

Avon Pension Fund

Annual Investment Review
to 31 March 2020

June 2020

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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.
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- 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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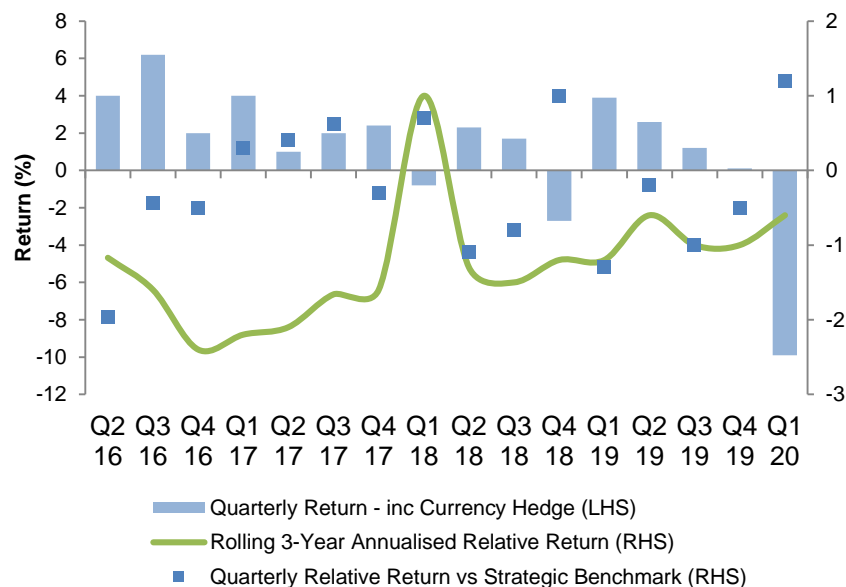
Section 1

Executive Summary

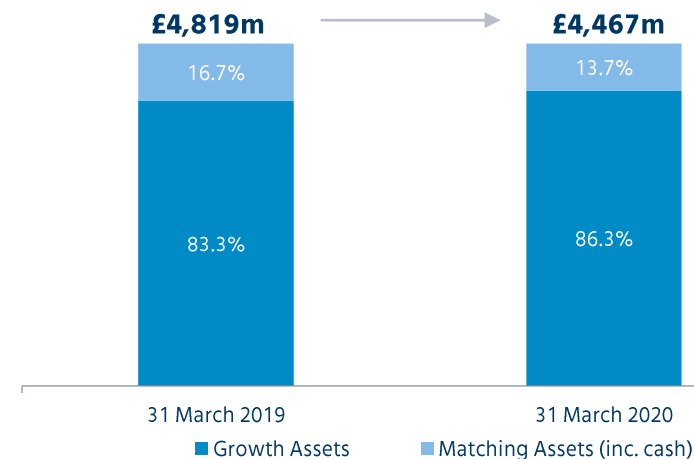
EXECUTIVE SUMMARY

	3 Months (%)	1 Year (%)	3 Years (% p.a.)
Total Fund (1)	-9.9	-6.4	1.0
Total Fund (ex currency hedge)	-8.6	-5.3	1.3
Strategic Benchmark (2) (ex currency hedge)	-11.1	-6.3	1.6
Relative (1 - 2)	+1.2	-0.1	-0.6

Excess Return Chart



Asset Allocation



Commentary

Over the year to 31 March 2020, total Fund assets (including currency hedging) decreased from £4,819m to £4,467m. This was largely driven by the sharp contraction of most growth assets in the first quarter of 2020, as the coronavirus made its impact on the global economy and financial markets. The LDI assets also fell in value as inflation expectations reduced over the year. However the equity protection strategy added value during the period.

At the end of the year, the allocation to Infrastructure had drifted slightly above the Fund's upper tolerance range, as specified in the Investment Strategy Statement.

The Fund performed slightly below its strategic benchmark over the year, amid mixed relative performance from the mandates.

The Fund's currency hedging policy detracted value over the year due to the depreciation of Sterling.

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 assets of the Fund.

Funding Level

- The estimated funding level fell over the year to 84% (on the 2019 Valuation assumptions). This was driven primarily by the turbulence at the end of this period.
- The decline in the funding level over the period was within the level of risk (VaR) expected from the current investment strategy.

Fund Performance

- The value of the Fund’s assets decreased by £352m over the year, to £4,467m as at 31 March 2020, as most growth assets saw sharp contractions in Q1 2020 as the coronavirus made its impact on the global economy and financial markets. The LDI assets also reduced in value as inflation expectations fell over the period. The equity protection strategy added value during the period.

Strategy

- Global (developed) equity returns over the last three years fell to 2.6% p.a., below the assumed strategic return of 8.05% p.a. from the review in April 2017. We remain broadly neutral in our medium-term (1-3 year) outlook for developed market equities.
- Returns for emerging market equities fell into negative territory, returning -1.2% p.a. over the three-year period, below the assumed return of 8.70% p.a. While valuations have deteriorated, our medium-term outlook is more positive for emerging markets relative to developed markets.
- UK government bond returns over the three-year period remain higher than the long-term assumed strategic returns, as yields edged further downwards with increased investor demand. The return on fixed interest gilts increased to 8.0% p.a. over three years versus an assumed return of 1.90% p.a., whilst the return on index-linked gilts was unchanged at 2.9% p.a., versus an assumed return of 2.15% p.a.
- UK corporate bonds returned 2.2% p.a. over the three-year period, taking them below of the assumed strategic return of 3.25% p.a.
- The three-year UK property return of 5.6% p.a. also fell just short of the assumed return of 5.75% p.a.
- Hedge fund returns were positive over the three-year period, at 3.7% p.a. in local currency terms, but remains below the strategic return of 5.10% p.a. In recent years hedge funds have been impacted by low cash rates and the generally more challenging environment for active managers.

EXECUTIVE SUMMARY

Managers

- The sharpest falls in absolute returns over the year were seen by the equity mandates, though the Jupiter Global Sustainable Equity fund saw positive performance. The Diversified Growth Funds (“DGFs”) were less adversely impacted by recent turbulence thanks to a lower correlation with the market, and this allowed one of these managers, Ruffer, to achieve positive performance over the year. The Fund of Hedge Fund mandate delivered positive growth, and the Infrastructure mandates were also stand out performers. The Multi-Asset Credit manager struggled over the period as sub-investment grade credit spreads widened significantly during the recent quarter as the coronavirus pandemic took a grip.
- The negative absolute performance of the Fund’s LDI portfolio over the year was driven largely by falls in implied inflation (partly due to the prospect of RPI reform and concerns over the recessionary impact of the coronavirus). This should be considered in the context of lower expected growth in the Fund’s benefits, which the strategy aims to hedge, given the CPI+ discount rate methodology used.
- The Brunel Secured Income mandate was broadly flat over the year, noting that it is still in the early stages of being drawn down.
- Over the three-year period, most mandates with a three-year track record produced positive absolute returns., with the exception of the UK Equity mandate and the LDI assets. Positive relative returns were generated by IFM Infrastructure over this period.
- It should be noted that 31 March 2020 was close to the low point (to date) for growth assets since the COVID-19 pandemic began to severely impact markets. The majority of the Fund’s growth assets have recovered to some extent during April and May 2020.

Key Points for Consideration

- The Active Global Equity and Emerging Market Equity mandates were transitioned to Brunel during the year.
- The Committee carried out a series of investment strategy workshops during Q4 2019 and Q1 2020, reviewing all aspects of the Fund’s portfolio including potential new asset classes, Responsible Investment allocations and the risk management strategies.
- The Committee agreed a number of strategic changes in April 2020, including tilting more of the equity portfolio to sustainable investments, increased allocations to Secured Income and Renewable Infrastructure, and a new allocation to Private Debt. The Fund’s strategic benchmark is currently being reviewed.
- The Committee also agreed to continue with an equity protection strategy, with the current static strategy being renewed until mid-2021 whilst the Officers and Panel investigate further the merits of implementing a dynamic solution.

Section 2

Market Background

MARKET BACKGROUND

INDEX PERFORMANCE

Equity Market Review

Over 2019, the global economy continued its expansion, led by the US which saw a tightening labour market, rising wages and consumer confidence, fuelled by the business-friendly stance of the Trump administration even though trade tensions took some toll on business confidence. In the UK, the outcome of the 2019 election was well received by markets, though uncertainty over how Brexit proceedings will unfold still remains. Headwinds for emerging markets began to soften in early 2019, with improvement on the trade front. In Q1 2020, however, the global economy entered what is expected to be the most severe downturn since the Great Depression while oil prices collapsed simultaneously as a price war between Russia and Saudi Arabia escalated while global demand collapsed simultaneously. Unprecedented monetary easing and fiscal programmes not seen since World War II cushioned the blow somewhat.

The second quarter of 2019 was volatile but global equity markets ended the quarter on a positive note in both US Dollar and sterling terms. The third quarter saw a sell-off during August 2019 amid global slowdown fears as well as continued trade tensions, but global equity markets recovered in the end, finishing the third quarter pretty much flat in US Dollar terms but positive in sterling terms. Equity markets then rallied in the fourth quarter as progress on the trade front, as well as the prospect of prolonged easy monetary conditions on a global level, lifted sentiment. The COVID-19 pandemic which originated in China in December 2019 and started to spread globally from the second half of the first quarter of 2020 prompted governments to shut down entire countries including the US, UK and most of Europe. The abrupt halt in business activities and collapse in corporate earnings prompted investors to flee equity markets and shift into safe haven assets with the result being the worst equity sell-off since 2008 even though sterling weakening against US Dollar offset losses somewhat for unhedged UK investors.

Bond Market Review

UK Government Bonds as measured by the FTSE Gilts All Stocks Index, returned 9.9%, while long dated issues as measured by the corresponding Over 15 Year Index had a return of 17.6% over the year as the longer end of the nominal yield curve fell by more than the shorter end.

The yield for the FTSE Gilts All Stocks index fell over the year from 1.36% to 0.66%.

The FTSE All Stocks Index -Linked Gilts index returned 2.2% with the corresponding over 15-year index exhibiting a return of 2.0%.

Corporate debt as measured by the Bank of America Merrill Lynch Sterling Non-Gilts index returned 1.7%.

