

# Public Document Pack



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PUBLIC

To: Members of the Pensions and Investments Committee

Tuesday, 27 August 2019

Dear Councillor,

Please attend a meeting of the **Pensions and Investments Committee** to be held at **10.30 am** on **Wednesday, 4 September 2019** in Committee Room 3, County Hall, Matlock, DE4 3AG, the agenda for which is set out below.

Yours faithfully,

A handwritten signature in cursive script that reads 'Janie Berry'.

**JANIE BERRY**  
**Director of Legal Services**

## **A G E N D A**

### **PART I - NON-EXEMPT ITEMS**

1. Apologies for Absence  
To receive apologies for absence (if any)
2. Declarations of Interest  
To receive declarations of interest (if any)
3. To confirm the non-exempt minutes of the meeting held on 31 July 2019

(Pages 1 - 8)

To consider the reports of the Director of Finance and ICT on:

4. Investment Report (Pages 9 - 84)
5. Voting Activity (Pages 85 - 88)
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(s)... of Part 1 of Schedule 12A to the Local Government Act 1972"

## **PART II - EXEMPT ITEMS**

7. Declarations of Interest

To receive declarations of interest (if any)

8. To confirm the exempt minutes of the meeting held on 31 July 2019 (Pages 89 - 92)

PUBLIC

**MINUTES** of a meeting of the **PENSIONS AND INVESTMENT COMMITTEE** held at County Hall, Matlock on 31 July 2019

**PRESENT**

Councillor J Perkins (in the Chair)

**Derbyshire County Council**

Councillors R Ashton, N Atkin, J Boulton, S Marshall-Clarke, R Mihaly, B Ridgway and G Wharmby (substitute Member)

**Derby City Council**

Councillor M Carr

**Derbyshire County Unison**

Mr M Wilson

Also in attendance – N Dowey, K Gurney (Pension Board member), D Kinley, K Riley and N Smith

Apologies for absence were received on behalf of Councillor P Makin

**43/19      ALTERNATIVE INVESTMENTS** Neil Smith provided Members with training on alternative assets. The Committee were informed of the characteristics of alternative assets and were provided with information on private equity, infrastructure and property, private credit and diversified multi-asset credit investments, including details of the types of alternative assets held by the Derbyshire Pension Fund.

On behalf of the Committee, the Chairman thanked Mr Smith for a most informative presentation. Councillor Marshall-Clarke suggested that it would be very useful for the Committee to be taken through the rationale for a specific alternative investment held by the Fund and it was agreed that this would happen.

**44/19      MINUTES RESOLVED** that the minutes of the meeting held on 11 June 2019 be confirmed as a correct record and signed by the Chairman.

**45/19      GOVERNANCE POLICY AND COMPLIANCE STATEMENT** The Local Government Pension Scheme Regulations 2013 required an

administering authority, after consultation with such persons as it considered appropriate, to prepare, publish and keep under review, a written statement setting out:

- whether it delegated its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority
- the terms, structure and operational procedures of any such delegations
- the frequency of any committee or sub-committee meetings
- whether such a committee or sub-committee included representatives of Scheme employers or members, and if so, whether these representatives had voting rights
- the extent to which a delegation, or the absence of a delegation, complied with guidance given by the Secretary of State and, to the extent that it did not comply, the reasons for not complying
- details of the terms, structure and operational procedures relation to the local pension board

The Statement set out the governance arrangements for Derbyshire Pension Fund and recorded the extent to which the Fund complied with the statutory guidance issued by the Secretary of State in respect of these matters.

The Pensions and Investment Committee approved the Fund's inaugural Government Policy and Compliance Statement in August 2018. The Statement had been updated to: include the Fund's governance objectives; reflect the Committee Terms of Reference approved by Full Council in May 2019; reflect the development of a Fund Conflicts of Interest Policy; and to report the up to date position with regard to compliance with best practice.

Dawn Kinley noted that the Statement attached in the Appendix would be amended to reflect the ongoing development of the Fund's Conflicts of Interest Policy. It was also agreed to note in the Statement that delegated shareholder decisions with respect to LGPS Central Ltd will be reported to the following meeting of the Pensions and Investments Committee.

**RESOLVED** to approve the attached draft Derbyshire Pension Fund Governance Policy and Compliance Statement subject to the revisions noted above.

**46/19      PENSION ADMINISTRATION STRATEGY** The Pension Administration Strategy was last approved by the Pensions and Investment Committee in January 2018. Minor amendments had been made to the previous version, and were wholly concerned with updating the document to reflect recent developments such as the implementation of the Altair pension administration system.



There were no revisions this year to the substantive aspects of the Strategy, which were the employing authority and administering authority performance targets, and the arrangements for the management of employer underperformance. The necessary reports for measuring certain of the administering authority performance targets were currently being developed on the new pension administration system. The administering authority performance targets would be reviewed once the new system was fully established.

As no material changes to the Strategy were proposed, it was not intended to consult with employers on this update. The Pension Administration Strategy would be circulated to all participating employers and posted on the Fund's website.

**RESOLVED** to approve the draft Pension Administration Strategy 2019, attached as Appendix 1 to the report.

**47/19      QUARTERLY PENSION ADMINISTRATION PERFORMANCE REPORT 1 APRIL 2019 TO 30 JUNE 2019** A report from the Director of Finance & ICT was presented on performance levels achieved by the pensions administration team of Derbyshire Pension Fund and other activity undertaken in the first quarter of 2019-20 (Q1).

It was noted that, due to the implementation of the new pension administration system (Altair) on 4 March 2019, the reporting of workload data was currently being redeveloped. Also, due to the fact that cases had been migrated to the new system, backlog reporting on long-term work tasks such as transfers and aggregations could not commence immediately.

Included in the report were details of performance data, including membership movements, achievement against performance standards, monthly contribution returns, new academies and admission bodies, and Application for Adjudication of Disputes Procedures cases; communications; governance; development, and projects; and collaboration.

It was highlighted that there had been a small drop in active members since March 2019. The facility to report on membership movements each quarter was to be improved. This will enable a more detailed analysis of trends to be provided at future meetings.

Thirteen new academies had joined the Fund as scheme employers and four new admission bodies had also joined the Fund in Q1.

On 7 June 2019 a presentation had taken place with Fund members of the Fire Authority who were potentially being impacted by restructuring.

Activity in Q1 had been dominated by the switch to the Altair system (replacement pension administration system) which went live on 4 March 2019. Data conversion and mapping difficulties had been experienced by the supplier during the project, and Heywood's team continued to work with the Fund's Project Team on data cleansing and a diminishing number of 'teething troubles'. Two Team Briefings had been held internally since 'go-live' to enable the Project Team to understand the issues being experienced by the key users and to target training and system improvements effectively. Details of how much more quickly processes had been brought on line in the months after 'go-live' than was achievable with the previous system were presented.

**RESOLVED** to note the workloads and performance levels outlined in the report.

**48/19      DERBYSHIRE PENSION FUND RISK REGISTER** The Risk Register was kept under constant review by the risk owners, with quarterly review by the Director of Finance & ICT. A copy of both the Summary and Main Risk Registers were presented. Changes from the previous quarter were highlighted. The Risk Register had the following four High Risk items:-

- (1)    Fluctuations in assets and liabilities (Risk No. 15)
- (2)    LGPS Central related underperformance of investment returns (Risk No. 25)
- (3)    Impact of McCloud judgement on funding (Risk No 32)
- (4)    Impact of McCloud judgement on administration (Risk No. 40)

There was an inevitable risk for any pension fund that assets may be insufficient to meet liabilities and funding levels fluctuate from one valuation to the next, principally reflecting external risks around both market returns and the discount rate used to value the Fund's liabilities. Whilst the Fund had a significant proportion of its assets in growth assets, the newly agreed Strategic Asset Allocation Benchmark introduced a lower exposure to growth assets with the aim of protecting the improvement in the Fund's funding level following strong market gains since the triennial valuation in March 2016. For the March 2019 valuation, the Fund's actuary had indicated that assumed investment returns over the next 20 years and the likelihood of those returns being achieved would be considered when determining the discount rate to value the liabilities for the funding level. This risk based approach, rather than relating the discount rate to bond yields on a particular day, would be in line with the approach taken by the actuary to set employer contribution rates.

The Fund was expected to transition the management of the majority of its investment assets to LGPS Central Limited (LGPSC), the operating company of the LGPS Central Pool (the Pool), over the next few years. Ultimately, the Fund was expected to invest via LGPSC's pooled investment vehicles. In the shorter term, the Fund had a discretionary management agreement with the

company with respect to the Fund's UK equity portfolio, and advisory management agreements with respect to Japanese and Asia Pacific equities. LGPSC was a newly formed company which launched its first investment products in April 2018. There was a risk that the investment returns delivered by the company would not meet the investment return targets against the specified benchmarks.

The Fund continued to take a meaningful role in the development of LGPSC, and had input into the design and development of the company's product offering to ensure that it would allow the Fund to implement its investment strategy. The company's manager selection process was scrutinized by the Partner Funds and the Fund would initially continue to carry out its own due diligence on selected managers as confidence was built in the company's manager selection skills. The performance of LGPSC investment vehicles was constantly monitored and reviewed jointly by the Partner Funds.

The McCloud case related to transitional protections given to scheme members in the judges and firefighters schemes which were found to be unlawful by the Court of Appeal on the grounds of age discrimination. On 27 June 2019, the Supreme Court denied the Government permission to appeal the judgement in the case. The Chief Secretary to the Treasury subsequently announced on 15 July 2019 that the Government respected the Court's decision and would fully engage with the Employment Tribunal to agree how the discrimination would be remedied; she also announced that remedies relating to the McCloud judgement would need to be made in relation to all public service schemes. It was anticipated that any remedy would be backdated to the commencement of transitional protection (April 2014 in the case of LGPS).

Following the judgement in the McCloud case, and confirmation that remedies relating to that judgement would need to be made to all public service schemes, LGPS benefits accrued from 2014 may need to be enhanced so that all members, regardless of age, would benefit from the 'underpin'. Alternatively, restitution may be achieved in a different way, for example by paying compensation. Quantifying the impact of the judgement at this stage was very difficult because it would depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdrew from active service. The Government Actuary's Department (GAD) had estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions.

The Fund's actuary had adjusted GAD's estimate to better reflect Derbyshire Pension Fund's local assumptions. The revised estimate as it applied to the Fund was that total liabilities (i.e. the increase in active members' liabilities expressed in terms of the employer's total membership) could be around 0.4% higher as at 31 March 2019, an increase of approximately £26.7m.

These numbers were high level estimates and depended on several key assumptions. The impact on employers' funding arrangements was expected be damped by the funding arrangements they had in place, however it was likely that there would be unavoidable upward pressure on contributions in future years.

For cost cap changes, the Government had stated its intention to apply these from April 2019. The LGPS Scheme Advisory Board (SAB) had announced a pause in the cost cap management process pending the outcome of the case. The SAB said it may resubmit the existing proposals or review the package, taking into account the cost of any remedy resulting from the McCloud case and the impact of backdating.

The LGPS SAB had recommended that local authorities sought Counsel's advice and this would be investigated.

The uncertainty caused by the McCloud judgement was reflected on the Risk Register under two separate risks for clarity, one under Funding and Investments and one under Administration, although the two risks were closely linked.

The funding risk related to the risk of there being insufficient assets within the Fund to meet the increased liabilities. The administration risk related to the enormous challenge that would be faced by administering authorities and employers in potentially backdating scheme changes over such a significant period; this risk had been recognised by SAB. The Fund would continue to keep up to date with news related to this issue from the Scheme Advisory Board, the Local Government Association, the Government Actuary's Department and the Fund's actuary.

Risk No.32, the impact of the McCloud judgement on funding, as detailed above, had been added to the Risk Register. No items had been removed from the Risk Register.

**RESOLVED** to note the risk items identified in the Risk Register.

**49/19      LGPS CENTRAL JOINT COMMITTEE MEETING** Members were asked to note the items that had been considered at the LGPS Joint Committee meeting held in Nottingham on 21 June 2019. Councillor Neil Atkin, Vice-Chairman of the Committee represented Derbyshire at the meeting.

The agenda for the meeting was attached at Appendix 1 to the report and there was a full set of the meeting papers available via a link on the Derbyshire Pension Fund's website. The agenda items for the Joint Committee would continue to develop as more performance data from LGPS Central Ltd and data from a new cost savings model became available. There were no

recommendations made at the meeting for consideration by the Pensions and Investments Committee.

Councillor Marshall-Clarke enquired as to the Fund's input into the PAF Responsible Investments Working Group (RIWG). Dawn Kinley noted that she had attended the last meeting of the RIWG.

**RESOLVED** that the items considered at the recent meeting of the LGPS Central Joint Committee are noted.

**50/19      EXCLUSION OF THE PUBLIC RESOLVED** that the public be excluded from the meeting during the Committee's consideration of the remaining items on the agenda to avoid the disclosure of the kind of information detailed in the following summary of proceedings:-

**SUMMARY OF PROCEEDINGS CONDUCTED AFTER THE PUBLIC HAD BEEN EXCLUDED FROM THE MEETING**

1. To confirm the exempt minutes of the meeting held on 11 June 2019 (contains exempt information)
2. To consider the report of the Director of Finance and ICT on a Stage 2 Appeal under the Local Government Pension Scheme Application for an Adjudication of Disagreement Procedure (contains information relating to any individual)

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**DERBYSHIRE COUNTY COUNCIL**  
**PENSIONS AND INVESTMENTS COMMITTEE**

**4 September 2019**

**Report of the Director of Finance & ICT**

**INVESTMENT REPORT**

**1 Purpose of the Report**

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 adviser.

**2 Information and Analysis**

**(i) 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 1.

**(ii) Asset Allocation and Recommendations Table**

The Fund's latest asset allocation as at 31 July 2019 and the recommendations of the Director of Finance & ICT and Mr Fletcher, in relation to the Fund's new strategic asset allocation benchmark, which became effective on 1 January 2019, are shown in the table overleaf.

The table also shows the recommendations of the Director of Finance & ICT, adjusted to reflect the impact of future investment commitments. These commitments (existing plus any new commitments recommended in this report) relate to Private Equity, Multi-Asset Credit, Property and Infrastructure and total around £320m. Whilst the timing of drawdowns will be lumpy and difficult to predict, the In-house Investment Management Team (IIMT) believes that these are likely to occur over the next 18 to 36 months.

Asset Category	Old Benchmark	New Benchmark	Fund Allocation	Fund Allocation	Permitted Range	Benchmark Relative Recommendation		Recommendation		Adjusted for Commitments (1)	Benchmark Sterling Return	Benchmark Sterling Return
						AF 4/9/19	DPF 4/9/19	AF 4/9/19	DPF 4/9/19		3 Months to 30/6/19	3 Months to 31/7/19
<b>Growth Assets</b>	<b>62.0%</b>	<b>57.0%</b>	<b>59.0%</b>	<b>56.0%</b>	<b>+/- 8%</b>	-	(1.0%)	<b>57.0%</b>	<b>56.0%</b>	<b>57.6%</b>	<b>n/a</b>	<b>n/a</b>
UK Equities	25.0%	16.0%	18.1%	17.4%	+/- 4%	-	+1.4%	16.0%	17.4%	17.4%	3.3%	2.6%
Overseas Equities:	33.0%	37.0%	38.1%	35.6%	+/- 6%	-	(2.4%)	37.0%	35.5%	35.5%	n/a	n/a
North America	12.0%	12.0%	11.4%	10.1%	+/- 4%	(1.0%)	(2.0%)	11.0%	10.0%	10.0%	6.8%	8.3%
Europe	9.0%	8.0%	10.2%	8.6%	+/- 3%	-	(0.5%)	8.0%	7.5%	7.5%	8.6%	6.5%
Japan	5.0%	5.0%	6.4%	6.5%	+/- 2%	-	+1.0%	5.0%	6.0%	6.0%	2.9%	5.8%
Pacific ex-Japan	4.0%	4.0%	5.2%	5.3%	+/- 2%	-	-	4.0%	4.0%	4.0%	3.4%	4.2%
Emerging Markets	3.0%	5.0%	4.9%	5.1%	+/- 2%	+1.0%	+0.1%	6.0%	5.1%	5.0%	3.8%	5.0%
Global Sustainable	-	3.0%	-	-	+/- 2%	-	-	3.0%	3.0%	3.0%	6.2%	7.1%
Private Equity	4.0%	4.0%	2.8%	3.0%	+/- 2%	-	(0.9%)	4.0%	3.0%	4.7%	3.5%	2.8%
<b>Income Assets</b>	<b>18.0%</b>	<b>23.0%</b>	<b>18.1%</b>	<b>19.5%</b>	<b>+/- 6%</b>	-	(2.2%)	<b>23.0%</b>	<b>20.8%</b>	<b>25.3%</b>	<b>n/a</b>	<b>n/a</b>
Mult-Asset Credit	4.0%	6.0%	4.5%	5.5%	+/- 2%	-	0.4%	6.0%	6.1%	8.3%	0.9%	0.9%
Infrastructure	5.0%	8.0%	5.7%	6.0%	+/- 3%	-	(1.3%)	8.0%	6.7%	8.6%	0.7%	0.7%
Direct Property (3)	5.0%	5.0%	4.6%	4.7%	+/- 2%	+1.0%	(0.3%)	5.0%	4.7%	4.7%	0.6%	0.6% (2)
Indirect Property (3)	4.0%	4.0%	3.3%	3.3%	+/- 2%	(1.0%)	(0.7%)	4.0%	3.3%	3.7%	0.6%	0.6% (2)
<b>Protection Assets</b>	<b>18.0%</b>	<b>18.0%</b>	<b>16.9%</b>	<b>17.3%</b>	<b>+/- 5%</b>	(2.0%)	(0.7%)	<b>16.0%</b>	<b>17.3%</b>	<b>17.3%</b>	<b>n/a</b>	<b>n/a</b>
Conventional Bonds	5.5%	6.0%	5.4%	5.5%	+/- 2%	(1.0%)	(0.5%)	5.0%	5.5%	5.5%	1.3%	5.0%
Index-Linked Bonds	6.5%	6.0%	5.6%	5.8%	+/- 2%	(1.0%)	(0.2%)	5.0%	5.8%	5.8%	1.9%	7.0%
Corporate Bonds	6.0%	6.0%	5.9%	6.0%	+/- 2%	-	-	6.0%	6.0%	6.0%	2.4%	4.6%
<b>Cash</b>	<b>2.0%</b>	<b>2.0%</b>	<b>6.0%</b>	<b>7.2%</b>	<b>0 – 8%</b>	<b>+2.0%</b>	<b>+3.9%</b>	<b>4.0%</b>	<b>5.9%</b>	<b>(0.2%)</b>	<b>0.1%</b>	<b>0.1%</b>

Total Investment Assets totaled £5,173.8m at 31 July 2019

(1) Recommendation adjusted for investment commitments at 31 July 2019 and presumes all commitments are funded from cash.

(2) Benchmark Return for the three months to 30 June 2019.

(3) 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.

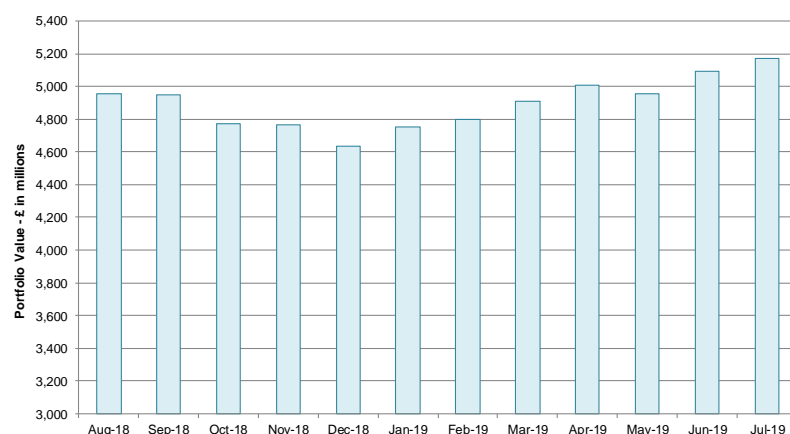
Relative to the new benchmark, the Fund as at 31 July 2019, was overweight Cash, and underweight in Growth Assets, Income Assets and Protection Assets.

If all of the Fund's commitments (existing plus any new commitments recommended in this report) were drawn-down, the cash balance would reduce by 8.2% to -0.8%. However, in practice as these commitments are drawn-down, they will be partly offset by new net cash inflows from dealing with members, investment income, distributions from existing investments and changes in the wider asset allocation.

### (iii) Total Investment Assets

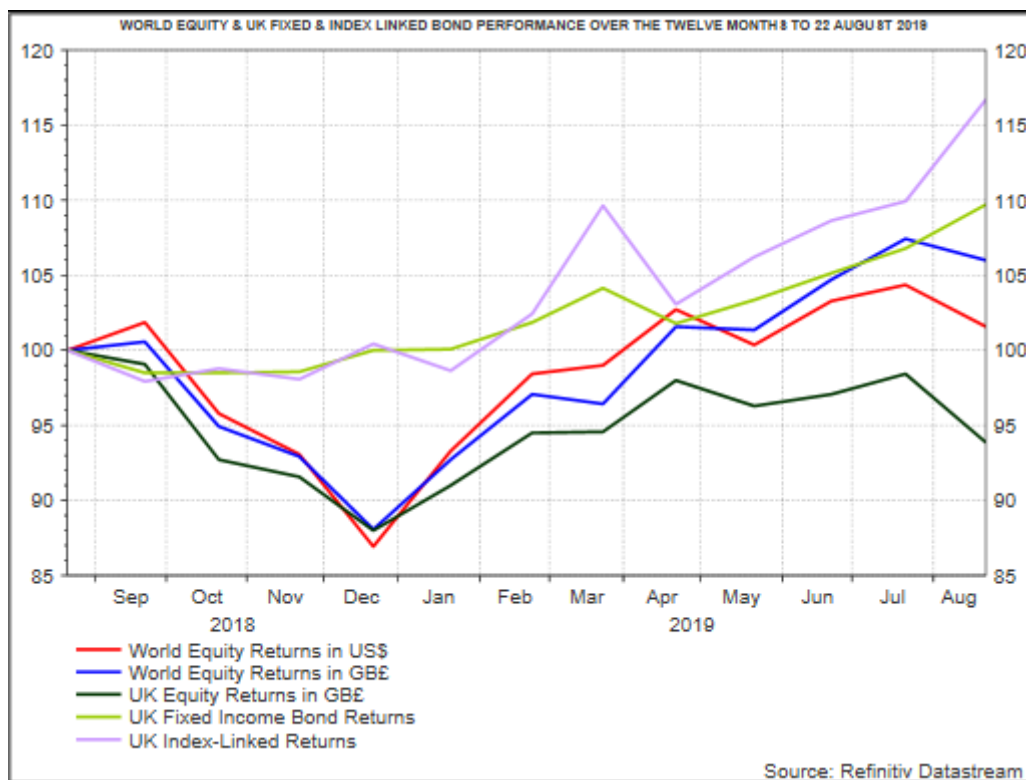
The value of the Fund's investment assets rose by £169.6m (3.4%) between 30 April 2019 and 31 July 2019 to a little under £5.2bn, comprising a non-cash market gain of around £150m and cash inflows from dealing with members & investment income of around £20m. Over the twelve months to 31 July 2019, the value of the Fund's investment assets has risen by £231.4m (4.7%), comprising a non-cash market gain of around £160m and cash inflows from dealing with members & investment income of around £70m. A copy of the Fund's valuation is attached at Appendix 2.

Total Investment Assets



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.

#### (iv) Market returns over the last 12 months



The chart above shows market returns for Global Equities in Sterling and the US dollar, UK Equities, UK Fixed Income and UK Index Linked bonds for the twelve months to 22 August 2019.

Global Equity markets sold-off sharply in Q4 2018, with the quarter recording a 10.5% fall in sterling terms. Investor confidence was impacted by a number of factors, including concerns over the sustainability of US economic growth; an indication from the US Federal Reserve that there was scope for further interest rate rises; worries over a slowdown in China; and fears of a global trade war.

Equity markets recovered strongly in Q1 2019, with the FTSE All World Equity Index returning +12.2% in US Dollar terms; +9.6% in Sterling terms. Whilst global economic data moderated in the quarter, optimism that trade relations between the US and China might improve, together with a more dovish tone from the US Federal Reserve (the Fed), lifted equity markets.

Equity markets generally rose in Q2 2019 (FTSE All World +3.8% in local currency terms), and sterling investors also benefited from a weaker pound (FTSE All World +6.2% in sterling terms). Following further positive returns in July 2019 (FTSE All World +4.2% in sterling terms), equity markets sold off in early August 2019 following a further escalation in the US – China trade negotiations, reducing optimism about dramatic monetary policy easing from

the Fed, and growing concerns over the health of the global economy (FTSE All World -2.8% in sterling terms in August 2019 to 22<sup>nd</sup> of the month).

Bonds yields have fallen since September 2018 (pushing up prices and returns), reflecting market uncertainty and increased demand for safe-haven assets, together with more dovish tones from central banks in response to weaker economic news. UK bond yields fell sharply in July and early August 2019 reflecting growing concerns over the health of the UK economy and the risk of a “no-deal” Brexit.

The US Federal Reserve reduced its Fed Funds Rate by 25 basis points to 2.25% in July 2019, and announced that it would end the Quantitative Tightening programme on 1 August 2019. Jerome Powell, the Fed chair, noted that weak global growth and the US - China trade war had been disruptive for the world economy and was impacting on growth in America, despite the US labour market remaining strong with the lowest unemployment rate since the late 1960s. Mr Powell also noted that the Fed “will continue to monitor the implications of incoming information for the economic outlook and will act as appropriate to sustain the expansion”.

Mario Draghi, the European Central Bank President, has hinted that monetary policy may be eased going forward to provide market stimulus. The Bank of England’s August 2019 Inflation Report noted “an increase in the perceived likelihood of a no-deal Brexit has further lowered UK market interest rates and led to a marked depreciation of the sterling exchange rate”. The Bank of England noted that the monetary policy response to Brexit, whatever form it takes, will not be automatic and could be in either direction, and in all circumstances the MPC will set monetary policy appropriately to achieve the 2% inflation target.

