PENSIONS COMMITTEE

15 June 2022

Title: Pension Fund Quarterly Monitoring 2021/22 – 1 January to 31 March 2022	
Report of the Chief Financial Officer	
Open Report	**For Information**
Wards Affected: None	**Key Decision:** No
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Accountable Director: Philip Gregory, Chief Financial Officer	
Accountable Strategic Leadership Director: Fiona Taylor, Interim Chief Executive	

Summary

This report provides information for employers, members of London Borough of Barking and Dagenham Pension Fund ("the Fund") and other interested parties on how the Fund has performed during the quarter 1 January to 31 March 2022.

The report updates the Committee on the Fund's investment strategy and its investment performance.

Recommendation(s)

The Pension Committee is recommended to note:

(i) the progress on the strategy development within the Fund;

(ii) the Fund's assets and liabilities daily value movements outlined in Appendix 1; and

(iii) the quarterly performance of the fund collectively and the performance of the fund managers individually.

Reason(s)

1. Introduction and Background

1.1 This report provides information for employers, members of the LBBD Pension Fund ("the Fund") and other interested parties on how the Fund has performed during the quarter 1 January to 31 March 2022 ("Q1"). The report updates the Committee on the Fund's investment strategy and performance. Appendix 2 provides a definition of terms used in this report. Appendix 3 sets out roles and responsibilities of the parties referred to in this report. A verbal update on the unaudited performance of the Fund for the period to 14 March 2022 will be provided to Members at the Pension Committee.

2. Market Background (Q1 2022)

World Equity and Bond markets both declined during the January to March 2022 Quarter. World Equity markets, as measured by the MSCI World Index, declined by over 5% (in $ terms). Although markets were adversely affected by the threat of and then the appalling invasion of Ukraine by Russia this was not the primary reason for market declines, although it was likely a prime factor contributing to market volatility. Rather the primarily reasons for decline were ongoing concerns regarding high inflation together with the likely/actual tightening of monetary policy by the major central banks. In China and Asia generally economic activity and equity prices were also clearly adversely affected by levels of Covid-19 cases and in China in particular government-imposed lockdowns. Bond markets also weakened during the Quarter in the context of inflation/ongoing inflation concerns and central bank statements and announcements.

World Equity markets suffered a poor January with the MSCI World Index falling by over 5% (in $ terms). This was in the context of increasing worldwide market concerns regarding likely interest rate rises and less than positive news from some major US corporates. World markets fell another 2.5% in February in the context of the increasing Ukraine crisis and actual Russian invasion on 24 February adversely affecting markets and in particular Europe. March saw something of a bounce back with the MSCI World index increasing by 2.8% in March thus recovering its February loss.

January was a poor month for US markets with the S&P index closing down over 5% at 4,516 on 31 January 2022 compared to 4,766 on 31 December 2021. This was in the context of market concerns regarding inflation and likely interest rate rises (which were heightened by the contents of the Minutes of the December 2021 Federal Open Markets Committee released on 5 January 2022 and comments by Federal Reserve Chair Jay Powell to the Senate Committee on Banking, Housing and Urban Affairs on 11 January 2022), and increasing questions over the prospects for US growth stocks as exemplified by statements from Netflix and Peloton. February saw a further fall in the S&P 500 to 4,374 on 28 February before a rally in the second half of March saw the index close at 4,530 on 31 March 2022 a fall of 5% over the Quarter. Information Technology and other growth orientated stocks had a poor Quarter as higher interest rate expectations compressed valuations.

The January 2022 meeting of the US Federal Reserve's Federal Open Markets Committee (FOMC) did not raise interest rates but clearly signalled a forthcoming increase with the Press Release issued after the meeting including the statement *"With inflation well above 2 percent and a strong labor market, the Committee expects it will soon be appropriate to raise the target range for the federal funds rate."* On 16 March 2022, the FOMC increased its benchmark interest rate, the Federal Funds Rate by

0.25%, the first increase since 2018. The accompanying press release stated *"…the Committee decided to raise the target range for the federal funds rate to ¼ to ½ percent and anticipates that ongoing increases in the target range will be appropriate…"*

The Summary of Economic Projections issued after the March 2022 FOMC meeting indicated a dramatic increase in expectations regarding further interest rate rises. The projections issued after the December 2021 meeting indicated that Federal Reserve Officials expected three interest rate rises in 2022. The projections released after the March 2022 meeting indicated expectations of six increases in 2022 in addition to the one agreed at the meeting. Inflation expectations were significantly increased with the median projection for Core CPE inflation (the Federal Reserves preferred inflation measure) in 2022 at 4.1% compared to 2.7% in the December projection.

Actual US inflation remained significantly above the Federal Reserve policy target of 2%. The Core CPE index (the Federal Reserves' favoured index) was 5.2% in March 2022 compared to 4.9% in December 2021. US unemployment fell further to 3.8% in February 2022 and 3.6% in March 2022 compared to 3.9% in December 2021 thereby returning to the levels of the year before the outbreak of COVID-19 in March 2022.

The US economy contracted in the first Quarter of 2022. The US Bureau of Economic Analysis *"Advance Estimate"* issued on 28 April 2022 stated that GDP *"decreased at an annual rate of 1.4 percent in the first quarter of 2022, following an increase of 6.9 percent in the fourth quarter of 2021."* This equates to a decline of approximately 0.3% during the January to March 2022 Quarter. The poor GDP figures were however primarily the result of a growing trade deficit and indeed US business investment increased significantly during the Quarter. The University of Michigan survey of consumers saw consumer sentiment fall to the lowest levels in a decade with the March 2022 survey stating *"Inflation has been the primary cause of rising pessimism…"*

Eurozone Equities had a poor quarter in both real and absolute terms. The MSCI EMU index declined by 11.1% (in $ terms) compared to the decline of 5.2% (in $ terms) of the MSCI World index. The MSCI EMU index declined by 9.2% in Euro terms. In addition to the adverse effects of concerns regarding inflation and interest rates European markets were unsurprisingly particularly affected by the increasing hostility of Russia to Ukraine and ultimately the Russian invasion. The Press Release issued after the March 2022 meeting of the European Central Bank Governing Council included the statement "*The Russian invasion of Ukraine is a watershed for Europe."* In February European markets sold off significantly more than World markets and recovered less in March. The only sector of the equity market to record positive performance was Energy.

The February 2022 policy meeting of the ECB left monetary policy unchanged from the December meeting. However, comments (in the context of increasing inflation) by Christine Lagarde the ECB President at her press conference following the meeting increased market expectations that the ECB would more quickly end its asset purchases and indeed increase interest rates during 2022. The March meeting of the ECB Governing Council while again leaving interest rates unchanged resulted in an acceleration of the pace of withdrawal of its asset purchase programme. Interestingly and specifically in the context of the uncertain environment following the "*Russian invasion of Ukraine"* the ECB the press release issued after the March 2022 meeting included the statement that *"The Governing Council will take whatever action is needed to fulfil the ECB's mandate to pursue price stability and to safeguard financial stability."*

Eurozone inflation remained clearly above the ECB target of 2% and rose significantly further above target during the Quarter. The Harmonised Index of Consumer Prices (HICP) as reported by Eurostat which had been 3.4% in September 2021 and 5.0% in December 2021 was 5.9% in February 2022 and 7.4% in March 2022. Perhaps, unsurprisingly, the largest contributor to the rate of inflation in March 2022 was increasing energy costs. In contrast HICP inflation had been only 1.3% in March 2021.

