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Pension Fund Committee

Date: Tuesday, 24 June 2025
Time: 1.30 pm
Venue: Council Chamber, County Hall, Dorchester, DT1 1XJ

Membership: (Quorum 3)
Andy Canning (Chair), Andy Todd (Vice-Chair), David Brown, Patrick Canavan, Will Chakawhata, Adrian Felgate, Steve Murcer, Felicity Rice and Andy Skeats

Interim Chief Executive: Sam Crowe, 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. If you would like to attend this meeting and have any specific requirements please contact the Democratic Services Officer named above.

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Agenda

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1. APOLOGIES

To receive any apologies for absence.

2. MINUTES 5 - 8

To confirm the minutes of the meeting held on 18 March 2025.

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 Thursday 19 June 2025.

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 08:00 Thursday 19 June 2025.

Dorset Council Constitution – Procedure Rule 13

6.	**PUBLIC PARTICIPATION - DEPUTATION** To receive a deputation – to be presented by deputation lead Mr Ferguson.	
7.	**DEPUTATION FROM THE DORSET PALESTINE SOLIDARITY CAMPAIGN** To consider the Committee's response to the deputation received by full Council from the Dorset Palestine Solidarity Campaign.	9 - 34
8.	**DRAFT PENSION FUND ACCOUNTS AND INDEPENDENT AUDITOR'S PLAN 2024/25** To consider the draft pension fund accounts and the independent auditor's audit plan for 2024/25.	35 - 94
9.	**PENSIONS ADMINISTRATION** To consider the quarterly report on pension fund administration.	95 - 104
10.	**PENSION FUND INVESTMENTS** To consider the quarterly report on the value and performance of the pension fund's investments.	105 - 200
11.	**DATES OF FUTURE MEETINGS** To confirm the dates for the meetings of the Committee in 2025/26: 1.30 pm Tuesday 9 September 2025 1.30 pm Tuesday 2 December 2025 1.30 pm Tuesday 17 March 2026 All meetings to be preceded by training for committee members 10am to 12.45pm.	
12.	**URGENT ITEMS** To consider any items of business which the Chairman has had prior notification and considers to be urgent pursuant to section 100B (4) b) of the Local Government Act 1972. The reason for the urgency shall be recorded in the minutes.	

13. 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.

14. LOCAL GOVERNMENT PENSION SCHEME (LGPS) INVESTMENT POOLING UPDATE

Para 3

To consider progress made to date in responding to government plans for the future of LGPS investment pooling.

15. INVESTMENT MANAGEMENT ARRANGEMENTS 201 - 204

Para 3

To consider any potential changes to investment management arrangements and to note progress in implementing any previously agreed changes.

16. INDEPENDENT INVESTMENT ADVICE 205 - 208

Para 3

To consider the contract for the provision of independent pension fund investment advice.

PENSION FUND COMMITTEE

MINUTES OF MEETING HELD ON TUESDAY 18 MARCH 2025

Present: Cllr Andy Canning (Chair), Cllr Andy Todd (Vice-Chair), Cllr David Brown, Cllr Will Chakawhata, Adrian Felgate, Cllr Felicity Rice and Cllr Andy Skeats

Present remotely: Cllr John Beesley

Also present: Steve Tyson (Independent Investment Adviser, Apex Group), Laura Chappell (Chief Executive Officer, Brunel Pension Partnership) and Tim Dixon (Head of Client Relationship, Brunel Pension Partnership)

Officers present (for all or part of the meeting):
Sean Cremer (Corporate Director for Finance and Commercial), Karen Gibson (Service Manager for Pensions) and David Wilkes (Service Manager for Treasury and Investments)

307. **Apologies**

No apologies for absence were received.

308. **Minutes**

The minutes of the meeting held on 26 November 2024 were confirmed and signed.

309. **Declarations of Interest**

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

310. **Public Participation**

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

311. **Questions From Councillors**

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

312. **Urgent items**

No urgent items were raised at the meeting.

313. **INDEPENDENT AUDITOR'S STATEMENTS AND REPORT 2023/24**

Jackson Murray, Audit Partner at Grant Thornton, explained that a disclaimed audit opinion had been issued for the 2023/24 financial statements. Due to local audit backstop arrangements, the auditors were unable to obtain sufficient appropriate audit evidence over the corresponding figures and opening balances reported in the financial statements.

The findings report highlighted that no material misstatements were identified. Significant risks and control recommendations were discussed.

314. **LGPS INVESTMENT POOLING UPDATE**

Laura Chappell, Chief Executive Officer (CEO) at Brunel Pension Partnership (Brunel), acknowledged the persistent underperformance of the various portfolios and highlighted that Sally Bridgeland, Brunel's recently appointed new company chair, was providing a strong challenge to the investment team to improve performance.

Local investment opportunities such as renewable energy initiatives, as well as an increase in private market investments were discussed. The independent investment adviser emphasised the importance of ensuring that investments were consistent with the administering authority's investment strategy and fiduciary duty.

The opportunities and challenges of the proposals in the government's LGPS 'Fit For The Future' consultation were discussed. The key opportunities identified by Brunel were economies of scale, fee savings and improved risk management. The main challenges were the short time scales proposed by government and the need for additional resources to implement the proposed changes effectively.

A new Chief Investment Officer (CIO) had been appointed to replace David Vickers, who left the company in February 2025, and until they took up post the CEO would be the Acting CIO.

315. **BRUNEL GOVERNANCE AND SCHEME ADVISORY BOARD UPDATE**

Cllr John Beesley, the pension fund's representative on the Brunel Oversight Board (BOB) and a member of the LGPS Scheme Advisory Board (SAB), updated the Committee on governance matters relating to investment pooling.

The last meeting of SAB was held on 25 November 2024 and the next meeting was scheduled for Monday 24 March 2025. The main focus was the 'Fit For The Future' consultation.

The Local Government Association (LGA) was in the process of appointing a new Head of Pensions. Jo Donnelly, the current Head of Pensions, was due to leave in April 2025.

A key area of focus at the last BOB meeting was local investment. It was noted that the evolving devolution proposals from the Government could have significant implications for local investment.

316. **PENSION FUND INVESTMENTS**

The value of the pension fund's assets at 31 December 2024 was just over £4 billion. The total return from the pension fund's investments over the quarter to 31 December 2024 was 1.8%, compared to the combined benchmark return of 3.8%. The total return for the year to 31 December 2024 was 10.4% compared to the benchmark return of 12.9%.

The largest driver of returns for the quarter to 31 December 2024 continued to be US equities, particularly the US mega-cap stocks.

The impact of the global economic environment on investments was discussed. The independent investment adviser was comfortable that no imminent changes to the asset allocation were required.

317. **PENSION FUND TREASURY MANAGEMENT STRATEGY 2025/26**

The committee approved the Treasury Management Strategy for 2025/26.

The strategy provided the framework for managing cash flows and temporary investments. The strategy remains unchanged from the current year and followed the treasury management strategy of Dorset Council, the administering authority.

318. **PENSIONS ADMINISTRATION**

Performance against Key Performance Indicators (KPIs) continued to be positive.

Opt-out data had been obtained from scheme employers. This was to establish the reasons why people had opted out and why people on zero casual hour contracts had not opted to join the scheme. Based on data from forty-two employers, which was approximately 43% of the membership, it was noted that 82% of eligible staff were in the LGPS, with a significant number of non-joiners being casual staff.

Efforts to clean and prepare data for the pensions' dashboard were ongoing. Although the dashboard is not scheduled to go live to the public for another two years, the pension fund must connect with the dashboard by October 2025 to allow time for testing.

Progress on the McCloud remedy was discussed. Some of the required software had been delivered and was working, although some areas had yet to be delivered by the software provider. It was noted that the deadline of 31 August 2025 for completing the remedy work was not achievable for the fund.

319. **DATES OF FUTURE MEETINGS**

1.30 pm Tuesday 17 June 2025 - County Hall, Dorchester.
1.30 pm Tuesday 16 September 2025 – County Hall, Dorchester.

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

320. **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).

321. **INVESTMENT MANAGEMENT ARRANGEMENTS**

An update on implementation of the changes to investment management arrangements agreed at the previous meeting of the Committee November 2024 was given.

Duration of meeting: 1.30 - 3.50 pm

Chairman

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Pension Fund Committee

24 June 2025

Deputation from the Dorset Palestine Solidarity Campaign

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:

At its meeting 15 May 2025, Dorset Council received a deputation from the Dorset Palestine Solidarity Campaign requesting the Council to:

“Commit to divest the Local Government Pension Scheme fund administered by the council from companies complicit in Israel’s genocide in Gaza and violations of international law and human rights against Palestinians. This includes arms companies supplying Israel with weapons and military technology; companies providing infrastructure for Israel’s unlawful military occupation of Palestinian land; and companies conducting business activity in Israel’s illegal settlements on stolen Palestinian land.”

It was agreed that the concerns raised in the deputation would be considered in more depth by the Pension Fund Committee at its next meeting. Similar requests have also been received by Bournemouth, Christchurch and Poole (BCP) Council.

Recommendation:

That the Committee:

i. Continues with its current approach to responsible investment and to favour engagement with companies rather than divestment from them.

ii. Continues to endorse Brunel Pension Partnership's exclusion of “controversial weapons” (such as anti-personnel mines, chemical and biological weapons) and companies non-compliant with Principle 2 of United Nations Global Compact on Human Rights (UNGC) from their actively managed equity and bond portfolios.
iii. Undertakes a survey of scheme members’ views on non-financial factors as part of the next review of the Investment Strategy Statement following the conclusion of the triennial actuarial valuation.

Reason for Recommendation:

The primary purpose of the pension fund (“the Fund”) is to achieve the required investment returns in an appropriately risk-managed way to pay pensions when they become due, minimising the need for additional funding in the future from scheme members and their employers.

The Committee can, however, make decisions for non-financial reasons if it is satisfied that two conditions are met: (1) that there is no significant risk of financial detriment to the Fund and (2) that it would have the support of the scheme beneficiaries.

The proposal in the deputation would risk financial detriment to the pension fund and there is insufficient evidence that it would have the support of scheme beneficiaries. There are also practical challenges to implementing further exclusion policies made even more difficult by the government’s recent directive to wind up the Brunel Pension Partnership, and the ‘real-world’ impacts of divestment are not clear.

1. Background

1.1 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.

1.2 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.

1.3 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.

1.4 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.

1.5 In September 2024 the LGPS Scheme Advisory Board (SAB) published a statement making clear that that "when decision makers exercise their LGPS investment responsibilities, the primary purpose must be to achieve the required returns in an appropriately risk-managed way to pay pensions when they become due, minimising the need for additional funding in the future." (Appendix 3)

1.6 The Committee can, however, make decisions for non-financial reasons if it is satisfied that two conditions are met: (1) that to do so would not involve significant risk of financial detriment to the pension fund and (2) that they have good reason to think that scheme members would support their decision (see Appendix 2). The Committee also need to consider the practicalities of implementing any decisions it makes and the 'real world' impacts of those decisions.

2. Current Approach

2.1 The Fund's Investment Strategy Statement (ISS) requires its investment managers to consider all financially material risks arising from environmental, social and corporate governance (ESG) issues in relation to all asset classes. No such financially material risk has been identified from the matters raised in the deputation, and therefore the deputation is considered to be a 'non-financial' matter.

2.2 The Fund's general approach (and that of Brunel Pension Partnership its investment pooling company) is to avoid placing restrictions on investment managers in choosing individual investments in companies or sectors and to support engagement with companies to effect change, rather than disinvestment which is the transfer of ownership of shares to other investors. Brunel do exclude "controversial weapons" (such as anti-personnel mines, chemical and biological weapons) and companies non-compliant with Principle 2 of United Nations Global Compact on Human Rights (UNGC) from their actively managed equity and bond portfolios. Any further amendments to Brunel's policies would be subject to the views of all its ten client LGPS funds.

2.3 The Fund is committed to responsible stewardship and believe that through stewardship it can contribute to the care, and ultimately long-term success, of all the assets within our remit. The Fund works with or through Brunel, the Local Authority Pension Fund Forum (LAPFF) and/or other partners to pursue activities which prioritise the pursuit and achievement of positive real-world goals. This includes, engaging with companies and holding them to account on material issues, exercising rights and responsibilities such as voting, and integrating environmental, social and governance factors into investment decision making.

2.4 Legal opinion sought by the LGPS SAB concluded that it would be incorrect to suggest that "it would be unlawful for administering authorities to invest, or continue to invest, LGPS funds in undertakings engaged in certain activities with a bearing upon Israel's conduct in and in relation to Gaza or the other Palestinian territories".

Counsel opinion on the LGPS and current events concerning Gaza Nov 24

3. Considerations before extending exclusions

3.1 Should the committee wish to extend exclusions for non-financial reasons two further pieces of work would be needed to establish that (1) this would not result in significant financial detriment and that (2) it is supported by scheme members. In addition, the practicalities of implementing a change in policy would also need to be considered further.

Financial impact

3.2 A decision to implement to extend exclusions is likely to lead to a number of adverse financial consequences. There would be the cost of amending an existing portfolio or creating a new portfolio and the cost of transition to the new or amended portfolio. It is very likely that the ongoing charges for the new or amended portfolio would be higher than existing charges as the investment guidelines would be more complicated to implement. Introducing restrictions on investment managers could also have a negative impact on risk adjusted investment returns.

3.3 If the Committee wanted to consider introducing further exclusions then more work would be needed to estimate these costs and determine whether they were significant or not. Ultimately any additional costs or fall in investment returns resulting from extending the exclusion policy will be borne by scheme employers as contribution rates would be higher than they would otherwise be.

Scheme member support

3.5 There is currently little evidence that Dorset's scheme members would either support or oppose divestment from companies in relation to the Israel-Palestinians conflict. If the Committee wanted to divest from companies supplying Israel (or on the basis of any other criteria), it would need to be confident that the majority of scheme members would support such a decision.

3.6 SAB guidance on this matter makes the following points (see Appendix 2):

"Although there has been no ruling on precisely what level of perceived support is required, caselaw suggests that it would need to be something tantamount to consent given by the body of members as a whole. This would mean that there needed to be a very high proportion of members who would either positively support the reliance placed upon the non-financial factor in question, or at any rate have no objection to it. Administering authorities do not need to be convinced that there is no one amongst the membership who would object but if a non-financial factor is likely to be significantly controversial amongst members, then it would not be sufficient just to believe that a bare majority would support the decision."

Equally, if the vast majority of the scheme members simply had no opinion on a subject, one way or the other, then relying on that as a non-financial factor would seem to represent the administering authority (or the pension committee members) using the fund as a vehicle to advance their own personal views, which would not be a correct use of their fiduciary position.

The most obvious way to gauge member opinion is through the statutory consultation on the investment strategy. However, the views of trade unions, other employee representatives or Councillor understanding of scheme members' views may be relevant. Councillors are elected to represent their local communities and will no doubt have their own understanding of scheme members' opinions and their strength. It is a subtle distinction, but elected members need to be careful in doing so not to just give effect to their own views about what is morally or socially right."

Practicalities of implementation

3.7 A decision to divest would require agreement with the Fund's pooling manager and other clients to either amend existing investment portfolios or to create new portfolios. The practicalities (and timeliness) of implementing such a decision have been made even more difficult as a result of the government's directive to wind up the Fund's existing investment pooling manager.

4. Financial Implications

4.1 The financial implications of this report are covered in the main body of the report.

5. Natural Environment, Climate & Ecology Implications

5.1 No natural environment, climate or ecology implications arising from this report have been identified.

6. Well-being and Health Implications

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

7. Other Implications

7.1 No other implications arising from this report have been identified.

8. Risk Assessment

8.1 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.

9. Equalities Impact Assessment

9.1 There are no equalities implications arising from this report.

10. Appendices

Appendix 1: Deputation from Dorset Palestine Solidarity Campaign
Appendix 2: LGPS Scheme Advisory Board commentary on legal opinions
Appendix 3: LGPS Scheme Advisory Board statement on Fiduciary Duty and dealing with lobbying

11. Background Papers

Investment Strategy Statement | Dorset Pension Fund
Dorset County Pension Fund Holdings Report December 2024 | Dorset Pension Fund
Local government pension scheme: guidance on preparing and maintaining an investment strategy statement - GOV.UK

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Deputation to Dorset Council for the meeting of full council on Thursday 15 May

Names of the delegation: Rob Ferguson; Lisa-Jameela Musleh; Jo Macgregor; Michael Torrens.

The Issue: Dorset Pension Fund Investments in companies enabling crimes against humanity in Gaza and the West Bank, and violations of Palestinian rights.

The 15 May is the day of commemoration for the Nakba - also known as the Palestinian Catastrophe - the destruction of Palestinian society and homeland in 1948, and the ethnic cleansing of a majority of the Palestinian people.

Dorset Palestine Solidarity Campaign is today calling on the council to take steps to divest the Local Government Pension Scheme (LGPS) fund it administers from companies enabling Israel's grave violations of Palestinian rights and end procurement contracts with these companies.

Councillors on Dorset pension fund committee are quasi-trustees of the Pension Fund. As part of the Brunel Pension Partnership pool, the Dorset Pension Fund can request that steps are taken to divest from unethical investments and from companies enabling violations of international law.

10 councils vote to divest

There are now 10 councils that have voted to divest from companies engaged in arms sales, breaches of international law and human rights violations, including those complicit in Irael's human rights violations.

North Somerset Council has passed a motion calling on Avon Pension Fund to divest from "*companies that facilitate Israel's breaches of international law… arms companies supplying Israel with weapons and military technology… companies on the UN's list of businesses involved in activities in the Occupied Palestinian Territory and deemed to facilitate Israel's involvement in human rights abuses*."

Bristol City Council has voted to divest from arms manufacture, and from companies on the UN's list of businesses involved in activities in the illegal-settlements in the Occupied Palestinian Territory.

Islington Pension Fund has committed to begin a process to "ensure that companies on the UN's list of businesses involved in activities in the Occupied Palestinian Territory" are "excluded from the Fund's investments."

Israel's Genocidal Assault on Gaza

In January 2024, the International Court of Justice (ICJ), the world court, handed down an interim ruling affirming there is plausible evidence Israel is committing genocidal acts against the Palestinian people in the Gaza Strip. As a State Party to the Genocide Convention, the UK has a binding obligation to employ all means reasonably available to prevent and deter further genocidal acts.

In June 2024, UN experts issued a statement demanding that both states and companies stop all arms transfers to Israel. In issuing their call, they outlined that financial institutions, such as banks and pension funds, investing in arms companies supplying Israel must cease, writing that financial institutions “failure to prevent or mitigate their business relationships with these arms manufacturers transferring arms to Israel could move from being directly linked to human rights abuses to contributing to them, with repercussions for complicity in potential atrocity crimes.”

Israel’s genocidal assault on Palestinians in the Gaza Strip has killed at least 61,709 people, including 17,492 children. Over 14,000 are missing, presumed dead beneath the rubble. According to the UN, at least 1.9 million people – 90 per cent of the population – across the Gaza Strip have been displaced during the war, many repeatedly, and some 10 times or more.

Nowhere in Gaza is safe: vast areas of Gaza have been levelled. UN schools sheltering the displaced, and hospitals treating the wounded, have been repeatedly targeted. In March, fifteen Palestinian paramedics and rescue workers, were killed by Israeli forces “one by one” and buried in a mass grave, with their crushed vehicles.

On 17 April Israel launched an attack on al-Mawasi, a crowded tent camp designated as a “humanitarian evacuation zone”. UNICEF’s executive director Catherine Russell noted, "Images of children burning while sheltering in makeshift tents should shake us all to our core." Gaza’s health infrastructure has been destroyed.

In June 2024, UN experts declared that “Israel’s intentional and targeted starvation campaign against the Palestinian people is a form of genocidal violence and has resulted in famine across all of Gaza.” Since 2 March, aid supplies including food, fuel, water and medicine have been blocked by Israel from entering Gaza. In April, Israeli defence minister, Israel Katz, said: “Israel’s policy is clear: no humanitarian aid will enter Gaza”. National Security Minister, Ben Gvir, went still further, declaring that “the food and aid depots should be bombed”. The medical charity Médecins Sans Frontières says Gaza is now becoming a “mass grave for Palestinians”.

Dorset Pension Fund Complicit investments: Total £173,857,887
Dorset Council Pension Fund invests over £173 million in 71 companies that are complicit in Israeli genocide, war crimes and apartheid. These include:

BAE Systems - Investment value: £5,825,410
BAE Systems is a large British arms producer. As reported by Investigate, it manufactures a range of weapons and military technology used by Israel in its militarised attacks on Palestinians. This includes “components for combat aircraft, munitions, missile launching kits, and armoured vehicles.”

Babcock International - Investment value: £2,891,233
Babcock International is a large British arms company. It works in partnership with Israeli arms companies including Elbit Systems, Rafael and Israel Aerospace Industries (IAI). Between 2008 and 2021 Babcock applied to the British government for 12 arms export licenses to supply weapons, components, or military technology to Israel.

Caterpillar - Investment value: £2,516,215
US Company Caterpillar supplies the Israeli military with D9 bulldozers which are weaponised and used to demolish Palestinian homes, schools, villages and civilian infrastructure in the illegally occupied West Bank. As reported by Investigate, "armoured D9 bulldozers have been crucial for Israel's ground invasion of the Gaza Strip, accompanying combat troops and paving their way by clearing roads and demolishing buildings."

Cisco Systems - Investment value: £7,327,187
Cisco Systems is an US-based public company that designs and sells a broad range of digital communication technologies. In 2018, it entered into a long-term agreement with the Israeli state to establish a range of "digital hubs". 8 of the 45 announced locations of digital hubs are in or near illegal Israeli settlements. In addition, Cisco is also a large contractor for the Israeli military.

Honeywell - Investment value: £2,009,285
Honeywell is a US-based arms company. It manufacturers components for bombs, missiles and drones used by the Israeli military in its attacks on Palestinians.

Smiths Group - Investment value: £1,563,217
Smiths Group is British arms company. From 2008 to 2021 it applied to the British government for 32 arms export licenses to Israel. It has supplied a number of components to the Lockheed Martin F-35 Lighting II fighter jet programme. The F-35 Lightning II was first used by Israel in 2018, and has been used in Israel's genocide in Gaza.

RTX Corporation - Investment value: £1,478,656
RTX Corporation, previously known as Raytheon, is a US-based arms company. It has supplied Israel with a range of weapons and military technology used in its militarised attacks on Palestinians. RTX Corporation supplies guided air-to-surface missiles, which have been used by Israel in its militarised attacks on Palestinians, including its genocide in Gaza.

GE Aerospace, formally General Electric - Investment value: £1,390,452
GE Aerospace, formally General Electric, is one of the world's largest weapons manufacturers. Its engines are integrated into Israel's fighter jets, attack helicopters, and surveillance aircraft, used in its assaults on Palestinians, including its genocide in Gaza.

General Dynamics - Investment value: £526,671
General Dynamics is an American aerospace and weapons company. It manufacturers weapons used by Israel in its attacks on Palestinians, including artillery shells and metal bodies for MK-80 series bombs, which have been used extensively in Israel's assaults on Gaza, causing massive civilian casualties and widespread destruction.

Leonardo - Investment value: £36,326
Leonardo, formally Finmeccanica, is an Italian arms company. It manufactures naval guns installed on Israel's warships. AgustaWestland, a subsidiary of Leonardo, makes components for Apache attack helicopters used by Israel in attacks on

Palestinians. In addition, Israel's Defence Ministry has purchased seven training helicopters from Leonardo.

Elbit Systems - Investment value: £18,926
Elbit Systems is Israel's largest private arms company. Elbit Systems has played a central role in supplying weapons used in Israel's attacks on Palestinians, including its ongoing genocide in Gaza. Elbit Systems' drones, including the Hermes 450 and 900, as well as its MPR 500 bombs, have been extensively deployed in Israel's genocide in Gaza.nIn addition, Elbit Systems has produced controversial weapons, including weaponised white phosphorus, cluster bombs, and flechette projectiles.

Dorset Palestine Solidarity Campaign is calling on Dorset Council to:

1. Commit to divest the Local Government Pension Scheme fund administered by the council from companies complicit in Israel's genocide in Gaza and violations of international law and human rights against Palestinians. This includes arms companies supplying Israel with weapons and military technology; companies providing infrastructure for Israel's unlawful military occupation of Palestinian land; and companies conducting business activity in Israel's illegal settlements on stolen Palestinian land.

2. End procurement contracts with companies complicit in Israel's attacks. For example, terminate all banking arrangements with Barclays, which provides substantial financing to companies supplying Israel with weapons used in its attacks on Palestinians.

When our governments fail, it falls to our communities to uphold justice. Dorset should not be complicit. We call on Dorset Council to commit to divesting from companies involved in these abuses and stand on the right side of history and of justice.

Response from the Chair of the Pension Fund Committee

Thank you for taking the time to speak to the Council today on such an important and emotive subject. I am sure all members of the Council deplore the loss of life resulting from this conflict and all the many other conflicts currently happening around the world.

Dorset Council has delegated its responsibilities as a Local Government Pension Scheme (LGPS) administering authority to a Pension Fund Committee, in common with most other LGPS administering authorities. You raise very valid concerns that the Pension Fund Committee will need to consider in more depth at our next meeting on 24 June 2025.

The primary duty owed by the Committee to our scheme members and their employers is to ensure that their contributions to the pension fund are invested appropriately to make returns sufficient to pay pensions when they fall due whilst minimising the need for additional contributions in the future. [Every pound of investment return is a pound less needed from contributions from scheme members and their employers.]

The Committee can, however, make decisions for non-financial reasons if we are satisfied that two conditions are met – (1) that there is no risk of significant financial detriment to the pension fund and (2) that it would have the support of the scheme beneficiaries. We also have to consider the practicalities of implementing any decisions that we make.

This matter will be considered at the next Pension Fund Committee meeting on 24 June 2025.

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SCHEME ADVISORY BOARD COMMENTARY ON THE UPDATED LEGAL OPINION FROM NIGEL GIFFIN KC DATED 13 JANUARY 2025

Introduction

1. The full updated legal opinion can be found on the Legal Opinions and Summaries page of the Board's website.

2. The advice is a substantial document at 36 pages in length and expands on the previous advice in several areas, for example:

   - In clarifying how the fiduciary duty owed to employers differs from that owed to scheme members (paragraph 19)
   - How far administering authorities are required to consider environmental, social and governance (ESG) factors in decision making, and state this within the Investment Strategy Statement (ISS) (paragraph 37)
   - A reminder of the need for administering authorities to apply the policies set out in their ISS when making investment decisions, and the need to keep the ISS up to date (paragraphs 43-44)
   - Some discussion of the implications for ESG policy where administering authorities have devolved the implementation of their investment strategy to pools, while confirming that they may not be able to delegate the strategy-setting duty itself to the pool company (paragraphs 46-51)
   - The requirements around consulting members and how their views can be considered when deciding how and which ESG factors are applied (paragraphs 38-42 and 56-62).

3. The Secretariat have been asked to produce the following note which summarises their understanding of the main content of the opinion.

4. It represents the views of the Secretariat based on their current understanding of the law and policy. It should not be treated as a complete and authoritative statement of the law, and readers may wish, or will need, to take their own legal advice on the interpretation of any particular piece of legislation quoted. No responsibility whatsoever will be assumed by the Board or the Board Secretariat for any direct or consequential loss, financial or otherwise, damage or inconvenience, or any other obligation or liability incurred by readers relying on information contained in this note.

Main conclusions

5. The main conclusions of the previous opinion are reaffirmed in the revised opinion:

   (i) An administering authority, although not strictly a trustee, owes fiduciary duties both to scheme employers and to scheme members

   (ii) Those duties are broadly similar to those that arise as a matter of public law.

(iii) "ESG" issues or non-financial factors can be taken into account when making investment decisions, where to do so would not involve significant risk of financial detriment to the fund and where there is good reason to think that scheme members would support the decision.

(iv) An administering authority must not prefer its own particular interests to those of other scheme employers.

6. The updated advice takes account of:

   (i) The Law Commission report Fiduciary Duties of Investment Intermediaries (Law Com No 350, 2014)

   (ii) the Supreme Court's decision in a challenge brought by the Palestine Solidarity Campaign against parts of the content of investment guidance issued by the Secretary of State ("the PSC case"),

   both of which reached similar conclusions to the initial advice.

7. The revised opinion also considers the LGPS Investment Regulations 2016 and the associated statutory guidance "Local Government Pension Scheme – Guidance on Preparing and Maintaining an Investment Strategy Statement". These were made after the previous opinion was issued.

8. The Supreme Court's conclusion in *PSC* held that the Secretary of State (SoS) was not entitled to use guidance to usurp the responsible investment role of the administering authority. The statutory power to give guidance could be used to address topics such as, for example, what factors the administering authority should take into account when formulating its policy but could not dictate the substantive conclusions which the authority should reach or prevent the authority from acting upon those conclusions.

9. However, after the *PSC* case was decided the Public Service Pensions Act 2013 has been amended to broaden the power of the SoS to make such scheme regulations as she considers appropriate in the area below (new text underlined below):

   "The administration and management of the scheme, including – (a) the giving of guidance or directions by the responsible authority [i.e. the Secretary of State, in the case of the LGPS] to the scheme manager [i.e. the administering authority] including guidance or directions on investment decisions which it is not proper for the scheme manager to make in light of UK foreign and defense policy".

10. In the light of this amendment, it is very probable that the SoS could now lawfully issue new guidance to achieve the same effect as that challenged in *PSC.* However, in doing so she may need to change the Investment Regulations first.

11. As a fiduciary, the administering authority should not pursue its own views of what was or was not desirable or acceptable as an investment from an ESG perspective. It had to give effect to the wishes of scheme members about how

their pension funds should be invested, and consistent with a proper "pensions purpose".

12. As it was endorsed in *PSC*, the Law Commission approach to non-financial considerations can be regarded both as an authoritative statement of the general law and applicable to investment decisions made by LGPS administering authorities.

13. Lord Wilson said in *PSC* that LGPS funds represent “their [i.e. the members’] money”. The money in an LGPS fund is not the members’ money in a literal or legal sense. It is a fund held for the specific purpose of paying pension benefits to members and scheme employers also have a legitimate interest in the financial health of the fund, in particular, the contribution rates they are required to pay (or, on exit whether there is a surplus or a deficit). The views of scheme employers are relevant to the potential financial implications of ESG policies.

14. Central government has, via the Chancellor of the Exchequer’s 2024 Mansion House speech, stated an intention to introduce a Pension Schemes Bill in 2025. The Bill could be a vehicle for amendments to primary legislation and could bring about such changes in administering authorities’ investment duties as the government considers appropriate.

15. The Fit for the Future consultation proposes a new model of pooling from March 2026 (although one of the consultation questions invites comments on the viability of this timescale). The indicative timetable for pools to submit proposals for meeting the new requirements was by 1 March 2025.

16. The *PSC* judgment raises a considerable question as to whether it is currently lawful for pooling to be made mandatory. However, the government could mandate such requirements in the new Bill. Proposals in regulations could in principle be challenged if they were outside the powers conferred by the new legislation, or potentially on other public law grounds. However, until the detail of the Bill is known it is impossible to say whether there would be grounds for any such challenge.

What should administering authorities do about non-financial factors?

17. The revised opinion considers how far a clear dividing line can be drawn between financial and non-financial factors. It also provides advice on how an administering authority should apply the Law Commission criteria, what is meant by “significant risk of financial detriment” (the “financial criterion”), and by scheme member support (the “member support criterion”). It also looks at whether an administering authority is *obliged* to ask itself whether any, or any particular, non-financial factors should be considered

18. In his revised opinion, Nigel Giffin KC concludes that:

(i) An investment strategy ought to say something about ESG considerations, because the authority is required to state its policy on those matters. It could however state that the current policy is not to take any account of such considerations when making investment decisions. There are many other possibilities.

(ii) All investment decisions should be consistent with the investment strategy for the time being in force. If the investment strategy has not identified how ESG will be considered, then it should not normally be taken into account without the strategy first being reviewed and amended.

(iii) When the authority comes to formulate or review its investment strategy (at least once every three years) it should give specific thought to what the policy on non-financial factors ought to be.

19. Funds should consult scheme members about the policy on the use of non-financial factors. That does not necessarily mean consulting all the individual members. Consultation could be directed to members generally or limited to representative bodies such as trade unions. It could be part of consultation on the overall investment strategy or done separately.

20. In consulting, it would probably be helpful to consultees to be reminded of the existing policy and to explain the legal test for it being permissible to take account of such factors. Beyond that, some authorities might prefer simply to ask in an open-ended way for views on what the policy on using such factors should be; others might specifically canvass high level views on topical issues thought to be serious potential candidates for being made the subject of a policy; others might make specific proposals, and provide information about the reasons for them, or the authority's current assessment of their likely financial impact. Consultation could be conducted online.

21. Employer interests are financial, so their views on the merits of a particular approach to non-financial factors are of only marginal significance, and an administering authority is not obliged to solicit such views.

22. The triennial review of the investment strategy is a logical and convenient point at which to assess whether scheme member support exists for a particular policy. The authority must be open to reviewing the policy before the next 3-year deadline, but it will not normally be under any positive legal obligation to consider policy changes outside of its triennial cycle.

23. Exceptional cases where it might be necessary to think in more detail about a request to review the policy early could include ones where a particular issue has only newly emerged as a significant concern, and/or where there is good evidence of a high level of member demand for action on a particular issue, or that the facts have changed very materially since the issue was last considered. Ultimately it is for the administering authority to judge whether early review of the investment strategy is appropriate.

24. Although the function of making and reviewing the investment strategy is one that could in principle be delegated in the same way as other non-executive functions, not all the current investment pools would be permissible delegates (those structured as joint committees might be).

25. If the Fit for the Future proposals are implemented, then the separation between formulation and implementation of the responsible investment strategy may

become a legal requirement. That will make the formulation of the strategy especially important.

26. The investment strategy might need , for example, to give a clear definition of the type of investments which are or are not to be made; where the policy is a negative one (i.e. not to invest in some specified category), whether it is calling for disinvestment from existing investments (and on what timescale, and within what parameters as to the disposal price).

Applying the financial criterion

27. When considering the “positive social impact” of an investment decision, the Law Commission report is clear that in making such decisions there cannot be a “risk of significant financial detriment” to the fund.

28. The “significant financial detriment” phrase seems to have been first used in this context by Sir Donald Nicholls V-C in *Harries v Church Commissioners for England* [1992] 1 WLR 1241. The underlying idea is that an administering authority ought not to be pursuing a policy which, for non- financial reasons, creates a realistic possibility of the fund suffering financial detriment which is material in the context of the fund’s size and nature. The likelihood of the financial disadvantage materialising, and its potential scale of impact if it does, are relevant to whether the policy is one which it is legitimate to adopt.

29. The advice emphasises that the administering authority does not balance the risk of significant financial detriment against the perceived strength of member support for a particular investment policy. Such risks should simply not be undertaken, on non-financial grounds, however much members might support it. It will normally be appropriate to obtain professional advice before an administering authority concludes that there is no such risk, although there may be particular cases where the absence of such risk is obvious.

30. Although there has been no ruling on precisely what level of perceived support is required, caselaw suggests that it would need to be something tantamount to consent given by the body of members as a whole. This would mean that there needed to be a very high proportion of members who would either positively support the reliance placed upon the non-financial factor in question, or at any rate have no objection to it. Administering authorities do not need to be convinced that there is no one amongst the membership who would object but if a non-financial factor is likely to be significantly controversial amongst members, then it would not be sufficient just to believe that a bare majority would support the decision.

31. Equally, if the vast majority of the scheme members simply had no opinion on a subject, one way or the other, then relying on that as a non-financial factor would seem to represent the administering authority (or the pension committee members) using the fund as a vehicle to advance their own personal views, which would not be a correct use of their fiduciary position

32. An administering authority is not obliged to give effect to the widely held non-financial views of scheme members, even where they could. However, if it was

positively demonstrated that there was widespread support amongst members for a particular approach and that this was a particularly pressing concern amongst members and that there did not appear to be significant opposition to such a policy, the authority might need to ask itself specifically whether effect should be given to that concern, and to have at least some legitimate reason if it decided not to act upon it. The range of legitimate reasons might, however, be wide – they could include, for example, practical difficulties in formulating and implementing the precise policy to be followed.

33. The most obvious way to gauge member opinion is through the statutory consultation on the investment strategy. However, the views of trade unions, other employee representatives or Councillor understanding of scheme members' views may be relevant. Councillors are elected to represent their local communities and will no doubt have their own understanding of scheme members' opinions and their strength. It is a subtle distinction, but elected members need to be careful in doing so not to just give effect to their own views about what is morally or socially right.

34. Formulation of the investment strategy is, like most local authority functions, subject to the public sector equality duty. Administering authorities should therefore have regard e.g. to the need to protect community cohesion in appropriate cases.

The distinction between financial and non-financial factors

35. The Investment Guidance, and to an extent the caselaw, tend to assume that there is a sharp divide between financial and non-financial factors when it comes to decision-making. The revised opinion considers two specific areas where this distinction may not be so clearly drawn.

36. The opinion suggests that the targeting of economic growth, either in the local or the national economy is likely to represent a non-financial factor, so that the normal financial and member support criteria will need to be satisfied.

37. The climate crisis, on the other hand, may be considered a particular and pervasive systemic financial risk. It has the potential to cause economic disruption so profound that no pension scheme, whatever its specific investments, could hope to escape the adverse impact upon its ability to fund its commitments to pay benefits (or the cost in contributions of doing so). This view is clearly summarised in (for example) *Climate scenario analysis: an illustration of potential long-term economic and financial market impacts*, produced by an Institute and Faculty of Actuaries (IFoA) working party in collaboration with Ortec Finance Ltd. Page 7 of the paper states:

"Climate change will almost certainly fundamentally impact how economies perform as a whole. It will affect macro-economic variables such as GDP growth, and in turn have significant influence over the resulting performance of asset classes and industry sectors. Since the risks associated with climate change are systemic in nature, they will affect all assets to some extent and so cannot be avoided completely through careful selection of investments."

38. That means that action could be held to be financially motivated even if the intention was to encourage behavioural change by relevant undertakings, rather than to avoid the risk that specific assets will represent a poor investment.

39. The opinion suggests that in such circumstances, if a pension scheme believes that its divestment from fossil fuels would contribute towards encouraging the energy sector to leave such fuels in the ground, and that this will in turn contribute towards keeping climate change under control, then that could be regarded as promoting the long-term financial health of the pension fund, and not simply because of a political or moral belief that it is wrong to jeopardise the earth's environment.

40. Any decision to divest on such grounds as opposed to more conventional financial analysis would need to be properly reasoned and evidenced. The authority would also need to ask itself whether it could realistically influence how the undertakings in question behaved. It would also need to ask why divestment would be more effective than other measures, like stewardship or engagement. An authority may use its judgement about how it deals with "fossil fuel risk", subject to that judgement being a reasonable one in the public law sense.

41. Government guidance *Governance and reporting of climate change risk* (DWP, June 2021) already suggests that trustees' legal duty to consider financially material matters extends not just to the kinds of financial risks which might affect investments, but also to how action to address climate change "might contribute positively to anticipated returns or to reduced risk.". Similar arguments can be found in the climate risk guidance contained in CIPFA's *Managing Risk in the LGPS*.

42. If an authority obtains advice from a suitably qualified advisor, and that advice contains no suggestion that the authority ought to think specifically about climate risk, then not having done so is unlikely to be a breach of the authority's public law duty of reasonableness (certainly if the authority has asked that the advice should cover any climate-related financial risks). On the other hand, an authority which is professionally advised that it should consider or act upon particular risks, yet fails to do so, is likely to be in a position of some difficulty if challenged.

March 2025

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Scheme Advisory Board (SAB) Statement on Fiduciary Duty and dealing with lobbying

Purpose of this statement

As one of the largest funded pension schemes in the world it is important that the LGPS continues to hold itself to the highest standards of stewardship and governance.

Discussion around the content of responsible investment policies is not new and the majority of lobbying and decision-making is done in a respectful, thoughtful and transparent manner. However, the Board is aware that LGPS administering authorities (AAs) are dealing with increasing levels and extreme forms of lobbying about how LGPS funds are invested. The Board has decided to make this statement to make clear its view on the flexibility decision makers have to respond to lobbying; the standards of behaviour expected when discussing what can be emotionally charged issues, and where to go for support if those standards are not being met.

What kinds of Environmental, Social and Governance (ESG) considerations are appropriate?

When decision makers exercise their LGPS investment responsibilities, the primary purpose must be to achieve the required returns in an appropriately risk-managed way to pay pensions when they become due, minimising the need for additional funding in the future. AAs need to invest the contributions they collect from employers and employees in the best interests of those scheme members and employers.

The phrase "best interests" in the context of pension scheme investments will typically mean "the best financial interests" of scheme members and this is referred to as the fiduciary duty. Value, risk and yield of investments should therefore drive an AA's decisions. AAs also have a duty to scheme employers to invest competently so as not to unnecessarily inflate the contributions needed from them in the future. Because of these duties, financial factors must always be taken into consideration by AAs in setting their investment strategy.

Under the LGPS Investment Regulations 2016 AAs are required to include in their investment strategy a policy on how ESG considerations are taken into account in the selection, non-selection, retention and realisation of investments. AAs may choose to clarify in their Investment Strategy Statements what they believe to be material financial risks and how they take these into account. Consideration of non-financial factors is also permitted, the amount of weight (if any) attached to such factors is at the discretion of the administering authority. AAs may do so only where it would not lead to significant financial detriment and where it would have the support of the scheme beneficiaries.

Increasingly, the distinction between financial and non-financial factors is becoming more difficult to maintain. For example, the consequences of climate change (both physical and financial) are now widely seen as material financial risks and are no longer seen as just a responsible or sustainable investment concern. The distinction between financial and non-financial factors can also become blurred when systemic risks or benefits are considered, e.g. investors signalling to the market their preference for sustainable, longer-term, value-adding companies. A recent report produced by the Financial Markets Law Committee recognised that it is appropriate for decision makers to “situate their pension fund within the wider economy” and take into account factors like sustainability and business ethics as part of constructing and implementing an investment strategy which seeks to achieve the purpose of the scheme in paying members the benefits to which they are entitled.

