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Pension Fund Committee

Date:	Tuesday, 14 June 2022
Time:	10.00 am
Venue:	Council Chamber, County Hall, Dorchester, DT1 1XJ

Members (Quorum 3)
Simon Christopher, Andy Canning (Chairman), Peter Wharf (Vice-Chairman), John Beesley, David Brown, Bobbie Dove, Howard Legg, Mark Roberts and Adrian Felgate

Chief Executive: Matt Prosser, County Hall, Dorchester, Dorset DT1 1XJ

For more information about this agenda please contact Democratic Services
Meeting Contact david.northover@dorsetcouncil.gov.uk

Members of the public are welcome to attend this meeting, apart from any items listed in the exempt part of this agenda.

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Agenda

Item		Pages
1.	**APOLOGIES** To receive any apologies for absence.	
2.	**MINUTES** To confirm and sign the minutes of the meeting held on 10 March 2022.	5 - 22
3.	**DECLARATIONS OF INTEREST** To disclose any pecuniary, other registrable or personal interest as set out in the adopted Code of Conduct. In making their decision councillors are asked to state the agenda item, the nature of the interest and any action they propose to take as part of their declaration.	

If required, further advice should be sought from the Monitoring Officer in advance of the meeting.

4. PUBLIC PARTICIPATION 23 - 26

To receive questions or statements on the business of the committee from town and parish councils and members of the public – or requests to speak - **by 8.30 am on Thursday 9 June 2022**.

5. QUESTIONS FROM MEMBERS

To receive questions or statements on the business of the committee from Dorset Council elected members.

6. URGENT ITEMS

To consider any items of business which the Chairman has had prior notification and considers to be urgent pursuant to section 100B (4) b) of the Local Government Act 1972. The reason for the urgency shall be recorded in the minutes.

7. BRUNEL PENSION PARTNERSHIP QUARTERLY REPORT 27 - 80

To consider the quarterly performance report of Brunel Pension Partnership,
the pension fund's Local Government Pension Scheme (LGPS) investment
pooling manager.

8. BRUNEL GOVERNANCE UPDATE

To receive an update from Cllr John Beesley in his capacity as the Committee's representative on the Brunel Oversight Board.

9. PENSIONS ADMINISTRATION REPORT

To consider the quarterly report on pension fund administration – to follow.

10. INDEPENDENT INVESTMENT ADVISER'S REPORT 81 - 86

To consider the quarterly report of the pension fund's independent investment adviser on the outlook for the pension fund's investments.

11. FUND ADMINISTRATOR'S REPORT 87 - 116

To consider the quarterly report on the funding position, the value and performance of investments and other related issues.

12. DATES OF FUTURE MEETINGS

To confirm the dates for the meetings of the Committee in 2022/23:

10am Tuesday 14 June 2022 – County Hall, Dorchester
10am Wednesday 21 September 2022 – County Hall, Dorchester
10am Tuesday 29 November 2022 – County Hall, Dorchester
10am Tuesday 14 March 2023 – County Hall, Dorchester

13. EXEMPT BUSINESS

To move the exclusion of the press and the public for the following items in view of the likely disclosure of exempt information within the meaning of paragraph 3 of schedule 12 A to the Local Government Act 1972 (as amended).

The public and the press will be asked to leave the meeting whilst the items of business is considered.

14. FEDERATED HERMES INVESTMENT UPDATE

To consider an oral report from Federated Hermes, one of the pension fund’s infrastructure investment managers.

15. INVESTMENT MANAGEMENT CHANGES

To consider proposed changes to investment management arrangements.

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PENSION FUND COMMITTEE

MINUTES OF MEETING HELD ON THURSDAY 10 MARCH 2022

Present: Cllrs Simon Christopher, Andy Canning (Chairman), Peter Wharf (Vice-Chairman), John Beesley, David Brown, Howard Legg, Mark Roberts and Adrian Felgate

Apologies: Cllr Bobbie Dove

Also present: Peter Scales, Independent Governance Adviser, MJ Hudson, Steve Tyson, Independent Investment Adviser, MJ Hudson, and Luke O'Donnell, Brunel Pension Partnership.

Officers present (for all or part of the meeting): Aidan Dunn (Executive Director – Corporate Development), Jim McManus (Corporate Director – Finance and Commercial), Karen Gibson (Service Manager – Pensions) and David Wilkes (Service Manager – Treasury and Investments)

https://www.youtube.com/watch?v=o44-JjZoXcM

140. **Apologies**

Apologies were received from Cllr Bobbie Dove, Bournemouth, Christchurch and Poole Council.

141. **Minutes**

The minutes of the meeting held on 30 November 2021 were confirmed by the Chairman.

142. **Declarations of Interest**

No declarations of disclosable pecuniary interests were made at the meeting.

143. **Public Participation**

Questions and statements from town and parish councils and members of the public are included in an appendix to these minutes.

144. **Questions from Members**

There were no questions from members.

145. **URGENT ITEMS - Ukraine Situation**

The following items of business were considered by the Chairman as urgent pursuant to section 100B (4) b) of the Local Government Act 1972. The item was considered to be urgent because of the impact the Russian invasion of Ukraine could have on investments.

On behalf of all members of the Committee, the Chairman condemned Russia's unwarranted and illegal war on Ukraine.

The pension fund had relatively limited exposure to Russia through holdings in an emerging markets equity fund managed by Brunel Pension Partnership, the pension fund's Local Government Pension Scheme (LGPS) investment pooling manager. Before the invasion approximately 3% by value of this pooled investment vehicle was invested in Russian companies which for Dorset equated to approximately £5m or 0.13% of the pension fund's total assets.

Brunel were committed to divesting fully from Russia and their underlying investment managers had begun to divest before markets closed, with all remaining assets written down to zero value.

Noted

146. **Independent Governance Adviser's Annual Report**

The Committee received the annual update on governance compliance from Peter Scales, MJ Hudson, the pension fund's Independent Governance Adviser.

Overall good standard of governance had been maintained despite the pandemic and the introduction of new pensions administration systems which were always extremely challenging to implement.

Significant changes to the governance framework for LGPS funds were expected and these changes were expected to lead to significant additional pressure on administering authorities.

Officers would report to the next meeting of the Committee the results of a 'stock take' against the recommendations of the LGPS Scheme Advisory Board (SAB) good governance review.

SAB were working with government to get greater clarity on the potential implications of the government's 'levelling up' White Paper for LGPS funds. This was likely to be another factor to consider as part of the review of investment strategy.

References in the White Paper to "local" investment were understood to mean countrywide and it was questioned why this did not exclude London and the South East. Concerns were also raised that the proposals could undermine the principle that investment decisions were based primarily on the requirements of the pension fund.

It was suggested that minutes of the Local Pension Board should be reported to the Committee and an annual statement from the Local Pension Board should be included in the pension fund's annual report.

Noted

147. **Pensions Administration Report**

The Committee considered a report from officers on operational and administration matters relating to the pension fund.

Key Performance Indicators (KPI) had been adversely impacted by the change in administration system and staff shortages, but it was difficult to determine how much of any underperformance was attributed each factor. Improvements had been made but it was expected to take some months to fully recover to previous levels of performance.

Good progress had been made implementing and developing the new system. There was regular contact with the provider, Civica, who had responded well when particular areas of concern had been raised with them. Officers were confident that data going into the forthcoming actuarial valuation would be of a good quality. Interim updates between quarterly meetings could be provided to Committee members to provide further assurance if required.

Officers were working with Human Resources (HR) colleagues to identify what could be done to improve retention and recruitment, including a benchmarking survey of other employers, reviewing the provision of training and development for staff and assessing the impact of home working. Retention and recruitment continued to be a challenge in all parts of the council, not just pensions administration.

Paul Kent, the chairman of the Local Pension Board (LPB), intended to step down from this role after the LPB's next meeting on 23 March 2022. Mr Kent's experience and knowledge had been a great benefit to the governance of the pension fund and a letter of thanks to him for his contribution would be written. The decision to appoint a remunerated independent chairman of the LPB as a replacement for Mr Kent and, if yes, the level of remuneration would be delegated to the Chairman and Vice-Chairman.

Recommendations regarding the LPB made by the Independent Governance Adviser in his annual review would be adopted by the Committee. There was a need to maintain good relationships between the Committee and LPB, and to ensure a good two-way flow of information.

Hymans Robertson had been commissioned to review the pension fund's administration strategy and concluded that it was "an excellent document with no major concerns". The Independent Governance Adviser described it as a glowing endorsement of the work done by officers and a good example for other pension funds to use as a template.

Resolved

That:

i. a letter of thanks be written to Paul Kent who is stepping down from his role as the chairman of the Local Pension Board.
ii. authority is delegated to the Chairman and Vice-Chairman to review the need for a remunerated independent chairman of the local pension board and, if yes, the level of remuneration.
iii. minutes of the Local Pension Board shall be reported to the Committee on a quarterly basis.
iv. an annual statement from the Local Pension Board shall be included in the pension fund's annual report.

148. **Independent Investment Adviser's Report**

The Committee considered a report from Steve Tyson, MJ Hudson, the pension fund's Independent Investment Adviser, that gave his views on the economic background to the pension fund's investments, the outlook for different asset classes and key market risks.

Inflation was expected to be higher for longer but not clear how high the peak would be and how long the peak will last. The crisis in Ukraine would lead to more upward pressure on inflation and the pension fund's inflation hedging strategy would need to be reviewed.

In time it was expected that markets would recover from the Ukraine crisis as had been the case for previous crises, but markets were expected to experience a period of volatility with modest returns for some time.

The independent investment adviser made clear that he would not advise buying Russian assets until the environment had totally changed. The Brunel Pension Partnership continued to prohibit its underlying investment managers from making any new investments in Russian assets.

Resolved

That the pension fund's inflation hedging strategy be reviewed.

149. **Fund Administrator's report**

The Committee considered a report from officers on the pension fund's funding position, asset valuation, investment performance and asset allocation as at 31 December 2021.

The value of the pension fund's assets ended the quarter at £3.8 billion compared to £3.3 billion at the start of the financial year, with nearly two thirds of those assets now under the management of Brunel. Just under one third of the pension fund's liabilities were hedged against inflation sensitivity using just under 12% of assets to do so. If market conditions stayed as they were for the remainder of the financial year, asset values at 31 March 2022 were expected to be lower.

In September 2021 the Committee approved indicative commitments of £60m each to Brunel's cycle 3 private equity and infrastructure portfolios. It was agreed to increase the commitment to the infrastructure portfolio to £70m and to make an additional commitment of £20m to Brunel's secured income portfolio. These commitments would take time to be drawn down and would be funded from cash balances or redemptions from asset classes where the pension fund was above target, such as corporate bonds.

The funding position estimated by the actuary was that the value of the pension fund's assets at 31 December 2021 covered 89% of the present value of liabilities. A full review of the funding position would be undertaken by the pension fund's actuary as at 31 March 2022 and this would inform a review of the investment strategy. To dampen down the impact of volatility in markets, the actuary makes a smoothing adjustment to the market value of assets at the valuation date based on asset values over the six month period around the valuation date. Also, the rate used to discount expected liabilities to a present value is based on expected future investment returns which take into consideration current valuations. There would be an opportunity for Committee members to raise questions directly with the actuary in the coming months prior to the conclusion of the valuation.

The investment return for the quarter was 4.2% compared to the combined benchmark return of 4.1%. Over the longer term, annualised returns for three years were 10.3% compared to the benchmark return of 9.5%, and the benchmark and annualised returns for five years were 7.4%, matching the benchmark return. Out performance of benchmarks was fundamentally a result of the performance of underlying managers.

Brunel warned that many of its portfolios were expected to underperform their benchmarks in the quarter to 31 March 2022 largely due to markets favouring 'value' stocks over 'growth' stocks. Brunel were having frequent conversations with two underlying managers where there were performance concerns but these had not yet reached a position where termination was being considered.

Resolved

That commitments are made to Brunel's cycle three private markets' portfolios for Private Equity (£60M), Infrastructure (£70M) and Secured Income (£20m).

150. **Brunel Governance Update**

Cllr John Beesley, the pension fund's representative on the Brunel Oversight Board (BOB), updated the Committee on governance matters relating to the investment pooling partnership.

BOB had met twice since the last meeting of the Committee in September 2021. The main topic for the first of these two meetings on 2 December 2021 had been feedback from the Conference of Parties (COP) in Glasgow on climate change. The main topic for the second of these two meetings on 27 January 2022 was Brunel's budget for 2022-23. Future meetings would look at portfolio underperformance and the climate action stock take.

Noted

151. **External Auditor's Report 2019/20**

The Committee considered the final report of Deloitte, the pension fund's independent external auditor, on the financial statements for 2019-20. No substantive matters and been identified and an unqualified opinion would be issued. The auditor's report for 2020-21 for the pension fund accounts and the main local authority accounts had still not been received.

Collectively the audit profession was trying to respond to the Redmond review and build capacity. Deloitte had a lack of capacity, particularly in local government audit, and were themselves also subject to a scheduled review by the Financial Reporting Council (FRC) during which they were not expected to sign off any audits. Deloitte's audit partner had offered to come to the Committee or respond to any further questions.

The delays had caused frustration for BCP and other scheme employers whose own audits had been held up due to their reliance on Deloitte to complete their work in relation to the pension fund accounts.

Noted

152. **Treasury Management Strategy 2022/23**

The Committee considered a report by officers setting out the Treasury Management Strategy (TMS) for 2022-23.

Although the pension fund had no strategic allocation to cash, cashflows needed to be managed to ensure there was sufficient liquidity to meet liabilities as they fell due and to invest any surplus balances appropriately. The TMS provided the framework within which officers must manage these cashflows and cash investments, and broadly followed the TMS for Dorset Council, the administering authority for the pension fund, where applicable.

The TMS for 2022-23 was largely unchanged from 2021-22, except for a proposed increase in the minimum balance readily available in same day access bank accounts and/or money market funds from £10m to £20m. This was to better manage the risk of needing to borrow funds or sell assets at short notice to meet liabilities and commitments, particularly private market capital calls.

Dorset Council's treasury management advisers, Arlingclose, had a contract for three years with the ability for the Council to extend by a further one year.

Resolved
That the Treasury Management Strategy for 2022-23 be approved.

153. **Dates for Future Meetings**

Members were disappointed that the meeting had not been held in the offices of one of the pension fund's investment managers in London as originally intended. The decision to change the meeting location had been made because of concerns about accessibility for members of the public to attend in person and the ability to webcast meetings from outside County Hall as the technology was not very portable.

Proposals for the location of the Committee meetings and training sessions for 2022-23 would be developed by the Chairman, Vice-Chairman, Executive Director – Corporate Development and .

Two options would be considered (1) to hold training sessions in London but hold all meetings of the Committee open to the public in County Hall or (2) look for venues in London that will have the facilities to allow members of the public to attend in person and for meetings to be webcast.

Resolved

That meetings be held on the following dates and proposals for the location of the meetings and training sessions for 2022-23 be developed by the Chairman, Vice-Chairman, Executive Director – Corporate Development and :

- 10am Tuesday 14 June 2022
- 10am Wednesday 21 September 2022
- 10am Tuesday 29 November 2022
- 10am Tuesday 14 March 2023

154. **Exempt Business**

Resolved
That under Section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the business specified in minute 14 because it was likely that if members of the public were present there would be disclosure to them of exempt information as defined in Paragraph 3 of Part 1

of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing that information.

155. **Investment Strategy Review**

The Committee discussed the need to engage investment consultants to support the review of the pension fund's investment strategy following the conclusion of the triennial valuation.

Resolved
That officers commence a procurement exercise to engage investment consultants to support a review of the pension fund's investment strategy following the conclusion of the triennial valuation.

156. **Questions and Answers**

Pension Fund Committee: Questions from town and parish councils and members of the public

Caz Dennett, Dorset Action on Pensions

Question 1 – Evidence of the effectiveness of an Engagement Strategy (412 words)
On 14 December 2021, a delegation from South West Action on Pensions (SWAP) and members of the Brunel Pension Partnership management team met together. During the meeting Brunel's Chief Responsible Investment Officer, Faith Ward, strongly emphasized her commitment to their policy of 'engagement' with fossil fuel linked companies, rather than to divesting funds from them.

Although SWAP have a clear preference for rapid and total divestment (by the end of 2023), we are interested in how such 'engagement' with fossil fuel investments might lead to some climate positive or net zero outcomes. In a recent podcast*, David Vickers, Chief Investment Officer at Brunel, who was also present at the meeting which I attended said: "We believe in engagement, but there comes a point where, if you are not having an impact, you disinvest."

In 2021 Dr. Ellen Quigley was commissioned by Cambridge University to research the advantages and disadvantages of fossil fuel divestment, and in doing so to understand the efficacy of engagement vs divestment in terms of de-carbonising the University's Pension Fund. The Fund totalling £3.5 billion is the largest university endowment in Europe, and in 2019 2.8% was invested in the fossil fuel sector.
Her research found that regarding shareholder engagement "on the basis of its historic evidence it would not appear to be a sufficient tactic on its own for the scale and speed of change required to decarbonise the fossil fuel sector"**
Furthermore, "To be consistent with the Paris Agreement goal, a large majority of proven fossil fuel reserves would need to be left in the ground (a third of oil reserves, half of gas reserves, and 80% of coal reserves) between 2010 and 2050 in order to keep within a safe warming threshold. Research suggests that existing fossil fuel infrastructure, in addition to that which is currently planned, permitted, or under construction, would already exceed the carbon budget needed to retain a 66% chance of staying below 1.5˚C."

Question: Given that engagement is very unlikely to work with fossil fuel companies when the core of their business is to extract and sell fossil fuels for financial gain, and that since 2018 all major gas and oil companies have approved projects that are not consistent with the Paris Climate goals, will the Pension Committee ask Brunel Pension Partnership to provide incontrovertible evidence that their policy of engagement is effective in altering the core business models of the oil 7 gas giants that are set to destroy our planet?

*David Vickers Podcast: https://www.brunelpensionpartnership.org/2021/12/14/net-zero-porfolios-not-enough-says-david-vickers-in-lgim-podcast-what-net-zero-means-to-brunel/
**University of Cambridge Report
https://www.cam.ac.uk/sites/www.cam.ac.uk/files/sm6_divestment_report.pdf

Response:
The Dorset County Pension Fund conducts a major review of its long-term investment strategy every three years. This process begins with an analysis of our overall funding position conducted by our actuaries, Barnet Waddingham. It will be based on the value of our assets on March 31st 2022.
The results of this analysis will be forwarded to an independent advisor who will develop a strategy that best fits our long-term objectives. I would expect them to initially present a number of options including the balance between equities and fixed income, UK and global investments, public and private markets, active versus passive investments as well as taking into account the Climate Emergency.
In addition, Brunel are undertaking a 'stock take' of their approach to engagement and divestment. If this review concludes that companies are not taking appropriate action and sufficient steps to manage climate risks and to enable alignment with the Paris Climate Agreement then the Committee will need to reconsider its approach too.
All of these factors will be considered by the Pension Fund Committee as part of the debate that will inform the development of a new strategy by the middle of next year.
Question 2 – Decision making authority and investment decisions (236 words)
At the same meeting, SWAP asked Brunel to clarify where decision making authority lies in terms of investment strategies and requirements. Brunel stated that decision making power and outcomes rests with the pension funds themselves. Therefore, the Local Government Pension Scheme Committees are the ultimate decision makers.
We commend Dorset Council and the Pension Fund Committee for acting quickly and decisively to assess the morality of continued investments in Russian companies (likely to be predominantly oil and gas production companies), in response to their actions against Ukraine and its people.
If the Committee can do the right thing on this occasion, it demonstrates what can be done when moral obligation and political will come together.
Global heating and its impact on climate change, coupled with environmental degradation continues to be the greatest threat to our security, well-being, and even our very existence. It is an unenviable responsibility, but there is a moral duty as elected representatives to protect people and place to the best of your ability, within the powers that are at your disposal.

Question: Is it now time to take a moral inventory of the Pension Fund portfolio and clean up our Dorset pension fund, not only to exclude those who wage war on other countries and their peoples, but also fossil fuel companies who persist with operations in the full knowledge that they are devastating life on earth, and if not now, when?

Response:
Yesterday the Dorset County Pension Fund conducted a training session with the Brunel Pension Partnership where they outlined their new Paris aligned passive portfolios and explained their rationale and objectives. This will undoubtedly inform part of the discussions that will take place when we design our new investment strategy.
A significant duty of the Pension Fund Committee is to ensure that the contributions of scheme members and their employers to the pension fund are invested appropriately to make returns sufficient to pay benefits to scheme members. As part of the pension fund's next review the matters you raise will be taken into consideration to see whether they present a financially material risk to returns or do not risk material financial detriment to the

fund. This review is expected to take place over the next twelve months following the results of the next triennial valuation of the pension fund's assets and liabilities by the fund's actuary.

Julie-Ann Booker, Dorset Pension member

Rapid Reduction in Fossil Fuel investment (Approx. 360 words)
There is not a single justification to keep investing pension fund members' and council tax payers' money in planet-destroying fossil fuel companies. Divestment is morally, environmentally and economically the right thing to do. Even the likes of Blackrock have said there is no financial drawback to divesting from fossil fuels.
As a pensioner in the Dorset scheme, I feel terrible that my income is linked to these damaging companies. I want to see Dorset County Pension Fund do the only right thing; stop funding fossil fuel, invest in our future, a genuinely green future for our children and grandchildren. This will also create good jobs and provide energy security, which we need now more than ever.

On 8 September 2021, on behalf of Dorset Action on Pensions, I asked a question to Dorset Pensions Committee. My question asked how the committee would be amending their investment strategy in response to the Intergovernmental Panel on Climate Change (IPCC) report published on August 9 2021. UN Secretary General, António Guterres said that the report signalled 'Code Red for Humanity'.
In answer to this question Cllr Andy Canning said that **'pension funds by their very nature are long-term investors seeking returns that will cover the pensions of its members. It is not in their nature to respond to short-term events'**.

On 22 February this year the IPCC published their next report and António Guterres said "I've seen many reports, but nothing like the new IPCC climate report, an atlas of human suffering and damning indictment of failed climate leadership. I know people everywhere are anxious and angry. I am too. It's time to turn rage into climate action".

These reports are not 'short term events'. They are scientific predictions on long term disaster if significant action is not taken now. If action is not taken now there will be no long term to invest in.

Question: Does the Dorset Pension Fund Committee understand that strategic investment decisions taken now will affect the long-term sustainability of the pension fund, and therefore agree to more rapidly remove all remaining fossil fuel linked investments, i.e., faster than the planned 7% reduction each year?

Response:
We would be quite happy to ask the Brunel Pension Partnership to undertake a comprehensive analysis of alternative methods to achieve a long-term reduction in our exposure to fossil fuels and achieve a net zero carbon position before 2050. The matters you raise will be taken into consideration following the conclusion of Brunel's stocktake and as part of the next review of the investment strategy, but we believe that we have already made great strides in reducing the pension fund's exposure to fossil fuels without putting financial returns at risk.

10% of the pension fund's assets are now invested in Brunel's Global Sustainable Equities fund, and all other actively managed Brunel funds are committed to a policy of a 7% year on year reduction in their carbon footprint.

A Friends of the Earth report estimated that Dorset had £128M invested in fossil fuel production in March 2019. By March 2021 this had fallen to approximately £41M (which is just 1.2% of total investment assets).

Moving Funds to PAB (94 words)
As a scheme member of the Dorset Pension Fund, I would like to know if the pension fund committee is considering the allocation of Passive funds in the Dorset scheme. I am aware that Brunel Pension Partnership announced last summer that it has made a new Paris Aligned Benchmark Passive Fund available to schemes within the Brunel pension pool.

Question: Will the Dorset pension fund committee discuss this new fund and make a decision on allocating funds to it, and if so at which committee meeting do you expect the decision to be considered?

Response:
Yesterday the Dorset County Pension Fund conducted a training session with the Brunel Pension Partnership where they outlined their new Paris aligned passive portfolios and explained their rationale and objectives. This will undoubtedly inform part of the discussions that will take place when we design our new investment strategy.

We conduct a major review of our long-term investment strategy every three years. This process begins with an analysis of our overall funding position conducted by our actuaries, Barnet Waddingham. It will be based on the value of our assets on March 31st 2022.

The results of this analysis will be forwarded to an independent advisor who will develop a strategy that best fits our long-term objectives. I would expect them to initially present a number of options including the balance between equities and fixed income, UK and global investments, public and private markets, active versus passive investments as well as taking into account the Climate Emergency.
All of these factors will be considered by the Pension Fund Committee as part of the debate that will inform the development of a new strategy by the middle of next year.

Cllr Ken Huggins - Hazelbury Bryan Parish Council

Question on De-carbonising Pension Fund Members' Finances (approx. 440 words)
Both Dorset Council and Bournemouth, Christchurch and Poole Council clearly understand there is a climate and ecological crisis, and have plans in place to tackle this on a local level.

In an emergency everyone must play their part. Some more than others. Key drivers of climate change are the fossil fuel companies and the financial industry that supports them. And yet, fossil fuel companies and their shareholders still seek to profit from the destruction of our planetary systems.

Dorset Pension Fund Members are contributing to this destruction because their Fund continues to invest their money in the fossil fuel industry, despite the two Councils making efforts to ease the climate crisis by all other means available to them.

It is no longer acceptable for the industry, banks or investors such as Local Government Pension Schemes to pass responsibility to each other or to the markets. Each participant must take full responsibility for the effects of their investments. Divestment also increasingly makes financial sense. Continued investment in fossil fuel is putting the Pension Fund at risk, that's members' money, and council taxpayers' money that is at risk.

However, the biggest risk that we must mitigate is the continuous increase in CO2 emissions from oil & gas extraction and consumption.

A report by Make My Money Matter (October 2021) states that the UK pensions industry enables more CO2 than all UK carbon emissions. The report says: "Pension schemes fund an estimated 330 million tonnes of carbon emissions every year. If the pensions industry were a country, it would find itself in the top 20 carbon emitters globally.

Making your pension green is 21x more powerful than giving up flying, going veggie and switching energy provider. It is calling on people to tell their pension providers to go green. It's the most powerful thing you can do for the planet."*

Dorset Action on Pensions have looked closely at the research commissioned by Make My Money Matter in partnership with Aviva. It shows that Pension Fund divestment will effectively help de-carbonise the personal finances for approximately 80,000 Dorset pension fund members. The positive impact in terms of CO2 reduction is immense.

For every £1 invested in sustainable financial products instead of fossil fuels, a CO2e saving of 0.64Kgs is made. It is an easy calculation to determine the tens of thousands of tonnes of carbon savings that will be made if DCPF divested: 0.64kgs x £s invested by DCPF in fossil fuel industry.

* Climate Action: https://www.climateaction.org/news/new-report-finds-pension-funds-enable-more-co2-than-the-entire-uk-carbon-fo

Question: Will the Committee now help Pension Fund members to de-carbonise their finances by divesting from fossil fuel companies, releasing them from the heavy responsibility of contributing to huge carbon emissions?

Unfortunately I will not be able to attend the meeting in person, and I therefore ask for my question to be read out on my behalf.

Response:
The Dorset County Pension Fund is supportive of the declarations of a Climate Emergency by both Dorset Council and Bournemouth, Christchurch and Poole Council.

Significant decarbonisation has been, and will continue to be, achieved through the transition of assets to the management of Brunel Pension Partnership, the pension fund's LGPS investment pooling manager. 10% of the pension fund's assets are now invested in Brunel's global sustainable equities fund and all other actively managed Brunel funds are committed to a policy of a 7% year on year reduction in their carbon footprint.

A Friends of the Earth report estimated that Dorset had £128M invested in fossil fuel production in March 2019. By March 2021 this had fallen to approximately £41M (which is just 1.2% of total investment assets).

We conduct a major review of our long-term investment strategy every three years. This process begins with an analysis of our overall funding position conducted by our actuaries, Barnet Waddingham. It will be based on the value of our assets on March 31st 2022.

The results of this analysis will be forwarded to an independent advisor who will develop a strategy that best fits our long-term objectives. I would expect them to initially present a number of options including the balance between equities and fixed income, UK and global investments, public and private markets, active versus passive investments as well as taking into account the Climate Emergency.
All of these factors will be considered by the Pension Fund Committee as part of the debate that will inform the development of a new strategy by the middle of next year

Duration of meeting: 10.00 am - 1.05 pm

Chairman

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Dorset Council

Public Participation at Committee Meetings

Dorset Council welcomes public attendance and involvement at all of its formal committee meetings. You can participate in a meeting by attending and listening to councillors debate and make decisions; by asking a question, making a statement or presenting a petition relating to the business of the committee.

Decisions made by Dorset Council will affect people who live and work in Dorset and the council wishes to ensure that these decisions are fair and democratic.

Please read the information below that sets out the guidelines for public participation. There is separate Guidance to Speaking at Planning Committee should you wish to make representations to one of the area planning committees. There is also separate guidance for anyone wishing to attend a licensing sub-committee, for details please view the Licensing sub-committee procedure and guidance.

How does public speaking work?

Any member of the public living or working in the Dorset Council area, or any appointed representative of any organisation operating within the council's area may ask a question, make a statement or present a petition.

Dorset Council also welcomes the attendance of town and parish council representatives at committee and Full Council meetings and the Chairman will normally invite the clerk or parish councillor to speak first at a meeting.

Please note that you do not need to tell the council in advance if you just wish to attend the committee meeting to listen to debate.

How will I know what is on the agenda for a meeting?

Agendas are normally published at least one week in advance of the meeting and are available to view at www.dorsetcouncil.gov.uk. Committee agendas are also available to view by downloading a free app called:-

Modern.gov onto your laptop or tablet.

How do I make a request to speak?

You need to let the council know if you wish to speak at a committee meeting by contacting the Democratic Services Team at least **3 working days** before the meeting. Requests can be emailed to DemocraticServices@dorsetcouncil.gov.uk. Or you can phone the council (01305 251000) and ask to speak to democratic services.

When registering your request to speak please provide the following information:

- Your name, address and contact details;
- The name of the councillor to whom the question is directed;
- The full text of the question or statement in plain English.

How long may I speak?

You are able to speak for up to 3 minutes when asking a question or making a statement. However the Chairman of the committee will use their discretion if it is appropriate to extend this time.

What will happen at the meeting itself?

The Chairman will invite you to speak at the appropriate point in the meeting, usually at the beginning of the meeting. Town and parish councils will normally be invited to speak first followed by members of the public; councillors will listen to all of the questions and statements made. The most appropriate councillor will respond to the question at the meeting or if the information is not available a written response will be provided after the meeting.

Is there a limit on the number of people allowed to speak?

There is no limit on the number of people able to speak within the 15 minutes set aside for public questions and statements. Occasionally this time may be extended by the Chairman if it is appropriate to do so. No person or organisation may ask/make more than 2 questions or statements at any one meeting.

Who can submit a Petition?

Anyone who lives works or studies in the council's area may organise or sign a petition. This includes anyone under the age of 18. Full details of the Petition Scheme is set out in the Constitution under the procedure rules. If you are thinking about organising a petition please contact the Democratic Services Team who can provide you with help and advice.

