Public Document Pack

Pension Fund Committee

Date: Tuesday, 26 March 2024
Time: 10.00 am
Venue: Committee Room 1, County Hall, Dorchester, DT1 1XJ

Membership: (Quorum 3)
Cllr Andy Canning (Chairman), Cllr John Beesley (BCP), Cllr David Brown (BCP), Cllr Simon Christopher, Adrian Felgate, Cllr Howard Legg, Cllr Felicity Rice (BCP), Cllr Mark Roberts and Cllr Gary Suttle

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

For more information about this agenda please contact Democratic Services
Meeting Contact joshua.kennedy@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

Page No

1. APOLOGIES

To receive any apologies for absence.

2. MINUTES 5 - 8

To confirm the minutes of the meeting held on 05 March 2024.

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

Representatives of town or parish councils and members of the public who live, work, or represent an organisation within the Dorset Council area are welcome to submit either 1 question or 1 statement for each meeting. You are welcome to attend the meeting in person or via MS Teams to read out your question and to receive the response. If you submit a statement for the committee this will be circulated to all members of the committee in advance of the meeting as a supplement to the agenda and appended to the minutes for the formal record but will not be read out at the meeting. The **first 8 questions and the first 8 statements received from members of the public or organisations for each meeting will be accepted on a first come first served basis in accordance with the deadline set out below.** Further information read [Public Participation - Dorset Council]

All submissions must be emailed in full to Joshua.kennedy@dorsetcouncil.gov.uk by 08:00am on Thursday 21 March 2024.

When submitting your question(s) and/or statement(s) please note that:

- You can submit 1 question or 1 statement.
- A question may include a short pre-amble to set the context.
- It must be a single question and any sub-divided questions will not be permitted.
- Each question will consist of no more than 450 words, and you will be given up to 3 minutes to present your question.
- When submitting a question please indicate who the question is for (e.g., the name of the committee or Portfolio Holder).
- Include your name, address, and contact details. Only your name will be published but we may need your other details to contact you about your question or statement in advance of the meeting.
- Questions and statements received in line with the council's rules for public participation will be published as a supplement to the agenda.
- All questions, statements and responses will be published in full within the minutes of the meeting.

5. QUESTIONS FROM COUNCILLORS

To receive questions submitted by councillors.

Councillors can submit up to two valid questions at each meeting and sub divided questions count towards this total. Questions and statements received will be published as a supplement to the agenda and all questions, statements and responses will be published in full within the minutes of the meeting.

The submissions must be emailed in full to Joshua.kennedy@dorsetcouncil.gov.uk by 08:00am on Thursday 21 March 2024.

Dorset Council Constitution – Procedure Rule 13

To confirm the dates for the meetings of the Committee in 2024/25:
26 March 2024

1.30 pm Tuesday 25 June 2024 - County Hall, Dorchester.
1.30 pm Tuesday 17 September 2024 - County Hall, Dorchester.
1.30 pm Tuesday 26 November 2024 - County Hall, Dorchester.
1.30 pm Tuesday 18 March 2025 - County Hall, Dorchester.

All meetings to be preceded by training for committee members 10am to 12.45pm

12. **EXEMPT BUSINESS**

To move the exclusion of the press and the public for the following item 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 item of business is considered.

13. **INVESTMENT MANAGEMENT CHANGES** 121 - 124

To receive an update on any changes to investment management arrangements.

Dorset Council

PENSION FUND COMMITTEE

MINUTES OF MEETING HELD ON TUESDAY 5 MARCH 2024

Present: Cllr Andy Canning (Chairman), Cllr David Brown (BCP Council), Cllr Simon Christopher, Adrian Felgate (Scheme Member Representative), Cllr Howard Legg, Cllr Felicity Rice (BCP Council) and Cllr Mark Roberts

Apologies: Cllrs John Beesley (BCP Council) and Gary Suttle

Also Present: Ian Howse (Deloitte) and Steve Tyson (Independent Investors Advisor, Apex Group)

Officers present (for all or part of the meeting):
Aidan Dunn (Executive Director - Corporate Development S151), Sean Cremer (Corporate Director for Finance and Commercial) and David Wilkes (Service Manager for Treasury and Investments)

250. **Minutes**

The minutes of the meeting held on 29 November were confirmed and signed.

251. **Declarations of Interest**

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

252. **Public Participation**

No questions or statements from members of the public were made at the meeting.

253. **Questions From Councillors**

No questions or statements from Councillors were made at the meeting.

254. **Urgent items**

No urgent items were raised at the meeting.

255. **Pension Fund External Auditor's Report 2020/21**

The Committee considered the final report of the independent auditor on the pension fund accounts for 2020/21 presented by Ian Howse, Audit Partner, Deloitte.

The auditor's opinion was that the pension fund financial statements for 2020/21 gave a true and fair view of the transactions, assets and liabilities of the pension fund for the period and year end date, and had been properly prepared in accordance with the relevant accounting code of practice. The auditor also concluded that pension fund's financial statements for 2020/21 were consistent with the pension fund's annual report for 2020/21.

256. **Dates of Future Meetings**

10.00 am Tuesday 26 March 2024 - County Hall, Dorchester.
1.30 pm Tuesday 25 June 2024 - County Hall, Dorchester.
1.30 pm Tuesday 17 September 2024 - County Hall, Dorchester.
1.30 pm Tuesday 26 November 2024 - County Hall, Dorchester.
1.30 pm Tuesday 18 March 2025 - County Hall, Dorchester.

All meetings from June 2024 will be preceded by training for committee members 10am to 12.45pm.

257. **Exempt Business**

Decision

That the press and the public be excluded for the following item(s) 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).

258. **Listed Equities Review**

The Committee considered the results of review of the pension fund's allocations to equity portfolios.

Decision

That the Committee:

- maintains the pension fund's existing allocation to UK equities until further detail about the Brunel UK active equity fund review is available (expected by September 2024);
- transfers the pension fund's holdings in Climate Transition Benchmark (CTB) passive equities to Paris Aligned Benchmark (PAB) passive equities;
- investigates whether the smart beta portfolio can be made less carbon intensive; and
- reviews current allocations to all active portfolios managed by Brunel Pension Partnership (Brunel), the pension fund's Local Government Pension Scheme (LGPS) investment pooling manager in 12 months' time.

259. **Investment Management Arrangements**

The Committee considered a proposal from Brunel to apply the following limited activity-based exclusions to Brunel's actively managed equity and corporate bond portfolios:

- Thermal Coal Extraction revenues equal or greater than 50%.
- Oil Sands Extraction revenues equal or greater than 25%.
- Controversial Weapons and Non-Compliant with Principle 2 of United Nations Global Compact on Human Rights (UNGC).
- Tobacco Production revenues equal or greater than 25%.

Any subsequent amendments to Brunel's policies would be subject to the views of all its clients.

Decision

That the proposal was supported.

Duration of meeting: 1.30 - 2.10 pm

Chairman

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Pensions Fund Committee
26 March 2024
Pensions Administration

For Review and Consultation

Local Councillor(s): All

Executive Director: A Dunn, Executive Director, Corporate Development

Report Author: Karen Gibson
Title: Service Manager for Pensions
Tel: 01305 228524
Email: karen.gibson@dorsetcouncil.gov.uk

Report Status: Public

Brief Summary:

This report is the quarterly update for the Pension Fund Committee on all operational and administration matters relating to the Fund. It contains updates on the following:

- Key Performance Indicators
- McCloud Update
- Abolition of the Lifetime Allowance
- UK Spring Budget 2024
- TPR's General Code of Practice
- Pensions Dashboard

Recommendation:

It is recommended that the Committee note and comment on the contents of the report.

Reason for Recommendation:

To update the Committee on aspects of Pensions Administration.

1 Background

1.1 This report is the quarterly update for the Pension Fund Committee on all operational and administration matters relating to the Fund.

2 Key Performance Indicators

2.1 The key performance indicators are attached at Appendix 1. These are for the period 1 November 2023 to 31 January 2024. The previous quarter is included for reference.

2.2 There is continued improvement in key areas such as retirements, retirement quotes and estimates, and consistently good performance in all areas where members are impacted.

3 McCloud Update

3.1 **Software** - Our software provider has confirmed that there will be a further delay in delivering the remaining McCloud developments, with current timescales indicating the required updates will not be in our Live System until November at the earliest.

3.2 Several successful developments are in place, including the ability to identify members in scope and calculate underpin benefits for active retirements and deferred benefits, but all other ‘business as usual’ tasks and the ability to commence the significant rectification work, covering all benefits calculated, from April 2014, is not available. This is a concern as 2025 is a Valuation year, and the year in which all annual benefit statements must be compliant with the McCloud Regulations, and in addition, work needs to be underway for the Dashboard programme. Together with the Chair of the Local Pension Board, I am in discussions with the software providers to discuss the situation and establish if any developments can be provided sooner.

3.3 **Data** – I am pleased to report that all the work to cleanse our data for the McCloud Regulations is complete, putting us in an excellent position. This was a significant task, which included manual adjustments to nearly 60,000 data items.

3.4 **Draft Statutory Guidance** - On the 1 March 2023, the Department for levelling Up, Housing and Communities issued a draft consultation to stakeholders only, of the draft LGPS statutory guidance on the McCloud Implementation.

3.5 The draft guidance covers a number of issues related to the extension of the underpin to younger LGPS members made through the LGPS (Amendment) (No.3) Regulations 2023, and has been issued following initial feedback from a McCloud guidance working group. Items covered include governance, data collection and verification, case prioritisation, transfers, deaths of beneficiaries before payment made and compensation.

3.6 **New GAD Guidance** – on 24 January 2024, DLUCH issued new LGPS actuarial guidance. This does not contain new factors but does provide additional information about how the McCloud remedy will affect certain calculations, including early payment of pensions, late retirements, incoming and outgoing transfers and interfund transfers.

3.7 **Transfers**- transfers are proving to be especially challenging in meeting the McCloud remedy requirements. Following the publication of the new guidance above, the Local Government Association (LGA) has provided a spreadsheet to assist authorities with the calculation of the McCloud element of non-club transfers whilst waiting for the required software developments. However, they have not been able to do the same for Club transfers due to the complexities involved. GAD have been approached to see if they can assist. These delays and complexity will be of concern going forward.

4 Abolition of the Lifetime Allowance (LTA) from 6 April 2024

4.1 The Government announced in the Spring budget 2023 that it will abolish the LTA completely from April 2024. HMRC then released draft legislation, a policy paper '[Abolition of the Lifetime Allowance from 6 April 2024'](), and a consultation on 18 July 2023 to achieve this.

4.2 The new rules come into effect from 6 April 2024, when the LTA will be replaced by three new allowances, bringing further complexity to pensions tax.

4.3 Tax-free cash from a pension fund will be limited by the **Lump Sum Allowance (LSA)**, which is set at the £268,275 (25% of the LTA) or 25% of the members protected LTA.

4.4 **A Lump Sum and Death benefit Allowance (LSDBA**) of £1,073,100 (the same as the current LTA) or the member's protected LTA will test both tax-free cash sums and pension death benefit lump sums.

4.5 **An Overseas Transfer Allowance (OTA**) of £1,073,100, will be introduced for transfer to QROPS schemes.

4.6 In addition, there is a new '**Transitional Allowance'**, this will impact members who had previously taken benefits under the old rules, who will now have a reduction to the LSA of 25% of the LTA previously used.

4.7 Further clarity is needed as the new rules are complex. We are currently reviewing communications and working with our software provider to modify systems and reporting where needed.

5 UK Spring Budget 2024

5.1 On 6 March 2024, the Chancellor delivered his Spring Budget. There were no significant changes to Defined Benefit Schemes, but some notable changes to Defined Contribution Schemes. There were no further changes to pensions tax following the chancellor's previous announcement in Spring 2023.

5.2 However, the Chancellor did announce that requirements will be introduced for Local Government Pension Scheme funds to publicly disclose the breakdown of their asset allocations, including UK equities, on an annual basis. These requirements will be part of the new Annual Report guidance which is expected by the end of this month.

5.3 The Chancellor also stated that the government will review what further action is needed if this reporting does not demonstrate that UK equity allocations are increasing.

6 TPR's General code of Practice Published

6.1 The long awaited General Code of Practice was finally published by The Pensions Regulator (TPR) in January 2024. The new Code replaces Code of

Practice 14 for public service pension schemes and brings together ten previous TPR codes into one. It is expected to come into force on 27 March 2024.

6.2 The new Code enhances existing guidance in some areas, including ESG, diversity, scheme continuity and cyber controls.

6.3 TPR's research on governance and administration shows that the LGPS already has high standards of governance in place. The Code provides an opportunity for funds to review current practices, but also presents challenges during what is already a busy time for the LGPS. Clarity is needed on which parts of the Code apply to the LGPS, what this means for administering authorities and how they should be applied in practice. The Scheme Advisory Board (SAB) will support authorities in understanding any new requirements in the Code and, where needed, will produce new or updated existing guidance.

6.4 A review of the Fund's governance framework will assist us in assessing any changes that may be needed to policies and procedures, and whether we meet the new requirements. The focus now is on the schemes outputs of Effective System of Governance (ESOG) and the Own Risk Assessment (ORA). We will be working with the Local Pensions Board to look more closely at these requirements.

7 Pensions Dashboards

7.1 The Pensions Dashboard Programme (PDP) continues to provide updates, FAQ's, training and information. The Dorset fund has not yet decided on an ISP provider. Discussions continue nationally about how in-house AVC information will be provided to the dashboard.

8 Financial Implications

N/A

9 Climate Implications

None

10 Well-being and Health Implications

None

11 Other Implications

N/A

12 Risk Assessment

12.1 HAVING CONSIDERED: the risks associated with this decision; the level of risk has been identified as:

Current Risk: N/A

Residual Risk: N/A

16. Equalities Impact Assessment

N/A

17. Appendices

Appendix 1 – KPIs (1 August 2023 to 31 October 2023)

18. Background Papers

LGPS Regulations 2013

The Local Government Pension Scheme (Amendment) (No. 3) Regulations 2023 (legislation.gov.uk)

Public Service Pensions Act 2013 (legislation.gov.uk)

Local government pension scheme funds for England and Wales: 2022 to 2023 - GOV.UK (www.gov.uk)

Abolition of the Lifetime Allowance from 6 April 2024

Public service code of practice | The Pensions Regulator

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Dorset County Pension Fund KPI Report

	Period:	November 2023 - January 2024				
Top 10 detail - cases completed on time	**Completed in period**	**Performance**	**KPI (days)**	**Cases completed on time or early**	**Total Processes Worked On**	**Average Working Time (Days)**
Admissions	1092	100.00%	30	1092	1092	1.00
Interfunds in Quote	125	84.00%	15	105	596	9.65
Interfunds In Actual	130	82.31%	15	107	319	11.82
Interfunds Out Quote	94	88.30%	15	83	124	8.24
Interfunds Out Actual	60	16.67%	15	10	98	77.46
Transfers in Quote	33	93.94%	15	31	214	9.01
Transfers In Actual	81	98.77%	15	80	88	3.81
Transfers Out Actual	21	90.48%	15	19	82	10.87
Transfer Out Quote	102	93.14%	15	95	138	7.23
Estimates	368	99.18%	15	365	489	5.16
Retirements	349	98.28%	10	343	519	6.12
Retirements Quote	442	99.10%	10	438	1050	4.76
Deferred Benefits	1081	42.65%	40	461	1292	81.43
Refunds	188	100.00%	15	188	453	1.03
Refunds Quote	345	99.42%	15	343	974	1.87
Deaths (Initial Stage)	96	100.00%	5	96	214	1.75
Correspondance	1183	99.75%	15	1180	1134	2.37
Total	**5790**	**86.98%**		**5036**	**8876**	

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Pension Fund Committee

26 March 2024

Pension Fund Investments

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 estimated value of the pension fund's assets at 31 December 2023 was £3,728m compared to £3,517m at the start of the financial year, an increase of £211m.

The total return from the pension fund's investments over the quarter to 31 December 2023 was 5.0%, compared to the combined benchmark return of 4.5%. The total return for the 12 months to 31 December 2023 was 9.7% compared to the benchmark return of 8.8%. Annualised returns for three years were 4.5% compared to the benchmark return of 6.0% and for five years were 5.8% compared to the benchmark of 6.4%.

The quarter to 31 December 2023 saw global falls in inflation at a faster pace than expected, which lead to expectations that interest rates might start to fall faster than expected and in turn a rally across most asset classes. A key aspect driving markets was the performance of the so-called Magnificent Seven mega-cap stocks - Apple, Amazon, Alphabet, Meta, Nvidia, Microsoft and Tesla.

As at 31 December 2023, approximately 78% 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.

The investing environment for Brunel's growth and quality styles was more positive in November/December 2023 as bond yields declined. The future

direction of interest rates is central to the performance of Brunel's portfolios. Brunel has faced headwinds in this regard in earlier in 2022 and 2023, but a period of stable or falling interest rates should be in Brunel's favour.

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.

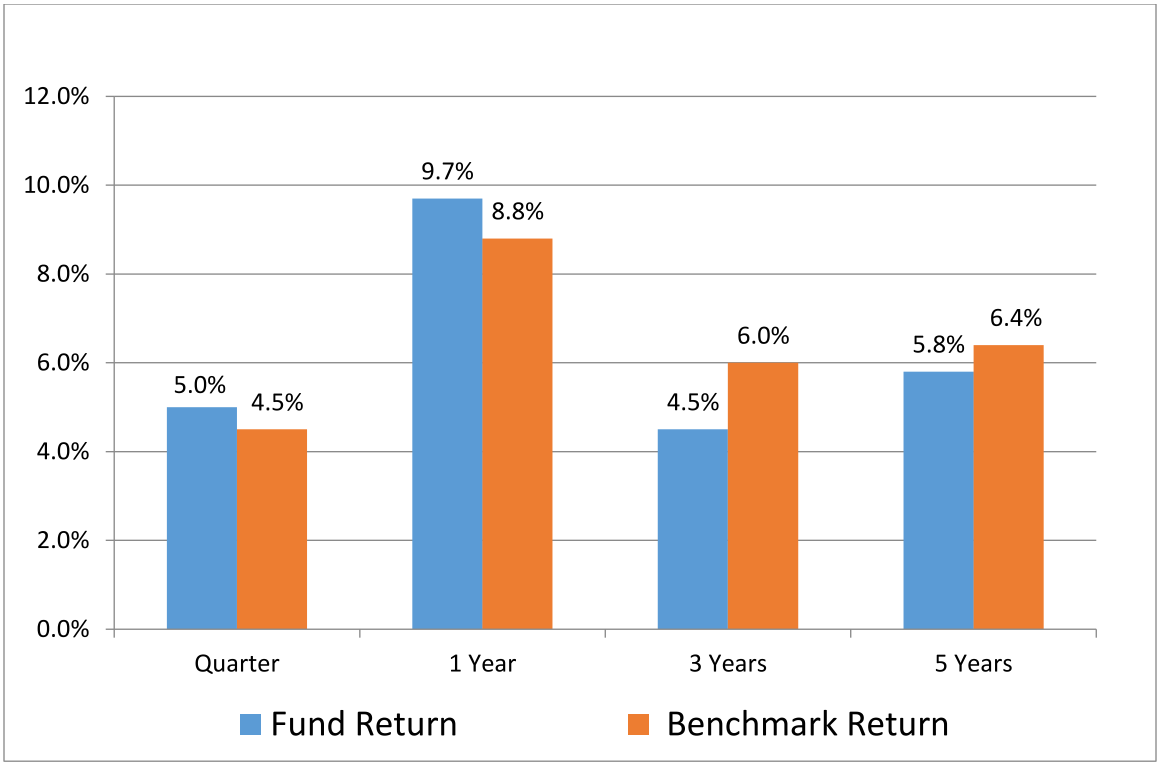
1. **Asset Valuation Summary**

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 December 2023, compared with the target allocation agreed by the Committee June 2023. There were no significant variances between actual and target allocations.

	31-Mar-23		31-Dec-23		Target Allocation	
Asset Class	**£M**	**%**	**£M**	**%**	**£M**	**%**
UK Equities	310.0	8.8%	327.5	8.8%	335.5	9.0%
Global Equities	1,567.5	44.6%	1,680.0	45.1%	1,677.6	45.0%
Emerging Markets Equities	142.2	4.0%	143.8	3.9%	149.1	4.0%
Total Listed Equities	***2,019.7***	***57.4%***	***2,151.3***	***57.7%***	***2,162.2***	***58.0%***
Corporate Bonds	229.1	6.5%	255.5	6.9%	242.3	6.5%
Multi Asset Credit	232.4	6.6%	264.0	7.1%	242.3	6.5%
Diversified Returns	236.5	6.7%	251.5	6.7%	261.0	7.0%
Infrastructure	276.2	7.9%	285.3	7.7%	298.2	8.0%
Private Equity	135.8	3.9%	135.0	3.6%	186.4	5.0%
Property	302.8	8.6%	308.6	8.3%	335.5	9.0%
Liability Driven Investment	19.0	0.5%	0.0	0.0%	-	0.0%
Cash	58.8	1.7%	73.2	2.0%	-	0.0%
F/X Hedging	7.1	0.2%	3.5	0.1%	-	0.0%
Total Asset Valuation	**3,517.4**	**100.0%**	**3,727.9**	**100.0%**	**3,727.9**	**100.0%**

2. **Investment Performance Summary**

2.1 The overall performance of the pension fund's investments to 31 December 2023 is summarised below (returns for three and five years are annualised figures).



2.2 Appendix 1 summarises by investment manager and investment vehicle the value of Assets Under Management (AUM) as at 31 December 2023 plus each investment's return compared to its benchmark for the quarter, one, three and five years, and 'Since Initial Investment' (SII). All percentages quoted for periods over one year are annualised returns.

3. Economic and Market Background

3.1 The quarter to 31 December 2023 saw global falls in inflation at a faster pace than expected, which lead to expectations that interest rates might start to fall faster than expected and in turn a rally across most asset classes.

3.2 A key aspect driving markets was the performance of the so-called Magnificent Seven mega-cap US technology stocks - Apple, Amazon, Alphabet (Google, YouTube, Android mobile operating system), Meta (Facebook, Instagram, WhatsApp), Nvidia, Microsoft and Tesla. As of January 2024, these seven stocks in total represented nearly 30% of the S&P 500's market capitalisation and were responsible for almost two-thirds of the S&P 500's 24% increase in 2023. These stocks are therefore a major influence on the performance of world benchmarks and market participants.

3.3 Further information relating to the economic and market background relevant to the pension fund’s investments can be found in the independent investment adviser’s quarterly report (Appendix 2).

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 December 2023, approximately 78% of the pension fund’s assets were under the management of Brunel.

4.3 Brunel’s performance report for the quarter ending 31 December 2023 is included as Appendix 3 to this report. 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.

4.4 The quarter saw an improved performance for many of the Brunel portfolios with Global Sustainable, UK Active, Emerging Market Equities and Multi Asset Credit were all ahead of their respective benchmarks, with Global High Alpha and Global Small Cap behind benchmark.

4.5 The investment environment for Brunel’s general bias towards growth and quality styles was more positive in November/December 2023 as bond yields declined. If interest rates decline, the present value of the future profits of fast growing companies becomes more valuable when a lower discount rate is applied. The view of the future direction of interest rates is therefore key to the performance of Brunel’s portfolios. Brunel faced headwinds in this regard in 2022 and 2023, but a period of stable or falling interest rates should be favourable for in Brunel as advised by investment consultants, Mercer, as part of the recent review of equity allocations.

4.6 Another significant factor effecting the relative performance of each of Brunel’s portfolios is the exposure to the ‘magnificent seven’ relative to benchmark.

5. **Private Markets**

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

5.2 Private Equity is an asset class that takes several years for commitments to be fully invested. The table below summarises the pension fund's commitments, drawdowns, distributions received and closing valuations by manager as at 31 December 2023.

	Commitment	Drawdown		Distributions	Valuation
	£m	£m	%	£m	£m
HarbourVest	109.5	99.1	91%	128.8	64.1
Abrdn	77.7	69.6	90%	98.1	14.6
Brunel	120.0	47.2	39%	3.8	56.3
Total	**307.2**	**216.0**	**70%**	**230.7**	**135.0**

5.3 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.

5.4 The performance of the pension fund's property investments managed by CBRE is detailed in Appendix 4. 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.

6. Financial Implications

6.1 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.

6.2 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.

6.3 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.

6.4 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.

6.5 The pension fund's actuary, Barnett Waddingham, undertakes a full assessment of the funding position every three years. The results of the latest full assessment as at 31 March 2022 were that the pension fund had a funding level of 96% i.e. assets were estimated to be 96% 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, compared to 92% at the last valuation as at 31 March 2019.

7. Natural Environment, Climate & Ecology Implications

7.1 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.

7.2 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.

7.3 Significant decarbonisation has been and will continue to be achieved through the transition of assets to the management of Brunel. Approximately 10% of the pension fund's assets are invested in Brunel's global sustainable equities fund, with all other actively managed Brunel funds are committed to a policy of a 7% year on year reduction in their carbon footprint, and approximately 7% invested in passive equites funds tracking 'Paris Aligned' or 'Climate Transition' benchmarks.

7.3 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 2023, 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 £66M (1.8% of total investment assets).

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

8.1 None.

9. **Other Implications**

9.1 None.

10. **Risk Assessment**

10.1 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.

11. **Equalities Impact Assessment**

11.1 None.

12. **Appendices**

Appendix 1: Performance summary by investment manager
Appendix 2: Independent Investment Adviser's quarterly report
Appendix 3: Brunel's quarterly report
Appendix 4: CBRE Quarterly Investment Report 31 December 2023

13. **Background Papers**

Funding Strategy Statement (dorsetpensionfund.org)
10-1-investment-strategy-statement-iss-november-2023.pdf (dorsetpensionfund.org)

Appendix 1

Performance by Investment Manager

The following tables summarise by investment manager and investment vehicle the value of Assets Under Management (AUM) as at 31 December 2023 plus each investment's return compared to its benchmark for the quarter, one, three and five years, and 'Since Initial Investment' (SII). All percentages quoted for periods over one year are annualised returns.

Brunel Pension Partnership

Investment	AUM £m	Qtr %	1 Yr %	3 Yr %	5 Yr %	SII %
Global Equities:						
Brunel Global Sustainable Equities	**360.3**	8.0	9.3	3.6	-	4.3
MSCI AC World GBP Index		6.4	15.9	8.7	-	8.4
Excess		1.6	-6.6	-5.1	-	-4.1
Brunel Global High Alpha Equity	**296.1**	6.2	17.5	7.3	-	12.2
MSCI World TR Index		6.8	17.4	10.3	-	10.9
Excess		-0.6	0.1	-3.0	-	1.3
Brunel Smaller Companies Equities	**232.5**	5.2	8.2	-	-	1.3
MSCI World Small Cap		7.8	9.8	-	-	3.8
Excess		-2.6	-1.6	-	-	-2.5
Brunel Emerging Market Equity	**143.8**	3.6	3.5	-4.6	-	0.6
MSCI Emerging Markets		3.3	4.0	-2.5	-	2.5
Excess		0.3	-0.5	-2.1	-	-1.9
LGIM Passive Developed Equities	**109.3**	6.8	17.2	9.9	-	10.0
FTSE World Developed		6.8	17.2	10.0	-	10.1
Excess		0.0	0.0	-0.1	-	-0.1
LGIM Passive Dev. Equities (Hedged)	**111.6**	9.7	23.2	8.3	-	9.6
FTSE World Developed Hedged		9.7	23.1	8.4	-	9.7
Excess		0.0	0.1	-0.1	-	-0.1
LGIM Passive Dev. Equities PAB	**61.2**	6.8	20.3	-	-	14.5
FTSE Developed Paris Aligned Net Index		6.7	20.3	-	-	14.6
Excess		0.1	0.0	-	-	-0.1
LGIM Passive Dev. Equities PAB (Hedged)	**62.8**	9.7	26.2	-	-	19.7
FTSE Developed Paris Aligned Net Index (hdgd)		9.7	26.2	-	-	19.9
Excess		0.0	0.0	-	-	-0.2

Investment	AUM £m	Qtr %	1 Yr %	3 Yr %	5 Yr %	SII %
LGIM Passive Dev. Equities CTB	**61.3**	6.7	20.3	-	-	17.9
FTSE Developed Climate Transition Index		6.6	20.3	-	-	18.1
Excess		0.1	0.0	-	-	-0.2
LGIM Passive Dev. Equities CTB (Hedged)	**62.8**	9.6	26.1	-	-	19.7
FTSE Developed Climate Transition Index (hdgd)		9.6	26.2	-	-	19.9
Excess		0.0	-0.1	-	-	-0.2
LGIM Passive Smart Beta	**160.7**	5.3	8.3	9.9	10.5	8.3
SciBeta Multifactor Composite		5.1	7.7	9.4	10.0	8.0
Excess		0.2	0.6	0.5	0.5	0.3
LGIM Passive Smart Beta (Hedged)	**161.1**	8.2	13.8	8.3	10.1	7.4
SciBeta Multifactor Hedged Composite		8.0	13.2	7.8	9.6	7.1
Excess		0.2	0.6	0.5	0.5	0.3
UK Equities:						
Brunel UK Active Equity	**196.5**	4.1	8.7	7.3	5.7	4.9
FTSE All Share ex Investment Trusts		2.9	8.1	9.3	6.5	5.7
Excess		1.2	0.6	-2.0	-0.8	-0.8
LGIM Passive UK Equities	**131.0**	3.2	8.0	8.7	6.7	3.8
FTSE All Share		3.2	7.9	8.6	6.6	3.7
Excess		0.0	0.1	0.1	0.1	0.1
Fixed Income:						
Brunel Multi Asset Credit	**264.0**	5.4	12.3	-	-	1.5
SONIA + 4%		2.3	8.8	-	-	6.4
Excess		3.1	3.5	-	-	-4.9
Brunel Sterling Corporate Bonds	**83.7**	7.8	10.5	-	-	7.8
iBoxx Sterling Non Gilts Overall Return		7.4	8.6	-	-	6.7
Excess		0.4	1.9	-	-	1.1
Other:						
Brunel Diversifying Returns Fund	**251.5**	3.2	6.5	3.1	-	3.3
SONIA + 3%		2.0	7.8	5.1	-	4.8
Excess		1.2	-1.3	-2.0	-	-1.5
Private Markets:						
Brunel Private Equity Cycle 1	**54.8**	-2.8	1.3	22.0	-	21.3
MSCI AC World Index		6.4	15.9	8.7	-	11.3
Excess		-9.2	-14.6	13.3	-	10.0
Brunel Private Equity Cycle 3	**1.5**	-28.1	-	-	-	2.1
MSCI AC World Index		6.4	-	-	-	11.0
Excess		-34.5	-	-	-	-8.9
Brunel Secured Income Cycle 1	**53.6**	-0.3	-4.1	-0.5	-	0.8
CPI		0.2	3.9	6.6	-	4.3
Excess		-0.5	-8.0	-7.1	-	-3.5
Brunel Secured Income Cycle 3	**20.5**	-1.3	-	-	-	3.8
CPI		0.2	-	-	-	0.7
Excess		-1.5	-	-	-	3.1
Brunel Infrastructure Cycle 3	**18.2**	0.0	-2.4	-	-	-2.0
CPI		0.2	3.9	-	-	5.5
Excess		-0.2	-6.3	-	-	-7.5

