Avon Pension Fund

Committee Investment Performance Report
Quarter to 31 December 2020

March 2021

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Joshua Caughey

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Please also note:

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

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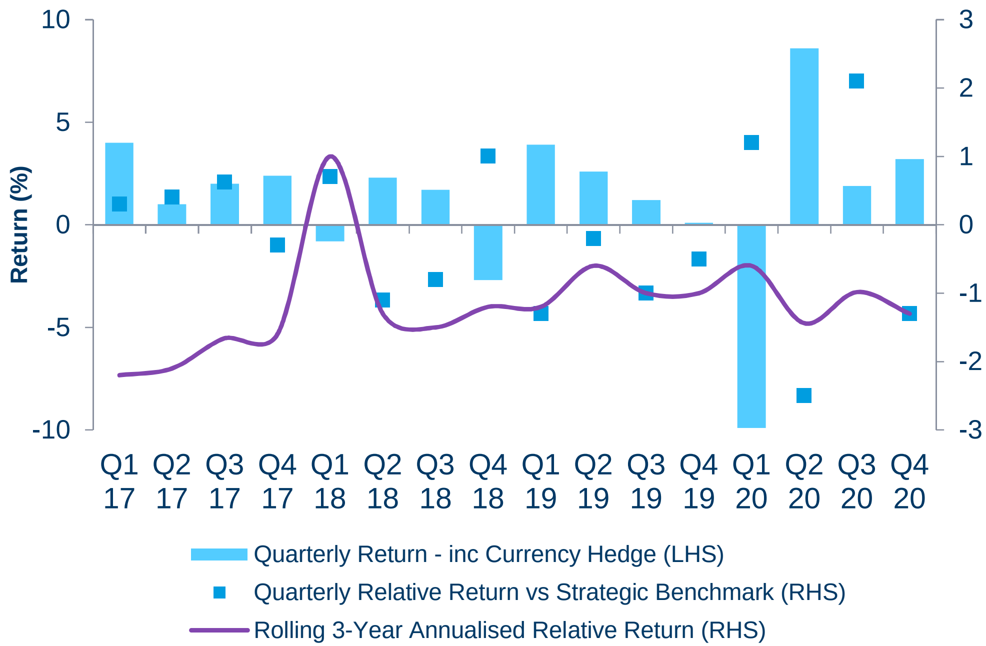
Section 1

Executive Summary

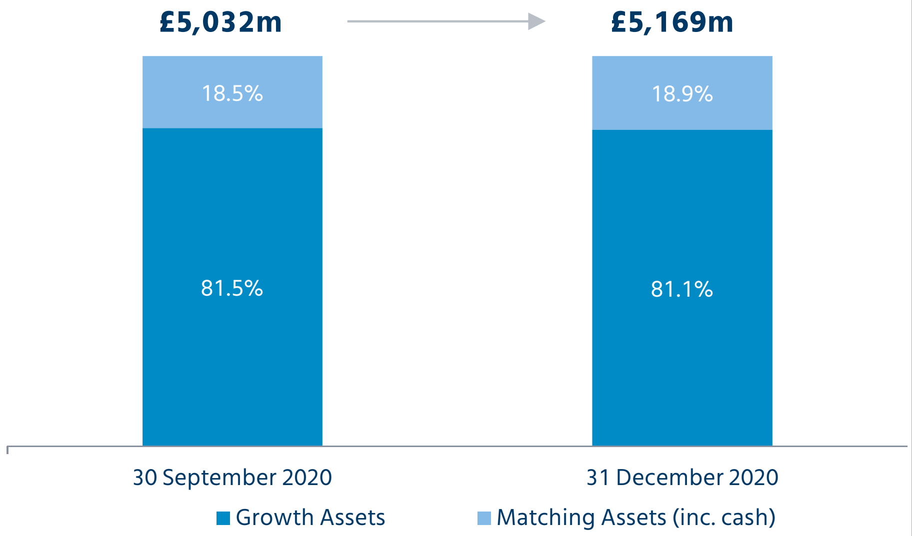
EXECUTIVE SUMMARY

	3 Months (%)	1 Year (%)	3 Years (% p.a.)
Total Fund **(1)**	3.2	2.9	3.7
Total Fund (ex currency hedge)	2.2	2.8	3.8
Strategic Benchmark **(2)**	4.5	3.0	5.0
Relative (1 - 2)	**-1.3**	**-0.1**	**-1.3**

Excess Return Chart



Asset Allocation



Commentary

Over the quarter, total Fund assets increased from £5,032m to £5,169m. This was driven by strong portfolio performance with almost all mandates capturing market upside.

Active management, in particular the Brunel managed portfolios, and the currency hedging policy, made positive contributions to performance. Underperformance relative to the strategic benchmark is mainly due to the impact of the equity protection strategy, but it is important to note that this has behaved in line with expectations.

At the end of the quarter, the allocations to all asset classes were within their control ranges, except for the Secured Income, Renewable Infrastructure and Private Debt mandates, which are in the process of being drawn down.

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EXECUTIVE SUMMARY

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

Fund Performance

- Invested assets increased by £138m over the quarter to 31 December 2020, to £5,169m. Strong performance was seen amongst the equity mandates, as markets were buoyed by positive vaccine developments, and most of the other growth assets within the portfolio also managed to capture a meaningful degree of this upside.

Strategy

- Global (developed) equity returns over the last three years were 10.5% p.a., above the assumed strategic return of 6.8% p.a. from the strategy reviews over 2019. We are positive in our medium-term outlook for developed market equities (over the next one to three years), driven by the backdrop of low bond yields, low expected inflation and pro-growth policies creating a favourable environment.
- Emerging market equities have returned 6.2% p.a. over the three-year period, behind the assumed return of 8.3% p.a. Emerging markets are still more attractively priced than other developed market regions, in our view. The emerging Asia region has been less badly affected by the pandemic and benefited from foreign goods demand, which is expected to continue. A more predictable approach by the US to trade under the Biden administration is also a positive.
- High yield bonds returned 5.5% p.a. over the three-year period, ahead of the assumed strategic return of 4.4%, whilst UK corporate bonds were also ahead of their 2.6% target with returns of 5.2% p.a..
- The three-year UK property return of 2.8% p.a. is behind the assumed return of 5.2% p.a., suppressed by ongoing uncertainty regarding the market outlook in light of the last year's events.
- UK government bond returns over the three-year period remain materially higher than the long-term assumed strategic returns as investor demand for gilts remains strong, and gilt yields fell back further over the quarter. Fixed interest gilts returned 8.6% p.a. over three years versus an assumed return of 1.5% p.a., whilst index-linked gilts also returned 6.1% p.a. versus an assumed return of 1.6% p.a.
- The Fund's currency hedging policy was positive overall for Fund performance over the quarter, since Sterling appreciated against the Dollar.

