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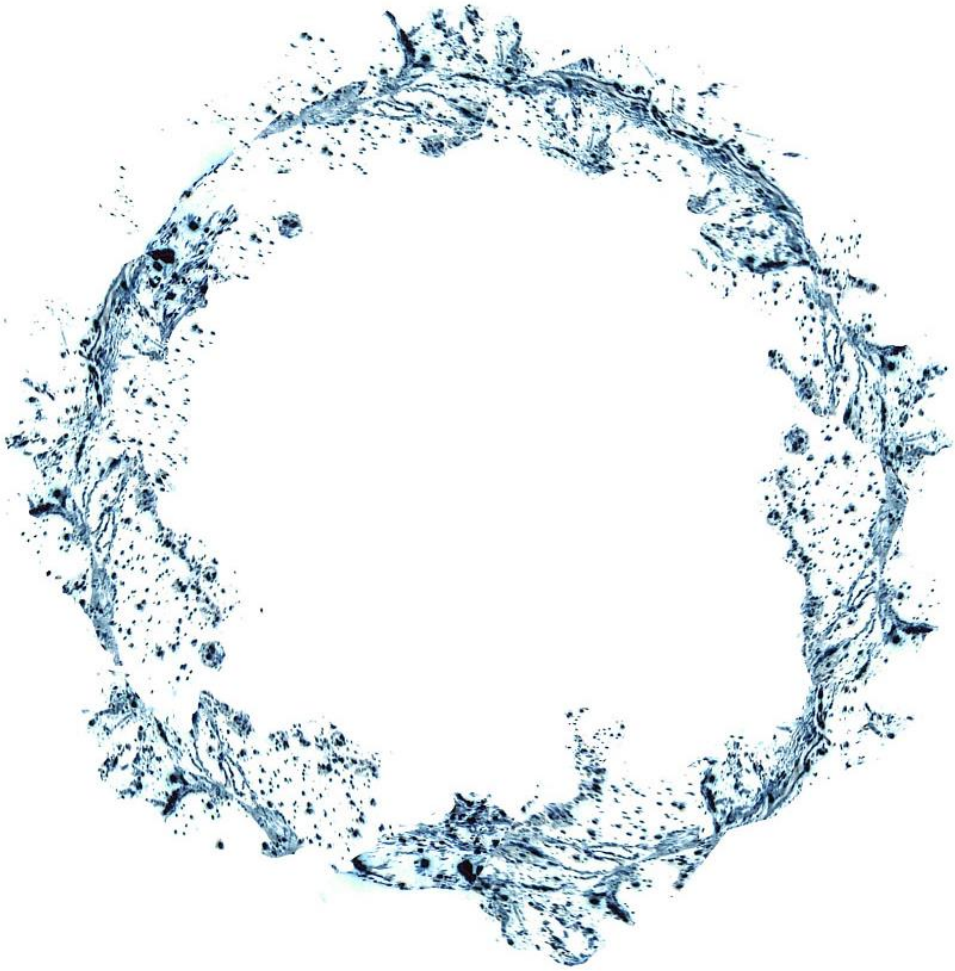


City of Westminster Pension Fund

Investment Performance Report to 30 June 2020

Deloitte Total Reward and Benefits Limited
October 2020

Contents

1 Market Background

Global Equities

At the start of the second quarter, the 'epicentre' of the COVID-19 outbreak was still in Europe, but latterly moved west to both North and South America with countries such as USA and Brazil experiencing large spikes in reported cases. By the end of June, most countries in Europe had brought the outbreak under some form of control, albeit local outbreaks were still emerging.

Economic data for April showed the damage caused by lockdown restrictions with unprecedented contractions in economic activity around the world. However, by the end of the second quarter some early economic indicators - such as US jobs and retail data - suggested that the economic recovery was underway. That said, the global economy has a long way to go to get back to pre COVID-19 levels of economic activity and recover significant falls in GDP.

After the sharp downturn in global equity markets during March, global equity markets rebounded strongly in the second quarter of 2020, returning 18.4% in local currency terms (or 19.7% in sterling terms). Investors were undoubtedly reassured by unprecedented levels of fiscal and monetary stimulus which had a stabilising effect on capital markets around the world. Equity markets were also buoyed by the gradual easing of lockdown restrictions and hopes of a speedy V-shaped economic recovery.

There was a large dispersion in returns at a sector level with different industries impacted by the COVID-19 outbreak to differing degrees. Basic Materials was the best performing sector in the second quarter returning 26.6%, whilst Industrials (19.3%) and Technology (16.8%) also made large gains. Oil & Gas (-9.4%) was the one sector to deliver a negative return over the second quarter with investors recognising that it would take some time for global oil demand to recover to pre COVID-19 levels.

UK equities also rebounded over the quarter (the FTSE All Share index returned 10.2%) but lagged overseas markets. The UK market's high concentration to underperforming sectors such as Oil & Gas and Financials and continued uncertainty over the UK's future trading relationship with the EU are likely contributors to underperformance. The FTSE 250 Index (13.9%) outperformed the FTSE 100 Index (9.1%) due to its greater diversification and smaller exposure to the Oil & Gas and Financials sectors.

Government bonds

Nominal gilt yields continued to trend lower over the quarter decreasing 15-20 bps across the curve. In fact, for the first time in history yields fell into negative territory at shorter maturities. Demand for gilts remains elevated in such uncertain economic times. The Bank of England has committed to buy sufficient quantities of gilts, through its recently expanded quantitative easing programme, to offset the necessary increase in gilt issuance required to fund the government's enlarged spending plans. The All Stocks Gilt Index subsequently delivered a positive return of 2.5% over the 3 months to 30 June 2020.

Real yields on index-linked gilts also trended lower, decreasing by 20-30 bps at the short-end and by 40-50 bps for longer maturities with a corresponding rise in long term inflation expectations, perhaps as a result of record levels of monetary stimulus. The All Stocks Over 5 Year Index-Linked Gilts Index returned 11.5% over the quarter.

Corporate bonds

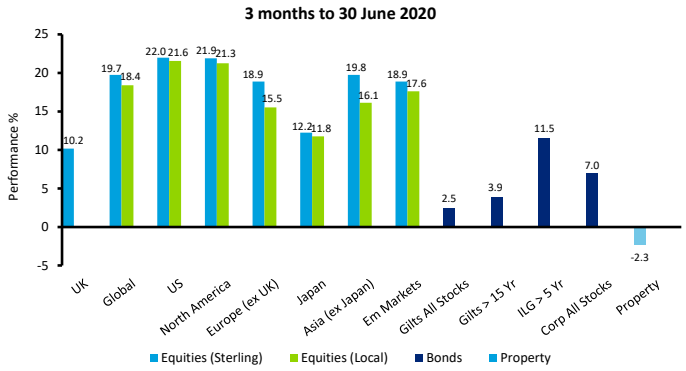
Credit spreads narrowed 65 basis points in the second quarter as risk appetite returned, underpinned by central bank support, which includes promises to purchase both investment grade and high yield corporate debt. Corporate bonds therefore outperformed equivalent gilts over the quarter with the iBoxx All Stocks Non-Gilt Index returning 7.0%.

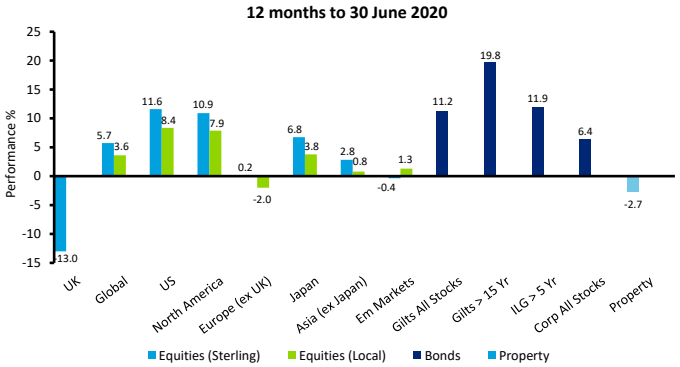
Although credit spreads have narrowed, they remain above historic average levels. However, the risk of default remains elevated and shouldn't be underestimated given the severity of COVID-19's economic impact. Although the first peak of the COVID-19 virus appears to have passed its worst point, the exact shape and speed of the economic recovery remains as uncertain as the future spread of the virus.

Property

The UK property market trended lower over the second quarter with the MSCI UK All Property Index delivering a negative return of -2.3%. Whilst there was increased activity over the second quarter transactions remains suppressed versus pre-pandemic levels. Consequently, gating restrictions remain in place across many property funds. Furthermore, negative performance over the second quarter is unlikely to represent the full extent of property market depreciation. Further valuation falls seem likely in the months ahead.

The reduction in business activity during lockdown has severely disrupted corporate cashflows over the second quarter and tenants across all sectors requested rental deferments, most notably in the holiday and leisure industries. The COVID-19 lockdown has also accelerated longer term structural trends including the decline in high street shopping in favour of online shopping, whilst increased levels of remote working may affect future demand for central offices.





2 Total Fund

2.1 Investment Performance to 30 June 2020

The following table provides a summary of the performance of the Fund's managers.

Manager	Asset Class	Last Quarter (%)		Last Year (%)		Last 3 Years (% p.a.)		Since inception (% p.a.)	
		Fund Net of fees	B'mark	Fund Net of fees	B'mark	Fund Net of fees	B'mark	Fund Net of fees	B'mark
LGIM	Global Equity	18.5	18.5	2.0	2.1	5.7	5.7	9.9	9.9
LCIV	Global Equity	27.9	19.6	17.2	5.2	14.0	7.9	15.5	11.3
Longview	Global Equity	14.1	19.8	-5.0	5.9	4.9	8.5	10.3	11.2
Insight[1]	Buy and Maintain	8.2	5.1	6.0	4.2	n/a	n/a	6.3	5.3
LCIV	Multi Asset Credit	12.7	1.3	-4.6	5.0	n/a	n/a	-1.3	5.1
Hermes	Property	-2.3	-2.1	-1.5	-2.3	4.8	4.0	8.3	7.0
Aberdeen Standard	Property	0.3	2.9	4.7	13.2	6.9	8.0	8.1	7.5
Pantheon	Global Infrastructure	-0.4	2.2	6.9	9.1	n/a	n/a	9.3	10.5
Total		**15.8**	**13.0**	**4.2**	**3.2**	**5.7**	**5.3**	**n/a**	**n/a**

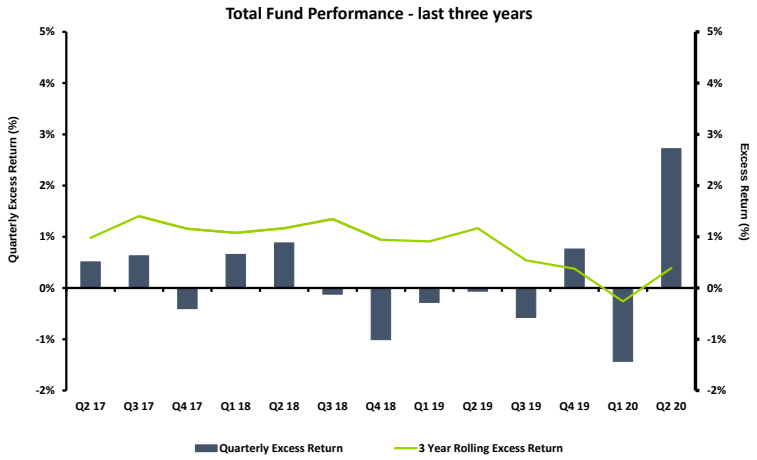
Source: Northern Trust. Figures may not tie due to rounding.
[1]Insight Buy and Maintain Fund was incepted on 9 April 2018. Since inception returns and benchmark returns reflect a combination of Insight Buy & Maintain Fund returns and benchmark returns from date of inception to 30 June 2020, and Insight IM (Core) Fund returns and benchmark returns from inception date 30 September 2011 until inception of the Buy and Maintain Fund

Over previous quarters, we have estimated net of fees returns based on gross of fees performance figures provided by the Fund's custodian, Northern Trust. We received communication following quarter end that the returns provided by Northern Trust are now calculated on a net of fees basis.