Other Managers

Manager / Investment	AUM	Qtr	1 Yr	3 Yr	5 Yr	SII
	£m	%	%	%	%	%
Royal London / Corporate Bonds	**171.8**	10.0	10.4	-5.1	1.2	6.1
iBoxx Sterling Non Gilts > 5 Years		10.9	10.5	-7.2	-0.2	5.6
Excess		-0.9	-0.1	2.1	1.4	0.5
CBRE / Property	**253.9**	-0.2	3.7	2.5	1.4	6.6
MSCI UK All Properties (Quarterly)		-1.1	-1.5	1.5	0.8	6.4
Excess		0.9	5.2	1.0	0.6	0.2
Harbourvest / Private Equity	**64.1**	-6.0	-6.3	18.8	17.8	13.1
FTSE All Share		3.2	7.9	8.6	6.6	5.5
Excess		-9.2	-14.2	10.2	11.2	7.6
Aberdeen Standard / Private Equity	**14.6**	-6.1	10.8	14.8	9.8	5.3
FTSE All Share		3.2	7.9	8.6	6.6	5.9
Excess		-9.3	2.9	6.2	3.2	-0.6
Federated Hermes / Infrastructure	**86.2**	0.4	-10.0	4.5	3.9	5.9
10% Absolute Return		2.4	10.0	10.0	10.0	10.0
Excess		-2.0	-20.0	-5.5	-6.1	-4.1
IFM / Infrastructure	**161.4**	-0.1	5.6	14.6	10.9	13.4
10% Absolute Return		2.4	10.0	10.0	10.0	10.0
Excess		-2.5	-4.4	4.6	0.9	3.4

Market Review

Quarterly Report

Q4 2023

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Contacts

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APEX

Key Indicators at a Glance

Index (Local Currency)		Q4 2023	Q4	YTD
Equities			Total Return	
UK Large-Cap Equities	FTSE 100	7,733	3.63%	6.22%
UK All-Cap Equities	FTSE All-Share	4,232	4.62%	6.24%
US Equities	S&P 500	4,770	11.67%	26.76%
European Equities	EURO STOXX 50 Price EUR	4,521	9.61%	21.14%
Japanese Equities	Nikkei 225	33,464	5.48%	32.83%
EM Equities	MSCI Emerging Markets	1,024	7.99%	10.14%
Global Equities	MSCI World	3,169	12.10%	24.22%
Government Bonds				
UK Gilts	FTSE Actuaries UK Gilts TR All Stocks	3,129	9.20%	3.69%
UK Gilts Over 15 Years	FTSE Actuaries Uk Gilts Over 15 Yr	3,755	16.67%	1.65%
UK Index-Linked Gilts	FTSE Actuaries UK Index-Linked Gilts TR All Stocks	4,037	10.48%	0.93%
UK Index-Linked Gilts Over 15 Years	FTSE Actuaries UK Index-Linked Gilts TR Over 15 Yr	4,368	16.79%	-4.28%
Euro Gov Bonds	Bloomberg EU Govt All Bonds TR	223	7.72%	7.12%
US Gov Bonds	Bloomberg US Treasuries TR Unhedged	2,277	6.26%	4.05%
EM Gov Bonds (Local)	JP. Morgan Government Bond Index Emerging Markets Core In	137	7.99%	10.91%
EM Gov Bonds (Hard/USD)	JP. Morgan Emerging Markets Global Diversified Index	893	9.98%	11.09%
Bond Indices				
UK Corporate Investment Grade	S&P UK Investment Grade Corporate Bond Index TR	362	8.13%	9.63%
European Corporate Investment Grade	Bloomberg Pan-European Aggregate Corporate TR Unhedged	232	5.99%	8.84%
European Corporate High Yield	Bloomberg Pan-European HY TR Unhedged	439	5.63%	12.78%
US Corporate Investment Grade	Bloomberg US Corporate Investment Grade TR Unhedged	3,221	8.50%	8.52%
US Corporate High Yield	Bloomberg US Corporate HY TR Unhedged	2,480	7.16%	13.45%
Commodities				
Brent Crude Oil	Generic 1st Crude Oil, Brent, USD/bbl	77	-19.17%	-10.32%
Natural Gas (US)	Generic 1st Natural Gas, USD/MMBtu	2.51	-14.17%	-43.82%
Gold	Generic 1st Gold, USD/toz	2,072	12.10%	13.45%
Copper	Generic 1st Copper, USD/lb	389	4.09%	2.10%
Currencies				
GBP/EUR	GBPEUR Exchange Rate	1.15	-0.03%	2.12%
GBP/USD	GBPUSD Exchange Rate	1.27	4.36%	5.36%
EUR/USD	EURUSD Exchange Rate	1.10	4.41%	3.12%
USD/JPY	USDJPY Exchange Rate	141	-5.58%	7.57%
Dollar Index	Dollar Index Spot	101	-4.56%	-2.11%
USD/CNY	USDCNY Exchange Rate	7.10	-2.71%	2.92%
Alternatives				
Infrastructure	S&P Global Infrastructure Index	2,724	14.21%	6.46%
Private Equity	S&P Listed Private Equity Index	212	20.57%	40.56%
Hedge Funds	Hedge Fund Research HFRI Fund-Weighted Composite Index	18,783	3.59%	7.21%
Global Real Estate	FTSE EPRA Nareit Global Index TR GBP	3,718	9.92%	3.59%
Volatility			Change in Volatility	
VIX	Chicago Board Options Exchange SPX Volatility Index	12	-28.94%	-42.55%

Source: Bloomberg. All return figures quoted are total return, calculated with gross dividends/income reinvested.

Executive Summary

- Inflation (including core inflation) fell again in Q4 and allayed many market fears over it proving stickier than expected. As a result of this continued fall, central banks have taken a more dovish stance and indicated that rates will be cut sooner in 2024 than previously expected. Lower inflation and peaking rates have shifted the concern more on the side of stagnating growth and recessionary risk, with UK and Europe showing declining GDP growth and China still feeling the effects of the property crisis. **However, as inflation failed to fall in 2024 more recently, these expectations of falling rates have reversed.**
- Q4 delivered a rally in almost all markets, following the Q3 correction, returning to the positive trend of the first half of the year. Global equities (MSCI World) rose sharply by 12.1% in local currency terms over the quarter, with Growth (+13.2%) rising more sharply than Value (+8.8%). Japanese and UK equities notably lagged behind other markets, with broad Japanese equities returning 2.0% (TOPIX Index) and 5.5% (Nikkei 225) in local currency and UK equities returning 4.6%. Following a spectacular year, Japanese equities lagged, due to the lesser impact of changes in rate policy combined with yen appreciation acting as a headwind. UK equities suffered from the drops in oil and gas prices and sterling strength. **A key aspect driving markets is the performance of the so-called Magnificent Seven mega-cap US tech stocks**....Apple, Amazon, Alphabet (Google), Meta (Facebook), Nvidia, Microsoft and Tesla. They have accounted for the lion's share of gains in World Markets for many quarters. All government bonds performed strongly over the quarter, with long dated gilts showing the biggest recovery but this has reversed YTD.

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

- **Core inflation is going down but watch for false rallies.** Inflation fell across the board through most of the quarter. UK annual CPI fell to 3.9% in November, compared to 3.4% for the US and 2.9% for Eurozone in December (UK estimates for December not yet available). Core inflation (excluding energy and food prices) has now also been falling more significantly, resulting in the Fed taking a more dovish stance and increasing predicted cuts in 2024. However, tensions in Ukraine and the Middle East illustrate the potential for renewed inflationary shocks (from supply constraints) and sustained inflationary pressure (through "friendshoring", the onshoring of businesses to friendly nations, and the re-engineering of supply chains). It is likely that as 2024 progresses we will see more pauses/false rallies as central banks balance the need to keep the inflation figures falling and the risks of recession.
- **AI has now been operational for over a year, what are the next steps?** Since ChatGPT's launch in November 2022, it and other AI platforms have had a significant impact. The scale of its potential can be seen in the way it has materially driven technology investment over the course of the year and in the enormous outperformance of the US tech majors ("Magnificent Seven").

Increasing regulation and concerns over its misuses may lead to a slight slowing of the speed of advancement and investment, but the power of AI to disrupt businesses and, indeed, the political process in the largest electoral year in history, should not be underestimated. It offers huge opportunities, but also creates an increasingly risky investment environment.

Investment risk is higher and harder to diversify in geopolitically driven or inflationary environments. In inflationary environments, where central banks have to balance taming inflation with causing recessions, equity/bond correlations tend to be positive: raising rates is mathematically bad for bond prices, but also increases recession risk, impacting equities. This means the traditionally stable assets (bonds), as well as being inherently more volatile, are also less likely to offset movements in risk assets (equities). In addition, 2024 will be a year of elections and the Taiwanese elections, in which the DPP (the champions of Taiwan's separate identity) have been re-elected, illustrates the potential for such events to have global impacts; none more so than the US election at the end of this year, which could impact whole sectors, changing the outlook for global trade and the energy transition.

- Global equities rose in Q4, returning to the rally of the first half of the year. The VIX decreased over the quarter from 18 to 12.
  - In the US, the S&P 500 rose by 11.7% and the NASDAQ composite also rose by 13.8%.
  - UK equities increased by 4.6%, underperforming global equities.
  - The Euro Stoxx 50 rose by 9.6% in Q4.
  - Japanese equities continued their positive run in Q4 but underperformed other equity markets in part due to yen appreciation.
  - Emerging market equities rose by 8.0% in Q4, whilst Chinese equities fell (-4.8%) over mounting growth concerns. The rest of the emerging markets performed strongly, with MSCI EM LATAM returning 17.8% over the quarter.
- Yields generally fell over the quarter, as a result of more dovish stances taken by central banks (mainly the Fed) and predictions of rate cuts in 2024 which resulted in strongly positive performance across the main government bond markets..
- Energy prices declined during Q4, with crude oil falling -19.2% from the highs of Q3 to finish the calendar year -10.3% down. Similarly, natural gas was down -14.2% and ended the year -43.8% down, the largest annual percentage decline since 2006.
  - Gold and copper rose 12.1% and 4.1% respectively over Q4. Precious metals prices (particularly Gold) generally rose following concerns around geopolitical stability, while industrial metals were more mixed.

- Global listed property rebounded this quarter, with the FTSE EPRA Nareit Global Index rising 9.9% in Q4.
  - The Nationwide House Price Index in the UK has increased after its decrease last quarter, with the seasonally adjusted price index up 1.1% for the quarter, and down -1.7% for the last 12 months.
- In currencies, US dollar weakened generally throughout the quarter (DXY -4.6%), weakening against sterling, the euro and the Japanese yen. Bitcoin and Ethereum saw strong performance in Q4 (57% and 37% respectively) with a main driver being the increasingly likely approval of the US spot bitcoin ETF by the SEC.

FUND PERFORMANCE AND INVESTMENT STRATEGY

Overall fund performance was better against the benchmark for the fourth quarter returning +4.9% versus +4.5%. The 12 month return has now improved and ahead of benchmark returning 9.6% versus 8.8%. The performance improvement is welcome and was due to underlying fund performance from Brunel sub-funds mainly….Global Sustainable, UK Active, Emerging Market Equities and Multi Asset Credit were all ahead of their respective benchmarks . Only Global High Alpha and Global Small Cap were behind. The investing environment for Brunel's style….growth and quality styles….was more positive in November/December 2023 as bond yields declined. The logic is that if interest rates decline, the present value of the future profits of fast growing companies becomes more valuable when a lower discount rate is applied.

The view of the future direction of interest rates is therefore central to the performance of our assets and the Brunel portfolios. Brunel has faced headwinds in this regard in earlier in 2022 and 2023, but if we get a period of little change in interest rates this should be in Brunel's favour.

Looking at specific Brunel funds, the Multi Asset Credit was a stand-out performer +12.4% over the calendar year as markets endorsed the likelihood of a "soft landing". So far, we seem to be navigating this economically turbulent cycle without a credit crunch. Global Sustainable performed much better, as mentioned above, but we still hope to claw back past underperformance over the last 3 years in a more favourable environment. Brunel and their underlying managers have the unenviable task of navigating the positions in the "Magnificent Seven". Since those stocks are driving upside, and downside, the relative weights of those stocks are important to relative performance. There is a great deal of debate about whether we have "been here before" (internet bubble 2000) or whether "this time it is different" (some of these companies have built giant economic moats). My own view is that some will maintain their dominance and some will face competitive threats that erode their high valuations over time. But neither the pension fund, nor Brunel, directly makes those choices of which stocks will fall into which category. The choices are made by the individual underlying asset managers of each actively managed portfolio operating under the appointment by Brunel. Nevertheless, I find it informative on page 6 of the quarterly Brunel report that the aggregation of all the underlying positions is totalled and that 5 of the Magnificent Seven appear in the top ten equity holdings and 2 do not. The 2 that do not are Tesla and Meta, and even from my distance I can understand the logic behind that.

The Equity portfolios are currently undergoing a review by Mercer. The output of this review will involve a minor consolidation of the passive climate funds into the Paris-Aligned Benchmark portfolio.

Charts and Data

Economic Indicators

Table 1: Quarterly GDP Growth Rate and Monthly CPI

%	GDP		CPI		
	Q3 2023	Q4 2023	Oct	Nov	Dec
UK	-0.1	N/A*	4.6	3.9	N/A*
US	1.1	N/A*	3.2	3.1	3.4
Eurozone	-0.1	N/A*	2.9	2.4	2.9
Japan	-0.7	N/A*	3.3	2.8	N/A*

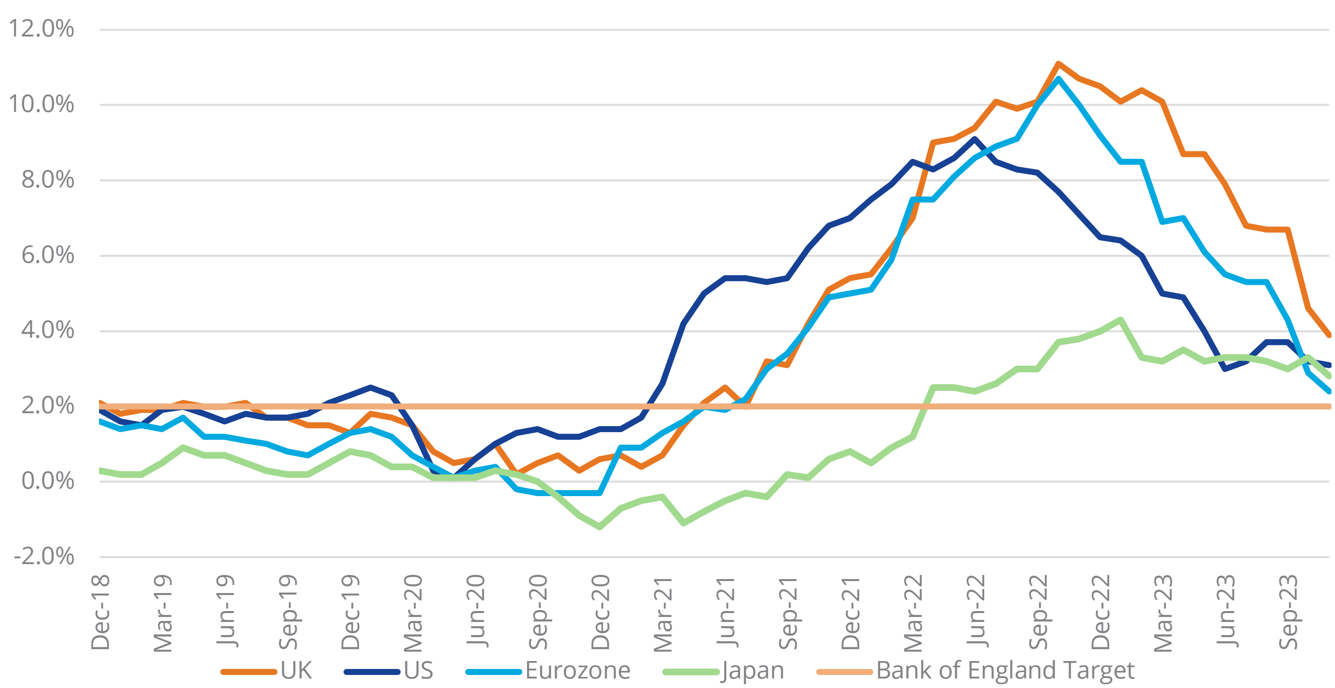
Source: Bloomberg; Trading Economics.

Notes: * Not available at time of publication; ** Forecasts based on leading indicators (*not available at time of publication this quarter*)

CPI: UK: UK CPI EU Harmonised YoY NSA (Ticker: UKRPCJYR Index); US: US CPI Urban Consumer YoY NSA (Ticker: CPI YOY Index); Eurozone: Eurostat Eurozone MUICP All Items YoY Flash Estimate (Ticker: ECCPEST Index); Japan: Japan CPI Nationwide YOY (Ticker: JNCPIYOY Index)

GDP: UK Real GDP (Ticker: UKGRABIQ Index), US Real GDP (Ticker: GDP CQOQ Index) de-annualised, Eurozone Real GDP (Ticker: EUGNEMUQ Index), Japan Real GDP (Ticker: JGDPQGDP)

Chart 1: CPI – Annual rate of Inflation - Five Years to December 2023

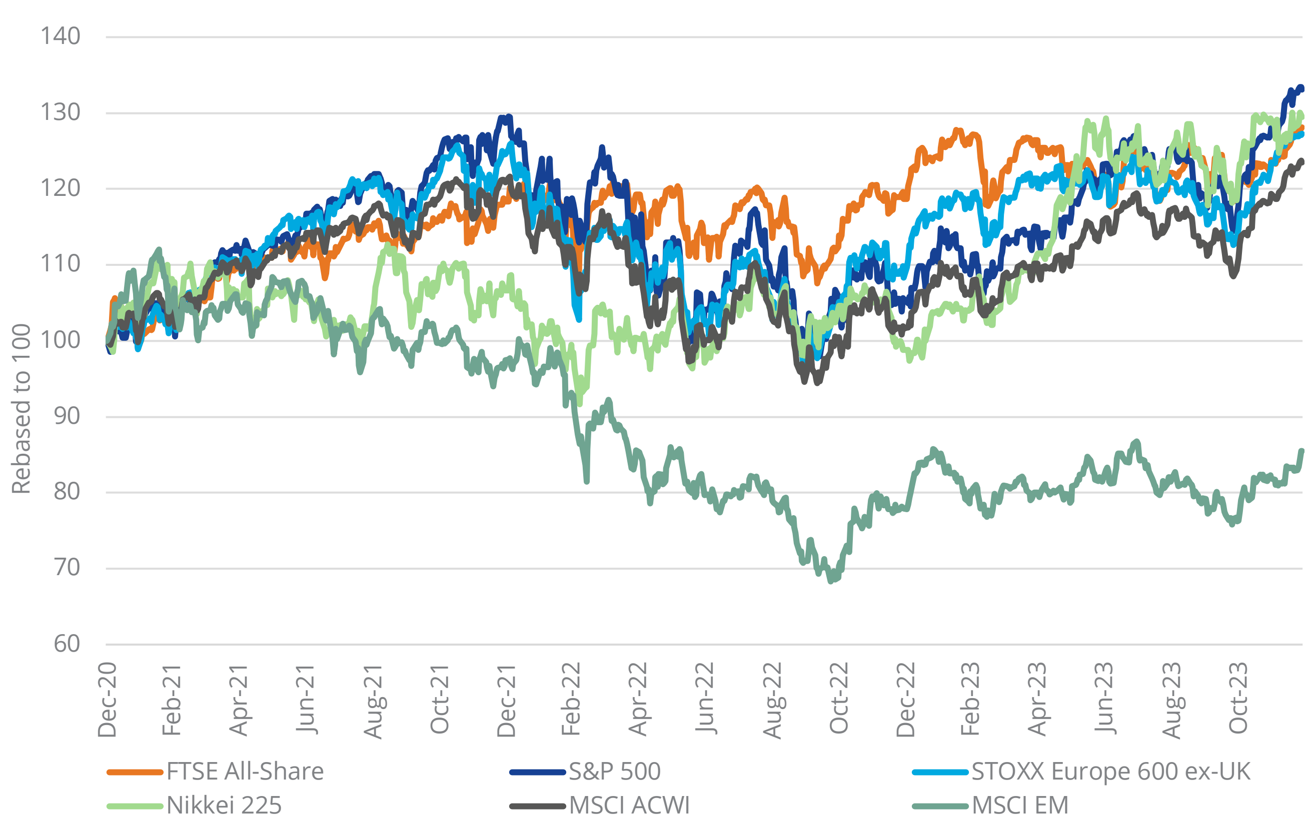


Source: Bloomberg

Notes: UK: UK CPI EU Harmonised YoY NSA (Ticker: UKRPCJYR Index); US: US CPI Urban Consumer YoY NSA (Ticker: CPI YOY Index); Eurozone: Eurostat Eurozone MUICP All Items YoY Flash Estimate (Ticker: ECCPEST Index); Japan: Japan CPI Nationwide YOY (Ticker: JNCPIYOY Index)

Equities

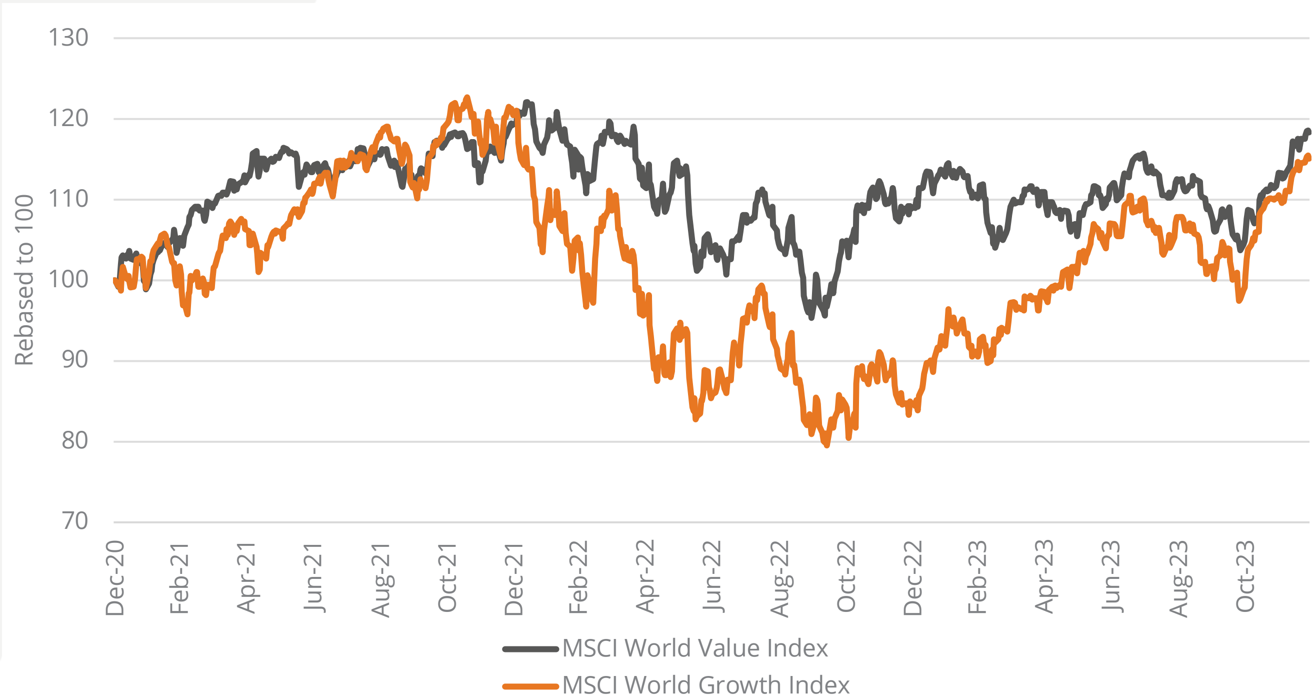
Chart 2: Global Equity Markets Performance



Source: Bloomberg. All in local currencies

Notes: FTSE All-Share Index (Ticker: ASXTR Index); S&P 500 Index (Ticker: SPXT Index); STOXX Europe 600 (Ticker: SXXG Index); Nikkei 225 Index (Ticker: NKYTR Index); MSCI World Index (Ticker: DLEACWF Index); MSCI Emerging Markets (Ticker: M1EF Index)

Chart 3: Global Equity Markets, Growth vs Value



Source: Bloomberg

Notes: MSCI World Value Index (Ticker: MXWO000V Index); MSCI World Growth Index (Ticker: MXWO000G Index)

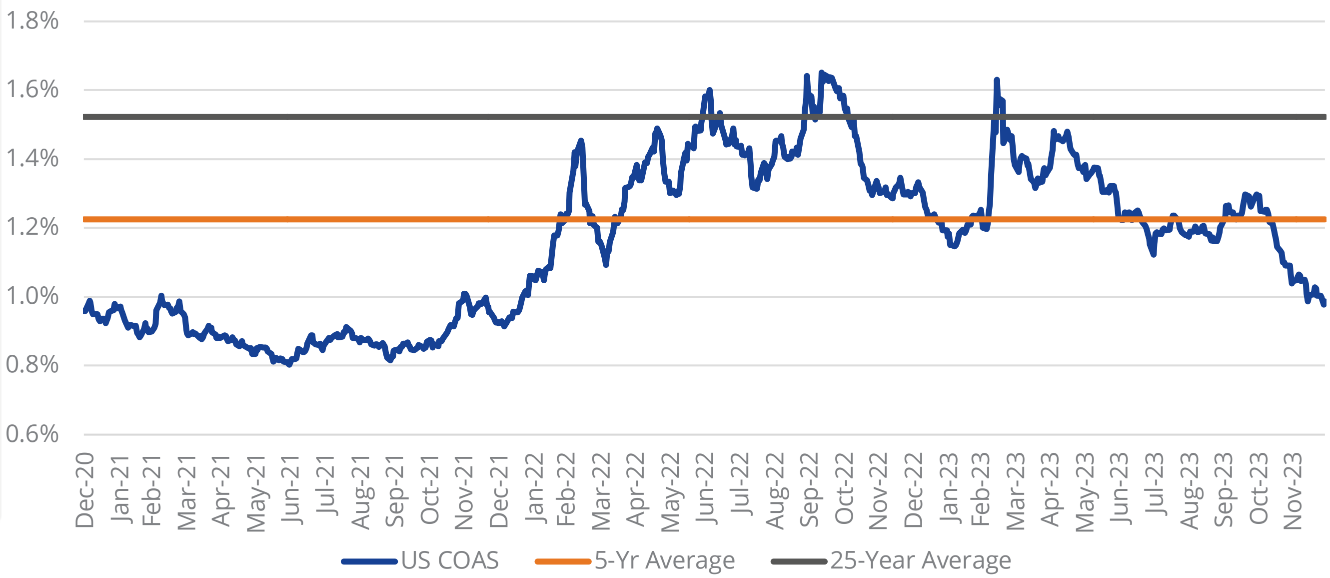
Table 2: MSCI ACWI Composition

Region	Q3 2023 (%)	Q4 2023 (%)
US	62.3	62.7
UK	3.7	3.6
Europe (ex-UK)	12.2	12.3
Japan	5.7	5.5
Developed Asia-Pacific	2.8	2.8
Emerging Markets	10.2	10.1
Other	3.1	3.1

Source: iShares MSCI ACWI ETF

Fixed Income

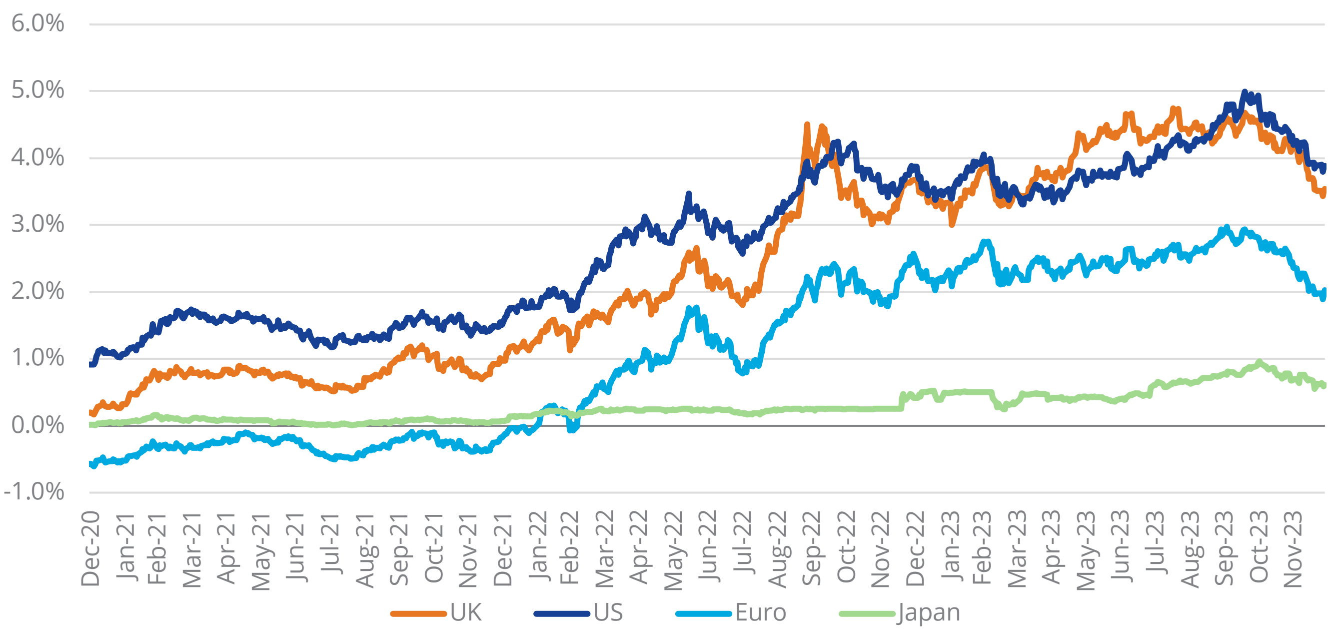
Chart 4: US Corporate Bond Spreads



Source: Bloomberg

Notes: Bloomberg Barclays US Corporate Option Adjusted Spread (Ticker: LUACSTAT Index); Option-Adjusted Spreads (OAS) represent the difference between the index yield and the yield of a comparable maturity treasury