Currency Market Review

Over the 12-month period to 31 March 2020, Sterling depreciated by 2.6% against the US Dollar from \$1.30 to \$1.24. Over the same period, Sterling depreciated by 7.2% against the Yen from ¥144.23 to ¥133.86, and by 4.8% against the Euro from €1.16 to €1.13.

Commodity Market Review

The price of Brent Crude Oil fell 67.0% from \$ 68.55 to \$ 22.60 per barrel over the one-year period. Over the same period, the price of Gold increased 24.4% from \$ 1295.72 per troy ounce to \$ 1612.10.

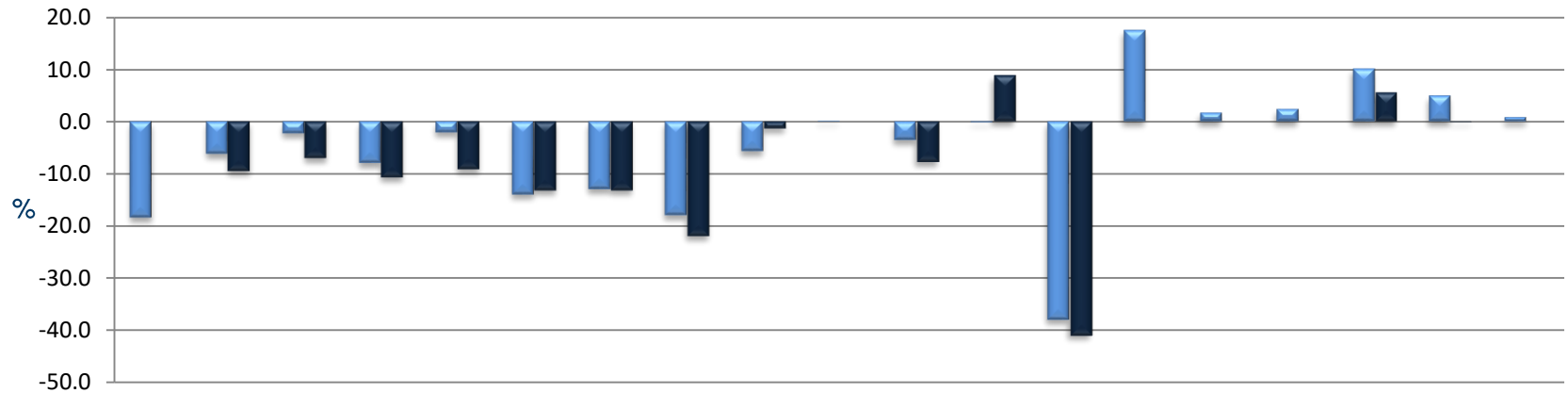
The S&P GSCI Commodity Spot Index returned -38.1% over the one-year period to 31 March 2020 in Sterling terms.