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EXECUTIVE SUMMARY

Managers

- Emerging Market Equity was the strongest performer within the portfolio, whilst the other (global) equity mandates also performed strongly in line with the general market. The credit assets (corporate bonds and MAC) stood out among the other growth assets, delivering strong performance as spreads continued to narrow. The Hedge Fund mandate also performed well, and the DGFs also captured some of the upside in markets.
- The Core Infrastructure mandate stood out among the real asset mandates. UK Property and the Secured Income mandate also contributed to performance, whilst the Renewable Infrastructure mandate was broadly flat. The Overseas Property mandate was the only negative performer within the portfolio, although this reflected Q3 performance as the latest available at the time of writing.
- The value of the Fund's LDI portfolio increased over the quarter, mainly due to a slight uptick in implied inflation and the fall in gilt yields. It remained down over the year however, due to the overall fall in inflation over this period.
- The Global High Alpha Equity mandate has delivered outsized returns over the year – materially ahead of the benchmark, and the other equity mandates in place over this period were also up by double digits. The Hedge Fund and Renewable Infrastructure mandates also stood out, and the credit assets, and Ruffer DGF (until termination), also fared well. All of these mandates achieved their performance objective over this period, except for the Emerging Market mandate.
- Over the three-year period, three of the active mandates in place for this time –JP Morgan, Schroder Property and IFM – outperformed their benchmarks, though JP Morgan and IFM were the only ones to exceed their performance objectives. The Ruffer DGF underperformed over this period (to the termination date), as did the Loomis Sayles MAC and Partners Overseas Property mandates.

Key Points to Note

- The Fund's new strategic benchmark is reflected in this report, having become effective as at 1 April 2020.
- At the start of the quarter, the Fund finalised the increase to its inflation hedge ratio to c.35% of assets.
- The final DGF holdings with Ruffer were redeemed towards the end of the quarter, with the 10% strategic allocation to this asset class now being managed by Brunel through the Diversified Returns mandate.
- At quarter end all asset classes were within their ranges, except for the Secured Income, Renewable Infrastructure and Private Debt mandates which are in the process of being drawn down.

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Section 2

Market Background

MARKET BACKGROUND COMMENTARY

Equity Market Review

Following the strong economic rebound during summer, the global economy started to slow again during the fourth quarter as restrictions gradually returned to all major regions. Nevertheless, the economic impact was not nearly as bad as in early 2020 as businesses were much better prepared this time. Good news regarding vaccine roll-out and positive developments on several political fronts led investors to look beyond the shorter term, and expectations were set towards a major recovery in 2021. This drove a risk-on rally, leading to another quarter of strong returns for risk assets and weaker performance for defensive assets.

Global equity markets rallied over the quarter, returning 8.5% in sterling terms – the third positive quarter in a row. Many major indices, including the S&P 500, showed mid to high double digit returns for the year. Volatility was higher as markets reacted to a return of pandemic-related restrictions and to major political events including the US election and the final Brexit negotiations. US equities returned 6.8% in sterling terms, as markets focused on the prospect for vaccine roll-outs. European (ex UK) equities returned 9.2% driven by similar dynamics as well as a cyclical recovery in value stocks that are expected to benefit most from a full reopening and have a heavier weight in many European indices. Emerging markets equities returned 11.2%, driven by China's advanced recovery as well as a rebound in some other EM countries, especially commodity producers, that had been lagging for much of the year.

Bond Market Review

The UK yield curve shifted down marginally over the quarter as additional fiscal stimulus as well as monetary accommodation was announced in the UK.

UK real yields shifted down marginally, in line with the small decrease in nominal yields – inflation expectations changed little. The UK Treasury announced the outcome of the RPI consultation confirming that RPI is expected to increase in line with CPIH from 2030.

UK investment grade credit spreads narrowed over the quarter as risk-on sentiment continued.

Currency Market Review

Sterling strengthened against all major developed currencies over the quarter. Against the Dollar, Euro and Yen, this amounted to 5.7%, 1.3% and 3.4% respectively. The Brexit agreement in late December boosted sentiment for sterling at year end as the feared disruptions in trade did not generally materialise.

Commodity Market Review

Commodity markets continued their rebound over the quarter. Expectations of a strong economic recovery gaining pace in the coming year drove demand for cyclical commodities across the board as markets looked beyond the return of COVID-19 restrictions in many countries. Gold was flat as markets were driven by risk-on sentiment that favoured cyclical commodities and energy.

