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PENSION POLICY & INVESTMENT COMMITTEE
Wednesday, 21 February 2018 at 5.00 pm
Room 6 Civic Centre

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PENSION POLICY & INVESTMENT COMMITTEE

Wednesday, 21st February, 2018 at 5.00 pm in the Room 6 Civic Centre

Membership:

Councillors: Derek Levy, Terence Neville OBE JP, Daniel Pearce, Toby Simon, Alan Sitkin and Doug Taylor (Leader of the Council)

AGENDA – PART 1

1. **WELCOME & INTRODUCTION**

2. **DECLARATION OF INTERESTS**

3. **MINUTES OF PREVIOUS MEETING : 20TH NOVEMBER 2017** (Pages 1 - 4)

   To receive and agree the minutes of previous meeting: 20th November 2017

4. **INVESTMENT STRATEGY REVIEW - FOLLOW UP AND CASH UPDATE** (Pages 5 - 42)

   To review the investment strategy

5. **LONDON CIV - FIXED INCOME DEVELOPMENTS** (Pages 43 - 100)

6. **WESTERN CREDIT PRESENTATION** (Pages 101 - 144)

7. REVIEW OF PP&IC TERMS OF REFERENCE

To review the Committee terms of reference

8. DATES OF FUTURE MEETINGS

To note the date of the next meeting:

Thursday 12th April 2018

9. EXCLUSIONS OF PRESS AND PUBLIC

To pass a resolution under Section 100A(4) of the Local Government Act 1972 excluding the press and public from the meeting for any items of business moved to part 2 on the grounds that it involves the likely disclosure of exempt information as defined in those paragraphs of Part 1 of Schedule 12A to the Act (as amended by the Local Government (Access to Information) (Variation) Order 2006) as listed on the agenda.

Please see part two agenda.

MINUTES OF THE MEETING OF THE PENSION POLICY & INVESTMENT COMMITTEE HELD ON MONDAY, 20TH NOVEMBER, 2017

Councillors Present:	T. Simon JP (Chair), D. Levy, D.Taylor,
Councillors absent	D Pearce, T Neville OBE JP, A Sitkin
Officers:	Carolan Dobson (Independent Advisor), Fay Hammond (Director of Finance-designate), Paul Reddaway (Head of Finance)
Also Attending:	Daniel Carpenter (Aon), Rohan Meswani (Aon).

1. WELCOME AND INTRODUCTION

The Chair, Cllr T. Simon, welcomed all to the meeting. The Chair also introduced Fay Hammond who officially starts her role as the Director of Finance on the 12th February 2018.

Noted: Apologies for lateness from Councillor Taylor; any decisions were taken when Cllr Taylor was present.

2. DECLARATION OF INTERESTS

Noted: Cllr Toby Simon declared his wife is a governor of Enfield Learning Trust, a multi-academy trust, a scheme employer.
Carolan Dobson declared she is a non-executive director of the London CIV.

3. MINUTES OF PREVIOUS MEETING : 6 SEPTEMBER 2017

Agreed: The minutes of the meeting held 6 September 2017 were agreed.

Matters Arising

- M&G Inflation Opportunities Fund – the sale of units by an existing investor did not materialise.

- Markham Rae – the manager's performance continues to disappoint and the manager is now holding cash due to the lack of volatility in the markets – see section 8.

4a. PENSION FUND CASHFLOW UPDATE

Received: Statistics Received on London Borough of Enfield Pension Fund 2017/18: Cash Flow

Noted: 2017 has been Cashflow positive and the forecast for next year (2018) is also positive.

4b. RISK REGISTER UPDATE

Received: A new addition to the Risk Register has been included – statutory statement of accounts.

Noted: Current controls included closedown timetable to be revised to reflect deadlines; introduction of quarter closedowns of investments; monthly reviews of Contributions and Benefits; and the narrative notes in the Statement of Accounts would be revised earlier.

4c. SUCCESSION PLANNING

Received: Report Received regarding Succession Planning Statement London Borough of Enfield Pension Fund.

Noted: Following the elections in May 2018 there will be an issue around continuity and stability as at present only two members are likely to be standing for re-election. The MDSG would be asked to consider issues related to membership with a view to proposals being presented to January's Council meeting.

The Exchequer pension team was being restructured; an update will be presented at the next meeting.

Agreed: Ms Hammond would review continuity for officers when in post.

4d. 2017 BENEFIT STATEMENTS

Noted: Paul Reddaway confirmed that all the Benefits statements were issued before the statutory deadline.

4e. BROCKTON PROPERTY UPDATE

Noted: The Chair and Paul Reddaway had had a meeting with Brockton to discuss the delays in committing capital and on the level of fees and possibility on having a local authority rep on their advisory panel. Discussions are proceeding with the London Boroughs of Newham and Southwark.

4f. ANTIN PURCHASE (PART 2 ITEM)

Received: Briefing report

Noted: The committee were updated on the latest Antin purchase.

4g. MIFID2 UPDATE

Noted: PR made a verbal update - to date ten managers have opted the Fund up. It is anticipated the process will be completed before 3rd January 2018.

4h. 2016/17 EXTERNAL AUDIT REPORT

Received: The committee Received the external Auditor's (BDO) 2016/17 report.

Noted: The report had been approved by the Audit Committee on 28th September. No issues were raised by the auditor, and it received an unqualified audit opinion.

4i. STATEMENT OF ACCOUNTS CLOSEDOWN 2017/18 TIMETABLE

Received: Pension Fund Closedown Timetable 2017/18.

Noted: The Pension Fund closedown timetable has been fully reviewed with key dates moved to ensure the accounts can be closed down by the 31st May 2018. It will involve the use of estimates. This has been done in consultation with the external auditor.

4j. TRAINING LOG

Noted: Discussion regarding training logs and how to implement/ record this as per the policy.

Agreed: Minutes of meeting will record will any training provided and its length.

5. ADAM STREET PARTNERS - 2018 SUBSCRIPTION

Received: Adams Street report pack.

Noted: Adams Street managed $1.9 billion from 11 LGPS funds, with >$200 million for the 2017 vintage. Fees would be calculated on an aggregated basis across the LGPS which gave useful savings.

The presentation included ½ hour training on private equity investment.

Agreed: It was decided to invest a further $5 million in the 2017 vintage to take advantage of the cheaper fees; and to commit $10million to 2018. It might be desirable to make a further $5million subscription to 2018 but this will be considered in November 2018

6 INVESTMENT STRATEGY OUTCOMES

Received: Investment strategy review

Noted: The Committee in September (last meeting) considered the results of an investment strategy review undertaken by Aon. The aim was as far as possible to invest via the London CIV but it was unlikely to cover several of the asset classes used by the fund. The option of substituting some of the Diversified Growth Funds offered by the CIV was discussed. It was agreed that there would be considerable costs in doing so; and they did not offer a sufficient substitute for the downside protections offered by the current strategy.

Agreed: To reduce exposure to global equity initially by 5% (from 45% to 40%); a further 5%, to 35% will be considered if there are clear signs of a bear market.

Aon will bring forward as soon as possible proposals to allocate cash to other asset classes and as to how the equity portfolio will be split over managers, to be agreed in correspondence.

7. EPOCH EQUITY PRESENTATION

Received: Presentation materials

Noted: Epoch representatives explained their investment process and track records.

The presentation included ½ hour training on equity investment methodologies.

Agreed: While Epoch were now on the London CIV platform their strategy would not fit well with the overall equity strategy and the other active managers (BG, MFS, Longview and Janus EMs) provided an appropriate split of styles and markets

8. INVESTMENT UPDATE INCLUDING QUARTERLY INVESTMENTS REPORT (PART 2 ITEM)

Received: Quarterly Investment Report Q3 2017

Noted: Aon presented review of each of the fund managers performance for the quarter and long term.

Agreed: Markham Rae: Given the continued poor performance and that the portfolio was merely in effect holding cash and their major seed investor had decided to redeem, the committee would dismiss them as a manager.

9. DATES OF FUTURE MEETINGS

28th February 2018 and 26th April 2018

Aon InBrief: Gruss Capital Management LP

Gruss Global Investors (Enhanced) Master Fund, Ltd

Review Date	Overall Rating	Previous Overall Rating
December 2017	Sell	Buy

Overall Rating

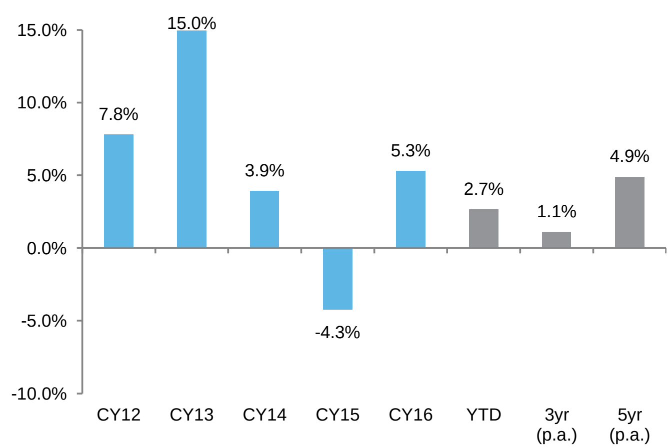
Gruss Global Investors (Enhanced) is an established event-driven fund led by an experienced CIO. The fund historically benefitted from a flexible multi-strategy approach, a disciplined focus on downside protection, and a relatively nimble asset size. However, recent underperformance has led to a shrinking asset base, leading the firm to reduce headcount. Whilst we believed the downsizing to be sensible, steps taken to improve the investment process have not been reflected in recent performance. In the near term, we have concerns that the continued underperformance could lead to further client redemptions and departures from the investment team. As such we believe it to be prudent to recommend a Sell rating for the fund.

Component Ratings

	Rating	Previous Rating	Aon InForm Assessment*
Business	2	3	-
Staff	2	3	-
Process	2	3	-
Risk	2	2	-
ODD	Pass	Pass	-
Performance	2	3	-
T&C	2	2	-

* We are not currently able to provide an Aon InForm Assessment for this strategy as the manager has not provided us with enough data to perform a meaningful analysis. We are working with the manager to collect the necessary data for future quarters.

Absolute Performance to 30 Sep 2017



Performance (USD) is net of fees. CY = calendar year. Source: Manager

Firm and Strategy Summary

Head Office Location	New York, NY	**Parent Name**	Gruss Capital Management
Firm AUM	$1.2 billion	**Investment Staff**	10
Hedge Fund AUM	$1.2 billion	**Hedge Fund Staff**	31
Team Location	New York, London	**Team Head**	Sean Dany
Firm/Strategy Inception	2000 / July 2008	**Strategy Size**	$1.2 billion
Performance Objective	Not Applicable	**Risk Objective**	Not Applicable
Fee	1.50% or 30% performance fee		
Hurdle Rate	Not Applicable	**Lock-up**	1-year soft lock, 3.0% fee
Redemption Terms	Quarterly (45 days' notice)	**Currency Available**	$, £, €

Note: **Past performance is no guarantee of future results**. Staff and AUM data as of 30 November 2017.

Investment Manager Evaluation

Rating Sheet			
Factor	**Rating**	**Previous Rating**	**Comments**
Business	2	3	Gruss is a long-established manager in the event-driven space. Co-CIO Mark Smith left the firm in 2013, which initially did not appear to have a detrimental impact on the business. However, more recently the firm has experienced redemptions, with assets nearly halving over the past 12 months. In Q3, a large institutional client redeemed its allocation which led to the merging of the firm's two funds. We have downgraded the business rating due to concerns about further redemptions.
Investment Staff	2	3	In our opinion Gruss' senior investment team was well positioned to weather the departure of Smith in 2013; CIO Sean Dany brings to the table nearly two decades of event-driven investing experience at the firm. However, Mr. Dany's role was expanded to sole decision-maker for the fund and responsible for management of the investment teams in HK, London and NY. In an effort to reduce the reporting lines, and the need to cut headcount due to the shrinking asset base, there has been a substantial reduction in the investment team. Most recently with departures of senior members of the team in London.
Investment Process	2	3	The strategy casts a wide net in the event-driven arena, allowing for diversification and the flexibility to pick the best risk-adjusted investments from a broad opportunity set. It is based on detailed research and focuses on price targets, liquidity, and downside risk. Market risks are offset through the use of hedges, and the fund employs leverage in a risk-controlled fashion. The hedges had contributed negatively to performance and in late 2016 Mr. Dany announced changes to portfolio construction to address this issue. These changes are yet to improve performance and further enhancements were announced recently. We are downgrading the rating for Process as we have weakened our conviction in the process.

Rating Sheet			
Factor	**Rating**	**Previous Rating**	**Comments**
Risk Management	2	2	The CIO bears responsibility for both portfolio management and risk management, whereas we would ideally prefer to see a level of independent risk oversight. That said risk management is thoroughly integrated into the investment process. The manager places tight limits on expected losses for individual positions, and focuses primarily on liquid instruments.
Operational Due Diligence	Pass	Pass	Gruss is registered with the SEC and FCA, and uses high quality service providers including full third party administration. The firm has clear compliance procedures in place, and the fund has a majority independent board of directors. We would prefer to see the firm implement a more formalised pricing policy, but the high level of liquidity maintained in the portfolio offsets these concerns.
Performance Analysis	2	3	This product had delivered strong returns historically with a low level of associated volatility, with performance demonstrating good downside protection in falling markets, while lagging during strong market rallies. However, recent performance has disappointed and our confidence in the manager's ability to meet its return target going forward has diminished.
Terms & Conditions	2	2	The fund's historical terms are in line with industry norms, whilst the new fee structure of 1.5% management fee or 30% performance compares favourably to peers. Client communication has been strong.
Overall Rating	**Sell**	**Buy**	Gruss Global Investors (Enhanced) is an established event-driven fund led by an experienced CIO. The fund historically benefitted from a flexible multi-strategy approach, a disciplined focus on downside protection, and a relatively nimble asset size. However, recent underperformance has led to a shrinking asset base, leading the firm to reduce headcount. Whilst we believed the downsizing to be sensible, steps taken to improve the investment process have not been reflected in recent performance. In the near term, we have concerns that the continued underperformance could lead to further client redemptions and departures from the investment team. As such we believe it to be prudent to recommend a Sell rating for the fund.

Ratings Explanation

Below we describe the criteria which we use to rate fund management organizations and their specific investment products. Our manager research process assesses each component using both our qualitative and Aon InForm criteria. With the exception of Operational Due Diligence ("ODD"), each component is assessed as follows:

Qualitative Outcome	Aon InForm Outcome	
1 = Weak	✓	**Pass**: This component in isolation meets or exceed our desired criteria
2 = Average	⚐	**Alert**: This component in isolation does not meet our desired criteria, or the lack of data on this component means that we are not able to judge whether it meets our desired criteria
3 = Above Average	-	**Not assessed**: There is a lack of data, which means that we are not able to assess this component, however we do not consider this in isolation to justify an Alert
4 = Strong	↗	Component has improved over the quarter
	=	Component remains broadly unchanged over the quarter
	↘	Component has worsened over the quarter

The ODD factor is assigned a rating and can be interpreted as follows:

Overall ODD Rating	What does this mean?
A1	No material operational concerns – the firm's operations largely align with a well-controlled operating environment.
A2	The firm's operations largely align with a well-controlled operating environment, with limited exceptions – managers may be rated within this category due to resource limitations or where isolated areas do not align with best practice.
Conditional Pass ("CP")	Specific operational concerns noted that the firm has agreed to address in a reasonable timeframe; upon resolution, we will review the firm's rating.
F	Material operational concerns that introduce the potential for economic or reputational exposure exist – we recommend investors do not invest and/or divest current holdings.

Aon Hewitt previously assigned ODD ratings of pass, conditional pass, or fail for the ODD factor. We are in the process of refreshing all ODD ratings to the new terminology. During the transition period, the prior ratings, as follows, may persist in some deliverables until the ODD factor rating is converted to the above noted letter ratings.

- **Pass** – Our research indicates that the manager has acceptable operational controls and procedures in place.
- **Conditional Pass** – We have specific concerns that the manager needs to address within a reasonable established timeframe.
- **Fail** – Our research indicates that the manager has critical operational weaknesses and we recommend that clients formally review the appointment.

An overall rating is then derived taking into account both the above outcomes for the product. The overall rating can be interpreted as follows:

Overall Rating	What does this mean?
Buy	We recommend clients invest with or maintain their existing allocation to our Buy rated high conviction products
Buy (Closed)	We recommend clients invest with or maintain their existing allocation to our Buy rated high conviction products, however it is closed to new investors
Qualified	A number of criteria have been met and we consider the investment manager to be qualified to manage client assets
Sell	We recommend termination of client investments in this product
In Review	The rating is under review as we evaluate factors that may cause us to change the current rating

The comments and assertions reflect our views of the specific investment product and our opinion of its quality. Differences between the qualitative and Aon InForm outcome can occur and if meaningful these will be explained within the Key Monitoring Points section. Although the Aon InForm Assessment forms a valuable part of our manager research process, it does not automatically alter the overall rating where we already have a qualitative assessment. Overall rating changes must go through our qualitative manager vetting process. Similarly, we will not issue a Buy recommendation before fully vetting the manager on a qualitative basis.

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Retirement & Investment

London Borough of Enfield Pension Fund
Date: 12 February 2018
Prepared for: Pensions Policy & Investment Committee
Prepared by: Aon Hewitt Ltd

Cashflow considerations

Introduction

At the November 2017 Pensions Policy & Investment Committee (the "Committee") meeting the Committee decided to reduce the London Borough of Enfield Pension Fund's (the "Fund") strategic equity weighting by c. 5% in order to reduce the level of risk in the investment strategy.

This is in line with discussions that the Committee had undertaken as part of the 2017 Investment Strategy Review and reflects the strong improvement in funding level since the 31 March 2016 Actuarial Valuation.

The purpose of this short paper is to outline Fund's expected asset movements across asset classes over the short term and consider the estimated cashflow position. It considers the equity de-risking as well as the agreed investments and disinvestments using 31 December 2017 asset data.

Transition of assets

The following decisions have been incorporated as part of the paper:

- Disinvest from Trilogy completely (c. £168m) and invest the assets in a new allocation with Longview (c. £70m) and a top up of the Baillie Gifford account (c. £18m) such that there is a broadly equal split between Longview and Baillie Gifford. MFS' allocation will remain unchanged.

  The intention behind the restructure of the active, global equity managers was to allocate to high conviction managers and create a more balanced portfolio with respect to equity management style. The Longview and Baillie Gifford funds are accessed through the London CIV platform.

