Public Document Pack

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

Extension 38357
Direct Dial 01629 538357
Ask for Danny Sunderland

PUBLIC

To: Members of the Pensions and Investments Committee

Tuesday, 1 June 2021

Dear Councillor,

Please attend a meeting of the **Pensions and Investments Committee** to be held at **2.00pm** on **Wednesday, 9 June 2021** in the Council Chamber, County Hall, Matlock, the agenda for which is set out below.

Yours faithfully,

Helen E. Barrington

Helen Barrington
Director of Legal and Democratic Services

A G E N D A

PART I - NON-EXEMPT ITEMS

1. Apologies for Absence

2. To receive declarations of interest (if any)

3. To confirm the minutes of the meeting held on 28 April 2021

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

4 (a) Investment Report (Pages 1 - 82)

4 (b) Stewardship Report (Pages 83 - 118)

5. Exclusion of the Public

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

PART II - EXEMPT ITEMS

6. To receive declarations of interest (if any)

7. To confirm the exempt minutes of the meeting held on 28 April 2021

PUBLIC

MINUTES of a meeting of the **PENSIONS AND INVESTMENTS COMMITTEE** held on 28 April 2021.

PRESENT

Councillor J Perkins (in the Chair)

Derbyshire County Council

Councillors R Ashton, N Atkin, J Boult, S Marshall-Clarke and B Ridgway

Derby City Council

Councillors L Care and M Carr

Also in attendance – M Fairman, D Kinley, N Smith (Minute No.19/21 training only) and S Webster

Apologies for absence were received on behalf of Councillors P Makin and R Mihaly (Derbyshire County Council) and M Wilson (Derbyshire County Unison)

19/21 **TRAINING** Prior to the main business of the Committee, Members received training on Multi-Asset Credit and Private Equity from Neil Smith, the Investments Manager.

On behalf of the Committee, the Chairman thanked Mr Smith for his most informative presentation.

20/21 **CHAIRMAN'S ANNOUNCEMENTS** The Chairman announced that this was to be his last meeting as Chairman along with Councillors Peter Makin and Brian Ridgway as they would not be seeking re-election. The Chairman wished to place on record his thanks for their contributions to the Committee and wished them all the very best for the future. The Chairman also extended his best wishes to those members who would be standing for re-election.

21/21 **MINUTES** **RESOLVED** that the minutes of the meeting held on 3 March 2021 be confirmed as a correct record.

22/21 **HIGH PEAK BOROUGH COUNCIL MOTION** The Committee was asked to note the receipt of a letter from High Peak Borough Council (HPBC) requesting that the Authority divest pension funds from investment funds that include fossil fuels by 2025. A response would be sent from the Chairman informing HPBC of the Committee's recent approval of the Climate Strategy.

23/21 **DERBYSHIRE PENSION FUND COMMUNICATIONS POLICY** Regulation 61 of the Local Government Pension Scheme Regulations 2013 required each Local Government Pension Scheme (LGPS) administering authority to produce and publish a policy statement describing how it communicates with its stakeholders. Derbyshire Pension Fund's (the Fund/Pension Fund) previous policy statement was published in 2019 and had been reviewed to reflect the developments since then in the Fund's approach to communicating with its stakeholders.

A separate document, the Fund's Communications Strategy (the Strategy), which was last prepared in 2018, set out plans for developing the Pension Fund's communications. The Strategy sets out the objectives of developing: a member self-service portal; a distinct branding and livery for the Fund; and a bespoke Pension Fund website.

The development of the member self-service portal started following the transfer to a new pensions administration system in 2019; a phased roll out of 'My Pension Online' will begin in May 2021.

The Fund's own branding, logo and website had now become firmly established, providing a distinct identity for the Pension Fund. The Fund's plans for the further improvement and development of communications over the period 2021 to 2024 have been incorporated in the draft Communications Policy. It was intended that the Policy would be reviewed annually and revised if communications arrangements merit reconsideration, including if there were any changes to the LGPS or other relevant regulations or guidance which need to be taken into account. Progress against the communications-related objectives will be reported to Committee.

RESOLVED that the Committee approves the draft Communications Policy attached as Appendix 1 to the report.

24/21 **DERBYSHIRE PENSION FUND RISK REGISTER** A copy of both the Summary and Main Risk Registers were attached to the report as Appendix 1 and Appendix 2 respectively. Changes from the previous quarter had been highlighted.

Derbyshire Pension Board (the Board) had recently undertaken a detailed review of the Risk Register and had proposed a small number of changes to the risks identified and a number of changes to some of the risk scores. A fresh review of the Risk Register by a different group of people had been very useful and the Board's suggestions had been taken into consideration in this quarterly update.

The Fund's Business Continuity Plan had continued to work well and all of the Fund's critical activities have been maintained throughout the period of business disruption. Alternative processes set up to accommodate remote working, remained under review. The implications of the continuation of the current working arrangements for a longer period of time were being evaluated.

The Risk Register currently had four high risk items. Two new risks had been added to the Risk Register this quarter and two risks had been removed. The two new risks were as follows:

- Failure to consider the potential impact of Environmental, Social and Governance (ESG) issues on investment portfolio (Risk No.22).
- Administration issues with AVC provider (Risk No.46).

The Fund was exposed to the risk of not assessing ESG issues when making investment decisions which could lead to investment underperformance and/or reputational damage to the Fund. To mitigate this risk, the Fund had developed a Responsible Investment Framework (the Framework) setting out the Fund's approach to incorporating ESG factors into investment decisions to better manage risk and support the generation of sustainable long term investment returns. The Framework was approved by the Pensions & Investments Committee in November 2020 following consultation with the Fund's stakeholders. The Fund actively monitored the ESG policies and practices of its investment managers, and reports on the stewardship activities of its key investment managers to Committee on a quarterly basis. The risk had been attributed an impact score of 4 (high) and a probability score of 2 (unlikely), giving an overall risk score of 8.

Following the implementation of a new IT system, the Fund's AVC provider, Prudential, had experienced delays in processing and investing contributions, providing valuations and paying out claims which could lead to delays for the Fund in processing members' retirements. There was also a risk of associated reputational damage for the Fund which had appointed Prudential as its AVC provider. The company had confirmed that members will not suffer any financial detriment due to the delayed processing and investing of their contributions. The Fund was in regular correspondence with Prudential regarding the outstanding issues and is working with the company to try to ensure that any issues which could delay a member's retirement date are dealt with first. The Fund will continue to work closely with Prudential to support the resolution of outstanding issues. The risk has been attributed an impact score of 2 (low) and a probability score of 4 (probable), giving an overall risk score of 8.

The risk scores for six existing risks had been changed:

Failure to comply with regulatory requirements for governance (Risk No. 3): The probability score has been increased from 1 (rare) to 2 (unlikely) following a reconsideration of the risk, increasing the overall risk score from 4 to 8.

An effective investment performance management framework is not in place (Risk No.5): The impact score has been increased from 3 (medium) to 4 (high) following a reconsideration of the risk, increasing the overall risk score from 6 to 8.

Pension Fund financial systems not accurately maintained / Member or Officer fraud (Risk No.10): The impact score has been increased from 3 (medium) to 4 (high) following a reconsideration of the risk, increasing the overall risk score from 6 to 8.

Failure to consider the potential impact of climate change on investment portfolio and on funding strategy (Risk No.21): Following approval of the Fund's Climate Strategy and the completion of the first phase of transitions to the increased Global Sustainable Equities allocation, the probability score has been reduced from 3 (possible) to 2 (unlikely), reducing the overall risk score from 12 to 8.

LGPS Central Ltd fails to deliver the planned level of long term cost savings (Risk No.28): Following a reconsideration of the risk, the impact score has been reduced from 4 (high) to 3 (medium), and the probability score has been increased from 2 (unlikely) to 3 (possible), increasing the overall risk score from 8 to 9.

The UK's withdrawal from the EU results in high levels of market volatility or regulatory changes (Risk No.30): Following the UK's withdrawal from the EU the probability score has been reduced from 3 (possible) to 2 (unlikely), reducing the overall risk score from 9 to 6. The risk will remain on the Risk Register until the possible regulatory implications of the UK's withdrawal from the EU become clearer.

RESOLVED that the Committee notes the risk items identified in the Risk Register.

25/21 **<u>HALF-YEAR PENSION ADMINISTRATION PERFORMANCE REPORT</u>** This report related to the second half of 2020-2021 and provided a summary of the Fund's performance in key areas of activity.

Maintaining efficient administration was important towards retaining the confidence and trust of scheme stakeholders such as members and employers. The impact of poor administration can be reputational but may also include additional expenditure through the payment of inaccurate pension benefits, interest on late payments and delays in collecting contributions from employers. This report aimed to provide the Committee with assurance that such risks were being managed adequately.

The Government's further lockdown measures in response to the Covid-19 pandemic continued to present a number of challenges for the Fund's administration in the second half of the year, particularly with the majority of the team continuing to work remotely from home. The Fund, however, had been able to maintain services effectively during remote working which has now continued for over 12 months. The detailed Covid-19 Business Continuity Plan which was initially developed in April 2020 provided a base for the maintenance and continuation of services.

The provision of services had developed around remote working including, since November 2020, the Fund taking part in a Derbyshire County Council (the Council) telephony trial which had enabled calls to the Pensions Helpline to be taken through Microsoft Teams functionality on each team member's laptop. The Council was currently reviewing the experience of the trial. A summary of the Fund's administrative activity during the period 1 October 2020 to 31 March 2021 was summarised.

During 2020-2021, the number of schools converting to academy status slowed with 18 academies joining the Fund as an individual LGPS employer, compared to 37 during 2019-2020. In the period October 2010 to March 2021 a total of 7 new academies had joined the Fund as an LGPS employer. One new admission body had commenced as a participating Fund employer during the second half of 2020-2021.

During the second half of 2020-2021 a total of 10 cases identified as complaints were submitted to the Fund by members. Responses had been provided in each case and, to date, none of the cases had been escalated to the appeals stage against the Fund via the Application for the Adjudication of Disagreements Procedure (AADP). Compliments received from members were also recorded by the Fund and shared with the team member who provided the service. During the second half of 2020-2021 a total of 6 compliments had been submitted by members praising the level of service they had received.

During the second half of 2020-2021 the Fund had continued to progress with boarding employers onto the i-Connect system and had undertaken virtual training sessions for those in the early phases of implementation. Additionally, virtual training sessions, and bespoke meetings on specific topics to support employers, had commenced towards the end of 2020 and into 2021 and had included training and support on a range of issues including:

- Ill-health retirement procedures
- Year end returns for employers who have not yet implemented i-Connect
- Completion of fund documentation
- Admitted Body Status
- Public Sector Exit Payment Cap

The majority of Annual Benefit Statements based on membership as at 31 March 2020 were issued to active and deferred scheme members during the first half of 2020-2021, however, statements which could not be issued with the main batches of submissions had been prepared and issued when the member's statement was finalised. By the end of March 2021, the following totals of Annual Benefit Statements had been issued to members;

- Active members - 95.3%
- Deferred members (with confirmed home addresses) – 97.6%

The programme for employers to implement the i-Connect system, part of the functionality linked to the Altair pension administration system, had continued to develop throughout the second half of 2020-2021. Implementation had commenced at the start of 2020, and 174 employers were currently securely transmitting member data to the Fund via i-Connect. The target for the i-Connect project was to have all employers working towards implementation by the end of 2021.

An estimated 3 million documents were held by the Fund on microfiche records. A project to upload the documents into the Altair system was nearing completion. Once the Fund had completed a quality control exercise on the returned records, the physical fiche records would be destroyed.

The implementation of Member Self-Service (MSS), a further functionality linked to Altair, was being finalised with a view to the system having a phased rollout from May 2021. The service's operational name will be 'My Pension Online'. MSS would be available to all scheme members, with the main functionality being the member's ability to view certain parts of their pension information, to undertake changes to some of their personal data and to carry out benefit projections online. Annual Benefit Statements will be issued online from 2021, although members will have the option to continue receiving a paper copy.

Whilst the Covid-19 pandemic had forced the cancellation of numerous face-to-face meetings, members of the team had continued to learn, share and network with colleagues from other Funds and the wider industry at virtual meetings. The Fund had also worked collaboratively with other LGPS funds to understand the implications and implementation issues associated with the McCloud remedy, and the exit payments cap legislation before it was disapplied.

The Fund had reviewed the potential benefits of two systems to assist in the areas of staff training and development, and specialist pensions legal and regulatory information:

1. The TEC learning platform built by Aquila Heywood as an LGPS education tool for staff training and development.

2. The Perspective online service built by Pendragon, a specialist information provider dedicated to supplying legal and regulatory information to the pensions industry.