Chart 5: Government Bond Yields

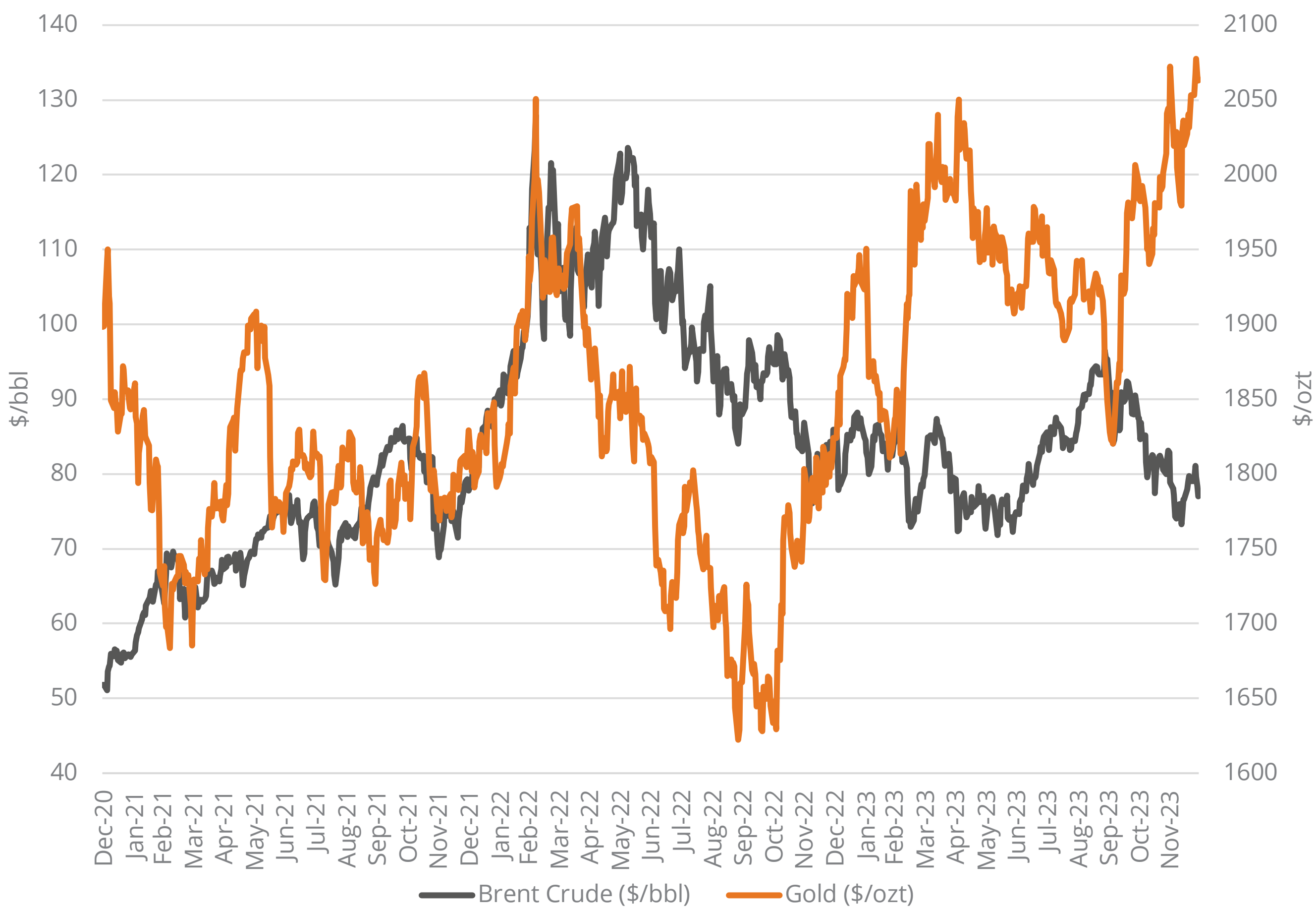


Source: Bloomberg

Notes: US Generic Govt 10 Year Yield (Ticker: USGG10YR Index); UK Govt Bonds 10 Year Note Generic Bid Yield (Ticker: GUKG10 Index); Euro Generic Govt Bond 10 Year (Ticker: GECU10YR Index); Japan Generic Govt Bond 10 Year Yield (Ticker: GJGB10 Index)

Commodities

Chart 6: Gold and Brent Crude Oil Prices

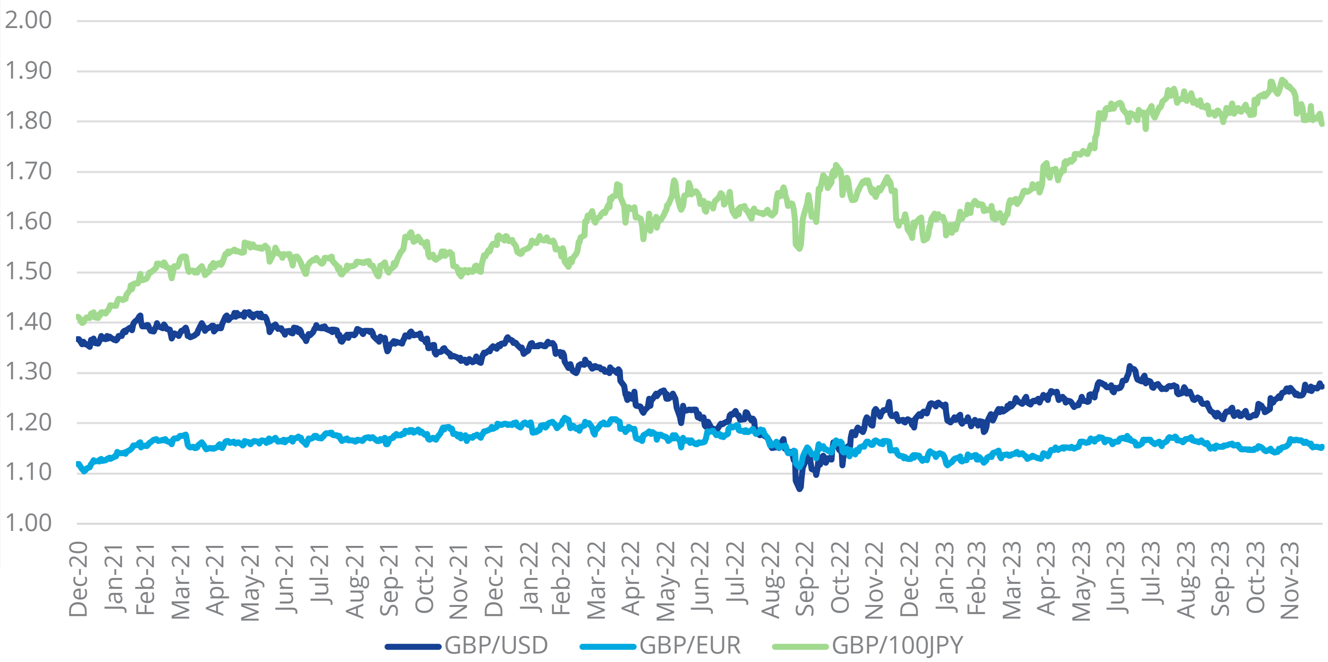


Source: Bloomberg

Notes: Gold USD Spot (Ticker: XAU Currency); Generic 1st Brent Crude Oil (Ticker: CO1 Commodity)

Currencies

Chart 7: Three-Year Currency Rates of Major Currencies vs Pound Sterling



Source: Bloomberg

Notes: GBPEUR Spot Exchange Rate (Ticker: GBPEUR Currency); GBPUSD Spot Exchange Rate (Ticker: GBPUSD Currency); GBPJPY Spot Exchange Rate (Ticker: GBPJPY Currency)

Table 3: Currency Rates as of 31 December 2023

Pair	Q4 Value	% Change Over Quarter
GBP/EUR	1.1535	-0.03%
GBP/USD	1.2731	4.36%
EUR/USD	1.1039	4.41%
USD/JPY	141.04	-5.58%

Source: Bloomberg

Notes: GBPEUR Spot Exchange Rate (Ticker: GBPEUR Currency); GBPUSD Spot Exchange Rate (Ticker: GBPUSD Currency); EURUSD Spot Exchange Rate (Ticker: EURUSD Currency); USDJPY Spot Exchange Rate (Ticker: USDJPY Currency)

Dorset County Pension Fund Performance Report

Quarter ending 31 December 2023

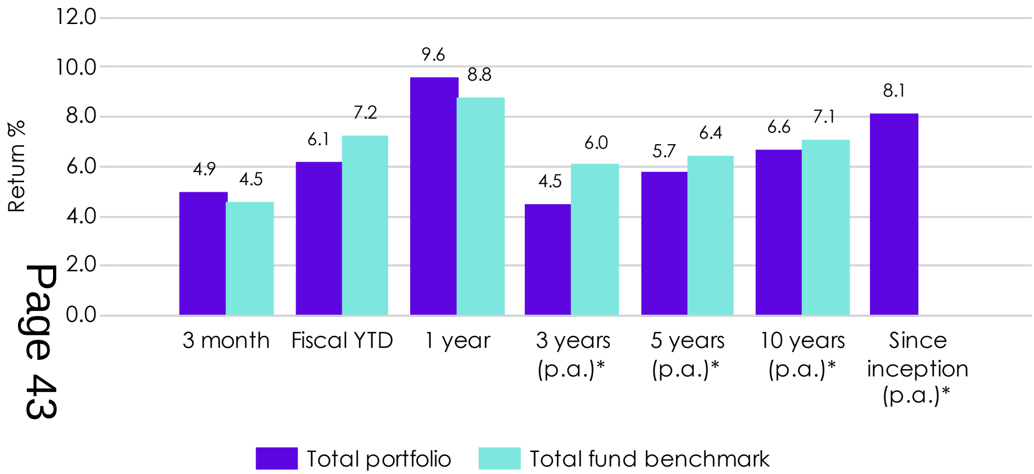
Dorset County Pension Fund
administered by Dorset Council

Brunel Pension Partnership

Contents

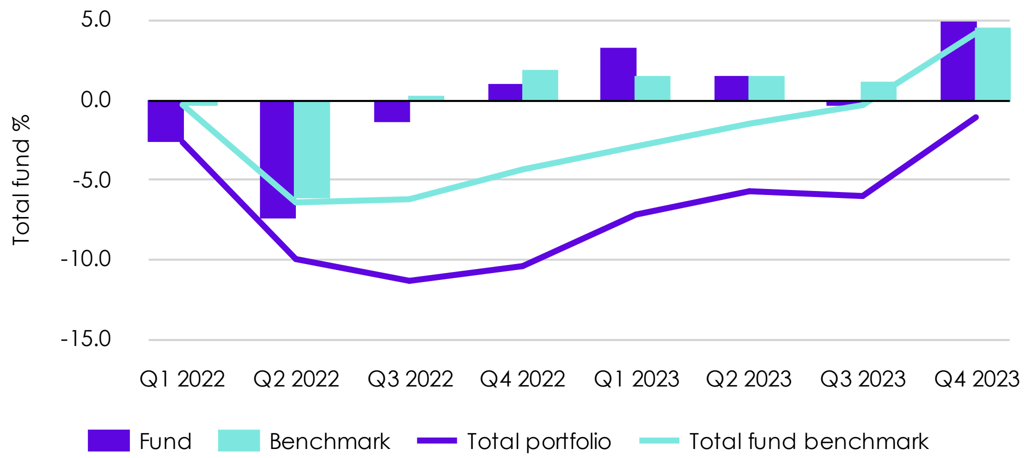
Pension Fund performance

Performance (annualised)



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

Quarterly performance



Source: State Street Global Services. Net of all fees.

Key events

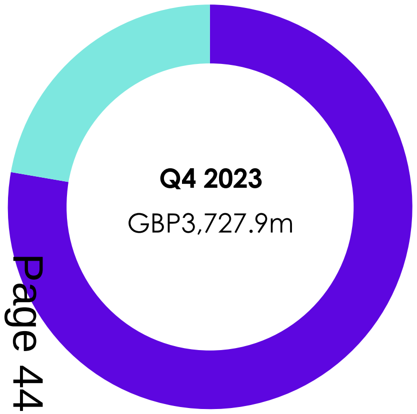
Quarter 4 witnessed an almost synchronised fall in global inflation - and at a faster pace than expected. This led to investor hopes that interest rates might start to fall sooner than previously anticipated. The result, unsurprisingly, was a rally across most asset classes. In the US, the S&P 500 saw a rise of more than 11%, bringing gains across 2023 to 26%. Bond markets also rallied strongly. Commodities were a laggard, as Energy responded to strong supply and to fears that Chinese growth will continue to be weak.

The total portfolio increased by 4.9% during the quarter, whilst the benchmark increased by 4.5%. Over one year, the portfolio increased 9.6%, against an 8.8% rise in the benchmark.

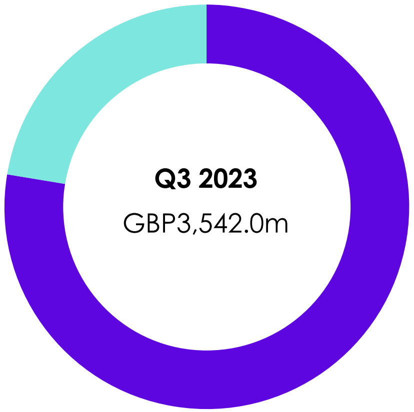
The trajectory of Brunel's portfolios reflected the rise on markets; all portfolios were up in absolute terms. The performance of hedged portfolios was ahead of unhedged equivalents due to a bounce in sterling. Global Sustainable had a particularly strong quarter as did Multi Asset Credit.

Asset summary

Assets transitioned to Brunel



Transitioned	77.77%
Legacy assets	22.23%



Transitioned	77.58%
Legacy assets	22.42%

Source: State Street Global Services. Net of all fees.

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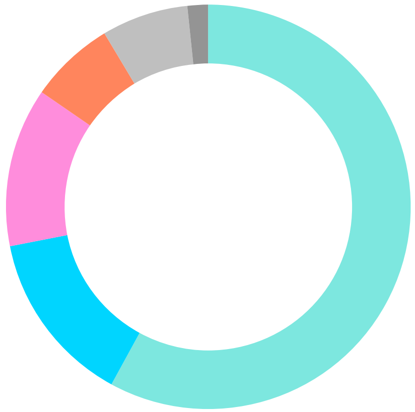
Asset allocation breakdown



Key:

Equities	57.93%
Fixed income	13.94%
Private markets	12.74%
Property	6.81%
Other	6.91%
Cash	1.66%

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

Overview of assets

Detailed asset allocation

Equities	£2,159.67m	57.93%
Global Sustainable Equities	£360.30m	9.66%
Global High Alpha Equities	£296.12m	7.94%
Global Small Cap Equities	£232.52m	6.24%
UK Active Equities	£196.51m	5.27%
Passive Smart Beta (Hedged)	£161.09m	4.32%
Passive Smart Beta	£160.71m	4.31%
Emerging Markets Equities	£143.83m	3.86%
Passive UK Equities	£131.03m	3.51%
Passive Developed Equities (Hedged)	£111.65m	2.99%
Passive Developed Equities	£109.34m	2.93%
PAB Passive Global Equities (Hedged)	£62.80m	1.68%
CTB Passive Global Equities (Hedged)	£62.79m	1.68%
CTB Passive Global Equities	£61.32m	1.64%
PAB Passive Global Equities	£61.16m	1.64%
Legacy Assets	£8.50m	0.23%

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Fixed income	£519.51m	13.94%
Multi-Asset Credit	£264.02m	7.08%
Sterling Corporate Bonds	£83.72m	2.25%
Legacy Assets	£171.77m	4.61%

Private markets (incl. property)	£728.99m	19.55%
Private Equity Cycle 1	£54.81m	1.47%
Secured Income Cycle 1	£53.59m	1.44%
Secured Income Cycle 3	£20.54m	0.55%
Infrastructure Cycle 3	£18.20m	0.49%
Private Equity Cycle 3	£1.51m	0.04%
Legacy Assets	£580.35m	15.57%

Other	£257.67m	6.91%
Diversifying Returns Fund	£251.49m	6.75%
Legacy Assets	£6.18m	0.17%

Cash not included

Overview of assets

Top 10 Equity Holdings at Pension Fund

ISIN	Security Name	Sector	Sub-sector	Country	Market Value (£)	% of Pension fund	ESG Score
US5949181045	MICROSOFT CORP	Information Technology	Systems Software	UNITED STATES	50,750,235.78	1.36%	15.21
US0231351067	AMAZON.COM INC	Consumer Discretionary	Broadline Retail	UNITED STATES	33,236,999.40	0.89%	30.61
US0378331005	APPLE INC	Information Technology	Technology Hardware	UNITED STATES	25,991,571.71	0.70%	17.22
GB0009895292	ASTRAZENECA PLC	Health Care	Pharmaceuticals	UNITED KINGDOM	22,642,661.35	0.61%	21.81
US02079K3059	ALPHABET INC-CL A	Communication Services	Interactive Media &	UNITED STATES	22,348,800.72	0.60%	24.09
GB00BP6MXD84	SHELL PLC	Energy	Integrated Oil & Gas	UNITED KINGDOM	22,266,332.78	0.60%	33.68
US57636Q1040	MASTERCARD INC - A	Financials	Transaction & Payment	UNITED STATES	22,141,646.19	0.59%	16.56
US67066G1040	NVIDIA CORP	Information Technology	Semiconductors	UNITED STATES	17,512,729.26	0.47%	13.45
GB00B10RZP78	UNILEVER PLC	Consumer Staples	Personal Care Products	UNITED KINGDOM	17,396,492.43	0.47%	23.57
US91324P1021	UNITEDHEALTH GROUP INC	Health Care	Managed Health Care	UNITED STATES	15,610,789.89	0.42%	15.30

Table excludes cash and legacy assets. This is an estimated aggregate position using Brunel Portfolios.

Performance attribution

Pension fund performance attribution - to quarter end

	End market value £'000	Actual % allocation at end of quarter	Strategic asset allocation (%)	Difference (%)	Fund return (%): 3 months	Contribution to return: 3 month
Aberdeen Standard	14,557	0.4%	2.50%	-2.1%	-6.1%	-0.0%
Cash	62,042	1.7%	-	1.7%	0.2%	0.0%
CBRE	253,932	6.8%	10.00%	-3.2%	-0.3%	-0.0%
Harbourvest	64,130	1.7%	2.50%	-0.8%	-6.0%	-0.1%
Hermes	86,237	2.3%	4.00%	-1.7%	0.4%	0.0%
IFM	161,436	4.3%	4.00%	0.3%	-0.1%	-0.0%
Insight	29	0.0%	-	0.0%	-	-
Internally Managed UK Equities	7,757	0.2%	-	0.2%	1.3%	0.0%
Investec	405	0.0%	-	0.0%	-1.3%	-0.0%
Royal London	171,767	4.6%	4.00%	0.6%	10.0%	0.4%
Wellington	336	0.0%	-	0.0%	-0.6%	-0.0%
Global High Alpha Equities	296,121	7.9%	7.50%	0.4%	6.2%	0.5%
Global Sustainable Equities	360,301	9.7%	10.00%	-0.3%	8.0%	0.8%
UK Active Equities	196,510	5.3%	5.00%	0.3%	4.1%	0.2%
Emerging Markets Equities	143,834	3.9%	5.00%	-1.1%	3.6%	0.1%
Global Small Cap Equities	232,519	6.2%	6.00%	0.2%	5.2%	0.3%

Performance attribution

Pension fund performance attribution - to quarter end

	End market value £'000	Actual % allocation at end of quarter	Strategic asset allocation (%)	Difference (%)	Fund return (%): 3 months	Contribution to return: 3 month
Diversifying Returns Fund	251,486	6.7%	6.00%	0.7%	3.2%	0.2%
Multi-Asset Credit	264,021	7.1%	7.50%	-0.4%	5.4%	0.4%
Sterling Corporate Bonds	83,721	2.2%	2.50%	-0.3%	7.8%	0.2%
PAB Passive Global Equities	61,159	1.6%	1.50%	0.1%	6.8%	0.1%
PAB Passive Global Equities (Hedged)	62,800	1.7%	1.50%	0.2%	9.7%	0.2%
CTB Passive Global Equities	61,322	1.6%	1.50%	0.1%	6.7%	0.1%
CTB Passive Global Equities (Hedged)	62,786	1.7%	1.50%	0.2%	9.6%	0.2%
Passive Developed Equities	109,341	2.9%	2.50%	0.4%	6.8%	0.2%
Passive Developed Equities (Hedged)	111,645	3.0%	2.50%	0.5%	9.7%	0.3%
Passive UK Equities	131,034	3.5%	5.00%	-1.5%	3.2%	0.1%
Passive Smart Beta	160,714	4.3%	3.75%	0.6%	5.2%	0.2%
Passive Smart Beta (Hedged)	161,086	4.3%	3.75%	0.6%	8.2%	0.4%
Private Equity Cycle 1	54,807	1.5%	-	1.5%	N/M	N/M
Private Equity Cycle 3	1,511	0.0%	-	0.0%	N/M	N/M
Infrastructure Cycle 3	18,195	0.5%	-	0.5%	N/M	N/M
Secured Income Cycle 1	53,590	1.4%	-	1.4%	N/M	N/M

Performance attribution

Pension fund performance attribution - to quarter end

	End market value £'000	Actual % allocation at end of quarter	Strategic asset allocation (%)	Difference (%)	Fund return (%): 3 months	Contribution to return: 3 month
Secured Income Cycle 3	20,540	0.6%	-	0.6%	N/M	N/M

Private Markets 3 month performance is not material.

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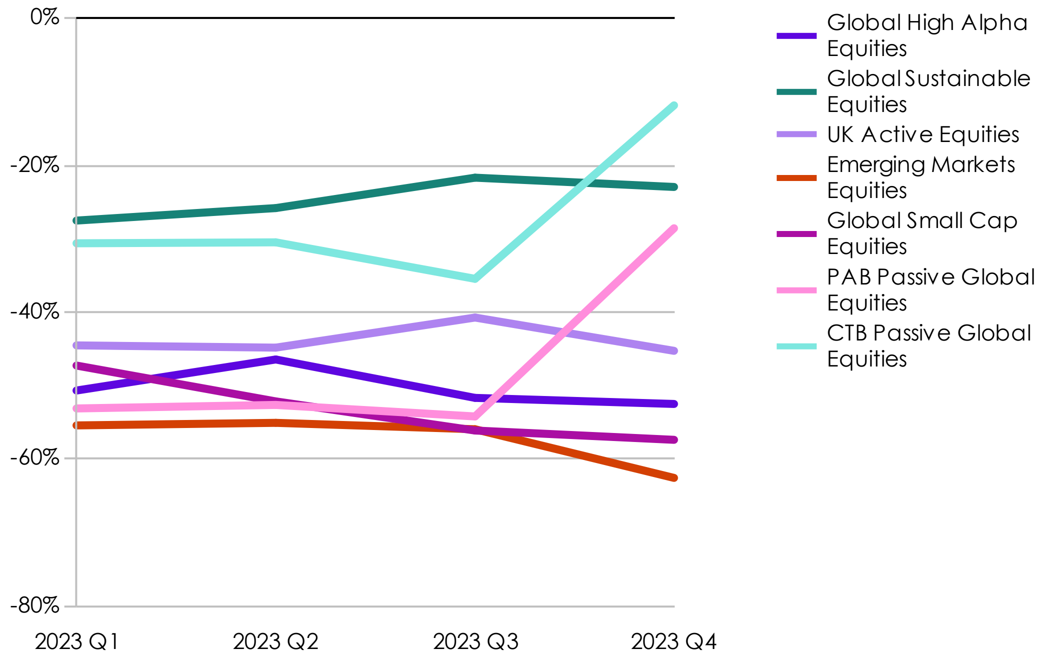
Stewardship and climate metrics

Portfolio	WACI		Total Extractive Exposure[1]		Extractive Industries (VOH)[2]	
	2023 Q3	2023 Q4	2023 Q3	2023 Q4	2023 Q3	2023 Q4
Global High Alpha Equities	**79**	**78**	**1.4**	**1.6**	**2.9**	**2.5**
MSCI World*	163	164	3.8	4.9	9.2	8.2
Global Sustainable Equities	**149**	**155**	**1.9**	**2.2**	**5.2**	**4.8**
MSCI ACWI*	191	201	3.8	4.9	9.2	8.3
UK Active Equities	**76**	**79**	**5.3**	**7.4**	**11.3**	**11.4**
FTSE All Share ex Inv Tr*	129	145	6.1	9.7	20.2	19.4
Emerging Markets Equities	**189**	**193**	**1.4**	**1.9**	**3.8**	**4.3**
MSCI Emerging Markets*	429	515	3.4	5.8	8.5	8.3
Global Small Cap Equities	**94**	**90**	**4.4**	**2.4**	**3.5**	**1.6**
MSCI Small Cap World*	214	211	3.3	3.8	6.8	5.7
PAB Passive Global Equities	**76**	**120**	**0.7**	**1.4**	**3.4**	**3.6**
FTSE Dev World TR UKPD*	167	168	3.7	4.7	9.5	8.5
PAB Passive Global Equities (Hedged)	**76**	**120**	**0.7**	**1.4**	**3.4**	**3.6**
CTB Passive Global Equities (Hedged)	**107**	**148**	**1.8**	**2.3**	**5.9**	**5.1**
CTB Passive Global Equities	**107**	**148**	**1.8**	**2.3**	**5.9**	**5.1**
FTSE Dev World TR UKPD*	167	168	3.7	4.7	9.5	8.5
Passive Developed Equities	**166**	**168**	**3.2**	**4.1**	**9.5**	**8.5**
Passive Developed Equities (Hedged)	**166**	**168**	**3.2**	**4.1**	**9.5**	**8.5**
Passive UK Equities	**129**	**137**	**5.1**	**7.4**	**19.9**	**18.8**
Passive Smart Beta	**304**	**313**	**2.7**	**3.4**	**11.9**	**11.1**
Passive Smart Beta (Hedged)	**304**	**313**	**2.7**	**3.4**	**11.9**	**11.1**

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

Weighted Average Carbon Intensity relative to benchmark



Stewardship reporting links

Engagement records
www.brunelpensionpartnership.org/stewardship/engagement-records/
Holdings records
www.brunelpensionpartnership.org/stewardship/holdings-records/
Voting records
www.brunelpensionpartnership.org/stewardship/voting-records/

PAB & CTB Passive Global Equities

Please note that both the WACI & Extractive Exposure figures for these two portfolios show a significant increase quarter on quarter. We are liaising with State Street to understand the precise reasons behind the increase.

PAB and CTB both target a 7% annual reduction in WACI (EVIC based) post rebalancing. Data from FTSE indicate that both portfolios met this target after the last rebalance in October 2023. We would note that State Street use a different methodology for WACI (revenue based).

Risk and return summary

Brunel portfolio performance - 3 year

	Annualised return	Risk (standard deviation)	Benchmark return	Benchmark standard deviation
Equities				
Global High Alpha Equities	7.3%	13.2%	10.3%	11.7%
Global Sustainable Equities	3.6%	14.4%	8.7%	11.1%
UK Active Equities	7.3%	11.9%	9.3%	10.9%
Emerging Markets Equities	-4.6%	13.5%	-2.5%	13.2%
Passive Developed Equities	9.9%	11.6%	10.0%	11.6%
Passive Developed Equities (Hedged)	8.3%	15.4%	8.4%	15.4%
Passive UK Equities	8.7%	10.8%	8.6%	10.8%
Passive Smart Beta	9.9%	10.3%	9.4%	10.3%
Passive Smart Beta (Hedged)	8.3%	14.1%	7.8%	14.1%
Other				
Diversifying Returns Fund	3.1%	4.3%	5.1%	0.6%
Private markets (incl. property)				
Private Equity Cycle 1	16.4%	12.9%	8.7%	11.1%

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Risk and return summary

Brunel portfolio performance - 3 year

	Annualised return	Risk (standard deviation)	Benchmark return	Benchmark standard deviation
Private markets (incl. property)				
Secured Income Cycle 1	-1.2%	5.3%	6.6%	2.1%

Risk and return summary

Legacy manager performance - 3 year

	Annualised return	Risk (standard deviation)	Benchmark return	Benchmark standard deviation
Aberdeen Standard	14.8%	13.1%	8.6%	10.8%
Brunel PM Cash	44.7%	-	-	-
Cash	0.7%	-	-	-
CBRE	2.6%	11.1%	2.1%	9.4%
Harbourvest	18.8%	20.1%	8.6%	10.8%
Hermes	3.9%	7.3%	10.0%	0.1%
IFM	14.6%	8.2%	10.0%	0.1%
Insight	-3.8%	15.3%	-3.5%	15.2%
Royal London	-5.1%	11.7%	-7.2%	12.9%
Dorset County Pension Fund	4.5%	8.0%	6.0%	6.9%

Portfolio overview

Portfolio	Benchmark	Outperformance target	AUM (GBPm)	Perf. 3 month	Excess 3 month	Perf. 1 year	Excess 1 year	Perf. 3 year	Excess 3 year	Perf. SII*	Excess SII*	Initial investment
Equities (57.70%)			**2,151.17**									
Global High Alpha Equities	MSCI World	+2-3%	296.12	6.2%	-0.6%	17.5%	0.1%	7.3%	-3.0%	12.2%	1.3%	15 Nov 2019
Global Sustainable Equities	MSCI ACWI	+2%	360.30	8.0%	1.6%	9.3%	-6.6%	3.6%	-5.1%	4.3%	-4.1%	01 Dec 2020
UK Active Equities	FTSE All Share ex Inv Tr	+2%	196.51	4.1%	1.2%	8.7%	0.6%	7.3%	-2.0%	4.9%	-0.8%	21 Nov 2018
Emerging Markets Equities	MSCI Emerging Markets	+2-3%	143.83	3.6%	0.3%	3.5%	-0.5%	-4.6%	-2.2%	0.6%	-1.9%	09 Oct 2019
Global Small Cap Equities	MSCI Small Cap World	+2%	232.52	5.2%	-2.6%	8.2%	-1.5%	-	-	1.3%	-2.5%	03 Mar 2021
PAB Passive Global Equities	FTSE Dev World PAB	Match	61.16	6.8%	-	20.3%	-	-	-	14.5%	-0.1%	23 Nov 2022
PAB Passive Global Equities (Hedged)	FTSE Dev World PAB	Match	62.80	9.7%	-	26.2%	-	-	-	19.7%	-0.2%	15 Dec 2022
CTB Passive Global Equities	FTSE Dev World CTB	Match	61.32	6.7%	-	20.3%	-	-	-	17.9%	-0.1%	15 Dec 2022
CTB Passive Global Equities (Hedged)	FTSE Dev World CTB	Match	62.79	9.6%	-	26.1%	-0.1%	-	-	19.6%	-0.2%	15 Dec 2022
Passive Developed Equities	FTSE Developed	Match	109.34	6.8%	-	17.1%	-0.1%	9.9%	-0.1%	10.0%	-0.1%	24 Jan 2020
Passive Developed Equities (Hedged)	FTSE Developed	Match	111.64	9.7%	-	23.1%	-	8.3%	-0.1%	9.5%	-0.1%	31 Jan 2020
Passive UK Equities	FTSE All Share	Match	131.03	3.2%	-	8.0%	0.1%	8.7%	0.1%	3.7%	0.1%	11 Jul 2018
Passive Smart Beta	SciBeta Multifactor Composite	+0.5-1%	160.71	5.2%	0.1%	8.2%	0.5%	9.9%	0.5%	8.3%	0.3%	25 Jul 2018
Passive Smart Beta (Hedged)	SciBeta Multifactor Hedged Composite	+0.5-1%	161.09	8.2%	0.1%	13.8%	0.6%	8.3%	0.5%	7.3%	0.2%	25 Jul 2018

Portfolio overview

Portfolio	Benchmark	Outperformance target	AUM (GBPm)	Perf. 3 month	Excess 3 month	Perf. 1 year	Excess 1 year	Perf. 3 year	Excess 3 year	Perf. SII*	Excess SII*	Initial investment
Fixed income (9.33%)			**347.74**									
Multi-Asset Credit	SONIA +4%	0% to +1.0%	264.02	5.4%	3.1%	12.3%	3.5%	-	-	1.5%	-4.9%	01 Jun 2021
Sterling Corporate Bonds	iBoxx Sterling Non Gilt x	+1%	83.72	7.8%	0.5%	10.5%	1.9%	-	-	7.8%	1.1%	14 Dec 2022
Private markets (incl. property) (3.99%)			**148.64**									
Private Equity Cycle 1	MSCI ACWI	+3%	54.81	N/M	N/M	-0.5%	-16.3%	16.4%	7.6%	14.9%	3.6%	26 Mar 2019
Private Equity Cycle 3	MSCI ACWI	+3%	1.51	N/M	N/M	-	-	-	-	-91.4%	-102.4%	28 Apr 2023
Infrastructure Cycle 3	n/a - absolute return target	net 8% IRR	18.20	N/M	N/M	-5.9%	-9.8%	-	-	-6.4%	-12.0%	13 Oct 2022
Secured Income Cycle 1	CPI	+2%	53.59	N/M	N/M	-4.1%	-8.1%	-1.2%	-7.8%	-0.9%	-5.3%	15 Jan 2019
Secured Income Cycle 3	CPI	+2%	20.54	N/M	N/M	-	-	-	-	-	-0.7%	01 Jun 2023
Other (6.75%)			**251.49**									
Diversifying Returns Fund	SONIA +3%	0% to +2.0%	251.49	3.2%	1.1%	6.5%	-1.3%	3.1%	-2.0%	3.3%	-1.5%	31 Jul 2020
Total Brunel assets (excl. cash) (77.77%)			**2,899.04**									

*Since initial investment
Private Markets 3 month performance is not material.