- Invest c. £25.0m in Henderson's emerging market equity fund such that the allocation results in the Fund's overall emerging market equity allocation being similar to the weight of emerging markets in a global equity index (c. 11.8%). This is to be funded through a disinvestment in BlackRock's emerging market passive equity fund (c. £12.0m) and c. £13.0m from the Trilogy proceeds.

  The rationale for this change is to increase the allocation to emerging market equities, where the Fund is underweight and where growth prospects are higher. In addition, it was deemed that an active management style would be most appropriate for emerging market equities. Henderson's emerging market equity fund is to be accessed through the London CIV platform.

- Disinvest from Markham Rae (c. £9m) with the proceeds to be held in cash in the interim. The Fund is expected to receive this cash at the end of January 2018.

- Commit a further $5m USD in Adams Street Partners 2017 Private Equity Program and $10m in their 2018 Program. These commitments will be drawn down over time rather than invested immediately and we have assumed that this does not immediately reduce our cash holdings.
- Fully redeem the Fund's c. £23m holding in Gruss following a downgrade in rating to 'Sell' in Q4 2017. The Gruss fund has a staggered redemption process and the Fund is expected to receive its first tranche of capital, (25%) c. £6m, in May 2018. The remaining proceeds will be received in staggered tranches such that the Fund will receive its entire holding back by May 2019. For the purpose of this analysis we have only incorporated the first tranche of the redemption proceeds given the focus on near term cashflow.
- Brockton – The Fund has committed £20m to the Brockton fund, with a net £2.6m being drawn to date. Brockton expects to draw down 90% of the residual amount, c. £15.7m, with a 10% buffer kept as reserve. The investment period ends in August 2018 however Brockton is able to make further capital calls after August 2018 in order to fund existing investments within the portfolio and for asset management purposes. We have assumed that Brockton draws down 90% of the Fund's total commitment prior to August 2018 and this is expressed as a reduction in the Fund's cash balance.

Allocation of assets

The table below shows the current asset allocation as at 31 December 2017 and the asset allocation post the various cashflows

	Current asset allocation			Post transition asset allocation	
	31 Dec 2017 (£m)	**31 Dec 2017 (%)**	**Cashflow estimate (£m)**	**31 Dec 2017 (£m)**	**31 Dec 2017 (%)**
Equities	**520.5**	**46.0**	**-67.8**	**452.7**	**40.0**
BlackRock Global Passive	170.1	15.0	-12.0	158.1	14.0
Trilogy Global Unconstrained	168.4	14.9	-168.4	-	-
MFS Global Unconstrained	102.0	9.0	-	102.0	9.0
London CIV Baillie Gifford	52.0	4.6	+17.8	69.8	6.2
Lansdowne Equity L/S	28.0	2.5	-	28.0	2.5
London CIV Longview	-	-	+69.8	69.8	6.2
Henderson	-	-	+25.0	25.0	2.2
Private Equity	**55.9**	**4.9**	**-**	**55.9**	**4.9**
Adams Street	55.9	4.9	-	55.9	4.9
Hedge Funds	**130.9**	**11.6**	**-14.2**	**116.7**	**10.3**
*Lansdowne Equity L/S**	28.0	2.5	-	28.0	2.5
York Distressed Securities	19.1	1.7	-	19.1	1.7
Brevan Howard Global Macro	-	-	-	-	-
Davidson Kempner International	25.4	2.2	-	25.4	2.2
Gruss Global Investors Enhanced	22.7	2.0	-5.7	17.0	1.5
CFM Stratus	27.1	2.4	-	27.1	2.4
Markham Rae	8.5	0.8	-8.5	-	-
UK Property	**74.6**	**6.6**	**15.7**	**90.2**	**8.0**
Blackrock	36.9	3.3	-	36.9	3.3
Legal & General	31.8	2.8	-	31.8	2.8
Brockton	5.8	0.5	15.7	21.5	1.9
PFI & Infrastructure	**45.4**	**4.0**	**-**	**45.4**	**4.0**
IPPL Listed PFI	43.3	3.8	-	43.3	3.8
Antin	2.1	0.2	-	2.1	0.2
Bonds	**250.9**	**22.2**	**-**	**250.9**	**22.2**
BlackRock Passive Gilts and ILGs	86.5	7.6	-	86.5	7.6
Western Active Bonds	88.8	7.8	-	88.8	7.8
M&G Inflation Opportunities	42.8	3.8	-	42.8	3.8
Insight Absolute Return Bonds	32.8	2.9	-	32.8	2.9
Cash	**53.5**	**4.7**	**+66.4**	**119.9**	**10.6**
Enfield Cash	53.5	4.7	66.4	119.9	10.6
Total Assets	**1,131.8**	**100.0**		**1,131.8**	**100.0**

Source: Northern Trust/Managers/Aon. Data as at 31 December 2017. Totals may not sum due to rounding.

Cashflow

Following the transitions the Fund's cash position is estimated to be c. £119.9m (10.6% of Fund assets). However, a portion of this cash is earmarked to the following assets:

- Adams Street Partners – The Fund committed a further $5m USD in Adams Street Partners 2017 Private Equity Program and $10m in their 2018 Program. These commitments will be drawn down over time rather than invested immediately but this will not materially reduce the level of cash in the Fund as the programme provides distributions that can be used to fund subsequent capital drawdown notices.
- Antin – The Fund has committed €25m EUR (c. £22.1m GBP) to Antin. c. €2.7m EUR has been drawdown (including the recent capital call in December 2017) and the remaining capital will be drawn down over the Antin fund's investment period, which is expected to run to December 2021.

These investments will reduce the level of cash in the Fund; however, the level is still very high and should be addressed.

Summary

- The Committee may wish to consider possible opportunities for deploying the available capital given the high level of cash following the equity risk reduction.
- The opportunity set of investments will be considered at future meetings and there are opportunities for the Fund to consider within the London CIV e.g. fixed income assets and outside the London CIV e.g. CBRE UK Secured Long Income Fund which we believe may be attractive for the Committee to consider.

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Aon Hewitt
Retirement and Investment

London Borough of Enfield Pension Fund

Funding Update Report as at 31 December 2017

Prepared for	London Borough of Enfield
Prepared by	Laura Caudwell FIA
Date	08 February 2018

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QAS Institute and Faculty of Actuaries ®
Quality Assurance Scheme

Empower Results®

Funding update as 31 December 2017

Overall View

At 31 Dec 2017

Your funding level has fallen since the last update, and the Total Employer Contribution Rate has increased.

This is due to the fall in the real discount rate which has put a higher value on the liabilities, which has only partially been offset by the better than expected asset returns

At 31 Dec 2017

Funding Level

95%

At 31 Dec 2017

Deficit

£53.4M

Compared to

at 30 Sep 2017

Funding Level

97%

Compared to

at 30 Sep 2017

Deficit

£29.7M

Compared to

at valuation date

Funding Level

87%

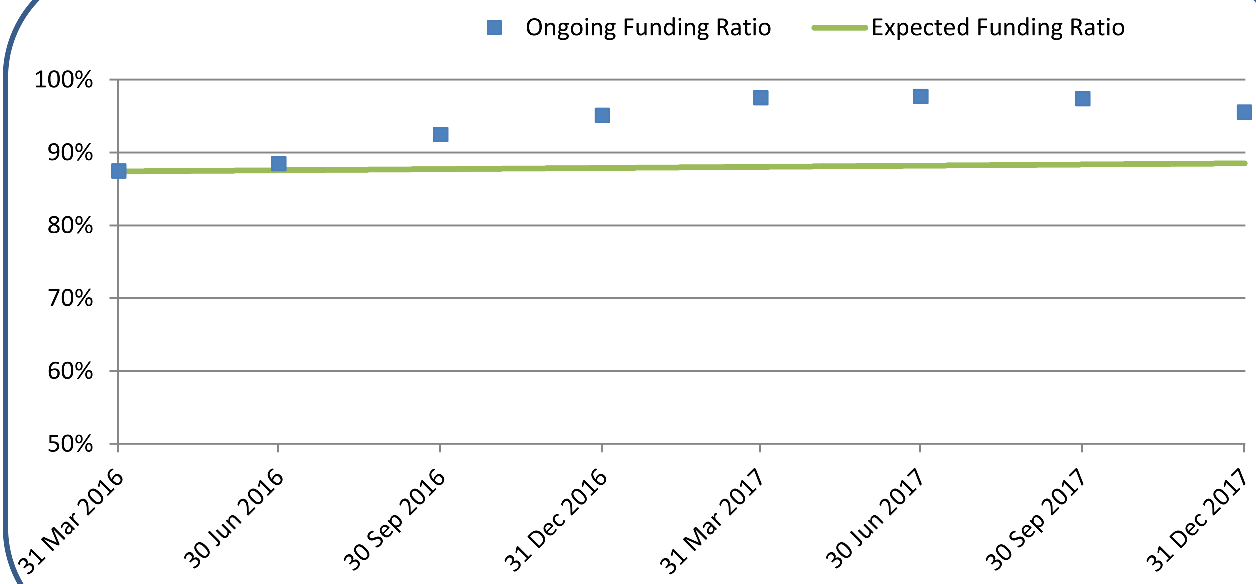
Compared to

at valuation date

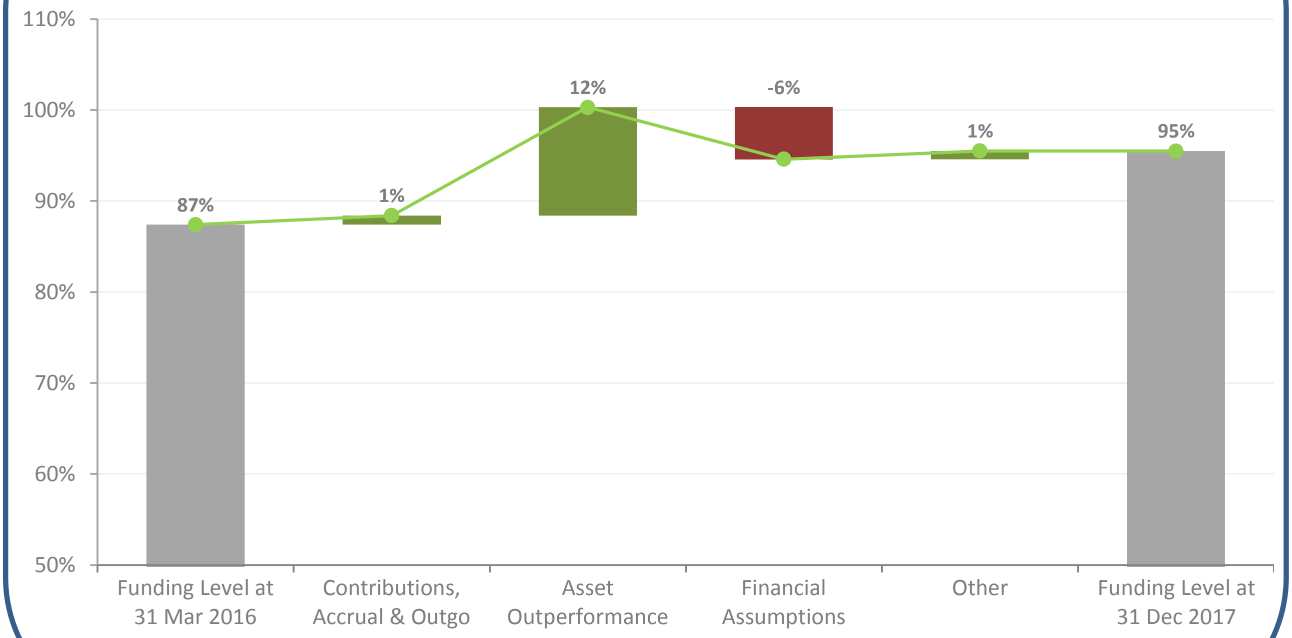
Deficit

£131.9M

Funding Ratio



Analysis



Employer contributions

Future Service Rate At 31 Dec 2017	Compared to at 30 Sep 2017	Compared to at valuation date
19.4%	18.3%	17.7%

Total Employer Contribution Rate At 31 Dec 2017	Compared to at 30 Sep 2017	Compared to at valuation date
21.5%	19.5%	22.8%

Background information

Assumptions and Data

	31 December 2017	30 September 2017	31 March 2016
Discount rate	4.20%	4.40%	4.50%
Pay growth	3.50%	3.50%	3.50%
Revaluation of pension accounts	2.00%	2.00%	2.00%
Pension increases	2.00%	2.00%	2.00%
Salary roll (£M)*	148.1	146.8	140.8
Recovery period ending	31/03/2036	31/03/2036	31/03/2036

* assumed annual Salary roll from the effective date (2014 Scheme definition)

Method

The approximate funding update is for information only, and is consistent with the calculations for the actuarial valuation as at 31 March 2016, provided to the Administering Authority in the actuarial valuation report dated 27 March 2017. The assumptions used have been modified only insofar as is necessary to maintain consistency with the valuation, reflecting the change in the effective date and in relevant market conditions. The liabilities have been rolled forward taking account of changes in the key assumptions used for Scheduled Bodies in the 2016 valuation only. As the liabilities in respect of Scheduled Bodies represent almost all of the total Fund liabilities, this is a reasonable approximation.
The estimated total contribution rate is shown as an overall percentage of pay for ease of comparison. This is based on the pensionable pay figures shown above. In practice, individual employer rates could be very different based on their own circumstances.This update is not formal actuarial advice and does not contain all the information you need to make a decision on the contributions payable or investment strategy. The information shown is approximate, and becomes more approximate as the projection period lengthens. If reflects changes in market conditions, but not client-specific factors such as material changes in membership numbers or profile. it is designed to give a broad picture of the direction of funding changes since the actuarial valuation but does not have the same level of reliability as, and therefore does not replace the need for, formal actuarial valuations.

Assets

For the purpose of this funding update, we have estimated the value of the assets at 31 December 2017, based on the quarterly returns, provided by the Fund's investment manager Northern Trust.
The latest asset value provided was as at 31 March 2016 and was £916.3M.

Glossary

Funding ratio is the ratio of the value of assets to the value of liabilities.

Contributions and Accruals displays the expected increase in assets and liabilities due to employer contributions and new benefit accruals, respectively.

Asset Outperfomance displays the actual change in the funding level due to actual returns achieved on the assets differing from assumed interest.

Financial Assumptions displays the actual change in the funding ratio due to the impact of a change in the actuarial valuation basis.

Other displays the change in funding ratio due to experience.

Making decisions

You should not rely on this update when making any decision about scheme funding or the investment strategy, without first talking to your usual consultants.

Actuarial compliance and terms of reference

Requirement for report

This report has been requested by the London Borough of Enfield as Administering Authority of the London Borough of Enfield Pension Fund. It has been prepared under the terms of the agreement between the London Borough of Enfield and Aon Hewitt on the understanding that it is solely for the benefit of the addressee.

TAS compliant

This report and the work relating to it comply with 'Technical Actuarial Standard 100: Principles for Technical Actuarial Work'.

This report should be read in conjunction with:

- The report on the most recent actuarial valuation of the Scheme dated 27 March 2017

The compliance is on the basis that the Administering Authority is the addressee and the only user of this report and that the report is for information only and is not to be used to make any decisions on the contributions payable or investment strategy.

About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

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Investment Strategy Considerations

February 2018

Prepared by Aon Hewitt
Retirement & Investment

Presentation to London Borough of Enfield Pension Fund

QAS Institute and Faculty of Actuaries ® Quality Assurance Scheme

Empower Results®

Executive Summary

- Subsequent to the London Borough of Enfield Pension Fund's reduction in equities to 40% the Fund will be holding a material level of cash. The Fund's estimated cash position is discussed in a separate paper.

- There is limited opportunity to deploy capital across the existing investment managers, particularly within liquid assets where the Fund's capital is deployed immediately, as opposed to drawn down over time.

- We are pleased to see that the London CIV is making headway with the fixed income manager selections. We are supportive of both the spectrum of bond opportunities they are looking at and at increasing the Fund's bond allocation.

- There are also opportunities for the Fund to deploy capital outside of the London CIV which we believe are attractive and part of the agreed asset classes.

- The Fund's hedge fund portfolio has drifted away from its original construction and strategic weighting.
  - The current allocation has a higher weighting to strategies which typically exhibit a greater correlation to broader equity markets
  - Following the recent disinvestment from Markham Rae and the decision to redeem from Gruss, the Fund is expected to have c. 8.6% of assets (based on 31 December 2017 values) in liquid alternatives once these redemptions have been accounted for.

Introduction

- In September and November 2017 the Pension Policy and Investment Committee (the "Committee") considered the results of an investment strategy review undertaken by Aon.
- The results of the investment strategy review showed that the Fund could reduce its equity risk and not materially affect the ability of the Fund to achieve an investment return above the Fund Actuary's discount rate with a margin for prudence.
- The Committee agreed the long term asset classes or "building blocks" of the investment strategy but the allocation to each was not defined.
- The purpose of this presentation is to provide a follow up to the previous discussions on investment strategy.