The Committee approved the Fund's revised Pension Administration Strategy at the meeting on 3 March 2021, subject to consultation with participating employers. Employers were provided with a link to the revised Strategy and invited to submit comments during the consultation period which ran from 5 to 25 March 2021. No comments had been received, and the Pension Administration Strategy was formally applied from 1 April 2021 following the approval of the Chairman of the Committee and the Director of Finance and ICT.

The Chairman wished to place on record his appreciation to all members of the Committee and added his thanks to Dawn Kinley, Steve Webster, Neil Smith, Mary Fairman and their respective teams for the support and advice they had provided throughout his time in the Chair. These sentiments were echoed by the Committee members.

RESOLVED that the Committee notes the workloads and performance levels outlined in the report.

26/21 **EXCLUSION OF THE PUBLIC** **RESOLVED** to move that under Section 100(a)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following item of business on the grounds that in view of the nature of the business, that if members of the public were present exempt information as defined in Paragraphs 1 & 3 of Part 1 of Schedule 12A of the Local Government Act 1972 would be disclosed to them and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

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

1. To receive declarations of interest (if any)

2. To confirm the exempt minutes of the meeting held on 3 March 2021 (contains exempt information)

3. To consider the exempt report of the Director of Finance & ICT on Summary of Appeals and Ombudsman Escalations during 2020-21 (contains information relating to any individual)

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

PENSIONS AND INVESTMENTS COMMITTEE

9 June 2021

Report of the Director of Finance & ICT

Investment Report

1. Purpose

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

2. Information and Analysis

2.1 Report of the External Adviser

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

2.2 Asset Allocation and Recommendations Table

The Fund's latest asset allocation as at 30 April 2021 and the recommendations of the Director of Finance & ICT and Mr Fletcher, in relation to the Fund's new intermediate strategic asset allocation benchmark, are set out 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 £400m. Whilst the timing of drawdowns will be lumpy and difficult to predict, the In-house Investment Management Team (IIMT) believes that these are likely to occur over the next 18 to 36 months.

	Benchmark			Fund Allocation	Fund Allocation	Permitted Range	Benchmark Relative Recommendation		Recommendation (1)		Adjusted for Commitments (2)	Benchmark Sterling Return	Benchmark Sterling Return
	Old	Inter (1)	Final (1)	31/1/21	30/4/21	Inter (1)	AF 9/6/21	DPF 9/6/21	AF 9/6/21	DPF 9/6/21	DPF 9/6/21	3 Months to 31/3/21	3 Months to 30/4/21
Growth Assets	**57.0%**	**56.0%**	**55.0%**	**55.4%**	**56.8%**	**+/- 8%**	**-**	**(0.2%)**	**56.0%**	**55.8%**	**57.1%**	**n/a**	**n/a**
UK Equities	16.0%	14.0%	12.0%	14.4%	15.2%	+/- 6%	-	0.5%	14.0%	14.5%	14.5%	5.2%	10.6%
Overseas Equities:	37.0%	38.0%	39.0%	37.5%	37.9%	+/- 8%	-	(0.4%)	38.0%	37.6%	37.6%	n/a	n/a
North America	12.0%	6.0%	-	5.9%	6.3%	+/- 6%	-	(0.5%)	6.0%	5.5%	5.5%	4.9%	11.6%
Europe	8.0%	4.0%	-	4.0%	4.2%	+/- 4%	-	-	4.0%	4.0%	4.0%	2.5%	9.4%
Japan	5.0%	5.0%	5.0%	4.9%	4.7%	+/- 2%	-	-	5.0%	5.0%	5.0%	1.2%	0.6%
Pacific ex-Japan	4.0%	2.0%	-	2.1%	2.0%	+/- 2%	-	-	2.0%	2.0%	2.0%	2.1%	1.9%
Emerging Markets	5.0%	5.0%	5.0%	4.7%	4.6%	+/- 2%	-	-	5.0%	5.0%	5.0%	1.9%	1.3%
Global Sustainable	3.0%	16.0%	29.0%	15.9%	16.1%	+/- 16%	-	0.1%	16.0%	16.1%	16.1%	4.0%	9.5%
Private Equity	4.0%	4.0%	4.0%	3.5%	3.7%	+/- 2%	-	(0.3%)	4.0%	3.7%	5.0%	5.4%	10.8%
Income Assets	**23.0%**	**24.0%**	**25.0%**	**20.7%**	**20.1%**	**+/- 6%**	**-**	**(2.7%)**	**24.0%**	**21.3%**	**26.3%**	**n/a**	**n/a**
Multi-Asset Credit	6.0%	6.0%	6.0%	6.7%	6.7%	+/- 2%	-	0.9%	6.0%	6.9%	8.1%	1.5%	1.1%
Infrastructure	8.0%	9.0%	10.0%	6.3%	6.0%	+/- 3%	-	(2.0%)	9.0%	7.0%	10.7%	0.5%	0.5%
Direct Property (4)	5.0%	5.0%	6.0%	4.5%	4.3%	+/- 2%	-	(1.7%)	6.0%	4.3%	4.3%	2.3%	2.3% (3)
Indirect Property (4)	4.0%	4.0%	3.0%	3.2%	3.1%	+/- 2%	-	0.1%	3.0%	3.1%	3.2%	2.3%	2.3% (3)
Protection Assets	**18.0%**	**18.0%**	**18.0%**	**17.3%**	**15.9%**	**+/- 5%**	**(2.0%)**	**(0.7%)**	**16.0%**	**17.3%**	**17.3%**	**n/a**	**n/a**
Conventional Bonds	6.0%	6.0%	6.0%	5.1%	4.6%	+/- 2%	(1.0%)	(0.5%)	5.0%	5.5%	5.5%	(7.2%)	(5.1%)
Index-Linked Bonds	6.0%	6.0%	6.0%	5.8%	5.3%	+/- 2%	(1.0%)	(0.7%)	5.0%	5.3%	5.3%	(6.3%)	(2.5%)
Corporate Bonds	6.0%	6.0%	6.0%	6.4%	6.0%	+/- 2%	-	+0.5%	6.0%	6.5%	6.5%	(4.0%)	(2.3%)
Cash	**2.0%**	**2.0%**	**2.0%**	**6.6%**	**7.2%**	**0 – 8%**	**+2.0%**	**+3.6%**	**4.0%**	**5.6%**	**(0.7%)**	**0.0%**	**0.0%**

Investment Assets totaled £5,884m at 30 April 2021.
(1) Intermediate benchmark effective 1 January 2021; Final benchmark effective by 1 January 2022 at the latest. Recommendations are relative to the Intermediate benchmark
(2) Adjusted for investment commitments at 30 April 2021, together with commitments placed post period-end. Presumes all commitments funded from cash.
(3) Benchmark Return for the three months to 31 March 2021.
(4) The maximum permitted range in respect of Property is +/- 3%.

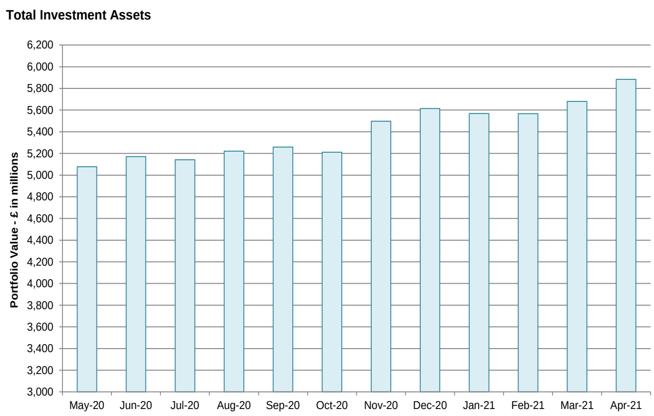
The table above shows the old benchmark, together with the intermediate and final benchmarks approved by Committee November 2020. The intermediate benchmark came into effective from 1 January 2021, and the final Benchmark will become effective by 1 January 2022 at the latest. The table above reflects 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 current benchmark, the Fund as at 30 April 2021, was overweight Cash and Growth Assets and underweight in Protection Assets and Income Assets. However, if all of the Fund's commitments were drawn-down, the cash balance would reduce by 7.9% to -0.7%. However, in practice as these commitments are drawn-down, they will be partly offset by new net cash inflows from investment income, distributions from existing investments and changes in the wider asset allocation.

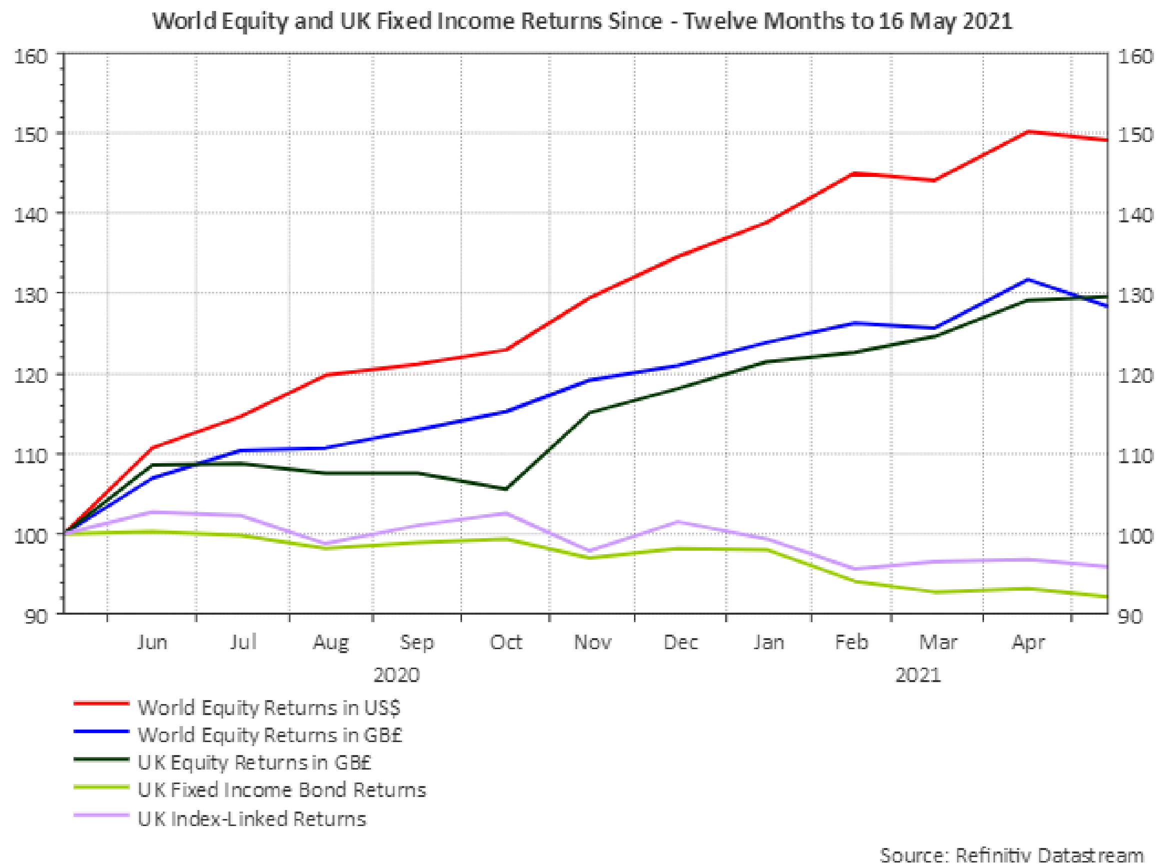
2.3 Total Investment Assets

The value of the Fund's investment assets increased by £315m (+5.7%) between 31 January 2021 and 30 April 2021 to £5.884bn, comprising a non-cash market gain of around £245m, an advance contribution of £56m from Derbyshire County Council and cash inflows from dealing with members & investment income of around £15m. Over the twelve months to 30 April 2021, the value of the Fund's investment assets has increased by £962m (+19.5%), comprising a non-cash market gain of around £840m, an advance contribution of £56m from Derbyshire County Council and cash inflows from dealing with members & investment income of around £60m. A copy of the Fund's valuation at 30 April 2021 is attached at Appendix 3.



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.

2.4 Market returns over the last 12 months



The chart above shows market returns for Global Equities in Sterling and the US dollar, UK Equities, UK Fixed Income and UK Index Linked bonds for the twelve months to 16 May 2021.

