Quarterly Investment Report Q1 2021

Prepared for	London Borough of Enfield Pension Fund
Prepared by	Aon
Date	May 2021

Empower Results®

Table of Contents

Executive Summary – Q1 2021

Performance	Quarterly (%)			Annual (%)			Since Inception p.a. (%)		
	Portfolio	Benchmark	Active	Portfolio	Benchmark	Active	Portfolio	Benchmark	Active
Equities									
BlackRock World Low Carbon	5.1	5.0	0.1	40.7	40.2	0.5	14.0	13.0	1.0
MFS Global Unconstrained	2.9	4.0	-1.1	36.9	38.9	-2.0	13.7	11.9	1.8
LCIV Baillie Gifford	2.2	4.0	-1.8	56.5	38.9	17.6	18.3	11.7	6.6
LCIV Longview	6.5	4.0	2.5	36.0	38.4	-2.4	10.1	14.2	-4.1
LCIV JP Morgan Emerging Market	-0.1	1.3	-1.4	53.5	42.4	11.1	13.4	13.6	-0.2
Private Equity									
Adams Street	13.6	7.9	5.7	30.9	13.1	17.8	13.6	10.7	2.9
Hedge Funds									
York Distressed Securities	4.3	-	-	-29.6	-	-	-0.6	-	-
Davidson Kempner	2.6	-	-	8.2	-	-	7.2	-	-
CFM Stratus	6.4	-	-	12.8	-	-	1.1	-	-
UK Property									
Blackrock	2.2	2.2	0.0	4.0	2.5	1.5	3.4	6.2	-2.8
Legal & General	1.9	2.2	-0.3	1.8	2.5	-0.7	6.9	6.8	0.1
Brockton	3.1	-	-	5.5	-	-	12.5	-	-
PFI & Infrastructure									
IPPL Listed PFI	-1.2	0.5	-1.7	12.5	1.5	11.0	8.5	2.9	5.6
Antin	-3.4	-	-	3.6	-	-	6.5	-	-
Bonds									
BlackRock Passive Fixed and Index-Linked Gilts	-3.0	-3.0	0.0	1.1	0.9	0.2	2.0	1.9	0.1
Western Active Credit	-7.4	-7.9	0.5	10.5	8.6	1.9	5.2	5.6	-0.4
Insight Absolute Return Bonds	1.6	-	-	7.9	-	-	0.2	-	-
LCIV CQS MAC	2.1	0.0	2.1	25.3	0.4	24.9	3.9	0.7	3.2
Inflation protection illiquids									
M&G Inflation Opportunities	-1.7	0.5	-2.2	7.5	1.5	6.0	6.8	2.2	4.6
CBRE	1.2	-	-	4.8	-	-	2.2	-	-
Total Assets	**2.3**	**0.6**	**1.7**	**21.0**	**16.5**	**4.5**	**8.5**	**-**	**-**

Source: Investment managers/ Aon / Northern Trust. Performance is shown net of fees with exception of Blackrock Equities and LGIM which is shown gross of fees. In the absence of audited net performance figures from Northern Trust, performance has been sourced from the managers or estimated by Aon using manager data where possible. Totals may not sum due to rounding.

1) Please note that BlackRock equity 1 year and since inception figures are a composite of the current BlackRock ACS World Low Carbon Equity Tracker Fund (incepted in March 2021) and previous BlackRock UK and Global equity funds.

2) IPPL is measured against the UK Retail Price Inflation (RPI) index.

3) Adams Street and Brockton are close ended funds and traditional time weighted returns are not reflective of true performance. Adam Street numbers are IRR figures. Returns are lagged by a quarter due to the nature of the asset class (returns are as at Q4 2020).

4) The Adams Street, Davidson Kempner, and York returns will partly reflect currency movements. Over the quarter, Sterling appreciated against the Dollar and, as a result, these returns are weaker in sterling than in local currency terms.

5) Please note that BlackRock property since inception fund and benchmark performance are a composite of BlackRock and previous property mandate(s).

6) Fund benchmark is composed of 35% global equities 5% private equity (proxied by a global equity index), 10% property, 29% bond composite (based on underlying manager benchmarks) 6% infrastructure and 15% hedge funds.

Manager Allocations

	31.12.2020		31.03.2021			
	Market Value (£m)	Percentage (%)	Market Value (£m)	Percentage (%)	Strategic (%)	Relative (%)
Equities	**585.2**	**42.9**	**605.3**	**43.4**	**35.0**	**8.4**
*BlackRock Passive**	212.4	15.6	-	-		
*BlackRock World Low Carbon**	-	-	220.6	15.8		
Trilogy Global Unconstrained	0.9	0.1	0.8	0.1	35.0	8.4
MFS Global Unconstrained	136.5	10.0	140.4	10.1		
LCIV Baillie Gifford	113.7	8.3	116.2	8.3		
LCIV JP Morgan Emerging Market	36.0	2.6	35.9	2.6		
LCIV Longview Partners	85.7	6.3	91.3	6.5		
Private Equity	**77.6**	**5.7**	**92.0**	**6.6**	**5.0**	**1.6**
Adams Street	77.6	5.7	92.0	6.6	5.0	1.6
Hedge Funds	**61.6**	**4.5**	**64.6**	**4.6**	**10.0**	**-5.4**
York Distressed Securities	6.4	0.5	6.0	0.4		
Davidson Kempner	28.9	2.1	30.2	2.2		
CFM Stratus	26.3	1.9	28.5	2.0		
UK Property	**75.9**	**74.3**	**78.6**	**5.6**	**10.0**	**-4.4**
BlackRock	35.6	2.6	36.2	2.6		
Legal & General	33.8	2.5	34.5	2.5		
Brockton	6.5	0.5	7.9	0.6		
PFI & Infrastructure	**70.7**	**5.2**	**69.4**	**5.0**	**6.0**	**-1.0**
IPPL Listed PFI	49.2	3.6	48.6	3.5		
Antin	21.6	1.6	20.8	1.5		
Bonds	**291.4**	**21.4**	**281.8**	**20.2**	**24.0**	**-3.8**
BlackRock Passive Fixed and Index-Linked Gilts	94.6	6.9	91.8	6.6		
Western Active Bonds	112.0	8.2	103.5	7.4		
Insight Absolute Return Bonds	31.3	2.3	31.9	2.3		
LCIV CQS MAC	53.6	3.9	54.7	3.9		
Inflation protection illiquids	**106.3**	**7.8**	**106.3**	**7.6**	**10.0**	**-2.4**
M&G Inflation Opportunities	78.4	5.7	78.6	5.6		
CBRE	27.9	2.0	27.7	2.0		
Cash	**95.1**	**7.0**	**96.9**	**6.9**	**-**	**6.9**
Enfield Cash	95.1	7.0	96.9	6.9	-	6.9
Total Assets	**1363.7**	**100.0**	**1395.0**	**100.0**	**100.0**	

Source: Northern Trust, Managers
Note: Numbers may not sum due to rounding.

*The Fund transferred the BlackRock equity holding from UK and Global equity funds to the BlackRock ACS World Low Carbon Equity Tracker Fund in March 2021, therefore the valuation as at 31 March 2021 was the new low carbon holding and valuation as at 31 December 2020 was the previously held UK and Global equity funds.

Summary of Key Developments

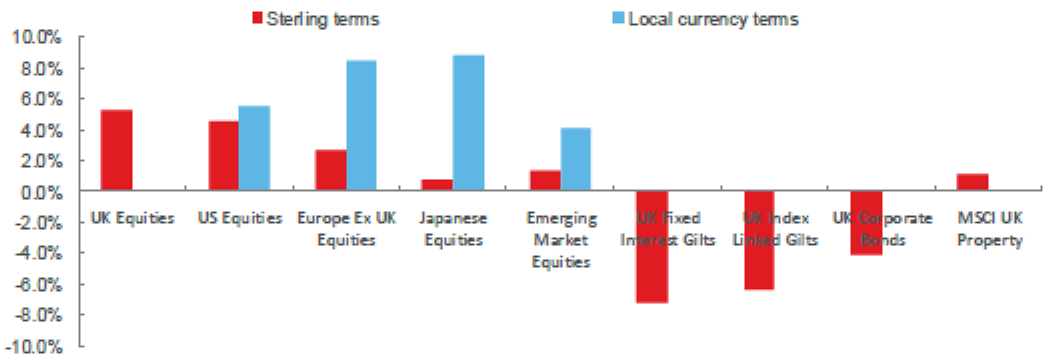
Key developments	▪ In February 2021, CBRE Global Investors ("CBRE") communicated to investors their decision to outsource the administration functions for their UK pooled vehicles, including the CBRE UK Long Income Fund in which the Fund is invested, to Langham Hall. CBRE will be passing the costs of outsourcing these functions on to investors in the affected funds and estimate that it will add circa 2-3bps onto the annual management fees. Our research team have spoken with CBRE and although we would have preferred for them to absorb the costs associated with this, we have no concerns with the decision from an administrative perspective and agree that it is a move in line with competitors. We are pleased to know that CBRE conducted a competitive tender process to identify the best third party for its requirements and are comfortable that Langham Hall is a suitable choice for the services required. This fund remains "Buy" rated and we are not recommending any action is taken as a result of this development. ▪ The Fund transferred its BlackRock passive equity holding from UK and Global equity funds to the BlackRock ACS World Low Carbon Equity Tracker Fund in March 2021.

Quarterly Investment Outlook Summary

Summary

- Vaccine success and large US fiscal expansion have led to a rare event. Bond yields and rates views have moved up for a change.
- The pandemic's drag on economic activity now looks to be of shorter duration than many would have expected a year ago. But its disruption and key 'new normal' effects will still leave a lasting legacy.
- The gilt yield jump in Q1 has erased the extreme pessimism in the UK rates market. Large yield moves higher from here look unlikely.
- Index-linked gilts look expensive versus fixed, however. The current scarcity of index-linked gilts should ease as issuance rises. However,
- any inflation underhedging to take advantage of this needs to be done with care.
- Pension scheme de-risking demand for UK corporate bonds is now an important factor in sustaining low credit spreads in the sterling market. Low reward for credit risk could remain the status quo on these trends. Global approaches to credit selection will provide some alleviation.
- The past half year's comeback in equity market laggards represents a conventional rotation to value, which has been in line with our views. There should be some more of it later this year.
- The earnings recovery under way is supportive for equities but recovery and reopening is already priced in. More good news to excite markets is getting harder to find. Equities look reasonable as a 'hold' but it is harder to make the case for putting new money to work.
- UK commercial property appears to have had a pandemic 'soft landing' to date but there are some caveats. A global approach to real estate exposures remains the preferred option.
- Bitcoin is a long way away from being a new digital gold. Its scary volatility, speculative immaturity and competition from central banks are formidable hurdles to its wider adoption.

Q1 2021 Performance Summary[1]



Source: FactSet, MSCI (Equities, Property), FTSE (Gilts), IBoxx (Credit)

[1] **Past performance is no guarantee of future results**. Indices cannot be invested in directly. Unmanaged index returns assume reinvestment of all distributions and do not reflect fees or expenses

Portfolio overview

Asset class target ranges

The table below shows the discussions at the April 2018 Committee meeting where new strategic allocations were agreed.

	Strategic asset allocation	Investment Strategy Statement ("ISS") ranges
Equities (including private equity)	40%	30-50%
Hedge Funds	10%	10-20%
Property	10%	5-15%
Infrastructure	6%	3-9%
Bonds	24%	19-39%
Inflation protection illiquids	10%	

Split of equity portfolio

The table below shows the allocation to emerging markets within the equity portfolio:

	31 Mar. 2021 value (£m)	Emerging Market Allocation (%)	Emerging Market Allocation (£m)
BlackRock	220.6	0.0	0.0
MFS	140.4	1.3	1.8
Baillie Gifford	116.2	17.4	20.3
Longview	35.9	0.0	0.0
JP Morgan	91.3	85.0	77.6
Total	**604.5**	**16.5**	**99.7**

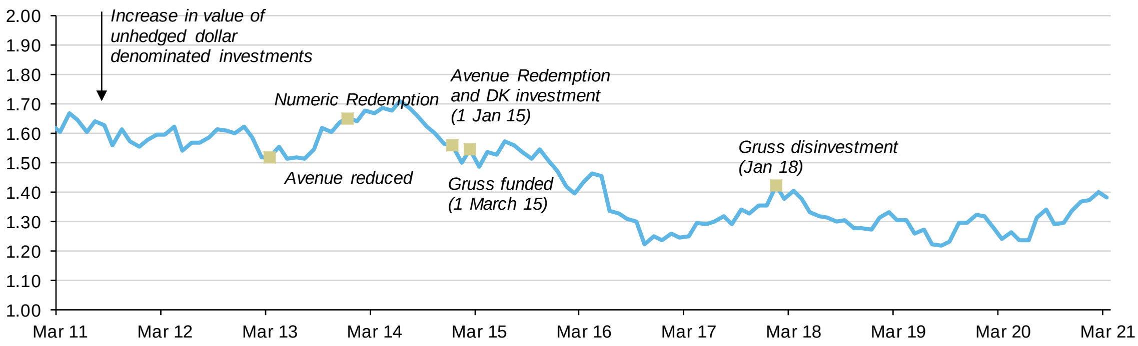
Source: Investment managers. Totals may not sum due to rounding. Does not include Trilogy because of the small allocation and the Fund is disinvesting from the mandate. Includes 'other' allocation from managers for prudence, although this may include small developed market allocations (e.g. NZ).

- c.36% of the equity portfolio is being managed passively by BlackRock. The remainder is being managed on an active basis, with MFS the largest holding.
- In aggregate, c. 16.5% of the Fund's equity portfolio is allocated to Emerging Markets. As at 31 March 2021, the MSCI All Country World Index had a 13.0% exposure to Emerging Markets.

Sterling-US dollar exchange rate

The chart below shows the movements in sterling versus the US dollar over time.

Sterling-US Dollar exchange rate over time



The appreciation of sterling versus the US dollar over the quarter decreased the value of dollar denominated holdings.

Currency analysis

The Fund has exposure to the euro, US dollar, yen and other currencies within its portfolio.

The active equity managers have exposures to various currencies as they are all global mandates, and we have approximated the currency exposures based on the geographical split of the underlying investments.

Adams Street, York and Davidson Kempner are US dollar denominated whilst Antin is euro denominated. CFM, BlackRock, CBRE, Western, M&G Inflation Opportunities, Legal & General, Brockton, Insight, London CIV MAC and IPPL mandates are assumed to have no direct exposure to foreign currencies as they are either hedged to sterling or are sterling share classes.

