

## Review of Investment Performance for the Quarter to 31st December 2020

1. Somerset County Council (Passive Global Equity)

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

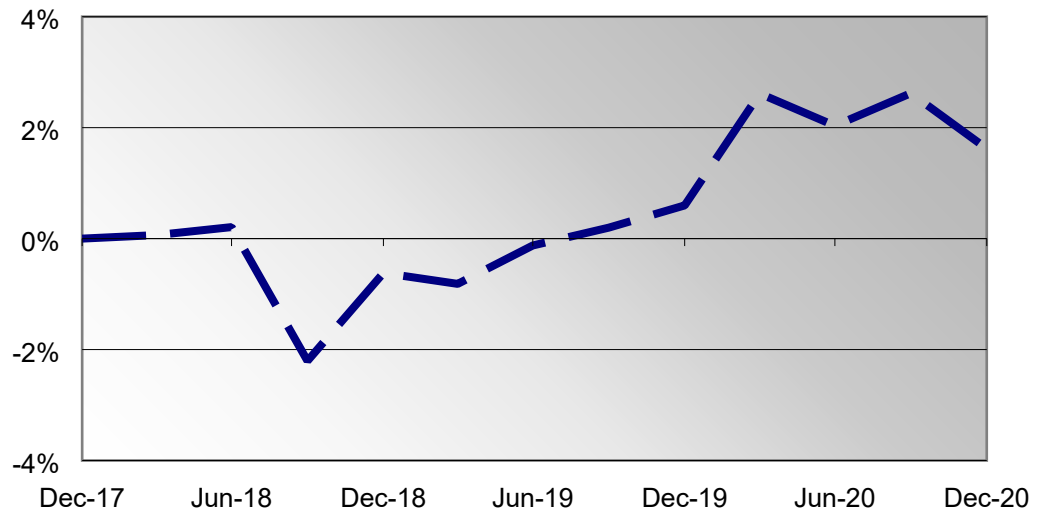
<b>Quarter to 31 December 2020</b>				
<b>Value as at 31 Dec £m</b>		<b>Fund for quarter %</b>	<b>Performance Benchmark for quarter %</b>	<b>Relative to Benchmark %</b>
<b>25.9</b>	<b>Global equities</b>	<b>7.7</b>	<b>8.2</b>	<b>-0.5</b>
<b>0.0</b>	<b>Cash</b>			
<b>25.9</b>	<b>Total</b>	<b>7.2</b>	<b>8.2</b>	<b>-1.0</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. We are now proactively liquidating the holdings.

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:

	<b>Fund % p.a.</b>	<b>Benchmark % p.a.</b>	<b>Relative to Benchmark % p.a.</b>
<b>1 year</b>	<b>13.9</b>	<b>13.1</b>	<b>+0.8</b>
<b>3 years</b>	<b>11.0</b>	<b>10.5</b>	<b>+0.5</b>
<b>5 years</b>	<b>14.7</b>	<b>14.5</b>	<b>+0.2</b>
<b>10 years</b>	<b>12.0</b>	<b>11.9</b>	<b>+0.1</b>

2. Brunel - LGIM (Passive Global Equity)

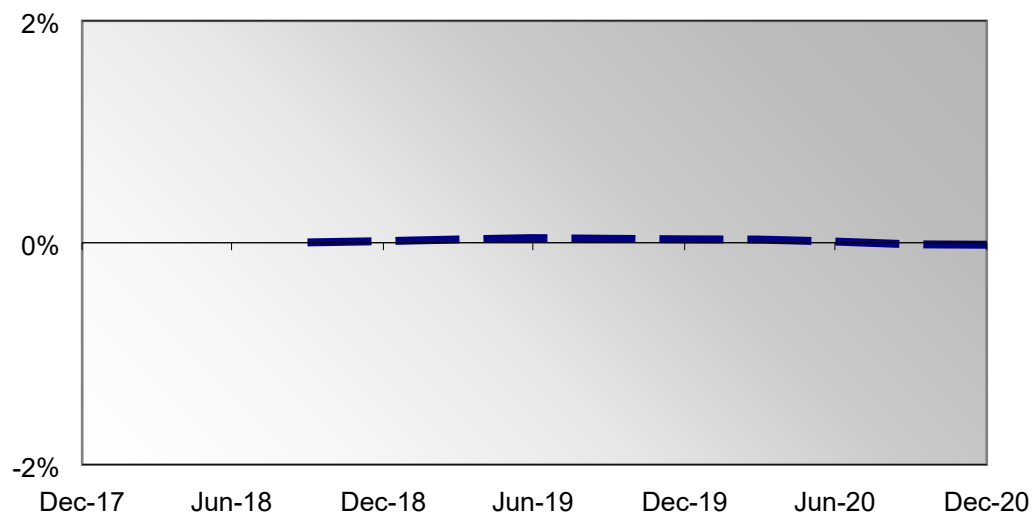
2.1 The performance for the quarter to 31st December 2020 is summarised in the following table:

<b>Quarter to 31 December 2020</b>			
<b>Value as at 31 Dec £m</b>	<b>Fund for quarter %</b>	<b>Performance Benchmark for quarter %</b>	<b>Relative to Benchmark %</b>
<b>655.1 Global equities</b>	<b>8.2</b>	<b>8.2</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.

2.3

**Brunel performance Vs Benchmark**



2.4 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>13.1</b>	<b>13.1</b>	<b>+0.0</b>
<b>3 years</b>	Initial investment in July 2018		

3. Brunel - (Global High Alpha Equity)

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

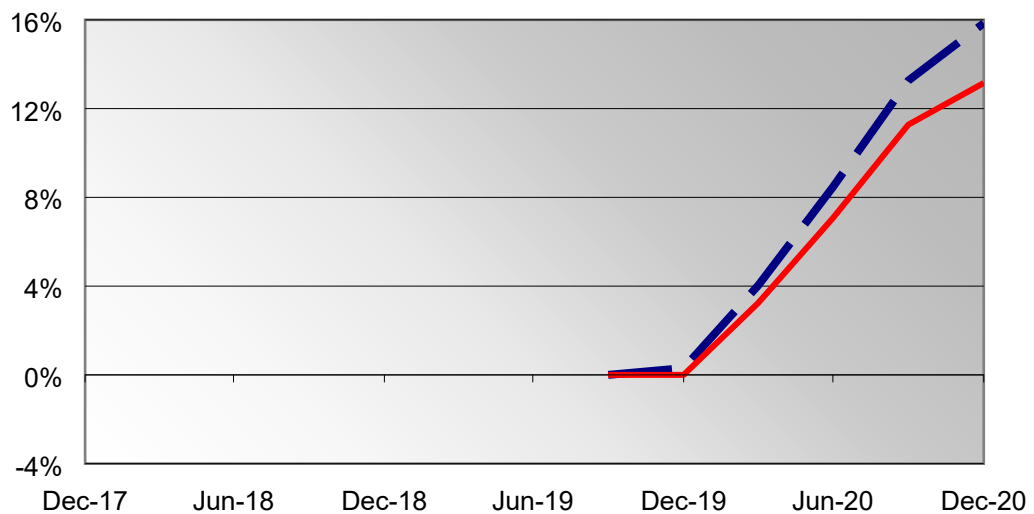
<b>Quarter to 31 December 2020</b>			
<b>Value as at 31 Dec £m</b>	<b>Fund for quarter %</b>	<b>Performance Benchmark for quarter %</b>	<b>Relative to Benchmark %</b>
<b>349.8 Global equities</b>	<b>9.2</b>	<b>7.9</b>	<b>+1.3</b>

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 outperformed during the quarter. Absolute returns were strongly positive.

3.4 The Brunel GHA Fund's target is to outperform the benchmark by an annualised return of 2%-3% over continuous three to five-year periods after fees have been deducted. The graph below shows performance against 2%.

**Brunel performance Vs Benchmark & Target**



3.5 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>28.3</b>	<b>12.9</b>	<b>+15.4</b>
<b>3 years</b>	Initial investment in November 2019		

4. Aberdeen Standard Investments (UK Equities)

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

<b>Quarter to 31 December 2020</b>			
<b>Value as at 31 Dec £m</b>	<b>Fund for quarter %</b>	<b>Performance Benchmark for quarter %</b>	<b>Relative to Benchmark %</b>
<b>11.9 UK</b>	<b>17.0</b>	<b>12.6</b>	<b>+4.4</b>

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, but the Aberdeen Standard fund underperformed the smaller companies' benchmark.

