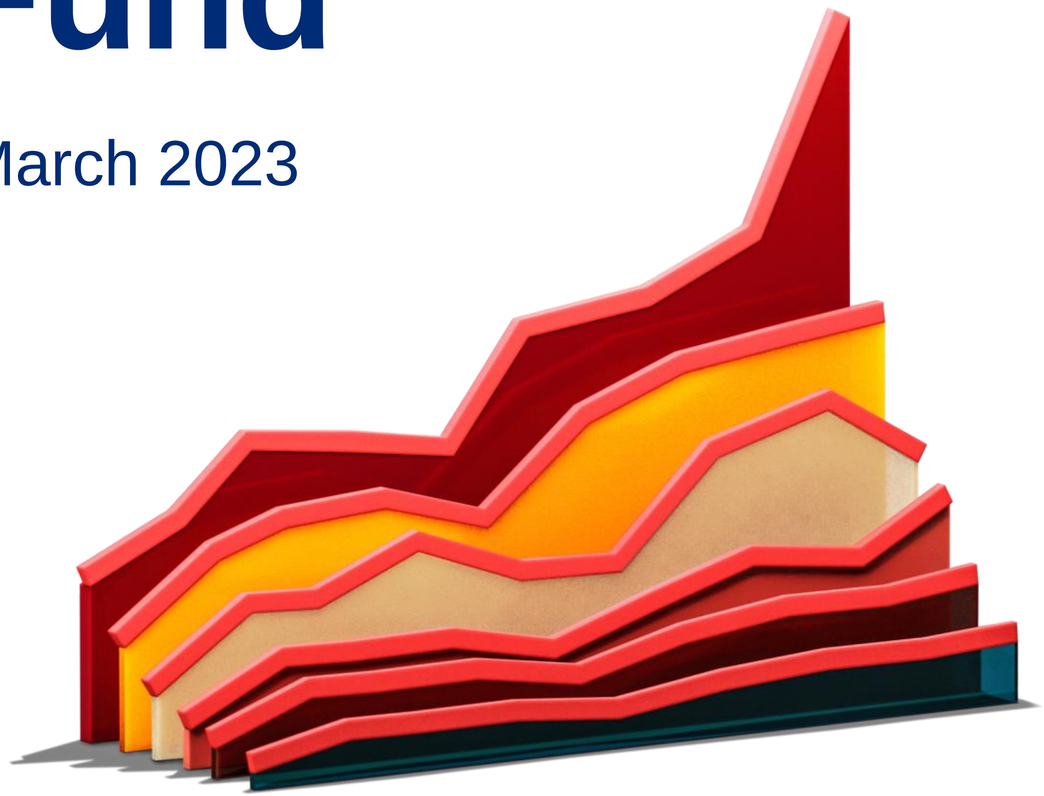
Mercer

welcome to brighter

Avon Pension Fund

Panel Investment Report Quarter to 31 March 2023



June 2023

Steve Turner
Joshua Caughey

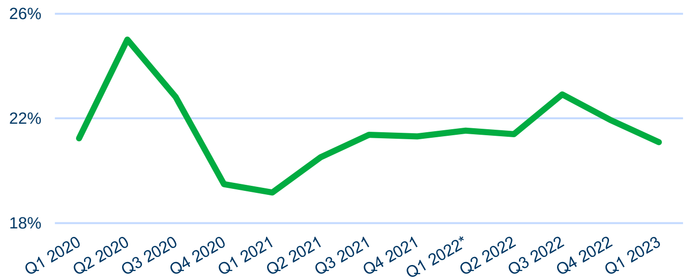
Contents

Executive Summary

1

Executive Summary

Market background	• Resilient growth, receding inflation and expectations of banking distress not becoming systemic for now led to overall positive equity and bond performance over the quarter. • In the UK, changes in market-implied inflation expectations were mixed across the curve, whilst nominal yields generally fell.
Mercer market views	• Our medium term outlook (as at April 2023) is mixed. • We remain slightly negative on equities due to the weak global macroeconomic environment and the resulting drag on corporate profit growth. • We continue to a have a modestly positive view on growth fixed income markets (e.g. Multi Asset Credit).
Funding level and risk	• The funding level is estimated to have decreased marginally over the quarter to c. 95%, as the increase in the estimated value of the liabilities outweighed the increase in the value of assets. • It is estimated to be c. 2% lower over the year to 31 March 2023 (as illustrated to the right). • The Value-at-Risk increased marginally over the quarter to £1,192m, but fell as a percentage of liabilities to 21.1%. • The reversal in Q4 of the small increase in risk levels during Q3 means that the risk as a proportion of liabilities is broadly unchanged compared to one year ago. • The reduction in risk that can be seen in 2020 was due to the move from a static to dynamic equity protection strategy.



Executive Summary

Performance

- The rise in the value of Fund assets over the quarter was driven mainly by a rise in the Equity and LDI assets, as well as a contribution from the Currency Hedge due to the strengthening of Sterling.
- The Multi-Asset contribution was positive overall, whilst Illiquid Growth assets were mixed. The Equity Protection was the largest detractor, in line with expectations.
- Underperformance relative to the strategic benchmark over the one year period to 31 March 2023 is mainly due to underperformance of the Multi-Asset (DGF and MAC), Property and Secured Income mandates.
- The main detractors over the three year period were Equity Protection (though performance is in line with expectations), Overseas Property and Secured Income.

	3 Months (%)	1 Year (%)	3 Years (% p.a.)
Total Fund **(1)**	3.0	-7.3	6.1
Strategic Benchmark **(2)** (ex currency hedge)	3.1	-1.3	11.1
Relative **(1 - 2)**	-0.1	-6.0	-5.0

- The Currency Hedge overlay detracted from returns over the one year period, but the impact has been neutral over three years. It should be noted that the benchmark does not make allowance for the currency hedge.
- Absolute returns for the global equity mandates compared to the strategic returns modelled at the strategy review in 2019 have been generally positive, with the exception of the most recently-incepted Paris-Aligned mandate, due to the timing of its point of inception.
- The Diversified Returns and Multi-Asset Credit mandates have fallen short of expectations, largely due to negative performance versus the cash plus benchmarks in 2022. This was a year, however, where virtually all major liquid asset classes fell in value (except for commodities which have high carbon footprints).
- Property and Secured Income have been mixed, however all of the Infrastructure and Private Debt assets have outperformed.

Asset allocation and strategy

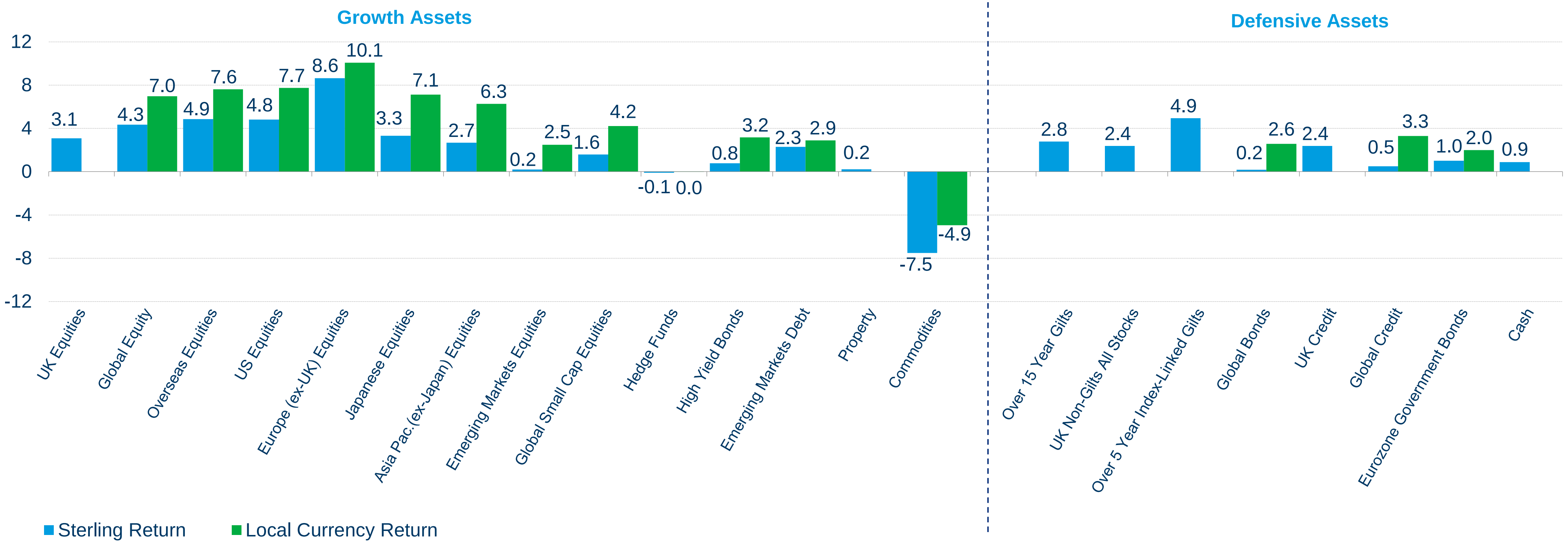
- In January, £150m was disinvested from the IFM Core Infrastructure portfolio for liquidity purposes (and to address the overweight position to this mandate). The majority of this was transferred to the BlackRock ETF to assist with the funding of future capital calls from other parts of the Illiquid Growth portfolio.
- A net amount of c. £12m was drawn down to the Brunel private market portfolios during the quarter.
- As part of the 2023 investment strategy review, it was agreed to move the active/passive split within the Equity portfolio to a 50/50 target split). This was implemented at the start of May through disinvestments of £200m and £100m from Global Sustainable and Global High Alpha respectively, transferred to the Brunel Paris-Aligned mandate.
- Further changes have also been taking place with respect to the use of synthetic exposure within the Equity portfolio. In February, a further £212m of the Equity holdings within the BlackRock QIF was synthesised. Post-quarter end, in May, the rest of the BlackRock Equity holdings were synthesised in order to improve collateral, and the exposure was changed from the MSCI World to MSCI Paris-Aligned index.

Market Background

2

Market Background

Return over 3 months to 31 March 2023 (%)

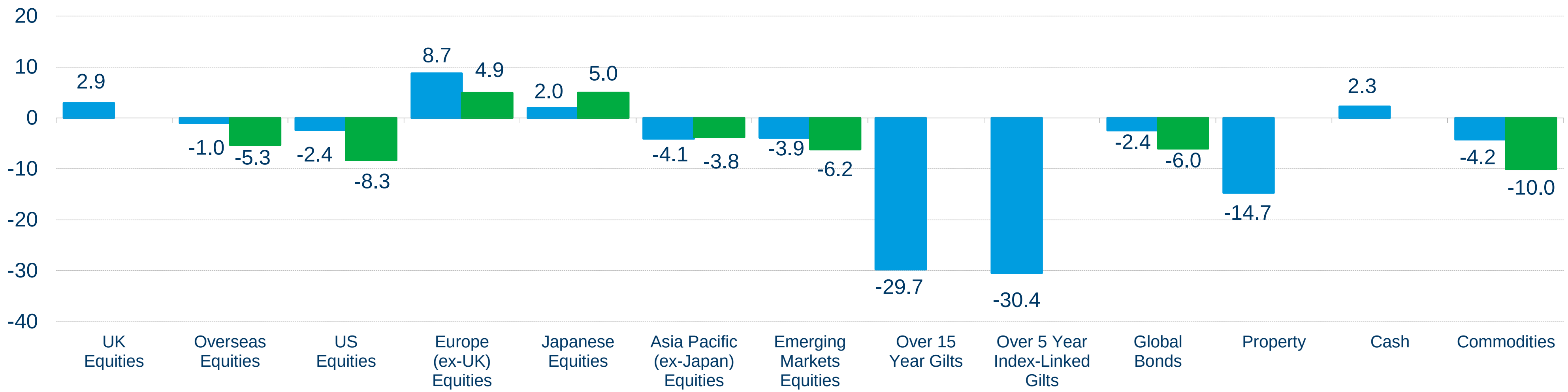


Investors welcomed the new year, following the worst year for equity and bond returns for over 150 years. However, the first quarter did not lack headlines. The demise of Silicon Valley Bank (SVB), the second largest US bank failure in history, and UBS's shotgun takeover of Credit Suisse were the major events of the quarter. Developed market central banks continued raising rates through the quarter as overall growth momentum remained robust.

