takaichi seeks to promote an agenda of loose fiscal policy and is an advocate for low interest rates. Short positions in NZD and GBP and a long position in CLP contributed positively to portfolio performance.

Diversifying Returns Fund

Regional exposure



Page 83

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

£567m

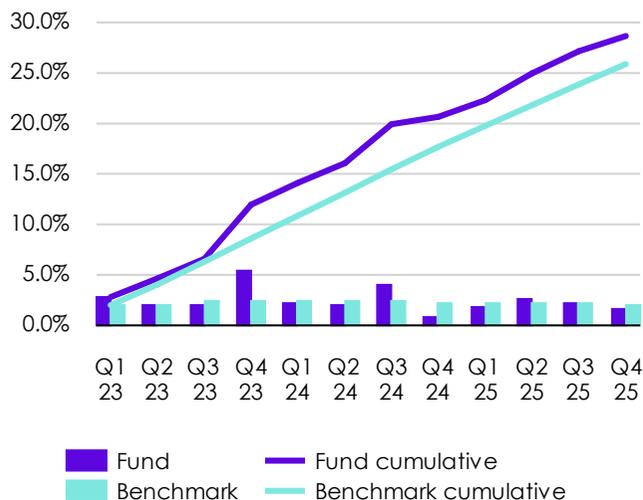
Risk profile

Moderate

Avon's Holding:

GBP674m

Rolling 3yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	1.5	8.3	9.9	4.6
SONIA +4%	2.0	8.4	8.9	7.6
Excess	-0.5	-0.2	1.0	-3.0
Bloomberg Global High Yield Index	2.3	10.0	11.0	4.0
Morningstar LSTA US Leveraged Loan Index	1.2	5.9	9.0	6.0

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

Performance commentary

Leveraged finance made another positive return over the quarter to cap a strong 2025. Returns were driven by a combination of carry and minor spread compression. Interest rates were fairly stable across the maturity curve over the quarter. Some volatility was observed during the period. News around Artificial Intelligence and a US government shutdown were among the primary drivers.

With limited US government data available during the shutdown, key indicators for inflation and employment were either delayed or, in some cases, never reported. This proved to be a challenge for investors trying to predict the path for interest rates, creating market volatility. Ultimately, the Fed delivered interest rate cuts at both of this quarter's meetings and indicated one additional cut in 2026. US 2yr and 10yr

yields ended the period at 3.5% and 4.2% respectively, little changed on the previous quarter.

Credit spreads fell over Q4 2025 but showed some signs of volatility. High yield spreads ended the period below 290bps, when measured by Bloomberg Global High Yield. The change in spreads was a modest -20bps.

Stable interest rates and modestly lower spreads resulted in a positive return for most asset classes. The only exception was convertible bonds, which were narrowly down on the quarter. The best-performing asset class in the quarter was Emerging Market sovereigns, which returned +3.6% in local currency terms.

The Multi-Asset Credit portfolio returned +1.5%; this was behind the primary target (SONIA+4%) and composite secondary benchmark, which returned +2.0% and +2.1%, respectively. The 2025 return for the portfolio was +8.3%, narrowly behind the primary target of +8.4%.

Spreads remained tight, moving near to all-time lows following more compression over the quarter. Investors should be mindful of the mark-to-market impact from widening, but should also take comfort with a yield-to-worst around 7%.

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

\$0.759m

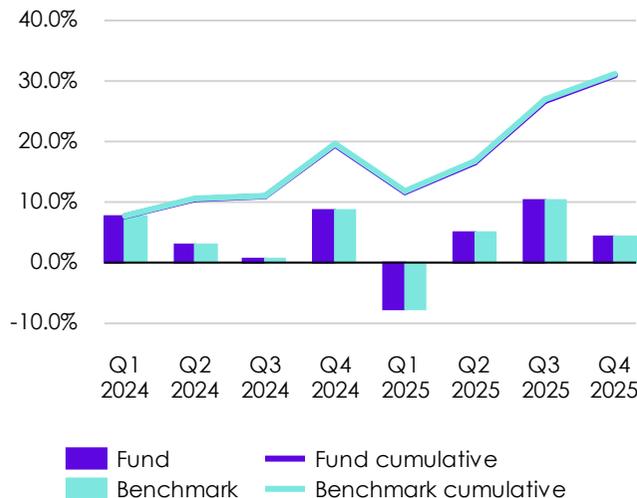
Risk profile

High

Avon's Holding:

GBP532m

Rolling 2yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	4.2	11.0	17.2	10.6
FTSE Dev World PAB	4.2	11.1	17.3	10.6
Excess	0.0	-0.1	-0.1	-0.0

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

Performance commentary

The FTSE Developed Paris Aligned index (PAB) product returned 4.2% over Q4 2025 and 11.0% for the 12-month period ending 31 December 2025. The PAB product closely replicated the performance of the benchmark index over these periods.

Global equities advanced through the final quarter despite early volatility tied to US political uncertainty. As the period progressed, improving corporate results and a more supportive monetary backdrop lifted sentiment. Geopolitical tensions and uneven Chinese data tempered optimism but did not derail broad gains. US markets benefited from firmer economic momentum, while UK equities were supported by easing inflation and a more accommodative policy stance, helping strengthen overall global risk appetite.

Technology was the best-performing sector in the index, followed by Health Care.

The largest single stock contribution to returns came from Alphabet. Alphabet returns were driven by a victory in an antitrust suit and an emerging consensus that Gemini is positioned as a leading AI tool. Apple also made strong contributions to index returns, as earnings beat investor expectations on the back of strong demand for the new iPhone range and calendar year estimates of double-digit sales growth.

The index's low exposure to Energy stocks had a marginal negative effect on portfolio performance versus the market-weighted index this quarter. The underweight to the sector was not a driver of relative return due to the fund sector

performance being broadly in line with global developed equities as a whole. Within stock selection, the overweight position in First Solar, which performed well, was almost fully offset by the strong performance of Shell, Total Energies and Exxon, which were not held in the portfolio.