5. Brunel (UK Equities)

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

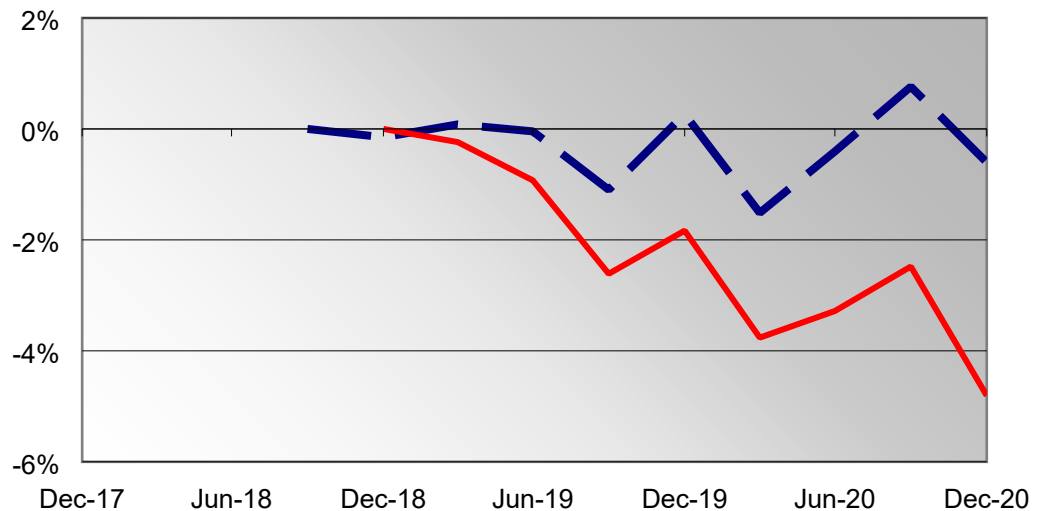
Quarter to 31 December 2020			
Value as at 31 Dec £m	Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
<b>430.8 UK</b>	<b>11.0</b>	<b>12.6</b>	<b>-1.6</b>

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

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

5.4 The Brunel UK Fund’s target is to outperform the benchmark by an annualised return of 2% over continuous three to five-year periods after fees have been deducted.

**Brunel performance Vs Benchmark & Target**



5.5 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>-10.5</b>	<b>-9.8</b>	<b>-0.7</b>
<b>3 years</b>	Initial investment in November 2018		

6. Brunel (Global Smaller Companies Equity)

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

<b>Quarter to 31 December 2020</b>			
<b>Value as</b> <b>at 31 Dec</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>172.8 Smaller Companies</b>	<b>16.1</b>	<b>17.1</b>	<b>-1.0</b>

6.2 The Brunel Smaller Companies Market portfolio is managed by a combination of Montanaro Asset Management, American Century and Kempen Capital Management.

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

7. Brunel (Emerging Market Equity)

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

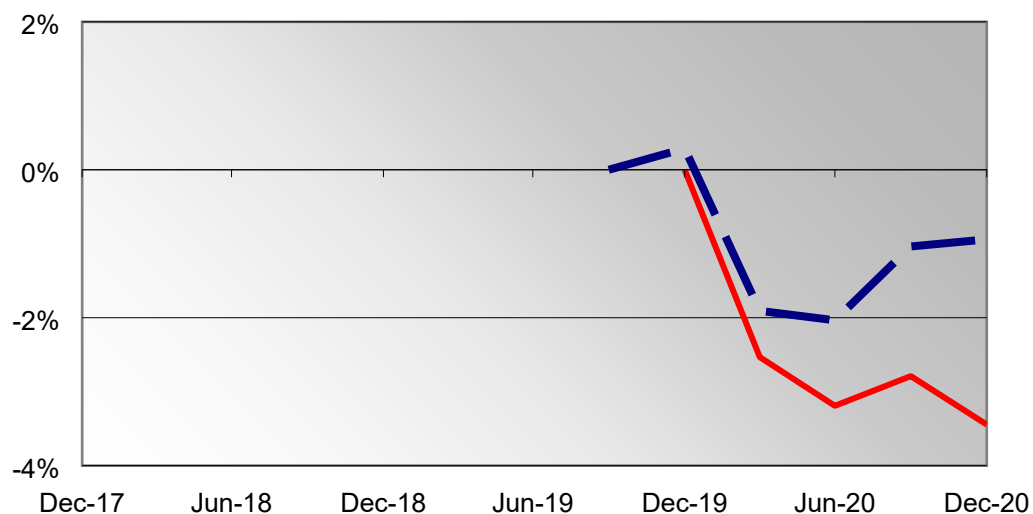
<b>Quarter to 31 December 2020</b>				
<b>Value as at 31 Dec £m</b>		<b>Fund for quarter %</b>	<b>Performance Benchmark for quarter %</b>	<b>Relative to Benchmark %</b>
<b>119.6</b>	<b>Emerging Market</b>	<b>13.4</b>	<b>13.2</b>	<b>+0.2</b>

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

7.3 The Brunel portfolio outperformed during the quarter. Absolute performance was strongly positive.

7.4 The Brunel Emerging Market Fund's target is to outperform the benchmark by an annualised return of 2%-3% over continuous three to five-year periods after fees have been deducted. The graph below shows performance against 2%.

