



## **Brunel Portfolios Performance Report for Quarter Ending 31 December 2019**

# Contents

---

Page 3	- About Brunel and News
Page 4	- Executive Summary
Page 5	- Market Summary – Chief Investment Officer
Page 7	- Market Summary – Head of Private Markets
Page 10	- Responsible Investment & Stewardship Review
Page 13	- High Level Performance of Pension Fund
Page 14	- Asset Allocation of Pension Fund
Page 15	- High Level Performance of Pension Fund – Risk Summary
Page 16	- Brunel Portfolios Overview

Over the past quarter activities have continued at pace, with some refreshing new challenges and opportunities presenting themselves.

In December we were delighted to announce the appointment of Laura Chappell as our new Chief Executive Officer (CEO). Laura was previously Brunel's Chief Compliance and Risk Officer (CCRO) and has been Acting CEO since September 2019.

Through the quarter we have delivered further portfolios;

- Emerging Markets, launched in November 2019 with around £1 billion of assets
- Our largest portfolio, High Alpha Equities, launched in December 2019 with over £2.5 billion of assets
- We also developed a platform in partnership with BlackRock to enable our Clients to access Liability Driven Investment and other risk management strategies

Brunel Investment Principal Private Markets Gillian De Candole participated in a recent LGPS roundtable hosted by Room 151. Gillian spoke about our expectations of asset managers and how we go about ensuring ESG considerations are fully integrated across their processes.

Looking forward to the first quarter of 2020, we hope you will have seen the launch of our Climate Change Policy on 27 January 2020. In partnership with our clients, Brunel's new policy – 'A five-point plan to build a financial system which is fit for a carbon-zero future' – builds on insights gained in the course of procuring new asset managers for your portfolios. We have developed a dedicated area of our website, which we hope you will find engaging:

[www.brunelpensionpartnership.org/climate-change](http://www.brunelpensionpartnership.org/climate-change)

You can keep up to date with the latest from Brunel by visiting our website ([www.brunelpensionpartnership.org](http://www.brunelpensionpartnership.org)) where you can sign up for news alerts.

# Executive Summary

## High Level Performance of Pension Fund

The Fund delivered positive absolute performance, though lagged its strategic benchmark. GBP performance was +0.06% over the quarter, which was 1.87% behind the strategic benchmark. Over 1 year, the Fund has returned +7.71%, 4.68% behind the strategic benchmark.

Private Market assets reflect the most recent valuation which may include lagged data.

### Key Points:

- +0.06% Absolute Net Performance Q4
- -1.87% Relative Performance vs Strategic benchmark Q4
- +7.71% Absolute Net Performance 1Y
- -4.68% Relative Performance vs Strategic benchmark 1Y

## Fund Specific Events

New commitments in Listed Equity:

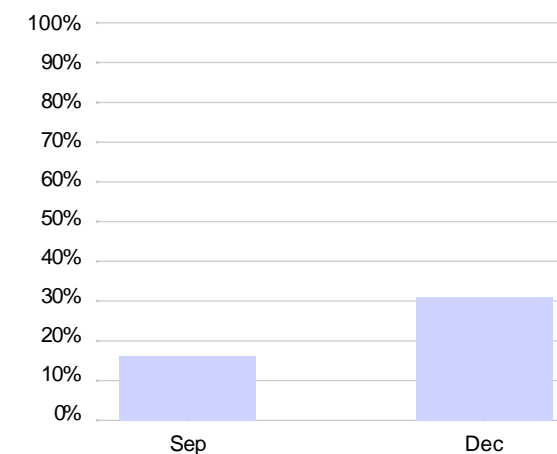
Brunel High Alpha Developed Equities £421.9m

Brunel Emerging Market Equities £237.6m

## Total Fund Valuation

	Total (GBPm)
30 Sep 2019	4,993
31 Dec 2019	4,985
Net cash inflow (outflow)	-10

## Assets Transitioned to Brunel



# Market Summary – Chief Investment Officer

The last quarter was once again characterised by strong returns across the vast majority of global equity markets, despite a gradual slowdown in earnings growth over the same period. Global equities, proxied using MSCI AC World, returned +1.5% over the quarter in GBP terms. This resulted in an impressive 2019 return of +22.4%.

## UK Equities

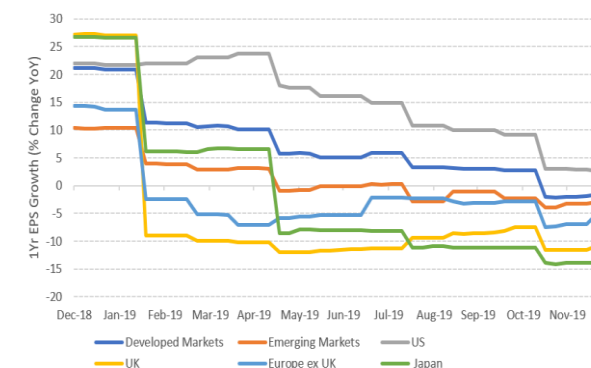
- UK Equities were positive in Q4 2019. The FTSE All Share returned +4.2% over the quarter resulting in a 2019 return of +19.2%
- Most of the positive return over the quarter can be attributed to the outcome of the UK General Election. The Conservative party won a majority of 80 seats in parliament, which prompted a rally in the UK equity market. The FTSE All share rose by +3.7% in the two days after the general election
- Within the UK, Technology & Utilities were by far the strongest sectors over the quarter, returning +14.6% & +13.6% respectively. The weakest sector was Oil & Gas, which returned -6.1% over the quarter
- There was a large amount of return dispersion across the market cap spectrum in Q4 2019. Small cap securities had a very strong quarter, with the smallest 10% of benchmark securities returning +11.6% in GBP terms. Large cap stocks experienced the opposite, with the largest 10% of benchmark securities falling -6.1%

## Global Developed Equities

- Global developed equities appreciated by +1.1% in GBP terms over the quarter, capping a strong year for the asset class. Total returns over 2019 were 23.4% in GBP terms
- Monetary policy in the US was supportive for global equities in 2019. The Federal Reserve cut the target policy rate for the third time in October to 1.75%, down from a high of 2.5% at the beginning of the year. Trade tensions between the US and China have eased slightly following a turbulent start to 2019. Donald Trump announced in late December that a “phase one” trade deal will be signed in January 2019
- The best performing regions in developed equities last quarter were the UK and the US, which returned +4.2% and +1.5% respectively. Europe Ex UK was one of the lowest performing areas, although the return was still +1.0% in GBP terms
- Technology was a strong performer over the quarter, returning +6.1% in GBP terms. The weakest sector was Real Estate, which returned -5.7%

## EPS Growth - % Change YoY

Source: FactSet



## FTSE All Share vs FTSE Small Cap

Source: FactSet



# Market Summary – Chief Investment Officer

---

## Emerging Market Equities

- Emerging Markets rose by +4.1% over the quarter in sterling terms. This contributed to a 2019 return of +14.3%. The return in local terms was greater for the trailing quarter and 2019 due to the appreciation of GBP vs Emerging Market currencies
- A weaker USD aided emerging markets in the last few months of the year. The DXY – a measure of US Dollar strength – fell by -3.0% in Q4 2019; conversely, EM currencies appreciated on aggregate vs the US Dollar. The MSCI Emerging Markets Currency Index, a measure of EM currency strength, increased by +3.6% over the quarter. China, Korea & Taiwan were the main sources of the return over the last quarter by country; their returns were +6.7%, +5.8% & +9.8% respectively.
- Most sectors in emerging markets experienced positive returns in the last quarter. Technology was particularly impressive, rising +10.7% in Q4 2019. The defensive sectors lagged over the quarter; Consumer Staples and Utilities lagged the most, they returned -4.5% & -3.0% respectively

# Market Summary – Head of Private Markets

---

## Overview

Following the significant political and market events of Q4, namely the UK general election outcome and progress on Brexit plans, the US-China relationship uncertainties and the prospects for economic slowdown, markets remain susceptible to speculation. The Brunel Private Markets manager search continues in line with portfolio specifications while also being conscious of the potential changes that may arise as a result.

Indicative client commitments for Cycle 2 suggest that the team will be looking to deploy over £2.5bn across all private market portfolios. Engagement with managers has already commenced for Cycle 2 while the team finalise commitments for Cycle 1 before end of March 2020.

## Infrastructure

Managers globally have moved towards an approach of renewable-only vehicles and removing the renewable energy (RE) sector from their Core strategies. This is a theme we have seen for the next iteration of many Infrastructure funds. The sector has largely evolved with new technologies, and the demand for RE is increasingly high, meaning that more and more strategies are coming to market to satisfy this demand. Core infrastructure funds are developing greater focus on the transport, fibre-optic and datacentre sectors, increasingly being more able to scrutinise projects with a strong ESG lens and identifying market demands.

