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Merton Council

Pensions Committee Agenda

Membership

Councillors:

Laxmi Attawar (Chair)
John Braithwaite (Vice-Chair)
Billy Christie

Co-opted members:

Emma Price (Pensioner Rep)
Marzena Zborowska-Huggett (Staff Reg-GMB)
Asad Mushtaq (LBM)
Roger Kershaw (LBM)
Nemashe Sivayogan (LBM)

Date: Thursday 30 November 2023

Time: 5.00 pm

**Venue: Committee rooms B & C - Merton Civic Centre, London Road,
Morden SM4 5DX**

This is a public meeting and attendance by the public is encouraged and welcomed.
For more information about the agenda please contact
Merton.PensionFund@merton.gov.uk or telephone [020 8545 3458](tel:02085453458).

All Press contacts: communications@merton.gov.uk, 020 8545 3181

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Pensions Committee Agenda

30 November 2023

1	Apologies for absence	
2	Declarations of pecuniary interest	
3	Minutes of the previous meeting	1 - 2
4	Quarterly Performance Review	3 - 14
5	AOB	
6	Future meeting dates - 20 th March 2024	
7	Exclusion of the public To RESOLVE that the public are excluded from the meeting during consideration of the following report(s) on the grounds that it is (they are) exempt from disclosure for the reasons stated in the report(s).	
8	Minutes of the previous meeting (exempt)	15 - 16
9	Quarterly Fund & Investment Managers Review (July-Sept 2023)	17 - 32
10	Merton Pension Fund - Climate Report	33 - 56
11	Merton Pension Fund Administration Performance - September 2023	57 - 60

Note on declarations of interest

Members are advised to declare any Disclosable Pecuniary Interest in any matter to be considered at the meeting. If a pecuniary interest is declared they should withdraw from the meeting room during the whole of the consideration of that matter and must not participate in any vote on that matter. For further advice please speak with the Managing Director, South London Legal Partnership.

Merton Pensions Committee

Minutes of the meeting held on

Part 1

12 October 2023

Attendance:

Cllr Laxmi Attawar (Chair)

Cllr John Braithwaite (Vice Chair)

Cllr Billy Christie

Roger Kershaw (LBM)

Nemashe Sivayogan (LBM)

Apologies

Emma Price (Pensioner Rep)

Staff Rep (GMB)

External attendees:

External Auditors (Ernst & Young) – Elizabeth Jackson

Investment Consultant - Hymans Robertson

1.0 MEETING (Part 1)

- 1.1 Introduction made by Chair.
- 1.2 Members Declaration of Interest – None.
- 1.3 There is currently no GMB Union rep.

2. Minutes of Last Meeting Held (Part 1) – 29 June 2023

- 2.1 Agreed as a true record.

3. Audit planning 202-2023 – Ernst & Young

- 3.1 EJ stated there is a very large audit backlog from 21/22 and radical measures are needed.
- 3.2 The council audit has been put on hold and the pensions audit will commence in November 2023.
- 3.3 EJ gave a brief run through of the audit plan.

4. Quarterly Fund Performance Review (Apr-June 2023)

- 4.1 RK presented the Q2 2023 Fund performance report and informed the Committee that over the 3 months to 30 June 2023, total Fund assets returned 1.1% compared to the benchmark of 2.5%. This equates to an underperformance of 1.4%.

- 4.2 The Fund's total market value decreased by £6.3m over the quarter, from £870.5m to £864.2m.
- 4.3 Over the last 12 months, the Fund performance was 4.6%, and 3-year annualised performance was 4.5%. The annual Actuarial performance target is 4.2%.
- 4.4 From an asset class perspective: - Most of the equity mandates showed a positive return as did all private credit funds. The diversified growth funds detracted from overall performance.
- 4.5 The Allspring RMF contributed positively as GBP strengthened relative to currencies hedged (USD, EUR and YEN), increasing the value of the contracts held.

4. AOB

None.

Committee:
Merton Pension Committee
Merton Pension Board

Date: 30 November 2023
Date: 28 November 2023

Wards: All

**Subject: Merton Pension Fund Performance –
Quarter ending September 2023**

Lead Officer: Roger Kershaw – Assistant Director – Finance and Digital

Lead Member: Councillor Billy Christie - Cabinet Member - Corporate Services

Contact Officer: Nemashe Sivayogan – Head of Treasury and Pensions

This is a Public Document

RECOMMENDATION

Members are asked to note the content of this report, in particular, the market values and performance of the total Fund and component portfolios for the quarter ending 30 September 2023, attribution of the results and the market environment during the period.

1.0 PURPOSE OF REPORT

- 1.1 To report the investment performance at total Fund level, and of the individual fund managers, for the quarter ending 30 September 2023. The report highlights the performance of the total Fund by asset class compared to the customised benchmark for the quarter, one year and since inception.
- 1.2 The report gives the Committee a consistent basis on which to review the performance of the Fund as at 30 September 2023. The report provides information to support future actions including periodic rebalancing and review of investment strategy and investment management arrangement.

2.0 FUND PERFORMANCE

- 2.1 The attached Fund Analysis & Performance Report (**Appendix 1**) produced by the Fund's investment and performance consultants Hymans Robertson provides useful analysis and insights of the Pension Fund activities and results for the quarter ending 30 September 2023.

The following table shows the total Fund valuation as at 30 September 2023.