How can I submit a Petition?

A petition must include a clear and concise statement covering the subject of the petition, state what lawful action the petitioners wish the council to take, be signed by at least 20 people supporting the petition, include the name, address and signature of any person supporting the petition and contact details of the petition organiser.

Petitions can be submitted in paper format or through an e-petition portal. Petitions can also be presented to the meeting of Full Council if it meets the threshold. Where the threshold is met the petition organiser should contact democratic services at least **10 working days** before the Full Council meeting. The council's response will depend on the number of people who have signed the petition and the table below sets out that threshold

Number of signatories	Responses
20 – 49	Response from relevant director or service head
50 – 4,999	Response from relevant Executive member
5000+	Referred for debate at a meeting of full Council

What happens next?

If the petition has enough signatures to trigger a debate at Full Council then the petition organiser will be informed when and where the meeting will take place. The council will try to consider the petition at its next meeting, although sometimes this may not be possible and consideration will then take place at the following meeting.

The petition organiser or a person representing the petition organiser will have 3 minutes to present the petition at the Full Council meeting. The petition will be debated by councillors unless the petition is referred to another committee for consideration, in which case it will not be debated. Councillors may ask questions of the petition organiser and the petition organiser, or their representative, will have 3 minutes at the end of the debate to respond before the councillors take a vote on the matter.

Please refer to the council's Petition Scheme in the Constitution for further details or contact a member of the Democratic Services Team for help and advice.

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BRUNEL
Pension Partnership

Dorset County Pension Fund
administered by Dorset Council

Performance Report for Quarter Ending 31 March 2022

Contents

Page 3 - Brunel News

Page 4 - Executive Summary

Page 5 - Market Summary - Listed Markets Equities

Page 8 - Market Summary - Head of Private Markets

Page 11 - Responsible Investment & Stewardship Review

Page 12 - Summary of Pension Fund Performance

Page 13 - Asset Allocation of Pension Fund

Page 15 - Legacy Manager Performance

Page 16 - Brunel Portfolios Overview

Brunel News

BRUNEL
Pension Partnership

The first quarter was marked by Russia's invasion of Ukraine, which sparked a succession of major sanctions. We took the view, in light of these developments, that the investment outlook for Russia had changed materially. We decided to prohibit further investments in Russia and to unwind the small exposure we already held. As David Vickers, our Chief Investment Officer, explained at the time: "We believe that this position firmly sits within our fiduciary duty to our clients and has been reached based on investment considerations."

Brunel staff were back in the office in force, with all desks pre-booked on several days.

The busy period around COP 26 also saw us transfer our passive funds to the new Paris-aligned benchmarks (co-developed with FTSE Russell). In the first quarter, the total funds transferred to these benchmarks rose from £3 billion to £4 billion. We also added a new theme to our RI reporting: biodiversity.

Brunel appointed two new managers (Jupiter and Mirova) to the Sustainable Equities portfolio. This launched in 2020 with £1.2 billion in AUM; it has since grown to £2.5 billion. The portfolio continues to place ESG considerations at the forefront of the investment process, such that managers *positively pursue* companies that will provide a benefit to society.

Over the period, Brunel also appointed Opus Nebula to take over our extensive client reporting responsibilities, one of our core services. Opus will enable Brunel to report separately to each client on a quarterly basis, across listed and private markets.

Several Brunel figures made their presence felt in the market over the period. In February, David Cox, Head of Listed Markets, published a blog for FTSE Russell on making Paris goals a reality – the blog was republished by Portfolio Institutional. Following some public attacks on stakeholder capitalism, the FT published a letter signed by fifty senior investment professionals in its defence – Faith Ward was the lead signatory on the letter.

Brunel continued its RI work in both advocacy and in reviewing our own processes, too. On the former, Brunel co-filed a resolution calling for the introduction of the Living Wage at Sainsbury's, which directly employs 189,000 people. The coalition comprised ten institutional investors, representing £2.2 trillion and 108 individual shareholders.

"This was already an urgent issue – and current global events mean that urgency is increasing by the week," said Laura Chappell, CEO. "Food prices and energy bills are increasingly unsustainable for many of the lowest-paid employees, but companies like Sainsbury's have the wherewithal to appropriately compensate a large number of key workers –providing an example for others to follow. "

In reviewing our own processes, our Climate Stocktake gained momentum, and interviews were initiated with a range of key stakeholders – these are ongoing at time of writing, but those we have contacted have generally shown a strong desire to participate.

In March, we published our Annual Report & Financial Statements, which demonstrated major cost savings across our portfolio offering. We would encourage you to read further about an exceptional year.

Executive Summary

High-Level Performance of Pension Fund

• The fund delivered absolute performance of -2.6% over the quarter in GBP terms. This was 2.3% behind the benchmark return of -0.3%
• Total fund return for the 12 months to end-March 2022 was 10.1%, which was 1.2% behind the benchmark return of 11.3%

Key points from last quarter

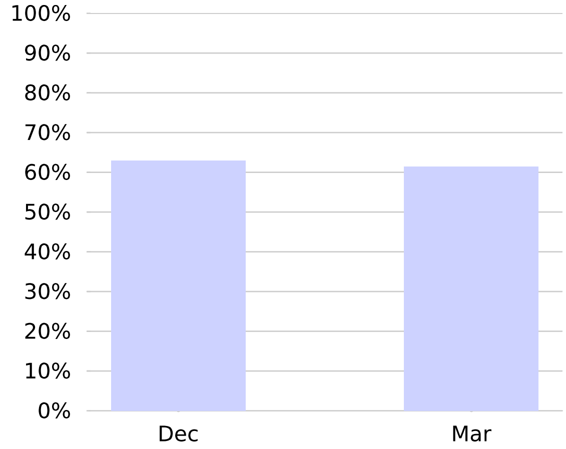
• A number of equity funds had a difficult quarter due to exposure to sectors which performed poorly.

Page 30

Total Fund Valuation

	Total (GBPm)
31 Dec 2021	3,780
31 Mar 2022	3,694
Net cash inflow (outflow)	12

Assets Transitioned to Brunel



GBP 2,379m GBP 2,270m

Market Summary – Listed Markets

It goes without saying the Russian invasion of Ukraine had a big impact on markets in the first quarter of 2022. However, it's important to remember the economic backdrop that preceded this tragedy, which is, sadly, ongoing at the time of writing.

As noted in previous updates, the belief that rising inflation, in part caused by increasing commodity prices, would be transitory had started to give way to the belief it would become persistent. The removal of Omicron restrictions early in the year gave central bankers the confidence to be more hawkish in their rhetoric, leading to negative returns in January for both equities and fixed income.

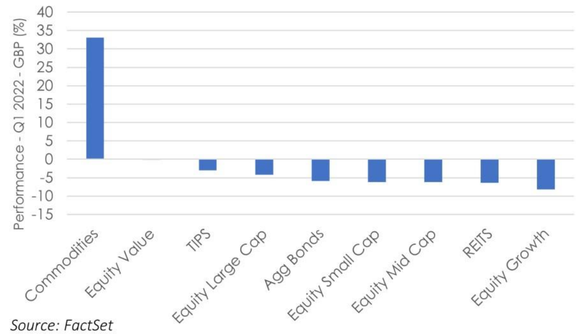
From an economic standpoint, the Russian invasion of Ukraine in February has only accentuated the pre-existing condition of rising commodity prices contributing to inflation.

Russia and Ukraine are large producers of energy, metals and food. Combined, they produce 29% of the world's wheat and 12% of global calories in 2021, with Ukraine among the top four global suppliers of corn. Russia is the third largest producer of oil, and second largest producer of natural gas, accounting for around 40% of Europe's supply. Russia is also among the top five global producers of steel, nickel and aluminium.

Given the proportion of global commodities produced across the two countries, it is no surprise that tough sanctions applied to Russian exports, combined with a significant reduction in Ukraine's output, has seen commodity prices rise further. To give a flavour of the extent of price increases over the quarter, the Bloomberg Commodity Index returned 29%, Brent crude oil prices rose 35%, wheat was up 31% and nickel prices increased by 64%. Brunel funds with commodity exposure have benefitted from this positive performance; the Diversifying Returns portfolio generated positive returns over the period. However, rising commodity prices impacted other asset classes negatively.

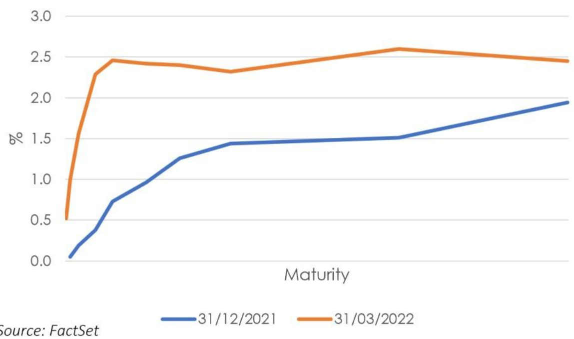
There was a brief compression in sovereign bond yields in the days following the invasion. However, if markets thought central banks would identify war as a reason to hold off monetary tightening, they were to be disappointed. For the most part, the world's central bankers emphatically confirmed their intention to tame inflation, with a number increasing policy rates. The Federal Reserve approved the first increase in the Federal Funds rate in three years on 16 March, whilst the Bank of England raised the base rate in both February and March. Yields increased significantly over the quarter and there was a large compression in the 2-year & 10-year Treasury spreads.

US Asset Class Returns - Q1



Source: FactSet

US Yield Curve



Source: FactSet

Market Summary – Listed Markets

Over the period, Treasuries, as measured by the Bloomberg US Treasury (3-10Y) Index, returned -3.0%. The Bloomberg Barclays Global Aggregate returned -5.0% on a GBP hedged basis and the iBoxx Sterling Gilts (1-10Y) index returned -2.7%.

The US dollar Index was up 5.4% over the quarter, benefitting from both risk aversion and from investors revising their expectations of the magnitude and speed of rate rises.

Against the backdrop of war and rising interest rates, it could be argued the MSCI ACWI held up reasonably well, falling 2.4% over the period. But the headline figure masks high dispersion in the performance of the underlying securities. It is not surprising Energy was the best-performing sector, returning 26.7%. The Materials, Utilities and Financial sectors returned 6.3%, 4.3% and 2.7% respectively, while all other sectors posted negative returns.

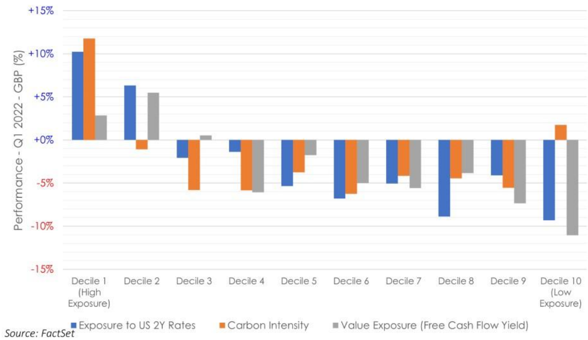
Our analysis – as highlighted in the table right – demonstrates that the best performing companies had high carbon intensity, positive sensitivity to higher interest rates, or were in traditional "value" areas (defined as high free cash flow yield).

Positive exposure to the Value factor helped the Brunel Low Volatility portfolio to markedly outperform its benchmark. However, below-benchmark exposure to carbon-intensive companies (which we associate with higher levels of long-term risk), does generally result in stylistic tilts, and thus acted as a headwind for other Brunel active equity portfolios over the period.

Looking ahead, policymakers are likely to find the economic landscape challenging. The US economy is at risk of overheating. Consumer-price inflation is 7.9% and wages are 5.6% higher (both YoY). There are nearly twice as many job openings as there are unemployed workers. Short-term rates are expected to rise to 2.5% by the end of 2022 and to more than 3% in 2023. Whether the Federal Reserve can control high inflation without tipping the economy into recession remains to be seen. It doesn't have a great track record of doing so, and markets are pricing a reduction in rates after 2023, reflecting an expectation the economy may then be flagging and need support.

Europe subject to cost push inflation resulting from rising energy prices, also has an inflation problem. Economists expect Europe's economy to grow in 2022 but this assertion would be challenged should Europe decide to stop importing Russian gas, or if Russia stops selling it.

Global Equity Markets Performance - Rates, Carbon & Value



Source: FactSet

Market Summary – Listed Markets

BRUNEL
Pension Partnership

The most immediate threat to global growth comes from the outbreak of Omicron in China. Several major cities, including Shanghai, are under lockdown. Lower output and further disruption to global trade associated with lockdowns is likely to add to the inflationary pressures the world is grappling with.

Market Summary – Head of Private Markets

Overview
Q1 was undoubtedly marred by the situation in Ukraine. Following prolific fund activity and a sustained recovery in Q4 2021, economic activity largely remained positive in Q1, but slowed from the peak of last year, while the Ukraine crisis impacted growth expectations further. Commodity prices soared, since Russia is a key producer of oil, gas and wheat. This contributed further to the surge in inflation, alongside continued supply chain disruption. Central bank rhetoric turned more hawkish, with the Fed and the Bank of England implementing hikes, and the ECB indicating a rise this year was no longer ruled out.

Preqin's Q1 2022 report showed infrastructure funds raised $70bn in the quarter, 42% higher than the previous peak (in Q4 2019). North America was the main focus, possibly driven by anticipated deployment opportunities created by the recently signed *Infrastructure Investment and Jobs Act* in the US.

In the same report, Preqin calculated an IRR return of 8.5% over the 10-year period to Q3 2021. Preqin predicts investors will continue to be attracted to the asset class, with the prospect of defensive inflation protection in many assets.

The war in Ukraine reinforced the market interest in renewables, now with the additional impetus of energy security adding to the demand for sustainability. Nuclear energy benefited from the same interest.

Energy transition funds designed to decarbonize industry, heating, transport and agriculture continued to proliferate, and the first materially significant hydrogen infrastructure investments were made in the quarter.

Private Equity
2021 was a record year for private equity in terms of investment activity and exits. Both investment activity and portfolio company performance showed signs of recovery from the pandemic. Following this record-breaking year, private equity activity slowed down in the first quarter of 2022. Both the number and value of deals dropped, compared with Q1 2021. In addition, exits and PE-backed IPOs recorded their lowest value in recent quarters. The Russian invasion of Ukraine caused a global shock in commodity prices, which contributed to a further increase in inflation fears and supply chain disruptions – even as inflation and supply chain issues caused by Covid are yet to subside. Higher interest rates and recession worries are the key issues that the market is monitoring – and private equity firms are assessing the effects on deal activity and portfolio performance. It is expected that the Federal Reserve will continue to raise rates through 2022 and there are calls for more aggressive hikes.

The fundraising market is strong, with major mega-funds expected to come back to market in 2022. Asset valuations are likely to be affected by rate hikes and investors are being cautious with Tech companies. PE firms have further increased their focus on ESG and ways to embed it in their processes to drive value within their portfolio investments. In addition, General Partners (GPs) are raising Impact-focused funds; this will be a key theme in the new investment cycle.

VC fundraising continues to show strength and has persisted despite market uncertainty. VC-backed companies are still attracting capital, with larger funding rounds. Due to the uncertainty facing public markets, investors are increasingly allocating to private markets to find attractive returns.

The fundraising market is still expected to have a strong year. Mega-funds continue to dominate the market with Buyout, Growth, and Venture the main strategies of interest. However, the fundraising period is expected to be longer to accommodate Limited Partners. In addition, GPs are indicating a shorter investment period to deploy capital.

Private Debt
Credit spreads in the public market have fully recovered from the spike caused by Russia's initial military advance into Ukraine. High yield bond spreads finished the quarter at ~350bps and ~400bps in the US and Europe, respectively. Primary market activity has been muted, with new issue volume significantly lower compared with the same period last year. This plays into the hands of the private debt market, with an increasing number of managers able to take advantage of a stuttering, broadly syndicated market by offering opportune financing solutions to upper-middle market and large-cap borrowers. This has been one of the key trends over the last 12-18 months.

Short-term rates increased over the quarter. The Secured Overnight Financing Rate (SOFR), which is the US replacement for LIBOR, increased from 0.05 to 0.3. The Sterling Overnight Index Average (SONIA), which is the UK replacement for LIBOR, increased from 0.19 to 0.69.

Q1 is typically a seasonal soft point for deal making activity as participants pause for breath after a hectic year-end. The Russian invasion of Ukraine caused volatility to spike across capital markets. Private equity sponsors put new deals on hold in the face of difficult valuation and price discovery. Deal-making activity is expected to pick up again through Q2.

US and European private debt managers have been carefully monitoring the Russia/Ukraine situation. Whilst direct exposure tends to be close to zero, managers have been conducting broader portfolio reviews of the implications of increased energy prices, capital markets volatility, supply chain shocks and the increasing risk of cyber-attacks. Given the focus on sectors such as healthcare, services and technology, direct exposure to raw material costs and energy prices tends to be limited. The main concerns cited by managers are the second and third order impacts and their influences on labour costs and wage inflation.

Property
UK monthly investment volumes rebounded in February in the industrial sector, after a slow start to 2022, with that sector accounting for three of the four largest deals. Hotels, Residential and Student Accommodation also attracted investor interest this quarter. Concerns over the economic outlook are yet to affect annual performance returns, with end-March figures still well above trend. Retail warehousing yields compressed further in Q1 and even shopping centres delivered a small positive return at the start of 2022. However, enthusiasm for UK property may

falter over the summer months, as consumer confidence wanes and rising UK interest rates influence investors' asset selection decisions. UK commercial property does provide some defence against rising inflation, so the positive element of holding real assets, often with index-linked income returns, may outweigh legitimate concerns around narrowing yield differentials.

Real estate markets globally moved away from the pandemic and back to themes of affordability, regulation, ESG and digitalisation. Geopolitical tensions are high, with military conflict between Russia and Ukraine. The polarisation between the primary and secondary/peripheral sectors, regions and locations strengthened again. The most popular sectors continued to include residential, healthcare and logistics.

The two largest economies whilst tracking back well, face significant challenges. China is being impacted by a strict zero-Covid strategy and was also shaken by a liquidity crunch in its domestic real estate market. The US is facing the risks of rising interest rates, continued supply side shortages and price increases in the near term. Globally, real estate yields continued to trend lower for longer, despite concerns over tightening monetary policy.

CEO Perspective - RI at the heart of Brunel

Over the reporting period, we saw the extreme shake-up in social and working practices – caused by lockdowns – as an opportunity for staff to review our values statement and ensure it truly describes Brunel – we were very pleased with the result and will keep our people strategy under review as the market evolves in 2022.

Reviewing our approach also meant a more decisive focus on mental health. Internally, we reviewed our own support mechanisms and ensured we were talking about mental health. We tried to normalise the subject externally, too – in an Op-Ed in Professional Pensions, I argued that a focus on mental health doesn't just make ethical sense for companies, but makes business sense too.

Other challenges were less specific to the year, reflecting systemic realities. One such focus was cost savings – our **Annual Report** demonstrated our achievements in that area. On diversity and inclusion, we know we still have some way to go, but we were particularly proud when Helen Price, in her role as co-Chair of the Asset Owner Diversity Working Group, launched the Diversity Charter, with signatories representing more than £1 trillion in AUM – signatories make a number of commitments to improving, monitoring and reporting on diversity in their companies.

Our work on climate change, most specifically the new Paris Aligned Benchmarks, as well as our approach to manager selection were recognised in Brunel winning three Europe-wide categories at the IPE Awards in Innovation, Climate Related Risk Management, and Portfolio Construction & Diversification. These awards reflect our RI and investment acumen and commitment.

Our approach must continue to evolve if we are to continue to set an industry leading example. Our updated infographic (below) outlines our RI priorities. We have taken the opportunity to update the headings of the themes to better reflect the breadth and depth and to make it clearer we are reflecting client priorities.

The most important change is that we have moved biodiversity from behind our Supply Chain theme and it is now a priority; it now has a set of specific objectives. Biodiversity is a theme close to my own heart and one which has major implications across both climate change and investing.

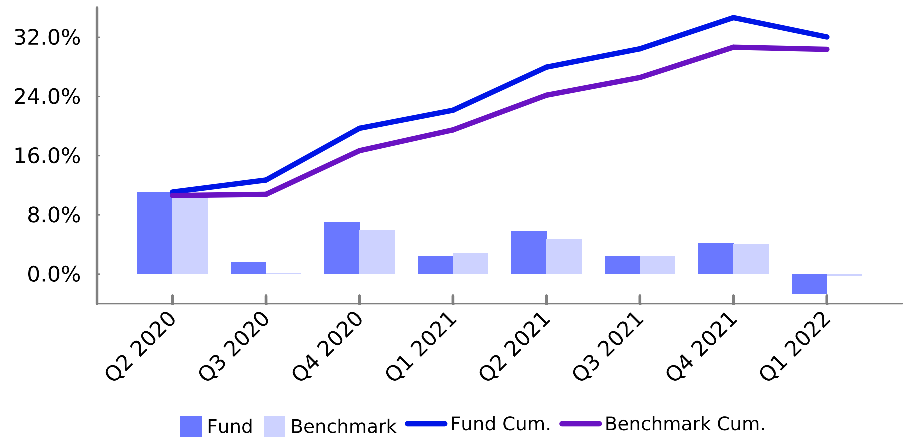
Summary of Pension Fund Performance

BRUNEL
Pension Partnership

Performance of Fund Against Benchmark (Annualised Performance)

Period	Fund	Strategic BM	Excess
3 Month	-2.6%	-0.3%	-2.3%
Fiscal YTD	10.1%	11.3%	-1.2%
1 Year	10.1%	11.3%	-1.2%
3 Years	7.1%	7.3%	-0.2%
5 Years	6.1%	6.6%	-0.5%
10 Years	8.9%	8.8%	0.1%
Since Inception	8.5%		

Rolling Quarter Total Fund (Net of Manager Fees)



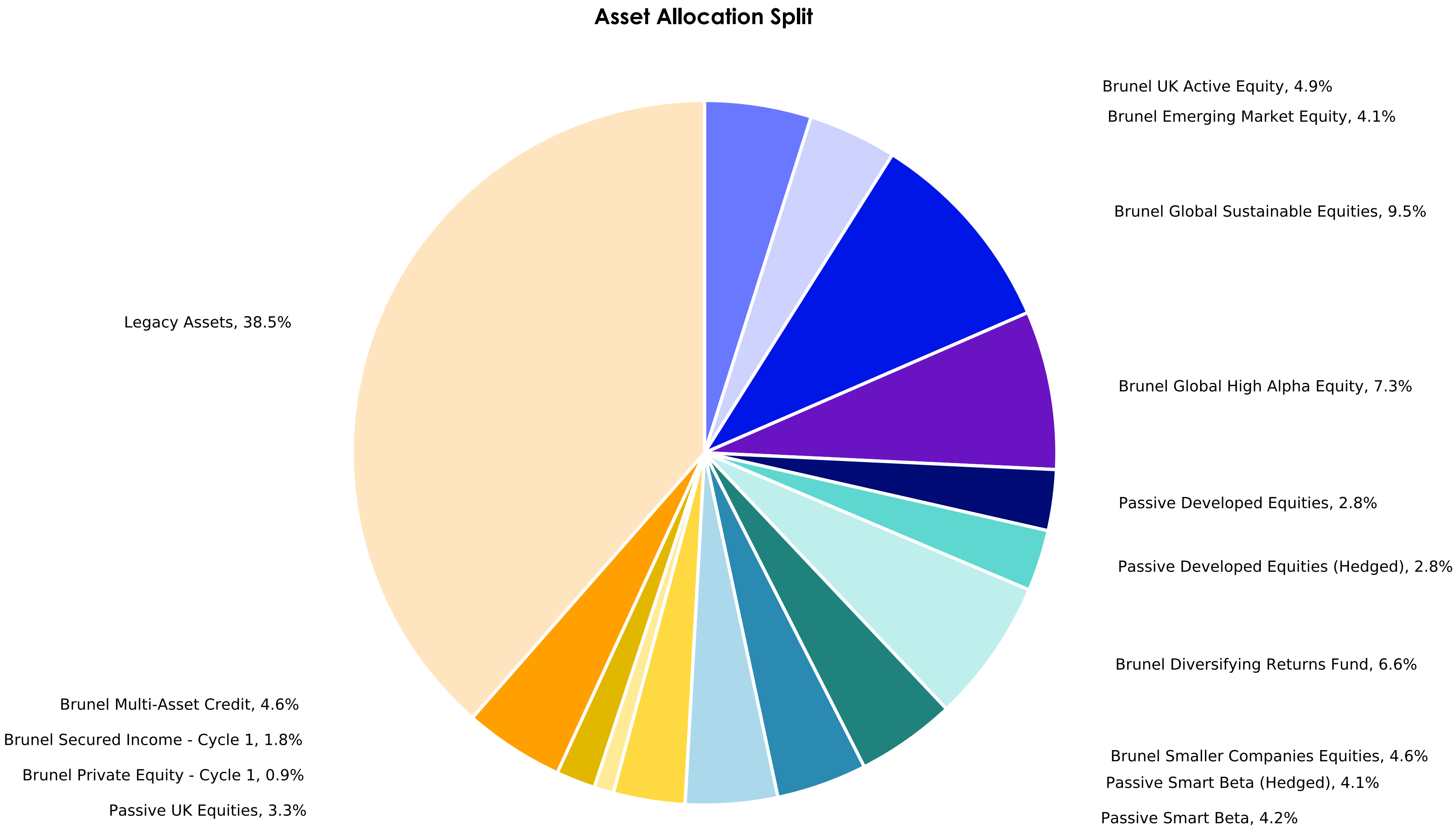
Key drivers of performance

Portfolio performance during the quarter

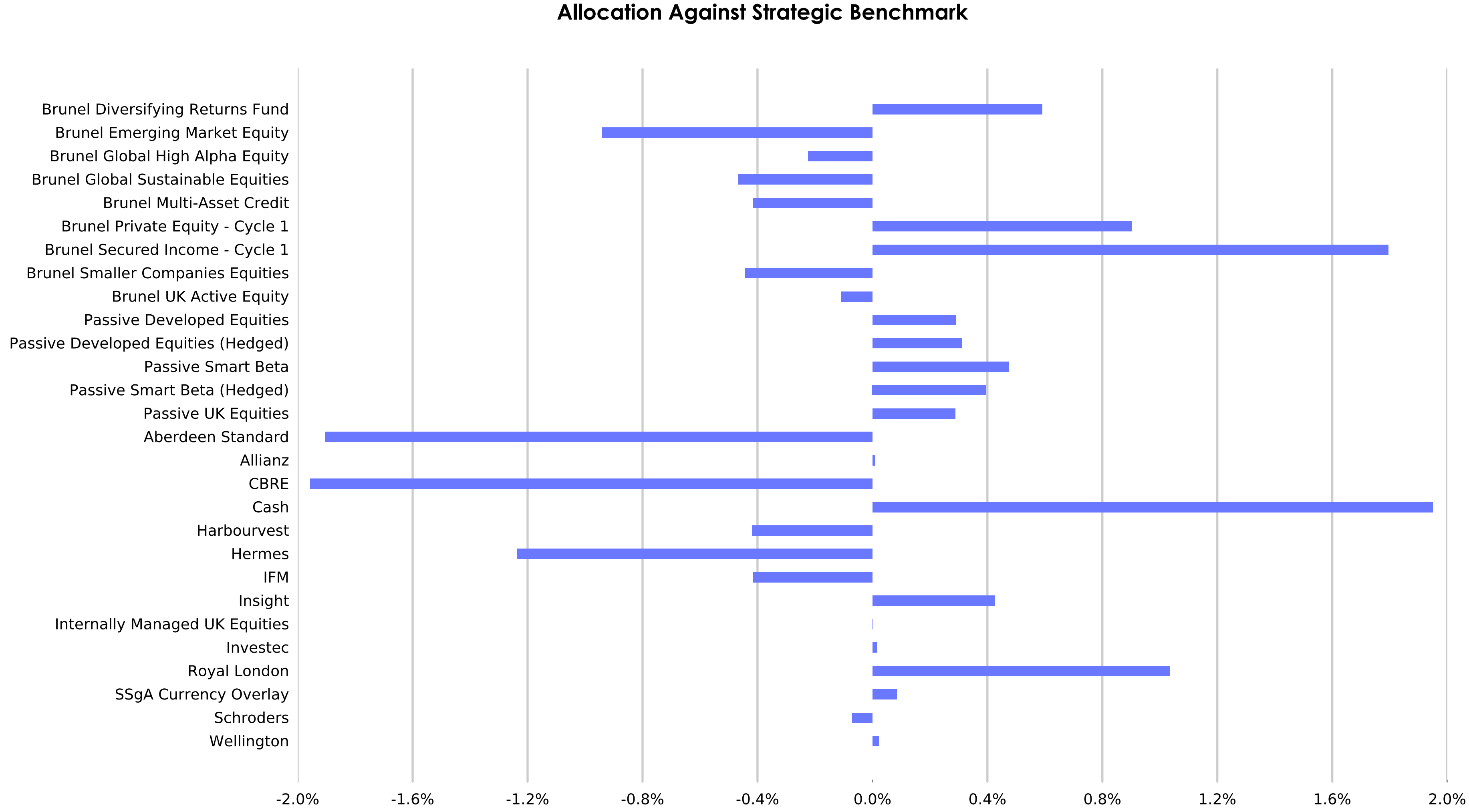
- Global Sustainable Equities portfolio generated a negative return of -9.8%, underperforming the benchmark by 7.2%.
- Global High Alpha Equity portfolio generated a negative return of -8.0%, underperforming the benchmark by 5.6%.
- The Diversifying Returns Fund produced a positive return of 0.4%, which was 0.4% behind the return of the benchmark of 0.8%.
- UK Active Equities generated a negative return of -3.6% which was 4.8% behind the return of the benchmark.

