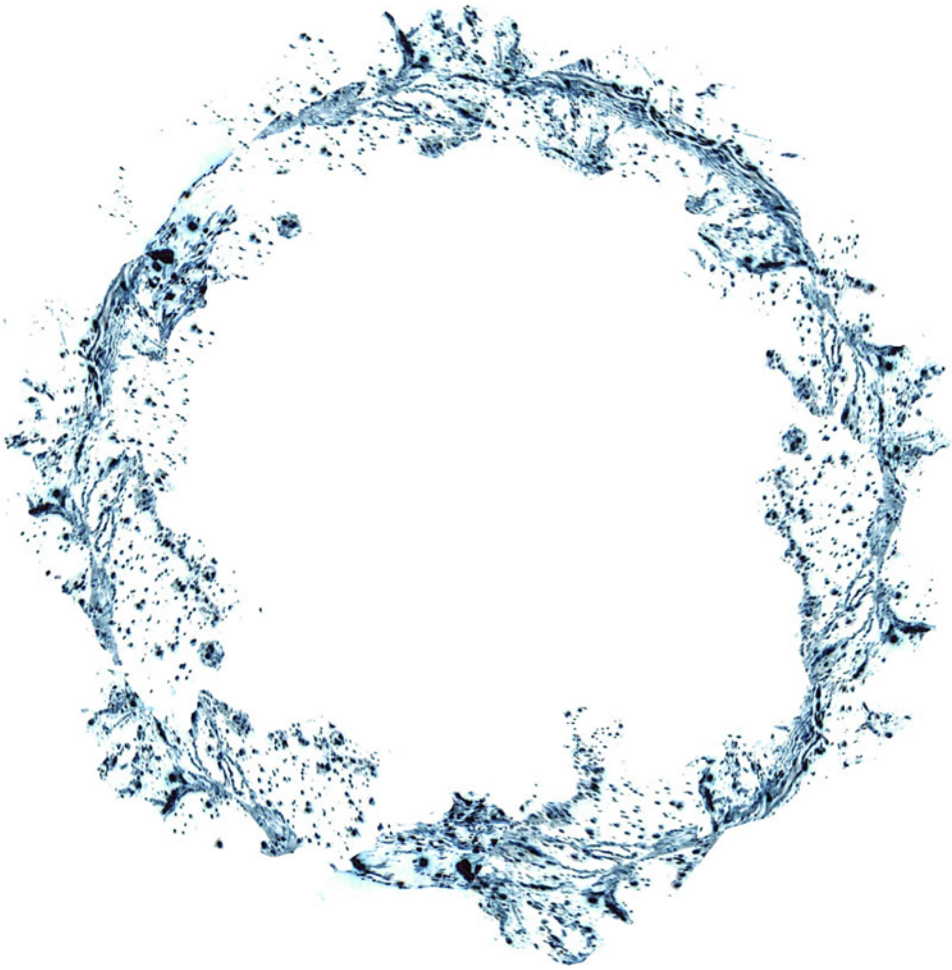
Deloitte.



# City of Westminster Pension Fund

## Investment Performance Report to 30 June 2022

Deloitte Total Reward and Benefits Limited
October 2022

# Contents

# 1 Market Background

## Global Equities

Inflation continued to move higher across many major economies over the quarter causing investors to price in further interest rate rises and an increased risk of recession. Consumer confidence deteriorated in response to rising prices and manufacturing growth slowed worldwide as Russia's invasion of Ukraine and strict lockdown measures in China continued to disrupt supply chains. Over the second quarter of 2022, both the Federal Reserve and Bank of England hiked interest rates putting further pressure on the consumer. Despite its recent interventions, the Bank of England continues to warn of rising inflation, raising its estimate of peak CPI from 10% to 11%.

Over the second quarter of 2022, global equity markets fell sharply in response to the growing risk of recession. The FTSE All World Index returned -13.3% in local currency terms. Performance across all global regions was negative. US equities saw the sharpest decline due in part to the Federal Reserve's aggressive interest rate rises. The FTSE All World USA Index returned -16.6% in local currency terms over the quarter.

European markets returned -10.4% over the quarter in local currency terms, as the war in Ukraine continued and concerns grew over potential gas shortages. With inflation rising across the eurozone, the European Central Bank announced its intention to raise interest rates for the first time in 10 years when it meets in July. Despite the easing of lockdown restrictions across China, the FTSE All World Asia Pacific ex-Japan performed negatively, returning -7.1%. Japanese markets finished the quarter lower as the yen weakened sharply against the US dollar, the FTSE All World Japan returned -3.7% in local currency terms. Emerging Market equities also performed negatively over the quarter, returning -7.3% in local currency terms.

## Government bonds

UK nominal gilt yields increased over the second quarter across all maturities as investors priced in further rate rises. UK consumer price inflation reached 9.4% over the 12 months to 30 June 2022, with the Bank of England forecasting that CPI will reach 11% in late 2022. The Bank of England pressed ahead with rate rises with the UK base rate reaching 1.25% by the end of the quarter. The All Stocks Gilts Index delivered a return of -7.4% over the quarter, whilst the longer-dated Over 15-year Index delivered a return of -14.2%.

Real yields on index-linked gilts increased by a greater extent than their nominal equivalents as inflation expectations fell in response to an assumed deterioration in future economic growth. The All Stocks Index-Linked Gilts Index delivered a return of -17.5% over the second quarter.

## Corporate bonds

Credit spreads on sterling denominated investment grade corporate bonds widened over the quarter in response to the combination of monetary policy tightening and a weaker economic outlook. The iBoxx All Stocks Non-Gilt Index returned -6.8% over the three months to 30 June 2022.

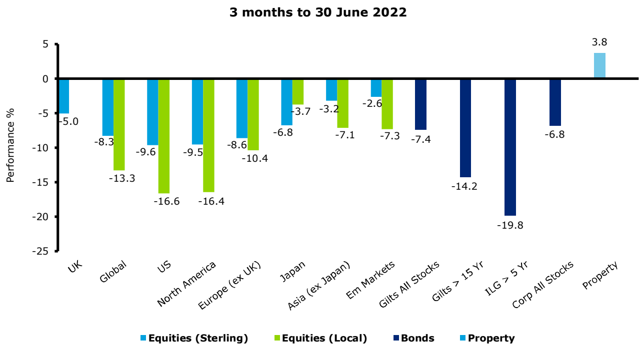
## Property

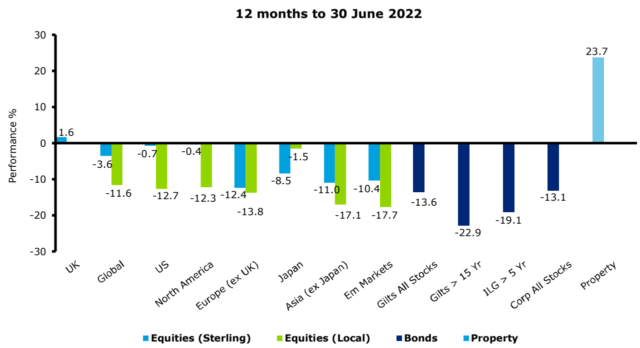
The MSCI UK All Property Index delivered a return of 3.8% over the second quarter of 2022, and a return of 23.7% over the 12 months to 30 June 2022. The industrial sector continues to lead the way with a quarterly return of 5.1%, whilst the office sector continued to underperform, returning 1.7%. The retail sector was the second-highest performing sector over the quarter, delivering a return of 3.8%.

## Responsible Investing

The war in Ukraine has highlighted the heavy dependence of many European countries on Russian oil and gas, whilst supply chain disruption and surging agricultural costs have increased the threat of a global food security crisis. The MSCI World ESG Focus Index delivered a return of -16.3% over the three-month period underperforming the wider MSCI World Index by c. 0.2%, largely due to being overweight the technology sector and underweight outperforming oil and gas stocks.

Over the quarter, the U.S. Securities & Exchange Commission (SEC) proposed new rules requiring listed companies to publish climate related reporting, broadly following the Task Force on Climate-Related Financial Disclosures (TCFD) framework. If enacted, the proposal would require reporting on climate related risks, governance, carbon emissions and other climate related risks.



# 2 Total Fund

## 2.1 Investment Performance to 30 June 2022

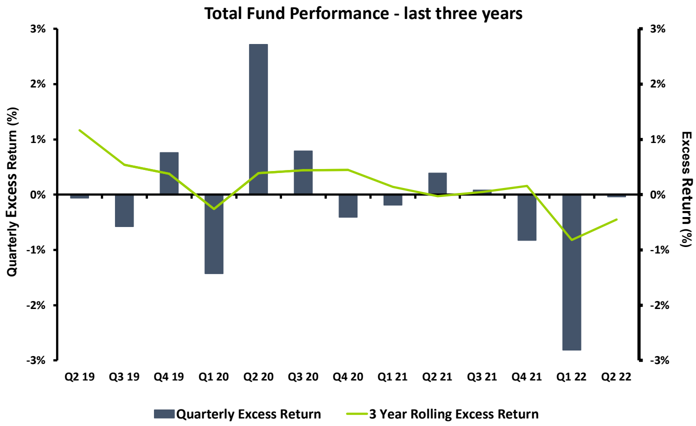
The following table provides a summary of the performance of the Fund's managers.

| 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 (Future World) | -13.4 | -13.4 | -12.2 | -12.3 | n/a | n/a | 4.4 | 4.3 |
| LCIV | Global Equity (Global Alpha Growth) | -12.1 | -8.6 | -23.4 | -4.2 | 5.5 | 7.9 | 11.6 | 10.8 |
| LCIV | Global Equity (Global Equity Core) | -6.0 | -8.6 | -1.6 | -4.2 | n/a | n/a | 7.4 | 10.7 |
| Insight[1] | Buy and Maintain | -7.7 | -4.6 | -14.2 | -9.8 | -1.9 | -1.3 | 4.0 | 3.5 |
| LCIV | Multi Asset Credit | -7.6 | 1.3 | -7.5 | 4.5 | 0.0 | 4.5 | 0.7 | 4.6 |
| abrdn | Property | 2.2 | -6.9 | 14.1 | -11.7 | 8.3 | -1.5 | 8.5 | 3.9 |
| Man GPM | Community Housing | 3.7 | 0.3 | n/a | n/a | n/a | n/a | -7.4 | 0.4 |
| Pantheon[2] | Global Infrastructure | 17.6 | 2.2 | 33.5 | 8.5 | 13.4 | 8.6 | 13.9 | 9.1 |
| Macquarie[3] | Global Renewable Infrastructure | 12.0 | 0.3 | 16.8 | 0.5 | n/a | n/a | 0.7 | 0.4 |
| Quinbrook[3] | UK Renewable Infrastructure | 0.1 | 0.3 | -1.2 | 0.5 | n/a | n/a | 8.2 | 0.4 |
| LCIV | Absolute Return | -4.2 | 1.0 | n/a | n/a | n/a | n/a | -1.1 | 1.8 |
| Total | | -7.6 | -7.6 | -9.4 | -5.9 | 4.6 | 5.0 | n/a | n/a |

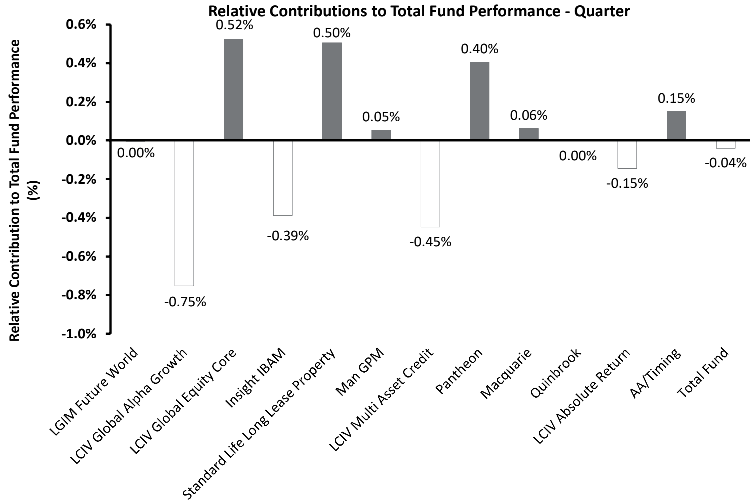
*Source: Northern Trust. Figures may not tie due to rounding.*
*[1]Insight Buy and Maintain Fund was incepted on 9 April 2018. Since inception returns and benchmark returns reflect a combination of Insight Buy & Maintain Fund returns and benchmark returns from date of inception to 30 June 2022, and Insight IM (Core) Fund returns and benchmark returns from inception date 30 September 2011 until inception of the Buy and Maintain Fund.*
*[2]Pantheon Global Infrastructure Fund performance is calculated by Northern Trust with a 60 calendar day lag, based on Pantheon net asset value in USD which Northern Trust converts to GBP. As such, performance provided is to end April 2022 and includes the impact of fluctuations in the USD to GBP exchange rate.*
*[3]Macquarie and Quinbrook performance is calculated with a one quarter lag. In addition, Macquarie net asset value and cashflows are in EUR which Northern Trust converts to GBP, therefore estimated performance includes the impact of fluctuations in the EUR to GBP exchange rate.*

The Fund delivered a negative absolute return of -7.6% on a net of fees basis over the second quarter of 2022, performing broadly in line with the fixed weight benchmark. The negative absolute return over the quarter, for the second quarter in succession, can be largely attributed to poor performance across global equity and wider capital markets, primarily due to continued heightened inflationary concerns alongside the supply chain disruption caused by ongoing conflict in Ukraine and strict lockdown measures in China. Over the one year period to 30 June 2022, the Fund delivered a negative absolute return of -9.4% but delivered a positive return of 4.6% p.a. over the longer three year period on a net of fees basis, underperforming the fixed weight benchmark by 3.4% and 0.5% p.a. over the year and three year periods respectively (relative performance does not correspond to the figures in the table above due to rounding).

