

Review of Investment Performance **for the Quarter to 31st March 2020**

1. Somerset County Council (Passive Global Equity)

1.1 The performance for the quarter to 31st March 2020 is summarised in the following table:

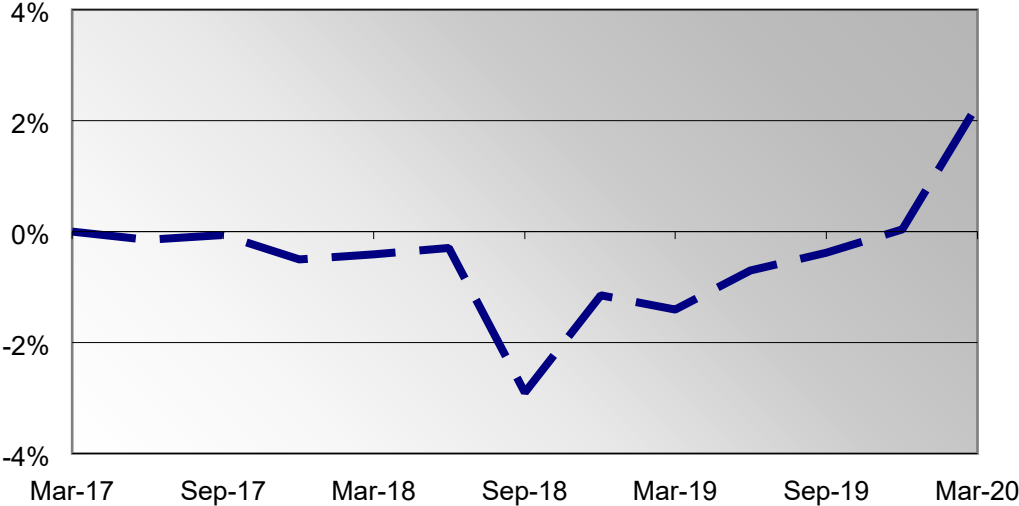
Quarter to 31 March 2020				
Value as at 31 Mar £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
28.6	Global equities	-14.6	-15.6	+1.0
0.0	Cash			
28.6	Total	-13.8	-15.6	+1.8

1.2 The majority of the stock was transferred to a LGIM managed passive pooled fund in July 2018. The LGIM funds are the pooled solution chosen by Brunel. We have held on to a small residual position to use as a source of cash in the short term and to help manage the overall transition to Brunel managed funds.

1.3 The fund outperformed the benchmark during the quarter. As part of significantly reducing the size of the portfolio we have reduced the number of assets held and this may give rise to greater volatility of relative returns.

1.4 Absolute returns for the quarter were strongly negative.

In-House Fund performance Vs Benchmark



1.5 The table below shows annualised performance over a range of time periods:

	Fund % p.a.	Benchmark % p.a.	Relative to Benchmark % p.a.
1 year	-2.2	-5.4	+3.2
3 years	3.4	2.6	+0.8
5 years	8.0	7.6	+0.4
10 years	9.5	9.2	+0.3

2. Brunel - LGIM (Passive Global Equity)

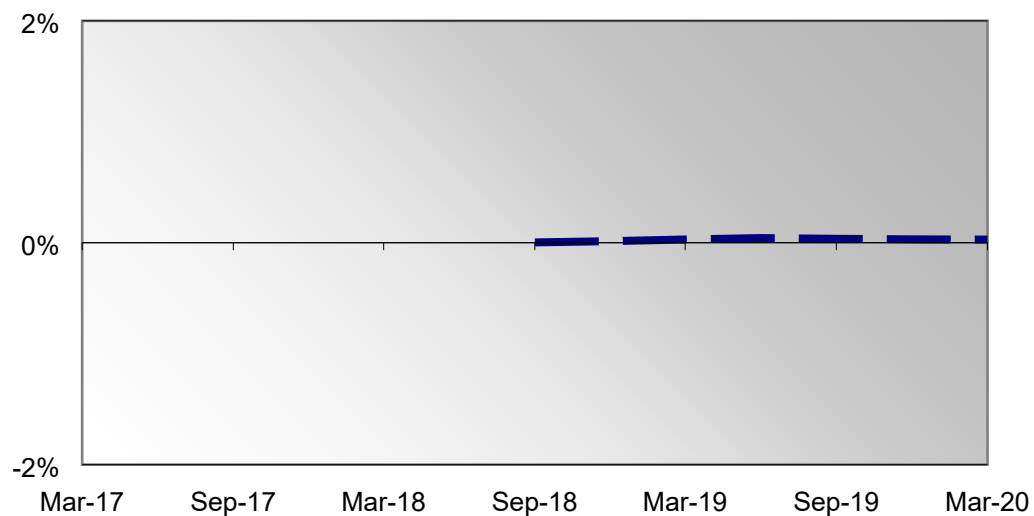
2.1 The performance for the quarter to 31st March 2020 is summarised in the following table:

Quarter to 31 March 2020			
Value as at 31 Mar £m	Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
489.3 Global equities	-15.6	-15.6	+0.0

2.2 The LGIM passive fund matched the performance of the benchmark for the quarter. Absolute performance was strongly negative.