Asset Allocation of Pension Fund

BRUNEL
Pension Partnership



Asset Allocation of Pension Fund



Page 40

Legacy Manager Performance

BRUNEL
Pension Partnership

Legacy Manager Performance – 3 Year

	Annualised Return	Risk (Standard Deviation)	Benchmark Return	Benchmark Standard Deviation
Aberdeen Standard	13.7%	16.7%	5.3%	15.6%
CBRE	6.7%	6.3%	4.9%	4.9%
Harbourvest	34.9%	21.8%	5.3%	15.6%
Hermes	5.5%	7.6%	10.1%	0.1%
IFM	11.0%	9.0%	10.1%	0.1%
Insight	4.6%	15.8%	4.8%	15.4%
Royal London	3.0%	7.9%	1.0%	8.6%
Schroders	11.0%	23.9%	11.3%	24.0%
Wellington	10.7%	13.1%	14.6%	14.2%
Dorset County Pension Fund	7.1%	9.9%	7.3%	8.6%

Brunel Portfolios Overview

BRUNEL Pension Partnership

Portfolio	Benchmark	AUM (GBPm)	Perf. 3 Month	Excess 3 Month	Perf. 1 Year	Excess 1 Year	Perf. 3 Year	Excess 3 Year	Perf. 5 Year	Excess 5 Year	Perf. SII*	Excess SII*	Initial Investment
Brunel Global High Alpha Equity	MSCI World TR Gross	269	-8.0%	-5.6%	8.8%	-7.1%					17.3%	2.8%	15 Nov 2019
Brunel Global Sustainable Equities	MSCI AC World GBP Index	352	-9.8%	-7.2%	8.2%	-4.6%					8.5%	-3.9%	01 Dec 2020
Brunel UK Active Equity	FTSE All Share ex Investment Trusts	181	-3.6%	-4.8%	8.5%	-5.3%	3.5%	-1.4%			4.9%	-1.2%	21 Nov 2018
Brunel Emerging Market Equity	MSCI EM TR Gross	150	-7.1%	-2.9%	-11.5%	-4.6%					2.7%	-2.3%	09 Oct 2019
Brunel Smaller Companies Equities	MSCI World Small Cap	168	-10.0%	-6.3%	2.2%	-1.8%					3.3%	-2.2%	03 Mar 2021
Brunel Diversifying Returns Fund	SONIA +3% Benchmark	243	0.4%	-0.4%	7.4%	4.3%					4.9%	1.8%	31 Jul 2020
Brunel Multi-Asset Credit	SONIA + 4%	169	-2.7%	-3.8%							-1.5%	-5.1%	01 Jun 2021
Passive Developed Equities	FTSE World Developed	103	-2.4%	-0.0%	14.8%	-0.1%					13.2%	-0.1%	24 Jan 2020

*Since Initial Investment

Performance based on tradeable NAV

Where there are disparities between returns quoted above and returns provided for the same fund and period in the following pages, this is because the fund-specific pages reflect the posttransition phase, important for monitoring the performance of selected managers, while those given above reflect the Clients' actual experience from the point of initial investment, which in some cases includes the shared impact of transition costs.

Tradeable NAV performance reflects NET performance. The following product pages reflect the portfolio's NET performance

Brunel Portfolios Overview

Portfolio	Benchmark	AUM (GBPm)	Perf. 3 Month	Excess 3 Month	Perf. 1 Year	Excess 1 Year	Perf. 3 Year	Excess 3 Year	Perf. 5 Year	Excess 5 Year	Perf. SII*	Excess SII*	Initial Investment
Passive Developed Equities (Hedged)	FTSE World Developed Hedged	104	-4.4%	-0.0%	11.0%	-0.1%					14.1%	-0.2%	31 Jan 2020
Passive UK Equities	FTSE All Share	121	0.5%	0.1%	13.2%	0.2%	5.4%	0.1%			3.4%	0.1%	11 Jul 2018
Passive Smart Beta	SciBeta Multifactor Composite	156	-0.9%	-0.1%	14.3%	0.2%	11.3%	-0.1%			9.8%	-0.2%	25 Jul 2018
Passive Smart Beta (Hedged)	SciBeta Multifactor Hedged Composite	153	-2.9%	-0.1%	10.5%	0.0%	10.9%	-0.1%			9.3%	-0.3%	25 Jul 2018

*Since Initial Investment

Performance based on tradeable NAV

Where there are disparities between returns quoted above and returns provided for the same fund and period in the following pages, this is because the fund-specific pages reflect the posttransition phase, important for monitoring the performance of selected managers, while those given above reflect the Clients' actual experience from the point of initial investment, which in some cases includes the shared impact of transition costs.

Tradeable NAV performance reflects NET performance. The following product pages reflect the portfolio's NET performance

Brunel Global High Alpha Equity

BRUNEL
Pension Partnership

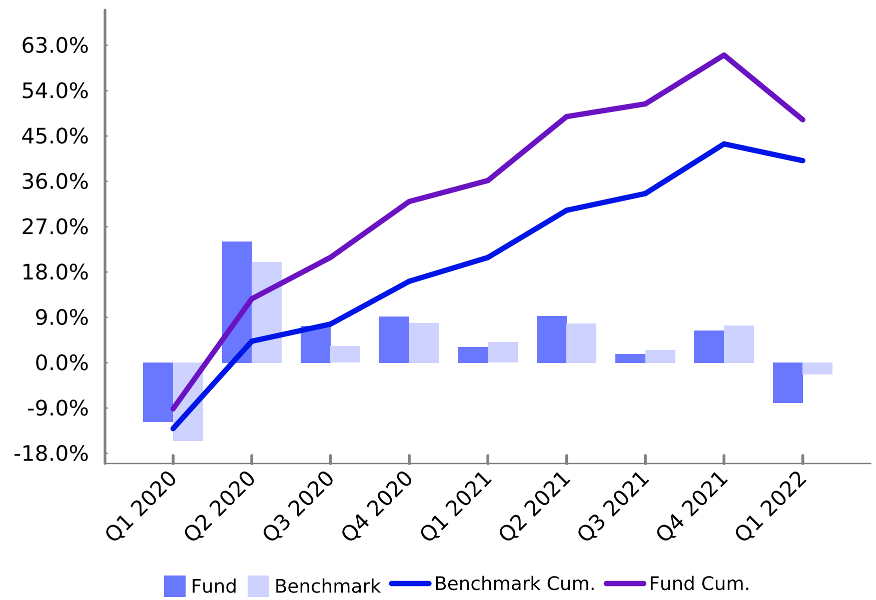
Overview

	Description
Portfolio Objective:	Provide global equity market exposure together with excess returns from accessing leading managers.
Investment Strategy & Key Drivers:	High conviction, concentrated portfolios with strong style/factor biases invested in a unconstrained manner.
Liquidity:	Managed liquidity. Less exposure to more illiquid assets.
Risk/Volatility:	High absolute risk with moderate to high relative risk, around 5-6% tracking error.
Total Fund Value:	£3,307,742,119

Performance to Quarter End

Ann. Performance	Fund	BM	Excess
3 Month	-8.0%	-2.3%	-5.7%
Fiscal YTD	8.9%	15.9%	-7.0%
1 Year	8.9%	15.9%	-7.0%
3 Years			
5 Years			
10 Years			
Since Inception	18.5%	15.7%	2.8%

Rolling Performance*



* Partial returns shown in first quarter

Global developed equities (as proxied by the MSCI World index) returned -2.3% over the quarter. This was the first negative quarterly performance since the onset of the covid pandemic in Q1 2020 and was characterised by a particularly high dispersion in the performance of underlying securities.

The portfolio returned -8.0% over the quarter, underperforming the benchmark by 5.7%. The portfolio's consistent style tilts to Growth and Quality and away from Value, alongside a lower exposure to carbon-intensive companies than the benchmark, were all headwinds to relative performance. Brunel analysis (highlighted in the listed markets commentary) showed that, unless you were invested in companies with the highest levels of carbon exposure, positive sensitivity to short-term interest rates, or Value exposure, it was very difficult to outperform equity markets in the quarter.

Attribution analysis shows negative stock selection as the main driver of quarterly relative performance. A number of the largest contributors support the narrative around the impact of the market environment and external factors impacting individual stock performance.

• Two of the largest detractors were Aptiv and Nidec (both suppliers of components to the auto industry), which are overweight in the portfolio and fell 25%

and 30%, respectively. Both companies suffered from concerns that supply-chain disruptions would curtail current sales and increase costs, and that rising interest rates may curb future demand.

• The four largest contributors to relative return included three materials companies – Steel Dynamics, Anglo American and Reliance Steel – and Suncor Energy, which returned 39%, 36%, 17% and 36% respectively, as commodities and energy prices soared.

Sector allocation also detracted due to the portfolio's largest active sector positions both working against the portfolio. Energy was the largest underweight in the portfolio and was the best-performing sector, whilst Consumer Discretionary was the worst-performing sector and the largest sector overweight. Both relative sector positions have been consistent since the launch of the portfolio and largely an outcome of the ESG integration and Growth / Quality style tilt of the portfolio.

The extreme style environment is also reflected in the divergent performance of the underlying managers. Those with a Growth style (Baillie Gifford and AB) both underperformed significantly whilst Harris and RLAM, two managers with a strong Value focus, outperformed.

Looking back further, the quarter completed a challenging 12 months for the portfolio, a period over which the prior trend in favour of Growth stocks reversed, as economies reopened and as the likelihood of rising rates increased. The portfolio returned 8.9%, underperforming the benchmark by 7.0%. From inception to quarter-end, the portfolio outperformed the benchmark by 2.8% p.a., in line with the performance target.

During the quarter, £54m was redeemed from the portfolio by two clients to meet drawdowns for private market investments. The outflows were used to rebalance the underlying manager allocations back towards target.

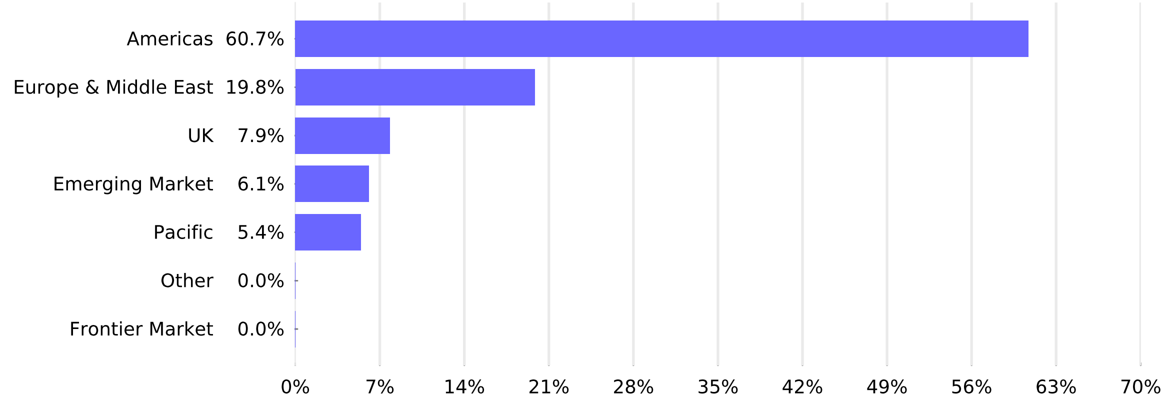
Brunel Global High Alpha Equity – Region & Sector Exposure

Top 20 Holdings

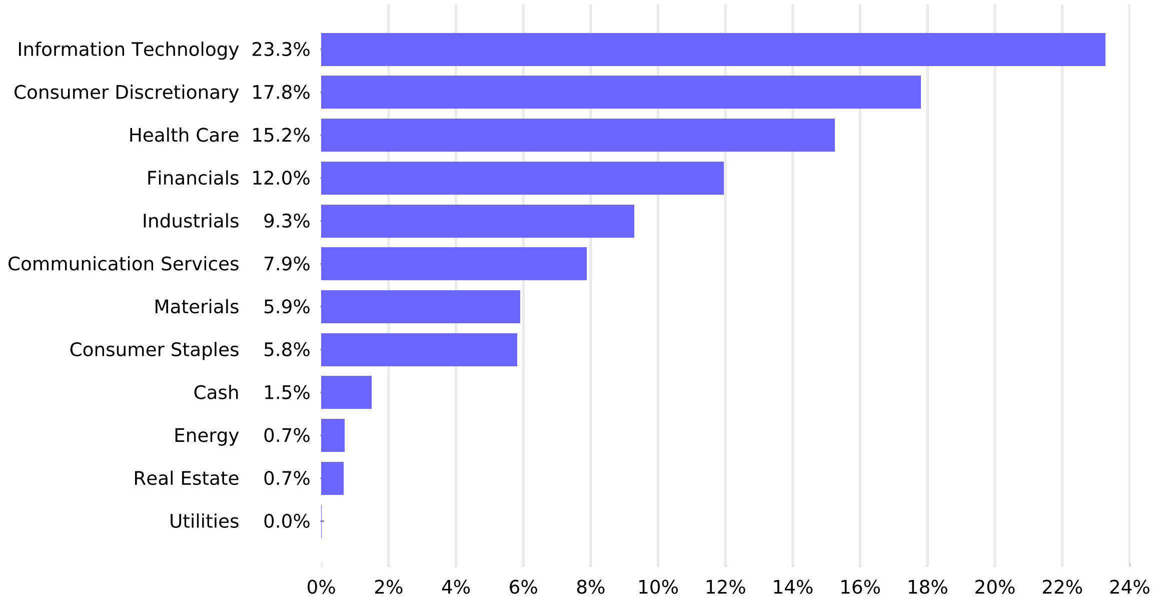
	Mkt. Val.(GBP)
MICROSOFT CORP	168,099,682
ALPHABET INC-CL A	122,571,772
AMAZON.COM INC	104,656,842
MASTERCARD INC - A	95,325,943
NESTLE SA-REG	65,453,561
MOODY'S CORP	64,339,626
TAIWAN SEMICONDUCTOR-SP ADR	58,780,021
UNITEDHEALTH GROUP INC	58,022,082
NIKE INC -CL B	53,280,283
ASML HOLDING NV	53,081,374
SCHWAB (CHARLES) CORP	52,691,126
TJX COMPANIES INC	52,562,356
AUTOZONE INC	42,833,101
JOHNSON & JOHNSON	40,880,383
META PLATFORMS INC-CLASS A	39,144,725
AUTOMATIC DATA PROCESSING	38,387,282
CAPGEMINI SE	38,020,924
NVIDIA CORP	36,476,138
IQVIA HOLDINGS INC	33,909,694
ROCHE HOLDING AG-GENUSSCHEIN	33,132,607

Page 46

Regional Exposure



Sector Exposure



Brunel Global High Alpha Equity – Responsible Investment

Page 47

Top 10 ESG Contributors to Overall Score

	Insight	Momentum
1. RECRUIT HOLDINGS CO LTD	72.7	76.0
2. ASML HOLDING NV	61.6	29.3
3. NESTLE SA	59.8	60.9
4. CAPGEMINI SE	63.7	50.0
5. TAIWAN SEMICONDUCTOR MANUFACTURIN	59.6	31.6
6. DIAGEO PLC	63.2	73.2
7. MSCI INC	63.0	78.3
8. CARRIER GLOBAL CORP	66.3	59.9
9. SAP SE	63.5	45.3
10. ADMIRAL GROUP PLC	76.1	77.7

Bottom 10 ESG Detractors to Overall Score

	Insight	Momentum
1. BECTON DICKINSON AND CO	43.3	41.6
2. PROGRESSIVE CORP/THE	40.7	18.3
3. AUTOZONE INC	45.6	81.5
4. AMAZON.COM INC	50.4	59.8
5. NIKE INC	46.5	44.1
6. META PLATFORMS INC	42.4	52.1
7. JOHNSON & JOHNSON	36.3	21.6
8. ALPHABET INC	45.7	59.5
9. TJX COS INC/THE	32.8	19.6
10. MICROSOFT CORP	46.1	31.6

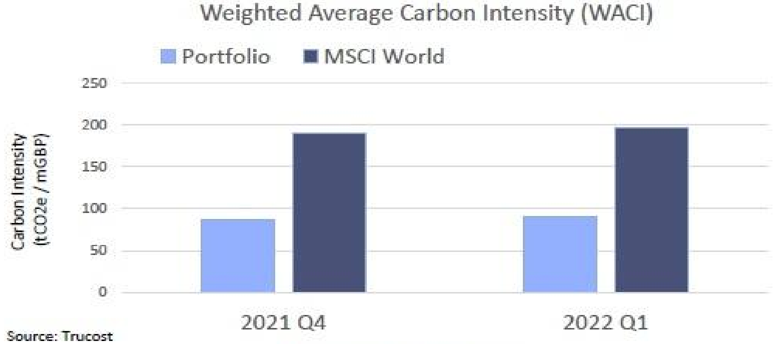
Weighted Average ESG Score	2021 Q4	2022 Q1
Portfolio	54.7	54.2
MSCI World	54.6	54.5

TruValue Labs & SASB

* Position 1 is the top contributor/detractor.

0 50 100

Weighted Average Carbon Intensity (WACI)



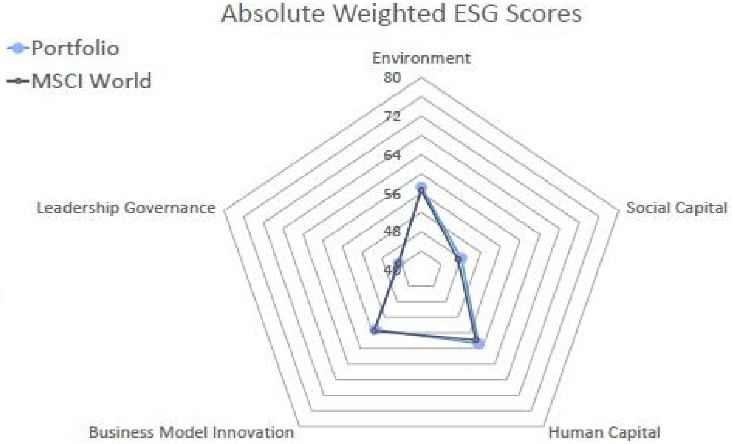
Source: Trucost

Extractive Exposure

	Total Extractive Exposure[1]		Extractive Industries (VOH)[2]	
	Q4	Q1	Q4	Q1
Portfolio	0.9	0.6	1.8	2.0
MSCI World	2.6	2.6	5.1	6.5

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

Absolute Weighted ESG Scores



TruValue Labs & SASB

Brunel Assessment:

- **Amazon** (Consumer goods) has increased its renewable capacity in Spain to 1.4GW with five new projects. The E-commerce giant has also launched its first ever electric heavy goods vehicle fleet in the UK as it continues to work towards Amazon Fresh being the first Net-Zero carbon grocery store.
- **Johnson and Johnson** (Pharmaceuticals) has settled a litigation by West Virginia for $99 million to settle claims that it helped fuel an opoid addiction crisis in the state.
- **Nestle's** (Food and beverage) health science division is buying a majority stake in Orgain, a maker of protein powders, shakes and bars, for an undisclosed amount. nestle has undergone a transformation in recent years to increase growth in healthier food and products.
- **Diageo** (Food and beverage) ramps up investment into production of packaging plants. An additional £40 million investment to expand two of its existing plants is to commence immediately in order to meet demand for canned Guinness in both the domestic and export markets.

90% of the bottom 10 ESG detractors are covered by engagement or specific voting activities.
The portfolio continues to have a carbon intensity significantly lower than its benchmark. Revenues from extractive activity and the extractives value of holdings are less than half that of its benchmark.

Brunel Global Sustainable Equities

BRUNEL Pension Partnership

Overview

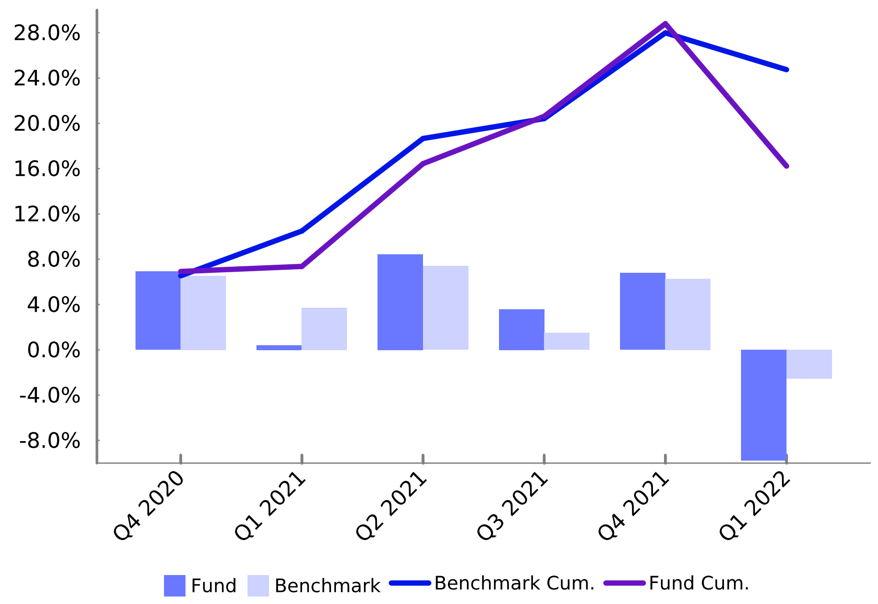
	Description
Portfolio Objective:	To provide exposure to global sustainable equities markets, including excess returns from manager skill and ESG considerations.
Investment Strategy & Key Drivers:	Actively managed, diversified by sector and geography. Consideration for a companies Environmental & Social sustainability.
Liquidity:	Managed Liquidity.
Risk/Volatility:	High, representing an equity portfolio.
Total Fund Value:	£3,132,478,438

Page 48

Performance to Quarter End

Ann. Performance	Fund	BM	Excess
3 Month	-9.8%	-2.5%	-7.2%
Fiscal YTD	8.2%	12.9%	-4.6%
1 Year	8.2%	12.9%	-4.6%
3 Years			
5 Years			
10 Years			
Since Inception	11.0%	16.5%	-5.6%

Rolling Performance*



* Partial returns shown in first quarter

As per the listed markets commentary, this quarter was defined by the expectation of increased rate rises and by the Russian invasion of Ukraine, leading to consequential sanctions and a decreasing supply of oil and commodities. This market environment favours a Value style of strategy, as the decreasing supply of commodities increases the value of the 'old economy' Energy companies. Moreover, Value companies have a smaller proportion of their cash flows discounted from the future. The increase in interest rates has meant the future growth in cash flows for a growth company are now being valued as less in the present. The Sustainable Fund naturally has a bias towards the Growth/Quality parts of the market, as the Value style is heavily influenced by unsustainable companies.

Global equities (as proxied by the MSCI All Countries World Index) returned -2.5% this quarter. The Sustainable Equity fund returned -9.7%, underperforming the benchmark by 7.2% (MSCI All Countries World Index).

• Much of this quarter's underperformance (-6.2%) can be attributed to the month of January. We saw the first signs of a rate rise to combat inflation, and saw a huge disparity between sectoral returns, favouring Value Sectors, notably Energy.

Brunel Global Sustainable Equities

- From a country perspective, the underperformance was almost exclusively driven by stock selection in the US. The underlying US Style attribution shows underperformance being driven by the allocation and the selection to the US Growth parts of the market. Being underweight the top decile of Value had a negative effect on performance, as it returned 15% over the quarter.

- Four of the five managers underperformed the index over the quarter. Jupiter, the only manager to outperform, was brought into the fund on 17 February 2022 and has therefore only been measured on a part of the period. Whilst it is disappointing that the managers have underperformed the benchmark, it is in line with the sustainable peer group. 90% that applied for the EOI stage of the process and have data available in Morningstar underperformed the benchmark. Those that did outperform had a high exposure to the Value style (as defined by Morningstar) and contained holdings that would not align to what we believe to be a sustainable company.

- From inception to end-March, the portfolio underperformed the benchmark by -5.6% on an annualised basis. All of which can be attributed to this most recent quarter.

- The Sustainalytics and TruValue Labs ESG scores for the Sub-Fund remain superior to that of the MSCI ACWI benchmark, and we continue to see a carbon intensity reduction in comparison to the benchmark.

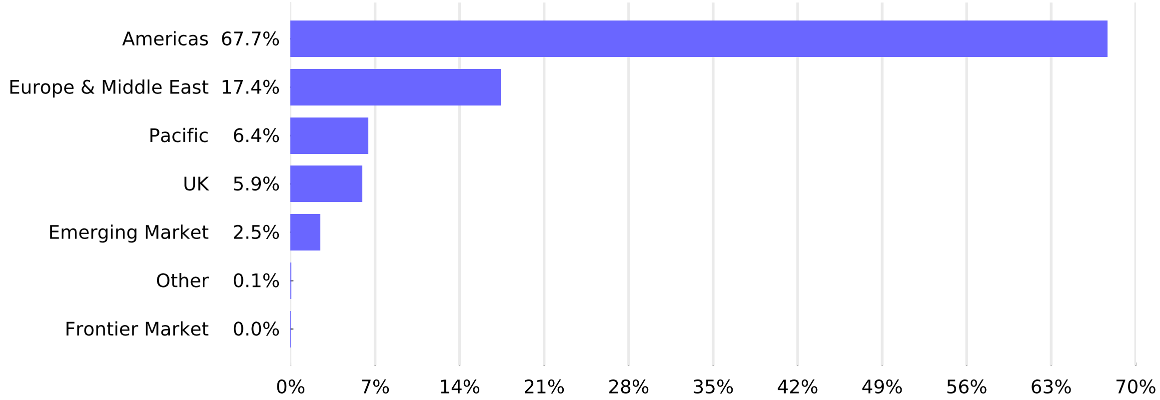
- There were a number of client trades over the quarter and a net inflow of £710m. The inflows allowed the portfolio to meet the target allocation specified in our 2021 portfolio construction update.

Brunel Global Sustainable Equities – Region & Sector Exposure

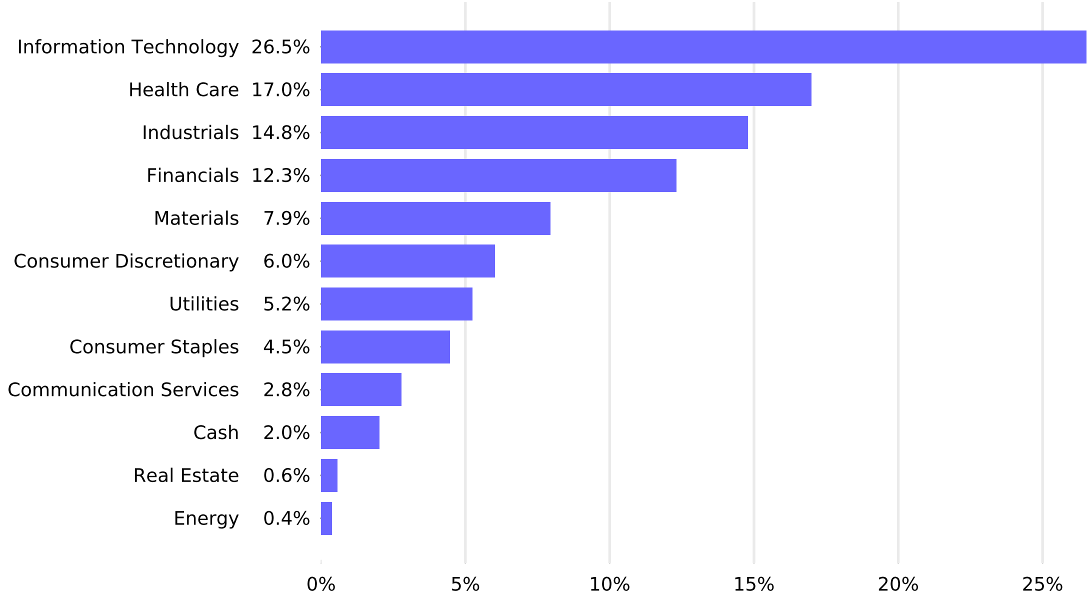
Top 20 Holdings

	Mkt. Val.(GBP)
MASTERCARD INC - A	82,162,302
MICROSOFT CORP	78,532,998
ADYEN NV	60,409,723
ANSYS INC	55,999,131
DANAHER CORP	55,660,147
WORKDAY INC-CLASS A	52,869,995
MARKETAXESS HOLDINGS INC	52,866,356
ALPHABET INC-CL A	50,894,827
EDWARDS LIFESCIENCES CORP	49,850,871
INTUIT INC	48,921,358
TRADEWEB MARKETS INC-CLASS A	48,915,888
UNITEDHEALTH GROUP INC	47,124,418
TAIWAN SEMICONDUCTOR-SP ADR	45,514,040
ROCHE HOLDING AG-GENUSSCHEIN	43,968,641
ASML HOLDING NV	43,871,772
AIA GROUP LTD	43,026,435
TYLER TECHNOLOGIES INC	41,475,883
NVIDIA CORP	40,585,826
SYNOPSYS INC	39,824,425
ILLUMINA INC	38,227,529

Regional Exposure



Sector Exposure



Brunel Global Sustainable Equities – Responsible Investment

BRUNEL Pension Partnership

Top 10 ESG Contributors to Overall Score

	Insight	Momentum
1. ABIOMED INC	80.3	86.4
2. ANSYS INC	67.6	79.4
3. ORSTED AS	73.7	65.5
4. WORKDAY INC	66.3	25.2
5. ECOLAB INC	69.2	32.9
6. FORTIVE CORP	70.8	76.3
7. KERRY GROUP PLC	68.6	35.6
8. ZEBRA TECHNOLOGIES CORP	76.1	75.0
9. ASPEN TECHNOLOGY INC	70.5	40.0
10. LINDE PLC	66.8	72.7

Bottom 10 ESG Detractors to Overall Score

	Insight	Momentum
1. MUENCHENER RUECKVERSICHERUNGS-GESEI	42.8	68.6
2. CIA DE SANEAMENTO BASICO DO ESTADO DE	37.7	17.0
3. CENTRAL JAPAN RAILWAY CO	34.4	17.8
4. ADOBE INC	41.9	17.5
5. T-MOBILE US INC	45.2	32.9
6. ROCHE HOLDING AG	50.4	50.0
7. ILLUMINA INC	46.4	20.8
8. ALPHABET INC	45.7	59.5
9. MARKETAXESS HOLDINGS INC	42.1	8.9
10. MICROSOFT CORP	46.1	31.6

Weighted Average ESG Score	2021 Q4	2022 Q1
Portfolio	59.7	58.9
MSCI ACWI	54.9	54.8

TruValue Labs & SASB

* Position 1 is the top contributor/detractor.

0 50 100

Weighted Average Carbon Intensity (WACI)

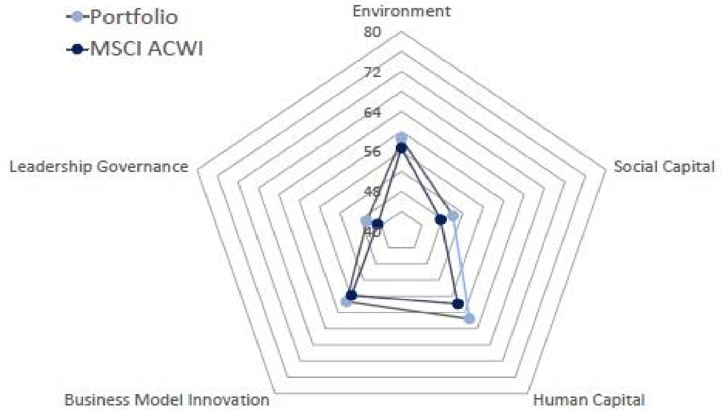
Source: Trucost

Extractive Exposure

	Total Extractive Exposure[1]		Extractive Industries (VOH)[2]	
	Q4	Q1	Q4	Q1
Portfolio	2.9	2.5	3.3	3.1
MSCI ACWI	2.6	2.6	5.4	6.6

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

Absolute Weighted ESG Scores



uValue Labs & SASB

Brunel Assessment:

- **Microsoft** (Technology) agreed to buy video game company, Activation Blizzard, in an all-cash deal valued at $68.7 billion. The acquisition will make it the world's third largest gaming company by revenue (behind Tencent and Sony Group).
- **Orsted** (Energy) has started construction on a 50-50 venture with Eversource on New York's first offshore wind farm. The site is set to be fully operational by 2023 and will comprise of 12 Siemans Games turbines, each with a 11 MW capacity.
- **Ecolab** (Chemicals) has agreed to acquire Purolite, a leading and fast-growing global provider of high-end ion exchange resins for the separation and purification of solutions. The resins are critical to safe, high quality drug production and biopharma product purification.
- **Alphabet** (IT) says it will replenish 120 percent of the water it consumes by 2030. In its efforts to replenish more water than it consumes, the company says it will also invest in community projects working to address local water and watershed challenges in places where the company has data centers and offices.

