

HEALTH WEALTH CAREER

AVON PENSION FUND

COMMITTEE INVESTMENT PERFORMANCE REPORT QUARTER TO 30 SEPTEMBER 2019

NOVEMBER 2019

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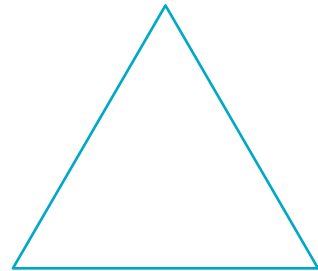
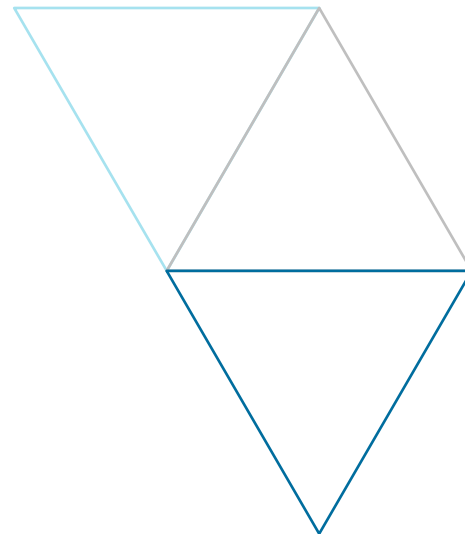
- The value of investments can go down as well as up and you may not get back the amount you have invested. In addition investments denominated in a foreign currency will fluctuate with the value of the currency.
- The valuation of investments in property based portfolios, including forestry, is generally a matter of a valuer's opinion, rather than fact.
- When there is no (or limited) recognised or secondary market, for example, but not limited to property, hedge funds, private equity, infrastructure, forestry, swap and other derivative based funds or portfolios it may be difficult for you to obtain reliable information about the value of the investments or deal in the investments.
- Where the investment is via a fund of funds the investment manager typically has to rely on the underlying managers for valuations of the interests in their funds.
- Care should be taken when comparing private equity / infrastructure performance (which is generally a money-weighted performance) with quoted investment performance (which is generally a time-weighted performance). Direct comparisons are not always possible.

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SECTION 1

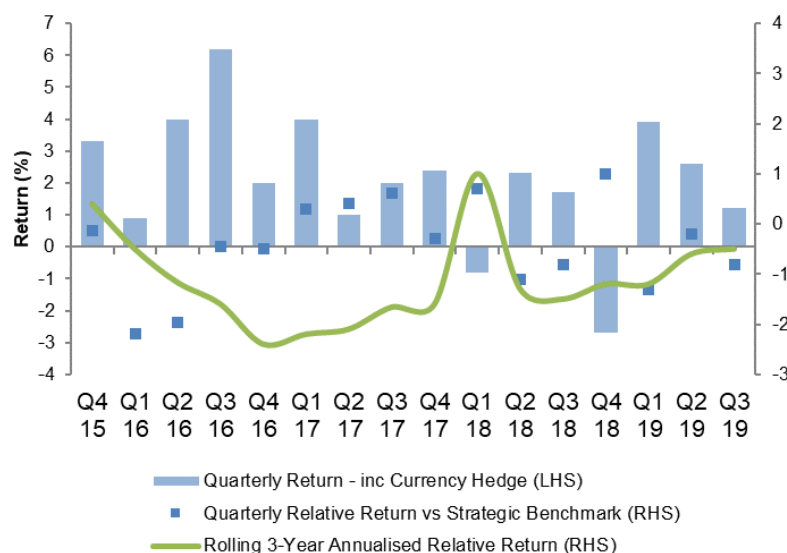
EXECUTIVE SUMMARY



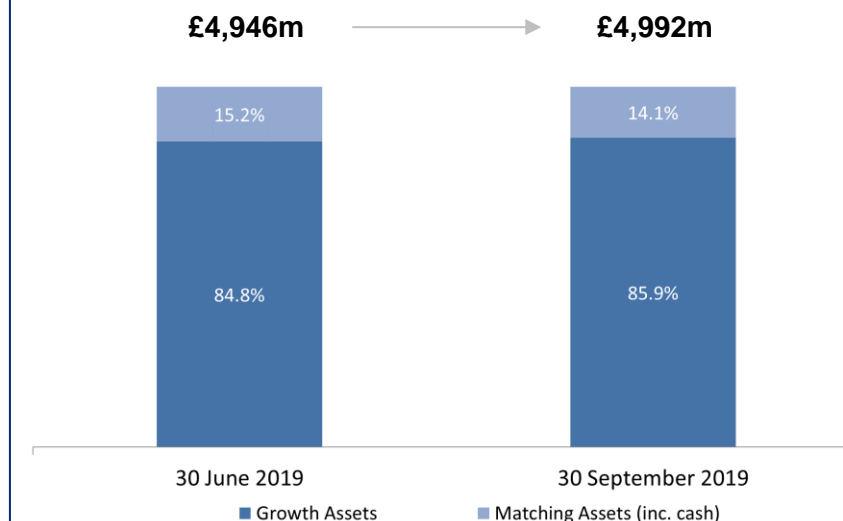
EXECUTIVE SUMMARY

	3 Months (%)	1 Year (%)	3 Years (% p.a.)
Total Fund	1.2	5.0	6.6
Total Fund (ex currency hedge)	1.7	6.3	7.1
Strategic Benchmark (ex currency hedge)	2.2	6.5	7.6
Relative	-1.0	-1.5	-1.0

Excess Return Chart



Asset Allocation



Commentary

Over the quarter, total Fund assets increased from £4,946m to £4,992m. This increase was driven primarily by positive returns from overseas equities.

At the end of the quarter, all asset classes were within the agreed tolerance ranges, except for Infrastructure holdings which drifted slightly above.

The Fund underperformed the Strategic Benchmark over the quarter, as well as over the one and three year periods. Since Sterling depreciated over all these time horizons, the currency hedging mandate has detracted value.

EXECUTIVE SUMMARY

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

Funding Level

- The estimated funding level was unchanged over the third quarter at c.98%, as the assets increased by broadly the same amount as the liabilities.

Fund Performance

- The value of the Fund’s assets increased by £46m (net of cashflow) over the third quarter of 2019, to £4,992m as at 30 September 2019. This increase was driven primarily by positive returns from overseas equities.

Strategy

- Global (developed) equity returns over the last three years were 12.6% p.a., above the assumed strategic return of 8.05% p.a. from the review in April 2017. We remain broadly neutral in our medium-term outlook for developed market equities (over the next one to three years). Developed market equities had another positive performing quarter. Favourable market behaviour and easier monetary policy is offset by elevated valuations and a macro environment which is subject to headline risk and fairly fragile to unpredictable geopolitical disruptions.
- Emerging market equities have returned 8.4% p.a. over the three-year period, below the assumed return of 8.70% p.a. Despite our view that attractive valuations, a better earnings outlook and more favourable market sentiment exist in emerging markets, these factors continue to be obscured by the uncertain macro environment and uncertainty surrounding the trade dispute. As a resolution to the trade dispute does not appear imminent, we recommend a neutral weight in recognition that the potential for downside is likely to persist longer than originally anticipated.
- UK government bond returns over the three-year period remain higher than the long-term assumed strategic returns as investor demand for gilts remains high. Fixed interest gilts returned 5.3% p.a. versus an assumed return of 1.90% p.a. and index-linked gilts also returned 5.3% p.a. versus an assumed return of 2.15% p.a. Gilt yields decreased over the quarter, and as a result gilt returns were positive over the period.
- UK corporate bonds returned 3.2% p.a. over the three-year period, marginally below the assumed strategic return of 3.25% p.a.
- The three-year UK property return of 7.7% p.a. remains higher than the assumed return of 5.75% p.a.
- Hedge fund returns were negative over the quarter in local currency terms, and remain below long-term averages and the strategic return of 5.10% p.a., having been affected by low cash rates. Active managers in general have struggled to generate meaningful returns in recent years.
- The Fund’s currency hedging policy was negative overall for Fund performance, since Sterling depreciated against major foreign currencies over the quarter.