2.3

Brunel performance Vs Benchmark



2.4 The table below shows annualised performance over a range of time periods:

	Fund % p.a.	Benchmark % p.a.	Relative to Benchmark % p.a.
1 year	-5.4	-5.4	+0.0
3 years			

Initial investment in July 2018

3. Brunel - (Global High Alpha Equity)

3.1 The performance for the quarter to 31st March 2020 is summarised in the following table:

Quarter to 31 March 2020			
Value as at 31 Mar £m	Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
240.6 Global equities	-11.8	-15.5	+3.7

3.2 The Brunel Global High Alpha portfolio is managed by a combination of Alliance Bernstein, Baillie Gifford, Fiera Capital, Harris Associates and Royal London Asset Management.

3.3 The fund significantly outperformed during the quarter. Absolute returns were strongly negative.

4. Aberdeen Standard Investments (UK Equities)

4.1 The performance for the quarter to 31st March 2020 is summarised in the following table:

Quarter to 31 March 2020			
Value as at 31 Mar £m	Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
8.0 UK	-27.8	-25.1	-2.7

4.2 The transfer of the majority of this mandate to the equivalent Brunel offering took place in November 2018. The residual holding is in a smaller companies fund and will be used as a source of cash as necessary.

4.3 Aberdeen Standard had a poor quarter relative to their benchmark. Absolute returns were strongly negative. Smaller companies significantly underperformed during the quarter and the Aberdeen Standard fund outperformed the smaller companies benchmark.

5. Brunel (UK Equities)

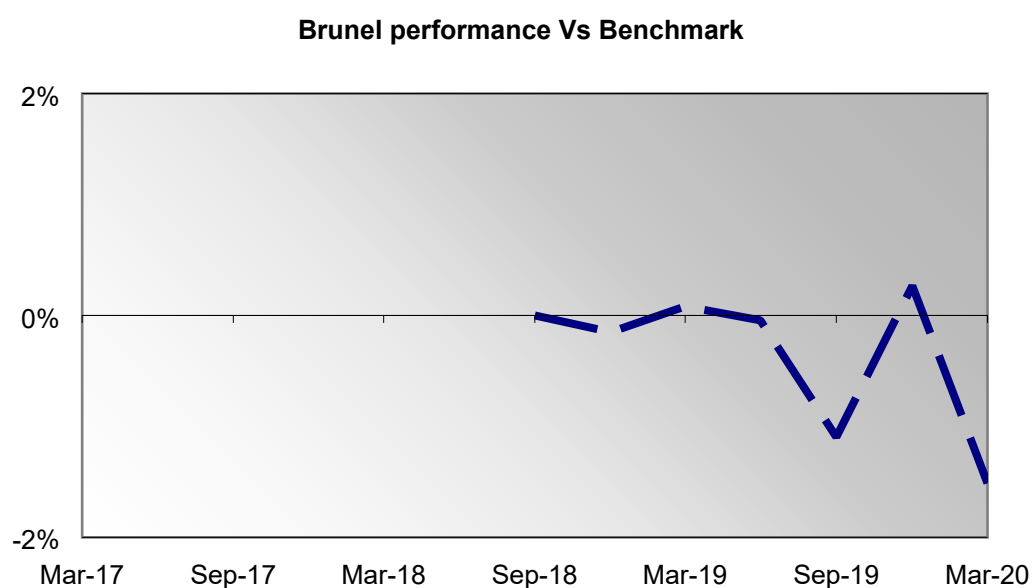
5.1 The performance for the quarter to 31st March 2020 is summarised in the following table:

Quarter to 31 March 2020				
Value as at 31 Mar £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
353.4 UK		-26.6	-25.1	-1.5

5.2 The Brunel UK portfolio is managed by a combination of Invesco, Baillie Gifford and Aberdeen Standard.

5.3 The portfolio underperformed the benchmark during the quarter. Absolute performance was strongly negative.

5.4



5.5 The table below shows annualised performance over a range of time periods:

	Fund % p.a.	Benchmark % p.a.	Relative to Benchmark % p.a.
1 year	-20.0	-18.5	-0.5
3 years	Initial investment in November 2018		

