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Helen Barrington
Director of Legal and Democratic Services
County Hall
Matlock
Derbyshire
DE4 3AG

Extension 38357
Direct Dial 01629 538357
Ask for Danny Sunderland

PUBLIC

To: Members of Pensions and Investments Committee

Tuesday, 30 May 2023

Dear Councillor,

Please attend a meeting of the **Pensions and Investments Committee** to be held at **10.30 am** on **Wednesday, 7 June 2023** 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. Minutes (Pages 1 - 4)

   To confirm the non-exempt minutes of the meeting of the Pensions and Investments Committee held on 26 April 2023.

4. Investments Report (Pages 5 - 74)

5. Stewardship Report (Pages 75 - 98)

6. Exclusion of the Public

   To move “That under Regulation 21 (1)(b) of the Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2000, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972”

PART II - EXEMPT ITEMS

7. Local Government Pension Scheme Investment Pooling (Pages 99 - 138)

PUBLIC

MINUTES of a meeting of **PENSIONS AND INVESTMENTS COMMITTEE** held on Wednesday, 26 April 2023 at the Council Chamber, County Hall, Matlock.

PRESENT

Councillor D Wilson (in the Chair)

Councillors P Smith, N Atkin, L Care, M Foster, G Musson and M Yates.

Also in attendance was M Fairman, D Kinley, A Nelson, N Smith and S Webster.

Apologies for absence were submitted for Councillor B Bingham and M Carr.

23/23 TO RECEIVE DECLARATIONS OF INTEREST (IF ANY)

There were no declarations of interest.

24/23 TO CONFIRM THE NON-EXEMPT MINUTES OF THE MEETING HELD ON 8 MARCH 2023

The non-exempt minutes of the meeting held on 08 March 2023 were confirmed as a correct record.

25/23 ACTUARIAL VALUATION & PROVISION OF ACTUARIAL SERVICES

The Committee had been presented with a report by the Head of Pension Fund D Kinley on the Derbyshire Pension Fund's Report on the Actuarial Valuation at 31 March 2022.

Updates had been provided on the current procurement process in respect of the provision of actuarial services and delegation was sought for the Director of Finance & ICT to approve the appointment of a provider of actuarial services following completion of the procurement evaluation process.

RESOLVED to

1) receive and consider Derbyshire Pension Fund's Report on the Actuarial Valuation at 31 March 2022;

2) note the current procurement process in respect of the provision of actuarial services; and

3) delegate to the Director of Finance & ICT, approval of the appointment of a provider of actuarial services following completion of the procurement evaluation process.

26/23 STEWARDSHIP CODE

The Committee had been presented with a report by officer N Smith with the aim to obtain the Pensions and Investments Committee's approval for Derbyshire Pension Fund's (the Fund) application to become a signatory to the UK Stewardship Code 2020.

RESOLVED to

1) approve the Fund's proposed UK Stewardship Code 2020 application for submission to the FRC by 31 May 2023; and

2) delegate approval of the Fund's final UK Stewardship Code 2020 application, and approval of its submission to the FRC, to the Director of Finance & ICT, in consultation with the Chair of the Pensions and Investments Committee.

27/23 UNQUOTED INVESTMENTS

The Committee had been presented with a report by officer N Smith requesting that authorisation for approving all unquoted investment commitments, including commitment re-ups (i.e. an increase in a commitment to an existing unquoted investment), be delegated to the Director of Finance & ICT.

RESOLVED to

1) delegate approval for all future unquoted commitments, including re-ups, to the Director of Finance & ICT.

28/23 HALF-YEAR PENSION ADMINISTRATION PERFORMANCE REPORT

The Committee had been presented with a report by officer S Webster notifying the Pensions and Investments Committee of the administration activity undertaken by the Pension Administration Team of Derbyshire Pension Fund, and the performance levels achieved, in the second half of 2022/2023.

RESOLVED to

1) note the workloads and performance levels outlined in the report; and

2) note the interim review of the Pension Administration Strategy.

29/23 RISK REGISTER

The Committee had been presented with a report by the Head of

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Pension Fund D Kinley requesting the Pensions and Investments Committee consider the Derbyshire Pension Fund's (the Fund) Risk Register.

RESOLVED to

1) note the risk items identified in the Risk Register.

30/23 EXCLUSION OF THE PUBLIC

31/23 SUMMARY OF AADPS & OMBUDSMAN ESCALATIONS DURING 2022/23

The Committee had been presented with a report by officer S Webster summarising for the Committee, as the administering authority of Derbyshire Pension Fund (the Pension Fund/Fund), as well as asking the Committee to note the appeals which had been adjudicated by the authority at Stages 1 and 2 of the Application for the Adjudication of Disagreements Procedure (AADP), and separately, those which were submitted to and/or determined by The Pensions Ombudsman (the Ombudsman) during the period 1 April 2022 to 31 March 2023.

RESOLVED to note

1) the summary of adjudications by the administering authority;
2) the cases escalated to, and determined by The Pensions Ombudsman during 2022/2023;
3) the cases escalated to The Pensions Ombudsman earlier than 2022/23 and where a determination is still outstanding;
4) the improved and simplified processes and routes for scheme member's to directly engage with the Pension Fund;
5) the payment of sums in recognition of distress and inconvenience where appropriate, where the Fund has identified maladministration; and
6) the training delivered to employers to reduce the likelihood of future cases being escalated to AADP Stage 2 or The Pensions Ombudsman.

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FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

PENSIONS AND INVESTMENTS COMMITTEE

WEDNESDAY, 7 JUNE 2023

Report of the Director - Finance and ICT

Investments 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 on 30 April 2023 and the recommendations of the Director of Finance & ICT and Mr Fletcher, in relation to the Fund's strategic asset allocation benchmark (SAAB), 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, Infrastructure, Multi-Asset Credit and currently total around £246m. Whilst the timing of drawdowns will be lumpy and difficult to predict, the In-house Investment Management Team (IIMT) believes that the majority of 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 (2)	Benchmark Sterling Return	Benchmark Sterling Return
	Final (1)	31/1/23	30/4/23	Final (1)	AF 7/6/23	DPF 7/6/23	AF 7/6/23	DPF 7/6/23	DPF 7/6/23	3 Months to 31/3/23	3 Months to 30/4/23
Growth Assets	**55.0%**	**56.0%**	**55.5%**	**+/- 8%**	**(1.0%)**	**(0.2%)**	**54.0%**	**54.8%**	**55.4%**	**n/a**	**n/a**
UK Equities	12.0%	14.1%	12.9%	+/- 4%	+1.0%	-	13.0%	12.0%	12.0%	3.1%	1.9%
Global Equities:	39.0%	37.0%	37.7%	+/- 8%	(2.0%)	(1.1%)	37.0%	37.8%	37.8%	n/a	n/a
North America	-	1.0%	-	-	-	-	-	-	-	4.6%	0.2%
Japan	5.0%	5.4%	5.4%	+/- 2%	-	-	5.0%	5.0%	5.0%	3.3%	(1.3%)
Emerging Markets	5.0%	5.7%	5.3%	+/- 2%	-	+0.3%	5.0%	5.3%	5.3%	0.2%	(6.6%)
Global Sustainable	29.0%	24.9%	27.0%	+/- 8%	(2.0%)	(1.5%)	27.0%	27.5%	27.5%	4.2%	0.1%
Private Equity	4.0%	4.9%	4.9%	+/- 2%	-	+1.0%	4.0%	5.0%	5.6%	4.4%	0.3%
Income Assets	**25.0%**	**25.2%**	**25.8%**	**+/- 6%**	**+2.0%**	**+1.0%**	**27.0%**	**26.0%**	**29.1%**	**n/a**	**n/a**
Multi-Asset Credit	6.0%	7.0%	7.1%	+/- 2%	+2.0%	+1.4%	8.0%	7.5%	8.7%	2.0%	1.4%
Infrastructure	10.0%	10.6%	10.9%	+/- 3%	-	+0.9%	10.0%	10.9%	12.8%	1.4%	0.7%
Direct Property (4)	6.0%	5.1%	5.6%	+/- 2%	-	(0.4%)	6.0%	5.6%	5.6%	(1.2%)	(1.2%) (3)
Indirect Property (4)	3.0%	2.5%	2.2%	+/- 2%	-	(0.9%)	3.0%	2.0%	2.0%	(0.2%)	(0.2%) (3)
Protection Assets	**18.0%**	**15.3%**	**15.1%**	**+/- 5%**	**(1.0%)**	**(2.0%)**	**17.0%**	**16.0%**	**16.0%**	**n/a**	**n/a**
Conventional Bonds	6.0%	4.8%	4.7%	+/- 2%	(1.0%)	(1.0%)	5.0%	5.0%	5.0%	2.0%	(2.2%)
Index-Linked Bonds	6.0%	4.8%	4.7%	+/- 2%	-	(1.0%)	6.0%	5.0%	5.0%	4.3%	(2.8%)
Corporate Bonds	6.0%	5.7%	5.7%	+/- 2%	-	-	6.0%	6.0%	6.0%	2.6%	(0.5%)
Cash	**2.0%**	**3.5%**	**3.6%**	**0 – 8%**	**-**	**+1.2%**	**2.0%**	**3.2%**	**(0.5%)**	**0.9%**	**n/a**

Investment Assets totaled £5,928m at 30 Apr-23 adjusted for the following May-23 trades: UK Equities -1.5%; North America Equities -1.1%; +2.0% Global Sustainable Equities; and +0.6% Cash

(1) Final benchmark effective from 1 January 2022.
(2) Adjusted for investment commitments at 30 Apr-23. Presumes all commitments funded from Cash.
(3) Benchmark Return for the three months to 31 Mar-23.
(4) The maximum permitted range in respect of Property is +/- 3%.

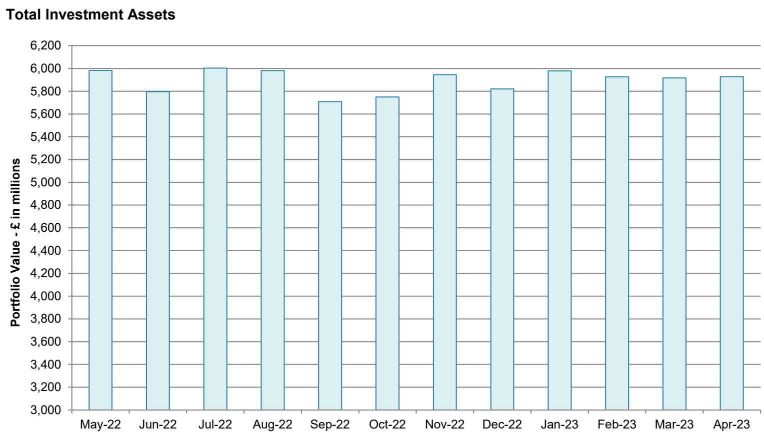
The table above reflects the following three categorisations:

- **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 on 30 April 2023, was overweight Growth Assets (0.5%), Income Assets (0.8%) and Cash (1.6%) and underweight Protection Assets (-2.9%). 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 -0.5%. 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.

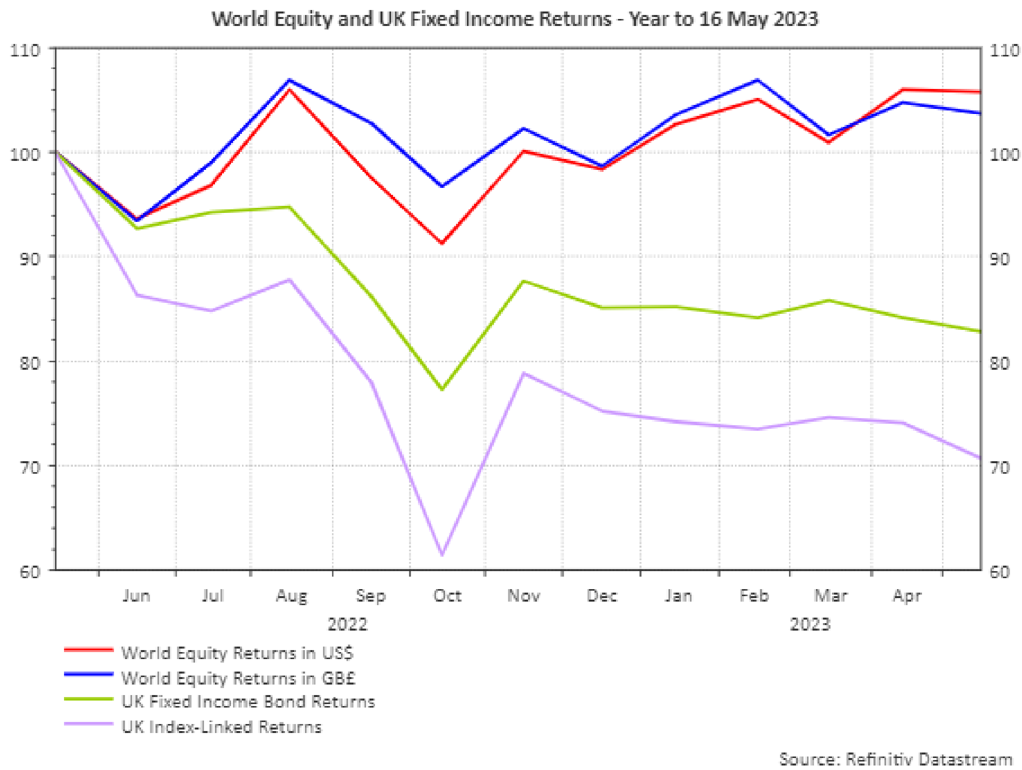
2.3 Total Investment Assets

The value of the Fund's investment assets fell by £51m (-0.8%) between 31 January 2023 and 30 April 2023 to £5.928bn, comprising a non-cash market loss of around £66m, partly offset by cash inflows from dealing with members and investment income of around £15m. Over the twelve months to 30 April 2023, the value of the Fund's investment assets has fallen £102m (-1.7%), comprising a non-cash market loss of around £162m, partly offset by 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 on 30 April 2023 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 Gilts and UK Index Linked bonds for the twelve months to 16 May 2023.

Global Equities (as measured by the FTSE All World) generated a positive return in sterling of 3.7% over the 12-month period to 16 May 2023. However, bond returns were negative. UK Conventional Gilts lost 17% of their value over the 12-month period and UK Index-Linked Bonds fell by 29%. Bond yields rose as markets reacted to higher inflation by pricing in higher interest rates rises to reduce inflationary pressures. A bond's price moves inversely to its yield, so this has resulted in lower capital values.

Year-to-Date 2023[1] performance has been better, with Global Equities returning 4.0%, albeit bonds have generally continued to struggle, with UK Conventional Gilts losing -0.6% and UK Index-Linked Bonds losing -2.9%. After a relatively positive start to the year, markets fell in March 2023 on the back of some US regional bank failures (Silicon Valley Bank and Signature Bank). This was compounded by the collapse of Credit Suisse (and subsequently takeover by UBS) in Europe, which increased investor concern that there was going to be a full-scale banking crisis. Whilst these concerns

[1] 1 January 2023 to 16 May 2023

have subsequently subsided, markets remain volatile and heavily focused on the direction of inflation and interest rates.

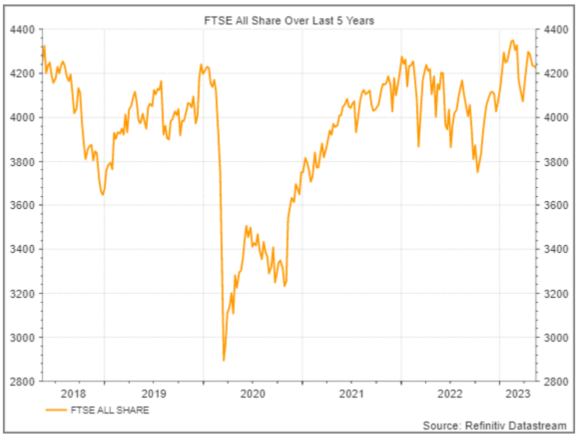
Recent economic data has been relatively resilient. US, UK and Eurozone Purchasing Managers Index (PMI) surveys in April 2023 came in above expectations and reported China's Q1-23 GDP was stronger than expected. Falling energy prices helped to bring down headline inflation down in the US, with the inflation contribution from energy turning negative. The Q1 2023 US earnings reporting season is now largely over, with around 80% of reporting companies beating expectations, with the average beat being around 7%. Whilst a positive, earnings expectations were low, and LGIM notes that blended earnings (i.e. figures including earnings realised for those who have reported, and expected earnings for those not reporting) are down 2% year-on-year. Q1 2023 marked the second consecutive quarter of declining earnings. Furthermore, notwithstanding the resilient economic data, inflation remains very sticky, and it will take time for the impact of the higher interest rates to work through the system. It is also unclear how the tightening of credit conditions, particularly in the US, in response to two regional bank failures in March 2023, will impact on economic activity.

Central banks have continued to raise interest rates, with the US Federal Reserve (the US Fed) increasing rates by 0.25% in February 2023, March 2023 and May 2023, taking the target range to 5.00% - 5.25%, the highest level since October 2007. The US Fed's post-meeting statement for May 2023 omitted a sentence present in the central bank's March 2023 comments saying that 'the Committee anticipates that some additional policy firming may be appropriate' for the Fed to achieve its 2% inflation goal. US Fed Chair, Jerome Powell, noted that 'a decision on a pause was not made today' but markets noted the change in the statement language around future policy firming, and now believe that US interest rates have peaked and will start to fall towards the back end of 2023.

In the UK, the Monetary Policy Committee, increased rates by 0.5% in February 2023 and by a further 0.25% in both March 2023 and May 2023, taking rates to a 14 year high of 4.5%. Notwithstanding the rate rises, UK CPI remained elevated at 10.1% in the twelve months to 31 March 2023.

The IIMT continues to believe that headwinds remain. The global economic outlook remains uncertain, albeit consensus forecasts indicate that any economic slowdown is now likely to be significantly lower than feared twelve months ago. It is also unclear how the on-going cost of living crisis, together with ongoing inflation pressures (whilst inflation may be peaking it remains persistent), higher interest rates and tighter credit conditions will impact economic activity and corporate earnings over the next twelve months.

Asset class weightings and recommendations are based on values at the end of April 2023. As shown in the charts below, both the UK FTSE All Share and US S&P 500 are now trading towards the top end of their 30-year trading range, albeit the US S&P 500 has fallen back over the last two years.



2.5 Longer Term Performance

Figures provided by Portfolio Evaluation Limited show the Fund's performance over 1, 3, 5 and 10 years to 31 March 2023.

Per annum	DPF	Benchmark Index
1 year	(3.1%)	(3.6%)
3 years	8.0%	7.7%
5 years	4.9%	4.5%
10 years	6.6%	6.2%

The Fund outperformed the benchmark over all time periods.

2.6 Category Recommendations

	Benchmark	Fund Allocation	Permitted Range	Recommendation		Benchmark Relative Recommendation	
		30 Apr-23		AF	DPF	AF	DPF
Growth Assets	55.0%	55.5%	± 8%	54.0%	54.8%	(1.0%)	(0.2%)
Income Assets	25.0%	25.8%	± 6%	27.0%	26.0%	+2.0%	+1.0%
Protection Assets	18.0%	15.1%	± 5%	17.0%	16.0%	(1.0%)	(2.0%)
Cash	2.0%	3.6%	0 – 8%	2.0%	3.2%	-	+1.2%

At an overall level, the Fund was overweight Growth Assets, Income Assets and Cash on 30 April 2023, and underweight Protection Assets. As highlighted on page 2, commitments on 30 April 2023 totalled around £246m, potentially increasing Growth Assets by 0.6% and Income Assets by 3.1%. The table on page 3 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 0.7% to 54.8% (0.2% underweight) (UK Equities -0.9%; Japanese Equities –0.4%; Global Sustainable Equities +0.5%; and Private Equity +0.1%), increase Income Assets by 0.2% to 26.0% (MAC +0.4%; and Indirect Property -0.2%); increase Protection Assets by 0.9% (Conventional Bonds +0.3%; Index-Linked Bonds +0.3% and Corporate Bonds +0.3%), and reduce Cash by 0.4%.

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

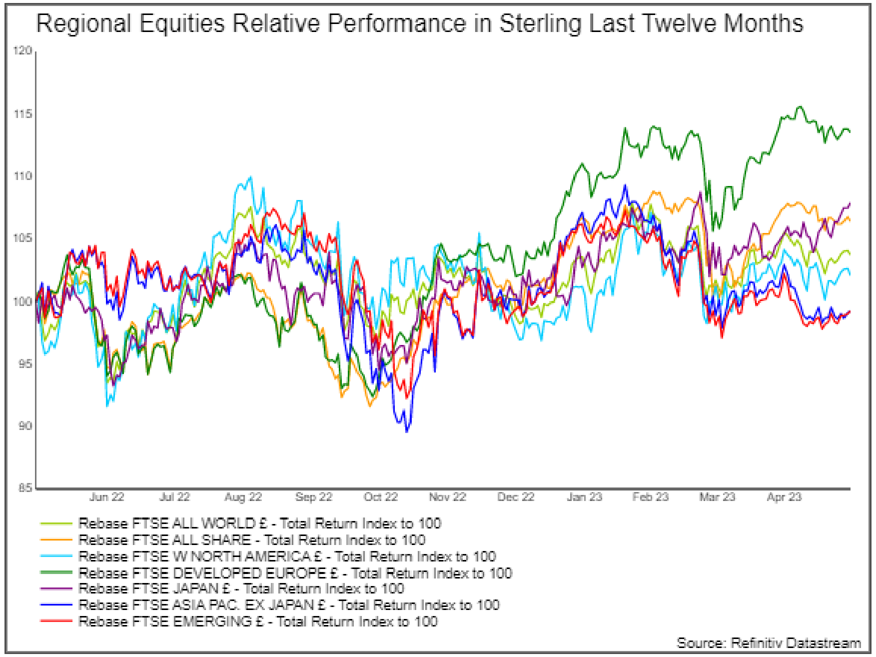
2.7 Growth Assets

On 30 April 2023, the overall Growth Asset weighting was 55.5%, down from 56.0% on 31 January 2023, largely reflecting net divestment of around £30m, including the final unwinding of the Fund's North American Equity allocation.

The IIMT recommendations in this report reduce the weighting to 54.8%, 0.2% underweight, albeit flexibility will be required in response to changing economic and market conditions.

Mr Fletcher recommends an overall 1.0% underweight allocation of 54.0% to Growth Assets. Mr Fletcher notes that he remains cautious on equity markets, especially the more interest rate sensitive growth sectors. Furthermore, future volatility may be higher, suggesting that investors will need to see meaningful 'cheapness' in asset prices before committing new capital to the asset class, especially when bonds appear much better value than they have done in a very long time.

While the IIMT remains optimistic about the long-term potential for Growth Assets, a cautious stance towards this group of assets is currently recommended due to the headwinds for markets noted above. The IIMT believes that some of the recent outperformance from UK and Japanese Equities should be locked in, with a partial switch to Global Sustainable Equities, which should benefit from lower interest rate expectations over the longer-term. The IIMT also recommends that the Fund's allocation to Emerging Market Equities is reduced into line with a neutral position, reflecting the volatility of the asset class and uncertain economic outlook.



Benchmark Return	Currency	Q2-23 (*)	Q1-23	1 Year (**)	3 Year (**)	5 Year (**)	Since Last Committee (*)	L3M 30-Apr-23
Sterling Returns								
FTSE All World	GB£	(0.3%)	4.4%	(0.9%)	16.0%	10.1%	(2.2%)	(0.4%)
FTSE UK	GB£	2.2%	3.1%	2.9%	13.8%	5.0%	(1.4%)	1.9%
FTSE Japan	GB£	2.6%	3.3%	2.0%	7.9%	4.1%	0.0%	(1.3%)
FTSE Emerging Markets	GB£	(1.6%)	0.2%	(4.1%)	9.2%	2.9%	(4.9%)	(6.6%)
Local Currency Returns								
FTSE All World	US$	0.7%	7.3%	(6.9%)	15.9%	7.4%	3.3%	1.7%
FTSE UK	GB£	2.2%	3.1%	2.9%	13.8%	5.0%	(1.4%)	1.9%
FTSE Japan	¥	6.4%	7.0%	5.0%	15.6%	6.1%	5.3%	5.6%
FTSE Emerging Markets	US$	0.5%	3.0%	(9.7%)	9.3%	0.4%	0.4%	(4.7%)

Source: Performance Evaluation Limited & DPF analysis
(*) To 16 May-23
(**) To 31 Mar-23

2.8 United Kingdom Equities

DPF Weightings	
Neutral	12.0%
Actual 30.4.23	12.9%
AF Recommendation	13.0%
IIMT Recommendation	12.0%
Benchmark Returns (GB£)	
Q1 23/24 to 16 May-23	2.2%
Q4 22/23	3.1%
1 Year to Mar-23	2.9%
3 Years to Mar-23 (pa)	13.8%
5 Years to Mar-23 (pa)	5.0%

The Fund's UK Equity allocation fell from 14.1% on 31 January 2023 to 12.9% on 30 April 2023 (0.9% overweight), largely reflecting net divestment of £90.0m.

Mr Fletcher has maintained his UK Equities recommended weight of 13.0%, 1.0% overweight, reflecting Mr Fletcher's assessment of the relative value of UK Equities and Global Sustainable Equities.

The IIMT notes that UK Equities have performed strongly over the last twelve months[2], returning 6.4% in GBP versus 4.1% from North American Equities and 5.8% from the FTSE All World in US dollars. The UK index has a structural bias towards Value stocks, in particular the energy sector, which has benefited from higher energy prices over the last twelve months. The UK index has also benefited from a weak pound and the high level of overseas earnings made by the constituents.

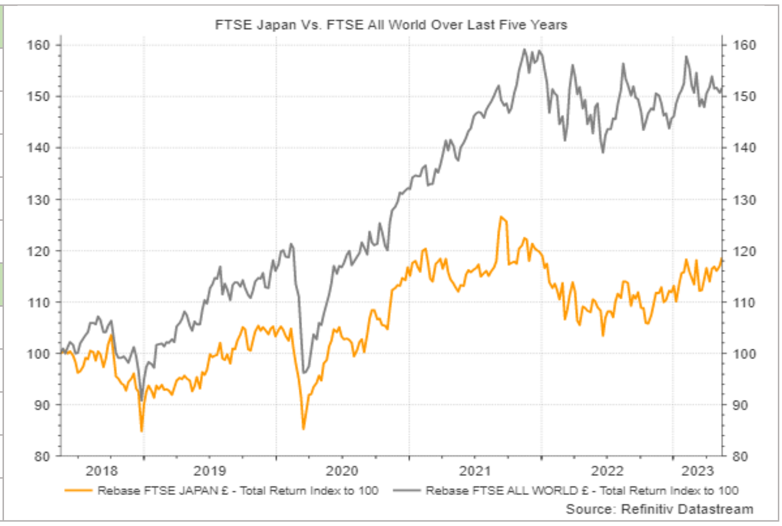
The IIMT believes that it is increasingly likely that interest rates are close to peaking, albeit inflation remains persistent, and it may take some time before interest rates start to fall. This leaves the UK index vulnerably to a Growth rally on a relative basis. As a result, the IIMT recommends that the Fund's current 12.9% overweight allocation to UK Equities is reduced to a neutral allocation of 12.0% to 'lock-in' some of the strong relative performance from UK Equities over the last twelve months.

[2] Year to 16 May 2023

The IIMT is currently reviewing the options to manage around 25% of the Fund's UK Equity allocation through a low carbon vehicle to reduce the portfolio's carbon footprint relative to the FTSE All Share. It is proposed that any allocation to a low carbon vehicle would be benchmarked against the product specific benchmark.

2.9 Japanese Equities

DPF Weightings	
Neutral	5.0%
Actual 30.4.23	5.4%
AF Recommendation	5.0%
IIMT Recommendation	5.0%
Benchmark Returns (GB£)	
Q1 23/24 to 16 May-23	2.6%
Q4 22/23	3.3%
1 Year to Mar-23	2.0%
3 Years to Mar-23 (pa)	7.9%
5 Years to Mar-23 (pa)	4.1%



The Fund's allocation to Japanese Equities remained flat at 5.4% between 31 January 2023 and 30 April 2023; 0.4% overweight.

Mr Fletcher recommends a neutral weighting relative to the benchmark.

The IIMT continues to believe that Japanese Equities offer sector diversification and defensive qualities. Against a backdrop of global economic uncertainty, Japanese Equities have performed strongly over the last twelve months[3], returning 16.5% in Japanese Yen versus 5.8% from the FTSE All World in US$'s.

At this stage in the interest rate cycle, some of the Fund's other equity allocations (e.g. Global Sustainable Equities), now offer better medium term prospects. The IIMT, therefore, recommends that the Fund's allocation to Japanese Equities is reduced by 0.4% to 5.0% neutral to 'lock-in' some of the strong relative performance from Japanese Equities over the last twelve months.