Eurozone economic growth was only 0.3% during the first Quarter of 2022 according to the *“flash estimates”* issued by Eurostat on 17 May 2022. The first Quarter of 2021 had seen Eura area GDP grow by 2.2%.

In contrast to other major equity markets the UK as defined by the FTSE All Share index ended the Quarter almost exactly where it began. This was driven by the FTSE 100 index of the largest companies listed in the UK. These have a global focus and a significant weighting to energy, utilities, mining, and large banks which prospered (to a greater or lesser extent) in the context of rising inflation, interest rate expectations, pressures in the energy market, and the Ukraine conflict. The FTSE 100 advanced by around 2% during the Quarter. In contrast the FTSE 250 index whose constituent companies are more focussed on the UK domestic economy declined by over 9%.

At its February 2022 meeting the Monetary Policy Committee (MPC) of the Bank of England increased Base Rate from 0.25% to 0.5% in the context of concerns regarding inflation (which the Committee noted was 5.4% in December and which it expected to increase further) and low unemployment. The Monetary Policy Summary issued after the meeting included the statement “*Given the current tightness of the labour market and continuing signs of greater persistence in domestic cost and price pressures, the Committee judges that an increase in Bank Rate of 0.25 percentage points is warranted at this meeting.”* In a further move to increase borrowing costs the MPC also announced that it would *“cease to reinvest any future maturities falling due from its stock of UK government bond purchases.”* This refers to not reinvesting any of the government bonds it had previously purchased under its quantitative easing programme when these mature. This decision was in accordance with the MPC decision of August 2021 *“to reduce the stock of purchased assets when Bank Rate has reached 0.5%, if appropriate given the economic circumstances”* (Minutes of the MPC, August 2021). The March 2022 meeting of the MPC saw a further 0.25% increase in Bank Rate from 0.5% to 0.75%. The Summary issued after the meeting included the statement *“Developments since the February Report are likely to accentuate both the peak in inflation and the adverse impact on activity by intensifying the squeeze on household incomes.”*

The UK unemployment rate continued to fall, as reported by the Office for National Statistics (ONS), from 4.1 % in the October to December Quarter to 3.7% in the January to March 2022 Quarter. Inflation, however, rose further above the Bank of England policy target of 2%. CPI inflation which had been 5.4% in December 2021 was 7.0% in March 2022 and expected to rise further with the Bank of England Monetary Policy summary of March 2022 including the statement *“Inflation is expected to increase further in coming months.”* GDP (as reported by the ONS on 12 May 2022) *“grew by 0.8% in the three months to March 2022.”* However, this was as a result of January activity with February seeing no growth and March a fall of 0.1%. This combination of high inflation and low growth if continued would represent the re-

emergence of “stagflation” (stagnant or low economic growth alongside high levels of inflation).

Japanese equities (as measured by the Nikkei 225 index) declined by approximately 3.5% over the Quarter. As in the final Quarter of 2021 Japan saw low inflation rather than deflation. CPI inflation which was 0.9% in February 2022 and 1.2% in March remained, however, clearly below the Bank of Japan’s 2% target. Therefore, it is no surprise that both the January and March 2022 Monetary Policy meetings of the Bank of Japan resulted in a continued commitment to its asset purchase (quantitative easing) programme as well as a continuation of its negative interest rate policy. This is in clear contrast to the approaches now been (understandably) followed by the Federal Reserve and Bank of England.

As in the three previous Quarters Asia and Emerging Markets, overall performed less well than developed western markets. The MSCI AC Asia (excluding Japan) index fell by 8% (in $ terms) and the MSCI Emerging Markets index by 7% (in $ terms) on a total returns net basis. Asian and EM markets in general were adversely affected by expectations of significant tightening of US monetary policy. Rising US interest rates tends to both lead to increased costs of financing in Asian/Emerging markets and investors removing money from these markets. The Russian Ukrainian conflict affected Asian/Emerging markets in particular. The majority (Asia, European developing, Africa) were adversely affected by resulting higher commodity prices and consequent concerns for inflation and economic growth. In contrast, however Latin American (Emerging Market) equities had a bumper Quarter given the role of South America (for example Brazil, Chile, and Peru) as a major commodity exporting region. Chinese equities again performed poorly with the imposition of COVID-19 lockdowns in several cities acting as a detractor.

Benchmark Government bonds, unsurprisingly, experienced a poor Quarter with yields rising sharply (and prices therefore falling). This was in the context of increasing market concerns regarding inflation and additional anticipated increases in interest rates by Central Banks. The appeal of benchmark government bonds as a “safe haven” was doubtlessly heightened by the Russia/Ukraine situation but this was (far) more than offset by concerns regarding inflation and the direction of major Central Bank policy. The 10 Year Treasury yield increased from 1.51% to 2.34%. The 10 Year Gilt yield rose from 0.97% to 1.61% while the 10 Year German Bund which had been -0.18% at the end of December turned positive, on 19 January 2022, for the first time since 2019 and ended the Quarter at 0.55%. The more policy sensitive 2-year yields also saw significant increases particularly in the case of the 2 Year Treasury which increased from 0.73% to 2.33% over the Quarter. Corporate bonds also suffered and, indeed, overall underperformed benchmark Government bonds.