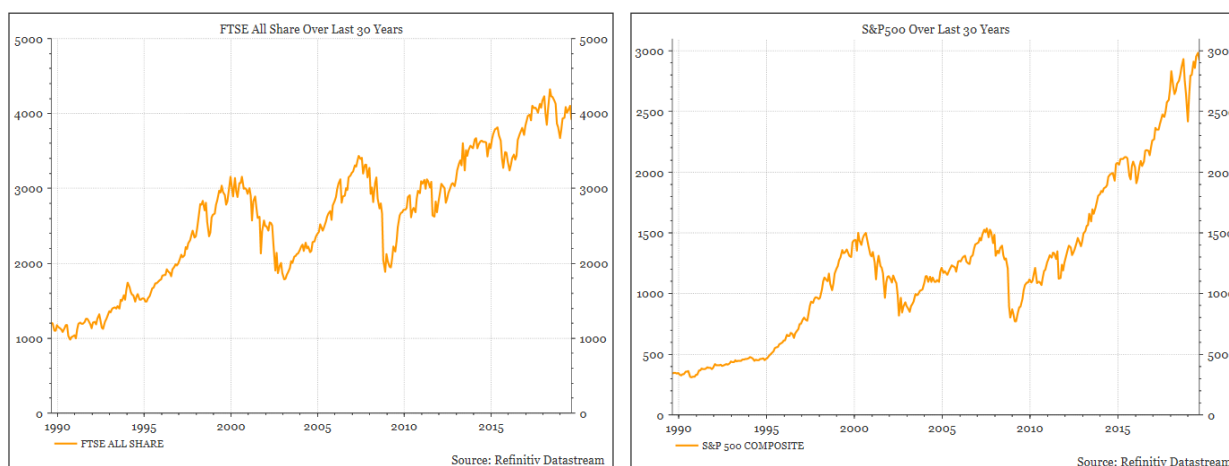
The Bank of Japan maintained its short-term interest rate target at -0.1% and a pledge to guide 10-year government bond yields to around 0%, and recently noted that it would ease “without hesitation” if the economy loses momentum in achieving the 2% inflation target.

Since September 2018, the 10 year US Treasury yield has fallen by 147 basis points from 3.06% at 30 September 2018 to 1.59% at 23 August 2019; the 10 year UK Gilt yield has fall by 105 basis points from 1.57% to 0.52% over the comparable period. Furthermore, both the US and UK yield curves have “inverted” over recent months; this is an unusual situation, where short-dated bonds yield more than longer-dated bonds, and is often seen as an indicator of a potential recession. Although it should be acknowledged that the current

inverted yield curves could be distorted by the level of quantitative easing which has taken place since the start of the global financial crisis.

Sterling investment grade credit outperformed UK government debt in Q2 2019, with credit spreads narrowing by around 7 basis points to 1.25% by the end of the quarter. Whilst returns have also been positive in Q3 2019 to date, these have lagged behind UK government bond returns.

Asset class weightings and recommendations are based on values at the end of July 2019, and are relative to the new strategic asset allocation benchmark which became effective on 1 January 2019. Many global stock markets are still trading close to all-time highs, despite the recent weakness in August 2019, and it should be noted that recent asset class returns (see charts below which show the long term performance of the FTSE All Share and S&P 500 Composite) remain well in excess of long term averages.



## (v) Longer Term Performance

Figures provided by Portfolio Evaluation Limited show the Fund's performance over 1, 3, 5 and 10 years to 30 June 2019.

Per annum	DPF	Benchmark Index
1 year	5.0%	4.5%
3 year	9.6%	8.7%
5 year	8.7%	8.2%
10 year	10.2%	10.0%

The Fund out-performed the benchmark over all time periods.

## (vi) Category Recommendations

	Old Benchmark	New Benchmark	Fund Allocation 31 Jul-19	Permitted Range	Recommendation		Benchmark Relative Recommendation	
					AF	DPF	AF	DPF
Growth Assets	62.0%	57.0%	56.0%	± 8%	57.0%	56.0%	-	(1.0%)
Income Assets	18.0%	23.0%	19.5%	± 6%	23.0%	20.8%	-	(2.2%)
Protection Assets	18.0%	18.0%	17.3%	± 5%	16.0%	17.3%	(2.0%)	(0.7%)
Cash	2.0%	2.0%	7.2%	0 – 8%	4.0%	5.9%	+2.0%	+3.9%

The new strategic asset allocation benchmark reflects a re-balancing of the Fund's assets from Growth Assets to Income Assets, and also introduces a new 3% allocation to Global Sustainable Equities.

At an overall level, the Fund was overweight Cash at 31 July 2019, and underweight Growth Assets, Income Assets and Protection Assets, although if commitments waiting to be drawn down were taken into account, the Fund would move to an overweight position in Growth and Income Assets. The table on page 2 assumes that all new commitments will be funded out of the current cash weighting; in practice as private market 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 Fund has progressively reduced its exposure to Growth Assets over the last two years, as equity valuations have become increasingly stretched, and increased the allocation to Income Assets and Protection Assets.

The IIMT recommendations reflected in this report: maintain Growth Assets at 56.0% (1.0% underweight), albeit the regional composition is changed from the current allocation as follows: North American Equities -0.1%; European Equities -1.1%; Japanese Equities -0.5%; Asia Pacific Equities -1.3%; and Global Sustainable Equities +3.0%; increase Income Assets by 1.3% (Infrastructure +0.7% and Multi-Asset Credit +0.6%); hold Protection Assets at 17.3%; and reduce Cash by 1.3%. The IIMT notes that the recommendations are subject to market conditions, which could be significantly impacted in the short term by Brexit uncertainty and developments in US – China trade negotiations, and flexibility will be required to respond to the resultant market conditions. Furthermore, a proportion of the

equity sales will be dependent on the investment of the proposed new 3.0% allocation to Global Sustainable Equities which is subject to the completion of satisfactory due diligence, including the finalisation of the non-DCC framework by the provider.

The IIMT continues to recommend a defensive cash allocation, believing that public markets continue to trade on rich valuations and appear too sanguine about the level of global political risk which has continued to increase over the summer months. Furthermore, as noted above, the cash weighting will be reduced as the Fund's current commitments are drawn down.

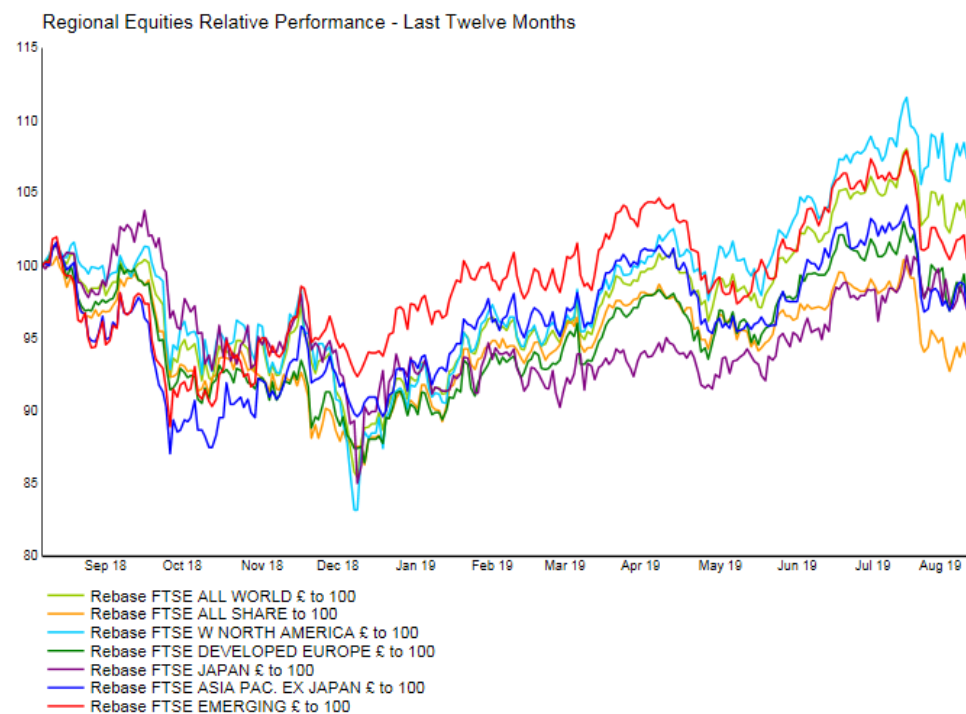
## (vii) Growth Assets

At 31 July 2019, the overall Growth Asset weighting was 56.0%, down from 59% at 30 April 2019, reflecting relative market strength and divestment of £150m following market strength in the run up to the Fed's monetary policy announcement at the end of July 2019.

The IIMT recommendations below maintain the overall Growth Asset weighting at 56.0%, 1.0% underweight relative to the benchmark. The IIMT believes that a small underweight position is warranted due to rich equity valuations, the increasingly late cycle nature of the global economy and the increased level of political risk.

The Chart opposite shows the relative regional equity returns over the last twelve months, and the chart overleaf, shows the returns since the last Committee meeting. Global Equity markets returned +6.2% in Sterling terms in Q2 2019 (3.8% in local currency terms), and 18.8% in 2019 YTD (12.3% in local currency).

In local currency terms, European Equities were the best

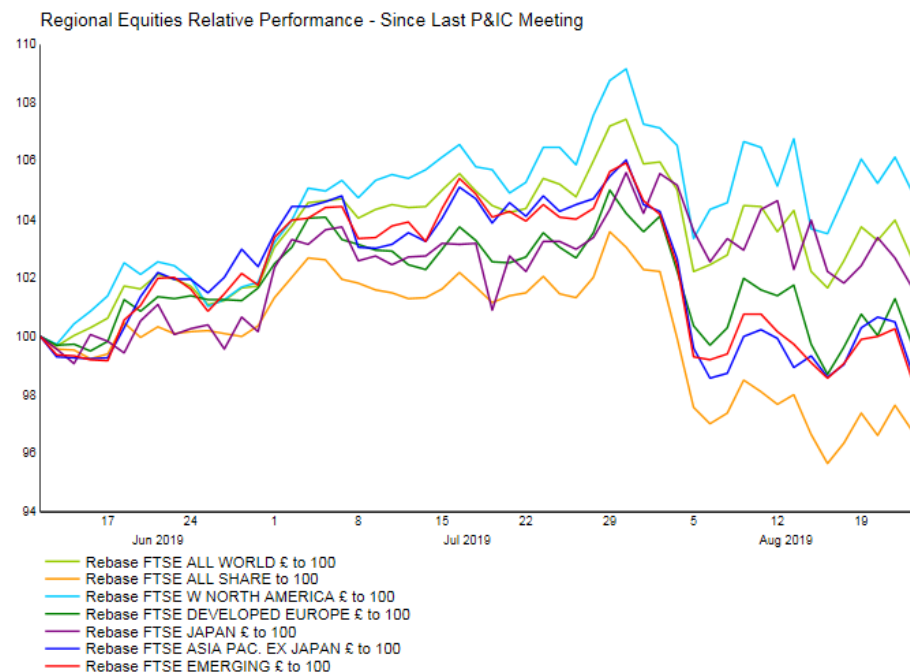


Source: Refinitiv Datastream

performer in Q2 2019, returning 4.8%, whereas Japan was the worst performing region with a return of -2.2%. Sterling returns in Q2 2019 benefited from a weaker pound, with European and Japanese Equities returning 8.6% and 2.9% over the quarter.

During August (to 22 August 2018), equity returns were negative across all regions in local currency terms, ranging from -5.5% in Emerging Markets to -1.9% in North America; the dollar was slightly weaker against the pound over this period.

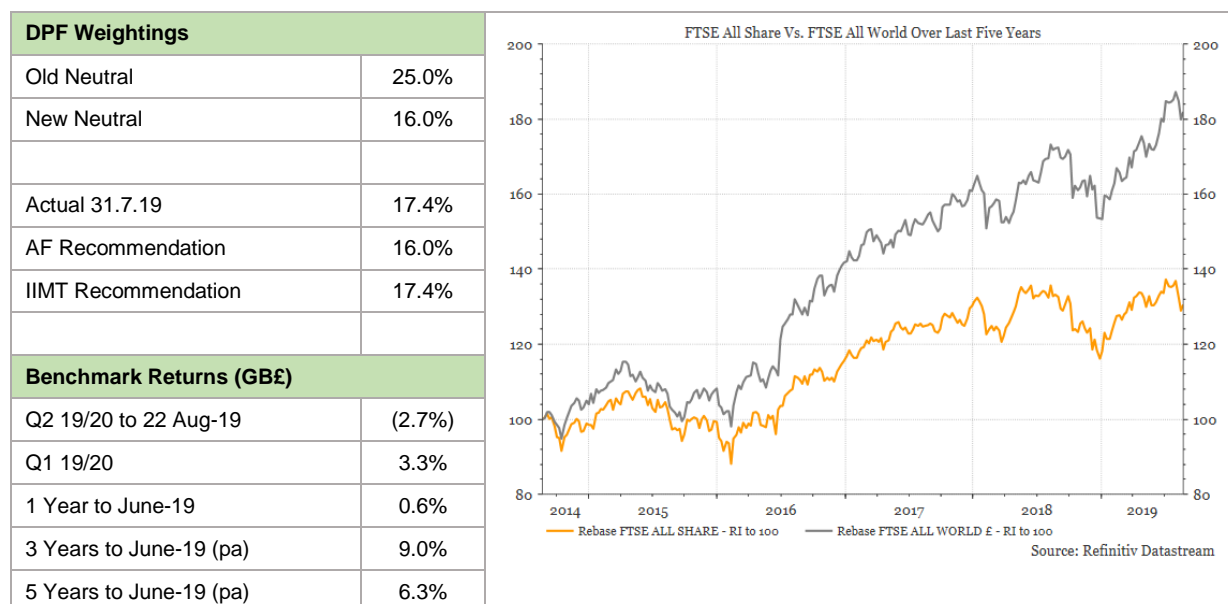
UK Equities underperformed the majority of global equity markets over this period, down 4.6%, as a slow-down in the UK economy (GDP contracted by 0.2% in Q2 2019), together with growing concerns about the possibility of a “no-deal” Brexit, weighed on investor sentiment that was already impacted by global concerns.



Source: Refinitiv Datastream



## United Kingdom Equities



Whilst there were no transactions in the period, relative market weakness reduced the weighting in UK Equities from 18.1% at 30 April 2019 to 17.4% at 31 July 2019; 1.4% overweight relative to the benchmark.

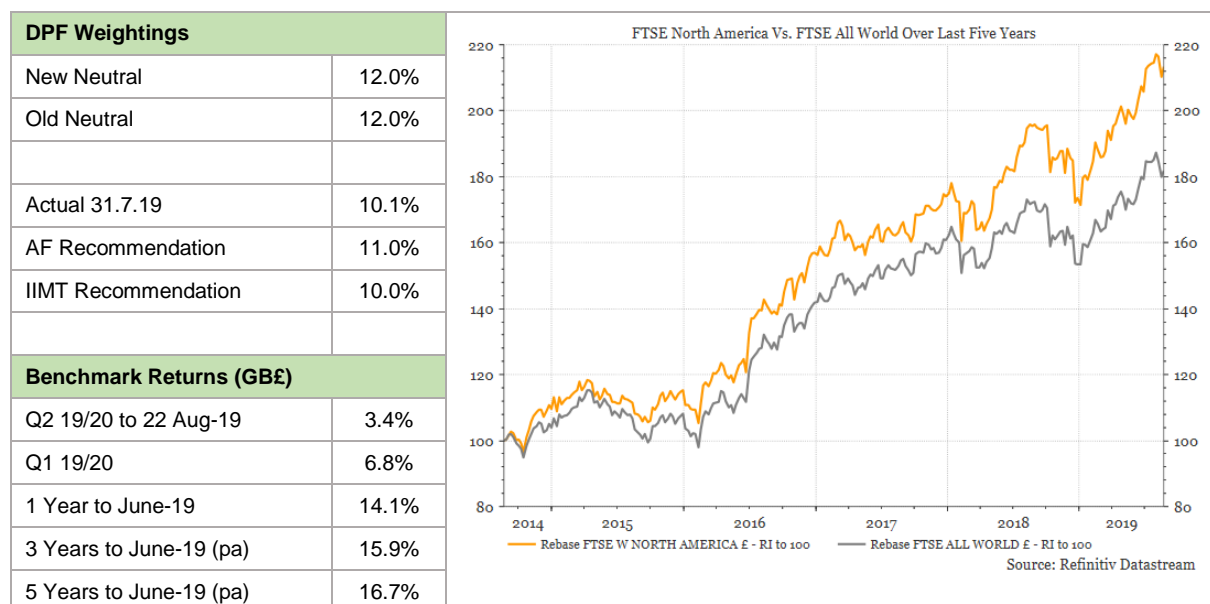
Mr Fletcher recommends a neutral weighting of 16% in UK Equities and notes that whilst progress is being made to bring the UK allocation down, this will take time. Mr Fletcher notes that some asset managers believe that the UK market is cheap on a relative basis, with the FTSE All Share underperforming the MSCI All World Index since the EU referendum. However, Mr Fletcher further notes that this reflects the uncertainty surrounding the Brexit negotiations, the increased levels of political uncertainty and the weaker global outlook.

The IIMT notes that the UK GDP contracted by 0.2% in Q2 2019 (+1.2% on an annualised basis) from 0.5% in Q1 2019 (1.8% on an annualised basis), albeit the labour market remains relatively robust. However, political uncertainty has increased following the election of a new leader for the Conservative Party, in particular with regard to the Brexit negotiations and the possibility of a “no-deal” Brexit.

The IIMT recommends that the current 1.4% overweight position relative to benchmark is maintained as UK equity valuations and dividend yields are attractive on both an absolute basis and on a relative basis compared to other equity markets and the dollar exposure of the FTSE 100 index offers some protection in the event of a ‘no-deal’ Brexit.



## North American Equities



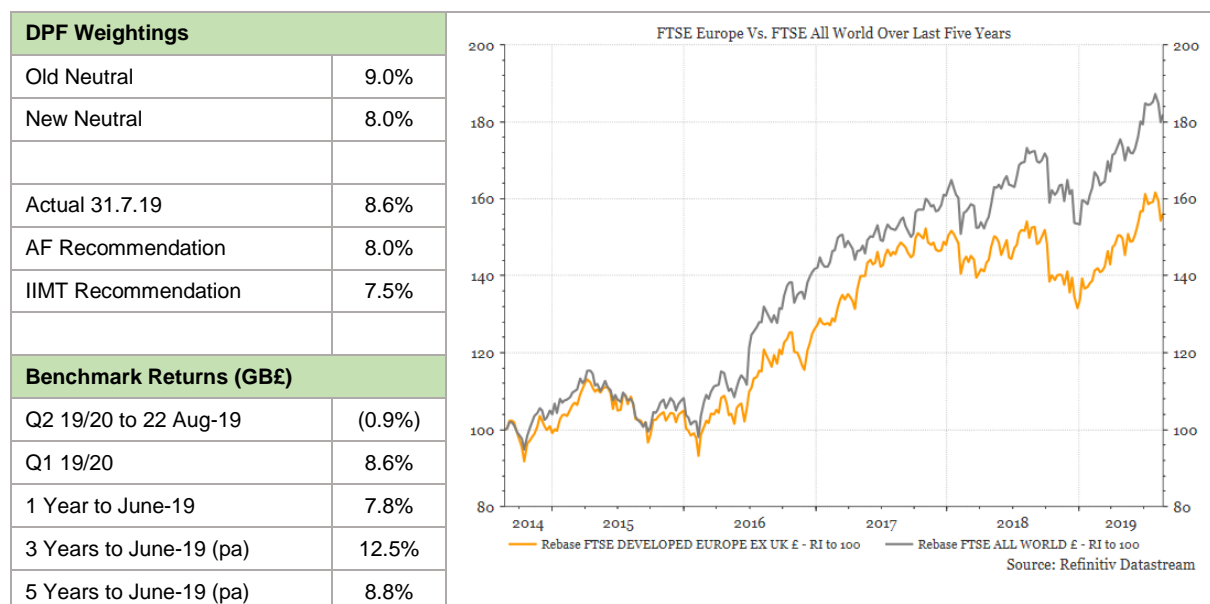
Divestment of £50m immediately prior to the period end, reduced the Fund's North American Equity weighting to 10.1% at 31 July 2019, 1.9% underweight.

Mr Fletcher notes that due to the continued strong performance of the US market on an absolute and relative basis, together with the potentially poor future prospects, the Fund should be underweight in this area. However, Mr Fletcher has reduced his underweight recommendation from 2% to 1% to reflect the fact that the US still has stronger near term growth prospects relative to the rest of the developed world.

The IIMT concurs with Mr Fletcher and believes the US economy is now late cycle, and notes that equity valuations are increasingly unsupported by forward earnings growth. Furthermore, the on-going US – China trade negotiations are increasingly weighing on investor sentiment, and these are set against a general backdrop of heightened political uncertainty.

The IIMT believes that the sharp rise in the US equity market since the start of the calendar year (+22.6% in sterling terms; +16.9% in local currency) supports an underweight position, and recommends that the Fund's position is reduced by a further 0.1% to 10% (2% underweight).

## European Equities



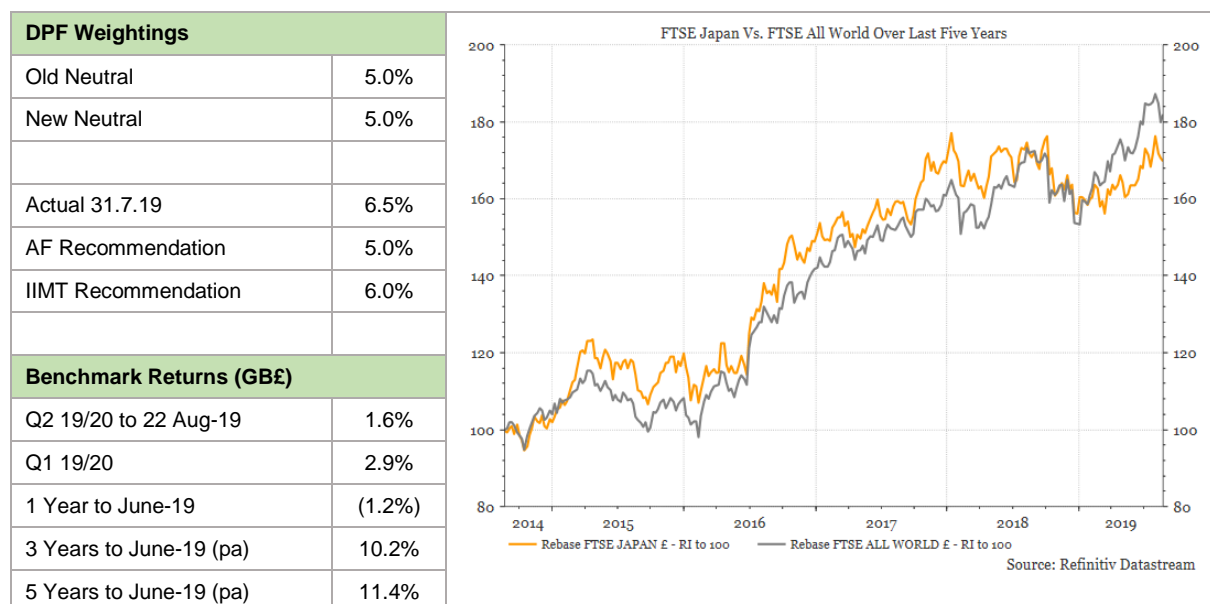
Divestment of £100m immediately prior to the period end, reduced the Fund's European Equity weighting to 8.6% at 31 July 2019, 0.6% overweight.

Mr Fletcher recommends a neutral position of 8%, noting that the German economy contracted by 0.1% in Q2 2019 as exports slumped, Italy stagnated, and France, along with the majority of European economies, saw its growth rate fall. Mr Fletcher also notes that because the region relies on exports and global trade, growth could suffer should the trade negotiations between the US and China not be resolved quickly and amicably.

The IIMT believes that the sharp rise in the European Equity market (+16.4% in sterling terms; 14.2% in local currency terms since the start of the calendar year) represents an opportunity to "lock-in" some further profit and recommends reducing the current weighting by 1.1% to 7.5%; (0.5% underweight). Whilst the European Central Bank continues to support the Eurozone economy via accommodative monetary policy, the Eurozone economy has slowed significantly over the last year (growth fell to 0.2% in Q2 2019). Combined with on-going political uncertainty, and with the potential impact of Brexit, these factors are likely to cause periods of heightened uncertainty and volatility.

Furthermore, sluggish inflation and the inability of the European Central Bank to increase interest rates to date from their record lows, means that there is little flexibility to lower rates to stimulate growth should economic growth remain subdued.

## Japanese Equities



Whilst there were no transactions in the three months to July 2019, relative market strength increased the weighting by 0.1% to 6.5% at 31 July 2019; 1.5% overweight against the benchmark.

Mr Fletcher believes that the weaker outlook for global trade and industrial production caused by the on-going US – China trade negotiations could have an adverse impact on Japan (together with Europe and Asia Pacific). As a result, Mr Fletcher has reduced his Japanese Equity weighting from 1.0% overweight to a neutral position of 5%.

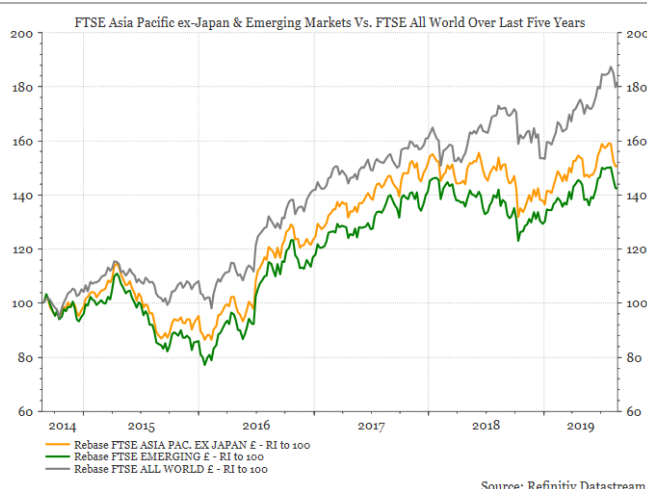
The IIMT notes that the Japanese economy continues to remain reasonably resilient (Q1 & Q2 2019 GDP growth of 0.6% and 0.4%, respectively) and this should allow Prime Minister Abe to press ahead with his on-going political and structural reforms. The IIMT believes that the long term story in Japan remains intact, with structural changes in governance, the labour market and productivity. Furthermore, valuations remain attractive relative both to their historical ranges and other developed markets, and the diversifying and defensive qualities of the Japanese market (e.g. the safe-haven status of the ¥) provide investment support.