Over the twelve months to 16 May 2021, Global Equities (as measured by the FTSE All World in Sterling) returned +28%, reflecting a recovery following a sharp market sell off in Q1 2020 (-16%) driven by the Covid-19 pandemic. In US$ terms, the return was even higher at +49% but sterling returns were lower as sterling strengthened relative to the US$ (£1:US$1.24 to £1:US$1.41).

The recovery was initially driven by the unprecedented level of fiscal and monetary stimulus provided by national governments and central banks in response to the pandemic. This support significantly improved investor sentiment, so much so that by October 2020, Global Equities had recovered all of the losses experienced in Q1 2020.

Risk markets (i.e. equities) received a further boost in November 2020 when it was announced that the Pfizer/BioNTech vaccine appeared to be effective against Covid-19. This was followed by similar announcements by AstraZeneca and Moderna. The development of efficient vaccines tempered market uncertainty surrounding the future course of the pandemic and created an expectation that social distancing measures would be eased in response to vaccine rollout programmes. Global Equity markets rose sharply, returning almost 9% for sterling investors in November 2021 alone, with many regional indices reporting their best ever one month returns.

Equity markets continued to rise in December, albeit at a slower pace (+2.4% sterling return), as the United Kingdom, Europe and United States struggled with a second wave of the virus. Whilst the development of efficient vaccines had helped to improve the long-term outlook, it became increasingly apparent that wide scale deployment would take time (and differ significantly by country), and in the short-term, many countries were again facing increased social distancing measures and economic restrictions to reduce the spread of the virus.

Global Equity markets experienced significant levels of volatility in Q1 2021. Both January and February 2021 contained peak to trough declines of more than 4%. Investor sentiment weakened in February 2021 in response to international disagreements over the production and sharing of vaccines, and the European Commission's threat to introduce export controls threatened global vaccine supply chains. By the end of February 2021 year-to-date, the FTSE All World had returned -0.4% for sterling investors.

Market volatility eased in March 2021. Investor sentiment was supported by the passing of a $1.9 trillion stimulus package in the US, and a pick-up in vaccine rollout in developed markets. These factors pushed-up US GDP growth forecasts. Consensus forecasts now indicate that US GDP will increase by 6.6% in 2021, up from an estimate of 4.4% in January. Over the quarter, Global Equities returned 4.0% for sterling investors.

April 2021 saw the start of the US and European earnings season, with many companies reporting earnings in excess of market expectations. However, Global Equity markets have been weaker in May 2021[1], with concerns over rising inflationary pressures weighing on investor sentiment.

After significantly underperforming in 2020, the UK equity market was the best performing region in Q1 2021, returning +5.2% for sterling investors. UK Equities benefitted from an increased level of exposure to Energy and Financial stocks. These stocks have outperformed following the Pfizer/BioNTech vaccine announcement in November 2020. The announcement sparked a rotation out of growth orientated stocks (e.g.

[1] Month to 16 May 2021

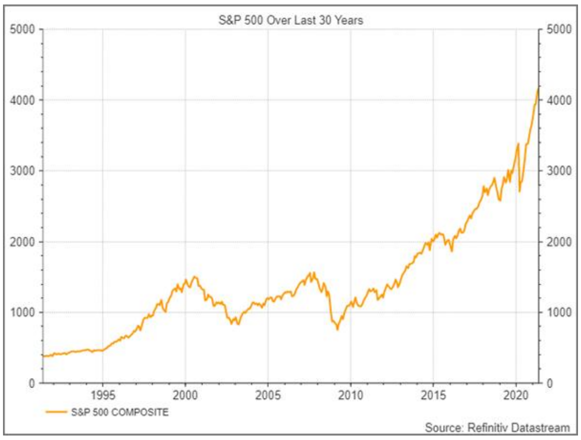
technology stocks) into value and pro-cyclical stocks (e.g. energy, industrial, mining and financial stocks). Value and pro-cyclical stocks tend to perform strongly at the beginning of a new economic cycle. UK Equities also benefitted from the success of the UK's vaccine rollout programme.

UK Conventional and Index-Linked bonds have lost ground year-to-date, returning -7.4% and -6.1%. Long-term bond yields rose in January and February 2021 (bond yields and prices move in opposite directions). The success of the UK's vaccine rollout programme, with over 72% of the adult population having now received at least one dose, has significantly improved the outlook for the UK economy. The Bank of England now expects the UK economy to grow by 7.3% in 2021, up from a projection of 5.0% in February 2021.

UK bond yields have also been pushed higher by higher US yields. The recent agreement of a $1.9 trillion stimulus package in the US has pushed-up US growth prospects. An environment of higher economic growth generally reduces demand for 'safe haven assets' (e.g. government debt) and increases demand for 'risk-on' assets such as equities.

After stabilising between March and mid-April 2021, long term government bond yields have risen again over the last month (to mid-May), this time driven by concerns over rising inflation. Asset market returns since the start of the Covid-19 pandemic have been supported by significant fiscal and monetary support from national governments and central banks. Central Banks in the UK, US and Europe have repeatedly issued guidance that current support measures will remain in place for the foreseeable future, at least until the end of 2022, but the prospect of higher inflation increases the risk that Central Bank's may be forced to tighten monetary conditions sooner than expected. Notwithstanding the recent rise, UK Government bond yields remain low compared to historic levels, consistent with expectations for a prolonged period of near zero policy rates in response to the economic backdrop.

Asset class weightings and recommendations are based on values at the end of April 2021. As shown in the charts below, equity markets have now largely recovered most of the March 2020 sell off, albeit this differs by market. For example, the US market is now higher than at any time in the last five years, whereas the recovery in the UK market has been much more muted but has picked-up over the last six months.



2.5 Longer Term Performance

Figures provided by Portfolio Evaluation Limited show the Fund's performance over 1, 3, 5 and 10 years to 31 March 2021.

Per annum	DPF	Benchmark Index
1 year	21.0%	20.6%
3 year	6.8%	6.4%
5 year	9.0%	8.4%
10 year	8.0%	7.6%

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

The IIMT note that the one-year return of 21.0% to 31 March 2021 reflected a catch-up following a sharp market sell-off in February and March 2020 in response to the outbreak of the Covid-19 pandemic. This has been supported by unprecedented levels of fiscal and monetary support provided by national governments and central banks. The IIMT does not believe that these levels of returns are sustainable in the long-term and going forward market returns are likely to be much lower. The Fund's Investment Strategy Statement is based on an assumed average market return of 3.6% per annum over the next 20 years.

2.6 Category Recommendations

	Old Benchmark	Intermediate Benchmark	Final Benchmark	Fund Allocation	Permitted Range	Recommendation (1)		Benchmark Relative Recommendation (1)	
				30 April-21		AF	DPF	AF	DPF
Growth Assets	57.0%	56.0%	55.0%	56.8%	± 8%	56.0%	55.8%	-	(0.2%)
Income Assets	23.0%	24.0%	25.0%	20.1%	± 6%	24.0%	21.3%	-	(2.7%)
Protection Assets	18.0%	18.0%	18.0%	15.9%	± 5%	16.0%	17.3%	(2.0%)	(0.7%)
Cash	2.0%	2.0%	2.0%	7.2%	0 – 8%	4.0%	5.6%	+2.0%	+3.6%

(1) Recommendation relative to the Intermediate benchmark effective 1 January 2021

At an overall level, the Fund was overweight Cash and Growth Assets at 30 April 2021, underweight 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 4 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 to three 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: reduce Growth Assets by 1% to 55.8% (0.2% underweight), with some small changes to the regional composition: UK Equities -0.7%; North American Equities -0.8%; European Equities -0.2%; Japanese Equities +0.3%; and Emerging Market Equities +0.4%; increase Income Assets by 1.2% (Infrastructure +1.0%; and Multi-Asset Credit +0.2%); increase Protection Assets by 1.4% (conventional bonds +0.9%; and corporate bonds +0.5%), and reduce Cash by 1.6%. The IIMT notes that the recommendations are subject to market conditions, which continue to be volatile. The IIMT continues to recommend a defensive cash allocation, reflecting both the general market uncertainty and cash held to fund existing commitment drawdowns.

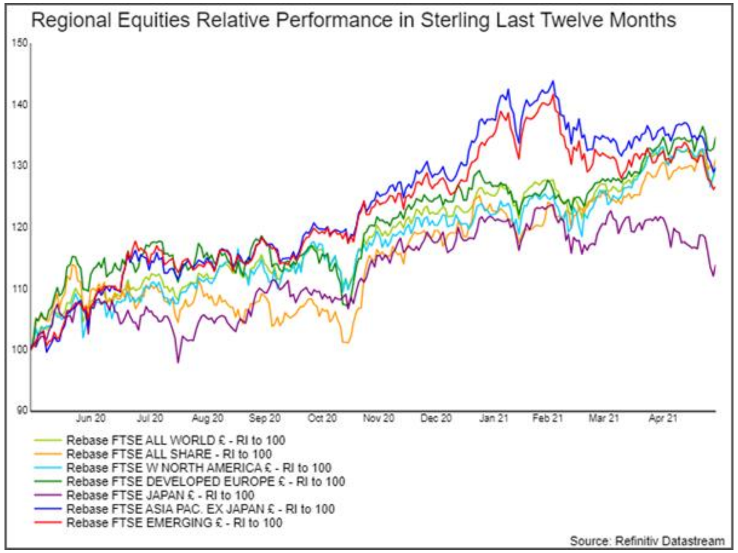
2.7 Growth Assets

At 30 April 2021, the overall Growth Asset weighting was 56.8%, up from 55.4% at 31 January 2021, reflecting relative market strength. The IIMT recommends reduce the weighting to 55.8%; 0.2% underweight.

The IIMT believes that a small underweight position of 0.2% in Growth Assets is justified because global equity markets are trading at close to all-time highs.

The near-term economic outlook appears to be supportive for equity markets. Full year global growth projections have been revised upwards, reflecting on-going fiscal and monetary stimulus and an acceleration of vaccine deployment. Early indicators indicate that consumer spending is recovering faster than expected. The UK, US and European vaccination programmes have picked up pace, and the respective economies appear on track to fully reopen in the second half of 2021. By the end of 2021, many economies GDP are now expected to have recovered the growth lost in 2020. However, the IIMT notes that the global economy was facing several headwinds prior to Covid-19 pandemic (e.g. slowing global growth; trade frictions; geopolitical disruptions), and these headwinds remain present.

The level of virus mutations is increasing, and it unclear whether the vaccines developed to date will provide adequate protection against these mutations. There is a risk that the significant rise in cases in emerging market countries will lead to further mutations, and that the re-opening of international travel will increase the speed of transmission. This has the potential to derail plans to ease social distancing restrictions, leaving equity markets susceptible to potential weakness.



Benchmark Return to 31 Mar-21	Currency	Q1-21	1 Year	3 Year	5 Year
Sterling Returns					
FTSE All World	GB£	4.0%	39.8%	13.2%	14.7%
FTSE UK	GB£	5.2%	26.7%	3.2%	6.3%
FTSE North America	GB£	4.9%	42.8%	17.7%	17.4%
FTSE Europe	GB£	2.5%	34.8%	8.4%	11.1%
FTSE Japan	GB£	1.2%	26.3%	7.0%	11.8%
FTSE Asia Pacific Ex-Japan	GB£	2.1%	44.8%	10.1%	14.1%
FTSE Emerging Markets	GB£	1.9%	40.8%	7.7%	13.0%
Local Currency Returns					
FTSE All World	US$	4.8%	55.3%	12.6%	13.8%
FTSE UK	GB£	5.2%	26.7%	3.2%	6.3%
FTSE North America	US$	5.8%	58.9%	17.0%	16.5%
FTSE Europe	€	7.7%	40.1%	9.5%	9.7%
FTSE Japan	¥	9.3%	43.8%	7.8%	10.6%
FTSE Asia Pacific Ex-Japan	US$	3.0%	61.1%	9.5%	13.2%
FTSE Emerging Markets	US$	2.8%	56.7%	7.1%	12.1%

