Public Document Pack

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PUBLIC

To: Members of the Pensions and Investments Committee

Tuesday, 30 August 2022

Dear Councillor,

Please attend a meeting of the **Pensions and Investments Committee** to be held at **10.30 am** on **Wednesday, 7 September 2022** in the Council Chamber, County Hall, Matlock, the agenda for which is set out below.

Yours faithfully,

Helen E. Barrington

Helen Barrington
Director of Legal and Democratic Services

A G E N D A

PART I - NON-EXEMPT ITEMS

1. Apologies for Absence

2. To receive declarations of interest (if any)

3. To confirm the non-exempt minutes of the meeting of the Committee held on 8 June 2022 (Pages 1 - 4)

4. Investment Report (Pages 5 - 80)

5. Stewardship Report (Pages 81 - 120)

6. Exclusion of the Public

   To move that under Section 100(a)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following items of business on the grounds that in view of the nature of the business, that if members of the public were present exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 would be disclosed to them and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

PART II - EXEMPT ITEMS

7. To confirm the exempt minutes of the meeting of the Committee held on 8 June 2022 (Pages 121 - 126)

PUBLIC

MINUTES of a meeting of the **PENSIONS AND INVESTMENTS COMMITTEE** held on Wednesday, 8 June 2022 in the Council Chamber, County Hall, Matlock.

PRESENT

Councillor D Wilson (in the Chair)

Councillors P Smith, R Ashton, N Atkin, B Bingham, L Care (Derby City Council), M Carr (Derby City Council), M Foster, G Musson and M Yates.

Also in attendance – A Fletcher (external investment advisor), D Kinley, A Nelson, P Peat, N Smith and S Webster.

18/22 TO RECEIVE DECLARATIONS OF INTEREST (IF ANY)

There were no declarations of interest.

19/22 TO CONFIRM THE NON-EXEMPT MINUTES OF THE MEETING HELD ON 4 MAY 2022

The minutes of the meeting held on 4 May 2022 were confirmed as a correct record.

20/22 INVESTMENT REPORT

The Pension Fund's independent investment advisor, Anthony Fletcher, took the Committee through a presentation on the market background, the Fund's performance, the economic and market outlook, and on his asset allocation recommendations.

The Investment Report was then presented by the Fund's Investments Manager who explained the rationale for the recommendations for each asset class set out in the report.

RESOLVED:

That the Committee:

a) Notes the report of the independent external advisor, Mr Fletcher;
b) Notes the asset allocations, total assets and long-term performance analysis set out in the report;

c) Notes the change to the Fund's Private Equity benchmark from FTSE All Share +1% to Global Sustainable Equities +1%;
d) Notes the commitment of £56.25m to CVC Credit Partners European Direct Lending Fund III; and
e) Approves the IIMT recommendations as outline in the report of the Interim Director of Finance and ICT.

21/22 STEWARDSHIP REPORT

The Committee was provided with an overview of the stewardship activity that had been carried out by Derbyshire Pension Fund's external investment managers. The following three reports were presented to ensure that the Committee was aware of the voting and engagement activity that had been carried out by Legal & General Investment Management (LGIM) and by LGPS Central Limited, the Fund's pooling company:

- Q1 2022 LGIM ESG Impact Report (Appendix 2)
- Q4 2021-22 LGPSC Quarterly Stewardship Report (Appendix 3)
- 2021 LGPSC Annual Stewardship Report (Appendix 4)

It was enquired whether LGPS Central Limited had considered the implications of bio-diversity and should the Fund draw this to the attention of the pooling company. The Investment Manager agreed to raise this at a future meeting of the LGPS Central Pool's Responsible Investment Working Group, however, it was noted that this was not a request from the full Committee.

RESOLVED:

That the Committee notes the stewardship activity of LGIM and LGPSC.

22/22 PENSION ADMINISTRATION STRATEGY

The last review of the Pension Administration Strategy (PAS) had been undertaken and approved by the Committee in March 2021 and a copy of this document was included for comparison purposes attached at Appendix 3 to the report.

The Fund had started the i-Connect project in November 2019 with the target of commencing its implementation for the submission of individual scheme member data for all participating employers by the end of 2021. However, due to the impact of the Covid-19 pandemic, the deadline for employers to have commenced engagement with the Fund in respect of implementing i-Connect had been extended to 31 March 2023 to allow employers more time to introduce the new method of data submission.

The revised PAS now established i-Connect as the standard method for the Fund's employers to submit member data and would introduce charges for employers who had failed to engage with the Fund on implementing i-Connect.

Derbyshire Pension Board had reviewed the proposed changes to the PAS and the updated version had incorporated the Board's suggestions. Subject to the Committee's approval, a consultation would be undertaken with the Fund's participating employers on the revised Pension Administration Strategy. The results of the consultation will be reported to the Committee at the next meeting.

RESOLVED:

That the Committee:

a) Approves the draft Derbyshire Pension Fund Pension Administration Strategy 2022 attached at Appendix 2 to the report, for consultation with the Fund's participating employers; and
b) Delegates the consideration of the results of the consultation, and the determination of whether any revisions to the proposed Pension Administration Strategy are necessary following the consultation, to the Interim Director of Finance & ICT in conjunction with the Chairman of the Committee.

23/22 <u>EXCLUSION OF THE PUBLIC</u>

To move that under Section 100(a)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following items of business on the grounds that in view of the nature of the business, that if members of the public were present exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 would be disclosed to them and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

24/22 <u>TO RECEIVE DECLARATIONS OF INTEREST (IF ANY)</u>

There were no declarations of interest.

25/22 <u>LOCAL GOVERNMENT PENSION SCHEME INVESTMENT POOLING</u>

The Committee was updated on confidential matters in respect of Local Government Pension Scheme (LGPS) investment pooling.

RESOLVED:

To note the contents in the not for publication report.

26/22 INFRASTRUCTURE INVESTMENT CASE

Approval was sought for a commitment to Macquarie European Infrastructure Fund 7, together with a commitment to the accompanying co-investment sidecar.

RESOLVED:

To approve the recommendations in the not for publication report.

The meeting finished at 12.15 pm

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

PENSIONS AND INVESTMENTS COMMITTEE

WEDNESDAY, 7 SEPTEMBER 2022

Report of the Director of Finance and ICT

INVESTMENT REPORT

1. Purpose

1.1 To review the Fund's asset allocation, investment activity since the last meeting, long term performance analysis and to seek approval for the investment strategy in the light of recommendations from the Director of Finance & ICT and the Fund's independent external adviser.

2. Information and Analysis

2.1 Report of the External Adviser

A copy of Mr Fletcher's report, incorporating his view on the global economic position, factual information for global market returns, the performance of the Fund and his recommendations on investment strategy and asset allocation, is attached as Appendix 2.

2.2 Asset Allocation and Recommendations Table

The Fund's latest asset allocation as at 31 July 2022 and the recommendations of the Director of Finance & ICT and Mr Fletcher, in relation to the Fund's final strategic asset allocation benchmark (SAAB), which came into effect on 1 January 2022, are set out on page 3.

The table also shows the recommendations of the Director of Finance & ICT, adjusted to reflect the impact of future investment commitments. These commitments relate to Private Equity, Multi-Asset Credit, Property and Infrastructure and currently total around £280m. Whilst the timing of drawdowns will be lumpy and difficult to predict, the In-house Investment Management Team (IIMT) believes that these are likely to occur over the next 18 to 36 months.

	Benchmark		Fund Allocation	Fund Allocation	Permitted Range	Benchmark Relative Recommendation		Recommendation (1)		Adjusted for Commitments (4)	Benchmark Sterling Return	Benchmark Sterling Return
	Intermediate (1)	**Final (1)**	**30/4/22 (2)**	**31/7/22 (3)**	**Final (1)**	**AF 7/9/22**	**DPF 7/9/22**	**AF 7/9/22**	**DPF 7/9/22**	**DPF 7/9/22**	**3 Months to 30/6/22**	**3 Months to 31/7/22**
Growth Assets	**56.0%**	**55.0%**	**55.3%**	**55.6%**	**+/- 8%**	**-**	**-**	**55.0%**	**55.0%**	**55.8%**	**n/a**	**n/a**
UK Equities	14.0%	12.0%	13.5%	13.3%	+/- 4%	-	+1.3%	12.0%	13.3%	13.3%	(5.0%)	(1.2%)
Global Equities:	38.0%	39.0%	37.0%	37.5%	+/- 8%	-	(2.1%)	39.0%	36.9%	36.9%	n/a	n/a
North America	6.0%	-	1.6%	1.6%	-	-	-	-	-	-	(9.5%)	3.1%
Europe	4.0%	-	0.5%	0.5%	-	-	-	-	-	-	(8.8%)	(2.2%)
Japan	5.0%	5.0%	5.1%	5.2%	+/- 2%	-	+0.2%	5.0%	5.2%	5.2%	(6.8%)	2.4%
Pacific ex-Japan	2.0%	-	0.9%	-	-	-	-	-	-	-	(3.2%)	(2.6%)
Emerging Markets	5.0%	5.0%	4.7%	5.4%	+/- 2%	-	+0.4%	5.0%	5.4%	5.4%	(2.7%)	(2.9%)
Global Sustainable	16.0%	29.0%	24.2%	24.8%	+/- 8%	-	(2.7%)	29.0%	26.3%	26.3%	(8.2%)	(1.3%)
Private Equity	4.0%	4.0%	4.8%	4.8%	+/- 2%	-	+0.8%	4.0%	4.8%	5.6%	(8.0%)	(1.1%)
Income Assets	**24.0%**	**25.0%**	**24.2%**	**25.2%**	**+/- 6%**	**+2.0%**	**+0.3%**	**27.0%**	**25.3%**	**28.9%**	**n/a**	**n/a**
Multi-Asset Credit	6.0%	6.0%	6.9%	6.6%	+/- 2%	+2.0%	+0.6%	8.0%	6.6%	7.8%	(3.4%)	(1.4%)
Infrastructure	9.0%	10.0%	9.3%	9.7%	+/- 3%	-	-	10.0%	10.0%	12.4%	0.7%	0.7%
Direct Property (6)	5.0%	6.0%	5.1%	5.9%	+/- 2%	-	(0.1%)	6.0%	5.9%	5.9%	3.3%	3.3% (5)
Indirect Property (6)	4.0%	3.0%	2.9%	3.0%	+/- 2%	-	(0.2%)	3.0%	2.8%	2.8%	3.7%	3.7% (5)
Protection Assets	**18.0%**	**18.0%**	**16.0%**	**16.0%**	**+/- 5%**	**(2.0%)**	**(1.6%)**	**16.0%**	**16.4%**	**16.4%**	**n/a**	**n/a**
Conventional Bonds	6.0%	6.0%	4.5%	4.6%	+/- 2%	(1.0%)	(1.0%)	5.0%	5.0%	5.0%	(7.4%)	(2.2%)
Index-Linked Bonds	6.0%	6.0%	5.5%	5.5%	+/- 2%	-	(0.5%)	6.0%	5.5%	5.5%	(17.5%)	(7.3%)
Corporate Bonds	6.0%	6.0%	6.0%	5.9%	+/- 2%	(1.0%)	(0.1%)	5.0%	5.9%	5.9%	(7.5%)	(0.5%)
Cash	**2.0%**	**2.0%**	**4.5%**	**3.2%**	**0 – 8%**	**-**	**+1.3%**	**2.0%**	**3.3%**	**(1.1%)**	**0.2%**	**0.2%**

Investment Assets totaled £6,002m at 31 Jul-22.

(1) Intermediate benchmark effective from 1 January 2021 to 31 December 2021. Final benchmark effective from 1 January 2022. Recommendations are relative to the Final benchmark
(2) Adjusted for completed trades in early Feb-22 – North American Equities -1.0%; European Equities -0.7%; Global Sustainable Equities +1.1%; and Cash +0.5%.
(3) Adjusted for trades placed at 31 Jul-22 but yet to trade by 31 Jul-22; MAC -0.4%; and Cash +0.4%
(4) Adjusted for investment commitments at 31 Jul-22. Presumes all commitments funded from Cash.
(5) Benchmark Return for the three months to 30 Jun-22.
(6) The maximum permitted range in respect of Property is +/- 3%.

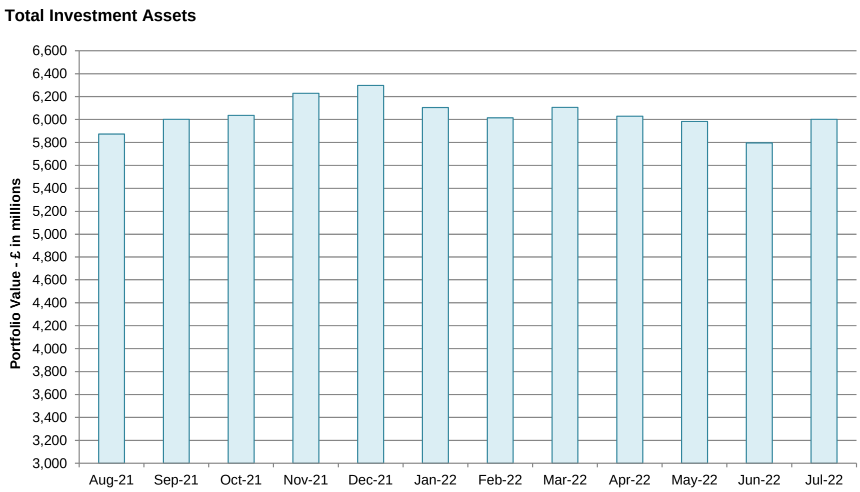
The table above shows the intermediate benchmark, together with the new final benchmark approved by Committee in November 2020. The final benchmark came into effect on 1 January 2022. The table above reflects the following three categorisations:

- **Growth Assets**: largely equities plus other volatile higher return assets such as private equity;
- **Income Assets**: assets which are designed to deliver an excess return, but with more stable return patterns than Growth Assets because income represents a large proportion of the total return of these assets; and
- **Protection Assets**: lower risk government or investment grade bonds.

Relative to the final benchmark, the Fund as at 31 July 2022, was overweight Growth Assets (+0.6%), Income Assets (0.2%) and Cash (1.2%) and underweight in Protection Assets (-2.0%). However, should all the IIMT recommendations set out in this report be implemented, together with the expected level of commitment draw-downs, the cash balance would reduce to -1.1%. In practice as these commitments are drawn-down, they will be partly offset by new net cash inflows from investment income, distributions from existing investments and changes in the wider asset allocation.

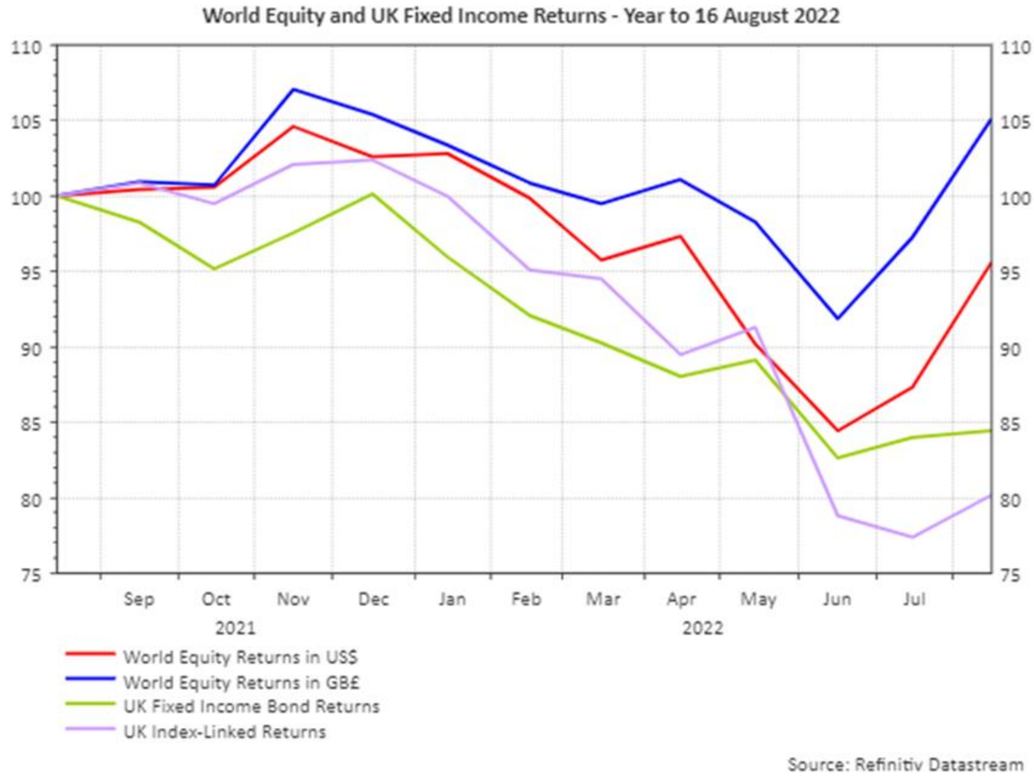
2.3 Total Investment Assets

The value of the Fund's investment assets reduced by £27m (-0.5%) between 30 April 2022 and 31 July 2022 to £6.002bn, comprising a non-cash market loss of around £42m, partly offset by cash inflows from dealing with members and investment income of around £15m. Over the twelve months to 31 July 2022, the value of the Fund's investment assets has increased by £118m (+2.0%), comprising a non-cash market gain of around £58m, and cash inflows from dealing with members & investment income of around £60m.



The Fund's valuation can fluctuate significantly in the short term, reflecting market conditions, and supports the Fund's strategy of focusing on the long term. A copy of the Fund's valuation as at 31 July 2022 is attached at Appendix 3.

2.4 Market returns over the last 12 months



The chart above shows market returns for Global Equities in Sterling and the US dollar, UK Fixed Income and UK Index Linked bonds for the twelve months to 16 August 2022. Whilst global equity returns were positive over the 12-month period in Sterling terms, they lost around 5% of their value in US dollar terms, as the GB£/US$ exchange rate fell from 1.37 to 1.21.

During 2021, investor sentiment was broadly positive. Covid-19 vaccination programmes were successful and despite the emergence of new variants, restrictions on social distancing and economic activity were gradually lifted. The resultant unwinding of pent-up demand stimulated a sharp recovery in economic growth. Corporate earnings reached record highs, pushing-up equity valuations, and bond yields remained tethered at historic lows. However, markets pivoted at the turn of the year as sentiment waned and investors' appetite for risk diminished. After reaching an all-time high in the final week of 2021, the S&P 500 suffered a peak to trough decline of more than 9% over the first four weeks of 2022.

Primarily, markets fell because the major central banks were increasingly viewed as having lost control of the narrative on inflation. Covid-19 pandemic related supply shocks, coupled with the release of pent-up demand, were proving to be a dangerous combination for rising prices. Although equity markets posted moderately positive returns in Q4-21, bond markets had already begun to signal a shift in sentiment, with short-term government bond yields rising significantly (bond yields rise when prices fall). Two-year yields in the US increased from 0.20% to 0.73%, whereas in the UK they rose from 0.12% to 0.69%. The market no longer believed that the increase in inflation was transitory and concluded that central banks would need to act more aggressively and tighten monetary conditions to tackle rising prices.

The Bank of England (BoE) and the US Federal Reserve (US Fed) went on to make hawkish policy pivots (signalling tighter monetary policy) in December 2021, acknowledging that they were behind the curve in controlling rising prices and abandoning the ‘transitory’ inflation narrative. Tighter financial conditions should reduce demand and dampen economic activity, therefore reducing the upward pressure on prices.

However, despite this policy shift, both central banks have consistently underestimated the strength and persistence of the current inflation cycle. In part, this is likely to be because inflation is currently being driven by both demand-pull and cost-push factors (i.e. from pent-up demand and disrupted supply chains). Central bank policy is considered to be most effective at influencing levels of demand; it can do little to offset or alleviate shocks to supply chains.

The Covid-19 pandemic had already caused significant disruption to global supply chains, albeit those disruptions had begun to ease as restrictions were lifted. However, Russia’s unexpected invasion of Ukraine in February 2022 caused another global supply shock, particularly in energy and commodity markets. Russia is the world’s second largest natural gas producer and the third largest producer of oil. Together, Russia and Ukraine also supply more than 25% of the world’s wheat and are key producers of other agricultural and industrial commodities. Consequently, the BoE has been repeatedly forced to revise upwards, and extend outwards, its projections for peak inflation, from a forecast spring peak of 7% in February, to a forecast autumn peak of 10% in May and to the current forecast winter peak of 13% (from the most recent August 2022 BOE meeting).

The revisions are largely the result of higher energy prices triggered by the war in Ukraine. Wholesale natural gas prices trebled between May 2022 and August 2022, as supplies of Russian gas to Europe were curtailed. There are growing concerns that further disruptions may occur in the autumn and winter when demand for gas peaks. The BoE now expects energy prices to contribute 50% of the forecast rise in year-on-year inflation of 13.1% in October and November 2022, having previously projected a maximum contribution of 30% in May 2022.

As the inflationary outlook has deteriorated, the BoE has been forced into increasingly aggressive rate increases. The BoE has already increased rates five times in 2022, from 0.25% to 1.75%. Further increases are expected at the BoE's September, November and December meetings, and markets are currently pricing rates to reach 3.3% by year end. A similar chain of events has occurred in the US. The US Fed has already increased rates four times YTD[1] with more increases expected, having previously advised that only three increases would be necessary in 2022.

The evolving inflationary outlook, and the concern that central banks are playing catch up with monetary policy, have led to risk aversion in financial markets. Growth stocks, which have valuations that are sensitive to rising interest rates, fell sharply over the first six months of 2022. The Nasdaq Composite Index, a US technology index that contains many of the world's largest Growth stocks, reported a peak to trough decline of 32% between January and June 2022 (in local currency terms). In contrast, US Value stocks, which trade at lower prices relative to company fundamentals, fell by only 16%. UK Equities returned -5% over the comparable period, reflecting a structural bias towards Value stocks, including energy and commodity focussed companies.

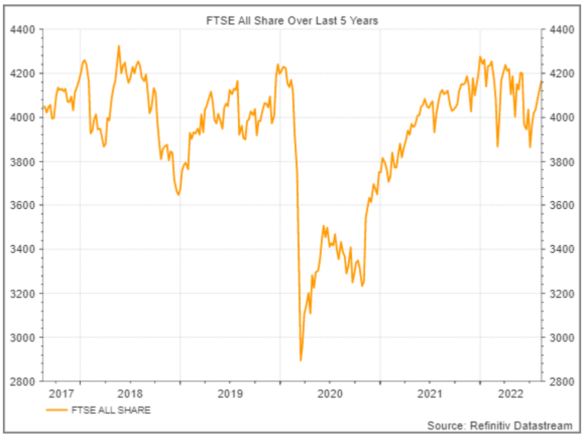
Government bond prices have also fallen in 2022. Bond yields were reduced to historic lows during the Covid-19 pandemic as interest rates remained at historic lows to stimulate economic activity. As a bond's yield moves inversely to its price, this acted as a strong tailwind for fixed income returns. The unwinding of loose monetary policy and the move towards the normalisation of interest rates, together with the inflationary outlook, has created a significant a headwind for fixed income markets (as higher bond yields mean lower prices). UK Gilt (conventional bonds) yields have risen at the fastest rate since 1994, resulting in YTD return of -13.4%; UK Index-Linked Bonds have returned -20.0%.

[1] 1 January 2022 to 16 August 2022

Notwithstanding the above, market sentiment had, more recently, started to pivot again. Concerns have been growing that high inflation and increasingly tight monetary policy will push many economies into recession later this year. For example, the BoE is now expecting the UK economy to contract for five consecutive quarters from Q4-22 onwards. As a result, markets started to price in central banks adopting less aggressive monetary policy for the remainder of 2022 and lower interest rates in 2023. As such, interest rate sensitive Growth stocks started to rally in Q3-22, and bond yields started to fall from their June 2022 peaks. However, a renewed focus on inflation in recent weeks has stalled this rotation.

The IIMT continues to believe that the global economic outlook remains uncertain and has some concerns about the sustainability of the current rally in equity returns. Global markets are extremely volatile at present, and whilst investor confidence has improved in Q3-22, several significant headwinds remain which could see this reverse, including a slowdown in global activity, increasing inflationary pressures, rising interest rates, energy security concerns, tight global supply chains, the conflict between Russia and Ukraine, the outcome of the upcoming US mid-term election and China's zero Covid-19 policy.

Asset class weightings and recommendations are based on values at the end of July 2022. As shown in the charts below, the UK equity market had largely recovered most of the March 2020 Covid-19 pandemic sell off prior to Russia's invasion of Ukraine. Equity markets have been volatile in 2022, but UK Equities have performed strongly relative to other markets, returning +1.5% YTD. In contrast, the US market has been one of the worst performing regions in 2022 in local currency terms, declining by 9.5%, reflecting its relatively heavy weighting in technology and other growth-related stocks. US Equities have rallied in Q3-22 (up 14.0% in local currency terms to 16 August 2022), as markets have increasingly priced in interest rate cuts by the US Federal Reserve in 2023 over the last few months against a weaker growth outlook. This assumed policy pivot has supported interest rate sensitive growth stocks over the period.



2.5 Longer Term Performance

Figures provided by Portfolio Evaluation Limited show the Fund's performance over 1, 3, 5 and 10 years to 30 June 2022.

Per annum	DPF	Benchmark Index
1 year	(3.2%)	(2.8%)
3 years	4.1%	3.8%
5 years	4.8%	4.5%
10 years	8.0%	7.5%

The Fund outperformed the benchmark over all time periods other than on a one-year basis. The Fund's equity allocations, in particular, the Fund's Global Sustainable Equity allocation, are tilted towards Growth stocks. Growth stocks have under-performed over the last twelve months, as Value stocks have rallied with investors favouring tangible (or 'real') assets over intangible growth assets. There has also been a shift in investor focus from green energy (i.e. renewables) to brown energy (i.e. fossil fuels).

2.6 Category Recommendations

	Intermediate Benchmark	Final Benchmark	Fund Allocation	Permitted Range	Recommendation (1)		Benchmark Relative Recommendation (1)	
			31 Jul-22		AF	DPF	AF	DPF
Growth Assets	56.0%	55.0%	55.6%	± 8%	55.0%	55.0%	-	-
Income Assets	24.0%	25.0%	25.2%	± 6%	27.0%	25.3%	+2.0%	+0.3%
Protection Assets	18.0%	18.0%	16.0%	± 5%	16.0%	16.4%	(2.0%)	(1.6%)
Cash	2.0%	2.0%	3.2%	0 – 8%	2.0%	3.3%	-	+1.3%

(1) Recommendation relative to the Final benchmark effective 1 January 2022

At an overall level, the Fund was overweight Growth Assets, Income Assets and Cash at 31 July 2022, and underweight Protection Assets. As highlighted on page 4, commitments at 31 July 2022 totalled £282m, potentially increasing Growth Assets by 0.8% and Income Assets by 3.9%. The table on page 4 assumes that these commitments will be funded out of the current cash weighting; in practice as these commitments are drawn-down they are likely to be funded partially out of cash and partially by distributions (income and capital) from existing investments and sales of public market assets.

The IIMT recommendations reflected in this report: reduce Growth Assets by 0.6% to 55.0% (neutral) (North American Equities -1.6%; European Equities -0.5%; Global Sustainable Equities +1.5%), increase Income Assets by 0.1% (Infrastructure +0.3%; and Indirect Property -0.2%); increase Protection Assets by 0.4% (Conventional Bonds +0.4%), and increase Cash by 0.1%.

The IIMT notes that the recommendations are subject to market conditions, liquidity, and product availability. The IIMT continues to recommend a defensive cash allocation, reflecting both the general market uncertainty and cash held to fund existing commitment drawdowns.

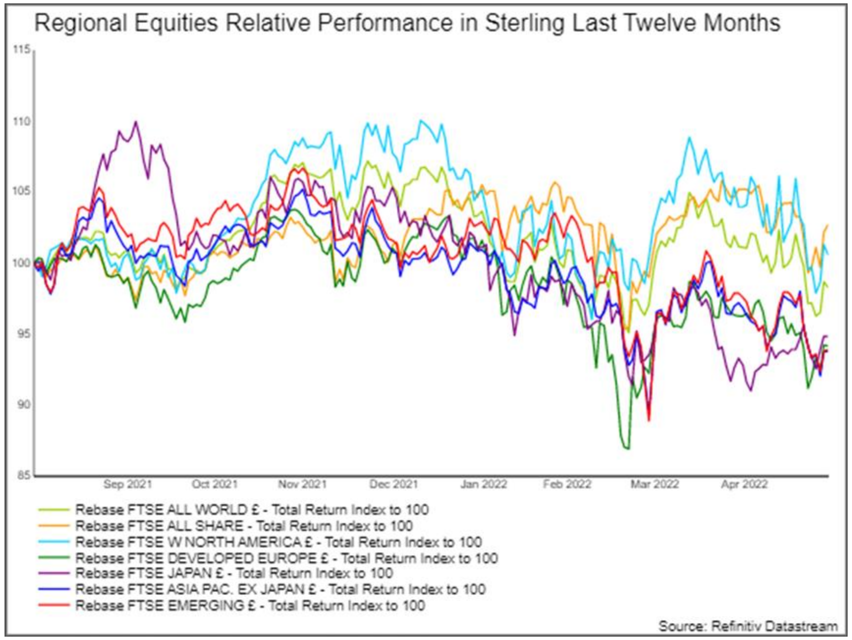
2.7 Growth Assets

At 31 July 2022, the overall Growth Asset weighting was 55.6%, up from 55.3% at 30 April 2022, principally reflecting relative market strength.

The IIMT recommendations in this report reduce the weighting to a neutral weighting of 55.0%, reflecting the growth concerns about a global recession.

Consumers are facing a cost-of-living crisis on a global basis as inflation reaches multi-decade highs, financial conditions are being tightened at an aggressive pace and several of the world's largest economies are on the brink of a recession. Against this backdrop, global PMIs are falling and moving below a reading of 50; a reading of below 50 is generally seen as an indicator that economic activity is contracting.

Having fallen sharply in H1-22, equity markets have rallied in Q3-22, as investors have started to price in central banks adopting less restrictive monetary policy to reduce recessionary pressures. Notwithstanding the Q3-22 equity rally, the IIMT continues to believe that the global economic outlook remains uncertain and the IIMT have some concerns about whether the current rally is sustainable in the short-term. Global markets are extremely volatile at present, and whilst investor confidence has improved in Q3-22, several significant headwinds remain which could see this reverse.

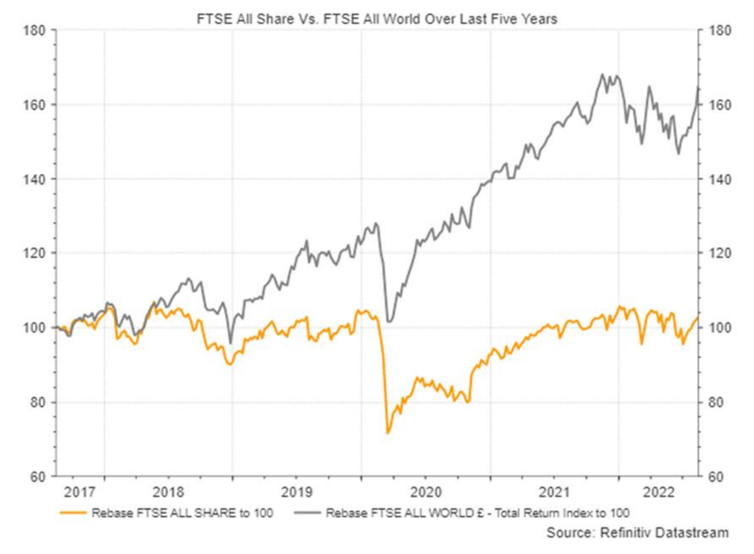


Benchmark Return	Currency	Q3-22 (*)	Q2-22	CYTD (*)	1 Year (**)	3 Year (**)	5 Year (**)	Since Last Committee (*)	L3M 31-Jul-22
Sterling Returns									
FTSE All World	GB£	11.1%	(8.3%)	(0.6%)	(3.6%)	8.4%	9.0%	5.5%	1.2%
FTSE UK	GB£	6.3%	(5.0%)	1.5%	1.6%	2.4%	3.3%	0.1%	(1.2%)
FTSE North America	GB£	14.5%	(9.5%)	1.4%	(0.4%)	12.0%	12.5%	8.6%	3.1%
FTSE Europe	GB£	6.9%	(8.8%)	(11.6%)	(10.4%)	3.4%	4.1%	(0.7%)	(2.2%)
FTSE Japan	GB£	7.7%	(6.8%)	(3.1%)	(8.5%)	3.0%	3.4%	4.1%	2.4%
FTSE Asia Pacific Ex-Japan	GB£	2.3%	(3.2%)	(3.2%)	(11.0%)	4.8%	5.3%	(0.7%)	(2.6%)
FTSE Emerging Markets	GB£	2.3%	(2.7%)	(2.8%)	(10.6%)	3.5%	4.9%	0.2%	(2.9%)
Local Currency Returns									
FTSE All World	US$	10.6%	(15.4%)	(11.2%)	(15.3%)	6.7%	7.5%	1.7%	(1.9%)
FTSE UK	GB£	6.3%	(5.0%)	1.5%	1.6%	2.4%	3.3%	0.1%	(1.2%)
FTSE North America	US$	14.0%	(16.6%)	(9.5%)	(12.4%)	10.3%	11.0%	4.7%	(0.1%)
FTSE Europe	€	9.3%	(10.3%)	(11.8%)	(12.7%)	3.9%	4.3%	0.8%	(1.9%)
FTSE Japan	¥	6.1%	(3.7%)	1.0%	(1.5%)	9.6%	6.0%	0.7%	2.4%
FTSE Asia Pacific Ex-Japan	US$	1.9%	(10.7%)	(13.5%)	(21.8%)	3.2%	3.9%	(4.3%)	(5.6%)
FTSE Emerging Markets	US$	1.9%	(10.2%)	(13.2%)	(21.3%)	2.0%	3.6%	(3.4%)	(5.9%)

Source: Performance Evaluation Limited & DPF analysis
(*) To 16 Aug-22
(**) To 30 Jun-22
CYTD = Calendar Year to 16 Aug-22

2.8 United Kingdom Equities

DPF Weightings	
Intermediate Neutral	14.0%
Final Neutral	12.0%
Actual 31.7.22	13.3%
AF Recommendation	12.0%
IIMT Recommendation	13.3%
Benchmark Returns (GB£)	
Q2 22/23 to 16 Aug-22	6.3%
Q1 22/23	(5.0%)
1 Year to Jun-22	1.6%
3 Years to Jun-22 (pa)	2.4%
5 Years to Jun-22 (pa)	3.3%



The Fund's UK Equity allocation reduced from 13.5% at 30 April 2022 to 13.3% at 31 July 2022 (1.3% overweight), reflecting relative market weakness.

Mr Fletcher has recommended a neutral weighting of 12.0% to UK Equities.

The IIMT continues to believe that an overweight allocation to UK Equities is justified due to their attractive valuations and sector diversification. Despite the significant fall in Global Equities, the FTSE All Share has achieved a positive YTD return of +1.5%. This compares to a local currency return of -11.2% and a sterling currency return of -0.6% for the FTSE All World (due to the strengthening of the US dollar against the pound).

The relative outperformance of UK Equities is primarily due to its sector diversification. The UK market is overweight the Energy sector and underweight the Technology sector, relative to the FTSE All World, which have been the best and worst performing sectors in 2022. The UK FTSE All Share has therefore benefitted from the style rotation from Growth stocks to Value stocks.

Lower valuations have also offered a degree of protection in falling markets as UK Equities have been less susceptible to the compression of earnings multiples that has occurred across the more expensive areas of the market, particularly in US Growth stocks.

As there is still uncertainty around the inflationary outlook, the number and scale of future interest rate increases and a deteriorating outlook for global growth, the IIMT continues to believe that UK Equities have the potential to outperform, supported by attractive valuations and diversified sector exposure. The IIMT recommends that the current 1.3% overweight allocation of 13.3% relative to the final benchmark is maintained, with a modest tilt towards small and mid-cap stocks.

