



Avon Pension Fund Performance Report

Quarter ending 31 December 2022

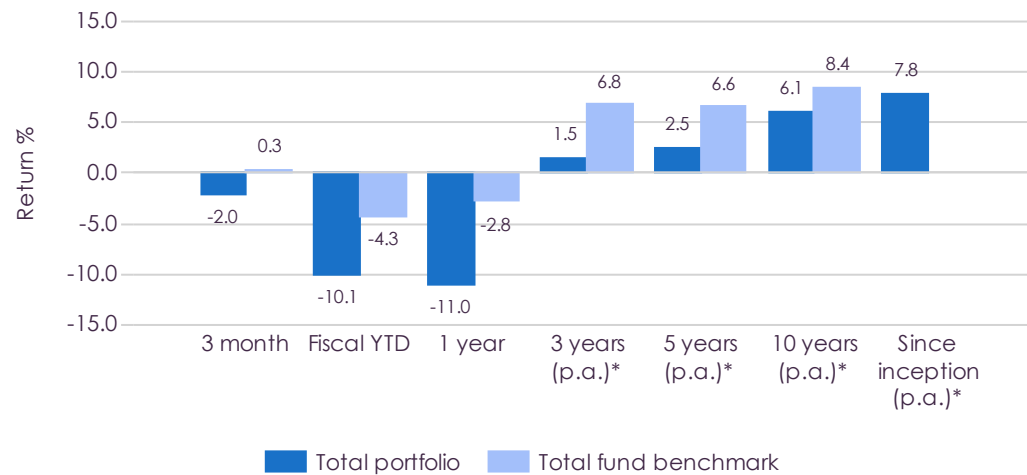


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Pension Fund performance

Performance (annualised)



Source: State Street Global Services
*per annum

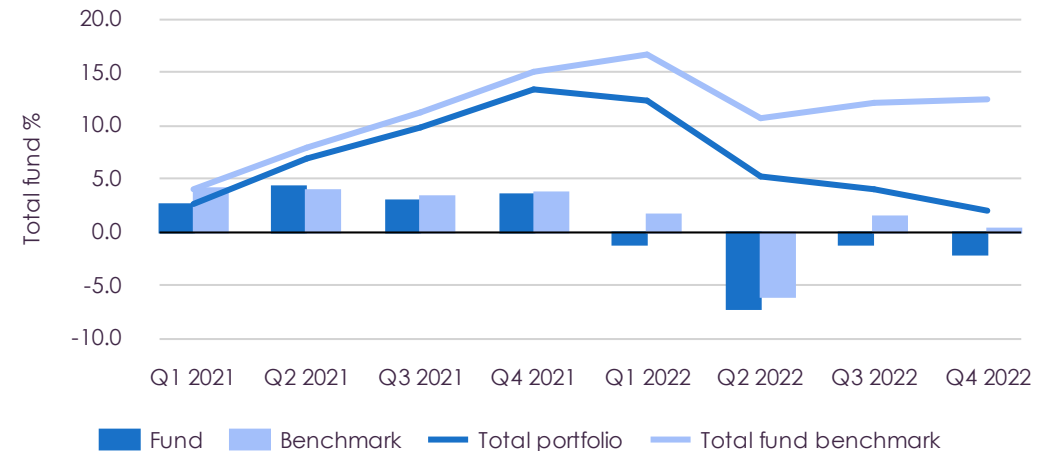
Key events

The quarter brought some welcome relief to markets. Equities and bonds both rallied, with the UK and Europe leading. Meanwhile, the US dollar started to weaken against major currencies. The main driver was the belief that inflation was starting to cool and benchmark rates would increase less than previously feared.

The total portfolio was down 2% in the quarter, whilst the benchmark was up by 0.3%. It also lagged the benchmark across 2022 (-11% vs -2.8%).

The performance of Brunel's equity portfolios was positive in both actual and relative terms during the quarter. Multi-Asset Credit also showed improved returns, rising 3.7% to beat its index by 2%.

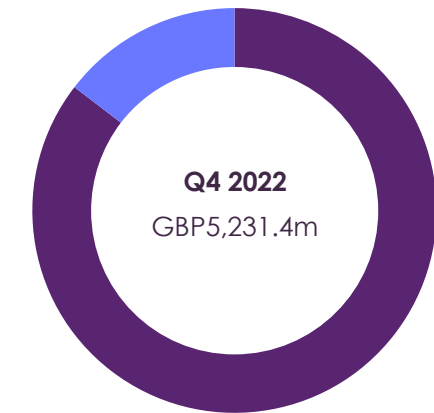
Quarterly performance



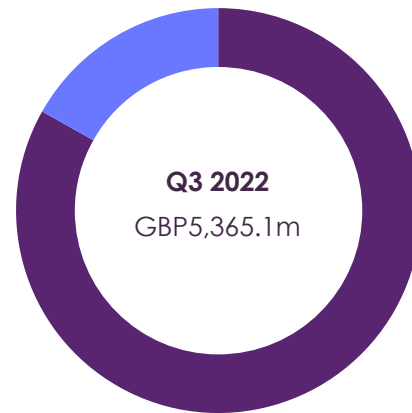
Source: State Street Global Services

Asset summary

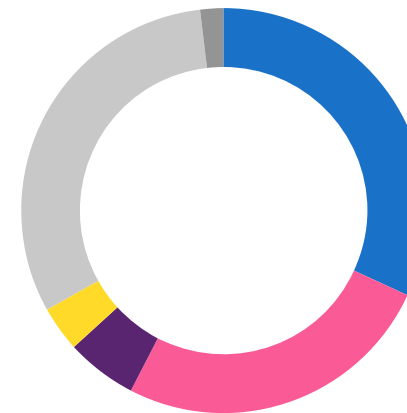
Assets transitioned to Brunel



Source: State Street Global Services



Asset allocation breakdown



Key:

Equities	31.85%
Private markets	25.73%
Fixed income	5.67%
Property	3.63%
Other	31.28%
Cash	1.85%

Source: State Street Global Services
Data includes legacy assets

Overview of assets

Detailed asset allocation

Equities	£1,666.37m	31.85%
Global Sustainable Equities	£751.50m	14.37%
Global High Alpha Equities	£652.83m	12.48%
PAB Passive Global Equities	£261.26m	4.99%
Legacy Assets	£0.78m	0.01%
Fixed income	£296.48m	5.67%
Multi-Asset Credit	£296.48m	5.67%

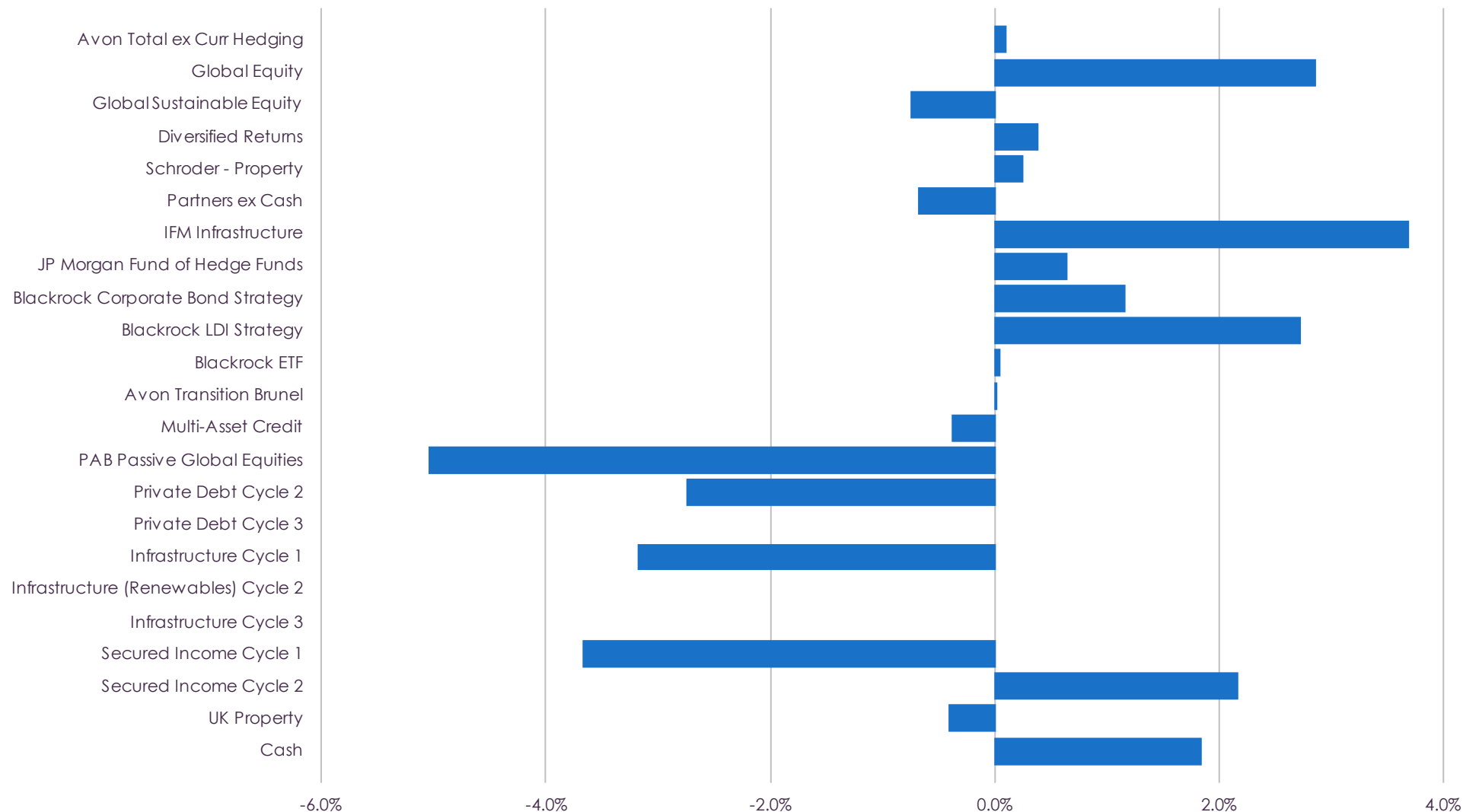
Private markets (incl. property)	£1,535.61m	29.35%
Secured Income Cycle 1	£333.63m	6.38%
UK Property	£176.51m	3.37%
Private Debt Cycle 2	£119.08m	2.28%
Secured Income Cycle 2	£113.73m	2.17%
Infrastructure Cycle 1	£96.40m	1.84%
Infrastructure (Renewables) Cycle 2	£49.46m	0.95%
Private Debt Cycle 3	£11.13m	0.21%
Infrastructure Cycle 3	£2.73m	0.05%
Legacy Assets	£632.94m	12.10%

Other	£1,636.26m	31.28%
Blackrock Risk Management	£1,269.68m	24.27%
Diversifying Returns Fund	£336.23m	6.43%
Legacy Assets	£30.35m	0.58%