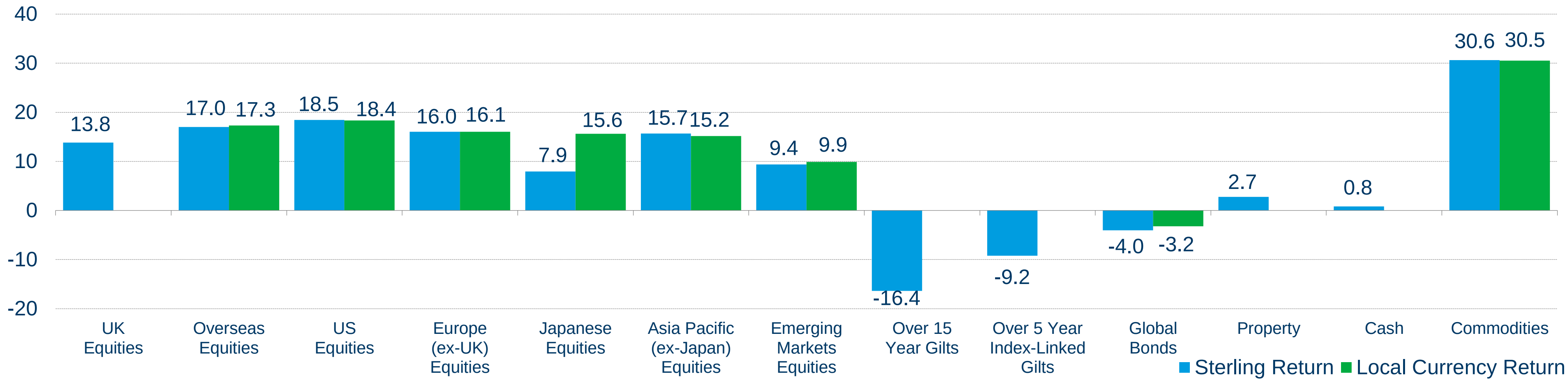
Headline inflation continued to slow in major developed economies, except for the UK, but core inflation remained more elevated than expected. Resilient growth, receding inflation and expectations of banking distress not becoming systemic for now led to overall positive equity and bond performance over the quarter.

Market Background – 1 & 3 Years

Return over 12 months to 31 March 2023 (%)



Return over 3 years to 31 March 2023 (% p.a.)



Source: Refinitiv

Mercer Market Views

3

Market Outlook (April 2023)

Equities rose 5% (GBP) over the quarter despite the headwinds from higher interest rates and the collapse of Silicon Valley Bank (SVB) and Credit Suisse (CS). Technology stocks, which had a dreadful 2022, were among the strongest performing, helped by a decline in US bond yields which fell in the wake of the banking sector challenges. While 10-year US yields fell from 3.8% to 3.5% over the quarter as whole, there were some dramatic moves intra quarter. Yields in the US and elsewhere rose materially in January and February as the Fed and other central banks continued to raise interest rates. Stronger than expected economic growth and stubborn high inflation led to fears that central banks would keep increasing interest rates until mid year or even later. However, the collapses of SVB and CS led to a dramatic rally in government bonds in March with 2-year US yields falling from over 5% to under 4% in a matter of days. Credit markets were mixed over the quarter, rallying early on, before selling off in March.

The global economy was much stronger than expected at the start of 2023. At the end of 2022, many expected recession in some parts of the world, on the back of high energy prices in Europe, high interest rates globally and ongoing weakness in China. However, European natural gas prices fell sharply and are now down over 90% from the peak seen in August 2022. Meanwhile the Chinese economy has rebounded on the back of the ending of COVID restrictions, with the service sector especially strong. Finally, the US economy also strengthened with consumption supported by a very strong labour market and somewhat softer inflation.

Inflation remained at high levels although looks to have peaked in major economies. While wage growth remains strong, putting upward pressure on some parts of the inflation basket (i.e. anything where labour costs are a large part of total costs), other drivers have softened materially. In addition to lower natural gas prices, crude oil prices have also fallen and are now much lower than the levels seen last June. Supply chains have continued to normalize and this is helping soften goods price inflation lower, while higher interest rates are supressing rental costs.

We continue to expect weak growth in 2023, with the notable exception of China, which should continue to be supported by the bounce following the end of COVID lockdowns and broadly supportive monetary policy. In the US, Europe and some parts of the world, we expect higher interest rates to weigh on economic activity while a reduction in credit availability following the collapse of SVB could hit certain regions and sectors such as commercial real estate. While several quarters of weak growth creates the possibility of a quarter or two of negative growth we do not expect a hard landing, because of the health of consumer and household balance sheet.

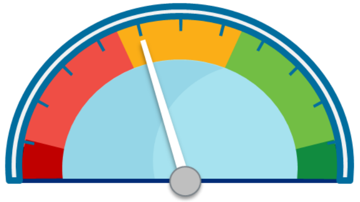
Inflation should fall sharply as past rises in commodity and other prices fall out of YoY comparisons. Core inflation may stay above target well into 2024 because of elevated wage growth. Central banks may soon pause their interest rate hiking cycles to assess the impact of past increases and whether the banking sector problems have slowed growth materially. They are unlikely to cut rates until they are certain wage growth is contained.

We made no changes to our asset class preferences, continuing to prefer growth fixed income assets (high yield, loans and EMD) to defensive fixed income assets and cash. We remain neutral equities. While further declines in inflation should support equities, we think corporate profit growth will be flat or negative in the developed world in 2023, while it remains to be seen how much of a drag the banking sectors issues are. We remain overweight emerging equities (EME), because we expect the economic recovery in China will generate strong economic and corporate profit growth. A generally weak US dollar should also support EME.

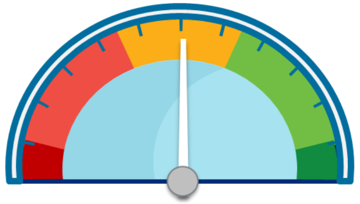
Overweight Neutral weight Underweight

LISTED EQUITIES

GROWTH FIXED INCOME



DEFENSIVE FIXED INCOME



CASH*

In lieu of cash, investors might consider liquid alpha-oriented strategies with low sensitivity to equity, credit and duration.

Listed Equities

ASSET CLASS	JANUARY 2023	APRIL 2023	COMMENTARY
Developed Equity	Underweight	Underweight	**The MSCI World Index returned 5.0% in GBP terms over 2023Q1.[1] We have maintained our developed market equity sector position at underweight within the global equities portfolio.** Valuations have deteriorated again over the quarter from already rich levels. This comes alongside a deterioration in the macro environment and increased uncertainty following distress in the western banking system over March. Interest rates have risen substantially over the last year which is adding stress to the system and is weeding out the least sound enterprises. This leaves room for similar future crises and distress to the banking system may still return. Inflation has been coming down but remains elevated which means the monetary tightening cycle may still go beyond what is currently expected. A recession that will end up being worse than our soft landing base case therefore remains a significant risk. Equity markets are sanguine about this, and earnings growth expectations remain optimistic. We believe that after the second strong quarter in a row, valuations offer even less compensation for a less benign scenario than our base case. We prefer to allocate our risk budget to other equity sub-sectors with more compelling valuations such as emerging markets.
Global Small Cap Equity	Neutral	Neutral	**The MSCI Small Cap index returned 1.6% in GBP terms over 2023Q1**.[1] **We have maintained our small cap equity position at neutral.** Valuations have improved over the quarter, despite positive performance and remain attractive on a historical basis. Small cap balance sheets appear to remain robust. Our base case of a soft landing would be a positive environment for small cap equities given their cyclical exposure. However, we are still wary of the potential downside for the asset class if such a scenario did not occur and a meaningful economic downturn took a hold, as highlighted in the developed equity section. Sentiment for equities as a whole remains bearish and the BofA FMS indicates investors are expecting large cap equities to outperform small cap equities over the coming year.[2] Overall we offset more bearish sentiment and mixed macroeconomic scenarios with attractive valuations, both against small cap's own history and relative to other equity sectors.
Emerging Markets Equity	Overweight	Overweight	**The MSCI Emerging Markets index returned 1.2%% in GBP terms over 2023Q1.[1] We have maintained our positioning for emerging markets at overweight.** Valuations still remain attractive relative to other equity sectors despite some valuation deterioration over the quarter. Emerging markets have many tailwinds over the coming quarter. China's reopening is continuing to gain pace, in conjuncture with our headline macroeconomic view of a soft landing, which would be an additional boon for manufactures and commodity producers in the region. Elsewhere in emerging markets, economies are at different stage of the business cycle to most western economies thanks to EM central banks having acted sooner to get ahead of the curve in terms of monetary tightening. Therefore, EM central banks would have more scope to ease policy if a more prolonged period of economic weakness transpired. According to the BofA fund manager survey for March 2023, investors remain overweight to emerging market equity for the fourth straight month having been underweight for most of 2022.[2] Attractive valuations, bullish sentiment and a more positive macro outlook than in developed countries support our desire to allocate our risk budget to emerging markets versus developed markets.

[1]Source: Bloomberg, Refinitiv as of end of 1Q23
[2] BofA FMS March 2023

Growth Fixed Income

ASSET CLASS	JANUARY 2023	APRIL 2023	COMMENTARY
Global Loans	Underweight	Underweight	**Over 2023Q1, Global Loans returned 0.3%[1]. We have maintained our position at underweight within growth fixed income.** Bank loans have significantly outperformed the other growth fixed income sectors over the course of 2022, as the sector's floating rate profile largely insulated it from sharply higher interest rates. While the headline yield of the loan index appears quite attractive, we note the underlying credit quality of the market has deteriorated quite significantly over the last few years. At current, over 70% of the index is now rated single B or lower, which makes the sector vulnerable to further downgrade activity leading to even wider spreads. For context, the same metric for percentage of index rated single B or lower for global high yield is just 45%. Given rising recessionary risks, we prefer the credit quality available in high yield relative to bank loans at this point in the cycle.
High Yield	Overweight	Overweight	**Global high yield returned 3.0% on a GBP hedged basis in 2023Q1. We have maintained our overweight position within growth fixed income.** Valuations within the asset class remain attractive, in our view, with an index yield over 8.7% and an average bond price below par. The lower average dollar price of the index, which entered 2022 above par, provides ample capital appreciation potential for the asset class going forward. Spread levels remain just slightly wide of longer-term averages, and far off what are typical recession levels. The higher quality make-up of the index is noticeable with 55% of the market rated BB. Solid fundamentals up to this point have supported low default activity and despite macroeconomic pressures, defaults are unlikely to reach recessionary averages over the DAA horizon due to the limited number of upcoming maturities. Overall, we believe investors are getting adequately compensated for risk in high yield rather than in bank loans.
EM Debt (Local Currency)	Neutral	Neutral	**EMD local currency markets rallied through Q1 2023, posting a return of 2.3% in GBP terms. We have maintained our position at neutral/overweight within growth fixed income.** We maintain our preference for Local Currency debt relative to Hard Currency due to more attractive spread valuations, historically cheap EM currencies, the lower duration profile and emerging market central banks generally being ahead of developed peers in their monetary cycle. Global growth continues to face a broader slowdown although pressure is beginning to alleviate, but the timing and the extent of the slowdown will dictate much of the emerging market story over the DAA's time horizon.
EM Debt (Hard Currency)	Neutral	Neutral	**EMD hard currency markets returns were positive during Q1 2023, posting a return of -0.9% in GBP terms. We have maintained our position of a lower conviction neutral allocation within the growth fixed income portfolio.** The index offers an attractive yield but the differential between the IG and HY segment is extremely bifurcated. The persistence of inflation and subsequent upwards pressure on rates, as well as continuing geo-political risks are headwinds, as is the large duration component of the asset class. However, US dollar strength has begun to unwind with the Federal Reserve's hiking cycle expected to slow and potentially begin reversing later in 2023. Sentiment remains vulnerable to the slowdown in global growth, inflation, and the ongoing war in Ukraine.