2.9 North American Equities

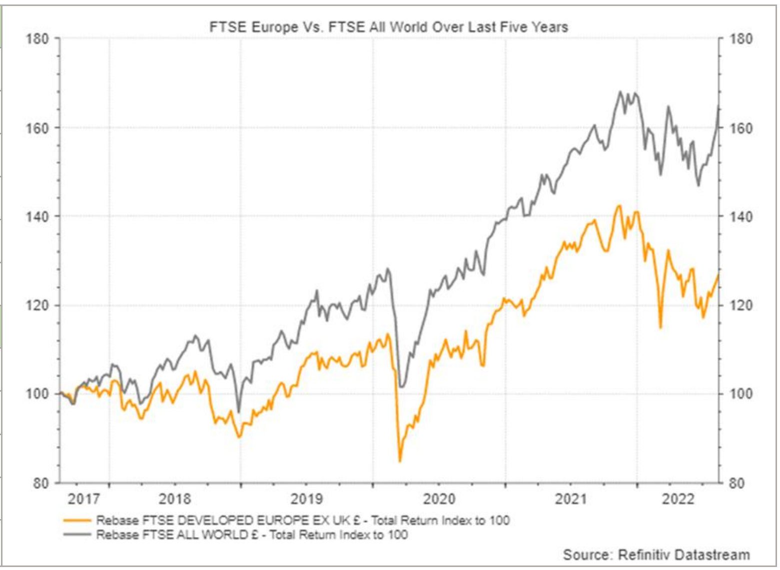
DPF Weightings	
Intermediate Neutral	6.0%
Final Neutral	-
Actual 31.7.22	1.6%
AF Recommendation	-
IIMT Recommendation	-
Benchmark Returns (GB£)	
Q2 22/23 to 16 Aug-22	14.5%
Q1 22/23	(9.5%)
1 Year to Jun-22	(0.4%)
3 Years to Jun-22 (pa)	12.0%
5 Years to Jun-22 (pa)	12.5%

The Fund's North American Equity allocation remained flat between 30 April 2022 and 31 July 2022 at 1.6% (1.6% overweight).

Both Mr Fletcher and the IIMT recommended a zero-weighting to North American Equites in line with the new final benchmark.

2.10 European Equities

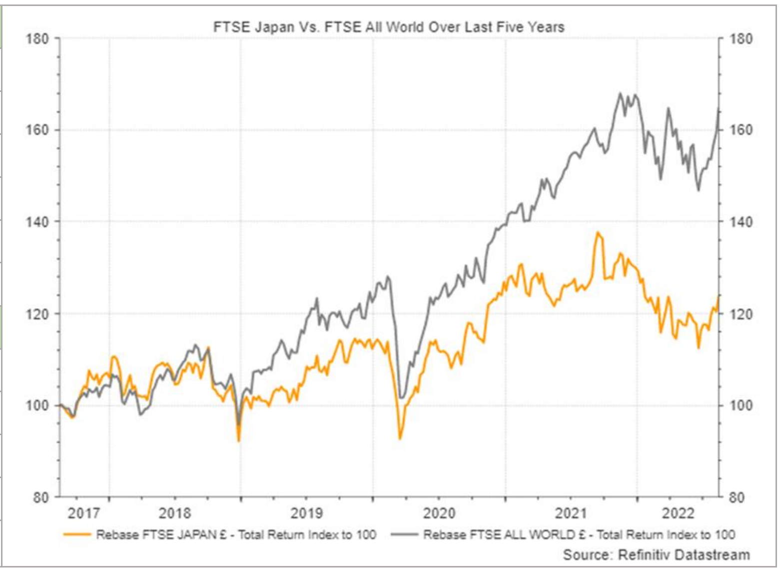
DPF Weightings	
Intermediate Neutral	4.0%
Final Neutral	-
Actual 31.7.22	0.5%
AF Recommendation	-
IIMT Recommendation	-
Benchmark Returns (GB£)	
Q2 22/23 to 16 Aug-22	6.9%
Q1 22/23	(8.8%)
1 Year to Jun-22	(10.4%)
3 Years to Jun-22 (pa)	3.4%
5 Years to Jun-22 (pa)	4.1%



The Fund's European Equity allocation remained flat between 30 April 2022 and 31 July 2022 at 0.5% (0.5% overweight). Subsequent to the period-end, the Fund has fully divested from its European Equity allocation in line with the new final benchmark.

2.11 Japanese Equities

DPF Weightings	
Intermediate Neutral	5.0%
Final Neutral	5.0%
Actual 31.7.22	5.2%
AF Recommendation	5.0%
IIMT Recommendation	5.2%
Benchmark Returns (GB£)	
Q2 22/23 to 16 Aug-22	7.7%
Q1 22/23	(6.8%)
1 Year to Jun-22	(8.5%)
3 Years to Jun-22 (pa)	3.0%
5 Years to Jun-22 (pa)	3.4%



Relative market strength increased the Fund's allocation to Japanese Equities from 5.1% at 30 April 2022 to 5.2% at 31 July 2022.

Mr Fletcher recommends a neutral weighting relative to the final benchmark.

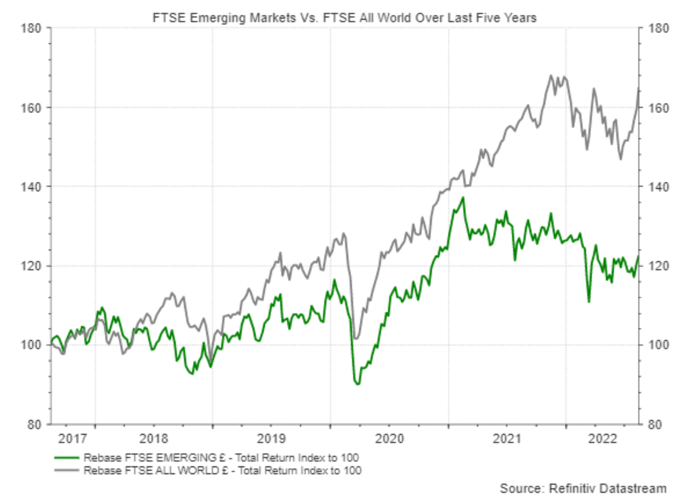
The IIMT favours Japanese Equities for their sector diversification, lower valuations and defensive performance during periods of increased uncertainty. In local currency terms, Japanese Equities have retained their value in difficult market conditions, returning +1.0% YTD in local currency, against a backdrop of a significant correction in Global Equities.

The Japanese Yen is traditionally viewed as a safe haven asset which rises in value during periods of market uncertainty, increasing returns for sterling investors. However, due to the growing divergence between US and Japanese bond yields since the turn of the year, the Yen has depreciated, which has lowered returns for sterling investors. In sterling terms, Japanese Equities have returned -3.1% YTD.

The IIMT believes that Japanese Equities remain attractively valued relative to their global peers and recommends that the Fund's overweight allocation is maintained at 0.2% relative to a neutral weight of 5.0%.

2.12 Asia Pacific Ex-Japan and Emerging Market Equities

DPF Weightings	Asia-Pac	EM
Intermediate Neutral	2.0%	5.0%
Final Neutral	-	5.0%
Actual 31.7.22	-	5.4%
AF Recommendation	-	5.0%
IIMT Recommendation	-	5.4%
Benchmark Returns (GB£)	**Asia-Pac**	**EM**
Q2 22/23 to 16 Aug-22	2.3%	2.3%
Q1 22/23	(3.2%)	(2.7%)
1 Year to Jun-22	(11.0%)	(10.6%)
3 Years to Jun-22 (pa)	4.8%	3.5%
5 Years to Jun-22 (pa)	5.3%	4.9%



The Fund fully divested from Asia Pacific Ex-Japan Equity allocation in the period in line with the final strategic asset allocation benchmark, with the Fund's final Asia Pacific Ex-Japan Equity holding (£54m) being transferred into the Fund's Emerging Market Equity allocation. The Fund's allocation to Emerging Market Equities increased from 4.7% at 30 April 2022 to 5.4% at 31 July 2022 (0.3% underweight), reflecting the transfer noted above, partly offset by market weakness.

Mr Fletcher recommends a neutral allocation of 5.0% to Emerging Market Equities.

In local currency terms, Emerging Market Equities have been the worst performing region so far in 2022, falling by over 13.2% YTD. However, due to the relative strength of the US dollar against the pound, the index has lost only 2.8% when translated into Sterling.

There has been significant dispersion in returns between the Emerging Markets regions. Latin American Equities have been the best performing region, returning +25% year to date (in sterling terms). The region is a net exporter of commodities and has been a major beneficiary of the sharp rise in commodity prices. In contrast, Chinese Equities have lost 11% during the same period. Low vaccination rates and less effective vaccines have contributed to a new wave of Covid-19 cases in China. As a result, Chinese authorities have reintroduced lockdowns in several major cities, including Shanghai, China’s most populous city.

Russia was removed from the Emerging Markets index shortly after its invasion of Ukraine, with the country being viewed as uninvestable. Russian equities made up approximately 4% of the Emerging Markets index at the start of the year, and over 70% of the Emerging Europe index. There has been a contagion effect from the conflict, with eastern European countries most heavily affected due to their close proximity and trading ties to Russia and Ukraine. The Emerging Europe index has lost over 70% of its value YTD.

The IIMT continues to believe in the long-term growth potential of Emerging Markets, noting that these markets have accounted for well over half of global growth over the last ten years. The IIMT believes that Emerging Market Equities offer value relative to their global peers, a position that has been enhanced during the current market sell-off. The IIMT therefore recommends an overweight allocation of 5.4% (0.4% overweight).

2.13 Global Sustainable Equities

DPF Weightings	
Intermediate Neutral	16.0%
Final Neutral	29.0%
Actual 31.7.22	24.8%
AF Recommendation	29.0%
IIMT Recommendation	26.3%
Benchmark Returns (GB£)	
Q2 22/23 to 16 Aug-22	11.3%
Q1 22/23	(8.2%)
1 Year to Jun-22	(3.1%)
3 Years to Jun-22 (pa)	8.7%
5 Years to Jun-22 (pa)	9.2%

The Fund’s allocation to Global Sustainable Equities increased from 24.2% at 30 April 2022 to 24.8% at 31 July 2022 reflecting relative market strength.

Mr Fletcher recommends a neutral weighting of 29.0% relative to the final benchmark.

The IIMT remains confident about the long-term investment case for the Fund’s allocation to Global Sustainable Equities, which typically favour growth stocks relative to value stocks.

The charts below shows that growth stocks have out-performed value stocks over the last three years, particularly since the start of the Covid-19 pandemic, as investors favoured quality growth stocks over pro-cyclical stocks, in part supported by low forward interest rate expectations.

However, value stocks have rallied over the last twelve months as both economic activity, and in particular, forward interest rate expectations have increased, albeit growth stocks started to rally in Q3-22 as markets began to price in interest rate cuts by the US Federal Reserve in 2023 against a weaker growth outlook.

The IIMT recommends that Fund's allocation to Global Sustainable Equities is increased to 26.3%; 2.7% underweight. As noted earlier, the IIMT recommends an overall neutral weight to Growth Assets, with the underweight in respect of Global Sustainable Equities being used to fund overweight allocations in respect of UK Equities, Japanese Equities, Emerging Market Equities and Private Equity. The IIMT believes that these allocations offer greater relative value in the short-term.

2.14 Private Equity

DPF Weighting					
Intermediate Netural	Final Neutral	Actual 31.7.22	Committed 31.7.22	AF Recommendation	IIMT Recommendation
4.0%	4.0%	4.8%	5.6%	4.0%	4.8%
Benchmark Returns (GB£)					
Q2 22/23 to 16 Aug-22	Q1 22/23	1 Year to Jun-22	3 Years to Jun-22 (pa)	5 Years to Jun-22 (pa)	
11.3%	(8.0%)	(4.0%)	1.1%	2.9%	

The Private Equity weighting remained flat at 4.8% between 30 April 2022 and 31 July 2022 (0.8% overweight relative to the final benchmark).

Mr Fletcher recommends a neutral weighting of 4.0% in Private Equity.

The IIMT notes that whilst the Fund is overweight to Private Equity on a committed basis, due diligence is currently being carried out on a potential £30m commitment to a Private Equity fund-of-fund managed by LGPS Central Limited.

The IIMT recommends maintaining the current Private Equity allocation of 4.8% (0.8% overweight) (5.6% on a committed basis) but with the flexibility to make a £30m commitment to the LGPS Central Limited Private Equity fund-of-fund subject to the completion of satisfactory due diligence.

2.15 Income Assets

At 31 July 2022, the overall weighting in Income Assets was 25.2%, 1.0% higher than that reported at 30 April 2022, reflecting net investment of £42m, together with relative market strength. The IIMT recommendations below slightly increase the overall Income Asset weighting by 0.1% to 25.3%; 28.9% on a committed basis.

2.16 Multi Asset Credit

DPF Weighting				
Intermediate Neutral	Final Neutral	Actual 31.7.22	AF Recommendation	IIMT Recommendation
6.0%	6.0%	6.6%	8.0%	6.6%
Benchmark Returns (GB£)				
Q1 22/23 to 16 Aug-22	Q1 22/23	1 Year to Jun-22	3 Years to Jun-22 (pa)	5 Years to Jun-22 (pa)
1.9%	(3.4%)	(2.5%)	1.9%	2.6%

The Fund's allocation to Multi-Asset Credit reduced from 6.9% at 30 April 2022 to 6.6% at 31 July 2022, principally reflecting net distributions of £25m; 0.6% overweight relative to the final benchmark.

Mr Fletcher recommends a 2.0% overweight allocation of 8.0% to Multi-Asset Credit, funded from a 1.0% underweight allocation to both conventional UK gilts and investment grade bonds (see Protection Assets). Mr Fletcher notes that the widening of spreads for sub-investment grade bonds in Q2-22, together with the floating rate nature of loans and asset backed securities have increased the attractiveness of the asset class. Mr Fletcher also notes that Multi-Asset Credit benefits from a lower interest rate sensitivity, so provided defaults do not increase significantly, the asset class should deliver better returns in a rising inflation and interest rate environment relative to investment grade bonds and sovereign bonds.

The IIMT continues to be positive about the long-term attractions of the asset class and favours a strong bias towards defensive forms of credit (e.g., senior secured debt and asset backed securities). Q2-22 was a difficult quarter for credit markets, with spreads widening, and on a GBP hedged basis, both the European High Yield Index and US High-Yield Index fell by 10.4%. Credit markets have partly rallied in Q3-22 to date, as recessionary fears started to outweigh inflation concerns – leading investors to consider that the ongoing aggressive monetary tightening may come to an end sooner than expected.

The IIMT believes that the current running yield available from the Multi-Asset Class asset class is attractive, and offers value over the longer term, albeit there could be volatility in the short-term. As a result, the IIMT recommends that the current allocation of 6.6% is maintained (0.6% overweight); 7.8% on a committed basis.

2.17 Property

DPF Weighting				
Intermediate Neutral	Final Neutral	Actual 31.7.22	AF Recommendation	IIMT Recommendation
9.0%	9.0%	8.9%	9.0%	8.8%
Benchmark Returns (GB£)				
Q2 22/23 to 16 Aug-22	Q1 22/23	1 Year to Jun-22	3 Years to Jun-22 (pa)	5 Years to Jun-22 (pa)
Not Available	3.4%	19.9%	7.8%	7.1%

The Fund’s allocation to Property increased by 0.9% to 8.9% at 31 July 2022, reflecting net investment of £39m and relative market strength. Direct Property accounted for 5.9% (up 0.8%, 0.1% underweight relative to the final benchmark) and Indirect Property accounted for 3.0% (up 0.1%, neutral to the final benchmark).

The Fund purchased two direct properties in the period at a net cost of £39m; a freehold single-let industrial asset in Eastleigh for £19m and a retail warehouse park and hotel in Saffron Walden for £20m.

Mr Fletcher recommends a neutral overall allocation of 9.0% to property but notes that he would like to see the Direct Property allocation increased, funded from realisations out of the Indirect Property allocation. However, Mr Fletcher acknowledges that this should be done with caution as it is a very long-term investment decision, and property transactions tend to be quite expensive.

The Fund’s Direct Property manager notes that the increasingly poor economic news in respect of the UK economy is starting to have a negative impact on the UK commercial property market in terms of sentiment and investor confidence. Although this has not yet fed through to recent valuations and performance returns, which remain at healthy levels, lower valuations are expected in the second half of 2022. The total return of the Fund’s property portfolio for the year to 30 June 2022 was 17.6%. The portfolio void rate was 6.9% at 30 June 2022, down from 8.1% at 31 March 2022, and 0.9% better than the benchmark.

The manager notes that the strategy is to maintain the current sector exposures within the portfolio (with one exception noted below) by remaining overweight in the industrial, retail warehousing and supermarket sectors and remaining underweight high street retail, shopping centres and office space.

The manager is seeking to increase the Fund's weighting in 'alternatives', where the manager sees value based upon current yield levels. However, the manager notes that care is needed with stock selection because the sector (which includes hotels, cinemas, restaurants and bars) will not be completely immune to an economic downturn.

The IIMT recommends that the Fund's allocation to Direct Property is maintained at 5.9% (0.1% underweight), whereas the allocation to Indirect Property is reduced by 0.2% to 2.8% (0.2% underweight). The IIMT recommend that further liquidity of up to £60m (1.0%) is made available to the Direct Property manager to make incremental investments at the right time should suitable investment opportunities be identified, funded from matching Indirect Property redemptions.

Notwithstanding the above comments in respect of increasing the Fund's Direct Property allocation from a lower Indirect Property allocation, the IIMT continues to believe that Indirect Property has a role in the Fund's overall portfolio and increases the options available to the Fund to deploy capital into a relatively illiquid asset class and increases portfolio diversification, including exposure to overseas assets, private rented accommodation, student accommodation, development capital and medical centres.

2.18 Infrastructure

DPF Weighting					
Intermedidate Neutral	Final Neutral	Actual 31.7.22	Committed 31.7.22	AF Recommendation	IIMT Recommendation
9.0%	10.0%	9.7%	12.4%	10.0%	10.0%
Benchmark Returns (GB£)					
Q2 22/23 to 16 Aug-22	Q1 22/23	1 Year to Jun-22	3 Years to Jun-22 (pa)	5 Years to Jun-22 (pa)	
0.5%	0.7%	2.4%	2.4%	2.5%	

The Fund's allocation to Infrastructure increased from 9.3% at 30 April 2022 to 9.7% at 31 July 2022 reflecting net investment of £13m, the majority of which related to renewable energy assets, together with relative market strength.

The committed infrastructure weight increased from 11.2% at 30 April 2022 to 12.4% at 31 July 2022, reflecting a €72.5m commitment to a European infrastructure fund approved by the Pensions and Investments Committee in June 2022. It should be noted that the commitment was increased by €5m relative to that approved by Committee to trigger a higher LGPS aggregated management fee reduction. The increase in the commitment was approved by the Chair of the Pensions and Investments Committee and the Director of Finance & ICT.

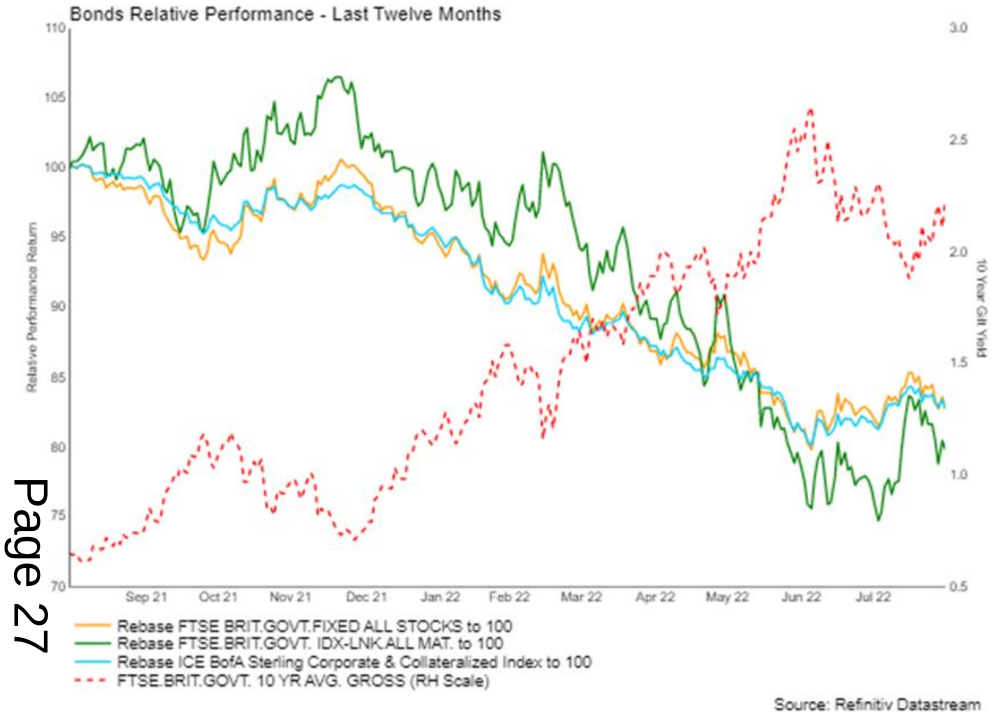
Mr Fletcher recommends a neutral weighting relative to the final benchmark of 10.0% allocation.

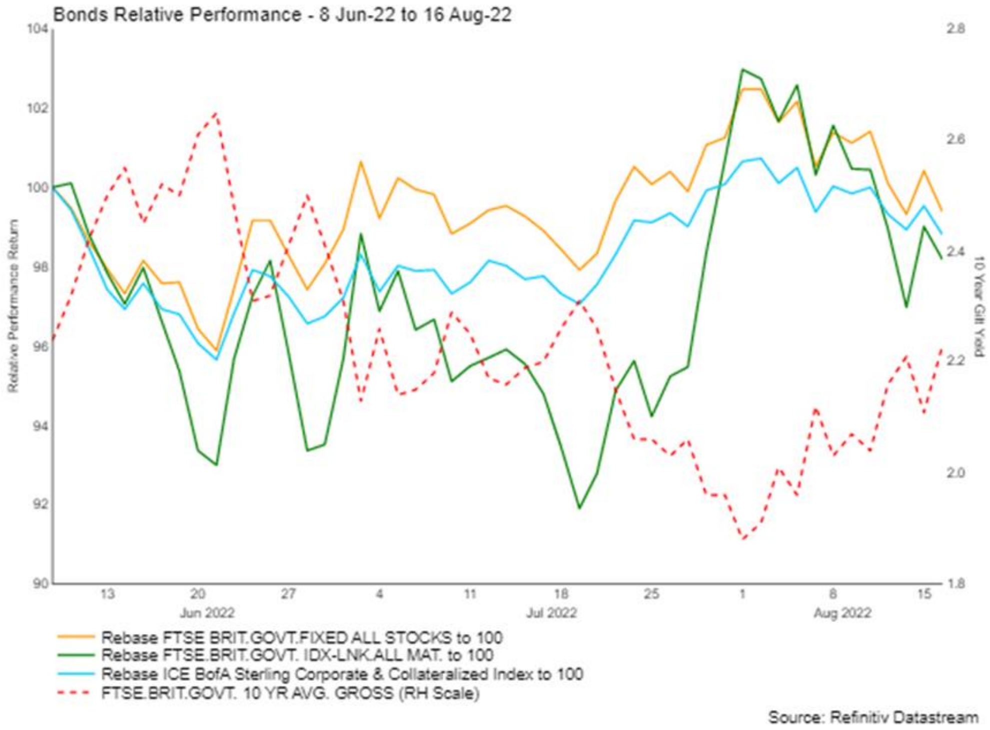
The IIMT continues to view Infrastructure as an attractive long-term asset class and favours a bias towards core infrastructure assets or renewable energy assets. These assets can offer low volatility; low correlation to equity and fixed income markets; and reliable long-term cash flows.

Notwithstanding the noted favourable long-term characteristics of the asset class, the IIMT continues to believe that infrastructure assets are exposed to increased political and regulatory risk, and this risk is best mitigated through asset type and geographical diversification. It should also be noted that the current market valuation of some infrastructure assets, particularly renewable infrastructure assets, are becoming increasingly stretched driven by strong investor demand.

The IIMT recommends that the invested weighting is increased by 0.3% to 10.0% neutral, reflecting anticipated closed-ended fund draw-downs; 12.4% on a committed basis. Given the current committed weight of 12.4%, the IIMT is not reviewing new opportunities at the current time.

2.19 Protection Assets





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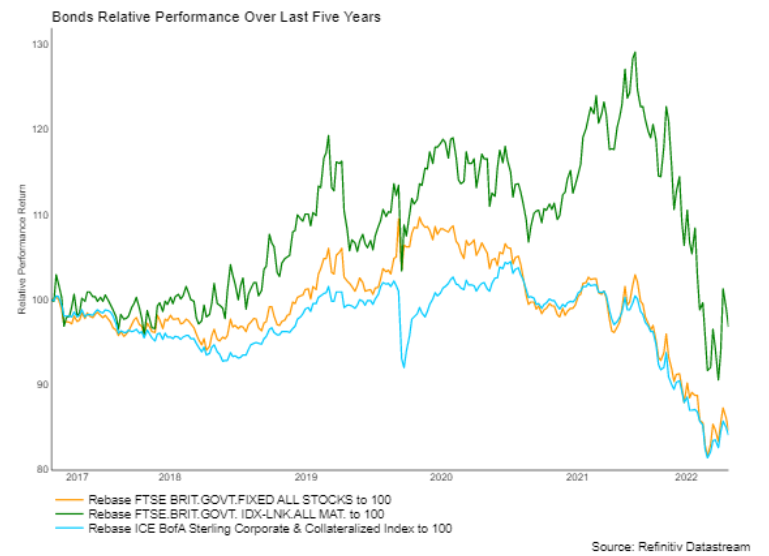
The weighting in Protection Assets at 31 July 2022 was 16.0%, flat with that reported at 30 April 2022. Net investment of £27m was offset by relative market weakness. The IIMT recommendations below increase the weighting by 0.4% to 16.4%.

Fixed income returns have come under increasing pressure in 2022 as bond yields have risen (lowering prices), as markets priced in interest rates of well over 2% in both the US and the UK to tackle rising inflation. Notwithstanding the general year-to-date increase in yields, yields fell in July 2022 as fears of an economic downturn encouraged investors back into the sovereign debt market but have recently resumed their rise.

2.20 Conventional Bonds

DPF Weightings	
Intermediate Neutral	6.0%
Final Neutral	6.0%
Actual 31.7.22	4.6%
AF Recommendation	5.0%
IIMT Recommendation	5.0%
Benchmark Returns (GB£)	
Q2 22/23 to 16 Aug-22	0.7%
Q1 22/23	(7.4%)
1 Year to Jun-22	(13.6%)
3 Years to Jun-22 (pa)	(3.4%)
5 Years to Jun-22 (pa)	(0.7%)



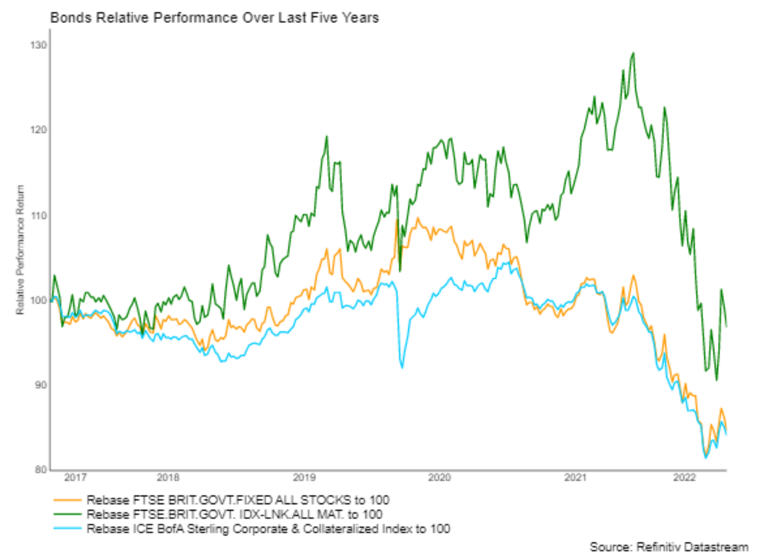
The Fund's allocation to Conventional Bonds increased by 0.1% to 4.6% between 30 April 2022 and 31 July 2022, reflecting net investment of £15m, largely offset by relative market weakness; 1.4% underweight relative to the final benchmark.

Mr Fletcher has maintained his recommended 1.0% underweight allocation to Conventional Bonds. Mr Fletcher notes that he has been surprised by the level of upward market repricing (i.e. lower yields) since the last Committee meeting. As a result, Mr Fletcher believes that bond yields are just as likely to rise from here as they are to fall but not by much in the short term. Mr Fletcher continues to believe that an overweight allocation to Multi-Asset Credit, funded from an underweight allocation to Conventional Bonds, is warranted because Multi-Asset Credit benefits from a lower interest rate sensitivity, so provided defaults do not increase significantly, Multi-Asset Credit should deliver better returns in a rising inflation and interest rate environment relative Conventional Bonds.

The IIMT believes that conventional sovereign bonds offer better value now than they have for some time following the substantial year-to-date rise in yields from historic lows. Sovereign bonds are also diversifying assets which should afford greater protection than other asset classes in periods of market uncertainty, as evidenced by the July fall in bond yields as concerns about the global economy intensified. The IIMT recommends increasing the weighting by 0.4% to 5.0% which is in line with Mr Fletcher's recommendation.

2.21 Index-Linked Bonds

DPF Weightings	
Intermediate Neutral	6.0%
Final Neutral	6.0%
Actual 31.7.22	5.5%
AF Recommendation	6.0%
IIMT Recommendation	5.5%
Benchmark Returns (GB£)	
Q2 22/23 to 16 Aug-22	2.7%
Q1 22/23	(17.5%)
1 Year to Jun-22	(16.3%)
3 Years to Jun-22 (pa)	(3.9%)
5 Years to Jun-22 (pa)	(0.3%)



The Fund’s allocation to Index-Linked Bonds remained flat at 5.5% (0.5% underweight relative to the final benchmark) with net investment of £12m being offset by market weakness. The Fund’s allocation at 31 July 2022 comprised 80% UK Index-Linked Bonds (UK Linkers) and 20% US Treasury Inflation Protected Bonds (US TIPS).

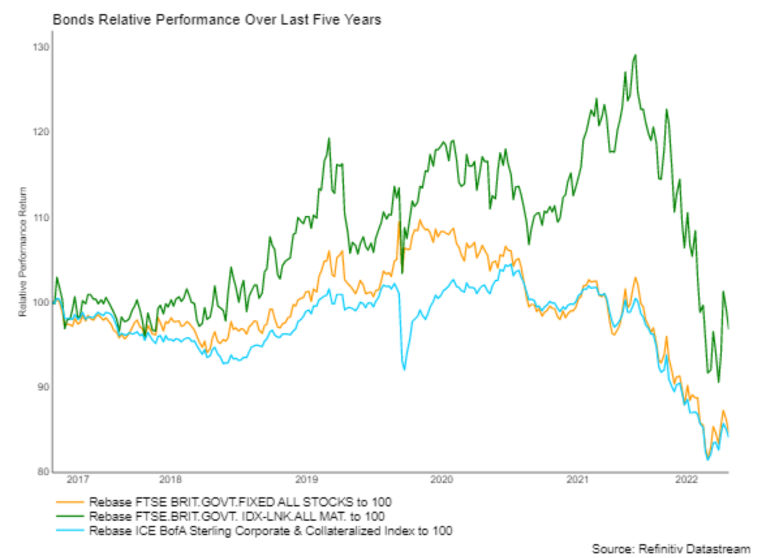
Mr Fletcher has maintained his 6.0% (neutral) allocation to Index-Linked Bonds. Mr Fletcher notes that despite the significant increase in Index-Linked Bond yields over the last year, they remain over-valued. Mr Fletcher notes that while he has consistently recommended an underweight allocation in the past, he recommends a neutral allocation at the current time.

The IIMT notes that markets and the major central banks have become increasingly concerned about higher inflation, which has been driven by the ‘post Covid-19’ economic recovery; supply constraints; high-savings rates (which could reverse and lead to a spending surge); previous central bank policy stimulus; higher energy costs; and the conflict between Russia and Ukraine. However, it is unclear whether this will be a relatively short-term issue or whether inflationary pressures will become more entrenched.

The IIMT believes that the potential for a longer-term period of elevated inflation supports the Fund’s current Index-Linked bonds allocation, and therefore recommends that the weighting is maintained at 5.5%.

2.22 Corporate Bonds

DPF Weightings	
Intermediate Neutral	6.0%
Final Neutral	6.0%
Actual 31.7.22	5.9%
AF Recommendation	5.0%
IIMT Recommendation	5.9%
Benchmark Returns (GB£)	
Q2 22/23 to 16 Aug-22	2.6%
Q1 22/23	(7.5%)
1 Year to Jun-22	(13.9%)
3 Years to Jun-22 (pa) (1)	n/a
5 Years to Jun-22 (pa) (1)	n/a



(1) Benchmark returns for the LGPS Central Limited Investment Grade Bonds Sub-Fund only available since the launch of the product in February 2020

There were no transactions in the period and relative market weakness reduced the Fund's weighting in Global Investment Grade Bonds from 6.0% at 30 April 2022 to 5.9% at 31 July 2022.

Mr Fletcher has maintained his 1.0% underweight allocation of 5.0% to Global Investment Grade Bonds, reflecting the high interest rate sensitivity of these assets, and Mr Fletchers preference to maintain an overweight position in Multi-Asset Credit.

Investment grade bond spreads (yield spread over sovereign bond yields) have generally widened in 2022 but have tightened over the last few months as risk appetite as increased. Whilst the current spreads in respect of both UK[2] and US[3] investment grade bonds are higher than five-and ten-year averages, it remains unclear whether current spreads fully compensate for the increased level of credit risk against an uncertain economic outlook. However, the IIMT believes that investment grade bonds are likely to be more defensively positioned relative to risk-on assets (e.g. high yield bonds), should markets experience a prolonged period of weakness. As a result, the IIMT recommends maintaining the current allocation of 5.9% (0.1% underweight) to the asset class.

[2] UK Current (17 Aug-22) 152bps; YTD High 178bps; 5 Year Average 125bps; and 10 Year Average 129bps
[3] US Current (17 Aug-22) 159bps; YTD High 183bps; 5 Year Average 119bps; and 10 Year Average 123bps

2.23 Cash

The Cash weighting at 31 July 2022 was 3.2% (1.2% overweight relative to the final benchmark), down from 4.5% at 30 April 2022, reflecting net investment of £95m over the period.

Mr Fletcher has maintained his recommended weighting in Cash at 2.0% (neutral).

The IIMT notes that global markets are extremely volatile at the moment and whilst investor confidence has shown signs of improvement, several significant headwinds remain which could see this reverse, including a slowdown in global activity, increasing inflationary pressures, rising interest rates, energy security concerns, tight global supply chains, the conflict between Russia and Ukraine, the outcome of the upcoming US mid-term election and China's zero Covid-19 policy.

The IIMT recommends a defensive cash allocation of 3.3% (1.3% overweight relative to the final benchmark) due to the uncertain economic outlook. This will also ensure that the Fund has sufficient operational headroom after adjusting for term-loan maturities (i.e., short-term loans provided by the Fund to other public sector bodies) to cover upcoming investment commitment drawdowns (expected to be in excess of £180m over the course of 2022-23).

3. Implications

3.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

4. Background Papers

4.1 Papers held in the Investment Section.

5. Appendices

5.1 Appendix 1 – Implications
5.2 Appendix 2 – Report of independent external adviser.
5.3 Appendix 3 – Portfolio Valuation Report at 31 July 2022.

6. Recommendation(s)

That Committee:

a) notes the report of the independent external advisor, Mr Fletcher.
b) notes the asset allocations, total assets and long-term performance analysis set out in the report.
c) approves the IIMT recommendations outlined in the report.

7. Reasons for Recommendation(s)

7.1 Both Mr Fletcher's report and the analysis set out in this report in respect of asset allocation, total assets and long-term performance provide an overview of the Fund's investment strategy and performance track-record on which to assess the asset allocation recommendations for the Fund for the upcoming quarter.