Source: Thomson Reuters Datastream

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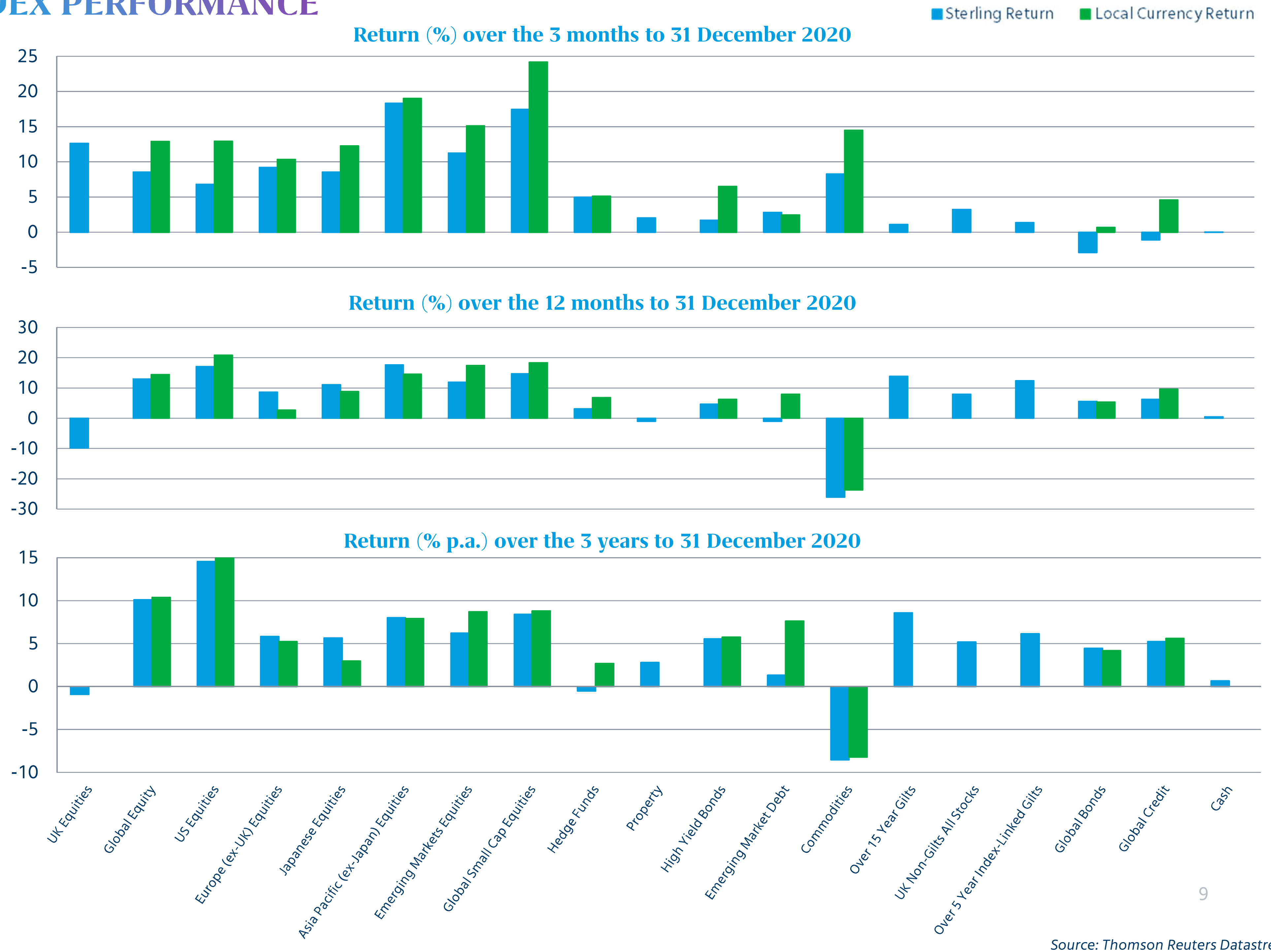
MARKET BACKGROUND
INDEX PERFORMANCE



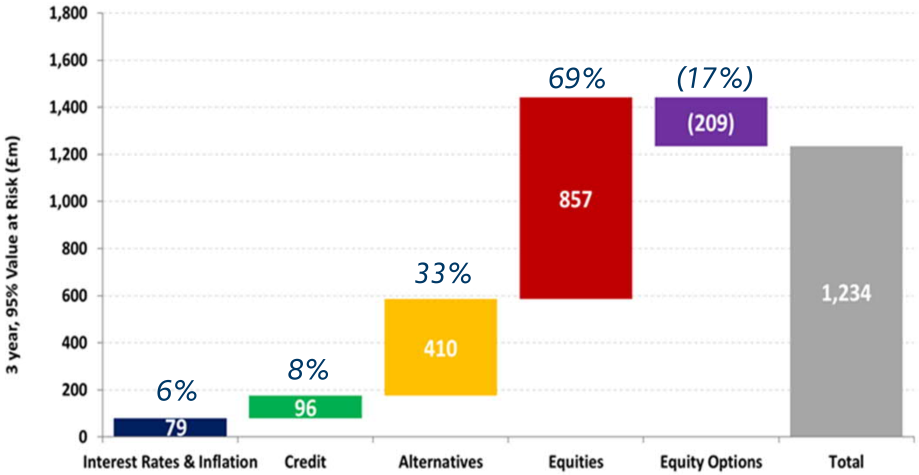
Source: Thomson Reuters Datastream.

Section 3

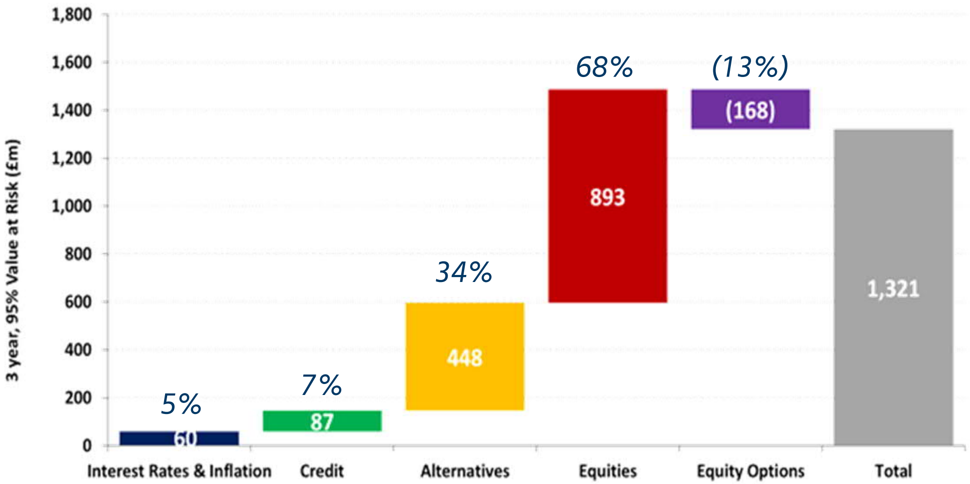
Strategic Considerations

STRATEGIC CONSIDERATIONS
RISK DECOMPOSITION

30 September 2020



31 December 2020



- The two charts to the left illustrate the main risks that the Fund is exposed to on the 2019 funding basis, and the size of these risks in the context of the change in the deficit position.
- The purpose of showing these charts is to ensure there is an awareness of the risks faced and how they change over time, and to initiate debate on an ongoing basis around how to best manage these risks, so as not to lose sight of the 'big picture'.
- The grey column on the right hand side of each chart shows the estimated 95th percentile Value-at-Risk (VaR) over a one-year period. In other words, if we consider a downside scenario which has a 1-in-20 chance of occurring, what would be the impact on the deficit relative to our 'best estimate' of what the deficit would be in three years' time.
- If we focus on the chart at 31 December 2020, it shows that if a 1-in-20 'downside event' occurred over the next three years, the deficit could increase by at least an additional **£1.3bn**.
- Each bar to the left of the grey bar represents the contribution to this total risk from the primary underlying risk exposures (interest rates and inflation, changes in credit spreads, volatility of alternative assets and equity markets, and the benefit from equity options).
- Overall, **the VaR has risen over the quarter**, which is largely attributable to the increase in the asset value and expectations for increased short-term volatility in equity. The upcoming move to a dynamic equity option strategy is expected to significantly reduce the VaR (via an increased offsetting amount from the equity options).