Currency	%	£m
Sterling	49.9	695.9
US dollar	36.4	508.0
Euro	5.7	79.7
Yen	2.1	28.9
Other	5.9	82.3
Total	100.0	1394.8

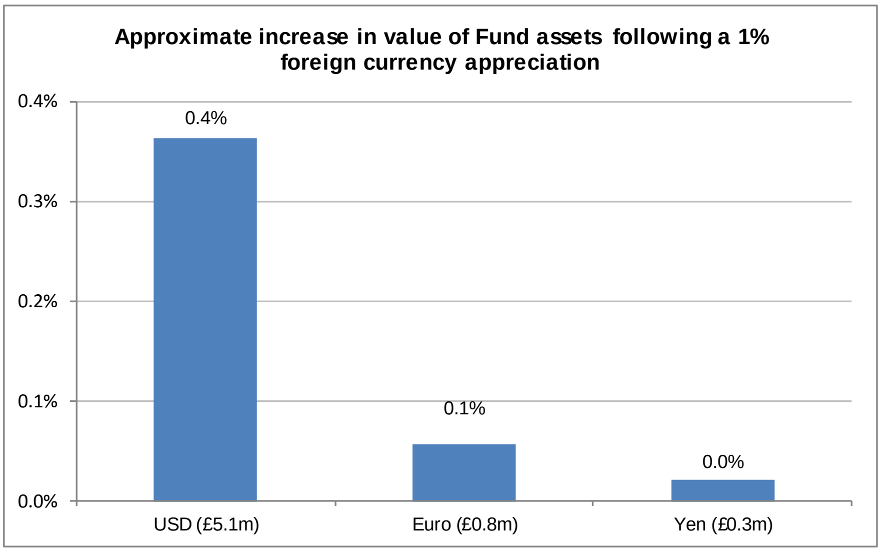
Note: Totals may not sum due to rounding.
Manager exposures are based on geographical, not currency, exposures.

Summary

US dollar exposure is the largest foreign currency risk for the Fund.

Following a 1% foreign currency appreciation (depreciation), we approximate that the value of the Funds' US dollar denominated assets will increase (decrease) by £5.1m, euro denominated assets will increase (decrease) by £0.8m and yen denominated assets will increase (decrease) by £0.3m.

Note that movements in currencies may either contribute to or be caused by factors that move other asset classes. For example, the US dollar may appreciate at times of stress which could coincide with a fall in the value of the Fund's equity holdings.



Currency	Fund exposure to currency (£m)	1% change in currency (£m)	1% change in currency (% in Fund's assets)
US dollar	508.0	5.1	0.4
Euro	79.7	0.8	0.1
Yen	28.9	0.3	0.0

Ratings

	Overall	ODD	Business	Staff	Process	Risk	Performance	T&C	ESG
Equities									
BlackRock Passive	Buy	Pass	4	4	4	4	4	2	2
MFS Global Unconstrained	Qualified	A1	3	3	2	2	2	2	3
LCIV Baillie Gifford	Buy	A1	4	3	3	2	3	3	2
LCIV Longview Partners	Buy	A1	3	2	3	2	3	2	2
LCIV JP Morgan Emerging Market	Not Rated	-	-	-	-	-	-	-	-
Private Equity									
Adams Street	Qualified	-	-	-	-	-	-	-	-
Hedge Funds									
York Distressed Securities	Sell	A2	1	2	2	2	1	2	-
Davidson Kempner	Buy	A2	4	4	4	3	3	3	-
CFM Stratus	Buy (Closed)	A1	3	4	3	3	3	2	-
UK Property									
BlackRock	Buy	-	-	-	-	-	-	-	-
Legal & General	Qualified	-	-	-	-	-	-	-	-
Brockton	Buy (Closed)	-	-	-	-	-	-	-	-
PFI & Infrastructure									
IPPL Listed PFI	Not Rated	-	-	-	-	-	-	-	-
Antin	Buy (closed)	-	-	-	-	-	-	-	-
Bonds									
BlackRock Passive Fixed and Index-Linked Gilts	Buy	Pass	4	3	4	4	4	2	2
Western Active Credit	Qualified	ER	✓	✓	⚐	⚐	⚐	✓	-
Insight Absolute Return Bonds	Buy	A1	4	4	4	3	3	2	2
LCIV CQS MAC	Not Rated	-	-	-	-	-	-	-	-
Inflation Protection Illiquids									
M & G Inflation Opportunities	Buy (closed)	-	-	-	-	-	-	-	-
CBRE	Buy	-	-	-	-	-	-	-	-

Note:

1. Ratings shown are as at Q1 2021, aside from Baillie Gifford which is as at Q4 2020.
2. Previous quarter's ratings are shown in brackets where they have changed.
3. ER = Exceptions reported/ NER = No exceptions reported.
4. Aon does not rate the London CIV. Ratings are shown for underlying managers where appropriate.
5. Aon's process for reviewing property, private equity & infrastructure strategies has changed. Therefore, from 31 March 2019 onwards Aon's manager research specialists will not include sub-ratings for property, private equity & infrastructure strategies.
6. Ratings shown for BlackRock equity are for BlackRock's passive equity capabilities and not specific to the Low Carbon Index in which the Fund is now invested, which is yet to be approved by our research team.

ESG rating

Aon has increasingly been asked for input on whether and how well investment managers integrate Responsible Investment ("RI") considerations, and more specifically Environmental, Social and Governance ("ESG") data, into their investment strategies.

To best serve our clients' desire to understand how non-financial ESG data may (or may not) be accommodated by various outside investment managers, Aon has developed a distinct ESG rating system for buy-rated investment strategies. This serves to provide an added dimension of fund analysis for clients who have embraced, or are considering, ESG and RI within their investment policies. At this time the strategy's ESG rating is not designed to have an impact on the overall rating of Buy/Qualified/Sell ratings.

ESG ratings are currently being deployed for buy-rated, long-only equity and credit strategies with liquid alternatives, private equity and real estate to follow. Like our investment strategy ratings, ESG ratings are assigned on a 1 to 4 scale, please refer to the Rating Explanation section for more detail.

BlackRock – World Low Carbon Equity

Buy

Key Information:

Appointed:

March 2009

31 March 2021 Value:

£220.6 million

Vehicle:

ACS

Mandate:

Global Equities

Benchmark:

FTSE All Share/ FTSE All World Developed ex UK (to March 2021)

MSCI World Low Carbon Target Index (From March 2021)

Target:

To perform in line with the benchmarks

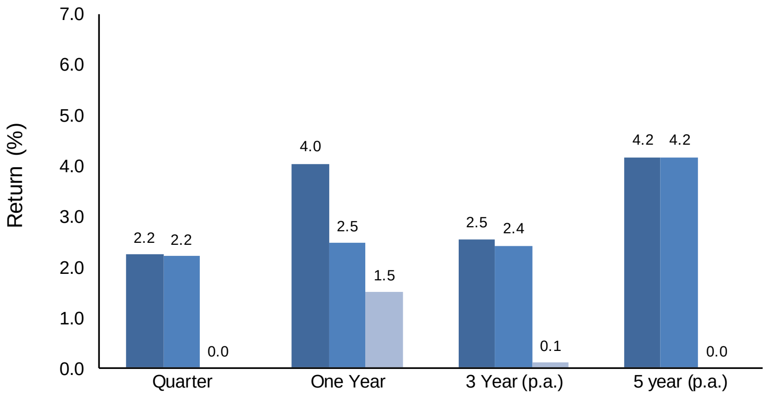
Fee Scale:

Fees following transition of units to London CIV:

0.01% p.a.

Our Ratings:

Overall	**Buy**
ODD	**Pass**
Business	4
Staff	4
Process	4
Risk	4
Performance	4
Terms	2
ESG	2



	Quarter	One Year	3 Year (p.a.)	5 year (p.a.)
Fund	2.2	4.0	2.5	4.2
Benchmark	2.2	2.5	2.4	4.2
Relative	0.0	1.5	0.1	0.0

Source: Blackrock. Returns are shown gross of fees.
1 year, 3 year and since inception figures are a composite of the current BlackRock ACS World Low Carbon Equity Tracker Fund (incepted in March 2021) and previous BlackRock UK and Global equity funds.

Major Developments

The Fund transferred the BlackRock equity holding from UK and Global equity funds to the BlackRock ACS World Low Carbon Equity Tracker Fund in March 2021.

Performance

The pooled equity funds within the BlackRock equity portfolio exhibited acceptable tracking error during the first quarter of 2021.

MFS – Global Unconstrained Equity

Qualified

Key Information:

Appointed:

August 2010

31 March 2021 Value:

£140.4 million

Initial Investment:

£35.9 million

Vehicle:

MFS Global Equity Fund

Mandate:

Global Equity

Benchmark:

MSCI All Country World Total Return Index

Target:

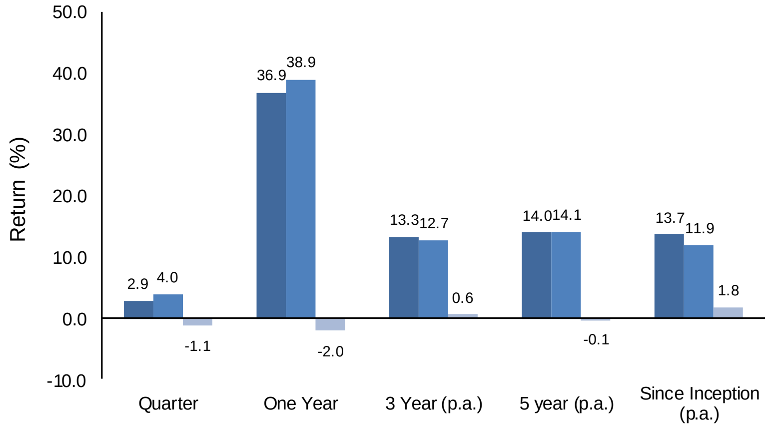
To outperform the benchmark by 2% pa gross of fees

Fee Scale:

Tiered base fee based on the AUM of 0.65% pa on the first £25.0m, 0.50% pa on the next £25.0m, 0.45% pa on the next £50.0m and 0.40% pa thereafter. No performance fee.

Our Ratings:

Overall	**Qualified**
ODD	**A1**
Business	3
Staff	3
Process	2
Risk	2
Performance	2
Terms	2
ESG	3



	Quarter	One Year	3 Year (p.a.)	5 year (p.a.)	Since Inception (p.a.)
Fund	2.9	36.9	13.3	14.0	13.7
Benchmark	4.0	38.9	12.7	14.1	11.9
Relative	-1.1	-2.0	0.6	-0.1	1.8

Source: MFS. Returns are shown net of fees.

Performance

The strategy underperformed its benchmark over the first quarter and remained behind the benchmark over the 12 month period.

An overweight position in Consumer Staples and not holding any stocks in the Energy sector were the primary detractors during the quarter.

Stock specific detractors include: Not holding Alphabet, which had strong advertising sales, particularly in search and YouTube, that helped quarterly financial results beat consensus estimates; Check Point Software Technologies, security software provider whose stock price struggled after management guided 2021 earnings per share below consensus due to a combination of higher investment levels, higher costs, a weakening US dollar and lower interest income; Heineken, the brewer's shares struggled as it reported fiscal-year 2020 earnings below consensus estimates and noted that 2021 revenues and earnings would remain below 2019 levels.

Stock selection in Consumer Discretionary and an underweight allocation to Information Technology contributed during the quarter. Kansas City Southern added value due to the announcement of the merger agreement with Canadian Pacific.

London CIV – Baillie Gifford Global Alpha Growth Fund

Buy

Key Information:

Appointed:

October 2016

31 March 2021 Value:

£116.2 million

Initial Investment:

£41.4 million

Vehicle:

London CIV

Mandate:

Global Equities

Benchmark:

MSCI All Country World Total Return Index

Target:

To outperform the benchmark by 2-3% pa gross of fees over rolling five year periods.

Fee Scale:

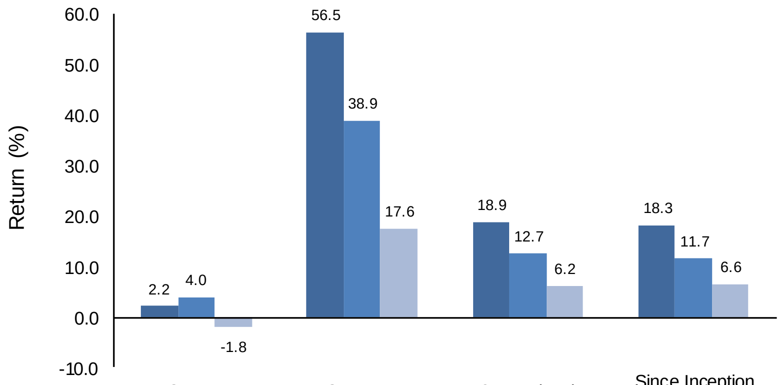
Tiered base fee based on the aggregate AUM of the Fund, 0.65% pa on the first £30.0m, 0.50% pa on the next £30.0m, and 0.35% p.a. thereafter.

An additional platform fee of 0.025% p.a. is payable to London CIV.

Ratings:*

Overall	**Buy**
ODD	**A1**
Business	4
Staff	3
Process	3
Risk	2
Performance	3
Terms	3
ESG	2

Ratings are shown for the underlying managers as we do not rate the London CIV.



	Quarter	One Year	3 Year (p.a.)	Since Inception (p.a.)
Fund	2.2	56.5	18.9	18.3
Benchmark	4.0	38.9	12.7	11.7
Relative	-1.8	17.6	6.2	6.6

Source: London CIV/ Aon. Returns are shown net of fees.

Major Developments

As highlighted in last quarter's report, in May 2021 Catherine Flockhart (Client Services, Positive Change), Dave Bujnowski (US Equities) and Colin Lennox (Technology Service Delivery) all became partners. Charles Plowden (Senior Partner / Global Alpha) and Bill Pacula (North America) retired in April 2021. Partner numbers will rise to 47.

Performance

Baillie Gifford's Global Alpha strategy underperformed in Q1 2021, but outperformance remains strong relative to benchmark over longer periods.

The sectors that contributed the most to performance were those that would benefit from a life returning to normal after the Covid-19 vaccine rollout, such as Materials, Consumer Staples and Real Estate. Likewise, the less successful sectors that detracted from performance were Financials, Health Care and Energy.