We have updated our historical data to reflect this. All performance figures quoted in this report are consistent with the net of fees figures provided by Northern Trust.

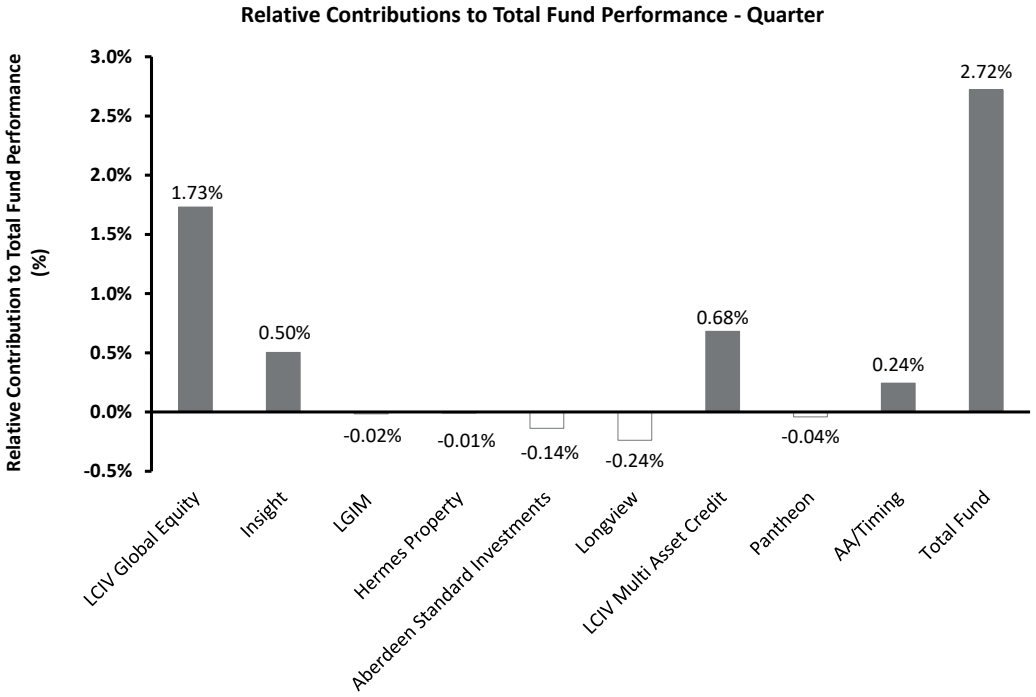
Over the quarter to 30 June 2020, the Fund delivered a positive return of 15.8% on a net of fees basis, recovering the losses over the first quarter of 2020 following the COVID-19 outbreak. The Fund outperformed the fixed weight benchmark by 2.7% over the three month period (this does not tie to the above table as a result of rounding), largely due to outperformance by the LCIV Global Equity Fund, the LCIV Multi Asset Credit Fund and Insight. Over the year and three year periods to 30 June 2020, the Fund has outperformed the benchmark by 1.0% and 0.4% p.a. respectively on a net of fees basis.

The chart below shows the relative performance of the Fund over the quarter and last three years, highlighting that the rolling three-year performance is ahead of the benchmark. Please note that performance is shown net of fees versus the benchmark.

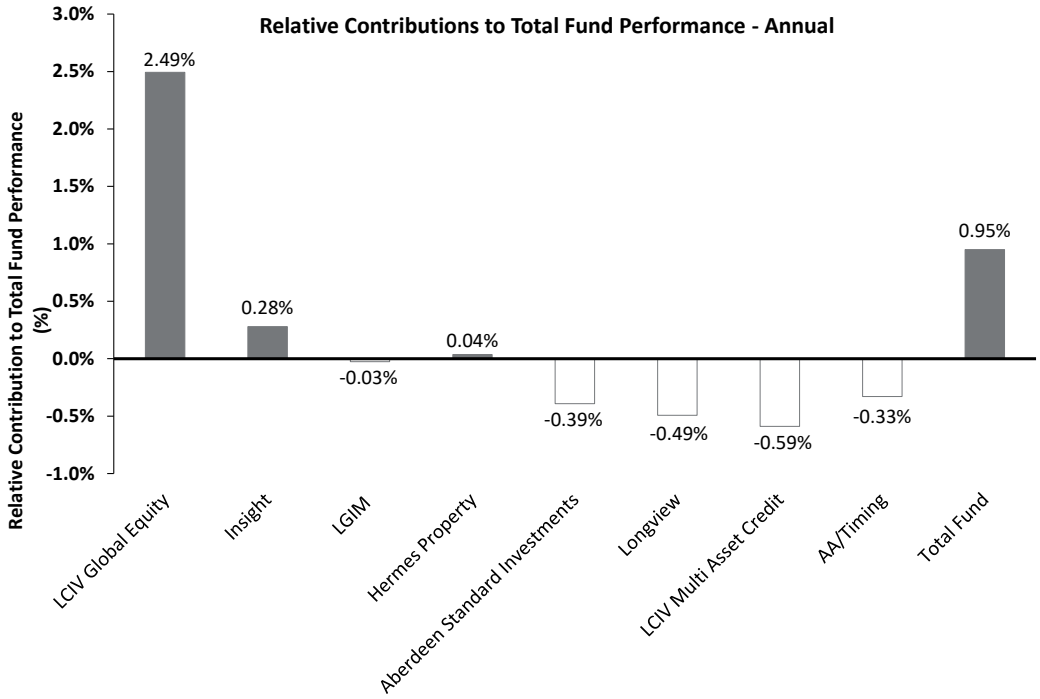


2.2 Attribution of Performance to 30 June 2020

Over the quarter to 30 June 2020, the Fund outperformed its fixed weight benchmark by 2.7% on a net of fees basis. Outperformance was primarily driven by the LCIV Global Equity Fund, the LCIV Multi Asset Credit Fund and Insight who outperformed their respective benchmarks by 8.3%, 11.4% and 3.1% respectively, whilst both the LCIV Multi Asset Credit Fund and the Insight Buy and Maintain Fund were the largest detractors to performance over the first quarter of 2020. It should be noted that the LCIV Multi Asset Credit Fund is measured against a cash plus benchmark, which over shorter time horizons will result in relative performance differences.



The Fund outperformed its benchmark by 1.0% on a net of fees basis over the year to 30 June 2020. This can primarily be attributed to the Fund's investment in the LCIV Global Equity Fund, which considerably outperformed its MSCI-based benchmark over the year. The LCIV Multi Asset Credit Fund was the largest detractor to performance over the year, owing primarily to the extent of the underperformance over the first quarter of 2020. The negative attribution represented by the "AA/Timing" bar reflects the impact of holding a position in the LCIV UK Equity Fund at the beginning of the year period, which underperformed its FTSE-based benchmark over the period until its disinvestment at the beginning of December 2019.



2.3 Asset Allocation as at 30 June 2020

The table below shows the assets held by manager and asset class as at 30 June 2020.

Manager	Asset Class	End Mar 2020 (£m)	End June 2020 (£m)	End Mar 2020 (%)	End June 2020 (%)	Benchmark Allocation (%)
LGIM	Global Equity (Passive)	523.4	620.2	40.1	40.9	45.0
LCIV	Global Equity	276.4	353.6	21.2	23.3	20.0
Longview	Global Equity	55.5	63.3	4.3	4.2	0.0
	Total Equity	**855.3**	**1,037.1**	**65.6**	**68.4**	**65.0**
Insight	Buy and Maintain	219.1	236.9	16.8	15.6	13.5
LCIV	Multi Asset Credit	78.8	88.8	6.0	5.9	6.5
	Total Bonds	**297.9**	**325.7**	**22.8**	**21.5**	**20.0**
Hermes	Property	62.3	60.9	4.8	4.0	5.0
Aberdeen Standard	Property	68.6	68.8	5.3	4.5	5.0
	Total Property	**130.9**	**129.7**	**10.0**	**8.6**	**10.0**
Pantheon	Global Infrastructure	20.6	23.0	1.6	1.5	5.0
	Total Infrastructure Equity	**20.6**	**23.0**	**1.6**	**1.5**	**5.0**
Total		**1,304.6**	**1,515.5**	**100.0**	**100.0**	**100.0**

Source: Northern Trust
Figures may not sum due to rounding

The total value of the Fund's assets increased by c. £210.8m over the quarter to 30 June 2020 as a result of positive Total Fund performance with the majority of assets recovering some, if not all, of the losses from the first quarter of 2020 following the COVID-19 outbreak.

The Fund's equity allocation increased over the period to an overweight position, such was the extent of the rebound in global equity markets following the COVID-19 outbreak. The Fund's equity exposure is expected to reduce as Pantheon continues to draw down capital, funded from the remaining Longview allocation. The Fund remained overweight to bonds at quarter end, whilst the property allocation reduced to an underweight position.

During the second quarter of 2020, Pantheon issued one capital call request for $2.7m to be paid by 12 May 2020. This was funded from the bank account held with Northern Trust. Following quarter end, a further capital call of $2.4m was drawn by Pantheon on 21 September 2020, taking the Fund's total unfunded commitment to Pantheon to c. $60.7m as at the end of September 2020.

Following quarter end, the Committee agreed to fully disinvest from the Hermes UK Property Fund. The proceeds of this disinvestment won't be received until later this year/early 2021. The funds received from this investment will be used to fund an allocation to renewable infrastructure equity.

In addition, the Committee selected Morgan Stanley as an active equity manager to add to the portfolio and will invest in the LCIV Global Sustain fund (managed by Morgan Stanley). The Fund has also agreed that the current passive equity allocation will be transitioned to the LGIM Future World Fund. There will be no change to the Fund's strategic asset allocation. The implementation of these changes is yet to commence.

2.4 Yield analysis as at 30 June 2020

The table below shows the yield as reported by the managers on each of the Fund's investments.

Manager	Asset Class	Yield as at 30 June 2020
LGIM	Global Equity (Passive)	2.23%
LCIV	Global Equity	0.92%*
Longview	Global Equity	2.42%
Insight	Buy and Maintain	2.32%
LCIV	Multi Asset Credit	4.95%*
Hermes Property	Property	3.30%
Aberdeen Standard Investments	Long Lease Property	4.30%
	Total	**2.23%**

**LCIV funds' yields are provided by the underlying managers (Baillie Gifford and CQS).*

3 Summary of Manager Ratings

The table below summarises Deloitte's ratings of the managers employed by the Fund and triggers against which managers should be reviewed.

