

Analysis of Investment Performance for the Quarter to 30th June 2018

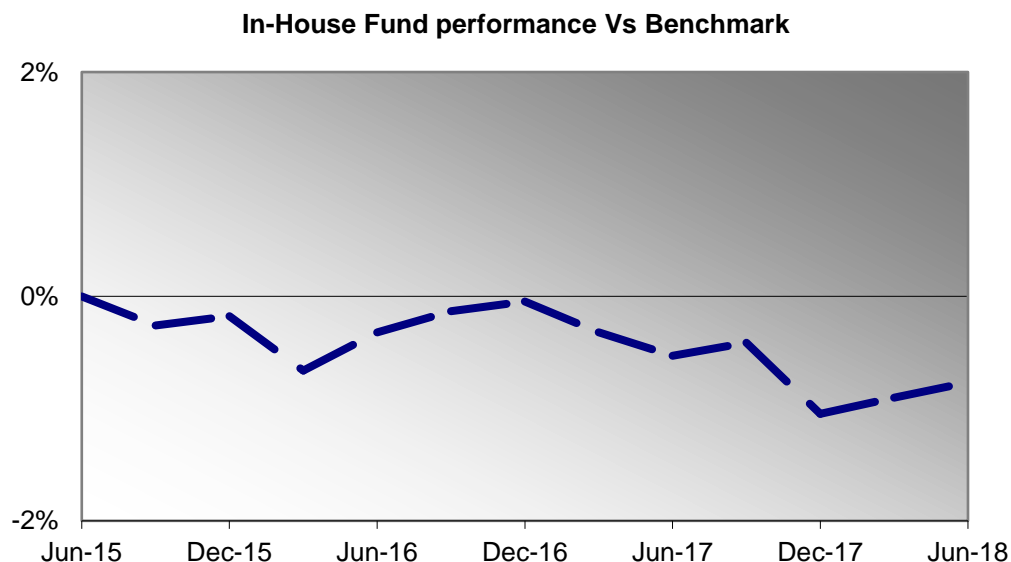
1. Somerset County Council (Global Equity)

1.1 The performance for the quarter to 30th June 2018 is summarised in the following table:

Quarter to 30 June 2018				
Value as at 30 June £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
522.1	Global equities	8.1	8.0	+0.1
2.9	Cash			
525.0	Total	8.1	8.0	+0.1

1.2 The in-house fund outperformed the benchmark for the quarter.

1.3 Absolute returns for the quarter were strongly negative.



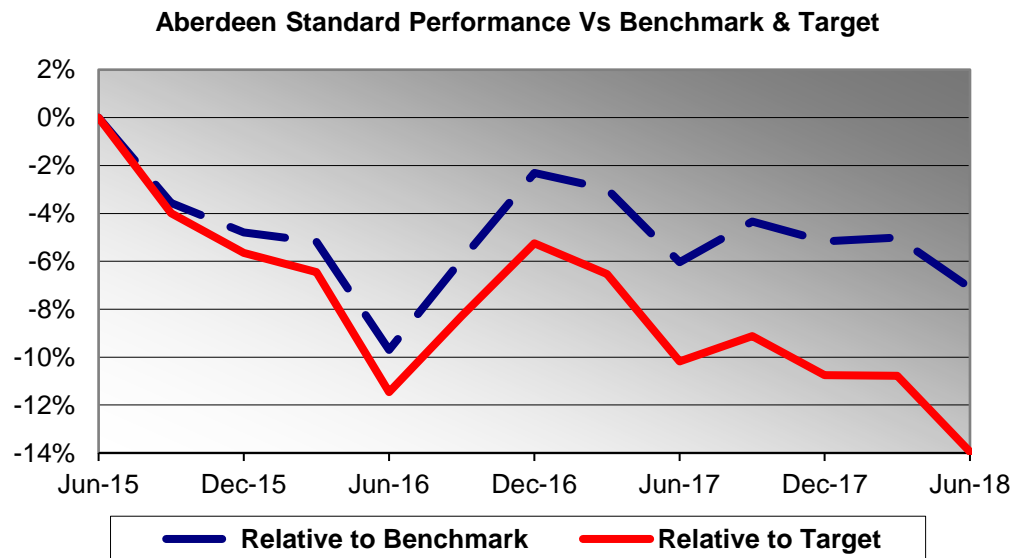
2. Aberdeen Standard Investments (UK Equities)

2.1 The performance for the quarter to 30th June 2018 is summarised in the following table:

Quarter to 30 June 2018				
Value as at 30 June £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
493.1	UK	7.9	9.2	-1.3
4.6	Cash			
497.7	Total	7.8	9.2	-1.4

2.2 Aberdeen Standard had a poor quarter relative to their benchmark. Absolute returns were strongly negative. Overweight positions in Mining and Life Assurance were responsible for the underperformance.