**Brunel performance Vs Benchmark & Target**





8. Aberdeen Standard Investments (Fixed Interest)

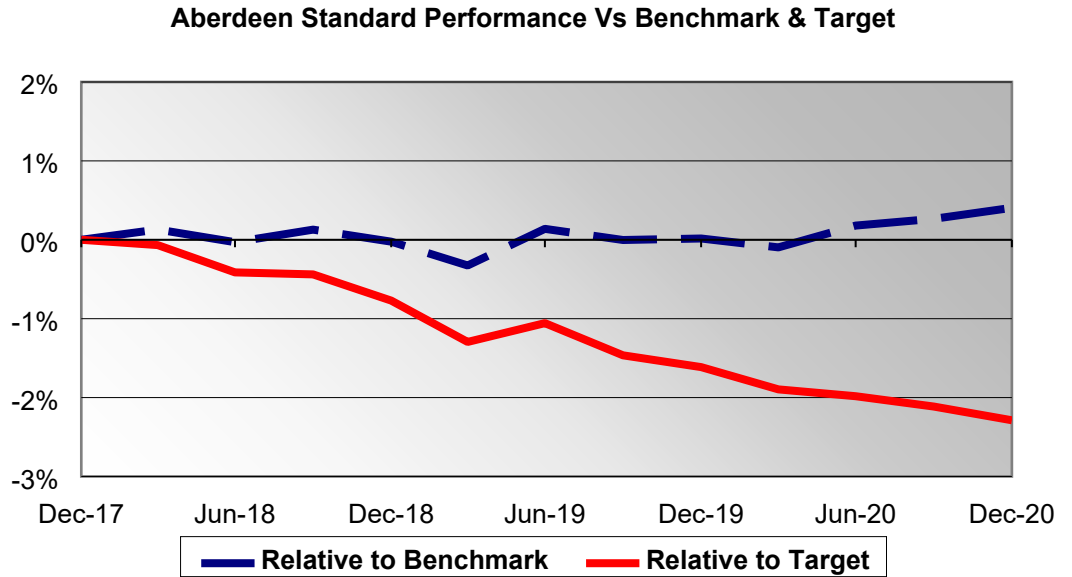
8.1 The performance for the quarter to 31st December 2020 is summarised in the following table:

<b>Quarter to 31 December 2020</b>				
<b>Value as at 31 Dec £m</b>		<b>Fund for quarter %</b>	<b>Performance Benchmark for quarter %</b>	<b>Relative to Benchmark %</b>
<b>78.5</b>	<b>UK Gilts</b>	<b>0.7</b>	<b>0.6</b>	<b>+0.1</b>
<b>80.2</b>	<b>Index Linked</b>	<b>1.3</b>	<b>1.2</b>	<b>+0.1</b>
<b>205.5</b>	<b>Corporate Bonds</b>	<b>5.2</b>	<b>5.3</b>	<b>-0.1</b>
<b>50.6</b>	<b>High Yield Debt</b>	<b>4.9</b>	<b>4.4</b>	<b>+0.5</b>
<b>1.2</b>	<b>Foreign Gov't Bonds</b>	<b>-1.1</b>		
<b>2.8</b>	<b>F Gov't Index Linked</b>	<b>-1.4</b>		
<b>-0.2</b>	<b>Currency Instruments</b>	<b>-0.3</b>		
<b>8.7</b>	<b>Cash</b>			
<b>427.3</b>	<b>Total</b>	<b>3.6</b>	<b>3.5</b>	<b>+0.1</b>

8.2 Aberdeen Standard outperformed their benchmark for the quarter. Absolute returns were positive. The outperformance came from overweighting corporate bonds versus gilts and outperformance in the sub-sectors except corporate bonds.

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.



