

## **Review of Investment Performance** **for the Quarter to 30th June 2019**

1. Somerset County Council (Global Equity)

1.1 The performance for the quarter to 30th June 2019 is summarised in the following table:

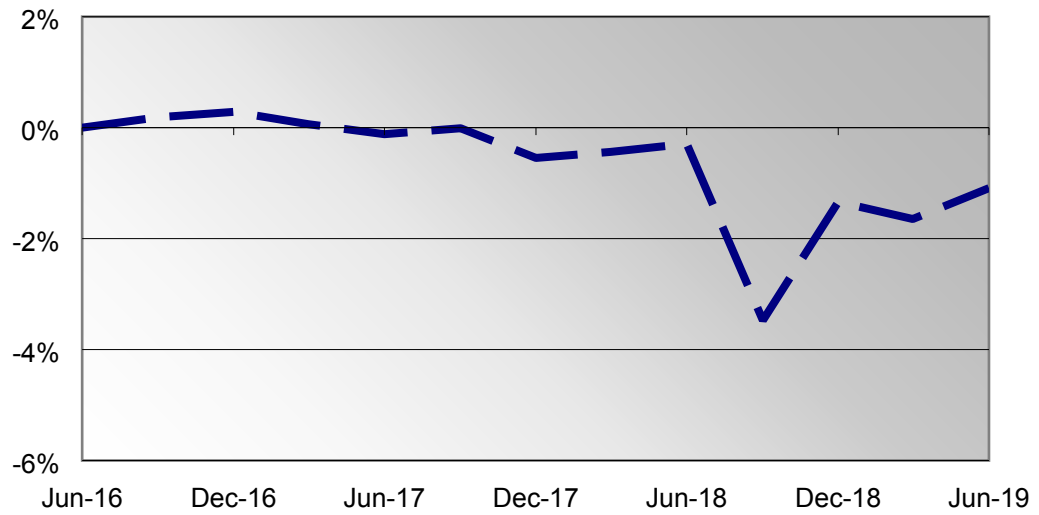
<b>Quarter to 30 June 2019</b>				
<b>Value as at 30 June £m</b>		<b>Fund for quarter %</b>	<b>Performance Benchmark for quarter %</b>	<b>Relative to Benchmark %</b>
<b>32.2</b>	<b>Global equities</b>	<b>6.8</b>	<b>6.5</b>	<b>+0.3</b>
<b>0.4</b>	<b>Cash</b>			
<b>32.6</b>	<b>Total</b>	<b>7.0</b>	<b>6.5</b>	<b>+0.5</b>

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 positive.

### In-House Fund performance Vs Benchmark



1.5

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

	<b>Fund % p.a.</b>	<b>Benchmark % p.a.</b>	<b>Relative to Benchmark % p.a.</b>
<b>1 year</b>	<b>9.7</b>	<b>10.3</b>	<b>-0.6</b>
<b>3 years</b>	<b>13.9</b>	<b>14.2</b>	<b>-0.3</b>
<b>5 years</b>	<b>13.4</b>	<b>13.6</b>	<b>-0.2</b>
<b>10 years</b>	<b>14.0</b>	<b>14.1</b>	<b>-0.1</b>

2. Brunel - LGIM (Global Equity)

2.1 The performance for the quarter to 30th June 2019 is summarised in the following table:

<b>Quarter to 30 June 2019</b>			
<b>Value as at 30 June £m</b>	<b>Fund for quarter %</b>	<b>Performance Benchmark for quarter %</b>	<b>Relative to Benchmark %</b>
<b>550.8 Global equities</b>	<b>6.5</b>	<b>6.5</b>	<b>+0.0</b>

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

3. Aberdeen Standard Investments (UK Equities)

3.1 The performance for the quarter to 30th June 2019 is summarised in the following table:

<b>Quarter to 30 June 2019</b>			
<b>Value as at 30 June £m</b>	<b>Fund for quarter %</b>	<b>Performance Benchmark for quarter %</b>	<b>Relative to Benchmark %</b>
<b>10.0 UK</b>	<b>5.3</b>	<b>3.3</b>	<b>+2.0</b>

3.2 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.

3.3 Aberdeen Standard had a good quarter relative to their benchmark. Absolute returns were strongly positive. Smaller companies significantly under performed during the quarter and the Aberdeen Standard fund outperformed the smaller companies benchmark.

4. Brunel (UK Equities)

4.1 The performance for the quarter to 30th June 2019 is summarised in the following table:

<b>Quarter to 30 June 2019</b>			
<b>Value as at 30 June £m</b>	<b>Fund for quarter %</b>	<b>Performance Benchmark for quarter %</b>	<b>Relative to Benchmark %</b>
<b>455.4 UK</b>	<b>3.1</b>	<b>3.3</b>	<b>-0.2</b>