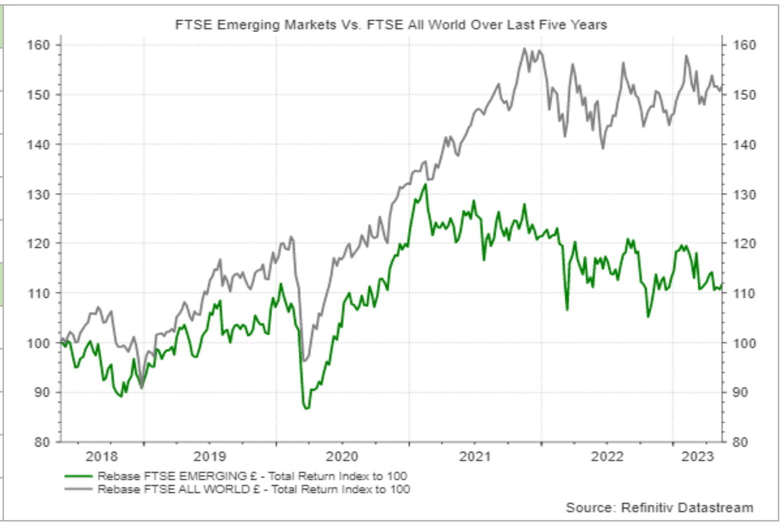
The IIMT is currently reviewing the options to manage around 25% of the Fund's Japanese Equity allocation through a low carbon vehicle to reduce the

[3] Year to 16 May 2023

portfolio's carbon footprint relative to the FTSE Japan Index. It is proposed that any allocation to a low carbon vehicle should be benchmarked against the product specific benchmark.

2.10 Emerging Market Equities

DPF Weightings	
Neutral	5.0%
Actual 30.4.23	5.3%
AF Recommendation	5.0%
IIMT Recommendation	5.3%
Benchmark Returns (GB£)	
Q1 23/24 to 16 May-23	(1.6%)
Q4 22/23	0.2%
1 Year to Mar-23	(4.1%)
3 Years to Mar-23 (pa)	9.2%
5 Years to Mar-23 (pa)	2.9%



Relative market weakness reduced the Fund's allocation to Emerging Market Equities from 5.7% on 31 January 2023 to 5.3% on 30 April 2023 (0.3% overweight).

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

In US dollar terms, Emerging Market Equities were one of the worst performing regions in 2022, falling by close to 17%. This has continued in YTD-23[4], with Emerging Market Equities returning 2.5% versus 8.1% from the FTSE All World. 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, and recommends a maintained weighting of 5.3%.

[4] 1 January 2023 to 16 May 2023

2.11 Global Sustainable Equities

DPF Weightings	
Neutral	29.0%
Actual 30.4.23	27.0%
AF Recommendation	27.0%
IIMT Recommendation	27.5%
Benchmark Returns (GB£)	
Q1 23/24 to 16 May-23	0.1%
Q4 22/23	4.2%
1 Year to Mar-23	(0.5%)
3 Years to Mar-23 (pa)	16.4%
5 Years to Mar-23 (pa)	10.6%

The Fund's allocation to Global Sustainable Equities increased from 24.9% on 31 January 2023 to 27.0% on 30 April 2023 (2.0% underweight) reflecting net investment of £120m.

Mr Fletcher continues to recommend a 2.0% underweight allocation of 27.0% to Global Sustainable Equities because of the relatively higher interest rate sensitivity of the asset class

The IIMT notes that the outlook for Global Sustainable Equities is closely linked to the outlook for inflation and interest rates. Global Sustainable Equities typically favour interest rate sensitive growth stocks and tend to outperform when interest rates are falling and underperform when interest rates are rising. Whilst interest rates may be close to peaking, it may take some time before they start to fall. As a result, the IIMT continues to recommend an underweight allocation to Global Sustainable Equities. However, the IIMT recommends that the underweight allocation is reduced by 0.5% to 1.5% to help to position the Fund for any rotation back into growth stocks.

2.12 Private Equity

DPF Weighting				
Netural	Actual 30.04.23	Committed 30.04.23	AF Recommendation	IIMT Recommendation
4.0%	4.9%	5.6%	4.0%	5.0%
Benchmark Returns (GB£)				
Q1 23/24 to 16 May-23	Q4 22/23	1 Year to Mar-23	3 Years to Mar-23 (pa)	5 Years to Mar-23 (pa)
0.3%	4.4%	0.5%	12.3%	4.7%

The Fund’s Private Equity weighting remained flat at 4.9% between 31 January 2023 and 30 April 2023 (0.9% overweight).

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

The IIMT notes that the Fund was 1.6% overweight to Private Equity on a committed basis on 30 April 2023. As a result, the Fund is not considering any further commitments to the asset class at present, albeit this is monitored by the IIMT on an on-going basis.

The IIMT recommends increasing the Fund’s Private Equity allocation by 0.1% to 5.0% (1.0% overweight) (5.6% on a committed basis), reflecting scheduled commitment drawdowns.

2.13 Income Assets

On 30 April 2023, the overall weighting in Income Assets was 25.8% (0.8% overweight), 0.6% higher than that reported on 31 January 2023, largely reflecting net investment of around £30m. The IIMT recommendations below increase the weighting to 26.0%; 29.1% on a committed basis.

2.14 Multi Asset Credit

DPF Weighting				
Netural	Actual 30.04.23	Committed 30.04.23	AF Recommendation	IIMT Recommendation
6.0%	7.1%	8.7%	8.0%	7.5%
Benchmark Returns (GB£)				
Q1 23/24 to 16 May-23	Q4 22/23	1 Year to Mar-23	3 Years to Mar-23 (pa)	5 Years to Mar-23 (pa)
1.0%	2.0%	2.7%	6.4%	3.4%

The Fund's allocation to Multi-Asset Credit increased from 7.0% on 31 January 2023 to 7.1% on 30 April 2023 (1.1% overweight), principally reflecting net investment of £4m.

Mr Fletcher has maintained his 2.0% overweight allocation of 8.0% to Multi-Asset Credit. Mr Fletcher notes that global credit spreads have moved sideways over the last quarter and have experienced some volatility due to the unexpected action of the Swiss regulator with respect to the AT1 bonds (a bond which can be converted into equity if certain conditions are met, for example, such as an issuing bank's capital strength falling below a pre-determined trigger level) of Credit Suisse. However, the overall yield available on sub-investment grade bonds, together with the low duration and floating rate nature of many of the assets included within a Multi-Asset Credit strategy, suggests to Mr Fletcher that Multi-Asset Credit remains attractive relative to longer duration assets in a rising interest rate environment.

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). 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 7.1% is increased by 0.4% to 7.5% (1.5% overweight) to reflect scheduled private debt draw-down commitments; 8.7% on a committed basis.

2.15 Property

DPF Weighting				
Netural	Actual 30.04.23	Committed 30.04.23	AF Recommendation	IIMT Recommendation
9.0%	7.8%	8.7%	9.0%	7.6%
Benchmark Returns (GB£)				
Q1 23/24 to 16 May-23	Q4 22/23	1 Year to Mar-23	3 Years to Mar-23 (pa)	5 Years to Mar-23 (pa)
Not available	(0.9%)	(13.2%)	2.2%	2.1%

The Fund's allocation to Property increased by 0.2% to 7.8% on 30 April 2023, principally reflecting net investment of £16m, partly offset by relative market weakness. Direct Property accounted for 5.6% (0.4% underweight) and Indirect Property accounted for 2.2% (0.8% underweight).

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 in the medium term, funded from realisations out of the Indirect Property allocation. However, Mr Fletcher believes that there may be an opportunity for the Fund to take advantage of distressed selling by other investors by increasing the Fund's exposure to Indirect Property assets.

The Fund's Direct Property manager notes the total return from the Fund's Direct Property portfolio for the year ended 31 March 2023 was -10.0%, compared to the Fund's benchmark return of -12.6%. The portfolio vacancy rate stands at 4.4% versus a benchmark vacancy rate of 8.1%. After a strong run of rising capital values from UK commercial property (+13.8% in total for the four quarters ending September 2022), the political and economic upheavals in the second half of 2022 had a detrimental effect on property values. Property yields followed interest rate movements outwards with all sectors sustaining negative capital value growth. Yields have since stabilised in Q1-23 and whilst economic challenges remain, investors are beginning to re-enter the market. Total return forecasts for the remainder of 2023 remain weak (IPF Consensus Forecast 2023 of -0.6%) but returns are forecast to improve in 2024 (7.2%) and 2025 (8.0%). The industrial and retail warehousing sectors are forecast to provide the strongest total return performance over the medium term; whilst the Fund has good exposure to these sectors, the Fund's discretionary Direct Property manager is actively looking to increase the Fund's holdings further should suitable opportunities arise.

The IIMT recommends that the Fund's allocation to Direct Property is maintained at 5.6%, albeit the IIMT recommends 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. The IIMT recommends reducing the Indirect Property weighting by 0.2% to 2.0% (1.0% underweight) to reflect scheduled redemptions.

2.16 Infrastructure

DPF Weighting				
Netural	Actual 30.04.23	Committed 30.04.23	AF Recommendation	IIMT Recommendation
10.0%	10.9%	12.8%	10.0%	10.9%
Benchmark Returns (GB£)				
Q1 23/24 to 16 May-23	Q4 22/23	1 Year to Mar-23	3 Years to Mar-23 (pa)	5 Years to Mar-23 (pa)
0.7%	1.4%	4.3%	2.9%	2.8%

The Fund's allocation to Infrastructure increased from 10.6% at 31 January 2023 to 10.9% at 30 April 2023 (0.9% overweight), largely reflecting net investment of £10m, of which £7m related to renewable energy assets.

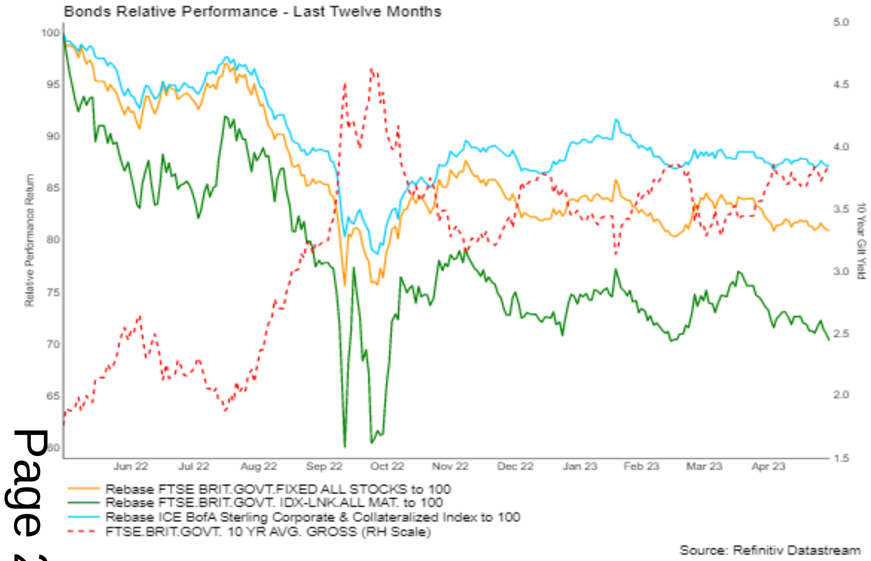
Mr Fletcher recommends a neutral weighting relative the final benchmark.

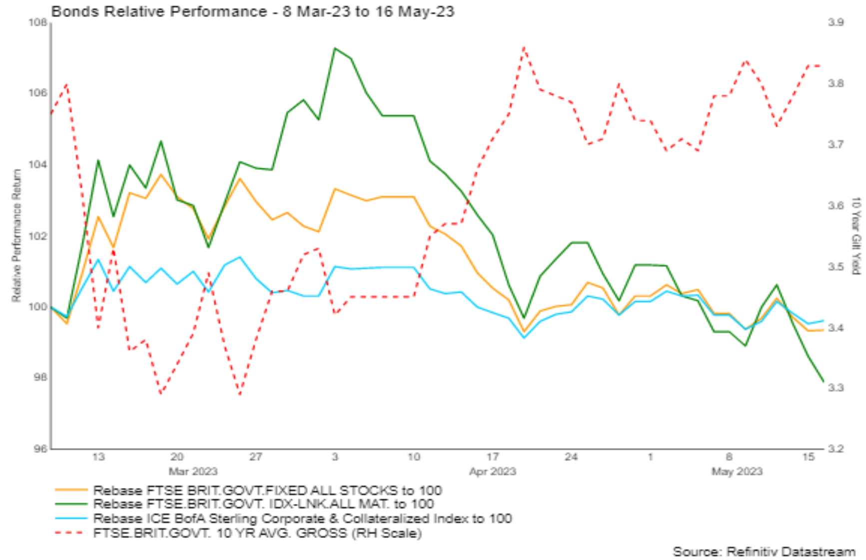
The IIMT continues to view Infrastructure as an attractive long-term asset class and favours a bias towards core infrastructure assets or renewable energy assets. These assets can offer low volatility; low correlation to equity and fixed income markets; and reliable long-term cash flows.

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. 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 maintained at 10.9% (0.9% overweight); 12.8% on a committed basis. Given the current committed weight of 12.8%, the IIMT is not reviewing new opportunities at the current time, albeit this is monitored by the IIMT on an on-going basis.

2.17 Protection Assets





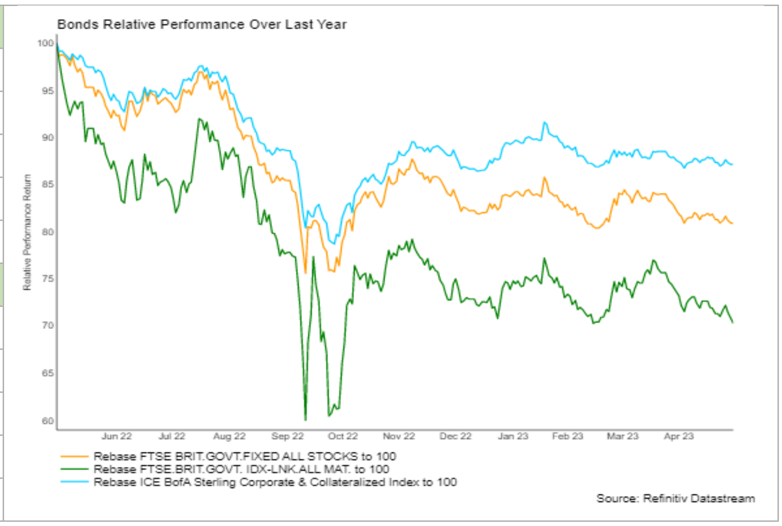
The weighting in Protection Assets on 30 April 2023 was 15.1%, down from 15.3% on 31 January 2023, reflecting relative market weakness. The IIMT recommendations below increase the weighting by 0.9% to 16.0%.

Fixed income returns came under increasing pressure in 2022 as bond yields rose (lowering prices), as markets priced in increasing levels of interest rates in both the US and the UK to tackle rising inflation. UK bond yields were extremely volatile in H2-22, particularly in response to the UK Governments ‘mini-budget’ in September 2022. The ‘mini-budget’ was followed by a sharp sell-off in long-dated gilts (pushing up yields), and the BoE was forced into temporary purchases of government bonds to ensure that the market continued to function properly. The UK bond market subsequently stabilised and prices rose (pushing down yields). Whilst 10-year UK bond yields have been relatively volatile YTD[5] (initially falling in March 2023 in response to some US and Swiss bank failures but recovering thereafter as concerns over a full-scale banking crisis eased and inflation remained elevated pushing up forward rate expectations), over the entire period they have remained relatively flat at around 375 to 385 basis points.

[5] 1 January 2023 to 16 May 2023

2.18 Conventional Bonds

DPF Weightings	
Neutral	6.0%
Actual 30.4.23	4.7%
AF Recommendation	5.0%
IIMT Recommendation	5.0%
Benchmark Returns (GB£)	
Q1 23/24 to 16 May-23	(2.6%)
Q4 23/24	2.0%
1 Year to Mar-23	(16.3%)
3 Years to Mar-23 (pa)	(9.1%)
5 Years to Mar-23 (pa)	(3.1%)



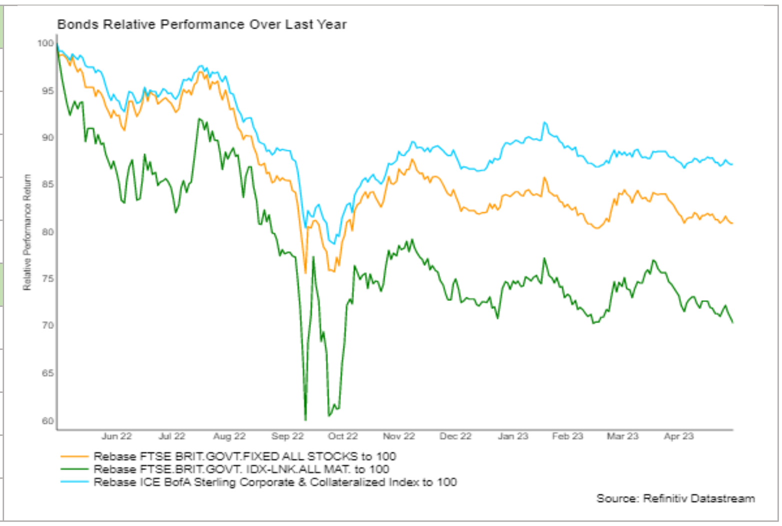
The Fund's allocation to Conventional Bonds reduced from 4.8% on 31 January 2023 to 4.7% on 30 April 2023 (1.3% underweight), reflecting relative market weakness. The Fund's allocation on 30 April 2023 comprised 85% UK Conventional Gilts and 15% US Treasuries.

Mr Fletcher has maintained his 1.0% underweight allocation to Conventional Bonds. Mr Fletcher notes that whilst we are now closer to the end of the tightening cycle, reflecting the passage time, not because inflation has fallen or because economic growth has slowed enough. Growth is actually stronger than expected. Mr Fletcher believes that monetary policy changes will be driven by the rate of inflation, even if this means an economic contraction. Despite the tightening of credit conditions following the recent US and Swiss bank failures, Mr Fletcher believes there is still room for higher bond yields and interest rates. Whilst the pace of increases may slow, Mr Fletcher does not believe that rates will peak until it is clear that inflation is on a path aligned with central bank target rates, especially as economies remain close to full employment.

The IIMT believes that conventional sovereign bonds offer better value now than they have for some time following the substantial rise in yields over the last twelve months. 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 2022 fall in bond yields as concerns about the global economy intensified. The IIMT recommends increasing the weighting by 0.3% to 5.0% (1.0% underweight) in line with Mr Fletcher's recommendation.

2.19 Index-Linked Bonds

DPF Weightings	
Neutral	6.0%
Actual 30.4.23	4.7%
AF Recommendation	6.0%
IIMT Recommendation	5.0%
Benchmark Returns (GB£)	
Q1 23/24 to 16 May-23	(6.9%)
Q4 22/23	4.3%
1 Year to Mar-23	(26.7%)
3 Years to Mar-23 (pa)	(7.6%)
5 Years to Mar-23 (pa)	(3.2%)



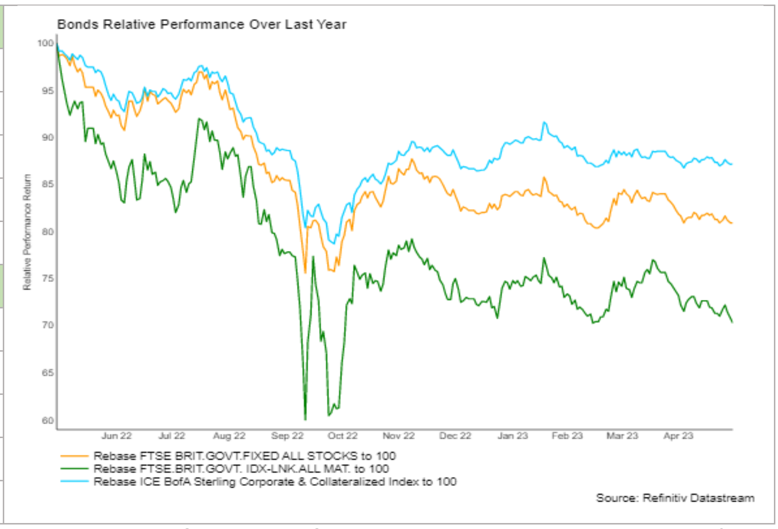
The Fund's allocation to Index-Linked Bonds fell from 4.8% on 31 January 2023 to 4.7% on 30 April 2023 (1.3% underweight), reflecting relative market weakness. The Fund's allocation on 30 April 2023 comprised 80% UK Index-Linked Bonds (UK Linkers) and 20% US Treasury Inflation Protected Bonds (US TIPS).

Mr Fletcher has maintained his 6.0% (neutral) allocation to Index-Linked Bonds.

The IIMT believes that current yields, together with the potential for a longer-term period of elevated inflation, supports a small increase in the Fund's current allocation to Index-Linked Bonds. As a result, the IIMT recommends increasing the weighting to 5.0%; 1% underweight.

2.20 Corporate Bonds

DPF Weightings	
Neutral	6.0%
Actual 30.4.23	5.7%
AF Recommendation	6.0%
IIMT Recommendation	6.0%
Benchmark Returns (GB£)	
Q1 23/24 to 16 May-23	(0.2%)
Q4 22/23	2.6%
1 Year to Mar-23	(9.0%)
3 Years to Mar-23 (pa) (1)	(1.9%)
5 Years to Mar-23 (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 the Fund's weighting in Global Investment Grade Bonds remained flat at 5.7% on 30 April 2023.

Mr Fletcher has maintained his neutral allocation to Corporate Bonds to 6.0% neutral.

The IIMT believes that the spread on investment grade bonds is now relatively attractive and investment grade bonds are likely to be more defensively positioned relative to risk-on assets (e.g. equities), should markets experience further periods of weakness. However, the challenging economic backdrop increases the risk of a rise in corporate defaults. The IIMT recommends increasing the Corporate Bonds allocation by 0.3% to 6.0% (neutral).

2.21 Cash

The Cash weighting on 30 April 2023 was 3.6% (1.6% overweight), up from 3.5% on 31 January 2023, principally reflecting net divestment across the total portfolio of around £4m 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 and whilst investor confidence has shown signs of improvement, several significant headwinds remain which could see this reverse, including a slowdown in global activity, continuing inflationary pressures, persistent high interest rates (relative to recent years), energy security concerns, tight global supply chains, the continuing conflict between Russia and Ukraine and potential political gridlock in the US, with the Democrats controlling the Senate and the Republicans controlling the House of Representatives (as evidenced by the current debt ceiling negotiations).

The IIMT recommends a relatively defensive cash allocation of 3.2% (1.2% overweight) due to the uncertain economic and political 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 £100m over the course of the next twelve months).

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 on 30 April 2023.

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.
d) notes the proposal to benchmark any allocation to UK and Japanese low carbon vehicles to the relevant product specific benchmark.

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

<u>Implications</u>

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

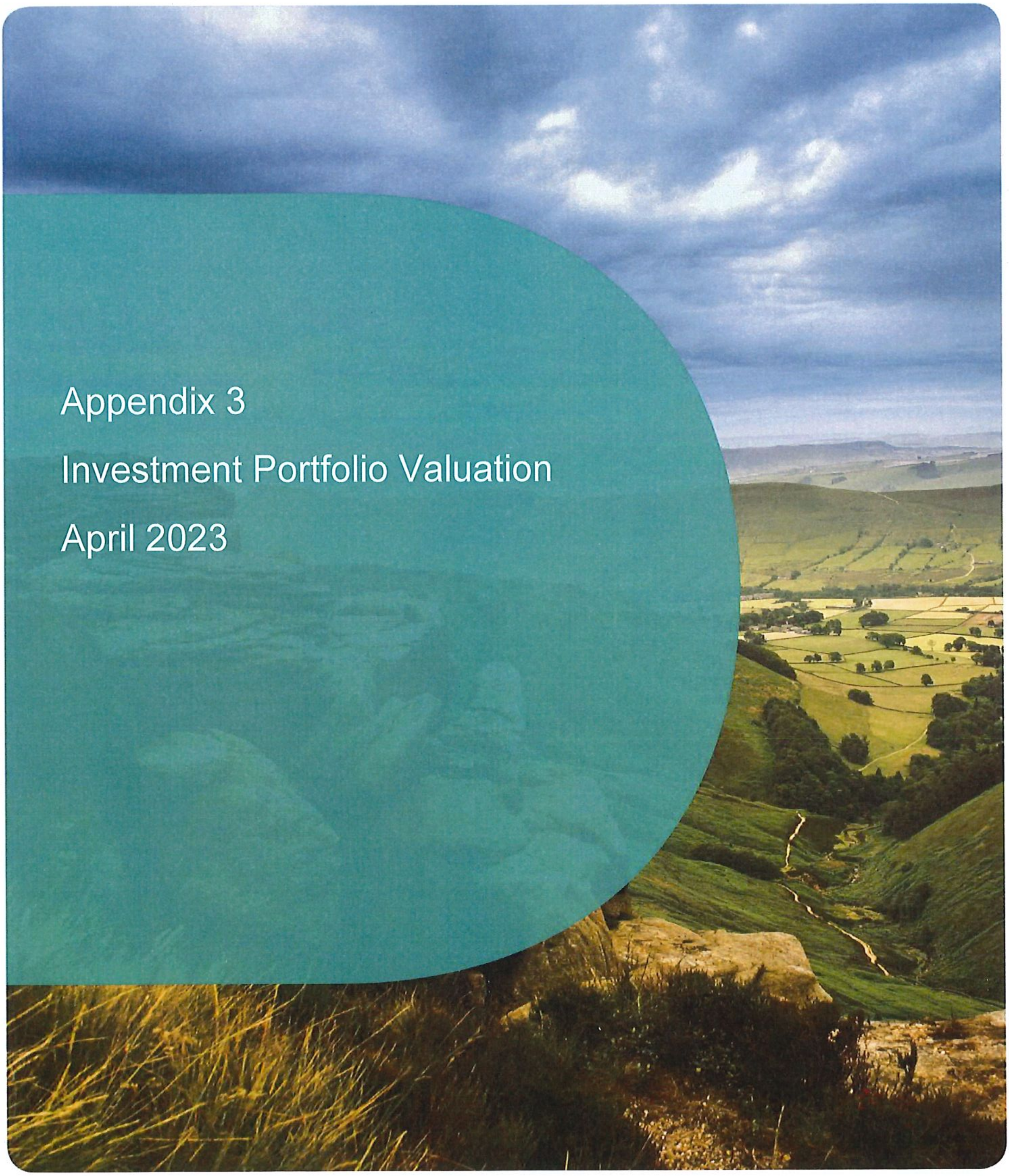
6.1 None

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

7.1 None

Derbyshire
Pension
Fund

T: 01629 538 900
E: pensions@derbyshire.gov.uk
derbyshire.gov.uk/pensions



Appendix 3

Investment Portfolio Valuation

April 2023

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

lgps

DERBYSHIRE PENSION FUND

	SAAB	Permitted Range	DCC 28/04/2023 £m	DCC 28/04/2023 %
Growth Assets	**55.0%**	**+/- 8%**	**3322.1**	**56.0%**
UK	12.0%	**+/- 6%**	854.4	14.4%
US	0.0%	**+/- 6%**	62.6	1.1%
Europe	0.0%	**+/- 4%**	0.0	0.0%
Japan	5.0%	**+/- 2%**	320.8	5.4%
Pacific (ex Japan)	0.0%	**+/- 2%**	0.0	0.0%
Emerging Markets	5.0%	**+/- 2%**	316.3	5.3%
Global Sustainable	29.0%	**+/- 16%**	1480.3	25.0%
Private Equity	4.0%	**+/- 2%**	287.8	4.9%
Income Assets	**25.0%**	**+/- 6%**	**1532.1**	**25.8%**
Infrastructure	10.0%	**+/- 3%**	644.9	10.9%
Property	9.0%	**+/- 3%**	463.9	7.8%
Direct	6.0%		331.3	5.6%
Indirect	3.0%		132.6	2.2%
Multi-Asset Credit	6.0%	**+/- 2%**	423.3	7.1%
Protection Assets	**18.0%**	**+/- 5%**	**897.7**	**15.1%**
Government	6.0%	**+/- 2%**	278.5	***4.7%***
UK			236.2	4.0%
Overseas			42.3	0.7%
Index Linked	6.0%	**+/- 2%**	280.5	***4.7%***
UK			226.6	3.8%
Overseas			53.9	0.9%
Non Government	6.0%	**+/- 2%**	338.7	***5.7%***
Cash	**2.0%**	**+/- 8%**	**174.3**	**2.9%**
LGPSC Regulatory Capital	**0.0%**		**2.0**	**0.0%**
Total	**100.0%**		**5928.2**	**100.0%**

DERBYSHIRE PENSION FUND
APRIL 2023 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 EQUITIES FUND	LGIM UK EQUITY INDEX FUND	48,452,333.17	**16.55**	**16.55**	801,755,293
UK EQUITIES FUND TOTAL					**801,755,293**
UK EQUITIES TOTAL					**801,755,292.66**

DERBYSHIRE PENSION FUND
APRIL 2023 PORTFOLIO VALUATION - BID
NEW SECTORS
UK EQUITIES

Sector	Company Name	Number held	Mkt Price Pence	Total £
EQUITY INVESTMENT COMPANIES				
UK Investment Co's	ABERFORTH SML 1P	789,000	1272.00	10,036,080
UK Investment Co's	MONTANARO UK SMALLER CO'S 10P	11,996,285	105.50	12,656,081
UK Investment Co's	STRATHDON INVESTMENTS PLC	20	1000.00	20,000
UK Equity Investment Companies Total				**22,712,161**
UNIT TRUSTS & OEICs				
UK Unit Trusts	LIONTRUST UK SMALLER COMPANIES FUND1	1,713,693.58	1744.75	29,899,669
UK Unit Trusts & OEICs Total				**29,899,669**
TOTAL UNITED KINGDOM				**52,611,829**