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</b> <b>Benchmark</b> % p.a.
<b>1 year</b>	<b>10.7</b>	<b>10.3</b>	<b>+0.4</b>
<b>3 years</b>	<b>6.6</b>	<b>6.5</b>	<b>+0.1</b>
<b>5 years</b>	<b>7.9</b>	<b>7.8</b>	<b>+0.1</b>
<b>10 years</b>	<b>7.6</b>	<b>7.6</b>	<b>+0.0</b>

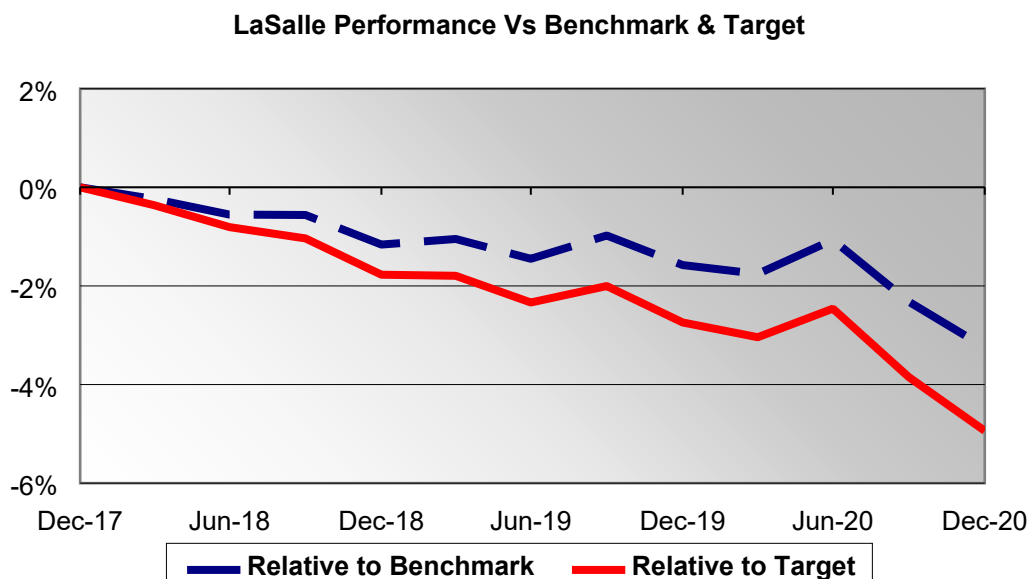
9. LaSalle/Brunel (Property Fund of Funds)

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

Quarter to 31 December 2020				
Value as at 31 Dec £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
174.6	<b>UK Property</b>	1.6	2.1	-0.5
0.0	<b>European Property</b>	-0.3		
34.0	<b>Cash</b>			
<b>208.6</b>	<b>Total</b>	<b>1.3</b>	<b>2.1</b>	<b>-0.8</b>

9.2 Management of the property portfolio moved from LaSalle to Brunel on 1st November 2020. Unlike other asset classes Brunel simply took over management with no underlying change in holdings. Going forward performance records will report the full history of this portfolio.

9.3 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.



9.4 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>-2.6</b>	<b>-1.0</b>	<b>-1.6</b>
<b>3 years</b>	<b>1.2</b>	<b>2.3</b>	<b>-1.1</b>
<b>5 years</b>	<b>2.9</b>	<b>3.9</b>	<b>-1.0</b>
<b>10 years</b>	<b>5.1</b>	<b>6.5</b>	<b>-1.4</b>

10. Neuberger Berman (Global Private Equity)

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

<b>Quarter to 31 December 2020</b>				
<b>Value as at 31 Dec £m</b>		<b>Fund for quarter %</b>	<b>Performance Benchmark for quarter %</b>	<b>Relative to Benchmark %</b>
<b>64.4</b>	<b>Private Equity</b>	<b>4.2</b>	<b>0.0</b>	<b>+4.2</b>

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 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.

10.4 The 2010 fund continues to make good progress. The underlying return on this fund for the quarter, excluding currency movements, was 4.9%. This fund is due to wind up within the next year or so.

10.5 The Neuberger Berman Crossroads XX fund is also making good progress. The underlying return on this fund for the quarter, excluding currency movements, was 15.7%.

10.6 The Crossroads XXI fund is also making good progress. The underlying return on this fund for the quarter, excluding currency movements, was 10.1%.