The spin out of the core infrastructure team from Mirova to form Vauban Infrastructure Partners (remaining an affiliate of Natixis Investment Managers) was completed in Q4 2019. Core Infrastructure Fund 2 deployment is on track with 98% of fund capital committed to 12 assets of which 61% has been called from investors. Vauban is exploring opportunities to bring co-investors into the largest assets, with a view to deploy fund capital into one or two more assets. Both Capital Dynamics Clean Energy Funds remain on track with their fundraising and deployment of capital. The US fund announced the acquisition of a new solar project, sourced with the support of an existing crucial partner 8minute solar energy. This increased the CEI global portfolio to c6.1GWdc of gross power generation in 2019. The NTR Renewable Energy Fund 2 shareholder committee agreed in December to extend the fundraising period to June 2020 (from December 2019). The manager is now confident they will get to the desired commitment levels by then, given the indications of desired capacity by other investors.

Brunel remains on track to finalise a diversified Cycle 1 infrastructure portfolio for Clients, consisting of eight to nine primary funds plus coinvests and secondaries through this bespoke vehicle. The bespoke vehicle agreement is due to be formally signed in Q1 but Brunel has already engaged with the manager to discuss their preferred opportunities and the pipeline for the remaining Cycle 1 capital as well as for Cycle 2.



# Market Summary – Head of Private Markets

## Private Equity

Global private equity fundraising activity remains high as top quality GPs continue to raise record-breaking funds due to strong demand from investors. Deal activity is strong and on pace with 2018. The investment environment continues to be competitive with valuations near the upper end of their historical range.

The global secondary market maintained its growth momentum. H1 2019 transactions volume reached \$42bn, which is a record. GP led transactions are gaining share and are expected to play an important role in the growth of the secondary market. Secondary transactions reached a record of \$70bn in 2018 and 2019 looks to be on track to reach or exceed that level.

Capital Dynamics Global Secondaries Fund V continues to deploy at a fast pace and is performing strongly at 1.13 TVM and 30% Net IRR. CD has achieved an A+ score in Indirect Private Equity per the H2 results. NB Strategic Co-Investment Fund received commitments of over 50% of target fund size (at c. \$1.1 billion in the first close) and made its first investment. NB Impact Fund continued to fundraise and deploy in line with expectations, with a strong pipeline for 2020.

The Brunel PE team made a commitment to Ardian Buyout Fund 7, a large mature buyout Pan-European focused fund, which has already successfully closed two deals in the technology and healthcare space. The latest deal, AGFA, was acquired jointly with one of Ardian's existing portfolio companies, Dedalus, with the combined group now being continental Europe's largest provider of healthcare information software in hospitals and other medical settings.

Three more primary PE commitments are in due diligence for Cycle 1, including a large global buyout fund, a European growth fund and a UK only buyout fund.

## Secured Income

Investment in the two selected long-lease property funds has been extremely slow over H2 2019. ASI is still looking to complete on a purchase that has been delayed since summer 2019, but in the meantime M&G has purchased a portfolio of 40 Holiday Inn Express ground rents for £240m. M&G is also under offer for a further £110m portfolio of assets and has drawn down £142m from investors in the last quarter of 2019, bringing Brunel's clients much closer to the front of M&G's investor queue.

Over 50% of last quarter's £127m commitment to Greencoat Renewable Income Fund (GRI) has been drawn down over the last four months and has been mainly invested in an operating biomass power plant as well as funding construction of agricultural greenhouse heat pump projects. Further diversification into solar power is in the GRI pipeline for 2020.

**ABF7 is now the owner of continental Europe's largest provider of healthcare software**



**Greencoat asset Templeborough Biomass asset**





# Market Summary – Head of Private Markets

## Property

2019 transaction volumes in the UK were subdued at around £44bn compared with levels around £60bn in 2017 and 2018. Total returns for UK commercial property are likely to be only 0.4% for 2019, largely undermined by the continuing revaluation of the retail sector, where capital values have fallen by around 10%. Though the Industrial sector has acted as a counterbalance to retail (with a total return of over 6% for 2019), the yield compression in Industrials, caused by tight supply and strong structural demand, has left the sector looking expensive. Office values, particularly in central London, have remained surprisingly resilient despite the UK's political dramas and, once again, the Alternatives sector (student accommodation, hotels, storage and care homes) have been the best-performing assets in 2019. This trend is likely to continue as investors question the ability of the traditional UK commercial sectors to improve rental income from current levels over the next few years. Internationally, property yields were relatively unchanged in 2019, though interest rate cuts may provide renewed downward impetus on yields in some markets this year. Annual returns from real estate in France and Japan improved in 2019 but, generally, most markets showed a modest slowdown in total returns to around 6%.

**An Octopus Healthcare Fund asset in Canterbury**



# Responsible Investment & Stewardship Review

## Audit Quality – vital to investors, the economy and society

December 18, 2019 saw the publication of the long-awaited 'Brydon review' on the quality and effectiveness of audit'. This was the same day Denise Le Gal (Chair), Patrick Newberry (NED) and Faith Ward (CRIO) met Sir Jon Thompson, the new CEO of the **Financial Reporting Council (FRC)**.

The [final report](#) makes 64 recommendations, including the establishment of a new corporate auditing profession with a unifying purpose and set of principles. Other recommendations directly linked to our engagement on the topic related to fraud, the effectiveness of companies' internal controls over financial reporting and communication and transparency within the audit process and audit report. We were also delighted that Brydon referred to climate change which we think is vital in companies articulating their approach to assurance and resilience.

Brydon also made recommendations relating to the role of shareholders which was one of the main topics discussed at the meeting with Sir Jon Thompson where we committed to continue Brunel's involvement on the FRC's Investor Advisory Group and to retain audit as a thematic priority in Brunel's RI strategy.

## Climate Change

The devastating Australian wildfires ensured climate change has remained high on the agenda of global leaders as it has by our clients. We have been delighted to provide wide range of support to clients including carbon footprints, workshops, stakeholder engagement and specific deep-dive training sessions on climate change.

We launched the Brunel's Climate Change Policy on 27 January. We would like to thank and acknowledge the considerable contribution from you all in its formation. We have created a dedicated area of our [website](#) that includes the policy, a summary, a climate change briefing and frequently asked questions. We will continue to add more with the aim of demonstrating best practice in communicating with both our own, and your stakeholders, on how we are managing the impact of climate change.



# Responsible Investment & Stewardship Review

## Climate Change (continued)

Whilst we may have only just published our policy, we have already been implementing it. Two recent examples of our policy in practice are **BlackRock and Barclays**. We recently appointed **BlackRock** to deliver bespoke investment risk management services to our clients. BlackRock joined us in Climate Action 100+ , together with [Larry Fink's letter](#) which sets out a considerable step change in their commitment to climate change and sustainability more broadly. The Head of Blackrock's UK business acknowledged our role in these outcomes;

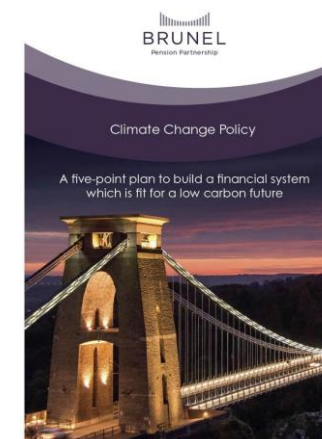
*"We greatly value the active engagement and thought leadership from the Brunel investment team. Brunel's proactive and collaborative approach to partnership, combined with their expertise in sustainability, has greatly contributed to the industry's growing recognition of the importance of climate risk. Sustainability is the new standard for investing at BlackRock and we look forward to our ongoing partnership with Brunel and leading further change across the industry for the benefit pension scheme members"*

The other highlight was our co—filing (alongside institutional investors managing over £130 billion in assets) of a climate-related shareholder resolution that will go to a vote at **Barclays'** annual general meeting in May 2020. The proposal requests that the bank publishes a plan to gradually phase out the provision of financial services to energy companies and to utilities that are not aligned with the goals of the Paris climate agreement. Barclays is the largest financier of fossil fuels in Europe and the sixth largest globally, providing US \$85 billion of finance to fossil fuel companies since 2015.

## Energy Transition – TPI Transportation Sector Report Released

The main finding is that, although it is encouraging that 1 in 3 major transport firms (35%) now align with the 'Paris Pledges' in 2015, the sector is not moving fast enough. 2020 is expected to be the year when global climate targets ratchet up but only one in five (19%) transport firms are on track to limit climate change to 2 degrees or below. This is important because direct emissions from transport currently account for nearly one quarter of total energy-related CO2 emissions worldwide. See TPI's revamped [website](#).

## "A financial system fit for a low carbon future" – Brunel five-point plan



## Carbon Performance: sector breakdown

- Shipping fares better than any other sector in the TPI database on Carbon Performance. Eight of the 13 companies we assess are aligned with the most ambitious Below 2C benchmark. This is due in part to the structure of the sector. Carbon intensity varies significantly by vessel type and size. Larger shipping companies tend to operate bigger, more efficient vessels. Thus the public companies we assess may be unrepresentative of the sector as a whole.
- By contrast, airlines is the second worst performing TPI sector on Carbon Performance (oil & gas being the worst). Only two airlines are expected to be aligned with any of the benchmarks by 2030; Easyjet and Wizz Air. This is due in part to airlines' use of **net** emissions reduction targets, which include the use of offsets. We cannot currently take net emissions targets into account, as it is unclear what these targets mean for airlines' own emissions.
- The autos sector is positioned somewhere between airlines and shipping on Carbon Performance, with around 40% of companies being aligned with the Paris Pledges. However, only Daimler and Tesla are aligned with 2C (Shift-Improve).