Investment strategy building blocks

Equities

- Long term driver of returns
- Maintain a reasonable allocation but may be sensible to reduce reliance on it as a source of return due to high volatility

Property

- Remains attractive
- Consider new property opportunities which are less reliant on capital growth

Liquid Alternative

- Enhance portfolio efficiency by targeting absolute returns in all market conditions
- DGFs provide a diversified portfolio of assets, typically with a higher "beta" or market return
- Hedge Funds provide an "insurance policy" against significant market downturn

Bonds

- Provides diversification from growth assets
- Defensive, low volatility asset class

Inflation Protection Illiquids

- Sacrifice excess liquidity to tap into the "illiquidity premium"
- Provide secure long term inflation protection at a more attractive yield than index-linked gilts

Private Equity

- Benefit from illiquidity premium
- Benefit from a different opportunity set; privately held companies

PFI & Infra

- Low correlation to equities
- Stable, secure cashflows
- Benefit from illiquidity premium

Build a diversified portfolio that meets the required return with lower volatility than equities

Asset allocation following cashflows

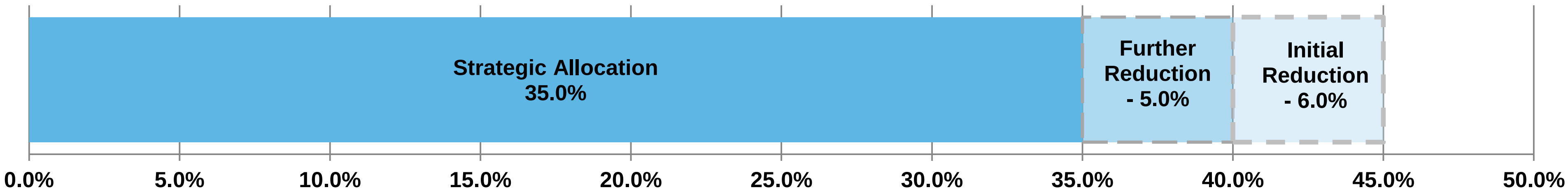
	(£m)	(%)	Current Strategic Allocation
Listed Equity	452.7	40.0	35.0
Private Equity	55.9	4.9	5.0
Hedge Funds	116.7	10.3	15.0
Property	90.2	8.0	10.0
Infrastructure	45.4	4.0	6.0
Bonds	208.1	19.3	24.0
Inflation protection illiquids	42.8	2.9	5.0
Cash	119.9	10.6	-
Total	1,131.8	100.0	

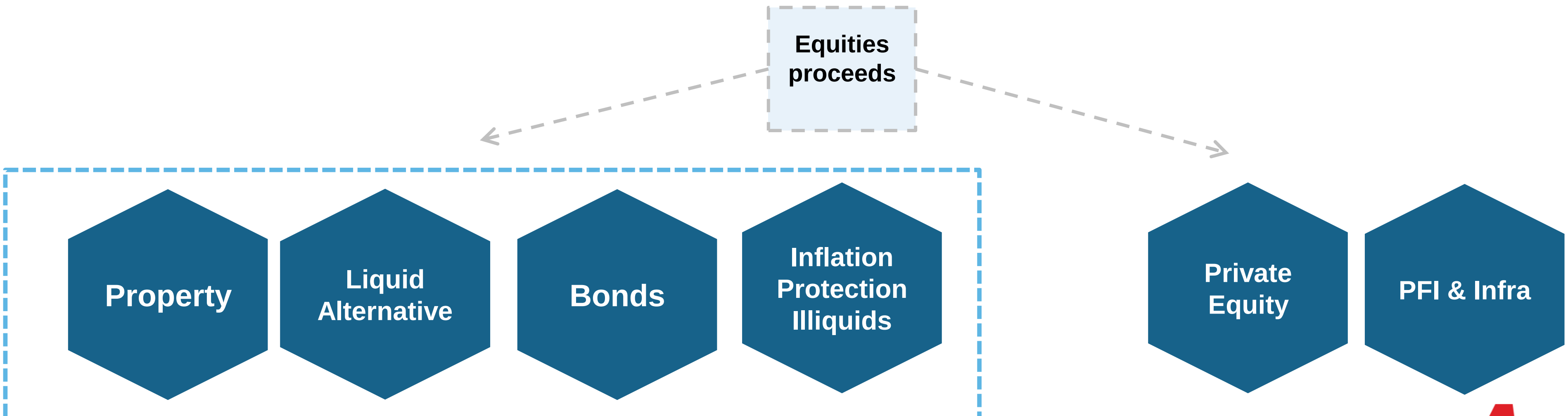
Source: Northern Trust, Managers. Figures shown are as at 31 December 2017.
Note: Numbers may not sum due to rounding.
Due to the equity-like nature of the Lansdowne long / short equity hedge fund investment, the valuation has been split 50:50 between equities and hedge funds..

- The table above shows the Fund's estimated asset allocation position following near term cash movements. This includes the anticipated equity de-risking, funding of the Brockton mandate, receipt of the Markham Rae redemption and the first tranche (25%) of the Gruss redemption proceeds. A separate paper considering the Fund's cashflow in greater detail has been prepared for the Committee.

Where to allocate proceeds?

- Should the Fund reduce its equity weighting by 6% (c. £68m) then consideration should be given to where the assets can be invested.
- As discussed at the September Committee meeting the Fund can consider;
  I. Diversifying across existing assets
  II. Diversifying across new assets
- There is a trade-off between choices with respect to fees, governance and attractiveness of opportunities.
- The London CIV's pipeline should be taken into consideration





Options for investment

	Risk/Return view	Availability on the London CIV	Time to utilise capital	Typical Fees	Governance requirements	Comments
Private equity						Already at strategic weight following recent commitments
Hedge Funds						Attractive investment but low appetite to allocate to asset given political considerations and high fees
UK Commercial Property						Outlook for UK commercial property has weakened given recent strong capital appreciation
Infrastructure						Increased allocation through INPP and Antin – potential for further investment
DGF						Training on suitability of DGF's required
Traditional Bonds						Poor outlook for traditional bond assets High on London CIV priority list
Alternative Credit						Contingent on exact opportunity
Inflation protection illiquids						Scarce investment opportunities

Negative view

Slight concerns

Positive view

Fixed Income Opportunities: London CIV

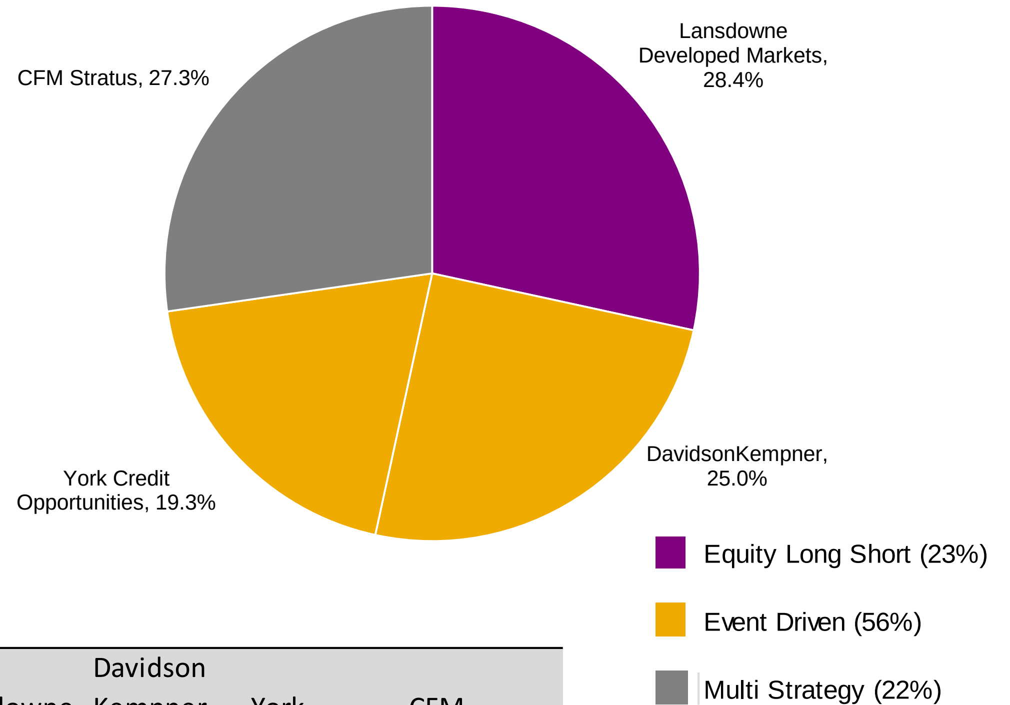
- At the February 2018 Committee meeting, the Committee will receive a presentation from the London CIV on the development of its bond offerings.
- Pending the completion of legal and operational due diligence, these new funds will include:

  LCIV Global Bonds Fund (run by PIMCO)
  LCIV Liquid Loans Fund (run by Ares)
  LCIV Private Debt Fund (run by Ares)
  LCIV Multi Asset Credit Fund – Long Only (run by CQS)
  LCIV Multi Asset Credit Fund – Long/Short (run by MidOcean)

- The discussions at the February 2018 meeting should focus on:
  I. The current strategic allocation to bonds and what the allocation to bonds will be as part of the long term strategy.
  II. The types of bond assets that are appropriate – the funds that the London CIV have chosen represent a different opportunity set relative to what the Fund currently invests in.

The Current Hedge Fund Portfolio

- Current allocation (post all redemptions) is c. £100m, 8.8% of Fund assets. This is significantly below the previously agreed 15% strategic allocation to Hedge Fund strategies.
- Focused portfolio: 4 single strategy hedge fund managers
- Targeting LIBOR +4% p.a. (net of all fees)
- Diversified by manager, but a higher weighting to strategies which typically exhibit a greater correlation to broader equity markets

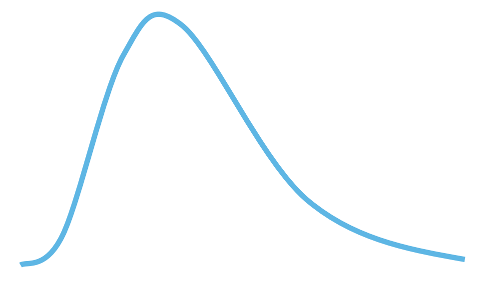
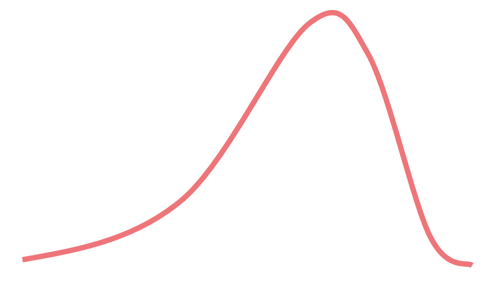


7 year correlation	MSCI ACWI	Barclays Global Agg	Lansdowne	Davidson Kempner	York	CFM
MSCI ACWI	1.00					
Barclays Global Agg	0.39	1.00				
Lansdowne	0.50	0.09	1.00			
Davidson Kempner	0.64	0.22	0.26	1.00		
York	0.67	0.16	0.26	0.86	1.00	
CFM Stratus	0.25	0.32	0.23	0.14	0.10	1.00

Source: Aon Hewitt. As at 31 October 2017

Diversification by Strategy

- Typically a hedge fund portfolio combines these strategies to deliver smoother returns over a range of market conditions

	Divergent Strategies	Divergent/Convergent Strategies	Convergent Strategies
			
Properties	Works best in crisis periods "Cost of carry" in normal market conditions	Works in most market conditions	Works in line with general market movements
Strategies	• Managed Futures • Global Macro	• Multi-Strategy	• Equity Long/Short • Event-Driven

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Liquid alternatives portfolio

The discussions at the February 2018 meeting should focus on:

I. The current strategic allocation to liquid alternatives and what the allocation to liquid alternatives could be as part of the long term strategy

II. The types of liquid alternative assets that are appropriate – the Fund currently invests in hedge funds but other asset classes, for example diversified growth funds, could also be considered for this portfolio. At previous meetings the Committee has noted the limitation of DGF's as a substitute for hedge funds given their higher correlation to equities.

Summary

- Should the Fund decide to reduce its equity exposure, consideration should be given as to suitable investment opportunities.

- The Fund can invest across existing and new asset classes, utilising the London CIV where possible.

- The trade-offs between opportunities should be considered with respect to fees, London CIV pooling, governance requirement and liquidity.

- We believe that three key areas that the Committee should consider are:
  1. Agreeing the underlying allocations to the asset classes
  2. Considering the structure of the bond allocation
  3. Considering the structure of the liquid alternatives allocation

Appendix

Strategies considered as part of Strategy review

	September 2017 asset allocation	Current strategy	Diversification across existing assets	Diversification across new assets	Cost reduction and simplification	Reduced equity, Further cost reduction and simplification
Listed Equity	45.0	35.0	35.0	35.0	45.0	35.0
Private Equity	5.0	5.0	7.5	5.0	5.0	5.0
Hedge Funds	12.5	15.0	12.5	12.5	5.0	0.0
Property	10.0	10.0	15.0	12.5	10.0	10.0
Infrastructure	5.0	5.0	7.5	5.0	5.0	5.0
DGF	0.0	0.0	0.0	0.0	7.5	15.0
Bonds	22.5	30.0	22.5	25.0	22.5	30.0
Inflation protection illiquids	0.0	0.0	0.0	5.0	0.0	0.0

Summary of key statistics

	Current allocation	Current strategy	Diversification across existing assets	Diversification across new assets	Cost reduction and simplification	Reduce risk, cost reduction and simplification
Expected Return						
10 year p.a. median return, relative to discount rate	2.3%	1.9%	2.2%	2.2%	2.2%	1.8%
10 year p.a. median vol, relative to discount rate	12.0%	10.4%	11.0%	10.5%	12.0%	10.7%
10 year median absolute return	7.0%	6.5%	6.8%	6.8%	6.8%	6.4%
Risk						
Value at Risk (VaR) over 3 years (£m)	£406m	£350m	£373m	£353m	£403m	£360m
% change from current allocation	-	-14%	-8%	-13%	-1%	-11%
Funding metrics						
Probability of meeting discount rate in 10 years	72%	71%	73%	73%	70%	70%
Median funding level in 10 years	128%	123%	126%	126%	126%	121%
5th percentile funding level in 10 years	66%	70%	69%	71%	65%	68%
Alternative investment lenses						
Approximate Average Manager Fee	0.65%	0.65%	0.70%	0.75%	0.55%	0.55%
% of portfolio that could be held with London CIV	50% -70%	45%-65%	40%-60%	40%-60%	55%-75%	60%-80%
% of portfolio that can be liquidated in a week	55%	50%	45%	45%	65%	65%
Governance requirement (rel. to current strategy)	=	=	↑	↑↑	↓	↓↓

Source: Aon. Modelling results as at 31 March 2017. Liability return is a flat rate of 4.4% p.a.

Considering strategy through different lenses

- When considering an investment strategy, the chosen strategy should meet the required return but also reflect the views and investment beliefs of the Committee, the liquidity requirements of the Fund and the governance structure.
- In this section we consider the strategies through alternative lenses to provide a fuller view of the suitability of each of the strategies. We consider:
  - **I.** **Fees –** the expected base management fee of each of the strategies as a percentage of Fund assets
  - **II.** **Liquidity –** the ability of the Fund to liquidate holdings based on realistic liquidity times
  - **III.** **Governance –** the complexity of an investment into an asset class, including the expected number of asset classes and managers as well as the initial and ongoing time commitment expected for the strategy due to monitoring and manager selections
  - **IV.** **Pooling of assets** – the expected % of the portfolio which is aligned, or is expected to be aligned in the near future, with the London CIV. This accounts for the London CIV's expected pipeline of opportunities over the coming year.

	Current allocation	Current strategy	Diversification across existing assets	Diversification across new assets	Cost reduction and simplification	Reduced equity, cost reduction and simplification
Approximate Average Manager Fee	0.65%	0.65%	0.70%	0.75%	0.55%	0.55%
% of portfolio that could be held with London CIV	50% -70%	45%-65%	40%-60%	40%-60%	55%-75%	60%-80%
% of portfolio that can be liquidated in a week	55%	50%	45%	45%	65%	65%
Governance requirement (rel. to current strategy)	=	=	↑	↑↑	↓	↓↓

Note: The table above has been populated based on our expectation of the London CIV's pipeline of assets and approximate fee schedules

Glossary

- Median expected relative return – this shows the relative expected return per annum over the next 10 years on a 50:50 basis vs the Fund's discount rate (4.4%)
- Median expected relative volatility – this shows the relative expected volatility per annum over the next 10 years on a 50:50 basis vs the Fund's discount rate (4.4%)
- 50th or 5th Percentile funding level – The median funding level can be interpreted as our best estimate funding level over 10 years. In a similar manner to expected return, there is a 50% chance the funding level could be above or below this level. In a one in twenty (5%) event, this is the 10 year funding level we would expect. This figure arises as a result of our projections being stochastic in nature, meaning that there are a range of outcomes depending on different scenarios. The 5th percentile return can be interpreted as a measure of "risk".
- Value at Risk – this shows the worst 5% (i.e. 1 in 20) of outcomes and their impact on the value of the Fund's assets relative to the central scenario. It shows that there is a 1 in 20 chance that the Fund's assets could fall in value by £xm or more, relative to where it is expected to be over a given time frame (typically 1 or 3 years). A strategy with a lower VaR is usually preferable.
- Probability of meeting discount rate – The probability that the Fund's expected return is greater than the Fund's discount rate (4.4%) in 10 years time. It is the probability that the Fund's assets outperform a static discount rate over the period.

Presentation Framework

This presentation has been prepared in accordance with the framework below.

TAS compliant

This presentation, and the work relating to it, complies with 'Technical Actuarial Standard 100: Principles for Technical Actuarial Work' ('TAS 100')

The compliance is on the basis that PP&I Committee of the London Borough of Enfield Pension Fund are the addressees and the only users and that the presentation is only to be used for discussion on the Fund's investment strategy at the February 2018 PP&I Committee meeting.

If you intend to make any other decisions after reviewing this presentation, please let me know and I will consider what further information I need to provide to help you make those decisions.

The presentation has been prepared under the terms of the Agreement between the Fund and Aon Hewitt Limited on the understanding that it is solely for the benefit of the addressees.

Component reports

This presentation should be read in conjunction with our component reports:

- *Investment Strategy review* dated September 2017; and
- *Investment Strategy review – Follow up* dated November 2017.