Manager	Mandate	Triggers for Review	Rating
LGIM	Global Equity (Passive)	Major deviation from benchmark returns Significant loss of assets under management	1
Baillie Gifford	LCIV Global Equity	Loss of key personnel Change in investment approach Lack of control in growth of assets under management	1
Longview	Global Equity	Loss of key personnel Change in investment approach Lack of control in growth of assets under management	2
Insight	Buy and Maintain	Departure of any of the senior members of the investment team	1
CQS	LCIV Multi Asset Credit	Significant changes to the investment team responsible for the fund	1
Hermes	Property	Significant growth in the value of assets invested in the fund Changes to the team managing the mandate	1
Aberdeen Standard Investments	Property	Richard Marshall leaving the business or ceasing to be actively involved in the fund without having gone through an appropriate hand-over A build up within the fund of holdings with remaining lease lengths around 10 years	1
Pantheon	Global Infrastructure	Significant changes to the investment team responsible for the fund	1

3.1 London CIV

Business

As at 30 June 2020, the London CIV had assets under management of £8,971m within the 13 sub-funds (not including commitments to the London CIV Infrastructure Fund and London CIV Inflation Plus Fund), an increase of £1,328m over the quarter primarily as a result of positive market movements over the period. The total assets under oversight, including passive investments held outside the London CIV platform was £19.6bn, an increase of £2.9bn over the three month period with a further £0.5bn committed to the recently launched London CIV Infrastructure Fund and London CIV Inflation Plus Fund.

Multi Asset Credit Fund

The London CIV has decided to add an additional manager to the LCIV Multi Asset Credit Sub Fund mandate, alongside CQS, and is looking to implement the change over the next 3-6 months.

The manager selection process will be led by Rob Hall, Asim Meghji and Jason Fletcher and the process will be subject to independent oversight from Exco and internal oversight from a committee made up of London CIV board members. London CIV has confirmed that there will be no change to the objectives of the sub fund and the selection process will cover cost transparency and responsible investment and engagement. London CIV is looking to select a manager, or managers, which will be complementary to CQS.

London CIV is looking to ensure that all relevant parties and stakeholders are well informed throughout the process.

COVID-19 Impact:

The London CIV's employees continue to work remotely, and are expected to remain so for the foreseeable future. The London CIV has continued to host monthly LCIV Business Updates to keep investors informed and up to date with regards to progress with mandate developments and fund launches. All Meet the Manager sessions continue to go ahead as planned.

Personnel

As reported last quarter, Jason Fletcher was appointed as permanent Chief Investment Officer and started the role in July following a short handover period. Jason takes over from Kevin Corrigan, who has been interim CIO since November 2019.

It was also reported last quarter that Jacqueline Jackson had been appointed Head of Responsible Investment. Jacqueline joined in June and is working alongside pool members to better understand ESG requirements and expectations alongside continuing to develop the London CIV's commitment to responsible investment. Jacqueline has already signed the London CIV up as an affiliate to Pensions for Purpose and the Task Force on Climate Related Disclosures ("TCFD").

The London CIV is expected to appoint a new Head of Operations following terms being accepted for the position and will begin advertising for a new Head of Private Markets. The London CIV is also looking to appoint a third Client Relations Manager.

Deloitte view – It is positive to see a permanent Chief Investment Officer and we hope for continued stability going forward. We are continuing to monitor developments on the business side as well as the new fund launches.

3.2 LGIM

Business

As at 30 June 2020, Legal & General Investment Management ("LGIM") had assets under management ("AuM") of c. £1,241m, an increase of c. £45m since 31 December 2019.

COVID-19 Impact and Reporting Issues:

Whilst only announced biannually, we expect LGIM's assets under management to have suffered a material fall from the COVID-19 market crash in early 2020.

More widely, LGIM had to adjust its business operations in light of the COVID-19 lockdown restrictions. LGIM reported that it enacted its business contingency planning, and that it had evolved to enable greater agile working for employees to ensure business continuity.

Despite enacting these contingency plans, we have recently noted a number of reporting/operational concerns on a range of reporting issues which LGIM has cited have been delayed due to the impact of remote working and a spike in annual leave over the summer. We plan to follow-up with LGIM with the aim of resolving these issues to ensure that the Fund receives timely information going forwards.

Personnel

There were no significant personnel or team changes at the Index Team level over the second quarter of 2020.

Deloitte View - We continue to rate Legal & General positively for its passive capabilities.

3.3 Baillie Gifford

Business

As at 30 June 2020, Baillie Gifford held c. £262bn in assets under management, a c. £64bn increase over the quarter primarily as a result of market movements. The Global Alpha Fund held assets under management of c. £43.6bn as at 30 June 2020.

COVID-19 Response:

As reported last quarter, due to Baillie Gifford investing significantly in technology in the years prior to COVID-19, all staff members are able to work remotely whilst maintaining connection to all of Baillie Gifford's major systems. In addition, Baillie Gifford has encouraged the use of communication tools such as video conferencing to allow client, staff and supplier interaction to continue. As such, Baillie Gifford continues to feel that all operations are working as normal.

Personnel

As reported last quarter, in May 2020, Baillie Gifford announced that Charles Plowden, Senior Partner and Portfolio Manager of the Global Alpha Growth Fund, would retire with effect from 30 April 2021. Charles leaves after 38 years with the firm.

Malcolm MacColl, as of 1 May 2021, will succeed Charles as Senior Partner. The role primarily is one of governance, as such Malcolm will be well placed to continue to fully contribute as a Portfolio Manager and analyst for Global Alpha clients. Malcolm will work closely with Andrew Telfer, CEO and other Senior Partner.

During May 2020, Helen Xiong, previously an investment manager in the Baillie Gifford US Equity team, joined the Global Alpha strategy. Helen has been involved with the Global Alpha Growth portfolio for eight years as both an analyst and an idea generation 'scout', and was recently promoted to become a partner of the firm. Helen will have a period of familiarisation and handover, and will become a Portfolio Manager on 1 May 2021 as Charles retires. As such, Helen will be replaced by Dave Bujnowski who is based in Baillie Gifford's New York office and has 24 years of investment experience.

Additionally over the quarter, Mark Urquhart, Co-Head of the Long Term Global Growth team alongside James Anderson, became sole Head of the team from 1 June 2020. In recent years, James has taken a step back from the day to day management of the Long Term Global Growth portfolios to focus on research. The Long Term Global Growth portfolios will be run by Mark and Tom Slater, but James will remain a full-time member of the team.

Deloitte view - We continue to rate Baillie Gifford positively for its equity capabilities.

3.4 Longview

Business

As at 30 June 2020, Longview held c. £21.0bn in assets under management, an increase of c. £2.2bn over the quarter as a result of positive market returns, with net outflows of £459m from the firm over the second quarter of 2020.

COVID-19 Impact:

Longview reported that it had enacted its business continuity plan earlier in the year, in light of the COVID-19 outbreak. All Longview employees are able to carry out their duties remotely, without disruption to any critical functions. Longview has stated that employees are in open commutation throughout each day to ensure that the firm's operational capabilities continue and that Longview is working closely with all third-party providers to ensure continuation of service.

Personnel

Over the quarter, Longview announced that two members of its London Executive Committee would be retiring from their respective positions. Ken Campbell, Head Trader, is to retire from financial services at the end of December 2020 and will relocate to the USA. Meanwhile Dan Langan, CFO and Head of Compliance, will also retire from the industry before the end of 2020.

To accommodate these changes, Emma Davies, who has worked at Longview for 10 years, will become CFO and Sheila Tickner, who has worked at Longview for 8 years, will become Head of Compliance in London.

In addition, on 1 July 2020, Emma joined the London Executive Committee alongside Ben Welsher, who was previously Head of Operations before becoming Chair of the Operating Committee. Greg Wiles, who has worked at Longview since 2005, subsequently replaced Ben as Head of Operations.

Deloitte view – We have removed Longview's Global Equity strategy from our rated manager list following the departure of the co-founder and CIO Ramzi Rishani. As such, going forward, we will not be recommending the Longview Global Equity strategy to clients.

3.5 Insight

Business

As 30 June 2020, Insight's assets under management stood at c. £736bn, an increase of c. £55bn over the quarter.

Over the quarter, the Insight Buy and Maintain Fund's assets under management increased by c. £0.2bn, with total assets under management reaching c. £2.8bn as at 30 June 2020.

COVID-19 Impact:

Over the quarter, Insight continued to make use of its business continuity plan, which emphasises the ability of all employees to work remotely through a remote access platform. The platform itself supports all investment and operational systems used by Insight, allowing business operations to be maintained without access to Insight offices.

Specific to the Buy and Maintain Fund, Insight saw one of its holdings, Marstons', downgraded from investment grade to high yield over the second quarter of 2020. There were no defaults within the portfolio over the quarter. Insight recognises that the current slow downgrade pace and better than expected levels of defaults has been supported by the unprecedented level of government and monetary support, with the operating environment for corporates supported by government support programmes, furlough schemes and loan guarantees. Insight anticipates that, as some of these schemes begin to end, there may be an increase in the level of downgrades and defaults.

Personnel

Insight made no changes to its Buy and Maintain Fund team over the second quarter of 2020.

Deloitte view – We rate Insight positively for its Fixed Income capabilities but continue to monitor how growth is being managed across the business.

3.6 CQS

Business

Over the quarter, CQS' total assets under management increased by c. $2.7bn to total $17.7bn as at 30 June 2020 as a result of positive market movements. Over the same period, the Credit Multi Asset Fund's assets under management increased by c. $2.6bn, managing c. $9.9bn on behalf of its clients as at 30 June 2020.

COVID-19 Impact:

At the fund level, the LCIV Multi Asset Credit Fund experienced 60 credit rating downgrades, representing c. 7.5% of the portfolio, and one default, representing c. 0.2% of the portfolio, over the quarter to 30 June 2020.

Personnel

There were no specific team/personnel changes to the Credit Multi Asset Fund team over the quarter to 30 June 2020.

Deloitte View - We continue to rate CQS positively for its multi asset capabilities.

3.7 Hermes

Business

As at 31 March 2020, Hermes held total assets under management of c. £32.9bn, a decrease of c. £4.2bn since 31 December 2019. Over the quarter, as a result of market movements, total assets under management of the HPUT decreased by c. £46m to c. £1.4bn at 24 June 2020.

COVID-19 Impact:

During the quarter, the Hermes Trust's valuers placed material valuation uncertainty clauses on all assets due to the circumstances brought about by COVID-19. Following the RICS Leadership Forum's decision that the material valuation uncertainty generally be lifted with effect from 9 September 2020, the Trust's valuations are no longer subject to the material valuation uncertainty clause and as a result will be able to issue primary units and accept instructions for the reinvestment of income.

Redemptions have been deferred over the first and second quarters of 2020. The latest redemption notice date was 30 September 2020 and the Trust has six weeks from this date to confirm whether to accept or defer any further redemptions.

As at 24 June 2020, Hermes had collected 78% of the total rent demanded for Q2 2020, and 58% for Q3 2020.

Personnel

During June 2020, Hermes announced Dermot Kiernan as Fund Director for the HPUT, with Dermot expected to commence the role during Autumn 2020. Dermot has three decades worth of experience within the real estate investment industry and will join from M&G Real Estate where he has held the position of Fund Manager of the M&G UK Property Fund since 2009 and was also fund manager of two other UK portfolios. Prior to this, Dermot had held positions at LaSalle Investment Management, where he primarily managed commercial property portfolios initially as an asset manager and subsequently a fund manager.