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 2025. 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)*
ALPHABET INC	6.23	33,177,825
TESLA INC	5.60	29,822,187
APPLE INC	5.24	27,885,665
AMAZON.COM INC	4.71	25,084,581
MICROSOFT CORP	4.41	23,475,682

*Estimated client value

Largest contributors to ESG risk

	ESG risk score*	
	Q3 2025	Q4 2025
TESLA INC	18.84	18.84
APPLE INC	14.19	15.22
AMAZON.COM INC	18.37	16.64
ALPHABET INC-CL A	20.10	19.99
MICROSOFT CORP	13.43	14.36

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

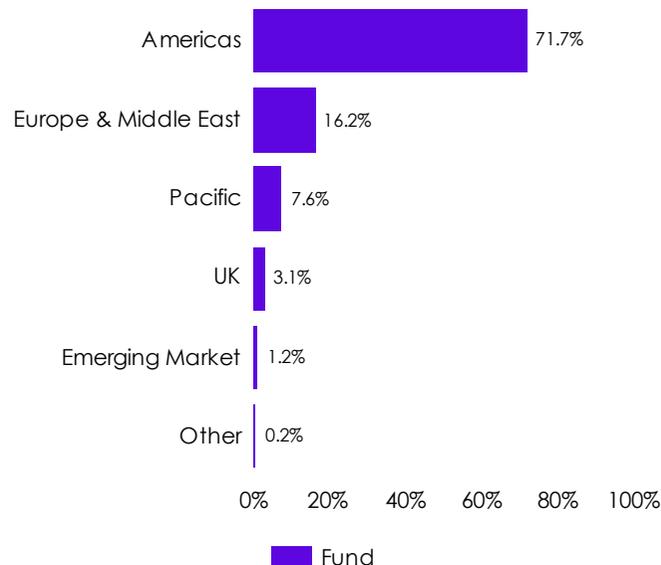
Carbon metrics

Portfolio	WACI		Total Extractive Exposure ¹		Extractive Industries (VOH) ²	
	2023 Q4	2024 Q4	2025 Q3	2025 Q4	2025 Q3	2025 Q4
PAB Passive Global	145	115	0.91	0.73	3.67	3.74
FTSE Dev World TR	182	165	3.12	3.00	7.63	7.37

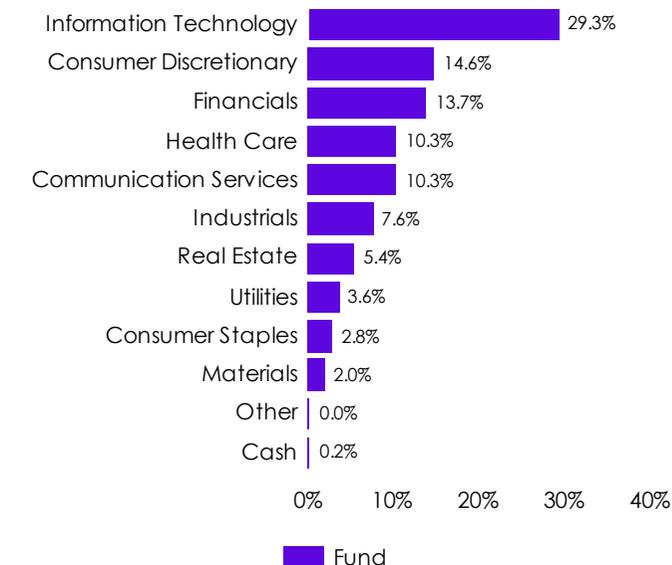
*Benchmark. ¹ Extractive revenue exposure as share (%) of total revenue. ² Value of holdings (VOH) - companies who derive revenues from extractives. Source: S&P. Changes between periods may reflect improved data quality and coverage.

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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

£221.49m

% called to date

90.40

Number of underlying funds

1

Avon's Holding:

GBP194.38m

Performance commentary

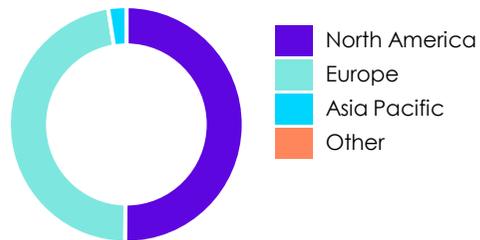
Markets ended 2025 on a generally positive note as interest rates began to move lower and fears of a sharp economic slowdown eased. Growth softened but remained resilient, inflation continued to cool, and central banks started to cut rates, supporting investor confidence. Credit markets stayed open and active, although spreads were tight after a long period of strong demand, meaning investors were increasingly selective.

In private credit, performance remained solid, helped by all-in yields remaining attractive, but competition continued to push spreads lower, especially in the upper-middle market. While headline credit stress stayed limited, signs of strain were more visible in older loans, where extensions and payment-in-kind interest are being used to manage pressure. As a result, opportunities increasingly favoured less crowded areas such as Europe, smaller transactions, and asset-backed lending, where structures and pricing remain more attractive. Heading into 2026, private credit remains well-positioned, but returns are likely to depend more on manager skill and careful underwriting than on broad market tailwinds.

Cycle 2 was well advanced at quarter-end, with ~80% of capital deployed and NAV nearing peak levels. The portfolio remained well diversified across more than 460 companies and seven funds, delivering strong performance and an attractive cash yield. Floating rate exposure continued to benefit from higher base rates, while FX hedging has reduced currency-related volatility.

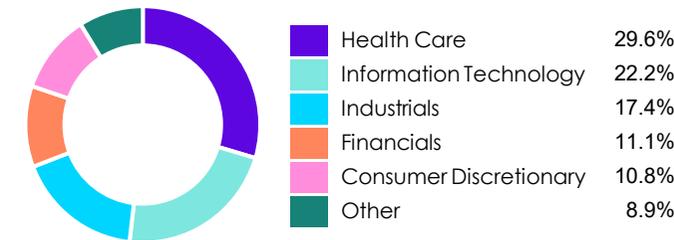
The number of loans on the watch list increased during the quarter. While this is not a positive indicator, the level of underperforming credits remains broadly in line with

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
194.4	9.0%	8.5%	5,401,076	6,438,237	-1,037,161	-13,124,100	1.21	0.3%	0.0%

Private Debt Cycle 2

expectations for a portfolio at this stage of the cycle. These situations are being actively managed and remain isolated within an otherwise resilient portfolio.

Barings GPLF IV experienced a notable increase in watch list exposure during the quarter, primarily reflecting deterioration among certain specialist healthcare and private education borrowers. These are largely older loans originated in the immediate post-COVID period. While no principal losses have been realised to date, Barings has indicated that some losses are likely. This is not unusual for a broadly diversified private credit fund and remains consistent with portfolio-level expectations.