3. Overall Fund Performance

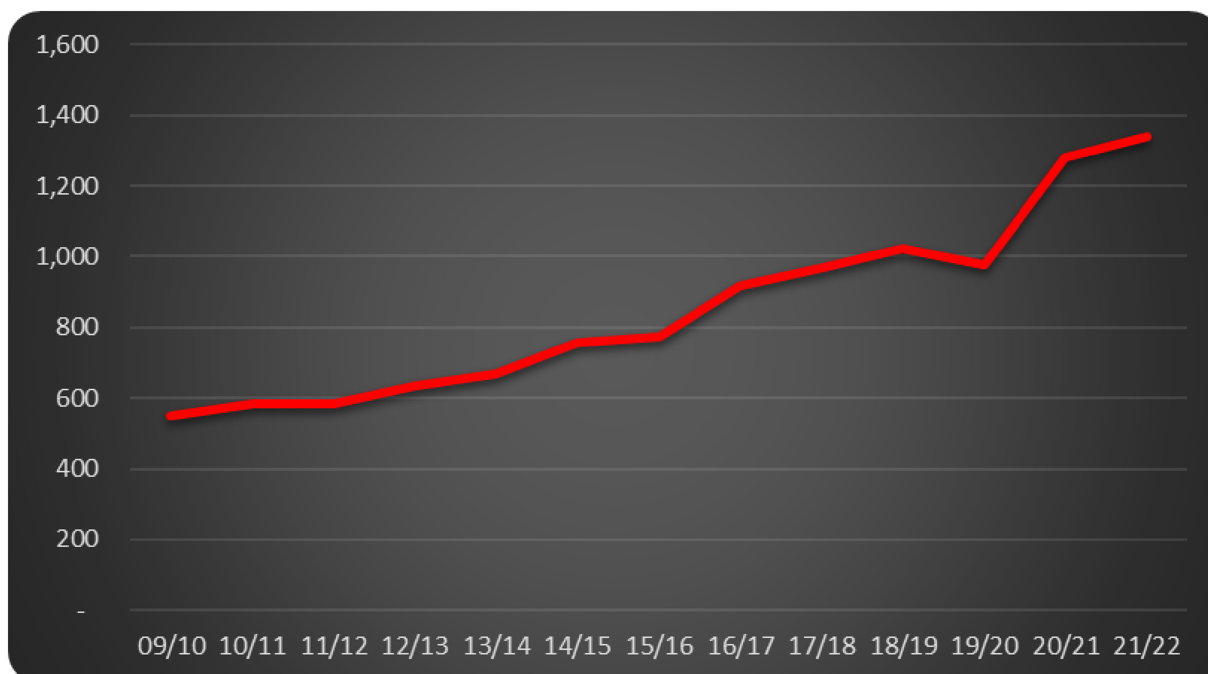
3.1 The Fund's closed Q1 valued at £1,384.7m, an decrease of £39.6m from its value of £1,424.4m at 31 December 2021. Cash held by the Fund was £66.7k, giving a total Fund value of £1,384.8m. The gross value includes a prepayment of £20.0m and a short-term loan of £24.2m from the Council. Adjusting for this reduces the Q1 value to £1,340.7m, a decrease of £41.2m from the 31 December figure of £1,381.8m, which is a similar value to the as at 30 September 2021 position.

3.2 For Q1 the Fund returned -2.8%, net of fees, underperforming its benchmark of -0.6% by -2.2%. Over one year the Fund underperformed its benchmark by 5.66%, returning 5.08% and underperformed the benchmark by 1.28% over three years, returning 8.79%. The Fund has also underperformed its benchmark over five years by 1.24%, returning 8.8%. Compared to the LGPS universe of Funds, represented below by the PIRC Universe, the Fund has underperformed by 3.1% over one year but outperformed over two years by 1.1%. The Fund's returns are below:

Table 1: Fund's Quarterly and Yearly Returns

Year	2022	2021				2020			One	Two	Three	Five	Ten
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Yr	Yrs	Yrs	Yrs	Yrs
Actual Return	(2.8)	2.6	1.1	4.2	3.6	8.0	2.8	12.3	5.1	15.9	8.8	7.4	8.3
Benchmark	(0.6)	4.8	1.7	4.6	2.5	5.1	2.5	9.6	10.5	15.1	10.1	8.6	9.2
Difference	(2.2)	(2.2)	(0.6)	(0.4)	1.1	2.9	0.3	2.7	(5.4)	0.8	(1.3)	(1.2)	(0.9)
PIRC	(3.2)	4.4	1.4	5.6	2.4	5.8	1.8	11.3	8.2	14.8			
Difference	0.4	(1.8)	(0.3)	(1.4)	1.2	2.2	1.0	1.0	(3.1)	1.1			

3.3 The chart below shows the Fund's value since 31 March 2010 to 31 March 2022.



3.4 The fund manager's performance has been scored using a quantitative analysis compared to the benchmark returns, defined below:

	RED- Fund underperformed by more than 3% against the benchmark
Δ	AMBER- Fund underperformed by less than 3% against the benchmark
O	GREEN- Fund is achieving the benchmark return or better

3.5 Appendix 1 illustrates changes in the market value, the liability value, the Fund's deficit and the funding level from 31 March 2013 to 13 March 2022. Members are asked to note the changes in value and the movements in the Fund's funding level.

3.6 **Table 2 – Fund Manager Q4 2021 Performance**

Fund Manager	Actual Returns (%)	Benchmark Returns (%)	Variance (%)	Ranking
Abrdn	3.7	1.6	2.1	O
Baillie Gifford	(12.4)	(2.5)	(9.9)	
BlackRock	6.8	5.6	1.2	O
Hermes GPE	10.5	1.5	9.0	O
Kempen	0.1	(2.4)	2.5	O
Newton	(4.4)	0.8	(5.2)	
Pyrford	1.5	3.1	(1.6)	Δ
Insight	(2.6)	1.0	(3.6)	
UBS Bonds	(7.2)	(7.2)	0.0	O
UBS Equities	(4.0)	(4.0)	0.0	O

Table 2 highlights the Q1 2022 returns with a split of mainly green and reds, indicating a wide variety of returns. There were good positive returns from Hermes, Abrdnn and BlackRock and small positive returns from Kempen and Pyrford, which helped the fund during a difficult quarter. Baillie Gifford continued to significantly underperform its benchmark as returns from growth stocks plummeted. Newton's performance was disappointing as it should provide protection in these market conditions. Passive equities and bonds both provided large losses for the quarter.

3.7 **Table 3 – Fund Manager Performance Over One Year**

Fund Manager	Actual Returns (%)	Benchmark Returns (%)	Variance (%)	Ranking
Abrdn	14.5	4.6	10.0	O
Baillie Gifford	(5.8)	12.6	(18.4)	
BlackRock	20.7	21.4	(0.7)	Δ
Hermes GPE	10.7	5.7	4.9	O
Kempen	8.9	14.9	(6.1)	O
Newton	1.6	3.8	(2.2)	O
Pyrford	4.2	13.3	(9.1)	
Insight	(3.1)	4.0	(7.1)	
UBS Bonds	(4.9)	(4.9)	0.0	O
UBS Equities	11.9	11.9	0.0	O

Over one-year there are even greater variations between managers, with Baillie Gifford providing a negative return of 5.8% but underperforming its benchmark by a massive 18.4%, while BlackRock, Abrdn, Hermes and passive equities provided double digit positive returns.

3.8 **Table 4 – Fund manager performance over two years**

Fund Manager	Actual Returns (%)	Benchmark Returns (%)	Variance (%)	Ranking
Abrdn	17.4	4.4	12.9	O
Baillie Gifford	21.5	24.1	(2.6)	Δ
BlackRock	11.4	12.0	(0.5)	Δ
Hermes GPE	5.4	5.8	(0.4)	Δ
Kempen	24.0	24.8	(0.8)	Δ
Newton	9.9	3.9	5.9	O
Pyrford	6.4	9.8	(3.4)	
Insight	2.6	4.2	(1.6)	Δ
UBS Bonds	(5.1)	(5.1)	0.0	O
UBS Equities	26.6	26.6	0.0	O