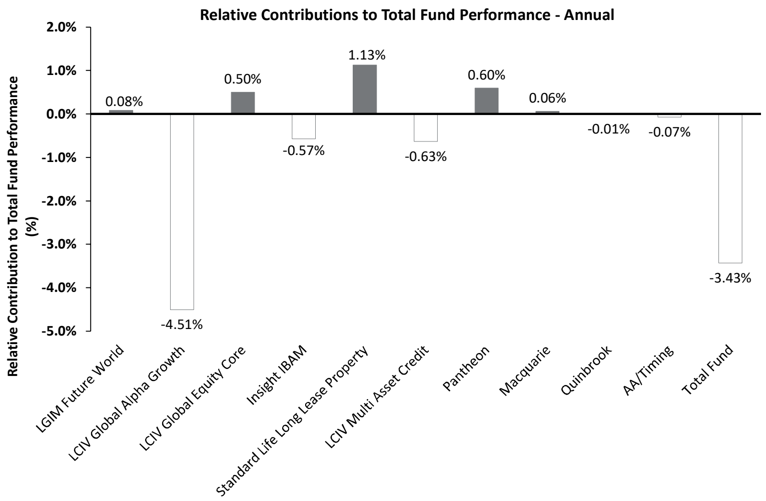
The chart below shows the relative performance of the Fund over the quarter and last three years, highlighting that the rolling three-year performance remains below the benchmark over the quarter. Please note that performance is shown net of fees versus the benchmark.



## 2.2 Attribution of Performance to 30 June 2022




The Fund performed broadly in line with its fixed weight benchmark over the second quarter of 2022. Underperformance was primarily driven by the LCIV Global Alpha Growth Fund, having underperformed its benchmark for the sixth quarter in succession with the strategy's large-cap growth stock bias continuing to prove detrimental as investors continue to seek safety in value-oriented parts of the market. The Insight Buy and Maintain Fund and the LCIV Multi Asset Credit Fund also detracted from relative performance, with Insight's longer duration relative to its iBoxx-based benchmark harming relative returns while the LCIV Multi Asset Credit Fund underperformed its cash-plus target against an unfavourable backdrop across the credit market. Underperformance was primarily offset by the LCIV Global Equity Core Fund, having outperformed its MSCI benchmark over the quarter, the Standard Life Long Lease Property Fund, managed by abrdn, having outperformed its gilts-based benchmark over the quarter owing to a noticeable rise in gilt yields over the three-month period, and Pantheon, with the infrastructure strategy delivering a strong positive return versus its cash-plus target over the quarter.




Over the year to 30 June 2022, the Fund underperformed its benchmark by 3.4% on a net of fees basis. Underperformance can largely be attributed to the LCIV Global Alpha Growth Fund with the sub-fund, managed by Baillie Gifford, having considerably underperformed its benchmark over the year to 30 June 2022, largely due to a general "flight to quality" within the wider market. Underperformance was partially offset by the Standard Life Long Lease Property Fund owing to a rise in gilt yields over the year.

## 2.3 Asset Allocation as at 30 June 2022

The table below shows the assets held by manager and asset class as at 30 June 2022.

| Manager | Asset Class | End March 2022 (£m) | End June 2022 (£m) | End March 2022 (%) | End June 2022 (%) | Benchmark Allocation (%) |
|---|---|---|---|---|---|---|
| LGIM | Global Equity (Passive - Future World) | 435.1 | 376.9 | 23.4 | 21.8 | 20.0 |
| LCIV | Global Alpha Growth | 399.0 | 349.9 | 21.5 | 20.3 | 20.0 |
| LCIV | Global Equity Core | 374.7 | 352.4 | 20.2 | 20.4 | 20.0 |
| Longview | Global Equity | - | - | - | 0.0 | 0.0 |
| | **Total Equity** | **1,208.8** | **1,079.2** | **65.0** | **62.5** | **60.0** |
| Insight | Buy and Maintain | 229.0 | 211.3 | 12.3 | 12.2 | 7.0 |
| LCIV | Multi Asset Credit | 94.1 | 86.9 | 5.1 | 5.0 | 6.0 |
| CVC Credit | European Direct Lending | - | - | - | - | 6.0 |
| | **Total Bonds** | **323.1** | **298.2** | **17.4** | **17.3** | **19.0** |
| abrdn | Long Lease Property | 103.7 | 106.0 | 5.6 | 6.1 | 5.0 |
| Man GPM | Affordable Housing | 29.5 | 26.1 | 1.6 | 1.5 | 2.5 |
| TBC | Affordable Housing / Supported Living | - | - | - | - | 2.5 |
| | **Total Property** | **133.2** | **132.1** | **7.2** | **7.6** | **10.0** |
| Pantheon[1] | Global Infrastructure | 49.0 | 59.1 | 2.6 | 3.4 | 5.0 |
| Macquarie[2] | Global Renewable Infrastructure | 9.8 | 23.8 | 0.5 | 1.4 | 3.0 |
| Quinbrook[2] | UK Renewable Infrastructure | 18.2 | 27.4 | 1.0 | 1.6 | 3.0 |
| | **Total Infrastructure and Renewable Infrastructure** | **77.0** | **110.4** | **4.1** | **6.4** | **11.0** |
| LCIV | Absolute Return | 51.6 | 49.4 | 2.8 | 2.9 | 0.0 |
| | Cash[3] | 65.7 | 58.1 | 3.5 | 3.4 | 0.0 |
| | **Total Cash and Cash Management** | **117.3** | **107.5** | **6.3** | **6.3** | **0.0** |
| **Total** | | **1,859.5** | **1,727.5** | **100.0** | **100.0** | **100.0** |

*Source: Northern Trust*
*Figures may not sum due to rounding*
*[1]Pantheon Global Infrastructure Fund valuation is provided by Northern Trust with a 60 calendar day lag, based on Pantheon net asset value in USD which Northern Trust converts to GBP.*
*[2]Macquarie and Quinbrook valuations are provided by Northern Trust with a one quarter lag, updated for known cashflows over the reporting period. In addition, Macquarie net asset value and cashflows are in EUR which Northern Trust converts to GBP. Quinbrook net asset value includes an additional £3.8m which is held in a custody account following receipt of equalisation payments since inception.*
*[3]Includes cash held in the in-house cash allocation and the Northern Trust ESG Ultra Short Bonds Fund.*

The total value of the Fund's invested assets, including cash, stood at c. £1,727.5m as at 30 June 2022, representing a decrease of c. £132.0m over the second quarter of 2022.

### Fixed Income Portfolio

Following a manager selection exercise on 10 March 2022, the Committee agreed to invest in the CVC Credit European Direct Lending III Fund and committed a total of £110m across the main fund (£85m) and the co-investment vehicle (£25m).

Following quarter end, CVC Credit issued its first drawdown requests for £17.4m and £3.9m to be drawn into the main fund and the co-investment vehicle respectively by 28 July 2022. These requests were funded entirely from the Insight Buy and Maintain Fund.

### Affordable Housing / Supported Living

Over the quarter, Man GPM issued a distribution of £4.5m to the Fund on 3 May 2022, including an equalisation payment of £0.2m. Following quarter end, Man GPM issued a drawdown request for £3.0m for payment by 12 July 2022. Following payment, as at 12 July 2022 the Fund's total commitment is c. 60% drawn for investment.

### Infrastructure and Renewable Infrastructure

The Pantheon Global Infrastructure Fund III investment portfolio is now fully deployed. Pantheon anticipates that the Fund's commitment will be approximately fully drawn by the end of 2022. Over the quarter, Pantheon issued a net capital call of $1.8m for payment by 21 June 2022, which consisted of a c. $2.7m capital contribution, offset by a c. $0.9m distribution and, following quarter end, Pantheon issued a net drawdown request for $4.2m to be paid by 9 September 2022, consisting of a $5.5m capital call offset by a $1.4m distribution of capital. Following payment, the Fund's $91.5m commitment is c. 80% drawn for investment.

As noted in the table above, the value of the Fund's investment in the Quinbrook Renewables Impact Fund is estimated with a one quarter lag. Based on the current drawdown position as at 23 August 2022 following a capital call of £9.2m in May 2022 and a capital call of £8.5m following quarter end in August, Quinbrook has drawn £34.2m of the Fund's £60m commitment for investment.

Similarly, the value of the Fund's investment in the Macquarie Renewable Energy Fund 2 is estimated in the table above based on the valuation as at 30 June 2022. Based on the current drawdown position as at 25 August 2022 following a capital call of €5.2m in May and a capital call of €9.4m in June, the remaining unfunded commitment stands at €28.4m, with the Fund's total contribution at €26.6m.

### Cash Management

With the exception of the CVC Credit drawdown request, each of the above-mentioned drawdown requests were funded from residual cash held in the Fund's in-house cash allocation. Given the extent of drawdown requests issued in recent periods, the Fund's investment in the Standard Life Long Lease Property Fund, managed by abrdn, and the Insight Buy and Maintain Fund were switched to income distributing shareclasses over the second quarter of 2022 in order to provide additional income. In addition, the in-house cash allocation has been topped up via a £10m redemption from the Northern Trust ESG Ultra Short Bonds Fund in August, which forms part of the Fund's cash account in the table above, as reported by Northern Trust.

## 2.4 Yield analysis as at 30 June 2022

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

| Manager | Asset Class | Yield as at 31 March 2022 |
|---|---|---|
| LGIM | Global Equity (Passive – Future World) | 1.82% |
| LCIV | Global Equity (Global Alpha Growth) | 1.26%* |
| LCIV | Global Equity (Global Equity Core) | 1.42% |
| Insight | Buy and Maintain | 4.10% |
| LCIV | Multi Asset Credit | 8.62% |
| abrdn | Long Lease Property | 3.81% |
| LCIV | Absolute Return | 1.34%* |
| | Total | **2.55%** |

**LCIV Global Alpha Growth, LCIV Global Equity Core and LCIV Absolute Return Fund yields are provided by the underlying managers (Baillie Gifford, Morgan Stanley and Ruffer).*

# 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 – Future World) | Major deviation from benchmark returns<br>Significant loss of assets under management | 1 |
| Baillie Gifford | LCIV Global Equity (Global Alpha Growth) | Loss of key personnel<br>Change in investment approach<br>Lack of control in growth of assets under management | 1 |
| Morgan Stanley Investment Management | LCIV Global Equity (Global Equity Core) | Loss of key personnel<br>Change in investment approach<br>Lack of control in growth of assets under management | 1 |
| Insight | Buy and Maintain | Departure of any of the senior members of the investment team | 1 |
| CQS & PIMCO | LCIV Multi Asset Credit | Significant changes to the investment team responsible for the fund | 1 |
| abrdn | Property | Les Ross leaving the business or ceasing to be actively involved in the fund without having gone through an appropriate hand-over<br>A build up within the fund of holdings with remaining lease lengths around 10 years<br>Investment in lower yielding or poorer quality assets than expected | 1 |
| Man GPM | Affordable Housing | Significant changes to the investment team responsible for the Fund | 1 |
| Pantheon | Global Infrastructure | Significant changes to the investment team responsible for the fund | 1 |
| Macquarie | Global Renewable Infrastructure | Significant changes to the investment team responsible for the fund | 1 |
| Quinbrook | UK Renewable Infrastructure | Significant changes to the investment team responsible for the fund | 1 |
| Ruffer | LCIV Absolute Return | Departure of either of the co-portfolio managers from the business<br>Any significant change in ownership structure | 1 |

## 3.1 London CIV

### Business

The London CIV had assets under management of £12,126m within the 16 sub-funds (not including commitments to the private markets strategies) as at 30 June 2022, a decrease of £1,080m, primarily as a result of negative market returns over a volatile quarter. The positive net flows over the quarter can be partially attributed to the impact of three investors seeding the LCIV Alternative Credit Fund.

As at 30 June 2022, the total assets under oversight, including passive investments held outside the London CIV platform, stood at £24.7bn, a decrease of c. £2.0bn over the quarter. As at 30 June 2022, total commitments raised by the private market funds stood at £2.2bn of which £808m had been drawn.

Following quarter end, in July 2022, the re-alignment of the LCIV Multi Asset Credit Sub Fund, which the Fund currently invests in, to introduce the PIMCO Diversified Income Fund to sit alongside CQS as part of a two-manager structure was completed in line with schedule.