The Board is seeking an opinion from Counsel as to whether there is a need to update the previous advice received on the nature of fiduciary duty for LGPS AAs.

It is also important that those charged with management of an LGPS fund understand the decision-making function they have and maintain an appropriate level of knowledge and skills, as underpinned by legislation, legal opinions and guidance to exercise their duties.

Considerations that are not appropriate

It is not appropriate for investment decisions to be driven directly by the political views of Pension Committee members or indeed Government ministers (except as where prescribed in law, e.g. under the Sanctions and Anti-Money Laundering Act 2018). The Supreme Court held, in its judgment on the Palestine Solidarity Campaign case, that it is not appropriate for political preferences, whether local or national, to take precedence over what is required under the fiduciary duty.

This makes Pension Committees different from other local government committees that are dealing with service provision, and which have to make political choices about the prioritisation of scarce public resources. The Supreme Court (in the above case) was clear that administering LGPS funds is not best understood as a “local government function” or “part of the machinery of the state”, instead Pension Committees operate in a quasi-trustee role.

To the extent that environmental, social or governance considerations are applied, these should be framed in terms of what the scheme members would support or share the concern about those considerations. It may be reasonable to assume that elected members have a better understanding of local scheme member views than professional advisers, who in turn are better placed to understand the implications of financial factors. Those appointed to represent members on committees or boards may similarly have a good understanding of member views.

In a scheme with six million members there will inevitably be a wide range of views amongst scheme members. That means that consideration should also be given to exploring the range of concerns, and the relative priority amongst them, that members hold. There is no one right approach to doing this, but some AAs have carried out surveys, consultation events and even formal market research.

The quasi-trustee role means that decisions made by the Pension Committee should not privilege one group of scheme members over another. This creates an obvious tension when Pension Committees know that scheme members are likely to hold strong but very different views on a particular subject. Where such disagreements are anticipated, the Pension Committee should try and keep focus on financial factors and avoid taking one position against another.

Expected behaviour at Pension Committee and other official meetings

Pension Committee members should focus on ensuring that good decisions are made in the best interests of scheme members, taking into account all relevant considerations and excluding irrelevant ones. They should not use committee meetings as a forum to rehearse their own political positions or engage in antagonistic debate with other committee members. They must not direct unfair comments or abuse at officers or others invited to attend meetings to present to the Committee. Pension Committee and Board meetings should be conducted in a way that reflects the seven Principles of Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership).

Under the Localism Act, local authorities are required to establish a Code of Conduct for elected and co-opted members to follow. Action should be taken if conduct at Pension Committees or Boards does not comply with the Principles of Public Life or the council's own Code of Conduct.

Scheme members and the public do have a right to lobby the AA and peacefully protest against decisions. It may help to engage with those organising protests and explain to them that Pension Committee members and officers cannot allow themselves to be unduly influenced by these representations. When acting within their fiduciary duty the AA is legally obliged to limit itself to acting in the best interests of scheme members (as defined above) and the views of local residents generally on ESG matters is not relevant.

Officers, elected members and others have the right to go about their lawful duty of administering the LGPS without abuse. Where the actions of those protesting or lobbying amounts to attempting to intimidate, cause unease or harass those administering the scheme then this needs to be taken very seriously and reported to the appropriate authorities.

Where to go for support

AAs should clearly define the process for officers or elected members to raise concerns when inappropriate behaviour or language are directed against them.

The Local Government Association (LGA) is aware that councillors are often unsure as to where to go for support in their councils. Therefore, there should be a clear and formalised process for raising concerns, either through a specific individual or department, and responsible persons should be assigned who are well equipped and located in the council to provide them with the support they need.

Levels of abuse and intimidation of officers and councillors will vary from place to place. Councils that have robust and embedded arrangements for supporting councillors dealing with abuse and intimidation have often been galvanised into action by a local high-profile event or national event that has caused them to reflect on their local arrangements. The Board strongly recommends not waiting for such an event but putting in place appropriate arrangements now to ensure the safety of those administering the pension scheme.

The LGA has worked with the sector to produce a toolkit that helps identify good practices and the most impactful approaches when supporting councillors across prevention, incident management and aftercare.

September 2024

Pension Fund Committee
24 June 2025
Draft Pension Fund Accounts and Independent Auditor's Plan 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

The pension fund's draft accounts for 2024/25 are attached as Appendix 1. These will form part of Dorset Council's full draft accounts that will be considered by the Audit and Governance Committee at its meeting 30 June 2025 and then published.

The plan of the Council and pension fund's independent auditor, Grant Thornton UK LLP, for the audit of the pension fund year ending 31 March 2025 is attached as Appendix 2. This will also be considered by the Audit and Governance Committee at its meeting 30 June 2025.

Recommendation:

That the Committee note and comment on the pension fund's draft accounts for 2024/25 and the independent auditor's audit plan for the pension fund year ending 31 March 2025.

Reason for Recommendation:

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.

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. Administering authorities are required to produce annual financial statements for their pension fund, and those financial statements must be subject to external review by independent auditors.

4. Financial Implications

None.

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 accounts are assessed in detail the plan of the independent auditor.

9. Equalities Impact Assessment

There are no equalities implications arising from this report.

10. Appendices

Appendix 1: Pension fund final accounts 2024/25
Appendix 2: Audit plan for the Pension Fund y/e 31 March 2025

11. Background Papers

None.

APPENDIX C: PENSION FUND ACCOUNTS 2024-25

2023/24 £'000	2023/24 £'000	FUND ACCOUNT	Note	2024/25 £'000	2024/25 £'000
		Dealings with members, employers and others directly involved in the Fund:			
	156,866	**Contributions**	*7*		**174,620**
121,979		Employer contributions		138,248	
34,887		Member contributions		36,372	
	15,871	**Transfers in from other pension funds**	*8*		**22,951**
	172,737	**Total additions from dealing with members etc.**			**197,571**
	(159,280)	**Benefits**	*9*		**(181,830)**
(135,005)		Pensions		(147,340)	
(19,660)		Commutation and lump sum retirement benefits		(31,218)	
(4,615)		Lump sum death benefits		(3,272)	
	(12,922)	**Payments to and on account of leavers**	*10*		**(27,631)**
(502)		Refunds of contributions		(508)	
(12,420)		Transfers to other pension funds		(27,123)	
	535	**Net additions/(withdrawals) from dealings with members and others**			**(11,890)**
	(20,955)	**Management expenses**	*11*		**(22,204)**
	(20,420)	**Net additions/(withdrawals) including Fund management expenses**			**(34,094)**
		Returns on investments:			
	18,514	**Investment Income**	*12*		**21,937**
	399,575	**Profit/(loss) on disposal of investments and changes in the value of investments**			**177,810**
	418,089	**Net return on investments**			**199,747**
	397,669	**Net increase/(decrease) in assets available for benefits during the year**			**165,653**
	3,521,995	**Opening net assets of the Fund**			**3,919,664**
	3,919,664	**Closing net assets of the Fund**			**4,085,317**

31 March 2024		NET ASSETS STATEMENT		31 March 2025	
£'000	£'000		*Note*	£'000	£'000
	722	**Long term investments**	*13*		**750**
722		Brunel Pension Partnership Ltd		750	
	3,921,466	**Investment assets**	*14*		**4,070,553**
77		Equities		60	
3,464,168		Pooled investment vehicles		3,631,761	
138,390		Private equity		137,149	
235,645		Property		211,980	
81,929		Cash & cash equivalents		88,239	
528		Derivative contracts	*16*	782	
729		Other investment assets		582	
	(3,352)	**Investment liabilities**			**-**
(3,352)		Derivative contracts	*16*	-	
-		Other investment liabilities		-	
	3,918,836	**Total net investments**			**4,071,303**
	12,925	**Current assets**			**22,209**
11,584		Contributions due from employers		17,925	
1,341		Other current assets		4,284	
	(12,097)	**Current liabilities**			**(8,195)**
(1,259)		Unpaid benefits		(470)	
(10,838)		Other current liabilities		(7,725)	
	3,919,664	**Net assets available to fund benefits**			**4,085,317**

2

DISCLOSURE NOTES

NOTE 1. DESCRIPTION OF THE FUND

The Dorset County Pension Fund ("the Fund") is part of the Local Government Pension Scheme (LGPS) and is administered by Dorset Council ("the Council").

a) General

The scheme is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme (LGPS) Regulations 2013 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme administered by the Council to provide pensions and other benefits for pensionable employees of the Council, other councils and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The Fund is overseen by the Pension Fund Committee ("the Committee"), which is a committee of the Council.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

- **Scheduled bodies**, which are automatically entitled to be members of the Fund.
- **Admitted bodies**, which participate in the Fund under the terms of an admission agreement between the Fund and the employer. Admitted bodies include voluntary, charitable and similar not-for-profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.

Membership details are set out below:

31 March 2024		31 March 2025
346	**Total Employers**	**345**
	Employees	
6,546	Administering Authority	6,523
19,234	Other Scheduled Bodies	19,587
846	Admitted Bodies	664
26,626	**Total Employees**	**26,774**
	Pensioners	
9,954	Administering Authority	10,199
15,109	Other Scheduled Bodies	15,995
2,148	Admitted Bodies	2,254
27,211	**Total Pensioners**	**28,448**
	Deferred Pensioners	
9,407	Administering Authority	9,070
17,592	Other Scheduled Bodies	16,910
1,585	Admitted Bodies	1,577
28,584	**Total Deferred Pensioners**	**27,557**
82,421	**Total Members**	**82,779**

c) **Funding**
Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2025. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2022. Currently, employer contribution rates range from 10.0% to 29.0% of pensionable pay.

d) **Benefits**
Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index. A range of other benefits are also provided including early retirement, disability pensions and death benefits.

NOTE 2. BASIS OF PREPARATION

The statement of accounts summarise the Fund's transactions for the 2024/25 financial year and its financial position at 31 March 2025. The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (""the Code""), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. There are no accounting standards which have been issued but not yet adopted for the year ending 31 March 2025.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Fund has opted to disclose this information by appending an actuarial report.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account:

Contribution income
Normal contributions are accounted for on an accruals basis as follows:
- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the Fund actuary for the period to which they relate.
- Employer deficit funding contributions are accounted for on the basis advised by the Fund actuary in the rates and adjustment certificate issued to the relevant employing body. Additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long term financial assets.

Transfers to and from other schemes
Transfers in and out relate to members who have either joined or left the Fund:
- Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (Note 8).

- Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

Investment income

- Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.
- Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.
- Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.
- Rental income is recognised on a straight-line basis over the term of the lease. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.
- Changes in the value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities, providing that payment has been approved.

Taxation

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

Management expenses

The Fund discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016), as shown below. All items of expenditure are charged to the Fund on an accruals basis as follows:

Administrative expenses: All staff costs relating to the pensions administration team are charged direct to the fund. Council recharges for management, accommodation and other overhead costs are also accounted for as administrative expenses of the Fund.

Oversight and Governance: All costs associated with governance and oversight are separately identified, apportioned to this activity and charged as expenses to the Fund.

Investment management expenses: Investment fees are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off returns by investment managers, these expenses are grossed up to increase the change in value of investments. Fees charged by external investment managers and custodians are set out in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. The costs of the time spent by officers on investment management activity are also included.

Net Assets Statement:

Financial assets

All investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. Any gains or losses on investment sales arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 17). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

Freehold and leasehold properties
Properties are valued annually as at the year-end date by independent external valuers on a fair value basis and in accordance with the Royal Institute of Chartered Surveyors' (RICS) Valuation Standards. See Note 17 for more details.

Foreign currency transactions
Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period.

Derivatives
The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Cash and cash equivalents
Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

Loans and receivables
Financial assets classed as amortised cost are carried in the net asset statement at the value of outstanding principal receivable as at the year-end date plus accrued interest.

Financial liabilities
A financial liability is recognised in the net assets statement on the date the Fund becomes legally responsible for that liability. The Fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the change in value of investments.

Other financial liabilities classed as amortised cost are carried in the net asset statement at the value of the outstanding principal at 31 March each year. Any interest due not yet paid is accounted for on an accruals basis and included in administration costs.

Actuarial present value of promised retirement benefits
The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of International Accounting Standard (IAS) 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of an actuarial report appended to the accounts.

Additional voluntary contributions
The Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed for information in Note 22.

Contingent assets and contingent liabilities
A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event prior to the year-end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events. Contingent liabilities can also arise in circumstances where it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes (see Note 24).

NOTE 4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Directly held property
The Fund's investment portfolio includes a number of directly owned properties which are leased commercially to various tenants. The Fund has determined that these contracts all constitute operating lease arrangements under the classifications permitted by the Code, therefore the properties are retained on the net asset statement at fair value.

NOTE 5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations. However actual outcomes could be different from the assumptions and estimates made.

The items in the net asset statement for which there is a significant risk of material adjustment the following year are as follows:

Actuarial present value of promised retirement benefits (Note 21)
Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on Fund assets. A firm of consulting actuaries, Barnett Waddingham LLP, is engaged to provide the Fund with expert advice about the assumptions to be applied.

If actual results differ from key assumptions:
- a 0.1% p.a. increase in the discount rate would reduce future pension liabilities by c. £200m
- a 0.5% p.a. increase in earnings inflation would increase future pension benefits by c. £180m
- a 0.25% p.a. increase in long-term rate of mortality improvement would increase future pension benefits by c. £170m.

Private equity investments (Note 17)
Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (December 2018). Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

Private equity investments are valued at £138m in the financial statements. There is a risk that this investment may be under- or overstated in the accounts by up to 15% i.e. an increase or decrease of £21m.

Freehold, leasehold property and pooled property funds (Note 17)
Valuation techniques are used to determine the carrying values of directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data, otherwise the best available data is used.

Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property-based investments by up to 15% i.e. an increase or decrease of £32m on carrying values of £212m.

NOTE 6. EVENTS AFTER THE REPORTING DATE

There are events, both favourable and unfavourable, that can occur between the end of the reporting period and the date when the financial statements are authorised for issue. There are events that provide additional information about conditions that existed at the end of the reporting period (adjusting events), and events that occur after the reporting period (non-adjusting events). No events after the reporting date have been identified.

NOTE 7. CONTRIBUTIONS RECEIVABLE

By category:

2023/24		2024/25
£'000	**Employer contributions**	**£'000**
103,624	Contributions re future service costs	108,094
16,819	Contributions re past service costs (deficit recovery)	18,676
261	Voluntary additional contributions	-
1,275	Augmentation cost of early retirements	5,908
-	Exit payments from employers	5,570
-	Exit credits to employers	-
121,979	**Total employer contributions**	**138,248**
34,887	**Member contributions**	**36,372**
156,866	**Total contributions receivable**	**174,620**

By type of employer:

2023/24		2024/25
£'000		**£'000**
49,016	Administering authority	51,567
103,070	Other scheduled bodies	113,540
4,780	Admitted bodies	9,513
156,866	**Total contributions receivable**	**174,620**

NOTE 8. TRANSFERS IN FROM OTHER PENSION FUNDS

2023/24		2024/25
£'000		**£'000**
15,587	Individual transfers from other pension funds	22,896
-	Group transfers from other pension funds	-
284	AVC to purchase scheme benefits	55
15,871		**22,951**

NOTE 9. BENEFITS PAYABLE

By type of employer:

2023/24		2024/25
£'000		£'000
54,019	Administering authority	59,473
92,525	Other scheduled bodies	108,371
12,736	Admitted bodies	13,986
159,280	**Total benefits payable**	**181,830**

NOTE 10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2023/24		2024/25
£'000		£'000
502	Refunds to members leaving service	508
-	Group transfers to other pension funds	8,431
12,420	Individual transfers to other pension funds	18,692
12,922		**27,631**

NOTE 11. MANAGEMENT EXPENSES

The table below shows a breakdown of the management expenses incurred during the year.

2023/24		2024/25
£'000		£'000
2,338	Administrative expenses	2,726
571	Oversight and governance costs	610
18,046	Investment management expenses	18,868
20,955	**Total management expenses**	**22,204**

The scale fee for the 2024/25 external audit is £93,992 and is included in oversight and governance costs above.

Investment management expenses consisted of:

2023/24		2024/25
£'000		£'000
15,385	Investment management fees	15,699
320	Performance related fees	32
23	Custody fees	21
1,457	Transaction costs	1,758
861	Other fees and costs	1,358
18,046	**Total investment management expenses**	**18,868**

Transaction costs associated with pooled investment vehicles are taken into account in calculating the bid/offer spread of these investments and are therefore embedded within the purchase and sales costs and not separately identifiable. All other transaction costs have been charged to the fund account.

The following table summarises investment management expenses by asset class:

2023/24 £'000		2024/25 £'000
13,517	Pooled investments	15,294
61	Pooled property investments	-
3,744	Private Equity	2,873
663	Property	516
38	Derivatives (FX contracts)	164
23	Custody Costs	21
18,046	**Total investment management expenses**	**18,868**

NOTE 12. INVESTMENT INCOME

2023/24 £'000		2024/25 £'000
6	Equities	6
1,617	Pooled Investments	3,433
2,067	Pooled Property Investments	2,427
11,406	Direct Property	11,824
84	Private Equity	214
3,065	Interest from Cash Deposits	3,413
1	Other Income	0
1	Class Action Income	-
268	Fee Rebate Income	620
18,514	**Total Investment Income**	**21,937**

NOTE 13. LONG TERM INVESTMENTS

In response to the requirements of the investment regulations for LGPS funds to pool investment assets, Brunel Pension Partnership Ltd (Brunel) has been formed to oversee the investment assets for the Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire LGPS funds.

Each of the ten funds own an equal share of Brunel, with share capital invested by each fund at a cost of £840k. The value of each fund's shareholding based on Brunel's most recently audited accounts was £750k (£722k at 31 March 2024).

NOTE 14. INVESTMENT ASSETS

31 March 2024			31 March 2025	
Market Value		Description / Investment Manager	Market Value	
%	£'000		£'000	%
0.00%	**77**	**Equities**	**60**	**0.00%**
	77	Investec	60	
3.50%	**138,390**	**Private Equity**	**137,149**	**3.40%**
	63,088	HarbourVest	56,205	
	13,928	Patria	8,029	
	12,569	Capital Dynamics Global Secondary Fund V	11,365	
	12,217	Neuberger Berman Private Equity Impact Fund	14,002	
	14,528	Neuberger Berman SCIOP IV	16,603	
	3,625	Neuberger Berman Clifton Fund III	11,039	
	5,993	Ardian LBO Fund	5,394	
	4,373	Vespa Capital III	5,519	
	2,514	Summit Eur Growth EQ III SCSP LP	2,760	
	5,555	Alpinvest Secondaries Fund VII Limited Partnership	4,886	
	-	Neuberger Berman Clifton Private Equity IV	1,345	
6.00%	**235,645**	**Property (directly owned)**	**211,980**	**5.20%**
	235,645	CBRE Global Investors	211,980	
		Pooled Investment Vehicles:		
6.50%	**256,367**	**Bonds**	**267,053**	**6.60%**
	256,367	Royal London Mutual Insurance Mutual Fund	267,053	
8.70%	**339,906**	**UK Equities - Quoted**	**436,080**	**10.70%**
	135,774	LGIM UK Equity Index (passive)	212,237	
	204,132	Brunel UK Equities	223,843	
50.30%	**1,973,886**	**Global Equities - Quoted**	**1,979,734**	**48.60%**
	348,876	LGIM Smart Beta Fund	373,355	
	243,048	LGIM World Developed Equities Index Fund	229,038	
	267,710	LGIM Paris Aligned Benchmark Developed Equities	-	
	325,323	Brunel Global High Alpha Equities	270,952	
	147,803	Brunel Emerging Markets Equities	157,228	
	393,596	Brunel Global Sustainable Equities	383,022	
	247,530	Brunel Smaller Companies Equities	262,841	
	-	Brunel Low Volatility	303,298	
6.90%	**269,755**	**Multi Asset Credit (MAC)**	**292,439**	**7.20%**
	56,299	CQS Global Funds Mutual Fund	61,883	
	55,083	Oaktree (LUX) III SA SICAV Mutual Fund	60,013	
	158,373	Neuberger Berman Investment Mutual Fund	170,543	
1.80%	**71,574**	**Property Funds**	**73,026**	**1.80%**
	23	Lend Lease Retail Partnership	-	
	3,444	Standard Life UK Shopping Centre Trust	2,290	
	13,917	CBRE UK Long Income Property Fund	13,912	
	26,809	Aberdeen Standard Long Lease Property Fund	28,030	
	27,381	M&G Secured Income Property Fund	28,794	
6.70%	**262,203**	**Diversified Returns Funds**	**270,705**	**6.70%**
	262,203	Brunel Diversifying Returns Fund	270,705	
7.40%	**290,476**	**Infrastructure**	**312,725**	**7.70%**
	83,652	Hermes GPE Infrastructure Funds	77,642	
	161,422	IFM Global Infrastructure Fund	171,151	
	24,479	Greencoats Renewable Income Infrastructure Fund	27,435	
	20,923	STEPSTONE B III	36,497	
88.30%	**3,464,168**	**Total - Pooled Investments**	**3,631,761**	**89.30%**

31 March 2024			31 March 2025	
Market Value		Description / Investment Manager	Market Value	
2.10%	81,929	Cash & Cash Equivalents	88,239	2.20%
0.00%	528	Derivatives	782	0.00%
0.00%	729	Investment Receivables	582	0.00%
100.00%	3,921,466	Total Investment Assets	4,070,553	100.00%

Any single investments exceeding 5% of total net assets are in pooled investment vehicles made up of underlying investments each of which represent substantially less than 5% of total net assets.

Investment assets under the management of Brunel Pension Partnership are valued at £3,440m at 31 March 2025 (£3,263m at 31 March 2024).

The pension fund's investment portfolio includes a number of directly owned properties that are leased commercially to various tenants. The future minimum lease payments receivable are as follows:

31 March 2024 £'000		31 March 2025 £'000
11,139	Within one year	13,422
44,554	Between one and five years	41,927
48,516	Later than five years	43,730
104,209	**Total future lease payments due under existing contracts**	**99,080**

NOTE 15. RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

The following tables summarise details of purchases, sales and changes in the market valuation of investments in the fund during the financial year and prior year.

2024-25	Value 1 April 2024 £'000	Purch's & Derivative payments £'000	Sales & Derivative receipts £'000	Change in market value £'000	Value 31 March 2025 £'000
Long Term Investments	722	-	-	28	750
Equities	77	-	-	(17)	60
Pooled Investment Vehicles	3,464,168	420,731	(417,196)	164,058	3,631,761
Private Equity	138,390	14,478	(20,827)	5,108	137,149
Property	235,645	716	(23,966)	(415)	211,980
Total Securities	**3,839,002**	**435,925**	**(461,989)**	**168,762**	**3,981,700**
Forward Foreign Exchange	(2,824)	-	-	3,606	**782**
Total Securities and Derivatives	**3,836,178**	**435,925**	**(461,989)**	**172,368**	**3,982,482**
Other Investment Balances:					
Cash & cash equivalents*	81,929			5,448	**88,239**
Other investment assets	729			(6)	**582**
Other investment liabilities	-			-	-
Total Net Investments	**3,918,836**			**177,810**	**4,071,303**

2023-24	Value 1 April 2023 £'000	Purch's & Derivative payments £'000	Sales & Derivative receipts £'000	Change in market value £'000	Value 31 March 2024 £'000
Long Term Investments	707	-	-	15	722
Equities	72	267,479	(267,460)	(14)	77
Pooled Investment Vehicles	3,069,686	428,269	(424,943)	391,156	3,464,168
Private Equity	135,849	17,624	(16,939)	1,856	138,390
Property	245,859	2,281	(6,131)	(6,364)	235,645
Total Securities	**3,452,173**	**715,653**	**(715,473)**	**386,649**	**3,839,002**
Forward Foreign Exchange	7,086	-	-	(9,910)	**(2,824)**
Total Securities and Derivatives	**3,459,259**	**715,653**	**(715,473)**	**376,739**	**3,836,178**
Other Investment Balances:					
Cash & cash equivalents*	58,035			22,850	**81,929**
Other investment assets	768			(14)	**729**
Other investment liabilities	-			-	-
Total Net Investments	**3,518,062**			**399,575**	**3,918,836**

The closing value of securities and derivatives equals the opening value plus purchases and derivative payments, less sales and derivative receipts, plus increases (or less decreases) in market value over the period. The value of other investment balances will change with cashflows over the year and therefore closing values do not 'cast' from opening values in the same way as for securities and derivatives.

*The change in market value shown for cash and cash equivalents is the net increase/(decrease) in cash balances resulting from the realised profits or losses on forward foreign currency contracts during the period.

NOTE 16. ANALYSIS OF DERIVATIVES

The Fund's holdings in derivatives are to hedge liabilities or hedge exposures to reduce risk. To maintain appropriate diversification a significant proportion of the Fund's equity portfolio is in overseas stock. To reduce the volatility associated with fluctuating currency rates, the Fund hedges 50% of the US Dollar, Euro and Japanese Yen exposure within its global equities investments. As at 31 March, the Fund held the following open forward currency contracts.

Settlement	Currency Bought	Local Value 000s	Currency Sold	Local Value 000s	Asset Value £'000	Liability Value £'000
2-6 months	GBP	36,936	EUR	43,722	185	(0.3)
2-6 months	GBP	34,747	JPY	6,557,632	478	(0)
2-6 months	GBP	329,365	USD	424,943	119	0
2-6 months	USD	11,230	GBP	8,701	0	0
Open Forward Currency Contracts at 31 March 2025					**782.1**	**(0.3)**
Net Forward Currency Contracts at 31 March 2025						**781.8**

Settlement	Currency Bought	Local Value 000s	Currency Sold	Local Value 000s	Asset Value £'000	Liability Value £'000
2-6 months	GBP	37,400	EUR	43,604	17	-
2-6 months	GBP	35,447	JPY	6,601,821	510	(1)
2-6 months	GBP	304,776	USD	389,409	0	(3,351)
Open Forward Currency Contracts at 31 March 2024					**527.7**	**(3,351.9)**
Net Forward Currency Contracts at 31 March 2024						**(2,824.1)**

NOTE 17. FAIR VALUE OF INVESTMENT ASSETS

All investment assets have been valued using fair value techniques based on the characteristics of each asset class. Asset valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values, as follows:

- **Level 1**: where fair values are derived form unadjusted quoted prices in active markets for identical assets;
- **Level 2**: where quoted market prices are not available, for example, where an asset is traded in a market that is not considered to be active, but where valuation techniques are based significantly on observable market data;
- **Level 3**: where at least one input that could have a significant effect on the asset's valuation is not based on observable market data.

During the year ended 31 March 2025 there were no transfers between levels 1, 2 or 3 of the fair value hierarchy.

The basis of the valuation of each class of investment asset is summarised below.

Description of Asset		Basis of Valuation	Key Inputs	Key Sensitivities
Level 1:				
	Market quoted investments	Published bid market price ruling on the final day of the accounting period.	Not required.	Not required.
	Exchange traded pooled investments	Published exchange prices at the reporting date.	Not required.	Not required.
	Cash and cash equivalents	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments.	Not required.	Not required.
Level 2:				
	Pooled investments - unit trusts etc.	Closing bid price where bid and offer prices are published or closing single price where single price only is published.	Net Asset Value (NAV) based pricing set on a forward pricing basis.	Not required.
Level 3:				
	Freehold and leasehold properties	Valued at fair value at the reporting date by Savills, acting as independent valuers and in accordance with current RICS Valuation Standards.	Existing lease terms and rentals, independent market research, nature of tenancies, covenant strength for existing tenants, assumed vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market prices.
	Unquoted equity	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2018).	Earnings (EBITDA) and revenue multiples, discount for lack of marketability, control premium.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's reporting date, changes to expected cashflows, differences between audited and unaudited accounts.

Level 3:				
	Property funds (where regular trading does not take place)	Underlying assets valued at fair value at the reporting date by each fund's valuers in accordance with current RICS Valuation Standards, taking account of other financial assets and liabilities within the fund structure.	Existing lease terms and rentals, independent market research, nature of tenancies, covenant strength for existing tenants, assumed vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market prices.

Sensitivity of assets valued at Level 3

The Fund has determined that the valuation methods described above are likely to be accurate within the following ranges, and has set out below the consequent potential impact on the closing values of investments held at 31 March 2025.

	Valuation range % (+/-)	Value at 31 March 2025 £'000	Value on Increase £'000 £'000	Value on Decrease £'000 £'000
Pooled Investment Vehicles	15.00%	353,372	406,378	300,366
Private Equity	15.00%	137,149	157,721	116,577
Property	15.00%	211,980	243,777	180,183
Total		**702,501**	**807,876**	**597,126**

	Valuation range % (+/-)	Value at 31 March 2024 £'000	Value on Increase £'000 £'000	Value on Decrease £'000 £'000
Pooled Investment Vehicles	15.00%	326,987	376,035	277,939
Private Equity	15.00%	138,390	159,149	117,632
Property	15.00%	235,645	270,992	200,298
Total		**701,022**	**806,176**	**595,869**

The following tables provides an analysis of the Fund's assets and liabilities by fair value hierarchy.

31 March 2025	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets at fair value through profit and loss				
Equities	60	-	-	60
Pooled investments	-	3,278,389	280,346	3,558,735
Pooled property investments	-	-	73,026	73,026
Private equity	-	-	137,149	137,149
Derivative contracts	-	782	-	782
Sub-total	**60**	**3,279,171**	**490,521**	**3,769,752**
Non financial assets at fair value through profit and loss				
Property	-	-	211,980	211,980
Financial liabilities at fair value through profit and loss				
Derivative contracts	-	-	-	-
Total	**60**	**3,279,171**	**702,501**	**3,981,732**

31 March 2024	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss				
Equities	77	-	-	77
Pooled investments	-	3,137,181	255,413	3,392,594
Pooled property investments	-	-	71,574	71,574
Private equity	-	-	138,390	138,390
Derivative contracts	-	528	-	528
Sub-total	**77**	**3,137,709**	**465,377**	**3,603,163**
Non financial assets at fair value through profit and loss				
Property	-	-	235,645	235,645
Financial liabilities at fair value through profit and loss				
Derivative contracts	-	(3,352)	-	(3,352)
Total	**77**	**3,134,357**	**701,022**	**3,835,456**

The following table provides a reconciliation of fair value measurements within Level 3.

	Pooled Investment £'000	Private Equity £'000	Property £'000	Total £'000
Opening value at 1 April 2024	**326,987**	**138,390**	**235,645**	**701,022**
Purchases and derivative payments	21,731	14,478	716	36,925
Sales and derivative receipts	(2,673)	(20,827)	(23,966)	(47,466)
Unrealised gains and losses	12,706	(8,289)	(415)	4,002
Realised gains and losses	(5,379)	13,397	-	8,018
Closing value at 31 March 2025	**353,372**	**137,149**	**211,980**	**702,501**

	Pooled Investment £'000	Private Equity £'000	Property £'000	Total £'000
Opening value at 1 April 2023	**333,082**	**135,849**	**245,859**	**714,790**
Purchases and derivative payments	67,927	17,624	2,281	87,832
Sales and derivative receipts	(69,622)	(16,939)	(6,131)	(92,692)
Unrealised gains and losses	(3,176)	(8,289)	(6,364)	(17,829)
Realised gains and losses	(1,224)	10,145	-	8,921
Closing value at 31 March 2024	**326,987**	**138,390**	**235,645**	**701,022**

NOTE 18. CLASSIFICATION OF FINANCIAL INSTRUMENTS

As at 31 March 2025	Fair value through profit and loss	Assets at amortised cost	Liabilities at fair value through profit & loss	Liabilities at amortised cost
	£'000	£'000	£'000	£'000
Financial assets				
Long term investments	750			
Equities	60	-		
Pooled investments	3,558,735	-		
Pooled property investments	73,026	-		
Private equity	137,149	-		
Derivative contracts	782	-		
Cash and cash equivalents	-	88,239		
Other investment balances	-	582		
Debtors	-	4,284		
Total	**3,770,502**	**93,105**		
Financial liabilities				
Derivative contracts			-	
Other investment balances				-
Sundry creditors				8,195
Total			**-**	**8,195**

As at 31 March 2024	Fair value through profit and loss	Assets at amortised cost	Liabilities at fair value through profit & loss	Liabilities at amortised cost
	£'000	£'000	£'000	£'000
Financial assets				
Long term investments	722			
Equities	77	-		
Pooled investments	3,392,594	-		
Pooled property investments	71,574	-		
Private equity	138,390	-		
Derivative contracts	528	-		
Cash and cash equivalents	-	81,929		
Other investment balances	-	729		
Debtors	-	1,341		
Total	**3,603,885**	**83,999**		
Financial liabilities				
Derivative contracts			3,352	
Other investment balances				-
Sundry creditors				12,097
Total			**3,352**	**12,097**

NOTE 18A. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

All realised gains and losses arise from the sale or disposal of financial assets that have been derecognised in the financial statements. The Fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

2023/24		2024/25
£'000		£'000
	Financial assets	
383,103	Fair value through profit and loss	175,063
	Financial liabilities	
	Fair value through profit and loss	
383,103	**Total**	**175,063**

NOTE 19. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunities for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, interest rate risk and currency risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet its forecast cash flows.

Responsibility for the Fund's risk management strategy rests with the Committee. The Committee receives regular reports from all investment managers and from its Independent Investment Adviser on the nature of the investments made and their associated risks.

(a) Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of asset classes, geographical and industry sectors, and individual securities. Exposure to specific markets and asset classes is limited by applying strategic targets to asset allocation, which are agreed and monitored by the Committee.

(a) (i) Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or factors affecting all such instruments in the market. The Fund's investment managers mitigate this risk through diversification in line with their own investment strategies.

The following table demonstrates the change in the net assets available to pay benefits if the market price for each class of investment had increased or decreased by 15%, excluding cash and other investment assets.

As at 31 March 2025	Value £'000	Change %	Increase £'000	Decrease £'000
Equities	60	15.00%	9	(9)
Pooled Investment Vehicles	3,631,761	15.00%	544,764	(544,764)
Private Equity	137,149	15.00%	20,572	(20,572)
Property	211,980	15.00%	31,797	(31,797)
Cash & cash equivalents	88,239	0.00%	-	-
Derivatives	782	15.00%	117	(117)
Other investment assets	582	0.00%	-	-
Total	**4,070,553**	**14.67%**	**597,259**	**(597,259)**

As at 31 March 2024	Value £'000	Change %	Increase £'000	Decrease £'000
Equities	77	15.00%	12	(12)
Pooled Investment Vehicles	3,464,168	15.00%	519,625	(519,625)
Private Equity	138,390	15.00%	20,759	(20,759)
Property	235,645	15.00%	35,347	(35,347)
Cash & cash equivalents	81,929	0.00%	-	-
Derivatives	528	15.00%	79	(79)
Other investment assets	729	0.00%	-	-
Total	**3,921,466**	**14.68%**	**575,822**	**(575,822)**

(a) (ii) Interest Rate Risk
Interest rates can vary and can affect both income the Fund and the value of Fund assets, both of which affect the value of net assets available to pay benefits. The Fund's exposure to interest rate movements on those investments at 31 March 2025 and 2024 are provided below, based on underlying financial assets at fair value.

This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of an increase or decrease of 1% (100 basis points) in interest rates.

The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalents but they will affect the interest received on those balances.

As at 31 March 2025	Market Value £'000	Impact of 1% Rate Decrease £'000	Increase £'000
Cash & cash equivalents	88,239	-	-
Assets held in pooled investment vehicles:			
Bonds	267,053	15,342	15,342
Multi Asset Credit (MAC)	292,439	7,086	(7,086)
Total	**647,730**	**22,428**	**8,256**

As at 31 March 2024	Market Value £'000	Impact of 1% Rate Decrease £'000	Increase £'000
Cash & cash equivalents	81,929	-	-
Assets held in pooled investment vehicles:			
Bonds	256,367	14,833	(14,833)
Multi Asset Credit (MAC)	269,755	6,818	(6,818)
Total	**608,051**	**21,651**	**(21,651)**

(a) (iii) Currency Risk
Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling (GBP).

To mitigate the effect of movements in foreign exchange rates against its overseas equities investments, the Fund has in place a 50% passive currency hedge against the three major currencies, the US Dollar, the Euro and the Japanese Yen, and 50% of its holdings in the LGIM Passive Developed Equites and Smart Beta funds are in hedged units.

Following analysis of historical data, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than +/- 15% in total. The following summarises the Fund's exposure to currency exchange rate movements on its investments net of these hedges.

As at 31 March 2025	Total Exposure	Unhedged Exposure	Potential Movement
	£'000	£'000	£'000
Equities	60	30	4
Pooled Investment Vehicles	2,714,029	1,802,776	270,416
Private Equity	137,149	137,149	20,572
Total	**2,851,237**	**1,939,954**	**290,993**

As at 31 March 2024	Total Exposure	Unhedged Exposure	Potential Movement
	£'000	£'000	£'000
Equities	77	39	6
Pooled Investment Vehicles	2,667,267	1,754,225	263,134
Private Equity	138,390	138,390	20,759
Total	**2,805,734**	**1,892,654**	**283,898**

(b) Credit Risk

Credit risk represents the risk that the counterparty to a financial transaction will fail to discharge an obligation and cause the Fund to incur a financial loss. The selection of high quality counterparties, brokers and financial institutions minimises credit risk and the market values of investments generally reflect an assessment of credit risk.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Fund’s credit criteria. The Fund also sets limits as to the maximum percentage of deposits placed with any one individual institution. In addition, the Fund invests in low volatility money market funds, all of which have a AAA rating from the leading credit rating agencies.

The table below summarises the Fund's exposure to credit risk at 31 March 2025 and 31 March 2024.

Investment	31 March 2025 £'000	31 March 2024 £'000
Cash and Cash Equivalents	88,239	81,929
Assets held in pooled investment vehicles:		
Bonds	267,053	256,367
Multi Asset Credit (MAC)	292,439	269,755
Total	**647,730**	**608,051**

(c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. Such risks are mitigated by maintaining a detailed cashflow model and taking appropriate steps to ensure that there is adequate cash available to meet liabilities as they fall due.

The Fund has immediate access to its cash holdings and defines liquid assets as assets that can be converted to cash within three months’ notice, subject to normal market conditions. As at 31 March 2025, liquid assets were £3,368m representing 82% of total net assets (£3,220m at 31 March 2024 representing 82% of total net assets at that date).

NOTE 20. FUNDING ARRANGEMENTS

In accordance with the LGPS Regulations, the Fund's actuary, Barnett Waddingham LLP, undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The most recent such valuation took place as at 31 March 2022, setting employer contribution rates for the period 1 April 2023 to 31 March 2026.

The next valuation is taking place as at 31 March 2025 and will set employer contribution rates for the period 1 April 2026 to 31 March 2029.

The key elements of the funding policy are:

- to ensure that the long-term solvency of the Fund i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- to ensure that employer contribution rates are as stable as possible;
- to minimise the long term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- to reflect the different characteristics of employing bodies in determining contribution rates where it is reasonable to do so; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the council taxpayer from an employer defaulting on its pension obligations.

Contribution rates for the year ending 31 March 2025 were set at the valuation calculated as at 31 March 2022. The common contribution rates set at the 2022 valuation for the three-year period ending 31 March 2026 are as follows.

	2023/24	2024/25	2025/26
Primary rate (future service contributions)	19.10%	19.10%	19.10%
Secondary rate (deficit recovery contributions)	3.10%	3.30%	3.40%
Total employer contributions	**22.20%**	**22.40%**	**22.50%**

The contribution rates paid by each employer, in addition to those paid by members of the scheme, are set to be sufficient to meet the liabilities that build up each year within the Fund in respect of the benefits earned by each employer's active members of the Fund during the year plus an amount to reflect each participating employer's share of the value of the Fund's assets compared with the liabilities that have already accrued at the valuation date. Each employer pays an individual rate of contributions to reflect its own particular circumstances and funding position within the Fund. The contribution rates were calculated using the projected unit method taking account of market conditions at the valuation date.

At the 2022 actuarial valuation, the Fund was assessed as 96% funded (92% at the 2019 valuation) with a deficit recovery period of no more than 16 years (19 years at the 2019 valuation). The key assumptions applied by the actuary for the 2022 and 2019 valuations are summarised below. To be consistent with the market value of assets, the liabilities were valued allowing for expected future investment returns and increases to benefits as determined by market levels at the valuation date.

	Valuation 2019	Valuation 2022
Annual rate of return on investments (discount rate)	5.00%	4.90%
Annual rate of increases in pay (long term)	3.60%	4.00%
Annual rate of inflation (CPI)	2.60%	3.00%

NOTE 21. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary, Barnett Waddingham LLP, also undertakes a valuation of the Fund's liabilities on an IAS 19 basis every year using the same base data as the funding valuation rolled forward to the current financial year but taking account of changes in membership numbers and updating assumptions to the current year. This annual valuation is not carried out on the same basis as that used for setting employer contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

This valuation as at 31 March 2025 is set out in Appendix D to these financial statements.

NOTE 22. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC)

The Council administers an in-house AVC Scheme with two designated providers, Prudential Plc and Utmost Life and Pensions Limited (formerly Equitable Life). The amounts contributed to AVC plans by employees who are members of the pension scheme do not form any part of, and are not included in, the Fund accounts.

Each employer in the Fund is responsible for collecting from their own employees and paying to the AVC provider those contributions due on AVC plans. Dorset Council, in its capacity as a scheme employer, deducted and paid to the AVC providers a total of £1,714k in 2024/25 (£1,352k in 2023/24).

The market value of the separately invested additional voluntary contributions as at 31 March 2025 was £9,551k (£8,855k as at 1 April 2024).

NOTE 23. RELATED PARTY TRANSACTIONS

Related party issues arise primarily from the fact that the Council is the administering authority for the Fund. The Council also has various operational, contractual and financial dealings with a number of scheduled and admitted bodies of the Fund, however, these activities do not relate to the Council's role as administering authority for the Fund.

The Council remits monthly contributions to the Fund in arrears, and total contributions for the year were £48m. £3.6m of this related to March 2025 contributions and was accrued as at 31 March 2025. Management and administration costs of £2.6m were incurred by the Council and recharged to the Fund in 2024/25. In addition, at any given time there may be amounts which have been paid or received by both the Council or the Fund where indebtedness arises between the two. These can arise due to operational necessity or where single transactions have elements relating to both the Council and the Fund and are settled on a regular basis.