(Commentary sourced from the London CIV's quarterly report)

London CIV – Longview Global Equity Focus Fund

Buy

Key Information:

Appointed:

October 2018

31 March 2021 Value:

£91.3 million

Initial Investment

£70 million

Vehicle:

London CIV

Mandate:

Global Equities

Benchmark:

MSCI World Total Return Index

Target:

To outperform the benchmark by 3% pa over rolling three year periods.

Fee Scale:

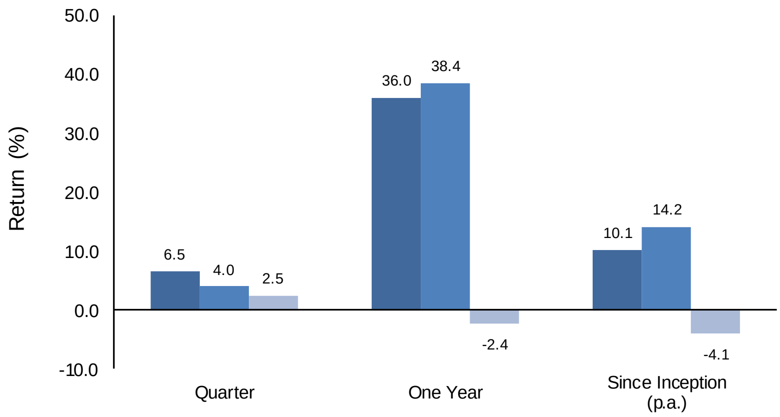
Tiered base fee based on the aggregate AUM of the Fund, 0.75% pa on the first £25.0m, 0.65% pa on the next £25.0m, 0.60% pa the next £75.0m, 0.50% pa on the next £125.0m, 0.40% pa thereafter.

An additional platform fee of 0.025% p.a. is payable to London CIV.

Our Ratings:

Overall	**Buy**
ODD	**A1**
Business	3
Staff	2
Process	3
Risk	2
Performance	3
Terms	2
ESG	2

Ratings are shown for the underlying managers as we do not rate the London CIV.



	Quarter	One Year	Since Inception (p.a.)
Fund	6.5	36.0	10.1
Benchmark	4.0	38.4	14.2
Relative	2.5	-2.4	-4.1

Source: London CIV/ Aon. Returns are shown net of fees.

Major Developments

In April, Longview announced that research team member and partner Luke Taylor would leave the firm in May. Mr. Taylor joined Longview in 2009. With Matthew Tunna joining from a private equity background in January 2021, Murat Gunc stepping in from the Risk Team and two new trainees starting, the research complement is up to 9, but we note the overall loss of experience resulting from the personnel changes over the last 2-3 years.

Performance

Longview posted another positive quarter in Q1 2021, although one year and since inception returns still lag the benchmark following the poor outcome in calendar 2020. Looking at the manager's 'problem' areas from 2020, the portfolio's financial holdings have generally recovered well, and hospitality stocks have, on balance, seen some recovery on Covid-19 vaccination news. Internet-related growth stocks presented a mixed picture in Q1, but, at the least, Longview's low exposure to this area has not been the strong headwind it represented in 2020.

Alphabet was the largest positive contributor to Q1 2021, with the strong share price performance reflecting better than expected results from Google. Shares in American Express, Lloyds, State Street and Bank of New York Mellon all performed well on the prospect of the improving economic outlook and higher interest rates.

The largest detractors were Charter Communications, WW Grainger (engineering supplies, motors) and new purchase Becton Dickinson (medical devices). Charter had benefited from higher subscriptions in 2020 as the demand for home entertainment increased, and inevitably there was some slowdown moving into 2021. WW Grainger reported lower margins which Longview sees a temporary. Another detractor was Medtronic (medical devices), where the shares lagged as the recovery in medical operations has been slower than market expectations. Longview remains confident in the long term investment case.

Positioning and Transactions

In the first quarter, the Longview team reviewed the portfolio's holding in Lloyds, deciding that the bank's competitive position had deteriorated. Accordingly, the 'Quality' rating assigned to Lloyds was reduced and the holding sold.

The main purchase over the period was Becton Dickinson. The company supplies needles, syringes and other products to the medical industry, including Covid testing equipment. Longview is attracted by the consistency of the company's earnings stream and the sustainability of the business's strong market position. Longview has researched Becton for some time and share price weakness in Q1 provided a suitable buying opportunity.

London CIV – JP Morgan Emerging Market Equity Fund

Not rated

Key Information:

Appointed:

October 2018

31 March 2021 Value:

£35.9 million

Initial Investment

£26.5 million

Vehicle:

London CIV

Mandate:

Emerging Market Equities

Benchmark:

MSCI Emerging Market Total Return Index

Target:

To outperform the benchmark by 2.5% pa over rolling three year periods.

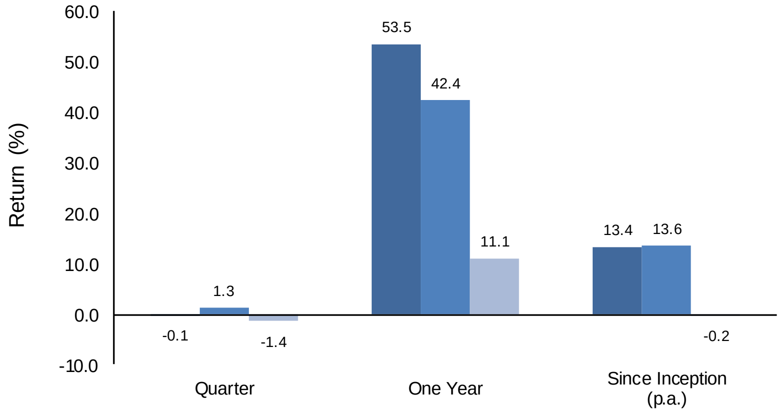
Fee Scale:

Fixed base fee of 0.65% pa on AUM. LCIV fee of 0.025%. No performance fee.

Our Ratings:

Overall	Not rated
ODD	-
Business	-
Staff	-
Process	-
Risk	-
Performance	-
Terms	-
ESG	-

Ratings are shown for the underlying managers as we do not rate the London CIV.



	Quarter	One Year	Since Inception (p.a.)
Fund	-0.1	53.5	13.4
Benchmark	1.3	42.4	13.6
Relative	-1.4	11.1	-0.2

Source: London CIV/ Aon. Returns are shown net of fees.

Performance

The JP Morgan Emerging Market Fund returned -0.1% over the first quarter, underperforming against the MSCI Emerging Market index by 1.4%. Over the 1 year period the fund outperformed, returning 11.1% relative to benchmark.

One of the key strengths of the investment manager has been its stock selection, even towards the end of previous quarter, when the market momentum started to shift towards more cyclical names. However, last quarter was the first to see detraction through stock selection, again a function of the focus areas of the investment manager against the prevailing market themes. As a result, some of the portfolio's strongest contributors in 2020, including Mercadolibre and Foshan Haitian Flavouring, were amongst the largest detractors.

Country allocation proved to be neutral and while India and Argentina led the way in the fourth quarter, they became large detractors due to macro headwinds. India is facing major macro challenges, with a spike in Covid-19 rates causing particular concern, but the related overall currency devaluation should benefit its information technology outsourcing businesses that the portfolio holds. China, a key focus for the portfolio, has delivered strong returns for the strategy in the long run, and proved to be the saviour again from allocation perspective. Just like the prior quarters, China benefitted from early normalization from Covid-19, along with long term structural trends in its Technology sector.

(Commentary sourced from the London CIV's quarterly report)

Adams Street – Private Equity

Qualified*

Key Information:

Appointed:

January 2003

31 March 2021 Value:

£92.0 million

Vehicle:

Pooled fund ($ Share class)

Mandate:

Private Equity

Benchmark:

MSCI World Total Return Index

Target:

To generate an absolute return of 15% p.a. net of fees

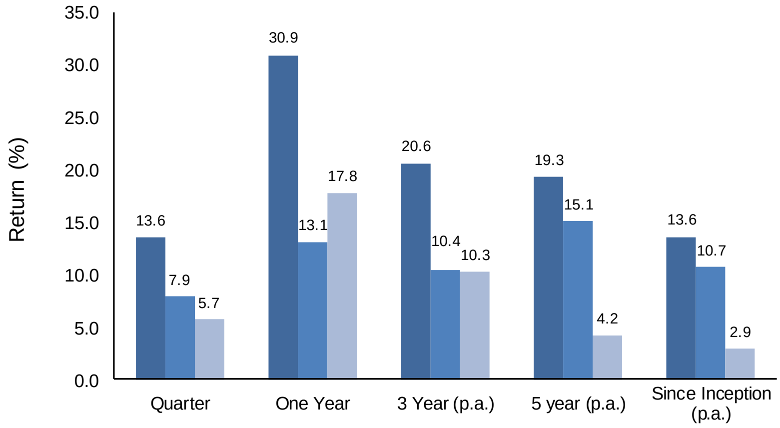
Fee Scale:

Tiered base fee based on the AUM of 1.00% pa on the first £25.0m, 0.90% pa on the next £25.0m, 0.75% pa on the next £100.0m and 0.50% pa thereafter. No performance fee.

Our Ratings:

**Due to the nature of the underlying investment, Aon's monitoring of illiquid managers is conducted on an infrequent basis. Therefore overall ratings of these managers may be lagged over time.*

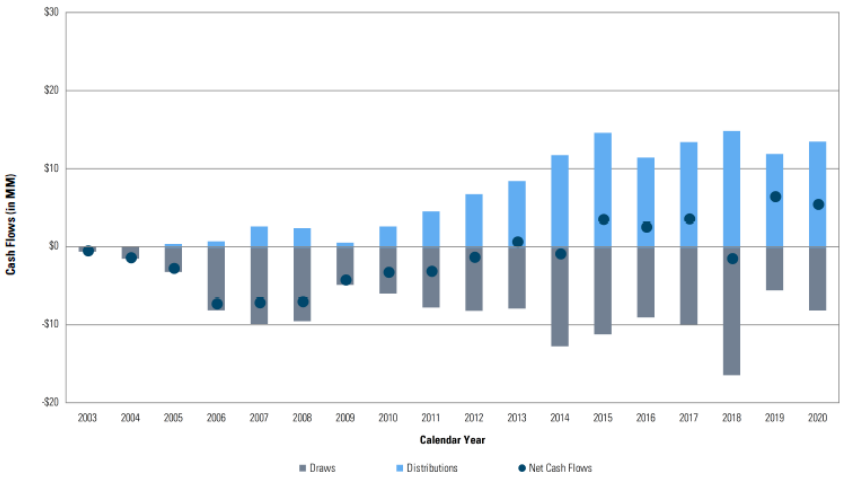
Aon's process for reviewing property, private equity & infrastructure strategies has changed. Therefore, from 31 March 2019 onwards Aon's manager research specialists will not include sub-ratings for property, private equity & infrastructure strategies.



	Quarter	One Year	3 Year (p.a.)	5 year (p.a.)	Since Inception (p.a.)
Fund	13.6	30.9	20.6	19.3	13.6
Benchmark	7.9	13.1	10.4	15.1	10.7
Relative	5.7	17.8	10.3	4.2	2.9

Source: Adam Street. Internal rate of return (IRR) shown above. Returns are lagged by a quarter due to the nature of the asset class (returns are as at Q4 2020). Returns are shown net of fees.

Performance of the underlying Adams Street funds remained strong over the longer-term periods.



The graph above, sourced from Adams Street, shows the cashflow profile of the Fund's investment. As the fund has matured over time the cashflow profile has started to improve and since 2015 (despite small dips in 2018 and 2020) the Fund has been net cashflow positive.

York – Distressed Securities Hedge Fund ("YCO")

Sell

Key Information:

Appointed:

January 2010

31 March 2021 Value:

£6.0 million

Initial Investments:

$16.0 million (£10.0 million)

Vehicle:

York Credit Opportunities Fund ($ share class)

Mandate:

Distressed debt hedge fund

Benchmark:

N/A

Target:

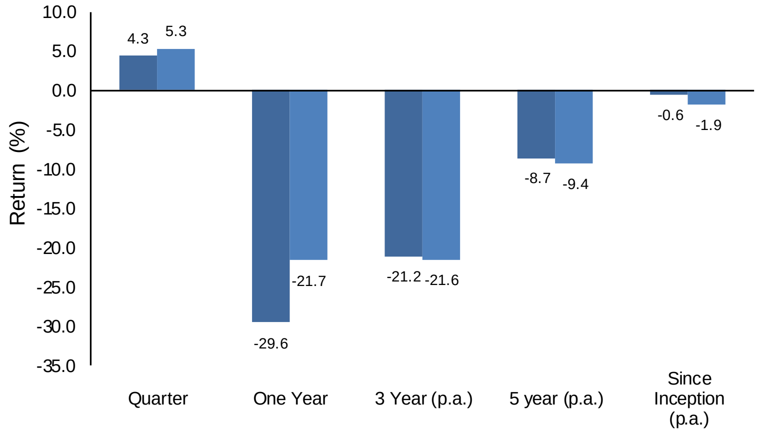
Absolute Return

Fee Scale:

Fixed based fee of 1.5% p.a. on AUM + 20% performance fee.

Our Ratings:

Overall	**Sell**
ODD	**A2**
Business	1
Staff	2
Process	2
Risk	2
Performance	1
Terms	2



	Quarter	One Year	3 Year (p.a.)	5 year (p.a.)	Since Inception (p.a.)
GBP	4.3	-29.6	-21.2	-8.7	-0.6
USD	5.3	-21.7	-21.6	-9.4	-1.9

Source: York. Returns shown above are Sterling and USD returns, net of fees.

Major Developments

Following sizable monetizations of portfolio holdings in the first quarter, York made a sixth cash distribution to LPs in April, representing 29% of year-end net asset value ("NAV") for the LP and 27% for the Unit Trust. Bill Vrattos remains focused on liquidating the remaining investments, but the liquidation schedule is uncertain and will likely extend beyond 2021.

Following Jamie Dinan's decision in November 2020 to exit the hedge fund business, there have been a number of departures from York Capital. Bill Vrattos is now the sole Chief Investment Officer ("CIO") and remains fully involved in the unwind of the portfolio, with a direct line to the Chief Executive Officers ("CEOs") of all of the constituent companies.

Performance

YCO generated a quarter return of 5.3% in USD terms (4.3% in GBP terms) in Q1. The portfolio is concentrated in catalyst-sensitive distressed debt and restructured equity and benefitted from positive strategic developments around one of its larger holdings and some liquidity events. Gains were partially offset by markdowns of energy-related investments.