Portfolio overview

Legacy assets

Portfolio	AUM (GBPm)	Perf. 3 month	Excess 3 month	Perf. 1 year	Excess 1 year	Perf. 3 year	Excess 3 year	Perf. SII*	Excess SII*	Initial investment
Fixed income (4.61%)			**171.77**							
Royal London	171.77	10.0%	-0.9%	10.4%	-0.2%	-5.1%	2.1%	6.1%	0.6%	01 Jul 2007
Private markets (incl. property) (15.57%)			**580.35**							
CBRE	253.93	-0.3%	0.4%	3.3%	15.5%	2.6%	0.5%	6.6%	0.2%	01 Jan 2000
Aberdeen Standard	14.56	-6.1%	-9.3%	10.8%	2.9%	14.8%	6.2%	5.3%	-0.6%	01 Jun 2006
Harbourvest	64.13	-6.0%	-9.2%	-6.3%	-14.2%	18.8%	10.2%	13.1%	7.5%	01 May 2006
Hermes	86.24	0.4%	-2.0%	-10.1%	-20.0%	3.9%	-6.1%	5.3%	-4.7%	01 Feb 2015
IFM	161.44	-0.1%	-2.5%	5.6%	-4.4%	14.6%	4.7%	13.4%	3.4%	01 Apr 2016
Brunel PM Cash	0.06	13.6%	13.6%	256.6%	256.6%	44.7%	44.7%	36.9%	-	01 Jun 2020
Other (1.67%)			**62.07**							
Insight	0.03	-	-	-10.2%	-	-3.8%	-0.4%	3.0%	0.5%	01 Jul 2012
Cash	62.04	0.2%	0.2%	0.7%	0.7%	0.7%	0.7%	0.5%	-	01 Jan 2009
Total legacy assets (excl. cash) (21.84%)	**814.19**									

*Since initial investment

Chief Investment Officer commentary

"When the facts change, I change my mind, what do you do?" This quote, often attributed to Keynes or Churchill, would be very apt for the final quarter of 2023, in which almost every asset class rose in value, reversing the malaise of the previous quarter.

Global equities rallied, with the US market leading the way with a rise of more than 11% in local currency terms. The S&P 500 finished the calendar year up over 26%, almost touching all-time highs. Whilst over 80% of this was attributable to the "magnificent seven", the rally broadened out in the final quarter. Emerging markets also made progress, but the broad index was held back again by the performance of China, as continuing concern around the property sector and further government intervention in the tech sector weighed on share prices. Elsewhere, the UK stock market posted a positive return albeit lower than other regional markets as the strength of sterling versus the US dollar dampened the prospects of large cap multinationals. This did allow small and mid-cap stocks to rise, and thus delivered active managers the chance to flourish. The relative strength of the pound also meant that unhedged overseas asset class returns were significantly lower than currency-hedged returns.

The main "change in facts" that drove markets higher was the almost synchronised fall in global inflation, at a pace faster than expected. Previously, the market had galvanised around the view that the hiking cycle was over, but that rates would be higher for longer. When US CPI fell from 3.7% in September to 3.1% in November, and Eurozone inflation also fell to 2.4% (versus 10.4% a year earlier), the market "pivoted" and interest rate cuts for 2024 were priced back in. The core measure of the Personal Consumption Expenditures deflator, possibly the most influential data series for the Fed, weighed in at exactly 2% (the central bank's target) for the third quarter. As such, it became very plausible to claim that the inflation dragon has indeed been slain. This view gained further credence when Fed chair Jerome Powell indicated that the central bank was aware of the risk of keeping rates at restrictive levels for too long. Minutes from their latest policy meeting showed that members expect rates to end next year at 4.5%-4.75%, down from the current 5.25%-5.5% range.

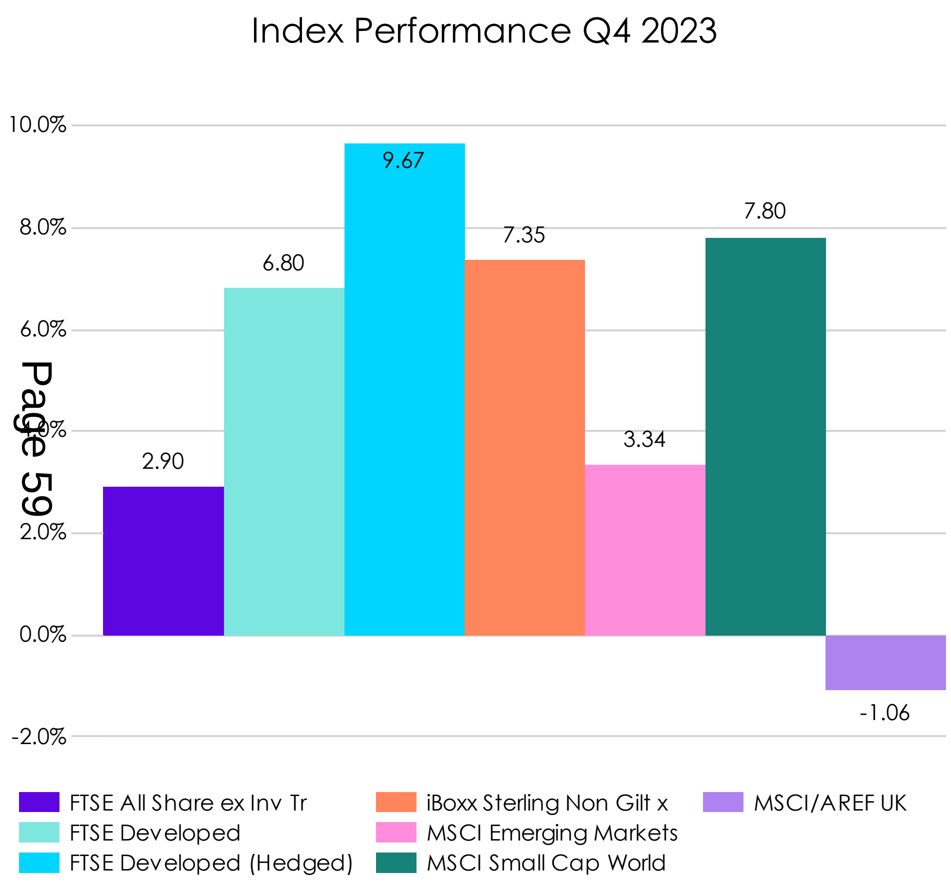
Unsurprisingly government bonds also rose in value, posting their best quarterly performance in 20 years, as the change in Fed forecasts drove all bond markets higher – even if other central banks expressed more caution. The rally in duration and risk assets inevitably meant that corporate bonds did well, as financial conditions eased. Should this trend continue, it lowers the probability of a deep recession and thus default risk. Sub-Investment Grade bonds, performed strongly, capping a year of double-digit returns for the asset class. However, it has left spreads (the compensation an investor receives for default risk) at very low levels, reducing the protection investors have if a recession has in fact been delayed rather than cancelled as increasingly the market is pricing.

In private markets, falling interest rates will also help the forward valuations of assets. This is most directly evident in infrastructure and real estate, where values are much more closely tied to discount rates – lower rates being better for the net present value (NPV) of assets, but also through potentially lowered funding costs. Contra to popular opinion, it is in the often-opaque private markets that we have seen the signs of stress from higher rates building up. Specifically, we have seen interest rate coverage come down sharply in private debt, where the floating rate nature of the loan book means that they have been affected more quickly than their public market counterparts. This has led to private equity sponsors using varying techniques to preserve cash or even shore up businesses with "equity cures". 2023 also saw a log jam created by a muted IPO market, which led to realisations being delayed. (This is not an issue in the Brunel funds, given the relative infancy of the programme). Some commentators expect this trend to reverse in 2024 because of the perception that the backdrop is improving, but it remains a watchpoint, given the increasing importance of private investments in the financial system.

Only commodities declined in the final quarter, driven by falling prices in the agriculture and energy sectors. The production cuts that had driven energy prices up 25% in Q3 were undermined by a failure by various actors to comply with the agreed supply reduction.

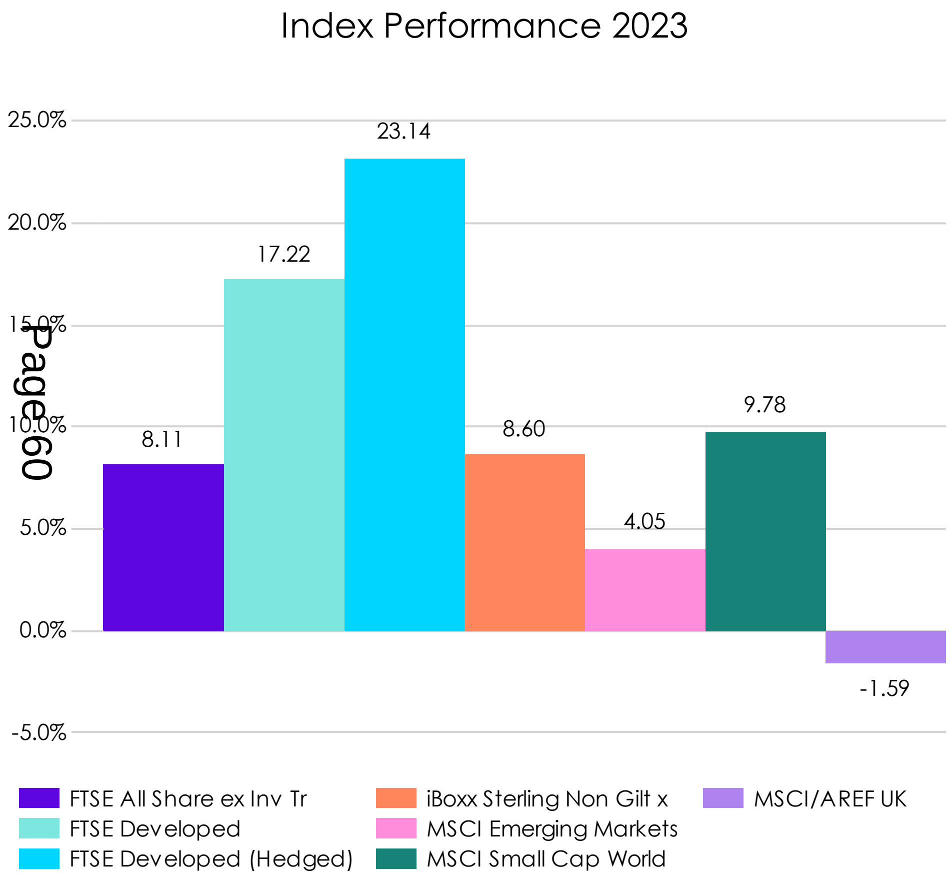
Looking back over 2023, it is clear that the year wrong-footed many commentators, given the predicted recession never materialised. Although gains in asset prices were not surprising given the fall in values in 2022, the strength of the rally surpassed most investors' expectations. That said, as we have highlighted before, the market was very narrowly driven by a few large stocks – gains were not evenly distributed. The question for 2024 is: has inflation been tamed and a recession successfully avoided? To my mind, there isn't yet a conclusive answer. However, the probability of a successful soft economic landing has increased, due both to the very slow deflation of consumer spending, which has supported markets, and the recent easing of financial conditions. However, the market has very much priced this scenario in, and so any disappointment will be keenly felt in asset values.

Chief Investment Officer commentary



Source: State Street

Chief Investment Officer commentary

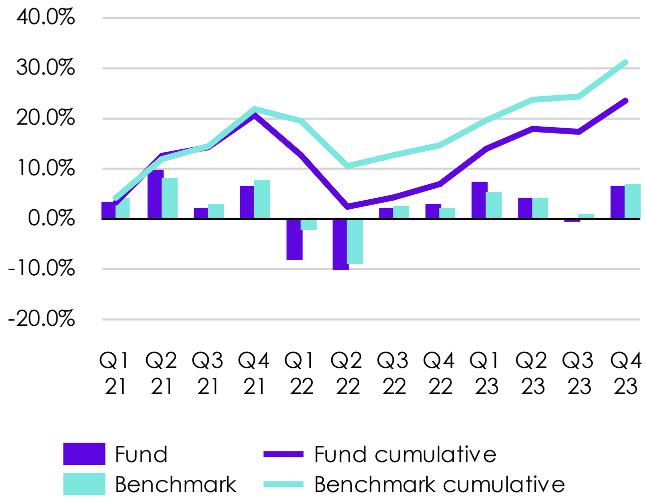


Source: State Street

Global High Alpha Equities

Launch date
6 December 2019
Investment strategy & key drivers
High conviction, unconstrained global equity portfolio
Liquidity
Managed
Benchmark
MSCI World
Outperformance target
+2-3%
Total fund value
£4,[illegible]48m
Risk profile
High
Page 61
Dorset's Holding:
GBP296m

Rolling 3yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	6.2	17.5	7.4	12.8
Benchmark	6.8	17.4	10.3	11.5
Excess	-0.6	0.1	-3.0	1.3

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

Performance commentary

Global developed equities (as proxied by the MSCI World index) returned 6.8% in GBP terms over the quarter. The market rally, which took place in November and December, reflected easing inflation and rising expectations of a potential end to the "higher-for-longer" monetary policy regime. Index returns were again driven by large IT-related names. Five of the top 10 contributing companies came from the 'Magnificent 7' (Microsoft, Apple, Amazon, NVidia and Meta), and another four were semiconductor names (Advanced Micro Devices, Broadcom, ASML and Intel). Taken together, these names contributed 2.3% to the index return. Style characteristics showed a reversal versus last quarter, as Growth outperformed Value.

The portfolio returned 6.2% during the period, underperforming the benchmark by 0.6%.

Sector attribution showed a small positive impact, which was largely a result of the underweight to Energy, the weakest-performing sector. Stock selection exerted a negative impact on relative performance, which was weakest in the Industrials sector, largely due to an overweight holding in Alstom (the French train manufacturer). It returned -46%, after the company downgraded cashflow guidance due to delays to both deliveries and new orders. Stock selection was strong in the IT sector, where the largest positive contributors were overweight holdings in Microsoft and two semiconductor names, ASML and TSMC. (These three returned 14%, 22% and 15% respectively. TSMC is a large Taiwanese semiconductor company that sits outside the MSCI World index).

Four of the five underlying managers underperformed the index this quarter. Baillie Gifford's strong outperformance was the outlier, driven by positive selection in the Financials and IT sectors. Baillie Gifford benefited from the semiconductor names held in its portfolio as well as from some companies recovering from negative returns last quarter (among which Adyen was the most notable - down 55% last quarter, but up 65% this quarter).

From inception to quarter-end, the portfolio outperformed the benchmark by 1.3% p.a.

Global High Alpha Equities

Top 5 holdings

	Weight %	B'mark weight %	Client value (GBP)*
MICROSOFT CORP	6.11	4.41	18,083,706
AMAZON.COM INC	3.94	2.34	11,671,439
MASTERCARD INC	2.78	0.60	8,228,941
ALPHABET INC	2.69	2.60	7,957,546
UNITEDHEALTH GROUP INC	2.24	0.81	6,638,297

*Estimated client value

Top 5 active overweights

	Weight %	Benchmark weight %
MASTERCARD INC	2.78	0.60
TAIWAN SEMICONDUCTOR	1.75	-
MICROSOFT CORP	6.11	4.41
AMAZON.COM INC	3.94	2.34
UNITEDHEALTH GROUP INC	2.24	0.81

Top 5 active underweights

	Weight %	Benchmark weight %
APPLE INC	0.89	5.00
META PLATFORMS INC	-	1.31
BROADCOM INC	-	0.82
JPMORGAN CHASE & CO	-	0.82
BERKSHIRE HATHAWAY INC	-	0.77

Largest contributors to ESG risk

	ESG risk score* Q3 2023	ESG risk score* Q4 2023
AMAZON.COM INC	30.61	30.61
MICROSOFT CORP	15.06	15.21
ALPHABET INC-CL A	24.04	24.09
MASTERCARD INC - A	17.07	16.56
NESTLE SA-REG	27.25	27.01

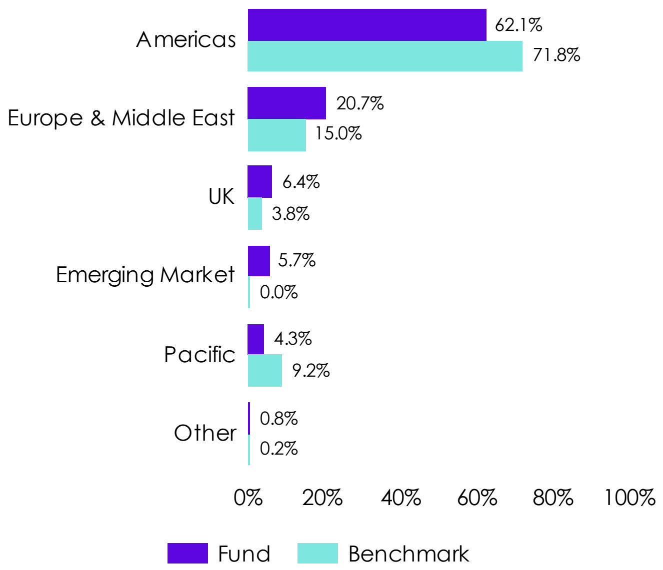
*Source: Sustainalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

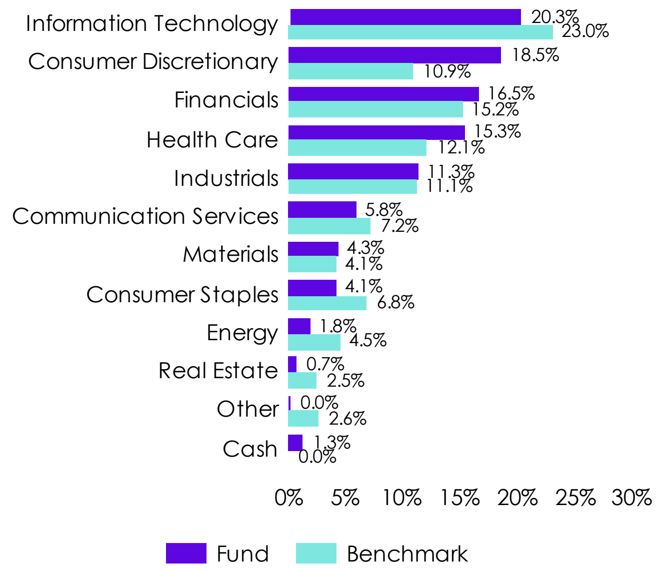
Portfolio	WACI 2023 Q3	WACI 2023 Q4	Total Extractive Exposure[1] 2023 Q3	Total Extractive Exposure[1] 2023 Q4	Extractive Industries (VOH)[2] 2023 Q3	Extractive Industries (VOH)[2] 2023 Q4
Global High Alpha	79	78	1.39	1.55	2.92	2.52
MSCI World*	163	164	3.81	4.87	9.24	8.24

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

Regional exposure



Sector exposure



Global Sustainable Equities

Launch date
20 October 2020

Investment strategy & key drivers
Global equity exposure concentrating on ESG factors

Liquidity
Managed

Benchmark
MSCI ACWI

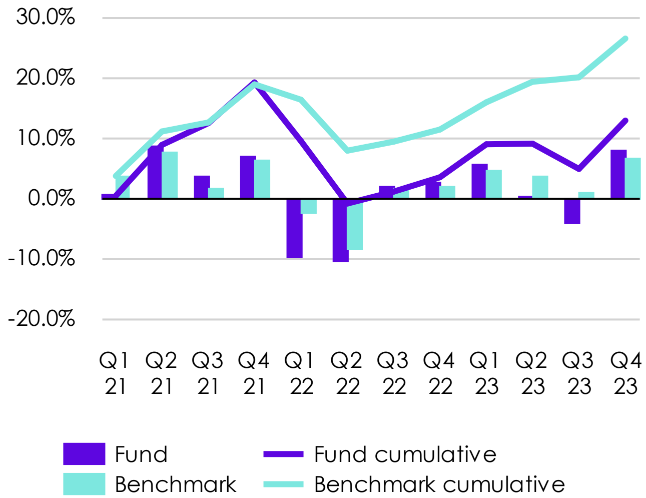
Outperformance target
+2%

Total fund value
£3,470m

Risk profile
High

Dorset's Holding:
GBP360m

Rolling 3yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	8.0	9.3	3.6	5.6
Benchmark	6.4	15.9	8.7	10.3
Excess	1.6	-6.6	-5.1	-4.8

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

Performance commentary

The portfolio returned 8.0% over the quarter on a net basis, a relative outperformance of 1.6% against the MSCI ACWI benchmark. Ownership, Jupiter and Mirova all outperformed, whilst RBC were inline, and Nordea returned 5.3%. Over the 1-year period, the fund returned 9.3%, underperforming the MSCI ACWI by 6.6%. All underperformance came through in Q2 and Q3. In Q2, the market was heavily concentrated while, in Q3, the environment favoured Energy stocks. However, the shift discussed in the CIO commentary meant Q4 provided an environment in which the Global Sustainable Equity Fund could significantly outperform the index.

The synchronised fall in global inflation led the market to anticipate a number of rate cuts throughout 2024; this "market pivot" supported increasing equity valuations in Q4.

The portfolio has greater exposure to the Quality/Growth styles and thus future cash flows account for a greater weighting that in the broader market. When interest rates are expected to decline, the present value of these cash flows increases, and company valuations also increase. The portfolio added relative alpha through its positioning in growth-orientated sectors and sub-sectors, such as Software, Health Care Equipment and Financial Services, but also through avoiding Value-focused market sectors such as Oil and Gas, which fell 7% over the quarter.

As discussed last quarter, we have also undertaken a lot of work with the managers to understand the fundamental quality of the businesses we are invested in. We look at metrics such as quality of leverage and stability of margins.

Whilst the interest rate decline may provide a short-term technical uplift in valuations, we hope the quality of the businesses will continue to provide alpha over the long term, when interest rate stability returns to the market.

Whilst we are disappointed that the portfolio underperformed over the year, we take comfort that the majority of sustainable managers also failed to outperform the MSCI ACWI over this time period. Compared to the Sustainable peer group, the MSCI ACWI would have finished in the top quartile and those managers that did outperform the index had notable overweight positions in 'Magnificent 7' stocks, which, from our perspective, are not all aligned to sustainability.

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Global Sustainable Equities

Top 5 holdings

	Weight %	B'mark weight %	Client value (GBP)*
MASTERCARD INC	2.69	0.53	9,682,654
INTUIT INC	2.45	0.26	8,814,834
MICROSOFT CORP	2.39	3.95	8,620,055
ANSYS INC	2.31	0.05	8,335,597
ADOBE INC	2.13	0.40	7,689,290

*Estimated client value

Top 5 active overweights

	Weight %	Benchmark weight %
ANSYS INC	2.31	0.05
INTUIT INC	2.45	0.26
MASTERCARD INC	2.69	0.53
ADOBE INC	2.13	0.40
WASTE MANAGEMENT INC	1.67	0.11

Top 5 active underweights

	Weight %	Benchmark weight %
APPLE INC	-	4.47
MICROSOFT CORP	2.39	3.95
ALPHABET INC	1.02	2.33
META PLATFORMS INC	-	1.17
TESLA INC	-	1.06

Largest contributors to ESG risk

	ESG risk score* Q3 2023	ESG risk score* Q4 2023
MASTERCARD INC - A	17.07	16.56
INTUIT INC	17.95	17.95
ANSYS INC	15.89	15.89
MICROSOFT CORP	15.06	15.21
AMAZON.COM INC	30.61	30.61

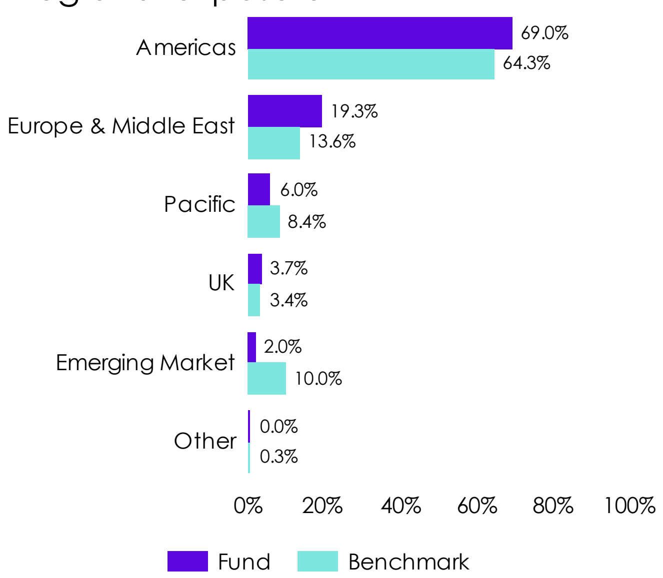
*Source: Sustainalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

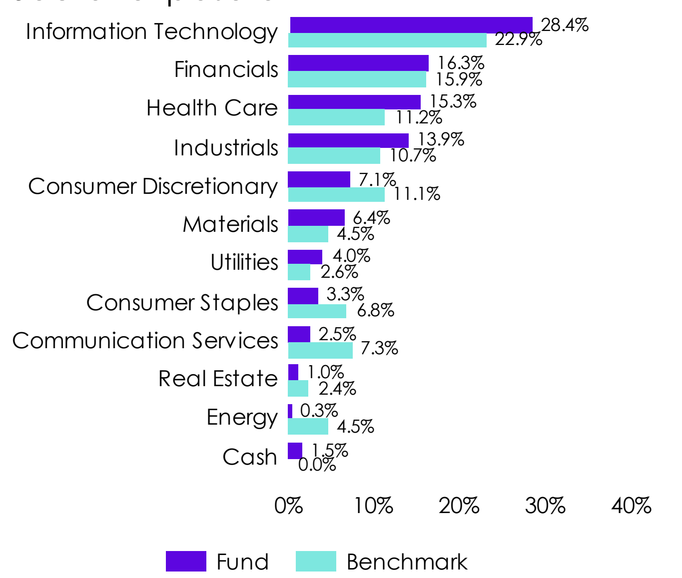
Portfolio	WACI 2023 Q3	WACI 2023 Q4	Total Extractive Exposure[1] 2023 Q3	Total Extractive Exposure[1] 2023 Q4	Extractive Industries (VOH)[2] 2023 Q3	Extractive Industries (VOH)[2] 2023 Q4
Global Sustainable	149	155	1.90	2.21	5.25	4.83
MSCI ACWI*	191	201	3.81	4.89	9.16	8.25

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

Regional exposure



Sector exposure



UK Active Equities

Launch date
1 December 2018

Investment strategy & key drivers
Active stock and sector exposure to UK equity markets

Liquidity
Managed

Benchmark
FTSE All Share ex Inv Tr

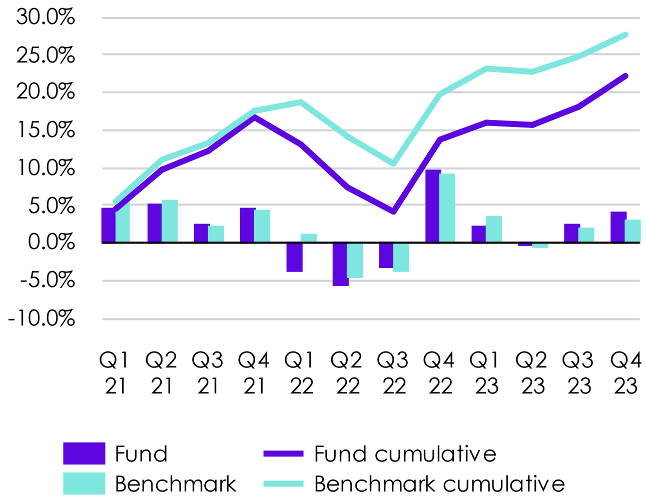
Outperformance target
+2%

Total fund value
£1,259m

Risk profile
High

Dorset's Holding:
GBP197m

Rolling 3yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	4.1	8.7	7.3	4.8
Benchmark	2.9	8.1	9.3	5.7
Excess	1.2	0.6	-2.0	-0.9

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

Performance commentary

The FTSE All-Share Index excluding Investment Trusts returned 2.9% over the quarter, underperforming the developed market index (MSCI World) by nearly 4% in GBP terms. This underperformance reflected the UK's larger exposure to the Energy sector, which performed poorly as concerns grew over weakening demand and supply complications. In a reversal of the previous quarter, the FTSE 100 significantly underperformed the FTSE 250.