Cash not included



Strategic asset allocation



Performance attribution

Pension fund performance attribution - to quarter end

	End market value £'000	Actual % allocation at end of quarter	Strategic asset allocation (%)	Difference (%)	Fund return (%)	Contribution to return
Avon Total ex Curr Hedging	5,270,190	100.1%	100.00%	0.1%	-3.2%	-3.2%
Global Equity	1,020,450	19.4%	16.50%	2.9%	-4.3%	-0.8%
Global Sustainable Equity	751,503	14.3%	15.00%	-0.7%	2.4%	0.3%
Diversified Returns	336,229	6.4%	6.00%	0.4%	1.0%	0.1%
Schroder - Property	13,293	0.3%	-	0.3%	9.6%	0.0%
Partners ex Cash	161,741	3.1%	3.75%	-0.7%	-1.7%	-0.1%
IFM Infrastructure	457,903	8.7%	5.00%	3.7%	5.5%	0.4%
JP Morgan Fund of Hedge Funds	33,549	0.6%	-	0.6%	-9.1%	-0.1%
Blackrock Corporate Bond Strategy	166,062	3.2%	2.00%	1.2%	7.6%	0.2%
Blackrock LDI Strategy	775,706	14.7%	12.00%	2.7%	-12.4%	-2.0%
Blackrock ETF	1,993	0.0%	-	0.0%	0.7%	0.0%
Avon Transition Brunel	28	0.0%	-	0.0%	-1.5%	-0.0%
Multi-Asset Credit	296,478	5.6%	6.00%	-0.4%	3.7%	0.2%
PAB Passive Global Equities	261,256	5.0%	10.00%	-5.0%	1.9%	0.1%
Private Debt Cycle 2	119,080	2.3%	5.00%	-2.7%	-1.5%	-0.0%
Private Debt Cycle 3	11,130	0.2%	0.21%	-	-	-0.0%

Performance attribution

Pension fund performance attribution - to quarter end

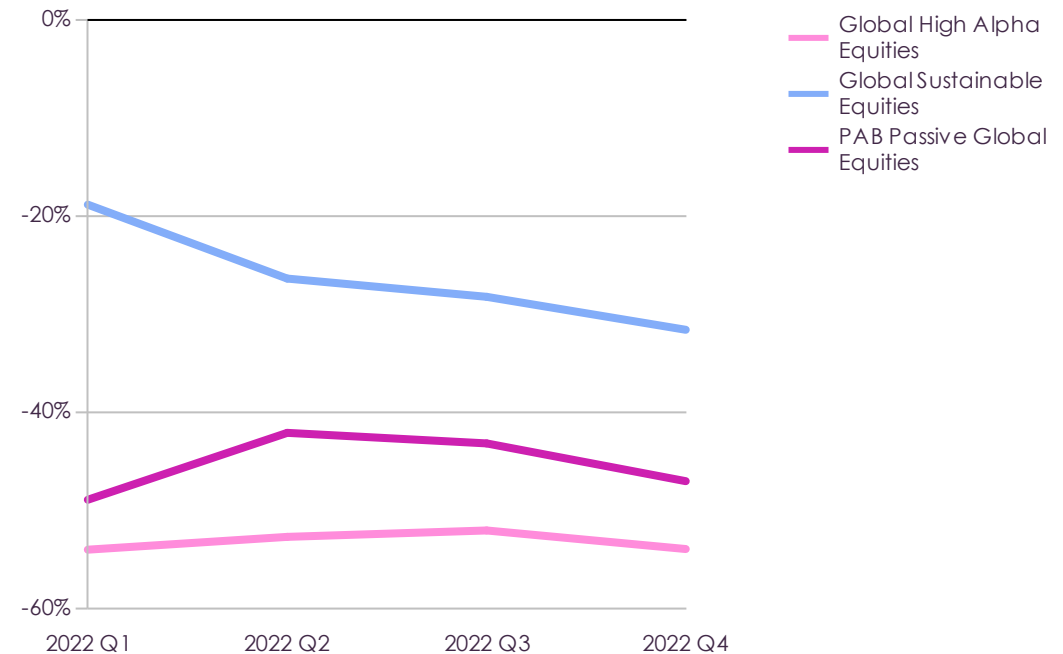
	End market value £'000	Actual % allocation at end of quarter	Strategic asset allocation (%)	Difference (%)	Fund return (%)	Contribution to return
Infrastructure Cycle 1	96,397	1.8%	5.00%	-3.2%	-0.1%	-0.0%
Infrastructure (Renewables) Cycle 2	49,460	0.9%	0.95%	-	10.6%	0.1%
Infrastructure Cycle 3	2,732	0.1%	0.05%	-	-	-0.0%
Secured Income Cycle 1	333,634	6.3%	10.00%	-3.7%	-9.7%	-0.7%
Secured Income Cycle 2	113,731	2.2%	-	2.2%	-8.8%	-0.2%
UK Property	176,514	3.3%	3.75%	-0.4%	-17.2%	-0.7%
Cash	96,718	1.8%	-	1.8%	0.1%	-0.0%

Stewardship and climate metrics

Portfolio	WACI		Extractives revenues ¹		Extractives reserves ²	
	2022 Q3	2022 Q4	2022 Q3	2022 Q4	2022 Q3	2022 Q4
Global High Alpha Equities	86	89	0.9	1.3	3.1	3.3
MSCI World*	180	193	2.6	2.8	7.1	7.8
Global Sustainable Equities	148	152	2.5	2.6	3.0	3.1
MSCI ACWI*	207	222	2.6	2.8	7.2	7.8
PAB Passive Global Equities	103	102	1.0	0.9	1.6	1.7
FTSE Dev World TR UKPD*	180	194	2.5	2.7	7.0	7.7

*Benchmark. ¹ Extractive revenue exposure as share (%) of total revenue. ² Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost

Weighted Average Carbon Intensity relative to benchmark



Stewardship reporting links

Engagement records

www.brunelpensionpartnership.org/stewardship/engagement-records/

Holdings records

www.brunelpensionpartnership.org/stewardship/holdings-records/

Voting records

www.brunelpensionpartnership.org/stewardship/voting-records/

Risk and return summary

Brunel portfolio performance - 3 year

	Annualised return	Risk (standard deviation)	Benchmark return	Benchmark standard deviation
Global High Alpha Equities	10.5%	16.2%	8.9%	15.7%
Infrastructure Cycle 1	10.5%	7.1%	5.4%	2.0%
Secured Income Cycle 1	0.7%	5.3%	5.4%	2.0%

Since portfolio inception

Risk and return summary

Legacy manager performance - 3 year

	Annualised return	Risk (standard deviation)	Benchmark return	Benchmark standard deviation
Avon Total ex Curr Hedging	2.1%	7.7%	6.8%	-
Avon Total ex Hedging ex LDI	3.1%	-	6.8%	-
Blackrock ETF	2.8%	10.9%	0.0%	0.0%
Cash	3.4%	2.8%	0.5%	0.2%
IFM Infrastructure	7.7%	6.7%	5.7%	0.2%
JP Morgan Fund of Hedge Funds	9.9%	9.7%	4.6%	0.2%
Partners ex Cash	2.2%	7.3%	6.3%	0.7%
Record Equitisation	2.4%	16.0%	2.8%	-
Schroder - Property	4.7%	5.2%	2.3%	7.4%
Schroder Equity	-21.3%	34.9%	7.9%	15.0%
TT International - UK Equities	3.7%	4.9%	2.3%	16.6%
Avon Pension Fund	1.5%	8.3%	6.8%	-



Portfolio overview

Portfolio	Benchmark	Outperformance target	AUM (GBPm)	Perf. 3 month	Excess 3 month	Perf. 1 year	Excess 1 year	Perf. 3 year	Excess 3 year	Perf. SII*	Excess SII*	Initial investment
Equities (31.84%)			1,665.59									
Global High Alpha Equities	MSCI World	+2-3%	652.83	2.7%	0.7%	-13.7%	-6.3%	10.5%	1.6%	10.6%	1.6%	15 Nov 2019
Global Sustainable Equities	MSCI ACWI	+2%	751.50	2.4%	0.5%	-15.5%	-7.9%	-	-	4.7%	-3.9%	30 Sep 2020
PAB Passive Global Equities	FTSE Dev World PAB	Match	261.26	1.9%	-	-9.2%	-	-	-	-4.9%	-0.1%	29 Oct 2021
Fixed income (5.67%)			296.48									
Multi-Asset Credit	SONIA +4%	0% to +1.0%	296.48	3.7%	2.0%	-8.5%	-14.0%	-	-	-4.7%	-9.7%	02 Jun 2021
Private markets (incl. property) (17.25%)			902.68									
Private Debt Cycle 2	SONIA	+4%	119.08	-1.5%	-3.2%	13.3%	7.9%	-	-	10.7%	5.5%	17 Sep 2021
Private Debt Cycle 3	SONIA	+4%	11.13	-	-	-	-	-	-	-0.9%	-1.1%	20 Dec 2022
Infrastructure Cycle 1	CPI	+4%	96.40	-0.1%	-2.9%	14.5%	4.0%	10.5%	5.0%	6.2%	1.8%	02 Jan 2019
Infrastructure (Renewables) Cycle 2	CPI	+4%	49.46	10.6%	7.9%	22.0%	11.5%	-	-	10.7%	3.5%	12 Oct 2020
Infrastructure Cycle 3	n/a - absolute return target	net 8% IRR	2.73	-	-2.7%	-	-	-	-	-	-2.7%	13 Oct 2022
Secured Income Cycle 1	CPI	+2%	333.63	-9.7%	-12.5%	-8.2%	-18.7%	0.7%	-4.8%	1.2%	-3.2%	15 Jan 2019
Secured Income Cycle 2	CPI	+2%	113.73	-8.8%	-11.6%	-1.4%	-11.9%	-	-	8.6%	-0.1%	01 Mar 2021
UK Property	MSCI/AREF UK	+0.5%	176.51	-17.2%	-3.8%	-11.1%	-1.0%	-	-	5.5%	2.8%	04 Jan 2021

Portfolio overview

Portfolio	Benchmark	Outperformance target	AUM (GBPm)	Perf. 3 month	Excess 3 month	Perf. 1 year	Excess 1 year	Perf. 3 year	Excess 3 year	Perf. SII*	Excess SII*	Initial investment
Other (6.43%)			336.23									
Diversifying Returns Fund	SONIA +3%	0% to +2.0%	336.23	1.0%	-0.4%	-2.6%	-7.0%	-	-	1.7%	-1.8%	27 Jul 2020
Total Brunel assets (excl. cash) (61.19%)			3,200.98									

