London Borough of Brent Pension Fund

Q1 2022 Investment Monitoring Report

Kenneth Taylor, Investment Consultant
Kameel Kapitan, Investment Consultant
Ahmed Elsaddig, Investment Analyst

HYMANS ROBERTSON

Executive Summary

Q1 2022 proved a challenging quarter for markets, the Funds investments returning -2.7%, underperforming the Fund's benchmark by 0.5%. However, over the longer term, the assets continue to outperform strongly on both an absolute and a relative basis.

Market volatility weighed heavily on markets over the period as inflation took further hold, coronavirus lockdowns continued in China and Russia began its full scale invasion of Ukraine. Global equities as a whole fell 2.4% in Sterling terms. UK equities faired better, benefitting from the outperforming energy sector which constitutes a material part of the index. Emerging market equities again fell over the period, largely driven by weakening sentiment in respect of the Chinese market.

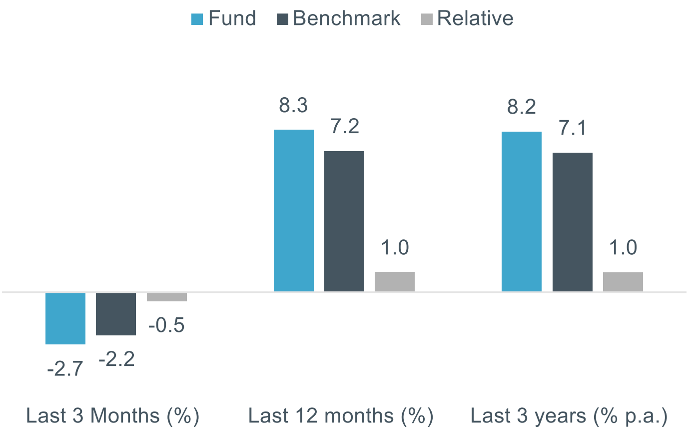
Within fixed income, rising interest rates provided upward pressure on yields and drove significant drawdowns in the value of gilts. Speculative grade credit markets also suffered amidst the uncertainty.

Looking to Q2, the Fund will seek to finalise the second tranche investment in the BlackRock Low Carbon Fund whilst continuing to explore secondary market opportunities within the property market.

Key points to note

- The Fund has posted negative returns over the quarter, ending the period with a valuation of £1,132.7m, down from £1,155.7m at the end of Q4 2021.
- The majority of assets classes struggled in Q1 2022 amidst a challenging environment. Index-tracking mandates with LGIM (global equities) and BlackRock (gilts) contributed heavily to the negative absolute return whilst the LCIV Baillie Gifford multi-asset fund, the LCIV emerging markets fund and the LCIV multi-asset credit (MAC) fund all drove relative underperformance versus the benchmark.
- Marginally offsetting returns was the performance of UK equities (LGIM index-tracking fund) and the LCIV Ruffer multi-asset fund. Both delivered positive return with Ruffer in particular demonstrating the value of its more defensive approach to multi-asset investing.
- In Q2 2022 the Fund will seek to complete planned investment in the BlackRock Low Carbon equity fund whilst continuing to explore any attractive secondary market opportunities within the property space consistent with the decision taken at the October 2021 Committee meeting.

Fund performance vs benchmark/target



High Level Asset Allocation

As part of the investment strategy review carried out in Q2 2020, the Fund's multi-asset mandates were re-categorised as 'Diversifiers' and included within the 'Income' bucket.

GrIP	Actual	Benchmark	Relative
Growth	58.8%	58.0%	0.8%
Income	28.3%	25.0%	3.3%
Protection	10.7%	15.0%	-4.3%
Cash	2.1%	2.0%	0.1%

Whilst on the journey to its interim and long term targets for Property, Infrastructure and Private Debt, the current agreement is that the Fund will hold a higher allocation to multi-asset funds.

Asset Allocation

Following the results of the Q1 2020 investment strategy review, the following target allocations were agreed:

Interim
Growth – 58%
Income/Diversifiers – 25%
Protection plus cash – 17%

Long-term
Growth – 50%
Income/Diversifiers – 35%
Protection – 15%

The Fund is broadly in line with the interim target allocations for growth and income assets and cash, and underweight protection assets.

The second tranche of the investment into the BlackRock Low Carbon fund is due to take place in Q2 2022, taking the total proportion closer to its 3% benchmark allocation. This is due to be funded by divesting from the LGIM Global Equity Fund.

The LCIV infrastructure fund remains in its expected 3 year ramp up phase. We therefore expect the Fund commitment of £50m to continue to be drawn down over 2022/23.

The Fund's commitment to the LCIV private debt fund (made in March last year) began drawing down in Q3 2021 with a further capital call in Q1 2022.

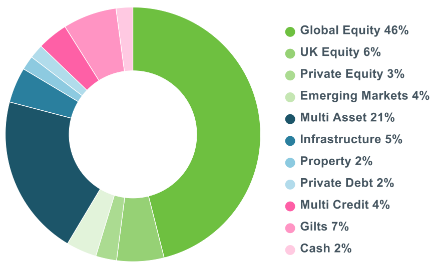
Asset Allocation

Manager	Valuation (£m) Q4 2021	Valuation (£m) Q1 2022	Actual Proportion	Benchmark	Relative
LGIM Global Equity	520.0	506.1	44.9%	40.0%	4.9%
LGIM UK Equity	67.4	67.8	6.0%	5.0%	1.0%
Capital Dynamics Private Equity	31.4	30.0	2.7%	5.0%	-2.3%
LCIV JP Morgan Emerging Markets	46.7	43.8	3.9%	5.0%	-1.1%
Blackrock Acs World Low Crbn	15.8	15.4	1.4%	3.0%	-1.6%
Total Growth	**681.2**	**663.1**	**58.8%**	**58.0%**	**0.8%**
LCIV Baillie Gifford Multi Asset	143.9	135.1	12.0%	7.5%	4.5%
LCIV Ruffer Multi Asset	93.2	97.4	8.6%	7.5%	1.1%
Alinda Infrastructure	24.0	23.4	2.1%	0.0%	2.1%
Capital Dynamics Infrastructure	6.0	6.2	0.5%	0.0%	0.5%
LCIV Infrastructure	19.5	21.4	1.9%	5.0%	-3.1%
Fidelity UK Real Estate	15.0	15.7	1.4%	5.0%	-3.6%
LCIV Private Debt Fund	15.9	20.3	1.8%	0.0%	1.8%
Total Income	**317.5**	**319.5**	**28.3%**	**25.0%**	3.3%
LCIV CQS MAC	44.6	43.8	3.9%	5.0%	-1.1%
BlackRock UK Gilts Over 15 yrs	87.9	77.1	6.8%	10.0%	-3.2%
Total Protection	**132.5**	**120.9**	**10.7%**	**15.0%**	**-4.3%**
Cash	19.1	24.1	2.1%	2.0%	0.1%
Total Scheme	**1150.4**	**1127.6**	**100.0%**	**100.0%**	

Figures may not add up due to rounding. The benchmark currently shown as the interim-target allocation as the first step in the journey towards the long-term target. As the Fund's allocations and commitments to private markets increase over time, we will move towards comparison against the long-term target.

Note: The Q4 2021 cash figure differs from that shown in our H2 2021 report. It has been revised based on updated information provided by the Administering Authority.

Asset class exposures



Source: Investment Managers

Total Fund return was negative during the period on both an absolute and relative basis. However, longer term performance remains comfortably ahead of target.

UK equities outperformed global markets over the period, due to the UK's higher weighting to cyclical sectors such as financials, industrials and basic materials, which performed relatively better over the period.

Over 12 months and 3 years, the returns achieved by Ballie Gifford and Ruffer remain strong and well ahead of benchmark returns of 2.4% and 2.6% respectively. Performance however was more varied over Q1 2022 with Ruffer's defensively positioned strategy navigating the tumultuous period better than Baillie Giffords more "risk-on" approach. This demonstrates the value from adopting a diversified approach to multi-asset investing.

In the wake off more hawkish monetary policy from central banks, gilt yields rose significantly over the period, weighing on returns and leading to an decrease in the value of the BlackRock portfolio.

The LCIV MAC fund also suffered amidst rising interest rates and weakening sentiment returning -5.3% over the period.