6. Somerset County Council (North American Equities)

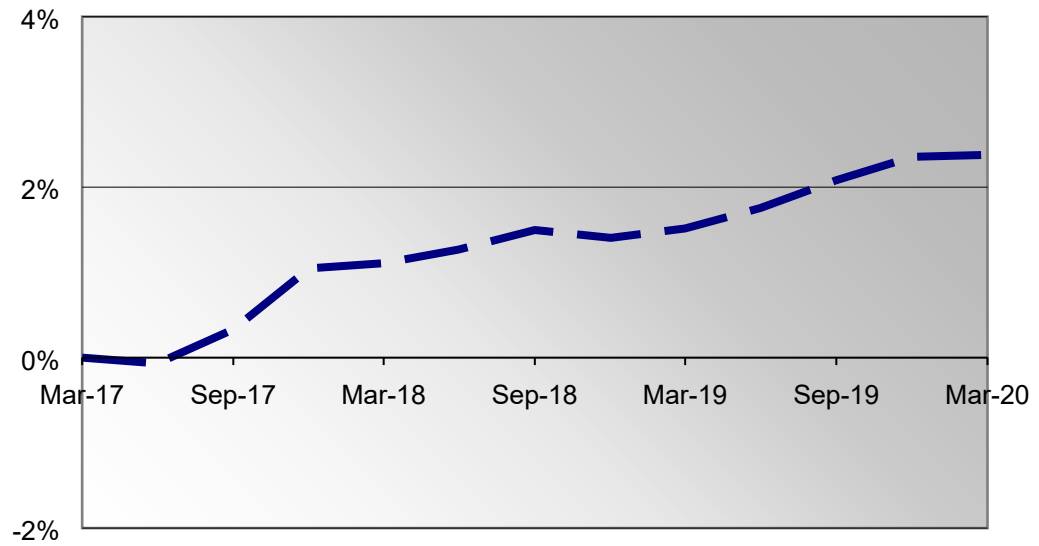
6.1 The performance for the quarter to 31st March 2020 is summarised in the following table:

Quarter to 31 March 2020				
Value as at 31 Mar £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
73.1	North America	-13.9	-14.1	+0.2
0.3	Cash			
73.4	Total	-13.8	-14.1	+0.3

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

6.3 Absolute levels of performance during the quarter were strongly negative.

In-House Performance Vs Benchmark



6.4

The table below shows annualised performance over a range of time periods:

	Fund % p.a.	Benchmark % p.a.	Relative to Benchmark % p.a.
1 year	-1.5	-2.2	+0.7
3 years	6.1	5.4	+0.7
5 years	11.3	10.6	+0.7
10 years	Initial investment in December 2011		

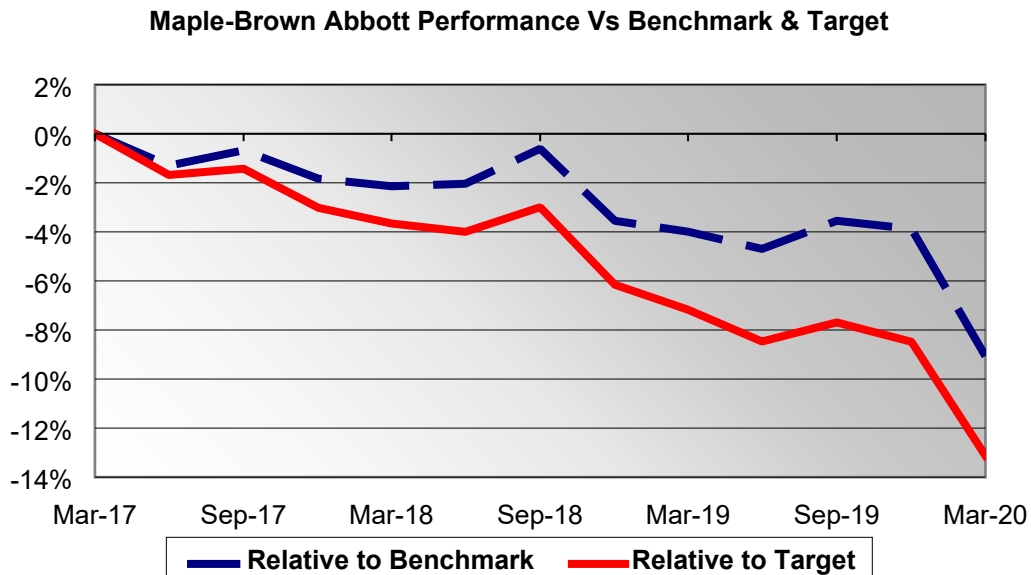
7. Maple-Brown Abbott (Far-East Equities ex-Japan)

7.1 The performance for the quarter to 31st March 2020 is summarised in the following table:

Quarter to 31 March 2020				
Value as at 31 Mar £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
25.3	Pacific (ex Japan)	-27.3	-21.3	-6.0
0.6	Cash			
25.9	Total	-26.9	-21.3	-5.6

7.2 Maple-Brown Abbott had a poor quarter relative to their benchmark. Poor stock selection in Australia and Hong Kong significantly contributed to the underperformance. Absolute returns were strongly negative.