7.2 The rationale for each of the IIMT asset allocation recommendations included in this report is set out in Section 2.

Report Author:	**Neil Smith**	**Contact details:**	**neil.smith2@derbyshire.gov.uk**

Appendix 1

Implications

Financial

1.1 None

Legal

2.1 None

Human Resources

3.1 None

Information Technology

4.1 None

Equalities Impact

5.1 None

Corporate objectives and priorities for change

6.1 None

Other (for example, Health and Safety, Environmental, Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None

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Derbyshire
Pension
Fund

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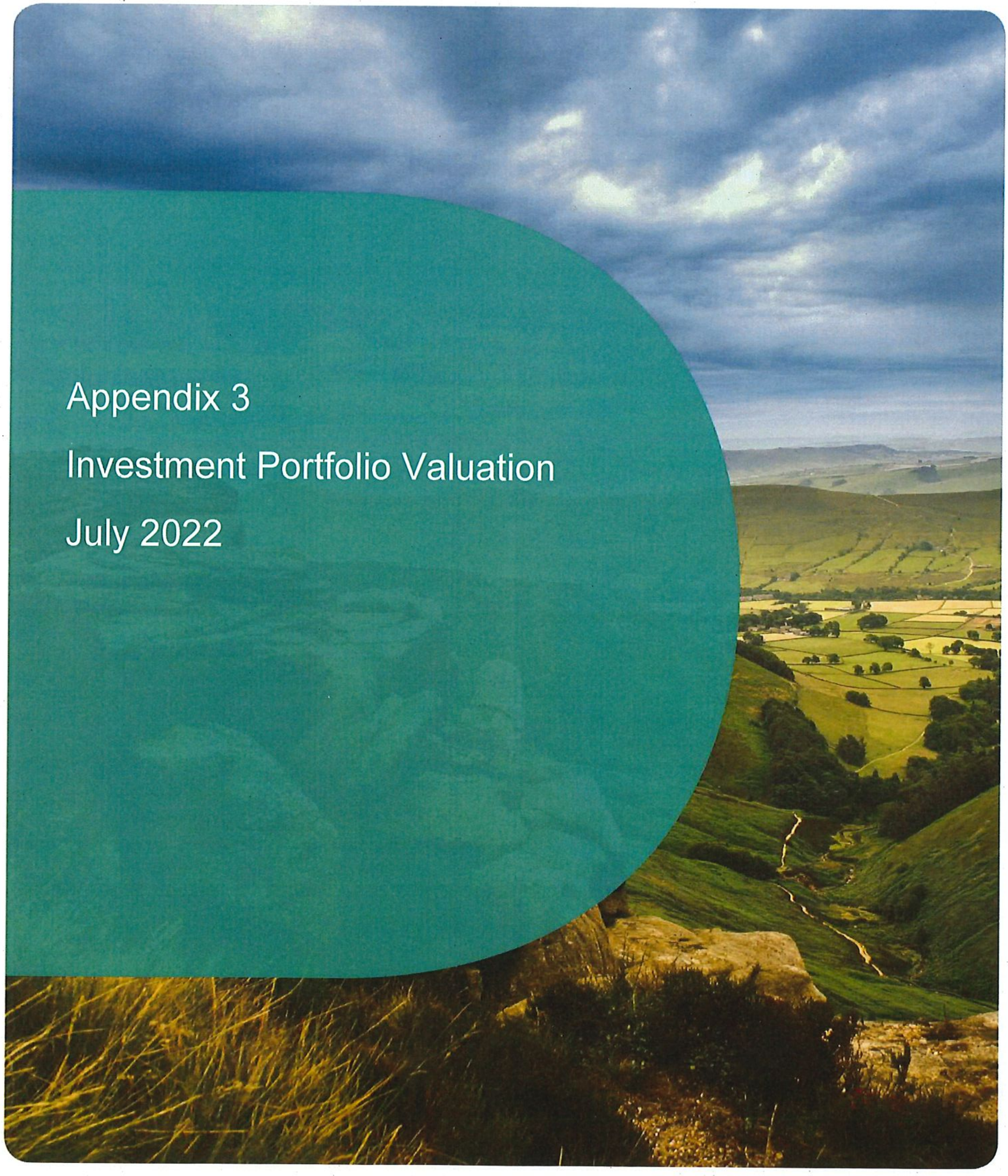


Appendix 3

Investment Portfolio Valuation

July 2022

County Hall, Matlock, Derbyshire, DE4 3AH
Administered by Derbyshire County Council

lgps

DERBYSHIRE PENSION FUND

	SAAB	Permitted Range	DCC 31/07/2022 £m	DCC 31/07/2022 %
Growth Assets	**55.0%**	**+/- 8%**	**3340.6**	**55.7%**
UK	12.0%	**+/- 6%**	801.3	13.3%
US	0.0%	**+/- 6%**	95.5	1.6%
Europe	0.0%	**+/- 4%**	29.3	0.5%
Japan	5.0%	**+/- 2%**	313.5	5.2%
Pacific (ex Japan)	0.0%	**+/- 2%**	0.0	0.0%
Emerging Markets	5.0%	**+/- 2%**	326.2	5.4%
Global Sustainable	29.0%	**+/- 16%**	1486.0	24.8%
Private Equity	4.0%	**+/- 2%**	288.8	4.8%
Income Assets	**25.0%**	**+/- 6%**	**1533.2**	**25.5%**
Infrastructure	10.0%	**+/- 3%**	580.7	9.7%
Property	9.0%	**+/- 3%**	533.6	8.9%
Direct	6.0%		355.7	5.9%
Indirect	3.0%		177.9	3.0%
Multi-Asset Credit	6.0%	**+/- 2%**	418.9	7.0%
Protection Assets	**18.0%**	**+/- 5%**	**963.9**	**16.1%**
Government	6.0%	**+/- 2%**	279.0	***4.6%***
UK			234.5	*3.9%*
Overseas			44.5	*0.7%*
Index Linked	6.0%	**+/- 2%**	328.2	***5.5%***
UK			260.6	*4.3%*
Overseas			67.7	*1.1%*
Non Government	6.0%	**+/- 2%**	356.6	***5.9%***
Cash	**2.0%**	**+/- 8%**	**162.7**	**2.7%**
LGPSC Regulatory Capital	**0.0%**		**2.0**	**0.0%**
Total	**100.0%**		**6002.4**	**100.0%**

DERBYSHIRE PENSION FUND
JULY 2022 PORTFOLIO VALUATION - BID

UK EQUITIES Company name		Number held	Mkt price in local currency	Mkt Price GBP	Value in Sterling £
UK EQUITIES FUND					
LGIM UK EQUITY INDEX FUND					
UK EQUITIE	LGIM UK EQUITY INDEX FUND	48,462,103.91	**15.37**	**15.37**	744,925,538
UK EQUITIES FUND TOTAL					**744,925,538**

DERBYSHIRE PENSION FUND
JULY 2022 PORTFOLIO VALUATION - BID
NEW SECTORS
UK EQUITIES

Sector	Company Name	Number held	Mkt Price Pence	Total £
HOUSEHOLD GOODS				
UK Hous Gds Txtil	PETER GEESON 2nd PREFERRED ORDS	16,487	0.00	-
UK Household Goods Total				**-**
EQUITY INVESTMENT COMPANIES				
UK Investment Co'	ABERFORTH SML 1P	789,000	1264.00	9,972,960
UK Investment Co'	MONTANARO UK SMALLER CO'S 10P	11,996,285	114.00	13,675,765
UK Investment Co'	STRATHDON INVESTMENTS PLC	20	1000.00	20,000
UK Equity Investment Companies Total				**23,668,725**
UNIT TRUSTS & OEICs				
UK Unit Trusts	LIONTRUST UK SMALLER COMPANIES FUND1	1,713,693.58	1909.17	32,717,324
UK Unit Trusts & OEICs Total				**32,717,324**
TOTAL UNITED KINGDOM				**56,386,049**

DERBYSHIRE PENSION FUND					
JULY 2022 PORTFOLIO VALUATION - BID					
US EQUITIES					
Sector	**Company Name**	**Number held**	**Mkt price USD/ CAN$**	**Mkt Price GBP**	**Value in Sterling £**
OIL & GAS PRODUCERS					
US Oil & Gas	CONOCOPHILLIPS	11540	97.45	80.06	923,949
US Oil & Gas	MARATHON PETROLEUM CORP	6093	91.64	75.29	458,751
US Oil & Gas	PIONEER NATURAL RESOURCES CO	1971	236.67	194.45	383,257
US Oil & Gas	SHELL PLC-ADR	59595	53.38	43.86	2,613,658
US Oil & Gas Producers Total					**4,379,615**
OIL & GAS SERVICES					
US Oil & Gas Services	SCHLUMBERGER LTD	12040	37.03	30.42	366,303
US Forestry & Paper Total					**366,303**
CHEMICALS					
US Chemicals	CABOT CORP	7472	74.24	61.00	455,759
US Chemicals	CELANESE CORP	3488	117.48	96.52	336,667
US Chemicals	FMC CORP	5117	111.10	91.28	467,079
US Chemicals	INGEVITY CORP	2803	66.98	55.03	154,251
US Chemicals	LINDE PLC	2878	302.06	248.17	714,240
US Chemicals	PPG INDUSTRIES INC	4147	129.31	106.24	440,582
US Chemicals Total					**2,568,578**
INDUSTRIAL METALS					
US Industrial Metals	LIVENT CORP	6779	24.89	20.45	138,628
US Industrial Metals Total					**138,628**
AEROSPACE					
US Aero defence	BOEING CO/THE	2604	159.35	130.92	340,921
US Aero defence	GENERAL DYNAMICS	2770	226.68	186.24	515,886
US Aero defence	LOCKHEED MARTIN CORP	1606	413.81	339.99	546,018
US Aero defence	RAYTHEON TECHNOLOGIES CORP	8985	93.26	76.62	688,452
US Aerospace Total					**2,091,277**
GENERAL INDUSTRIAL					
US Div Ind	BALL CORP	2646	73.39	60.30	159,546
US Div Ind	BUILDERS FIRSTSOURCE INC	4270	67.97	55.84	238,455
US Div Ind	CATERPILLAR INC	1661	198.38	162.99	270,725
US Div Ind	DANAHER CORP	4885	291.50	239.50	1,169,940
US Div Ind	EMERSON ELECTRIC CO	1098	90.07	74.00	81,254
US Div Ind	FORTUNE BRANDS HOME & SECURITY	1750	69.67	57.24	100,172
US Div Ind	FLOWSERVE CORP	8378	33.84	27.80	232,933
US Div Ind	FLUOR CORP	10117	25.38	20.85	210,962
US Div Ind	HONEYWELL INTERNATIONAL INC	3811	192.46	158.13	602,615
US Div Ind	INGERSOLL-RAND PLC	6543	49.80	40.92	267,711
US Div Ind	JOHNSON CONTROLS INTERNATIONAL	7616	53.91	44.29	337,331
US Div Ind	KENNAMETAL INC	4658	26.81	22.03	102,602
US Div Ind	MIDDLEBY CORP	1565	144.63	118.83	185,966
US Div Ind	PACCAR INC	3771	91.54	75.21	283,614
US Div Ind	UNITED RENTALS INC	201	322.68	265.11	53,288
US Div Ind	WABTEC CORP-WESTINGHOUSE AIR BR	6740	93.47	76.79	517,598
US Div Ind	WESCO INTERNATIONAL INC	1967	127.84	105.03	206,601
US General Industrial Total					**5,021,312**
ELECTRONIC EQUIPMENT					
US Electricity	FORTIVE CORP	4012	64.47	52.97	212,510
US Electronic Equipment Total					**212,510**

INDUSTRIAL TRANSPORT					
US Transportation	FEDEX CORP	1464	233.14	191.55	280,426
US Industrial Transport Total					**280,426**
SUPPORT SERVICES					
US Support Services	AURORA INNOVATION INC	13773	2.54	2.09	28,742
US Support Services	CLEAN HARBORS INC	1328	97.60	80.19	106,490
US Support Services	CERIDIAN HCM HOLDING INC	6035	54.76	44.99	271,520
US Support Services	GENPACT LTD	6348	48.08	39.50	250,762
US Support Services	SCIENCE APPLICATIONS INTL CORP	2288	96.87	79.59	182,098
US Support Services	TRINET GROUP INC	2701	82.42	67.72	182,902
US Support Services	WASTE CONNECTIONS INC	1706	133.32	109.54	186,868
US Support Services Total					**1,209,382**
AUTOMOBILES & PARTS					
US Automobiles & Par	FORD MOTOR CO	16688	14.68	12.06	201,275
US Automobiles & Par	TESLA INC	1236	891.45	732.42	905,265
US Automobiles & Parts Total					**1,106,541**
BEVERAGES					
US Beverages	CONSTELLATION BRANDS INC-A	6160	246.32	202.38	1,246,639
US Beverages	MONSTER BEVERAGE	7094	99.61	81.84	580,570
US Beverages Total					**1,827,209**
FOOD PRODUCTION/PROCESS					
US Food Prod & Proce	HERSHEY CO/THE	3359	227.97	187.30	629,141
US Food Prod & Proce	MONDELEZ INTERNATIONAL INC-A	22806	64.04	52.62	1,199,944
US Food Production & Processing Total					**1,829,085**
TOBACCO					
US Food Prod & Proce	PHILIP MORRIS INTERNATIONAL	12331	97.15	79.82	984,241
US Tobacco Total					**984,241**
HEALTHCARE EQUIPMENT & SERVICES					
US Healthcare Equipm	AGILON HEALTH INC	17594	25.02	20.56	361,670
US Healthcare Equipm	ALIGN TECHNOLOGY INC	1028	280.96	230.84	237,300
US Healthcare Equipm	BOSTON SCIENTIFIC CORP	16065	41.05	33.73	541,819
US Healthcare Equipm	CENTENE CORP	7235	92.98	76.39	552,699
US Healthcare Equipm	DEXCOM INC	2256	82.02	67.39	152,026
US Healthcare Equipm	EDWARDS LIFESCIENCES CORP	4543	100.67	82.71	375,754
US Healthcare Equipm	ELANCO ANIMAL HEALTH INC	10548	20.24	16.63	175,405
US Healthcare Equipm	HCA HOLDINGS INC	2591	212.53	174.61	452,427
US Healthcare Equipm	HUMANA INC	2637	482.00	396.01	1,044,282
US Healthcare Equipm	INARI MEDICAL INC	1183	77.58	63.74	75,404
US Healthcare Equipm	INSULET CORP	974	247.62	203.44	198,155
US Healthcare Equipm	LABORATORY CRP OF AMER HLDGS	718	262.37	215.56	154,774
US Healthcare Equipm	MCKESSON CORP	1163	341.47	280.55	326,282
US Healthcare Equipm	STRYKER CORP	2964	214.75	176.44	522,964
US Healthcare Equipm	TELEFLEX INC	1242	240.45	197.55	245,362
US Healthcare Equipment & ServicesTotal					**5,416,322**
PHARMACEUTICAL, BIOTECH					
US Healthcare	ACLARIS THERAPEUTICS INC	1541	15.39	12.64	19,485
US Healthcare	AGILIENT TECHNOLOGIES INC	4928	134.10	110.18	542,950
US Healthcare	ALNYLAM PHARMACEUTICALS INC	354	142.00	116.67	41,300
US Healthcare	APELLIS PHARMACEUTICALS INC	734	56.28	46.24	33,940
US Healthcare	ASCENDIS PHARMA A/S - ADR	677	85.59	70.32	47,607
US Pharm, Biotech	ASTRAZENECA PLC-SPONS ADR	9327	66.22	54.41	507,448
US Healthcare	BAXTER INTERNATIONAL INC	8361	58.65	48.19	402,890
US Healthcare	BIOGEN INC	592	215.01	176.65	104,578
US Healthcare	BLUEPRINT MEDICINES CORP	443	51.05	41.94	18,581
US Healthcare	BRISTOL-MYERS SQUIBB CO	14000	73.81	60.64	848,992
US Healthcare	CELLDEX THERAPEUTICS INC	1179	30.72	25.24	29,757
US Pharm, Biotech	ELI LILLY & CO	5934	329.57	270.77	1,606,777
US Pharm, Biotech	GENMAB A/S-SP ADR	1993	35.62	29.27	58,326

US Pharm, Biotech	HORIZON THERAPEUTICS PLC COM	756	82.94	68.14	51,516
US Pharm, Biotech	ICON PLC	946	241.24	198.20	187,500
US Pharm, Biotech	ILLUMINA INC	751	216.67	178.02	133,690
US Pharm, Biotech	INCYTE CORP	1239	77.68	63.82	79,075
US Pharm, Biotech	INTRA-CELLULAR THERAPIES INC	1765	54.04	44.40	78,365
US Pharm, Biotech	KYMERA THERAPEUTICS INC	656	22.00	18.08	11,857
US Healthcare	MIRATI THERAPEUTICS INC	423	64.44	52.94	22,395
US Healthcare	MODERNA INC	746	164.06	134.79	100,555
US Healthcare	MYOVANT SCIENCES LTD	9859	13.07	10.74	105,869
US Healthcare	NANOSTRING TECHNOLOGIES INC	8559	12.81	10.52	90,081
US Healthcare	NOVARTIS AG-SPONSORED ADR	6046	85.83	70.52	426,351
US Pharm, Biotech	PFIZER INC	33376	50.52	41.51	1,385,345
US Pharm, Biotech	PTC THERAPEUTICS INC	872	43.55	35.78	31,201
US Pharm, Biotech	REGENERON PHARMACEUTICALS	411	581.41	477.69	196,329
US Pharm, Biotech	REVOLUTION MEDICINES INC	2184	22.57	18.54	40,499
US Pharm, Biotech	ROYALY PHARMA PLC	985	43.49	35.73	35,195
US Pharm, Biotech	SAREPTA THERAPEUTICS INC	364	92.91	76.33	27,786
US Pharm, Biotech	SEATTLE GENETICS INC	764	179.87	147.78	112,905
US Pharm, Biotech	SYNEOS HEALTH INC	4497	79.08	64.97	292,180
US Healthcare	VERTEX PHARMACEUTICALS INC	1554	280.41	230.38	358,018
US Healthcare	WATERS CORP	731	364.03	299.09	218,633
US Healthcare	UNITEDHEALTH GROUP INC	1277	542.75	445.92	569,444
US Healthcare	UNITED THERAPEUTICS CORP	248	230.89	189.70	47,045
US Healthcare	ZOETIS INC	3750	182.55	149.98	562,437
US Pharmaceutical, Biotech Total					**9,426,904**
FOOD RETAIL					
US Retail Food & Drug	AIRBNB INC-CLASS A	10683	110.97	91.17	974,001
US Retail Food & Drug	HYATT HOTELS CORP-CL A	3650	82.76	68.00	248,184
US Retail Food & Drug	PERFORMANCE FOOD GROUP CORP	49992	49.71	40.84	2,041,760
US Retail Food & Drug	STARBUCKS CORP	8698	84.74	69.62	605,575
US Retail Food & Drug	SYSCO CORP	12482	84.85	69.71	870,155
US Food Retail Total					**4,739,675**
RETAILERS - GENERAL					
US Retailers Gen	AMAZON.COM INC	42491	134.95	110.87	4,711,186
US Retailers Gen	ETSY INC	11753	103.67	85.18	1,001,065
US Retailers Gen	NIKE INC	1048	114.92	94.42	98,950
US Retailers Gen	TJX COMPANIES INC	17690	61.17	50.26	889,051
US Retailers Gen	ULTA BEAUTY INC	2739	388.76	319.41	874,851
US Retailers - General Total					**7,575,104**
MEDIA					
US Media & Photo	BUMBLE INC	17090	37.89	31.13	532,019
US Media & Photo	CARGURUS INC	14260	24.27	19.94	284,348
US Media & Photo	CHARTER COMMUNICATIONS INC-A	1846	431.82	354.78	654,930
US Media & Photo	ELECTRONIC ARTS INC	1222	131.22	107.81	131,744
US Media & Photo	META PLATFORMS INC-CLASS A	12484	159.04	130.67	1,631,250
US Media & Photo	MATCH GROUP INC	3930	73.31	60.23	236,710
US Media & Photo	NEW YORK TIMES CO-A	8203	31.94	26.24	215,262
US Media & Photo	OMNICOM GROUP	16805	69.83	57.37	964,142
US Media & Photo	ROKU INC	4436	65.51	53.82	238,759
US Media Total					**4,889,164**
TRAVEL & LEISURE					
US Hotels Leisure	JETBLUE AIRWAYS CORP	38101	8.42	6.92	263,578
US Travel & Leisure Total					**263,578**
TELECOMS					
Telecoms	AT&T INC	29207	18.78	15.43	450,654
Telecoms	T-MOBILE US INC	10097	143.05	117.53	1,186,699
US Telecoms Total					**1,637,353**

ELECTRICITY					
US Electricity	AES CORP	4009	22.21	18.25	73,155
US Electricity	CONSTELLATION ENERGY	6814	66.10	54.31	370,053
US Electricity	DUKE ENERGY CORP	10544	109.91	90.30	952,145
US Electricity	EDISON INTERNATIONAL	11830	67.77	55.68	658,692
US Electricity	EXELON CORP	17272	46.49	38.20	659,724
US Electricity	FIRSTENERGY CORP	19770	41.10	33.77	667,589
US Electricity Total					**3,381,359**
BANKS, RETAIL					
US Banks Retail	PNC FINANCIAL SERVICES GROUP	3645	165.95	136.34	496,976
US Banks - Retail Total					**496,976**
NON-LIFE INSURANCE					
US Insurance	AMERICAN INTERNATIONAL GROUP	16054	51.77	42.53	682,845
US Insurance	ASSURANT INC	1514	175.74	144.39	218,603
US Insurance	ASSURED GUARANTY LTD	6546	58.40	47.98	314,087
US Insurance	CHUBB LTD	4193	188.60	154.95	649,721
US Insurance	HARTFORD FINANCIAL SVCS GRP	6060	64.42	52.93	320,740
US Insurance	MARSH & MCLENNAN COS INC COM	3727	163.90	134.66	501,879
US Insurance	TRUPANION INC	6478	63.03	51.79	335,466
US Non-Life Insurance Total					**3,023,341**
LIFE INSURANCE					
US Insurance	METLIFE INC	5241	63.22	51.94	272,226
US Life Insurance Total					**272,226**
REAL ESTATE					
US Real Estate	AMERICAN TOWER CORP	2423	271.01	222.66	539,510
US Real Estate	AVALONBAY COMMUNITIES INC	1389	213.96	175.79	244,172
US Real Estate	REXFORD INDUSTRIAL REALTY IN	9235	65.40	53.73	496,221
US Real Estate	RYMAN HOSPITALITY PROPERTIES	4985	88.57	72.77	362,754
US Real Estate	WELLTOWER INC	7779	86.33	70.93	551,755
US Real Estate Total					**2,194,411**
GENERAL FINANCIAL					
US Special Finance	ARES MANAGEMENT CORP - A	17794	71.65	58.87	1,047,491
US Special Finance	CHARLES SCHWAB CORP	13610	69.07	56.75	772,339
US Special Finance	CME GROUP INC	4182	199.42	163.84	685,193
US Special Finance	EQUITABLE HOLDINGS INC	23797	28.42	23.35	555,657
US Special Finance	FLEETCOR TECHNOLOGIES INC	1520	220.03	180.78	274,781
US Special Finance	GLOBAL PAYMENTS INC	7949	122.31	100.49	798,794
US Special Finance	GOLDMAN SACHS GROUP INC	2751	333.52	274.02	753,829
US Special Finance	MORGAN STANLEY	17209	84.30	69.26	1,191,910
US Special Finance	ONEMAIN HOLDINGS INC	4095	37.21	30.57	125,191
US Special Finance	PAYPAL HOLDINGS INC	714	86.52	71.08	50,755
US Special Finance	S&P GLOBAL INC	3931	376.56	309.38	1,216,179
US Special Finance	VISA INC CL A SHS	3697	212.14	174.29	644,366
US Special Finance	VOYA FINANCIAL INC	2635	60.17	49.44	130,263
US Special Finance	WEX INC	2333	166.24	136.58	318,648
US General Financial Total					**8,565,396**
SOFTWARE					
US Software & Comp	ADOBE SYSTEMS INC	738	409.88	336.76	248,527
US Software & Comp	ALPHABET INC - CL A SHARES	37546	116.32	95.57	3,588,215
US Software & Comp	AVALARA INC	597	87.36	71.77	42,850
US Software & Comp	BLOCK INC	4410	76.04	62.47	275,512
US Software & Comp	GODADDY INC - CLASS A	5969	74.17	60.94	363,739
US Software & Comp	GUIDEWIRE SOFTWARE INC	1568	77.70	63.84	100,098
US Software & Comp	HASHICORP INC-CL A	4341	36.18	29.73	129,038
US Software & Comp	MICROSOFT CORP	28423	280.74	230.66	6,555,935
US Software & Comp	OKTA INC	478	98.44	80.88	38,660
US Software & Comp	PALO ALTO NETWORKS INC	213	499.10	410.06	87,343
US Software & Comp	QUALTRICS INTERNATIONAL-CL A	4148	12.75	10.48	43,452

US Software & Comp	RAPID7 INC	618	63.95	52.54	32,471
US Software & Comp	SALESFORCE.COM INC	4660	184.17	151.31	705,124
US Software & Comp	SENTINELONE INC-CLASS A	1920	24.83	20.40	39,169
US Software & Comp	SERVICENOW INC	1009	446.79	367.08	370,386
US Software & Comp	SNOWFLAKE INC-CLASS A	243	149.78	123.06	29,903
US Software & Comp	UIPATH INC-CLASS A	3306	18.33	15.06	49,788
US Software & Comp	VARONIS SYSTEMS INC	2415	25.45	20.91	50,497
US Software & Comp	WORKDAY INC-CLASS A	1643	155.09	127.42	209,354
US Software Total					**12,960,062**
TECHNOLOGY HARDWARE					
US IT Hardware	ADVANCED MICRO DEVICES	10268	94.47	77.62	796,967
US IT Hardware	APPLE INC	28148	162.57	133.57	3,759,658
US IT Hardware	ARISTA NETWORKS INC	5152	116.71	95.89	494,020
US IT Hardware	INTEL CORP	3832	36.29	29.82	114,254
US IT Hardware	KLA-TENCOR CORP	1474	383.44	315.03	464,361
US IT Hardware	MARVELL TECHNOLOGY GROUP LTD	9583	55.66	45.73	438,233
US IT Hardware	MICRON TECHNOLOGY INC	10856	61.83	50.80	551,480
US IT Hardware	NVIDIA CORP	2302	181.59	149.19	343,445
US IT Hardware	ON SEMICONDUCTOR CORP	4699	66.73	54.83	257,624
US IT Hardware	TERADYNE INC	5139	100.84	82.85	425,767
US IT Hardware	TEXAS INSTRUMENTS INC	6967	178.85	146.94	1,023,753
US Technology Hardware Total					**8,669,562**
TOTAL UNITED STATES					**95,526,538**

DERBYSHIRE PENSION FUND
JULY 2022 PORTFOLIO VALUATION - BID

EUROPEAN EQUITIES Company name	Number held	Mkt price in local currency	Mkt Price GBP	Value in Sterling £
EUROPEAN				
PASSIVE TRACKER FUND				
EUROPEAN UBS LIFE EUROPE EX-UK EQUITY T	7,357,086	**3.98**	**3.98**	29,263,546
EUROPEAN EQUITIES TOTAL				**29,263,546**

DERBYSHIRE PENSION FUND
JULY 2022 PORTFOLIO VALUATION - BID

OTHER EQUITIES	Company name	Number held	Mkt price in local currency	Mkt Price GBP	Value in Sterling £
JAPAN					
Investment Companies					
Japan	CC Japan Income & Growth Trust-RIGHTS	1,000,000	**1.00**	**1.00**	10,000
Japan	JPMF japs smoc	718,000	**334.00**	**334.00**	2,398,120
J Investment Companies Total					**2,408,120**
Unit Trusts & OEICs					
Japan	Baillie Gifford OGF - Japanese B Acc Shares	4,534,781.94	**1,819.00**	**1,819.00**	82,487,683
Japan	JPMorgan Jap Fd A Acc	3,000,000.00	**525.30**	**525.30**	15,759,000
J Unit Trusts Total					**98,246,683**
Life Policies					
Internatio	LGIM Japan Equity Index Fund	96,566,573.590	**2.20**	**2.20**	212,855,904
International Life Policies					**212,855,904**
JAPAN TOTAL					**313,510,708**
EMERGING MARKETS					
Listed Pooled Vehicles					
Internatio	LGPS Central Emerging Mkt Equity Active Multi M	1,745,534.150	**9,848.00**	**98.48**	171,900,203
Listed Pooled Vehicles					**171,900,203**
Life Policies					
Internatio	LGIM World Emerging Markets Index Fund	26,670,924.710	**3.87**	**3.87**	103,346,633
International Life Policies					**103,346,633**
Investment Entities					
Asian	JPMorgan Asia Fund A Ac	20,000,000	**254.80**	**254.80**	50,960,000
LatAm Investment Entities Total					**50,960,000**
EMERGING MARKETS TOTAL					**326,206,836**
OTHER EQUITIES TOTAL					**639,717,543**

DERBYSHIRE PENSION FUND
JULY 2022 PORTFOLIO VALUATION - BID

GLOBAL SUSTAINABLE FUNDS Company name		Number held	Mkt price in local currency	Mkt Price GBP	Value in Sterling £
GLOBAL SUSTAINABLE FUNDS					
Global Sustanable Unit Trusts-Quoted					
GLOBAL SU:	Baillie Gifford positive Change Fund B	34,664,881.54	**291.10**	**2.91**	100,909,470
GLOBAL SU:	RBC Global Equity Focus Fund	2,507,246.30	**161.68**	**161.68**	405,371,581
GLOBAL SU:	LGPS Central All World Equity Climate	2,334,592.41	**13258.00**	**132.58**	309,520,262
Global Sustanable Unit Trusts					**815,801,313**
Life Policies					
GLOBAL SU:	LGIM MSCI World Low Carbon Target	287,615,720.07	**2.33**	**2.33**	670,216,532
International Life Policies					**670,216,532**
GLOBAL SUSTAINABLE FUNDS TOTAL					**1,486,017,845**

DERBYSHIRE PENSION FUND
JULY 2022 PORTFOLIO VALUATION - BID

OTHER EQUITIES Company name	Number held	Mkt price in local currency	Value in Sterling £
PRIVATE EQUITY			
Quoted Private Equity			
UK Invest APAX GLOBAL ALPHA LTD	3,018,283	166.80	5,034,496
UK Invest HARBOURVEST GLOBAL PRIVATE	995,906	2380.00	23,702,563
UK Invest HGCAPITAL TRUST PLC	7,453,150	376.50	28,061,110
UK Invest ICG ENTERPRISE TRUST PLC	181,795	1150.00	2,090,643
UK Invest NB PRIVATE EQUITY PARTNERS Ltd	1,500,000	18.70	23,045,880
UK Invest NB PRIVATE EQUITY PARTNERS Ltd	38,173	1565.00	597,407
UK Invest PANTHEON INTERNATIONAL PLC	3,600,601	259.00	9,325,557
UK Invest PRINCESS PRIVATE EQUITY HOLDING LTD	500,000	11.25	4,721,288
UK Invest ABERDEEN PRIVATE EQUITY OPPORTUNITIE	900,000	494.00	4,446,000
UK Invest SCHRODER UK PUBLIC PRIVATE	5,000,000	20.05	1,002,500
UK Quoted Private Equity Total			**102,027,443**
Unquoted Private Equity			
UK Uncla ADAM STREET PARTNERS (FEEDER) 2017 FI	30,000,000	1.41	34,681,004
UK Uncla CAPITAL DYNAMICS GLOBAL SECONDARIES	20,000,000	0.68	11,110,234
UK Uncla CAPITAL DYNAMICS MID-MARKET DIRECT FI	25,000,000	1.39	29,129,188
UK Uncla CAPITAL DYNAMICS LGPS COLLECTIVE PE \	20,000,000	1.16	23,109,310
UK Uncla CAPITAL DYNAMICS CPEP LGPS	25,000,000	0.73	18,373,911
UK Uncla CATAPULT GROWTH FUND UNITS	3,000,000	0.24	709,447
UK Uncla EAST MIDLANDS VENTURE	3,000,000	0.03	99,928
UK Uncla EPIRIS FUND II	25,000,000	1.17	29,132,781
UK Uncla GRAPHITE CAPITAL PARTNERS FUND 1X A	11,250,000	0.56	6,315,862
UK Uncla GRAPHITE CAPITAL PARTNERS FUND 1X C	11,250,000	0.55	6,169,444
UK Uncla MOBEUS EQUITY PARTNERS IV LP	10,000,000	0.52	5,194,938
UK Invest PANORAMIC ENTERPRISE CAPITAL UNITS	1,387,574	0.43	602,455
UK Invest PANORAMIC GROWTH FUND 2 LP	10,000,000	0.41	4,100,319
UK Invest PARTNERS GROUP GLOBAL VALUE 2008	7,500,000	0.23	1,473,774
UK Invest STAR CAPITAL STRATEGIC ASSETS III LP	12,500,000	0.89	9,334,936
UK Uncla VESPA CAPITAL II LLP	10,000,000	0.72	7,242,158
UK Unquoted Private Equity Total			**186,779,687**
PRIVATE EQUITY TOTAL			**288,807,130**
INFRASTRUCTURE			
UK Infrastructure Quoted			
Closed-er BLUEFIELD SOLAR INCOME FUND	5,778,936	134.00	7,743,774
Closed-er FORESIGHT SOLAR FUND LTD	4,000,000	122.00	4,880,000
Closed-er GREENCOAT UK WIND PLC	13,835,000	154.00	21,305,900
Closed-er HICL INFRASTRUCUTRE CO LTD	13,560,422	173.40	23,513,772
Closed-e INTERNATIONAL PUBLIC PARTNERSHIP LTD	32,014,081.00	162.80	52,118,923.87
Closed-e 3I INFRASTRUCTURE PLC	2,249,999.00	334.50	7,526,246.66
Closed-e RENEWABLES INFRASTRUCTURE GR	8,391,878.00	137.80	11,564,007.88
UK Infrastructure Quoted Total			**128,652,624**
UK Infrastructure Unquoted			
UK Uncla BlackRock Global Renewable Power Fund III LP	65,000,000	0.25	13,284,536
UK Uncla DALMORE CAPITAL 3 LP	25,000,000	1.15	28,695,521
UK Uncla EQUITIX FUND 1 LTD P'SHIP	7,500,000	1.56	11,712,346
UK Uncla Equitix Fund IV Ltd P'ship	25,000,000	1.10	27,419,164
UK Uncla First Sentier Investors EDIF II	20,000,000	1.22	20,525,329
UK Uncla Greencoat Renewable Income Fund	75,000,000	1.01	75,795,570
UK Uncla IMPAX NEW ENERGY INVESTORS II UNITS	10,000,000	0.01	103,191
UK Uncla JP Morgan Infrastructure Investment Fund UK LI	185,000,000	0.65	120,204,371
UK Uncla MEIF 5 Co-Invest LP	12,600,000	0.53	5,620,924
UK Uncla MEIF 6 Co-Invest LP	28,000,000	0.33	7,770,475
UK Uncla Macquarie European Infrastructure Fund 5 LP	14,400,000	1.17	14,116,923
UK Uncla Macquarie European Infrastructure Fund 6 SCSp	56,000,000	1.03	48,499,625
UK Uncla Macquarie GIG Renewable Energy Fund (Euro)	59,000,000	0.51	25,099,054
UK Uncla PIP Multi Strategy Infrastructure LP	25,000,000	0.80	19,905,576
UK Uncla SL CAPITAL INFRASTRUCTURE 1LP	15,000,000	1.21	18,144,248
UK Uncla SL Capital Infratructure II SCSP	25,000,000	0.72	15,151,793
UK Infrastructure Total			**452,048,648**
INFRASTRUCTURE TOTAL			**580,701,272**
ALTERNATIVES TOTAL			**869,508,402**