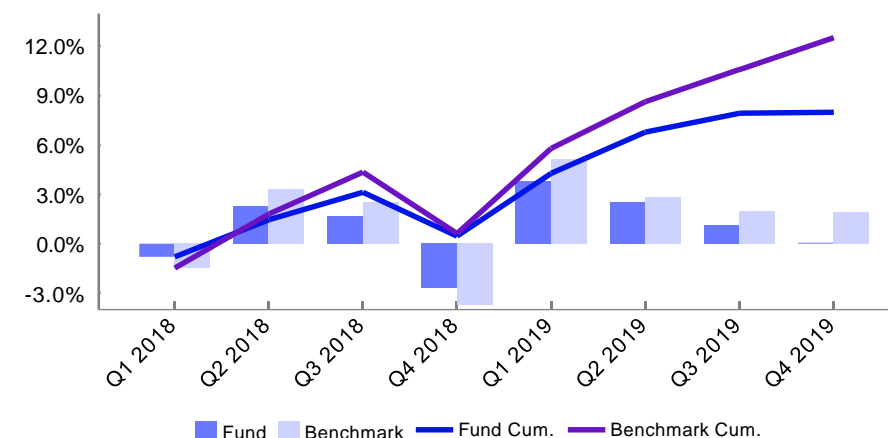


# High Level Performance of Pension Fund

## Performance of Fund Against Benchmark

	Fund	Strategic BM	Excess
3 Month	0.06	1.93	-1.87
Fiscal YTD	3.75	6.87	-3.12
1 Year	7.71	12.39	-4.68
3 Years	5.85	7.24	-1.39
5 Years	6.64	8.25	-1.61
10 Years	7.87	8.64	-0.77
Since Inception	8.37		

## Rolling Quarters Total Fund Net of Mgr. Fees



## Key Drivers of Negative & Positive Performance

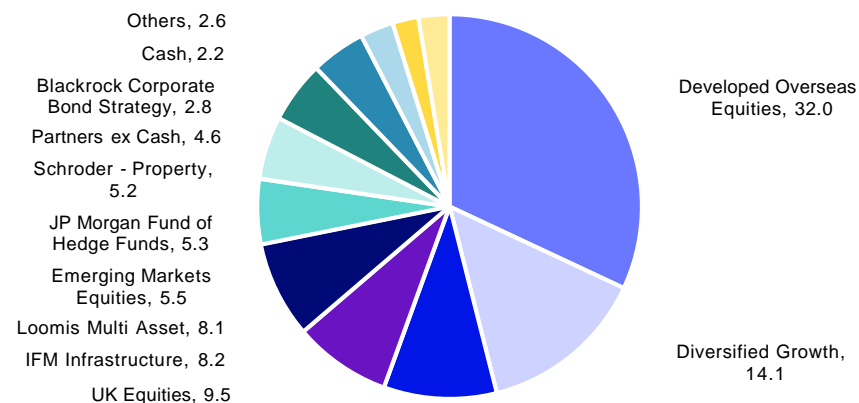
Over the fourth quarter of 2019, the Fund delivered marginally positive absolute returns but underperformed its strategic benchmark. Highlights during the period were:

- The Brunel UK Equities Portfolio contributed positively on an absolute and relative basis.
- The Brunel Passive Low Carbon Equities Portfolio performed in line with the benchmark and contributed positively to the Fund's absolute return.

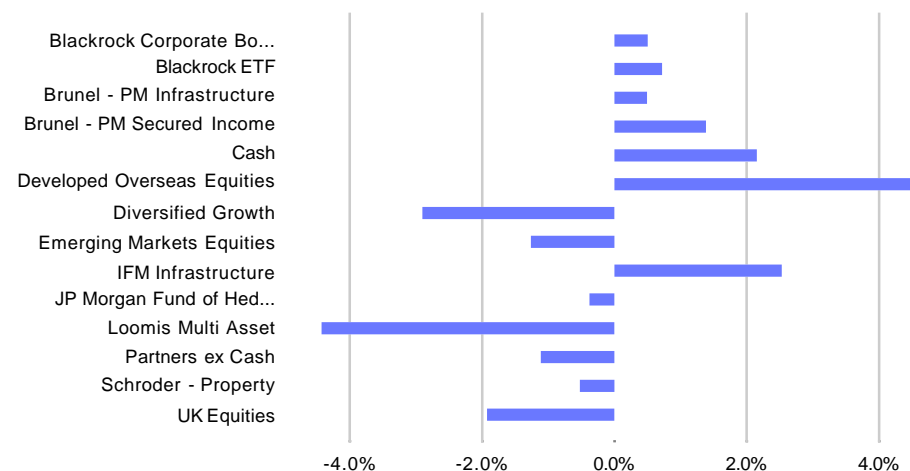


# Asset Allocation of Pension Fund

## Asset Allocation Split



## Allocation Against Strategic Benchmark



# High Level Performance of Pension Fund – Risk Summary

## Manager Level Performance (Transitioned) – Since Inception

	Total Return	Benchm. Return
Brunel - Emerging Market Equity	3.82%	3.89%
Brunel Global High Alpha Equity	1.48%	1.28%
Brunel UK Active Equity	15.56%	15.43%
Passive Low Carbon Equities	9.82%	9.95%
Brunel - PM Infrastructure	-5.70%	1.31%
Brunel - PM Secured Income	2.83%	1.31%

## Manager Level Performance (Pre-Transition) – 3 Year

	Ann. Return	Standard Deviation	Benchm. Return	Benchm. Std. Dev.
Avon Total ex Curr Hedging	5.60%	4.28%	7.24%	4.42%
IFM Infrastructure	14.05%	7.86%	5.00%	0.41%
JP Morgan Fund of Hedge Funds	1.53%	8.12%	3.56%	0.17%
Jupiter - UK Equities	5.48%	10.19%	6.85%	9.79%
Partners ex Cash	4.52%	7.56%	4.65%	0.07%
Pyrford Diversified Growth	1.89%	2.62%	8.16%	1.53%
Record Equitisation	6.05%	10.29%	6.04%	10.35%
Schroder - Property	8.20%	3.25%	6.01%	3.06%
Schroder Equity	9.98%	10.13%	10.45%	9.80%
Avon Pension Fund	5.85%	3.46%	7.24%	4.42%

A number of Brunel Portfolios now have performance records in excess of one year:

- Since inception, the Brunel UK Active Equity Portfolio has marginally outperformed the benchmark FTSE All-Share Index.
- Since inception, the Brunel Passive Low Carbon Equities Portfolio has delivered returns within 0.13% of the benchmark MSCI World Low Carbon Target Index.



# Brunel Portfolios Overview

Portfolio	Benchmark	AUM (GBPm)	Perf. 3 Month	Excess 3 Month	Perf. 1 Year	Excess 1 Year	Perf. 3 Year	Excess 3 Year	Perf. 5 Year	Excess 5 Year	Perf. SI .Ann	Excess SI Ann	Inception Date
Brunel Emerging Market Equity	MSCI EM TR Gross	247									3.82%	-0.07%	09 Oct 2019
Brunel Global High Alpha Equity	MSCI World TR Gross	428									1.48%	0.20%	15 Nov 2019
Brunel UK Active Equity	FTSE All Share	204	5.45%	1.29%	19.61%	0.45%					13.92	0.12%	21 Nov 2018
Passive Low Carbon Equities	MSCI World Low Carbon Target	588	1.16%	-0.03%	24.21%	-0.07%					9.82%	-0.13%	11 Jul 2018
Brunel PM Infrastructure	Consumer Price Index	22	-3.69%	-3.69%	-5.70%	-7.01%					-5.70%	-7.01%	02 Jan 2019
Brunel PM Secured Income	Consumer Price Index	62	-0.98%	-0.98%	2.83%	1.53%					2.83%	1.53%	15 Jan 2019