2.3 Aberdeen Standard's target is to outperform the benchmark by an annualised return of 1.75% over continuous three-year periods after their fees have been deducted.



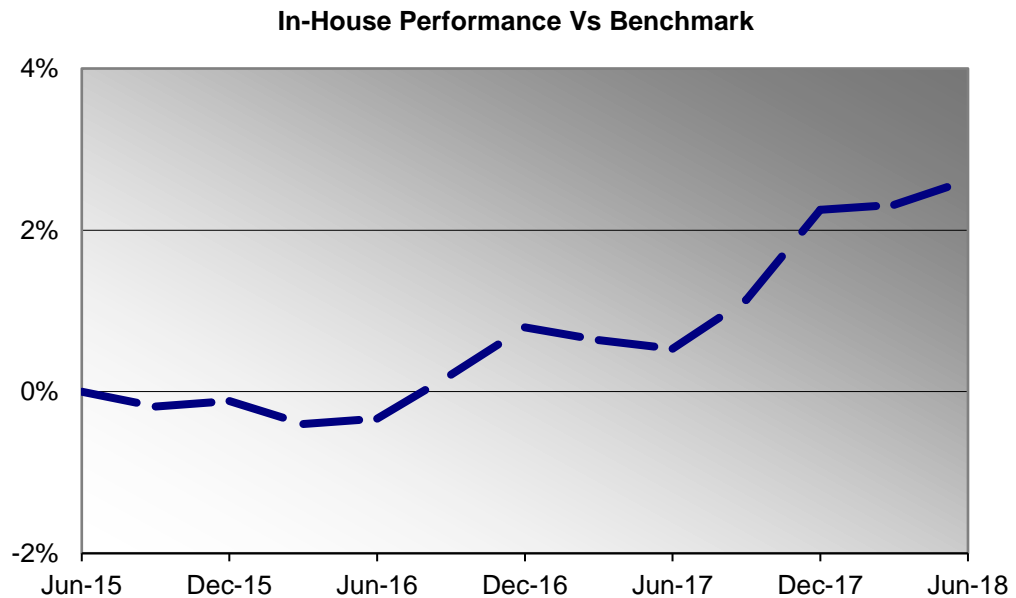
3. Somerset County Council (North American Equities)

3.1 The performance for the quarter to 30th June 2018 is summarised in the following table:

Quarter to 30 June 2018				
Value as at 30 June £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
109.1	North America	9.9	9.9	+0.0
0.0	Cash			
109.1	Total	9.9	9.9	+0.0

3.2 The in-house fund's performance was in line with the benchmark for the quarter.

3.3 Absolute levels of performance during the quarter were strongly positive.



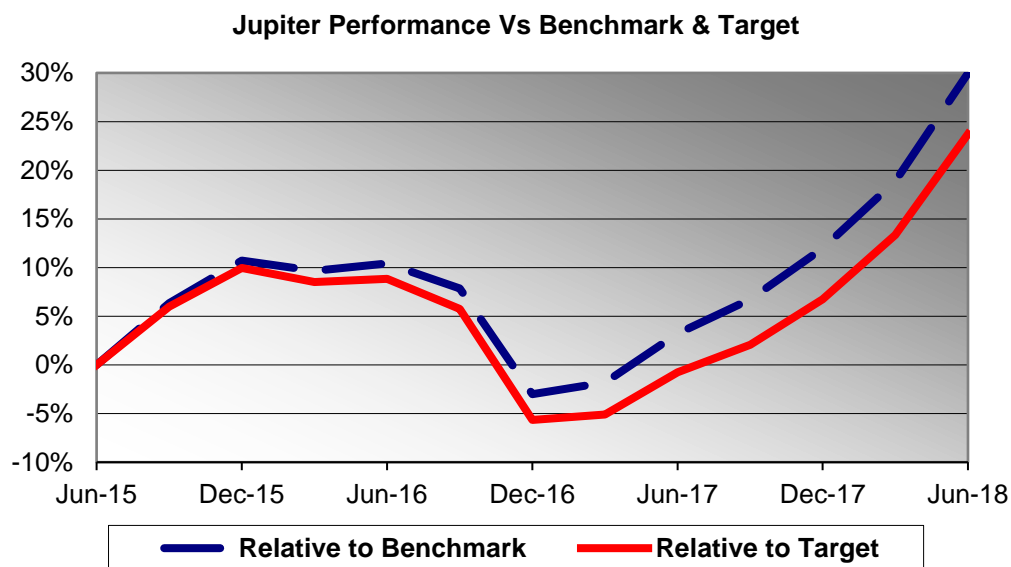
4. Jupiter (Continental European Equities)