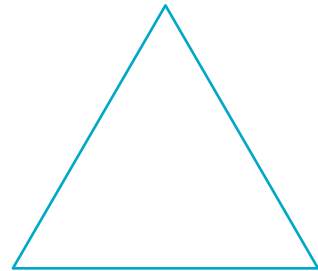
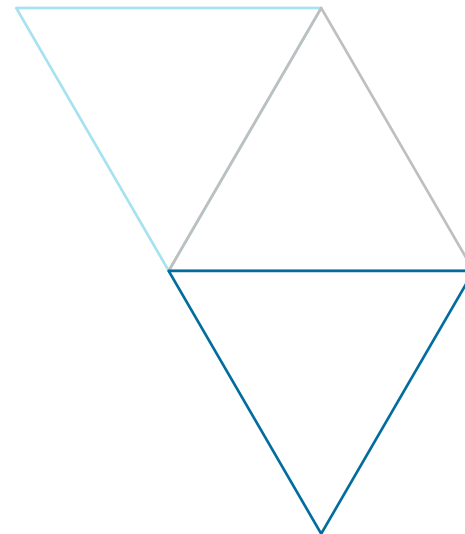
EXECUTIVE SUMMARY

Managers

- Manager total returns over the quarter were mainly positive, with the strongest performance coming from the corporate bond and global equity managers. The Fund's infrastructure and multi-asset credit mandates were other strong performers over the period and the two Diversified Growth Fund ("DGF") and two property mandates also generated positive returns. The Fund's fund of hedge funds and the defensive, high quality emerging market equity manager generated negative total returns over the quarter.
- Absolute returns over the year to 30 September 2019 were broadly positive across the Fund's investment managers with all of the managers (aside from the defensive, high quality emerging market equity manager) delivering positive returns over the period.
- Relative performance for the Fund's active equity managers was mixed over the quarter, with the one of the emerging market equity managers and UK equity funds outperforming their benchmarks.
- Relative performance has also been mixed over the year to 30 September 2019. The infrastructure, global sustainable equity and one of the emerging market equity mandates have generated strong relative returns over the one-year period.
- Over the three-year period, all mandates with a three-year track record produced positive absolute returns. The majority of active funds underperformed their benchmarks over the period, with only the infrastructure, UK property and one of the emerging market equity mandates generating positive relative returns.

SECTION 2

MARKET BACKGROUND



MARKET BACKGROUND

INDEX PERFORMANCE

Equity Market Review

The global economy has continued to slow with the latest current economic activity indicators showing below trend growth for both developed and emerging markets. Manufacturing remains in a downturn, capital expenditure is soft while service indicators remain stable, albeit weaker than in the recent past. Growth remains thus reliant on consumption spending which has been strong, driven by healthy labour markets but employment growth has started to show signs of flattening out.

In the UK, GDP contracted by 0.2% over the quarter to June 2019 and is expected to be flat in Q3 at best. CPI inflation fell to 1.7% at the end of August from 2.0% at the end of June. The Bank of England kept monetary policy unchanged with short-dated interest rates at 0.75%.

Within global equity markets, the US economy grew by an annualised 2.0% over the quarter to June 2019 but this is expected to have slowed a bit in Q3. The Federal Reserve made good on its promise to ease and cut the benchmark rate twice (in July and September) from 2.25% - 2.5% to 1.75% - 2.0%. The US manufacturing PMI for September fell by the most in a decade. Consumer spending on the other hand has been holding up. Economic growth remains largely subdued in the Eurozone and Japan.

While emerging countries have more favourable growth prospects for the coming year along with reasonably stable inflation and improving current account balances in most cases, trade uncertainty remains an issue.

Bond Market Review

Nominal yields were again down across the curve over the quarter.

The Over 15 Year Gilt Index generated a return of 11.0%, outperforming the broader global bond market over the quarter.

Real yields also fell across the curve over the quarter. The Over 5 Year Index-Linked Gilts Index also returned 8.7% as a result.

Credit spreads were mostly flat over the quarter, as investors left risk allocations largely unchanged given the ongoing slowdown fears. The sterling Non-Gilts All Stocks Index credit spread ended the quarter at c.1.3% p.a., and UK credit assets delivered a return of 3.7% over the quarter.

Currency Market Review

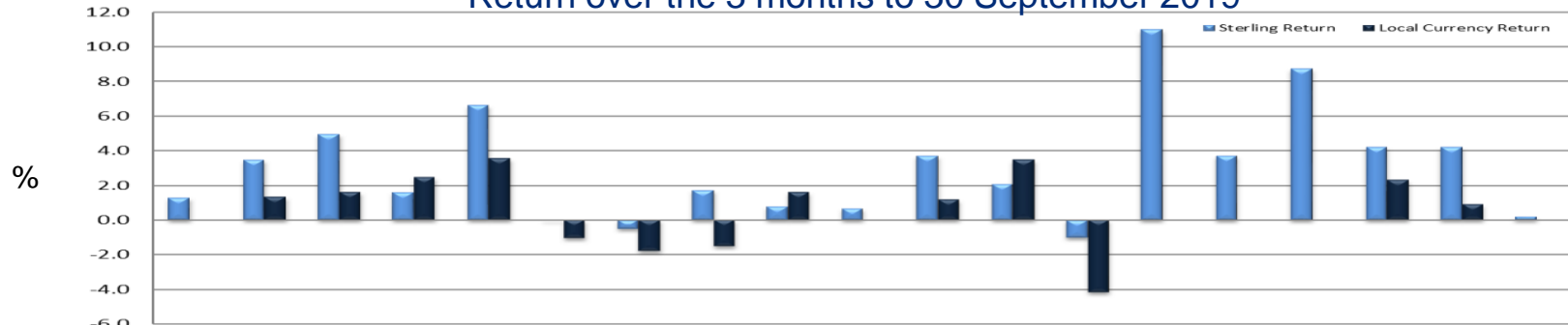
Over the quarter, Sterling weakened against the US Dollar and Yen (-3.2% and -2.9% respectively) and strengthened against the Euro by 1.1%.

Commodity Market Review

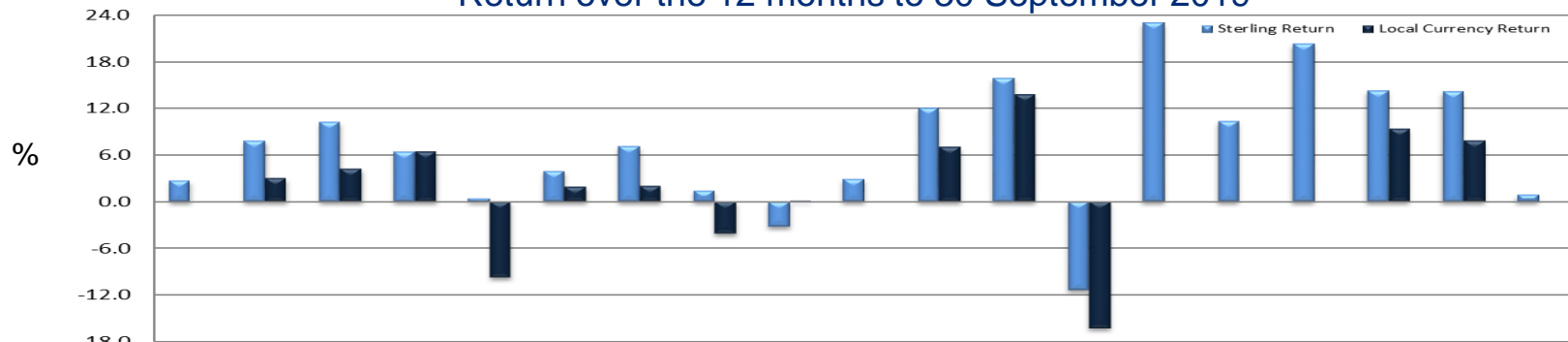
Commodity performance was negative as a whole, which was driven by economic slowdown fears. Precious metals, driven by gold, did well due to their safe haven characteristics. The pick-up in US inflation as well as lower opportunity costs of holding gold amid falling yields added to its momentum. In spite of the alleged attack by Iran on Saudi Arabian oil facilities that led to a spike in oil prices the following day, slowdown fears and rising inventories led to negative performance for the energy sector. The ongoing epidemic of African Swine fever in China boosted meat prices across the world, leading to positive returns for the livestock sector.

MARKET BACKGROUND INDEX PERFORMANCE

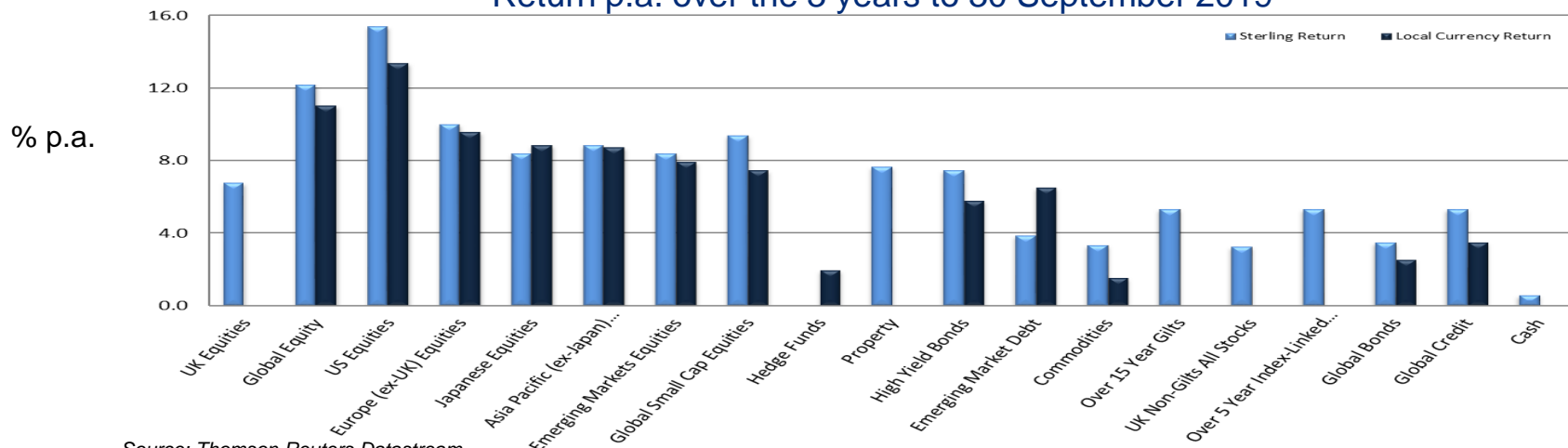
Return over the 3 months to 30 September 2019