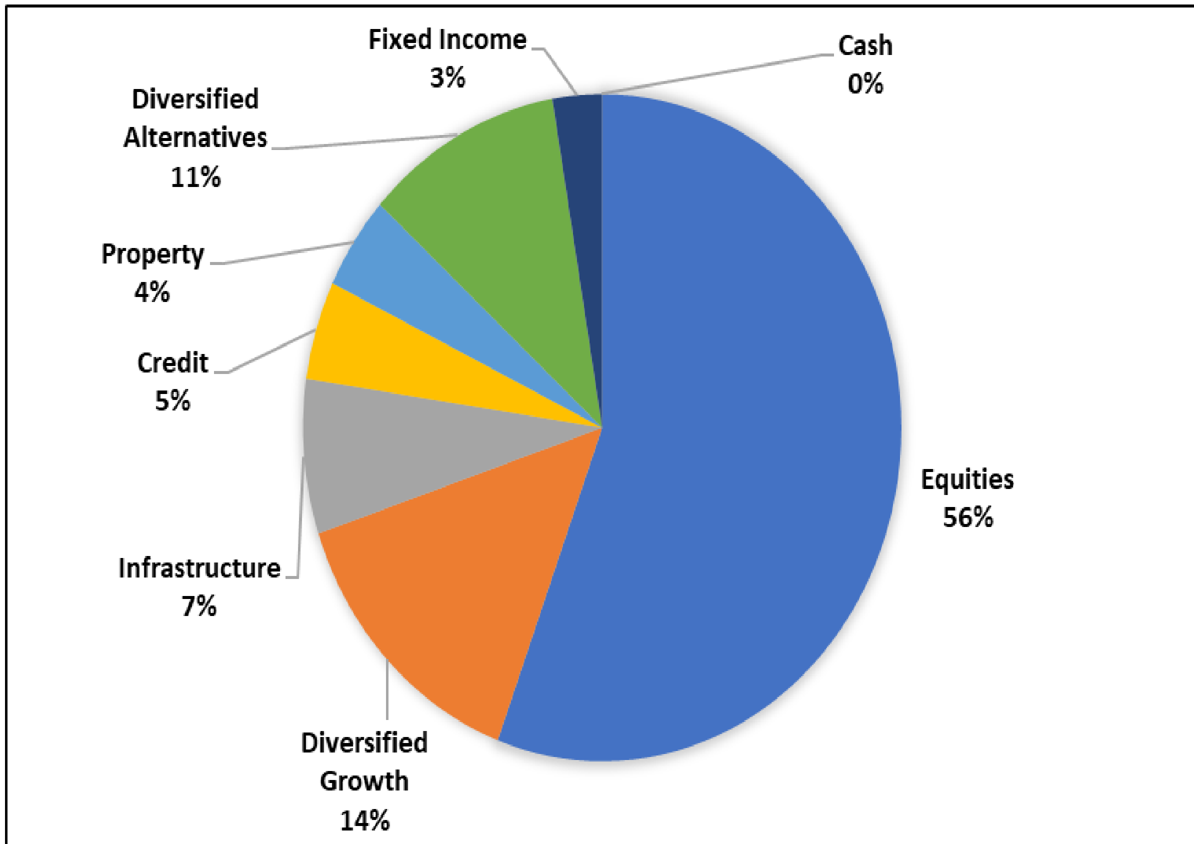
Over two years, (table 4), all mandates apart from passive bonds, are positive. Returns ranged from (5.1%) for UBS bonds to 26.6% for Passive Equities. Pyrford continue to struggle, underperforming its benchmarks but providing positive actual returns overall. Given the very poor performance of Baillie Gifford, Pyrford and Insight over one year, the two-year figures looks much better. Abrdn continue to performance well as a result of good returns from Private Equity and Newton have provided strong outperformance.

4. **Asset Allocations and Benchmark:** Table 5 outlines the Fund's asset allocation, asset value & benchmark at 31 March 2022.

4.1 **Table 5: Fund Asset Allocation and Benchmarks at 31 March 2022**

Fund Manager	Asset (%)	Market Values (£Ms)	Benchmark
Abrdn	10.7%	147.68	3 Mth LIBOR + 4% per annum
Baillie Gifford	21.1%	291.69	MSCI AC World Index
BlackRock	4.3%	59.68	AREF/ IPD All Balanced
Hermes GPE	7.5%	103.75	Target yield 5.9% per annum
Kempen	14.8%	204.31	MSCI World NDR Index
Newton	5.9%	81.94	One-month LIBOR +4% per annum
Pyrford	8.3%	114.40	UK RPI +5% per annum
Schroders	0.2%	3.13	AREF/ IPD All Balanced
Insight	4.8%	66.23	3 Mth LIBOR + 4% per annum
UBS Bonds	2.7%	36.81	FTSE UK Gilts All Stocks
UBS Equities	19.9%	274.91	FTSE AW Develop. (part hedged)
LCIV	0.0%	0.15	None
RREEF		0.05	
Cash	0.0%	0.07	One-month LIBOR
Fund Value	**100.0%**	**1,384.80**	
ST Loan		-24.15	
Prepayment		-20.00	
Net Fund Value		**1,340.65**	

4.2 The percentage split by asset class is graphically shown in the pie chart below.



4.3 The strategy is overweight equities, however equities are now nearer the middle of the range. Cash excludes the pre-payment and short-term borrowing from the council. The Fund is significantly below the exposure to Credit, but this will be reviewed during 2022.

The current position, compared to the strategic allocation, is in table 6 below:

Table 6: Strategic Asset Allocation

Asset Class	Current Position	Strategic Allocation Target	Variance	Range
Equities	55.7%	52%	3.7%	*50-60*
Diversified Growth	14.2%	16%	-1.8%	*14-18*
Infrastructure	7.5%	8%	-0.5%	*7-11*
Credit	4.8%	8%	-3.2%	*6-10*
Property	4.5%	5%	-0.5%	*4-7*
Diversified Alternatives	10.7%	9%	1.7%	*7-10*
Fixed Income	2.7%	4%	-1.3%	*3-5*
Cash	0.0%	0%	0.0%	*0-1*
Total Fund	100.0%	100.0%		

5. Fund Manager Performance

5.1 Kempen

Kempen	2022	2021				2020			One Year	Two Years	Since Start 6/2/13
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
£204.31	%	%	%	%	%	%	%	%	%	%	%
Actual Return	0.1	2.9	3.0	2.9	10.2	15.3	(3.2)	16.9	8.9	24.0	8.5
Benchmark	(2.4)	7.3	2.5	7.6	4.0	7.8	3.2	19.8	14.9	24.8	13.2
Difference	2.5	-4.4	0.5	(4.7)	6.2	7.5	(6.4)	(2.9)	(6.1)	(0.8)	(4.7)

Reason for appointment

Kempen were appointed as one of the Fund's global equity managers, specialising in investing in less risky, high dividend paying companies which will provide the Fund with significant income. Kempen holds approximately 100 stocks of roughly equal weighting, with the portfolio rebalanced on a quarterly basis. During market rallies Kempen are likely to lag the benchmark.

Performance Review

The strategy outperformed its benchmark by 2.5% for Q1 but has underperformed over one-year by 6.1%. Kempen provided an annual return of 24.0% over two years which was 0.8% below the benchmark. It has also underperformed its benchmark since inception by 4.7% but providing an annualised return of 8.5%.

Strategy Update

The strategy benefited from the strong performance of the dividend investment style but lagged the style benchmark due to some Russian exposure, an overweight to consumer cyclicals and stock selection within energy and financials.