4.1 The performance for the quarter to 30th June 2018 is summarised in the following table:

Quarter to 30 June 2018				
Value as at 30 June £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
155.2	Europe	11.1	3.4	+7.7
3.1	Cash			
158.3	Total	10.2	3.4	+6.8

4.2 Jupiter had a good quarter relative to the benchmark, with outperformance of 6.8%. Absolute performance was strongly positive. Performance relative to benchmark continues to be very volatile from one month to the next.

4.3 Jupiter's target is to outperform the benchmark by an annualised return of 1.5% over continuous three-year periods after their fees have been deducted.



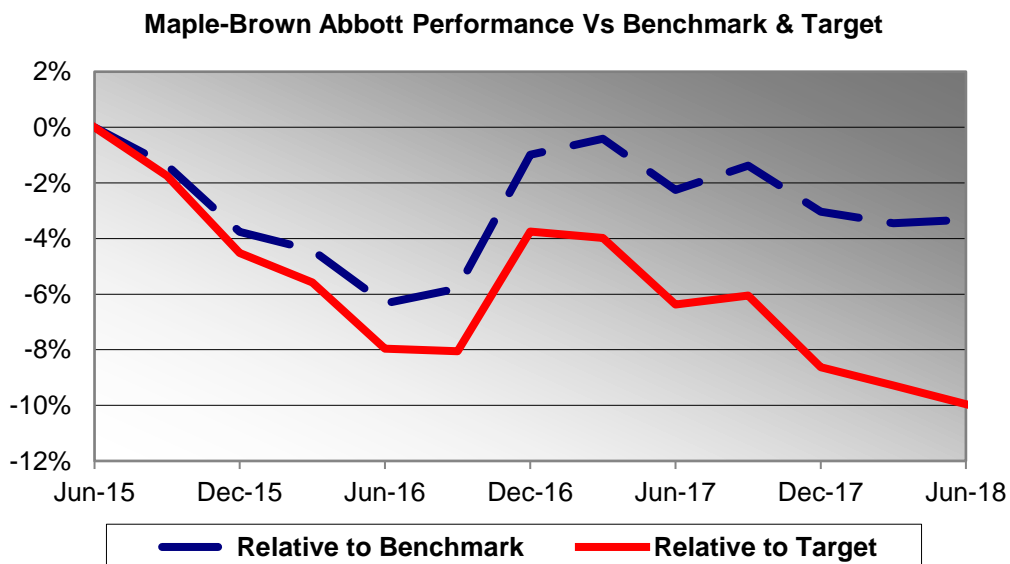
5. Maple-Brown Abbott (Far-East Equities ex-Japan)

5.1 The performance for the quarter to 30th June 2018 is summarised in the following table:

Quarter to 30 June 2018			
Value as at 30 June £m		Fund for quarter %	Performance Benchmark for quarter % Relative to Benchmark %
62.8	Pacific (ex Japan)	4.7	4.4 +0.3
0.7	Cash		
63.5	Total	4.6	4.4 +0.2

5.2 Maple-Brown Abbott had a good quarter relative to their benchmark. Absolute returns were positive. The outperformance was due to good stock selection in Singapore.

5.3 Maple-Brown Abbott's target is to outperform the benchmark by an annualised return of 1.5% over continuous three-year periods after their fees have been deducted.