DERBYSHIRE PENSION FUND					
APRIL 2023 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	BP PLC-SPONS ADR	31302	40.27	32.04	1,003,005
US Oil & Gas	CONOCOPHILLIPS	7406	102.91	81.89	606,444
US Oil & Gas	DIAMONDBACK ENERGY INC	911	142.16	113.12	103,049
US Oil & Gas	EOG RESOURCES INC	1963	119.47	95.06	186,607
US Oil & Gas	MARATHON PETROLEUM CORP	3244	122.02	97.09	314,964
US Oil & Gas	SHELL PLC-ADR	17523	61.98	49.32	864,190
US Oil & Gas Producers Total					**3,078,260**
OIL & GAS SERVICES					
US Oil & Gas Services	SCHLUMBERGER LTD	7961	49.35	39.27	312,611
US Forestry & Paper Total					**312,611**
CHEMICALS					
US Chemicals	CABOT CORP	3853	71.70	57.05	219,820
US Chemicals	CELANESE CORP	2034	106.24	84.54	171,945
US Chemicals	FMC CORP	3444	123.57	98.32	338,630
US Chemicals	INGEVITY CORP	1968	71.73	57.08	112,325
US Chemicals	LINDE PLC	1859	369.60	294.09	546,715
US Chemicals	PPG INDUSTRIES INC	2767	140.26	111.60	308,811
US Chemicals Total					**1,698,245**
INDUSTRIAL METALS					
US Industrial Metals	LIVENT CORP	3662	21.85	17.39	63,668
US Industrial Metals Total					**63,668**
AEROSPACE					
US Aero defence	BOEING CO/THE	1738	206.73	164.50	285,892
US Aero defence	GENERAL DYNAMICS	1931	218.31	173.71	335,433
US Aero defence	LOCKHEED MARTIN CORP	1122	464.45	369.56	414,650
US Aero defence	RAYTHEON TECHNOLOGIES CORP	6540	99.90	79.49	519,867
US Aerospace Total					**1,555,842**
GENERAL INDUSTRIAL					
US Div Ind	AMETEK INC	1155	137.97	109.78	126,799
US Div Ind	AZEK CO INC/THE	3486	27.12	21.58	75,226
US Div Ind	BALL CORP	1765	53.17	42.31	74,673
US Div Ind	BUILDERS FIRSTSOURCE INC	2528	94.76	75.40	190,613
US Div Ind	CATERPILLAR INC	716	218.82	174.12	124,666
US Div Ind	DANAHER CORP	2995	236.83	188.45	564,395
US Div Ind	EMERSON ELECTRIC CO	504	83.26	66.25	33,390
US Div Ind	FORTUNE BRANDS INNOVATIONS I	2197	64.69	51.47	113,088
US Div Ind	FLOWSERVE CORP	5147	33.39	26.57	136,748
US Div Ind	FLUOR CORP	5949	29.06	23.12	137,559
US Div Ind	HERC HOLDINGS INC	322	99.96	79.54	25,611
US Div Ind	HONEYWELL INTERNATIONAL INC	1442	199.79	158.97	229,239
US Div Ind	INGERSOLL-RAND PLC	1599	57.02	45.37	72,548
US Div Ind	JOHNSON CONTROLS INTERNATIONAL	2974	59.84	47.61	141,606
US Div Ind	MASTEC INC	714	88.81	70.67	50,456
US Div Ind	MASTERBRAND INC	1190	8.06	6.41	7,632
US Div Ind	MIDDLEBY CORP	1206	140.82	112.05	135,133
US Div Ind	UNITED RENTALS INC	22	361.03	287.27	6,320
US Div Ind	WABTEC CORP-WESTINGHOUSE AIR BR	2209	97.64	77.69	171,622
US Div Ind	WESCO INTERNATIONAL INC	868	144.00	114.58	99,456
US Div Ind	ZURN WATER SOLUTIONS CORP	4751	21.55	17.15	81,467
US General Industrial Total					**2,598,245**

ELECTRONIC EQUIPMENT					
US Electricity	FORTIVE CORP	2465	63.08	50.19	123,725
US Electronic Equipment Total					**123,725**
INDUSTRIAL ENGINEERING					
US Industrial Engineering Total					-
INDUSTRIAL TRANSPORT					
US Transportation	C H ROBINSON WORLDWIDE INC	2271	100.90	80.29	182,330
US Transportation	DELTA AIRLINES INC	792	34.32	27.31	21,628
US Transportation	FEDEX CORP	311	227.78	181.24	56,367
US Transportation	KNIGHT-SWIFT TRANSPORTATION	4208	56.31	44.81	188,543
US Transportation	SOUTHWEST AIRLINES CO	1983	30.29	24.10	47,794
US Industrial Transport Total					**496,662**
SUPPORT SERVICES					
US Support Services	AURORA INNOVATION INC	14962	1.42	1.13	16,905
US Support Services	CLEAN HARBORS INC	1142	145.16	115.50	131,905
US Support Services	CERIDIAN HCM HOLDING INC	4686	63.46	50.50	236,620
US Support Services	GENPACT LTD	3687	44.55	35.45	130,698
US Support Services	SCIENCE APPLICATIONS INTL CORP	1615	101.99	81.15	131,063
US Support Services	TRINET GROUP INC	1521	92.78	73.83	112,288
US Support Services	WASTE CONNECTIONS INC	1569	139.12	110.70	173,685
US Support Services Total					**933,165**
AUTOMOBILES & PARTS					
US Automobiles & Par	FORD MOTOR CO	8359	11.87	9.44	78,950
US Automobiles & Parts Total					**78,950**
BEVERAGES					
US Beverages	CONSTELLATION BRANDS INC-A	1807	229.45	182.57	329,910
US Beverages	MONSTER BEVERAGE	15962	55.99	44.55	711,127
US Beverages Total					**1,041,037**
FOOD PRODUCTION/PROCESS					
US Food Prod & Proce	HERSHEY CO/THE	3168	273.05	217.27	688,298
US Food Prod & Proce	LAMB WESTON HOLDINGS INC	2990	111.82	88.98	266,036
US Food Production & Processing Total					**954,334**
PERSONAL GOODS					
US Personal Care / Hc	DR HORTON INC	927	109.83	87.39	81,012
US Personal Care / Hc	ESTEE LAUDER COMPANIES-CL A	1885	246.74	196.33	370,084
US Personal Care / Hc	LENNAR CORP-A	1454	112.81	89.76	130,515
US Personal Care / Hc	SKYLINE CHAMPION CORP	300	74.16	59.01	17,703
US Personal Goods Total					**599,314**
TOBACCO					
US Food Prod & Proce	PHILIP MORRIS INTERNATIONAL	10708	99.97	79.55	851,780
US Tobacco Total					**851,780**
HEALTHCARE EQUIPMENT & SERVICES					
US Healthcare Equipm	ABOTT LABORATORIES	4424	110.47	87.90	388,874
US Healthcare Equipm	AGILON HEALTH INC	8470	24.27	19.31	163,570
US Healthcare Equipm	AMERISOURCEBERGEN CORP	2383	166.80	132.72	316,278
US Healthcare Equipm	BOSTON SCIENTIFIC CORP	9181	52.13	41.48	380,826
US Healthcare Equipm	CENTENE CORP	7094	68.92	54.84	389,032
US Healthcare Equipm	DEXCOM INC	1945	121.33	96.54	187,775
US Healthcare Equipm	EDWARDS LIFESCIENCES CORP	4203	87.96	69.99	294,167
US Healthcare Equipm	ELANCO ANIMAL HEALTH INC	7187	9.46	7.53	54,099
US Healthcare Equipm	ELEVANCE HEALTH INC	915	468.60	372.87	341,171
US Healthcare Equipm	HCA HOLDINGS INC	1466	287.42	228.70	335,274
US Healthcare Equipm	HUMANA INC	943	530.38	422.02	397,968
US Healthcare Equipm	INSULET CORP	573	317.89	252.95	144,938
US Healthcare Equipm	LABORATORY CRP OF AMER HLDGS	518	226.71	180.39	93,444
US Healthcare Equipm	MOLINA HEALTHCARE INC	1057	297.88	237.02	250,533

US Healthcare Equipm	STRYKER CORP	1652	299.64	238.42	393,876
US Healthcare Equipment & ServicesTotal					**4,131,825**
PHARMACEUTICAL, BIOTECH					
US Healthcare	ACLARIS THERAPEUTICS INC	1517	8.87	7.06	10,707
US Healthcare	AGILIENT TECHNOLOGIES INC	3049	135.43	107.76	328,565
US Healthcare	ALNYLAM PHARMACEUTICALS INC	247	199.12	158.44	39,135
US Healthcare	APELLIS PHARMACEUTICALS INC	200	83.39	66.35	13,271
US Healthcare	ASCENDIS PHARMA A/S - ADR	397	69.90	55.62	22,081
US Pharm, Biotech	ASTRAZENECA PLC-SPONS ADR	7906	73.22	58.26	460,613
US Healthcare	BIOGEN INC	528	304.28	242.12	127,837
US Healthcare	CELLDEX THERAPEUTICS INC	673	31.43	25.01	16,831
US Healthcare	CYTOKINETICS INC	2487	37.37	29.74	73,952
US Pharm, Biotech	ELI LILLY & CO	3375	396.27	315.31	1,064,178
US Pharm, Biotech	GENMAB A/S-SP ADR	1143	41.01	32.63	37,298
US Pharm, Biotech	GILEAD SCIENCES INC	1111	82.22	65.42	72,684
US Pharm, Biotech	GSK PLC-SPON ADR	5177	36.03	28.67	148,420
US Pharm, Biotech	ICON PLC	982	192.74	153.36	150,603
US Pharm, Biotech	ILLUMINA INC	1069	205.51	163.52	174,807
US Pharm, Biotech	IMMUNOCORE HOLDINGS PLC-ADR	446	57.97	46.13	20,573
US Pharm, Biotech	KARUNA THERAPEUTICS INC	615	198.32	157.80	97,049
US Healthcare	MERCK & CO. INC.	9280	115.49	91.90	852,789
US Healthcare	MODERNA INC	357	132.88	105.73	37,747
US Healthcare	NOVARTIS AG-SPONSORED ADR	2463	102.57	81.61	201,018
US Pharm, Biotech	PFIZER INC	21780	38.90	30.95	674,150
US Pharm, Biotech	PROTHENA CORP PLC	370	52.54	41.81	15,468
US Pharm, Biotech	PTC THERAPEUTICS INC	438	55.08	43.83	19,196
US Pharm, Biotech	REGENERON PHARMACEUTICALS	210	801.79	637.98	133,977
US Pharm, Biotech	REVOLUTION MEDICINES INC	1020	23.47	18.68	19,049
US Pharm, Biotech	ROIVANT SCIENCES LTD	2200	8.54	6.80	14,950
US Pharm, Biotech	SAGE THERAPEUTICS INC	1694	48.84	38.86	65,832
US Pharm, Biotech	SAREPTA THERAPEUTICS INC	246	122.77	97.69	24,031
US Pharm, Biotech	SYNDAX PHARMACEUTICALS INC	761	20.52	16.33	12,425
US Healthcare	VERTEX PHARMACEUTICALS INC	798	340.73	271.12	216,353
US Healthcare	UNITEDHEALTH GROUP INC	1191	492.15	391.60	466,400
US Healthcare	UNITED THERAPEUTICS CORP	152	230.07	183.07	27,826
US Healthcare	VAXCYTE INC	456	42.79	34.05	15,526
US Healthcare	ZOETIS INC	1589	175.78	139.87	222,250
US Pharmaceutical, Biotech Total					**5,877,590**
FOOD RETAIL					
US Retail Food & Drug	AIRBNB INC-CLASS A	4138	119.68	95.23	394,059
US Retail Food & Drug	HYATT HOTELS CORP-CL A	4043	114.29	90.94	367,673
US Retail Food & Drug	PERFORMANCE FOOD GROUP CORP	31060	62.70	49.89	1,549,596
US Retail Food & Drug	SYSCO CORP	4851	76.74	61.06	296,212
US Food Retail Total					**2,607,539**
RETAILERS - GENERAL					
US Retailers Gen	AMAZON.COM INC	29589	105.47	83.92	2,483,182
US Retailers Gen	AUTOZONE INC	94	2,664.16	2,119.87	199,268
US Retailers Gen	ETSY INC	4250	101.02	80.38	341,622
US Retailers Gen	FOOT LOCKER INC	4392	41.98	33.40	146,708
US Retailers Gen	NIKE INC	6501	126.71	100.82	655,451
US Retailers Gen	TJX COMPANIES INC	13765	78.82	62.72	863,301
US Retailers - General Total					**4,689,532**
MEDIA					
US Media & Photo	ACTIVISTAION BLIZZARD	4068	77.66	61.79	251,378
US Media & Photo	BUMBLE INC	14951	18.19	14.47	216,398
US Media & Photo	CARGURUS INC	17212	16.43	13.07	225,019
US Media & Photo	META PLATFORMS INC-CLASS A	11714	240.30	191.21	2,239,795
US Media & Photo	NEW YORK TIMES CO-A	5286	39.74	31.62	167,149
US Media & Photo	OMNICOM GROUP	4802	90.57	72.07	346,064
US Media & Photo	SPOTIFY TECHNOLOGY SA	1745	133.60	106.31	185,503

US Media & Photo	WALT DISNEY CO/THE	7333	102.52	81.58	598,191
US Media Total					**4,229,496**
TRAVEL & LEISURE					
US Hotels Leisure	JETBLUE AIRWAYS CORP	9325	7.13	5.67	52,904
US Travel & Leisure Total					**52,904**
TELECOMS					
Telecoms	AT&T INC	33876	17.67	14.06	476,297
Telecoms	T-MOBILE US INC	3930	143.92	114.52	450,052
US Telecoms Total					**926,350**
ELECTRICITY					
US Electricity	ATMOS ENERGY CORP	3062	114.14	90.82	278,095
US Electricity	EDISON INTERNATIONAL	5751	73.62	58.58	336,890
US Electricity	EXELON CORP	10383	42.40	33.74	350,298
US Electricity	NEXTERAENERGY INC	5965	76.63	60.97	363,713
US Electricity	PG & E CORP	35419	17.11	13.61	482,209
US Electricity	SOUTHERN CO	6345	73.53	58.51	371,232
US Electricity Total					**2,182,438**
BANKS, RETAIL					
US Banks Retail	JP MORGAN CHASE & CO	3649	138.26	110.01	401,439
US Banks - Retail Total					**401,439**
NON-LIFE INSURANCE					
US Insurance	AMERICAN INTERNATIONAL GROUP	4077	53.04	42.20	172,065
US Insurance	ARCH CAPITAL GROUP	4439	75.07	59.73	265,156
US Insurance	ASSURED GUARANTY LTD	3539	53.87	42.86	151,697
US Insurance	CHUBB LTD	1849	201.57	160.39	296,560
US Insurance	MARSH & MCLENNAN COS INC COM	3053	180.23	143.41	437,828
US Insurance	PROGRESSIVE CORP	1790	136.45	108.57	194,346
US Insurance	TRUPANION INC	5380	35.07	27.91	150,130
US Non-Life Insurance Total					**1,667,782**
LIFE INSURANCE					
US Insurance	METLIFE INC	4169	61.31	48.78	203,382
US Life Insurance Total					**203,382**
REAL ESTATE					
US Real Estate	PUBLIC STORAGE	805	294.83	234.60	188,850
US Real Estate	REXFORD INDUSTRIAL REALTY IN	5366	55.77	44.38	238,123
US Real Estate	RYMAN HOSPITALITY PROPERTIES	3787	89.61	71.30	270,023
US Real Estate	WELLTOWER INC	4463	79.21	63.03	281,291
US Real Estate Total					**978,287**
GENERAL FINANCIAL					
US Special Finance	AMERICAN EXPRESS CO	4490	161.36	128.39	576,490
US Special Finance	ARES MANAGEMENT CORP - A	11248	87.59	69.70	783,933
US Special Finance	EQUITABLE HOLDINGS INC	5351	25.98	20.67	110,617
US Special Finance	FLEETCOR TECHNOLOGIES INC	847	213.91	170.21	144,166
US Special Finance	GLOBAL PAYMENTS INC	3326	112.71	89.68	298,287
US Special Finance	GOLDMAN SACHS GROUP INC	1709	343.47	273.30	467,068
US Special Finance	MSCI INC	1017	482.44	383.88	390,403
US Special Finance	MORGAN STANLEY	10899	89.98	71.60	780,337
US Special Finance	PAYPAL HOLDINGS INC	3415	76.02	60.49	206,570
US Special Finance	S&P GLOBAL INC	247	362.54	288.47	71,253
US Special Finance	TRADEWEB MARKETS INC-CLASS A	5499	70.41	56.03	308,083
US Special Finance	VISA INC CL A SHS	2070	232.89	185.31	383,593
US Special Finance	WEX INC	1572	177.34	141.11	221,824
US General Financial Total					**4,742,625**
SOFTWARE					

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US Software & Comp S	ALPHABET INC - CL A SHARES	36871	107.33	85.40	3,148,875
US Software & Comp S	BENTLEY SYSTEMS INC	783	42.55	33.86	26,510
US Software & Comp S	BLOCK INC	5275	60.78	48.36	255,113
US Software & Comp S	GODADDY INC - CLASS A	4955	75.67	60.21	298,344
US Software & Comp S	GUIDEWIRE SOFTWARE INC	1028	76.18	60.62	62,314
US Software & Comp S	HASHICORP INC-CL A	3334	26.81	21.33	71,123
US Software & Comp S	HUBSPOT INC	284	420.34	334.46	94,988
US Software & Comp S	MICROSOFT CORP	18622	307.32	244.53	4,553,722
US Software & Comp S	OKTA INC	590	68.50	54.51	32,158
US Software & Comp S	PALO ALTO NETWORKS INC	788	182.49	145.21	114,423
US Software & Comp S	SALESFORCE.COM INC	2885	198.41	157.87	455,469
US Software & Comp S	SENTINELONE INC-CLASS A	2377	16.06	12.78	30,376
US Software & Comp S	SERVICENOW INC	807	459.56	365.67	295,097
US Software & Comp S	SNOWFLAKE INC-CLASS A	541	148.09	117.84	63,749
US Software & Comp S	VERISIGN INC	3935	221.82	176.50	694,536
US Software & Comp S	WORKDAY INC-CLASS A	1023	186.11	148.09	151,494
US Software Total					**10,348,290**
TECHNOLOGY HARDWARE					
US IT Hardware	ADVANCED MICRO DEVICES	9263	89.39	71.13	658,855
US IT Hardware	APPLE INC	13744	169.69	135.02	1,855,747
US IT Hardware	ARISTA NETWORKS INC	2275	160.17	127.45	289,943
US IT Hardware	KLA-TENCOR CORP	1091	386.60	307.62	335,611
US IT Hardware	MARVELL TECHNOLOGY GROUP LTD	2582	39.51	31.44	81,173
US IT Hardware	MICRON TECHNOLOGY INC	4051	64.36	51.21	207,457
US IT Hardware	NVIDIA CORP	1964	277.49	220.80	433,649
US IT Hardware	ON SEMICONDUCTOR CORP	4962	71.95	57.25	284,078
US IT Hardware	TERADYNE INC	3800	91.38	72.71	276,302
US IT Hardware	TEXAS INSTRUMENTS INC	5458	167.24	133.07	726,312
US Technology Hardware Total					**5,149,126**
TOTAL UNITED STATES					**62,574,443**

DERBYSHIRE PENSION FUND
APRIL 2023 PORTFOLIO VALUATION - BID

OTHER EQUITIES	Company name	Number held	Mkt price in local currency	Mkt Price GBP	Value in Sterling £
JAPAN					
Investment Companies					
Japan	JPMF japs smoc	718,000	**307.00**	**307.00**	2,204,260
J Investment Companies Total					**2,204,260**
Unit Trusts & OEICs					
Japan	Baillie Gifford OGF - Japanese B Acc Shares	4,538,259.23	**1,810.00**	**1,810.00**	82,142,492
Japan	JPM JAPAN-C-ACC	5,237,837.84	**299.10**	**299.10**	15,666,373
J Unit Trusts Total					**97,808,865**
Life Policies					
Internatio	LGIM Japan Equity Index Fund	96,547,039.700	**2.29**	**2.29**	220,761,565
International Life Policies					**220,761,565**
JAPAN TOTAL					**320,774,690**
EMERGING MARKETS					
Listed Pooled Vehicles					
Internatio	LGPS Central Emerging Mkt Equity Active Multi M	1,745,534.150	**9,550.00**	**95.50**	166,698,511
Listed Pooled Vehicles					**166,698,511**
Life Policies					
Internatio	LGIM World Emerging Markets Index Fund	26,665,434.660	**3.78**	**3.78**	100,785,210
International Life Policies					**100,785,210**
Investment Entities					
Asian	JPM ASIA GROWTH FD-C ACC	18,932,749	**257.70**	**257.70**	48,789,693
LatAm Investment Entities Total					**48,789,693**
EMERGING MARKETS TOTAL					**316,273,414**

DERBYSHIRE PENSION FUND
APRIL 2023 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 .	34,681,513.53	**302.60**	**3.03**	104,946,260
GLOBAL SU: RBC Global Equity Focus Fund	2,511,092.50	**150.66**	**150.66**	378,321,196
GLOBAL SU: LGPS Central All World Equity Climate	2,334,592.41	**13497.00**	**134.97**	315,099,938
Global Sustanable Unit Trusts				**798,367,394**
Life Policies				
GLOBAL SU: LGIM MSCI World Low Carbon Target	287,557,727.40	**2.37**	**2.37**	681,954,653
International Life Policies				**681,954,653**
GLOBAL SUSTAINABLE FUNDS TOTAL				**1,480,322,046.71**

DERBYSHIRE PENSION FUND
APRIL 2023 PORTFOLIO VALUATION - BID

OTHER EQUITIES	Company name	Number held	Mkt price in local currency	Value in Sterling £
PRIVATE EQUITY				
Quoted Private Equity				
UK Investment Co's	APAX GLOBAL ALPHA LTD	3,018,283	168.40	5,082,789
UK Investment Co's	HARBOURVEST GLOBAL PRIVATE	995,906	2060.00	20,515,664
UK Investment Co's	HGCAPITAL TRUST PLC	7,453,150	343.00	25,564,305
UK Investment Co's	ICG ENTERPRISE TRUST PLC	181,795	1054.00	1,916,119
UK Investment Co's	NB PRIVATE EQUITY PARTNERS Ltd	1,500,000	18.50	22,080,675
UK Investment Co's	NB PRIVATE EQUITY PARTNERS Ltd	38,173	1550.00	591,682
UK Investment Co's	PANTHEON INTERNATIONAL PLC	3,600,601	249.50	8,983,499
UK Investment Co's	PRINCESS PRIVATE EQUITY HOLDING LTD	500,000	9.46	4,147,075
UK Investment Co's	ABERDEEN PRIVATE EQUITY OPPORTUNITIES TRUST PLC	900,000	439.00	3,951,000
UK Quoted Private Equity Total				**92,832,807**
Unquoted Private Equity				
UK Unclassified	ADAM STREET PARTNERS (FEEDER) 2017 FUND	30,000,000	1.31	31,364,905
UK Unclassified	CAPITAL DYNAMICS GLOBAL SECONDARIES IV	20,000,000	0.58	9,262,386
UK Unclassified	CAPITAL DYNAMICS MID-MARKET DIRECT FEEDER LP	25,000,000	1.40	30,598,393
UK Unclassified	CAPITAL DYNAMICS LGPS COLLECTIVE PE VEHICLE 2017/18	20,000,000	1.28	25,575,452
UK Unclassified	CAPITAL DYNAMICS CPEP LGPS	25,000,000	0.90	22,436,223
UK Unclassified	CATAPULT GROWTH FUND UNITS	3,000,000	0.26	778,237
UK Unclassified	EAST MIDLANDS VENTURE	3,000,000	0.03	99,236
UK Unclassified	EPIRIS FUND II	25,000,000	1.21	30,371,826
UK Unclassified	GRAPHITE CAPITAL PARTNERS FUND 1X A	11,250,000	0.81	9,083,236
UK Unclassified	GRAPHITE CAPITAL PARTNERS FUND 1X C	11,250,000	0.82	9,227,955
UK Unclassified	MOBEUS EQUITY PARTNERS IV LP	10,000,000	0.59	5,908,444
UK Investment Co's	PANORAMIC ENTERPRISE CAPITAL UNITS	1,387,574	0.44	605,871
UK Investment Co's	PANORAMIC GROWTH FUND 2 LP	10,000,000	0.35	3,531,386
UK Investment Co's	PARTNERS GROUP GLOBAL VALUE 2008	7,500,000	0.18	1,213,474
UK Investment Co's	STAR CAPITAL STRATEGIC ASSETS III LP	12,500,000	0.63	6,937,031
UK Unclassified	VESPA CAPITAL II LLP	10,000,000	0.80	7,987,715
UK Unquoted Private Equity Total				**194,981,770**
PRIVATE EQUITY TOTAL				**287,814,577**
INFRASTRUCTURE				
UK Infrastructure Quoted				
Closed-end Funds	BLUEFIELD SOLAR INCOME FUND	5,778,936	136.40	7,882,469
Closed-end Funds	FORESIGHT SOLAR FUND LTD	4,000,000	110.00	4,400,000
Closed-end Funds	GREENCOAT UK WIND PLC	13,835,000	157.30	21,762,455
Closed-end Funds	HICL INFRASTRUCUTRE CO LTD	13,560,422	153.40	20,801,687
Closed-end Funds	INTERNATIONAL PUBLIC PARTNERSHIP LTD	32,014,081.00	146.60	46,932,642.75
Closed-end Funds	3I INFRASTRUCTURE PLC	2,249,999.00	317.50	7,143,746.83
Closed-end Funds	RENEWABLES INFRASTRUCTURE GR	8,391,878.00	127.20	10,674,468.82
UK Infrastructure Quoted Total				**119,597,469**
UK Infrastructure Unquoted				
UK Unclassified	BlackRock Global Renewable Power Fund III LP	65,000,000	0.54	28,018,378
UK Unclassified	DALMORE CAPITAL 3 LP	25,000,000	1.22	30,419,515
UK Unclassified	EQUITIX FUND 1 LTD P'SHIP	7,500,000	1.61	12,076,006
UK Unclassified	Equitix Fund IV Ltd P'ship	25,000,000	1.10	27,532,175
UK Unclassified	First Sentier Investors EDIF II	20,000,000	1.34	23,536,775
UK Unclassified	Greencoat Renewable Income Fund	75,000,000	1.04	78,132,503
UK Unclassified	IMPAX NEW ENERGY INVESTORS II UNITS	10,000,000	0.01	59,950
UK Unclassified	JP Morgan Infrastructure Investment Fund UK LP	185,000,000	0.78	145,198,457
UK Unclassified	MEIF 5 Co-Invest LP	12,600,000	0.47	5,244,429
UK Unclassified	MEIF 6 Co-Invest LP	28,000,000	0.36	8,751,746
UK Unclassified	MEIF 7 Co-Invest LP	22,500,000	0.18	3,600,520
UK Unclassified	Macquarie European Infrastructure Fund 5 LP	14,400,000	1.17	14,805,456
UK Unclassified	Macquarie European Infrastructure Fund 6 SCSp	56,000,000	1.04	50,856,975
UK Unclassified	Macquarie European Infrastructure Fund 7 SCSp	50,000,000	0.07	2,920,609
UK Unclassified	Macquarie GIG Renewable Energy Fund (Euro)	59,000,000	0.68	34,987,330
UK Unclassified	PIP Multi Strategy Infrastructure LP	25,000,000	0.81	20,248,083
UK Unclassified	SL CAPITAL INFRASTRUCTURE 1LP	15,000,000	1.37	20,574,533
UK Unclassified	SL Capital Infratructure II SCSP	25,000,000	0.83	18,293,439
UK Infrastructure Total				**525,256,881**
INFRASTRUCTURE TOTAL				**644,854,350**