Pipeline

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

*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

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

£90.95m

% called to date

53.50

Number of underlying funds

6

Avon's Holding:

GBP85.18m

Performance commentary

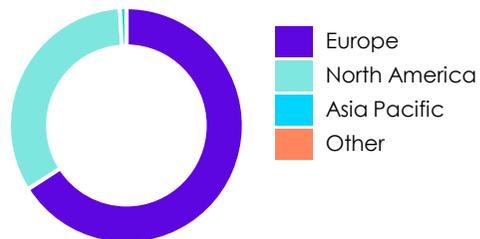
Markets ended 2025 on a generally positive note as interest rates began to move lower and fears of a sharp economic slowdown eased. Growth softened but remained resilient, inflation continued to cool, and central banks started to cut rates, supporting investor confidence. Credit markets stayed open and active, although spreads were tight after a long period of strong demand, meaning investors were increasingly selective.

In private credit, performance remained solid, helped by still-attractive all-in yields, but competition continued to push spreads lower, especially in the upper-middle market. While headline credit stress stayed limited, signs of strain were more visible in older loans, where extensions and payment-in-kind interest are being used to manage pressure. As a result, opportunities increasingly favoured less crowded areas such as Europe, smaller transactions, and asset-backed lending, where structures and pricing remain more attractive. Heading into 2026, private credit remained well-positioned, but returns are likely to depend more on manager skill and careful underwriting than on broad market tailwinds.

Cycle 3 is progressing through its deployment phase, with approximately 50% of committed capital drawn across six underlying funds. The portfolio has grown to include investments in more than 520 companies. Performance has been solid, supported by a healthy level of cash income. Exposure to floating-rate assets has continued to benefit from elevated base rates, while active FX hedging helped limit the impact of currency movements on returns.

The level of underperforming companies on the watchlist remains minimal, which is consistent with the portfolio's early

Country Invested in underlying investments



Source: General Partner Reports
Country data is lagged by one quarter

Sector GICs level 1



Source: General Partner Reports
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
85.2	8.9%	9.7%	6,910,383	3,587,993	3,322,390	1,383,140	1.15	0.1%	0.0%

Private Debt Cycle 3

stage of development. No restructurings have occurred to date. The portfolio's vintage — invested after COVID-era disruptions and following the interest-rate reset — has contributed to more resilient credit performance.

Pipeline

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

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*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

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

£114.52m

Amount Called

£112.45m

% called to date

98.20

Number of underlying funds

5

Avon's Holding:

GBP121.24m

Performance commentary

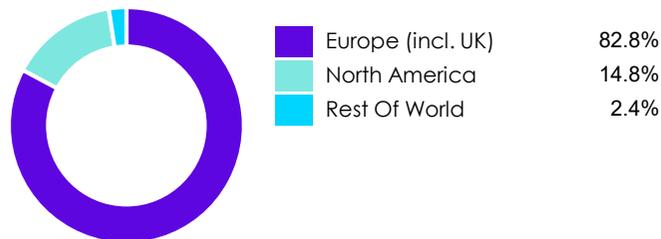
The portfolio is ~95% invested and ~97% committed across nine primary funds, five tactical co-investments, and one secondary investment, following the exit from Pattern Energy. Overall, we are pleased with the evolution and performance of Cycle 1.

Q4 2025 was marked by policy uncertainty, supply chain constraints, and accelerating digitalisation and decarbonization trends. In the US, the federal government issued further stop-work orders to five major offshore wind projects - Vineyard Wind 1, Revolution Wind, Coastal Virginia Offshore Wind, Sunrise Wind, and Empire Wind 1 - citing national security concerns related to radar interference and grid reliability. These actions are causing managers to cancel or delay billions in investment and new renewable capacity, impacting grid planning and the energy transition. The suspension also affects projects already under construction and, in some cases, already delivering power. It has drawn criticism from developers and utilities, who warn of risks to grid reliability, increased energy costs, and job losses.

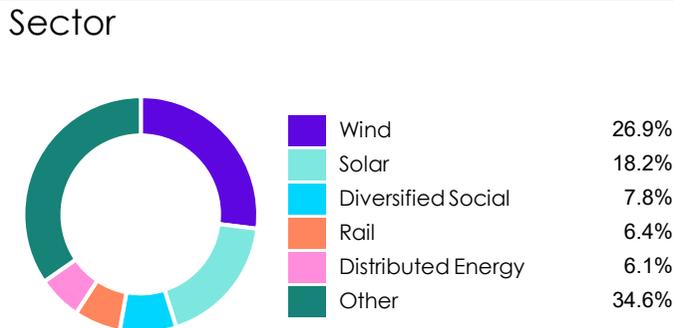
Power demand remains near decade-high levels, underpinned by structural demand drivers from industry and from the electrification of transport, but especially from AI and the requisite new data centres. This sustained momentum highlights the urgent need for investment in generation capacity and grid resilience, driven by the widening gap between electricity demand and available supply.

The rapid expansion of AI and data centres has amplified these pressures. Co-locating renewable energy sources with data centres presents a potential solution to the grid

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
121.2	8.5%	7.0%	404,180	2,169,372	-1,765,191	3,619,030	1.30	0.2%	0.0%

Infrastructure Cycle 1

interconnection bottleneck, covering up to 70% of energy needs through on-site generation, but grid dependency persists for the remaining amount. The boom has also exposed supply-side constraints. Legacy grid limitations, power supply availability, energy efficiency, and water efficiency are all pressing concerns in new data centre development.

Supply chain bottlenecks compound the challenge. US data centre electricity consumption is expected to at least double by 2030, potentially absorbing up to 76GW of new capacity and accounting for as much as 15% of US power generation. Yet gas turbine supply chains face material, labour, and capacity bottlenecks, pushing lead times to 3-4 years and tripling plant costs since 2022. Developers are increasingly turning to utility-scale solar and battery storage, which can be deployed faster and at lower cost, further accelerating the shift toward renewables and flexible grid solutions.

Capital flows reflect this trend. Fundraising hit a record \$175bn in Q1-Q3 2025, with momentum expected to continue through year-end. Renewables (~66%) and data centres (~20%) dominated sector-specific strategies. Mega funds capable of deploying into large-scale deals in these sectors are expected to drive elevated activity. North America leads the fundraising activity, and despite Europe being more subdued, it is on track to trend higher than in the past, with UK demand buoyed by the Mansion House Accord, committing DC schemes to allocate at least 5% of AUM to UK private markets by 2030. Global deal activity continues to trend positively as we approach year-end, with dealmaking up 20% year-over-year, fuelled by a resurgence in greenfield financing, which has regained momentum following a brief

slowdown in Q3 2024. Europe led M&A activity by deal count, while North America dominated by deal value. UK airports saw a particularly active M&A year with the sale of ownership stakes in Birmingham Airport, Bristol Airport, and London City Airport. Investment in the UK has turned a corner and now accounts for 10% of global volumes, with a more favourable perception following recent regulatory clarity and clean energy commitments – though November's ROC/FIT consultations sparked industry backlash over valuation, confidence, and unintended consequences. Past precedents like REMA suggest it is not impossible the government may listen to the industry and ultimately de-risk the sector.