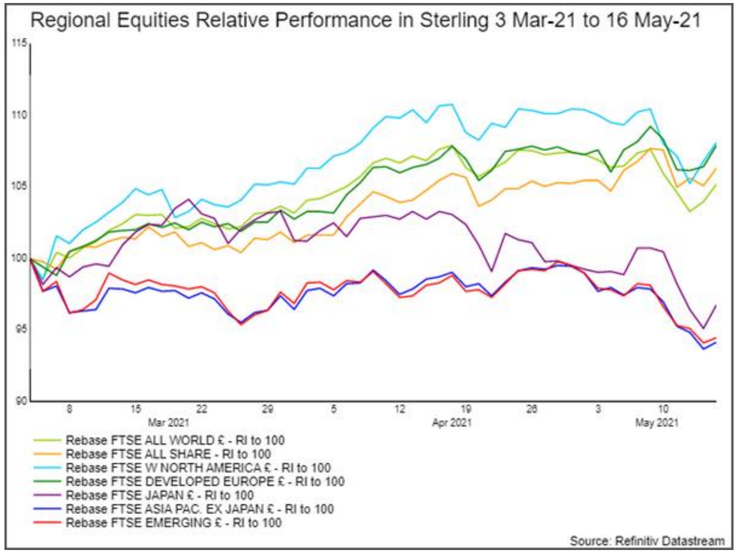
Source: Performance Evaluation Limited & DPF analysis

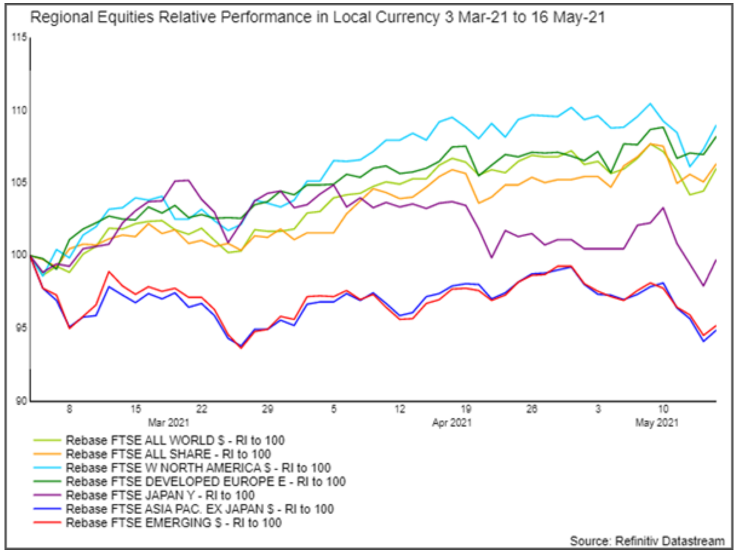
The chart on the previous page shows the relative regional equity returns in sterling terms over the last twelve months, and the charts opposite show the sterling and local currency returns since the last Committee meeting.

Equity markets were relatively volatile in Q1 2021, as fears over share price bubbles and vaccine nationalism tussled with the momentum driving the recovery/reopening trade. Eventually, the approval of a $1.9 trillion stimulus package in the US, and the growing success of the UK and US vaccine rollout programmes won out and investor sentiment remained positive in the final month of the quarter, and the FTSE All World returned 4.0% over the quarter. The rotation out of growth stocks into value and pro-cyclical stocks continued.

The FTSE All World gained further ground in April 2021 (+4.0%), supported by record earnings reports from both the US and Europe. However, both Japan and Emerging Markets under-performed, reflecting the slow pace of vaccine rollout.

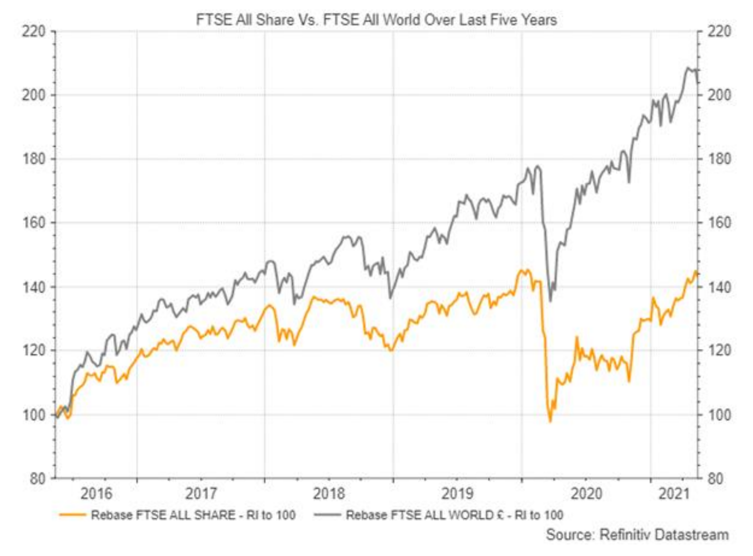
Equity markets have fallen in May month-to-date (-2.0%) driven by concerns over inflationary pressures, and whether this will lead to central banks increasing interest rates sooner than originally anticipated.





2.8 United Kingdom Equities

DPF Weightings	
Intermediate Neutral	14.0%
Final Neutral	12.0%
Actual 30.4.21	15.2%
AF Recommendation	14.0%
IIMT Recommendation	14.5%
Benchmark Returns (GB£)	
Q1 21/22 to 16 May-21	0.8%
Q4 20/21	5.2%
1 Year to Mar-21	26.7%
3 Years to Mar-21 (pa)	3.2%
5 Years to Mar-21 (pa)	6.3%



The Fund's UK Equity allocation increased from 14.4% at 31 January 2021 to 15.2% at 30 April 2021 (1.2% overweight) reflecting relative market strength.

Mr Fletcher believes that developed equity markets are expensive relative to the economic backdrop, but also believes that the support provided by central banks and governments will remain in place and fiscal spending may even be increased over the next couple of years. As a result, Mr Fletcher recommends maintaining a neutral overall allocation to Growth Assets.

Mr Fletcher notes that given the changes in the Fund's asset allocation as a result of the new Investment Strategy Statement, he does not recommend overweighting or underweighting any particular country or strategy versus another at this stage. As markets evolve over 2021 and the Fund gets closer to the final benchmark, Mr Fletcher believes that it may be worth paying attention to 'events' that may provide opportunities to change the asset allocation in line with the direction of travel to the new benchmark. These events could be economic, valuation based or the result of sector rotation as the global economy continues to re-open.

UK Equities have performed strongly year-to-date. The Bank of England recently upgraded the UK's growth outlook to 7.3% in 2021, an increase on the 5% projected in February 2021. The Bank of England now expects GDP to recover to its pre-pandemic level by the end of the year. It had previously been expected that it would take until the end of the first quarter of 2022 to reach pre-pandemic levels. The UK's vaccination programme has been one of the most successful in the world to date. Over 72% of the adult population have now received at least one dose (43% two doses). The UK economy has also proven to be more resilient than expected. Although GDP declined by -1.5% in Q1 2021, GDP rebounded sharply in March (+2.1% month-on-month) and high-frequency indicators point to a rapid rebound in consumer spending in April and May 2021.

Whilst Brexit uncertainty weighed on UK equity returns in 2020, the level of uncertainty seems to have lifted now that UK has exited the European Union. Brexit-related trade disruption on both sides of the border appear to have had little to no impact on investor sentiment, and the level of disruption is expected to ease as businesses become increasingly familiar with the new border controls.

The IIMT continues to believe that UK Equity valuations are attractive on a relative basis despite the strong year-to-date performance. As a result, the IIMT recommends a modest 0.5% overweight allocation of 14.5% to UK Equities.

2.9 North American Equities

DPF Weightings	
Intermediate Neutral	6.0%
Final Neutral	-
Actual 30.4.21	6.3%
AF Recommendation	6.0%
IIMT Recommendation	5.5%
Benchmark Returns (GB£)	
Q1 21/22 to 16 May-21	(2.1%)
Q4 20/21	4.9%
1 Year to Mar-21	42.8%
3 Years to Mar-21 (pa)	17.7%
5 Years to Mar-21 (pa)	17.4%

The Fund's North American Equity allocation increased from 5.9% at 31 January 2021 to 6.3% at 30 April 2021 (0.3% overweight) reflecting relative market strength.

Mr Fletcher recommends a neutral weighting relative to the intermediate benchmark across all of the Fund's regional equity allocations; 6% in respect of North American Equities.

US Equities were the best performing region in 2020, as the US index is dominated by growth orientated technology stocks. However, the US index struggled to add meaningful performance in Q4 2020, reflecting a sizeable rotation out of growth stocks into value and pro-cyclical stocks, following the Pfizer/BioNTech vaccine announcement. In Q1 2021, US Equities performed broadly in line with the FTSE All World in January and February but outperformed in March following the approval of a $1.9 trillion stimulus package by the US Congress. Strong earnings reports in April 2020 further supported US Equities, although concerns over rising inflation have seen US stocks pull back in May 2021. US Technology stocks are exposed to rising bond yields, and there have been repeated bouts of weakness in the sector since January.

Given the strong performance of US Equities over the last twelve months (+28%), which has resulted in high valuation levels, and the recent shift away from growth stocks, the IIMT believes that an underweight position in US Equities is justified, and recommends a 0.5% underweight allocation relative to the new intermediate benchmark of 5.5%.

2.10 European Equities

DPF Weightings	
Intermediate Neutral	4.0%
Final Neutral	-
Actual 30.4.21	4.2%
AF Recommendation	4.0%
IIMT Recommendation	4.0%
Benchmark Returns (GB£)	
Q1 21/22 to 16 May-21	0.5%
Q4 20/21	2.5%
1 Year to Mar-21	34.8%
3 Years to Mar-21 (pa)	8.4%
5 Years to Mar-21 (pa)	11.1%

The Fund's European Equity weight increased by 0.2% to 4.2% at 30 April 2021, reflecting relative market strength.

Mr Fletcher recommends a neutral weighting relative to the intermediate benchmark across all of the Fund's regional equity allocations; 4% in respect of European Equities.

European Equities struggled to keep pace with the FTSE All World throughout Q1 2021, as the region's vaccination programme was adversely impacted by manufacturing and supply issues. By the end of March 2021, France, Germany and Italy had only managed to vaccinate 13%, 12% and 11% of their populations, respectively, compared to 46% in the UK and 29% in the US. However, in April the region's vaccination programme began to accelerate, with France, Germany and Italy now close to tripling the amount of vaccinations that have been given, having each now vaccinated more than 30% of the population. At the same time, European companies have been reporting strong earnings growth.

The IIMT recommends a 4.0% neutral allocation relative to the intermediate benchmark.

2.11 Japanese Equities

DPF Weightings	
Intermediate Neutral	5.0%
Final Neutral	5.0%
Actual 30.4.21	4.7%
AF Recommendation	5.0%
IIMT Recommendation	5.0%
Benchmark Returns (GB£)	
Q1 21/22 to 16 May-21	(2.6%)
Q4 20/21	1.2%
1 Year to Mar-21	26.3%
3 Years to Mar-21 (pa)	7.0%
5 Years to Mar-21 (pa)	11.8%

Whilst there were no transactions in the period, relative market weakness reduced the Fund's allocation to Japanese from 4.9% at 31 January 2020 to 4.7% at 30 April 2021, 0.3% underweight.

Mr Fletcher recommends a neutral weighting relative to the intermediate benchmark across all of the Fund's regional equity allocations; 5% in respect of Japanese Equities.

Japanese Equities have underperformed the FTSE All World year to date (-3.4% vs. 5.9%). Japan was initially regarded as a success story for managing to keep Covid-19 caseloads at relatively low levels, despite its high population density. However, Japan has been slow to deploy vaccinations. Only 4.1% of the population has been vaccinated to date, and the country is experiencing a rise in cases nationally. Whilst many countries are seeing their 2021 growth forecasts revised upwards, Japan's growth expectations remain low at 2.8% (most recent Consensus Forecast estimate, unchanged since March), and it is increasingly unlikely that the country will be able to fully reopen along with other advanced economies in the second and third quarters of 2021.

Japanese consumers are traditionally known for being cautious, so the strong rebound in consumer spending that is being experienced across many Western economies is unlikely to be repeated in Japan. Furthermore, the Tokyo Olympics which is scheduled to start in July 2021 is unlikely to generate the usual boost in spending given the ban on international travellers.

Notwithstanding the 2021 economic slowdown, the IIMT believes that the long-term story in Japan remains intact, supported by attractive relative valuations, improving corporate governance, and the diversifying and defensive qualities of the Japanese market (e.g. the safe-haven status of the yen). The IIMT recommends a neutral allocation of 5.0%.

