

Review of Investment Performance for the Quarter to 30th June 2020

1. Somerset County Council (Passive Global Equity)

1.1 The performance for the quarter to 30th June 2020 is summarised in the following table:

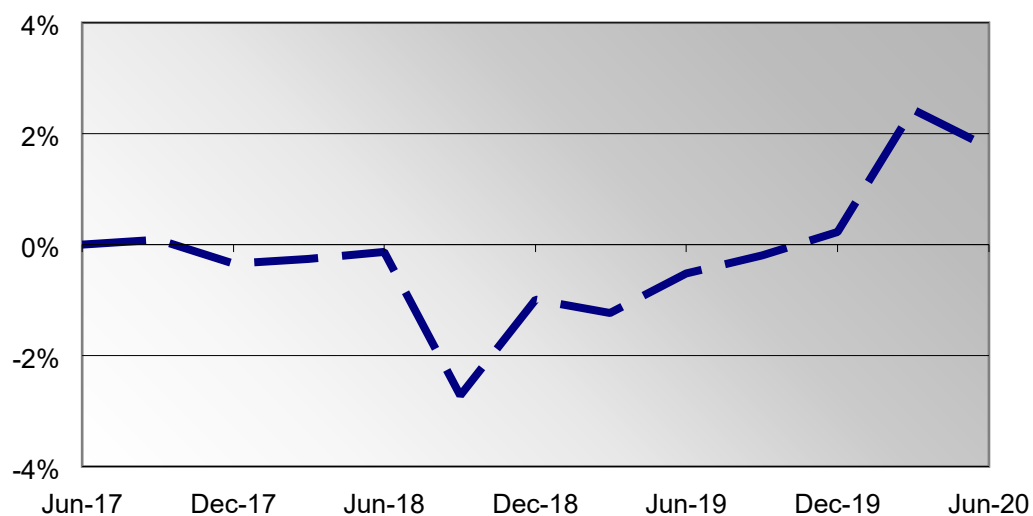
Quarter to 30 June 2020				
Value as at 30 June £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
33.7	Global equities	18.8	19.9	-1.1
0.1	Cash			
33.8	Total	18.8	19.9	-1.1

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 underperformed 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 positive.

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	8.5	6.5	+2.0
3 years	9.3	8.8	+0.5
5 years	13.0	12.8	+0.2
10 years	12.8	12.6	+0.2

2. Brunel - LGIM (Passive Global Equity)

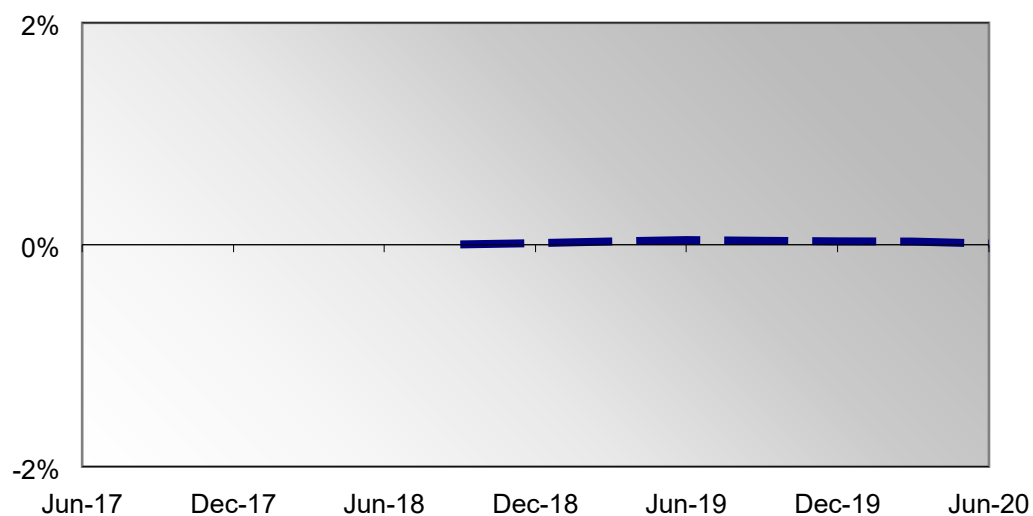
2.1 The performance for the quarter to 30th June 2020 is summarised in the following table:

Quarter to 30 June 2020			
Value as at 30 June £m	Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
586.3 Global equities	19.8	19.9	-0.1

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

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	6.4	6.5	-0.1
3 years	Initial investment in July 2018		