### Personnel

In April 2022, Mike O'Donnell, Client Director and CEO, announced he has informed the London CIV Board of his intention to retire from the role at the end of March 2023. Mike intends to step back from a full-time role, exploring an alternative challenge. Mike will remain in his role until March 2023 and will support the London CIV during the transition period. Following quarter end, in August 2022, the London CIV announced that Dean Bowden has been appointed as London CIV CEO in succession to Mike O'Donnell. The appointment is subject to FCA approval, with Dean set to join the London CIV in November 2022 and spend a few weeks working with Mike to fully integrate himself into the role before formally taking over. Dean brings considerable experience of the asset management and broader investment and savings industry, having spent much of his career with Quilter (formerly Old Mutual and Skandia), most recently as CEO and Director of Quilter Investors Portfolio Management and Managing Director and Director of Quilter Investors Limited, while also undertaking the role of Quilter's Group Head of Responsible Investment where he had responsibility for the design of the Group responsible investment and responsible business strategies.

In May 2022, the London CIV announced four new hires. Naomi Brown joined the Fund Accounting Team, Christiana Omoroga joined the Risk and Compliance Team, Marie-Chantel Ahagbuje joined the Governance Team and Victoria Morris joined the Client Services Team.

*Deloitte view* – 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 2022, Legal & General Investment Management ("LGIM") had assets under management ("AuM") of c. £1,290m, a decrease of c. 131bn since 31 December 2021. Note, LGIM provides AuM updates biannually.

### Personnel

Within the Index team, LGIM welcomed 5 new joiners over the second quarter of 2022:

- Karan Bhanot, ETF Investment Strategist;
- Rory Loader, ETF Business Relationship Analyst;
- Matthew McCarthy, ETF Portfolio Manager;
- Thomas Yunus, ETF Portfolio Manager; and
- Steven Grieve, Fixed Income Fund Manager.

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

## 3.3 Baillie Gifford

### Business

As at 30 June 2022, Baillie Gifford held c. £231bn in assets under management, representing a decrease of c. £46bn over the quarter primarily as a result of negative market returns alongside investor flows out of some of Baillie Gifford's equity strategies. The Global Alpha strategy held assets under management of c. £39bn as at 30 June 2022, representing a decrease of c. £7bn over the quarter.

### Personnel

There were no significant personnel changes to the Global Alpha Fund over the second quarter of 2022.

*Deloitte view* - We note the significant underperformance of the Global Alpha Growth Fund. We are holding a meeting with senior members of the Baillie Gifford team responsible for the strategy in October and will provide an update to the Committee at the 27 October 2022 Committee Meeting.

## 3.4 Morgan Stanley Investment Management

### Business

The LCIV Global Equity Core Fund held assets under management of c. £529m as at 30 June 2022, a decrease of c. £34m over the quarter.

As at 30 June 2022, the Morgan Stanley Global Sustain Fund, which the LCIV Global Equity Core Fund is based upon, held assets under management of c. $3.8bn, representing a decrease of c. $1.1bn over the second quarter of 2022, primarily as a result of negative market movements.

### Changes to the LCIV Global Equity Core Fund

Following quarter end, taking effect in August 2022, the Sub-Fund's investment policy has been amended to formalise the strategy's ''quality" focus of investing and the responsible investment parameters applied by the investment manager. Specifically, the revised policy:

- Formalises the objective of achieving a lower greenhouse gas ("GHG") emissions intensity than the MSCI All Country World Index; and

- Extends fossil fuel and related omissions and introduces a GHG emissions intensity filter.

The manager has also increased the range for the number of stocks typically held from 25-40 to 25-50. This is aligned to the investment manager's approach to portfolio construction.

The Sub-Fund is already fully compliant with the revised investment policy, as such no transactional activity or re-alignment is required in the light of these changes.

### Personnel

There were no significant personnel changes to the Morgan Stanley Global Sustain Fund over the second quarter of 2022.

Deloitte View - We continue to rate Morgan Stanley Investment Management positively for its active equity capabilities.

## 3.5 Insight

### Business

Insight's assets under management stood at c. £725bn as at 30 June 2022, a decrease of c. £92bn over the quarter primarily as a result of negative market returns over the three-month period.

The Insight Buy and Maintain Fund's assets under management decreased by £0.3bn over the second quarter of 2022, to c. £2.7bn as at 30 June 2022.

### Personnel

There were no significant team or personnel changes over the quarter to 30 June 2022.

*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 abrdn

### Business

The Standard Life Long Lease Property Fund, managed by abrdn, had a total fund value of c. £3.5bn as at 30 June 2022, remaining relatively unchanged over the 3 month period since 31 March 2022.

### Personnel

There were no significant team or personnel changes over the quarter to 30 June 2022.

*Deloitte View* – We continue to rate abrdn positively for its long lease property capabilities.

## 3.7 Man GPM

### Business

Man GPM held a total of c. $3.2bn in assets under management as at 31 March 2022, including commitments, a decrease of c. $0.2bn over the quarter. The Community Housing Fund's NAV stood at c. £88.0m as at 31 December 2021, an increase of £50.5m over the fourth quarter of 2021. Data as at 30 June 2022 was unavailable at the time of writing.

Commitments to the Community Housing Fund now total £220m, with a further £5m of commitments under documentation as at the end of May 2022. The Fund's total capacity is £400m.

Over the quarter, Man GPM issued a distribution of c. £4.5m to the Fund on 3 May 2022, including an equalisation payment of £0.2m to reflect the impact of new investors committing to the strategy at the most recent close. In addition, following quarter end, Man GPM issued a capital call of £3.0m to the Fund for payment by 12 July 2022. As such, the Fund's total commitment is c. 60% drawn for investment following the capital call as at 12 July 2022.

### Personnel

There were no significant personnel changes over the second quarter of 2022.

*Deloitte view* – We continue to rate Man GPM for its affordable housing capabilities. While Ian Jackson's departure does not trigger a Key Person Event, we will monitor any implications his departure may have on fund raising and deployment within the strategy.

## 3.8 Pantheon

### Business

Pantheon held c. $88bn in assets under management as at 31 March 2022, an increase of c. $4bn since 31 December 2021.

Following the final close in March 2019, the Global Infrastructure III Fund had $2.2bn in committed assets. The Global Infrastructure III Fund has completed 41 deals, with $2.2bn in closed or committed deals as at 30 June 2022 and is fully committed.

Pantheon does not plan to add any further investments to the portfolio and, going forward, capital calls will be used to pay off the short-term credit facility and to finance additional capital drawn by the fund's existing investments.

### Personnel

There were no significant team or personnel changes over the quarter to 30 June 2022.

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

## 3.9 Macquarie

### Business

Macquarie held assets under management of €523bn as at 31 March 2022.

On 28 January 2021, the Macquarie Renewable Energy Fund 2 ("MGREF2") reached final close with total commitments of €1.64bn across 32 investors, exceeding the initial fundraising target of €1-1.5bn.

The Green Investment Group ("GIG") commenced operations as part of Macquarie Asset Management ("MAM") on 1 April 2022. The change enables MAM to create an enhanced team within its Real Assets division which is focused on providing access to green investment opportunities at greater scale and pace to drive the global transition to net zero. The combined teams will focus on developing, constructing and operating renewable energy projects, as well as fostering new emerging technologies and solutions – delivering decarbonisation solutions for the benefit of clients and Macquarie's portfolio companies. There are no organisational or leadership changes within MAM as a result of GIG joining, and GIG will operate as part of the Real Assets division of MAM, under the continued leadership of Leigh Harrison (Global Head of MAM Real Assets), with the GIG team being led by Mark Dooley.

### Personnel

There were no significant team or personnel changes over the quarter to 30 June 2022.

*Deloitte View* - We continue to rate Macquarie positively for its global renewable infrastructure capabilities.

## 3.10 Quinbrook

### Business

As at 30 June 2022, a total of £260m has been committed to the Renewables Impact Fund, accounting for 52% of the Fund's target, with no further closes taking place over the quarter. Quinbrook is confident that momentum will continue and plans to conduct rolling closes throughout the remainder of 2022.

The Renewables Impact Fund has deployed a total of £127.8m into the investment portfolio as at 30 June 2022, representing 49% of commitments in total.

### Personnel

Over the second quarter of 2022, Ariana Brighenti and Gavin O'Brien joined Quinbrook. Ariana joined Quinbrook's Capital Formation team as an Associate (UK) at the end of June 2022, prior to joining Quinbrook Ariana was part of the LGPS sales team at BlackRock. Gavin joined Quinbrook as an Analyst (US) from KPMG in Dallas where he was a Senior Associate in KPMG's Infrastructure & Capital Projects Advisory Practice.

Meanwhile in June 2022, Charlie Miller-Sterling, an associate in the UK capital formation team, left his role.

*Deloitte View* - We continue to rate Quinbrook positively for its global renewable infrastructure capabilities.

## 3.11 Ruffer

### Business

As at 30 June 2022, Ruffer held c. £26.0bn in assets under management, remaining broadly unchanged over the quarter.

### Personnel

There were no significant personnel changes to the Ruffer Absolute Return Fund over the second quarter of 2022.

Deloitte view – The Ruffer product is distinctive within the universe of diversified growth managers with the manager willing to take contrarian, long term positions, where necessary drawing on the expertise of external funds. We continue to rate Ruffer and the strategy.

# 4 London CIV

## 4.1 Investment Performance to 30 June 2022

At 30 June 2022, the assets under management within the 16 sub-funds of the London CIV stood at £12,126m, with a further combined £2.2m committed to the London CIV's private market funds. The total assets under oversight (which includes passive investments held outside of the London CIV platform) decreased by c. £2.0bn to c. £24.7bn 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 March 2022 (£m) | Total AuM as at 30 June 2022 (£m) | Number of London CIV clients | Inception Date |
|---|---|---|---|---|---|---|
| LCIV Global Alpha Growth | Global Equity | Baillie Gifford | 2,314 | 1,890 | 9 | 11/04/16 |
| LCIV Global Alpha Growth Paris Aligned | Global Equity | Baillie Gifford | 1,175 | 1,033 | 6 | 13/04/21 |
| LCIV Global Equity | Global Equity | Newton | 747 | 684 | 3 | 22/05/17 |
| LCIV Global Equity Core | Global Equity | Morgan Stanley Investment Management | 563 | 529 | 2 | 21/08/20 |
| LCIV Global Equity Focus | Global Equity | Longview Partners | 893 | 849 | 5 | 17/07/17 |
| LCIV Emerging Market Equity | Global Equity | Henderson Global Investors | 523 | 547 | 8 | 11/01/18 |
| LCIV Sustainable Equity | Global Equity | RBC Global Asset Management (UK) | 1,344 | 1,226 | 8 | 18/04/18 |
| LCIV Sustainable Equity Exclusion | Global Equity | RBC Global Asset Management (UK) | 437 | 400 | 3 | 11/03/20 |
| LCIV PEPPA | Global Equity | State Street Global Advisors | 504 | 501 | 2 | 01/12/21 |
| LCIV Global Total Return | Diversified Growth Fund | Pyrford | 228 | 223 | 3 | 17/06/16 |
| LCIV Diversified Growth | Diversified Growth Fund | Baillie Gifford | 952 | 841 | 9 | 15/02/16 |
| LCIV Absolute Return | Diversified Growth Fund | Ruffer | 1,308 | 1,124 | 10 | 21/06/16 |
| LCIV Real Return | Diversified Growth Fund | Newton | 179 | 176 | 2 | 16/12/16 |
| LCIV MAC | Fixed Income | CQS & PIMCO | 1,008 | 1,153 | 12 | 31/05/18 |
| LCIV Global Bond | Fixed Income | PIMCO | 639 | 590 | 7 | 30/11/18 |
| LCIV Alternative Credit | Fixed Income | CQS | 391 | 360 | 3 | 31/01/22 |
| Total | | | 13,206 | 12,126 | | |

Source: London CIV

Over the quarter to 30 June 2022, notable transactions included investment into the LCIV MAC Fund, LCIV Emerging Market Equity Fund and LCIV Passive Equity Progressive Paris-Aligned (PEPPA) Fund.

## 4.2 Private Markets

The table below provides an overview of the London CIV's private markets investments as at 31 March 2022.

| Sub-fund | Total Commitment as at 31 March 2022 (£'000) | Called to Date (£'000) | Undrawn Commitments (£'000) | Fund Value as at 31 March 2022 (£'000) | Number of London CIV clients | Inception Date |
|---|---|---|---|---|---|---|
| LCIV Infrastructure Fund | 399,000 | 168,261 | 230,739 | 183,934 | 6 | 31/10/2019 |
| LCIV Inflation Plus Fund | 213,000 | 206,262 | 6,738 | 202,070 | 3 | 11/06/2020 |
| LCIV Renewable Infrastructure Fund | 853,500 | 188,822 | 664,678 | 199,536 | 13 | 29/03/2021 |
| LCIV Private Debt Fund | 540,000 | 219,726 | 320,274 | 230,764 | 7 | 29/03/2021 |
| The London Fund | 195,000 | 24,983 | 170,017 | 24,268 | 2 | 15/12/2020 |

Source: London CIV

# 5 LGIM – Global Equity (Passive – Future World)

Legal and General Investment Manager ("LGIM") was appointed to manage a global equity portfolio with a passive ESG approach, with the objective of replicating the performance of the Solactive L&G ESG Global Markets Index benchmark. The manager has an annual management fee based on the value of assets.