2.12 Asia Pacific Ex-Japan and Emerging Market Equities

DPF Weightings	Asia-Pac	EM
Intermediate Neutral	2.0%	5.0%
Final Neutral	-	5.0%
Actual 30.4.21	2.0%	4.6%
AF Recommendation	2.0%	5.0%
IIMT Recommendation	2.0%	5.0%
Benchmark Returns (GB£)	**Asia-Pac**	**EM**
Q1 21/22 to 16 May-21	(4.9%)	(4.6%)
Q4 20/21	2.1%	1.9%
1 Year to Mar-21	44.8%	40.8%
3 Years to Mar-21 (pa)	10.1%	7.7%
5 Years to Mar-21 (pa)	14.1%	13.0%

Relative market weakness across the three months to 30 April 2021, reduced the Fund's allocation to Asia Pacific Ex-Japan Equities from 2.1% at 31 January 2021 to 2.0% at 30 April 2021 (neutral-weight), and the Fund's allocation to Emerging Market Equities from 4.7% to 4.6% over the comparable period (0.4% underweight).

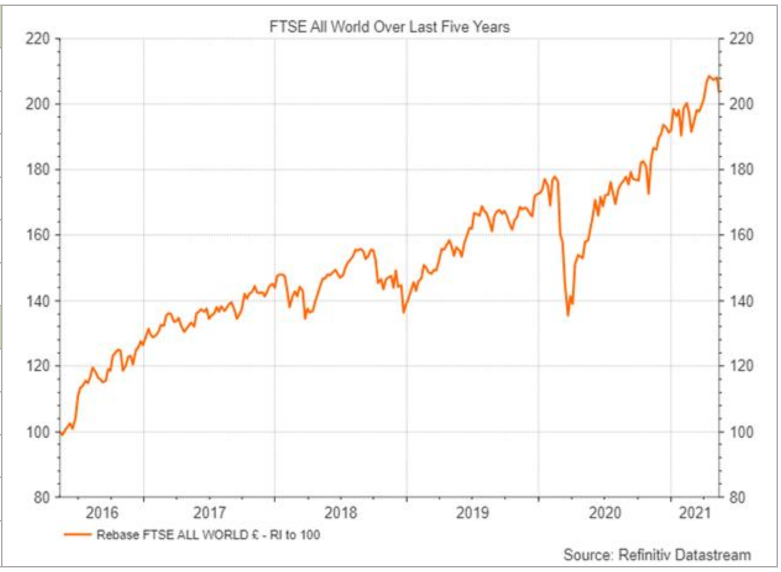
Mr Fletcher recommends a neutral weighting relative to the intermediate benchmark across all of the Fund's regional equity allocations; 2% in the case of Asia Pacific Ex-Japan and 5% in Emerging Market Equities.

The IIMT continues to believe in the long-term growth potential of these regions, noting that these regions have accounted for well over half of global growth over the last ten years. The Chinese economy expand by around 2% in 2020, benefitting from being first into, and first out of, the Covid-19 pandemic. Whilst China experienced its first ever decline in GDP in Q1 2020, it went on to post positive growth in the remaining three quarters of the year.

The economic impact of the Covid-19 pandemic remains unclear, and whilst it appears likely that the new President Biden administration will seek to de-escalate US – Chinese trade tensions, there is a risk that following the pandemic, political agendas and supply chains will become much more domestically focused (e.g. at the expense of further globalisation). As a result, the IIMT recommends neutral allocations relative to the new intermediate benchmark in respect of both Asia Pacific Ex-Japan Equities (2.0%) and Emerging Market Equities (5.0%).

2.13 Global Sustainable Equities

DPF Weightings	
Intermediate Neutral	16.0%
Final Neutral	29.0%
Actual 30.4.21	16.1%
AF Recommendation	16.0%
IIMT Recommendation	16.1%
Benchmark Returns (GB£)	
Q1 21/22 to 16 May-21	(1.8%)
Q4 20/21	4.0%
1 Year to Mar-21	39.8%
3 Years to Mar-21 (pa)	13.2%
5 Years to Mar-21 (pa)	14.7%



Relative market strength increased the Fund’s allocation to Global Sustainable Equites from 15.9% at 31 January 2021 to 16.1% at 30 April 2021.

Mr Fletcher recommends a neutral weighting relative to the intermediate benchmark across all of the Fund’s regional equity allocations; 16% in respect of Global Sustainable Equities.

The IIMT remains confident about the long-term investment case for the Fund’s allocation to Global Sustainable Equities, albeit notes that the current rotation out of growth stocks into value and pro-cycle stocks may adversely impact short-term performance. The IIMT recommends maintaining the currently fractionally overweight position of 16.1% in Global Sustainable Equities.

2.14 Private Equity

DPF Weighting					
Intermediate Netural	Final Neutral	Actual 30.4.21	Committed 30.4.21	AF Recommendation	IIMT Recommendation
4.0%	4.0%	3.7%	5.0%	4.0%	3.7%
Benchmark Returns (GB£)					
Q1 21/22 to 16 May-21	Q4 20/21	1 Year to Mar-21	3 Years to Mar-21 (pa)	5 Years to Mar-21 (pa)	
(1.0%)	5.4%	27.7%	4.2%	7.3%	

The Private Equity weighting increased from 3.5% at 31 January 2021 to 3.7% at 30 April 2021; 5.0% on a committed basis.

Mr Fletcher recommends a neutral weighting of 4% in Private Equity.

The IIMT notes that the Fund is overweight to Private Equity on a committed basis and is not reviewing further opportunities at this stage. The IIMT believes that the Fund's outstanding private equity commitments of around £80m are well positioned to benefit from any market opportunities resulting from the recovery from the coronavirus outbreak with a strong focus on small and mid-cap deals. The IIMT recommends that the Private Equity weighting is maintained at 3.7% (0.3% underweight) in the forthcoming quarter, subject to any commitment drawdowns.

2.15 Income Assets

At 30 April 2021, the overall weighting in Income Assets was 20.1%, 0.6% lower than that reported at 31 January 2021, reflecting relative market weakness. The IIMT recommendations below would take the overall Income Asset weighting to 21.3%, and the committed weighting to 26.3%.

2.16 Multi Asset Credit

DPF Weighting				
Intermediate Neutral	Final Neutral	Actual 30.4.21	AF Recommendation	IIMT Recommendation
6.0%	6.0%	6.7%	6.0%	6.9%
Benchmark Returns (GB£)				
Q1 21/22 to 16 May-21	Q4 20/21	1 Year to Mar-21	3 Years to Mar-21 (pa)	5 Years to Mar-21 (pa)
0.7%	1.5%	14.6%	4.0%	3.8%

Net investment of £11m was offset by relative market weakness, with the Fund's allocation to Multi-Asset Credit remaining flat at 6.7% between 31 January 2021 and 30 April 2021. The Fund finalised a €30m commitment to a low-cost private debt co-investment fund in the quarter, taking the committed weight to 8.1%. The co-investment fund is linked to an existing fund and investment manager. Whilst the committed weight of 8.1% implies the pension fund will be 2.1% 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). The time-critical commitment to the co-investment fund was approved by the Director of Finance & ICT in consultation with the Chair of the Pensions & Investments Committee.

Mr Fletcher notes that the spread available from high yield bonds and loans, and emerging market debt, has continued to narrow. Whilst there are still opportunities in certain sectors of credit markets, Mr Fletcher believes that the asset class is not as attractive as it was before and recommends maintaining a neutral weighting for the time being.

The IIMT continues to be positive about the long-term attractions of the asset class and favours a strong bias towards defensive forms of credit (e.g. senior secured debt and asset backed securities). The IIMT recommends increasing the current allocation by 0.2% to 6.9% to allow for anticipated commitment drawdowns (0.9% overweight).

2.17 Property

DPF Weighting				
Intermediate Neutral	Final Neutral	Actual 30.4.21	AF Recommendation	IIMT Recommendation
9.0%	9.0%	7.4%	9.0%	7.4%
Benchmark Returns (GB£)				
Q1 21/22 to 16 May-21	Q4 20/21	1 Year to Mar-21	3 Years to Mar-21 (pa)	5 Years to Mar-21 (pa)
Not Available	2.3%	2.7%	2.3%	4.1%

The Fund's allocation to Property fell by 0.3% to 7.4% at 30 April 2021 reflecting relative market weakness. Direct Property accounted for 4.3% (1.7% underweight) and Indirect Property accounted for 3.1% (0.1% overweight). The committed weight was 7.5% at 30 April 2021.

Mr Fletcher recommends that the property allocation remains neutral overall, but notes that the uncertainty over the future use of buildings created by Covid-19 has increased the potential volatility of the returns from this asset class. In terms of sectors, Mr Fletcher expects the residential and industrial sectors to be most resilient, with some impact on the office sector because of the possible permanent change in working practices and occupation density. The retail sector remains under most pressure with certain types of building and locations needing to be re-purposed. At a minimum, the office, retail and leisure property sectors could see a medium-term de-rating with the lower income generated by rents having an impact beyond the short term. However, Mr Fletcher believes that as a long-term investor, the Fund can afford to 'look through' the volatility and in a low yield environment, property probably remains an attractive income asset class.

The Fund's Direct Property Manager notes that over the past year, the coronavirus crisis has dominated the economic landscape, impacting on people's everyday lives and having significantly (and largely detrimentally) affected many aspects of business life including the UK commercial real estate market. The Fund's property portfolio continues to perform well relative to its benchmark. Rent collection has been challenging for landlords, but the Fund collected 93.4% of collectible rent in the year to March 2021, and the vacancy rate of 3.3% at March 2021, was lower than both the prior year (6.2%) and the benchmark average (7.0%).

The IIMT recommends that in the short term the Fund's current allocations to Direct Property (4.3%; 1.7% underweight) and Indirect Property (3.1%; 0.1% overweight) are maintained but liquidity of up to £75m is made available to the Direct Property manager to make further investments at the right time should suitable investment opportunities be identified.

2.18 Infrastructure

DPF Weighting					
Intermedidate Neutral	Final Neutral	Actual 30.4.21	Committed 30.4.21	AF Recommendation	IIMT Recommendation
9.0%	10.0%	6.0%	10.7%	9.0%	7.0%
Benchmark Returns (GB£)					
Q1 21/22 to 16 May-21	Q4 20/21	1 Year to Mar-21	3 Years to Mar-21 (pa)	5 Years to Mar-21 (pa)	
0.3%	0.5%	2.1%	2.6%	2.5%	

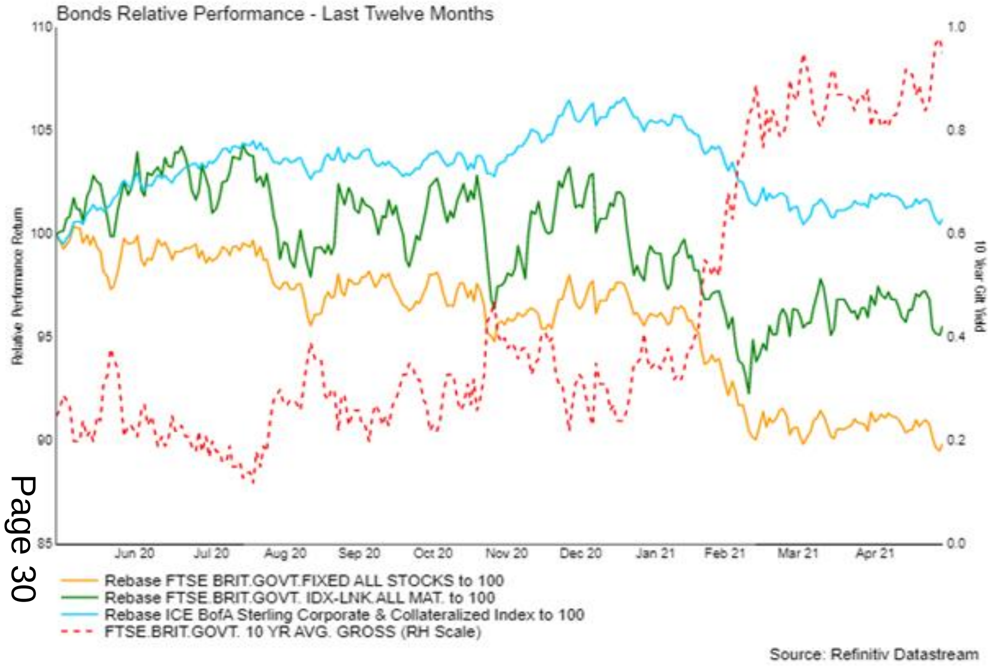
Relative market weakness reduced the Fund’s allocation to Infrastructure from 6.3% at 31 January 2021 to 6.0% at 30 April 2021. The Fund finalised a £75m commitment to a renewable energy infrastructure fund in March 2021, increasing the committed weighting to 10.7%. The commitment was approved by the Pensions and Investments Committee on 3 March 2021.

