# BOB Performance Report

Quarter ending 31 March 2023

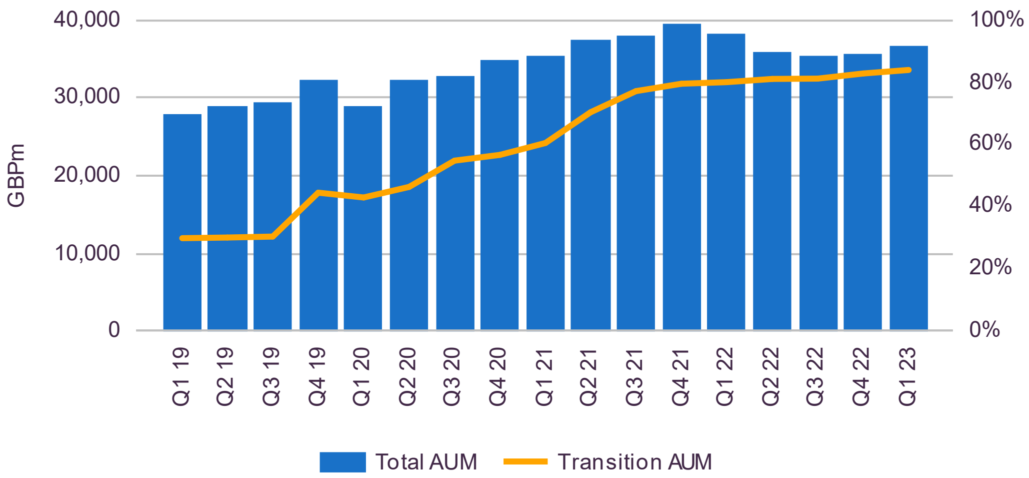
BRUNEL

Pension Partnership

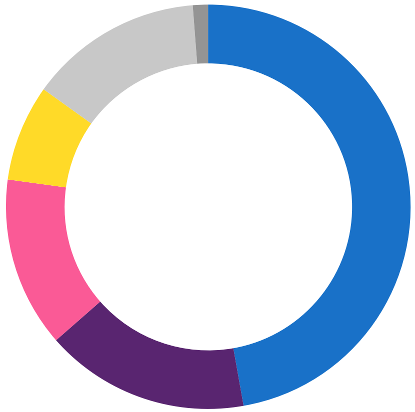
# Contents

# Asset summary

## Transitioned assets




## Asset allocation



Key:

| | |
|---|---|
| Equities | 47.21% |
| Fixed Income | 16.33% |
| Private markets | 13.63% |
| Property | 7.71% |
| Other | 13.90% |
| Cash | 1.22% |

Source: State Street Global Services. Net of all fees.
Data includes legacy assets

## Total valuation (Brunel plus legacy assets)

| | Total (GBPm) |
|---|---|
| 31 December 2022 | **35,459** |
| 31 March 2023 | **36,601** |
| Net cash inflow (outflow) | **9** |

## Key events

Overall, the first quarter was positive for listed asset markets - this was despite the volatility that was created by the collapse of Silicon Valley Bank in the USA and the takeover of Credit Suisse by UBS.

Private markets had more of a struggle, reflecting the delayed impact of higher global interest rates on valuations.

Client inflows were seen for Passive Paris-aligned funds, Multi Asset Credit and Sterling Corporate Bonds. Meanwhile, net redemptions were focused on Low Volatility Equities and Passive Developed (non-Paris aligned).

Overall transitioned assets have continued to creep up and now stand at around 84%.

Finally, Brunel issued its new Climate Policy, and this can be found on our website.

# Overview of assets

## Detailed asset allocation

| Equities | £17,280.61m | 47.21% |
|---|---|---|
| Global High Alpha Equities | £4,006.01m | 10.94% |
| Global Sustainable Equities | £3,320.58m | 9.07% |
| PAB Passive Global Equities | £1,620.09m | 4.43% |
| UK Active Equities | £1,356.33m | 3.71% |
| Emerging Markets Equities | £1,088.47m | 2.97% |
| Global Small Cap Equities | £896.53m | 2.45% |
| Passive Developed Equities | £887.32m | 2.42% |
| PAB Passive Global Equities (Hedged) | £796.60m | 2.18% |
| CTB Passive Global Equities | £640.62m | 1.75% |
| Low Volatility Global Equities | £614.53m | 1.68% |
| Passive Developed Equities (Hedged) | £518.08m | 1.42% |
| CTB Passive UK Equities | £373.18m | 1.02% |
| Passive Smart Beta | £159.41m | 0.44% |
| Passive Smart Beta (Hedged) | £147.85m | 0.40% |
| Passive UK Equities | £125.12m | 0.34% |
| CTB Passive Global Equities (Hedged) | £54.27m | 0.15% |
| Legacy Assets | £675.64m | 1.85% |

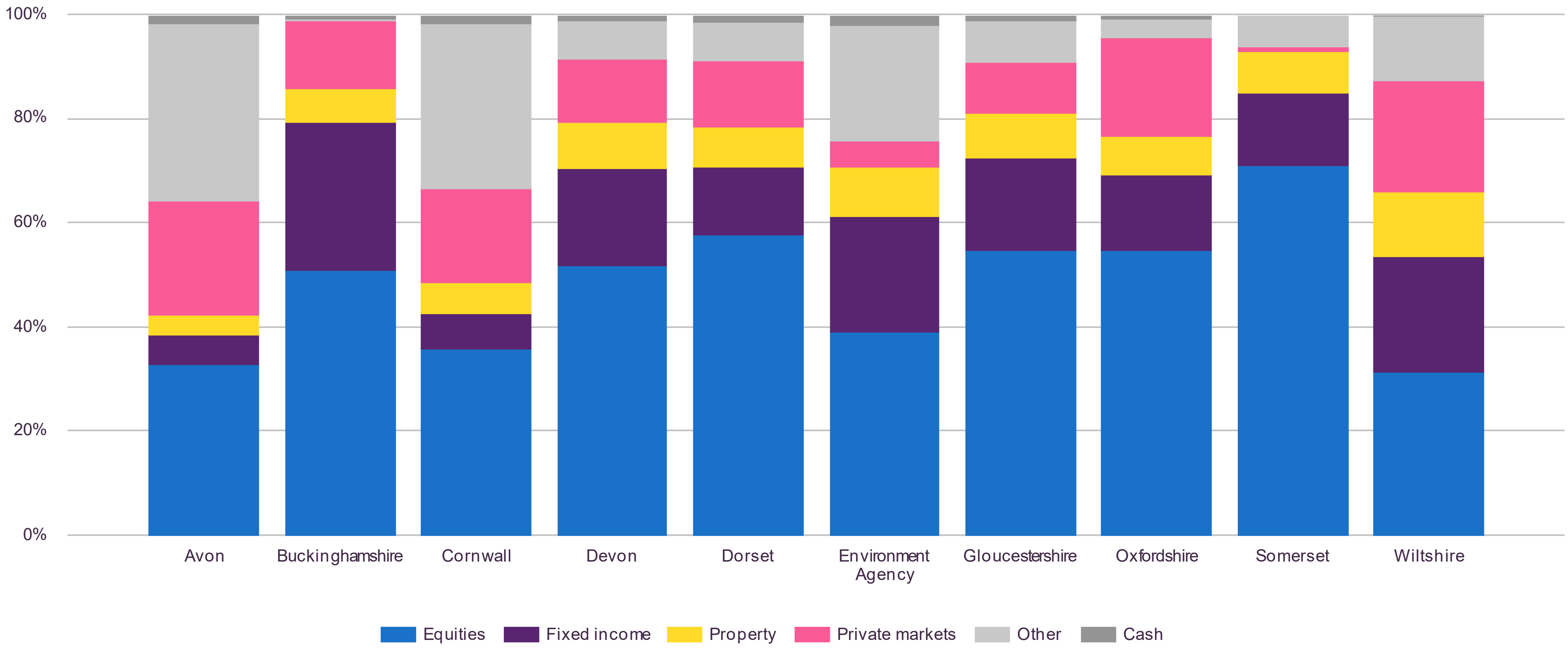
| Fixed income | £5,976.02m | 16.33% |
|---|---|---|
| Multi-Asset Credit | £2,599.10m | 7.10% |
| Sterling Corporate Bonds | £2,017.02m | 5.51% |
| Passive Index Linked Gilts over 5 years | £744.22m | 2.03% |
| Passive Gilts over 15 years | £43.76m | 0.12% |
| Legacy Assets | £571.92m | 1.56% |

| Private markets (incl. property) | £7,809.39m | 21.34% |
|---|---|---|
| UK Property | £1,746.34m | 4.77% |
| Private Debt Cycle 2 | £440.03m | 1.20% |
| Secured Income Cycle 1 | £436.81m | 1.19% |
| Infrastructure Cycle 1 | £429.80m | 1.17% |
| Secured Income Cycle 2 | £383.08m | 1.05% |
| International Property | £369.19m | 1.01% |
| Infrastructure (General) Cycle 2 | £306.52m | 0.84% |
| Infrastructure (Renewables) Cycle 2 | £282.27m | 0.77% |
| Private Equity Cycle 2 | £224.99m | 0.61% |
| Private Equity Cycle 1 | £211.17m | 0.58% |
| Infrastructure Cycle 3 | £94.88m | 0.26% |
| Private Debt Cycle 3 | £77.42m | 0.21% |
| Cornwall Local Impact (Elective) | £24.71m | 0.07% |
| Private Equity Cycle 3 | £0.00m | 0.00% |
| Legacy Assets | £2,782.19m | 7.60% |

| Other | £5,088.14m | 13.90% |
|---|---|---|
| Blackrock Risk Management | £2,355.17m | 6.43% |
| Diversifying Returns Fund | £1,373.49m | 3.75% |
| Legacy Assets | £1,359.48m | 3.71% |

Cash not included

# Client asset allocation




Data includes legacy assets

# Client Exposure

| Portfolio | AUM | Avon | Bucking-hamshire | Cornwall | Devon | Dorset | Environment Agency | Gloucestershire | Oxfordshire | Somerset | Wiltshire |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Global High Alpha Equities | 4,006,001,958 | 13.0% | 17.0% | 13.7% | 5.6% | 7.7% | - | 13.5% | 10.7% | 28.5% | 8.1% |
| Global Sustainable Equities | 3,320,703,685 | 14.7% | - | 13.6% | 9.8% | 9.9% | 8.8% | 13.1% | 9.9% | - | 8.3% |
| UK Active Equities | 1,356,312,629 | - | - | - | - | 5.3% | - | 11.7% | 15.8% | 11.3% | - |
| Emerging Markets Equities | 1,088,428,234 | - | 4.5% | 7.3% | 4.5% | 4.0% | - | 6.2% | 2.6% | 3.7% | - |
| Global Small Cap Equities | 896,544,616 | - | 4.8% | 1.1% | 5.3% | 6.4% | - | - | - | 6.6% | - |
| Diversifying Returns Fund | 1,373,461,079 | 6.3% | - | 8.1% | 7.0% | 6.7% | - | 7.9% | - | - | - |
| Low Volatility Global Equities | 614,515,542 | - | 7.3% | - | - | - | 8.0% | - | - | - | - |
| Multi-Asset Credit | 2,599,094,850 | 5.7% | 9.3% | 6.7% | 12.0% | 6.6% | 7.6% | 7.2% | 4.3% | 3.4% | 4.9% |
| Sterling Corporate Bonds | 2,017,020,058 | - | 9.6% | - | 6.6% | 2.0% | 14.6% | 10.7% | 3.0% | 7.0% | - |
| Passive Gilts over 15 years | 43,760,199 | - | - | - | - | - | - | - | - | 1.6% | - |
| Passive Index Linked Gilts over 5 years | 744,217,616 | - | 8.3% | - | - | - | - | - | 4.5% | 2.0% | 7.8% |
| PAB Passive Global Equities | 1,620,086,657 | 5.2% | - | - | 9.1% | 1.5% | - | 10.2% | 15.8% | - | - |
| PAB Passive Global Equities (Hedged) | 796,597,023 | - | - | - | - | 1.5% | 6.6% | - | - | - | 15.0% |
| CTB Passive Global Equities | 640,617,453 | - | - | - | - | 1.5% | - | - | - | 21.0% | - |
| CTB Passive Global Equities (Hedged) | 54,265,917 | - | - | - | - | 1.5% | - | - | - | - | - |
| CTB Passive UK Equities | 373,175,457 | - | - | - | 7.0% | - | - | - | - | - | - |
| Passive Developed Equities | 887,317,467 | - | 17.4% | - | 2.6% | 2.9% | - | - | - | - | - |

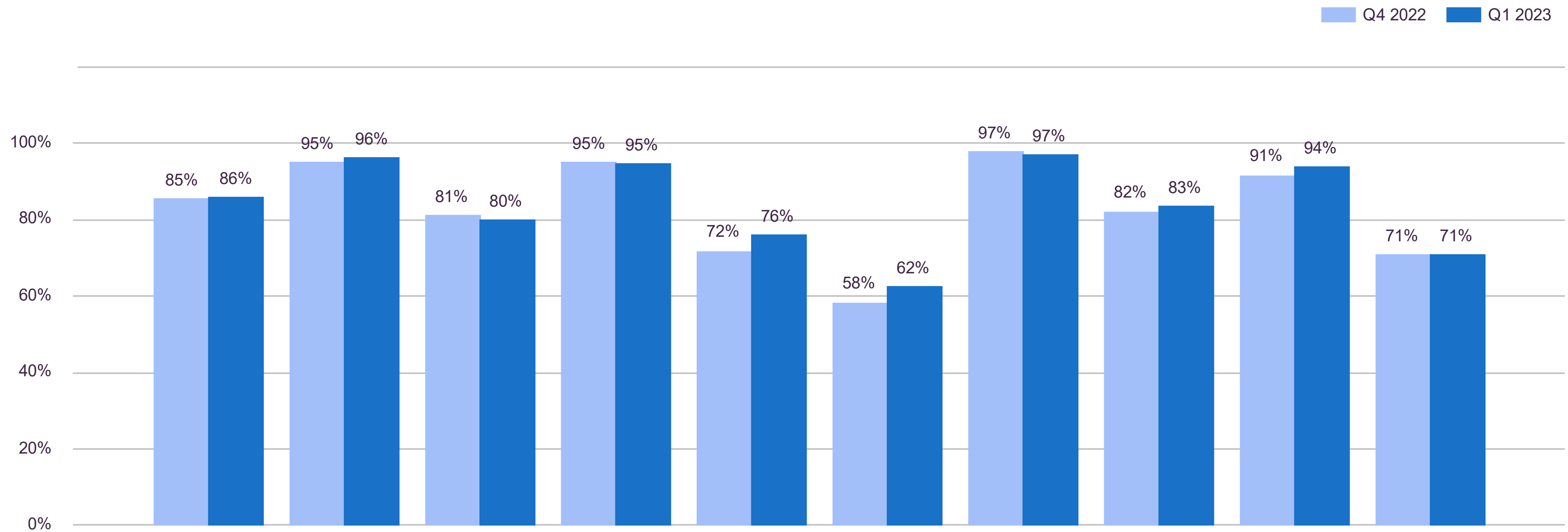
# Client Exposure

| Portfolio | AUM | Avon | Bucking-hamshire | Cornwall | Devon | Dorset | Environment Agency | Gloucestershire | Oxfordshire | Somerset | Wiltshire |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Passive Developed Equities (Hedged) | 518,077,141 | - | - | - | 7.9% | 2.8% | - | 0.0% | - | - | - |
| Passive UK Equities | 125,123,915 | - | - | - | - | 3.6% | - | - | - | - | - |
| Passive Smart Beta | 159,406,967 | - | - | - | - | 4.5% | - | - | - | - | - |
| Passive Smart Beta (Hedged) | 147,853,737 | - | - | - | - | 4.2% | - | - | - | - | - |
| Private Equity Cycle 1 | 211,165,871 | - | 1.5% | - | - | 1.3% | - | 1.1% | 2.4% | - | - |
| Private Equity Cycle 2 | 224,993,697 | - | 1.2% | 0.8% | 0.8% | - | - | 0.8% | 0.8% | 0.6% | 1.7% |
| Private Equity Cycle 3 | - | - | 0.0% | 0.0% | 0.0% | 0.0% | - | 0.0% | - | - | 0.0% |
| Private Debt Cycle 2 | 440,027,545 | 2.1% | 1.6% | 2.0% | 0.9% | - | - | 1.8% | 1.0% | - | 2.7% |
| Private Debt Cycle 3 | 77,420,131 | 0.3% | 0.4% | 0.1% | 0.3% | - | 0.1% | 0.1% | 0.2% | - | 0.5% |
| Infrastructure Cycle 1 | 429,801,449 | 1.8% | 1.7% | 2.1% | 2.7% | - | - | 1.1% | 1.3% | - | - |
| Infrastructure (General) Cycle 2 | 306,516,542 | - | 2.4% | 0.6% | 2.1% | - | - | 1.5% | 0.5% | - | 0.9% |
| Infrastructure (Renewables) Cycle 2 | 282,265,429 | 1.1% | 1.6% | 1.2% | 1.4% | - | - | 1.0% | 0.3% | - | 0.6% |
| Infrastructure Cycle 3 | 94,882,464 | 0.1% | 0.9% | 0.3% | 0.3% | 0.3% | 0.3% | 0.1% | 0.3% | - | - |
| Secured Income Cycle 1 | 436,804,658 | 6.0% | - | - | - | 1.6% | - | - | 1.8% | - | - |
| Secured Income Cycle 2 | 383,084,273 | 2.1% | - | - | - | - | - | - | 1.2% | - | 7.7% |
| Secured Income Cycle 3 | - | - | - | - | - | - | - | - | - | - | - |
| Cornwall Local Impact (Elective) | 24,706,832 | - | - | 1.1% | - | - | - | - | - | - | - |

# Client Exposure

| Portfolio | AUM | Avon | Bucking-hamshire | Cornwall | Devon | Dorset | Environment Agency | Gloucestershire | Oxfordshire | Somerset | Wiltshire |
|---|---|---|---|---|---|---|---|---|---|---|---|
| UK Property | 1,746,338,929 | 3.4% | 6.5% | 6.0% | 6.7% | - | - | 6.7% | 5.2% | 8.1% | 7.8% |
| International Property | 369,190,633 | - | - | 0.0% | 2.1% | - | - | 2.0% | 1.7% | - | 4.7% |
| Blackrock Risk Management | 2,355,170,438 | 24.2% | - | 15.0% | - | - | 16.2% | 0.3% | - | - | - |
| Legacy and cash | 5,836,535,809 | 14.2% | 4.0% | 20.1% | 5.4% | 24.1% | 37.8% | 3.2% | 16.8% | 6.3% | 29.4% |
| | 36,601,486,900 | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

# Assets transitioned by client



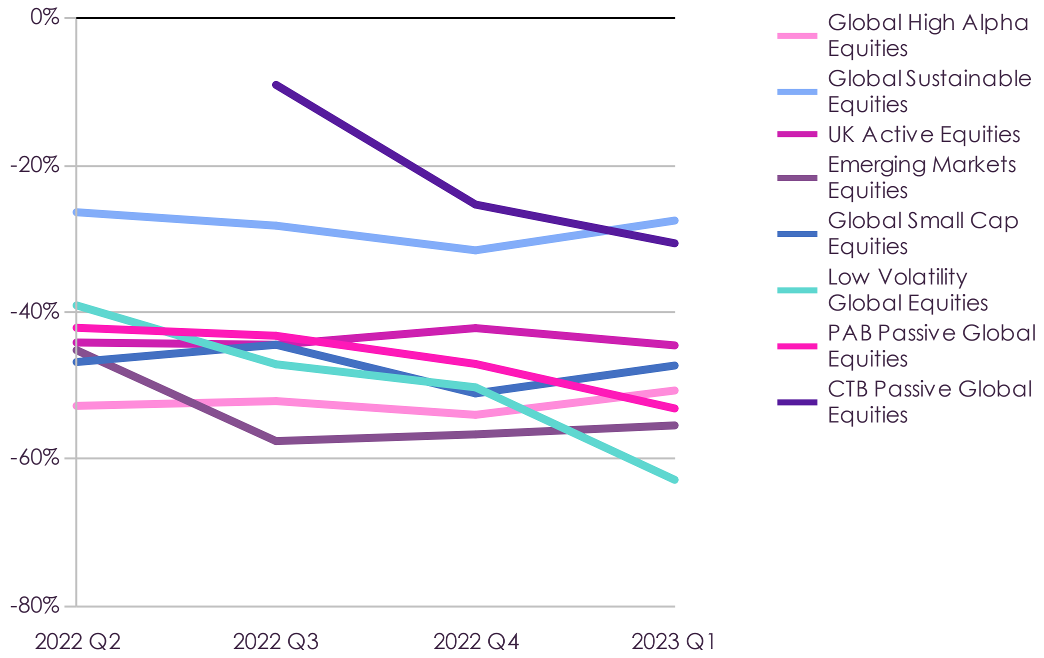

| Market value Brunel GBPm | Q4 2022 | Q1 2023 |
|---|---|---|
| Avon | 4,471 | 4,620 |
| Buckinghamshire | 3,411 | 3,571 |
| Cornwall | 1,862 | 1,872 |
| Devon | 4,856 | 5,013 |
| Dorset | 2,443 | 2,669 |
| Environment Agency | 2,409 | 2,666 |
| Gloucestershire | 2,874 | 2,955 |
| Oxfordshire | 2,504 | 2,624 |
| Somerset | 2,461 | 2,620 |
| Wiltshire | 2,085 | 2,154 |

# Stewardship and climate metrics

| Portfolio | WACI | | Extractives revenues[1] | | Extractives reserves[2] | |
|---|---|---|---|---|---|---|
| | 2022 Q4 | 2023 Q1 | 2022 Q4 | 2023 Q1 | 2022 Q4 | 2023 Q1 |
| **Global High Alpha Equities** | **89** | **82** | **1.3** | **1.2** | **3.3** | **3.6** |
| MSCI World* | 193 | 166 | 2.8 | 3.3 | 7.8 | 9.2 |
| **Global Sustainable Equities** | **152** | **140** | **2.6** | **2.6** | **3.1** | **5.6** |
| MSCI ACWI* | 222 | 193 | 2.8 | 3.3 | 7.8 | 9.1 |
| **UK Active Equities** | **93** | **84** | **3.5** | **5.0** | **15.9** | **11.3** |
| FTSE All Share ex Inv Tr* | 160 | 152 | 4.9 | 6.3 | 21.7 | 19.5 |
| **Emerging Markets Equities** | **196** | **186** | **0.8** | **1.1** | **5.0** | **4.1** |
| MSCI Emerging Markets* | 453 | 418 | 3.3 | 3.6 | 7.3 | 7.8 |
| **Global Small Cap Equities** | **115** | **109** | **1.4** | **3.0** | **3.0** | **3.2** |
| MSCI Small Cap World* | 234 | 207 | 2.9 | 3.2 | 5.0 | 5.9 |
| **Low Volatility Global Equities** | **111** | **72** | **2.1** | **2.4** | **4.8** | **3.8** |
| MSCI ACWI* | 222 | 193 | 2.8 | 3.3 | 7.8 | 9.1 |
| **PAB Passive Global Equities** | **102** | **79** | **0.9** | **0.6** | **1.7** | **3.4** |
| FTSE Dev World TR UKPD* | 194 | 168 | 2.7 | 3.1 | 7.7 | 9.4 |
| **CTB Passive Global Equities** | **145** | **117** | **2.7** | **1.6** | **4.9** | **6.2** |
| FTSE Dev World TR UKPD* | 194 | 168 | 2.7 | 3.1 | 7.7 | 9.4 |
| **CTB Passive UK Equities** | **142** | **161** | **1.3** | **6.8** | **7.9** | **19.5** |
| **Passive Developed Equities** | **193** | **169** | **2.6** | **2.7** | **7.6** | **9.4** |
| **Passive UK Equities** | **158** | **151** | **3.6** | **5.1** | **21.3** | **19.2** |
| **Passive Smart Beta** | **329** | **308** | **3.2** | **2.9** | **7.8** | **12.6** |

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost

## Weighted Average Carbon Intensity relative to benchmark




## Stewardship reporting links

**Engagement records**
www.brunelpensionpartnership.org/stewardship/engagement-records/

**Holdings records**
www.brunelpensionpartnership.org/stewardship/holdings-records/

**Voting records**
www.brunelpensionpartnership.org/stewardship/voting-records/

# Portfolio overview

| Portfolio | Benchmark | Outperformance target | AUM (GBPm) | Perf. 3 month | Excess 3 month | Perf. 1 year | Excess 1 year | Perf. 3 year | Excess 3 year | Perf. SII* | Excess SII* | Initial investment |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Equities (45.37%)** | | | **16,605.03** | | | | | | | | | |
| Global High Alpha Equities | MSCI World | +2-3% | 4,006.0 | 7.1% | 2.1% | 0.4% | 0.9% | 17.9% | 0.8% | 12.7% | 2.2% | 06 Dec 2019 |
| Global Sustainable Equities | MSCI ACWI | +2% | 3,320.7 | 5.5% | 0.9% | -1.3% | -0.3% | - | - | 5.8% | -3.3% | 20 Oct 2020 |
| UK Active Equities | FTSE All Share ex Inv Tr | +2% | 1,356.3 | 2.3% | -1.1% | 2.3% | -1.6% | 12.3% | -1.8% | 4.2% | -1.4% | 01 Dec 2018 |
| Emerging Markets Equities | MSCI Emerging Markets | +2-3% | 1,088.4 | 2.4% | 1.2% | -5.2% | -0.7% | 7.0% | -1.3% | -0.4% | -1.7% | 08 Nov 2019 |
| Global Small Cap Equities | MSCI Small Cap World | +2% | 896.5 | 5.0% | 3.4% | -2.8% | 0.2% | - | - | 8.2% | -1.6% | 02 Oct 2020 |
| Low Volatility Global Equities | MSCI ACWI | > Benchmark | 614.5 | 0.4% | -4.1% | 1.1% | 2.0% | 12.2% | -3.9% | 7.3% | -3.2% | 14 Mar 2019 |
| PAB Passive Global Equities | FTSE Dev World PAB | Match | 1,620.1 | 6.7% | - | 0.7% | -0.1% | - | - | 0.4% | -0.1% | 23 Nov 2022 |
| PAB Passive Global Equities (Hedged) | FTSE Dev World PAB | Match | 796.6 | 9.2% | - | -5.6% | -0.2% | - | - | -5.9% | -0.2% | 01 Nov 2022 |
| CTB Passive Global Equities | FTSE Dev World CTB | Match | 640.6 | 6.5% | - | - | - | - | - | 4.6% | - | 15 Dec 2022 |
| CTB Passive Global Equities (Hedged) | FTSE Dev World CTB | Match | 54.3 | 9.0% | - | - | - | - | - | 4.3% | -0.2% | 15 Dec 2022 |
| CTB Passive UK Equities | FTSE All-Share ex Inv Tr CTB | Match | 373.2 | 5.4% | -0.2% | 0.9% | -0.1% | - | - | -1.7% | -0.4% | 31 Jan 2022 |
| Passive Developed Equities | FTSE Developed | Match | 887.3 | 4.8% | - | -0.6% | - | 16.7% | -0.1% | 9.5% | - | 11 Jul 2018 |
| Passive Developed Equities (Hedged) | FTSE Developed | Match | 518.1 | 7.4% | - | -6.2% | -0.1% | 16.1% | -0.1% | 7.3% | -0.1% | 18 Jul 2018 |
| Passive UK Equities | FTSE All Share | Match | 125.1 | 3.1% | - | 3.0% | 0.1% | 14.0% | 0.2% | 3.3% | 0.1% | 11 Jul 2018 |