When inflation is persistently higher than current market expectations, active management based on attractive valuation, cash generation and solid balance sheets should benefit the strategy. Kempen continue to engage with underlying companies from an ESG perspective and continue to improve the portfolio's carbon footprint in line with its 2030 target.

Top contributors to performance included Shell Plc, Equinor ASA and Kinder Morgan Inc, which all benefited from the increase in energy prices and the disruption over energy supplies from Russia.

Three stocks were directly impacted by suspension in Russia, including Lukoil, PhosAgro and Sevestal, with all three being valued at effectively zero. These positions were reported as part of the Q4 2021 performance report to Pensions Committee.

The strategy has a dividend yield of 4.4% compared to 2.0%for MSCI world. It is currently invested in 70 companies, including 22 industries and 20 different countries.

5.2 Baillie Gifford

Baillie Gifford	2022	2021				2020			One Year	Two Years	Since Start 6/2/13
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
£291.69	%	%	%	%	%	%	%	%	%	%	%
Actual Return	(12.4)	0.1	(0.6)	7.1	2.2	11.1	7.6	27.9	(5.8)	21.5	14.2
Benchmark	(2.5)	6.3	1.5	7.4	3.7	8.6	3.5	19.8	12.6	24.1	12.8
Difference	(9.9)	(6.2)	(2.0)	(0.3)	(1.5)	2.6	4.1	8.1	(18.4)	(2.6)	1.4

Reason for appointment

Baillie Gifford (BG) is a bottom-up, active investor, seeking to invest in companies that will enjoy sustainable competitive advantages in their industries and will grow earnings faster than the market average. BG's investment process aims to produce above average long-term performance by picking the best growth global stocks available by combining the specialised knowledge of BG's investment teams with the experience of their most senior investors. BG holds approx. 90-105 stocks.

Performance Review

For Q1 BG returned -12.4%, underperforming its benchmark by 9.9%. BG's one-year return was -5.8%, underperforming its benchmark by 18.4%. Since initial funding, the strategy has returned 14.2% p.a. outperforming its benchmark by 1.4%.

Positioning

As at end of March 2022, the Sub-fund maintained a significant regional allocation to North American equities at c. 58.3% followed by an exposure of 19.3% to European equities. At the sector level, the largest exposure was to consumer discretionary with 18.7% followed by information technology at 17.3% and financials at 15.1%. The largest positions at the stock level were Anthem at 3.5%, Microsoft at 3.1% and Alphabet at 3.0%.

Rolling 1 year turnover has modestly decreased to 12%. The two notable new purchases over the quarter were Adobe (software for the creation and production of digital content) and Analog Devices (a company that specialises in analogue semiconductors). The investment manager considers both companies to be high-quality enablers of the ongoing digital revolution. In terms of complete sales during the quarter the investment manager decided to fully exit the position in Zillow mainly due to the company's retreat from its iBuying experiment last year. The investment manager has also sold the positions in both Stericycle and Lyft, continuing the recent trend of moving on from more marginal investment cases and a modest concentration in the number of holdings.

Peer Analysis

The peer group is the Global All Cap Growth Equity. Over the shorter term (up to 5 years to end December 2021), the Sub-fund has not performed as well as it has historically and is in the bottom2 quartiles of its peer group. Over the longer term (10 years), the performance remains in the top 2 quarterlies and has outperformed the MSCI ACWI index over the 3-year period. This is coupled with low risk (tracking error) compared to other funds in the global all cap growth equity peer group.

5.3 UBS Equities

UBS Equities		2021				2020			One Year	Two Years	Since Start 31/08/12
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
£274.91	%	%	%	%	%	%	%	%	%	%	%
Actual Return	(4.0)	7.6	0.9	7.5	5.8	11.2	5.6	18.8	11.9	26.6	14.1
Benchmark	(4.0)	7.6	0.9	7.5	5.8	11.2	5.6	18.8	11.9	26.6	14.1
Difference	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Reason for appointment

UBS are the Fund's passive equity manager, helping reduce risk from underperforming equity managers and providing a cost-effective way of accessing the full range of developed market equity growth.

Performance

The fund returned -4.0% for Q1 and 11.9% over one year. Since funding in August 2012, the strategy has provided an annualised return of 14.1%.

Equities

Following the FTSE quarterly review in March, 46 stocks were added to and 27 stocks were deleted from the index, along with various changes in the shares in issue of the index constituents. Two-way turnover totalled 1.12%. Also, during the quarter but outside of the review, BHP completed the unification of its corporate structure. BHP Group Plc (GB) was deleted from the index following merger with BHP Group Ltd (AU). The weight of BHP Group Ltd increased as a result.

Risk assets were roiled by two shocks in the quarter: the substantial repricing of near-term central bank policy tightening sent interest rates higher and weighed on valuations, and Russia's invasion of Ukraine brought a new headwind for global activity, with acute downside risks for Europe in particular.

For the quarter, the MSCI World index fell 5.5%. Early in the year, the S&P 500 was the underperformer as investors divested from expensive and unprofitable companies. Weakness in the second half of the quarter was focused on Europe, which is more negatively impacted by the war and potential escalation. Chinese equities were also sold aggressively following the Russian invasion of Ukraine as investors mulled the potential that sanctions could apply to third parties that were judged to be aiding Russia, as well as the lingering regulatory overhang on its major internet platform companies. The S&P 500 fell 4.9% in the quarter, while the Euro Stoxx 50 declined 9.2% and the MSCI China index fell 13.8%. Japan's TOPIX gave back 4.1%. Excluding China, emerging market equities were resilient, falling 3.5%

as widespread risk aversion was somewhat offset by the positive terms of trade shock from higher commodity prices.

The highest weighted holdings were Apple Inc at 4.5%, Microsoft Corp at 3.9%, Amazon at 2.3% and Tesla at 1.5%.

5.4 UBS Bonds

UBS Bonds	2022	2021				2020			One Year	Two Years	Since Start 5/7/2013
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
£36.81	%	%	%	%	%	%	%	%	%	%	%
Actual Return	(7.2)	2.4	(1.8)	1.7	(7.2)	0.6	(1.2)	2.5	(4.9)	(5.1)	3.1
Benchmark	(7.2)	2.4	(1.8)	1.7	(7.2)	0.6	(1.2)	2.5	(4.9)	(5.1)	3.1
Difference	0.0	0.0	0.0	0.0	0.0	(0.0)	0.0	0.0	0.0	0.0	0.0

Reason for appointment

UBS were appointed as the Fund's passive bond manager to allow the Fund to hold a small allocation (4%) of UK fixed income government bonds. There is a link between the bond price and the Fund's liabilities and therefore the reduction in returns will have helped to reduce the Fund's liabilities.

Performance

The fund returned -7.2% for Q1, (4.9%) for one year and -5.1% for two-year return. Since inception the strategy has returned 3.1%.

Review - (Q4 2021)

In yield terms, 2-year nominal yields rose by 0.68% to 1.35% and 10 year nominal yields rose by 0.64% to 1.60%. The modified duration of the index is 11.51 years.