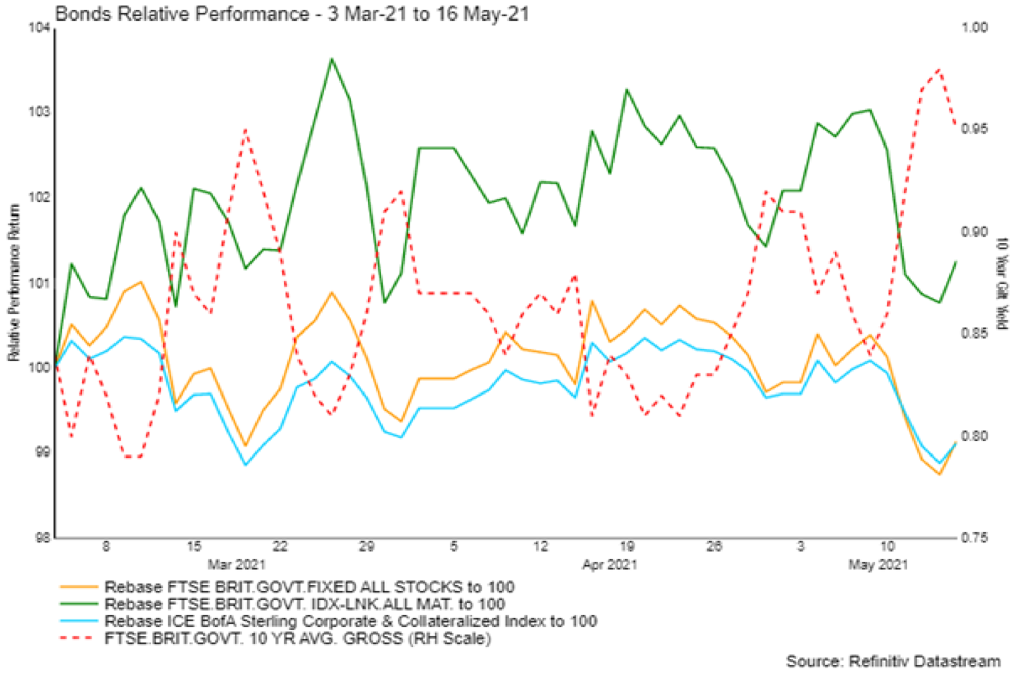
Mr Fletcher recommends a neutral weighting relative to the intermediate benchmark of 9% allocation. Mr Fletcher notes that because of the nature of the infrastructure investment process, and the time taken to deploy capital, the Fund should either make commitments to new funds or increase the current commitments to an existing funds (if possible), as soon as reasonably possible.

The IIMT continues to view Infrastructure as an attractive asset class and favours a bias towards core infrastructure assets or renewable energy assets. These assets can offer low volatility; low correlation to equity and fixed income; and reliable long-term cash flows. Notwithstanding the noted favourable characteristics of the asset class, the IIMT continues to believe that infrastructure assets are exposed to increased political and regulatory risk, and this risk is managed through asset type and geographical diversification. The IIMT continues to assess investment opportunities, which are in line with these objectives.

The IIMT recommends that the invested weighting is increased by 1.0% to 7.0% in the next quarter; 10.7% on a committed basis. Whilst this implies that the Fund is over-committed to the asset class, the draw-down of these commitments will take up to five years, and as these commitments are drawn-down, they will be partly offset by distributions from existing infrastructure investments.

2.19 Protection Assets





The weighting in Protection Assets at 30 April 2021 was 15.9%, 1.4% lower than that reported at 31 January 2021 reflecting relative market weakness. The IIMT recommendations below increase the weighting to 17.3%.

UK government bond yields have risen since the last Committee meeting (i.e. lower prices) reflecting improved investor sentiment for ‘risk-on’ assets such as equities, and of late, increasing concerns about rising inflationary pressures. This increases the risk that Central Banks, in particular the US Federal Reserve (the FED), may be forced to tighten monetary conditions sooner than expected. Notwithstanding the recent rise, UK Government bond yields remain low compared to historic levels, consistent with expectations for a prolonged period of near zero policy rates in response to the economic backdrop.

2.20 Conventional Bonds

DPF Weightings	
Intermediate Neutral	6.0%
Final Neutral	6.0%
Actual 30.4.21	4.6%
AF Recommendation	5.0%
IIMT Recommendation	5.5%
Benchmark Returns (GB£)	
Q1 21/22 to 16 May-21	(0.7%)
Q4 20/21	(7.2%)
1 Year to Mar-21	(5.5%)
3 Years to Mar-21 (pa)	2.5%
5 Years to Mar-21 (pa)	2.9%

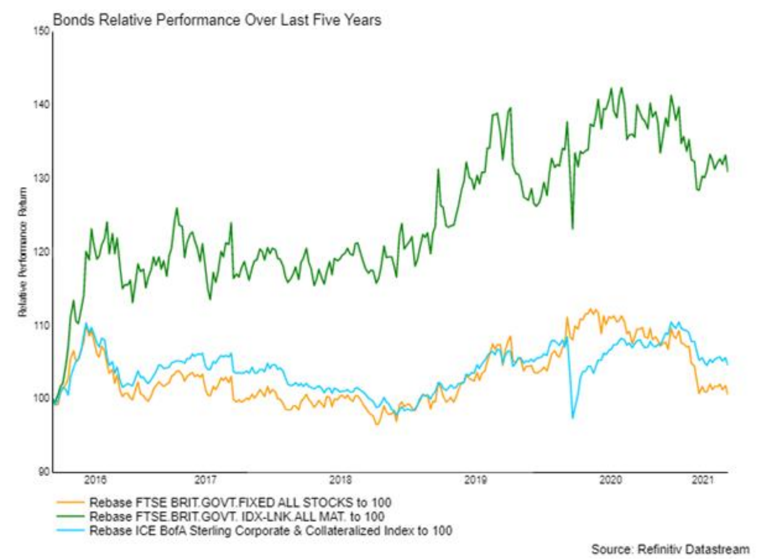
The Fund's allocation to Conventional Bonds fell from 5.1% at 31 January 2021 to 4.6% at 30 April 2021, reflecting relative market weakness; 1.4% underweight.

Mr Fletcher has maintained his recommended allocation to Conventional Bonds at 5% (1% underweight), with the 1% being allocated to an increase in the Cash weighting. Mr Fletcher believes that government bond yields have further to rise (i.e. lowering prices), leading to the possibility of negative returns from the asset class. Whilst Mr Fletcher recognises the benefit of holding government bonds as protection against an equity market sell-off, Mr Fletcher believes that at their current low level of yield, these bonds provide neither income or the level of protection as they have in the past.

The IIMT continues to believe that whilst conventional sovereign bonds do not appear to offer good value at current levels with yields around historic lows, they are diversifying assets and continue to afford greater protection than other asset classes in periods of market uncertainty as evidenced during the Covid-19 pandemic. The recent increase in bond yields has increased the attractiveness of conventional bonds, and the IIMT recommends that the weighting in conventional bonds is increased to 5.5%.

2.21 Index-Linked Bonds

DPF Weightings	
Intermediate Neutral	6.0%
Final Neutral	6.0%
Actual 30.4.21	5.3%
AF Recommendation	5.0%
IIMT Recommendation	5.3%
Benchmark Returns (GB£)	
Q1 21/22 to 16 May-21	(0.7%)
Q4 20/21	(6.3%)
1 Year to Mar-21	2.3%
3 Years to Mar-21 (pa)	3.3%
5 Years to Mar-21 (pa)	5.8%



The Fund's allocation to Index-Linked Bonds fell by 0.5% to 5.3% at 30 April 2021 (0.7% underweight), reflecting relative market weakness. The Fund's allocation at 30 April 2021 comprised 77% UK Index-Linked Bonds (UK Linkers) and 23% US Treasury Inflation Protected Bonds (US TIPS).

Mr Fletcher has maintained his recommended allocation to UK Linkers at 5% (1% underweight), with the 1% being allocated to an increase in the Cash weighting. Mr Fletcher continues to believe that UK Linkers are over-valued and long-term investors should look elsewhere for inflation protection. Mr Fletcher also notes that US TIPS are no longer cheap relative to US inflation expectations, and the Fund should take 'profits' on these bonds.

Markets have become increasingly concerned about higher inflation over the last few months' driven by the 'post Covid-19' economic recovery; high-savings rates (which could reverse and lead to a spending surge), and US policy stimulus. However, it is unclear whether this will be a short-term increase or lead to longer term inflation pressures. The IIMT believes that the potential for higher inflation, either in the short or longer term, supports the Fund's current Index-Linked bonds allocation, and therefore recommends that the weighting is maintained at 5.3%. The IIMT also recommends maintaining the Fund's current exposure to US TIPS, noting that these offer diversification and protection against rising US inflation expectations.

2.22 Corporate Bonds

DPF Weightings	
Intermediate Neutral	6.0%
Final Neutral	6.0%
Actual 30.4.21	6.0%
AF Recommendation	6.0%
IIMT Recommendation	6.4%
Benchmark Returns (GB£)	
Q1 21/22 to 16 May-21	0.5%
Q4 20/21	(4.0%)
1 Year to Mar-21	9.2%
3 Years to Mar-21 (pa) (1)	n/a
5 Years to Mar-21 (pa) (1)	n/a

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

There were no transactions in the period and relative market weakness reduced the Fund's allocation to Global Investment Grade bonds from 6.4% at 31 January 2021 to 6.0% at 30 April 2021 (neutral weight).

Mr Fletcher notes that in light of low level of yield spread relative to government bonds, he recommends that the Fund maintains a neutral allocation of 6% to Corporate Bonds (i.e. investment grade bonds). Mr Fletcher believes that should government yields rise, corporate bond yields are likely to rise at roughly the same pace, which could lead to negative returns.

The IIMT notes that investment grade bond spreads are low and have narrowed significantly since spiking in March 2020. Furthermore, it is unclear whether the current level of spread is sufficient to compensate for the increased default, particularly when the shape of the recovery is unknown, and the recovery cannot easily be benchmarked to previous trends. However, investment grade bonds are likely to be more defensively positioned relative to Growth Assets, should markets experience any further weakness. As a result, the IIMT recommends increasing the current allocation by 0.5% to 6.5% (0.5% overweight).

2.23 Cash

The Cash weighting at 30 April was 7.2% (5.2% overweight relative to the intermediate benchmark) and included a £56m advance payment contribution by Derbyshire County Council on 30 April 2021 (increasing the cash weighting by 1.0%). It should be noted that subsequent to the April 2021 period-end, net investment has totalled £77m, reducing the cash weighting to 5.9% on a like-for-like basis.

Mr Fletcher has maintained his 4% (2% overweight) overweight to Cash, funded from underweight positions in Conventional Bonds (1%) and Index-Linked Bonds (1%), reflecting the extremely low yield and high duration risk currently attached to these asset classes. Mr Fletcher notes that given the current valuation of all investment markets, together with the Fund's upcoming contractual commitments, he is not in a hurry to reduce the cash allocation.

The IIMT notes that whilst global markets have recovered strongly following the sharp sell-off in Q1 2020, the recovery has been heavily dependent on substantial and unprecedented central bank monetary support. Any change of tone from the central banks is likely to have a material effect on markets. Furthermore, whilst the roll-out of vaccines appears to be progressing well in developed markets, the speed of rollout is uneven, and a number of countries continue to face rising new cases, and the impact of new variants remains a sizeable risk. The recovery from the Covid-19 pandemic is likely to be uneven, and markets appear to be ignoring significant headwinds including considerable uncertainty about the shape of the economic recovery; uncertainty about how long it will take for economic activity to return to pre-outbreak levels; continuing high levels of coronavirus cases in some countries (e.g. India); rising inflationary pressures; and the potential uncertainty caused by the new Biden administration in the US.

The IIMT recommends a defensive cash allocation of 5.6% (3.6% overweight relative to the benchmark) due to the uncertain economic outlook, and the current rich valuations across most asset classes. This will also ensure that the Fund has sufficient operational headroom after adjusting for term-loan maturities (i.e. short-term loans provided by the Fund to other public sector bodies) to cover upcoming investment commitment drawdowns (expected to be in excess of £180m over the course of 2021-22), and to cover the likelihood that cash inflows into the Fund, particularly, from investment income, will reduce as a result of the Covid-19 pandemic.

3 Implications

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

4 Background Papers

4.1 Papers held in the Investment Section.

5 Appendices

5.1 Appendix 1 – Implications.
5.2 Appendix 2 – Report of independent external adviser.
5.2 Appendix 3 – Portfolio Valuation Report at 30 April 2021.