Hermes anticipates that Dermot will bring an investment philosophy that compliments the responsible investment approach of the HPUT. In the period leading up to Dermot commencing the role, Hermes has stated that Chris Darroch will remain in place as Interim Fund Director and will assist in the detailed handover.

Additionally, Hermes announced that a new investment manager, Lib Dear, joined the HPUT team in July to support in accessing the market and acquisitions. Lib joins from Cushman & Wakefield where she worked in the Hospitality Capital Markets team and is a qualified surveyor.

Deloitte view – Following the announcement by Hermes to appoint Dermot Kiernan as the new Fund Manager, we will continue to monitor any further personnel changes that occur in the coming months alongside the handover to Dermot later in the year. Following quarter end, the Fund agreed to fully disinvest from the HPUT with the proceeds expected to be received in late 2020/early 2021.

3.8 Aberdeen Standard Investments

Business

As at 30 June 2020, the Aberdeen Standard Investments Long Lease Property Fund had a total fund value of c. £2.6bn, increasing by c. £9m over the quarter.

COVID-19 Impact:

As reported over the first quarter of 2020, due to material valuation uncertainty, ASI announced the decision to suspend trading on the ASI Long Lease Property Fund, effective 18 March 2020, due to the market disruption caused by COVID-19 and the material uncertainty it has created around valuing the Fund's investments fairly in order to protect the interests of all investors in the Fund.

Following quarter end, Aberdeen Standard Investments has been informed by the Long Lease Property Fund's independent valuers that there is sufficient market based evidence to remove the material valuation uncertainty clause. As such, ASI has lifted the suspension on trading, effective 3 August 2020. As a result, the Long Lease Property Fund's dealing has reverted to normal.

Personnel

In April 2020, ASI announced that as part of their real estate management team restructure to align with the future direction of the business, Richard Marshall, Portfolio Manager of the ASI Long Lease Property Fund, will leave ASI at the end of October 2020. Les Ross, Deputy Portfolio Manager will formally become the new Portfolio Manager from 1 August 2020. Richard has held the position of Portfolio Manager of the ASI Long Lease Property Fund since 2006 and his contribution has been viewed as one of the key factors to the Fund's success.

The announcement of Richard's departure follows ASI's previous announcement in March 2020 that they would be restructuring their real estate leadership and management teams to better align with the future direction of the business led by Neil Slater. Three new leadership roles of Head of Real Estate Investment Strategy, Head of Real Estate Investment Management and Head of Real Estate Business Management, Finance, Operations & Structuring were subsequently created, with Anne Breen, Andy Creighton and Paolo Alonzi taking on the roles respectively from 1 April 2020. Mike Hannigan, Head of Real Estate UK also stated his intention to retire from ASI, with an interim corporate strategy role created for him during the period to retirement reporting to Neil.

Later in April 2020, a further update was provided by ASI with a new Global Real Estate Management Team created to work alongside the Real Estate Leadership Team who will take ownership of key investments and functional outcomes. The Team

will be further split into fund management and asset management, with fund management appointing Heads of each area of business who will provide line management responsibility of the respective fund managers in that area.

In May 2020, Martin Gilbert, Chairman of ASI, retired from most of his board roles at the AGM but will remain as Chairman of ASI until September 2020 to ensure a smooth transition period.

At the end of June 2020, ASI announced the appointment of Stephen Bird as the new CEO Designate and Director of Standard Life Aberdeen (SLA) to take effect from 1 July 2020. Stephen Bird will succeed the incumbent Keith Skeoch, who will formally step down as CEO and from the board of directors in September 2020, subject to regulatory approval.

Deloitte View – We are closely monitoring the changes to senior leadership at ASI. Keith Skeoch's departure was somewhat expected in the near future, and we see Stephen Bird as a very capable appointment. With regards to real estate and the Long Lease Property Fund, while the departure of Richard Marshall was a surprise, Les Ross is the obvious replacement and is very experienced and well positioned to take over. That said, Richard's contribution to the fund was significant and we continue to closely monitor both the fund and wider business.

3.9 Pantheon

Business

As at 31 March 2020, Pantheon's total assets under management stood at c. $51bn, an increase of c. $2bn over the quarter since 31 December 2019.

Following the final close in March 2019, the Global Infrastructure III Fund had $2.2bn in committed assets. As at 30 June 2020, the Global Infrastructure III Fund had completed 27 deals, with $1,247m in closed or committed deals. This represents a 56% commitment level.

COVID-19 Impact:

Pantheon's business continuity plan ensures all staff are able to work from home, with all systems and processes in full operation. Pantheon has continued to prioritise the safety and well-being of its employees and partners, whilst also ensuring that services to clients have continued at an expected level. Pantheon has increased its use of video or conference calls to continue participation in meetings despite the global restrictions to travel. In addition, Pantheon has provided a series of communications to clients with regular updates on Pantheon's response, portfolios and the wider economy as a result of COVID-19. Pantheon also continues to provide up-to-date guidance on expected capital calls and distributions so clients can plan accordingly.

Personnel

There were no specific team/personnel changes to the Global Infrastructure III Fund team over the quarter.

Deloitte View - We continue to rate Pantheon positively for its global infrastructure capabilities.

4 London CIV

4.1 Investment Performance to 30 June 2020

At the end of the second quarter of 2020, the assets under management within the 13 sub-funds of the London CIV was £8,971m with a further £506m committed to the Infrastructure and Inflation Plus Funds. The total assets under oversight (which includes passive investment held outside of the CIV platform) increased by c. £2.9bn to c. £19.6bn over the quarter. The table below provides an overview of the sub-funds currently available on the London CIV platform.

Sub-fund	Asset Class	Manager	Total AuM as at 31 Mar 2020 (£m)	Total AuM as at 30 June 2020 (£m)	Number of LCIV clients	Inception Date
LCIV Global Alpha Growth	Global Equity	Baillie Gifford	2,415	3,089	13	11/04/16
LCIV Global Equity	Global Equity	Newton	584	692	3	22/05/17
LCIV Global Equity Focus	Global Equity	Longview Partners	678	776	5	17/07/17
LCIV Equity Income	Global Equity	Epoch Investment Partners	210	236	2	08/11/17
LCIV Emerging Market Equity	Global Equity	Henderson Global Investors	302	366	6	11/01/18
LCIV Sustainable Equity Fund	Global Equity	RBC Global Asset Management (UK)	382	470	3	18/04/18
LCIV Sustainable Equity Exclusion Fund	Global Equity	RBC Global Asset Management (UK)	210	321	2	11/03/20
LCIV Global Total Return	Diversified growth fund	Pyrford	309	270	4	17/06/16
LCIV Diversified Growth	Diversified growth fund	Baillie Gifford	589	602	7	15/02/16
LCIV Absolute Return	Diversified growth fund	Ruffer	862	754	8	21/06/16
LCIV Real Return	Diversified growth fund	Newton	113	122	2	16/12/16
LCIV MAC	Fixed Income	CQS	713	936	12	31/05/18
LCIV Global Bond	Fixed Income	PIMCO	276	338	3	30/11/18
Total			**7,643**	**8,971**		

Figures may not sum due to rounding

Over the quarter to 30 June 2020, the LCIV Sustainable Equity Exclusion Fund gained one new investor, whilst one London Borough disinvested from the LCIV Global Total Return Fund and the LCIV Diversified Growth Fund and two disinvestments were made from the LCIV Absolute Return Fund.

5 LGIM – Global Equity (Passive)

Legal and General Investment Manager ("LGIM") was appointed to manage a global equity portfolio with the objective of replicating the performance of the FTSE All World Index benchmark. The manager is remunerated on a tiered fixed fee based on the value of assets.

5.1 Passive Global Equity – Investment Performance to 30 June 2020

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
LGIM - Net of fees	18.5	2.0	5.7	9.9
FTSE World (GBP Hedged) Index	18.5	2.1	5.7	9.9
Relative	0.0	-0.1	0.0	0.0

Source: Northern Trust
Inception date taken as 1 November 2012 (prior to that the mandate was an active equity mandate). The portfolio aims to track the benchmark

The investment objective of the fund is to track the performance of the FTSE AW-World Index (less withholding tax if applicable) - GBP Hedged (with the exception of advanced emerging markets) to within +/-0.5% p.a. for two years out of three.

Over the quarter to 30 June 2020, the Legal & General World Equity Index Fund – GBP Currency Hedged successfully tracked its FTSE-based benchmark. The fund delivered absolute returns of 18.5% on a net of fees basis, making up much of the losses realised over the first quarter of 2020.

The fund marginally underperformed its benchmark over the year but has tracked the benchmark over the three-year period to 30 June 2020.

6 LCIV – Global Equity

Baillie Gifford was appointed to manage an active Global Equity mandate from 18 March 2014, held as a sub-fund under the London CIV platform from 11 April 2016. The manager is remunerated on an asset based fee, reflecting the total value of assets invested in the strategy across the Tri-borough. The target is to outperform the benchmark by 2-3% p.a. on a gross of fees basis over rolling 5 year periods.

6.1 Global Equity – Investment performance to 30 June 2020

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Baillie Gifford – Net of fees	27.9	17.2	14.0	15.5
MSCI AC World Index	19.6	5.2	7.9	11.3
Relative	8.3	12.1	6.1	4.2

Source: Northern Trust
Inception date taken as 18 March 2014

Over the quarter to 30 June 2020, the LCIV Global Alpha Growth Fund, managed by Baillie Gifford, delivered a positive absolute return of 27.9% on a net of fees basis, outperforming the MSCI AC World Index benchmark by 8.3%.

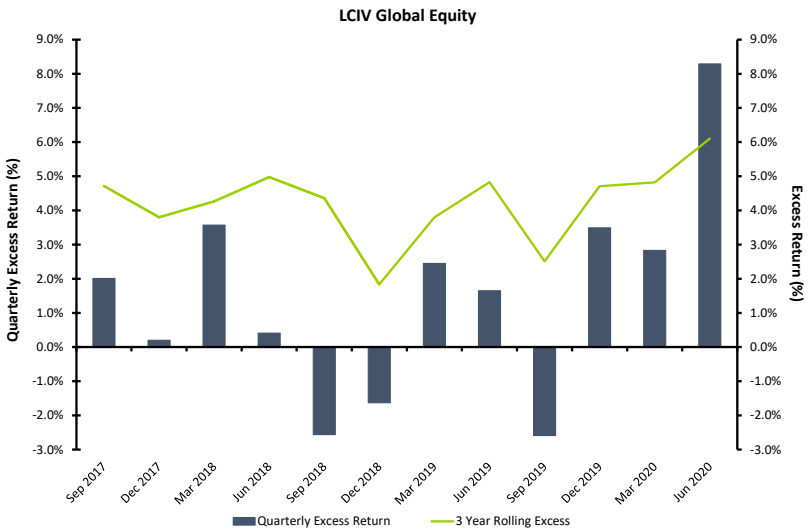
Baillie Gifford's bias towards technology-enabled growth stocks proved to be beneficial over the quarter, owing to the resilience of such stocks during a period where the majority of consumers have been forced to "move online" as a result of the COVID-19 outbreak and consequent restrictions.