However, the latest Takin survey showed that sentiment amongst the large manufacturers has slipped to its lowest level in three years. It is also unclear what impact, if any, the upcoming planned increase in sales tax from 8% to 10% will have on domestic consumption, together with the uncertainty caused by the ongoing US – China trade negotiations. As a result, whilst the IIMT believes that an overweight position remains appropriate, the IIMT

recommends that the allocation is reduced by 0.5% to 6.0%; 1.0% overweight overall.

## Asia Pacific Ex-Japan and Emerging Market Equities

DPF Weightings	Asia-Pac	EM
Old Neutral	4.0%	3.0%
New Neutral	4.0%	5.0%
Actual 31.7.19	5.3%	5.1%
AF Recommendation	4.0%	6.0%
IIMT Recommendation	4.0%	5.1%
Benchmark Returns (GB£)	Asia-Pac	EM
Q2 19/20 to 22 Aug-19	(2.8%)	(2.3%)
Q1 19/20	3.4%	3.8%
1 Year to June-19	5.1%	8.3%
3 Years to June-19 (pa)	12.8%	12.5%
5 Years to June-19 (pa)	9.4%	9.5%



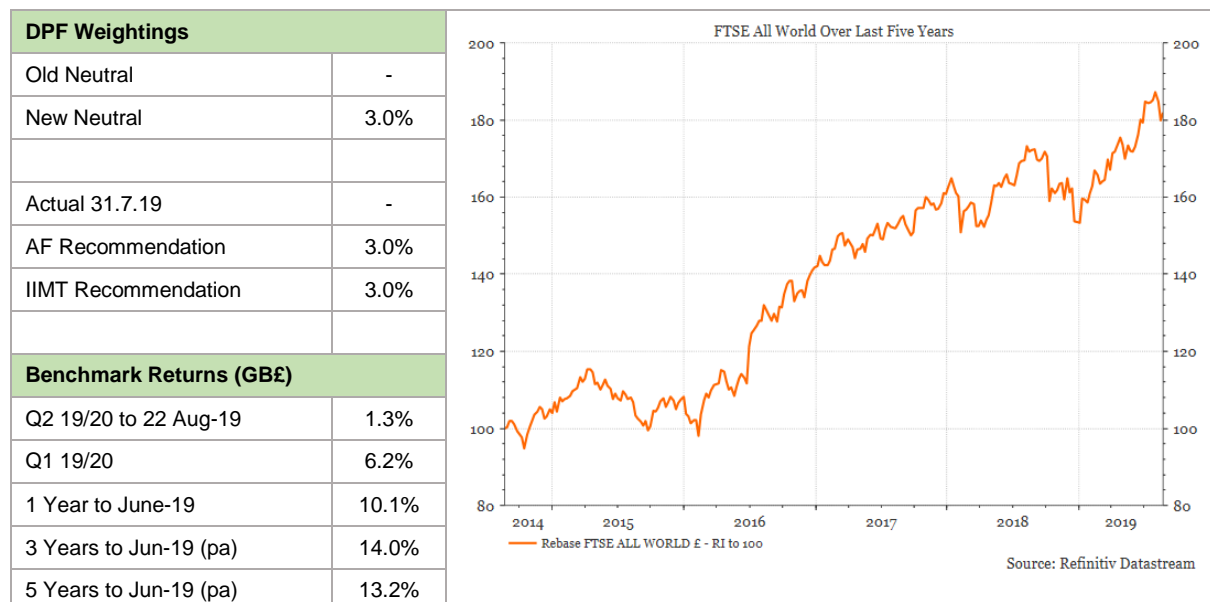
Relative market strength increased the Fund's allocation to Asia Pacific Ex-Japan Equities and Emerging Market Equities by 0.1% and 0.2%, to 5.3% and 5.1% at 31 July 2019, respectively.

Mr Fletcher has reduced his allocation in respect of Asia Pacific Ex-Japan Equities from 1% overweight to neutral reflecting the potential impact of the US – China trade negotiations on global trade and industrial production. However, Mr Fletcher, continues to have long term confidence in the growth prospects for the emerging economies. Following the recent reduction in US interest rates, together with expectations of a further 50 basis points reduction priced into market expectations, the US dollar is likely to weaken which should have a positive impact on emerging markets. Despite the increased uncertainty, Mr Fletcher notes that emerging market equity remains cheap on a relative valuation basis, and recommends an overweight allocation, albeit reduced from 2% to 1%.

Whilst the IIMT continues to believe in the long term growth potential of these regions the short term outlook is less clear. There are signs of an economic slowdown driven by the threat of a global trade war, the strength of the US\$ and concerns about a slow-down in the Chinese economy.

As a result, the IIMT recommends that the Fund reduces the Asia Pacific Ex-Japan Equity weighting by 1.3% to take it to a neutral position, whilst maintaining the fractionally overweight position in Emerging Market Equities.

## Global Sustainable Equities



The new strategic asset allocation benchmark includes a 3% allocation to Global Sustainable Equities, and Mr Fletcher recommends a 3% neutral allocation. The Committee has previously approved the use a non-DCC framework to appoint two or three investment managers to manage the planned allocation on a discretionary basis and the IIMT is currently waiting for the non-DCC framework to be finalised. It is expected that this will happen in early September.

The IIMT is positive about the long term growth prospects for the asset class and recommends a neutral allocation of 3.0%. Whilst noting that completion of the necessary due diligence, and call-off from the non-DCC framework should result in investments being made into the asset class in late October, some flexibility will be required around the timing of any investment.

## Private Equity

DPF Weighting					
Old New	New Neutral	Actual 31.7.19	Committed 31.7.19	AF Recommendation	IIMT Recommendation
4.0%	4.0%	3.0%	4.7%	4.0%	3.0%
Benchmark Returns (GB£)					
Q2 19/20 to date	Q1 19/20	1 Year to Jun-19	3 Years to Jun-19 (pa)	5 Years to June-19 (pa)	
(3.1%)	3.5%	1.6%	10.0%	7.0%	

The Private Equity allocation increased by 0.2% between 30 April 2019 and 31 July 2019 to 3.0%; 4.7% on a committed basis.

Mr Fletcher recommends a neutral weighting of 4% in Private Equity. The IIMT continues to seek out opportunities which offer higher returns than public markets, including co-investment and secondary funds, and recommend that the current invested and committed weightings are maintained while opportunities are assessed.

The IIMT notes that private equity dry powder and earnings multiples have increased over the last few years, and are now approaching record highs, particularly in respect of large and mega cap deals. The IIMT believes that there is limited scope for further commitments at this stage in the cycle, and is recommending a maintained weighting, albeit there remains some scope to invest in small and mid-cap private equity funds, which the IIMT believe offer better relative value. The IIMT also believes that consideration should be given to investing into listed small-cap stocks as an alternative, and this is currently under review as part of a LGPS Central Pool collaboration exercise.

### (viii) Income Assets

At 31 July 2019, the overall weighting in Income Assets was 19.5%, up from 18.1% at 30 April 2019, principally reflecting net investment of over £85m. The IIMT recommendations below would take the overall Income Asset weighting to 20.8%, and the committed weighting to 25.3%.

## Multi Asset Credit

DPF Weighting				
Old Neutral	New Neutral	Actual 31.7.19	AF Recommendation	IIMT Recommendation
4.0%	6.0%	5.5%	6.0%	6.1%
Benchmark Returns (GB£)				
Q2 19/20 to 22 Aug-19	Q1 19/20	1 Year to June-19	3 Years to June-19 (pa)	5 Years to June-19 (pa)
0.5%	0.9%	3.8%	3.6%	n/a

Net investment of £50m immediately prior to the period end increased the invested weighting from 4.5% at 30 April 2019 to 5.5% at 31 July 2019; 7.4% on a committed basis versus a neutral weight of 6%.

Mr Fletcher recommends a neutral 6% allocation to Multi-Asset Credit in order to increase the diversified opportunity set going forward.

The IIMT continues to remain positive about the long-term attractions of this asset class, but notes that high yield bond yields have rallied in YTD19 following a sharp “risk-off” fall in Q4 2018. The IIMT believes that whilst Multi-Asset Credit is likely to under-perform in a “risk-off” environment, the under-performance should be lower than that experienced by Growth Assets. The IIMT continues to prefer a bias towards defensive forms of credit (e.g. senior secured corporate or infrastructure debt with low default rates) with strong covenants, floating rate protection and a yield pick-up, whilst noting that both multiples and leverage are rising and investment needs to be supported by robust due diligence.

The IIMT recommends increasing the invested weighting by a further 0.6% to 6.1% in the upcoming quarter (0.1% overweight) to cover existing commitment draw-downs and further investment into a diversified credit fund. The IIMT also recommends that the Fund’s commitment to one of the portfolios existing private debt funds is increased by £20m subject to suitable top-up due diligence. This would increase the Fund’s total committed weighting to Multi-Asset Credit to 8.3%. Whilst this implies the pension fund will be 2.3% overweight should all the commitments be drawn-down, in practice it is unlikely that the commitments will be fully drawn, and some of the existing closed-ended investments have now entered their distribution phase (i.e. returning cash to investors).



## Property

DPF Weighting				
Old Neutral	New Neutral	Actual 31.7.19	AF Recommendation	IIMT Recommendation
9.0%	9.0%	8.0%	9.0%	8.0%
Benchmark Returns (GB£)				
Q2 19/20 to 22 Aug-19	Q1 19/20	1 Year to June-19	3 Years to June-19 (pa)	5 Years to June-19 (pa)
Not Available	0.6%	3.1%	3.1%	5.8%

The Fund's allocation to Property increased by 0.1% between 30 April 2019 and 31 July 2019 to 8.0%, with net investment of around £18m (Direct Property £14m & Indirect Property £4m) being partly offset by relative market weakness. Direct Property accounted for 4.7% (0.3% underweight) and Indirect Property accounted for 3.3% (0.7% underweight). The committed weight was 8.4% at 31 July 2019. The Direct Property investment in the period related to the acquisition of a multi-storey car park in Leicester let to a leading industry operator.

Mr Fletcher notes that the property market continues to provide diversified returns for the Fund and that the Direct Property Manager has outperformed. Mr Fletcher continues to recommend a neutral overall allocation to Property, with a preference for a 1% overweight position in Direct Property and a 1% underweight in Indirect Property. Mr Fletcher recognises that it will take time to build the property allocation to a neutral position.

The IIMT recommends maintaining the current 4.7% allocation to Direct Property while the Property Manager continues to seek out attractive propositions. The Property Manager notes that Brexit uncertainty continues to have a marked effect on property investment transaction levels, with a sharp fall in the value of deals in Q1 and Q2 2019. During the first half of 2019, total activity was £16.8bn, almost 40% lower than the same period last year and the weakest first half year since 2012. The Property Manager believes that this situation is unlikely to change until Brexit is resolved. Buyers are ideally waiting for Brexit to be concluded before entering the market, especially as prices could fall, and venders are generally unwilling to sell in this market unless forced to do so as a result of redemption requests.

The IIMT continues to assess indirect property opportunities, with a focus on vehicles invested in specialist areas which provide strong covenants and sustainable rental growth. The IIMT recommends maintaining the Indirect



Property weighting at 3.3% (3.7% on a committed basis), whilst actively investigating further investment opportunities in this asset class.

## Infrastructure

DPF Weighting					
Old Neutral	New Neutral	Actual 31.7.19	Committed 31.7.19	AF Recommendation	IIMT Recommendation
5.0%	8.0%	6.0%	8.6%	8.0%	6.7%
Benchmark Returns (GB£)					
Q2 19/20 to 22 Aug-19	Q1 19/20	1 Year to June-19	3 Years to June-19 (pa)	5 Years to June-19 (pa)	
0.5%	0.7%	2.8%	2.6%	2.1%	

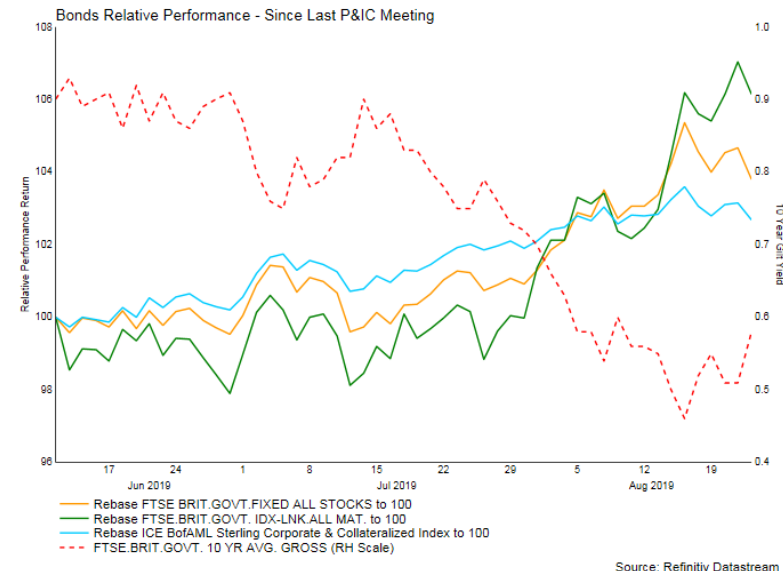
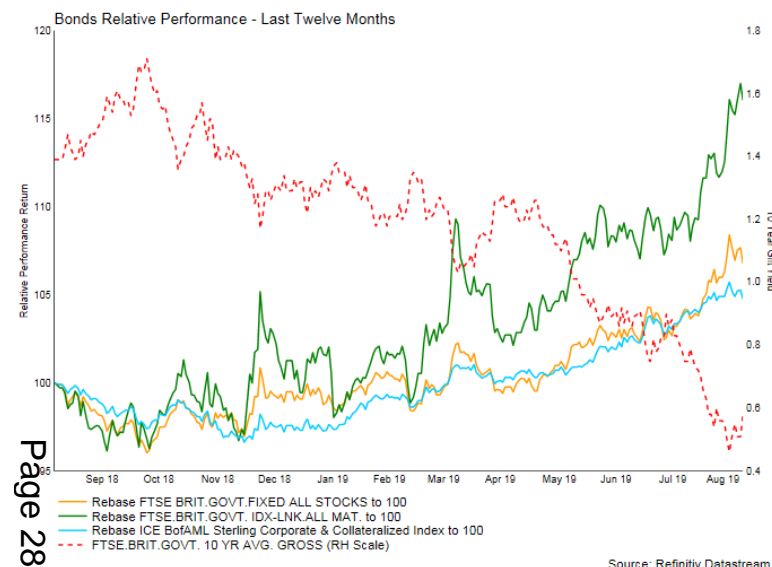
Investment in the three months to April 2019 totalled £20m, and the invested weighting increased to 6.0%; 8.6% on a committed basis.

Mr Fletcher recommends a neutral weighting of 8% relative to the benchmark, acknowledging that this will take time to achieve.

The IIMT believes that Infrastructure is an attractive asset class, with a bias towards core infrastructure assets which offer favourable risk-adjusted returns, predictable long term cash flows which are often linked to inflation, and low correlation to other major asset classes. The IIMT continues to assess future investment opportunities in line with these objectives, and also recommends that rising levels of political and regulatory risk are managed through increased levels of geographical diversification.

The IIMT recommends increasing the invested weighting by 0.7% to 6.2% in the upcoming quarter, in anticipation of existing commitment draw-downs and several other investment opportunities. Due diligence is also ongoing on a number of closed-ended fund opportunities, and it is anticipated that these will lead to a future commitments over the coming months.

## (ix) Protection Assets



The weighting in Protection Assets at 31 July 2019 was 17.3%, up from 16.9% at 30 April 2019, reflecting relative market strength. There were no transactions in the period.

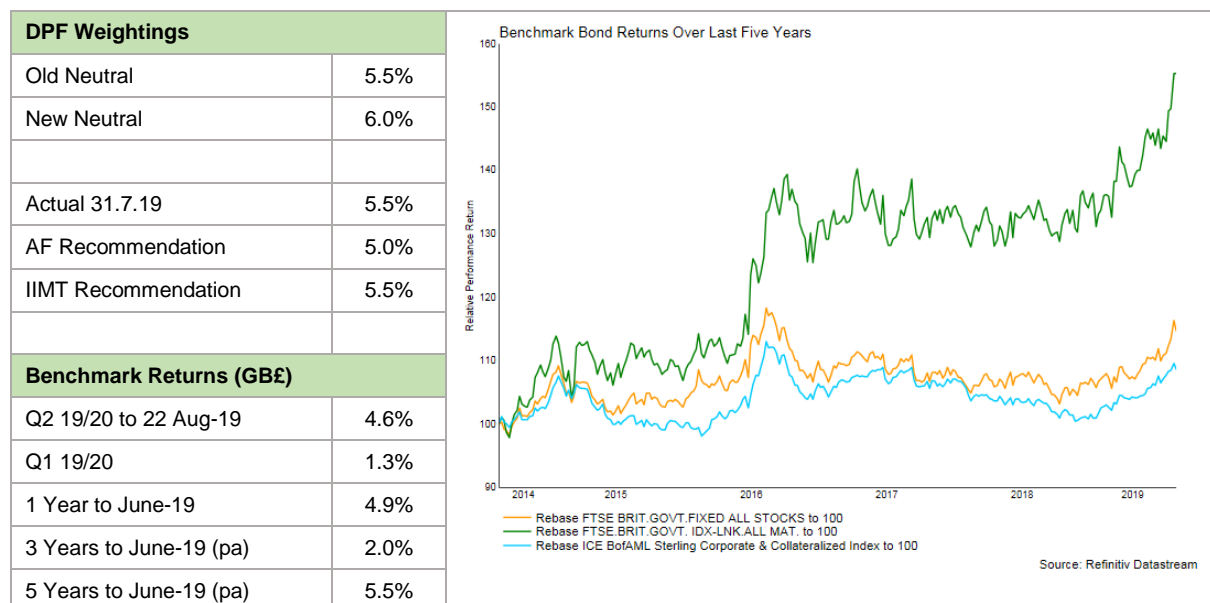
The IIMT recommendations below maintain the weighting at 17.3%.

The charts above show the relative bond returns over the last twelve months, and since the last Committee meeting.

The UK 10 year government bond yield has fallen (i.e. prices rose) sharply since late May 2019 by around 60 basis points as economic activity slowed and uncertainty about the UK's departure from the EU intensified.

The current UK 10 year government bond yield is currently trading at 0.52% (23 August 2019) having hit an intra-day low of 0.405% in mid-August, and around 30% of global government bonds now have negative yields.

## Conventional Bonds



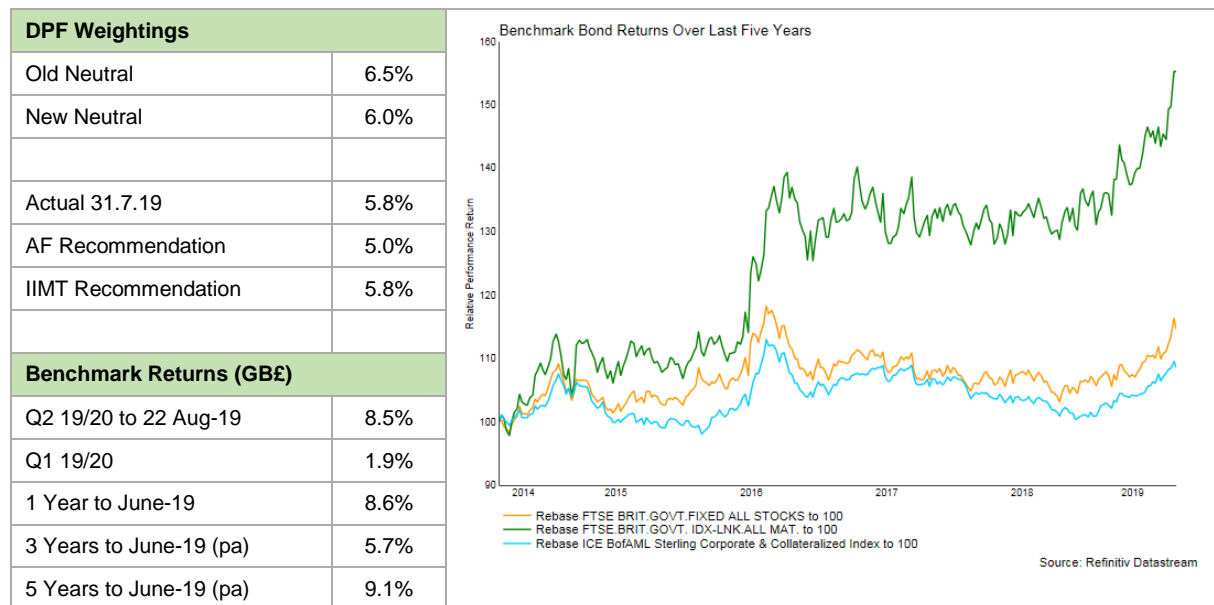
Whilst there were no transactions in the period, relative market strength increased the weighting in Conventional Bonds to 5.5% at 31 July 2019; 0.5% underweight.

Mr Fletcher recommends a 1.0% underweight position of 5.0% against the benchmark. Mr Fletcher notes that since the last Committee meeting, the global economy has slowed and UK inflation remains benign and below the monetary policy target rate of 2%. Government bond yields have fallen and are now lower than cash rates in most of the developed economies. Mr Fletcher finds it difficult to believe that government bond yields can fall below their current level (except in the US) over the medium term, nor can he see credit spreads substantially narrower. He notes that over the last few months the world's major central banks have returned to monetary accommodation; which has driven German and Japanese bond yields into negative territory and has pushed the 10 year UK Government bond yield to a new "all time low", of 0.48% (subsequent to the completion of Mr Fletcher's report the yield fell further to 0.405% intraday). Mr Fletcher continues to believe that government bond yields are too low, and recent moves (i.e. bond yields falling further) are an over-reaction which will unwind over the coming months. As a result, Mr Fletcher expects government bond yields to rise, resulting in negative total returns, and therefore proposes remaining underweight to government bonds.

Whilst the IIMT agrees that conventional sovereign bonds do not appear to offer good value at current levels, they are diversifying assets and continue to afford greater protection than other asset classes in periods of market

uncertainty – as demonstrated in the recent Q4 2018 and August 2019 global equity market sell-off and during periods of heightened Brexit uncertainty. The IIMT recommends maintaining the current weighting of 5.5%, 0.5% underweight relative to the benchmark.

## Index-Linked Bonds

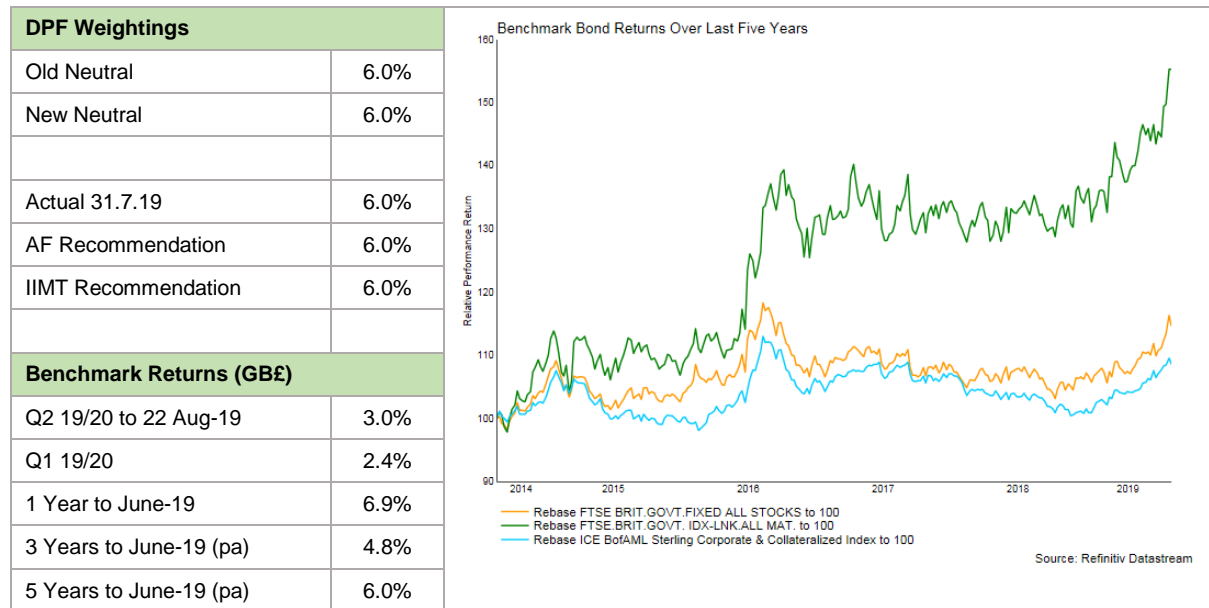


Relative market strength increased the weighting in Index Linked Bonds to 5.8% at 31 July 2019; 0.2% underweight. There were no transactions in the period.

Mr Fletcher notes that UK Index-Linked gilts have now become even more expensive, and the long duration of these bonds increases the risk of adverse returns in a rising yield environment. Mr Fletcher believes that it is appropriate to be underweight in this asset class, and recommends a 1.0% underweight position of 5%, and that the Fund should continue to hold some US TIPS (US Index Linked Bonds) as well as UK Index Linked.

The IIMT agrees with Mr Fletcher regarding the current value of UK Index-Linked Bonds and recommends that the current 0.2% underweight position of 5.8% against the benchmark is maintained, with the current exposure to US TIPS (around 20% of the Index-Linked portfolio) being maintained due to the greater potential for price appreciation in US Index Linked Bonds.