DERBYSHIRE PENSION FUND **29/07/2022**
JULY 2022 PORTFOLIO VALUATION - BID **Valuation**

Real Property			**£**
Property	Southampton Property		9,650,000
Property	Retail Unit Tamworth		9,900,000
Property	15-17 Jockeys Field London		11,950,000
Property	D'Arblay House, London		14,000,000
Property	Bristol Odeon Development		6,950,000
Property	Caledonia House, London		24,900,000
Property	Chelsea Fields Ind Est, London		23,300,000
Property	Planet Centre, Feltham		25,500,000
Property	Hill St, Mayfair		15,650,000
Property	Birmingham - Travelodge developm't		14,400,000
Property	Saxmundham, Tesco developm't		11,150,000
Property	Roundhay Road, Leeds		8,150,000
Property	Premier Inn, Rubery, Birmingham		5,700,000
Property	South Normanton Warehouse, Alfreton		21,675,000
Property	Loddon Centre, Basingstoke		21,000,000
Property	Parkway, Bury St Edmunds		8,600,000
Property	Waitrose, York		13,850,000
Property	Link 95, Heywood Manchester		12,925,000
Property	Car Park, Welford Rd Leicester		12,250,000
Property	Leamington Spa, Heathcote Industrial Estate		17,225,000
Property	Chalfont Saquare Retail Park, Lowers Earley		11,100,000
Property	Apex Park Leighton Buzzard		16,650,000
Property	Proximity, 4 Parham Drive, Eastleigh		19,350,000
Property	Knight Retail Park Saffron Walden		10,175,000
Property	Knight Premier Inn- Saffron Walden		9,700,000
Total Real Property			**355,700,000**

Property Managed Funds			**Number held**	**Mkt price**	**£**
Property	**Pence**	Assura PLC	6,000,000	68.6500	4,119,000
Property	**GBP**	Aviva Pooled Property Fund - cla	277,361	22.6642	6,286,176
Property	**GBP**	Aviva Pooled Property Fund - cla	252,835	22.8613	5,780,128
Property	**GBP**	Bridges Property Alternatives Fu	10,000,000	0.8434	8,434,202
Property	**GBP**	Bridges Property Alternatives Fu	10,000,000	0.9139	9,138,541
Property	**EUR**	Fidelity Eurozone Select Real Es	4,486	6740.1401	25,380,150
Property	**GBP**	Hearthstone Residential Fund 1	25,000,000	0.9831	24,576,918
Property	**GBP**	Igloo Regeneration P'ship Prope	4,644,493	0.0292	135,740
Property	**EUR**	Invesco Real Estate-European F	44,569	118.6450	4,438,321
Property	**Pence**	Target Healthcare REIT Ltd	4,085,000	114.8000	4,689,580
Property	**GBP**	M&G PP UK Property Fund (Inc)	7,104	847.8000	6,022,521
Property	**EUR**	M&G European Property Fund S	25,000,000	1.1040	23,166,561
Property	**GBP**	Threadneedle Pensions Property	1,647,730	7.9405	13,083,804
Property	**Pence**	Tritax Big Box Indirect Pooled Fu	10,000,000	197.2000	19,720,000
Property	**GBP**	Unite UK Student Accommodatic	15,584,567	1.4720	22,940,483
Total Property Funds					**177,912,125**

					£
Regulatory Capital	LGPS Central		**0.00**		2,000,000

			Mellon		
Cash	***Updated to 31 July 2022***		**USD**	**Exch rate**	
Cash	Northern Trust	*UK*			10,511,643
Cash		*Euro*			0
Cash		*Wellington*			2,058,855
	Colliers Property Managers Cash				2,083,288
Cash	Cash - Lloyds bank Superfund				19,822,399

		Units	**Price**	
	Aegon Global Short Dated Clima	1,989,497.27	9.79	19,486,728
	Royal London Inv Grade Short D	30,223,655.05	95.13	28,751,763

		£		
Cash	*Croydon Borough Council 7 D/N*	30,000,000		
	Eastleigh Borough Council 7 D/N	20,000,000		
	Thurrock Council 7 D/N	30,000,000		
	Certs of Deposit	0		
	Treasury Bills	0		80,000,000
Total Cash			Total Cash	**162,714,675**

DERBYSHIRE PENSION FUND
JULY 2022 PORTFOLIO VALUATION - BID

	Number held	Mkt Price in local currenc (Clean) use Calc & IL Valuation	Mkt Price in local currency (Dirty) use for Non IL Valuation	Mkt Price pence GBP	Total £ GBP
UK GILTS					
TSY 1.75% 7/9/2022	13,490,000	100.02	100.72	100.72	13,586,595
TSY 2.25% 7/9/2023	15,400,000	100.49	101.39	101.39	15,614,180
TSY 5% 7/3/2025	5,500,000	108.37	110.37	110.37	6,070,146
TSY 2% 7/9/2025	7,000,000	101.03	101.83	101.83	7,127,814
TSY 1.5% 7/22/2026	5,650,000	99.47	99.51	99.51	5,622,132
TSY 4.25% 7/12/2027	18,000,000	112.94	113.58	113.58	20,444,879
TSY 4.75% 7/12/2030	13,162,000	123.54	124.25	124.25	16,354,022
TSY 4.25% 7/6/2032	12,370,000	121.38	122.02	122.02	15,093,337
TSY 4.5% 7/9/2034	16,373,000	125.70	127.50	127.50	20,875,338
TSY 4.25% 7/3/2036	11,400,000	123.65	125.34	125.34	14,289,181
TSY 1.75% 7/9/2037	17,500,000	92.76	93.46	93.46	16,354,809
TSY 4.75% 7/12/2038	7,934,000	133.05	133.76	133.76	10,612,502
TSY 4.25% 7/9/2039	4,050,000	126.14	127.83	127.83	5,177,305
TSY 1.125% 31/01/2039	12,770,000	83.14	83.14	83.14	10,616,985
TSY 1.25% 22/10/2041	18,000,000	82.17	82.51	82.51	14,852,330
TSY 3.25% 1/22/2044	8,000,000	112.77	112.86	112.86	9,028,585
TSY 0.875% 31/1/2046	20,000,000	72.06	72.06	72.06	14,411,476
TSY 4.25% 7/12/2046	3,900,000	132.09	132.73	132.73	5,176,418
TSY 0.625% 22/10/2050	20,500,000	64.00	64.17	64.17	13,154,742
001 UKGB Total					**234,462,775**
US GOVERNMENT BONDS					
T 2.75% 31/8/2023	26,191,000	99.77	100.92	82.92	21,717,411
T 2.25% 15/11/2024	21,000,000	98.61	99.09	81.41	17,095,950
T 2.75% 15/11/2042	7,500,000	92.09	92.68	76.14	5,710,734
004 USGB Total					**44,524,095.04**
NON GOVERNMENT BONDS					
LGPS Central Global Active Corp Bo	3,957,714	9,011.00	9,011.00	9,011.00	356,629,591
Non Govt Bonds Total					**356,629,591**
MULTI ASSET CREDIT					
Ares Infrastructure Debt Fund III (EU	17,000,000	0.56	0.56	0.56	8,033,947
Barings Global Private Loan Fund	40,000,000	0.19	0.19	0.19	7,697,362
Barings Global Private Loan Fund 2	40,000,000	0.41	0.41	0.41	16,560,549
Barings Global Private Loan Fund 3	50,000,000	0.89	0.89	0.89	44,613,710
CQS Credit Multi Asset Fund Class	132,737	1,069.20	1,069.20	1,069.20	141,922,275
CVC Credit PARTNERS European I	76,000,000	0.89	0.89	0.89	56,543,735
CVC (Co Inv) Credit Ptnrs Europear	30,000,000	0.67	0.67	0.67	16,956,911
CVC Credit Partners European Dire	45,000,000	0.20	0.20	0.20	9,203,755
CVC (Co Inv) Credit Ptnrs Europear	11,250,000	0.16	0.16	0.16	1,773,332
Janus Henderson Multi Asset Credit	99,367,955	1.09	1.09	1.09	108,333,826
LGPS Central Credit Partnership II I	50,000,000	0.14	0.14	0.14	7,226,001
Multi Asset Credit Total					**418,865,402**
UK INDEX LINKED					
TREAS 2.5% IL STK 17/7/2024	-	380.10	380.45	380.45	0
TREAS 4.125% IL STK 22/7/2030	6,510,000	374.68	374.96	374.96	24,410,136
TREAS 2% IL STK 26/1/2035	8,000,000	284.54	284.60	284.60	22,767,946
002 UKGIL Total					**47,178,082**

INDEX LINKED (3 monthers)

	Number held	Clean Price	Index Ratio	Gross	Accrued Interest	Total
UK INDEX LINKED (3monthers)						
TREAS 0.125% IL STK 22/3/2024	9,230,000	106.2730	1.390570	13,640,098.21	4,138.45	13,644,237
TREAS 1.25% IL STK 22/11/2027	7,400,000	119.3370	1.737030	15,339,604.23	17,846.47	15,357,451
TREAS 0.125% IL STK 22/3/2029	5,325,000	115.1320	1.419850	8,704,786.56	2,387.57	8,707,174
TREAS 1.25% IL STK 22/11/2032	2,777,000	134.2220	1.552510	5,786,740.29	6,697.25	5,793,438
TREAS 0.75% IL STK 22/3/2034	11,465,000	129.6780	1.451580	21,581,485.70	30,843.34	21,612,329
TREAS 1.125% IL STK 22/11/2037	5,580,000	143.0810	1.666810	13,307,677.36	12,111.48	13,319,789
TREAS 0.625% IL STK 22/3/2040	5,600,000	135.9540	1.556880	11,853,187.56	12,554.35	11,865,742
TREAS 0.625% IL STK 22/11/2042	5,950,000	140.1830	1.586620	13,233,820.51	7,174.76	13,240,995
TREAS 0.125% IL STK 22/3/2044	11,470,000	128.1520	1.390550	20,439,742.28	5,142.80	20,444,885
TREAS 0.125% IL STK 22/3/2046	8,730,000	129.2220	1.307650	14,751,705.05	3,914.27	14,755,619
TREAS 0.75% IL STK 22/11/2047	6,500,000	148.3590	1.622490	15,646,214.60	9,405.57	15,655,620
TREAS 0.125% IL STK 10/08/2048	5,300,000	130.7540	1.226740	8,501,261.58	3,147.79	8,504,409
TREAS 0.5% IL STK 22/3/2050	5,000,000	143.7250	1.579660	11,351,831.68	8,967.39	11,360,799
TREAS 1.25% IL STK 22/11/2055	6,180,000	180.6500	1.753900	19,580,837.76	14,904.21	19,595,742
TREAS 0.375% IL STK 22/03/2062	8,800,000	155.3200	1.429430	19,537,677.95	11,836.96	19,549,515
UK INDEX LINKED (3monthers) TOTAL						**213,407,744**

DERBYSHIRE PENSION FUND
JULY 2022 PORTFOLIO VALUATION - BID

US INDEX LINKED	Number held	Mkt Price in local currenc (Clean) use Clean Price	Mkt Price in local currency (Dirty) Index Ratio	Mkt Price pence GBP Gross $	Accrued Interest $	Total $	Total £ GBP Total £
TII0.125% 15/1/2023	7,000,000	100.882813	1.266330	8,942,565.24	404.21	8,942,969	7,347,543.70
TII3.625% 15/4/2028	4,045,000	120.343750	1.807200	8,797,277.35	43,268.24	8,840,546	7,263,392.26
TII1.750% 15/1/2028	5,550,000	109.398438	1.395230	8,471,297.00	4,486.75	8,475,784	6,963,703.93
TII2.5% 15/1/2029	7,000,000	115.515625	1.361420	11,008,569.75	8,084.24	11,016,654	9,051,282.92
TII2.125% 15/2/2040	4,095,000	124.335938	1.352350	6,885,566.62	40,144.01	6,925,711	5,690,163.86
TII0.75% 15/2/2042	20,300,000	98.726563	1.293570	25,925,073.05	70,236.88	25,995,310	21,357,746.64
TII0.625% 15/2/2043	10,000,000	95.390625	1.271340	12,127,391.72	28,832.87	12,156,225	9,987,554.12
0045 USGB IL Total							**67,661,387**

TOTAL BONDS	**1,382,729,077**
Index linked-total	**328,247,213**
Conventional-total	**278,986,870**
Non gov-total	**775,494,994**

Appendix 2

Second Quarter 2022 Investment Report

PREPARED FOR:

Derbyshire County Council Pension Fund: Pensions and Investment Committee Meeting

SEPTEMBER 2022

Investment Report for Derbyshire County Council Pension Fund

This report has been prepared by Anthony Fletcher "External Investment Advisor" of Derbyshire County Council Pension Fund (the Fund). At the request of the Pension and Investment Committee the purpose of the report is to fulfil the following aims: -

- Provide an overview of market returns by asset class over the last quarter and 12 months.
- An analysis of the Fund's performance by asset class versus the Fund specific benchmark for the last quarter and the last 12 months.
- An overview of the economic and market outlook by major region, including consideration of the potential impact on the Fund's asset classes
- An overview of the outlook for each of the Funds asset classes for the next two years; and recommend asset class weightings for the next quarter together with supporting rationale.

The report is expected to lead to discussions with the in-house team on findings and recommendations as required. The advisor is expected to attend quarterly meetings of the Pensions and Investment Committee to present his views and actively advise committee members. To the extent this report contains advice it is intended as strategic advice to inform the investment strategy statement rather than investment advice.

Meeting date 7th September 2022
Date of paper 15th August 2022

1. Market Background (Second quarter 2022)

The market weakness and correlated sell off in equities and bonds continued throughout the second quarter. At the start of the quarter the war in Ukraine remained the main concern for the markets but by the end of the quarter more aggressive central bank action and rapidly rising inflation, with the increased risk of an economic slowdown was as much of a concern. As a result, global equities declined by another -6.9% and UK government and non-government bond markets returned -7.9%, returns from the much more interest rate sensitive Index Linked bond market were down -18%.

The pace of price declines were beginning to moderate as I mentioned in my last report, then on the 15th June the US Fed increased rates by 0.75%, indicating that they were likely to do the same again in July and this seems to have calmed the markets. Despite the stronger rhetoric on the need to tackle inflationary pressures, higher actual inflation and weaker growth data, global equity and bond market prices started to stabilise and have finished the quarter above their lows.

As can be seen in table 1 below over 3 months to the end of June all asset prices were lower and over 12 months only UK equity and Property markets have delivered a positive return. The markets change of direction has continued quarter to date with all asset prices showing positive returns in the month of July. The markets now appear to believe that central banks will not be increasing rates beyond what is currently priced and hence the next change is more likely to be unchanged or even a cut in rates as central banks respond to the depth of the coming recession.

China remains caught in a situation of its own making as the authorities dealt with the much more infectious Omicron variant, a low vaccination rate, especially in its older population and an apparently less effective vaccine. This has put its 5.5% growth target at risk as several major cities were placed in full lockdown. As a result, China has had to ease fiscal and monetary policy to try and provide an offset to the current weakness.

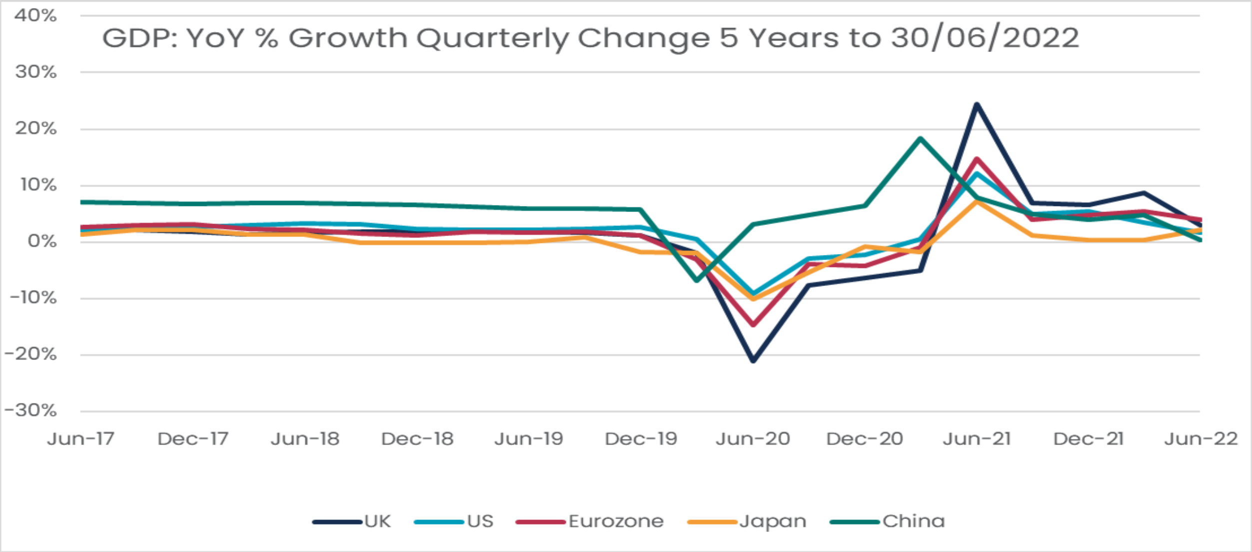
The US dollar continues to strengthen against all currencies, most notably versus the Yen and the Euro, partly due to the war but also because of higher US bond yields and interest rates. Most “hard” commodity prices continued to decline over the quarter as demand slowed on weaker expected economic growth. Oil and Grain prices also fell towards the end of quarter having spiked higher in late May. As Russian oil supplies were substituted and hopes of deal on resuming the supply of grain from Ukraine increased. Natural gas prices continued to increase despite the seasonal fall in demand as Russia closed Nord stream 1 for “routine maintenance”, but once reopened restricted supply to 20% of normal, effectively preventing Europe from topping up storage for the winter at reasonable prices.

The war, higher inflation and interest rates are leading to further falls in consumer sentiment and growth as household incomes are squeezed by falling real incomes and a drawdown of savings accrued during the pandemic. The risk of recession especially in Europe has increased substantially.

I expect to see more general equity and bond market volatility due to the changed geopolitical situation as well as macro factors like inflation and interest rates and more stock specific risk as investors focus on quality of earnings and resilience of companies rather than on prospects for growth alone.

MJ HUDSON
Allenbridge

Chart 1: - Annualised rates of quarter on quarter GDP growth.



Source: - Bloomberg

Table 1, below shows the total investment return in pound Sterling for the major asset classes, using FTSE indices except where noted; for the month of July 2022 and the 3 and 12 months to the end of June 2022.

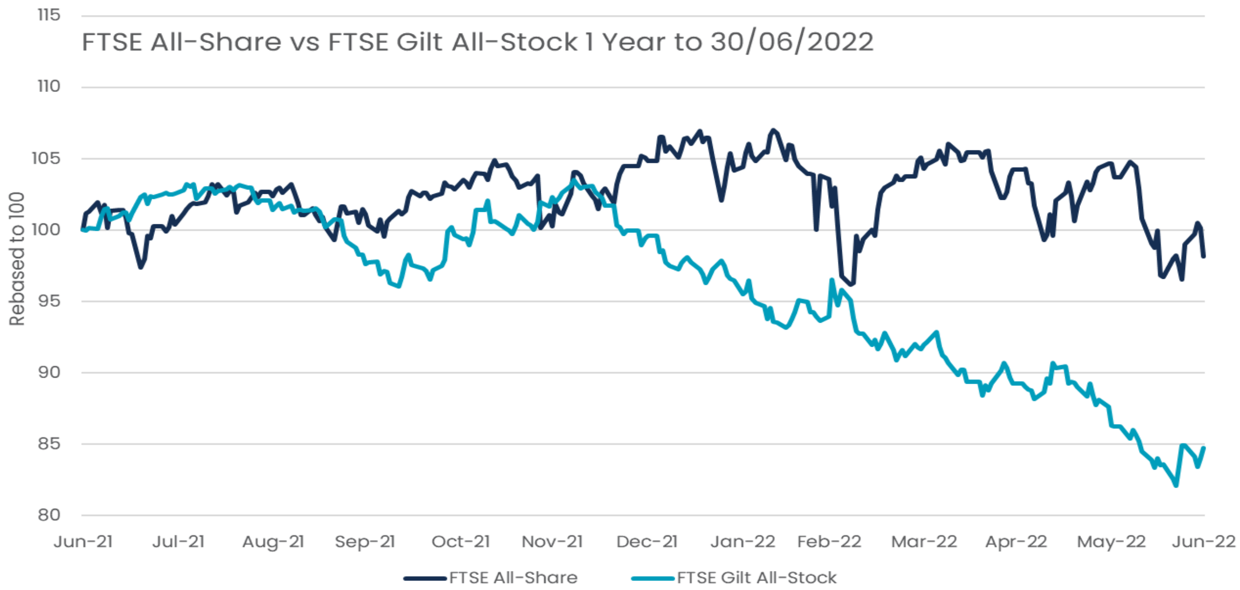
% TOTAL RETURN DIVIDENDS REINVESTED

MARKET RETURNS

		Period end 30th June 2022	
	July 2022	**3 months**	**12 months**
Global equity FTSE All-World	+6.7	-6.9	-3.6
Regional indices			
UK All Share	+4.4	-5.0	+1.6
North America	+8.8	-9.5	-0.4
Europe ex UK	+5.1	-8.8	-10.4
Japan	+5.3	-6.8	-8.5
Emerging Equity Markets	-0.9	-2.7	-10.6
UK Gilts - Conventional All Stocks	+2.7	-7.9	-14.3
UK Gilts - Index Linked All Stocks	+5.6	-18.1	-17.3
UK Corporate bonds*	+3.3	-7.8	-14.5
Overseas Bonds**	+2.1	-4.1	-8.5
UK Property quarterly^	-	+3.4	+19.9
Sterling 7 day SONIA	0.0	+0.2	+0.3

^ MSCI indices * ICE £ Corporate Bond, UC00; **ICE global government ex UK LOC, N0L1

Chart 2: - UK bond and equity market returns - 12 months to 30th June 2022



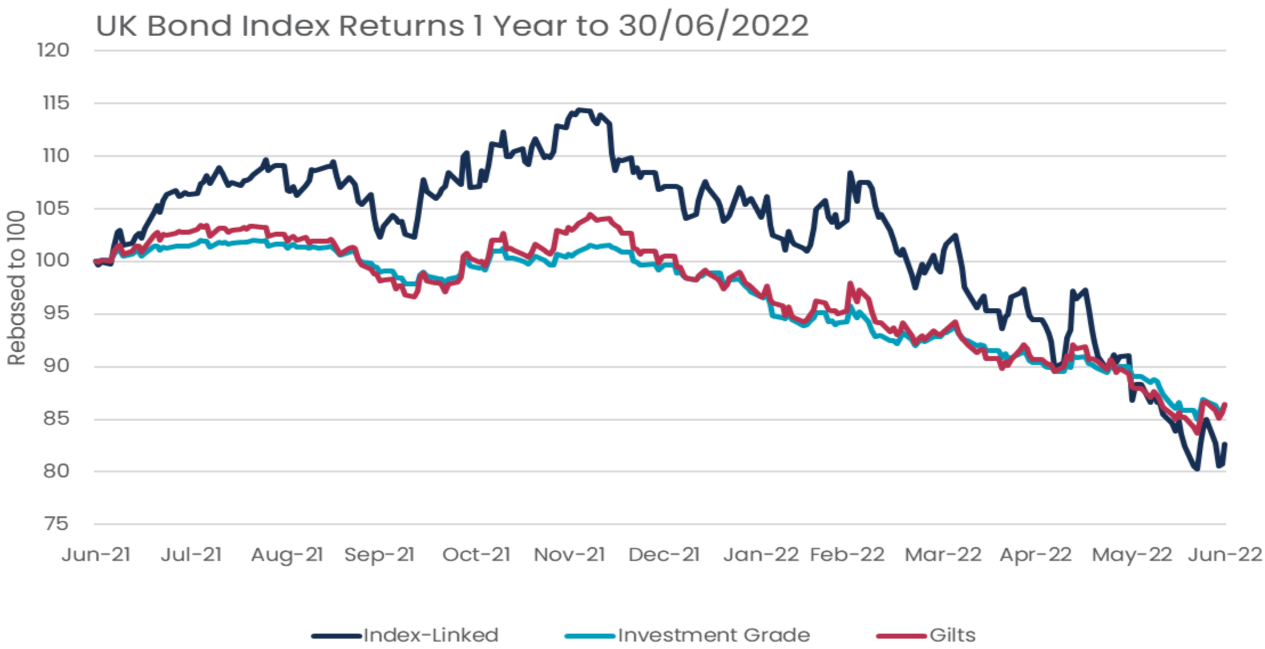
Source: - Bloomberg

Table 2: - Change in Bond Market yields over the quarter and 12 months.

BOND MARKET % YIELD TO MATURITY	31st March 2022	30th June 2022	Quarterly Change %	30th June 2021	Current 10th August 2022
UK GOVERNMENT BONDS (GILTS)					
10 year	1.61	2.24	**+0.63**	0.71	**1.95**
30 year	1.74	2.58	**+0.84**	1.24	**2.34**
All Stocks ILG	-2.38	-1.14	**+1.24**	-2.37	**-1.43**
OVERSEAS 10 YEAR GOVERNMENT BONDS					
US Treasury	2.35	2.97	**+0.62**	1.47	**2.78**
Germany	0.55	1.37	**+0.82**	-0.20	**0.89**
Japan	0.21	0.23	**+0.02**	0.05	**0.19**
NON-GOVERNMENT BOND INDICES					
Global corporates	3.03	4.22	**+1.19**	1.59	**3.98**
Global High yield	6.02	9.00	**+2.98**	4.09	**7.68**
Emerging markets	5.23	7.03	**+1.80**	3.56	**6.45**

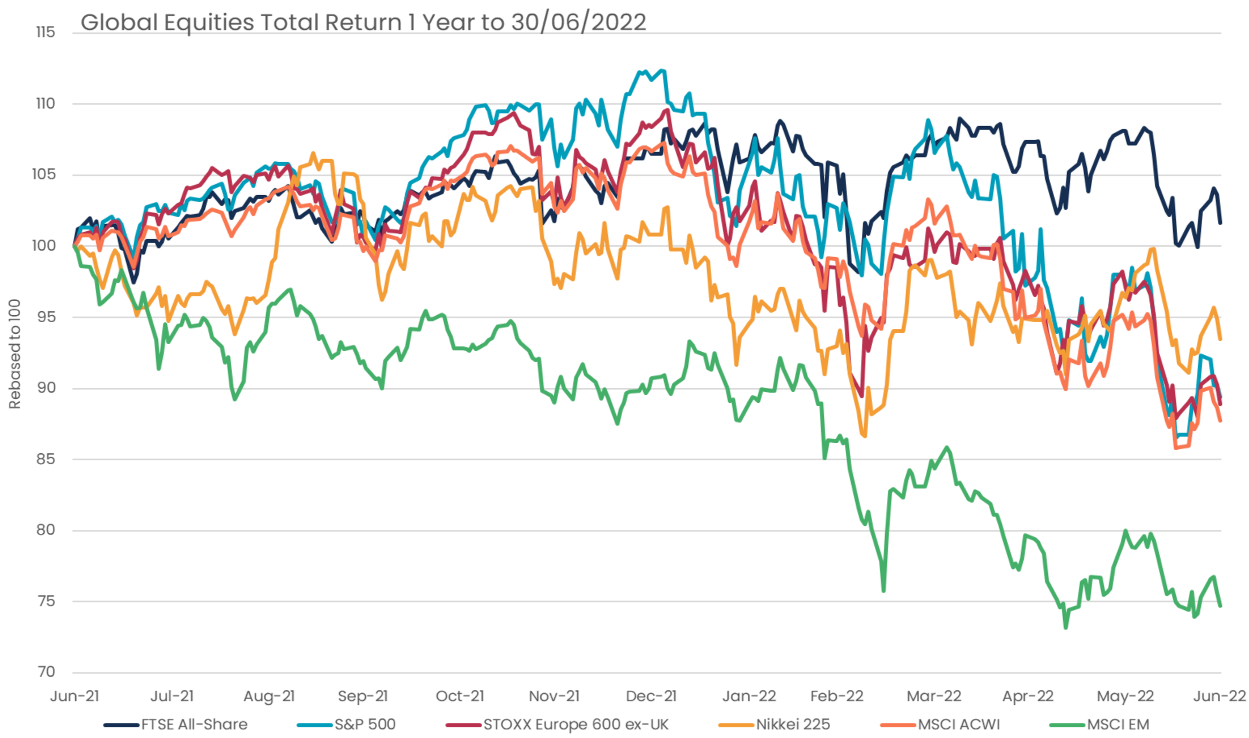
Source: - Trading economics and ICE Indices G0LI, G0BC, HW00, EMGB, 10th August 2022.

Chart 3: - UK Bond index returns, 12 months to 30th June 2022.



Source: - Bloomberg

Chart 4: **-** Global equity market returns in local currency, 12 months to 30th June 2022



Source: - Bloomberg

Recent developments (July and August 2022)

The key development in the quarter to date has been the more aggressive action of the major central banks. The Fed, the Bank of England and the ECB have all tightened monetary policy. The BoE and ECB are also talking openly about the possibility of a period of recessionary growth linked to the price of energy and the expected sharp falls in real household incomes (cost of living crisis). While the Fed has discounted the idea that the US economy is in recession, despite a negative annualised growth rate in the first half of 2022, because of the strength of the labour market. It has suggested that the pace of future rate hikes will be "data dependent".

The markets have taken the view that this means there will be no more rate hikes than are currently priced in and by extrapolation that the next move will be a change in direction to lower rates. As can be seen in Table 1 above in July all asset prices increased and this has continued into August. Recent growth data and forward looking indicators are confirming weaker prospects for the economy and ironically this is providing confirmation of the markets view that the Fed is more focussed on weak growth than higher inflation.

While the war in Ukraine appears to be is grinding to a stage of attrition, Russia has tightened its grip on gas supplies and as a result prices in Europe are rising dramatically. At the same time the UK and European governments are scrambling to reopen coal and oil fired power stations and extend the life of nuclear generation capacity that was hitherto either mothballed or about to be decommissioned in a belated attempt to genuinely diversify electricity supply generation. They are also trying to substitute Russian supplies of gas with LNG from the USA and Qatar which is further driving up the price.

Boris Johnson was removed from office in July, which triggered a full Tory leadership competition run by the membership. Members will have to choose between the final 2 candidates Rishi Sunak and Liz Truss, with the result being announced on 5th September. With Parliament in recess the summer is always a quiet period but this year with so much going on internationally it feels even more so. A round of trade disputes with the EU that have been on the back burner because of the Northern Ireland elections are about to boil over and the flow of trade and people from the UK to the EU is about to be made even more onerous as new regulations come into effect.

And finally, if geopolitical tensions were not already high enough the Speaker of the US House of Representatives Nancy Pelosi, decided to visit Taiwan during her tour of Asia and Japan in early August, raising tensions with China at a time when US / Chinese diplomatic relations are already pretty low.

2. Investment Performance

Table 3 shows the performance of the Derbyshire Pension Fund versus the Fund specific benchmark for the quarter and year to 30th June 2022. Over 12 months, Growth assets underperformed whereas Income and Protection assets outperformed. All the individual active Growth asset managers underperformed their respective benchmarks, with the exception of Private Equity.

Over 10 years the Fund has achieved a total return of 8.0% per annum, net of fees.

Table 3: **-** Derbyshire Pension Fund and Benchmark returns

% TOTAL RETURN (NET) 30TH JUNE 2022	3 MONTHS		12 MONTHS	
	Derbyshire Pension Fund	**Benchmark**	**Derbyshire Pension Fund**	**Benchmark**
Total Growth Assets	**-7.1**	**-6.9**	**-4.7**	**-3.5**
UK Equity	-5.7	-5.0	-0.2	+1.6
Total Overseas Equity	**-8.5**	**-7.3**	**-9.4**	**-5.1**
North America	-9.7	-9.5	-1.7	-0.4
Europe	-8.7	-8.8	-10.2	-10.4
Japan	-8.4	-6.8	-13.0	-8.5
Emerging markets	-3.1	-2.7	-14.5	-10.6
Global Sustainable Equity	-9.8	-8.2	-8.9	-3.1
Global Private Equity	+1.0	-8.0	+25.1	-4.0
Total Protection Assets	**-10.3**	**-10.9**	**-13.8**	**-14.3**
UK & Overseas Government	-6.2	-7.4	-11.6	-13.6
UK & Overseas Inflation Linked	-14.9	-17.5	-13.3	-16.3
Global Corporate bonds	-9.1	-7.5	-15.7	-13.9
Total Income Assets	**+0.3**	**+0.7**	**+8.3**	**+7.9**
Multi-asset Credit	-4.1	-3.4	-2.1	-2.5
Infrastructure	+1.8	+0.7	+10.1	+2.4
Property (all sectors)	+2.3	+3.4	+16.1	+19.9
Internal Cash	+0.1	+0.2	+0.2	+0.3
Total Fund	**-5.6**	**-5.6**	**-3.2**	**-2.8**

Total fund value on 30th June 2022 £5,794 million

At the end of the second quarter the Fund was slightly underweight growth assets, 2% underweight protection assets and just over 1% overweight income assets relative to the strategic benchmark.

Over the second quarter of 2022, the absolute return of the Fund was negative but it was in line with the strategic benchmark. Mainly due to the outperformance of the Fund's portfolio of Government bonds which are part of the Protection assets allocation, which delivered a smaller negative return than the benchmark. While Income assets underperformed the benchmark their absolute return in aggregate were positive. Growth assets in aggregate underperformed, delivering a greater negative return than the benchmark mainly due to stock selection decisions made by our managers. The sector rotation in equities which started towards the end of 2021 continued to have a negative impact mainly on growth stocks.

Over 12 months the Fund returned -3.2% and was 0.4% behind benchmark. The underperformance was again caused by the weaker relative performance of Growth assets, with the allocation to both Income and Protection assets outperforming on a relative basis. Demonstrating the importance of diversification and active management.

Over 3 years, the Fund has outperformed in all asset classes and the total return was 4.1% p.a. compared to the benchmark return of 3.8% p.a.

Growth assets – Equity performance

In the second quarter and the 12 months to the end of June 2022, at the aggregate level, the equity portfolio underperformed its benchmark. Absolute returns from growth assets were negative in all regions and unusually all of Derbyshire's active managers except Private Equity underperformed their respective benchmarks.

Nearly all the Fund's underperformance has arisen in 2022, the increase in energy prices, the invasion of Ukraine and the impact of higher and more persistent inflation as well as a more aggressive central bank policy actions have all played their part in producing the negative absolute return. Relative underperformance comes mainly from the recent poor performance of the sustainable equity funds.

Over 10 years growth assets have returned on average 9.8% p.a. compared to 9.3% p.a. for the benchmark.

Protection assets - Fixed Income Performance

Rising inflation, interest rates and the war, caused bond yields to rise significantly again in the second quarter delivering negative returns. Continuing the trend seen over the year where bond markets sought to price in the strong economic recovery leading to negative returns from the most interest rate sensitive long maturity sectors.

The Fund remains underweight its allocation to UK government bonds and has less interest rate sensitivity than the benchmark. As a result, the government bond portfolio significantly outperformed the benchmark over 3 and 12 months. Global corporate bonds underperformed as yields increased and credit spreads also widened.

Over 10 years protection assets have on average returned 2.8% each year compared to the benchmark return of 3.0%.

Income assets – Property, Infrastructure and MAC

Over the quarter and the year, the combined portfolio of income assets has outperformed the benchmark, mainly due to the strong performance of Infrastructure. Over 12 months a better period for measuring returns Infrastructure and MAC outperformed and while the aggregate property portfolio underperformed, on a relative basis the direct property portfolio outperformed the funds in the in-direct portfolio.