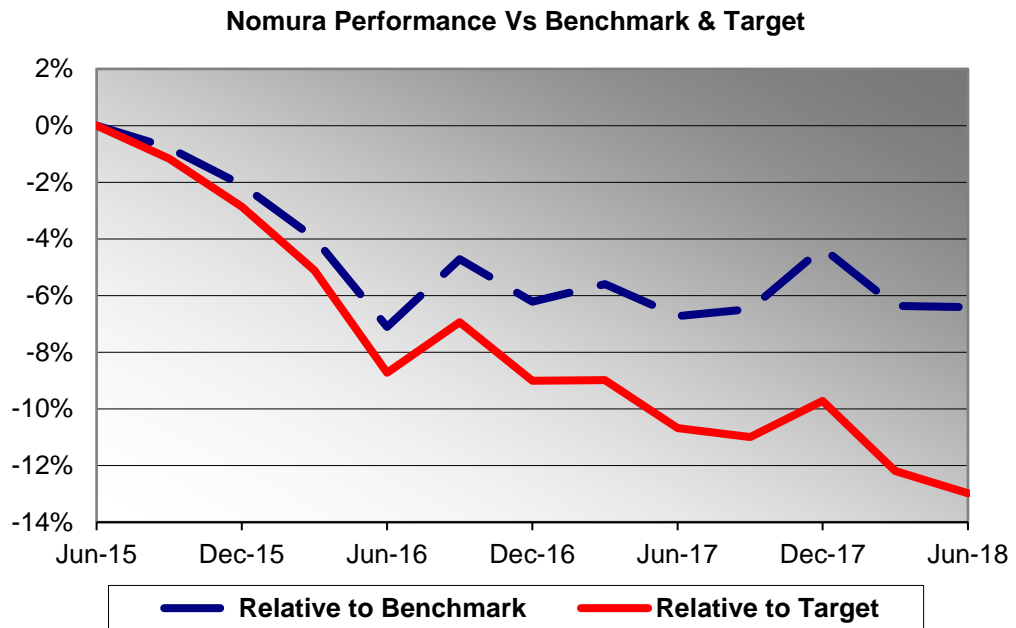
6. Nomura (Japanese Equity)

6.1 The performance for the quarter to 30th June 2018 is summarised in the following table:

Quarter to 30 June 2018			
Value as at 30 June £m	Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
67.5 Japan	3.2	3.1	+0.1

6.2 Absolute performance was positive. Relative performance was broadly flat. There were no particularly significant areas of contribution to performance.

6.3 Nomura's target is to outperform the benchmark by an annualised return of 1.5% over continuous three-year periods after their fees have been deducted.



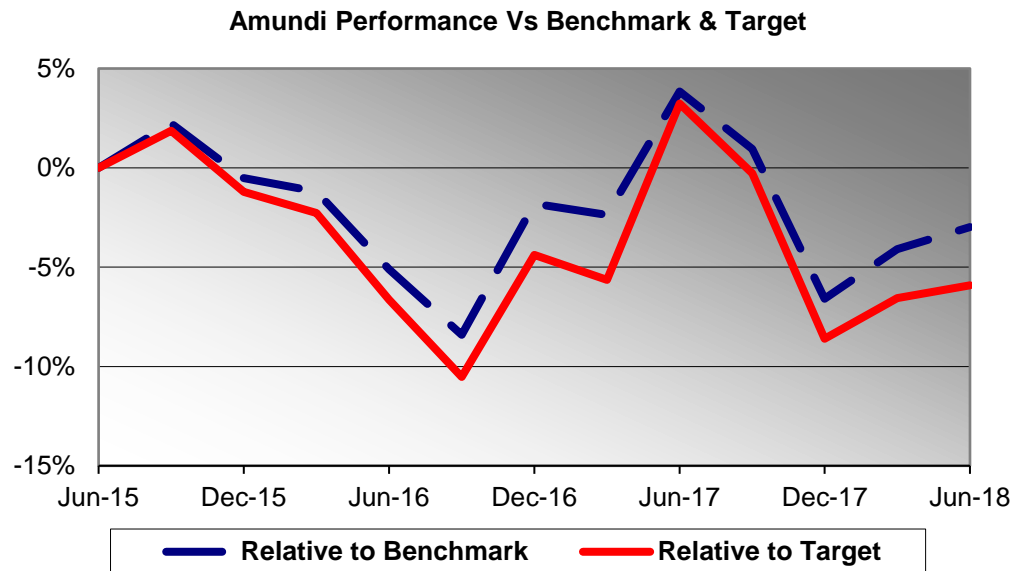
7. Amundi (Emerging Market Equity)