Return over the 12 months to 30 September 2019

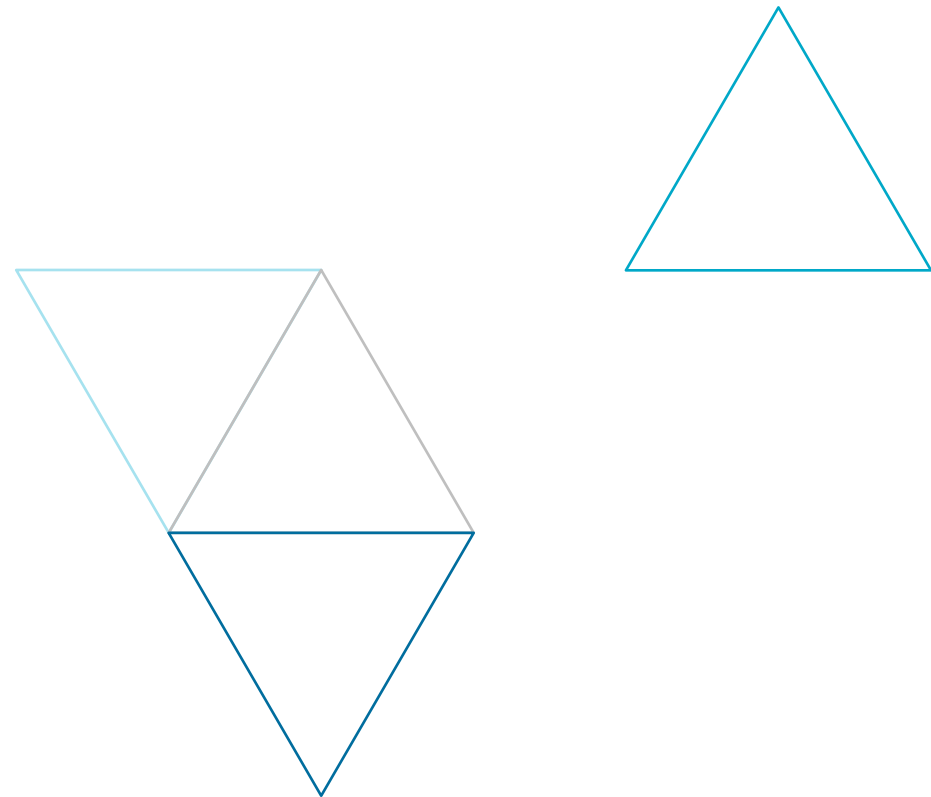


Return p.a. over the 3 years to 30 September 2019



SECTION 3

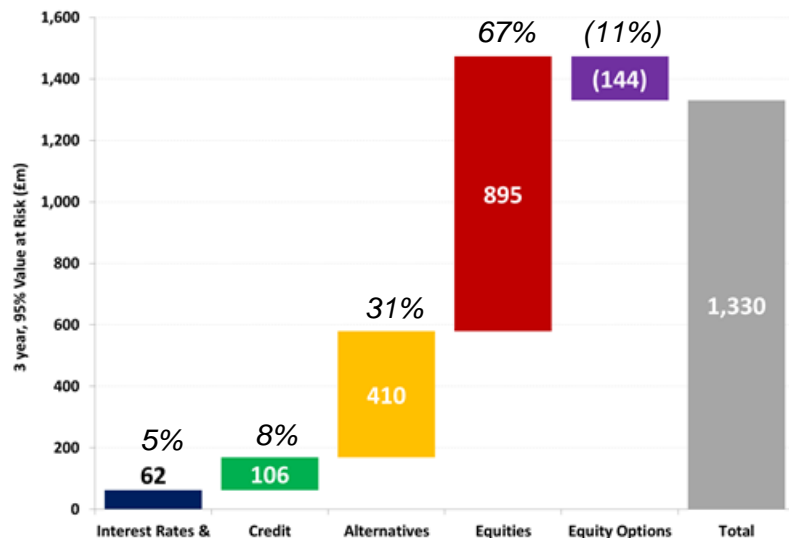
STRATEGIC CONSIDERATIONS



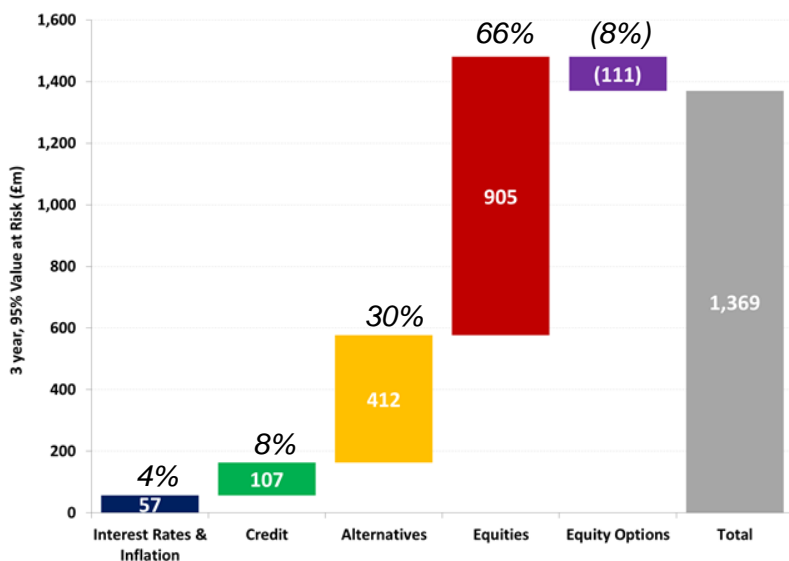
STRATEGIC CONSIDERATIONS

RISK DECOMPOSITION

30 June 2019



30 September 2019



- The two charts to the left illustrate the main risks that the Fund is exposed to on the 2016 funding basis and the size of these risks in the context of the change in the deficit position.
- The purpose of showing these charts is to ensure there is an awareness of the risks faced and how they change over time and to initiate debate on an ongoing basis, around how to best manage these risks, so as not to lose sight of the 'big picture'.
- The grey column on the right hand side of each chart shows the estimated 95th percentile Value-at-Risk (VaR) over a one-year period. In other words, if we consider a downside scenario which has a 1-in-20 chance of occurring, what would be the impact on the deficit relative to our 'best estimate' of what the deficit would be in three years' time.
- If we focus on the chart at 30 September 2019, it shows that if a 1-in-20 'downside event' occurred over the next three years, the deficit would increase by at least an additional **£1.4bn** on top of the current deficit of **£0.1bn**, creating a deficit of **c.£1.5bn**.
- Each bar to the left of the grey bar represents the contribution to this total risk from the primary underlying risk exposures (interest rates and inflation, changes in credit spreads volatility of alternative assets and equity markets, and the benefit from equity options).
- The two charts show that the three-year **VaR has increased by c.£39m over the quarter**. This is partly attributable to the continued rise in equity markets over the period, resulting in a higher total asset value, and proportion of total assets. The equity options are also due to expire in early 2020 hence the reduction in their offset, though the Committee have agreed in principal to extend these.