Source: Thomson Reuters Datastream, Consensus Economics, ONS

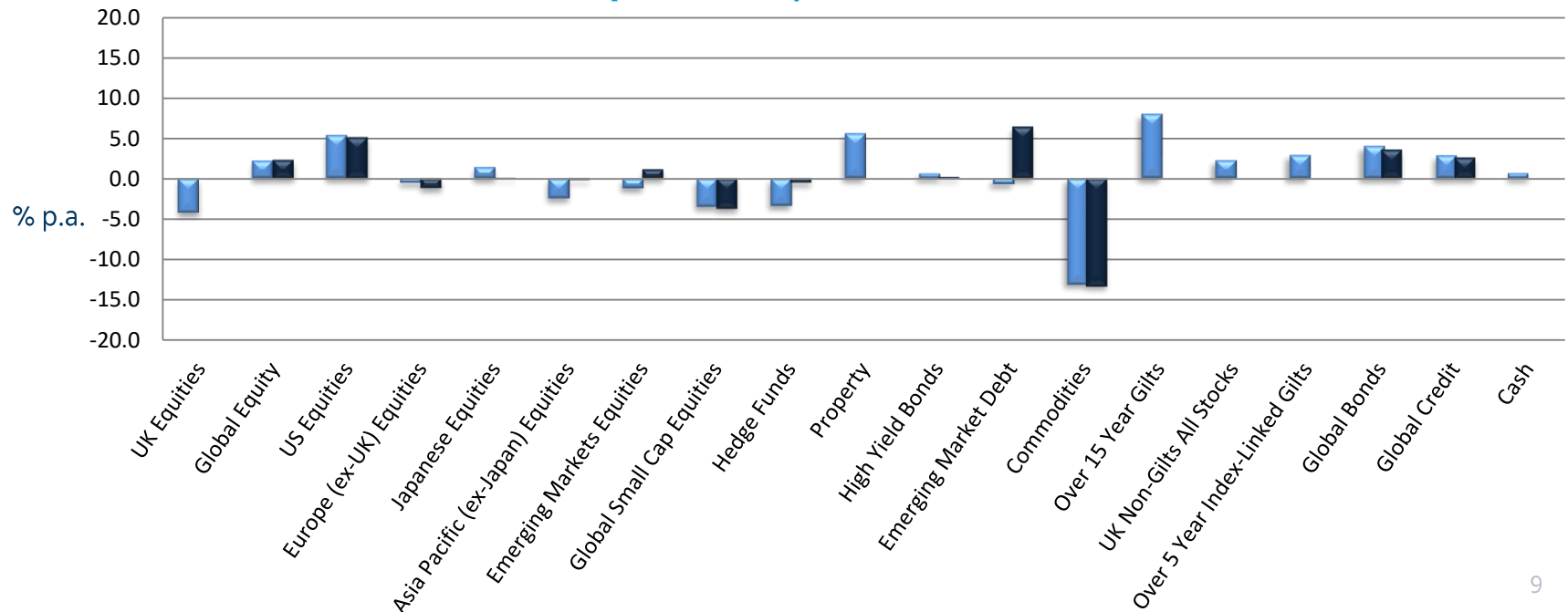
MARKET BACKGROUND

INDEX PERFORMANCE

Return over the 12 months to 31 March 2020

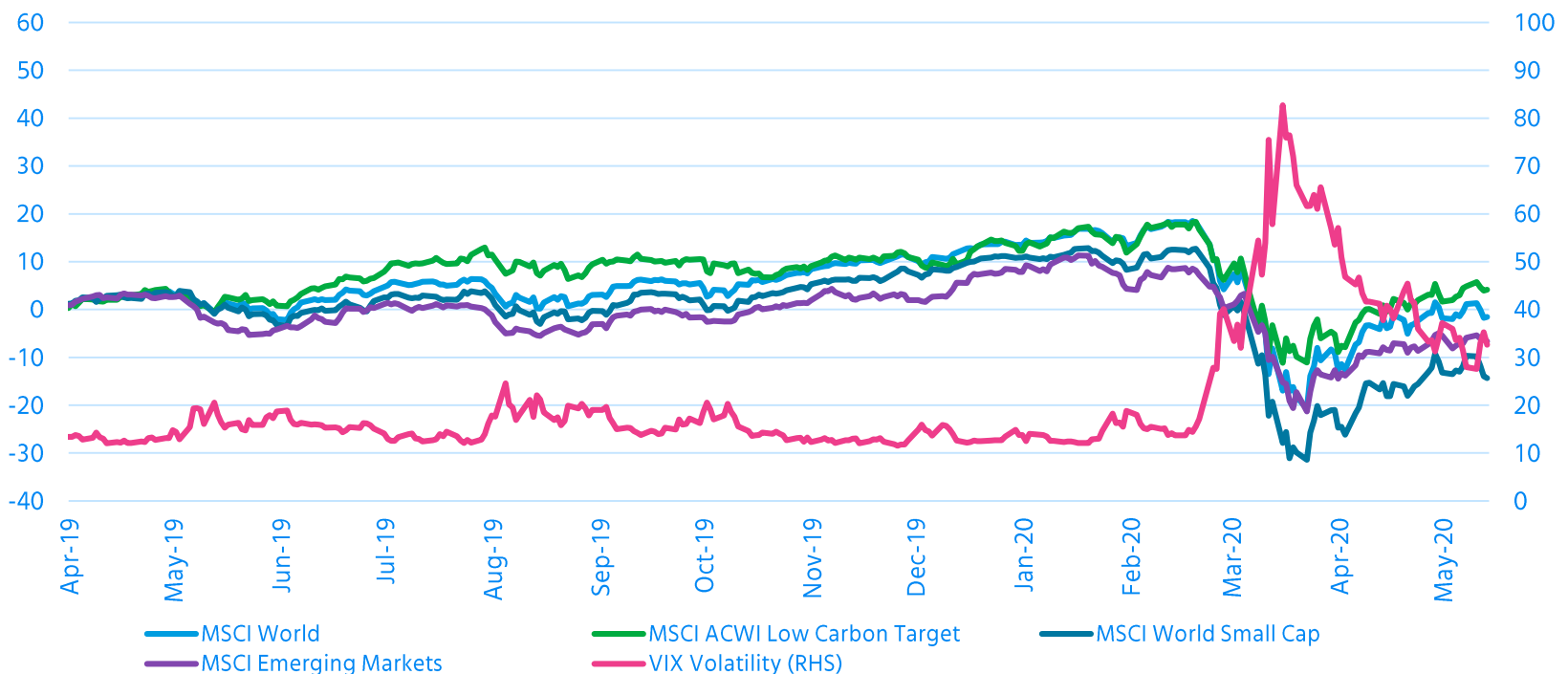


Return p.a. over the 3 years to 31 March 2020



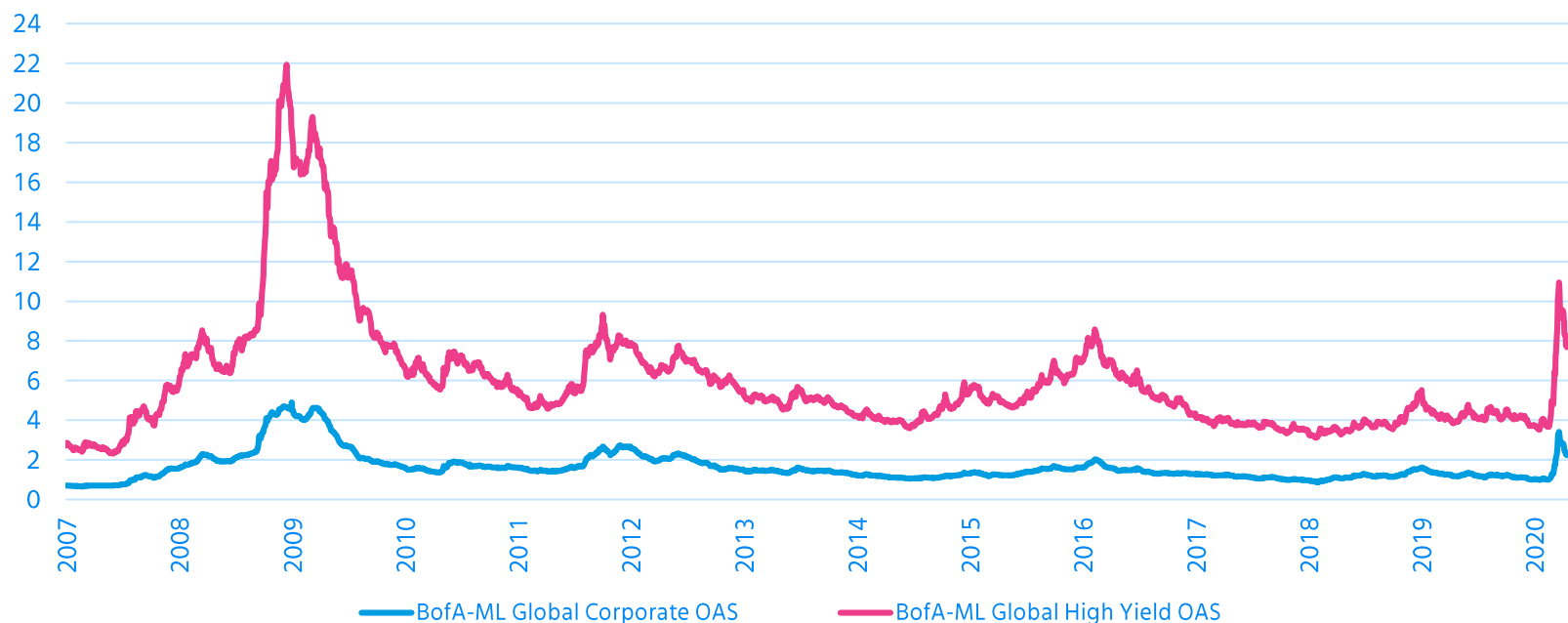
GLOBAL EQUITY MARKET RETURNS

- Once the impact of Coronavirus began to fully grip markets in late February 2020, some equity markets fell c.30% from their previous highs, as volatility levels exceeded those experienced in the 2008 Financial Crisis. Markets have recovered somewhat since, although the UK market remains the most depressed from previous highs.
- The global low carbon index fell less, mainly due to lower fossil fuel exposure as oil prices fell sharply.
- Emerging market performance has been similar to the global developed market in terms of the dip and recovery to date.



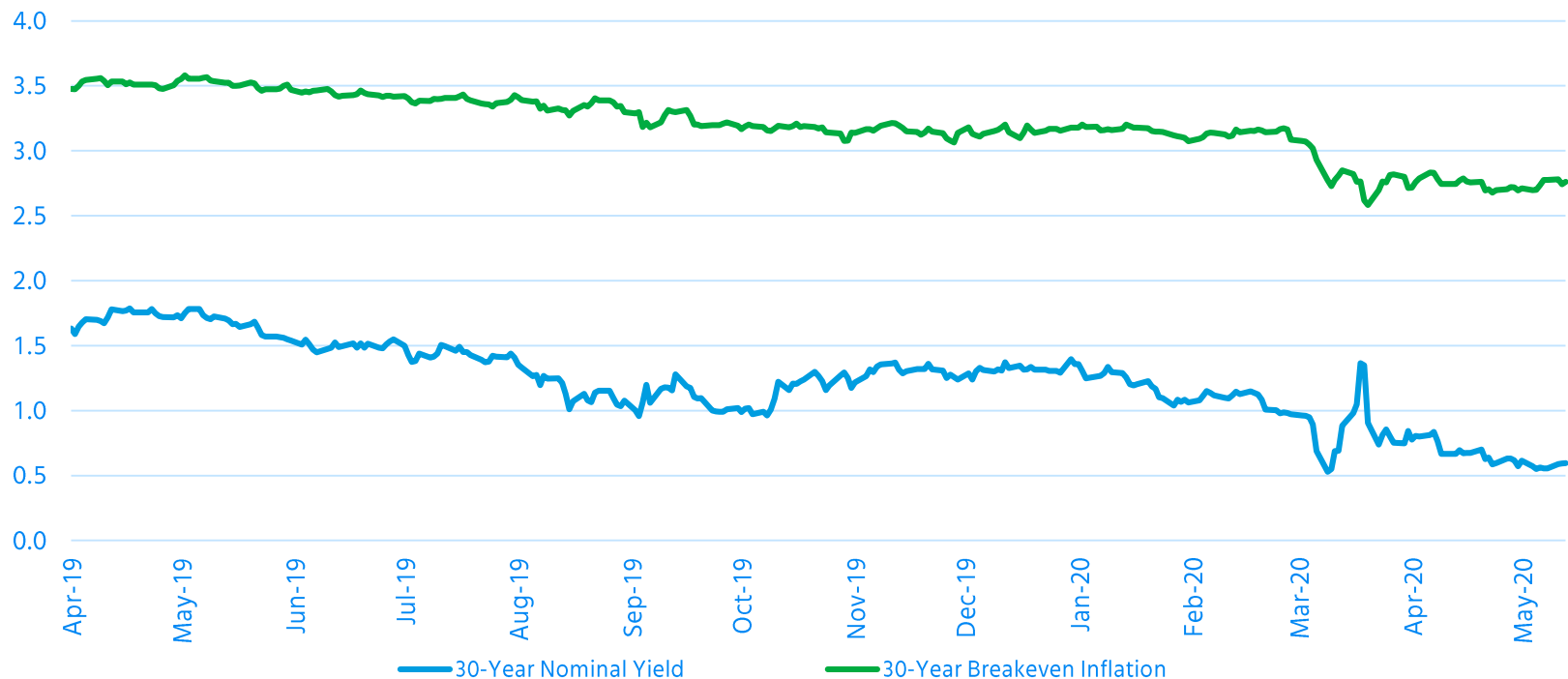
CREDIT SPREADS

- Global credit spreads initially rose sharply, with investment grade spreads up to over 3% and high yield spreads going above 10%. Spreads have reduced somewhat over April/May; however, we are far from the end of this crisis and spreads could well widen again if we get a second wave of disruption in markets.
- Markets became very illiquid during March, partly reflecting reduced broker/dealer inventory, and the retreat from market-making and proprietary trading by many banks following the regulation changes post-2008.
- We expect a rise in default rates (which is priced in to markets) and for transaction costs and liquidity to remain as ongoing issues to be monitored.



UK GILT YIELDS

- Gilt yield volatility reached unprecedented levels in March, with an initial dip followed by a sell off in gilts (mostly from non-UK investors raising cash in thinly traded markets), before yields fell again following central bank stimulus, with the BoE announcing a £200bn quantitative easing programme.
- Inflation has also been falling, driven partly by the prospect of RPI reform (the likely outcome being that RPI is moved in line with CPIH), but also by the expected collapse in global demand and falling oil prices. Despite RPI reform still looming, we believe current breakeven inflation levels are attractive from a long-term perspective.



CURRENCY EXCHANGE RATES

- Sterling fell sharply against other major currencies in March, due to continued worries about the economic fallout from Coronavirus. The US Dollar exchange rate reached a 35-year low. Sterling rebounded somewhat in late March and early April following the Bank of England's base rate cut, but remains relatively weak against the major currencies from a long-term perspective.
- We remain supportive of the current strategic hedging policy and would not be looking to increase the level of hedging, say, on equities at the current time.



Section 3

Strategic Considerations

EQUITY PORTFOLIO

- No long-term issues
- Short-term concerns
- Long-term concerns

Asset Class	Current Target	Proposed Target	Current View	Comments
Global/UK Equity	18.4%	8%	●	Uncertainty is currently greatest in developed economies, where both disease incidence and government responses have only been escalating. The full extent of the economic impact of the COVID-19 virus may not yet be reflected by equity valuations. We remain cautious on equities given potential for further falls. What appears to be a contrarian buying opportunity needs to be seen within the context of highly volatile equity and earnings estimates amid a highly unfavourable macro environment.
Sustainable Equity	3.5%	10%	●	Valuations have so far declined only around two thirds as much as the wider global market, benefitting from the reduced fossil fuel exposure as oil prices have fallen sharply.
Low Carbon Equity	10%	10%	●	We remain positive on sustainable and low carbon equity exposures for the Fund to improve the ESG focus of the portfolio.
Global Small Cap Equity	-	3.8%	●	We do expect small cap to be more volatile and suffer higher drawdowns, but there could be good opportunities to buy at cheaper levels and capitalise when markets eventually rebound.
Emerging Markets Equity	5.6%	5.6%	●	The earliest country to demonstrate containment of COVID-19, China, is beginning to demonstrate an improved macro environment. Even if the impact on earnings for the year remains a worry, especially in the light of exports to developed markets, valuations remain attractive. The high weight of China in Emerging Markets indices somewhat offsets emerging concerns about the spread of COVID-19 in less developed economies.