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

# Passive Low Carbon Equities

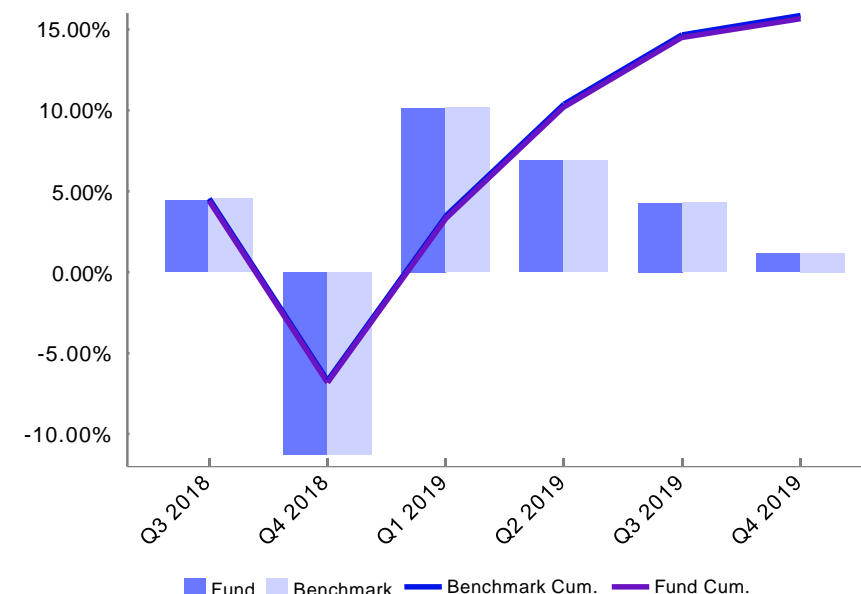
## Overview

	Description
Portfolio Objective:	Provide exposure to equity returns and global economy with low exposure to carbon emissions and fossil fuels.
Investment Strategy & Key Drivers:	Portfolio is invested in global equities in accordance with Low Carbon index.
Liquidity:	High
Risk/Volatility:	Absolute: High Relative: V.Low
Client Holding:	£587,510,317

## Quarterly Performance

All values in %	Fund	BM	Excess
3 Month	1.16	1.19	-0.03
Fiscal YTD	12.78	12.81	-0.03
1 Year	24.21	24.28	-0.07
3 Years			
5 Years			
10 Years			
Since Inception	9.82	9.95	-0.13

## Rolling Performance



The Passive Low Carbon product returned positive performance over Q4 2019 and performed broadly in line with its MSCI Low Carbon Target Index. Returns were also positive for the 12 month period ending 31 December 2019 with the product returning 24.21% compared to the benchmark return of 24.28%.

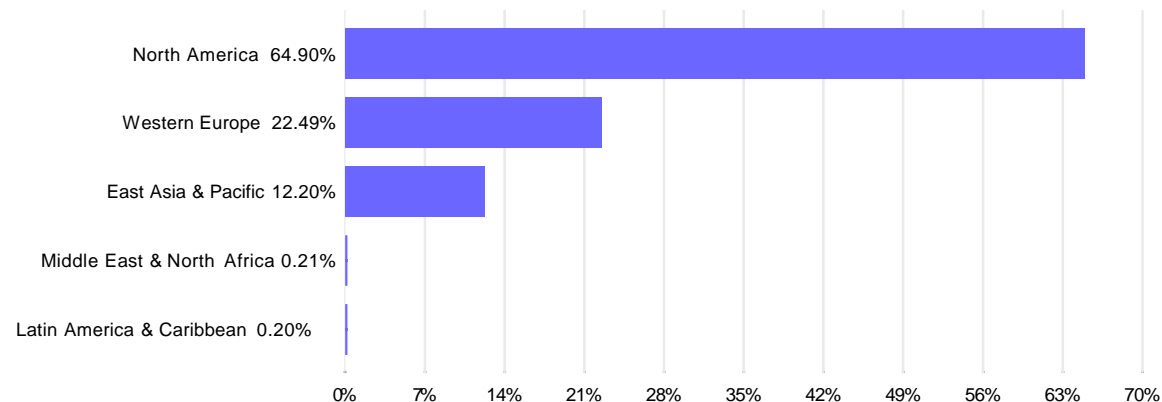
- For the 12-month period ending 31 December 2019, the product outperformed the wider global stock market, benefiting from lower exposure to the energy sector.

# Passive Low Carbon Equities – Region & Sector Exposure

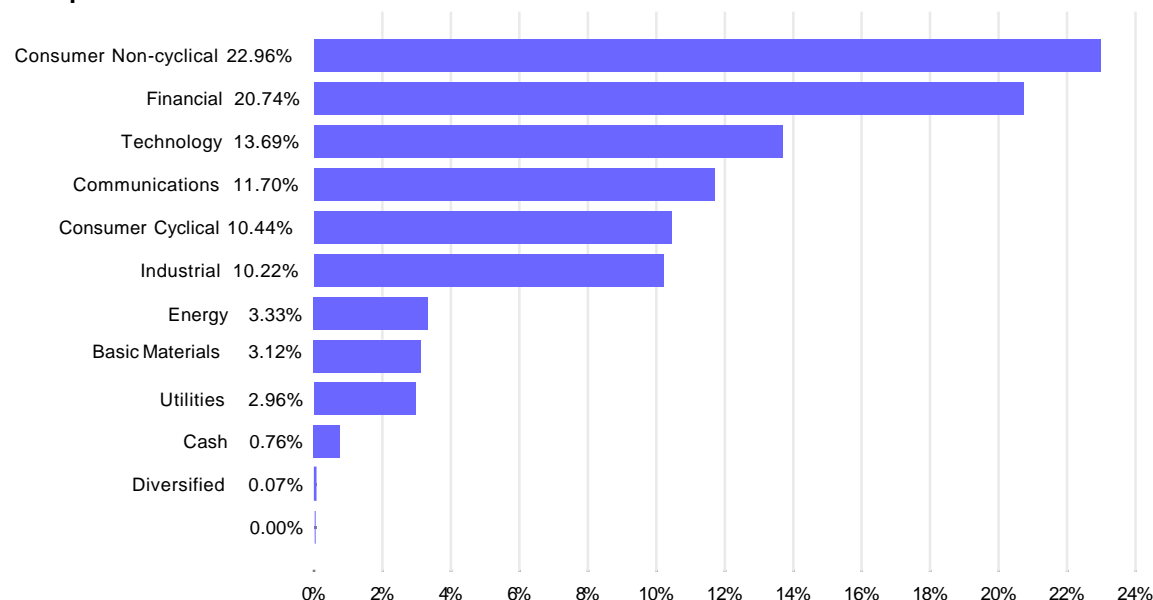
## Top 20 Holdings

	Mkt. Val.(GBP)
APPLE INC	43,878,106
MICROSOFT CORP	38,188,322
AMAZON.COM INC	26,109,791
FACEBOOK INC-CLASS A	16,296,293
JPMORGAN CHASE & CO	14,552,370
ALPHABET INC-CL C	14,134,428
JOHNSON & JOHNSON	13,296,208
ALPHABET INC-CL A	12,949,080
VISA INC-CLASS A SHARES	11,377,305
PROCTER & GAMBLE CO/THE	10,910,104
NESTLE SA-REG	10,717,094
BANK OF AMERICA CORP	10,194,480
AT&T INC	9,661,113
BERKSHIRE HATHAWAY INC-CL B	9,653,027
UNITEDHEALTH GROUP INC	9,611,827
MASTERCARD INC - A	8,954,914
INTEL CORP	8,946,776
WALT DISNEY CO/THE	8,919,338
VERIZON COMMUNICATIONS INC	8,869,482
COCA-COLA CO/THE	8,119,057

## Regional Exposure



## Sector Exposure



# Passive Low Carbon Equities – Responsible Investment

## Top 10 ESG Contributors to Overall Score

	Insight	Momentum
1. Microsoft Corp	61.2	50.0
2. SAP SE	74.7	73.6
3. Accenture PLC	69.5	55.3
4. Eversource Energy	69.4	81.8
5. Berkshire Hathaway Inc	63.4	53.1
6. Schneider Electric SE	78.8	54.8
7. Toyota Motor Corp	66.5	66.7
8. Cisco Systems Inc	64.7	66.5
9. Eli Lilly and Co	70.7	81.2
10. Honeywell International Inc	66.5	80.3

## Bottom 10 ESG Detractors to Overall Score

	Insight	Momentum
1. Alphabet Inc	49.4	50.0
2. Facebook Inc	44.4	29.5
3. Apple Inc	53.5	55.3
4. Johnson & Johnson	47.0	40.2
5. Amazon.com Inc	53.0	35.4
6. JPMorgan Chase & Co	51.1	31.3
7. Wells Fargo & Co	45.8	76.6
8. Walt Disney Co	49.4	33.4
9. AT&T Inc	50.2	28.5
10. Netflix Inc	42.8	37.5

Weighted Average ESG Score	2019 Q3	2019 Q4
Portfolio	58.30	58.68
Passive Dev Equities	58.54	58.78

\* Position 1 is the top contributor/detractor.



TruValue Labs & SASB

## Brunel Assessment

- **Facebook** (media) continues to face increased scrutiny over data protection, fake content and concerns and objectionable content. Data security is an area of ongoing engagement.
- **Johnson & Johnson** (pharmaceuticals) has faced product liability lawsuits related to antipsychotic medication Risperdal and another relating to Infants' Tylenol (infant paracetamol). Both cases relate to inadequate or misleading product information.
- **Walt Disney** (Media) has a list of issues including the hacking of thousands of Disney Plus accounts, lawsuits from staff and anti-trust violations in South Korea.
- **AT&T** (telecommunications) received criticism of the 'Joker' movie (Warner Media is a subsidiary) with links made to the shooting during a 2012 screening of the Batman movie in Aurora, Colorado. AT&T have also agreed a \$60 million settlement over allegations it misled more than 3.5 million customers by charging them for "unlimited" data plans.