VALUATION SUMMARY

Mandate	Valuation (£m)		Actual Proportion	Benchmark	Relative
	Q2 23	Q3 23			
LCIV RBC Sustainable Equity Fund	84.2	61.0	7.2%	7.0%	0.2%
LCIV Baillie Gifford Global Alpha Growth Paris Aligned Fund	77.1	57.6	6.8%	7.0%	-0.2%
BlackRock World Low Carbon Equity Tracker	109.9	65.2	7.7%	7.0%	0.7%
BlackRock ACS World Multifactor ESG Equity Tracker Fund	0.0	50.4	6.0%	7.0%	-1.0%
Global Equities	271.2	234.1	27.7%	28.0%	-0.3%
UBS GEM HALO	46.6	34.6	4.1%	5.0%	-0.9%
LCIV JP Morgan Emerging Market Equity Fund	34.1	33.5	4.0%	5.0%	-1.0%
Emerging Market Equities	80.7	68.1	8.0%	10.0%	-2.0%
LCIV Ruffer Absolute Return Fund	57.6	57.2	6.8%	5.0%	1.8%
LCIV Baillie Gifford Diversified Growth Fund	11.3	0.0	0.0%	0.0%	0.0%
Diversified Growth	69.0	57.2	6.8%	5.0%	1.8%
UBS Triton Property Fund	16.8	16.6	2.0%	2.5%	-0.5%
BlackRock UK Property Fund	7.3	7.2	0.8%	2.5%	-1.7%
Property	24.1	23.8	2.8%	5.0%	-2.2%
Henley Secure Income Property Fund II	42.4	46.3	5.5%	5.0%	0.5%
Social Impact	42.4	46.3	5.5%	5.0%	0.5%
MIRA Infrastructure Global Solutions II L.P Fund	20.9	20.7	2.4%	2.0%	0.4%
Quinbrook Low Carbon Power LP Fund	11.3	9.6	1.1%	1.5%	-0.4%
Quinbrook Net Zero Power Fund	16.4	17.1	2.0%	3.0%	-1.0%
JP Morgan Infrastructure Fund	62.8	63.7	7.5%	5.0%	2.5%
Infrastructure	111.4	111.1	13.1%	11.5%	1.6%
Pemira Credit Solutions IV Fund	26.3	26.3	3.1%	2.5%	0.6%
Pemira Credit Solutions V Fund	6.2	6.8	0.8%	2.0%	-1.2%
Churchill Middle Market Senior Loan II Fund	18.7	18.0	2.1%	2.0%	0.1%
Private Credit	61.3	51.2	6.0%	6.5%	-0.5%
Allspring RMF Fund	68.3	60.9	7.2%	10.0%	-2.8%
Allspring Climate Transition Buy and Maintain Fund	0.0	95.6	11.3%	10.0%	1.3%
Risk Management Framework	68.3	156.5	18.5%	20.0%	-1.5%
LCIV CQS/PIMCO MAC Fund	74.7	75.4	8.9%	9.0%	-0.1%
Multi Asset Credit	74.7	75.4	8.9%	9.0%	-0.1%
Cash	71.1	22.6	2.7%	0.0%	2.7%
Total Fund	864.2	846.2	100.0%	100.0%	

At the time of writing, latest quarterly information in respect of mandates held with MIRA, Quinbrook, Pemira and Churchill are unavailable. We have lagged reporting by 3 months, therefore the valuations shown are as at Q2 2023 respectively. The FX rate used is lagged and at each of these dates also.

- 2.2 The Fund's total market value decreased by £18m over the quarter, from £864.2 to £846.2m.
- 2.3 Over the 3 months to 30 September 2023, total Fund assets returned -1.0% compared to the benchmark of 0.0%. This equates to an underperformance of -1.0%.
- 2.4 Over the last 12 months, the Fund performance was 6.1% (benchmark 10.9%) and 3 year annualised performance was 2.9% (benchmark 5.8%). These again underperformed the benchmark.
- 2.5 The annual Actuarial performance target is 4.2%.