## Corporate Bonds



Whilst there were no transactions in the period, relative market strength increased the weighting in Corporate Bonds at 31 July 2019 to 6.0%; neutral with the benchmark.

Mr Fletcher notes that the current outlook for the investment grade non-government bond market is uncertain. Spreads have narrowed on stronger equity markets and the perceived end of monetary tightening has provided a duration benefit. Mr Fletcher notes that should government bond yields rise, investment grade credit yields will follow, and are likely to result in negative returns. Investment grade credit is also vulnerable because of the high leverage, low interest cover, particularly in the US, and reduced liquidity in all markets. However, despite these reservations, Mr Fletcher recommends a neutral allocation of 6% to investment grade credit because the “bigger risk” is in longer duration government bonds, especially UK Index-Linked Bonds.

The IIMT believes that whilst the current average credit spread, of around 120 to 130 basis points over sovereign bonds, is increasingly insufficient to compensate for the increased default and volatility risk, the current neutral allocation of 6% should be maintained in line with Mr Fletcher’s recommendation.

## **(x) Cash**

The Cash weighting at 31 July 2019 was 7.2%, 5.2% overweight relative to the benchmark. The Cash weighting partly reflected the divestment of £150m of equities immediately before the period end following market strength in the run up to the Fed's monetary policy announcement at the end of July 2019. Whilst £50m was reinvested into Multi-Asset Credit, the net impact of the trades increased the Fund's Cash weighting by 2.0%.

Mr Fletcher has increased his allocation to Cash from a neutral position of 2% to 4%, noting that the recent strength in the bond markets represents an extreme – the majority 10 year bond market yields are lower than cash yields and tactically Mr Fletcher prefers to be 2% underweight Protection Assets and 2% overweight Cash.

The IIMT notes that markets have experienced several bouts of volatility over the past twelve to eighteen months, and continues to believe that public markets are trading on rich valuations despite increasing levels of global political risk and the increasing maturity of the US economic expansion. Furthermore, the on-going political uncertainty in the United Kingdom, in particular with regard to the scheduled departure from the European Union on 31 October 2019, and the increased possibility of a “no-deal”, is likely to weigh on investor sentiment over the next few months.

Against this background, the IIMT recommends a defensive cash allocation of 5.9%. Furthermore, it should be noted that the cash weighting will reduce as private market commitments are drawn down.

## **3 Other Considerations**

In preparing this report the relevance of the following factors has been considered: financial, legal and human rights, human resources, equality and diversity, health, environmental, transport, property and prevention of crime and disorder.

## **4 Background Papers**

Files held by the Investment Section.

## **5 Officer's Recommendations**

- 5.1 That the report of the external adviser, Mr Fletcher, be noted.
- 5.2 That the asset allocations, total assets and long term performance analysis in this report be noted.
- 5.3 That the strategy outlined in the report be approved.

PETER HANDFORD

Director of Finance & ICT

# Second Quarter 2019 Investment Report

## PREPARED FOR:

Derbyshire County Council Pension Fund: Pensions and  
Investment Committee Meeting

SEPTEMBER 2019

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# 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.

Since the contents of this report have been dictated by the Pension and Investment Committee it does not contain performance data for longer periods in accordance with the requirements of the FCA Rules.

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.

Meeting date 4<sup>th</sup> September 2019

Date of paper 9<sup>th</sup> August 2019

## 1. Market Background (second quarter 2019)

The increased possibility of a slowdown in global economic growth remained the main concern for markets in the second quarter, despite this the majority of assets classes delivered strong positive performance. The main reason for this outcome was the decision by the US Federal Reserve and the other major central banks to talk up the possibility of lower rates in the case of the US and more QE in the case of the other central banks.

Bond yields fell on the promise of lower rates and more monetary accommodation and Equity markets rallied on the possibility of an extension to the business cycle and the increased chance of the US avoiding a recession in the next 2 years with a “soft landing” in economic activity.

Global equity markets made gains over the quarter even if Mr Trump’s periodic interventions in the ongoing US-China trade negotiations caused the markets to be volatile. The S&P 500 ended the quarter up 3.1%, in local currency terms. European stocks performed similarly well, with the Euro STOXX 50 index gaining 5.1% over the course of the quarter.

In the UK, the FTSE 100 made gains of 2.7% and the FTSE All Share 3.3%. Year to date the UK equity market at the end of June is 10% higher. This is despite negotiations with Europe costing the conservative party its second Prime Minister since the referendum and ushering in the potential of Boris Johnson being most likely to replace her, thereby increasing the risk and uncertainty surrounding Brexit.

While the Federal Reserve did not cut rates during Q2, it strongly indicated that cuts may happen in the near future. As a result longer dated bond yields fell sharply and the yield curve became inverted, i.e. 10 year yields are now lower than shorter dated bond yields. The interest rate markets have priced in three cuts in US interest rates over the next year. The European Central Bank also suggested that monetary policy may be eased further in order to counter low and falling levels of inflation in the region. Table 2 below shows the changes in government bond yields and the yield of non-government bond indices over quarter. Corporate bonds had stronger returns than government bonds over the quarter, as credit spreads narrowed.

The comments from the Federal Reserve that rates could be cut in the near future led to the dollar losing some value over the quarter, but Sterling lost even more value as Brexit concerns remained prominent.

UK property price growth continued to be low during the second quarter. House prices in the UK rose by 0.3% (seasonally adjusted), meanwhile commercial property returns fell across the board, once again Brexit was cited as the main concern.

The potential worsening outlook for global growth and trade caused commodity markets to be weak the second quarter. Brent crude was down -2.7%, natural gas was down -13.3%, and copper was down -7.8%. However, gold had a particularly strong quarter with prices buoyed by US-China trade tensions, the weak dollar and possible interest rates cuts, gold ended the quarter 9.3% higher.

**Table 1**, below shows the total investment return in pound Sterling for the major asset classes, using FTSE indices except where noted; for the month of July, 3 and 12 months to the end of June 2019.

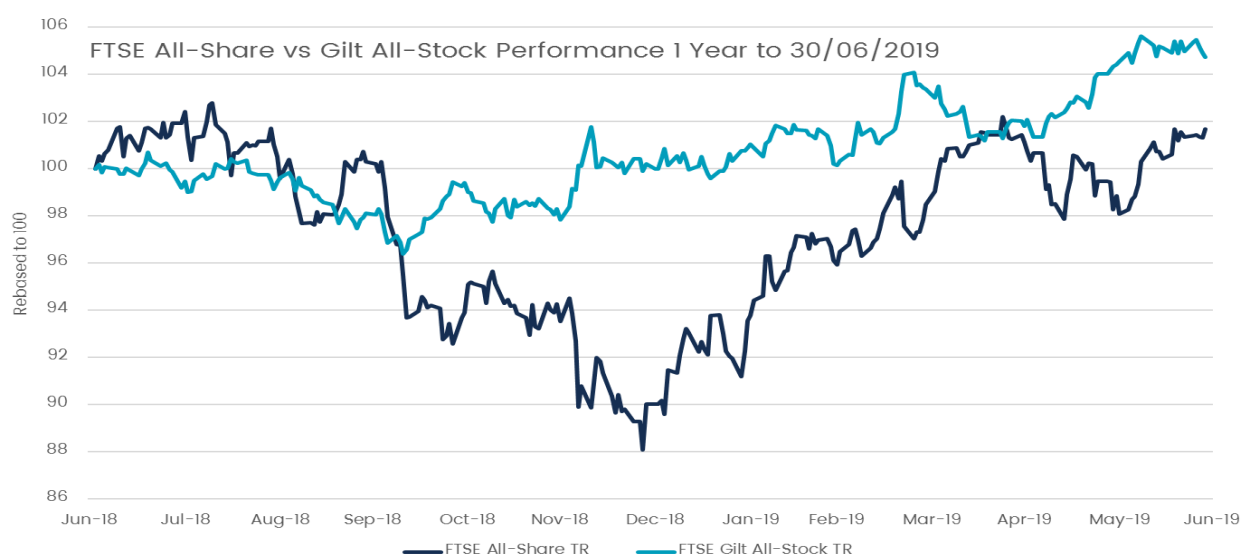
## % TOTAL RETURN DIVIDENDS REINVESTED

### MARKET RETURNS

	Period end 30 <sup>th</sup> June 2019		
	July 2019	3 months	12 months
FTSE All-Share	2.0	3.3	0.6
FTSE World ex UK	4.3	6.4	10.1
North America	5.4	6.8	14.1
Europe ex UK	2.1	9.2	8.6
Japan	4.1	2.9	-1.2
Pacific Basin	2.5	3.4	5.1
Emerging Equity Markets	3.5	3.8	8.3
UK Gilts - Conventional All Stocks	2.1	1.3	4.9
UK Gilts - Index Linked All Stocks	3.6	1.9	8.6
UK Corporate bonds*	2.7	2.3	6.9
Overseas Bonds**	0.6	2.7	6.0
Property IPD quarterly	-	0.3	4.3
Cash 7 day LIBID	0.06	0.17	0.68

\* iBoxx £ Corporate Bond; \*\*Citigroup WGBI ex UK hedged

**Chart 1:** - UK bond and equity market total returns since 30<sup>th</sup> June 2018



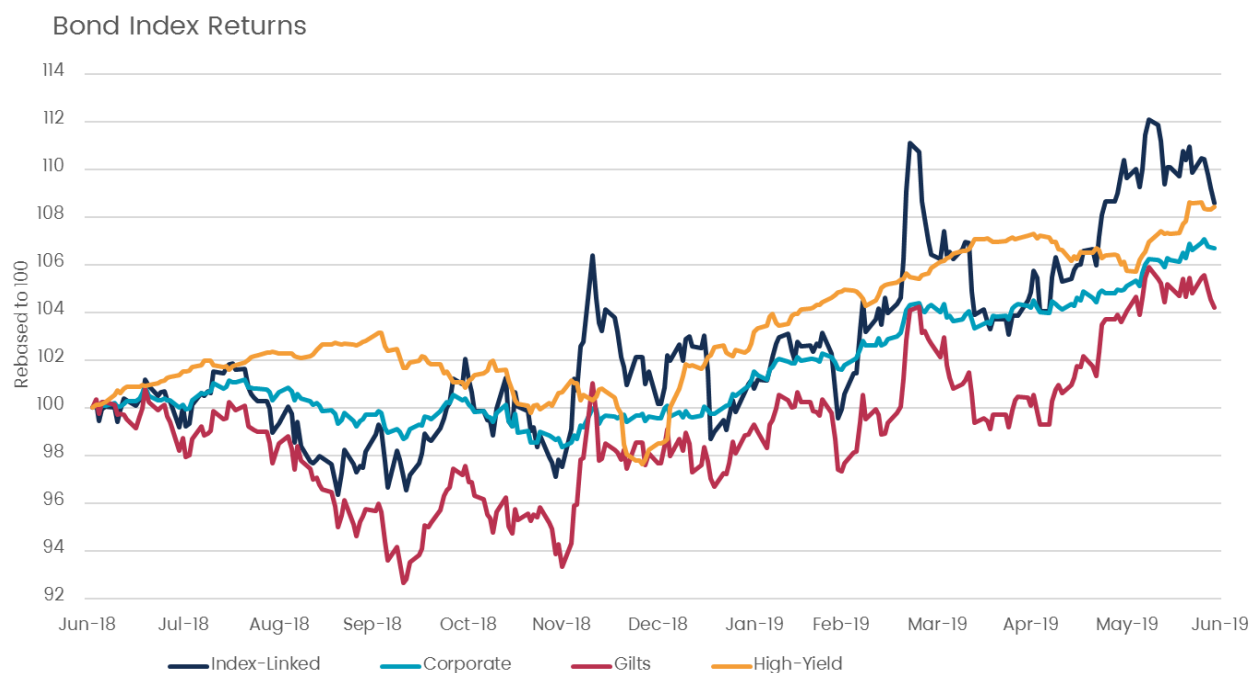
Source: - Bloomberg

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

BOND MARKET % YIELD TO MATURITY	31st March 2019	30th June 2019	Quarterly Change	30th June 2018	Current 26 <sup>th</sup> July 2019
<b>UK GOVERNMENT BONDS (GILTS)</b>					
10 year	1.00	0.83	<b>-0.17</b>	1.28	0.69
30 year	1.55	1.47	<b>-0.08</b>	1.74	1.35
Over 15y Index linked	-1.85	-1.88	<b>-0.03</b>	-1.58	-1.95
<b>OVERSEAS 10 YEAR GOVERNMENT BONDS</b>					
US Treasury	2.41	2.01	<b>-0.40</b>	2.86	2.07
Germany	-0.07	-.033	<b>-0.26</b>	0.30	-0.38
Japan	-0.08	-0.16	<b>-0.08</b>	0.04	-0.15
<b>NON-GOVERNMENT BOND INDICES</b>					
UK corporates	2.58	2.39	<b>-0.19</b>	2.72	2.16
Global High yield	6.04	5.59	<b>-0.45</b>	6.20	5.48
Emerging markets	4.79	4.36	<b>-0.43</b>	5.11	4.20

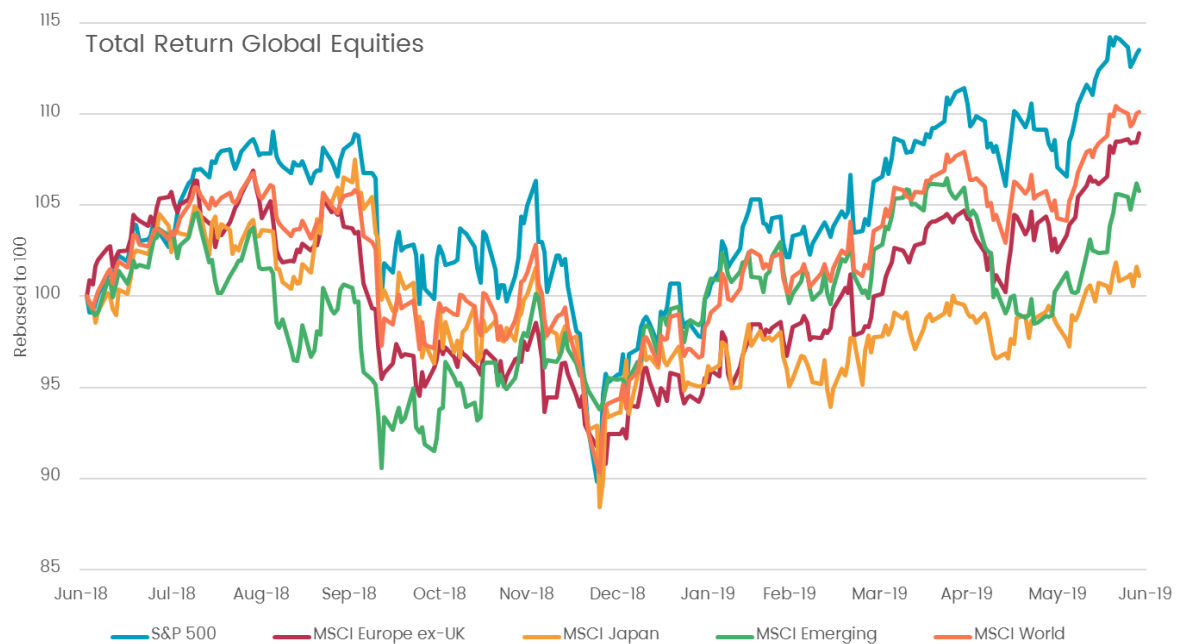
Source: - Bloomberg, G8LI, UC00, HW00, EMGB, ICE indices 26<sup>th</sup> July 2019.

**Chart 2:** - Bond index returns in Sterling terms, since 30<sup>th</sup> June 2018.



Source: - Bloomberg

**Chart 3:** - Total return of overseas equity markets in Sterling terms, last 12 months.



Source: - Bloomberg

## Recent developments (July and to 9<sup>th</sup> August 2019)

This feels like “groundhog day” just like April and May! July saw a continuation of the good market performance, driven by second quarter company earnings beating expectations and the pre-advised US rate cut of 0.25% being delivered at the end of the month. However in early August President Trump announced new tariffs on Chinese electrical goods, right in the middle of the latest round of negotiations. As a result at the time of writing equity markets are between 3% and 5% lower during August to date, credit spreads are wider and government bond yields are significantly lower.

Outside of the UK and Europe, which saw growth weaken, the rest of the world saw growth broadly in-line or better than expectations. Inflation data was benign and employment data remains robust, wages are growing and unemployment is still falling.

Following the European Parliamentary elections, the top jobs have been awarded to candidates that have strong opinions and interesting backgrounds. Potentially the most significant appointment for the investment markets was the appointment of Christine Lagarde (former head of the IMF) as Head of the ECB. Lagarde was the most “dovish” of the potential candidates and her expertise in political negotiations may have strengthened her case relative to the other candidates. This is important because it is clear that fiscal policy stimulus, as well as monetary policy stimulus, will be required to support the economic recovery of the region.

In the UK, Boris Johnson was elected by two thirds (about 90,000 people) of the Conservative party membership as leader and is now our new Prime Minister. While it appears that Mr Johnson’s approach is more energetic, the problems remain. Europe is sticking to its position, Parliament is against leaving on Mrs May’s deal and is even more against a no deal Brexit, but for now Mr Johnson is sticking with his mantra that the UK will leave on the 31<sup>st</sup> of October without the Northern Ireland backstop and with a better deal from Europe, or it will leave without a deal.

## 2. Investment Performance

Table 3, shows the performance of the Derbyshire Pension Fund versus the new fund specific benchmark for the 3 months to the end of June 2019 and compared to a combination of the New and Old benchmarks over 12 months. The Fund outperformed its benchmark over both 3 and 12 months. Measured against longer time horizons, more appropriate for Pension Fund performance, the Fund continues to deliver positive returns and has outperformed the strategic benchmark on rolling 3,5,10 years and since inception on a net of fees basis. Over 10 years the Fund has achieved a total return of 10.2% per annum. Over 3 and 12 months the PEL attribution data suggests Stock Selection remains the main contributor to the outperformance of the Fund.

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

% TOTAL RETURN (NET)				
30 <sup>TH</sup> JUNE 2019	3 MONTHS		12 MONTHS	
	Derbyshire Pension Fund	Benchmark	Derbyshire Pension Fund	Benchmark
<b>Total Growth Assets</b>	<b>5.5</b>	<b>4.9</b>	<b>5.3</b>	<b>5.1</b>
UK Equity	2.8	3.3	0.0	0.6
<b>Total Overseas Equity</b>	<b>6.7</b>	<b>5.8</b>	<b>7.8</b>	<b>8.3</b>
North America	7.2	6.8	13.7	14.1
Europe	8.7	8.6	7.9	7.8
Japan	4.9	2.9	-4.4	-1.2
Pacific Basin	4.9	3.4	8.6	5.1
Emerging markets	6.0	3.8	10.6	8.3
Global Sustainable Equity	0.0	6.2		
Global Private Equity	5.2	3.5	12.8	1.6
<b>Total Protection Assets</b>	<b>2.3</b>	<b>1.9</b>	<b>6.4</b>	<b>6.2</b>
UK Gilts	1.4	1.3	5.1	4.9
UK & Overseas Inflation Linked	2.7	1.9	8.2	8.6
UK Corporate bonds	2.4	2.4	6.3	6.9
<b>Total Income Assets</b>	<b>1.9</b>	<b>0.7</b>	<b>6.3</b>	<b>3.2</b>
Multi-asset Credit	1.7	0.9	4.4	3.8
Infrastructure	2.6	0.7	10.3	2.8
Property (all sectors)	1.7	0.6	5.0	3.1
Internal Cash	0.0	0.1	0.3	0.6
<b>Total Fund</b>	<b>3.9</b>	<b>3.4</b>	<b>5.0</b>	<b>4.5</b>

**Total fund value at 30<sup>th</sup> June 2019 £5,094 million**

The second quarter saw a continuation of the positive absolute performance of the markets, with all asset classes delivering positive returns. All country equity market returns were similar over the quarter, but the weakness of sterling boosted the returns of Europe and the US. Protection and Income asset returns were more muted. With the exception of the UK equity all of our managers outperformed their market indices.

Over the year Protection and Income Assets outperformed Growth Assets. There was a huge variation in overseas equity returns with the US delivering +14% and Japan -1.2%, but partly due to the weakness of Sterling overseas equity markets produced the strongest average returns.

## Growth assets – Equity performance

In line with the new strategic benchmark the exposure to UK equity was further reduced from 18.1% to 17.5%. The new strategic weight is 16%, therefore the fund remains relatively overweight. All other equity allocations were broadly unchanged. LGPS Central (the manager) underperformed the benchmark and the attribution analysis suggests that this was due to stock selection.

As can be seen in the table above all absolute and relative returns for overseas equities were positive over 3 months. Absolute returns over 12 months were positive, but relative returns from the US and Japan were negative.

North American equity, actively managed in a segregated portfolio (by Wellington) outperformed over the quarter but is still behind benchmark over 12 months. The continued performance recovery in 2Q19 has bought the 3 year returns up to 15.8% pa, broadly in line with the benchmark. Over 5 and 10 years, Wellington remains 1.0% and 1.5% ahead of benchmark.

The continental European equity portfolio is passively managed by UBS. The 3 and 12 month returns are in-line with the benchmark, as are the 3 and 5 year returns.

The other equity assets are invested in Japan, the Pacific Basin and Emerging Markets equities, via pooled funds selected by the in-house team. The allocation to Japan outperformed over 3 months, but underperformed its benchmark over 12 months, Japan remains ahead over 3, 5 and 10 years. Pacific Basin equity outperformed, the allocation has outperformed over all periods delivering strong absolute and relative returns. The recent stronger performance of emerging market equity has lifted absolute and relative returns. The allocation is now ahead of benchmark in all periods except rolling 5 years.

Private equity continues to deliver strong positive returns and has outperformed its benchmark over all periods.

As yet no allocation has been made to Sustainable Global Equity.

## Protection assets - Fixed Income Performance

In the second quarter the bond portfolio delivered positive returns in-line with or slightly ahead of benchmark, although the inflation linked assets are slightly flattered by the US\$ performance of TIPS, because cost of hedging the currency shows up in the performance of cash. Over the 12 months absolute returns were strong and positive but mixed relative to the benchmark. Over the longer term,

while absolute returns are positive, asset allocation relative to the benchmark is the main reason for the underperformance.

### Income assets – Property, MAC and Infrastructure

Over the quarter and the year, the total allocation to all property produced positive returns that were ahead of benchmark. Over the longer-term direct property investments have helped the allocation outperform the benchmark whereas indirect property returns have been more mixed.

Over all periods Infrastructure allocations produced positive returns well ahead of the benchmark.

The Multi-Asset Credit (MAC) allocation a combination of private debt, high yield and emerging market debt has outperformed in all periods, but it has only been an allocation in the fund for just over 3 years.

### Asset Allocation

At the asset allocation level, the DPF's in-house team has made some excellent decisions. In general, over the medium to long term, being overweight "growth" assets like equities at the expense of "protection" assets like bonds, has been a good decision as would be expected given the higher levels of risk. Within bonds, the Fund could have benefitted from a higher allocation to non-government sectors, but this would have increased risk. On balance in terms of total return it has probably been better to use the money generated by being underweight bonds in general to invest in being overweight equity and increasing exposure in diversifying asset classes like property, infrastructure and MAC.



### 3. Economic and Market outlook

#### Economic background

The risks to the global economy have increased over the quarter and in particular into the months of July and August. Growth over the rest of 2019 and into 2020 is expected to be sub-trend with the global economy expected to grow at its slowest rate since the global financial crisis. At the same time the more unpredictable and heavy-handed nature of the US trade negotiations has increased the risk of an unintended outcome. The extended and erratic nature of the trade talks has already slowed global trade and increased uncertainty for businesses leading to lower business investment and sentiment. The longer the negotiations take the more corrosive they become for the economic outlook and the more likely they are to threaten growth.

In the meantime, helped by lower inflation the major central banks have responded to the slowdown by switching back to easing mode to try and smooth the path of growth, but what is really needed to reduce the risk to the global economy is a trade deal between the US and China. There is a chance that as we get closer to the start of the US Presidential Election campaign, Mr Trump will realise that the trade dispute is having a negative impact on the US economy and he will make a very big announcement about what will in effect may be a reasonable compromise.

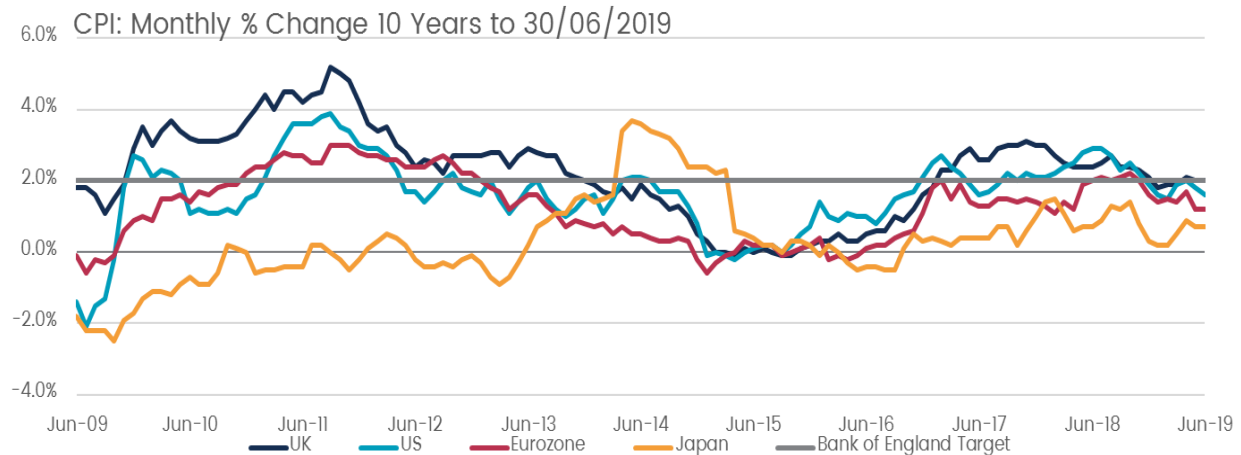
I believe the risks of a protracted negotiation are greater for the US and Mr Trump than it is for China. This is because the Chinese have more scope to stimulate growth by Fiscal and Monetary policy and weakening the currency. Also, President Xi Jinping does not need to be re-elected next year.