Senior officers of the Council are members of the Fund as employee contributors. As at 31 March 2025, no members of the Committee were contributing members of the Fund. The key management personnel of the Fund are the members of the Committee, the Council's Chief Financial Officer (who is the Fund Administrator) and the Deputy Chief Financial Officer. The £2.6m recharge from the Council includes a charge of £22k for the Deputy Chief Financial Officer's time spent working for the Fund. The £22k charge is categorised as a short-term employee benefit.

NOTE 24. CONTINGENT ASSETS, LIABILITIES AND CONTRACTUAL COMMITMENTS

Recovery of withholding tax
The Fund is continuing the process required to recover withholding tax from various EU investments following rulings requiring equal treatment for all EU investors. These claims will be retrospective and will cover a varying number of years depending on the domicile. Neither the amount nor the expected time of settlement are known so consequently the financial statements as at 31 March 2025 do not reflect any potential recovery of tax.

Commitments to private markets' portfolios
Outstanding capital commitments (investments) at 31 March 2025 were approximately £135m. These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the pension fund. The amounts ‘called’ by these funds are irregular in both size and timing over a number of years from the date of each original commitment.

Grant Thornton

The Audit Plan for Dorset Pension Fund

Year ending 31 March 2025

April 2025

Contents

01 Key developments impacting our audit approach

Local Audit Reform

External factors

Proposals for an overhaul of the local audit system

On 18 December 2024, the Minister of State for Local Government and English Devolution, Jim McMahon OBE, wrote to local authority leaders and local audit firms to announce the launch of a strategy to overhaul the local audit system in England. The proposals were also laid in Parliament via a Written Ministerial Statement.

The government's strategy paper sets out its intention to streamline and simplify the local audit system, bringing as many audit functions as possible into one place and also offering insights drawn from audits. A new Local Audit Office will be established, with responsibilities for:

- coordinating the system – including leading the local audit system and championing auditors' statutory reporting powers;
- contract management, procurement, commissioning and appointment of auditors to all eligible bodies;
- setting the Code of Audit Practice;
- oversight of the quality regulatory framework (inspection, enforcement and supervision) and professional bodies; and
- reporting, insights and guidance including the collation of reports made by auditors, national insights of local audit issues and guidance on the eligibility of auditors.

The Minister also advised that, building on the recommendations of Redmond, Kingman and others, the government will ensure the core underpinnings of the local audit system are fit for purpose. The strategy therefore includes a range of other measures, including:

- setting out the vision and key principles for the local audit system;
- committing to a review of the purpose and users of local accounts and audit and ensuring local accounts are fit for purpose, proportionate and relevant to account users;
- enhancing capacity and capability in the sector;
- strengthening relationships at all levels between local bodies and auditors to aid early warning system; and
- increased focus on the support auditors and local bodies need to rebuild assurance following the clearing of the local audit backlog.

Our Response

Grant Thornton welcomes the proposals, which we believe are much needed, and are essential to restore trust and credibility to the sector. For our part, we are proud to have signed 83% of our 2022/23 local government audit opinions without having to apply the local authority backstop. This compares with an average of less than 30% sign off for other firms in the market. We will be keen to work with the Ministry of Housing, Communities and Local Government (MHCLG), with existing sector leaders and with the Local Audit Office as it is established to support a smooth transition to the new arrangements.

Our 2023/24 audit opinion was disclaimed due to a lack of assurance on opening balances as at 1 April 2023, arising as a result of the 2022/23 backstop disclaimer opinion issued by the Pension Fund's predecessor external auditors. If our current year audit progresses as planned, we would expect to be issuing an 'except for' qualification in respect of the comparative information contained within the 2024/25 financial statements and then an unqualified opinion in 2025/26.

Key developments impacting our audit approach

National Context

Administration and Governance

The total membership of the LGPS was 6.7 million people. Of this number around one third are active employees who still contribute to the scheme. 71.1% (4.8 million) of all the members of the LGPS are covered by local authorities and other connected bodies, though local authorities and connected bodies represent only 16.5% of employers (with 3,478 employers). In total, there were 21,131 employers covered by the Local Government Pension Scheme at the end of March 2024.

In respect of administration and governance some key matters impacting 2024/25:

- The Pension Regulator's (TPR) General Code of Practice came into effect on 28 March 2024. It replaces Code of Practice 14 for public service pension schemes and brings together ten previous codes into one. 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.
- The Pensions Dashboards Regulations 2022 set out in law the connection to the ecosystem and that maintenance of connection is a legal requirement, it also sets out that schemes must connect to the ecosystem by the 'connection deadline' 31 October 2026. To avoid placing undue strain on all parties facilitating connection, the Department for Work & Pensions (DWP) published guidance confirming that public service pension schemes should 'connect by' 31 October 2025.
- The regulations implementing the McCloud remedy took effect from 1 October 2023. Statutory Guidance was published in June 2024 and pension funds have, for most members, the period up until a fund's annual benefit statements for 2024/25 are issued to complete implementation i.e. by the end of August 2025.

In planning our audit, we have taken account of this national context in designing a local audit programme which is tailored to your risks and circumstances.

Local Context

The Fund has continued to work through the processes for connecting to the Pensions Dashboard ecosystem and plans to meet the October 2025 deadline.

The Fund has continued to implement the McCloud remedy; however, they have encountered issues with their software provider. As at March 2025, the Fund is compliant with most BAU tasks, but they do not have the software to carry out the rectification work. It is therefore unlikely that the Fund will meet all the rectification requirements by 31 August 2025. The Fund's actuary are able to work with the data available and extract necessary information to account for McCloud Regulation in this year's valuation.

The Fund and Local Pension Board are reviewing the TPR's General Code of Practice to identify if there are any gaps or improvements required in current arrangements.

Key developments impacting our audit approach (continued)

National and International Context

Investments and Funding

Triennial valuations for local government pension funds as at 31 March 2022 (the 2022 valuation) were published in March 2023. These valuations, provide updated information regarding the funding position of local government pension funds and set employer contribution rates for the period 2023/24 – 2025/26. In August 2024 the Government Actuary's Department (GAD) published its Section 13 report analysing the outcomes of the valuations. GAD noted that funding levels have improved since 2019, however not all funds were in a surplus after the 2022 valuation, with 26 out of 87 being in deficit. In addition, there continues to be considerable variation between funds, with the highest funding level at 154% and the lowest funding level at 67%. This is a wider range than previously reported in the 2019 valuation. The average primary contribution rate to cover future benefit accruals has increased from 18.6% to 19.8% following the 2022 valuations.

At the end of March 2024, the market value of LGPS funds was £391.5 billion, an increase of 9.0% compared to the end of March 2023. Total LGPS income in England and Wales in 2023-24 was £20.7 billion with expenditure of £17.1 billion.

The Fund will be entering the 2025 valuation (as at 31 March 2025) process this calendar year. The valuation will set employer contribution rates for 1 April 2026 through to 31 March 2029. The national and international economic context continue to present challenges for pension funds with a consequential impact on the investments held by pension funds and therefore investment performance and setting stable, affordable contributions for employers will be key factors.

In July 2024 the government launched a Pensions Review of workplace defined contribution pensions schemes and the Local Government Pension Scheme in England and Wales (LGPS). The focus of the review for the LGPS is to look at how tackling fragmentation and inefficiency can unlock the investment potential of the scheme, including through further consolidation. This review, Fit for the future, is being led by the Ministry of Housing, Communities and Local Government (MHCLG). Consultation on the Government's proposals sought views in three key areas; reforming the LGPS asset pools, boosting LGPS investment in their localities and regions in the UK, and strengthening the governance of both LGPS AAs and LGPS pools. The consultation closed in January 2025 and outcomes from it are now awaited.

In planning our audit, we have taken account of this national and international context in designing a local audit programme which is tailored to your risks and circumstances.

Local Context

For Dorset Pension Fund, the 2022 triennial valuation was undertaken by Barnett Waddingham, and showed that the Fund had assets sufficient to cover 96% of the accrued liabilities as at 31 March 2022, which has increased from 92% at the 2019 valuation.

We expect requests to be received from employer body auditors to undertake work on the accuracy and completeness of the information provided to the actuary as part of the 2025 valuation process. If these are received, then this will be additional work outside the normal course of our audit work and will be the subject of additional fees/fee variations. We will discuss the scope and timing of this work with the Fund should it arise before responding to such requests.

The Pension Fund has reviewed its strategy to environmental, social and governance issues (including climate related matters). It has agreed to a strategy of decarbonisation meaning a reduction in allocations of investments to companies which are high carbon emitters and looking to influence the demand for fossil fuels, and their financing, not just their supply.

The Fund provided a response to the government's consultation in January 2025. It has been agreed with the chair and vice-chair of the Committee and the Committee's representative on the Brunel Oversight Board.

There is an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to ongoing financial pressures. We are required to identify a significant risk in relation to management override of controls.

Key developments impacting our audit approach (continued)

Our commitments

- As a firm, we are absolutely committed to audit quality and financial reporting in local government and local government pension schemes. Our proposed work and fee, as set out further in this Audit Plan, has been agreed with the Executive Director (Section 151 Officer).
- To ensure close work with audited bodies and an efficient audit process, our preference as a firm is either for our UK based staff to work on site with you and your staff or to develop a hybrid approach of on-site and remote working. Please confirm in writing if this is acceptable to you, and that your staff will make themselves available to our audit team. This is also in compliance with our delivery commitments in our contract with PSAA.
- We would like to offer a formal meeting with the Section 151 Officer quarterly as part of our commitment to keep you fully informed on the progress of the audit
- At an appropriate point within the audit, we would also like to:
  - meet informally with the Chair of your Audit and Governance Committee, to brief them on the status and progress of the audit work to date; and
  - in line with best practice, offer to meet in private with the full Audit and Governance Committee.
- We will continue to provide you and your Audit and Governance Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit and Governance Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation , discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector.

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02 Introduction and Headlines

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Dorset Pension Fund ('the Fund') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued the Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Fund. We draw your attention to these documents in the links below.

- Terms of Appointment from 2023/24 - PSAA
- Statement of responsibilities of auditors and audited bodies from 2023/24 audits - PSAA

Scope of our Audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Governance Committee); and we consider whether there are sufficient arrangements in place at the Fund.

The audit of the financial statements does not relieve management or the Audit and Governance Committee of their responsibilities. It is the responsibility of the Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Fund's business and is risk based.

Introduction and headlines (continued)

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control;
- Valuation of Level 3 investments; and
- Valuation of directly held property

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £71m (2023/24 £35m) for the Pension Fund, which equates to approximately 1.82% of your gross investment assets as at 31 March 2024.

We have determined a lower specific planning materiality for the Fund Account of £19m (2023/24 £9.5m), which equates to 10% of prior year gross expenditure on the fund account.

Clearly trivial has been set at £3.5m (2023/24 £1.96m).

Materiality and related figures have increased from the prior year as we begin to regain assurance. We consider this is in line with stakeholder expectations and also reflects a relatively stable sector, no significant changes in the Fund or its staffing and limited findings from our 2023/24 audit.

Audit **logistics**

Our interim work took place in March and our final audit will commence in July. Our key deliverables are this Audit Plan, Auditor's Report and our Audit Findings Report.

Our proposed fee for the audit is £93,992 (2023/24 £139,518) for the Fund, subject to the Fund delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

For Level 1 and Level 2 investments, we will agree these to market information, where available, and we will supplement this with other information (e.g. financial statements for pooled property funds) where market information is not readily available.

See page 14 for further details regarding our approach to auditing the valuation of Level 3 investments and directly held properties.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) and we, as a Firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

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03 Identified risks

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Management override of controls Significant	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.	We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	We will: • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals; • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgments applied by management and consider their reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

"In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK)." (ISA (UK) 315).

In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK) 550).

Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
The revenue cycle includes fraudulent transactions	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue	We have identified and completed a risk assessment of all revenue streams for the Fund. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of public sector bodies, including the Fund, mean that all forms of fraud are seen as unacceptable. Therefore, we do not consider this to be a significant risk for the Pension Fund.	We do not consider this to be a significant risk for the Fund and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate.
The expenditure cycle includes fraudulent transactions	Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.	We have identified and completed a risk assessment of all expenditure streams for the Fund. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk, because: • there is little incentive to manipulate expenditure recognition; • opportunities to manipulate expenditure recognition are very limited; and • the culture and ethical frameworks of public sector bodies, including the Fund, mean that all forms of fraud are seen as unacceptable. Therefore, we do not consider this to be a significant risk for the Pension Fund.	We do not consider this to be a significant risk for the Fund and standard audit procedures will be carried out. We will keep this consideration under review throughout the audit to ensure this judgement remains appropriate.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	**Planned audit procedures**
Valuation of Level 3 Investments Significant Relevant Assertion(s) Valuation, Existence Applicable Assertion(s) Rights & Obligations, Presentation Planned level of control reliance None	The valuations of level 3 investments are based on unobservable inputs and hence there is a risk of material misstatement due to error and/or fraud.	By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant accounting estimate by management in the financial statements due to the size of the balance (£465m as at 31 March 2024) and the sensitivity of the estimate to changes in key assumptions. We have therefore identified the valuation of Level 3 investments as a significant risk.	We will: • evaluate management's processes for valuing Level 3 investments; • obtain and review the audited financial statements of the investment accounts, where these are at a different reporting date to the Fund's financial statements the valuations will be compared accounting for cashflows; • obtain and review the corresponding investment manager report as at the investment accounts and the Fund accounts reporting dates where appropriate; • review purchase and sale transactions of the investment near the reporting date where appropriate; • review the guidelines under which the investment has been valued at the date of the investment accounts and the Fund accounts; • review management's classification of the assets; and • obtain and review investment manager service auditor report on design and operating effectiveness of internal controls where appropriate.
Valuation of Directly Held Property Significant Relevant Assertion(s) Valuation, Existence Applicable Assertion(s) Rights & Obligations, Presentation Planned level of control reliance None	The valuations of directly held property are a significant accounting estimate and hence there is a risk of material misstatement due to error and/or fraud.	The Pension Fund have investments of £236m in Directly Held Property as at 31 March 2025 and have been valued by management's expert. This valuation represents a significant accounting estimate by management in the financial statements due to the size of the balance and the sensitivity of the estimate to changes in key assumptions. We have therefore identified the valuation of directly held property as a significant risk.	We will: • evaluate management's processes for valuing directly held property investments; • obtain and review the valuation report provided by management's expert; • review the methodology and assumptions used in the valuation; • review the movement in valuation from the prior year where appropriate; and • review the inputs and significant assumptions used as part of the valuation for a sample of assets.

Other matters

Other work

The Pension Fund is administered by Dorset Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements.

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Fund.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2024/25 financial statements, consider and decide upon any objections received in relation to the 2024/25 financial statements;
  - issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State;
  - application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
  - issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

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04 Our approach to materiality

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
01	**Determination** We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Fund, including consideration of factors such as shareholder expectations, industry developments, financial stability and reporting requirements for the financial statements.	We determine planning materiality in order to: • establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; • assist in establishing the scope of our audit engagement and audit tests; • determine sample sizes; and • assist in evaluating the effect of known and likely misstatements in the financial statements.
02	**Other factors** An item does not necessarily have to be large to be considered to have a material effect on the financial statements.	An item may be considered to be material by nature when it relates to instances where greater precision is required. Additionally, there may be items which we feel would benefit from a lower specific materiality for those account balances (e.g. the Fund Account). Details of lower specific materialities applied can be found on the next page.
03	**Reassessment of materiality** Our assessment of materiality is kept under review throughout the audit process.	We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality
04	**Matters we will report to the Audit and Governance Committee** Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	We report to the Audit and Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of the Fund, we propose that an individual difference is clearly trivial if it is less than £3.50m (2023/24 £1.96m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Governance Committee to assist it in fulfilling its governance responsibilities.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

	Amount (£)	Qualitative factors considered
Headline materiality for the Fund's financial statements	£71,000,000	Headline Materiality for planning equates to 1.82% of your gross investment assets as at 31 March 2024. We considered the business environment and industry conditions in which the Fund operates in determining our materiality.
Specific Materiality for Fund Account The lower specific materiality for the fund account will be applied to the audit of all fund account transactions, except for investment transactions, for which headline materiality will be applied.	£19,000,000	Materiality for the Fund Account for planning equates to 10% of gross expenditure (in the fund account) as at 31 March 2024. We considered the business environment and industry conditions in which the Fund operates in determining our materiality.

05 IT audit strategy

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IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach, we will perform the indicated level of assessment:

IT application	Audit area	Planned level IT audit assessment
SAP	Financial reporting	Evaluation of the design and determination of the implementation of relevant ITGCs performed by IT audit colleagues.
Civica (UPM)	Member Data	Evaluation of the design and determination of the implementation of relevant ITGCs performed by IT audit colleagues.

06 Logistics

Logistics

The audit timeline

Key Dates

Year end:
31 March 2025

Close out:
September 2025

Audit and Governance Committee:
17 November 2025

Sign off:
November 2025

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Audit phases:

Planning – 2 weeks
w/c 03 March 2025 &
w/c 24 March 2025

Key elements

- Planning meeting with management to set audit scope
- Planning requirements checklist to management
- Document design effectiveness of systems and processes

June Audit Committee

Key elements

- Agree timetable and deliverables with management and Audit and Governance Committee
- Issue the Audit Plan to management and Audit and Governance Committee

Final – Commencing 16 June 2025

Key elements

- Audit teams onsite to complete fieldwork and detailed testing
- Weekly update meetings with management

Completion – September 2025

Key elements

- Draft Audit Findings issued to management
- Audit Findings meeting with management
- Draft Audit Findings issued to Audit and Governance Committee
- Audit Findings presentation to Audit and Governance Committee
- Auditor's Annual Report
- Finalise and sign financial statements and audit report

Our team and communications

Grant Thornton core team

Jackson Murray
Engagement Lead/
Key Audit Partner

- Key contact for senior management and Audit and Governance Committee
- Overall quality assurance

Chrissa Viente
Audit Manager

- Audit planning
- Resource management
- Performance management reporting

Shashank Agrawal
Audit Senior / In-charge

- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

Pool of IT audit specialists has been engaged for the 2024/25 audit.

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	• Client Surveys	• The Audit Plan • Audit Progress and Sector Update Reports • The Audit Findings • Auditor’s Annual Report	• Audit planning meetings • Audit clearance meetings • Communication of issues log	• Technical updates
Informal communications	• Open channel for discussion		• Communication of audit issues as they arise	• Notification of up-coming issues

As part of our overall service delivery we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

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07 Fees and related matters

Our fee estimate

Our estimate of the audit fees we will charge is set out in the table below, along with the fees billed in the prior year

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2024) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2023, PSAA awarded a contract of audit for Dorset Pension Fund to begin with effect from 2023/24. The scale fee set out in the PSAA contract for the 2024/25 audit is £93,992.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

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Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here Fee Variations Overview – PSAA

Description	Audit Fee for 2023/24 (£)	Proposed fee for 2024/25 (£)
Dorset Pension Fund Audit	£139,518	£93,992
Total (Exc. VAT)	**£139,518**	**£93,992**

*Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances to auditors of local government and NHS bodies should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards. Provision of IAS 19 assurances to auditors of any other type of entity remains non-Code work.

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Our fee estimate:

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit;
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made while preparing the financial statements;
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements; and
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

Previous year

In 2023/24 the scale fee set by PSAA was £83,061. The actual fee charged for the audit was £139,518.

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08 Independence considerations

Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms). In this context, there are no matters that we are required to report.

As part of our assessment of our independence at planning we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Fund and/or Administering Authority that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Fund and/or Administering Authority or investments in the Fund and/or Administering Authority held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Fund/Administering Authority as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Fund and/or Administering Authority.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Fund's and/or Administering Authority's board, senior management or staff (that would exceed the threshold set in the Ethical Standard).

We confirm that there are no significant facts or matters that impact on our independence at planning as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Other Services

No other services provided by Grant Thornton were identified.

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09 Communication of audit matters with those charged with governance

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Fund's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●

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ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

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10 Delivering audit quality

Delivering audit quality

Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:

Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Sector audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.

Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.

Working with premium clients

We work with great public sector clients that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.

How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of journals

The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service. By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting. The audit partner always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

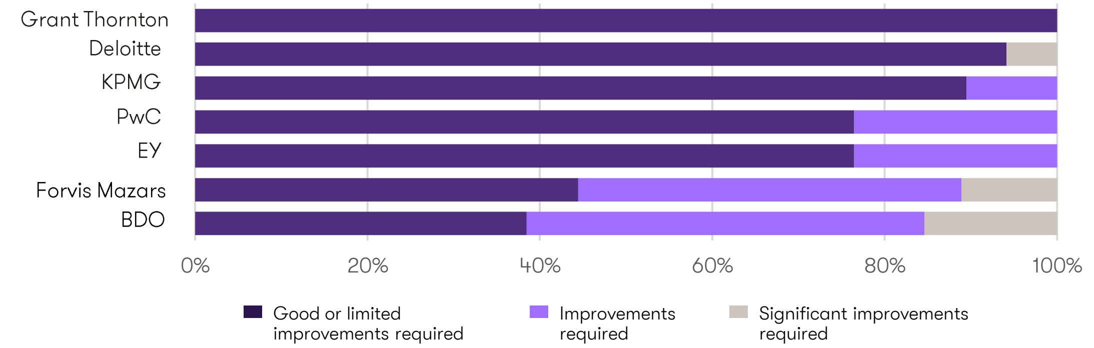
Digital differentiation

We're a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

Oversight and control

Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become "issues", we give our clients the time and space to deal with them effectively.

FRC's Audit Quality Inspection and Supervision Inspection
(% of files awarded in each grading, in the most recent report for each firm)



Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to. We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits. It's why we will only commit to auditing clients where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.

Wendy Russell
Partner, UK Head of Audit

11 Appendices

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Escalation Policy

The Backstop

The Department for Levelling Up, Housing and Communities have introduced an audit backstop date on a rolling basis to encourage timelier completion of local government audits.

As your statutory auditor, we understand the importance of appropriately resourcing audits with qualified staff to ensure high quality standards that meet regulatory expectations and national deadlines. It is the Authority's responsibility to produce true and fair accounts in accordance with the CIPFA Code by the statutory deadline and respond to audit information requests and queries in a timely manner.

Escalation Process

To help ensure that accounts audits can be completed on time in the future, we have introduced an escalation policy. This policy outlines the steps we will take to address any delays in draft accounts or responding to queries and information requests. If there are any delays, the following steps should be followed:

Step 1 - Initial Communication with Finance Director (within one working day of statutory deadline for draft accounts or agreed deadline for working papers)

- We will have a conversation with the Finance Director(s) to identify reasons for the delay and review the Authority's plans to address it. We will set clear expectations for improvement.

Step 2 - Further Reminder (within two weeks of deadline)

- If the initial conversation does not lead to improvement, we will send a reminder explaining outstanding queries and information requests, the deadline for responding, and the consequences of not responding by the deadline.

Step 3 - Escalation to Chief Executive (within one month of deadline)

- If the delay persists, we will escalate the issue to the Chief Executive, including a detailed summary of the situation, steps taken to address the delay, and agreed deadline for responding..

Step 4 - Escalation to the Audit and Governance Committee (at next available Audit and Governance Committee meeting or in writing to Audit and Governance Committee Chair within 6 weeks of deadline)

- If senior management is unable to resolve the delay, we will escalate the issue to the audit and governance committee, including a detailed summary of the situation, steps taken to address the delay, and recommendations for next steps.

Step 5 – Consider use of wider powers (within two months of deadline)

- If the delay persists despite all efforts, we will consider using wider powers, e.g. issuing a statutory recommendation. This decision will be made only after all other options have been exhausted. We will consult with an internal risk panel to ensure appropriateness.

Aim

By following these steps, we aim to ensure that delays in responding to queries and information requests are addressed in a timely and effective manner, and that we are able to provide timely assurance to key stakeholders including the public on the Authority's financial statements.

The Grant Thornton Digital Audit – Inflo

A suite of tools utilised throughout the audit process

01 Collaborate

Information requests are uploaded by the engagement team and directed to the right member of your team, giving a clear place for files and comments to be uploaded and viewed by all parties.

What you'll see

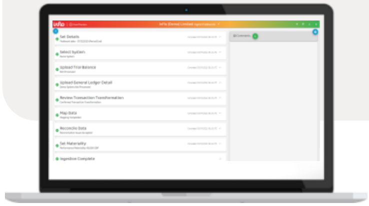
- Individual requests for all information required during the audit
- Details regarding who is responsible, what the deadline is, and a description of what is required
- Graphs and charts to give a clear overview of the status of requests on the engagement

02 Ingest

The general ledger and trial balance are uploaded from the finance system directly into Inflo. This enables samples, analytical procedures, and advance data analytics techniques to be performed on the information directly from your accounting records.

What you'll see

- A step by step guide regarding what information to upload
- Tailored instructions to ensure the steps follow your finance system

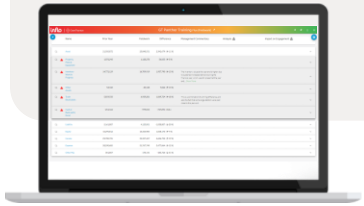


03 Detect

Journals interrogation software which puts every transaction in the general ledger through a series of automated tests. From this, transactions are selected which display several potential unusual or higher risk characteristics.

What you'll see

- Journals samples selected based on the specific characteristics of your business
- A focussed approach to journals testing, seeking to only test and analyse transactions where there is the potential for risk or misstatement



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Pensions Fund Committee

24 June 2025

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
- End of Year Processes
- Consultation – Access and Fairness
- Fit for the Future - Governance
- Dashboard Update
- McCloud Update

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 01/02/2025 - 30/04/2025. The previous quarter is included for reference.

3 End of Year Processes 2025

3.1 I am pleased to confirm that the end of year processes for 2025 are now nearly complete, with just a few outstanding employer queries remaining.

3.2 This is a huge task; critical to the posting of annual CARE pension, the provision of annual benefit statements, the Valuation process and data, the calculation of annual allowance, Dashboard readiness and the maintenance of accurate data.

3.3 Key statistics for the overall project are detailed below.

	2023	**2024**	**2025**
Total number of returns processed	163	165	163
Total number of queries	5727	5868	4956
Number of late returns	5	8	11
Number of employers with financial penalties	41	50	34
Total financial penalties (£)	£23,850.00	£43,750.00	£130,050.00
Total CARE pay posted (£)	£502,135,219.86	£546,889,670.80	£573,362,363.97

Gender	**Average CARE Pay Posted**
Female	£16,745.06
Male	£25,505.59

Total Members Posted	30,353
Total Members Left During Year	6,438

3.4 CARE revaluation for 2025 of 1.7%, effective from 6 April, has also now been added to CARE pension totals, and pensions increases again at 1.7%, have been applied to deferred and pensioner members with effect from 7 April.

3.5 The provision of this data to the fund is not always easy for employers. We provide excellent support and training to our employers and work closely with them.

3.6 In the last year our Pensions Administration Strategy (PAS) has been reviewed, updated and amended which has led to the increased penalty charges noted above. The vast majority of the financial penalties have been incurred by schools or academies with outsourced payroll provision.

4 MHCLG LGPS Regulations Consultation – Access and Fairness

4.1 The Ministry of Housing, Communities & Local Government, (MHCLG) has launched a consultation on proposed new regulations for the LGPS in England and Wales. The consultation focuses on equal access to the scheme and its benefits. The consultation closes on 7 August 2025, the government will then consider the responses and proceed with a Statutory Instrument to implement the changes later this year. A summary of the key changes is detailed below.

4.2 **Survivor pension entitlement equalisation**. This aims to fix historic inequalities, so that all survivor pensions will be calculated in the same way regardless of the gender of the member or their survivor. This will reflect recent legal cases in other schemes. The consultation provides for the highest level of entitlement currently available and proposes that the changes will be backdated to December 2005 when opposite sex civil partnerships were introduced.

4.3 **Death Grant** – Age 75 cap. The upper age limit of 75 is to be removed. This is expected to be backdated to cover deaths that occurred after 1 April 2014.

4.4 **Gender Pension Gap –** the government and the Scheme Advisory Board (SAB) have been looking at the gender pensions gap within the LGPS. Whilst many of the causes for gender pensions gaps lie elsewhere, the proposals here aim to address areas within the LGPS that support women in saving for their retirement. The proposals aim to ensure women do not lose pension in certain circumstances; these proposals will benefit male scheme members as well.

4.5 **Unpaid Leave, over 30 days - cost alignment. –** the cost of buying back lost pension for unpaid leave over 30 days disproportionately affects female members of the scheme. The cost of buying back any lost pension is calculated under Regulation 16(7) of the LGPS 2013 Regulation, where the cost is based on age and gender factors. The cost of this can be greater than the contributions that would have been paid had the unpaid leave not been taken and is generally cheaper for younger male members of the scheme, and more expensive for women and older members.

4.5.1 The government outlines 3 options regarding these costs. Its preference is to align the cost to the standard member contributions, which are based on a member's pay.

4.6 **Unpaid Leave, under 31 days.** The cost of buying back any unpaid leave, under 31 days, is currently the same process as detailed above. It worth adding that the process to buy back unpaid leave is complex, and involves the member knowing the option is available, writing to their employer and accessing an online calculator, all within 30 days of returning to work. Unpaid leave of short duration is particularly common in schools. Data shows that approximately 90% of unpaid leave is taken by women.

4.6.1 The government proposes to return to the approach used for authorised absences in the LGPS before 2014, where authorised unpaid absence under 31 days is automatically pensionable for members. Both employer and employee contributions would be made, based on the normal contribution rate.

4.7 **Child related leave –** currently a member does not lose pension during any period of child related leave. One example is maternity/adoption leave where most women do not lose pension for the first 9 months of maternity leave. However, a member is entitled to up to 52 weeks under statutory maternity leave provisions, meaning that there is the potential for loss of pension during any additional period unpaid period of maternity/adoption leave. A member may choose to buy back this lost pension, however figures show that most women do not take up this option.

4.7.1 The government proposes to make additional maternity leave, additional adoption leave and shared parental leave during which no pay is received automatically pensionable, with the cost to be met by the employer. This is a significant improvement for women who take the full year of statutory maternity leave, and both men and women who take up adoption leave. It should also encourage take up of share parental leave.

4.8 **Gender Pensions Gap reporting –** will be mandatory. The proposals suggest that this will be encompassed within the triannual valuation and published in the annual report for that year. Separate figures for employers with 100+ members will be included in their rates and Adjustment Certificate.

4.9 **Opt Out Data.** The LGPS is a good pension scheme which plays an important role in providing security in later life for its members. Members may have good reasons for opting out of the scheme, but in general remaining in the scheme is likely to be in their long-term interests.

4.9.1 Data is currently not required under any legislation and so is limited. It is estimated that LGPS opt rates vary between 3% and 40%. The government proposes to make it mandatory for administering authorities to collect and report opt out data in a structured way, collecting demographic and equalities data. This data would be published in the annual report and would enable better understanding for any future policy change.

4.10 **McCloud Remedy** – changes to the regulations where issues have become apparent, including divorce credits, clarity on club transfer interest payments, tax losses in the 2023 regulations, and the provision of an underpin date for members over 65 joining from other public sector schemes.

4.11 **Forfeiture** – The government’s proposals intend to make the forfeiture process work better and fix known issues under the current regulations. This includes;

- Removing the requirement that the member must have left their employment because of the offence
- Remove the 3 month time limit to make the forfeiture application
- Publish forfeiture guidance to assist employers.

4.12 **Plus Other Changes –** there are a number of other changes, some of which are tidying up or giving clarity to the regulations. These include removing the historic requirement for a cohabiting partner nomination, removing the requirement to pay a death grant to personal representatives when payment is made more than two years after the member's death, removal of the 5 year refund rule, AVC payments etc

4.13 The government welcomes views on cost implication, administrative concerns and the sharing of any relevant data.

5 Fit for the Future – Governance Requirements

5.1 The Government's recent 'Fit for the Future' consultation included a number of proposals relating to LGPS fund governance. These include requirements first set out several years ago in the final report and action plan from the SAB's Good Governance report. This means the following changes in LGPS administration.

5.2 **Governance, training strategy and knowledge and skills** – Administering authorities will be required to prepare and publish a strategy for governance, a training strategy and a conflicts of interest policy. The government will work with the Scheme Advisory Board (SAB) to develop guidance. This will assist in ensuring the new knowledge and understanding requirements are met.

5.3 **Senior LGPS Officer** – Administering authorities will be required to appoint a Senior LGPS Officer (Director, Assistant Director or Head of Service), with delegated responsibility across all areas of fund activity. This role will include;

- Developing the fund's strategies
- Ensuring effective risk identification and management
- Ensuring the fund is set up to deliver regulatory compliance and meet service level agreements
- Ensuring the administering authority's senior leadership understand the fund and LGPS matters
- Working with other partner administering authorities and the pool company as appropriate

5.4 **Administration Strategy** – administering authorities will have to develop and publish an administration strategy, with statutory guidance developed to help ensure consistency

5.5 **Annual Report** – Updated guidance to make the Annual Report more accessible and transparent for stakeholders

5.6 **Independent governance review** – there will be a triennial governance review, with provision for this being made in the Pensions Schemes Bill.

5.7 **Independent committee advisor** – this position would not have voting rights

5.8 The Government plans to have the new framework in place for the 2026/27 scheme year with regulations and guidance being introduced for all the proposals being implemented.

6 Dashboard Update

6.1 The Fund has appointment Aquilla Heywood for its ISP provision, and work has commenced on preparations for connection which will be achieved by the deadline of 31 October 2025.

6.2 We are currently creating the extract report and testing this, and the upload process, with the ISP provider, we are also discussing the matching criteria and data security. The team is working hard to address issues around high-volume work areas that will impact the data for the dashboard which must be no more than 12 months old. We are investigating work areas for possible automation.

7 McCloud Update

7.1 Testing continues on the McCloud software, which is scheduled to go into the Live system on 3rd July. This release covers a lot of areas including the valuation extracts, bulk retrospective provisional underpin for deferred members and the annual benefit process.

7.2 Delivered on 9 June was a further calculation release covering much of the remaining calculations, including the retrospective calculations, for example most retirement types, required for us to proceed with the retrospective work of revisiting calculations from April 2014. This release is also scheduled to be in our Live environment in early July. This will give us the majority of the McCloud calculations we need, although some areas and calculations remain outstanding, for example transfers and divorce calculations. The most important area not yet delivered is for the retrospective death benefits (from active, deferred and pensioner status), which is disappointing. No time has been given for this delivery.

7.3 You will be aware that this is brings a substantial amount of work, with such a considerable delivery at one time. This also comes at a very busy time for the fund, with the 2025 Valuation work continuing, pension fund accounts audit, and preparations for the annual benefit statements for active and deferred members. In addition, staff will need some annual leave in the summer months, which lead directly into the fund’s annual allowance process.

7.4 It is therefore not possible for the fund to meet the 31 August deadline for competing all rectification work. This deadline is set out in statutory guidance but is not a legal requirement. However, it remains a disappointment and now puts considerable pressure on the team at a very busy time.

7.5 In addition, the Fund will not be in a position to include underpin information in the 2024/25 annual benefit statements. The Government has acknowledged that Funds may be in this position, having recognised the scope and technical challenges, having laid regulations (the LGPS (Information) Regulations 2024) to provide discretion to not include underpin information in this year. The McCloud statutory guidance confirms this discretion.

7.6 I would therefore like to ask for agreement from the Pension Fund Committee to my request that we will determine to extend the McCloud implementation phase to 31 August 2026, and include the McCloud underpin information in the annual benefit statements for that year. This is a reasonable determination in consideration of all the circumstances. The reasons for this determination will also be discussed with the Local Pension Board.

7.7 Once the software is in our Live environment and fully tested, we will put a project plan in place to complete the remedy work. This will document the key stages, and any issues that may cause a further delay, together with the actions taken to mitigate issues and ensure completion.

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 February 2025 to 30 April 2025)

18. Background Papers

LGPS Regulations 2013

Local Government Pension Scheme in England and Wales: Access and fairness - GOV.UK

McCloud statutory guidance

LGPS (Information) Regulations 2024

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Dorset County Pension Fund KPI Report

Dorset County Pension Fund
administered by Dorset Council

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)
	Period:	**February 2025 - April 2025**				
Admissions	1185	100.00%	30	1185	1185	1.00
Interfund in Quote	39	100.00%	30	39	239	2.64
Interfund In Actual	78	87.18%	30	68	134	20.98
Interfund Out Quote	62	100.00%	30	62	107	2.21
Interfund Out Actual	35	88.57%	30	31	53	18.27
Transfers in Quote	40	100.00%	15	40	160	2.54
Transfers In Actual	47	100.00%	15	47	53	2.29
Transfer Out Actual	28	96.43%	15	27	81	10.67
Transfer Out Quote	114	100.00%	15	114	147	3.11
Estimates	248	99.19%	15	246	310	3.41
Retirements	441	97.73%	10	431	588	4.36
Retirements Quote	602	99.17%	10	597	1277	2.78
Deferred Benefits	479	95.82%	40	459	643	20.06
Refunds	135	100.00%	15	135	447	1.06
Refunds Quote	291	100.00%	15	291	627	1.03
Deaths (Initial Stage)	105	100.00%	5	105	211	1.99
Correspondence	1116	94.35%	15	1053	1042	6.08
Total	**5045**	**97.66%**		**4927**	**7303**	

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)
	Period:	**November 2024 - January 2025**				
Admissions	1073	100.00%	30	1073	146	1.00
Interfund in Quote	47	100.00%	30	47	303	4.10
Interfund In Actual	151	70.86%	30	107	218	24.75
Interfund Out Quote	54	100.00%	30	54	77	2.43
Interfund Out Actual	37	94.59%	30	35	52	15.77
Transfers in Quote	31	100.00%	15	31	158	2.64
Transfers In Actual	39	100.00%	15	39	42	2.18
Transfer Out Actual	20	100.00%	15	20	83	2.64
Transfer Out Quote	107	100.00%	15	107	126	3.32
Estimates	170	99.41%	15	169	218	2.31
Retirements	389	99.49%	10	387	476	2.89
Retirements Quote	470	99.36%	10	467	1039	2.55
Deferred Benefits	689	92.89%	40	640	954	17.38
Refunds	164	100.00%	15	164	329	1.01
Refunds Quote	261	100.00%	15	261	752	1.10
Deaths (Initial Stage)	108	98.15%	5	106	221	1.60
Correspondence	2470	99.23%	15	2451	2425	4.38
Total	**6280**	**98.06%**		**6158**	**7619**	

Total Processes for month completed	12650
Total Processes worked on in month	18205
Total Phone Calls taken through Pensions Helpline	2068
McCloud Processes Completed	798

Total Processes completed	13409	
Total Processes worked on in period	17406	
Total Phone Calls taken through Pensions Helpline	1690	
Total Emails Received	2715	* Figures for December & January are not included due to issues with Dorset Council Outlook
Total Emails Sent	2477	* Figures for December & January are not included due to issues with Dorset Council Outlook
McCloud Processes Completed	8	

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Pension Fund Committee

24 June 2025

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 March 2025 was £4,071m compared to £3,918m at the start of the financial year, an increase of £153m.

The total return from the pension fund's investments over the quarter to 31 March 2025 was -0.4%, compared to the combined benchmark return of -0.1%. The total return for the 12 months to 31 March 2025 was 4.7% compared to the benchmark return of 7.4%. Annualised returns for three years were 3.6% compared to the benchmark return of 5.5% and for five years were 8.7% compared to the benchmark of 9.5%.

Markets saw high levels of volatility over the quarter. Market sentiment going into 2025 was very positive and in the US the S&P 500 hit a record high 19 February. However, the markets ended the quarter on a weak note, with the S&P 500 finishing just under 10% down ($ terms) from its February peak. The weakness was driven in large part by growth fears that followed uncertainty around tariffs and the broader President Trump policy agenda. However, the UK and Europe saw positive returns, driven mainly by investors switching out of US stocks.

The government's response to its consultation on proposed measures focussed on improvements to LGPS investment pooling has now been published with no substantial changes to the proposed measures. In addition, the administering authorities of two of the eight LGPS investment pools (Brunel Pension Partnership and ACCESS) received a joint letter from the ministers for Pensions

and Local Government advising them that they would need to identify a new pool to work with by 30 September 2025.

Recommendation:

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

Reason for Recommendation:

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

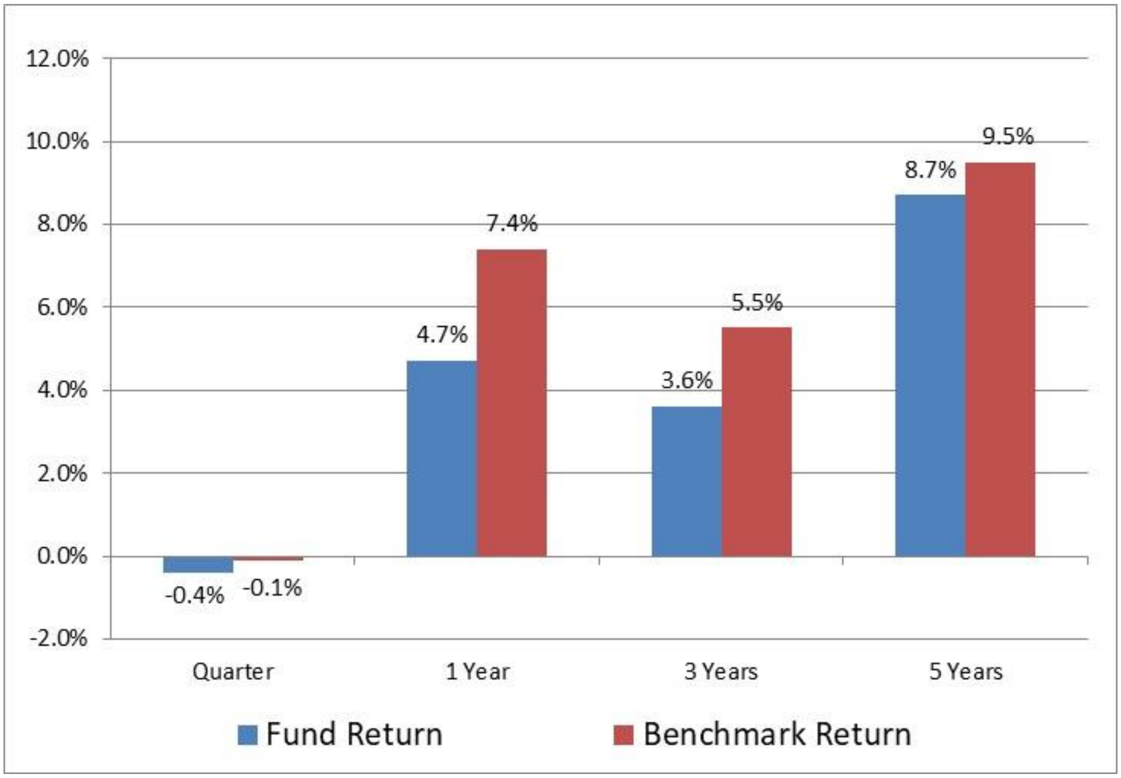
1. Asset Valuation Summary

1.1 The table below shows the pension fund's asset valuation by asset class at the beginning of the financial year and as at 31 March 2025, compared with the target allocation agreed by the Committee June 2023. There were no significant variances between actual and target allocations.