7.1 The performance for the quarter to 30th June 2018 is summarised in the following table:

Quarter to 30 June 2018				
Value as at 30 June £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
94.6	Emerging Market	-1.5	-2.2	+0.7

7.2 Relative performance for the quarter was good, absolute returns were negative. Stock selection in Brazil significantly contributed to the outperformance.

7.3 Amundi's target is to outperform the benchmark by an annualised return of 1.5% over continuous three-year periods after their fees have been deducted.



8. Aberdeen Standard Investments (Fixed Interest)

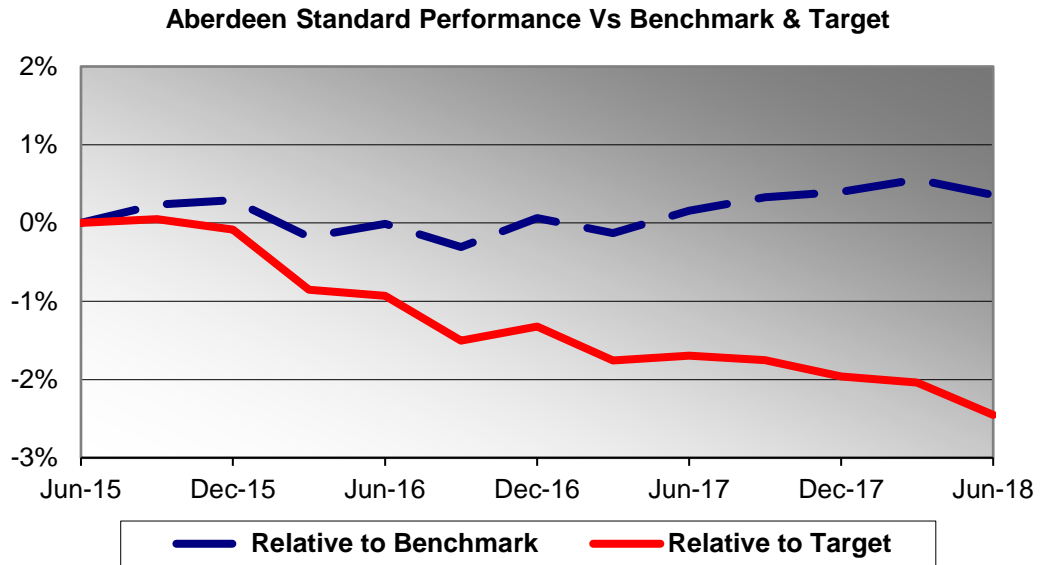
8.1 The performance for the quarter to 30th June 2018 is summarised in the following table:

Quarter to 30 June 2018				
Value as at 30 June £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
39.0	UK Gilts	0.2	0.2	+0.0
69.0	Index Linked	-1.2	-1.0	-0.2
157.1	Corporate Bonds	-0.8	-0.8	+0.0
36.9	High Yield Debt	0.5	0.0	+0.5
6.0	Foreign Gov't Bonds			
1.4	F Gov't Index Linked			
-0.4	Currency Instruments			
18.9	Cash			
327.9	Total	-0.7	-0.6	-0.1

8.2 Aberdeen Standard underperformed their benchmark for the quarter. Absolute returns were negative. Underperformance in the corporate bond portfolio and asset allocation were the main contributors to the underperformance.

8.3

Aberdeen Standard's target is to outperform the benchmark by an annualised return of 0.75% over continuous three-year periods after their fees have been deducted.