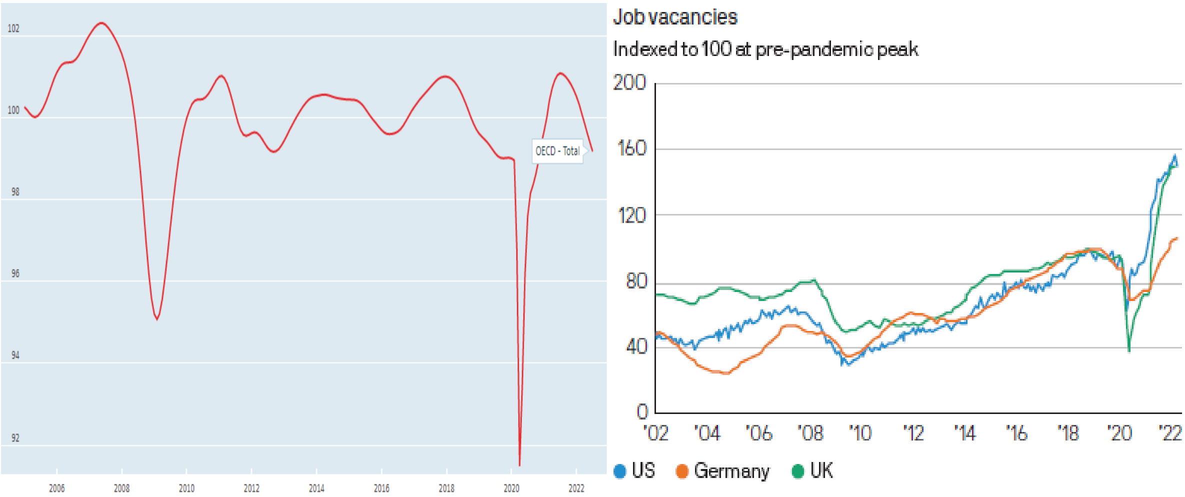
Over 10 years Income assets have on average returned 10.4% each year compared to the benchmark return of 5.1%.

3. Economic and Market outlook

Economic outlook

The global economy started the year in reasonably good health, the residual tail winds of very strong jobs growth and excess household savings and strong corporate earnings providing a good support for global growth. But the pace of growth has been slowing as higher interest rates and inflation, and the war in Ukraine have impacted activity. Data released in July provided further evidence of a slowing global economy. The OECD global composite leading indicator shows economic activity losing momentum. The only bright spot remains labour markets, with a tight jobs markets driving nominal wage growth but the impact of much higher inflation, means that real wage growth is now sharply negative.

Chart 5: **-** Composite Leading indicators and Job Vacancies



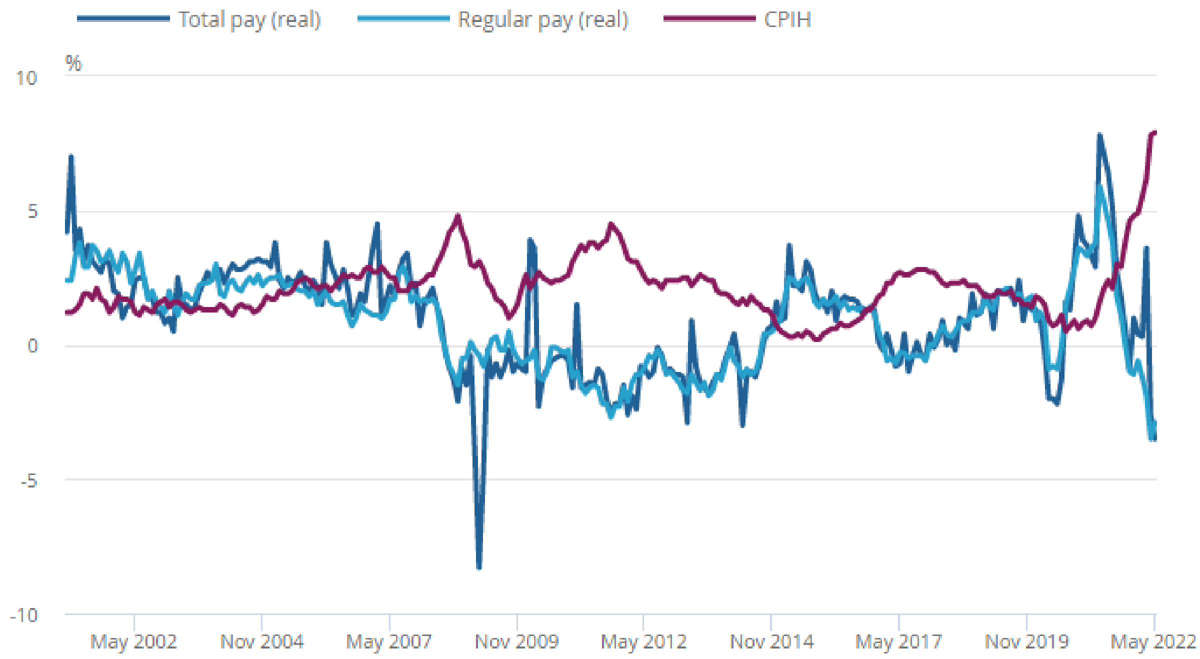
Source: - Leading indicators OECD, Job Vacancies JPMorgan Asset management July 2022.

As a result, consumers and companies have responded by becoming much more cautious, with consumer confidence and purchasing manager surveys both moving into contractionary territory. As mentioned in my last report China's zero covid policy is still leading to lockdowns, potentially slowing growth even as the authorities try to stimulate activity by easing monetary and fiscal policy. Against this backdrop it would seem reasonable to expect the global economy to continue to slow.

A recession in Europe and the UK is now expected even if the central banks do not continue to tighten aggressively, high energy prices will have a significant impact on discretionary spending as real household Incomes fall, see chart 6 below. The US has already experienced two quarters of negative growth which means it is already technically in recession but the strength of the labour market means the National Bureau of Economic Research is unlikely to formally declare one at this stage.

Chart 6: **-** Real Household income growth in the UK

Real average weekly earnings single-month annual growth rates in the UK, seasonally adjusted, and CPIH annual rate, January 2001 to May 2022



Source: - ONS July 2022

Inflation

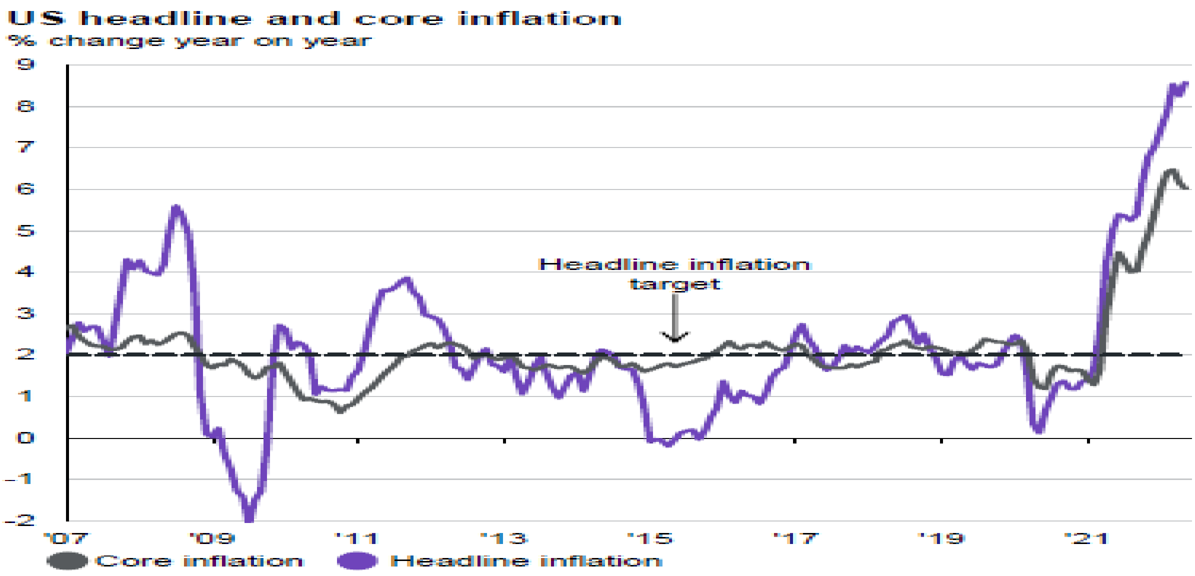
I expect the rate of inflation to vary significantly between regions. While energy prices are going to be the biggest driver of the outcome everywhere, it is how the countries deal with the shock and the underlying resilience of their economy and energy policy that will cause the variance. The US is relatively immune from higher gas prices because of its abundant supply enabling it to be a net exporter and may even benefit from exporting LNG to Europe.

The UK and then Europe are probably most exposed to this risk. The UK, because of its reliance on the spot market for the supply of energy and Europe because of its reliance on supply of gas from Russia. While there will be some mitigation in the form of imports of LNG from the US and Qatar, and increased use of coal, oil and nuclear to generate electricity. Once again, the UK is poorly positioned, having planned to eliminate generation supply from coal and oil, and at the same time failed to invest in nuclear and gas storage to offset the intermittency of renewables, we had better hope for a warm and windy winter.

There is some good news on inflation, global trade in goods is improving despite the covid related disruption in China, Supplier delivery times are falling and global shipping container rates, while still elevated are down 30% since the peak in 2021. Commodity prices are also falling from elevated levels, base metals prices have fallen between 15% and 25% from their peak in the last year. How much of this is a repair of global production and supply chains and how much is falling demand is uncertain at this stage. More directly related to the war in Ukraine, oil prices are down 25% from the post invasion peak as Russian supply has been substituted and wheat prices have also fallen 40% on the resumption of exports by sea from Ukraine.

Chart 7 shows the core and headline Inflation data from the US to June, which shows that headline inflation ticked up again in May and June. However, July data shows it fell from 9.1% in June back to 8.5% in July the same level as in March. The July data also shows that core inflation excluding food and energy continues to fall from 6.5% in March to 5.9% in July.

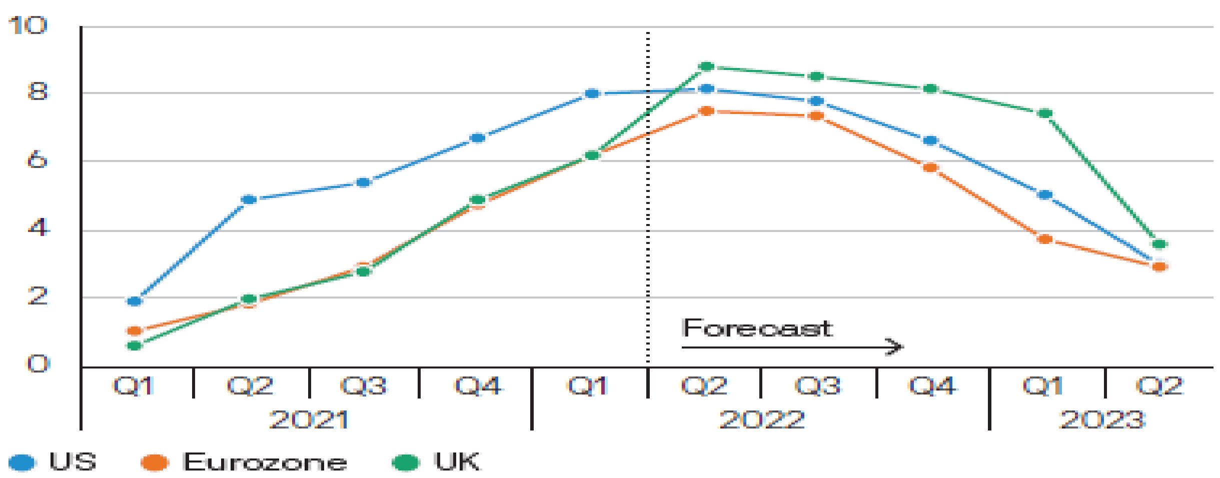
Chart 7: **-** Inflation – year over year change in US headline and core inflation.



Source: - JPMAM 30th June 2022

Unfortunately, the situation in the UK and Europe is not yet improving, with July reporting CPI increasing to 10.1% in the UK and 8.9% in the Euro Area, and the BoE and economists falling over themselves to predict higher inflation outcomes later in 2022. Chart 8 below shows the revised median forecasts for inflation over the next 5 quarters.

Chart 8: **-** Economists' median forecasts of headline CPI, in the US, UK and Europe

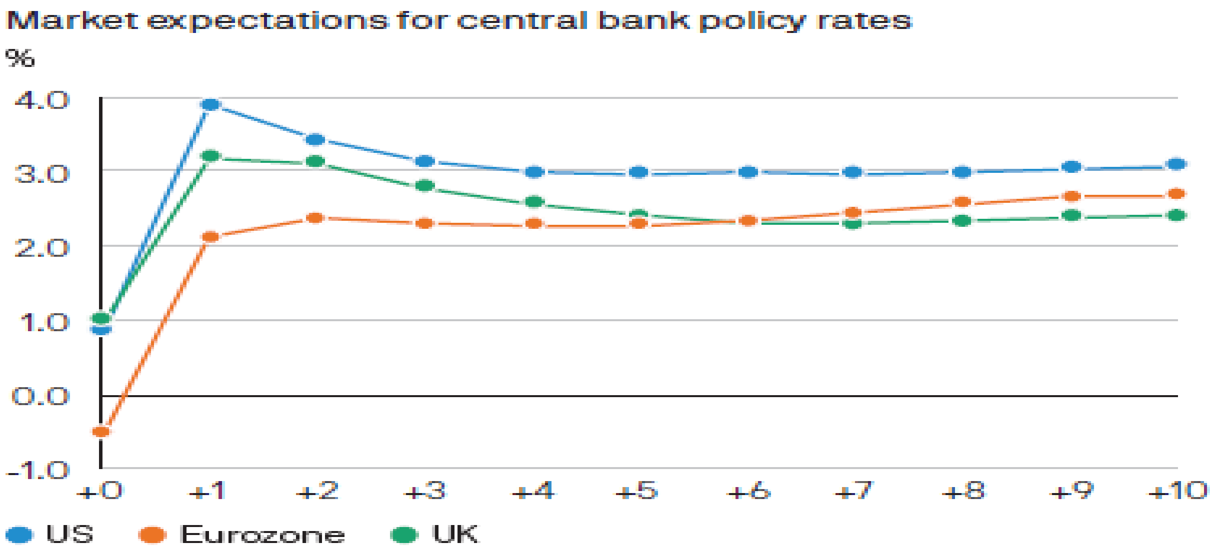


Source: - JPMAM June 2022

Central Banks

In June and July, the Fed finally started to move aggressively increasing rates by 0.75% at each meeting. The Fed Funds rate now stands at 2.75% and it is widely expected to be increased again by 0.5% at the next meeting in September, which will be their last opportunity to increase rates before the US mid-term congressional elections in November. Having said that their QT programme starts in September and on a monthly basis this will be a net tightening of monetary policy as it involves the sale of both US Treasury and Mortgage-backed bonds from the Fed's balance sheet to the market.

Chart 9: **-** Market expected level of central bank interest rates in the US, UK and Europe from June 2022, yearly for the next 10 years.



Source: - JPMAM June 2022

As can be seen from chart 9 above the interest rate futures market is expecting US rates to continue to rise for the next 12 months before falling in the second half of 2023. Whereas expectations for UK and Europe suggest rates will not be falling until 2024.

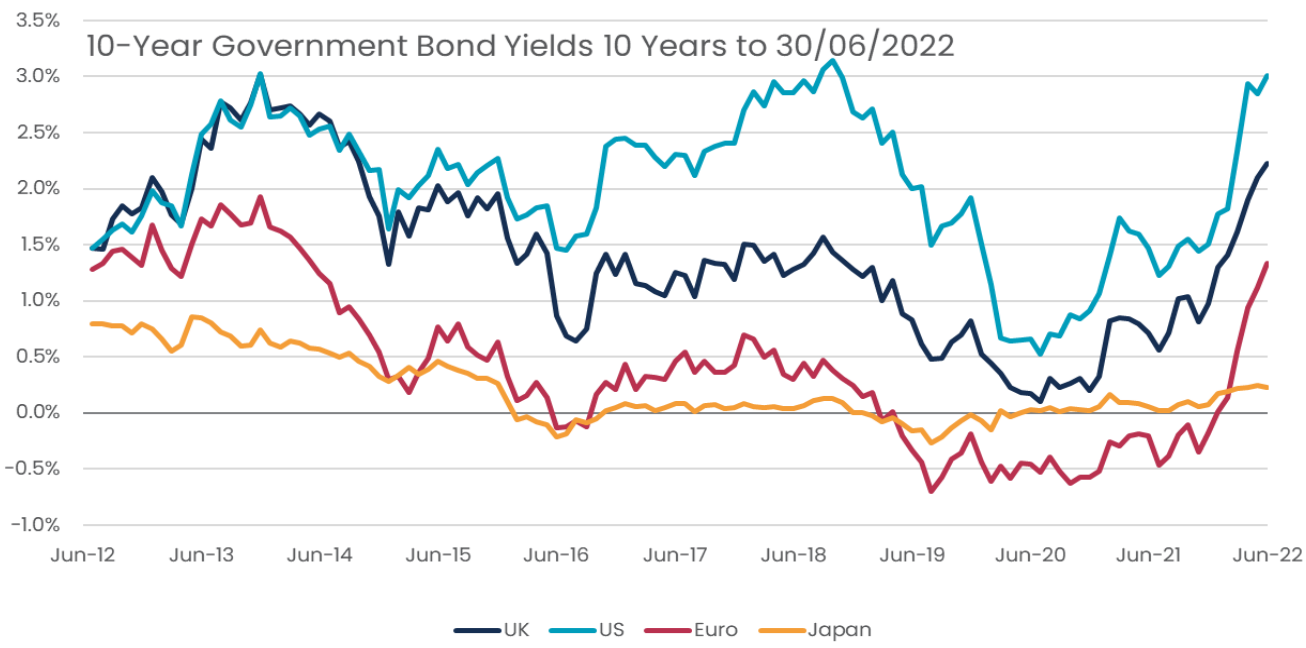
At its meeting in August the Bank of England raised rates by 0.5% to 1.75% and increased its forecast rate of inflation to over 13% in October when the next increase in the cap on energy prices to be announced on 26th August 2022, comes into effect. They also forecast virtually no growth in calendar 2023 although they continue to expect inflation to be falling later next year due to economic weakness and base effects. The ECB raised its 3 key interest rates by 0.5% at its July meeting, the first increase since 2011, ending eight years of negative rates, in an attempt to reduce the inflationary pressures. The main refinancing rate is now 0.5%, the marginal lending facility 0.75% and the deposit rate 0.00%. The ECB also said that further normalisation of interest rates will be appropriate at upcoming meetings. Because of the fragility of a number of peripheral European bond markets the ECB has established the Transmission Protection Instrument (TPI) which aims to reduce bond yield volatility. The scale of TPI purchases depends on the severity of the risks and are not restricted. Only the Bank of Japan has stuck to its easy money policy. At its meeting in April the BoJ confirmed that it will leave short term policy rates at -0.1% and will offer to buy unlimited amounts of bonds to defend an implicit 0.25% yield cap for 10 year JGB's.

Government bonds

Government bond yields ended the quarter at new highs for the last 12 months and in all cases above the levels seen prior to the pandemic. However, as can be seen in table 2 above since the end of the quarter yields have fallen significantly as bond markets believe the full extent of interest rate rises have been discounted into current bond yields and hence the next directional move in central bank rates will be lower.

While I suggested in my last report that bond yields may have moved too far too fast, I expected them to stabilise before moving higher, I did not believe that they were about to fall significantly. The recent sharp fall in yields leads me to the conclusion that the next move is more likely to be higher. I accept that recessionary risks have increased but until inflation has demonstrably peaked, I believe bond markets are more vulnerable to bad inflation news than bad news on growth. As chart 9 above shows interest rates are expected to go higher over the next 12 months.

Chart 10: - Government bond yields, last 10 years.



Source: - Bloomberg

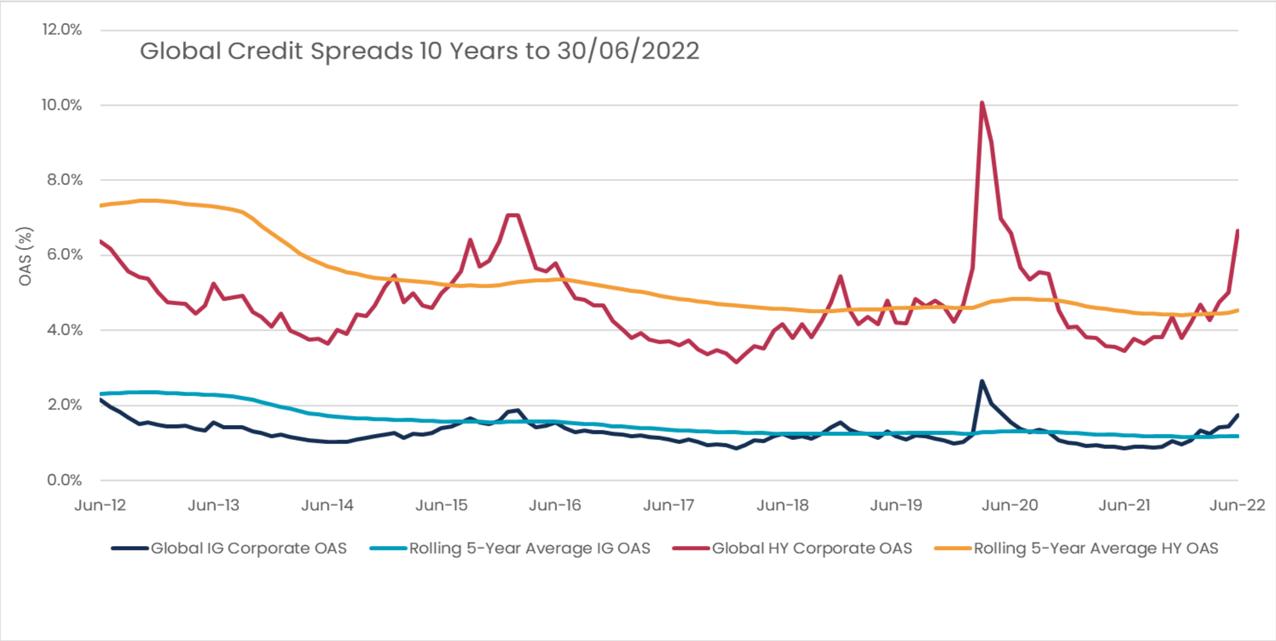
Non-government bonds

Chart 11 below, shows the excess yield spread for both investment grade non-government and high yield bonds to the end of the quarter. As can be seen from the chart spreads continued to widen from their lows in the summer of last year but just like government yields, they have fallen significantly since the end of the quarter as can be seen on table 2 above, high yield spreads narrowed the most.

The fall in yields and spreads since the end of the second quarter means that non-government bonds have delivered strong positive returns. But like government bonds I believe investment grade non-government bonds are now more likely to produce negative returns. However, I still expect high yield bonds and loans owned as part the Multi-asset Credit allocation to deliver better returns. These assets have lower interest rate sensitivity (duration), much higher yields, and because many have floating rather than fixed coupons, they can continue to benefit from rising interest rates.

High yield assets are more sensitive to the economy, so the expected slowdown in economic growth has increased the risk of default especially for more leveraged parts of the economy. However, I still expect Multi-asset Credit funds with their mix of low duration bonds and floating rate loans to outperform both government and investment grade non-government bonds. Provided the pace of downgrades and defaults does not increase significantly, as the key to success with this asset class is picking managers with the skill to avoid defaults.

Chart 11: - Credit spreads, extra yield over government bonds, last 5 years.



Source: - Bloomberg

Equities

All regional equity markets except the UK produced negative returns in the quarter and the year to the end of June 2022. The impact of higher interest rates, inflation and the uncertainty generated by the war has increased equity market volatility and markets continued to fall in the second quarter. However, at the time of writing all the major regional market indices except emerging markets are now between +5% and +10% higher in the third quarter to date.

Against a weaker growth backdrop, markets have priced in interest rate cuts from the US Fed in 2023. This anticipation of a policy pivot has driven the strong performance of equity and credit markets since the end of the quarter. Perhaps not surprisingly global growth stocks benefited most, delivering an 11.5% total return in July, recouping some of their heavy year-to-date losses. The US equity market with its strong growth tilt delivered the best returns in local currency. The strength of the US dollar has not helped emerging equity markets in general, and a strong performance from Indian and South Korean markets, and commodity rich countries was offset by continued Chinese real estate weakness. China's heavy weight in the index means aggregate returns from emerging market equities continue to disappoint.

In my last report I suggested that. just as was the case for bonds. maybe equity prices were oversold in the short term and that prices could stabilise or even start to recover. The strength of the recovery since the middle of June when interest rates were raised more aggressively and economic data showed weakness leaves no cushion in prices for future disappointment on growth and inflation. It should also be remembered that interest rates are still expected to go higher over the next 12 months. As a result, I believe equity markets are now more vulnerable to disappointment and are just as likely to produce negative returns as they are to produce a positive return. There is likely to be marked regional variation because as noted elsewhere in this report the UK and Europe especially are more vulnerable to higher gas prices and the impact of falling household incomes (cost of living crisis) than the US.

MJ HUDSON
Allenbridge

GDP

Table 4 shows the consensus forecasts for GDP growth in calendar 2022 and 2023 and my expectations in May and August 2022.

Table 4: - GDP forecasts - Consensus versus Advisor expectations.

% CHANGE YOY								
	2022				2023			
	MAY		AUGUST		MAY		AUGUST	
	Consensus	AF	Consensus	AF	Consensus	AF	Consensus	AF
US	2.8	**2.5**	1.7	**1.5**	2.1	**2.0**	0.7	**0.5**
UK	3.8	**3.5**	3.4	**3.0**	1.0	**1.0**	0.1	**0.0**
Japan	2.0	**1.5**	1.4	**1.4**	1.9	**1.5**	1.6	**1.4**
EU	2.8	**2.0**	2.8	**2.0**	2.3	**2.0**	1.4	**1.0**
China	4.7	**5.0**	3.7	**5.0**	5.1	**5.5**	5.4	**5.4**
SE Asia	5.1	**5.2**	5.3	**5.3**	5.0	**5.3**	4.6	**4.6**

Source: - Consensus Economics August 2022

Between May and August consensus forecasts for GDP growth in 2022 and 2023 have been revised lower in all regions. For the same reasons explored in my last report, growth in the UK and especially in Europe is being more directly impacted by the war in Ukraine and in China by its "zero covid" policy. A further tightening monetary policy the US, UK and Europe is also having an impact as central banks respond to higher inflation caused mainly by higher energy prices. While I do not know how weak GDP growth will be over the balance of 2022 and into 2023, I believe the outcome will be weaker than the consensus and we could very likely see an extended period of zero growth and even a recession in Europe and the UK. The US with access to abundant gas supplies may see a better outcome than the rest of the developed world, but even here the last 2 quarters of growth has been much slower.

As mentioned last time the exceptions to this weaker growth outlook are China and the South-east Asian economies and commodity rich emerging economies. Chinese monetary and fiscal policy is being used to offset the impact of its "zero covid" policy helping to support growth in the region.

The Chinese economy expanded by only 0.4% yoy in Q2 of 2022, below the market consensus of 1% and a marked slowing from the 4.8% growth seen in the first quarter of 2022. The economic weakness was the result of China's "zero covid" policy, the country is struggling to contain the milder but much move infectious Omicron variant, leading to shrinking domestic demand. China's statistics agency also noted the "risk of stagflation in the world economy and tighter monetary policies overseas" as contributors to lower GDP growth. The government has targeted economic growth of around 5.5% in 2022, in support of achieving this target, Beijing continues to roll out more fiscal stimulus, including reducing business taxes and increased funding for Infrastructure projects. The PBoC also announced further measures to ease monetary policy in light of falling credit demand.

The US economy contracted again by -0.9% in the second quarter after a fall of -1.6% in the first quarter of 2022 bringing the annual growth rate down to 1.6% in the year to June compared to 3.5% in the year to March 2022. Investment and Consumption were both lower due to higher prices and interest rates, the much smaller export component of GDP increased by 18% probably due to increased exports of LNG. While 2 quarters of negative growth suggest the economy in recession Federal Reserve Chairman Jerome Powell pointed to the strength of the Labour market as evidence of the latent strength of the economy.

The UK economy contracted by 0.1% in the three months to June of 2022, preliminary estimates showed. Services went down by 0.4%, with the largest negative contribution from human health and social work activities, reflecting a reduction in coronavirus activities. On the other hand, there were positive contributions from consumer-facing services, including travel agencies and tour operators as covid restrictions eased on the tourism industry, accommodation and food services, arts, entertainment and recreation activities. On the consumption side, household spending fell 0.2%, as the cost of living increased offsetting a positive contribution from net trade, over 12 months the economy grew by 1.9%.

The Japanese economy grew by 2.2 percent on an annualised basis in Q2 of 2022, the third straight quarter of expansion. It followed a revised 0.1% rise in Q1 when surging covid cases hurt spending with some reports saying that the latest GDP figure has reached the level that it was before the pandemic started. There was an acceleration in both private consumption and government spending while capital expenditures bounced back sharply. Public investment grew after falling in the previous five quarters. Net exports contributed positively to the GDP, as exports increased while imports fell.

The Eurozone economy expanded 0.7% in the three months to June of 2022, following a downwardly revised 0.5% growth in Q1. This was the strongest performance in three quarters, prompted by the easing of covid restrictions and the summer tourism season in southern countries. Spain, Italy and France grew at a strong and upbeat pace while the German economy stalled and growth in some countries including Portugal, Lithuania and Latvia contracted, a worrying sign that a recession may be right around the corner. At the same time, the energy crisis and the war in Ukraine are far from over, and natural gas supply cuts from Russia threaten the outlook for the winter, further pressuring the inflation and consequently interest rate outlook. The annual growth rate of the Euro Area economy was 4% in the 12 months to the end of June, down from 5.4% in the 12 months to March 2022.

Consumer Price Inflation

Table 5 shows the consensus forecasts for Consumer Price Inflation in calendar 2022 and 2023 and my expectations in May and August 2022.

Table 5: - Consumer Price Inflation forecasts - Consensus versus Advisor expectations

% CHANGE YOY								
	2022				2023			
	MAY		AUGUST		MAY		AUGUST	
	Consensus	**AF**	Consensus	**AF**	Consensus	**AF**	Consensus	**AF**
US	7.2	**7.0**	8.1	**8.0**	3.3	**3.0**	3.8	**4.0**
UK	7.8	**7.5**	9.1	**10.0**	4.3	**4.0**	6.7	**7.0**
Japan	1.7	**1.5**	2.0	**1.5**	1.1	**1.0**	1.4	**1.5**
EU	6.6	**6.6**	7.8	**9.0**	2.9	**3.0**	4.1	**5.0**
China	2.2	**2.5**	2.4	**2.4**	2.3	**2.3**	2.5	**2.5**
SE Asia	3.9	**4.0**	4.6	**4.6**	3.0	**3.0**	3.5	**3.5**

Source: - Consensus Economics August 2022

As the consensus plays catch up with the outcome, forecasters have again revised their inflation expectations higher. As mentioned last time I expect inflation reports over the next few months will be worryingly high and while it possible in the UK and Europe that gas prices will continue to rise into the first quarter 2023, inflation in aggregate may be falling in 12 months' time, due to the impact of falling household incomes and a weaker economy. The impact of higher gas prices is less felt in the US because of abundant supply and in China and Asia because of much less reliance on gas for electricity generation and household heating.

Outside of energy prices which feed directly into the price of everything the global goods supply chain continues to improve despite covid induced disruption in China. As shown in table 4 above global growth is slowing and real household incomes are falling faster. These factors are taking the heat out the economy and hence should lead to less demand pressure on prices. The substitution of Russian oil supply and the resumption of exports of grains from Ukraine have also recently taken the top off the prices of these commodities.

The outlook for inflation remains uncertain and it will be higher than we have been used to over the last 10 years but I still believe we will be past the current peak in a years' time.

The headline annual rate of CPI in the US slowed to 8.5% in July from an over 40-year high of 9.1% in June. Energy prices increased 32.9% but this was much lower than the 42 year high of 41.6% in June, mainly due to a big slowdown in prices rises for petrol, fuel oil and natural gas. Other components like new vehicle prices that had been putting pressure on inflation moderated somewhat as did airline fares. However, food price inflation continued to move higher up 10.9%, the largest increase since May of 1979, housing costs increased 5.7% and used cars and truck prices were also higher. Core inflation which excludes food and energy was steady at 5.9%, lower than expectations of 6.1%, and offering some support that inflation may have peaked.

The annual rate of CPI in the UK increased to 10.1% in July from 9.4% in the year to June 2022. It was the highest reading since February 1982, as prices rose faster for housing & utilities, recreation & culture, food & non-alcoholic beverages, and restaurant & hotels, transportation costs eased slightly. Annual core consumer price increases that had eased slightly in May and June rebounded to 6.2% July.

Annual inflation in the Euro Area was confirmed at a new record high of 8.9% in July, compared to 8.6% in June and 2.2% a year earlier. Prices accelerated for food, alcohol & tobacco, non-energy industrial goods and services, while the cost of energy eased slightly. Core inflation that in the Euro Area excludes the cost of energy, food, alcohol & tobacco went up to 4% from 3.7%.

The annual inflation rate in Japan rose to 2.6% in July from 2.4% in June. This was the 11th month of increasing consumer prices and the fastest rate since April 2014, the weakness of the Japanese yen had a large influence on fuel and food costs, with all components of inflation increasing except transportation and medical care. Core consumer prices increased 2.4% year over year, again at the highest rate since December 2014.

4. The outlook for the securities markets

As mentioned above prices in the securities markets turned in mid-June after the central banks delivered more decisive changes in interest rates. At the time of writing nearly all asset markets have posted positive returns quarter to date. This leaves me feeling that from here the news is just as likely to lead to a fall in price at least in the short term as it is to a further rise in prices. I accept that markets were probably ahead of the data and potentially oversold but that does not remove the fact that inflation is going to be higher for a while longer and even though I expect it to be falling in 12 months' time it will be above a level we are used to. Interest rates are also still expected to increase over the next 12 months which along with falling incomes caused by higher energy prices increases the downward pressure on discretionary spending, corporate earnings and economic activity.

It has dropped out of the top stories on mainstream media but there is still a war in Ukraine and Russia despite its reported near economic collapse continues to pursue its "harrowing policy" in the east and south of the country supported by higher receipts from oil and gas exports. Add to this China's increased irritation with the US over Taiwan, leading to increased geopolitical risk that should be enough to raise the uncertainty and risk premia for investors.

My main themes have not changed, I do not believe central banks want a deep recession, but it is higher energy prices and falling household incomes that will decide how deep the recession is.

I believe we are right in the middle of the bad news for inflation. As a result, it is entirely likely that over the next 6 to 12 months, the year over year inflation reports will be higher and this should make equity and bond markets more volatile especially as markets have now priced in rate cuts rather than increases. By the end of 2022, I believe inflation could be heading lower but so could growth.

As I have said before higher interest rates and inflation are bad news for longer duration bond markets, but they are not necessarily a bad outcome for equity markets in aggregate. The recent rally in growth stocks makes them more vulnerable in the short term and investors need to remain disciplined in their approach seeking the longer term opportunities of sustainability and resilience.

Bond Markets

In table 6, below I have set out my expectations for 3 month SONIA interest rates and benchmark 10 year government bond yields, over the next 6 and 12 months. They are not meant to be accurate point forecasts, more an indication of the possible direction of yields from August 2022.

Table 6: - Interest rate and Bond yield forecasts

%	CURRENT	MARCH 2023	SEPTEMBER 2023
UNITED STATES			
3month SONIA	2.92	4.0	4.0
10 year bond yield	2.84	3.5	3.5
UNITED KINGDOM			
3month SONIA	2.15	3.0	3.0
10 year bond yield	2.08	2.5	2.5
JAPAN			
3month SONIA	-0.01	0.0	0.0
10 year bond yield	0.20	0.25	0.25
GERMANY			
3month SONIA	+0.04	2.0	2.0
10 year bond yield	0.96	1.5	1.5

Source: - Trading Economics; 15th August 2022

Over the last few months central banks implemented a much more aggressive pace of rate increases, with the aim of re-assuring the markets that they will do what they can to keep inflation under control. In July the US Fed increased the Fed funds rate to 2.75%, the second time it has raised rates by 0.75% in this cycle. During its regular press conference, Chair Jerome Powell in a break with the past, said he could not predict monetary policy range for next year and that next decisions will be data dependent. He also said the central bank will be looking for moderately restrictive level of interest rates by the end of the year, which the market has interpreted as meaning a 3% to 3.5% level for the Fed funds rate. This would suggest that the Fed does not believe rates are high enough, despite the US economy already being in a "technical recession" having recorded a negative growth rate in the first and second quarters of 2022.