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

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MARKET BACKGROUND
INDEX PERFORMANCE VERSUS STRATEGY

Asset Class	Strategy Assumed Return % p.a.	3 year Index Return % p.a.	Comment
Global Developed Equity (FTSE AW Developed)	6.8	10.5	The three year return of global developed equities has been ahead of the assumed strategic return. This increased against last quarter after a Q4 return of 8.2%.
Emerging Market Equity (FTSE AW Emerging)	8.3	6.2	The three year return from emerging market equities remained behind the assumed strategic return, despite a strong Q4 return of 11.2%.
Diversified Growth (SONIA + 4%)	5.7	4.5	DGFs are expected to produce an attractive return over the long term but with lower volatility than equities – this is the basis for the SONIA based benchmark. Low cash rates means benchmark has underperformed the long term expected return from equity. An absolute strategic return of 5.7% p.a. has been used, along with the specific manager target for comparison. During periods of strong equity returns we would expect DGFs to underperform equities.
High Yield Bonds (BofAML Global High Yield)	4.4	5.5	The three year return of high yield bonds has been ahead of the assumed strategic return.
UK Corporate Bonds (BofAML Sterling Non Gilts)	2.6	5.2	The three year return of corporate bonds has been ahead of the assumed strategic return. This increased against last quarter after a Q4 return of 3.2%, as spreads continued to narrow.
Property (IPD UK Monthly)	5.2	2.8	Actual property returns fell further behind expected returns. Despite growth in the index of 2.0% over Q4, this was lower than the quarter that fell out of the period. Uncertainty remains around the extent of the impact on property assets from the coronavirus pandemic and lockdowns.
Infrastructure (S&P Global Infrastructure)	6.4	2.3	The infrastructure three year return returned to positive territory over Q4 as the index returned 8.8%. It should be noted that the returns of this index can largely driven by currency moves, however the 100% hedge in place for the infrastructure mandate removes the currency effect from the actual returns earned. This is also true for the global property mandate with Partners.
UK Gilts (FTSE Actuaries Over 15 Year Gilts)	1.5	8.6	UK gilt returns remain well above the long term strategic assumed return as yields remain low relative to historic averages. Nominal and index-linked gilts had positive returns over Q4 (though to a lesser extend than the quarter that fell out of the period).
Index Linked Gilts (FTSE Actuaries Over 5 Year Index-Linked Gilts)	1.6	6.1	

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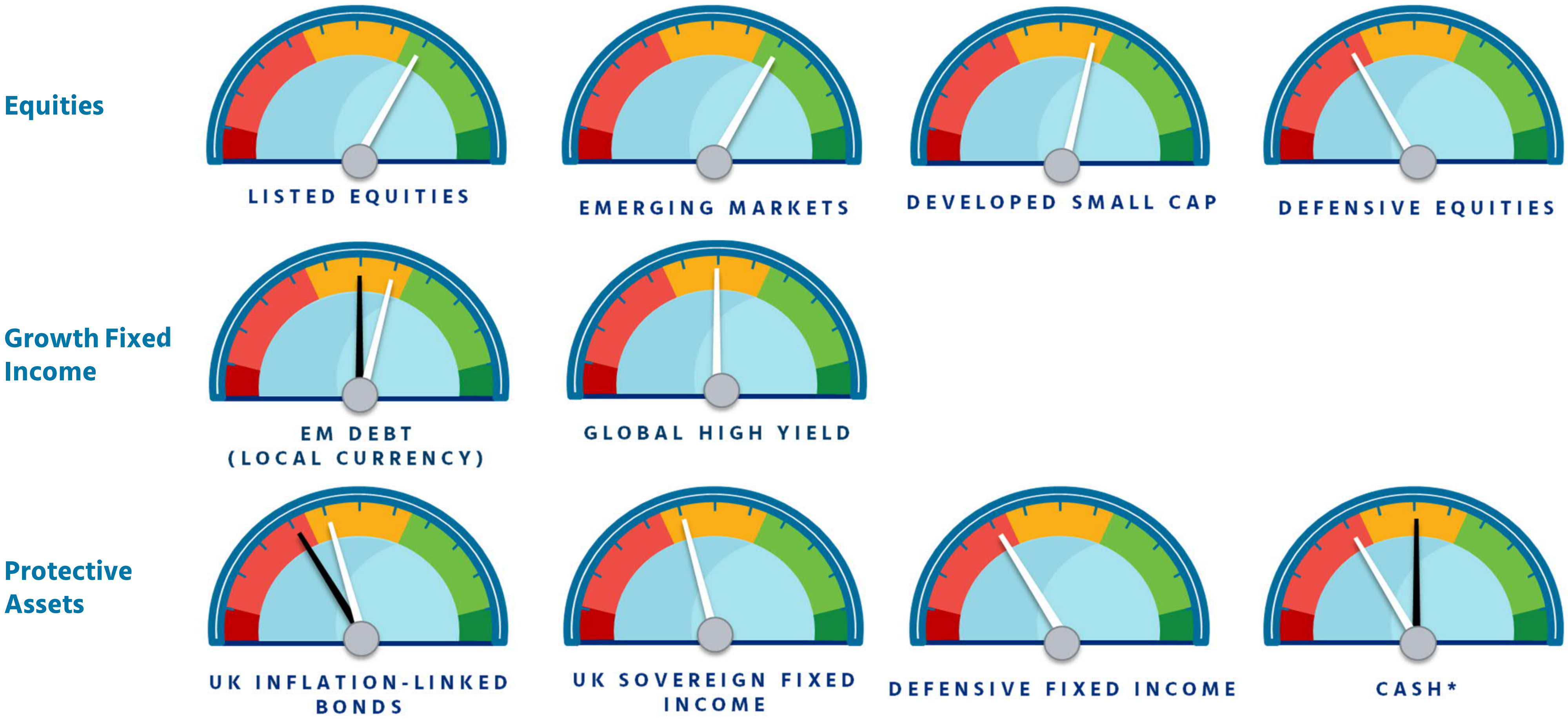
Source: Thomson Reuters Datastream. Returns are in sterling terms.
Strategic assumed returns are from the 2019 strategy review, reflecting the 20 year mean Mercer asset model assumptions as at 31 March 2019.