Davidson Kempner – Event Driven Hedge Fund

Buy

Key Information:

Appointed:

January 2015

31 March 2021 Value:

£30.2 million

Initial Investment:

£19.2 million ($30.0 million)

Vehicle:

Davidson Kempner International Ltd ($ share class)

Mandate:

Event Driven hedge fund

Benchmark:

N/A

Target:

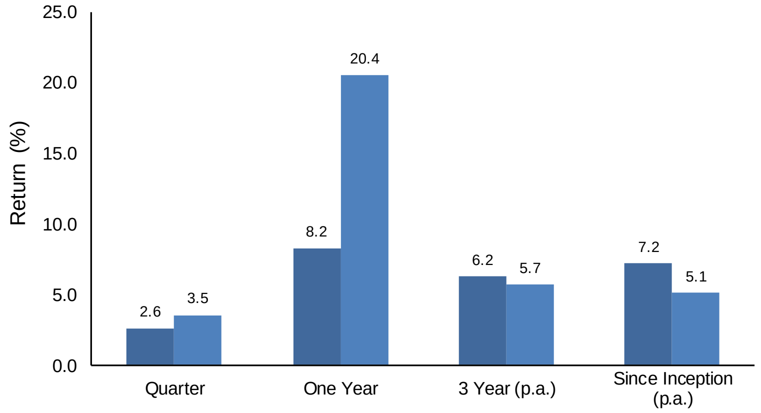
Absolute Return (7-10% p.a.)

Fee Scale:

Fixed base fee of 1.5% pa on AUM plus 20% performance fee.

Our Ratings:

Overall	**Buy**
ODD	**A2**
Business	4
Staff	4
Process	3
Risk	3
Performance	3
Terms	2



	Quarter	One Year	3 Year (p.a.)	Since Inception (p.a.)
GBP	2.6	8.2	6.2	7.2
USD	3.5	20.4	5.7	5.1

Source: Davidson Kempner. Returns shown above are Sterling and USD returns, net of fees.

Performance

Davidson Kempner International was up +3.5% over the first quarter in USD terms (2.6% in GBP), versus HFRI Event-Driven Index, which had a strong start to the year up +8.4%. The market dynamic changed coming into 2021, with equities and bonds going in opposite directions. The trigger was the rush of optimism on economic recovery. Hopes rose for vaccine-led economic reopening just as a large fiscal stimulus package under a new US administration was approved by Congress. Distressed debt led the gains during the first quarter followed by merger arbitrage positions.

At a position level, the largest contributor was Steinhoff at +0.3%. The bonds continued to benefit from optimism around the IPO of Pepco, the European discount retailer that owned by Steinhoff, which performed well through the Covid-19 crisis. The largest detractor over the quarter was a position in Intelsat, which detracted -0.1%. The satellite company's debt traded down as the firm announced a restructuring transaction without the support of creditors.

The multi-strategy fund remains fully invested at 115% long.

CFM – Stratus Hedge Fund

Buy (closed)

Key Information:

Appointed:

1 February 2016

31 March 2021 Value:

£28.5 million

Vehicle:

Pooled fund (£ Share class)

Mandate:

Multi Strategy hedge fund

Benchmark:

n/a

Target:

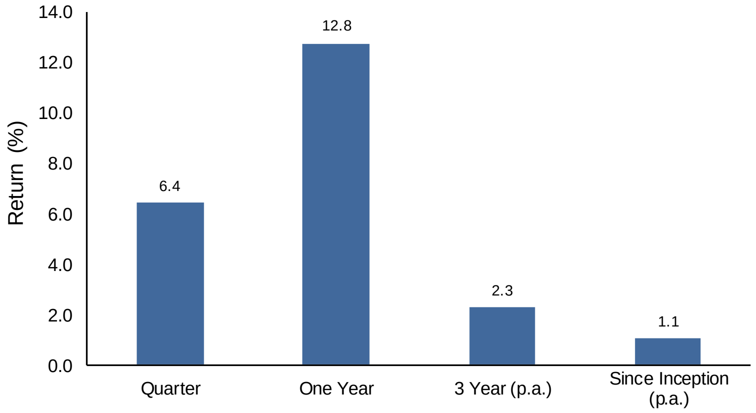
Absolute Return

Fee Scale:

Fixed base fee of 2.0% pa on AUM. 20% performance fee.

Our Ratings:

Overall	**Buy (Closed)**
ODD	**A1**
Business	3
Staff	4
Process	3
Risk	3
Performance	3
Terms	2



	Quarter	One Year	3 Year (p.a.)	Since Inception (p.a.)
GBP	6.4	12.8	2.3	1.1

Source: CFM. Returns shown above are net of fees.

Performance

CFM Stratus had a strong start to the year, gaining +6.4% over the quarter. The bulk of the gains came from the statistical arbitrage strategy (+5.9%). All clusters contributed except Seasonality, which is slightly unusual and explains its strong performance of +17% on a standalone basis. Due to filters on stocks with unusual activity, the strategy avoided the Gamestop related issues in January, and also avoided the value rotation due to the book being hedged against traditional factors.

All of the other four strategies also saw gains over the quarter, with Directional adding just over +1%, and the other three strategies contributing c. +1% combined. Allocations across the five strategies were largely unchanged.

BlackRock – UK Property

Buy

Key Information:

Appointed:

December 2012

31 March 2021 Value:

£36.2 million

Vehicle:

Pooled fund

Mandate:

UK Property

Benchmark:

IPD UK Pooled Property All Balanced Funds Total Return Index

Target:

To outperform the benchmark

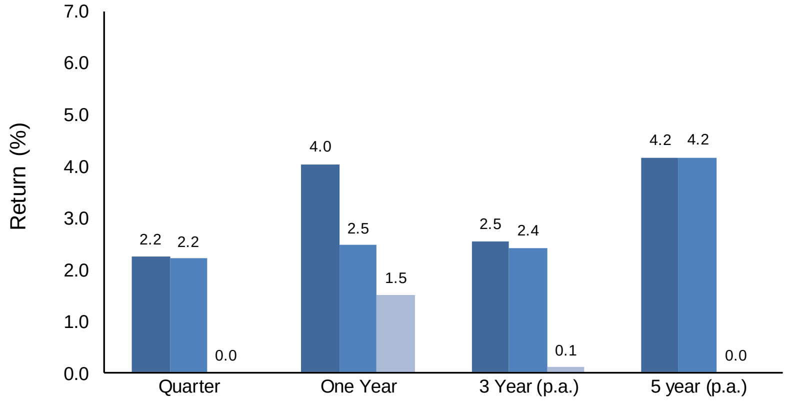
Fee Scale:

Fixed base fee of 1.0% pa on AUM. No performance fee.

Our Ratings:

Overall **Buy**

Aon's process for reviewing property, private equity & infrastructure strategies has changed. Therefore, from 31 March 2019 onwards Aon's manager research specialists will not include sub-ratings for property, private equity & infrastructure strategies.



	Quarter	One Year	3 Year (p.a.)	5 year (p.a.)
Fund	2.2	4.0	2.5	4.2
Benchmark	2.2	2.5	2.4	4.2
Relative	0.0	1.5	0.1	0.0

Source: Blackrock. Returns are shown net of fees.

Performance

Performance over the quarter was 2.2% performing in line with the benchmark. Performance over 12 months to 31 March 2021 outperformed the benchmark (4.0% versus 2.5%).

Performance over the longer-term (ten-year period to 31 March 2021) remains marginally below benchmark (6.2% versus 6.4%).

The Fund's performance benefited from its exposure to industrials, which is marginally below that of the benchmark. In addition, the Fund has benefited from the performance of assets in the alternatives sectors such as healthcare and student housing. The Fund holds an overweight position to alternatives versus the benchmark (18.6% versus 10.7%). The Fund continues to hold underweight positions relative to the benchmark to both retail and offices. The manager has a cautious view on the office sector given uncertainty surrounding Brexit and the impact of COVID. The Fund's retail warehouse component remains well let with a low vacancy rate and continues to generate good income. The portfolio's overall vacancy rate increased slightly during the quarter from 5.5% to 5.8%, materially lower than the benchmark's vacancy rate of 9.2%.

The Fund remains defensively positioned with material exposure to industrials and alternatives (including the GP surgeries portfolio which provides long term income) whilst actively trying to reduce its exposure to the retail sector.

The Fund remains focused on rent collection. As at 26th April 2021, the Fund had collected 91% of rental income demanded on the March quarter day. This level of rent collection takes into consideration those tenants where agreements have been made to switch to monthly rental payments. The Fund collected 97% of rent due for CY 2020.

Cash as at 31 March 2021 was 8.0% of the Fund's Net Asset Value ('NAV') versus the benchmark of 7.7%. This increase was due to sales completed during the quarter.

Positioning and Transactions

During the quarter the Fund completed the sale of three assets. No acquisitions were completed during the quarter. The disposals during the quarter consisted of:

- Bedfont Logistics Park, Hounslow. This asset formed part of the Fund's build to rent logistics portfolio. The asset was acquired in 2013 and developed into a high specification logistics scheme in 2016. In 2020, the Fund completed the final letting therefore meeting its original business plan objective. As a result of strong investor demand in the logistics sector and the lack of vacancy on the park, the Fund took the opportunity to sell the asset for £118.5 million. Proceeds will be recycled into other logistics development sites held by the Fund

- Oldbury Green Retail Park, Weston-Super-Mare, and Wyvern Retail Park, Derby. These two retail warehouse holdings were sold during the quarter as a result of the Fund's continued plan to reduce its exposure to the retail sector. The assets were sold for £27.3 million and £22.3 million respectively.

LGIM – UK Property

Qualified

Key Information:

Appointed:

February 2010

31 March 2021 Value:

£34.5 million

Initial Investment:

£14 million

Vehicle:

Pooled fund

Mandate:

UK Property

Benchmark:

IPD UK PPFI All Balanced Property Funds

Target:

To outperform the benchmark

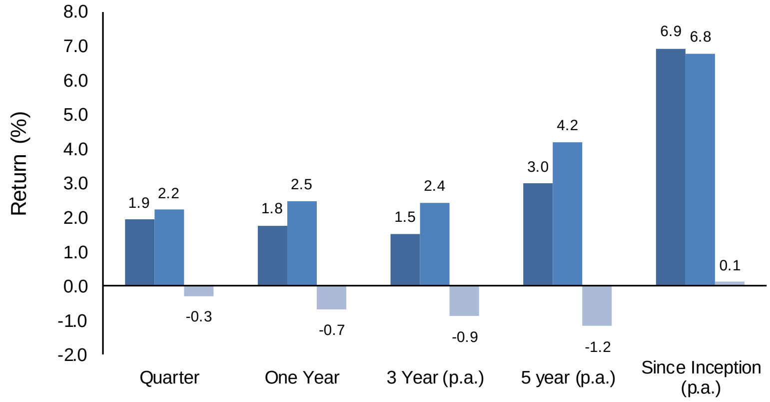
Fee Scale:

Tiered base fee based on the AUM of 0.70% pa on the first £2.5m, 0.65% pa on the next £2.5m, 0.60% pa on the next £7.5m and 0.55% pa thereafter. No performance fee

Our Ratings:

Overall **Qualified**

Aon's process for reviewing property, private equity & infrastructure strategies has changed. Therefore, from 31 March 2019 onwards Aon's manager research specialists will not include sub-ratings for property, private equity & infrastructure strategies



	Quarter	One Year	3 Year (p.a.)	5 year (p.a.)	Since Inception (p.a.)
Fund	1.9	1.8	1.5	3.0	6.9
Benchmark	2.2	2.5	2.4	4.2	6.8
Relative	-0.3	-0.7	-0.9	-1.2	0.1

Source: LGIM. Returns are shown gross of fees.

Performance

The Fund returned 1.9% over the quarter marginally underperforming the benchmark return of 2.2%. The Fund trails the benchmark over three and five-year periods to 31 March 2021 on an annualized basis by 0.9% and 1.2% respectively.

The manager continues to have a negative view on the retail sector, particularly shopping centres and high street retail, expecting capital values to continue to fall through 2021. As a result, the Fund will continue to underweight to retail assets. In addition, the Fund remains focused on increasing its exposure to assets in the alternatives sector notably student accommodation. The Fund still has a positive view on the industrial sector and aims to further increase the portfolio's exposure to the sector. However, the Fund remains concerned about pricing expectations of sellers and will therefore continue to be very selective when purchasing assets in this sector.

The Fund remains focused on rent collection, particularly from sectors that continue to be challenged as a result of COVID-19. As at the end of April 2021, the Fund had collected 74% of rent due for the March quarter day covering the second quarter of the year. This is broadly in line with rent collection levels for the same 35-day period post quarter end for Q3 and Q4. Rent collection stats for previous quarters have gradually improved as the Fund continues to provide support to tenants with financial difficulties providing the option to switch to monthly rental payments or actual rent deferrals, in some cases. Rent collection, to date, for each quarter from Q2 2020 to Q1 2021 averages 83% with the rent collected for the Q1 2021 period currently being the lowest at 80%. The retail and leisure sectors continue to be challenged providing the lowest levels of rent collection for the portfolio at 63% and 24% respectively. However, as lockdown restrictions in the UK continue to ease, leisure assets have seen a marginal improvement in rent collection. Offices, Industrials and Alternatives remained the most resilient sectors in terms of rent collection (85%, 85% and 84% of rent due for the second quarter as at end-April 2021).

The Fund has made good progress with asset management initiatives during the quarter. Most notably, the Fund has provided rent-free space to 10 local start-up companies at the Dolphin Shopping Centre, Poole. This forms part of a wider initiative to reposition the scheme for alternative uses and is also part of a strategic vision to create meaningful and measurable outcomes from a social and environmental perspective. It is hoped that attracting start-up companies will stimulate further interest in the asset and that it will result in a number of those tenants becoming successful and being able to start paying rent following the expiry of the rent-free periods.

The Fund’s cash weighting decreased materially during the quarter (12% to 5.9% of net asset value) following significant transactional activity. The Fund’s cash weighting falls below the benchmark (7.7%) and in line with the Fund’s target range (5-7.5%).