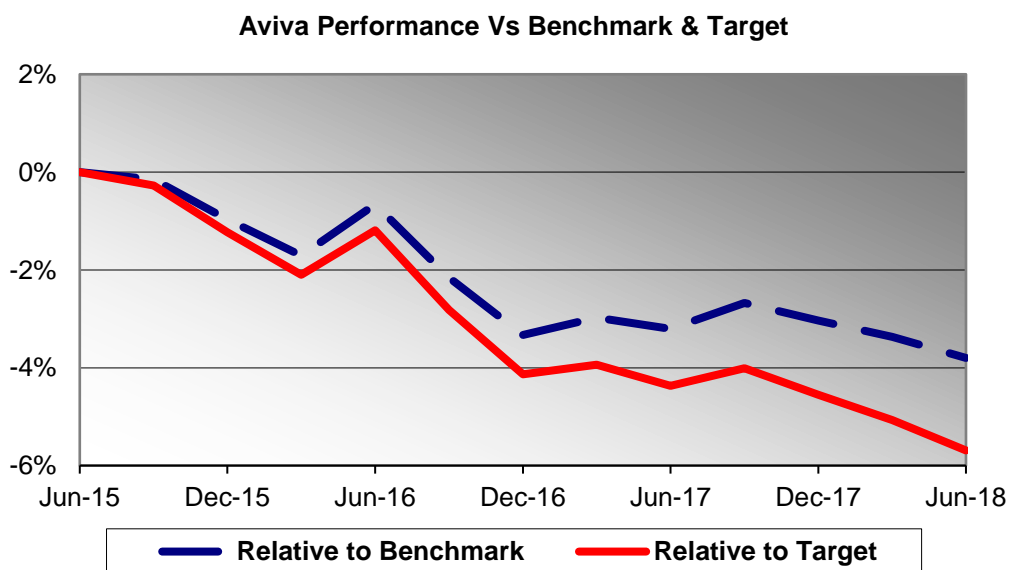
9. Aviva (Property Fund of Funds)

9.1 The performance for the quarter to 30th June 2018 is summarised in the following table:

Quarter to 30 June 2018				
Value as at 30 June £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
186.5	UK Property	1.8	2.0	-0.2
0.3	European Property	2.2		
0.0	Currency Instruments			
21.1	Cash			
207.9	Total	1.7	2.0	-0.3

9.2 Property returns from the UK market were positive for the quarter. The fund underperformed relative to the benchmark. A couple of specialist retail holdings were responsible for the underperformance.

9.3 Aviva's target is to outperform the benchmark by an annualised return of 0.5% over continuous three-year periods after their fees have been deducted.



10. Neuberger Berman (Global Private Equity)

10.1 The performance for the quarter to 30th June 2018 is summarised in the following table:

Quarter to 30 June 2018			
Value as at 30 June £m	Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
42.1 Private Equity	1.7	0.1	+1.6

10.2 The return indicated above is significantly affected by currency movements, specifically the change in the value of the US dollar against GBP.

10.3 The 2010 fund continues to make good progress. The underlying return on this fund for the quarter, excluding currency movements, was 0.5%.

10.4 The Neuberger Berman Crossroads XX fund is also making good progress. The underlying return on this fund for the quarter, excluding currency movements, was 2.0%.

10.5 The Crossroads XXI fund is still very young however it is no longer in the negative part of the “J-curve” and is running at a small profit. The return for the quarter, excluding currency movements, was 0.2%.

10.6 The Crossroads XXII fund is starting to come out of the negative part of the “J-curve” but is still running at a small loss. The return for the quarter, excluding currency movements, was 0.2%.