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London Borough of Enfield Pension Fund

19th February 2018

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Annabel Rudebeck

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WESTERN ASSET

About Western Asset

About Western Asset

Western Asset is a globally integrated fixed-income manager, sourcing ideas and investment solutions worldwide

Western Asset At a Glance

- Founded in 1971. Independent affiliate of Legg Mason since 1986
- Fixed-income value investors
- £328.5 billion (GBP) AUM
  - £278.2 billion (GBP) long-term assets
  - £48.6 billion (GBP) cash and cash equivalent assets
- 862 employees

Organizational Pillars

- Clients first
- Globally integrated
- Team-based
- Active fixed-income
- Integrated risk management

AUM by Sector – Total £328.5 billion (GBP)

Western Asset's Deep Global Integration Allows Us to Source Investment Ideas and Investment Solutions Across Regions

Investment Management	129 investment professionals on five continents and in seven offices 22 years of average experience 34 portfolio and quantitative analysts in portfolio operations
Client Service & Marketing	171 staff dedicated to client service Specialized teams to meet individual client needs
Risk Management & Operations	Independent risk management function with 33 professionals including 12 PhDs 399 staff dedicated to globally integrated operations

Global Footprint (AUM in GBP billions)

Source: Western Asset. As of 31 Dec 17

**Splits time between Hong Kong and Singapore offices*

Western Asset

Investment Solutions

Western Asset offers a full range of fixed-income products that can be tailored to meet the needs of our clients

Identifying Investment Solutions to Align With Client Objectives and Risk Tolerances

- Protect from rising rates
- Protect from inflation
- Preserve capital
- Diversify globally
- Hedge liabilities
- Enhance income
- Generate tax-free income
- Generate total return

Selected Investment Strategies

Broad Market
- Global Core/Core Full Discretion
- Regional Core/Core Full Discretion
- Regional Intermediate
- Global Sovereign

Credit
- Global Credit
- Investment-Grade Credit
- Global High-Yield
- US Bank Loans
- US High-Yield
- Short-Duration High Income

Unconstrained / Alternatives
- Macro Opportunities
- Total Return Unconstrained
- Global Total Return
- Multi-Asset Credit
- Global Multi-Sector
- Tail Risk Protection

Long Duration / LDI
- Long Duration
- Long Credit
- Liability-Driven Investing

Mortgage / Asset-Backed
- Agency Mortgage-Backed Securities
- Structured Products
- Diversified Loan Opportunities
- MBS Opportunities

Emerging Markets Debt
- EMD Diversified
- EMD Local Currency Sovereign Debt
- EMD USD Corporate Credit
- EMD USD Sovereign
- EMD Total Return

Inflation-Linked
- US TIPS
- Global Inflation-Linked

US Municipals
- Short Duration Muni
- Intermediate Muni
- Managed Muni

Liquidity / Short Duration
- Money Market
- Enhanced Cash
- Limited Duration

Western Asset

Environmental, Social and Corporate Governance

Our Commitment to Responsible Investing

- Signatory to the UN supported Principles for Responsible Investment (PRI) since January 2016
- Implementing Socially Responsible Investment (SRI) restrictions in customized SRI portfolios since 1986
- Portfolios can now be screened utilizing the MSCI ESG quality ratings, scores and other sustainability metrics.
- As of December 2017, Western Asset managed $93.7 billion in 221 accounts with SRI restrictions

Western Asset's approach to sustainability: ESG

- ESG factors can affect issuer's creditworthiness and therefore impact the performance
- ESG considerations are integrated into investment analysis and issue selection
- Our ESG investment policy is consistent with our long-term fundamental value philosophy

ESG Investment Solutions

- SRI Strategies based on client specified negative screening criteria
  - Example: Exclude issuers with greater than 10% of revenues from the following industry groups*: alcohol, tobacco, gambling, adult industries and armaments manufacture
- Sustainable corporate bond strategies
  - Portfolios constructed from sustainable corporate bond universe of issuers rated "best in class" for ESG factors (e.g., MSCI Global Corporate Sustainability Index)
- Green bond strategies
  - Portfolios constructed from issues selected from a sustainable corporate bond universe **with a minimum of 50% in "labelled" green bonds****

**Based on the MSCI/S&P GICS industry classification*
***Labelled green bonds are bonds that earmark proceeds for climate or environmental projects and have been labelled as 'green' by the issuer*

WESTERN ASSET

About Western Asset – Clients

Committed to excellence in client service

Representative Client List

Corporate

American Cast Iron Pipe Company
ArcelorMittal USA Inc.
Arconic Inc.
AT&T Services, In.
Atmos Energy Corporation
Bayer Corporation
Campbell Soup Company
Caterpillar Inc.
Chrysler LLC
Clark Enterprises, Inc.
CNH Global N.V.
Consolidated Communications Holdings, LLC
Consolidated Edison Company Of New York, Inc.
Consolidated Rail Corporation
Deutsche Bank Americas Holding Corp.
First Data Corporation
Graphic Packaging International Incorporated
Hawaiian Telcom
Highbury Pacific Capital Corp.
International Paper Company
John Lewis Partnership Pensions Trust
JP Morgan Chase Corporation
Kennametal
Lennox International, Inc.
Meijer, Inc.
Nestle USA, Inc.
Nisource, Inc.
NXP Semiconductor, Inc.
PCS Administration (USA), Inc
Southern California Edison
Stichting Pensioenfonds DSM-Nederland
The Dun & Bradstreet Corporation
Thomson Reuters
Unisys Corporation
Verizon
Westlake Chemical Corporation
Whirlpool Corporation
XPO Logistics

Public / Gov. / Sovereign Wealth

Anne Arundel (MD) Retirement Systems
Arkansas Local Police and Fire Retirement System
Baltimore County (MD) Employees Retirement System
California State Teachers' Retirement System
City of Grand Rapids
City of Orlando
compenswiss
East Bay Municipal Utility District
ERS of the City of Baton Rouge & Parish of E. BR
ERS of the State of Rhode Island
Firemen's Annuity and Benefit Fund of Chicago
Fresno County Employees' Retirement Association
Georgia Municipal Association
Gloucestershire County Council
Government of Bermuda Public Funds
Hampshire County Council
Indiana State Treasurer's Office
Iowa Public Employees' Retirement System
Kansas Public Employees Retirement System
LA County Employees Retirement Association
Louisiana Sheriff's Pension & Relief Fund
Marin County Employees' Retirement Association
Minnesota State Board of Investment
Ohio Police & Fire Pension Fund
Oklahoma City Employee Retirement System
Orange County Transportation Authority
Oregon Investment Council
Phoenix City Employees' Retirement System
Public Employee Retirement System of Idaho
Public School Teachers' Pension and Retirement Fund of Chicago
Salt River Project Agricultural Improvement and Power District
School Employees Retirement System of Ohio
State of Ohio Bureau of Workers Compensation
Tennessee Valley Authority
Ventura County Employees' Retirement Association
Washington Metro Area Transit Authority
Wichita (KS) Retirement Systems
Wyoming Retirement System

Multi-Employer / Unions

1199SEIU Health Care Employees Pension Fund
Alaska Electrical Trust Funds
Austin Firefighters Relief & Retirement Fund
Automotive Machinists Pension Trust
Boilermaker Blacksmith National Pension Trust
Carpenters District Council of Kansas City
Construction Industry Laborers
Directors Guild of America-PPHP
Heavy & General Laborers' Locals 472/172
IBEW Local 25
IBEW Local No. 9
Iron Workers Local #11 Benefit Funds
IUOEE Construction Ind Ret Plan, Locals 302 and 612
Line Construction Benefit Fund
National Asbestos Workers
National Education Association of the United States
New England Healthcare Emp Union,1199, AFL-CIO
New Jersey Transit
Operating Engineers Local #428 Trust Funds
Pacific Coast Roofers
Retail Wholesale & Department Store Union
S. Nevada Culinary & Bartenders Pension Trust Fund
UA Union Local No. 290 Plumber, Steamfitter & Shipfitter Industry Pension Trust
UFCW Union Local 919
W. Washington Laborers Employers Pension Trust

Healthcare

Abington Memorial Hospital
Ascension Investment Management
Baptist Healthcare System, Inc.
Baylor Scott & White Holdings
Catholic Health Initiatives
CHRISTUS Health
Gundersen Health System
Kaiser Permanente
LCMC Health
NorthShore University HealthSystem
Sisters of Charity of St. Augustine Health System, Inc.
St. George Corporation

Eleemosynary

Abilene Christian University
American Academy in Rome
Commonfund
Communities Foundation of Texas
Domestic & Foreign Missionary Society ECUSA
Glass—Glen Burnie Foundation
Hebrew SeniorLife
Saint Louis University
Strada Education Network, Inc.
Texas Presbyterian Foundation
The Diocese of Allentown
The Donald B. and Dorothy L. Stabler Foundation
The University of Iowa Center for Advancement
United Negro College Fund
University of Southern California
University of Wisconsin Foundation
Wallace H. Coulter Foundation
Washington State University

Insurance

American Contractors Insurance Group
Anthem, Inc.
Blue Cross Blue Shield of Massachusetts
Capital BlueCross
Catalina Holdings (Bermuda) Ltd
Great-West Life & Annuity Insurance Company
Health Care Service Corporation
Jewelers Mutual Insurance Company
Oil Investment Corporation Ltd.

Sub-Advisory

Asset Management One Co., Ltd. (AMOne)
Contassur
GuideStone Capital Management, LLC
Legg Mason, Inc.
Morgan Stanley
Russell Investment Group
SEI Investments Management Corporation
Sumitomo Mitsui Asset Management Company, Limited (Institutional)
Tokio Marine Asset Management Co., Ltd. (Retail)

As of 31 Dec 17. Please see the Representative Client List Disclosure in the Appendix for more information. All have authorized the use of their names by Western Asset for marketing purposes. Such authorization does not imply approval, recommendation or otherwise of Western Asset or the advisory services provided.

WESTERN ASSET

About Western Asset

Update

31st December 2017

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Organizational Update and Client Seminars

Milestones and strategies in focus

- MiFID II: Western Asset completes preparation for the landmark regulation which becomes effective in January, 2018
- Blockchain: Western Asset continues to work alongside key industry service providers to develop a proof-of-concept project as a buy-side participant
- Western Asset is customizing portfolios to optimize capital efficiency under Solvency II and LAGIC insurance regulations
- Multi-Asset Credit strategy hit its 7-year anniversary in September 2017, and committed assets are at $5.2 billion as of December 31, 2017

ESG and Responsible Investing strategies in focus

- $93.7 billion in 221 accounts with SRI restrictions (as of December 31, 2017)
- Western Asset can screen portfolios and report on a range of ESG metrics provided by MSCI ESG ratings and increasingly Western's internal ESG ratings

Client seminars

- Investment Insights Seminar, New York, November 8-10, 2017
- Global Fixed-Income Investing, London, June 19-22, 2018

Follow us on social media

@westernasset **Western Asset Management**

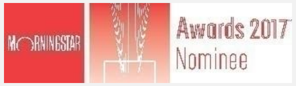
Publications and Recognition

Noteworthy publications (available at www.westernasset.com)

- Market and Strategy Update webcast with CIO, Ken Leech
- The Western Asset Approach to Unconstrained Investing: A Reprise by CIO Ken Leech
- Emerging Markets Local Debt: A Paradigm Lost? by Chia-Liang Lian, CFA
- Multi-Asset Credit (MAC):7th Anniversary Edition by Deputy CIO Michael C. Buchanan, CFA
- Tax Reform: Then and Now, by John L. Bellows, PhD, CFA
- September FOMC Meeting: Reducing Bond Purchases, by John L. Bellows, PhD, CFA
- US Debt Limit, by Dennis J. McNamara, CFA
- China: What to Expect in the Next Six Months, by Desmond Soon, CFA
- President Trump's Pick for Fed Chair, by John L. Bellows, PhD, CFA
- Stronger, Safer, Simpler: The Investment Case for Banks a Decade After the Crisis, by Sebastian Angerer and Ivor Schucking

Morningstar Awards 2017

- Nominated US Fixed-Income Fund Manager of the Year, Core Plus (2017)[1]



 Ken Leech and team; Western Asset Core Plus Bond (WACPX), nominated for 2017 Fixed-Income Fund Manager of the Year, US

What	Global Fixed-Income Markets and Investment Solutions
When	19–22 June 2018
Where	London, United Kingdom
RSVP	Contact Your Client Service Executive
Course Highlights	Current Market Themes
	Global and Political Outlook
	Inflation and Central Bank Policies
	Evolution and Impact of Regulations
	Global Investing
	Government and Credit Market Valuations
	Unconstrained Investing
	Risk Management
	Technology Implications

The seminar will conclude on Friday 22nd June with a social function at the world-famous horse race meeting, Royal Ascot.

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Western Asset

Philosophy, Process and People

Investment Philosophy

These are the core beliefs that drive our investment decision-making

Long-term fundamental value

- **Markets often misprice securities.** Prices can deviate from fundamental fair value, but over time, they typically adjust to reflect inflation, credit quality fundamentals and liquidity conditions. Consistently investing in undervalued securities may deliver attractive investment returns.
- **We can systematically identify mispricings.** We believe we can identify and capitalize on markets and securities that are priced below fundamental fair value. We do this through disciplined and rigorous analysis, comparing prices to the fundamental fair values estimated by our macroeconomic and credit research teams around the globe.
- **Our portfolios emphasize our highest convictions.** The greater the difference between our view of fair value and markets' pricing, the bigger the potential value opportunity. The greater the degree of confidence in our view of fundamentals, the greater the emphasis of the strategies in our portfolios.

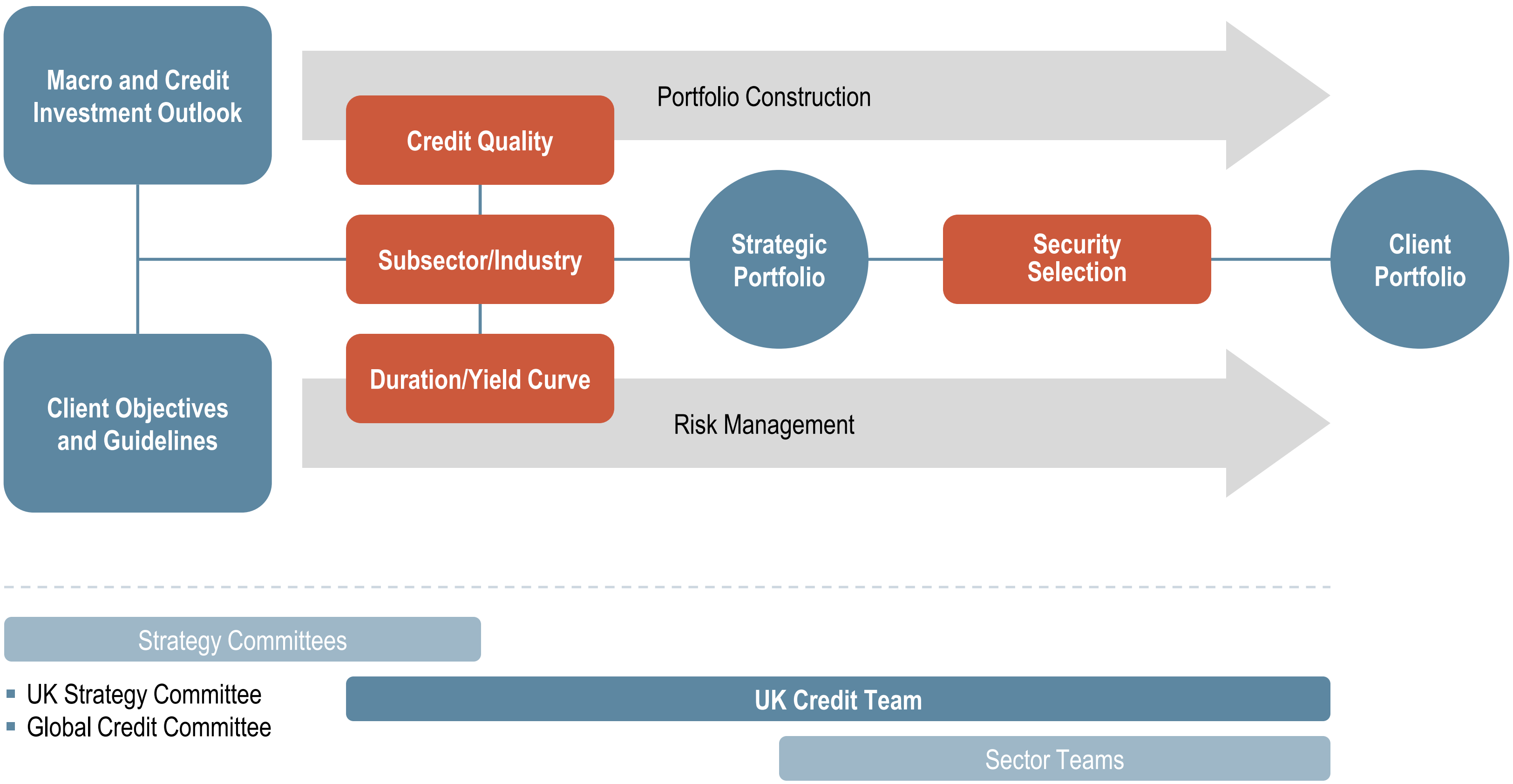
Multiple diversified strategies

- **We seek diversified sources of returns.** Our objective is to meet or exceed our investors' performance objectives within their tolerances for risk. We seek to diversify investments and add value across interest rate duration, yield curve, sector allocation, security selection, country and currency strategies. We deploy multiple diversified strategies that benefit in different environments so no one strategy dominates performance, helping to dampen volatility.

Investment Process

Our time-tested investment process is designed around our value philosophy and our team-based approach.

UK Credit Investment Process and Team Interaction



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WESTERN ASSET

People

The Global Investment Strategy Committee sets the overall themes for the Firm's investment strategies.

Global Investment Strategy Committee

S. Kenneth Leech
Chief Investment Officer

John L. Bellows, CFA
Fed Policy

Andrew J. Belshaw
UK/Europe

Gordon S. Brown
Co-Head of Global Portfolios

Michael C. Buchanan, CFA
Deputy CIO / Global Credit

Andrew Cormack
Global Portfolios

Paulo E. Clini
Brazil

Kazuto Doi
Japan

Anthony Kirkham, CFA
Australia / New Zealand

Chia-Liang Lian, CFA
Emerging Markets

Annabel Rudebeck
Non-US Credit

Rajiv Sachdeva
Portfolio & Quantitative Analysis

- Sets macro, country, currency and sector investment themes
- Meets weekly to evaluate and establish the global investment outlook over a 6-9 month horizon.
  - Based on long-term economic developments and market valuations
  - Leveraging local experts and broad top-down analysis
- Evaluates risk factors and potential scenarios. Sets the risk tone for all investment strategies

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As of 31 Dec 17

WESTERN ASSET

Global Credit Committee

The Global Credit Committee sets the overall themes for the Firm's credit exposures.