LIQUID GROWTH ASSETS

- No long-term issues
- Short-term concerns
- Long-term concerns

Asset Class	Current Target	Proposed Target	Current View	Comments
Diversified Growth Funds	15%	10%	●	<p>Depending on how well DGFs hold up during this crisis, the industry may begin to 're-discover' the value of these strategies, which have largely flattered to deceive in recent years.</p> <p>During the dip, the Fund's DGF strategies performed materially better than equity markets, so the downside protection benefits have initially been evident.</p>
Hedge Funds	5%	-	●	<p>We remain in favour of removing this allocation and using it to fund future private markets commitments, noting that the Brunel DGF is expected to have some idiosyncratic 'hedge fund like' characteristics.</p>
Multi Asset Credit	6%	6%	●	<p>While the macro environment has deteriorated significantly, high yield valuations have become much more attractive. Given the magnitude of the sell-off, spreads at current stressed levels have historically offered investors an opportunity to generate strong returns on a forward basis.</p> <p>MAC strategies should be well placed to capitalise as markets begin to stabilise. We are mindful of an increase in default rates, so managers will need to be nimble across sector/security positions to be successful in this more challenging corporate environment.</p>

ILLIQUID GROWTH & INCOME ASSETS

- No long-term issues
- Short-term concerns
- Long-term concerns

Asset Class	Current Target	Proposed Target	Current View	Comments
Core Property	7.5%	7.5%	●	Liquidity in the property market is expected to dry up as the crisis unfolds and many funds are suspending trading. Expect valuations in the retail, leisure and office sectors to fall, and income disruption likely with some tenants under cashflow stress.
Secured Income	7.5%	10%	<div>Current Assets</div> <div>●</div> <div>New Money</div> <div>●</div>	<p>We expect this asset class to perform better than core property, but valuations could see declines due to wider real estate impacts. If valuations do reduce that benefits new allocations, and relative value versus index-linked gilts remains attractive. But could see longer timeframes to get invested</p> <p>Brunel should be reviewing income security with underlying managers, but would expect some disruption in this environment.</p>
Core Infrastructure	5%	5%	●	We expect infrastructure assets to perform relatively robustly, but valuations could be impacted in the short term due to economic concerns and falling inflation.
Renewable Infrastructure	2.5%	5%	●	As above, recognising that the long term case for renewable assets remains strong; we do not expect the current crisis to impact future demand for the asset class.
Private Debt	-	5%	●	The asset class performed relatively well in the 2007-2009 period, but the market was less mature then. Likely to see a large spread of outcomes between senior/junior debt and individual strategies. Opportunities could be attractive as companies continue to need finance. Underlying managers will be more selective, but should command higher levels of interest and improved covenants.

PROTECTION STRATEGIES

- No long-term issues
- Short-term concerns
- Long-term concerns

Asset Class	Current Target	Proposed Target	Current View	Comments
Corporate Bonds	2%	2%	●	Overall, we see corporate bonds as offering value with historically high spreads offering fair compensation for elevated credit risk and ongoing macro concerns. There is optimism that swiftly enacted monetary and fiscal measures will provide support in averting the worst of the crisis.
LDI	12%	12%	●	<p>With UK gilt yields plummeting to all-time lows, valuations look very expensive. But further rate falls, possibly into negative territory, are not inconceivable.</p> <p>Core inflation has fallen considerably following the demand shock and oil price decline; however, while we see inflation levels as attractive for the long term, it may be some time before we see a strong demand-led recovery, ultimately leading to cost pressures. We also see plausible scenarios in the future where inflation could ramp up significantly as the COVID-19 crisis abates.</p> <p>We have advised on reinstating the inflation triggers to increase the inflation hedge ratio at attractive market levels.</p>
Equity Protection	Overlay on 100% of equity portfolio		●	Has dampened recent equity market falls, but there still remains significant 'time value', especially in the tranches expiring in 2021. Should consider options for unwinding/re-striking tranches of the strategy depending on how equity markets progress from here.
Currency Hedging	Overlay on 50% of overseas equities and 100% of alternatives		●	We remain supportive of the current strategic currency hedging policy and would not be looking to increase the level of hedging at the current time, despite recent depreciation in Sterling.

DYNAMIC ASSET ALLOCATION (DAA)

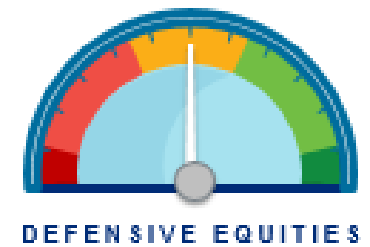
DASHBOARD Q2 2020

- 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

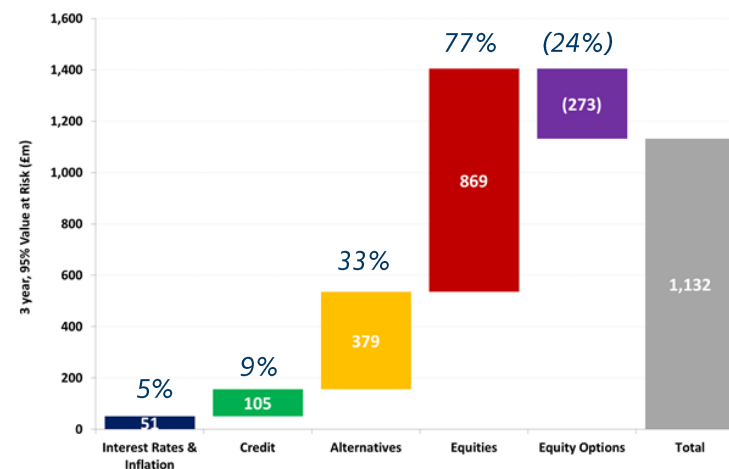
Consideration of Funding Level

CONSIDERATION OF FUNDING LEVEL YEAR TO 31 MARCH 2020

Estimated Funding Level – Year to 31 March 2019



Value-at-Risk Attribution



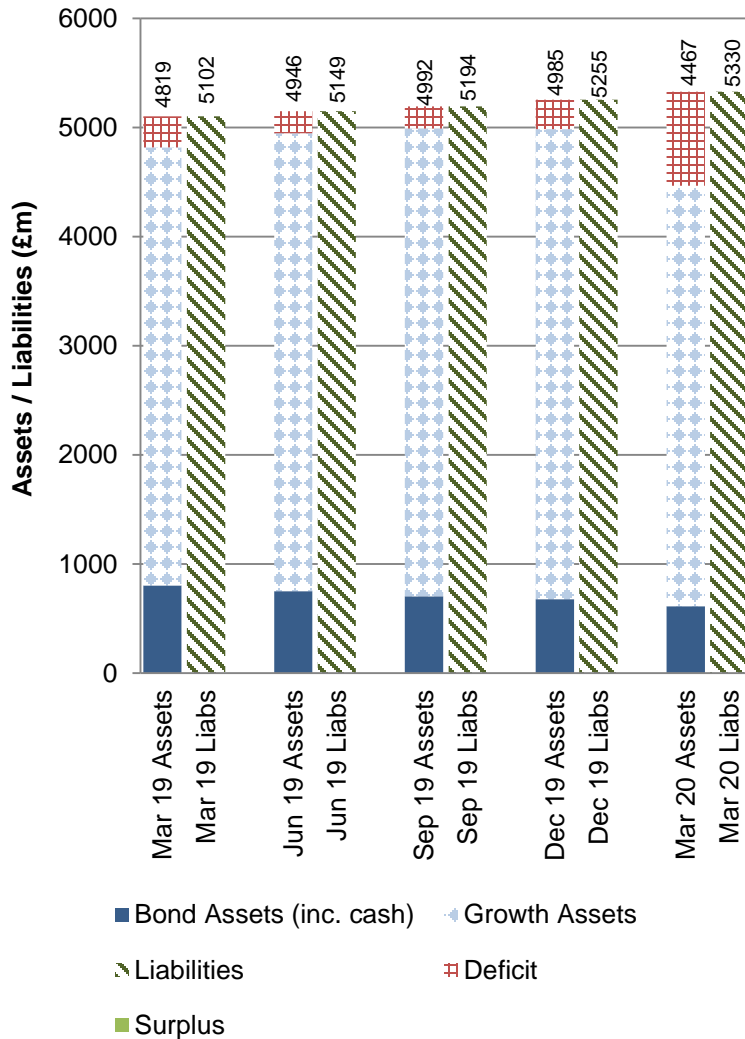
The charts above illustrate the estimated progression of the funding level (on the 2019 actuarial valuation basis) over the year to 31 March 2020 on the left hand side, and the main risks the Fund is exposed to on the right side (again on the 2019 valuation basis), including the size of these risks in the context of the deficit position. The purpose of showing this chart is to provide 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.

The grey column on the right hand side of this chart shows the estimated 95th percentile (1-in-20) Value-at-Risk figure relative to our ‘best estimate’ of what the deficit would be in three years time. As at 31 March 2020, the chart shows that if a 1-in-20 downside event occurred, we would expect that in three years time the deficit would worsen by at least an additional **£1,132m** on top of the expected deficit at that time. This compares to an equivalent figure of £1,268m as at 31 March 2019, which has largely been driven the fall in the Fund’s asset value over the year, as well as the decision taken to extend the equity protection strategy, which was originally due to expire at the start of this year.

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, and volatility of equity markets and alternative assets). **It should be noted that while these figures indicate levels of volatility on the downside, there is also a potential upside benefit from taking these risks.** Equity risk continues to be the largest driver of volatility (net 53% including options).

CONSIDERATION OF FUNDING LEVEL

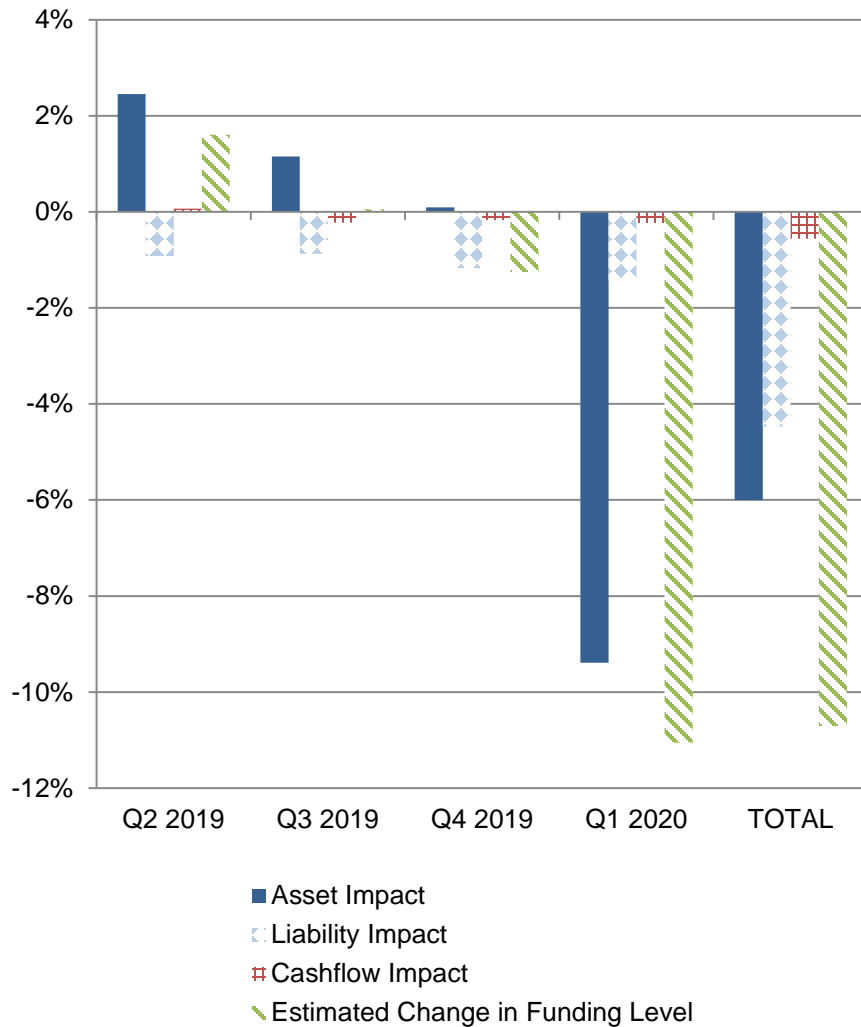
ATTRIBUTION OF CHANGE IN DEFICIT/SURPLUS