For now, just as last quarter, labour markets have held up well, with unemployment continuing to decline, to 7.5% in the Eurozone and to 3.7% in the US, as a result aggregate wage growth remains strong, this combined with a better consumer balance sheet means consumers may be willing to continue spending. The concern is that if global growth and international trade slows much more businesses may be less willing to recruit new workers and may even start laying people off.

The UK economy is still being supported by a strong labour market, unemployment troughed in May at 3.8% and while it ticked up to 3.9% in June, there are a record number of people in some form of employment in the UK and wages continue to rise by more than inflation. It is hoped that the contraction of growth seen in the second quarter is temporary, the result of planned shutdowns in the automotive sector and an offset to the stronger than expected first quarter caused by Brexit related stockpiling. I expect the heightened uncertainty and increased risk of a “no deal” Brexit following the election of Mr Johnson has done little to change aggregate business and consumer confidence.

As can be seen in chart 4 below, despite the late stage nature of the business cycle, which is exhibiting less slack in the major economies and the increase in real wages, the medium-term trend for inflation remains lower and central banks seem unable to achieve normalisation around their stated target inflation rates of 2%.

**Chart 4:** - Inflation, relative to the central bank target rate of 2%.



Source: - Bloomberg

## Central Banks

In the first half of the year the developed economies central banks talked about a change in direction of monetary policy from looking for reasons to tighten to looking for reasons to ease. At their respective meetings in late July and early August they started to deliver on those statements. The Fed cut its Fed Funds Rate by 0.25% from 2.5% to 2.25% and announced that it would end the QT programme on 1<sup>st</sup> August and not the end of September as previously indicated. What was a surprise was that in the post meeting press conference the chair of the FOMC, Mr Powell, said that the Fed would "act as appropriate" to sustain the country's longest economic expansion in history. Other comments about sluggish growth and low inflation enabling the Fed to take out an insurance cut in rates were to be expected, but a promise to keep the expansion going is unusual and must have been music to Mr Trump's ears. Mr Trump has been calling for more aggressive cuts for some time, his public interventions against Fed policy and Mr Powell in particular are generally considered unhelpful.

The ECB left rates unchanged but changed its rhetoric to say it was "determined to act" Mr Draghi mentioned several times that falling inflation could lead it to act to cut rates in some way in September. The Bank of Japan did not change its very easy monetary policy stance, but policymakers underlined that they would not hesitate to take additional easing measures "if the economy loses momentum for achieving the central bank's 2% inflation target".

Following the August Inflation Report, the Bank of England's Monetary Policy Committee voted unanimously to hold the Bank Rate at 0.75% and reaffirmed its pledge to gradual and limited rate rises assuming a smooth Brexit outcome and some recovery in global growth. The BoE lowered its UK GDP forecasts to 1.3% for 2019 and 2020 on the back of slower export growth and weak business investment. It also warned that the UK has a one in three chance of slipping into recession as the uncertainty over Brexit increases. In Interviews after the meeting, Mr Carney sounded more willing to cut rates and subsequently the BoE has talked about a return to QE via corporate bond purchases.

## Politics

In early August, just as the US and Chinese trade negotiating teams were returning to the table, Mr Trump announced via twitter that he would impose from the 1<sup>st</sup> September 2019 10% tariffs on the remaining US\$ 300billion of Chinese exports to the US. This was despite agreeing at the summit in June that there would be no new tariffs. These tariffs will largely affect electrical goods, mobile telephony and toys. He has also asked the US Treasury to investigate China for currency manipulation. These actions will not be taken well by the Chinese, as it suggests Mr Trump is an unreliable negotiating partner. China is now considering further tariffs on US trade; they are considering both stopping the purchase of certain US products and stopping the sale to US companies of key raw materials like rare-earth elements used in the electronic industries. China is a top-down centralised economy, so if they decide to take these actions it will happen.

As expected the European elections resulted in a smaller group of centre-right politicians, as a wide range of Anti-Establishment candidates won seats. The UK Brexit party ended up with 26 MEPs, the largest representation from the UK, the Liberal Democrats also increased their number of MEPs, at the expense of the Conservative, Labour and UKIP parties. In spite of the change in make-up of the parliament, the new Leadership team has been chosen from the old guard of senior European politicians. Ursula von der Leyen, European Commission president: - Ursula von der Leyen is a German politician from the CDU and was the minister of defence of Germany. Charles Michel, EU Council president: - Charles Michel was the prime minister of Belgium. Josep Borrell, EU foreign affairs chief: - Josep Borrell was the Spanish foreign minister. And Christine Lagarde former head of the IMF will take over from Mario Draghi as Head of the ECB. The new leadership team have already stated that there is no room for re-negotiation of the UK's Withdrawal Agreement (WA).

With summer recess and the Conservative leadership election, the UK Brexit negotiations remain on hold, with no apparent progress being made. The energetic Mr Johnson has appointed his new Cabinet, ramped up preparations for a no deal Brexit and made a number of crowd-pleasing announcements on public spending and Law & Order. He has reiterated his commitment to leaving the EU and his confidence that the UK will get a better deal than the WA with no Backstop, or the UK will leave with no deal on the 31<sup>st</sup> October 2019.

On the face of it the risk of a "No deal Brexit" has therefore increased, but the government only has a majority of 1 MP, including the MPs of the DUP. Whereas the disrupters in the last Government were Conservative Leavers the new disrupters will be Conservative Remainers and the arithmetic is similar. In parliament there is no majority for the WA and definitely no majority for a "No deal Brexit". Depending on opinion polls and the party conference season the more likely outcomes in my view are a snap general election or a further delay.

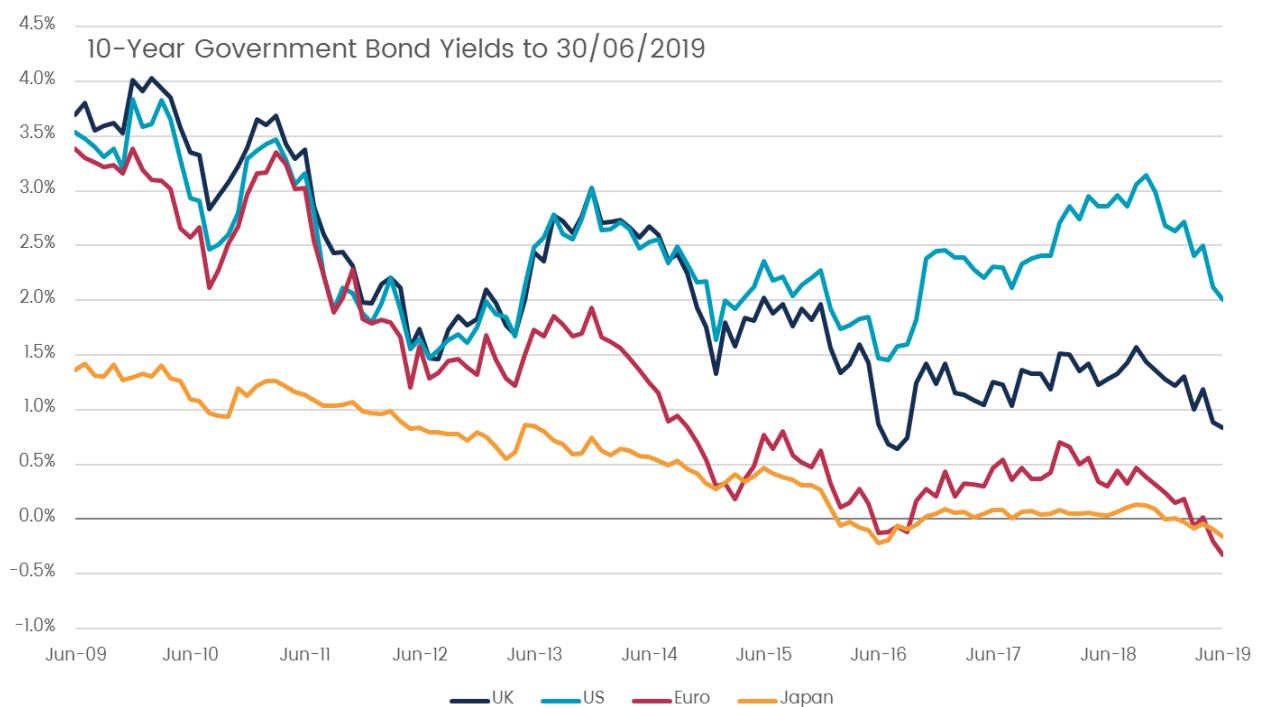
## Government bonds

As can be seen in chart 5 below, 10 year government bond yields have continued their sharp move lower since the beginning of the year. As I said in my last report, “if the Fed actually cuts short term interest rates, US 10 year bond yields can go much lower”. The surprise for me has been the size of the fall in yields outside of the US. 10 year German and Japanese yields have returned to negative territory and with each day that passes the UK 10 year gilt makes a new “all-time low” in yields. 10 year yields in all these markets are below overnight interest rates and the US 10’s are lower in yield than the US 2 year yield. This inversion of yields has symbolic importance for the bond markets because it has been an indicator that a US economic recession is on the horizon.

Now that the Fed has started cutting interest rates, the markets are expecting 2 more cuts over the next 12 months. Other participants are pointing out that an inversion of 2y-10y yield curve is not a 100% reliable indicator of a recession and that other markets excesses are required, such as high levels of corporate debt, a slowdown in investment activity and rising unemployment. While others believe that QE and the amount of debt held by central banks makes the inversion argument less compelling. Either way I would argue the risk of recession in the next two years has increased.

If the Fed is right and this is just a “mid-course correction / insurance cut (or two)” they will have increased the likelihood of a soft landing and an extension of the current 10 year long US economic expansion. In which case government bond yields could be on their way back up again within 12 months leading to negative returns for investors. Either way I view the current level of government yields, especially outside the US as an extreme and expect yields to rise in the short term as well.

**Chart 5:** - Government bond yields, last 10 years.



Source: - Bloomberg

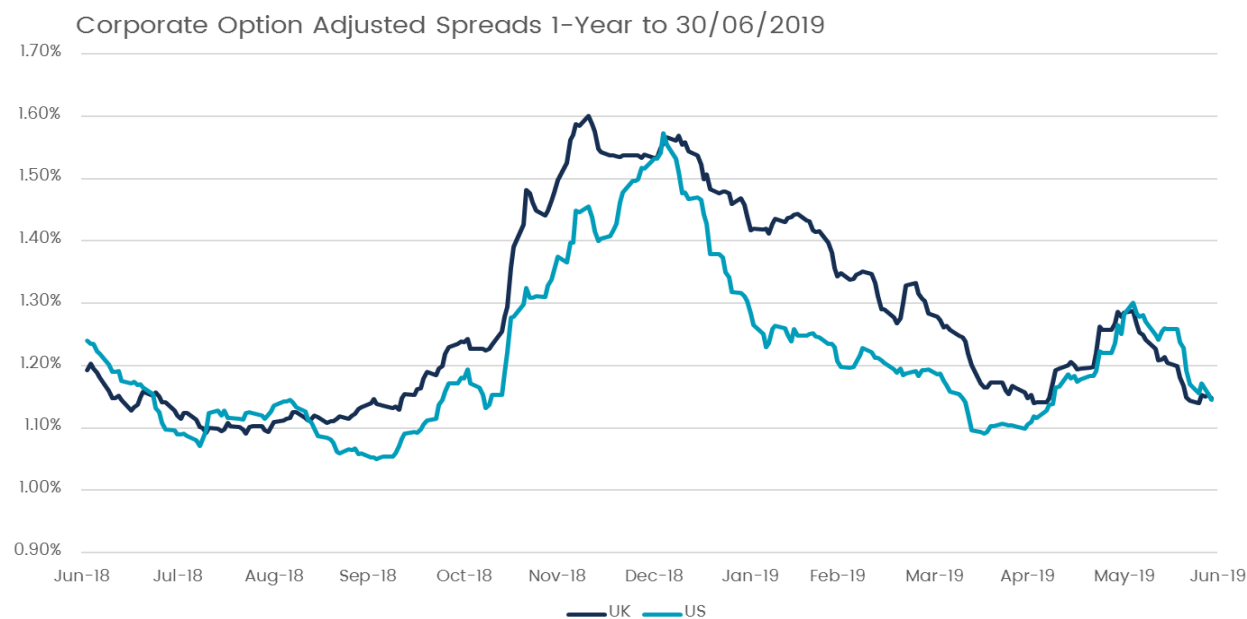
## Non-government bonds

As can be seen in Chart 6 below, the excess yield spread at the end of the June for investment grade non-government bonds had fallen significantly since the beginning of the year. The current yield spread is somewhat higher the result of the recent escalation of the trade negotiations and the marked fall in underlying government bond yields.

As mentioned in my last report, for now the fears of increased corporate leverage (particularly in the US) and the lower average credit quality have been dissipated by the change in monetary policy. Given that the recent spread widening is mainly a result of a fall in government yields it is possible that spreads can narrow from here, this could be either the result of government bond yields increasing or corporate bond yields falling. On balance I believe it will be the former.

Just as for Government bonds there is also the chance that total returns for the rest of the year could be flat or even negative. Investment grade bonds (like government bonds) have quite high duration and insufficient yield to result in a positive total return in a rising yield environment. I haven't changed my mind on holding high yield bonds, because of their higher yield and lower duration they can deliver reasonable returns. For the time being the higher the coupon or yield, the higher the return, albeit with increased credit risk. See Table 7 below for an estimate of the impact of rising bond yields on UK Government and non-government bond markets.

**Chart 6:** - Investment grade credit spreads, extra yield over government bonds.



Source: - Bloomberg

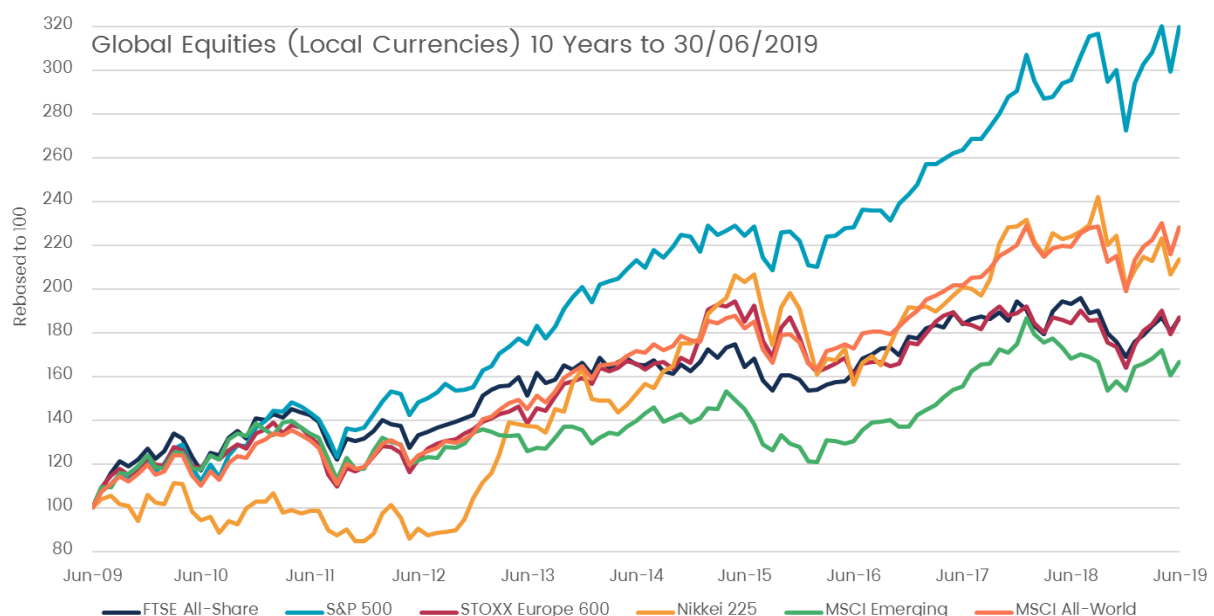
## Equities

After the dip in May global equity markets bounced back in June and continued to rally until August. The S&P made a new “all-time high” just prior to the Fed announcement, but since then global equity markets have sold off between 3% and 5%, mainly because of Mr Trump’s announcement of new tariffs on Chinese goods to be implemented in September. But I also believe the equity markets were expecting more from the Fed than the bond markets hence the initial selloff post the rate cut. Nonetheless a more Dovish Fed increases the chance of a soft landing in the US, easier European monetary and potentially fiscal policy, combined with the willingness of the Chinese to stimulate activity has increased the chances that equity markets can continue to deliver positive returns even if volatility is also higher.

As mentioned already the primary risk to this positive outlook remains the US, China trade negotiations. In the short-term Mr Trump’s use of twitter to make announcements that often run contrary to the previous tweet on the subject is not helping the difficult negotiations of the trade delegation. In the medium term the longer these negotiations take the more likely the uncertainty is going to slow business activity and delay investment decisions. A further negative is that while 90% of companies reporting second quarter earnings in the US beat analyst expectations, actual earnings growth was negative for the second quarter in a row.

All this leads one to the conclusion that most of the good news is probably already in the price at this level of equity markets. I remain positive on equity markets expecting them to outperform bond markets over the medium and long term. In the short-term cash may prove to be the safest place to be as the risks of some kind of correction have increased in both equity and bond markets.

**Chart 7: - Global equity indices, last 10 years.**



Source: - Bloomberg

## UK equity

Because most of the earnings of companies in the main UK equity indices come from overseas, the UK equity market has performed reasonably well in local currency terms over the last couple of years. However, the weakness of Sterling has made the total return of overseas equity markets look much better. Some asset managers believe the UK equity market is cheap on a relative basis, chart 7 above clearly shows that since the referendum the FTSE All share has underperformed the MSCI All World index. But there is good reason for that and that reason remains the same; we don't know the outcome of the Brexit negotiations. With the election of Mr Johnson, local factor uncertainty has increased compounding the increased uncertainty around the global outlook. The value of Sterling is likely to be the biggest mover and at 1.2 versus the US dollar the risk has become more asymmetric. If the result is no deal, forecasts are that GBP/USD could fall to 1.1, whereas if there is a deal it could rally towards 1.4.



## GDP Forecasts

Table 4, shows the consensus forecasts for GDP growth in calendar 2019 and 2020 and my expectations in April and July 2019.

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

% CHANGE YOY								
	2019				2020			
	APRIL 2019		JULY 2019		APRIL 2019		JULY 2019	
	Consensus	AF	Consensus	AF	Consensus	AF	Consensus	AF
US	2.4	<b>2.5</b>	2.5	<b>2.5</b>	2.0	<b>2.0</b>	1.9	<b>1.9</b>
UK	1.3	<b>1.4</b>	1.3	<b>1.2</b>	1.5	<b>1.2</b>	1.3	<b>1.2</b>
Japan	0.6	<b>0.6</b>	0.7	<b>0.7</b>	0.5	<b>0.5</b>	0.3	<b>0.3</b>
EU 28	1.3	<b>1.3</b>	1.4	<b>1.3</b>	1.5	<b>1.3</b>	1.4	<b>1.3</b>

Source: - Consensus Economics July 2019

Consensus estimates for growth in 2019 have been tweaked higher and for 2020 they have been tweaked lower, but I am not sure they have taken into consideration the increased risk posed by Mr Trump's more belligerent approach to the trade negotiations with China. Announcing against the advice of your own advisers and while your negotiating team is in front of their Chinese counterparts is potentially not the way to achieve a quick and positive outcome. For this reason the risk is it will take longer to reach a resolution and in the meantime the uncertainty for businesses is reducing their willingness to invest and could lead to workers being laid off. The change in direction of the Fed and other central banks could offset this weaker outcome and as mentioned above, may even deliver a "soft landing" i.e. the US could avoid a recession, but the risk of an unintended outcome has increased. I am therefore more cautious on global growth. In the UK second quarter growth was negative, most likely because of the stockpiling boost to first quarter growth. Brexit uncertainty has dramatically increased and is impacting UK investment and is another pressure on the weakening pro-cyclical European economy. Chinese growth is also being impacted but they have plenty of scope to ease fiscal and monetary policy, whereas the major developed economies do not.

In the US, fourth quarter 2018 growth was revised down to 1.1% from the estimated 2.2%, a direct result of the government shutdown and first quarter 2019 growth was revised down to 3.1% from the advance estimate of 3.2% annualised. The initial estimate of second quarter growth was 2.1%. A continued rebound in personal consumption and government expenditure, boosted by delayed spending from the government shutdown, was offset by falling exports and inventory accumulation.

The preliminary estimate of UK GDP showed the economy grew by -0.2% in the second quarter of 2019. The first quarter was confirmed at 0.5%, this makes the annual rate of growth 1.2%, slightly lower than market expectations. A large part of the second quarter's weakness can be explained by stockpiling in the first quarter, but there was widespread weakness in the manufacturing, service and consumer sectors. I anticipate that growth will be lower in the UK over the rest of the year weighed down by Brexit induced lower investment and consumer confidence.



Japanese growth in the three months to the end of March 2019 was revised higher to a rate of +0.7%, a strong rebound in both household consumption and business investment was responsible. Second quarter growth from the same sources has continued and despite the weakness of Exports is estimated at 0.4%. This will bring to annual growth rate up to 1%.

Euro Area GDP was confirmed at 0.4% in the first quarter, but second quarter growth was only 0.2%, which represents a further slowing of growth from a rate of 1.2% to 1.1% for the previous twelve months. The German economy contracted by 0.1% as exports slumped, while Italy stagnated and France along with the majority of European economies saw their growth rates fall. The Euro Area, because of its reliance on exports and global trade, could see growth suffer if the trade negotiations between the US and China are not resolved quickly and amicably.

## Consumer Price Inflation

Table 5, shows the consensus forecasts for Consumer Price Inflation in calendar 2019 and 2020 and my expectations in April and July 2019.

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

% CHANGE YOY								
	2019				2020			
	APRIL 2019		JULY 2019		APRIL 2019		JULY 2019	
	Consensus	AF	Consensus	AF	Consensus	AF	Consensus	AF
US	1.9	<b>2.5</b>	1.9	<b>2.5</b>	2.2	<b>2.3</b>	2.1	<b>2.3</b>
UK	2.0	<b>2.5</b>	1.9	<b>2.5</b>	2.1	<b>2.2</b>	2.0	<b>2.2</b>
Japan	0.6	<b>1.1</b>	0.6	<b>1.1</b>	1.0	<b>1.1</b>	0.8	<b>1.1</b>
EU 28	1.5	<b>1.9</b>	1.5	<b>1.9</b>	1.7	<b>1.9</b>	1.4	<b>1.9</b>

Source: - Consensus Economics July 2019

The consensus forecasts for inflation in 2019 have not changed significantly from April, but they have been revised lower for 2020. Actual inflation has for the most part turned out lower than forecast despite the higher energy prices we saw earlier in the quarter. As I mentioned last quarter, it remains somewhat surprising that with very low levels of unemployment in the US and the UK and with wages rising at a pace ahead of inflation that overall inflation is not rising at a faster rate. There would appear to be two factors working to keep inflation lower than expected in the current environment; increased employment costs are being absorbed by company margins and profits and reduced investment and consumer demand may also be keeping prices down. If this is the case it will help Central Banks remain accommodative, which for the Fed means they can cut rates further without risking higher inflation. Once again the Trade negotiations could have an impact as the tariffs imposed are passed on to higher prices for businesses and consumers, which should be inflationary unless they reduce consumption and that could be dis-inflationary.

For now, the global medium term trend in inflation seems to be down, or at worst flat lining around the main central bank target rate of 2% for the UK and the US.

Over the 3 months to July US headline inflation has fallen from 2% in April to an average of 1.7% whereas, ex food and energy US core inflation moved higher from 2.1% to 2.2%, driven by higher housing and personal goods and services costs.

In the UK headline inflation remains around 2.1% over the quarter, prices for discretionary domestic goods and services increased to most offsetting falling energy and transportation costs. Core inflation which excludes food, energy, alcohol and tobacco in the UK, increased to 1.9% p.a.

Inflation in the Euro Area peaked in April at 1.7% p.a. and is now only 1.1% in July. Core inflation, which like the UK excludes food, energy, alcohol and tobacco, has fallen back to 0.9% from 1.2%.

The Japanese inflation rate also peaked in April at 0.9% and due to falling energy and communications prices has fallen back to 0.7% and core inflation, which only excludes fresh food prices, also fell from 0.8% to 0.6%.

## 4. The outlook for the securities markets

In light of the near term developments on the outlook for global growth and the increased trade tensions between the US and China, I have made some changes to my asset allocation recommendation to reflect the heightened risk to the outlook for the securities markets. These changes reflect my more cautious outlook for the next year to eighteen months and can be seen in the right-hand column of table 9. Over the medium to long term (more than 5 years), I still stand by the recommendations expressed in my last report dated the 9<sup>th</sup> May.

I have decided to reduce my overweight to Growth assets from +2% to neutral. Within equities I still believe US equity is overvalued and emerging markets undervalued but I have reduced the relative allocation from 2% to 1%. I have also reduced the 1% overweight to Japan and Asia Pacific to neutral. The recent strength in the bond markets represents an extreme, all 10 year bond market yields are lower than cash and hence tactically I would prefer to be 2% underweight Protection assets and 2% overweight cash. I understand that these short term tactical changes are difficult for the Fund to implement, but I believe the worsening outlook for growth driven by the increased political uncertainty needed to be reflected in my recommendations. Indeed should the trade negotiations between the US and China become more protracted there may be a case for being underweight equity and overweight bonds. I believe the priority for the Fund remains increasing the allocation to Income assets, therefore I continue to recommend a neutral allocation.

### Bond Markets

In table 6, below I have set out my expectations for 3 month LIBOR interest rates and benchmark 10 year government bond yields, over the next 6 and 12 months. They are not meant to be accurate point forecasts, more an indication of the possible direction of yields from August 2019.