Global Credit Committee

Michael C. Buchanan, CFA
Deputy CIO,
Global Credit

Ryan K. Brist, CFA
Global Investment-Grade

Ian R. Edmonds
High-Yield, Euro / UK

Walter E. Kilcullen
US High-Yield

Chia-Liang Lian, CFA
Emerging Markets

Annabel Rudebeck
Investment-Grade, Non-US

Rajiv Sachdeva
Portfolio & Quantitative Analysis

T.J. Settel
Bank Loan

- Committee meets monthly to discuss, debate and ultimately determine overall firm wide credit themes
- Topics include comprehensive assessment regarding outlook for credit, as well as relative-value analysis across all credit asset classes, industry biases and, at times, specific issuer review
- Evaluates risk factors and potential scenarios. Sets the risk tone for credit investment strategies

As of 31 Dec 17

WESTERN ASSET

Global Credit Team

S. Kenneth Leech (40 yrs) – Chief Investment Officer **Michael C. Buchanan, CFA (27 yrs)** – Deputy Chief Investment Officer

	Investment-Grade Credit	High-Yield Credit/Bank Loans	Emerging Markets Credit	Municipals
Portfolio Managers	**Ryan K. Brist, CFA (24 yrs) – US** Matthew D. Jackson (15 yrs) – UK Craig Jendra, CFA (21 yrs) – Australia Blanton Keh, CFA (17 yrs) – US Hiroyuki Kimura (30 yrs) - Japan Anthony Kirkham, CFA (27 yrs) – Australia Annabel Rudebeck (18 yrs) – UK	**Michael C. Buchanan, CFA (27 yrs) – US** Ian R. Edmonds (27 yrs) – UK Christopher N. Jacobs, CFA (29 yrs) – US Walter E. Kilcullen (20 yrs) – US Christopher Kilpatrick (20 yrs) – US Timothy J. Settel (24 yrs) – US Damon Shinnick, CFA (18 yrs) – Australia	**Chia-Liang Lian, CFA (24 yrs) – US** Sergio Evangelista (28 yrs) – Brazil Mark A. Hughes, CFA (19 yrs) – US Swee-Ching Lim (18 yrs) – Singapore Kevin Ritter, CFA (19 yrs) – US	**Robert Amodeo, CFA (30 yrs) – US** Charles Bardes (32 yrs) – US David T. Fare, CFA (30 yrs) – US Barbara Ferguson (32 yrs) – US John C. Mooney, CFA (30 yrs) – US
Research	Sebastian Angerer (8 yrs) – UK Financial Institutions Nathalie Cuadrado, CFA (17 yrs) – UK Industrials Ian Justice (19 yrs) – UK Infrastructure/Property/Structured Corporates Rene Ledis (24 yrs) – US Basic Industries/Utilities/Energy Yasuyuki Mochizuki (18 yrs) – Japan Credit Analyst Miguel Molina (8 yrs) – UK European Retail, Consumer Products/Services Paul S. Olsen* (34 yrs) – US Financial Institutions DeAndre L. Parks, CFA (24 yrs) – US Healthcare/Consumer Products/Retail Sean Rogan (28 yrs) – Australia Credit Analyst Ivor Schucking (26 yrs) – US Financial Institutions Davis Smith (28 yrs) – US Communications Constantin T. Wolf (15 yrs) – UK Credit Analyst	Michael T. Borowske (16 yrs) – US High-Yield Autos, Industrials, Gaming/Leisure, Utilities J. Gibson Cooper, CFA (30 yrs) – US Exploration & Production, Oil Field Services, Midstream, Refining, Chemicals William Cullinan (19 yrs) – US Technology, Paper, Packaging Ruchi Gupta (19 yrs) – UK European High-Yield Credit John C. Hwang (16 yrs) – US Structured Credit Michael Kim (16 yrs) – US Healthcare, Pharmaceuticals, Homebuilding, Building Products, Broadcasters Araceli M. Sibley (25 yrs) – US Consumer Products, Entertainment, Restaurants, Consumer Services, Textiles Suzanne M. Trepp, CFA (27 yrs) – US Aerospace/Defense, Transportation, Retail, Food & Beverage, Tobacco Florent Vallespir, CFA (24 yrs) – UK European High-Yield Credit	Daniel Araujo (33 yrs) – Brazil Banking, Insurance, Telecom Adriano Casarotto (21 yrs) – Brazil Capital Goods, Chemicals, Energy, Metals & Mining, Paper & Forest, Infrastructure Kevin Chang, CFA (17 yrs) – US Emerging Markets Credit Marcos Dal Collina (32 yrs) – Brazil Education, Health Care, Specialized Consumer Services, High Yield Patrick Conrad (20 yrs) – Brazil Brazil and Latin American Corporates Matthew Graves, CFA (12 yrs) – US Emerging Markets Credit Wontae Kim (6 yrs) – Singapore Asian (ex-Japan) Credit Caio Magano (16 yrs) – Brazil Auto Components, Transportation, Utilities Willian Murayama (13 yrs) – Brazil Securitization Jie Peng, CFA (12 yrs) – Singapore Asian (ex-Japan) Credit Alex Tanaka (17 yrs) – Brazil Building Products, Homebuilding, Real Estate Broker, Retailing	Judy Ewald (34 yrs) – US Health Care, Higher Education, Housing, Pre-Refunded, Tax Exempt Structured Michael Linko (25 yrs) – US Airports, Bridges and Tunnels, Mass Transit Toll Roads Bud Littman (24 yrs) – US Misc High-Yield, Public Facilities, Power, Special Assessment Districts Kathryn L. Montgomery, CFA (10 yrs) – US Airport Revenue, Financial Institutions Higher Education, Ports Thea Okin (35 yrs) – US Assisted Living, Charter Schools, Nursing Homes, Power, Water & Sewer Frederick Poon (17 yrs) – US Health Care, Industrial Revenue, Solid Waste, Tobacco
Trading	Daniel C. Alexander, CFA (13 yrs) – US Oberto Alvarez (24 yrs) – US Anthony Francis (12 yrs) – Australia Kurt D. Halvorson, CFA (16 yrs) – US Edward T. Ma, CFA (15 yrs) – US Chetna Mistry (20 yrs) – UK Molly Schwartz, CFA (13 yrs) – US	Sophala Chhoeng (11 yrs) – US Brandon C. Jacoby, CFA (15 yrs) – US	Wilfred Wong, CFA (16 yrs) – US Desmond Fu (12 yrs) – Singapore	Joseph Genco (24 yrs) – US
Portfolio Analysts	Lawrence Daly, CFA (18 yrs) – Australia Jean Lee, CFA (12 yrs) – UK	Brendan A. Bowman, CFA (12 yrs) – US Quentin Lafosse (10 yrs) – UK	Andy Song (12 yrs) – US Kevin X. Zhang (4 yrs) – US	David Curry (10 yrs) – US Amish Dalal (11 yrs) – US Maria Pacifico (10 yrs) – US Mindy Tran, CFA (15 yrs) – US
Product Specialists	James J. So, CFA (21 yrs) – US	Thomas V. McMahon (38 yrs) – US	Steven T. Saruwatari, CFA (23 yrs) – US	

Catherine L. Matthews (30 yrs) – UK
Global Products

As of 31 Dec 17

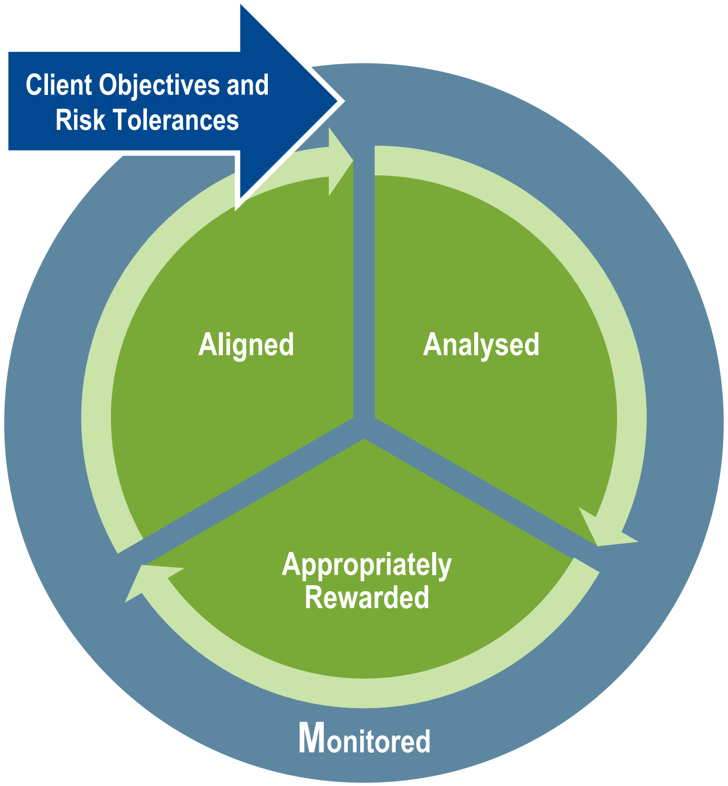
**Dual responsibilities, shared with investment-grade and municipals team*

Group heads

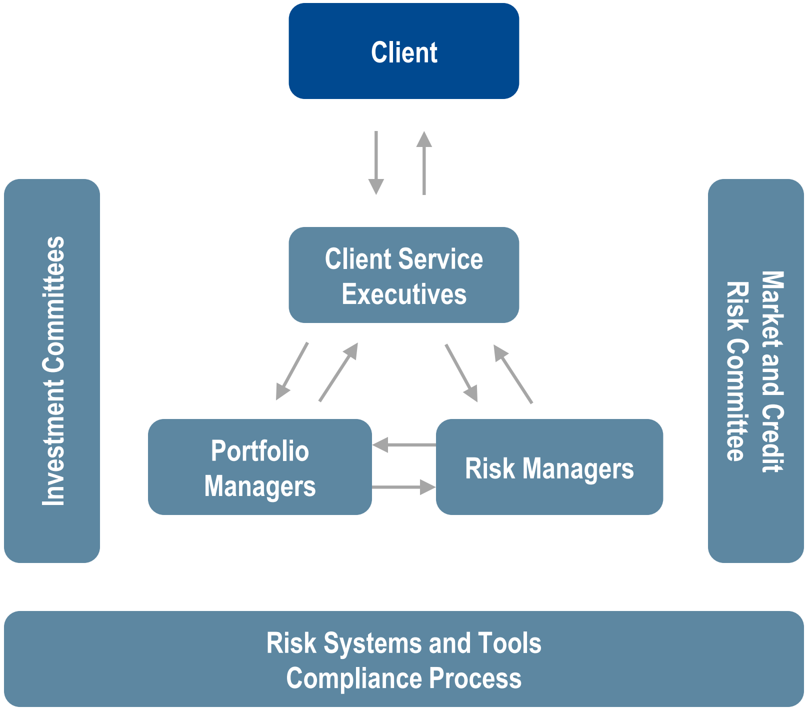
Risk Management

In our culture, effective risk management is critical to successful portfolio management

Integrating risk management into portfolio construction and in the independent review of portfolio risks strengthens its effectiveness.



Risk management is a team effort. Robust communication and escalation procedures underpin the independence and transparency of risk management.



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Source: Western Asset

Western Asset

Portfolio Review

New Benchmark (from 1st Dec 2016)

- 100% ICE Bank of America Merrill Lynch Sterling Non-gilts Over 10 Years Index

Investment Objectives

- Benchmark + 0.75% after fees over rolling 5-year periods

Risk Controls

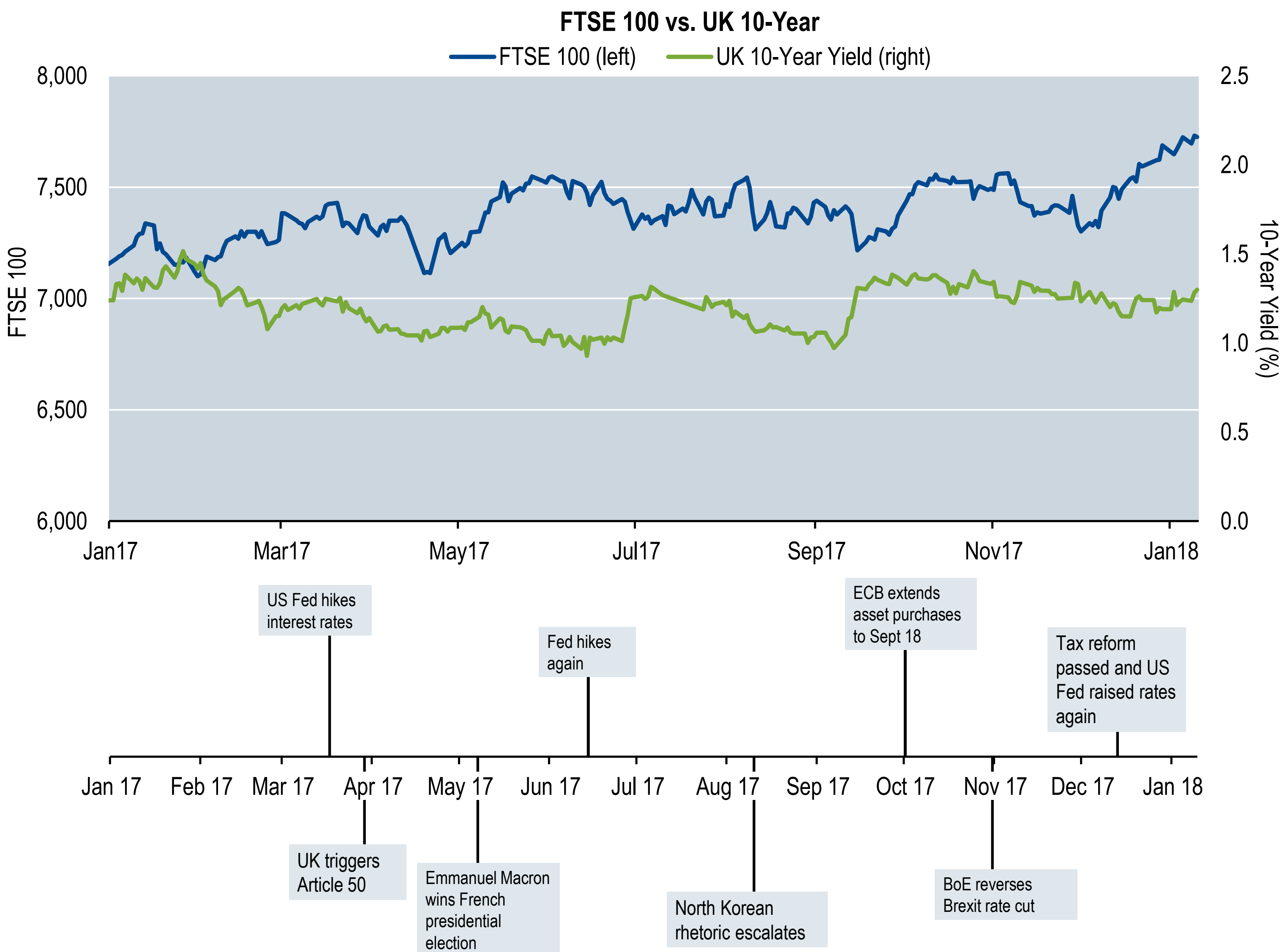
- Seek to limit ex-ante tracking error to 300bp
- Portfolio duration +/- 2 years benchmark duration

Investment Restrictions

- No below investment grade
- Maximum 30% overseas bonds
- Max 10% foreign currency exposure
- No OTC or swaps

Portfolio Size: £88m as of 31st December 2017

Market Moving Headlines



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Source: Bloomberg. As of 08 Jan 18

2017 Global Review

Mild economic data tempered expectations for significantly stronger US growth and inflation

US tax reform bill signed into law in December

The Fed raised the rates three times to 1.50% and announced it would begin running off its $4.5 trillion balance sheet in October

Sentiment shifted to how and when the ECB might start to normalize monetary policy

The UK triggered Article 50, officially starting the exit process from the EU

Eurozone political uncertainty declined post the French presidential election

Credit markets remained resilient despite heavy issuance and M&A activity

Risk premia in emerging market assets declined

With the exception of German bunds, most Government bonds posted positive returns

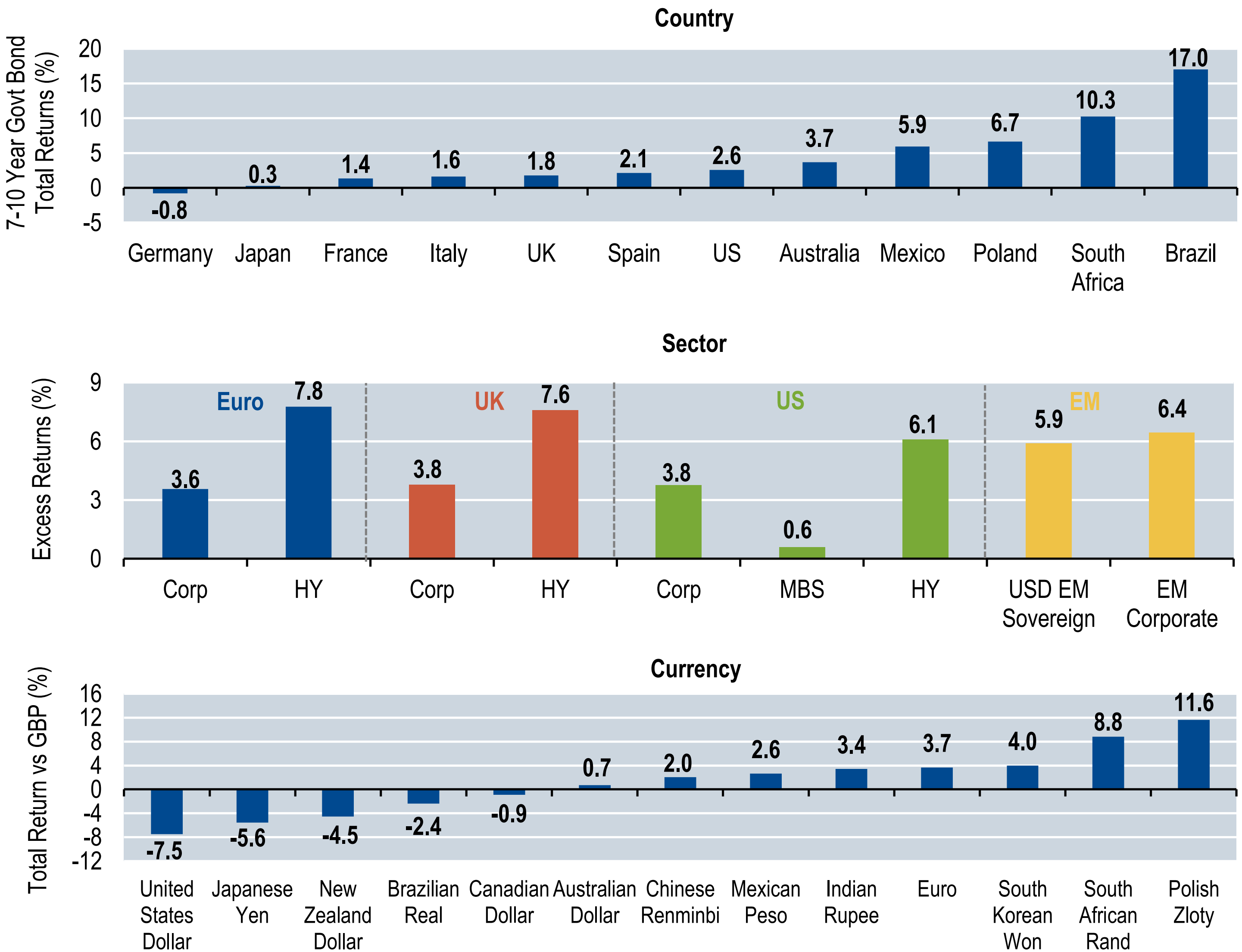
Corporate bonds and emerging market bonds outperformed

The US dollar weakened

As of 31 Dec 17

WESTERN ASSET

2017 Global Returns
As of 31st December 2017



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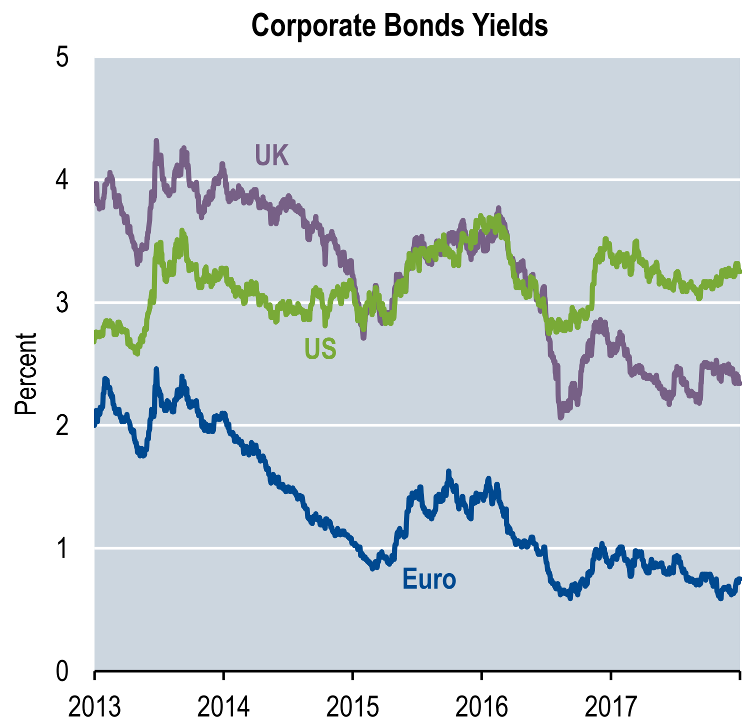
Source: Bloomberg. As of 31 Dec 17

Corporate Bonds

Sector and security selection are key at tighter valuations in 2018. Focus on industries that are delevering; avoid the underperformers.