PERFORMANCE summary 30 September 2023

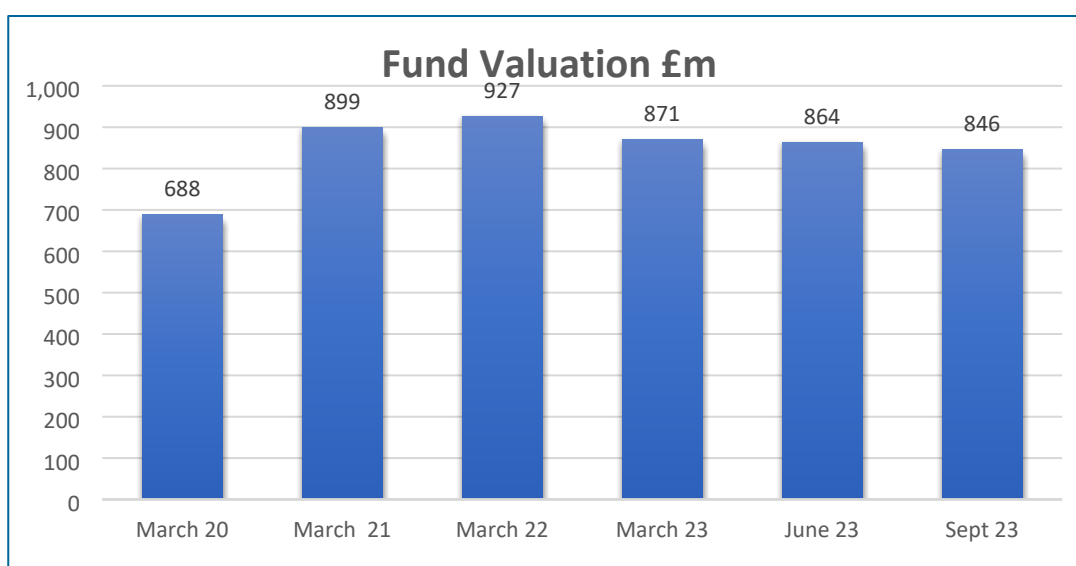
Mandate	Last 3 Months (%)			Last 12 Months (%)			Last 3 Years (% p.a.)			Since Inception (% p.a.)		
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
LCIV RBC Sustainable Equity Fund	-1.0	0.6	-1.5	-1.4	12.6	-12.5	3.7	11.3	-6.8	7.2	8.5	-1.2
LCIV Baillie Gifford Global Alpha Growth Paris Aligned Fund	-4.3	0.7	-5.0	4.5	11.8	-6.6	-	-	-	-4.0	4.8	-8.4
BlackRock World Low Carbon Equity Tracker	0.7	0.7	0.0	9.5	9.1	0.4	9.5	9.2	0.3	11.6	11.3	0.3
BlackRock ACS World Multifactor ESG Equity Tracker Fund	1.4	1.4	-0.0	-	-	-	-	-	-	1.4	1.4	-0.0
Global Equities												
UBS GEM HALO	0.7	1.1	-0.4	-1.7	2.1	-3.7	-4.1	0.1	-4.2	2.1	3.0	-0.9
LCIV JP Morgan Emerging Market Equity Fund	-1.7	1.1	-2.8	0.6	3.4	-2.7	-0.2	1.4	-1.6	1.9	1.5	0.4
Emerging Market Equities												
LCIV Ruffer Absolute Return Fund	-0.8	2.0	-2.7	-3.7	7.2	-10.2	-	-	-	2.0	4.8	-2.7
Diversified Growth												
UBS Triton Property Fund	-0.9	-0.4	-0.5	-14.0	-14.3	0.4	3.6	3.2	0.4	0.8	0.6	0.2
BlackRock UK Property Fund	-0.8	-0.4	-0.4	-15.1	-14.3	-0.9	1.9	3.2	-1.2	0.9	1.3	-0.4
Property												
Henley Secure Income Property Fund II	-0.5	1.5	-2.0	-1.6	6.1	-7.3	-	-	-	-2.7	5.9	-8.1
Social Impact												
MIRA Infrastructure Global Solutions II L.P Fund	1.7	1.8	-0.1	6.3	7.4	-1.0	7.2	7.4	-0.1	5.6	6.0	-0.4
Quinbrook Low Carbon Power LP Fund	-2.7	1.8	-4.4	-0.6	7.4	-7.5	6.4	7.4	-0.9	5.1	6.8	-1.5
Quinbrook Net Zero Power Fund	1.4	1.5	-0.1	-	-	-	-	-	-	1.3	6.0	-4.5
JP Morgan Infrastructure Fund	2.6	2.5	0.1	16.2	10.4	5.3	9.9	10.4	-0.5	8.1	9.7	-1.5
Infrastructure												
Permira Credit Solutions IV Fund	1.9	1.7	0.2	7.4	7.0	0.4	6.6	7.0	-0.4	4.9	5.6	-0.7
Permira Credit Solutions V Fund	1.6	1.7	-0.1	-	-	-	-	-	-	5.5	4.8	0.7
Churchill Middle Market Senior Loan II Fund	2.7	1.7	1.0	9.0	7.0	1.9	4.6	7.0	-2.3	4.7	6.2	-1.3
Private Credit												
Allspring RMF Fund	-11.6	-11.6	0.0	40.7	40.7	0.0	-12.4	-12.4	0.0	-6.6	-6.6	0.0
Allspring Climate Transition Buy and Maintain Fund	0.6	0.6	0.0	-	-	-	-	-	-	0.6	0.6	0.0
Risk Management Framework												
LCIV CQS / PIMCO MAC Fund	1.1	2.4	-1.3	9.5	8.7	0.7	2.7	6.1	-3.2	2.0	5.2	-3.1
Multi Asset Credit												
Cash	-	-	-	-	-	-	-	-	-	-	-	-
Total Fund	-1.0	-0.0	-1.0	6.1	10.9	-4.3	2.9	5.8	-2.7	5.3	5.3	0.1

Note: Performance figures for MIRA, Quinbrook LCP & NZPF, Permira IV & V and Churchill are lagged by 3-months due to lack of manager information at the time of writing (see comment on left). As such, the performance shown is reflective of Q2 2023.

2.4 From an asset class perspective:

- Nearly all asset classes detracted from overall performance. With any positive contributions being negligible.

The chart below shows the Funds's net asset movement for the past 4 ½ years.



3.0 Market Background/Outlook

- 3.1 As the year headed into Q3 2023, the macroeconomic outlook for the remainder of the year has improved but remained uncertain. While the first half of the year saw a decrease in investor confidence due to US banking crisis, we have observed a tendency in economic momentum shifting towards the US market. Since its economic performance has been relatively strong, GDP estimates have increased globally, more than offsetting a significant lower revision in China's growth outlook and a loss of stimulus in Europe.
- 3.2 In the UK's landscape, headline inflation is still high, however, we anticipate that it will gradually decline back toward the target during the second half of 2024. Although there was no base rate hike from BoE in September, it might take a few months until it feels more at ease with the peak rate of 5.25% before lowering the rates for the first time since 2020.
- 3.3 More market background information and LGPS updates can be found in the Hymans Quarterly performance report – Appendix 1

4. OTHER ISSUES AFFECTING THE FUND

- 4.1 None

5. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 5.1 All relevant implications are included in the report.