*Since initial investment

Portfolio overview

Legacy assets

Portfolio	Benchmark	Outperformance target	AUM (GBPm)	Perf. 3 month	Excess 3 month	Perf. 1 year	Excess 1 year	Perf. 3 year	Excess 3 year	Perf. SII*	Excess SII*	Initial investment
Equities (0.01%)			0.78									
TT International - UK Equities			0.32	-0.3%	-9.2%	7.0%	6.7%	3.7%	1.4%	4.3%	-0.6%	01 Jul 2007
Schroder Equity			0.46	-58.9%	-60.8%	-51.5%	-43.9%	-21.3%	-29.3%	1.0%	-9.2%	01 Apr 2011
Private markets (incl. property) (12.10%)			632.94									
Schroder - Property			13.29	9.6%	23.0%	11.6%	20.7%	4.7%	2.4%	8.6%	2.3%	01 Jan 2009
Partners ex Cash			161.74	-1.7%	-4.4%	7.3%	-2.3%	2.2%	-4.2%	5.4%	-2.0%	01 Sep 2009
IFM Infrastructure			457.90	5.5%	3.5%	9.9%	3.4%	7.7%	2.0%	12.4%	7.4%	01 Apr 2016
Other (2.43%)			127.07									
Record Currency			-38.74	-168.9%	-168.9%	-96.0%	-96.0%	-	-	-	-	01 Mar 2016
Record Equitisation			33.53	9.5%	0.8%	4.1%	-0.7%	2.4%	-0.4%	5.6%	-0.3%	01 Apr 2012
JP Morgan Fund of Hedge Funds			33.55	-9.1%	-10.7%	9.2%	3.8%	9.9%	5.3%	7.7%	3.7%	01 Jul 2015
Cash			96.72	0.1%	-0.6%	8.6%	7.2%	3.4%	2.9%	2.9%	2.5%	01 Dec 2017
Blackrock ETF			1.99	0.7%	0.7%	-7.7%	-7.7%	2.8%	2.8%	4.7%	4.7%	08 Mar 2019

*Since initial investment

Portfolio overview

Legacy assets

Portfolio	Benchmark	Outperformance target	AUM (GBPm)	Perf. 3 month	Excess 3 month	Perf. 1 year	Excess 1 year	Perf. 3 year	Excess 3 year	Perf. SII*	Excess SII*	Initial investment
Other (2.43%)			127.07									
Avon Transition Brunel			0.03	-1.5%	-1.5%	-	-	-	-	-16.0%	-	01 Jan 2022
Total legacy assets (excl. cash) (14.54%)			760.79									

*Since initial investment

Chief Investment Officer commentary

"Santa rally" or not, Q4 provided a welcome relief for liquid market investors. Led by equities, risk assets rallied strongly, and defensive assets – in the form of government bonds – followed suit. As you can see from Figure 1, equity markets hedged to GBP rose approximately 6.5% and, within that complex, the UK and Europe were the relative winners, with the US and Japan the laggards. This capped a weak year in which the US finished down 18%, while the UK market, driven by the combination of weak sterling and global revenues, finished marginally up. Likewise, despite the late rally in UK bonds – up over 1.5% in Q4 – they still finished down an eye-watering 23% for the year.

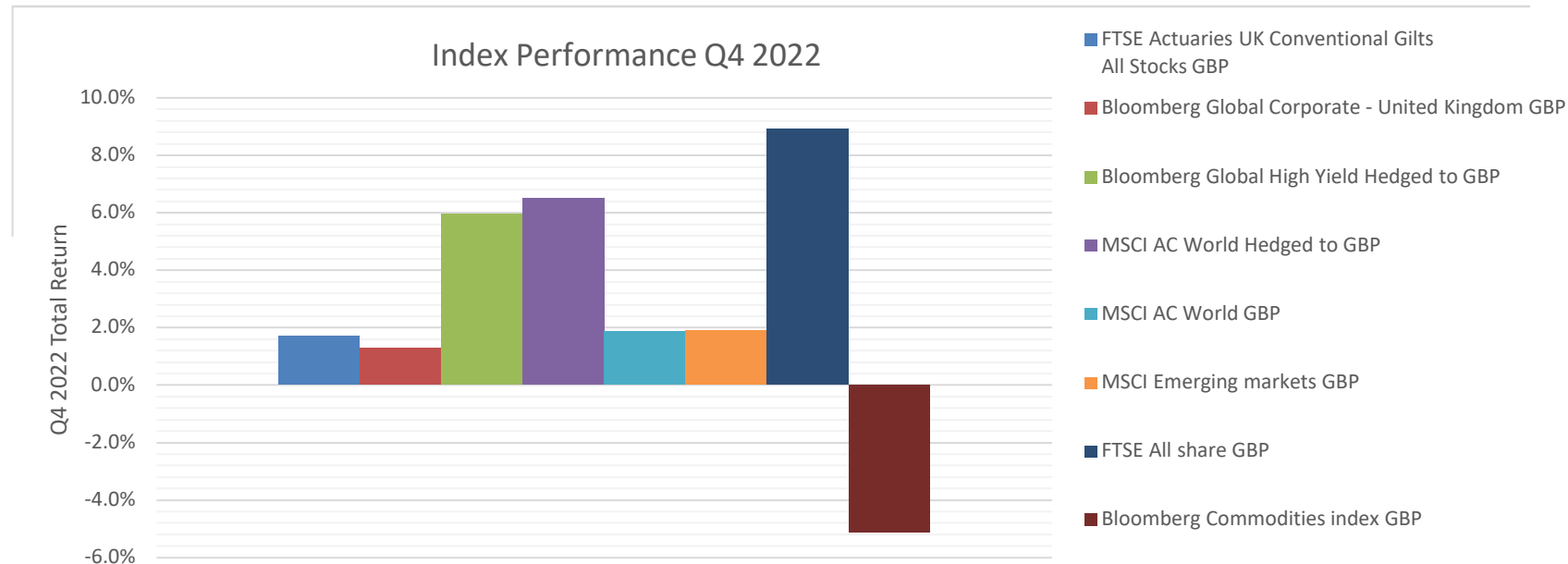


Figure 1: Q4 2022 Total Return by Index as at 31/12/2022. Source: FactSet

Chief Investment Officer commentary

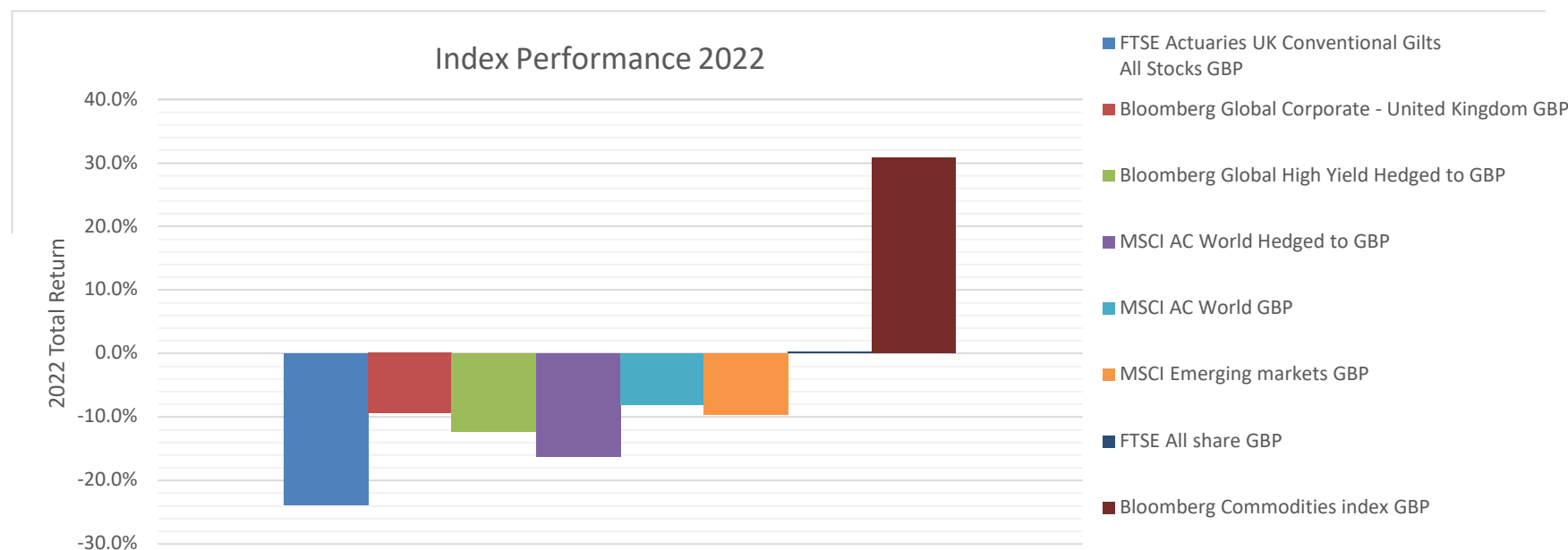


Figure 2: 2022 Total Return by Index as at 31/12/2022. Source: FactSet

Given the lag in pricing private markets, however, we began to see the beginnings of the falls being reflected in net asset values (NAVs) in Q4. The “cheque in the post”, which we referred to in last quarter’s update, has begun to filter through. Property funds – the quickest of the illiquid assets to price – moved lower first. This was particularly the case for those, such as Industrials, with tighter net initial yields, where valuations are more sensitive to changes in interest rates. As gilt yields rose dramatically, so yields of 2.5-3.0% on the most sought-after logistics assets became untenable, and we saw declines of 20%+ in some Industrial asset valuations. Declines were also exacerbated by investors seeking to tap property funds for liquidity. Ultimately, supply and demand will dictate the resilience and potential growth of income streams from property; income growth is the driver of long-term performance and the bedrock upon which the Brunel model portfolios have been built.

Elsewhere in private markets, the major themes played out in the secondary market across private equity (PE), infrastructure and private debt (PD). PE funds traded at discounts to NAV in the secondary market, whereas infra & PD funds traded at NAV or at premia. Despite several years of warnings about too much capital being raised in the secondary market, the events of Q4 showed that there are huge opportunities in secondaries, as traditional institutional investors have been forced to retrench.

Chief Investment Officer commentary

Within currency markets, it is worthy of mention that the USD began to look vulnerable and ran out of steam, falling approximately 9% against sterling. As mentioned, it may well turn out that the gilt crisis was the bottom of the sterling/dollar exchange rate decline. The other main event for investors in Q4 was the decision by the Bank of Japan to widen the band within which it has been maintaining 10-year bond yields. Although such a change was not a surprise, the timing of it was – and the yen rallied aggressively.

The market was driven higher by rumours of Chinese plans to relax policies on Covid but, more significantly and perhaps prematurely, by the view that inflation was cooling. According to this logic, it followed that central banks would have headroom to slow rate rises, and thus soften the recessionary narrative that had been building. Several data points gave the market reason to coalesce around this view: in the US, the November CPI data point was lower month-on-month (by 0.1%!) Also, whilst US unemployment remained at 3.7%, only 263,000 jobs were added – the lowest number since April 2021. A similar inflation picture was seen in Europe and both the ECB and Fed thus decided to raise interest rates by only 50 basis points (bps) in December, smaller than the November hike of 75 bps.