At its meeting in August the Bank of England increased rates to 1.75%, the first time in 27 years that rates have been increased by 0.5%. While this was expected the Bank also forecasted that inflation could hit 13.3% in October this year at the same time it suggested that the economy will enter a shallow but prolonged period of contraction lasting most of 2023. It sighted the impact of higher energy prices as being the main reason for both higher inflation and weaker growth going forward.

10 year US and UK Government and global non-government bond yields increased by 0.6% and 1.2% respectively in the second quarter as it became clear that interest rates and inflation would be higher than expected. Ironically, bond yields have fallen by around 0.2% since the Fed implemented its first

0.75% increase in the Fed funds rate at its June meeting and bond markets are now talking about the idea of the Fed pivoting to a more "Dovish" policy!

Bond Market (Protection Assets) Recommendations

In my last report I suggested that the Fund could consider reducing its underweight to government and corporate bonds as I believed that markets had priced in a lot of bad news. But even I had not expected the marked re-pricing in such a short period of time. As a result, I now believe bond yields are just as likely to rise from here as they are to fall but not by much in either direction in the short term. However as can been seen in table 6 above I continue to expect that government bond yields could increase and as a result highly interest rate sensitive government bonds may deliver negative returns over the medium term. High inflation over the next 12 months means that real returns even at my expected levels of yield will be negative for some time.

I have not changed my allocation and I am happy to remain 2% underweight, 1% underweight each to conventional gilts and corporate bonds, because of the very high interest rate sensitivity of these assets and maintain my suggested + 2% overweight to Multi-asset Credit. High yield spreads remain attractive and because corporate fundamentals remain strong, default rates are likely to remain low for well-managed portfolios. Also, because many of these securities have floating rather than fixed coupons, they are less interest rate sensitive, which is ideal in a rising yield environment.

The yield on Index Linked Gilts has increased significantly in the last year hence their extremely negative return. Despite this I believe they remain over-valued, and while I have consistently recommended an underweight allocation at the current time, I would not seek to reduce the position further. As usual in table 7 below I have updated the data and recalculated my estimates of the total return impact of rising yields for government and non-government bond indices based on their yield and interest rate sensitivity (Duration) over 3 and 12 months. The estimates show that there is very little income protection even for small increases in yield at current durations and spreads except in high yield bonds.

Table 7: - Total returns from representative bond indices

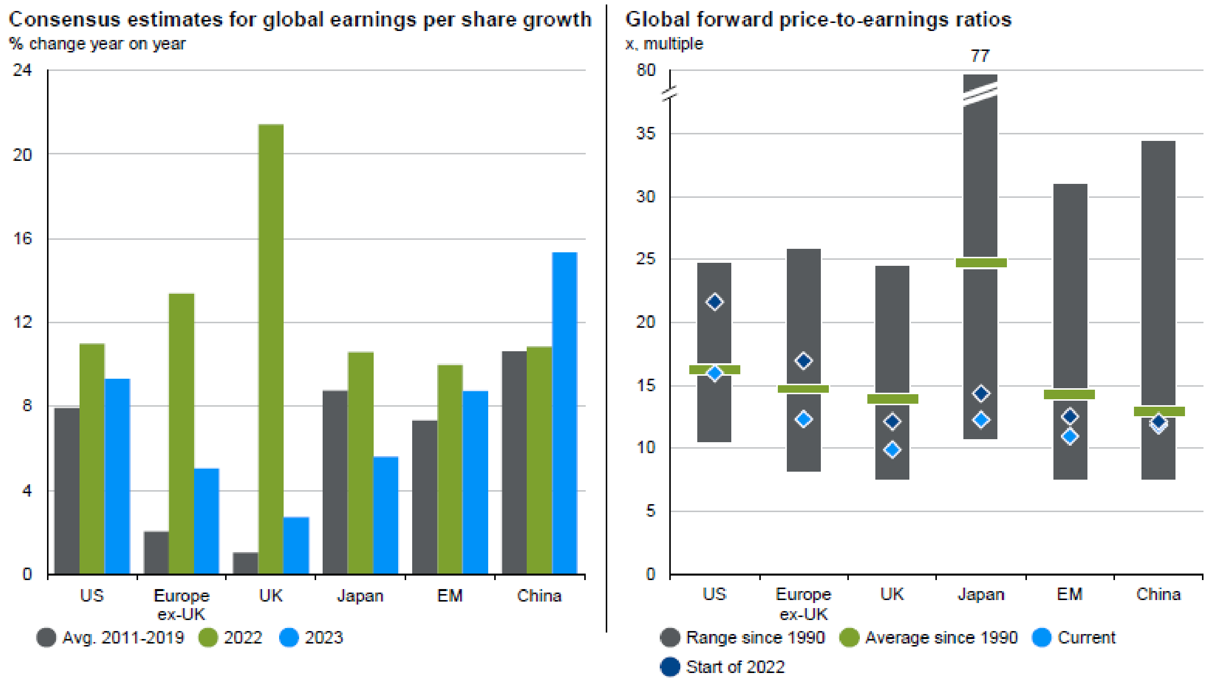
INDEX	YIELD TO MATURITY %	DURATION	YIELD INCREASE %	% TOTAL RETURN, HOLDING PERIOD	
				3 MONTHS	12 MONTHS
All Stock Gilts	2.26	11.2	0.5	-5.0	-3.3
All Stocks Linkers	-1.28	18.0	0.5	-9.3	-10.3
Global IG Corporate	3.96	6.6	0.5	-2.3	+0.7
Global High Yield	7.5	4.0	0.5	-0.1	+5.5

Source: - ICE Indices 12th August 2022

Equity Markets

Chart 12 below, left hand side, shows the consensus earnings per share growth estimates, for 2022 and 2023 compared to the annual average between 2011 and 2019. The right hand side shows, the current forward looking estimates of price / earnings (P/E) ratio of the same market indices compared to the range and the average since 1990, except for China where the data only goes back to 1996, provided by JP Morgan Asset Management.

Chart 12: - LHS - Earnings per Share estimates, RHS - Price/Earnings Ratios, since 1990, China 1996



Source: - JPM Asset Management., June 2022

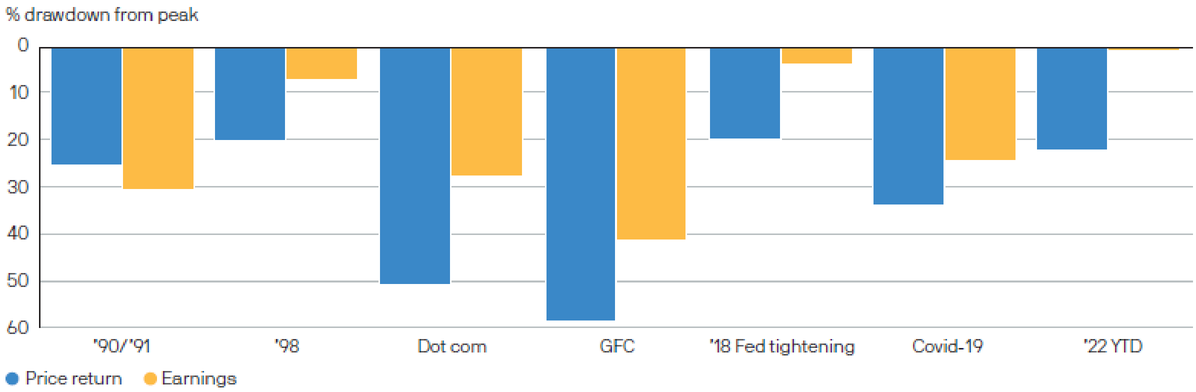
The sharp year-to-date sell-off in equities has been led by declining valuations rather than a shift in earnings expectations. P/E ratios on developed market stocks have slipped from close to 20x 12-month forward earnings at the start of the year, to around 15x currently. Over the same period, earnings growth expectations for 2022 have been upgraded, from 7% to more than 10%, despite the deterioration in the economic outlook.

Looking at sector-level data helps explain some of the resilience in earnings expectations. Surging energy prices have boosted 2022 earnings growth expectations for the developed market energy sector and basic materials companies have also benefited significantly from rising commodity prices. Conversely, earnings forecasts for consumer-facing companies have fallen due to growing fears of a squeeze on disposable incomes. Sector composition has unsurprisingly had a major impact on regional earnings estimates. As can be seen in the green bars on the LHS of chart 12 above the commodity-heavy UK market is a prime example where, despite earnings downgrades for every other sector, overall earnings expectations are higher, thanks to the significant weighting of energy and materials.

But the blue bars for 2023 suggest that earnings growth may not continue into next year especially in Europe and the UK, China on the other hand where earnings have been depressed this year due to covid restrictions is the only region where earnings are expected to be better next year. Overall analysts tend to extrapolate past growth rates which means earnings expectations tend to lag, to try assessing the level of optimism it may be worth looking at Earnings revision ratios – a measure of the number of analyst upgrades versus downgrades for guidance. These ratios have been declining since last summer, implying a larger number of downgrades than upgrades.

Stock prices tend to lead earnings, rather than the other way round. Chart 13 compares historical drawdowns in the market and earnings. The decline in developed market stocks year-to-date now looks broadly in line with the size of the drawdowns experienced during previous non-recessionary economic slowdowns, despite the fact that earnings downgrades are yet to feed through.

Chart 13: - MSCI World earnings and market drawdowns in prior downturns



Source: - JPM Asset Management., June 2022

Charts 12 and 13 above, suggest that just like the bond markets much of the bad news on energy prices, inflation and growth has already been priced into equity markets at these levels. It is earnings that ultimately drive prices and outside of China analysts seem to be forecasting unchanged or declining earnings and the outlook remains uncertain.

I still believe there is upside in equity markets, but the returns will be harder won, with more volatility and lower aggregate returns to those we have seen over in recent years. Despite the sell off this year valuations still appear cheaper outside the US, but this could be a legacy of the FAANG stocks and there may be opportunities in the rest of the market. From a regional perspective the UK and Europe are most exposed to higher energy prices and the situation in Ukraine. If energy and commodity prices stabilise, sector leadership may shift, but I believe it is unlikely to be in favour of interest rate sensitive sectors before we have seen the peak in inflation and interest rates.

Equity Market (Growth Assets), Recommendations

After making a substantial increased allocation to sustainable equity from the legacy regional equity markets in January the in-house team (IHT) have paused further changes. Partly due to the performance of the asset class which has a higher concentration of growth stocks, but also due to the correlation of the performance of managers in the strategy. In light of these outcomes, I believe it is prudent in the short term to wait and see how markets develop and the managers perform in the current more challenging market conditions.

Income Assets

I have made no changes to the allocation to Income Assets and would continue to fund the 2% over allocation to MAC from Protection Assets. The widening of spreads in the second quarter, for sub-investment grade bonds and the floating rate nature of loans and asset backed securities have increased the attractiveness of the asset class. MAC also benefits from a lower interest rate sensitivity so provided default rates do not increase significantly, MAC can continue to deliver better returns in a rising inflation and interest rate environment than investment grade bonds and conventional gilts.

Over the quarter the overall allocations to Infrastructure and Property have been increased closer to neutral from cash. As mentioned, before I would like to see the direct property allocation increase funded using net sales from the in-direct exposure, but this needs to be done with caution as it is a very long term investment decision, and in the case of property transaction costs are expensive.

The asset allocation set out in table 8 below, shows the Strategic Asset Allocation Benchmark and my suggested asset allocation weights relative to this benchmark as of the 17th May and the 15th August 2022. These allocations represent an ideal objective for the Fund based on my expectations for economic growth and market performance, but they do not take into consideration the difficulty and costs in reallocating between asset classes and the time needed by the In-house Team and their investment managers to find correctly priced assets for inclusion in the Fund.

Table 8: - Recommended asset allocation against the Strategic Benchmark.

The 2 righthand columns show my suggested allocations relative to the new strategic benchmark that came into effect on the 1st January 2022. This change completes for benchmarking purposes the migration to the new allocations of growth assets.

% ASSET CATEGORY	NEW DERBYSHIRE STRATEGIC WEIGHT 1ST JANUARY 2022	ANTHONY FLETCHER 18TH MAY 2022	ANTHONY FLETCHER 15TH AUGUST 2022
Growth Assets	**55**	**0**	**0**
UK Equity	**12**	**0**	**0**
Overseas Equity	**43**	**0**	**0**
North America	**0**	**0**	**0**
Europe ex UK	**0**	**0**	**0**
Japan	5	**0**	**0**
Pacific ex Japan	**0**	**0**	**0**
Emerging markets	5	**0**	**0**
Global Sustainable	**29**	**0**	**0**
Private Equity	4	**0**	**0**
Income Assets	**25**	+2	+2
Property	9	**0**	**0**
Infrastructure	**10**	**0**	**0**
Multi-asset Credit	6	+2	+2
Protection Assets	**18**	-2	-2
Conventional Gilts	6	**-1**	**-1**
UK index Linked	6	**0**	**0**
US TIPS	0	**0**	**0**
UK corporate bond	6	**-1**	**-1**
Cash	2	**0**	**0**

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Appendix

References

Source material was provided by, including but not limited to, the following suppliers: -

- Derbyshire Pension Fund, PEL performance services
- FTSE and ICE Indices
- JP Morgan, Asset Management
- Bank of England, UK Debt Management Office, UK OBR, UK Treasury, ONS
- US Bureau of Labour Statistics, US Commerce Dept. The US Federal Reserve.
- Bank of Japan, Japan MITI
- ECB, Eurostat
- Bloomberg, FactSet, Markit and Trading Economics
- Financial Times, Daily Telegraph, Wall Street Journal, New York Times, Washington Post

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DERBYSHIRE County Council

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

PENSIONS AND INVESTMENTS COMMITTEE

WEDNESDAY, 7 SEPTEMBER 2022

Report of the Director of Finance & ICT

STEWARDSHIP REPORT

1. Purpose

1.1 To provide the Pensions & Investments Committee with an overview of the stewardship activity carried out by Derbyshire Pension Fund's (the Fund) external investment managers in the quarter ended 30 June 2022.

2. Information and Analysis

2.1 This report attaches the following two reports to ensure that the Pensions & Investments Committee is aware of the engagement activity being carried out by Legal & General Investment Management (LGIM) and by LGPS Central Limited (the Fund's pooling company) (LGPSC):

- Q2 2022 LGIM ESG Impact Report (Appendix 2)
- Q1 2022/23 LGPSC Quarterly Stewardship Report (Appendix 3).

LGIM manages around £1.7bn of assets on behalf of the Fund through passive products covering: UK Equities; Japanese Equities; Emerging Market Equities; and Global Sustainable Equities. LGPSC currently manages around £0.9bn of assets on behalf of the Fund through its All-World Equity Climate Multi Factor Fund, Global Active Emerging Market Equities Sub-Fund, Global Active Investment Grade Corporate Bond Multi Manger Sub-Fund and Credit Partnership II (Private Debt) Fund. It is expected that LGPSC will manage a growing proportion of the Fund's assets going forward as part of the LGPS pooling project.

These two reports provide an overview of the investment managers' current key stewardship themes and voting and engagement activity.

3. Implications

3.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

4. Background Papers

4.1 Papers held in the Investment Section.

5. Appendices

5.1 Appendix 1 – Implications
5.2 Appendix 2 – Q2 2022 LGIM ESG Impact Report.
5.3 Appendix 3 – Q1 2022/23 LGPSC Quarterly Stewardship Report.

6. Recommendation(s)

That Committee:

a) notes the stewardship activity of LGIM and LGPSC.

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Appendix 1

Implications

Financial

1.1 None

Legal

2.1 None

Human Resources

3.1 None

Information Technology

4.1 None

Equalities Impact

5.1 None

Corporate objectives and priorities for change

6.1 None

Other (for example, Health and Safety, Environmental, Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None

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Q2 2022

ESG Impact Report

Global engagement to deliver positive change

LGIM

Our mission

We aim to use our influence to ensure:

1. Companies integrate environmental, social and governance (ESG) factors into their culture and everyday thinking

2. Markets and regulators create an environment in which good management of ESG factors is valued and supported

In doing so, we seek to fulfil LGIM's purpose: to create a better future through responsible investing.

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Our focus

Holding boards to account

To be successful, companies need to have people at the helm who are well-equipped to create resilient long-term growth. By voting and engaging directly with companies, we encourage management to control risks while seeking to benefit from emerging opportunities. We aim to safeguard and enhance our clients' assets by engaging with companies and holding management to account for their decisions. Voting is an important tool in this process, and one which we use extensively.

Creating sustainable value

We believe it is in the interest of all stakeholders for companies to build sustainable business models that are also beneficial to society. We work to ensure companies are well-positioned for sustainable growth, and to prevent market behaviour that destroys long-term value. Our investment process includes an assessment of how well companies incorporate relevant ESG factors into their everyday thinking. We engage directly and collaboratively with companies to highlight key challenges and opportunities, and support strategies that seek to deliver long-term success.

Promoting market resilience

As a long-term investor for our clients, it is essential that markets are able to generate sustainable value. In doing so, we believe companies should become more resilient to change and therefore seek to benefit the whole market. We use our influence and scale to ensure that issues impacting the value of our clients' investments are recognised and appropriately managed. This includes working with key policymakers, such as governments and regulators, and collaborating with asset owners to bring about positive change.

Action and impact

The second quarter of the year is traditionally when many companies around the world hold their annual general meetings (AGMs). In this edition, we cover some of the main themes on which we voted, alongside an update on other campaign activity. We include some examples of significant votes – if you would like to find out more about how we voted over the quarter, please visit our voting website and our blog.

Environmental | Social | Governance

ESG: Environment

Deforestation: distinguishing the wood from the trees

We believe the interdependencies between nature and climate are of critical importance; the risk of degradation of nature and the role of biodiversity in preserving the natural capital on which we depend are garnering increasing attention. A changing climate threatens natural ecosystems, and nature loss amplifies climate change by reducing the ability of ecosystems to store carbon. Deforestation is a thematic priority that raises the important conflicting challenges presented by managing risks from both biodiversity loss and climate change.

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As part of our deforestation commitment, we have taken further steps to assess our exposure to commodity-driven deforestation risk, identifying companies in key sectors that have not yet demonstrated necessary action to begin addressing the issue. In our next Quarterly Impact Report, we will provide more information on our approach to engaging with these companies. In the policy engagement section of this report, we provide more details of our global collaborations and work with policymakers on deforestation around the world.

We are also working towards the commitments we have made under the Finance for Biodiversity Pledge in a number of ways. This has included engaging directly on the Taskforce for Nature-related Financial Disclosure's (the 'TNFD') 'Framework' consultation,[1] emphasising the importance of guiding corporate disclosure on the topic. We are integrating biodiversity metrics into LGIM's ESG tools, including the recent update to our LGIM ESG Score.

Climate Impact Pledge: our latest report

In June 2022, we published our annual Climate Impact Pledge update, sharing our successes and indicating where we will be putting more pressure on companies to raise their standards. Some key facts and figures include:

- Having sanctioned 130 companies in 2021 for failing to meet our minimum standards, this number decreased in 2022 to 80 companies;
- We are keeping 12 companies on our divestment list, and adding two new companies;
- We have removed one company from our divestment list for demonstrating actions and improvements, and have reinstated it in select funds[2].

Our dedicated webpage contains a link to our full report, our sector guides, and links to our Climate Impact Pledge scores and scoring methodology document.

1. Welcome to the TNFD Nature-Related Risk & Opportunity Management and Disclosure Framework » TNFD
2. Source for all figures: LGIM, June 2022 Climate Impact Pledge 2022 - Net zero: going beyond ambition (lgim.com)

Significant votes

ISIN	GB0007980591
Company name	BP Plc*
Market Cap	£70.6bn (Source: EIKON, 07 July 2022)
Sector	Oil and gas
Issue identified	Management-proposed 'Say on Climate' proposal, at a company with whom we have been engaging for many years.
Summary of the resolution	Resolution 3: Approve "Net Zero – from ambition to action" report AGM date: 12 May 2022
How LGIM voted	For (in line with management recommendation)
Rationale for the vote decision	Following long-standing and intensive engagements, both individually and collectively through the CA100+, BP has made substantial changes to its strategy and approach. This is evident in its most recent strategic update where key outstanding elements were strengthened, including raising its ambition for net zero emissions by 2050 and halving operational emissions by 2030, as well as expanding its scope 3 targets and increasing its capex to low carbon growth segments. Nevertheless, we remain committed to continuing our constructive engagements with the company on its net zero strategy and implementation, with particular focus on its downstream ambitions and approach to exploration.
Outcome	88.5% votes were in favour of the resolution.
Why is this vote 'significant'?	This year, we laid out our criteria for supporting management-proposed climate transition plans. The oil and gas sector is an integral component in the transition towards a net zero world and, as such, a great level of scrutiny is applied when assessing the credibility of climate proposals submitted to a shareholder vote this year by companies in this industry, with BP being one of them

*Assumptions, opinions and estimates are provided for illustrative purposes only. There is no guarantee that any forecasts made will come to pass.

Significant votes

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ISIN	US30231G1022
Company name	ExxonMobil*
Market Cap	$350.9bn (Source: EIKON, 07 July 2022)
Sector	Oil and gas
Issue identified	Shareholder proposal on climate change, relating to the net zero transition.
Summary of the resolution	Resolution 6: Set greenhouse gas ('GHG') emissions reduction targets consistent with the Paris Agreement goal AGM date: 25 May 2022.
How LGIM voted	For (against management recommendation)
Rationale for the vote decision	A vote FOR is applied in the absence of reductions targets for emissions associated with the company's sold products and insufficiently ambitious interim operational targets. LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal.
Outcome	Resolution 6 achieved 27% support. We had communicated our expectations regarding the net zero transition to the company, and will continue to engage.
Why is this vote 'significant'?	The proposal called on Exxon to set a credible net zero plan in alignment with the 1.5°C trajectory – we supported this resolution given the company's current level of ambition, and our stated expectations.

*For illustrative purposes only – this is not a recommendation to buy or sell any security.

ISIN	JP3890350006
Company name	Sumitomo Mitsui Financial Group, Inc.*
Market Cap	$40.5bn (Source: EIKON, 07 July 2022)
Sector	Financials
Issue identified	Shareholder resolution on climate change at a company with whom we have been engaging.
Summary of the resolution	Resolution 4 – Amend Articles to disclose plan outlining the company's business strategy to align investments with the goals of the Paris Agreement Resolution 5 – Amend Articles to disclose measures to be taken to make sure that the company's lending and underwriting are not used for expansion of fossil fuel supply or associated infrastructure AGM date: 27 June 2022
How LGIM voted	For both shareholder proposals (against management recommendation)
Rationale for the vote decision	LGIM expects company boards to devise a strategy and 1.5°C-aligned pathway in line with the company's commitments and recent global energy scenarios. Resolution 4 – LGIM's climate expectations include the setting of short-, medium- and long-term emissions reduction targets. We engaged with the company and while we positively note its commitments to joining the Net Zero Banking Alliance, we think that these commitments could be further strengthened, especially regarding their coal policy and emission reduction targets. We believe the shareholder proposal provides a good directional push. Resolution 5 – LGIM's climate expectations include but are not limited to stopping investments towards the exploration of new greenfield sites for new oil and gas supply.
Outcome	Resolution 4 - 27% support. Resolution 5 - 10% support. Our engagement with the company has been positive – nevertheless, we felt support of the shareholder proposals would be appropriate in terms of providing further encouragement. We will continue to engage with the company to provide our opinion and assistance in formulating their approach to net zero.
Why is this vote 'significant'?	There is significant shareholder support for a climate shareholder resolution in the Japanese market. Support for the shareholder proposal was not in line with management recommendation, despite positive engagement with the company.

*For illustrative purposes only – this is not a recommendation to buy or sell any security.

The Thin Green Line: 'Say on Climate' voting update

Earlier this year, we published our expectations of companies' 'Say on Climate' proposals, setting out our criteria with the aim of encouraging credible and ambitious net-zero transition plans, and dissuading companies from submitting 'half baked' plans for a vote.

Following the 2022 AGM season, we provide some highlights from our own voting activity, adding colour to how we are acting in line with the expectations put forward, and how we are applying these on a company-by-company basis.

Q2 2022 | ESG impact report

For: Holcim*

Holcim is a building materials company based in Switzerland, providing materials such as cement, concrete and roofing. Cement is one of the heaviest-polluting industries in the world, generating higher emissions than any individual country except China and the US[3].

LGIM voted in favour of the company's Climate Report (Resolution 6) in its 2022 AGM; this vote reflects Holcim's industry-leading position and its efforts made in setting a science-based target initiative-approved (SBTi-approved) net-zero target. Its extensive disclosure of scope 1, 2 and 3 emissions, improved level of scenario analysis, and green capital expenditure targets also contributed to our decision.

We do have some concerns, although we remain practical in our approach to 'Say on Climate' voting, recognising that achieving a perfect solution in an imperfect world is challenging. The areas which we will continue to monitor are the company's near-term targets (which are not currently net-zero aligned, but which we would expect to be upgraded in line with SBTi guidance), and the date of the next advisory vote on the company's transition plan.

For: BP*

As one of the world's largest oil and gas companies,[4] BP has a significant role to play in the energy transition.

We have been engaging with BP for many years, co-leading efforts with the company as part of the CA100+ initiative. In their 2022 AGM, we were pleased to be able to support management's 'Net Zero – from ambition to action' report (Resolution 3). Having strengthened its ambition to achieve net-zero emissions by 2050 and to halve operational emissions by 2030, BP has also expanded its scope 3 targets, committed to a substantial decline in oil and gas production, and announced an increase in capital expenditure to low-carbon growth segments.

As with Holcim, we do have some areas of concern, and we remain committed to continuing our constructive engagements with the company on its strategy and the implementation thereof, with a focus on both its 'downstream' targets and approach to exploration and responsible divestment.

Against: Shell*

Unlike BP, we voted against Shell's Energy Transition Progress Update (Resolution 20), although not without reservations.

We acknowledge the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low-carbon products, demonstrating a strong commitment towards a low-carbon pathway.

However, we remain concerned about the disclosed plans for oil and gas production, further disclosure of targets associated with the upstream and downstream businesses would be beneficial.

We have a longstanding relationship with the company through LGIM-led engagement, and will continue our discussions and work with them. A vote 'against' is not the end of our engagement – it will serve as an anchor for our future discussions.

3. Source: https://www.theguardian.com/business/2021/oct/12/cement-makers-across-world-pledge-large-cut-in-emissions-by-2030-co2-net-zero-2050 , October 2021
4. Source: 10 Biggest Oil Companies (investopedia.com) accessed July 2022

*For illustrative purposes only – this is not a recommendation to buy or sell any security.

Climate votes: shareholder proposals

Our 'Say on Climate' expectations relate to management proposals. In the US, however, the majority of climate-related proposals put forward at AGMs are from shareholders, not from management.

In determining which to support, we consider each shareholder resolution on a case-by-case basis: while we are keen to support companies' transitions to net zero, we pay close attention to the details of these shareholder proposals and how they are worded.

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We supported similar shareholder proposals at Citigroup* and Wells Fargo*, requesting that the banks adopt financing policies in line with the IEA's 'Net Zero 2050 Scenario', as these resolutions are in line with our expectations for company boards to devise a strategy and 1.5°C-aligned pathway, in line with their existing commitments and recent global energy scenarios. We also supported similar resolutions at Bank of America* and JPMorgan Chase* regarding fossil fuel financing. However, there was a second shareholder proposal at the JPMorgan Chase AGM which we did not support, calling on the bank to report on its absolute emissions targets: while on the surface we agreed with the overall aim of the resolution, the wording was loosely drafted in such a way as to be overly prescriptive and to seek to micromanage the board's actions.

This was a crucial difference versus the resolution we supported, and demonstrates our case-by-case approach: if there are details in a shareholder resolution with which we disagree, or if we feel that the resolution is seeking to micromanage the board, then we are unlikely to vote in favour, even if we support the broader aim.

In terms of broader investor support for these proposals mentioned above, none garnered enough to pass:[5] the Citigroup proposal gained 13% support, Wells Fargo had 11% support, and JP Morgan Chase 10% support.[6] Nevertheless, at LGIM, we remain firm in our aims to encourage companies to align their businesses with a net- zero trajectory. As views on climate and companies' approaches around the world continue to evolve, we will continue to pay close attention to climate-related shareholder proposals, supporting those in line with our policies and views on the net zero transition, while remaining alert to the details and differences between them.

5. In the US, most management-proposed resolutions tend to require a simple majority (50% plus one vote). In cases where a supermajority is required to pass a resolution, this may vary depending on the company and the resolution. For the re-election of directors, some companies use a 'plurality' (i.e. relative majority) vote standard, meaning that, as director re-elections are uncontested, a director can be re-elected by receiving a single vote in favour. Shareholder resolutions tend to be advisory only.
6.Source: LGIM, using ISS data. 05 July 2022
*For illustrative purposes only – this is not a recommendation to buy or sell any security.

ESG: Social

Nutrition: going up to 11

As mentioned in our previous quarterly report, we are members of the Access to Nutrition Initiative (ATNI) which, via its Global Index, assesses how the world's largest food and beverage manufacturers contribute to the challenge of addressing malnutrition in all its forms. In the second quarter, ATNI launched its UK Retailer Index, a nutrition- and heath-based index focusing on the 11 largest supermarkets in the UK.[7]
We look forward to continuing our collaborative engagements in this important area. A member of our team was also invited to speak at the 2022 Consumer Goods Forum on this topic – the first time an institutional investor has been invited to do so.

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In terms of recent votes in this sphere, we would draw readers' attention to PepsiCo*, where we voted in favour of a shareholder proposal for a report on 'External Public Health Cost'. We believe that the proposed study should contribute to informing shareholders and other stakeholders about how actions the company takes (or does not take) may contribute to long-term negative human-health impacts, such as obesity.

AMR: increasing scrutiny

We are continuing to put pressure on companies to act on anti-microbial resistance (AMR). It's been a growing area of focus for us on account of its significant potential to impact the global economy via a number of sectors.[8]

During the Q2 2022 voting season, this topic was directly addressed by a shareholder proposal at Abbott Laboratories*, requesting a report on the public health costs of antimicrobial resistance, demonstrating that this issue is gathering support from a broader audience. For the second year running at McDonald's*, we supported a shareholder resolution calling for a report on 'Public Health Costs of Antibiotic Use and Impact on Diversified Shareholders', emphasising to the company the importance of this topic and the need for action. Earlier in the year, we also supported a similar resolution at Hormel Foods Corporation*.

Diversity update: keep running up that hill

The 2022 voting season was the first season in which we started to place votes on the lack of ethnic diversity in boards. Following our blog which showed the results of the campaign to date, we expected at the time to vote against seven companies across the UK FTSE 100 and US S&P 500 indices which didn't meet our requirement of one ethnically diverse person at board level.

However, with the main voting season now over, we have voted against only one of those companies, Universal Health Services*, for lack of ethnic representation. 63% of shareholders also voted against the director at Universal Health Services; however, the company stated that she will remain on the board as she brings [gender] diversity and relevant expertise.
More detail on this vote is provided on the next page of this report.
Two of the companies on our original list (IPG Photonics Corp* and Mohawk Industries*) met our expectations before their AGMs – signs that the market continues to improve here, and relatively fast. We hope that both DS Smith* and People's United Financial*, whose AGMs occur later in the year, also make the requisite changes. Evraz* was the final company on our list, but we were unable to vote due to international sanctions.

We continue to fight for gender diversity: last year, we updated our policy to announce that from 2022, we would vote against FTSE 100 and S&P 500 companies that have all-male executive committees. We have voted against 39 companies on this issue alone since the beginning of the year, illustrating that much more change is needed to improve gender diversity levels of these all-important decision-making executive committees. We will continue to explore how we can make further impact on this issue going forward.

7. ATNI launches the UK Retailer Index 2022 – Access to Nutrition
8. Source: World Health Organisation Antimicrobial resistance (who.int) June 2022
*For illustrative purposes only – this is not a recommendation to buy or sell any security

Significant votes

ISIN	US9139031002
Company name	Universal Health Services Inc*
Market Cap	$7.6bn (source: EIKON, 07 July 2022)
Sector	Healthcare facilities
Issue identified	Lack of ethnic diversity on the company board. Universal Health Services was included in our ethnic diversity campaign (further details can be found below)
Summary of the resolution	Resolution 1 – Elect Director Maria R. Singer Date of AGM: 18 May 2022
How LGIM voted	Against the resolution (against management recommendation)
Rationale for the vote decision	LGIM began engaging on ethnic diversity with the largest companies in the UK and US in September 2020, with the expectation for one ethnically diverse person to be added to the board by the end of 2021. As part of the campaign, we set out that we would vote against the chair of the board or the chair of the nomination committee from 2022 where this expectation had not been met. Therefore, a vote against was applied because of a lack of progress on ethnic diversity on the board.
Outcome	63% of shareholders voted against Singer's election. The board acknowledged that Singer had not been re-elected by shareholders but that she brings [gender] diversity and relevant expertise to the board and therefore states that she will remain on the board. LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
Why is this vote 'significant'?	LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of ethnicity on the board (escalation of engagement by vote).

*For illustrative purposes only – this is not a recommendation to buy or sell any security.

Case Study – InstaVote: technology sector AGM overview

It was another busy season for tech companies Meta Platforms*, Alphabet* and Twitter*, with all receiving between four and 17 shareholder proposals, focused mainly on varying social issues. The graphic below highlights some of the more notable proposals and the results, and indicates what percentage of shareholders voted in the same direction as LGIM on these proposals.

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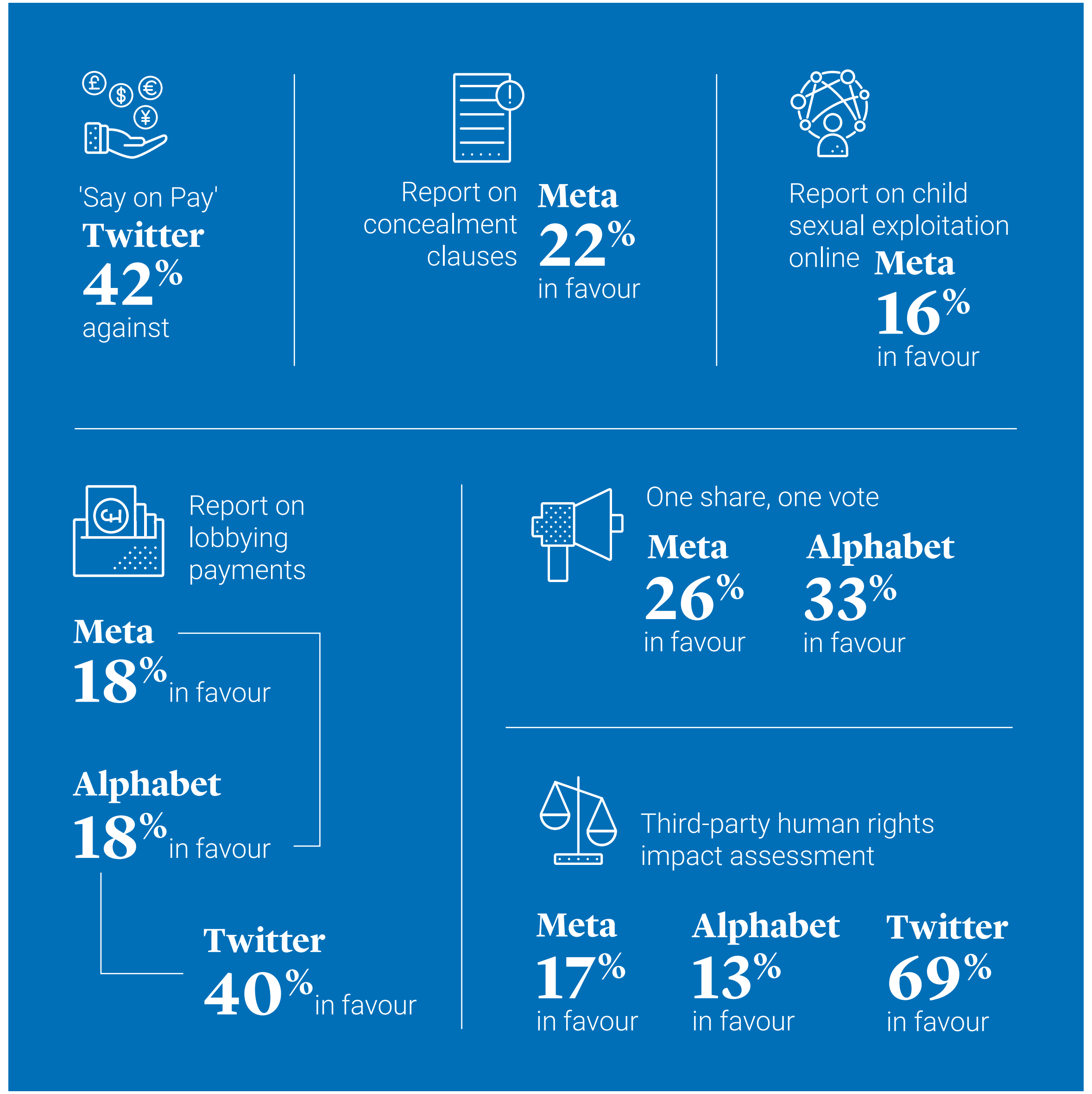
Some consistent governance issues remain at each, leading us to vote against executive compensation and board directors. The biggest upset was that shareholders failed to re-elect non-executive director, Egon Durban to the Twitter board, given he is 'over-boarded', with 57% votes against. However, his resignation was not accepted by the board, a move that illustrates how the non-binding nature of resolutions in the US can work against shareholders.