The Bank of England's Monetary Policy Committee decreased the policy rate to 0.75%. The UK Debt Management Office held five nominal bond auctions during the quarter across a range of maturities.

5.5 Schroders Indirect Real Estate (SIRE)

Reason for appointment: Schroders is a Fund of Fund manager appointed to manage a part of the Fund's property holdings. The mandate provides the Fund with exposure to 210 underlying funds, with a total exposure to 1,500 highly diversified UK commercial properties.

The strategy is currently being sold down, although the final sale will be in Q2 2022. The remaining distribution will be approximately 3.1m. This distribution will be used to increase the Fund's cash balance.

Performance and Investment Update

Overall, the remaining asset continues to perform reasonably well, providing a return of 4.8% for Q1. When the Schroders strategy is fully divested a summary of the performance of the strategy during disinvested will be provided to the Pension Committee.

5.7 BlackRock

BlackRock	2022	2021				2020			One	Two	Since Start
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Year	Years	1/1/2013
£59.68	%	%	%	%	%	%	%	%	%	%	%
Actual Return	6.8	6.7	4.3	2.9	2.1	2.5	0.5	(2.9)	20.7	11.4	1.9
Benchmark	5.6	7.5	4.5	3.8	2.2	2.1	0.2	(2.0)	21.4	12.0	4.9
Difference	1.2	(0.8)	(0.2)	(0.9)	(0.2)	0.4	0.3	(0.9)	(0.7)	(0.5)	(3.0)

Reason for appointment: In December 2012, a sizable portion of the Fund's holdings with Rreef were transferred to BlackRock (BR). The transfer to BR provides the Fund with access to a greater, more diversified range of property holdings within the UK.

Q2 2021 Performance and Investment Update

BR returned 6.8% for Q1 against a benchmark of 5.6%, returned 20.7% over one year against a benchmark of 21.4%. A further 16,100 units were purchased on 31 January, costing £769.040k at December 2021 NAV prices as part of increasing the allocation to BR.

During Q1 the Fund completed one disposal totalling £20.13m, with no acquisitions. The sale comprised the 50% share of Talbot Green Shopping Park, Llantrisant. The property comprises 146,500 sq ft of retail floorspace arranged across 20 units of varying sizes in South Wales, a regional market that suffers from an oversupply of retail warehousing. The tenant line up had significant exposure to mid-market fashion retailers, a group that has been disproportionally impacted by the well documented structural changes facing retail which were accelerated by the pandemic.

The repositioning of the retail portfolio is now largely complete with the residual retail exposure now core in nature and 78% within Greater London. The strategy to focus the retail portfolio towards Greater London is a deliberate lower risk approach, offering retail tenants access to a dense consumer market whilst being strongly underpinned by alternative use values.

BlackRock let 257,000 sq ft of space in Q1, reflecting £2.7m of annual income. The vacancy rate across the Fund is now 8.2% which compares favourably with the benchmark Q4 2021 vacancy level of 9.9%. Rent collection is strong, with Q4 collections at over 95% reflecting the core nature of the portfolio.

The objective of the strategy is to maintain consistent, adequate returns for the risks being taken throughout the cycle. The strong absolute returns have been achieved whilst maintaining a lower-than-average risk profile when considering the low vacancy rate, strong tenant credit and strongly diversified tenant and asset profiles. These

returns have been delivered with a low level of volatility with the Fund in the top quartile for risk adjusted returns (standard deviation) over the medium and long term.

Looking forward to 2022, BlackRock will maintain a focus on repositioning the office portfolio and building high quality, prime industrial with an aim to deliver strong absolute returns whilst maintaining a lower-than-average risk profile. Having rebased and repositioned the retail portfolio successfully, BlackRock are of the opinion that the Fund is well allocated for strong performance throughout the cycle by continuing to invest into real estate, which is core, relevant and resilient.

5.8 Hermes

Hermes	2022	2021				2020			One Year	Two Years	Since Start 9/11/2012
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
£103.75	%	%	%	%	%	%	%	%	%	%	%
Actual Return	10.5	- 0.9	2.2	(1.1)	0.6	(1.5)	0.0	0.9	10.7	5.4	8.1
Benchmark	1.5	1.4	1.4	1.4	1.5	1.4	1.4	1.4	5.7	5.8	5.9
Difference	9.0	(2.3)	0.7	(2.5)	(0.8)	(2.9)	(1.4)	(0.6)	4.9	(0.4)	2.2

Reason for appointment

Hermes were appointed as the Fund's infrastructure manager to diversify the Fund away from index linked fixed income. The investment is in the Hermes Infrastructure Fund I (HIF I) and has a five-year investment period which ended on 30th April 2020 and a base term of 18 years. In March 2015 Members agreed to increase the Fund's allocation to Hermes to 10%.

Performance

Hermes returned 10.5% in Q1 outperforming the benchmark by 9.0%. Over one year the strategy reported a one-year return of 10.7%, outperforming its benchmark by 4.9%. Since inception the strategy has provided a good, annualised return of 8.1%, outperforming its benchmark by 2.2%.

Portfolio review

Transaction activity

- Disposal of Braes of Doune (HIF I Core) - Sale of 50% interest in Braes of Doune completed in February 2021, realising a 7.9% IRR and 1.54x TVPI at a price representing 23% premium to June 2020 NAV

- Southern Water (HIF I VA) – Restructuring completed with over £1bn injected by Macquarie funds in order to recapitalise the company. Call option expected to be exercised in Q3 2022 (We have negotiated for HIF I to be excluded from this, positioning it to benefit from any recovery in value)

- Disposal of Anglian Water (HIF I Core) - EV/RCV multiple 1.39x, 14.2% premium to 30 June 2021 NAV, c. 10.2% gross IRR on realisation and a TVPI above 2.1x

- Viridor (HIF I & II and SAP VA) - debt refinancing, sale of non-core businesses & divestment of 20% equity interest in core business - operational Energy from

Waste ("EfW") portfolio. 11% increase in NAV, TVPI above 1.5x and 33.2% total annual return1 since 31 December 2020

- Merger of Eurostar and Thalys to form Greenspeed completed in April 2022

Return of capital
Return of £9.4m of capital to the Fund in April 2022. Further sale from Anglian Water expected to be distributed before the end of 2022.

5.9 Abrdn Asset Management

Abrdn	2022	2021				2020			One	Two	Since Start
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Year	Years	15/9/2014
£147.68	%	%	%	%	%	%	%	%	%	%	%
Actual Return	3.7	1.6	4.9	4.4	7.4	8.3	5.1	(0.6)	14.5	17.4	7.4
Benchmark	1.6	1.0	1.0	1.0	1.0	1.0	1.0	1.3	4.6	4.4	4.6
Difference	2.1	0.6	3.9	3.4	6.5	7.3	4.1	(1.9)	10.0	12.9	2.8

Reason for appointment

As part of the Fund's diversification from equities, Members agreed to tender for a Diversified Alternatives Mandate. Abrdn Asset Management (ASAM) were appointed to build and maintain a portfolio of Hedge Funds (HF) and Private Equity (PE). All positions held within the portfolio are hedged back to Sterling.