6. LEGAL AND STATUTORY IMPLICATIONS

- 6.1 All relevant implications are included in the report.

7. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 7.1 N/A

8. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 8.1 Risk management is an integral part of designing the investment portfolio of the fund.

9. BACKGROUND PAPERS

- 9.1 Hymans Robertson LLP – quarterly performance report.

London Borough of Merton Pension Fund

Q3 2023 Investment Monitoring Report

Nick Jellema – Senior Investment Consultant
Jamie McLaughlan – Associate Investment Consultant

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Executive Summary

The Fund's assets returned -1.0% during the third quarter of 2023. To provide context, we have assessed total returns against a composite benchmark - a weighted average of the underlying manager benchmarks. Against this comparator, the Fund was behind the benchmark by 1.0% (top left chart). We have also shown performance against the Fund's actuarial target (top right chart), on the 3-year measure the Fund has underperformed with relative returns of -1.6% p.a.

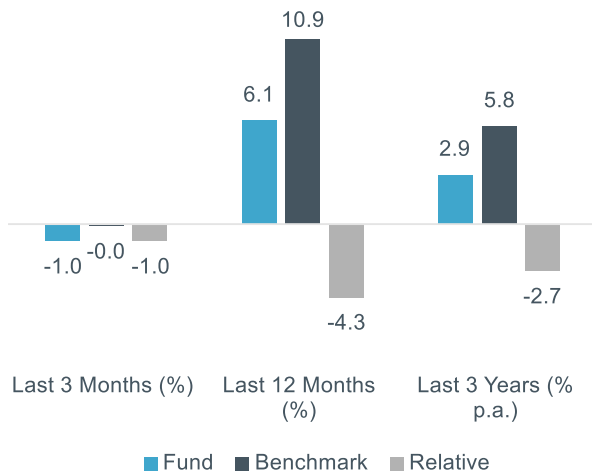
Overall, the Fund's assets decreased by £18.0m from £864.2m to £846.2m.

Global growth continued to defy prior downside expectations in Q3, but survey data suggested that activity weakened towards the end of the quarter. Though headline inflation generally fell, core inflation remained persistently above central bank targets. Global equity markets lost ground in Q3 and long-term sovereign bond yields rose, as markets anticipated a longer period of tighter central bank policy. Despite the weakening growth outlook, oil prices rose sharply on fears of a global supply shortfall.

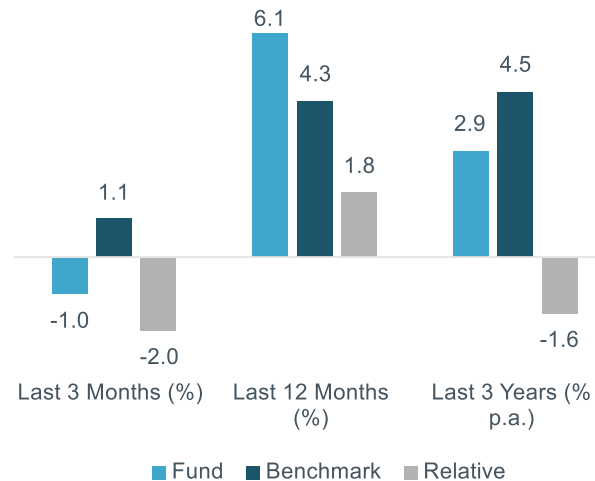
From an asset class perspective:

- Private and Multi-Asset Credit contributed positively to returns
- Diversified growth, property and social impact contributed negatively to returns
- Global and EM equities and Infrastructure had mixed returns

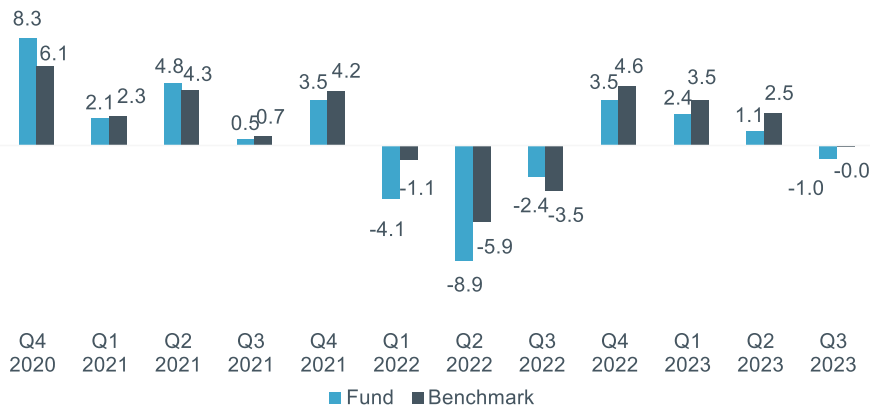
Fund performance vs benchmark/target



Fund performance vs actuarial target



Relative quarterly performance vs benchmark/target



Asset Allocation

Following the 2022 strategy review the agreed long-term target allocation for the Fund is as follows:

- Global equities: 28.0%
- Emerging market equities: 5.0%
- Diversified growth fund: 5.0%
- Property: 5.0%
- Private credit: 6.5%
- Infrastructure: 11.5%
- Social Impact: 5.0%
- Multi-asset credit: 9.0%
- Risk management framework: 25.0%

A number of key transitions toward the new long-term target allocation have been completed. A 5% reduction to Emerging Market equities and 5% increase to RMF remains.