Source: Bloomberg Barclays. As of 31 Dec 17



Source: Bloomberg Barclays. As of 31 Dec 17

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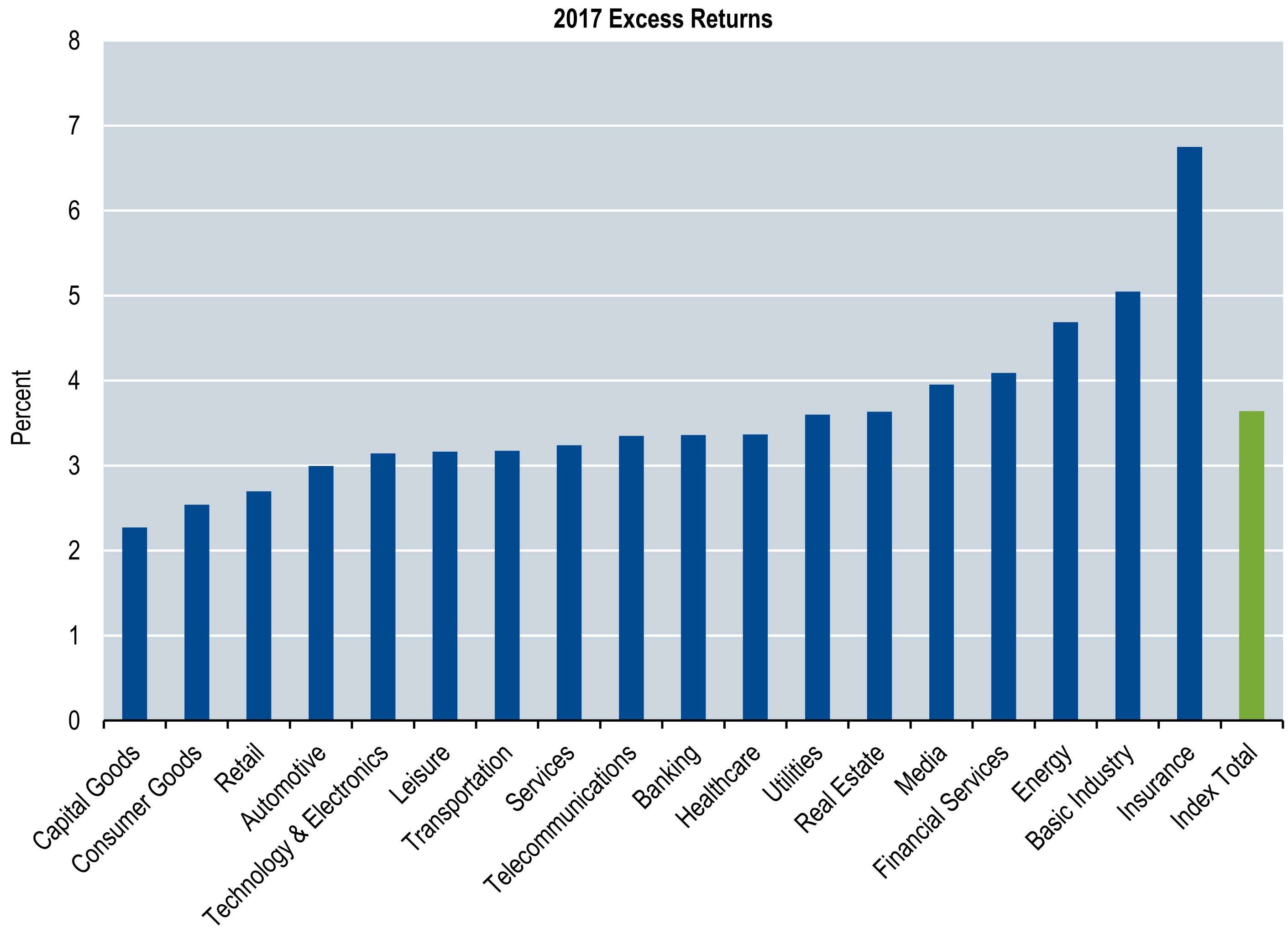
Excess Returns (%)	2017
UK	3.77
US	3.77
Euro	3.56

Source: Bloomberg Barclays, ICE BofA ML. As of 31 Dec 17

UK Credit Returns by Sector



Source: ICE BofA Merrill Lynch . As of 31 Dec 17

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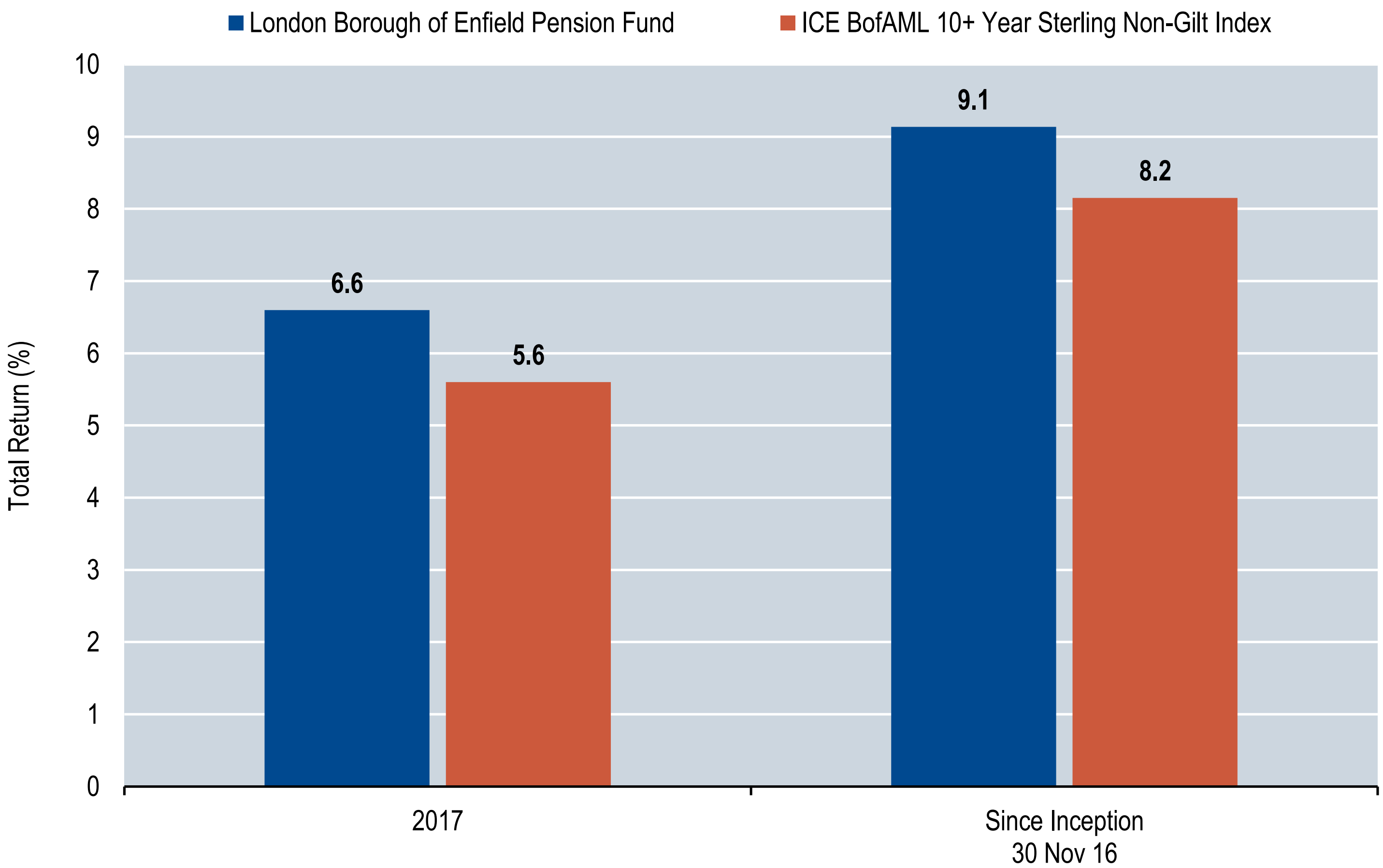
Western Asset

Investment Results

As of 31st December 2017



Source: Western Asset

Past performance is not indicative of future results.

Performance shown is gross of fees. The account's actual return will be reduced by those fees and any other expenses chargeable to the account. As fees are deducted quarterly, the compounding effect will be to increase the impact of the fees by an amount directly related to the gross account performance. For example, on an account with a 1% annual fee, if the gross performance were 10%, the compounding effect of the fees would result in a net performance of approximately 8.93%. Returns for periods greater than one year are annualized. Returns since inception are as of the indicated close of business day.

WESTERN ASSET

Performance Attribution
As of 31st December 2017

Positive Contributors

- Overweight financials
- Underweight supranationals
- Favoured subordinated issues within banking and insurance
- Stock selection (e.g. Tesco)

Negative Contributors

- Underweight long-dated UK duration as the UK curve flattened

Basis Points	2017
Portfolio	660
Benchmark	560
Duration	-2
Yield Curve	-22
Country	5
Currency	-4
Sector Allocation	-16
Selection	134
Residual	5
Total	**100**

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Note: 1 basis point = 0.01%

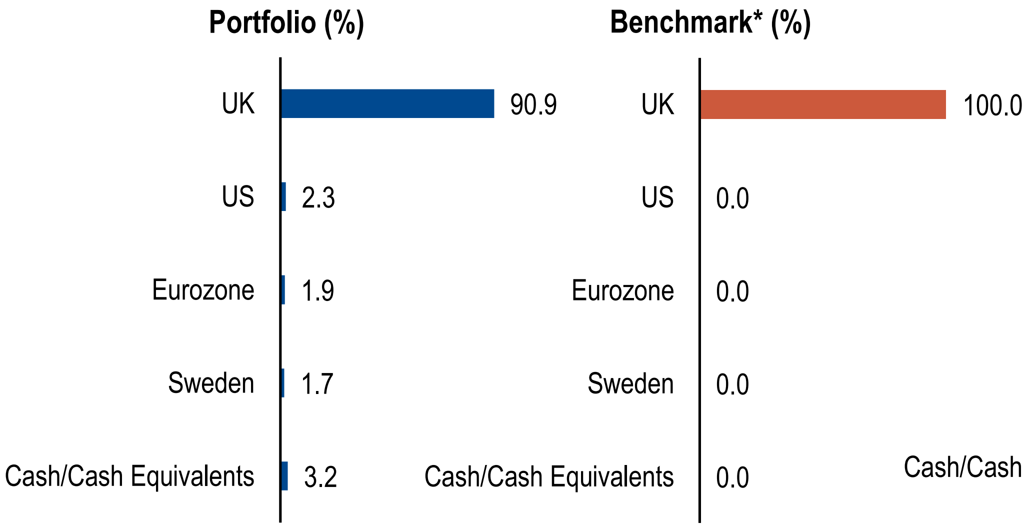
Past performance is not indicative of future results.

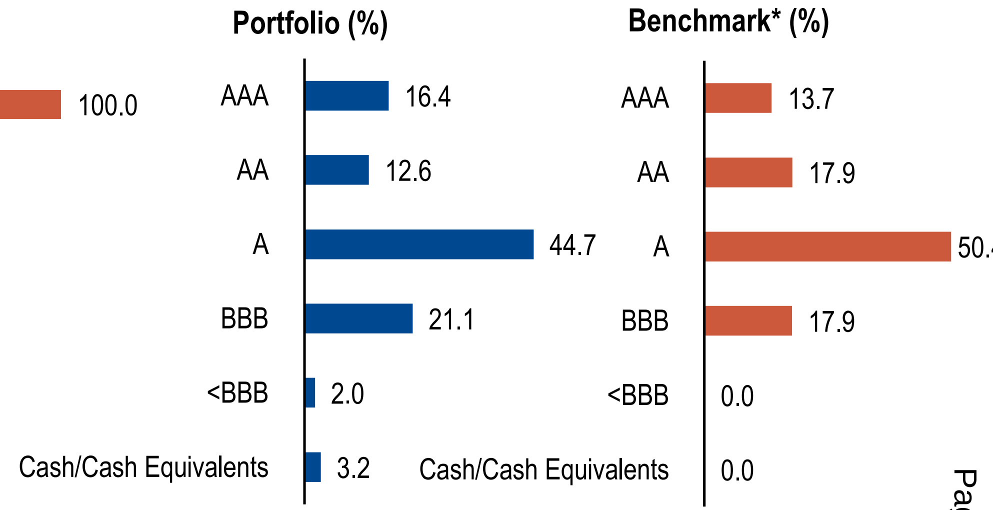
Performance attribution results depend on the calculation methodology and models used: different calculation methodologies and models will deliver different results. Different calculation methodologies and models may be employed in order to better reflect both the natures of the sectors invested in and the investor's decision-making process, style or approach. Western Asset uses a top-down decomposition approach in which security selection is not separated from sector beta effects, benchmark pricing differences and unaccounted systematic factors. Sector and strategy contributions to performance will vary.

Western Asset

London Borough of Enfield Pension Fund

Currency of Issue and Rating Allocation





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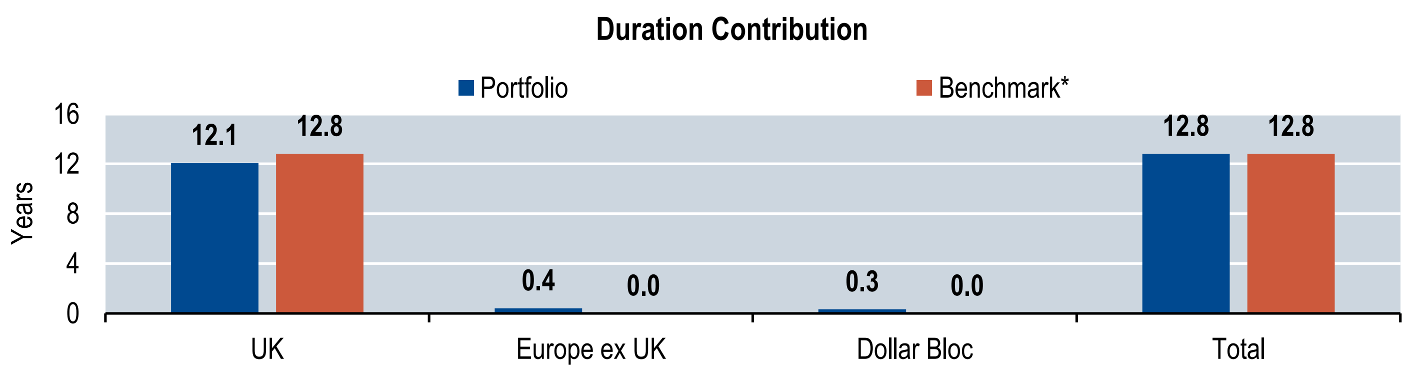


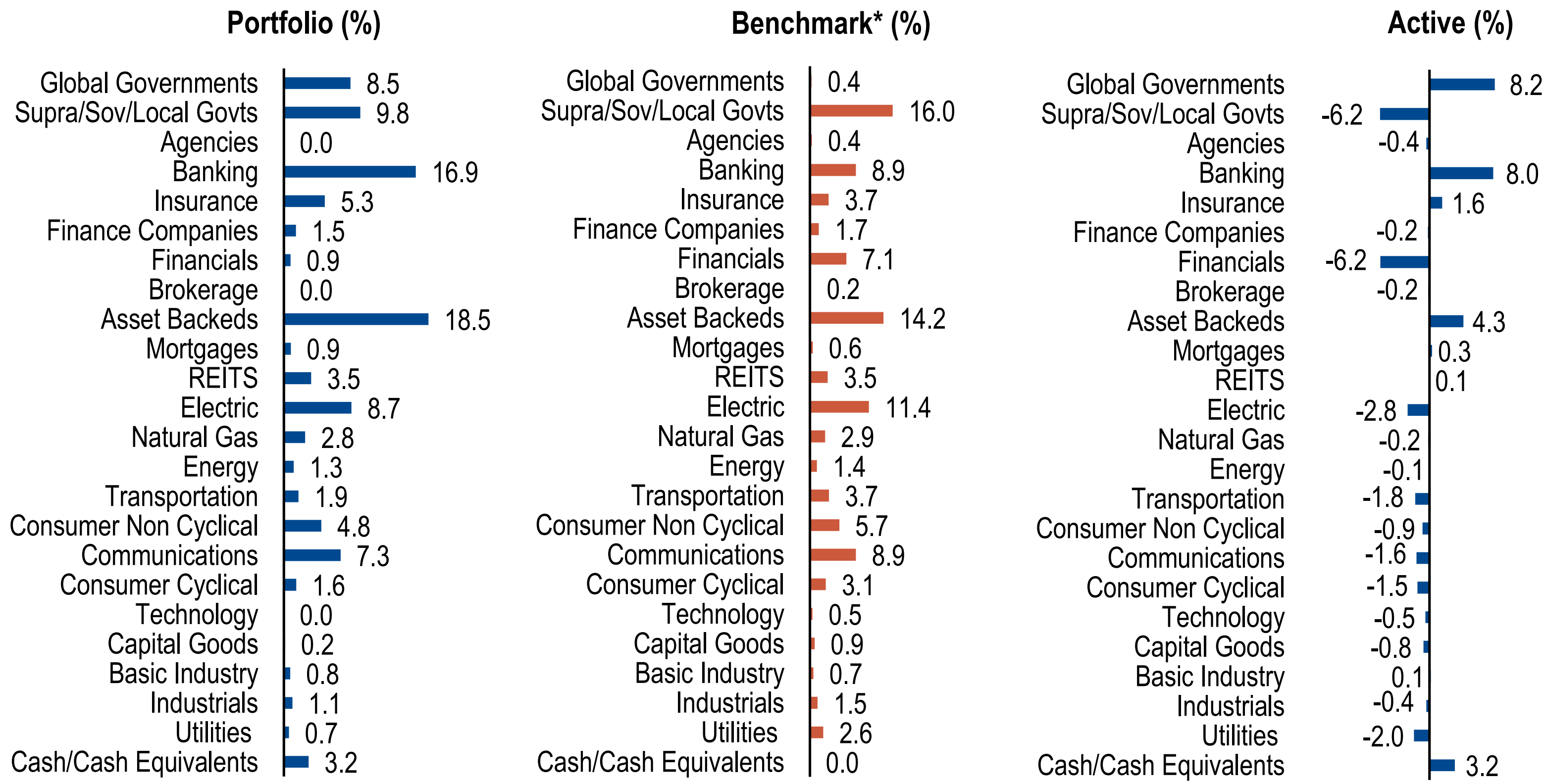
	Portfolio	Benchmark*
Yield*** (%)	2.9	2.7
Duration (years)	12.8	12.8
Spread Duration (years)	10.5	12.4
Avg. Rating**	A+	A+