Within equities, broadly speaking Value was again a powerful driver of returns, and Growth a relative underperformer versus the MSCI All Country World Index. Also, despite the spot prices of oil and gas falling, commodity producers generally outperformed. Many commentators noted the conundrum. As if to prove further that markets cannot be reduced to the simplest of terms, however, stocks with a strong Responsible Investment bias also outperformed. The net effect of these trends in Q4 was therefore that many Brunel portfolios outperformed their respective benchmarks.

In November COP 27, the so-called 'implementation COP' came and went without quite the intensity of COP 26 in Glasgow last year. However, there were some notable successes; the biggest among them was the pledge to set up a loss and damage fund to provide money needed to rescue and rebuild the physical and social infrastructure of countries devastated by extreme weather. The COP 27 presidency also launched the Adaptation Agenda to build climate resilience for 4 billion by 2030, to align with IIGCC investor-led work on resilience, a core focus for Brunel's Climate Change Policy. In this regard, the UK government committed to triple funding for climate adaptation as part of that budget, from £500 million in 2019 to £1.5 billion in 2025.

Despite the rally in Q4, 2022 was a difficult year for investors and the issues that beset the market and drove it lower are still with us. The conflict in Ukraine shows no sign of ending; global interest rate rises are still likely to come through; and inflation is not yet under control, nor have its effects fully filtered through into the economy. On a more positive front, China signalled that it will drop its zero tolerance COVID policy and it seems the worst effects of a winter energy crisis may not be realised. The cold snap did not appear, and Germany and others built up their gas storage. The other very big difference, of course, is that the markets priced to some extent the change in paradigm – and that the era of cheap money is arguably over.

Looking forward, global inflation will still dominate. It is very likely that the world economy will deteriorate this year. Indeed, leading economic indicators have already slowed and are showing that economies around the world are in contraction. This is not news - a recession is remarkably consensual. However, it is a moderate recession that is priced in. A more severe episode could be induced if the central banks feel that inflation isn't under control, and they have to continue to tighten more aggressively. Such action could result in a further market dip.

The more bullish commentators argue that supply chains have normalised, aided by Chinese reopening; house prices and rents are falling; unlike in previous years, the employment squeeze has led to increased job openings, not necessarily excessive employment – and thus they are easier to unwind in a downturn. This all eases the pressure on central banks to push up rates and destroy demand to deflate the economy.

There are of course arguments on the other side that talk of more entrenched inflation. This is where battle lines are drawn, and we should be prepared for continued volatility as conviction and evidence waxes and wanes. The economist Ken Galbraith once said that the only function of economic forecasting is to make astrology look respectable – and I have a lot of sympathy with that view! What one can say with increasing conviction, however, is that, given the falls in prices in 2022, asset markets have begun to adjust to the new world of higher inflation. All else being equal, that improves the forward-looking returns from your portfolio.

Global High Alpha Equities

Investment strategy & key drivers

High conviction, unconstrained global equity portfolio

Liquidity

Managed

Benchmark

MSCI World

Outperformance target

+2-3%

Total fund value

£3,742m

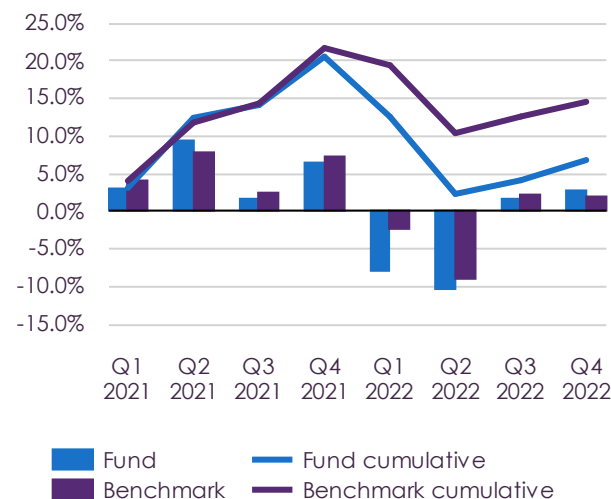
Risk profile

High

Avon's Holding:

GBP653m

Rolling performance



Performance to quarter end

Performance	3 month %	1 year %	Since inception % p.a.*
Fund	2.7	-13.7	11.3
Benchmark	2.0	-7.4	9.7
Excess	0.7	-6.3	1.6

*per annum

Performance commentary

Global developed equities (as proxied by the MSCI World index) rallied over the quarter, returning 2.0% in GBP terms. UK and Europe outperformed, whilst the US lagged the benchmark. Positive sentiment strengthened on expectations for cooling inflation and potential China re-opening. Style characteristics were again evident in the quarter, with Value outperforming Growth significantly.

The portfolio returned 2.7% during the period, outperforming the benchmark by 0.7%, as stock selection overcame the headwinds arising from the negative Value tilt and underexposure to Energy, the best-performing sector.

Sector attribution analysis showed sector allocation was negative as both of the largest active sector positions detracted (an underweight to Energy, the best-performing

sector, and an overweight to Consumer Discretionary, the worst-performing sector). This was more than offset by positive stock selection; the strongest selection was in the Consumer Discretionary and IT sectors. Within both sectors, overweights in more traditionally quality names (such as TJX, Nike, Mastercard and Oracle) and underweights in larger tech/growth names (such as Tesla and Apple) both benefited the portfolio.

Four of the five managers outperformed. RLAM's consistency continues to be in evidence, and they have outperformed in 10 out of 12 full quarters since inception in very volatile and differentiated market environments. The outlier this quarter was Baillie Gifford, who underperformed following significant outperformance last quarter. Their focus on high future

growth companies was not well rewarded as Growth underperformed other styles significantly during the quarter. This was particularly apparent in Consumer Discretionary, automotive-related stocks held overweight in the Baillie Gifford portfolio: Tesla, NIO and Carvana returned -57%, -43% and -78% respectively.

Meta exited the portfolio during the quarter as the three managers that held it all sold their positions towards end of October. This consolidated a poor year for the owners of Facebook, as it struggled with the challenges to its advertising-based business model whilst continuing to pursue what some see as an uncertain bet on the metaverse.

Global High Alpha Equities

Top 5 holdings

	Weight %	B'mark weight %	Client value (GBP)*
MICROSOFT CORP	4.69	3.41	30,600,313
AMAZON.COM INC	3.02	1.54	19,707,293
ALPHABET INC	2.56	2.05	16,687,424
MASTERCARD INC	2.44	0.60	15,917,017
UNITEDHEALTH GROUP INC	2.05	0.99	13,372,344

*Estimated Client value.

Top 5 active overweights

	Weight %	Benchmark weight %
MASTERCARD INC	2.44	0.60
HDFC BANK LTD	1.64	-
TAIWAN SEMICONDUCTOR	1.49	-
AMAZON.COM INC	3.02	1.54
TJX COS INC/THE	1.62	0.19

Top 5 active underweights

	Weight %	Benchmark weight %
APPLE INC	0.50	4.18
EXXON MOBIL CORP	-	0.92
JPMORGAN CHASE & CO	-	0.79
PROCTER & GAMBLE CO/THE	-	0.72
CHEVRON CORP	-	0.67

Companies with lowest ESG ratings

	Adjusted ESG score*	
	Q3 2022	Q4 2022
TJX COS INC/THE	32.47	30.10
MICROSOFT CORP	47.15	47.81
ALPHABET INC	46.00	46.30
JOHNSON & JOHNSON	37.53	38.78
PROGRESSIVE CORP/THE	40.16	40.55

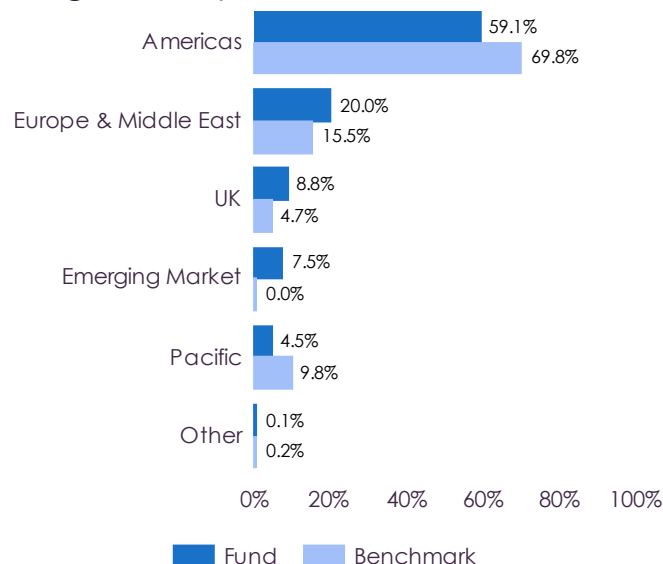
*Source: TrueValueLabs. Scores can range from a high score of 100 to a low of 0. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top.

Carbon metrics

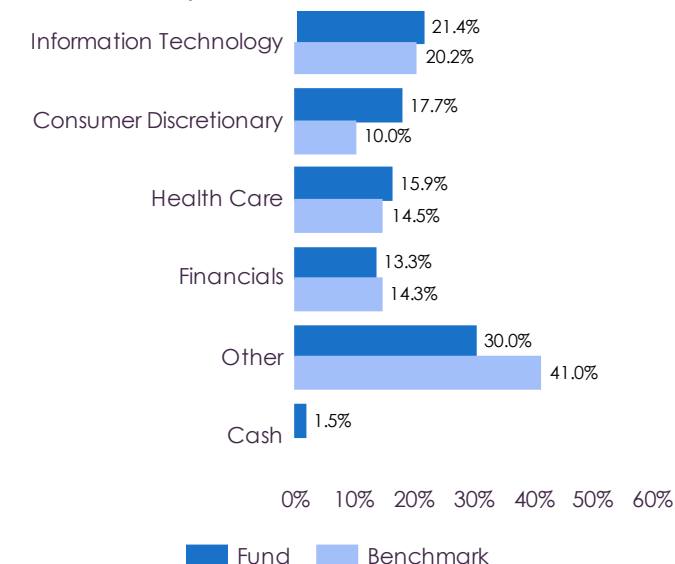
Portfolio	WACI		Extractives revenues ¹		Extractives reserves ²	
	2022 Q3	2022 Q4	2022 Q3	2022 Q4	2022 Q3	2022 Q4
Global High Alpha	86	89	0.92	1.29	3.15	3.32
MSCI World*	180	193	2.61	2.81	7.12	7.83

*Benchmark. ¹ Extractive revenue exposure as share (%) of total revenue. ² Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost

Regional exposure



Sector exposure



Global Sustainable Equities

Investment strategy & key drivers

Global equity exposure concentrating on ESG factors

Liquidity

Managed

Benchmark

MSCI ACWI

Outperformance target

+2%

Total fund value

£3,185m

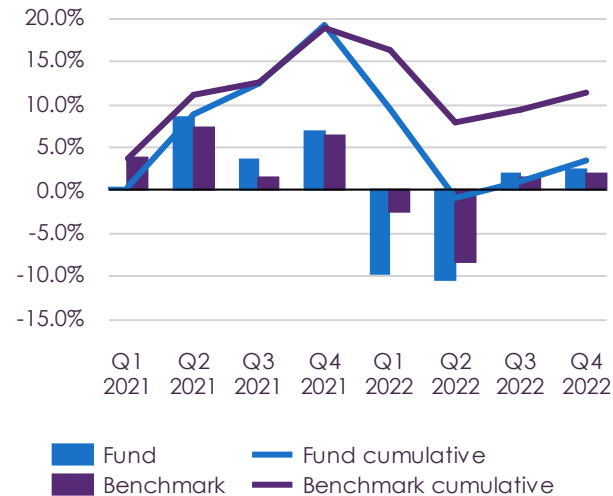
Risk profile

High

Avon's Holding:

GBP752m

Rolling performance



Performance to quarter end

Performance	3 month %	1 year %	Since inception % p.a.*
Fund	2.4	-15.5	3.9
Benchmark	2.0	-7.6	7.9
Excess	0.5	-7.9	-4.0

*per annum

Performance commentary

Global equities (as proxied by the MSCI All Countries World Index) returned 2.0% over the reporting period. The Sustainable Equities portfolio returned 2.4%, outperforming the benchmark by 0.5%.

The quarter provided a welcome respite to what had been a difficult year for all investors. However, Sustainable Equity strategies perhaps felt this challenge more than most in 2022, as the strategy has a natural underweight to Value parts of the market and has significantly less exposure to sectors such as Energy, which returned 62% over the year. The second-best performing sector was Utilities, with a return of 8.5%, which highlights the severe market dispersion.

The fund returned -15.5% over the year against an MSCI ACWI return of -7.6%. 90% of the underperformance occurred in the

first quarter - key Q1 events have been discussed in previous commentaries.

Through Oct-Nov of Q4, the market rallied to return 7.1%. The rally was largely driven by Value, notably the metals & mining sub sector, energy equipment companies, and Industrial conglomerates. Despite our underweight allocation to these sectors, the portfolio only narrowly underperformed the benchmark, gaining through our exposure to semiconductors and favourable stock selection in the automobile sector - the zero exposure to Tesla was a notable contributor.

In December, the market returned -4.85%. The main contributors were large cap tech companies. The three largest contributors on this front were Apple (-13%), Tesla (-37%) and Microsoft (-7%); the three hold a combined

weight of 7.7% in a 3,000-stock index, and so they contributed -1.1% to index return. The portfolio is underweight Microsoft and has no exposure to Tesla or Apple. This outperformance in the downward market meant the portfolio exhibited a net outperformance of 0.5% over the quarter as a whole.

Three out of the five managers outperformed; Jupiter and Mirova by 3.1% and 4.6% respectively. Mirova's holdings in Mastercard, Adobe and Visa were the biggest contributors, whilst RBC underperformed by 2.1%. RBC's performance was driven in part by Roche, which fell on the news its Alzheimer's drug failed to slow the disease. The managers continued to provide complementary but differing approach within the portfolio.

Global Sustainable Equities

Top 5 holdings

	Weight %	B'mark weight %	Client value (GBP)*
MASTERCARD INC	2.63	0.53	19,799,183
MICROSOFT CORP	2.27	3.02	17,041,992
ADYEN NV	1.99	0.05	14,929,291
ANSYS INC	1.93	0.04	14,492,367
DANAHER CORP	1.77	0.33	13,308,223

*Estimated Client value.

Top 5 active overweights

	Weight %	Benchmark weight %
MASTERCARD INC	2.63	0.53
ADYEN NV	1.99	0.05
ANSYS INC	1.93	0.04
MARKETAXESS HOLDINGS INC	1.73	0.02
DANAHER CORP	1.77	0.33

Top 5 active underweights

	Weight %	Benchmark weight %
APPLE INC	-	3.71
JOHNSON & JOHNSON	-	0.83
ALPHABET INC	0.99	1.82
EXXON MOBIL CORP	-	0.82
MICROSOFT CORP	2.27	3.02

Companies with lowest ESG ratings

	Adjusted ESG score*	
	Q3 2022	Q4 2022
MICROSOFT CORP	47.15	47.81
T-MOBILE US INC	44.95	44.06
ALPHABET INC	46.00	46.30
MUENCHENER	-	46.57
UNITEDHEALTH GROUP INC	52.44	51.89

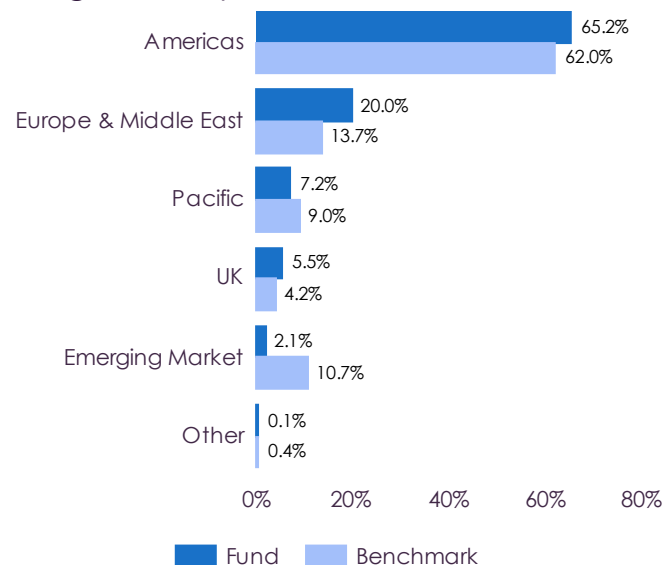
*Source: TrueValueLabs. Scores can range from a high score of 100 to a low of 0. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top.

Carbon metrics

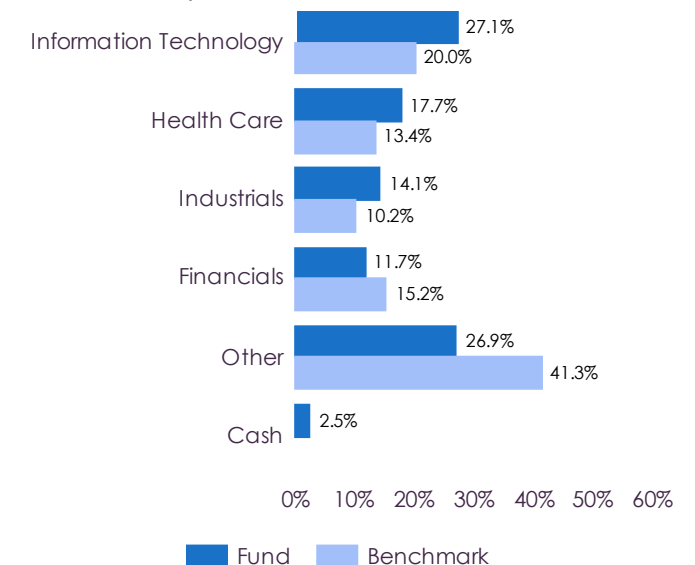
Portfolio	WACI		Extractives revenues ¹		Extractives reserves ²	
	2022 Q3	2022 Q4	2022 Q3	2022 Q4	2022 Q3	2022 Q4
Global Sustainable	148	152	2.53	2.65	2.96	3.13
MSCI ACWI*	207	222	2.62	2.82	7.18	7.76

*Benchmark. ¹ Extractive revenue exposure as share (%) of total revenue. ² Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost

Regional exposure



Sector exposure



Diversifying Returns Fund

Investment strategy & key drivers

Strategy utilising currencies, credit, rates and equities

Liquidity

Managed

Benchmark

SONIA +3%

Outperformance target

0% to +2.0%

Total fund value

£1,392m

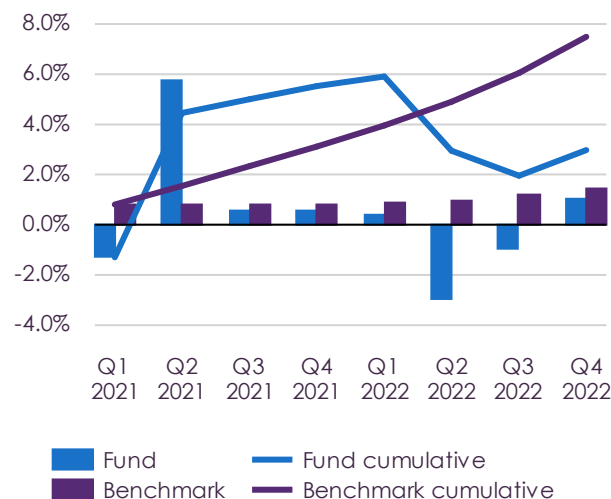
Risk profile

Moderate

Avon's Holding:

GBP336m

Rolling performance



Performance to quarter end

Performance	3 month %	1 year %	Since inception % p.a.*
Fund	1.0	-2.6	2.0
Benchmark	1.4	4.4	3.7
Excess	-0.4	-7.0	-1.7

*per annum

Performance commentary

The Diversifying Returns Fund returned 1.0% over the fourth quarter of 2022. The cash-plus-3% benchmark return was 1.4%. The portfolio returned -2.6% for 2022. While the benchmark returned 4.4%, the portfolio avoided the lion's share of the losses seen across all asset classes. For context, the sterling-hedged 50/50 equity/bond index we monitor returned 3.9% over the quarter and -17.2% over one year.

From their intra-quarter addition to the DRF portfolio to end-2022, Fulcrum lost 1.4%. The directional equities component of the strategy made a positive contribution to returns but this was more than offset by negative returns from relative value strategies. The biggest detractors within the relative value bucket were the short position in sterling and the 'Technology Disruption' sleeve within Thematic Equities, which provides

exposure to Growth, a factor that performed poorly over the quarter.

JPM returned 3.3% for the quarter. The largest positive contributions to returns came from the equity Value and Quality signals. Credit carry also performed well over the quarter. However, trend signals struggled. Equity and fixed income trends and FX momentum all detracted from returns.

Lombard Odier recorded a positive return of 0.6%. Exposure to commodities and credit made the largest contributions to returns while sovereign bond exposure continued to weigh on performance, as it did throughout 2022. Some of Lombard Odier's peers experienced a stronger rebound over the quarter, but this was because Lombard Odier carried a low level of exposure into the quarter as a result of deleveraging

more aggressively earlier in the year - that deleveraging had limited the magnitude of losses as equity and bond markets fell.