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

4.3 The portfolio underperformed the benchmark during the quarter. Absolute performance was strongly positive

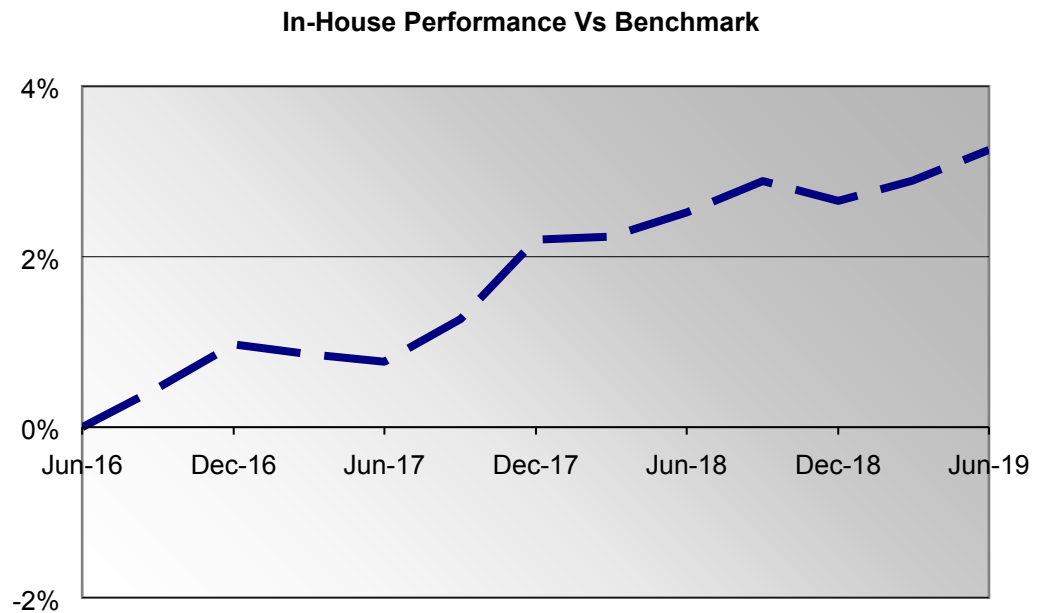
5. Somerset County Council (North American Equities)

5.1 The performance for the quarter to 30th June 2019 is summarised in the following table:

<b>Quarter to 30 June 2019</b>				
<b>Value as at 30 June £m</b>		<b>Fund for quarter %</b>	<b>Performance Benchmark for quarter %</b>	<b>Relative to Benchmark %</b>
<b>122.1</b>	<b>North America</b>	<b>6.9</b>	<b>6.8</b>	<b>+0.1</b>
<b>0.0</b>	<b>Cash</b>			
<b>122.1</b>	<b>Total</b>	<b>6.9</b>	<b>6.8</b>	<b>+0.1</b>

5.2 The in-house fund marginally outperformed the benchmark for the quarter.

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



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

	<b>Fund</b> <b>% p.a.</b>	<b>Benchmark</b> <b>% p.a.</b>	<b>Relative to</b> <b>Benchmark</b> <b>% p.a.</b>
<b>1 year</b>	<b>14.8</b>	<b>14.5</b>	<b>+0.3</b>
<b>3 years</b>	<b>16.9</b>	<b>16.1</b>	<b>+0.8</b>
<b>5 years</b>	<b>17.8</b>	<b>17.4</b>	<b>+0.4</b>
<b>10 years</b>	Initial investment in December 2011		

6. Jupiter (Continental European Equities)

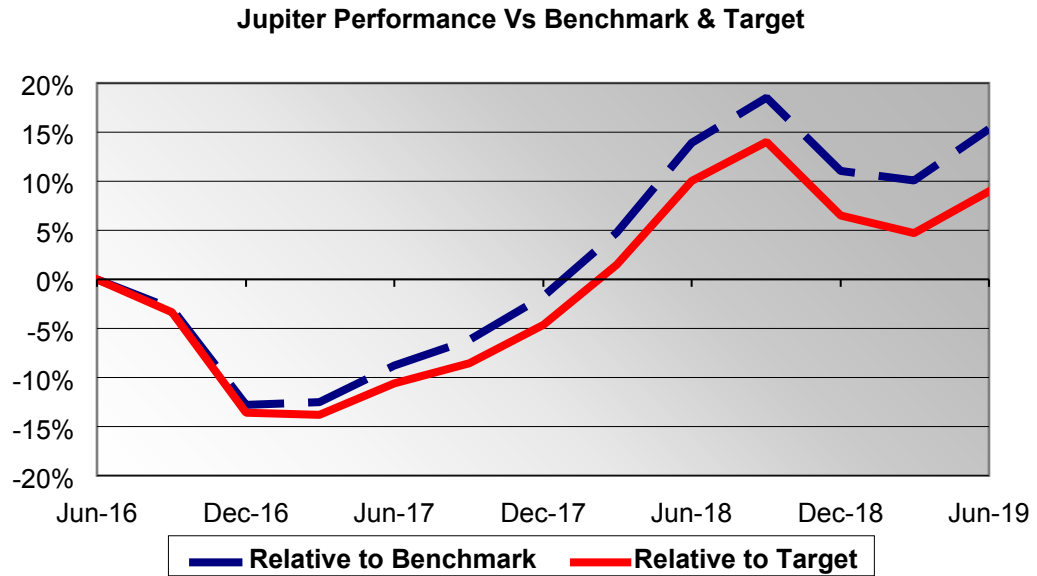
6.1 The performance for the quarter to 30th June 2019 is summarised in the following table:

<b>Quarter to 30 June 2019</b>				
<b>Value as</b> <b>at 30 June</b> <b>£m</b>		<b>Fund for</b> <b>quarter</b> <b>%</b>	<b>Performance</b> <b>Benchmark</b> <b>for quarter</b> <b>%</b>	<b>Relative to</b> <b>Benchmark</b> <b>%</b>
<b>170.7</b>	<b>Europe</b>	<b>12.6</b>	<b>8.8</b>	<b>+3.8</b>
<b>1.5</b>	<b>Cash</b>			
<b>172.2</b>	<b>Total</b>	<b>11.9</b>	<b>8.8</b>	<b>+3.1</b>

6.2 Jupiter had a good quarter relative to the benchmark, with outperformance of 3.1%. Absolute performance was strongly positive. Performance relative to benchmark continues to be very volatile from one month to the next.