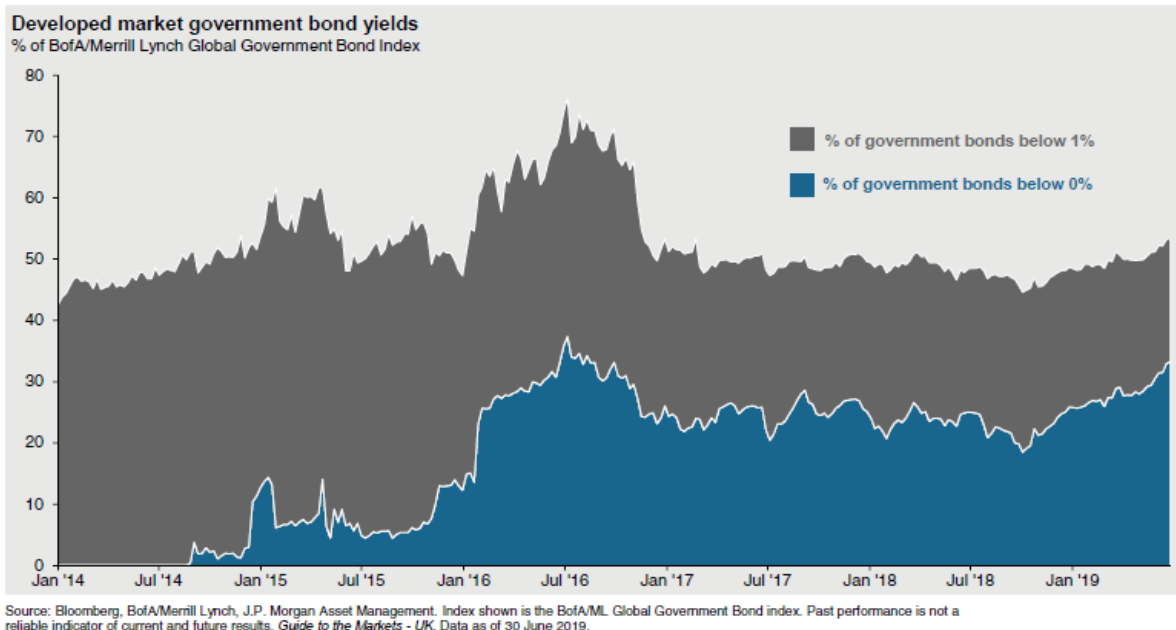
**Table 6:** - Interest rate and Bond yield forecasts

%	CURRENT	MARCH 2020	SEPTEMBER 2020
<b>UNITED STATES</b>			
3month LIBOR	2.18	1.75	1.75
10 year bond yield	1.74	1.75	2.00
<b>UNITED KINGDOM</b>			
3month LIBOR	0.77	0.75	0.75
10 year bond yield	0.48	1.0	1.25
<b>JAPAN</b>			
3month LIBOR	-0.10	-0.10	-0.10
10 year bond yield	-0.22	0.10	0.10
<b>GERMANY</b>			
3month EURIBOR	-0.42	-0.25	-0.25
10 year bond yield	-0.58	0.35	0.35

Source: - Bloomberg, Trading Economics; 9<sup>th</sup> August 2019

Since the last Pension and Investment Committee meeting in June, the global economy has slowed and second quarter growth has been reported as lower than expected. Inflation remains benign and below the monetary policy target rate of 2%. Government bond yields are lower than cash rates in most of the developed economies. As can be seen in chart 8 below over 30% of developed government bond yields are negative, as table 6 shows German 10 year bond yields are -0.58%.

Chart 8: - Negative and low yielding government bonds



The change in the markets are the result of the macro-economic and political factors mentioned above, the decision by the US Central Bank (Fed) to cut rates in July by 0.25%, the markets expectation of 2 further rate cuts in the next 12 months, the increasingly “dovish” comments from all central banks and the most recent escalation of the US, China trade negotiations. As a result I believe that the current level of yields represents an over-reaction and I expect yields to increase over the next few months, producing negative returns.

As I said last quarter, I find it difficult to believe that government bond yields can fall below their current level (except in the US) over the medium term, nor can I see credit spreads substantially narrower. I therefore expect government bond markets to potentially produce negative returns over the balance of the year as the current overvaluation is reversed. Easier monetary policy is supportive of high yield bond markets, so while spreads may not narrow by much, the higher the yield, the higher the return. I continue to believe that while there is scope for volatility generated by economic data and the Trump trade negotiations, by the end of the next 12 months I expect bonds yields will have drifted higher.

## Bond Market (Protection Assets) Recommendations

Over the last few months the world's major central banks have returned to monetary accommodation, this has driven German and Japanese bond yields into negative territory and has pushed 10 year UK government bond yields to a new "all time low" of 0.48%. In my last report I thought government yields were already too low, I therefore consider the recent moves to be an over-reaction which will be unwound over the coming months. As suggested in table 6 above I expect global government bond yields to rise, I therefore propose remaining underweight government bonds.

The outlook for investment grade non-government bond markets is equally uncertain. Spreads have narrowed on stronger equity markets and the end of monetary tightening has provided a duration benefit. Should government bond yields rise, so will the yield on investment grade credit so they are also likely to deliver a negative return, equally if the economy slows, spreads could widen also resulting in negative returns. Investment grade credit is also vulnerable because of the high leverage, low interest cover particularly in the US and falling liquidity in all markets. The high yield bond market doesn't have the duration risk and ironically compared to history, leverage is lower and interest cover higher. As I mentioned last quarter for now, the higher the yield and the lower the duration the better the result will be provided one avoids the risk of default.

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 do not take into consideration any widening of spread over the holding period.

**Table 7:** - Total returns from representative bond indices

INDEX	YIELD TO MATURITY %	DURATION	YIELD INCREASE %	% TOTAL RETURN, HOLDING PERIOD	
				3 MONTH	12 MONTH
<b>All Stock Gilts</b>	1.10	11.56	0.5	-5.5	-4.7
<b>UK Corporate Bonds</b>	2.09	8.55	0.5	-3.8	-2.2
<b>Global High Yield</b>	5.66	3.47	0.5	-0.3	+3.9

Source: - BofA Merrill Lynch Indices 9<sup>th</sup> August 2019

Despite my short term reservations about the level of yield expressed above I still believe corporate bonds should be held at neutral in the Fund, mainly because I believe the bigger risk is in longer duration government bonds especially index linked gilts. The Fund does not need to pay a negative yield for inflation protection. The Fund should be seeking to protect itself against inflation by buying Income/Real assets with cash flows linked to inflation where yields are much higher than Index linked gilts.

## Equity Markets

Table 8 below, shows the dividend yield, earnings growth and price / earnings ratio forecasts, for 2019 and 2020 provided by Citi Research.

**Table 8:** - Dividend yield, Earnings growth and Price/Earnings Ratios

COUNTRY	DIVIDEND YIELD	EARNINGS GROWTH		PRICE/EARNINGS RATIO	
FORECAST PERIOD	2019	2019	2020	2019	2020
United Kingdom	4.8	3.4	8.4	12.9	11.9
United States	2.0	4.1	11.6	17.9	16.0
Europe ex UK	3.6	7.8	9.4	14.4	13.2
Japan	2.5	1.4	5.6	12.9	12.2

Source: - Citi Research, Global Equity Strategist, May 2019

Earnings growth estimates for 2019 and 2020 have not changed significantly over the quarter with 2020 remaining optimistic. While most companies that have already reported beat the advance second quarter estimates as they did in the first quarter, this is the second quarter where US earnings in particular have declined over the previous year. Further declines are expected in the third quarter and fourth quarter earnings growth is expected to be flat, all of which makes these 2019 forecasts look a bit optimistic as well.

The last few months have seen a slowdown in global growth and a marked increase in political risk. The brinkmanship over the US/ China trade negotiations and the extended period of time now needed to come to an agreement has caused investment and global trade to fall. The outlook for industrial production is weakening. Add to this the impact of lower earnings, higher wages and higher corporate debt and I find it difficult to see equity markets, especially the US, delivering the high returns of recent years and I also expect to see periods of market volatility return. The rapid response of the Fed and other central banks could be enough to prevent a recession but the risks have increased.

## Equity Market (Growth Assets), Recommendations

I have reduced my suggested allocation to growth assets from 2% overweight to neutral.

Looking regionally, because of the continued strong performance of the US on an absolute and relative basis and the potentially poor future prospects, I believe profits should be taken, but I have reduced my underweight from 2% to 1% to reflect the fact that the US still has stronger near term growth prospects relative to rest of the developed world. The weaker outlook for global trade and industrial production caused by the poor state of the US, China trade negotiations will potentially have a bigger impact on Europe, Japan and Asia pacific. As a result I believe Europe should be held

at neutral and Japan and Asia Pacific reduced from 1% overweight to neutral. I continue to have long term confidence in the growth prospects for the emerging economies. Now that the Fed is cutting interest rates and a further 50bps is priced into market expectations the US dollar is likely to weaken which should have a positive impact on emerging markets. Despite the increased uncertainty emerging market equity remains cheap on relative valuation basis hence I recommend building to a reduced overweight exposure of +1% instead of +2% funded from the USA. Progress is being made to bring the UK allocation down to neutral versus the new strategic weight but this will take time.

As the asset allocation to Private Equity remains underweight relative to benchmark, I continue to recommend that investments are sought to get the allocation to neutral as opportunities arise. The new allocation to Global Sustainable Equity has yet to be finalised, I suggest a 3% neutral allocation should be seen as an initial investment.

## Income Assets

The allocation to Income Assets has been increased from 18% to 23% mainly funded by a reduction in Growth Assets. I believe this provides the Fund with a more diverse opportunity set going forward. Both Infrastructure and Multi-Asset Credit have had their weight increased significantly and because of the nature of the investment process it will take time to fill up these allocations therefore I have taken the pragmatic view to leave the suggested allocation at neutral. I know the In-house team are working hard on finding suitable investment vehicles and have shown progress over the last few months.

The Property market continues to provide diversified returns for the Fund and the direct property manager has outperformed. I continue to recommend that a neutral overall weight to property be maintained and express a preference for being 1% overweight direct, against being 1% underweight indirect property.

The cash balance in the new strategic benchmark is set at 2%, because of the extremely low level of Government bond yields cash actually has a higher yield, equally as the risks to growth assets have increased I propose that the cash is held temporarily at +2% overweight. Should bond yields rise from their current extremely low level then this cash could be deployed to the bond market if the prospects for the equity markets do not improve.

The asset allocation set out in table 9 below, shows the new Strategic benchmark allocations for the Derbyshire Pension Fund and my recommended relative weights as of 9<sup>th</sup> May 2019 and the 9<sup>th</sup> of August. My suggested asset allocation weights are relative to the new classification of assets and strategic benchmark ranges. They represent an ideal objective for the Fund based on my medium to long term expectations for economic growth and market performance, but they do not take into consideration the difficulty in reallocating between asset classes and the time needed by the In House Team and their investment managers to find correctly priced assets for inclusion in the Fund.

**Table 9:** - Recommended asset allocation against the new Strategic Benchmark that came into effect on the 1<sup>st</sup> January 2019.

% ASSET CATEGORY	DERBYSHIRE STRATEGIC WEIGHT 1 <sup>ST</sup> JANUARY 2019	ANTHONY FLETCHER 9 <sup>TH</sup> MAY 2019	DERBYSHIRE STRATEGIC WEIGHT 1 <sup>ST</sup> JANUARY 2019	ANTHONY FLETCHER 9 <sup>TH</sup> AUGUST 2019
<b>Growth Assets</b>	57	+2	57	0
<b>UK Equity</b>	16	0	16	0
<b>Overseas Equity</b>	41	+2	41	0
North America	12	-2	12	-1
Europe ex UK	8	0	8	0
Japan	5	+1	5	0
Pacific ex Japan	4	+1	4	0
Emerging markets	5	+2	5	+1
Global Sustainable	3	0	3	0
Private Equity	4	0	4	0
<b>Income Assets</b>	23	0	23	0
Property	9	0	9	0
Infrastructure	8	0	8	0
Multi-asset Credit	6	0	6	0
<b>Protection Assets</b>	18	-2.0	18	-2.0
Conventional Gilts	6	-1.0	6	-1.0
UK index Linked	6	-2.0	6	-2.0
US TIPS	0	+1	0	+1
UK corporate bond	6	0	6	0
<b>Cash</b>	2	0	2	+2



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# Appendix

## References

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

- Derbyshire Pension Fund, PEL and WM performance services
- Citi Research,
- FTSE, Citigroup, IPD, Barclay's Global and ICE Indices
- Kames, Blackrock, M&G and JP Morgan, Asset Management
- Bank of England, UK Debt Management Office, UK OBR, UK Treasury, ONS
- US Bureau of Labour Statistics, US Commerce Dept. Executive office of the President of the United States.
- Bank of Japan, Japan MITI
- ECB, Eurostat
- Bloomberg, Markit, Trading Economics, DataStream and S&P
- Financial Times, Daily Telegraph, Wall Street Journal, New York Times, Washington Post



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## Appendix 2

### Investment Portfolio Valuation

July 2019





# DERBYSHIRE PENSION FUND

DCC  
31/07/2019

£m

## Growth Assets

UK	2897.4
US	901.9
Europe	521.6
Japan	442.4
Pacific (ex Japan)	338.6
Emerging Markets	272.3
Global Sustainable	264.3
Private Equity	0.0
	156.2

## Income Assets

Infrastructure	1007.1
Property	311.3
Direct	413.7
Indirect	241.6
Multi-Asset Credit	172.1
	282.1

## Protection Assets

Government	893.3
UK	284.1
Overseas	237.3
Index Linked	46.8
UK	301.3
Overseas	
Non Government	307.9

## Cash

376.0

## Total

5173.8





**DERBYSHIRE PENSION FUND**  
**JULY 2019 PORTFOLIO VALUATION - BID**  
**NEW SECTORS**  
**UK EQUITIES**

Sector	Company Name	Number held	Mkt Price Pence	Total £
<b>OIL &amp; GAS PRODUCERS</b>				
UK Oil & Gas	BP PLC USD\$0.25	8,560,000	545.70	46,711,920
UK Oil & Gas	Diversified Gas & Oil PLC	4,748,553	106.50	5,057,209
UK Oil & Gas	ROYAL DUTCH SHELL A' SHARES	536,000	2593.50	13,901,160
UK Oil & Gas	ROYAL DUTCH SHELL 'B' SHARES	2,434,000	2602.00	63,332,680
UK Oil & Gas	TULLOW OIL PLC	2,013,000	193.70	3,899,181
<b>UK Oil &amp; Gas Producers Total</b>				<b>132,902,150</b>
<b>OIL &amp; GAS SERVICES</b>				
UK Const Build Ma	WOOD GROUP (JOHN) PLC	1,030,000	531.00	5,469,300
<b>UK Oil &amp; Gas Services Total</b>				<b>5,469,300</b>
<b>CHEMICALS</b>				
UK Chemicals	JOHNSON MAT ORD£1	220,000	3215.00	7,073,000
<b>UK Chemicals Total</b>				<b>7,073,000</b>
<b>MINING</b>				
UK Mining	ANGLO AMER US\$0.50	377,000	2039.00	7,687,030
UK Mining	BHP BILLITON PLC	856,000	1984.20	16,984,752
UK Mining	GLENCORE PLC	6,271,000	266.40	16,705,944
UK Mining	RIO TINTO 10P	323,000	4698.00	15,174,540
<b>UK Mining Total</b>				<b>56,552,266</b>
<b>CONSTRUCTION</b>				
UK Engin Mach	BREEDON GROUP PLC	3,175,000	61.00	1,936,750
UK Engin Mach	MELROSE INDUSTRIES PLC	1,900,000	186.95	3,552,050
<b>UK Construction Total</b>				<b>5,488,800</b>
<b>AEROSPACE</b>				
UK Aero defence	BAE ORD 2.5P	1,323,000	548.40	7,255,332
UK Aero defence	BABCOCK INTL GROUP PLC	1,391,000	476.30	6,625,333
UK Aero defence	ROLLS ROYCE 20P	660,000	862.00	5,689,200
<b>UK Aerospace Total</b>				<b>19,569,865</b>
<b>GENERAL INDUSTRIAL</b>				
UK General Industr	DS SMITH PLC	1,527,000	356.70	5,446,809
<b>UK General Industrial Total</b>				<b>5,446,809</b>
<b>ELECTRONIC EQUIPMENT</b>				
UK Electronic equi	HALMA PLC	280,000	1989.50	5,570,600
<b>UK Eelectronic Equipment Total</b>				<b>5,570,600</b>
<b>INDUSTRIAL ENGINEERING</b>				
UK Engin Mach	HILL & SMITH HOLDINGS PLC	283,000	1129.00	3,195,070
UK General Industr	ROTORK PLC	1,385,000	308.40	4,271,340
UK Engin Mach	SPIRAX-SARCO 25P	65,000	8985.00	5,840,250
<b>UK Industrial Engineering Total</b>				<b>13,306,660</b>
<b>SUPPORT SERVICES</b>				



UK Support Service BUNZL PLC	131,000	2150.00	2,816,500
UK Support Service ESSENTRA PLC	1,161,000	426.20	4,948,182
UK Const Build Ma FERGUSON PLC	93,000	6164.00	5,732,520
UK Support Service G4S PLC	2,462,000	191.55	4,715,961
UK Support Service KEYWORDS STUDIOS PLC	132,500	1662.00	2,202,150
<b>UK Support Services Total</b>			<b>20,415,313</b>
<b>BEVERAGES</b>			
UKBeverages DIAGEO 28 101/108P	1,100,000	3443.50	37,878,500
<b>UK Beverages Total</b>			<b>37,878,500</b>
<b>FOOD PRODUCERS</b>			
UKFoods ASSOCIATED BRITISH FOODS PLC	300,000	2420.00	7,260,000
<b>UK Food Producers Total</b>			<b>7,260,000</b>
<b>HOUSEHOLD GOODS</b>			
UK Housebuilders BARRATT DEVELOPMENTS PLC	770,000	645.20	4,968,040
UK Housebuilders BELLWAY PLC	247,500	2970.00	7,350,750
UK Hous Gds Txtile PETER GEESON 2nd PREFERRED OF	16,487	0.00	-
UK Personal Care RECKITT BENCKISER	302,000	6372.00	19,243,440
<b>UK Household Goods Total</b>			<b>31,562,230</b>
<b>PERSONAL GOODS</b>			
UK Retailers Gen TED BAKER PLC	326,000	910.00	2,966,600
UK Food Prod & Pr UNILEVER ORD 1.4P	326,000	4955.50	16,154,930
<b>UK Personal Goods Total</b>			<b>19,121,530</b>
<b>TOBACCO</b>			
UK Tobacco BRIT AMER TOBC 25P	896,000	2950.50	26,436,480
UK Tobacco IMPERIAL BRANDS PLC	591,000	2095.00	12,381,450
<b>UK Tobacco Total</b>			<b>38,817,930</b>
<b>PHARMACEUTICAL &amp; BIOTECH</b>			
UK Pharm, Biotech ASTRAZENECA ORD	630,000	7060.00	44,478,000
UK Pharm, Biotech GLAXOSMITHKLINE25P	2,323,000	1702.40	39,546,752
<b>UK Pharmaceutical &amp; Biotech Total</b>			<b>84,024,752</b>
<b>FOOD RETAIL</b>			
UK Retail Food & C TESCO ORD 5P	5,725,000	223.30	12,783,925
<b>UK Food Retail Total</b>			<b>12,783,925</b>
<b>GENERAL RETAIL</b>			
UK Retailers Gen JD SPORTS FASHION PLC	500,000	649.00	3,245,000
UK Retailers Gen NEXT PLC	62,500	6062.00	3,788,750
<b>UK General Retail Total</b>			<b>7,033,750</b>
<b>MEDIA</b>			
UK Media & Photo INFORMA PLC	1,100,000	874.00	9,614,000
UK Media & Photo ITV ORD	6,859,000	110.95	7,610,061
UK Media & Photo WPP GRP ORD 10P	500,000	970.40	4,852,000
<b>UK Media Total</b>			<b>22,076,061</b>
<b>TRAVEL &amp; LEISURE</b>			
UK Travel & Leisur CINEWORLD GROUP PLC	1,775,000	255.00	4,526,250
UK Travel & Leisur COMPASS GRP ORD10P	807,976	2083.00	16,830,140
UK Travel & Leisur GREENE KING PLC	940,000	625.40	5,878,760
UK Travel & Leisur GVC HOLDINGS PLC	1,065,000	591.20	6,296,280
UK Travel & Leisur INTERCONTINENTAL HOTELS GRP	75,000	5716.00	4,287,000



UK Travel & Leisure MERLIN ENTERTAINMENT	1,000,000	451.50	4,515,000
<b>UK Travel &amp; Leisure Total</b>			<b>42,333,430</b>
<b>TELECOMS</b>			
UK Fixed-Line Tele BT ORD GBP 5P	6,200,000	193.14	11,974,680
UK Mobile Telecom VODAFONE GRP COM	13,314,000	150.08	19,981,651
<b>UK Telecoms Total</b>			<b>31,956,331</b>
<b>ELECTRICITY</b>			
UK Electricity SCOT & SOUTH 50P	628,000	1100.00	6,908,000
<b>UK Electricity Total</b>			<b>6,908,000</b>
<b>GAS &amp; WATER</b>			
UK Electricity NAT GRID PLC ORD 10P	2,186,000	844.30	18,456,398
UK Water PENNON GP ORD £1	447,000	717.00	3,204,990
UK Water SEVERN TR 65 5/19P	211,000	2015.00	4,251,650
UK Water UNITED UTILITIES GROUP PLC	491,000	788.60	3,872,026
<b>UK Gas &amp; Water Total</b>			<b>29,785,064</b>
<b>BANKS, RETAIL</b>			
UK Banks Retail BARCLAYS ORD 25P	5,976,000	154.02	9,204,235
UK Banks Retail HSBC HLDG \$0.50	6,025,000	656.60	39,560,150
UK Banks Retail LLOYDS BANKING GROUP PLC	39,950,000	53.32	21,301,340
UK Banks Retail ROYAL BANK OF SCOTLAND GROUP	4,465,000	216.90	9,684,585
UK Banks Retail STANDARD CHARTERED ORD	2,581,000	676.80	17,468,208
<b>UK Banks - Retail Total</b>			<b>97,218,518</b>
<b>NON-LIFE INSURANCE</b>			
UK Insurance BEAZLEY PLC	885,000	575.50	5,093,175
UK Insurance HISCOX	358,000	1699.00	6,082,420
UK Insurance RSA INSURANCE GROUP	942,000	560.60	5,280,852
<b>UK Non-Life Insurance Total</b>			<b>16,456,447</b>
<b>LIFE INSURANCE</b>			
UK Insurance Life AVIVA ORD 25P	1,612,000	406.00	6,544,720
UK Insurance Life LEGAL&GEN GRP 2.5P	3,968,000	261.80	10,388,224
UK Insurance Life PRUDENTIAL ORD 5P	1,430,000	1697.50	24,274,250
UK Insurance Life ST JAMES'S PLACE PLC	640,000	983.40	6,293,760
<b>UK Life Insurance Total</b>			<b>47,500,954</b>
<b>REAL ESTATE INVESTMENT TRUSTS</b>			
UK Real Estate LAND SECS ORD £1	443,000	796.20	3,527,166
UK Real Estate LONDONMETRIC PROPERTY PLC	1,788,000	202.80	3,626,064
UK Real Estate SEGRO PLC	793,000	764.20	6,060,106
UK Real Estate SHAFTESBURY PLC	268,000	786.00	2,106,480
<b>UK Real Estate Total</b>			<b>15,319,816</b>
<b>FINANCIAL SERVICES</b>			
UK Special Finance STANDARD LIFE ABERDEEN PLC	1,690,000	298.80	5,049,720
UK Special Finance SCHRODERS ORD GBP1	120,000	2973.00	3,567,600
<b>UK General Financial Total</b>			<b>8,617,320</b>
<b>EQUITY INVESTMENT COMPANIES</b>			
UK Investment Co: ABERFORTH SML 1P	939,000	1190.00	11,174,100
UK Investment Co: BLACKROCK SMALLER COMPANIES	930,000	1398.00	13,001,400
UK Investment Co: LOW CARBON ACCELERATOR LTD	3,868,000	0.00	-
UK Investment Co: MONTANARO UK SMALLER CO'S 10P	11,996,285	110.78	13,289,485
UK Investment Co: RIVER & MERCANTILE UK MICRO	2,902,170	166.00	4,817,602

UK Investment Co: STRATHDON INVESTMENTS PLC	20	1000.00	20,000
<b>UK Equity Investment Companies Total</b>			<b>42,302,587</b>
<b>SOFTWARE &amp; COMPUTER SERVICES</b>			
UK Elect electron MICRO FOCUS INTERNATIONAL	263,800	1738.80	4,586,954
UK Elect electron NCC GROUP PLC	947,000	184.60	1,748,162
UK Software & Cor SAGE GROUP ORD 1P	970,000	719.80	6,982,060
<b>UK Software &amp; Computer Services Total</b>			<b>13,317,176</b>
<b>UNIT TRUSTS &amp; OEICs</b>			
UK Unit Trusts LIONTRUST UK SMALLER COMPANIE	1,201,544.47	1486.24	17,857,835
<b>UK Unit Trusts &amp; OEICs Total</b>			<b>17,857,835</b>
<b>TOTAL UNITED KINGDOM</b>			<b>901,926,919</b>