7.3 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.



7.4 The table below shows annualised performance over a range of time periods:

	Fund % p.a.	Benchmark % p.a.	Relative to Benchmark % p.a.
1 year	-23.2	-17.6	-5.6
3 years	-7.6	-4.2	-3.4
5 years	0.5	2.7	-2.2
10 years	Initial investment in July 2014		

8. Nomura (Japanese Equity)

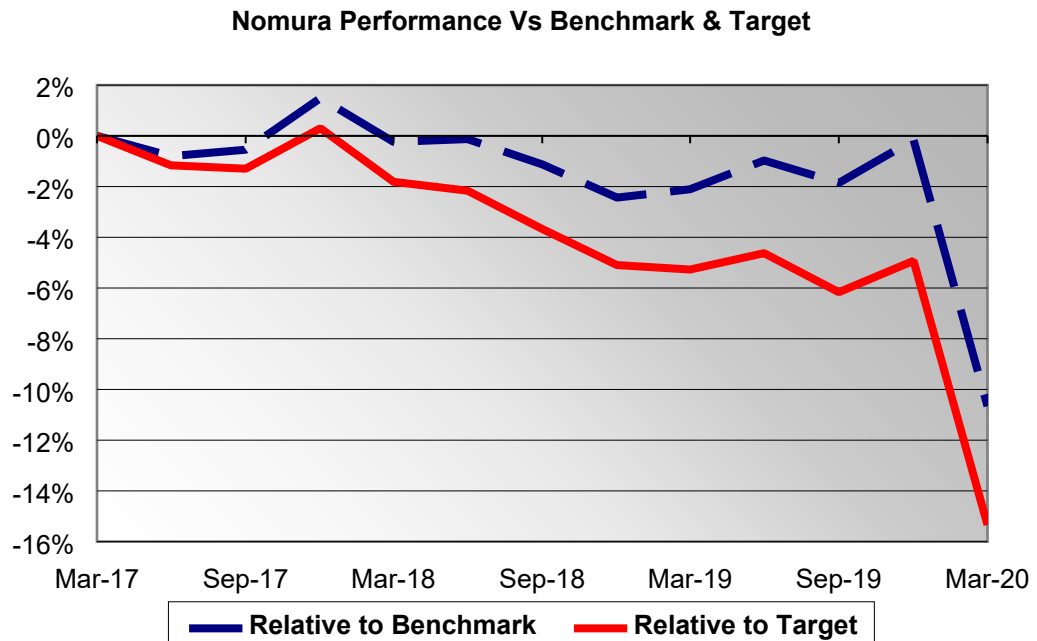
8.1 The performance for the quarter to 31st March 2020 is summarised in the following table:

Quarter to 31 March 2020				
Value as at 31 Mar £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
31.9	Japan	-20.2	-11.2	-9.0

8.2 Absolute performance was strongly negative. Relative performance was also strongly negative. Poor stock selection in Retail and Chemicals was a significant contributor to the underperformance.

8.3

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.



8.4

The table below shows annualised performance over a range of time periods:

	Fund % p.a.	Benchmark % p.a.	Relative to Benchmark % p.a.
1 year	-10.7	-2.5	-8.2
3 years	-2.4	1.2	-3.6
5 years	0.5	2.7	-2.3
10 years	5.5	6.6	-1.1

9. Brunel (Emerging Market Equity)

9.1 The performance for the quarter to 31st March 2020 is summarised in the following table:

Quarter to 31 March 2020			
Value as at 31 Mar £m	Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
69.2 Emerging Market	-20.4	-18.4	-2.0

9.2 The Brunel Emerging Market portfolio is managed by a combination of Genesis Investment Management, Wellington Management and Investec Asset Management.