3. Brunel - (Global High Alpha Equity)

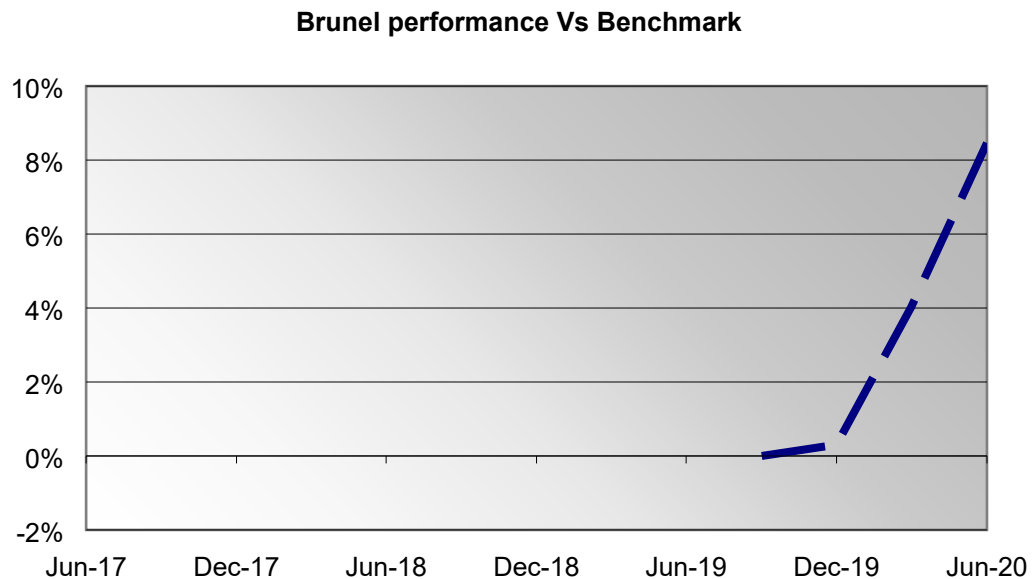
3.1 The performance for the quarter to 30th June 2020 is summarised in the following table:

Quarter to 30 June 2020			
Value as at 30 June £m	Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
298.4 Global equities	24.0	20.0	+4.0

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 Positive.

3.4



4. Aberdeen Standard Investments (UK Equities)

4.1 The performance for the quarter to 30th June 2020 is summarised in the following table:

Quarter to 30 June 2020			
Value as at 30 June £m	Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
9.5 UK	18.2	10.2	+8.0

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 an excellent quarter relative to their benchmark. Absolute returns were strongly positive. Smaller companies significantly outperformed during the quarter and the Aberdeen Standard fund outperformed the smaller companies benchmark.

5. Brunel (UK Equities)

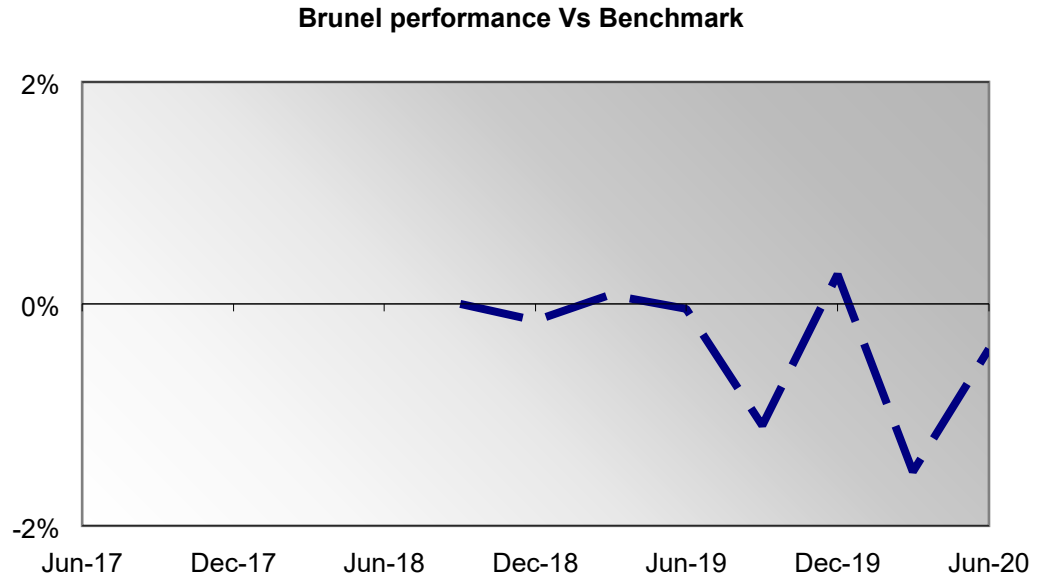
5.1 The performance for the quarter to 30th June 2020 is summarised in the following table:

Quarter to 30 June 2020			
Value as at 30 June £m	Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
394.6 UK	11.7	10.2	+1.5