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

MARKET BACKGROUND

INDEX PERFORMANCE VERSUS STRATEGY

Asset Class	Strategy Assumed Return % p.a.	3 year Index Return % p.a.	Comment
Developed Equities (Global) (FTSE All-World Developed)	8.05	12.6	<i>Remains ahead of the assumed strategic return. This fell slightly from 14.2% p.a. last quarter, as the latest quarter's return of 3.9% was slightly lower than the return of Q3 2016, which fell out of the 3 year return.</i>
Emerging Market Equities (FTSE AW Emerging)	8.70	8.4	<i>The three year return from emerging market equities fell below the assumed strategic return this quarter, having decreased from 12.5% p.a. last quarter. The return over Q3 2019 was negative at -0.5%, and materially lower than the return for the quarter that fell out of the period (11.2%).</i>
Diversified Growth	6.95 (Libor + 4% / RPI + 5%)	6.0 (4.6 / 8.2)	<i>DGFs are expected to produce an attractive return over the long term but with lower volatility than equities – this is the basis for the Libor and RPI based benchmarks. Low cash rates means benchmark has underperformed the long term expected return from equity, but recent higher inflation means RPI benchmark has outperformed. An absolute strategic return of 6.95% p.a. has been used, along with the specific manager targets for comparison. During periods of strong equity returns we would expect DGFs to underperform equities.</i>
UK Gilts (FTSE Actuaries Over 15 Year Gilts)	1.90	5.3	<i>UK gilt returns remain above the long term strategic assumed return as yields remain low relative to historic averages. Over the last quarter, returns were positive for nominal gilts and index linked gilts as yields continued to fall.</i>
Index Linked Gilts (FTSE Actuaries Over 5 Year Index-Linked Gilts)	2.15	5.3	
UK Corporate Bonds (BofAML Sterling Non Gilts)	3.25	3.2	<i>Corporate bond returns, however, fell below the assumed strategic returns, as the return over the quarter of 3.7% was lower than the return in Q3 2016, which fell out of the period.</i>
Fund of Hedge Funds (HFRX Global Hedge Fund Index)	5.10	-0.4	<i>Hedge fund returns turned negative over the quarter and remain below long term averages and the strategic return, as they are affected by low cash rates. It should be noted that the index includes a wide variety of strategies that may have had very divergent returns.</i>
Property (IPD UK Monthly)	5.75	7.7	<i>Actual property returns continue to be ahead of the expected returns. The asset class returned 0.6% over the third quarter of 2019, and saw the three year return grow. This has defied concerns to some extent over slowing rental growth post-Brexit and weak fundamentals, though a cautious outlook may still be required.</i>
Infrastructure (S&P Global Infrastructure)	6.95	9.9	<i>The infrastructure three year return is above the strategic return. This performance was in part driven by currency as sterling depreciated against the US dollar and euro over the last three years. Returns of this index have been largely driven by currency moves. The 100% hedge in place for the infrastructure mandate removes the currency effect from the actual returns earned. This is also true for the global property mandate with Partners.</i>

Source: Thomson Reuters Datastream. Returns are in sterling terms.

DYNAMIC ASSET ALLOCATION (DAA) DASHBOARD – Q4 2019

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

Mercer's current DAA position/view

Position/view last time (if changed)

Equities



Growth Fixed Income & Property (Core)



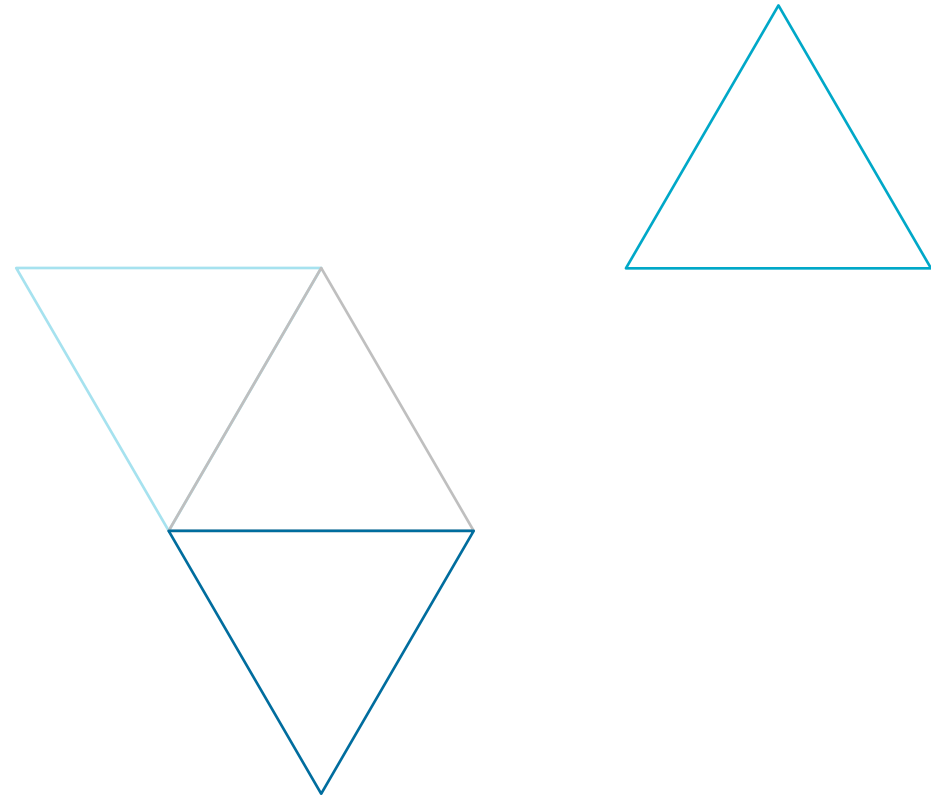
Protective Assets



The charts above summarise Mercer's views on the medium term (1-3 years) outlook for returns from the key asset classes. These views are relevant for reflecting medium term market views in determining appropriate asset allocation. We do not expect the Fund to make frequent tactical changes to their asset allocation based upon these views.

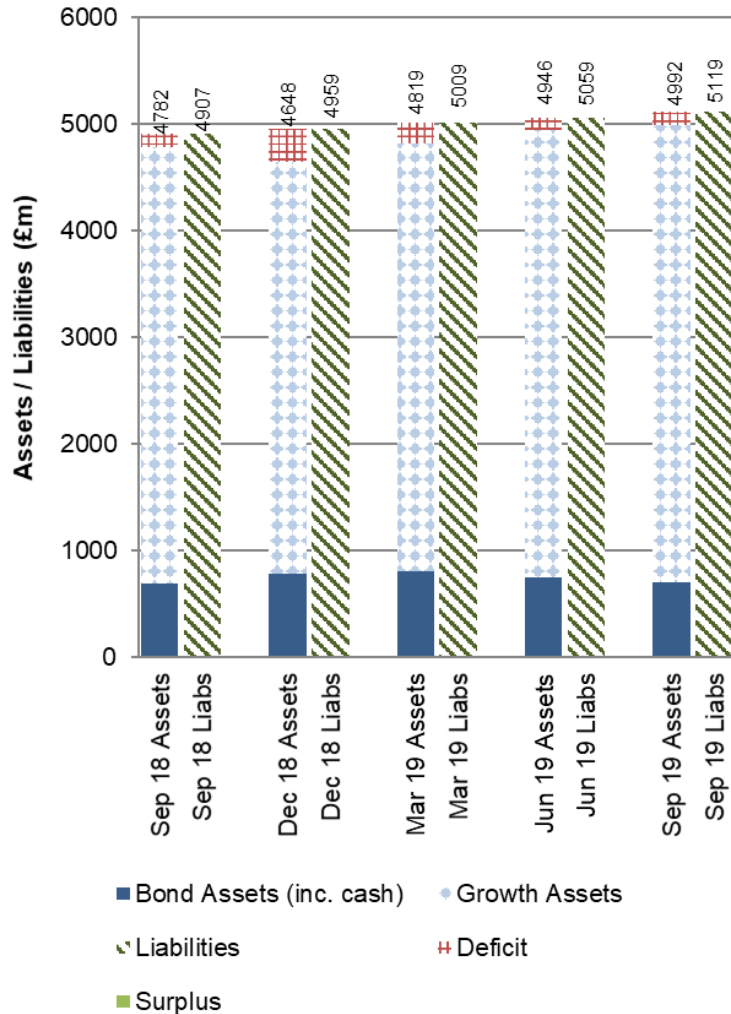
SECTION 4

CONSIDERATION OF FUNDING LEVEL



CONSIDERATION OF FUNDING LEVEL

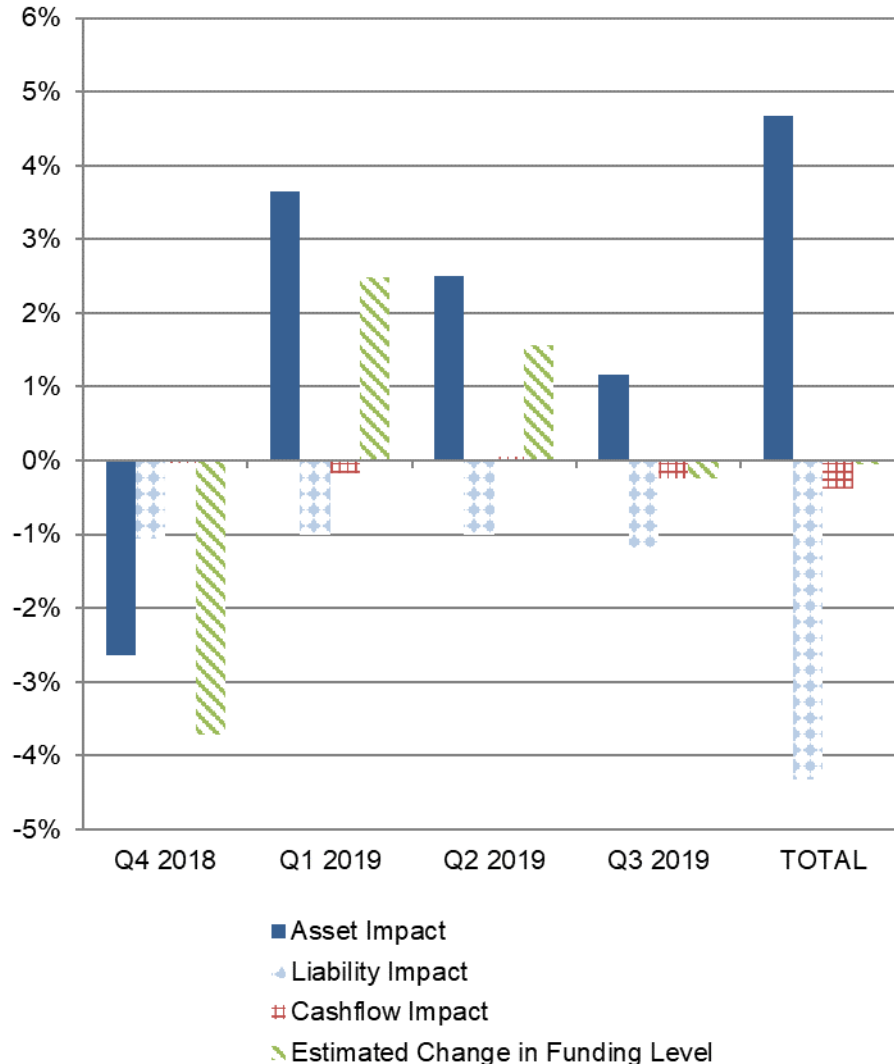
ATTRIBUTION OF CHANGE IN DEFICIT/SURPLUS



