

Investment Dashboard at 30 September 2022

1. Investment Strategy

	Objective	Commentary	RAG	Trend
1	Funding level	<ul style="list-style-type: none"> • 89% (92% in Q2) • £675m deficit (£490m in Q2) 		↓
2	Investment Performance	<ul style="list-style-type: none"> • Behind strategic benchmark over 1 and 3 years 		↓
	Qtr return	<ul style="list-style-type: none"> • Negative quarter of -1.2% due to impact of weakening GBP/rising UK yields on currency hedge, LDI, corporate bonds and property portfolios 		↓
	1 Year return	<ul style="list-style-type: none"> • Behind funding objective at -6.0% p.a. 		↓
	3 Year return	<ul style="list-style-type: none"> • Behind funding objective at 2.2% p.a. 		↓
	Social/Impact investing	<ul style="list-style-type: none"> • Social/Impact portfolio spec being developed for 2022/23 strategic review 		↔
3	Risk Management			
	LDI	<ul style="list-style-type: none"> • Trigger framework currently suspended • Interest rate hedge ratio c. 40% • Inflation hedge ratio c. 40% • Mandate performed as expected. Manager in compliance with investment guidelines 		↔
	EPS	<ul style="list-style-type: none"> • Since inception the dynamic EPS has added value (c. £64.2m in net gains at 30 Sept 2022) 		↑
	FX	<ul style="list-style-type: none"> • Detracting from returns over Q, 1 year and 3 years • GBP/USD has recovered c.1.12 to 1.20 post Qtr end 		↑
	Collateral adequacy	<ul style="list-style-type: none"> • Sufficient to withstand scenarios in monitoring framework • FRMG currently working on future collateral requirements 		↔
4	Rebalancing/cashflow	<ul style="list-style-type: none"> • JPM Hedge Fund wind down on track • Trimmed DRF and Core infrastructure allocations to replenish cash position and fund future private markets calls • Equities transferred into QIF to reduce leverage 		↔

2. Portfolios

	Objective	Commentary	RAG	Trend
1	Brunel Listed Market portfolios	<ul style="list-style-type: none"> • In Equity portfolios, stock selection beginning to play a larger role than style • DRF and MAC saw negative returns on weak credit markets however relatively large floating rate exposure offsets to an extent 		↑
2	Private Markets Portfolios			
	Infrastructure (Brunel)	Performance: n/a - portfolio in build-up New commitments: 6 (Including a Solar ESG Fund)		

		<p>Capital deployment:</p> <ul style="list-style-type: none"> • Cycle 1: 73% • Cycle 2: 31% <p>Cycle 3 deployment to begin in Q4</p>		↑
	Secured Income (Brunel)	<p>Performance:</p> <ul style="list-style-type: none"> • Underperformed due to underlying movements in gilt prices causing a softening of values. Direction of travel moved to negative • Portfolio still well positioned for current environment with high quality tenant base and inflation linked leases. <p>New commitments: None. Cycles 1 & 2 fully committed</p> <p>Capital deployment:</p> <ul style="list-style-type: none"> • Cycle 1: 100% • Cycle 2: 100% 		↓
	Private Debt (Brunel)	<p>Performance: n/a – portfolio in build-up</p> <p>New Commitments: Cycle 2 fully committed</p> <p>Capital deployment:</p> <ul style="list-style-type: none"> • Cycle 2: 36% • Committed capital is expected to be fully deployed over the next 12-36 months. 		↔
	UK Property (Brunel)	<p>Performance:</p> <ul style="list-style-type: none"> • Outperformed benchmark while producing negative absolute returns. Direction of travel moved to negative as Sept NAVs do not fully reflect most recent interest rate moves on asset values, which will be more evident in Q4 numbers. • Late Q4 will also offer opportunities for cash investors due to forced selling. <p>Capital deployment:</p> <ul style="list-style-type: none"> • Further deployments made into affordable housing, life sciences & residential property 		↓
3	Legacy portfolios			
	IFM (infra)	<ul style="list-style-type: none"> • Mercer supportive of continuing to hold given portfolio's decarbonisation plan. • Currently overweight (7% vs 5% allocation). Redemption request submitted, to receive by Q1 2023 at the earliest. 		↔
	JPM Hedge Funds	<ul style="list-style-type: none"> • Orderly liquidation with c.90% liquidated by end 2022. 		↔
	Partners (Intl Property)	<ul style="list-style-type: none"> • Majority of funds in realisation phase. c.70% of unrealised value held in fund with 2029 contractual expiry. 		↔
	Schroder (UK Property)	<ul style="list-style-type: none"> • Single closed end debt fund (£12m) due to expire in 2025 		↔

3. Responsible investing

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1	Climate change targets			
	43% reduction in absolute emissions by 2025	<ul style="list-style-type: none"> Fund has decarbonised by 41.6% versus baseline (updated annually). Further 2% reduction in absolute emissions to 2025. 		↑
	30% of total assets in sustainable and Paris-aligned investments by 2025	<ul style="list-style-type: none"> c.21% invested in Sustainable and Paris-aligned equities and invested in Brunel renewable infrastructure portfolio. Decrease versus prior Q as equities sold from Paris-aligned fund to move into QIF. Expected to increase with proposal to move equities in QIF to a Paris-aligned solution 		↑
2	Voting activity (active equity portfolios)	<ul style="list-style-type: none"> Voting recommendations at 142 meetings (1,498 resolutions). At 69 meetings recommended opposing one or more resolutions. 78% of the issues voted against management on comprised board structure and remuneration. 		↔
3	Engagement activity (active equity portfolios)	<ul style="list-style-type: none"> Engaged with 149 companies across 529 ESG issues in Qtr Environmental 37% Social 30% Governance 18% 		↔
4	Progress on engagement and selective divestment policy	<ul style="list-style-type: none"> Brunel 2022 Stocktake is on track for agreeing a new Brunel climate policy in early 2023 (to feed into Avon's strategic review) 		↔
5	Equity fund held in in Risk Management QIF	<ul style="list-style-type: none"> To replace equities in QIF with transition aligned solution. Panel delegate implementation to Officers Nov 22. 		↑
6	Capability to measure SDG impact across portfolios	<ul style="list-style-type: none"> Work progressing on reporting against SDGs, expect update in 2023. Brunel want to progress this but the issue is availability and consistency of the data. Brunel are currently piloting 'green revenues' reporting on sustainable equity portfolio. 		↔