As of 31 Dec 17
**Benchmark: 100% ICE BofAML 10+ Year Sterling Non-Gilt Index*
*** Higher of rating*
**** Yield to Worst*

WESTERN ASSET

London Borough of Enfield Pension Fund

Sector Allocation



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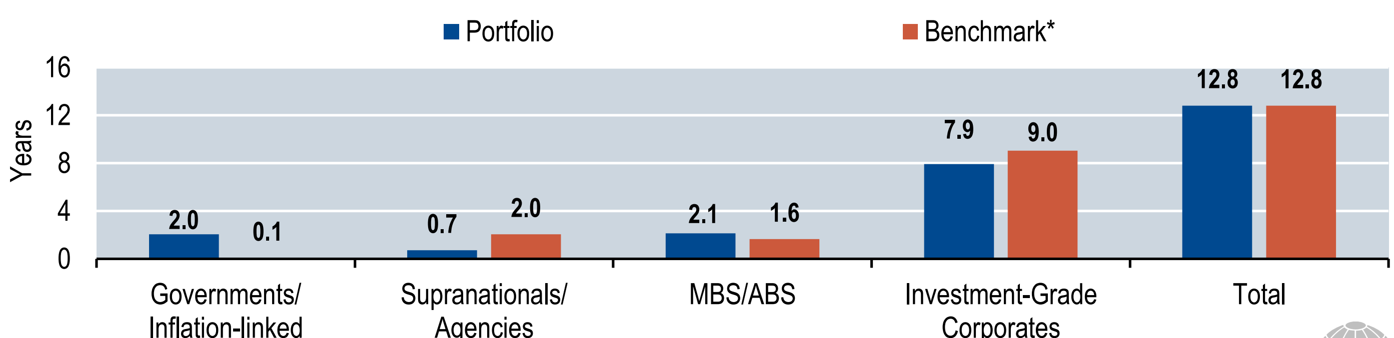
Duration Contribution



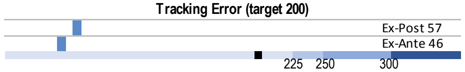
As of 31 Dec 17

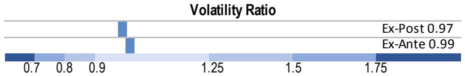
**Benchmark: 100% ICE BofAML 10+ Year Sterling Non-Gilt Index*

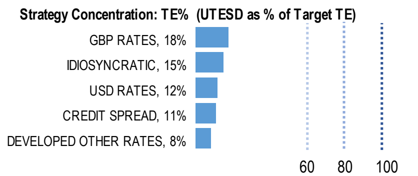
WISER Dashboard

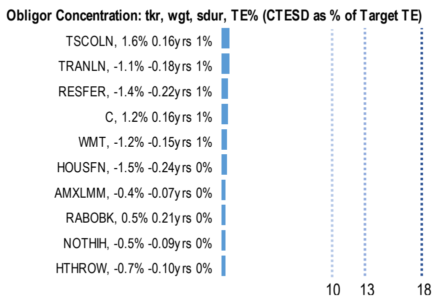
London Borough of Enfield Pension Fund

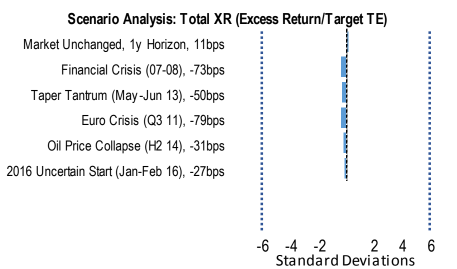
As of 31st December 2017



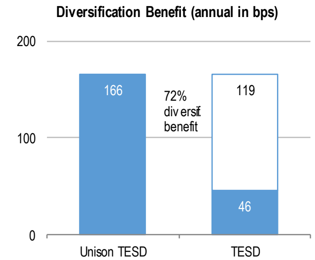


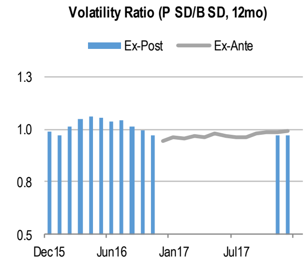


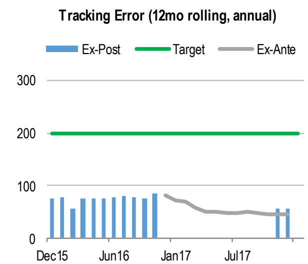


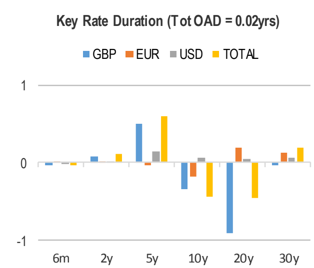


	%	UTESD	CTESD
Risk Factor Partition			
Idiosyncratic		29	18
Developed Rates		29	17
Developed Spreads		24	11
EM Spreads		3	0
Developed Other Spreads		0	0
Developed Currencies		1	0
Sovereign Spreads		0	0
Cross Terms		0	0
Security Partition			
Financial Other	-6.3	24	10
Financial Banking	9.3	34	4
Non Corporate Credit	-6.6	15	3
Communications	-1.6	10	3
Consumer Non-Cyclical	1.1	11	2
Transportation	-1.5	9	2
Utilities	-4.4	9	2
Energy	-0.1	8	1
Consumer Cyclical	0.0	7	1
Industrial Other	-0.4	6	1
Capital Goods	-0.8	2	0
Technology	-0.5	3	0
Structured	0.5	2	0
Basic Industry	0.1	2	0
Top 5 Currencies			
SEK CURRENCY	-0.1	1	0
USD CURRENCY	0.1	0	0
EUR CURRENCY	0.0	0	0









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**Security Partition buckets exclude Currency and Curve risk and thus the TE Contribution % values may not sum to 100%. Any Currency and/or Curve Contribution to TE can be seen in the "Contribution to Tracking Error"*
Note: This risk dashboard above is for illustrative purposes only and reflects Western Asset's best efforts to identify and measure the major sources of risk in the sample portfolio. Results depicted are dependent on an underlying statistical model and/or varying market conditions and are therefore subject to change without notice. There is no guarantee that ex-ante risk measures will be in line with their ex-post realizations. Quantitative risk measures can change rapidly as market regimes change. Western Asset uses a variety of risk measures, including risk estimates, stress and scenario testing, and judgment to assess possible future risks. Scenarios shown may not occur or may not result in the assumed outcomes. This risk dashboard is a subset of the information used internally for this account.

Investment Outlook

Western Asset

2018 Global Investment Outlook

Fundamental Backdrop is Exceptional but Prices are High

Global growth and inflation improving from subdued levels

US growth and inflation aided by fiscal stimulus

Central banks very cautiously signaling their path to normalisation

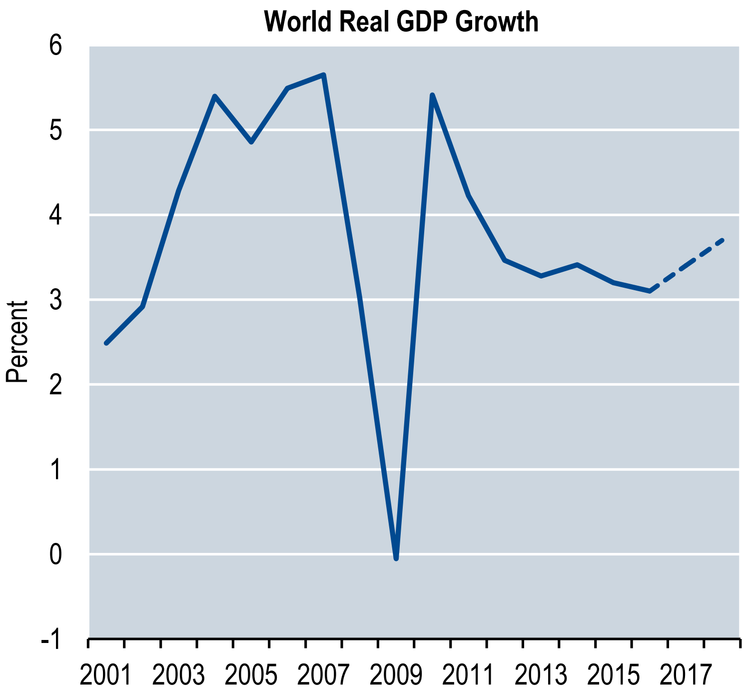
Spread sectors should outperform but margins are thin

Emerging markets should provide superior performance

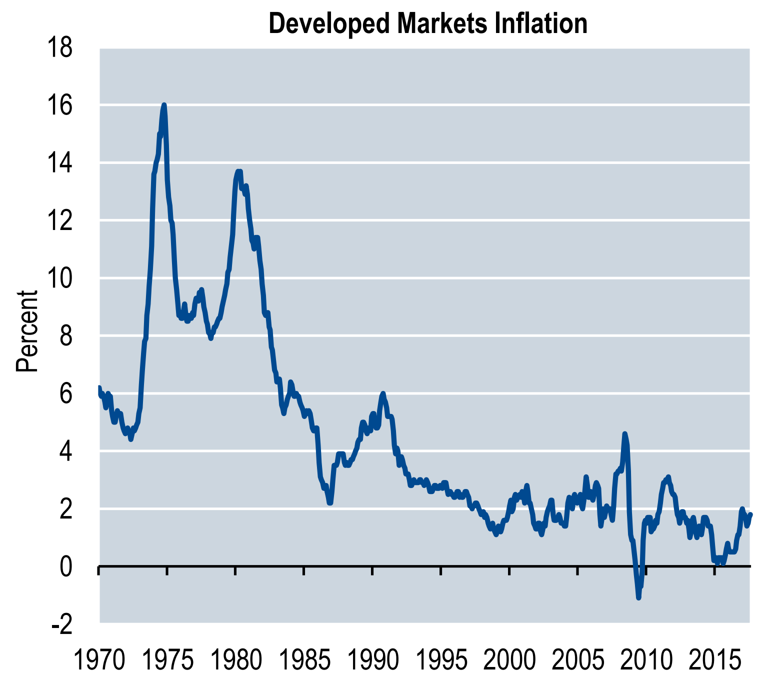
As of 10 Jan 18

"Reflation Trade" Versus "Secular Stagnation"

Global growth has steadied and there is optimism that growth can finally pick up speed and perhaps be sustainable.



Source: International Monetary Fund. As of 31 Dec 16



Source: Bloomberg. As of 30 Nov 17

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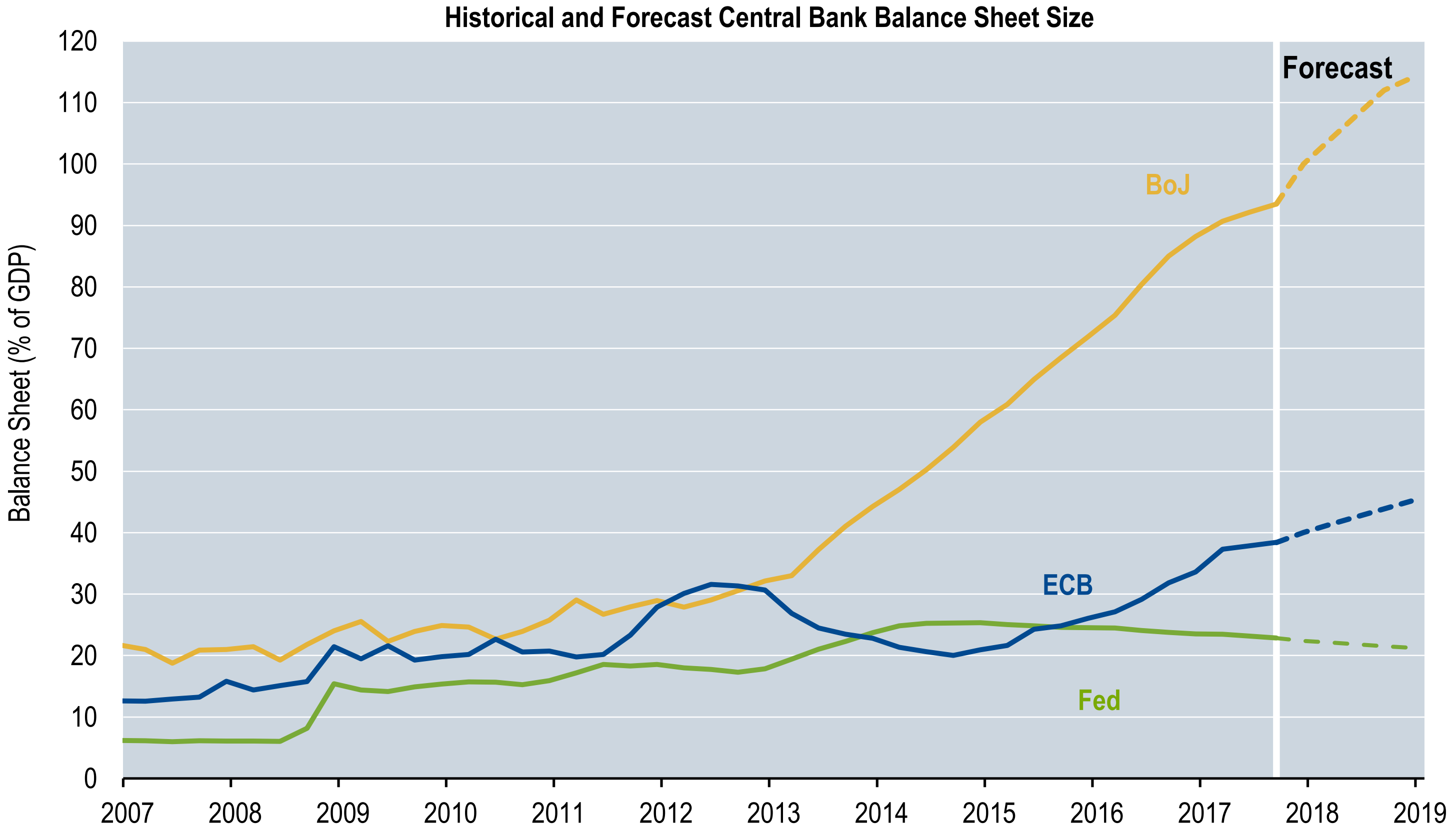
Western Asset

Central Banks Response

Global central bank policy remains accommodative despite Fed tightening, underpinning developed markets rates.



Source: Bloomberg, Western Asset, OECD. As of 30 Sep 17

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Global Governments

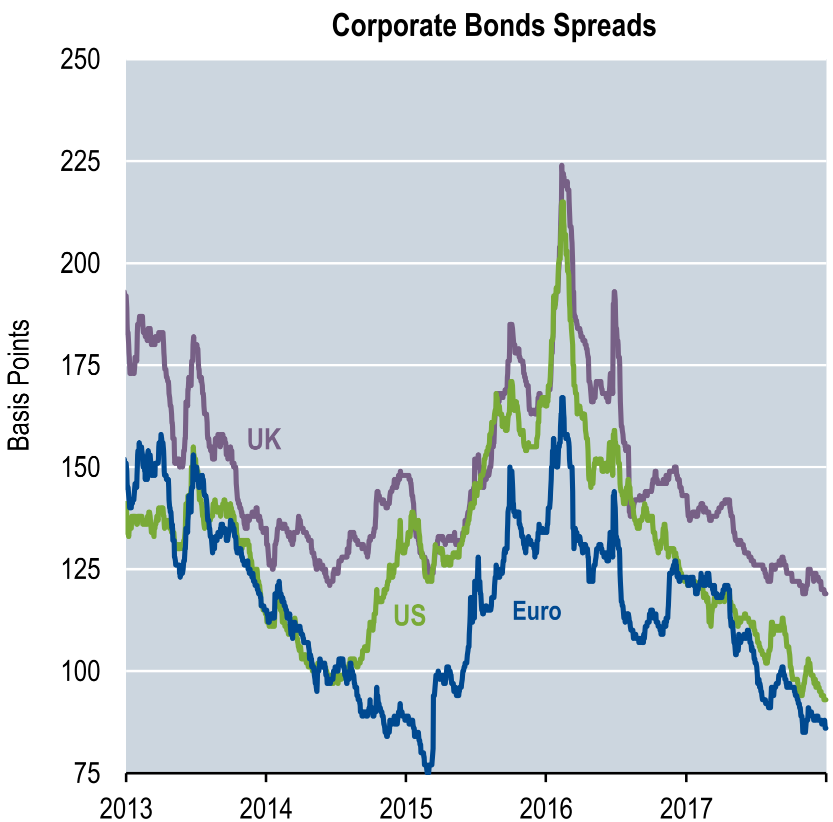
The Prevalence of Negative Yields remains.