9.3 The Brunel portfolio underperformed during the quarter. Absolute performance was strongly negative.

10. Aberdeen Standard Investments (Fixed Interest)

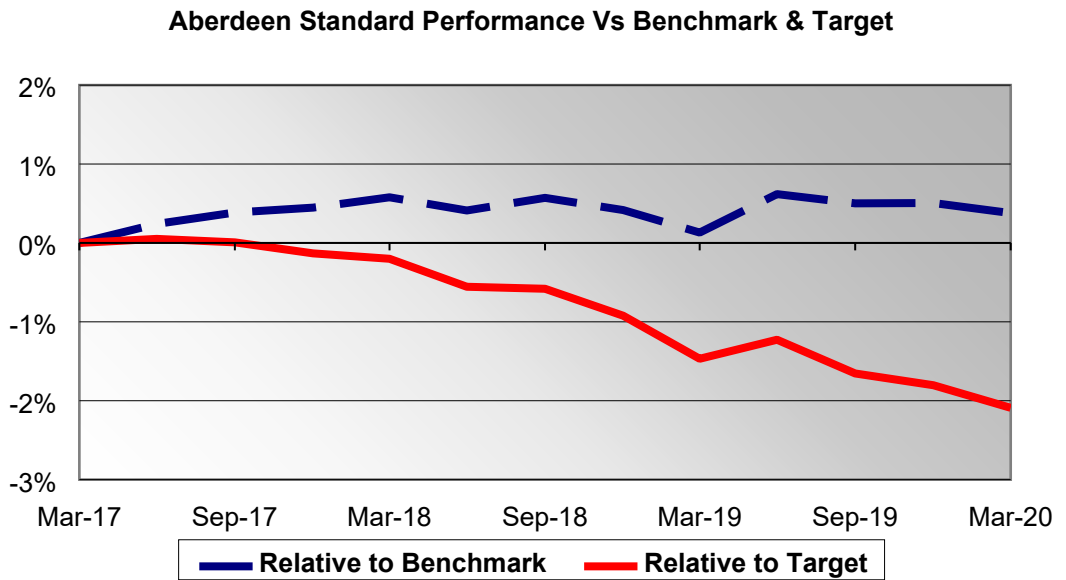
10.1 The performance for the quarter to 31st March 2020 is summarised in the following table:

Quarter to 31 March 2020				
Value as at 31 Mar £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
58.7	UK Gilts	6.9	6.3	+0.6
70.9	Index Linked	1.5	1.6	-0.1
172.6	Corporate Bonds	-4.5	-4.5	+0.0
34.5	High Yield Debt	-10.2	-11.4	+1.2
1.2	Foreign Gov't Bonds	6.7		
4.5	F Gov't Index Linked	-8.6		
1.2	Currency Instruments			
9.4	Cash			
353.0	Total	-2.6	-2.5	-0.1

10.2 Aberdeen Standard underperformed their benchmark for the quarter. Absolute returns were negative. Outperformance in Gilts and high yield was negated by being overweight corporate bonds and underweight Gilts.

10.3

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.



10.4

The table below shows annualised performance over a range of time periods:

	Fund % p.a.	Benchmark % p.a.	Relative to Benchmark % p.a.
1 year	2.7	2.5	+0.2
3 years	3.0	2.9	+0.1
5 years	4.5	4.4	+0.1
10 years	6.8	6.9	-0.1

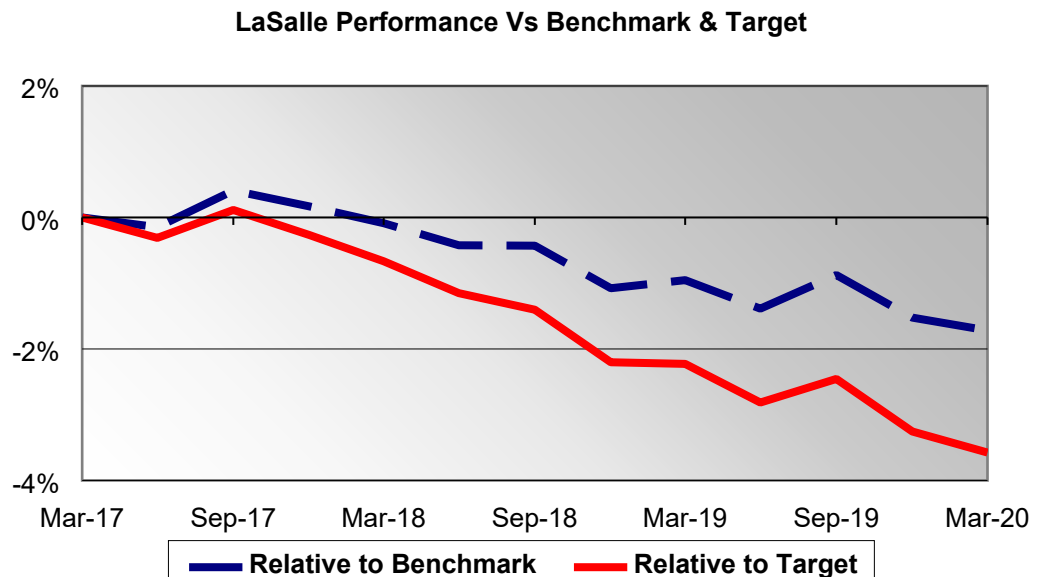
11. LaSalle (Property Fund of Funds)

11.1 The performance for the quarter to 31st March 2020 is summarised in the following table:

Quarter to 31 March 2020				
Value as at 31 Mar £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
194.0	UK Property	-1.6	-1.3	-0.3
0.0	European Property	4.2		
17.0	Cash			
211.0	Total	-1.5	-1.3	-0.2

11.2 Property returns from the UK market were negative for the quarter. The fund underperformed relative to the benchmark.