## 5.1 Passive Global Equity – Investment Performance to 30 June 2022

| | Last Quarter (%) | Last Year (%) | Since Inception (% p.a.) |
|---|---|---|---|
| LGIM Future World Global Equity Index Fund – GBP Currency Hedged | -13.4 | -12.2 | 4.4 |
| Solactive L&G ESG Global Markets Index | -13.4 | -12.3 | 4.3 |
| MSCI World Equity Index – GBP Hedged | -13.1 | -11.4 | 5.7 |
| Relative (to Benchmark) | 0.0 | 0.1 | 0.1 |

*Source: Northern Trust and Legal & General Investment Management*

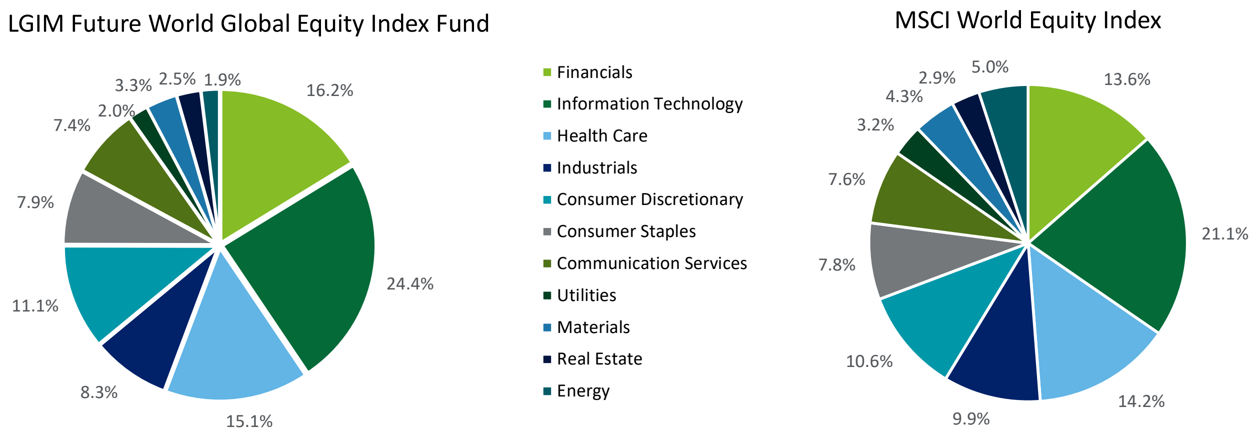
The Fund offers equity exposure while incorporating ESG 'tilts' through LGIM-designed indices. Note, LGIM designs the ESG indices and Solactive are used as the benchmark calculation agent. The tilting mechanism aims to reduce exposure to companies associated with 'poor' ESG practices and to provide greater exposure to those that have stronger ESG credentials. LGIM believes that integrating ESG considerations into the investment process can help to mitigate long-term risk and has the potential to improve long-term financial outcomes.

The LGIM Future World Global Equity Index Fund – GBP Currency Hedged performed in line with its Solactive L&G ESG Global Markets Index benchmark over the quarter to 30 June 2022, delivering an absolute return of -13.4% on a net of fees basis, but underperformed the MSCI World Equity Index – GBP Hedged by 0.3% over the three-month period.

Over the one-year period to 30 June 2022, the LGIM Future World Global Equity Index Fund – GBP Currency Hedged delivered an absolute return of -12.2% on a net of fees basis, outperforming its Solactive L&G ESG Global Markets Index benchmark by 0.1%, while underperforming the MSCI World Equity Index – GBP Hedged by 0.8% on a net of fees basis with the strategy's under allocation to the energy sector proving detrimental over the year.

## 5.2 Portfolio Sector Breakdown at 30 June 2022

The below charts compare the relative weightings of the sectors in the LGIM Future World Global Equity Index Fund and the MSCI World Equity Index as at 30 June 2022.




Source: LGIM

The LGIM Future World Global Equity Index Fund has a larger allocation to financials and information technology than the MSCI World Equity Index, whilst the lower allocation to industrials, materials and energy represents the ESG tilt applied by the LGIM strategy.

# 6 LCIV – Global Alpha Growth

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 Alpha Growth – Investment performance to 30 June 2022

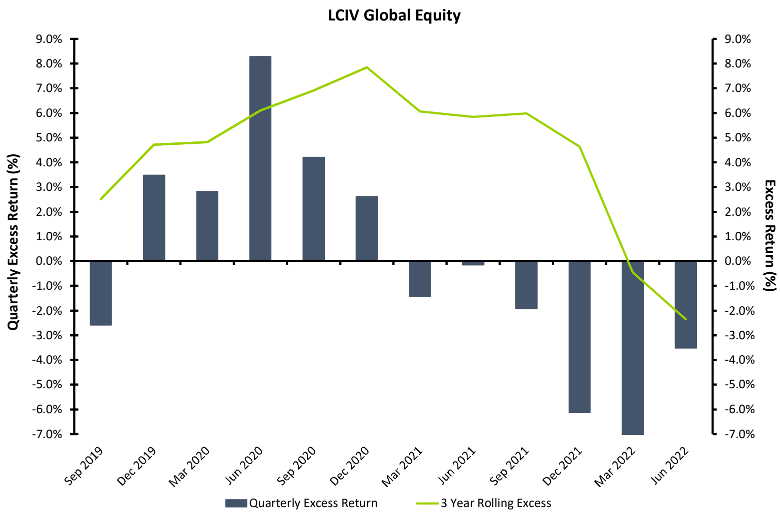
| | Last Quarter (%) | Last Year (%) | Last 3 Years (% p.a.) | Last 5 Years (% p.a.) | Since Inception (% p.a.) |
|---|---|---|---|---|---|
| Baillie Gifford – Net of fees | -12.1 | -23.4 | 5.5 | 8.2 | 11.6 |
| MSCI AC World Index | -8.6 | -4.2 | 7.9 | 8.5 | 10.8 |
| Relative | -3.5 | -19.2 | -2.4 | -0.2 | 0.8 |

*Source: Northern Trust. Relative performance may not tie due to rounding.*
*Inception date taken as 18 March 2014*

Over the second quarter of 2022, the LCIV Global Alpha Growth Fund, managed by Baillie Gifford, delivered a negative absolute return of -12.1% on a net of fees basis, underperforming its MSCI AC World Index benchmark by 3.5% as growth-oriented equities continued to perform poorly against rising interest rates and heightened inflation.

Over the one-year and annualised three-year periods to 30 June 2022, the strategy delivered returns of -23.4% and 5.5% p.a. respectively, considerably underperforming the benchmark by 19.2% over the year, and by 2.4% p.a. over the longer three-year period.

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 remains below the target (+2% p.a.) over the quarter, having underperformed the benchmark by 2.4% p.a. over the three-year period to 30 June 2022.




It can be recognised from the chart above that, on a net of fees basis, the LCIV Global Alpha Growth Fund has underperformed its benchmark for the sixth quarter in succession. The manager, Baillie Gifford, has attributed the recent significant levels of underperformance to a number of factors. Particularly, against a backdrop of supply chain disruption, interest rate rises and heightened inflation, investment markets continue to recognise a significant 'flight-to-value' trend as cautious sentiment towards growth stocks continues to grow. The LCIV Global Alpha Growth Fund invests predominantly in early stage and large-cap growth oriented stocks, with this bias proving beneficial during the periods of economic recovery following the onset of the COVID-19 pandemic. However, such is the extent of the switch in market sentiment, characterised by the swing towards value-oriented stocks, the negative impact on the strategy's performance has more than offset the noticeable gains achieved throughout 2020.

The sharp increase in interest rates by both the US Federal Reserve and Bank of England, in addition to causing investors to adopt a more cautious approach, has resulted in investments with longer durations and larger projected cashflows (which are typical characteristics of growth stocks) being attributed a reduced modelled present value. Baillie Gifford does, however, continue to analyse its underlying portfolio and is confident that the majority of underlying businesses in the portfolio are performing well operationally and remain resilient, rather the broader environment has provided the largest source of headwinds and detraction to performance. Despite this perceived breakdown in relationship between underlying earnings growth rates and share price return, Baillie Gifford continues to remain disciplined in its processes, expanding investment time horizons where appropriate and continuing to focus on the underlying fundamental characteristics of the investment portfolio.

Consistent with the above, Cloudflare and Shopify were among the largest detractors from performance at a stock level, both of which have incorporated heavy spending in the short term with the aim of securing future growth. Additionally, TradeDesk and SEA Limited detracted from performance, with Baillie Gifford categorising the companies as having strong growth prospects but a high sensitivity to consumer sentiment.

The strategy's underweight allocation to the oil and gas, banking and pharmaceutical sectors relative to the wider global equity benchmark has also been a key contributor to recent underperformance. In addition, the Global Alpha Growth Fund's overweight exposure to China, relative to the wider market, has significantly detracted from performance. China's zero-tolerance policy towards COVID-19 has continued to disrupt supply chains and negatively impacted sentiment as Shanghai, the country's financial capital, reinstated lockdown procedures over the early stages of 2022. Furthermore, the Communist Party ruling aimed at aligning Chinese internet companies' interests with those of the broader society placed further regulatory pressure on Chinese companies with a significant online presence, of which the Fund has exposure to.

Such is the extent of the macroeconomic impact on the strategy's investment portfolio, the manager has been unable to ascertain the extent to which underperformance can be attributed to individual stock selection decisions. That said, Baillie Gifford acknowledges that the portfolio managers have got some decisions wrong, based on current positioning, with Peloton being the most high profile example.

Baillie Gifford confirmed that the Fund's standard risk measures, including tracking error and portfolio beta, have increased as a result of increased share price volatility and divergence from the benchmark. The Fund's management team have, however, reviewed and analysed the portfolio's resiliency to periods of rising inflation and the robustness of the underlying business' balance sheets, and the manager does not see any cause for concern within the portfolio.

Despite the magnitude and speed of recent underperformance, which the manager admits is disappointing, Baillie Gifford has confirmed that the portfolio managers will continue to follow the same process and conviction within its stock selection and portfolio management. Baillie Gifford implements a bottom-up approach to investing, agnostic of the wider benchmark, and the Fund's active share statistics have remained relatively stable over the past three years.

## 6.2 Positioning Analysis

The top ten holdings in the portfolio account for c. 29.3% of the fund and are detailed below.

| Top 10 holdings as at 30 June 2022 | Proportion of Baillie Gifford Fund |
|---|---|
| Anthem Com | 4.2% |
| Prosus Nv | 3.4% |
| Microsoft | 3.2% |
| Reliance Industries | 2.9% |
| Alphabet Inc Class C | 2.9% |
| Moody's | 2.8% |
| Service Corporation International | 2.7% |
| Martin Marietta Materials | 2.6% |
| Arthur J Gallagher | 2.5% |
| Taiwan Semiconductor Manufacturing | 2.2% |
| Total | **29.3%** |

*Source: London CIV*
*Figures may not sum due to rounding*

## 6.3 Performance Analysis

The table below represents the top five contributors to performance over the quarter to 30 June 2022.

| Top 5 contributors as at 30 June 2022 | Contribution (%) |
|---|---|
| Prosus Nv | +0.74 |
| LI Auto Inc. ADR | +0.38 |
| Service Corporation International | +0.25 |
| AIA Group | +0.22 |
| Meituan Dianping | +0.21 |

The largest contributor to positive performance, Prosus Nv, an internet based service company and investment group benefited from increased valuations having published strong revenue growth and profitability in their annual accounts.

The table below represents the top 5 detractors to performance over the quarter to 30 June 2022.

| Top 5 detractors as at 30 June 2022 | Contribution (%) |
|---|---|
| Amazon.com | -0.67 |
| Tesla Inc | -0.58 |
| Cloudflare Inc | -0.56 |
| Shopify | -0.52 |
| Illumina | -0.49 |

Amazon significantly detracted from performance as consumer spending reduced due to increasing inflationary pressures across the globe.

# 7 LCIV – Global Equity Core

Morgan Stanley Investment Management was appointed to manage an active equity portfolio with a focus on sustainability when selecting investment opportunities, held as a sub-fund on the London CIV platform from 31 October 2020. The aim of the fund is to outperform the MSCI AC World Index.

## 7.1 Global Equity Core – Investment Performance to 30 June 2022

| | Last Quarter (%) | Last Year (%) | Since Inception (% p.a.) |
|---|---|---|---|
| Morgan Stanley – Net of fees | -6.0 | -1.6 | 7.4 |
| Benchmark (MSCI World Net Index) | -8.6 | -4.2 | 10.7 |
| Global Franchise Fund (net of fees) | -4.9 | 2.3 | 10.1 |
| Net Performance relative to Benchmark | 2.6 | 2.5 | -3.3 |

Source: Morgan Stanley and Northern Trust. Relative performance may not tie due to rounding.