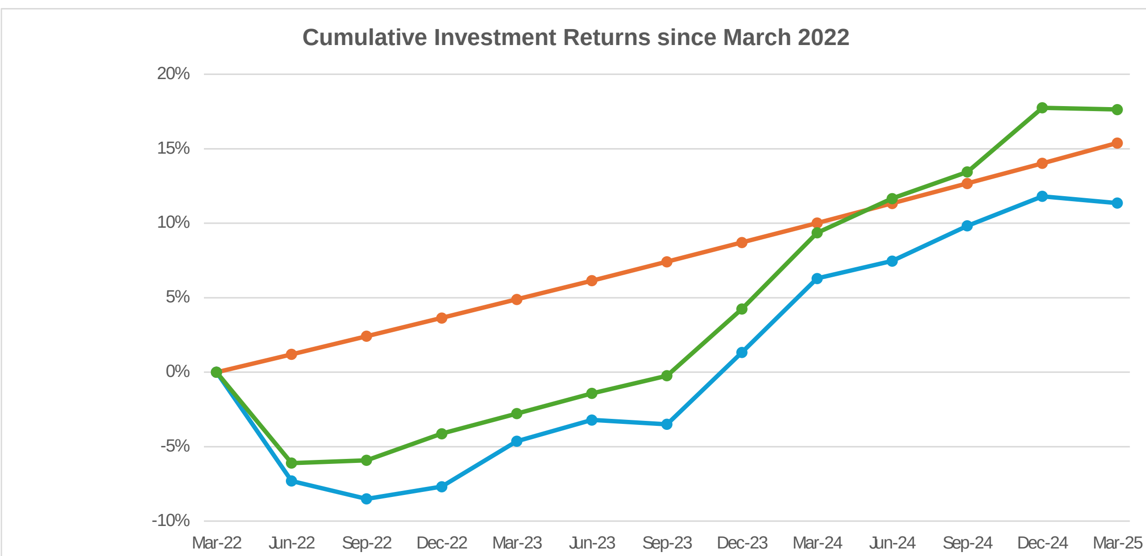
	31-Mar-24		31-Mar-25		Target Allocation	
Asset Class	**£M**	**%**	**£M**	**%**	**£M**	**%**
UK Equities	339.9	8.7%	436.1	10.7%	366.4	9.0%
Global Equities	1,826.2	46.6%	1,822.6	44.8%	1,831.8	45.0%
Emerging Markets Equities	147.8	3.8%	157.2	3.9%	162.8	4.0%
Total Listed Equities	***2,313.9***	***59.1%***	***2,415.9***	***59.3%***	***2,360.9***	***58.0%***
Corporate Bonds	256.4	6.5%	267.1	6.6%	264.6	6.5%
Multi Asset Credit	269.7	6.9%	292.4	7.2%	264.6	6.5%
Diversified Returns	262.2	6.7%	270.7	6.7%	284.9	7.0%
Infrastructure	290.4	7.4%	312.7	7.7%	325.6	8.0%
Private Equity	138.4	3.5%	137.2	3.4%	203.5	5.0%
Property	307.2	7.8%	285.0	7.0%	366.4	9.0%
Liability Driven Investment	0.0	0.0%	-	0.0%	-	0.0%
Cash	82.7	2.1%	88.8	2.2%	-	0.0%
F/X Hedging	- 2.8	-0.1%	0.8	0.0%	-	0.0%
Total Asset Valuation	**3,918.1**	**100.0%**	**4,070.6**	**100.0%**	**4,070.6**	**100.0%**

2. Investment Performance Summary

2.1 The overall performance of the pension fund's investments to 31 March 2025 is summarised below (returns for three and five years are annualised figures).



2.2 The cumulative returns of the pension fund’s investments compared to benchmark and ‘discount rate’ (expected return) since the last actuarial valuation as at 31 March 2022 to 31 March 2025 are summarised below.



	31/03/2022	30/06/2022	30/09/2022	31/12/2022	31/03/2023	30/06/2023	30/09/2023	31/12/2023	31/03/2024	30/06/2024	30/09/2024	31/12/2024	31/03/2025
Discount Rate	0%	1.2%	2.4%	3.6%	4.9%	6.1%	7.4%	8.7%	10.0%	11.3%	12.7%	14.0%	15.4%
Actual Return	0%	-7.3%	-8.5%	-7.7%	-4.6%	-3.2%	-3.5%	1.3%	6.3%	7.5%	9.8%	11.8%	11.4%
Benchmark Return	0%	-6.1%	-5.9%	-4.1%	-2.8%	-1.4%	-0.2%	4.3%	9.4%	11.7%	13.4%	17.8%	17.6%

2.3 Appendix 1 summarises by investment manager and investment vehicle the value of Assets Under Management (AUM) as at 31 March 2025 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 first quarter of 2025 was extremely volatile. Market sentiment going into 2025 was very positive after another year of outperformance for US markets and the S&P 500 hit a record high 19 February. However, the markets ended the quarter on a weak note, with the S&P 500 finishing just under 10% down ($ terms) from its February peak. The weakness was driven in large part by growth fears that followed uncertainty around tariffs and the broader President Trump policy agenda. However, the UK and Europe saw positive returns, driven mainly by investors switching out of US stocks.

3.2 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) and in Brunel's quarterly report (Appendix 3).

4. Investment Pooling

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

4.2 As at 31 March 2025, approximately 85% of the pension fund's assets were under the management of Brunel.

4.3 Brunel's performance report for the quarter ending 31 March 2025 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 On 29 May 2025, the government published its response to the Local Government Pension Scheme (England and Wales): Fit for the future consultation on proposed measures focussed on investment pooling "to overhaul the way the LGPS invests to deliver large pools of professionally managed capital in line with international best practice, while embedding investment in local communities as a priority, placing the scheme on a stronger, more sustainable footing in the interest of members, employers and local taxpayers."

Local Government Pension Scheme (England and Wales): Fit for the future – government response - GOV.UK

4.5 The proposed changes are broadly unchanged as a result of the consultation and include:

i. Requiring LGPS pools to be FCA regulated entities with the capability to manage assets internally, and to give investment advice to their LGPS partner funds.

ii. LGPS funds will retain responsibility for setting their fund's strategic asset allocation but would be required to fully delegate the implementation of their investment strategy to the pool, and to take their principal advice on their investment strategy from the pool.

iii. LGPS funds would be required to transfer legacy assets to the management of the pool.

iv. LGPS funds and pools will be asked to formulate a plan for more investments in local growth, taking account of local growth plans.

4.6 In addition, the administering authorities of two of the eight LGPS investment pools (Brunel Pension Partnership and ACCESS) received a joint letter from the ministers for Pensions and Local Government advising them that they would need to identify a new pool to work with by 30 September 2025. This is subject to a separate item on the agenda for this meeting.

5. Private Markets

5.1 The pension fund has investments in private equity funds managed by two external managers, HarbourVest and Patria (formerly managed by aberdeen group), 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 March 2025.

	Commitment	Drawndown		Distributions	Valuation
	£m	£m	%	£m	£m
HarbourVest	107.8	99.9	93%	138.3	56.2
Patria	76.0	69.0	87%	102.9	8.0
Brunel	160.4	64.2	40%	3.8	72.9
Total	**344.3**	**233.0**	**68%**	**245.1**	**137.1**

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 In September 2024 the LGPS Scheme Advisory Board (SAB) published a statement making clear that that “when decision makers exercise their LGPS investment responsibilities, the primary purpose must be to achieve the required returns in an appropriately risk-managed way to pay pensions when they become due, minimising the need for additional funding in the future.”

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.

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 December 2024, 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 £68M (1.7% 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

13. Background Papers

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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 March 2025 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	**383.0**	-4.7	-2.7	2.8	-	4.5
MSCI AC World GBP Index		-4.2	5.3	8.1	-	9.4
Excess		-0.5	-8.0	-5.3	-	-4.9
Brunel Global High Alpha Equity	**271.0**	-4.9	0.8	6.8	14.8	11.3
MSCI World TR Index		-4.6	5.2	8.8	15.7	11.3
Excess		-0.3	-4.4	-2.0	-0.9	0.0
Brunel Smaller Companies Equities	**262.8**	-8.8	-4.9	0.5	-	1.2
MSCI World Small Cap		-6.5	-1.9	2.7	-	3.5
Excess		-2.3	-3.0	-2.2	-	-2.3
Brunel Emerging Market Equity	**157.2**	-0.7	6.4	1.6	6.3	2.1
MSCI Emerging Markets		-0.1	6.3	2.6	7.5	3.7
Excess		-0.6	0.1	-1.0	-1.2	-1.6
LGIM Passive Developed Equities	**111.2**	-4.3	4.6	8.4	15.3	10.4
FTSE World Developed		-4.3	5.0	8.6	15.5	10.5
Excess		0.0	-0.4	-0.2	-0.2	-0.1
LGIM Passive Dev. Equities (Hedged)	**117.8**	-2.1	7.4	8.4	16.3	10.7
FTSE World Developed Hedged		-2.0	7.9	8.6	16.4	10.9
Excess		-0.1	-0.5	-0.2	-0.1	-0.2
Low Volatility Global Equity	**303.3**	-0.3	-	-	-	-1.5
MSCI AC World Index		-4.2	-	-	-	-5.3
Excess		3.9	-	-	-	3.8

Investment	AUM £m	Qtr %	1 Yr %	3 Yr %	5 Yr %	SII %
LGIM Passive Smart Beta	**183.8**	0.9	5.7	7.7	13.9	8.9
SciBeta Multifactor Composite		0.8	5.3	7.2	13.4	8.5
Excess		0.1	0.4	0.5	0.5	0.4
LGIM Passive Smart Beta (Hedged)	**189.5**	3.2	8.4	7.6	14.9	8.6
SciBeta Multifactor Hedged Composite		3.1	8.0	7.1	14.3	8.3
Excess		0.1	0.4	0.5	0.6	0.3
UK Equities:						
Brunel UK Active Equity	**223.8**	2.6	9.7	7.4	11.4	6.1
FTSE All Share ex Investment Trusts		5.0	11.0	7.7	12.2	6.9
Excess		-2.4	-1.3	-0.3	-0.8	-0.8
LGIM Passive UK Equities	**212.2**	4.5	10.5	7.3	12.2	5.1
FTSE All Share		4.5	10.5	7.2	12.0	5.1
Excess		0.0	0.0	0.1	0.2	0.0
Fixed Income:						
Brunel Multi Asset Credit	**292.4**	1.7	8.4	5.4	-	3.8
SONIA + 4%		2.1	9.2	8.2	-	7.4
Excess		-0.4	-0.8	-2.8	-	-3.6
Brunel Sterling Corporate Bonds	**267.1**	1.2	4.2	-	-	5.9
iBoxx Sterling Non Gilts Overall Return		0.7	2.4	-	-	4.1
Excess		0.5	1.8	-	-	1.8
Other:						
Brunel Diversifying Returns Fund	**270.7**	3.5	3.2	3.6	-	4.0
SONIA + 3%		1.9	8.1	7.2	-	5.7
Excess		1.6	-4.9	-3.6	-	-1.7
Private Markets:						
Brunel Private Equity Cycle 1	**60.5**	-2.3	7.5	10.5	15.3	18.6
MSCI AC World Index		-4.2	5.3	8.1	14.8	11.4
Excess		1.9	2.2	2.4	0.5	7.2
Brunel Private Equity Cycle 3	**11.0**	0.0	11.9	-	-	7.2
MSCI AC World Index		-4.2	5.3	-	-	13.6
Excess		4.2	6.6	-	-	-6.4
Brunel Private Equity Cycle 4	**1.3**	0.0	-	-	-	7.3
MSCI AC World Index		-4.2	-	-	-	5.5
Excess		4.2	-	-	-	1.8
Brunel Secured Income Cycle 1	**53.5**	0.8	3.6	-4.1	0.8	1.1
CPI		0.7	2.6	5.2	4.7	4.0
Excess		0.1	1.0	-9.3	-3.9	-2.9
Brunel Secured Income Cycle 3	**30.8**	-0.4	2.5	-	-	3.1
CPI		0.7	2.6	-	-	2.1
Excess		-1.1	-0.1	-	-	1.0
Brunel Infrastructure Cycle 3	**36.5**	1.4	8.2	-	-	2.9
CPI		0.7	2.6	-	-	4.0
Excess		0.7	5.6	-	-	-1.1

Other Managers

Manager / Investment	AUM	Qtr	1 Yr	3 Yr	5 Yr	SII
	£m	%	%	%	%	%
CBRE / Property	**228.2**	-0.1	4.9	-2.1	2.8	6.5
MSCI UK All Properties (Quarterly)		1.6	6.3	-2.7	2.2	6.2
Excess		-1.7	-1.4	0.6	0.6	0.3
HarbourVest / Private Equity	**56.2**	-3.2	1.7	-0.9	13.1	12.3
FTSE All Share		4.5	10.5	7.2	12.0	5.9
Excess		-7.7	-8.8	-8.1	1.1	6.4
Patria / Private Equity	**8.0**	0.7	-2.4	2.9	6.0	4.7
FTSE All Share		4.5	10.5	7.2	12.0	6.2
Excess		-3.8	-12.9	-4.3	-6.0	-1.5
Federated Hermes / Infrastructure	**77.6**	-0.4	-2.1	-0.9	0.9	4.8
10% Absolute Return		2.4	10.0	10.0	10.0	10.0
Excess		-2.8	-12.1	-10.9	-9.1	-5.2
IFM / Infrastructure	**171.2**	1.4	6.0	8.9	10.3	12.1
10% Absolute Return		2.4	10.0	10.0	10.0	10.0
Excess		-1.0	-4.0	-1.1	0.3	2.1

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Market Review

Quarterly Report

Q1 2025

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Contacts

Steve Tyson

Senior Adviser
steve.tyson@apexgroup.com

Key Indicators at a Glance

Index (Local Currency)		Q1	2025 YTD
Equities		Total Return	
UK Large-Cap Equities	FTSE 100	6.11%	6.11%
UK All-Cap Equities	FTSE All-Share	4.51%	4.51%
US Equities	S&P 500	-4.27%	-4.27%
European Equities	EURO STOXX 50 Price EUR	7.53%	7.53%
Japanese Equities	Nikkei 225	-9.91%	-9.91%
EM Equities	MSCI Emerging Markets	2.93%	2.93%
Global Equities	MSCI World	-1.79%	-1.79%
Government Bonds			
UK Gilts	FTSE Actuaries UK Gilts TR All Stocks	0.55%	0.55%
UK Gilts Over 15 Years	FTSE Actuaries Uk Gilts Over 15 Yr	-0.89%	-0.89%
UK Index-Linked Gilts	FTSE Actuaries UK Index-Linked Gilts TR All Stocks	-1.42%	-1.42%
UK Index-Linked Gilts Over 15 Years	FTSE Actuaries UK Index-Linked Gilts TR Over 15 Yr	-3.36%	-3.36%
Euro Gov Bonds	Bloomberg EU Govt All Bonds TR	-1.33%	-1.33%
US Gov Bonds	Bloomberg US Treasuries TR Unhedged	2.92%	2.92%
EM Gov Bonds (Local)	JP. Morgan Government Bond Index Emerging Markets Core Index	4.10%	4.10%
EM Gov Bonds (Hard/USD)	JP. Morgan Emerging Markets Global Diversified Index	2.24%	2.24%
Bond Indices			
IBOXX Sterling Corporates	IBOXX Sterling Corporates Overall Total Return Index	0.46%	0.46%
European Corporate Investment Grade	Bloomberg Pan-European Aggregate Corporate TR Unhedged	-0.16%	-0.16%
European Corporate High Yield	Bloomberg Pan-European HY TR Unhedged	0.54%	0.54%
US Corporate Investment Grade	Bloomberg US Corporate Investment Grade TR Unhedged	2.31%	2.31%
US Corporate High Yield	Bloomberg US Corporate HY TR Unhedged	1.00%	1.00%
Commodities			
Brent Crude Oil	Generic 1st Crude Oil, Brent, USD/bbl	0.13%	0.13%
Natural Gas (US)	Generic 1st Natural Gas, USD/MMBtu	13.38%	13.38%
Gold	Generic 1st Gold, USD/toz	18.24%	18.24%
Copper	Generic 1st Copper, USD/lb	25.02%	25.02%
Currencies			
GBP/EUR	GBPEUR Exchange Rate	-1.17%	-1.17%
GBP/USD	GBPUSD Exchange Rate	3.21%	3.21%
EUR/USD	EURUSD Exchange Rate	4.46%	4.46%
USD/JPY	USDJPY Exchange Rate	-4.61%	-4.61%
Dollar Index	Dollar Index Spot	-3.94%	-3.94%
USD/CNY	USDCNY Exchange Rate	-0.58%	-0.58%
Alternatives			
Infrastructure	S&P Global Infrastructure Index	4.62%	4.62%
Private Equity	S&P Listed Private Equity Index	-5.35%	-5.35%
Hedge Funds	Hedge Fund Research HFRI Fund-Weighted Composite Index	0.00%	0.00%
Global Real Estate	FTSE EPRA Nareit Global Index TR GBP	-1.36%	-1.36%
Volatility		Change in Volatility	
VIX	Chicago Board Options Exchange SPX Volatility Index	28.41%	28.41%

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

Independent Adviser's Report

EXECUTIVE SUMMARY

- Dorset **performance in the quarter was -0.4% trailing the benchmark's -0.1% return slightly**. 1 year performance was +4.7% versus +7.4% for the strategy benchmark, and 3-year performance is +3.5% versus +5.5%.
- My previous reports have detailed the source of this under-performance. It has been a very difficult period for Brunel in the last few years with one headwind after another.....the Ukraine war, energy prices, rising interest rates, the Magnificent 7 and the Trump administration. Laura Chappell, Brunel CEO and acting-CIO attended last quarter's meeting and gave her report. It is clear performance must improve on a relative basis. At a meeting in late May, the Head of Brunel Listed Equities reported that 6 out of 7 listed funds are ahead of benchmark YTD, so **there may be some early signs that underperformance is ending**. Brunel continues to report that performance versus Peers is acceptable, and as I said last quarter, there is some truth in this, it has been a difficult environment for active managers. The difficult Q1 2022 has dropped out of the 3 year numbers and 5y numbers are not reported. The Committee should request 5y numbers are reported by Brunel as well as the other periods.
- The **global environment has become highly uncertain and at the point of strategic change**. The US can (perhaps) no longer be counted upon, and this has many implications. The Tariff Trade war is a nonsense that creates uncertainty, Trump has already demonstrated what commentators have already called the TACO approach ("Trump Always Chickens Out"). Thus, it is hard to predict what the economic future is, and that is deeply unsettling for business which needs to make plans based on stability and the long-term. There are aspects of the proposed budget ('big, beautiful bill") that should be deeply unsettling, but who can tell what the economic and business regime truly will be?
- What are the implications for our strategy? So far we have made no changes since the Trump Inauguration, but a bit of self-congratulation is in order - last year we identified that the period of "US exceptionalism" might come to an end, and moved substantial assets in Q4 from the Brunel Paris Aligned Benchmark Passive to the Brunel Low Volatility Fund – viz, in Q1 the PAB Passive fell by -7.9% whereas the Low Vol was stable at a -0.3% return. This should have "saved" about £25m of performance alone so far. History has a habit of teaching us not to get too confident however, the Mag 7 are not dead yet.
- The US represents over 70% of the MSCI World Index, In my opinion this is too high, despite the growth of the successful companies that have driven the market indices. On a "look through basis", our US equity exposure is approximately 50% of our equity exposure. **This means that approximately 30% of our total fund is in US Equities**. Does this pass the "reasonableness test"?
- After the end of the March quarter, **an unexpected directive** emerged from Central Government that two of the pools, Brunel and Access must wind up their current arrangements as independent Pools, and therefore Administering Authorities must declare their intention to choose one of the six remaining pools by 30th September. This matter is the subject of a separate report. Suffice it to say, that **Dorset's choice of**

Pool partner for the future is probably the most important decision the Committee will take in many years, as we hope this is a partnership that will last long into the future. It is not helpful that a decision is being forced on us quite quickly, but in the circumstances, I can understand why a long transition would be unhelpful. Therefore all efforts must be made to take the choice of Partner Pool in full knowledge of all the issues involved. It needs to be backed by a thorough independent analysis of all the considerations.

Market Commentary on Q1

- Q1 was marked by a reversal of "Trump trades" and rising volatility amid concerns over tariffs and valuations alongside increased fiscal stimulus in Germany. The move reflected rapid shifts in sentiment after a period of stretched expectations of US outperformance following the 2024 US presidential election. Consumer discretionary, growth stocks and IT were the hardest hit sectors in equities, while European equities finished the quarter in positive territory. Tariff threats and unpredictable decision-making by the White House has led to heightened volatility, with fears mounting over a global trade war. Eurozone rates were cut twice during the quarter with one cut from the UK and the US taking no action, marking a continuing divergence between EU and US / UK rates. US government bonds returned +2.9% on rising recession fears, while EU stimulus and a concerning fiscal position in the UK resulted in higher yields in Europe. In tandem with the reversal of Trump trades, the dollar index fell by c. 4%, with sterling down modestly versus the Euro. Leading economic indicators were mixed, with manufacturing weakness persisting despite some growth in the US. UK Manufacturing PMI fell to 44.9 from 47.0 in December, whereas in the Eurozone rose to 48.6 from 45.1. Inflation remained above 2% in all developed economies, notably in Japan (+3.7%). GDP growth slowed to 2.5% in the US in Q4, again driven by large fiscal spending, with the UK (+1.5%) and Eurozone (+1.2%) continuing to lag.
- Global equities were mixed, with the S&P dropping sharply towards the end of the quarter (-4.3%), driven by growth stocks and big tech, accompanied by a material rotation into European indices (FTSE 100 +6.1%, Euro STOXX 50 +7.5%). European outperformance was not unforeseen given the long-term relative performance of the US, with concerns over valuations and an overheating economy, however the extent of European fiscal stimulus had, for a time at least, created bullish sentiment for the continent. In Japan, a stronger yen from narrowing interest rate differentials created headwinds for the equity market. Mounting uncertainty surrounding trade tariffs has led to volatility across all regions, with bond markets often positively correlated to equities. The outlook, particularly with respect to President Trump's willingness to stick with tariffs over the long-term, remains highly uncertain. In bond markets, rising recession risks led to a return of 2.9% from US Treasuries. Conversely in Europe, expectations of much larger issuance to finance new government spending programmes weighed on sovereign bond returns, with EU bonds ending the quarter down 1.3%. UK Gilts rose slightly despite stagnation fears. Commodities performed well, notably gold (+18%), natural gas (+13.4%, due to cold winter weather) and copper (+24%, partly driven by underlying demand and partly due to strong US demand ahead of tariffs).

We highlight the following themes impacting Q1 investment markets:

- **Trade war uncertainty driving fear and a flight to safety:** Markets were volatile in Q1 amid persistent tariff-related headlines. After February's tariffs on imports from Mexico, Canada, and China, March saw further measures on steel, aluminium, and autos. Shifting expectations ahead of incoming announcements drove sentiment swings, with investors watching for signs of economic drag, such as declining small business capex intentions. Bond gains are being offset by the inflationary nature of tariffs, selling pressure and positioning leaving few places for investors to hide within financial markets.
- **Geopolitical uncertainty driving power shifts:** Trump's approach to the Russia-Ukraine war, tariffs, negative rhetoric towards Europe and question marks over commitments to NATO all contributed to market uncertainty. In response, multiple European countries, notably Germany, marked significantly increased defence spending plans, which boosted markets. The extent to which Germany engages in fiscal expansion remains to be seen, and whether this extends beyond defence into infrastructure, but the momentum is clear that longer-term the US will be less involved in Europe and driving it towards self-sufficiency on defence.
- **US exceptionalism and Big Tech challenged:** The US deficit relative to GDP reached c. 7% in 2024 vs GDP growth of <3%, with a surplus appearing unlikely in the short-term. With debt a driver of past US growth and now over 120% of GDP, American exceptionalism is being challenged, and demographic issues in China and Japan (the largest holders of US debt) are contributing to concerns over erosion of the US Dollar as global reserve currency and leading to higher interest rates. Big Tech also sold off during the quarter. We note DeepSeek demonstrated significant efficiency gains in AI, and critically does not intend to monetise its product, making the wider Chinese economy the likely beneficiary. This makes the path to profitability for western AI players less clear and may exacerbate concerns over the West lagging Asia on manufacturing automation.

Charts and Data

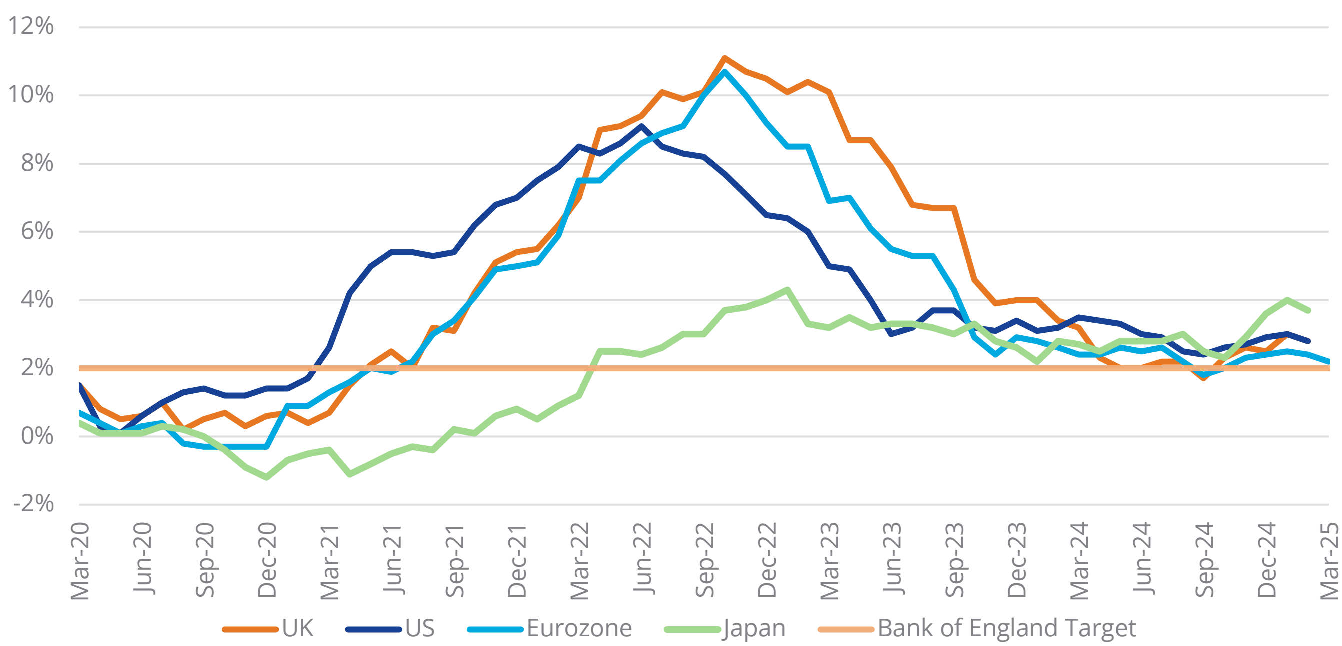
Economic Indicators

Table 1: Quarterly Real GDP Growth and Monthly CPI

%	GDP		CPI		
	Q4 2024	**Q1 2025**	Jan	Feb	Mar
UK	0.1	-	3.0	2.8	-
US	0.6	-	3.0	2.8	-
Eurozone	0.2	-	2.5	2.4	2.2
Japan	0.6	-	4.0	3.7	-

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 March 2025

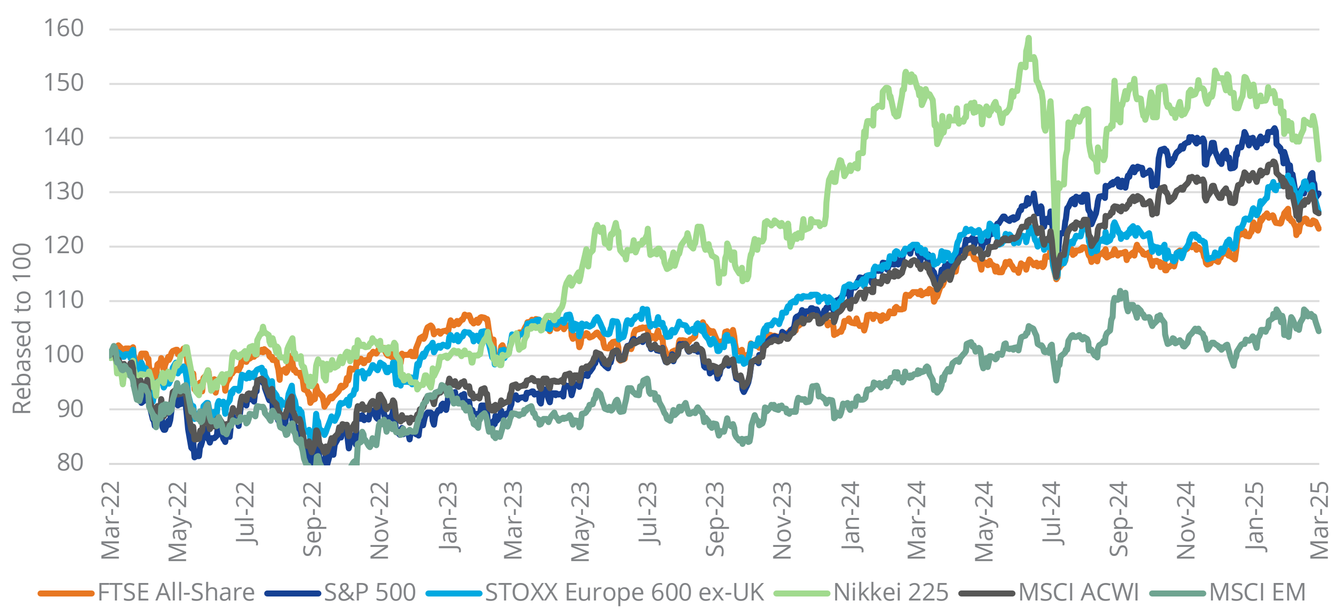


Source: Bloomberg
Notes: UK: UK CPI EU Harmonised YoY NSA (Ticker: UKRPCJYR Index); US: US CPI Urban Consumer YoY NSA (Ticker: CPI YOY Index); Eurozone: Eurostat Eurozone MUICP All Items YoY Flash Estimate (Ticker: ECCPEST Index); Japan: Japan CPI Nationwide YOY (Ticker: JNCPIYOY Index)

APEX

Equities

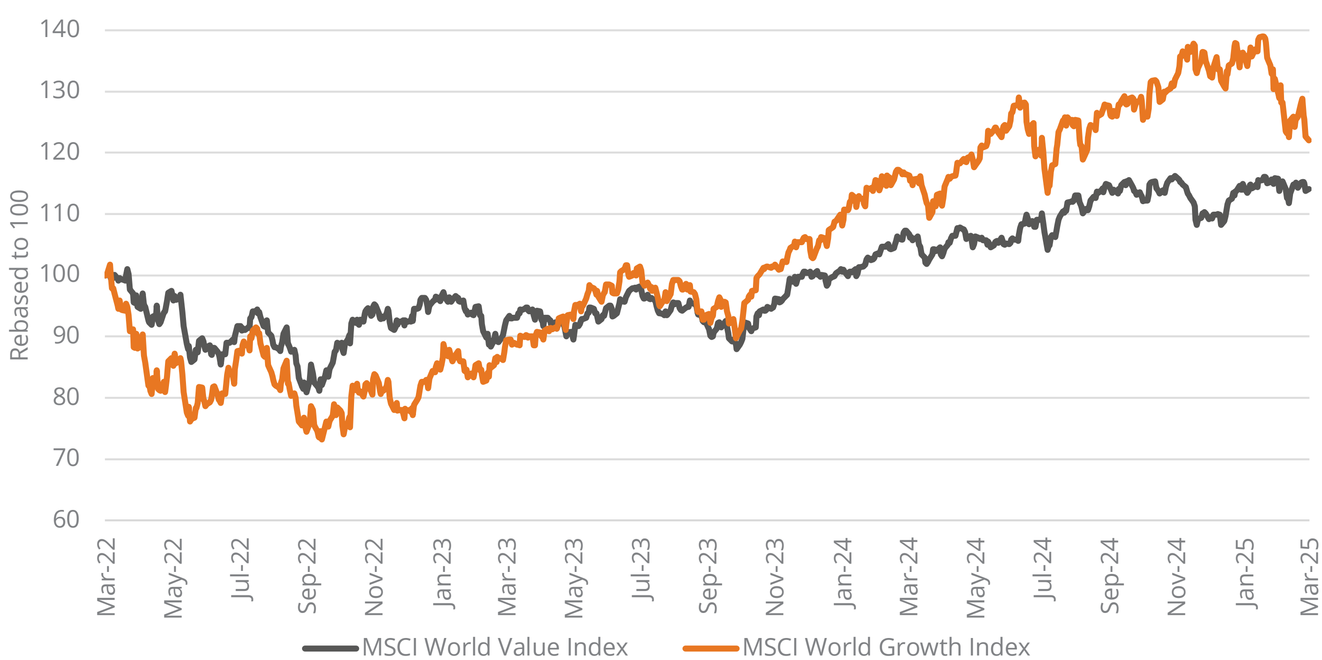
Chart 2: Global Equity Markets Performance



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)

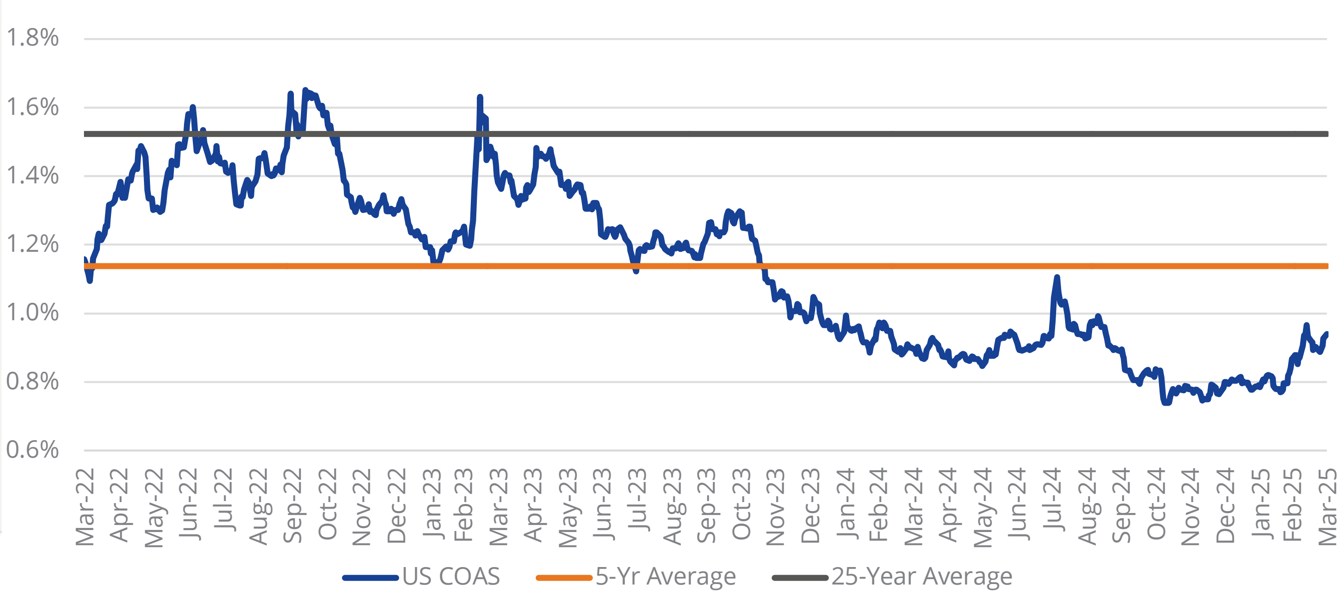
Table 2: MSCI ACWI Composition

Region	Q4 2024 (%)	Q1 2025 (%)
US	66.5	63.7
UK	3.1	3.6
Europe (ex-UK)	10.4	12.1
Japan	4.8	5.1
Developed Asia-Pacific	2.4	2.5
Emerging Markets	9.9	10.1
Other	2.9	3.0

Source: iShares MSCI ACWI ETF

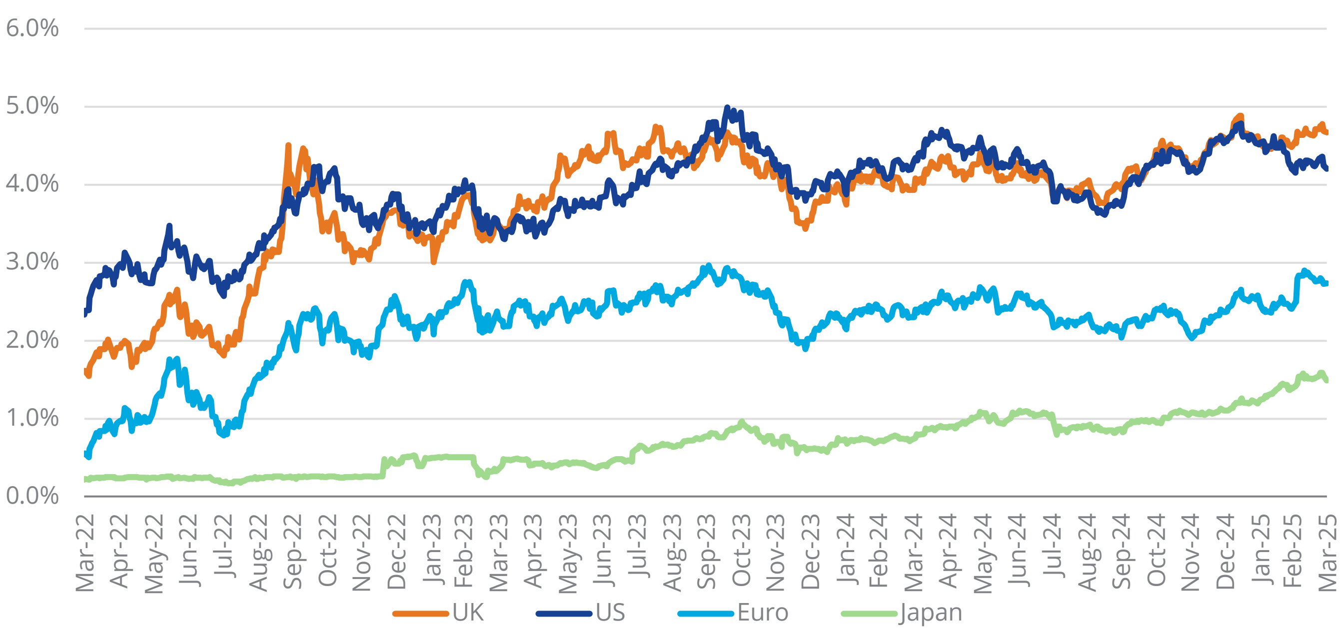
Fixed Income

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

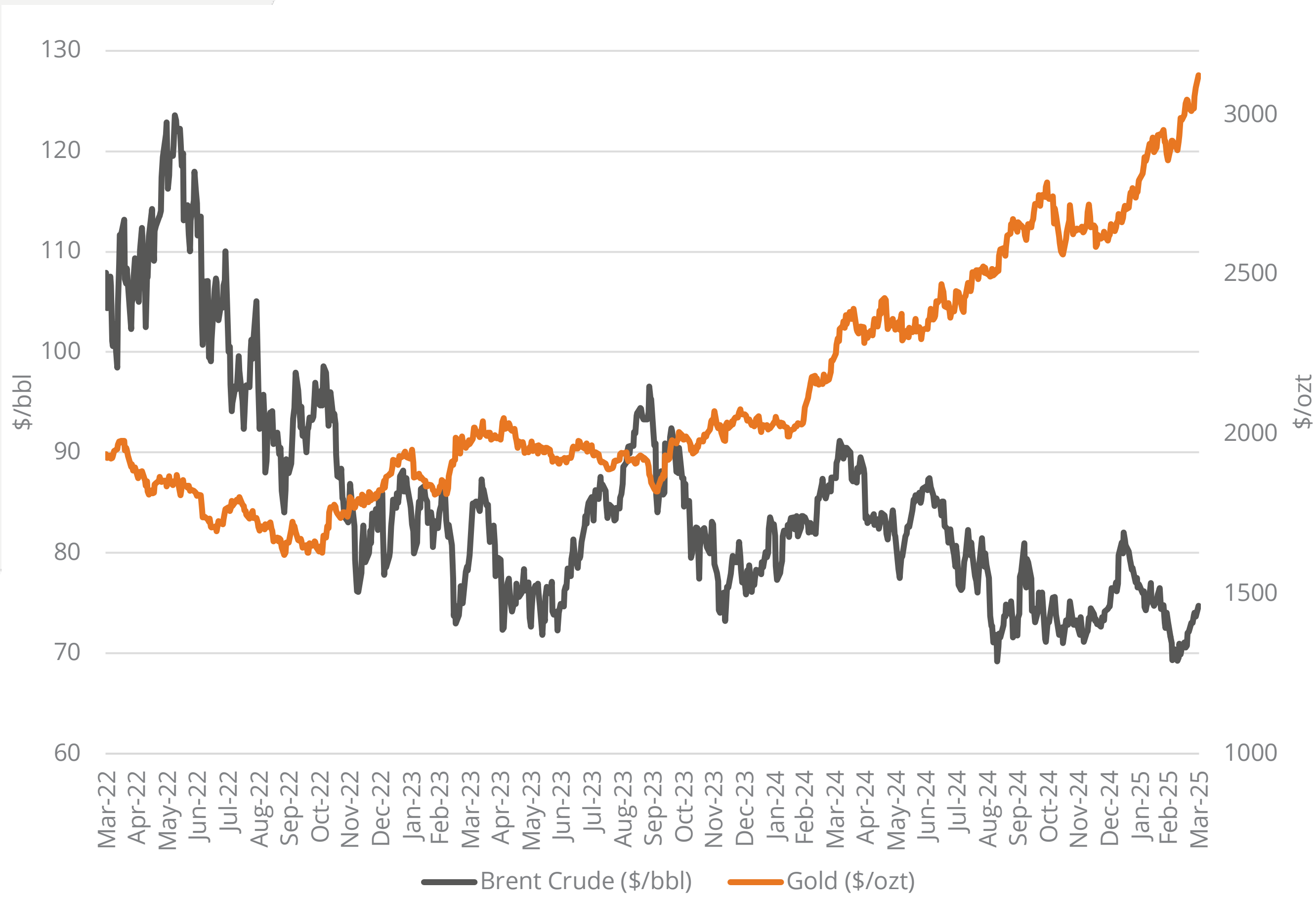
Chart 5: Government Bond Yields



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

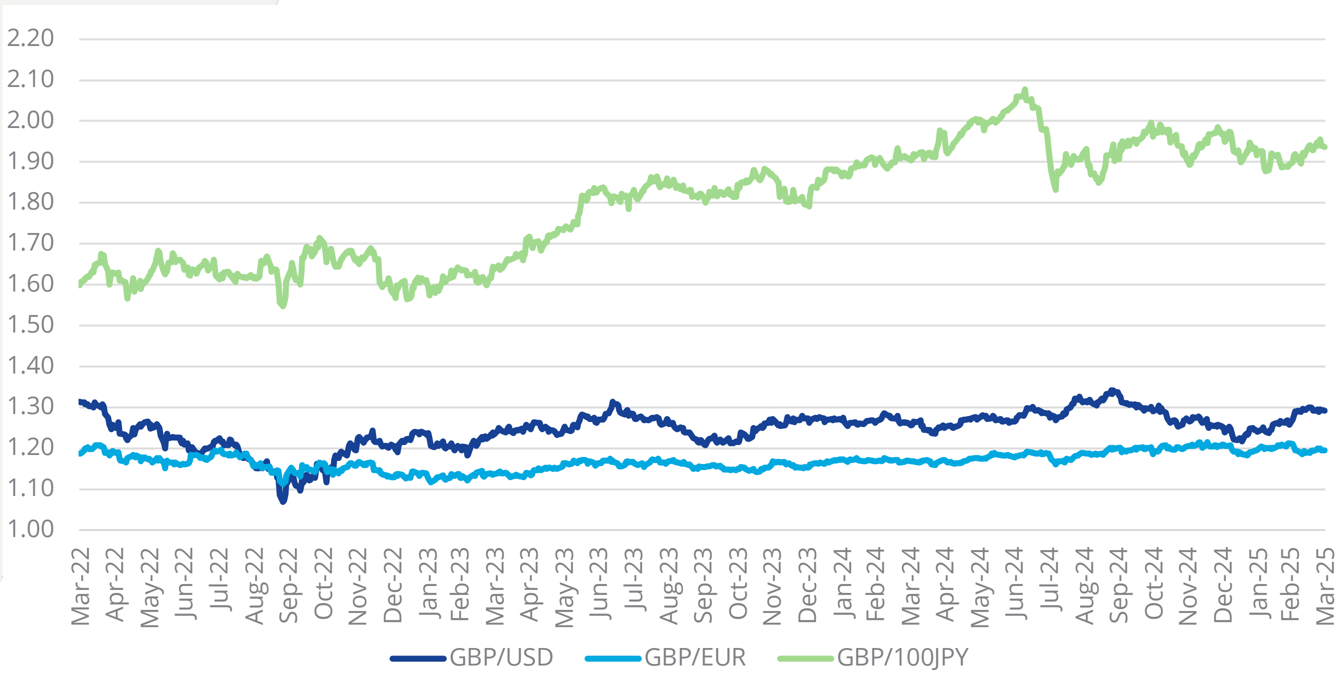


Source: Bloomberg

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 March 2025

Pair	Q1 Value	% Change Over Quarter
GBP/EUR	1.1944	-1.17%
GBP/USD	1.2918	3.21%
EUR/USD	1.0816	4.46%
USD/JPY	149.96	-4.61%