Against this volatile backdrop, the Infrastructure Cycle 1 portfolio has been constructed with an emphasis on resilience and adaptability. Diversification across vintages, geographies, sectors, technologies, and managers remains crucial in navigating a volatile and rapidly evolving global landscape. The portfolio's performance continues to compare favourably to demanding benchmarks, reflecting a disciplined approach to risk management and opportunity selection.

Pipeline

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

*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

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

£97.17m

% called to date

80.98

Number of underlying funds

1

Avon's Holding:

GBP92.03m

Performance commentary

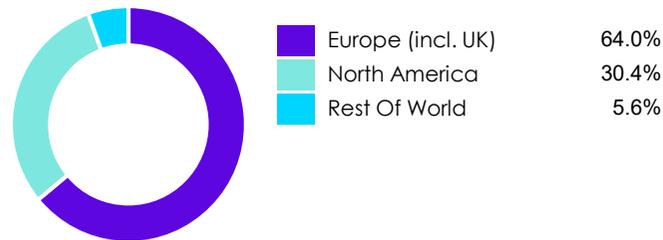
The Cycle 2 Renewables portfolio is ~94% committed and ~79% invested across seven primary funds and ten tactical co-investments following the strong exit from Akuo by ICG during Q2 2025.

Q4 2025 was marked by policy uncertainty, supply chain constraints, and accelerating digitalisation and decarbonisation trends. In the US, the federal government issued further stop-work orders to five major offshore wind projects - Vineyard Wind 1, Revolution Wind, Coastal Virginia Offshore Wind, Sunrise Wind, and Empire Wind 1 - citing national security concerns related to radar interference and grid reliability. These actions are causing managers to cancel or delay billions in investment and new renewable capacity, impacting grid planning and the energy transition. The suspension affecting projects already under construction and, in some cases, already delivering power, has drawn criticism from developers and utilities, who warn of risks to grid reliability, increased energy costs, and job losses.

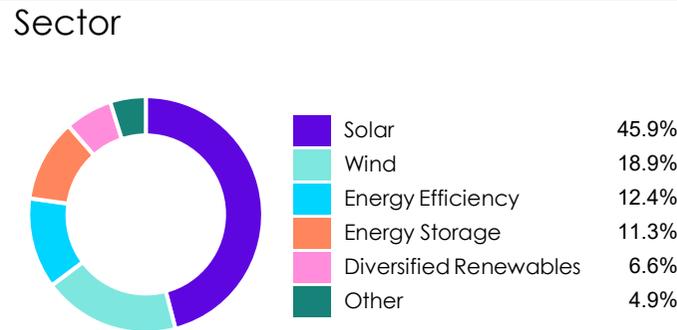
Power demand remained near decade-high levels, underpinned by structural demand drivers from industry, electrification of transport, and data centres. This sustained momentum highlights the urgent need for investment in generation capacity and grid resilience, driven by the widening gap between electricity demand and available supply.

The rapid expansion of AI and data centres amplified these pressures. Co-locating renewable energy sources with data centres presents a potential solution to the grid interconnection bottleneck, covering up to 70% of energy needs through on-site generation, but grid dependency

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
92.0	0.4%	4.1%	892,652	177,780	714,872	-1,202,160	1.11	0.0%	0.0%

Infrastructure (Renewables) Cycle 2

persisted for the remaining amount. The boom has also exposed supply-side constraints, with legacy grid limitations, power supply availability, energy efficiency, and water efficiency pressing concerns in the development of new data centre.

Supply chain bottlenecks compound the challenge. US data centre electricity consumption is expected to at least double by 2030, potentially absorbing up to 76GW of new capacity and accounting for as much as 15% of US power generation. Yet gas turbine supply chains face material, labour, and capacity bottlenecks, pushing lead times to 3-4 years and tripling plant costs since 2022. Developers are increasingly turning to utility-scale solar and battery storage, which can be deployed faster and cheaper, further accelerating the shift toward renewables and flexible grid solutions.

Capital flows reflect this trend. Fundraising hit a record \$175bn in Q1-Q3 2025, with momentum expected to continue through year-end. Renewables (~66%) and data centres (~20%) dominated sector-specific strategies. Mega funds capable of deploying into large-scale deals in these sectors are expected to drive elevated activity. North America leads the fundraising activity, and despite Europe being more subdued, it is on track to trend higher than in the past, with UK demand buoyed by the Mansion House Accord, committing DC schemes to allocate at least 5% of AUM to UK private markets by 2030. Global deal activity continues to trend positively as we approach year-end, with dealmaking up 20% year-over-year, fuelled by a resurgence in greenfield financing, which has regained momentum following a brief slowdown in Q3 2024. Europe led M&A activity by deal count, while North America dominated by deal value. UK airports

saw a particularly active M&A year with the sale of ownership stakes in Birmingham Airport, Bristol Airport, and London City Airport. Investment in the UK has turned a corner and now accounts for 10% of global volumes, with a more favourable perception following recent regulatory clarity and clean energy commitments – though November's ROC/FIT consultations sparked industry backlash over valuation, confidence, and unintended consequences. Past precedents like REMA suggest it is not impossible government may listen to the industry and ultimately de-risk the sector.

During the quarter, Reden Solar (Project Mandel) planned to transition its business model from a developer to an IPP, requiring additional funding, following a softening market and slower-than-expected pipeline growth. This may impact returns on the co-investment, particularly if Brunel decides the risk-return on offer is not suitable for a follow-on. Our co-investment in Skyborn is another investment we expect to underperform due to the offshore wind challenges mentioned above. However, GIP did negotiate an IRR true-up with Eversource, whereby Eversource must make GIP whole for the purchase price of Revolution Wind, other expenditures, and a 6.5% return on those amounts, providing strong downside protection to investors. It's also important to note that 2-R also has three of the top ten value contributors within Brunel's infrastructure portfolio (GreenYellow, CSE and AVSE, and Akuo).

The portfolio remains well-diversified across sponsors, technologies, and geographies, and performance to date has been solid. While renewables face certain headwinds, the structural trend towards decarbonisation and growing

demand for clean energy present compelling opportunities. Our managers are positioned to benefit from these dynamics.