Manager performance

	Last 3 Months (%)			Last 12 months (%)			Last 3 years (% p.a.)		
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
Growth									
LGIM Global Equity	-2.7	-2.6	**-0.0**	14.7	14.8	**-0.0**	15.4	15.4	**-0.0**
LGIM UK Equity	0.6	0.5	**0.1**	13.2	13.0	**0.1**	5.3	5.3	**0.0**
Capital Dynamics Private Equity	6.0	-2.1	**8.3**	30.0	16.8	**11.3**	10.8	13.6	**-2.5**
LCIV JP Morgan Emerging Markets	-6.1	-4.3	**-1.9**	-10.2	-7.1	**-3.3**	4.7	4.6	**0.1**
Blackrock Acs World Low Crbn	-2.5	-2.4	**-0.1**	-	-	**-**	-	-	**-**
Income									
LCIV Baillie Gifford Multi Asset	-6.1	0.7	**-6.7**	3.4	2.4	**1.0**	3.6	2.6	**1.0**
LCIV Ruffer Multi Asset	4.4	0.7	**3.7**	7.3	2.4	**4.7**	10.1	2.6	**7.3**
LCIV Private Debt Fund	0.0	1.5	**-1.5**	-	-	**-**	-	-	**-**
Alinda Infrastructure	-	-	**-**	15.1	9.1	**5.5**	5.9	5.5	**0.4**
Capital Dynamics Infrastructure	-	-	**-**	-29.8	9.1	**-35.6**	-17.7	5.5	**-22.0**
LCIV Infrastructure	-	-	**-**	6.4	9.1	**-2.5**	-	-	**-**
Fidelity UK Real Estate	4.9	5.6	**-0.6**	-	-	**-**	-	-	**-**
Protection									
LCIV CQS MAC	-5.3	0.6	**-5.9**	-1.3	2.2	**-3.4**	2.1	2.8	**-0.7**
BlackRock UK Gilts Over 15 yrs	-12.3	-12.3	**0.0**	-7.1	-7.2	**0.1**	-0.6	-0.7	**0.1**
Total	-2.7	-2.2	**-0.5**	8.3	7.2	**1.0**	8.2	7.1	**1.0**

This table shows the new performance target measures, implemented from 2020. Please note the 3-year return is on the old benchmark basis.

Performance from Alinda, Capital Dynamics and the LCIV Infrastructure funds is based on information provided by Northern Trust. For such investments, there are more appropriate measures to assess performance. More detail on relevant measures of assessment for infrastructure funds is provided in the individual manager pages. This is also the case for Private Equity and Private Debt (see below) as asset classes.

The table above excludes an individual line for the performance of the Fund's investment in the London CIV's Private Debt sub-fund. Given initial draw downs only occurred during Q2 2021, it still remains too early to report meaningful performance at this stage. The Fund's commitment will continue to be drawn under this mandate, and as the size of investment increases, performance information will be more readily available from the manager, and it will become more appropriate to report individually. In the meantime, for completeness, the calculated returns will feed through into the total Fund return based on net asset values (NAV's) and cashflow information provided by the manager.

Source: Fund performance provided by Investment Managers and is net of fees.
Benchmark performance provided by Investment Managers and DataStream

There were no manager rating changes to existing managers over the period.

There has been also no changes to RI ratings over the period.

Information on the rating categories can be found in the appendix.

Manager ratings

Manager/Mandate	Asset Class	Hymans Rating	RI Rating
LGIM	Global Equity	Preferred	Strong
LGIM	UK Equity	Preferred	Strong
LCIV JP Morgan	Emerging Markets	Suitable	Adequate
BlackRock	Acs World Low Crbn	Preferred	Adequate
Capital Dynamics	Private Equity	Suitable	Not Rated
LCIV Baillie Gifford	Multi Asset	Preferred	Good
LCIV Ruffer	Multi Asset	Positive	Adequate
Alinda	Infrastructure	Not Rated	Not Rated
Capital Dynamics	Infrastructure	Not Rated	Not Rated
LCIV	Infrastructure	Not Rated	Not Rated
LCIV	Private Debt	Not Rated	Not Rated
Fidelity	UK Real Estate	Preferred	Good
LCIV CQS	Multi Credit	Suitable	Not Rated
BlackRock	UK Gilts Over 15Yrs	Preferred	Not Rated

BlackRock fund update

The Blackrock ACS World Low Carbon Fund seeks to minimise carbon exposure and exclude companies with exposure to fossil fuels, while achieving a target tracking error. Blackrock are proposing some changes to the methodology of the fund, including some additional screens, phasing in scope 3 emissions and potentially incorporating temperature alignment data. We view these changes as positive developments towards meeting climate objectives and the Fund's transition to Net Zero.

LGIM business update

LGIM announced that Russell Jones has been appointed as the Head of Index Equities, EMEA and will be taking on David Barron's previous responsibilities. In addition, Sacha Mirza has been appointed to a newly created role as Head of Index Analytics and Technology.

Ruffer business update

Over the quarter Ruffer announced Aled Smith, Deputy CIO will join the Executive Committee and Henry Maxey, CIO will step down. The Executive Committee focuses on the ongoing running of the firm rather than the investment strategy.

Source: Investment Managers

As part of the Fund's evolving Responsible Investment agenda and in recognition of climate risk, the Fund is committed to disclosing and monitoring climate metrics within its investment strategy where possible.

As a starting point, the Fund is reporting in line with information produced by its LGP Pool, the London CIV. In time, the Fund will seek to evolve its climate risk monitoring process by monitoring against further metrics.

The information covered here captures c80% of the Fund's assets as at 31 March 2022. It excludes investments in property, private equity, infrastructure and private debt on account of the current lack of data in these areas.

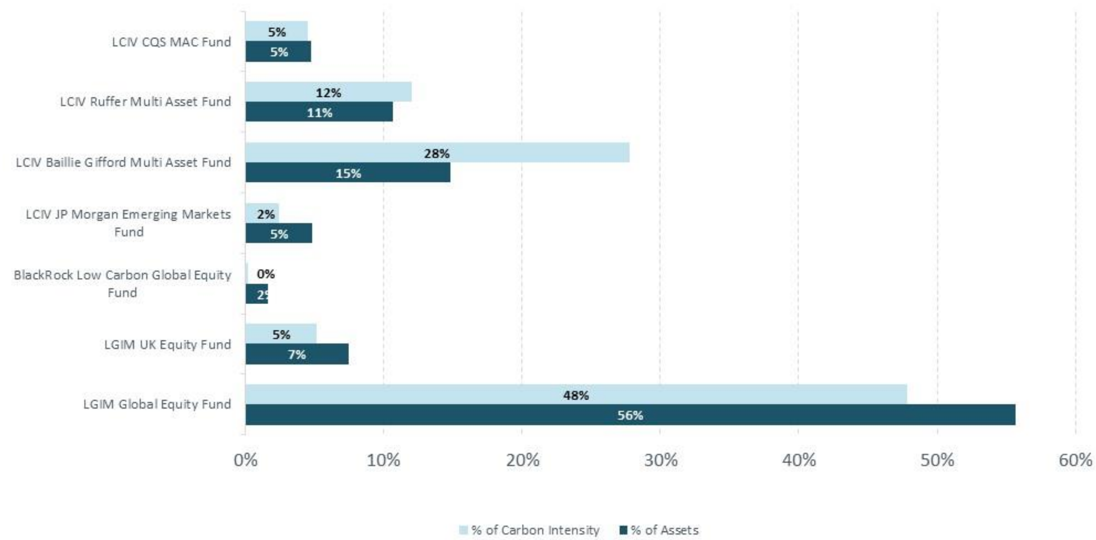
Despite only representing c.15% of assets shown here, the LCIV Baillie Gifford multi-asset fund is responsible for c.28% of the total carbon intensity.

Climate Risk Overview

	Weighted Average Carbon Intensity (tCO_2/$m Sales)	**Fossil Fuel exposure (any activity) (%)**
Fund	**236.1**	**6.6%**
*Composite benchmark**	**274.9**	**8.1%**
Relative to benchmark	**-38.8**	**-1.5%**

*Composite benchmark reflects individual mandate benchmarks weighted by proportion invested

Carbon Intensity by Manager



Source: Investment Managers, London CIV, Benchmark for equity and multi-asset funds is MSCI ACWI

LGIM Global Equity

The LGIM global equity mandate posted a return of -2.7% over the quarter. However, performance in global equity markets remains strong over longer periods.

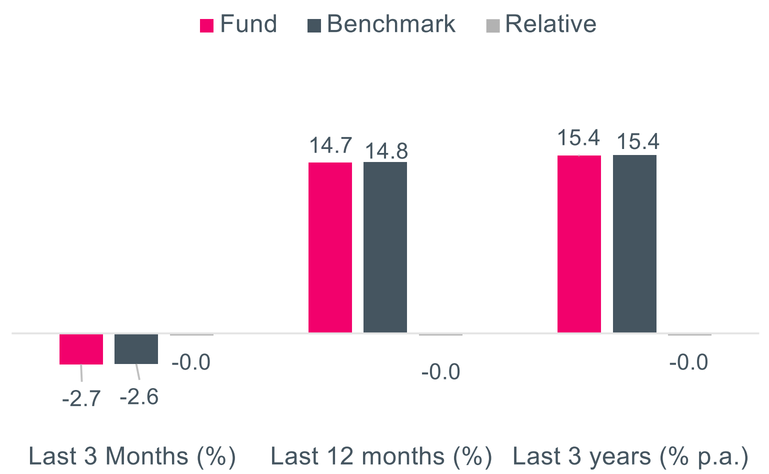
As an index-tracking fund, it has matched its benchmark over all periods.