Transactions

While no disposals were completed during the quarter, the Fund completed three acquisitions;

- The Fund completed the acquisition of an urban logistics portfolio comprising 5 multi-let industrial estates. Four assets are located in the South East with the fifth located in Solihull. The acquisition comes as part of the Fund’s aim to increase its exposure to the industrial sector, in particular logistics, and given the Fund’s view of the opportunity for material rental growth in the short to medium term. The portfolio was acquired for £55.1 million.
- In addition, the Fund completed the acquisition of North Tower, Deansgate, Manchester. The residential asset was acquired through a 50:50 joint venture with the L&G UK Property Fund for £44.8 million. Development of the asset was completed in March 2021 and comprises 276 residential units. The Fund has a positive view on the region and sector supported by strong occupancy and rent collection through the ongoing pandemic.
- Lastly, the Fund acquired a hotel asset in Clerkenwell, London, out of administration for £70 million. The new hotel, which completed in August 2020, will operate through a management contract with Yotel. The Fund will receive income based on the operating performance of the hotel as opposed to a traditional lease model. Yotel will receive an annual fee for their role in managing the operation of the hotel. The asset also includes 5 residential apartments which the Fund expects to continue to hold and rent into the open market.

Brockton – Opportunistic Property

BUY (Closed)

Key Information:

Appointed:

August 2014

31 March 2021 Value:

£7.9 million

Total commitment:

Initial commitment: £20.0 million
From October 2019: £15.5 million

Capital drawn:

£5.3 million

Vehicle:

Pooled fund (close ended)

Mandate:

Opportunistic Property

Benchmark:

3 Month LIBOR

Target:

15% net IRR and 1.5x net multiple.

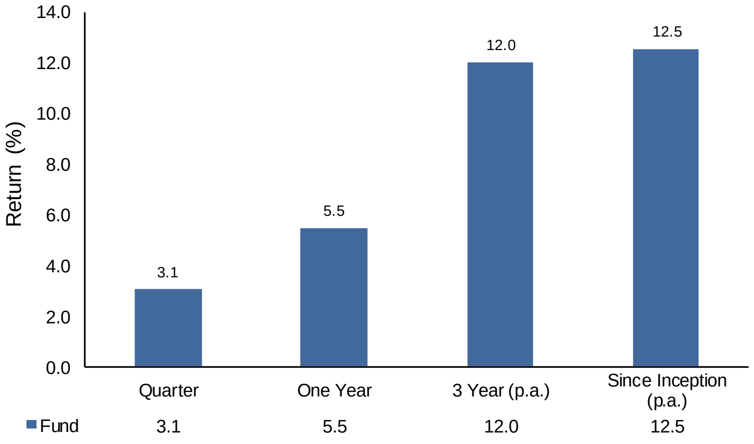
Fee Scale:

Management fee of 1.4% over the life if the fund. Carried interest proportion subject to IRR of the fund.

Our Ratings:

Overall	Buy (Closed)

Aon's process for reviewing property, private equity & infrastructure strategies has changed. Therefore, from 31 March 2019 onwards Aon's manager research specialists will not include sub-ratings for property, private equity & infrastructure strategies.



Source: Brockton.

Performance

The fund returned 3.1% over the quarter to 31 March 2021, returning 5.5% over the 1 year period and 12.0% p.a. over the 3 year period.

Detailed performance commentary is unavailable at time of writing.

International Public Partnership Ltd – Listed PFI

Key Information:

Appointed:

January 2006

31 March 2021 Value:

£48.6 million

Initial Investment:

£15.0 million

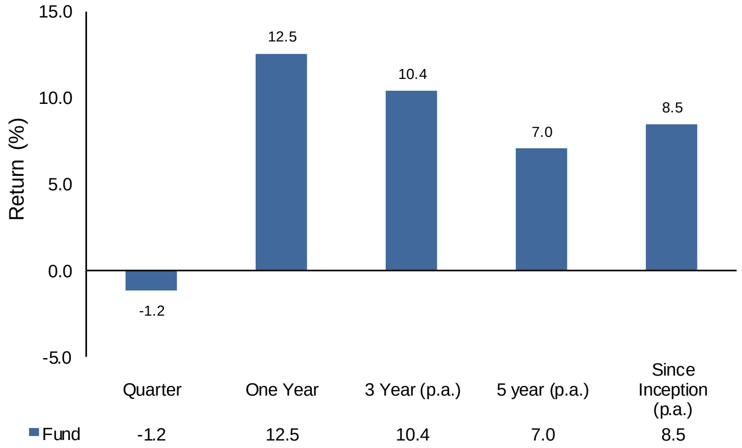
Additional Investment:

£4.0 million (April 2017)

£5.0 million (December 2017)

Mandate:

Listed PFI



Source: Northern Trust. Returns are shown net of fees.

30 June 2020 Interim Report Summary

The information below pertains to the International Public Partnerships Limited released 2020 Interim Report.

International Public Partnerships Limited ("IPP Ltd") invests public infrastructure projects. As at 31 December 2019, the majority (c. 73%) of the fund is invested in the UK although the fund also has material exposure to Belgium (c.8%) and Australia (c.9%).

The weighted average investment life of the portfolio is currently 34 years. As at 30 June 2020, the investment life and project stake breakdown of the portfolio was as follows:

Investment Life	% of fund	Project Stake	% of fund
<20 years	**52%**	**100%**	**50%**
20-30 years	**19%**	**50% - 100%**	**6%**
>30 years	**29%**	**<50%**	**44%**

During the six months to 30 June 2020, the IPPL completed £11.7 million of additional investments across the education and digital infrastructure sectors. In May 2020, IPPL acquired an additional interest in the Essex Building Schools for Future ('BSF') project. IPPL invested a further £6.7 million to acquire stakes in the two project companies which own four schools.

In July 2017, the Company agreed to invest up to £45 million in UK digital infrastructure alongside the UK Government, through the National Digital Infrastructure Fund ('NDIF'). To date, c.£33 million of the Company's £45 million commitment has been called by NDIF. During the six months to 30 June 2020, NDIF called £5 million to further invest in three of its existing investments.

Antin – Infrastructure Fund III

Performing*

Key Information:

Appointed:

January 2017

Total Commitment:

€25.0m

31 March 2021 Value:

£20.8m

Mandate:

European Infrastructure

Benchmark:

Burgiss iQ European Infrastructure (EUR)

Target:

15% Gross IRR with a gross yield target of 5% p.a.

Fee Scale:

1.5% p.a. of total commitments during investment period

Our Ratings:

**Due to the nature of the underlying investment, Aon's monitoring of illiquid managers is conducted on an infrequent basis. Therefore overall ratings of these managers may be lagged over time.*

Aon's process for reviewing property, private equity & infrastructure strategies has changed. Therefore, from 31 March 2019 onwards Aon's manager research specialists will not include sub-ratings for property, private equity & infrastructure strategies.

Overall View

Antin is one of the strongest European infrastructure managers with a large team with deep knowledge of the infrastructure sector. While Fund I's performance will be difficult to replicate, Aon believe Antin is capable of achieving its 15% gross IRR target for Fund III.

Commitment Drawdown

The Fund has committed €25m EUR to the fund and the manager will call down capital gradually over time.

Relevant date of the funds

First and Final Closing Date	9 December 2016
Fund Term	9 December 2026 (10 years from First Closing Date, excluding Fund Life Extension)
Fund Life Extension	Two one-year extension options at the discretion of the GP following consultation with the Investors' Committee
Investment Period	9 December 2021 (up to 5 years from First Closing Date)
Commitment Period	12 August 2022 (8 years from First Closing Date, excluding Fund Life Extension)

BlackRock – BlackRock Passive Fixed and Index-Linked Gilts

Buy

Key Information:

Appointed:

October 2005

31 March 2021 Value:

£91.8 million

Vehicle:

Pooled

Mandate:

Index-Linked Gilts

Benchmark:

Composite benchmark of Aquila Life Up To 5 Years UK Gilt Index Fund and the Aquila Life All Stocks UK Index-Linked Gilt Index

Target:

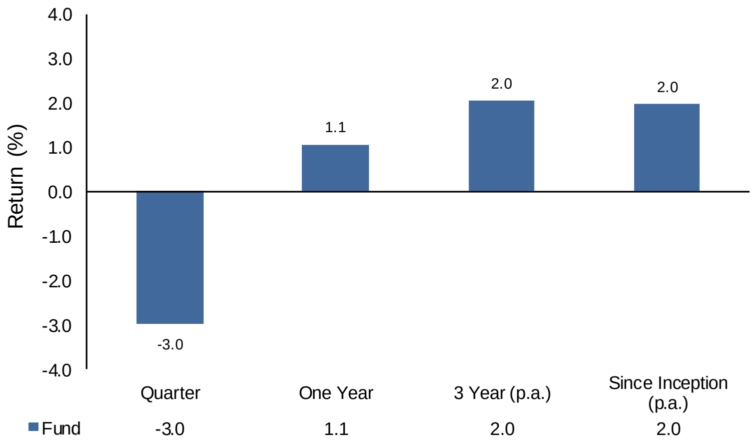
N/A

Fee Scale:

0.005% p.a.

Our Ratings:

Overall	**Buy**
ODD	**Pass**
Business	4
Staff	3
Process	4
Risk	4
Performance	4
Terms	2
ESG	2



Source: Blackrock. Returns are shown net of fees. Since inception figures shown reflect performance since the inception of the restructured mandate in July 2016.

The Fund invests in a blend of the Aquila Life Up To 5 Years UK Gilt Index Fund and the Aquila Life All Stocks UK Index-Linked Gilt Index Fund to create a portfolio with duration of c.10 years. At the outset of the portfolio's construction, the split was set to approximately 60/40 between the two funds, although this has, and will change, over time as market conditions dictate.

The table below shows the pooled funds held in the portfolio and their value as at quarter end (provided by BlackRock):

Security	Value (£)	Allocation	Nominal yield	Duration
Aquila Life Up To 5 Years UK Gilt Index Fund	56,548,644	61.6%	0.15%	2.6
Aquila Life All Stocks UK Index-Linked Gilt Index Fund	35,201,391	38.4%	1.11%	21.0
Total	**91,750,035**	**100.0%**	**0.52%**	**9.6**

Western – Active Investment Grade Credit

Qualified

Key Information:

Appointed:

April 2003

31 March 2021 Value:

£103.5 million

Vehicle:

Segregated

Mandate:

IG Credit

Benchmark:

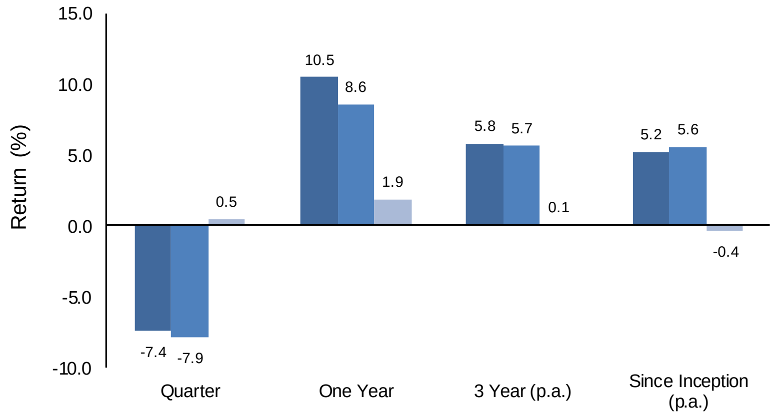
BofA Merrill Lynch Sterling Non-Gilt 10+ Index

Target:

To outperform the benchmark by 0.75% pa over a rolling 5 year period

Fee Scale:

Fixed base fee of 0.15% pa thereafter.



	Quarter	One Year	3 Year (p.a.)	Since Inception (p.a.)
Fund	-7.4	10.5	5.8	5.2
Benchmark	-7.9	8.6	5.7	5.6
Relative	0.5	1.9	0.1	-0.4

Source: Western. Returns are shown net of fees.

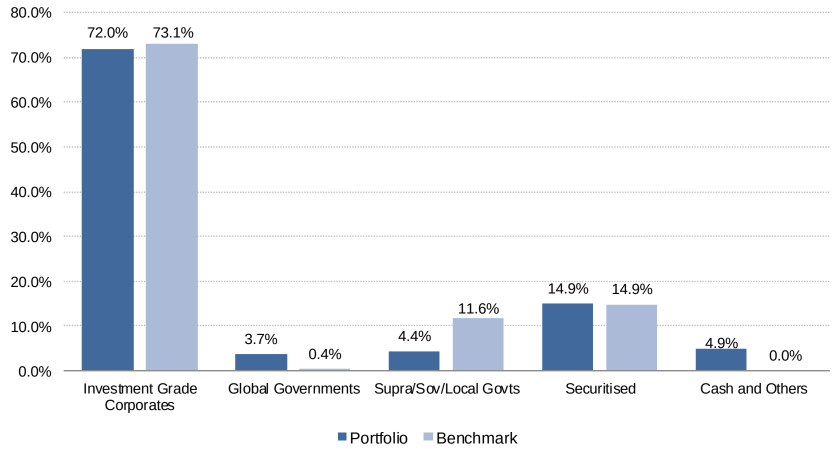
Performance

The Western mandate delivered a return of -7.4% over the quarter, outperforming the benchmark by 0.5%. Since the inception of the restructured mandate on 30 November 2016, the fund has underperformed against its benchmark, by 0.4%.

The chart on the following page shows the portfolio and benchmark allocations as at 31 March 2021.

Our Ratings:

Overall	**Qualified**
ODD	**ER**
Business	✓
Staff	✓
Process	⚐
Risk	⚐
Performance	⚐
Terms	✓



Source: Western, ICE BofAML

M&G – Inflation Opportunities

BUY*

Key Information:

Appointed:

May 2013

31 March 2021 Value:

£78.6 million

Total Strategy Assets:

£1.7 billion

Vehicle:

Pooled fund

Mandate:

Inflation Opportunities

Benchmark:

RPI

Target:

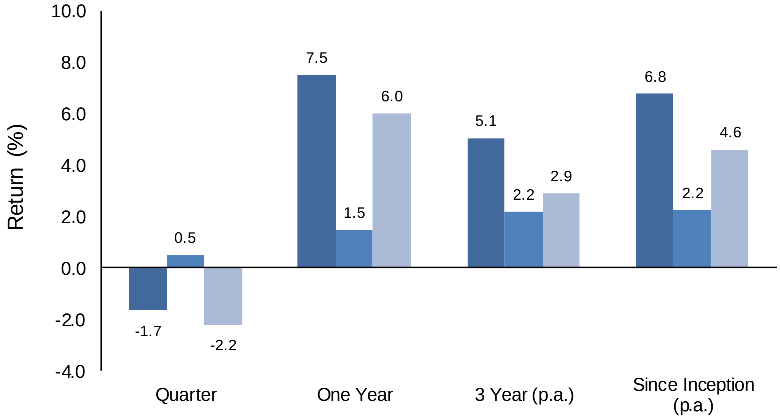
Benchmark + 2.5% pa

Fee Scale:

Fixed base fee of 0.20%- 0.50% pa on AUM.