[1]Source: Bloomberg, Refinitiv as of end of 1Q23

Defensive Fixed Income

ASSET CLASS	JANUARY 2023	APRIL 2023	COMMENTARY
UK Sovereign Fixed Income	Neutral	Neutral	**Over 2023Q1, UK Gilts returned 2.1% in GBP terms[1]. We have maintained our position on the negative side of neutral.** UK 10-year government bond yields fell 29bps to end Q1 at 3.38% after trading in a c.100 basis point (bps) range. Volatility in the gilt markets has been exceptionally high and will likely remain elevated in the near-term. The BoE raised rates twice during the quarter, 50 bps in February and a further 25bps in March. The move followed the inflation report in which headline annual inflation unexpectedly rose to 10.4% when a decline to below 10% had been widely anticipated. The move contrasts with softening pricing pressures in the US and the Eurozone. Whilst the BoE expects inflationary pressures to ease going forward, despite February's surprising inflation uptick, the BoE warned that it might need to tighten further if companies continued to raise product prices. The Bank also raised its outlook for second quarter growth, meaning a (technical) recession may be avoided. The unemployment rate in the three months to January remained unchanged at 3.7%, close to generational lows and indicative of a still tight labour market despite fears about the sluggish state of the UK economy. Total nominal wage growth eased, however, to 5.7%, down from 6.0% the previous month, meaning in real terms, wages fell 3.2%, the steepest drop for almost 14 years.
UK Inflation-Linked Bonds	Neutral	Neutral	**Over 2023Q1, UK inflation-linked bonds returned 4.3% in GBP terms[1], driven primarily by falling real yields, breakevens widened moderately. We have retained our position of being the negative side of neutral in the defensive fixed income portfolio.** Inflation prints in general surprised on the upside after appearing to moderate earlier in the year. The February inflation report showed that annual inflation unexpectedly rose to 10.4% when a decline to below 10% had been widely anticipated. The reversal was largely due to rising food prices; fresh food and non-alcoholic drinks together rose by 18% year on year – the steepest increase for 46 years. Meanwhile, core inflation (excluding energy and food) also reaccelerated, rising by 6.2%. At these levels, the UK market in our view continues to trade as expensive. However, more volatile inflation going forward may make linkers attractive to price insensitive investors as the inflation premium is expected to be a persistent feature of this market. From a technical perspective, UK linkers are likely to continue to be supported by a captive local market seeking to hedge inflation risks in long-dated pension liabilities.
UK Investment Grade Credit	Neutral	Neutral	**UK investment grade credit returned 2.4% in GBP terms during the first quarter of 2023[1]. Although in the neutral range, we maintain a tilt towards IG credit within defensive fixed income.** Credit spreads tightened marginally and credit outperformed equivalent duration government bonds over the quarter, although gains were pared back towards the end of the quarter due to the uncertainty created in the banking sector. Valuations remain above 10-year averages and higher than global IG spreads. All in yields are also attractive based on a 10-year comparison. Corporate fundamentals have generally proved to be relatively resilient. The consensus view is that the problems seen in the banking sector will prove to be exceptions and that the sector as a whole remains in good health, especially for the large, systemically important institutions. However, there remains a risk of a deterioration in corporate earnings and a pick up in downgrades if economic growth remains weak or worsens. Central banks have continued to raise interest rates as inflation remains sticky and it appears that policy makers will continue to prioritise bringing inflation under control. From a supply/demand perspective, quantitative tightening, or the unwinding of central banks' asset purchase schemes, could prove to be a headwind in the form of additional net supply in coming quarters. On the other hand, defined benefit pension schemes in the UK may increase allocations to liquid, high-quality credit as they reduce leverage in their LDI portfolios.

[1]Source: Bloomberg, Refinitiv as of end of 1Q23

Global Property Market Outlook

The correction in real estate pricing is likely to continue until some stability in interest rates has occurred. The point at which this is likely to happen has moved out compared to last quarter, as economies have shown stronger than expected resilience during Q4 which is continuing in 2023.

We expect Q1 to continue the trend of negative total returns but not in the magnitude of those experienced in Q4. The next few quarters we also expect to present negative returns as it takes some time for markets to work through a full process of price discovery.

All markets and funds are affected by the negative trend, but in varying degrees. Some markets, notably the UK, appear to be ahead due to greater transparency, while Asian markets represent the greatest laggards. We also see strong variation by sector:

- Logistics remains the most liquid and traded sector; this helps price discovery, which in some markets is taking place at large discount from peak values. Rental growth continues.
- Office assets continue to be challenged with the extension of work from home policies and tenants desiring less space but fundamentals vary by region with the US seeing more negative impacts than in Europe and Asia Pacific.
- Apartments are affected by range of factors, making the outcome most dispersed by market and type but overall occupancy remains strong for quality assets.
- Continued strong occupier and investment demand is helping Niche sectors such as Student Housing and Life Sciences.

	EUROPE		
Equity	Core/ Core+	Value Add	Oppor-tunistic
Themes	CPI Linkage	ESG refurbs	PE deals
	Occupier income risks	Niche sectors	Aggregation
	Bond-like long lease	High leverage	Spec Development

Very attractive	Attractive	Neutral	Less Attractive	Unattractive	Not applicable

Change from previous quarter in pink [No changes in April 2023]

Attractive value: Real estate's attractive attributes of long-term contractual cash-flows linked to inflation, illiquidity premiums and potential for GDP de-linking should remain at the forefront of investors' minds. The change in paradigm brought by the rapid rise in interest rates, at this point, is directly benefiting real estate debt strategies as well as opportunistic managers who can exploit capital market distress without relying (much) on external finance themselves.

Worst value: We remain cautious on new commitments in the Core/Core+ segments as downward pressure on valuations is playing out in the near-term. However, NOI growth (helped by strong inflation) is an important positive driver to returns and is strong in sectors such as logistics, residential, and several niches.

Disclaimer: For illustration purposes only. The above table presents a simplified perspective at the time of writing this report and is subject to change without notice. All categories offer attractive opportunities and optimal allocations are subject to manager selection. The outlook represented is for new investors with a non-constrained risk budget over a 3 to 5 year investment horizon. 'Unattractive' positions therefore do not imply advice to liquidate existing investments.

Further guidance is available in Mercer's *Global Market Summary: Quarterly Real Estate Report, April 2023*

Funding Level and Risk

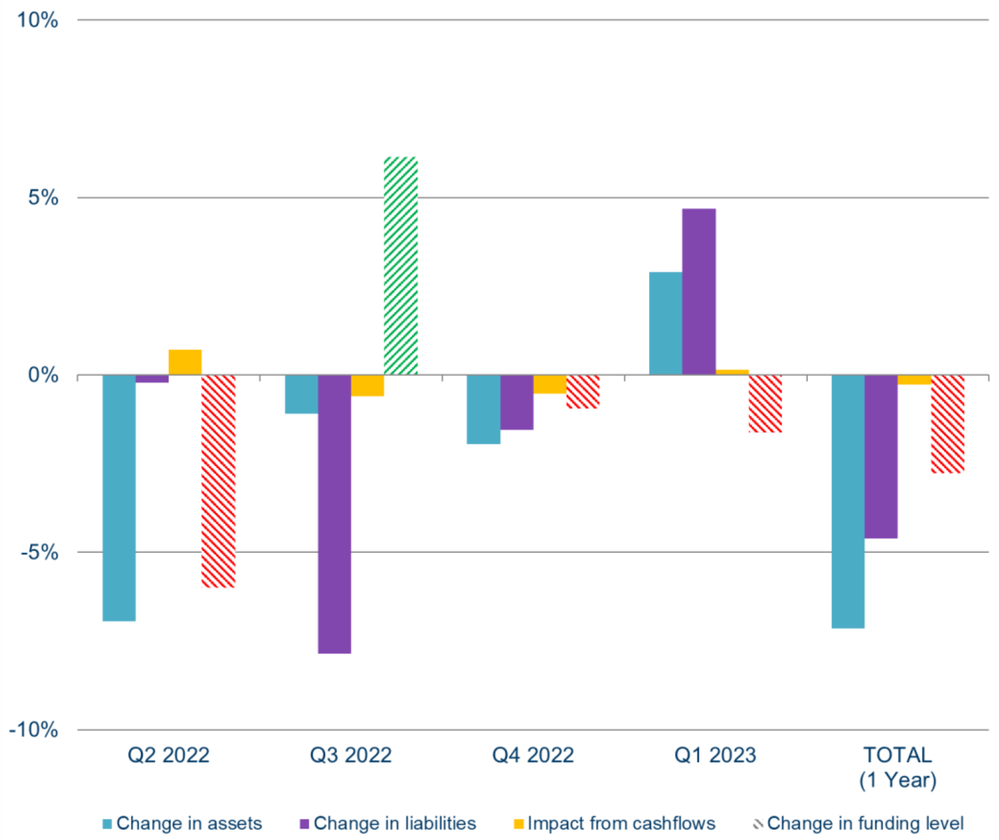
4

Funding Level and Deficit

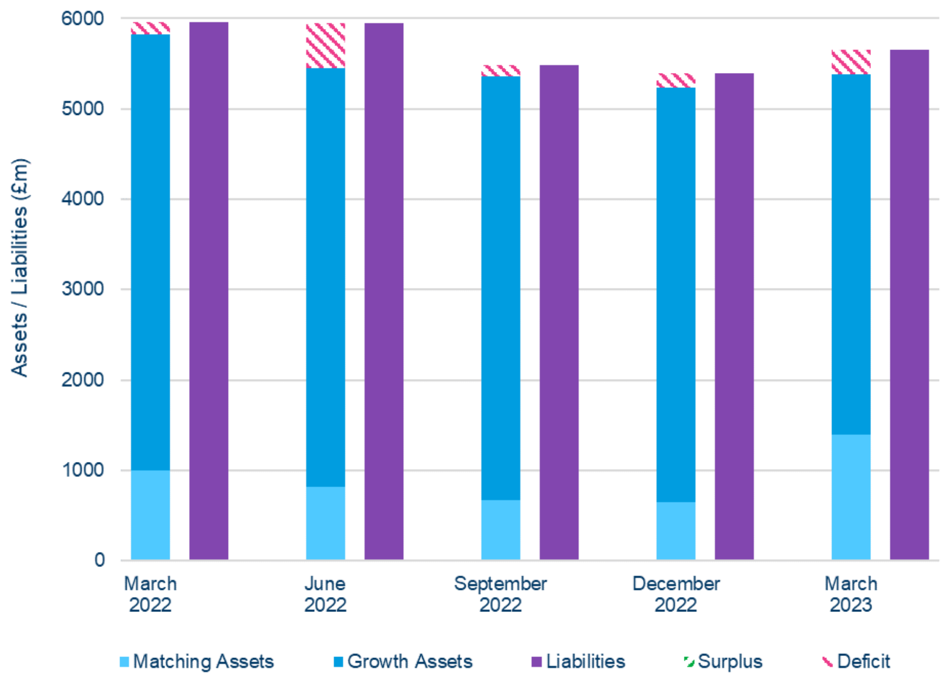
The Fund's assets increased by 3.0% over the quarter, whilst the liabilities are estimated to have increased by c. 4.7% due to the fall in yields and increases in inflation expectations at short maturities.

The combined effect of this, also allowing for expected cashflow over the period, saw the estimated funding level decrease to c. 95%.

The funding level is estimated to be c. 2% lower over the year to 31 March 2023.