The portfolio returned 4.1% during the period, outperforming the benchmark by 1.2%, and delivering a third consecutive quarter of outperformance.

Sector attribution shows that allocation was the main driver of outperformance, with an overweight to the Industrials sector and underweight to the Energy sector the main contributors. Selection also contributed positively and was strongest in Consumer Staples, where an overweight to M&S and underweight to British American Tobacco (BAT) were the largest contributors. M&S returned 15.6% after an encouraging trading update, with revenues growing c.11% year-on-year. These combined with successful cost savings to enable the business to translate strong sales into significant profit growth. Meanwhile, BAT returned -8.7% following a write-down of c.£25 billion on its US combustibles industry (U.S. cigarettes) due to falling demand for its products, as consumers switched to cheaper brands or quit.

Market cap allocation was another positive contributor this quarter. The portfolio was underweight the smallest quintile of companies in the index, which added 0.9% to relative returns.

On a manager basis, Baillie Gifford performed strongly (2% above the index), benefitting from an underweight to Energy and overweight to Industrials. On a stock basis, there were notable contributions from M&S, Autotrader and Persimmon, while zero exposure to BP, HSBC, and British American Tobacco, all major index constituents, also supported relative returns. Invesco outperformed the index (by 0.7%), driven by the positive contribution from Momentum, while the other two targeted factors (Quality and Value) were neutral in terms of relative performance.

From inception to quarter-end, the portfolio underperformed the benchmark by 0.9% per annum.

UK Active Equities

Top 5 holdings

	Weight %	B'mark weight %	Client value (GBP)*
ASTRAZENECA PLC	5.62	7.16	11,040,280
UNILEVER PLC	4.75	4.35	9,337,407
SHELL PLC	4.44	7.88	8,731,195
HSBC HOLDINGS PLC	3.88	5.73	7,615,413
RELX PLC	2.95	2.69	5,796,973

*Estimated client value

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Top 5 active overweights

	Weight %	Benchmark weight %
MARKS & SPENCER GROUP PLC	1.95	0.24
LEGAL & GENERAL GROUP PLC	2.36	0.68
INFORMA PLC	2.03	0.50
HOWDEN JOINERY GROUP PLC	1.68	0.20
BUNZL PLC	1.92	0.49

Top 5 active underweights

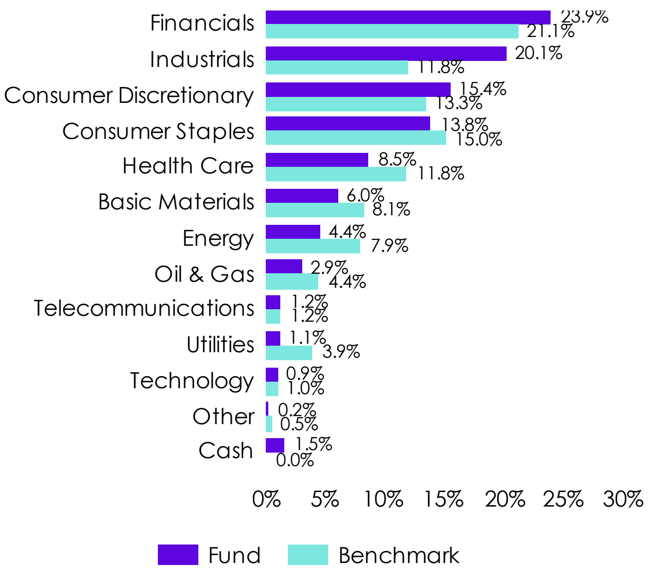
	Weight %	Benchmark weight %
SHELL PLC	4.44	7.88
HSBC HOLDINGS PLC	3.88	5.73
NATIONAL GRID PLC	-	1.78
BRITISH AMERICAN TOBACCO PLC	0.63	2.33
ASTRAZENECA PLC	5.62	7.16

Largest contributors to ESG risk

	ESG risk score* Q3 2023	ESG risk score* Q4 2023
SHELL PLC	33.68	33.68
ASTRAZENECA PLC	21.81	21.81
UNILEVER PLC	24.57	23.57
HSBC HOLDINGS PLC	25.47	24.98
GLENCORE PLC	38.56	38.56

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

Sector exposure



Carbon metrics

Portfolio	WACI 2023 Q3	WACI 2023 Q4	Total Extractive Exposure[1] 2023 Q3	Total Extractive Exposure[1] 2023 Q4	Extractive Industries (VOH)[2] 2023 Q3	Extractive Industries (VOH)[2] 2023 Q4
UK Active Equities	76	79	5.27	7.40	11.31	11.39
FTSE All Share ex Inv	129	145	6.09	9.74	20.23	19.40

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

Emerging Markets Equities

Launch date
8 November 2019

Investment strategy & key drivers
Equity exposure to emerging markets

Liquidity
Managed

Benchmark
MSCI Emerging Markets

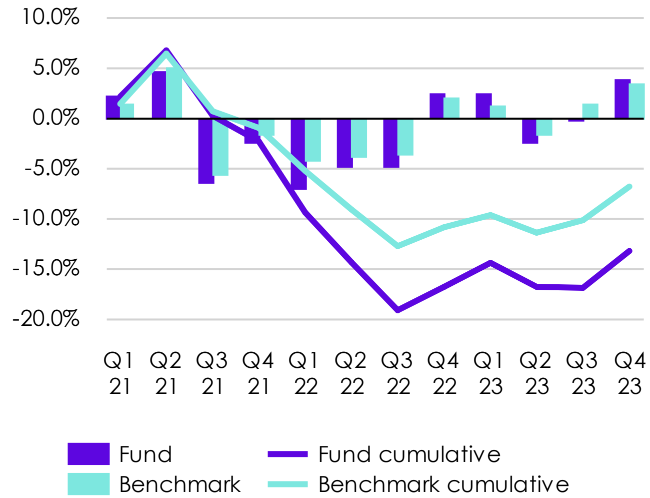
Outperformance target
+2-3%

Total fund value
£[illegible]7m

Risk profile
High

Dorset's Holding:
GBP144m

Rolling 3yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	3.7	3.5	-4.6	-0.1
Benchmark	3.3	4.0	-2.5	1.8
Excess	0.3	-0.5	-2.2	-1.8

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

Performance commentary

As mentioned in the CIO commentary, most Emerging Market (EM) economies made positive progress in the final quarter of the year, resulting in a modest gain of 3.3% for MSCI Emerging Markets. China was a notable absentee from the rally, falling 8% over last quarter to end the year down 16%. A combination of sluggish growth, regulation fears, outflows of foreign capital and property fears continued to weigh on sentiment towards Chinese equities.

The EM portfolio returned +3.7% last quarter, which was ahead of the benchmark return of +3.3%. Outperformance was driven by stock selection. Genesis and Ninety One beat the benchmark by 1.6% and 1.3%, respectively. Wellington underperformed by 2.1% due to poor stock selection in China and Consumer Discretionary businesses. Performance for 2023 was in line with the benchmark on a gross-of-fees basis, lagging by 0.5% net of fees. Since-inception performance remained behind the benchmark, lagging to end-2023 by 1.8% on an annualised basis.

PDD Holdings, a multinational commerce group predominantly held by Genesis, was the standout performer over the last quarter. PDD rose 43% after beating earnings expectations by 30% in November. This was the second successive earnings beat. The portfolio held approximately 2.4% in PDD as at year end, 1.2% more than the benchmark.

Sector-level positioning was a mild detractor last quarter. The bias towards consumer sectors hurt relative performance, with Consumer Discretionary and Consumer Staples underperforming the benchmark by 6.7% and 1.3% respectively.

Most styles performed in line with benchmark last quarter. The only notable exception was Quality, which outperformed broader markets by 4.2%. The portfolio is mildly overweight Quality due to Genesis' focus on identifying companies with sustainable, free-cashflow generation, strong governance, and alignment with minority shareholder interests. This acted as a tailwind for relative performance.

The outlook for EM remains cautiously optimistic. All three managers actively added to companies where share price weakness provided a good buying point. However, investors should still be mindful of the slowdown in China, which could have worldwide repercussions.

Emerging Markets Equities

Top 5 holdings

	Weight %	B'mark weight %	Client value (GBP)*
TAIWAN SEMICONDUCTOR	8.16	6.74	11,729,717
SAMSUNG ELECTRONICS CO LTD	5.11	4.69	7,355,119
TENCENT HOLDINGS LTD	4.26	3.55	6,122,911
HDFC BANK LTD	2.75	0.82	3,957,409
PDD HOLDINGS INC	2.43	1.24	3,501,040

*Estimated client value

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Top 5 active overweights

	Weight %	Benchmark weight %
HDFC BANK LTD	2.75	0.82
AIA GROUP LTD	1.76	-
TAIWAN SEMICONDUCTOR	8.16	6.74
PDD HOLDINGS INC	2.43	1.24
INNER MONGOLIA YILI INDUSTRIAL	1.17	0.02

Top 5 active underweights

	Weight %	Benchmark weight %
ALIBABA GROUP HOLDING LTD	1.34	2.23
CHINA CONSTRUCTION BANK CORP	-	0.82
PETROLEO BRASILEIRO SA	0.19	0.94
AL RAJHI BANK	-	0.64
HON HAI PRECISION INDUSTRY CO	-	0.60

Largest contributors to ESG risk

	ESG risk score* Q3 2023	ESG risk score* Q4 2023
SAMSUNG ELECTRONICS CO LTD	19.41	19.41
TENCENT HOLDINGS LTD	19.25	19.32
PDD HOLDINGS INC	29.23	29.23
HDFC BANK LIMITED	30.61	30.77
INNER MONGOLIA YILI INDUS-A	37.21	37.21

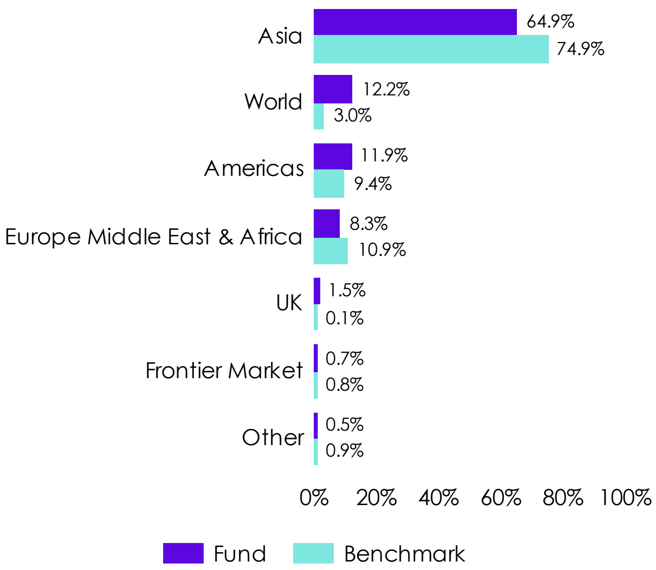
*Source: Sustainalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

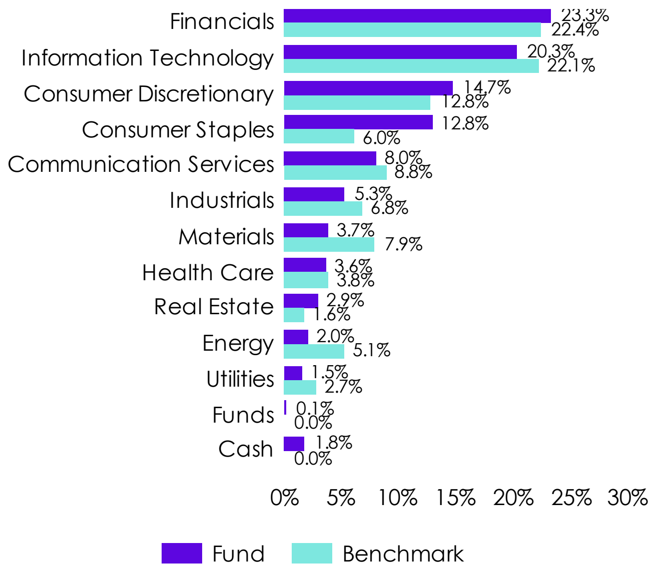
Portfolio	WACI 2023 Q3	WACI 2023 Q4	Total Extractive Exposure[1] 2023 Q3	Total Extractive Exposure[1] 2023 Q4	Extractive Industries (VOH)[2] 2023 Q3	Extractive Industries (VOH)[2] 2023 Q4
Emerging Markets	189	193	1.38	1.89	3.76	4.31
MSCI Emerging	429	515	3.37	5.84	8.48	8.34

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

Regional exposure



Sector exposure



Global Small Cap Equities

Launch date
2 October 2020

Investment strategy & key drivers
Global equity exposure to smaller capitalisation companies

Liquidity
Managed

Benchmark
MSCI Small Cap World

Outperformance target
+2%

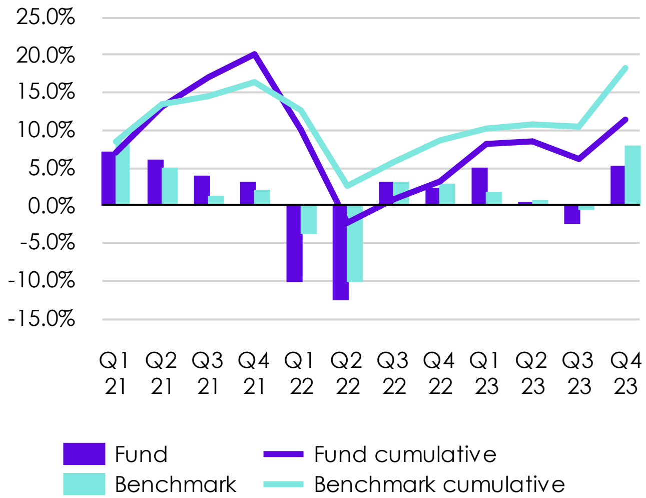
Total fund value
£[illegible]24m

Risk profile
High

Page 69

Dorset's Holding:
GBP233m

Rolling 3yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	5.2	8.2	3.1	7.3
Benchmark	7.8	9.8	5.8	10.1
Excess	-2.6	-1.5	-2.7	-2.8

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

Performance commentary

Over the quarter, global small cap equity markets rallied, amid easing inflation and hopes for a sustained pause in central bank rate hikes. Corporate earnings were also relatively resilient despite headwinds for global economic growth. Real Estate and Financials were the best-performing sectors within the MSCI World Small Cap index, whilst the Energy sector lagged.

The Global Small Cap Equity Fund returned 5.2% over the quarter, underperforming the benchmark by 2.6%.

Stock selection was the main driver of relative returns over the quarter. Whilst stock selection in Industrials was positive, stock selection in the Healthcare, Consumer Discretionary and Technology sectors detracted. Overall, sector allocation effects were positive, driven by the underweight to the Energy sector.

Each of the managers underperformed over the quarter. American Century returned 3.7% over the quarter, underperforming the benchmark by 4.1%. The underperformance was driven by negative stock selection in Healthcare, Financials and Consumer Discretionary. Within Healthcare, several holdings faced headwinds due to a pullback in health care equipment purchases, cost pressures and worries over the impact of new weight loss drugs on the demand for other treatments.

Kempen returned 6.0% in absolute terms, underperforming the benchmark by 1.8%. While the lack of any Energy exposure contributed to relative returns, stock selection in the Healthcare, Technology and Consumer Discretionary sectors detracted.

Montanaro returned 6.8% over the quarter, underperforming the benchmark by 1.0%. Montanaro's positive stock selection in Industrials was outweighed by negative stock selection in the Consumer Discretionary and Communication Services sectors. The lack of exposure to Energy was positive.

At a stock level, Fox Factory, a US manufacturer of automotive parts and equipment, was the largest detractor from relative returns.

We expect continued volatility over the coming period, as markets grapple with the outlook for inflation and interest rate expectations.

Global Small Cap Equities

Top 5 holdings

	Weight %	B'mark weight %	Client value (GBP)*
THERMON GROUP HOLDINGS	1.25	0.01	2,911,765
PRO MEDICUS LTD	1.25	0.05	2,903,185
JABIL INC	1.19	-	2,761,976
BRUNSWICK CORP/DE	1.13	0.09	2,631,789
HOULIHAN LOKEY INC	1.12	0.08	2,605,607

*Estimated client value

Top 5 active overweights

	Weight %	Benchmark weight %
THERMON GROUP HOLDINGS INC	1.25	0.01
PRO MEDICUS LTD	1.25	0.05
JABIL INC	1.19	-
ASR NEDERLAND NV	1.12	-
ULVAC INC	1.08	0.03

Top 5 active underweights

	Weight %	Benchmark weight %
FLEX LTD	-	0.19
LINCOLN ELECTRIC HOLDINGS INC	-	0.17
WILLIAMS-SONOMA INC	-	0.17
TOPBUILD CORP	-	0.16
FIVE BELOW INC	-	0.16

Largest contributors to ESG risk

	ESG risk score* Q3 2023	ESG risk score* Q4 2023
FUJITEC CO LTD	29.88	29.88
THERMON GROUP HOLDINGS	23.59	23.59
HOULIHAN LOKEY INC	25.56	26.14
ULVAC INC	25.79	25.79
AXON ENTERPRISE INC	40.33	40.58

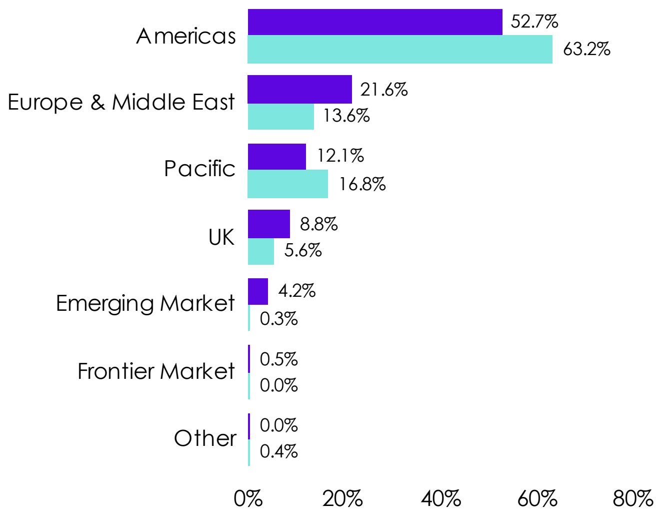
*Source: Sustainalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

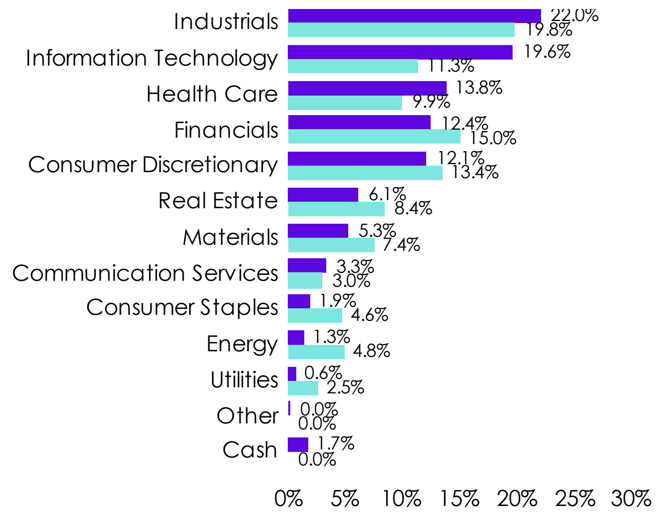
Portfolio	WACI 2023 Q3	WACI 2023 Q4	Total Extractive Exposure[1] 2023 Q3	Total Extractive Exposure[1] 2023 Q4	Extractive Industries (VOH)[2] 2023 Q3	Extractive Industries (VOH)[2] 2023 Q4
Global Small Cap	94	90	4.36	2.43	3.52	1.62
MSCI Small Cap	214	211	3.25	3.79	6.77	5.75

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

Regional exposure



Sector exposure



Diversifying Returns Fund

Launch date
12 August 2020

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

Liquidity
Managed

Benchmark
SONIA +3%

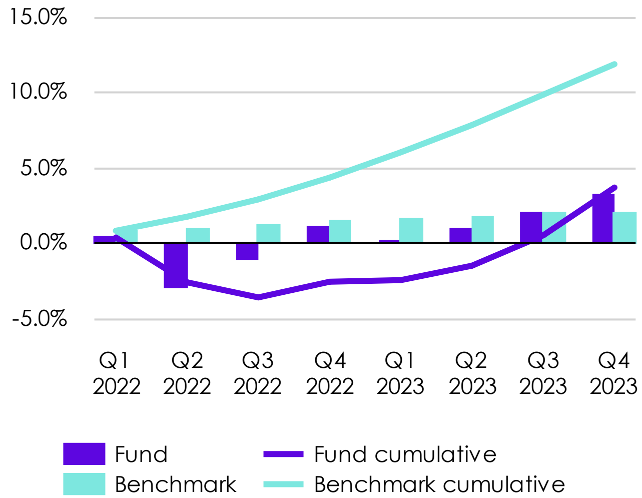
Outperformance target
0% to +2.0%

Total fund value
£1,008m

Risk profile
Moderate

Dorset's Holding:
GBP251m

Rolling 2yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	3.2	6.4	3.0	3.3
Benchmark	2.0	7.8	5.1	4.9
Excess	1.1	-1.4	-2.1	-1.6

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

Performance commentary

The Diversifying Returns Fund returned 3.2% over the fourth quarter of 2023. The benchmark return was 2.0%.

The sterling-hedged 50/50 equity/bond index we monitor returned 7.6% over the quarter, highlighting the strong returns generated by traditional asset classes. Since portfolio inception, the equity/bond index had returned 3.0% at quarter-end and the fund had returned 3.3% (on an annualised basis).

Whilst the fund fell behind the cash-plus benchmark, the latter remains hard to beat in an environment where interest rates have risen aggressively. Moreover, the fund did recover from the drawdown that started in 2022. Since January 2022, equity markets remain 7% down on a sterling-hedged basis and, whilst we expect equities to outperform the DRF portfolio over the long run, the faster drawdown recovery of the DRF portfolio highlights the advantages of a defensive strategy in challenging conditions.

The portfolio was able to capture the positive returns from equity and bond markets through the holdings in Lombard Odier and Fulcrum. Fulcrum further added positive returns through long duration positioning and volatility carry in the discretionary macro section of their fund. Over the quarter, Lombard Odier returned 4.6% and Fulcrum returned 2.2%.

The fund also benefitted from exposure to alternative premia. UBS had a strong quarter, returning 6.0%. The Norwegian Kroner and Japanese Yen appreciated - both are large positions in the UBS funds. Despite the Bank of Japan maintaining loose monetary policy, the Japanese yen was a beneficiary of dovish comments from other central banks, as markets priced the possibility of a fall in the rate differential between Japan and the rest of the world, thereby driving the yen to extreme levels of weakness. The Norwegian kroner was well supported as the Norges Bank delivered a surprise interest rate hike, citing continued high inflation.

JP Morgan's returns were more muted, following a very strong few years' performance, with the fund returning 0.3% over the quarter. JPM made small positive returns from a number of the alternative premia signals it targets. The sector-neutral, equity Value signal, credit carry and cash provided the strongest returns. However, these were largely offset by relative Value momentum in equities, as the Federal Reserve interest rate commentary led to a an equity market shift.

Multi-Asset Credit

Launch date
7 July 2021

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

Liquidity
Managed

Benchmark
SONIA +4%

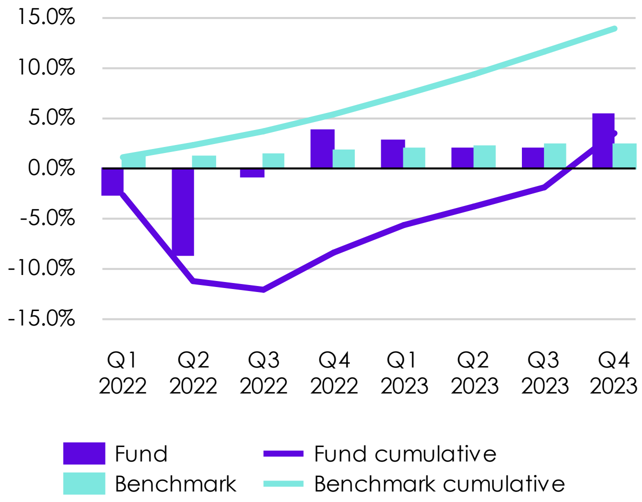
Outperformance target
0% to +1.0%

Total fund value
£2,395m

Risk profile
Moderate

Dorset's Holding:
GBP264m

Rolling 2yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	5.4	12.4	-	1.5
Benchmark	2.3	8.8	-	6.5
Excess	3.1	3.6	-	-5.0

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

Performance commentary

Sub-investment grade credit markets finished the year in strong fashion, resulting in double-digit gains for 2023. As mentioned in the CIO commentary, the market narrative on interest rates changed from 'higher for longer' to 'pivot', following better-than-expected inflation data in the US. The UK also saw interest rate expectations fall.

US and UK yields fell right along the curve, but more so at the policy-sensitive end. 2-year yields for the US and UK ended the year at 4.25% and 3.96% respectively. Credit spreads also fell across the quarter, as hopes of a soft landing grew. High Yield option-adjusted spreads – proxied by the Bloomberg High Yield Index – ended the period at +423 basis points (bps), a 58bps decrease from Q3 2023. The backdrop of declining interest rate expectations and spread compression resulted in all asset classes making a positive return over the quarter. Fixed rate assets appreciated far more than their floating counterparts. The best-performing asset classes were Contingent Capital (CoCos) and Emerging Market Sovereigns, which returned +11% and +10.2%, respectively, in local currency terms.

The portfolio returned +5.4% over the quarter, which was comfortably ahead of the primary benchmark (SONIA +4%), which returned +2.3%. The portfolio was in line with the secondary composite benchmark, which is evenly split between the Bloomberg Global High Yield and the Morningstar LSTA US Leveraged Loan Index. Neuberger Berman, CQS and Oaktree returned +5.9%, +4.7% and +4.8% respectively. Neuberger Berman posted a stronger return due to its rate-sensitive allocation to Investment Grade Corporates - it took profit on its allocation later in the quarter.

Performance for the calendar year was an impressive +12.4%, materially ahead of the primary cash benchmark. Since-inception performance is now +1.5%, which lags the primary benchmark by 5.0%. The composite benchmark has returned approximately +1.8% over the same period.

All three managers maintain a cautiously optimistic outlook. All-in yields have fallen to 7.9% for the Multi-Asset Credit portfolio, with a duration of 2.7 years. Investors should remain wary of the reduced amount of compensation for credit risk. Our managers remain heavily focused on the quality of their issuers.

Sterling Corporate Bonds

Launch date
2 July 2021

Investment strategy & key drivers
Managed credit selection to generate excess sterling yield returns

Liquidity
Managed

Benchmark
iBoxx Sterling Non Gilt x

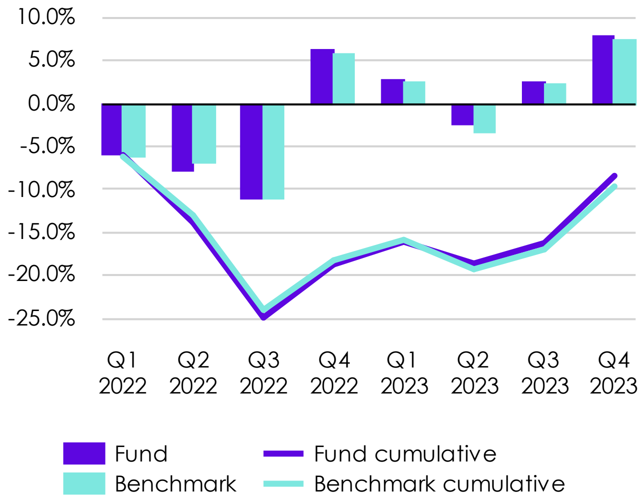
Outperformance target
+1%

Total fund value
£2,544m

Risk profile
Moderate

Dorset's Holding:
GBP84m

Rolling 2yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	7.8	10.5	-	-4.1
Benchmark	7.4	8.6	-	-4.7
Excess	0.5	1.9	-	0.6

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

Performance commentary

Bond markets rallied over the quarter as headline inflation fell and markets began to price in interest rate cuts in 2024. The result was significant falls in bond yields in November and December. The sterling investment grade credit market (non-gilt) returned 7.4% over the quarter, as a result of lower government bond yields and tighter credit spreads. Given the fall in yields, sectors with a greater proportion of long-dated bonds performed well, including utilities and social housing, whilst supranationals was the worst-performing sector.

Over the period, the Sterling Corporate Bonds portfolio returned 7.8%, outperforming the benchmark by 0.5%.

The main driver of positive relative performance was sector positioning, notably the underweight allocation to supranationals, which continued to lag the wider market. Yield curve positioning was also positive, given the strong performance from longer-dated bonds.

Stock selection effects were mixed, with a broadly neutral impact on relative returns overall. Whilst there was positive selection in insurance bonds, notably longer-dated subordinated bonds from Prudential and Legal & General, there were negative selection effects in structured bonds, which generally have a lower sensitivity to wider market moves.

In terms of credit rating bands, the significant underweight allocation to AAA-rated bonds contributed to relative returns; the overweight allocation to BBB-rated bonds was also positive.

The holding in Thames Water was a detractor over the quarter. Whilst structurally junior holding company debt underperformed and was downgraded, the portfolio's larger exposure to the operating company debt was beneficial for performance over the quarter.

In terms of outlook, although the economic data remains mixed, RLAM still believes that higher interest rates will contribute to a slowdown in the UK. This could well impact company earnings and lead to some increase in pressure on credit markets. However, whilst all-in yields are not as attractive as at the start of the fourth quarter, RLAM feels that the excess yield available on investment grade credit overcompensates for the default risk.

PAB Passive Global Equities

Launch date
1 November 2021

Investment strategy & key drivers
Passive global equity exposure aligned to Paris Agreement climate goals

Liquidity
High

Benchmark
FTSE Dev World PAB

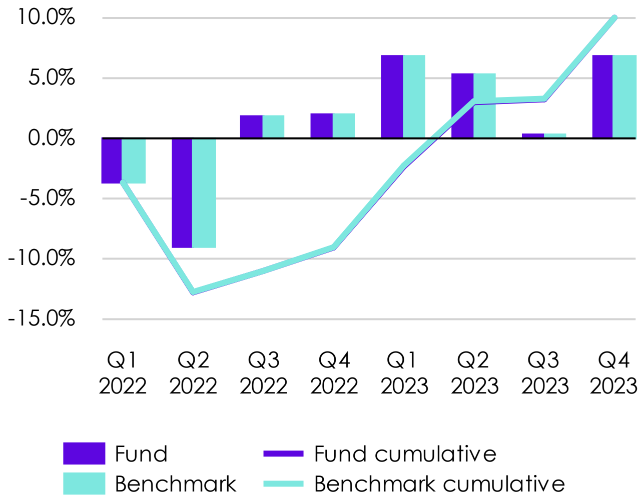
Outperformance target
Match

Total fund value
£2,153m

Risk profile
High

Dorset's Holding:
GBP61m

Rolling 2yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	6.8	20.3	-	5.9
Benchmark	6.7	20.3	-	6.0
Excess	-	-	-	-0.1

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

Performance commentary

The FTSE Developed Paris-aligned index (PAB) returned 6.7% over Q4 2023. The PAB Passive Global Equities product replicated the performance of the benchmark over the period, returning 6.8%.