10.7 The Crossroads XXII fund is still very young. The return for the quarter, excluding currency movements, was 12.1%.

10.8 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:

	<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>1.6</b>	<b>5.8</b>	<b>-4.2</b>
<b>3 years</b>	<b>13.2</b>	<b>9.4</b>	<b>+3.8</b>
<b>5 years</b>	<b>13.6</b>	<b>14.6</b>	<b>-1.0</b>
<b>10 years</b>	<b>9.1</b>	<b>12.0</b>	<b>-2.9</b>

11. South West Ventures Fund

11.1 The fund continues to make reasonable progress.

12. Combined Fund

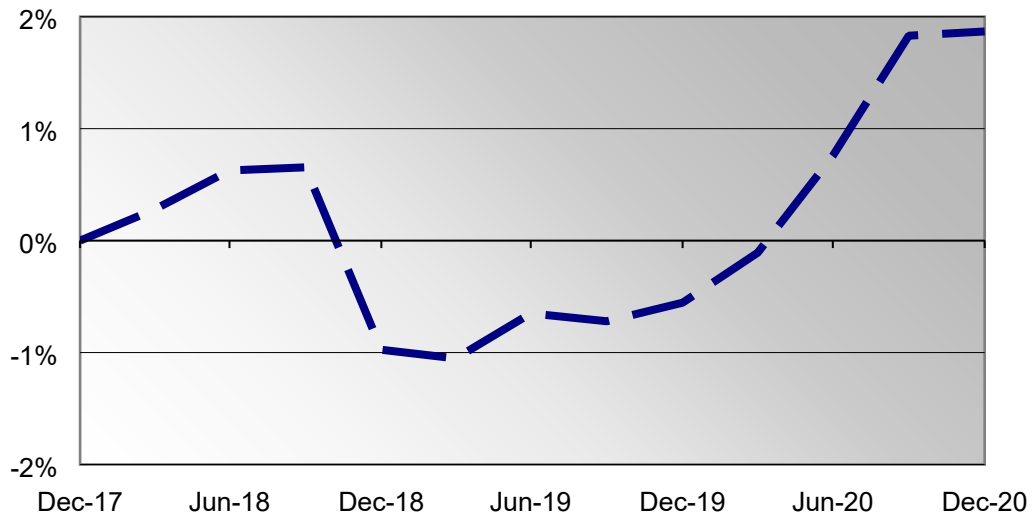
12.1 The performance for the quarter to 31st December 2020 is summarised in the following table:

<b>Quarter to 31 December 2020</b>				
<b>Value as at 31 Dec £m</b>		<b>Fund for quarter %</b>	<b>Performance Benchmark for quarter %</b>	<b>Relative to Benchmark %</b>
25.9	<b>In-House (Global Eq)</b>	7.2	8.2	<b>-1.0</b>
655.1	<b>Brunel (Passive GI Eq)</b>	8.2	8.2	<b>+0.0</b>
349.8	<b>Brunel (GHA Eq)</b>	9.2	7.9	<b>+1.3</b>
11.9	<b>ASI (UK Eq)</b>	17.0	12.6	<b>+4.4</b>
430.8	<b>Brunel (UK Eq)</b>	11.0	12.6	<b>-1.6</b>
172.8	<b>Brunel (Small Cap Eq)</b>	16.1	17.1	<b>-1.0</b>
119.6	<b>Brunel (EM Eq)</b>	13.4	13.2	<b>+0.2</b>
427.3	<b>ASI (FI)</b>	3.6	3.5	<b>+0.1</b>
208.6	<b>LaSalle/Brunel (Prop)</b>	1.3	2.1	<b>-0.8</b>
1.6	<b>SWRVF</b>	0.0	0.0	<b>+0.0</b>
64.4	<b>Neuberger Berman</b>	4.2	0.0	<b>+4.2</b>
0.8	<b>Brunel (Private Eq)</b>	0.0	0.0	<b>+0.0</b>
79.6	<b>Cash</b>	0.1	0.0	<b>+0.1</b>
<b>2,548.2</b>	<b>Whole Fund</b>	<b>7.7</b>	<b>7.8</b>	<b>-0.1</b>

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

12.3 Underperformance was caused by a negative from asset allocation, being underweight UK equity. Overall stock selection by managers was a negative due to the Property, Brunel UK equity and small cap funds underperforming significantly.