6.3 Jupiter have announced that Alexander Darwell, the individual fund manager with responsibility for our account, will be leaving the firm to set up his own investment management company. A departure date has not been announced and Alexander is currently still managing our account.

6.4 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.



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

	<b>Fund % p.a.</b>	<b>Benchmark % p.a.</b>	<b>Relative to Benchmark % p.a.</b>
<b>1 year</b>	<b>8.1</b>	<b>7.9</b>	<b>+0.2</b>
<b>3 years</b>	<b>16.5</b>	<b>12.6</b>	<b>+3.9</b>
<b>5 years</b>	<b>15.7</b>	<b>8.9</b>	<b>+6.8</b>
<b>10 years</b>	<b>16.5</b>	<b>10.6</b>	<b>+5.9</b>

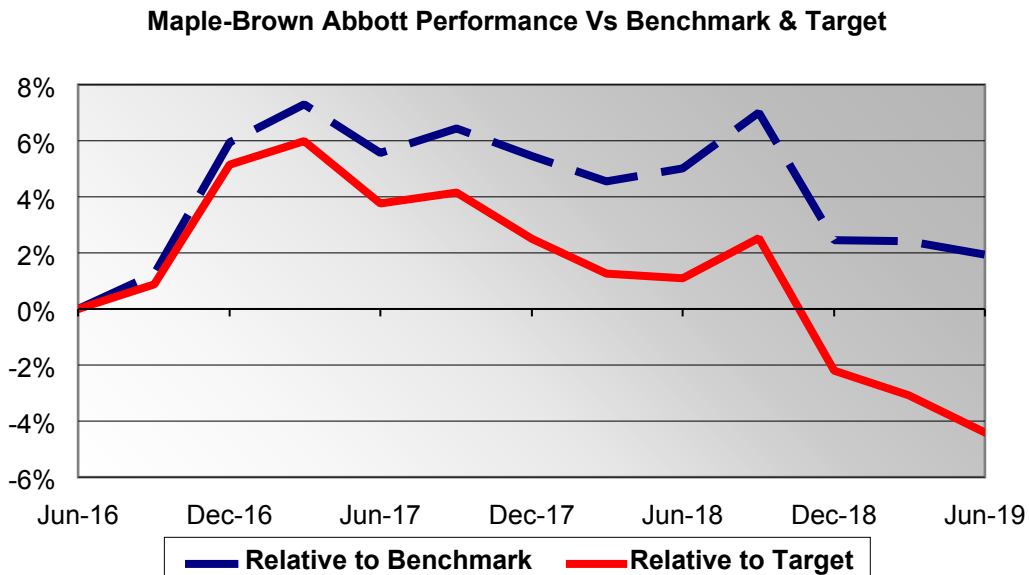
7. Maple-Brown Abbott (Far-East Equities ex-Japan)

7.1 The performance for the quarter to 30th June 2019 is summarised in the following table:

<b>Quarter to 30 June 2019</b>				
<b>Value as at 30 June £m</b>		<b>Fund for quarter %</b>	<b>Performance Benchmark for quarter %</b>	<b>Relative to Benchmark %</b>
<b>65.7</b>	<b>Pacific (ex Japan)</b>	<b>5.6</b>	<b>5.9</b>	<b>-0.3</b>
<b>0.5</b>	<b>Cash</b>			
<b>66.2</b>	<b>Total</b>	<b>5.4</b>	<b>5.9</b>	<b>-0.5</b>

7.2 Maple-Brown Abbott had a poor quarter relative to their benchmark. Absolute returns were strongly positive. The under-performance was due to poor stock selection in Australia.

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:

	<b>Fund</b> <b>% p.a.</b>	<b>Benchmark</b> <b>% p.a.</b>	<b>Relative to</b> <b>Benchmark</b> <b>% p.a.</b>
<b>1 year</b>	<b>4.0</b>	<b>6.4</b>	<b>-2.4</b>
<b>3 years</b>	<b>13.5</b>	<b>12.9</b>	<b>+0.6</b>
<b>5 years</b>	<b>7.8</b>	<b>8.8</b>	<b>-1.0</b>
<b>10 years</b>	Initial investment in July 2014		