The strategy's turnover increased over the quarter with Baillie Gifford looking to take advantage of companies that are reacting to the accelerated technology adoption developments. Baillie Gifford is also looking to benefit from companies in areas where there has been a marked improvement in competition, and those companies where the manager has recognised evidence of fundamental changes, particularly within companies with a robust history of growth.

At a sector level, Baillie Gifford's overweight positions in Consumer Discretionary, Communication Services and Healthcare relative to the benchmark proved favourable over the quarter. Combined, these three sectors alone delivered positive returns of c. 9% over the second quarter of 2020.

Over the 12-month and annualised three-year periods to 30 June 2020, the fund outperformed its benchmark by 12.1% and 6.1% p.a. respectively on a net of fees basis, delivering absolute returns of 17.2% and 14.0% p.a. on a net of fees basis respectively.

The graph below shows the net quarterly returns and the rolling three-year excess returns relative to the benchmark. The fund's current three-year excess return is ahead of the target (+2% p.a.), having outperformed the benchmark by 6.1% p.a. over the three year period to 30 June 2020.



6.2 Performance Analysis

The top 10 holdings in the portfolio account for c. 26.9% of the fund and are detailed below.

Top 10 holdings as at 30 June 2020	Proportion of Baillie Gifford Fund
Amazon	4.3%
Naspers	3.6%
Moody's	2.9%
Alphabet	2.8%
Microsoft	2.5%
Alibaba	2.3%
Mastercard	2.3%
Shopify	2.2%
Prudential	2.2%
Anthem	2.0%
Total	**26.9%**

Source: London CIV
Figures may not sum due to rounding

The table below represents the top 5 contributors to performance over the quarter to 30 June 2020.

Top 5 contributors as at 30 June 2020	Contribution (%)
Amazon	+1.64
Shopify	+1.58
Tesla	+1.10
SEA	+0.95
Naspers	+0.91

Over the quarter, investors looked to companies who have reinvested in technology that support activities that can be completed without breaking lockdown and social distancing restrictions. As such, given its already lofty market position, Amazon particularly benefitted from the increased lockdown measures over the quarter with consumers encouraged to use more of its products and services. Shopify, which provides online stores and retail point-of-sale systems, also provided a significant positive contribution to performance over the quarter with share prices rising following an increase in business in the e-commerce space.

Despite some strategic Financials positions contributing positively to performance over the first quarter of 2020, the strategy's stock selection in the sector detracted from performance over the quarter to 30 June 2020 with AIA, Ping Ann Insurance and Prudential delivering weak returns.

7 Longview – Global Equity

Longview was appointed on 15 January 2015 to manage an active global equity mandate. The manager's remuneration is based on the value of assets invested across the Tri-borough. The expectation is that the fund will outperform the benchmark by 3% p.a.

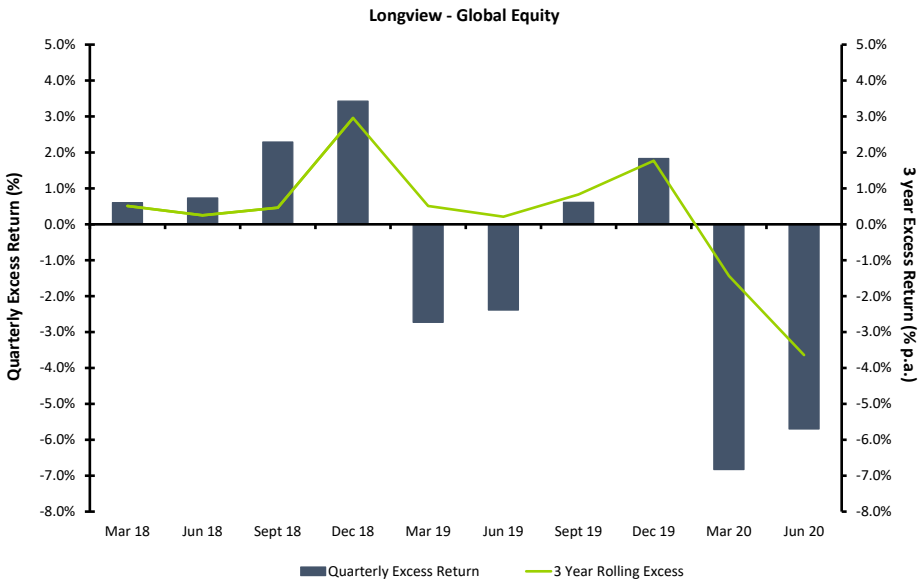
7.1 Active Global Equity – Investment Performance to 30 June 2020

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Longview - Net of fees	14.1	-5.0	4.9	10.3
MSCI World Index	19.8	5.9	8.5	11.2
Relative	-5.7	-11.0	-3.6	-0.9

Source: Northern Trust
Inception date 15 January 2015

Over the quarter, the Longview Global Equity Fund delivered a positive return of 14.1% on a net of fees basis, but underperformed its MSCI World Index benchmark by 5.7%, as equity markets notably rebounded over the second quarter of 2020. Over the longer year and three-year periods to 30 June 2020, the fund has underperformed its benchmark by 11.0% and 3.6% p.a. respectively.

The fund targets an outperformance of 3% p.a. over a three-year period. The chart below shows the quarter and rolling three year returns.



The Global Equity Fund's underperformance relative to the MSCI-based benchmark was primarily attributable to the strategy's underweight positions, and stock selection, in Technology and large internet stocks.

Unlike the MSCI World Index, Longview does not hold investments in Apple, Amazon, Microsoft and Facebook. Following strong Q2 2020 performance across these stocks as a result of social distancing requirements and other restrictions, the decision to not hold an allocation to these stocks can be attributed to over half of the strategy's underperformance relative to the benchmark. Longview opted not to invest in these stocks as, historically, Longview has believed that they do not fit the manager's process due to a lack of experience and information on the future – which Longview uses within its valuation methodology. Over the quarter, these beliefs have changed, with Longview researching each of the aforementioned companies further to better understand the companies and their impact. Resultantly, Longview has recently added a position to Alphabet (Google).

Social distancing and the strategy's underlying exposure to changes in interest rates continued to have a negative impact on the strategy, after significantly impacting returns over the first quarter of 2020. Longview has updated its assumptions as a result of the expectation of considerably lower rates, resulting in fair market valuation reductions and a subsequent review of the

strategy's Financials exposure. As such, given the sensitivity to macro trends and the inability to cut costs following recent headwinds, Longview has decided to sell its position in Wells Fargo.

In contrast to the first quarter of 2020, the strategy's cyclical business positions were of the best performing stocks over the quarter to 30 June 2020, following market belief that the increased levels of stimulus spending will allow these business to recover.

7.2 Performance Analysis

The tables below represent the top 5 and bottom 5 contributors to performance over the second quarter of 2020.

Top 5 contributors as at 30 June 2020	Contribution
Parker Hannifin	+0.92
IQVIA	+0.46
Emerson Electric	+0.43
WW Grainger	+0.35
Alphabet	+0.11

Parker Hannifin provided the largest contribution to performance, which alongside other cyclical stocks, rebounded and was further helped by the release of its third quarter results which suggested the company had been less impacted by COVID-19 than first anticipated. IQVIA, a medical research company, was the second largest contributor to performance over the second quarter. IQVIA released guidance to investors to offer clarity on how it has been impacted by COVID-19, helping to ease investor concerns as the company has been able to continue its research business remotely.

The largest detractor to performance over the second quarter of 2020 was the strategy's position to Compass, a global food and support service company which has been materially impacted by increased social distancing measures, reducing customer demand for areas of their business such as catering to offices. Wells Fargo, a US bank, was one of the largest detractors to performance for the second quarter running, owing to significant headwinds from low interest rates and loan losses. With Wells Fargo being the strategy's most interest rate sensitive holding, as mentioned above, Longview has decided to sell its position.

Top 5 detractors as at 30 June 2020	Contribution
Compass	-1.11
Wells Fargo	-0.86
Whitbread	-0.81
Medtronic	-0.61
Fiserv	-0.58

8 Insight – Buy and Maintain

Insight was appointed to manage a buy and maintain credit portfolio. The fund aims to invest in predominantly investment grade credit which the manager believes can be held to maturity. The manager's fee is based on the value of assets.

8.1 Buy and Maintain Fund - Investment Performance to 30 June 2020

	Last Quarter (%)	Last Year (%)	Since Inception (% p.a.)
Insight Non Gilts - Net of fees	8.2	6.0	6.3
iBoxx £ Non-Gilt 1-15 Yrs Index	5.1	4.2	5.3
Relative	3.0	1.8	1.1

Source: Northern Trust
Inception date taken as 12 April 2018

The Insight Buy and Maintain Fund delivered a return of 8.2% on a net of fees basis over the quarter to 30 June 2020, outperforming its temporary iBoxx non-gilt benchmark by 3.0%. Over the year to 30 June 2020, the Buy and Maintain Fund delivered a positive return of 6.0%, outperforming its benchmark by 1.8% on a net of fees basis.

The strategy's positive returns on an absolute basis can primarily be attributed to the narrowing of credit spreads and a fall in gilt yields over the quarter.

The Buy and Maintain Fund's US dollar credit exposure detracted from performance slightly over the quarter, lagging behind GBP-denominated credit. Despite this, Insight has targeted its purchase activity towards US dollar denominated bonds, alongside sectors that have recently underperformed but continue to exhibit robust credit fundamentals, in the belief that such positions will add value over the longer term.

In addition, following the increase in credit issuance in the secondary market as companies looked to increase liquidity and maintain cashflow, the Buy and Maintain Credit Fund added issues from companies such as Caterpillar, New York Life and RBS at attractive discounts. Insight sold its position in Burlington North and Santa Fe (BNSF) as a result of poor ESG scores and unsatisfactory engagement. Also, Insight maintained an exposure to Intu SGS, which remained operational despite its parent issuer, Intu Plc, going into administration. Intu has been present on Insight's watchlist since before the COVID-19 outbreak.

Insight's allocation to high yield credit increased over the quarter due to a credit downgrade of one the strategy's holdings, Marstons', which makes up c. 0.5% of the portfolio. Insight had previously placed the pub securitisation on its watchlist to reflect the significant impact of COVID-19. Insight has stated that it is comfortable with continuing to hold this credit in the portfolio with the bonds securitised by over 800 pubs which are mostly tenanted, and the reopening of pubs likely to be helpful for Marstons' short term cashflow. The company recently sold 60% of its brewing business to Carlsberg who now operate the brewery, with Marstons' using the proceeds of the sale to pay down some of the short-term financing it had in place.

Insight has confirmed that there were no defaults within the Buy and Maintain portfolio over the second quarter of 2020.

8.2 Performance Analysis

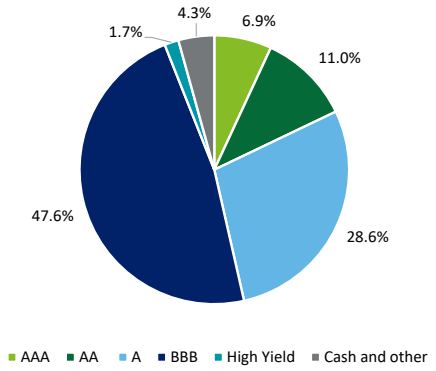
The table below summarises the Buy and Maintain portfolio's key characteristics as at 30 June 2020.