90% of the bottom 10 ESG detractors are covered by engagement or specific voting activities.
As expected from this Sustainable Portfolio, the carbon intensity and exposure to extractive industries are significantly below benchmark. The Portfolio has considerably higher ESG scores compared to its Benchmark across Environment, Social and Human Capital categories.

Brunel UK Active Equity

BRUNEL
Pension Partnership

Overview

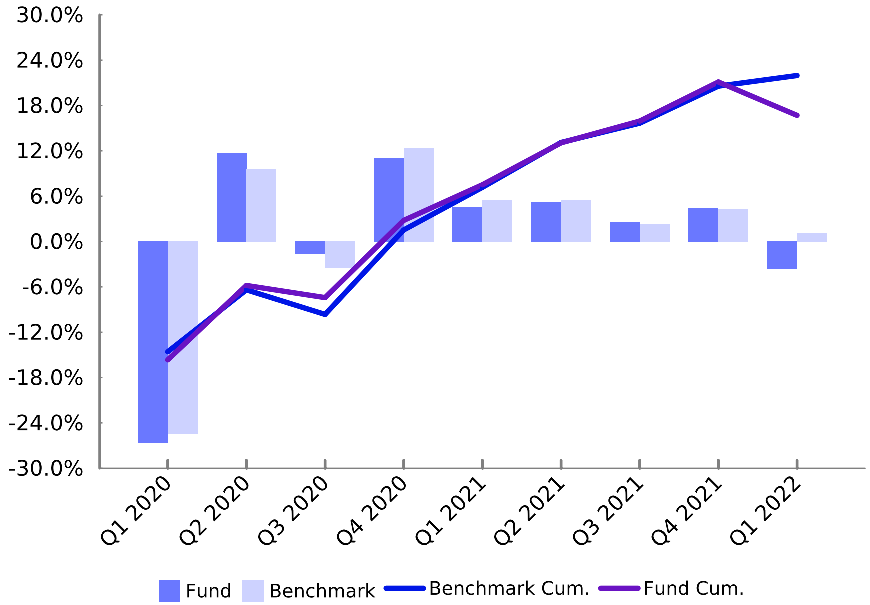
	Description
Portfolio Objective:	Provide exposure to UK Equities, together with enhanced returns from manager skill.
Investment Strategy & Key Drivers:	Skilled managers will create opportunities to add long term value through stock selection and portfolio construction.
Liquidity:	Managed level of liquidity. Less exposure to more illiquid assets.
Risk/Volatility:	High absolute risk with moderate relative risk, around 4% tracking error.
Total Fund Value:	£1,560,892,257

Page 52

Performance to Quarter End

Ann. Performance	Fund	BM	Excess
3 Month	-3.6%	1.2%	-4.8%
Fiscal YTD	8.5%	13.8%	-5.3%
1 Year	8.5%	13.8%	-5.3%
3 Years	3.5%	5.0%	-1.5%
5 Years			
10 Years			
Since Inception	4.7%	6.1%	-1.4%

Rolling Performance*



* Partial returns shown in first quarter

The FTSE All-Share Index excluding Investment Trusts returned 1.2% over the quarter. UK equities outperformed developed global equities, which, measured by the MSCI World Index, returned -2.3%. This was in part due to the sector make-up of each market. The Technology, Consumer Discretionary and Communication Services sectors were the weakest performing from a global perspective and each accounts for a larger preportion of the global market. However, the Energy sector, which was a strong performer in the first quarter, accounts for a larger portion of the UK index.

Over the quarter, the portfolio returned -3.7%, underperforming the index by 4.8%. Attribution analysis shows both stock selection and allocation effects made negative contributions to relative returns.
• The Materials and Energy sectors were the strongest-performing in Q1. The portfolio's underweight allocation to these sectors contributed to the negative relative return from sector allocation. The portfolio is overweight in the Industrials sector, which further detracted from relative performance, as the sector underperformed over the quarter.

• Stock selection in the Financials sector made the largest negative contribution to relative performance. An underweight to HSBC, one of the largest positions in the index, was the most significant negative stock contribution.

• The portfolio's tilt towards smaller companies made a negative contribution to relative performance.

At the manager level, Invesco moderately underperformed the index by 0.7%, whilst Baillie Gifford underperformed by 10.8%.
• The Value factor was the dominating driver for performance for Invesco, although the factor revised some of its earlier gains in late March. In contrast, the Momentum factor recovered in March to end the quarter flat. Contribution from Quality was slightly negative.

• Over the quarter, Baillie Gifford suffered significantly from its underweight to the Value factor and its overweight to smaller companies. A large overweight to the Industrials sector further detracted. Stock selection effects were negative in every sector other than Energy.

Over the 12 months to 31 March 2022, the portfolio delivered an absolute return of 8.5%, underperforming the FTSE All-Share excluding Investment Trusts Index by 5.3%. Since inception, the portfolio has returned 4.7% on an annualised basis, behind the benchmark, which returned 6.1% over the same period.

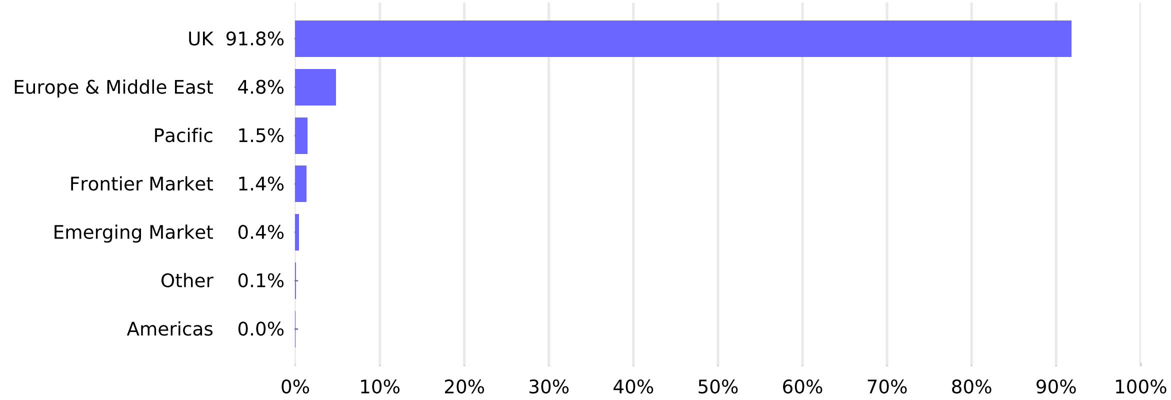
Brunel UK Active Equity – Region & Sector Exposure

BRUNEL
Pension Partnership

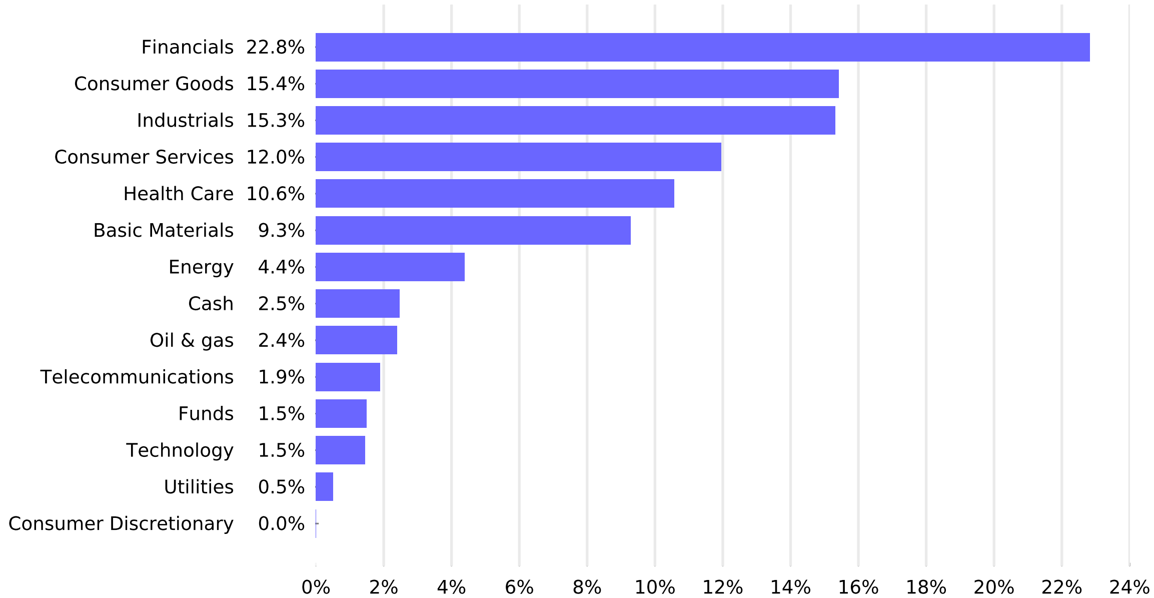
Top 20 Holdings

	Mkt. Val.(GBP)
ASTRAZENECA PLC	82,277,161
SHELL PLC	68,475,454
RIO TINTO PLC	55,740,787
DIAGEO PLC	55,351,644
UNILEVER PLC	52,877,661
HSBC HOLDINGS PLC	51,406,596
GLAXOSMITHKLINE PLC	50,154,648
BRITISH AMERICAN TOBACCO PLC	41,316,183
LEGAL & GENERAL GROUP PLC	39,281,867
GLENCORE PLC	38,093,403
BUNZL PLC	37,507,894
RELX PLC	34,045,612
BP PLC	33,056,203
ST JAMES'S PLACE PLC	27,738,858
RECKITT BENCKISER GROUP PLC	27,579,318
BAILLIE GIFFORD BR SM-C-ACC	23,465,332
FERGUSON PLC	23,272,210
VODAFONE GROUP PLC	23,133,813
BHP GROUP LTD-DI	22,708,907
ASHTEAD GROUP PLC	22,612,440

Regional Exposure



Sector Exposure



Brunel UK Active Equity – Responsible Investment

Page 55

Top 10 ESG Contributors to Overall Score

	Insight	Momentum
1. DIAGEO PLC	63.2	73.2
2. LEGAL & GENERAL GROUP PLC	65.6	69.2
3. ST JAMES'S PLACE PLC	67.4	77.1
4. AUTO TRADER GROUP PLC	67.3	27.8
5. BP PLC	62.1	68.9
6. MOLTEN VENTURES PLC	74.9	50.0
7. UNILEVER PLC	59.7	62.2
8. 3I GROUP PLC	63.7	29.3
9. ADMIRAL GROUP PLC	76.1	77.7
10. ASHTEAD GROUP PLC	62.0	67.5

Bottom 10 ESG Detractors to Overall Score

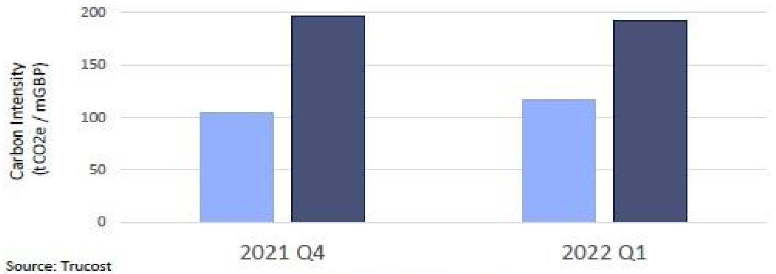
	Insight	Momentum
1. GLENCORE PLC	52.5	70.8
2. IMPERIAL BRANDS PLC	47.4	37.0
3. RIO TINTO PLC	53.5	50.0
4. HISCOX LTD	27.4	27.1
5. HSBC HOLDINGS PLC	51.1	77.7
6. EXPERIAN PLC	42.8	72.7
7. GLAXOSMITHKLINE PLC	50.6	74.3
8. HIKMA PHARMACEUTICALS PLC	40.7	13.3
9. LANCASHIRE HOLDINGS LTD	15.3	29.6
10. ASTRAZENECA PLC	49.7	50.0

Weighted Average ESG Score	2021 Q4	2022 Q1
Portfolio	57.3	57.0
FTSE All Share (ex. Inv.)	56.9	57.1

TruValue Labs & SASB

* Position 1 is the top contributor/detractor.

Weighted Average Carbon Intensity (WACI)



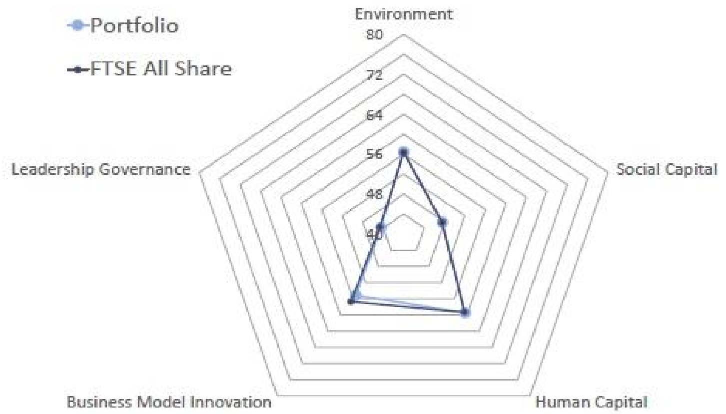
Source: Trucost

Extractive Exposure

	Total Extractive Exposure[1]		Extractive Industries (VOH)[2]	
	Q4	Q1	Q4	Q1
Portfolio	2.9	3.1	10.7	16.7
FTSE All Sh. (ex. Inv)	4.0	4.0	16.1	19.8

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

Absolute Weighted ESG Scores



ruValue Labs & SASB

Brunel Assessment:

- **Diageo** (Food and beverage) ramps up investment into production of packaging plants. An additional £40 million investment to expand two of its existing plants is to commence immediately in order to meet demand for canned Guinness in both the domestic and export markets.
- **BP** (Energy) to exit 19.8% stake in Russia's Rosneft amid Ukraine invasion. The British oil and gas giant did not say how it planned to exit its stake, which it said would result in charges of up to $25 billion at the end of the first quarter.
- **Rio Tinto** (Mining) has reported its best-ever annual profit and a record full-year dividend of $16.8 billion, boosted by higher iron ore prices and strong demand from top consumer China.
- **Glencore** (Mining) joined fellow miner BHP in reporting improved earnings, although it said it has set aside $1.5 billion worth of provisions for regulatory probes in the US, UK and Brazil.

70% of the bottom 10 ESG detractors are covered by engagement or specific voting activities.
Brunel has engaged extensively to improve the carbon intensity and extractives exposure of this Portfolio which is now significantly below its benchmark.

Brunel Emerging Market Equity

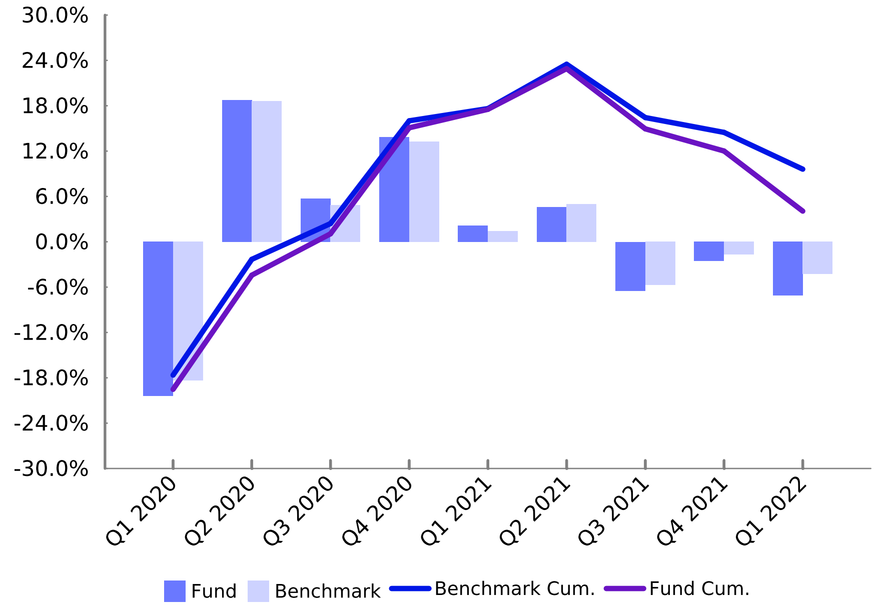
Overview

	Description
Portfolio Objective:	Provide exposure to emerging market equities, targeting excess returns and enhanced risk control from leading managers.
Investment Strategy & Key Drivers:	A geographically diverse portfolio, typically expected to achieve higher long-term growth rates than developed economies.
Liquidity:	Managed liquidity. Less exposure to more illiquid assets
Risk/Volatility:	High absolute risk with moderate to high relative risk, around 5% tracking error.
Total Fund Value:	£1,127,076,799

Performance to Quarter End

Ann. Performance	Fund	BM	Excess
3 Month	-7.1%	-4.3%	-2.9%
Fiscal YTD	-11.5%	-6.8%	-4.6%
1 Year	-11.5%	-6.8%	-4.6%
3 Years			
5 Years			
10 Years			
Since Inception	1.7%	3.9%	-2.2%

Rolling Performance*



* Partial returns shown in first quarter

The start of 2022 was characterised by high levels of risk aversion across most major asset classes, as markets were caught off guard by the invasion of Ukraine. Emerging markets felt these pressures somewhat more than their developed peers, given that China – the largest emerging market constituent - refused to distance itself from Russia after the invasion. The invasion has caused major ramifications across global commodity markets, given Russia's status as a commodity superpower. Prices have risen significantly across the spectrum of commodity markets, from base metals to global agriculture; this has also drastically increased global inflation expectations and significantly lowered the growth outlook.

Outside of this issue, China's equity and bond markets have remained under significant pressure due to a multitude of other factors. Weakness in the property markets; the zero-COVID strategy; continuation of the common prosperity regulation campaign; and concerns over the potential delisting of Chinese ADRs from US exchanges proved major headwinds.

Emerging market equities – proxied by MSCI Emerging Markets - fell by 4.3% in GBP terms over the quarter. Whilst the overall fall was fairly modest, this masked a huge amount of dispersion at a sector and country level. The vast majority of sectors and countries lacking exposure to commodities fell significantly, whereas commodity driven sectors appreciated in value.

The fund returned -7.1% on a net-of-fees basis, 284 basis points (bps) behind benchmark. The primary driver for this was the large underexposure to direct commodities and commodity-driven economies. Managers had very different experiences over the quarter. Genesis and Wellington underperformed by 549bps and 364bps, respectively. In contrast, Ninety One had a positive quarter vs benchmark, outperforming by 153bps.

• At a manager level, Genesis had by far the toughest quarter. The primary drivers were the significant underweight position in materials, underexposure to commodity-driven economies, and the overweight to Russian financial names going into the quarter. Ninety One had the lowest exposure in Russia – Russia exposures were marked down by 100% – as well as the highest exposure to materials vs other managers; this balance drove almost all of their outperformance. Wellington's underperformance was mostly driven by an overweight position in Russia, along with underexposure in commodity-driven economies such as Saudi Arabia and the United Arab Emirates.
• The most significant stock-level drivers were Russian names, after they were marked down 100% by index vendors such as MSCI. The portfolio had overweight positions of 70bps and 100bps in Yandex and Sberbank respectively. This detracted almost 100bps alone from relative performance. Other significant detractors included commodity-driven names such as Vale and Petrobras, which appreciated by +53% and +39% respectively; the fund is underweight both of these positions. On the positive side, an underweight position in Meituan – a Chinese shopping platform – added +27bps to relative performance after the stock fell by 29%.
• Sectors showed a large amount of dispersion last quarter. Materials and Financials were the standout performers, returning +6% and +9% respectively. Rising commodity prices helped materials, most notably crude oil, nickel and palladium, where Russia is a big supplier. These commodities increased by +37%, +64% and +22% respectively in GBP terms last quarter. The fund is 3% underweight materials vs benchmark, which detracted from relative performance. The fund is also overweight in the consumer staples and consumer discretionary sectors, which fell by 5% and 14%, respectively. These sectors faced enormous headwinds from rising costs and a slowdown in China.
• Country-level returns were almost entirely driven by their exposure to commodities. Commodity exporters in Latin America and the Middle East were by far the strongest performers. For example, MSCI Latin America – a proxy for the Latin American subset in emerging markets – returned a staggering 31% over the quarter. Middle Eastern economies pretty much all returned in excess of 20%. In contrast, areas like emerging Europe and emerging Asia fared far worse, depreciating by 70% and 6% respectively. The fund is significantly underweight regions such as Latin America and the Middle East, which arguably drove the majority of the portfolio's underperformance. Regarding Russia, the fund had a similar weighting to benchmark prior to the escalation; the total impact from Russia on relative performance was -25bps.
• Styles were bifurcated last quarter. Value and Low Volatility were the only significant performers, outperforming the broader index by over 3% each, whereas Growth stocks underperformed the broader market by 3.5%. The fund is generally style-neutral, with a modest tilt towards Quality; however, the lack of exposure to Value did cost the portfolio 60bps of relative performance
• Since-inception performance remains negative. At quarter-end, the portfolio had returned +1.7% on an annualised basis net of fees; this remained behind the equivalent benchmark return of +3.9%.

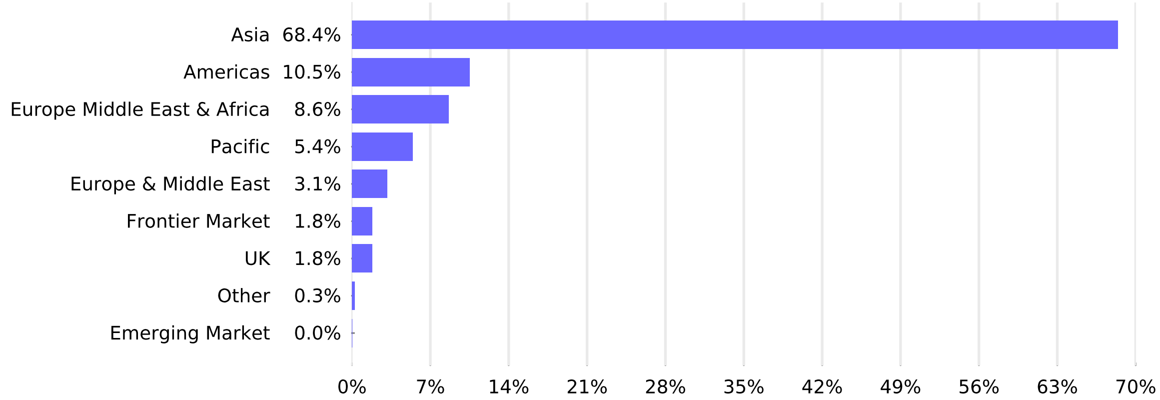
Brunel Emerging Market Equity – Region & Sector Exposure

BRUNEL
Pension Partnership

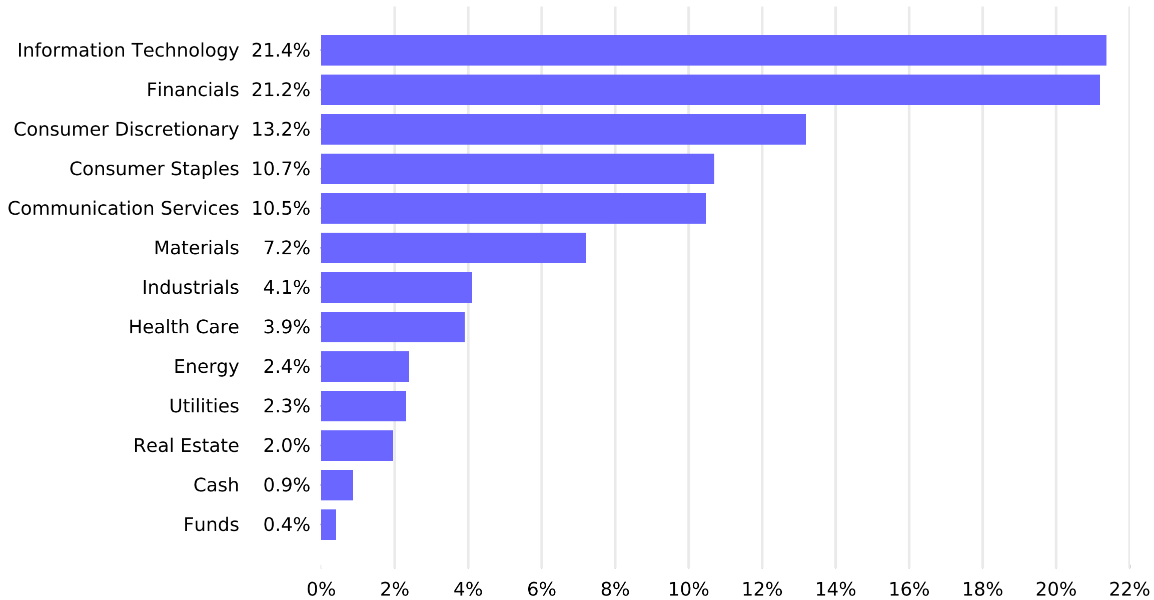
Top 20 Holdings

	Mkt. Val.(GBP)
TAIWAN SEMICONDUCTOR MANUFAC	93,509,453
TENCENT HOLDINGS LTD	51,107,650
SAMSUNG ELECTRONICS CO LTD	39,624,509
AIA GROUP LTD	25,137,109
INFOSYS LTD-SP ADR	17,183,575
ALIBABA GROUP HOLDING LTD	15,376,383
MEDIATEK INC	14,064,527
BID CORP LTD	13,043,141
BANK CENTRAL ASIA TBK PT	11,835,108
CONTEMPORARY AMPEREX TECHN-A	11,636,035
CHINA CONSTRUCTION BANK-H	11,556,439
SAMSUNG ELECTRONICS-PREF	11,399,088
RELIANCE INDUSTRIES LTD	11,048,833
ALIBABA GROUP HOLDING-SP ADR	10,696,984
WALMART DE MEXICO SAB DE CV	10,671,636
FIRSTRAND LTD	10,105,176
CHINA LONGYUAN POWER GROUP-H	10,041,802
ANGLO AMERICAN PLC	9,960,832
HDFC BANK LTD-ADR	9,539,507
JD.COM INC-ADR	9,186,770

Regional Exposure



Sector Exposure



Page 59

Top 10 ESG Contributors to Overall Score

	Insight	Momentum
1. TAIWAN SEMICONDUCTOR MANUFACTURIN	59.6	31.6
2. MEDIATEK INC	70.8	79.5
3. INNER MONGOLIA YILI INDUSTRIAL GROUP C	75.0	58.0
4. RELIANCE INDUSTRIES LTD	66.7	85.3
5. AIA GROUP LTD	63.4	79.9
6. CHINA LONGYUAN POWER GROUP CORP LTD	71.2	68.2
7. CONTEMPORARY AMPEREX TECHNOLOGY CC	68.0	69.1
8. CROMPTON GREAVES CONSUMER ELECTRICA	78.7	24.4
9. HOUSING DEVELOPMENT FINANCE CORP LTD	67.7	85.2
10. SANLAM LTD	67.7	72.2

Bottom 10 ESG Detractors to Overall Score

	Insight	Momentum
1. VALE SA	44.4	77.0
2. GRUPO MEXICO SAB DE CV	45.1	68.7
3. NETEASE INC	52.1	81.2
4. HIKMA PHARMACEUTICALS PLC	40.7	13.3
5. ICICI BANK LTD	40.5	30.3
6. ANTA SPORTS PRODUCTS LTD	41.0	72.9
7. ALIBABA GROUP HOLDING LTD	49.3	56.4
8. KIMBERLY-CLARK DE MEXICO SAB DE CV	22.4	13.7
9. SAMSUNG ELECTRONICS CO LTD	53.0	76.3
10. TENCENT HOLDINGS LTD	50.1	74.5

Weighted Average ESG Score	2021 Q4	2022 Q1
Portfolio	56.4	57.5
MSCI EM	56.9	57.8

TruValue Labs & SASB

* Position 1 is the top contributor/detractor.

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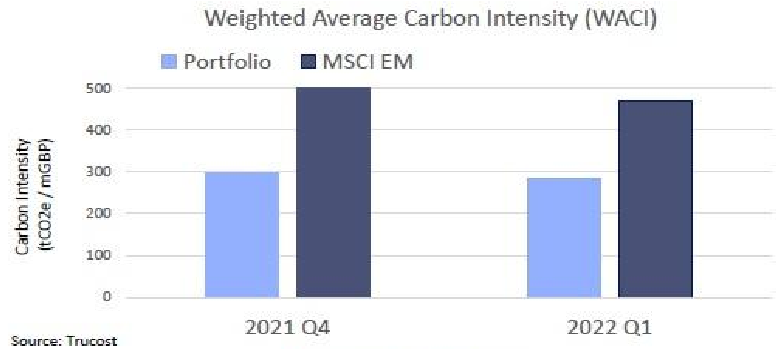
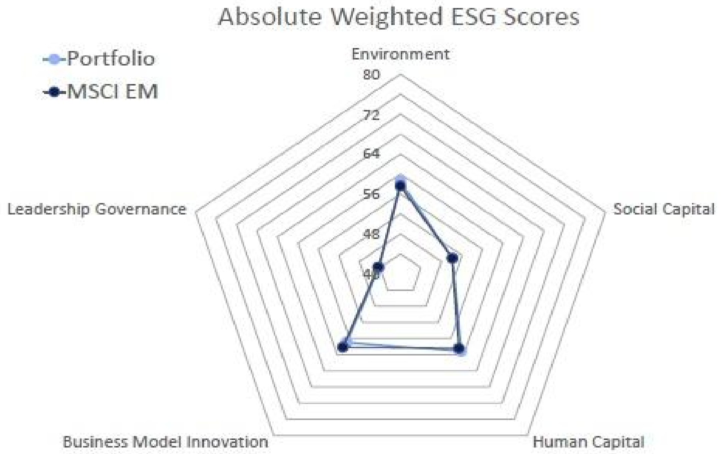


Source: Trucost

Extractive Exposure

	Total Extractive Exposure[1]		Extractive Industries (VOH)[2]	
	Q4	Q1	Q4	Q1
Portfolio	1.3	0.7	3.9	5.1
MSCI EM	3.3	2.5	7.8	7.3

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



TruValue Labs & SASB

Brunel Assessment:

- **Vale** (Mining) will sign an agreement with local authorities requiring the Brazilian miner to pay $46 million for failing to meet a legal deadline to decommission its tailings dams in the state of Minas Gerais, a month after the Brumadinho disaster that killed 270 people.
- **AIA Group** (Insurance) says it will boost exposure to Asian infrastructure 'as much as possible'. The insurer has divested its directly managed listed equities and fixed income exposure to coal mining and generation businesses seven years ahead of schedule.
- **Reliance Industries** (Energy) has won a bid to receive incentives under India's $2.4 billion battery programme in order to incentive companies to make battery cells locally.
- **China Longyuan Power** (Electric Utilities) reports a 21.7% rise in net profits in 2021 and has listed A shares in China after the acquisition of Inner Mongolia Pingzhuang.