Commitments to social impact, infrastructure and private credit investments continued to be drawn down over time.

The Global equity allocation was trimmed during the period by £84m, helping bring all funds inline with their strategic target allocations. The LCIV Baillie Gifford Diversified Growth Fund was fully exited from during the period, redeeming a further £11m.

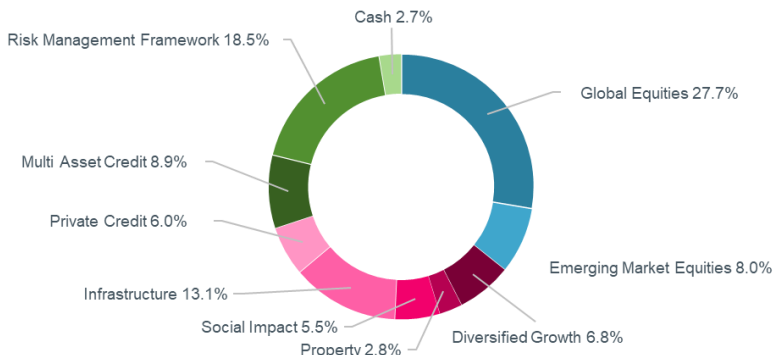
The £95m generated from these sales was then used to seed the Allspring CT Buy & Maintain Fund during the period.

From an investment perspective we fully support of the recent transitions helping move the Fund toward its new strategic target allocations.

Mandate	Valuation (£m)		Actual Proportion	Benchmark	Relative
	Q2 23	Q3 23			
LCIV RBC Sustainable Equity Fund	84.2	61.0	7.2%	7.0%	0.2%
LCIV Baillie Gifford Global Alpha Growth Paris Aligned Fund	77.1	57.6	6.8%	7.0%	-0.2%
BlackRock World Low Carbon Equity Tracker	109.9	65.2	7.7%	7.0%	0.7%
BlackRock ACS World Multifactor ESG Equity Tracker Fund	0.0	50.4	6.0%	7.0%	-1.0%
Global Equities	271.2	234.1	27.7%	28.0%	-0.3%
UBS GEM HALO	46.6	34.6	4.1%	5.0%	-0.9%
LCIV JP Morgan Emerging Market Equity Fund	34.1	33.5	4.0%	5.0%	-1.0%
Emerging Market Equities	80.7	68.1	8.0%	10.0%	-2.0%
LCIV Ruffer Absolute Return Fund	57.6	57.2	6.8%	5.0%	1.8%
LCIV Baillie Gifford Diversified Growth Fund	11.3	0.0	0.0%	0.0%	0.0%
Diversified Growth	69.0	57.2	6.8%	5.0%	1.8%
UBS Triton Property Fund	16.8	16.6	2.0%	2.5%	-0.5%
BlackRock UK Property Fund	7.3	7.2	0.8%	2.5%	-1.7%
Property	24.1	23.8	2.8%	5.0%	-2.2%
Henley Secure Income Property Fund II	42.4	46.3	5.5%	5.0%	0.5%
Social Impact	42.4	46.3	5.5%	5.0%	0.5%
MIRA Infrastructure Global Solutions II L.P Fund	20.9	20.7	2.4%	2.0%	0.4%
Quinbrook Low Carbon Power LP Fund	11.3	9.6	1.1%	1.5%	-0.4%
Quinbrook Net Zero Power Fund	16.4	17.1	2.0%	3.0%	-1.0%
JP Morgan Infrastructure Fund	62.8	63.7	7.5%	5.0%	2.5%
Infrastructure	111.4	111.1	13.1%	11.5%	1.6%
Permira Credit Solutions IV Fund	26.3	26.3	3.1%	2.5%	0.6%
Permira Credit Solutions V Fund	6.2	6.8	0.8%	2.0%	-1.2%
Churchill Middle Market Senior Loan II Fund	18.7	18.0	2.1%	2.0%	0.1%
Private Credit	51.3	51.2	6.0%	6.5%	-0.5%
Allspring RMF Fund	68.3	60.9	7.2%	10.0%	-2.8%
Allspring Climate Transition Buy and Maintain Fund	0.0	95.6	11.3%	10.0%	1.3%
Risk Management Framework	68.3	156.5	18.5%	20.0%	-1.5%
LCIV CQS / PIMCO MAC Fund	74.7	75.4	8.9%	9.0%	-0.1%
Multi Asset Credit	74.7	75.4	8.9%	9.0%	-0.1%
Cash	71.1	22.6	2.7%	0.0%	2.7%
Total Fund	864.2	846.2	100.0%	100.0%	

At the time of writing, latest quarterly information in respect of mandates held with MIRA, Quinbrook, Permira and Churchill are unavailable. We have lagged reporting by 3 months, therefore the valuations shown are as at Q2 2023 respectively. The FX rate used is lagged and at each of these dates also.

Asset class exposures



Manager performance

The Fund recorded an absolute return of -1.0% over Q3, underperforming its aggregate benchmark by 1.0%.

Over longer time periods shown, the Fund has recorded positive absolute returns, but failed to match its benchmarks over 12 month and 3-year time periods.

Of the developed equity mandates, both passive tracking BlackRock funds recorded positive returns.

Diversified growth, property and social impact all detracted from overall performance.

Of the Fund's Infrastructure assets, all posted positive returns except for Quinbrook LCP.

All private credit funds contributed positively as credit spreads on speculative debt tightened. LCIV MAC Fund also contributed positively.

The Allspring RMF contributed negatively as gilt yields rose during the period despite currency contracts gaining.