11. South West Ventures Fund

11.1 The fund continues to make reasonable progress.

12. Combined Fund

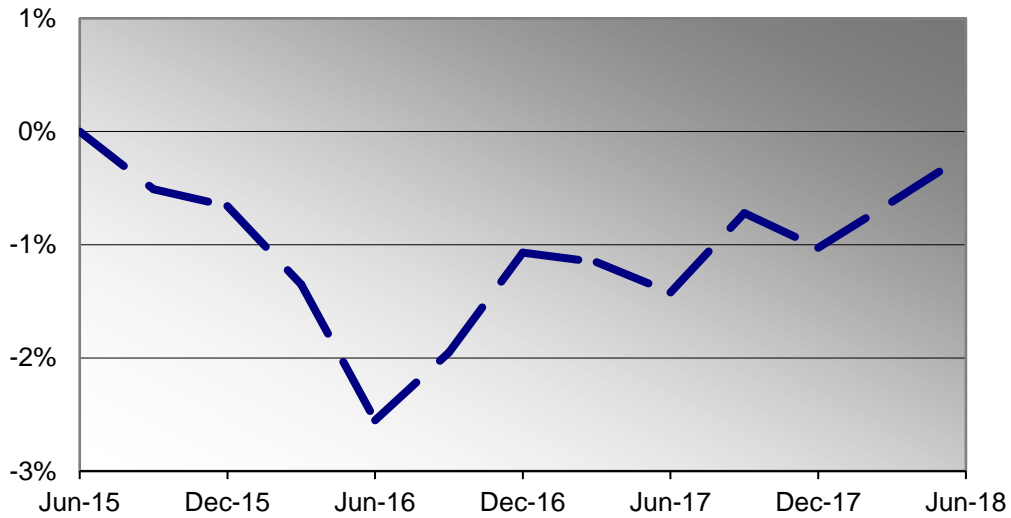
12.1 The performance for the quarter to 30th June 2018 is summarised in the following table:

Quarter to 30 June 2018				
Value as at 30 June £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
525.0	In-House (Global Eq)	8.1	8.0	+0.1
497.7	ASI (UK Eq)	7.8	92.	-1.4
109.1	In-House (US Eq)	9.9	9.9	+0.0
158.3	Jupiter	10.2	3.4	+6.8
63.5	Maple-Brown Abbott	4.6	4.4	+0.2
67.5	Nomura	3.2	3.1	+0.1
94.6	Amundi	-1.5	-2.2	+0.7
327.9	ASI (FI)	-0.7	-0.6	-0.1
207.9	Aviva	1.7	2.0	-0.3
1.6	SWRVF	0.0	0.1	-0.1
42.1	Neuberger Berman	1.7	0.1	+1.6
0.8	Brunel	0.0	0.0	+0.0
61.1	Cash	0.2	0.1	+0.1
2,157.1	Whole Fund	5.1	4.8	+0.3

12.2 The fund as a whole outperformed its benchmark during the quarter. The level of absolute return was positive. Jupiter and Amundi produced performance ahead of their target for the quarter.

12.3 The outperformance was due to both the stock selection of the managers within the fund and asset allocation between the various fund.

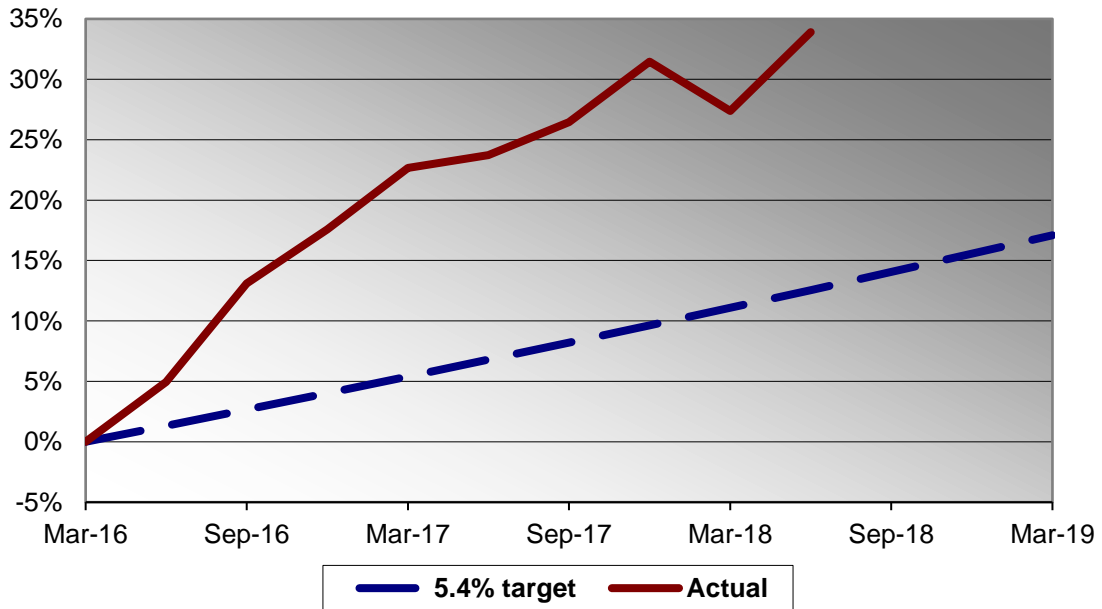
Whole Fund Performance Vs Benchmark



12.4

At the March 2017 committee meeting the committee adopted an absolute return target of 5.4% for the fund as this is consistent with the fund becoming fully funded within the timescales indicated by the actuary as part of the 2016 valuation. Progress against this target for the 2016 to 2019 actuarial cycle is shown in the graph below.