- Based on financial markets, investment returns and net cashflows into the Fund, the deficit was estimated to have increased sharply over the year, from £283m to £863m. This is calculated using the actuarial valuation assumptions as at 31 March 2019 and the 'CPI plus' discount basis.
- This was largely driven by the turbulence at the end of the period, when asset values fell sharply as a result of the COVID-19 pandemic.
- The decline in the funding level over the period was within the level of risk (VaR) expected from the current investment strategy.

CONSIDERATION OF FUNDING LEVEL

ATTRIBUTION OF CHANGE IN FUNDING LEVEL



- In terms of the funding level, the dynamics in the final quarter of the year translated into a fall in the funding level from c. 95% to c. 84%.
- The Fund's assets returned -6.4% over the year, whilst the present value of the liabilities increased by 4.5%.

Section 5

Fund Valuations

FUND VALUATIONS

VALUATION BY ASSET CLASS

Asset Allocation									
Asset Class	31 March 2019 (£'000)	31 March 2020 (£'000)	31 March 2019 (%)	31 March 2020 (%)	Target Strategic Benchmark (%)	Ranges (%)			Difference (%)
Developed Market Equities	1,744,532	1,621,513	36.2	36.3	34.0	29	-	39	+2.3%
Emerging Market Equities	228,531	196,232	4.7	4.4	6.0	3	-	9	-1.6%
Diversified Growth Funds	597,717	605,666	12.4	13.6	15.0	10	-	20	-1.4%
Fund of Hedge Funds	232,127	257,967	4.8	5.8	5.0	0	-	7.5	+0.8%
Property*	458,157	521,877	9.5	11.7	10.0	5	-	15	+1.7%
Infrastructure	342,723	358,444	7.1	8.0	5.0	0	-	7.5	+3.0%
Multi-Asset Credit	410,444	291,661	8.5	6.5	11.0	6	-	16	-4.5%
Corporate Bonds	86,168	115,842	1.8	2.6	2.0	No set range			+0.6%
LDI**	568,083	406,427	11.8	9.1	12.0	No set range			-2.9%
Cash (including currency instruments)	150,553	90,925	3.1	2.0	-	0	-	5	+2.0%
Total	4,819,035	4,466,553	100.0	100.0	100.0				

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 the Brunel Secured Income mandate

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

- Invested assets decreased over the year by £352m.
- The allocation to Infrastructure drifted marginally above the upper tolerance range. All other asset classes remain within their ranges.

FUND VALUATIONS

VALUATION BY MANAGER

Manager Allocation					
Manager	Asset Class	31 March 2019 (£'000)	31 March 2020 (£'000)	31 March 2019 (%)	31 March 2020 (%)
BlackRock	Global Equities	440,339	415,059	9.1	9.3
BlackRock	Corporate Bonds	86,168	115,842	1.8	2.6
BlackRock	LDI*	568,083	406,427	11.8	9.1
BlackRock	Cash	71,639	40,301	1.5	0.9
Brunel	UK Equities	187,270	149,873	3.9	3.4
Jupiter	UK Equities	194,848	162,604	4.0	3.6
Brunel	Global Low Carbon Equities	520,926	497,508	10.8	11.1
Jupiter	Global Sustainable Equities	10,740	11,137	0.2	0.2
Schroders	Global Equities	390,103	7,316	8.1	0.2
Brunel	Global High Alpha Equity	-	377,707	-	8.5
Brunel	Emerging Market Equities	-	196,232	-	4.4
Genesis	Emerging Market Equities	117,600	-	2.4	-
Unigestion	Emerging Market Equities	110,931	-	2.3	-

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

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

FUND VALUATIONS

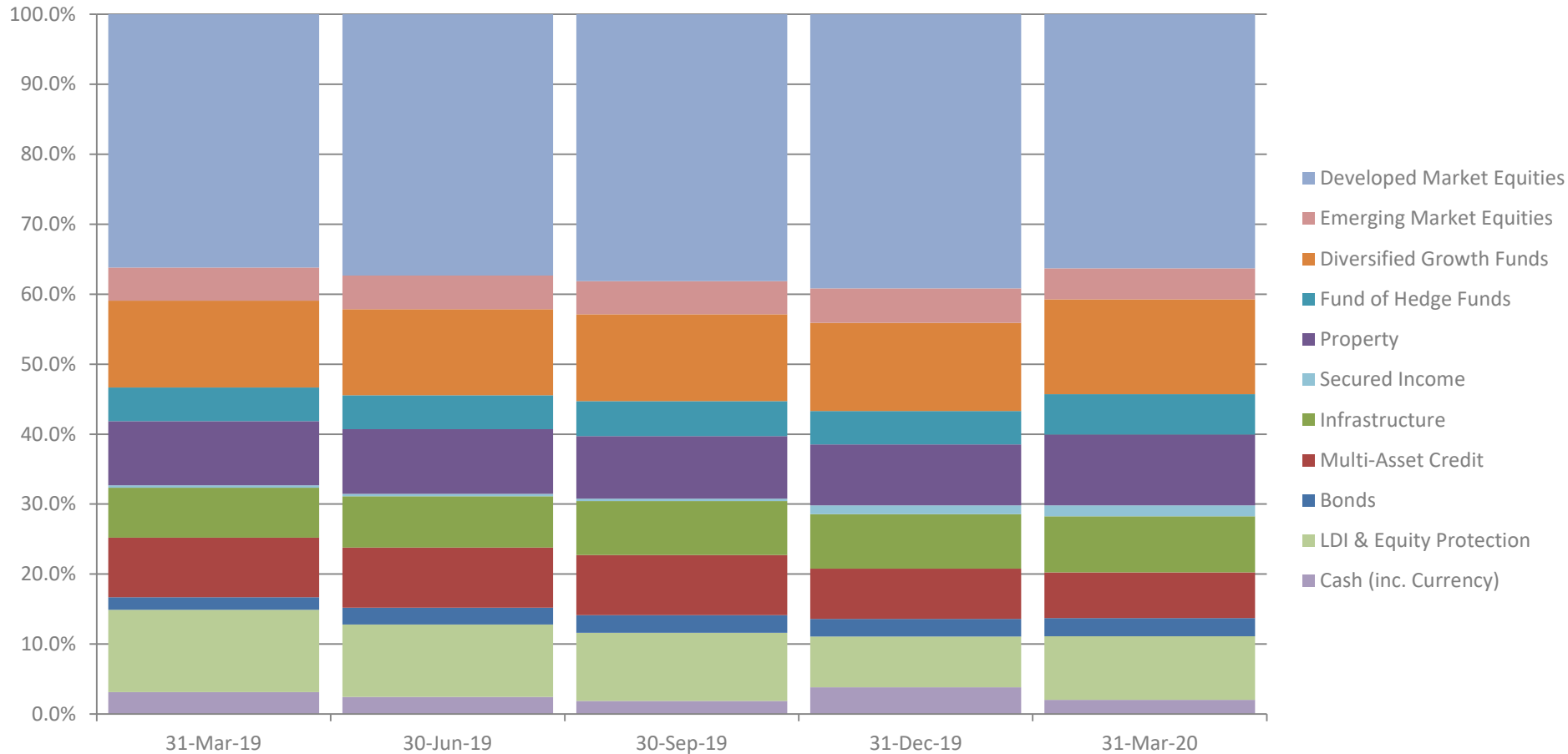
VALUATION BY MANAGER

Manager Allocation					
Manager	Asset Class	31 March 2019 (£'000)	31 March 2020 (£'000)	31 March 2019 (%)	31 March 2020 (%)
Loomis Sayles	Multi-Asset Credit	410,444	291,661	8.5	6.5
Pyrford	DGF	218,582	213,642	4.5	4.8
Ruffer	DGF	379,136	392,024	7.9	8.8
JP Morgan	Fund of Hedge Funds	232,127	257,967	4.8	5.8
Schroder	UK Property	240,276	221,064	5.0	4.9
Partners	Property	201,187	231,705	4.2	5.2
IFM	Infrastructure	331,571	334,132	6.9	7.5
Brunel	Infrastructure	11,152	24,312	0.2	0.5
Brunel	Secured Income	16,695	69,107	0.3	1.5
Record Currency Management	Currency Hedging	29,631	-8,174	0.6	-0.2
Internal Cash	Cash	49,283	58,798	1.0	1.3
Total		4,819,035	4,466,553	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.