# Portfolio overview

| Portfolio | Benchmark | Outperformance target | AUM (GBPm) | Perf. 3 month | Excess 3 month | Perf. 1 year | Excess 1 year | Perf. 3 year | Excess 3 year | Perf. SII* | Excess SII* | Initial investment |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Equities (45.37%)** | | | **16,605.03** | | | | | | | | | |
| Passive Smart Beta | SciBeta Multifactor Composite | +0.5-1% | 159.4 | 1.4% | 0.1% | 2.2% | 0.5% | 16.2% | 0.5% | 8.1% | 0.3% | 25 Jul 2018 |
| Passive Smart Beta (Hedged) | SciBeta Multifactor Hedged Composite | +0.5-1% | 147.9 | 3.9% | 0.2% | -3.5% | 0.6% | 15.7% | 0.6% | 6.5% | 0.2% | 25 Jul 2018 |
| **Fixed income (14.76%)** | | | **5,404.09** | | | | | | | | | |
| Multi-Asset Credit | SONIA +4% | 0% to +1.0% | 2,599.1 | 2.7% | 0.8% | -3.4% | -9.8% | - | - | -3.0% | -8.4% | 01 Jun 2021 |
| Sterling Corporate Bonds | iBoxx Sterling Non Gilt x | +1% | 2,017.0 | 2.7% | 0.3% | -10.7% | -0.5% | - | - | -9.7% | 0.1% | 02 Jul 2021 |
| Passive Gilts over 15 years | FTSE-A UK Gilts >15Y | Match | 43.8 | 2.8% | - | -29.7% | - | - | - | -21.5% | - | 07 Jun 2021 |
| Passive Index Linked Gilts over 5 years | FTSE-A UK ILG >5Y | Match | 744.2 | 5.4% | 0.5% | -30.4% | - | - | - | -18.4% | - | 09 Jun 2021 |
| **Other (3.75%)** | | | **1,373.46** | | | | | | | | | |
| Diversifying Returns Fund | SONIA +3% | 0% to +2.0% | 1,373.5 | 0.1% | -1.6% | -2.8% | -8.2% | - | - | 1.9% | -2.1% | 13 Aug 2020 |
| **Private markets (incl. property) (13.73%)** | | | **5,027.20** | | | | | | | | | |
| Private Equity Cycle 1 [1] | MSCI ACWI | +3% | 211.2 | -3.3% | -7.9% | 12.9% | 13.9% | 19.4% | 3.4% | 19.1% | 8.4% | 26 Mar 2019 |
| Private Equity Cycle 2 [1] | MSCI ACWI | +3% | 225.0 | -2.2% | -6.7% | -1.1% | -0.2% | - | - | 7.3% | 0.5% | 05 Jan 2021 |
| Private Debt Cycle 2 [1] | SONIA | +4% | 440.0 | -4.2% | -6.1% | 2.9% | -3.4% | - | - | 2.8% | -2.8% | 17 Sep 2021 |
| Private Debt Cycle 3 [1] | SONIA | +4% | 77.4 | 5.1% | 3.1% | - | - | - | - | 5.1% | 2.9% | 20 Dec 2022 |

# Portfolio overview

| Portfolio | Benchmark | Outperformance target | AUM (GBPm) | Perf. 3 month | Excess 3 month | Perf. 1 year | Excess 1 year | Perf. 3 year | Excess 3 year | Perf. SII* | Excess SII* | Initial investment |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Private markets (incl. property) (13.73%)** | | | **5,027.20** | | | | | | | | | |
| Infrastructure Cycle 1 [1] | CPI | +4% | 429.8 | -0.8% | -2.1% | 14.4% | 4.4% | 9.8% | 3.9% | 9.4% | 4.9% | 02 Jan 2019 |
| Infrastructure (General) Cycle 2 [1] | CPI | +4% | 306.5 | 5.2% | 3.8% | 14.6% | 4.5% | - | - | 11.1% | 4.0% | 19 Oct 2020 |
| Infrastructure (Renewables) Cycle 2 [1] | CPI | +4% | 282.3 | 1.0% | -0.3% | 21.1% | 11.1% | - | - | 14.3% | 7.3% | 12 Oct 2020 |
| Infrastructure Cycle 3 [1] | n/a - absolute return target | net 8% IRR | 94.9 | -0.9% | -2.2% | - | - | - | - | -3.2% | -7.3% | 13 Oct 2022 |
| Secured Income Cycle 1 [1] | CPI | +2% | 436.8 | -1.2% | -2.6% | -11.9% | -22.0% | -0.5% | -6.3% | -0.5% | -5.0% | 15 Jan 2019 |
| Secured Income Cycle 2 [1] | CPI | +2% | 383.1 | -0.8% | -2.1% | -7.8% | -17.9% | - | - | -1.3% | -8.9% | 01 Mar 2021 |
| Cornwall Local Impact (Elective) [1] | n/a - absolute return target | Net 5.0% p.a.IRR over a rolling 7 –10 | 24.7 | 3.3% | 2.1% | - | - | - | - | 2.1% | -2.3% | 20 May 2022 |
| UK Property [1 2] | MSCI/AREF UK | +0.5% | 1,746.3 | -3.1% | -2.9% | -12.6% | 1.8% | 2.9% | 1.6% | 2.4% | 1.7% | 01 Apr 2020 |
| International Property ** [1 2] | GREFI | +0.5% | 369.2 | -5.2% | -1.0% | 15.3% | 11.5% | 10.8% | 3.9% | 9.3% | - | 01 Apr 2020 |
| **(77.62%)** | | | **28,409.78** | | | | | | | | | |

*Since initial investment

**Performance data shown up to 31 December 2022

Table above excludes Blackrock Risk Management

[1] Private markets performance shown as MWR. Listed Markets performance shown as TWR. Net of all fees.
[2] Aggregate performance is unavailable - figures shown are indicative of an individual client, and as such may differ between clients.

# Chief Investment Officer commentary

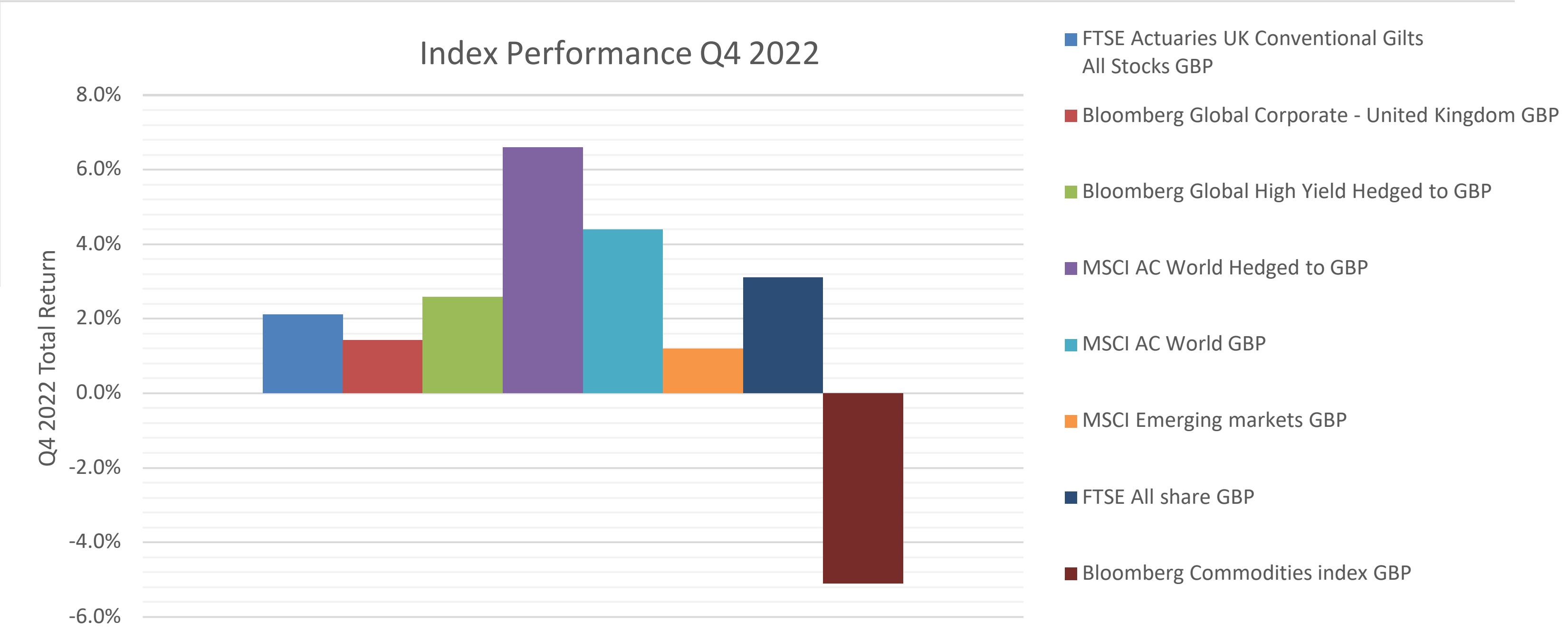
## Listed Markets


Global equities started the year very strongly and by February, the market was such that predicted 12 month returns had already been achieved leaving commentators to ponder what next! What next was the collapse of Silicon Valley Bank (SVB) followed by an emergency takeover of Credit Suisse by UBS and fears of a sequel to the banking crisis of 2008. Understandably this led to a broad market sell off as volatility spiked. Interestingly it also led to a return of investors buying "safe haven" Government bonds which duly rallied. Perversely it was a large loss on government bonds held by SVB that sparked the rout in the first place. However, fears of a systemic crisis have abated following placatory measures by the Federal Reserve and data that indicated to the market that inflation was cooling. Markets eventually resumed their rise – albeit at a more muted pace.

As fears surrounded the smaller regional banks in the US (those deemed systemically unimportant) deposits fled in their trillions to the larger "too big to fail" banking franchises. In the US the regional banks have played a disproportionate role in lending and thus economic growth, their diminished role has certainly tightened the recessionary noose around the US economy, as has the resultant tightening of lending standards. In a similar way we are also seeing this in the UK as lots of the smaller banks are withdrawing from the mortgage market, pushing lending costs higher. It has been estimated that the effect could be as much as 1% in equivalent interest rates rises.

Within equity markets, emerging markets posted positive returns but were a laggard. Chinese shares originally still buoyed by the reopening sentiment soured as US-China tensions ratcheted up following the shooting of a Chinese high-altitude balloon in US airspace. The European stock market was the best performing market led by information technology and consumer discretionary sectors. Indeed, this pattern was evident in all developed markets with Growth and Quality stocks significantly outperforming Value stocks -namely the banking and commodity sectors. Large caps also outperformed small caps.

# Chief Investment Officer commentary




This was a broadly supportive backdrop for our active equity franchise; however, it is worthy of note that within the US the majority of the gains were driven by only 5% of companies; namely the large cap growth stocks. This is not where we are typically positioned. Also, such a concentration of gains is a very unhealthy state of affairs and masks broader weakness.

Elsewhere there has been something for everyone in the recent economic data. The inflationist camp saw the unemployment rate fall to 3.5%, almost at an all-time record low, whilst those looking for evidence that inflation is moderating saw lower payroll growth and a fall in job openings. Inflation is stalling, as headline CPI rose only 0.1% in March after a 0.4% rise in the previous period. To put it into perspective, the US Federal Reserve is looking for unemployment to rise to 4.5% as a signal that rate rises are having the desired cooling effect.

# Chief Investment Officer commentary

## Private Markets

These themes and others where dominant in private markets. SVB had been the biggest provider of capital to private equity and VC and its demise will certainly have ramifications for funding, where deal flow was already slowing due to higher rates, inflation, and economic uncertainty. Most directly it has impacted the issuance of Private debt, which is a significant tool used by the Private equity industry. Net asset values across private markets are gradually, beginning to reflect the worst of 2022 and have remained (outside of property) quite resilient.

SVB highlights that 2023 will be, as we have written before, the year when the economic effects of significantly higher rates begin to bite, sometimes in unintended and surprising ways. There is a lag to rising rates, but we are close to catching up. It is estimated that in the UK 1.4m mortgages need to be refinanced this year, and most of them currently have rates below 2%. With the average UK mortgage rate being 7.22% as of end of March 2023(1), spending will need to be reduced to fund this huge increase in housing costs, which will have a knock on to the broader economy. Corporate debt shares a similar dynamic. This is the dilemma that central banks face, but they also see high inflation and tight labour markets; can they land precisely, and stop, on the 4.5% unemployment number? It has to be a low probability outcome and so we should brace for further market turbulence this year.

## Responsible Investment Update

Finally, we launched our climate policy and completed our climate stocktake, both can be seen on our website. The climate policy was an evolution of our current stance but has further "turned the screws" on what we expect of our managers and of the companies the partnership owns. For example, we have prioritised metrics relating to alignment and credibility of alignment over carbon intensity. An approach that gets to the heart of what Net Zero is trying to achieve, which is real world change. We have also stated targets to tackle debt and private markets with the same drive by which we have always targeted listed equity markets.

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1 United Kingdom BBA Mortgage Rate - March 2023 Data - 1995-2022 Historical (tradingeconomics.com)

# Global High Alpha Equities

**Investment strategy & key drivers**
High conviction, unconstrained global equity portfolio

**Liquidity**
Managed

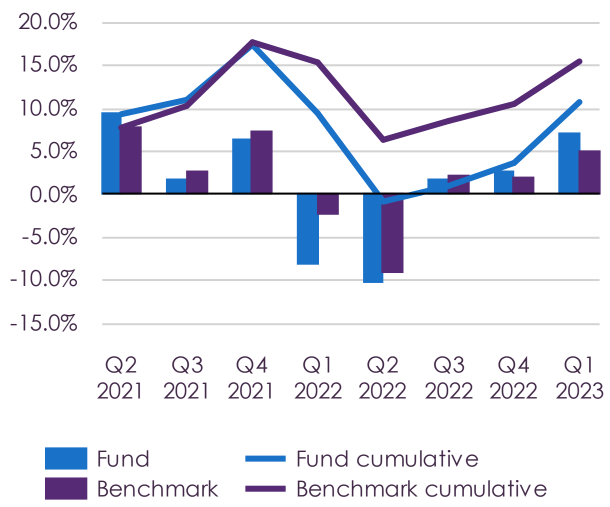
**Benchmark**
MSCI World

**Outperformance target**
+2-3%

**Total fund value**
£4,006m

**Risk profile**
High

## Rolling performance




## Performance to quarter end

| Performance | 3 month | 1 year | Since inception * |
|---|---|---|---|
| Fund | 7.1 | 0.4 | 12.7 |
| Benchmark | 4.9 | -0.5 | 10.5 |
| Excess | 2.1 | 0.9 | 2.2 |

Source: State Street Global Services
*per annum. Net of all fees.

## Performance commentary

Global developed equities (as proxied by the MSCI World index) returned 4.9% in GBP terms over the quarter. Strong economic news in January generated positive sentiment and allayed fears of recession before concerns about the banking sector in March shifted focus to the stability of the global financial system causing volatility in markets.

Style characteristics were again evident in the quarter with growth outperforming value, high quality outperforming low quality and large outperforming small. Once again, the largest names dominated the index performance – the six largest index holdings (Apple, Microsoft, Amazon, Alphabet, NVIDIA and Tesla) contributed c3.2% to index returns.

The portfolio returned 7.1% during the period, outperforming the benchmark by 2.1%. Sector allocation was positive as both the Fund's largest active sector positions added to relative performance (an overweight to Consumer Discretionary, the best performing sector, and an underweight to Energy the worst performing sector). Positive stock selection also contributed to relative returns with the strongest selection in Industrials with contributions across several names, this offset weaker selection in Consumer Discretionary in which an underweight to Tesla was the largest detractor.

Four of the five managers outperformed. RLAM's consistency continues to be in evidence, and they have outperformed in 11 out of 13 full quarters since inception in very volatile and differentiated market environments. Baillie Gifford were the strongest performing manager this quarter, benefitting from the growth driven environment. Sector attribution showed selection within IT as the main driver. An overweight holding in NVIDIA which returned 85% contributed circa 3% to Baillie Gifford's relative return. AB underperformed this quarter by 3%, following outperformance last quarter. The majority of underperformance occurred in March. An overweight holding in Charles Schwab was particularly painful costing circa 2.2% in relative return, as the company's banking operation was caught up in concerns about falling client deposits and paper losses in the bank's bond portfolio. In addition, not owning big tech names (Apple, NVIDIA, Tesla and Meta) cost AB close to 2.4% in relative return.

Since inception the portfolio is outperforming the benchmark by 2.2% p.a.

# Global High Alpha Equities

## Top 5 holdings

| | Weight % | Benchmark weight % |
|---|---|---|
| MICROSOFT CORP | 5.37 | 3.82 |
| AMAZON.COM INC | 3.04 | 1.77 |
| ALPHABET INC | 2.63 | 2.23 |
| MASTERCARD INC | 2.57 | 0.58 |
| UNITEDHEALTH GROUP INC | 2.01 | 0.83 |

## Top 5 active overweights

| | Weight % | Benchmark weight % |
|---|---|---|
| MASTERCARD INC | 2.57 | 0.58 |
| TAIWAN SEMICONDUCTOR | 1.86 | - |
| MICROSOFT CORP | 5.37 | 3.82 |
| HDFC BANK LTD | 1.34 | - |
| MOODY'S CORP | 1.43 | 0.09 |

## Top 5 active underweights

| | Weight % | Benchmark weight % |
|---|---|---|
| APPLE INC | 0.71 | 4.91 |
| META PLATFORMS INC | - | 0.89 |
| EXXON MOBIL CORP | - | 0.85 |
| JPMORGAN CHASE & CO | - | 0.72 |
| PROCTER & GAMBLE CO/THE | - | 0.66 |

## Largest contributors to ESG risk

| | ESG risk score* Q4 2022 | ESG risk score* Q1 2023 |
|---|---|---|
| AMAZON.COM INC | 30.28 | 30.28 |
| MICROSOFT CORP | 15.24 | 15.00 |
| ALPHABET INC-CL A | 24.14 | 24.60 |
| NESTLE SA-REG | 24.13 | 27.37 |
| MASTERCARD INC - A | 16.98 | 17.02 |

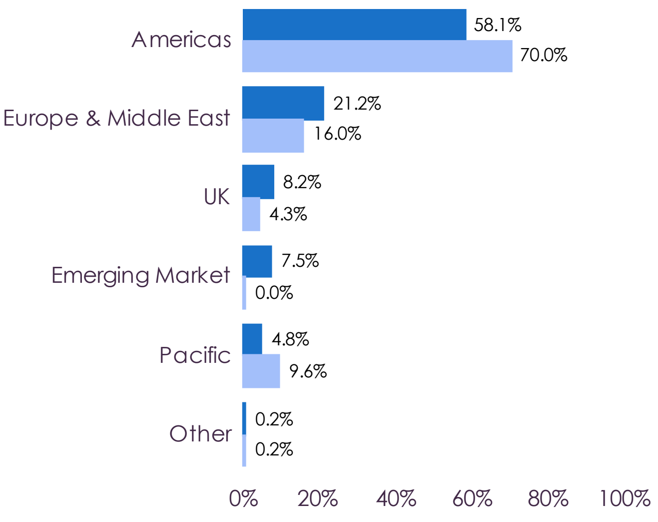
*Source: Sustainalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

## Carbon metrics

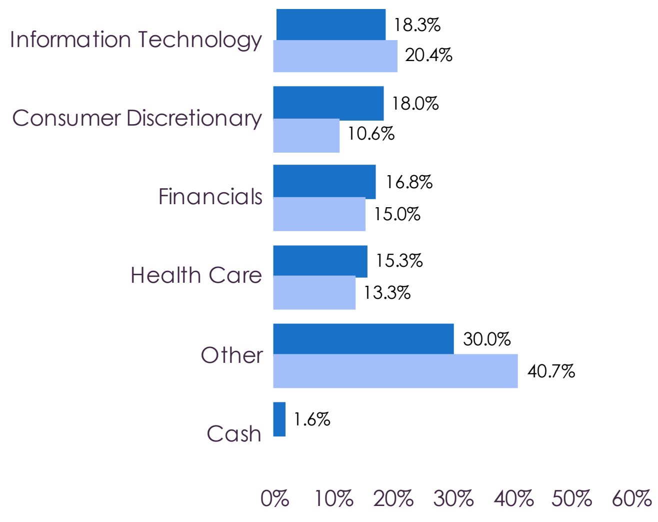
| Portfolio | WACI 2022 Q4 | WACI 2023 Q1 | Extractives revenues[1] 2022 Q4 | Extractives revenues[1] 2023 Q1 | Extractives reserves[2] 2022 Q4 | Extractives reserves[2] 2023 Q1 |
|---|---|---|---|---|---|---|
| Global High Alpha | 89 | 82 | 1.29 | 1.19 | 3.32 | 3.60 |
| MSCI World* | 193 | 166 | 2.81 | 3.26 | 7.83 | 9.22 |

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost

## Regional exposure




## Sector exposure



# Global Sustainable Equities

**Investment strategy & key drivers**

Global equity exposure concentrating on ESG factors

**Liquidity**

Managed

**Benchmark**

MSCI ACWI

**Outperformance target**

+2%

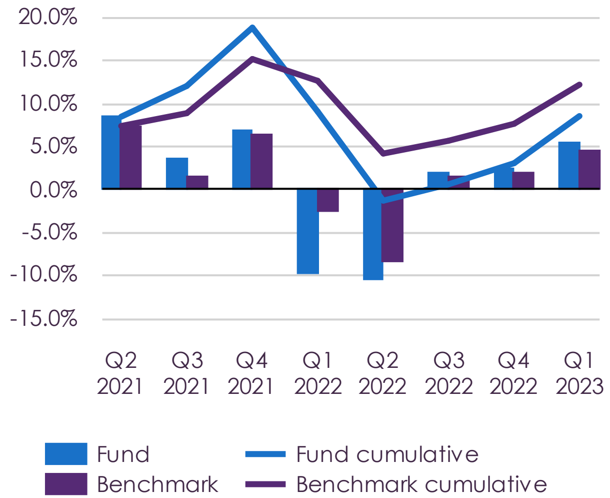
**Total fund value**

£3,321m

**Risk profile**

High

## Rolling performance




## Performance to quarter end

| Performance | 3 month | 1 year | Since inception * |
|---|---|---|---|
| Fund | 5.5 | -1.3 | 5.8 |
| Benchmark | 4.5 | -0.9 | 9.0 |
| Excess | 0.9 | -0.3 | -3.3 |

Source: State Street Global Services
*per annum. Net of all fees.

## Performance commentary

The fund returned 5.5% over the quarter, a relative outperformance of 1% against the MSCI ACWI. The fund is relatively flat over the 1-year period, returning -0.9% on a gross basis, in line with the MSCI ACWI.

Over the quarter there was a notable disparity in returns between the Growth style of investing and the Value style of investing. If we use Dividend Yield as a proxy for Growth and Value, the top performing Growth decile returned 14.4%, whilst the top Value decile returned 1.2%. Growth outperformed Value consistently throughout the quarter.

There was a notable outperformance of Growth during a recovery period through January and again during the second half of March as the market began to price in an expected reduction in the FED's interest rate rises. As discussed in the CIO commentary, the expected reduction in interest rate rises was a consequence of cooling inflation data and financial sector volatility.

The fund has positive exposure to the Growth style and a notable under exposure to the Value parts of the market, this contributed to the quarterly outperformance. On a sector basis, the overweight positioning in the IT sector, notably the Software sub sector, contributed to most of the outperformance. However, the fund also has notable underweight positions in both the Energy and Financials sectors, both which significantly underperformed the broader MSCI ACWI.

Given the CIO commentary, it should be noted that the fund itself does have minimal exposure to the overall Bank sector, a 5% underweight position (although a part of the fund's bank exposure) is to the regional bank sub sector. Unfortunately, the only two positions in regional banks within the fund were in SVB, which is now effectively valued at 0, and First Republic, which suffered an 80% loss. These 2 positions, through 2 different managers, cost the fund around 70bps in absolute performance. However, due to fund 's underweight position in Banks, the sector had very little impact on relative performance and the fund's positioning in the broader Financials sector contributed positively to relative performance.