Our Ratings:

**Due to the nature of the underlying investment, Aon's monitoring of illiquid managers is conducted on an infrequent basis. Therefore, overall ratings of these managers may be lagged over time.*



	Quarter	One Year	3 Year (p.a.)	Since Inception (p.a.)
Fund	-1.7	7.5	5.1	6.8
Benchmark	0.5	1.5	2.2	2.2
Relative	-2.2	6.0	2.9	4.6

Source: M&G. Returns are shown net of fees.

Performance

Performance over the first quarter was negative with an absolute return of -1.7%. 3 year performance remains positive with a return of 5.1% p.a. against a benchmark returns of 2.2% p.a.

Detailed performance commentary is unavailable at time of writing.

CBRE – UK Secured Long Income Fund

Buy

Key Information:

Appointed:

December 2018

31 March 2021 Value:

£27.7 million

Commitment:

£45 million

Capital drawn

£21 million

Vehicle:

Open ended (3 year initial lock up period)

Mandate:

Inflation protecting Illiquids

Benchmark:

N/A

Target:

UK LPI +2.5%-3% p.a. over rolling 10y periods

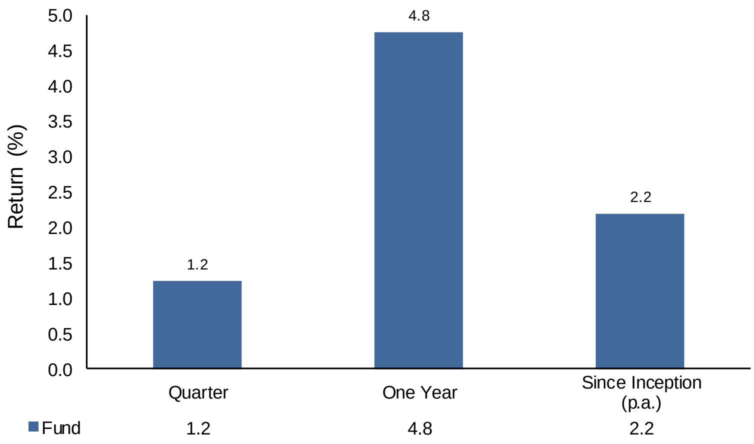
Fee Scale:

0.25% management fee per annum

Our Ratings:

Overall	**Buy**

Aon's process for reviewing property, private equity & infrastructure strategies has changed. Therefore, from 31 March 2019 onwards Aon's manager research specialists will not include sub-ratings for property, private equity & infrastructure strategies.



Source: CBRE/ Aon.

The CBRE UK Secured Long Income Fund is an open-ended product The Fund will target property with long term, predictable cash flows and explicit inflation linkage. The target annualised net distribution yield is 2.5% to 3%. The Fund will have exposure to traditional sale and leaseback properties (let on long leases with explicit inflation linkage) together with ground rents and income strips. The key individuals managing the Fund are all very experienced and skilled investors, following a rigorous and well defined process. The fee structure is very competitive and well below peer group funds.

Major Developments

In February 2021, CBRE Global Investors ("CBRE") communicated to investors their decision to outsource the administration functions for their UK pooled vehicles, including the CBRE UK Long Income Fund in which the Fund is invested, to Langham Hall. CBRE will be passing the costs of outsourcing these functions on to investors in the affected funds and estimate that it will add circa 2-3bps onto the annual management fees.

Our research team have spoken with CBRE and although we would have preferred for them to absorb the costs associated with this, we have no concerns with the decision from an administrative perspective and agree that it is a move in line with competitors. We are pleased to know that CBRE conducted a competitive tender process to identify the best third party for its requirements and are comfortable that Langham Hall is a suitable choice for the services required.

This fund remains "Buy" rated and we are not recommending any action is taken as a result of this development.

Performance

The fund delivered a return of 1.2% over Q1 2021. Over 12 months the Fund has delivered a total return of 4.8%.

Positioning and Transactions

Rent collection rates for Q1 2021 and Q2 2021 stand at 65% and 67% respectively.

Including assets which are being forward funded, approximately 68% of assets by value are secured on investment grade tenants, 21% non-investment grade with 11% constituting non-investment grade ground rents. In terms of actual investment structures, 77.5% by value are let on conventional leases, 16% on ground rents and 6.4% by way of income strips.

The portfolio which now comprises 32 assets has a weighted average lease length of 37 years with 95% of the income either being inflation linked or benefitting from fixed rental uplifts. In terms of collateralisation, this is relatively strong, with CBRE GI calculating the aggregated market rent to be 1.34x the actual passing rents and the underlying vacant possession value being equivalent to 97% of the reported investment value.

By sector, the portfolio is reasonably well diversified although we would highlight that 30.3% is categorised as Other Retail (Pubs) and this is where there have been rent payment shortfalls. Once the portfolio is fully invested, based on proposed target acquisitions, this exposure will fall to 15%. In the meantime, discussions continue with the two pub operators, Elflock and Upham, intended to provide support during the continued lockdown but also agreeing eventual repayment plans. Both hope to re-open their premises in April/May. To date, there have been no tenant CVAs or insolvencies across the portfolio. Elflock are now paying rent on all but 2 assets that expect to open in June.

In terms of transactions, the Fund exchanged contracts pre quarter-end (completed April 2021) for a £34m student accommodation investment let to the University of Derby, which CBRE GI referenced as having a credit rating of BBB+ on a 29-year lease. The aggregated market rent is 1.55x the current rent payable which has explicit RPI inflation linkage.

Furthermore, the Fund is under offer at £40m for a distribution unit in South East England (Crawley) at a net initial yield of 3.6% on a 15-year inflation linked lease to a well-known parcel delivery company. The Fund is also under offer at a price of £60m for a student accommodation block let to the University of Bristol close to the Temple Meads Enterprise district, reflecting a net initial yield of 5% for a 15-year lease linked to CPI. Finally, the Fund is under offer for another student accommodation block in Canterbury (tenant is Canterbury Christ Church University) at a price of £20m reflecting a net initial yield of 4.25%. However, this deal is contingent on the current owner replacing the building’s cladding.

London CIV – CQS Multi Asset Credit Fund

Not Rated

Key Information:

Appointed:

December 2018

31 March 2021 Value:

£54.7 million

Initial Investment

£50.0 million

Vehicle:

London CIV

Mandate:

Multi Asset Credit

Benchmark:

3 Month LIBOR (UK) Total Return Index

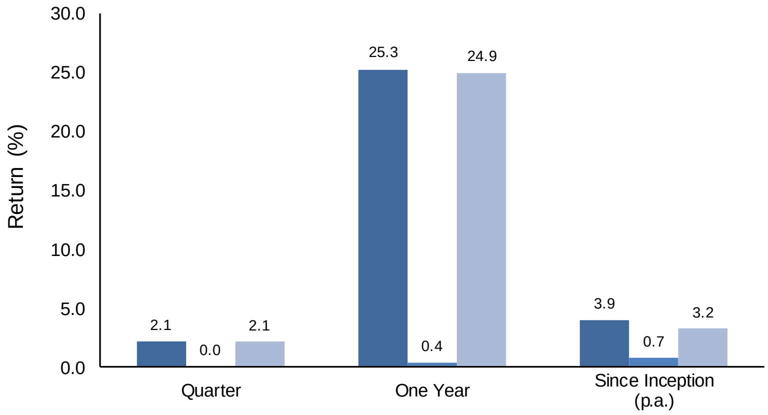
Target:

LIBOR +4-5% over 4 years

Fee Scale:

Fixed base fee of 0.41% pa on AUM. No performance fee.

An additional platform fee of 0.025% p.a. is payable to London CIV.



	Quarter	One Year	Since Inception (p.a.)
Fund	2.1	25.3	3.9
Benchmark	0.0	0.4	0.7
Relative	2.1	24.9	3.2

Source: London CIV/ Aon. Returns are shown net of fees.

Major Developments

The London CIV placed CQS on 'Watch' in June 2019, over concerns they had with performance, senior management turnover and the fund's investment strategy.

In early 2020 we were made aware that CQS were no longer on 'Watch' with the London CIV, however the London CIV would be increasing the level of monitoring of CQS for a period. CQS have now been on 'Enhanced Monitoring' for over 12 months.

Insight – Absolute Return Bond Funds

Buy

Key Information:

Appointed:

December 2013

31 March 2021 Value:

£31.9 million

Initial Investments:

£10.0 million

Additional Investments:

£10.0 million (January 2014)

£10.0 million (March 2014)

Vehicle:

Insight Bonds Plus 400 Fund

Mandate:

Absolute Return Bonds

Benchmark:

3 Month LIBOR (UK) Total Return Index

Target:

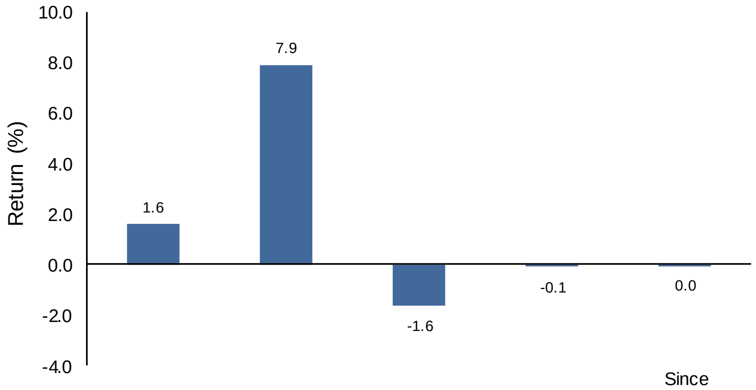
Benchmark + 4.0% pa over rolling 3 year periods net of fees.

Fee Scale:

Fixed base fee of 0.75% per annum.

Our Ratings:

Overall	**Buy**
ODD	**A1**
Business	4
Staff	4
Process	4
Risk	3
Performance	3
Terms	2
ESG	2



	Quarter	One Year	3 Year (p.a.)	5 Year (p.a.)	Since Inception (p.a.)
Fund	1.6	7.9	-1.6	-0.1	0.0

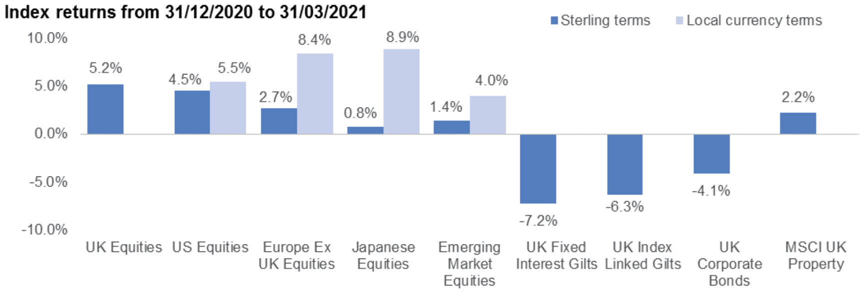
Source: Northern Trust/ Aon. Returns are shown net of fees.

Performance

The Fund had a positive absolute return over the quarter. Country allocation was a strong positive for performance. The main contributors were a long in Japan versus Germany. Underweights in Canada versus the UK and US and our long position in Italy versus Germany were also positive. The long in Australia versus US was a positive contributor. A long in IG corporate credit was positive. Within credit their positioning in corporates was a positive as their relative value trades (long subordinated financials versus IG corporates and long cash versus CDS) performed well despite the move higher in yields.

Appendix A – Market Background: Q1 2021

Index returns



Source: FactSet, MSCI (Equities, Property), iBoxx (Corporate Bonds), FTSE (Gilts)

General Background

- Improving economic data over the quarter in most countries and global vaccination roll-outs provided continued optimism over economic recovery. In the US, the $1.9tn US economic relief package was approved by the Senate after Democrat Joe Biden was sworn in as US President in January. However, global Covid-19 cases continued to surge, with many countries going back into lockdown as new virus variants raised concern. Health risks also halted the vaccine roll-out in some countries whilst supply constraints led to slower roll-out in Europe than expected.
- Global equities continued to perform well over the quarter. The MSCI AC World posted a 6% return in local terms and a 3.7% return in sterling terms as sterling appreciated in a relief rally after a Brexit agreement was finally reached with the European Union at the end of 2020.
- Bond yields rose over the quarter, most markedly in the US on the back of economic recovery and inflation expectations fuelled by the new stimulus package. Meanwhile, the US Federal Reserve (Fed) continued to indicate that it would keep interest rates near zero until at least 2024 while upgrading its 2021 growth forecast to 6.5% from 4.2%. The European Central Bank (ECB) pledged to speed up its bond-buying program under its €1.9tn pandemic emergency purchase program (PEPP).
- The FTSE All Stocks Gilts Index and the FTSE All Stocks Index-Linked Gilts Index returned -7.2% and -6.3% respectively as gilt yields followed US treasury yields higher and were boosted by economic optimism as vaccines were rolled out speedily in the UK.
- UK investment grade credit spreads continued to contract as credit markets performed well. However, the return on the iBoxx Sterling Non-Gilt Index fell by 4.1% over Q1, driven by rising government bond yields.
- Political tensions between China and major Western countries rose over Beijing's treatment of Uyghur Muslims. Sanctions were imposed by both sides.
- A steady income return ensured that the total return of the MSCI UK Monthly Property Index remained in positive territory, as the index returned 2.2% overall. The index was boosted by a rise in UK property capital values.

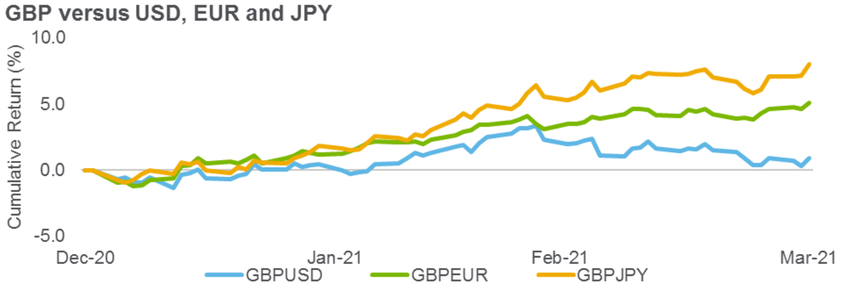
UK Equities

- UK equities rose by 5.2%, outperforming other markets in sterling terms, but not in local terms, after their huge 10.6% return in Q4 2020. The UK entered its third national lockdown in January with 1.3 million cases reported just in that month. However, the impressive UK vaccination program caused case numbers to tumble and the UK equity market, along with other equity markets, posted strong March returns. The Energy and Materials sectors performed particularly well as commodity markets continued to rally with the Brent crude oil price future moving above $60/barrel. The Financial sector also posted a 10.1% return as rising bond yields buoyed the sector.
- UK large cap stocks underperformed their smaller counterparts again this quarter as the more international-focused large caps were hurt by sterling appreciation.