DYNAMIC ASSET ALLOCATION (DAA) DASHBOARD Q1 2021

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

Mercer's current DAA position/view

Position/view last time (if changed)



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.

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Views are as at January 2021

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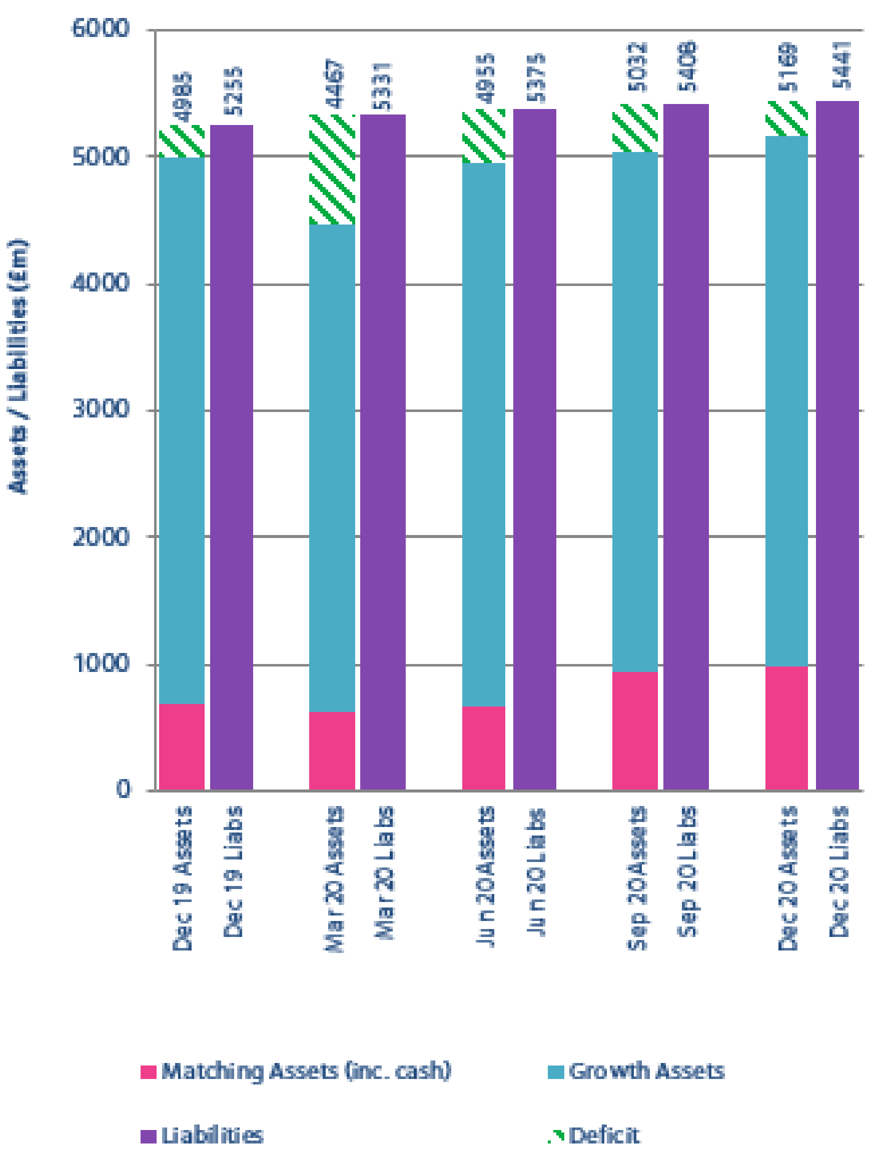
Section 4

Consideration of Funding Level

CONSIDERATION OF FUNDING LEVEL
ATTRIBUTION OF CHANGE IN DEFICIT/SURPLUS



- Based on financial markets, investment returns and net cashflows into the Fund, the deficit was estimated to have reduced further over the fourth quarter of 2020, from £376m to £272m.
- This occurred as the value of the assets rose by more than the present value of the liabilities over the period.
- This is calculated using the actuarial valuation assumptions as at 31 March 2019 and the 'CPI plus' discount basis.

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CONSIDERATION OF FUNDING LEVEL
ATTRIBUTION OF CHANGE IN FUNDING LEVEL

- The Fund's assets returned 3.2% over the quarter, whilst the Fund's liabilities are expected to have increased by c. 0.6% due to the slight uptick in inflation.
- The combined effect of this, also allowing for cashflow over the period, saw the funding level improve from 93% to 95%.

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Section 5

Fund Valuations

FUND VALUATIONS
VALUATION BY ASSET CLASS

Asset Class	Start of Quarter (£'000)	End of Quarter (£'000)	Start of Quarter (%)	End of Quarter (%)	Benchmark (%)	Ranges (%)			Difference (%)
Global Equity	602,209	657,218	12.0	12.7%	12.0	7	-	17	+0.7%
Global Sustainable Equity	494,014	538,779	9.8	10.4%	10.0	5	-	15	+0.4%
Global Low Carbon Equity	616,893	665,924	12.3	12.9%	10.0	5	-	15	+2.9%
Emerging Market Equity	246,602	280,823	4.9	5.4%	5.5	3	-	9	-0.1%
Diversified Growth Funds	643,596	508,027	12.8	9.8%	10.0	5	-	15	-0.2%
Fund of Hedge Funds*	268,702	265,097	5.3	5.1%	-	No set range			+0.1%
Multi-Asset Credit	302,521	321,648	6.0	6.2%	6.0	3	-	9	+0.2%
Property	431,097	415,310	8.6	8.0%	7.5	5	-	10	+0.5%
Secured Income	109,304	133,870	2.2	2.6%	10.0	5	-	15	-7.4%
Core Infrastructure	345,475	359,670	6.9	7.0%	5.0	2.5	-	7.5	+2.0%
Renewable Infrastructure	40,186	48,089	0.8	0.9%	5.0	2.5	-	7.5	-4.1%
Private Debt	-	-	-	-	5.0	0	-	7.5	-
Corporate Bonds	133,229	140,422	2.6	2.7%	2.0	No set range			+0.7%
LDI & Equity Protection	625,883	496,882	12.4	9.6%	12.0	No set range			-2.4%
Cash**	171,951	337,490	3.4	6.5%	-	0	-	5	+6.5%
Total	5,031,696	5,169,488	100.0	100.0	100.0				