Negative performance over Q1 2022 was largely due to the rotation towards cyclical value stocks and away from growth stocks, such as those in the technology sector which dominate the US market. Rising interest rates weigh heavily on the valuations placed on growth stocks given their earnings outlook is further into the future.

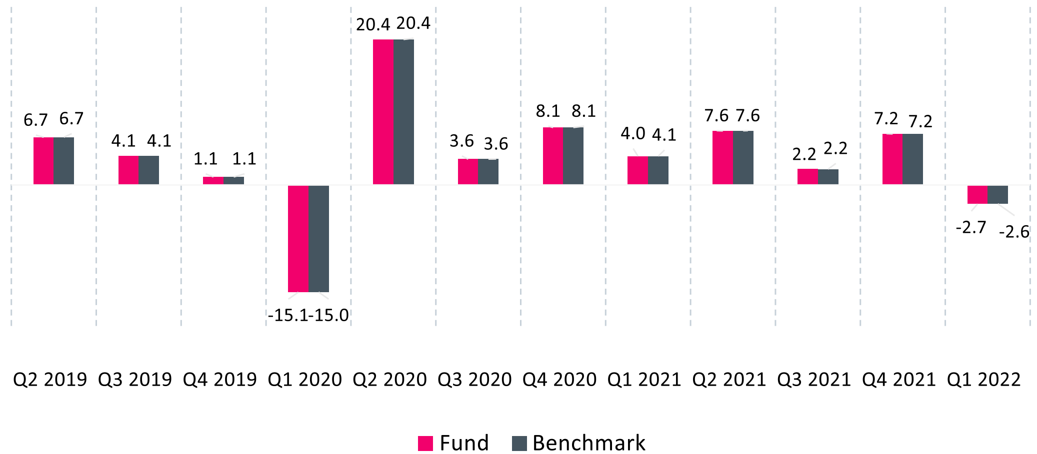
It should be noted that global markets were actually down even more over the period as the Russian invasion of Ukraine shocked markets at the end of February. However, Sterling depreciation helped reduce this effect. By the end of the quarter though markets had largely recovered from the initial sell-of hence the more moderate drawdown of 2.7%, although volatility and geopolitical uncertainty persist.

We continue to rate LGIM's index-tracking equity capabilities as 'Preferred', with an RI rating of 'Strong'

Fund Performance vs benchmark



Historical Performance / Benchmark



Source: Investment Manager

LGIM UK Equity

The LGIM UK equity mandate returned 0.6% over the quarter, outperforming its global counterparts. Performance over 12 months and 3 years is strong, albeit lagging behind global markets as a whole.

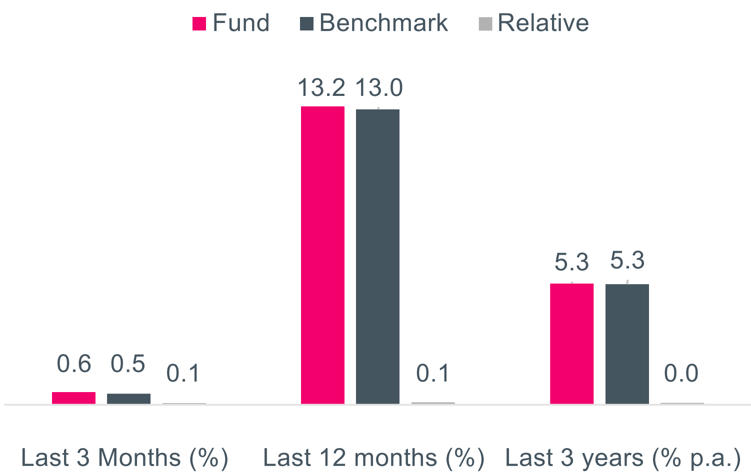
Over all period the fund has performed in line with its benchmark as we would expect for an index-tracking portfolio.

In Q1 2022, the UK outperformed wider equity markets due to its higher than average exposure to energy and basic materials which benefited from rising oil and gas and commodity prices, exacerbated by the Russia-Ukraine conflict.

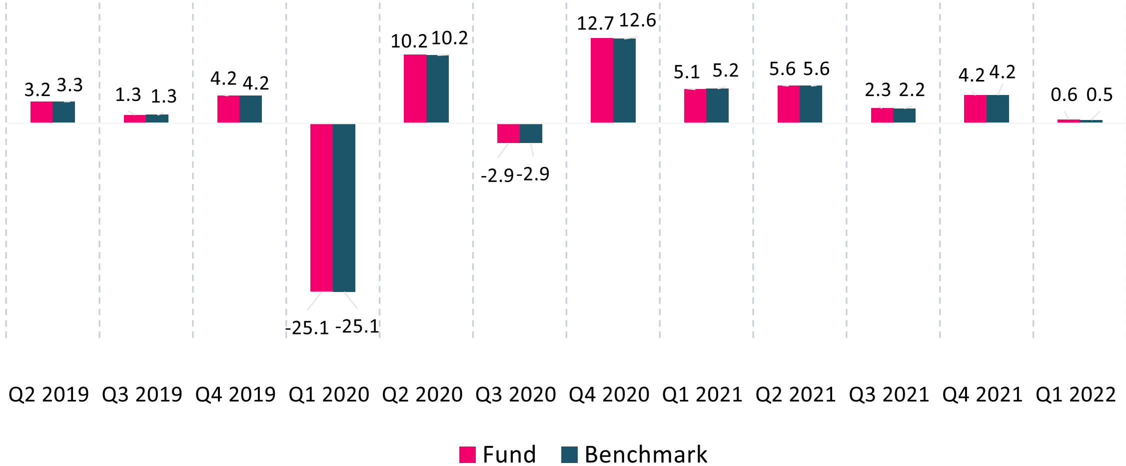
Another positive contributor to the fund's performance is the higher weighting within the UK market to financials, a sector that proved resilient, benefitting from the prospect of running higher margins on the back of interest rate rises.

We continue to rate LGIM's index-tracking equity capabilities as 'Preferred'.

Fund Performance vs benchmark



Historical Performance / Benchmark



Source: Investment Manager

LCIV JP Morgan Emerging Markets

The JP Morgan Emerging Markets fund returned -6.1% over the first quarter of 2022, against its benchmark of -4.3%. Over 12 months the fund has returned -10.2%, underperforming the benchmark by 3.3%.

Emerging markets have continued to lag developed markets equities in 2022. The invasion of Ukraine by Russia further negatively affected the emerging markets due to the impact on global supply chains.

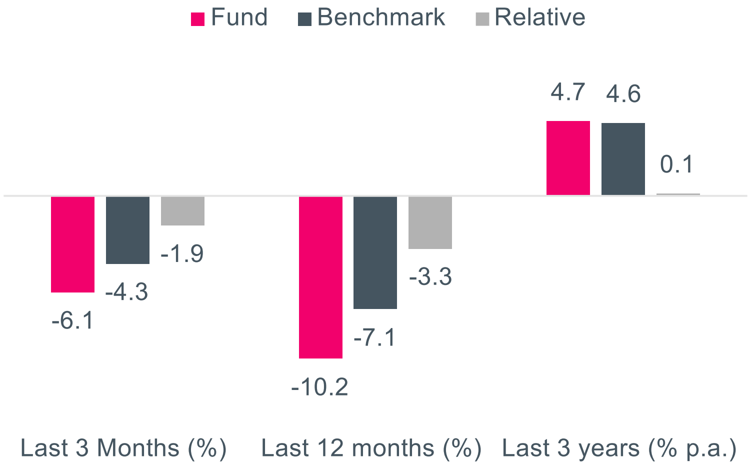
Contributing to relative underperformance was the manager's weak stock selection and an overweight allocation to an underperforming communication services sector - Sea Ltd, previously a strong performer, continued to decline in Q1 2022.

Within financials, the holding in Russian bank Sberbank has been written down to zero as the manager seeks to sell the holding.