COMMENTARY ON CHANGE IN ASSET ALLOCATION OVER THE YEAR



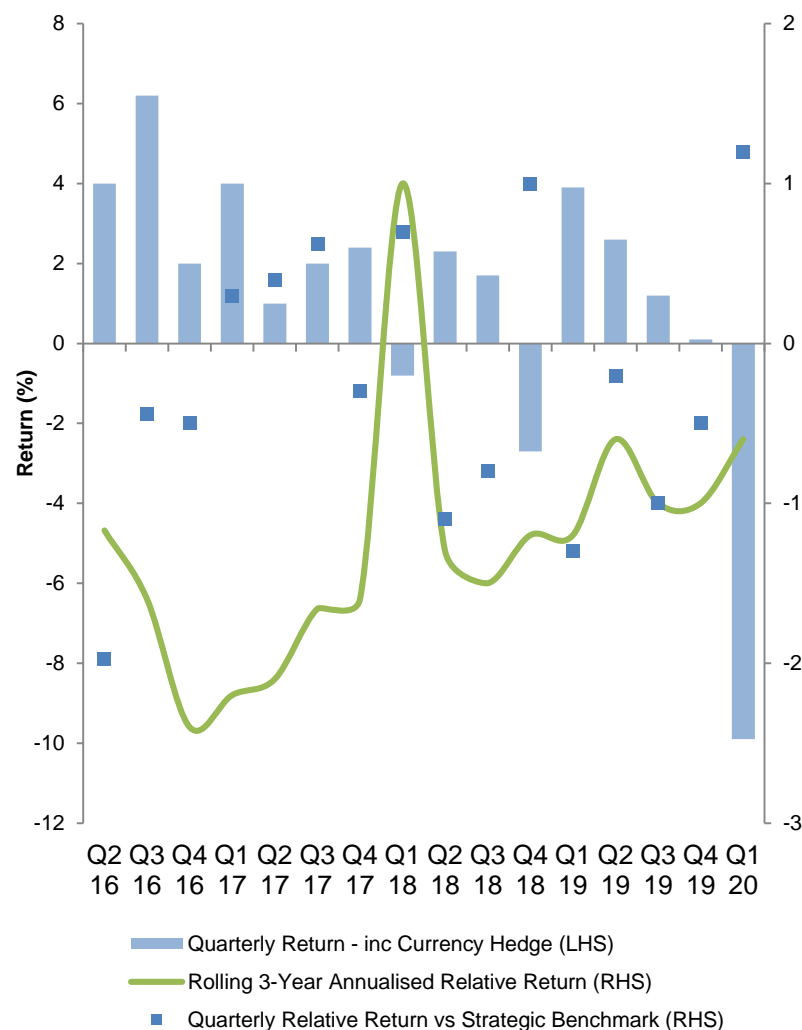
- In Q2 2019, the bespoke buy-and-maintain corporate bond strategy was implemented with BlackRock, replacing the legacy passive corporate bond holding. There was also a simultaneous reduction in LDI holdings, given the increase in scope of the Fund's low-risk liability bucket.
- In Q4 2019, the active global equity mandate with Schrodgers, and the emerging market equity mandates with Genesis and Unigestion, were transitioned to Brunel.

Section 6

Performance Summary

PERFORMANCE SUMMARY

TOTAL FUND PERFORMANCE



	3 Months (%)	1 Year (%)	3 Years (% p.a.)
Total Fund (1)	-9.9	-6.4	1.0
Total Fund (ex currency hedge)	-8.6	-5.3	1.3
Strategic Benchmark (2) (ex currency hedge)	-11.1	-6.3	1.6
Relative (1-2)	+1.2	-0.1	-0.6

- Over the quarter, the Fund outperformed the Strategic Benchmark by 1.2%. The Fund performed slightly below the Strategic Benchmark over the year, and underperformed over the three year period by 0.6%.
- Outperformance was facilitated by the protection in value in the Fund's equity mandate compared to the wider global market. This was thanks to the equity protection strategy, as well as lesser sell-offs over the year in passive low carbon equity, which is the Fund's largest mandate, and is not reflected in the Fund's strategic benchmark.
- The Fund's currency hedging mandate detracted value over the quarter, and the one and three-year time periods, given the depreciation of Sterling over all of these horizons.

PERFORMANCE SUMMARY

INDEX PERFORMANCE vs STRATEGIC BENCHMARK

Asset Class	Weight in Strategic Benchmark		Index Returns		Contribution to Total Benchmark		Assumed Strategic Return	
	Start (%)	End (%)	1 Year (%)	1 Year (%)	3 Years (% p.a.)	3 Years (% p.a.)	Return (% p.a.)	Contribution vs Assumption* (% p.a.)
UK Equities	10.0	10.0	-18.5	-2.0	-4.2	-0.4	8.05	-1.2
Overseas Equities	24.0	24.0	-6.2	-1.5	3.2	+0.8	8.05	-1.2
EM Equities	6.0	6.0	-13.2	-0.8	-1.0	-0.1	8.7	-0.6
DGFs	15.0	15.0	4.9	+0.7	1.3	+0.2	6.95	-0.8
Hedge Funds	5.0	5.0	3.9	+0.2	0.0	0.0	5.1	-0.3
Property	10.0	10.0	4.9	+0.4	2.2	+0.2	5.75	-0.4
Infrastructure	5.0	5.0	6.0	+0.3	2.9	+0.1	6.95	-0.2
Multi-Asset Credit	11.0	11.0	4.9	+0.5	0.0	0.0	3.5	-0.4
UK Corporate Bonds	2.0	2.0	0.5	0.0	1.3	0.0	3.25	0.0
LDI	12.0	12.0	-34.5	-4.2	4.8	+0.7	2.15	+0.4
Total Fund	100.0	100.0	-6.3	-6.3	1.6	+1.6	6.2	-4.6

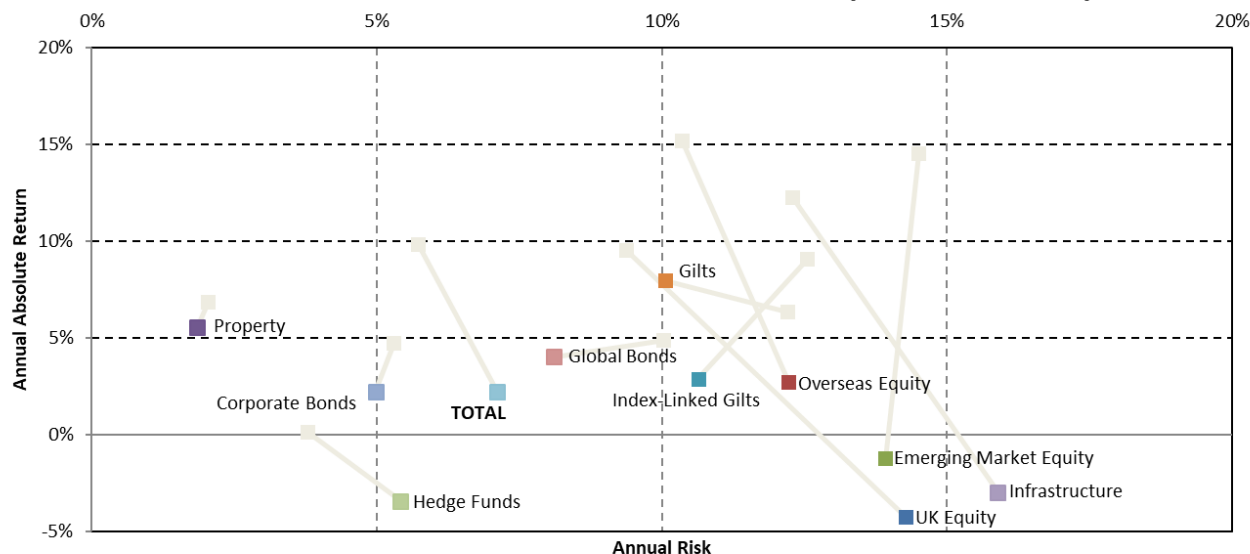
Source: Mercer estimates. May not sum due to rounding.

* Contribution to total difference between strategic benchmark return over last three years (1.6% p.a.) and overall assumed strategic return (6.2% p.a.).

PERFORMANCE SUMMARY

RISK RETURN ANALYSIS

3 Year Risk v 3 Year Return to 31 March 2020 (31 March 2019)



This chart shows the 3 year absolute returns against three year volatility (based on monthly data in sterling terms), to the end of March 2020, 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 State Street). We also show the positions as at 31 March 2018, in grey.

Comments

- All assets saw decreases in observed returns over the three-year period, with Gilts being the only exception.
- Whilst most asset classes observed decreases in associated volatilities, some of the steepest changes over the quarter were increases in UK Equity, Infrastructure and Hedge Funds.

PERFORMANCE SUMMARY

MANAGER PERFORMANCE TO 31 MARCH 2020

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 Equity	-16.3	-15.7	-0.7	-7.9	-7.6	-0.3	2.8	2.8	+0.1	-	Target met
BlackRock Corporate Bonds	-7.2	-7.2	0.0	-0.7	-0.7	0.0	2.0	2.1	0.0	-	Target not met
BlackRock LDI	-30.8	-30.8	0.0	-34.5	-34.5	0.0	-9.9	-9.9	0.0	-	Target met
Brunel UK Equity	-26.6	-25.1	-2.0	-20.0	-18.5	-1.8	N/A	N/A	N/A	+2	N/A
Jupiter UK Equity	-25.2	-25.1	-0.1	-16.7	-18.5	+2.2	-5.3	-4.2	-1.1	+2	Target not met
Brunel Passive Low Carbon Equity	-15.3	-15.3	0.0	-4.5	-4.5	0.0	N/A	N/A	N/A	-	N/A
Jupiter Global Sustainable Equity	-8.7	-15.9	+8.6	3.6	-6.2	+10.4	N/A	N/A	N/A	+2-4	N/A
Brunel Global High Alpha Equity	-11.8	-15.5	+4.4	N/A	N/A	N/A	N/A	N/A	N/A	+2-3	N/A
Brunel Emerging Market Equity	-20.4	-18.3	-2.6	N/A	N/A	N/A	N/A	N/A	N/A	+2-3	N/A
Loomis Sayles	-12.8	1.2	-13.8	-7.6	4.8	-11.8	N/A	N/A	N/A	-	N/A
Pyrford	-4.8	1.5	-6.2	-2.4	7.9	-9.5	-0.4	8.0	-7.8	-	Target not met
Ruffer	-2.8	1.4	-4.1	3.2	5.9	-2.5	N/A	N/A	N/A	-	N/A
JP Morgan	-2.2	1.3	-3.4	2.4	5.4	-2.8	3.7	5.0	-1.3	-	Target not met
Schroder UK Property	-2.1	-1.3	-0.8	-0.3	0.0	-0.3	5.0	4.8	+0.2	+1	Target not met
Partners Property*	0.4	2.5	-2.1	7.1	10.0	-2.7	5.2	10.0	-4.3	-	Target not met
IFM	-6.6	1.4	-7.9	4.9	5.3	-0.4	13.5	4.4	+8.7	-	Target met
Brunel Infrastructure	6.2	0.1	+6.1	10.7	1.5	+9.1	N/A	N/A	N/A	+4	N/A
Brunel Secured Income	-1.4	0.1	-1.5	0.1	1.5	-1.4	N/A	N/A	N/A	+2	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, Partners and IFM, whose performance is shown in local currency 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 31 December 2019 as this is the latest date that this is available to.