Pipeline

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

*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

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

£31.06m

% called to date

56.47

Number of underlying funds

1

Avon's Holding:

GBP30.88m

Performance commentary

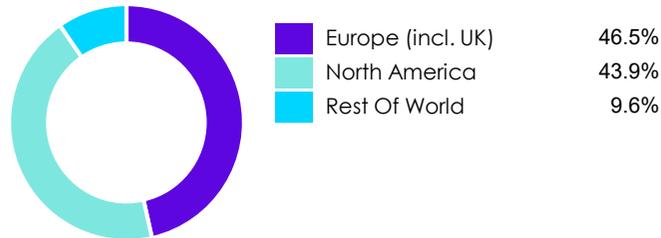
Cycle 3 is ~80% committed and ~51% invested across eleven primary funds, one secondary fund, 8 tactical coinvests and a tactical, mini-secondaries portfolio of 7 investments.

Q4 2025 was marked by policy uncertainty, supply chain constraints, and accelerating digitalisation and decarbonisation trends. In the US, the federal government issued further stop-work orders to five major offshore wind projects - Vineyard Wind 1, Revolution Wind, Coastal Virginia Offshore Wind, Sunrise Wind, and Empire Wind 1 - citing national security concerns related to radar interference and grid reliability. These actions are causing managers to cancel or delay billions in investment and new renewable capacity, impacting grid planning and the energy transition. The suspension is affecting projects already under construction and, in some cases, projects already delivering power. The move has drawn criticism from developers and utilities, who warn of risks to grid reliability, increased energy costs, and job losses.

Power demand remained near decade-high levels, underpinned by structural demand drivers from industry, electrification of transport, and data centres. This sustained momentum highlights the urgent need for investment in generation capacity and grid resilience, driven by the widening gap between electricity demand and available supply.

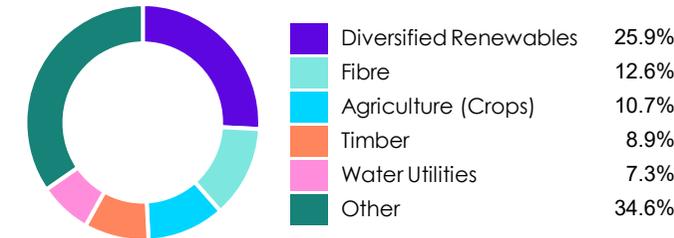
The rapid expansion of AI and data centres amplified these pressures. Co-locating renewable energy sources with data centres presents a potential solution to the grid interconnection bottleneck, covering up to 70% of energy needs through on-site generation, but grid dependency

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
30.9	10.1%	5.8%	4,361,122	62,631	4,298,491	952,626	1.10	0.0%	0.0%

Infrastructure Cycle 3

persists for the remaining amount. The boom also exposed supply-side constraints, with legacy grid limitations, power supply availability, energy efficiency, and water efficiency proving to be pressing concerns in new data centre development.

Supply chain bottlenecks compound the challenge. US data centre electricity consumption is expected to at least double by 2030, potentially absorbing up to 76GW of new capacity and accounting for as much as 15% of US power generation. Yet, gas turbine supply chains face material, labour, and capacity bottlenecks, pushing lead times to 3-4 years and tripling plant costs since 2022. Developers are increasingly turning to utility-scale solar and battery storage, which can be deployed faster and cheaper, further accelerating the shift toward renewables and flexible grid solutions.

Capital flows reflect this trend. Fundraising hit a record \$175bn in Q1-Q3 2025, with momentum expected to continue through year-end. Renewables (~66%) and data centres (~20%) dominated sector-specific strategies. Mega funds capable of deploying into large-scale deals in these sectors are expected to drive elevated activity. North America leads the fundraising activity and, despite Europe being more subdued, it is on track to trend higher than in the past, with UK demand buoyed by the Mansion House Accord, committing DC schemes to allocate at least 5% of AUM to UK private markets by 2030. Global deal activity continued to trend positively as we approached year-end, with dealmaking up 20% year-over-year, fuelled by a resurgence in greenfield financing, which regained momentum following a brief slowdown in Q3 2024. Europe led M&A activity by deal count, while North America dominated by deal value. UK

airports saw a particularly active M&A year with the sale of ownership stakes in Birmingham Airport, Bristol Airport, and London City Airport. Investment in the UK turned a corner and now accounts for 10% of global volumes, with a more favourable perception following on the heels of recent regulatory clarity and clean energy commitments – though November's ROC/FIT consultations sparked industry backlash over valuation, confidence, and unintended consequences. Past precedents like REMA suggest it is not impossible the government may listen to the industry and ultimately de-risk the sector.

While still in its early stages, we are happy with the diversified nature of this portfolio across sponsors, geographies, technologies, and risk profiles.

Pipeline

Two co-investments have been approved and are pending closure: a North American renewables platform and a UK train rolling stock platform. Efforts are ongoing to identify the final two co-investments needed to complete Cycle 3.

*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

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

£344.17m

% called to date

99.76

Number of underlying funds

3

Avon's Holding:

GBP286.17m

Performance commentary

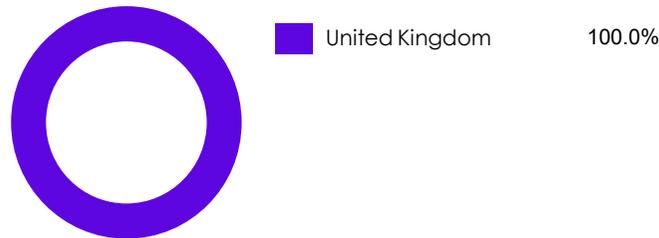
For UK long lease property funds, performance continued to be driven by income, with more positive valuation evidence. Both long lease property funds outperformed the MSCI Long Income Index over 12 months to September, with M&G Secured Property Income Fund (SPIF) outperforming over all time periods. The fund is forecasting net 7-9% p.a. While Aberdeen Long Lease Property (LLP) is still lagging over longer time periods, the fund is showing marked improvement over recent quarters.

The long lease property redemption queues have stabilised, and the managers continue work to clear these. LLP completed eight sales totalling £185 million in Q3 to meet outstanding requests, helping to clear a significant proportion of the queue. No further sales were planned for Q4, with expectations of further disposals planned for early 2026. SPIF settled its deferred redemption queue in full by November 2025, supported by £266 million in new investor inflows during the year and further commitments expected in 2026. The fund's liquidity position has been significantly strengthened, enabling a return to normal redemption operations and the potential to commence acquisitions in future quarters.

2025's GRESB scores were released in October. M&G SPIF continued to score well, improving on its strong 2024 score by 2 points to reach 90/100, achieving 5 stars and 4th in the peer group of 75. Aberdeen also improved on its score, reaching 77.