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

5.3 The portfolio outperformed the benchmark during the quarter. Absolute performance was strongly positive.

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	-13.3	-13.0	-0.3
3 years	Initial investment in November 2018		

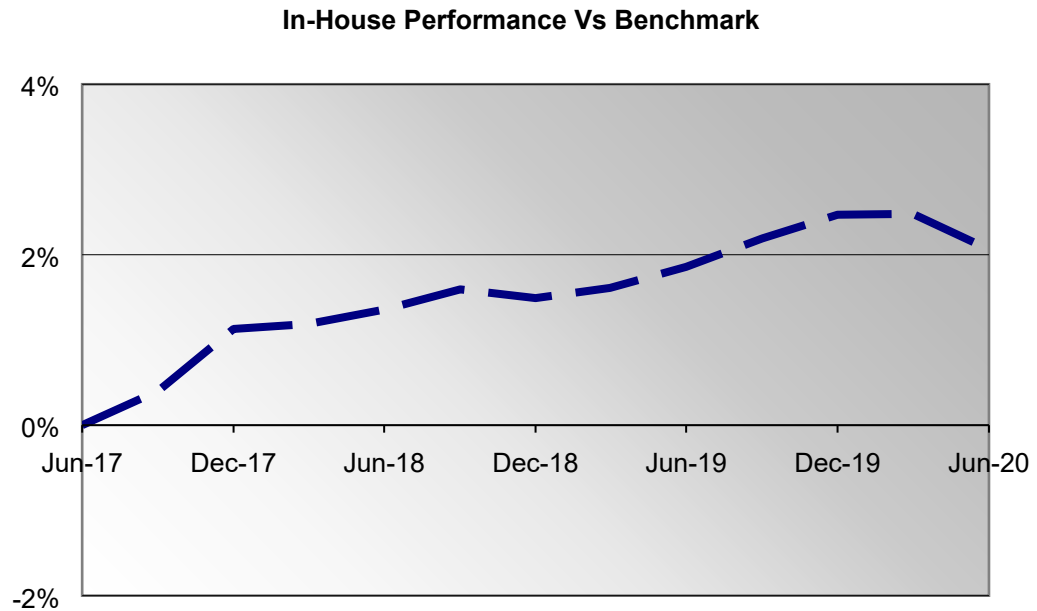
6. Somerset County Council (North American Equities)

6.1 The performance for the quarter to 30th June 2020 is summarised in the following table:

Quarter to 30 June 2020				
Value as at 30 June £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
87.3	North America	20.3	21.0	-0.7
0.6	Cash			
87.9	Total	20.2	21.0	-0.8

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

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



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	10.8	10.7	+0.1
3 years	13.1	12.6	+0.5
5 years	16.6	16.2	+0.4
10 years	Initial investment in December 2011		

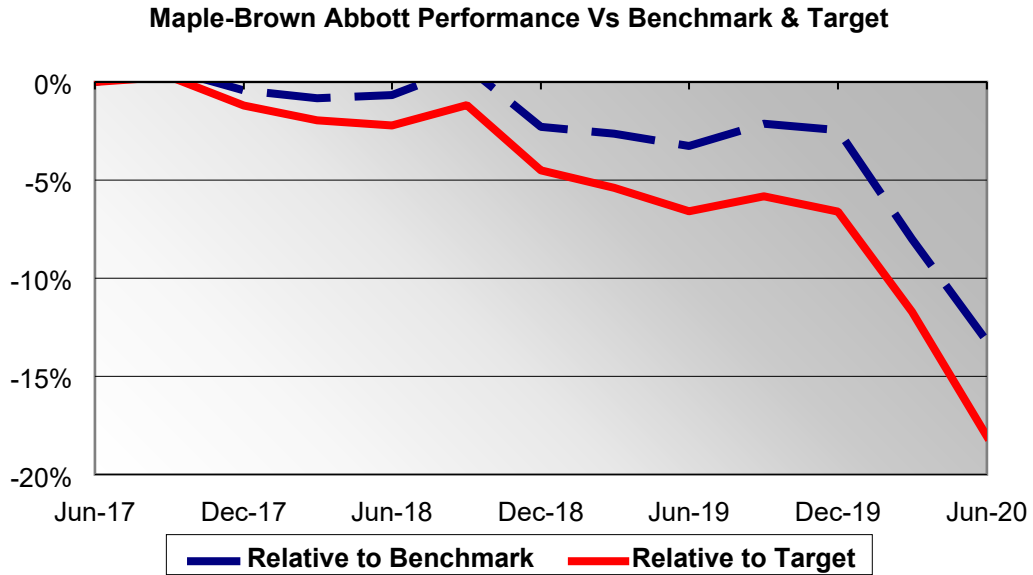
7. Maple-Brown Abbott (Far-East Equities ex-Japan)

7.1 The performance for the quarter to 30th June 2020 is summarised in the following table:

Quarter to 30 June 2020				
Value as at 30 June £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
29.9	Pacific (ex Japan)	17.7	21.6	-3.9
0.5	Cash			
30.4	Total	17.2	21.6	-4.4

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 positive.