At time of writing, MIRA, Quinbrook LCP & NZPF, Permira IV & V and Churchill reporting information was unavailable. For performance reporting purposes we have lagged performance and valuations shown within our report by 3 months. We expect, given the illiquid nature of these mandates, this will be a regular occurrence.

Mandate	Last 3 Months (%)			Last 12 Months (%)			Last 3 Years (% p.a.)			Since Inception (% p.a.)		
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
LCIV RBC Sustainable Equity Fund	-1.0	0.6	-1.5	-1.4	12.6	-12.5	3.7	11.3	-6.8	7.2	8.5	-1.2
LCIV Baillie Gifford Global Alpha Growth Paris Aligned Fund	-4.3	0.7	-5.0	4.5	11.8	-6.6	-	-	-	-4.0	4.8	-8.4
BlackRock World Low Carbon Equity Tracker	0.7	0.7	0.0	9.5	9.1	0.4	9.5	9.2	0.3	11.6	11.3	0.3
BlackRock ACS World Multifactor ESG Equity Tracker Fund	1.4	1.4	-0.0	-	-	-	-	-	-	1.4	1.4	-0.0
Global Equities												
UBS GEM HALO	0.7	1.1	-0.4	-1.7	2.1	-3.7	-4.1	0.1	-4.2	2.1	3.0	-0.9
LCIV JP Morgan Emerging Market Equity Fund	-1.7	1.1	-2.8	0.6	3.4	-2.7	-0.2	1.4	-1.6	1.9	1.5	0.4
Emerging Market Equities												
LCIV Ruffer Absolute Return Fund	-0.8	2.0	-2.7	-3.7	7.2	-10.2	-	-	-	2.0	4.8	-2.7
Diversified Growth												
UBS Triton Property Fund	-0.9	-0.4	-0.5	-14.0	-14.3	0.4	3.6	3.2	0.4	0.8	0.6	0.2
BlackRock UK Property Fund	-0.8	-0.4	-0.4	-15.1	-14.3	-0.9	1.9	3.2	-1.2	0.9	1.3	-0.4
Property												
Henley Secure Income Property Fund II	-0.5	1.5	-2.0	-1.6	6.1	-7.3	-	-	-	-2.7	5.9	-8.1
Social Impact												
MIRA Infrastructure Global Solutions II L.P Fund	1.7	1.8	-0.1	6.3	7.4	-1.0	7.2	7.4	-0.1	5.6	6.0	-0.4
Quinbrook Low Carbon Power LP Fund	-2.7	1.8	-4.4	-0.6	7.4	-7.5	6.4	7.4	-0.9	5.1	6.8	-1.5
Quinbrook Net Zero Power Fund	1.4	1.5	-0.1	-	-	-	-	-	-	1.3	6.0	-4.5
JP Morgan Infrastructure Fund	2.6	2.5	0.1	16.2	10.4	5.3	9.9	10.4	-0.5	8.1	9.7	-1.5
Infrastructure												
Permira Credit Solutions IV Fund	1.9	1.7	0.2	7.4	7.0	0.4	6.6	7.0	-0.4	4.9	5.6	-0.7
Permira Credit Solutions V Fund	1.6	1.7	-0.1	-	-	-	-	-	-	5.5	4.8	0.7
Churchill Middle Market Senior Loan II Fund	2.7	1.7	1.0	9.0	7.0	1.9	4.6	7.0	-2.3	4.7	6.2	-1.3
Private Credit												
Allspring RMF Fund	-11.6	-11.6	0.0	40.7	40.7	0.0	-12.4	-12.4	0.0	-6.6	-6.6	0.0
Allspring Climate Transition Buy and Maintain Fund	0.6	0.6	0.0	-	-	-	-	-	-	0.6	0.6	0.0
Risk Management Framework												
LCIV CQS / PIMCO MAC Fund	1.1	2.4	-1.3	9.5	8.7	0.7	2.7	6.1	-3.2	2.0	5.2	-3.1
Multi Asset Credit												
Cash	-	-	-	-	-	-	-	-	-	-	-	-
Total Fund	-1.0	-0.0	-1.0	6.1	10.9	-4.3	2.9	5.8	-2.7	5.3	5.3	0.1

Note: Performance figures for MIRA, Quinbrook LCP & NZPF, Permira IV & V and Churchill are lagged by 3-months due to lack of manager information at the time of writing (see comment on left). As such, the performance shown is reflective of Q2 2023.