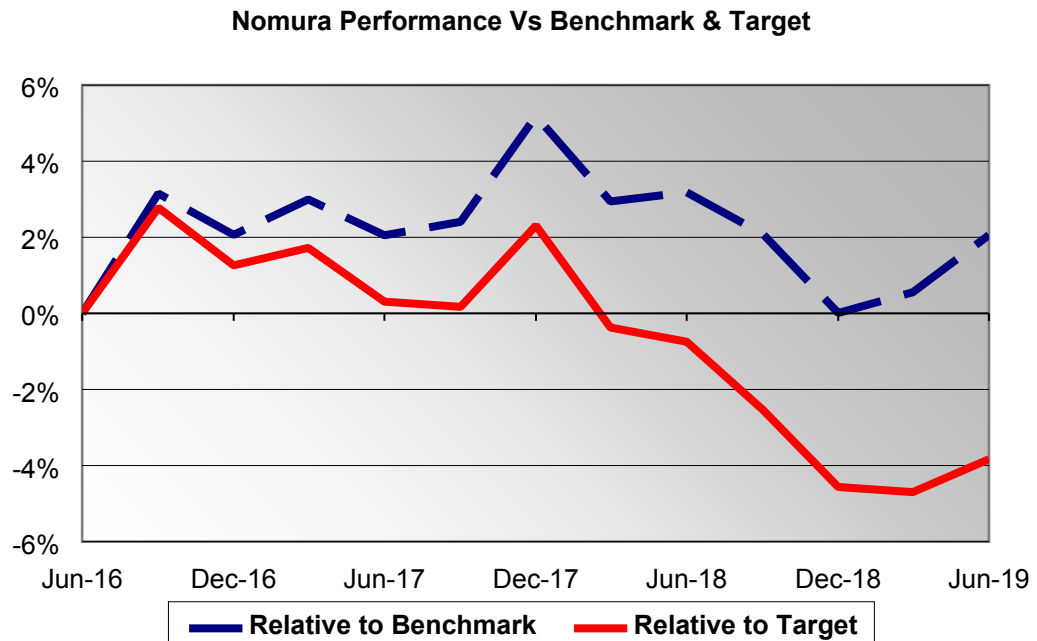
8. Nomura (Japanese Equity)

8.1 The performance for the quarter to 30th June 2019 is summarised in the following table:

<b>Quarter to 30 June 2019</b>			
<b>Value as</b> <b>at 30 June</b> <b>£m</b>	<b>Fund for</b> <b>quarter</b> <b>%</b>	<b>Performance</b> <b>Benchmark</b> <b>for quarter</b> <b>%</b>	<b>Relative to</b> <b>Benchmark</b> <b>%</b>
<b>65.6 Japan</b>	<b>3.9</b>	<b>2.7</b>	<b>+1.2</b>

8.2 Absolute performance was strongly positive. Relative performance was positive. Good stock selection in Electrical Appliances and Chemicals were significant contributors to the outperformance.

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:

	<b>Fund</b> % p.a.	<b>Benchmark</b> % p.a.	<b>Relative to Benchmark</b> % p.a.
<b>1 year</b>	-2.9	-2.1	<b>-0.8</b>
<b>3 years</b>	<b>10.6</b>	<b>10.0</b>	<b>+0.6</b>
<b>5 years</b>	<b>10.3</b>	<b>11.5</b>	<b>-1.2</b>
<b>10 years</b>	Initial investment in March 2010		

9. Amundi (Emerging Market Equity)

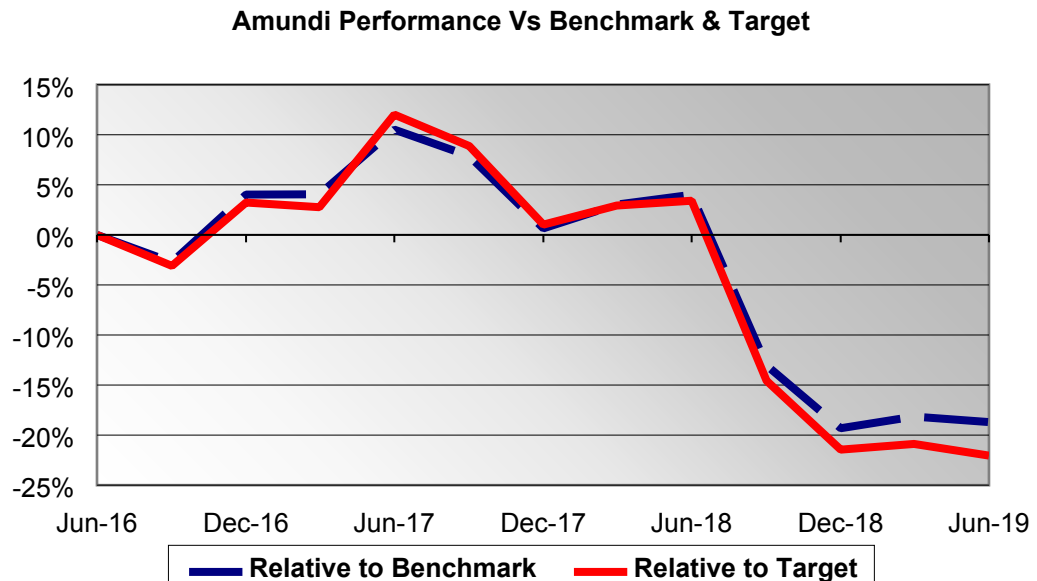
9.1 The performance for the quarter to 30th June 2019 is summarised in the following table:

<b>Quarter to 30 June 2019</b>			
<b>Value as at 30 June £m</b>	<b>Fund for quarter %</b>	<b>Performance Benchmark for quarter %</b>	<b>Relative to Benchmark %</b>
<b>84.0</b>	<b>Emerging Market</b>	<b>3.0</b>	<b>3.0</b>
			<b>+0.0</b>

9.2 Relative performance for the quarter was flat, absolute returns were strongly positive.

9.3 During the quarter our investment was moved by Amundi to a different emerging market strategy as part of a re-organisation of their EM offering. We will be invested in this new strategy for a relatively short period before our EM exposure is transferred to Brunel by the end of 2019.