All 5 managers were able to demonstrate diversified sources of absolute positive performance over the quarter. Ownership & Nordea notably Outperforming the ACWI.

# Global Sustainable Equities

## Top 5 holdings

| | Weight % | Benchmark weight % |
|---|---|---|
| MICROSOFT CORP | 2.57 | 3.40 |
| MASTERCARD INC | 2.51 | 0.52 |
| ANSYS INC | 2.43 | 0.05 |
| MARKETAXESS HOLDINGS INC | 2.30 | 0.02 |
| ADYEN NV | 2.09 | 0.06 |

## Largest contributors to ESG risk

| | ESG risk score* Q4 2022 | ESG risk score* Q1 2023 |
|---|---|---|
| MASTERCARD INC - A | 16.98 | 17.02 |
| MICROSOFT CORP | 15.24 | 15.00 |
| MARKETAXESS HOLDINGS INC | 16.07 | 16.07 |
| FORTIVE CORP | 35.01 | 34.76 |
| ADYEN NV | 16.41 | 16.23 |

*Source: Sustainanalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

## Carbon metrics

| Portfolio | WACI 2022 Q4 | WACI 2023 Q1 | Extractives revenues[1] 2022 Q4 | Extractives revenues[1] 2023 Q1 | Extractives reserves[2] 2022 Q4 | Extractives reserves[2] 2023 Q1 |
|---|---|---|---|---|---|---|
| Global Sustainable | 152 | 140 | 2.65 | 2.64 | 3.13 | 5.64 |
| MSCI ACWI* | 222 | 193 | 2.82 | 3.27 | 7.76 | 9.06 |

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost

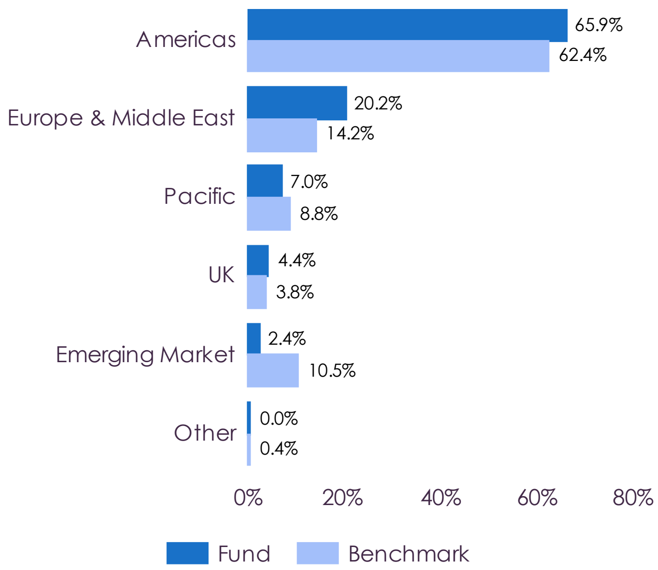
## Top 5 active overweights

| | Weight % | Benchmark weight % |
|---|---|---|
| ANSYS INC | 2.43 | 0.05 |
| MARKETAXESS HOLDINGS INC | 2.30 | 0.02 |
| ADYEN NV | 2.09 | 0.06 |
| MASTERCARD INC | 2.51 | 0.52 |
| INTUIT INC | 1.79 | 0.20 |

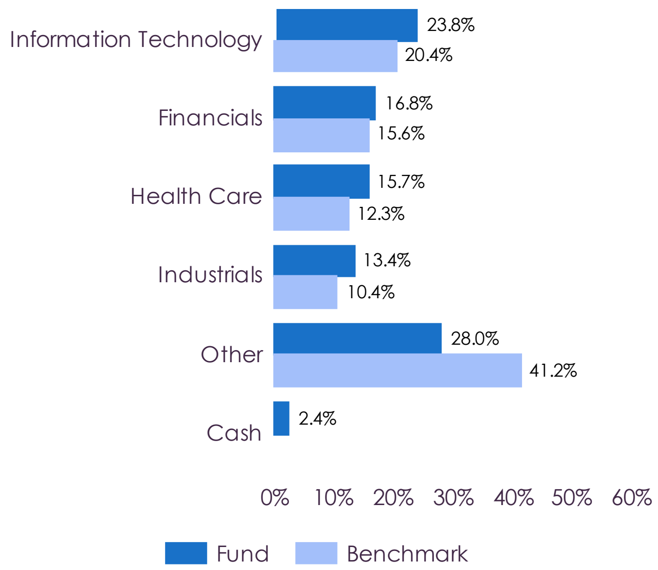
## Top 5 active underweights

| | Weight % | Benchmark weight % |
|---|---|---|
| APPLE INC | - | 4.37 |
| ALPHABET INC | 0.85 | 1.98 |
| TESLA INC | - | 0.93 |
| MICROSOFT CORP | 2.57 | 3.40 |
| META PLATFORMS INC | - | 0.79 |

## Regional exposure




## Sector exposure



# UK Active Equities

**Investment strategy & key drivers**

Active stock and sector exposure to UK equity markets

**Liquidity**

Managed

**Benchmark**

FTSE All Share ex Inv Tr

**Outperformance target**

+2%

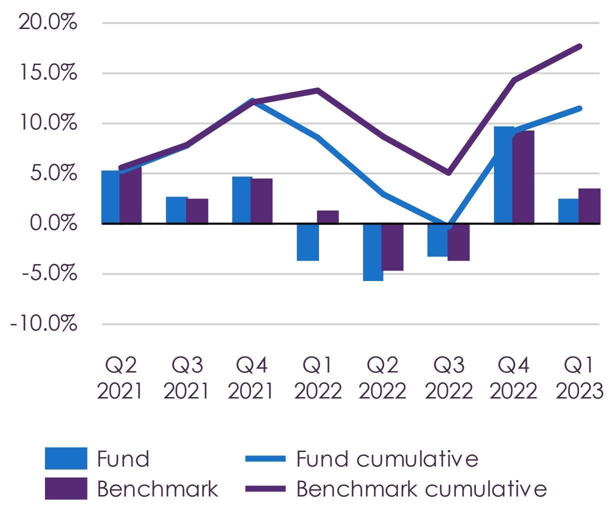
**Total fund value**

£1,356m

**Risk profile**

High

## Rolling performance




## Performance to quarter end

| Performance | 3 month | 1 year | Since inception * |
|---|---|---|---|
| Fund | 2.3 | 2.3 | 4.2 |
| Benchmark | 3.4 | 3.9 | 5.6 |
| Excess | -1.1 | -1.6 | -1.4 |

Source: State Street Global Services
*per annum. Net of all fees.

## Performance commentary

The FTSE All-Share Index, excluding Investment Trusts, returned 3.4% over the quarter, underperforming the developed market index (MSCI World). Partly explained by the UK's under-exposure to large global growth tech names that performed so well across the quarter. Underperformance of the quality factor in the UK was notable (considering it broadly outperformed in the US, Europe and Asia), as the banking crisis drove investors into stocks less vulnerable to the possible economic consequences. In the UK the higher quality debt driven signals did not perform as strongly as they did globally.

The portfolio returned 2.3% during the period, underperforming the benchmark by 1.1%. Attribution analysis shows positive contribution from allocation unable to fully offset negative effects from selection. The positive impact of overweight allocations to Industrials and Consumer Discretionary were the largest allocation effects. Poor selection in Financials and Industrials were the largest contributors to negative selection. Within Industrials, the overweight position in Inchcape (premium car importer and distributor) detracted following a negative market reaction (concerns about the execution risks linked to an acquisition and uncertainty around the outlook for consumer discretionary spending on luxury cars). Financials, the overweight holdings in Legal and General and Lancashire Holdings were the largest detractors. Both names were impacted by general concerns about the insurance sector and the negative impact of rising interest rates on the value of bond portfolios.

Baillie Gifford outperformed by 0.3% consolidating a strong outperformance last quarter. Positive allocation impact arising from overweights to Consumer Discretionary and Industrials sectors more than offset negative impact from selection. Baillie Gifford also benefited from its underweight position in the largest companies in the index as they underperformed the broad index.

Invesco underperformed the index by 2% this quarter. Unusually, all three of the factors targeted by Invesco detracted (Value, Momentum and Quality). In particular, the Value factor underperformed as the fear of a banking crisis drove investors out of attractively valued stocks.

From inception to quarter-end, the portfolio underperformed the benchmark by 1.4% per annum.

# UK Active Equities

## Top 5 holdings

| | Weight % | Benchmark weight % |
|---|---|---|
| ASTRAZENECA PLC | 6.34 | 7.55 |
| UNILEVER PLC | 5.17 | 4.84 |
| SHELL PLC | 3.93 | 7.46 |
| HSBC HOLDINGS PLC | 3.18 | 5.03 |
| BP PLC | 3.10 | 4.16 |

## Top 5 active overweights

| | Weight % | Benchmark weight % |
|---|---|---|
| BUNZL PLC | 2.20 | 0.47 |
| LEGAL & GENERAL GROUP PLC | 2.26 | 0.64 |
| BURBERRY GROUP PLC | 2.04 | 0.45 |
| HOWDEN JOINERY GROUP PLC | 1.54 | 0.17 |
| BAILLIE GIFFORD UK & BALANCED | 1.31 | - |

## Top 5 active underweights

| | Weight % | Benchmark weight % |
|---|---|---|
| SHELL PLC | 3.93 | 7.46 |
| HSBC HOLDINGS PLC | 3.18 | 5.03 |
| GSK PLC | 0.76 | 2.60 |
| NATIONAL GRID PLC | - | 1.82 |
| RECKITT BENCKISER GROUP PLC | 0.48 | 2.00 |

## Largest contributors to ESG risk

| | ESG risk score* | |
|---|---|---|
| | Q4 2022 | Q1 2023 |
| SHELL PLC | 37.65 | 37.65 |
| ASTRAZENECA PLC | 22.21 | 22.47 |
| UNILEVER PLC | 23.98 | 24.12 |
| BP PLC | 32.67 | 33.81 |
| RIO TINTO PLC | 30.68 | 30.68 |

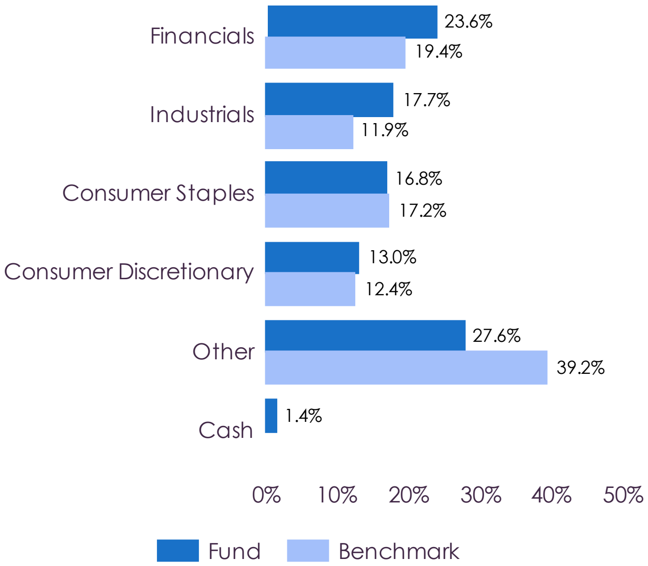
*Source: Sustainalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

## Carbon metrics

| Portfolio | WACI | | Extractives revenues[1] | | Extractives reserves[2] | |
|---|---|---|---|---|---|---|
| | 2022 Q4 | 2023 Q1 | 2022 Q4 | 2023 Q1 | 2022 Q4 | 2023 Q1 |
| UK Active Equities | 93 | 84 | 3.48 | 5.02 | 15.89 | 11.30 |
| FTSE All Share ex Inv | 160 | 152 | 4.95 | 6.28 | 21.71 | 19.50 |

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost

## Sector exposure



# Emerging Markets Equities

**Investment strategy & key drivers**

Equity exposure to emerging markets

**Liquidity**

Managed

**Benchmark**

MSCI Emerging Markets

**Outperformance target**

+2-3%

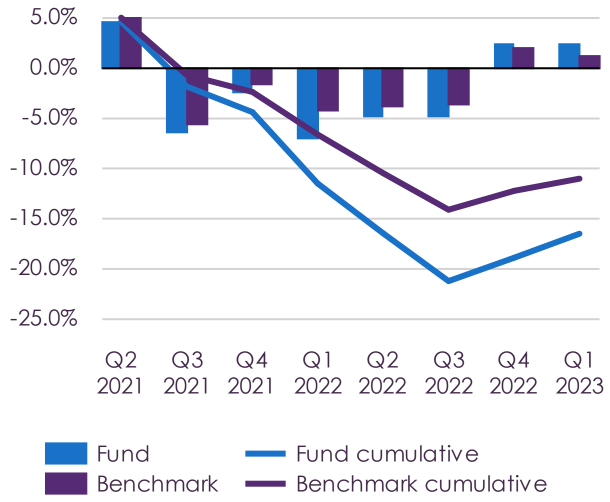
**Total fund value**

£1,088m

**Risk profile**

High

## Rolling performance




## Performance to quarter end

| Performance | 3 month | 1 year | Since inception * |
|---|---|---|---|
| Fund | 2.4 | -5.2 | -0.4 |
| Benchmark | 1.2 | -4.5 | 1.4 |
| Excess | 1.2 | -0.7 | -1.7 |

Source: State Street Global Services
*per annum. Net of all fees.

## Performance commentary

Emerging markets experienced a rollercoaster start to 2023. The year started with optimism around the Chinese economy reopening and gathering steam; however, this soon dissipated as geopolitics and banking fears tipped emerging markets into negative territory by mid-March. Only a very late rally, fuelled by the US support for domestic banks, pushed emerging market equities back into positive territory. Returns over the period – proxied by MSCI Emerging Markets Index - were +1.2% in GBP terms.

The portfolio had another positive quarter, returning +121bps over the benchmark on a net of fees basis. This was mixed at manager level. Genesis, Wellington & Ninety-One had gross relative returns of +170bps, +47bps and +163bps respectively. Genesis benefitted from country allocation because of India and the Middle East significantly underperforming. Ninety-One showed strong selection skill in Taiwan, particularly in Semiconductors. Wellington lagged the other managers due to poorer selection, particularly in China and Korea.

Mercadolibre – a LatAm focussed e-commerce platform - was the standout performer at a stock level, returning approximately +51%. Price appreciation was driven by belief that the company would gain further market share. On the negative side, Hapvida – a Brazilian hospital and clinic operator – fell approximately -48% over the quarter due to disappointing 4th quarter earnings and increased investor concerns over cash conversion and debt management.

Styles exhibited dispersion during the quarter. Deep Value and Quality Value outperformed the main market by approximately +2-3%. The Defensive style was by far the weakest, underperforming the broader market by almost -6%. Ultimately, these investment styles didn't impact relative performance.

Looking forward there are still many reasons to be positive about emerging markets. Firstly, the banking crisis in Europe and the US should not have a significant impact given the lack of contagion and the fact that emerging banks are well versed in handing turmoil. Secondly, valuations are still very attractive in both absolute terms and vs developed markets. Finally, emerging markets are much further through the tightening cycle vs their developed peers, allowing them more room to manoeuvre in the near term.

# Emerging Markets Equities

## Top 5 holdings

| | Weight % | Benchmark weight % |
|---|---|---|
| TAIWAN SEMICONDUCTOR | 7.60 | 6.58 |
| TENCENT HOLDINGS LTD | 4.69 | 4.67 |
| SAMSUNG ELECTRONICS CO LTD | 4.24 | 4.10 |
| ALIBABA GROUP HOLDING LTD | 2.96 | 2.89 |
| AIA GROUP LTD | 2.31 | - |

## Top 5 active overweights

| | Weight % | Benchmark weight % |
|---|---|---|
| AIA GROUP LTD | 2.31 | - |
| HDFC BANK LTD | 1.31 | - |
| ISHARES CORE MSCI EM IMI UCITS | 1.04 | - |
| TAIWAN SEMICONDUCTOR | 7.60 | 6.58 |
| NASPERS LTD | 1.63 | 0.62 |

## Top 5 active underweights

| | Weight % | Benchmark weight % |
|---|---|---|
| RELIANCE INDUSTRIES LTD | 0.57 | 1.32 |
| CHINA CONSTRUCTION BANK CORP | 0.23 | 0.96 |
| BAIDU INC | - | 0.64 |
| AL RAJHI BANK | - | 0.59 |
| PETROLEO BRASILEIRO SA | 0.13 | 0.63 |

## Largest contributors to ESG risk

| | ESG risk score* Q4 2022 | ESG risk score* Q1 2023 |
|---|---|---|
| TAIWAN SEMICONDUCTOR | 13.62 | 13.62 |
| TENCENT HOLDINGS LTD | 22.18 | 21.76 |
| SAMSUNG ELECTRONICS CO LTD | 19.59 | 19.53 |
| ALIBABA GROUP HOLDING LTD | 26.36 | 26.36 |
| HDFC BANK LTD-ADR | 31.45 | 30.92 |

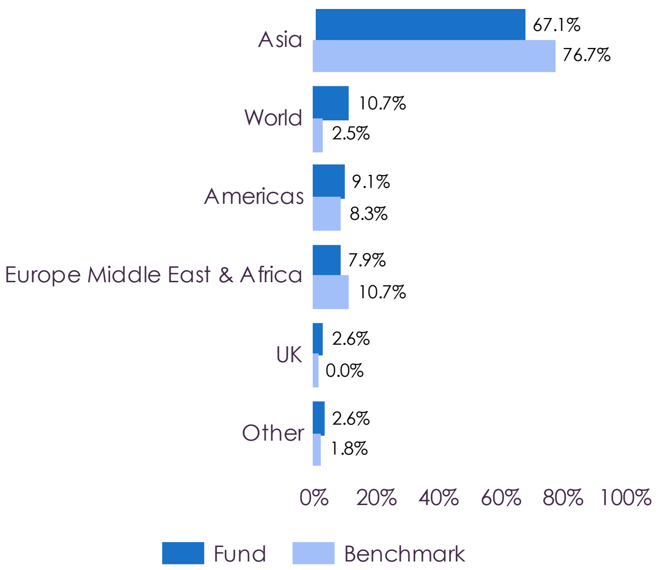
*Source: Sustainalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

## Carbon metrics

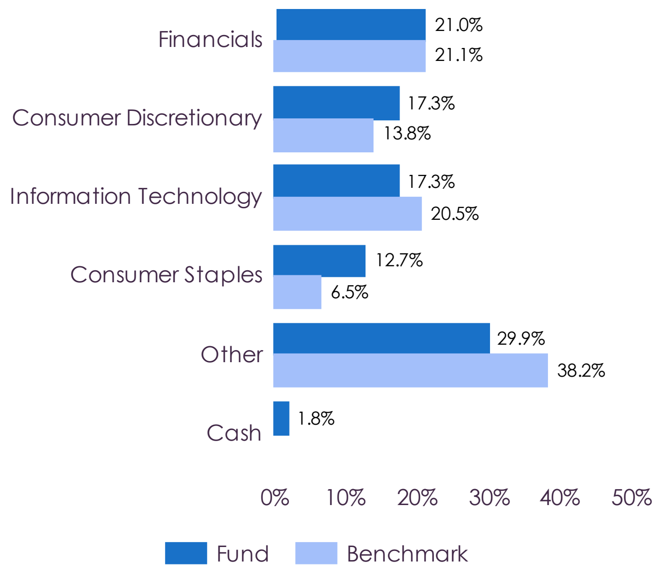
| Portfolio | WACI 2022 Q4 | WACI 2023 Q1 | Extractives revenues[1] 2022 Q4 | Extractives revenues[1] 2023 Q1 | Extractives reserves[2] 2022 Q4 | Extractives reserves[2] 2023 Q1 |
|---|---|---|---|---|---|---|
| Emerging Markets | 196 | 186 | 0.81 | 1.05 | 5.03 | 4.06 |
| MSCI Emerging | 453 | 418 | 3.29 | 3.61 | 7.26 | 7.78 |

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost

## Regional exposure




## Sector exposure



# Global Small Cap Equities

**Investment strategy & key drivers**

Global equity exposure to smaller capitalisation companies

**Liquidity**

Managed

**Benchmark**

MSCI Small Cap World

**Outperformance target**

+2%

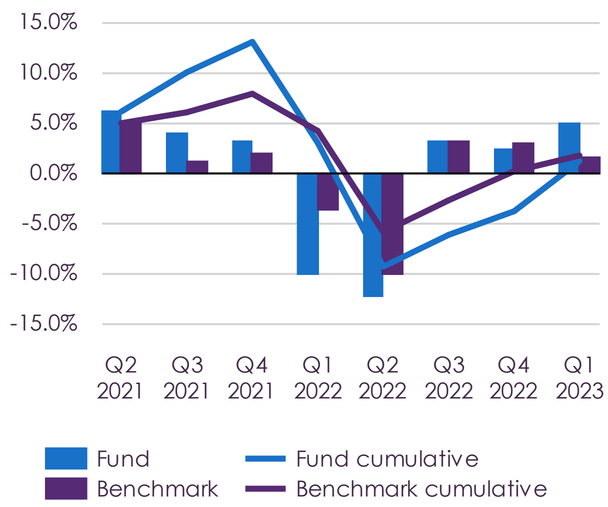
**Total fund value**

£897m

**Risk profile**

High

## Rolling performance




## Performance to quarter end

| Performance | 3 month | 1 year | Since inception * |
|---|---|---|---|
| Fund | 5.0 | -2.8 | 8.2 |
| Benchmark | 1.6 | -3.0 | 9.9 |
| Excess | 3.4 | 0.2 | -1.6 |

Source: State Street Global Services
*per annum. Net of all fees.

## Performance commentary

In Q1 2023 the global small cap market, proxied by the MSCI World Small Cap index, delivered positive returns. Small cap equities rallied in January on speculation that global central banks would soon end interest rate hikes. These hopes faded in February as relatively strong economic data renewed inflation fears. Concerns about the banking system led to increased volatility in March, however a quick response from regulators helped to calm markets by the end of the quarter.

The Global Small Cap Equity Fund returned 5.0% over the quarter, outperforming the benchmark by 3.4%. The portfolio's outperformance was driven by strong stock selection in the Technology sector. There was also a positive impact from the portfolio's overweight allocation to Technology, which outperformed other sectors over Q1.

In terms of individual manager performance, American Century returned 3.7% over the quarter, outperforming the benchmark by 2.1%. Stock selection in Technology, notably in software and semiconductor holdings, was a key contributor.

Kempen returned 5.8% in absolute terms, outperforming the benchmark by 4.2%. Kempen's outperformance was driven by positive stock selection in Technology and Industrials sectors. The overweight allocation to the Technology sector also contributed to relative returns.

Montanaro returned 6.3% over the quarter, outperforming the benchmark by 4.7%. Montanaro's stock selection in the Consumer Discretionary sector was the largest contributor to relative returns. The underweight exposure to Financials and overweight to Technology also contributed to relative returns.

Fortnox, the Swedish provider of cloud accounting software, was the largest stock contributor to performance over Q1. The company benefitted from implementing price increases across all its products, positively impacting the bottom line.

We expect continued volatility over the coming period, as markets grapple with the outlook for inflation, interest rate expectations and potential recession. Following the banking sector turmoil in March, the sector may face heightened competition, increasing funding costs and decreasing profitability. As banks become more selective lenders, this could lead to potential funding issues for smaller companies. It is worth nothing, however, that the portfolio's debt ratios are more attractive than the benchmark, given the portfolio's overall bias towards Quality companies.