11.3 LaSalle'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.



11.4 The table below shows annualised performance over a range of time periods:

	Fund % p.a.	Benchmark % p.a.	Relative to Benchmark % p.a.
1 year	-0.7	0.0	-0.7
3 years	4.3	4.9	-0.6
5 years	4.5	5.7	-1.2
10 years	6.1	7.2	-1.1

12. Neuberger Berman (Global Private Equity)

12.1 The performance for the quarter to 31st March 2020 is summarised in the following table:

Quarter to 31 March 2020				
Value as at 31 Mar £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
57.5	Private Equity	2.9	0.2	+2.7

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

12.3 The 2010 fund continues to make good progress. The underlying return on this fund for the quarter, excluding currency movements, was 29.5%.

12.4 The Neuberger Berman Crossroads XX fund is also making good progress. The underlying return on this fund for the quarter, excluding currency movements, was 8.2%.

12.5 The Crossroads XXI fund is also making good progress. The underlying return on this fund for the quarter, excluding currency movements, was -1.7%.

12.6 The Crossroads XXII fund is still very young. The return for the quarter, excluding currency movements, was 0.0%. The fund is showing a profit overall.

12.7 The table below shows annualised performance over a range of time periods, unlike in the table above a broad global equity index has been used as the benchmark as over long time periods this is more appropriate:

	Fund % p.a.	Benchmark % p.a.	Relative to Benchmark % p.a.
1 year	12.2	-5.4	+17.6
3 years	12.2	2.6	+9.6
5 years	13.1	7.6	+5.5
10 years	8.3	9.2	-0.9

13. South West Ventures Fund

13.1 The fund continues to make reasonable progress.

14. Combined Fund

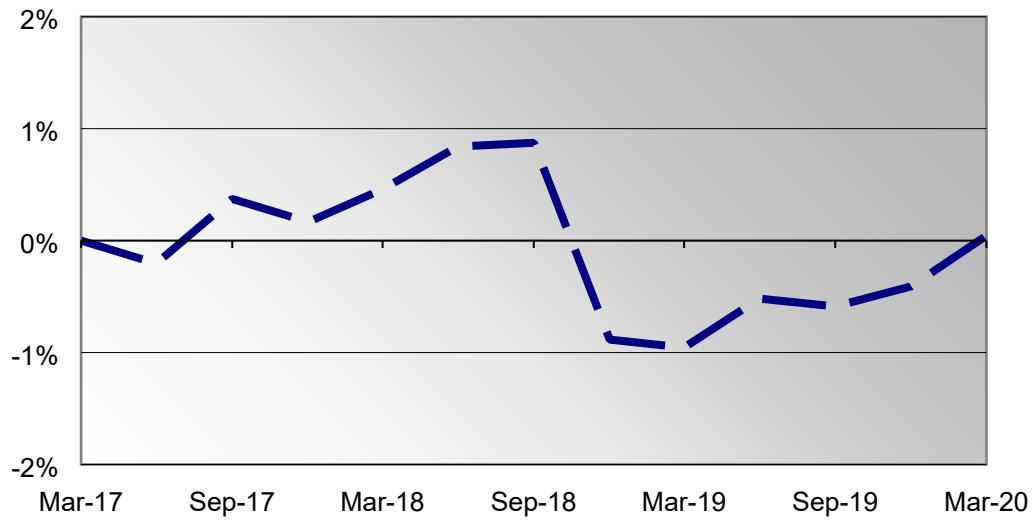
14.1 The performance for the quarter to 31st March 2020 is summarised in the following table:

Quarter to 31 March 2020				
Value as at 31 Mar £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
28.6	In-House (Global Eq)	-13.8	-15.6	+1.8
489.3	Brunel (Passive GI Eq)	-15.6	-15.6	+0.0
240.6	Brunel (GHA Eq)	-11.8	-15.5	+3.7
8.0	ASI (UK Eq)	-27.8	-25.1	-2.7
353.4	Brunel (UK Eq)	-26.6	-25.1	-1.5
73.4	In-House (US Eq)	-13.8	-14.1	+0.3
25.9	Maple-Brown Abbott	-26.9	-21.3	-5.6
31.9	Nomura	-20.2	-11.2	-9.0
86.9	Brunel (EM Eq)	-20.4	-18.4	-2.0
353.0	ASI (FI)	-2.6	-2.5	-0.1
211.0	LaSalle	-1.5	-1.3	-0.2
1.6	SWRVF	0.0	0.2	-0.2
57.5	Neuberger Berman	2.9	0.2	+2.7
0.8	Brunel	0.0	0.2	-0.2
104.5	Cash	0.2	0.2	+0.0
2,048.7	Whole Fund	-13.4	-13.7	+0.3

14.2 The fund, as a whole, outperformed its benchmark during the quarter. The level of absolute return was strongly negative.