Since being appointed ASAM have built a portfolio of HFs and PEs, which offer a balanced return not dependent on traditional asset class returns. In the case of PE, the intention is to be able to extract an illiquidity premium over time. The allocation to PE, co-investments, infrastructure, private debt, and real assets will be opportunistic and subject to being able to access opportunities on appropriate terms.

Performance summary

The Portfolio had a further positive quarter, despite the challenging backdrop, posting a gain of around 3.7% (net of fees) over the three months to the end of March 2022. Abrdn saw very strong performance/contributions from a couple of managers. Frere Hall, a hedge fund which was added to the portfolio last May, was up over 30% in Q1 due principally to exposure to oil/gas oil. The second is private equity investment MML. Abrdn sold the position in MML last year and negotiated an earn out as part of the sale, specifically relating to MML's investment in a company called Waystone. MML completed its exit from Waystone.

Abrdn have built a portfolio of hedge funds, private equity funds and co-investments, which can offer a balanced return not wholly dependent on traditional asset class returns. In the case of private equity, the intention is to be able to extract an illiquidity premium over time. The allocation to private equity (and other less liquid opportunities such as infrastructure, private debt and real assets) will be opportunistic and subject to being able to access opportunities on appropriate terms.

The hedge funds selected for the Portfolio include a blend of

i) relative value strategies, intended to profit from price dislocations across fixed income and equity markets;
ii) macro strategies, which are intended to benefit significantly from global trends, whether these trends are up or down, across asset classes and geographies; and
iii) tail risk protection which is intended to offer significant returns at times of stress and more muted returns in normal market environments.

Outlook

Turning to hedge funds, the outlook for fundamentals-based stock-picking strategies is encouraging, in particular those with sizeable single stock short books. Market neutral and lower-net managers benefit from greater dispersion and a market environment in which company fundamentals drive stock prices. These managers can also offer invaluable capital preservation and positive absolute return prospects in a more volatile and lower/negative beta return environment. The market rout has created cleaner positioning and incrementally more attractive valuations. While managers are positioned cautiously, reducing gross leverage as volatility beneath the surface remains extreme and the macroeconomic backdrop uncertain, Abrdn know that many are keen to re-gross as soon as is practicable as they see exceptional opportunities to add positions on both the long & short sides.

Abrdn maintain a positive outlook for fixed income relative value strategies. The opportunity set for bond basis trading in G3 countries is notably improved and Abrdn expect it to improve further now that the Fed is hiking interest rates and moving towards active balance sheet reduction. In addition to the Fed, the BoE has already started a rate hike trajectory and is also discussing balance sheet reduction, and expectations are growing for a July ECB rate hike (seemingly confirmed by ECB members' speeches). Consistent with history, Abrdn would expect central bank action to be supportive of the opportunity set for fixed income RV funds as it creates more volatility around each point on the curve as well as higher flows through the various fixed income instruments as investors adjust positioning.

Abrdn' s outlook for discretionary macro remains positive. Abrdn continue to see inflation rhetoric and central bank thinking around interest rate policy being dominant themes in 2022. Abrdn believe that this backdrop should continue to be supportive and allow specialists to identify attractive directional and relative value opportunities, particularly in interest rates and currencies. Abrdn also expect both technical and fundamentally driven traders to benefit in this environment. Abrdn still expect emerging market managers to generate volatile performance as developed market macro factors such as inflation and central bank policies will have significant impacts on markets and asset prices. Though the opportunity set remains broad, Abrdn are cognizant of certain risks, such as managers being overly focused on crowded US rates trades leaving them vulnerable to changing market sentiment, like Abrdn saw last summer. While the market is now pricing in a number of interest rate hikes from the Fed this year in an attempt to tame inflation, aggressive tightening can undercut the economic recovery and possibly lead to a policy reversal. Thus, more tactical, nimble and less aggressive managers are likely to perform better in the environment, where data releases, speeches and policy announcements, especially around inflation, remain in focus.

In terms of private equity, the market has remained robust, both in terms of fund-raising and deal activity, and deal pricing remains competitive for high quality assets. However, the underlying managers within the LBBD portfolio have continued to deploy capital in a disciplined manner to acquire assets with the potential for future earnings growth. Abrdn have continued to see a number of exits announced across the portfolio, typically at meaningful uplifts to holding valuations. Abrdn continue to see an attractive opportunity set in private equity, with a strong pipeline across primary, co-investment and secondary opportunities.

5.10 Pyrford

Pyrford	2022	2021				2020			One	Two	Since Start
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Year	Years	28/9/2012
£114.40	%	%	%	%	%	%	%	%	%	%	%
Actual Return	1.5	1.3	0.3	1.1	0.9	3.1	(1.6)	6.2	4.2	6.4	3.5
Benchmark	3.1	4.0	2.7	3.6	1.7	1.6	1.8	1.3	13.3	9.8	7.6
Difference	(1.6)	(2.7)	(2.4)	(2.5)	(0.8)	1.6	(3.3)	4.9	(9.1)	(3.4)	(4.1)

Reason for appointment

Pyrford were appointed as the Fund's absolute return manager (AR) to diversify from equities. The manager's benchmark is to RPI, which means that the manager is likely to outperform the benchmark during significant market rallies. AR managers can be compared to equities, which have a similar return target. When compared to equities, absolute return will underperform when markets increase rapidly and tend to outperform equities during periods when markets fall.

Performance

Pyrford generated a return of 1.5% in Q1 underperforming its benchmark by 1.6%. Over one year it returned 4.2%, underperforming its benchmark of 13.3% (which reflects the surge in RPI since the early part of 2021), by 9.1%. Pyrford underperformed its benchmark by 4.1% since inception and has returned 3.5% p.a. Pyrford's benchmark is ambitious for its strategy, which is largely defensive. Compared to the Credit benchmark over 2 years of 4.2% and the Fund's bond return over two years of 2.6%, its return is reasonable and provides the Fund with protection.

The equity portfolio was the biggest source of profits. Pyrford's preference for defensive industries and inexpensive yield-paying companies paid dividends. Companies perceived to be geared to the risk of supply chain disruption or cost pressure lagged, but twenty stocks held gained more than 10% in Q1. The biggest contributors were Woodside Petroleum and Computershare of Australia, Singapore's United Overseas Bank and in the U.K., British American Tobacco and National Grid.

Holdings in U.K. Gilts, which accounted for more than 46% of the portfolio at the end of Q1, were a drag on returns. However, losses on these positions were offset by gains on overseas bonds which are held on an unhedged basis. The biggest contribution came from bonds denominated in Australian Dollars. The currency rallied in the expectation that Australia will be a beneficiary of Russia's isolation.

Exposure to unhedged investments in stocks and bonds denominated in foreign currencies accounts for 25% of the portfolio. Hedges used to protect the strategy from movements in U.S. and Canadian Dollars and Swiss Franc cost about 0.5% in Q1.

Pyrford applies their strategy methodically and consistently. The LCIV Global Total Return Fund remains defensively positioned. The investment manager does not believe that valuations of bonds and equities have improved enough to warrant a reallocation of capital to riskier assets. The margin of underperformance relative to the target benchmark is substantial. It is important for the investment manager to move quickly and decisively when they see opportunities to deploy capital at attractive rates of return.