100% of the bottom 10 ESG detractors are covered by engagement or specific voting activities.
The weighted average carbon intensity of the portfolio and benchmark saw a slight decline over the quarter. The portfolio remains significantly below its benchmark, the MSCI Emerging Markets, for both extractives revenue exposures and extractive industries value of holdings.

Brunel Smaller Companies Equities

BRUNEL Pension Partnership

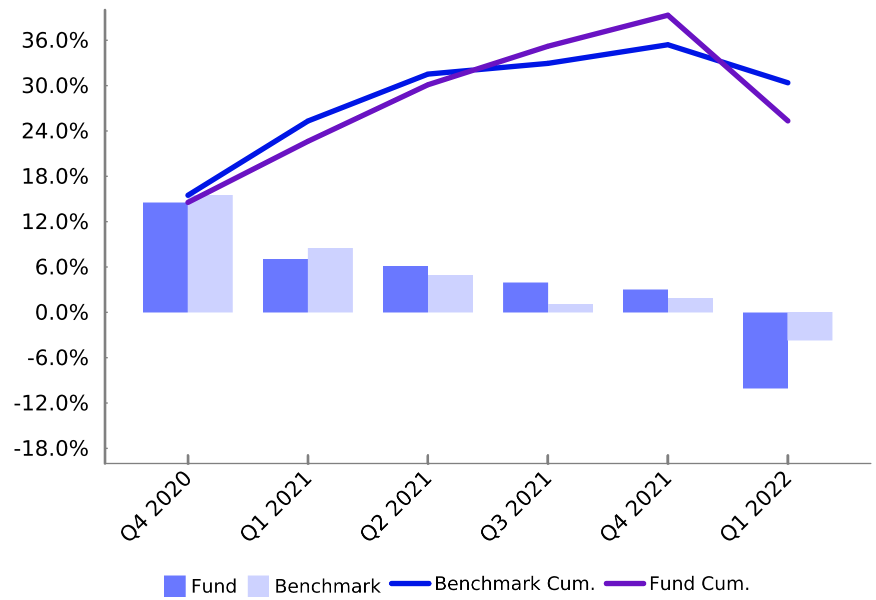
Overview

	Description
Portfolio Objective:	To provide exposure to global small capitalisation company equities together with excess returns from manager skill.
Investment Strategy & Key Drivers:	Actively managed, diversified by geography. Small capitalisation companies will be as defined by the relevant index provider.
Liquidity:	Managed liquidity. Traditionally lower than broader market.
Risk/Volatility:	High to very high absolute risk with moderate to high relative risk, around 5%.
Total Fund Value:	£858,882,605

Performance to Quarter End

Ann. Performance	Fund	BM	Excess
3 Month	-10.0%	-3.7%	-6.3%
Fiscal YTD	2.2%	4.0%	-1.8%
1 Year	2.2%	4.0%	-1.8%
3 Years			
5 Years			
10 Years			
Since Inception	16.3%	19.4%	-3.1%

Rolling Performance*



* Partial returns shown in first quarter

Over the quarter, as inflation news surprised, and central banks turned more hawkish, global small cap stocks declined and Value outperformed Growth significantly. This sharp rotation towards Value stocks, which continued throughout the first quarter of 2022 (albeit at a lesser pace than during January), resulted in the notable underperformance of Growth stocks in the small cap market. Quality stocks also underperformed relative to their lower quality peers. As the potential for rising interest rates drove a style rotation, volatility rose. A further contributor to rising volatility was the crisis in Ukraine, which impacted investor sentiment and contributed to further global growth uncertainty, supply chain disruption and inflationary pressures.

The Global Small Cap Equity portfolio returned -9.9% over the first quarter of 2022, underperforming the benchmark (MSCI World Small Cap index) by 6.2%.

• Risk attribution showed that the underperformance over the quarter was largely a result of the portfolio's overall bias towards Growth and Quality, as Value outperformed Growth strongly. High-quality stocks underperformed relative to low-quality stocks, which also hurt relative performance, given the portfolio's overall bias toward Quality. The most carbon-intensive stocks in the index also outperformed significantly, - the portfolio is underweight such stocks.

Brunel Smaller Companies Equities

• Sector attribution demonstrated that the underperformance was almost entirely driven by stock selection, which was weakest in the Healthcare and Technology sectors. The portfolio's underweight to the Energy sector also detracted, as Energy outperformed strongly over the quarter.

• Country attribution showed a negative impact from being overweight Europe, as European stocks were the hardest hit over the quarter. The underweight to the US also negatively impacted relative returns.

In terms of the individual managers, performance was mixed:
• Montanaro experienced the most significant underperformance, returning -17.3% in absolute terms and -13.6% relative to the benchmark. Given Montanaro has the most significant bias towards Quality Growth, the underperformance over the quarter was not unexpected, given the market environment. In particular, the significant style rotation from Growth to Value, as well as the outperformance of low-quality stocks relative to high-quality stocks, drove the underperformance over the quarter. Stock selection in Healthcare, Industrials and Technology sectors particularly detracted over the quarter.

• American Century returned -10.4% over the period, equating to -6.7% in relative terms, as the sharp rotation to Value stocks also impacted American Century's approach, which is biased towards Growth. Financial holdings particularly detracted, as American Century was positioned in Growth-oriented names rather than in those expected to benefit from rising rates.

• Kempen returned -1.3%, outperforming the benchmark by 2.5% over the quarter. Kempen has significant exposure to the Value factor, which provided a tailwind for performance. Kempen is also less concentrated in the Technology and Healthcare sectors than Montanaro and American Century, which benefited relative returns. Kempen's significant focus on lower valuations has been favoured in an environment where the prospect of rising interest rates has impacted the valuation of high-growth, high duration assets.

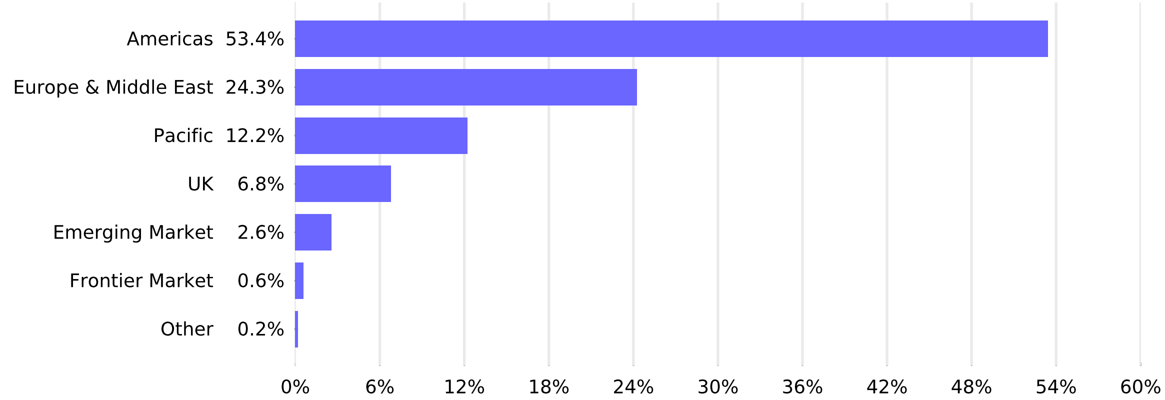
Over the quarter, there were no client trades. The total portfolio AUM was £871.2m at the end of the quarter.

Brunel Smaller Companies Equities – Region & Sector Exposure

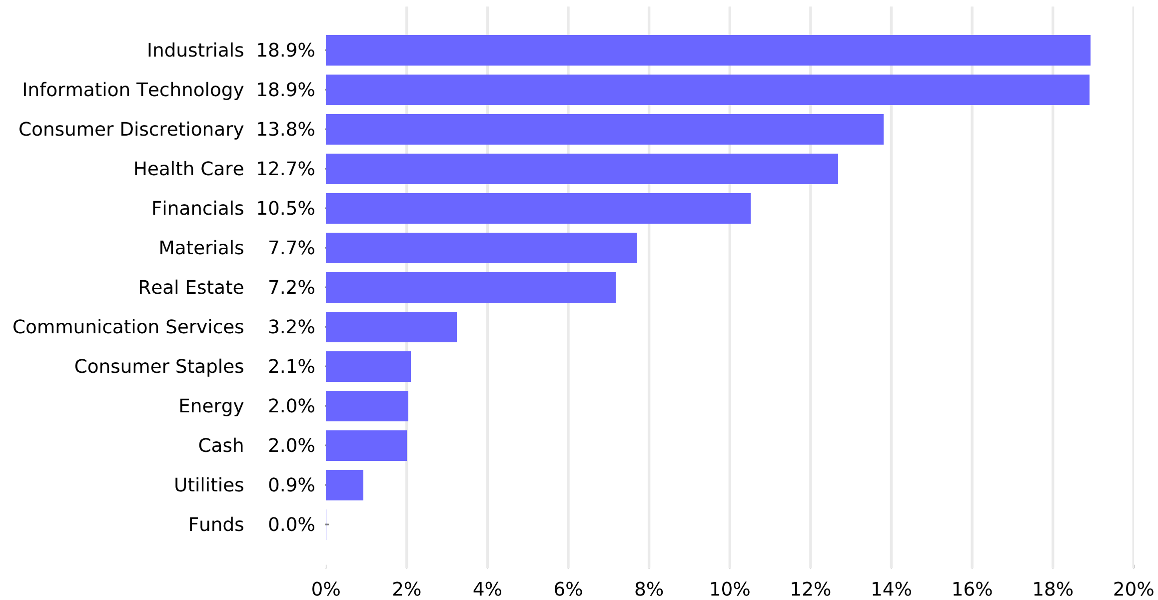
Top 20 Holdings

	Mkt. Val.(GBP)
ASR NEDERLAND NV	10,915,329
NOVA LTD	10,731,851
WINTRUST FINANCIAL CORP	10,365,387
FUJITEC CO LTD	10,096,900
FORTNOX AB	10,022,482
ICON PLC	9,251,237
BEFESA SA	8,731,096
ULVAC INC	8,715,011
BRUNSWICK CORP	8,653,075
JABIL INC	8,601,142
SOLAREDGE TECHNOLOGIES INC	8,576,177
DENA CO LTD	8,553,394
CSW INDUSTRIALS INC	8,471,293
PRO MEDICUS LTD	8,337,045
TECHNOLOGY ONE LTD	7,833,992
TYLER TECHNOLOGIES INC	7,431,057
WEST FRASER TIMBER CO LTD	7,303,287
TECHTARGET	7,206,062
THERMON GROUP HOLDINGS INC	7,073,801
PAYLOCITY HOLDING CORP	7,028,494

Regional Exposure



Sector Exposure



BRUNEL Pension Partnership

Top 10 ESG Contributors to Overall Score

	Insight	Momentum
1. BRUNSWICK CORP/DE	76.1	33.0
2. TRICON RESIDENTIAL INC	77.2	50.0
3. PAYLOCITY HOLDING CORP	74.7	70.3
4. ASR NEDERLAND NV	68.3	25.9
5. BOARDWALK REAL ESTATE INVESTMENT TRU	78.0	87.2
6. JABIL INC	67.1	78.5
7. RYMAN HOSPITALITY PROPERTIES INC	72.5	68.5
8. WNS HOLDINGS LTD	77.8	35.1
9. MARSHALLS PLC	68.1	63.5
10. ENERSYS	69.5	57.5

Bottom 10 ESG Detractors to Overall Score

	Insight	Momentum
1. DENA CO LTD	52.3	33.2
2. SBANKEN ASA	32.5	15.4
3. MERIDIAN BIOSCIENCE INC	41.0	18.4
4. TENABLE HOLDINGS INC	42.8	22.0
5. HIKMA PHARMACEUTICALS PLC	40.7	13.3
6. SLEEP NUMBER CORP	37.6	7.8
7. BAWAG GROUP AG	41.5	19.2
8. RENAISSANCERE HOLDINGS LTD	19.7	20.0
9. ICON PLC	44.0	19.9
10. FUJITEC CO LTD	44.5	64.8

* Position 1 is the top contributor/detractor.

0 50 100

Weighted Average ESG Score	2021 Q4	2022 Q1
Portfolio	58.6	59.0
MSCI World Small Cap	58.8	59.0

TruValue Labs & SASB

Weighted Average Carbon Intensity (WACI)

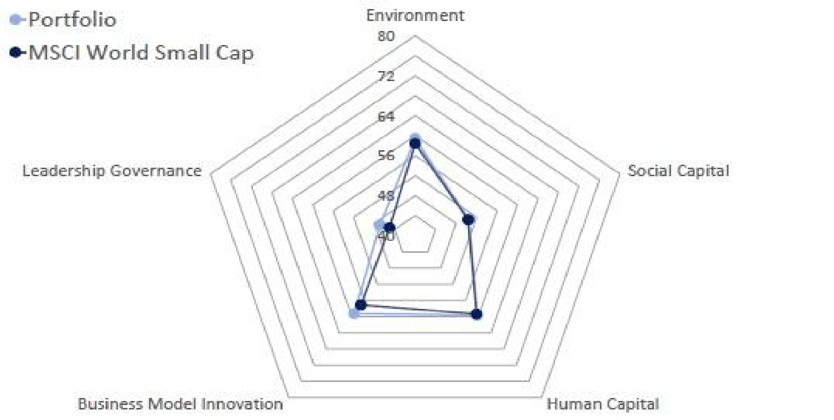
Source: Trucost

Extractive Exposure

	Total Extractive Exposure[1]		Extractive Industries (VOH)[2]	
	Q4	Q1	Q4	Q1
Portfolio	1.3	1.4	1.7	2.9
MSCI W. Sm. Cap	3.4	3.1	3.5	5.0

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

Absolute Weighted ESG Scores



uValue Labs & SASB

Brunel Assessment:

- **EnerSys** (Battery technology) has strengthened its portfolio to now include ODYSSEY PRO batteries, engineered with an advanced carbon additive for more reserve capacity (up to 10 percent) and longer cycle life.
- **Jabil Inc** (Manufacturing technology) announced the reinvention of its wipes container. The wipes container is 30% smaller than comparable rigid plastic alternatives but holds the same amount of wipes; its strength also reduces the need for excessive secondary packaging.
- **WNS** (Lifecycle management) reported a 10.6% rise in its quarterly profit that ended December 2021. Year-over-year, profit increased as a result of revenue growth, favourable currency movements net of hedging, higher net interest income, and a lower effective tax rate.
- **Ryman Hospitality Properties** (Real estate), USA's largest private owner and operator of manufactured home communities, announces its acquisition of six manufactured home communities in North Carolina.

60% of the bottom 10 ESG detractors are covered by engagement or specific voting activities. Holding size, scope for impact and opportunities for collaborative engagement are all inputs into engagement plans. We therefore see higher coverage rates for our large cap Portfolios.
The carbon intensity of this Portfolio fell over the quarter and remains significantly below benchmark. The Portfolio also outperforms across Social and Human Capital ESG score categories vs its benchmark.

Brunel Diversifying Returns Fund

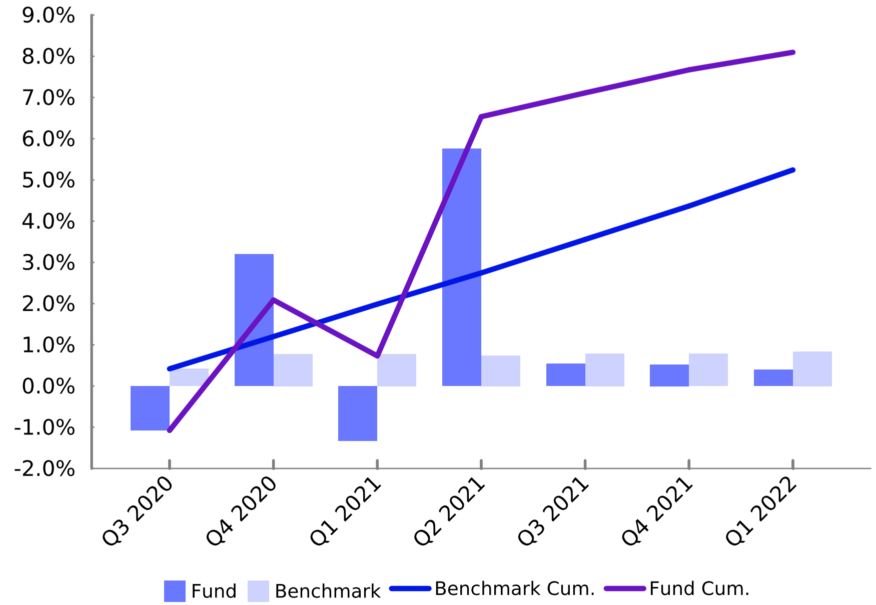
Overview

	Description
Portfolio Objective:	Provide exposure to a range of alternative return drivers and a degree of downside protection from equity risk.
Investment Strategy & Key Drivers:	Actively managed to achieve growth at moderate absolute risk, diversified between asset classes and by geography.
Liquidity:	Managed Liquidity.
Risk/Volatility:	Moderate absolute risk against cash.
Total Fund Value:	£1,691,673,310

Performance to Quarter End

Ann. Performance	Fund	BM	Excess
3 Month	0.4%	0.8%	-0.4%
Fiscal YTD	7.3%	3.2%	4.1%
1 Year	7.3%	3.2%	4.1%
3 Years			
5 Years			
10 Years			
Since Inception	4.9%	3.2%	1.7%

Rolling Performance*



* Partial returns shown in first quarter

The Diversifying Returns Fund returned 0.4% over the first quarter of 2022. The benchmark return was 0.8%. The portfolio returned 7.3% for the year ending 31 March 2022, outperforming the benchmark, which returned 3.2%. The individual managers all made a positive contribution to returns over the year. It is pleasing to note different managers have performed well at different times, as market conditions have changed.

• JPM returned 2.1% for the quarter. The largest positive contributions to return came from the equity value and fixed income trend signals. Commodity trend and carry signals also delivered positive performance. With the exception of value, equity signals contributed negatively to returns, as did the fixed income carry signals.

• Lombard Odier returned -2.3% over the quarter. Commodity exposure generated positive returns for the period, but performance was negative across other asset classes. Sovereign bond and developed market equity exposure made the largest negative contributions to performance.

• UBS had a strong quarter, returning 8.2%. The biggest contributor to performance was the long position in the Brazilian real. A long position in the

Norwegian kroner also contributed positively to performance. Positive exposure to the Japanese yen detracted from performance. Short exposure to the US, Canadian, New Zealand and Australian dollars also made a negative contribution to returns.

• William Blair lost 3.0% in the fourth quarter, with beta exposure to equities and fixed income contributing to the negative performance. The security selection component of the strategy, which has a pro Quality/Growth tilt, also made a negative contribution to returns as the back-up in rates helped Value outperform Qualityand Growth. Long exposure to emerging market currencies made a positive contribution to returns.

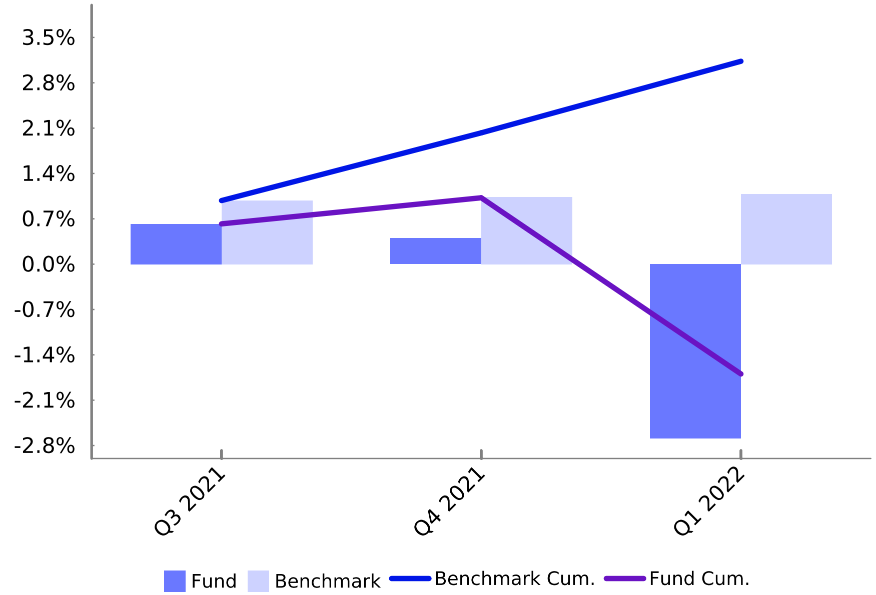
Overview

	Description
Portfolio Objective:	To gain exposure to a diversified portfolio of enhanced credit opportunities with modest exposure to interest rate risk.
Investment Strategy & Key Drivers:	Exposure to specialised, higher yielding bond sectors which provide diversified credit driven returns.
Liquidity:	Managed liquidity
Risk/Volatility:	Moderate absolute and relative risk with high relative risk vs cash.
Total Fund Value:	£2,318,327,115

Performance to Quarter End

Ann. Performance	Fund	BM	Excess
3 Month	-2.7%	1.1%	-3.8%
Fiscal YTD			
1 Year			
3 Years			
5 Years			
10 Years			
Since Inception	-1.7%	3.1%	-4.8%

Rolling Performance*



* Partial returns shown in first quarter

The beginning of 2022 proved torrid for most risk assets. Equities and corporate credit sold off simultaneously, whilst sovereign bonds – normally a safe haven – followed suit and depreciated in value. The driver of this risk-off environment was twofold. Firstly, the market reacted to the impact of Russia's invasion of Ukraine, which placed economic and inflationary uncertainties on corporates; secondly, increasingly hawkish monetary policy actions were announced by the US to combat persistently high levels of inflation observed, which impacted sovereign yields. Inflation levels rose to alarmingly high levels across developed markets during Q1 2022; the United States and United Kingdom had year-on-year CPI prints of +7.9% and +6.1%, respectively.

The invasion of Ukraine increased volatility in corporate and sovereign credit. Spreads widened across most sub-investment grade corporate credit in the immediate aftermath of the invasion. Most notably, emerging market corporates – proxied by Bloomberg Emerging Markets USD Aggregate Corporates – saw option-adjusted spreads widen by over 100bps to a peak of around 480bps by early March.

Monetary policy fuelled large increases in yields during the last quarter, particularly in the United States. With inflation rising, the Federal Reserve became increasingly hawkish despite the mounting geopolitical risk. In March, the central bank not only hiked the federal funds rate by +25bps, the first time since

2018. It also indicated that it would consider increasing interest rates by a greater magnitude at future meetings and soon begin to reduce its $9 trillion balance sheet, which has ballooned since the onset of the pandemic. In all, these moves resulted in the US 2-year treasury yield – a policy-sensitive rate – moving from 0.73% to 2.29% in a single quarter. An upward move of this magnitude has rarely occurred in the last 20 years. Market participants were also alarmed by the change in shape of the US yield curve, as the 10-year minus 2-year yield spread collapsed to zero; this fuelled speculation of an imminent recession. It was a similar story in the United Kingdom, albeit in lower magnitude, where the 2-year gilt yield moved from 0.67% to 1.37% during Q1 2022, after the Bank of England hiked the base rate by 50 basis points to 0.75%. The portfolio has large exposure to the shorter end of the yield curve; hence, the movement in short rates detracted from fund performance, despite the modest duration of 2.7 years heading into the quarter.

All major asset classes within the sub-investment grade space fell during Q1 2022. There was a clear distinction between fixed and floating rate assets, with the latter performing significantly better, given the rising rate environment. Global High Yield - proxied by Bloomberg Global High Yield Corporates - fell roughly 5% in local terms over the quarter. Shorter durations in this space accompanied by slightly wider spreads – an increase of roughly 40bps - proved highly detrimental. Loans, a floating rate asset with near-zero duration, were relatively flat on the quarter; the S&P/LSTA US Leveraged Loan Index – a loan proxy - ended the quarter down 0.2% in GBP-hedged terms. Some of the more niche areas in sub-investment grade credit also struggled; notable examples included emerging market debt, subordinated bank capital and convertible bonds, which fell by over 5%.

The portfolio was fairly well-positioned heading into this environment, given the significant exposure to floating rate assets and underexposure to some of the worst-performing areas in credit like emerging market debt and convertible bonds. The fund held roughly a third of its assets in floating rate securities in the form of loans and collateralised loan obligations. Emerging market debt and convertibles were held in modest amounts, totalling approximately 7% and 1%, respectively. However, the portfolio was not immune from the impacts of rising rates; this was most notable in the high yield bond portion of the portfolio, which accounted for approximately 40% of the portfolio, going into Q1 2022.

The fund returned -270bps during Q1 2022 in GBP terms, which was behind the SONIA+4% benchmark, which returned +108bps. This is not surprising, given that all credit assets fell simultaneously during the last quarter. The secondary benchmark – a 50:50 split of loans and high yield – fell by 272 basis points (bps) over the same period, which was almost exactly in line with the portfolio. All three managers produced negative returns in this environment, but there were significant differences between them. Neuberger, CQS and Oaktree fell by 318bps, 170bps and 222bps respectively. CQS's stronger performance was driven by its larger floating rate allocation, which totalled over 60% going into Q1 2022. In contrast, Neuberger Berman holds far more fixed rate assets, which sold off as a result of rate rises; Neuberger has the largest allocation to high yield – a fixed rate asset – as it made up approximately 50% of their portfolio heading into the quarter.

Since-inception performance is now -170bps, behind the SONIA+4% benchmark, which returned +313bps. The portfolio remained comfortably ahead of the secondary benchmark at quarter-end; the latter had returned -246bps since inception.

Passive Developed Equities

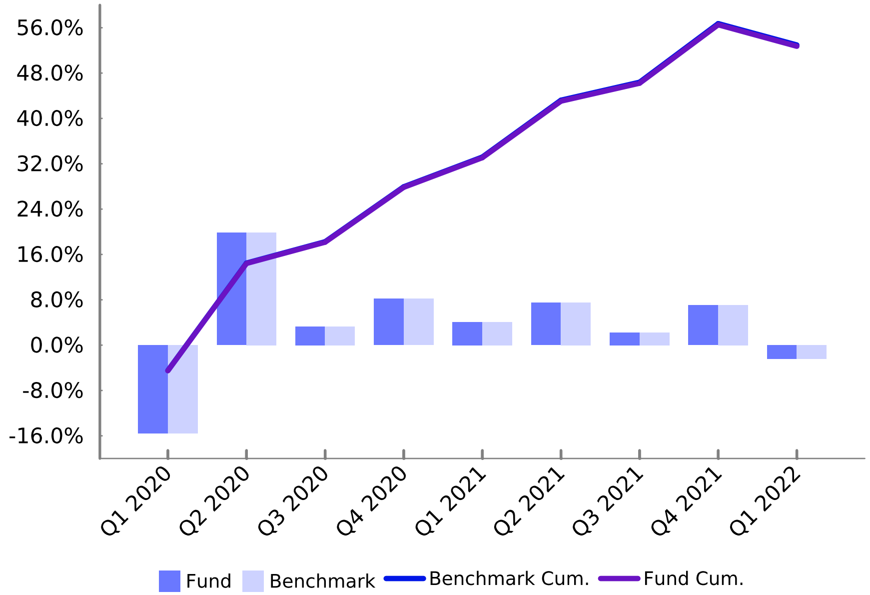
Overview

	Description
Portfolio Objective:	Provide exposure to FTSE Developed World using a low cost highly liquid approach.
Investment Strategy & Key Drivers:	Geographically diversified range of equities.
Liquidity:	High
Risk/Volatility:	High absolute risk with very low tracking error.
Total Fund Value:	£1,947,573,928

Performance to Quarter End

Ann. Performance	Fund	BM	Excess
3 Month	-2.4%	-2.4%	0.0%
Fiscal YTD	14.8%	14.8%	-0.1%
1 Year	14.8%	14.8%	-0.1%
3 Years	14.8%	14.9%	0.0%
5 Years			
10 Years			
Since Inception	12.1%	12.2%	0.0%

Rolling Performance*



* Partial returns shown in first quarter

• Passive Developed Equities returned -2.4% in the first quarter of 2022 and 14.8% over year to end-March. The fund closely replicated the FTSE Developed World Index, which also returned -2.4% and 14.8%.

• The unhedged porfolio outperformed the hedged product, which returned -4.4% over the quarter, as the GBP decreased in value relative to several other currencies.

• Rising interest rates had a negative impact on the market, resulting in negative returns in developed markets for the first quarter since the Covid-19 market crash.

• Most sectors provided negative returns, with positive returns from only Energy, Basic Materials and Utilities. The Technology sector was the worst-performing sector and is the index's largest sector, thus negatively impacting returns.

Passive Developed Equities (Hedged)

BRUNEL
Pension Partnership

Overview

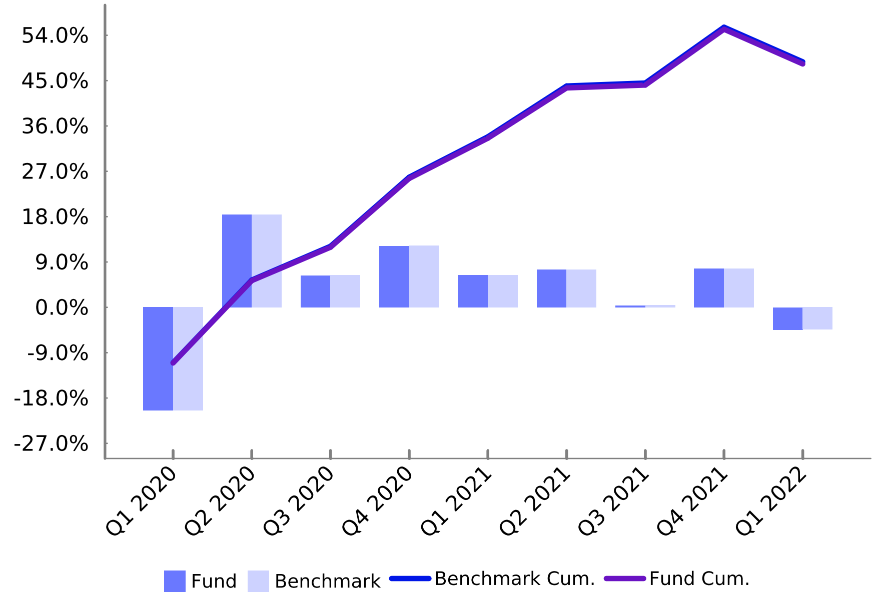
	Description
Portfolio Objective:	Provide exposure to FTSE Developed World using a low cost highly liquid approach.
Investment Strategy & Key Drivers:	Geographically diversified range of equities.
Liquidity:	High
Risk/Volatility:	High absolute risk with very low tracking error.
Total Fund Value:	£621,808,991

Page 69

Performance to Quarter End

Ann. Performance	Fund	BM	Excess
3 Month	-4.4%	-4.4%	0.0%
Fiscal YTD	11.0%	11.1%	-0.1%
1 Year	11.0%	11.1%	-0.1%
3 Years	14.2%	14.3%	-0.1%
5 Years			
10 Years			
Since Inception	11.2%	11.3%	-0.1%

Rolling Performance*



* Partial returns shown in first quarter

• Passive Developed Equities returned -2.4% in the first quarter of 2022 and 14.8% over year to end-March. The fund closely replicated the FTSE Developed World Index, which also returned -2.4% and 14.8%.