# Global Small Cap Equities

## Top 5 holdings

| | Weight % | Benchmark weight % |
|---|---|---|
| JABIL INC | 1.59 | 0.18 |
| FORTNOX AB | 1.27 | 0.05 |
| PRO MEDICUS LTD | 1.16 | 0.03 |
| THERMON GROUP HOLDINGS INC | 1.14 | 0.01 |
| MTU AERO ENGINES AG | 1.13 | - |

## Largest contributors to ESG risk

| | ESG risk score* Q4 2022 | ESG risk score* Q1 2023 |
|---|---|---|
| FUJITEC CO LTD | 36.04 | 29.88 |
| MTU AERO ENGINES AG | 27.80 | 27.69 |
| SITIME CORP | - | 39.88 |
| THERMON GROUP HOLDINGS | 23.70 | 23.70 |
| FORTNOX AB | - | 21.00 |

*Source: Sustainalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

## Carbon metrics

| Portfolio | WACI 2022 Q4 | WACI 2023 Q1 | Extractives revenues[1] 2022 Q4 | Extractives revenues[1] 2023 Q1 | Extractives reserves[2] 2022 Q4 | Extractives reserves[2] 2023 Q1 |
|---|---|---|---|---|---|---|
| Global Small Cap | 115 | 109 | 1.40 | 2.97 | 2.99 | 3.18 |
| MSCI Small Cap | 234 | 207 | 2.86 | 3.16 | 4.96 | 5.87 |

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost

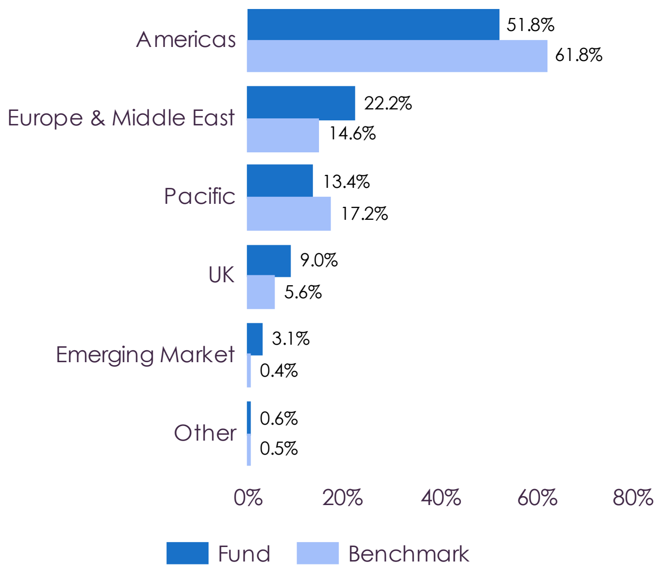
## Top 5 active overweights

| | Weight % | Benchmark weight % |
|---|---|---|
| JABIL INC | 1.59 | 0.18 |
| FORTNOX AB | 1.27 | 0.05 |
| MTU AERO ENGINES AG | 1.13 | - |
| 4IMPRINT GROUP PLC | 1.13 | - |
| THERMON GROUP HOLDINGS INC | 1.14 | 0.01 |

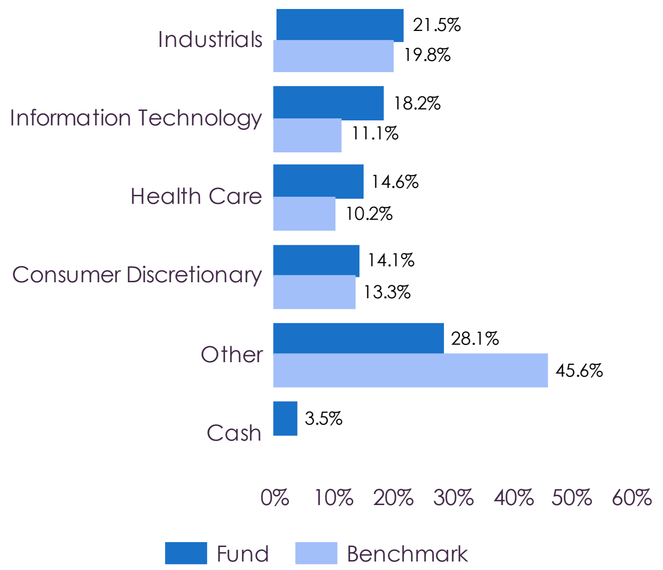
## Top 5 active underweights

| | Weight % | Benchmark weight % |
|---|---|---|
| BUILDERS FIRSTSOURCE INC | - | 0.19 |
| DECKERS OUTDOOR CORP | - | 0.18 |
| FIVE BELOW INC | - | 0.17 |
| LIFE STORAGE INC | - | 0.17 |
| REXFORD INDUSTRIAL REALTY INC | - | 0.16 |

## Regional exposure




## Sector exposure



# Diversifying Returns Fund

**Investment strategy & key drivers**
Strategy utilising currencies, credit, rates and equities

**Liquidity**
Managed

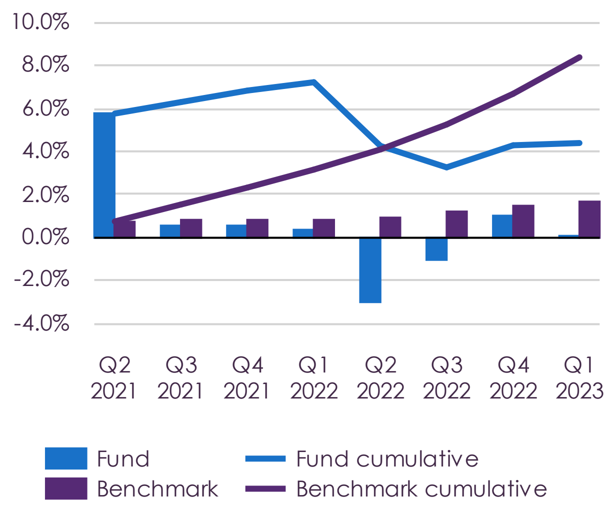
**Benchmark**
SONIA +3%

**Outperformance target**
0% to +2.0%

**Total fund value**
£1,373m

**Risk profile**
Moderate

## Rolling performance




## Performance to quarter end

| Performance | 3 month | 1 year | Since inception * |
|---|---|---|---|
| Fund | 0.1 | -2.8 | 1.9 |
| Benchmark | 1.7 | 5.3 | 4.0 |
| Excess | -1.6 | -8.2 | -2.1 |

Source: State Street Global Services
*per annum. Net of all fees.

## Performance commentary

The Diversifying Returns Fund returned 0.1% over the first quarter of 2023. The benchmark return was 1.7%. The portfolio returned -2.8% for the year ending 31st March 2023, underperforming the cash plus 3% benchmark which returned 5.3%. The sterling hedged 50/50 equity/bond index we monitor returned 4.8% over the quarter and -7.7% over one year.

Fulcrum lost 2.5% over the quarter. The positive contribution made by the strategic equities component of the strategy was more than offset by negative returns from fixed income, where Fulcrum were short interest rate, on the view that inflationary pressures have been underestimated. Within the relative value bucket, volatility strategies detracted from performance.

JPM returned -0.8% for the quarter. The biggest detractor from returns was the fixed income trend signal which was positioned short rates as yields came in over the period. Equity value and quality signals also detracted from returns while fixed income carry and value signals made a positive contribution to returns.

Lombard Odier recorded a positive return of 2.7%. Positioning in developed market equities and sovereign bonds were the largest positive contributors. The structure of the fund, investing largely through derivatives, was also beneficial with interest earned on cash making an 80bps contribution to quarterly performance. All asset class exposures, except for long volatility, made a positive contribution to returns.

UBS returned -0.25% over the three-month period. The long position in the Norwegian Kroner weighed on performance as oil prices continued to retreat and the Norges Bank maintained a lower policy rate than the ECB. The long position in the Japanese Yen also made a negative contribution to returns as Bank of Japan guidance remained dovish. Short positions in the US and New Zealand dollar made a positive contribution to returns, along with long positions in the Brazilian Real and Columbian and Chilean Peso.

# Low Volatility Global Equities

**Investment strategy & key drivers**

Active global equity exposure with reduced risk and return volatility

**Liquidity**

Reasonable

**Benchmark**

MSCI ACWI

**Outperformance target**

> Benchmark

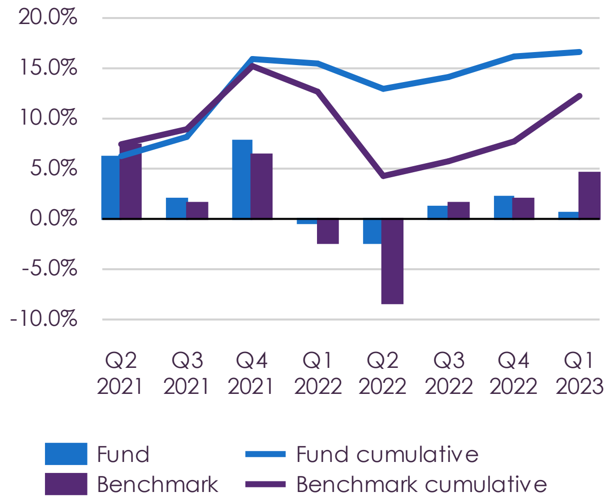
**Total fund value**

£615m

**Risk profile**

High

## Rolling performance




## Performance to quarter end

| Performance | 3 month | 1 year | Since inception * |
|---|---|---|---|
| Fund | 0.4 | 1.1 | 7.3 |
| Benchmark | 4.5 | -0.9 | 10.5 |
| Excess | -4.1 | 2.0 | -3.2 |

Source: State Street Global Services
*per annum. Net of all fees.

## Performance commentary

The fund returned 0.4% over Q1, underperforming the broader MSCI ACWI by 4.1%. However, the portfolio outperformed the MSCI Min Vol index, which returned -0.5%. Q1 proved to be quite a challenging environment for Defensive/Low Vol strategies as much of the market performance was driven by the Large Cap/ Technology/ Growth names, as discussed in the CIO commentary. However, the fund was able to outperform the comparable strategy level benchmark by 0.9%.

In January, we saw a recovery in several high beta stocks that had declined over Q4 2022. With regards to the MSCI ACWI, the top decile of high beta stocks returned 13%, whilst the most defensive, low beta, decile returned -2%. The top decile of high beta stocks included names such as Tesla, NVIDIA and Netflix, which all exhibited significant levels of performance. The fund's underperformance over the month of January accounted for all the performance witnessed over Q1.

From the end of January to Mid-March the fund clawed back some of the earlier underperformance. However, from Mid-March to the end of the quarter we saw a resurgence in Growth stocks, which the fund has an underweight position. The resurgence in Growth stocks was caused by a market expectation that the FED would have to reduce its current interest rate rises. An expectation based on cooling inflation data and to accommodate the Financials sector, where it became apparent that some Banks were sat on material loses in their bond portfolios. The CIO commentary noted, several depositor withdrawals required that some Banks had to realise these loses and this caused Silicon Valley Bank and Signature Bank to be effectively repriced to 0, whilst First Republic Bank suffered a significant decline. The fund has no exposure to these 3 names and has a notable underweight to US Banks, a sub-sector which fell 20% over the month of March alone.

Whilst the fund did underperform over the quarter, on a 1-year basis, the fund has generated >2% relative outperformance against the MSCI ACWI and 0.7% relative outperformance against a strategy level benchmark. The fund achieved 1 year outperformance against the MSCI ACWI whilst exhibiting a >30% reduction in Volatility. This has led to a superior risk adjusted return over the 1 year.

# Low Volatility Global Equities

## Top 5 holdings

| | Weight % | Benchmark weight % |
|---|---|---|
| ROBECO CAPITAL GROWTH FUNDS - | 6.01 | - |
| QUONIAM FUNDS SELECTION SICAV | 5.95 | - |
| JOHNSON & JOHNSON | 1.84 | 0.68 |
| CISCO SYSTEMS INC | 1.82 | 0.36 |
| PEPSICO INC | 1.58 | 0.42 |

## Largest contributors to ESG risk

| | ESG risk score* Q4 2022 | ESG risk score* Q1 2023 |
|---|---|---|
| JOHNSON & JOHNSON | 25.02 | 23.98 |
| PROCTER & GAMBLE CO/THE | 26.61 | 26.41 |
| MERCK & CO. INC. | 21.65 | 21.65 |
| AMGEN INC | - | 21.92 |
| AT&T INC | 22.07 | 23.57 |

*Source: Sustainanalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

## Carbon metrics

| Portfolio | WACI 2022 Q4 | WACI 2023 Q1 | Extractives revenues[1] 2022 Q4 | Extractives revenues[1] 2023 Q1 | Extractives reserves[2] 2022 Q4 | Extractives reserves[2] 2023 Q1 |
|---|---|---|---|---|---|---|
| **Low Volatility** | 111 | 72 | 2.11 | 2.35 | 4.78 | 3.83 |
| **MSCI ACWI*** | 222 | 193 | 2.82 | 3.27 | 7.76 | 9.06 |

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost

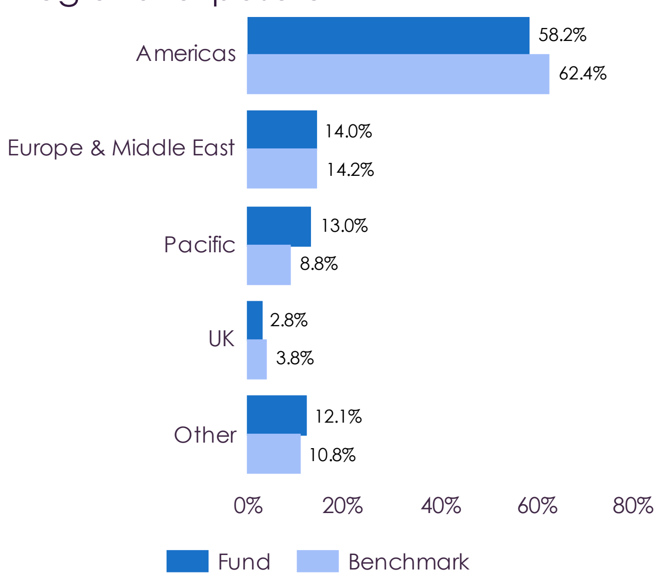
## Top 5 active overweights

| | Weight % | Benchmark weight % |
|---|---|---|
| ROBECO CAPITAL GROWTH FUNDS - | 6.01 | - |
| QUONIAM FUNDS SELECTION SICAV | 5.95 | - |
| CISCO SYSTEMS INC | 1.82 | 0.36 |
| JOHNSON & JOHNSON | 1.84 | 0.68 |
| PEPSICO INC | 1.58 | 0.42 |

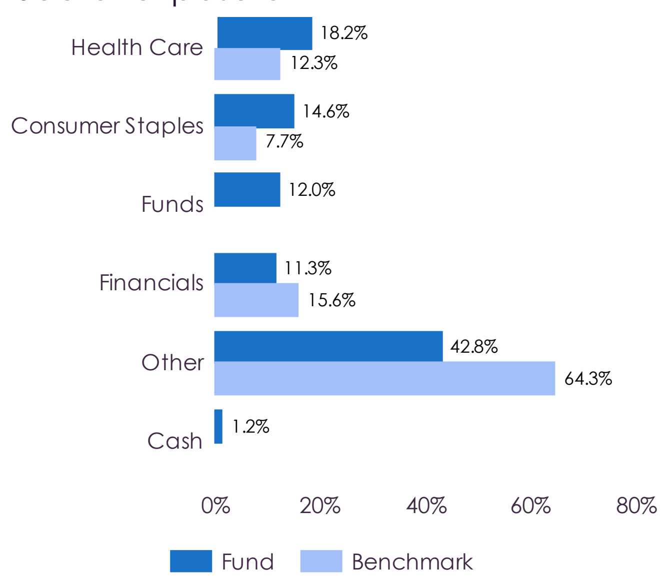
## Top 5 active underweights

| | Weight % | Benchmark weight % |
|---|---|---|
| APPLE INC | 0.82 | 4.37 |
| MICROSOFT CORP | 0.73 | 3.40 |
| AMAZON.COM INC | - | 1.58 |
| ALPHABET INC | 0.54 | 1.98 |
| NVIDIA CORP | - | 1.14 |

## Regional exposure




## Sector exposure



# Multi-Asset Credit

**Investment strategy & key drivers**
Exposure to higher yield bonds with moderate credit risk

**Liquidity**
Managed

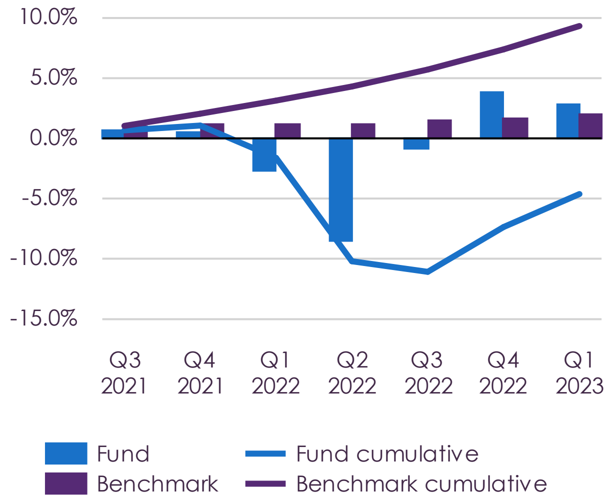
**Benchmark**
SONIA +4%

**Outperformance target**
0% to +1.0%

**Total fund value**
£2,599m

**Risk profile**
Moderate

## Rolling performance




## Performance to quarter end

| Performance | 3 month | 1 year | Since inception * |
|---|---|---|---|
| Fund | 2.7 | -3.4 | -3.0 |
| Benchmark | 1.9 | 6.3 | 5.5 |
| Excess | 0.8 | -9.8 | -8.4 |

Source: State Street Global Services
*per annum. Net of all fees.

## Performance commentary

Sub-investment grade credit endured a challenging start to 2023. The past quarter was filled with exceptionally high levels of volatility, which impacted both rates and credit spreads.

The quarter began with an aggressive rally as investors bet on peak inflation. This soon changed as US data releases - mentioned in the CIO Commentary - on payrolls and inflation implied that the economy was not slowing. The collapse of Silicon Valley Bank in March caused a U-turn in credit markets. Creating a risk off environment, where government yields fell and credit spreads rose simultaneously.

The banking fears ultimately resulted in Credit Suisse being forced to merge with UBS. As part of the merger terms, FINMA – the regulation authority in Switzerland - forced 100% losses on the AT1 bonds whilst preserving some value in equity capital. This subsequently caused the entire AT1 market to reprice, as investors expressed doubt that AT1 bonds across Europe would remain higher in the capital structure.

Miraculously, most asset classes within sub-IG credit ended the quarter in positive territory. High yield bonds – proxied by the Bloomberg Global High Yield Index – returned +2.6% on a GBP hedged basis. Loans, proxied by the Morningstar LSTA US Leveraged Loan Index, also made a positive return of +2.6% in GBP hedged terms. The only clear laggard was Bank Capital, which fell approximately -6% over the quarter in local terms; this was down as much as -12.5% intra-quarter.

The MAC portfolio returned +2.7% over the quarter. This was ahead of the SONIA+4% cash benchmark and composite benchmark, which returned +1.9% and +2.6% respectively.

The underlying managers had very different experiences, mostly driven by their exposures to Bank Capital. Oaktree – who have no Bank Capital - were the standout performer, returning +353bps. CQS – who hold almost 20% in Bank Capital - were the weakest performer, returning +212bps. CQS lost over -100bps in performance from owning a Credit Suisse AT1 instrument alone. Neuberger Berman have a modest exposure to bank capital and returned +281bps.

The medium to longer term outlook in credit remains unchanged from a pricing standpoint. The portfolio now yields an attractive 9% on a yield to worst basis. However, Q1 2023 brutally reminded investors that default risks are here to stay and that managers should remain vigilant when assessing issuers.

# Sterling Corporate Bonds

**Investment strategy & key drivers**

Managed credit selection to generate excess sterling yield returns

**Liquidity**

Managed

**Benchmark**

iBoxx Sterling Non Gilt x

**Outperformance target**

+1%

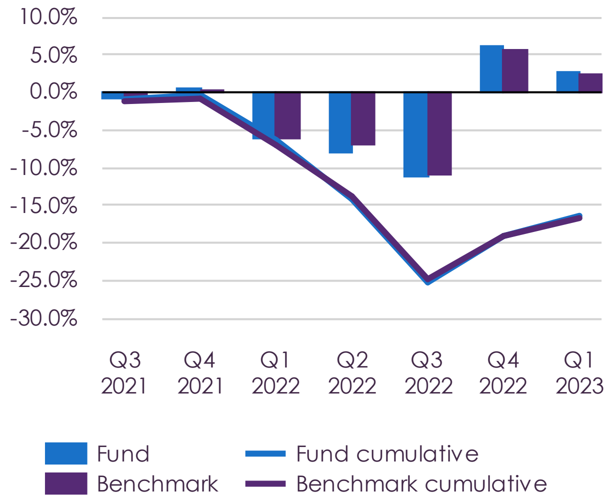
**Total fund value**

£2,017m

**Risk profile**

Moderate

## Rolling performance




## Performance to quarter end

| Performance | 3 month | 1 year | Since inception * |
|---|---|---|---|
| Fund | 2.7 | -10.7 | -9.7 |
| Benchmark | 2.4 | -10.2 | -9.8 |
| Excess | 0.3 | -0.5 | 0.1 |

Source: State Street Global Services
*per annum. Net of all fees.

## Performance commentary

Stronger than expected economic data early in the year suggested most major economies would avoid a recession, but the banking sector turbulence at the end of the period reignited growth fears. It was expected that the banking sector would respond by lending more cautiously and hence tightening credit conditions. The Bank of England (BoE) raised rates twice over Q1, with rates ending the quarter at 4.25%.

The sterling investment grade credit market returned 2.4% over the quarter, boosted by the fall in gilt yields and additional carry from credit holdings, while credit spreads ended the quarter broadly unchanged.

Over the period, the Sterling Corporate Bonds portfolio returned 2.7% (net of fees), outperforming the benchmark.

The portfolio's outperformance over the quarter was primarily driven by positive sector allocation, with a positive contribution from the overweight exposure to the social housing and structured sectors. This was partially offset by overweight exposure to insurance. The modest overweight allocation to banks had a neutral impact overall, however, within banks the exposure to AT1 issues detracted from relative returns. It is worth noting that the portfolio had no exposure to subordinated debt issued by Credit Suisse, and the overall allocation to AT1s was relatively low at 2.3%.

Security selection detracted from relative performance. This mainly reflected security selection in banks and insurance, which outweighed positive security selection in consumer services and utilities.

In terms of credit rating bands, the most significant contribution to outperformance came from the overweight to BBB bonds and unrated bonds. The impact of duration was neutral and yield curve positioning was mildly positive.

In terms of outlook, RLAM expect that inflation has peaked. Driven by the view that energy prices will moderate, and weaker GDP growth will reduce the tightness of the labour market. Nonetheless, RLAM believe that UK interest rates are likely to rise slightly further as the BoE continues to focus on bringing inflation under control. While credit spreads remain at reasonably attractive levels, it is likely that higher rates will lead to a slowdown in the UK, impacting company earnings and leading to some increase in credit rating downgrades and default rates.

# Passive Gilts over 15 years

**Investment strategy & key drivers**

Passive exposure to gilts with over 15 year duration

**Liquidity**

High

**Benchmark**

FTSE-A UK Gilts >15Y

**Outperformance target**

Match

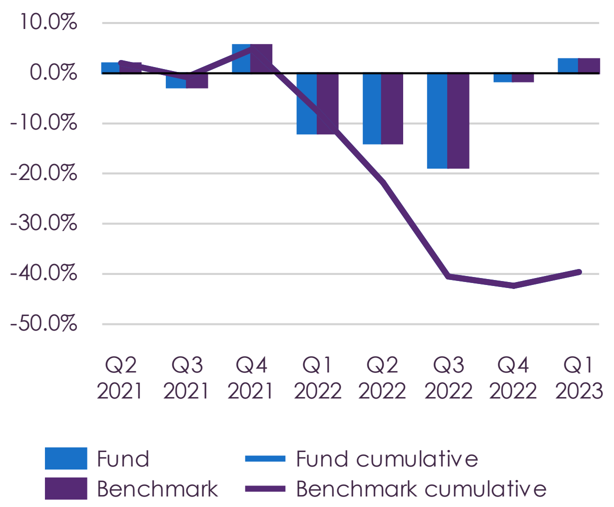
**Total fund value**

£44m

**Risk profile**

Low

## Rolling performance




## Performance to quarter end

| Performance | 3 month | 1 year | Since inception * |
|---|---|---|---|
| Fund | 2.8 | -29.7 | -21.5 |
| Benchmark | 2.8 | -29.7 | -21.5 |
| Excess | - | - | - |

Source: State Street Global Services
*per annum. Net of all fees.

## Performance commentary

UK government bonds posted solid returns in the quarter but did not escape the period without suffering a bout of volatility as investors wrestled with uncertainty over when central banks would end the current rate hiking cycle.

The Bank of England (BoE) pushed rates higher twice in the quarter. The BoE has moved rates higher 11 times since the end of 2021, with rates ending the quarter at 4.25%.

In the final few weeks of the quarter, the collapse of Silicon Valley Bank and Credit Suisse refocused attention on the risks within the banking sector and dragged returns for bond markets sharply lower. However, by the end of the quarter, regulatory action appeared to have calmed markets.

The UK gilt market delivered a 2.05% return (FTSE Actuaries) over the first quarter with the benchmark 10-year gilt yield falling 18 basis points to 3.49% from 3.67% at the start of the quarter.

# Passive Index Linked Gilts over 5 years

**Investment strategy & key drivers**

Passive exposure to index linked gilts with over 5 year duration

**Liquidity**

High

**Benchmark**

FTSE-A UK ILG >5Y

**Outperformance target**

Match

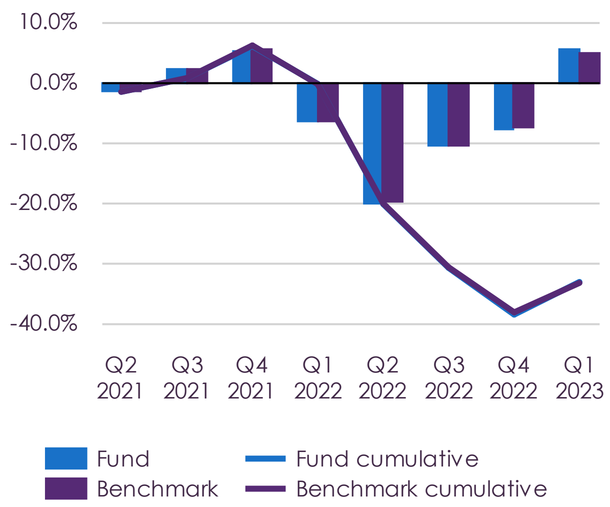
**Total fund value**

£744m

**Risk profile**

Low

## Rolling performance




## Performance to quarter end

| Performance | 3 month | 1 year | Since inception * |
|---|---|---|---|
| Fund | 5.4 | -30.4 | -18.4 |
| Benchmark | 4.9 | -30.4 | -18.5 |
| Excess | 0.5 | - | - |

Source: State Street Global Services
*per annum. Net of all fees.

## Performance commentary

UK government bonds posted solid returns in the quarter but were subject to some volatility in the period as investors wrestled with uncertainty over when central banks would end the current rate hiking cycle.

The Bank of England (BoE) pushed rates higher twice in the quarter. The BoE has moved rates higher 11 times since the end of 2021, with rates ending the quarter at 4.25%.

In the final few weeks of the quarter, the collapse of Silicon Valley Bank and Credit Suisse refocused attention on the risks within the banking sector and dragged returns for bond markets sharply lower. However, by the end of the quarter, regulatory action appeared to have calmed markets.

The UK gilt market delivered a 2.05% return (FTSE Actuaries) over the first quarter with the benchmark 10-year gilt yield falling 18 basis points to 3.49% from 3.67% at the start of the quarter.