The deficit was estimated to have increased over Q1 to c. £268m:

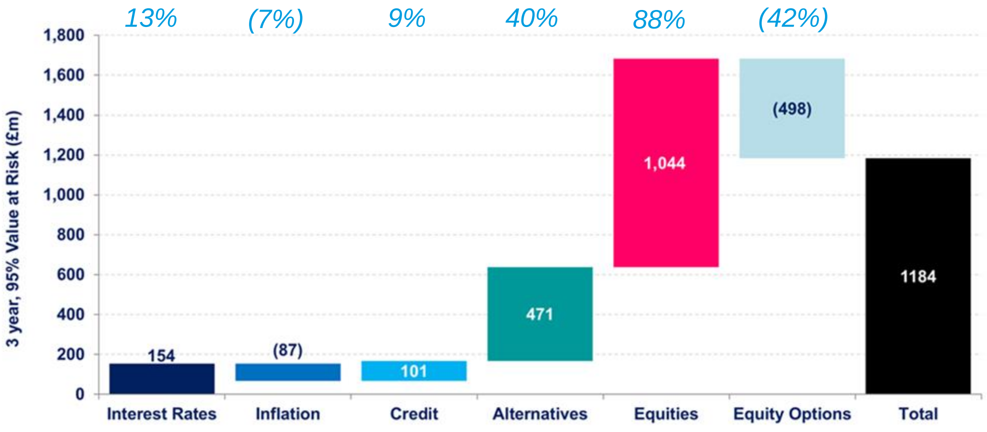


Liability values are estimated by Mercer. They are based on the actuarial valuation assumptions as at 31 March 2022 and the 'CPI plus' discount basis.
Impact figures are estimated by Mercer.

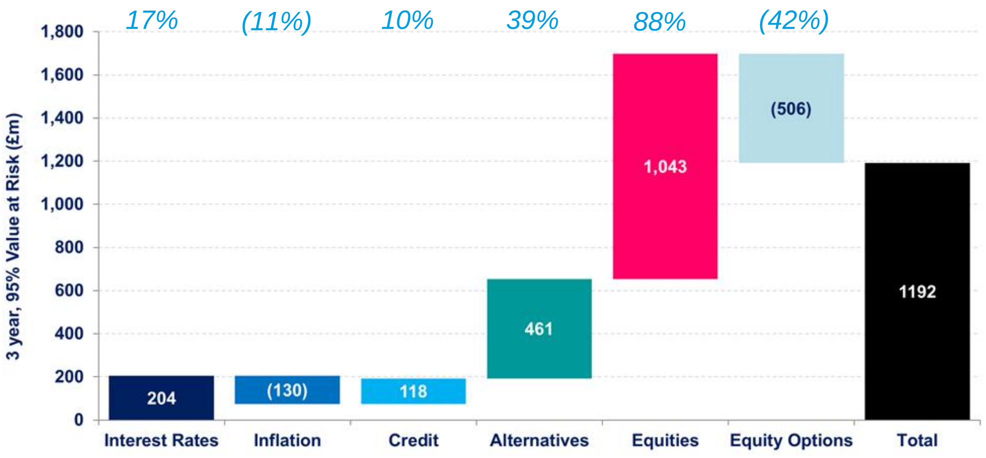
Risk Decomposition – 3 Year Value at Risk

- The two charts below illustrate the main risks that the Fund is exposed to, and the size of these risks in the context of the change in the deficit position.
- The purpose of showing these 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 final columns show 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.

31 December 2022



31 March 2023



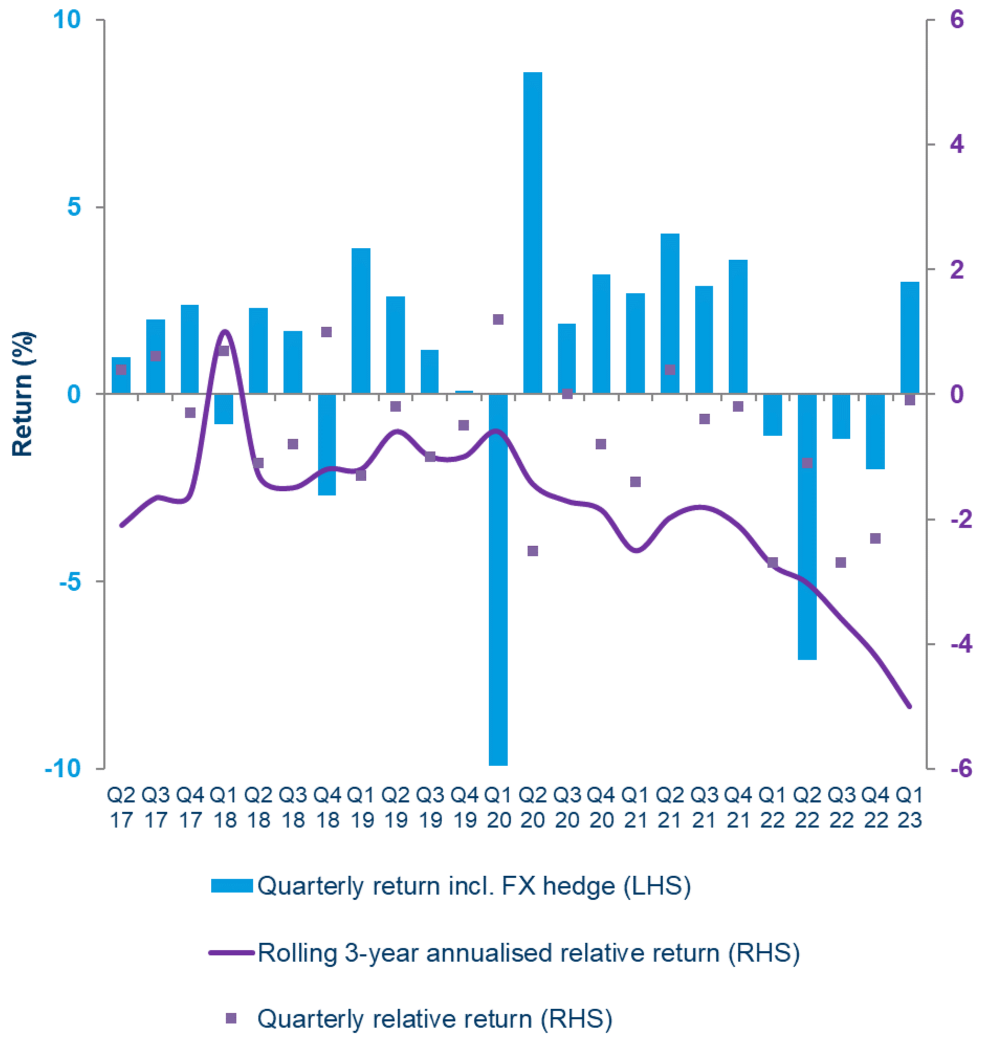
- As at 31 March 2023, if a 1-in-20 'downside event' occurred over the next three years, the funding position could deteriorate by at least an additional **£1.2bn**.
- Each bar to the left of the total represents the contribution to this total risk from the primary underlying risk exposures (interest rates and inflation, changes in credit spreads, volatility of alternative assets and equity markets, and the benefit from equity options).
- Overall **the VaR increased marginally over the quarter**.
- It fell as as a percentage of liabilities to 21.1%.

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.
Cashflows are from the 2019 actuarial valuation, though have been scaled to more closely reflect the 2022 valuation cashflows.

Performance Summary

5

Total Fund Performance



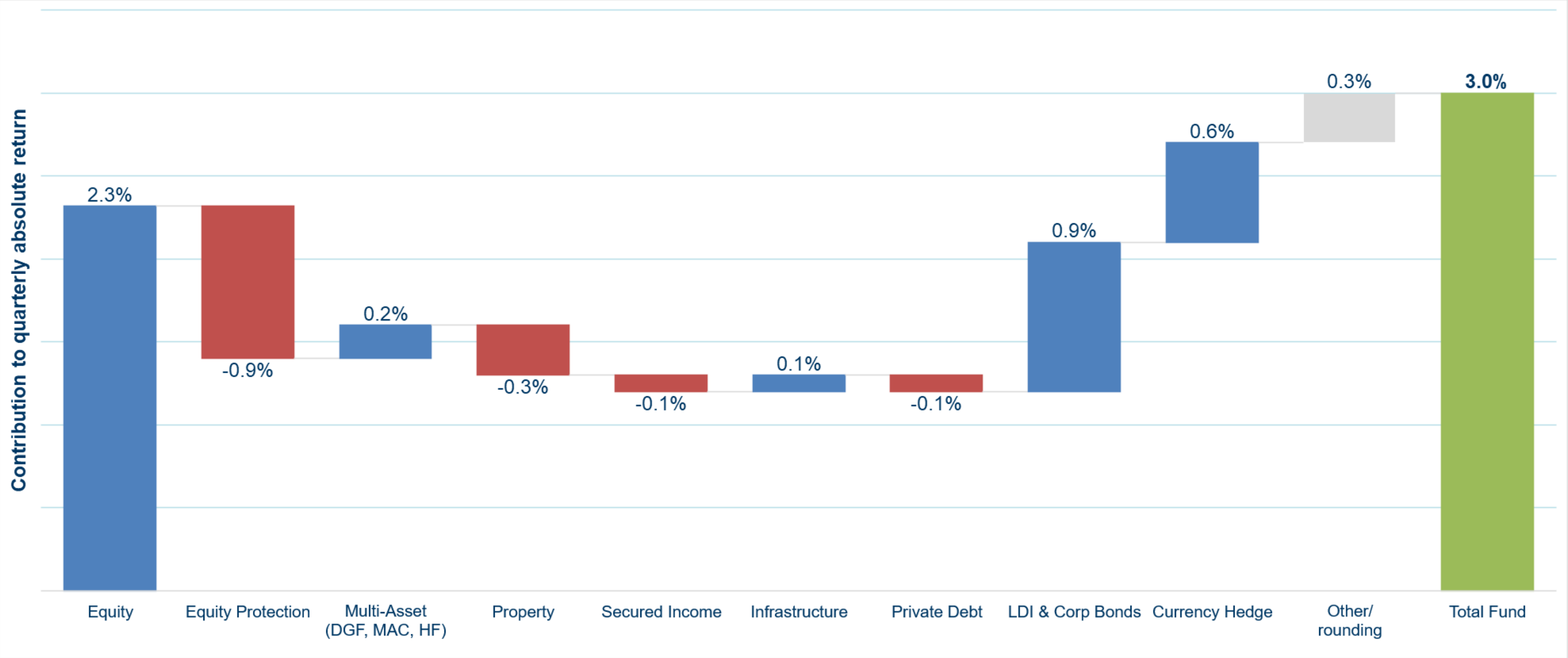
	3 Months (%)	1 Year (%)	3 Years (% p.a.)
Total Fund **(1)**	3.0	-7.3	6.1
Total Fund (ex currency hedge)	2.4	-6.2	6.1
Strategic Benchmark **(2)** (ex currency hedge)	3.1	-1.3	11.1
Relative (1 - 2)	**-0.1**	**-6.0**	**-5.0**

Source: Custodian, Mercer estimates. Returns are net of fees.

Commentary

- As illustrated on the next slide, the rise in the value of Fund assets over the quarter was driven mainly by a rise in the Equity and LDI assets, as well as a contribution from the Currency Hedge due to the strengthening of Sterling. The Equity Protection was the largest detractor, in line with expectations.
- Relative performance in Q1 was mixed. The active equity mandates saw a consecutive quarter of outperformance and Multi-Asset Credit continued to recover. However the Diversified Return mandate, and all of the Illiquid Growth portfolio, underperformed.
- Drivers of underperformance over three years include the Equity Protection strategy (as we would expect given the positive performance from the physical equity holdings), Overseas Property and the Secured Income portfolio.
- The performance of Infrastructure has been a highlight over the three year period, and the High Alpha Equity mandate has returned to positive territory, albeit behind its performance objective.