14.3 Outperformance was generated by good asset allocation, being overweight cash and underweight UK and emerging market equity was positive. Overall stock selection by managers was negative with poor performance from Brunel on emerging markets and UK, Nomura and M-BA outweighing good performance from Brunel on the global high alpha.

Whole Fund Performance Vs Benchmark



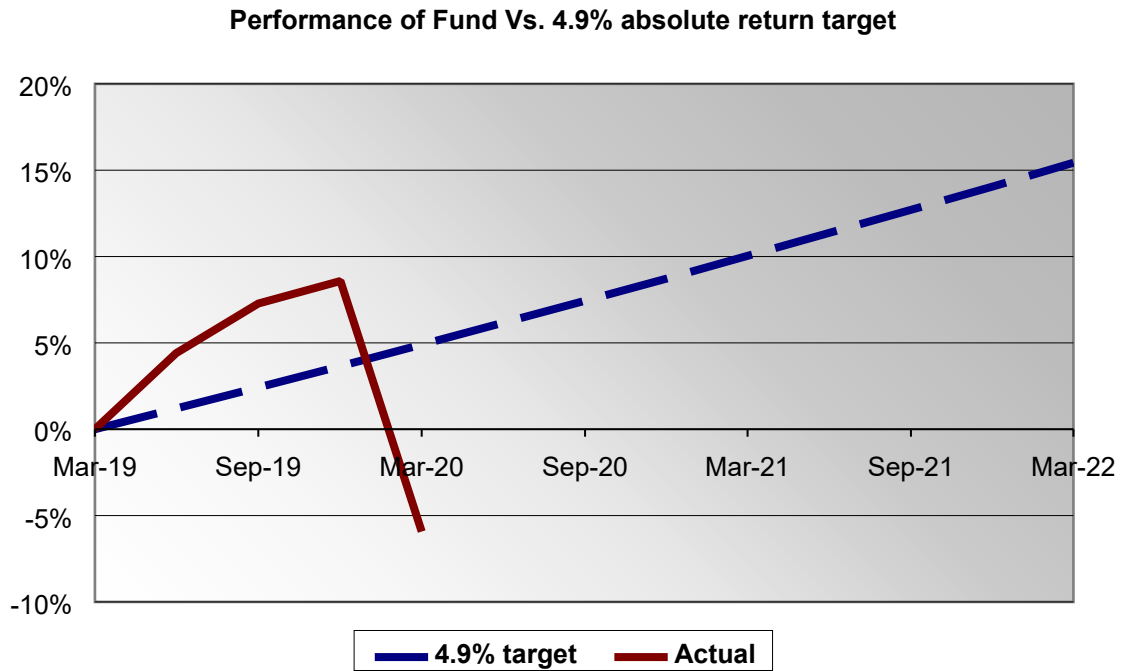
14.4

The table below shows annualised performance over a range of time periods:

	Fund % p.a.	Benchmark % p.a.	Relative to Benchmark % p.a.
1 year	-5.9	-6.8	+0.9
3 years	1.0	1.0	+0.0
5 years	4.7	4.7	+0.0
10 years	6.9	6.9	+0.0

14.5

At the March 2020 committee meeting it was proposed that the committee adopted an absolute return target of 4.9% for the fund as this is consistent with the fund becoming fully funded within the timescales indicated by the actuary as part of the 2019 valuation. Progress against this target for the 2019 to 2022 actuarial cycle is shown in the graph below.



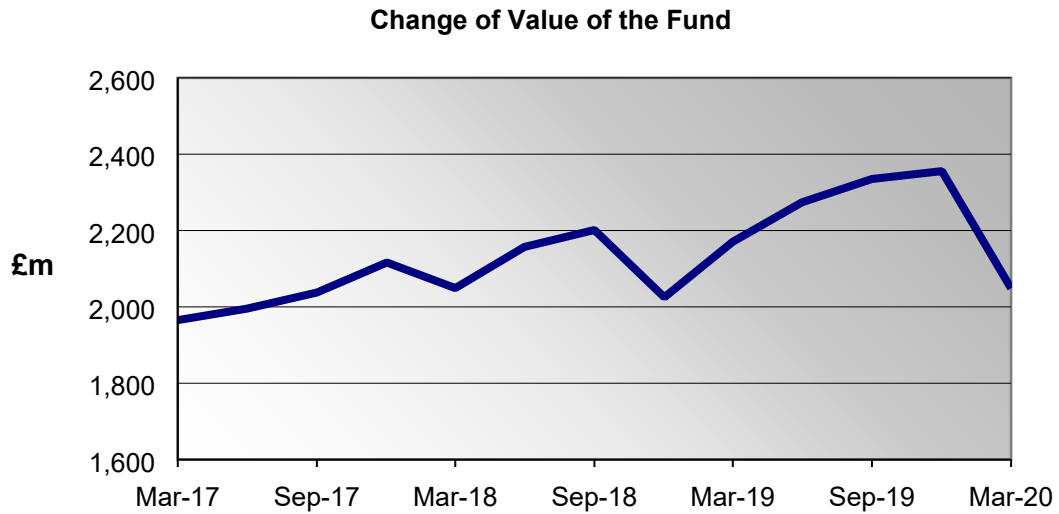
14.6 The movement in the value of the fund over the quarter is summarised in the table below.