# PAB Passive Global Equities

**Investment strategy & key drivers**

Passive global equity exposure aligned to Paris Agreement climate goals

**Liquidity**

High

**Benchmark**

FTSE Dev World PAB

**Outperformance target**

Match

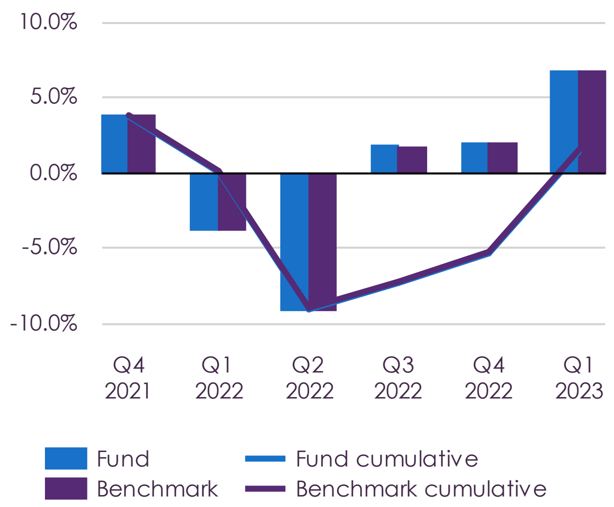
**Total fund value**

£1,620m

**Risk profile**

High

## Rolling performance




## Performance to quarter end

| Performance | 3 month | 1 year | Since inception * |
|---|---|---|---|
| Fund | 6.7 | 0.7 | 0.4 |
| Benchmark | 6.8 | 0.7 | 0.5 |
| Excess | - | -0.1 | -0.1 |

Source: State Street Global Services
*per annum. Net of all fees.

## Performance commentary

The FTSE Developed Paris Aligned index (PAB) began the year strongly, up 6.8% over Q1 2023. The PAB Passive Global Equities strategy closely replicated the benchmark's performance over this period.

Sector performance was varied over the quarter with three sectors doing particularly well: Communication Services, Consumer Discretionary and IT. These sectors were up by more than 10% over the quarter.

Large positions in US IT companies were strong drivers of performance, notably Apple, Microsoft, and NVIDIA, whilst Alphabet drove performance in the Communication Services sector.

Within Consumer Discretionary Amazon and Tesla were significant positive contributors to performance as these stocks rebounded strongly from a difficult Q4.

The Health Care and Financials sectors were the worst performing sectors over the period, with negative absolute performance.

The Energy sector was a further detractor for the market cap weighted index, and the worst performing sector in Q1 2023; however, the FTSE Developed Paris Aligned index (PAB) currently has no exposure to the Energy sector. This exposure combined with a limited allocation to the Financials sector proved positive for performance over Q1 2023.

# PAB Passive Global Equities

## Top 5 holdings

| | Weight % |
|---|---|
| APPLE INC | 5.68 |
| TESLA INC | 5.60 |
| MICROSOFT CORP | 5.54 |
| ALPHABET INC | 4.96 |
| AMAZON.COM INC | 4.47 |

## Largest contributors to ESG risk

| | ESG risk score* Q4 2022 | ESG risk score* Q1 2023 |
|---|---|---|
| TESLA INC | - | 28.82 |
| AMAZON.COM INC | 30.28 | 30.28 |
| APPLE INC | 16.68 | 16.91 |
| MICROSOFT CORP | 15.24 | 15.00 |
| ALPHABET INC-CL A | 24.14 | 24.60 |

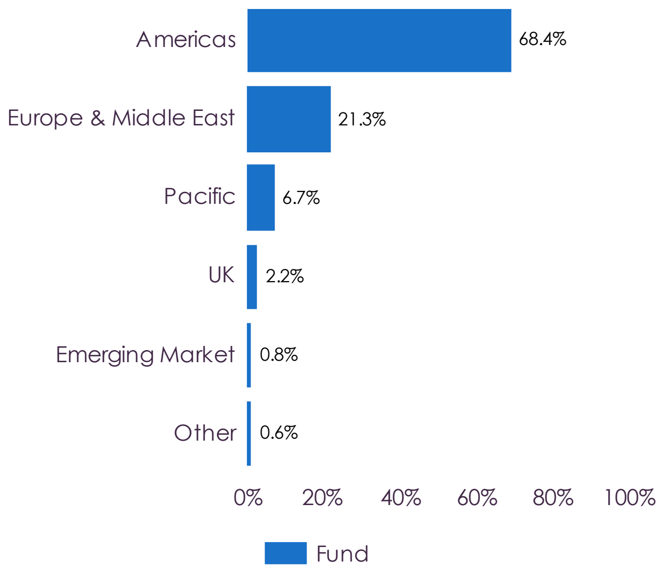
*Source: Sustainalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

## Carbon metrics

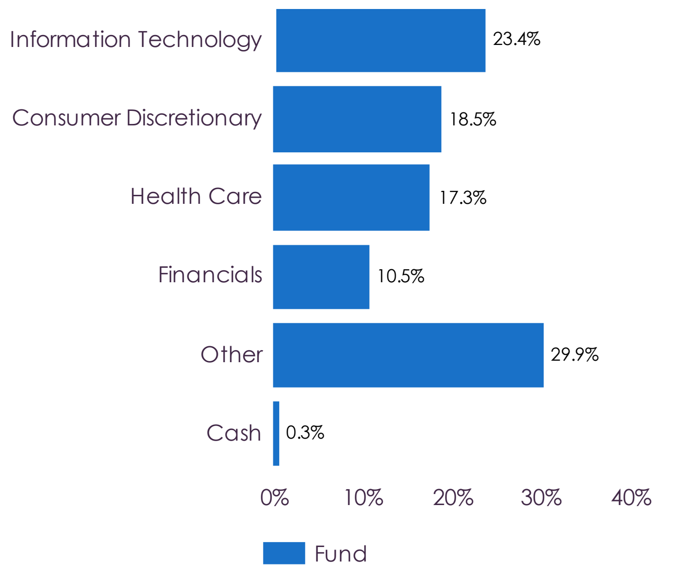
| Portfolio | WACI 2022 Q4 | WACI 2023 Q1 | Extractives revenues[1] 2022 Q4 | Extractives revenues[1] 2023 Q1 | Extractives reserves[2] 2022 Q4 | Extractives reserves[2] 2023 Q1 |
|---|---|---|---|---|---|---|
| PAB Passive Global | 102 | 79 | 0.91 | 0.61 | 1.68 | 3.42 |
| FTSE Dev World TR | 194 | 168 | 2.69 | 3.10 | 7.69 | 9.44 |

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost

## Regional exposure




## Sector exposure



# PAB Passive Global Equities (Hedged)

**Investment strategy & key drivers**

Passive global equity exposure aligned to Paris Agreement climate goals - hedged

**Liquidity**

High

**Benchmark**

FTSE Dev World PAB

**Outperformance target**

Match

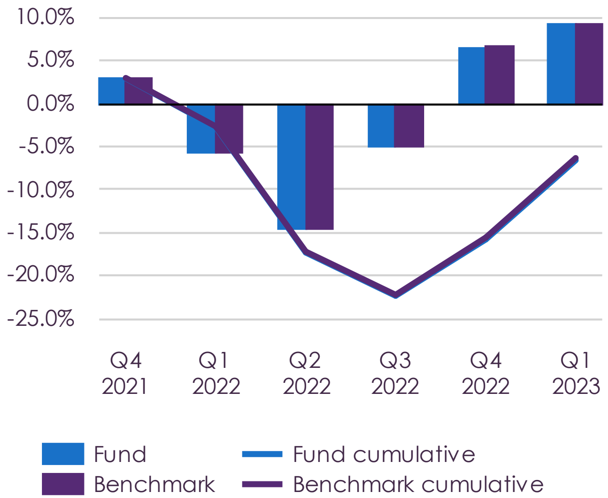
**Total fund value**

£797m

**Risk profile**

High

## Rolling performance




## Performance to quarter end

| Performance | 3 month | 1 year | Since inception * |
|---|---|---|---|
| Fund | 9.2 | -5.6 | -5.9 |
| Benchmark | 9.2 | -5.4 | -5.8 |
| Excess | - | -0.2 | -0.2 |

Source: State Street Global Services
*per annum. Net of all fees.

## Performance commentary

The FTSE Developed Paris Aligned index (PAB) began the year strongly, up 6.8% over the first quarter.

Sterling appreciated against a basket of developed market currencies over the period, up 1% against the Euro, 2.8% against the US Dollar and 3.7% against the Japanese Yen. Because of this currency appreciation the hedged product outperformed the unhedged product, returning 9.2% over Q1 2023. The PAB Passive Global Equities (Hedged) strategy closely replicated the benchmark's performance over the period.

Sector performance was varied over the quarter with three sectors doing particularly well: Communication Services, Consumer Discretionary and IT. These sectors were up by more than 10% over the quarter. Large positions in US IT companies were strong drivers of performance, notably Apple, Microsoft, and NVIDIA, whilst Alphabet drove performance in the Communication services sector. Within Consumer Discretionary Amazon and Tesla were significant positive contributors to performance as these stocks rebounded strongly from a difficult Q4.

The Health Care and Financials sectors were the worst performing sectors over the period, with negative absolute performance.

The Energy sector was a further detractor for the market cap weighted index, and the worst performing sector in Q1 2023. However, the FTSE Developed Paris Aligned index (PAB) currently has no exposure to the Energy sector. This exposure combined with a limited allocation to the Financials sector proved beneficial to the product's performance over Q1 2023.

# PAB Passive Global Equities (Hedged)

## Top 5 holdings

| | Weight % |
|---|---|
| APPLE INC | 5.68 |
| TESLA INC | 5.60 |
| MICROSOFT CORP | 5.54 |
| ALPHABET INC | 4.96 |
| AMAZON.COM INC | 4.47 |

## Largest contributors to ESG risk

| | ESG risk score* | |
|---|---|---|
| | Q4 2022 | Q1 2023 |
| TESLA INC | - | 28.82 |
| AMAZON.COM INC | 30.28 | 30.28 |
| APPLE INC | 16.68 | 16.91 |
| MICROSOFT CORP | 15.24 | 15.00 |
| ALPHABET INC-CL A | 24.14 | 24.60 |

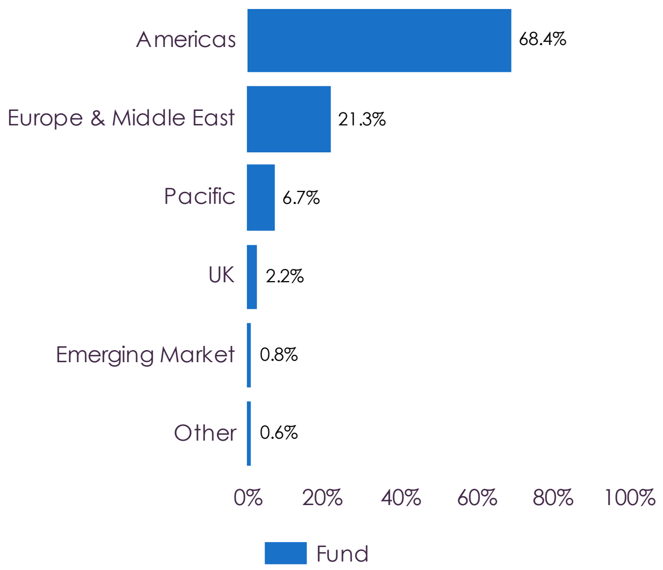
*Source: Sustainalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

## Carbon metrics

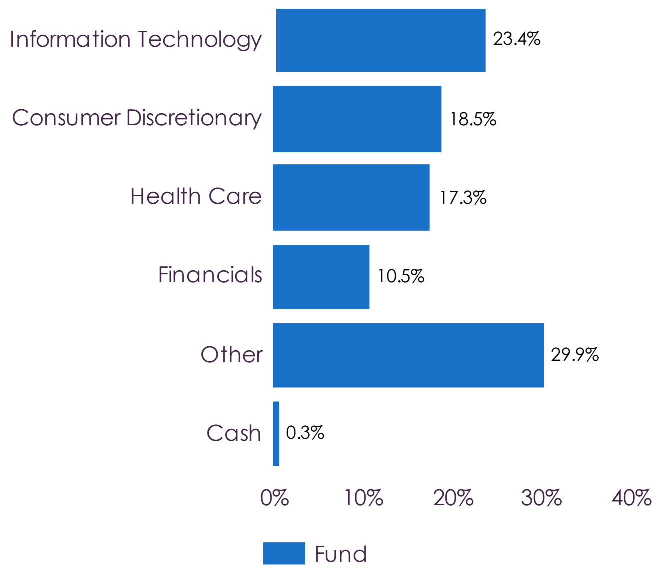
| Portfolio | WACI | | Extractives revenues[1] | | Extractives reserves[2] | |
|---|---|---|---|---|---|---|
| | 2022 Q4 | 2023 Q1 | 2022 Q4 | 2023 Q1 | 2022 Q4 | 2023 Q1 |
| PAB Passive Global | 102 | 79 | 0.91 | 0.61 | 1.68 | 3.42 |

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost

## Regional exposure




## Sector exposure



# CTB Passive Global Equities

**Investment strategy & key drivers**

Passive global equity exposure aligned to Climate Transition goals

**Liquidity**

High

**Benchmark**

FTSE Dev World CTB

**Outperformance target**

Match

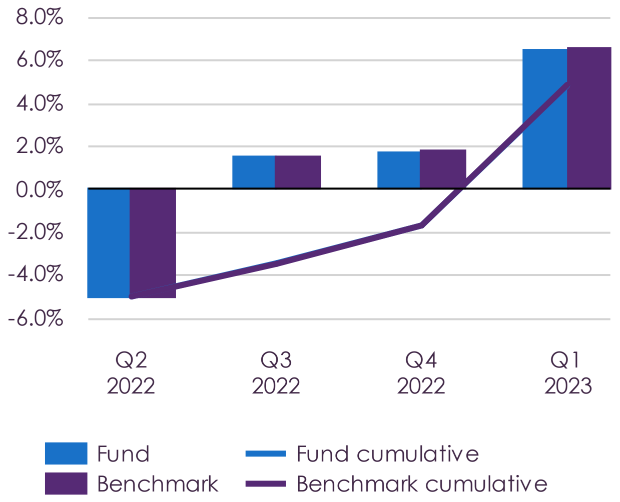
**Total fund value**

£641m

**Risk profile**

High

## Rolling performance




## Performance to quarter end

| Performance | 3 month | 1 year | Since inception * |
|---|---|---|---|
| Fund | 6.5 | - | 4.6 |
| Benchmark | 6.5 | - | 4.6 |
| Excess | - | - | - |

Source: State Street Global Services
*per annum. Net of all fees.

## Performance commentary

The FTSE Developed Climate Transition index (CTB) performed strongly over Q1 2023, up 6.5%. The CTB Passive Global Equities product closely replicated the performance of the benchmark over this period.

Sector performance was varied over the quarter with three sectors doing particularly well: Communication Services, Consumer Discretionary and IT. These sectors were up by more than 10% over the quarter.

Large positions in US IT companies were strong drivers of performance, notably Apple, Microsoft, and NVIDIA, whilst Alphabet drove performance in the Communication Services sector.

Within Consumer Discretionary Amazon and Tesla were significant positive contributors to performance as these stocks rebounded strongly from a difficult Q4.

The Energy sector was the worst performing sector over the period with negative absolute performance, alongside Financials and Health Care. The strategy has a limited allocation to these sectors compared to the traditional market cap weighted index, which proved beneficial to performance over Q1 2023.

# CTB Passive Global Equities

## Top 5 holdings

| | Weight % |
|---|---|
| APPLE INC | 5.65 |
| MICROSOFT CORP | 5.47 |
| TESLA INC | 5.44 |
| ALPHABET INC | 4.97 |
| AMAZON.COM INC | 3.97 |

## Largest contributors to ESG risk

| | ESG risk score* | |
|---|---|---|
| | Q4 2022 | Q1 2023 |
| TESLA INC | - | 28.82 |
| AMAZON.COM INC | 30.28 | 30.28 |
| APPLE INC | 16.68 | 16.91 |
| MICROSOFT CORP | 15.24 | 15.00 |
| ALPHABET INC-CL A | 24.14 | 24.60 |

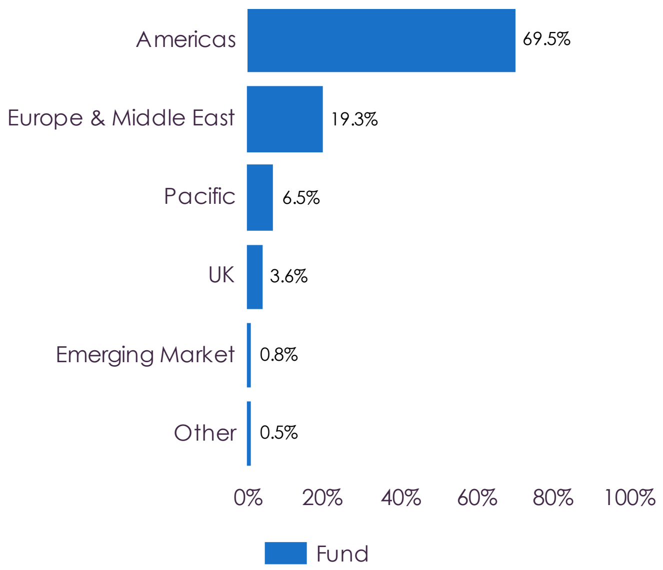
*Source: Sustainalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

## Carbon metrics

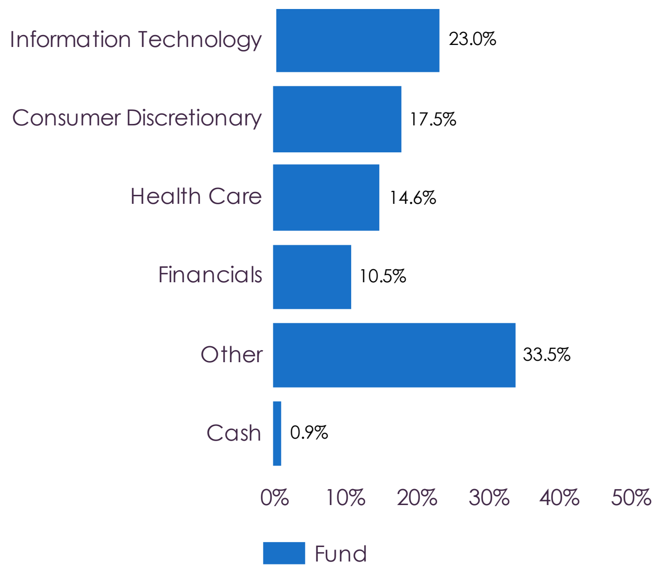
| Portfolio | WACI | | Extractives revenues[1] | | Extractives reserves[2] | |
|---|---|---|---|---|---|---|
| | 2022 Q4 | 2023 Q1 | 2022 Q4 | 2023 Q1 | 2022 Q4 | 2023 Q1 |
| **CTB Passive Global** | 145 | 117 | 2.69 | 1.59 | 4.85 | 6.21 |
| **FTSE Dev World TR** | 194 | 168 | 2.69 | 3.10 | 7.69 | 9.44 |

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost

## Regional exposure




## Sector exposure



# CTB Passive Global Equities (Hedged)

**Investment strategy & key drivers**

Passive global equity exposure aligned to Climate Transition goals - hedged

**Liquidity**

High

**Benchmark**

FTSE Dev World CTB

**Outperformance target**

Match

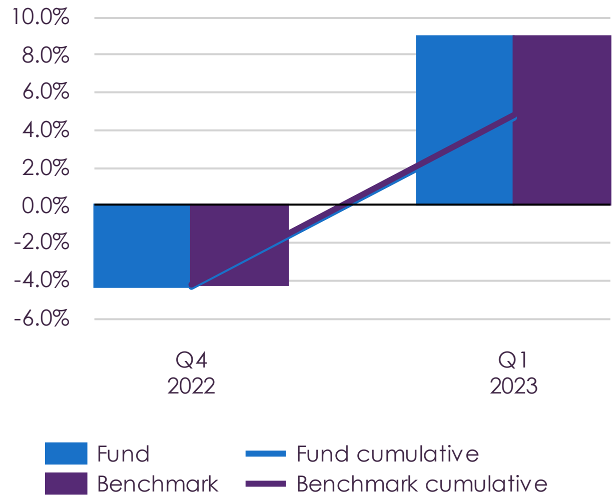
**Total fund value**

£54m

**Risk profile**

High

## Rolling performance




## Performance to quarter end

| Performance | 3 month | 1 year | Since inception * |
|---|---|---|---|
| Fund | 9.0 | - | 4.3 |
| Benchmark | 9.0 | - | 4.4 |
| Excess | - | - | -0.2 |

Source: State Street Global Services
*per annum. Net of all fees.

## Performance commentary

The FTSE Developed Climate Transition index (CTB) performed strongly over Q1 2023, up 6.5% to the end of the period.

Sterling appreciated against a basket of developed market currencies over Q1 2023, up 1% against the Euro, 2.8% against the US Dollar and 3.7% against the Japanese Yen. Because of this appreciation the hedged product outperformed the unhedged product, returning 9% over Q1 2023. The CTB Passive Global Equities (Hedged) product closely replicated the performance of the benchmark over this period.

Sector performance was varied over the quarter with three sectors doing particularly well: Communication Services, Consumer Discretionary and IT. These sectors were up by more than 10% over the quarter.

Large positions in US IT companies were strong drivers of performance, notably Apple, Microsoft, and NVIDIA, whilst Alphabet drove performance in the Communication Services sector.

Within Consumer Discretionary Amazon and Tesla were significant positive contributors to performance as these stocks rebounded strongly from a difficult Q4.

The Energy sector was the worst performing sector over the period with negative absolute performance, alongside Financials and Health Care.

The strategy has a limited allocation to these sectors compared to the traditional market cap weighted index, which proved beneficial to performance over Q1 2023.

# CTB Passive Global Equities (Hedged)

## Top 5 holdings

| | Weight % |
|---|---|
| APPLE INC | 5.65 |
| MICROSOFT CORP | 5.47 |
| TESLA INC | 5.44 |
| ALPHABET INC | 4.97 |
| AMAZON.COM INC | 3.97 |

## Largest contributors to ESG risk

| | ESG risk score* Q4 2022 | ESG risk score* Q1 2023 |
|---|---|---|
| TESLA INC | - | 28.82 |
| AMAZON.COM INC | 30.28 | 30.28 |
| APPLE INC | 16.68 | 16.91 |
| MICROSOFT CORP | 15.24 | 15.00 |
| ALPHABET INC-CL A | 24.14 | 24.60 |

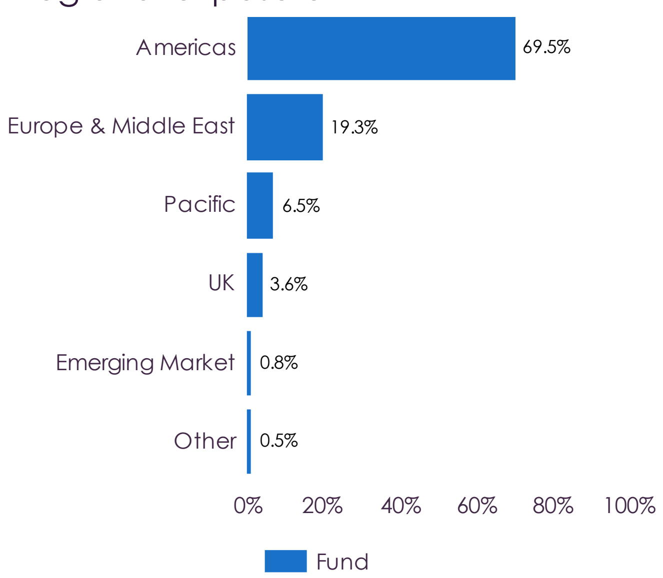
*Source: Sustainanalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

## Carbon metrics

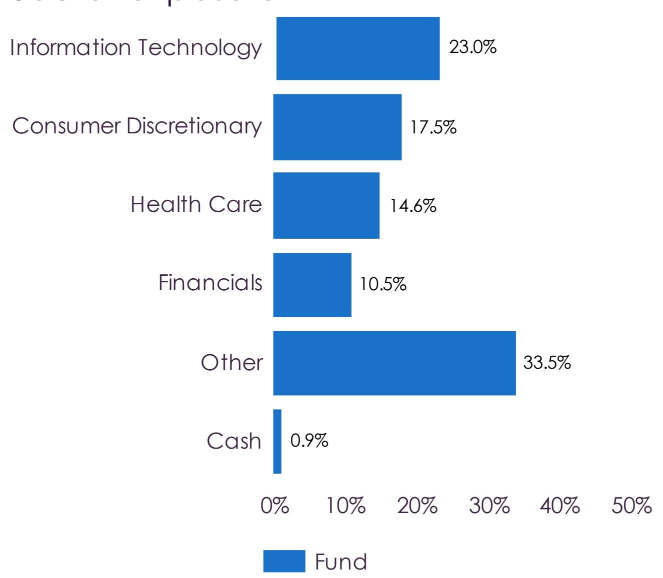
| Portfolio | WACI | | Extractives revenues[1] | | Extractives reserves[2] | |
|---|---|---|---|---|---|---|
| | 2022 Q4 | 2023 Q1 | 2022 Q4 | 2023 Q1 | 2022 Q4 | 2023 Q1 |
| CTB Passive Global | 145 | 117 | 2.69 | 1.59 | 4.85 | 6.21 |

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost

## Regional exposure




## Sector exposure



# CTB Passive UK Equities

**Investment strategy & key drivers**

Passive UK equity exposure aligned to Climate Transition goals

**Liquidity**

High

**Benchmark**

FTSE All-Share ex Inv Tr CTB

**Outperformance target**

Match

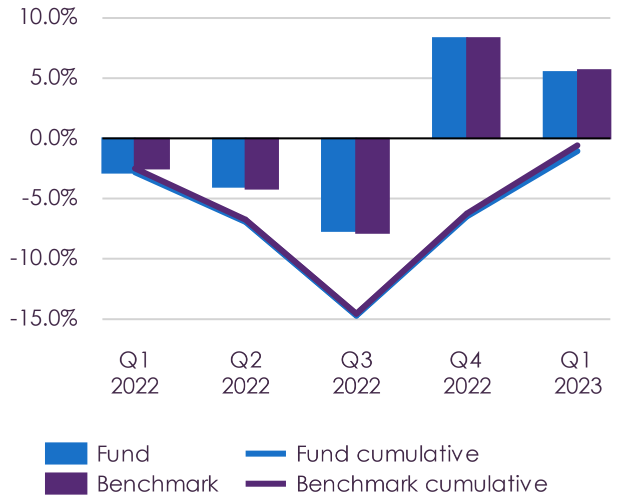
**Total fund value**

£373m

**Risk profile**

High

## Rolling performance




## Performance to quarter end

| Performance | 3 month | 1 year | Since inception * |
|---|---|---|---|
| Fund | 5.4 | 0.9 | -1.7 |
| Benchmark | 5.6 | 1.0 | -1.3 |
| Excess | -0.2 | -0.1 | -0.4 |

Source: State Street Global Services
*per annum. Net of all fees.