Overseas Equities

- Japanese equities made the strongest local currency gains over the quarter, supported by low virus cases, global demand for its exports and cyclical market exposure. However, most of the gain was eradicated from an unhedged UK investor perspective due to yen depreciation against the pound.
- European ex-UK equities posted the next strongest local return despite its slow vaccine roll-out and increase in virus cases which continued to hurt its services sector. However, the region's Manufacturing Purchasing Managers' Index hit a high of 62.4.
- US equities returned 5.5% over the quarter in local currency terms. The labour market continued to improve with the US unemployment rate falling to 6.2% in February, down from 6.7% a quarter ago. The Consumer Confidence Index rose strongly.
- After being the best performer in Q4 2020, Emerging market equities lagged this quarter as rising US yields and a more buoyant US dollar dragged on equity markets and currencies.
- In the FTSE All-World ex-UK Index, Energy (+18.0%) and Financials (+10.4%) were the best performing sectors in local currency terms, benefiting from the recovering global economy and oil prices. On the flipside, Healthcare (+1.8%) and Utilities (+2.4%) were the worst performers.

Currencies and Interest Rates

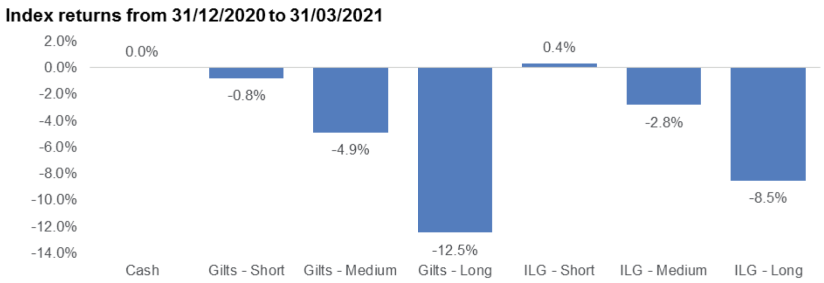


Source: FactSet

- Sterling appreciated against major currencies over the quarter, boosted by the Brexit deal, vaccine-led economic optimism and higher UK bond yields. It rallied most against the yen (8% move) which depreciated on a broad basis against the global risk-on backdrop but the pound was also quite strong against the euro, rising by 5.1% to €1.17/£.

- The US Dollar Index rose by 3.7% over the quarter as the US regained some of its growth and yield advantage over the rest of the world. Sterling moved briefly above $1.40/£ in February but ended the quarter at $1.38/£ after appreciating, removing some of the appreciation gains over the quarter.

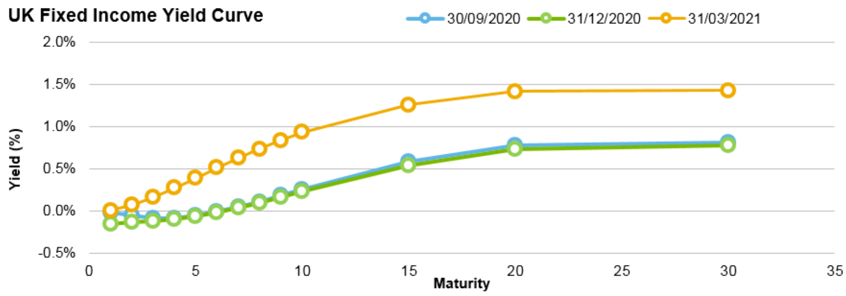
Gilt Returns

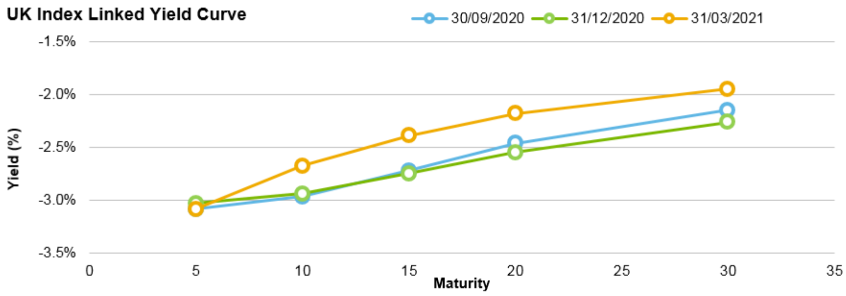


Source: FactSet, ICE BofA (cash), FTSE (all others).

- UK fixed gilt yields rose across all maturities over the first quarter, driving the negative performance of UK fixed interest government bonds. Yields rose on the back of expectations of a strong economic recovery and the shift in expectations of money markets away from a negative bank rate.
- The FTSE All Stocks Gilts Index returned -7.2% over the quarter whilst the FTSE All Stocks Index-Linked Gilts Index returned -6.3%.

Yield Curves



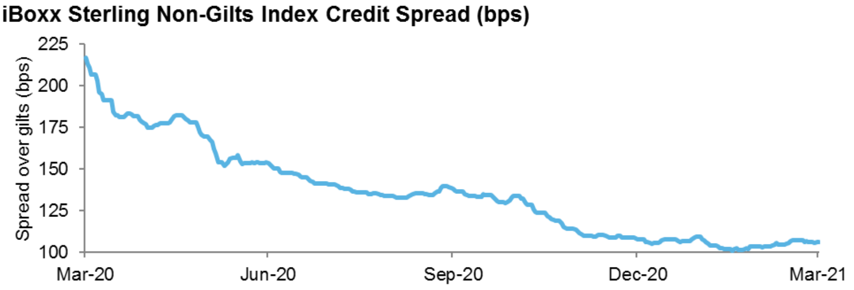


Source: Aon, Bloomberg.

- UK nominal government bond yields rose across maturities over the first quarter. The rise in yields at medium and long-dated maturities was significant with 10-year and 30-year nominal yields rising 70bps to 0.93% and 65bps to 1.43% respectively. These yields are now back to similar levels to prior to the pandemic at the start of last year.

- The upwards shift in the index linked yield curve was less marked as breakeven inflation rose strongly over the quarter, buoyed by economic optimism. 10-year breakeven inflation increased to 3.71% rising 44bps over the quarter.

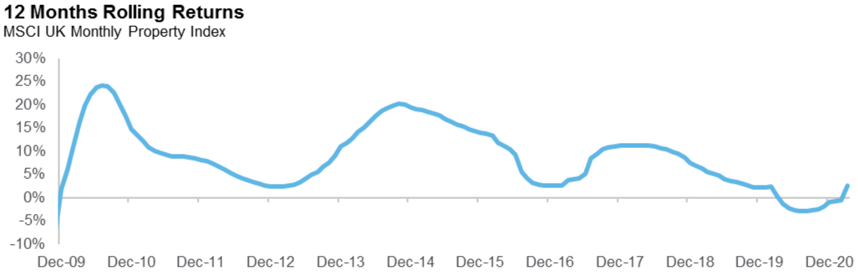
UK Investment Grade Credit



Source: FactSet, iBoxx

- Credit markets benefited from risk-on investor sentiment with credit spreads continuing to contract to ever tighter levels. UK investment grade credit spreads edged down by 2bps to 106bps, based on IBoxx Sterling Non-Gilts data. Lower-quality credit spreads tightened by more than their higher-quality counterparts. BBB-rated non-gilt spreads fell by 5bps to 152bps. However, due to the rise in government bond yields, the Sterling Non-Gilts Index dropped by 4.1%.
- Global investment grade credit spreads fell by 5bps to 98bps over the quarter. Riskier areas of credit, such as US high yield bonds outperformed due to their shorter duration and larger credit spread contraction. US high yield credit spreads fell by 50bps to end the quarter at 336bps. (Data is based on ICE BofA indices).
- Hard currency Emerging debt spreads, in contrast, widened by 73bps (based on the JP Morgan EMBI Global Diversified index) as higher US yields unnerved Emerging markets.

UK Property



Source: MSCI

- UK property capital values continued to rise over the first quarter of 2021. Together with a steady income return, the MSCI UK Monthly Property Index posted a positive return of 2.2% over the quarter. The index has reached an all-time high. Meanwhile, vacancy rates rose by 0.8% to 9.8%, whilst rental growth was slightly positive.
- The Industrial sector continued to outperform other property sectors, returning 5.2% over Q1, boosted by heightened demand for logistics during the pandemic. Meanwhile, the Retail and Office sectors returned 0.6% and 0.1% respectively.

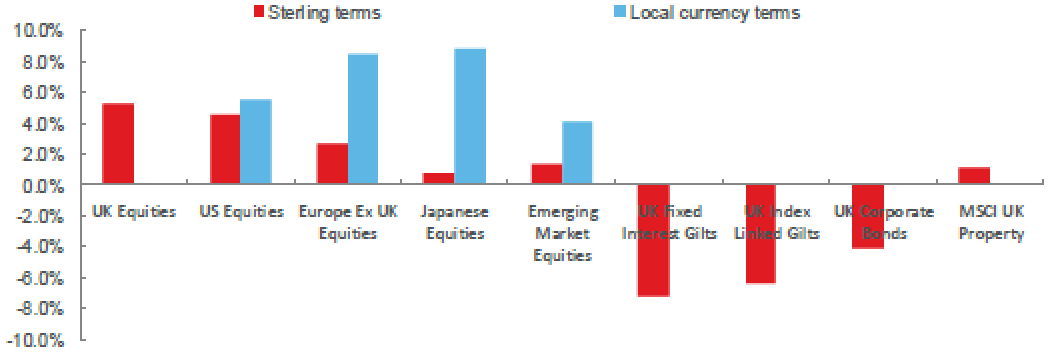
Accounting Deficit (FTSE 350)	▪ The aggregate accounting balance of final salary pension schemes fell over the quarter. Asset values of a typical scheme also fell over the quarter, with rising equity markets offsetting some of the falls in the value of government bond holdings due to a rising gilt yield environment. Overall, by the end of the quarter, the accounting balance improved by £23.4bn to an £18.5bn deficit. ▪ Accounting basis discount rates, which are typically based on estimates of corporate bond yields at longer maturities, ended the quarter higher as underlying government bond yields increased. Long-dated corporate bond yields, based on the iBoxx Sterling Non-Gilts Over 10 Year Index, rose by 66bps to 2.37%. Pension liabilities fell by £67.1bn over the period on an accounting basis.
Funding Levels (Typical Pension Scheme)	▪ Liabilities decreased on a gilts basis over the quarter as long-dated bond yields rose. Asset values also fell but proportionally less than liabilities which led to an increase in funding ratios. The aggregate funding ratio on a gilts basis rose by 2.4% to 72.4%. ▪ Long-dated fixed interest gilt yields (20-year duration) rose by 69 bps to 1.42% over the quarter. 20-year real yields rose by 37bps over the quarter whilst 20-year breakeven inflation rose by 32bps.

Appendix B – Quarterly Investment Outlook

Summary

- Vaccine success and large US fiscal expansion have led to a rare event. Bond yields and rates views have moved up for a change.
- The pandemic's drag on economic activity now looks to be of shorter duration than many would have expected a year ago. But its disruption and key 'new normal' effects will still leave a lasting legacy.
- The gilt yield jump in Q1 has erased the extreme pessimism in the UK rates market. Large yield moves higher from here look unlikely.
- Index-linked gilts look expensive versus fixed, however. The current scarcity of index-linked gilts should ease as issuance rises. However,
- any inflation underhedging to take advantage of this needs to be done with care.
- Pension scheme de-risking demand for UK corporate bonds is now an important factor in sustaining low credit spreads in the sterling market. Low reward for credit risk could remain the status quo on these trends. Global approaches to credit selection will provide some alleviation.
- The past half year's comeback in equity market laggards represents a conventional rotation to value, which has been in line with our views. There should be some more of it later this year.
- The earnings recovery under way is supportive for equities but recovery and reopening is already priced in. More good news to excite markets is getting harder to find. Equities look reasonable as a 'hold' but it is harder to make the case for putting new money to work.
- UK commercial property appears to have had a pandemic 'soft landing' to date but there are some caveats. A global approach to real estate exposures remains the preferred option.
- Bitcoin is a long way away from being a new digital gold. Its scary volatility, speculative immaturity and competition from central banks are formidable hurdles to its wider adoption.

Q1 2021 Performance Summary[1]



Source: FactSet, MSCI (Equities, Property), FTSE (Gilts), iBoxx (Credit)

[1] **Past performance is no guarantee of future results**. Indices cannot be invested in directly. Unmanaged index returns assume reinvestment of all distributions and do not reflect fees or expenses

Global Outlook

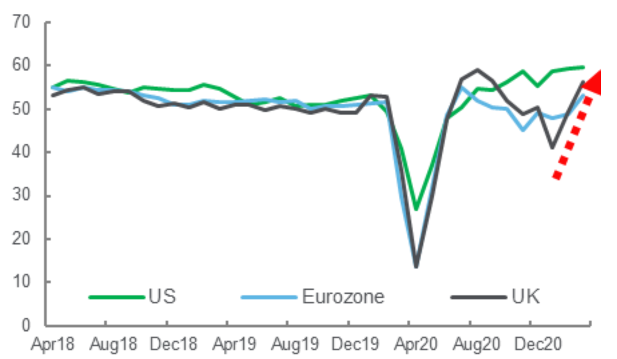
Re-opening and recovery expectations prompt a bond sell-off

After the initial pandemic shock in early 2020, falling bond yields and rising equity markets had coincided for the rest of the year. Central banks cut interest rates and pumped in liquidity, supporting both bonds and risky assets. This market dynamic changed coming into 2021, with equities and bonds going in opposite directions. The trigger was the rush of optimism on economic recovery. Hopes rose for vaccine-led economic re-opening just as a very large fiscal stimulus package under a new US administration passed Congress. This combination made those low bond yields of late 2020 look suspect given the transformed economic outlook. Bond prices fell sharply as yields jumped everywhere, gilts included. Equities rose on the promise of stronger corporate profits and the UK market continued its run of better performance. Even UK commercial property returns moved positive as capital value falls eased.

2020's 'New Normal' ideas remain valid even with a 'short' pandemic

As we look back on the past year, it is striking how the world's scientific community discovered highly effective vaccines in well under a year after the initial pandemic outbreak, far sooner than could reasonably have been expected. Swift regulatory approval followed. Some, though not all, governments have then succeeded in a rapid rollout to the public. This overall success in vaccines makes the duration and severity of the pandemic look rather better than most would have hoped for a year ago, even though declaring victory is still premature. This scientific feat has transformed economic forecasts for 2021 and is being reflected in activity data now coming through (see chart).