100% of the bottom 10 ESG detractors are covered by engagement or specific voting activities. The benchmark has been updated to MSCI Developed World (source index) so that the carbon reductions achieved by the application of carbon constraints to create the MSCI Developed World Low Carbon portfolio are easier to monitor.

## Weighted Average Carbon Intensity (WACI)



Source: Trucost

## Extractive Exposure

	Total Extractive Exposure <sup>1</sup>		Extractive Industries (VOH) <sup>2</sup>	
	Q3	Q4	Q3	Q4
Portfolio	1.78	1.87	4.16	4.42
Passive Dev Equities	3.32	3.44	9.08	8.83

<sup>1</sup> Extractive revenue exposure as share (%) of total revenue.

<sup>2</sup> Value of holdings (VOH)-companies who derive revenues from extractives.

Source: Trucost

## Absolute Weighted ESG Scores



TruValue Labs & SASB

Powered by ESGX®

# Brunel Active UK Equities

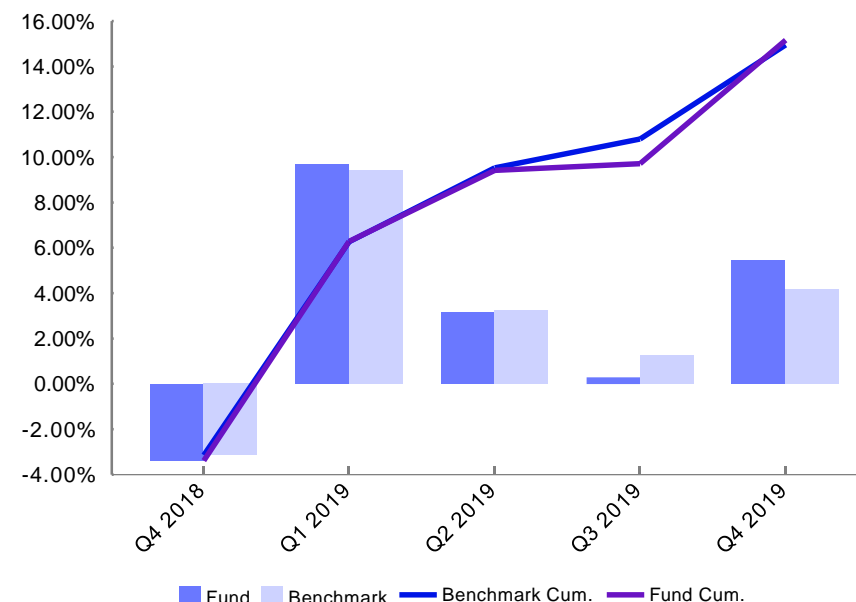
## Overview

	Description
Portfolio Objective:	Provide exposure to UK Equities, together with enhanced returns from manager skill.
Investment Strategy & Key Drivers:	Skilled managers will create opportunities to add long term value through stock selection and portfolio construction.
Liquidity:	Managed level of liquidity. Less exposure to more illiquid assets.
Risk/Volatility:	High absolute risk with moderate relative risk, around 4% tracking error.
Client Holding:	£204,254,582

## Quarterly Performance

All values in %	Fund	BM	Excess
3 Month	5.45	4.16	1.29
Fiscal YTD	9.07	8.92	0.15
1 Year	19.61	19.17	0.45
3 Years			
5 Years			
10 Years			
Since Inception Ann.	14.05	13.59	0.46

## Rolling Performance



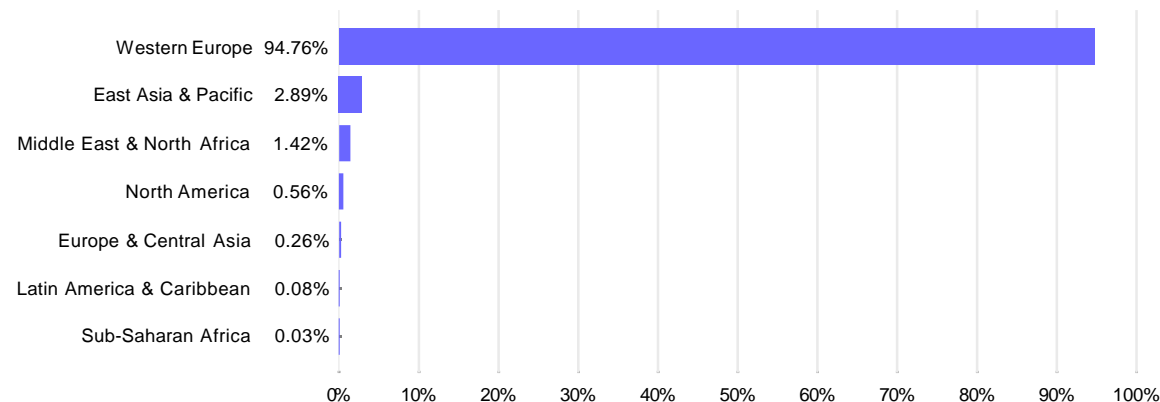
- The FTSE All share index outperformed global developed markets during the quarter, but could not quite match the impressive returns of global equities over the year (MSCI AC World index returned 22.4% and the FTSE 19.2% for 2019).
  - Following last quarter when a new prime minister, Brexit uncertainty, and weak growth indicators all led investors to once again favour more defensive sectors, the final quarter of 2019 was dominated by the general election outcome and the potential for improving certainty which prompted a significant rally in the FTSE All share with the majority of the quarter's gains made in the first 2 days following the election.
  - All three managers outperformed the benchmark over the quarter, resulting in the portfolio outperforming the FTSE All share by c. 1.3%, a contrast to last quarter's relative underperformance of c1%. Anecdotally, managers reported the return of fundamentals as a factor in driving returns. As noted in the CIO report, small cap securities significantly outperformed in Q4 and proved a benefit to the portfolio as a whole which has a consistent smaller cap bias versus the index.
  - Over one year, the portfolio has outperformed the index by +0.45%.
  - The Brunel team are meeting all three managers during Q1 2020 as part of the annual review process.
- Since inception performance data reflects the agreed performance inception date of 01 December 2018.

# Brunel Active UK Equities – Region & Sector Exposure

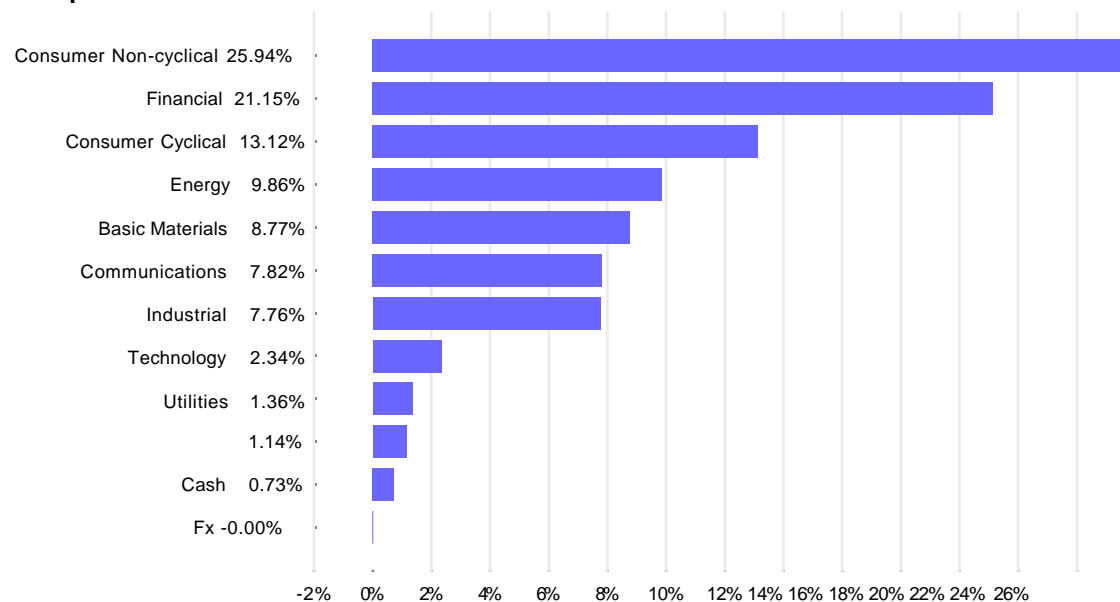
## Top 20 Holdings

	Mkt. Val.(GBP)
ROYAL DUTCH SHELL PLC-B SHS	66,263,103
GLAXOSMITHKLINE PLC	64,716,496
BRITISH AMERICAN TOBACCO PLC	64,086,286
RIO TINTO PLC	53,154,381
BHP GROUP PLC	50,346,646
HSBC HOLDINGS PLC	49,110,715
RELX PLC	46,815,184
UNILEVER PLC	45,225,110
BP PLC	43,347,966
DIAGEO PLC	39,799,460
ASTRAZENECA PLC	36,681,010
ROYAL DUTCH SHELL PLC-A SHS	35,268,951
PRUDENTIAL PLC	35,164,827
LEGAL & GENERAL GROUP PLC	32,097,706
LLOYDS BANKING GROUP PLC	27,909,261
VODAFONE GROUP PLC	27,550,412
STANDARD CHARTERED PLC	25,889,329
RIGHTMOVE PLC	24,763,858
AUTO TRADER GROUP PLC	24,251,419
MEGGITT PLC	23,846,425