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)

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Dorset County Pension Fund Performance Report

Quarter ending 31 March 2025

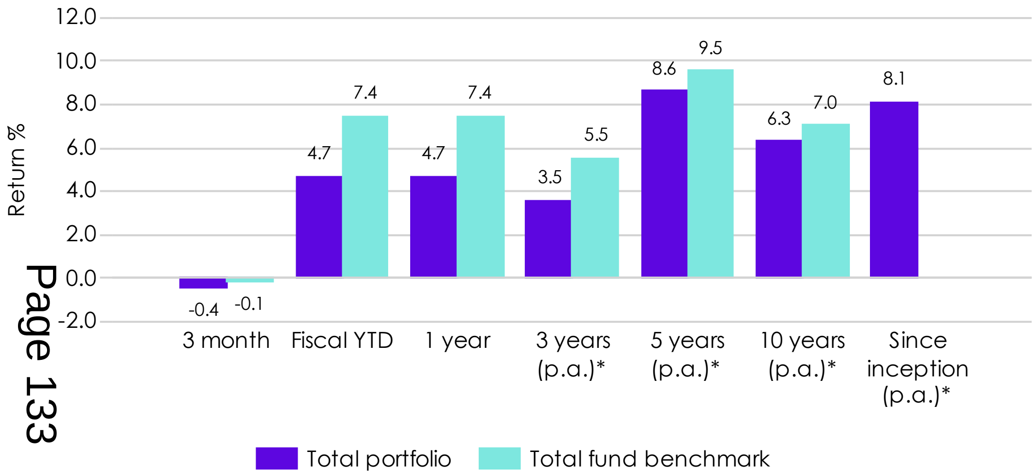
Dorset County Pension Fund
administered by Dorset Council

Brunel Pension Partnership

Contents

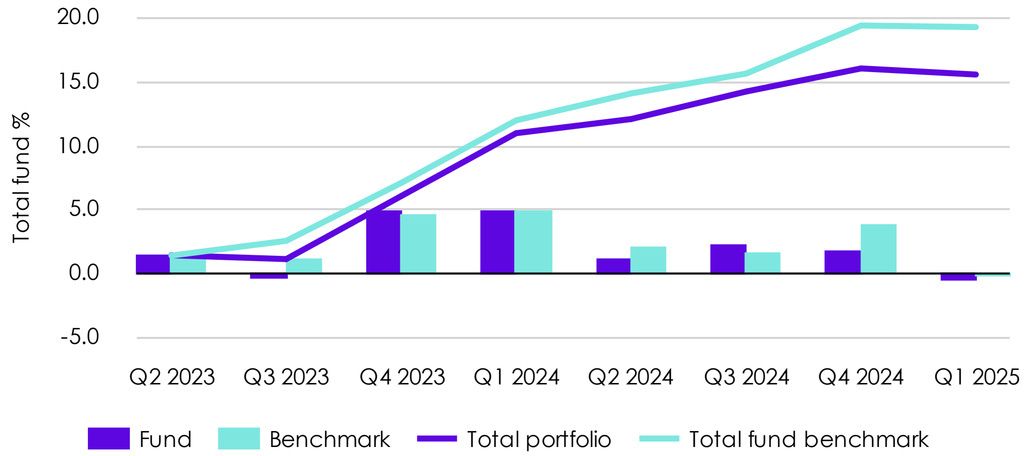
Pension Fund performance

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

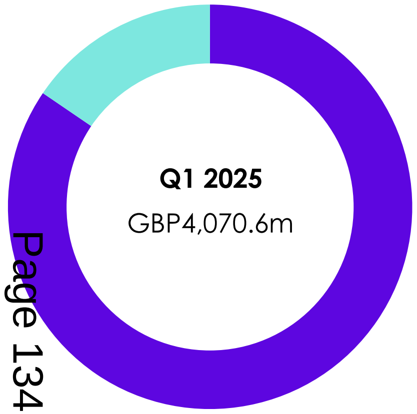
The first quarter of 2025 was extremely volatile. Market sentiment going into 2025 was very positive after another year of outperformance for US markets. However, the markets ended the quarter on a weak note, with the S&P 500 dipping into correction territory before finishing just under 10% ($ terms) from its February peak. The weakness was driven in large part by growth fears that followed uncertainty around tariffs and the broader Trump 2.0 policy agenda. The UK and Europe outperformed. US Treasuries also performed well, with yields falling (and prices rising) in response to data showing weaker economic activity. In comparison, Germany's fiscal regime change- in the form of a loosening of its borrowing limits- caused a sell-off in the European bond market, with German bonds being the most impacted. In the US there was a significant change in market leadership from Information Technology to Energy. IT was the best-performing sector due to AI but took a hit after the emergence of China's low-cost DeepSeek AI model.

Across private markets in general, momentum had been positive going into the first quarter of the new year, feeding off the improving outlook and environment in public markets. That optimism may have been premature. Private Equity market activity was a game of two halves. Early in the quarter it was relatively muted but March deal values reached the highest total in a decade.

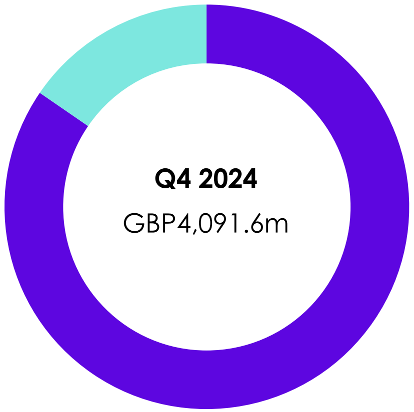
Looking ahead, markets remain focused on the outcome of US tariffs and the US approach to Ukraine, Russia and increasingly China. With reference to the tariffs, there is uncertainty about the magnitude of the tariffs, their longevity, and hence the potential disruption they may cause.

Asset summary

Assets transitioned to Brunel



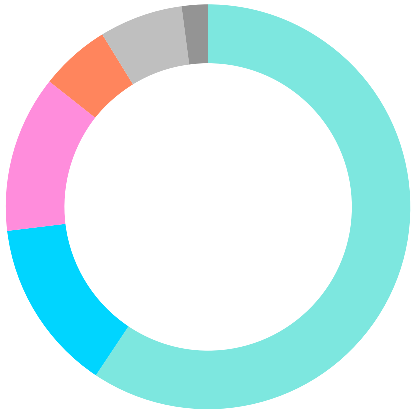
Transitioned	84.50%
Non-pooled assets	15.50%



Transitioned	84.53%
Non-pooled assets	15.47%

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

Asset allocation breakdown



Key:

Equities	59.35%
Fixed income	13.76%
Private markets	12.52%
Property	5.60%
Other	6.67%
Cash	2.09%

Source: State Street Global Services. Net of all fees.
Data includes non-pooled assets

Overview of assets

Detailed asset allocation

Equities	£2,416.39m	59.35%
Global Sustainable Equities	£383.02m	9.41%
Low Volatility Global Equities	£303.30m	7.45%
Global High Alpha Equities	£270.95m	6.66%
Global Small Cap Equities	£262.84m	6.46%
UK Active Equities	£223.84m	5.50%
Passive UK Equities	£212.24m	5.21%
Passive Smart Beta (Hedged)	£189.52m	4.65%
Passive Smart Beta	£183.84m	4.52%
Emerging Markets Equities	£157.23m	3.86%
Passive Developed Equities (Hedged)	£117.81m	2.89%
Passive Developed Equities	£111.23m	2.73%
Non-pooled Assets	£0.58m	0.01%

Fixed income	£559.50m	13.76%
Multi-Asset Credit	£292.44m	7.20%
Sterling Corporate Bonds	£267.05m	6.56%

Private markets (incl. property)	£737.96m	18.13%
Private Equity Cycle 1	£60.53m	1.49%
Secured Income Cycle 1	£53.46m	1.31%
Infrastructure Cycle 3	£36.50m	0.90%
Secured Income Cycle 3	£30.80m	0.76%
Private Equity Cycle 3	£11.04m	0.27%
Private Equity Cycle 4	£1.35m	0.03%
Non-pooled Assets	£544.29m	13.37%

Other	£271.65m	6.67%
Diversifying Returns Fund	£270.71m	6.65%
Non-pooled Assets	£0.95m	0.02%

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	44,486,584.27	1.09%	13.65
GB0009895292	ASTRAZENECA PLC	Health Care	Pharmaceuticals	UNITED KINGDOM	29,983,131.82	0.74%	21.75
GB00BP6MXD84	SHELL PLC	Energy	Integrated Oil & Gas	UNITED KINGDOM	28,025,710.06	0.69%	36.76
GB00B10RZP78	UNILEVER PLC	Consumer Staples	Personal Care Products	UNITED KINGDOM	27,684,647.91	0.68%	21.55
US57636Q1040	MASTERCARD INC - A	Financials	Transaction & Payment	UNITED STATES	26,651,021.37	0.65%	14.25
US0231351067	AMAZON.COM INC	Consumer Discretionary	Broadline Retail	UNITED STATES	26,480,230.45	0.65%	26.10
GB0005405286	HSBC HOLDINGS PLC	Financials	Diversified Banks	UNITED KINGDOM	23,658,790.51	0.58%	22.38
US67066G1040	NVIDIA CORP	Information Technology	Semiconductors	UNITED STATES	22,458,666.75	0.55%	12.46
US0378331005	APPLE INC	Information Technology	Technology Hardware	UNITED STATES	21,881,602.12	0.54%	18.75
US02079K3059	ALPHABET INC-CL A	Communication Services	Interactive Media &	UNITED STATES	18,179,974.39	0.45%	24.89

Table excludes cash and non-pooled 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	8,029	0.2%	1.50%	-1.3%	0.7%	0.0%
Cash	85,028	2.1%	-	2.1%	-0.2%	-0.0%
CBRE	228,182	5.6%	8.00%	-2.4%	-0.4%	0.0%
Harbourvest	56,206	1.4%	2.50%	-1.1%	-3.2%	-0.0%
Hermes	77,642	1.9%	2.00%	-0.1%	-0.5%	-0.0%
IFM	171,151	4.2%	4.00%	0.2%	1.4%	0.1%
Insight	168	0.0%	-	0.0%	0.1%	0.0%
Investec	352	0.0%	-	0.0%	1.5%	0.0%
Wellington	228	0.0%	-	0.0%	-0.1%	0.0%
Global High Alpha Equities	270,952	6.7%	6.00%	0.7%	-4.9%	-0.3%
Global Sustainable Equities	383,022	9.4%	10.00%	-0.6%	-4.7%	-0.4%
UK Active Equities	223,843	5.5%	6.00%	-0.5%	2.6%	0.1%
Emerging Markets Equities	157,228	3.9%	4.00%	-0.1%	-0.7%	-0.0%
Global Small Cap Equities	262,841	6.5%	7.00%	-0.5%	-8.8%	-0.6%
Diversifying Returns Fund	270,705	6.6%	7.00%	-0.4%	3.5%	0.2%
Low Volatility Global Equities	303,298	7.4%	7.50%	-0.1%	-0.3%	-0.1%

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
Multi-Asset Credit	292,442	7.2%	6.50%	0.7%	1.7%	0.1%
Sterling Corporate Bonds	267,053	6.6%	6.50%	0.1%	1.2%	0.1%
Passive Developed Equities	111,229	2.7%	1.75%	1.0%	-4.3%	-0.1%
Passive Developed Equities (Hedged)	117,808	2.9%	1.75%	1.1%	-2.1%	-0.1%
Passive UK Equities	212,237	5.2%	5.00%	0.2%	4.5%	0.2%
Passive Smart Beta	183,839	4.5%	4.50%	0.0%	0.9%	0.0%
Passive Smart Beta (Hedged)	189,516	4.7%	4.50%	0.2%	3.2%	0.1%
Private Equity Cycle 1	60,530	1.5%	2.00%	-0.5%	N/M	N/M
Private Equity Cycle 3	11,039	0.3%	-	0.3%	N/M	N/M
Private Equity Cycle 4	1,345	0.0%	-	0.0%	N/M	N/M
Infrastructure Cycle 3	36,497	0.9%	1.00%	-0.1%	N/M	N/M
Secured Income Cycle 1	53,461	1.3%	1.00%	0.3%	N/M	N/M
Secured Income Cycle 3	30,798	0.8%	-	0.8%	N/M	N/M

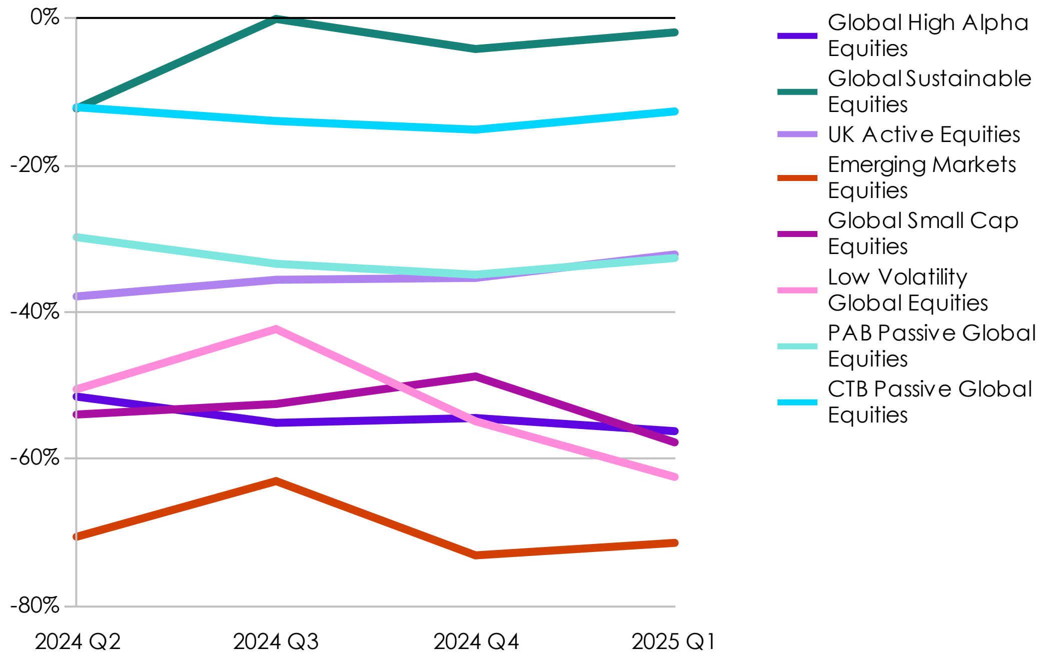
Private Markets 3 month performance is not material. Private Markets interim period performance is calculated using NAVs provided on business day 8. Later revisions to these NAVs are not captured in the calculations so please use caution when using this data.

Stewardship and climate metrics

Portfolio	WACI		Total Extractive Exposure[1]		Extractive Industries (VOH)[2]	
	2024 Q4	2025 Q1	2024 Q4	2025 Q1	2024 Q4	2025 Q1
Global High Alpha Equities	**53**	**58**	**1.0**	**1.2**	**1.7**	**2.0**
MSCI World*	117	132	3.2	3.1	7.3	8.1
Global Sustainable Equities	**139**	**156**	**1.5**	**1.6**	**7.3**	**8.2**
MSCI ACWI*	145	159	3.2	3.2	7.4	8.0
UK Active Equities	**68**	**71**	**5.0**	**4.9**	**10.1**	**10.6**
FTSE All Share ex Inv Tr*	105	104	6.2	6.2	16.7	16.9
Emerging Markets Equities	**108**	**116**	**0.6**	**0.1**	**2.4**	**2.0**
MSCI Emerging Markets*	402	405	5.8	5.7	7.5	7.2
Global Small Cap Equities	**92**	**82**	**1.5**	**1.7**	**1.0**	**1.3**
MSCI Small Cap World*	180	195	3.1	3.2	5.4	5.7
Low Volatility Global Equities	**65**	**60**	**1.4**	**1.4**	**2.5**	**2.7**
MSCI ACWI*	145	159	3.2	3.2	7.4	8.0
PAB Passive Global Equities	**78**	**90**	**0.9**	**0.8**	**3.1**	**3.5**
FTSE Dev World TR UKPD*	120	134	3.1	3.1	7.6	8.4
PAB Passive Global Equities (Hedged)	**78**	**90**	**0.9**	**0.8**	**3.1**	**3.5**
CTB Passive Global Equities	**102**	**117**	**1.5**	**1.4**	**4.4**	**5.1**
CTB Passive Global Equities (Hedged)	**102**	**117**	**1.5**	**1.4**	**4.4**	**5.1**
FTSE Dev World TR UKPD*	120	134	3.1	3.1	7.6	8.4
Passive Developed Equities	**120**	**134**	**2.9**	**2.9**	**7.6**	**8.4**
Passive Developed Equities (Hedged)	**120**	**134**	**2.9**	**2.9**	**7.6**	**8.4**
Passive UK Equities	**105**	**103**	**5.6**	**5.6**	**16.6**	**16.6**
Passive Smart Beta	**247**	**272**	**2.6**	**2.6**	**11.5**	**12.1**
Passive Smart Beta (Hedged)	**247**	**272**	**2.6**	**2.6**	**11.5**	**12.1**

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost. Changes between quarters may reflect improved data quality and coverage.

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/

Risk and return summary

Brunel portfolio performance - 3 year

	Annualised return	Risk (standard deviation)	Benchmark return	Benchmark standard deviation
Equities				
Global High Alpha Equities	6.8%	13.5%	8.8%	12.0%
Global Sustainable Equities	2.8%	13.0%	8.1%	11.5%
UK Active Equities	7.4%	12.1%	7.7%	11.3%
Emerging Markets Equities	1.6%	13.4%	2.6%	13.5%
Global Small Cap Equities	0.5%	15.9%	2.7%	15.7%
Passive Developed Equities	8.4%	11.9%	8.6%	11.9%
Passive Developed Equities (Hedged)	8.4%	15.2%	8.6%	15.1%
Passive UK Equities	7.3%	11.2%	7.2%	11.2%
Passive Smart Beta	7.6%	10.3%	7.2%	10.3%
Passive Smart Beta (Hedged)	7.6%	13.8%	7.1%	13.8%
Fixed income				
Multi-Asset Credit	5.4%	6.1%	8.2%	0.4%
Other				
Diversifying Returns Fund	3.6%	4.2%	7.2%	0.4%

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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)				
Private Equity Cycle 1	7.8%	9.0%	8.1%	11.5%
Secured Income Cycle 1	-4.3%	12.1%	5.2%	2.1%

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Risk and return summary

Non-pooled manager performance - 3 year

	Annualised return	Risk (standard deviation)	Benchmark return	Benchmark standard deviation
Aberdeen Standard	2.8%	10.4%	7.2%	11.2%
Brunel PM Cash	241.1%	-	-	-
Cash	1.0%	-	-	-
CBRE	-2.3%	12.1%	-1.9%	8.2%
Harbourvest	-0.9%	10.7%	7.2%	11.2%
Hermes	-1.4%	5.2%	10.0%	0.1%
IFM	8.9%	6.4%	10.0%	0.1%
Insight	59.6%	272.3%	59.8%	272.3%
Dorset County Pension Fund	3.5%	8.0%	5.5%	7.2%

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 (59.35%)			**2,415.81**									
Global High Alpha Equities	MSCI World	+2-3%	270.95	-4.9%	-0.3%	0.8%	-4.5%	6.8%	-2.0%	11.3%	0.1%	15 Nov 2019
Global Sustainable Equities	MSCI ACWI	+2%	383.02	-4.7%	-0.5%	-2.7%	-8.0%	2.8%	-5.3%	4.5%	-4.9%	01 Dec 2020
UK Active Equities	FTSE All Share ex Inv Tr	+2%	223.84	2.6%	-2.4%	9.7%	-1.3%	7.4%	-0.3%	6.1%	-0.8%	21 Nov 2018
Emerging Markets Equities	MSCI Emerging Markets	+2-3%	157.23	-0.7%	-0.6%	6.4%	-	1.6%	-1.0%	2.1%	-1.6%	09 Oct 2019
Global Small Cap Equities	MSCI Small Cap World	+2%	262.84	-8.8%	-2.3%	-4.9%	-3.0%	0.5%	-2.3%	1.2%	-2.3%	03 Mar 2021
Low Volatility Global Equities	MSCI ACWI	> Benchmark	303.30	-0.3%	3.8%	-	-	-	-	-1.5%	3.8%	11 Dec 2024
Passive Developed Equities	FTSE Developed	Match	111.23	-4.3%	-	4.5%	-0.4%	8.4%	-0.2%	10.4%	-0.2%	24 Jan 2020
Passive Developed Equities (Hedged)	FTSE Developed	Match	117.81	-2.1%	-0.1%	7.4%	-0.5%	8.4%	-0.2%	10.7%	-0.2%	31 Jan 2020
Passive UK Equities	FTSE All Share	Match	212.24	4.5%	-	10.5%	-	7.3%	0.1%	5.1%	0.1%	11 Jul 2018
Passive Smart Beta	SciBeta Multifactor Composite	+0.5-1%	183.84	0.9%	0.1%	5.7%	0.4%	7.6%	0.5%	8.8%	0.3%	25 Jul 2018
Passive Smart Beta (Hedged)	SciBeta Multifactor Hedged Composite	+0.5-1%	189.52	3.2%	0.1%	8.3%	0.3%	7.6%	0.5%	8.5%	0.3%	25 Jul 2018
Fixed income (13.74%)			**559.50**									
Multi-Asset Credit	SONIA +4%	0% to +1.0%	292.44	1.7%	-0.4%	8.4%	-0.8%	5.4%	-2.9%	3.8%	-3.6%	01 Jun 2021
Sterling Corporate Bonds	iBoxx Sterling Non Gilt x	+1%	267.05	1.2%	0.5%	4.2%	1.8%	-	-	5.9%	1.8%	14 Dec 2022

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Portfolio overview

Portfolio	Benchmark	Outperformance target	AUM (GBPm)	Perf. 3 month	Excess+ 3 month	Perf. 1 year	Excess+ 1 year	Perf. 3 year	Excess+ 3 year	Perf. SII*	Excess+ SII*	Initial investment
Private markets (incl. property) (4.76%)			**193.67**									
Private Equity Cycle 1	MSCI ACWI	+3%	60.53	N/M	N/M	5.5%	0.2%	7.8%	-0.4%	12.0%	0.6%	26 Mar 2019
Private Equity Cycle 3	MSCI ACWI	+3%	11.04	N/M	N/M	4.3%	-1.1%	-	-	-7.2%	-20.8%	28 Apr 2023
Private Equity Cycle 4	MSCI ACWI	+3%	1.35	N/M	N/M	-	-	-	-	-	-5.5%	30 May 2024
Infrastructure Cycle 3	n/a - absolute return target	net 8% IRR	36.50	N/M	N/M	5.8%	3.1%	-	-	2.1%	-1.9%	13 Oct 2022
Secured Income Cycle 1	CPI	+2%	53.46	N/M	N/M	3.7%	1.0%	-4.3%	-9.5%	-	-4.0%	15 Jan 2019
Secured Income Cycle 3	CPI	+2%	30.80	N/M	N/M	2.6%	-0.1%	-	-	-	-2.1%	01 Jun 2023
Other (6.65%)			**270.70**									
Diversifying Returns Fund	SONIA +3%	0% to +2.0%	270.70	3.5%	1.6%	3.2%	-4.9%	3.6%	-3.6%	4.1%	-1.6%	31 Jul 2020
Total Brunel assets (excl. cash) (84.50%)			**3,439.68**									

*Since initial investment
+ Excess to benchmark, may not include outperformance
Private Markets 3 month performance is not material. Private Markets interim period performance is calculated using NAVs provided on business day 8. Later revisions to these NAVs are not captured in the calculations so please use caution when using this data.

Portfolio overview

Non-pooled 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
Private markets (incl. property) (13.37%)			**544.29**							
Aberdeen Standard	8.03	0.7%	-3.8%	-2.5%	-12.9%	2.8%	-4.4%	4.7%	-1.5%	01 Jun 2006
Brunel PM Cash	3.08	-0.7%	-0.7%	1,078.5%	1,078.5%	241.1%	241.1%	114.7%	-	01 Jun 2020
CBRE	228.18	-0.4%	-2.3%	4.1%	-1.1%	-2.3%	-0.3%	6.4%	0.2%	01 Jan 2000
Harbourvest	56.21	-3.2%	-7.7%	1.7%	-8.7%	-0.9%	-8.1%	12.3%	6.4%	01 May 2006
Hermes	77.64	-0.5%	-2.8%	-2.4%	-12.4%	-1.4%	-11.3%	4.2%	-5.8%	01 Feb 2015
IFM	171.15	1.4%	-1.0%	6.0%	-4.0%	8.9%	-1.1%	12.1%	2.1%	01 Apr 2016
Other (2.09%)			**85.20**							
Cash	85.03	-0.2%	-0.2%	1.2%	1.2%	1.0%	1.0%	0.5%	-	01 Jan 2009
Insight	0.17	0.1%	-	471.9%	-	59.6%	-0.2%	17.7%	0.5%	01 Jul 2012
Total non-pooled assets (excl. cash) (15.46%)	**629.48**									

*Since initial investment
⁺ Excess to benchmark, may not include outperformance

Chief Investment Officer commentary

The first quarter of 2025 was extremely volatile. Market sentiment going into 2025 was very positive after another year of outperformance for US markets. A new Republican government was widely viewed to be positive for US equity markets. US stocks started the quarter with strong momentum, with the S&P 500 hitting a record high on 19th February. However, the markets ended the quarter on a weak note, with the S&P 500 dipping into correction territory before finishing just under 10% ($ terms) from its February peak. The weakness was driven in large part by growth fears that followed uncertainty around tariffs and the broader Trump 2.0 policy agenda. However, the UK and Europe returned 4.5% and 7.6% respectively, driven mainly by investors switching out of US stocks.

There was a notable shift in the global macroeconomic landscape during the first quarter of 2025. US exceptionalism was challenged as heightened policy uncertainty led to a sharp fall in sentiment and raised recession concerns. US Treasuries outperformed over the quarter, with yields falling (and prices rising) in response to data showing weaker economic activity. In comparison, Germany's fiscal regime change - in the form of a loosening of its borrowing limits - caused a sell-off in the European bond market, with German bonds being the most impacted.

In the US there was a significant change in market leadership from Information Technology to Energy. IT was the best-performing sector due to AI but took a hit after the emergence of China's low-cost DeepSeek AI model. Investors were already concerned about the valuation of the 'Magnificent Seven' stocks and their huge spending on AI, and this proved a catalyst for a sharp sell-off in these major stocks. Trade tariffs uncertainty also had a marked effect on global markets with the MSCI World down 4.7%. European markets rose by 7.6%, helped by the European Central Bank (ECB) cutting interest rates in January and March. The FTSE All-Share rose 4.5%, aided by strong performance from Financials, Energy and Healthcare.

Across private markets in general, momentum had been positive going into the first quarter of the new year, feeding off the improving outlook and environment in public markets and in spite of the turbulence in the UK from the Autumn Statement. Greater geopolitical forces were at play.

Real estate markets were beginning their cyclical upswing but by quarter-end were facing renewed challenges. UK real estate values grew steadily over the year (to quarter-end), with all sectors experiencing year-over-year increases in investment volumes during 2024. This positive momentum, driven by improving pricing and the prospect of further decreases in interest rates, suggested that 2025 would be another year of progress. That optimism may have been premature.

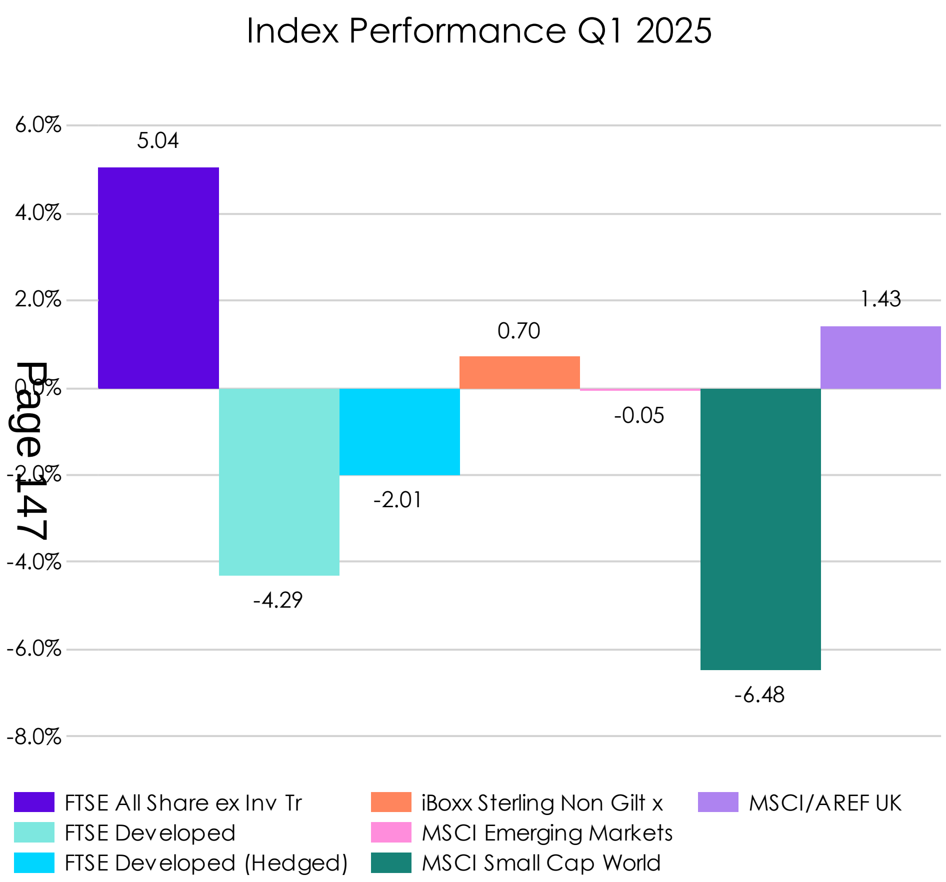
Private Equity market activity was a game of two halves. Early in the quarter, it was relatively muted compared to prior (exceptional) years, having been the slowest start to a year, deal-making-wise, in more than a decade. March deal values, however, reached the highest total in a decade, according to S&P Global Market Intelligence. Hopes were high that IPO markets would re-open, rates would come down and tax cuts would be extended in the US, leading to a broadening of US economic exceptionalism from large caps to mid- and small-cap companies.

Private Debt market activity reflected the trends in Private Equity. M&A markets remained muted for much of the quarter (in volume terms), following a slight pickup in Q4. The resurgence of the broadly syndicated loan market drove direct lenders back to their traditional middle-market hunting grounds. Selectivity and broad diversification remained paramount.

Infrastructure and particularly renewables (which now make up ~50% of global infrastructure spend) faced renewed hostility from the US administration. Offshore wind has been the most impacted due to its reliance on federal permits although the need at state level is no less great, and no less urgent. Tariffs will impact on the cost of projects given the supply chain's heavy reliance on China and how nascent the alternatives are. This presents threats and opportunities that are both project- and country-specific. What is clear is that if the US wishes to lead in AI and to have a manufacturing renaissance, it will need abundant new sources of electricity generation and significant upgrades and reinforcements of its electricity grid.

Looking ahead, markets remain focused on the outcome of US tariffs and the US approach to Ukraine, Russia and increasingly China. With reference to the tariffs, there is uncertainty about the magnitude of the tariffs, their longevity, and hence the potential disruption they may cause.

Chief Investment Officer commentary



Source: State Street

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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
£4,335m

Risk profile
High

Dorset's Holding:
GBP271m

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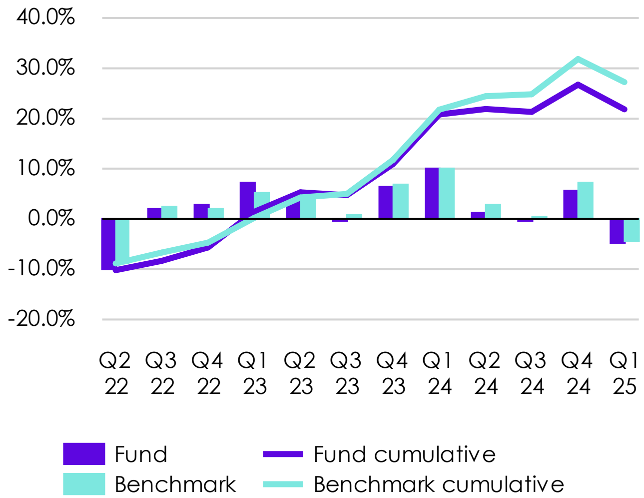
Rolling 3yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	-4.9	0.8	6.9	11.8
MSCI World	-4.6	5.2	8.8	11.7
Excess	-0.3	-4.4	-2.0	0.0

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

Performance commentary

Global developed equities (as proxied by the MSCI World index) returned -4.6% in GBP terms over the quarter. The quarter was characterised by a rotation out of Growth into Value as the latter style significantly outperformed Growth by the largest quarterly amount since the recovery in equity markets following the GFC. Defensive sectors outperformed cyclical sectors in general. Energy and Utilities were the best-performing sectors whilst Consumer Discretionary, Communications Services and IT sectors all underperformed the broad index as the emergence of Chinese-based DeepSeek and additional policy uncertainty led to a sell-off in many of the large Growth winners within these sectors. Broad style indices showed Value outperformed, whilst both Quality and Growth underperformed.

The portfolio returned -4.9%, underperforming the index by 0.3% as strong stock selection was not enough to offset the negative contributions from sector allocation and the portfolio's tilt to growth. Sector attribution showed allocation was the main driver of underperformance. The portfolio's overweight to the Consumer Discretionary sector was the largest negative contributor; the underweight to Energy, Utilities and Consumer Staples sectors also detracted. Selection was strong during the quarter, particularly in the Consumer Discretionary and IT sectors. Six of the top ten contributors were underweight holdings in large-index Growth names. This trend was particularly apparent in the IT sector, where underweight holdings in NVidia, Apple and Broadcom were the largest contributors. Within Consumer Discretionary, an underweight to Tesla was the largest contributor, whilst the largest overweight contributor was Autozone, the car parts and maintenance provider. It reported strong results, showing evidence of resilience to an slowdown. Positive sentiment reflected their potential to benefit from automotive tariffs which may cause consumers to own cars for longer, leading to more repair activity.

Unsurprisingly, in such a style-driven quarter, manager performances reflected their investment styles. Harris (a Value manager) outperformed strongly (+6%) whilst RLAM, which has a deliberately style-agnostic investment approach, also outperformed (+0.75%). Fiera's Quality approach underperformed by 0.8% whilst those managers with a more Growth style underperformed by more (AB -1.9% and BG -4%).

Global High Alpha Equities

Top 5 holdings

	Weight %	B'mark weight %	Client value (GBP)*
MICROSOFT CORP	5.17	3.89	14,016,320
AMAZON.COM INC	4.08	2.64	11,063,566
MASTERCARD INC	3.09	0.66	8,375,343
ALPHABET INC	2.96	2.47	8,010,046
TAIWAN SEMICONDUCTOR	2.95	-	7,986,879

*Estimated client value

Top 5 active overweights

	Weight %	Benchmark weight %
TAIWAN SEMICONDUCTOR	2.95	-
MASTERCARD INC	3.09	0.66
AUTOZONE INC	1.68	0.09
LVMH MOET HENNESSY LOUIS	1.74	0.25
MOODY'S CORP	1.57	0.11

Top 5 active underweights

	Weight %	Benchmark weight %
APPLE INC	0.97	4.91
META PLATFORMS INC	-	1.85
NVIDIA CORP	2.16	3.90
TESLA INC	-	1.10
BERKSHIRE HATHAWAY INC	-	1.04

Largest contributors to ESG risk

	ESG risk score* Q4 2024	Q1 2025
AMAZON.COM INC	26.10	26.10
ALPHABET INC-CL A	24.89	24.89
MICROSOFT CORP	14.23	13.65
MASTERCARD INC - A	16.13	14.25
TAIWAN SEMICONDUCTOR-SP	13.72	15.19

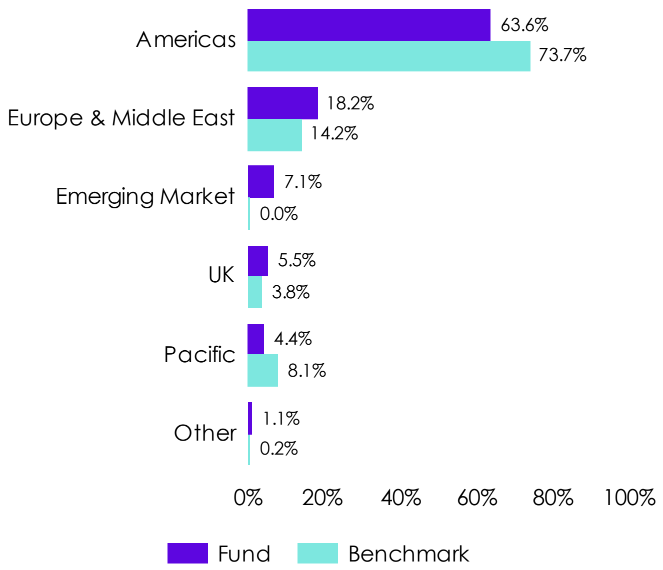
*Source: Sustainanalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

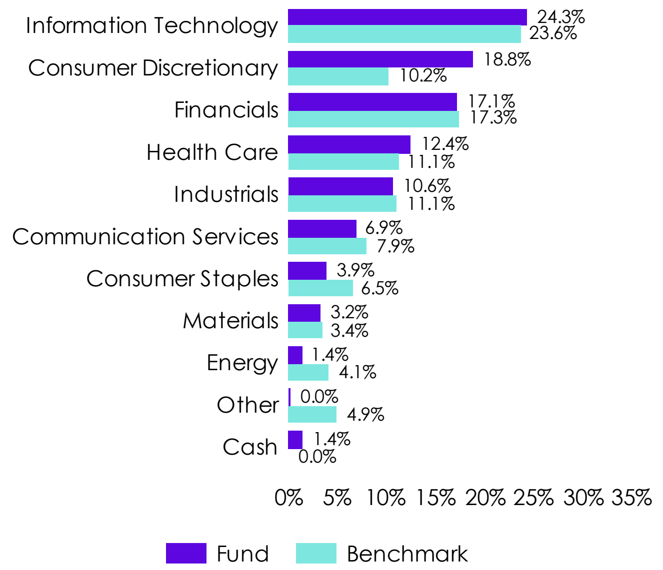
Portfolio	WACI 2024 Q4	WACI 2025 Q1	Total Extractive Exposure[1] 2024 Q4	Total Extractive Exposure[1] 2025 Q1	Extractive Industries (VOH)[2] 2024 Q4	Extractive Industries (VOH)[2] 2025 Q1
Global High Alpha	53	58	0.96	1.20	1.69	1.98
MSCI World*	117	132	3.16	3.12	7.35	8.13

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost. Changes between quarters may reflect improved data quality and coverage.