UBS returned 0.7%. Their US dollar short position made the biggest contribution to returns while long positions in the Norwegian kroner and Japanese yen also made positive contributions to returns. Long positions in the Colombian peso and Brazilian real detracted, as did a short position in the New Zealand dollar.

Multi-Asset Credit

Investment strategy & key drivers

Exposure to higher yield bonds with moderate credit risk

Liquidity

Managed

Benchmark

SONIA +4%

Outperformance target

0% to +1.0%

Total fund value

£2,463m

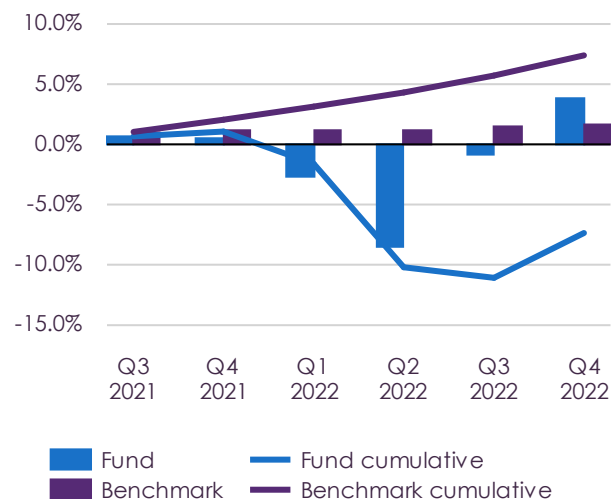
Risk profile

Moderate

Avon's Holding:

GBP296m

Rolling performance



Performance to quarter end

Performance	3 month %	1 year %	Since inception % p.a.*
Fund	3.7	-8.5	-5.2
Benchmark	1.7	5.4	5.0
Excess	2.0	-14.0	-10.2

*per annum

Performance commentary

Despite volatility in the fourth quarter, risk assets across sub-investment grade credit delivered broad-based gains. The quarter got off to a rocky start due to a failed UK budget proposal that roiled UK gilt markets, higher-than-expected September CPI in the US, and an October Communist Party Congress in China that spooked markets.

The yields of global high yield bonds soared to their year-to-date high, touching approximately 10.5% in the first half of October. Risk asset prices then reversed course amid better-than-expected third quarter earnings, expectation of more dovish global central bank policy, and a cooling of US inflation in both October and November. The subsequent credit rally lasted for most of the quarter, though markets came under renewed pressure in late December.

The Federal Reserve hiked rates in the US by 125 bps during the quarter, but ultimately this had little impact on the 2- and 10-year yields, which ended the year at +442bps and +388bps respectively. Bank capital and EM sovereign debt were the strongest asset classes over the quarter, with local returns of approximately +12% and +8% respectively. High yield corporate bonds returned almost 7% in local terms. Loans were amongst the lowest-returning asset classes in credit, returning approximately 3% in local terms. Returns were primarily driven by spread compression.

The portfolio returned +3.7% over the quarter on a net of fees basis, which was +2.0% ahead of the primary benchmark of SONIA +4%. The portfolio lagged the secondary benchmark by 0.9%. Performance by manager remained range-bound

during the quarter. Neuberger Berman, CQS and Oaktree returned +360bps, +406bps and +407bps respectively. Performance since inception is now -5.2% annualised on a net-of-fees basis, and this remains behind the SONIA +4% return of +5.0% but close to the composite benchmark return.

The portfolio now offers a yield of approximately +9.3% on a yield-to-worst basis, with modest duration close to two years, representing an attractive entry point. However, investors should express caution as the threat of an impending recession, potential inflation shocks and quantitative tightening could put upward pressure on rates and spreads worldwide. Fundamentals- focused managers should be well-placed to take advantage of attractive entry points, whilst navigating some of the potential headwinds in 2023.

PAB Passive Global Equities

Investment strategy & key drivers

Passive global equity exposure aligned to Paris Agreement climate goals

Liquidity

High

Benchmark

FTSE Dev World PAB

Outperformance target

Match

Total fund value

£1,467m

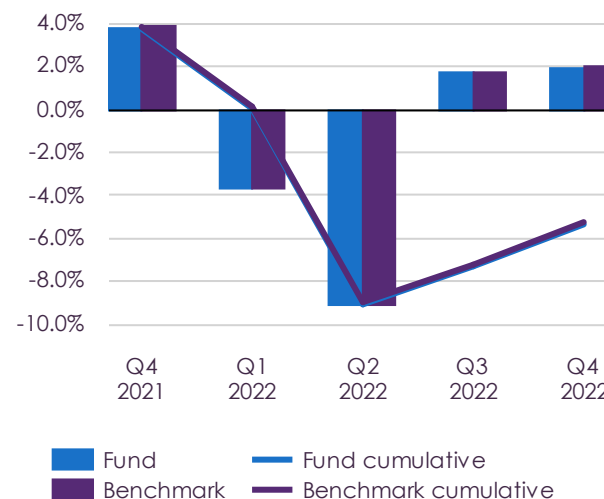
Risk profile

High

Avon's Holding:

GBP261m

Rolling performance



Performance to quarter end

Performance	3 month %	1 year %	Since inception % p.a.*
Fund	1.9	-9.2	-4.9
Benchmark	2.0	-9.2	-4.9
Excess	-	-	-0.1

*per annum

Performance commentary

In Q4 2022, the FTSE Developed Paris-Aligned benchmark (PAB) continued the trend of positive performance seen in Q3, rising 2% over the three-month period to the end of the year. The PAB Passive Global Equities portfolio closely replicated the benchmark's performance over the quarter.

This headline performance hides the performance journey over the quarter and the varied performance across underlying sectors within the index. The index performed positively to the end of November, up over 6% through the first two months of the quarter, before falling to end the reporting period up 2%.

In terms of sector, the Industrials sector was the best performer, driven by capital goods. Honeywell and

Caterpillar were the most significant stock contributors to return over the period.

The Consumer Discretionary and Communication Services sectors were a drag upon performance over Q4. Performance within Consumer Discretionary can be attributed to the large benchmark positions in Tesla and Amazon, which both had difficult quarters. Similarly, a significant position within Alphabet was a material contributor to the negative performance of the Communication Services sector over the reporting period.

PAB Passive Global Equities

Top 5 holdings

	Weight %	Client value (GBP)*
APPLE INC	5.29	13,810,099
MICROSOFT CORP	4.82	12,603,776
ALPHABET INC	3.82	9,971,386
AMAZON.COM INC	2.91	7,608,403
HONEYWELL INTERNATIONAL INC	2.72	7,093,337

*Estimated Client value.

Companies with lowest ESG ratings

	Adjusted ESG score*	
	Q3 2022	Q4 2022
MICROSOFT CORP	47.15	47.81
ALPHABET INC	46.00	46.30
APPLE INC	49.17	50.57
AMAZON.COM INC	50.72	51.99
CHUBB LTD	34.84	38.73

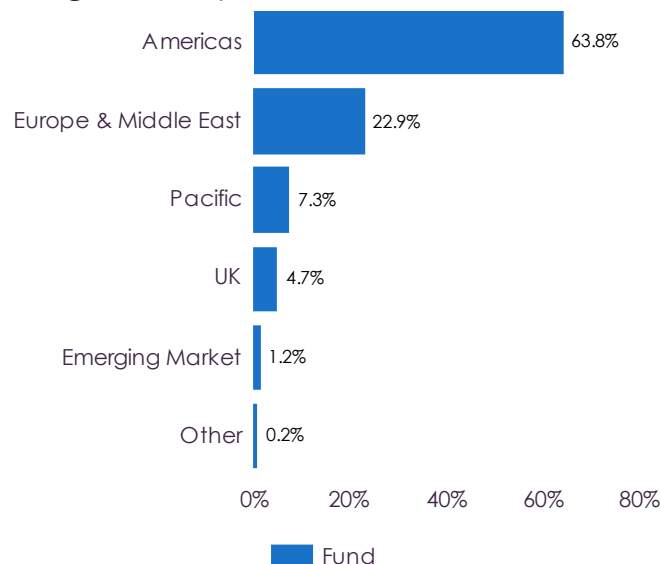
*Source: TrueValueLabs. Scores can range from a high score of 100 to a low of 0. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top.

Carbon metrics

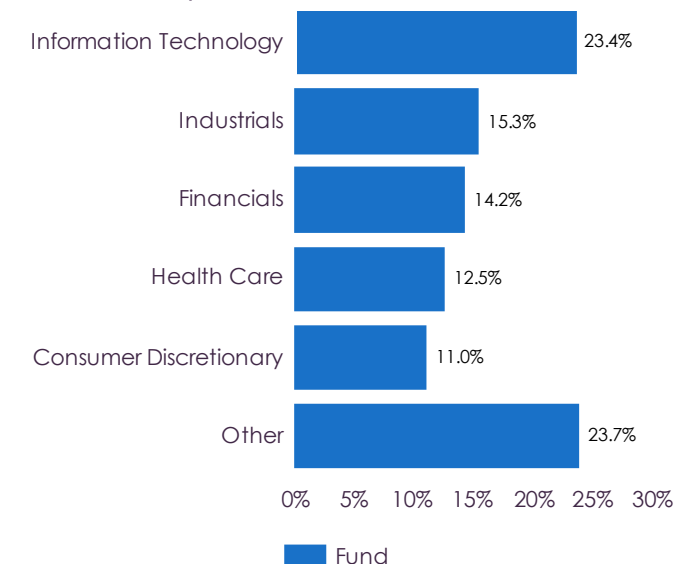
Portfolio	WACI		Extractives revenues ¹		Extractives reserves ²	
	2022 Q3	2022 Q4	2022 Q3	2022 Q4	2022 Q3	2022 Q4
PAB Passive Global	103	102	0.99	0.91	1.57	1.68
FTSE Dev World TR	180	194	2.52	2.69	7.00	7.69

*Benchmark. ¹ Extractive revenue exposure as share (%) of total revenue. ² Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost

Regional exposure



Sector exposure



Private Debt Cycle 2

Investment objective

Global portfolio of senior direct loans, predominantly to PE-sponsored companies

Benchmark

SONIA

Outperformance target

+4%

Launch date

1 May 2020

Commitment to portfolio

£245.00m

The fund is denominated in GBP

Commitment to Investment

£245.00m

Amount Called

£114.15m

% called to date

46.59

Number of underlying funds

1

Avon's Holding:

GBP119.08m

Performance commentary

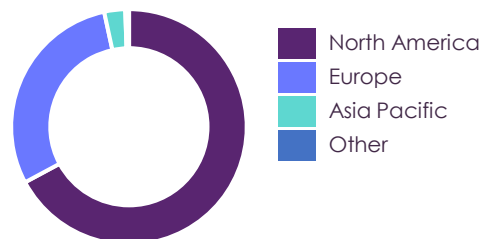
As of December 2022, Cycle 2 was fully committed to 7 funds. The portfolio is in ramp up with deployment increasing to over ~40%. The next capital call (due by February 2023) is expected to take deployment to ~50%.