	31 March 2020	30 June 2020
Yield (%)	3.1	2.3
No. of issuers	172	171
Modified duration (years)	8.1	8.7
Spread duration (years)	8.2	8.9
Government spread (bps)	265	208
Swaps spread (bps)	250	201

Largest issuer (%)	1.4	1.3
10 largest issuers (%)	10.9	10.4

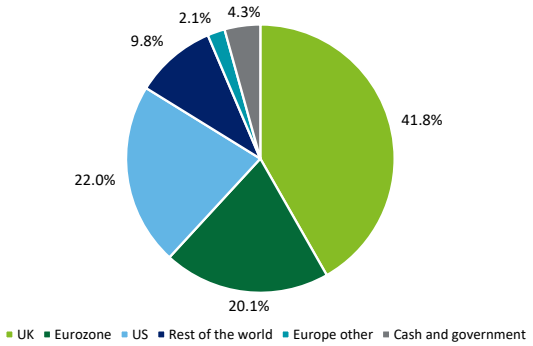
Source: Insight

The graph below shows the split of the Buy and Maintain portfolio by credit rating.

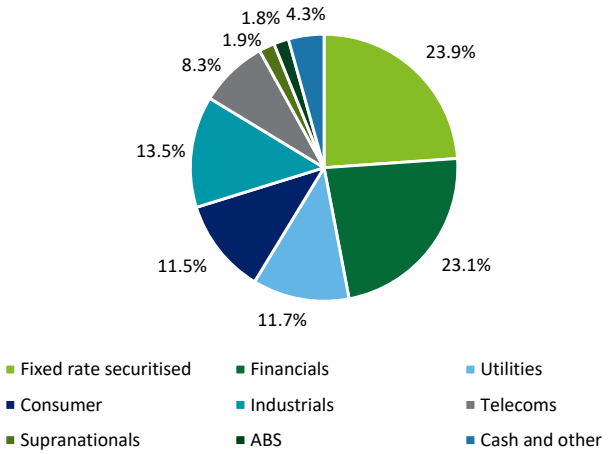


As at 30 June 2020, the fund's investment grade holdings made up c. 94.1% of the portfolio, a decrease of 1.8% following the downgrade of Marstons' to high yield, and the sale of BNSF, as mentioned above. The fund remains predominantly invested in BBB and A rated bonds.

The graph below shows the split of the Buy and Maintain portfolio by country as at 30 June 2020.



The graph below shows the split of the Buy and Maintain portfolio by sector as at 30 June 2020.



The table below shows the top 10 issuers by market value as at 30 June 2020.

Issuer name	Rating*	Holding (%)
International Bank for Reconstruction & Development	AAA	1.3
RI Finance	BBB	1.1
Spectra Energy Partners	BBB	1.0
London and Quadrant Housing	A	1.0
AA Bond Company	BBB	1.0
Tesco Property	BBB	1.0
Rac Bond	BBB	1.0
Pension Insurance	BBB	1.0
Heathrow Funding Ltd	BBB	1.0
Notting Hill Genesis	A	1.0

**Ratings provided by Insight*

9 LCIV – Multi Asset Credit

CQS was appointed to manage a multi asset credit mandate, under the London CIV platform, in October 2018 with the aim of outperforming the 3 month Sterling LIBOR benchmark by 4% p.a. An annual fee covers the manager's and the London CIV platform management fees.

9.1 Multi Asset Credit – Investment Performance to 30 June 2020

	Last Quarter (%)	Last Year (%)	Since Inception (% p.a.)
CQS – MAC –Net of fees	12.7	-4.6	-1.3
3 Month Libor + 4%	1.3	5.0	5.1
Relative	11.5	-9.6	-6.4

Source: Northern Trust
Inception date taken as 30 October 2018

Over the three month period to 30 June 2020, the LCIV Multi Asset Credit Fund, managed by CQS, outperformed its cash-based benchmark by 11.5% on a net of fees basis. Over the year, the strategy delivered a negative return of -4.6% on a net of fees basis, underperforming the benchmark by 9.6%.

Each of the Multi Asset Credit Fund's underlying asset classes contributed positively to returns over the second quarter of 2020. The strategy's asset backed securities positioning delivered the largest contribution to performance, with the portfolio's European BB and BBB rated CLOs and US credit risk transfer securities also delivering strong performance.

Over the first quarter of 2020, the strategy's European bias contributed negatively to performance, particularly within its high yield bonds and loans allocations. Over the quarter to 30 June 2020 however, the portfolio's tilt towards Europe proved beneficial, with the European recovery beginning earlier than in the US. European loans subsequently provided the greatest return across all underlying asset classes; however, both European and US loans lagged the wider loan market recovery.

The strategy saw positive returns from throughout its high yield positioning over the quarter, recovering some of the first quarter's losses, with performance largely attributed to an increase in investor demand for riskier assets following the increase in government stimulus and the prospect of the economy returning to normal. European high yield bonds outperformed their US counterparts as a result of higher levels of favourable government technical support, resulting in lower issuance and fewer downgrades when compared to the US.

Whilst market recovery has been recognised, CQS anticipates that challenges still lie ahead especially in the more economically sensitive sectors, causing some dispersion across sectors. As a result, the manager is positioning the portfolio so as to benefit from a recovery that is likely to take longer than is currently implied in market pricing, having repositioned the portfolio over the quarter to reduce its allocation to high yield given an expected rise in defaults, especially in the US. The defensive positioning of the portfolio includes a greater allocation to Financials, Telecoms and Healthcare.

Over the quarter to 30 June 2020, CQS experienced 60 credit rating downgrades, representing c. 7.5% of the portfolio, and one default, representing c. 0.2% of the portfolio. The single defaulting company was American Addiction Centers, which CQS had previously identified as being at risk. Management had resisted the requirement to adapt the company's out-of-network business model as conditions changed as a result of COVID-19, which led to large-scale liquidity issues and the company subsequently defaulted on 30 June 2020.

Following quarter end, as at 1 October 2020, there have been no further defaults within the portfolio.

9.2 Portfolio Analysis

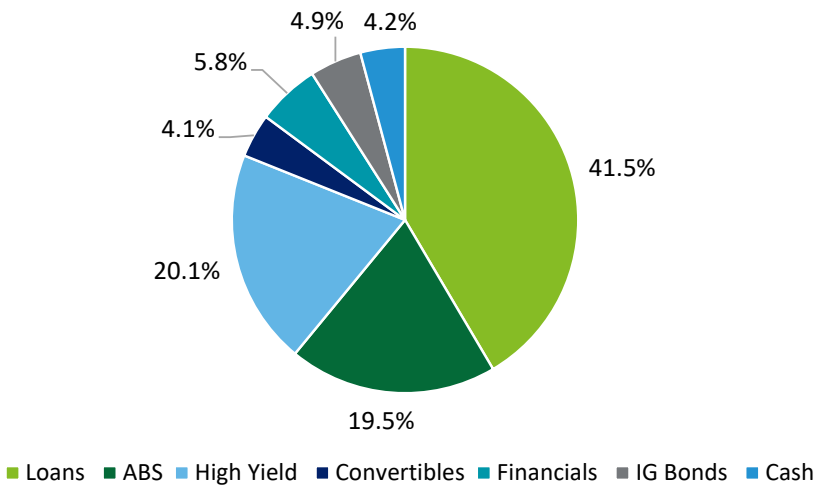
The table below summarises the Multi Asset Credit portfolio's key characteristics as at 30 June 2020.

	31 Mar 2020	30 June 2020
Weighted Average Bond Rating	BB-	BB-
Long Bond Equivalent Exposure with Public Rating (%)	84.4	86.8
Investment with Public Rating (%)	86.5	89.8
Yield to Maturity (%)	7.9	5.5
Spread Duration	3.8	4.1
Interest Rate Duration	1.1	1.4

Source: CQS

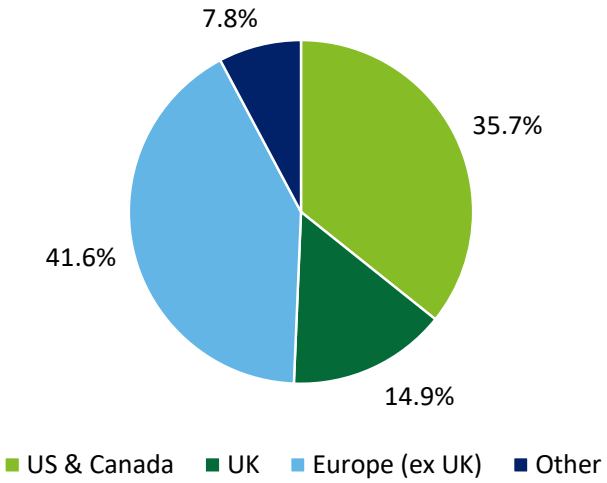
9.3 Asset Allocation

The asset allocation split of the Multi Asset Credit Fund as at 30 June 2020 is shown below.



9.4 Country Allocation

The graph below shows the regional split of the LCIV Multi Asset Credit Fund as at 30 June 2020.



10 Hermes – Property

Hermes was appointed to manage a core UK property portfolio. The manager is remunerated on a fixed fee based on the value of assets. The target is to outperform the benchmark by 0.5% p.a.

10.1 Property – Investment Performance to 30 June 2020

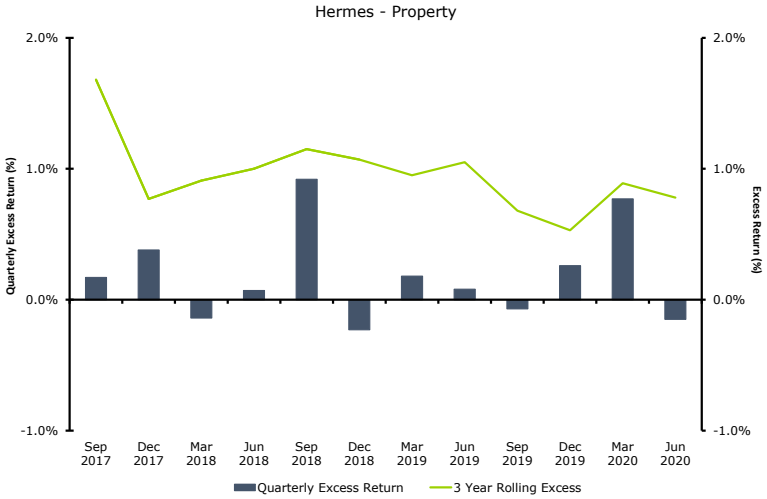
	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Hermes – Net of fees	-2.3	-1.5	4.8	8.3
Benchmark	-2.1	-2.3	4.0	7.0
Relative	-0.2	0.8	0.8	1.3

Source: Northern Trust
Inception date is taken as 26 October 2010

On a net of fees basis, the Hermes Property Unit Trust underperformed its IPD-based benchmark by 0.2% over the second quarter of 2020, delivering negative absolute returns of -2.3%. Over the one-year and three-year periods to 30 June 2020, the strategy has outperformed the benchmark by 0.8% and 0.8% p.a. respectively.