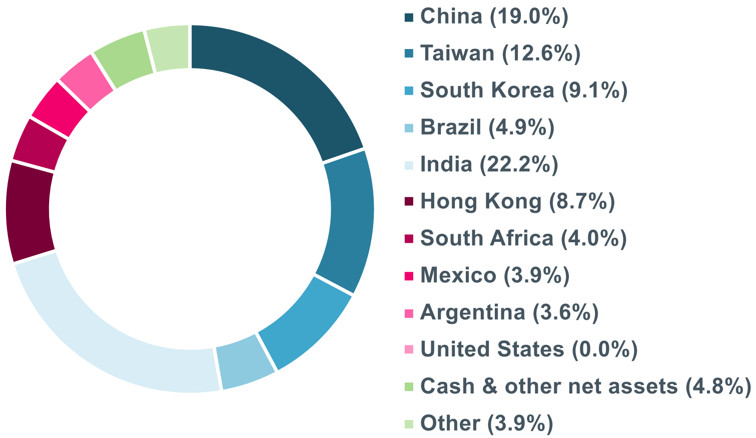
From a positioning standpoint, the manager believes the 'quality growth' bias in the strategy will serve it well over the longer term, particularly in a more subdued market environment.

We continue to rate JP Morgan's Emerging Market equity fund as 'Suitable', with an RI rating of 'Adequate'.

Fund Performance versus benchmark



Fund Regional Allocation



Source: Investment Manager

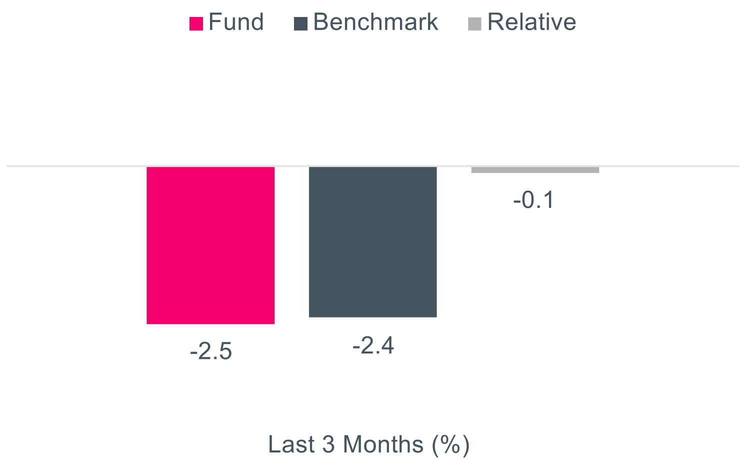
Blackrock ACS World Low Carbon

This is a relatively new mandate with the Fund having made an initial investment in Q4 2021. A second investment in the Fund is scheduled to be made in Q2 2022.

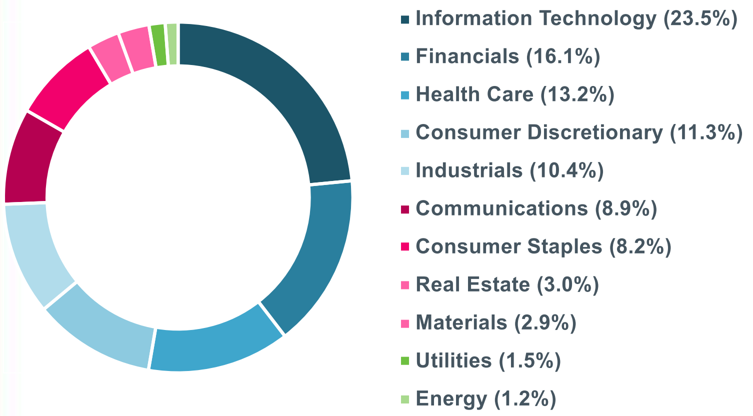
The Fund aims to closely track the performance of the MSCI World Low Carbon Target Reduced Fossil Fuel Index.

The fund returned -2.5% over the quarter. Unsurprisingly given its weighting in the portfolio, this performance was largely driven by the US market and the underperformance of the technology sector.

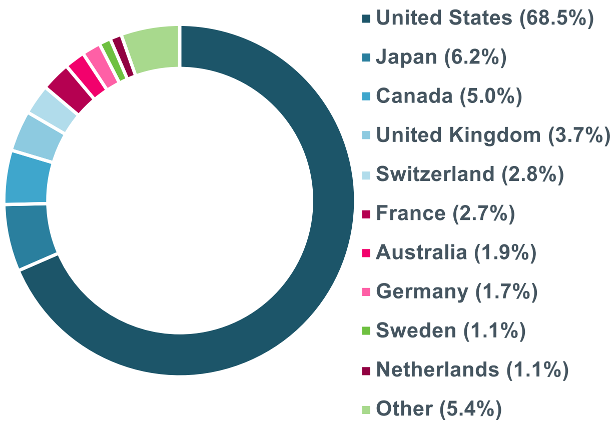
Fund performance vs benchmark



Sector allocation



Geographical breakdown



Source: Investment Manager

Capital Dynamics Private Equity

The Capital Dynamics Private Equity fund is invested across a range of sub-funds.

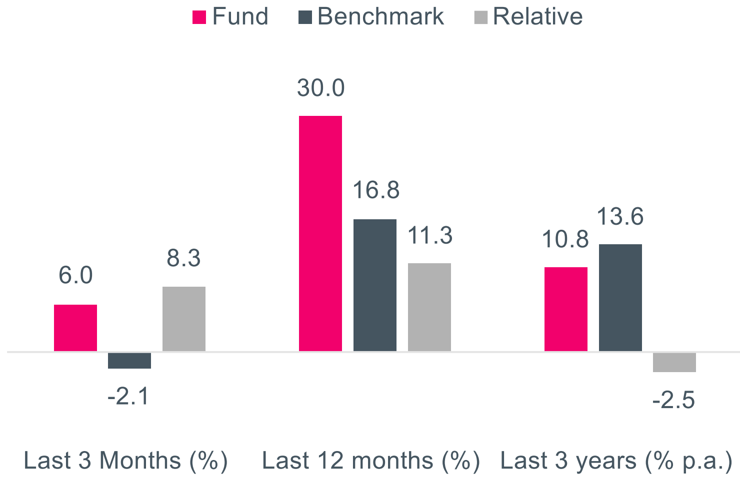
Based on information provided by Northern Trust, the fund returned 6.0% over the period ahead of its benchmark of -2.1% by 8.3%.

Over the more meaningful 3 year time period, the fund has returned 10.8% per annum although performance is behind benchmark and the target return of MSCI All World +3% p.a. too.

In practice, there are two key metrics to assess performance for private equity investments; Internal Rate of Return (IRR) and the Total Value to Paid-In (TVPI) ratio.

The investment is at a mature stage meaning assessing the IRR (a percentage value) alongside the TVPI carries greater weight. As at 30 September 2021 the IRR was 13.5% with a TVPI of 1.6x.

Fund performance vs benchmark



Summary as at 30 September 2021

Total contributed:	c.91.6%
IRR:	13.5%
TVPI:	1.6x

Source: Investment Manager

LCIV Baillie Gifford Multi-asset

The fund returned -6.1% over Q1, underperforming its benchmark by 6.7%. The fund remains comfortably ahead of its longer-term targets.

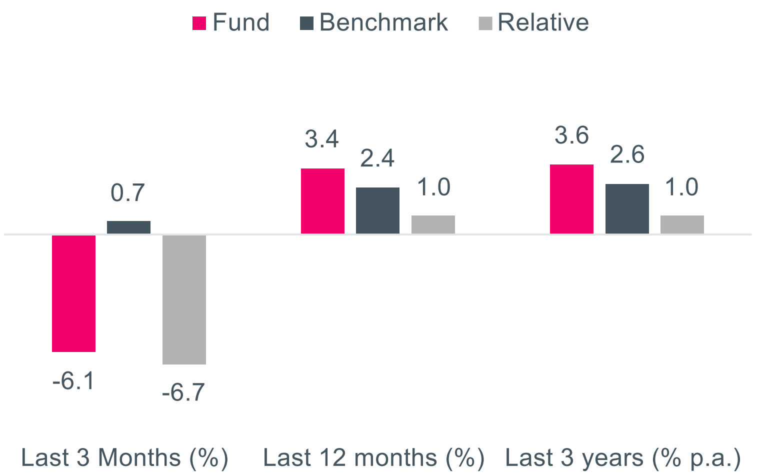
Key detractors to performance this quarter were holdings in equities and absolute return, which suffered amidst the heightened market volatility. Additionally, strategies expected to perform during economic stress failed and Baillie Gifford have since sold these.

High yield bonds also negatively contributed, in particular, Asian high yield bonds purchased last quarter as the newly implemented regulations prolonged the volatility seen in the Chinese property markets. The manager remains focused on the long-term opportunity of these holdings.