Other 'social' proposals centred around human rights, privacy and misinformation. It will be interesting to see how Twitter responds to such overwhelming support for a third-party human rights impact assessment. Through LGIM's policies and voting action, we continue to push these tech companies to improve their practices and transparency in relation to a range of social issues, and will continue to monitor progress on the issues outlined above.



*For illustrative purposes only – this is not a recommendation to buy or sell any security

Case study – Amazon*

Amazon once again dominated the AGM season, with continued public and shareholder attention. Having pre-declared our voting intentions on our blog, we provide below a brief update of some of the more significant vote results.

Resolution 6
Commission Third Party Report Assessing Company's Human Rights Due Diligence Process
LGIM and other shareholders gave 39% support to this resolution. This was new to the ballot this year, but aligns closely to resolution 19 (below). Human rights issues continue to dominate at the company for another year.

Resolution 13
Report on Protecting the Rights of Freedom of Association and Collective Bargaining
This resolution gained 38.5% of votes in favour. This has been a well-publicised issue for Amazon and the significant number of votes in favour illustrates how serious it is for shareholders, even though this is the first time it has appeared on the company's ballot. We envisage transparency on this issue will remain on the agenda in future engagement meetings.

Resolution 16
Commission a Third-Party Audit on Working Conditions
Further transparency was requested through the commission of this third-party audit, the first time that Amazon has received such a proposal. Again, this issue has been well-publicised and the resolution gained 44% support from LGIM and other shareholders. We will be interested to see how the company will respond to such significant support.

Resolution 17
Report on Median Gender/Racial Pay Gap
A request for the company to report on its gender and racial pay gap was on the ballot for a third year in a row. In the past, it has received 26% support but this year, support ticked up to 28.6%. In our engagement with the company, they have not seemed compelled to provide this information. We have therefore emphasised the importance of such transparency, and remain hopeful that continued and increasing support from shareholders will push the company to accede to these requests.

Resolution 18
Oversee and Report a Racial Equity Audit – withdrawn
Shareholders put forward a resolution requesting the company commission a racial equity audit and publicly disclose the results.

The report would have analysed Amazon's impacts on civil rights, diversity, equity and inclusion, and the impacts of those issues on Amazon's business. In 2021, the equivalent resolution received over 40% support (including from LGIM) and prior to the 2022 AGM, Amazon agreed to conduct and publicly release an independent audit; the resolution was therefore withdrawn before the AGM took place. On engagement with the company, we found they were not yet able to provide a projected completion date. Nevertheless, we regard this as a huge success and an improvement that shareholders have pushed forward together through their voting power.

Resolution 19
Commission Third Party Study and Report on Risks Associated with Use of Rekognition
This resolution, which relates to assessing customer use of Amazon's products and services with surveillance (Rekognition), received 40% support. Amazon received two similar proposals in 2021, which both received over 30% support. The company maintains that the responsibility for ethical use of facial recognition technology lies with the user, and that it supports and has suggested guidelines for developing government regulations around these technologies. We will monitor how Amazon responds to growing pressure from shareholders on this topic.

*For illustrative purposes only – this is not a recommendation to buy or sell any security.

Environmental | Social | Governance

Income inequality: the living wage

At LGIM, we aim to create a better future through responsible investing. Ensuring companies take account of the 'employee voice' and that they are treating employees fairly in terms of pay and diversity and inclusion is an important aspect of our stewardship activities. As the cost of living ratchets up in the wake of the pandemic and amid soaring inflation in many parts of the world, our work on income inequality and our expectations of companies regarding the living wage have acquired a new level of urgency.

Certain industries have an inherent propensity to use lower skilled, lower wage employees, the travel and tourism and retail sectors being two of the most prominent. We believe that, particularly at this time of rising living costs, it's vital that all employees, including (and perhaps especially) those in lower skilled jobs, should be paid a living wage. In this section, we use examples from each of these sectors to demonstrate our expectations and how we escalate our engagement with companies.

LGIM's expectations of companies

i) As a responsible investor, LGIM advocates that all companies should ensure that they are paying their employees a living wage and that this requirement should also be extended to all firms with whom they do business across their supply chains.

ii) We expect the company board to challenge decisions to pay employees less than the living wage.

iii) We ask the remuneration committee, when considering remuneration for executive directors, to consider the remuneration policy adopted for all employees.

iv) In the midst of the pandemic, we went a step further by tightening our criteria of bonus payments to executives at companies where COVID-19 had resulted in mass employee lay-offs and the company had claimed financial assistance (such as participating in government-supported furlough schemes) in order to remain a going concern.

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Escalating our engagement

Carnival*: all at sea

At cruise operator Carnival Plc, many employees earn less than a living wage. Furthermore, there were many redundancies during 2021 because of the pandemic. Yet, neither of these issues were considered when the board decided to amend the performance conditions of the annual bonus to ensure that its executive received a bonus equating to $6 million. Furthermore, they made an award of restricted shares worth over $7.5m that vests annually over the following three years.[9]

Although we understand the importance of continuing to motivate the executive during a period of intense uncertainty, we believe that companies should extend that courtesy to all employees; even those considered lower skilled workers, who undertake jobs without which many businesses would not be able to operate. We believe these employees should be valued more and paid a living wage.

We hope that in the wake of the pandemic and amid the staggering increases in the cost of living more companies in these industries will continue to appreciate those in lower skilled positions and ensure they are paid the living wage. It is frustrating to see companies struggle to operate due to vacancies, while still failing to offer employees a living wage.

9. For more details, please visit our blog: LGIM's voting intentions for 2022 (lgimblog.com), specifically Resolutions 13 and 14 for Carnival Plc.
*For illustrative purposes only – this is not a recommendation to buy or sell any security

Although we understand the importance of continuing to motivate the executive during a period of intense uncertainty, we believe that companies should extend that courtesy to all employees.

Sainsbury's*: halfway there

Sainsbury's has recently come under scrutiny for not paying a real living wage. LGIM engaged initially with the company's [then] CEO in 2016 about this issue and by 2021, Sainsbury's was paying a real living wage to all employees, except those in outer London. As mentioned in our previous Quarterly Impact Report, we joined forces with ShareAction to try to encourage the company to change its policy for outer London workers. As these engagements failed to deliver change, we then joined ShareAction in filing a shareholder resolution in Q1 2022, asking the company to becoming a living wage accredited employer. This escalation succeeded insofar as, in April 2022, Sainsbury's moved all its London-based employees (inner and outer) to the real living wage. We welcomed this development as it demonstrates Sainsbury's values as a responsible employer.

However, the shareholder resolution was not withdrawn and remained on the 2022 AGM agenda because, despite this expansion of the real living wage to more employees, there are still some who are excluded. This group comprises contracted cleaners and security guards, who fulfil essential functions in helping the business to operate safely.

In our view, Sainsbury's is not in the same 'camp' as Carnival, which is offering executive rewards of millions of dollars while many of its employees earn less than a living wage.[10] Nevertheless, we believe the plight of Sainsbury's' contracted employees earning below the living wage as inflation soars and living costs accumulate cannot be ignored.

10. For more details, please visit our blog: LGIM's voting intentions for 2022 (lgimblog.com), specifically Resolutions 13 and 14 for Carnival Plc.
*Case study shown for illustrative purposes only. Reference to a particular security is on a historical basis and does not mean that the security is currently held or will be held within an LGIM portfolio. The above information does not constitute a recommendation to buy or sell any security.

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Aiming for change

We believe the successful companies of the future will be those that recognise the importance of all employees – not just those who are directly employed, but also contractors and those within their supply chains. We encourage companies to work together to make the living wage the new normal for lower skilled employees. We appreciate that this will represent an increase in costs for companies and reduction in margins, but we believe this should be a short-term issue and that over the longer term, paying the living wage to all employees should be beneficial for companies, employees and the economy. This is the environment that LGIM's responsible investment policies are aiming for, and that we are working hard to create.

Significant votes

ISIN	GB00BMJ6DW54
Company name	Informa Plc*
Market Cap	£7.8bn (Source: EIKON, 07 July 2022)
Sector	Printing and publishing
Issue identified	LGIM has noted concerns about the company's remuneration practices for many years, both individually and collaboratively. Due to continued dissatisfaction, we voted against the company's pay proposals at its December 2020 and June 2021 meetings.
Summary of the resolution	Resolution 9 – Re-elect Helen Owers as director Resolution 11 – Re-elect Stephen Davidson as director Resolution 14 – Approve Remuneration Report Resolution 19 – Approve Remuneration Policy AGM date: 16 June 2022
How LGIM voted	Against resolutions 9, 11, 14, 19 (against management recommendation)
Rationale for the vote decision	The Remuneration Policy was put to a vote again at this AGM, with the main changes being the re-introduction of the performance-based LTIP (long-term incentive plan) which was under a separate resolution, to come into force from 2024. Although this is a positive change, the post-exit shareholding requirements under the policy do not meet LGIM's minimum standards and with regard to pensions, it is unclear whether reductions will align with the wider workforce. Given previous and continuing dissatisfaction as outlined, LGIM also voted against incumbent remuneration committee members, Helen Owers and Stephen Davidson.
Outcome	More than 70% of shareholders voted against the Remuneration Report. The Remuneration Policy was approved by 93.5% of shareholders, and 20% of shareholders voted against the re-election of Helen Owers, incumbent member of the remuneration committee. The resolution to re-elect Stephen Davidson, former chair of the remuneration committee, was withdrawn due to him stepping down from the board entirely. Although the report failed to pass, such votes are advisory and not binding. LGIM will continue to engage both individually and collaboratively to help push for improvements.
Why is this vote 'significant'?	LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of remuneration (escalation of engagement by vote).

*For illustrative purposes only – this is not a recommendation to buy or sell any security

Public policy update

As a significant long-term global investor, including in sovereign debt, LGIM has a responsibility to ensure that markets operate efficiently and seek to protect the integrity of the market, foster sustainable and resilient economic growth, and aim to protect the value of our clients' assets.

In this regard, LGIM engages at a macro level with policymakers and regulators across the world. We focus this policy dialogue on sustainability issues that we identify as systemic risks, and on the development of a robust international system of sustainable finance regulation. Below, we highlight a few examples of our policy engagement over the past quarter.

LGIM engages at a macro level with policymakers and regulators across world.

United Kingdom

We continue to focus our engagement efforts on supporting the UK government in establishing a robust system of sustainable finance policy and regulation. We have noted previously that a crucial part of this is enhancing transparency across the market.

Within the UK, this means engaging with the development of the Sustainability Disclosure Regime (SDR) and the updating of the Green Finance Strategy, and ensuring that the 'S' of 'ESG' is not overlooked. LGIM is helping to make sure these strategies and regulations are ambitious and appropriate, aligned with international commitments and standards, and that they accelerate the transition to a net-zero economy.

LGIM is part of a collaborative engagement on plastic pollution in the water system. The initiative is coordinated by First Sentier Investors, and has a focus on strengthening corporate action and regulation to reduce microplastic pollution. LGIM will continue to engage on a policy and regulatory front, in line with our support for the UN Global Treaty on Plastic Pollution.

Japan

LGIM continues to emphasise transparency in the Japanese market. Building on the already strong adoption of TCFD reporting, the Japan Financial Service Agency FSA is strengthening its engagement on non-financial disclosures by corporates. We believe it is key that the FSA develops standards that are harmonised with international standards, specifically the IFRS International Sustainability Standards Board ISSB.[11]

United States

In May 2022, we submitted a comment letter in support of the US Securities and Exchange Commission's (SEC) proposed rule, 'Enhancement and Standardization of Climate-Related Disclosures for Investors'. This rule seeks to improve existing disclosures on climate-related risks that could have 'a material impact on a business, results of operations, or financial condition'. We complemented our regulatory comment with a public op-ed in Barron's, reiterating our support. Directionally, we believe the proposed rules represent a significant step forward in harmonising the existing set of disparate disclosure practices currently in the marketplace, and in fostering the publication of comparable and decision-useful data from our portfolio companies.

Strengthening our commitments to deforestation, we co-signed three letters to the relevant federal and state authorities in support of newly-introduced legislation to curb imported deforestation in the US. The letters are in support of the Federal FOREST Act, the New York Deforestation-Free Procurement Act, and the California Deforestation-Free Procurement Act.

European Union and International

Our engagement on the establishment of the IFRS ISSB continues, both directly and through the forthcoming consultation. LGIM continues to encourage the approach of treating sustainability disclosures in the same manner as financial disclosures, developing thereby an assurance framework for disclosures.

Coordinated by the FAIRR Initiative, LGIM is engaging with the 'United Nations' Food and Agriculture Organisation (FAO) to take a global leadership position and develop a roadmap for the food system to align with the Paris Agreement goal of limiting global warming to 1.5°C. This engagement is supported by 33 investors and the UN-convened Net-Zero Asset Owner Alliance (NZAOA), and highlights the material risks presented by the global food system, such as deforestation, biodiversity loss, malnutrition and antimicrobial resistance AMR.[12]

LGIM is also continuing to highlight the growing risk of global food insecurity, and how policymakers can engage to strengthen a sector that has been weakened by COVID-19 and the war in Ukraine.

We have confirmed that LGIM will be co-chairing a recently-launched working group established by the Investors Policy Dialogue on Deforestation (IPDD).

This group will engage on the deforestation-free commodity regulations being debated and implemented in the UK, Europe, the United States, and latterly China. The working group aims to run for two years, and work will commence shortly; investors are invited to join the group.

11. IFRS – International Financial Reporting Standards; ISSB – International sustainability Standards Board
12. $14 Trillion Investor Coalition Urges FAO to Set Roadmap to 1.5C° for Food - FAIRR
*For illustrative purposes only – this is not a recommendation to buy or sell any security

Regional updates

UK - Q2 2022 voting summary

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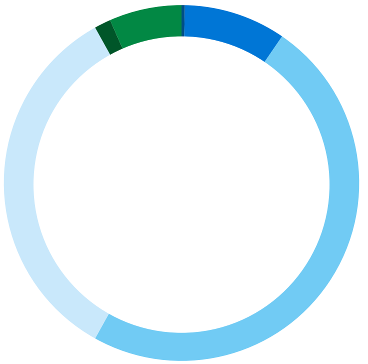
Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	222	1	0
Capitalisation	1128	31	0
Directors related	2200	162	0
Remuneration related	337	113	0
Reorganisation and Mergers	26	5	0
Routine/Business	1276	22	0
Shareholder Proposal - Compensation	1	0	0
Shareholder Proposal - Corporate Governance	0	0	0
Shareholder Proposal - Directors Related	0	0	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	3	0	0
Shareholder Proposal - Other/Miscellaneous	0	0	0
Shareholder Proposal - Routine/Business	0	0	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	5193	334	0
Total resolutions		5527	
No. AGMs		299	
No. EGMs		36	
No. of companies voted		315	
No. of companies where voted against management /abstained at least one resolution		146	
% no. of companies where at least one vote against management (includes abstentions)		46%	

Votes against management



- Anti-takeover related - 1
- Capitalisation - 31
- Directors related - 162
- Remuneration-related - 113
- Reorganisation and Mergers - 5
- Routine/Business - 22
- Shareholder Proposal - Compensation - 0
- Shareholder Proposal - Corporate Governance - 0
- Shareholder Proposal - Directors related - 0
- Shareholder Proposal - General Economic Issues - 0
- Shareholder Proposal - Health/Environment - 0
- Shareholder Proposal - Other/Miscellaneous - 0
- Shareholder Proposal - Routine/Business - 0
- Shareholder Proposal - Social/Human Rights - 0
- Shareholder Proposal - Social - 0

Number of companies voted for/against management

- No. of companies where we supported management
- No. of companies where we voted against management

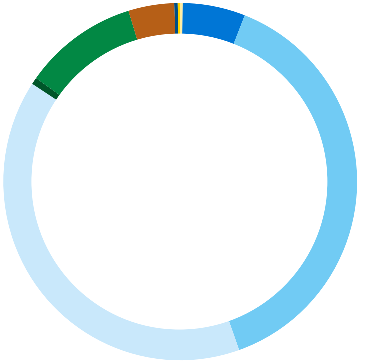
LGIM voted against at least one resolution at 46% of UK companies over the quarter.

Source for all data: LGIM as at 31 March 2022. The votes on this page and in the pages that follow represent voting instructions for our main FTSE pooled index funds.

Europe - Q2 2022 voting summary

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	8	3	0
Capitalisation	658	75	0
Directors related	1627	500	7
Remuneration related	563	520	0
Reorganisation and Mergers	53	8	0
Routine/Business	1748	134	3
Shareholder Proposal - Compensation	5	0	0
Shareholder Proposal - Corporate Governance	6	0	0
Shareholder Proposal - Directors Related	31	55	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	7	4	0
Shareholder Proposal - Other/Miscellaneous	3	3	0
Shareholder Proposal - Routine/Business	11	0	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	4720	1302	10
Total resolutions		6032	
No. AGMs		348	
No. EGMs		11	
No. of companies voted		352	
No. of companies where voted against management /abstained at least one resolution		321	
% no. of companies where at least one vote against management (includes abstentions)		91%	

Votes against management



- Anti-takeover related - 3
- Capitalisation - 75
- Directors related - 500
- Remuneration-related - 520
- Reorganisation and Mergers - 8
- Routine/Business - 134
- Shareholder Proposal - Compensation - 0
- Shareholder Proposal - Corporate Governance - 0
- Shareholder Proposal - Directors related - 55
- Shareholder Proposal - General Economic Issues - 0
- Shareholder Proposal - Health/Environment - 4
- Shareholder Proposal - Other/Miscellaneous - 3
- Shareholder Proposal - Routine/Business - 0
- Shareholder Proposal - Social/Human Rights - 0
- Shareholder Proposal - Social - 0

Number of companies voted for/against management

- No. of companies where we supported management
- No. of companies where we voted against management

LGIM voted against at least one resolution at 91% of European companies over the quarter.

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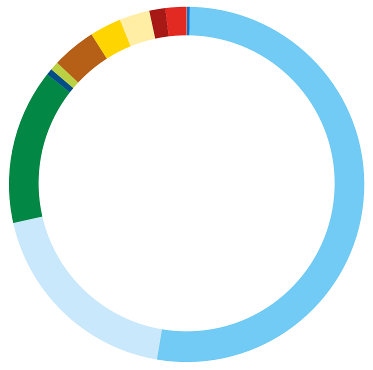
North America - Q2 2022 voting summary

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	64	1	0
Capitalisation	55	6	0
Directors related	3852	1253	5
Remuneration related	200	452	0
Reorganisation and Mergers	7	0	0
Routine/Business	244	339	0
Shareholder Proposal - Compensation	4	14	0
Shareholder Proposal - Corporate Governance	12	19	0
Shareholder Proposal - Directors Related	22	96	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	19	69	0
Shareholder Proposal - Other/Miscellaneous	16	66	0
Shareholder Proposal - Routine/Business	10	35	0
Shareholder Proposal - Social/Human Rights	15	46	0
Shareholder Proposal - Social	0	0	0
Total	4520	2396	5
Total resolutions		6921	
No. AGMs		531	
No. EGMs		7	
No. of companies voted		537	
No. of companies where voted against management /abstained at least one resolution		532	
% no. of companies where at least one vote against management (includes abstentions)		99%	

Votes against management



- Anti-takeover related - 1
- Capitalisation - 6
- Directors related - 1253
- Remuneration-related - 452
- Reorganisation and Mergers - 0
- Routine/Business - 339
- Shareholder Proposal - Compensation - 14
- Shareholder Proposal - Corporate Governance - 19
- Shareholder Proposal - Directors related - 96
- Shareholder Proposal - General Economic Issues - 0
- Shareholder Proposal - Health/Environment - 69
- Shareholder Proposal - Other/Miscellaneous - 66
- Shareholder Proposal - Routine/Business - 35
- Shareholder Proposal - Social/Human Rights - 46
- Shareholder Proposal - Social - 0

Number of companies voted for/against management

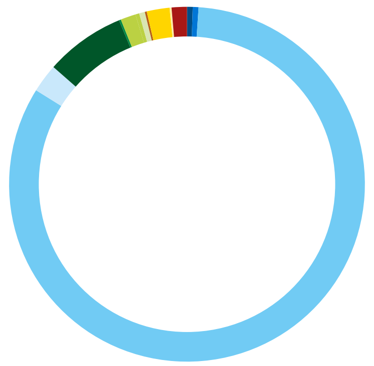
- No. of companies where we supported management
- No. of companies where we voted against management

LGIM voted against at least one resolution at 99% of North American companies over the quarter.

Japan - Q2 2022 voting summary

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	0	3	0
Capitalisation	1	3	0
Directors related	3586	478	0
Remuneration related	181	15	0
Reorganisation and Mergers	364	42	0
Routine/Business	260	1	0
Shareholder Proposal - Compensation	0	8	0
Shareholder Proposal - Corporate Governance	0	2	0
Shareholder Proposal - Directors Related	10	3	0
Shareholder Proposal - General Economic Issues	1	1	0
Shareholder Proposal - Health/Environment	34	12	0
Shareholder Proposal - Other/Miscellaneous	1	1	0
Shareholder Proposal - Routine/Business	33	8	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	4471	577	0
Total resolutions		5048	
No. AGMs		390	
No. EGMs		1	
No. of companies voted		391	
No. of companies where voted against management /abstained at least one resolution		287	
% no. of companies where at least one vote against management (includes abstentions)		73%	

Votes against management



- Anti-takeover related - 3
- Capitalisation - 3
- Directors related - 478
- Remuneration-related - 15
- Reorganisation and Mergers - 42
- Routine/Business - 1
- Shareholder Proposal - Compensation - 8
- Shareholder Proposal - Corporate Governance - 2
- Shareholder Proposal - Directors related - 3
- Shareholder Proposal - General Economic Issues - 1
- Shareholder Proposal - Health/Environment - 12
- Shareholder Proposal - Other/Miscellaneous - 1
- Shareholder Proposal - Routine/Business - 8
- Shareholder Proposal - Social/Human Rights - 0
- Shareholder Proposal - Social - 0

Number of companies voted for/against management

- No. of companies where we supported management
- No. of companies where we voted against management

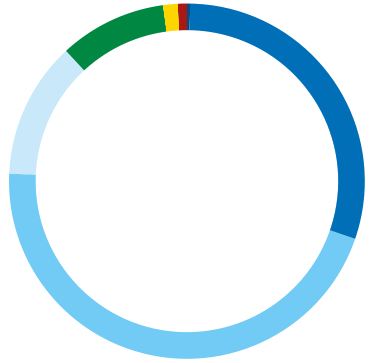
LGIM voted against at least one resolution at 73% of Japanese companies over the quarter.

Asia Pacific - Q2 2022 voting summary

Page 100

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	3	1	0
Capitalisation	138	111	0
Directors related	380	168	0
Remuneration related	27	46	0
Reorganisation and Mergers	24	0	0
Routine/Business	264	36	0
Shareholder Proposal - Compensation	0	0	0
Shareholder Proposal - Corporate Governance	0	0	0
Shareholder Proposal - Directors Related	5	0	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	2	5	0
Shareholder Proposal - Other/Miscellaneous	0	0	0
Shareholder Proposal - Routine/Business	0	3	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	843	370	0
Total resolutions		1213	
No. AGMs		118	
No. EGMs		17	
No. of companies voted		125	
No. of companies where voted against management /abstained at least one resolution		106	
% no. of companies where at least one vote against management (includes abstentions)		85%	

Votes against management



- Anti-takeover related - 1
- Capitalisation - 111
- Directors related - 168
- Remuneration-related - 46
- Reorganisation and Mergers - 0
- Routine/Business - 36
- Shareholder Proposal - Compensation - 0
- Shareholder Proposal - Corporate Governance - 0
- Shareholder Proposal - Directors related - 0
- Shareholder Proposal - General Economic Issues - 0
- Shareholder Proposal - Health/Environment - 5
- Shareholder Proposal - Other/Miscellaneous - 0
- Shareholder Proposal - Routine/Business - 3
- Shareholder Proposal - Social/Human Rights - 0
- Shareholder Proposal - Social - 0

Number of companies voted for/against management

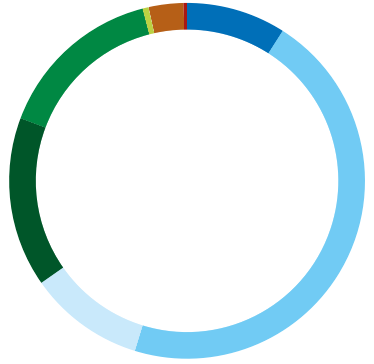
- No. of companies where we supported management
- No. of companies where we voted against management

LGIM voted against at least one resolution at 85% of Asia Pacific companies over the quarter.

Emerging markets - Q2 2022 voting summary

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	2	0	0
Capitalisation	1828	391	0
Directors related	4236	1557	420
Remuneration related	138	456	0
Reorganisation and Mergers	1917	668	0
Routine/Business	6853	660	0
Shareholder Proposal - Compensation	14	23	0
Shareholder Proposal - Corporate Governance	39	1	0
Shareholder Proposal - Directors Related	406	136	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	3	0	0
Shareholder Proposal - Other/Miscellaneous	0	0	0
Shareholder Proposal - Routine/Business	32	14	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	15468	3906	420
Total resolutions		19794	
No. AGMs		1190	
No. EGMs		357	
No. of companies voted		1260	
No. of companies where voted against management /abstained at least one resolution		947	
% no. of companies where at least one vote against management (includes abstentions)		75%	

Votes against management



- Anti-takeover related - 0
- Capitalisation - 391
- Directors related - 1557
- Remuneration-related - 456
- Reorganisation and Mergers - 668
- Routine/Business - 660
- Shareholder Proposal - Compensation - 23
- Shareholder Proposal - Corporate Governance - 1
- Shareholder Proposal - Directors related - 136
- Shareholder Proposal - General Economic Issues - 0
- Shareholder Proposal - Health/Environment - 0
- Shareholder Proposal - Other/Miscellaneous - 0
- Shareholder Proposal - Routine/Business - 14
- Shareholder Proposal - Social/Human Rights - 0
- Shareholder Proposal - Social - 0

Number of companies voted for/against management

- No. of companies where we supported management
- No. of companies where we voted against management

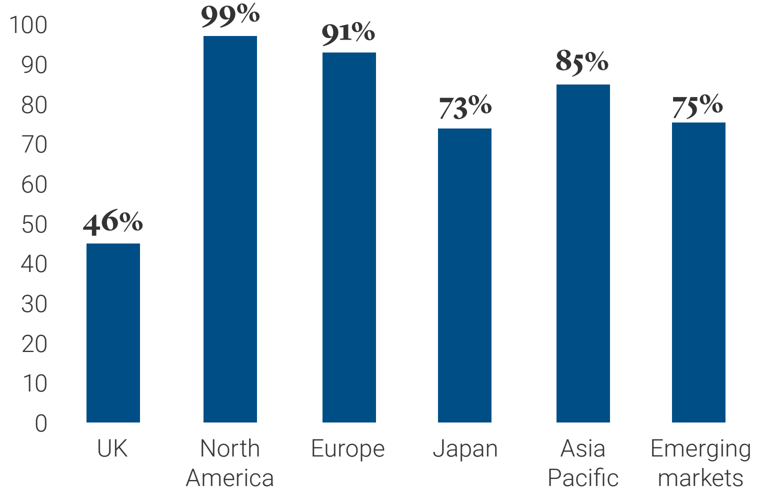
LGIM voted against at least one resolution at 75% of emerging market companies over the quarter.

Global - Q2 2022 voting summary

Page 101

Proposal category	Total for	Total against	Total abstentions	Total
Anti-takeover related	299	9	0	308
Capitalisation	3808	617	0	4425
Directors related	15881	4118	432	20431
Remuneration related	1446	1602	0	3048
Reorganisation and Mergers	2391	723	0	3114
Routine/Business	10645	1192	3	11840
Shareholder Proposal - Compensation	24	45	0	69
Shareholder Proposal - Corporate Governance	57	22	0	79
Shareholder Proposal - Directors Related	474	290	0	764
Shareholder Proposal - General Economic Issues	1	1	0	2
Shareholder Proposal - Health/Environment	68	90	0	158
Shareholder Proposal - Other/Miscellaneous	20	70	0	90
Shareholder Proposal - Routine/Business	86	60	0	146
Shareholder Proposal - Social/Human Rights	15	46	0	61
Shareholder Proposal - Social	0	0	0	0
Total	35215	8885	435	44535
Total resolutions				44535
No. AGMs				2876
No. EGMs				429
No. of companies voted				2980
No. of companies where voted against management /abstained at least one resolution				2339
% no. of companies where at least one vote against management (includes abstentions)				78%

% of companies with at least one vote against (includes abstentions)



Number of companies voted for/against management

- No. of companies where we supported management
- No. of companies where we voted against management

Global engagement summary

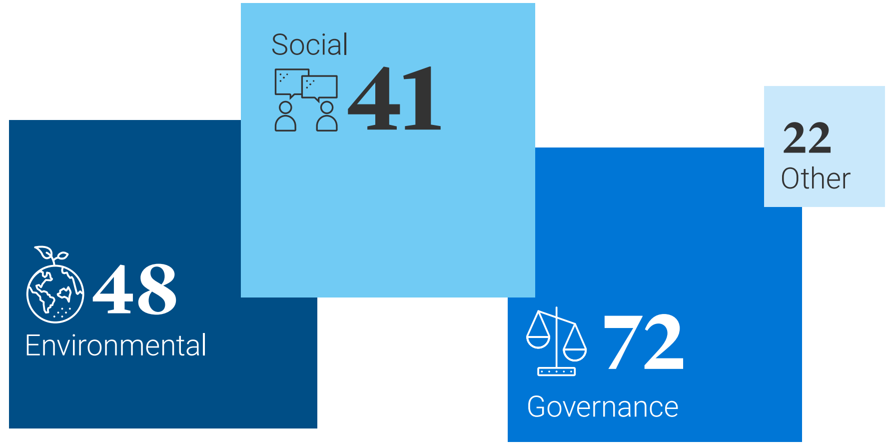
In Q2 2022, the Investment Stewardship team held

122 engagements **with** **103** companies

(vs. 158 engagements with 126 companies last quarter)

Breaking down the engagement numbers - Q2 2022

Breakdown of engagement by themes



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Engagement type

72 Company meetings

50 Emails / letters

Top five engagement topics*

44 Remuneration

29 Climate change

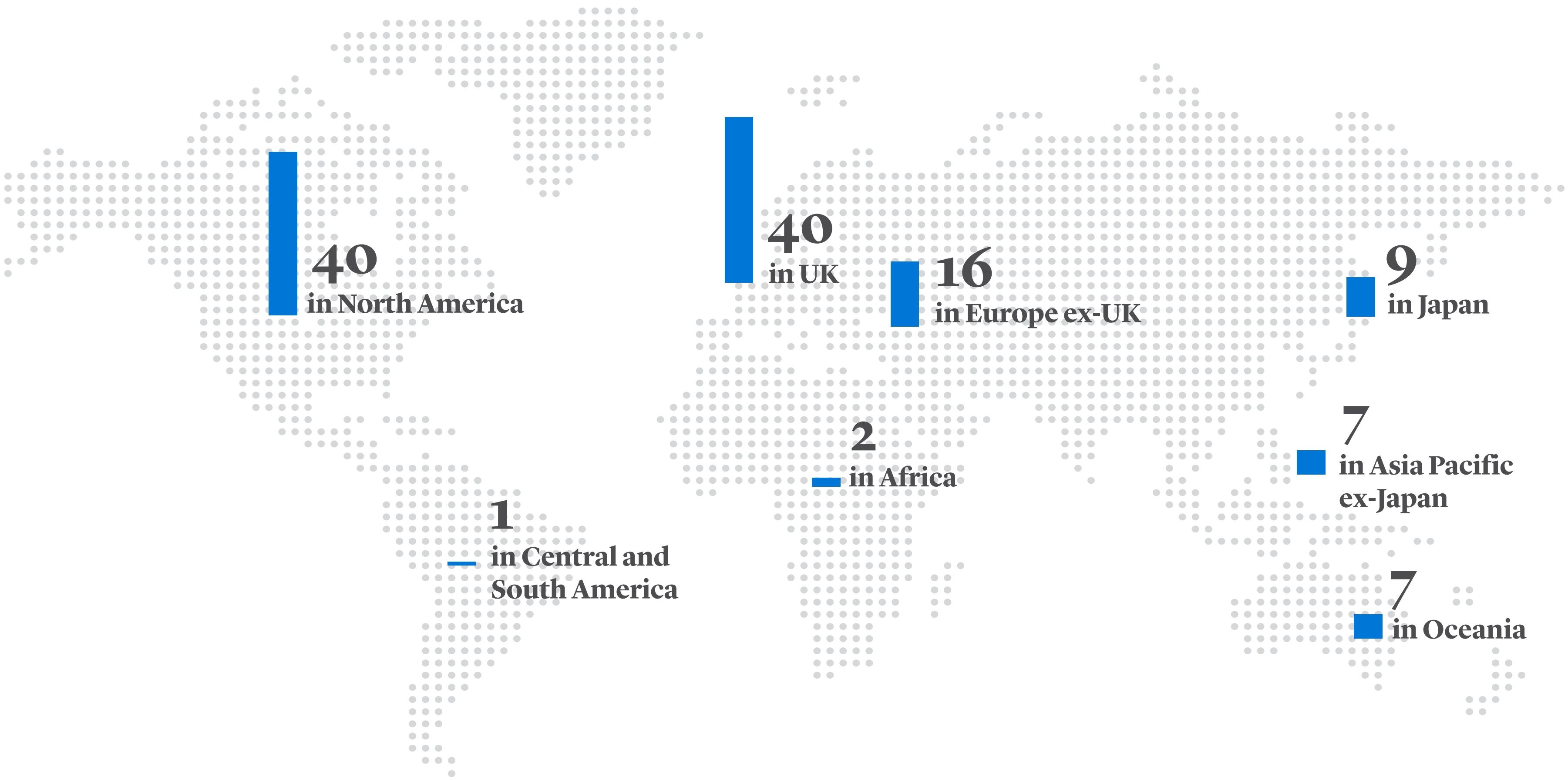
21 Board composition

14 Energy

13 Gender diversity

*Note: an engagement can cover more than a single topic

Regional breakdown of engagements



Contact us

For further information about LGIM, please visit lgim.com or contact your usual LGIM representative

Key Risks
The value of an investment and any income taken from it is not guaranteed and can go down as well as up; you may not get back the amount you originally invested. Assumptions, opinions and estimates are provided for illustrative purposes only. There is no guarantee that any forecasts made will come to pass. Reference to a particular security is on a historic basis and does not mean that the security is currently held or will be held within an LGIM portfolio. The above information does not constitute a recommendation to buy or sell any security.