Source: Custodian, Investment Managers, Mercer. Green numbers indicate the allocation is within tolerance ranges, whilst red numbers indicate the allocation is outside of tolerance ranges.
Totals may not sum due to rounding.
*Mandate due to be terminated.
**Valuation includes the ETF and currency instruments

- Secured Income, Renewable Infrastructure and Private Debt mandates are still being drawn down so allocations are below target ranges.
- The above reflects the strategic benchmark for the Fund which became effective on 1 April 2020.

FUND VALUATIONS
VALUATION BY MANAGER

Manager	Asset Class	Start of Quarter (£'000)	Cashflows (£'000)	End of Quarter (£'000)	Start of Quarter (%)	End of Quarter (%)
BlackRock	Global Equity	222,761		240,876	4.4	4.7
BlackRock	Corporate Bonds	133,229		140,422	2.6	2.7
BlackRock	LDI & Equity Protection	625,883		496,882	12.4	9.6
BlackRock	ETF	45,975		48,603	0.9	0.9
Brunel	Global Sustainable Equity	494,014		538,779	9.8	10.4
Brunel	Global High Alpha Equity	358,018		390,871	7.1	7.6
Brunel	Global Low Carbon Equity	616,893		665,924	12.3	12.9
Schroder	Global Equities	7,321		7,135	0.1	0.1
Brunel	Emerging Market Equity	246,602		280,823	4.9	5.4
Brunel	Diversified Returns Fund	493,104	-829	508,027	9.8	9.8
Ruffer	DGF	150,492	-156,054	0	3.0	0.0
JP Morgan	Fund of Hedge Funds	268,702		265,097	5.3	5.1
Loomis Sayles	Multi-Asset Credit	302,521		321,648	6.0	6.2

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

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FUND VALUATIONS
VALUATION BY MANAGER

Manager	Asset Class	Start of Quarter (£'000)	Cashflows (£'000)	End of Quarter (£'000)	Start of Quarter (%)	End of Quarter (%)
Schroder	UK Property	223,742		225,963	4.4	4.4
Partners	Property	207,355	-12,618	189,346	4.1	3.7
Brunel	Secured Income	109,304	22,410	133.870	2.2	2.6
IFM	Infrastructure	345,475		359,670	6.9	7.0
Brunel	Infrastructure	40,186	7,710	48,089	0.8	0.9
Record Currency Management*	Currency Hedging	19,069		71,968	0.4	1.4
Internal Cash	Cash	120,701	285,909	234,945	2.4	4.5
Total		5,031,696	-24,273	5,169,488	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.
*Valuation includes the collateral holdings for the currency overlay.

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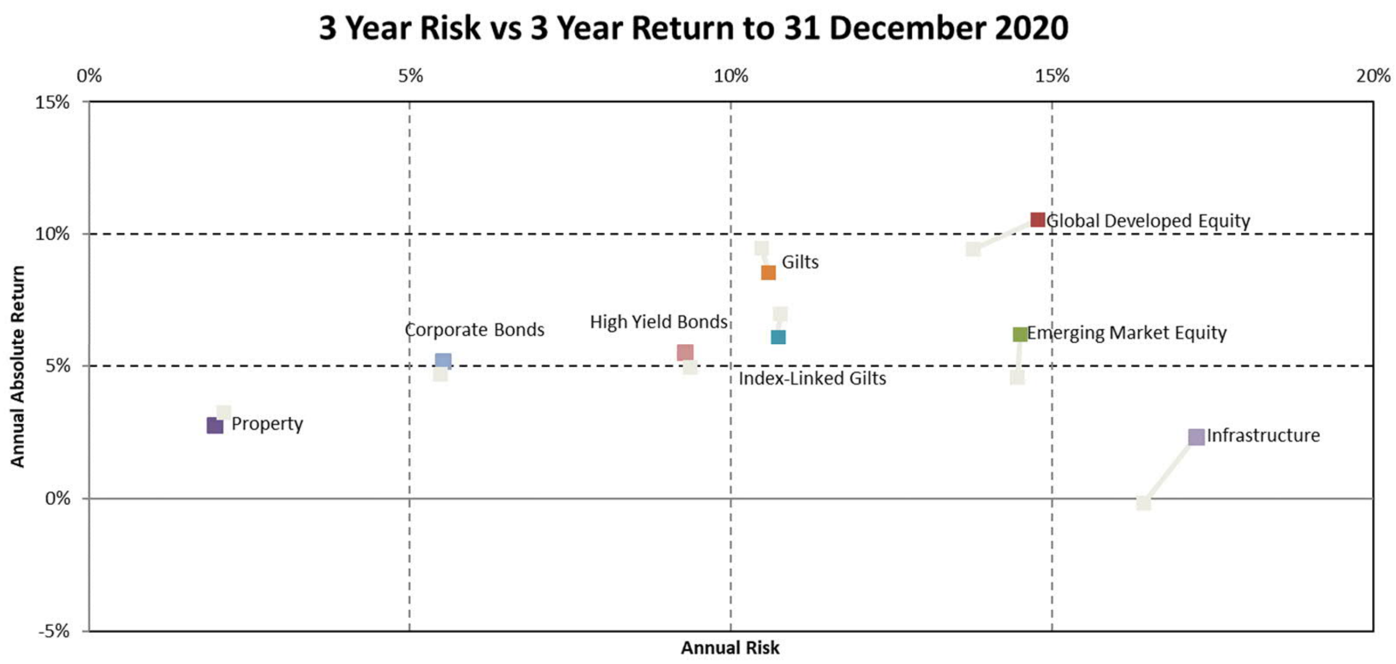
Section 6

Performance Summary

MANAGER MONITORING
RISK RETURN ANALYSIS



This chart shows the 3 year absolute returns against three year volatility (based on monthly data in sterling terms), to the end of December 2020, for each of the broad underlying asset benchmarks (using the indices set out in the Appendix). We also show the positions as at last quarter, in grey.