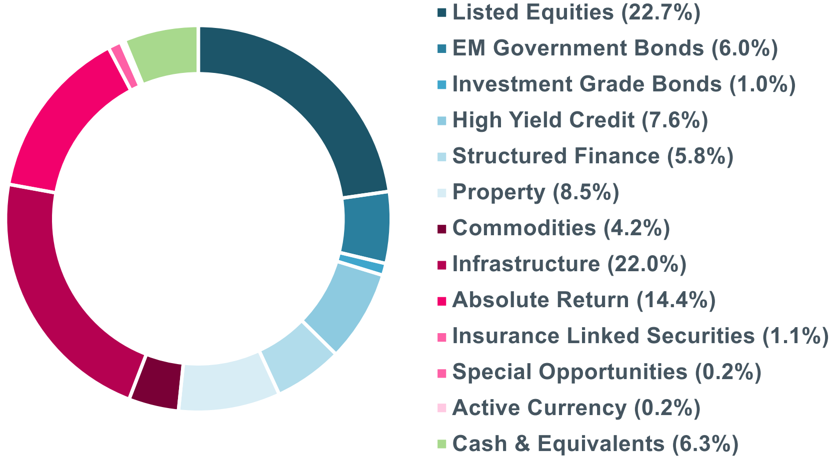
Commodities were the top performer this quarter as prices surged given Russia's position as major energy and commodity producer, albeit the mandate's low exposure restricted returns. Over the 1-year period, infrastructure and property remain top contributors.

Despite poor performance this quarter, Baillie Gifford remains focused on their longer-term trends and stresses the importance of not losing sight of long-term goals amidst the current volatile market.

Fund Performance versus benchmark



Fund Asset Allocation



Source: Investment Manager

LCIV Ruffer Multi-asset

The Ruffer Multi-Asset fund returned 4.4% over the first quarter of 2022, outperforming the benchmark by 3.7%. Longer term performance remains strong.

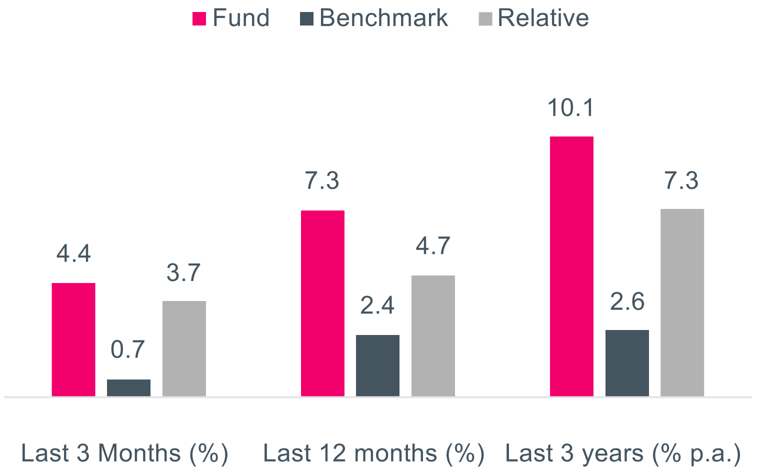
Performance was largely driven by a surge in volatility in bond and equity markets due to Russia's invasion of Ukraine. The fund proved resilient to the rapid adjustments in inflation that followed. In particular, options linked to interest rates performed well as bond yields rose over the quarter, in response to rising inflation.

The only significant detractor from performance over the quarter was due to the fund's direct holdings in long dated inflation-linked bonds, which suffered due to rising nominal yields.

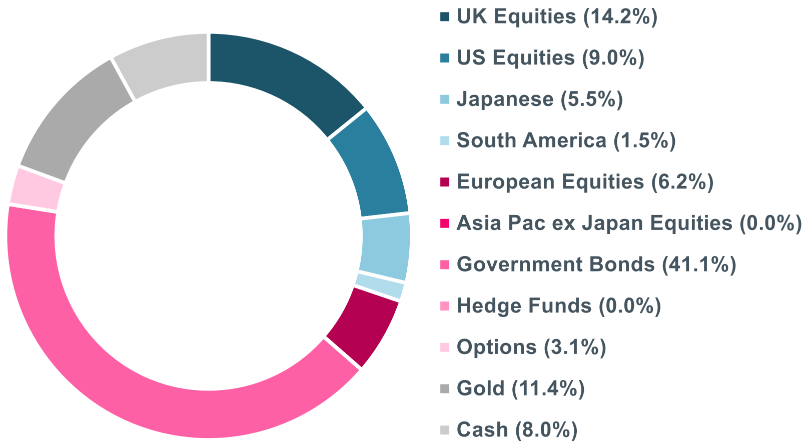
To hedge against volatility over the quarter, the manager added to its protection "bucket" by increasing cash holdings and interest rate options.

The portfolio position going forward remains cautious, however the manager is confident the fund is flexible enough to capitalise on emerging trends regarding supply chain issues, food security and energy transition.

Fund Performance versus benchmark



Fund Asset Allocation



Source: Investment Manager

Alinda Infrastructure

Target: Absolute return of 8.0% p.a.

The two key metrics to assess performance for infrastructure investments are the Internal Rate of Return (IRR) and the Total Value to Paid-In (TVPI) ratio.

TVPI essentially seeks to outline what the Fund has achieved (its return) so far as a multiple of the deployed capital to date.

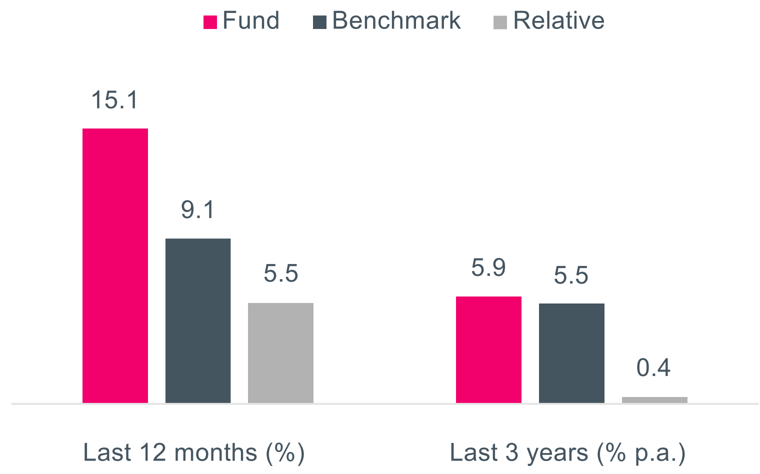
Remaining capital commitments as at 31 December are as follows:

Alinda II: $3,308,129
Alinda III: $8,352,993

The following net distributions (distributions less contributions) were made over Q1 2022:

Alinda II: $1,538,010
Alinda III: $873,086

Fund performance vs benchmark



Summary as at 31 March 2022 ($)

Alinda Fund II	
IRR (Gross)	5.4%
IRR (Net)	2.8%
Cash yield	6.7%
TVPI (Net)	1.1x

Alinda Fund III	
IRR (Gross)	22.6%
IRR (Net)	15.6%
Cash yield	10.1%
TVPI (Net)	1.5x

Source: Investment Manager

LCIV Infrastructure

Target: Absolute return of 8.0-10.0% p.a.

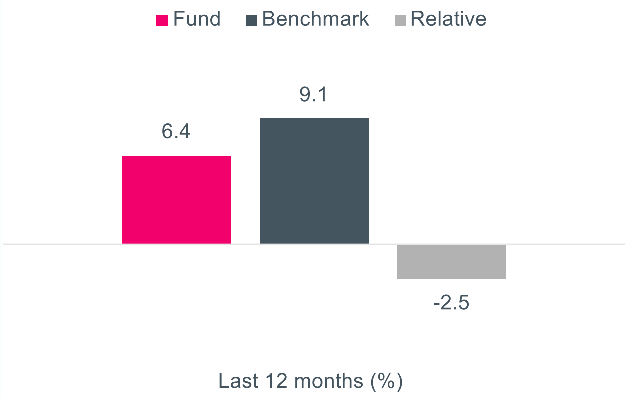
The LCIV Infrastructure fund is managed by Stepstone.

The two key metrics to assess performance for infrastructure investments are the Internal Rate of Return (IRR) and the Total Value to Paid-In (TVPI) ratio.

At this stage of investment, it is too early to assess performance on a purely percentage basis. TVPI is more informative. This essentially seeks to outline what the Fund has achieved (its return) so far as a multiple of the deployed capital to date. We will be able to provide TVPI figures in future reports.

The LCIV Infrastructure fund is in the ramp-up stage, with a further £3.9m drawn down over Q4 2021, bringing the NAV at 31 December 2021 to £19.5m (provided by LCIV). This NAV will be different to that provided by Northern Trust (NT) in their 31 December 2021 report due to the need for estimation by NT given the lagged reporting of actual NAV.