## Performance commentary

In Q1 2023 The FTSE All-Share ex Investment Trusts Climate Transition Benchmark (CTB) continued the strong performance seen in Q4 2022.

The index returned 5.6% over the quarter, and the CTB Passive UK Equities portfolio tracked the return of the benchmark.

This upward performance was driven across multiple sectors, though there was significant dispersion in sector performance. Communication Services was the best performing sector, alongside Consumer Discretionary, Energy, and Industrials.

Materials, Financials and Real Estate were the worst performing sectors. Significant index positions in BT and National Grid were positive contributors to performance, whilst Anglo American and Experian PLC were the largest negative contributors over the period.

# CTB Passive UK Equities

## Top 5 holdings

| | Weight % |
|---|---|
| RELX PLC | 5.36 |
| BP PLC | 5.31 |
| NATIONAL GRID PLC | 5.12 |
| GSK PLC | 5.04 |
| UNILEVER PLC | 4.97 |

## Largest contributors to ESG risk

| | ESG risk score* Q4 2022 | ESG risk score* Q1 2023 |
|---|---|---|
| BP PLC | 32.67 | 33.81 |
| UNILEVER PLC | 23.98 | 24.12 |
| NATIONAL GRID PLC | 17.02 | 22.02 |
| ASTRAZENECA PLC | 22.21 | 22.47 |
| GSK PLC | 18.89 | 18.83 |

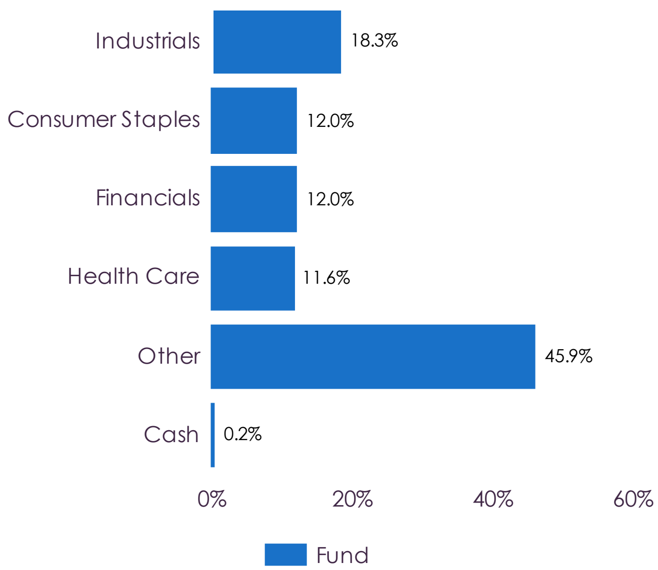
*Source: Sustainanalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

## Carbon metrics

| Portfolio | WACI | | Extractives revenues[1] | | Extractives reserves[2] | |
|---|---|---|---|---|---|---|
| | 2022 Q4 | 2023 Q1 | 2022 Q4 | 2023 Q1 | 2022 Q4 | 2023 Q1 |
| CTB Passive UK | 142 | 161 | 1.31 | 6.79 | 7.95 | 19.47 |

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost

## Sector exposure



# Passive Developed Equities

**Investment strategy & key drivers**
Passive global equity exposure

**Liquidity**
High

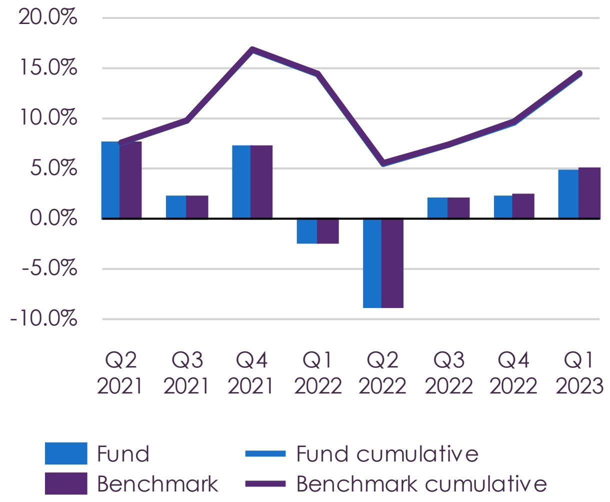
**Benchmark**
FTSE Developed

**Outperformance target**
Match

**Total fund value**
£887m

**Risk profile**
High

## Rolling performance




## Performance to quarter end

| Performance | 3 month | 1 year | Since inception * |
|---|---|---|---|
| Fund | 4.8 | -0.6 | 9.5 |
| Benchmark | 4.8 | -0.5 | 9.5 |
| Excess | - | - | - |

Source: State Street Global Services
*per annum. Net of all fees.

## Performance commentary

Passive Developed Equities returned 4.8% in the first quarter of 2023 and -0.6% over the past year. The fund closely replicated the FTSE Developed World Index.

The Technology sector made a large contribution to returns over the quarter. Within the sector NVIDIA performed particularly well, returning 85%, as the market made a positive assessment of the company's dominant position in A.I. chip manufacturing.

The Consumer Discretionary sector was the second-best performing sector, benefitting from a reassessment of interest rate expectations. Falling interest rate expectations and negative sentiment towards banks following the failure of Silicon Valley Bank and the UBS merger with Credit Suisse resulted in weak performance from the Financial sector and softer energy prices weighed on Energy sector performance.

For Sterling investors, Europe ex. UK was the strongest performing region. With a larger allocation to the Financial and Energy sectors, the UK market's performance was weaker.

Europe was also the strongest performing region over 12 months to 31st March 2023, returning 19.1%. The UK returned 5.1% but North America delivered a negative return of 2.5%.

# Passive Developed Equities

## Top 5 holdings

| | Weight % |
|---|---|
| APPLE INC | 4.47 |
| MICROSOFT CORP | 3.89 |
| ALPHABET INC | 2.10 |
| AMAZON.COM INC | 1.65 |
| NVIDIA CORP | 1.18 |

## Largest contributors to ESG risk

| | ESG risk score* | |
|---|---|---|
| | Q4 2022 | Q1 2023 |
| APPLE INC | 16.68 | 16.91 |
| MICROSOFT CORP | 15.24 | 15.00 |
| AMAZON.COM INC | 30.28 | 30.28 |
| EXXON MOBIL CORP | 36.47 | 43.55 |
| META PLATFORMS INC-CLASS A | - | 34.54 |

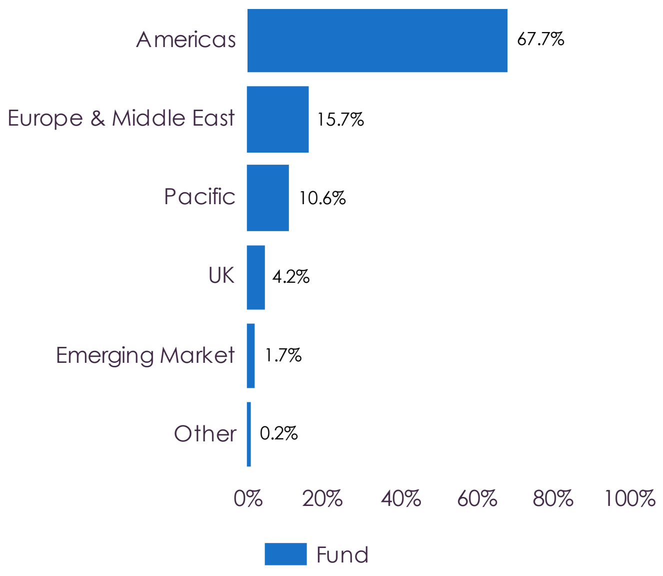
*Source: Sustainanalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

## Carbon metrics

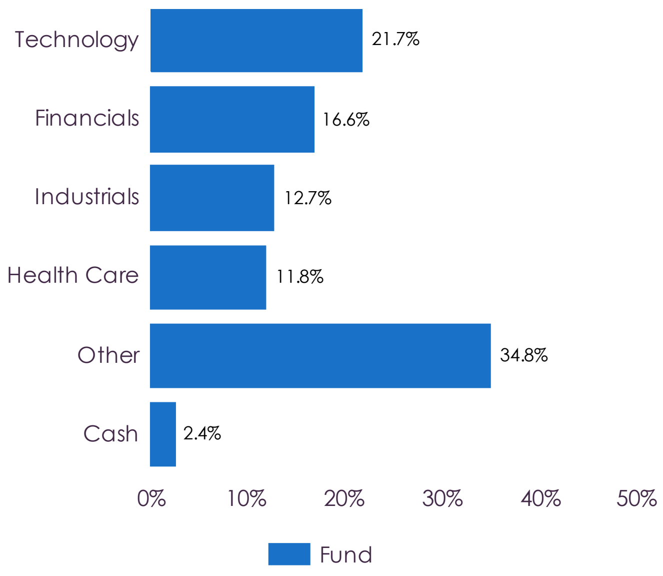
| Portfolio | WACI | | Extractives revenues[1] | | Extractives reserves[2] | |
|---|---|---|---|---|---|---|
| | 2022 Q4 | 2023 Q1 | 2022 Q4 | 2023 Q1 | 2022 Q4 | 2023 Q1 |
| Passive Developed | 193 | 169 | 2.65 | 2.70 | 7.58 | 9.41 |

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost

## Regional exposure




## Sector exposure



# Passive Developed Equities (Hedged)

**Investment strategy & key drivers**
Passive global equity exposure - hedged

**Liquidity**
High

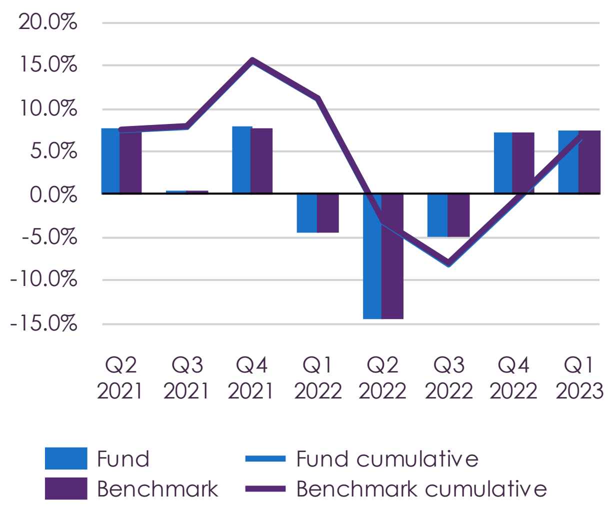
**Benchmark**
FTSE Developed

**Outperformance target**
Match

**Total fund value**
£518m

**Risk profile**
High

## Rolling performance




## Performance to quarter end

| Performance | 3 month | 1 year | Since inception * |
|---|---|---|---|
| Fund | 7.4 | -6.2 | 7.3 |
| Benchmark | 7.4 | -6.1 | 7.4 |
| Excess | - | -0.1 | -0.1 |

Source: State Street Global Services
*per annum. Net of all fees.

## Performance commentary

Passive Developed Equities (GBP Hedged) returned 7.4% in the first quarter of 2023 and -6.2% over the past year. The fund replicated the FTSE Developed World (GBP Hedged) Index in line with expectations.

With a large amount of the fund invested in the US, the GBP/USD exchange rate generally has a large bearing on the performance differential between the hedged and unhedged products. Over the quarter, Sterling appreciated 2.8% against the US Dollar but depreciated 6.1% over the year.

The Technology sector made a large contribution to returns over the quarter. Within the sector NVIDIA performed particularly well, returning 90% in USD, as the market made a positive assessment of the company's dominant position in A.I. chip manufacturing. The Consumer Discretionary sector was the second best performing, benefitting from a reassessment of interest rate expectations.

Falling interest rate expectations and negative sentiment towards banks following the failure of Silicon Valley Bank and news of the UBS merger with Credit Suisse resulted in weak performance from the Financial sector. Softer energy prices weighed on Energy sector performance.

Europe was the strongest performing region in local currency terms over the quarter. With a larger allocation to the Financial and Energy sectors, the UK market's performance was weaker.

Europe was also the strongest performing region over 12 months to 31st March 2023, returning 14.5% in EUR while North America delivered a negative return of 6.3% in USD.

# Passive Developed Equities (Hedged)

## Top 5 holdings

| | Weight % |
|---|---|
| APPLE INC | **4.47** |
| MICROSOFT CORP | **3.89** |
| ALPHABET INC | **2.10** |
| AMAZON.COM INC | **1.65** |
| NVIDIA CORP | **1.18** |

## Largest contributors to ESG risk

| | ESG risk score* Q4 2022 | ESG risk score* Q1 2023 |
|---|---|---|
| APPLE INC | **16.68** | **16.91** |
| MICROSOFT CORP | **15.24** | **15.00** |
| AMAZON.COM INC | **30.28** | **30.28** |
| EXXON MOBIL CORP | **36.47** | **43.55** |
| META PLATFORMS INC-CLASS A | **-** | **34.54** |

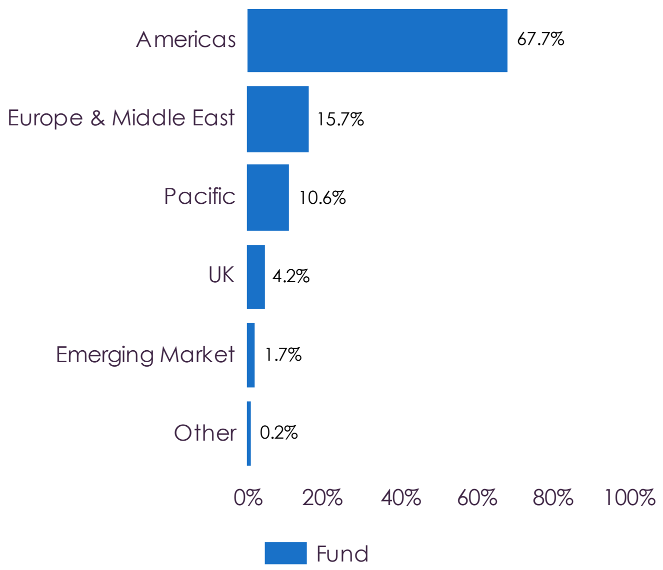
*Source: Sustainanalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

## Carbon metrics

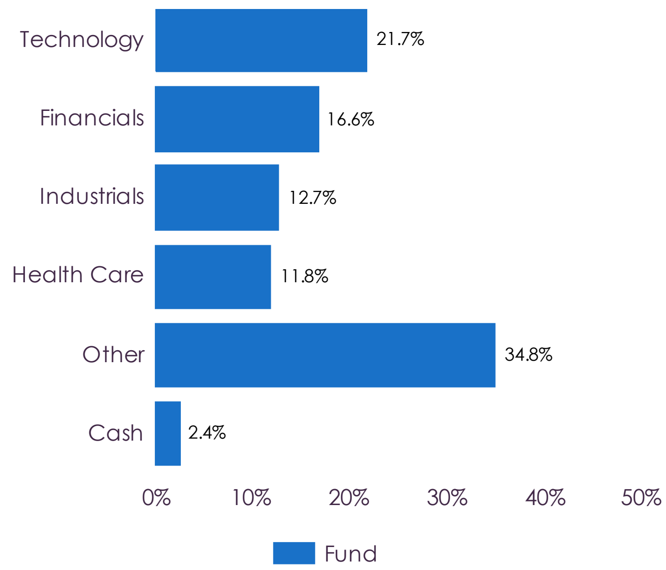
| Portfolio | WACI 2022 Q4 | WACI 2023 Q1 | Extractives revenues[1] 2022 Q4 | Extractives revenues[1] 2023 Q1 | Extractives reserves[2] 2022 Q4 | Extractives reserves[2] 2023 Q1 |
|---|---|---|---|---|---|---|
| **Passive Developed** | **193** | **169** | 2.65 | 2.70 | 7.58 | 9.41 |

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost

## Regional exposure




## Sector exposure



# Passive UK Equities

**Investment strategy & key drivers**
Passive UK equity exposure

**Liquidity**
High

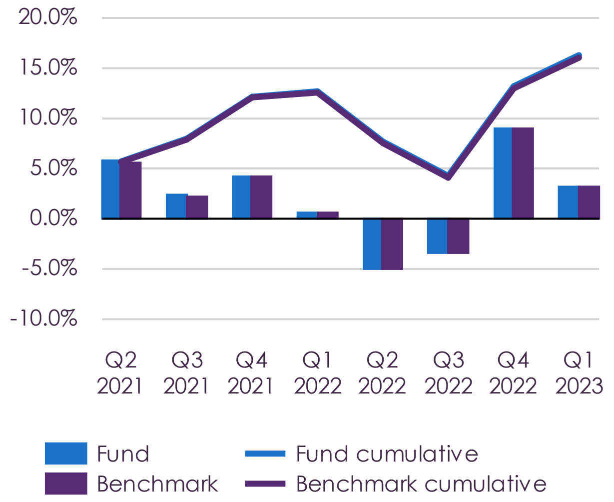
**Benchmark**
FTSE All Share

**Outperformance target**
Match

**Total fund value**
£125m

**Risk profile**
High

## Rolling performance




## Performance to quarter end

| Performance | 3 month | 1 year | Since inception * |
|---|---|---|---|
| Fund | 3.1 | 3.0 | 3.3 |
| Benchmark | 3.1 | 2.9 | 3.3 |
| Excess | - | 0.1 | 0.1 |

Source: State Street Global Services
*per annum. Net of all fees.

## Performance commentary

In the first quarter of 2023 Passive UK Equities returned 3.1% and 3.0%, when considered over a one-year period. The fund performed in line with the FTSE All-Share Index.

The UK market underperformed the FTSE Developed World Index which returned 4.8% over the quarter. The Technology sector accounts for a large portion of the global index and performed well, while the Basic Materials sector in the UK markedly underperformed that of the global index as miners struggled. Financials along with energy companies, which make up a large part of the UK index, also underperformed the broader global index.

The Consumer Discretionary sector was the strongest performing in the UK market as JD Wetherspoons swung to profit for the first half of their reporting year, simultaneously beating analyst expectations. Within this sector, ASOS also performed well, though it should be noted this is only a partial reversal of a longer-term share price decline. The Industrials sector also outperformed with strong contributions coming from CRH Plc, Rolls Royce and BAE Systems. As alluded to previously, the Basic Materials sector was the worst and in fact the only negative performing sector in the UK market over the quarter.

# Passive UK Equities

## Top 5 holdings

| | Weight % |
|---|---|
| ASTRAZENECA PLC | 6.99 |
| SHELL PLC | 6.79 |
| HSBC HOLDINGS PLC | 4.67 |
| UNILEVER PLC | 4.43 |
| BP PLC | 3.82 |

## Largest contributors to ESG risk

| | ESG risk score* Q4 2022 | ESG risk score* Q1 2023 |
|---|---|---|
| SHELL PLC | 37.65 | 37.65 |
| ASTRAZENECA PLC | 22.21 | 22.47 |
| BP PLC | 32.67 | 33.81 |
| UNILEVER PLC | 23.98 | 24.12 |
| HSBC HOLDINGS PLC | 20.36 | 20.36 |

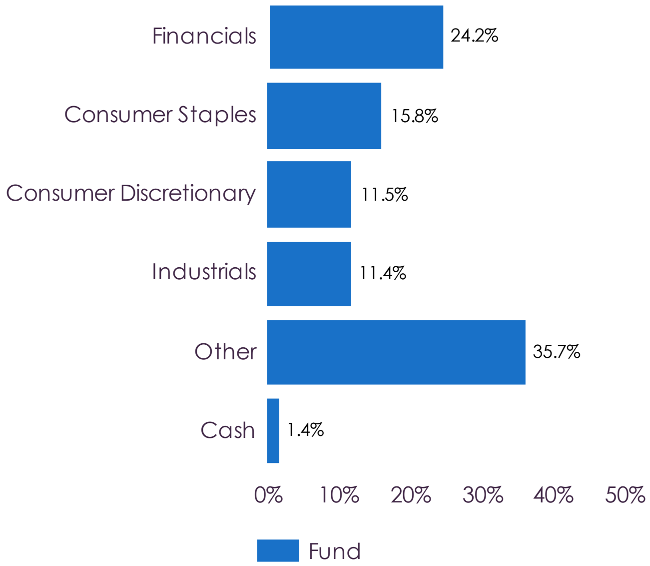
*Source: Sustainanalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

## Carbon metrics

| Portfolio | WACI | | Extractives revenues[1] | | Extractives reserves[2] | |
|---|---|---|---|---|---|---|
| | 2022 Q4 | 2023 Q1 | 2022 Q4 | 2023 Q1 | 2022 Q4 | 2023 Q1 |
| Passive UK Equities | 158 | 151 | 3.61 | 5.11 | 21.34 | 19.20 |

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost

## Sector exposure



# Passive Smart Beta

**Investment strategy & key drivers**

Passive equity exposure utilising alternative smart beta indices

**Liquidity**

Reasonable

**Benchmark**

SciBeta Multifactor Composite

**Outperformance target**

+0.5-1%

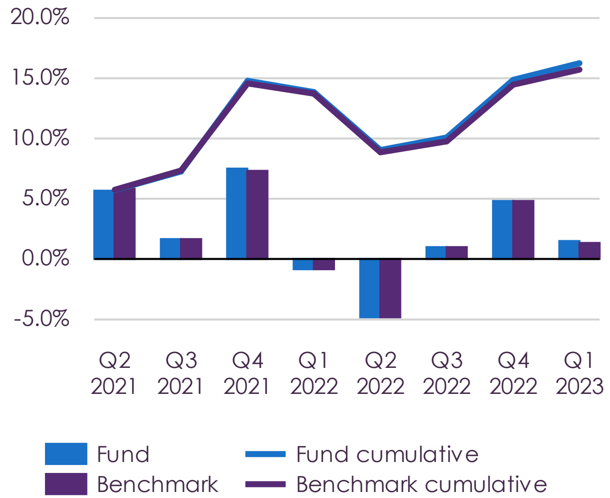
**Total fund value**

£159m

**Risk profile**

High

## Rolling performance




## Performance to quarter end

| Performance | 3 month | 1 year | Since inception * |
|---|---|---|---|
| Fund | 1.4 | 2.2 | 8.1 |
| Benchmark | 1.3 | 1.6 | 7.9 |
| Excess | 0.1 | 0.5 | 0.3 |

Source: State Street Global Services
*per annum. Net of all fees.

## Performance commentary

In the first quarter of 2023 Passive Smart Beta Equities returned 1.4%, underperforming the MSCI World Index which returned 4.9%. The fund tracked the Scientific Beta Index in line with expectations. Over one year, to 31st March 2023, the product returned 2.2%. The MSCI World Index returned -0.5%.

Over the quarter, low volatility was the worst performing of the factors targeted by the fund, penalised as a result of underexposure to the Technology and Consumer Discretionary sectors and overexposure to Utilities relative to the market capitalisation benchmark. The value factor also underperformed the broader market as did the high investment sleeve of the quality factor. However, the high profitability component of the quality factor outperformed the MSCI World Index.

As alluded to above, attribution analysis shows a negative allocation effect from underweight exposure to the Technology and Consumer Discretionary sectors. There was also a large negative contribution from stock selection in both sectors. Stock selection in the Industrials sector and a slight underweight position to the Health Care sector made a positive contribution to returns relative to the market capitalisation index.