9.3 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.



9.4

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

	<b>Fund</b> <b>% p.a.</b>	<b>Benchmark</b> <b>% p.a.</b>	<b>Relative to</b> <b>Benchmark</b> <b>% p.a.</b>
<b>1 year</b>	<b>-11.4</b>	<b>5.0</b>	<b>-16.4</b>
<b>3 years</b>	<b>7.3</b>	<b>12.5</b>	<b>-5.2</b>
<b>5 years</b>	<b>3.7</b>	<b>8.7</b>	<b>-5.0</b>
<b>10 years</b>	<b>4.9</b>	<b>8.6</b>	<b>-3.7</b>

10. Aberdeen Standard Investments (Fixed Interest)

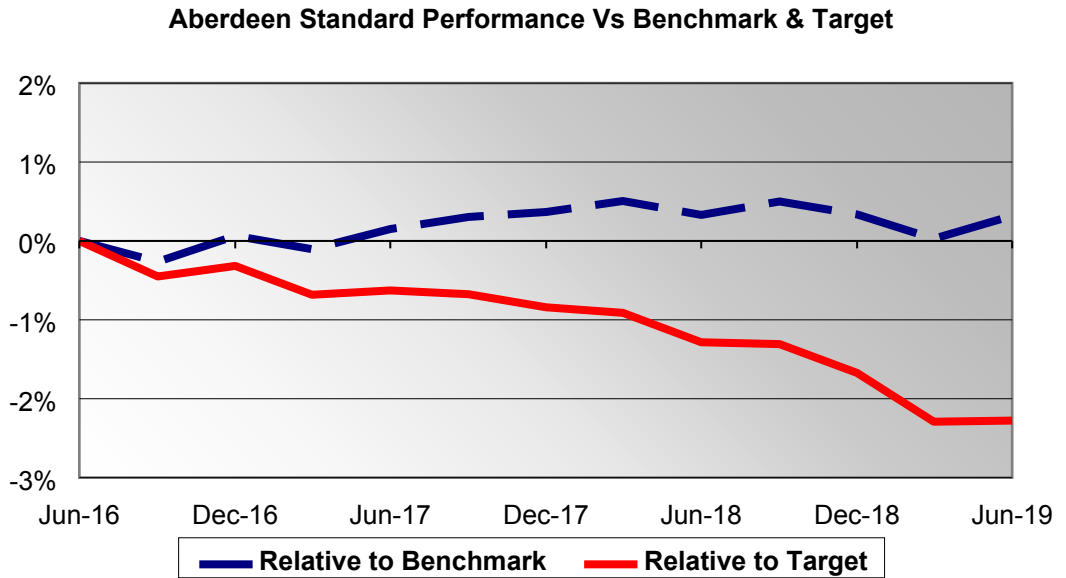
10.1 The performance for the quarter to 30th June 2019 is summarised in the following table:

<b>Quarter to 30 June 2019</b>				
<b>Value as at 30 June £m</b>		<b>Fund for quarter %</b>	<b>Performance Benchmark for quarter %</b>	<b>Relative to Benchmark %</b>
<b>62.3</b>	<b>UK Gilts</b>	<b>1.5</b>	<b>1.3</b>	<b>+0.2</b>
<b>73.6</b>	<b>Index Linked</b>	<b>2.4</b>	<b>1.9</b>	<b>+0.5</b>
<b>165.6</b>	<b>Corporate Bonds</b>	<b>3.2</b>	<b>2.9</b>	<b>+0.3</b>
<b>38.9</b>	<b>High Yield Debt</b>	<b>5.1</b>	<b>5.6</b>	<b>-0.5</b>
<b>-10.0</b>	<b>Foreign Gov't Bonds</b>			
<b>4.8</b>	<b>F Gov't Index Linked</b>			
<b>-0.1</b>	<b>Currency Instruments</b>			
<b>17.6</b>	<b>Cash</b>			
<b>352.7</b>	<b>Total</b>	<b>2.6</b>	<b>2.3</b>	<b>+0.3</b>

10.2 Aberdeen Standard outperformed their benchmark for the quarter. Absolute returns were positive. Outperformance in the corporate bond and government bond areas and being underweight UK gilts were the main contributors to the outperformance.

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:

	<b>Fund</b> % p.a.	<b>Benchmark</b> % p.a.	<b>Relative to Benchmark</b> % p.a.
<b>1 year</b>	7.7	7.7	+0.0
<b>3 years</b>	5.0	4.9	+0.1
<b>5 years</b>	7.2	7.1	+0.1
<b>10 years</b>	8.2	8.2	+0.0