Total Fund Performance Attribution – Quarter

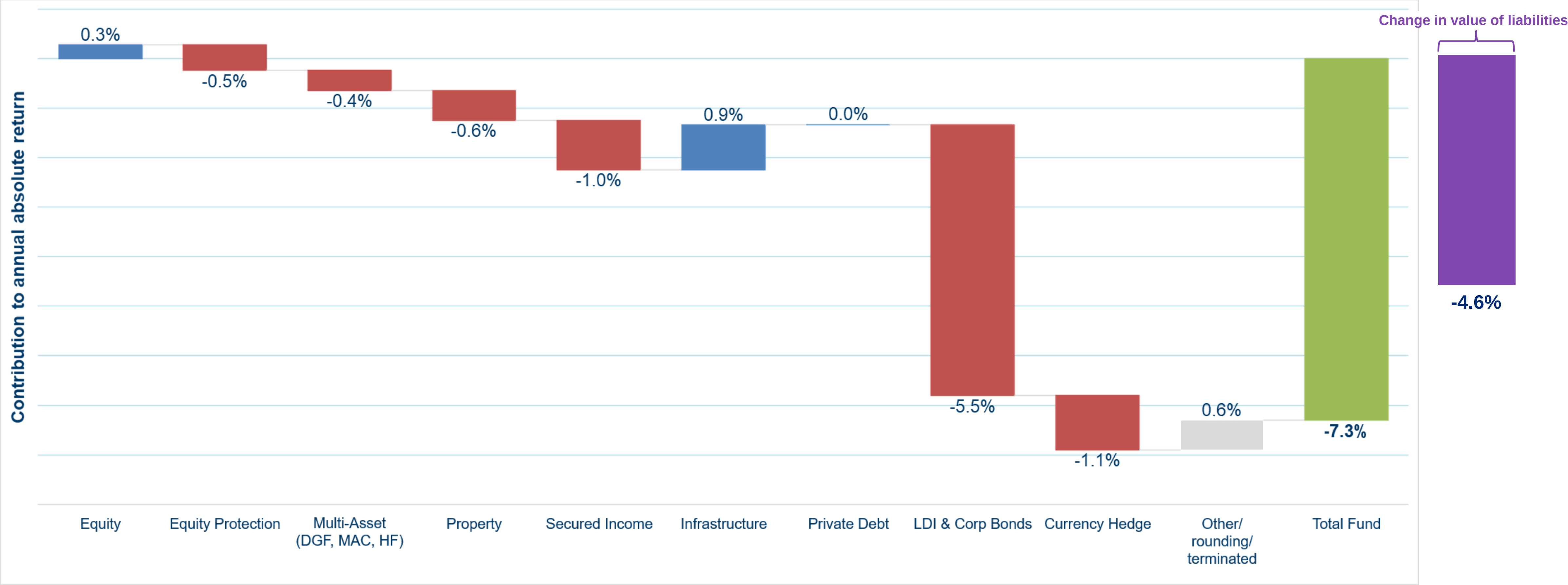


Source: Custodian and Mercer estimates
'Other' contributions to the total can include the relatively small holdings in the ETF, cash, the impact of cashflows and terminated mandates, as well as rounding.

The rise in the value of Fund assets over the quarter was driven mainly by a rise in the Equity and LDI assets as the underlying markets performed positively, as well as a contribution from the Currency Hedge due to the strengthening of Sterling.

The Multi-Asset contribution was positive overall, whilst Illiquid Growth assets were mixed. The Equity Protection was the largest detractor, in line with expectations as the underlying physical equity holdings posted positive returns.

Total Fund Performance Attribution – 1 Year



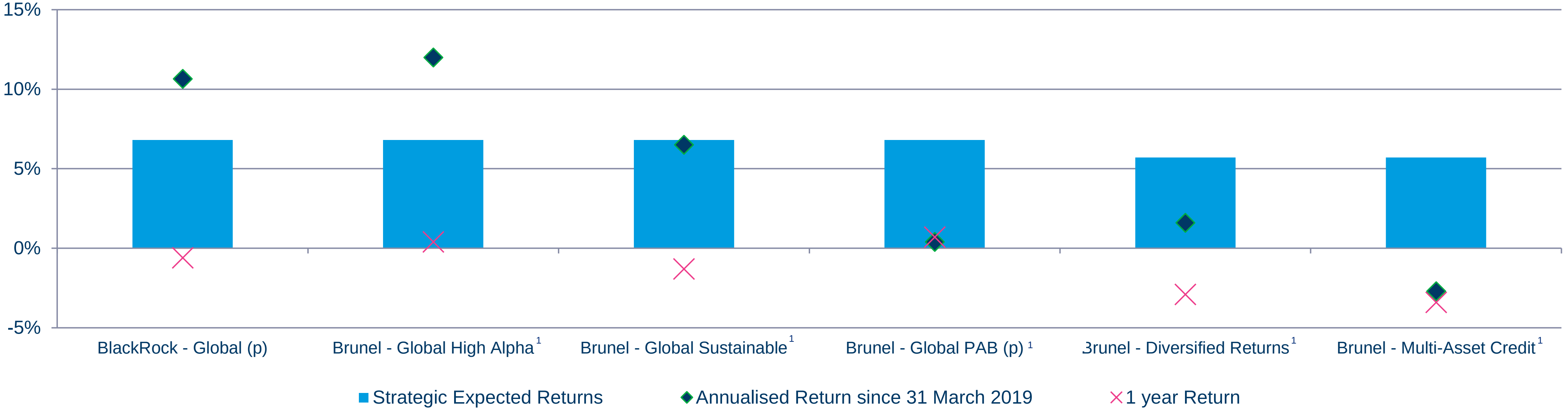
Source: Custodian and Mercer estimates
'Other' contributions to the total can include the relatively small holdings in the ETF, cash, the impact of cashflows and terminated mandates, as well as rounding.

The negative returns from LDI was the main driver of negative performance over the 1 year period. The Currency Hedge and Secured Income were the next largest detractors.

Infrastructure was a key cushion against losses.

Performance vs. Expected Strategic Returns

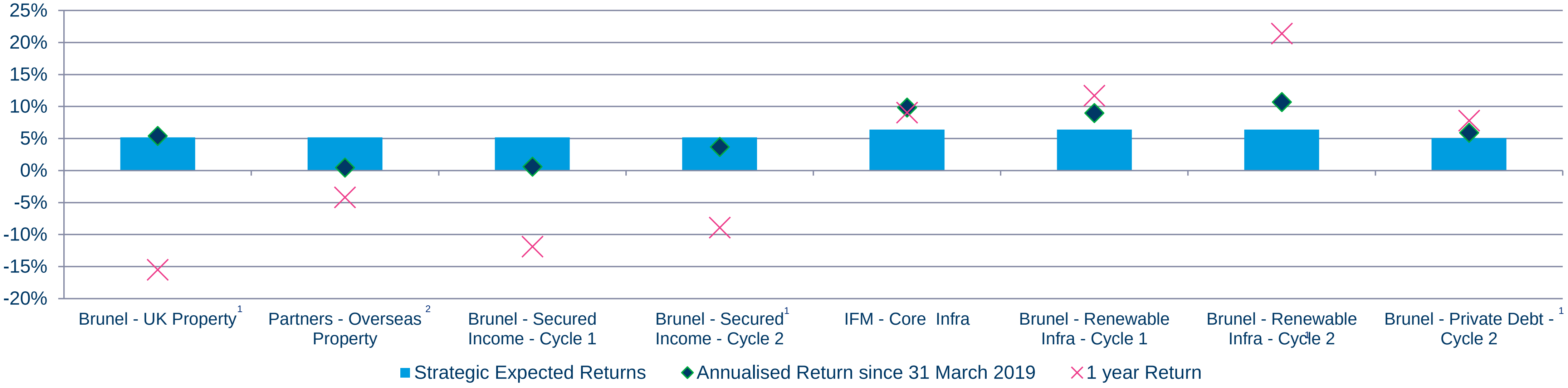
	BlackRock Passive Global Equity	Brunel Global High Alpha	Brunel Global Sustainable	Brunel Passive Global PAB	Brunel Diversified Returns	Brunel Multi-Asset Credit
Benchmark allocation	4.0%	12.5%	15.0%	10.0%	6.0%	6.0%
Commentary	Returns above strategic expectations since 2019, but below over the year. Mandate has tracked the underlying market.	Returns above expectations since inception, but below over the year. Active management contribution has been positive since inception (and marginally above the 2% outperformance target).	Returns broadly in line with expectations since inception but below over the year. Active management contribution has been negative since inception (before considering the 2% outperformance target).	Returns below expectations due to equity market weakness since inception.	Returns below expectations due to weakness in growth asset markets since inception.	Returns below expectations due to the negative returns across fixed income markets in 2022.



Notes:
We have illustrated the performance of the key mandates within the Fund's investment strategy.
Actual returns are from 31 March 2019 to 31 March 2023, except if otherwise stated below. Returns for periods over a year have been annualised.
The strategic expected returns are from the 2019 strategy review, which reflect the 20 year mean Mercer Q1 2019 asset model assumptions.
[1] Mandate was incepted after 31 March 2019. A list of inception dates can be found in the Appendix.

Performance vs. Expected Strategic Returns

	Brunel UK Property	Partners Overseas Property	Brunel Secured Income	IFM Core Infra	Brunel Renewable Infra	Brunel Private Debt
Benchmark allocation	3.75%	3.75%	10.0%	5.0%	5.0%	5.0%
Commentary	Returns broadly in line with strategic expectations since 2019, but below over the year. This reflects the signs of stress in property markets following the period of strength in 2021 / early 2022.	Returns below expectations. Generally the mandate's longer-term performance is stronger.	Returns below expectations for both cycles since inception. Recent challenges to property markets have eroded returns, hence the negative returns over the year. Mandates are still in the drawdown phase.	Returns above expectations thanks to strong portfolio returns and the continued general resilience of the asset class.	Returns above expectations for both cycles thanks to strong asset returns, especially within the cycle 2 assets (first drawdown in October 2021). Mandates are still in the drawdown phase.	Returns above expectations thanks to asset class resilience, including because of the exposure to inflation.



Notes:
We have illustrated the performance of the key mandates within the Fund's investment strategy.
Actual returns are from 31 March 2019 to 31 March 2023, except if otherwise stated below. Returns for periods over a year have been annualised.
The strategic expected returns are from the 2019 strategy review, which reflect the 20 year mean Mercer Q1 2019 asset model assumptions.
[1] Mandate was incepted after 31 March 2019. A list of inception dates can be found in the Appendix.
[2] Returns are shown up to 31 December 2022, as this is the latest data available.

Mandate Performance to 31 March 2023

Manager / Asset Class	3 Months Fund (%)	3 Months B'mark (%)	3 Months Relative (%)	1 Year Fund (%)	1 Year B'mark (%)	1 Year Relative (%)	3 Year Fund (% p.a.)	3 Year B'mark (% p.a.)	3 Year Relative (% p.a.)	3 Year Performance Target (% p.a.)**	3 Year Performance vs Target
BlackRock Passive Global Equity	5.2	4.8	+0.4	-0.6	-1.0	+0.4	16.7	16.5	+0.2	-	N/A (p)
Brunel Global High Alpha Equity	7.1	4.9	+2.1	0.4	-0.5	+0.9	17.9	17.1	+0.7	+2-3	Target not met
Brunel Global Sustainable Equity	5.5	4.5	+1.0	-1.3	-0.9	-0.4	N/A	N/A	N/A	+2	N/A
Brunel Passive Global Equity Paris-Aligned	6.7	6.8	-0.1	0.7	0.7	0.0	N/A	N/A	N/A	-	N/A (p)
Brunel Diversified Returns Fund	0.1	1.7	-1.6	-2.9	5.3	-7.8	N/A	N/A	N/A	-	N/A
Brunel Multi-Asset Credit	2.7	1.9	+0.8	-3.4	6.4	-9.2	N/A	N/A	N/A	-	N/A
Brunel UK Property	-1.6	-0.2	-1.4	-15.5	-14.4	-1.3	N/A	N/A	N/A	-	N/A
Partners Overseas Property*	-4.8	2.5	-7.2	-4.2	10.0	-12.9	-1.2	10.0	-10.2	-	Target not met
Brunel Secured Income - Cycle 1	-1.2	1.3	-2.5	-11.9	10.1	-20.0	0.8	5.9	-4.8	+2	Target not met
Brunel Secured Income - Cycle 2	-1.8	1.3	-3.1	-8.9	10.1	-17.3	N/A	N/A	N/A	+2	N/A
IFM Core Infrastructure	1.7	2.2	-0.5	9.1	7.4	+1.5	11.7	6.0	+5.4	-	Target met
Brunel Renewable Infrastructure - Cycle 1	-0.5	1.3	-1.8	11.7	10.1	+1.5	8.1	5.9	+2.1	+4	Target not met
Brunel Renewable Infrastructure - Cycle 2	1.0	1.3	-0.3	21.4	10.1	+10.3	N/A	N/A	N/A	+4	N/A
Brunel Private Debt - Cycle 2	-4.2	1.9	-6.0	7.8	6.3	+1.4	N/A	N/A	N/A	-	N/A
BlackRock Corporate Bonds	2.8	2.8	0.0	-21.9	-21.9	0.0	-6.3	-6.3	0.0	-	N/A (p)
BlackRock LDI	3.6	3.6	0.0	-34.8	-34.8	0.0	12.5	12.5	0.0	-	N/A (p)
Equity Protection Strategy	-2.7	N/A	N/A	-2.3	N/A	N/A	-3.8	N/A	N/A	-	N/A

Source: Investment Managers, Custodian, Mercer estimates. Returns are net of fees. Returns are in GBP terms
Relative returns have been calculated geometrically (i.e. the portfolio return is divided by the benchmark return) rather than arithmetically.
A summary of the benchmarks for each of the mandates is given in the Appendix.
Green = mandate exceeded target. Red = mandate underperformed target. Black = mandate performed in line with target (mainly reflecting passive mandates).