6 Recommendation(s)

That Committee:

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

7 Reasons for Recommendation(s)

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

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

Report Author: Peter Handford
Director of Finance & ICT

Appendix 1

Implications

Financial

1.1 None

Legal

2.1 None

Human Resources

3.1 None

Information Technology

4.1 None

Equalities Impact

5.1 None

Corporate objectives and priorities for change

6.1 None

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

7.1 None

APPENDIX 2

First Quarter 2021 Investment Report

PREPARED FOR:

Derbyshire County Council Pension Fund: Pensions and Investment Committee Meeting

JUNE 2021

Investment Report for Derbyshire County Council Pension Fund

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

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

The report is expected to lead to discussions with the in-house team on findings and recommendations as required. The advisor is expected to attend quarterly meetings of the Pensions and Investment Committee to present his views and actively advise committee members.

Meeting date 9th June 2021
Date of paper 24th May 2021

MJ HUDSON
Allenbridge

1. Market Background (First quarter 2021)

The Covid news in the first quarter of 2021 was much more mixed and caused equity markets in particular to pause from the strong performance witnessed in the 9 months from March to December 2020. On one hand the “3rd wave” of infections, hospitalisations and death was worse than the 1st and 2nd waves. But on the other the roll-out of the vaccination programme especially in Israel, the UK and the USA provided evidence that the “end of the beginning” was in sight. Provided politicians didn’t obfuscate and prevaricate or play political games over the supply, implementation and the importance of having a coherent vaccination programme. Perhaps the best example of this was in the US, where the new Biden administration mobilised all agencies of state, local and federal government to collaborate in the roll out of their vaccination programme. Whereas in the EU the mixed messages from heads of government and the fiasco of the EU vaccine procurement strategy delayed the rollout, confused the population and slowed the take up of the vaccine. These differing responses have contributed to the positive growth surprises in the US and a double-dip recession in the EU.

In the US, following the Georgia Senate run-offs, the Democrats now have “on paper” control of the Senate. Along with a Democrat President and Congress, this provides scope for easier implementation of Democrat policies. The 1st example of which is the $1.9 Trillion American rescue plan (covid recovery package), this is equivalent to 9% of GDP, a large part of which involves giving directly to the American taxpayer a cheque for $1,400, regardless of needs. This along with some other outlined policies has led to fears of an overheating the US economy and higher inflation. The result has been that government bond yields increased, equities continued their rotation in the favour of value stocks and oil and other commodity prices like Lumber, copper and steel have rebounded in anticipation of increased demand.

In the UK, while much of the slowdown in first quarter growth can be blamed on the resurgence of Covid, a significant part can also be assigned to the nature of the trade deal with the EU. It is clear from the trade data that importers stockpiled and exporters accelerated deliveries ahead of the end of the year. Immediately after the New Year, the EU implemented “non-EU status” trading rules on UK exporters whereas the UK government has given a grace period to EU exporters to the UK, allowing them time to get up to speed with the changed requirements at the UK/EU border. As a result, some of what would have been 1q21 GDP was delivered in 4q20, and trade with our largest trading partner can no longer be described as “Frictionless”, which could lead to less trade with the EU and to potentially increased costs of doing business.

MJ HUDSON
Allenbridge

Table 1, below shows the total investment return in pound Sterling for the major asset classes, using FTSE indices except where noted; for the month of April 2021 and the 3 and 12 months to the end of March 2021.

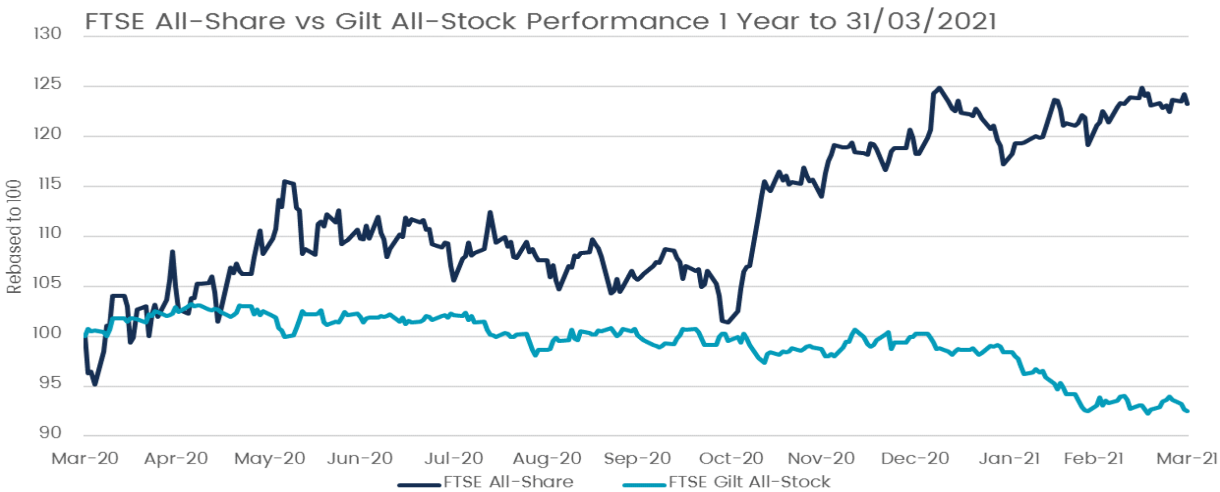
% TOTAL RETURN DIVIDENDS REINVESTED

MARKET RETURNS

		Period end 31st March 2021	
	April 2021	**3 months**	**12 months**
Global equity ACWI^	4.3	4.1	39.1
Regional indices			
UK All Share	4.3	5.2	26.7
North America	5.0	4.9	42.8
Europe ex UK	4.4	2.5	34.9
Japan	-2.0	1.2	26.3
Pacific Basin	3.5	2.9	50.6
Emerging Equity Markets	2.2	1.9	40.8
UK Gilts - Conventional All Stocks	0.5	-7.2	-5.5
UK Gilts - Index Linked All Stocks	0.9	-6.3	2.3
UK Corporate bonds*	0.8	-4.4	10.1
Overseas Bonds**	-0.0	-2.3	-1.1
UK Property quarterly^	-	2.3	2.7
Sterling 7 day LIBOR	0.0	0.01	0.05

^ MSCI indices * iBoxx £ Corporate Bond; **Citigroup WGBI ex UK hedged

Chart 1: - UK bond and equity market returns - 12 months to 31st March 2021



Source: - Bloomberg

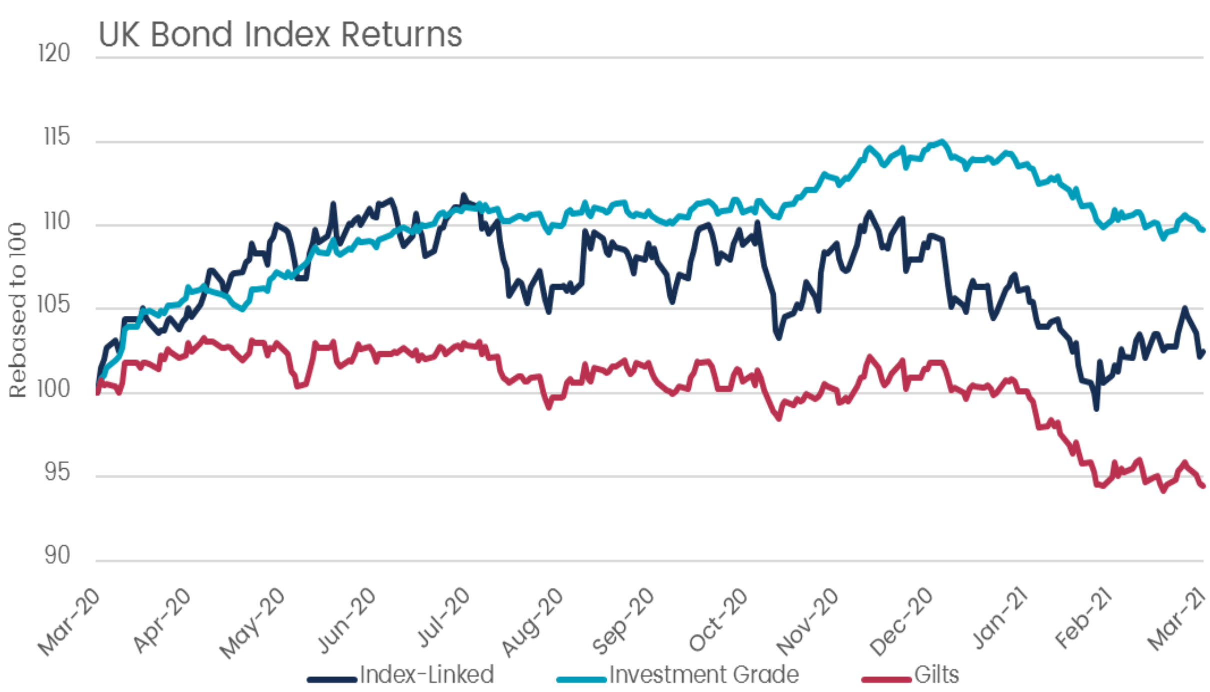
MJ HUDSON
Allenbridge

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

BOND MARKET % YIELD TO MATURITY	31st December 2020	31st March 2021	Quarterly Change %	31st March 2020	Current 14th May 2021
UK GOVERNMENT BONDS (GILTS)					
10 year	0.19	0.85	**+0.66**	0.36	0.86
30 year	0.75	1.40	**+0.65**	0.82	1.40
Over 15y Index linked	-2.35	-2.04	**+0.31**	-1.91	-2.03
OVERSEAS 10 YEAR GOVERNMENT BONDS					
US Treasury	0.91	1.75	**+0.84**	0.70	1.64
Germany	-0.57	-0.29	**+0.28**	-0.47	-0.12
Japan	0.02	0.10	**+0.08**	0.02	0.08
NON-GOVERNMENT BOND INDICES					
Global corporates	1.35	1.75	**+0.40**	3.12	1.68
Global High yield	4.32	4.41	**+0.09**	9.39	4.28
Emerging markets	3.20	3.80	**+0.60**	6.16	3.60

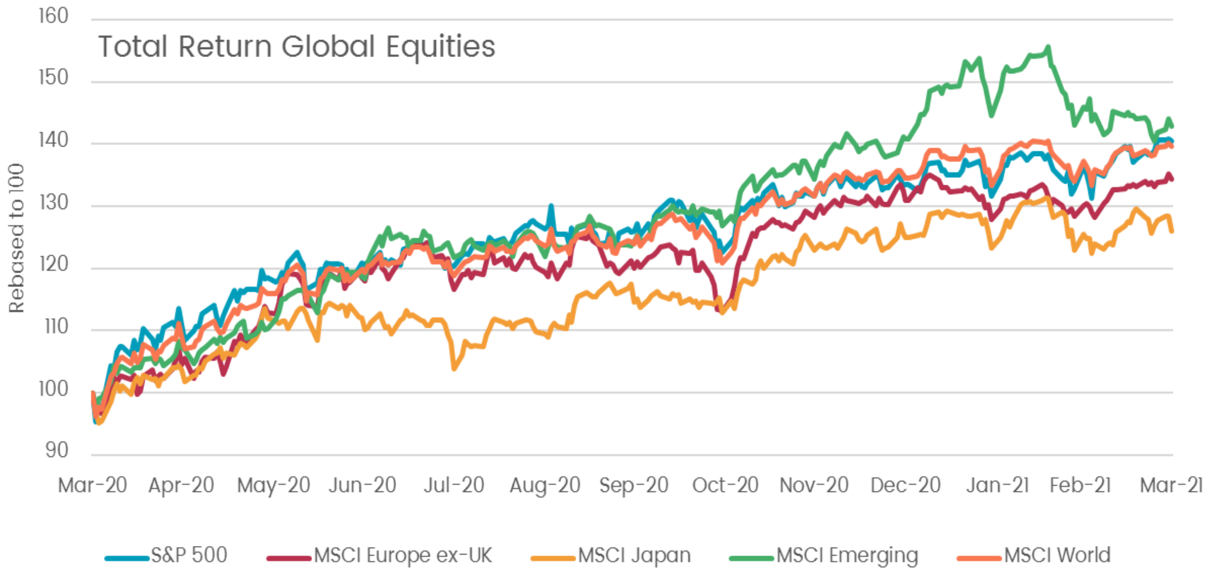
Source: - Bloomberg, Trading economics and ICE Indices G8LI, G0BC, HW00, EMGB, 14th May 2021.