Prior focus by managers on traditionally resilient sectors such as healthcare, professional services and established software have continued to buoy returns as the portfolio remains in positive territory and is performing as expected. Such is reinforced by the portfolio's majority allocation to senior-most lending for investee companies. Managers report a broadly attractive environment for loan pricing despite economic headwinds. New investments in the portfolio include a European fertility clinic provider, a US baked-goods firm, a UK health-and-safety software firm and an Australian healthcare firm. The portfolio currently has a tilt towards the US (owing to faster deployment by US-focussed managers) but is expected to normalise to a broadly even split between the US and Europe over the medium term.

Leveraged buy-out activity continued 2022 trends to increasingly draw on private debt as its principal funding source, such is a reflection of the sustained slow-down in the broadly syndicated loan markets which had previously been traditional sources of funding for private equity sponsors. Fundraising for private debt managers had fallen in 2022 versus the previous year but the volume of dry-powder available alongside the retrenchment of traditional funding sources sees private debt managers remaining able to seize attractive direct lending opportunities as they arise.

Country

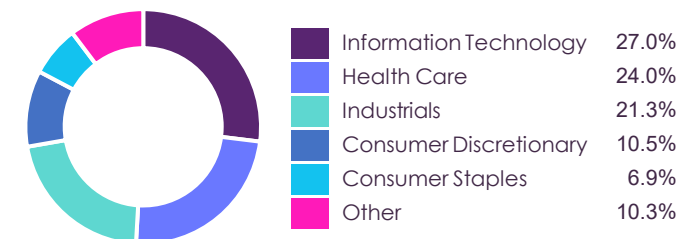
Invested in underlying investments



Source: Aksia and underlying managers
Country data is lagged by two quarters

Sector

GICs level 1



Source: Aksia and underlying managers
Sector data is lagged by two quarters

Portfolio summary

Market value (GBP millions)	3 Month MWR*	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter	Contribution to return: 3 months	Contribution to return: 1 year	Contribution to return: since inception
119.1	-1.3%	11.8%	10.9%	26,109,250	1,106,658	25,002,592	-1,440,700	-1.5%	13.3%	10.3%

*Money weighted return

Private Debt Cycle 3

Investment objective

Global portfolio of senior direct loans, predominantly to PE-sponsored companies

Benchmark

SONIA

Outperformance target

+4%

Launch date

1 April 2022

Commitment to portfolio

£170.00m

The fund is denominated in GBP

Commitment to Investment

£67.00m

Amount Called

£11.61m

% called to date

17.32

Number of underlying funds

2

Avon's Holding:

GBP11.13m

Performance commentary

As of December 2022, Cycle 3 had made commitments to two Europe-focused managers with an initial capital call by one manager being issued at the end of 2022. With the settlement completed, overall deployment is expected to be ~7% of total client commitments and ~17% of capital committed to funds (which is an encouraging start for the portfolio). Through 2023, Brunel expects to finalise all commitments to 5-7 managers, constructing a portfolio with a senior direct lending focus and a broadly even split across US and European borrowers. There is expected to be an

alignment of investment portfolios across Cycles 2 and 3 with respect to geographical focus and allocations to predominantly senior secured debt.

Given the nascency of capital being called on the portfolio, quarter-end performance measures were unavailable but should materialise through the first half of 2023.

Portfolio summary

Market value (GBP millions)	3 Month MWR*	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter	Contribution to return: 3 months	Contribution to return: 1 year	Contribution to return: since inception
11.1	-	-	-2.3%	11,605,397	374,178	11,231,218	-	-	-	-0.9%

*Money weighted return

Infrastructure Cycle 1

Investment objective

Portfolio of predominantly European sustainable infrastructure assets

Benchmark

CPI

Outperformance target

+4%

Launch date

1 October 2018

Commitment to portfolio

£115.00m

The fund is denominated in GBP

Commitment to Investment

£114.64m

Amount Called

£89.98m

% called to date

78.48

Number of underlying funds

6

Avon's Holding:

GBP96.40m

Performance commentary

Macroeconomic pressures continued into Q4. A global energy security crisis, soaring inflation and rising interest rates were combining to create a perfect storm for recession. The macroeconomic woes highlight the importance of investing in a resilient portfolio of high-quality assets. In light of events in Ukraine, governments have introduced significant regulation including REPower EU and the Inflation Reduction Act, both of which reflect their desire to boost investment beyond renewables generation and across the value chain.

During Q4, deal flow activity remained strong but also selective. Brunel was busy in Q4 reviewing a number of opportunities across all cycles. As at the end of Q4 2022, Cycle 1 Infrastructure was c.99.8% committed and c.75% deployed. At the end of Q4, the final tactical deal to complete Cycle 1 was approved by Brunel and closing is subject to StepStone's final due diligence.

Brunel is pleased with the deployment of Cycle 1 and the overall development of the portfolio. Over the next couple of years, we expect focus to shift from deployment to performance and monitoring of the portfolio.

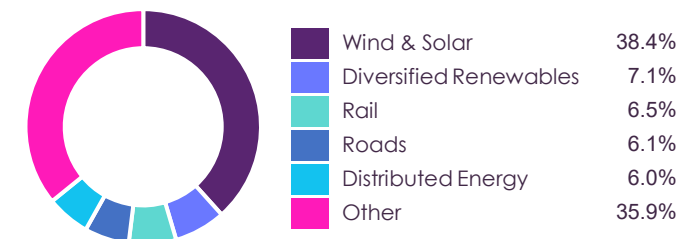
Country

Commitment in underlying investments



Source: Stepstone
Country data is lagged by one quarter

Sector



Source: Stepstone
Sector data is lagged by one quarter

Portfolio summary

Market value (GBP millions)	3 Month MWR*	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter	Contribution to return: 3 months	Contribution to return: 1 year	Contribution to return: since inception
96.4	-0.1%	14.3%	9.2%	6,535,266	1,013,471	5,521,795	-69,493	-0.1%	14.5%	6.2%

*Money weighted return

Infrastructure (Renewables) Cycle 2

Investment objective

Global portfolio of renewable energy and associated infrastructure assets

Benchmark

CPI

Outperformance target

+4%

Launch date

1 May 2020

Commitment to portfolio

£120.00m

The fund is denominated in GBP

Commitment to Investment

£120.00m

Amount Called

£47.78m

% called to date

39.82

Number of underlying funds

1

Avon's Holding:

GBP49.46m

Performance commentary

For Cycle 2 Infrastructure, Clients had the opportunity to invest either in the 'Combined' Infrastructure portfolio (which allocates 50% to renewables & 50% to general infrastructure); or via the 'Renewables only' (100% to renewables). As a result, Brunel established two fund of funds with StepStone.

Macroeconomic pressures continued into Q4. A global energy security crisis, soaring inflation and rising interest rates were combining to create a perfect storm for recession. On one hand, surging power prices have boosted performance, but supply chain tensions keep on affecting the capex required to deliver projects. Rising interest rates are affecting valuations negatively and the impact of windfall taxes are still being monitored. Brunel, however, remains confident a strong pipeline will ensure deployment of this mandate in line with Scope and Specification.

During Q4, deal flow activity remained strong. Brunel was busy in Q4 reviewing several opportunities and two tactical deals were approved: a global decentralised energy generation / energy efficiency business, and a private cross-border transmission line in the US. In addition, Next Energy UK ESG Fund made its first drawdown in Q4. As at the end of Q4 Cycle 2 R is c.40% deployed across five primary funds. Two more primary funds and a single tactical deal are required to complete the cycle, subject to closing of the two Brunel approved tactical deals.

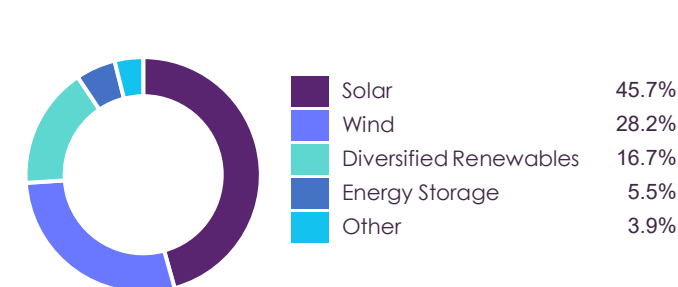
Country

Commitment in underlying investments



Source: Stepstone
Country data is lagged by one quarter

Sector



Source: Stepstone
Sector data is lagged by one quarter

Portfolio summary

Market value (GBP millions)	3 Month MWR*	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter	Contribution to return: 3 months	Contribution to return: 1 year	Contribution to return: since inception
49.5	9.4%	25.6%	17.8%	10,886,022	2,269,406	8,616,616	4,076,520	10.6%	22.0%	10.5%

*Money weighted return

Infrastructure Cycle 3

Investment objective

Global portfolio of infrastructure assets, mainly focussed on climate solutions, energy transition and efficiency

Benchmark

n/a - absolute return target

Outperformance target

net 8% IRR

Launch date

1 April 2022

Commitment to portfolio

£55.00m

The fund is denominated in GBP

Commitment to Investment

£55.00m

Amount Called

£2.83m

% called to date

5.14

Number of underlying funds

1

Avon's Holding:

GBP2.73m

and positive environmental impact whilst retaining a similar risk and return profile.

As at the end of Q4, Cycle 3 is 13% committed to three investments including a €40m primary allocation to Vauban CIF IV and two tactical deals: Project Appellation, US hardwood timberlands carbon capture and carbon credit strategy; and Project Sonate 2, a follow-on to the Cycle 1 New Suez co-investment.

Performance commentary

Macroeconomic pressures continued into Q4. A global energy security crisis, soaring inflation and rising interest rates were combining to create a perfect storm for recession. The macroeconomic woes highlight the importance of investing in a resilient portfolio of high-quality assets. In light of events in Ukraine, governments have introduced significant regulation including REPower EU and the Inflation Reduction Act, both of which reflect their desire to boost investment beyond renewable generation and across the value chain.

Brunel has been working closely with StepStone over the last 12 months to redefine the scope of Cycle 3 Infrastructure and was pleased to finalise the LPA in Q3 22. Since the portfolio's inception, deal flow activity has been strong but also selective. The team has been able to benefit from the expertise within StepStone's real assets team to include nature-based solutions investments in Cycle 3. Investing in sustainable forestry and agricultural strategies allows the portfolio to benefit from increased portfolio diversification

Portfolio summary

Market value (GBP millions)	3 Month MWR*	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter	Contribution to return: 3 months	Contribution to return: 1 year	Contribution to return: since inception
2.7	-	-	-3.4%	2,827,745	0	2,827,745	-	0.0%	-	0.0%

*Money weighted return

Secured Income Cycle 1

Investment objective

Portfolio of long-dated income streams, a majority of which are UK inflation-linked

Benchmark

CPI

Outperformance target

+2%

Launch date

1 October 2018

Commitment to portfolio

£345.00m

The fund is denominated in GBP

Commitment to Investment

£345.00m

Amount Called

£344.86m

% called to date

99.96

Number of underlying funds

3

Avon's Holding:

GBP333.63m

increased their GRESB score to 79 over the year, narrowly missing out on 4 stars. Rent collection for the fund is near 100% for 2022 and the fourth quarter is the busiest time for rent reviews.