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DERBYSHIRE PENSION FUND
APRIL 2023 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 2.25% 7/9/2023	15,400,000	99.25	99.59	99.59	15,336,458
TSY 5% 7/3/2025	5,500,000	101.61	102.37	102.37	5,630,343
TSY 0.25% 31/1/2025	8,500,000	93.40	93.46	93.46	7,944,512
TSY 2% 7/9/2025	7,000,000	95.78	96.08	96.08	6,725,624
TSY 1.5% 7/22/2026	8,500,000	93.32	93.73	93.73	7,967,421
TSY 4.25% 7/12/2027	18,000,000	102.36	104.07	104.07	18,732,001
TSY 4.75% 7/12/2030	13,162,000	107.69	109.59	109.59	14,424,528
TSY 4.25% 7/6/2032	12,370,000	104.83	106.54	106.54	13,178,586
TSY 0.875% 31/7/2033	12,500,000	75.78	76.00	76.00	9,500,120
TSY 4.5% 7/9/2034	16,373,000	106.62	107.31	107.31	17,569,503
TSY 4.25% 7/3/2036	11,400,000	104.07	104.72	104.72	11,937,936
TSY 1.75% 7/9/2037	17,500,000	75.91	76.18	76.18	13,331,028
TSY 4.75% 7/12/2038	7,934,000	108.91	110.81	110.81	8,791,762
TSY 4.25% 7/9/2039	8,980,000	102.56	103.20	103.20	9,267,786
TSY 1.125% 31/01/2039	12,770,000	66.35	66.63	66.63	8,509,264
TSY 1.25% 22/10/2041	18,000,000	63.80	63.83	63.83	11,489,788
TSY 3.25% 1/22/2044	11,920,000	88.04	88.94	88.94	10,601,265
TSY 0.875% 31/1/2046	20,000,000	52.66	52.88	52.88	10,575,392
TSY 4.25% 7/12/2046	11,000,000	101.94	103.65	103.65	11,401,024
TSY 0.625% 22/10/2050	26,100,000	43.75	43.76	43.76	11,421,902
TSY 1.5% 31/07/2053	21,100,000	55.81	56.19	56.19	11,855,050
001 UKGB Total					**236,191,293**
US GOVERNMENT BONDS					
T 2.75% 31/8/2023	26,191,000	99.25	99.72	79.35	20,781,990
T 2.25% 15/11/2024	21,000,000	96.88	97.93	77.92	16,363,310
T 2.75% 15/11/2042	7,500,000	85.19	86.46	68.80	5,159,940
004 USGB Total					**42,305,240.28**
NON GOVERNMENT BONDS					
LGPS Central Global Active Corp Bı	3,957,714	8,559.00	8,559.00	8,559.00	338,740,725
Non Govt Bonds Total					**338,740,725**
MULTI ASSET CREDIT					
Ares Infrastructure Debt Fund III (El	17,000,000	0.50	0.50	0.50	7,435,056
Barings Global Private Loan Fund	40,000,000	0.12	0.12	0.12	4,849,867
Barings Global Private Loan Fund 2	40,000,000	0.37	0.37	0.37	14,847,664
Barings Global Private Loan Fund 3	50,000,000	0.91	0.91	0.91	45,408,538
CQS Credit Multi Asset Fund Class	109,353	1,096.72	1,096.72	1,096.72	119,929,158
CVC Credit PARTNERS European I	76,000,000	0.89	0.89	0.89	59,002,060
CVC (Co Inv) Credit Ptnrs Europeaı	30,000,000	0.76	0.76	0.76	19,936,395
CVC Credit Partners European Dire	45,000,000	0.40	0.40	0.40	18,031,808
CVC (Co Inv) Credit Ptnrs Europeaı	11,250,000	0.43	0.43	0.43	4,783,724
Janus Henderson Multi Asset Credit	99,724,181	1.14	1.14	1.14	113,892,095
LGPS Central Credit Partnership II I	50,000,000	0.30	0.30	0.30	15,229,770
Multi Asset Credit Total					**423,346,135**
UK INDEX LINKED					
TREAS 4.125% IL STK 22/7/2030	6,510,000	341.17	344.19	344.19	22,406,967
TREAS 2% IL STK 26/1/2035	8,000,000	245.79	246.88	246.88	19,750,775
002 UKGIL Total					**42,157,742**

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	99.5340	1.503950	13,816,770.90	1,285.43	13,818,056
TREAS 1.25% IL STK 22/11/2027	7,400,000	105.1000	1.878670	14,611,168.06	41,139.50	14,652,308
TREAS 0.125% IL STK 22/3/2029	5,325,000	99.6510	1.535620	8,148,638.15	741.59	8,149,380
TREAS 1.25% IL STK 22/11/2032	2,777,000	110.7350	1.679100	5,163,418.80	15,438.43	5,178,857
TREAS 0.75% IL STK 22/3/2034	11,465,000	105.2030	1.569950	18,935,989.53	9,580.13	18,945,570
TREAS 1.125% IL STK 22/11/2037	5,580,000	109.5930	1.802720	11,024,154.51	27,919.27	11,052,074
TREAS 0.625% IL STK 22/3/2040	5,600,000	101.2520	1.683830	9,547,504.69	3,899.46	9,551,404
TREAS 0.625% IL STK 22/11/2042	5,950,000	100.5410	1.715990	10,265,377.36	16,539.19	10,281,917
TREAS 0.125% IL STK 22/3/2044	11,470,000	89.5150	1.503930	15,441,406.52	1,597.38	15,443,004
TREAS 0.125% IL STK 22/3/2046	8,730,000	88.0440	1.414280	10,870,497.20	1,215.79	10,871,713
TREAS 0.75% IL STK 22/11/2047	6,500,000	101.1520	1.754790	11,537,533.68	21,681.63	11,559,215
TREAS 0.125% IL STK 10/08/2048	5,300,000	86.8150	1.326770	6,104,727.49	1,482.39	6,106,210
TREAS 0.5% IL STK 22/3/2050	5,000,000	95.2970	1.708470	8,140,603.28	2,785.33	8,143,389
TREAS 1.25% IL STK 22/11/2055	9,205,000	118.0070	1.896920	20,605,377.63	51,174.21	20,656,552
TREAS 0.375% IL STK 22/03/2062	13,850,000	93.4020	1.545980	19,999,070.92	5,786.51	20,004,857
UK INDEX LINKED (3monthers) TOTAL						**184,414,505**

US INDEX LINKED	Number held	Clean Price	Index Ratio	Gross $	Accrued Interest $	Total $	Total £

DERBYSHIRE PENSION FUND
APRIL 2023 PORTFOLIO VALUATION - BID

	Number held	Mkt Price in local currenc (Clean) use	Mkt Price in local currency (Dirty)	Mkt Price pence GBP			Total £ GBP
TII3.625% 15/4/2028	4,045,000	111.156250	1.860020	8,363,152.71	6,810.74	8,369,963	6,659,979.92
TII1.750% 15/1/2028	5,550,000	102.062500	1.436010	8,134,233.77	28,708.22	8,162,942	6,495,252.94
TII2.5% 15/1/2029	7,000,000	106.617188	1.401210	10,457,514.85	51,726.52	10,509,241	8,362,203.36
TII2.125% 15/2/2040	4,095,000	109.875000	1.391880	6,262,598.77	18,269.13	6,280,868	4,997,686.59
TII0.75% 15/2/2042	20,300,000	86.562500	1.331380	23,395,258.99	31,964.09	23,427,223	18,641,041.41
TII0.625% 15/2/2043	10,000,000	83.812500	1.308510	10,966,949.44	13,121.55	10,980,071	8,736,842.48
0045 USGB IL Total							**53,893,007**

TOTAL BONDS	**1,321,048,647**
Index linked-total	**280,465,254**
Conventional-total	**278,496,534**
Non gov-total	**762,086,860**

DERBYSHIRE PENSION FUND
APRIL 2023 PORTFOLIO VALUATION - BID

Real Property		**28/04/2023 Valuation £**
Property	Southampton Property	8,400,000
Property	Retail Unit Tamworth	8,200,000
Property	15-17 Jockeys Field London	9,450,000
Property	D'Arblay House, London	12,350,000
Property	Bristol Odeon Development	6,350,000
Property	Caledonia House, London	23,000,000
Property	Chelsea Fields Ind Est, London	16,550,000
Property	Planet Centre, Feltham	19,800,000
Property	Hill St, Mayfair	15,200,000
Property	Birmingham - Travelodge developm't	13,200,000
Property	Saxmundham, Tesco developm't	10,400,000
Property	Roundhay Road, Leeds	7,250,000
Property	Premier Inn, Rubery, Birmingham	5,300,000
Property	South Normanton Warehouse, Alfreton	18,350,000
Property	Loddon Centre, Basingstoke	16,100,000
Property	Parkway, Bury St Edmunds	7,400,000
Property	Waitrose, York	12,350,000
Property	Link 95, Heywood Manchester	10,450,000
Property	Car Park, Welford Rd Leicester	11,700,000
Property	Leamington Spa, Heathcote Industrial Estate	14,250,000
Property	Chalfont Saquare Retail Park, Lowers Earley	9,850,000
Property	Apex Park Leighton Buzzard	12,750,000
Property	Proximity, 4 Parham Drive, Eastleigh	15,150,000
Property	Knight Retail Park Saffron Walden	8,800,000
Property	Knight Premier Inn- Saffron Walden	9,100,000
Property	Frameworks Richmond	19,225,000
Property	Ashford Trade Centre, Ashford	10,350,000
Total Real Property		**331,275,000**

Property Managed Funds			**Number held**	**Mkt price**	**£**
Property	**GBP**	Aviva Pooled Property Fund - class A	26,891	17.8349	479,604
Property	**GBP**	Aviva Pooled Property Fund - class B	24,513	17.9957	441,136
Property	**GBP**	Bridges Property Alternatives Fund III LP	10,000,000	0.6654	6,654,281
Property	**GBP**	Bridges Property Alternatives Fund IV LP	10,000,000	0.7406	7,406,171
Property	**EUR**	Fidelity Eurozone Select Real Estat Fund - price in Euro's	4,486	6391.8356	25,141,644
Property	**GBP**	Hearthstone Residential Fund 1 LP	25,000,000	0.9652	24,129,109
Property	**GBP**	Igloo Regeneration P'ship Property Unit Trust	4,644,493	0.0263	122,215
Property	**EUR**	Invesco Real Estate-European Fund FCP - SIF	44,569	109.7090	4,287,008
Property	**GBP**	M&G PP UK Property Fund (Inc)	5,690	802.1600	4,564,497
Property	**EUR**	M&G European Property Fund SICAV-FIS (Class X)	25,000,000	0.9913	21,727,750
Property	**Pence**	Tritax Big Box Indirect Pooled Fund	10,000,000	155.0000	15,500,000
Property	**GBP**	Unite UK Student Accommodation Fund	15,584,567	1.4210	22,145,670
Total Property Funds					**132,599,085**

		£
Regulatory Capital	LGPS Central	2,000,000

Cash

Cash		Northern Trust	*UK-In House*		20,967,549
Cash			*Wellington*		1,325,379
		Colliers Property Managers Cash			2,288,582.91
Cash					
Cash		Cash - Lloyds bank Superfund			16,887,342
			Units	Price	
	GBP	Aegon Global Short Dated Climate Transition Fund CLS S GBP Acc-Commitment 29.9.21	1,990,689.32	9.81	19,521,296.68
	Pence	Royal London Inv Grade Short Dated-Z Accum GBP	30,223,655.05	93.72	28,325,609.51

	£	
Stockport Metrolpolitan Borough Council- 7 D/N	10,000,000	
Lancashire County Council 7 D/N	10,000,000	
Hull City Council 7 D/N	10,000,000	
Derby City Council 7 D/N	10,000,000	
Aberdeen Standard Life	30,000,000	
Insight MMF	15,000,000	
		85,000,000

Total Cash	Total Cash	**174,315,759**

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APPENDIX 2

MJ HUDSON Allenbridge

First Quarter 2023 Investment Report

PREPARED FOR:

Derbyshire County Council Pension Fund: Pensions and Investment Committee Meeting

JUNE 2023

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 June 2023
Date of paper 18th May 2023

1. Market Background (First quarter 2023)

The rally in equity and bond markets which began in October 2022 continued into the first three months of 2023. Macro-economic data was stronger than expected with Growth, Inflation and Employment in the major economies all outperforming forecasters expectations. The markets chose to focus on the falling trend of US headline inflation, rather than its elevated level and the stubbornness of core inflation, also seemingly failing to realise that if growth and employment data remained better than expected central banks were more likely to continue to increase interest rates. This optimism took a blow in March with the failure of 2 US regional banks and CSFB.

True to their word central banks continued to increase interest rates over the quarter with the US Fed delivering a 0.25% increase in February and March. The BoE and the ECB each increasing rates by 0.5% in February and 0.25% in March. Despite the bank failures all 3 central banks raised rates again at their April and May meetings. Stating that they remained committed to getting inflation down, while in the case of the Fed recognising that credit conditions may have tightened in the domestic economy.

As can be seen in table 1, in Sterling terms over 3 months to the end of March, global equities delivered a return of +4.4%, improving the annual performance to -0.9%. Once again, the range of returns was quite wide with Europe up over 8% but emerging equities only up 0.2%. In terms of theme, growth stocks had a better quarter than value and at the sector level, Tech stocks also outperformed. Over twelve months European equities were +8.7% higher whereas US and emerging equities were down -2.6% and -3.9% respectively.

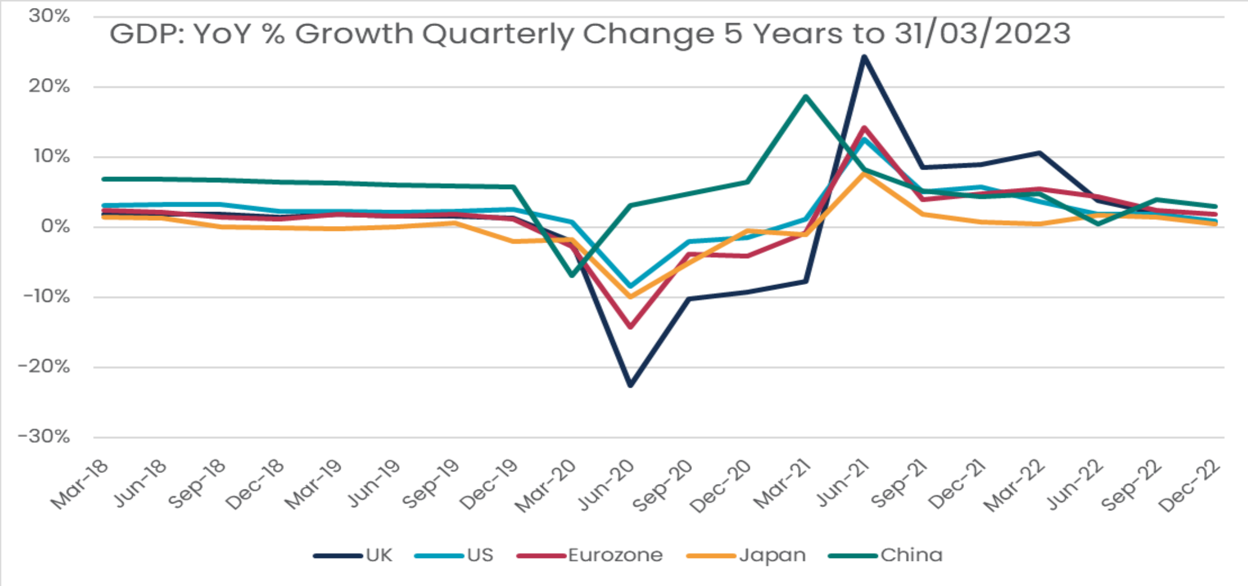
Bond markets delivered solid positive returns over the quarter with UK index linked gilts delivering the highest returns due to their ultra long interest rate sensitivity. Despite the volatility in the financial sector non-government bonds performed in-line with conventional government bonds. Over twelve months all bond markets delivered huge negative returns, with the highest duration government bond markets delivering the worst returns.

Property markets had another poor quarter with both UK and Global property markets delivering small negative returns adding to the negative annual return. Returns from other real and private market assets like Private Equity and Infrastructure were positive over the quarter and the year.

The US dollar weakened a bit further over the quarter but Sterling was stronger against most currencies as FX markets priced in higher interest rates for longer to tackle inflation. Commodity prices were again mixed, the prices of oil, gas and electricity are now back the level seen at the end of 2021 and industrial commodity prices were fairly stable over the quarter.

The strength of markets in January has been tempered over the year to date by higher interest rates, inflation and better than expected growth. Equities are no longer so over-bought as they were but I also do not believe they are cheap. Even with tighter credit conditions, interest rates may have to rise further to combat inflation, which could lead to further equity market volatility and rising bond yields.

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 April 2023 and the 3 and 12 months to the end of March 2023.

% TOTAL RETURN DIVIDENDS REINVESTED

MARKET RETURNS

		Period end 31st March 2023	
	April 2023	**3 months**	**12 months**
Global equity FTSE All-World	-0.1	+4.4	-0.9
Regional indices			
UK All Share	+3.4	+3.1	+2.9
North America	-0.2	+4.7	-2.6
Europe ex UK	+2.3	+8.6	+8.7
Japan	-1.2	+3.3	+2.0
Emerging	-2.6	+0.2	-3.9
UK Gilts - Conventional All Stocks	-1.8	+2.5	-17.2
UK Gilts - Index Linked All Stocks	-4.0	+4.3	-27.5
UK Corporate bonds*	+0.2	+2.5	-11.4
Overseas Government Bonds**	+0.4	+2.9	-5.5
UK Property quarterly^	-	-1.2	-12.6
Sterling 7 day SONIA	0.3	0.9	2.2

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

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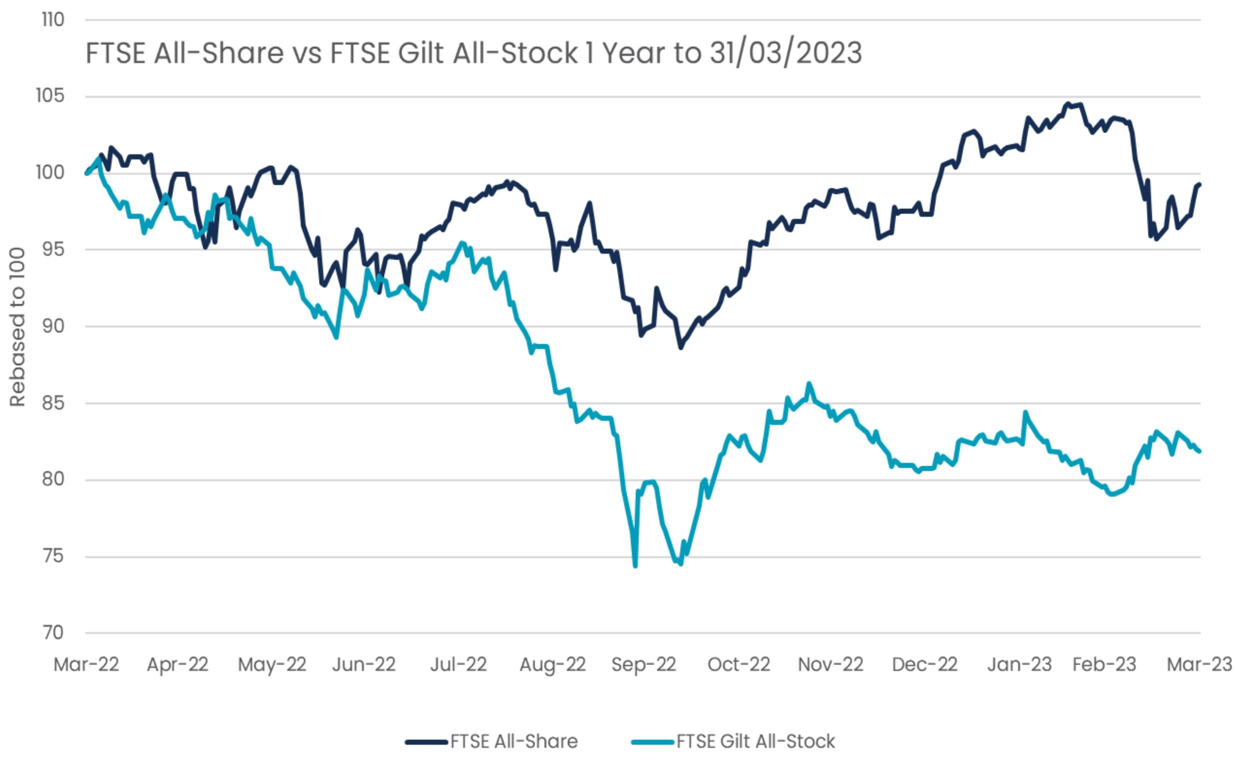
Chart 2: - UK bond and equity market returns - 12 months to 31st March 2023



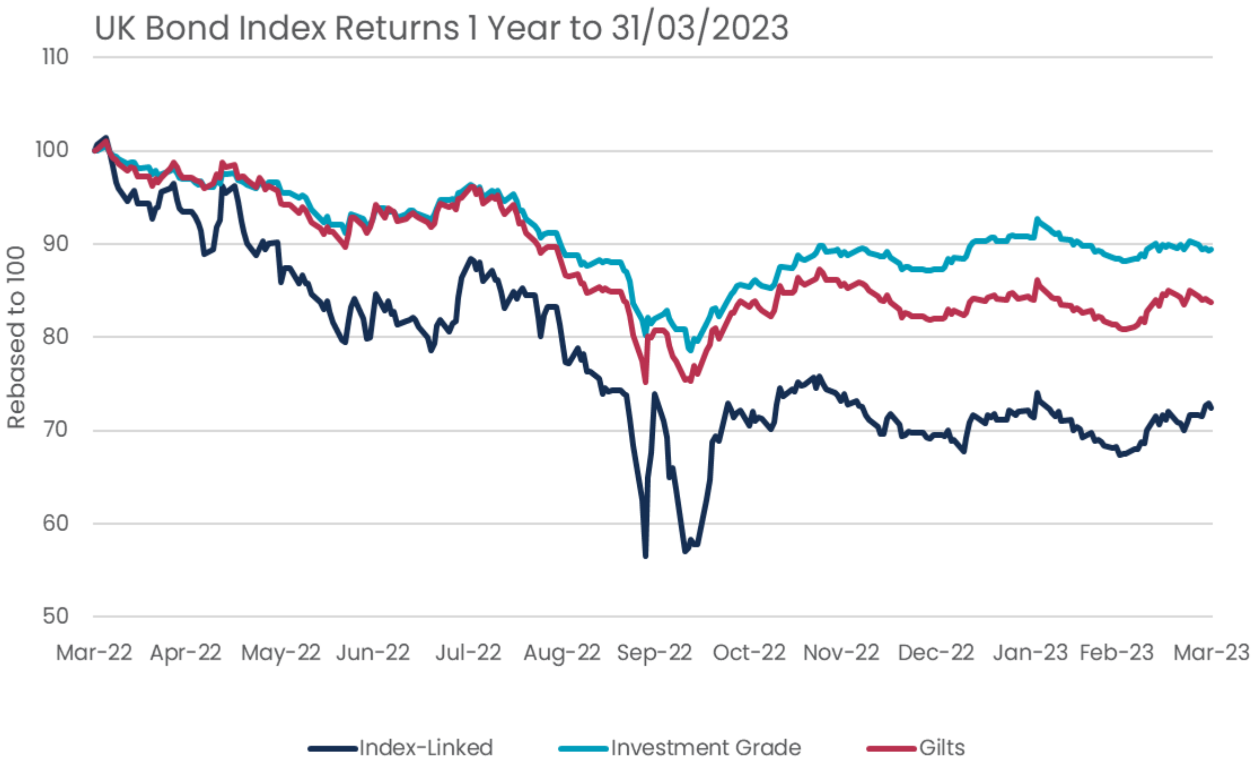
Source: - Bloomberg

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

BOND MARKET % YIELD TO MATURITY	31st December 2022	31st March 2023	Quarterly Change %	31st March 2022	Current 15th May 2023
UK GOVERNMENT BONDS (GILTS)					
10 year	3.67	3.49	**-0.18**	1.61	**3.82**
30 year	3.95	3.84	**-0.11**	1.77	**4.25**
All Stocks ILG	+0.24	+0.13	**-0.11**	-2.38	**+0.60**
OVERSEAS 10 YEAR GOVERNMENT BONDS					
US Treasury	3.83	3.49	**-0.24**	2.33	**3.51**
Germany	2.56	2.31	**-0.24**	0.55	**2.31**
Japan	0.42	0.32	**-0.10**	0.21	**0.41**
NON-GOVERNMENT BOND INDICES					
Global corporates	5.10	4.92	**-0.18**	3.03	**4.92**
Global High yield	8.86	8.50	**-0.36**	6.02	**8.60**
Emerging markets	6.99	7.00	**+0.01**	5.23	**7.07**

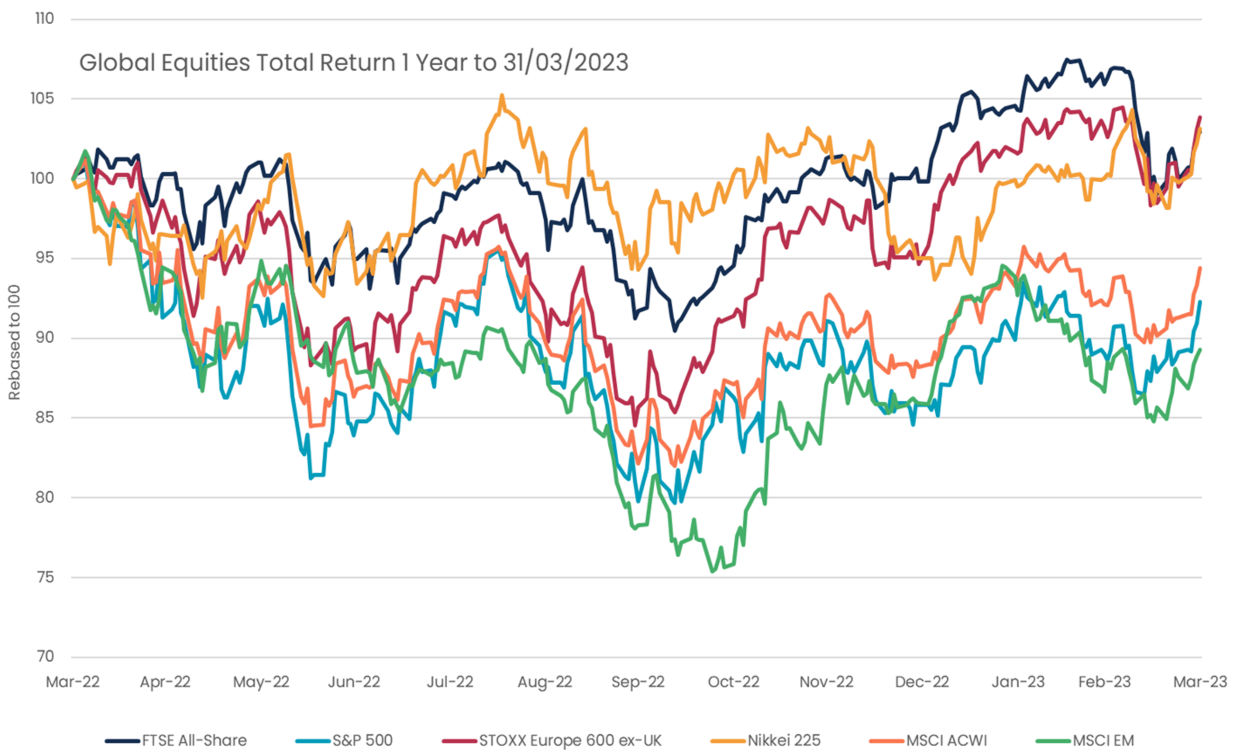
Source: - Trading economics and ICE Indices G0LI, G0BC, HW00, EMGB, 15th May 2023.

Chart 3: - UK Bond index returns, 12 months to 31st March 2023



Source: - Bloomberg

Chart 4: - Global equity market returns in local currency, 12 months to 31st March 2023



Source: - Bloomberg

Recent developments (April and up to 15th May 2023)

Quarter to date has seen another round of interest rate increases from the main central banks as growth, inflation and employment has remained stronger than expected. At their most recent meetings the central banks all increased rates by 0.25% the US Fed to 5.25%, the BoE to 4.5% and the ECB to 3.75%. In their press statements after the increases the Fed did suggest that if tighter credit conditions persist it may impact the outlook for rates, but the BoE and ECB continue to indicate that they are not about to end the tightening of monetary policy.

Tighter credit conditions in the US also claimed another victim with the failure of First Republic Bank. The bank had been struggling since the failure of SVB in March, over the weekend of the 28th April the FDIC seized the bank guaranteeing all depositors and sold it to JP Morgan. JP Morgan is already the USA's largest bank.

Economic data showed that April was a positive month for the global economy with growth remaining remarkably resilient in the face of higher interest rates. US, eurozone, and UK Purchasing Managers Index (PMI) surveys all beat expectations, and China's Q1 GDP print was also stronger than expected.

Falling energy prices helped bring headline inflation down in the major developed economies with the contribution from energy turning negative in the US and the eurozone. In the UK, fuel prices fell while the contribution from broader energy remained positive due to the lags caused by the energy price cap. OPEC announced a cut in production aimed at stabilising oil prices at around $80 a barrel and while this may reduce base effects, the comparison with sky high 2022 prices mean energy should still drag on inflation in the coming months.

This positive economic momentum supported risk assets despite further stress in the banking sector. Developed market equities rose by 1.8% over the month, with value stocks modestly outperforming growth counterparts. Global bonds returned 0.4% with a large part of this driven by investment grade credit which returned 1.2% over the month.

2. Investment Performance

Table 3 shows the performance of the Derbyshire Pension Fund versus the Fund specific benchmark for the quarter and year to 31st March 2023. Over 12 months, Growth assets underperformed whereas Income and Protection assets outperformed. All the individual active Growth asset managers underperformed their respective benchmarks over 3 months and over 12 months, only the US and Private Equity outperformed.

Over 10 years the Fund has achieved a total return of 8.1% per annum, net of fees.