11. LaSalle (Property Fund of Funds)

11.1 The performance for the quarter to 30th June 2019 is summarised in the following table:

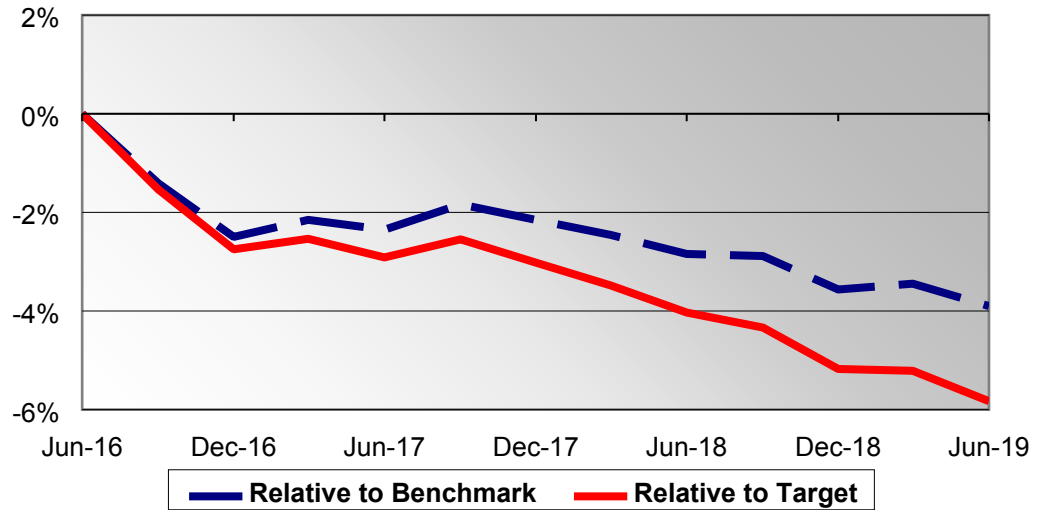
<b>Quarter to 30 June 2019</b>				
<b>Value as at 30 June £m</b>		<b>Fund for quarter %</b>	<b>Performance Benchmark for quarter %</b>	<b>Relative to Benchmark %</b>
<b>189.7</b>	<b>UK Property</b>	<b>0.3</b>	<b>0.6</b>	<b>-0.3</b>
<b>0.1</b>	<b>European Property</b>	<b>0.5</b>		
<b>0.0</b>	<b>Currency Instruments</b>			
<b>23.9</b>	<b>Cash</b>			
<b>213.7</b>	<b>Total</b>	<b>0.2</b>	<b>0.6</b>	<b>-0.4</b>

11.2 Property returns from the UK market were just positive for the quarter. The fund underperformed relative to the benchmark. Underperformance was due to the bid offer spread on the purchase of new holdings and continued poor performance from specialist retail holdings.

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.

**Aviva Performance Vs Benchmark & Target**



11.4

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

	<b>Fund</b> % p.a.	<b>Benchmark</b> % p.a.	<b>Relative to</b> <b>Benchmark</b> % p.a.
<b>1 year</b>	2.4	3.4	<b>-1.0</b>
<b>3 years</b>	5.1	6.3	<b>-1.2</b>
<b>5 years</b>	6.9	8.3	<b>-1.4</b>
<b>10 years</b>	7.8	8.8	<b>-1.0</b>



12. Neuberger Berman (Global Private Equity)

12.1 The performance for the quarter to 30th June 2019 is summarised in the following table:

<b>Quarter to 30 June 2019</b>			
<b>Value as at 30 June £m</b>	<b>Fund for quarter %</b>	<b>Performance Benchmark for quarter %</b>	<b>Relative to Benchmark %</b>
<b>45.6 Private Equity</b>	<b>1.0</b>	<b>0.2</b>	<b>+0.8</b>

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 22.6%.

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 4.3%.

12.5 The Crossroads XXI fund is also making good progress. The underlying return on this fund for the quarter, excluding currency movements, was 1.3%.

12.6 The Crossroads XXII fund is still very young. The return for the quarter, excluding currency movements, was a small negative at -1.1%. The fund is showing a profit overall.

12.4

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:

	<b>Fund</b> <b>% p.a.</b>	<b>Benchmark</b> <b>% p.a.</b>	<b>Relative to</b> <b>Benchmark</b> <b>% p.a.</b>
<b>1 year</b>	<b>16.5</b>	<b>10.3</b>	<b>+6.2</b>
<b>3 years</b>	<b>12.6</b>	<b>14.2</b>	<b>-1.6</b>
<b>5 years</b>	<b>15.8</b>	<b>13.6</b>	<b>+2.2</b>
<b>10 years</b>	Initial investment in March 2010		

13. South West Ventures Fund

13.1 The fund continues to make reasonable progress.

14. Combined Fund

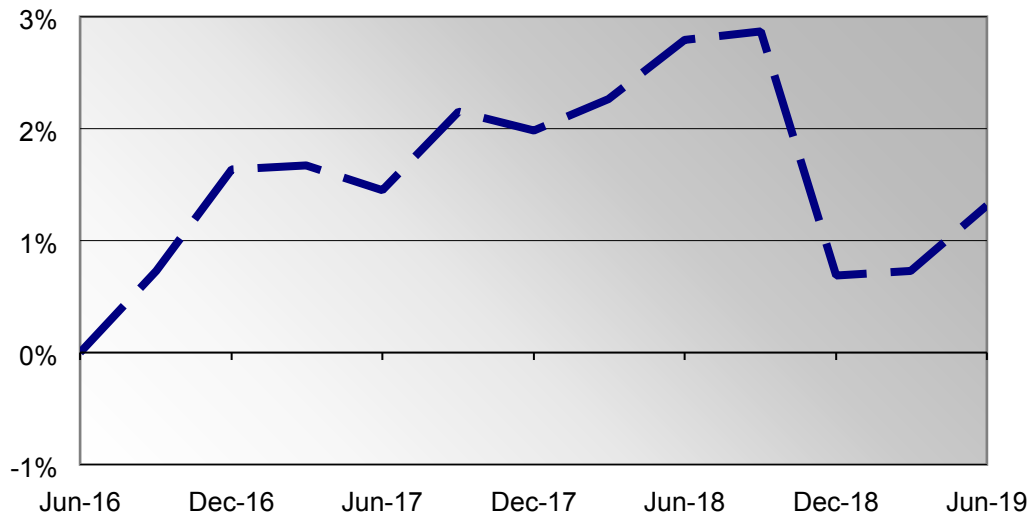
14.1 The performance for the quarter to 30th June 2019 is summarised in the following table:

<b>Quarter to 30 June 2019</b>				
<b>Value as at 30 June £m</b>		<b>Fund for quarter %</b>	<b>Performance Benchmark for quarter %</b>	<b>Relative to Benchmark %</b>
<b>32.6</b>	<b>In-House (Global Eq)</b>	<b>7.0</b>	<b>6.5</b>	<b>+0.5</b>
<b>550.8</b>	<b>Brunel (Global Eq)</b>	<b>6.5</b>	<b>6.5</b>	<b>+0.0</b>
<b>10.0</b>	<b>ASI (UK Eq)</b>	<b>5.3</b>	<b>3.3</b>	<b>+2.0</b>
<b>455.4</b>	<b>Brunel (UK Eq)</b>	<b>3.1</b>	<b>3.3</b>	<b>-0.2</b>
<b>122.1</b>	<b>In-House (US Eq)</b>	<b>6.9</b>	<b>6.8</b>	<b>+0.1</b>
<b>172.2</b>	<b>Jupiter</b>	<b>11.9</b>	<b>8.8</b>	<b>+3.1</b>
<b>66.2</b>	<b>Maple-Brown Abbott</b>	<b>5.4</b>	<b>5.9</b>	<b>-0.5</b>
<b>65.6</b>	<b>Nomura</b>	<b>3.9</b>	<b>2.7</b>	<b>+1.2</b>
<b>84.0</b>	<b>Amundi</b>	<b>3.0</b>	<b>3.0</b>	<b>+0.0</b>
<b>352.7</b>	<b>ASI (FI)</b>	<b>2.6</b>	<b>2.3</b>	<b>+0.3</b>
<b>213.7</b>	<b>LaSalle</b>	<b>0.2</b>	<b>0.6</b>	<b>-0.4</b>
<b>1.6</b>	<b>SWRVF</b>	<b>0.0</b>	<b>0.2</b>	<b>-0.2</b>
<b>45.6</b>	<b>Neuberger Berman</b>	<b>1.0</b>	<b>0.2</b>	<b>+0.8</b>
<b>0.8</b>	<b>Brunel</b>	<b>0.0</b>	<b>0.0</b>	<b>+0.0</b>
<b>100.6</b>	<b>Cash</b>	<b>0.2</b>	<b>0.2</b>	<b>+0.0</b>
<b>2,273.9</b>	<b>Whole Fund</b>	<b>4.4</b>	<b>4.0</b>	<b>+0.4</b>

14.2 The fund, as a whole, outperformed its benchmark during the quarter. The level of absolute return was strongly positive. Jupiter, Nomura and Aberdeen Standard produced performance ahead of their targets for the quarter.

14.3 Outperformance was generated by both asset allocation and good stock selection by the managers within the fund. Within asset allocation the overweight to equity and underweight of fixed income were the key contributors.