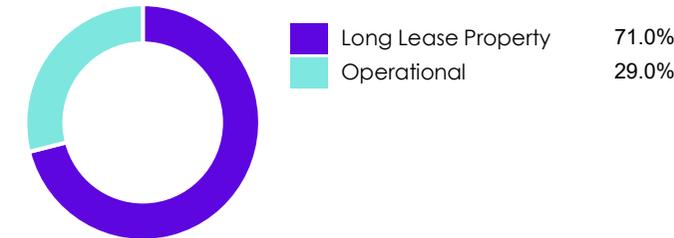
On the infrastructure side, Schroders Greencoat UK (GRI) had called 96% of total investor commitments as of Q3 2025. During Q3, the fund deployed additional capital into Greencoat Solar II and the Green Hydrogen Energy

Country Invested in underlying investments



Source: Asset Metrix
Country data is lagged by one quarter

Strategy



Source: Asset Metrix
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
286.2	5.1%	0.4%	42,469	5,405,093	-5,362,625	6,346,020	1.01	0.3%	0.0%

Secured Income Cycle 1

Company (GHECO). The income from GRI remains strong, with the annualised cash yield for the fund at 6.7% (Q3) and a forward-looking 12-month yield of 7.2%. NAV decreased marginally due to updates to power prices across all assets and updates to generation assumptions in Speyside, which was offline for major repairs but has since returned to service.

The Fund's technologies had a mixed quarter, emphasising the benefits of diverse generation within the portfolio. Wind generation was impacted by low wind resource, while solar experienced above-average irradiance. Solar II and Toucan remain resilient despite challenges related to DNO (distribution network operator) outages, curtailment, and technical issues. Speyside returned to service, while Margam and Templeborough were operating reliably following operational issues. District Heating and Battery Storage both performed well over the quarter.

On 31 October, the UK Department of Energy launched a consultation process on proposals to change the inflation indexation for the Renewables Obligation Certificates (ROCs) and Feed-in-Tariff (FIT) schemes, which compensate renewable energy generators; the move would have a material impact on GRI cashflow and valuations. These proposals sparked an industry backlash over valuation, future investor confidence, and unintended consequences. We are currently waiting to hear the outcome from the consultation.

Pipeline

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

*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

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

£84.00m

Amount Called

£83.82m

% called to date

99.78

Number of underlying funds

3

Avon's Holding:

GBP96.48m

Performance commentary

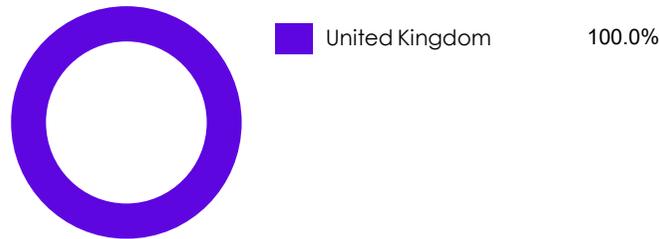
For UK long lease property funds, performance continued to be driven by income, with more positive valuation evidence. Both long lease property funds outperformed the MSCI Long Income Index over 12 months to September. The M&G Secured Property Income Fund (SPIF) outperformed over all time periods. The fund is forecasting net 7-9% p.a. While Aberdeen Long Lease Property (LLP) still lagged over longer time periods, the fund showed marked improvement versus previous quarters.

The long lease property redemption queues stabilised, and the managers continued work to clear them. LLP completed eight sales totalling £185 million in Q3 to meet outstanding requests, helping to clear a significant proportion of the queue. No further sales were planned for Q4, with expectations of further disposals planned for early 2026. SPIF settled its deferred redemption queue in full by November 2025, supported by £266 million in new investor inflows during the year and further commitments expected in 2026. The fund's liquidity position was significantly strengthened, enabling a return to normal redemption operations and the potential to commence acquisitions in future quarters.

2025's GRESB scores were released in October. M&G SPIF continued to score well, improving its already strong 2024 score by 2 points to reach 90/100, achieving 5 stars and 4th in the peer group of 75. Aberdeen also improved on its score, reaching 77.

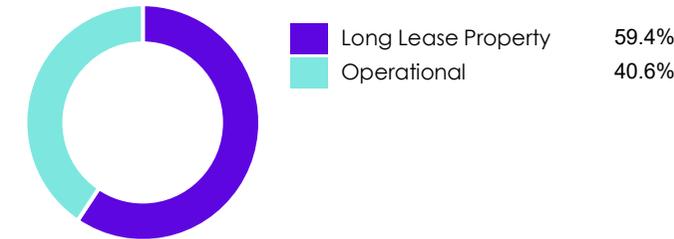
On the infrastructure side, Schroders Greencoat UK (GRI) had called 96% of total investor commitments as of Q3 2025. During Q3, the fund deployed additional capital into Greencoat Solar II and the Green Hydrogen Energy

Country Invested in underlying investments



Source: Asset Metrix
Country data is lagged by one quarter

Strategy



Source: Asset Metrix
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
96.5	1.2%	1.5%	12,037	1,108,140	-1,096,103	1,151,150	1.02	0.0%	0.0%

Secured Income Cycle 2

Company (GHECO). The income from GRI remained strong, with the annualised cash yield for the fund at 6.7% (Q3) and a forward-looking 12-month yield of 7.2%. NAV decreased marginally due to updates to power prices across all assets and updates to generation assumptions in Speyside, which was offline for major repairs but has since returned to service.

The fund's technologies had a mixed quarter, emphasising the benefits of diverse generation within the portfolio. Wind generation was impacted by low wind resource, while solar experienced above-average irradiance. Solar II and Toucan remained resilient despite challenges related to DNO (distribution network operator) outages, curtailment, and technical issues. Speyside returned to service, while Margam and Templeborough were operating reliably following operational issues. District Heating and battery storage both performed well over the quarter.

On 31 October, the UK Department of Energy launched a consultation process on proposals to change the inflation indexation for the Renewables Obligation Certificates (ROCs) and Feed-in-Tariff (FIT) schemes, which compensate renewable energy generators. The change would have a material impact on GRI cashflow and valuations. These proposals sparked an industry backlash over valuation, future investor confidence, and unintended consequences. We are currently waiting to hear the outcome from the consultation.