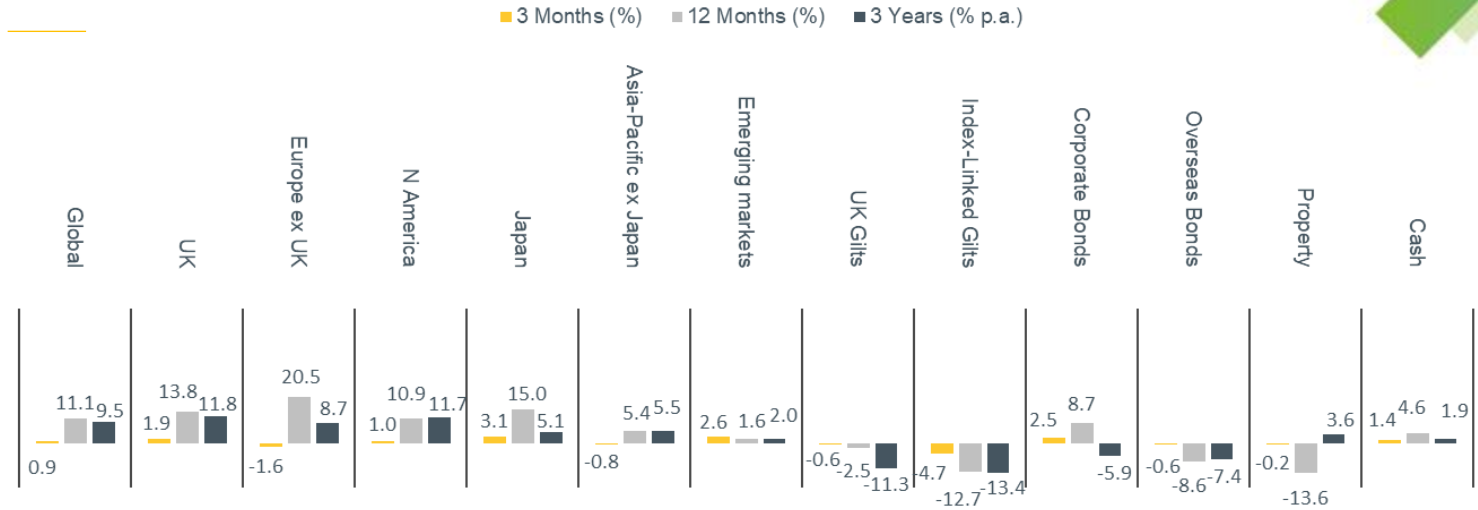
Better-than-expected Q2 data, released in Q3, led to further upwards revisions to 2023 global growth forecasts in Q3. However, survey indicators suggest that economic activity weakened throughout Q3, as services activity lost steam and the manufacturing sector remained in contraction. Europe looks a particular weak spot.

Headline inflation has generally stayed on a downwards trend, and came in at 3.7%, 6.7%, and 4.3% year on year in the US, UK, and eurozone, respectively. Core CPI inflation, which excludes volatile energy and food prices, has been falling more slowly, coming in at 4.3%, 6.2%, and 5.3%, in the US, UK and eurozone, respectively.

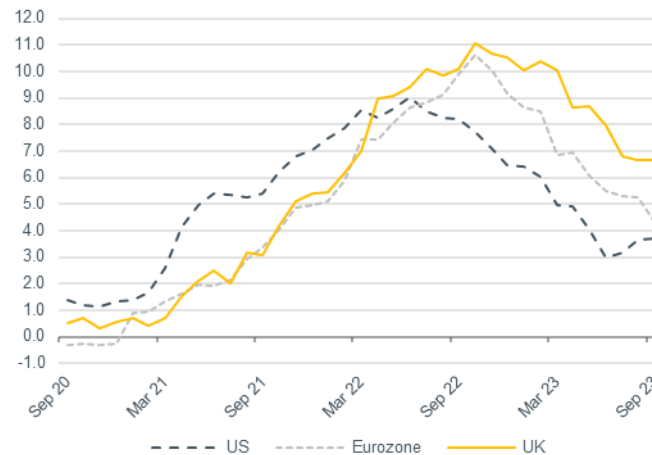
The Federal Reserve and Bank of England (BoE) raised rates 0.25% pa in Q3, to 5.5% pa and 5.25% pa. Both then left rates unchanged, unexpectedly so in the case of The BoE, at their September meetings. Meanwhile, the European Central Bank raised its deposit rate twice, to 4.0% p.a. The tone of central bank comments and market pricing suggest that policy rates are at, or close to peaking, but subsequent cuts will be more gradual than previously thought.

As a result, long-term sovereign bond yields rose. Heavy issuance amplified moves in 10-year US treasury yields which rose 0.7% pa to 4.6% pa. Equivalent German yields rose 0.5% p.a., to 2.8% p.a. Japanese government bond yields rose 0.4% pa, to 0.8% pa, as the Bank of Japan (BoJ) loosened its yield curve control policy in July. Short-term gilt yields fell, while longer-term yields rose – the 10-year yield saw more muted moves, rising 0.1% pa to 4.4% pa.

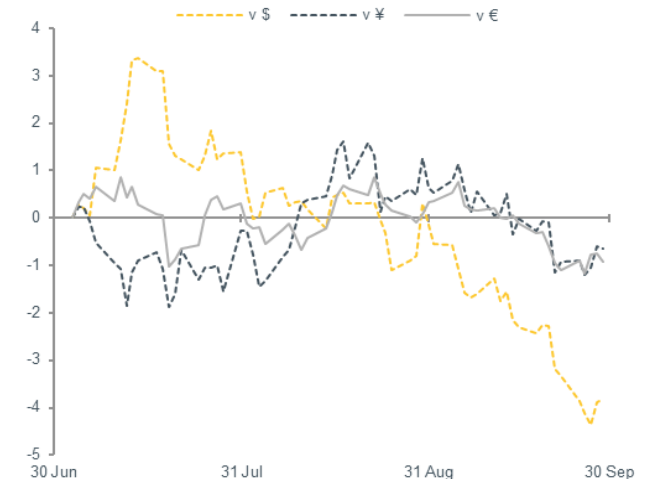
Historic returns for world markets [1]



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, ICE BofA Global Government Index, MSCI UK Monthly Property; UK Interbank 7 Day