Table 3: - Derbyshire Pension Fund and Benchmark returns

% TOTAL RETURN (NET) 31ST MARCH 2022	3 MONTHS		12 MONTHS	
	Derbyshire Pension Fund	Benchmark	Derbyshire Pension Fund	Benchmark
Total Growth Assets	**2.5**	**3.6**	**-1.2**	**0.4**
UK Equity	2.5	3.1	1.9	2.9
Total Overseas Equity	**2.8**	**3.6**	**-3.1**	**-0.5**
North America	4.4	4.6	-1.6	-2.5
Japan	2.9	3.3	-0.5	2.0
Emerging markets	1.0	0.2	-5.1	-4.1
Global Sustainable Equity	3.1	4.2	-3.3	-0.5
Global Private Equity	0.8	4.4	5.1	0.5
Total Protection Assets	**3.1**	**3.0**	**-14.8**	**-17.5**
UK & Overseas Government	1.8	2.0	-12.4	-16.3
UK & Overseas Inflation Linked	5.0	4.3	-20.6	-26.7
Global Corporate bonds	2.4	2.6	-10.8	-9.0
Total Income Assets	**0.7**	**0.7**	**0.2**	**-2.5**
Multi-asset Credit	2.1	2.0	1.0	2.7
Infrastructure	1.0	1.4	7.5	4.3
Property (all sectors)	-1.0	-0.9	-8.6	-13.2
Internal Cash	0.9	0.9	1.7	2.2
Total Fund	**2.1**	**2.7**	**-3.1**	**-3.6**

Total fund value on 31st March 2023 £5,916 million

At the end of March, the Fund was slightly overweight growth assets, within equity the Fund was underweight Global sustainable with an overweight to the UK and a residual position in US Equity. The Fund was also 2% underweight protection assets and 1% overweight income assets relative to the strategic benchmark.

At the end of April the Fund rebalanced it's equity exposures reducing the UK equity exposure by 1.4% and selling out of the residual 1.1% exposure to North American equity. The exposure to Global sustainable equity was increased by 2% with the residual left in cash.

Over the first quarter of 2023, the Fund underperformed with stock selection decisions in growth assets predominantly responsible for the negative contribution. Over 12 months the total return of the Fund was -3.1% but this was better than the -3.6% return of the benchmark, with both asset allocation and stock selection decisions making a positive contribution.

Over 3 years to the end of March, each of the broad asset categories in the Fund has outperformed the benchmark and the total return of the whole Fund, net of fees was +8.0% p.a. compared to the benchmark return of +7.7% p.a. The largest contribution to this outperformance comes from stock selection in all asset classes and asset allocation to protection and income assets, with a small negative contribution coming from the asset allocation to growth assets.

Growth assets – Equity performance

The aggregate performance of growth assets in the first quarter and year as whole was lower than the strategic benchmark. Over three months only the Emerging market equity portfolio delivered an outperformance compared to its benchmark and only North America and global private equity outperformed over twelve months.

Over 10 years growth assets have returned on average 8.6% p.a. compared to 8.3% p.a. for the benchmark.

Protection assets - Fixed Income Performance

The Fund remains underweight its allocation to UK government bonds and has less interest rate sensitivity than the benchmark. As a result, the aggregate return of the government bond portfolio was in line with benchmark over 3 months and significantly outperformed the benchmark over 12 months. Over the quarter and the year, the global corporate bond managers underperformed their benchmark.

Over 10 years protection assets have on average returned +1.7% p.a. compared to the benchmark return of +1.5% p.a.

Income assets – Property, Infrastructure and MAC

Over the quarter, the combined portfolio of income assets has outperformed the benchmark, with all 3 asset classes outperforming their respective indices. Over 12 months a better period for measuring returns both property and Infrastructure outperformed while the MAC portfolio underperformed.

Over 10 years Income assets have on average returned 8.2% p.a. compared to the benchmark return of 3.8% p.a.

3. Economic and Market outlook

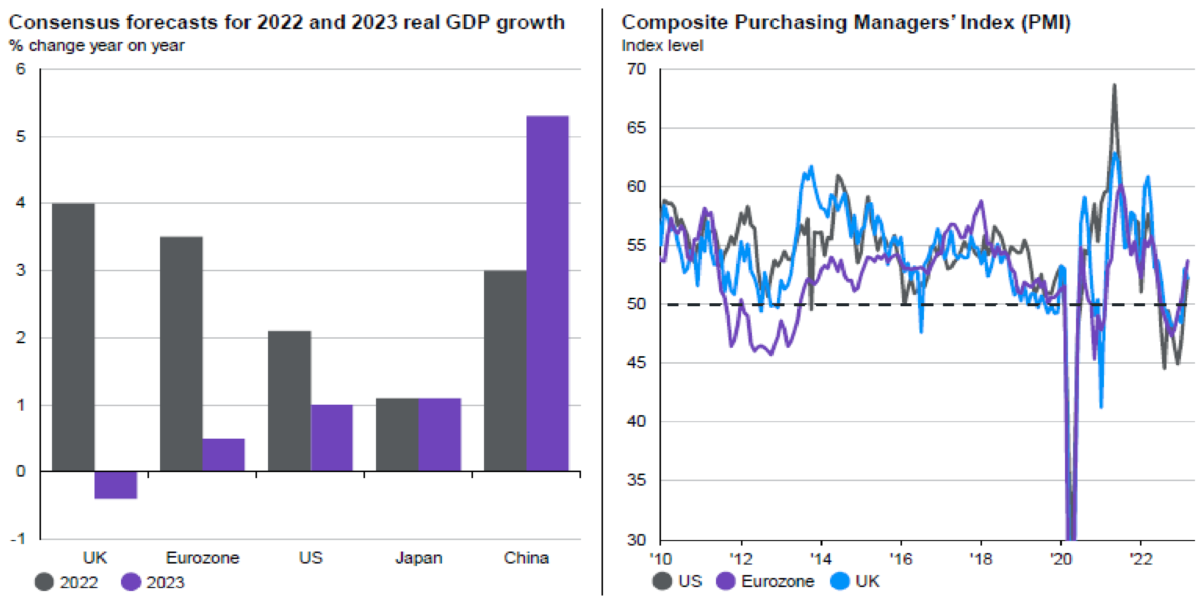
Economic outlook

Market commentators were quite pessimistic on the outlook for growth when I was writing my last report but as I mentioned when we met at the last PIC meeting, anecdotally I had observed rather more activity in the UK than the forecasts would suggest. Equally the actual reported global economic data had not been as weak as expected. Compared to last year growth and inflation are going to be lower and it is possible that the better recent experience could be reversed by the tightening of credit conditions in the US caused by the failure of several regional banks. As can be seen in chart 5 below, generally forecasters are suggesting better growth and even the IMF (23rd May) has revised its global growth forecasts higher increasing their outlook for the UK from -0.3% to +0.4% in 2023. This is still not a great outcome, UK growth should be greater than 2% per year, but the magnitude of the change is worthy of note. In the IMF's previous report UK economic growth was ranked weakest in the G20, that ranking now belongs to Germany which is only expected to achieve 0% growth in 2023.

With growth slightly better than expected and full employment, central banks can feel free to increase interest rates to tackle inflation. The headline rate may be falling but the core rate remains stubbornly high and in some cases continues to rise as the last 12 months of "baked in" price increases start to show up in core goods and services. At the moment my concern about Chinese inflation getting out of hand in the post lockdown recovery seems to be mis-placed.

While the outlook for UK and European economic growth has improved from a low base it could still be characterised as stagnant rather than recessionary. Market volatility has picked up as investors try to figure out how much further central banks need to increase rates especially in the UK and Europe to get inflation back under control, against a backdrop of tighter credit conditions in the US and the brinkmanship over the US Government's debt ceiling.

Chart 5: - Consensus GDP forecasts and PMI's (leading indicators of growth)



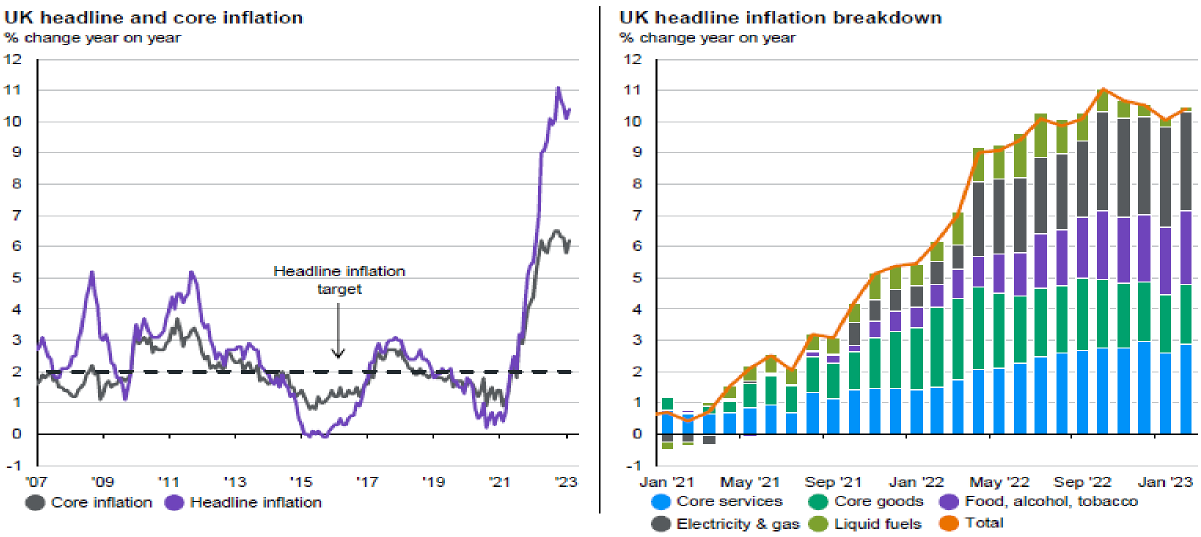
Source: - JPMorgan Asset management April 2023

Inflation

In the US the rate of headline inflation has been trending lower since the summer, in the UK and Europe since October, and in Japan since February, but the core rates of inflation are proving more stubborn. The most significant cause of the inflation has not changed, all the developed world's central banks kept monetary policy too easy for too long into the covid recovery. But the USA's self-sufficiency in energy has meant that the inflation caused by Russia's invasion of Ukraine has fallen faster than it has in the UK, Europe and Japan. The fall in the headline rates has been driven by year over year base effects and the recent sharp falls energy prices, helped by more cautious consumption in Europe and the milder winter. Inflation remains higher in the UK because of the structure of the energy market. Another factor that may keep UK inflation higher for longer is food prices, after a long period of intense competition between the supermarkets, suppliers and the supply chain have been forced to pass on higher prices caused by higher labour and production costs, and supply shortages.

The left hand side of Chart 6 shows, even as UK headline inflation falls, core inflation has remained stubbornly high. Indeed, the April inflation data published on 24th May, reported that headline inflation fell from 10.1% to 8.7%, but the core rate increased from 6.2% to 6.8% the highest rate since 1992. The right hand side shows the components of that make up headline inflation and suggests that even as headline inflation falls due to lower energy prices, core inflation may remain high after the base effects of higher energy prices drop out of the index.

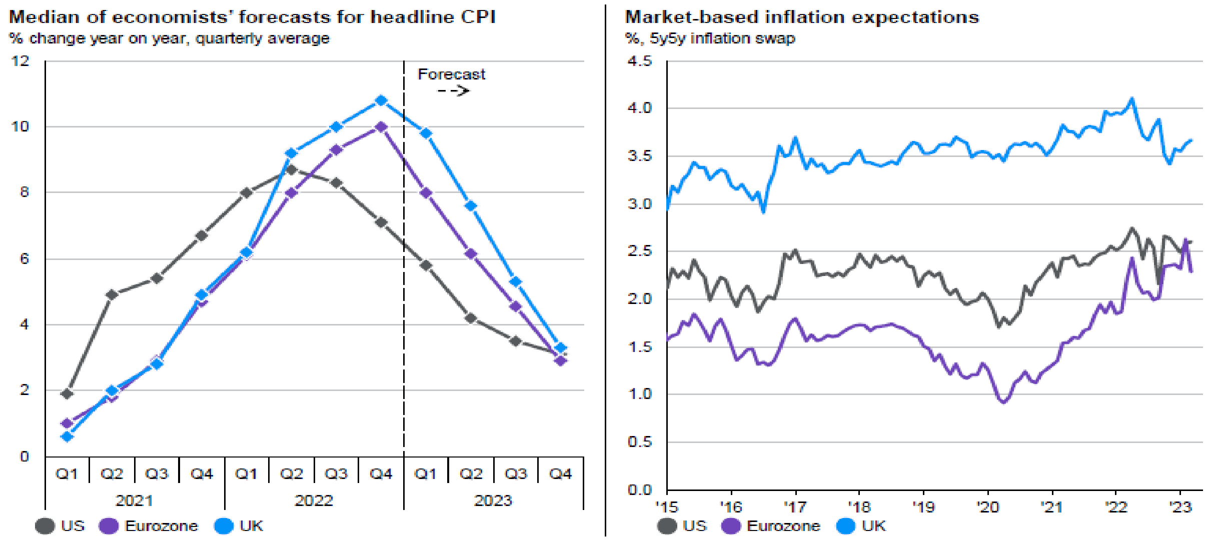
Chart 6: - UK headline and core inflation and the components of headline inflation.



Source: - JPMAM April 2023

I have updated Chart 7 showing that economists expect inflation to fall over the whole of 2023. I believe that while the direction is correct, they are being overly optimistic about the actual level of inflation, because as I have suggested above, core goods and services inflation is not about to decline significantly. As I mentioned last time, they still expect inflation to settle at levels above central bank's target rates. The right hand chart shows that the bond markets also expect over the long term that levels of inflation will be higher than they were before covid. I have not changed my view that the period of low inflation following the global financial crisis (GFC) is behind us and inflation rates could return to levels we were more familiar with before the GFC and this may require higher levels of interest rates and a more conservative monetary policy approach from central banks.

Chart 7: - Economists' median forecasts of headline CPI, in the US, UK and Europe and market forward looking inflationary expectations.

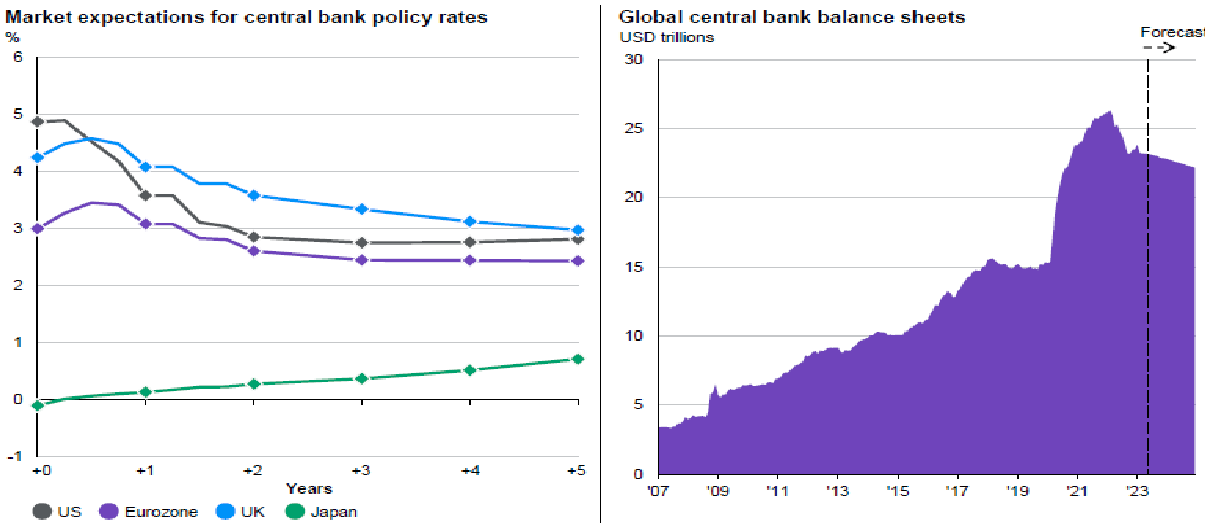


Source: - JPMAM April 2023

Central Banks

The Fed, ECB and the BoE all increased rates by 0.25% at their most recent meetings, but the comments in press conferences afterwards were somewhat different. The Fed was reported to suggest that the tightening of credit conditions after the failure of SVB, First Republic bank and CSFB, may make further tightening less likely, while the ECB (more clearly) and BoE suggested they may have more to do to get inflation under control. As a result, the market has softened its expectations for interest rates hikes going forward, whereas I have not. I still expect rate to rise and to stay higher for longer than the markets expect.

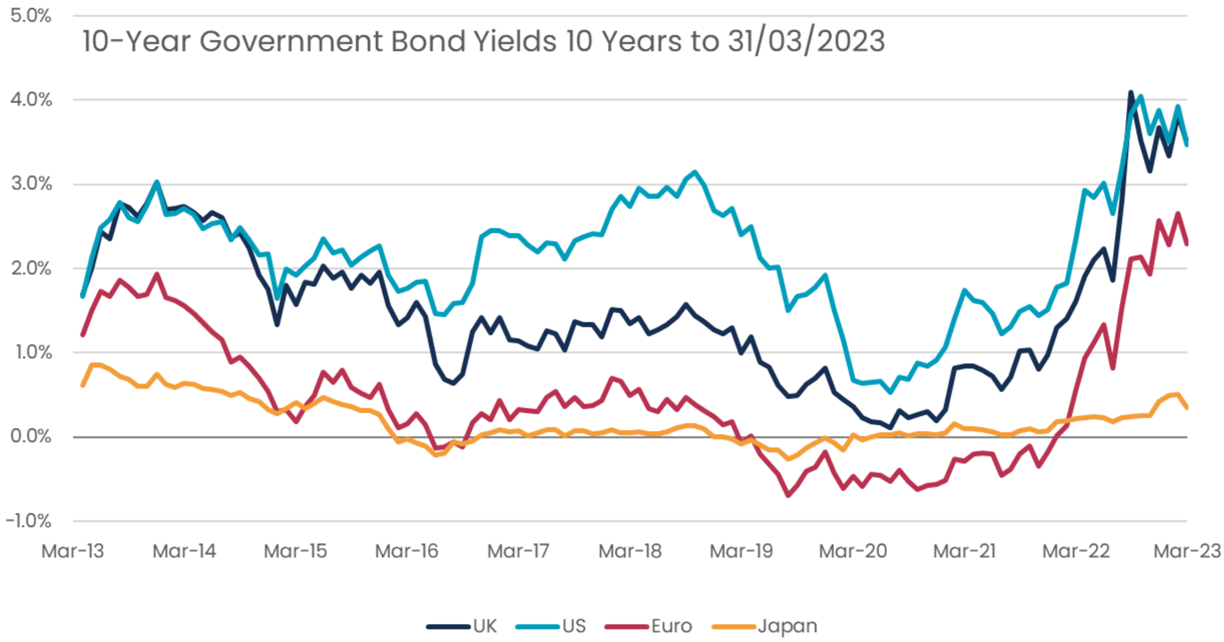
Chart 8: - Market expectations for Central bank policy rates and QT balance sheet reduction.



Source: - JPMAM April 2023

Government bonds

Chart 9: - Government bond yields, last 10 years.



Source: - Bloomberg

As can be seen in chart 9, all 10 year government bond yields moved sideways over the first quarter of 2023. This pattern has diverged since the end of the quarter with the UK making new highs, Germany and Japan moving sideways, but with US 10 year yields falling slightly. The slowing of the rate of increase in yields is related to the markets anticipation that we are closer to the end of the rate hiking cycle. The more recent fall in US yields is due in part to the bank failures mentioned above, but also perversely the debate around the US government debt ceiling. In the UK yields have increased on the back of poor demand and supply conditions and higher than expected inflation. The government is having to borrow much more this year at higher costs and corporate pension funds in particular have less demand as higher yields have reduced their liabilities.

US and German yield curves remain inverted, the UK flat (ish) and Japan positive, each reflecting the relative view of each country's economy and central bank policy. In Japan the BoJ continues to manage the yield curve. In Germany the economy is weak, in the US tighter credit conditions are expected to have big impact, in each case leading to rate cuts, and in the UK inflation and supply dominates sentiment. While I accept that the current shape of curves maybe maintained for the rest of year, as can be seen in table 6 below, I expect that interest rates and government bond yields have further rise in 2023, but they may be falling by June 2024 as the Fed may have stopped increasing interest rates by then.

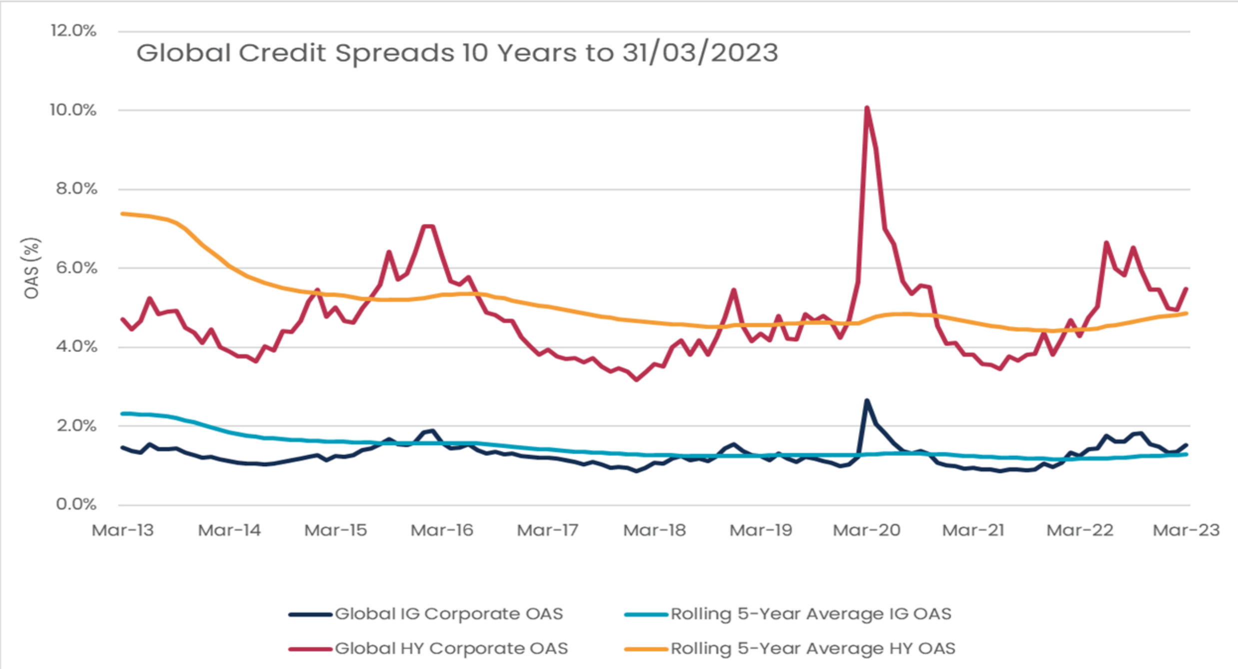
I haven't changed my view on the direction of government bond yields but they are becoming more interesting after years of being highly over valued and may be worthy of consideration in the context of the risks the Fund needs to take. But equally, I accept that relative to other opportunities, government bonds may not yet be cheap enough to merit an increased strategic allocation, but like non-government bonds, they may already be cheap enough to consider tactically increasing exposure.

Non-government bonds

Chart 10 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 widened slightly, for 2 reasons, the better relative performance of government bonds and the decision by the Swiss authorities to rank equity holders above bond holders in the bailout of CSFB. This unexpected action briefly ran the risk of undermining the reformed capital structure of the entire banking system since the GFC. Fortunately, the ECB and the BoE stepped in to re-iterate the subordinate position of equity holders to bond holders with respect to Bank Capital issued outside of Switzerland. Despite the volatility, I still believe the total yield of investment grade non-government bonds may be high enough to compensate for their interest rate sensitivity and may be cheap enough to consider increasing exposure. I also still believe that high yield bonds and loans owned as part the Multi-asset Credit allocation can deliver better returns. These assets have much 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 and the monthly carry provides an attractive source of income.

High yield assets are more sensitive to the economy, so the slowdown in economic growth and tighter credit conditions 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 10: - Credit spreads, extra yield over government bonds, last 10 years.



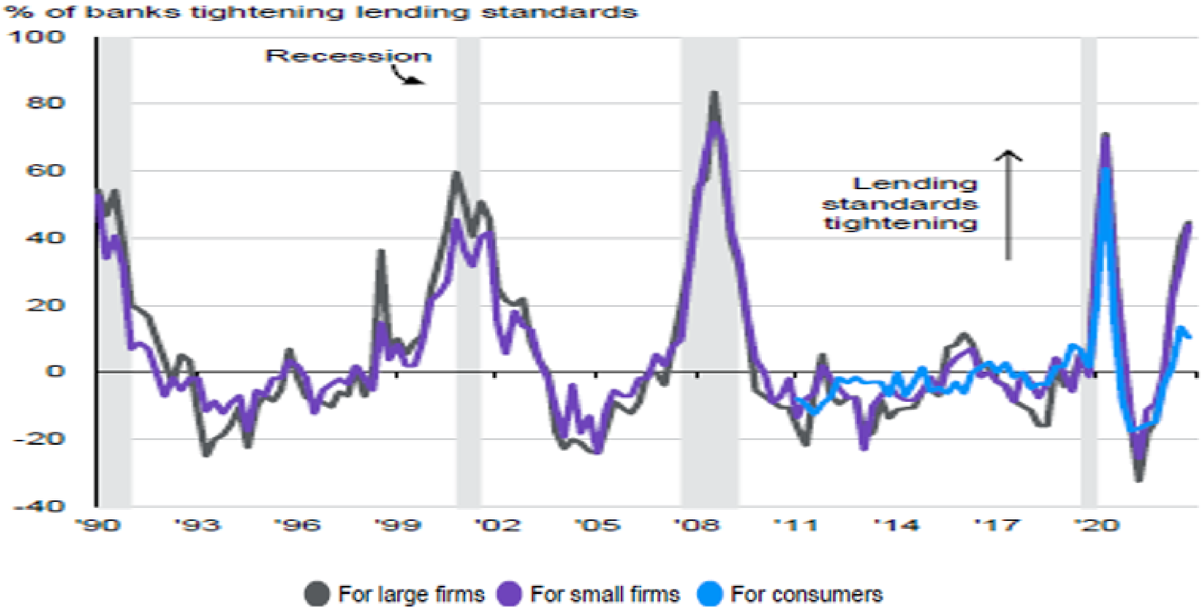
Source: - Bloomberg

Equities

Since my last report equity markets have moved sideways in a fairly wide range on a mix of better growth and worse inflation reports. As I suggested at the time, I believed equities were probably "over-bought" on the idea that the central banks were close to the end of the tightening cycle and therefore vulnerable to a correction if inflation remained higher than expected. The markets now recognise that central banks will have to keep raising interest rates for longer to get inflation back under control.

Added to this change in the macroeconomic outlook, has been the failure of 3 US regional banks, 2 of which were closely associated with the Tech sector and Credit Suisse, the second largest bank in Switzerland. While the failure of these banks can be linked to poor risk management, the rapid withdrawal of deposits from smaller US regional banks risked a contagion to the banking system that the regulators had to rapidly respond to. One of the consequences has been a significant tightening of credit conditions, which could have lasting implications for US, SME's impacting both the value of their equity and corporate bonds.

Chart 11: - US Banks credit conditions

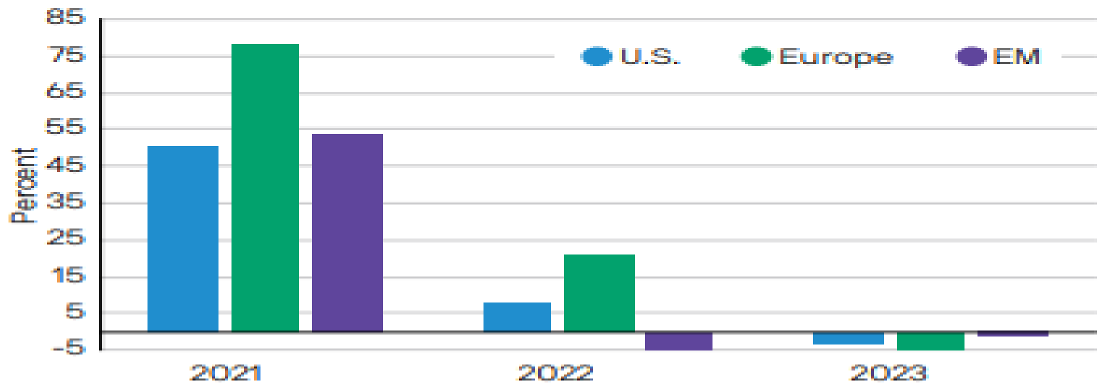


Source: - JPMAM

In terms of stock specifics, the recent earnings season has shown that in general profit margins have been squeezed by higher commodity, production and labour costs. The Tech sector after several years strong growth and hiring is now vigorously in cost cutting mode, after some notable downside surprises on earnings and sales.

In my last report I highlighted a risk to equities was that consensus 12-month forward earnings expectations were too high. As can be seen chart 14, earnings estimates have been revised lower but these probably do not take into consideration the stickiness of recent inflation data or the changes in credit conditions. All this suggests to me that the outlook for developed equity markets is more consolidation and volatility, and that growth stocks could remain under pressure as inflation and interest rates remain higher for longer than previously expected.