PERFORMANCE SUMMARY

ACTIVE INVESTMENT MANAGER CONTRIBUTION (YEAR TO 31 MARCH 2020)

Asset Class	Weight in Strategic Benchmark		Average Relative Position *	Fund Return	Index Return	Asset Allocation Impact	Active Manager Impact	Total Manager Impact
	Start (%)	End (%)						
UK Equities	10.0	10.0	-2.0	-18.2	-18.5	+0.2	+0.1	+0.3
Overseas Equities	24.0	24.0	+5.8	-3.9	-6.2	0.0	+0.7	+0.7
Emerging Market Equities	6.0	6.0	-1.2	-13.9	-13.2	+0.1	0.0	+0.1
Diversified Growth Funds	15.0	15.0	-2.4	1.3	4.9	-0.3	-0.4	-0.7
Fund of Hedge Funds	5.0	5.0	0.0	11.1	3.9	0.0	+0.4	+0.4
Property **	10.0	10.0	-0.1	5.2	4.9	0.0	+0.1	+0.1
Infrastructure	5.0	5.0	+2.5	1.6	6.0	+0.3	-0.3	0.0
Multi-Asset Credit	11.0	11.0	-3.0	-7.6	4.9	-0.3	-0.9	-1.2
UK Corporate Bonds	2.0	2.0	+0.4	0.5	0.5	0.0	0.0	0.0
LDI	12.0	12.0	-2.5	-34.5	-34.5	+0.7	0.0	+0.7
Equity Protection ***	-	-	-	-	-	+0.6	0.0	+0.6
Total Fund	100.0	100.0	-	-5.3	-6.3	+1.4	-0.4	1.0

Source: Avon, Investment Managers and Mercer estimates. Figures may not sum due to rounding.

* Average overweight position taken as the average of the beginning and end of year weights.

** Property includes Secured Income allocation.

*** The equity protection strategy is an overlay so does not have a target allocation, hence no specific allocation or performance figures are shown, but it does have an impact on overall performance as shown.

Appendix 1

Manager Monitoring

MANAGER MONITORING

UK EQUITIES

Manager / fund	1 Year (%)				3 years (% p.a.)				
	Fund	B'mark	Relative	Contribution to outperformance *	Fund	B'mark	Relative	Target	Contribution to outperformance *
Jupiter	-16.7	-18.5	+1.8	+0.09	-5.3	-4.2	-1.1	+2	-0.05
Brunel	-20.0	-18.5	-1.5	-0.06	n/a	n/a	n/a	+2	

Source: Avon, Investment Managers and Mercer estimates.

* "Contribution to outperformance" is the annualised impact on total return of the individual managers' performance relative to their benchmark over the periods measured, and provides an indication of the relative impact of manager out- or under-performance.

Market Commentary

- UK equities contracted sharply over the year by 18.5%, being the hardest hit region in Q1 mainly due to high exposures to oil, gas and basic materials on the FTSE All-Share.

Performance Commentary

- Jupiter managed to outperform the benchmark over the one year period, with one of the key contributors being its limited exposure to oil, gas and mining companies. It did however underperform over the three year period.
- Jupiter's tracking error was 4.2% p.a. Jupiter's holdings remain noticeably different from the benchmark, due in large part to its Socially Responsible Investment objectives – having a significant underweight to large cap stocks and overweight to midcap stocks.
- The more recently-implemented Brunel mandate underperformed over the one year period.

MANAGER MONITORING

DEVELOPED GLOBAL EQUITIES

Manager / fund	1 Year (%)				3 Years (% p.a.)				
	Fund	B'mark	Relative	Contribution to outperformance	Fund	B'mark	Relative	Target	Contribution to outperformance
Jupiter	3.6	-6.2	+10.4	+0.02	n/a	n/a	n/a	+2-4	n/a
Brunel (Passive Low Carbon)	-4.5	-4.5	0.0	+0.00	n/a	n/a	n/a	+2-3	n/a
Brunel (High Alpha)*	-10.5	-14.4	+3.9	n/a	n/a	n/a	n/a	+2-3	n/a
Schroders (terminated) **	9.1	9.9	-0.8	-0.07	7.9	7.7	+0.2	+4	+0.01

Source: Avon, Investment Managers and Mercer estimates.

* Since inception performance shown (from November 2019), as mandate has not been in place for a full year.

** Performance shown up to 30 September 2019, which is the closest quarter end to termination, e.g. for the last year performance is shown from 31 March 2019 to 30 September 2019, and 3 year performance is shown from 31 March 2017 to 30 September 2019.

Market Commentary

- Global equities returned -6.2% over the year in sterling terms, with all regions performing negatively in both sterling and local currency terms.
- Japan was the most cushioned region, returning -2.1%, whilst US equities returned -2.3%.
- European (ex-UK) equities returned -8.0%, and Asia Pacific (ex-Japan) was among the worst hit regions outside of the UK at -14.1%. (All in Sterling terms)

Performance Commentary

- Despite this backdrop, the Jupiter global sustainable mandate managed to deliver positive performance over the year thanks to strong outperformance in the first three quarters.
- The Brunel low carbon fund performed in line with its benchmark over the year, whilst the high alpha fund has outperformed since its inception in November 2019.
- The Schroders mandate was terminated in Q4 2019, but did manage to contribute to outperformance over the 3 year period* prior to this.

MANAGER MONITORING

EMERGING MARKET EQUITIES

Manager / fund	1 Year (%)				3 years (% p.a.)				
	Fund	B'mark	Relative	Contribution to outperformance	Fund	B'mark	Relative	Target	Contribution to outperformance
Genesis (terminated) *	6.9	2.1	+4.8	+0.12	6.7	4.5	+2.2	-	+0.05
Unigestion (terminated) *	0.9	1.9	-1.0	-0.02	3.0	4.2	-1.2	+2-4	-0.08
Brunel**	-17.4	-15.2	-2.2	n/a	n/a	n/a	n/a	+2-3	n/a

Source: Avon, Investment Managers and Mercer estimates.

*Performance shown up to 30 September 2019, which is the closest quarter end to termination, e.g. for the last year performance is shown from 31 March 2019 to 30 September 2019, and 3 year performance is shown from 31 March 2019 to 30 September 2019.

** Since inception performance shown (from October 2019), as mandate has not been in place for a full year.

Market Commentary

- Emerging Market equities contracted by 13.0% over the year to 31 March 2020, being one of the most adversely impacted regions at the end of the period.
- Even though China seems to be returning to some normality, there is still a significant question mark over how other emerging countries will cope with the pandemic as well as the impact the oil price shock will be having on oil producing countries.

Performance Commentary

- In Q4 2019, the mandates with Genesis and Unigestion were transitioned to Brunel, hence performance for the latter over the one and three year period are not yet available.
- Brunel has however underperformed its benchmark since its inception in October 2019, after a difficult first full quarter.
- Genesis had contributed to outperformance over these time horizons*, whilst Unigestion had detracted.

MANAGER MONITORING

FUND OF HEDGE FUNDS

Manager / fund	1 Year (%)				3 years (% p.a.)				
	Fund	B'mark	Relative	Contribution to outperformance	Fund	B'mark	Relative	Target	Contribution to outperformance
JP Morgan	2.4	5.4	-2.8	-0.05	3.7	5.0	-1.3	-	-0.07

Source: Avon, Investment Managers and Mercer estimates.

Returns are in local currency terms.

Market Commentary ¹

- Fund of Hedge Funds fell by 5.7% over the year, as per the HFRI Diversified Fund of Fund Index.
- Discretionary and systematic macro strategies were the only positive performing strategies over the year.
- Event-driven and distressed were the worst performing strategies at -12.6% and -12.4% respectively (in USD terms).
- We continued to see dispersion in manager results across strategies.

Performance Commentary

- JP Morgan did provide positive performance in local currency terms thanks largely to its opportunistic/macro and relative value sleeves.
- Performance will have been stronger in sterling terms due to the currency's depreciation.
- The mandate did however underperform its targeted return benchmark over the one and three year periods, as hedge fund returns in general have been weak.

¹Source: Hedge Fund Research Inc.

MANAGER MONITORING

DGF

Manager / fund	1 Year (%)				3 years (% p.a.)				
	Fund	B'mark	Relative	Contribution to outperformance	Fund	B'mark	Relative	Target	Contribution to outperformance
Pyrford	-2.4	7.9	-9.5	-0.45	-0.4	8.0	-7.8	-	-0.28
Ruffer	3.2	5.9	-2.5	-0.21	n/a	n/a	n/a	-	n/a

Source: Avon, Investment Managers and Mercer estimates.

Performance Commentary

- The Fund's DGF managers underperformed their benchmarks.
- It was difficult for the mandates to keep pace with their targeted return benchmarks in Q1 2020, despite holding up relatively well compared to equity markets.
- Disappointing performance was more noticeable for Pyrford who delivered negative returns over the one and three year period, whilst Ruffer did manage to grow capital over the year.
- Whilst Pyrford has a largely stable asset allocation, the portfolio managed Ruffer is more dynamic.

MANAGER MONITORING

PROPERTY AND SECURED INCOME

Manager / fund	1 Year (%)				3 years (% p.a.)				
	Fund	B'mark	Relative	Contribution to outperformance	Fund	B'mark	Relative	Target	Contribution to outperformance
Schroders	-0.3	0.0	-0.3	-0.02	5.0	4.8	+0.2	+1	+0.00
Partners*	7.1	10.0	-2.7	-0.13	5.2	10.0	-4.3	-	-0.21
Brunel (Secured Income)	0.1	1.5	-1.4	-0.02				+2	

Source: Avon, Investment Managers and Mercer estimates.

* Partners performance and the contribution to outperformance reflects the periods to 31 December 2019. Returns for this mandate are in local currency terms.