Fund performance vs benchmark

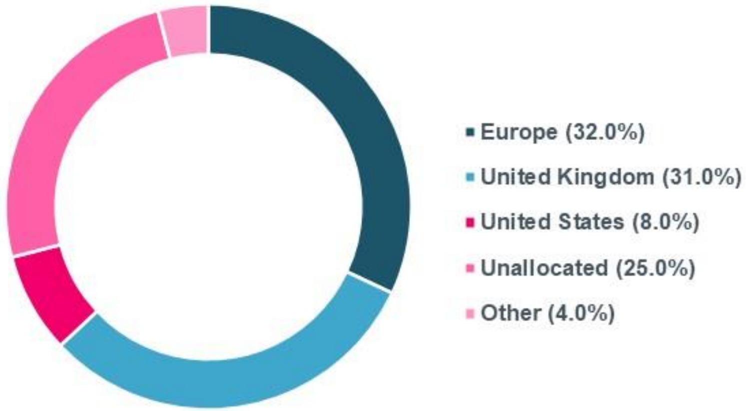


Fund Statistics as at 31 December 2021 (£m)

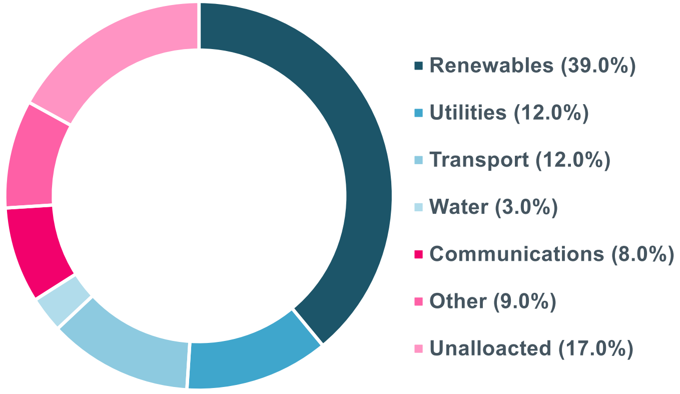
Capital committed	£50.0
Total contributed	£19.2
Distributions	£0.0
Value created	£0.3
Net asset value *	£19.5

*as provided by LCIV

Fund Geographical Allocation (31 December 2021)



Fund Sector Allocation (31 December 2021)



Source: Investment Manager

Capital Dynamics Infrastructure

Target: Absolute return of 8.0% p.a.

The Fund's holdings are currently solely held within the Capital Dynamics Clean Energy and Infrastructure fund.

The two key metrics to assess performance for infrastructure investments are the Internal Rate of Return (IRR) and the Total Value to Paid-In (TVPI) ratio.

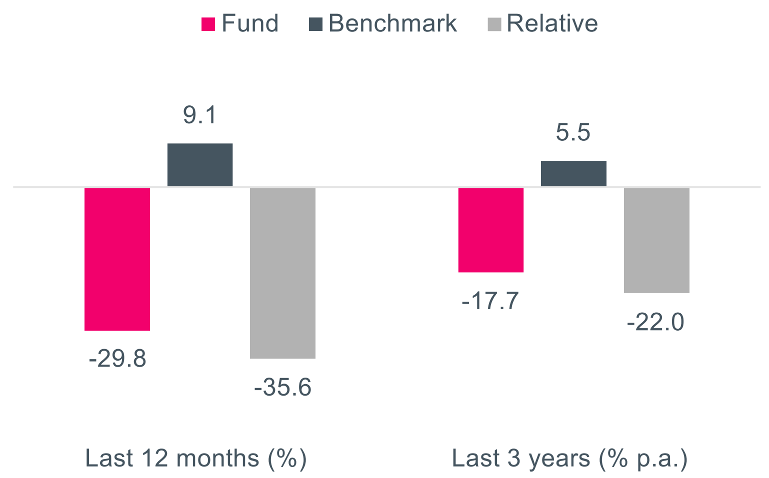
With the fund having deployed most of the capital commitment it is appropriate to assess performance on both measures.

Reporting on underlying commitments is as at 31 December 2021 due to the lag in reporting from the manager, which is typical for funds of this nature.

As can be seen by both the IRR and TVPI, performance has been lower than expected to date, although running performance continues to marginally improve.

Similar to the previous quarter, this level of performance is primarily driven by challenges experienced by one project in particular which represents a material proportion of the fund. This is a Texas wind power project, which the manager has previously acknowledged.

Fund performance vs benchmark



Summary as at 31 December 2021 (figures in $m where applicable)

Capital committed	$15.0
Total contributed	$14.7
Distributions	$1.2
Value created	($5.3)
Net asset value	$8.4

Net IRR since inception	(5.2%)
Total value-to-paid-in-ratio (TVPI)	0.69x

Source: Investment Manager

LCIV Private Debt Fund

Target: Absolute return of c6.0%

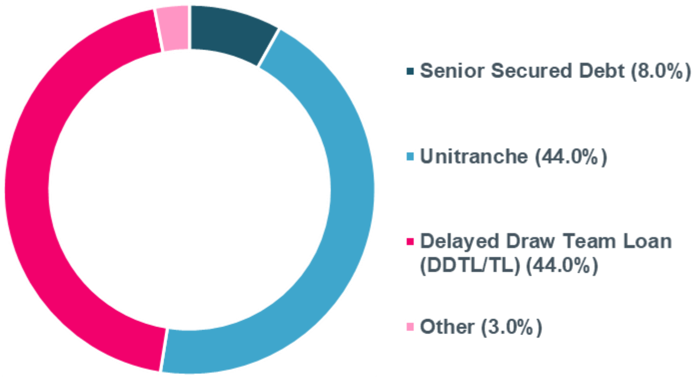
The LCIV Private Debt Fund consists of two underlying managers: Pemberton and Churchill with target split being 50/50.

To date, the Pemberton fund represents 58% of commitments invested due to its higher deployment pace versus the Churchill fund (42%). Over time this will converge towards the target, although Pemberton is expected to stay ahead in the near term as they aim to be fully deployed by end 2022.

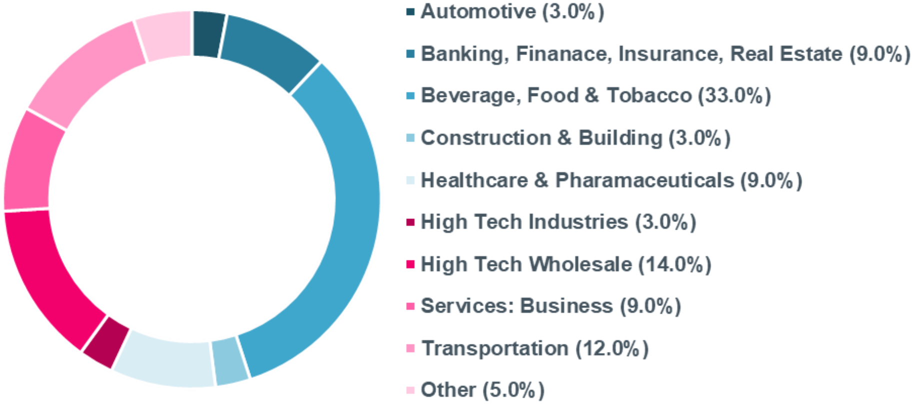
The two key metrics to assess performance for private debt investments are the Internal Rate of Return (IRR) and the Total Value to Paid-In (TVPI) ratio.

At this stage of investment, it is too early to assess performance on a purely percentage basis. TVPI is more informative, albeit an informative value is not yet available due to the infancy of the fund. TVPI essentially seeks to outline what the Fund has achieved (its return) so far as a multiple of the deployed capital to date. We will be able to provide TVPI figures in future reports.

Portfolio investment type



Sector allocation



Source: Investment Manager

LCIV CQS Multi-asset Credit

Over the first quarter of 2022, the LCIV's multi-asset credit strategy returned -5.3% against a benchmark of 0.6%. Performance was also negative over the past 12 months which has resulted in longer term performance now falling behind benchmark by 0.7%.

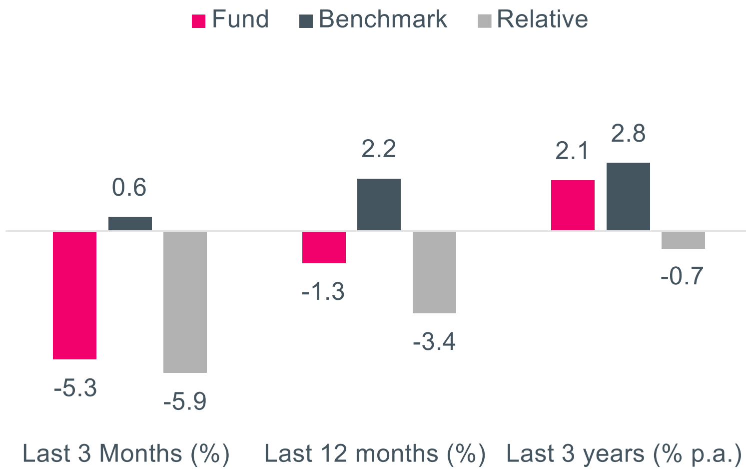
We would note when monitoring performance against fixed targets, it is more meaningful to consider the longer term as volatility can be expected in the short term.