Chart 12: - Regional earnings growth estimates.

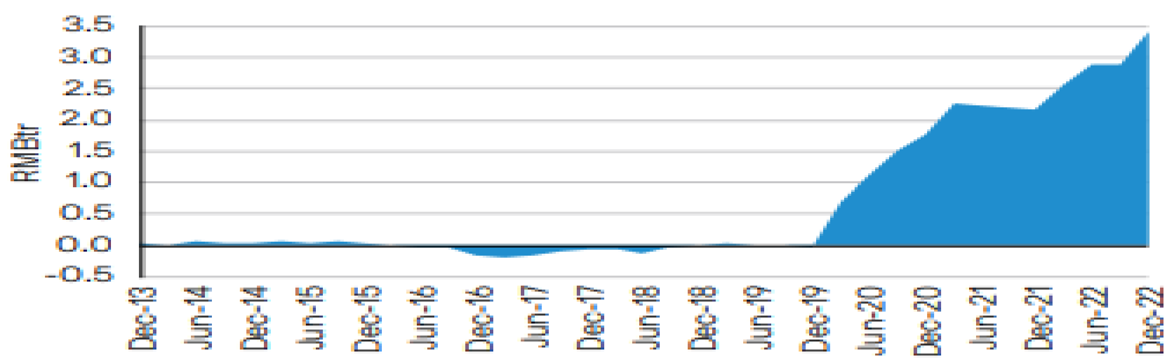


Source: - JPM Asset Management., April 2023

The outlook for Emerging markets and China could be about to change from a price performance point of view even if challenges remain over China's regional political ambitions and their ESG credentials. 2022 was a miserable year for both companies and investors in emerging markets. Profits fell 15% (in contrast to solid gains in most developed countries), and the MSCI Emerging Markets Index lost 15%. The re-opening of the Chinese economy and the removal of all covid restrictions could support an outlook that is changing for the better. The economy is now in full recovery mode and if the re-opening experience of the developed economies is repeated could unleash a consumption boom fuelled by almost USD 500 billion (more than RMB 3 trillion) of surplus savings accumulated during lockdown Chart 13.

The pickup in Chinese activity could also have an impact on its regional hinterland helping growth recover across other emerging markets. Chart 14 shows that valuations remain reasonably cheap, earnings estimates, and profits are forecast to be higher particularly in India, Indonesia and Taiwan. With profits expected to outperform the developed equity markets, investors may be better rewarded for their patience with higher returns from emerging market equities over the next couple of years.

Chart 13: - Estimated Chinese Household excess savings (above historic accumulation rate).



Source: - JPM Asset Management., Haitong Securities, Chinese National Bureau of Statistics December 2022.

GDP

Table 4 shows the consensus forecasts for GDP growth in calendar 2023 and 2024 and my expectations in January and May 2023.

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

% CHANGE YOY								
	2023				2024			
	JANUARY		MAY		JANUARY		MAY	
	Consensus	**AF**	Consensus	**AF**	Consensus	**AF**	Consensus	**AF**
US	0.3	**0.5**	1.1	**0.5**	1.1	**0.6**	0.6	**0.6**
UK	-1.0	**-1.0**	-0.1	**-0.5**	0.6	**0.0**	0.8	**0.0**
Japan	1.2	**1.2**	1.0	**0.8**	1.1	**1.1**	1.1	**1.0**
EU	0.2	**-0.5**	0.7	**0.0**	1.6	**1.0**	1.4	**1.0**
China	4.6	**5.0**	5.8	**6.0**	5.3	**6.0**	4.9	**5.0**
SE Asia	4.2	**5.0**	4.1	**5.0**	4.6	**5.0**	4.6	**5.0**

Source: - Consensus Economics May 2023

The consensus forecasts for GDP growth in 2023 in May have been revised higher as actual growth outcomes have been better than expected. As mentioned in my last report the consumer has remained willing to spend their savings accumulated during the Pandemic. They have also experienced higher, but below the rate of inflation wage growth. However, the most recent data seems to suggest that while the price value of consumption has increased this is not matched by the growth rate in the volume of goods and services consumed. This could be a leading indicator of weaker growth in future. The consensus has rolled it's previously stagnant growth outlook for 2023 into 2024. Outside of China, I remain more negative for growth in the developed world this year and next.

The Chinese economy grew 4.5% in the 12 months to the end March 2023, accelerating from a 2.9% growth rate in the year to the end of December 2022. Not surprisingly after a year of rolling covid related lockdowns, retail sales growth, industrial output and employment all increased, at the strongest rate in the last 2 years. Trade data showed that Chinese exports rebounded strongly over the quarter as trade with developed countries returns to pre-pandemic levels and opportunities with emerging economies increased. Interestingly, the statistics agency announced that a complex global environment and insufficient domestic demand mean the foundation for the country's recovery is "not yet solid." China set a lower GDP target of around 5% for 2023. Last year, the economy only achieved a 2.9% growth rate, missing the government's target of about 5.5%.

In the US, the annual growth rate for the calendar year 2022 was confirmed at +2.1%, down from the covid rebound of 5.6% in 2021. In the first quarter of 2023 the preliminary data showed that the economy grew at an annualised rate of 1.1%, slowing from 2.6% in the previous quarter. The growth rate was lower than expected and reflects an expected weaker business environment with investment growth slowing and inventories falling in anticipation of slower activity. The weakest area remains housing construction where rising mortgage rates continued to have a direct impact. While the rate of contraction in residential fixed investment has slowed it is the 8th consecutive quarter of negative growth. Private inventory investment also fell as did non-residential fixed investment growth. The positive contributions to overall growth, remain consumer spending which accelerated by 3.7% despite stubbornly high inflation. Public spending increased at a faster rate of 4.7% and net external demand has also contributed positively as exports rose faster than imports.

The UK economy expanded 0.2% year-on-year in the first quarter of 2023, the smallest annual growth rate since 2021, the fourth quarter growth rate of 0.4% was revised higher to 0.6%. Positive contributions to growth came from services which overall increased by 0.7%, with the strongest contribution coming from transportation, storage and communication, followed by the construction sector. Negative contributions to growth came from industrial production and manufacturing. The UK economy expanded 4.1% in 2022, revised up from the preliminary estimate of 4.0%, but much lower than the post covid rebound of 7.6% in 2021. In contrast to the rest of the developed world the UK economy remains 0.6% smaller than it was before the Covid pandemic. The Bank of England and the UK government have revised their expectations for growth in 2023 and now expect the UK could avoid a recession.

The Eurozone's quarterly economic growth was confirmed at a modest 0.1% during the first quarter of 2023, following a revised lower stagnant fourth quarter. The bloc's economy has been significantly impacted by multiple factors, including a notable increase in consumer prices driven by higher energy and food costs. Additionally, the European Central Bank's aggressive tightening of monetary policy, the fastest in over two decades, has added to the economic strain, as well as declining confidence levels among businesses and consumers. Among the Eurozone's largest economies, Germany registered no growth in the first quarter, while the Netherlands experienced a contraction. However, the economies of France, Italy, and Spain did see some expansion. The European Commission revised its growth forecasts for the bloc's economy in May 2023. The EU is expected to grow by 1% in 2023, compared to the previous winter forecast of 0.8%. For 2024, the revised forecast indicates a growth rate of 1.7%, up from the previous projection of 1.6%.

Preliminary estimates suggest the Japanese economy grew by 0.4% in the first quarter 2023 after revised fourth quarter data showed the economy delivered no growth, down from the previous estimate of +0.2%. Private consumption continues to increase as covid related tough border controls were fully lifted. Business investment unexpectedly increased by +0.9%, rebounding strongly from a -0.7% fall in the fourth quarter. Government spending stagnated for the third quarter in a row and net trade contributed negatively reversing the fourth quarters positive contribution as exports fell more than imports. The annual growth rate in 2022 was revised slightly lower to +1.0%, slowing from +2.1% in 2021.

Consumer Price Inflation

Table 5 shows the consensus forecasts for Consumer Price Inflation in calendar 2023 and 2024 and my expectations in January and May 2023.

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

% CHANGE YOY								
	2023				2024			
	JANUARY		MAY		JANUARY		MAY	
	Consensus	AF	Consensus	AF	Consensus	AF	Consensus	AF
US	3.8	**4.0**	4.2	**5.0**	2.5	**3.0**	2.6	**3.0**
UK	7.2	**7.0**	6.7	**7.0**	3.1	**4.0**	2.8	**4.0**
Japan	1.9	**1.9**	2.6	**3.0**	1.2	**1.9**	1.4	**1.9**
EU	6.4	**6.8**	6.3	**7.0**	2.6	**3.0**	2.9	**3.8**
China	2.3	**3.0**	1.8	**2.2**	2.3	**2.5**	2.4	**3.0**
SE Asia	3.9	**4.2**	2.8	**3.2**	2.8	**3.0**	2.8	**3.2**

Source: - Consensus Economics May 2023

The consensus forecasts for inflation in May 2023 have been revised higher in the US and Japan and lower elsewhere since January. This is probably a more realistic assessment of the inflation outlook as the peak in prices moves from headline and into "stickier" core inflation. The consensus forecast for inflation in 2024 is not significantly different to January and in my opinion remains too optimistic. If these levels of low inflation can be achieved in 2024, without a meaningful recession the central banks will be delighted and may be able to claim they have done a good job of taming inflation.

The headline rate remains high and is slowing most notably in the US, but the core rate is showing how the permanent price increases are being passed into the rest of the economy. In Europe and especially the UK, inflation is proving more stubborn and is declining at a slower rate than the US. While I expect the rate of inflation to fall over the next couple of years, I still expect it to be higher than the consensus in 2023 and 2024. The post covid re-opening of the Chinese domestic economy has not seen the surge in inflation experienced in the developed economies.

In the medium to long term, I believe the period of low inflation is behind us and we should be prepared for the level and range of inflation that was "normal" before the global financial crisis.

The annual inflation rate in the US fell to 4.9% in April 2023, the lowest since April 2021, food prices grew at a slower rate (7.7% vs 8.5% in March) and energy costs fell further (-5.1% vs -6.4%) including gasoline (-12.2%) and fuel oil (-20.2%). Shelter costs which account for over 30% of the total CPI basket, slowed for the first time in two years (8.1% vs 8.2%) and prices for used cars and trucks declined once again (-6.6% vs -11.6%). The slight fall in the rate of Shelter inflation, helped the core inflation rate fall by 0.1% to 5.5%. The more permanent core rate of US inflation is now above the headline rate.

Annual inflation in the UK has remained above 10% for the last seven months, it fell back to 10.1% in March having increased from 10.1% in January to 10.4% in February, CPI has fallen from 11.1% in October 2022. The main upward pressure came from food and non-alcoholic beverages +19.1%, recreation and culture +4.6% and miscellaneous goods and services +6.7%. The cost of housing and utilities has also increased at a solid pace +26.1% and restaurants and hotels by +11.3%. The only meaningful component of inflation whose rate of increase slowed was transport +0.8%. The core inflation rate, which excludes volatile items such as energy and food, was unchanged at 6.2% in March, not far from September's record of 6.5%

The estimated rate of inflation in the Euro Area fell to a thirteen-month low of 7.0% in April slightly higher than the 6.9% for March but well below the peak of 10.6% seen in October 2022. The small increase was due to energy prices which rebounded by +2.4% compared to a decline of -0.9% in March, and the cost of services that increased at a faster pace of 5.2%. However, inflation slowed for food, alcohol, and tobacco, as well as non-energy industrial goods. The core index, which excludes volatile items such as food and energy, eased slightly to 5.6% but remained near the all-time high of 5.7% recorded in March.

The annual inflation rate in Japan increased to 3.5% in April from March's 6-month low of 3.2%, with food prices making the most significant contribution as prices increased +8.4% their highest rate since August 1976. Other costs that increased included transport, clothes, furniture & household utensils, medical care and education. Inflation eased slightly for housing and miscellaneous. Utility charges decreased with the prices of fuel, light, and water falling by -3.8% and electricity -9.3%. Core inflation increased to a 3-month high of 3.4% in April from 3.1% in the previous two months, but below the 4.0%, rate seen in December 2022.

4. The outlook for the securities markets

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 May 2023.

Table 6: - Interest rate and Bond yield forecasts

%	CURRENT	DECEMBER 2023	JUNE 2024
UNITED STATES			
3month SONIA	5.32	5.5	5.25
10 year bond yield	3.54	4.5	4.25
UNITED KINGDOM			
3month SONIA	4.69	5.0	5.0
10 year bond yield	3.82	4.5	4.25
JAPAN			
3month SONIA	0.07	0.0	0.0
10 year bond yield	0.40	0.50	0.50
GERMANY			
3month SONIA	3.35	4.0	4.0
10 year bond yield	2.30	3.75	3.5

Source: - Trading Economics; 15th May 2023

In May the Fed, BoE and ECB all raised rates by 0.25%, but the Bank of Japan (BoJ) left its monetary policy rates unchanged. The April BoJ meeting was the first chaired by the newly appointed governor Kazuo Ueda, he is considered to be more conservative than his recent predecessors and has decided to carry out a broad based review of forward looking monetary policy. On balance the US Fed and the BoE seemed surprised by the current strength of their respective economies and the stubbornness of inflation especially core rates of inflation. Both said they would continue to increase interest rates, but the market is expecting a pause, especially following the collapse of several US regional banks and the subsequent tightening of credit conditions. The ECB sounded much more hawkish, positively stating that they would not pause the hiking cycle anytime soon. They also announced the end of the reinvestment of proceeds from maturing QE purchased assets, this will further tighten monetary conditions.

As noted last quarter the shape of the government yield curves with 10 year yields lower than 2 year yields and overnight interest rates tells us that the bond markets are expecting a recession, which leads to cuts in interest rates. The US and German government bond yield curves have become more inverted, suggesting that they expect an end the rate cycle sooner despite what they are being told by the central banks. In contrast the whole UK yield curve beyond 2y has moved higher more or less in parallel suggesting that the market expects further hikes from the BoE. The Japanese yield curve remains steep as the market believes Ueda is likely to allow yields to rise by ending it's yield curve management policy.

We are no doubt closer to the end of the tightening cycle but only due to the passage time not because inflation has fallen enough or because economic growth has slowed enough, indeed growth is stronger than I and many others expected. Market participants should pay close attention to the actions taken by the US and Swiss authorities post the collapse of SVB and First Republic and the final inevitable demise of Credit Suisse because what these actions suggest to me is the "Fed put" may no longer be a policy response to a crisis. As I suggested in my last report, monetary policy changes are being driven by the rate of inflation even if that means recessionary economic growth and the inevitable failure of banks and companies ill-equipped for the end of emergency / zero interest rate monetary policy.

Despite the tightening of credit conditions following the recent bank failures, I still believe there is room for higher bond yields and interest rates, especially if I am correct about the "stickiness" of core inflation in the second half of 2023. The pace of increases may slow, but I do not believe rates will peak until it is clear that inflation is on a path to achieving the central bank target rate, especially as economies remain close to full employment.

UK Government bond yields have continued to move higher with the top of the recent range for 10 year bonds now at 3.85% compared to 3.5% last quarter. I still expect yields to rise as interest rates continue to be increased, however, in 12 months' time slower growth and lower inflation could mean that bond yields start to fall even if there have been no cuts in interest rates. As a result, it would be reasonable to expect low and possibly negative returns from government bonds in the short term. The real yield available from Index Linked Gilts continues to increase making them more attractive as a Protection asset, but this trend may have further to go before these bonds become cheap. UK corporate bonds have become more expensive as spreads compress against government bonds; global corporates however they may remain attractive as long term-investment.

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 in the short term there is still very little income protection for small increases in yield even as the duration of government bonds falls with rising yields. Over the medium term spreads are sufficiently wide that investment grade non-government and high yield bonds may be attractive providing the risk of default does not increase significantly.

Table 7: - Total returns from representative bond indices

INDEX	YIELD TO MATURITY %	DURATION YEARS	YIELD INCREASE %	% TOTAL RETURN, HOLDING PERIOD	
				3 MONTHS	12 MONTHS
All Stock Gilts	3.96	9.6	0.5	-3.8	-0.84
All Stocks Linkers	0.60	13.3	0.5	-6.5	-6.0
Global IG Corporate	4.93	6.1	0.5	-1.8	+1.9
Global High Yield	8.60	3.6	0.5	+0.3	+6.8

Source: - ICE Indices 15th May 2023

Bond Market (Protection Assets) Recommendations

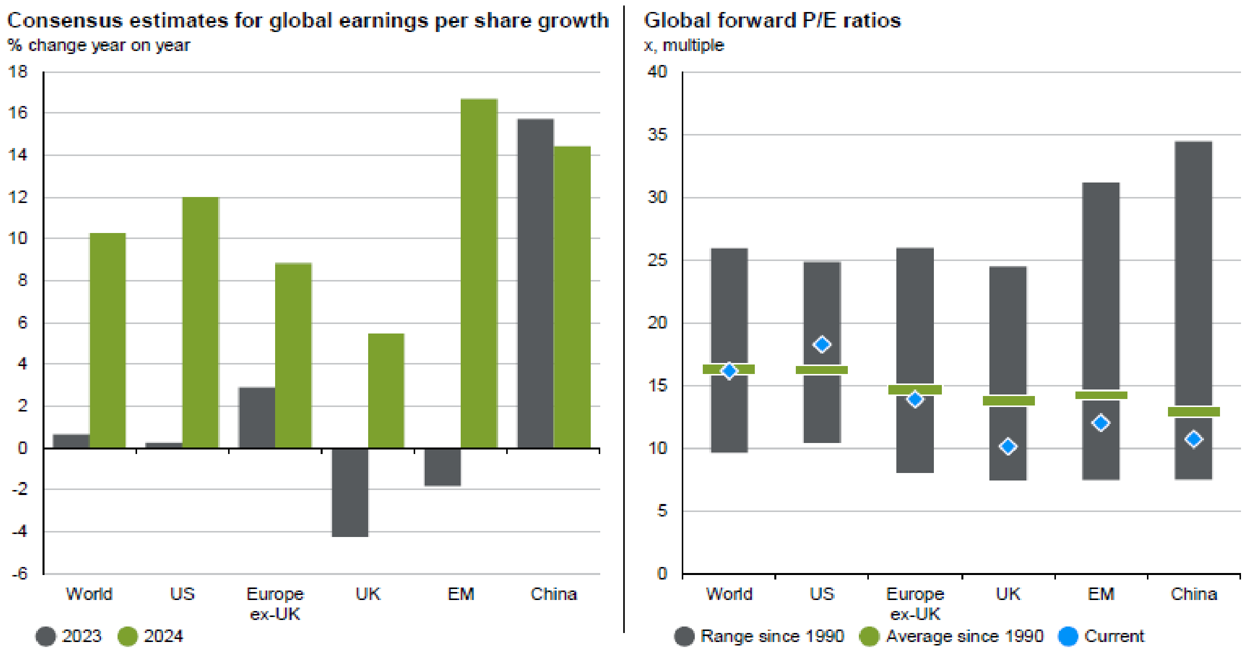
I am not proposing any further changes to the Protection asset allocation. I suggest remaining neutral investment grade corporate bonds and neutral Index Linked Gilts. I also suggest remaining 1% underweight conventional gilts to reflect my negative shorter term outlook for interest rates and bond yields.

The extra yield spread available from corporate bonds has narrowed somewhat but it is currently still wider than it has been for some years and the total yield remains attractive. Falling demand and potential increased supply of Index Linked Gilts has further increased the real yield available, from around +0.33% in my last report to +0.60% currently. As I mentioned last time this means that for the first time in more than 10 years long term investors can receive a small positive risk free rate of real return and thereby genuine protection against inflation.

Equity Markets

Chart 14 below, left hand side, shows the consensus earnings per share growth estimates, for 2023 and 2024. The right hand side shows, the current forward looking estimates of the 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 14: - LHS - Earnings per Share estimates, RHS - Price/Earnings Ratios, since 1990, China 1996



Source: - JPM Asset Management, March 2023

The left-hand side of chart 14 shows the new earnings expectations for 2023 and 2024. Since my last report analysts seem to have woken up to the reality of slower growth, higher interest rates and the price impact of locked in higher inflation, all leading to a squeeze on profit margins. As a result, regional earnings expectations for 2023 have been revised much lower except in China and Europe. The increase in China is probably due to the end of lock-down restrictions and in Europe because of overly pessimistic expectations following the Russian invasion of Ukraine and because Europe's exporters may benefit from the Chinese recovery. The revision to negative earnings growth in the UK and Emerging markets is a recognition that these regions are unlikely to see a repeat of the earnings growth from the energy and commodity sectors experienced post the Russian invasion.

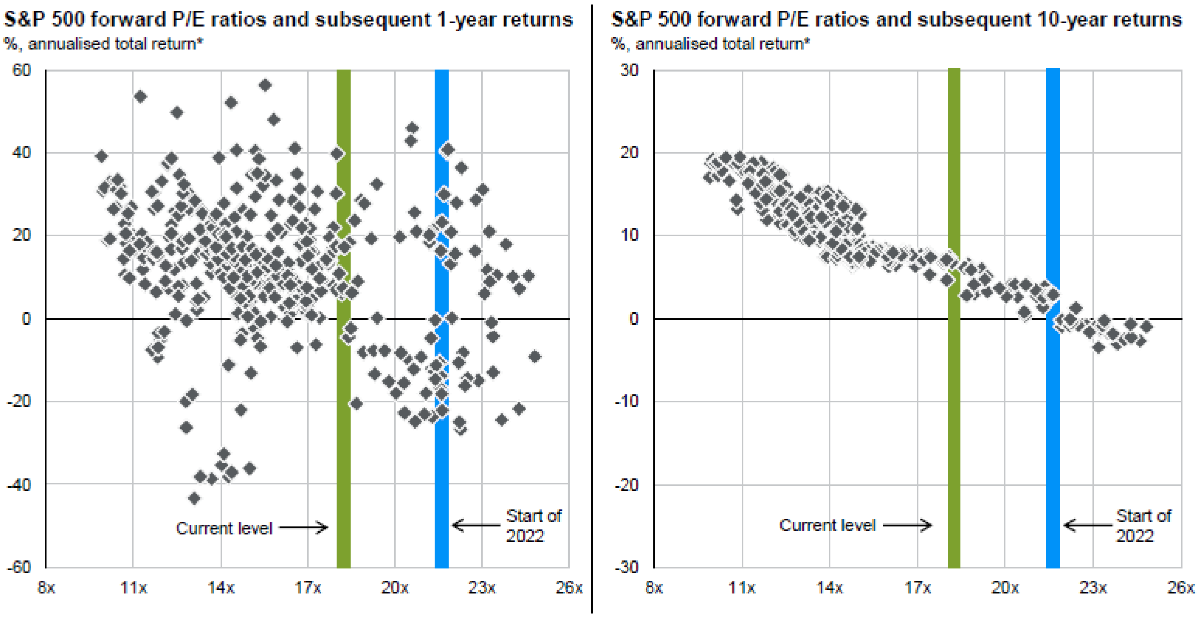
The roughly +2% increase from last quarter to the forecasts for earnings in 2024 reflect the usual positive expectations of this optimistic group of people. As Warren Buffet is reputed to have said "forecasts tell you more about the forecaster than the future" if he did say this, in the case of equity analysts he would seem to have been most prescient.

The updated right hand chart shows the regional P/E ratios have become even more expensive in this quarter as the rally in equity markets since October 2022 has broadly continued. As a result, the increase in prices has almost completely offset the "cheapness" of valuations following the sharp sell-off in equities over the 12 months to October 2022. Only UK, Emerging markets and China remain "cheap" relative to their averages.

The P/E ratio chart above suggests that the US is now expensive to its average over the last 30 years. But it remains in the middle of the range of possibilities and as chart 15 below suggests valuations in the US remain attractive to where they were at the start of 2022. As usual these charts suggest there are regions with reasonable valuations for long-term investors to exploit even after the recent recovery in equity prices.

The updated version of chart 15 below continues to provide some support for this in terms of the level of valuation using the P/E ratio. What the chart suggests is that in the US market, there is no relationship between the forward looking P/E and the subsequent 1 year return of the market. However there does seem to be a relationship in the level of P/E's and the subsequent 10 year returns. At the current 18X P/E ratio the range of outcomes is somewhat wider than it would be at 17X, but it still puts that return at between 4% and 8% p.a. over the next 10 years.

Chart 15: - US equity valuations using forward looking P/E ratios and subsequent annual returns.



Source: - JPM Asset Management., March 2023

The rally in equity markets since October 2022 has pretty much removed the short term "cheapness" of markets but the longer term analysis seems to suggest that some equity markets are reasonable value. Long term valuations appear reasonable and earnings estimates for 2023 may now be more realistic, but I am concerned that the market has rallied significantly since October, partly on the basis of the old idea of the "Fed put", I'm not convinced this can be relied on. Inflation may have peaked but it remains high and central banks have made it clear that interest rates will continue to rise, even if it is at a slower pace and even if it risks a recession. Hence, I remain cautious on equity markets, especially the more interest rate sensitive "growth sectors" which have rallied more aggressively this year. I also believe future volatility may be higher, which suggests investors need to see meaningful "cheapness" in asset prices before committing new capital especially when bonds are looking much better value than they have done in a very long time.

Equity Market (Growth Assets), Recommendations

I have not changed my suggestions for how the growth asset allocation of the Fund should be distributed. I still believe the Fund should consider an overall 1% underweight position in Growth assets with this money being made available to part pay for the overweight in Income assets.

I remain comfortable with a 2% underweight allocation to global sustainable equity because of the strategy's higher interest rate sensitivity and overweight UK equity due to relative valuations of the World and UK equity indices.

Income Assets

Just as last quarter, I have made no changes to the allocation to Income Assets funding the 2% over allocation to MAC 1% each from Growth and Protection Assets. Global credit spreads have moved sideways and have experienced some volatility due to the unexpected action of the Swiss regulator with respect to the AT1 bonds of Credit Suisse, but the overall yield available combined with the low duration and floating rate nature of many of the asset classes suggests to me that MAC remains attractive, relative to longer duration assets in a rising interest rate environment.

As mentioned, before over the long term I would like to see the direct property allocation increase funded using net sales from the in-direct exposure. However, at the moment I believe there may be an opportunity for the Fund to take advantage of distressed selling by other investors to increase its exposure to in-direct property funds at a discount to NAV and thereby increase the overall property exposure to neutral.

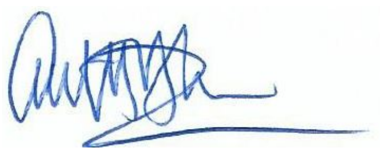
Asset Allocation

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 15th February and 15th May 2023. 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, their Pooling partner and 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.

% ASSET CATEGORY	NEW DERBYSHIRE STRATEGIC WEIGHT 1ST JANUARY 2022	ANTHONY FLETCHER 15TH FEBRUARY 2023	ANTHONY FLETCHER 15TH MAY 2023
Growth Assets	**55**	**-1.0**	**-1.0**
UK Equity	**12**	**+1.0**	**+1.0**
Overseas Equity	**43**	**0**	**0**
North America	**0**	**0**	**0**
Japan	5	**0**	**0**
Emerging markets	5	**0**	**0**
Global Sustainable	**29**	**-2**	**-2**
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**	**-1**	**-1**
Conventional Gilts	6	**-1**	**-1**
UK index Linked	6	**0**	**0**
US TIPS	0	**0**	**0**
Investment grade credit	6	**0**	**0**
Cash	2	**0**	**0**



Anthony Fletcher

Senior Adviser

anthony.fletcher@mjhudson.com

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

1 Frederick's Place, London, United Kingdom, EC2R 8AE | +44 20 7079 1000 | london@mjhudson.com| mjhudson-allenbridge.com

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FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

PENSIONS AND INVESTMENTS COMMITTEE

WEDNESDAY, 7 JUNE 2023

Report of the Director - Finance and 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.

1.2 To provide the Pensions & Investments Committee with an update on the Fund's application to become a signatory to the UK Stewardship Code 2020.

2. Information and Analysis

2.1 External Manager Stewardship Report

2.1.1 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):

- Q1 2023 LGIM ESG Impact Report (Appendix 2)
- 2022-23 LGPSC Annual Stewardship Report (Appendix 3)

2.1.2 LGIM manages around £1.8bn 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 Global Emerging Market Equities Sub-Fund, Global Investment Grade Bonds Sub-Fund, All World Climate Factor Equity Sub-Fund, Global Sustainable Equities Broad Strategy and 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.

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

2.2 UK Stewardship Code 2020

2.2.1 Following Committee approval in April 2023, the IIMT notes that the Fund's application to become a signatory to the UK Stewardship Code 2020 was submitted to the Financial Reporting Council in May 2023.

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 – Q1 2023 LGIM ESG Impact Report.
5.3 Appendix 3 – 2022-23 LGPSC Annual Stewardship Report.

6. Recommendation(s)

That Committee:

(a) notes the stewardship activity of LGIM and LGPSC.
(b) notes the submission of the Fund's application to become a signatory to the UK Stewardship Code 2020.

7. Reasons for Recommendations(s)

7.1 To provide Committee with reassurance regarding the stewardship activity of the Fund's two largest investment managers and to confirm the submission of the Fund's application to become a signatory to the UK Stewardship Code 2020.