The LCIV Global Equity Core Fund delivered a negative return of -6.0% on a net of fees basis over the quarter to 30 June 2022, outperforming the MSCI World Net Index by 2.6%. Over the longer twelve-month period to 30 June 2022, the strategy has outperformed its benchmark by 2.5%, delivering an absolute return of -1.6% on a net of fees basis.

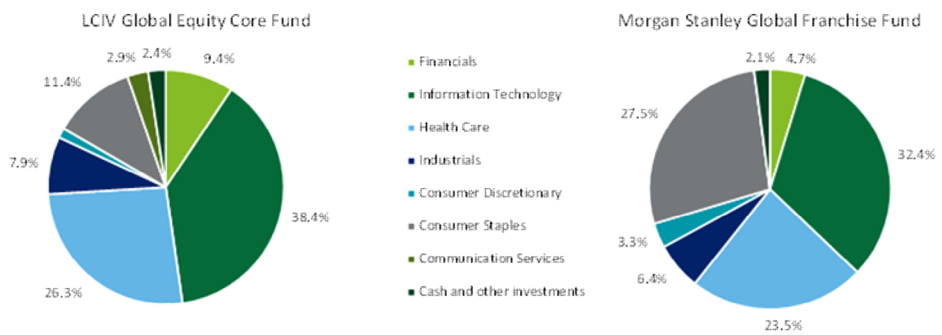
The LCIV Global Equity Core Fund's portfolio is predominantly comprised of quality franchises with strong recurring cash flows, and the strategy therefore has a low allocation to cyclical stocks. The strategy's bias to high quality companies contributed positively to performance over the second quarter, predominately the strategies successful stock selection within information technology and an overweight allocation to healthcare. A lower exposure to 'cyclicals' through an underweight allocation to consumer discretionary and overweight in consumer staples also contributed positively to performance.

The LCIV Global Equity Core Fund made one addition to the portfolio during the quarter, being an investment in Paypal after the stock had previously fallen in value by almost 70% from its previous peak following a slowdown in revenue growth and more competition, with the investment manager considering the stock now offered attractive value for money at the significantly discounted stock price.

The LCIV Global Equity Core Fund follows the same strategy and, in general, has the same investment principles as the Morgan Stanley Global Franchise Fund, but is subject to a greater number of restrictions, owing to its key focus on sustainability. As such, there exists a number of small differences in the characteristics of the two funds. The LCIV Global Equity Core Fund underperformed the Global Franchise Fund by 1.1% over the quarter, with underperformance largely attributed to a lower allocation to consumer staples companies, with beverage and tobacco companies continuing to benefit from increased global social activity, having been adversely impacted by previous social distancing measures.

## 7.2 Portfolio Sector Breakdown at 31 June 2022

The charts below compare the relative weightings of the sectors in the LCIV Global Equity Core Fund and the Morgan Stanley Global Franchise Fund as at 30 June 2022.




Source: London CIV and Morgan Stanley

The Global Equity Core strategy has a higher allocation to information technology, healthcare and financials, and a lower allocation to consumer staples due to its intentional tilt towards sustainable investments.

The Global Franchise Fund portfolio held an allocation of c. 8.6% to tobacco stocks as at 30 June 2022. The Global Equity Core Fund is restricted from investing in tobacco, and hence holds a substantially smaller allocation to consumer staples.

## 7.3 Performance Analysis

The table below summarises the Global Equity Core Fund portfolio's key characteristics as at 30 June 2022, compared with the Morgan Stanley Global Franchise Fund.

| | LCIV Global Equity Core Fund | Global Franchise Fund |
|---|---|---|
| No. of Holdings | 40 | 33 |
| No. of Countries | 8 | 5 |
| No. of Sectors* | 7 | 6 |
| No. of Industries* | 16 | 13 |

*Not including cash

Source: London CIV and Morgan Stanley

### Holdings

The top 10 holdings in the Global Equity Core Fund account for c. 47.4% of the strategy and are detailed below.

| Global Equity Core Fund Holding | % of NAV |
|---|---|
| Microsoft | 6.8 |
| Visa | 5.9 |
| Reckitt Benckiser | 5.2 |
| Accenture | 4.7 |
| Danaher | 4.6 |
| SAP | 4.6 |
| Thermo Fisher Scientific | 4.3 |
| Abbott Labatories | 3.9 |
| Baxter International | 3.7 |
| Becton Dickinson | 3.7 |
| Total | 47.3* |

| Global Franchise Fund Holding | % of NAV |
|---|---|
| Microsoft | 8.7 |
| Philip Morris | 7.6 |
| Reckitt Benckiser | 6.9 |
| Visa | 5.9 |
| Danaher | 5.4 |
| Accenture | 4.8 |
| Thermo Fisher Scientific | 4.8 |
| SAP | 4.5 |
| Abbott Laboratories | 4.4 |
| Baxter International | 3.8 |
| Total | 57.0* |

*Note figures may not sum due to rounding

Source: London CIV and Morgan Stanley

Nine stocks are consistently accounted for in the top ten holdings of both strategies.

# 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 2022

| | Last Quarter (%) | Last Year (%) | Last 3 Years (% p.a.) | Last 5 Years (% p.a.) | Since Inception (% p.a.) |
|---|---|---|---|---|---|
| Insight Non Gilts - Net of fees | -7.7 | -14.2 | -1.9 | 0.2 | 4.0 |
| iBoxx £ Non-Gilt 1-15 Yrs Index | -4.6 | -9.8 | -1.3 | 0.3 | 3.5 |
| Relative | -3.2 | -4.5 | -0.6 | -0.1 | 0.5 |

*Source: Northern Trust. Relative performance may not tie due to rounding.*
*Inception date taken as 12 April 2018*

The Insight Buy and Maintain Fund delivered a negative return of -7.7% on a net of fees basis over the second quarter of 2022, underperforming its temporary iBoxx non-gilt benchmark by 3.2%. The Buy and Maintain Fund delivered a negative absolute return of -14.2% on a net of fees basis over the year to 30 June 2022, underperforming the benchmark by 4.5%, and an absolute return of -1.9% p.a. on a net of fees basis over the three years to 30 June 2022, underperforming its benchmark by 0.6% p.a.

Negative returns over the quarter continue to be largely attributed to the sharp rise in UK government bond yields, with central banks implementing further hikes over the quarter and investors pricing in further future expected rate rises, and the widening of credit spreads in response to the conflict in Ukraine, commodity shortages and heightened inflation. The longer duration of the Buy and Maintain Fund, relative to the benchmark, proved detrimental over the quarter, with longer dated yields rising by a greater extent than shorter maturity counterparts.

Over the second quarter of 2022, Insight added Brazilian pulp and paper company Suzano to the portfolio via a sustainability-linked bond that pays an increased coupon if industrial water or women in leadership targets are unfulfilled. Insight also participated in new issuance from Telereal, a securitisation of BT telephony exchanges.

Insight has confirmed that there were no defaults within the Buy and Maintain portfolio over the second quarter of 2022.

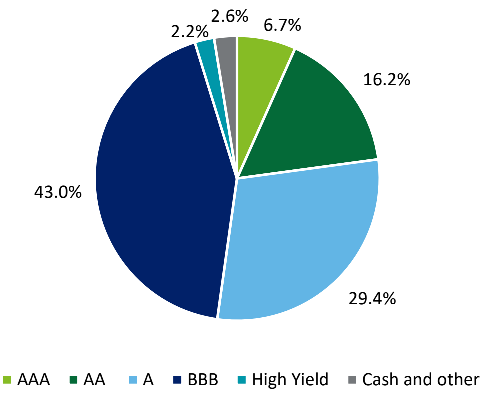
## 8.2 Performance Analysis

The table below summarises the Buy and Maintain portfolio's key characteristics as at 30 June 2022.

| | 31 March 2022 | 30 June 2022 |
|---|---|---|
| Yield (%) | 3.1 | 4.1 |
| No. of issuers | 173 | 169 |
| Modified duration (years) | 8.1 | 7.5 |
| Spread duration (years) | 7.9 | 7.2 |
| Government spread (bps) | 152 | 205 |
| Swaps spread (bps) | 138 | 185 |
| Largest issuer (%) | 1.1 | 1.2 |
| 10 largest issuers (%) | 9.9 | 8.7 |

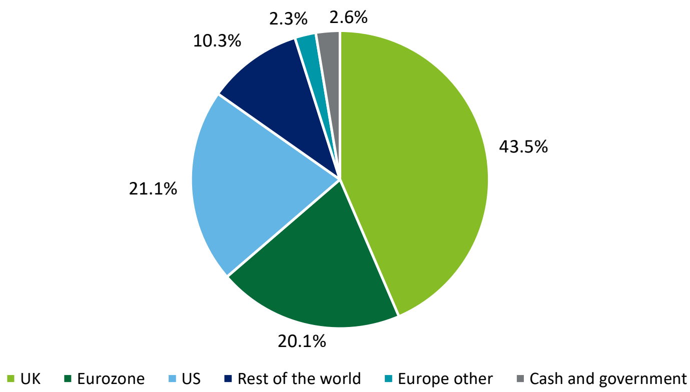
*Source: Insight*

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

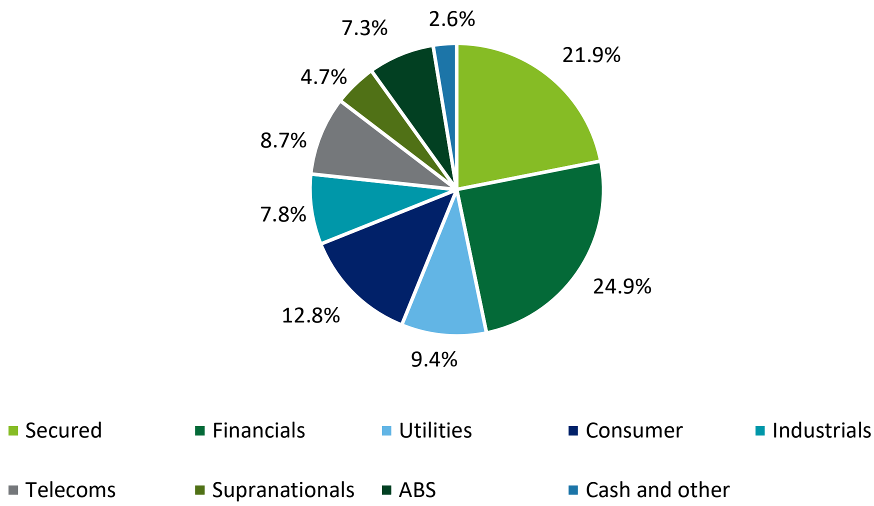



As at 30 June 2022, the fund's investment grade holdings made up c. 95.3% of the portfolio, a decrease of c. 1.5% over the quarter. The fund remains predominantly invested in BBB and A rated bonds.

The graph below shows the split of the Buy and Maintain portfolio by country as at 30 June 2022.




The graph below shows the split of the Buy and Maintain portfolio by sector as at 30 June 2022.



The table below shows the top 10 issuers by market value as at 30 June 2022.

| Issuer name | Rating* | Holding (%) |
|---|---|---|
| DBs Group Holdings Ltd | AA | 1.2 |
| Municipality Finance | AA | 1.2 |
| Natwest Group Plc | BBB | 1.1 |
| Last Mile Logistics Plan | AA | 1.1 |
| Nestle Finance Intl | AA | 1.1 |
| Industrial Bank of Korea | AA | 1.1 |
| UK Treasury | AA | 0.6 |
| British Air | A | 0.5 |
| Db Master Finance | BBB | 0.5 |
| Telereal Securitisation | AA | 0.4 |

**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 SONIA benchmark by 4% p.a. PIMCO was added as an additional manager to the Fund on 28 February 2022. An annual fee covers the managers' and the London CIV platform management fees.

## 9.1 Multi Asset Credit – Investment Performance to 30 June 2022

| | Last Quarter (%) | Last Year (%) | Last 3 Years (% p.a.) | Since Inception (% p.a.) |
|---|---|---|---|---|
| CQS & PIMCO – MAC –Net of fees | -7.6 | -7.5 | 0.0 | 0.7 |
| 3 Month SONIA + 4% | 1.3 | 4.5 | 4.5 | 4.6 |
| Relative | -8.9 | -12.0 | -4.5 | -4.0 |

*Source: Northern Trust*
*Inception date taken as 30 October 2018*

The re-alignment of the LCIV MAC Sub Fund to create a two-manager structure which commenced on 28 February 2022, introducing the PIMCO Diversified Income Fund to sit alongside CQS, was completed following quarter end in July 2022.

Over the second quarter of 2022, the Multi Asset Credit Sub Fund delivered an absolute return of -7.6% on a net of fees basis, underperforming its cash-based benchmark by 8.9%. Over the year to 30 June 2022, the strategy underperformed the benchmark by 12.0%, delivering a negative absolute return of -7.5% on a net of fees basis, while over the long three year period to 30 June 2022 the Multi Asset Credit Fund has delivered an annualised flat return on a net of fees basis, underperforming the cash-based benchmark by 4.5% p.a.