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

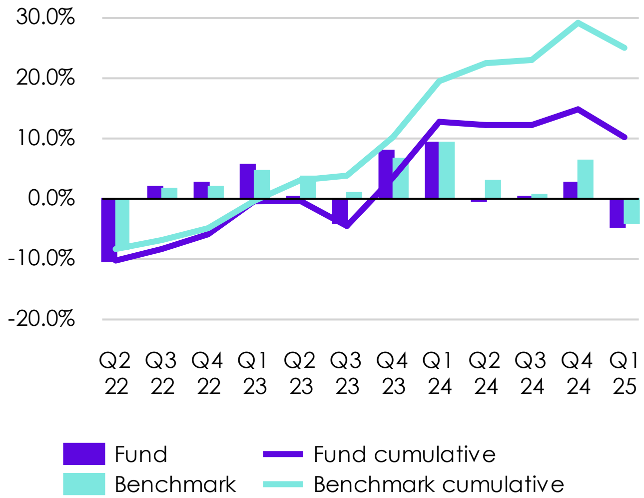
Outperformance target
+2%

Total fund value
£3,685m

Risk profile
High

Dorset's Holding:
GBP383m

Rolling 3yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	-4.7	-2.7	2.8	5.4
MSCI ACWI	-4.2	5.3	8.1	10.8
Excess	-0.5	-8.0	-5.3	-5.4

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

Performance commentary

The portfolio returned -4.7% net of fees over Q1 2025, marginally underperforming the MSCI ACWI benchmark, which returned -4.2%. This quarter can be characterised by an exceptional amount of volatility in the market. The fund outperformed the index in January and March. However, a defence sector/emerging markets rally through February accounted for all the relative underperformance.

The early parts of the quarter were defined by the DeepSeek AI announcement, which threatened to disrupt NVIDIA's future growth plans. The announcement was a good example of how the market can't price the unknown. There was so much focus on NVIDIA's chips becoming more efficient that the thought of large language models becoming more energy-efficient was overlooked.

The following two months were defined by macro-politics, driven by the US and how it shapes its relationship with the rest of the world. An uncertain commitment to Nato and Europe's defence culminated in a seismic shift in German policy, whereby the Bundestag voted to increase defence and infrastructure spending by €500bn. This supported the aerospace and defence sector, which returned 12% in Q1. As is to be expected, the sustainable fund has 0% exposure to this sector. There was also a focus on increasing tariffs for countries that export goods into the US. The market reacted negatively reflecting the potential negatives. The tariff uncertainty was formalised on 2 April, the US president's "liberation day".

The portfolio demonstrated strong stock selection in the US as it has a notable underweight to the Mag 7, which sold off. However, this was balanced against a cyclical/defence sector/Value rally in Europe, where the portfolio is underweight.

At a manager level, Jupiter and Mirova demonstrated strong levels of relative outperformance. Nordea performed in line with the ACWI, whilst RBC and Ownership underperformed. At the time of writing, 55 peers had submitted their quarterly returns and the GSE fund sat comfortably above the median in the second quartile. We are pleased that we were able to provide downside protection, outperforming the median peer group over the quarter, whilst also outperforming the median peer group in a growth market through 2024.

Global Sustainable Equities

Top 5 holdings

	Weight %	B'mark weight %	Client value (GBP)*
MICROSOFT CORP	2.83	3.49	10,828,378
MASTERCARD INC	2.63	0.59	10,055,784
WASTE MANAGEMENT INC	2.25	0.12	8,603,594
ACCENTURE PLC	1.79	0.26	6,874,748
NVIDIA CORP	1.74	3.49	6,657,842

*Estimated client value

Top 5 active overweights

	Weight %	Benchmark weight %
WASTE MANAGEMENT INC	2.25	0.12
MASTERCARD INC	2.63	0.59
AMERICAN WATER WORKS CO INC	1.67	0.04
ACCENTURE PLC	1.79	0.26
ASML HOLDING NV	1.73	0.34

Top 5 active underweights

	Weight %	Benchmark weight %
APPLE INC	-	4.40
ALPHABET INC	-	2.21
NVIDIA CORP	1.74	3.49
META PLATFORMS INC	-	1.65
AMAZON.COM INC	1.25	2.37

Largest contributors to ESG risk

	ESG risk score* Q4 2024	ESG risk score* Q1 2025
WASTE MANAGEMENT INC	18.61	18.74
MICROSOFT CORP	14.23	13.65
MASTERCARD INC - A	16.13	14.25
ECOLAB INC	23.86	23.86
ELI LILLY & CO	-	23.62

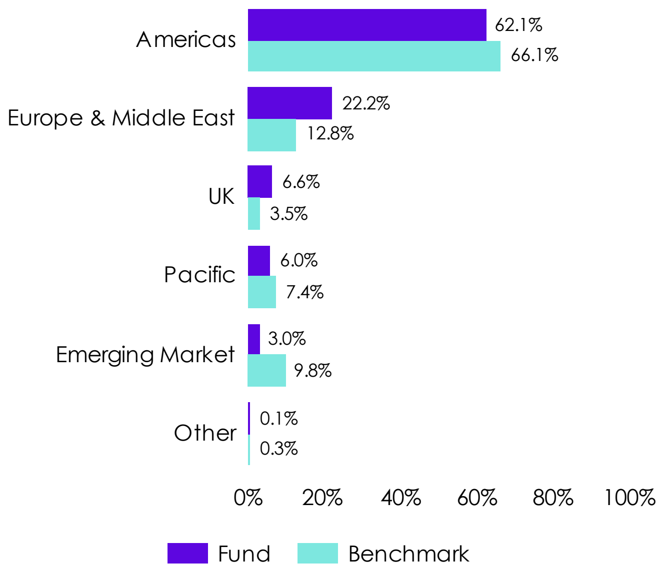
*Source: Sustainalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

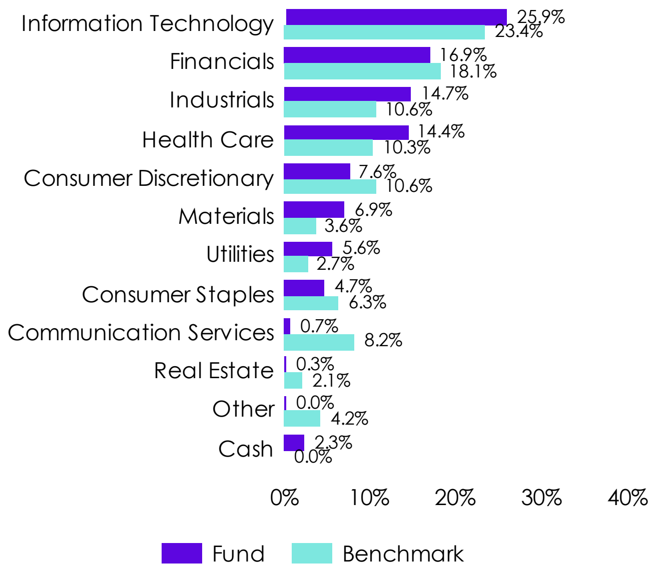
Portfolio	WACI		Total Extractive Exposure[1]		Extractive Industries (VOH)[2]	
	2024 Q4	2025 Q1	2024 Q4	2025 Q1	2024 Q4	2025 Q1
Global Sustainable	139	156	1.54	1.59	7.34	8.25
MSCI ACWI*	145	159	3.21	3.17	7.36	8.03

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost. Changes between quarters may reflect improved data quality and coverage.

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
£1,386m

Risk profile
High

Dorset's Holding:
GBP224m

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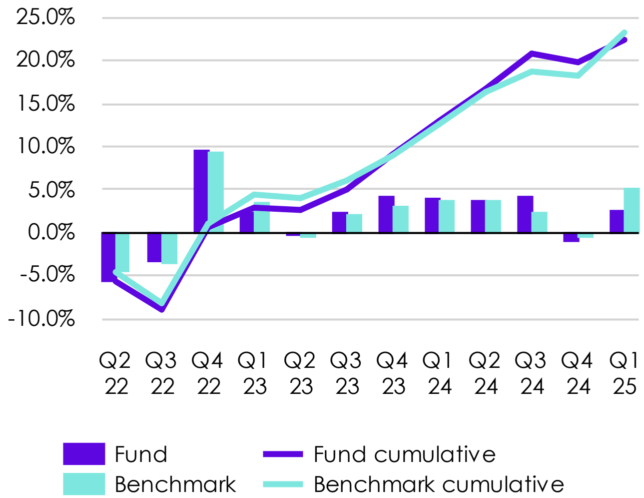
Rolling 3yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	2.6	9.7	7.4	6.0
FTSE All Share ex Inv Tr	5.0	11.0	7.7	6.9
Excess	-2.4	-1.3	-0.3	-0.9

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

Performance commentary

This quarter the FTSE All-Share Index excluding Investment Trusts returned 5%, outperforming the developed market index (MSCI World) by 9.6% in GBP terms. The significant outperformance partly reflected the UK's lower allocation to Consumer Discretionary and Technology, which suffered from the market rotation away from large high-growth stocks towards defensive Value-oriented sectors. The FTSE 100 outperformed the FTSE 250 significantly in the quarter, outperforming in sectors like Pharma, Banks, Aerospace and Energy. Factor returns showed that Size (small) was the largest underperformer whilst Value and Momentum outperformed, and Quality was marginally positive.

The portfolio returned 2.6% during the period, underperforming the benchmark by 2.4%.

Sector attribution showed negative selection was the main driver of returns. Selection was weakest in Consumer Staples and Industrials. Within Consumer Staples, not holding tobacco names BAT and Imperial delivered the largest negative contribution. In Industrials, defence-related names were the strongest performers, and underweights to Rolls Royce and BAE Systems were large detractors, despite the overweight holding in Babcock making the largest contributor to relative returns. Other big-name significant detractors included underweight holdings in Shell, HSBC and Lloyds. Allocation had a neutral impact. Negative impacts from an underweight to Energy (the best-performing sector) and an overweight to Consumer Discretionary (the worst-performing sector) were offset by the overweight to Financials and underweight to Basic Materials. Market cap allocation was a headwind over the quarter, detracting 2.8% from relative returns, driven by the overweight to the quintile of smallest companies - the worst-performing quintile.

On a manager-by-manager basis, Invesco performed in line with the index. Of their targeted factors, Quality contributed positively whilst Value detracted (Momentum was marginally positive). Baillie Gifford underperformed by 5.8% over the quarter, driven by weak selection in Industrials and Financials sectors. Sector allocation was also negative, with the underweight exposure in Energy the largest detractor (-1.3%). Market Cap allocation had a large negative impact on relative returns, detracting 5.3% overall, with an overweight to the quintile of smallest companies detracting 3% from relative returns.

UK Active Equities

Top 5 holdings

	Weight %	B'mark weight %	Client value (GBP)*
ASTRAZENECA PLC	6.07	7.37	13,587,931
UNILEVER PLC	5.16	4.91	11,553,039
SHELL PLC	4.34	7.51	9,721,442
HSBC HOLDINGS PLC	3.80	6.82	8,497,513
RELX PLC	3.06	3.16	6,858,040

*Estimated client value

Largest contributors to ESG risk

	ESG risk score* Q4 2024	ESG risk score* Q1 2025
SHELL PLC	38.07	36.76
ASTRAZENECA PLC	21.49	21.75
UNILEVER PLC	21.55	21.55
HSBC HOLDINGS PLC	24.22	22.38
BP PLC	33.20	33.20

*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]	
	2024 Q4	2025 Q1	2024 Q4	2025 Q1	2024 Q4	2025 Q1
UK Active Equities	**68**	**71**	5.02	4.89	10.11	10.64
FTSE All Share ex Inv	**105**	**104**	6.18	6.21	16.74	16.91

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost. Changes between quarters may reflect improved data quality and coverage.

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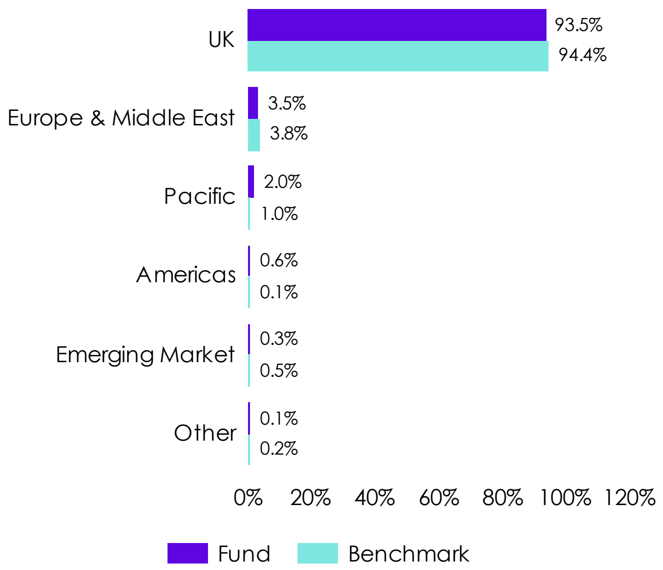
Top 5 active overweights

	Weight %	Benchmark weight %
MARKS & SPENCER GROUP PLC	2.37	0.32
STANDARD CHARTERED PLC	3.01	0.99
BABCOCK INTERNATIONAL GROUP	1.68	0.16
BUNZL PLC	1.84	0.43
JUST GROUP PLC	1.39	0.07

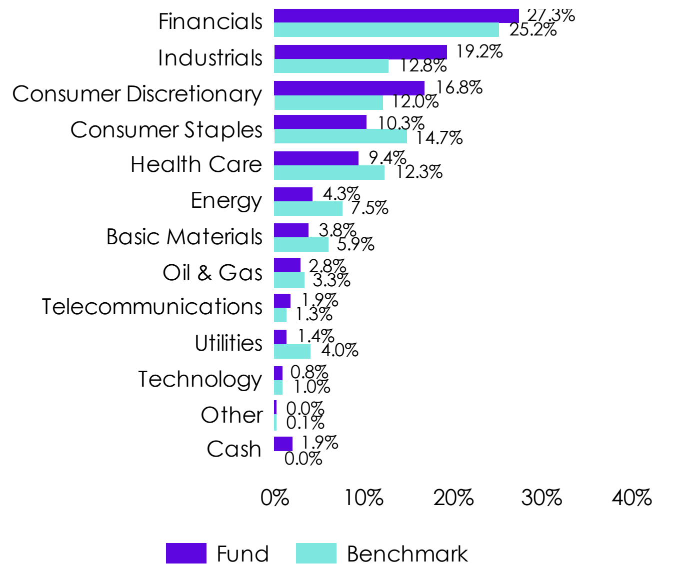
Top 5 active underweights

	Weight %	Benchmark weight %
SHELL PLC	4.34	7.51
HSBC HOLDINGS PLC	3.80	6.82
BRITISH AMERICAN TOBACCO PLC	-	2.75
NATIONAL GRID PLC	-	2.15
LONDON STOCK EXCHANGE	0.80	2.49

Regional exposure



Sector exposure



Emerging Markets Equities

Launch date
8 November 2019

Investment strategy & key drivers
Equity exposure to emerging markets

Liquidity
Managed

Benchmark
MSCI Emerging Markets

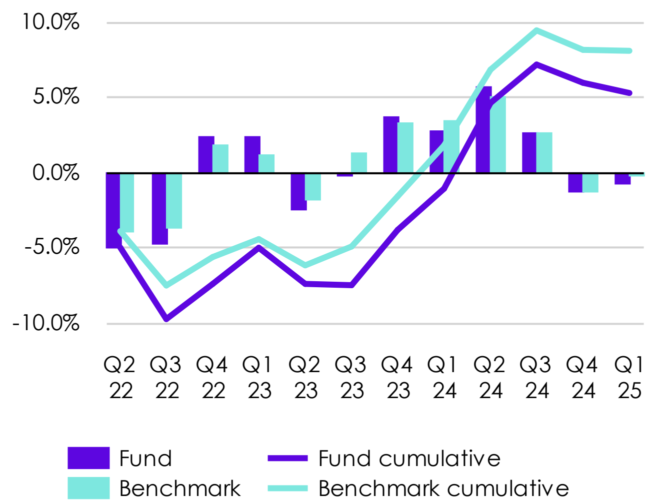
Outperformance target
+2-3%

Total fund value
£1,094m

Risk profile
High

Dorset's Holding:
GBP157m

Rolling 3yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	-0.7	6.4	1.6	1.6
MSCI Emerging Markets	-0.1	6.3	2.6	3.2
Excess	-0.6	0.0	-1.0	-1.5

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

Performance commentary

Emerging Markets (EM) had a muted start to 2025, returning -0.1% over the quarter. Major markets like China performed strongly but were offset by concerns over global trade following the second inauguration of Donald Trump in January 2025. The portfolio lagged the benchmark by 0.6% net of fees.

Globant – a technology services provider – was the largest detractor to relative performance at a company level. Shares in the provider fell by 47.1% following an earnings miss and re-evaluation of forward-looking growth prospects from Globant's management. Many managers are happy to continue holding the stock, believing that Globant's management is being overly prudent with forward-looking growth forecasts.

Country dispersion was once again mixed last quarter. China was the standout performer, returning +11.6% in GBP. This was offset by India and Taiwan, which fell by 5.8% and 15.2% respectively. India struggled following slowing GDP growth, which hit a 15-month low of +6.7%. Taiwanese equities struggled following concerns over US tariffs and a reversal in sentiment towards AI. The portfolio is 5% underweight China, which detracted almost 100 basis points from relative performance. The underweights to India and Taiwan were not enough to offset this detraction.

Technology was the worst performer over the quarter, returning -11.5%. This was driven by the reversal in sentiment on AI, as mentioned previously. The portfolio is 3.4% overweight this sector, which detracted from relative performance.

Last quarter was one of the largest in terms of style dispersion. Quality assets – where the portfolio is overweight – underperformed by 7.5%. This had a large impact on Stewart, which focuses on Quality and underperformed by a similar amount. The most successful style was Prime Value, which outperformed by 4% and benefitted Robeco.

Investors appear to remain cautiously optimistic on the EM outlook but have raised questions on global growth given geopolitical fears, which is causing some volatility across markets. These considerations need to be factored in when looking at what are still attractive EM valuations. EM trades on 12.0x next year's earnings vs 18.2x for developed markets.

Emerging Markets Equities

Top 5 holdings

	Weight %	B'mark weight %	Client value (GBP)*
TAIWAN SEMICONDUCTOR	9.38	8.60	14,749,904
ALIBABA GROUP HOLDING LTD	4.10	3.39	6,444,169
TENCENT HOLDINGS LTD	3.78	5.25	5,938,177
SAMSUNG ELECTRONICS CO LTD	3.27	2.72	5,144,804
HDFC BANK LTD	2.67	1.54	4,200,256

*Estimated client value

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Top 5 active overweights

	Weight %	Benchmark weight %
MAHINDRA & MAHINDRA LTD	1.63	0.37
CONTEMPORARY AMPEREX	1.35	0.12
HDFC BANK LTD	2.67	1.54
POP MART INTERNATIONAL GROUP	1.14	0.14
ERSTE GROUP BANK AG	0.99	-

Top 5 active underweights

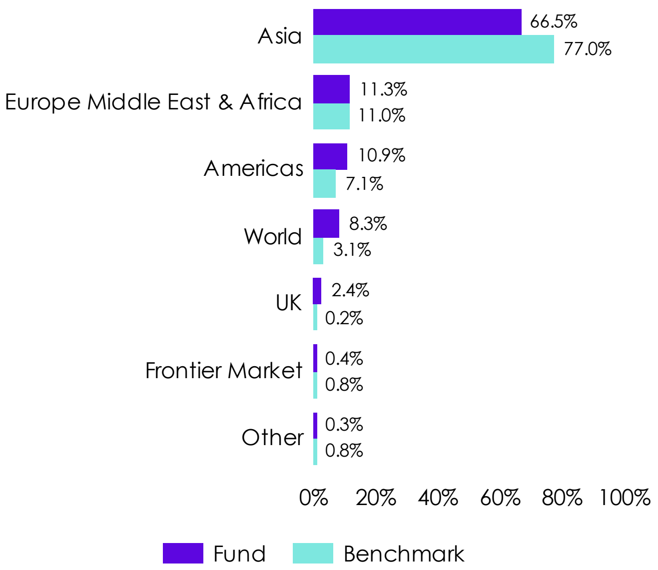
	Weight %	Benchmark weight %
TENCENT HOLDINGS LTD	3.78	5.25
PDD HOLDINGS INC	-	1.05
BYD CO LTD	-	0.86
PETROLEO BRASILEIRO SA	-	0.71
AL RAJHI BANK	-	0.68

Largest contributors to ESG risk

	ESG risk score* Q4 2024	ESG risk score* Q1 2025
TAIWAN SEMICONDUCTOR	13.72	15.19
ALIBABA GROUP HOLDING LTD	20.13	17.99
TENCENT HOLDINGS LTD	18.76	18.76
HDFC BANK LIMITED	29.97	24.91
RELIANCE INDUSTRIES LTD	38.54	39.93

*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.

Regional exposure

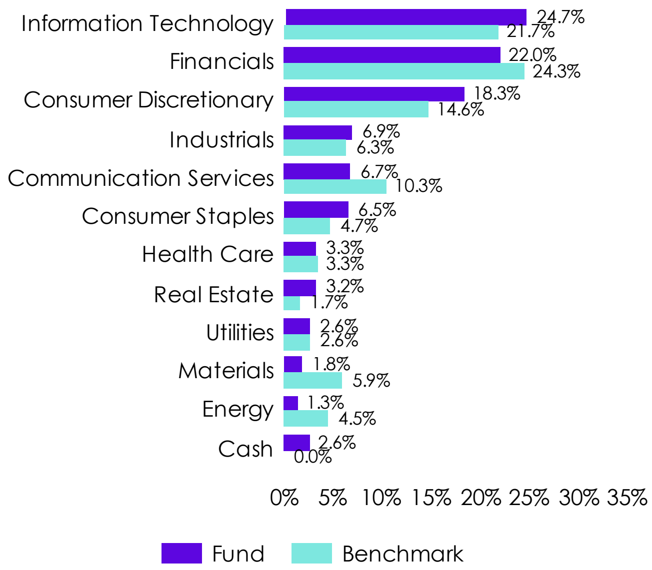


Carbon metrics

Portfolio	WACI 2024 Q4	WACI 2025 Q1	Total Extractive Exposure[1] 2024 Q4	Total Extractive Exposure[1] 2025 Q1	Extractive Industries (VOH)[2] 2024 Q4	Extractive Industries (VOH)[2] 2025 Q1
Emerging Markets	108	116	0.56	0.09	2.40	2.03
MSCI Emerging	402	405	5.81	5.71	7.50	7.16

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost. Changes between quarters may reflect improved data quality and coverage.

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
£950m

Risk profile
High

Dorset's Holding:
GBP263m

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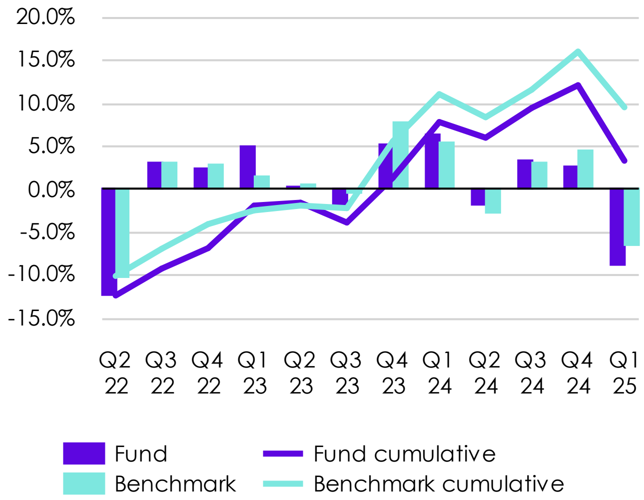
Rolling 3yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	-8.8	-4.9	0.5	5.5
MSCI Small Cap World	-6.5	-1.9	2.7	8.0
Excess	-2.3	-3.0	-2.2	-2.5

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

Performance commentary

Smaller companies underperformed larger ones in Q1 2025. Risk sentiment deteriorated as the US placed tariffs on key trading partners. Coupled with ECB rate cuts and the loosening of Germany's fiscal purse strings, this led to extreme divergence in regional performance, with small company returns positive in Europe but down 12.2% in the US. There was also large dispersion in style performance. Value outperformed Growth by around 4%.

The Global Small Cap Equity portfolio returned -8.8% over the quarter, underperforming the benchmark (-6.5%) by 2.3%. The fund's Quality/Growth tilts proved a headwind. The fund was underweight the strongest-performing sectors, Utilities and Materials, and overweight the weakest, Technology. Stock selection in the Materials sector also detracted from relative returns.

American Century returned -10.2% with stock selection in the Technology sector contributing to negative performance. Technology service provider Globant performed poorly after confirming that tariff uncertainty delayed deal closings in North America. Freshpet was also a significant contributor to relative underperformance. American Century thinks the company remains well-placed to benefit from margin expansion as fresh pet food continues take market share from dried foods and they remain invested in the company.

Montanaro generated a return of -8.9% for the period. Its overweight allocation to the Technology sector and stock selection in the Healthcare sector detracted from relative performance. Bruker, a US supplier of scientific instruments for life sciences, suffered from fears US academic research funding would be cut under the Trump administration.

Kempen returned -7.3% for the quarter. It was unable to benefit from the Value-style tailwind due to its underweight to Utilities, a sector which made a significant contribution to Value's returns. Stock selection was poor in the Basic Materials and Energy sectors, with First Solar negatively impacted by concerns the Trump administration could withdraw key tax credits for domestic solar modules. Kempen believes the shares remain attractively valued but has reduced its position to manage risk and may look to add to the position with more certainty over the tax credit situation.

Global Small Cap Equities

Top 5 holdings

	Weight %	B'mark weight %	Client value (GBP)*
WINTRUST FINANCIAL CORP	1.61	0.10	4,243,092
FUJITEC CO LTD	1.50	0.03	3,948,342
MTU AERO ENGINES AG	1.42	-	3,729,133
QUEST DIAGNOSTICS INC	1.40	-	3,670,704
PINNACLE FINANCIAL PARTNERS	1.25	0.11	3,277,336

*Estimated client value

Top 5 active overweights

	Weight %	Benchmark weight %
WINTRUST FINANCIAL CORP	1.61	0.10
FUJITEC CO LTD	1.50	0.03
MTU AERO ENGINES AG	1.42	-
QUEST DIAGNOSTICS INC	1.40	-
JABIL INC	1.16	-

Top 5 active underweights

	Weight %	Benchmark weight %
TAPESTRY INC	-	0.21
CASEY'S GENERAL STORES INC	-	0.21
SPROUTS FARMERS MARKET INC	-	0.20
US FOODS HOLDING CORP	-	0.20
UNUM GROUP	-	0.18

Largest contributors to ESG risk

	ESG risk score*	
	Q4 2024	Q1 2025
WINTRUST FINANCIAL CORP	28.16	28.27
FUJITEC CO LTD	29.88	29.88
MTU AERO ENGINES AG	28.26	28.26
MUELLER WATER PRODUCTS	28.46	31.44
ENCOMPASS HEALTH CORP	-	30.21

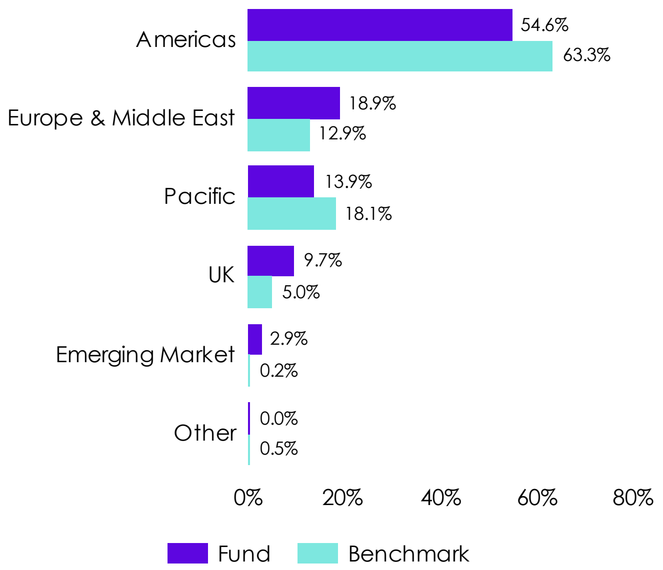
*Source: Sustainalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

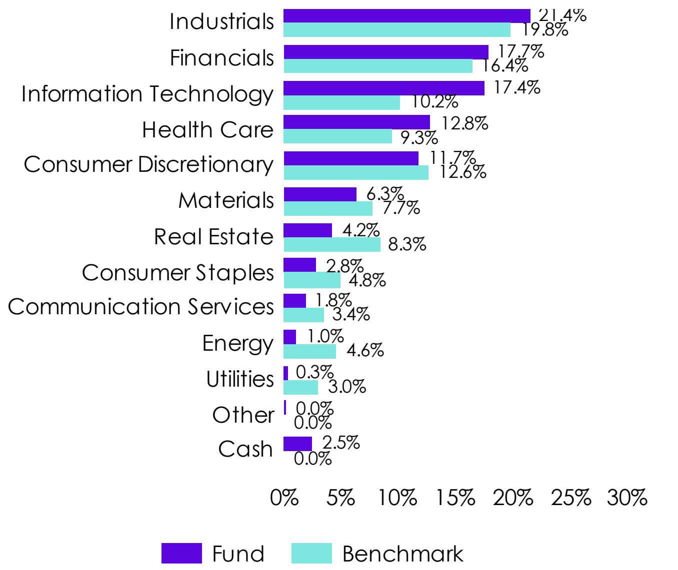
Portfolio	WACI		Total Extractive Exposure[1]		Extractive Industries (VOH)[2]	
	2024 Q4	2025 Q1	2024 Q4	2025 Q1	2024 Q4	2025 Q1
Global Small Cap	92	82	1.54	1.65	1.01	1.35
MSCI Small Cap	180	195	3.09	3.17	5.35	5.72

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost. Changes between quarters may reflect improved data quality and coverage.

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%

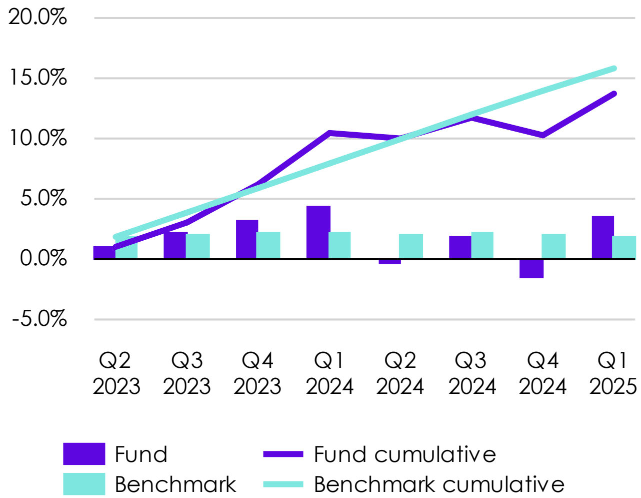
Outperformance target
0% to +2.0%

Total fund value
£968m

Risk profile
Moderate

Dorset's Holding:
GBP271m

Rolling 2yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	3.5	3.2	3.6	4.0
SONIA +3%	1.9	8.1	7.2	5.8
Excess	1.6	-4.9	-3.6	-1.7

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

Performance commentary

The Diversifying Returns Fund returned 3.5% over the first quarter of 2025. SONIA +3% returned 1.9%. The sterling hedged 50/50 equity/bond index we monitor returned -0.2% over the quarter.

Over the period, returns from traditional asset classes were poor, with losses across both equities and bonds. However, alternative premia performed well, with UBS posting a very strong quarter and JPM also generating positive returns for the period. It was good that the portfolio generated performance that was differentiated from traditional asset classes, delivering positive returns in challenging market conditions.

Fulcrum returned 0.9% over the quarter. Negative returns from equities were somewhat offset by commodity exposure and hedging assets in the asset allocation section of the portfolio. Within Discretionary Macro strategies, tactical positioning in gold contributed positively. Thematic equities also performed well along with cross-asset positioning in Brazilian FX and interest rates and long exposure to the Japanese yen. The shift in European sentiment following Germany's fiscal spending announcement impacted short euro and long European sovereign bond positions.

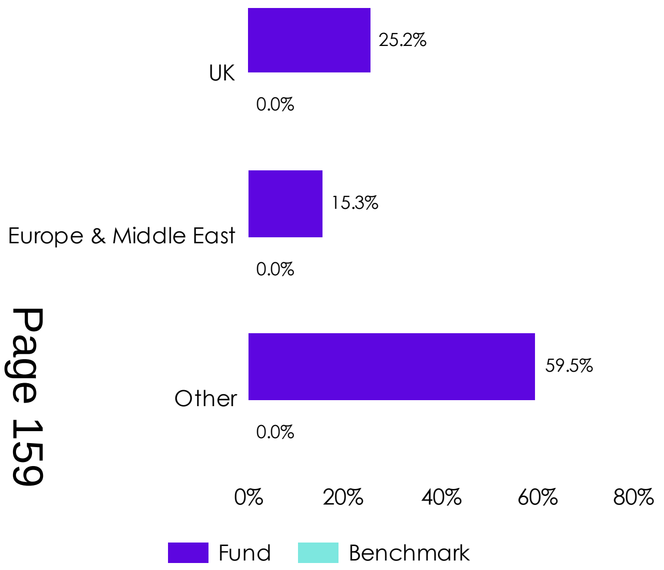
JPM returned 2.6%, with the Equity Value signal the biggest contributor to performance over the period. Other equity signals also performed well. Credit carry made a positive contribution to returns, whilst other carry signals were flat. Momentum signals were mixed with Equity Relative Value Momentum performing well but Fixed Income Fundamental Momentum the weakest of JPM's signals over the quarter.

Lombard Odier's largest portfolio exposure was to sovereign bonds, which contributed to negative returns of -0.9% for the quarter. Developed market equity exposure also detracted from performance. The fund generated positive returns from Emerging Market equities and commodities.

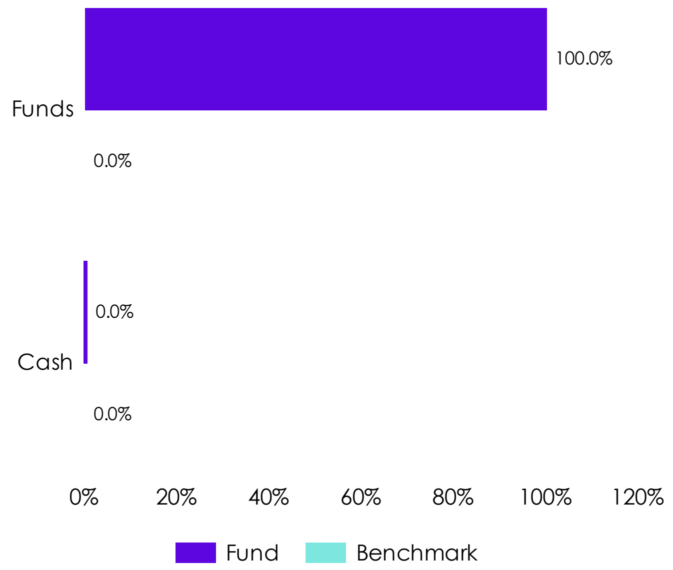
UBS enjoyed a strong quarter, returning 13.4%. The largest positive returns were generated from long positions in the Brazilian real and Norwegian kroner. Short positions in the US dollar, New Zealand dollar, and in sterling also performed well. The biggest detractors were a long position in the Indonesia rupiah and short position in the euro.

Diversifying Returns Fund

Regional exposure



Sector exposure



Low Volatility Global Equities

Launch date
14 March 2019

Investment strategy & key drivers
Active global equity exposure with reduced risk and return volatility

Liquidity
Reasonable

Benchmark
MSCI ACWI

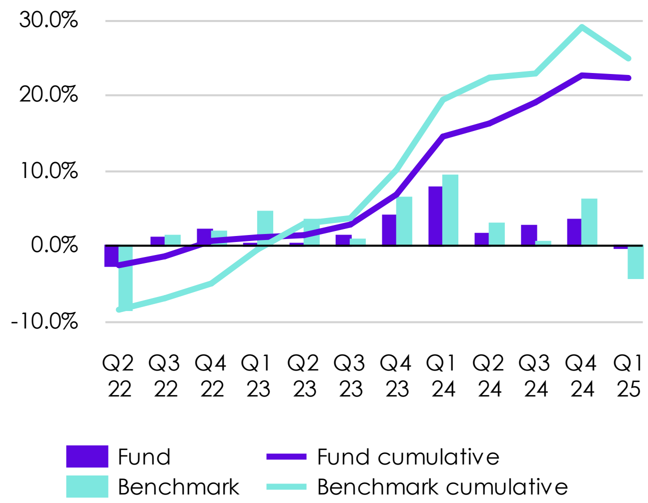
Outperformance target
>Benchmark

Total fund value
£944m

Risk profile
High

Dorset's Holding:
GBP303m

Rolling 3yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	-0.3	8.0	7.5	8.5
MSCI ACWI	-4.2	5.3	8.1	11.3
Excess	3.8	2.6	-0.6	-2.8
MSCI ACWI Min Vol	3.1	10.5	6.7	7.7

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

Performance commentary

During Q1, the portfolio returned -0.3% on a net basis. It significantly outperformed the broader MSCI ACWI benchmark by 3.8%. However, it underperformed the Low Volatility strategy index, which provided an absolute return of 3.1%.

The quarter exhibited an exceptional amount of volatility. Macro-politics was the main cause of the volatility, which has almost exclusively been driven by the US and how it shapes its relationship with the rest of the world. An uncertain commitment to Nato and Europe's defence culminated in a seismic shift in German policy, where the Bundestag voted to increase defence and infrastructure spending by €500bn. This supported the aerospace and defence sector, which returned 12% in Q1. But that support provided a drag on portfolio performance due to an underweight position.

However, there was also a focus on increasing tariffs for countries that export goods into the US. This has huge implications for the future growth of individual companies as they will see their margins squeezed by future costs. This will also have implications for US jobs, US consumer spending and ultimately inflation. The market reacted accordingly and sold out of high-growth sectors and into more defensive/Value parts of the market. The US also declined by 7.3%, benefiting the portfolio, which has a 5% underweight exposure. The tariff uncertainty was formalised on 2 April, the US president's "liberation day". The market continued its decline through the early parts of Q2.

The movement of capital out of Growth parts of the market and into defensive sectors again benefited the Low Volatility portfolio and it added alpha through overweight positioning in the Health Care, Utilities, Consumer Staples and Financials Sectors, whilst also benefiting from underweight positioning in Information technology and Consumer Discretionary sectors.

This portfolio is designed to provide downside protection during market downturns and we are pleased with the Q1 performance.

As noted above, the market continued its decline into the early parts of Q2 and we continued to see significant downside protection.

Low Volatility Global Equities

Top 5 holdings

	Weight %	B'mark weight %	Client value (GBP)*
QUONIAM FUNDS SELECTION	5.86	-	17,787,874
ROBECO CAPITAL GROWTH	5.05	-	15,310,836
MICROSOFT CORP	3.13	3.49	9,506,069
ALPHABET INC	2.40	2.21	7,278,949
APPLE INC	2.29	4.40	6,945,017

*Estimated client value

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Top 5 active overweights

	Weight %	Benchmark weight %
QUONIAM FUNDS SELECTION SICAV	5.86	-
ROBECO CAPITAL GROWTH FUNDS -	5.05	-
NOVARTIS AG	1.51	0.29
JOHNSON & JOHNSON	1.70	0.53
TJX COS INC/THE	1.27	0.18

Top 5 active underweights

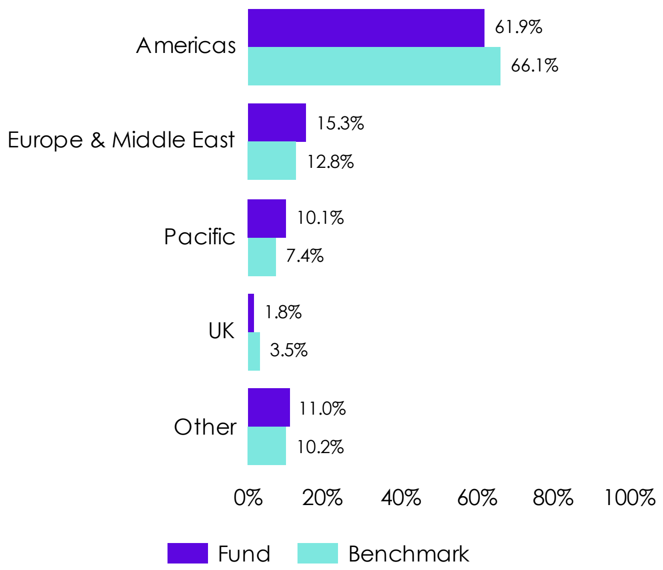
	Weight %	Benchmark weight %
NVIDIA CORP	0.55	3.49
APPLE INC	2.29	4.40
AMAZON.COM INC	1.23	2.37
TESLA INC	-	0.99
BROADCOM INC	-	0.98

Largest contributors to ESG risk

	ESG risk score* Q4 2024	ESG risk score* Q1 2025
ALPHABET INC-CL A	24.89	24.89
APPLE INC	16.79	18.75
MICROSOFT CORP	14.23	13.65
JOHNSON & JOHNSON	20.10	19.93
AMAZON.COM INC	26.10	26.10

*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.