- Based on financial markets, investment returns and net cashflows into the Fund, the deficit was estimated to have increased slightly over the third quarter of 2019, from £113m to £127m.
- This occurred as the present value of the liabilities increased a bit more than the value of the assets over the period.
- This is calculated using the actuarial valuation assumptions as at 31 March 2016 and the 'CPI plus' discount basis.

CONSIDERATION OF FUNDING LEVEL

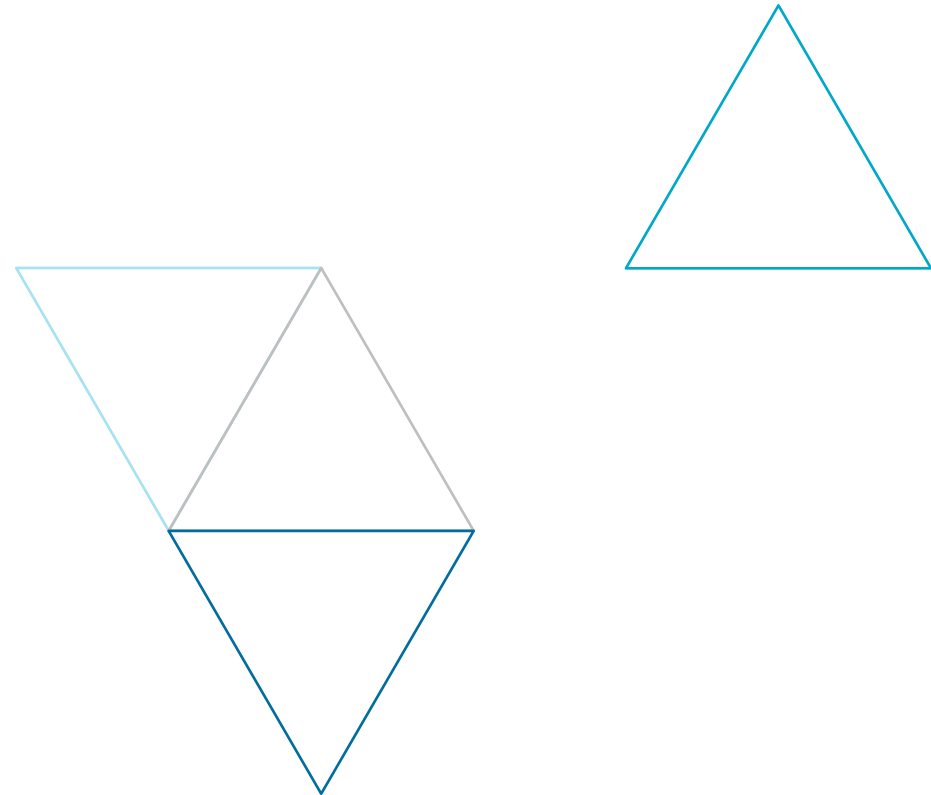
ATTRIBUTION OF CHANGE IN FUNDING LEVEL



- The Fund's assets returned 1.2% over the quarter, whilst the Fund's liabilities also increased by an estimated 1.2%.
- The combined effect of this, also allowing for cashflow over the period, was that the funding level remained broadly unchanged at c.98%.
- Over the one-year period, the funding level was also estimated to be broadly unchanged.

SECTION 5

FUND VALUATIONS



FUND VALUATIONS

VALUATION BY ASSET CLASS

Asset Allocation									
Asset Class	Start of Quarter (£'000)	End of Quarter (£'000)	Start of Quarter (%)	End of Quarter (%)	Target Strategic Benchmark (%)	Ranges (%)			Difference (%)
Developed Market Equities	1,847,732	1,903,608	37.4	38.1	34.0	29	-	39	+4.1
Emerging Market Equities	237,109	237,739	4.8	4.8	6.0	3	-	9	-1.2
Diversified Growth Funds	608,926	618,077	12.3	12.4	15.0	10	-	20	-2.6
Fund of Hedge Funds	239,766	250,926	4.8	5.0	5.0	0	-	7.5	0.0
Property	474,133	462,454	9.6	9.3	10.0	5	-	15	-0.7
Infrastructure	362,675	384,700	7.3	7.7	5.0	0	-	7.5	+2.7
Multi-Asset Credit	424,019	429,778	8.6	8.6	11.0	6	-	16	-2.4
Corporate Bonds	119,134	125,865	2.4	2.5	2.0	No set range			+0.5
LDI*	511,798	484,721	10.3	9.7	12.0	No set range			-2.3
Cash (including currency instruments)	121,101	94,488	2.4	1.9	-	0	-	5	+1.9
Total	4,946,392	4,992,355	100.0	100.0	100.0				0.0

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

* Valuation includes mark-to-market value of equity protection strategy.

- Invested assets increased over the quarter by £46m due to positive returns from overseas equities in particular. Infrastructure has drifted to marginally above its tolerance range, although all other asset classes remain within their ranges.

FUND VALUATIONS

VALUATION BY MANAGER

Manager Allocation						
Manager	Asset Class	Start of Quarter (£'000)	Cashflows (£'000)	End of Quarter (£'000)	Start of Quarter (%)	End of Quarter (%)
BlackRock	Global Equities	469,102		487,210	9.5	9.8
BlackRock	Corporate Bonds	119,134		125,865	2.4	2.5
BlackRock	LDI*	511,798		484,721	10.3	9.7
BlackRock	Cash	75,328	-45,000	32,544	1.5	0.7
Brunel	Global Low Carbon Equities	556,894		580,755	11.3	11.6
Brunel	UK Equities	193,138		193,703	3.9	3.9
Jupiter	UK Equities	200,068		203,303	4.0	4.1
Jupiter	Global Sustainable Equities	11,679		12,064	0.2	0.2
Schroder	Global Equities	416,537		426,266	8.4	8.5
Genesis	Emerging Market Equities	123,271		125,730	2.5	2.5
Unigestion	Emerging Market Equities	113,837		112,010	2.3	2.2

Source: Investment Managers, Mercer. Totals may not sum due to rounding.

* Valuation includes mark-to-market value of equity protection strategy.