The PAB's holding in Vestas Wind Systems A/S made a positive contribution to returns of 0.1%. The wind turbine manufacturer reported Q3 profits that were four times greater than analysts' consensus expectations. Vestas is held in the PAB at a larger weight than in the market cap index due to very strong Green Revenue scoring and a positive tilt on TPI Management Quality scoring.

The only Energy sector investments in the PAB are Vestas and First Solar. Not owning companies with exposure to oil benefitted performance, as oil prices fell significantly over the period.

The PAB's large positions in Microsoft, Amazon and Apple all made significant positive contributions to returns, as Growth stocks benefited from the market factored in a higher probability of interest rate cuts in 2024.

The PAB's holding in Tesla made the largest negative contribution to returns, costing 67 basis points of performance. Tesla is a significant position in the portfolio owing to its strong Green Revenue score and a positive tilt score for Scope 3 Carbon Emissions Intensity. Tesla reported increasing inventories which may put pressure on margins. However, Tesla was not alone in recording weak performance. The Autos sub-sector underperformed the broader market.

An index rebalancing took place during the quarter. The portfolio decarbonisation trajectory is in line with the requirements of EU regulations for Paris-aligned benchmarks, which utilise EVIC rather than Revenue in its decarbonisation calculations.

PAB Passive Global Equities

Top 5 holdings

	Weight %	Client value (GBP)*
AMAZON.COM INC	**5.19**	**3,176,419**
MICROSOFT CORP	**5.17**	**3,160,872**
APPLE INC	**4.85**	**2,964,379**
ALPHABET INC	**4.53**	**2,767,482**
TESLA INC	**4.23**	**2,589,300**

*Estimated client value

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Largest contributors to ESG risk

	ESG risk score* Q3 2023	ESG risk score* Q4 2023
AMAZON.COM INC	**30.61**	**30.61**
TESLA INC	**25.23**	**25.23**
APPLE INC	**17.22**	**17.22**
MICROSOFT CORP	**15.06**	**15.21**
ALPHABET INC-CL A	**24.04**	**24.09**

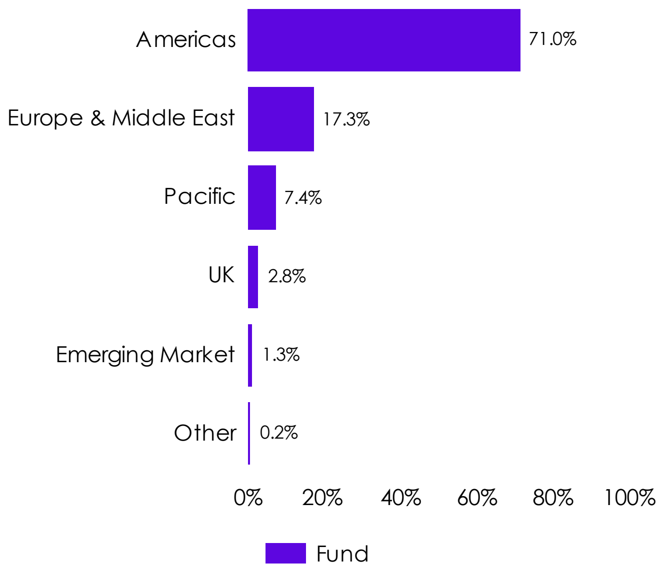
*Source: Sustainalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

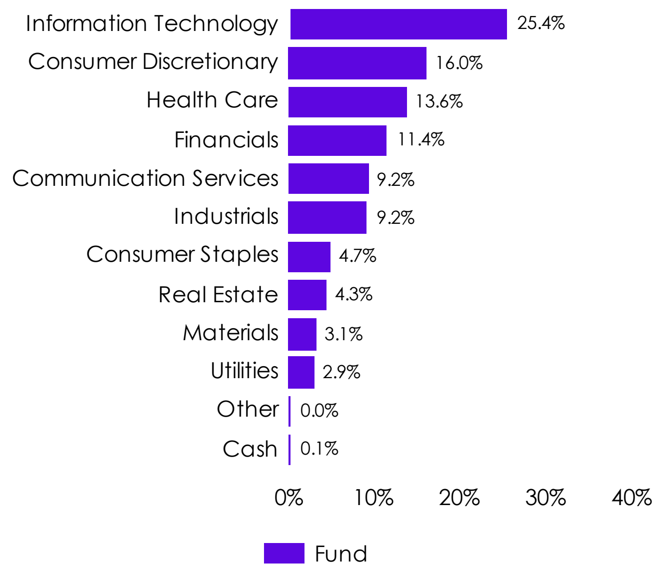
Portfolio	WACI		Total Extractive Exposure[1]		Extractive Industries (VOH)[2]	
	2023 Q3	2023 Q4	2023 Q3	2023 Q4	2023 Q3	2023 Q4
PAB Passive Global	**76**	**120**	0.72	1.39	3.39	3.57
FTSE Dev World TR	**167**	**168**	3.67	4.69	9.52	8.45

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

Regional exposure



Sector exposure



PAB Passive Global Equities (Hedged)

Launch date
1 November 2021

Investment strategy & key drivers
Passive global equity exposure aligned to Paris Agreement climate goals - hedged

Liquidity
High

Benchmark
FTSE Dev World PAB

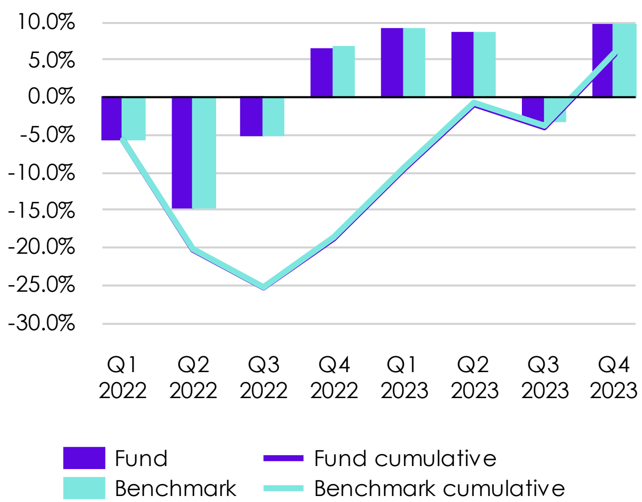
Outperformance target
Match

Total fund value
£1,689m

Risk profile
High

Dorset's Holding:
GBP63m

Rolling 2yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	9.7	26.2	-	2.7
Benchmark	9.7	26.2	-	2.8
Excess	-	-	-	-0.1

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

Performance commentary

The FTSE Developed Paris Aligned Index (GBP Hedged) (PAB) returned 9.7% over Q4 2023.

With a large amount of the fund invested in the US, the GBP/USD exchange rate generally has a large bearing on the performance differential between the hedged and unhedged products. The US dollar weakened 4.2% versus sterling following comments from the Federal Reserve that made interest rate cuts seem more likely in 2024. This led to the hedged product outperforming the unhedged product.

The PAB's holding in Vestas Wind Systems A/S made a positive contribution to return as the wind turbine manufacturer reported Q3 profits in excess of analysts' consensus expectations. Vestas is held in the PAB at a larger weight than in the market cap index due to very strong Green Revenue scoring and a positive tilt on TPI Management Quality scoring.

The only Energy sector investments in the PAB are Vestas and First Solar. Not owning companies with exposure to oil was beneficial for performance, as oil prices fell significantly over the period.

The PAB's large positions in Microsoft, Amazon and Apple all made significant positive contributions to returns, since Growth stocks benefited from the market factoring a rising probability of 2024 interest rate cuts into valuations.

The PAB's holding in Tesla made a large negative contribution to returns. Tesla is a significant position in the portfolio owing to its strong Green Revenue score and a positive tilt score for Scope 3 Carbon Emissions Intensity. Tesla reported an increase in inventories which may put pressure on margins. However, Tesla was not alone in recording weak performance. The broader Autos sector underperformed the broader market.

An index rebalancing took place during the quarter. The portfolio decarbonisation trajectory is in line with the requirements of EU regulations for Paris-aligned benchmarks which utilises EVIC rather than Revenue in its decarbonisation calculations.

PAB Passive Global Equities (Hedged)

Top 5 holdings

	Weight %	Client value (GBP)*
AMAZON.COM INC	5.19	3,261,621
MICROSOFT CORP	5.17	3,245,657
APPLE INC	4.85	3,043,894
ALPHABET INC	4.53	2,841,716
TESLA INC	4.23	2,658,754

*Estimated client value

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Largest contributors to ESG risk

	ESG risk score* Q3 2023	ESG risk score* Q4 2023
AMAZON.COM INC	30.61	30.61
TESLA INC	25.23	25.23
APPLE INC	17.22	17.22
MICROSOFT CORP	15.06	15.21
ALPHABET INC-CL A	24.04	24.09

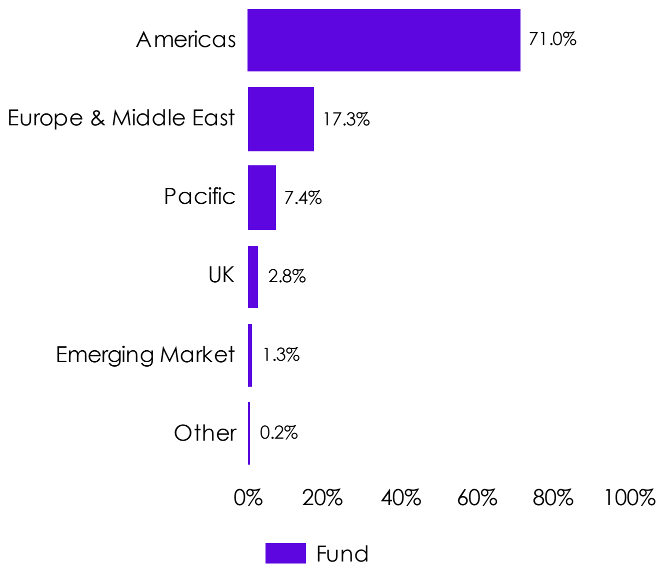
*Source: Sustainanalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

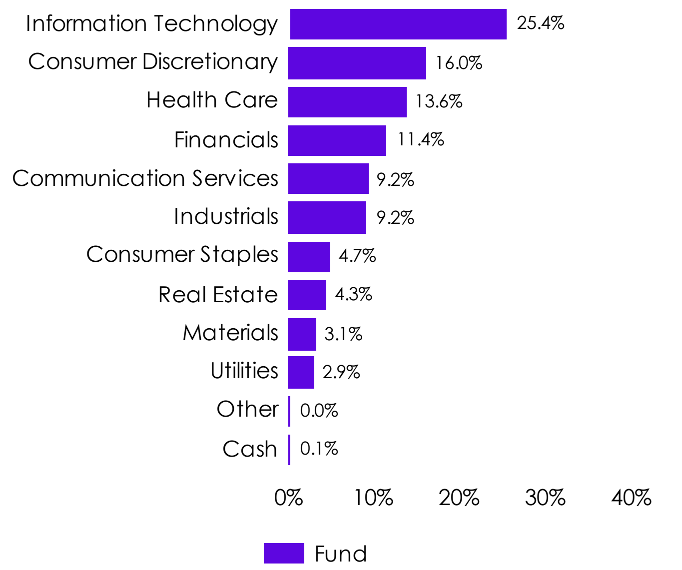
Portfolio	WACI 2023 Q3	WACI 2023 Q4	Total Extractive Exposure[1] 2023 Q3	Total Extractive Exposure[1] 2023 Q4	Extractive Industries (VOH)[2] 2023 Q3	Extractive Industries (VOH)[2] 2023 Q4
PAB Passive Global	76	120	0.72	1.39	3.39	3.57

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

Regional exposure



Sector exposure



CTB Passive Global Equities

Launch date
1 May 2022

Investment strategy & key drivers
Passive global equity exposure aligned to Climate Transition goals

Liquidity
High

Benchmark
FTSE Dev World CTB

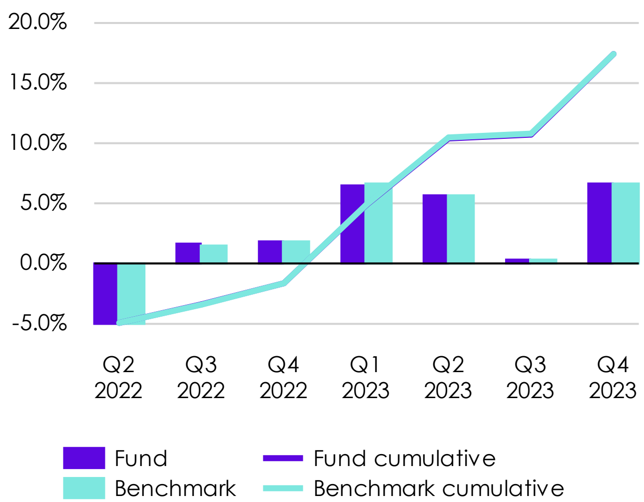
Outperformance target
Match

Total fund value
£7[illegible]3m

Risk profile
High

Dorset's Holding:
GBP61m

Rolling 2yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	6.7	20.3	-	11.0
Benchmark	6.6	20.3	-	11.1
Excess	0.1	-	-	-

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

Performance commentary

The FTSE Developed Climate Transition (CTB) Index returned 6.7% over Q4 2023. The CTB Passive Global Equities product closely replicated the performance of the benchmark over this period, returning 6.8%.

The holding in Vestas Wind Systems A/S made a positive contribution to returns. The wind turbine manufacturer reported Q3 profits in excess of analysts' consensus expectations. Vestas is held in the CTB at a larger weight than in the market cap index due to very strong Green Revenue scoring and a positive tilt on TPI Management Quality scoring.

Relative to the market cap index, the CTB's lower allocation to the Energy sector made a positive contribution to relative returns, as the price of oil fell significantly over the quarter.

The largest negative contribution to returns came from Tesla, a significant position in the portfolio, as it underperformed the broader market. Tesla reported an increase in inventories, which could lead to margin pressure. However, it was not alone among auto manufacturers in underperforming the broader market; the broader Autos sub-sector posted weak performance.

Technology sector companies made the largest positive contribution to performance, as the market factored a rising probability of interest rate cuts in 2024 into valuations. The CTB's largest holdings are in Microsoft, Apple and Alphabet. All three companies have positive tilt scores for Scope 3 Carbon Emissions Intensity and TPI Management Quality.

An index rebalancing took place during the quarter. The portfolio decarbonisation trajectory is in line with the requirements of EU regulations for Paris-aligned benchmarks, which utilise EVIC rather than Revenue in its decarbonisation calculations.

CTB Passive Global Equities

Top 5 holdings

	Weight %	Client value (GBP)*
MICROSOFT CORP	5.18	3,179,356
APPLE INC	4.84	2,971,033
ALPHABET INC	4.55	2,791,758
AMAZON.COM INC	4.28	2,624,017
TESLA INC	3.91	2,395,494

*Estimated client value

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Largest contributors to ESG risk

	ESG risk score* Q3 2023	ESG risk score* Q4 2023
AMAZON.COM INC	30.61	30.61
TESLA INC	25.23	25.23
APPLE INC	17.22	17.22
MICROSOFT CORP	15.06	15.21
ALPHABET INC-CL A	24.04	24.09

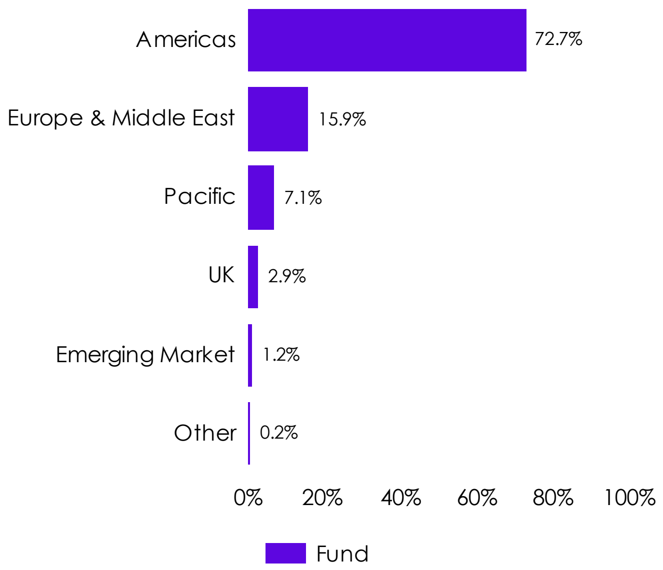
*Source: Sustainanalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

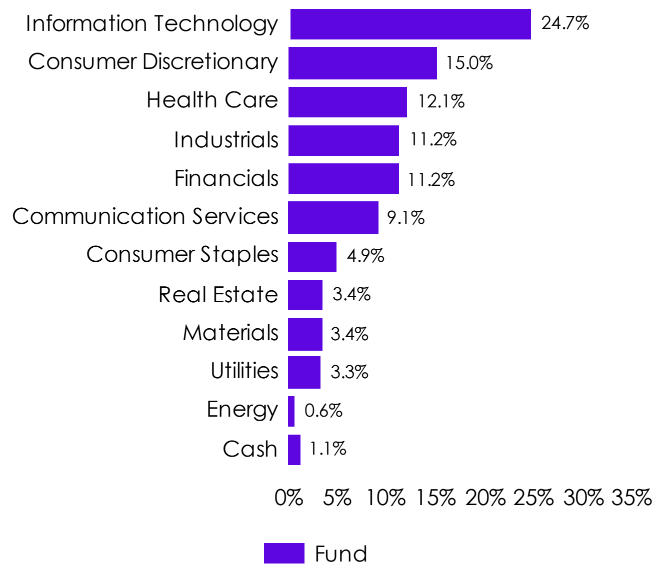
Portfolio	WACI		Total Extractive Exposure[1]		Extractive Industries (VOH)[2]	
	2023 Q3	2023 Q4	2023 Q3	2023 Q4	2023 Q3	2023 Q4
CTB Passive Global	107	148	1.76	2.26	5.89	5.09
FTSE Dev World TR	167	168	3.67	4.69	9.52	8.45

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

Regional exposure



Sector exposure



CTB Passive Global Equities (Hedged)

Launch date
1 May 2022

Investment strategy & key drivers
Passive global equity exposure aligned to Climate Transition goals - hedged

Liquidity
High

Benchmark
FTSE Dev World CTB

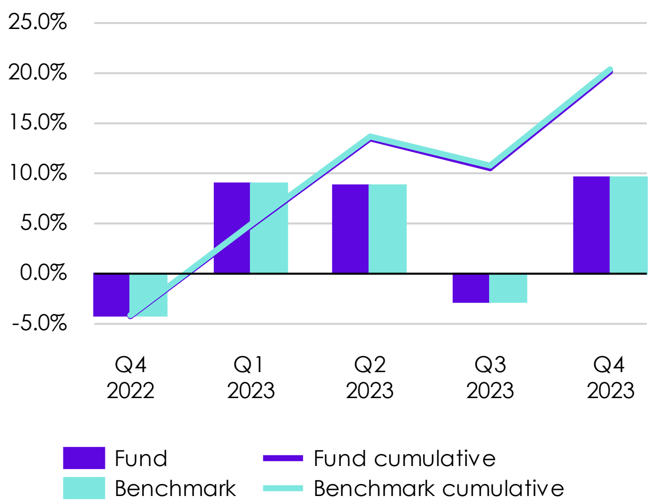
Outperformance target
Match

Total fund value
£63m

Risk profile
High

Dorset's Holding:
GBP63m

Rolling 2yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	9.6	26.1	-	19.6
Benchmark	9.6	26.2	-	19.9
Excess	-	-0.1	-	-0.2

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

Performance commentary

The FTSE Developed Climate Transition Index (GBP Hedged) (CTB) returned 9.6% over Q4 2023. The CTB Passive Global Equities (GBP Hedged) product closely replicated the performance of the benchmark over this period, returning 9.7%.

With a large amount of the fund invested in the US, the GBP/USD exchange rate generally has a large bearing on the performance differential between the hedged and unhedged products. The US dollar weakened 4.2% versus sterling over the quarter, following comments from the Federal Reserve that made interest rate cuts seem more likely in 2024. This led to the hedged product outperforming the unhedged product.

The holding in Vestas Wind Systems A/S made a positive contribution to returns. The wind turbine manufacturer reported Q3 profits in excess of analysts' consensus expectations. Vestas is held in the CTB at a larger weight than in the market cap index due to very strong Green Revenue scoring and a positive tilt on TPI Management Quality scoring.

Relative to the market cap index, the CTB's lower allocation to the Energy sector made a positive contribution to relative returns as the price of oil fell significantly over the quarter.

The largest negative contribution to returns came from Tesla, a large position in the portfolio, which underperformed the broader market. Tesla reported an increase in inventories, which could lead to margin pressure. However, it was not alone among auto manufacturers in underperforming the broader market; the broader Autos subsector posted weak performance.

Technology sector companies made the largest positive contribution to performance as the market factored a rising probability of interest rate cuts in 2024 into valuations. The CTB's largest holdings are Microsoft, Apple and Alphabet. All three companies have positive tilt scores for Scope 3 Carbon Emissions Intensity and TPI Management Quality.

An index rebalancing took place during the quarter. The portfolio decarbonisation trajectory is in line with the requirements of EU regulations for Paris-aligned benchmarks, which utilise EVIC rather than Revenue in decarbonisation calculations.

CTB Passive Global Equities (Hedged)

Top 5 holdings

	Weight %	Client value (GBP)*
MICROSOFT CORP	**5.18**	**3,255,265**
APPLE INC	**4.84**	**3,041,967**
ALPHABET INC	**4.55**	**2,858,412**
AMAZON.COM INC	**4.28**	**2,686,666**
TESLA INC	**3.91**	**2,452,687**

*Estimated client value

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Largest contributors to ESG risk

	ESG risk score* Q3 2023	ESG risk score* Q4 2023
AMAZON.COM INC	**30.61**	**30.61**
TESLA INC	**25.23**	**25.23**
APPLE INC	**17.22**	**17.22**
MICROSOFT CORP	**15.06**	**15.21**
ALPHABET INC-CL A	**24.04**	**24.09**

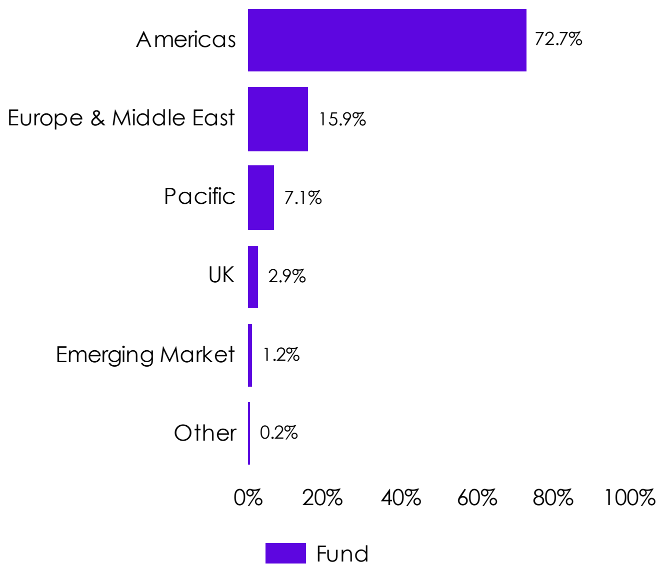
*Source: Sustainanalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

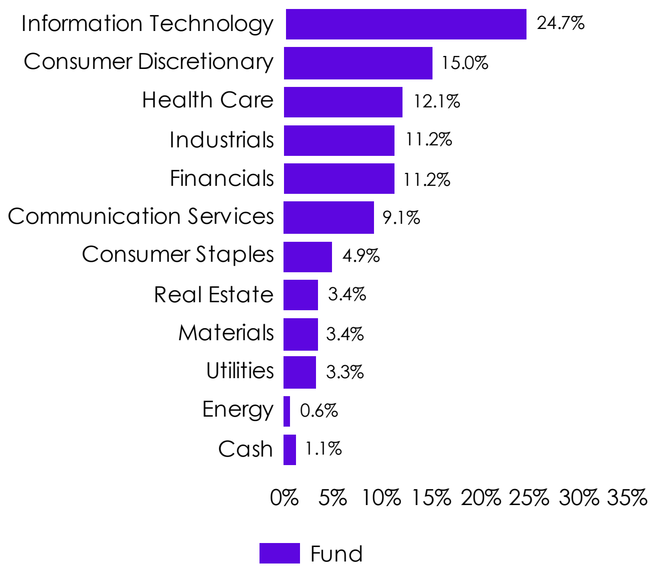
Portfolio	WACI		Total Extractive Exposure[1]		Extractive Industries (VOH)[2]	
	2023 Q3	2023 Q4	2023 Q3	2023 Q4	2023 Q3	2023 Q4
CTB Passive Global	**107**	**148**	1.76	2.26	5.89	5.09

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

Regional exposure



Sector exposure



Passive Developed Equities

Launch date
11 July 2018

Investment strategy & key drivers
Passive global equity exposure

Liquidity
High

Benchmark
FTSE Developed

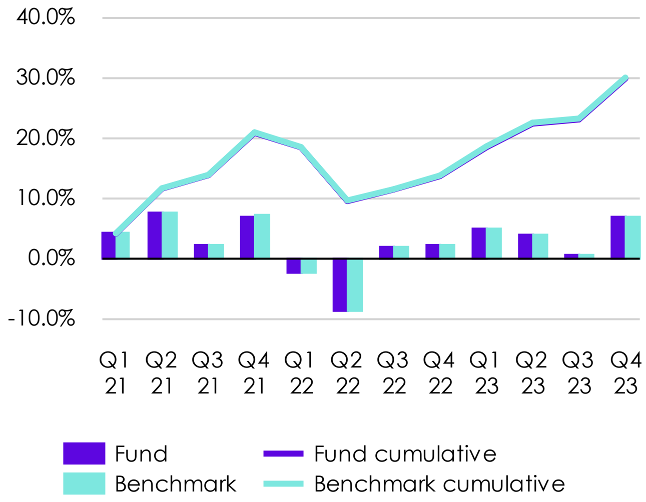
Outperformance target
Match

Total fund value
£695m

Risk profile
High

Dorset's Holding:
GBP109m

Rolling 3yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	6.8	17.1	9.9	10.3
Benchmark	6.8	17.2	10.0	10.4
Excess	-	-0.1	-0.1	-

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

Performance commentary

Passive Developed Equities returned 6.8% in the fourth quarter of 2023 and 17.1% over the year. The fund closely replicated the FTSE Developed Index.

Speculation that US interest rates may have peaked led to longer-duration Growth stocks outperforming Value.

Regionally, this was reflected in the strong performance of the US, where equities rose 12.0% in US dollar terms. However, an accompanying depreciation of the dollar meant the US market returned 7.2% for sterling investors. This was slightly less than the European market, which returned 7.5%. The more Value-orientated markets of Japan and the UK lagged, returning 3.3% and 3.2% respectively.

The Technology sector continued its strong performance, returning 12.1%. Within the sector, companies with exposure to chip manufacturing, such as Advanced Micro Devices, Intel and ASML, made strong contributions to returns, as better-than-anticipated earnings reports suggested these companies are well-placed to benefit from growth in artificial intelligence technologies. The Industrials sector also performed well, returning 9.1%.

The Energy sector was the worst performing, losing 7.3% over the quarter as oil prices fell 21% in US dollar terms. This was caused by a combination of high levels of US supply and fears that weakening economic activity would foster a decrease in demand.

Passive Developed Equities

Top 5 holdings

	Weight %	Client value (GBP)*
APPLE INC	**4.59**	**5,014,322**
MICROSOFT CORP	**4.52**	**4,942,004**
ALPHABET INC	**2.48**	**2,715,795**
AMAZON.COM INC	**2.21**	**2,417,917**
NVIDIA CORP	**1.90**	**2,077,833**

*Estimated client value

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Largest contributors to ESG risk

	ESG risk score*	
	Q3 2023	Q4 2023
APPLE INC	**17.22**	**17.22**
MICROSOFT CORP	**15.06**	**15.21**
AMAZON.COM INC	**30.61**	**30.61**
META PLATFORMS INC-CLASS A	**34.08**	**33.69**
ALPHABET INC-CL A	**24.04**	**24.09**

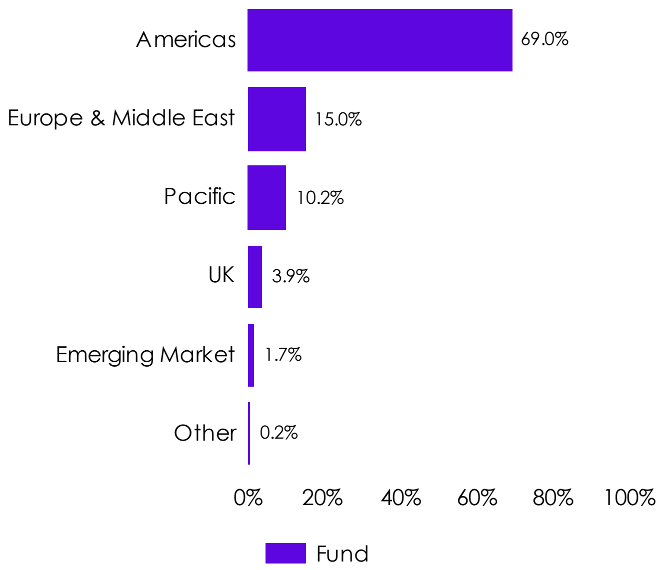
*Source: Sustainanalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

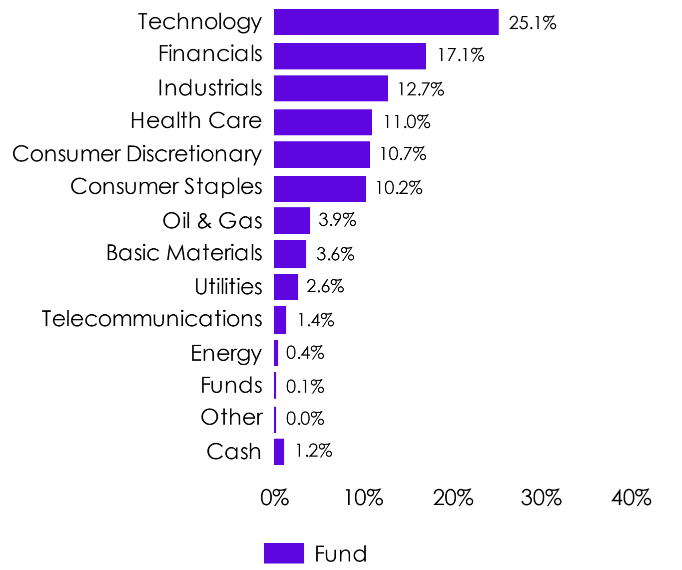
Portfolio	WACI		Total Extractive Exposure[1]		Extractive Industries (VOH)[2]	
	2023 Q3	2023 Q4	2023 Q3	2023 Q4	2023 Q3	2023 Q4
Passive Developed	**166**	**168**	3.18	4.06	9.47	8.48

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

Regional exposure



Sector exposure



Passive Developed Equities (Hedged)

Launch date
11 July 2018

Investment strategy & key drivers
Passive global equity exposure - hedged

Liquidity
High

Benchmark
FTSE Developed

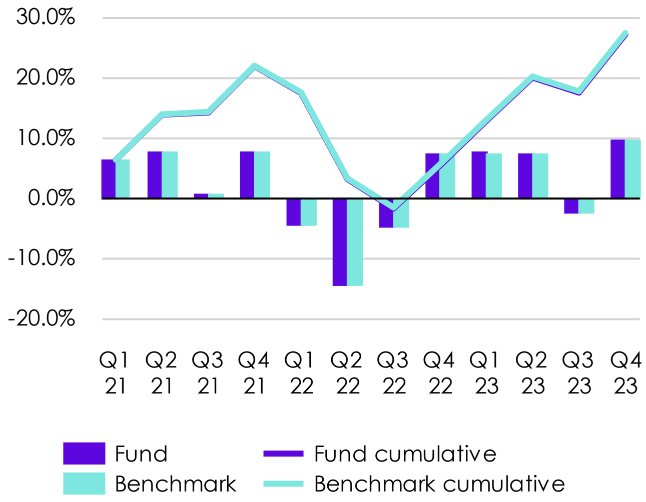
Outperformance target
Match

Total fund value
£112m

Risk profile
High

Dorset's Holding:
GBP112m

Rolling 3yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	9.7	23.1	8.3	8.9
Benchmark	9.7	23.1	8.4	9.0
Excess	-	-	-0.1	-0.1

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

Performance commentary

Passive Developed Equities (GBP Hedged) returned 9.7% in the fourth quarter of 2023 and 23.1% over year. The portfolio replicated the FTSE Developed World (GBP Hedged).