Global economic releases signalling recovery
(Purchasing Managers' Indices)



Source: Markit, FactSet

Does this astonishing success mean that 'New Normal' notions of Covid-19's lasting impact, so commonly discussed last year, should be jettisoned? We had argued that our highlighted New Normal trends were likely to be mostly impervious to the pandemic's duration and severity[1]. In fact, a year later, even with a seemingly 'short' pandemic, most if not all, of these New Normal trends appear to persist. Whether it is greater digital penetration, or much greater government involvement in economies, a stronger focus on inequality, or indeed faster progress towards a carbon transition, we have been travelling further along the roadmap laid out last year.

Of course, it is true that a year is a short time and allows us only a preliminary assessment, especially for the more structural New Normal scenarios which will take much more time than a year to evolve. A note updating developments on these New Normal trends will be available soon.

Interest rates and gilt yields

Gilt yields rise, but what now?

Q1's rise in gilt yields is a rare event, given such a long period of falling gilt yields. Falling yields over time have mainly reflected moves towards lower policy interest rates and gilt markets becoming resigned to a view that ultra-low rates would remain the status quo for many years to come. However, last year's yield falls had gone to levels where pessimism on the outlook had just stretched too far. With the UK's successful vaccine rollout in early 2021 and pent up demand from consumers unable to spend in lockdowns, something had to give. As UK economic growth forecasts started to be revised up sharply in late January, yields jumped, by about 0.5% across middle and longer tenors. The market's expectation that a negative bank rate might be the end game for the Bank of England, faded.

What now for gilt yields after this step jump? We see the excessive pessimism in gilts now largely erased, even though some upward creep over time is still likely, a view that the gilt yield curve already allows for. To us, the Q1 jump in yields does not look like the thin end of the wedge in portending large further rises in yields. The economy will bounce later this year, but it is unlikely to be growing fast enough beyond that to ignite overheating and inflation fears. Just as important, rising rates would make management of the government's sharply increased debt burden far harder, an important element of the New Normal. This limits scope for the Bank of England to raise interest rates and caps fixed interest gilt yields, even though small increases in bank rate over time should still be possible.

[1] Aon, *The New Normal – what is it and what does it mean for investors?* August 2020

Inflation hedging

Inflation hedging currently expensive

Index-linked gilts, however, do show a pricing anomaly relative to their fixed equivalent. This arises because current implied inflation in the index-linked market substantially exceeds expected inflation. If we take the next 25 years (i.e. the 2021 to 2045 period), consensus views see average expected inflation (allowing for the move from RPI to CPIH inflation in early 2030) at least 1% lower than current implied inflation in the gilt market for this period. Since the November RPI announcement, inflation hedging has become more, not less, expensive despite likely longer-dated inflation falling markedly after reform (see chart). Even after allowing for the customary 'inflation risk premium' (which reflects the scarcity of index-linked gilts), UK inflation hedging costs are high. What is the explanation? It looks as though the scarcity of index-linked gilts has increased in the past few years on account of the government reducing the proportion of its gilt issuance that is inflation-linked, amidst still high hedging demand. Over the medium-term, this imbalance in the market should ease as index-linked issuance picks up again with the reform announcement now behind us. This would lower the market's implied inflation levels towards more reasonable levels. Such a view does not imply that clients should necessarily reduce hedging levels. For many, it will not be the right thing to do. Schemes will need to evaluate the risks and reward carefully, and those deciding to under-hedge will need to size positions bearing in mind the risk that the pricing anomaly could persist.

Inflation pricing higher since RPI reform announcement
(25-year implied inflation - spot rate, %)

Source: Bank of England, FactSet

Credit views

Pension funds driving up sterling corporate bond prices?

Funding levels for UK pension schemes have improved in the past year and are much higher than five years ago. Funding improvement has encouraged de-risking to 'lock-in' gains and this trend has strengthened recently. As funds move towards self-sufficiency or buy-out, asset allocation has changed, with lower allocations to equities and more towards bonds. The journey to buyout and higher cash flow needs of more mature pension funds raise scheme-buying of corporate bonds. Cashflow-driven and 'buy and maintain' strategies have been popular. The Pensions Regulator's data show what has been happening; the DB universe has raised its bond allocation in assets some 20% in the 2015-20 period, corporate bonds averaging about a third of this.
Raised demand affects prices of corporate bonds much as liability hedging through LDI has over many years increased demand and raised prices for index-linked gilts. As more pension assets switch into credit, this impact could increase. Higher issuance can only take some of the strain. This demand-led impact is arguably already a factor in UK corporate bond spreads recently reaching their lowest ever level (adjusted for credit grade quality), though credit spreads are now very low globally.
What does this mean for investors? That reward for credit risk in holding corporate bonds is likely to settle at lower levels on an ongoing basis. This does not mean that market fluctuations do not happen (as we saw through the pandemic shock last year), but it could mean a lower average level of credit spreads over time. One alleviation of this difficulty for investors is to consider a more global approach, although many will prefer to hold sterling bonds.

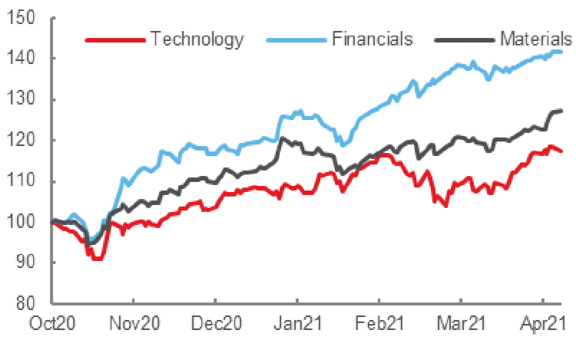
Equities

How the laggards caught up

The vaccine news prompted a strong change of market leadership. Global sector performance since this move began six months or so ago, tell the story well. Technology, the big winner of the pandemic has generally underperformed since, and financial and resource stocks have made a strong comeback (see chart below). So much so now that over the previous twelve months, these three sectors now show level-pegging performance (all three showing gains of around 60% at the time of writing). This rebound does not claw back much ground versus technology over longer periods, but it is still something.

Our view on the vaccine news being the catalyst for a rotation into the laggards was based on a conventional rotation to value. Confidence would grow on economic recovery amidst higher bond yields and reduced pessimism in rates markets. This has happened. Some of this rotation is behind us, but some more should come later in the year as the global recovery disperses towards lagging regions.

How lagging sectors caught up since last October
(MSCI World sector returns, US dollars, October 2020=100)



Source: MSCI, FactSet

Crosscurrents for equities

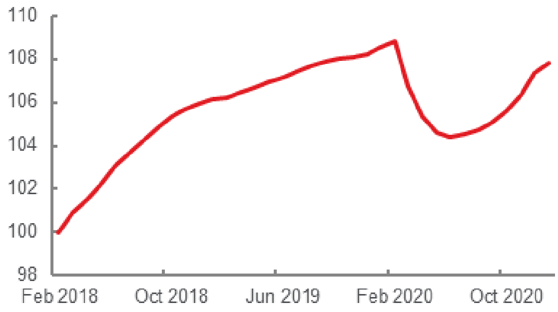
The rotation into the laggards has been healthy for markets given the narrowness of the earlier gains in 2020 which had been far too focused on a small number of stocks. Recovery optimism is coming through in upward revisions to earnings forecasts. More positive economic news flow also helps keep equity markets supported for now.
However, this may not be enough to keep markets ascending. Equities have now priced in economic re-opening and a profits recovery. There is an absence of positive catalysts to push further gains. Indicators of investor sentiment and positioning are very upbeat, which also suggest limited room for positive surprises. Finally, with such strong gains behind us, we are sitting at record equity market valuations. While it is still true that valuation does not look stretched relative to fixed income, bonds are a threat. The effects on yields of such a large rise in US treasury issuance to finance an expected budget deficit of some 15% of US GDP in 2021 are an unknown. This is a source of market volatility; we have already seen the high sensitivity of the technology sector to interest rate trends in the past few months. Overall, this backdrop still suggests some challenges for equities ahead. As we see it today, equities are a 'hold', not a 'buy', but de-risking schemes are well placed in this environment to implement their plans.

UK commercial property

Pandemic 'soft landing'?

On the face of it, UK commercial property has had a pandemic 'soft landing', defying many gloomy forecasts that were made a year ago. Returns dipped into negative territory for a time but are now turning positive (see chart). Property returns derive substantial stability and positive tailwinds from the income element which normally accounts for most of the return. Weaker rents and a dip in capital values were seen for a time, but the outlook overall seems to have stabilised recently. While office demand is weak, logistics demand for property has been strong. Inward investment from overseas has not fallen. Capital values, already dipping before the pandemic, are now settling about 10% lower than 2018 levels; these falls are not large enough to threaten a prolonged period of negative returns.

UK commercial property soft landing?
(MSCI UK property total return index, February 2018 = 100)



Source: MSCI, FactSet

Still, some caution is merited for several reasons. The volume of transactions fell sharply last year, which means that appraisal values became less reliable. Various pandemic cushions brought in to protect tenants (such as preventing forfeiture of commercial leases) prevented pain and cannot be continued indefinitely. Office demand may not revive easily even with a stronger economy. All said and done, however, this looks more like a period of subdued return than prolonged outright pain for UK property. However, we continue to prefer the global route in property exposures in order to access diversity in different markets.

Cryptocurrency

Bitcoin still far from ‘digital gold’

Bitcoin’s stratospheric rise in recent years has put it in the limelight and raised investor curiosity. Proponents see a parallel with gold, seeing Bitcoin poised to become a digital store of value. We took a close look at Bitcoin recently and our assessment is that we are a long way away from that. Its extreme volatility, a multiple of that in gold and equities, is a key barrier to more widespread adoption making the market appear very speculative and immature. A more immediate threat to Bitcoin is central bank and regulatory intervention or competition which would potentially limit institutional demand. The new Bank of England proposal for a digital currency provides an early indication of this.

Appendix C – Explanation of Manager Ratings

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		

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

Overall ODD Rating*	What does this mean?
A1 Pass	No material operational concerns – the firm's operations largely align with a well-controlled operating environment.
A2 Pass	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.

*Operational due diligence inputs provided to the research team by Aon's Operational Risk Solutions and Analytics Group (ORSA). ORSA is an independent entity from Aon Solutions UK Limited, Aon Solutions Investment Consulting, Inc., and Aon Solutions Inc./ Aon Solutions Investment Management Inc. Investment advice is provided by these Aon entities.

Aon 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
Not Recommended	A quantitative assessment of this strategy indicates it does not meet our desired criteria for investment. This strategy is not recommended.
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.

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

Overall Rating	What does this mean?
4	The Fund Management Team demonstrates high awareness of all known and potentially financially material ESG risks in the investment strategy and, at present, has incorporated appropriate processes to identify, evaluate and potentially mitigate these risks across the entire portfolio.
3	The Fund Management Team demonstrates an above average awareness of potential ESG risks in the investment strategy and has taken essential steps to identify, evaluate and potentially mitigate these risks.
2	The Fund Management Team is aware of potential ESG risks in the investment strategy and has taken some steps to identify, evaluate and potentially mitigate these risks.
1	The Fund Management Team appears unaware or unconcerned with ESG risks in the investment strategy and has not taken any material steps to address ESG considerations in the portfolio.
N/A (Not Applicable)	An evaluation of ESG risks is not directly applicable to this strategy and therefore an ESG rating has not been assessed.

NR (Not Rated)	An evaluation of ESG risks is not yet available for this strategy.

Ratings Explanation - Infrastructure

The standard ratings for **closed** Infrastructure funds have changed from Buy, Qualified, Not Qualified to a Performance Rating of Exceeding Expectations, Performing, or Below Expectations. This change is being made to better address the nature of the asset class and closed fund structures. The current "Buy, Qualified, Not Qualified" rating system is not really useful for closed funds since an investor can neither invest in nor exit a closed fund, except through the secondary market. The Performance Rating is designed to provide better and more useful information on a closed fund's performance. The Performance Rating is based on a series on quantitative inputs, the weighting of which adjust as a fund matures. A fund will be rated annually through the quantitative rating process. Performance Ratings will not be adjusted quarterly unless there is a very significant change in performance. The definition of the Performance Ratings is below:

Overall Rating	What does this mean?
Exceeding Expectations	The product has adequate diversification relative to its goals and is performing well relative to its peers of the same vintage.
Performing	The product has adequate diversification relative to its goals and is performing in line with its peers of the same vintage. The product may have some investment concentrations relative to its goals yet is performing well relative to, or in line with, its peers of the same vintage.
Below Expectations	The product is performing below its peers of the same vintage. The product may have some or significant investment concentrations relative to its goals.
In Review	The rating is under review as we evaluate factors that may cause us to change the current rating

Disclaimer

This document and any enclosures or attachments are prepared on the understanding that it is solely for the benefit of the addressee(s). Unless we provide express prior written consent, no part of this document should be reproduced, distributed or communicated to anyone else and, in providing this document, we do not accept or assume any responsibility for any other purpose or to anyone other than the addressee(s) of this document.

Notwithstanding the level of skill and care used in conducting due diligence into any organisation that is the subject of a rating in this document, it is not always possible to detect the negligence, fraud, or other misconduct of the organisation being assessed or any weaknesses in that organisation's systems and controls or operations.

This document and any due diligence conducted is based upon information available to us at the date of this document and takes no account of subsequent developments. In preparing this document we may have relied upon data supplied to us by third parties (including those that are the subject of due diligence) and therefore no warranty or guarantee of accuracy or completeness is provided. We cannot be held accountable for any error, omission or misrepresentation of any data provided to us by third parties (including those that are the subject of due diligence). This document is not intended by us to form a basis of any decision by any third party to do or omit to do anything.

Any opinions or assumptions in this document have been derived by us through a blend of economic theory, historical analysis and/or other sources. Any opinion or assumption may contain elements of subjective judgement and are not intended to imply, nor should be interpreted as conveying, any form of guarantee or assurance by us of any future performance. Views are derived from our research process and it should be noted in particular that we cannot research legal, regulatory, administrative or accounting procedures and accordingly make no warranty and accept no responsibility for consequences arising from relying on this document in this regard.

Calculations may be derived from our proprietary models in use at that time. Models may be based on historical analysis of data and other methodologies and we may have incorporated their subjective judgement to complement such data as is available. It should be noted that models may change over time and they should not be relied upon to capture future uncertainty or events.