FUND VALUATIONS

VALUATION BY MANAGER CONTINUED

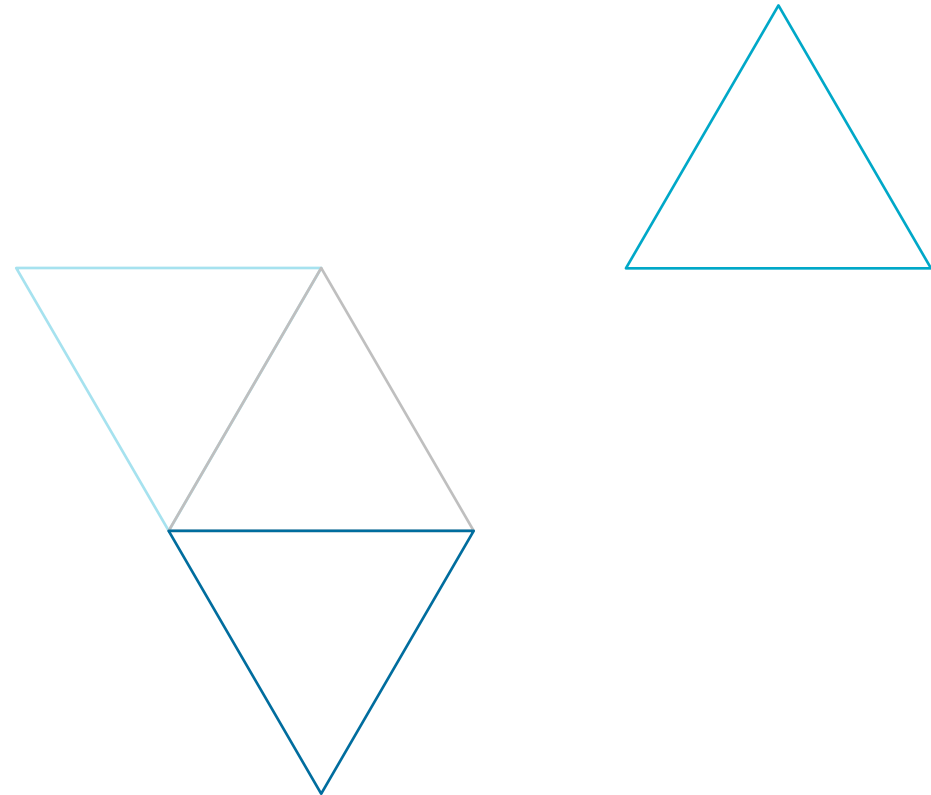
Manager Allocation						
Manager	Asset Class	Start of Quarter (£'000)	Cashflows (£'000)	End of Quarter (£'000)	Start of Quarter (%)	End of Quarter (%)
Pyrford	DGF	221,023		223,048	4.5	4.5
Ruffer	DGF	387,902		395,029	7.8	7.9
JP Morgan	Fund of Hedge Funds	239,766		250,926	4.8	5.0
Schroder	UK Property	242,250	-14,025	229,400	4.9	4.6
Partners	Property	214,950	-2,458	215,926	4.3	4.3
Brunel	Secured Income	16,933		17,128	0.3	0.3
IFM	Infrastructure	352,075		365,379	7.1	7.3
Brunel	Infrastructure	10,600	+8,607	19,321	0.2	0.4
Loomis Sayles	Multi-Asset Credit	424,019		429,778	8.6	8.6
Record Currency Management	Currency Hedging	-6,405		-23,146	-0.1	-0.5
Internal Cash	Cash	52,178		85,090	1.1	1.7
Total		4,946,392		4,992,355	100.0	100.0

Source: Investment Managers, Mercer. Totals may not sum due to rounding.

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

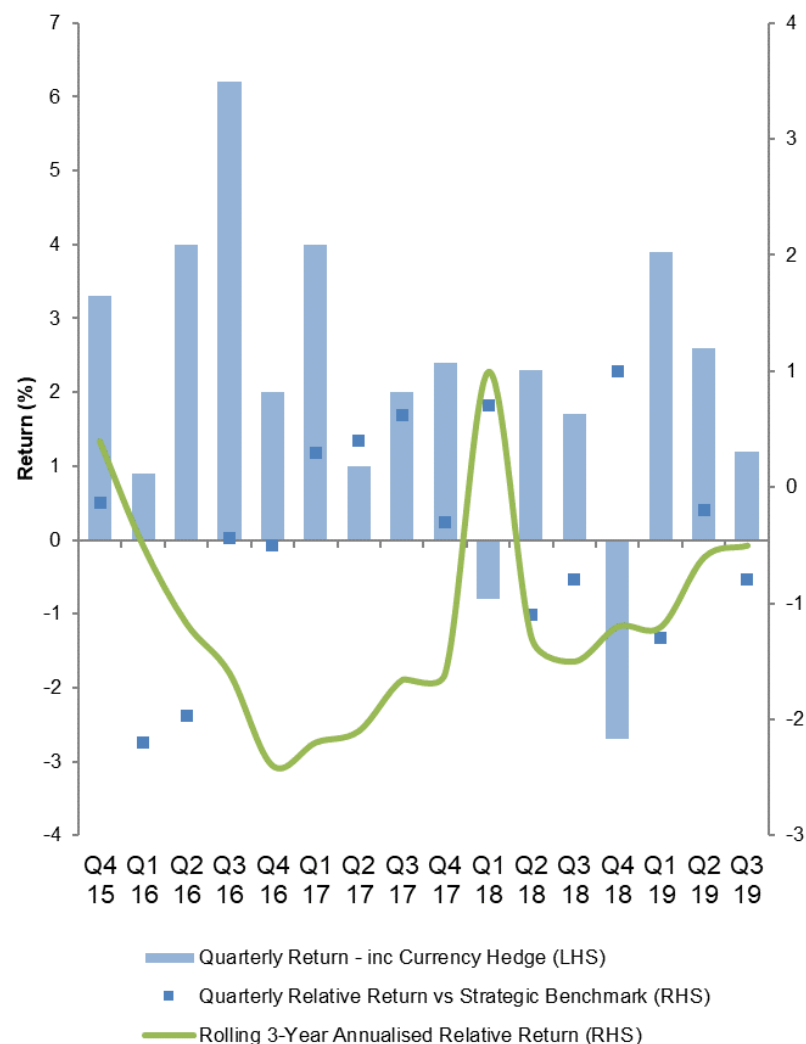
SECTION 6

PERFORMANCE SUMMARY



PERFORMANCE SUMMARY

TOTAL FUND PERFORMANCE



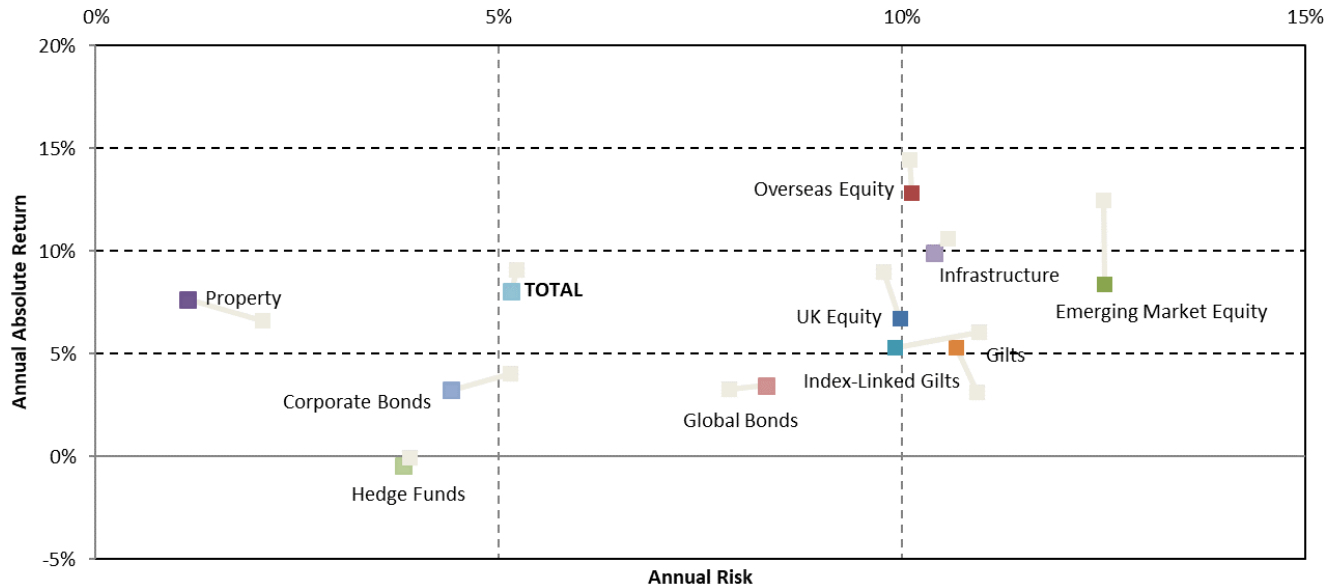
	3 Months (%)	1 Year (%)	3 Years (% p.a.)
Total Fund	1.2	5.0	6.6
Total Fund (ex currency hedge)	1.7	6.3	7.1
Strategic Benchmark (ex currency hedge)	2.2	6.5	7.6
Relative	-1.0	-1.5	-1.0

- Over the quarter, the Fund underperformed the Strategic Benchmark by 1.0%. The Fund also underperformed the Strategic Benchmark over the year by 1.5%, and over the three year period by 1.0%.
- Since Sterling has depreciated over each of the periods in question, the Fund's currency hedging mandate has detracted value.

MANAGER MONITORING

RISK RETURN ANALYSIS

3 Year Risk v 3 Year Return to 30 September 2019



This chart shows the 3 year absolute returns against three year volatility (based on monthly data in sterling terms), to the end of September 2019, for each of the broad underlying asset benchmarks (using the indices set out in the Appendix), along with the total Fund strategic benchmark (using the benchmark indices and allocations from BNY Mellon). We also show the positions as at last quarter, in grey.