Regional exposure

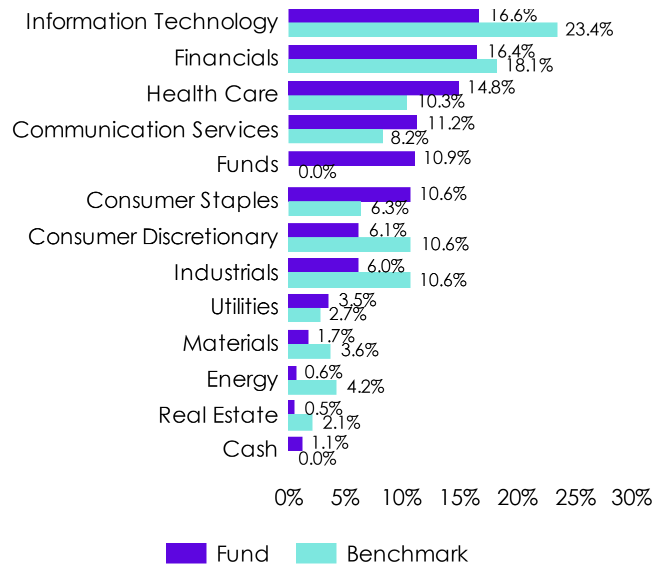


Carbon metrics

Portfolio	WACI 2024 Q4	WACI 2025 Q1	Total Extractive Exposure[1] 2024 Q4	Total Extractive Exposure[1] 2025 Q1	Extractive Industries (VOH)[2] 2024 Q4	Extractive Industries (VOH)[2] 2025 Q1
Low Volatility	65	60	1.42	1.44	2.49	2.67
MSCI ACWI*	145	159	3.21	3.17	7.36	8.03

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost. Changes between quarters may reflect improved data quality and coverage.

Sector exposure



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
£3,218m

Risk profile
Moderate

Dorset's Holding:
GBP292m

Insufficient data to show rolling performance chart

Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	1.7	8.4	5.4	3.8
SONIA +4%	2.1	9.2	8.2	7.4
Excess	-0.4	-0.8	-2.9	-3.6
Bloomberg Global High Yield Index	1.3	9.0	5.2	2.5
Morningstar LSTA US Leveraged Loan Index	0.5	6.8	6.7	5.8

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

Performance commentary

Credit markets started the quarter well but experienced some late turbulence as investors anticipated the impact of US tariffs. The 10-year and 2-year US Treasury yields fell by approximately 35 basis points each, ending the period at 4.21% and 3.89% respectively.

Credit spreads generally increased across all areas of leveraged finance. High Yield bond spreads rose to 377 basis points, a rise of 48 basis points from the start of the quarter.

The higher spread and lower rate combination proved harmful to floating rate assets, such as Leveraged Loans and Collateralised Loan Obligations. These assets were ultimately flat over the quarter, whereas fixed rate assets such as High Yield bonds and Investment Grade bonds returned 1.3% and 2.8% respectively.

The Multi-Asset Credit portfolio returned 1.7%, behind the primary target (SONIA +4%) but ahead of the composite secondary benchmark. These benchmarks returned 2.1% and 0.9% respectively.

Neuberger Berman outperformed the other managers due to higher duration and lower weighting in floating rate assets. However, all 3 managers lagged the primary target.

Financial markets are still struggling to price interest rate expectations. The first quarter once again showed higher volatility in Treasury yields. Investors should be wary of this trend, alongside potential impacts from tariffs, which could cause credit spread volatility. Despite the risks, carry remains at a healthy level, with the portfolio offering an attractive yield of 7.7%.

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

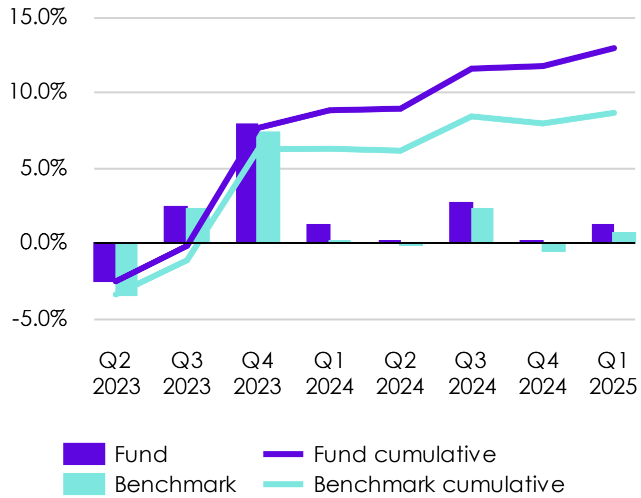
Outperformance target
+1%

Total fund value
£2,913m

Risk profile
Moderate

Dorset's Holding:
GBP267m

Rolling 2yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	1.2	4.2	0.4	-1.4
iBoxx Sterling Non Gilt x	0.7	2.4	-0.8	-2.5
Excess	0.5	1.8	1.2	1.2

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

Performance commentary

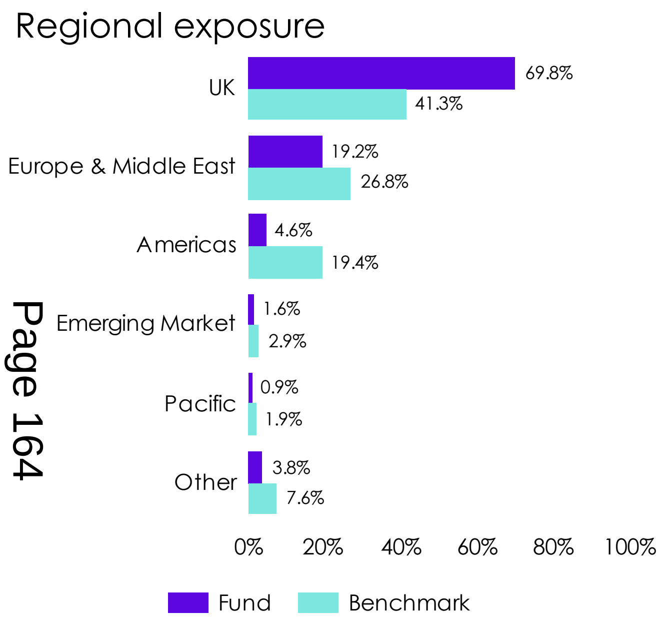
The first quarter was a strong one for the sterling credit strategy. We saw spreads begin to widen towards the end of the quarter, after several years of near-constant tightening, but it was a relatively calm three months for sterling debt investors. The sterling corporate debt market found a path between the larger US and euro markets – which saw greater volatility in the period. Increased geopolitical tensions and heightened macroeconomic uncertainty will always lead to reassessed investment assumptions and market volatility. The consensus expectation is that tariffs will likely hurt the consumer through price inflation and hamper GDP growth. Government bond yields and credit spreads were consequently on the move.

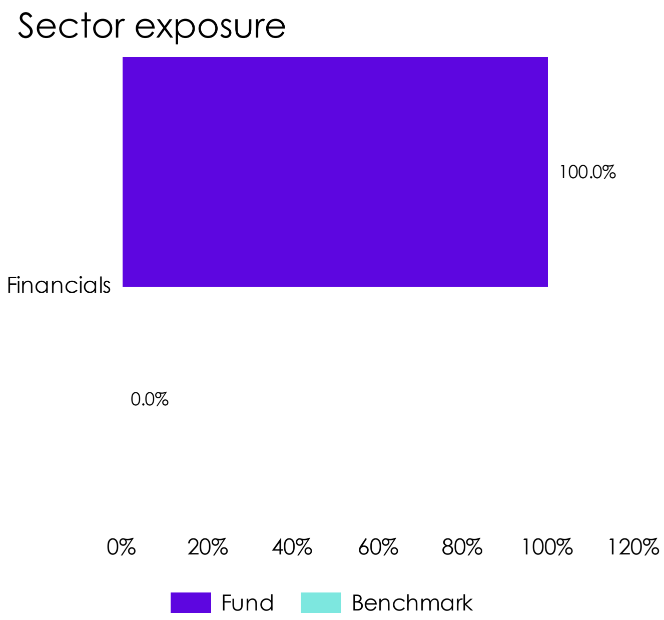
While sterling Investment Grade all-in yields are attractive, their make-up has changed. A larger component of the yield is now from government bond yields, and most of the volatility in the credit market is coming from government bond yields, too.

After the strong start to the year, RLAM looked to reduce the risk in their portfolios, slightly reducing their overweight position in banks, particularly subordinated debt, and moving into a favoured sector, structured bonds, where spreads were wider. This general move added to performance, benefiting early on as spreads tightened, and then taking risk off ahead of the modest widening seen later on. Stock selection was the main driver of outperformance. The story of the quarter was bank and insurance bonds seeing strong performance in the first two months of the year. RLAM continued to see value in financials – particularly subordinated debt, which offered increased buying opportunities.

Credit allocation was also positive in the quarter, with the large overweight to structured bonds proving a tailwind. For structured bonds, exposure to the sector was helpful as these bonds generally outperformed the market. Selection within the sector was mixed: our exposure to Thames Water was negative, as was the holding in student loans vehicle ICSL, while holdings in shopping centre debt from Intu and Trafford performed well – helped by not being interest rate-sensitive and by the uptick in consumer sentiment.

Sterling Corporate Bonds





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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
£2,574m

Risk profile
High

Dorset's Holding:
GBP-m

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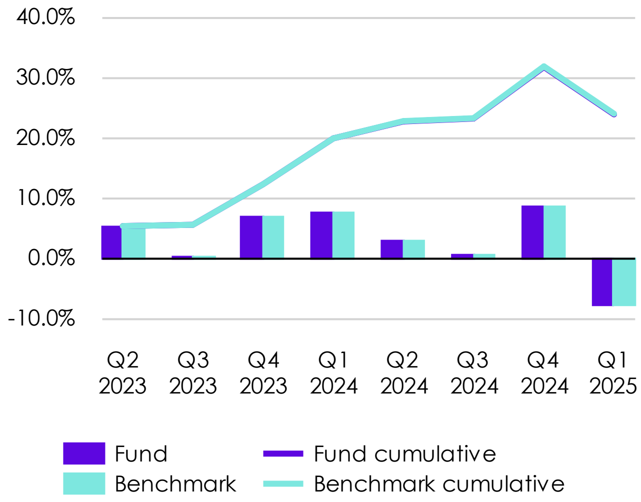
Rolling 2yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	-7.9	3.3	8.0	7.0
FTSE Dev World PAB	-7.8	3.4	8.1	7.1
Excess	-0.0	-0.1	-0.1	-0.1

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

Performance commentary

The FTSE Developed Paris Aligned index (PAB) product returned -7.9% over Q1 2025 and 3.3% for the 12-month period to end-Q1. The PAB product closely replicated the performance of the benchmark index over these periods.

The product's performance was impaired by exposure to the Consumer Discretionary sector and, in particular, large positions in Tesla and Amazon which had respective average weights of 6.1% and 5.9% over the period. Following a strong prior quarter, Tesla returned -37.7% for sterling investors after reporting a decline in sales as rival BYD took market share at a fast pace. Both Tesla and Amazon, each with multinational supply chains, experienced declining sentiment as US tariffs escalated.

Tesla has a large weighting in the PAB due to strong scoring on Scope 1& 2 Carbon Emissions Intensity, Scope 3 Carbon Emissions Intensity, Green Revenues and TPI CP 2050 Scenario Alignment. Within FTSE's model, strong scores for these metrics more than offset a low TPI Management Quality score. Amazon is a large weighting in the parent index and further benefits from positive scoring on Scope 1 & 2 Carbon Emissions, Scope 3 Carbon Emissions, Green Revenues and TPI Management Quality.

The product's low exposure to the Energy sector hindered returns. First Solar, which is held in the fund and returned -30.4% over the period, was negatively impacted by concerns the Trump administration could withdraw key tax credits for domestic solar modules. In contrast, Integrated oil & gas companies, a very small exposure in the fund, performed well.

The product is designed to ensure that EVIC-derived carbon exposure decreases on the required trajectory at each rebalance date. This requirement was met at the last rebalance in September 2024. Between rebalance dates, the product's carbon exposure has the potential to drift ahead of, or behind, the target decarbonisation trajectory.

PAB Passive Global Equities

Top 5 holdings

	Weight %	Client value (GBP)*
AMAZON.COM INC	**5.51**	-
APPLE INC	**5.05**	-
ALPHABET INC	**4.95**	-
TESLA INC	**4.94**	-
MICROSOFT CORP	**3.86**	-

*Estimated client value

Largest contributors to ESG risk

	ESG risk score* Q4 2024	ESG risk score* Q1 2025
AMAZON.COM INC	**26.10**	**26.10**
TESLA INC	**24.73**	**24.76**
APPLE INC	**16.79**	**18.75**
ALPHABET INC-CL A	**24.89**	**24.89**
ALPHABET INC-CL C	**24.89**	**24.89**

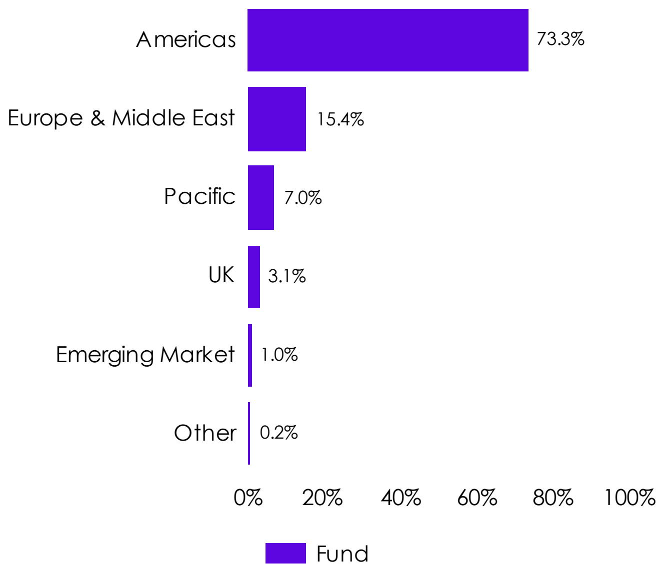
*Source: Sustainanalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

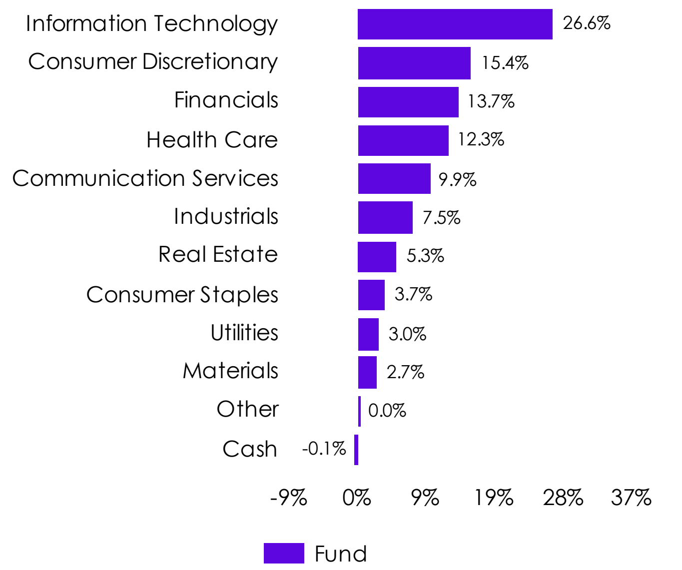
Portfolio	WACI 2024 Q4	WACI 2025 Q1	Total Extractive Exposure[1] 2024 Q4	Total Extractive Exposure[1] 2025 Q1	Extractive Industries (VOH)[2] 2024 Q4	Extractive Industries (VOH)[2] 2025 Q1
PAB Passive Global	**78**	**90**	0.90	0.84	3.09	3.49
FTSE Dev World TR	**120**	**134**	3.08	3.07	7.60	8.37

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost. Changes between quarters may reflect improved data quality and coverage.

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

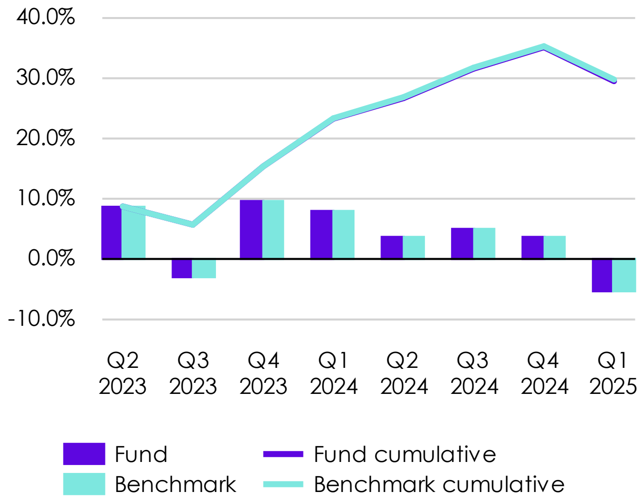
Outperformance target
Match

Total fund value
£1,266m

Risk profile
High

Dorset's Holding:
GBP-m

Rolling 2yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	-5.6	6.0	7.7	5.8
FTSE Dev World PAB	-5.5	6.2	7.8	5.9
Excess	-0.1	-0.2	-0.2	-0.1

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

Performance commentary

The FTSE Developed Paris Aligned GBP Hedged (PAB) product returned -5.6% over Q1 2025 and 6.0% for the 12-month period to end-Q1. The PAB product closely replicated the performance of the benchmark index over these periods.

The US placed tariffs on key trading partners and considered the imposition of further tariffs. This led to a sharp weakening of the US dollar, which fell against most developed market currencies and 3% versus sterling, resulting in the hedged product outperforming the unhedged product.

The product's performance was impaired by exposure to the Consumer Discretionary sector and, in particular, large positions in Tesla and Amazon, which had respective average weights of 6.1% and 5.9% over the period. Following a strong prior quarter, Tesla returned -35.8% in local currency after reporting a decline in sales as rival BYD took market share at a fast pace. Both Tesla and Amazon, each with multinational supply chains, experienced declining sentiment as US tariffs escalated.

Tesla has a large weighting in the PAB due to strong scoring on Scope 1& 2 Carbon Emissions Intensity, Scope 3 Carbon Emissions Intensity, Green Revenues and TPI CP 2050 Scenario Alignment. Within FTSE's model, strong scores for these metrics more than offset a low TPI Management Quality score. Amazon has a large weighting in the parent index and further benefits from positive scoring on Scope 1 & 2 Carbon Emissions, Scope 3 Carbon Emissions, Green Revenues and TPI Management Quality.

The product's low exposure to the Energy sector hindered returns. First Solar, which is held in the fund and returned -28.3% over the period, was negatively impacted by concerns the Trump administration could withdraw key tax credits for domestic solar modules. In contrast, Integrated oil & gas companies, a very small exposure in the fund, performed well.

The product is designed to ensure that EVIC-derived carbon exposure decreases on the required trajectory at each rebalance date. This requirement was met at the last rebalance in September 2024. Between rebalance dates, the product's carbon exposure has the potential to drift ahead of, or behind, the target decarbonisation trajectory.

PAB Passive Global Equities (Hedged)

Top 5 holdings

	Weight %	Client value (GBP)*
AMAZON.COM INC	**5.51**	-
APPLE INC	**5.05**	-
ALPHABET INC	**4.95**	-
TESLA INC	**4.94**	-
MICROSOFT CORP	**3.86**	-

*Estimated client value

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Largest contributors to ESG risk

	ESG risk score* Q4 2024	ESG risk score* Q1 2025
AMAZON.COM INC	**26.10**	**26.10**
TESLA INC	**24.73**	**24.76**
APPLE INC	**16.79**	**18.75**
ALPHABET INC-CL A	**24.89**	**24.89**
ALPHABET INC-CL C	**24.89**	**24.89**

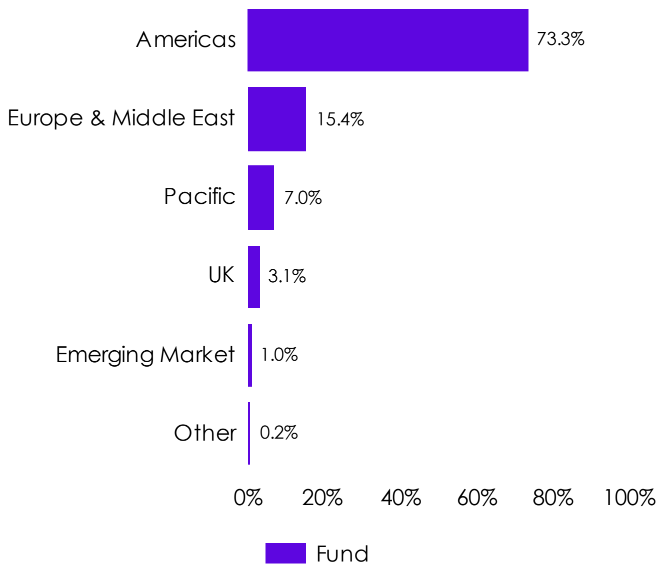
*Source: Sustainalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

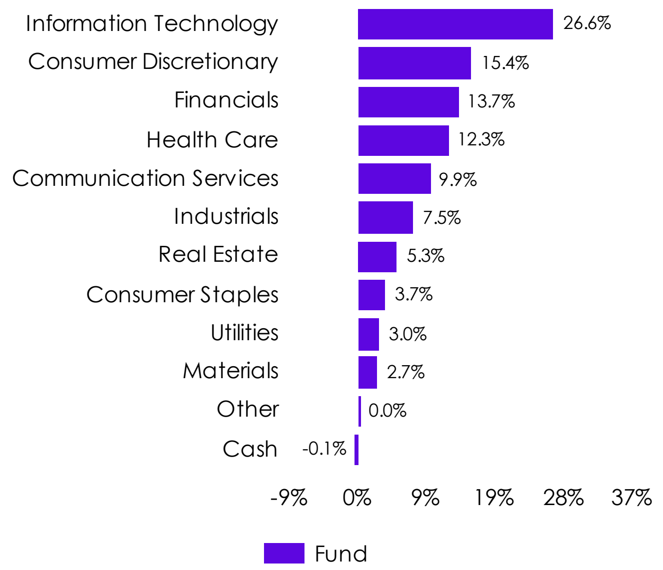
Portfolio	WACI		Total Extractive Exposure[1]		Extractive Industries (VOH)[2]	
	2024 Q4	2025 Q1	2024 Q4	2025 Q1	2024 Q4	2025 Q1
PAB Passive Global	**78**	**90**	0.90	0.84	3.09	3.49

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost. Changes between quarters may reflect improved data quality and coverage.

Regional exposure



Sector exposure



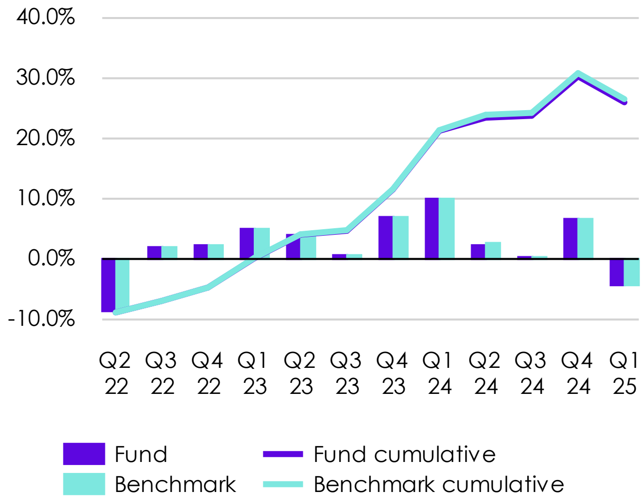
Passive Developed Equities

Launch date
11 July 2018
Investment strategy & key drivers
Passive global equity exposure
Liquidity
High
Benchmark
FTSE Developed
Outperformance target
Match
Total fund value
£7[illegible]2m
Risk profile
High

Page 169

Dorset's Holding:
GBP111m

Rolling 3yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	-4.3	4.5	8.4	10.6
FTSE Developed	-4.3	5.0	8.6	10.7
Excess	-0.0	-0.4	-0.2	-0.1

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

Performance commentary

Passive Developed Equities returned -4.3% in the first quarter of 2025, tracking the benchmark index in line with expectations. Over the 12 months to quarter-end, the portfolio returned 5.0%.

Risk sentiment deteriorated as the US placed tariffs on key trading partners and considered the imposition of further tariffs. Coupled with ECB rate cuts and the announcement that Germany's fiscal purse strings would be loosened, this led to extreme divergence in regional performance, with US stocks down over 7% and European stocks up over 7% in GBP terms.

This was reflected in sector performance. The US-dominated Technology sector was the worst-performing, with losses compounded by the news that China's DeepSeek had developed advanced AI reasoning capabilities at a fraction of the cost of its competitors. The Energy sector was the best-performing, closely followed by Consumer Staples, as investors favoured companies with more defensive revenue streams and possibly rotated into companies likely to be less affected by US tariffs.

With high levels of cash on its balance sheet, Berkshire Hathaway proved an attractive defensive play for investors, making strong positive contributions to index returns. Philip Morris International, AbbVie and Exxon Mobil were also among the largest positive contributors. Given the broader market context, it is unsurprising that Nvidia, Apple and Microsoft were the largest negative contributors to index returns.

Passive Developed Equities

Top 5 holdings

	Weight %	Client value (GBP)*
APPLE INC	**4.67**	**5,193,821**
MICROSOFT CORP	**3.98**	**4,430,298**
NVIDIA CORP	**3.62**	**4,024,889**
AMAZON.COM INC	**2.55**	**2,834,057**
ALPHABET INC	**2.38**	**2,645,490**

*Estimated client value

Largest contributors to ESG risk

	ESG risk score* Q4 2024	ESG risk score* Q1 2025
APPLE INC	**16.79**	**18.75**
AMAZON.COM INC	**26.10**	**26.10**
META PLATFORMS INC-CLASS A	**32.73**	**32.73**
MICROSOFT CORP	**14.23**	**13.65**
NVIDIA CORP	**12.23**	**12.46**

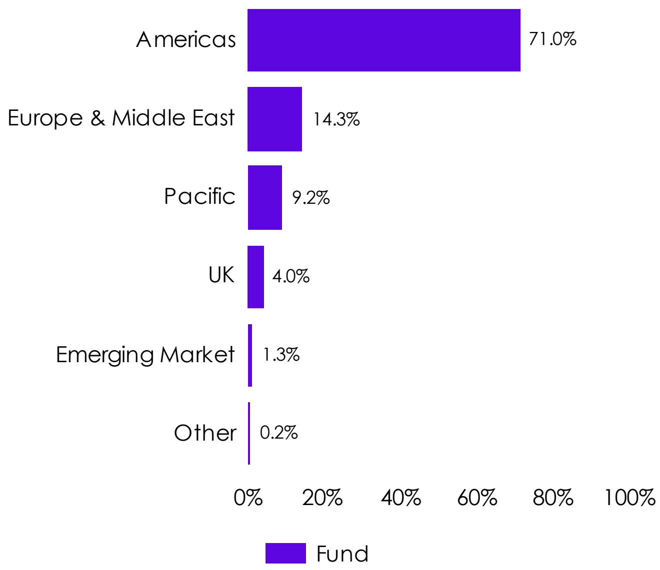
*Source: Sustainalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

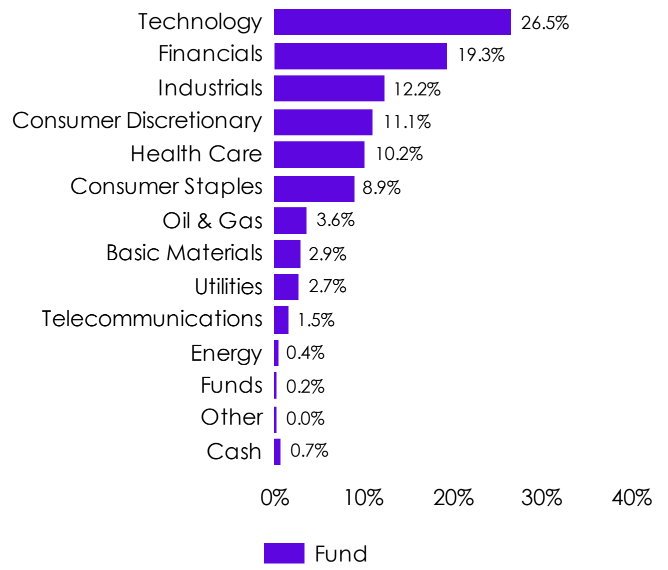
Portfolio	WACI		Total Extractive Exposure[1]		Extractive Industries (VOH)[2]	
	2024 Q4	2025 Q1	2024 Q4	2025 Q1	2024 Q4	2025 Q1
Passive Developed	**120**	**134**	2.92	2.94	7.60	8.42

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost. Changes between quarters may reflect improved data quality and coverage.

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

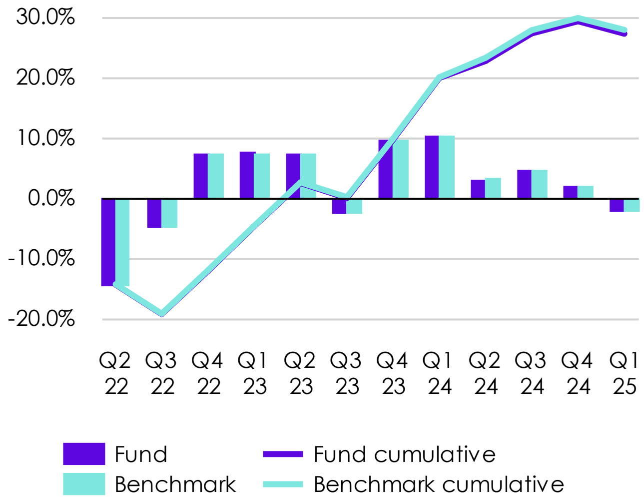
Outperformance target
Match

Total fund value
£[illegible]8m

Risk profile
High

Dorset's Holding:
GBP118m

Rolling 3yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	-2.1	7.4	8.4	9.9
FTSE Developed	-2.0	7.9	8.6	10.1
Excess	-0.1	-0.5	-0.2	-0.2

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

Performance commentary

Passive Developed Equities (GBP Hedged) returned -2.1% in the first quarter of 2025, tracking the benchmark index in line with expectations. The portfolio returned 7.4% over the 12 months to end-Q1.

The US placed tariffs on key trading partners and considered the imposition of further tariffs. This led to a sharp weakening of the US dollar, which fell against most developed market currencies and by 3% against sterling, resulting in the hedged product outperforming the unhedged product.

Risk sentiment deteriorated in the US and, coupled with ECB rate cuts and the announcement that Germany's fiscal purse strings would be loosened, led to extreme divergence in regional performance, with US stocks down 4.1% and European stocks up over 6% in local currency terms.

The trend was reflected in sector performance. The US-dominated Technology sector was the worst performing, with losses compounded by the news that China's DeepSeek had developed advanced AI reasoning capabilities at a fraction of the cost of its competitors. The Energy sector was the best-performing, closely followed by Consumer Staples as investors favoured companies with more defensive revenue streams and possibly rotated into companies likely to be less affected by US tariffs.

With high levels of cash on its balance sheet, Berkshire Hathaway proved an attractive defensive play for investors, making strong positive contributions to index returns. Philip Morris International, AbbVie and Exxon Mobil were also among the largest positive contributors. Given the broader market context, it is unsurprising that Nvidia, Apple and Microsoft were the largest negative contributors to index returns.

Passive Developed Equities (Hedged)

Top 5 holdings

	Weight %	Client value (GBP)*
APPLE INC	**4.67**	**5,501,029**
MICROSOFT CORP	**3.98**	**4,692,345**
NVIDIA CORP	**3.62**	**4,262,957**
AMAZON.COM INC	**2.55**	**3,001,688**
ALPHABET INC	**2.38**	**2,801,967**

*Estimated client value

Largest contributors to ESG risk

	ESG risk score* Q4 2024	ESG risk score* Q1 2025
APPLE INC	**16.79**	**18.75**
AMAZON.COM INC	**26.10**	**26.10**
META PLATFORMS INC-CLASS A	**32.73**	**32.73**
MICROSOFT CORP	**14.23**	**13.65**
NVIDIA CORP	**12.23**	**12.46**

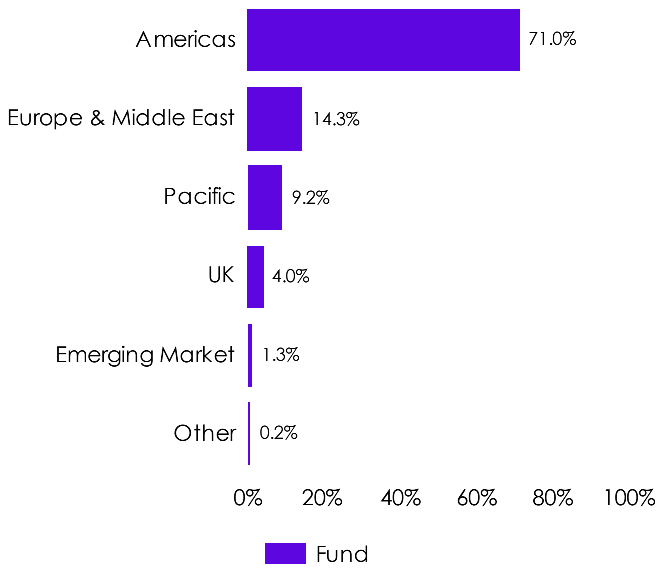
*Source: Sustainalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

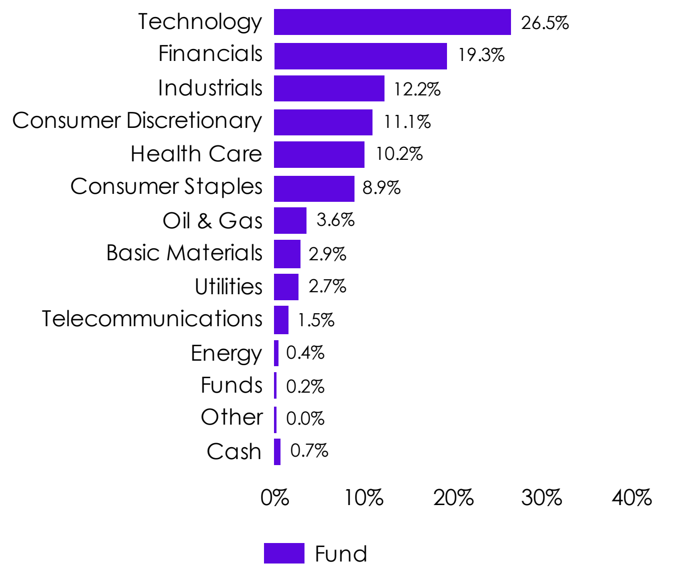
Portfolio	WACI		Total Extractive Exposure[1]		Extractive Industries (VOH)[2]	
	2024 Q4	2025 Q1	2024 Q4	2025 Q1	2024 Q4	2025 Q1
Passive Developed	**120**	**134**	2.92	2.94	7.60	8.42

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost. Changes between quarters may reflect improved data quality and coverage.

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

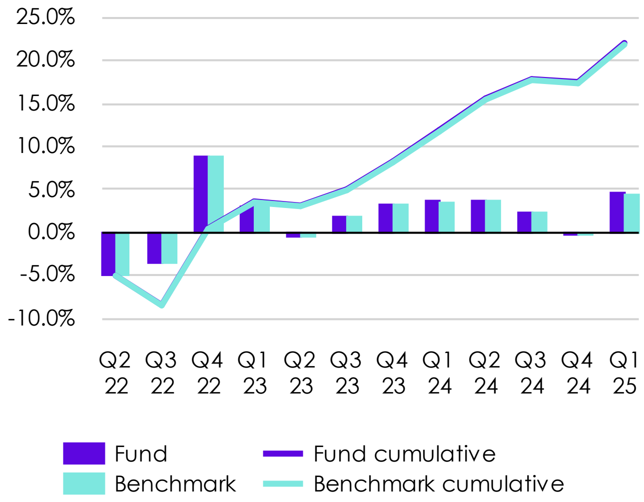
Outperformance target
Match

Total fund value
£212m

Risk profile
High

Dorset's Holding:
GBP212m

Rolling 3yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	4.5	10.5	7.3	5.1
FTSE All Share	4.5	10.5	7.2	5.1
Excess	0.0	0.0	0.1	0.1

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

Performance commentary

In the first quarter of 2025, Passive UK Equities returned 4.5%; they returned 10.5% over the 12 months to end-Q1. The product tracked the FTSE All-Share Index in line with expectations.

The UK market performed well despite tariff tensions, geopolitical concerns and domestic concerns around the government's ability to comply with self-imposed spending rules which caused volatility in gilt markets. The Bank of England made one 25-basis point rate cut in the period, reducing its headline rate to 4.5%.

Despite uncertainty, the UK market performed well, benefiting from investors rotating into the more defensive, Value-orientated stocks prevalent in the UK. The positive returns of UK equities were in contrast to global equities, which returned -4.3%, largely as a result of weakness in US markets.

Energy was the strongest-performing sector returning 13.6%. Financials also performed well and, due to the sector's size, Financials made the largest contribution to index returns. Basic Materials and the Consumer Discretionary sectors were the weakest performers.

HSBC Holdings and Rolls-Royce Holdings benefited from macro themes, with the former continuing to profit from the higher interest rate environment and the later from expectations of increased global defence spending. Along with Shell, they made the largest contributions to index returns. The largest negative contributors to index returns were Diageo and Ashtead because of concerns over the impact of US tariffs on revenues, and Glencore (who reported losses) was negatively impacted by weaker commodity prices.

Passive UK Equities

Top 5 holdings

	Weight %	Client value (GBP)*
SHELL PLC	**6.97**	**14,802,084**
ASTRAZENECA PLC	**6.84**	**14,510,195**
HSBC HOLDINGS PLC	**6.33**	**13,431,715**
UNILEVER PLC	**4.55**	**9,662,477**
RELX PLC	**2.94**	**6,233,666**

*Estimated client value

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Largest contributors to ESG risk

	ESG risk score* Q4 2024	ESG risk score* Q1 2025
SHELL PLC	**38.07**	**36.76**
ASTRAZENECA PLC	**21.49**	**21.75**
HSBC HOLDINGS PLC	**24.22**	**22.38**
UNILEVER PLC	**21.55**	**21.55**
BP PLC	**33.20**	**33.20**

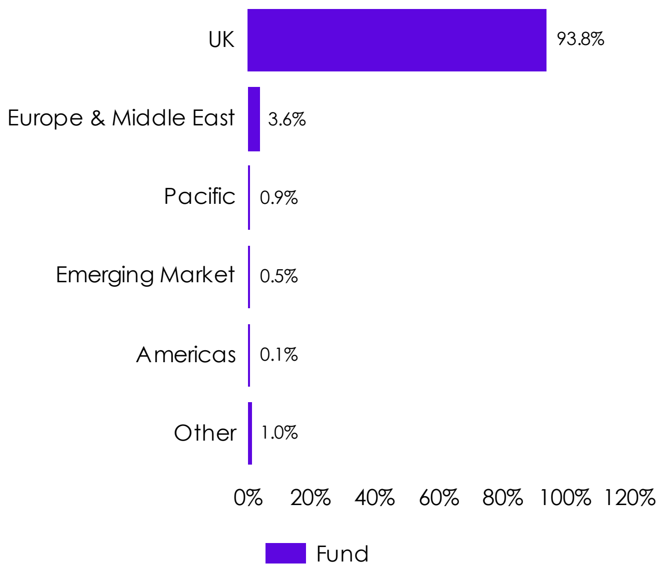
*Source: Sustainanalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

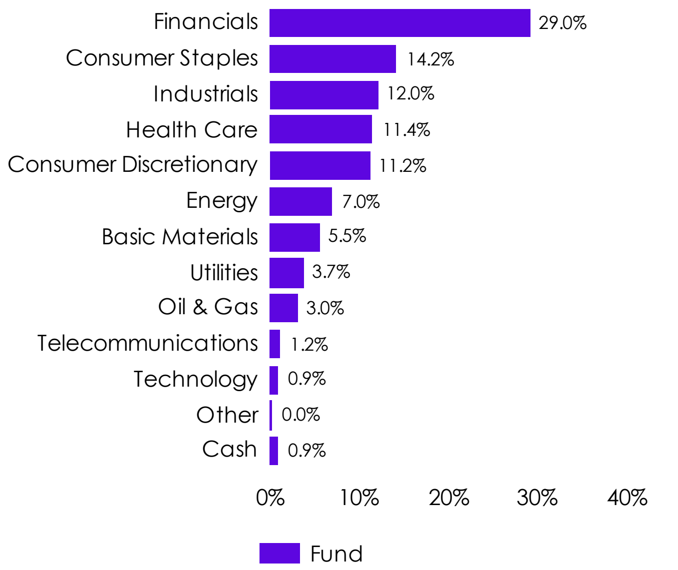
Portfolio	WACI		Total Extractive Exposure¹		Extractive Industries (VOH)²	
	2024 Q4	2025 Q1	2024 Q4	2025 Q1	2024 Q4	2025 Q1
Passive UK Equities	**105**	**103**	5.59	5.59	16.57	16.65

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost. Changes between quarters may reflect improved data quality and coverage.