With a large amount of the fund invested in the US, the GBP/USD exchange rate generally has a large bearing on the performance differential between the hedged and unhedged products. The US dollar weakened 4.2% versus sterling following comments from the Federal Reserve that made interest rate cuts seem more likely in 2024. This contributed to the hedged product outperforming the unhedged product.

The main theme of the quarter was that falling interest rate expectations led to longer-duration Growth stocks outperforming Value stocks. The theme showed through in a number of ways.

In local currency, the US was the strongest-performing of the major developed markets, returning 12.0%. Europe (excluding the UK) returned 7.7%, while Japan and the UK lagged, returning 3.3% and 3.2%, respectively.

The Technology sector continued its strong performance. Within the sector, companies with exposure to chip manufacturing, such as Advanced Micro Devices, Intel and ASML made strong contributions to returns, as better-than-anticipated earnings reports suggested these companies are well-placed to benefit from developments in artificial intelligence technologies. The Industrials sector also performed well.

The Energy sector was the worst-performing, as oil prices fell 21% in US dollar terms. This was caused by a combination of high levels of American supply, and fears that weakening economic activity would foster a drop in demand.

Passive Developed Equities (Hedged)

Top 5 holdings

	Weight %	Client value (GBP)*
APPLE INC	**4.59**	**5,119,971**
MICROSOFT CORP	**4.52**	**5,046,129**
ALPHABET INC	**2.48**	**2,773,015**
AMAZON.COM INC	**2.21**	**2,468,861**
NVIDIA CORP	**1.90**	**2,121,612**

*Estimated client value

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Largest contributors to ESG risk

	ESG risk score* Q3 2023	ESG risk score* Q4 2023
APPLE INC	**17.22**	**17.22**
MICROSOFT CORP	**15.06**	**15.21**
AMAZON.COM INC	**30.61**	**30.61**
META PLATFORMS INC-CLASS A	**34.08**	**33.69**
ALPHABET INC-CL A	**24.04**	**24.09**

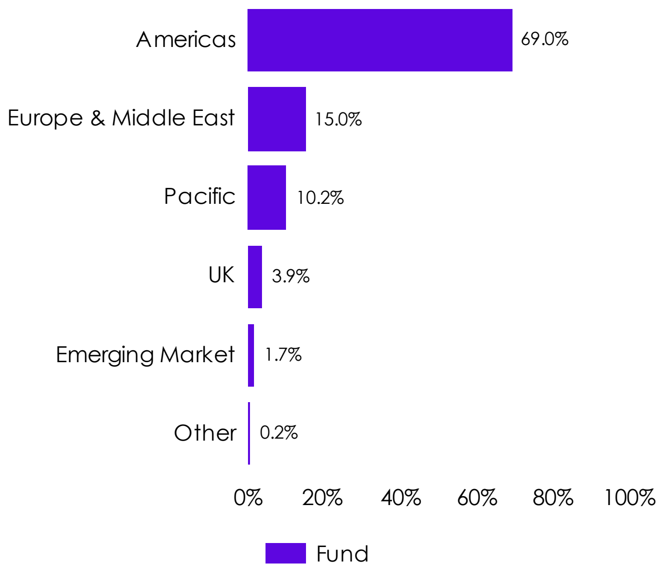
*Source: Sustainanalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

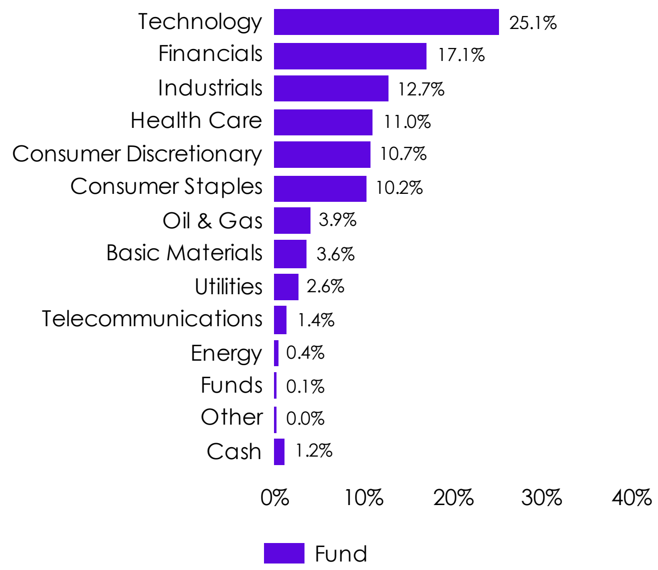
Portfolio	WACI 2023 Q3	WACI 2023 Q4	Total Extractive Exposure[1] 2023 Q3	Total Extractive Exposure[1] 2023 Q4	Extractive Industries (VOH)[2] 2023 Q3	Extractive Industries (VOH)[2] 2023 Q4
Passive Developed	**166**	**168**	3.18	4.06	9.47	8.48

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

Regional exposure



Sector exposure



Passive UK Equities

Launch date
11 July 2018

Investment strategy & key drivers
Passive UK equity exposure

Liquidity
High

Benchmark
FTSE All Share

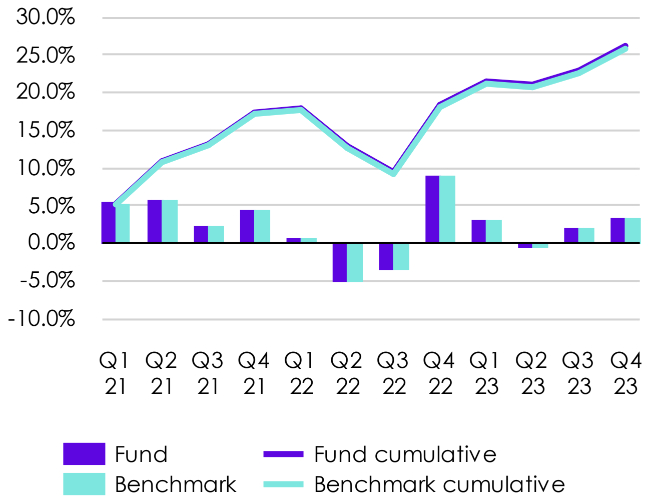
Outperformance target
Match

Total fund value
£131m

Risk profile
High

Dorset's Holding:
GBP131m

Rolling 3yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	3.2	8.0	8.7	3.7
Benchmark	3.2	7.9	8.6	3.7
Excess	-	0.1	0.1	0.1

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

Performance commentary

In the fourth quarter of 2023, Passive UK Equities returned 3.2% and 8.0% over the year.

The UK market underperformed the FTSE Developed Index, which returned 6.8% over the period. Globally, Growth stocks outperformed Value, resulting in strong performance from the US market, which has more Growth exposure than the UK - the UK has more exposure to Value.

The Industrial and Financial sectors made the largest contributions to return. Within Industrials, Rolls Royce was a strong performer, returning 35.7%, having benefitted from an increase in global flight volumes and an increase in defence spending. Experian also performed well, citing the increased cost of living as a reason behind an increase in demand for credit analysis.

Energy was the weakest-performing sector, as oil prices fell 21% in US dollars. The falling oil price was caused by a combination of high levels of US supply and fears that weakening economic activity would foster a decrease in demand.

Passive UK Equities

Top 5 holdings

	Weight %	Client value (GBP)*
SHELL PLC	**7.29**	**9,548,305**
ASTRAZENECA PLC	**6.70**	**8,773,162**
HSBC HOLDINGS PLC	**5.31**	**6,959,024**
UNILEVER PLC	**4.08**	**5,351,082**
BP PLC	**3.34**	**4,377,526**

*Estimated client value

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Largest contributors to ESG risk

	ESG risk score* Q3 2023	ESG risk score* Q4 2023
SHELL PLC	**33.68**	**33.68**
ASTRAZENECA PLC	**21.81**	**21.81**
HSBC HOLDINGS PLC	**25.47**	**24.98**
BP PLC	**35.10**	**35.97**
UNILEVER PLC	**24.57**	**23.57**

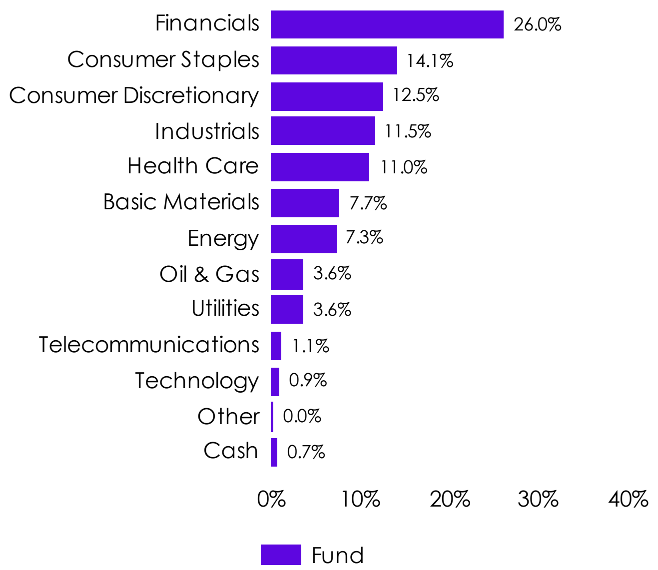
*Source: Sustainanalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

Portfolio	WACI		Total Extractive Exposure[1]		Extractive Industries (VOH)[2]	
	2023 Q3	2023 Q4	2023 Q3	2023 Q4	2023 Q3	2023 Q4
Passive UK Equities	**129**	**137**	5.07	7.41	19.93	18.84

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

Sector exposure

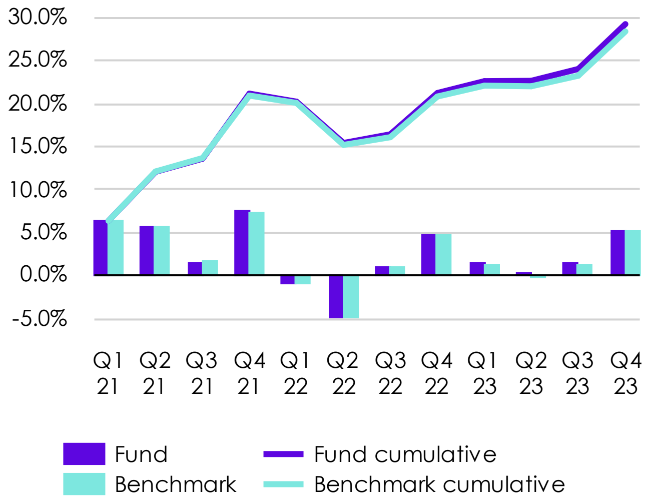


Passive Smart Beta

Launch date
18 July 2018
Investment strategy & key drivers
Passive equity exposure utilising alternative smart beta indices
Liquidity
Reasonable
Benchmark
SciBeta Multifactor Composite
Outperformance target
+0.5-1%
Total fund value
£161m
Risk profile
High

Dorset's Holding:
GBP161m

Rolling 3yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	5.2	8.2	9.9	8.3
Benchmark	5.1	7.7	9.4	8.0
Excess	0.1	0.5	0.5	0.3

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

Performance commentary

In the fourth quarter of 2023, Passive Smart Beta Equities returned 5.2%, underperforming the MSCI World Index, which returned 6.8%. The fund tracked the Scientific Beta Index, in line with expectations.

Over the quarter, the Low Volatility and Quality signals made positive contributions to returns, relative to the market cap index. However, this was more than offset by the larger exposure to Value, which underperformed the broader market.

Sector attribution showed a negative allocation effect from the underweight position to Technology, a sector which outperformed the broader market. There was also a negative allocation impact from the underweight allocation to Consumer Staples. However, there was a positive selection effect within the Consumer Staples sector.

The largest single stock contributors to return included Intel Corporation, reflecting a positive earnings report and the market's continuing support for the expansion of its chip foundry business. AllState Corporation also contributed positively, as the company swung to profit and beat analysts' Q3 earnings forecasts. Among the biggest detractors were Bristol-Myers Squibb, as investors were unconvinced that revenues from new products would replace declining revenues from existing products, as exclusivity falls away. Another major detractor was Exxon Mobil, which was exposed to falling oil prices.

Passive Smart Beta

Top 5 holdings

	Weight %	Client value (GBP)*
INTEL CORP	0.70	1,124,671
JOHNSON & JOHNSON	0.68	1,095,911
T-MOBILE US INC	0.65	1,040,219
BOSTON SCIENTIFIC CORP	0.64	1,031,981
3M CO	0.63	1,006,356

*Estimated client value

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Largest contributors to ESG risk

	ESG risk score* Q3 2023	ESG risk score* Q4 2023
3M CO	39.77	40.98
JOHNSON & JOHNSON	23.98	23.91
T-MOBILE US INC	24.63	24.63
DUKE ENERGY CORP	28.34	28.34
WALMART INC	25.26	25.26

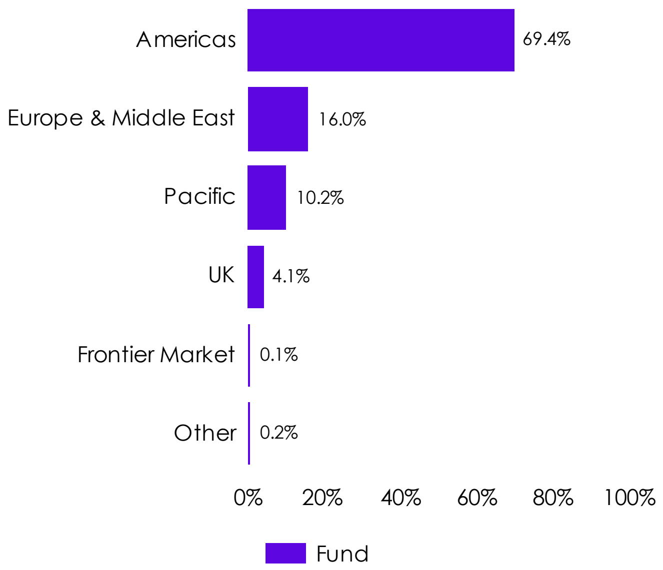
*Source: Sustainalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

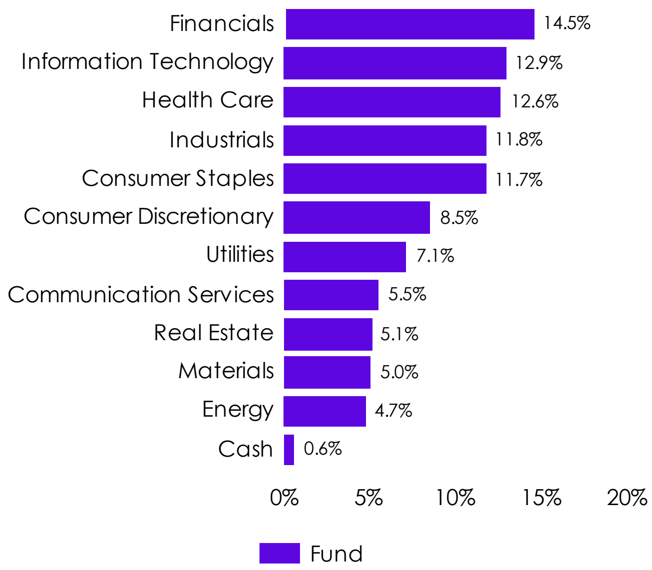
Portfolio	WACI		Total Extractive Exposure[1]		Extractive Industries (VOH)[2]	
	2023 Q3	2023 Q4	2023 Q3	2023 Q4	2023 Q3	2023 Q4
Passive Smart Beta	304	313	2.66	3.37	11.92	11.08

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

Regional exposure



Sector exposure



Passive Smart Beta (Hedged)

Launch date
25 July 2018

Investment strategy & key drivers
Passive equity exposure utilising alternative smart beta indices - hedged

Liquidity
Reasonable

Benchmark
SciBeta Multifactor Hedged Composite

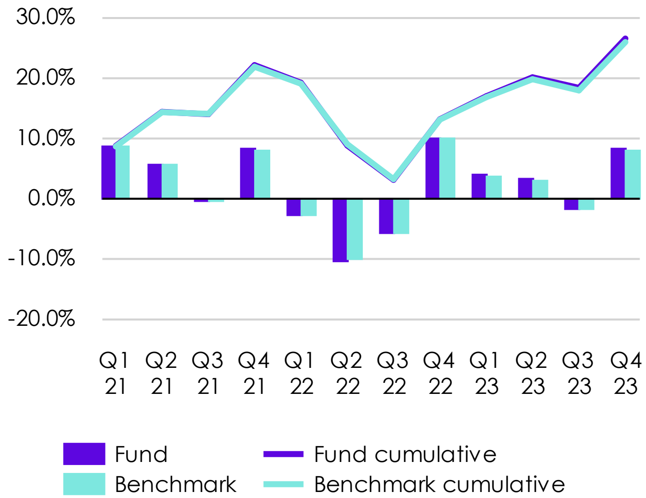
Outperformance target
+0.5-1%

Total fund value
£161m

Risk profile
High

Dorset's Holding:
GBP161m

Rolling 3yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	8.2	13.8	8.3	7.3
Benchmark	8.0	13.2	7.8	7.1
Excess	0.1	0.6	0.5	0.2

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

Performance commentary

In the fourth quarter of 2023, Passive Smart Beta Equities GBP Hedged returned 8.2%, outperforming the unhedged Smart Beta product, as the US dollar depreciated against sterling. The product tracked the Scientific Beta index in line with expectations, and underperformed the market cap-based Passive Developed Equities GBP Hedged product, which returned 9.7%.

Over the quarter, the Low Volatility and Quality signals made positive contributions to returns relative to the market cap index. However, this boost was more than offset by the larger exposure to Value, which underperformed the broader market.

Sector attribution showed a negative allocation effect from the underweight position to Technology, as the sector outperformed the broader market. There was also a negative allocation impact from the underweight allocation to Consumer Staples. However, there was a positive selection effect within the Consumer Staples sector.

The largest single stock contributors to return included Intel Corporation, reflecting a positive earnings report and the market's continuing support for the expansion of its chip foundry business. AllState Corporation also contributed positively, as the company swung to profit and beat analysts' Q3 earnings forecasts. The biggest detractors were Bristol-Myers Squibb, as investors were unconvinced that revenues from new products would replace declining revenues from existing products as exclusivity falls away. Exxon Mobil also exerted a significant impact, as the company was exposed to falling oil prices.

Passive Smart Beta (Hedged)

Top 5 holdings

	Weight %	Client value (GBP)*
INTEL CORP	**0.70**	**1,127,275**
JOHNSON & JOHNSON	**0.68**	**1,098,449**
T-MOBILE US INC	**0.65**	**1,042,627**
BOSTON SCIENTIFIC CORP	**0.64**	**1,034,370**
3M CO	**0.63**	**1,008,686**

*Estimated client value

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Largest contributors to ESG risk

	ESG risk score* Q3 2023	ESG risk score* Q4 2023
3M CO	**39.77**	**40.98**
JOHNSON & JOHNSON	**23.98**	**23.91**
T-MOBILE US INC	**24.63**	**24.63**
DUKE ENERGY CORP	**28.34**	**28.34**
WALMART INC	**25.26**	**25.26**

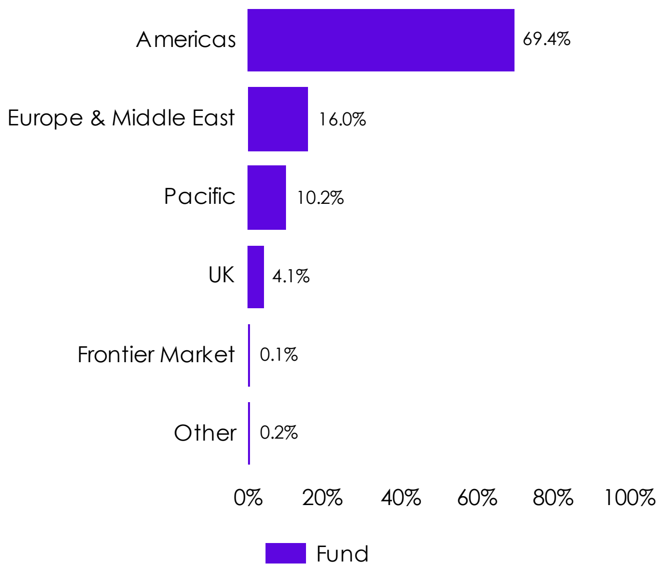
*Source: Sustainanalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

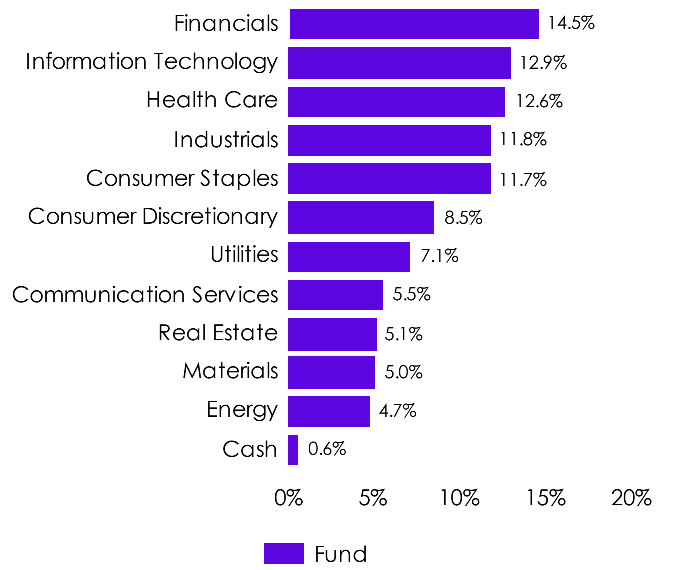
Portfolio	WACI		Total Extractive Exposure[1]		Extractive Industries (VOH)[2]	
	2023 Q3	2023 Q4	2023 Q3	2023 Q4	2023 Q3	2023 Q4
Passive Smart Beta	**304**	**313**	2.66	3.37	11.92	11.08

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

Regional exposure



Sector exposure



Private Equity Cycle 1

Investment objective
Global portfolio of private equity investments

Benchmark
MSCI ACWI

Outperformance target
+3%

Launch date
1 October 2018

Commitment to portfolio
£60.00m

The fund is denominated in GBP

Commitment to Investment
£60.66m

Amount Called
£45.00m

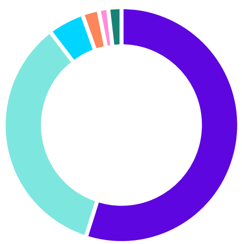
% called to date
74.18

Number of underlying funds
7

Dorset's Holding:
GBP54.81m

Country

Invested in underlying investments

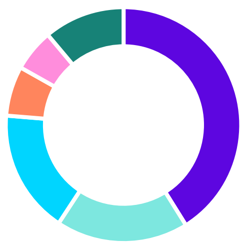


North America	54.9%
Western Europe	34.7%
Asia Pacific	5.0%
Global	2.3%
Middle-East/North Africa	1.3%
Other	1.8%

Source: Colmore
Country data is lagged by one quarter

Sector

GICs level 1



Financials	41.1%
Information Technology	18.2%
Health Care	17.0%
Industrials	6.8%
Telecommunication	5.8%
Other	11.1%

Source: Colmore
Sector data is lagged by one quarter

Performance commentary

Deal activity saw a quarter-on-quarter increase, implying that GPs are beginning to find the comfort required to transact in the current environment. By quarter-end, interest rate rises appeared to be slowing, creating increasing consensus around the future movement of interest rates. Despite a rising number of deals, deal dynamics remained unchanged. GPs continued to fund deals with larger amounts of equity due to maintained higher borrowing costs. Fundraising remained challenging. However, Q3 saw much stronger fundraising than previous quarters, albeit by a smaller cohort of managers. Fundraising uncertainty has inspired a flight to Quality, as a number of top managers raised record funds in what has been a difficult fundraising environment. Exits at the larger end of the market still remain a concern, as IPO markets are still largely shut. Inflationary pressure appears to be easing. However, wage inflation remains sticky in the US and UK, thus creating problems for companies that have a time lag associated with passing costs through to customers.

Portfolio deployment now stands at over ~70% of total commitments. Portfolio performance remains positive, and is slightly down versus the prior quarter. Performance was generally flat across funds in the portfolio.

Pipeline

The Cycle 1 portfolio is now fully committed, so no new investments are being considered.

Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter	TVPI	Contribution to return: 1 year	Contribution to return: since inception
54.8	-0.5%	14.9%	1,560,168	75,443	1,484,725	-1,828,510	1.34	-0.0%	0.0%

*Money weighted return. Net of all fees.

Private Equity Cycle 3

Investment objective
Global portfolio of private equity investments

Benchmark
MSCI ACWI

Outperformance target
+3%

Launch date
1 April 2022

Commitment to portfolio
£70.00m

The fund is denominated in GBP

Commitment to Investment
£70.00m

Amount Called
£2.23m

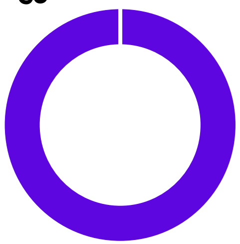
% called to date
3.18

Number of underlying funds
1

Dorset's Holding:
GBP1.51m

Country

Invested in underlying investments

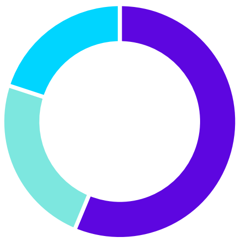


North America	100.0%
Other	-

Source: Colmore
Country data is lagged by one quarter

Sector

GICs level 1



Information Technology	56.3%
Health Care	23.7%
Consumer Discretionary	20.0%
Other	-

Source: Colmore
Sector data is lagged by one quarter

Performance commentary

Deal activity saw a quarter-on-quarter increase, implying that GPs were beginning to find the comfort required to transact in the current environment. By quarter-end, interest rate rises appeared to be slowing, creating increasing consensus around the future movement of interest rates. Despite a rising number of deals, deal dynamics remained unchanged. GPs are continuing to fund deals with larger amounts of equity due to maintained higher borrowing costs. Fundraising remains challenging. However, Q3 saw much stronger fundraising than previous quarters, albeit into a smaller number of managers. Fundraising uncertainty had inspired a flight to quality as a number of top managers raised record funds in what had been a difficult fund-raising environment. Exits at the larger end of the market still remain a concern as IPO markets are still largely shut. Inflationary pressure appears to be easing. However, wage inflation remains sticky in the US and UK, creating problems for companies that have a time lag associated with passing costs through to customers.

The existing Apax fund commitment was transferred into the Neuberger Berman ("NB") Clifton vehicle, out of which all Cycle 3 PE investments are exclusively being made. At quarter-end, commitments had been made to a total of 11 different funds, 8 of which were third-party primary funds in Europe, North America and Asia across predominantly buyout and, to a lesser extent, Growth. Commitments were also made to NB's own secondaries, impact and co-investment funds. Capital calls are being managed via a credit facility set-up by NB on Brunel's behalf. Returns for the portfolio are not yet meaningful given the portfolio is still being committed to manager funds.

Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter	TVPI	Contribution to return: 1 year	Contribution to return: since inception
1.5	-	-91.4%	2,250,168	854,932	1,395,236	-733,060	0.68	-0.0%	-0.0%

*Money weighted return. Net of all fees.

Private Equity Cycle 3

Pipeline

A second pan-Asian buyout fund, this time targeting mid-market opportunities (as opposed to upper-mid and large-cap), was approved by Brunel during Q4 2024, with a potential commitment (subject to final GP allocations) of £25m. This fund is complementary to the existing CVC Asia commitment and would complete the Cycle 3 primary allocation to Asia.

Infrastructure Cycle 3

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

Benchmark
n/a - absolute return target

Outperformance target
net 8% IRR

Launch date
1 April 2022

Commitment to portfolio
£80.00m

The Fund is denominated in GBP

Commitment to Investment
£80.00m

Amount Called
£19.04m

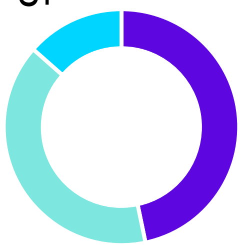
% called to date
23.80

Number of underlying funds
1

Dorset's Holding:
GBP18.20m

Country

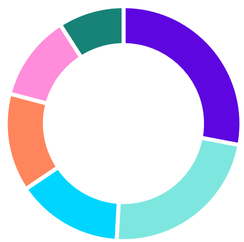
Commitment in underlying investments



Europe (incl. UK)	46.7%
North America	39.8%
Rest Of World	13.5%

Source: Stepstone
Country data is lagged by one quarter

Sector



Timber	27.9%
Utilities	23.0%
Wind	14.6%
Diversified Renewables	13.5%
Agriculture	11.9%
Other	9.1%

Source: Stepstone
Sector data is lagged by one quarter

Performance commentary

Against an unusual and challenging macroeconomic backdrop experienced through 2023, Infrastructure largely proved its resilience to inflationary pressures and higher interest rates. Across the US and Europe, by year-end, many believed we had reached the top of the interest rate cycle, although inflation was not yet at the level targeted by central banks - so could yet persist for longer. A scenario of stable, and potentially lowering interest rates, coupled with higher inflation, is a good outcome for infrastructure assets with inflation correlation and capacity for cost pass-through. As reported in prior quarters, Brunel's portfolio is well-positioned, with high quality assets, to remain resilient in this environment.