	Value as at 31 Dec		Value as at 31 Mar		Strategic
	£m	%	£m	%	Weighting
In-House (Global Eq)	33.6	1	28.6	2	0
Brunel (Passive GI Eq)	579.5	25	489.3	24	23
Brunel (GHA Eq)	272.7	12	240.6	12	0
ASI (UK Eq)	11.1	0	8.0	0	0
Brunel (UK Eq)	481.6	20	353.4	17	23
In-House (US Eq)	85.8	4	73.4	4	5
Jupiter	0.0	0	0.0	0	5
Maple-Brown Abbott	35.7	2	25.9	1	3
Nomura	40.0	2	31.9	2	3
Brunel (EM Eq)	86.9	5	69.2	3	5
ASI (FI)	362.1	15	353.0	17	19
LaSalle	214.6	9	211.0	10	10
SWRVF	1.6	0	1.6	0	0
Neuberger Berman	57.3	2	57.5	3	3
Brunel	0.8	0	0.8	0	0
Cash	92.3	4	104.5	5	1
Whole Fund	2,355.6	100	2,048.7	100	100

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

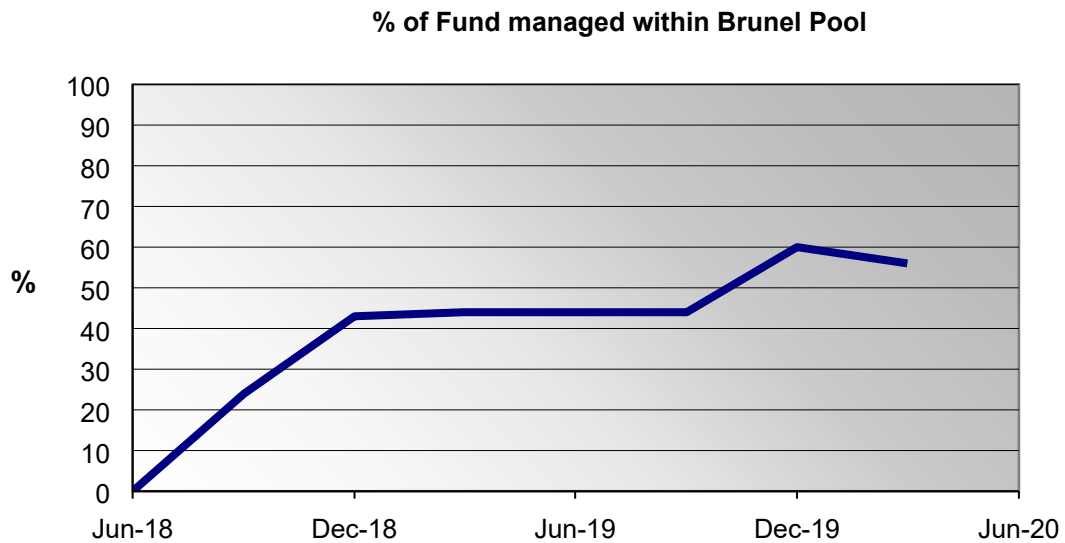
- £0.4m was withdrawn from the in-house global equity fund during the quarter. This broadly represents dividend income on this fund during the quarter.
- £0.6m was withdrawn from the in-house US equity fund during the quarter. This broadly represents dividend income on this fund during the quarter.
- £1.5m was divested from the Neuberger Berman's Private equity mandate as funds returned capital.

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



14.9 Progress on moving to pooling can be seen in the table and graph below

	Value as at 31 Dec		Value as at 31 Mar	
	£m	%	£m	%
Pooled assets	1,420.7	60	1,152.5	56
Retained assets	934.9	40	896.2	44
Whole Fund	2,355.6	100	2,048.7	100



14.10

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 31 March 2020 is 85.2% and the average required employer contribution would be 25.3% of payroll assuming the deficit is to be paid by 2039.
- This compares with the reported (smoothed) funding level of 85.7% and average required employer contribution of 24.3% of payroll at the 2019 funding valuation.

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."