5.11 Newton

Newton	2022	2021				2020			One	Two	Since Start
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Year	Years	31/8/2012
£82.60m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	(4.4)	3.7	(0.1)	2.4	1.1	5.6	3.5	8.0	1.6	9.9	4.1
Benchmark	0.8	1.0	1.0	1.0	1.0	1.0	1.0	1.1	3.8	3.9	4.4
Difference	(5.2)	2.7	(1.1)	1.4	0.1	4.6	2.5	6.9	(2.2)	5.9	(0.3)

Reason for appointment

Newton was appointed to act as a diversifier from equities. The manager has a fixed benchmark of one-month LIBOR plus 4%. AR managers have a similar return compared to equity but are likely to underperform equity when markets increase rapidly and outperform equity when markets suffer a sharp fall.

Performance

Newton generated a return of -4.4% in Q1, underperforming its benchmark by 5.2%. Over one year the strategy has returned 1.6%, outperforming its benchmark by 2.2%. Newton's performance since inception is 4.1%. The allocation to equities had been reduced late in 2021 but this segment of the fund accounted for 4% of the loss, including synthetic exposure created through futures and options. Relatively highly valued growth stocks, and companies perceived to be exposed to the risk of disruption in their supply chains, performed poorly. An additional 0.2% was lost through high yield corporate debt.

More capital was allocated to alternative assets and this segment generated 1.1% of profits. The main contributors were renewable energy generators, a credit fund focused on life sciences and an exchange traded instrument linked to the price of oil.

The stabilising layer underperformed, losing 1.4%. Most of the loss came from government bonds and interest rate derivatives. Newton bought bonds and allowed duration to increase early in 2022 as a hedge against downside risk. This did not work as planned, as interest rates continued to increase in response to the deteriorating outlook for inflation. Global government bonds underperformed global equities Q1. Derivatives used to protect the fund from losses on equity investments cost 0.1%. Newton uses short and long dated put options on major stock indices but did not monetise all of the gains on these positions, electing instead to retain the protection rather than establish new contracts.

Overall

The reduction in equity risk within the fund, and the shift to a more defensive stance within that segment, helped contain losses. Alternative investments have continued to perform well, but the reintroduction of government bonds to the fund was poorly timed, and the protective layer of the portfolio did not perform as intended in a volatile environment. Newton has reduced risk further, both by reducing the allocation to stocks and adjusting the composition of the equity portfolio. The pattern of returns is in line with expectations based on the positioning of the fund and the investment manager's investment process.

5.12 Insight (Mellon Corporation / Standish)

Insight	2022	2021				2020			One	Two	Since Start
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Year	Years	20/8/2013
£66.23	%	%	%	%	%	%	%	%	%	%	%
Actual Return	(2.6)	- 0.7	0.0	0.2	(0.1)	2.2	1.5	4.7	(3.1)	2.6	0.6
Benchmark	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.3	4.0	4.2	5.0
Difference	(3.6)	-1.7	(1.0)	(0.8)	(1.1)	1.2	0.4	3.4	(7.1)	(1.6)	(4.4)

Reason for appointment

Insight were appointed to achieve a 6% total return from income and capital growth by investing in a globally diversified multi-sector portfolio of transferable fixed income securities including corporate bonds, agency and governments debt. The return target was later reduced to 4.4%.

Performance

In Q1, the Fund returned (2.6%) against a benchmark return of 1.0%. Over one year the strategy has underperformed its benchmark of 4.0% by 7.1%, providing a return of (3.1%). Since funding in August 2013, Mellon Corporation has only provided an annual return of 0.6%.

The vast majority of the period's underperformance can be attributed to the fund's overweight to developed market duration.

In rates space, the fund benefitted from a significant underweight in US duration as strong inflation as hawkish Fed rhetoric pressured yields higher. The fund's underweight to the front end of the US yield curve was particularly positive as the curve flattened aggressively.

Unfortunately, this was more than offset by the impact of overweights in European, Australian and local emerging markets. In aggregate, active rates positioning was a large drag on relative performance as yields pushed higher across the globe.

Spread sectors were another driver of underperformance as the fund suffered from its overweight allocation to corporate credit and other risk assets. Spread product rallied strongly in March but was nevertheless materially wider on the quarter.

Active FX positioning made no contribution to relative performance as risk in this space remained notably low. With most spread sectors under pressure in Q4 and fixed income selling off globally, cash was one of the best performing assets over the period.

5.13 Currency Hedging

No new currency hedging positions were placed in Q2 2021.

6. Consultation

6.1 Council's Fund monitoring arrangements involve continuous dialogue and consultation between finance staff, external fund managers and external advisers. The Chief Operating Officer and the Fund's Chair have been informed of the approach, data and commentary in this report.

7. Financial Implications

Implications completed by: Philip Gregory, Chief Financial Officer

7.1 The Council's Fund is a statutory requirement to provide a defined benefit pension to scheme members. Investment decisions are taken based on a long-term investment strategy. The investment performance has a significant impact on the General Fund. Pensions and other benefits are statutorily calculated and are guaranteed. Any shortfall in the assets of the Fund compared to the potential benefits must be met by an employer's contribution.

7.2 This report updates the Committee on developments within the Investment Strategy and on scheme administration issues and provides an overview of the performance of the Fund during the period.

8. Legal Implications

Implications completed by: Dr. Paul Feild, Senior Governance Solicitor

8.1 The Council operates the Local Government Pension Scheme which provides death and retirement benefits for all eligible employees of the Council and organisations which have admitted body status. There is a legal duty fiduciary to administer such funds soundly according to best principles balancing return on investment against risk and creating risk to call on the general fund in the event of deficits. With the

returns of investments in Government Stock (Gilts) being very low they cannot be the primary investment. Therefore, to ensure an ability to meet the liability to pay beneficiaries the Fund is actively managed to seek out the best investments. These investments are carried out by fund managers as set out in the report working with the Council's Officers and Members.

8.2 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 are the primary regulations that set out the investment framework for the Fund. These regulations are themselves amended from time to time. The Regulations are made under sections 1(1) and 3(1) to (4) of, and Schedule 3 to, the Public Service Pensions Act 2013. They set out the arrangements which apply to the management and investment of funds arising in relation to a Fund maintained under the Local Government Pension Scheme.

9. Other Implications

9.1 **Risk Management** - Investment decisions are taken based on a long-term investment strategy. Investments are diversified over several investment vehicles (equities – UK and overseas, bonds, property, infrastructure, global credit and cash) and Fund Managers to spread risk.

Performance is under constant review, with this focused on how the Fund has performed over the past three months, one year and three years.

Background Papers Used in the Preparation of the Report:

- Northern Trust Quarterly Q2 2021 Report; and
- Fund Manager Q2 2021 Reports.

List of appendices:

Appendix 1 - Fund Asset and Liability Values 31 March 2013 to 31 May 2022
Appendix 2 - Definitions
Appendix 3 - Roles and Responsibilities