As a result of Infrastructure's characteristics, many LPs continued to allocate to the asset class, and some were expecting to increase their allocations. According to a Campbell Lutyens' report, which is based on a survey of roughly 130 LPs, 57% said they plan to increase their infrastructure allocation. Following a poor start to 2023, Infrastructure fundraising picked up in H2 2023 and Preqin forecast this trend to continue into 2024, predicting that fundraising would almost double in 2024 to $84bn.

Deal activity overall in 2023 remained low versus previous years, but this is not siloed to Infrastructure. Dynamics on the sell side have shifted, and there are fewer buyers in the market who can be selective; many have instead been focused on investing in growing platforms. Debt has indeed increased in cost, but lenders' flight to quality has meant the asset class is relatively well-protected and that debt is still available to investors.

Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter	TVPI	Contribution to return: 1 year	Contribution to return: since inception
18.2	-5.9%	-6.4%	6,986,491	18,756	6,967,735	-116,526	0.96	-0.0%	-0.0%

*Money weighted return. Net of all fees.

Infrastructure Cycle 3

As at the end of Q4, Cycle 3 is ~45% committed and ~26% invested. Blackstone Energy Transition Partners IV was closed; the global primary fund was focused on primary or secondary beneficiaries of energy transition megatrends. Additional investments include Project Indigo, a European GP-led secondary opportunity with DWS, and Project Mars, a co-investment opportunity alongside Dutch Infrastructure Partners in a telecommunications company focused on enterprise and residential fibre in Midwest US.

Pipeline:

During Q4, two further primary funds were approved by Brunel and are subject to further StepStone due diligence before anticipated closings in Q4 2023 and Q1 2024, respectively: a £29m commitment to a European agriculture-focused primary fund and a £30m commitment to a global diversified primary fund, focusing on renewables, concessions, and utilities. The agriculture fund has already been presented at Client ISG.

£90m remains to be committed to three more funds. A Europe/OECD-focussed energy transition fund has been identified and StepStone continues to progress work on an Infrastructure Secondary fund. This leaves one further general infra fund to be found to complete the fund selection work for Cycle 3.

There are six more tactical investment placeholders in the portfolio construction plan. Opportunities to fill these have yet to be identified.

Secured Income Cycle 1

Investment objective
Portfolio of long-dated income streams, a majority of which are UK inflation-linked
Benchmark
CPI
Outperformance target
+2%
Launch date
1 October 2018
Commitment to portfolio
£60.00m
The fund is denominated in GBP

Commitment to Investment
£60.00m
Amount Called
£59.96m
% called to date
99.93
Number of underlying funds
3
Dorset's Holding:
GBP53.59m

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Performance commentary

The two long lease property funds held in the portfolio were impacted by rising interest rates, resulting in significant valuation write-downs. Despite hopes that the UK had reached the top of the interest rate cycle, further volatility was expected as the market finds new pricing levels. Alongside traditional real estate funds, open-ended long lease property funds also suffered redemptions from investors hit by the liquidity shock in late 2022, with further redemptions received from de-risking investors. Deferring payments, both funds have made selective asset sales to fund these redemptions, with M&G Secured Property Income Fund (SPIF) making tremendous progress and faster payments than Standard Life Long Lease Property (LLP), where we expect to see more sales over 2024.

Despite the outflows, both funds showed strong fundamentals at quarter-end. Rent collection is at pre-pandemic levels, both have WAULTs longer than 25 years, record high distribution yields and low vacancy. M&G SPIF has no vacancy, while Standard Life LLP has been working hard to reduce its one void in the portfolio, leasing up the majority of the remaining floorspace over Q4.

The portfolio is fully drawn into Greencoat Renewable Income (GRI). Over the quarter, the Fund deployed further capital into Solar. The Fund has been working on a large transaction which is expected to complete in Q1 2024 and will call further capital.

Pipeline

There is no fund pipeline, with the portfolio fully committed and invested.

Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter	TVPI	Contribution to return: 1 year	Contribution to return: since inception
53.6	-4.1%	-0.9%	230,413	609,421	-379,009	-181,707	0.97	-0.1%	-0.0%

*Money weighted return. Net of all fees.

Secured Income Cycle 3

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

Benchmark
CPI

Outperformance target
+2%

Launch date
1 April 2022

Commitment to portfolio
£30.00m

The fund is denominated in GBP

Commitment to Investment
£29.68m

Amount Called
£19.77m

% called to date
66.63

Number of underlying funds
3

Dorset's Holding:
GBP20.54m

Performance commentary

The two long lease property funds held in the portfolio were impacted by rising interest rates, resulting in significant valuation write-downs. Despite the hopes that the UK had reached the top of the interest rate cycle, further volatility was expected, as the market finds new pricing levels. Alongside traditional real estate funds, open-ended long lease property funds also suffered redemptions from investors hit by the liquidity shock in late 2022, with further redemptions received from de-risking investors. Deferring payments, both funds made selective asset sales to fund these redemptions, with M&G Secured Property Income Fund (SPIF) making tremendous progress, and faster payments than Standard Life Long Lease Property (LLP), where we expect to see more sales over 2024.

Despite the outflows, both funds showed strong fundamentals. Rent collection is at pre-pandemic levels, both have WAULTs longer than 25 years, record high distribution yields and low vacancy. M&G SPIF has no vacancy, while Standard Life LLP has been working hard to reduce their one void in the portfolio, leasing up the majority of the remaining floorspace over Q4.

The final commitments were made for Cycle 3 over Q4, with a c. £10m purchase of Standard Life LLP settling in November; a £9m purchase of SPIF settling in December; and the final £3.5m purchase of SPIF settling in the first week of January 2024. These were all purchased at discounts to NAV in the secondary funds market.

The portfolio is committed to Greencoat Renewable Income (GRI). Over the quarter, the Fund deployed further capital into Solar. The Fund has been working on a large transaction which is expected to complete in Q1 2024, with the aim of calling the portfolio's remaining uncalled commitment in January.

Pipeline

There is no fund pipeline, with the portfolio fully committed.

Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter	TVPI	Contribution to return: 1 year	Contribution to return: since inception
20.5	-	-	4,247,806	102,075	4,145,731	-226,191	1.04	0.0%	0.0%

*Money weighted return. Net of all fees.

Glossary

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

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

Glossary

Term	Comment
Momentum	An investment strategy that aims to capitalize on the continuance of existing trends in the market
Money-weighted return	A performance measure that takes into account the timing and size of cash flows, including contributions and withdrawals.
MWR	Money weighted return - similar to an IRR - it reflects the actual investment return taking into account cashflows
NAV	Net asset value
net performance	Performance after deduction of all fees
PAB	Paris-Aligned Benchmark - targets a 50% lower carbon exposure from 2020 and then a 7% annual reduction
Quality	Quality stocks typically have a high Return on Equity, a very consistent profit outcome and exhibit higher and stable margins
relative risk	Relative volatility when compared with a benchmark
sector/stock selection	Performance driven by the selection of individual investments within a country or sector
since inception	Period since the portfolio was formed
since initial investment	Period since the client made its first investment in the fund
SONIA	Sterling Overnight Index Average - Overnight interbank interest rate - replacement for LIBOR
source of performance data	Source of performance data is provided net of fees by State Street Global Services unless otherwise indicated

Term	Comment
standard deviation	Standard deviation is a measure of volatility for an investment using historical data. Volatility is used as a measure of investment risk. A higher number may indicate a more volatile (or riskier) investment but should be taken in context with other measures of risk
time-weighted return	A performance measure that eliminates the impact of cash flows, focussing solely on the investment's rate of return over a specific time period. It does not account for the timing and size of contributions and withdrawals.
total extractive exposure	Revenue derived from extractive operations as a % of total corporate revenue
total return (TR)	Total Return - including price change and accumulated dividends
tracking error	A measure of relative volatility around a benchmark. A fund which differs greatly from the benchmark is likely to have a high tracking error
transitioned assets	Client assets that have been transferred to the Brunel Pension Partnership
TVPI	Total Value to Paid In; ratio of the current value of remaining investments within a fund, plus the total value of all distributions to date, relative to the total amount of capital paid in
Value	Value stocks typically have a low valuation when measured on a Price to Book or Price to earnings ratio
WACI	Weighted Average Carbon Intensity; measures the carbon intensity of businesses rather than total carbon emissions. It is expressed as tonnes of CO2 equivalent per million GBP of investment exposure
yield to worst	Lowest possible yield on a bond portfolio assuming no defaults

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Environment Agency Pension Fund
Buckinghamshire Council
Buckinghamshire Pension Fund
Brunel Pension Partnership
Somerset Council
Oxfordshire Pension Fund
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Avon Pension Fund
Wiltshire Pension Fund
Cornwall Pension Fund
Devon County Council

CBRE Investment Management


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Q4 Report

Dorset County Pension Fund

2023

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 7.4% of DCPF's total assets[1], which currently represents approximately £260m. The strategy has been 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. Since Q2 2023, this strategy has been under review.

OVERVIEW

£253.9m	31
Capital value (Combined DCPF portfolio)	Assets

	Conventional	
Mandate	Commenced 1993	Mandate
Performance objective	MSCI Quarterly Universe over five years	Performance objective
Capital Value (Q3 2023)	£210.0m (83%)	Capital Value (Q3 2023)
Number of assets	21	Number of assets
Target portfolio size	£180m	Target portfolio size
Value of purchases during quarter	-	Value of purchases during quarter
Value of sales during quarter	£0.2m	Value of sales during quarter
Net initial yield (p.a.)	4.5%	Net initial yield (p.a.)
Average unexpired lease term (to break)	10.7 years (8.8 years)	Average unexpired lease term (to break)

Combined Valuation[2]	
Direct Property (Q4 2023 values)	Direct Property (Q4 2023 values)
Indirect Assets (Q4 2023 values)[3]	Indirect Assets (Q4 2023 values)
TOTAL PORTFOLIO VALUATION	**TOTAL PORTFOLIO VALUATION**

CONVENTIONAL PORTFOLIO PERFORMANCE

	Q4 2023	12 months (%)	3 years (%) p.a.	5 years (%) p.a.	7 years (%) p.a.
Capital return	-1.7	-0.5	-0.9	-2.2	-0.5
Income return	1.5	4.1	3.4	3.7	3.9
Total return	-0.2	3.7	2.5	1.4	3.5
MSCI Quarterly Property Index	-1.1	-1.5	1.5	0.8	2.9
Relative	0.9	5.2	0.9	0.6	0.6

[1] Based on Dorset County Pension Fund's total asset value as at the end of March 2023 (£3.5bn).
[2] See Appendix 2 for full property list and performance over the quarter by asset.
[3] See Appendix 1 for more information on the indirect holdings.

SLI PORTFOLIO PERFORMANCE

	Q4 2023	12 months (%)	3 years (%) p.a.	5 years (%) p.a.	7 years (%) p.a.
Capital return	-0.2	-3.6	-3.4	-1.7	-1.0
Income return	1.2	5.0	4.5	4.4	4.2
Total return	1.0	1.3	0.9	2.6	3.1
Target (LPI + 2.0% p.a.)	0.7	7.0[4]	7.0[4]	5.7	5.6
Relative	0.3	-5.7	-6.1	-3.1	-2.5

[4] Assumes the 5.0% LPI cap is applied.

Economic and property update

- The latest monthly GDP growth figure showed an increase of 0.3% in November, following a 0.3% fall in October. The main take away from the latest release is that the monthly series is very noisy and should be handled with care. The bigger picture is that the economy has flatlined since early-2022 but 2024 should be the year that breaks that pattern, with a sharp fall in inflation set to boost household spending power and generate a steady pickup in momentum.
- Inflation rose to 4.0% y/y in December, an increase from 3.9% y/y in November. This was the first increase for 10 months, in line with both the Eurozone and the US. This could cause increased uncertainty on the timing of interest rate cuts but given the trend of steadily falling inflation, we believe the MPC will eventually rein back its “higher for longer” rhetoric.
- UK capital values decreased by 0.9% in December according to the latest MSCI monthly index. It was the eighth consecutive monthly decline, with the last positive growth recorded in April 2023. Capital values in the three months to December decreased by -2.6% driven by Office and Retail which recorded capital value falls of -3.5% and -5.5%, respectively, in the three months to December 2023. Industrial values fell by -0.4% on the month and -0.7% on the quarter.
- Total returns are expected to average 7.9% per annum over our five-year forecast period, marginally down from 8.0% per annum in the previous round. Returns accelerate starting in Q2 2024. We believe that superior capital growth will lead to the logistics and residential sectors outperforming, alongside the healthcare and leisure sectors, which are mainly boosted by the strong income growth.

Conventional portfolio

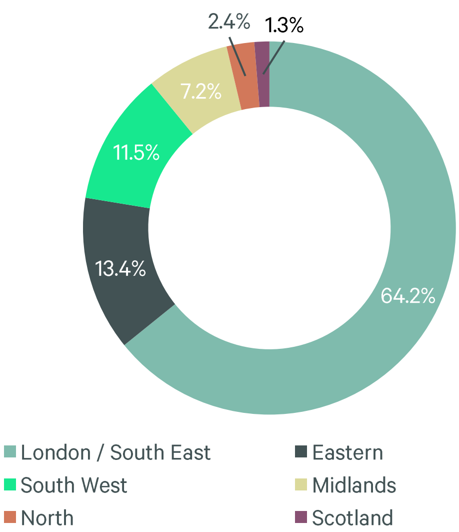
Portfolio information

KEY STATISTICS

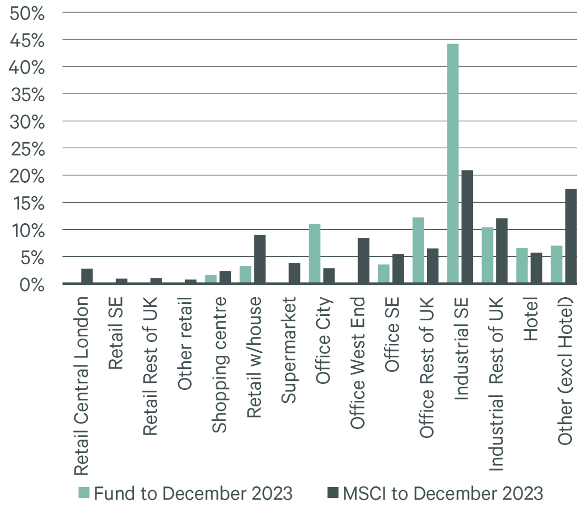
£192.6m Direct market value	**£17.4m** Indirect market value	**£210.0m** Total Conventional portfolio market value
21 (£10.7m) No. of assets (direct avg. value)	**71 (£2.7m)** No. of lettable units (direct avg. value)	**7.1% (8.3%)** Vacancy rate (MSCI Quarterly Universe)
10.7 yrs (8.8 yrs) Avg. unexpired direct lease term (to break)	**4.5%** Direct net initial yield (p.a.)	**8.7%** % of income direct RPI / index linked
19.8% Rent with +10 years remaining (% of direct rent)	**9.2%** Rent with +15 years remaining (% of direct rent)	

GEOGRAPHICAL AND SECTOR EXPOSURE

Geographical breakdown



Sector breakdown



Secure long income portfolio (SLI)

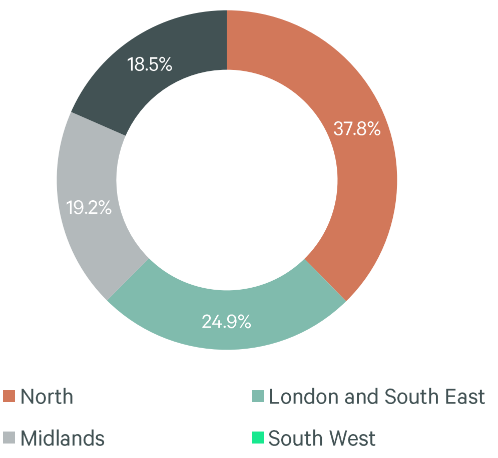
Portfolio information

KEY STATISTICS

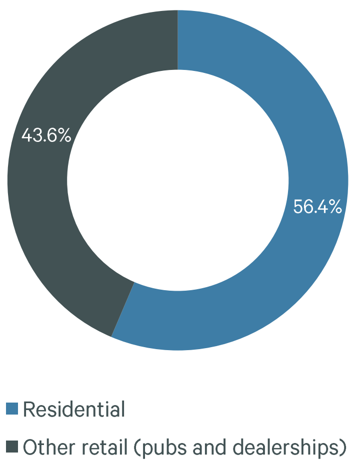
£43.9m Direct market value	**£0.0m** Indirect market value	**£43.9m** Total SLI portfolio market value
10 (£4.4m) No. of assets (avg. value)	**14 (£3.1m)** No. of lettable units (avg. value)[5]	**0%** Vacancy rate (% ERV)
59.1 yrs (17.4 yrs) Avg. unexpired lease term (to break)	**4.8%** Net initial yield (p.a.)	**79.9%** % of income index linked
46.0% Rent with >15 years remaining (% of contracted rent)		

GEOGRAPHICAL AND SECTOR EXPOSURE

Geographical breakdown (% of total value)



Sector breakdown (% of total value)



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

Environmental, social, governance

DCPF's ESG performance

Sustainability is fundamental to CBRE Investment Management's (the "Firm") value proposition where we seek to deliver sustainable investment solutions across real asset investing so that our clients, people and communities thrive.

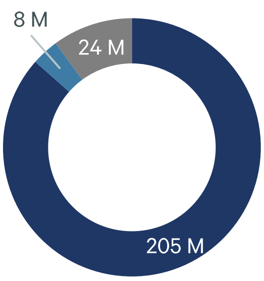
Key actions completed in Q4 2023

Action	Outcome	Climate	People	Influence
BREEAM In Use Assessments	The portfolio successfully completed two BREEAM In Use assessments in 2023, which will be eligible for inclusion in the GRESB 2024 submission.	x	x	
GRESB 2024 Improvement Plan	The portfolio has developed an Improvement Plan for GRESB 2024 following detailed analysis of the 2023 results, which includes specific recommendations for enhanced score improvements.	x	x	
EPC	The portfolio has ordered two MEES Asset Builder assessments.	x		

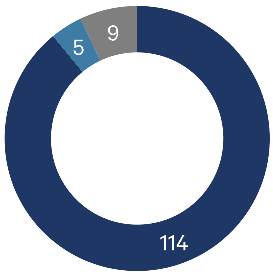
COMPLIANCE

A key part of the ESG strategy is the Energy Performance Risk Mitigation Program, where we seek to improve the sustainability performance of assets through improving the Energy Performance Certificate ratings. We have updated our approach to EPC risk to remove the distinction between "Short-Term" and "Long-Term" High Risk as the 1st April 2023 compliance date for "F" and "G" ratings on existing leases has passed. Units are included in the "High Risk" category if the "F" or "G" rating is draft, expired or lodged. The status of the EPC is explained in the EPC appendix at the end of this ESG update. We expect to further update the definitions to respond to the expected EPC B by 2030 MEES requirements in England & Wales in the coming quarters.

EPC risk by value (m)



EPC risk by unit



MEES Risk Rating	Key	Criteria
High		F or G rated valid EPC
Medium		E rated valid EPC
Low		A+ to D rated valid EP
Exempt		MEES regulation exem
Unknown		Inaccurate or missing I

Action	Medium risk	High risk
High quality or modelled EPC	3	0
Action at lease end	2	0
Refurbishment	0	0
Planned redevelopment or considering sale	0	0
Review tenant fit out	0	0

Green leases

Green leases support us in protecting the portfolio from future environmental risks, reflecting market practice and improving the sustainability credentials of the portfolios. We group our green lease clauses into three categories:

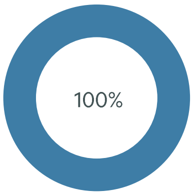
EPC compliance: clauses which support our compliance pillar, particularly regarding EPCs.

Data sharing: clauses which support the sharing of ESG data for reporting and facilitate performance improvement.

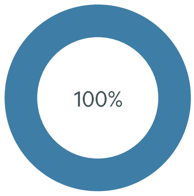
Collaboration: clauses in which we agree with the tenant to collaborate to improve a building's ESG performance.

% of leases completed since January 2019 incorporating green lease clauses

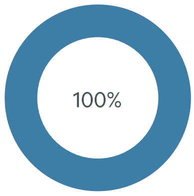
EPC Compliance



Data sharing

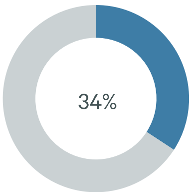


Collaboration

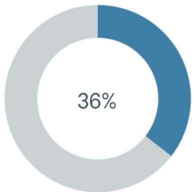


% of all portfolio leases which incorporate green lease clauses

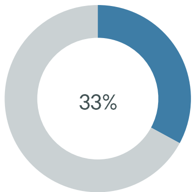
EPC Compliance



Data sharing



Collaboration



■ Green leases clause present in lease

Green lease tracking	
% of portfolio with a green lease tracker (excluding vacant units)	99%
Trackers received since Q1 2019	24
New trackers received in Q4 2023	7

TRANSPARENCY

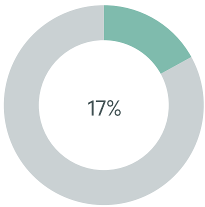
Building certification strategy

CBRE Investment Management aim to acquire or forward fund buildings with certifications. Green Building Certifications are important for the Fund's GRESB Performance in the short term and achievement of its ESG Vision in the long term. Specifically, Green Building Certifications account for 10.5% of the GRESB Standing Investment score and by instructing new or renewing certifications, the portfolio aims to outperform the peer group in this category.

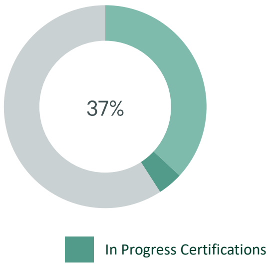
Property	Certification type	Rating	Status
Woolborough Lane Industrial Estate, Crawley - (Unit A)	BREEAM Refurbishment	Very Good	Submitted – awaiting final certificate from BRE

% Portfolio with a Building Certification (By Value)

2022 performance



2023 performance



STAR STANDARDS

The Star Standards is a bespoke rating system that has been developed by CBRE ESG Consultancy to drive and track sustainable improvements delivered during refurbishment works. All refurbishments undertaking the Star Standard will seek to improve their operational performance, portfolio level targets and GRESB reporting potential. Refurbishments will be assessed against the Star Standards and awarded a rating once all the sustainability improvements have been evidenced. Embedding the Star Standards into refurbishment projects will improve their operational performance, portfolio level targets and GRESB reporting potential. The Star Standards methodology and guidance is currently being updated within the house team to ensure relevance with current best practice and potential incoming regulations changes.

Refurbs completed to Star Standards

		2021	2022	2023
★★★	Beyond best practice	0	2	0
★★	Best practice	0	0	0
★	Good practice	0	0	1
	Star Standards Lite – Small Projects	0	0	0

Asset	Unit	Targeted Star Standard	Estimated completion date	Project Notes
N/A - No Star Standards Undertaken				

CARBON

2023 calendar year data collection via CRM data requests and enhanced PropTech enabled data collection methods is in progress. Landlord energy data is being reviewed and inputted into the funds data management system (Measurabl). This data will be assured and submitted as part of the annual GRESB submission in June 2024 as per normal practice.

The 2023 utility data uploaded to the Measurabl platform will undergo a comprehensive audit to ensure data quality. Each assigned utility meter will be error-free, and all outliers investigated and addressed. Issues, if any, will be promptly raised with the utility provider and data platform manager. The resolution of each issue will be documented for full transparency. Furthermore, the audit of the Measurabl platform will include the portfolio's Projects, Audits, Ratings and Certifications (PARC) data, as well as valuations data and property-type assignment. The data will continue to be subjected to checks throughout the coming quarters ahead of the portfolio's GRESB 2024 submission.

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Each fund/investment was presented for illustrative purposes only and should not be considered a recommendation or investment advice. Each fund/investment was selected based on attributes which can illustrate our investment process. It should not be assumed that an investment in these funds was or will be profitable. The returns presented herein include all returns generated by reinvested capital and profit.

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Where funds are invested in property, investors may not be able to realise their investment when they want. Whilst property valuation is conducted by an independent expert, any such opinion is a matter of the valuer's opinion. Property is a specialist sector which may be less liquid and produce more volatile performance than an investment in broader investment sectors. CBRE Investment Management Limited and CBRE Investment Management (UK) Limited are regulated by the Royal Institution of Chartered Surveyors (RICS). CBRE Investment Management (UK Funds) Limited is authorised and regulated by the Financial Conduct Authority (FCA). The indirect property portion of this portfolio is managed by CBRE Investment Management Indirect Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom. In accordance with the restrictions on the promotion of non-mainstream pooled investments, the communication of this document in the United Kingdom is only made to persons defined as professional client or eligible counterparties, as permitted by COBS 4.12.5R (Exemption 7) and the Collective Investment Scheme (Exemptions) Order 2001.

Pension Fund Committee
26 March 2024
Pension Fund Treasury Management Strategy 2024-25

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

This report revises the previously approved Treasury Management Strategy for 2023-24, approved by the Pension Fund Committee in March 2023.

Although the pension fund has no strategic allocation to cash, cashflows need to be managed to ensure there is sufficient liquidity to meet liabilities as they fall due and to invest any surplus balances appropriately. The Treasury Management Strategy (TMS) provides the framework within which officers must manage these cashflows and 'treasury' investments.

The TMS for the pension fund broadly follows the TMS of Dorset Council, the administering authority for the pension fund, where applicable. In relation to counterparty risks and limits, this strategy continues to be consistent with that of the administering authority.

Recommendation:

That the Committee approve the Treasury Management Strategy for 2024-25.

Reason for Recommendation:

To ensure that officers manage the pension fund's cashflows to ensure that liabilities are met when they fall due and that any surplus cash balances are invested appropriately within agreed parameters.

1. Background

1.1 The pension fund has no strategic allocation to cash, but it does have a number of cashflows in and out of the fund, including member and employer contributions, pensions and other benefits, property rental income, and investments and disinvestments. For example, in 2022-23 total contributions paid into the pension fund from scheme employers and scheme members were approximately £140m, and total benefits of approximately £140m were paid out.

1.2 The role of treasury management is to ensure that these cashflows are adequately planned so that there is sufficient liquidity to meet liabilities as they fall due, with any surplus monies invested in low-risk counterparties, providing adequate liquidity before considering optimising returns.

1.3 The Treasury Management Strategy (TMS) provides the framework within which officers must manage these cashflows and investments, and follows broadly the strategy of Dorset Council, the administering authority for the pension fund, where applicable.

1.4 The strategy set limits on the amount and length of time that cash can be invested with specific counterparties, to a maximum of two years. This is to reflect the fact that there is not a strategic allocation to cash and investing cash sums for more than this period would be contrary to the pension fund's investment strategy.

1.5 In relation to counterparty risks and limits, this strategy continues to be consistent with that of the administering authority and revises the previously approved Treasury Management Strategy for 2023-24, approved by the Pension Fund Committee in March 2023.

2. Treasury Management Advisers

2.1 The administering authority employs professionally qualified and experienced staff with responsibility for making treasury management decisions. Officers are supported by specialist external advisers. Dorset Council currently employs Arlingclose Limited as its treasury management advisers.

2.2 This approach ensures that the administering authority has access to a wide pool of relevant market intelligence, knowledge and skills, that would be very difficult and costly to replicate internally. However, whilst advisers provide support to the internal treasury function, final decisions on treasury matters always remain with the administering authority.

3. Treasury Investments and Borrowing

3.1 Cash balances are invested on a daily basis using call accounts, pooled money market funds and by making deposits with the pension fund's bank, NatWest. Longer term investments can also be made for up to two years but in practice it is very unlikely that treasury investments will be made for longer than six months.

3.2 Treasury management decisions must take into consideration external factors, particularly the wider economic backdrop and the outlook for financial markets and interest rates.

3.3 The pension fund's cash balances can be invested with any of the counterparty types in the table below, subject to the cash limits (per counterparty) and the time limits shown.

Sector	**Time limit**	**Counterparty limit**	**Sector limit**
The UK Government	2 years	Unlimited	n/a
Local authorities & other government entities	2 years	£30m	Unlimited
Secured investments *	2 years	£30m	Unlimited
Banks (unsecured) *	12 months	£15m	Unlimited
Building societies (unsecured) *	12 months	£15m	£30m
Registered providers (unsecured) *	2 years	£15m	£30m
Money market funds *	n/a	£30m	Unlimited

3.4 This table should be read in conjunction with the following notes:

3.5 ***Minimum Credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account. For entities without published credit ratings, investments may be made either where external advice indicates the entity to be of similar credit quality.

3.6 **Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities (including the administering authority) and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to two years.

3.7 **Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

3.8 **Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

3.9 **Registered providers (unsecured):** Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

3.10 **Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, officers will take care to diversify the pension fund's liquid investments over a variety of providers to ensure access to cash at all times.

3.11 **Operational bank accounts:** The pension fund may incur operational exposures, for example though current accounts, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £15m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the pension fund maintaining operational continuity.

3.12 **Risk assessment and credit ratings:** Credit ratings are obtained and monitored by the treasury management advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

3.13 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

3.14 **Other information on the security of investments:** Credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the treasury management advisers. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

3.15 **Market conditions**: When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the pension fund will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its treasury investments to maintain the required level of security.

3.16 The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the pension fund's cash balances, then the surplus will be deposited with the UK Government or with other local authorities. This may investment returns to fall but will protect the principal sum invested.

3.17 **Liquidity management:** Officers monitor the pension fund's cash flow forecasting on a daily basis to determine the maximum period for which funds may prudently be committed. The pension fund's liquid cash will be spread over at least three providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

3.18 Officers will aim for a minimum of £20m to be readily available in same day access bank accounts and/or money market funds. This is to minimise the risk of needing to borrow funds or sell assets at short notice to meet the pension fund's liabilities and commitments. Any borrowing must be short term (less than 12 months) and for cashflow purposes only.

4. 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 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.

5. Natural Environment, Climate & Ecology Implications

None.

6. Well-being and Health Implications

None.

7. Other Implications

None.

8. Risk Assessment

The risks associated with the pension fund's cash and treasury investments are assessed in detail and considered as part of the treasury management strategy.

9. Equalities Impact Assessment

There are no equalities implications arising from this report.

10. Appendices

None.

11. Background Papers

Budget Strategy MTPF Appendix 4 Treasury Mangement.pdf (dorsetcouncil.gov.uk)

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 13

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