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	-14.6	-5.4	-9.2
3 years	-2.2	2.2	-4.4
5 years	5.5	8.7	-3.2
10 years	Initial investment in July 2014		

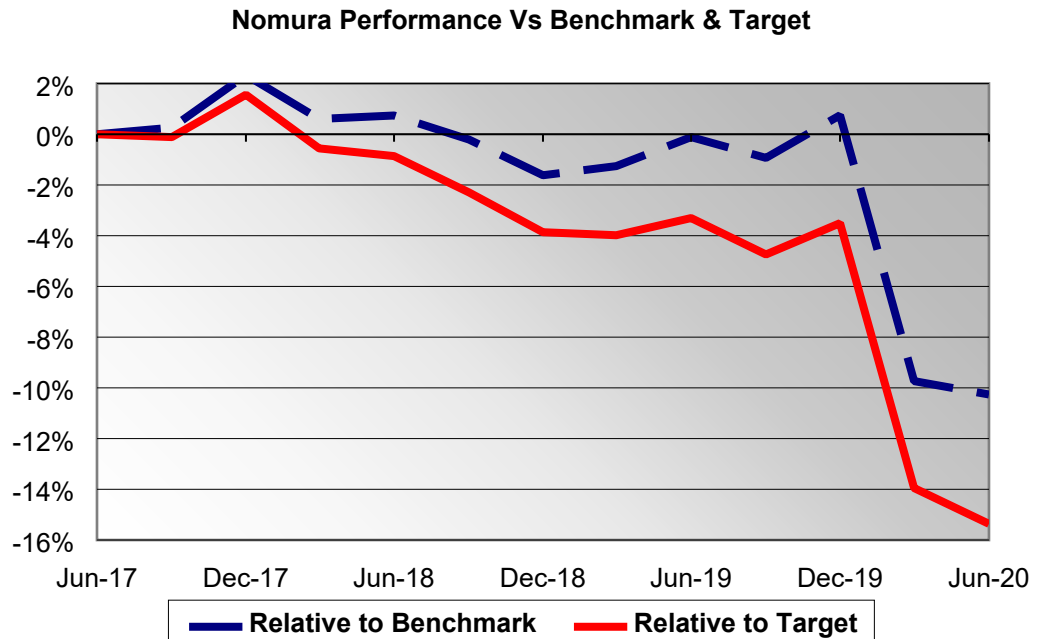
8. Nomura (Japanese Equity)

8.1 The performance for the quarter to 30th June 2020 is summarised in the following table:

Quarter to 30 June 2020				
Value as at 30 June £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
35.9	Japan	12.4	11.7	+0.7

8.2 Absolute performance was strongly positive. Relative performance was positive.

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	-3.4	6.1	-9.5
3 years	1.1	4.3	-3.2
5 years	6.0	9.1	-3.1
10 years	7.5	8.6	-1.1

9. Brunel (Emerging Market Equity)

9.1 The performance for the quarter to 30th June 2020 is summarised in the following table:

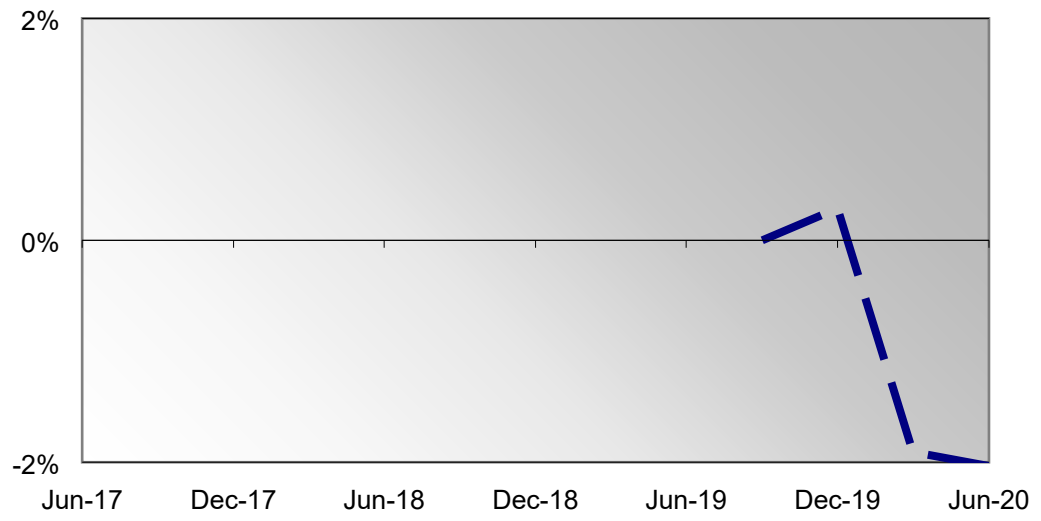
Quarter to 30 June 2020				
Value as at 30 June £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
82.2	Emerging Market	18.8	18.5	+0.3

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 outperformed during the quarter. Absolute performance was strongly positive.