Regional exposure



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

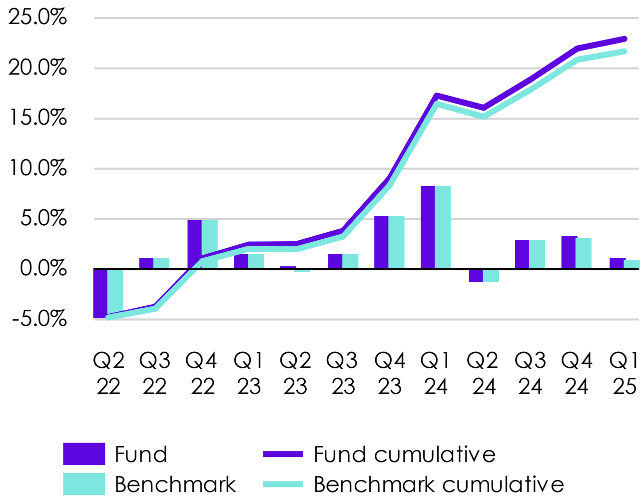
Outperformance target
+0.5-1%

Total fund value
£184m

Risk profile
High

Dorset's Holding:
GBP184m

Rolling 3yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	0.9	5.7	7.6	8.8
SciBeta Multifactor Composite	0.8	5.3	7.2	8.5
Excess	0.1	0.4	0.5	0.3

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

Performance commentary

In the first quarter of 2025, Passive Smart Beta Equities returned 0.9%, outperforming the MSCI World Index which returned -4.6%. The fund tracked the Scientific Beta Index in line with expectations. Over the prior 12 months, the product returned 5.7%. For the same period, the MSCI World Index returned 5.2%.

The product provided a material level of protection compared to the market capitalisation index. The low volatility signal provided very strong relative returns, which were further supported by the Value signal and by the low investment sleeve of the Quality signal. The profitability signal detracted from relative returns.

The product benefited from its diversification scheme, with an an underweight allocation to the Technology sector, and stock selection within Technology, making large contributions to the product outperforming the market capitalisation index. An underweight allocation to Consumer Discretionary also aided relative performance, along with stock selection in Communication Services, where the product's diversification scheme resulted in an underweight position in Alphabet.

T-Mobile and AT&T, each held overweight, were the largest individual contributors to returns. Both reported an increased number of subscribers, with T-Mobile seen to capitalise on the growth of 5G and AT&T by continuing to add customers through expansion of its fibre broadband network. Each has relatively predictable and reliable income streams. It is likely these defensive properties contributed to strong performance as investors sought protection from market volatility.

Passive Smart Beta

Top 5 holdings

	Weight %	Client value (GBP)*
T-MOBILE US INC	1.00	1,833,279
WALMART INC	0.93	1,705,331
BRISTOL-MYERS SQUIBB CO	0.90	1,657,757
GILEAD SCIENCES INC	0.83	1,530,384
CISCO SYSTEMS INC	0.82	1,500,225

*Estimated client value

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Largest contributors to ESG risk

	ESG risk score*	
	Q4 2024	Q1 2025
WALMART INC	25.26	25.33
T-MOBILE US INC	22.97	22.97
BERKSHIRE HATHAWAY INC-CL B	26.19	26.19
BRISTOL-MYERS SQUIBB CO	21.20	21.20
GILEAD SCIENCES INC	21.68	21.68

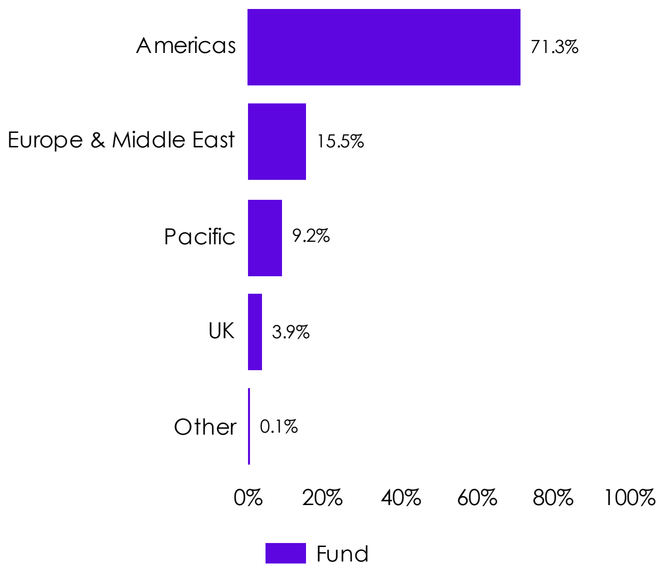
*Source: Sustainanalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

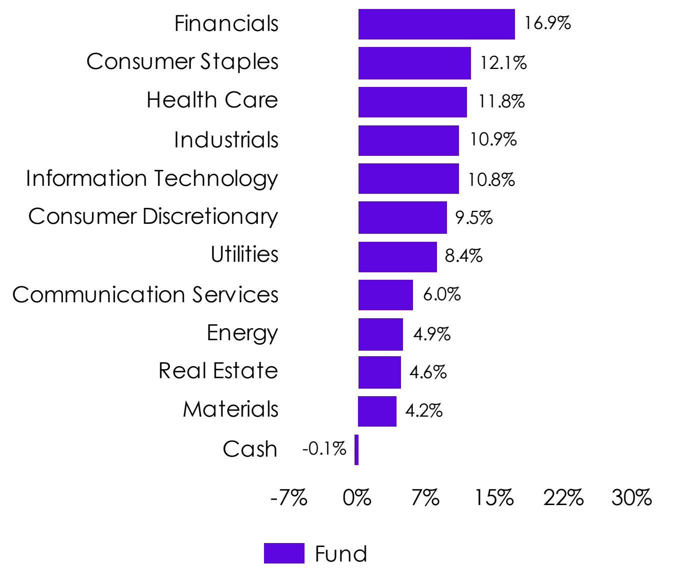
Portfolio	WACI		Total Extractive Exposure[1]		Extractive Industries (VOH)[2]	
	2024 Q4	2025 Q1	2024 Q4	2025 Q1	2024 Q4	2025 Q1
Passive Smart Beta	**247**	**272**	2.58	2.59	11.49	12.08

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost. Changes between quarters may reflect improved data quality and coverage.

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

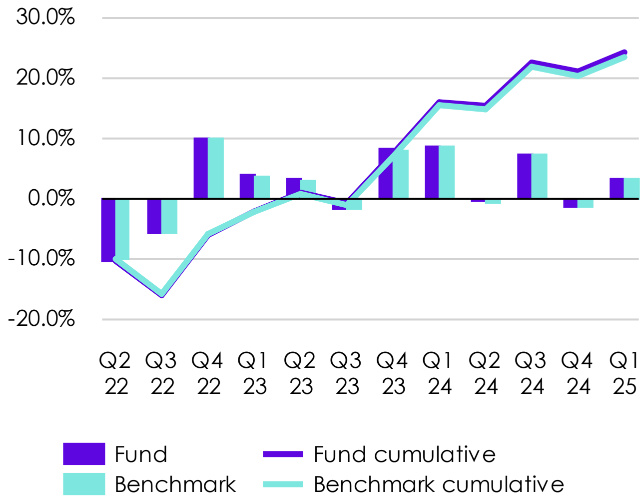
Outperformance target
+0.5-1%

Total fund value
£190m

Risk profile
High

Dorset's Holding:
GBP190m

Rolling 3yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	3.2	8.3	7.6	8.5
SciBeta Multifactor Hedged Composite	3.1	8.0	7.1	8.3
Excess	0.1	0.3	0.5	0.3

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

Performance commentary

In the first quarter of 2025, Passive Smart Beta Equities GBP Hedged returned 3.2%, outperforming the unhedged Smart Beta product, with the US dollar weak over the period.

The product tracked the Scientific Beta index in line with expectations and outperformed the market cap-based Passive Developed Equities GBP Hedged product, which returned -2.1%. Over the 12-month period to end-Q1, the product returned 8.3%. For the same period, the Passive Developed Equities GBP Hedged product returned 7.4%.

The product provided a material level of protection compared to the market capitalisation index. The low volatility signal provided very strong relative returns, which were further supported by the Value signal and low investment sleeve of the Quality signal. The profitability signal detracted from relative returns.

The product benefited from its diversification scheme, with an underweight allocation to the Technology sector, and stock selection within Technology, making a large contribution to the product outperforming the market capitalisation index. An underweight allocation to Consumer Discretionary also aided relative performance, along with stock selection in Communication Services, where the product's diversification scheme resulted in an underweight position in Alphabet.

T-Mobile and AT&T, each held overweight, were the largest individual contributors to returns. Both reported an increased number of subscribers, with T-Mobile seen to capitalise on the growth of 5G and AT&T continuing to add customers through expansion of its fibre broadband network. Each has relatively predictable and reliable income streams and it's likely these defensive properties contributed to strong performance as investors sought protection from market volatility.

Passive Smart Beta (Hedged)

Top 5 holdings

	Weight %	Client value (GBP)*
T-MOBILE US INC	**1.00**	**1,889,887**
WALMART INC	**0.93**	**1,757,988**
BRISTOL-MYERS SQUIBB CO	**0.90**	**1,708,945**
GILEAD SCIENCES INC	**0.83**	**1,577,639**
CISCO SYSTEMS INC	**0.82**	**1,546,549**

*Estimated client value

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Largest contributors to ESG risk

	ESG risk score* Q4 2024	Q1 2025
WALMART INC	**25.26**	**25.33**
T-MOBILE US INC	**22.97**	**22.97**
BERKSHIRE HATHAWAY INC-CL B	**26.19**	**26.19**
BRISTOL-MYERS SQUIBB CO	**21.20**	**21.20**
GILEAD SCIENCES INC	**21.68**	**21.68**

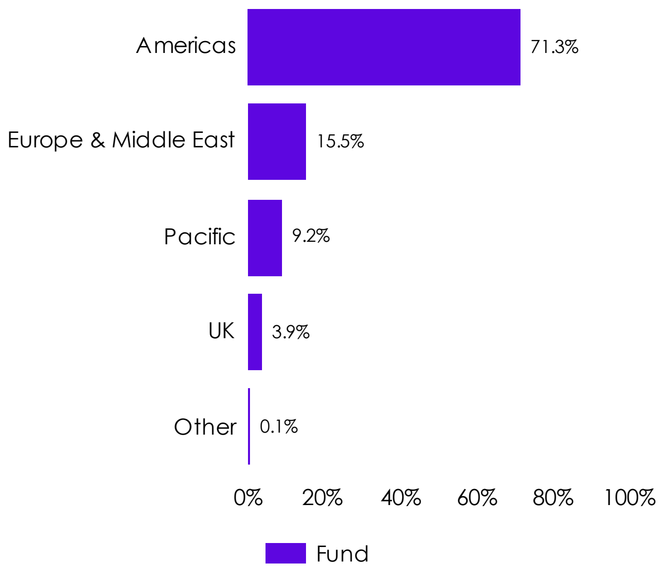
*Source: Sustainalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

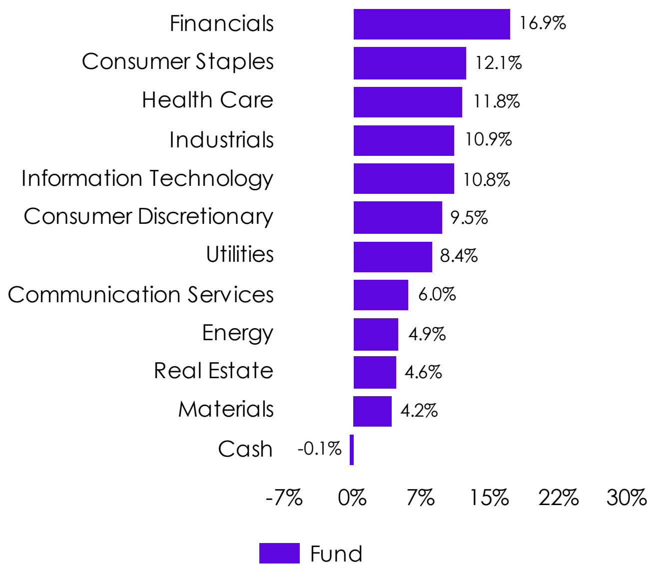
Portfolio	WACI		Total Extractive Exposure[1]		Extractive Industries (VOH)[2]	
	2024 Q4	2025 Q1	2024 Q4	2025 Q1	2024 Q4	2025 Q1
Passive Smart Beta	**247**	**272**	2.58	2.59	11.49	12.08

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost. Changes between quarters may reflect improved data quality and coverage.

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
£60.43m

Amount Called
£50.84m

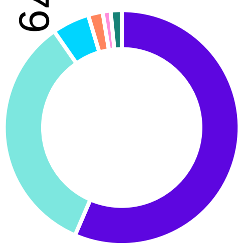
% called to date
84.13

Number of underlying funds
7

Dorset's Holding:
GBP60.53m

Country

Invested in underlying investments

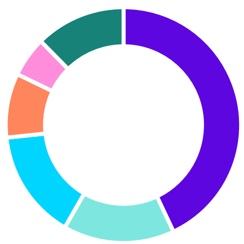


North America	56.5%
Western Europe	33.8%
Asia Pacific	5.1%
Global	2.0%
Middle-East/North Africa	1.1%
Other	1.5%

Source: Colmore
Country data is lagged by one quarter

Sector

GICs level 1



Financials	43.0%
Information Technology	15.3%
Health Care	15.0%
Industrials	8.8%
Consumer Discretionary	5.5%
Other	12.4%

Source: Colmore
Sector data is lagged by one quarter

Performance commentary

The year began with an air of optimism as GPs released their outlooks for the year. This now appears premature as the high levels of activity and increased distributions seen in late 2024 softened with market uncertainty. Liquidity continues to be an issue as hold periods get pushed out.

The portfolio has a meaningful 30% secondaries fund exposure which allowed it to take advantage of prior liquidity squeezes and pricing dislocations. The portfolio has significant exposure to the mid-market which continues to produce greater distributions than large-cap. We have seen encouraging news from Capital Dynamics GSEC V regarding future distributions, with 3-5% per quarter expected. DPI across both Secondaries Funds sits at ~0.3x and we expect this will head upwards as they continue to sell companies. Summit and Vespa also continue to show good signs of producing DPI through redemption of shares, recaps & exits.

The resurgence of the broadly-syndicated loans market bodes well for Private Equity as this has led to tighter spreads. This, along with a smaller valuation gap, has led to sponsor-to-sponsor transactions increasing. Investors demand distributions from older vintages and GPs offer creative solutions to generate liquidity. This included minority stake sales, secondaries (especially continuation vehicles), dividend recaps and NAV loans but the demands for the return of capital remain.

Portfolio development now stands at ~84% invested with 100% committed as at end-Q1 2025. Portfolio performance remains positive and is largely flat vs the prior quarter.

Pipeline - The Cycle 1 portfolio is now fully committed, so no new investments are required.

Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows latest quarter	Outflows latest quarter	Net cash flow latest quarter	Value added latest quarter	TVPI	Contribution to return: 1 year	Contribution to return: since inception
60.5	5.5%	12.0%	376,071	1,562,749	-1,186,677	-1,538,990	1.39	0.1%	0.0%

*Money weighted return. Net of all fees. Private Markets interim period performance is calculated using NAVs provided on business day 8. Later revisions to these NAVs are not captured in the calculations so please use caution when using this data.

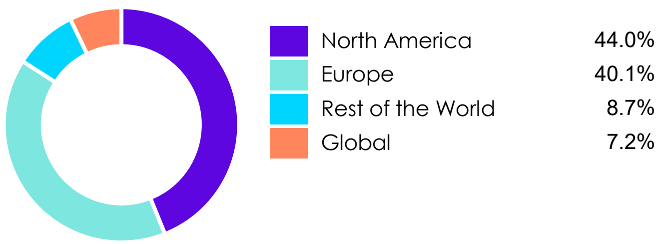
Private Equity Cycle 3

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
£11.99m
% called to date
17.13
Number of underlying funds
1
Dorset's Holding:
GBP11.04m

Country

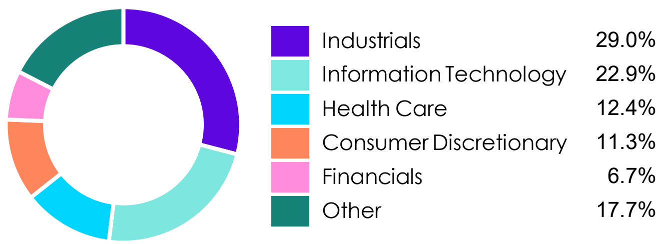
Invested in underlying investments



Source: Colmore
Country data is lagged by one quarter

Sector

GICs level 1



Source: Colmore
Sector data is lagged by one quarter

Performance commentary

The year began with an air of optimism as GPs released their outlooks for the year. This now appears premature as the high levels of activity and increased distributions seen in late 2024 softened with market uncertainty. Liquidity continues to be an issue as hold periods get pushed out.

The Cycle 3 portfolio has 17% in secondaries fund exposure which positioned it well to take advantage of prior liquidity squeezes as well as potential future situations. In addition, the portfolio overall has significant exposure to the mid-market which continues to produce greater distributions than large-cap companies.

The resurgence of the broadly-syndicated loans market bodes well for Private Equity as this has led to tighter spreads. This, along with a smaller valuation gap, has led to sponsor-to-sponsor transactions increasing. Investors demand distributions from older vintages and GPs offer creative solutions to generate liquidity. This included minority stake sales, secondaries (especially continuation vehicles), dividend recaps and NAV loans but the demands for the return of capital remain.

The portfolio is ~17% invested (excluding assets held on the NB credit line) at quarter-end and 100% committed. Performance will become more meaningful over time. The Portfolio is fully committed and will not make any new Investments.

Pipeline

The Cycle 3 PE portfolio is now fully committed, so no new investments are required.

Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows latest quarter	Outflows latest quarter	Net cash flow latest quarter	Value added latest quarter	TVPI	Contribution to return: 1 year	Contribution to return: since inception
11.0	4.3%	-7.2%	3,739,290	0	3,739,290	-125,032	0.96	0.0%	-0.0%

*Money weighted return. Net of all fees. Private Markets interim period performance is calculated using NAVs provided on business day 8. Later revisions to these NAVs are not captured in the calculations so please use caution when using this data.

Private Equity Cycle 4

Investment objective
Global portfolio of private equity investments

Benchmark
MSCI ACWI

Outperformance target
+3%

Launch date
1 April 2024

Commitment to portfolio
£30.00m

The fund is denominated in GBP

Commitment to Investment
£30.00m

Amount Called
£1.33m

% called to date
4.43

Number of underlying funds
1

Dorset's Holding:
GBP1.35m

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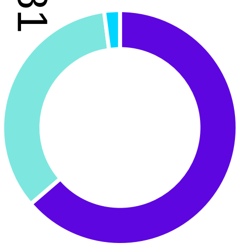
Country

Invested in underlying investments

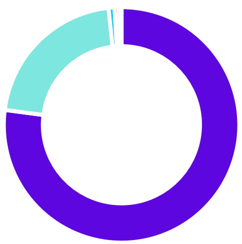


Rest of the World	63.7%
North America	34.1%
Europe	2.2%
Other	-

Source: Colmore
Country data is lagged by one quarter

Sector

GICs level 1



Information Technology	77.1%
Industrials	21.2%
Consumer Staples	0.8%
Health Care	0.6%
Consumer Discretionary	0.3%

Source: Colmore
Sector data is lagged by one quarter

Performance commentary

The year began with an air of optimism as GPs released their outlooks for the year. This now appears premature as the high levels of activity and increased distributions seen in late 2024 softened with market uncertainty. Liquidity continues to be an issue as hold periods get pushed out.

The Cycle 4 portfolio is expected to have a meaningful 27% secondaries exposure which will position it well to take advantage of liquidity squeezes.

The resurgence of the broadly-syndicated loans market bodes well for Private Equity as this has led to tighter spreads. This, along with a smaller valuation gap, has led to sponsor-to-sponsor transactions increasing. Investors demand distributions from older vintages and GPs offer creative solutions to generate liquidity. This included minority stake sales, secondaries (especially continuation vehicles), dividend recaps and NAV loans but the demands for the return of capital remain.

Since the NB Clifton IV inception in April 2024, 7 fund commitments have been made; 2 European funds, 1North American, 1 Asian, 1 global large-cap, 1 global impact; and 1 global secondaries. Brunel also approved a co-investment mini portfolio; NB will source and transact co-investments on behalf of Brunel's Clients. NB has already begun deploying capital, having closed three investments to date. Outside of NB fees, the co-investments are typically offered on a fee-free basis which helps reduce the overall fee rate and provides early deployment

Pipeline- NB and Brunel continue to review the market for investment opportunities. Market mapping is expected to continue through 2025.

Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows latest quarter	Outflows latest quarter	Net cash flow latest quarter	Value added latest quarter	TVPI	Contribution to return: 1 year	Contribution to return: since inception
1.3	-	-	388,889	0	388,889	-13,359	1.01	0.0%	0.0%

*Money weighted return. Net of all fees. Private Markets interim period performance is calculated using NAVs provided on business day 8. Later revisions to these NAVs are not captured in the calculations so please use caution when using this data.

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
£36.74m

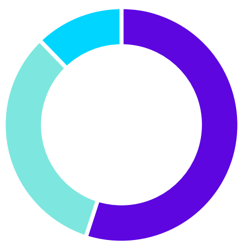
% called to date
45.93

Number of underlying funds
1

Dorset's Holding:
GBP36.50m

Country

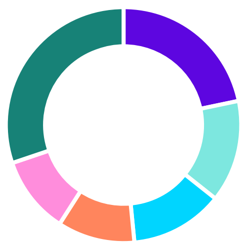
Commitment in underlying investments



Europe (incl. UK)	54.9%
North America	32.9%
Rest Of World	12.2%

Source: Stepstone
Country data is lagged by two quarters

Sector



Diversified Renewables	21.7%
Fibre	14.1%
Timber	12.8%
Utilities	10.6%
Agriculture	10.6%
Other	30.2%

Source: Stepstone.
Sector data is lagged by two quarters

Performance commentary

The first quarter of 2025 was one of deep uncertainty. The US Administration's dislike for renewable energy was quickly made clear during the initial flurry of executive orders. Then followed the threat of the introduction of tariffs on all trading partners creating uncertainty over supply chains. It is too early to comment on longer term impacts of tariffs. We may not see the same volatility in valuations as during Covid with rate cuts expected in the major economies. But risks remain on whether tariff induced inflation will slow or stop rate cuts.

The widely attended Berlin Infrastructure conference took place in March. Some of the key takeaways were: (i) Digital infrastructure- the evolution of infrastructure beyond traditional physical assets; (ii) Inflation protection- infrastructure investments possess this attribute, predictable long-term revenues, and strong asset backing; (iii) Energy demand- which presents significant investment opportunities.

Cycle 3 Infrastructure is progressing well, with portfolio construction indicating 73% of client capital will be invested in Sustainable Infrastructure. The portfolio will be comprised of: 14% Natural Capital, 26% Renewable Energy, 25% Energy-Transition/Efficiency, 28% Generalist, with 7% reserved. By agreement per the specification, the portfolio will again be skewed to Core/Core+ assets at c.60%, with Value-Add making up c.32%.

At the end of Q1 2025, Cycle 3 was ~78% committed and ~46% invested across 11 Primaries and 11 Tacticals. There are ~2 co-investments to be sourced to complete the commitment of Cycle 3 Infrastructure.

Pipeline - Work continues reviewing new tactical opportunities that are currently in the pipeline.

Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows latest quarter	Outflows latest quarter	Net cash flow latest quarter	Value added latest quarter	TVPI	Contribution to return: 1 year	Contribution to return: since inception
36.5	5.8%	2.1%	8,137,969	796,935	7,341,034	203,501	1.03	0.0%	0.0%

*Money weighted return. Net of all fees. Private Markets interim period performance is calculated using NAVs provided on business day 8. Later revisions to these NAVs are not captured in the calculations so please use caution when using this data.

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
£59.91m

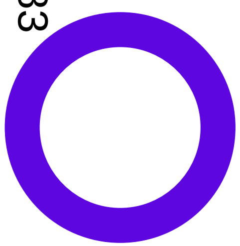
% called to date
99.84

Number of underlying funds
3

Dorset's Holding:
GBP53.46m

Country

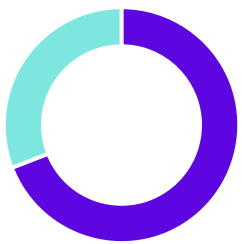
Invested in underlying investments



United Kingdom 100.0%

Source: Colmore
Country data is lagged by one quarter

Strategy



Long Lease Property 69.1%
Operational 30.9%

Source: Colmore
Strategy data is lagged by one quarter

Performance commentary

Two of the funds underwent a name change during Q1; abrdn rebranded to "aberdeen", while Schroders Greencoat will change the name of GRI to "Schroders Greencoat UK LP" to continue compliance with European Securities and Markets Authority (ESMA) guidelines

Performance has improved over H2 2024 as the Bank of England cut rates bringing yields down, and both long lease property funds have started to see capital appreciation. Both funds outperformed the MSCI UK Long Income Index over Q4, with M&G Secured Property Income Fund also outperforming over 2024. At time of writing, we await Q1'25 figures.

Open-ended long lease property funds, including M&G Secured Property Income Fund (SPIF) and aberdeen's Long Lease Property (LLP), are making progress with paying down redemption queues. SPIF has seen inflows towards the end of 2024, and there is an uptick in investor interest in 2025. Both funds continue to see strong distribution yields above 5% and a high degree of inflation-linkage in cashflows.

The fund formerly known as GRI reached over £1.4bn investor commitments after the final close in Dec '24; 90.7% was called as at Q4. Q4 capital called was invested into Stokeford Solar, a newly operational Solar PV project in Dorset. Over Q4, the changes to anticipated power price assumptions, and wind yield assumptions across two wind investments impacted valuations. Gross hold to life returns remain above fund target at 7.5% as at Q4, and annual cash yield was high at 6.7%. Near term returns are expected to be driven primarily by income.

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 latest quarter	Outflows latest quarter	Net cash flow latest quarter	Value added latest quarter	TVPI	Contribution to return: 1 year	Contribution to return: since inception
53.5	3.7%	-0.0%	245,411	765,559	-520,148	449,314	1.00	0.1%	-0.0%

*Money weighted return. Net of all fees. Private Markets interim period performance is calculated using NAVs provided on business day 8. Later revisions to these NAVs are not captured in the calculations so please use caution when using this data.

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
£30.00m

Amount Called
£29.98m

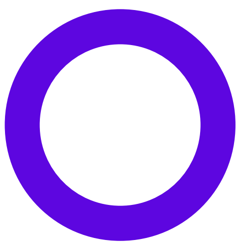
% called to date
99.95

Number of underlying funds
3

Dorset's Holding:
GBP30.80m

Country

Invested in underlying investments



Source: Colmore
Country data is lagged by one quarter

Strategy

Source: Colmore
Strategy data is lagged by one quarter

Performance commentary

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Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows latest quarter	Outflows latest quarter	Net cash flow latest quarter	Value added latest quarter	TVPI	Contribution to return: 1 year	Contribution to return: since inception
30.8	2.6%	-	126,226	126,226	0	-137,971	1.04	0.0%	0.0%

*Money weighted return. Net of all fees. Private Markets interim period performance is calculated using NAVs provided on business day 8. Later revisions to these NAVs are not captured in the calculations so please use caution when using this data.

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

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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	The Morningstar Sustainalytics ESG Risk Ratings are based on an assessment of a company's exposure to risk and how well it manages those risks, resulting in a single score that indicates the company's overall ESG risk level. The rating is comprised of three central building blocks: corporate governance, Material ESG Issues (MEIs), and idiosyncratic issues. The scores are categorized across five risk levels: negligible, low, medium, high, and severe.
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

Glossary

Term	Comment
LP or limited partner	In private equity, an LP is usually a third party investor in the fund
M&A	Mergers and acquisitions
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	WACI should read Weighted Average Carbon Intensity = Weight of Portfolio * (Carbon Emissions / Revenue)
yield to worst	Lowest possible yield on a bond portfolio assuming no defaults

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Dorset County Pension Fund
administered by Dorset Council
Environment Agency Pension Fund
Gloucestershire Pension Fund
Buckinghamshire Council
Buckinghamshire Pension Fund
Somerset Council
Brunel Pension Partnership
Avon Pension Fund
Oxfordshire Pension Fund
www.oxfordshire.gov.uk/pensions
Wiltshire Pension Fund
Cornwall Pension Fund
Devon County Council

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CBRE Investment Management

Units C1-C4, Woolborough Lane IE, Crawley

Q1 Report

Dorset County Pension Fund

2025

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 5.9% of DCPF's total assets,[1] which currently represents approximately £228m.

OVERVIEW

£228.2m	28
Capital value (Combined DCPF portfolio)	Assets

	Conventional	SLI
Mandate	Commenced 1993	Commenced 2017
Performance objective	MSCI Quarterly Universe over five years	LPI +2% per annum
Capital Value (Q1 2025)	£186.3m (82%)	£41.9m (18%)
Number of assets	18	10
Purchases during quarter	-	-
Value of sales during quarter	£22.4m	-
Direct net initial yield (p.a.)	5.0%	5.3%
Average unexpired lease term (to break)	10.0 years (8.6 years)	60.1 years (17.3 years)

Combined Valuation	
Direct Property (Q1 2025)	£212.0m
Indirect Assets (Q1 2025)	£16.2m
TOTAL PORTFOLIO VALUATION	**£228.2m**

CONVENTIONAL PORTFOLIO PERFORMANCE

	Q1 2025	12 months (%)	3 years (%) p.a.	5 years (%) p.a.	7 years (%) p.a.	10 years (%) p.a.
Capital return	-1.2	0.5	-5.8	-0.9	-1.3	0.3
Income return	1.1	4.4	3.9	3.7	3.9	4.2
Total return	-0.1	4.9	-2.1	2.8	2.5	4.5
MSCI Quarterly Property Index	1.6	6.3	-2.7	2.2	2.1	4.0
Relative	-1.7	-1.3	0.7	0.6	0.4	0.4

[1] Based on Dorset County Pension Fund's total asset value as at the end of March 2024 (£3.9bn).

SLI PORTFOLIO PERFORMANCE

	Q1 2025	12 months (%)	3 years (%) p.a.	5 years (%) p.a.	7 years (%) p.a.
Capital return	0.8	-2.5	-6.8	-3.1	-2.2
Income return	1.4	5.7	5.1	4.7	4.5
Total return	2.2	3.0	-2.0	1.4	2.3
Target (LPI + 2.0% p.a.)	1.3	5.2	6.2	5.8	5.4
Relative	0.9	-2.2	-8.2	-4.4	-3.2

Economic and property update

- Inflation fell from 2.8% to 2.6% in March, which exceeded market expectations. Both declining petrol and leisure inflation were the main downward contributors to this fall. Inflation is likely to increase in April due to a rise in household energy prices. Our latest forecast has reduced the number of interest rate cuts from four to three by the Bank of England's Monetary Policy Committee in 2025 on the back of continued upward price pressures.
- Capital values continued their recovery in Q1 2025. The March MSCI monthly index showed monthly capital growth of 0.3% at the All-Property level, taking the Q1 2025 total to 0.4%. All sectors recorded positive capital value growth, outside of offices which saw capital values decline by -0.2%. Office capital values are now 23% below their peak in July 2022, relative to 10% less at the All-Property level. The stabilisation of property yields in the majority of segments, and trending stronger in some parts of the market, is driving the stronger capital value growth.
- This recent downturn is unique in that it has been entirely yield driven – while previous downturns may have been mainly pricing related they all also saw some decline in rents, at least in nominal terms. Yet rental growth has been positive at the UK All-Property level since the beginning of 2021. Indeed, rental growth at the All-Property level has averaged 3.9% p.a. since the beginning of the downturn in pricing (June 2022). Within sectors, industrial and residential rents have been the outperformers, growing 18% and 20%, respectively, since June 2022.
- All Property total returns are forecast to be 7.7% p.a. over the five-year period. Variations at the sector level reflect relative expectations of rental growth and yield shift, with the logistics and residential (both 8.3% p.a.) sectors outperforming other main sectors.

Conventional portfolio

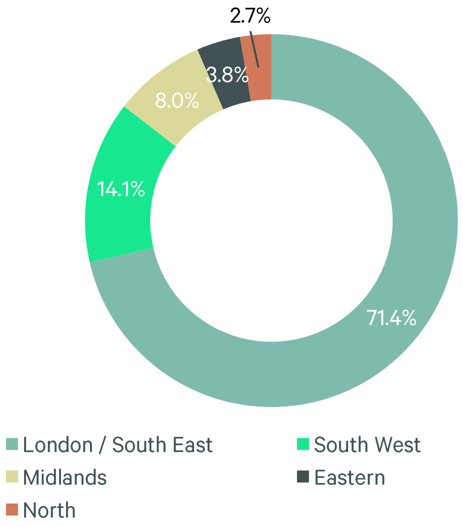
Portfolio information

KEY STATISTICS

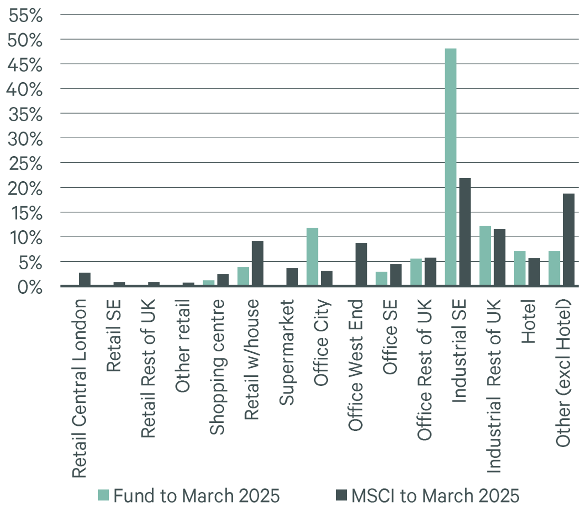
£170.1m Direct market value	**£16.2m** Indirect market value	**£186.3m** Total Conventional portfolio market value
16 (£11.6m) No. of direct assets (avg. value)	**70 (£2.4m)** No. of direct lettable units (avg. value)	**2** No. of indirect holdings
1.5% (8.9%) Vacancy rate (MSCI Quarterly Universe)	**10.0 yrs (8.6 yrs)** Avg. unexpired direct lease term (to break)	**5.0% / 6.6%** Direct net initial yield / reversionary yield (p.a.)
5.7% % of income direct RPI / index linked	**22.1%** Rent with +10 years remaining (% of direct rent)	**10.2%** Rent with +15 years remaining (% of direct rent)

GEOGRAPHICAL AND SECTOR EXPOSURE

Geographical breakdown



Sector breakdown



Secure long income portfolio (SLI)

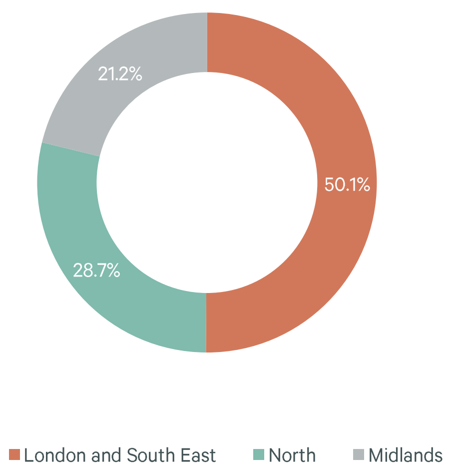
Portfolio information

KEY STATISTICS

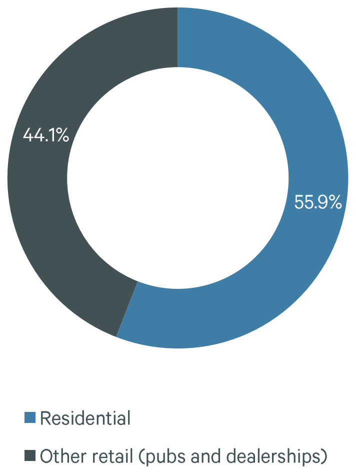
£41.9m Direct market value	£0.0m Indirect market value	£41.9m Total SLI portfolio market value
10 (£4.2m) No. of assets (avg. value)	14 (£3.0m) No. of lettable units (avg. value)[2]	0% Vacancy rate (% ERV)
60.1 yrs (17.3 yrs) Avg. unexpired lease term (to break)	5.3% / 5.7% Direct net initial yield / reversionary yield (p.a.)	80.8% % 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)



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.

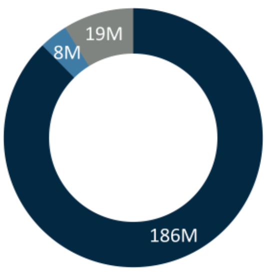
Key actions completed in Q1 2025

Action	Outcome	Climate	People	Influence
NLC Data Collection (formerly CRM)	The 2025 annual data collection process has begun, with data requests being sent out to NLC contacts to provide 2024 calendar year data.	x	x	x
PropTech Data Collection	The enhanced PropTech enabled data collection process targeting increased energy, water and waste data coverage in 2025 has begun, with tenant contact details being requested from PMs required for LOAs.	x	x	
EPCs	The portfolio has ordered one EPC assessment in the last quarter. It has also ordered one Building Upgrade Report.	x		

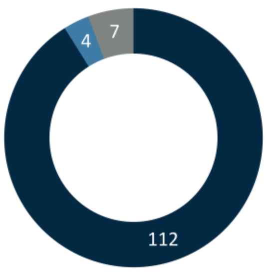
1 COMPLIANCE

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. 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 will further update the definitions to respond to the EPC B MEES policy in England & Wales following the final government consultation which is expected in the first half of 2025.

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 EPC
Exempt		MEES regulation exempt
Unknown		Inaccurate or missing EPC

Action	Medium risk	High risk
High Quality or Modelled EPC	2	0
Action at Lease End	2	0
Refurbishment	0	0
Planned Redevelopment or Considering sale	0	0
Review Tenant Fitout	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 with regard to 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

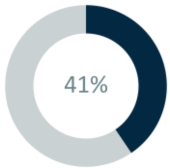
EPC Compliance

Data Sharing

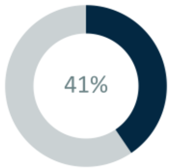
Collaboration

% of all portfolio leases which incorporate green lease clauses

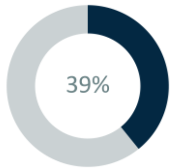
EPC Compliance



Data Sharing



Collaboration



■ Green leases clause present in lease

Green lease tracking	
% of portfolio with a green lease tracker (excluding vacant units)	100%
Number of leases with green lease trackers since Q1 2019	28
New trackers received in Q1 2025	1

2 TRANSPARENCY

Building certification strategy

CBRE Investment Management aim to acquire or forward fund buildings with certifications. Green Building Certifications are important for the portfolios 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. The 'In progress & submitted certifications' table below includes any certifications that are currently ongoing and/or awaiting receipt of a final completion certificate. The 'Completed certifications' table below covers any certifications completed in the previous reporting year (2024) and in the current reporting year (2025).

In progress & submitted certifications

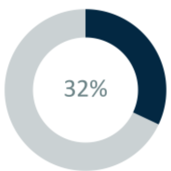
Property	Certification type	Rating	Status
Astra House - (Whole Site)	BREEAM In Use: Part 2	TBC	Submitted

Completed certifications

Property	Certification type	Rating	Status	Year Awarded
Oldfield Lane, London - (Unit 1)	BREEAM In Use: Part 1	Pass	Complete	2024

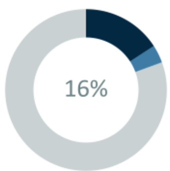
% Portfolio with a building certification (by value)

2024 Performance



■ Completed certifications

2025 Performance



■ In progress certifications

3 REFURBISHMENTS

The Investment Committee process and Zero Emission Buildings roadmap informs CBRE Investment Management's approach to assessing each asset held in EMEA. Assets are redeveloped to improve their operational performance, meet portfolio and house level targets, and improve GRESB reporting potential. The 'Ongoing Refurbishments' and 'Completed Refurbishments' tables below cover any refurbishments completed in the previous reporting year (2024) and in the current reporting year (2025), alongside any that remain ongoing.

Completed Refurbishments

Asset	Certification Target	Completion date	Project Notes
South Bristol Trade Park – (Unit 4)	N/A – EPC Refurbishment only	Q1 2025	Refurbishment works, after unit was received back from tenant.

4 CARBON

2024 calendar year data collection via NLC (formerly 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 2025 as per normal practice.

The 2024 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 2025 submission.

5 DECARBONISATION AUDIT PROGRAM

In alignment with CBRE Investment Management's ESG Vision and to aid the transition towards Zero Emission Buildings, the portfolio is participating in CBRE IM's EMEA wide decarbonisation audit program. The objective of the decarbonisation audits performed on the assets listed below is to identify a potential pathway to net zero emissions.

The studies recommend energy efficiency measures to move the assets towards 'net zero targets" as defined by Science Based Target Net Zero Standard for Buildings using CRREM decarbonisation pathways. Decarbonisation measures, renewable energy technologies and procurement strategies were analysed to create a pathway to net zero emissions. The audits do not consider the investment lifecycle, how measures should be funded (e.g. by tenant, service charge, landlord or any other means), nor when the most appropriate time for the implementation measures is from an asset management perspective; this is for subsequent analysis by the asset manager and will be summarised into a transition plan in due course.

6 EPC RATINGS BY BAND

If a unit does not hold any EPC information it will be counted as "Unknown/Estimated". If a unit holds a more recent draft EPC than lodged EPC, it will be counted as "Draft". If a unit holds an expired EPC, it will be counted as "Expired". All expired EPCs are reviewed by the CBRE Investment Management team with support from their ESG Consultants and replacement EPCs are instructed prior to lease events. If a unit is MEES regulation exempt, it will be counted as "Exempt". Exemptions can be applied in the event of a lease length being 99 years or more, as per UK government non-domestic private rented property regulations.

England, Wales and Northern Ireland

EPC ratings	A/A+	B	C	D	E	F	G	Unknown/ Estimated	Draft	Expired	Exemption Applied
No of units	4	23	64	16	4	0	0	0	4	1	7
Proportion of units %	3.3%	18.7%	52.0%	13.0%	3.3%	0.0%	0.0%	0.0%	3.3%	0.8%	5.7%

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CBRE Investment Management

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Agenda Item 16

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