As highlighted within the Manager Updates section of this report, during the quarter Hermes placed a material uncertainty clause on the valuation of the HPUT, with limited market transactions providing the independent valuers with insufficient information with which to value its assets. Hermes stated that the independent valuers, Knight Frank and RICS, would continue to monitor the situation closely. As at 24 June 2020, the independent valuers were able to lift the material uncertainty clauses on assets in certain sectors, including industrial and supermarket, however 64% of the Trust remained subject to the clauses as at 24 June 2020. Following quarter end, the RICS Leadership Forum came to the conclusion that the material valuation uncertainty should generally be lifted with effect from 9 September 2020, the Trust's valuations are therefore no longer subject to the material valuation uncertainty clause.

The HPUT's allocation to industrial and supermarket assets provided the largest positive contribution to performance over the quarter, which was attributed to a resilient occupier market, stable investment sentiment and the lifting of the material uncertainty clause. However, these positive contributions were outweighed by negative returns seen across the Trust's office, shopping centre, retail warehouse and unit shops as investment sentiment within these sectors remained subdued alongside the fundamental structural changes occurring as a result of COVID-19.



The Trust completed the sale of Camden Works, a London based office, during the quarter at a price of £42.6m, representing a 10% premium on the latest valuation. Hermes acknolwedged that the asset had reached business plan completion and considered the asset to carry some degree of risk, with limited future growth potential.

The Trust also sold Portobello House, Ladbroke Grove, a pub in London for £2.9m, reflecting a net initial yield of c. 2.6%. The transaction price had been agreed pre COVID-19 and reflects a significant premium to valuation.

Hermes completed the acquisition of a retail warehouse investment in St Lawrence Retail Park, York, for c. £16.1m, representing a net initial yield of 8.7%. The site totals 9.6 acres, comprising a 102,360 sq. ft. retail warehouse with a low site coverage of 25%. The unit is let to B&Q with 4.6 years unexpired. The asset is located close to York city centre and offers redevelopment options through residential change of use or splitting up the store to accommodate multiple occupants.

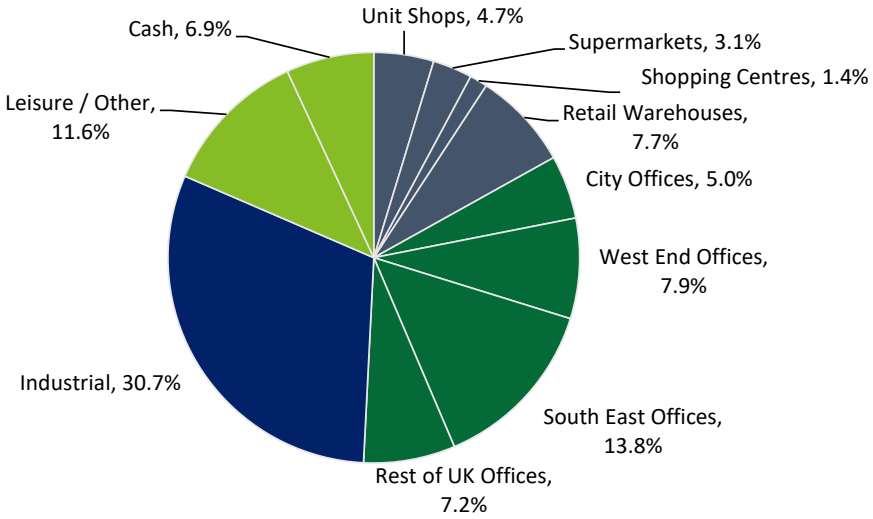
As at 24 June 2020, Hermes stated that 78% of total Q2 2020 rent demanded had been collected by the HPUT. The collection rates for the industrial and office sectors' collection rates were 85% and 91% respectively, contributing approximately 70% of total rent demanded. Unit shops/shopping centres and leisure/other sectors, which continued to undergo headwinds, had collection rates of 40% and 25% respectively.

Hermes stated that, as at 15 June 2020, the Trust had collected 58% of total Q3 rent demanded, with Hermes stating that continous engagement and support provided to tenants is helping to deliver an increase in collection rates compared with previous quarters. However, the sector discepencies are likely to remain.

As at 24 June 2020, the Trust had an average lease length of 8.3 years compared with 7.1 years as at 25 March 2020.

10.2 Portfolio Summary as at 30 June 2020

The Hermes Property Unit Trust invests across retail, offices, industrials and other sectors, with the split as at 30 June 2020 shown below.



The table below shows the top 10 directly held assets in the fund as at 30 June 2020, representing c. 35.3% of the fund.

Asset	Sub-sector	Value (£m)
Maybird Shopping Park, Stratford-upon-Avon	Retail Warehouses	65.2
8/10 Great George Street, London SW1	Offices	62.1
Broken Wharf House, London	Leisure/Other	60.0
Polar Park, Bath Road, Heathrow	Industrials	52.5
Horndon Industrial Park, West Horndon CM13	Industrials	49.5
27 Soho Square, London W1	Offices	47.1
Sainsbury's, Beaconsfield	Supermarkets	42.9
Round Foundry & Marshalls Mill, Leeds	Offices	39.5
The Summit Centre, Heathrow	Industrials	34.8
Boundary House, London EC1	Offices	34.3
Total		**487.9**

Source: Hermes

11 Aberdeen Standard Investments – Long Lease Property

Aberdeen Standard Investments was appointed to manage a long lease property mandate with the aim of outperforming the FT British Government All Stocks Index benchmark by 2.0% p.a. The manager has an annual management fee.

11.1 Long Lease Property – Investment Performance to 30 June 2020

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Aberdeen Standard - Net of fees	0.3	4.7	6.9	8.1
Benchmark	2.9	13.2	8.0	7.5
Relative	-2.6	-8.5	-1.1	0.5

Source: Aberdeen Standard Investments
Since inception: 14 June 2013

Over the quarter to 30 June 2020, the ASI Long Lease Property Fund delivered 0.3% on a net of fees basis, underperforming its FT British Government All Stocks Index benchmark by 2.6%.

The Long Lease Property Fund has outperformed the wider property market, as measured by the MSCI (formerly IPD Monthly) UK All Property Index, by 2.6% over the quarter on a net of fees basis. Outperformance relative to IPD can be attributed to the Fund's stronger tenant quality, with the impact of COVID-19 continuing to dominate the property market over the second quarter of 2020. Outperformance has also been driven by the portfolio's long, inflation-linked leases and the lack of any high street, shopping centre or retail warehouse exposure with these sectors particularly impacted by the COVID-19 outbreak.

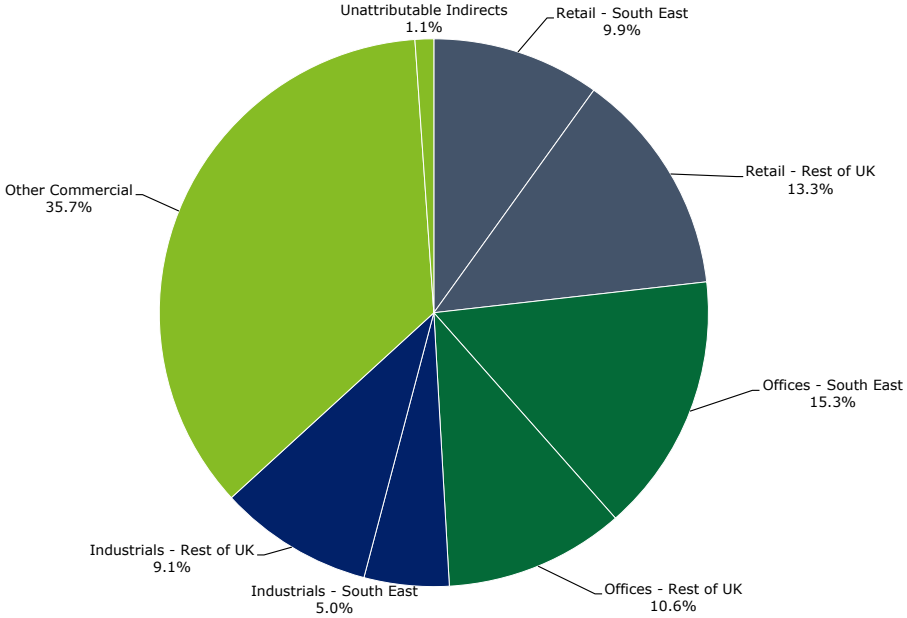
As a result of the continued lack of transactional activity, and therefore the lack of market evidence for external valuers, ASI stated that the "material uncertainty clause" remained in place regarding the valuation of the portfolio as at 30 June 2020. Following quarter end, ASI announced that the deferral of trading of the Long Lease Property Fund, alongside the "material uncertainty clause" relating to valuations, has been lifted with dealing returning to normal as at 3rd August 2020. This follows confirmation from the external valuers that there is sufficient market based evidence to provide accurate and reliable valuations for the strategy's assets.

As markets begin to return to a degree of normality, ASI expects long lease property to continue to outperform the wider market. Whilst ASI suspects the values of its higher quality assets may strengthen, the manager admits that those assets in the hospitality, leisure, pub and restaurant sectors are expected to realise a decline in values.

Rent collection has proved to be a challenge for landlords as a result of the COVID-19 outbreak. The Long Lease Property Fund has collected 92.2% of its rental income over the second quarter of 2020, with 3.8% subject to deferment arrangements and 3.8% of rent unpaid or subject to ongoing discussions with tenants. ASI has collected 89.7% of its Q3 2020 rent as at 8 September, with the proportion of the portfolio subject to deferment arrangements increasing to 6.1% and the proportion unpaid or subject to ongoing discussions with tenants increasing to 4.2%.

11.2 Portfolio Holdings

The sector allocation in the Long Lease Property Fund as at 30 June 2020 is shown in the graph below.



Over the quarter to 30 June 2020, the Fund's allocation to the office and retail sectors remained at 25.9% and 23.2% respectively. The allocations to industrials and other commercial properties decreased by 0.2% to 14.1% and increased by 0.2% to 35.7% respectively over the quarter.

Q2 and Q3 2020 rent collection, split by sector, as at 18 August 2020 is reflected in the table below:

Sector	Proportion of Fund (%)	Q2 2020 collection rate (%)	Q3 2020 collection rate (%)
Alternatives	6.1	99.2	100.0
Car Parks	3.7	100.0	100.0
Car Showrooms	2.9	100.0	79.6
Hotels	7.9	92.1	82.8
Industrial	15.0	100.0	90.1
Leisure	3.3	50.0	66.0
Public Houses	5.6	0.0	25.8
Offices	27.4	100.0	90.7
Student Accommodation	9.6	100.0	83.2
Supermarkets	18.5	100.0	99.7
Total	**100.0**	**89.6**	**81.0**

The leisure sector, primarily pubs and restaurants, has been impacted the most by the COVID-19 outbreak with assets with tenants subject to restrictions having limited trade.

As at 15 July 2020, six tenants have issued requests to ASI for rent deferment, representing 13.7% of Fund income:

- Marstons' plc, whose pubs had closed for trade but have now largely re-opened, has deferred its rent payments for Q2, to be repaid over the next 12 months. Q3 rent is to be paid monthly.
- Park Holidays, which has had holiday bookings cancelled, on park leisure facilities closed and parks only open to existing lodge and caravan owners, has had 50% of its rent deferred for Q2 to be repaid in Q4. Parks have since re-opened on a reduced service basis and Q3 rent is to be paid monthly.
- Caprice (The Ivy) has re-opened after previously being closed for trade. Rent deferment is being discussed.
- Z-hotels has re-opened, previously closed for trade. Rent has been deferred for Q2, to be repaid over the next 12 months.
- Merlin Attractions' Legoland park and hotel has now re-opened, following previous closure. Rent deferment is being discussed for Q3, having paid rent in full for Q2.
- Napier University, following concerns over the lack of summer trade as a result of no summer schools and the cancellation of the Edinburgh Fringe Festival, has deferred 50% of its Q3 rent.