9.4

Brunel performance Vs Benchmark



10. Aberdeen Standard Investments (Fixed Interest)

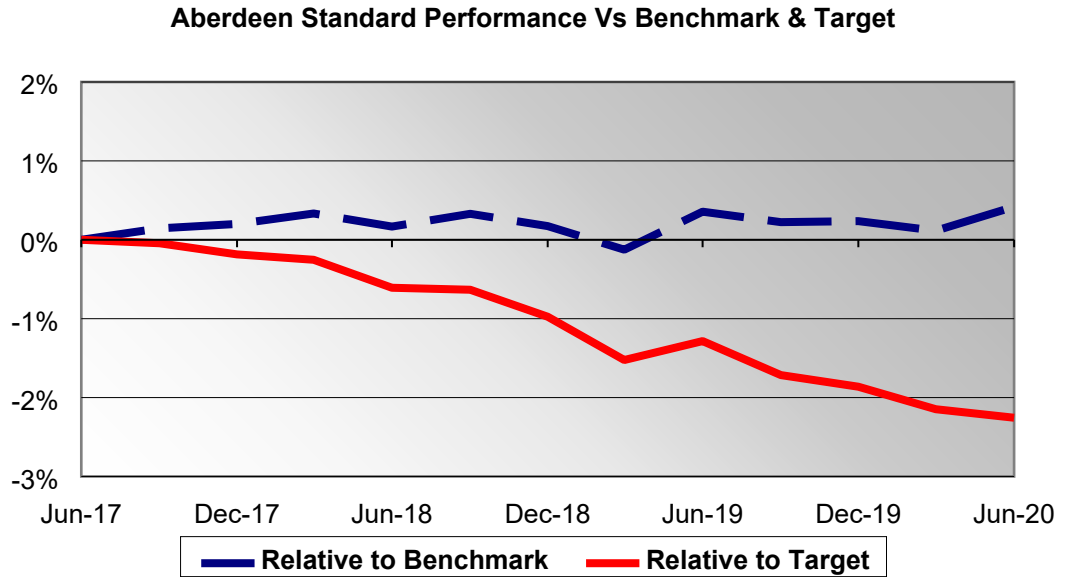
10.1 The performance for the quarter to 30th June 2020 is summarised in the following table:

Quarter to 30 June 2020				
Value as at 30 June £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
54.1	UK Gilts	3.0	2.5	+0.5
78.0	Index Linked	11.4	10.3	+1.1
198.0	Corporate Bonds	11.6	11.5	+0.1
41.7	High Yield Debt	14.0	14.0	+0.0
1.2	Foreign Gov't Bonds	3.0		
8.0	F Gov't Index Linked	13.8		
-0.3	Currency Instruments	-0.4		
6.5	Cash			
387.2	Total	9.5	9.3	+0.2

10.2 Aberdeen Standard outperformed their benchmark for the quarter. Absolute returns were strongly positive. All parts of the mandate contributed positively during the quarter.

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	9.5	9.4	+0.1
3 years	6.2	6.1	+0.1
5 years	7.3	7.2	+0.1
10 years	7.6	7.6	+0.0