The strategy considerably underperformed its cash-based target over the quarter with credit spreads widening and underlying bond yields continuing to rise sharply across all maturities across the credit spectrum, owing primarily to the impacts of heightened inflation, the conflict in Ukraine and a backdrop of interest rate rises. High yield credit was the largest detractor from performance over the second quarter, with European high yield in particular facing increased volatility owing to heightened recessionary risks. The Sub Fund's loans exposure also detracted from performance as volatility and growth concerns increased over the quarter.

Over the quarter, having been the Sub Fund's largest detractor to performance over the first quarter of 2022, the MAC Sub Fund's financials exposure was also a large detractor to performance over Q2 2022. In particular, European financials suffered due to macro headwinds. In addition, despite strong underlying fundamentals, the strategy's asset backed securities positioning continued to be negatively impacted by the conflict in Ukraine and the portfolio's exposure to European CLOs that faced significant repricing over the period.

The Multi Asset Credit Sub Fund experienced 26 credit rating downgrades over the quarter to 30 June 2022, representing c. 3.1% of the portfolio, with one default occurring over the period. LoewenPlay, the second largest arcade operator in Germany, defaulted following worsening conditions in EU capital markets, and it was agreed to refinance the company via a restructuring. The Multi Asset Credit Sub Fund portfolio recognised 16 credit rating upgrades over the quarter, representing c. 2.3% of the portfolio.

## 9.2 Portfolio Analysis

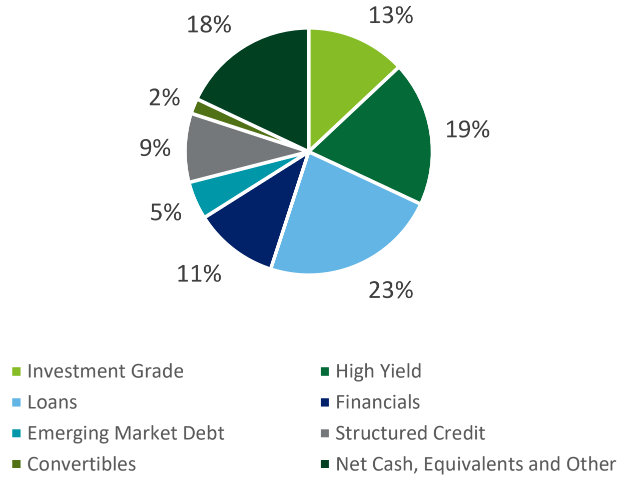
The table below summarises the Multi Asset Credit Sub Fund portfolio's key characteristics as at 30 June 2022.

| | 31 March 2022 | 30 June 2022 | | |
|---|---|---|---|---|
| | LCIV MAC | PIMCO | CQS | LCIV MAC |
| Weighted Average Bond Rating | B+ | A | B+ | BB+ |
| Yield to Maturity (%) | 7.1 | 7.0 | 9.9 | 8.6 |
| Spread Duration | 3.5 | 4.2 | 3.3 | 3.7 |
| Interest Rate Duration | 1.1 | 4.8 | 0.9 | 2.7 |

*Source: London CIV*

## 9.3 Asset Allocation

The asset allocation split of the Multi Asset Credit Sub Fund as at 30 June 2022 is shown below.

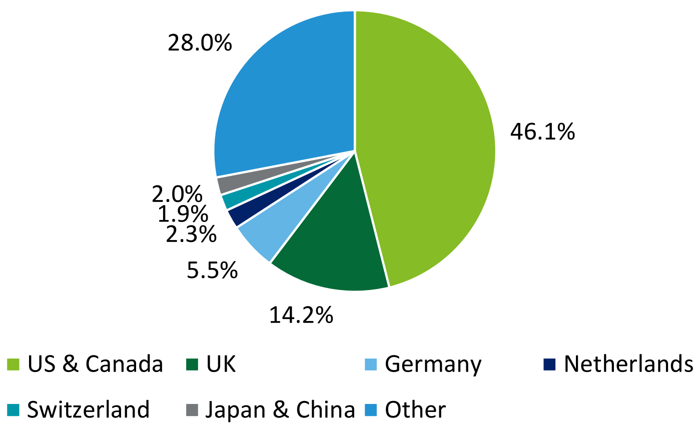



*Source: London CIV*

As the MAC Sub Fund transitions towards a 50:50 split between CQS and PIMCO, we would expect the strategy's overall credit quality to increase via a significant decrease in leveraged loans exposure and a c. 15% allocation to investment grade credit added to the portfolio. The net cash, equivalents and other allocation includes instruments used as part of the transition.

## 9.4 Country Allocation

The graph below shows the regional split of the LCIV Multi Asset Credit Sub Fund as at 30 June 2022.




*Source: London CIV*

# 10 abrdn – Long Lease Property

abrdn 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.

## 10.1 Long Lease Property – Investment Performance to 30 June 2022

| | Last Quarter (%) | One Year (%) | Three Years (% p.a.) | Five Years (% p.a.) | Since Inception (% p.a.) |
|---|---|---|---|---|---|
| abrdn - Net of fees | 2.2 | 14.1 | 8.3 | 8.2 | 8.5 |
| Gilts All Stocks + 2.0% p.a. | -6.9 | -11.7 | -1.5 | 1.2 | 3.9 |
| Relative | 9.1 | 25.8 | 9.8 | 7.0 | 4.7 |

*Source: abrdn and Northern Trust. Relative performance may not tie due to rounding.*

*Since inception: 14 June 2013*

The Standard Life Long Lease Property Fund, managed by abrdn, delivered an absolute return of 2.2% on a net of fees basis over the second quarter of 2022, outperforming the FT British Government All Stocks Index Benchmark by 9.1%.

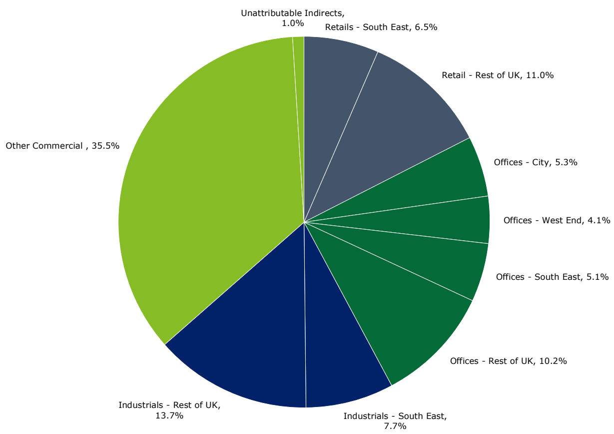
Over the quarter to 30 June 2022, the Long Lease Property Fund delivered a positive absolute return but underperformed the wider property market, largely as a result of the Fund's underweight position to the industrial and retail warehousing sectors relative to the wider property market, with both sectors performing well over the first quarter of 2022. The strategy's longer-term performance is closer in line with the wider property market, but the Fund has slightly underperformed the IPD-based benchmark over the three-year period owing largely to the relative under-allocation to high performing sectors such as industrials. The Fund's longer-term performance does, however, continue to be aided by the portfolio's stronger tenant credit quality the high proportion of long-term inflation linked leases, and the lack of any high street or shopping centre exposure with these sectors particularly impacted by the COVID-19 outbreak.

Positive absolute performance over the quarter can be attributed primarily to capital growth within the portfolio, particularly in the strategy's alternatives sector investments with the portfolio's hotel valuations recognising a significant uplift in value, and in the Long Lease Property Fund's retail portfolio with a number of the strategy's leisure sector assets in London increasing in value.

Rent collection statistics remained relatively unchanged over the second quarter of 2022 as abrdn realised Q2 collection rates of 98.2% (as at 15 August 2022). Over the second quarter of 2022, none of the Long Lease Property Fund's rental income was subject to deferment arrangements, with 1.8% unpaid or subject to ongoing discussions with tenants. As at 15 August 2022, abrdn had collected 98.1% of its Q3 2022 rent, with no income subject to deferment arrangements and 1.9% of rent unpaid or subject to ongoing discussions with tenants.

## 10.2 Portfolio Holdings

The sector allocation in the Long Lease Property Fund as at 30 June 2022 is shown in the graph below.




Source: abrdn.

Over the second quarter of 2022, abrdn completed a forward funding transaction for the acquisition of a new industrial distribution facility, let to Next plc. This is a new lease of 22 years, where abrdn has paid a price of c. £120m for the facility, reflecting a net initial yield of 3.5%. This acquisition increases the Long Lease Property Fund's exposure to investment grade income.

Meanwhile, over the quarter, abrdn concluded the sale of a small office asset on the outskirts of Newcastle, which was leased to the local council who are no longer in occupation. The asset sold for a price of c. £10m, reflecting a net initial yield of 7.6%. There were a number of drivers behind this sale, namely a smaller lot size for the Fund, diminishing lease length, major ESG concerns going forward and a desire to selectively reduce the Fund's office exposure.

Q2 2022 and Q3 2022 rent collection, split by sector, as at 15 August 2022 is reflected in the table below:

| Sector | Proportion of Fund as at 30 June 2022 (%) | Q2 2022 collection rate (%) | Q3 2022 collection rate (%) |
|---|---|---|---|
| Alternatives | 6.0 | 100.0 | 100.0 |
| Car Parks | 3.7 | 100.0 | 100.0 |
| Car Showrooms | 3.2 | 100.0 | 100.0 |
| Hotels | 7.8 | 100.0 | 100.0 |
| Industrial | 14.7 | 92.0 | 99.0 |
| Leisure | 3.3 | 100.0 | 100.0 |
| Public Houses | 5.5 | 100.0 | 100.0 |
| Offices | 29.6 | 98.0 | 94.0 |
| Student Accommodation | 8.1 | 100.0 | 100.0 |
| Supermarkets | 18.2 | 100.0 | 100.0 |
| Total | 100.0 | 98.2 | 98.1 |

Source: abrdn

As at 30 June 2022, 1.0% of the Fund's NAV is invested in ground rents via an indirect holding in the abrdn Ground Rent Fund, with 17.3% of the Fund invested in income strip assets.

The industrial sector has expressed the poorest rental collection statistics over the second quarter of 2022 as at 15 August 2022, with the offices sector also expressing poor rental collection statistics over Q2 and Q3 2022 as at 15 August 2022.

abrdn has stated that the majority of the Long Lease Property Fund's underlying tenants have reverted to paying rent as per their standard lease terms, with no Q2 or Q3 2022 rental income subject to deferment arrangements as at 15 August 2022.

abrdn has now collected 100% of 2020 rents and 99.9% of 2021 rents, with the majority of outstanding rent in 2021 reduced to a small number of tenants. There has been no write-off of any outstanding rent, or rent-free periods agreed.

The table below shows details of the top ten tenants in the fund measured by percentage of net rental income as at 30 June 2022:

| Tenant | % Net Income |
|---|---|
| Amazon UK Services Limited | 6.2 |
| Tesco Stores Limited | 4.7 |
| Viapath Services LLP | 4.6 |
| Premier Inn Hotels Limited / Whitbread plc | 4.2 |
| Marston's plc | 4.1 |
| J Sainsbury plc / Sainsbury's Supermarkets Limited | 3.9 |
| QVC | 3.6 |
| Salford Villages Limited / University of Salford | 3.5 |
| Asda Stores Limited | 3.5 |
| Next Group plc | 3.3 |
| Total | **41.5*** |

*Total may not equal sum of values due to rounding

The top 10 tenants contributed 41.5% of the total net income of the Fund as at 30 June 2022. Of which 12.1% 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 as at 30 June 2022 stood at 24.7 years, representing a decrease from 25.5 years as at 31 March 2022. The proportion of income with fixed, CPI or RPI rental increases increased by c. 0.4% over the quarter to 92.1%. abrdn expects this measure to increase over 2022 as pre-let projects and pipeline deals complete.

# 11 Man GPM – Affordable Housing

Man GPM was appointed to manage an affordable housing mandate following the manager selection exercise in November 2021. The manager has an annual management fee.

## 11.1 Community Housing Fund – Investment Performance to 30 June 2022

### Capital Calls and Distributions

The Fund committed £50m to Man GPM in January 2022.

Man GPM issued no further capital calls over the quarter, but issued one capital call following quarter end:

- Man GPM issued a £3.0m capital call to the City of Westminster Pension Fund for payment by 12 July 2022.

Man GPM issued one distribution over the quarter to 30 June 2022:

- Man GPM issued a £4.5m distribution to the City of Westminster Pension Fund on 3 May 2022, including an equalisation payment of £0.2m.

As such, the Fund's total commitment was c. 60% drawn for investment following the capital call on 12 July 2022.

### Activity

Man GPM agreed terms on one project over the second quarter of 2022, in May:

- Glenvale Park, Wellingborough – a forward fund of 146 modular homes. The development targets 69% affordable rent homes and 31% shared ownership homes. The investment has been completed and Man GPM is holding discussions on a 10 year fully repairing and insuring operating lease to a local Housing Association. Gross project cost of £33.4m.