<b>DERBYSHIRE PENSION FUND</b>					
<b>JULY 2019 PORTFOLIO VALUATION - BID</b>					
<b>US EQUITIES</b>					
<b>Sector</b>	<b>Company Name</b>	<b>Number held</b>	<b>Mkt price USD/CAN\$</b>	<b>Mkt Price GBP</b>	<b>Value in Sterling £</b>
<b>OIL &amp; GAS PRODUCERS</b>					
US Oil & Gas	CHEVRON CORP	43360	123.07	101.23	4,389,119
US Oil & Gas	CONCHO RESOURCES INC	13143	97.56	80.24	1,054,635
US Oil & Gas	DIAMONDBACK ENERGY INC	15958	103.40	85.05	1,357,172
US Oil & Gas	ENCANA CORP	265166	4.57	3.76	996,713
US Oil & Gas	EXXON MOBILE CORP	163534	74.34	61.14	9,999,229
US Oil & Gas	MARATHON PETROLEUM CORP	64414	56.41	46.40	2,988,631
US Oil & Gas	NOBLE ENERGY INC	70046	22.07	18.15	1,271,515
US Oil & Gas	TC ENERGY CORP	103113	48.96	40.27	4,152,319
<b>US Oil &amp; Gas Producers Total</b>					<b>26,209,334</b>
<b>OIL &amp; GAS SERVICES</b>					
US Oil & Gas Services	SCHLUMBERGER LTD	100528	39.95	32.86	3,303,237
<b>US Oil &amp; Gas Services Total</b>					<b>3,303,237</b>
<b>CHEMICALS</b>					
US Chemicals	CABOT CORP	56994	44.71	36.77	2,095,896
US Chemicals	CELANESE CORP	16777	112.13	92.23	1,547,291
US Chemicals	FMC CORP	28260	86.39	71.06	2,008,036
US Chemicals	INGEVITY CORP	12500	98.55	81.06	1,013,217
US Chemicals	LINDE PLC	20167	191.24	157.29	3,172,166
US Chemicals	PPG INDUSTRIES INC	30060	117.40	96.56	2,902,639
<b>US Chemicals Total</b>					<b>12,739,245</b>
<b>FORESTRY &amp; PAPER</b>					
US Industrial Metals	INTERNATIONAL PAPER CO	43957	43.90	36.11	1,587,188
<b>US Forestry &amp; Paper Total</b>					<b>1,587,188</b>
<b>INDUSTRIAL METALS</b>					
US Industrial Metals	FREEPORT-MCMORAN INC	21609	11.05	9.09	196,396
US Industrial Metals	LIVENT CORP	42162	6.43	5.29	222,981
<b>US Industrial Metals Total</b>					<b>419,377</b>
<b>AEROSPACE</b>					
US Aero defence	BOEING CO/THE	20299	341.20	280.64	5,696,650
US Aero defence	LOCKHEED MARTIN CORP COM	23390	362.09	297.82	6,965,987
US Aero defence	UNITED TECHNOLOGIES CORP	66535	133.58	109.87	7,310,171
<b>US Aerospace Total</b>					<b>19,972,808</b>
<b>GENERAL INDUSTRIAL</b>					
US Div Ind	BALL CORP	63451	71.42	58.74	3,727,299
US Div Ind	CATERPILLAR INC	12604	131.66	108.29	1,364,892
US Div Ind	DANAHER CORP	37150	140.47	115.54	4,292,184
US Div Ind	DOVER CORP	3500	96.81	79.63	278,692
US Div Ind	DYCOM INDUSTRIES INC	21691	55.13	45.34	983,566
US Div Ind	GARDNER DENVER HOLDINGS INC	75568	33.00	27.14	2,051,104
US Div Ind	GRANITE CONSTRUCTION INC	18475	35.49	29.19	539,295
US Div Ind	GREENBRIER COMPANIES INC	18280	28.91	23.78	434,671
US Div Ind	ILLINOIS TOOL WORKS INC	23008	154.18	126.81	2,917,715
US Div Ind	INGERSOLL-RAND PLC	35708	123.67	101.72	3,632,167
US Div Ind	REXNORD CORP	10469	29.31	24.11	252,381
US Div Ind	TRITON INTERNATIONAL LTD/BER	28181	33.07	27.20	766,525
US Div Ind	WABTEC CORP	26539	77.67	63.88	1,695,406
<b>US General Industrial Total</b>					<b>22,935,896</b>



<b>ELECTRONIC EQUIPMENT</b>					
US Electricity	3M CO	3876	174.75	143.73	557,105
US Electricity	AMETEK INC	21114	89.58	73.68	1,555,670
US Electricity	FORTIVE CORP	34529	76.02	62.53	2,158,976
US Electricity	GENERAL ELECTRIC CO	95454	10.43	8.58	818,869
US Electricity	NVENT ELECTRIC PLC	46581	24.75	20.36	948,244
<b>US Electronic Equipment Total</b>					<b>6,038,863</b>
<b>INDUSTRIAL TRANSPORT</b>					
US Transportation	KIRBY CORP	7192	78.34	64.43	463,414
US Transportation	NORFOLK SOUTHERN CORP	22472	191.04	157.13	3,531,034
<b>US Industrial Transport Total</b>					<b>3,994,448</b>
<b>SUPPORT SERVICES</b>					
US Support Services	GENPACT LTD	54404	39.67	32.63	1,775,125
US Support Services	TRANSUNION	15093	82.77	68.08	1,027,506
US Support Services	TRINET GROUP INC	25629	73.54	60.49	1,550,212
<b>US Support Services Total</b>					<b>4,352,844</b>
<b>BEVERAGES</b>					
US Beverages	COCA-COLA CO/THE	269327	52.61	43.27	11,654,244
US Beverages	MONSTER BEVERAGE CORP	28851	64.47	53.03	1,529,870
<b>US Beverages Total</b>					<b>13,184,114</b>
<b>FOOD PRODUCTION/PROCESS</b>					
US Food Prod & Process	MONDELEZ INTERNATIONAL INC-A	89224	53.50	44.00	3,926,191
<b>US Food Production &amp; Processing Total</b>					<b>3,926,191</b>
<b>HOUSEHOLD GOODS</b>					
US Hous Gds Txtils	NIKE INC -CL B	35293	86.00	70.74	2,496,450
US Hous Gds Txtils	UNDER ARMOUR INC-CLASS A	210982	23.06	18.97	4,001,664
US Hous Gds Txtils	UNDER ARMOUR INC-CLASS C	208537	20.33	16.72	3,487,036
<b>US Household Goods Total</b>					<b>9,985,150</b>
<b>PERSONAL GOODS</b>					
US Personal Care / Hc	PROCTOR & GAMBLE CO/THE	108325	118.02	97.07	10,515,265
<b>US Personal Goods Total</b>					<b>10,515,265</b>
<b>TOBACCO</b>					
US Tobacco	PHILIP MORRIS INTERNATIONAL	81762	83.59	68.75	5,621,364
<b>US Tobacco Total</b>					<b>5,621,364</b>
<b>HEALTHCARE EQUIPMENT &amp; SERVICES</b>					
US Healthcare Equipm	ANTHEM INC	40372	294.54	242.26	9,780,486
US Healthcare Equipm	BOSTON SCIENTIFIC CORP	199456	42.44	34.91	6,962,391
US Healthcare Equipm	ELANCO ANIMAL HEALTH INC	18278	32.97	27.12	495,660
US Healthcare Equipm	HCA HOLDINGS INC	24203	133.50	109.80	2,657,580
US Healthcare Equipm	NUVASIVE INC	55895	66.51	54.70	3,057,707
US Healthcare Equipm	THERMO FISHER SCIENTIFIC	26128	277.62	228.34	5,966,132
<b>US Healthcare Equipment &amp; Services Total</b>					<b>28,919,955</b>
<b>PHARMACEUTICAL, BIOTECH</b>					
US Healthcare	ABBOTT LABORATORIES	134274	87.10	71.64	9,619,356
US Healthcare	AERIE PHARMACEUTICALS INC	11723	21.65	17.81	208,753
US Healthcare	ALDER BIOPHARMACEUTICALS INC	14200	10.09	8.30	117,846
US Healthcare	ALLERGAN PLC	16406	160.45	131.97	2,165,102
US Healthcare	ALNYLAM PHARMACEUTICALS INC	3253	77.57	63.80	207,546
US Healthcare	ARCUS BIOSCIENCES INC	10866	7.91	6.51	70,694
US Pharm, Biotech	ASSEMBLY BIOSCIENCES INC	7199	12.50	10.28	74,015
US Pharm, Biotech	ATRECA INC-A	9538	12.65	10.40	99,239
US Pharm, Biotech	ASTRAZENECA PLC-SPONS ADR	167224	43.41	35.70	5,970,687
US Pharm, Biotech	AUDENTES THERAPEUTICS INC	6588	38.91	32.00	210,839
US Healthcare	BAXTER INTERNATIONAL INC	36802	83.97	69.07	2,541,742
US Healthcare	BIOHAVEN PHARMACEUTICAL HOLD	13673	43.01	35.38	483,692



US Healthcare	BLUEBIRD BIO INC	5011	131.11	107.84	540,376
US Healthcare	BRISTOL-MYERS SQUIBB CO	102329	44.39	36.51	3,736,111
US Healthcare	CALITHERA BIOSCIENCES INC	13274	4.24	3.49	46,292
US Healthcare	COHERUS BIOSCIENCES INC	33106	16.82	13.83	458,003
US Healthcare	CYTOX THERAPEUTICS INC	12600	10.31	8.48	106,848
US Pharm, Biotech	DERMIRA INC	65058	8.81	7.25	471,425
US Pharm, Biotech	FORTY SEVEN INC	23100	8.90	7.32	169,098
US Pharm, Biotech	GLOBAL BLOOD THERAPEUTICS IN	8786	54.73	45.02	395,506
US Pharm, Biotech	GLYCOMIMETICS INC	18311	9.21	7.58	138,710
US Pharm, Biotech	G1 THERAPEUTICS INC	15394	24.76	20.37	313,500
US Pharm, Biotech	HERON THERAPEUTICS INC	8044	17.43	14.34	115,320
US Pharm, Biotech	INCYTE CORP	6262	84.85	69.79	437,020
US Pharm, Biotech	JOUNCE THERAPEUTICS INC	7242	4.79	3.94	28,532
US Pharm, Biotech	KALA PHARMACEUTICALS INC	15900	5.88	4.84	76,897
US Pharm, Biotech	KARYOPHARM THERAPEUTICS INC	15748	8.80	7.24	113,984
US Healthcare	MEDICINES COMPANY	21797	35.81	29.45	642,003
US Healthcare	MADRIGAL PHARMACEUTICALS INC	200	87.24	71.75	14,351
US Healthcare	MOMENTA PHARMACEUTICALS INC	16300	11.28	9.28	151,228
US Healthcare	MYLAN NV	36203	20.87	17.17	621,445
US Healthcare	MYOKARDIA INC	11431	54.40	44.74	511,469
US Healthcare	MYOVANT SCIENCES LTD	23146	7.20	5.92	137,071
US Healthcare	NEKTAR THERAPEUTICS	27826	28.43	23.38	650,674
US Healthcare	NEON THERAPEUTICS INC	6315	2.83	2.33	14,699
US Healthcare	ODONATE THERAPEUTICS INC	12709	40.75	33.52	425,966
US Pharm, Biotech	PFIZER INC	255295	38.85	31.95	8,157,728
US Pharm, Biotech	PHASEBIO PHARMACEUTICALS INC	7900	7.80	6.42	50,682
US Pharm, Biotech	RADIUS HEALTH INC	11904	21.43	17.63	209,822
US Pharm, Biotech	RA PHARMACEUTICALS INC	20757	34.04	28.00	581,152
US Pharm, Biotech	REVANCE THERAPEUTICS INC	26757	12.57	10.34	276,636
US Pharm, Biotech	RIGEL PHARMACEUTICALS INC	37337	2.28	1.88	70,018
US Pharm, Biotech	SEATTLE GENETICS INC	14678	75.71	62.27	914,021
US Pharm, Biotech	SYNDAX PHARMACEUTICALS	24029	9.59	7.89	189,535
US Pharm, Biotech	TEVA PHARMACEUTICAL-SP ADR	183811	7.93	6.52	1,198,893
US Pharm, Biotech	TRICIDA INC	11750	31.50	25.91	304,428
US Healthcare	VERTEX PHARMACEUTICALS INC	5738	166.62	137.04	786,364
US Healthcare	WAVE LIFE SCIENCES LTD	4600	21.41	17.61	81,005
US Healthcare	UNITEDHEALTH GROUP INC	12367	248.93	204.74	2,532,080
<b>US Pharmaceutical, Biotech Total</b>					<b>47,438,403</b>
<b>FOOD RETAIL</b>					
US Retail Food & Drug	HOUGHTON MIFFLIN HARCOURT CO	102894	5.86	4.82	495,934
US Retail Food & Drug	HYATT HOTELS CORP-CL A	36685	77.34	63.61	2,333,612
US Retail Food & Drug	MCDONALD'S CORP	53123	210.69	173.29	9,205,819
US Retail Food & Drug	MGM RESORTS INTERNATIONAL	46378	30.01	24.68	1,144,759
<b>US Food Retail Total</b>					<b>13,180,123</b>
<b>RETAILERS - GENERAL</b>					
US Retailers Gen	AMAZON.COM INC	15405	1,866.38	1,535.10	23,648,178
US Retailers Gen	BURLINGTON STORES INC	45911	180.81	148.72	6,827,711
US Retailers Gen	EXPEDIA INC	58247	132.69	109.14	6,356,933
US Retailers Gen	LOWE'S COS INC	52942	101.40	83.40	4,415,442
US Retailers Gen	TJX COMPANIES INC	90538	54.57	44.88	4,063,692
<b>US Retailers - General Total</b>					<b>45,311,956</b>
<b>MEDIA</b>					
US Media & Photo	CHARTER COMMUNICATIONS INC-A	12898	385.30	316.91	4,087,496
US Media & Photo	COMCAST CORP CL A	268920	43.15	35.49	9,544,206
US Media & Photo	FACEBOOK INC	82941	194.21	159.74	13,248,807
US Media & Photo	LIBERTY MEDIA CORP-MEDIA C	45118	39.38	32.39	1,461,374
US Media & Photo	NETFLIX INC	11422	322.98	265.65	3,034,266
US Media & Photo	NEW YORK TIMES CO-A	19350	35.67	29.34	567,701
US Media & Photo	WALT DISNEY COMPANY	18838	143.01	117.63	2,215,833



<b>US Media Total</b>					<b>34,159,684</b>
<b>TRAVEL &amp; LEISURE</b>					
US Hotels Leisure	JETBLUE AIRWAYS CORP	54155	19.21	15.80	855,661
US Hotels Leisure	SPIRIT AIRLINES INC	7598	42.43	34.90	265,160
<b>US Travel &amp; Leisure Total</b>					<b>1,120,821</b>
<b>TELECOMS</b>					
Telecoms	VERIZON COMMUNICATIONS INC	206655	55.20	45.40	9,382,550
<b>US Telecoms Total</b>					<b>9,382,550</b>
<b>ELECTRICITY</b>					
US Electricity	AVANGRID INC	37911	50.54	41.57	1,575,928
US Electricity	EDISON INTERNATIONAL	70719	74.50	61.28	4,333,395
US Electricity	EXELON CORP	83306	45.08	37.08	3,088,845
US Electricity	NATIONAL GRID PLC-SP ADR	29909	51.43	42.30	1,265,186
US Electricity	NEXTERA ENERGY INC	8591	207.12	170.36	1,463,530
US Electricity	NRG ENERGY INC	135164	34.13	28.07	3,794,314
<b>US Electricity Total</b>					<b>15,521,198</b>
<b>GAS &amp; WATER</b>					
Gas	SEMPRA ENERGY	56085	135.42	111.38	6,246,913
Gas	UGI CORP	34962	51.07	42.01	1,468,581
<b>US Gas &amp; Water Total</b>					<b>7,715,494</b>
<b>BANKS, RETAIL</b>					
US Banks Retail	BANK OF AMERICA CORP	622357	30.67	25.23	15,699,624
US Banks Retail	MGIC INVESTMENT CORP	95949	12.83	10.55	1,012,519
US Banks Retail	SVB FINANCIAL GROUP	9121	231.97	190.80	1,740,244
<b>US Banks - Retail Total</b>					<b>18,452,387</b>
<b>NON-LIFE INSURANCE</b>					
US Insurance	AMERICAN INTERNATIONAL GROUP	91038	55.98	46.04	4,191,713
US Insurance	ASSURANT INC	39846	113.33	93.21	3,714,202
US Insurance	ASSURED GUARANTY LTD	94809	43.70	35.94	3,407,744
US Insurance	ATHENE HOLDING LTD-CLASS A	68759	40.86	33.61	2,310,808
US Insurance	HARTFORD FINANCIAL SVCS GRP	81167	57.61	47.38	3,846,035
US Insurance	MARSH & MCLENNAN COS INC COM	46655	98.80	81.26	3,791,325
US Insurance	METLIFE INC	24860	49.38	40.62	1,009,690
US Insurance	PROGRESSIVE CORP	31255	80.96	66.59	2,081,258
US Insurance	PRUDENTIAL FINANCIAL INC	20785	101.31	83.33	1,731,962
US Insurance	TRUPANION INC	38711	32.16	26.45	1,023,968
<b>US Non-Life Insurance Total</b>					<b>27,108,704</b>
<b>REAL ESTATE</b>					
US Real Estate	AMERICAN TOWER CORP	39299	211.57	174.02	6,838,668
US Real Estate	ALEXANDRIA REAL ESTATE EQUIT	21966	146.33	120.36	2,643,749
US Real Estate	CAMDEN PROPERTY TRUST	24781	103.57	85.19	2,111,002
US Real Estate	EQUINIX INC	11787	501.75	412.69	4,864,370
US Real Estate	HCP INC	57622	31.90	26.24	1,511,872
US Real Estate	STORE CAPITAL CORP.	37995	34.16	28.10	
<b>US Real Estate Total</b>					<b>17,969,660</b>
<b>GENERAL FINANCIAL</b>					
US Special Finance	AMERICAN EXPRESS CO	33748	124.37	102.29	3,452,229
US Special Finance	ARES MANAGEMENT CORP - A	100637	29.25	24.06	2,421,138
US Special Finance	AXA EQUITABLE HOLDINGS INC	35607	22.46	18.47	657,781
US Special Finance	THE BLACKSTONE GROUP INC-A	56349	48.00	39.48	2,224,659
US Special Finance	EQUIFAX INC	9250	139.06	114.38	1,057,986
US Special Finance	FLEETCOR TECHNOLOGIES INC	14929	284.00	233.59	3,487,265
US Special Finance	GLOBAL PAYMENTS INC	39856	167.92	138.11	5,504,680
US Special Finance	HAMILTON LANE INC-CLASS A	38785	58.70	48.28	1,872,569



US Special Finance	IHS MARKIT LTD	97626	64.42	52.99	5,172,758
US Special Finance	ONEMAIN HOLDINGS INC	57648	41.45	34.09	1,965,372
US Special Finance	PAYPAL HOLDINGS INC	39057	110.40	90.80	3,546,532
US Special Finance	RAYMOND JAMES FINANCIAL INC	24003	80.66	66.34	1,592,427
US Special Finance	TD AMERITRADE HOLDING CORP	151585	51.09	42.02	6,369,833
US Special Finance	TOTAL SYSTEM SERVICES INC	10539	135.72	111.63	1,176,465
US Special Finance	VISA INC CL A SHS	55013	177.95	146.36	8,051,916
US Special Finance	VOYA FINANCIAL INC	43061	56.17	46.20	1,989,411
US Special Finance	WEX INC	10536	218.10	179.39	1,890,024
<b>US General Financial Total</b>					<b>52,433,042</b>
<b>SOFTWARE</b>					
US Software & Comp	ADOBE SYSTEMS INC	7706	298.86	245.81	1,894,230
US Software & Comp	ALPHABET INC - CL A SHARES	20286	1,217.71	1,001.57	20,317,778
US Software & Comp	ATLASSIAN CORP PLC-CLASS A	1140	140.05	115.19	131,318
US Software & Comp	AUTODESK INC	5735	156.09	128.38	736,282
US Software & Comp	BLUCORA INC	100778	29.94	24.63	2,481,724
US Software & Comp	GODADDY INC - CLASS A	50597	73.38	60.36	3,053,784
US Software & Comp	GUIDEWIRE SOFTWARE INC	10718	102.09	83.97	899,980
US Software & Comp	MICROSOFT CORP	208480	136.23	112.05	23,360,012
US Software & Comp	SALESFORCE.COM INC	28946	154.51	127.08	3,678,587
US Software & Comp	SERVICENOW INC	5348	277.32	228.10	1,219,856
US Software & Comp	SCIPLAY CORP-CLASS A	41800	10.42	8.57	358,245
US Software & Comp	SLACK TECHNOLOGIES INC-CL A	1400	33.40	27.47	38,460
US Software & Comp	SPLUNK INC	6292	135.31	111.29	700,252
US Software & Comp	SPOTIFY TECHNOLOGY SA	5207	154.83	127.35	663,099
US Software & Comp	SS&C TECHNOLOGIES HOLDINGS	113817	47.91	39.41	4,485,070
US Software & Comp	SVMK INC	75000	16.96	13.95	1,046,220
US Software & Comp	TAKE-TWO INTERACTIVE SOFTWARE	7069	122.53	100.78	712,420
US Software & Comp	WORKDAY INC-CLASS A	12246	199.97	164.48	2,014,165
<b>US Software Total</b>					<b>67,791,483</b>
<b>TECHNOLOGY HARDWARE</b>					
US IT Hardware	ADVANCED MICRO DEVICES	152026	30.43	25.03	3,805,009
US IT Hardware	APPLE INC	79305	212.78	175.01	13,879,291
US IT Hardware	FIRST SOLAR INC	16806	64.47	53.03	891,165
US IT Hardware	INTEL CORP	92356	50.54	41.57	3,839,160
US IT Hardware	KLA-TENCOR CORP	12255	136.31	112.11	1,373,969
US IT Hardware	LATTICE SEMICONDUCTOR CORP	111384	19.33	15.90	1,770,886
US IT Hardware	MARVELL TECHNOLOGY GROUP LTD	207120	26.25	21.59	4,471,850
US IT Hardware	MICRON TECHNOLOGY INC	75209	44.89	36.92	2,776,869
US IT Hardware	TERADYNE INC	20048	55.69	45.81	918,299
US IT Hardware	TEXAS INSTRUMENTS INC	32743	125.00	102.81	3,366,390
US IT Hardware	WESTERN DIGITAL CORP	72695	53.89	44.32	3,222,171
<b>US Technology Hardware Total</b>					<b>40,315,059</b>
<b>Adjustment for Sale of US Equities (Timing )</b>					<b>- 50,000,000</b>
<b>TOTAL UNITED STATES</b>					<b>521,605,844</b>





**DERBYSHIRE PENSION FUND**  
**JULY 2019 PORTFOLIO VALUATION - BID**

<b>EUROPEAN EQUITIES</b> Company name	<b>Number held</b>	<b>Mkt price in local currency</b>	<b>Mkt Price GBP</b>	<b>Value in Sterling £</b>
<b>EUROPEAN PASSIVE TRACKER FUND</b>				
EUROPEAN UBS LIFE EUROPE EX-UK EQUITY T	127,335,613	347.46	3.47	442,440,320
<b>EUROPEAN EQUITIES TOTAL</b>				<b>442,440,320</b>



DERBYSHIRE PENSION FUND  
JULY 2019 PORTFOLIO VALUATION - BID

OTHER EQUITIES		Number held	Mkt price in local currency	Mkt Price GBP	Value in Sterling £
<b>JAPAN</b>					
<b>Investment Companies</b>					
Japan	CC Japan Income & Growth Trust	5,000,000	149.00	149.00	7,450,000
Japan	JPMorgan JAP IT 25P	7,730,000	453.00	453.00	35,016,900
Japan	JPMF japs smoc	2,250,000	416.00	416.00	9,360,000
Japan	Schroder Japan Growth Fund 10p ords	11,300,000	190.50	190.50	21,526,500
<b>J Investment Companies Total</b>					<b>73,353,400</b>
<b>Unit Trusts &amp; OEICs</b>					
Japan	Baillie Gifford OGF - Japanese B Acc Shares	4,520,380.58	1,744.00	1,744.00	78,835,437
Japan	Baring Japan Growth Trust	5,500,000.00	223.70	223.70	12,303,500
Japan	Invesco Japan FD-UKNTACC	4,553,244.54	202.74	202.74	9,231,248
Japan	JPMorgan Jap Fd A Acc	3,000,000.00	505.50	505.50	15,165,000
Japan	Legg Mason IF Martin Currie Japan Alpha Fund X Acc.	31,075,861.03	173.30	173.30	53,854,467
Japan	Schroder UT Tokyo Ac	11,000,000.00	362.40	362.40	39,864,000
<b>J Unit Trusts Total</b>					<b>209,253,653</b>
<b>Investment Entities</b>					
Japan	Aberdeen Global - JAP Smaller Cos Fund DE	1,662,639.78	11.85	11.85	19,702,115
Japan	JO Hambro - Japan Fd GBP-A	15,000,000.00	2.42	2.42	36,300,000
<b>J Investment Entities Total</b>					<b>56,002,115</b>
<b>JAPAN TOTAL</b>					<b>338,609,168</b>
<b>OTHER ASIA</b>					
<b>Investment Companies</b>					
Asian	ABERDEEN ASIAN INCOME FUND ORDS	3,000,000	220.00	220.00	6,600,000
Asian	ABERDEEN NDIT 25P	7,780,000	262.00	262.00	20,383,600
Asian	EDINBURGH DT 20P	8,610,000	425.50	425.50	36,635,550
Asian	INVESCO ASIA TRUST 10P	6,358,000	292.00	292.00	18,565,360
<b>OA Investment Companies Total</b>					<b>82,184,510</b>
<b>Unit Trusts &amp; OEICs</b>					
Asian	Stewart Investors Asia Pacific Fund (First State Asia Pacific B Acc	5,250,000	1,588.61	1,588.61	83,402,025
Asian	JPMorgan Asia Fund A Ac	20,000,000	237.80	237.80	47,560,000
Asian	Schroder Instl PAC Fd Ac	2,000,000	1,763.00	1,763.00	35,260,000
<b>OA Unit Trusts Total</b>					<b>166,222,025</b>
<b>Investment Entities</b>					
Asian	Baring Int'l Australia \$	130,000,000	121.07	99.58	12,945,410
Asian	Legg Mason-Martin Currie Greater China Fund-AADU	422,937.136	31.57	25.97	10,982,123
<b>OA Investment Entities Total</b>					<b>23,927,533</b>
<b>OTHER ASIA TOTAL</b>					<b>272,334,068</b>
<b>EMERGING MARKETS</b>					
<b>Investment Companies</b>					
International	ABERDEEN EMERGING MARKETS	2,788,425	606.00	606.00	16,897,856
International	ABERDEEN FRONTIER MARKETS	4,250,000	46.40	46.40	1,972,000
International	BLACKROCK FRONTIERS INV TRUST	3,200,000	142.00	142.00	4,544,000
Latin America	Blackrock Latin American Investment Trust plc	862,529	528.00	528.00	4,554,153
International	GENESIS EMERGING MKTS FUND LTD	4,300,000	775.00	775.00	33,325,000
International	JP Morgan EMER IT25P	3,700,000	1,062.00	1,062.00	39,294,000
<b>Int'l Investment Companies Total</b>					<b>100,587,009</b>
<b>Unit Trusts &amp; OEICs</b>					
International	Stewart Investors Global Emerging Markets Fund	3,000,000	971.87	971.87	29,156,100
Latin America	Thd ndle Lnamer Gwth	3,500,000	313.85	313.85	10,984,750
<b>Int'l Unit Trusts Total</b>					<b>40,140,850</b>
<b>Life Policies</b>					
International	LGIM World Emerging Markets Index Fund	19,715,183.850	3.67	3.67	72,313,126
<b>International Life Policies</b>					<b>72,313,126</b>
<b>Investment Entities</b>					
International	FPP GLOBAL EMERGING MKTS	82,057,980	105.94	87.13	7,149,980
Latin America	JPMorgan LNAME A US	86,085,904	50.08	41.19	3,545,947
International	POLUNIN FUNDS-DEVEL CNTY-B	47,502,659	1,038.72	854.35	40,583,764
<b>LatAm Investment Entities Total</b>					<b>51,279,691</b>
<b>EMERGING MARKETS TOTAL</b>					<b>264,320,675</b>
<b>OTHER EQUITIES TOTAL</b>					<b>875,263,911</b>