Pipeline

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

*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

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

£236.98m

% called to date

98.74

Number of underlying funds

3

Avon's Holding:

GBP227.94m

Performance commentary

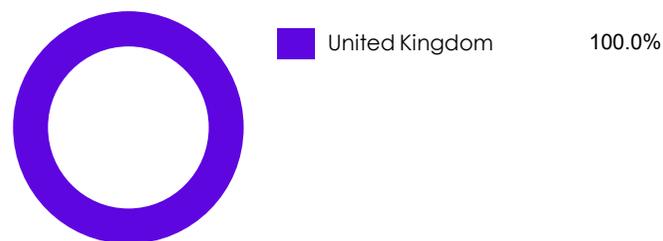
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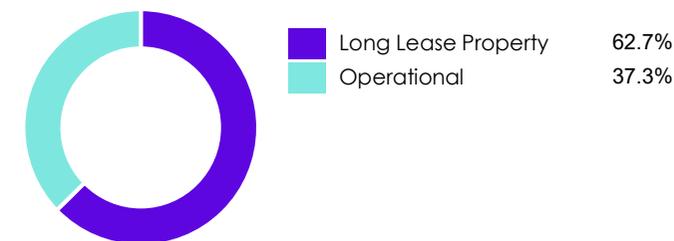
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Country Invested in underlying investments



Source: Asset Metrix
Country data is lagged by one quarter

Strategy



Source: Asset Metrix
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
227.9	1.4%	-	30,633	2,542,435	-2,511,802	2,850,390	1.08	0.0%	0.0%

Secured Income Cycle 3

Company (GHECO). The income from GRI remained strong, with the annualised cash yield for the fund at 6.7% (Q3) and a forward-looking 12-month yield of 7.2%. NAV decreased marginally due to updates to power prices across all assets and updates to generation assumptions in Speyside, which was offline for major repairs but has since returned to service.

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Pipeline

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

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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

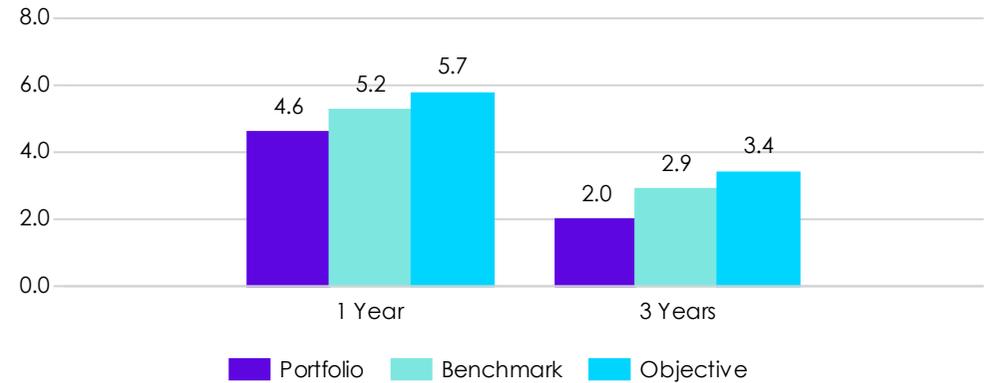
£210.0m

Amount Called

£200.1m

Number of portfolios

-



Page 03 of 03

Performance commentary

2025 was a year of transition for UK real estate. After a slow start due to global tariff concerns and economic uncertainty, confidence improved following the November Budget. Full-year investment volumes are expected to match 2024's £55 billion, with Q4 activity signalling stabilisation and renewed optimism for 2026. Major transactions across offices, retail, and logistics suggested a market becoming more comfortable with structural changes and pricing adjustments.

Sector performance was mixed but resilient. Prime London offices rebounded with record rents. Industrial and logistics remaining strong, and living sectors – housing, student accommodation, and healthcare – attracted significant

global capital, including landmark transactions in care homes and build-to-rent (BTR). Retail recovered, led by retail parks and shopping centres, while hospitality saw solid single-asset deals despite portfolio challenges. Development viability remained a headwind, but signs of easing costs and improved debt availability emerged late in the year.

Looking ahead, increased debt liquidity and expected rate cuts should drive stronger activity in 2026. Key themes include continued focus on “beds, sheds and meds”, flight to quality in offices, sustainability, and growing adoption of property technology and AI. Overall, 2025 laid the foundations for a more active and dynamic market next year.

The MSCI/AREF UK Quarterly Property Fund Index reported a total return of 1.3% for Q3 2025, reinforcing a narrative of market stabilisation and bringing the rolling 12-month return to 6.3%.

Brunel's core diversified funds maintained stable NAVs and yields, with occupancy levels above 90%, though liquidity pressures persisted in open-ended, indirect fund vehicles (and is likely to get worse with further pooling consolidation and moves to direct portfolios). In December, Schroders Capital UK Real Estate Fund suspended subscriptions and redemptions amid queues exceeding £750m (Brunel submitted a full, defensive redemption in June and pushed

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	200.1	194.0	4.6%	2.0%	-	3.0%	1.29	Jan 2021

UK Property

the manager to suspend the fund). Specialist funds outperformed, with logistics and industrial strategies delivering NAV growth of around 1%, and Health Care and residential funds continuing to perform well.

The UK Property Model Review reduced core balanced fund allocation to 50%, removed the debt allocation, and increased sector-specialist funds to 50% to reflect stronger conviction in logistics, living and healthcare. Schroders Capital UK Real Estate Fund was removed due to liquidity issues, while Legal & General Managed Property Fund was added following its merger with Federated Hermes Property Unit Trust. (It had been removed from the model portfolio following Brunel's full redemption request in 2024, which prompted the merger with L&G MPF, gaining the option for liquidity for clients).

Pipeline

There is no new fund pipeline, with the portfolio fully committed to model funds.