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LGPS Central Limited

Stewardship Update

FIRST QUARTER · 2022-23 (APRIL – JUNE 2022)

CHESHIRE PENSION FUND

Derbyshire Pension Fund

Leicestershire County Council PENSION FUND

Nottinghamshire County Council

Shropshire County Pension Fund

Staffordshire Pension Fund Local Government Pension Scheme

West Midlands Pension Fund

Worcestershire Pension Fund

Responsible Investment & Engagement:

LGPS Central's approach

LGPS Central's approach to Responsible Investment & Engagement carries two objectives:

OBJECTIVE #1

Support investment objectives

OBJECTIVE #2

Be an exemplar for RI within the financial services industry, promote collaboration and raise standards across the marketplace

These are met through three pillars:

Our **Selection** of assets

Our **Stewardship** of assets

Our commitment to **Transparency & Disclosure**

This update covers LGPS Central's *stewardship* activity. Our stewardship efforts are supplemented by global engagement and voting services provided by EOS at Federated Hermes. For more information, please refer to our Responsible Investment & Engagement Framework and Annual Stewardship Report.

ADDITIONAL DISCLOSURES

- Responsible Investment & Engagement Framework
- Annual Stewardship Report
- Voting Principles
- Voting Disclosure
- Voting Statistics

Signatory of: PRI Principles for Responsible Investment

Signatory of: UK Stewardship Code | 2021

employers network for equality and inclusion Member

LGPS Advisory Board Code of Transparency

01 Summary of engagement and voting activity

Below is a high-level summary of key engagements and voting that have taken place during Q1 of the financial year 2022-23. These and other engagements and voting examples will be covered in more detail later in this update.

ENVIRONMENTAL

NextEra Energy publishes "Real Zero" plan by 2045: LGPS Central (LGPSC) co-signed a letter to NextEra's Lead Independent Director (LID), seeking a call to discuss two requests: 1) a net zero target consistent with a 1.5C pathway, and 2) the separation of Chair and CEO post-retirement of the incumbent. CA100+ has held constructive dialogues with the company about an explicit net zero carbon commitment that is aligned with a 1.5C temperature pathway. The company's Real Zero plan published in June is a promising step in this regard, though some gaps remain in particular on Scope 3 emissions disclosure and target setting.

As an escalation to the engagements on **micro-plastic pollution**, LGPSC co-signed a letter with two other investors on behalf of 29 investors with £5 billion in AUM to the ministers at DEFRA. In the letter we emphasised our support for the recommendations of the "All Party Parliamentary Group on Microplastics" issued in 2021, specifically to mandate the installation of microfibre filters in new washing machines by 2025.

SOCIAL

We held a meeting with **Booking Holdings** during the quarter to discuss their management of human rights risks in Occupied Palestinian Territories (OPT). In the meeting, we emphasised the need for the company to carry out human rights impact assessments in line with the UN Guiding Principles on Business and Human Rights.

Over the last two years, LGPSC has been a member of a collaborative investor-initiative that has successfully encouraged laggard **FTSE 350 companies** to meet the reporting requirements of Section 54 of the **Modern Slavery Act 2015**. Last quarter, 40 companies out of 44 in scope of the engagement are now meeting the minimum reporting standards of the Act.

GOVERNANCE

During the quarter, we have together with fellow 30% Investor Club members, and led by Royal London Asset Management, sent letters to **nine Japanese companies** to encourage better diversity and to seek more disclosure on diversity-related policies and targets. We held a meeting with one company in the industrials sector, that places importance on diversity across the organisation but faces challenges in some regards. The company has a board of 10 members with only one female director. The investor group expects to follow up with the company on having a specific board diversity policy and to encourage a greater degree of board training/mentoring that could allow a wider pool of candidates to be considered.

Voting highlights

AMAZON.COM INC.

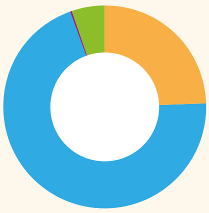
We supported several shareholder proposals at Amazon's AGM on 25 May, including two directly linked to our stewardship themes **plastic pollution** and **tax transparency**. These proposals received approx. 49% and 18% support respectively. Although neither proposal met the required support to be passed, we are encouraged by the upward trend in support and will use these resolutions to drive engagement with the company. See further detail on page 13.

JPMORGAN CHASE & CO.

PMorgan granted chief executive Jamie Dimon a one-off special award valued at $50mn on top of his $34.5mn 'normal' compensation. In our view, the additional award, which was intended to reflect the board's desire to retain Mr. Dimon, generates succession planning concerns as well as being **exceedingly high in quantum**. 68.98% of shareholders voted against the 'say on pay'; the first time the bank's board has lost such a vote since it was introduced in 2009. See further detail on page 14.

GLOBAL VOTING

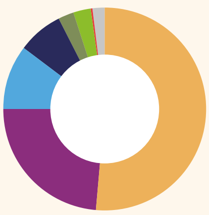
We voted at **2,040** meetings (**28,433** resolutions) over the last quarter.



- Total meetings in favour **24.7%**
- Meeting against (or against AND abstain) **70.0%**
- Meetings abstained **0.2%**
- Meetings with management by exception **5.1%**

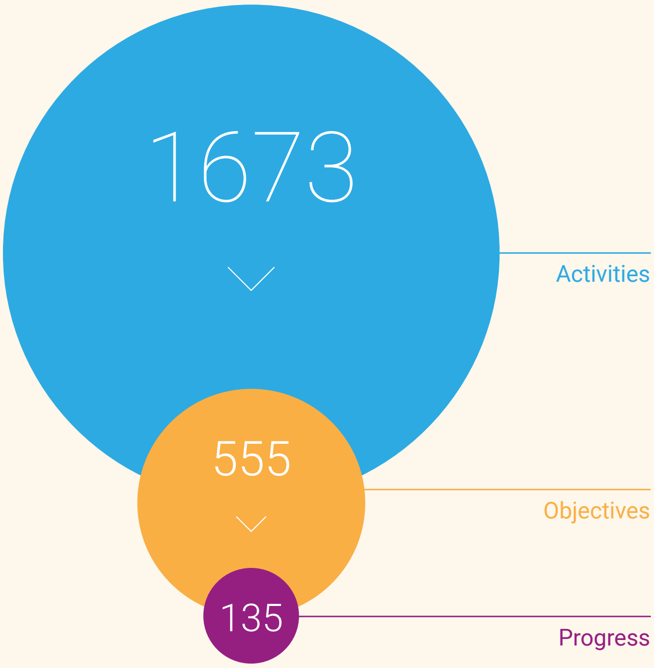
GLOBAL VOTING

We voted against or abstained on **4,616** resolutions over the last quarter.



- Board structure **51.5%**
- Remuneration **23.6%**
- Shareholder resolution **10.2%**
- Capital structure and dividends **7.3%**
- Amend articles **2.4%**
- Audit and accounts **2.8%**
- Investment/M&A **0.0%**
- Poison pill/Anti-takeover device **0.2%**
- Other **1.9%**

ENGAGEMENT ACTIVITY DURING THE QUARTER



02 Engagement Case Studies

Below, we give more detailed examples of ongoing or new engagements which relate to the four Stewardship Themes that have been identified in collaboration with our Partner Funds.

Our Stewardship Themes are:

- Climate change
- Plastic
- Fair tax payment and tax transparency
- Human rights risks

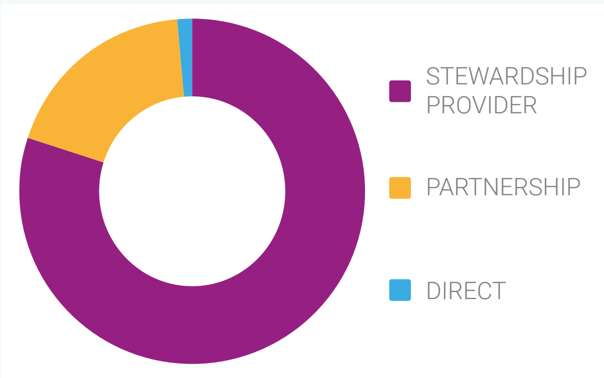
This quarter our engagement set[1] comprised 558 companies. There was engagement activity on 1,673 engagement issues and objectives[2]. The high number of engagement issues reflects the fact that April – June is Annual General Meeting (AGM) season for key markets and we or our partners frequently raise multiple issues with companies around the time of an AGM. These issues are not necessarily tied in with ongoing engagements or with specific engagement objectives. Against 555 specific objectives, there was achievement of some or all on 135 occasions. Most engagements were conducted through letter issuance or remote company meetings, where we, our partners or our stewardship provider in a majority of cases met or wrote to the Chair, a Board member or a member of senior management.

[1] This includes engagements undertaken directly, in collaboration, and via our contracted Stewardship Provider.
[2] There can be more than one engagement issue per company, for example board diversity and climate change.

CLIMATE CHANGE ENGAGEMENTS

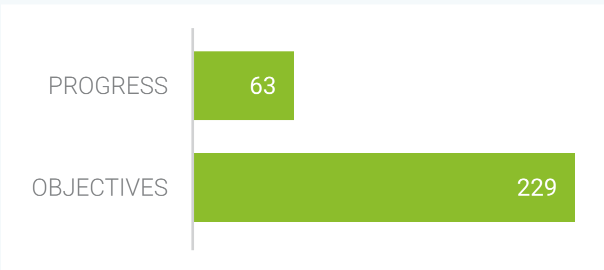
This quarter, our climate change engagement set comprised 217 companies with 404 engagement issues and objectives[3]. There was progress on 63 specific engagement objectives against a total of 229 objectives.

ENGAGEMENT VOLUME BY TYPE



- 404 engagements during the quarter
- Majority of engagements undertaken via CA100+
- Utility company NextEra Energy publishes "Real Zero" plan by 2045

ENGAGEMENT VOLUME BY OUTCOME



NEXTERA ENERGY, INC

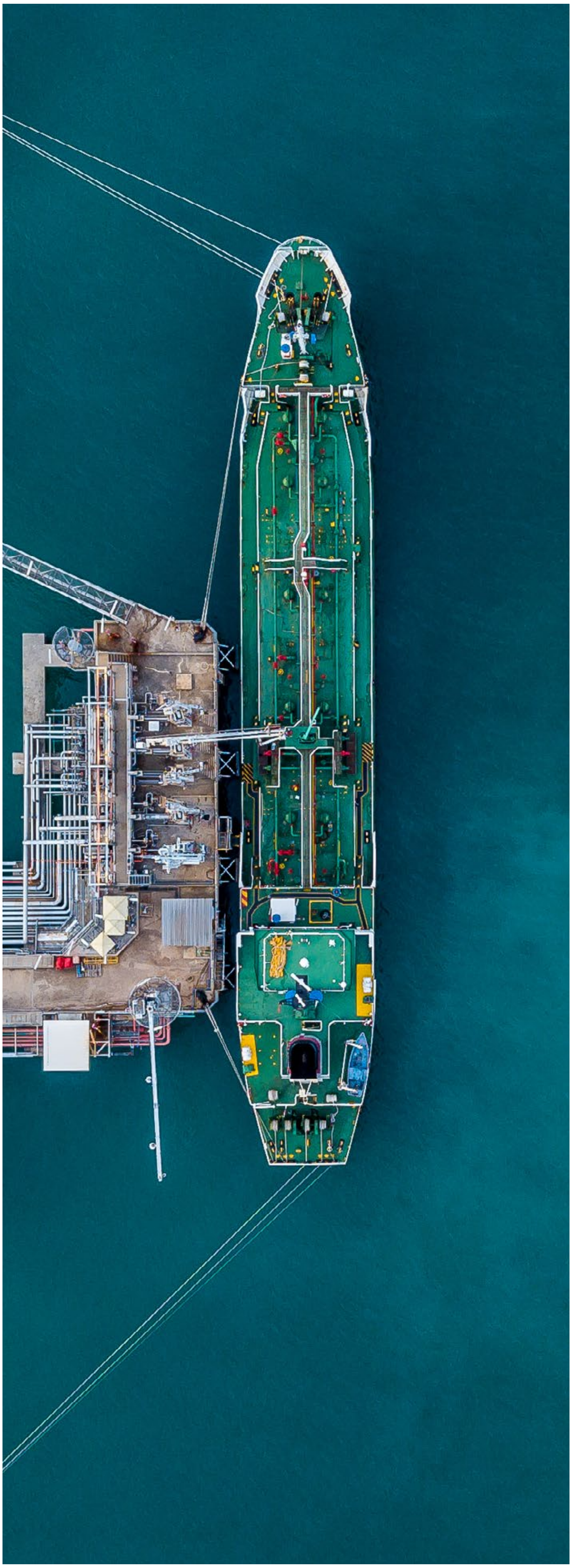
Theme: Climate change

Objective: We expect companies to consider relevant, material social and environmental risk factors in their long-term strategic business planning. LGPSC's engagement with NextEra centres around the ongoing CA100+ initiative.

Engagement: In March 2022, LGPSC co-signed a letter addressed to NextEra's Lead Independent Director. The letter, which was copied to the rest of the Board, seeks a call to discuss two requests: 1) a net zero target consistent with a 1.5C pathway, and 2) the separation of Chair and CEO post-retirement of the incumbent. CA100+ has held constructive dialogues with the company about an explicit net zero carbon commitment that is aligned with a 1.5C temperature pathway.

Outcome: Our ask to separate the Chair and CEO did not get support from the company. Subsequently, we voted against the Lead Director due to the lack of response for our call to engage. The company released its updated ambition on carbon emissions in June. The plan, dubbed Real Zero, calls for significant investments to eliminate all scope 1 and scope 2 carbon emissions across NextEra Energy's operations by no later than 2045. LGPSC welcomes the company's increased ambition but recognises that more work needs to be done for the company to be fully aligned with Paris goals, in particular greater disclosure and target setting on Scope 3 emissions. We will seek further dialogue with the company alongside peer CA100+ investors in the near future.

[3] There can be more than one climate-related engagement issue and/or objective per company.



SHELL

Theme: Climate Change

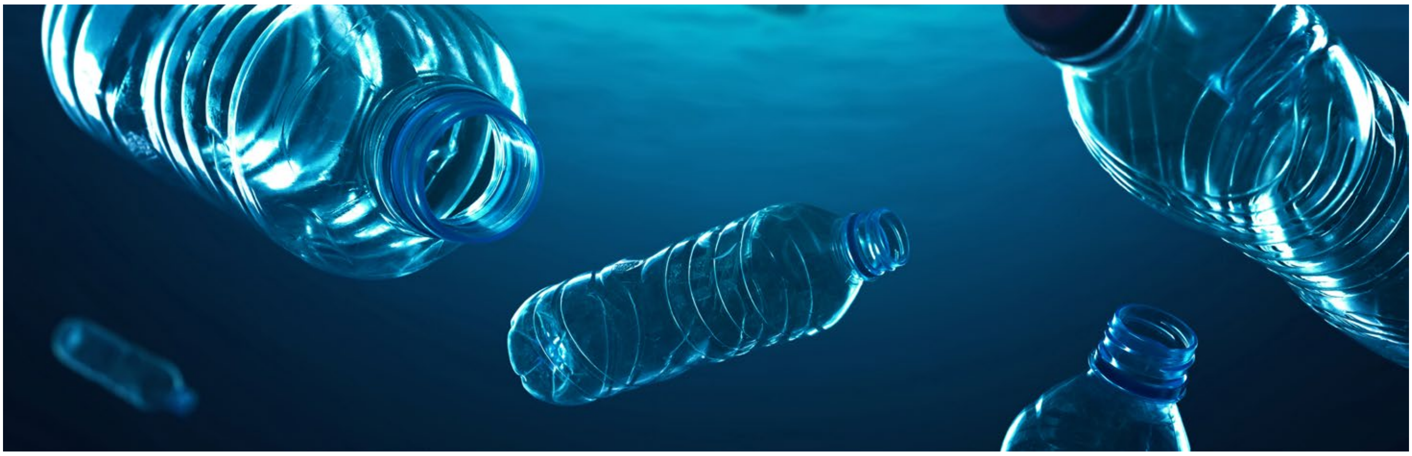
Objective: We expect companies, across sectors, to present a climate transition plan with an explicit net zero by 2050 target to shareholders for advisory voting at three-year intervals, as a minimum. Net zero strategies should be expressed in absolute emissions, not emissions intensity only, and cover the full lifecycle of emissions, as well as establish short and medium-term targets that demonstrate how net zero by 2050 can be achieved. This helps investors assess a company's response to the risks and opportunities presented by climate change relative to the goals of the Paris Accord. Shell has set a net zero by 2050 ambition and provided shareholders a plan on how this will be achieved, however gaps remain as per below.

Engagement: Through constructive CA100+ engagement, Shell was the first in its sector to allow investors an advisory vote on its climate strategy at the 2021 AGM which passed with 88.7% support. At the 2022 AGM, Shell provided shareholders a progress update on the energy transition plan which was met by 20.1% opposition among shareholders including LGPSC. With this level of opposition (above 20%), Shell is required to engage and consult shareholders on their concerns.

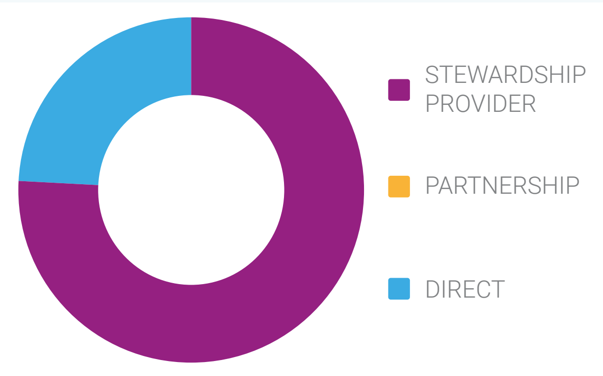
Outcome: We welcome steps taken by Shell including a commitment to deploy 45-50% of its capex on low and zero carbon projects between 2025 and 2030, which is an improvement from its 24% target in 2021. Furthermore, Shell has set an ambition to reduce oil production by 10-20% by 2030, which will reduce its Scope 3 emissions. However, this does not align with the 28% reduction in oil production forecast by the International Energy Agency's Net Zero Scenario (NZE) as a requirement to meet a 1.5C target. Furthermore, the company has failed to disclose absolute emissions associated with its net carbon intensity targets. Shell continues to lack an operating plan and budget to meet its 2050 goals and its long-term oil price assumption of $60 per barrel in 2030 is considerably higher than the IEA's NZE scenario of $36 per barrel. LGSPC will communicate our expectations in this regard to the company and continue engagement as part of CA100+.

PLASTIC ENGAGEMENTS

This quarter our single-use plastics engagement set comprised 23 companies with 29 engagement issues and objectives[4]. There was progress on 8 specific engagement objectives against a total of 14 objectives.

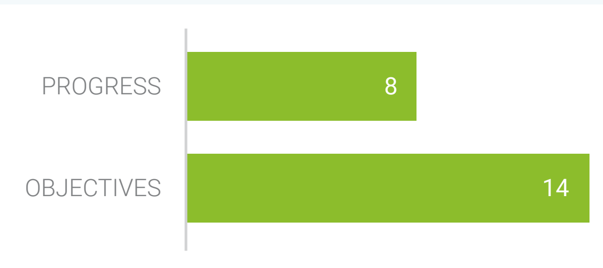


ENGAGEMENT VOLUME BY TYPE



- 29 engagements during the quarter
- Engagement with six packaging companies brought to close after good progress
- Letter to the ministers at DEFRA asking to mandate the installation of microfibre filters in new washing machines by 2025

ENGAGEMENT VOLUME BY OUTCOME



PRI PLASTICS WG (SUB-GROUP) – ENGAGEMENT WITH SIX PACKAGING COMPANIES

Theme: Plastic pollution

Objective: Engagement project with six packaging companies, asking these to reduce, re-use and replace fossil-fuel based plastics in their packaging products.

Engagement: Meetings have been held with senior management at **Amcor (Australia)**, **Berry Global (US)**, **Huhtamaki Oyj (Finland)**, **LyondellBasell (US)**, **Mondi (UK)** and **Sealed Air (US)**. We have asked for more transparency on materials used, (more ambitious) targets for the use of more sustainable and circular materials, and ESG performance indicators in executive remuneration. Companies have responded positively to our asks e.g., by introducing SASB reporting standards providing more insight into materials used. Overall, dialogues have been very constructive. All companies have set plastic reduction/recycling/reuse targets which show ambition. We have also seen progress with companies on adding ESG related KPIs in remuneration. We would like to see removal of plastics and use of alternative materials scaled up.

Outcome: This engagement project will now be closed after two years due to steady progress by these packaging companies. While we would like to see greater ambition (short/medium-term targets) and greater degree of removal of plastics, we are now considering whether engagement effort should be focused on another part of the plastics value chain. We will discuss next steps with investor collaborators during Q3 2022.

[4] There can be more than one plastic-related engagement issue and/or objective per company.

DEPARTMENT OF ENVIRONMENT, FOOD AND RURAL AFFAIRS (DEFRA)

Theme: Plastic pollution (microfibers)

Objective: Through a microplastics engagement project led by First Sentier Investors, we seek to encourage domestic and commercial washing machine manufacturers to add filter technology as standard to all new washing machines produced by the end of 2023. This is to help combat microplastics pollution to the environment, a problem caused in large proportion by synthetic textiles which release microfibres (a type of microplastic) when washed. A first round of engagements with 13 target companies have been held during 2021. One company, Arcelik, has launched a machine under the Grundig brand with a filter fitted as standard in the UK (Fibrecatcher).

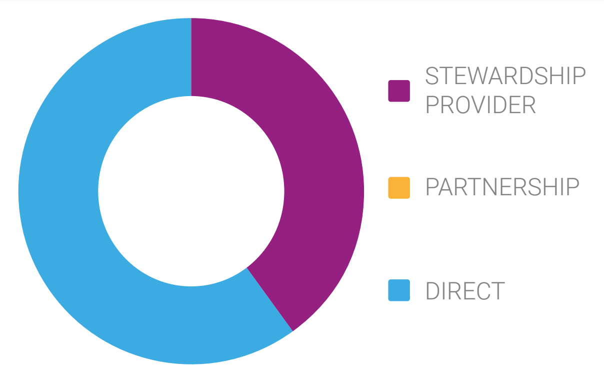
Engagement: As an escalation to the engagements, LGPSC co-signed a letter with First Sentier Investors and LGIM, on behalf of 29 investors with £5 billion AUM, to the ministers at DEFRA. In the letter, we emphasised our support for the recommendations of the "All Party Parliamentary Group on Microplastics" issued in 2021, specifically to mandate the installation of microfibre filters in new washing machines by 2025. We also highlighted Alberto Costa MP's Microplastic Filters (Washing Machines) Bill that would allow the government to take this legislation forward appropriately.

Outcome: The letter was sent in May 2022. We will seek direct dialogue with ministers at DEFRA and monitor the legislation, alongside further engagements with companies.

FAIR TAX PAYMENT AND TAX TRANSPARENCY ENGAGEMENTS

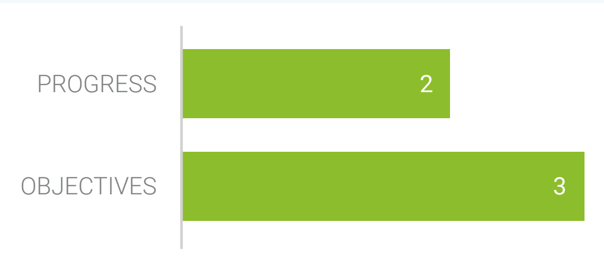
This quarter, our tax transparency engagement set comprised 5 companies with 5 engagement issues and objectives. There was progress on two specific engagement objectives against a total of three objectives.

ENGAGEMENT VOLUME BY TYPE



- 5 engagements during the quarter
- Two companies publish stand-alone tax reports following investor engagement

ENGAGEMENT VOLUME BY OUTCOME



BARRICK GOLD CORPORATION AND EXPERIAN LTD.

Theme: Responsible tax behaviour

Objective: We aim for positive interactions at senior levels of target companies and acknowledgement of lack of tax transparency as a business risk, along with commitments to strategies or targets to manage those risks.

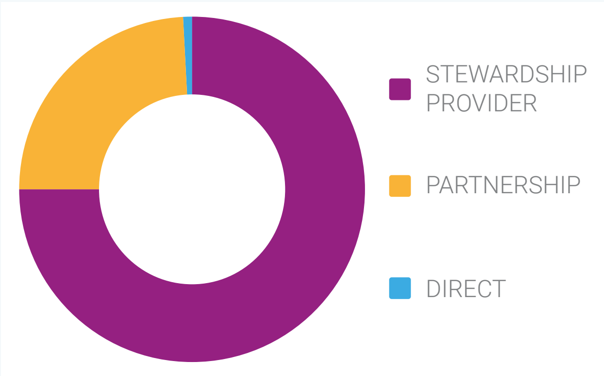
Engagement: Together with four fellow European institutional investors we have had constructive engagement with six global companies to discuss tax transparency and responsible tax behaviour. A core expectation from investors is that the companies share tax-relevant Country-by-Country Reporting (CBCR) with shareholders so that we can make a meaningful assessment of their tax behaviour. CBCR should show the activity of an organisation in a jurisdiction, allowing shareholders and wider stakeholders a view of how the activity corresponds to tax paid. The underlying aim is to ensure that multinational enterprises are taxed where their economic activities take place, and value is created. Two of the companies, Barrick Gold and Experian, published stand-alone tax reports during the quarter. We welcome the companies' stand-alone tax reports which we consider an acknowledgement by the companies of the risks around tax behaviour.

Outcome: We will analyse both tax reports against best practices – we consider the Global Reporting Initiative (GRI) as the gold standard. Following these analyses, we will engage with the companies on next steps. There are also further opportunities to engage on the subject as LGPSC has signed up to the UNPRI Tax Reference Group.

HUMAN RIGHTS

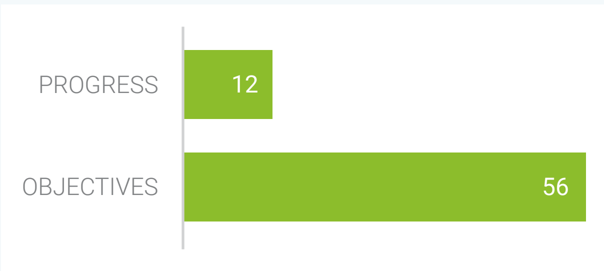
This quarter our human rights related engagements comprised 90 companies with 124 engagements issues and objectives. There was progress on 12 specific engagement objectives against a total of 56 objectives.

ENGAGEMENT VOLUME BY TYPE



- 124 engagements during the quarter
- Phase III of ongoing engagement project on modern slavery sees progress among 44 FTSE 350 on compliance with the UK Modern Slavery Act
- Engagement with Booking Holdings on human rights risks in Occupied Palestinian Territories

ENGAGEMENT VOLUME BY OUTCOME



44 FTSE 350 COMPANIES

Theme: Human Rights (Modern Slavery)

Objective: Over the last two years, LGPSC has been a member of a collaborative investor-initiative convened by Rathbones Group Plc (Rathbones) that has successfully encouraged laggard **FTSE 350 companies** to meet the reporting requirements of Section 54 of the Modern Slavery Act 2015. According to the Act, companies with a turnover of more than £36 million per year must publish a modern slavery statement and ensure that the statement is approved by the board; signed by a director; and reviewed annually and published on the company's UK website.

Engagement: In the course of 2021, we engaged 61 FTSE350 companies asking for Modern Slavery Act compliance. As per end 2021, all companies have responded and are now compliant. Initial positive responses have given an opening for meetings to discuss companies' approaches to modern slavery. Following up on that success, we co-signed letters to 44 companies that have failed to meet the minimum reporting standards of the Modern Slavery Act 2015.

Outcome: As per end of June 2022, 40 of these companies are compliant with the Act. We are following up with further engagement and monitoring of progress.

BOOKING HOLDINGS INC

Theme: Human Rights (Conflict Areas)

Objective: We expect businesses that operate in areas of war and conflict to take particular care to respect human rights. The Israeli-Palestinian conflict poses clear human rights risks for companies, but the sensitive political situation makes engagement challenging.

Engagement: LGPSC has taken part in dialogue with Booking Holdings Inc, led by LAPFF. In a meeting held this quarter, we discussed steps that the company is taking to manage human rights risks from its operations in the Occupied Palestinian Territories (OPT). Booking has recently published a human rights statement which touched on the topic of conflict areas, although not specifically OPT. The company is working with a third-party consultant to understand their firmwide human rights risks and the consultant has helped with the drafting of the human rights statement.

Outcome: We are pleased that the company is willing to engage on this sensitive issue. Booking indicates that they have plans to undertake enhanced due diligence related to their businesses in OPT. It remains to be seen whether this will be shared publicly.

03 Voting

POLICY

For UK listed companies, we vote our shares in accordance with a set of bespoke LGPSC UK Voting Principles. For other markets, we consider the recommendations and advice of our third-party proxy advisor, EOS at Federated Hermes.

COMMENTARY

Between April – June 2022, we:

- Voted at 2,040 meetings (28,433 resolutions) globally
- Opposed one or more resolutions at 1,427 meetings
- Voted with management by exception at 104 meetings
- Abstained at five meetings
- Supported management on all resolutions at the remaining 504 meetings.

A full overview of voting decisions for securities held in portfolios within the Company's Authorised Contractual Scheme (ACS) – broken down by market, issues and reflecting number of votes against and abstentions – can be found here.

A record number of proposals were filed by shareholders during what turned out to be a busy proxy season for investors. Social issues rise up the agenda whilst climate remains a keen topic for investors. Meanwhile, LGPSC also supported shareholder resolutions on tax transparency at Amazon.com and living wages for employees at Sainsbury's.

Management-proposed say-on-climate votes gained momentum in 2022 following its debut in 2021. There were approximately 30 such votes, asking shareholders to approve transition plans or providing an update on previously approved plans. LGPSC continues to take a robust approach to assessing these plans and voted against a number, which we considered to be not fully aligned to 1.5°C scenario, including plans proposed by BP, Rio Tinto, Glencore, Shell and Barclays.

LGPSC's activities during this voting season include filing a shareholder proposal on climate action at the Swiss bank Credit Suisse, which we detailed in Q4 2021-22 stewardship update. We also analysed various shareholder proposals on climate action and supported proposals aligned with our expectations. On other stewardship themes, we ratcheted up expectations and supported proposals covering tax, plastic pollution and human rights across multiple AGMs.

EXAMPLES OF VOTING DECISIONS

AMAZON.COM INC.

Theme: Plastic pollution, tax transparency

Rationale: LGPSC supported eleven shareholder proposals at Amazon's AGM on 25 May. We supported the shareholder proposal on packaging materials to encourage better plastic-related risk management, in-line with one of our core stewardship objectives. We observed that Amazon has not disclosed its plastic usage throughout its supply chain. As such, shareholders have a hard time assessing the progress made by the company. Further, compared to some of its peers, Amazon has not joined the Ellen Macarthur Foundation initiative which in our view is the leading collaboration for reducing plastic use.

We also supported the proposal on responsible tax behaviour asking Amazon to disclose global tax practices and risks to investors, by producing a tax transparency report aligned to the Global Reporting Initiative (GRI) Tax Standard. This is generally aligned to our engagement strategy on the subject. In past engagement with other companies, we have asked for board oversight of tax policy and risk assessment; greater disclosure of tax strategy and policy; robust management of tax related risks, including preferably a country-by-country tax disclosure; link between company's purpose, sustainability goals and tax strategy; and engagement with tax policy makers and other stakeholders. We also consider the GRI Tax Standard as the global reporting benchmark in responsible tax behaviour. LGPS Central was one of the signatories of a letter to the SEC which asked for this proposal to be allowed.

Result: Neither of the proposals met the required shareholder support to be passed. However, we are encouraged by the trend in shareholder support (nearly 49% support for the plastic-related proposal and 18% support for the tax transparency proposal), and are using the resolutions to drive engagement with the company. During the quarter, we sent a letter to the company to explain our voting rationale and to request future dialogue on both these matters.

BARCLAYS PLC

Theme: Climate change

Rationale: Barclays published its updated climate strategy, targets and progress report for an advisory vote at its AGM on 4 May. Following an analysis of the report as well as a review of our long-standing engagement with the bank, LGPSC decided to vote against the resolution. While Barclays has taken some positive steps on climate, our analysis shows that the bank has yet to fully align with a 1.5C trajectory. We were concerned with the bank's target ranges for emissions intensity for several high emitting sectors which in our view were not aligned with IEA NZE and may not lead to absolute emission reductions. The bank's planned exit from US coal power generation is also later than the limit set by IEA NZE. Further, our analysis shows that despite setting a reasonably robust net zero ambition, some of Barclays' restrictive sector policies (e.g., on financing for oil sands production) are insufficient making the bank an outlier among European peers. Given our own net zero ambition, we believe that supporting the "Say on Climate" vote would run counter to our ambition and send the wrong signal to our stakeholders.

Result: 19.19% of shareholders voted against this proposal. As a continuation of our engagement with the company, we have sent a letter to the Group Chair to explain our voting decision and encourage further dialogue on the matter.

JPMORGAN CHASE & CO.

JPMorgan Chase & Co.

Theme: Executive remuneration, climate change

Rationale: JPMorgan granted chief executive Jamie Dimon a one-off special award valued at $50mn on top of his $34.5mn 'normal' compensation. In our view, the additional award, which was intended to reflect the board's desire to retain Mr. Dimon, generates succession planning concerns as well as being exceedingly high in quantum. It also does not reflect the institutional failure around compliance violations which has led to multiple fines paid by the bank. To reflect our disagreement, we opposed the resolution to ratify executive compensation and we opposed a director who sits on the compensation committee.

Furthermore, we supported a shareholder proposal requesting the bank to adopt a fossil fuel financing policy consistent with IEA's net zero 2050 scenario. This is in line with our votes at other major banks on the issue. We believe financial institutions play a major role in the transition and we continue to advocate banks to set a higher bar.

Result: 68.98% of shareholders voted against the 'say on pay'; the first time the bank's board has lost such a vote since it was introduced in 2009. While the vote is non-binding, the result prompted the board to state that it will take note of the result when considering future compensation packages. The climate resolution received 11.55% support, broadly in line with the level received by similar shareholder proposals at other major American banks. We will write a letter to the company to explain our vote and encourage further dialogue.

META PLATFORMS, INC.

Meta

Theme: Human rights

Rationale: LGPSC supported eight shareholder proposals at the meeting and abstained from voting one. We abstained from voting a shareholder proposal which asks Meta for a report and advisory vote on metaverse, covering an array of human rights harm inherent in the technology.

We share the proponent's view that it is reasonable to request additional disclosure around human rights-related due diligence on the metaverse. In our view, Meta's track record from its existing businesses and platforms, as well as the significant resource allocation has elevated the risks around the pivot to metaverse. Our decision to abstain is due to our view that an advisory vote on matters of corporate strategy encroaches on the remit of the board and have implications for board accountability. We consider that such a vote could set a precedent and prefer to use other mechanisms to hold management to account for strategy related matters.

Result: We have sent a letter to the company to explain our decision to abstain from voting the resolution. Meta's inaugural human rights report is expected to be published in the second half of 2022 and we have encouraged the company to discuss the report with shareholders thereafter.

LGPS CENTRAL LIMITED'S

Partner Organisations

LGPS Central actively contributes to the following investor groups

30% Club GROWTH THROUGH DIVERSITY

BVCA British Private Equity & Venture Capital Association

CDP DISCLOSURE INSIGHT ACTION

Climate Action 100+ Global Investors Driving Business Transition

Federated Hermes

IIGCC Institutional Investors Group on Climate Change

ICGN International Corporate Governance Network

Local Authority Pension Fund Forum

PENSIONS FOR PURPOSE

PRI Principles for Responsible Investment

Transition Pathway Initiative

THE INVESTOR FORUM

All information is prepared as of **27/07/2022**.

This document is intended for **PROFESSIONAL CLIENTS** only.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
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