• The unhedged porfolio outperformed the hedged product, which returned -4.4% over the quarter, as the GBP decreased in value relative to several other currencies.

• Rising interest rates had a negative impact on the market, resulting in negative returns in developed markets for the first quarter since the Covid-19 market crash.

• Most sectors provided negative returns, with positive returns from only Energy, Basic Materials and Utilities. The Technology sector was the worst-performing sector and is the index's largest sector, thus negatively impacting returns.

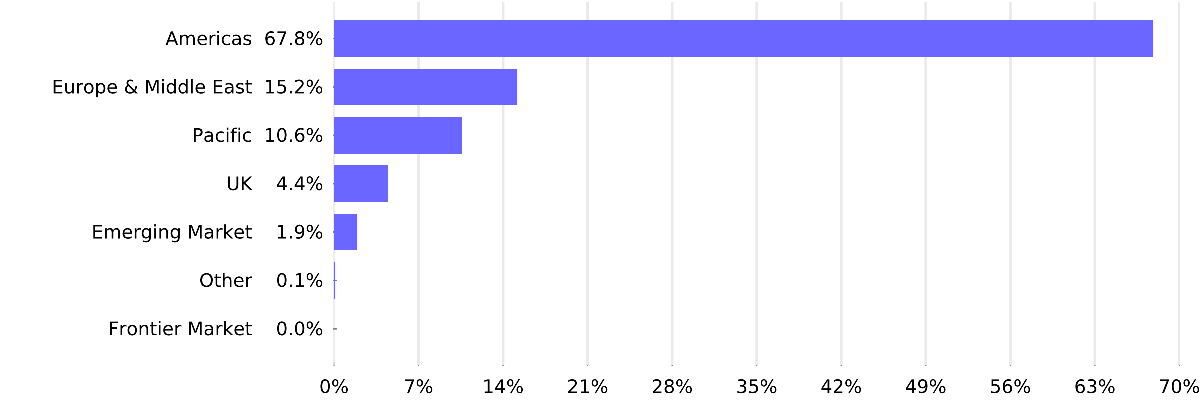
Passive Developed Equities – Region & Sector Exposure

BRUNEL
Pension Partnership

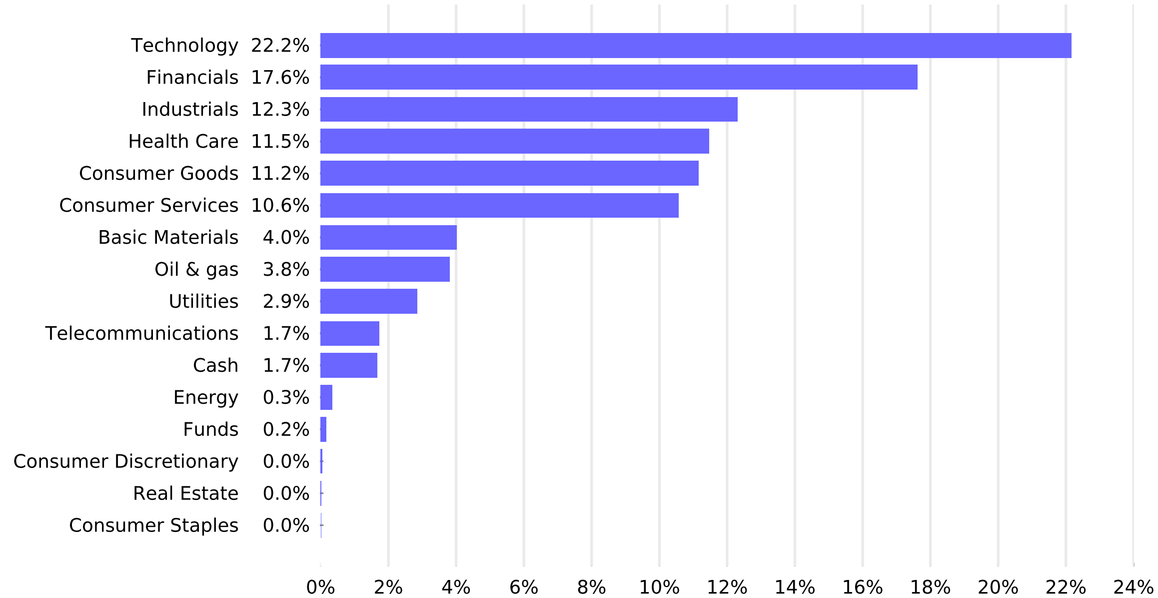
Top 20 Holdings

	Mkt. Val.(GBP)
APPLE INC	112,761,768
MICROSOFT CORP	97,211,974
AMAZON.COM INC	59,198,420
TESLA INC	37,524,043
ALPHABET INC-CL A	35,001,766
ALPHABET INC-CL C	32,324,769
NVIDIA CORP	27,311,316
META PLATFORMS INC-CLASS A	21,456,182
UNITEDHEALTH GROUP INC	20,071,915
JOHNSON & JOHNSON	19,537,463
BERKSHIRE HATHAWAY INC-CL B	19,281,102
JPMORGAN CHASE & CO	16,745,816
VISA INC-CLASS A SHARES	15,395,280
PROCTER & GAMBLE CO/THE	15,385,319
NESTLE SA-REG	14,787,735
EXXON MOBIL CORP	14,633,373
CHEVRON CORP	13,179,852
HOME DEPOT INC	13,079,238
MASTERCARD INC - A	12,907,252
BANK OF AMERICA CORP	12,261,768

Regional Exposure



Sector Exposure



Passive Developed Equities – Responsible Investment

BRUNEL
Pension Partnership

Page 71

Top 10 ESG Contributors to Overall Score

	Insight	Momentum
1. NEXTERA ENERGY INC	69.4	41.0
2. HONEYWELL INTERNATIONAL INC	71.3	78.6
3. LINDE PLC	66.8	72.7
4. NESTLE SA	59.8	60.9
5. TEXAS INSTRUMENTS INC	65.4	68.6
6. ASML HOLDING NV	61.6	29.3
7. SALESFORCE.COM INC	62.7	70.9
8. TOYOTA MOTOR CORP	61.7	60.2
9. TOTALENERGIES SE	67.4	65.9
10. PEPSICO INC	61.3	70.6

Bottom 10 ESG Detractors to Overall Score

	Insight	Momentum
1. TESLA INC	52.0	26.5
2. BROADCOM INC	45.0	66.0
3. ADOBE INC	41.9	17.5
4. ABBVIE INC	38.3	18.6
5. AMAZON.COM INC	50.4	59.8
6. META PLATFORMS INC	42.4	52.1
7. JOHNSON & JOHNSON	36.3	21.6
8. ALPHABET INC	45.7	59.5
9. APPLE INC	47.7	61.5
10. MICROSOFT CORP	46.1	31.6

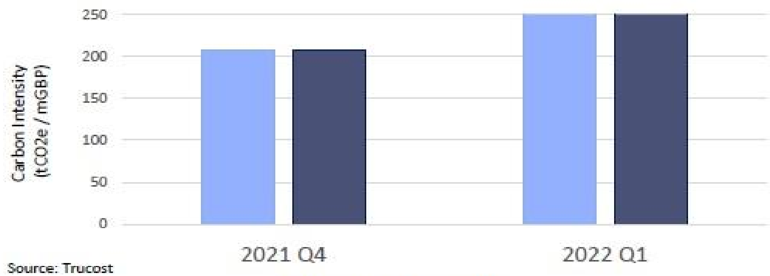
Weighted Average ESG Score	2021 Q4	2022 Q1
Portfolio	54.7	54.6
Passive Dev Equities	54.7	54.6

TruValue Labs & SASB

* Position 1 is the top contributor/detractor.

0 50 100

Weighted Average Carbon Intensity (WACI)



Source: Trucost

Extractive Exposure

	Total Extractive Exposure[1]		Extractive Industries (VOH)[2]	
	Q4	Q1	Q4	Q1
Portfolio	2.7	2.7	5.1	6.3
Passive Dev EQ	2.7	2.7	5.1	6.3

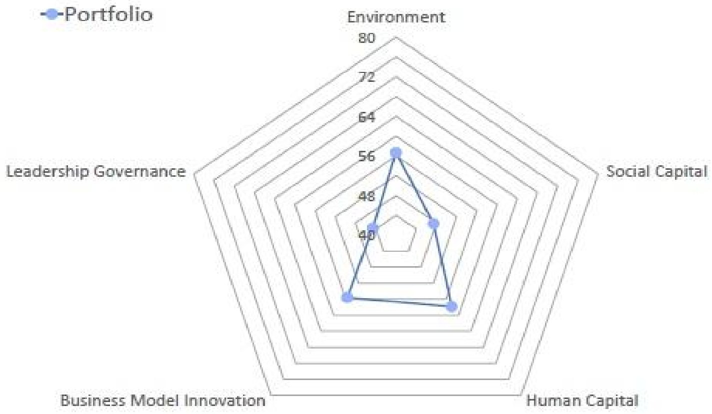
1 Extractive revenue exposure as share (%) of total revenue.
2 Value of holdings(VOH)-companies who derive revenues from extractives.
Source: Trucost

Brunel Assessment:

- **Amazon** (Consumer goods) has increased its renewable capacity in Spain to 1.4GW with five new projects. The E-commerce giant has also launched its first ever electric heavy goods vehicle fleet in the UK as it continues to work towards Amazon Fresh being the first Net-Zero carbon grocery store.
- **Johnson and Johnson** (Pharmaceuticals) has settled a litigation by West Virginia for $99 million to settle claims that it helped fuel an opioid addiction crisis in the state.
- **Nestle's** (Food and beverage) health science division is buying a majority stake in Orgain, a maker of protein powders, shakes and bars, for an undisclosed amount. nestle has undergone a transformation in recent years to increase growth in healthier food and products.
- **Pepsico** (Beverages) has partnered with N-Drip (an Isreali irrigation company) to assist farmers who work with Pepsico with water conservation technology. The N-Drip technology reduces energy requirements in irrigation by up to 70%.

100% of the bottom 10 ESG detractors are covered by engagement or specific voting activities.
The carbon intensity of the portfolio and benchmark increased this quarter. This was due to the spike in the oil price leading to oil, gas and energy names rising sharply.

Absolute Weighted ESG Scores



TruValue Labs & SASB

Passive UK Equities

BRUNEL
Pension Partnership

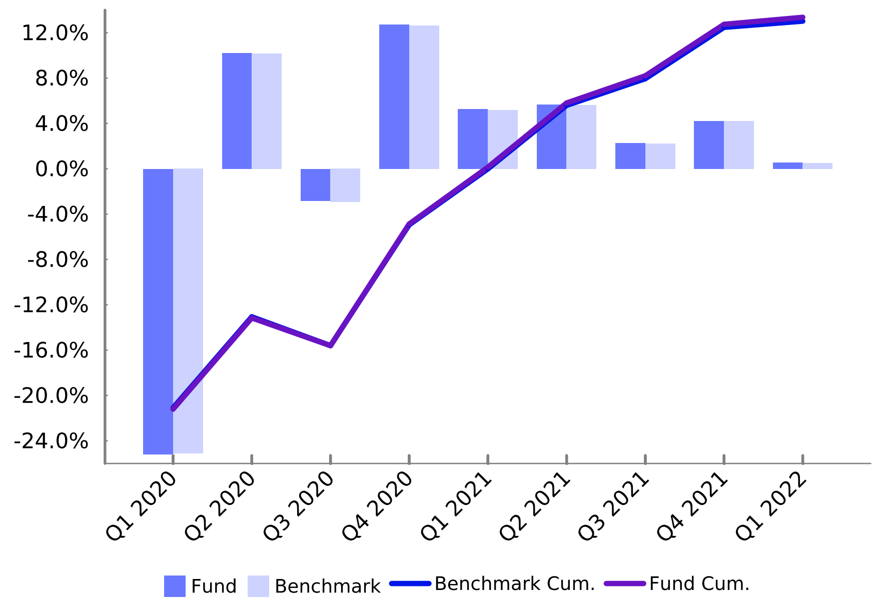
Overview

	Description
Portfolio Objective:	Provide exposure to FTSE All Share using a low cost highly liquid approach.
Investment Strategy & Key Drivers:	Invest passively in securities underlying the FTSE All Share. Provide long term growth
Liquidity:	High
Risk/Volatility:	High absolute risk with very low tracking error.
Total Fund Value:	£121,452,473

Performance to Quarter End

Ann. Performance	Fund	BM	Excess
3 Month	0.5%	0.5%	0.1%
Fiscal YTD	13.2%	13.0%	0.2%
1 Year	13.2%	13.0%	0.2%
3 Years	5.4%	5.3%	0.1%
5 Years			
10 Years			
Since Inception	3.4%	3.3%	0.1%

Rolling Performance*



* Partial returns shown in first quarter

Over the quarter, the benchmark 10-year gilt yield rose significantly from 0.97% to 1.61%, an increase of 64 basis points. There was a minor respite in the upward trend following the Russian invasion of Ukraine, but concern about inflation and more hawkish central bank rhetoric meant that the fall in yields proved to be temporary. This led gilts to return -7.17% on an all-maturities basis.

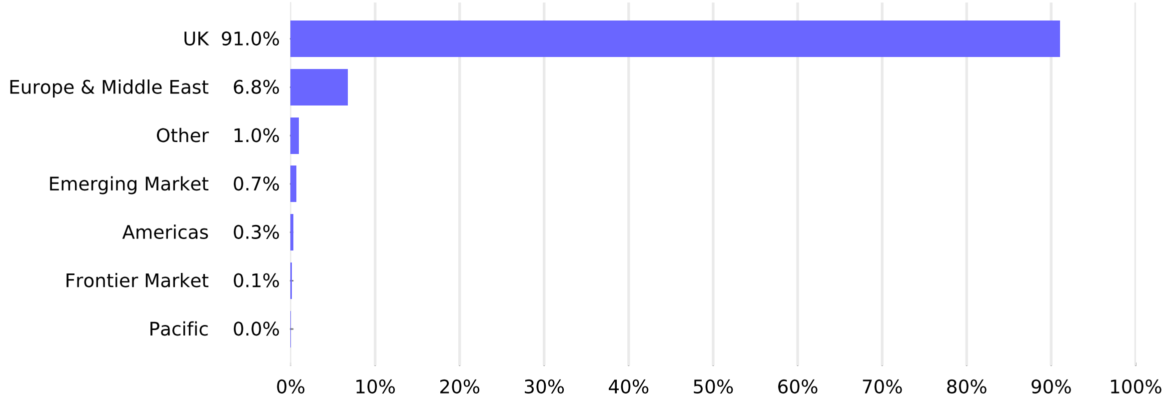
Passive UK Equities – Region & Sector Exposure

BRUNEL
Pension Partnership

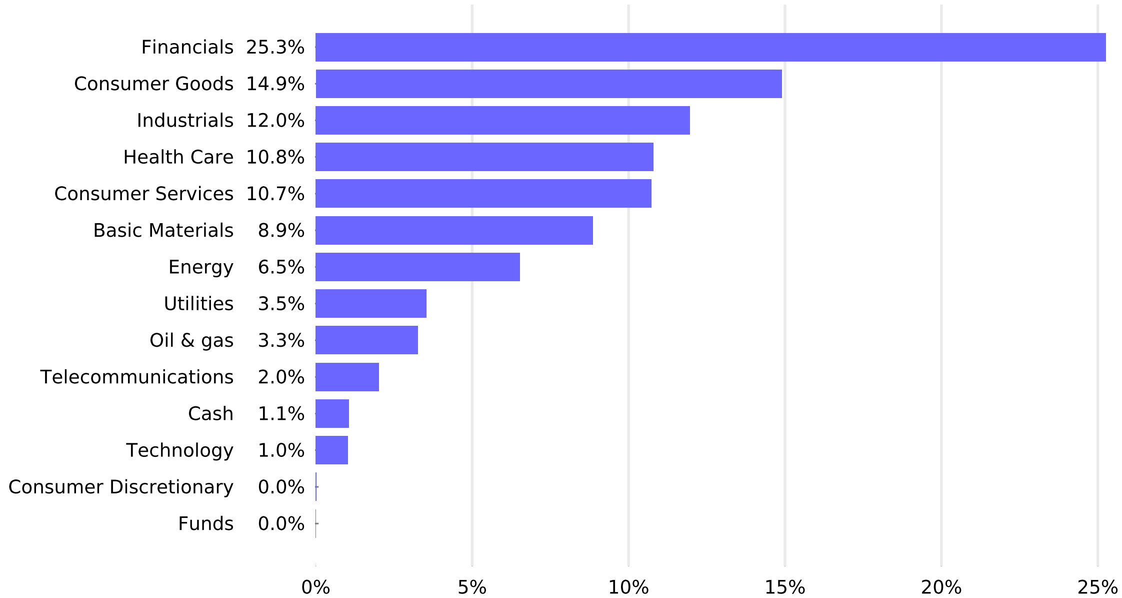
Top 20 Holdings

	Mkt. Val.(GBP)
SHELL PLC	7,922,095
ASTRAZENECA PLC	7,498,041
HSBC HOLDINGS PLC	5,273,660
DIAGEO PLC	4,357,157
UNILEVER PLC	4,334,514
GLAXOSMITHKLINE PLC	4,000,758
BRITISH AMERICAN TOBACCO PLC	3,581,343
BP PLC	3,537,097
RIO TINTO PLC	3,247,844
GLENCORE PLC	3,228,943
ANGLO AMERICAN PLC	2,378,304
RELX PLC	2,178,910
NATIONAL GRID PLC	2,084,255
RECKITT BENCKISER GROUP PLC	1,815,789
VODAFONE GROUP PLC	1,663,611
LLOYDS BANKING GROUP PLC	1,643,855
PRUDENTIAL PLC	1,531,278
COMPASS GROUP PLC	1,450,364
LONDON STOCK EXCHANGE GROUP	1,424,057
EXPERIAN PLC	1,331,970

Regional Exposure



Sector Exposure



Passive UK Equities – Responsible Investment

BRUNEL
Pension Partnership

Top 10 ESG Contributors to Overall Score

	Insight	Momentum
1. DIAGEO PLC	63.2	73.2
2. BP PLC	62.1	68.9
3. NATIONAL GRID PLC	64.8	41.5
4. SSE PLC	71.8	70.1
5. UNILEVER PLC	59.7	62.2
6. SHELL PLC	58.4	63.4
7. CRODA INTERNATIONAL PLC	74.0	68.4
8. COMPASS GROUP PLC	63.1	69.9
9. LEGAL & GENERAL GROUP PLC	65.6	69.2
10. LONDON STOCK EXCHANGE GROUP PLC	61.2	78.7

Bottom 10 ESG Detractors to Overall Score

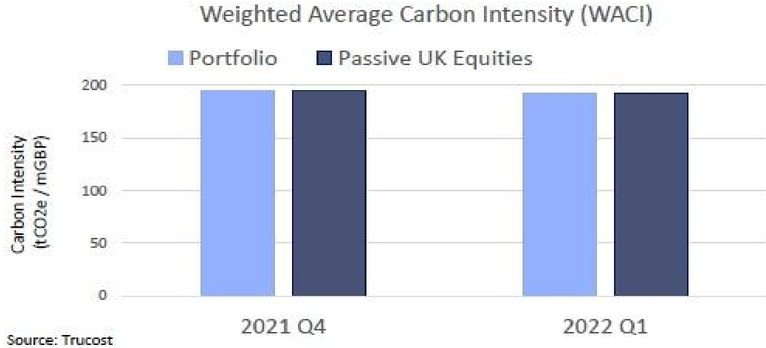
	Insight	Momentum
1. LLOYDS BANKING GROUP PLC	51.8	50.0
2. BRITISH AMERICAN TOBACCO PLC	54.1	78.0
3. BARCLAYS PLC	48.3	68.7
4. RECKITT BENCKISER GROUP PLC	51.0	75.6
5. RIO TINTO PLC	53.5	50.0
6. GLENCORE PLC	52.5	70.8
7. EXPERIAN PLC	42.8	72.7
8. GLAXOSMITHKLINE PLC	50.6	74.3
9. HSBC HOLDINGS PLC	51.1	77.7
10. ASTRAZENECA PLC	49.7	50.0

* Position 1 is the top contributor/detractor.

0 50 100

Weighted Average ESG Score	2021 Q4	2022 Q1
Portfolio	56.8	57.1
Passive UK Equities	56.8	57.1

TruValue Labs & SASB

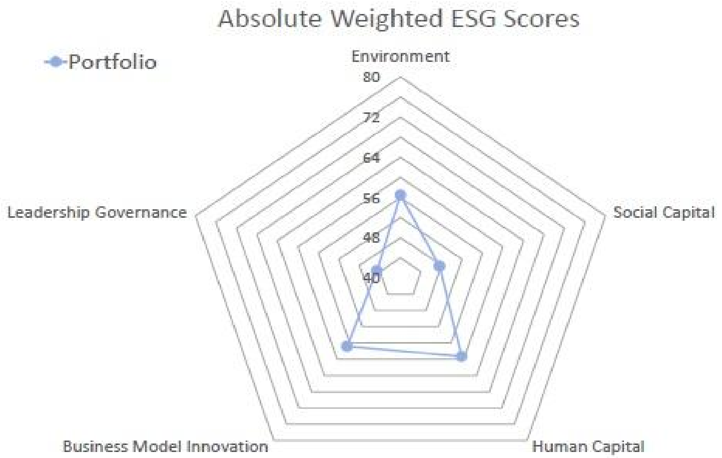


Source: Trucost

Extractive Exposure

	Total Extractive Exposure[1]		Extractive Industries (VOH)[2]	
	Q4	Q1	Q4	Q1
Portfolio	3.6	3.1	15.9	19.6
Passive UK EQ	3.6	3.1	15.9	19.6

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



ruValue Labs & SASB

Brunel Assessment:

- **Diageo** (Food and beverage) ramps up investment into production of packaging plants. An additional £40 million investment to expand two of its existing plants is to commence immediately in order to meet demand for canned Guinness in both the domestic and export markets.
- **BP** (Energy) to exit 19.8% stake in Russia's Rosneft amid Ukraine invasion. The British oil and gas giant did not say how it planned to exit its stake, which it said would result in charges of up to $25 billion at the end of the first quarter.
- **Rio Tinto** (Mining) has reported its best-ever annual profit and a record full-year dividend of $16.8 billion, boosted by higher iron ore prices and strong demand from top consumer China.
- **Glencore** (Mining) joined fellow miner BHP in reporting improved earnings, although it said it has set aside $1.5 billion worth of provisions for regulatory probes in the US, UK and Brazil.

100% of the bottom 10 ESG detractors are covered by engagement or specific voting activities.
The carbon intensity of the benchmark (and index tracking Portfolio) remained largely unchanged this quarter.

Passive Smart Beta

BRUNEL
Pension Partnership

Overview

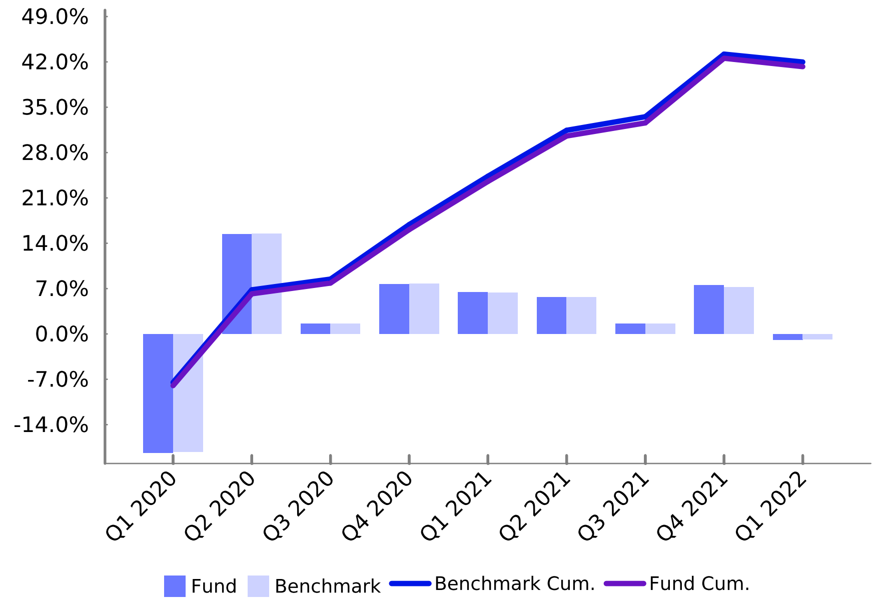
	Description
Portfolio Objective:	Exposure to equity markets and a combination of smart beta factors to outperform market cap indices.
Investment Strategy & Key Drivers:	Invest passively in equities via alternative indices.
Liquidity:	High
Risk/Volatility:	Absolute: High Relative: V.Low
Total Fund Value:	£156,039,865

Page 75

Performance to Quarter End

Ann. Performance	Fund	BM	Excess
3 Month	-0.9%	-0.8%	-0.1%
Fiscal YTD	14.3%	14.2%	0.2%
1 Year	14.3%	14.2%	0.2%
3 Years	11.3%	11.4%	-0.1%
5 Years			
10 Years			
Since Inception	9.8%	10.0%	-0.2%

Rolling Performance*



* Partial returns shown in first quarter

• In the first quarter of 2022, Passive Smart Beta Equities returned -0.9%, outperforming the MSCI World Index, which returned -2.3%.

• The portfolio tracked the Scientific Beta Index in line with expectations.

• The portfolio outperformed the hedged version, which returned -2.9% over the quarter, as sterling decreased in value relative to several other currencies.

• Energy was a large driver of returns. Positive relative exposure benefited the Value signal, and the Low Investment component of the Quality signal. Negative relative exposure detracted from the performance of the Low Volatility signal and the High Profitability component of the Quality signal. The average factor return for the quarter, as defined by Scientific Beta, was positive.

• Rising interest rates also benefited the Value signal, which posted strong returns. The Technology sector made a negative contribution to absolute return, but the underweight relative allocation benefited relative performance.

Passive Smart Beta (Hedged)

BRUNEL
Pension Partnership

Overview

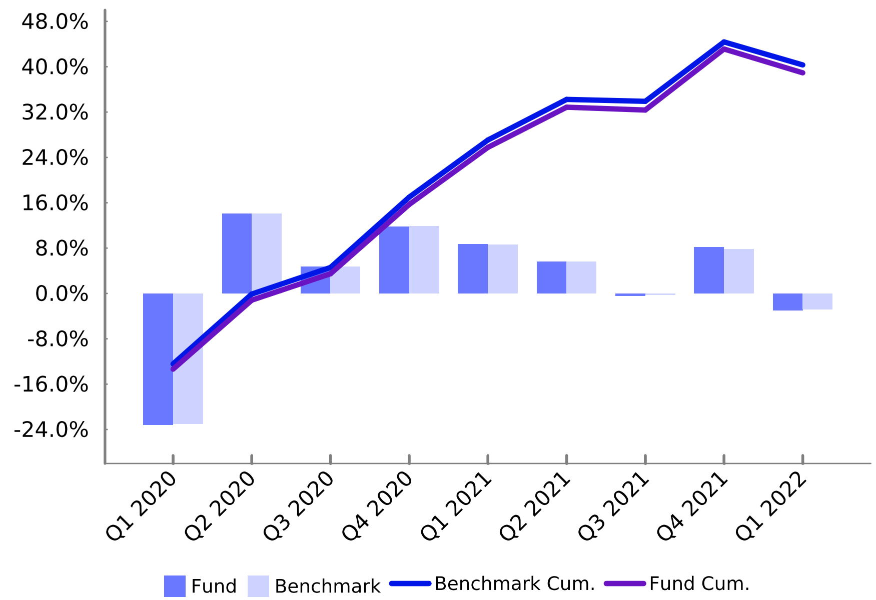
	Description
Portfolio Objective:	Exposure to equity markets and a combination of smart beta factors to outperform market cap indices.
Investment Strategy & Key Drivers:	Invest passively in equities via alternative indices.
Liquidity:	High
Risk/Volatility:	Absolute: High Relative: V.Low
Total Fund Value:	£153,139,072

Page 76

Performance to Quarter End

Ann. Performance	Fund	BM	Excess
3 Month	-2.9%	-2.8%	-0.1%
Fiscal YTD	10.5%	10.4%	0.0%
1 Year	10.5%	10.4%	0.0%
3 Years	10.9%	11.0%	-0.1%
5 Years			
10 Years			
Since Inception	9.3%	9.6%	-0.3%

Rolling Performance*



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• The portfolio outperformed the hedged version, which returned -2.9% over the quarter, as sterling decreased in value relative to several other currencies.

• Energy was a large driver of returns. Positive relative exposure benefited the Value signal, and the Low Investment component of the Quality signal. Negative relative exposure detracted from the performance of the Low Volatility signal and the High Profitability component of the Quality signal. The average factor return for the quarter, as defined by Scientific Beta, was positive.

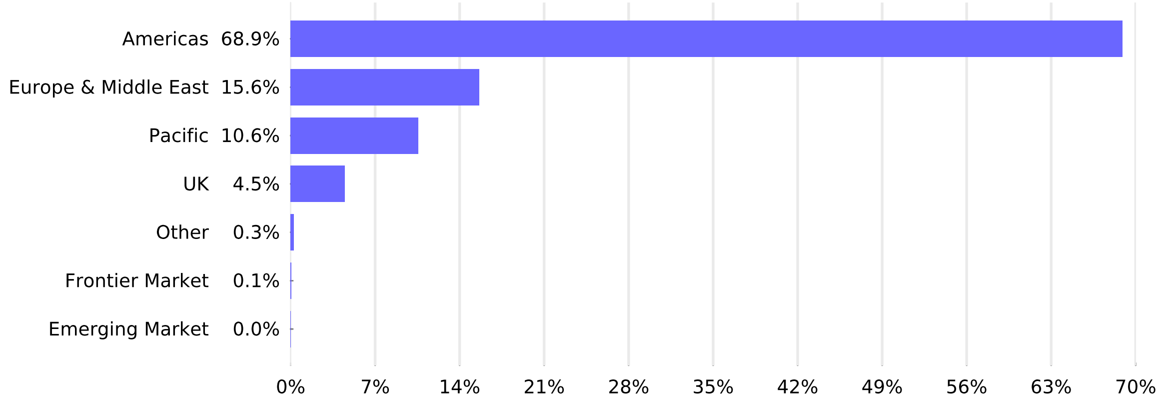
• Rising interest rates also benefited the Value signal, which posted strong returns. The Technology sector made a negative contribution to absolute return, but the underweight relative allocation benefited relative performance.