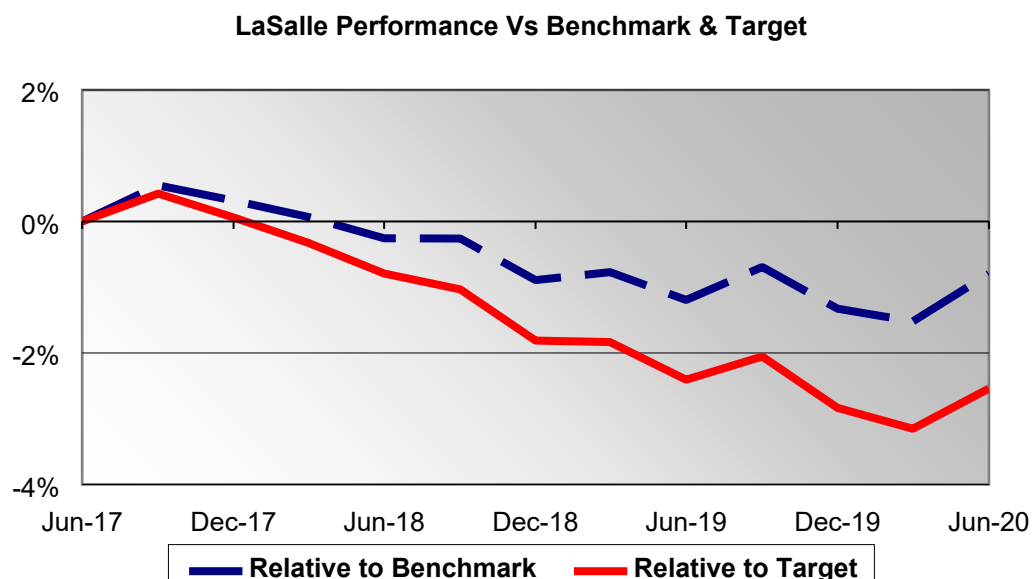
11. LaSalle (Property Fund of Funds)

11.1 The performance for the quarter to 30th June 2020 is summarised in the following table:

Quarter to 30 June 2020				
Value as at 30 June £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
187.4	UK Property	-1.4	-2.0	+0.6
0.0	European Property	-1.7		
20.9	Cash			
208.3	Total	-1.3	-2.0	+0.7

11.2 Property returns from the UK market were negative for the quarter. The fund outperformed 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	-2.3	-2.6	+0.3
3 years	3.1	3.4	-0.3
5 years	3.9	4.6	-0.7
10 years	5.5	6.7	-1.2

12. Neuberger Berman (Global Private Equity)

12.1 The performance for the quarter to 30th June 2020 is summarised in the following table:

Quarter to 30 June 2020			
Value as at 30 June £m	Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
61.6 Private Equity	1.5	0.0	+1.5

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 There is a delay in the reporting of returns on private equity of about a quarter and this needs to be considered when looking at returns on individual funds.

12.4 The 2010 fund continues to make good progress. The underlying return on this fund for the quarter, excluding currency movements, was 69%.

12.5 The Neuberger Berman Crossroads XX fund is also making good progress. The underlying return on this fund for the quarter, excluding currency movements, was -7.7%.

12.6 The Crossroads XXI fund is also making good progress. The underlying return on this fund for the quarter, excluding currency movements, was -6.4%.

12.7 The Crossroads XXII fund is still very young. The return for the quarter, excluding currency movements, was -10.0%.

12.8 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	12.5	6.5	+6.0
3 years	12.2	8.8	+3.4
5 years	15.3	12.8	+2.5
10 years	8.4	12.6	-4.2

13. South West Ventures Fund

13.1 The fund continues to make reasonable progress.

14. Combined Fund

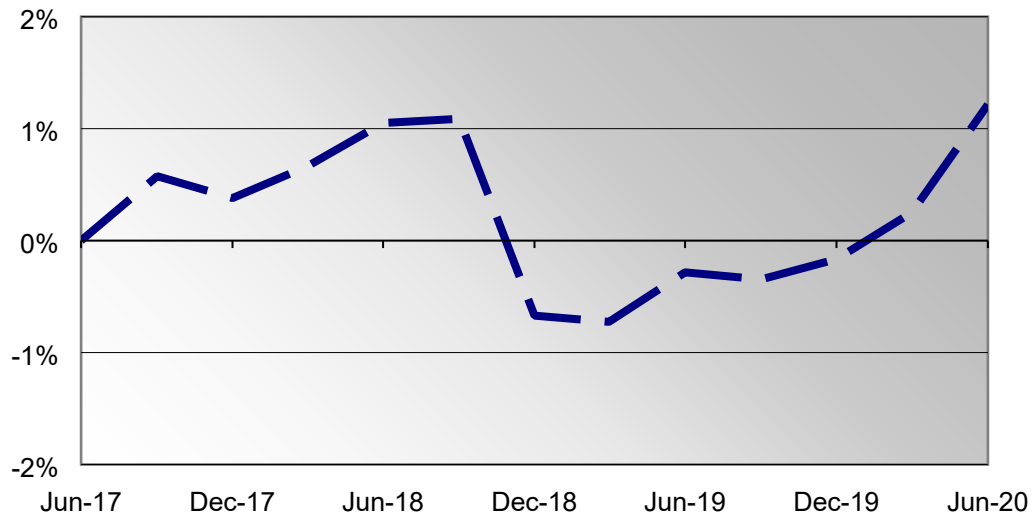
14.1 The performance for the quarter to 30th June 2020 is summarised in the following table:

Quarter to 30 June 2020				
Value as at 30 June £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
33.8	In-House (Global Eq)	18.8	19.9	-1.1
586.3	Brunel (Passive GI Eq)	19.8	19.9	-0.1
298.4	Brunel (GHA Eq)	24.0	20.0	+4.0
9.5	ASI (UK Eq)	18.2	10.2	+8.0
394.6	Brunel (UK Eq)	11.7	10.2	+1.5
87.9	In-House (US Eq)	20.2	21.0	-0.8
30.4	Maple-Brown Abbott	17.2	21.6	-4.4
35.9	Nomura	12.4	11.7	+0.7
82.2	Brunel (EM Eq)	18.8	18.5	+0.3
387.2	ASI (FI)	9.5	9.3	+0.2
208.3	LaSalle	-1.3	-2.0	+0.7
1.6	SWRVF	0.0	0.0	+0.0
61.6	Neuberger Berman	1.5	0.0	+1.5
0.8	Brunel	0.0	0.0	+0.0
94.2	Cash	0.3	0.0	+0.3
2,312.7	Whole Fund	13.2	12.3	+0.9

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

14.3 Outperformance was generated by a small positive from asset allocation, being overweight equity overall but underweight UK and emerging market equity was positive. Overall stock selection by managers was a strong positive.

Whole Fund Performance Vs Benchmark



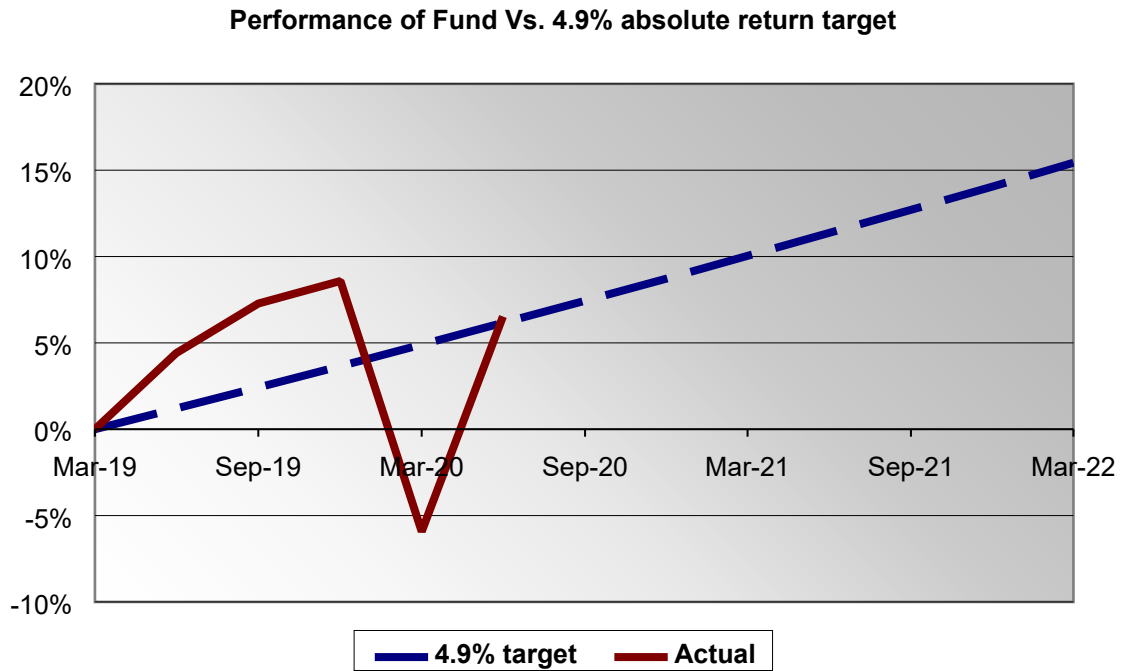
14.4

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	2.0	0.7	+1.3
3 years	5.0	4.6	+0.4
5 years	7.8	7.8	+0.0
10 years	9.2	8.8	+0.4

14.5

At the June 2020 committee meeting 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.