Man GPM has stated that all projects are proceeding broadly in-line with expectations.

### Pipeline

At the time of writing, Man GPM hasn't been able to provide an updated pipeline of investment opportunities during the second quarter. As at the previous update as at 31 January 2022, Man GPM's pipeline investment opportunities included four late-stage investment opportunities with an estimated gross cost of £103m in which negotiations are in place with the vendor, alongside two favourable investment opportunities with an estimated combined gross project cost of £82m where Man GPM holds a positive view on returns and investment thesis, having completed initial due diligence, with an offer not yet accepted by the vendor.

## 11.2 Investments Held

The table below shows a list of the projects currently undertaken by the Man GPM Community Housing Fund as at 31 March 2022.

| Investment | Number of Homes | Number of Affordable Homes | Expected Total Commitment – Gross (£m) | Expected Total Commitment – Net (£m) | Total Capital Drawn and Invested to Date (£m) |
|---|---|---|---|---|---|
| Alconbury Weald | 95 | 95 (100%) | 22.3 | 13.6 | 8.4 |
| Grantham | 227 | 186 (82%) | 38.0 | 19.5 | 11.3 |
| Lewes | 41 | 39 (95%) | 12.9 | 8.8 | 4.4 |
| Campbell Wharf | 79 | 79 (100%) | 21.5 | 15.8 | 12.5 |
| Towergate | 55 | 55 (100%) | 18.1 | 7.8 | 3.8 |
| Coombe Farm | 71 | 59 (83%) | 24.8 | 11.0 | 9.5 |
| Chilmington | 225 | 192 (85%) | 70.8 | 27.1 | 18.7 |
| Tattenhoe | 34 | 34 (100%) | 6.5 | 3.0 | 1.5 |
| Total | 827 | 739 (89%) | 214.9 | 92.5 | 70.4 |

Source: Man GPM. Totals may not sum due to rounding.

# 12 Pantheon – Global Infrastructure Fund III

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

## 12.1 Global Infrastructure - Investment Performance to 30 April 2022

| | Last Quarter (%) | One Year (%) | Three Years (% p.a.) | Since Inception (% p.a.) |
|---|---|---|---|---|
| Pantheon - Net of fees | 17.6 | 33.5 | 13.4 | 13.9 |
| 3 Month SONIA + 8% | 2.2 | 8.5 | 8.6 | 9.1 |
| Relative | 15.4 | 25.0 | 4.8 | 4.8 |

*Source: Northern Trust. Relative performance may not tie due to rounding. Pantheon Global Infrastructure Fund performance is calculated by Northern Trust with a 60 calendar day lag, based on Pantheon net asset value in USD which Northern Trust converts to GBP..*

*Since inception: 15 April 2019*

Pantheon Global Infrastructure Fund III performance is calculated by Northern Trust with a 60 calendar day lag, based on Pantheon net asset value in USD which Northern Trust converts to GBP. As such, performance provided is to end April 2022 and includes the impact of fluctuations in the USD to GBP exchange rate.

The Pantheon Global Infrastructure Fund III delivered a positive return of 17.6% over the three-month period to end April 2022 on a net of fees basis, outperforming its cash plus target by 15.4%. Over the period to 30 June 2022, the strategy has delivered a net IRR of 14.2% to investors.

### Capital Calls and Distributions

The Fund committed $91.5m to Pantheon in February 2019.

Over the quarter, Pantheon issued one net capital call:

- A net capital call of $1.8m for payment by 21 June 2022, which consisted of a c. $2.7m capital contribution, representing c. 3.0% of the Fund's total commitment, offset by a c. $0.9m distribution, consisting of $0.6m return of capital, $0.3m realised gain and $0.1m dividend income.

Following quarter end, Pantheon issued one further net capital call:

- A net capital call of $4.1m for payment by 9 September 2022, which consisted of a c. $5.5m capital contribution, representing c. 6.0% of the Fund's total commitment, offset by a c. $1.4m distribution, consisting of $0.7m return of capital, $0.4m realised gain and $0.3m dividend income. The capital call will primarily be used to repay a portion of the Fund's outstanding credit facility.

The remaining unfunded commitment following payment of the 9 September 2022 draw down request is c. $18.0, with the Fund's $91.5m commitment c. 80% drawn for investment.

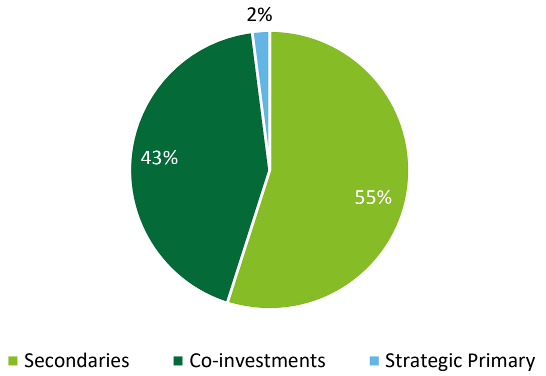
### Activity

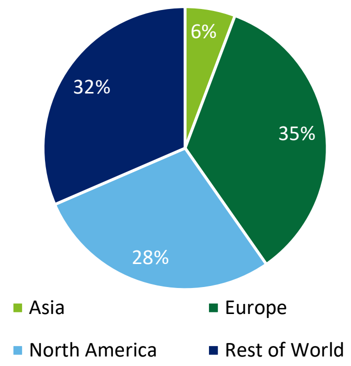
The PGIF III completed no further investments over the second quarter of 2022.

The Global Infrastructure Fund III is now fully deployed. Going forward, capital calls will be used to pay off the short-term credit facility and to finance additional capital drawn by the fund's existing investments.

## 12.2 Asset Allocation

The charts below show the current diversification by strategy and geography in PGIF III as at 30 June 2022.




*Source: Pantheon*

The table below shows a list of the investments held by PGIF III as at 30 June 2022.

| Project Name | Geography | Sector | Type | Deal Size ($m) | Commitment Date |
|---|---|---|---|---|---|
| Roger | Europe | Diversified Infrastructure | Secondary | 29 | Dec 17 |
| TRAC Domestic | North America | Transportation | Co-investment | 12 | Dec 17 |
| Naturgy | Europe | Energy Infrastructure | Co-investment | 33 | May 18 |
| Luton Airport | Europe | Transportation | Co-investment | 24 | May 18 |
| Invenergy | North America | Energy Infrastructure | Co-investment | 35 | Aug 18 |
| VTG | Europe | Transportation | Co-investment | 64 | Sep 18 |
| Inti | Europe | Energy Infrastructure | Secondary | 23 | Dec 18 |
| Megabyte | North America | Digital Infrastructure | Secondary | 76 | Dec 18 |
| Hivory | Europe | Digital Infrastructure | Co-investment | 34 | Dec 18 |
| Fairway | Global | Diversified Infrastructure | Secondary | 53 | Dec 18 |
| Proxiserve | Europe | Energy Infrastructure | Co-investment | 32 | Mar 19 |
| Springbank | North America | Transportation | Secondary | 60 | May 19 |
| ORYX Midstream | North America | Energy Infrastructure | Co-investment | 65 | May 19 |
| Gatwick Airport | Europe | Transportation | Secondary | 66 | Jun 19 |
| Kookaburra | APAC | Diversified Infrastructure | Secondary | 61 | Jul 19 |
| Sullivan | Global | Diversified Infrastructure | Secondary | 121 | Jul 19 |
| GlobalConnect | Europe | Digital Infrastructure | Secondary | 67 | Dec 19 |
| McLaren | Global | Diversified Infrastructure | Secondary | 53 | Jan 20 |
| IFT | Europe | Digital Infrastructure | Co-investment | 67 | Jan 20 |
| Zayo | North America | Digital Infrastructure | Co-investment | 66 | Mar 20 |
| Energy Assets Group | Europe | Energy Infrastructure | Co-investment | 37 | Apr 20 |
| Viridor | Europe | Energy Infrastructure | Co-investment | 49 | July 20 |
| Taurus | Europe | Energy Infrastructure | Co-investment | 26 | Oct 20 |
| Thor | North America | Digital Infrastructure | Co-investment | 52 | Oct 20 |
| Kapany | Europe | Diversified Infrastructure | Secondary | 128 | Nov 20 |
| Megabyte II | North America | Digital Infrastructure | Secondary | 51 | Nov 20 |
| Epsilon | Europe | Diversified Infrastructure | Co-investment | 68 | Dec 20 |
| MapleCo | Europe | Energy Infrastructure | Co-investment | 43 | Jan 21 |
| Emerald | North America | Energy Infrastructure | Secondary | 48 | March 21 |
| Teemo | Europe | Digital Infrastructure | Co-investment | 26 | April 21 |
| Kinetic | APAC | Transportation | Co-investment | 45 | April 21 |
| Blue Jays | North America | Diversified | Secondary | 119 | May 21 |
| Aurora | Global | Social | Secondary | 147 | Oct 21 |
| Ermewa | Europe | Transportation | Co-investment | 68 | Oct 21 |
| Anthem | Global | Diversified | Secondary | 109 | Oct 21 |
| Aquarius | Global | Transportation | Secondary | 74 | Oct 21 |

*Source: Pantheon*

# 13 Macquarie – Renewable Energy Fund 2 ("MGREF2")

Macquarie was appointed to manage a global renewable infrastructure mandate following the manager selection exercise in December 2020. The manager has an annual management fee on undrawn and invested assets, alongside a performance fee.

## 13.1 MGREF2 - Investment Performance to 30 June 2022

### Capital Calls and Distributions

The Fund committed €55m to Macquarie in December 2020.

Macquarie issued two capital calls over the second quarter of 2022, and one distribution following quarter end:

- Macquarie issued a capital call for €5.2m, consisting of €5.0m to fund an investment into the portfolio and €0.2m for transaction costs relating to the investment, for payment by 27 May 2022.
- Macquarie issued a capital call for €9.4m, consisting of €9.2m to fund an investment into the portfolio and €0.2m for transaction costs relating to the investment, for payment by 24 June 2022.
- Macquarie issued a distribution of €0.2m on 25 August 2022, consisting entirely of interest income.

The remaining unfunded commitment as at 25 August 2022 was c. €28.4m, with the Fund's total contribution at c. €26.6 and the Fund's €55m commitment c. 48.4% drawn.

### Activity

In May 2022, the Fund reached financial close on the acquisition of Island Green Power (IGP) and also entered into a joint agreement with Hydro REIN to acquire Araripe IV, a 456 MW onshore wind project in Brazil. Total capital expenditure for the wind farm is expected to be around $US700m and MGREF2 will hold a 50.1% stake.

Following quarter end, on 6 July 2022, Macquarie, in a consortium with MGIF, British Columbia Investment Management Corporation and MUNICH ERGO Asset Management GmbH, reached financial completion on the acquisition of Reden Solar from InfraVia Capital Partners and Eurazeo for an equity value of €1.4bn. Reden Solar is a global solar developer, with 762 MW of operating assets and a 15 GW development pipeline.

Macquarie recognises that the current inflationary environment has, generally, led to an increase in operational expenses at an individual asset level. However, renewable assets have benefitted from an increase in power prices.

## 13.2 Projects

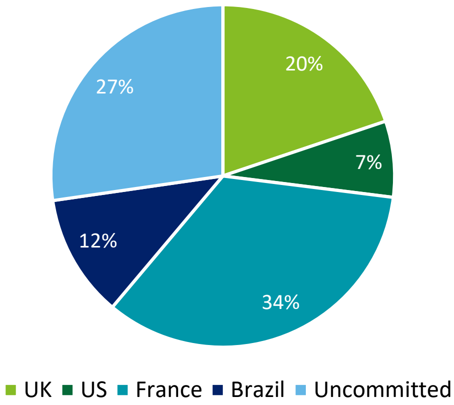
The table below shows a list of the investments held by the MGREF2 as at 30 June 2022.

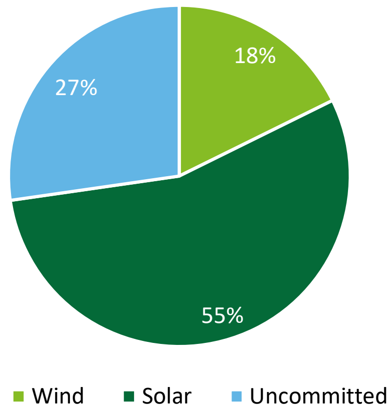
| Project Name | Fund Ownership | Investment Date | Sector | Location | Gross Value (£m) |
|---|---|---|---|---|---|
| Gwynt y Môr | 10% | Jan-20 | Offshore wind | UK | 163.4 |
| US Residential Solar Co | 50% | Oct-20 | Solar | US | 147.4 |
| Apex Energies | 90% | Feb-22 | Solar | EU | 139.4 |
| Island Green Power | 50% | May-22 | Solar | UK | 152.6 |
| Araripe IV | 100% | Jun-22 | Onshore wind | Brazil | 45.8 |
| Reden Solar | 25% | TBC | Solar | EU | TBC |
| Total | | | | | 648.6 |

*Source: Macquarie*

## 13.3 Asset Allocation

The charts below show the diversification by geography and sector in the MGREF2 as at 30 June 2022.