Passive Smart Beta – Region & Sector Exposure

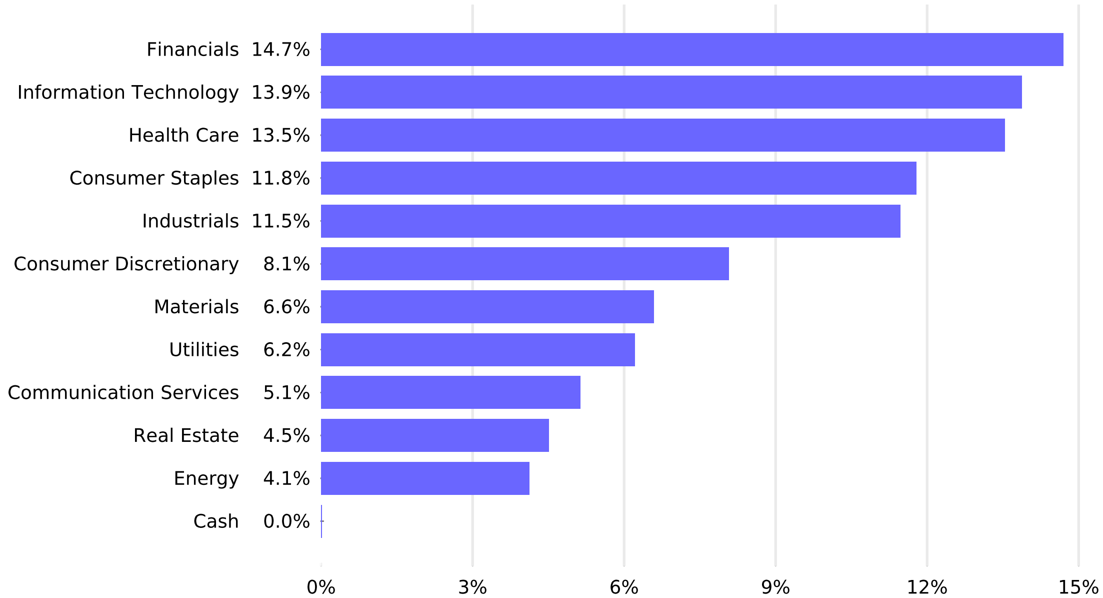
Top 20 Holdings

	Mkt. Val.(GBP)
PFIZER INC	2,403,932
COSTCO WHOLESALE CORP	2,395,961
MERCK & CO. INC.	2,167,611
WALMART INC	2,059,560
VERIZON COMMUNICATIONS INC	2,050,788
JOHNSON & JOHNSON	2,039,738
SYNOPSYS INC	2,034,627
COGNIZANT TECH SOLUTIONS-A	1,934,435
KROGER CO	1,868,322
BERKSHIRE HATHAWAY INC-CL B	1,849,484
ARCHER-DANIELS-MIDLAND CO	1,816,916
CISCO SYSTEMS INC	1,814,413
EXELON CORP	1,755,989
ABBOTT LABORATORIES	1,737,189
ALPHABET INC-CL A	1,683,086
CADENCE DESIGN SYS INC	1,631,071
ALLSTATE CORP	1,607,203
CHUBB LTD	1,605,644
PUBLIC STORAGE	1,591,990
ELI LILLY & CO	1,554,295

Regional Exposure



Sector Exposure



Passive Smart Beta – Responsible Investment

Page 78

Top 10 ESG Contributors to Overall Score

	Insight	Momentum
1. CADENCE DESIGN SYSTEMS INC	73.8	84.0
2. AMERICAN ELECTRIC POWER CO INC	68.4	72.1
3. PUBLIC SERVICE ENTERPRISE GROUP INC	67.2	40.2
4. COOPER COS INC/THE	69.8	82.3
5. AGILENT TECHNOLOGIES INC	68.3	75.1
6. EMERSON ELECTRIC CO	68.1	61.4
7. CUMMINS INC	66.2	44.1
8. KEYSIGHT TECHNOLOGIES INC	66.5	76.2
9. HORIZON THERAPEUTICS PLC	73.5	77.2
10. JOHNSON CONTROLS INTERNATIONAL PLC	70.3	79.8

Bottom 10 ESG Detractors to Overall Score

	Insight	Momentum
1. VERISIGN INC	27.8	16.5
2. DOLLAR TREE INC	39.1	28.1
3. PFIZER INC	46.7	42.4
4. COGNIZANT TECHNOLOGY SOLUTIONS CORP	44.3	79.5
5. CINCINNATI FINANCIAL CORP	27.2	71.6
6. TRAVELERS COS INC/THE	37.1	23.8
7. ALLSTATE CORP/THE	35.7	31.0
8. CHUBB LTD	35.5	56.9
9. ELECTRONIC ARTS INC	31.8	16.5
10. JOHNSON & JOHNSON	36.3	21.6

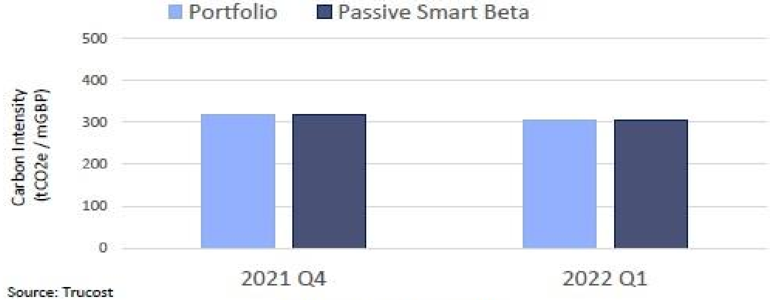
Weighted Average ESG Score	2021 Q4	2022 Q1
Portfolio	56.7	56.6
Passive Smart Beta	56.7	56.6

TruValue Labs & SASB

* Position 1 is the top contributor/detractor.

0 50 100

Weighted Average Carbon Intensity (WACI)



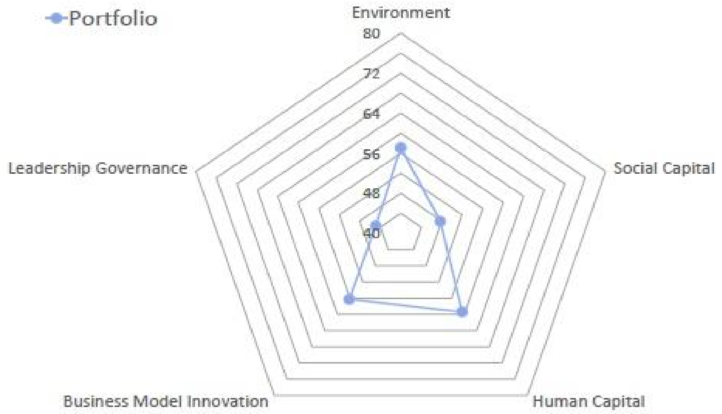
Source: Trucost

Extractive Exposure

	Total Extractive Exposure[1]		Extractive Industries (VOH)[2]	
	Q4	Q1	Q4	Q1
Portfolio	3.3	3.3	6.1	7.6
Pass. Smart Beta	3.3	3.3	6.1	7.6

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

Absolute Weighted ESG Scores



TruValue Labs & SASB

Brunel Assessment:

- **Johnson and Johnson** (Pharmaceuticals) has settled a litigation by West Virginia for $99 million to settle claims that it helped fuel an opiod addiction crisis in the state.
- **Agilent Technologies** (Health care) is part of an industry insight collaboration group aiming to transform the manufacturing of cell therapies. Due to the complexity of manufacturing of cell therapies, and patient-specific variability, product quality and consistency are key challenges the group will tackle.
- **Pfizer's** (Pharmaceuticals) anti-Covid pill, Paxlovid, has been approved by the European regulator and the FDA in the US. The drug is aimed at those with mild to moderate symptoms who may become at risk of developing severe disease or hospitalisation.
- **Emerson Electric** (Electronics) has committed $3 million to STEM education programs over the past year, partnering with organisations that work with under-served youth. The company has also opened applications for engineering scholarships, partnering with 350 universities to develop training programs.

60% of the bottom 10 ESG detractors are covered by engagement or specific voting activities.
Smart Beta remains a high-carbon Portfolio and active dialogue continues with the providers to find potential solutions.

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BRUNEL

Pension Partnership

Dorset County Pension Fund
administered by Dorset Council

Gloucestershire County Council

Environment Agency Pension Fund

Buckinghamshire Council
Buckinghamshire Pension Fund

BRUNEL
Pension Partnership

SOMERSET County Council

Oxfordshire Pension Fund
www.oxfordshire.gov.uk/pensions

AVON PENSION FUND

Wiltshire Pension Fund

Cornwall Pension Fund

Devon County Council

MJ HUDSON

Dorset Council

Quarterly Report

Steve Tyson, Independent Investment Adviser

JUNE 2022

QUARTERLY REPORT

Investors faced a challenging Q1: rising inflation pressures were exacerbated by Russia's invasion of Ukraine, while central banks' increasingly tough rhetoric led to increased fears that the tighter monetary policy may lead to recession. In addition, China faced a new wave of COVID infections, and implemented severe lockdowns in major cities, impacting growth in March. As a result, global equities fell -5.0% over the quarter, with only UK equities bucking the trend (up +2.9%); European and Emerging markets equities suffered most (down -8.9% and -7.0% respectively). Value-oriented stocks experienced more muted declines than growth stocks (-1.2% for the MSCI World Value Index vs -9.8% for the MSCI World Growth Index). Corporate and government bond indices also declined (for the UK indices, by -6.5% and -7.2% respectively), while the hard currency emerging market bond index fell -10.0%. Real assets (commodities, real estate) fared better, and the USD strengthened against most currencies.

GDP growth: Growth expectations are falling rapidly. US GDP declined at a 1.4% pace in the first quarter, below analysts expectations of a 1% gain. In the UK, GDP increased by 0.8%. In China, the Chinese Communist Party is continuing to stick to a zero-Covid policy, which has led to widescale lockdowns, including in the financial hub of Shanghai; this has cast doubt on the viability of the +5.5% official target growth over 2022. The World Bank has revised its expected global GDP growth for 2022 from +4.1 to +3.2%. There is increasing risk of recession.

It is worth highlighting the following themes, impacting investment markets:

Inflation: The inflationary aspect of Russia's invasion of Ukraine has so far been most acutely felt through the pricing in energy markets, with consumers facing rising fuel and heating costs. This could be further exacerbated by further calls for European nations to boycott Russian energy imports, which provide the Kremlin with approximately $400 million per day. Furthermore, the increasing focus on energy security is likely to cause sustained upward pressure on consumers' energy bills. Food costs, particularly wheat, have also increased due to the war given that Russia and Ukraine are among the world's largest exporters.

The UK CPI stands at 9.0% which is the highest level in 40 years and the highest in the G7. The Governor of the Bank of England, Andrew Bailey has warned it will be impossible to stop inflation reaching 10% this year due to a combination of energy prices, the Russia-Ukraine war and supply chain constraints.

Wage growth has so far lagged inflation, despite a tight labour market with UK unemployment rate at 3.7%, the lowest in 50 years. Wage inflation is inevitable in my opinion. However, inflation expectations, as priced by the derivatives market, are stuck around 3.8% over the next 20 years and this has not worsened in the last 3 months.

Monetary policy is tightening, and interest rates are increasing, but rates remain negative in real terms: The Federal Reserve increased interest rates by 25bps on 16th March and 50bps on 4th May. The Fed Chairman Jerome Powell has indicated 50bps increases are likely, with the expectation that US rates may peak around 3% in 2023. In addition, the Fed is expected to start briskly reducing its holdings of high-quality bonds ("quantitative tightening"), which could put more upward pressure on long term rates and tighten credit conditions. The Bank of England also increased the base rate by 25bps in both February and March (to 0.75%) while more hawkish members of the ECB have called for the next rate hike as early as the summer. It is likely we are in for a period of sustained monetary tightening.

Increasing risk of recession: With many of the inflationary pressures being “supply-side”, the ability of the central banks to rein in price rises without causing a recession is coming under increased scrutiny. The recent inversion of the US yield curve (with 10-year yields falling below 2-year yields, implying expectations of weakening growth) added to concerns. Market expectations still do not have a recession as the “base case” - employment remains high, consumers well financed and post-COVID recovery momentum continues – but I believe recession to be increasingly likely.

MARKETS

Global equities had a challenging Q1. All tracked indexes, except for UK equities, suffered significant declines but followed differing paths.

US equities posted large losses over Q1 with the S&P 500 falling -5.2% and the tech-heavy NASDAQ falling by -8.9%. The communication services, technology, and consumer discretionary sectors all declined while energy and utility companies were positive, and defence stocks enjoyed double-digit growth over the quarter.

UK equities performed well over Q1, with both the FTSE 100 (+2.9%) and FTSE All-Share (+0.5%) indices delivering positive returns. Defence stocks along with the oil, mining, healthcare, and banking sectors all provided tailwinds for UK large caps. The consumer-focused constituents of the small and mid-cap sectors contributed to their underperformance

- The Euro Stoxx 50 declined by -8.9% over Q1.
- Japanese equities continued to decline over Q1 registering a decline of -4.3%.
- Emerging market equities were negative over the quarter (-7.0%).

Global bonds were unusually volatile due to the geopolitical situation and the macro-economic backdrop of accelerating inflation and interest rate hikes which underpinned the rise in bond yields. Government bond yields rose sharply (prices moved in the opposite direction) in Europe, the UK, and the US due to monetary normalisation. Corporate bonds also saw significant negative returns and performed broadly in line with government bonds over the quarter.

Energy prices soared in the first quarter of 2022 with the Russian-Ukraine conflict putting further pressure on already rising prices. The situation exacerbated the effect of rising energy demand and ongoing supply constraints, which had already put upward pressure on energy prices in January. Precious metals also surged, with investors moving into traditional safe-haven assets following the Russian invasion.

Global listed property had a weak quarter, with the FTSE EPRA Nareit Global Index declining -0.6% in Q1.

In the first quarter of 2022, Sterling weakened against the Dollar (-0.3%) and the Euro (-2.9%), with rising living costs, weakening consumer sentiment, and greater uncertainty over inflation all undermining confidence in the UK's economic outlook.

Since the end of March, the FTSE has fallen a further 2% and the S&P500 has fallen 15%. This means that at the time of writing in late May, the US is on the verge of entering what is technically defined as a "bear market", meaning it has fallen 20% from peak to trough. Whatever the technical definitions may be, this is an extremely uncomfortable period for risk assets.

It is increasingly likely in my opinion that a recession cannot be avoided.

INVESTMENT OUTLOOK AND STRATEGY

This is a challenging environment for investors. Equities may be under pressure from declining economic activity and subsequent corporate profit falls for a period of time. Valuations are getting cheaper but are not yet cheap by historical standards. Bonds will suffer the headwinds of monetary tightening and credit markets spreads are rising with the risk of recession. It is noteworthy that active managers are underperforming, and the sustainable funds of responsible investors are suffering poor relative performance due to their underweight in resources.

The strategy of the fund balances the need for growth with diversification across a wide range of asset classes. The fund has been reducing its carbon footprint and investing responsibly via its pool partner Brunel.

In the coming months, we will know the results of the 2022 trienniel valuation. It is quite possible we will see a funding ratio under downward pressure.

We must remember that this fund has a very long-term perspective and short periods of underperformance should be expected.

Steve Tyson, Independent Investment Adviser

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Pension Fund Committee

14 June 2022

Pension Fund Administrator's Report

For Decision

Local Councillor(s): All

Executive Director: A Dunn, Executive Director, Corporate Development

Report Author: David Wilkes
Title: Service Manager (Treasury and Investments)
Tel: 01305 224119
Email: david.wilkes@dorsetcouncil.gov.uk

Report Status: Public

Brief Summary:

The purpose of this report is to update the Committee on the pension fund's funding position, and the valuation and overall performance of the pension fund's investments as at 31 March 2022. The report provides a summary of the performance of all external investment managers and addresses other topical issues for the pension fund that do not require a separate report.

The estimated value of the pension fund's assets at 31 March 2022 was £3,694M compared to £3,340M at the start of the financial year.

Target allocations to most asset classes have been achieved or exceeded but achieving target allocations for private market assets continues to be a challenge. commitments are made to Brunel's cycle three private markets' portfolios of £60M to Private Equity (as approved at the last meeting of the Committee) and £70M to Infrastructure (an increase of £10M from the commitment approved at the last meeting).

The estimated funding position as at 31 December 2021 was approximately 89% - that is, assets were estimated to be 89% of the value needed to pay for the expected benefits accrued to that date. This compares to 92% calculated by the pension fund's actuary following their full assessment as at 31 March 2019 for the most recent triennial valuation.

The total return from the pension fund's investments over the quarter to 31 March 2022 was -2.6%, compared to the combined benchmark return of -0.3%. The total return for the 12 months to 31 March 2022 was 10.1% compared to the benchmark return of 11.3%. Over the longer term, annualised returns for three years were 7.2% compared to the benchmark return of 7.3%. The annualised returns for five years were 6.1% compared to the benchmark of 6.6%.

As at 31 March 2022, approximately 61% of the pension fund's assets were under the management of Brunel Pension Partnership (Brunel), the pension fund's Local Government Pension Scheme (LGPS) investment pooling manager.

As at 31 March 2022, approximately 29% of the pension fund's liabilities were hedged against inflation sensitivity through the Liability Driven Investment (LDI) mandate with Insight Investment, using approximately 12% of assets.

Recommendation:

That the Committee review and comment upon the activity and overall performance of the pension fund's investments.

Reason for Recommendation:

To ensure that the pension fund has the appropriate management and monitoring arrangements in place, and to ensure that asset allocation in line with agreed strategic targets.

1. **Asset Valuation Summary**

1.1 The table below shows the pension fund's asset valuation by asset class at the beginning of the financial year and as at 31 March 2022, together with the target allocation as agreed at the meeting of the Committee on 10 September 2020.

Asset Class	31-Mar-21 £M	31-Mar-21 %	31-Mar-22 £M	31-Mar-22 %	Target Allocation £M	Target Allocation %
UK Equities	348.6	10.4%	373.5	10.1%	369.4	10.0%
Global Equities	1,210.2	36.2%	1,305.2	35.3%	1,292.8	35.0%
Emerging Markets Equities	169.3	5.1%	150.0	4.1%	184.7	5.0%
Total Listed Equities	***1,728.1***	***51.7%***	***1,828.7***	***49.5%***	***1,846.8***	***50.0%***
Corporate Bonds	192.3	5.8%	186.0	5.0%	147.7	4.0%
Multi Asset Credit	170.4	5.1%	169.3	4.6%	184.7	5.0%
Diversified Returns	164.2	4.9%	243.4	6.6%	221.6	6.0%
Infrastructure	220.0	6.6%	252.1	6.8%	295.5	8.0%
Private Equity	96.1	2.9%	132.2	3.6%	184.7	5.0%
Property	313.2	9.4%	345.8	9.4%	369.4	10.0%
Cash	74.1	2.2%	74.0	2.0%	-	0.0%
F/X Hedging	0.7	0.0%	3.1	0.1%	-	0.0%
Total Return Seeking Asset	**2,959.1**	**88.6%**	**3,234.6**	**87.6%**	**3,250.4**	**88.0%**
Liability Matching Assets	381.3	11.4%	459.0	12.4%	443.2	12.0%
Total Asset Valuation	**3,340.4**	**100.0%**	**3,693.6**	**100.0%**	**3,693.6**	**100.0%**

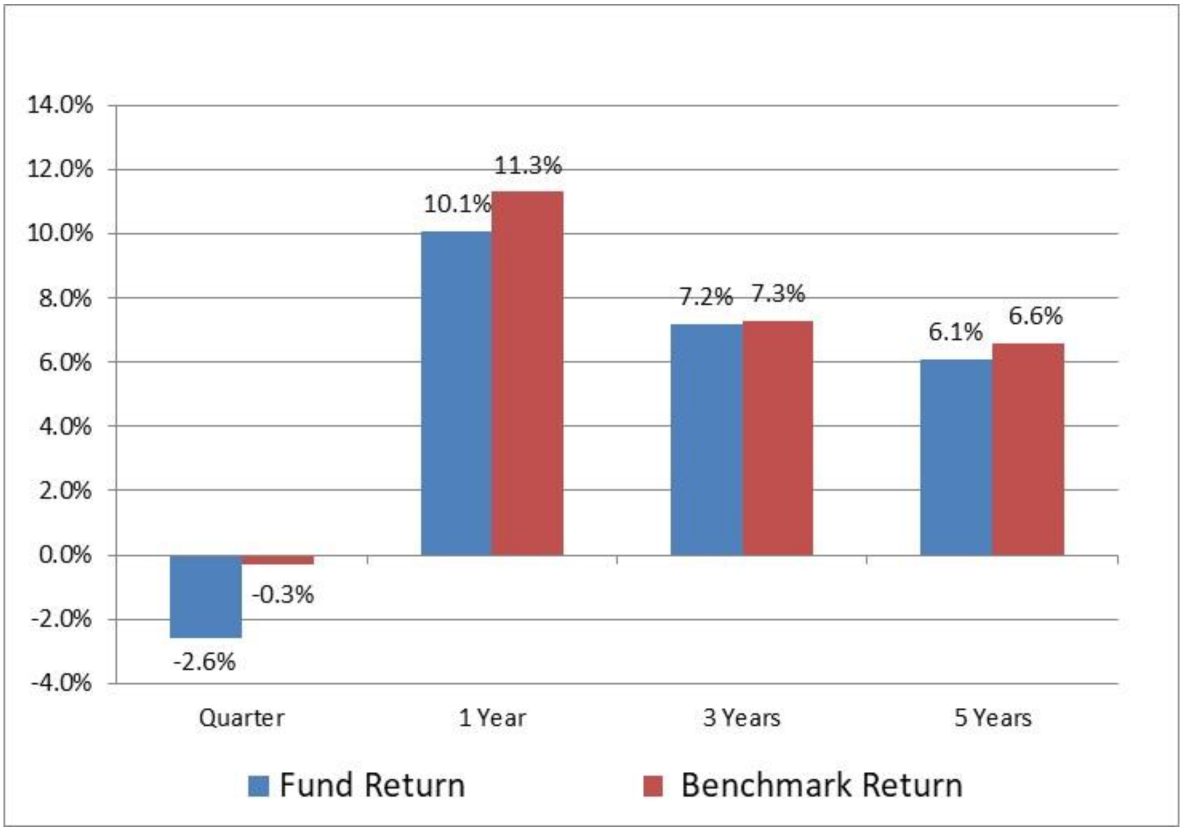
2. Funding Level

2.1 The pension fund's actuary, Barnett Waddingham, undertakes a full assessment of the funding position every three years. This was last completed as at 31 March 2019 when the pension fund had a funding level of 92% i.e. assets were estimated to be 92% of the value that they would have needed to be to pay for the expected benefits accrued to that date, based on the assumptions used. The next full assessment of the funding position will be undertaken as at 31 March 2022, with draft results expected September 2022.

2.2 Barnett Waddingham also carry out an indicative update on the funding position at the end of each quarter (but not if a full review is in progress.) Whilst this is not a full review it is intended to give an understanding of movements in the pension fund's overall funding position between triennial valuations. As at 31 December 2021 the funding position was estimated to be approximately 89% compared to 85% as at 31 March 2021.

3. Investment Performance Summary

3.1 The overall performance of the pension fund's investments to 31 March 2022 is summarised below (returns for three and five years are annualised figures).



4. **Investment Pooling**

4.1 In accordance with the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, Dorset participates with nine other LGPS funds to pool investment assets through the Brunel Pension Partnership. Brunel is wholly owned in equal shares by the ten administering authorities that participate in the pool and is authorised by the Financial Conduct Authority (FCA).

4.2 As at 31 March 2022, approximately 61% of the pension fund's assets were under the management of Brunel.

4.3 Brunel's performance report for the quarter ending 31 March 2022 is considered as a separate item on the agenda for this meeting. This report includes market summaries from Brunel's investment officers and an overall performance summary for the pension fund, together with more detailed information in relation to Dorset's assets under Brunel's management.

5. **Performance by Investment Manager**

5.1 The following tables summarise by investment manager and investment vehicle the value of Assets Under Management (AUM) as at 31 March 2022 plus each investment's return compared to its benchmark for the quarter, 'Financial Year To Date' (FYTD), one, three and five years, and 'Since Initial Investment' (SII). All percentages quoted for periods over one year are annualised returns.

Brunel Pension Partnership

Manager / Investment	**AUM**	**Qtr**	**1 Yr**	**3 Yr**	**5 Yr**	**SII**
	£m	**%**	**%**	**%**	**%**	**%**
Global Equities						
Brunel Global Sustainable Equities	352.1	-9.8	8.2	-	-	8.5
MSCI AC World GBP Index		-2.5	12.9	-	-	12.4
Excess		-7.3	-4.7	-	-	-3.9
Brunel Global High Alpha Equity	268.7	-8.0	8.8	-	-	17.3
MSCI World TR Index		-2.3	15.9	-	-	14.5
Excess		-5.7	-7.1	-	-	2.8
Brunel Smaller Companies Equities	168.3	-10.0	2.2	-	-	3.3
MSCI World Small Cap		-3.7	4.0	-	-	5.6
Excess		-6.3	-1.8	-	-	-2.3
Brunel Emerging Market Equity	150.0	-7.1	-11.5	-	-	2.7
MSCI Emerging Markets		-4.3	-6.8	-	-	5.0
Excess		-2.8	-4.7	-	-	-2.3
LGIM Passive Developed Equities	103.1	-2.4	14.8	-	-	13.2
FTSE World Developed		-2.4	14.8	-	-	13.3
Excess		0.0	0.0	-	-	-0.1
LGIM Passive Dev. Equities (Hedged)	103.9	-4.4	11.1	-	-	14.1
FTSE World Developed Hedged		-4.4	11.1	-	-	14.2
Excess		0.0	0.0	-	-	-0.1
LGIM Passive Smart Beta	156.0	-0.9	14.4	11.3	-	9.9
SciBeta Multifactor Composite		-0.8	14.2	11.4	-	10.0
Excess		-0.1	0.2	-0.1	-	-0.1
LGIM Passive Smart Beta (Hedged)	153.1	-2.9	10.5	11.0	-	9.4
SciBeta Multifactor Hgd Composite		-2.8	10.4	11.0	-	9.6
Excess		-0.1	0.1	0.0	-	-0.2
UK Equities						
Brunel UK Active Equity	180.7	-3.6	8.5	3.5	-	4.9
FTSE All Share ex Investment Trusts		1.2	13.8	4.8	-	6.1
Excess		-4.8	-5.3	-1.3	-	-1.2
LGIM Passive UK Equities	121.5	0.6	13.2	5.4		3.4
FTSE All Share		0.5	13.0	5.3	-	3.3
Excess		0.1	0.2	0.1	-	0.1

Manager / Investment	AUM	Qtr	1 Yr	3 Yr	5 Yr	SII
	£m	%	%	%	%	%
Fixed Income						
Brunel Multi Asset Credit	169.4	-2.7	-	-	-	-1.5
SONIA + 4%		1.1	-	-	-	3.6
Excess		-3.8	-	-	-	-5.1
Other						
Brunel Diversifying Returns Fund	243.4	0.4	7.4	-	-	4.8
SONIA + 3%		0.7	3.1	-	-	3.1
Excess		-0.3	4.3	-	-	1.7
Private Markets						
Brunel Private Equity	33.3	4.9	50.5	23.6	-	27.2
MSCI AC World Index		-2.5	12.9	13.9	-	14.7
Excess		7.4	37.6	9.7	-	12.5
Brunel Secure Income	66.3	3.6	12.8	6.3	-	6.3
CPI		1.7	7.0	3.1	-	2.8
Excess		1.9	5.8	3.2	-	3.5

All Other Managers

Manager / Investment	AUM	Qtr	FYTD	1 Yr	3 Yr	5 Yr	SII
	£m	%	%	%	%	%	%
Schroders UK Small Cap Equities	71.2	-10.3	-4.7	-4.7	11.0	8.5	10.1
FTSE Small Cap Ex Investment Trusts		-6.5	5.5	5.5	11.3	6.4	7.2
Excess		-3.8	-10.2	-10.2	-0.3	2.1	2.9
Royal London Corporate Bonds	186.0	-7.4	-3.3	-3.3	3.0	3.5	7.5
iBoxx Sterling Non Gilts > 5 Years		-8.3	-6.6	-6.6	1.0	1.8	6.9
Excess		0.9	3.3	3.3	2.0	1.7	0.6
Insight Liability Driven Investment (LDI)	459.0	2.1	23.9	23.9	5.5	5.0	10.4
Manager Supplied Benchmark		2.6	24.5	24.5	5.6	4.3	9.5
Excess		-0.5	-0.6	-0.6	-0.1	0.7	0.9
CBRE / Property	297.1	5.5	19.9	19.9	6.9	7.4	7.7
MSCI UK All Properties (Quarterly)		6.1	16.3	16.3	4.9	6.1	7.4
Excess		-0.6	3.6	3.6	2.0	1.3	0.3
Harbourvest / Private Equity	76.9	2.6	79.0	79.0	34.9	25.5	15.0
FTSE All Share		0.5	13.0	13.0	5.3	4.7	5.7
Excess		2.1	66.0	66.0	29.6	20.8	9.3
Aberdeen Standard / Private Equity	22.0	6.6	31.4	31.4	13.7	12.0	5.0
FTSE All Share		0.5	13.0	13.0	5.3	4.7	6.0
Excess		6.1	18.4	18.4	8.4	7.3	-1.0
Federated Hermes / Infrastructure	102.1	9.0	10.0	10.0	6.5	6.1	7.3
10% Absolute Return		2.4	10.0	10.0	10.0	10.0	10.0
Excess		6.6	0.0	0.0	-3.5	-3.9	-2.7
IFM / Infrastructure	132.4	4.8	23.2	23.2	11.0	12.0	13.8
10% Absolute Return		2.4	10.0	10.0	10.0	10.0	10.0
Excess		2.4	13.2	13.2	1.0	2.0	3.8

6. **Private Markets**

6.1 The pension fund has private equity investments managed by two external managers, HarvourVest and Abrdn (formerly Aberdeen Standard), and Brunel.Private

6.2 Private Equity is an asset class that takes several years for commitments to be fully invested. The table below summarises the commitment the pension fund has made in total to each manager, the drawdowns that have taken place to date and the percentage of the total drawdown against commitments. It also shows the distributions that have been returned to the pension fund and the valuation as at 31 March 2022.

	Commitment	Drawndown		Distributions	Valuation
	£m	£m	%	£m	£m
HarbourVest	103.4	86.8	84%	122.8	76.9
Abrdn	74.1	71.1	96%	83.2	22.0
Brunel	120.0	27.2	23%	3.0	33.3
Total	**297.5**	**185.1**	**62%**	**209.0**	**132.2**

6.3 The pension fund has two external infrastructure managers, Federated Hermes and IFM. The target for each manager is a 10% absolute annual return and this is used at the benchmark for these investments. In addition to the assets under the management of Federated Hermes and IFM, the pension fund also has holdings in infrastructure funds under the management of Brunel.