The key detractor from performance over the quarter were financials, specifically Sberbank, a Russian bank heavily affected by recent sanctions against Russia.

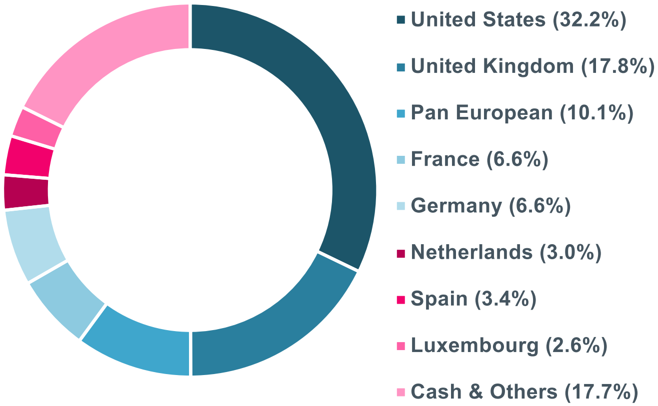
High yield bonds negatively impacted performance over the quarter, as spreads widened to initial pandemic levels. Asset backed securities also contributed to negative performance. In particular, the aircraft leasing sector suffered due to concerns over the impact of sanctions. The mandate's bias towards this asset class proved unfavourable.

Going forward, the manager will begin to shift the loans portfolio to have a US bias, as they look to increase the credit quality to help navigate the current uncertain environment..

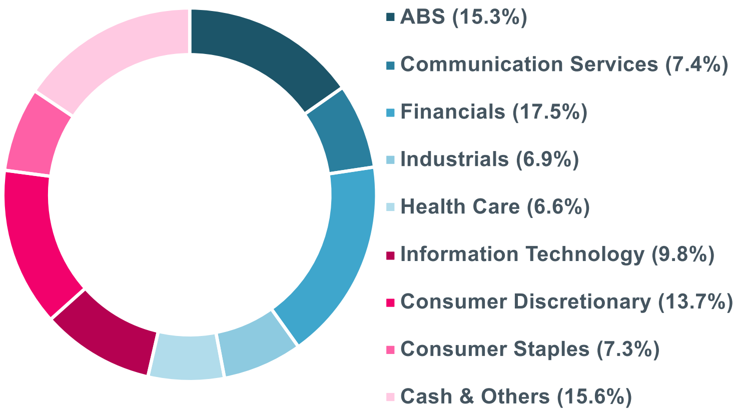
Fund performance vs benchmark



Country Weights



Sector Weights



Source: Investment Manager

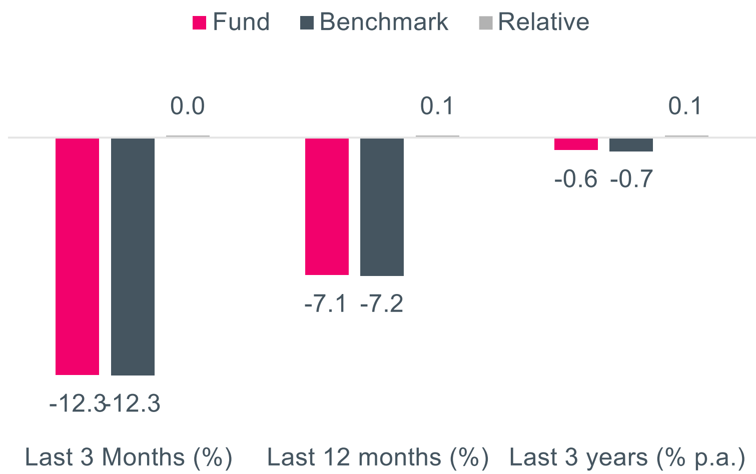
BlackRock UK Gilts

BlackRock were appointed in March 2019 to oversee the Fund's bond allocation.

It is an index-tracking managed mandate aimed at matching the FTSE UK Gilts Over 15 Yrs index, hence performance matches targeted returns for all periods.

Over the period the fund returned -12.3%. This was largely due to the significant increase in both shorter and longer dated gilt yields seen over the quarter, which caused the value of the gilts portfolio fall.

Fund performance vs benchmark



Source: Investment Manager

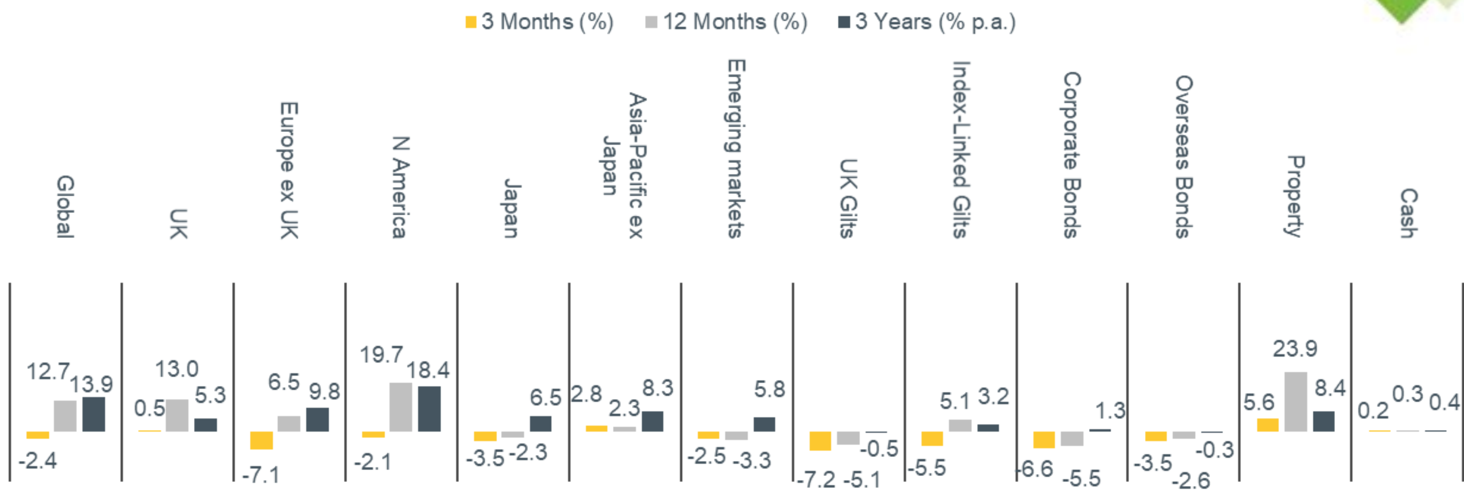
Market Background

Physical disruptions and sanctions caused by the Russia-Ukraine conflict have triggered broad commodity price rises which, alongside existing inflationary pressures, are increasing input costs and weighing on consumer's real incomes. As a result, CPI forecasts have reached new highs while consensus forecasts for global growth have been revised downwards, but still point to a relatively robust pace of growth over 2022 and 2023 by post-Global Financial Crisis standards.

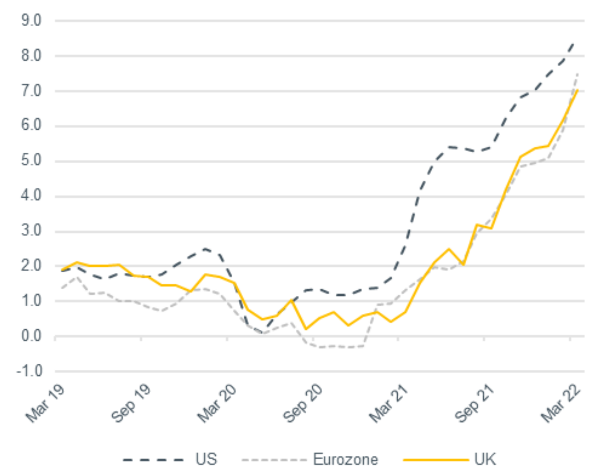
The inflation backdrop has seen central banks turn more hawkish this year, despite the potential downside risks to growth from higher commodity prices. After a first hike in December, the Bank of England raised rates twice in Q1, to 0.75% p.a., and, as expected, the US Federal Reserve raised rates by 0.25% p.a. in March, with the median voting member now expecting seven rate rises in 2022 and four in 2023. The European Central Bank confirmed its asset purchases will end this year, leaving the door open to an interest rate rise, while the Fed noted plans to reduce the size of its balance sheet.