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

For professional investors only.
All investing involves risk.

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Q1 2023

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.

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 (and, by extension, the companies within them) are able to generate sustainable value. In doing so, we believe companies should become more resilient amid change and therefore seek to benefit the whole market. We use our influence and scale to ensure that issues affecting 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 across markets as a whole.

Action and impact

In this report, we highlight some of our key activity in the Investment Stewardship team, including our latest Climate Impact Pledge updates, our collaboration with ShareAction on European chemical companies, and a selection of our significant votes.

Environmental | Social | Governance

ESG: Environment

Decarbonising European chemical companies: collaboration with ShareAction

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As part of a collaboration of approximately 35 investors organised by Share Action, representing over US$7 trillion,[1] we have been engaging with a number of leading global chemical companies to encourage them to implement credible decarbonisation strategies. The engagements have included 13 of the largest European chemical companies, including Koninklijke DSM, Air Liquide and BASF. The collaboration has requested that the companies formulate strategies to electrify chemical production processes, increase their use of renewable energy sources, phase in non-petrochemical feedstocks, and set Scope 3 targets aligned with a 1.5°C pathway. Progress has been made, with some companies (for example, *BASF and LyondellBasell)[2] confirming plans to reach net zero by 2050. Nevertheless, there is still much progress to be made, and the collaboration will continue this year focusing on clear plans to make the transition happen. Letters have been sent out to targeted companies and engagements started to take place at the end of the first quarter.

At LGIM, we include the chemical sector within our Climate Impact Pledge as we believe that decarbonisation of the sector is a crucial part of the global journey to net zero, as the sector has links to and dependencies between many other industries and supply chains.

1. Source: Share Action, 04 April 2023
2. Chemical companies urged to present 'credible' decarbonisation plans - Sustainable Views

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

*Glencore: escalating our engagement

In 2022, we pledged to increase pressure on companies that fail to put suitably ambitious and credible transition plans to a shareholder vote, by filing shareholder resolutions. In light of our ongoing concerns at Glencore, we are putting our commitment into effect by co-filing a shareholder resolution at Glencore's 2023 AGM, requesting that the company disclose how its thermal coal production is aligned with the Paris Agreement objective of limiting the increase in global temperature to 1.5°C. As one of the world's largest diversified mining companies, with strong exposure to metals needed to decarbonise the global economy, we believe Glencore has a key role to play in the energy transition. We have been engaging with the company for a number of years under our Climate Impact Pledge, and this escalation reflects our unabated concerns about the company's trajectory to net zero. Filing a resolution puts pressure on companies and encourages them to discuss and resolve issues with us. Where we have filed or collaborated on select proposals in this way in the past, we have found that they have been an effective means of escalation – both at the individual company level and for market-wide change more broadly.

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

Climate Impact Pledge update

Having announced the expansion of our Climate Impact Pledge engagement programme in October 2022 to cover 5000+ companies, with 100+ in-depth engagements, we can report at the end of the first quarter of 2023 that we have sent a total of 250 letters to companies identified as not meeting our minimum standards, ahead of the main AGM season.

The letters outline our key expectations, the potential vote sanction, and our approach and assessment of companies via our dedicated website highlighting areas which may need addressing using a 'traffic light' system. We also request that companies address areas flagged as 'red', especially those considered as 'minimum standards', and engage with data providers to ensure correct information is captured on their platforms. With regards to disclosures, we encourage companies to disclose through CDP and have TCFD-aligned reporting, as well as setting science-based targets aligned to 1.5°C pathways. We will be reporting on our Climate Impact Pledge results in June 2023.

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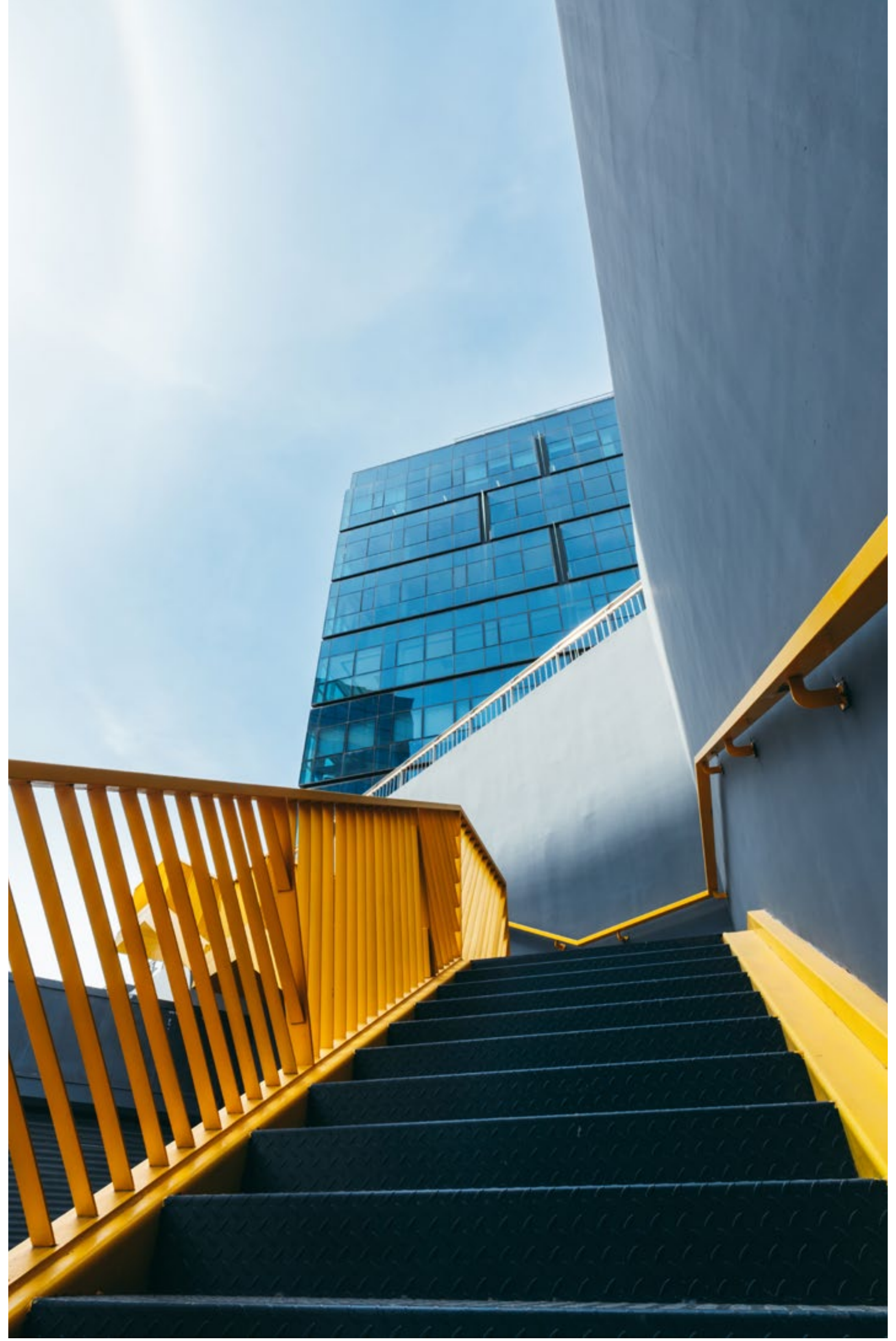
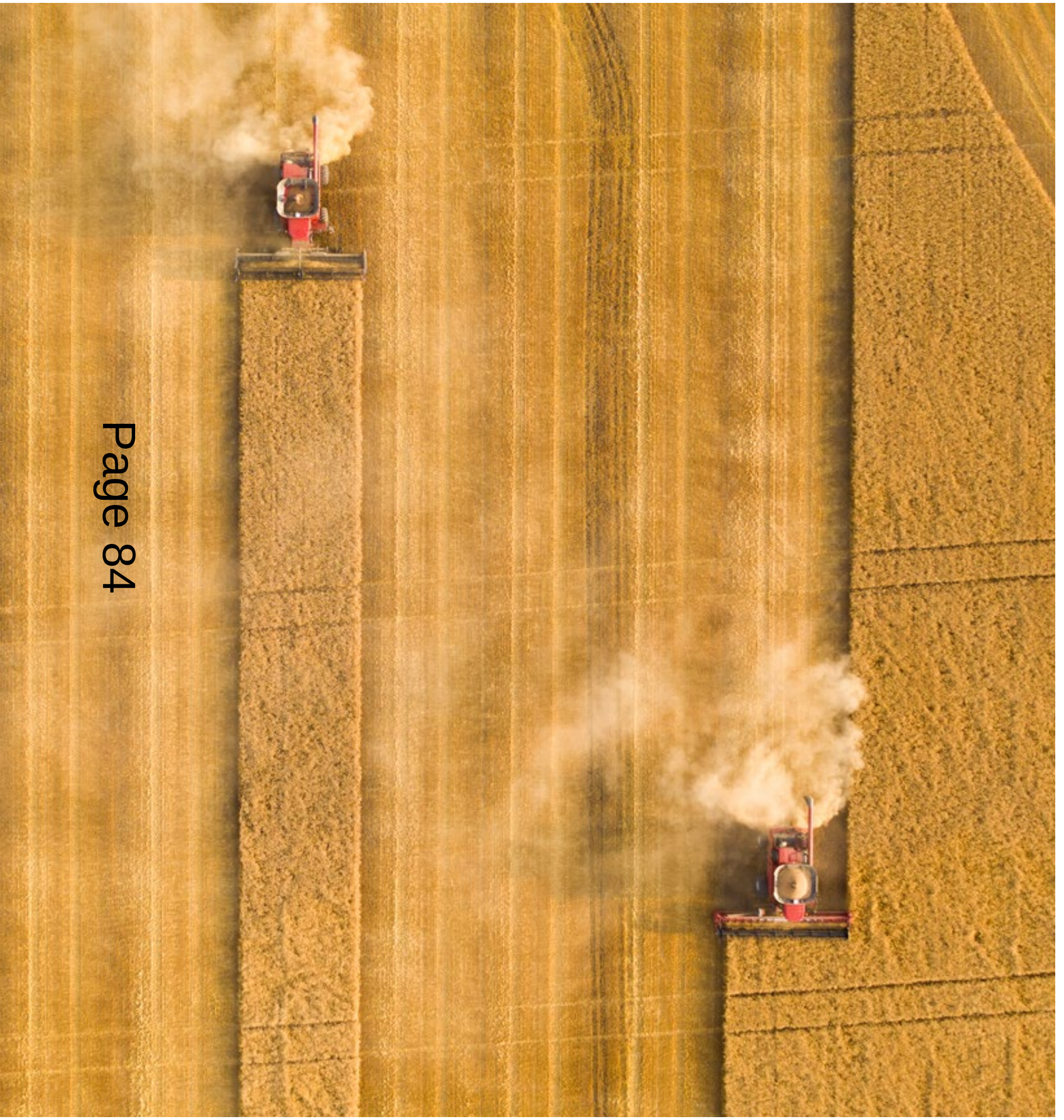


Significant votes

Company name	Capricorn Energy Plc*
ISIN	GB00BN0SMB92
Market cap	£733 million *Source: London Stock Exchange, 31 March 2023
Sector	Oil and gas
Issue identified	As detailed in our Q4 2022 Quarterly Impact Report, our concerns included governance, process, conflicts, future strategy, executive compensation, environmental risks and valuation. LGIM's view had consistently been that the proposed combination with NewMed had weak strategic rationale and would not lead to meaningful synergies; rather, it would create significant new risks for Capricorn shareholders.
Summary of the resolution	• **EGM (management), 1 February 2023, 9am:** Resolution 1 – Approve NewMed Acquisition • **Shareholder requisitioned EGM, 1 February 2023, 2pm:** Resolution 1-7 – To remove the following current directors of Capricorn from office: Simon Thomson, James Smith, Nicoletta Giadrossi, Peter Kallos, Keith Lough, Luis Araujo and Alison Wood.
How LGIM voted	EGM (management), 1 February 2023, 9am: AGAINST Resolution 1, (against management recommendation) Shareholder-requisitioned EGM, 1 February 2023, 2pm: FOR Resolutions 1-7, (against management recommendation)
Rationale for the vote decision	LGIM has undertaken numerous engagements with the Capricorn board over the past nine months to express our widespread concerns with the transactions the board has proposed, including the NewMed transaction. Further detail can be found in our Q4 2022 Quarterly Impact Report. In particular, we noted the timing of the proposed meetings as a matter of grave concern. The decision to hold the company's meeting before the shareholder requisitioned meeting appeared to be a direct attempt to undermine due process. It was LGIM's view that meaningful board change was needed to restore investor confidence. The process to date has raised serious questions about the ongoing suitability and fitness of the entire board – and the chair and senior independent director in particular – to serve as directors of a listed company.
Outcome	The company announced the resignation of the seven directors who were proposed to be removed, and in the shareholder EGM held on 1 February 2023, all six directors proposed by the proponent were elected by an overwhelming majority of 99.2% of the votes cast. The newly constituted board intended to conduct a comprehensive strategic review of Capricorn's business and potential directions for the future, with a priority given to the NewMed transaction. Following the strategic review, and given shareholders' views, the board and NewMed have agreed to terminate the business combination.
Why is this vote 'significant'?	The overall engagement demonstrates how LGIM's Investment Stewardship, Investment and Climate Solutions teams work together in pushing for a better financial and environmental outcome for stakeholders, and the outcome of the vote demonstrates the power of combined shareholder action.

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



Moving forward with Fortum*

Identify and engage

LGIM co-leads the Fortum engagement as part of CA100+. We also engage with them under our Climate Impact Pledge. We have a productive and collaborative relationship with the company, and throughout our tenure as a co-lead within CA100+ we have overseen some significant commitments from the company, including its December 2021 production of its first lobbying report, which helped the company to gain joint-first place in InfluenceMap's assessment of lobbying activities of CA100+ companies, and the update in December 2022, which can be found here.

During the quarter, following the company's exit from Uniper and ongoing exit from Russia, we were delighted to see that the company has further increased its climate change ambitions by:

- Brining forward its carbon neutrality target (across Scopes 1, 2 and 3), to 2030
- Exiting all coal generation by the end of 2027
- Committing to set a 1.5°C aligned Science-Based Target

Escalate

As always, the devil is in the detail, so we are currently arranging further meetings with the company (first with the investor relations and sustainability teams, and then with the CEO) with the aim of fully understanding how the company will exit coal (with particular interest regarding the company's Polish assets). We would also like to know more about the timelines and details of the company's exit from Russia, and to include additional disclosures within its lobbying report. Additionally, we will continue to emphasise the minimum standards that we expect of companies in the sector, as set out by LGIM's Climate Impact Pledge Sector Guide, and as reflected by the CA100+ indicators. We look forward to the next steps in our long-standing relationship with Fortum.

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

Global Research & Engagement Groups focus: Water pollution in the UK

Background

UK water companies have attracted plenty of press attention and criticism in recent months.[3] There has been an increased focus on their environmental performance, which the UK Environment Agency described in its report covering 2021 as "the worst we have seen for years".[4] Lobbying groups such as Surfers Against Sewage[5] have also had an impact with high-profile campaigns tracking and highlighting pollution incidents.

It is noting that some water companies are more indebted than the sector regulator Ofwat assumes when it sets prices, despite a heavy future investment need.[6]

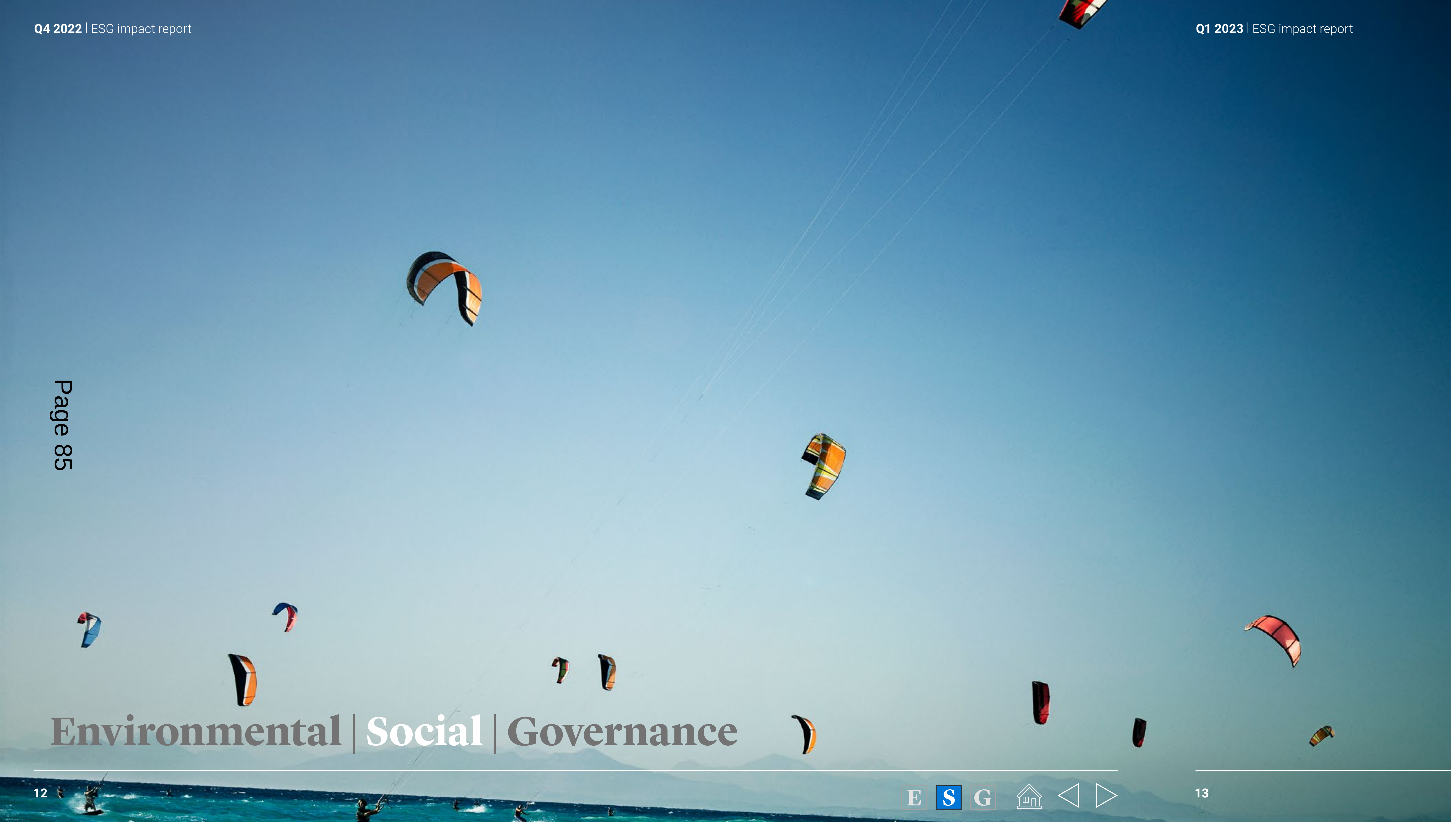
What LGIM did

During the quarter, LGIM arranged an engagement call with Macquarie Asset Management, Southern Water's majority shareholder, to share its views on the topic. This builds on LGIM's engagement over recent months, including with management at other companies in the sector such as Thames Water and with the regulator, Ofwat. In the first quarter of 2023, LGIM also signed up to the Ceres investor-led 'Valuing Water Finance Initiative', aimed at engaging water users and polluters to address water risks and protect this precious and essential natural resource.[7]

Outcome

LGIM continues to limit its exposure to the bonds of weaker companies in the sector, pending evidence on progress on operational and financial issues. Press reports indicate that Thames Water has hired advisors to explore financing options.[8] As one of the largest lenders in the sterling corporate bond market,[9] LGIM directly engages when companies are marketing bonds, and also amplifies its voice through its leading role at ages with other sector stakeholders such as regulators and industry bodies as part of our broader aim not just to improve ESG factors at individual companies, but across the global markets in which our clients are invested. Further updates on our policy engagement on the topic of water can be found in the policy section of this report.

3. Watchdog to block shareholder payouts if water companies in England and Wales miss targets | Water | The Guardian
4. Water and sewerage companies in England: environmental performance report 2021 - GOV.UK (www.gov.uk)
5. Surfers Against Sewage - UK charity campaigning for the ocean (sas.org.uk)
6. LGIM Blog: How active credit investors can help flush out UK sewage pollution
7. Ceres launches new investor-led effort to move corporate water users and polluters to value and act on water as a financial risk | Ceres
8. Thames Water braced for crunch talks over £14bn debt-pile | Business News | Sky News
9. Source: LGIM data as at 22 March 2023



ESG: Social

Driving diversity: expanding our campaigns

Ethnic diversity: broadening the scope

In our last quarterly report, we talked about our plans to widen our ethnicity engagement campaign to tackle the lagging UK and US mid-cap companies of the FTSE 250 and the Russell 1000 indices. In January, we wrote to 95 companies across these indices which currently don't have any ethnicity at board level, setting out our expectation that they should have at least one person of ethnic background on their board by the end of 2024. The sanctions remain consistent with the larger companies, and we will vote against companies within these indices that don't meet these red lines from 2025. We have seen significant progress with this approach in the larger indices,[10] and we are hopeful that this approach will result in similar progress for these smaller companies.

Gender diversity: beyond board level

Many studies show that higher levels of diversity throughout an organisation is linked to higher performance in terms of both profitability and long-term value creation.[11] Furthermore, the strategic rationale for diverse executive teams is straightforward; there is greater potential to attract top talent, broaden the customer base and limit 'groupthink'. Historically we have focused on gender diversity at the board level, but we decided to expand this focus as we believe diversity at the executive and strategic decision-making level is imperative.

Since 2022, our policy has stated that we will vote against FTSE 100 and S&P 500 companies that have all-male executive teams. In 2022, we voted against 70 companies within these indices on these grounds.

As we approach the 2023 AGM season, we currently expect to vote against 79 companies for having all-male executive teams. When comparing the 2023 list of votes against to the 2022 list, there are 49 companies that overlap. Of those 49 laggards, 45 are within the S&P 500, with only four in the FTSE 100. Of the 30 new laggards in 2023, 16 are listed on the S&P 500 and 14 are listed on the FTSE 100 – of these, we illustrate Hewlett Packard Enterprises* in our 'Significant votes' examples, below.

This illustrates that much more change is needed to improve gender diversity levels of these all-important decision-making teams. We will continue to explore how we can make a greater impact on this issue going forward, including through our collaborative work with the 30% Club in different parts of the world, but our voting stance will continue into 2023 and beyond.

Emerging markets diversity: our new research!

We have recently published our research and findings from expanding our emerging markets diversity campaign work into Brazil, India, China and South Africa. Read more about our in-depth findings here: Globalising our diversity engagement | LGIM Institutional

10. LGIM Blog - Ethnic diversity on boards: results and reflections
11. For example: Delivering through diversity

Unwanted celebrity: Novo Nordisk* and Eli Lilly*

Identify and engage

Wegovy, Ozempic and Mounjaro . This time last year, these names could have been mistaken for far-flung planets in the latest Star Wars spin-off series. But they've hit the headlines recently for all the wrong reasons: the first two are brand names for Novo Nordisk's anti-obesity and diabetes drugs, respectively, the third is the brand name for Eli Lilly's diabetic drug for which the pharma company is awaiting FDA approval for to also be used as a weight loss drug. But how did legitimate, ground-breaking diabetes and obesity drugs become embroiled in a social media storm, and what can pharmaceutical companies do about it?

Deriving from effective, ground-breaking drugs originally developed by Eli Lilly and Novo Nordisk to treat Type II diabetes, it was noticed that semaglutide and tirzepatide also caused significant weight loss in the patients who took it. The pharmaceutical companies then decided to develop specific weight-loss drugs, designed to reduce obesity. These new anti-obesity drugs are in different stages of approvals: Wegovy has already hit the market, and Mounjaro is waiting at the starting line.

However, a disturbing trend has gathered pace, with celebrities such as Elon Musk[12] and David Aaronovitch[13] having obtained these drugs (which are designed for obese and seriously overweight people) and advertised their benefits as weight-loss drugs on social media and in the press, with the result that they are being publicised as 'lifestyle' drugs, rather than as the serious medication that it really is (and designed to be). Headlines such as The Evening Standard's 'Could celebrity diet drugs give you the body you've always wanted?'[14] show the infiltration of these social media statements and videos into the mainstream press.

Novo Nordisk and Eli Lilly have both followed all procedures and requirements for their own production and marketing of their drugs. The issue identified here has been brought about by casual yet pervasive misinformation on social media, and what pharma companies could or should do to attempt to counter that misinformation. With both a social aspect and a clear financial risk of litigation, this was an issue the Investment Stewardship and Investment team, working jointly through our Global Research & Engagement Group on Healthcare, we felt we should raise with these two investee companies.

We spoke directly to Novo Nordisk and to Eli Lilly about this issue. The companies both emphasised the fact that they had done everything 'by the book'. As our engagements progressed, however, and we explained not only the broader issues for society, but also the impact for potentially damaging lawsuits, our conversations began to gain ground.

In an age where in the realm of social media, the value of 'influence' over expertise clearly cannot be overestimated, this has implications across society, especially among the young and the vulnerable. We believe that pharmaceutical companies should aim to demonstrate that they are taking actions to counter misinformation and to attempt to mitigate misuse of their drugs.

For illustrative purposes only. This is not a recommendation to buy or sell any security.

We asked Novo Nordisk and Eli Lilly to take more steps to try and educate people about the purpose of these drugs, and to encourage monitoring their use. We asked them to:

- Ensure information about the purpose of the drug and its risks are included as extensively as possible on labelling
- Speak to eating disorder charities to enhance awareness and understanding of these drugs and how they are or may be misused
- In the US, ensure that advertising for these drugs includes appropriate information about their purpose and risks
- Set a clear programme for sales and collecting monitoring data on prescriptions
- Publish clear information about the purpose of these weight loss drugs on their websites

Escalate

New pharmaceuticals can herald ground-breaking treatments and have far-reaching social benefits. The misuse of these drugs and the role played by social media is a relatively new phenomenon that we want to help pharmaceutical companies navigate, so that they can continue to undertake their ground-breaking research and development. We believe that there are actions that pharmaceuticals companies can, and should, take beyond established requirements to mitigate against these new risks, and we believe that it's increasingly urgent that drug manufacturers and distributors take extra steps to avoid damaging health consequences for untold numbers of (often younger and more vulnerable) people, and to mitigate against the potential for negative financial implications for their firms and their investors. We will continue to engage with both pharmaceutical companies on this topic and to monitor the actions they take, and also to be aware of this issue more broadly within the pharmaceuticals sector.

12. Elon Musk on Twitter: "@EvasTeslaSPlaid And Wegovy" / Twitter
13. tried Ozempic, the 'miracle' weight-loss jab. This is what happened (thetimes.co.uk)
14. Could celebrity diet drugs give you the body you've always wanted? | Evening Standard

Significant votes

Company name	Air Products and Chemicals, Inc*
ISIN	US0091581068
Market cap	US$63.35 billion (Source: [APD | Air Products & Chemicals Inc. Stock Price & News - WSJ](), 06 April 2023)
Sector	Chemicals
Issue identified	A lack of gender diversity on the executive committee. LGIM has expanded its gender diversity policy in the UK and US to include the executive committee, as well as the company board.
Summary of the resolution	1f – Elect Director Edward L Monser
How LGIM voted	Against the resolution, i.e. against management recommendation.
Rationale for the vote decision	Diversity: A vote against was applied as the company has an all-male executive committee. From 2022, we have applied voting sanctions to the FTSE 100 companies and S&P 500 companies that do not have at least one woman on their executive committee, with the expectation that there should be a minimum of 33% over time.
Outcome	90% of shareholders voted for the resolution. LGIM will continue to engage with companies on gender diversity, and to implement our global and regional voting policies on this issue.
Why is this vote 'significant'?	This vote is significant as it relates to the escalation of our activities on one of our core stewardship themes, gender diversity.

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Full steam ahead: paid sick leave in the US

Identify

Human capital issues have been a point of focus for LGIM for quite some time. We understand human capital issues represent risk to a company's operations, whether it be through heightened attrition or decreased productivity. In 2022, we held a series of engagements and signed investor letters directed at companies that lacked paid sick leave and could benefit from providing it. In the latter half of that year, we zeroed in on the railway industry given the unique situation that the industry was facing.