## Regional Exposure



## Sector Exposure





# Brunel Active UK Equities – Responsible Investment

## Top 10 ESG Contributors to Overall Score

	Insight	Momentum
1. Relx PLC	66.6	67.6
2. Tate & Lyle PLC	80.7	26.3
3. Diageo PLC	65.9	41.5
4. Rio Tinto PLC	62.5	58.5
5. Legal & General Group PLC	64.5	80.5
6. Unilever PLC	62.8	57.4
7. Informa PLC	77.9	83.2
8. Aggreko PLC	76.2	29.2
9. Victrex PLC	80.9	81.3
10. Anglo American PLC	64.4	79.4

## Bottom 10 ESG Detractors to Overall Score

	Insight	Momentum
1. Royal Dutch Shell PLC	54.7	77.3
2. HSBC Holdings PLC	51.1	54.0
3. Lloyds Banking Group PLC	45.8	63.6
4. British American Tobacco PLC	54.3	49.3
5. BP PLC	53.7	54.0
6. Smith & Nephew PLC	48.2	46.5
7. Rightmove PLC	53.3	18.0
8. JD Sports Fashion PLC	47.3	50.0
9. Barclays PLC	47.7	55.3
10. Hikma Pharmaceuticals PLC	54.2	15.7

Weighted Average ESG Score	2019 Q3	2019 Q4
Portfolio	59.90	59.31
FTSE ALL SHARES	58.38	58.56

\* Position 1 is the top contributor/detractor.



TruValue Labs & SASB

## Brunel Assessment

- Diageo** (Alcoholic Beverages) was ranked number one globally for gender equality in the Equileap 2019 gender equality report and ranking, however in September employees struck following pay disputes. An agreement was reached in October and further strike action cancelled.
- Barclays** (bank) has been covered consistently in each quarterly report highlighting boardroom battles and concerns with climate related lending. Barclays remains an engagement priority, Brunel recently co-filed a shareholder resolution relating to lending practices for fossil fuel companies not aligned to the Paris agreement.
- British American Tobacco** (Tobacco) announced job cuts as part of restructuring to shift 'new generation' products, received claims of Malawi child labour and faced introduced fees to compensate people affected by smoking.
- Smith & Nephew** (Medical Equipment) the chief executive announced plans to step down following a reported row over executive pay.

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

The portfolio saw further improvements (reductions) bringing the portfolio below the benchmark. The overall carbon intensity of the UK portfolio is strongly influenced by one manager whose quantitative approach does not currently include climate risk. Positive engagement continues with the manager who is seeking a solution for both Brunel and the wider market where they see this as a growing opportunity.

## Weighted Average Carbon Intensity (WACI)



Source: Trucost

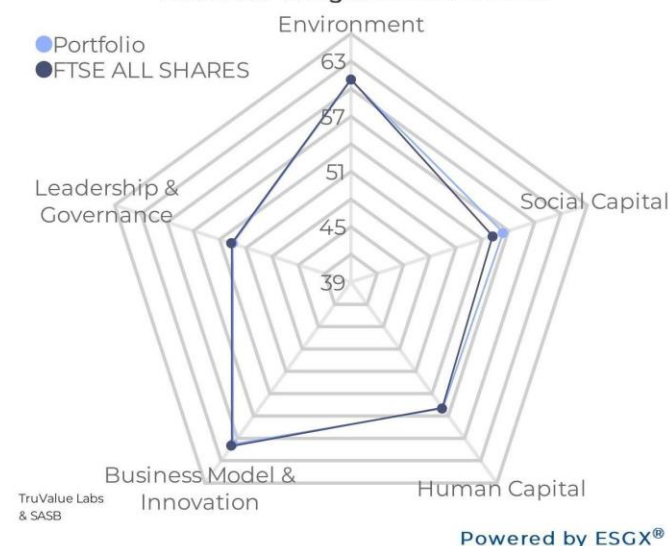
	Total Extractive Exposure <sup>1</sup>		Extractive Industries (VOH) <sup>2</sup>	
	Q3	Q4	Q3	Q4
Portfolio	6.76	6.97	17.60	16.10
FTSE ALL SHARES	6.64	7.32	17.70	17.03

<sup>1</sup> Extractive revenue exposure as share (%) of total revenue.

<sup>2</sup> Value of holdings (VOH)-companies who derive revenues from extractives.

Source: Trucost

## Absolute Weighted ESG Scores



TruValue Labs & SASB

Powered by ESGX®



# Brunel Emerging Market Equities

## Overview

	Description
Portfolio Objective:	Provide exposure to emerging market equities, targeting excess returns and enhanced risk control from leading managers.
Investment Strategy & Key Drivers:	A geographically diverse portfolio, typically expected to achieve higher long-term growth rates than developed economies.
Liquidity:	Managed liquidity. Less exposure to more illiquid assets
Risk/Volatility:	High absolute risk with moderate to high relative risk, around 5% tracking error.
Client Holding:	£246,554,087

## Quarterly Performance

All values in %	Fund	BM	Excess
3 Month			
Fiscal YTD			
1 Year			
3 Years			
5 Years			
10 Years			
Since Inception	1.18	0.85	0.33

Performance chart not provided as portfolio launched during this quarter

The fund returned +1.18% since performance inception (08/11/19), which is +0.33% ahead of the benchmark return over the same period. The portfolio launched during the quarter, early observations include:

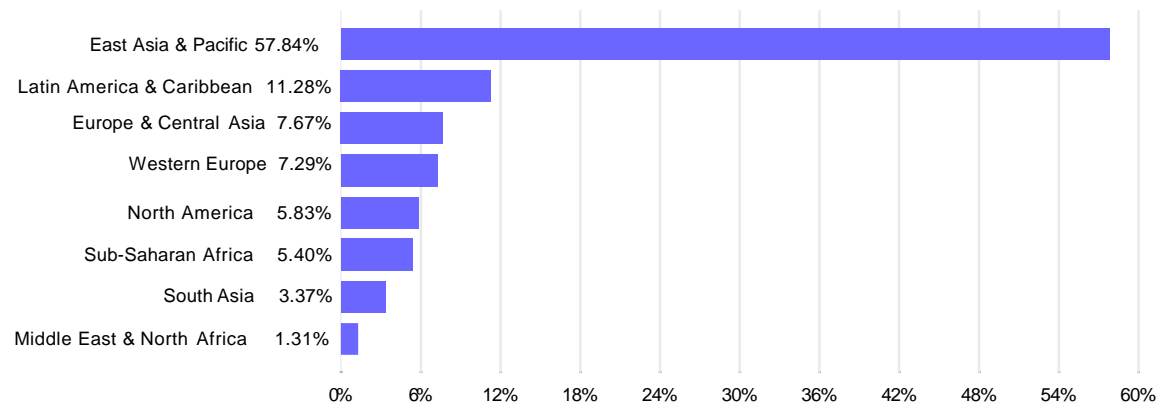
- The outperformance has been driven by strong stock selection. Allocation impacts at a sector and country level have not been the primary drivers of relative return
- Brazil, China & Taiwan have been the strongest performers out of the larger country constituents. Returns in these countries since inception were 3.9%, 2.1% and 2.3% respectively. The fund is underweight all three of these countries, but strong stock selection has resulted in positive relative return
- India was one of the weaker performers out of the larger countries. Stocks in India fell -2.9% over the period vs a broader benchmark return of +0.9%. The fund maintains an underweight position which helped relative return. Stock selection was also positive, which led to a positive overall impact from India
- Real Estate and Technology were the strongest performing sectors in the benchmark since inception, both returning +3.6% in GBP terms. The portfolio is marginally underweight these sectors, which caused a drag on relative performance
- The weakest sector since inception was Consumer Staples, which returned -3.6%. The portfolio has a +3.9% active weight in this sector, which caused a drag on relative performance. This allocation impact was offset by strong stock selection in this sector, hence, the overall contribution to relative performance was positive from this sector