### Whole Fund Performance Vs Benchmark



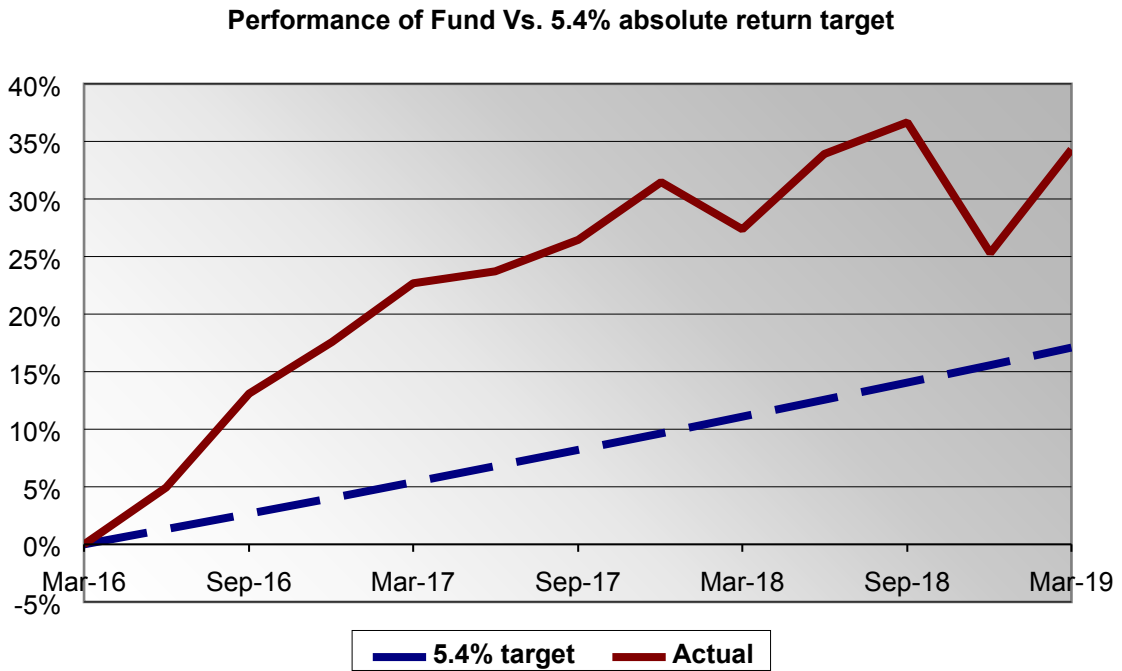
14.4

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

	<b>Fund</b> <b>% p.a.</b>	<b>Benchmark</b> <b>% p.a.</b>	<b>Relative to</b> <b>Benchmark</b> <b>% p.a.</b>
<b>1 year</b>	<b>4.7</b>	<b>6.0</b>	<b>-1.3</b>
<b>3 years</b>	<b>10.1</b>	<b>9.8</b>	<b>+0.3</b>
<b>5 years</b>	<b>9.3</b>	<b>9.3</b>	<b>+0.0</b>
<b>10 years</b>	<b>10.7</b>	<b>10.6</b>	<b>+0.1</b>

14.5

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.



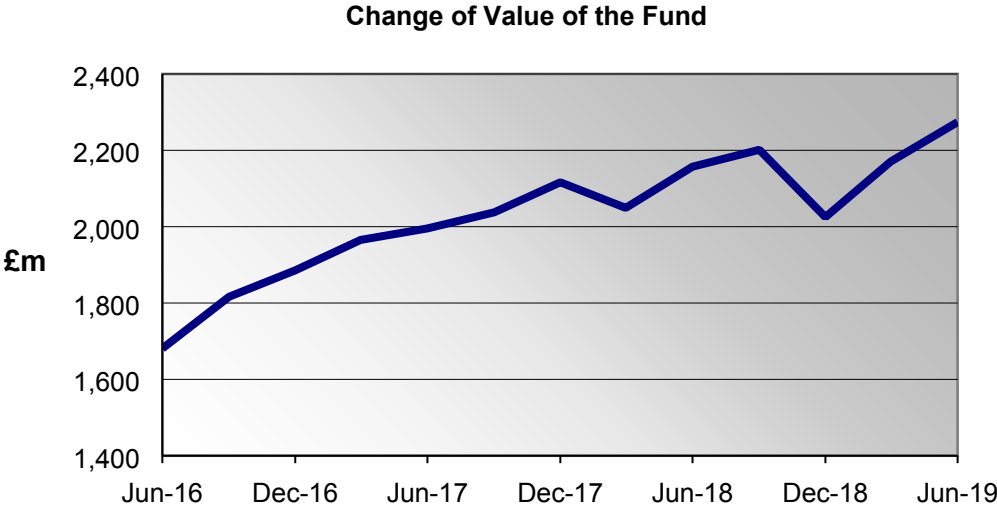
14.6 The movement in the value of the fund over the quarter is summarised in the table below.

	Value as at 31 Mar		Value as at 30 June		Strategic
	£m	%	£m	%	Weighting
<b>In-House (Global Eq)</b>	<b>32.9</b>	2	<b>32.6</b>	1	<b>0</b>
<b>Brunel (Global Eq)</b>	<b>517.1</b>	24	<b>550.8</b>	24	<b>23</b>
<b>ASI (UK Eq)</b>	<b>9.5</b>	0	<b>10.0</b>	0	<b>0</b>
<b>Brunel (UK Eq)</b>	<b>441.5</b>	20	<b>455.4</b>	20	<b>23</b>
<b>In-House (US Eq)</b>	<b>114.8</b>	5	<b>122.1</b>	5	<b>5</b>
<b>Jupiter</b>	<b>153.5</b>	7	<b>172.2</b>	8	<b>5</b>
<b>M-BA (Pac Eq)</b>	<b>62.7</b>	3	<b>66.2</b>	3	<b>3</b>
<b>Nomura</b>	<b>63.1</b>	3	<b>65.6</b>	3	<b>3</b>
<b>Amundi</b>	<b>81.5</b>	4	<b>84.0</b>	4	<b>5</b>
<b>ASI (FI)</b>	<b>343.5</b>	16	<b>352.7</b>	16	<b>19</b>
<b>Aviva</b>	<b>213.4</b>	10	<b>213.7</b>	10	<b>10</b>
<b>SWRVF</b>	<b>1.6</b>	0	<b>1.6</b>	0	<b>0</b>
<b>Neuberger Berman</b>	<b>47.5</b>	2	<b>45.6</b>	2	<b>3</b>
<b>Brunel</b>	<b>0.8</b>	0	<b>0.8</b>	0	<b>0</b>
<b>Cash</b>	<b>87.2</b>	4	<b>100.6</b>	4	<b>1</b>
<b>Whole Fund</b>	<b>2,170.6</b>	100	<b>2,273.9</b>	100	<b>100</b>

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

- £2.8m was withdrawn from the in-house equity fund during the quarter. This represents approximately £0.5m of income and £2.3m of divestment.
- £0.5m was withdrawn from the in-house US equity fund during the quarter. This broadly represents dividend income on this fund during the quarter.
- £2.5m was withdrawn from 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 The Fund’s Actuary, Barnett Waddingham, does not provide an update of funding during the period of calculating the results of a formal valuation.