# Passive Smart Beta

## Top 5 holdings

| | Weight % |
|---|---|
| GILEAD SCIENCES INC | 0.66 |
| WALMART INC | 0.66 |
| CISCO SYSTEMS INC | 0.65 |
| SYNOPSYS INC | 0.61 |
| JOHNSON & JOHNSON | 0.60 |

## Largest contributors to ESG risk

| | ESG risk score* | |
|---|---|---|
| | Q4 2022 | Q1 2023 |
| META PLATFORMS INC-CLASS A | - | 34.54 |
| SOUTHERN CO/THE | 32.65 | 32.65 |
| EXXON MOBIL CORP | 36.47 | 43.55 |
| KRAFT HEINZ CO/THE | 35.17 | 35.28 |
| GILEAD SCIENCES INC | 22.86 | 22.86 |

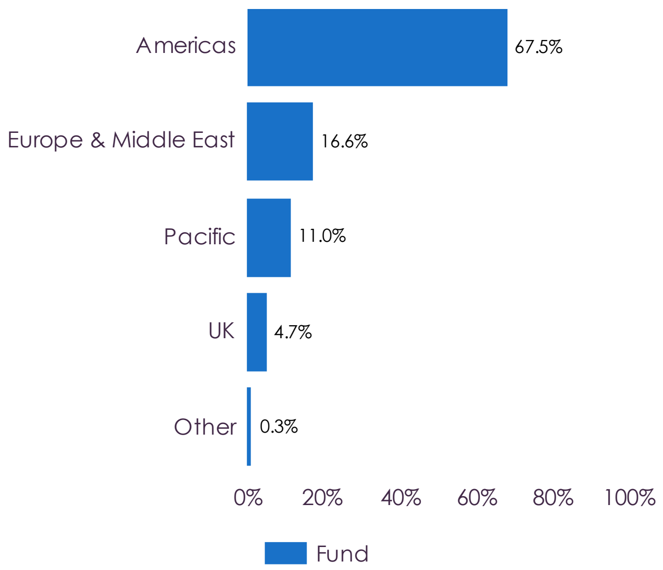
*Source: Sustainalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

## Carbon metrics

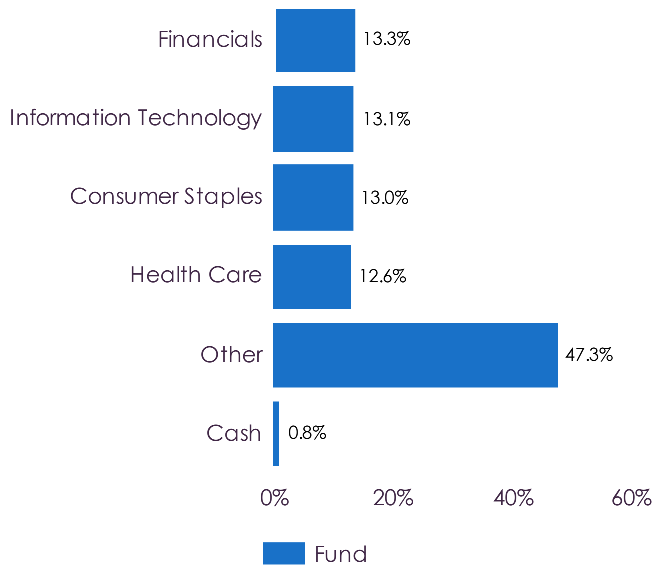
| Portfolio | WACI | | Extractives revenues[1] | | Extractives reserves[2] | |
|---|---|---|---|---|---|---|
| | 2022 Q4 | 2023 Q1 | 2022 Q4 | 2023 Q1 | 2022 Q4 | 2023 Q1 |
| Passive Smart Beta | 329 | 308 | 3.18 | 2.90 | 7.76 | 12.57 |

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost

## Regional exposure




## Sector exposure



# Passive Smart Beta (Hedged)

**Investment strategy & key drivers**

Passive equity exposure utilising alternative smart beta indices - hedged

**Liquidity**

Reasonable

**Benchmark**

SciBeta Multifactor Hedged Composite

**Outperformance target**

+0.5-1%

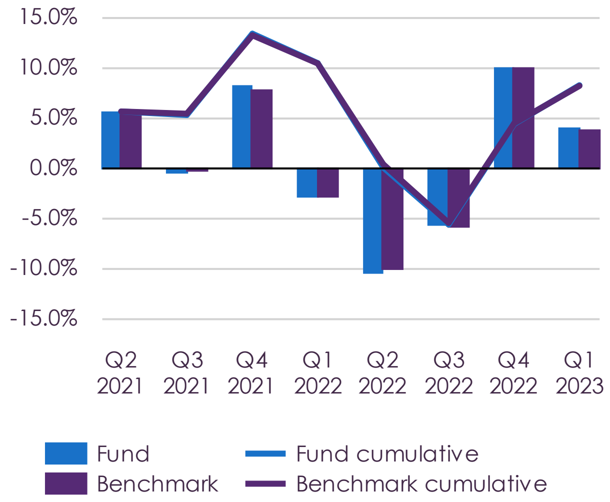
**Total fund value**

£148m

**Risk profile**

High

## Rolling performance




## Performance to quarter end

| Performance | 3 month | 1 year | Since inception * |
|---|---|---|---|
| Fund | 3.9 | -3.5 | 6.5 |
| Benchmark | 3.7 | -4.0 | 6.3 |
| Excess | 0.2 | 0.6 | 0.2 |

Source: State Street Global Services
*per annum. Net of all fees.

## Performance commentary

In the first quarter of 2023 Passive Smart Beta Equities GBP Hedged returned 3.9%, outperforming the unhedged Smart Beta product which was hindered by the depreciation of the US dollar versus Sterling. The product underperformed the Passive Developed Equities GBP Hedged product which returned 7.4%. Over a one-year period to 31st March 2023, Passive Smart Beta Equities GBP Hedged returned -3.5%. The product tracked the Scientific Beta index in line with expectations.

Over the quarter, low volatility was the worst performing of the factors targeted by the fund, penalised as a result of underexposure to the Technology and Consumer Discretionary sectors and overexposure to Utilities relative to the market capitalisation benchmark. The value factor also underperformed the broader market as did the high investment sleeve of the quality factor. However, the high profitability component of the quality factor outperformed the MSCI World Index.

As alluded to above, attribution analysis shows a negative allocation effect from underweight exposure to the Technology and Consumer Discretionary sectors. There was also a negative contribution from stock selection in both sectors. Stock selection in the Industrials sector and a slight underweight position to the Health Care sector made a positive contribution to returns relative to the market capitalisation index.

# Passive Smart Beta (Hedged)

## Top 5 holdings

| | Weight % |
|---|---|
| GILEAD SCIENCES INC | 0.66 |
| WALMART INC | 0.66 |
| CISCO SYSTEMS INC | 0.65 |
| SYNOPSYS INC | 0.61 |
| JOHNSON & JOHNSON | 0.60 |

## Largest contributors to ESG risk

| | ESG risk score* Q4 2022 | ESG risk score* Q1 2023 |
|---|---|---|
| META PLATFORMS INC-CLASS A | - | 34.54 |
| SOUTHERN CO/THE | 32.65 | 32.65 |
| EXXON MOBIL CORP | 36.47 | 43.55 |
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| GILEAD SCIENCES INC | 22.86 | 22.86 |

*Source: Sustainalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

## Carbon metrics

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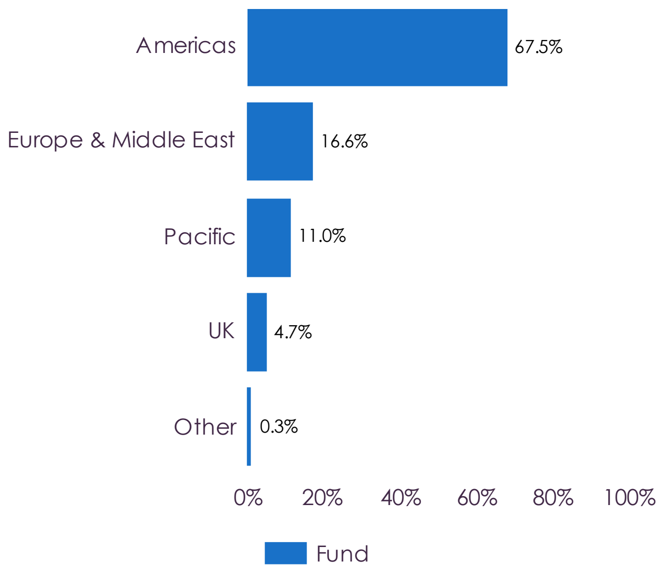
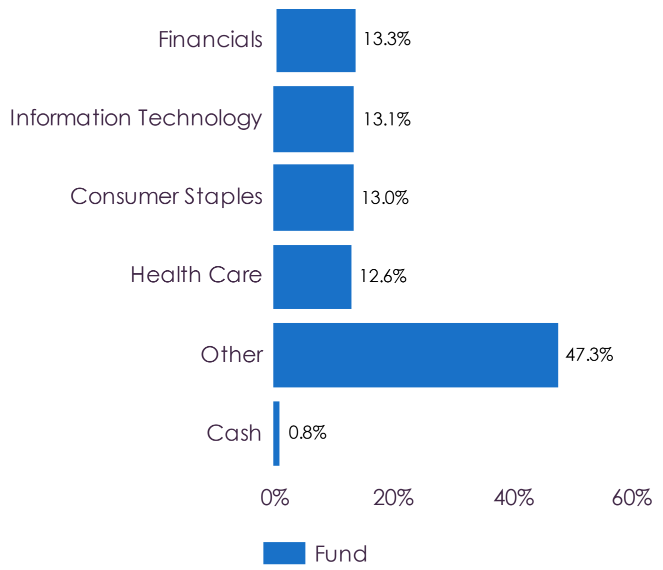
|---|---|---|---|---|---|---|
| | 2022 Q4 | 2023 Q1 | 2022 Q4 | 2023 Q1 | 2022 Q4 | 2023 Q1 |
| Passive Smart Beta | 329 | 308 | 3.18 | 2.90 | 7.76 | 12.57 |

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost

## Regional exposure




## Sector exposure



# Private Equity Cycle 1

**Commitment to portfolio**
£278m

**Investment objective**
Global portfolio of private equity investments

**Benchmark**
MSCI ACWI

**Outperformance target**
+3%

**Launch date**
1 October 2018

**The fund is denominated in GBP**

**Commitment to investment**
£284m

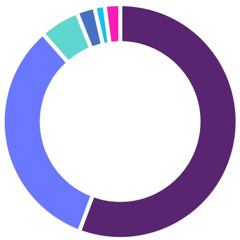
**Amount called**
£170m

**% called to date**
60.07%

**Number of portfolio investments**
7

## Country

**Invested in underlying investments**

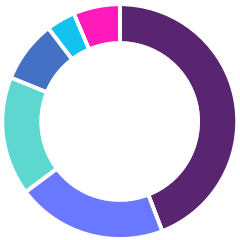


| | |
|---|---|
| North America | 55.7% |
| Western Europe | 32.8% |
| Asia Pacific | 5.5% |
| Global | 2.5% |
| Middle-East/North Africa | 1.4% |
| Other | 2.1% |

Source: Colmore
Country data is lagged by one quarter

## Sector

**GICs level 1**



| | |
|---|---|
| Financials | 44.1% |
| Information Technology | 20.7% |
| Health Care | 16.3% |
| Consumer Discretionary | 8.5% |
| Consumer Staples | 4.0% |
| Other | 6.4% |

Source: Colmore
Sector data is lagged by one quarter

## Performance commentary

Given the episodic nature of M&A markets (currently tending more to ebb than flow), deal activity has continued to slow, reflecting macro-economic headwinds. Major themes seen in 2022 continue to play out: (i) persistent (albeit slowing) inflation; (ii) hawkish central bank policy; (iii) the numerator/denominator effects; and (iv) a slow-down in both sponsor M&A activity and the funding of such via the public debt markets. With respect to the Brunel private equity portfolios, this has created attractive opportunities for secondaries' managers to capture LP stakes in pre-existing portfolios at attractive discounts to NAV. GPs are funding deals via a greater share of equity (versus more scarce debt), which has led to a focus on active management to drive company growth, rather than financial engineering/leverage. For existing holdings, managers remain sensitive to cost management with inflationary pressures for both staffing costs and input prices (with managers generally preferring asset-light businesses with less exposure to the latter). Revenue growth at underlying companies is continuing to grow in most cases, but EBITDA margins (a measure of operating profit) are being stressed by rising costs.

The pace of portfolio deployment remains strong, with the portfolio now over 60% called (buyout funds having now largely matched the deployment levels seen in the secondaries and coinvest funds). Portfolio performance remains positive (albeit with some slight deterioration versus the prior quarter). Fund performance was broadly flat, except for some multiple contraction, most prominent in the portfolio's secondaries funds..

## Performance to quarter end

| | AUM (GBPm) | 3 Month MWR* | Excess 3 month | 1 Year MWR* | Excess 1 year | 3 Year MWR* | Excess 3 year | Since Inception MWR* | Excess since inception | Intial investment |
|---|---|---|---|---|---|---|---|---|---|---|
| Private Equity Cycle 1 | 211.17 | -3.3% | -7.9% | 12.9% | 13.9% | 19.4% | 3.4% | 19.1% | 8.4% | |

*Money weighted return. Net of all fees.
Aggregate performance is unavailable - figures shown are indicative of an individual client, and as such may differ between clients.

# Private Equity Cycle 2

**Commitment to portfolio**
£630m

**Investment objective**
Global portfolio of private equity investments

**Benchmark**
MSCI ACWI

**Outperformance target**
+3%

**Launch date**
1 May 2020

**The fund is denominated in GBP**

**Commitment to investment**
£647m

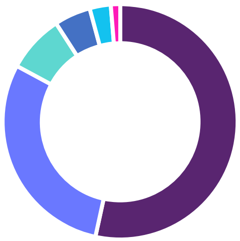
**Amount called**
£213m

**% called to date**
32.95%

**Number of portfolio investments**
14

## Country

**Invested in underlying investments**



| | |
|---|---|
| North America | 53.4% |
| Western Europe | 29.5% |
| Asia Pacific | 7.9% |
| Global | 5.0% |
| Middle-East/North Africa | 2.9% |
| Other | 1.3% |

Source: Colmore
Country data is lagged by one quarter

## Sector

**GICs level 1**

| | |
|---|---|
| Information Technology | 31.2% |
| Financials | 29.8% |
| Health Care | 14.0% |
| Industrials | 11.8% |
| Consumer Discretionary | 5.6% |
| Other | 7.6% |

Source: Colmore
Sector data is lagged by one quarter

## Performance commentary

Given the episodic nature of M&A markets (and currently tending more to ebb than flow), deal activity has continued to slow, reflecting macro-economic headwinds. Major themes from 2022 continue to play out:

(i) persistent (albeit slowing) inflation; (ii) hawkish central bank policy; (iii) the numerator/denominator effects; and (iv) a slow-down in both sponsor M&A activity and the funding of such via the public debt markets.

With respect to the Brunel private equity portfolios, this has created attractive opportunities for secondaries' managers to capture LP stakes in pre-existing portfolios at attractive discounts to NAV. GPs are funding deals via a greater share of equity (versus more scarce debt), leading to a focus on active management to drive company growth, rather than financial engineering/leverage. For existing holdings, managers remain sensitive to cost management with inflationary pressures for both staffing costs and input prices (with managers generally preferring asset-light businesses with less exposure to the latter). Revenue growth at underlying companies is continuing to grow in most cases, but EBITDA margins (a measure of operating profit) are being stressed by rising costs.

Portfolio deployment now stands at ~1/3rd of total commitments. Most funds in the portfolio have now called capital. Portfolio performance is broadly flat since inception (following some deterioration versus the prior quarter). Given the relative nascency of the portfolio, return measures are not yet meaningful.

## Performance to quarter end

| | AUM (GBPm) | 3 Month MWR* | Excess 3 month | 1 Year MWR* | Excess 1 year | 3 Year MWR* | Excess 3 year | Since Inception MWR* | Excess since inception | Intial investment |
|---|---|---|---|---|---|---|---|---|---|---|
| Private Equity Cycle 2 | 224.99 | -2.2% | -6.7% | -1.1% | -0.2% | - | - | 7.3% | 0.5% | |

*Money weighted return. Net of all fees.
Aggregate performance is unavailable - figures shown are indicative of an individual client, and as such may differ between clients.

# Private Equity Cycle 3

**Commitment to portfolio**
£616m

**Investment objective**
Global portfolio of private equity investments

**Benchmark**
MSCI ACWI

**Outperformance target**
+3%

**Launch date**
1 April 2022

**The fund is denominated in GBP**

**Commitment to investment**
£61m

**Amount called**
£0m

**% called to date**
0.00%

**Number of portfolio investments**
1

## Performance commentary

The negative values can be explained by management fees and expenses charged by the GP (APAX). As of 31/03/2023 no capital calls were made by APAX and therefore true valuation should be zero at a client level. The portfolio has made two underlying investments, funded by a credit facility; once a capital call is made, a more accurate Adjusted Value will be reflected in future reports.

The outsourced solution for the remainder of cycle 3 is progressing well and is in late stage legal negotiations, pending fund formation.

# Private Debt Cycle 2

**Commitment to portfolio**
£945m

**Investment objective**
Global portfolio of senior direct loans, predominantly to PE-sponsored companies

**Benchmark**
SONIA

**Outperformance target**
+4%

**Launch date**
1 May 2020

**The fund is denominated in GBP**

**Commitment to investment**
£945m

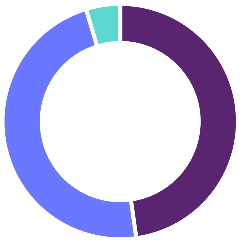
**Amount called**
£440m

**% called to date**
46.59%

**Number of portfolio investments**
1

## Country

### Invested in underlying investments

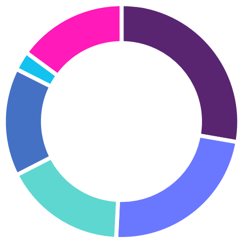


| | |
|---|---|
| North America | 47.8% |
| Europe | 47.5% |
| Asia Pacific | 4.7% |
| Other | - |

Source: Aksia and underlying managers
Country data is lagged by one quarter

## Sector

### GICs level 1



| | |
|---|---|
| Health Care | 27.8% |
| Information Technology | 22.9% |
| Consumer Discretionary | 16.8% |
| Industrials | 14.9% |
| Consumer Staples | 2.6% |
| Other | 15.0% |

Source: Aksia and underlying managers
Sector data is lagged by one quarter

## Performance commentary

M&A markets tend to ebb and flow and the macro-economic trends mean deal activity has continued to slow.

Major themes seen across 2022 continue to play out such as: (i) persistent (albeit slowing) inflation; (ii) hawkish central bank policy; (iii) the numerator/denominator effects; and (iv) a slow-down in both sponsor M&A activity and the funding of such via the public debt markets.

The Brunel private debt portfolios remain attractive for GPs to deploy capital as the floating rate nature of portfolios allow LPs to capture additional returns from rising rates. Loan margins and upfront fees have remained elevated.

Given the rising interest costs for companies borrowing and a lack of alternative funding sources, the levels of debt being offered by managers is generally falling on new deals, as strict underwriting standards from lenders lead to a reduced loan size (higher costs of servicing). This is positive for lenders.

GPs are stressing a preference for firms with a strong ability to pass through costs and company selection is paramount.

The portfolio is approaching ~50% called; a good pace of deployment & all managers have now called investor capital.

Portfolio performance has been flat over the period. This was expected, given the portfolio's focus on generating a contractual yield over the life of the investments whilst preserving value. Performance remains positive, whilst individual fund IRRs are not yet meaningful.

## Performance to quarter end

| | AUM (GBPm) | 3 Month MWR* | Excess 3 month | 1 Year MWR* | Excess 1 year | 3 Year MWR* | Excess 3 year | Since Inception MWR* | Excess since inception | Intial investment |
|---|---|---|---|---|---|---|---|---|---|---|
| Private Debt Cycle 2 | 440.03 | -4.2% | -6.1% | 2.9% | -3.4% | - | - | 2.8% | -2.8% | |

*Money weighted return. Net of all fees.
Aggregate performance is unavailable - figures shown are indicative of an individual client, and as such may differ between clients.

# Private Debt Cycle 3

**Commitment to portfolio**
£888m

**Investment objective**
Global portfolio of senior direct loans, predominantly to PE-sponsored companies

**Benchmark**
SONIA

**Outperformance target**
+4%

**Launch date**
1 April 2022

**The fund is denominated in GBP**

**Commitment to investment**
£350m

**Amount called**
£78m

**% called to date**
22.32%

**Number of portfolio investments**
2

## Performance commentary

Given the episodic nature of M&A markets (currently tending more to ebb than flow), deal activity has continued to slow, reflecting macro-economic headwinds. The major themes seen across 2022 continue to play out: (i) persistent (albeit slowing) inflation; (ii) hawkish central bank policy; (iii) the numerator/denominator effects; and (iv) a slow-down in both sponsor M&A activity and the funding of such via the public debt markets. With respect to the Brunel private debt portfolios, it remains an attractive environment for GPs to deploy capital, given the (majority) floating rate nature of portfolios, which allows LPs to capture additional returns from rising rates. Loan margins and upfront fees have remained elevated following rises seen during 2022. This is accretive to performance. Given the rising interest costs for companies borrowing from private debt managers (and a lack of alternative funding sources), the levels of debt being offered by managers (and thus leverage) is generally falling on new deals. This positive news for lenders is also due to strict underwriting standards from lenders dictating a reduced loan size, given the higher costs of servicing. GPs are stressing a preference for firms with a strong ability to pass through costs and company selection is paramount.

Of the funds held within the portfolio, one has shown strong deployment to date (being already close to ~50% called) whilst the other has yet to call capital. Portfolio performance is positive and shows improvement versus the prior quarter but we would note that performance measures are not yet meaningful. We expect to have largely allocated portfolio capital across a target of ~5-7 funds by the end of 2023.

## Performance to quarter end

| | AUM (GBPm) | 3 Month MWR* | Excess 3 month | 1 Year MWR* | Excess 1 year | 3 Year MWR* | Excess 3 year | Since Inception MWR* | Excess since inception | Intial investment |
|---|---|---|---|---|---|---|---|---|---|---|
| Private Debt Cycle 3 | 77.42 | 5.1% | 3.1% | - | - | - | - | 5.1% | 2.9% | |

*Money weighted return. Net of all fees.
Aggregate performance is unavailable - figures shown are indicative of an individual client, and as such may differ between clients.

# Infrastructure Cycle 1

**Commitment to portfolio**
£518m

**Investment objective**
Portfolio of predominantly European sustainable infrastructure assets

**Benchmark**
CPI

**Outperformance target**
+4%

**Launch date**
1 October 2018

**The fund is denominated in GBP**

**Commitment to investment**
£517m

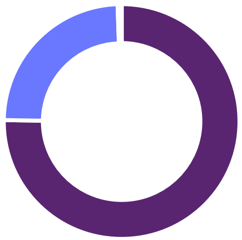
**Amount called**
£402m

**% called to date**
77.90%

**Number of portfolio investments**
5

## Country

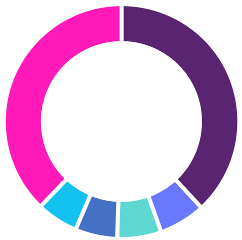
**Commitment in underlying investments**



| | |
|---|---|
| Europe (incl. UK) | 75.2% |
| North America | 24.2% |
| Rest Of World | 0.6% |

Source: Stepstone
Country data is lagged by one quarter

## Sector



| | |
|---|---|
| Wind & Solar | 38.1% |
| Rail | 6.4% |
| Diversified Renewables | 6.1% |
| Roads | 5.8% |
| Distributed Energy | 5.7% |
| Other | 37.9% |

Source: Stepstone
Sector data is lagged by one quarter

## Performance commentary

Economic growth was set to slow in 2023 in the light of tighter financial conditions and elevated inflation. This downbeat outlook began to ease over the first quarter, with most economies seeing upward revisions to their GDP growth forecasts, but bank failures in March saw the spectre of volatility in markets return, along with uncertainty over policy rate decisions. As a result, market recovery has been inconsistent, with the increase in market volatility highlighting the importance of well-structured infrastructure investments with downside protection, strong inflation linkage and inherent mission-critical objectives.

Ambitious renewable targets set by governments worldwide have helped to boost activity but have also increased competitiveness of deals. Brunel requires one more Tactical deal to bring Cycle 1 Infrastructure to 100% commitment. This deal is required to be a yielding, operational, European renewable energy deal. It has proven challenging to find such an investment at our portfolio target return level. As a result, Brunel has lost out on a couple of deals, due to pricing mismatches in auction scenarios. Brunel approved in Q1 an investment in an operating UK Offshore wind project which is, again, contingent on the sponsor we are coinvesting alongside being successful at the projected return level.

As at the end of Q1 2023, Cycle 1 Infrastructure remains at close to 93% committed and 77% invested. Brunel is pleased with the deployment of Cycle 1 and the overall development of the Portfolio. Focus is gradually shifting from deployment to portfolio performance and monitoring.

## Performance to quarter end

| | AUM (GBPm) | 3 Month MWR* | Excess 3 month | 1 Year MWR* | Excess 1 year | 3 Year MWR* | Excess 3 year | Since Inception MWR* | Excess since inception | Intial investment |
|---|---|---|---|---|---|---|---|---|---|---|
| Infrastructure Cycle 1 | 429.80 | -0.8% | -2.1% | 14.4% | 4.4% | 9.8% | 3.9% | 9.4% | 4.9% | |

*Money weighted return. Net of all fees.
Aggregate performance is unavailable - figures shown are indicative of an individual client, and as such may differ between clients.

# Infrastructure (General) Cycle 2

**Commitment to portfolio**
£425m

**Investment objective**
Global portfolio of infrastructure with a focus on non-RE sectors and sustainable assets

**Benchmark**
CPI

**Outperformance target**
+4%

**Launch date**
1 May 2020

**The fund is denominated in GBP**

**Commitment to investment**
£425m

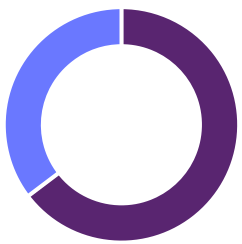
**Amount called**
£284m

**% called to date**
66.74%

**Number of portfolio investments**
1

## Country

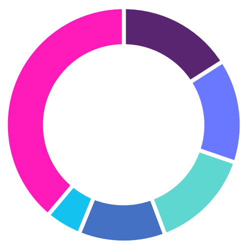
### Commitment in underlying investments



| | |
|---|---|
| Europe (incl. UK) | 64.6% |
| North America | 35.4% |
| Other | - |

Source: Stepstone.
Country data is lagged by one quarter

## Sector



| | |
|---|---|
| Heating & Cooling | 15.9% |
| Mass Transit | 14.3% |
| Energy Efficiency | 14.1% |
| Fiber | 11.9% |
| Towers | 4.9% |
| Other | 38.9% |

Source: Stepstone
Sector data is lagged by one quarter

## Performance commentary

Economic growth was set to slow in 2023 in the light of tighter financial conditions and elevated inflation. This downbeat outlook began to ease over the first quarter, with most economies seeing upward revisions to their GDP growth forecasts. Bank failures in March saw the spectre of volatility in markets return, along with uncertainty over policy rate decisions. As a result, market recovery has been inconsistent, with the increase in market volatility highlighting the importance of well-structured infrastructure investments with downside protection, strong inflation linkage and inherent mission-critical objectives.