# Brunel Emerging Market Equities – Region & Sector Exposure

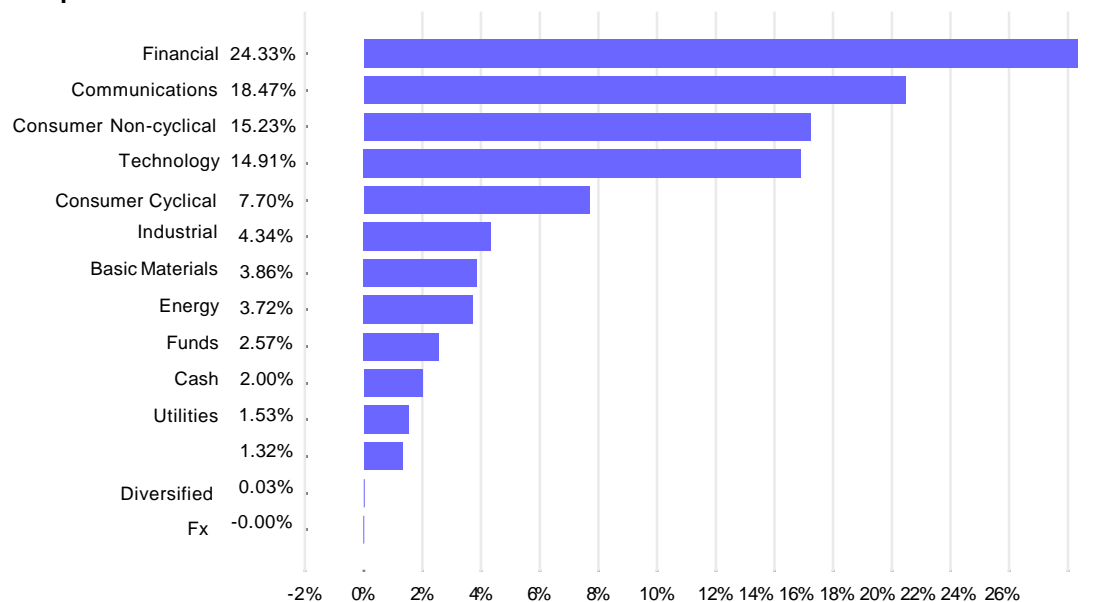
## Top 20 Holdings

	Mkt. Val.(GBP)
ALIBABA GROUP HOLDING-SP ADR	60,288,907
TAIWAN SEMICONDUCTOR MANUFAC	52,347,813
TENCENT HOLDINGS LTD	39,265,161
SAMSUNG ELECTRONICS CO LTD	38,150,072
ISHARES MSCI INDIA ETF	27,070,667
AIA GROUP LTD	24,629,188
SBERBANK PJSC -SPONSORED ADR	22,514,227
PING AN INSURANCE GROUP CO-H	16,704,892
NASPERS LTD-N SHS	14,356,185
HDFC BANK LTD-ADR	13,302,074
58.COM INC-ADR	12,912,283
WULIANGYE YIBIN CO LTD-A	12,302,674
CHINA CONSTRUCTION BANK-H	12,280,942
NETEASE INC-ADR	11,049,520
AXIS BANK LTD- GDR REG S	10,821,496
YANDEX NV-A	9,855,322
NEW ORIENTAL EDUCATIO-SP ADR	9,468,385
SAMSUNG ELECTRONICS-PREF	9,292,452
JIANGSU YANGHE BREWERY -A	8,954,884
ITAUSA-INVESTIMENTOS ITAU-PR	8,807,070

## Regional Exposure



## Sector Exposure



# Brunel Emerging Market Equities – Responsible Investment

## Top 10 ESG Contributors to Overall Score

	Insight	Momentum
1. Ping An Insurance Group Co of China Ltd	66.0	77.9
2. MediaTek Inc	73.4	57.3
3. Alibaba Group Holding Ltd	59.8	55.7
4. AIA Group Ltd	62.4	72.4
5. Sberbank Rossii PAO	62.4	75.4
6. China Construction Bank Corp	64.9	29.1
7. Weichai Power Co Ltd	76.9	50.0
8. Sands China Ltd	77.5	83.2
9. Delta Electronics Inc	78.0	25.3
10. China Mengniu Dairy Co Ltd	64.0	29.3
Weighted Average ESG Score	2019 Q4	
Portfolio	59.23	

## Bottom 10 ESG Detractors to Overall Score

	Insight	Momentum
1. Petroleo Brasileiro SA Petrobras	35.7	80.5
2. Tencent Holdings Ltd	54.3	35.9
3. Cognizant Technology Solutions Corp	39.8	15.0
4. NetEase Inc	50.2	31.3
5. Samsung Electronics Co Ltd	56.8	65.7
6. Itau Unibanco Holding SA	44.2	79.5
7. Axis Bank Ltd	52.3	42.2
8. ICICI Bank Ltd	43.4	77.6
9. Vale SA	39.4	7.3
10. Gazprom PAO	50.6	61.3

\* Position 1 is the top contributor/detractor.



TruValue Labs & SASB

## Brunel Assessment

- **Tencent** (Technology & Communications) a large company with significant news flow. Following investigations by the anti-fraud investigation department, 40 cases were identified of misappropriation of company assets, corruption and bribery. More than 60 staff were fired and 16 companies blacklisted.
- **Cognizant Technology Solutions** (Technology & Communications) Potential class action investigating claims of breach of fiduciary duty involving the board of directors. Following backlash online of unhealthy working conditions, 13,000 job exits announced from content moderation business.
- **NetEase** (Technology & Communications) Tencent won a copyright lawsuit for music against NetEase. News of the treatment and firing of an ill employee spread online, NetEase issued a public apology for the mistreatment.
- **Vale** (Metals & Mining) there have been ongoing investigations following the Brumadinho dam collapse 25 January 2019. In November the Brazilian regulator said Vale failed to report Dam defects.

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

## Weighted Average Carbon Intensity (WACI)



Source: Trucost

## 2019 Q4 Extractive Exposure

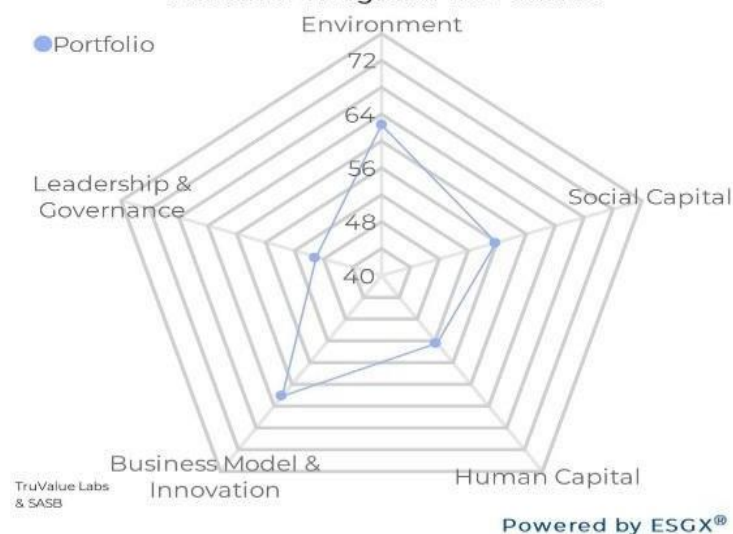
	Total Extractive Exposure <sup>1</sup>	Extractive Industries (VOH) <sup>2</sup>
Portfolio	2.70	5.79

<sup>1</sup> Extractive revenue exposure as share (%) of total revenue.

<sup>2</sup> Value of holdings (VOH)-companies who derive revenues from extractives.

Source: Trucost

## Absolute Weighted ESG Scores



# Brunel High Alpha Developed Equities

## Overview

	Description
Portfolio Objective:	Provide global equity market exposure together with excess returns from accessing leading managers.
Investment Strategy & Key Drivers:	In order to achieve the best returns, Managers are likely to have high conviction, concentrated portfolios, and to
Liquidity:	Managed liquidity. Less exposure to more illiquid assets
Risk/Volatility:	High absolute risk with moderate to high relative risk, around 5-6% tracking error
Client Holding:	£428,168,870

## Quarterly Performance

All values in %	Fund	BM	Excess
3 Month			
Fiscal YTD			
1 Year			
3 Years			
5 Years			
10 Years			
Since Inception	3.00	2.89	0.11

Performance chart not provided as portfolio launched during this quarter

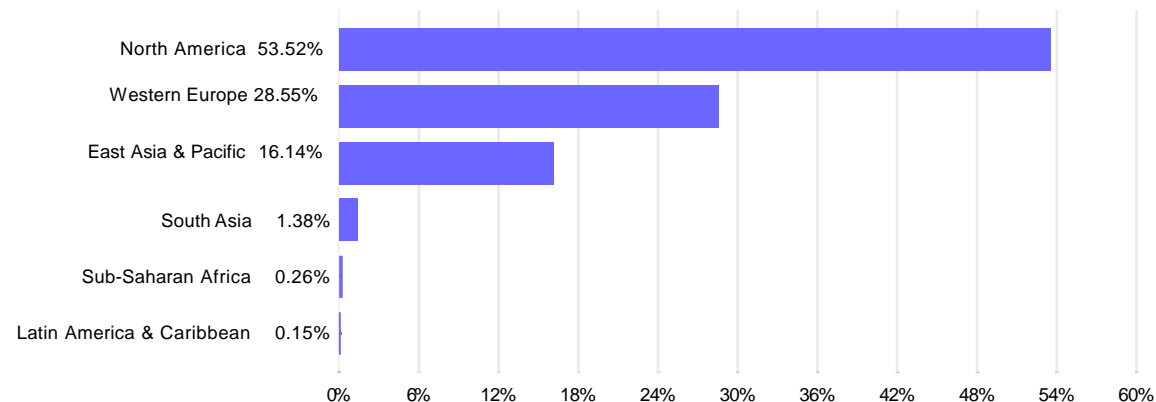
- The portfolio launched in November 2019, with the handover of assets to target managers and formal performance commencing from the 6 December.
- Performance since inception is provided in the table and although marginally positive in aggregate versus the index, the very short period means we can give little significance to the data.
- Whilst reluctant to comment on such a short period, the one point of note is the strong performance of the Baillie Gifford portfolio over such a short period driven largely by a handful of holdings, with Tesla the leading contributor. Manager relative performance by the other 4 managers varied over the period.