*Since initial investment

Glossary

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

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

Glossary

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

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

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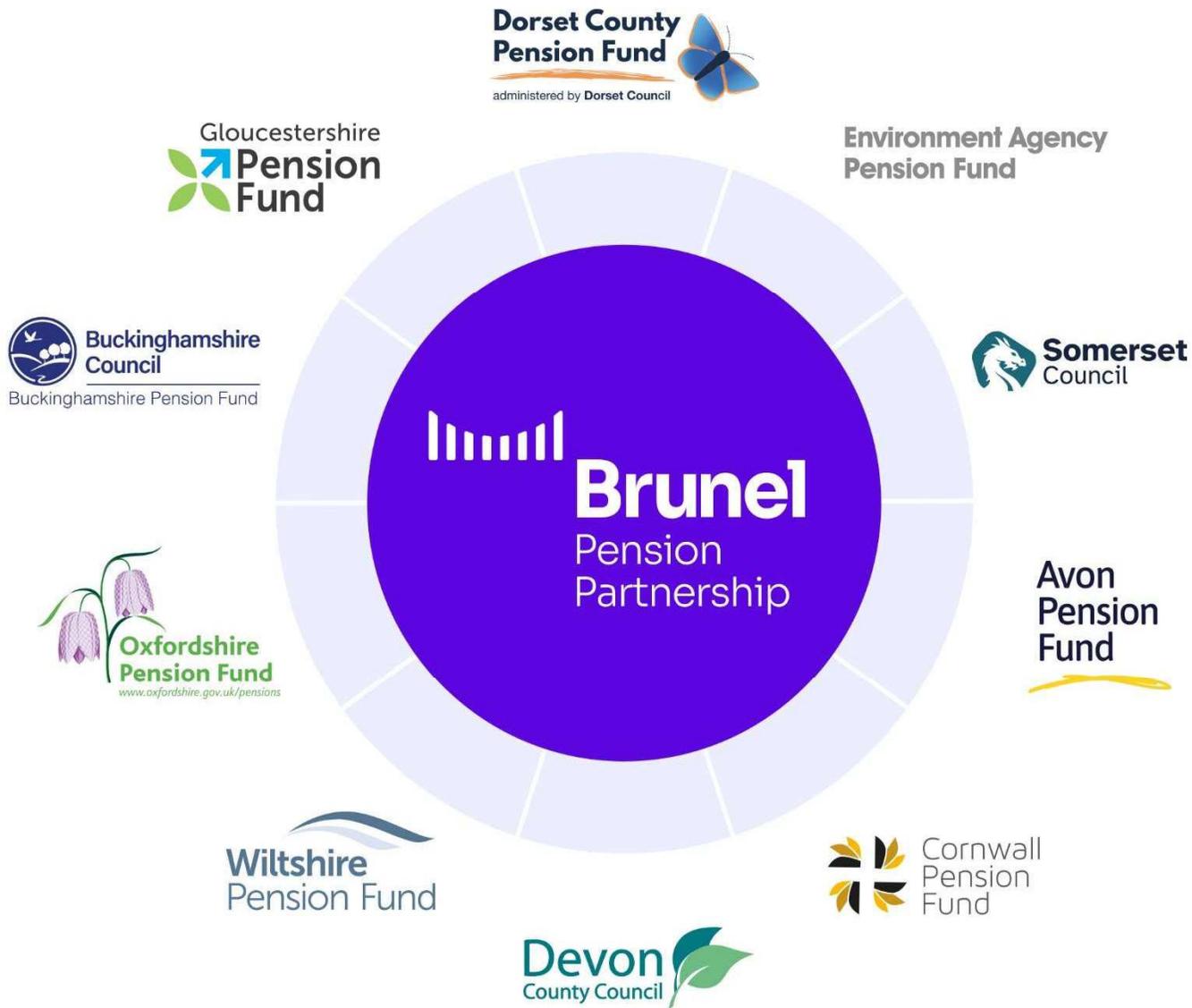
Investments in private markets are not as transparent as publicly-traded securities, and valuing private assets can be complex. Unlike publicly-traded stocks with daily market prices, private assets rely on periodic appraisals. Investment performance in this report is calculated using cash-adjusted market 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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Bath & North East Somerset Council	
MEETING:	AVON PENSION FUND INVESTMENT PANEL
MEETING DATE:	25 FEBRUARY 2026
TITLE:	Risk Management Framework Review for Periods Ending 31 December 2025
WARD:	ALL
AN OPEN PUBLIC ITEM	
List of attachments to this report: Exempt Appendix 1 – Mercer Report: Risk Management Framework Review 31 December 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 the individual risk management strategies are rated green and are performing in line with expectation. At an aggregate level the RMF is rated red due to the ongoing performance drag relative to a portfolio which manages risk through physical asset allocation alone.
- 1.3. There was a total collateral interest rate buffer of c.5.8% at 31 Dec, which is 2.8% above the point at which the manager would engage with the Fund to increase collateral. The collateral position has declined versus the prior quarter due to the recent increase to index-linked gilt exposure.
- 1.4. Consistent with Fit for the Future guidance, an independent review of the RMF is currently being undertaken by the Fund’s new pool, LPPI.

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 3.5% over the quarter, with the equity protection strategy (EPS) detracting 0.4% 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. The LDI trigger framework has now been replaced by the strategic index-linked gilt exposure which targets a hedge ratio of 50% of the interest rate sensitivity of the liabilities.
- 4.3. The average yield achieved as a result of the LDI restructure (implemented in Q425) was CPI+2.2%. The LDI manager uses leverage of c. 1.5x to achieve the c.£1.8bn desired exposure and total transaction costs incurred were c. £1.1m (c .0.03% of exposure traded).

5. RISK MANAGEMENT

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

6. EQUALITIES

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

7. CLIMATE CHANGE

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

8. OTHER OPTIONS CONSIDERED

- 8.1. None

9. CONSULTATION

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

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

Access to Information Arrangements

Exclusion of access by the public to Council meetings

Information Compliance Ref: LGA- 2783769
Meeting / Decision: Avon Pension Fund Investment Panel
Date: 25 th February 2026
Author: Nathan Rollinson
Report Title: Risk Management Framework Review for Periods Ending 31 December 2025
List of attachments to this report: Exempt Appendix 1 – Mercer Report: Risk Management Framework Review 31 December 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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Bath & North East Somerset Council		
MEETING:	AVON PENSION FUND INVESTMENT PANEL	
MEETING DATE:	25 FEBRUARY 2026	AGENDA ITEM NUMBER
TITLE:	Forward Agenda	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: None		

1 THE ISSUE

- 1.1 This report sets out the forward agenda for the Panel for 2026. 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:

Date	Proposed agenda
2 June 2026	<p>Strategic:</p> <ul style="list-style-type: none"> • Pooling: investments implementation and strategy – update if required <p>Routine:</p> <ul style="list-style-type: none"> • Quarterly Investment Performance • Risk Management Framework Monitoring
4 Sept 2026	<p>Strategic:</p> <ul style="list-style-type: none"> • Pooling: investments implementation and strategy – update if required <p>Routine:</p> <ul style="list-style-type: none"> • Quarterly Investment Performance • Risk Management Framework Monitoring
26 Nov 2026	<p>Strategic:</p> <ul style="list-style-type: none"> • Pooling: investments implementation and strategy – update if required <p>Routine:</p> <ul style="list-style-type: none"> • Quarterly Investment Performance • Risk Management Framework Monitoring

5 RISK MANAGEMENT

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

6 CLIMATE CHANGE

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

7 EQUALITIES

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

8 OTHER OPTIONS CONSIDERED

8.1 None.

9 CONSULTATION

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

Contact person	Nathan Rollinson, Investments Manager 01225 395357
Background papers	
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