**DERBYSHIRE PENSION FUND**  
**JULY 2019 PORTFOLIO VALUATION - BID**

**OTHER EQUITIES**

Company name	Number held	Mkt price in local currency	Value in Sterling £
<b>PRIVATE EQUITY</b>			
<b>Quoted Private Equity</b>			
UK Invest APAX GLOBAL ALPHA LTD	3,000,000	156.50	4,695,000
UK Invest HARBOURVEST GLOBAL PRIVATE	925,000	1720.00	15,910,000
UK Invest HGCAPITAL TRUST PLC	7,053,150	214.00	15,093,741
UK Invest ICG ENTERPRISE TRUST PLC	181,795	872.00	1,585,252
UK Invest NB PRIVATE EQUITY PARTNERS Ltd (A)	1,500,000	13.85	17,087,438
UK Invest PANTHEON INTERNATIONAL PLC	345,000	2300.00	7,935,000
UK Invest PRINCESS PRIVATE EQUITY HOLDING LTD	500,000	9.66	4,400,372
UK Invest STANDARD LIFE PRIVATE EQUITY	900,000	356.00	3,204,000
UK Invest WOODFORD PATIENT CAPITAL TRUST	5,000,000	47.35	2,367,500
<b>UK Quoted Private Equity Total</b>			<b>72,278,302</b>

**Unquoted Private Equity**

UK Uncla ADAM STREET PARTNERS (FEEDER) 2017 FUND	30,000,000	0.42	10,332,896
UK Uncla BAIRD CAPITAL PARTNERS EUROPE FUND LP	4,300,000	0.03	131,694
UK Uncla CAPITAL DYNAMICS GLOBAL SECONDARIES IV	20,000,000	0.73	11,977,503
UK Uncla CAPITAL DYNAMICS MID-MARKET DIRECT FEEDER LP	25,000,000	0.87	19,743,537
UK Uncla CAPITAL DYNAMICS LGPS COLLECTIVE PE VEHICLE 2017/18	20,000,000	0.30	6,006,176
UK Uncla CATAPULT GROWTH FUND UNITS	3,000,000	0.08	226,608
UK Uncla EAST MIDLANDS VENTURE	3,000,000	0.07	197,722
UK Uncla EPIRIS FUND II	25,000,000	0.37	9,214,642
UK Uncla GRAPHITE CAPITAL PARTNERS FUND 1X A	11,250,000	0.00	0
UK Uncla GRAPHITE CAPITAL PARTNERS FUND 1X C	11,250,000	0.00	0
UK Uncla MOBEUS EQUITY PARTNERS IV LP	10,000,000	0.55	5,507,054
UK Invest PANORAMIC ENTERPRISE CAPITAL UNITS	1,428,486	1.18	1,679,475
UK Invest PANORAMIC GROWTH FUND 2 LP	10,000,000	0.53	5,299,583
UK Invest PARTNERS GROUP GLOBAL VALUE 2008	7,500,000	0.49	3,347,220
UK Invest STAR CAPITAL STRATEGIC ASSETS III LP	12,500,000	0.40	4,510,858
UK Uncla VESPA CAPITAL II LLP	10,000,000	0.57	5,713,158
<b>UK Unquoted Private Equity Total</b>			<b>83,888,127</b>

**PRIVATE EQUITY TOTAL**

**156,166,429**

**INFRASTRUCTURE**

**UK Infrastructure Quoted**

Closed-er FORESIGHT SOLAR FUND LTD	4,000,000	116.00	4,640,000
Closed-er GREENCOAT UK WIND PLC	11,875,000	138.80	16,482,500
Closed-er HICL INFRASTRUCUTRE CO LTD	6,060,872	164.60	9,976,195
Closed-e INTERNATIONAL PUBLIC PARTNERSHIP LTD	20,462,823.00	160.20	32,781,442
Closed-e 3I INFRASTRUCTURE PLC	2,249,999.00	284.50	6,401,247
Closed-e RENEWABLES INFRASTRUCTURE GR	8,111,111.00	126.80	10,284,889
<b>UK Infrastructure Quoted Total</b>			<b>80,566,274</b>

**UK Infrastructure Unquoted**

UK Uncla DALMORE CAPITAL 3 LP	25,000,000	0.87	21,658,849
UK Uncla EQUITIX FUND 1 LTD P'SHIP	7,500,000	1.63	12,233,622
UK Uncla Equitix Fund IV Ltd P'ship	25,000,000	1.07	26,698,989
UK Uncla FIRST STATE EDIF II	20,000,000	0.62	11,309,500
UK Uncla IMPAX NEW ENERGY INVESTORS II UNITS	10,000,000	0.02	153,172
UK Uncla JP Morgan Infrastructure Investment Fund UK LP	110,000,000	1.02	92,371,820
UK Uncla MEIF 5 Co-Invest LP	12,600,000	0.59	6,794,939
UK Uncla MEIF 6 Co-Invest LP	28,000,000	0.00	0
UK Uncla Macquarie European Infrastructure Fund 5 LP	14,400,000	0.88	11,582,436
UK Uncla Macquarie European Infrastructure Fund 6 SCSp	56,000,000	0.00	0
UK Uncla PIP Multi Strategy Infrastructure LP	25,000,000	0.87	21,839,729
UK Uncla SL CAPITAL INFRASTRUCTURE 1LP	15,000,000	0.88	13,181,506
UK Uncla SL Capital Infrastructure II SCSP	25,000,000	0.57	12,956,350
<b>UK Infrastructure Total</b>			<b>230,780,912</b>

**INFRASTRUCTURE TOTAL**

**311,347,186**

**ALTERNATIVES TOTAL**

**467,513,615**





**DERBYSHIRE PENSION FUND**  
**JULY 2019 PORTFOLIO VALUATION - BID**

		31/07/2019
		Value
Real Property		£
Property	Southampton Property	5,900,000
Property	Retail Unit Tamworth	9,400,000
Property	15-17 Jockeys Field London	11,700,000
Property	D'Arblay House, London	16,800,000
Property	Bristol Odeon Development	5,400,000
Property	Quintins Centre, Hailsham	5,900,000
Property	Caledonia House, London	24,000,000
Property	Chelsea Fields Ind Est, London	13,700,000
Property	Planet Centre, Feltham	13,250,000
Property	Hill St, Mayfair	15,600,000
Property	Birmingham - Travelodge developm't	17,200,000
Property	Saxmundham, Tesco developm't	9,900,000
Property	Roundhay Road, Leeds	7,450,000
Property	Premier Inn, Rubery, Birmingham	6,200,000
Property	South Normanton Warehouse, Alfreton	15,600,000
Property	Loddon Centre, Basingstoke	13,700,000
Property	Parkway, Bury St Edmunds	12,200,000
Property	Waitrose, York	13,550,000
Property	Link 95, Haywood Manchester	10,650,000
Property	Car Park, Welford Rd Leicester	13,473,080
<b>Total Real Property</b>		<b>241,573,080</b>

**Property Managed Funds**

Property	Pence	Assura PLC	3,876,000
Property	GBP	Aviva Pooled Property Fund - class A	9,982,719
Property	GBP	Aviva Pooled Property Fund - class B	8,782,539
Property	GBP	Bridges Property Alternatives Fund III LP	9,072,257
Property	GBP	Bridges Property Alternatives Fund IV LP	2,256,251
Property	EUR	Fidelity Eurozone Select Real Estat Fund - price in Ei	24,229,025
Property	GBP	Hearthstone Residential Fund 1 LP	12,362,103
Property	GBP	Igloo Regeneration P'ship Property Unit Trust	682,030
Property	EUR	Invesco Real Estate-European Fund FCP - SIF	4,784,300
Property	Pence	Target Healthcare REIT Ltd	4,550,690
Property	GBP	M&G PP UK Property Fund (Inc)	20,648,959
Property	EUR	M&G European Property Fund SICAV-FIS (Class X)	22,759,043
Property	GBP	Threadneedle Pensions Property Fund	10,764,129
Property	Pence	Tritax Big Box Indirect Pooled Fund	15,290,000
Property	GBP	Unite UK Student Accommodation Fund	22,069,774
<b>Total Property Funds</b>			<b>172,109,817</b>

**Local Authority Deposits**

	Chesterfield Borough Council	0
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<b>Cash</b>		
Cash	BNP Paribas	28,897
	BNP Paribas	6,512
	BNP Paribas	105,977
Cash	Northern Trust	18,934,441
Cash		0
Cash		7,936,717
	Northern Trust	15,176,480
Cash	Cash - Lloyds bank Superfund	19,800,000
Cash	Cash Temporary Loans	
	Lloyds 95 Day Notice	
	Santander 180 Day Notice	
	Leeds City Council 2D/N	
	Rotherham City Council 14 D/N	
	Certs of Deposit	
	Net Divestment Cash In Transit	100,000,000
	Treasury Bills	214,009,951
<b>Total Cash</b>		<b>375,998,976</b>





## DERBYSHIRE PENSION FUND

## JULY 2019 PORTFOLIO VALUATION - BID

	Number held	Mkt Price in local currency (Clean)	Mkt Price in local currency (Dirty)	Mkt Price pence GBP	Total £ GBP
<b>UK GILTS</b>					
TSY 3.75% 7/9/2020	10,322,000	103.56	105.05	105.05	10,843,567
TSY 4.75% 7/3/2020	10,000,000	102.52	104.42	104.42	10,441,842
TSY 1.75% 7/9/2022	13,490,000	104.29	104.99	104.99	14,163,292
TSY 4% 7/3/2022	10,995,000	109.44	111.04	111.04	12,208,389
TSY 2.25% 7/9/2023	15,400,000	107.68	108.57	108.57	16,720,516
TSY 5% 7/3/2025	5,500,000	125.40	127.40	127.40	7,006,741
TSY 2% 7/9/2025	7,000,000	109.70	110.49	110.49	7,734,644
TSY 1.5% 7/22/2026	5,650,000	107.22	107.26	107.26	6,060,459
TSY 4.25% 7/12/2027	18,000,000	130.61	131.24	131.24	23,624,039
TSY 4.75% 7/12/2030	13,162,000	143.87	144.59	144.59	19,030,646
TSY 4.25% 7/6/2032	12,370,000	141.17	141.81	141.81	17,542,102
TSY 4.5% 7/9/2034	16,373,000	149.21	151.01	151.01	24,724,794
TSY 4.25% 7/3/2036	11,400,000	148.40	150.10	150.10	17,110,909
TSY 1.75% 7/9/2037	11,800,000	109.61	110.30	110.30	13,015,878
TSY 4.75% 7/12/2038	7,934,000	162.47	163.19	163.19	12,947,320
TSY 4.25% 7/9/2039	4,050,000	154.48	156.17	156.17	6,325,075
TSY 3.25% 1/22/2044	8,000,000	140.75	140.84	140.84	11,267,385
TSY 4.25% 7/12/2046	3,900,000	167.37	168.01	168.01	6,552,221
<b>001 UKGB Total</b>					<b>237,319,818</b>

**US GOVERNMENT BONDS**

T 2.75% 31/8/2023	26,191,000	103.58	104.73	86.14	22,560,810
T 2.25% 15/11/2024	21,000,000	101.98	102.46	84.27	17,697,624
T 2.75% 15/11/2042	7,500,000	104.88	105.46	86.74	6,505,433
<b>004 USGB Total</b>					<b>46,763,868</b>

**NON GOVERNMENT BONDS**

Kames UK Corp Bond Fund	48,230,859	311.93	311.93	311.93	150,446,519
Royal London UK Corporate Bond F	57,524,989	273.63	273.63	273.63	157,406,203
<b>Non Govt Bonds Total</b>					<b>307,852,722</b>

**MULTI ASSET CREDIT**

AMP Capital Infrastructure Debt Fui	17,000,000	0.89	0.89	0.89	13,756,315
Barings Global Private Loan Fund	40,000,000	0.67	0.67	0.67	26,856,704
Barings Global Private Loan Fund 2	40,000,000	0.88	0.88	0.88	35,052,133
Barings Global Private Loan Fund 3	50,000,000	0.18	0.18	0.18	8,822,225
CQS Credit Multi Asset Fund Class	86,572	1,056.79	1,056.79	1,056.79	91,488,301
CVC Credit PARTNERS European	56,000,000	0.00	0.00	0.00	0
Janus Henderson Multi Asset Credit	97,970,060	1.08	1.08	1.08	106,095,207
<b>Multi Asset Credit Total</b>					<b>282,070,886</b>

**UK INDEX LINKED**

TREAS 4.125% IL STK 22/7/2030	6,510,000	394.12	394.36	394.36	25,672,767
TREAS 2% IL STK 26/1/2035	8,000,000	299.49	299.55	299.55	23,963,786
<b>002 UKGIL Total</b>					<b>49,636,553</b>

**INDEX LINKED (3 months)**

	Number held	Clean Price	Index Ratio	Gross	Accrued Interest	Total
<b>UK INDEX LINKED (3months)</b>						
TREAS 0.125% IL STK 22/3/2024	9,230,000	115.3460	1.192970	12,700,878.52	4,138.45	12,705,017
TREAS 1.25% IL STK 22/11/2027	7,400,000	138.7130	1.490210	15,296,650.98	17,846.47	15,314,497
TREAS 0.125% IL STK 22/3/2029	5,325,000	131.3710	1.218090	8,521,155.60	2,387.57	8,523,543
TREAS 1.25% IL STK 22/11/2032	2,777,000	161.2260	1.331910	5,963,288.75	6,697.25	5,969,986
TREAS 0.75% IL STK 22/3/2034	11,465,000	156.7280	1.245320	22,376,987.21	30,843.34	22,407,831
TREAS 1.125% IL STK 22/11/2037	5,580,000	179.5270	1.429960	14,324,776.73	12,111.48	14,336,888
TREAS 0.625% IL STK 22/3/2040	5,600,000	174.1920	1.335660	13,029,032.06	12,554.35	13,041,586
TREAS 0.625% IL STK 22/11/2042	5,950,000	184.5490	1.361170	14,946,552.46	7,174.76	14,953,727
TREAS 0.125% IL STK 22/3/2044	11,470,000	171.0570	1.192960	23,406,159.01	5,142.80	23,411,302
TREAS 0.125% IL STK 22/3/2046	8,730,000	176.1330	1.121840	17,249,872.80	3,914.27	17,253,787
TREAS 0.75% IL STK 22/11/2047	6,500,000	206.1040	1.391950	18,647,620.08	9,405.57	18,657,026
TREAS 0.125% IL STK 10/08/2048	5,300,000	183.4560	1.052430	10,232,953.70	3,147.79	10,236,101
TREAS 0.5% IL STK 22/3/2050	5,000,000	204.5730	1.355200	13,861,866.48	8,967.39	13,870,834
<b>UK INDEX LINKED (3months) TOTAL</b>						<b>190,682,126</b>

**US INDEX LINKED**

	Number held	Clean Price	Index Ratio	Gross \$	Accrued Interest \$	Total \$	Total £
TI10.125% 15/1/2023	7,000,000	99.203125	1.109480	7,704,471.82	404.21	7,704,876	6,337,261
TI13.625% 15/4/2028	4,045,000	128.171875	1.583360	8,209,012.80	43,268.24	8,252,281	6,787,501
TI11.750% 15/1/2028	5,550,000	111.914063	1.222420	7,592,732.35	4,486.75	7,597,219	6,248,713
TI12.5% 15/1/2029	7,000,000	120.210938	1.192790	10,037,048.29	8,084.24	10,045,133	8,262,122

DERBYSHIRE PENSION FUND  
JULY 2019 PORTFOLIO VALUATION - BID

	Number held	Mkt Price in local currency (Clean) use	Mkt Price in local currency (Dirty)	Mkt Price pence GBP			Total £ GBP
TI12.125% 15/2/2040	4,095,000	128.765625	1.184850	6,247,657.58	40,144.01	6,287,802	5,171,717
TI10.75% 15/2/2042	20,300,000	101.210938	1.133350	23,285,605.45	70,236.88	23,355,842	19,210,180
TI10.625% 15/2/2043	10,000,000	97.804688	1.113870	10,894,170.73	28,832.87	10,923,004	8,984,170
0045 USGB IL Total							61,001,663
<b>TOTAL BONDS</b>							<b>1,175,327,636</b>
Index linked-total							<b>301,320,343</b>
Conventional-total							<b>284,083,686</b>
Non gov-total							<b>589,923,608</b>

**DERBYSHIRE COUNTY COUNCIL**  
**PENSIONS and INVESTMENTS COMMITTEE**

**4 September 2019**

**Report of the Director of Finance & ICT**

**VOTING ACTIVITY**

**1 Purpose of the Report**

To review Derbyshire Pension Fund's (the Fund) voting activity for the period 25 May 2019 to 20 August 2019.

**2 Information and Analysis**

Details of the Fund's voting activity for the period 25 May 2019 to 20 August 2019 are shown in Appendix 1. The Fund's votes against management proposals are shown in Appendix 2 and the total shareholder votes for these proposals are set out below. Each of the resolutions set out in Appendix 2 were subsequently passed.

Resolution	Votes For	Votes Against
Ted Baker Plc: Resolution 8	92.03%	7.97%
JD Sport Fashion Plc: Resolution 2	69.48%	30.52%
JD Sport Fashion Plc: Resolution 4	89.15%	10.85%
JD Sport Fashion Plc: Resolution 6	82.31%	17.69%
JD Sport Fashion Plc: Resolution 11	80.63%	19.37%

**3 Other Considerations**

In preparing this report the relevance of the following factors has been considered: financial, legal and human rights, human resources, equality and diversity, health, environmental, transport, property and prevention of crime and disorder considerations.

**4 Officer's Recommendation**

That the report be noted.

PETER HANDFORD

Director of Finance & ICT



**Voting Activity 25 May 2019 to 20 August 2019**
**Appendix 1**

<b>Company</b>	<b>Meeting Date</b>	<b>Meeting Type</b>
International Public Partnerships Ltd.	29-May-19	Annual
Greencoat UK Wind Plc	03-Jun-19	Special
BlackRock Smaller Cos. Trust Plc	04-Jun-19	Annual
GVC Holdings Plc	05-Jun-19	Annual
Ted Baker Plc	11-Jun-19	Annual
WPP Plc	12-Jun-19	Annual
Tesco Plc	13-Jun-19	Annual
LondonMetric Property Plc	20-Jun-19	Special
Genesis Emerging Markets Fund Ltd.	21-Jun-19	Special
Genesis Emerging Markets Fund Ltd.	21-Jun-19	Special
Foresight Solar Fund Ltd.	25-Jun-19	Annual
ICG Enterprise Trust Plc	27-Jun-19	Annual
Assura Plc	02-Jul-19	Annual
JD Sports Fashion Plc	03-Jul-19	Annual
3i Infrastructure Plc	04-Jul-19	Annual
BT Group Plc	10-Jul-19	Annual
Land Securities Group Plc	11-Jul-19	Annual
LondonMetric Property Plc	11-Jul-19	Annual
HICL Infrastructure PLC	16-Jul-19	Annual
Johnson Matthey Plc	17-Jul-19	Annual
Severn Trent Plc	17-Jul-19	Annual
Babcock International Group Plc	18-Jul-19	Annual
SSE Plc	18-Jul-19	Annual
Target Healthcare REIT Ltd.	18-Jul-19	Court
Target Healthcare REIT Ltd.	18-Jul-19	Special
Vodafone Group Plc	23-Jul-19	Annual
Halma Plc	25-Jul-19	Annual
Harbinger Global Private Equity Ltd.	25-Jul-19	Annual
Montanaro UK Smaller Cos. Investment Trust Plc	25-Jul-19	Annual
Pennington Group Plc	25-Jul-19	Annual
United Utilities Group Plc	26-Jul-19	Annual
JPMorgan Japan Smaller Companies Trust plc	29-Jul-19	Annual
National Grid Plc	29-Jul-19	Annual

## Votes Against Management Report

Reporting Period: 05/25/2019 to 08/20/2019

### Ted Baker Plc

Meeting Date: 06/11/2019

Country: United Kingdom

Meeting Type: Annual

Voting Policy: ISS

Proposal Number	Proposal Text	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
8	Re-elect Ron Stewart as Director	For	Against	Against	Against

*Voting Policy Rationale: Item 8A vote AGAINST Ron Stewart is warranted because: \* Ron Stewart is a member of the Audit and Remuneration Committees, which should be wholly independent under the Code. Items 6-7, 9 -12A vote FOR these Directors is warranted as no significant concerns have been identified.*

### JD Sports Fashion Plc

Meeting Date: 07/03/2019

Country: United Kingdom

Meeting Type: Annual

Voting Policy: ISS

Proposal Number	Proposal Text	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
2	Approve Remuneration Report	For	Against	Against	Against

*Voting Policy Rationale: A vote AGAINST the remuneration report is warranted because: \* In addition to a significant compensation payment for loss of employment, the CFO is set to receive additional payments of GBP 524,000 subject to complying with a restrictive covenant. While the approved remuneration policy provides for the Remuneration Committee discretion to include such covenants in settlement with departing executives: the scale of quantum on offer in this case – which is in addition to payment in lieu of notice – is considered to be excessive. \* The Executive Chair is set to receive a GBP 6 million special cash bonus calculated from retrospective performance achieved. A separate resolution to approve the special bonus is being sought as it falls outside the scope of the existing remuneration policy. \* Bonuses have paid out at the 'exceptional' level to the Executive Chair for the fourth consecutive year. Although profit performance has been strong, the Company does not provide adequate disclosure to support this outcome, particularly in regard to outcomes against non-financial objectives.*

4	Re-elect Peter Cowgill as Director	For	Against	Against	Against
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*Voting Policy Rationale: Item 4A vote AGAINST the re-election of Peter Cowgill is warranted because: \* Peter Cowgill serves in the effective role of a combined Board Chair and CEO, which contradicts the provisions of the UK Corporate Governance Code. This structure has been in place since May 2014, and the annual report does not provide any explanation as to why this non-standard governance arrangement remains appropriate. \* Additionally, Peter Cowgill serves as chair on the boards of United Carpets Group plc and QUIZ plc. These are significant external time commitments, and may potentially undermine his effectiveness as the Executive Chair of the Company. Items 5 and 7-10A vote FOR these Directors is warranted as no overriding concerns have been identified. Item 6A vote AGAINST the re-election of Andrew Leslie is warranted because: \* The remuneration report resolution has consistently received significant levels of dissent from independent shareholders since the 2014 AGM, during which time Andrew Leslie has chaired the Remuneration Committee. Given the continued level of dissent, along with new and ongoing concerns over remuneration identified, there is limited evidence to indicate that the Committee has appropriately responded to shareholder feedback.*

## Votes Against Management Report

Reporting Period: 05/25/2019 to 08/20/2019

### JD Sports Fashion Plc

Proposal Number	Proposal Text	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
6	Re-elect Andrew Leslie as Director	For	Against	Against	Against
<p><i>Voting Policy Rationale: Item 4A vote AGAINST the re-election of Peter Cowgill is warranted because:* Peter Cowgill serves in the effective role of a combined Board Chair and CEO, which contradicts the provisions of the UK Corporate Governance Code. This structure has been in place since May 2014, and the annual report does not provide any explanation as to why this non-standard governance arrangement remains appropriate.* Additionally, Peter Cowgill serves as chair on the boards of United Carpets Group plc and QUIZ plc. These are significant external time commitments, and may potentially undermine his effectiveness as the Executive Chair of the Company. Items 5 and 7-10A vote FOR these Directors is warranted as no overriding concerns have been identified. Item 6A vote AGAINST the re-election of Andrew Leslie is warranted because:* The remuneration report resolution has consistently received significant levels of dissent from independent shareholders since the 2014 AGM, during which time Andrew Leslie has chaired the Remuneration Committee. Given the continued level of dissent, along with new and ongoing concerns over remuneration identified, there is limited evidence to indicate that the Committee has appropriately responded to shareholder feedback.</i></p>					
11	Approve Grant of Special Bonus to Peter Cowgill	For	Against	Against	Against
<p><i>Voting Policy Rationale: A vote AGAINST this resolution is warranted because:* The special bonus is an additional award that is inconsistent with the terms of the existing policy and represents a significant cash award which is not subject to performance targets.</i></p>					

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