Performance for Partners in IRR terms. Performance for IFM is in TWR terms.
Performance of the Equity Protection Strategy is estimated by Mercer based on the change in market value of the options over time, accounting for realised profit/loss upon rolling of the strategy.
*Partners performance is to 31 December 2022, as this is the latest data available.
**Where the outperformance target has not already been incorporated into the benchmark returns shown. See Appendix for further details.

Asset Allocation

6

Valuations by Asset Class

Asset Class	Start of Quarter (£'000)	End of Quarter (£'000)	Start of Quarter (%)	End of Quarter (%)	Benchmark* (%)	Ranges* (%)	Relative (%)
Global Equity*	1,363,750	1,416,993	26.1	26.3	16.5	11.5 - 21.5	+9.8
Global Sustainable Equity	751,503	792,531	14.4	14.7	15.0	10 - 20	-0.3
Paris-Aligned Equity	261,256	278,856	5.0	5.2	10.0	5 - 15	-4.8
Diversified Returns Fund	336,229	336,583	6.4	6.3	6.0	4 - 10	+0.3
Fund of Hedge Funds**	33,548	32,638	0.6	0.6	-	No set range	+0.6
Multi-Asset Credit	296,478	304,609	5.7	5.7	6.0	3 - 9	-0.3
Property	351,548	342,961	6.7	6.4	7.5	5 - 10	-1.1
Secured Income	447,365	435,092	8.6	8.1	10.0	0 - 15	-1.9
Core Infrastructure	457,903	313,207	8.8	5.8	5.0	2.5 - 7.5	+0.8
Renewable Infrastructure	148,589	163,699	2.8	3.0	5.0	0 - 7.5	-2.0
Private Debt	130,210	128,903	2.5	2.4	5.0	0 - 7.5	-2.6
Corporate Bonds	166,062	170,711	3.2	3.2	2.0	No set range	+1.2
LDI & Equity Protection	761,631	983,979	14.6	18.3	12.0	No set range	+6.3
*Synthetic Equity Offset**	*-334,455*	*-562,614*	*-6.4*	*-10.8*	-	-	*-10.8*
Other***	59,967	245,723	1.1	4.6	-	0 - 5	+4.6
Total	**5,231,441**	**5,383,885**	**100.0**	**100.0**	**100.0**		

Source: Custodian, Investment Managers, Mercer. Red numbers indicate the allocation is outside of tolerance ranges.
Totals may not sum due to rounding.
*Global Equity includes synthetic exposure via the BlackRock QIF; Synthetic Equity Offset reflects an offsetting value to account for the difference between the exposure to equity markets and the actual mark to market value of the holding.
**Mandate due to be terminated.
***Valuation includes internal cash, the ETF and currency instruments.

The deviation from target for Global Equity is due to the proportion of equity in the synthetic MSCI World index. In May this synthetic exposure was transferred to a MSCI Paris-Aligned benchmark.

*A new benchmark allocation was agreed as part of the 2023 investment strategy review. This will be reflected from the Q2 investment report onwards.

Valuations by Manager

Manager	Asset Class	Start of Quarter (£'000)	Cashflows (£'000)	End of Quarter (£'000)	Start of Quarter (%)	End of Quarter (%)
BlackRock	Global Equity*	676,430		708,487	12.9	13.2
Brunel	Global High Alpha Equity	652,832		698,860	12.5	13.0
Brunel	Global Sustainable Equity	751,503		792,531	14.4	14.7
Brunel	Passive Global Equity Paris Aligned	261,256	-7	278,856	5.0	5.2
Brunel	Diversified Returns Fund	336,229		336,583	6.4	6.3
JP Morgan	Fund of Hedge Funds	33,548		32,638	0.6	0.6
Brunel	Multi-Asset Credit	296,478		304,609	5.7	5.7
Brunel	UK Property	176,514	7,031	180,699	3.4	3.4
Partners	Overseas Property	161,741	-2,490	149,245	3.1	2.8
Brunel	Secured Income – Cycle 1	333,634	-5,688	323,868	6.4	6.0
Brunel	Secured Income – Cycle 2	113,731	-410	111,224	2.2	2.1
IFM	Core Infrastructure	457,903	-150,000	313,207	8.8	5.8
Brunel	Renewable Infrastructure – Cycle 1	96,397	2,235	98,180	1.8	1.8
Brunel	Renewable Infrastructure – Cycle 2	49,460	7,744	57,901	0.9	1.1
Brunel	Renewable Infrastructure – Cycle 3	2,732	4,886	7,618	0.1	0.1
Brunel	Private Debt – Cycle 2	119,080		114,081	2.3	2.1
Brunel	Private Debt – Cycle 3	11,130	3,049	14,821	0.2	0.3
BlackRock	Corporate Bonds	166,062		170,711	3.2	3.2
BlackRock	LDI & Equity Protection	427,177		421,365	14.6	18.3
BlackRock	*Synthetic Equity Offset*	*-334,455*		*-562,614*	*-6.4*	*-10.8*
Record	Currency Hedging (incl. collateral)	-5,216		25,681	-0.1	0.5
BlackRock	ETF	1,993	125,000	127,088	0.0	2.4
Internal Cash	Cash	96,718	5,209	101,839	1.8	1.9
Total		**5,231,441**	**-3,440**	**5,383,885**	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.
*Global Equity includes synthetic exposure via the BlackRock QIF; Synthetic Equity Offset reflects an offsetting value to account for the difference between the exposure to equity markets and the actual mark to market value of the holding.

Current Topics

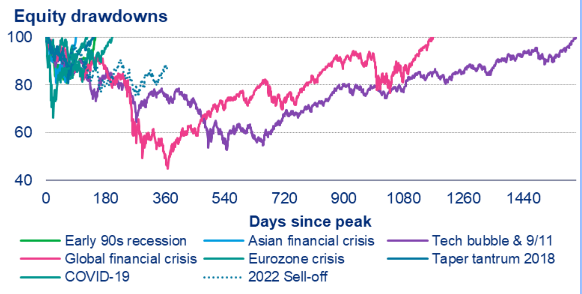
7

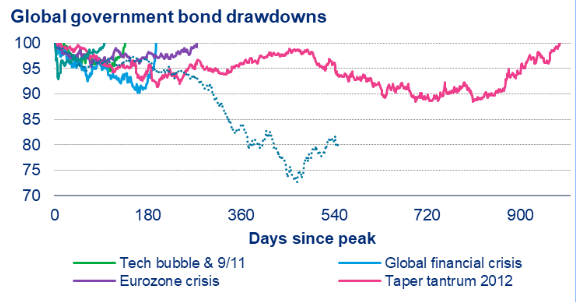
Current Topics

Lessons from Recessions

The market's response to the prospect of recession?

- The charts show the drawdowns in equity and bond markets in previous market crises including the 2022 sell-off.
- Such a sharp simultaneous slowdown for both equities and bonds in a given year as witnessed in 2022 has not been seen in 150 years[1].





Source: Refinitiv, Mercer analysis. Data as of February 12, 2023

Defensive vs Offensive

- Rather than timing the markets with the entire portfolio which requires us to call both top and bottom of the market, profits from those asset classes that hold up during market declines (top) can be taken to buy into a those that have become attractively valued relative to fundamentals (bottom) either through simple rebalancing or more aggressive deployment of dry power and thus magnify returns when markets recover.
- In building all weather portfolios that can protect on the downside, when markets sell off, but which can also participating in a recovery scenario analysis can be a useful tool in identifying the assets classes to play these different roles.

Defensive

	Year of recession		
Asset Class/Scenario	Hard Landing	Overheat	Financial Crisis
Gold			
Global Government Bonds			
Global Inflation-Linked Bonds			
Global Agg Bonds			
Commodities			
Hedge Funds - Macro			

Key	
	<-15%
	-15% to -5%
	-5% to 5%
	5% to 15%
	>15%

Offensive

	Recovery years		
Asset Class/Scenario	Hard Landing	Overheat	Financial Crisis
Hedge Funds - Macro			
Diversified Hedge Funds			
Large Cap equity			
Private Equity			
China Equity (All-share)			
Emerging Market Equity			
Distressed Debt			
Small Cap Equity			
Private Debt			
Listed Infrastructure			
Natural Resource Equity			
Global Credit			
Global Defensive Equity			

Source: Mercer scenarios. Data as of 31/12/2022. The returns shown in the table are the returns for each asset class in the year in the scenario when growth is slowing and turning negative.

Relevance to the Fund

The Fund receives frequent updates on market developments.

The Fund has a diversified portfolio in terms of the different asset classes it accesses, and this was reviewed as part of the 2023 investment strategy review.

Some recession lessons

- The **importance of rebalancing** (backed by empirical evidence)
- **Markets react ahead of recessions** or very quickly in response to unexpected surprises
- Markets are equally as **quick to look though a recessions to good news**
- There are well documented asset classes that have historically performed strongly when markets recover.

- Different asset classes have worked well in defending portfolios in different market sell offs (so it pays to not rely on any one defensive strategy but to have a number).
- Defending drawdowns (the size of any negative return) is important to long term returns due to the way compound interest works

For more analysis and scheme specific scenarios, please ask your investment consultant

Mercer

[1] Source: Bloomberg, NBER, Jordà-Schularick-Taylor Macrohistory Database, Morgan Stanley Research; Note: Data to 1871. Bond return is long-maturity UST. Data as of December 9, 2022.

Current Topics

UK Pension Scheme TCFD Reporting - Peer Group Analysis

Private sector pension schemes with assets valued at > £5bn as at their first scheme year end date on or after 1 March 2020 were required to report under TCFD requirements within 7 months of the scheme year end date that fell after 1 October 2021. A number of these 'first wave' pension schemes have now published TCFD reports on a publicly available website.

The information in this slide provides a high level summary of the metrics and targets set by the sub-set of 'first wave' schemes for which we have collated data. Whilst this is not a full data set, it is intended to highlight emerging trends across 'first wave' submissions. From 1 October 2022, these 'first wave' schemes (and 'second wave' schemes with assets > £1bn) will need to report against four climate metrics: absolute emissions, emissions intensity, portfolio alignment and an additional climate-related metric.

Absolute Emissions

67% Only scopes 1 & 2

All of the schemes considered chose Total GHG Emissions as their Absolute metric. 67% of schemes only considered Scope 1 and 2 in their analysis. Data coverage is highest for listed markets and poor for illiquid assets.

Emissions Intensity

85% use Carbon Footprint

85% of schemes reported Carbon Footprint as one of their Emissions Intensity metrics.
48% of schemes reported WACI with 33% of schemes reporting both metrics.

Additional Climate Metrics

48% of the schemes reported on Data Quality.

45% of the schemes opted for either Portfolio Alignment or Implied Temperature Rise.

12% of schemes reported an engagement metric. One scheme reported Climate Value at Risk

Targets

Some schemes have chosen to set more than one climate-related target, with emissions based targets (and notably scope 1 and 2 emissions) being most popular. 58% of the sampled schemes have set net zero emissions targets at the total portfolio level by 2050 (or earlier). The majority of schemes have set short-term targets against listed equity and credit, driven by data availability. The majority of schemes have set the same target(s) across DB and DC sections within the same trust.