6.4 The performance of the pension fund’s property investments managed by CBRE is detailed in Appendix 1. In addition to the assets under the management of CBRE, the pension fund also has holdings in secured long income property funds under the management of Brunel.

7. **Liability Driven Investment (LDI)**

7.1 A proportion of the pension fund’s assets are held in an inflation hedging strategy, managed by Insight Investment. These assets are not held to add growth, but to match the movements in the pension fund’s liabilities.

7.2 LDI strategies allow pension schemes to continue investing in return-seeking assets while hedging out their liability risks through the use of leverage. As at 31 March 2022 12.4% of the pension fund’s assets were invested in the mandate but 28.5% of the pension fund’s liabilities were hedged against inflation sensitivity i.e. if liabilities increased by £100M as a result of changes to inflation expectations, the value of the assets under management would be expected to increase by approximately £32M.

7.3 The liability matching strategy is intended to hedge against the impact of increasing pensions liabilities which are linked to the Consumer Prices Index (CPI). CPI cannot currently be hedged as there is not a sufficiently developed futures market, so the pension fund's strategy targets the Retail Prices Index (RPI) swaps market to act as a proxy for CPI which tends to be lower than RPI.

7.4 The performance of Insight is detailed in Appendix 2.

8. Financial Implications

The Local Government Pension Scheme (LGPS) is a national pension scheme administered locally. Dorset Council is the administering authority for the LGPS in Dorset which provides pensions and other benefits for employees of the Council, other councils and a range of other organisations within the county.

The LGPS is a 'defined benefit' scheme which means that benefits for scheme members are calculated based on factors such as age, length of membership and salary. Member benefits are not calculated on the basis of investment performance as they would be in a 'defined contribution' scheme.

Administering authorities are required to maintain a pension fund for the payment of benefits to scheme members funded by contributions from scheme members and their employers, and from the returns on contributions invested prior to benefits becoming payable.

Contribution levels for scheme members are set nationally, and contribution levels for scheme employers are set locally by actuaries engaged by administering authorities. As scheme member rates cannot be changed locally and benefits are defined, the risk of investment underperformance is effectively borne by scheme employers.

9. Climate Implications

The pension fund's Investment Strategy Statement requires all external investment managers to consider and manage all financially material risks arising from environmental issues, including those associated with climate change.

At its meeting in September 2020, the Committee agreed to a strategy of decarbonisation meaning a reduction in allocations of investment to companies which are high carbon emitters and looking to influence the demand for fossil fuels and their financing, not just their supply.

The pension fund no longer has any direct investments in individual companies, including 'fossil fuel' companies, but it does have indirect exposure to such companies through its holdings in pooled investment vehicles. As at 31 March 2021, the value of the pension fund's investments in companies primarily involved in the exploration, production, mining and/or refining of fossil fuels was estimated at approximately £41M (1.2% of total investment assets).

10. **Well-being and Health Implications**

No wellbeing and health implications arising from this report have been identified.

11. **Other Implications**

No other implications arising from this report have been identified.

12. **Risk Assessment**

The risks associated with the pension fund's investments are assessed in detail and considered as part of the strategic asset allocation. The pension fund's Investment Strategy Statement requires all external investment managers to consider and manage all financially material risks.

13. **Equalities Impact Assessment**

There are no equalities implications arising from this report.

14. **Appendices**

Appendix 1: Property (CBRE) Q1 2022

Appendix 2: Liability Driven Investment (Insight) Q1 2022

15. **Background Papers**

Investment Strategy Statement

Funding Strategy Statement

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280 Cambridge Science Park

Q1 report

Dorset County Pension Fund

2022

Executive summary

Dorset County Pension Fund ("DCPF") provides diversified exposure to good quality real estate located throughout the UK, across a range of sectors including offices, industrial, retail and other. The allocation to property reflects 9% of DCPF's total assets, which currently represents approximately £300m. The strategy is to transition the portfolio gradually to a 50/50 split between Secure Long Income ("SLI") and Conventional properties, with SLI properties within the Conventional portfolio counting towards the total.

OVERVIEW

£297.1M

Capital value (Combined DCPF portfolio)

32

Assets

	Conventional	SLI
Mandate	Commenced 1993	Commenced 2017
Performance objective	MSCI Quarterly over 5 years	LPI +2% per annum
Capital Value (Q1 2022)	£257.2m (87%)	£40m (13%)
Number of assets	23	9
Target portfolio size	£180m[1]	£120m
Value of purchases during quarter	-	-
Value of sales during quarter	£15.7m	-
Net initial yield (p.a.)	3.6%	3.8%
Average unexpired lease term (to break)	9.2 years (7.6 years)	66.7 years (16.8 years)

Combined Valuation	
Direct Property (Q1 2022 values)	£274.3m
Indirect Assets (Q1 2022 values)	£22.8m
TOTAL PORTFOLIO VALUATION	**£297.1m**

Performance[2]	Conventional	SLI	Combined	MSCI Quarterly Universe
Q1 2022	5.0%	1.8%	4.6%	4.7%
12 months	19.3%	10.1%	18.1%	19.6%
3 yrs p.a.	6.3%	6.1%	6.2%	6.4%
5 yrs p.a.	7.1%	-	6.9%	6.8%
7 yrs p.a.	7.4%	-	7.4%	7.1%
10 yrs p.a.	8.8%	-	8.8%	8.3%

[1] The Conventional portfolio includes SLI assets (c.12%), therefore the total SLI allocation will be 50%.
[2] Conventional, Combined and SLI are Nominal returns. SLI's Real returns for Q1 2022 0%, 12 months to March 2022 5.1%, and 3 years 1.8% p.a. with LPI Q1 2022 at 1.8%, 12 months 5.0% and 3 years 4.3% p.a.

Economic and property

- Having started the year in good health, the UK economy has seen headwinds build through the early months of 2022.

- The impact of Omicron was ultimately limited, but the war in Ukraine is now driving higher prices and weaker sentiment.

- The inflation outlook remains the major economic uncertainty and concern. Further upward pressure on already elevated rates of inflation, via higher energy and commodity prices, means CPI is now expected to average 7.2% in 2022, before moderating to 2.6% in 2023. Stagflation continues to be discussed as a risk, but there is not yet any clear evidence of the required wage-price spiral becoming established.

- All Property returns hit a multi-year high in 2021 meaning 2022 was expected to be a year of moderating returns, even before the war in Ukraine. So far performance data has been robust. According to the MSCI Monthly Index, All Property capital values increased by 4.4% in Q1 2022, down from the 6.6% recorded in Q4 2021. Q1 is typically a softer quarter, so this outturn suggests positive momentum in the market despite the increased economic uncertainty.

- Our property forecasts were updated in March. The revisions were modest, and we do not see the war in Ukraine serving as a catalyst for a correction in values, although we must acknowledge that the figures were produced at a time of heightened uncertainty. The All-Property total return forecast for 2022-26 is now 5.3% p.a., which is a marginal reduction from 5.5% p.a. previously.

Conventional portfolio

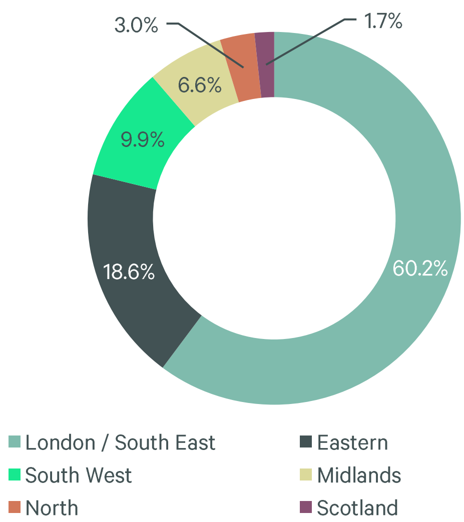
Portfolio information

KEY STATISTICS

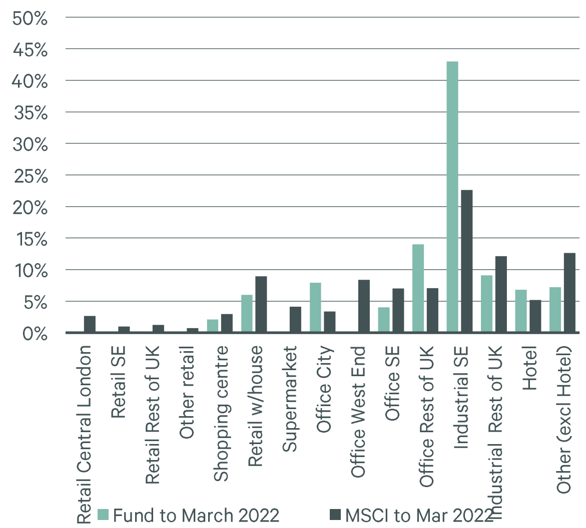
£234.3M Direct market value	**£22.8M** Indirect market value	**£257.2M** Total Conventional portfolio market value
23 (£11.7M) No. of assets (direct avg. value)	**66 (£3.6M)** No. of lettable units (direct avg. value)	**19.9% (7.9%)** Vacancy rate[3] (MSCI Quarterly Universe)
9.3 yrs (7.7 yrs) Avg. unexpired direct lease term (to break)	**3.6%** Direct net initial yield (p.a.)	**11.7%** % of income direct RPI / index linked
11.0% Rent with +10 years remaining (% of direct rent)	**6.2%** Rent with +15 years remaining (% of direct rent)	

GEOGRAPHICAL AND SECTOR EXPOSURE

Geographical breakdown



Sector breakdown



[3] Core vacancy rate plus active development projects, which represent 10.2% of ERV.

Secure long income portfolio (SLI)

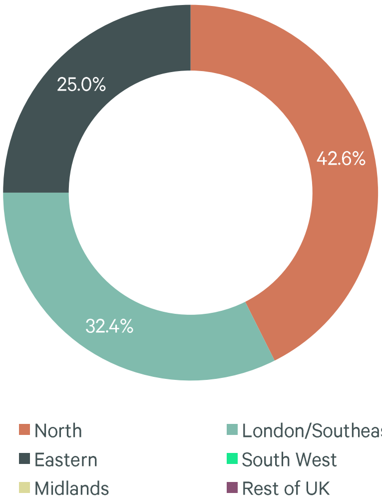
Portfolio information

KEY STATISTICS

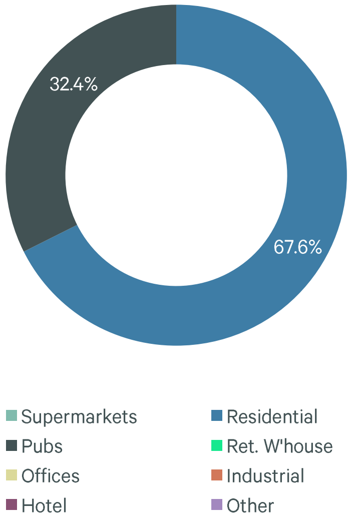
£40.0M Direct market value	£0.0M Indirect market value	£40.0M Total SLI portfolio market value
9 (£4.4M) No. of assets (avg. value)	13 (£3.1M) No. of lettable units (avg. value)[4]	0% Vacancy rate (% ERV)
66.7 yrs (16.8 yrs) Avg. unexpired lease term (to break)	3.8% Net initial yield (p.a.)	72.2% % of income index linked
53.7% Rent with +15 years remaining (% of rent)		

GEOGRAPHICAL AND SECTOR EXPOSURE

Geographical breakdown (% of total value)



Sector breakdown (% of total value)



[4] Assumes each residential portfolio is treated as a single lettable unit.

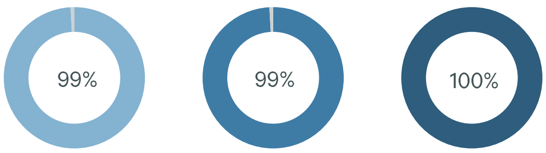
Environmental, Social, Governance

DCPF's ESG performance

COMPLIANCE	TRANSPARENCY	CARBON
Energy ratings	Building certifications	Energy
Policies	Reporting	Water
TCFD	Stakeholder engagement	Waste
Compliance risk	Data coverage	Tenant Workshops
Green leases		
All environmental compliance risks	**GRESB Outperformance**	**18% Carbon intensity reduction**

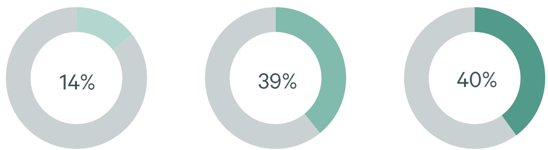
% of units with EPC rating lodged A-E

2021 performance **2022 performance** **2022 target**



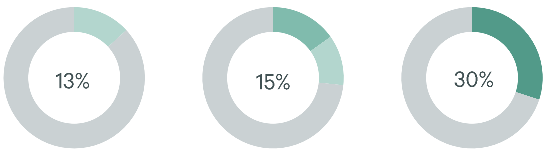
% of floor area for which energy data has been collected

2020 performance **2021 performance** **2022 target**



% Portfolio with a Building Certification (By Value)

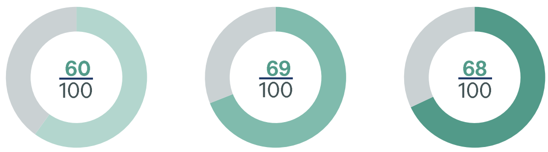
2021 performance **2022 performance** **2022 target**



% of In Progress Certifications in 2022

2021 GRESB score in the Standing Investments Assessment

2020 score **2021 score** **2022 target**



Key actions completed in Q1 2022

Action	Outcome	Compliance	Transparency	Carbon
TCFD Implementation	A high level climate adjusted flood risk review has been instructed for this portfolio.	x	x	x
EPC	The portfolio has completed one EPC assessment in the last quarter.	x		

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Dorset County Pension Fund

Investment report: Q1 2022

Insight INVESTMENT

BNY MELLON | INVESTMENT MANAGEMENT

Executive summary

Portfolio performance summary

- **Q1 2022**
  - Benchmark returns over the quarter were +**2.56% (+£10.2m),** which was driven by a rise in inflation expectations.
  - The portfolio underperformed the benchmark over the quarter, with relative performance of **-0.46% (-£1.9m).**

- **Since inception:**
  - Benchmark returns of **+9.46% pa (+£208.4m)** since inception as a result of falls in long-term interest rates
  - Discretionary positioning has added **+0.89% pa (+£19.3m)** to the Fund's portfolio return.

Portfolio position

- Your inflation hedge ratio (as a % of actuarial liabilities) was **28.5%** at the end of March.
- The portfolio leverage is **c.1.8x** as at 31 March 2022, which means it can withstand a >2% fall in inflation expectations prior to the leverage exceeding c.3.5x.

Dorset County Pension Fund
Key metrics at 31 March 2022

Inflation hedge ratios

	31-Dec-21, £k	31-Mar-22, £k
Portfolio IE01	1,643.0	1,479.6
Benchmark IE01	1,647.1	1,483.5
Actuarial liability IE01*	5,171.2	5,184.7
Portfolio inflation hedge ratio*	**31.8%**	**28.5%**
Benchmark inflation hedge ratio*	**31.9%**	**28.6%**

- **IE01**: Sensitivity (in £ terms) to a 0.01% (basis point) increase in inflation.
- This table shows an estimate of the proportion of the Fund's actuarial liabilities that are hedged by the portfolio. This also shows the portfolio is very close to the benchmark in terms of its total inflation sensitivity.

Change in long-term inflation expectations

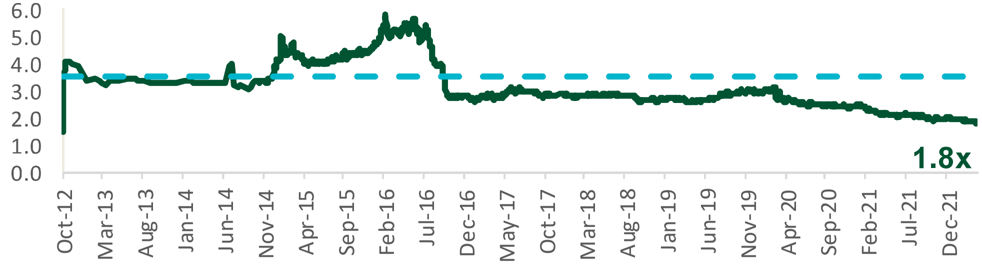
	0.0%	-0.5%	-1.0%	-1.5%	-2.0%	-2.5%
Expected value of collateral (£m)	459.6	382.7	315.2	255.9	203.7	157.5
Leverage multiple	1.79	1.97	2.20	2.50	2.90	3.49

- The above table shows stress tests for long-term inflation rates. The Fund can support a >2% fall in long-term inflation expectations prior to running out of collateral to support the hedge.
- The exposure value of inflation-linked liabilities hedged was £822.2m at 31 March 2022.

Performance

	3 months %	1 year %	3 years % ann.	5 years % ann.	Since inception % ann.
Portfolio	2.10	23.93	5.49	5.01	10.35
Benchmark	2.56	24.52	5.57	4.30	9.46
Relative	**-0.46**	**-0.60**	**-0.07**	**0.71**	**0.89**

Leverage (through time)**



- A c.2.1% fall in inflation would take the Fund to c.3.5x leverage

*Source: Barnett Waddingham, Estimate with Insight calculations. Actuarial liability data as at 30 September 2018. Actuarial liability IE01 is scaled based on the present value of the actuarial liabilities relative to the mandate cashflow value (see appendix for formula)

** Leverage = exposure value of inflation linked liabilities hedged / portfolio asset value. *** This is a proxy for the proposed notification level of Fund value/IE01<125.

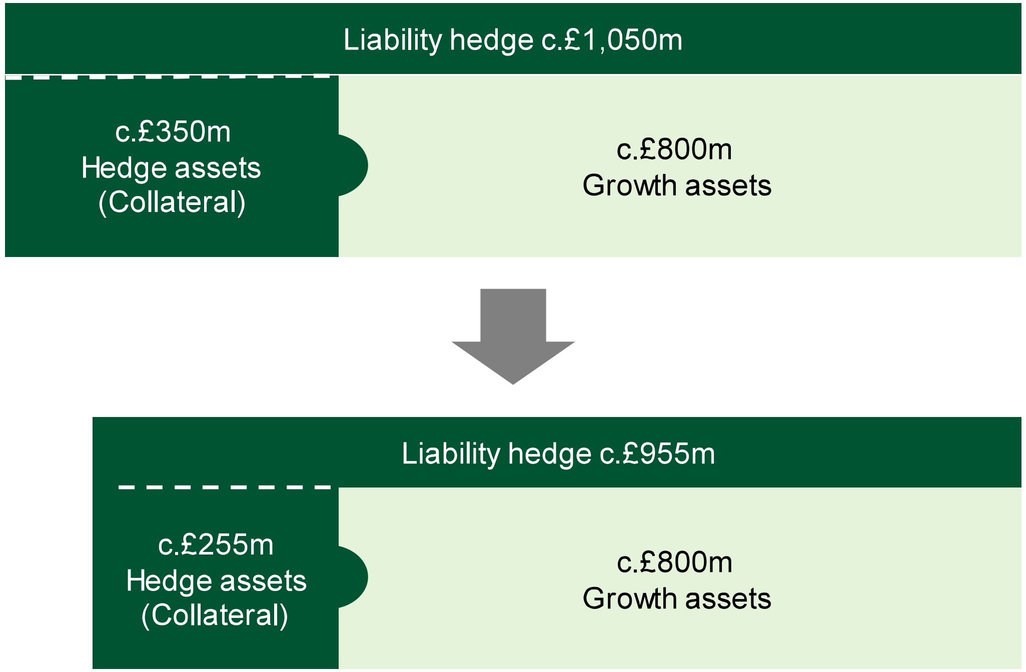
What happens to leverage when inflation falls?

Example

£350m invested to hedge £1,050m of inflation-linked liabilities

Duration (average maturity) of 20 years

Leverage is 3.0x



Scenario: Inflation expectations falls by 0.5%

Liabilities fall by c.£95m on £1,050m hedge

Hedge assets fall in value by c.£95m

Amount in LDI funds is now only £255m, supporting a £955m hedge

Overall this increases leverage from 3.0x to 3.7x

For illustrative purposes only.

Dorset County Pension Fund

Valuation and exposure as at 31 March 2022

	Value	Interest rate sensitivity (PV01)		Inflation sensitivity (IE01)	
	£m	£k	% of benchmark	£k	% of benchmark
Conventional gilts	-22.4	10.7	-1.4%	0.0	0.0%
Index-linked gilts	532.0	-1,265.9	167.2%	1,238.6	83.5%
Corporate bonds	4.9	-11.2	1.5%	11.0	0.7%
Futures	0.2	10.8	-1.4%	0.0	0.0%
Repurchase agreements	-106.8	1.1	-0.2%	0.0	0.0%
Liquidity	19.1	0.0	0.0%	0.0	0.0%
High Grade ABS Fund	11.4	0.0	0.0%	0.0	0.0%
Total bond and liquidity assets	**438.4**	**-1,254.6**	**165.7%**	**1,249.6**	**84.2%**
Index-linked gilt benchmark component	**497.5**	**-1,249.8**	**165.1%**	**1,223.5**	**82.5%**
RPI swaps	36.8	-59.3	7.8%	230.0	15.5%
Interest rate swaps	-15.5	559.3	-73.9%	0.0	0.0%
Total swap assets	**21.3**	**499.9**	**-66.0%**	**230.0**	**15.5%**
Swap liability benchmark component	**-95.1**	**492.6**	**-65.1%**	**260.0**	**17.5%**
Total assets	**459.6**	**-754.6**	**99.7%**	**1,479.6**	**99.7%**
Liability benchmark	**402.4**	**-757.2**	**100.0%**	**1,483.5**	**100.0%**
Liability benchmark inflation only	**822.2**	**-**	**-**	**1,483.5**	**100.0%**
Leverage multiple	**1.8**				

- The value of the liability benchmark reflects the Net Asset Value of the portfolio of gilts and swaps that are used as the benchmark for the liability hedging portfolio which was last updated on 3 March 2020.
- PV01: change in present value resulting from a 0.01% upward shift in long-term interest rates
- IE01: change in present value resulting from a 0.01% upward shift in long-term inflation expectations
- Leverage = exposure value of inflation linked liabilities hedged / portfolio asset value

Performance

Performance summary
As at 31 March 2022

	3 months %	1 year %	3 years % p.a.	5 years % p.a.	Since inception % p.a.
Portfolio	2.10	23.93	5.49	5.01	10.35
Benchmark	2.56	24.52	5.57	4.30	9.46
Relative	**-0.46**	**-0.60**	**-0.07**	**0.71**	**0.89**

	3 months £	1 year £	3 years cumulative £	5 years cumulative £	Since inception cumulative £
Portfolio	8,364,132	78,894,330	59,171,855	82,849,211	227,727,717
Benchmark	10,223,648	80,906,316	59,966,731	73,150,562	208,393,056
Relative	**-1,859,516**	**-2,011,986**	**-794,876**	**9,698,648**	**19,334,661**

Data stated as at 31 March 2022 . Performance is quoted gross of fees and in sterling terms. Inception date: 31 October 2012

Q1 2022:

- Unleveraged return: if we adjust for the leverage in the portfolio, the benchmark return over the quarter was 1.19% as a proportion of the value of the inflation exposure hedged and the portfolio return was 0.98% on that basis.
- The Asset Benchmark Return (to compare to State Street) was 2.27% over the quarter.
- The benchmark performed positively over the quarter, which was driven by a rise in inflation expectations across all maturities, partly offset by the negative impact of rising government bond yields.
- The portfolio underperformed the benchmark over the quarter as a result of inflation curve positioning, where Insight is overweight to inflation at longer maturities versus the middle of the curve where inflation rates are higher.

Benchmark performance attribution

31 March 2022

BNY MELLON | INVESTMENT MANAGEMENT

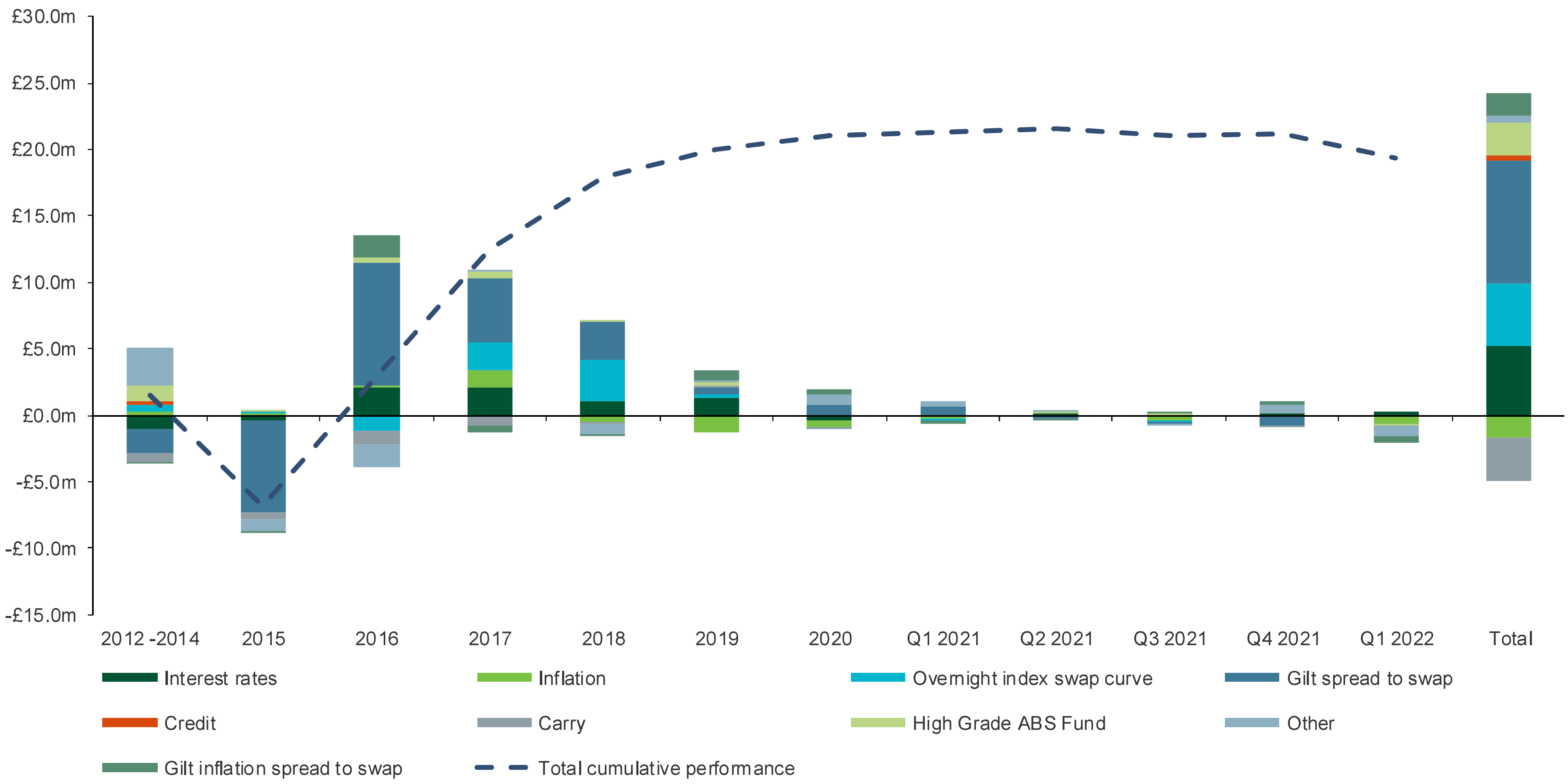
Dorset County Pension Fund

Benchmark performance attribution to 31 March 2022

£m	2012 -2014	2015	2016	2017	2018	2019	2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Total
Interest rates	63.3	14.8	32.3	5.2	-5.1	41.3	37.3	-34.9	10.5	-14.5	15.9	-48.7	**117.3**
Inflation	9.1	-6.9	55.7	-12.2	-0.7	-79.0	-30.5	52.4	1.5	44.8	3.1	68.9	**106.1**
Overnight index swap curve	0.0	0.0	0.0	0.0	0.8	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	**0.3**
Gilt spread to swap	-5.1	-10.1	7.6	6.6	-0.1	10.3	-3.9	0.6	0.7	4.3	17.0	-5.0	**22.8**
Gilt inflation spread to swap	-2.3	1.9	-0.5	0.7	-0.8	7.8	4.2	-2.1	1.2	0.0	-8.9	-4.0	**-2.8**
Carry	4.6	0.9	0.5	0.5	1.5	2.3	0.1	-0.1	0.0	0.0	-0.1	0.3	**10.5**
Other	-5.6	-9.1	-10.0	-4.2	-2.8	-3.5	-2.9	-1.6	-0.7	-0.5	-3.6	-1.3	**-45.8**
Total	**64.1**	**-8.4**	**85.4**	**-3.5**	**-7.2**	**-21.4**	**4.2**	**14.2**	**13.1**	**34.2**	**23.4**	**10.2**	**208.4**
Total cumulative performance	64.1	55.6	141.0	137.5	130.4	109.0	113.2	127.5	140.6	174.7	198.2	208.4	-

Relative performance attribution

31 March 2022



Dorset County Pension Fund

Relative performance attribution to 31 March 2022

£m	2012 -2014	2015	2016	2017	2018	2019	2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Total
Interest rates	-1.1	-0.3	2.1	2.2	1.1	1.4	-0.4	-0.2	0.2	0.0	0.1	0.2	**5.2**
Inflation	0.3	0.1	0.2	1.2	-0.6	-1.2	-0.5	-0.1	0.1	-0.4	-0.1	-0.6	**-1.7**
Overnight index swap curve	0.5	0.2	-1.1	2.1	3.2	0.2	0.0	-0.1	0.0	0.0	0.0	0.0	**4.8**
Gilt spread to swap	-1.8	-6.9	9.3	4.9	2.8	0.6	0.7	0.6	-0.2	-0.1	-0.7	-0.1	**9.2**
Gilt inflation spread to swap	0.0	-0.1	1.8	-0.5	-0.1	0.7	0.4	-0.3	0.0	0.1	0.2	-0.6	**1.7**
Credit	0.4	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.4**
Carry	-0.7	-0.5	-1.0	-0.8	-0.1	0.1	-0.1	0.0	0.0	0.0	0.0	0.0	**-3.2**
High Grade ABS Fund	1.2	0.1	0.3	0.4	0.0	0.3	0.1	0.1	0.1	0.0	0.0	0.0	**2.5**
Other	2.9	-1.0	-1.7	0.2	-0.8	0.2	0.7	0.3	0.1	-0.2	0.7	-0.8	**0.5**
Total	**1.5**	**-8.4**	**9.7**	**9.6**	**5.4**	**2.1**	**1.0**	**0.4**	**0.2**	**-0.6**	**0.2**	**-1.9**	**19.3**

Total cumulative performance	1.5	-6.8	2.9	12.5	17.9	20.0	21.0	21.3	21.6	21.0	21.2	19.3	-

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