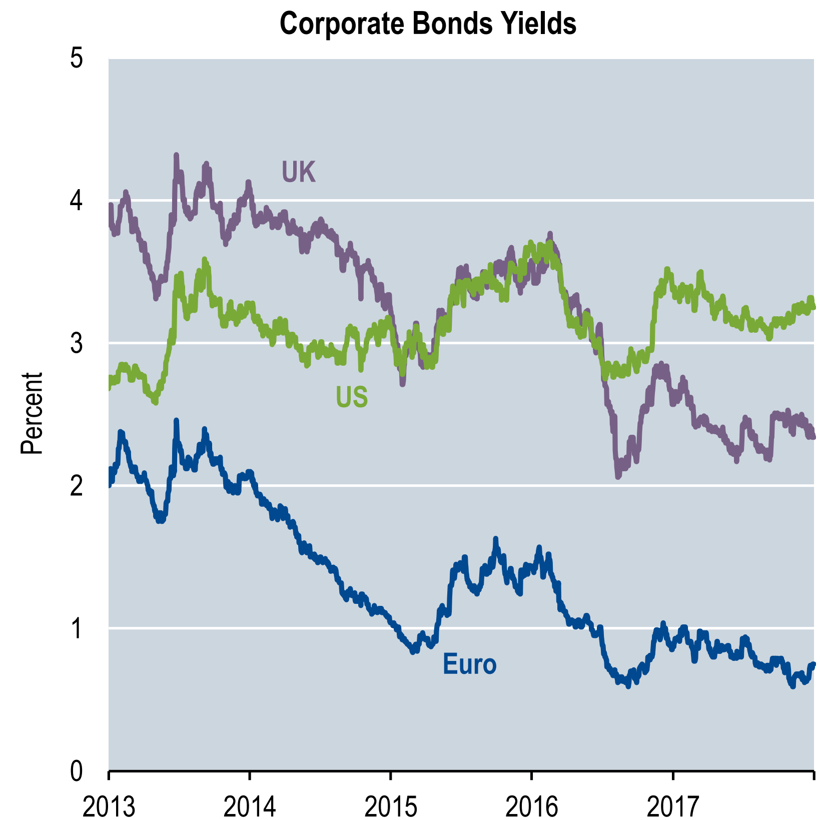
Country	1-Year	2-Year	3-Year	4-Year	5-Year	6-Year	7-Year	8-Year	9-Year	10-Year	15-Year	20-Year	30-Year	Lowest Credit Rating
Switzerland	-1.66	-0.96	-0.80	-0.67	-0.56	-0.50	-0.40	-0.32	-0.28	-0.18	0.13	0.23	0.35	AAA
Germany	-0.64	-0.63	-0.54	-0.38	-0.20	-0.09	0.04	0.15	0.28	0.43	0.65	0.94	1.26	AAA
Austria	-0.61	-0.53	-0.47	-0.35	-0.13	0.01	0.16	0.31	0.47	0.56	1.04	1.11	1.44	AA+
Japan	-0.15	-0.13	-0.11	-0.11	-0.10	-0.08	-0.06	-0.03	0.01	0.05	0.27	0.57	0.81	A
Sweden		-0.79	-0.41		-0.11	0.17	0.36		0.54	0.77	1.14	1.46		AAA
Netherlands	-0.75	-0.69	-0.54	-0.41	-0.28	-0.05	0.09	0.24	0.37	0.52	0.87	0.97	1.25	AAA
Finland	-0.70	-0.63	-0.46	-0.35	-0.16	0.02	0.12	0.30		0.59	0.86		1.34	AA+
Denmark		-0.45			-0.01			0.20		0.47		0.98		AAA
Belgium	-0.62	-0.53	-0.45	-0.33	-0.16	0.05	0.21	0.32	0.45	0.63	1.00	1.11	1.69	AA-
France	-0.64	-0.49	-0.31	-0.15	-0.01	0.10	0.28	0.44	0.63	0.78	1.04	1.35	1.76	AA
Ireland	-0.61	-0.53	-0.47	-0.13	0.02	0.06	0.23	0.41		0.66	1.07	1.50	1.76	A-
Spain	-0.53	-0.38	-0.02	0.06	0.37	0.59	0.82	1.13	1.32	1.56	2.23	2.36	2.84	BBB
Italy	-0.46	-0.27	0.06	0.31	0.73	0.92	1.29	1.57	1.79	2.01	2.63	2.80	3.20	BBB-
United Kingdom		0.32	0.43	0.48	0.57	0.72	0.83	0.92	1.00	1.09	1.50	1.65	1.79	AA
United States	1.73	1.88	1.97		2.21		2.33			2.41			2.74	AA+
Norway		0.42		0.88		1.17	1.29	1.39	1.50	1.58				AAA
Poland	1.41	1.68	1.95	2.23	2.66	2.74		3.09	3.21	3.29				BBB+
Mexico	7.62	7.58	7.58	7.58	7.60	7.62	7.60		7.63	7.65	7.72	7.75	7.79	BBB+
Malaysia			3.32		3.53		3.88			3.91	4.41	4.58	4.86	A-
Singapore	1.76	1.64			1.66					2.00	2.35	2.37	2.43	AAA
South Africa		7.27	7.56		7.89				8.59		9.33	9.63	9.72	BBB-

Source: Bloomberg. As of 29 Dec 17

Corporate Bonds

Sector and security selection are key at tighter valuations in 2018. Focus on industries that are delevering; avoid the underperformers.





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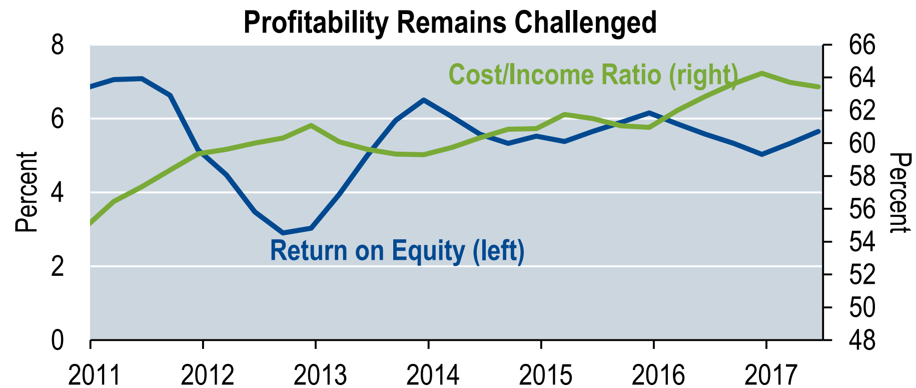
Excess Returns (%)	2017	Q4 2017
UK	3.77	0.56
US	3.77	0.98
Euro	3.56	0.87

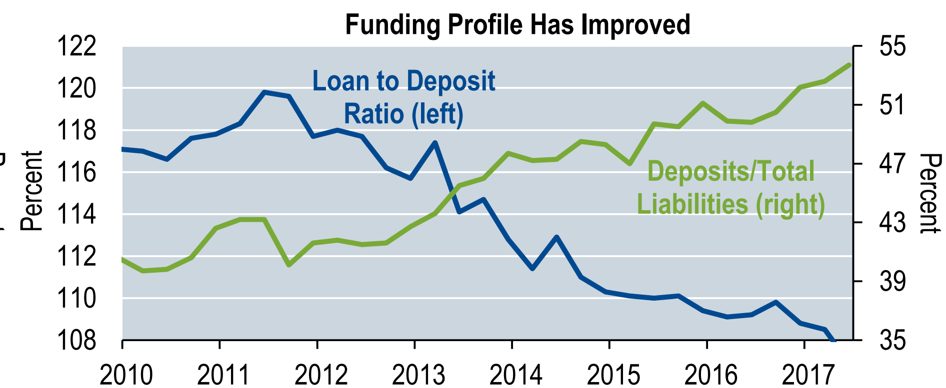
Source: Bloomberg Barclays, Merrill Lynch. As of 31 Dec 17

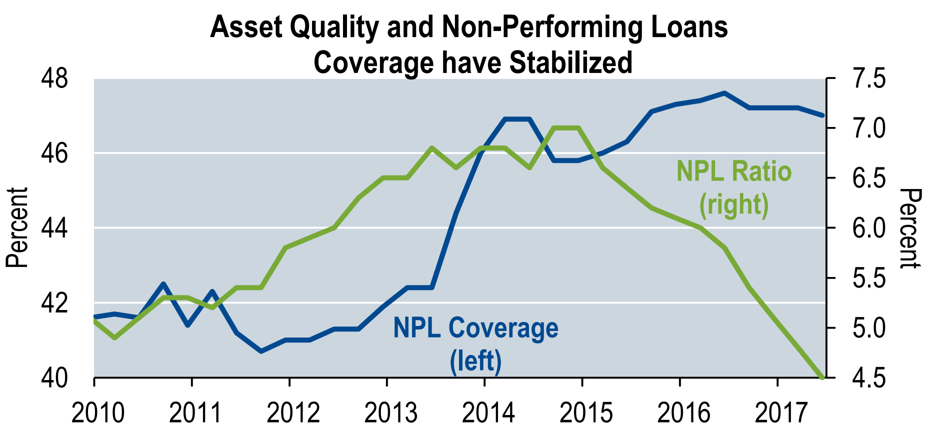
WESTERN ASSET

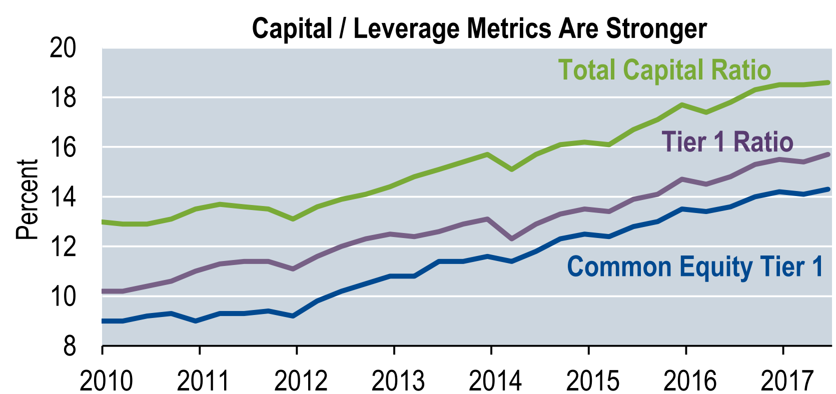
European Banking System: Credit Fundamentals

Balance sheet metrics have improved meaningfully but profitability still remains weak.









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Source: EBA. As of 30 Jun 17

WESTERN ASSET

Global Investment-Grade Credit Outlook

Q1 2018

Opinion: Investment-Grade Spreads at Fair Value – Maintain lower risk profile

- **Fundamentals: Mixed** – Late cycle indications; improvement in global growth momentum; uncertainty surrounding Trump and US economic policy
- **Technicals: Mixed** – Low/negative yields persist globally but monetary policy becoming less accommodating
- **Valuations: Fair to slightly rich** – Investment-grade spreads close to historic averages

Global risks:

- Global Central Bank Policy
- China
- Geopolitics
- Italian Elections
- Valuations + low volatility

Strategies in the current environment

- **Banks:** Best value in European subordinated debt; still favour Western's long term overweight
- **Industrials:** Mixed by sectors, continue to focus on upgrade candidates and deleveraging stories
- **Security selection** important in back half of the credit cycle
  - Healthcare/Pharmaceuticals: Maintain underweight
  - Energy: Remain overweight
  - Telecommunications/Media: Spike in M&A, reduce exposure
  - Autos: Reduce exposure
  - Metals/Mining: Continued deleveraging of balance sheets, remain overweight

As of 31 Dec 17

The above reflects current opinions of Western Asset.

WESTERN ASSET

Appendix

Benchmark History

Old Benchmark (from 1st May 2013 to 30 Nov 2016)

- 75% Merrill Lynch Sterling Non-gilts Over 10 Years Index
- 10% FTSE-A Index-linked Gilts Over 5 Years Index
- 15% JP Morgan Global Government Bonds (Traded) Index ex-UK (£-hedged)

Investment Objectives

- Benchmark + 0.75% after fees over rolling 3-year periods

Investment Restrictions

- Seek to limit ex-ante tracking error to 250bp
- Portfolio duration +/- 20% benchmark duration
- No below investment grade
- Maximum 25% overseas bonds
- Max 10% foreign currency exposure
- Minimum A-weighted average credit rating
- No OTC or swaps

London Borough of Enfield Pension Fund

Benchmark History

Current Benchmark (from 1st to 30th April 2013)

- 55% Merrill Lynch Sterling Non-gilts Over 10 Years Index
- 35% FTSE-A Index-linked Gilts Over 5 Years Index
- 10% JP Morgan Global Government Bonds (Traded) Index ex-UK
  (£-hedged)

Investment Objectives

- Benchmark + 0.75% after fees over rolling 3-year periods

Investment Restrictions

- Seek to limit ex-ante tracking error to 250bp
- Portfolio duration +/- 20% benchmark duration
- No below investment grade
- Maximum 30% overseas bonds
- Max 10% foreign currency exposure
- Minimum A-weighted average credit rating
- No OTC or swaps

Previous Benchmark (to 31 August 2011)

- 42% Merrill Lynch Sterling Non-gilts Over 10 Years Index
- 25% FTSE-A Index-linked Gilts Over 5 Years Index
- 20% FTSE-A Gilts Over 15 years Index
- 13% JP Morgan Global Government Bonds (Traded) Index ex-UK
  (£-hedged)

Investment Objectives

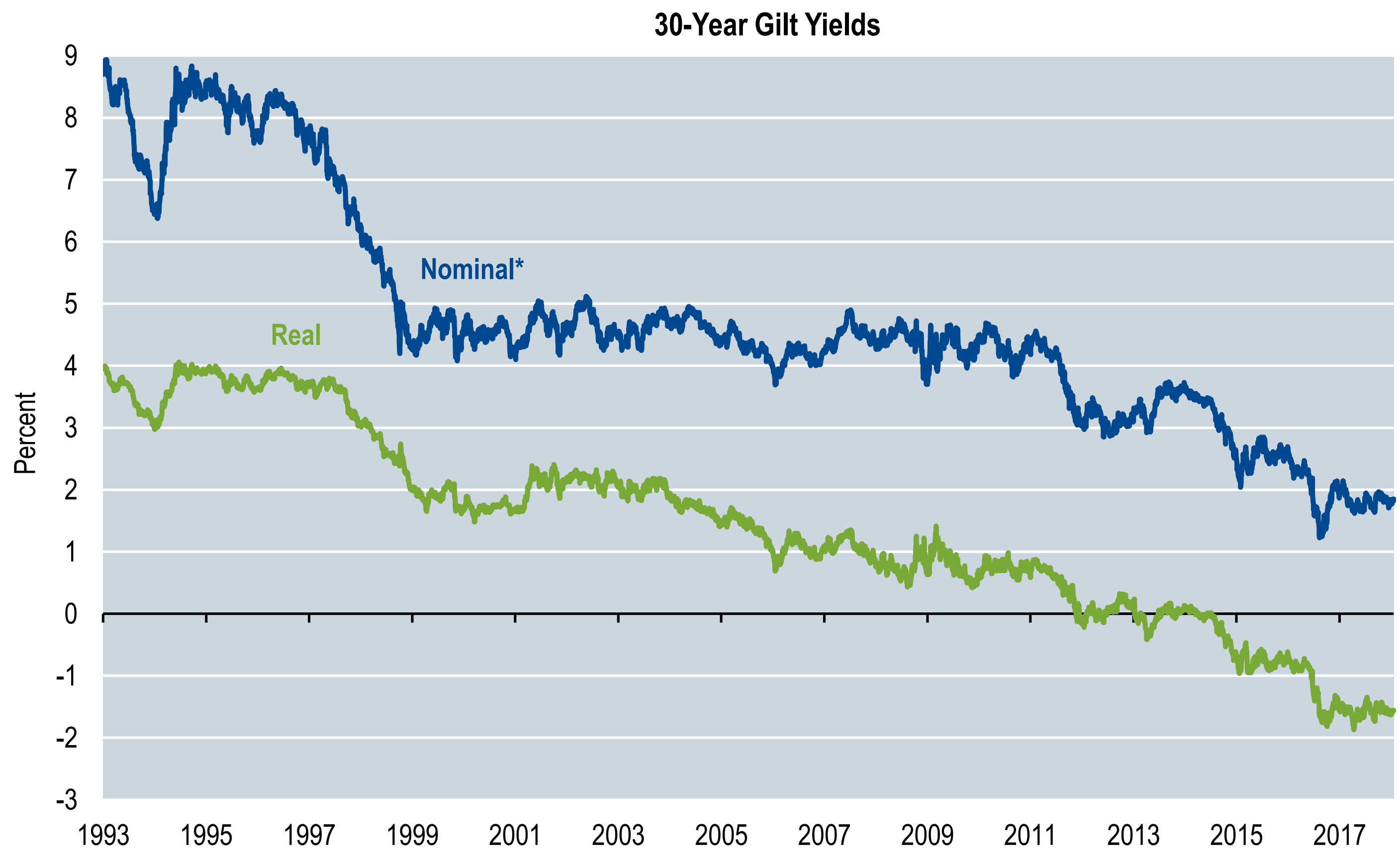
- Benchmark + 0.75% after fees over rolling 3-year periods

Investment Restrictions

- Seek to limit ex-ante tracking error to 200bp
- Portfolio duration +/- 20% benchmark duration
- No below investment grade
- Maximum 25% overseas bonds
- Max 10% foreign currency exposure
- Minimum AA-weighted average credit rating
- No OTC or swaps

Government Bonds

Long-term UK Gilt Yields



Source: Bloomberg. As of 19 Jan 18
** Nominal uses 20-year Gilt yield upto 27 Feb 96*

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MARIAN GEORGE
29 Years Experience

– Western Asset Management Company Limited – Client Service Executive, 2004–
– Mellon Human Resources Investor Services – Principal & Senior Investment Consultant, 2004
– Hymans Robertson – Senior Investment Consultant, 2000–2004
– Norwich Union – Investment Actuary, 1988–2000
– *University of Leeds, BSc*

ANNABEL RUDEBECK
18 Years Experience

– Western Asset Management Company Limited – Head of Non-US Credit, 2016-
– Rogge Global Partners – Senior Partner, Head of Global Investment Grade Credit, 2004-2016
– JP Morgan Securities – Associate, Credit Research, 1999-2003
– *University of Cambridge, B.A. (Hons), M.A., Economics*

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The clients listed in the Public company type have portfolios with an AUM of $63(M) or greater.
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The clients listed in the Healthcare company type have portfolios with an AUM of $11(M) or greater.
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As of 31 Dec 17

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