Comments

- Equity, Bonds and Infrastructure saw increases in observed returns over the three-year period, whilst Property and Gilts fell back slightly.
- Changes in associated volatilities were minimal for most asset classes, except for Global Developed Equity and Infrastructure which saw more notable increases.

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MANAGER MONITORING
MANAGER PERFORMANCE TO 31 DECEMBER 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 Global Equity	8.1	7.8	+0.3	11.8	12.3	-0.4	10.8	10.2	+0.5	-	Target met
BlackRock Corporate Bonds	5.4	5.4	0.0	12.5	12.5	0.0	7.6	7.6	0.0	-	Target met
BlackRock LDI	2.4	2.4	0.0	-13.5	-13.5	0.0	-2.6	-2.6	0.0	-	Target met
Brunel Global High Alpha Equity	9.2	7.9	+1.2	28.2	12.9	+13.6	N/A	N/A	N/A	+2-3	N/A
Brunel Global Sustainable Equities	9.1	8.6	+0.5	N/A	N/A	N/A	N/A	N/A	N/A	+2	N/A
Brunel Passive Low Carbon Equity	7.9	8.0	-0.1	13.3	13.5	-0.2	N/A	N/A	N/A	-	N/A
Brunel Emerging Market Equity	13.9	13.3	+0.5	13.9	15.0	-1.0	N/A	N/A	N/A	+2-3	N/A
Brunel Diversified Returns Fund	3.0	0.0	+3.0	N/A	N/A	N/A	N/A	N/A	N/A	+4-5	N/A
Ruffer DGF	3.7	1.3	+2.4	8.9	5.4	+3.3	3.6	5.7	-2.0	-	Target not met
JP Morgan FoHF	6.8	0.8	+6.0	17.0	4.1	+12.4	8.7	4.9	+3.6	-	Target met
Loomis Sayles MAC	6.3	1.0	+5.2	7.1	4.3	+2.7	4.2	4.6	-0.4	-	Target not met
Schroder UK Property	2.4	2.1	+0.3	-0.9	-1.0	+0.1	2.6	2.3	+0.3	+1	Target not met
Partners Overseas Property*	-2.6	2.5	-4.9	-6.3	10.0	-14.8	2.7	10.0	-6.7	-	Target not met
Brunel Secured Income	2.0	0.1	+1.9	0.5	0.6	-0.1	N/A	N/A	N/A	+2	N/A
IFM Core Infrastructure**	4.0	0.7	+3.3	0.4	4.0	-3.5	12.0	4.6	+7.0	-	Target met
Brunel Renewable Infrastructure	0.1	0.1	0.0	14.8	0.6	+14.1	N/A	N/A	N/A	+4	N/A

Since inception performance for Partners, which was the largest underperformer over the three year period, has been more favourable at 5.7% p.a.*

- Source: Investment Managers, Custodian, Mercer estimates.
- **Returns are in GBP terms**, consistent with overall fund return calculations before currency hedging is applied, **except for JP Morgan and Partners , whose performance is shown in local currency terms.**
- **Returns are net of fees.**
- 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.
- *Partners performance is to 30 September 2020 as this is the latest date that this is available. The mandate's inception was in 2009.
- **IFM returns are in GBP terms after the manager switched to GBP reporting in January. Historical USD performance has been converted to GBP.

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PERFORMANCE SUMMARY
TOTAL FUND PERFORMANCE

	3 Months (%)	1 Year (%)	3 Years (% p.a.)
Total Fund **(1)**	3.2	2.9	3.7
Total Fund (ex currency hedge)	2.2	2.7	3.8
Strategic Benchmark **(2)** (ex currency hedge)	4.5	3.0	5.0
Relative (1 - 2)	**-1.3**	**-0.1**	**-1.3**

- Over the quarter, total Fund assets increased from £5,032m to £5,169m. This was driven by strong portfolio performance with almost all mandates capturing market upside.
- Active management, in particular the Brunel managed portfolios, and the currency hedging policy, made positive contributions to performance. Underperformance relative to the strategic benchmark is mainly due to the impact of the equity protection strategy, but it is important to note that this has behaved in line with expectations.
- At the end of the quarter, the allocations to all asset classes were within their control ranges, except for the Secured Income, Renewable Infrastructure and Private Debt mandates, which are in the process of being drawn down.

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Appendix

SUMMARY OF MANDATES

Manager	Mandate	Benchmark/Target	Outperformance Target (p.a.)
BlackRock	Global Equity (passive)	MSCI World	-
Brunel	Global High Alpha Equity	MSCI World	+2 -3%
Brunel	Global Sustainable Equity	MSCI AC World	+2%
Brunel	Global Low Carbon Equity (passive)	MSCI World Low Carbon	-
Brunel	Emerging Market Equities	MSCI Emerging Markets	+2 -3%
Ruffer	Diversified Growth Fund	3 Month LIBOR +5% p.a.	-
Brunel	Diversified Returns Fund	SONIA	+4-5%
JP Morgan	Fund of Hedge Funds	3 Month LIBOR +3% p.a.	-
Loomis Sayles	Multi-Asset Credit	3 Month LIBOR +4% p.a.	-
Schroder	UK Property	IPD UK Pooled	+1%
Partners	Overseas Property	Net IRR of 10% p.a. (local currency)	-
Brunel	Secured Income	CPI	+2%
IFM	Core Infrastructure	6 Month LIBOR +2.5% p.a.	-
Brunel	Renewable Infrastructure	CPI	+4%
Brunel	Private Debt	3 Month LIBOR + 4% p.a.	-
BlackRock	Buy-and-Maintain Corporate Bonds	Return on bonds held	-
BlackRock	Matching (Liability Driven Investing)	Return on liabilities being hedged	-
Record	Passive Currency Hedging	N/A	-
BlackRock	Exchange-Traded Fund (ETF)	Bespoke benchmark to reflect total Fund allocation	-
Cash	Internally Managed	7 Day LIBID	-

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MARKET STATISTICS INDICES

Asset Class	Index
UK Equities	FTSE All-Share
Global Equity	FTSE All-World
Global Developed Equity	FTSE AW Developed
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.