*Source: Macquarie*

The target geographic diversification is 60-75% Western Europe (<30% UK), with the remainder invested primarily across North America and Asia (USA, Canada, Japan, Taiwan, Mexico (<15%), also Australia and New Zealand). The MGREF2 also aims to primarily consist of offshore wind assets, with Macquarie feeling it has a competitive advantage in this space given its experience and relationships already gained, with the overall portfolio also featuring onshore wind and solar PV allocations (solar was initially viewed as more of an opportunistic allocation, but solar is now expected to make up a larger proportion of the portfolio, compared with the initial target allocations set by Macquarie).

# 14 Quinbrook – Renewables Impact Fund

Quinbrook was appointed to manage a UK renewable infrastructure mandate following the manager selection exercise in December 2020. The manager has a base annual management fee and a performance fee.

## 14.1 Renewables Impact Fund - Investment Performance to 30 June 2022

### Capital Calls and Distributions

The City of Westminster Pension Fund committed £50m to Quinbrook in December 2020 with the Fund committing an additional £10m in December 2021.

Over the second quarter of 2022, Quinbrook issued one capital call notice:

- A capital call of £9.2m, drawn entirely for investments into the portfolio, for payment by 18 May 2022.

Following quarter end, Quinbrook issued an additional capital call notice:

- A capital call of c. £8.5m, drawn entirely for investments into the portfolio, for payment by 23 August 2022.

As such, as at 23 August 2022, following payment of this drawdown notice, the remaining unfunded commitment stands at c. £25.8m, with the Fund's total commitment at c. £34.2m and the Fund's £60m commitment c. 57% drawn.

### Activity

Project Rassau, first invested in by the Fund in December 2020, became operational on 22 February 2022 and has since operated at 100% availability. Rassau has a CPI-linked revenue contract with National Grid covering a range of critical grid support services as the UK power grid experiences rapid growth in variable renewables, notably weather dependent wind and solar capacity. Quinbrook negotiated exclusivity over an additional six projects with Rassau development partner Welsh Power, securing over 50% of the total revenue on offer from National Grid and following quarter end, in July 2022, completed the acquisition of four of these projects.

In March 2022, the Fund signed a joint development agreement on Project Dawn, with an energy storage developer, granting the Fund exclusive rights over a portfolio of 500 MW of development stage battery storage projects diversified across the UK. The total Project Dawn pipeline of opportunities exceeds 800 MW and offers both large grid-scale projects and smaller sites providing demand flexibility for commercial and industrial customers including several data centres. In May 2022, the Fund acquired its first large scale project from the Dawn pipeline, Project Uskmouth, a 230 MW battery storage facility.

Over the quarter, Quinbrook secured a contract in the latest round of the Contract for Difference (CfD) auction for Project Fortress which provides long-term, CPI-linked revenues with National Grid. Discussions with potential financiers have commenced with final terms expected in Q3 2022 and first debt drawdowns targeted for Q4 2022.

### Pipeline

The Renewables Impact Fund has a pipeline of investment opportunities which Quinbrook believes represent key gaps in the market, where the manager believes core demand creates a need for greater use of such assets.

Over the second quarter of 2022 Quinbrook remained in negotiations to provide renewable energy solutions to a major UK water supply operator, using co-located 'behind-the-meter' solar and battery storage technologies. In addition, following the acquisition of Project Fortress, Quinbrook is progressing further utility-scale solar and storage opportunities across Great Britain.

Quinbrook's affiliate, Private Energy Partners ("PEP") has a pipeline of projects that are exclusively dedicated to the Renewables Impact Fund. PEP's pipeline totals 207.3MW of solar PV and 156.3MW of battery storage projects with an estimated capital requirement in excess of £200m. PEP's pipeline complements the pipeline already secured by Quinbrook and those deals that are under exclusivity, providing a diverse array of opportunities from which Quinbrook can select for the Renewables Impact Fund's invested portfolio.

## 14.2 Projects

The table below shows a list of the investments held by the Quinbrook Renewables Impact Fund as at 30 June 2022.

| Project Name | Fund Ownership | Investment Date | Technology | Location | Net investment (£m) |
|---|---|---|---|---|---|
| Project Reggie | | | | | |
| Rassau Grid Services | 100% | Dec-20 | Synchronous Condenser | UK | 65.1 |
| Development Cost | 100% | Dec-20 | Synchronous Condenser | UK | 5.6 |
| Thurso Grid Services | 100% | Jul-21 | Synchronous Condenser | Scotland | 2.7 |
| Rothienorman Grid Services | 100% | Jul-21 | Synchronous Condenser | Scotland | 5.4 |
| Gretna Grid Services | 100% | Jul-22 | Synchronous Condenser | Scotland | 2.9 |
| Neilston Grid Services | 100% | Jul-22 | Synchronous Condenser | Scotland | 2.3 |
| Project Habitat | | | | | |
| Project Habitat | 100% | Jul-21 | Trading Platform | UK | 31.0 |
| Project Dawn | | | | | |
| Project Dawn | 100% | Mar-22 | Battery Storage | UK | 2.3 |
| Project Cleve Hill | | | | | |
| Project Cleve Hill | 100% | Oct-21 | Solar and Battery Storage | UK | 41.7 |
| Project Uskmouth | | | | | |
| Project Uskmouth | 100% | May-22 | Battery Storage | Wales | 0.8 |
| Total | | | | | 159.8 |

*Source: Quinbrook*

# 15 LCIV – Absolute Return

Ruffer was appointed to manage an absolute return mandate, held as a sub-fund under the London CIV platform, from 19 January 2022, with the aim of outperforming the 3 month Sterling SONIA benchmark by 3% p.a. The manager has a fixed fee based on the value of assets. The manager has an annual management fee.

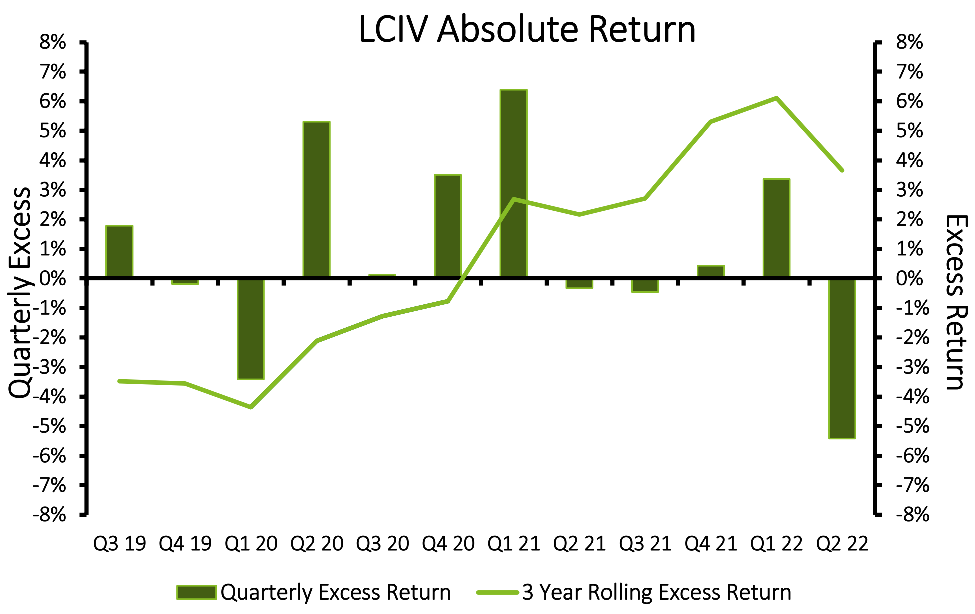
## 15.1 Absolute Return Fund - Investment Performance to 30 June 2022

| | Last Quarter (%) | Since Inception (% p.a.) |
|---|---|---|
| *Net of fees* | -4.2 | -1.1 |
| *Target* | 1.0 | 1.8 |
| *Net performance relative to Target* | -5.3 | -2.9 |

Source: Northern Trust. Relative performance may not tie due to rounding.

*Since inception: 19 January 2022*

The Absolute Return Fund returned -4.2% on a net of fees basis over the quarter to 30 June 2022, underperforming its SONIA+4% target by 5.3%.

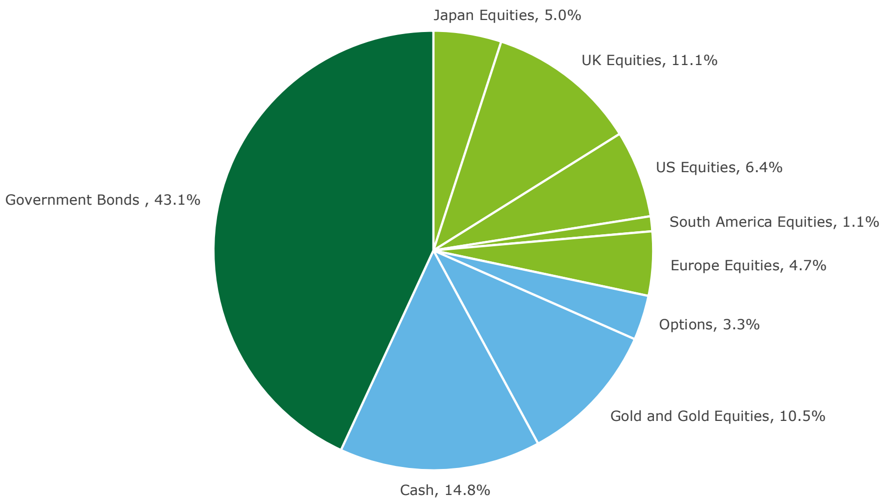



Inflation-linked bonds and gold were the main detractors from Fund performance over the second quarter as a reversal of inflation expectations negatively impacted the value of inflation-linked bonds held (-4.6% contribution to Fund performance), and whilst the manager was able to offset some of the shorter-term losses using interest rate options (+2.0% contribution), recent rises in recessionary risk saw longer-term inflation investments suffer. Meanwhile Ruffer had increased its gold related exposure allocation in the first quarter but this subsequently negatively contributed 2.4% to fund performance over the second quarter.

The Fund benefited from recently reducing its Sterling exposure in the previous quarter, as unhedged exposure to the U.S. Dollar helped offset losses on option positions in Japanese Yen. Protective strategies linked to corporate credit also added value as spreads widened over the quarter. The reduction in allocation to equities over the first quarter also helped to partially insulate the Fund from the poor performance of stock markets over the second quarter of 2022, and combined these factors helped to partially offset some of the losses noted above.

## 15.2 Asset Allocation

The chart below represents the asset allocation of the LCIV Absolute Return Fund portfolio as at 30 June 2022.




Source: London CIV

# 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 | Future World Global Equity | 20.0 | Solactive ESG Global Markets Index | Passive | 15/10/20 |
| Baillie Gifford | LCIV Global Alpha Growth | 20.0 | MSCI AC World Index | +2.0% p.a. (net of fees) | 18/03/14 |
| Morgan Stanley | LCIV Global Equity Core | 20.0 | MSCI AC World Index (net dividends reinvested) | Generate total returns (comprising of both capital growth and income) over a 5-10 year period | 30/10/20 |
| Insight | Buy and Maintain | 7.0 | Insight Custom Benchmark | n/a | 12/04/18 |
| CQS | Multi Asset Credit | 6.0 | 3 Month SONIA | +4% p.a. (net of fees) | 30/10/18 |
| CVC Credit | European Direct Lending | 6.0 | 3 Month SONIA | +5% p.a. (net of fees) | 28/07/22 |
| abrdn | Property | 5.0 | FTSE Gilts All Stocks Index +2% p.a. | +0.5 p.a. (net of fees) | 14/06/13 |
| Man GPM | Affordable Housing | 2.5 | 3 Month SONIA | +4% p.a. (net of fees) | 14/02/22 |
| TBC | Affordable Housing / Supported Living | 2.5 | TBC | TBC | n/a |
| Pantheon | Global Infrastructure | 5.0 | 3 Month SONIA | +8% p.a. (net of fees) | 15/04/19 |
| Macquarie | Global Renewable Infrastructure | 3.0 | 3 Month SONIA | TBC once fully drawn for investment | 08/02/21 |
| Quinbrook | UK Renewable Infrastructure | 3.0 | 3 Month SONIA | TBC once fully drawn for investment | 25/01/21 |
| Ruffer | LCIV Absolute Return Fund | - | 3 Month SONIA | +3% p.a. (net of fees) | 21/01/22 |
| | 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.

Our advice will be specific to your current circumstances and intentions and therefore will not be suitable for use at any other time, in different circumstances or to achieve other aims or for the use of others. Accordingly, you should only use the advice for the intended purpose.

Our advice must not be copied or recited to any other person than you and no other person is entitled to rely on our advice for any purpose. We do not owe or accept any responsibility, liability or duty towards any person other than you.

Deloitte Total Reward and Benefits Limited is authorised and regulated by the Financial Conduct Authority.

Deloitte.