Number of Targets (*including* long term net zero targets):

(Number of schemes shown in brackets)

5 (3) | 4 (4) | 3 (8) | 2 (8) | 1 (10)

Target Measure (*including* long term net zero targets):

(Number of targets shown in brackets)

Emissions (49)
Data Quality (20)
Portfolio Alignment (7)
Engagement on Net Zero (3)
PRA Stress Test (1)
% Investments with ESG Tilt (1)

Intensity Reduction Targets within the next 10 years:

(Number of schemes shown in brackets)

40% - 55% by 2030 (15)
25% - 30% by 2025 (5)
10% - 20% by 2024 (2)

Net Zero Targets by date:

(Number of schemes shown in brackets)

2035 (1) | 2040 (1) | 2045 (1) | 2050 (16)

Relevance to the Fund

The Fund has a Net Zero objective by 2050 or earlier.

It has interim targets to reduce absolute emissions by 43% by 2025 and 69% by 2030, compared to its 2020 levels.

It produced its first TCFD report in 2022.

Credit Suisse & AT1 Bonds

What happened to Credit Suisse?

Credit Suisse (CS) was taken over by UBS for SFr 3bn, less than half its market price as at 17 March 2023.

The takeover was facilitated and encouraged by the Swiss government.

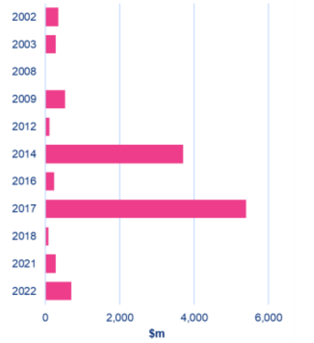
The Swiss central bank has provided:

- SFr 100bn liquidity assistance
- SFr 9bn guarantee for potential losses on CS assets (subject to UBS bearing the first SFr 5bn of losses on certain portfolio of assets).

As part of the takeover, while CS's normal bonds will remain untouched, their SFr 14.7bn AT1 bonds (more later) will be written down to zero.

Credit Suisse fines since 2000:

Total c.$11bn (approx. 3 times price paid by UBS)



What are AT1 Bonds?

Introduced with Basel III following the GFC to help protect bank's capital structures. Banks were encouraged to issue Additional Tier 1 bonds (AT1), which are also called Coco's (Contingent Convertible Bonds).

The idea was to create a buffer of capital between normal bond holders and equities, which could be called upon in a crisis.

In a crisis situation AT1 bond holders would absorb losses before either normal bond holders were called upon (which could cause Lehman-like panic) or before governments/tax payers were called upon.

Banks have issued $275bn of these bonds, according to Bloomberg.

Key considerations

- Recent events offer opportunities given we believe risk of contagion is low
- MAC managers well placed to take advantage of any attractive pricing in AT1 and risky debt
- Secured finance and credit opportunity strategies also well placed

Key takeaways for Buy and Maintain Credit portfolios:

- Buy and maintain credit guidelines have protected clients (AT1s unlikely to be permitted in IG credit mandate)
- Guidelines may vary and many have been in place for a long time – worth reviewing investment guidelines in relation to the financial sector for both pooled and segregated accounts

Relevance to the Fund

A key benefit of the Fund's allocation to a diverse Multi-Asset Credit portfolio is to be able to take advantage of attractive opportunities in more complex and higher yielding credit assets.

Appendix

Q1 2023 Equity Market Review

Global equity markets returns were positive in January, a continuation of market sentiment witnessed at the end of 2022, as growth equity momentum remained robust, and inflation continued to decline.

Equities retrenched in February when mounting signs of economic resilience were interpreted as requiring more monetary tightening than already priced in.

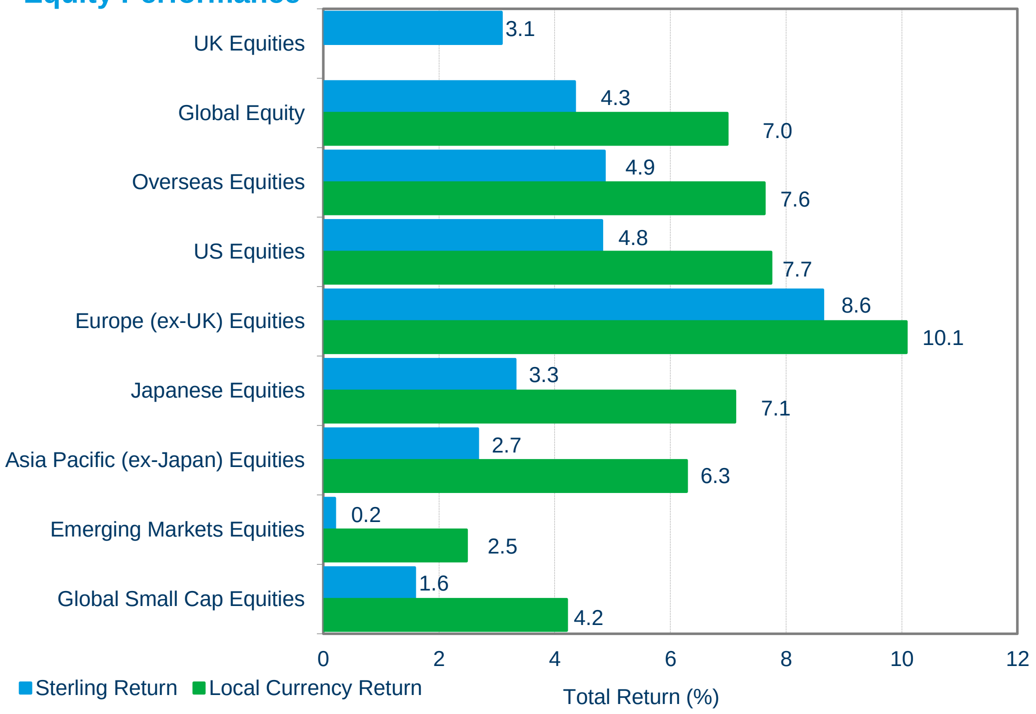
Global Equities returned 7.0% in local currency terms (but 4.3% in sterling terms as the the dollar depreciated versus sterling).

US equities returned 7.7% in local terms, whilst European (ex-UK) equities returned 10.1%. Japanese equities returned 7.1%.

Emerging markets ('EM') equities returned 2.5% in local terms.

Global small cap stocks returned 4.2% in local terms. Small caps underperformed global equities due to exposure to regional US banks and more companies that are reliant on their lending.

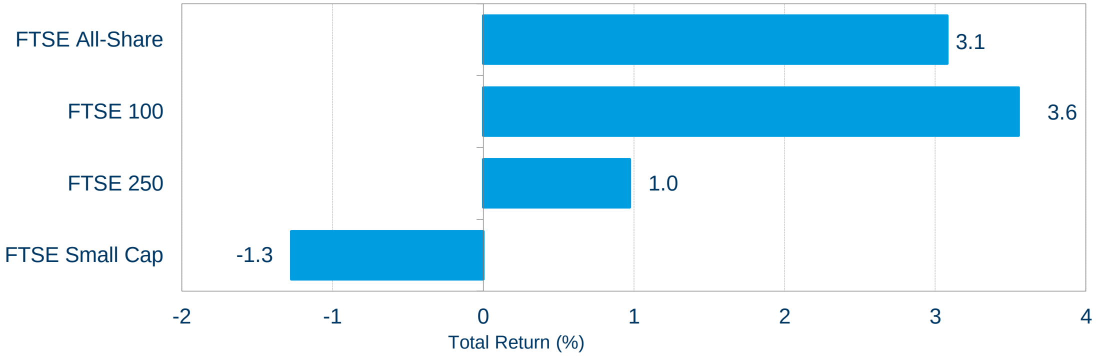
Equity Performance



The **FTSE All Share** index returned 3.1% over the quarter with the large cap **FTSE 100** index returning 3.6%. Large cap equities (All-share and FTSE 100) produced positive returns whilst smaller, more domestically focused, equities (**FTSE 250** and **Small Cap**) produced weaker positive returns or negative returns.

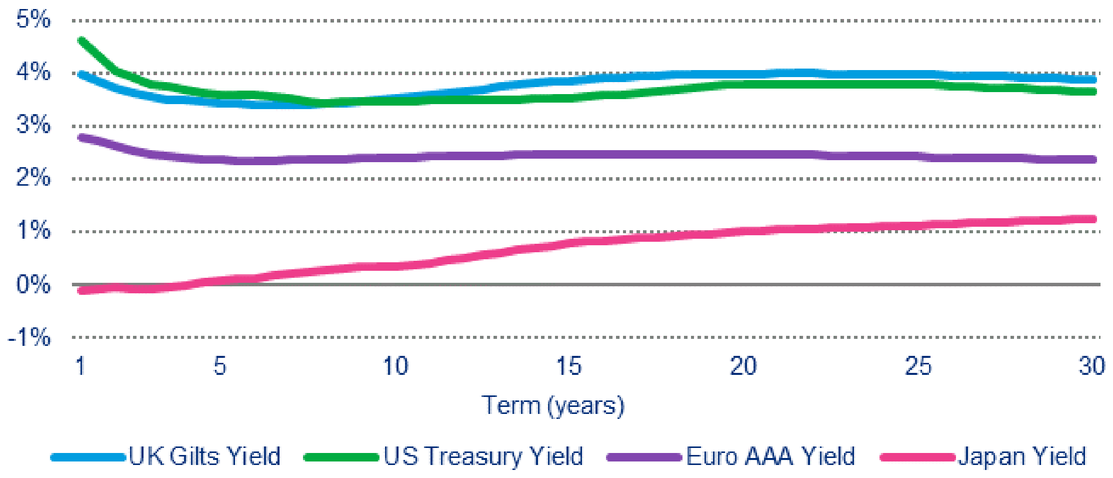
High exposure to financials explains FTSE All Share's significant underperformance of global equities.

FTSE Performance by Market Cap

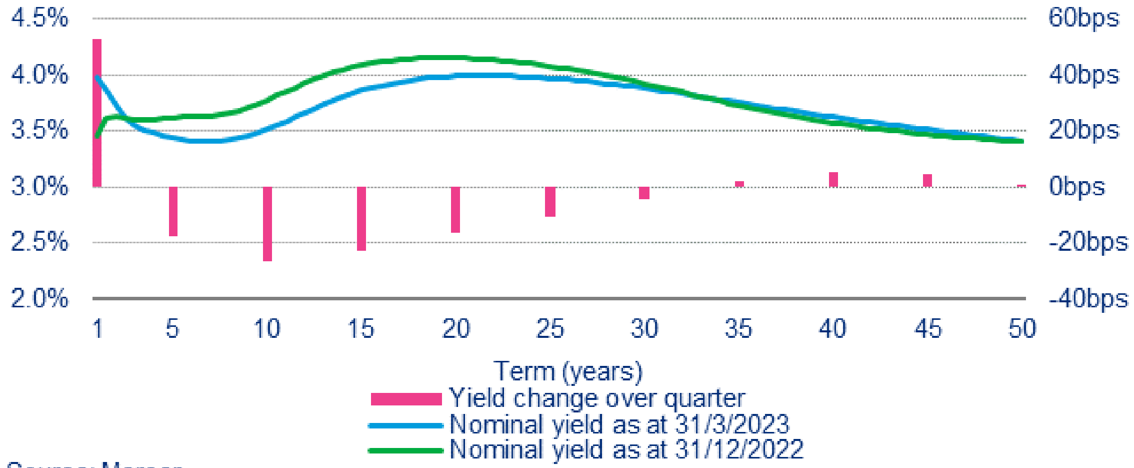


Source: Refinitiv

Q1 2023 Bond Market Review



Source: Mercer and Bloomberg



Source: Mercer

Government Bond Yields

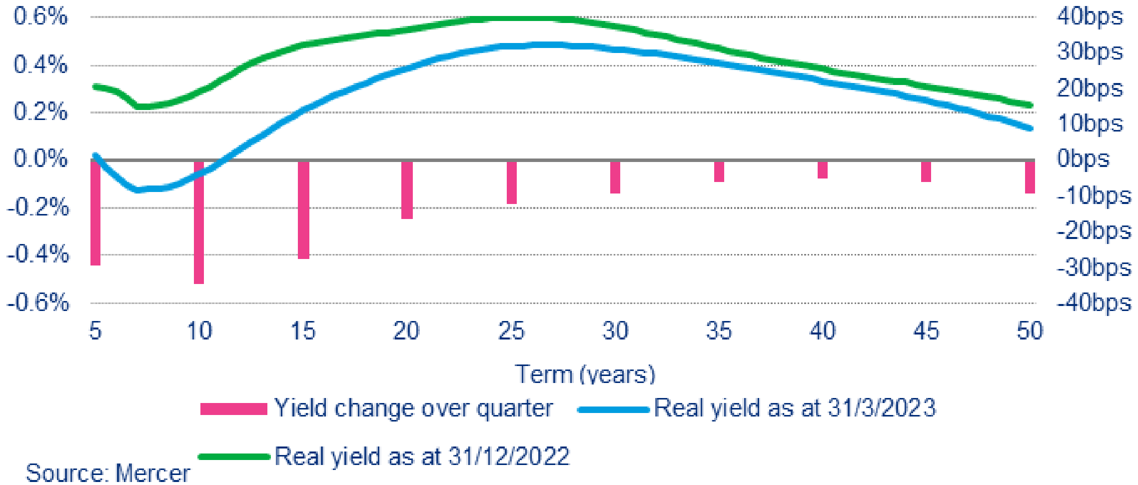
10-year global government bond yields fell over the quarter. In the UK, ultra-short dated gilts (3m-1y) rose sharply, further inverting the curve from short-dated to 10-year tenors. However, yields in the belly of the curve (5-20y) fell more than longer dated gilts (20y+), which steepened this part of the curve.