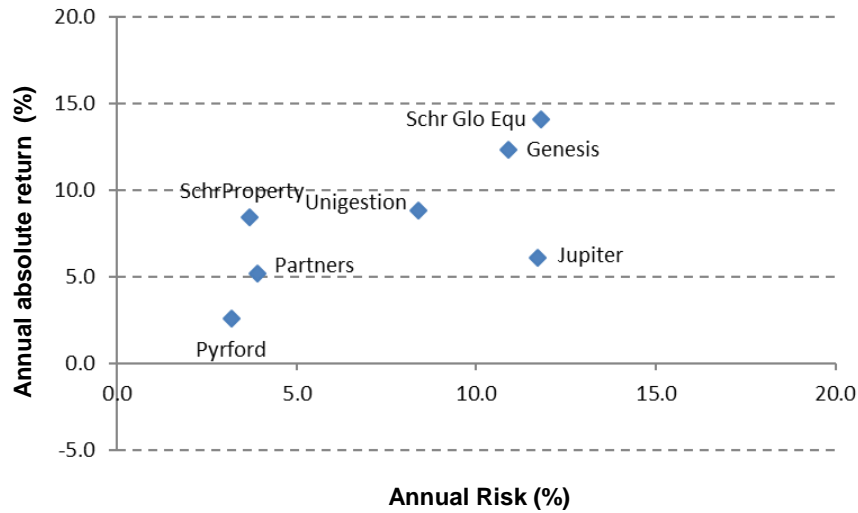
Comments

- Most asset classes saw decreases in observed returns over the three-year period, with notable falls coming from Overseas and Emerging Market Equity.
- Associated volatilities also fell across most asset classes. These changes were less pronounced, although some declines of note came from Property and Index-Linked Gilts.

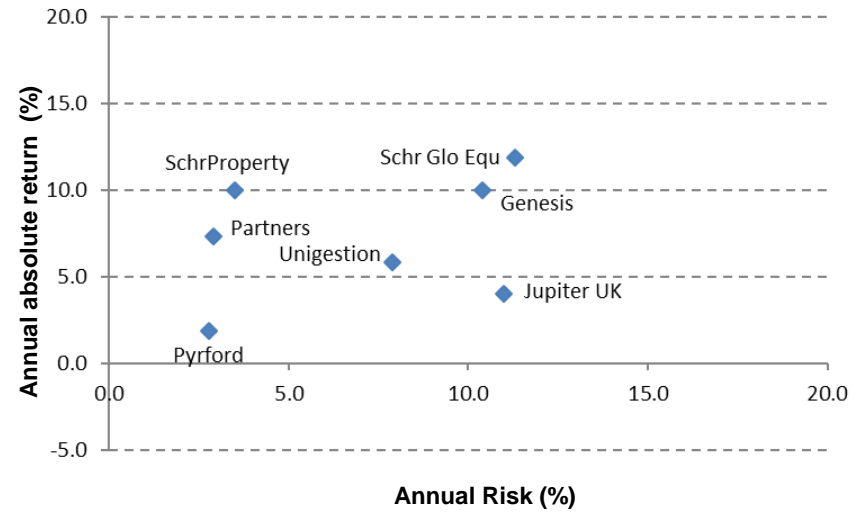
MANAGER MONITORING

RISK RETURN ANALYSIS

3 year Risk vs 3 year Return to 30 June 2019



3 year Risk vs 3 year Return to 30 September 2019



Comments

- The property mandates saw their three-year return increasing modestly over the quarter, while all of the equity and DGF mandates saw their three-year return fall slightly (with the exception of Jupiter).

MANAGER MONITORING

MANAGER PERFORMANCE TO 30 SEPTEMBER 2019

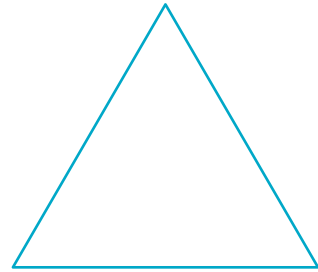
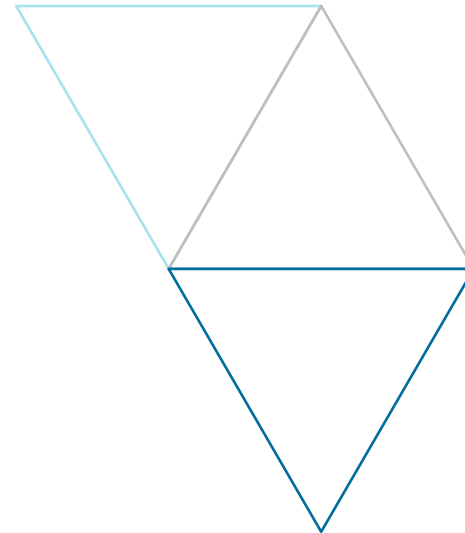
Manager/ Asset Class	3 Months			1 Year			3 Year			3 Year Performance Target (% p.a.)	3 Year Performance vs Target
	Fund (%)	B'mark (%)	Relative (%)	Fund (%)	B'mark (%)	Relative (%)	Fund (% p.a.)	B'mark (% p.a.)	Relative (% p.a.)		
BlackRock Equities	1.6	1.4	+0.1	6.7	6.1	+0.6	12.6	12.3	+0.3	-	N/A
BlackRock Corporate Bonds	5.7	5.7	0.0	15.9	15.9	0.0	3.8	3.9	0.0	-	N/A
BlackRock LDI	3.3	3.3	0.0	8.4	8.4	0.0	4.9	4.9	0.0	-	N/A
Brunel UK Equity	0.3	1.3	-1.0	N/A	N/A	N/A	N/A	N/A	N/A	-	N/A
Brunel Passive Low Carbon Equity	4.3	4.3	0.0	9.0	9.0	0.0	N/A	N/A	N/A	-	N/A
Jupiter UK Equity	1.6	1.3	+0.3	1.0	2.7	-1.7	3.9	6.8	-2.7	+2	Target not met
Jupiter Global Sustainable Equity	3.3	3.4	-0.1	13.0	7.9	+4.7	N/A	N/A	N/A	+2-4	N/A
Schroder Equity	2.3	3.4	-1.1	6.5	7.9	-1.3	11.9	12.3	-0.4	+4	Target not met
Genesis	2.0	-1.0	+3.0	14.0	4.1	+9.5	10.1	8.3	+1.7	-	Target met
Unigestion	-1.6	-1.1	-0.5	-2.4	3.7	-5.9	5.6	7.9	-2.1	+2-4	Target not met
Pyrford	0.9	1.8	-0.9	2.9	7.6	-4.4	1.9	8.3	-5.9	-	Target not met
Ruffer	1.8	1.5	+0.3	1.5	6.0	-4.2	N/A	N/A	N/A	-	N/A
JP Morgan	-0.4	1.4	-1.8	2.0	5.6	-3.4	4.5	4.8	-0.3	-	Target not met
Schroder Property	0.4	0.4	0.0	2.3	2.2	+0.1	6.8	6.7	+0.1	+1	Target not met
Partners Property*	1.7	2.5	-0.8	5.3	10.0	-4.3	4.6	10.0	-4.9	-	Target not met
Brunel Secured Income	1.2	0.6	+0.6	N/A	N/A	N/A	N/A	N/A	N/A	-	N/A
IFM	0.5	1.2	-0.8	8.2	5.4	+2.7	13.9	4.3	+9.2	-	N/A
Brunel Infrastructure	1.6	0.6	+1.0	N/A	N/A	N/A	N/A	N/A	N/A	-	N/A
Loomis Sayles	1.4	1.2	+0.2	6.5	4.9	+1.5	N/A	N/A	N/A	-	N/A

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

* Performance to 30 June 2019 as this is the latest date that this is available to.