As a reminder, the final tactical deal in the General Infrastructure Portfolio was made during Q4 2022. A €30m Euro commitment to a Spanish rural Fibre-to-the-Home platform alongside Vauban Infrastructure Partners. As a result, Cycle 2 G is now fully committed to 6 primary funds and 7 tactical investments. At the end of Q1, the portfolio is c.65-70% invested.

Brunel is very pleased with how the Cycle 2G portfolio has developed. The portfolio is diversified and invested in quality opportunities that we believe will provide strong performance, both in terms of returns and societal and environmental sustainability.

## Performance to quarter end

| | AUM (GBPm) | 3 Month MWR* | Excess 3 month | 1 Year MWR* | Excess 1 year | 3 Year MWR* | Excess 3 year | Since Inception MWR* | Excess since inception | Intial investment |
|---|---|---|---|---|---|---|---|---|---|---|
| Infrastructure (General) Cycle 2 | 306.52 | 5.2% | 3.8% | 14.6% | 4.5% | - | - | 11.1% | 4.0% | |

*Money weighted return. Net of all fees.
Aggregate performance is unavailable - figures shown are indicative of an individual client, and as such may differ between clients.

# Infrastructure (Renewables) Cycle 2

**Commitment to portfolio**
£585m

**Investment objective**
Global portfolio of renewable energy and associated infrastructure assets

**Benchmark**
CPI

**Outperformance target**
+4%

**Launch date**
1 May 2020

**The fund is denominated in GBP**

**Commitment to investment**
£585m

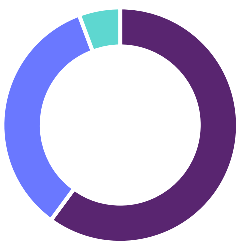
**Amount called**
£264m

**% called to date**
45.11%

**Number of portfolio investments**
1

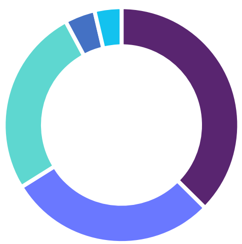
## Country

### Commitment in underlying investments




Source: Stepstone
Country data is lagged by one quarter

## Sector




Source: Stepstone
Sector data is lagged by one quarter

## Performance commentary

The exceptionally mild winter in 2022/23 across Europe helped temper wholesale gas and electricity prices, but they remain high compared with recent years. Forward prices for winter 2023/24 reflect continued uncertainties.

Despite windfall taxes and in some cases lower than seasonal resource, elevated power prices continued to boost the performance of some renewable energy generators (despite production shortfalls). Projects with contracted pricing have seen improved prospects for revenues beyond contract via well-negotiated PPAs. But, supply chain tensions continue to affect the CapEx required to complete new projects, delaying completion. Rising bond yields are also a headwind.

Despite early signs of positive performance, pressure on development and financing costs globally increases the difficulty of sourcing attractive opportunities. Brunel remain confident that the strong pipeline will ensure deployment of this mandate in line with Scope and Specification.

In Q1, deal flow activity remained strong and selective. One Primary Fund commitment was approved by Brunel; Q-Energy/ Fund V; the investment is in final stages of due diligence. A tactical investment into a Battery Energy Storage System ("BESS") that will be constructed to substitute for a decommissioned thermal coal power station in Australia was also approved. As at the end of Q1 and not including the recently approved deals, Cycle 2 R is circa 45% invested and 71% committed across 5 primary funds and 7 tacticals. One more primary fund and two extra tacticals will be required to complete Cycle 2 Renewables' portfolio construction.

## Performance to quarter end

| | AUM (GBPm) | 3 Month MWR* | Excess 3 month | 1 Year MWR* | Excess 1 year | 3 Year MWR* | Excess 3 year | Since Inception MWR* | Excess since inception | Intial investment |
|---|---|---|---|---|---|---|---|---|---|---|
| Infrastructure (Renewables) Cycle 2 | 282.27 | 1.0% | -0.3% | 21.1% | 11.1% | - | - | 14.3% | 7.3% | |

*Money weighted return. Net of all fees.
Aggregate performance is unavailable - figures shown are indicative of an individual client, and as such may differ between clients.

# Infrastructure Cycle 3

**Commitment to portfolio**
£685m

**Investment objective**
Global portfolio of infrastructure assets, mainly focussed on climate solutions, energy transition and efficiency

**Benchmark**
n/a - absolute return target

**Outperformance target**
net 8% IRR

**Launch date**
1 April 2022

**The fund is denominated in GBP**

**Commitment to investment**
£685m

**Amount called**
£97m

**% called to date**
14.13%

**Number of portfolio investments**
1

## Performance commentary

Economic growth was set to slow in 2023 in the light of tighter financial conditions and elevated inflation. This downbeat outlook began to ease over the first quarter, with most economies seeing upward revisions to their GDP growth forecasts. Bank failures in March saw the spectre of volatility in markets return, along with uncertainty over policy rate decisions. As a result, market recovery has been inconsistent, with the increase in market volatility highlighting the importance of well-structured infrastructure investments with downside protection, strong inflation linkage and inherent mission-critical objectives.

Since the portfolio's inception, deal flow activity has been strong, and Brunel has been selective. As at the end of Q1, Cycle 3 is circa 27% committed to three Primary investments including Vauban Core Infrastructure IV, Sandbrook Climate Infrastructure Fund and Meadowlark Lands Fund. In addition, as of March 2023, Tactical investments include Project Appellation, a US forestry investment focused on income from carbon credits; Project Ardor, an investment in an operating Indian renewables portfolio and IPP; Suez, the international water and waste company; and Havfram, an offshore wind installation vessel company.

Two further investments were approved in Q1 by Brunel, subject to final due diligence and approvals by Stepstone; a primary commitment to Copenhagen Infrastructure Partners Fund V and a Tactical opportunity to invest alongside Blackstone into a renewables developer in the US.

The investment into Arcus Fund 3 and the co-investment with the same manager that had been approved by Brunel (and were presented to ISG) were ultimately not concluded due to issues relating to key fund terms that were identified as part of StepStone's legal due diligence. Other opportunities are being progressed instead.

## Performance to quarter end

| | AUM (GBPm) | 3 Month MWR* | Excess 3 month | 1 Year MWR* | Excess 1 year | 3 Year MWR* | Excess 3 year | Since Inception MWR* | Excess since inception | Intial investment |
|---|---|---|---|---|---|---|---|---|---|---|
| Infrastructure Cycle 3 | 94.88 | -0.9% | -2.2% | - | - | - | - | -3.2% | -7.3% | |

*Money weighted return. Net of all fees.
Aggregate performance is unavailable - figures shown are indicative of an individual client, and as such may differ between clients.

# Secured Income Cycle 1

**Commitment to portfolio**
£465m

**Investment objective**
Portfolio of long-dated income streams, a majority of which are UK inflation-linked

**Benchmark**
CPI

**Outperformance target**
+2%

**Launch date**
1 October 2018

**The fund is denominated in GBP**

**Commitment to investment**
£465m

**Amount called**
£465m

**% called to date**
99.93%

**Number of portfolio investments**
3

## Performance commentary

The M&G Secured Income Property Fund has experienced significant downward movement to reflect the new yield environment, which has now flattened over Q1. The fund looks attractive on a forward-looking returns basis, with a positive illiquidity premium above equivalent bond yields. The fund continues to hold a high-quality real estate portfolio with strong fundamentals and a clear pathway to cover outstanding redemptions, subject to the sales underway completing in due course. The fund is proposing to amend the fund's dealing and deferral terms, which Brunel supports. The aim is to align payments to investors with the timing of sales proceeds and to increase the redemption notice period to correspond with a reasonable timeframe in which to sell assets.

The abrdn Long Lease Property Fund has also experienced a more muted performance in Q1, with early indications that the level of price declines is slowing. The fund is continuing to make tactical disposals to meet its redemption queue, predominantly where there are ESG issues, tenant covenant concerns or shorter leases. The fund is likely to see a further modest valuation decline as we move through the first half of the year. Despite a challenging period, the fund remains an attractive proposition with a well-diversified portfolio, a strong tenant base and an attractive income return.

Brunel made a further commitment to GRI in Q1 for the Cycle 3 client commitments. The fund continues to offer good diversification, with a forecast hold-to-life IRR of circa 8%. The new top-up is likely to be drawn down by the end of Q3 to fund a strong existing pipeline of opportunities across solar and wind assets. The Greencoat team are seeing a lot of deal flow, with much of the fund's dry powder absorbed last year, allowing them to be more selective, with new additions at keen valuations.

Please note - the large inflows and outflows during this quarter were due to a technicality. It was discovered that an agreed fee discount had not been applied by the manager. To recalculate it, the fund accounting replicated a redemption and a subscription of the fund. The transaction did not actually take place.

## Performance to quarter end

| | AUM (GBPm) | 3 Month MWR* | Excess 3 month | 1 Year MWR* | Excess 1 year | 3 Year MWR* | Excess 3 year | Since Inception MWR* | Excess since inception | Intial investment |
|---|---|---|---|---|---|---|---|---|---|---|
| Secured Income Cycle 1 | 436.80 | -1.2% | -2.6% | -11.9% | -22.0% | -0.5% | -6.3% | -0.5% | -5.0% | |

*Money weighted return. Net of all fees.
Aggregate performance is unavailable - figures shown are indicative of an individual client, and as such may differ between clients.

# Secured Income Cycle 2

**Commitment to portfolio**
£410m

**Investment objective**
Portfolio of long-dated income streams, a majority of which are UK inflation-linked

**Benchmark**
CPI

**Outperformance target**
+2%

**Launch date**
1 May 2020

**The fund is denominated in GBP**

**Commitment to investment**
£410m

**Amount called**
£410m

**% called to date**
100.00%

**Number of portfolio investments**
3

## Performance commentary

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## Performance to quarter end

| | AUM (GBPm) | 3 Month MWR* | Excess 3 month | 1 Year MWR* | Excess 1 year | 3 Year MWR* | Excess 3 year | Since Inception MWR* | Excess since inception | Intial investment |
|---|---|---|---|---|---|---|---|---|---|---|
| Secured Income Cycle 2 | 383.08 | -0.8% | -2.1% | -7.8% | -17.9% | - | - | -1.3% | -8.9% | |

*Money weighted return. Net of all fees.
Aggregate performance is unavailable - figures shown are indicative of an individual client, and as such may differ between clients.

# Cornwall Local Impact (Elective)

**Commitment to portfolio**
£115m

**Investment objective**
To provide exposure to a portfolio of local impact investments, generating long term returns, from a mix of income and capital appreciation.

**Benchmark**
n/a - absolute return target

**Outperformance target**
Net 5.0% p.a.IRR over a rolling 7 –10 year period.

**Launch date**
20 May 2022

**The fund is denominated in GBP**

**Commitment to investment**
£115m

**Amount called**
£25m

**% called to date**
21.74%

**Number of portfolio investments**
1

The £25m commitment to Greencoat Renewable Income (GRI) remained undrawn at the end of March. Following quarter end there was a £7.7m capital call, and the Manager is in advanced stages of due diligence on new transactions, including offshore wind that should result in near-term additional capital calls. Full draw down of the commitment to GRI is anticipated by the end of Q3 2023 if not sooner.

The commitment to the PGIM Local Affordable housing coinvest fund has yet to be drawn down. PGIM continue to evaluate a number of opportunities in Cornwall, aiming to select the best projects available in the current pricing environment, but the upheaval in late 2022 has caused delays as PGIM rightly rebased their pricing and valuation assumptions. Long-term, this is positive from a returns perspective.

## Performance commentary

The £25m capital committed to Cornwall Gardens (the local Cornish renewables vehicle) was drawn down in full and invested in listed Renewable Energy investment trusts in 2022, pending being called by the manager for local investments.

UK forward power prices across the curve declined over Q1. However, part of this movement should be offset by the high level of price fixing across the funds, and partial unwind of expected liabilities caused by the Electricity Generators Levy (EGL).

Since inception, the listed trusts have delivered a slightly negative capital return of -1.6% to March 2023, masking the considerable volatility since inception. This has improved following quarter end; at time of writing this figure was +0.7%. The listed Trusts have provided a yield on cost of 4.0% via dividends paid out, hence the total return in either scenario is positive, net of fees.

## Performance to quarter end

| | AUM (GBPm) | 3 Month MWR* | Excess 3 month | 1 Year MWR* | Excess 1 year | 3 Year MWR* | Excess 3 year | Since Inception MWR* | Excess since inception | Intial investment |
|---|---|---|---|---|---|---|---|---|---|---|
| Cornwall Local Impact (Elective) | 24.71 | 3.3% | 2.1% | - | - | - | - | 2.1% | -2.3% | |

*Money weighted return. Net of all fees.
Aggregate performance is unavailable - figures shown are indicative of an individual client, and as such may differ between clients.

# UK Property

**Investment strategy & key drivers**
Portfolio of active UK property funds seeking capital & income returns

**Liquidity**
Illiquid

**Benchmark**
MSCI/AREF UK

**Outperformance target**
+0.5%

## Performance commentary

The dramatic valuation falls for UK property during the last months of 2022 have not continued into the first quarter of 2023, with only minor yield expansion taking place since January and NAVs generally stable. Measured from June 2022, the total average increase in UK All Property yields is 105bps, although this disguises broad sectoral differences. The high level of investor redemption requests in late-2022 has also abated, though some funds will take the rest of this year and beyond to repay investors.

Borrowing costs remain a critical factor in valuing future returns for UK property. Brunel has invested the majority of clients' UK allocations in diversified property funds, with a broad range of tenants and with very low fund leverage.

Property transaction levels remain muted at around £2bn per month, half the level of the historic 5-year average, failing to provide pricing evidence for some market sectors.

The pricing and outlook for offices, particularly for secondary regional offices, remains a concern, as employer occupiers are starting to make lease renewal decisions based on slowing economic activity, potential/actual staff layoffs and post-Covid flexible working habits.

In contrast, confidence in the outlook for the industrial sector has been boosted by Blackstone's recent offer for Industrial REIT, where Blackstone launched a cash offer for the REIT's shares at a level 42% higher than the existing share price (a 3.7% premium to its NAV). Current rental growth for Industrials is still over 9%, though tenants' ability to pay these higher rents in any future UK recession is yet to be tested.

## Performance to quarter end

| | AUM (GBPm) | 3 Month MWR* | Excess 3 month | 1 Year MWR* | Excess 1 year | 3 Year MWR* | Excess 3 year | Since Inception MWR* | Excess since inception | Intial investment |
|---|---|---|---|---|---|---|---|---|---|---|
| UK Property | 1,733.46 | -3.1% | -2.9% | -12.6% | 1.8% | 2.9% | 1.6% | 2.4% | 1.7% | |

*Money weighted return. Net of all fees.
Aggregate performance is unavailable - figures shown are indicative of an individual client, and as such may differ between clients.

# International Property

**Investment strategy & key drivers**
Portfolio of active International property funds seeking capital & income returns

**Liquidity**
Illiquid

**Benchmark**
GREFI

**Outperformance target**
+0.5%

## Performance commentary

Real estate markets remain subdued, with fundraising slowing and large redemption queues remaining unsatisfied following the liquidity flight in Q4 2022.

Commercial real estate yields have increased substantially across major global markets since H2 2022, as the market adjusts further to the higher interest rate environment.

Economic growth is slowing in response to tighter monetary policy, compounded by fading fiscal stimulus. Most of the value declines emanate from pressure on yields from rising interest rates, not from falling property incomes.

Valuations continued to edge down in Q1 at a slower pace than in Q4, with funds in Asia Pacific showing positive performance, reflecting a broader recovery in the region, and Europe and US dragging down global aggregates.

Property fundamentals remain healthy in many sectors (apart from office), mitigating some of the value declines. The industrial sector remains favourable, with further rental growth expected and vacancy rates still near record lows, reflecting a positive supply/demand dynamic. Nonetheless, yields will continue to expand with any further increases in interest rates, leading to additional value declines in that scenario. Attractive trades in retail, hospitality and some niche areas like senior housing are likely, where capital has been less abundant post-Covid.

Brunel made commitments to the Prologis European Logistics Fund at the end of the quarter and anticipate that clients will be drawn down in early July 2023.

## Performance to quarter end

| | AUM (GBPm) | 3 Month MWR* | Excess 3 month | 1 Year MWR* | Excess 1 year | 3 Year MWR* | Excess 3 year | Since Inception MWR* | Excess since inception | Intial investment |
|---|---|---|---|---|---|---|---|---|---|---|
| International Property | 369.19 | -5.2% | -1.0% | 15.3% | 11.5% | 10.8% | 3.9% | 9.3% | -0.0% | |

*Money weighted return. Net of all fees.
Aggregate performance is unavailable - figures shown are indicative of an individual client, and as such may differ between clients.

# Glossary

| Term | Comment |
|---|---|
| **absolute risk** | Overall assessment of the volatility that an investment will have |
| **ACS** | Authorised Contractual Scheme - a collective investment arrangement that holds and manages assets on behalf of a number of investors |
| **active risk/weight** | A measure of the percentage of a holding that differs from the benchmark index; can relate to an equity, a sector or a country/region |
| **amount called** | In private investments, this reflects the actual investment amount that has been drawn down |
| **amount committed** | In private investments, this is the amount that a client has committed to an investment - it will be drawn down (called) during the investment period |
| **annualised return** | Returns are quoted on an annualised basis, net of fees |
| **asset allocation** | Performance driven by selecting specific country, sector positions or asset classes as applicable |
| **basis points (BP)** | A basis point is 0.01% - so 100bps is 1.0%. Often used for fund performance and management fees |
| **CTB** | Climate Transition Benchmark - targets 30% lower carbon exposure from 2020 and then a 7% annual reduction |
| **DLUHC** | Department for Levelling Up, Housing & Communities; the government body with oversight of pooling |
| **DPI** | Distributed to Paid In; ratio of money distributed to Limited Partners by the Fund, relative to contributions. Used for private markets investments |
| **duration** | A measure of bond price sensitivity to changes in interest rates. A high duration suggests a bond's price will fall by relatively more if interest rates increase than a bond with a low duration |

| Term | Comment |
|---|---|
| **EBITDA margin** | An EBITDA margin is a profitability ratio that measures how much in Earnings a company is generating Before Interest, Taxes, Depreciation, and Amortization, as a percentage of revenue. |
| **ESG** | ESG is an umbrella term to capture the various environmental, social and governance risks investors factor into their assessment of a company's sustainability profile. Brunel views assessing ESG factors as a central part of our fiduciary duty |
| **ESG Score** | MSCI (Morgan Stanley Capital International) score based on its assessment of the ESG credentials of an underlying investment. If the portfolio score is below the index, the portfolio is assessed by MSCI to be investing in companies with a better ESG score |
| **extractive exposures VOH** | Value of Holdings of invested companies which derive revenues from extractive industries |
| **GP or general partner** | In Private Equity, the GP is usually the firm that manages the fund |
| **gross performance** | Performance before deduction of fees |
| **Growth** | Growth stocks typically exhibit faster long term growth prospects and are often valued at higher price multiples |
| **IRR** | Internal Rate of Return - a return that takes account of actual money invested |
| **legacy assets** | Client assets not managed via the Brunel Pension Partnership |
| **Low Volatility** | Low Volatility is a strategy that attempts to minimise the return volatility. |
| **LP or limited partner** | In private equity, an LP is usually a third party investor in the fund |
| **M&A** | Mergers and acquisitions |

# Glossary

| Term | Comment |
|---|---|
| **Momentum** | An investment strategy that aims to capitalize on the continuance of existing trends in the market |
| **MWR** | Money weighted return - similar to an IRR - it reflects the actual investment return taking into account cashflows |
| **NAV** | Net asset value |
| **net performance** | Performance after deduction of all fees |
| **PAB** | Paris-Aligned Benchmark - targets a 50% lower carbon exposure from 2020 and then a 7% annual reduction |
| **Quality** | Quality stocks typically have a high Return on Equity, a very consistent profit outcome and exhibit higher and stable margins |
| **relative risk** | Relative volatility when compared with a benchmark |
| **sector/stock selection** | Performance driven by the selection of individual investments within a country or sector |
| **since inception** | Period since the portfolio was formed |
| **since initial investment** | Period since the client made its first investment in the fund |
| **SONIA** | Sterling Overnight Index Average - Overnight interbank interest rate - replacement for LIBOR |
| **source of performance data** | Source of performance data is provided net of fees by State Street Global Services unless otherwise indicated |
| **standard deviation** | Standard deviation is a measure of volatility for an investment using historical data. Volatility is used as a measure of investment risk. A higher number may indicate a more volatile (or riskier) investment but should be taken in context with other measures of risk |
| **time-weighted return** | A return measure that helps account for the distorting impacts of flows into and out of a fund |

| Term | Comment |
|---|---|
| **total extractive exposure** | Revenue derived from extractive operations as a % of total corporate revenue |
| **total return (TR)** | Total Return - including price change and accumulated dividends |
| **tracking error** | A measure of relative volatility around a benchmark. A fund which differs greatly from the benchmark is likely to have a high tracking error |
| **transitioned assets** | Client assets that have been transferred to the Brunel Pension Partnership |
| **TVPI** | Total Value to Paid In; ratio of the current value of remaining investments within a fund, plus the total value of all distributions to date, relative to the total amount of capital paid in |
| **Value** | Value stocks typically have a low valuation when measured on a Price to Book or Price to earnings ratio |
| **WACI** | Weighted Average Carbon Intensity; measures the carbon intensity of businesses rather than total carbon emissions. It is expressed as tonnes of CO2 equivalent per million GBP of investment exposure |
| **yield to worst** | Lowest possible yield on a bond portfolio assuming no defaults |

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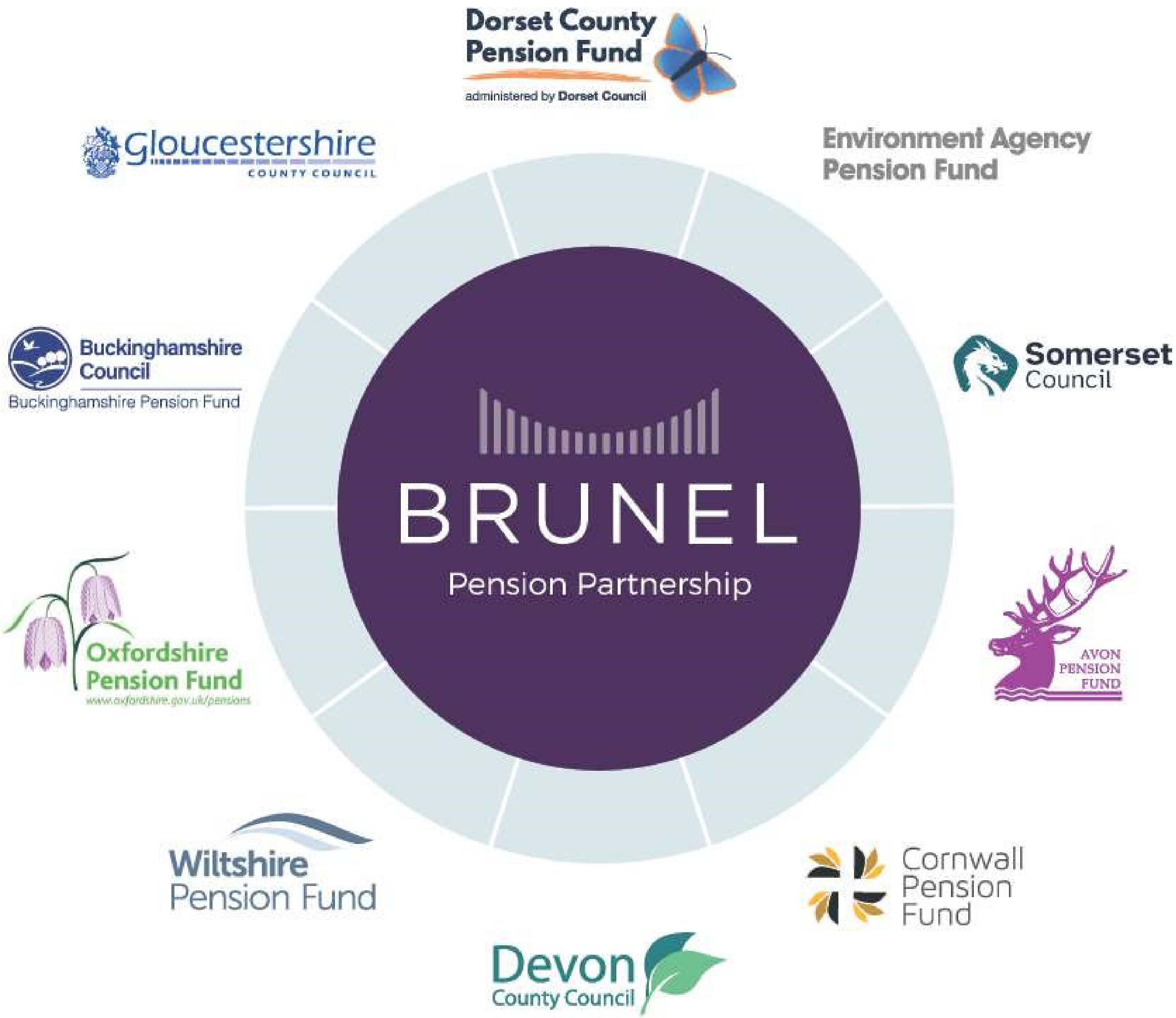
BRUNEL
Pension Partnership
Dorset County Pension Fund
administered by Dorset Council
Environment Agency Pension Fund
Somerset Council
AVON PENSION FUND
Cornwall Pension Fund
Devon County Council
Wiltshire Pension Fund
Oxfordshire Pension Fund
www.oxfordshire.gov.uk/pensions
Buckinghamshire Council
Buckinghamshire Pension Fund
Gloucestershire
COUNTY COUNCIL