In the US, the curve remained inverted but steepened marginally over the quarter. 2-year yields in the UK fell 10bps and 40bps in the US. 20-year yields fell by around 21bps in the UK and 35bps in the US.

Both the Federal Reserve and the Bank of England raised interest rates over the quarter. However, expectations of future rate hikes have now been significantly cut following the banking sector distress at the end of the quarter.

The German 10-year yield fell around 28bps; the European Central Bank raised rates twice over the quarter but softened their outlook in mid-March.

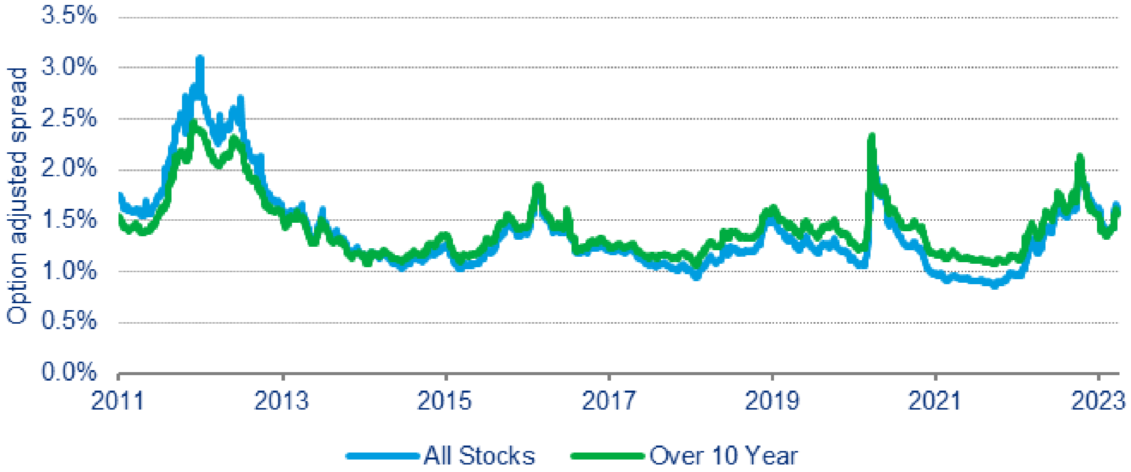
Q1 2023 Bond Market Review



Source: Mercer

UK Index-Linked Gilt Yields

UK real yields fell across the curve led by the short end. Real yields, for the majority of maturities remain in positive territory. Market based measures of inflation expectations, in the form of breakeven inflation, rose over the quarter. The UK 10-year breakeven rate rose to 3.8%, 16bps higher than at the end of last quarter. Market based measures of inflation expectations for the US remained largely unchanged.



Source: Refinitv

Corporate bonds

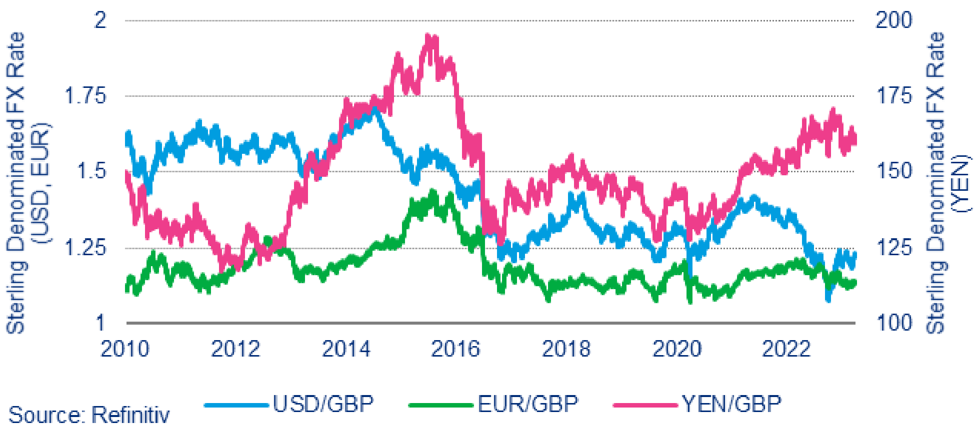
Spreads on UK investment grade credit tightened marginally over the quarter. UK credit outperformed equivalent duration government bonds. This was in line with the positive performance seen elsewhere in risk assets such as equities.

Q1 2023 Currency Market Review

Sterling's performance over the quarter was positive, appreciating versus the US dollar, euro and yen. There was no catalyst for Sterling strength rather more a combination of a weak US dollar and a mixed economic picture in the Eurozone and Japan, in addition to extra carry supporting Sterling.

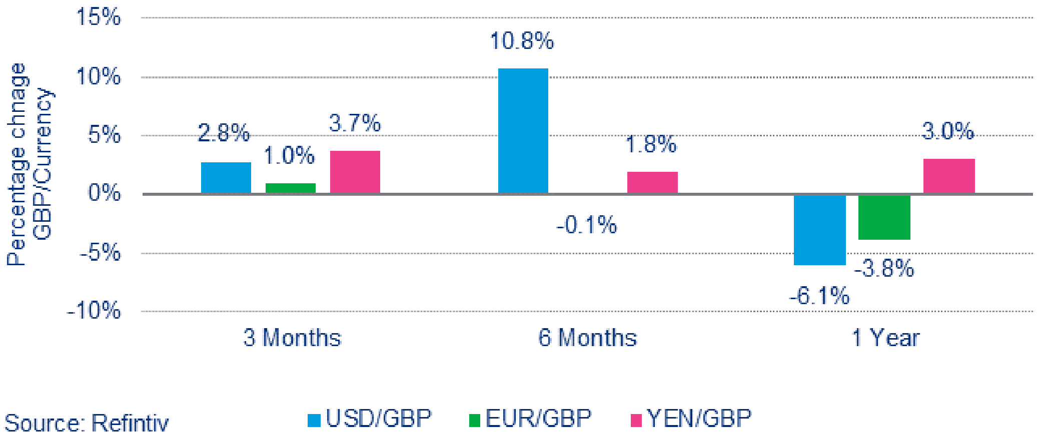
On a 12-months basis, sterling has depreciated considerably versus US dollar and euro but has strengthened versus yen.

Sterling Denominated FX Rate



Source: Refinitiv

Change in sterling against foreign currencies



Source: Refintiv

Q1 2023 Property

UK property as measured by the MSCI Index increased by 0.2% over the quarter.

Summary of Mandates

Manager	Mandate	Benchmark/Target	Outperformance Target (p.a.)	Inception Date
BlackRock	Passive Global Equity	MSCI World	-	December 2017
BlackRock	Passive Global Equity (Synthetic Exposure)	MSCI World	-	September 2022
Brunel	Global High Alpha Equity	MSCI World	+2-3%	November 2019
Brunel	Global Sustainable Equity	MSCI AC World	+2%	September 2020
Brunel	Passive Global Low Carbon Equity	MSCI World Low Carbon	-	July 2018
Brunel	Passive Global Equity Paris Aligned	FTSE Developed World PAB Index	-	October 2021
Brunel	Diversified Returns Fund	SONIA +3-5% p.a.	-	July 2020
Brunel	Multi-Asset Credit	SONIA +4-5% p.a.	-	June 2021
Brunel	UK Property	MSCI/AREF UK Quarterly Property Fund Index	-	January 2021
Partners	Overseas Property	Net IRR of 10% p.a. (local currency)	-	September 2009
Brunel	Secured Income	CPI	+2%	January 2019
IFM	Core Infrastructure	SONIA +5% p.a.	-	April 2016
Brunel	Renewable Infrastructure	CPI	+4%	January 2019
Brunel	Private Debt	SONIA + 4% p.a.	-	September 2021
BlackRock	Buy-and-Maintain Corporate Bonds	Return on bonds held	-	February 2016
BlackRock	Matching (Liability Driven Investing)	Return on liabilities being hedged	-	February 2016
Record	Passive Currency Hedging	N/A	-	March 2016
BlackRock	Exchange-Traded Fund (ETF)	Bespoke benchmark to reflect total Fund allocation	-	March 2019
Cash	Internally Managed	-	-	-

Market Background Indices

Asset Class	Index
UK Equity	FTSE All-Share
Global Equity	FTSE All-World
Overseas Equity	FTSE World ex-UK
US Equity	FTSE USA
Europe (ex-UK) Equity	FTSE World Europe ex-UK
Japanese Equity	FTSE Japan
Asia Pacific (ex-Japan) Equity	FTSE World Asia Pacific ex-Japan
Emerging Markets Equity	FTSE Emerging
Global Small Cap Equity	MSCI World Small Cap
Hedge Funds	HFRX Global Hedge Fund
High Yield Bonds	ICE BofAML Global High Yield
Emerging Market Debt	JP Morgan GBI EM Diversified Composite
Property	MSCI UK Monthly Total Return: All Property
Commodities	S&P GSCI
Over 15 Year Gilts	FTA UK Gilts 15+ year
Sterling Non Gilts	ICE BofAML Sterling Non Gilts
Over 5 Year Index-Linked Gilts	FTA UK Index Linked Gilts 5+ year
Global Bonds	ICE BofAML Global Broad Market
Global Credit	Bloomberg Capital Global Credit
Eurozone Government Bonds	ICE BofAML EMU Direct Government
Cash	SONIA

Important Notices

References to Mercer shall be construed to include Mercer LLC and/or its associated companies.

This contains confidential and proprietary information of Mercer and is intended for the exclusive use of the parties to whom it was provided by Mercer. Its content may not be modified, sold or otherwise provided, in whole or in part, to any other person or entity, without Mercer's prior written permission.

The findings, ratings and/or opinions expressed herein are the intellectual property of Mercer and are subject to change without notice. They are not intended to convey any guarantees as to the future performance of the investment products, asset classes or capital markets discussed. Past performance does not guarantee future results. Mercer's ratings do not constitute individualized investment advice.

Information contained herein has been obtained from a range of third party sources. While the information is believed to be reliable, Mercer has not sought to verify it independently. As such, Mercer makes no representations or warranties as to the accuracy of the information presented and takes no responsibility or liability (including for indirect, consequential or incidental damages), for any error, omission or inaccuracy in the data supplied by any third party.

This does not constitute an offer or a solicitation of an offer to buy or sell securities, commodities and/or any other financial instruments or products or constitute a solicitation on behalf of any of the investment managers, their affiliates, products or strategies that Mercer may evaluate or recommend.

For Mercer's conflict of interest disclosures, contact your Mercer representative or see www.mercer.com/conflictsofinterest.

Mercer