### Whole Fund Performance Vs Benchmark



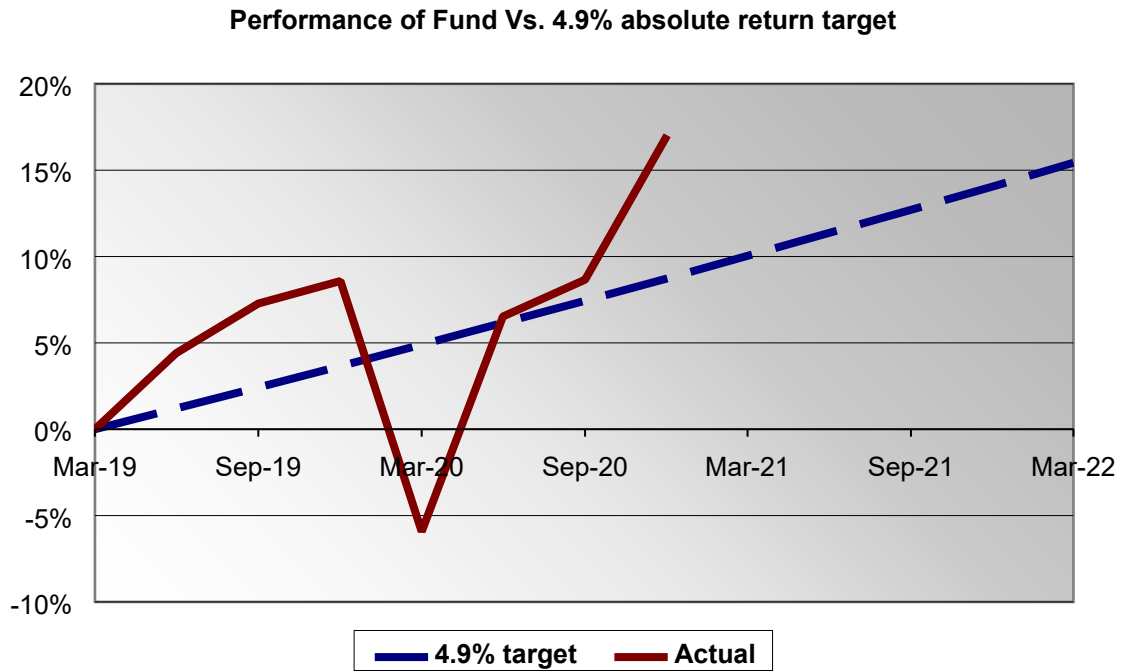
12.4

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>7.8</b>	<b>5.6</b>	<b>+2.2</b>
<b>3 years</b>	<b>6.1</b>	<b>5.6</b>	<b>+0.6</b>
<b>5 years</b>	<b>9.8</b>	<b>9.5</b>	<b>+0.3</b>
<b>10 years</b>	<b>8.6</b>	<b>8.3</b>	<b>+0.3</b>

12.5

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.