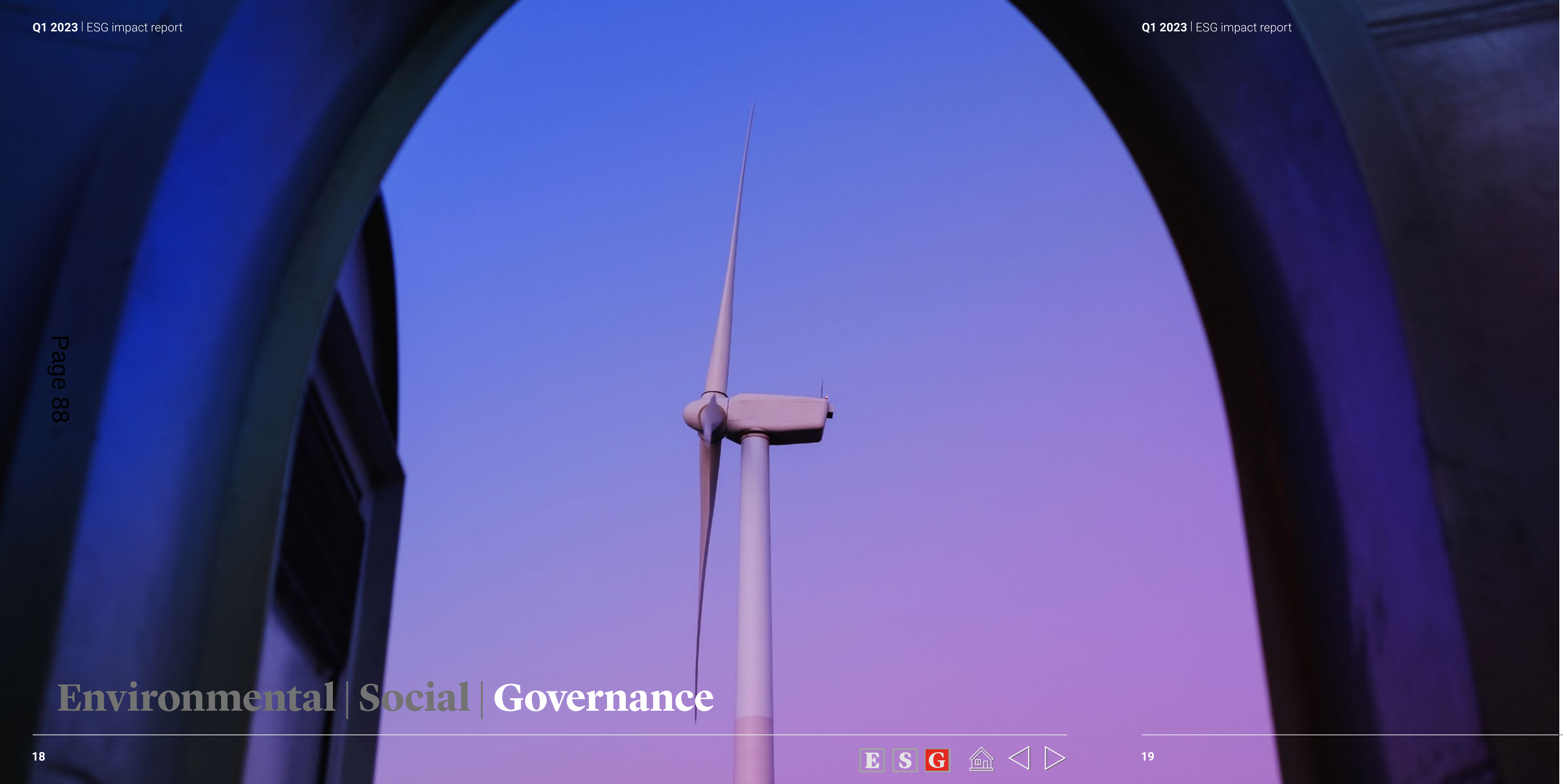
Throughout 2022, hundreds of thousands of railway workers were in the midst of negotiating contract terms with the largest railway companies in the US to improve working conditions. The salient point of contention was that around the lack of paid sick leave. However, those negotiations fell flat. This was relevant to us as investors because the contention nearly led to a nationwide strike that would have crippled the nation's supply chain and posed a material systemic risk. While Congress and the Executive Branch has the authority to mediate the negotiation and did ultimately avoid a strike, the reliance on government intervention over a basic benefit to stave off market calamity did not seem like a sensible risk-return dynamic worth maintaining.

Engage and Escalate

Since the government-mediated deal excluded sick leave, LGIM took charge by writing a letter to the four largest railway carriers in the US – Norfolk Southern*, Union Pacific*, BNSF*, and CSX*. We aggregated approximately 146 to 148 other investors per letter, with around US$1 trillion in additional assets under management, to come on board as signatories. In the letter we specified the importance of paid sick leave in the face of post-pandemic labour dynamics as well the types of disclosures investors would find helpful, such as the types of benefits available, the usage of such benefits, employee eligibility criteria, and others. We had correspondence with CSX and Norfolk Southern via email and have maintained an ongoing dialogue.

Eventually, one by one, the companies we contacted re-ignited negotiations with their workforces. Those negotiations led to deals being struck by three out of the four railways – CSX, Union Pacific, and Norfolk Southern – leading to thousands of railway workers obtaining paid sick leave as a benefit. We intend to continue engaging with the holdout railway carrier, BNSF, to understand how worker conditions can be improved so that future strikes and service disruptions are less likely.

For illustrative purposes only. This is not a recommendation to buy or sell any security.



Environmental | Social | Governance

ESG: Governance

Kansai Electric Power*: governance and climate

Identify and engage

Kansai Electric Power is one of the largest electric utilities companies in Japan. We identified several governance areas for improvement and the company appears to lag some of our minimum expectations on board composition. We believe that through its improvement, it could have a positive influence more broadly upon its sector in Japan.

Following a bribery scandal in 2020 involving former directors, the company underwent significant changes to improve governance. These changes have been positive but we still observe some areas where we think improvements could be made, relative to our minimum expectations.

Specifically, these include:

- Director independence and the presence of executives on committee which we think should be fully independent (e.g. the Remuneration Committee)
- Cross-shareholdings
- Limits to tenure of senior advisors to the board ('Komon')

We are pleased to note that the company meets our expectations for gender diversity in Japan of 15% female representation on the board, which we also expect to increase over time.

Regarding climate change and our expectations under the Climate Impact Pledge, we noted its lack of interim emissions targets and lack of time-bound commitment to exit coal-fired power generation as an area for discussion.

In our meeting with Kansai Electric Power, we were able to discuss these areas in detail to better understand its approaches to governance and climate, and to talk in-depth about related areas such as responsibility for executing the net zero transition plan.

For illustrative purposes only. This is not a recommendation to buy or sell any security.

Escalate

In its 2022 AGM, in the governance sphere, we had supported shareholder resolutions relating to remuneration transparency and diversity. We had also voted against the re-election of a director who also sat on both remuneration and nomination committees, the former of which we would expect to contain only independent directors.

In terms of climate change, we have explained our expectations under the Climate Impact Pledge regarding verification of interim targets, and in its 2022 AGM we had supported shareholder proposals relating to disclosure of a Paris-aligned net zero transition plan and to linking remuneration to ESG factors. While the company does disclose its CO2 emissions in its reporting, we would still note the lack of published and independently verified interim emissions targets as an area which falls behind our minimum expectations for the electric utilities sector.

Our meeting with the company was productive and we look forward to working with management more closely on both governance and climate change, and gaining a deeper understanding of the reasons behind its decisions and actions.

Significant votes

Company name	Fujitec Co., Ltd*
ISIN	JP3818800009
Market cap	¥254 billion (Source)
Sector	Industrials: Machinery
Issue identified	Following successive governance failures at Fujitec and concerns about undue levels of family influence, significant shareholder Oasis proposed a proxy contest to replace six directors.
Summary of the resolution	A proxy contest proposing the replacement of six incumbent directors. EGM date: 24 February 2023
How LGIM voted	LGIM voted against management recommendations (i.e. supported the shareholder-proposed board) LGIM also intended to vote against the re-election of Mr.Uchiyama at its AGM in 2022, but this was withdrawn.
Rationale for the vote decision	Our rationale for supporting the activist proposals stemmed from our concerns about the firm's flawed governance processes and its conduct at the last AGM, which resulted in an irreparable loss of faith in the leadership and in the incumbent outside directors' ability to overcome the family's strong influence on the board.
Outcome	Investors voted to replace three incumbent directors with four new independent directors.
Why is this vote 'significant'?	Successful shareholder activism of this kind is rare in Japan, and director independence and board composition is an important area of governance for LGIM, making this a significant vote.

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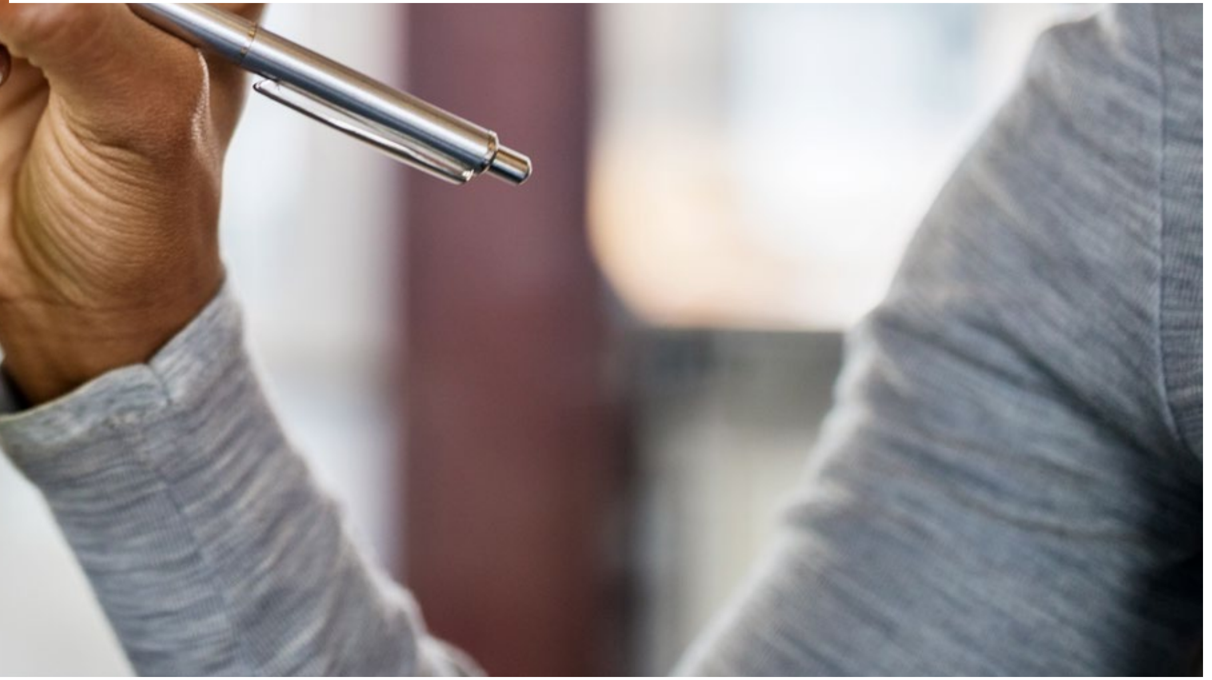

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Public policy update

As a long-term investor, we share a responsibility to ensure that global markets operate efficiently to protect the integrity of the market and address systemic risks, foster sustainable and resilient economic growth, and aim to protect the value of our clients' assets. Part of how LGIM acts on these responsibilities is by engaging in global policy dialogue, providing practical advice to policymakers and regulators on the key systemic issues.

E Climate: FCA response on UK Sustainable Disclosure Requirements ('SDR')

The creation of a coherent, consistent and meaningful reporting regime for corporations on climate change remains firmly on our list of priorities, along with our policy work with the ISSB.

Recently, along with our parent company Legal & General, we responded to the FCA's consultation on the proposed SDR regulations regarding labelling, naming and marketing for the financial sector. We have long been supporters of the FCA's goal of developing an ambitious, appropriate and robust regime, we believe that we must also use our voice as an asset manager to identify those areas of the proposals which we believe to be incompatible with how the sustainable investment market currently operates, and with our clients' objectives. We are particularly keen to promote international alignment of regulations. Through our continued collaboration with the Aldersgate Group, we also maintain our pressure on the UK government for the updated Green Finance Strategy to include mandatory climate transition plans for large UK companies.

Climate: US focus

The big policy news in the US over the quarter pertains to the Department of Labor's (DOL) rule determining whether ESG factors can be considered in retirement account investment decisions. This issue has been meeting significant resistance as it makes its way through the legal processes. At LGIM, we expect legal headwinds for many ESG-related regulations that were introduced in the recent past. We will continue to monitor these developments and what they mean for our stewardship activities in the US.

Continuing our action on methane emissions, we submitted a supportive comment to the US Environmental Protection Agency (EPA) on its proposed rules seeking to reduce methane via improved disclosures and measurements. This is a follow-on to a prior comment we submitted last year on this same rule.

Climate: Water

In February, in an initiative co-ordinated by the Carbon Disclosure Project ('CDP'), we co-signed an open letter to governments on the water crisis, ahead of the UN 2023 Water Conference. This letter, signed by investors with over US$3 trillion in assets under management, highlights the severity of the global water crisis, the hurdles presented by a lack of global commitments, investment and standardised disclosures, and set out recommendations for action, including implementation of domestic policies to incentivise investment in water solutions, and alignment with target 15 of the new Global Biodiversity Framework. The UN Water Conference at the end of March was the first such conference since 1977 and, we hope, an opportunity for much-needed international action and coordination on these vital issues, and for making progress towards the goal of living in harmony with nature by 2050. By increasing public pressure on governments strategically and in collaboration with our peers, we aim to drive the development of a regulatory backdrop which enables and encourages water security around the world.

Health: Obesity

Obesity is thought to cost the UK economy nearly £30 billion a year in lost productivity and is regularly cited as a 'health ticking time bomb'.[15] Under our 'health' theme and our work on nutrition, obesity remains a core area of focus for us on account of its potential financial impact upon a number of sectors in which our clients are invested, and on economies more broadly.

Government regulation is crucial in terms of providing the necessary impetus and backdrop to improving nutrition. We continue our collaborative work with the Food Foundation in the UK to put pressure on ministers regarding food reporting standards; the Food Foundation's mission is 'a sustainable food system which delivers health and wellbeing for all'.[16] We believe that mandatory food reporting by companies and retailers regarding, for example, sales of fruit and vegetables and percentage of revenues derived from 'healthy products', would provide not only valuable data about some of the drivers of obesity, but also help to develop appropriately targeted regulation to tackle these challenges.

In the US, LGIMA responded to the FDA's consultation on food labelling and the definition of the term 'healthy'. We are supportive of the move by the FDA to improve its definition for 'healthy' and we strongly encourage alignment with classifications from, for example, Health Star Rating (HSR), NutriScore and the World Health Organization models, in order to promote global consistency and transparency. Regular readers of our Quarterly Impact Reports will notice the parallels between this policy-driven work and our collaborations with the Access to Nutrition Initiative and the ShareAction Healthy Markets initiative, which have been focused on the corporate engagement side.

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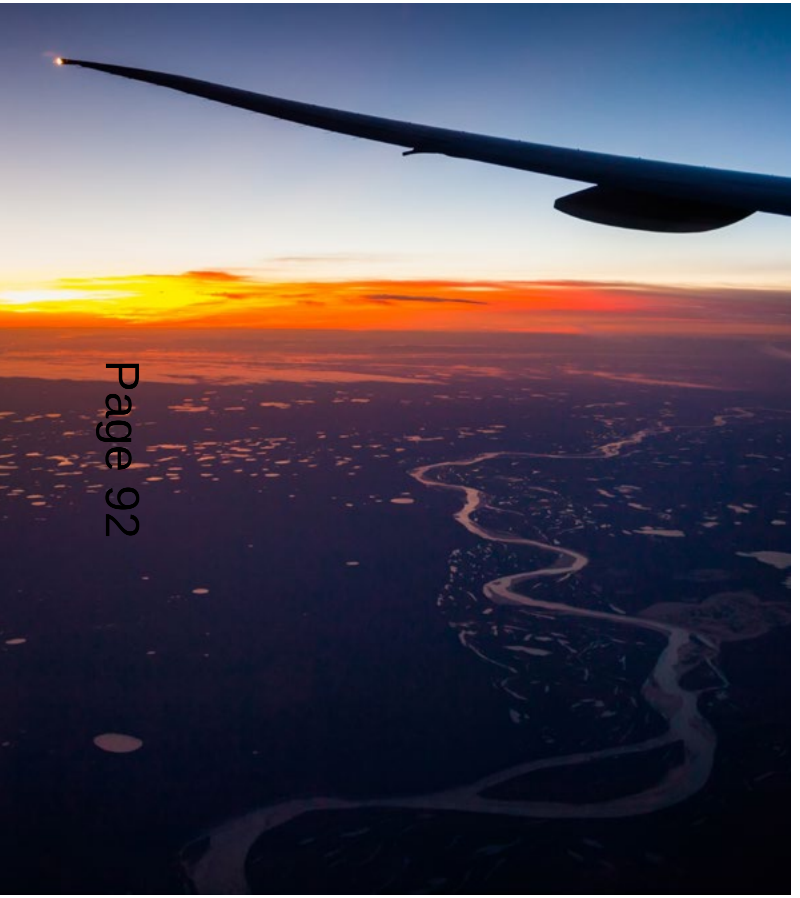
15. Higher obesity levels linked to lower productivity in England, research shows | Health | The Guardian
16. Home (foodfoundation.org.uk)



Regional updates

Global - Q1 2023 voting summary

Management proposed resolutions:						
Proposal category	**Total for**	**Total against**	**Total abstentions**	**For %**	**Against %**	**Abstain %**
Management (total)	**14563**	**4252**	**210**	**77%**	**22%**	**1%**
Routine Business	2035	626	1	76%	24%	0%
Miscellaneous	107	28	1	79%	21%	1%
Company Articles	791	161	0	83%	17%	0%
Capitalization	1669	129	0	93%	7%	0%
Strategic Transactions	631	205	0	75%	25%	0%
Director Related	1786	281	1	86%	14%	0%
Compensation	1294	1027	0	56%	44%	0%
Director Election	5024	1374	194	76%	21%	3%
Audit Related	656	125	13	83%	16%	2%
No Research	8	182	0	4%	96%	0%
Mutual Funds	10	0	0	100%	0%	0%
Takeover Related	96	16	0	86%	14%	0%
Non-Routine Business	382	59	0	87%	13%	0%
Social	55	38	0	59%	41%	0%
E&S Blended	19	0	0	100%	0%	0%
Environmental	0	1	0	0%	100%	0%

Global - Q1 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	**Total for**	**Total against**	**Total abstentions**	**For %**	**Against %**	**Abstain %**
Shareholder (total)	**348**	**157**	**10**	**68%**	**30%**	**2%**
Social	9	5	0	64%	36%	0%
Miscellaneous	52	22	0	70%	30%	0%
Director Election	177	83	10	66%	31%	4%
Compensation	8	4	0	67%	33%	0%
Director Related	13	10	0	57%	43%	0%
Audit Related	62	3	0	95%	5%	0%
E&S Blended	2	2	0	50%	50%	0%
Corporate Governance	2	0	0	100%	0%	0%
Non-Routine Business	9	8	0	53%	47%	0%
Environmental	1	6	0	14%	86%	0%
Company Articles	7	11	0	39%	61%	0%
Routine Business	6	3	0	67%	33%	0%

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	14911	76%
Against	4409	77%
Abstain	220	86%

Number of	Values
Resolutions	19540
AGMs	15027
EGMs	4500

Number of companies where LGIM voted:	Values
In Total	2107
For in all resolutions	551
Against or Abstain in at least one resolution	1556

UK - Q1 2023 voting summary

Management proposed resolutions:						
Proposal category	**Total for**	**Total against**	**Total abstentions**	**For**	**Against %**	**Abstain %**
Management (total)	**1213**	**66**	**0**	**95%**	**5%**	**0%**
Routine Business	138	2	0	99%	1%	0%
Compensation	129	22	0	85%	15%	0%
Director Election	436	23	0	95%	5%	0%
Audit Related	144	2	0	99%	1%	0%
Mutual Funds	10	0	0	100%	0%	0%
Capitalization	267	10	0	96%	4%	0%
Social	20	0	0	100%	0%	0%
Takeover Related	51	0	0	100%	0%	0%
Strategic Transactions	13	5	0	72%	28%	0%
Company Articles	3	0	0	100%	0%	0%
Miscellaneous	2	2	0	50%	50%	0%

Shareholder proposed resolutions:						
Proposal category	**Total for**	**Total against**	**Total abstentions**	**For**	**Against %**	**Abstain %**
Shareholder (total)	**13**	**3**	**0**	**81%**	**19%**	**0%**
Director Election	13	3	0	81%	19%	0%

EU - Q1 2023 voting summary

Management proposed resolutions:						
Proposal category	**Total for**	**Total against**	**Total abstentions**	**For**	**Against %**	**Abstain %**
Management (total)	**2552**	**691**	**66**	**77%**	**21%**	**2%**
Audit Related	174	13	9	89%	7%	5%
Capitalization	242	38	0	86%	14%	0%
Company Articles	147	26	0	85%	15%	0%
Compensation	268	237	0	53%	47%	0%
Director Election	479	211	55	64%	28%	7%
Director Related	616	76	1	89%	11%	0%
Miscellaneous	13	4	0	76%	24%	0%
Non-Routine Business	12	2	0	86%	14%	0%
Routine Business	572	76	1	88%	12%	0%
Social	9	0	0	100%	0%	0%
Strategic Transactions	11	2	0	85%	15%	0%
Takeover Related	0	6	0	0%	100%	0%
No Research	7	0	0	100%	0%	0%
E&S Blended	2	0	0	100%	0%	0%

Management proposed resolutions:						
Proposal category	**Total for**	**Total against**	**Total abstentions**	**For**	**Against %**	**Abstain %**
Shareholder (total)	**20**	**54**	**0**	**27%**	**73%**	**0%**
Audit Related	2	1	0	67%	33%	0%
Compensation	0	1	0	0%	100%	0%
Director Election	6	25	0	19%	81%	0%
Director Related	7	9	0	44%	56%	0%
Environmental	0	5	0	0%	100%	0%
Miscellaneous	1	13	0	7%	93%	0%
Social	4	0	0	100%	0%	0%

Japan - Q1 2023 voting summary

Management proposed resolutions:						
Proposal category	**Total for**	**Total against**	**Total abstentions**	**For**	**Against %**	**Abstain %**
Management (total)	**1838**	**296**	**0**	**86%**	**14%**	**0%**
Company Articles	60	17	0	78%	22%	0%
Routine Business	131	1	0	99%	1%	0%
Director Election	1380	214	0	87%	13%	0%
Director Related	188	47	0	80%	20%	0%
Audit Related	6	0	0	100%	0%	0%
Takeover Related	0	7	0	0%	100%	0%
Compensation	60	8	0	88%	12%	0%
Miscellaneous	1	1	0	50%	50%	0%
Non-Routine Business	2	0	0	100%	0%	0%
Strategic Transactions	5	1	0	83%	17%	0%
Capitalization	5	0	0	100%	0%	0%

Japan - Q1 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	**Total for**	**Total against**	**Total abstentions**	**For**	**Against %**	**Abstain %**
Shareholder (total)	**31**	**4**	**0**	**89%**	**11%**	**0%**
Director Election	12	0	0	100%	0%	0%
Compensation	6	0	0	100%	0%	0%
Routine Business	6	3	0	67%	33%	0%
Non-Routine Business	6	1	0	86%	14%	0%
Corporate Governance	1	0	0	100%	0%	0%

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	1869	85%
Against	300	86%
Abstain	0	0%

Number of	Values
Resolutions	2169
AGMs	2096
EGMs	73

Number of companies where LGIM voted:	Value
In Total	217
For in all resolutions	57
Against or Abstain in at least one resolution	160

USA - Q1 2023 voting summary

Management proposed resolutions:						
Proposal category	**Total for**	**Total against**	**Total abstentions**	**For**	**Against %**	**Abstain %**
Management (total)	**1089**	**645**	**1**	**63%**	**37%**	**0%**
Routine Business	12	0	0	100%	0%	0%
Miscellaneous	3	0	1	75%	0%	25%
Company Articles	13	0	0	100%	0%	0%
Director Election	725	372	0	66%	34%	0%
Compensation	109	194	0	36%	64%	0%
Audit Related	96	70	0	58%	42%	0%
Capitalization	41	3	0	93%	7%	0%
Strategic Transactions	34	1	0	97%	3%	0%
Takeover Related	38	3	0	93%	7%	0%
Director Related	17	2	0	89%	11%	0%
Non-Routine Business	1	0	0	100%	0%	0%

USA - Q1 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	**Total for**	**Total against**	**Total abstentions**	**For**	**Against %**	**Abstain %**
Shareholder (total)	**11**	**11**	**0**	**50%**	**50%**	**0%**
Compensation	2	3	0	40%	60%	0%
E&S Blended	2	2	0	50%	50%	0%
Social	2	4	0	33%	67%	0%
Miscellaneous	0	1	0	0%	100%	0%
Director Related	3	0	0	100%	0%	0%
Corporate Governance	1	0	0	100%	0%	0%
Non-Routine Business	1	0	0	100%	0%	0%
Environmental	0	1	0	0%	100%	0%

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	1100	62%
Against	656	61%
Abstain	1	100%

Number of	Values
Resolutions	1757
AGMs	1628
EGMs	126

Number of companies where LGIM voted:	Value
In Total	211
For in all resolutions	25
Against or Abstain in at least one resolution	186

Global engagement summary

In Q1 2023, the Investment Stewardship team held

535 engagements with **491** companies

(vs. 294 engagements with 242 companies last quarter)

Breaking down the engagement numbers - Q1 2023

At the time of publishing, the engagement data on this page excludes communications in relation to our deforestation and dual-class shares campaigns.

Breakdown of engagement by themes

- 347 Environmental
- 145 Social
- 163 Governance
- 54 Other

Engagement type

- 121 Company meetings
- 414 Emails / letters

Top five engagement topics*

- 275 Climate Impact Pledge
- 96 Ethnic diversity
- 72 Remuneration
- 35 Climate change
- 31 Strategy

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

Regional breakdown of engagements

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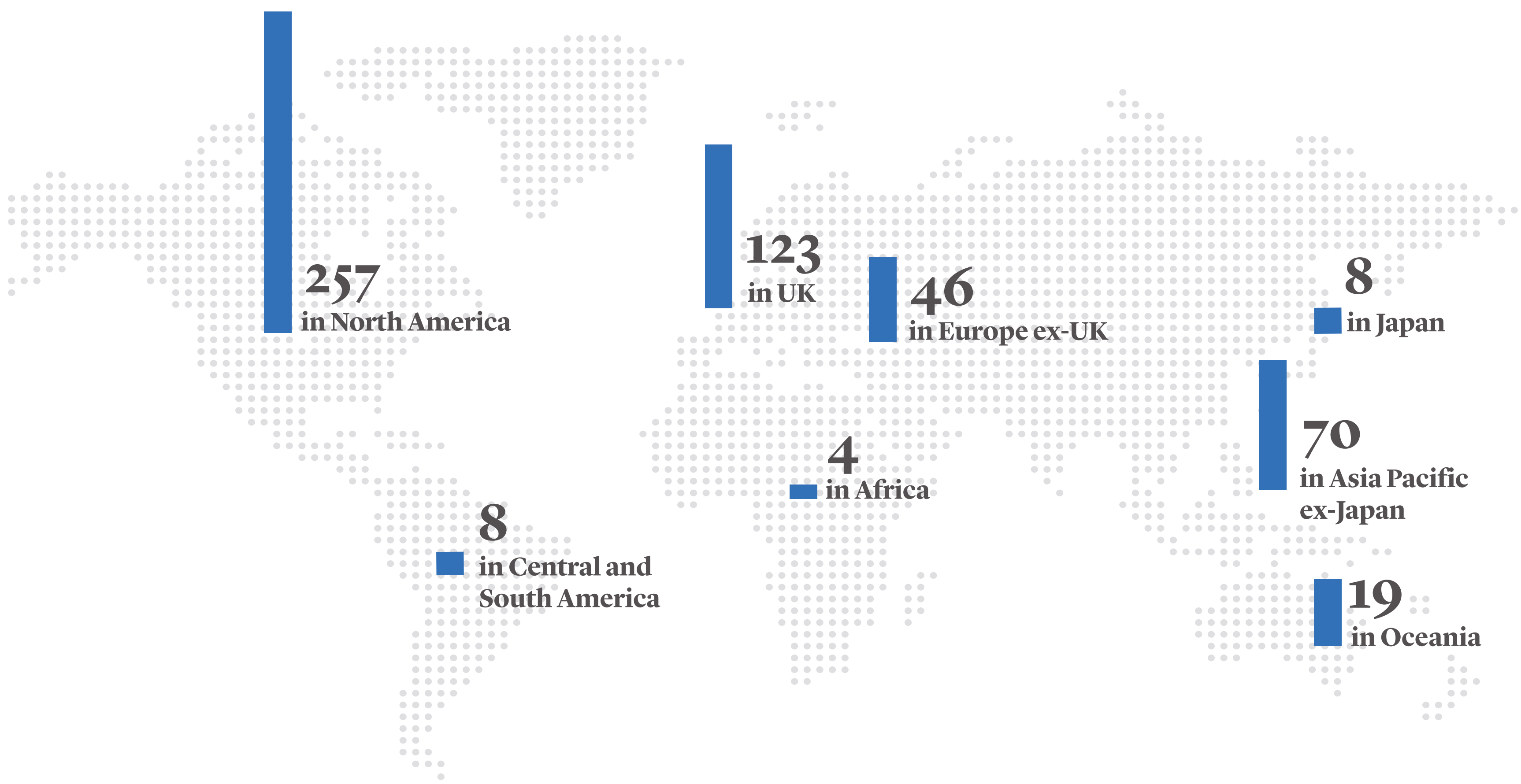

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LGIM talks

The LGIM blog

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