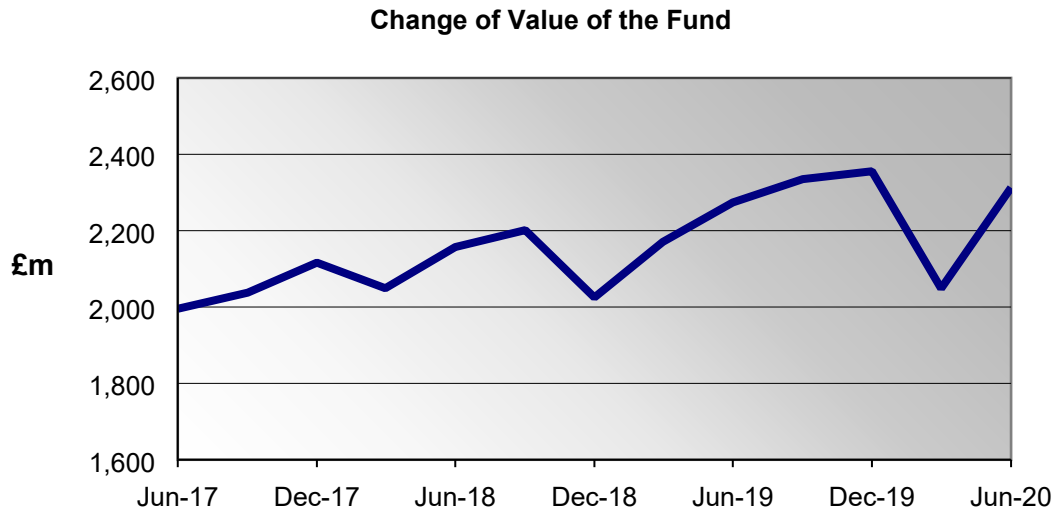
14.6 The movement in the value of the fund over the quarter is summarised in the table below.

	Value as at 31 Mar		Value as at 30 June		Strategic
	£m	%	£m	%	Weighting
In-House (Global Eq)	28.6	2	33.8	1	0
Brunel (Passive GI Eq)	489.3	24	586.3	25	25
Brunel (GHA Eq)	240.6	12	298.4	13	10
ASI (UK Eq)	8.0	0	9.5	0	0
Brunel (UK Eq)	353.4	17	394.6	17	20
In-House (US Eq)	73.4	4	87.9	4	3
Maple-Brown Abbott	25.9	1	30.4	1	1
Nomura	31.9	2	35.9	2	1
Brunel (EM Eq)	69.2	3	82.2	4	5
ASI (FI)	353.0	17	387.2	17	19
LaSalle	211.0	10	208.3	9	10
SWRVF	1.6	0	1.6	0	0
Neuberger Berman	57.5	3	61.6	3	5
Brunel	0.8	0	0.8	0	0
Cash	104.5	5	94.2	4	1
Whole Fund	2,048.7	100	2,312.7	100	100

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

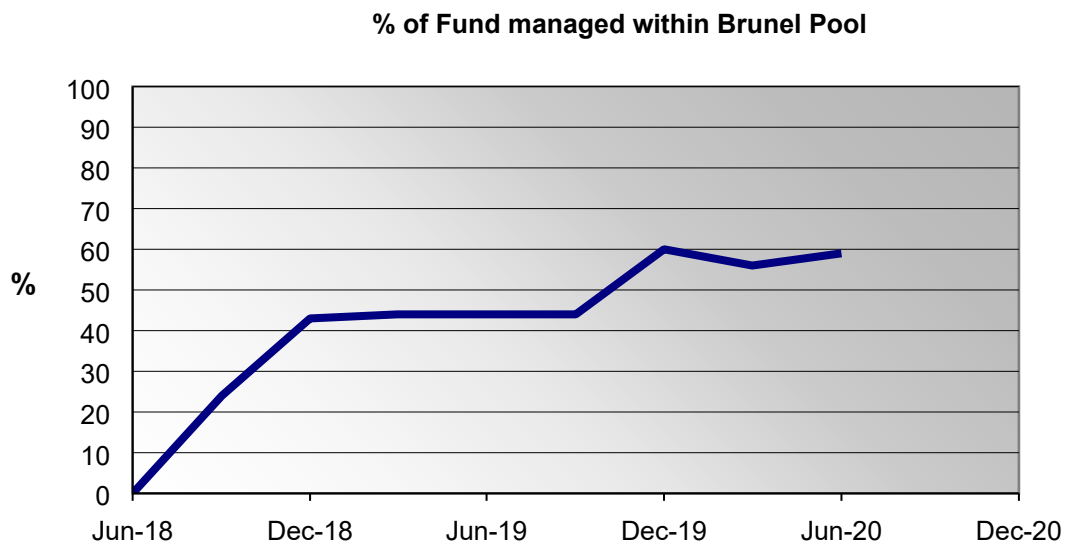
- £0.2m was withdrawn from the in-house global equity fund during the quarter. This broadly represents dividend income on this fund during the quarter.
- £0.3m was withdrawn from the in-house US equity fund during the quarter. This broadly represents dividend income on this fund during the quarter.
- £3.2m was invested in the Neuberger Berman's Private equity mandate as funds drew down 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 30 June	
	£m	%	£m	%
Pooled assets	1,152.5	56	1,361.5	59
Retained assets	896.2	44	951.2	41
Whole Fund	2,048.7	100	2,312.7	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 83.3% and the average required employer contribution would be 27.0% 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."