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

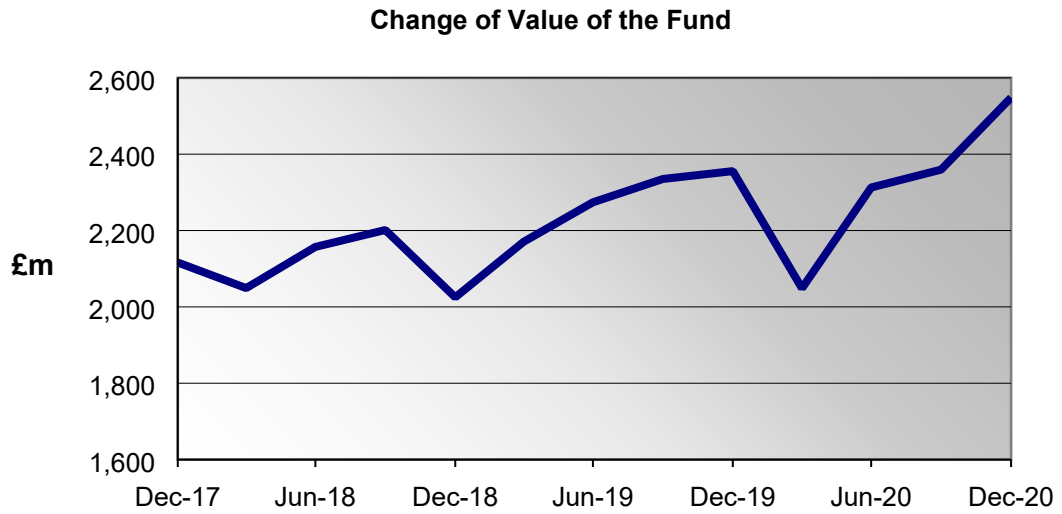
	Value as at 30 Sept		Value as at 31 Dec		Strategic
	£m	%	£m	%	Weighting
<b>In-House (Global Eq)</b>	<b>34.8</b>	1	<b>25.9</b>	1	<b>0</b>
<b>Brunel (Passive GI Eq)</b>	<b>605.5</b>	26	<b>655.1</b>	26	<b>25</b>
<b>Brunel (GHA Eq)</b>	<b>320.4</b>	14	<b>349.8</b>	14	<b>10</b>
<b>ASI (UK Eq)</b>	<b>10.1</b>	0	<b>11.9</b>	0	<b>0</b>
<b>Brunel (UK Eq)</b>	<b>388.0</b>	16	<b>430.8</b>	17	<b>20</b>
<b>Brunel (Small Cap Eq)</b>	<b>148.9</b>	6	<b>172.8</b>	7	<b>5</b>
<b>Brunel (EM Eq)</b>	<b>86.9</b>	4	<b>119.6</b>	4	<b>5</b>
<b>ASI (FI)</b>	<b>412.6</b>	17	<b>427.3</b>	17	<b>19</b>
<b>Brunel/LaSalle (Prop)</b>	<b>206.2</b>	9	<b>208.6</b>	8	<b>10</b>
<b>SWRVF</b>	<b>1.6</b>	0	<b>1.6</b>	0	<b>0</b>
<b>Neuberger Berman</b>	<b>60.8</b>	3	<b>64.4</b>	3	<b>5</b>
<b>Brunel (Private Eq)</b>	<b>0.8</b>	0	<b>0.8</b>	0	<b>0</b>
<b>Cash</b>	<b>82.9</b>	4	<b>79.6</b>	3	<b>1</b>
<b>Whole Fund</b>	<b>2,359.5</b>	100	<b>2,548.2</b>	100	<b>100</b>

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

- £11.2m was withdrawn from the in-house global equity fund during the quarter. We are now seeking to liquidate this fund gradually.
- £1.1m was provided to the Neuberger Berman's Private equity mandate as funds drew down capital.
- £20.0m was added to the Brunel Emerging Market equity fund to bring this fund closer to neutral weight.

12.8

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

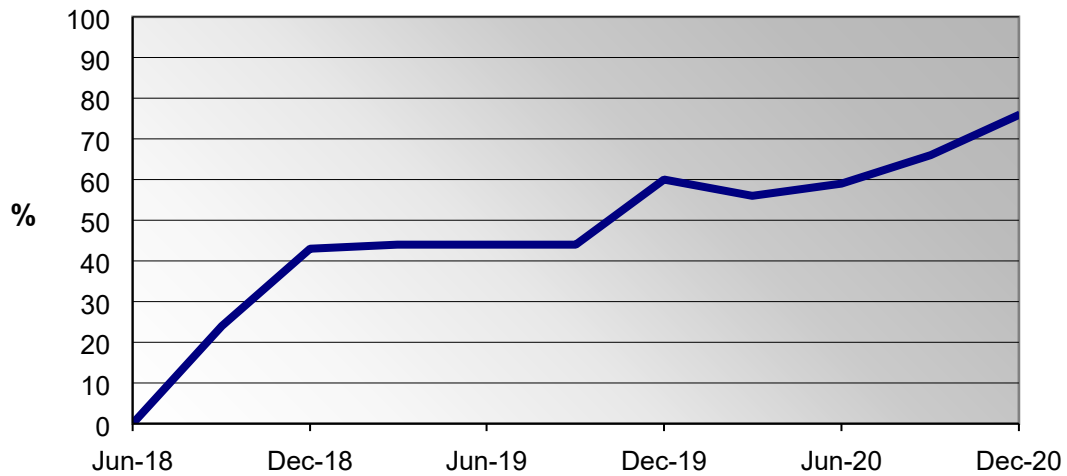


12.9

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

	Value as at 30 Sept		Value as at 31 Dec	
	£m	%	£m	%
<b>Pooled assets</b>	<b>1,549.7</b>	66	<b>1,936.7</b>	76
<b>Retained assets</b>	<b>809.8</b>	34	<b>611.5</b>	24
<b>Whole Fund</b>	<b>2,359.5</b>	100	<b>2,548.2</b>	100

**% of Fund managed within Brunel Pool**



12.10

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 December 2020 is 83.7% and the average required employer contribution would be 30.6% 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."