The table below shows details of the top ten tenants in the fund measured by percentage of net rental income:

Tenant	% Net Income	Credit Rating
Tesco	7.6	BBB
Whitbread	5.8	BBB
Sainsbury's	4.7	BB
Marston's	4.5	BB
Asda	3.9	BBB
Salford University	3.7	A
QVC	3.5	BB
Save the Children	3.5	BB
Lloyds Bank	3.4	AA
Poundland	3.4	B
Total	44.0*	

*Total may not equal sum of values due to rounding

As at 30 June 2020, the top 10 tenants contributed 44.0% of the total net income of the Fund. Of which 16.2% of the net income came from the supermarket sector, with Tesco, Sainsbury's and Asda continuing to make up a significant proportion of the Fund at quarter end.

The unexpired lease term decreased from 25.0 years as at 31 March to 24.7 years as at 30 June 2020. The proportion of income with fixed, CPI or RPI rental increases increased by 0.1% to 90.5% over the quarter. The progression of the UK Statistics Authority's announcement to reform RPI to bring it into line with CPIH is being monitored as, should this take place, this would reduce the Fund's long term rental income growth.

11.3 Sales and Purchases

Due to the impact of the UK lockdown, ASI has continued to see a significant reduction in market activity.

Due to the suspension of drawing funds, ASI currently had one sale and leaseback acquisition on hold. The Fund expects to complete this transaction once the investment restrictions are lifted.

Additionally, two pre-let funding hotel projects, equating to 3.5% of total Fund value, have had construction suspended in line with government advice. The Dalata hotel in Glasgow was due to complete in Summer 2021 and the Dalata hotel in Bristol was due to complete in Autumn 2021. Completion dates for both properties have now been delayed until Autumn 2021 and early 2022 respectively.

12 Pantheon – Global Infrastructure Fund III

Pantheon was appointed to manage a global infrastructure mandate with the aim of outperforming the 3 month Sterling LIBOR benchmark by 8% p.a. The manager has an annual management fee and performance fee.

12.1 Global Infrastructure - Investment Performance to 30 June 2020

Capital Calls and Distributions

Westminster committed $91.5m to Pantheon in February 2019.

- Over the quarter, Pantheon issued one capital call and one capital distribution:
  - A capital call of $2.7m for payment by 12 May 2020, representing c. 3.0% of Westminster's total commitment.
  - A capital distribution of $0.7m on 25 June 2020, representing c. 0.8% of Westminster's total commitment.
- Following quarter end, Pantheon has issued one net capital call:
  - A net capital call of $0.9m for payment by 21 September 2020, consisting a capital call of $2.4m (representing c. 2.7% of Westminster's total commitment) and a capital distribution of $1.6m (representing c. 1.7% of Westminster's total commitment).

The remaining unfunded commitment as at 21 September 2020 was c. $60.7m, with the Fund's total contribution at c. $30.9m and the Fund's $91.5m commitment c. 34% drawn.

Activity

The PGIF III did not complete any further deals over the second quarter of 2020.

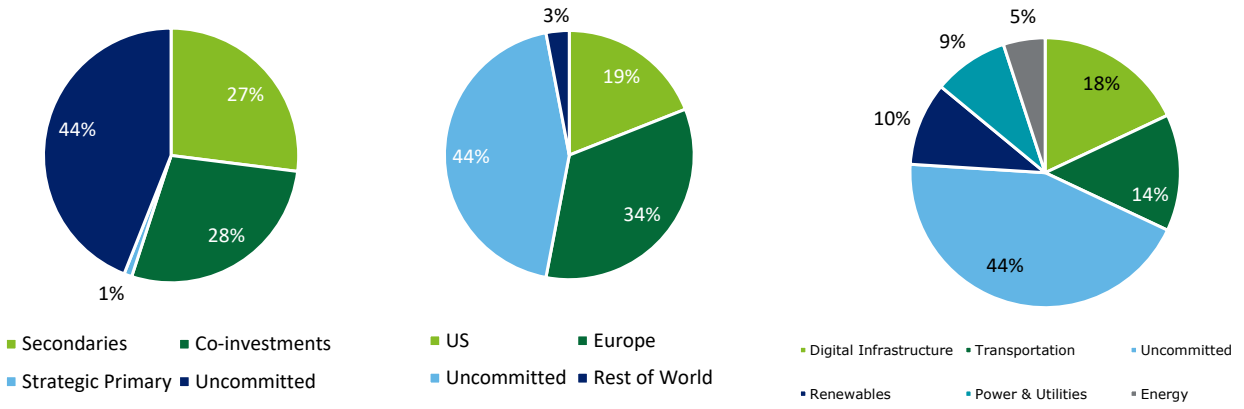
Over the quarter, Pantheon stated that the PGIF III was in the process of closing three further European co-investment deals – a $42m energy infrastructure project, a $25m telecommunications deal and a $66m telecommunications deal.

Pipeline

Pantheon currently has an investment pipeline of infrastructure opportunities, with potential near-term deals representing c. $3.4bn of potential investments across secondary deals and co-investments. This pipeline represents opportunities shared between all Pantheon products with a demand for infrastructure. There is no guarantee that each of these opportunities will be completed.

12.2 Asset Allocation

The charts below show the current diversification by strategy, geography and sector in PGIF III as at 30 June 2020.



The target geographic diversification is 30-50% North America, 40-60% Europe and 3-15% Asia and others. The PGIF III also aims to be 15-20% energy infrastructure (midstream), 20-30% energy infrastructure (power/utility), 20-30% transportation, 10-20% PPP/social infrastructure and 10-20% other.

12.3 Investments Held

The table below shows a list of the investments held by PGIF III as at 1 July 2020.

Project Name	Geography	Sector	Type	Deal Size ($m)	Commitment Date	COVID-19 Impact
Roger	Europe	Regulated Transmission & Distribution	Secondary	28	Dec 17	High
TRAC Domestic	North America	Asset-Backed	Co-investment	12	Dec 17	Low
Naturgy	Europe	Regulated Transmission & Distribution	Co-investment	33	May 18	Medium
Luton Airport	Europe	Transportation	Co-investment	23	May 18	High
Ribera	Europe	Energy Efficiency	Co-investment	32	Jul 18	Low
Invenergy	North America	Conventional Power Generation	Co-investment	32	Aug 18	Low
VTG	Europe	Asset-Backed	Co-investment	64	Sep 18	Medium
Inti	Europe	Renewable Power Generation	Secondary	22	Dec 18	Low
Megabyte	North America	Digital Infrastructure	Secondary	75	Dec 18	Low
Hivory	Europe	Digital Infrastructure	Co-investment	34	Dec 18	Low
Fairway	Global	Diversified	Secondary	57	Dec 18	Low
Proxiserve	Europe	Energy Efficiency	Co-investment	32	Mar 19	Medium
Asterion Industrial Fund I	Europe	Diversified Infrastructure	Strategic Primary	16	Mar 19	Medium
Springbank	North America	Transportation	Secondary	60	May 19	High
ORYX Midstream	North America	Energy Infrastructure	Co-investment	65	May 19	Medium
Gemini	Europe	Transportation	Secondary	65	Jun 19	High
Kookaburra	APAC	Diversified Infrastructure	Secondary	58	Jul 19	High
Sullivan	Global	Diversified Infrastructure	Secondary	120	Jul 19	High
Whitehelm European Fund II	Europe	Diversified Infrastructure	Strategic Primary	15	Sep 19	Low
Nitrogen	Europe	Telecommunications	Secondary	68	Dec 19	Low
McLaren	Global	Diversified Infrastructure	Secondary	49	Jan 20	High
IFT (Violin)	Europe	Telecommunications	Co-investment	53	Jan 20	Low
Zayo	North America	Telecommunications	Co-investment	67	Mar 20	Low
Energy Asset Group	Europe	Energy Infrastructure	Co-investment	34	Apr 20	Tbc
Viridor	Europe	Energy Infrastructure	Co-investment	42	Pending	Tbc
Telxius	Europe	Telecommunications	Co-investment	25	Pending	Tbc
Teemo	Europe	Telecommunications	Co-investment	66	Pending	Tbc

Appendix 1 – Fund and Manager Benchmarks

The tables in this Appendix detail the benchmarks and outperformance targets, for the Total Fund and each individual manager.

Total Fund

Inception: 1 June 2006. Current benchmark allocation effective from 25 March 2015.

Manager	Asset Class	Long Term Strategic Benchmark Allocation	Benchmark	Outperformance Target	Inception Date
LGIM	Global Equity	45.0	FTSE World GBP Hedged	Passive	01/11/12
Baillie Gifford	Global Equity	20.0	MSCI AC World Index	+2.0 p.a. (net of fees)	18/03/14
Longview	Global Equity	0.0	MSCI World (GBP) Index	To outperform the benchmark over a market cycle	15/01/15
Insight	Buy and Maintain	13.5	Insight Custom Benchmark	n/a	12/04/18
CQS	Multi Asset Credit	6.5	3 Month Libor	+ 4% p.a. (net of fees)	30/10/18
Hermes	Property	5.0	IPD UK PPFI Balanced PUT Index	+0.5 p.a. (net of fees)	26/10/10
Aberdeen Standard Investments	Property	5.0	FTSE Gilts All Stocks Index +2% p.a.	+0.5 p.a. (net of fees)	14/06/13
Pantheon	Global Infrastructure	5.0	3 month Libor	+ 8% p.a. (net of fees)	15/04/19
	Total	100.0			

Appendix 2 – Manager Ratings

Based on our manager research process, we assign ratings to the investment managers for specific products or services. The ratings are based on a combination of quantitative and qualitative factors, where the inputs for the qualitative factors come from a series of focused meetings with the investment managers. The ratings reflect our expectations of the future performance of the particular product or service, based on an assessment of:

- The manager's business management;
- The sources of ideas that go to form the portfolio ("alpha generation");
- The process for including the ideas into the portfolio ("alpha harnessing"); and
- How the performance is delivered to the clients.

On the basis of the research and analysis, managers are rated from 1 (most positive) to 4 (most negative), where managers rated 1 are considered most likely to deliver outperformance, net of fees, on a reasonably consistent basis. Managers rated 1 will typically form the basis of any manager selection short-lists.

Where there are developments with an investment manager that cause an element of uncertainty we will make the rating provisional for a short period of time, while we carry out further assessment of the situation.

Appendix 3 – Risk warnings & Disclosures

- Past performance is not necessarily a guide to the future.
- The value of investments may fall as well as rise and you may not get back the amount invested.
- Income from investments may fluctuate in value.
- Where charges are deducted from capital, the capital may be eroded or future growth constrained.
- Investors should be aware that changing investment strategy will incur some costs.
- Any recommendation in this report should not be viewed as a guarantee regarding the future performance of the products or strategy.

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