Market Commentary

- The UK property market was broadly flat over the year (as measured by the UK IPD PPF All Balanced Funds Index – the benchmark for the Schroders mandate).
- This index contracted by 1.3% over Q1 2020, and the long-term impact of the UK lockdown on property pricing is still uncertain given the sharp fall in transactions.
- The Partners' mandate is more focused on overseas property, and has a performance target of 10% p.a., with the benchmark taken as 8% p.a. (estimated net IRR, in local currency terms).
- The Brunel secured income mandate is more focused on long lease property, so we would expect returns to be more income driven, albeit capital is still expected to be impacted by the COVID-19 situation to a degree. This mandate is still only partly funded.

Performance Commentary

- Schroders slightly underperformed the benchmark over the year, and valuations at the end of the quarter were issued with 'material uncertainty' caveats. The mandate outperformed over the three year period, during which 'value add' strategies have been the largest contributors to performance.
- Partners' drawdowns are made gradually over time, and the Fund is not yet fully invested. As a result of the volatile timing of cash flows for such investments, for example the initial costs of purchasing and developing properties, focus should be on longer term performance. Their IRR from inception to 31 December 2019 at 7.1% p.a. (in local currency) is below their target of 10% p.a.

MANAGER MONITORING

INFRASTRUCTURE

Manager / fund	1 Year (%)				3 years (% p.a.)				
	Fund	B'mark	Relative	Contribution to outperformance	Fund	B'mark	Relative	Target	Contribution to outperformance
IFM	4.9	5.3	-0.4	-0.01	13.5	4.4	+8.7	-	+0.52
Brunel	10.7	1.5	+9.2	+0.03	n/a	n/a	n/a	+4	n/a

Source: Avon, Investment Managers and Mercer estimates.

Returns for IFM are in local currency terms.

* Performance is shown since inception

Market Commentary

- The infrastructure market, as measured by the S&P Global Infrastructure Index (a listed index), returned -6.1% over the year in sterling terms.
- This was driven by a sharp contraction in the final quarter with positive steady growth prior to that.
- Given the unlisted nature of the mandates, we would caution that current valuations may not fully reflect the full impact of the COVID-19 crisis.
- But we do not expect demand for renewable assets (the focus of the Brunel mandate) to be impact longer term.
- The 100% hedge in place for the infrastructure mandate removes the currency effect from the actual returns earned.

Performance Commentary

- IFM delivered positive performance over the year (in local currency terms), which fell just short of its targeted return benchmark.
- Outperformance was strong over the three year period to 31 March 2020, making the mandate the biggest contributor to outperformance over this period.
- The portfolio consists of 17 holdings and most of it is invested in the United States, United Kingdom and Mexico. Toll roads and airports, which represent two of the main sub-sector allocations of the fund, observed the greatest adverse impact from the recent severe disruption to global transportation.
- The Brunel Renewable Infrastructure sleeve is still in the early stages of being funded but has delivered good performance to date.

MANAGER MONITORING

CREDIT

Manager / fund	1 Year (%)				3 years (% p.a.)				
	Fund	B'mark	Relative	Contribution to outperformance	Fund	B'mark	Relative	Target	Contribution to outperformance
BlackRock	-0.7	-0.7	0.0	n/a*	2.0	2.1	-0.1	-	n/a*
Loomis Sayles	-7.6	4.8	-11.8	-0.84	n/a	n/a	n/a	-	n/a

Source: Avon, Investment Managers and Mercer estimates.

*Mandate is passive, and benchmark is assumed to be equal to the return on bonds held.

Market Commentary

- Corporate debt, as measured by the Bank of America Merrill Lynch Sterling Non-Gilts index, returned 1.7% over the year to 31 March 2020.
- Credit spreads spiked over Q1 amidst investor risk aversion, pricing in significant levels of stress for corporates who are expected to struggle to meet their fixed charges, while many have seen revenues decline considerably.
- Sub-investment grade spreads in particular increased quite sharply over Q1 2020 to over 10%, before falling back a bit. The Merrill Lynch Global High Yield Index returned -3.6% over the year.

Performance Commentary

- The BlackRock bespoke buy-and-maintain corporate bond strategy, which was implemented in Q2 2019, suffered falls in Q1 2020 as yield spreads widened. However, given the buy-and-maintain nature, short-term volatility is less of a concern; the key to success will be avoiding defaults.
- Loomis Multi-Asset Credit ("MAC") was more negatively impacted due to its exposure to high yield and emerging market bonds, and consequently underperformed its composite benchmark by 11.8% over the one year period. This made it the biggest detractor in relative terms in the portfolio over this time period.

MANAGER MONITORING CURRENCY

Market Commentary

- Over the 12-month period to 31 March 2020, Sterling depreciated by 2.6% against the US Dollar from \$1.30 to \$1.24.
- Over the same period, Sterling depreciated by 7.2% against the Yen from ¥144.23 to ¥133.86, and by 4.8% against the Euro from €1.16 to €1.13.

Performance Commentary

- Over the 12 month period to 31 March 2020, the hedging mandates have all underperformed their informal benchmark returns.

Currency Hedging 12 Month Performance (£ terms)

Passive Developed Equity Hedge						
Currency	Start Exposure (£)	End Exposure (£)	Currency Return (%)	50% Benchmark Return (%)	Record Hedge Return (%)	Net Return (%)
USD	821,305,387	872,614,470	5.09%	(3.52%)	(3.57%)	1.78%
EUR	158,973,158	144,091,390	2.69%	(0.88%)	(0.72%)	2.13%
JPY	93,930,678	117,703,189	7.75%	(3.57%)	(3.56%)	4.50%
Total	1,074,209,223	1,134,409,048	4.98%	(3.12%)	(3.13%)	2.08%

Passive Hedge Fund Hedge						
Currency	Start Exposure (£)	End Exposure (£)	Currency Return (%)	100% Benchmark Return (%)	Record Hedge Return (%)	Net Return (%)
USD	227,347,568	250,443,905	5.09%	(7.13%)	(7.33%)	(2.01%)
Total	227,347,568	250,443,905	5.09%	(7.13%)	(7.33%)	(2.01%)

Passive Property Hedge						
Currency	Start Exposure (£)	End Exposure (£)	Currency Return (%)	100% Benchmark Return (%)	Record Hedge Return (%)	Net Return (%)
USD	23,879,908	25,715,449	5.09%	(7.13%)	(7.32%)	(2.01%)
EUR	176,095,090	179,374,319	2.69%	(2.16%)	(1.92%)	1.23%
Total	199,974,998	205,089,767	3.00%	(2.76%)	(2.58%)	0.84%

The Passive Infrastructure Hedge was terminated on 2 January 2020.
At the start of the period, as at 31 March 2019, this additional sleeve had an exposure of £188,775,625

Source: Record.

Appendix 2

Summary of Mandates

SUMMARY OF MANDATES

Manager	Mandate	Benchmark	Outperformance Target (p.a.)
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%
Brunel	Global High Alpha Equity	MSCI World	+2 -3%
Brunel	Passive Global Low Carbon Equities	MSCI World Low Carbon	-
Brunel	Emerging Market Equities	MSCI Emerging Markets	+2 -3%
Jupiter Asset Management	UK Equities (SRI)	FTSE All Share	+2%
Jupiter Asset Management	Global Sustainable Equities (SRI)	MSCI AC World	+2-4%
Loomis Sayles	Multi-Asset Credit	3 Month LIBOR +4% p.a.	-
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.	-
Schroders	UK Property	IPD UK Pooled	+1%
Partners	Overseas Property	Net IRR of 10% p.a. (local currency)	-
IFM	Infrastructure	6 Month LIBOR +2.5% p.a.	-
Brunel	Infrastructure	CPI	+4%
Brunel	Secured Income	CPI	+2%
Record	Passive Currency Hedging	N/A	-
Cash	Internally Managed	7 Day LIBID	-

Appendix 3

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
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 4

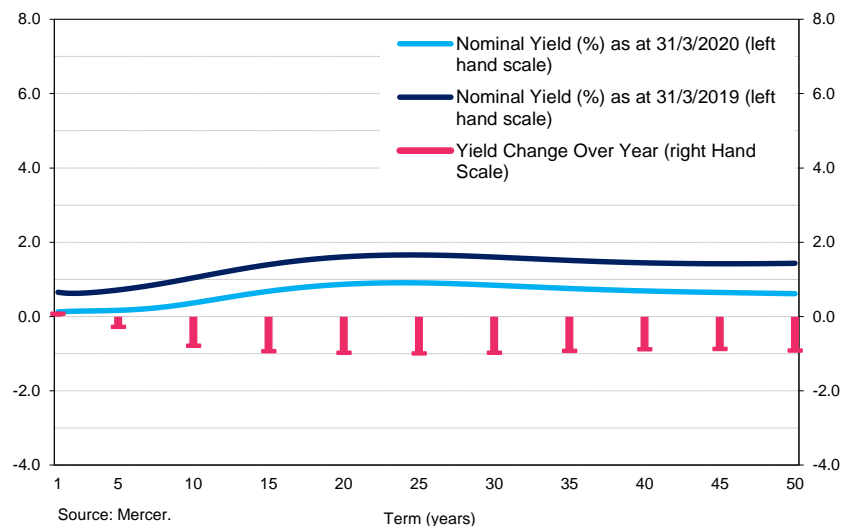
Changes in Yields

CHANGES IN YIELDS

Index	31-Mar-20	31-Dec-19	31-Mar-19	31-Mar-18
UK Equities	5.53	4.09	4.22	3.85
Over 15 Year Gilts	0.75	1.25	1.48	1.63
Over 5 Year Index-Linked Gilts	-1.92	-1.84	-1.85	-1.65
Sterling Non Gilts	2.50	2.00	2.34	2.47

- UK Government Bonds as measured by the FTSE Gilts All Stocks Index, returned 9.9%, while long dated issues as measured by the corresponding Over 15 Year Index had a return of 17.6% over the year as the longer end of the nominal yield curve fell by more than the shorter end.
- The yield for the FTSE Gilts All Stocks index fell over the year from 1.36% to 0.66%.
- The FTSE All Stocks Index -Linked Gilts index returned 2.2% with the corresponding over 15-year index exhibiting a return of 2.0%.
- Corporate debt as measured by the Bank of America Merrill Lynch Sterling Non-Gilts index returned 1.7%.

Nominal yield curves



Real yield curves