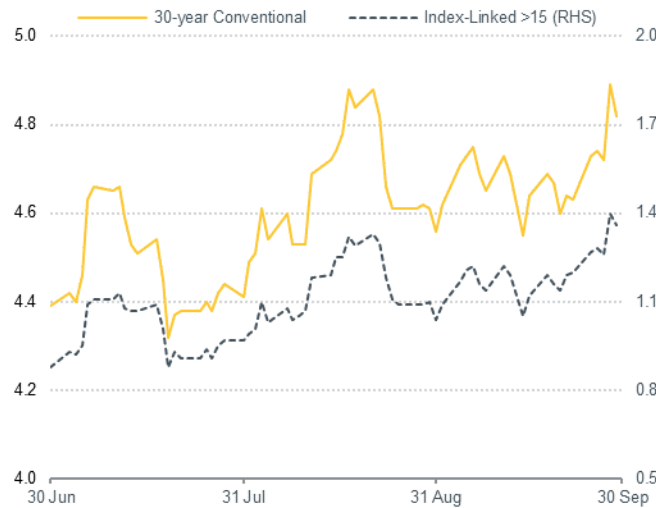
UK investment grade credit recorded positive total returns as short-term gilts yields and credit spreads fell. Global investment-grade spreads fell 0.1% pa to 1.3% pa. Speculative grade spread movements were muted with the US little changed, at 4.0% pa, and euro spreads tightening 0.1% to 4.4%.

The FTSE All World Total Return Index erased July's gains to end the quarter 2.2% lower, in local currency terms, as sovereign bond yields rose, and surveys indicated weaker global economic activity in Q3. Europe ex-UK underperformed, given weak business surveys and a large exposure to the struggling manufacturing sector. Above-average exposure to the tech sector saw North American equities also underperform. Japan outperformed as yen weakness lent support to the earnings of the export-heavy market. UK equities outperformed too, given above-average exposure to the energy sector.

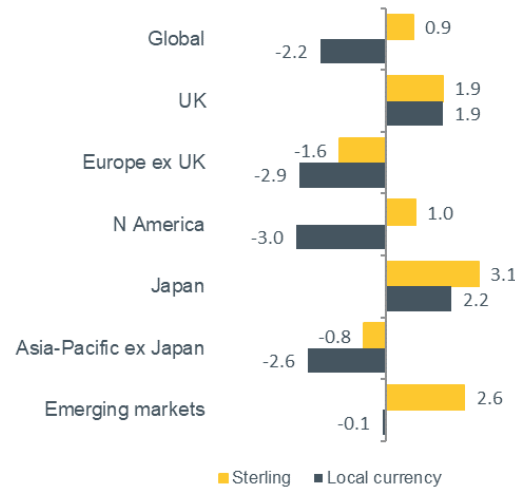
Oil prices rose 28% over the quarter on the back of supply shortfall fears, climbing close to \$100 per barrel. On a year-over-year basis, oil prices are up 8.1%. Trade-weighted sterling fell 2.1% as near-term interest rate expectations fell, while the equivalent US dollar measure rose 2.0% and the Japanese yen fell a further 1.7%.

The MSCI UK Monthly Property Total Return Index returned -0.2% over the quarter as capital value declines in the office and retail sectors more than offset income. Over 12-months, capital values are down around 14%, 20%, and 23% in the retail, industrial, and office sectors, respectively. The office and retail sectors continue to see month-on-month capital value declines, while the industrial sector has recorded seven consecutive months of growth, though the pace has eased.

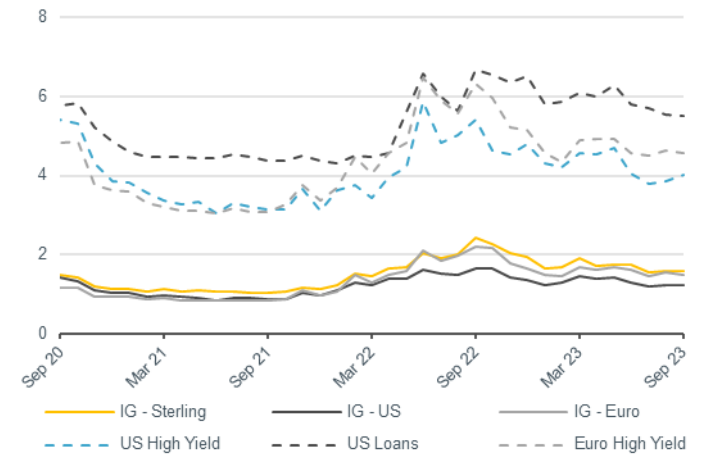
Gilt yields chart (% p.a.)



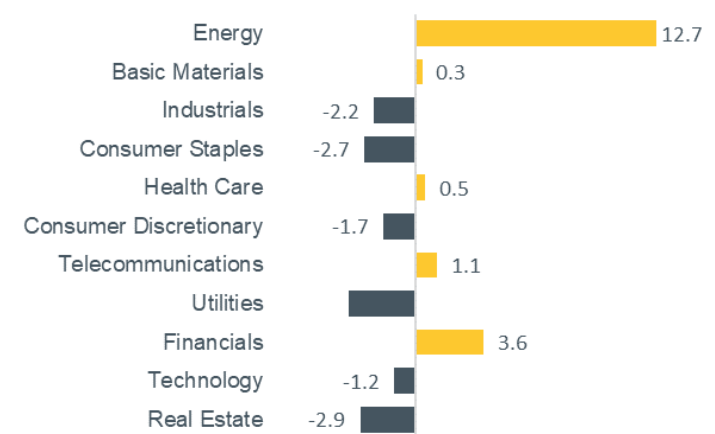
Regional equity returns [1]



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



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.

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.

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Geometric v arithmetic performance

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

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

Some industry practitioners use the simpler arithmetic method as follows:

$$\text{Fund Performance} - \text{Benchmark Performance}$$

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.

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