Global sovereign bond yields rose significantly to reflect increased rate rise expectations with UK 10-year gilt yields rising 0.7% p.a., to 1.6% p.a. UK 10-year implied inflation, as measured by the difference between conventional and inflation-linked bonds of the same maturity, rose 0.5% p.a., to 4.4% p.a., as real yields rose to a lesser extent then their nominal counterparts.

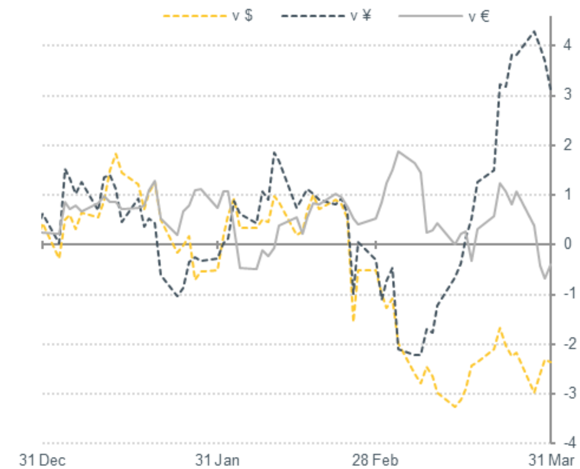
Historic returns for world markets [1]



Annual CPI Inflation (% p.a.)



Sterling trend chart (% change)



Source: DataStream. [1] Returns shown in Sterling terms. Indices shown (from left to right) are: FTSE All World, FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, FTSE Emerging, FTSE Fixed Gilts All Stocks, FTSE Index-Linked Gilts All Maturities, iBoxx Corporates All Investment Grade All Maturities, JP Morgan GBI Overseas Bonds, MSCI UK Monthly Property; UK Interbank 7 Day

HYMANS ROBERTSON

Market Background

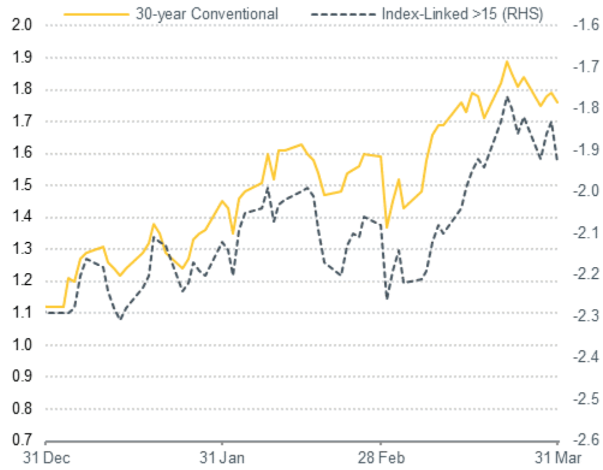
Global investment-grade spreads increased by 0.3% p.a., while US and European speculative-grade spreads increased 0.3% p.a. and 0.7% p.a., respectively. Larger increases in European spreads perhaps allude to the greater exposure of European corporates and consumers to higher energy prices.

Commodity prices surged to extreme levels and faster expected monetary tightening in the US contributed to a rally in the dollar, whilst safe-haven appeal drove gold prices higher.

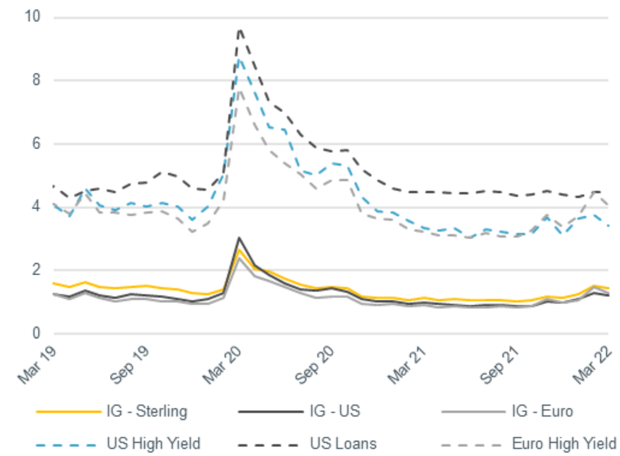
Concerns about central bank tightening, slowing earnings momentum, and the geopolitical situation have all contributed to global equities falling 4.6% this year, despite a bounce back in March. Value stocks notably outperformed growth stocks as rising yields weighed most heavily on the valuations of stocks with earnings growth further in the future, such as those in the technology sector. The consumer discretionary sector also underperformed as markets considered the impact of inflation on real consumer incomes. Surging oil and gas prices sees the energy sector lead the year-to-date performance rankings.

The UK AND Asia – Pacific ex Japan were the only regions to deliver a positive return, benefiting from above-average exposure to energy, metals, and miners. Europe fell to the bottom of the performance rankings, whilst Emerging Markets fell further as new COVID-19 lockdowns and broader geopolitical concerns weighed on Chinese markets.

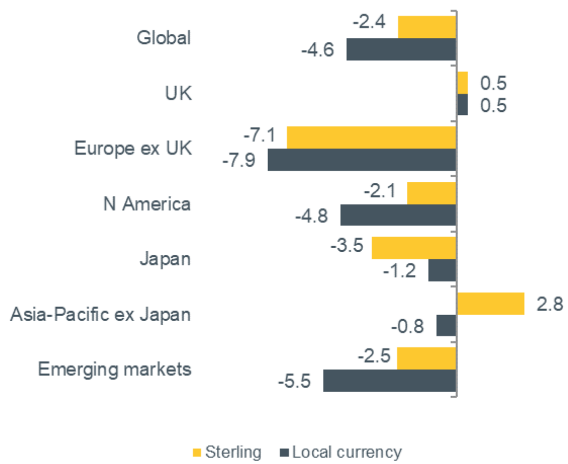
Gilt yields chart (% p.a.)



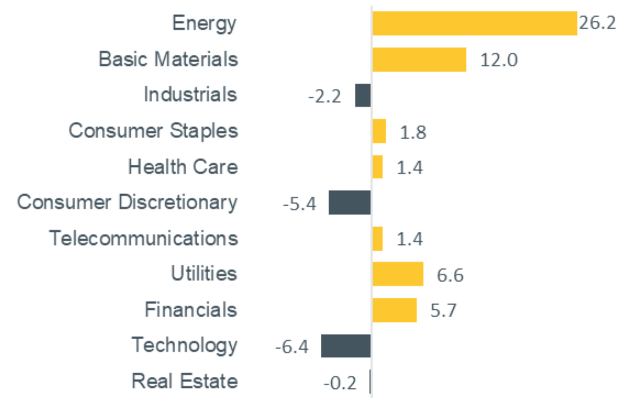
Investment and speculative grade credit spreads (% p.a.)



Regional equity returns [1]



Global equity sector returns (%) [2]



Source: DataStream, Barings, ICE [1] FTSE All World Indices. Commentary compares regional equity returns in local currency. [2] Returns shown in Sterling terms and relative to FTSE All World.

Hymans Rating

Preferred	Our highest rated managers in each asset class. These should be the strategies we are willing to put forward for new searches.
Positive	We believe there is a strong chance that the strategy will achieve its objectives, but there is some element that holds us back from providing the product with the highest rating.
Suitable	We believe the strategy is suitable for pension scheme investors. We have done sufficient due diligence to assess its compliance with the requirements of pension scheme investors but do not have a strong view on the investment capability. The strategy would not be put forward for new searches based on investment merits alone.
Negative	The strategy is not suitable for continued or future investment and alternatives should be explored.
Not Rated	Insufficient knowledge or due diligence to be able to form an opinion.

Responsible Investment

Strong	Strong evidence of good RI practices across all criteria and practices are consistently applied.
Good	Reasonable evidence of good RI practices across all criteria and practices are consistently applied.
Adequate	Some evidence of good RI practices but practices may not be evident across all criteria or applied inconsistently.
Weak	Little to no evidence of good RI practices.
Not Rated	Insufficient knowledge to be able to form an opinion on.

Risk Warning

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investment in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

In some cases, we have commercial business arrangements/agreements with clients within the financial sector where we provide services. These services are entirely separate from any advice that we may provide in recommending products to our advisory clients. Our recommendations are provided as a result of clients' needs and based upon our independent research. Where there is a perceived or potential conflict, alternative recommendations can be made available.

Geometric v Arithmetic Performance

Hymans Robertson are among the investment professionals who calculate relative performance geometrically as follows:

$$\frac{(1 + Fund\ Performance)}{(1 + Benchmark\ Performance)} - 1$$

Some industry practitioners use the simpler arithmetic method as follows:

$$Fund\ Performance\ - Benchmark\ Performance$$

The geometric return is a better measure of investment performance when compared to the arithmetic return, to account for potential volatility of returns.

The difference between the arithmetic mean return and the geometric mean return increases as the volatility increases.