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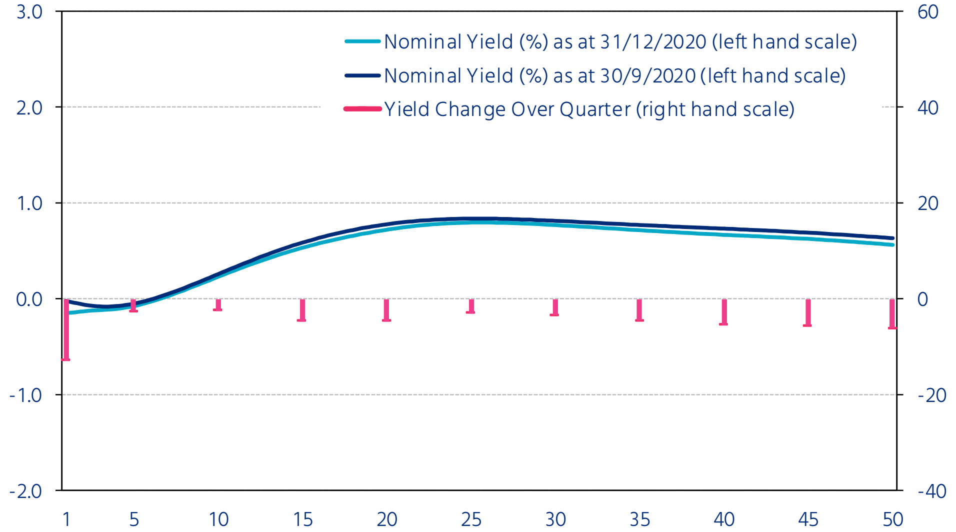
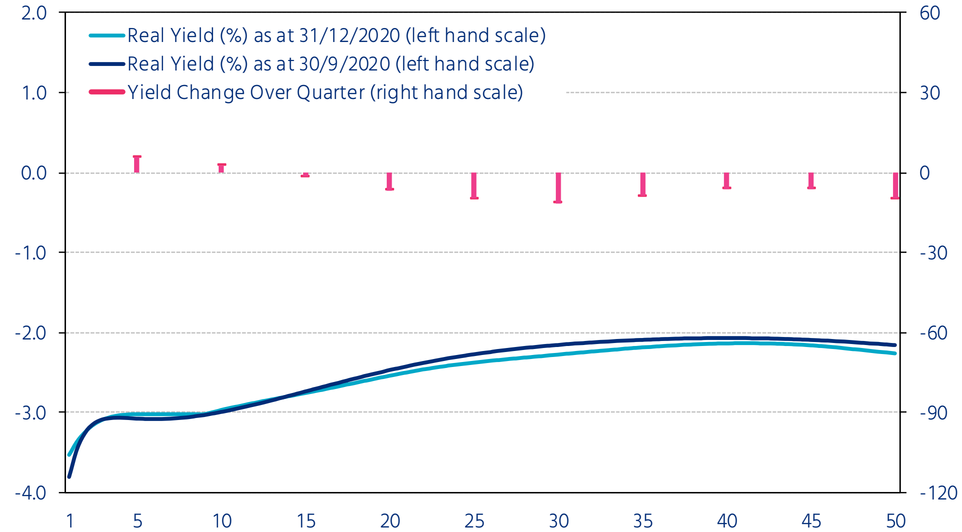
CHANGES IN YIELDS

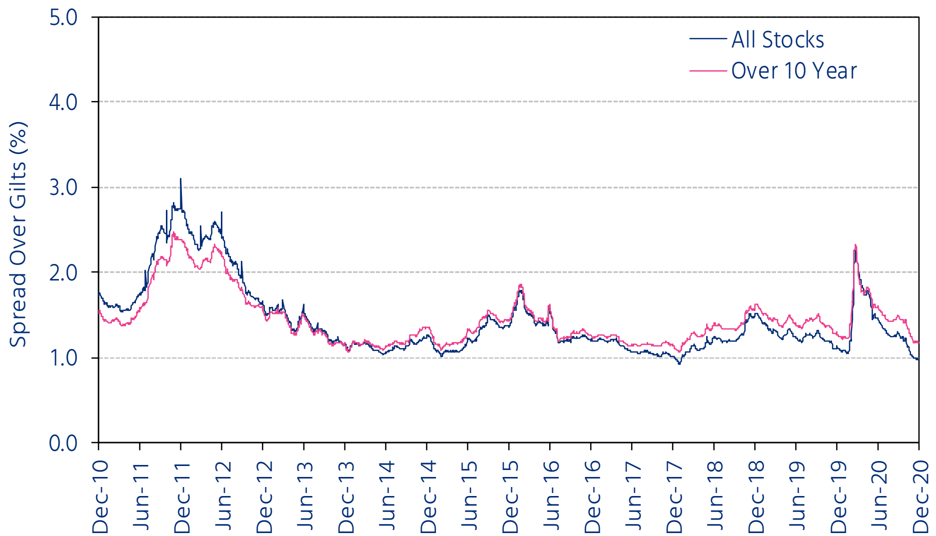
- The UK yield curve shifted down marginally over the quarter as additional fiscal stimulus as well as monetary accommodation was announced in the UK.
- UK real yields shifted down marginally, in line with the small decrease in nominal yields – inflation expectations changed little. The UK Treasury announced the outcome of the RPI consultation confirming that RPI is expected to increase in line with CPIH from 2030.
- UK investment grade credit spreads narrowed over the quarter as risk-on sentiment continued.



Source: Mercer.



Source: Mercer.



Source: Thomson Reuters Datastream.

Asset Class Yields (% p.a.)	31 Dec 2020	30 Sep 2020	31 Dec 2019	31 Dec 2018
Over 15 Year Gilts	0.67	0.71	1.25	1.76
Over 5 Year Index-Linked Gilts	-2.37	-2.29	-1.84	-1.58
Sterling Non Gilts All Stocks	1.23	1.54	2.00	2.75

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