Within the GRI fund, the fund is benefiting from higher power prices, but is remaining prudent with respect to valuations. The new windfall tax proposed by the government should have minimal impact on the fund's valuation, due to its conservative assumptions. The Templeborough Biomass Energy plant had an extended outage in September from excessive fouling, but it is now back on budget from October onwards. Greencoat is looking at changing the operator on the asset in Q1 2023.

Performance commentary

The M&G Secured Income Property Fund's total returns over the quarter were negative. Capital value declines began in June in response to rising gilt yields over the course of 2022 and were not a reflection of the performance of SPIF's underlying properties. Whilst there are economic headwinds, the fund is well positioned with a high-quality tenant base, inflation-linked leases and no gearing, voids or development exposure. The fund is currently deferring redemption requests to protect the interests of investors in the Fund as a whole, enabling sufficient time for fair value to be realised. In

December, SPIF completed the disposal of the Priory healthcare portfolio for a gross price of £233 million, ahead of book value.

The abrdn Long Lease Property Fund also incurred negative performance over the quarter. The fund is selling some Asda and Morrisons stores, and a Reading office is on the market. While these disposals were planned, given their weaker covenants and shortening leases, the sales have been accelerated with the aim of funding redemptions. The fund

Portfolio summary

Market value (GBP millions)	3 Month MWR*	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter	Contribution to return: 3 months	Contribution to return: 1 year	Contribution to return: since inception
333.6	-9.7%	-8.1%	0.0%	1,281	2,854,603	-2,853,322	-36,086,600	-9.7%	-8.2%	1.2%

*Money weighted return

Secured Income Cycle 2

Investment objective

Portfolio of long-dated income streams, a majority of which are UK inflation-linked

Benchmark

CPI

Outperformance target

+2%

Launch date

1 May 2020

Commitment to portfolio

£120.00m

The fund is denominated in GBP

Commitment to Investment

£120.00m

Amount Called

£120.00m

% called to date

100.00

Number of underlying funds

3

Avon's Holding:

GBP113.73m

increased their GRESB score to 79 over the year, narrowly missing out on four stars. Rent collection for the fund is near 100% for 2022 and the fourth quarter is the busiest time for rent reviews.

Within the GRI Fund, the fund is benefiting from higher power prices, but is remaining prudent with respect to valuations. The new windfall tax proposed by the government should have minimal impact on the Fund's valuation, due to its conservative assumptions. The Templeborough Biomass Energy plant had an extended outage in September from excessive fouling, but it is now back on budget from October onwards. Greencoat are looking at changing the operator on the asset in Q1 2023.

Performance commentary

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Portfolio summary

Market value (GBP millions)	3 Month MWR*	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter	Contribution to return: 3 months	Contribution to return: 1 year	Contribution to return: since inception
113.7	-8.8%	-4.5%	0.1%	74,956	773,167	-698,211	-11,028,700	-8.8%	-1.4%	8.6%

*Money weighted return

UK Property

Investment strategy & key drivers

Portfolio of active UK property funds seeking capital & income returns

Liquidity

Illiquid

Benchmark

MSCI/AREF UK

Outperformance target

+0.5%

Commitment to portfolio

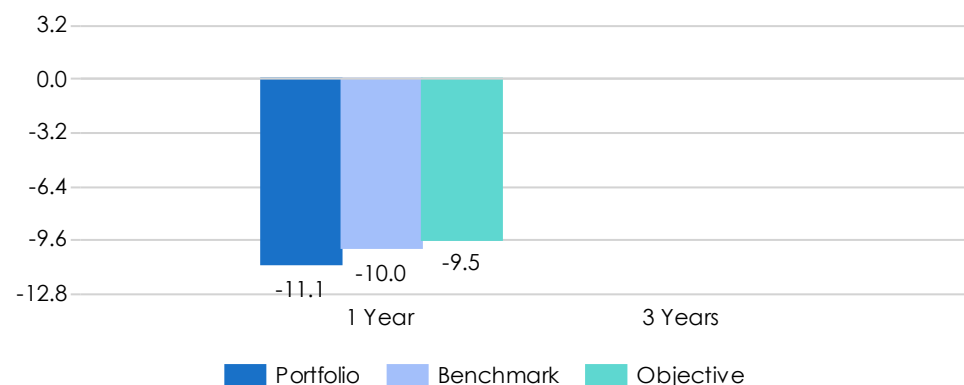
£210.0m

Amount Called

£159.5m

Number of portfolios

13



Performance commentary

Property valuations responded to the Bank of England's rate hikes with significant falls in NAV, as the asset class adjusted to future borrowing costs and its relative yield positioning. The outward yield shift was more pronounced in certain sectors, particularly in Industrial, where, following very strong returns over recent years, assets were priced at historically low yields.

Low transaction levels persisted into Q4, given the uncertainty around pricing. There was debate as to when repricing would decelerate and stabilise, but it is unlikely that the impacts of rising rates or the UK recession have fully played out. Significant redemption requests across property funds, triggered by forced selling from some corporate DB

schemes, resulted in many managers announcing redemption deferrals, adding to investor caution.

Secondary markets remained illiquid in Q4, despite buyers being offered discounts to NAV pricing of over 20% to 3Q NAVs, as sellers sought liquidity. The market remained uncertain as to whether even such large discounts were sufficient to compensate for further potential capital falls in 4Q and early 2023.

On the brighter side, occupier markets held firm, despite fears of an imminent recession. Some sectors, like Industrial and Residential, are still expected to see rental growth in 2023, given their occupational supply/demand dynamics.

Though Brunel paused secondary trading in Q4, client funds were committed to Orchard Street's new impact fund in October. This cross-sector fund will look to acquire unloved assets in good locations and use its management expertise to improve the environmental and social metrics of each building through refurbishment and repurposing. The fund should benefit from the current economic environment, as potential opportunities reprice to lower levels.

Property holdings summary

Holding	Cost (GBP millions)	Market value (GBP millions)	Perf. 3 month	Perf. FYTD	Perf. 1 year	Perf. 3 year	Perf. 5 year	Inception Date
Brunel UK Property	118.7	176.5	-17.2%	-16.3%	-11.1%	-	-	Jan 2021

Glossary

Term	Comment
absolute risk	Overall assessment of the volatility that an investment will have
ACS	Authorised Contractual Scheme - a collective investment arrangement that holds and manages assets on behalf of a number of investors
active risk/weight	A measure of the percentage of a holding that differs from the benchmark index; can relate to an equity, a sector or a country/region
amount called	In private investments, this reflects the actual investment amount that has been drawn down
amount committed	In private investments, this is the amount that a client has committed to an investment - it will be drawn down (called) during the investment period
annualised return	Returns are quoted on an annualised basis, net of fees
asset allocation	Performance driven by selecting specific country or sector positions
basis points (BP)	A basis point is 0.01% - so 100bps is 1.0%. Often used for fund performance and management fees
CTB	Climate Transition Benchmark - targets 30% lower carbon exposure from 2020 and then a 7% annual reduction
DLUHC	Department for Levelling Up, Housing & Communities; the government body with oversight of pooling
DPI	Distributed to Paid In; ratio of money distributed to Limited Partners by the Fund, relative to contributions. Used for private markets investments
duration	A measure of bond price sensitivity to changes in interest rates. A high duration suggests a bond's price will fall by relatively more if interest rates increase than a bond with a low duration

Term	Comment
ESG	ESG is an umbrella term to capture the various environmental, social and governance risks investors factor into their assessment of a company's sustainability profile. Brunel views assessing ESG factors as a central part of our fiduciary duty
ESG Score	MSCI score based on its assessment of the ESG credentials of an underlying investment. If the portfolio score is below the index, the portfolio is assessed by MSCI to be investing in companies with a better ESG score
extractive exposures VOH	Value of Holdings of invested companies which derive revenues from extractive industries
general partner (GP)	In Private Equity, the GP is usually the firm that manages the fund
gross performance	Performance before deduction of fees
Growth	Growth stocks typically exhibit faster long term growth prospects and are often valued at higher price multiples
IRR	Internal Rate of Return - a return that takes account of actual money invested
legacy assets	Client assets not managed via the Brunel Pension Partnership
limited partner (LP)	In private equity, an LP is usually a third party investor in the fund
Low Volatility	Low Volatility is a strategy that attempts to minimise the return volatility.
Momentum	An investment strategy that aims to capitalize on the continuance of existing trends in the market
MWR	Money weighted return - similar to an IRR - it reflects the actual investment return taking into account cashflows
net performance	Performance after deduction of all fees

Glossary

Term	Comment
PAB	Paris-Aligned Benchmark - targets a 50% lower carbon exposure from 2020 and then a 7% annual reduction
Quality	Quality stocks typically have a high Return on Equity, a very consistent profit outcome and exhibit higher and stable margins
relative risk	Relative volatility when compared with a benchmark
sector/stock selection	Performance driven by the selection of individual investments within a country or sector
since inception	Period since the portfolio was formed
since initial investment	Period since the client made its first investment in the fund
SONIA	Sterling Overnight Index Average - Overnight interbank interest rate - replacement for LIBOR
source of performance data	Source of performance data is provided net of fees by State Street Global Services unless otherwise indicated
standard deviation	Standard deviation is a measure of volatility for an investment using historical data. Volatility is used as a measure of investment risk. A higher number may indicate a more volatile (or riskier) investment but should be taken in context with other measures of risk
time-weighted return	A return measure that takes no account of actual amounts invested
total extractive exposure	Revenue derived from extractive operations as a % of total corporate revenue
total return (TR)	Total Return - including price change and accumulated dividends
tracking error	A measure of relative volatility around a benchmark. A fund which differs greatly from the benchmark is likely to have a high tracking error

Term	Comment
transitioned assets	Client assets that have been transferred to the Brunel Pension Partnership
TVPI	Total Value to Paid In; ratio of the current value of remaining investments within a fund, plus the total value of all distributions to date, relative to the total amount of capital paid in
Value	Value stocks typically have a low valuation when measured on a Price to Book or Price to earnings ratio
WACI	Weighted Average Carbon Intensity; measures the carbon intensity of businesses rather than total carbon emissions. It is expressed as tonnes of CO2 equivalent per million GBP of investment exposure
yield to worst	Lowest possible yield on a bond portfolio assuming no defaults

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