Performance of Fund Vs. 5.4% absolute return target



12.5

The movement in the value of the fund over the quarter is summarised in the table below.

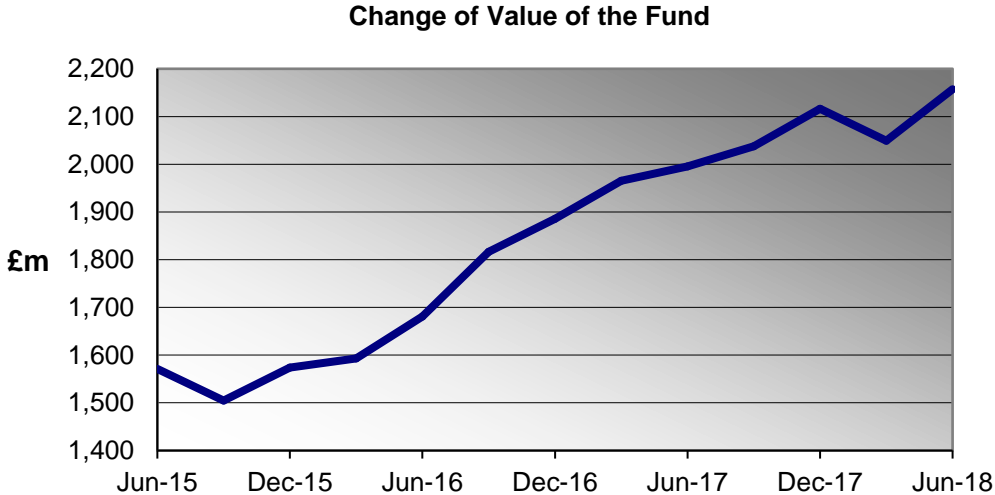
	Value as at 31 Mar		Value as at 30 June		Strategic
	£m	%	£m	%	Weighting
In-House (Global Eq)	488.6	24	525.0	24	23
ASI (UK Eq)	459.9	22	497.7	23	23
In-House (US Eq)	100.5	5	109.1	5	5
Jupiter	143.0	7	158.3	7	5
M-BA (Pac Eq)	60.8	3	63.5	3	3
Nomura	65.4	3	67.5	3	3
Amundi	95.9	4	94.6	5	5
ASI (FI)	330.6	16	327.9	15	19
Aviva	204.5	10	207.9	10	10
SWRVF	1.6	0	1.6	0	0
Neuberger Berman	39.6	3	42.1	2	3
Brunel	0.8	0	0.8	0	0
Cash	58.0	3	61.1	3	1
Whole Fund	2,049.2	100	2,157.1	100	100

12.6

During the quarter the following movements of cash between funds took place:

- £2.9m was withdrawn from the in-house global equity fund during the quarter. This broadly represents dividend income on this fund during the quarter.
- £1.4m was withdrawn from the in-house US equity fund during the quarter. £0.9m this represents dividend income on this fund during the quarter and £0.5m divestment.
- £1.8m was invested in Neuberger Berman's Private equity mandate during the quarter.

12.7 The change in the value of the investment fund over the last three years can be seen in the graph below.



12.8 The Fund’s Actuary, Barnett Waddingham, have provided the following update.

“The results of our assessment indicate that:

- The current projection of the smoothed funding level as at 30 June 2018 is 89.2% and the average required employer contribution would be 21.6% of payroll assuming the deficit is to be paid by 2038.
- This compares with the reported (smoothed) funding level of 77.4% and average required employer contribution of 22.6% of payroll at the 2016 funding valuation.

The discount rate underlying the smoothed funding level as at 31 March 2018 is 5.3% per annum.

It should be borne in mind that the nature of the calculations is approximate and so the results are only indicative of the underlying position.”