APPENDIX 1

SUMMARY OF MANDATES

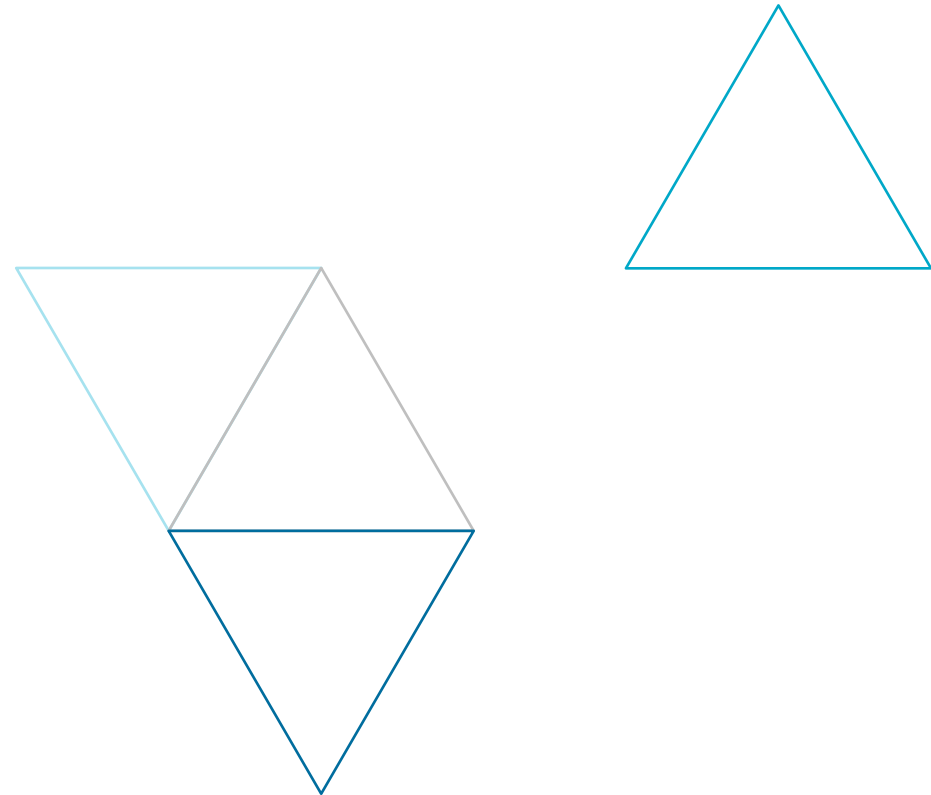


SUMMARY OF MANDATES

Manager	Mandate	Benchmark	Outperformance Target (p.a.)
Brunel	Passive Global Low Carbon Equities	MSCI World Low Carbon	-
BlackRock	Passive Global Equities	MSCI World	-
BlackRock	Buy-and-Maintain Corporate Bonds	Return on bonds held	-
BlackRock	Matching (Liability Driven Investing)	Return on liabilities being hedged	-
Brunel	Active UK Equities	FTSE All Share	+2%
Jupiter Asset Management	UK Equities (SRI)	FTSE All Share	+2%
Jupiter Asset Management	Global Sustainable Equities (SRI)	MSCI AC World	+2-4%
Schroder	Global Equities (Unconstrained)	MSCI AC World	+4%
Genesis	Emerging Market Equities	MSCI Emerging Markets IMI TR	-
Unigestion	Emerging Market Equities	MSCI Emerging Markets NET TR	+2-4%
Pyrford	Diversified Growth Fund	RPI +5% p.a.	-
Ruffer	Diversified Growth Fund	3 Month LIBOR +5% p.a.	-
JP Morgan	Fund of Hedge Funds	3 Month LIBOR +3% p.a.	-
Schroder	UK Property	IPD UK Pooled	+1%
Partners	Overseas Property	Net IRR of 10% p.a. (local currency)	-
Brunel	Secured Income	CPI	+2%
IFM	Infrastructure	6 Month LIBOR +2.5% p.a.	-
Brunel	Infrastructure	CPI	+4%
Loomis Sayles	Multi-Asset Credit	3 Month LIBOR +4% p.a.	-
Record	Passive Currency Hedging	N/A	-
Cash	Internally Managed	7 Day LIBID	-

APPENDIX 2

MARKET STATISTICS INDICES



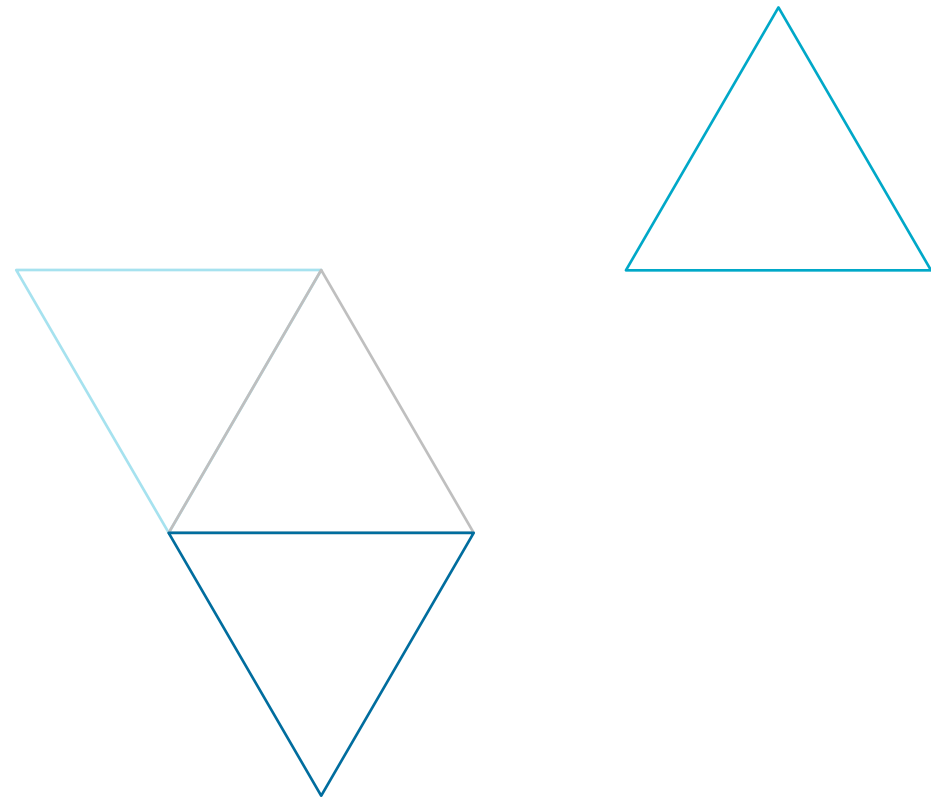
MARKET STATISTICS INDICES

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

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

APPENDIX 3

CHANGES IN YIELDS

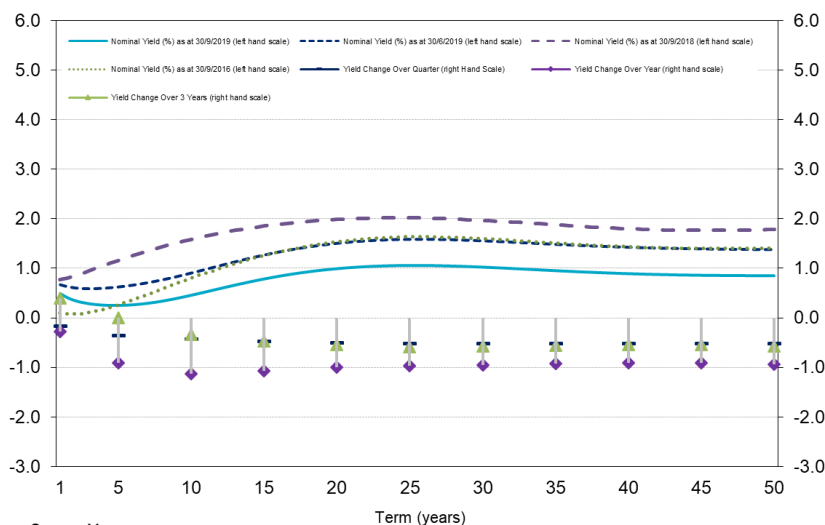


CHANGES IN YIELDS

Asset Class Yields (% p.a.)	30 Sep 2019	30 Jun 2019	30 Sep 2018	30 Sep 2017
UK Equities	4.21	4.13	3.80	3.68
Over 15 Year Gilts	0.91	1.40	1.86	1.84
Over 5 Year Index-Linked Gilts	-2.20	-1.89	-1.49	-1.51
Sterling Non Gilts	1.84	2.16	2.63	2.30

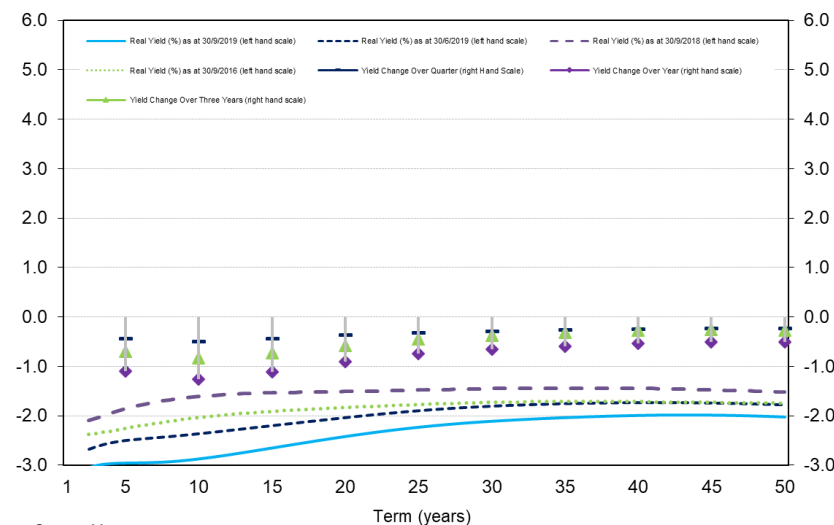
- Nominal yields were again down across the curve over the quarter.
- The Over 15 Year Gilt Index generated a return of 11.0%, outperforming the broader global bond market over the quarter.
- Real yields also fell across the curve over the quarter. The Over 5 Year Index-Linked Gilts Index also returned 8.7% as a result.
- Credit spreads were mostly flat over the quarter, as investors left risk allocations largely unchanged given the ongoing slowdown fears. The sterling Non-Gilts All Stocks Index credit spread ended the quarter at c.1.3% p.a., and UK credit assets delivered a return of 3.7% over the quarter.

Nominal yield curves



Source: Mercer.

Real yield curves



Source: Mercer.

MAKE
TOMORROW,
TODAY



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