# Brunel High Alpha Developed Equities – Region & Sector Exposure

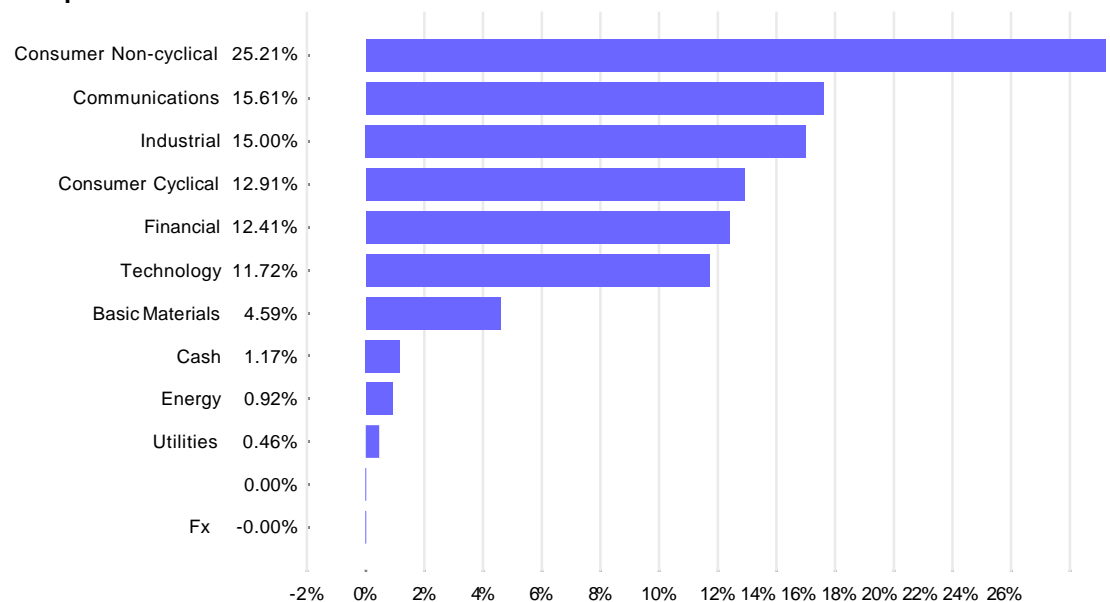
## Top 20 Holdings

	Mkt. Val.(GBP)
MASTERCARD INC - A	85,506,508
KEYENCE CORP	63,389,300
MICROSOFT CORP	61,623,764
ALIBABA GROUP HOLDING-SP ADR	58,453,370
MOODY'S CORP	57,437,445
NESTLE SA-REG	51,153,986
ALPHABET INC-CL A	47,684,035
TENCENT HOLDINGS LTD	46,751,400
AMAZON.COM INC	45,757,079
ASML HOLDING NV	45,089,409
FACEBOOK INC-CLASS A	44,965,285
JOHNSON & JOHNSON	43,149,122
TAIWAN SEMICONDUCTOR-SP ADR	40,461,837
HDFC BANK LTD-ADR	37,532,442
TJX COMPANIES INC	36,977,086
ABBOTT LABORATORIES	32,249,583
MSCI INC	30,590,826
ILLUMINA INC	30,507,105
BECTON DICKINSON AND CO	30,284,148
SCHWAB (CHARLES) CORP	28,952,586

## Regional Exposure



## Sector Exposure



# Brunel High Alpha Developed Equities – Responsible Investment

## Top 10 ESG Contributors to Overall Score

	Insight	Momentum
1. Allegion PLC	84.2	78.2
2. Quintiles IMS Holdings Inc.	77.3	82.3
3. Delphi Automotive PLC	80.2	31.7
4. Moody's Corp	65.6	18.0
5. Capgemini SE	70.6	34.7
6. Ecolab Inc	73.5	35.7
7. Temenos Group AG	71.0	79.4
8. Nidec Corp	70.1	75.3
9. Amphenol Corp	66.9	12.8
10. Mastercard Inc	60.3	42.1

## Bottom 10 ESG Detractors to Overall Score

	Insight	Momentum
1. Facebook Inc	44.4	29.5
2. Alphabet Inc	49.4	50.0
3. Johnson & Johnson	47.0	40.2
4. Autozone Inc	40.3	12.5
5. Bayer AG	39.9	16.1
6. Verisk Analytics Inc	46.8	79.8
7. Illumina Inc	48.1	17.8
8. Nike Inc	44.5	37.1
9. TJX Companies Inc	50.6	23.2
10. Amazon.com Inc	53.0	35.4

Weighted Average ESG Score	2019 Q4
Portfolio	59.61

\* Position 1 is the top contributor/detractor.



TruValue Labs & SASB

## Brunel Assessment

- **Facebook** (media) continues to face increased scrutiny over data protection, fake content and concerns and objectionable content. Data security is an area of ongoing engagement.
- **Johnson & Johnson** (pharmaceuticals) has faced product liability lawsuits related to antipsychotic medication Risperdal and another relating to Infants' Tylenol (infant paracetamol). Both cases relate to inadequate or misleading product information.
- **AutoZone** (automotive parts) have been subject to a class action relating to changing the conditions of a loyalty scheme and failing to notify its customers and controversy over the building of a new store and pedestrians safety concerns.
- **Bayer** (pharmaceuticals) recent newsflow has highlighted legal action relating to Monsanto's garden pesticide Roundup and that they pleaded guilty to spraying a banned pesticide on Hawaii in 2014.

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

## Weighted Average Carbon Intensity (WACI)



Source: Trucost

## Extractive Exposure

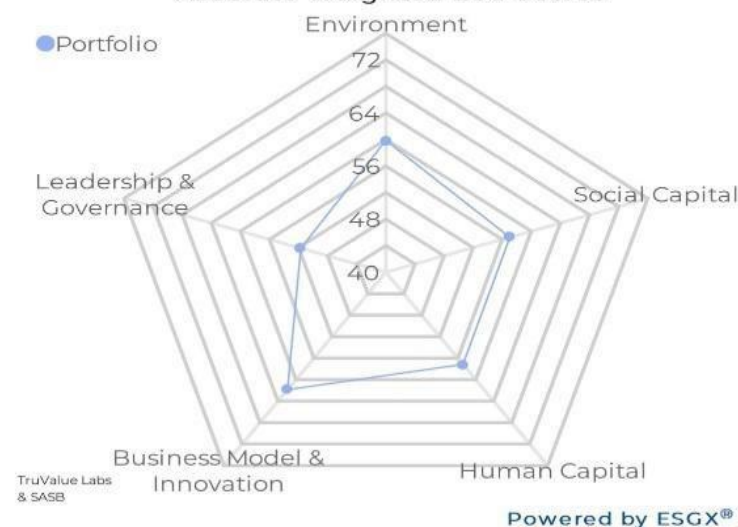
	Total Extractive Exposure <sup>1</sup>	Extractive Industries (VOH) <sup>2</sup>
Portfolio	1.45	2.78

<sup>1</sup> Extractive revenue exposure as share (%) of total revenue.

<sup>2</sup> Value of holdings (VOH)-companies who derive revenues from extractives.

Source: Trucost

## Absolute Weighted ESG Scores





# Disclaimer

This material is for information only and for the sole use of the recipient, it is not to be reproduced, copied or shared. The report was prepared utilizing agreed scenarios, assumptions and formats.

Brunel accepts no liability for loss arising for the use of this material and any opinions expressed are current (at time of publication) only. This report is not meant as a guide to investing or as a source of specific investment recommendations and does not constitute investment research.

Certain information included in this report may have been sourced from third parties. While Brunel believes that such third party information is reliable, Brunel does not guarantee its accuracy, timeliness or completeness and it is subject to change without notice.

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.

Brunel provides products and services to professional, institutional investors and its services are not directed at, or open to, retail clients.

Authorised and regulated by the Financial Conduct Authority No. 790168