Chart 2: - UK Bond index returns, 12 months to 31st March 2021.



Source: - Bloomberg

Chart 3: - Overseas equity markets returns in Sterling terms, 12 months to 31st December 2020.



Source: - Bloomberg

Recent developments (April and May 2021)

As we have moved into the 2nd calendar quarter of 2021, expectations of spectacular growth from the re-opening of developed economies has begun to turn into reality. Global equity markets have been quick to price in the "new" good news, delivering the same level of return in April as we saw in the whole of the 1st quarter. In terms of the developed markets domestic re-opening is well advanced in the US followed by the UK, the EU and Japan. The other major feature of the month was the push to get on the front foot with the climate change agenda. The UK government is hosting of the G7 meeting and later in the year the COP26 Climate Conference and it was keen to get its promises published early. Frankly it didn't need to, the UK is way out in front on delivering emissions reductions and the sustainable development goals, with the EU, US and now China on its coattails.

In the US the first 100 days of the Biden administration have passed with a number of notable successes, the pledge to vaccinate with the 1st dose, 100 million Americans was surpassed and the $1.9 Trillion American rescue plan easily passed through Congress. The President has now announced 2 new packages the $2.3 Trillion American Jobs Plan, essentially a plan to invest in the country's Infrastructure and the $1.8 Trillion American Families Plan, which will aim to secure a more equitable recovery. This latter plan seeks to permanently enshrine many of the temporary tax credits in the rescue plan. All of these spending pledges are to be paid for by increasing corporate, top marginal income and capital gains tax rates.

All around the developed world, growth and activity is proving stronger than expected and this is being accompanied by a fear of permanent rather than transitory higher inflation. Against a backdrop of increased government spending the challenge is for central banks is to demonstrate that they understand the risks and will act appropriately and at the right time.

The tragedy which is the worsening of the Covid infection rate, especially on India and Brazil, underscores the need for a global vaccination programme. Until we are all vaccinated there will be no return to anything like the freedom of movement we enjoyed prior to the start of this pandemic.

MJ HUDSON
Allenbridge

2. Investment Performance

Table 3 shows the performance of the Derbyshire Pension Fund versus the fund specific benchmark for the 1st quarter and year to 31st March 2021. At the end of the Financial year, the absolute return of the Fund was an exceptional +21%, and relative performance was better than the benchmark. All the broad asset class categories and all of Derbyshire's selected asset managers outperformed their respective benchmarks.

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

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

% TOTAL RETURN (NET) 31ST MARCH 2021	3 MONTHS		12 MONTHS	
	Derbyshire Pension Fund	**Benchmark**	**Derbyshire Pension Fund**	**Benchmark**
Total Growth Assets	**2.9**	**3.9**	**36.4**	**34.6**
UK Equity	6.1	5.2	30.3	26.7
Total Overseas Equity	**1.2**	**3.2**	**40.3**	**39.0**
North America	4.4	4.9	45.6	42.9
Europe	2.5	2.5	34.8	34.8
Japan	-0.2	1.2	35.1	26.3
Pacific Basin	3.6	2.1	47.9	44.8
Emerging markets	1.7	1.9	43.8	40.8
Global Sustainable Equity	-2.1	4.0	57.2	39.8
Global Private Equity	7.7	5.4	27.0	27.7
Total Protection Assets	**-5.0**	**-5.9**	**3.0**	**1.9**
UK Gilts	-6.1	-7.2	-4.3	-5.5
UK & Overseas Inflation Linked	-5.8	-6.3	0.6	2.3
Global Corporate bonds	-4.0	-4.0	11.2	9.2
Total Income Assets	**1.1**	**1.4**	**6.5**	**5.5**
Multi-asset Credit	1.5	1.5	14.9	14.6
Infrastructure	0.1	0.5	2.1	2.1
Property (all sectors)	1.7	2.3	4.1	2.7
Internal Cash	0.1	0.0	0.3	0.0
Total Fund	**1.0**	**1.4**	**21.0**	**20.6**

Total fund value at 31st March 2021 £5,676 million

Overall market and Fund performance was much more modest in the first quarter of 2021 and the Fund was slightly behind benchmark. Equity markets delivered lower returns as economies were forced back into restricting activity as Covid infection rates dramatically increased. By the end of the quarter markets were beginning to look forward to a rebounding economy and government bond market began to worry about inflation resulting in a marked sell off. The rotation from growth to value stocks that started in November also continued hence the stronger performance of the UK compared to other regional equity indices.

Growth assets – Equity performance

In the 1st quarter of 2021, most of the regional equity portfolios underperformed their respective benchmarks with the exception of the UK. But over longer timeframes more important for a Pension Fund the majority of the equity portfolios have delivered consistently strong absolute returns that are also ahead of benchmark.

North American equity performance was 0.5% behind the market in the first quarter, and 2.9% ahead over 12 months. The recovery in relative performance means the 5 and 10 year annualised returns are now ahead of benchmark. Over 10 years North American equity has delivered 16.1% p.a. which is an outperformance the benchmark index by 1.5% p.a.

Most of the UK and all of the continental European equity allocations are passively managed by LGIM and UBS. The 3 and 12 month returns of these funds are in line with the benchmark. However, the in-house team choose to maintain an overweight allocation in the UK and some of the allocation is invested in Investment Trust's which have also been selected by the in-house team. The strong performance of these investment trusts and the decision to remain overweight significantly improved the aggregate return of the overall UK allocation.

The other equity assets are invested in Japan, the Pacific Basin and Emerging Markets equities, via a number of pooled funds selected by the in-house team. All 3 regional portfolios continue to deliver mixed performance over shorter periods but over the long term they have in aggregate delivered strong returns that are also ahead of benchmark and they have been an overall diversifier of risk, especially Japan.

Private equity continues to deliver strong positive absolute and relative returns that are significantly ahead of the benchmark over the more meaningful 3, 5 and 10 year periods, after US equity, Private equity has delivered the next highest absolute returns and the largest relative outperformance over its benchmark.

At the beginning of the quarter, in order bring the Fund's equity allocation into line with the newly adopted interim Strategic Asset Allocation. The Fund reduced its allocation to the US, Europe, Asia-Pacific and the UK, to increase the investment in Global sustainable equity from 4.6% to 15.9%.

Protection assets - Fixed Income Performance

There were no changes in asset allocation over the quarter. Government bond yields doubled over the period, but because the Fund is underweight its allocation and is less interest rate sensitive than the benchmark it outperformed delivering -5% relative to -5.9% for the benchmark. Over the year the strong performance of US bonds and global corporate bonds help the allocation outperform delivering +3% compared to the benchmark return of +1.9%.

Income assets – Property, Infrastructure and MAC

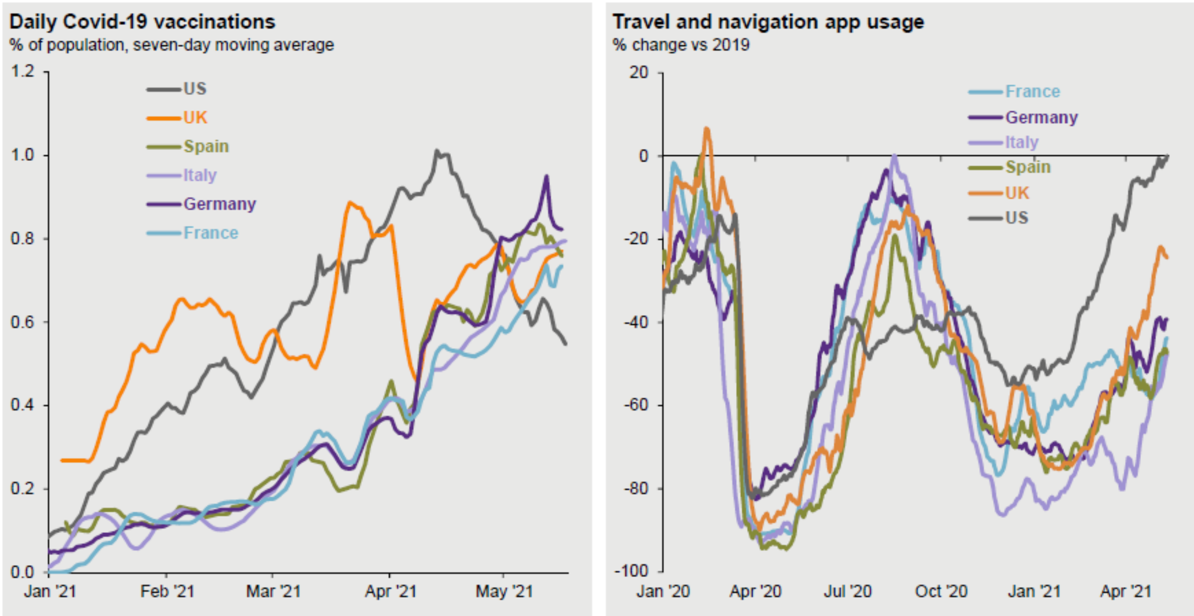
As a result of the change in strategic benchmark the allocation to income assets was increased by 1% to 24%, this extra allocation was assigned to Infrastructure. However, there were no changes in the actual asset allocation over the quarter. Over the year, the combined portfolio of income assets has outperformed the benchmark, mainly due to the strong performance of MAC. Infrastructure and total property lagged slightly over the quarter holding back overall performance. Over longer time periods, more appropriate for these assets, property, infrastructure and MAC have all outperformed, delivering an aggregate total return of 6.5% p.a. over 5 years, which is 1.5% ahead of benchmark.

3. Economic and Market outlook

Economic outlook

The first quarter of 2021 has turned out to be a period of transition, the imposition of new lockdowns as the 3rd wave spread throughout the developed economies gave way to optimism on the potential for success of the vaccination programmes. At the time of writing the removal of restrictions is leading to some markedly strong economic data and a fear of increased inflation. I am hoping that this will be the last time I have to show chart 4 below, but at least it is a leading indicator of the strength of the recovery to come.

Chart 4: - LHS. The daily vaccination rate. RHS. Activity implied by the level of travel.

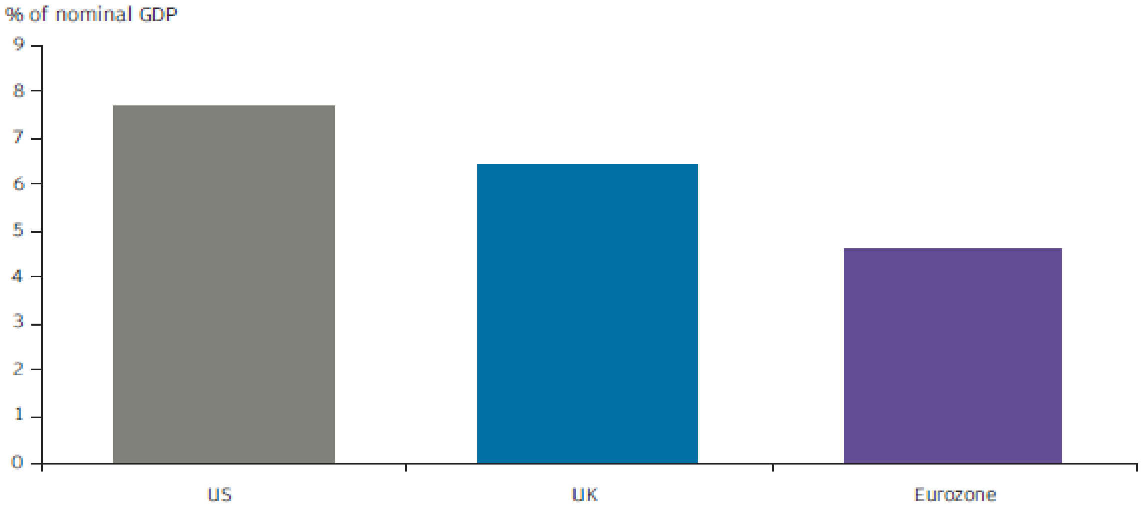


Source: (Left) Our World in Data, J.P. Morgan Asset Management. Data as of 17 May 2021. (Right) App Annie, J.P. Morgan Asset Management. Data is sourced from App Annie with over 600 travel and navigation apps globally, including Google Maps, Uber, Airbnb and Booking.com. Data as of 11 May 2021.

The re-opening rebound in the developed economies is underway and leading to a release of pent-up demand, fuelled by savings accumulated during the lockdowns of the last 12 months. The success of the vaccine roll-out in the US and the UK and after a much slower start in Europe is leading to a marked up-tick in activity. US travel activity is already ahead of where it was prior to the pandemic and the UK with its more cautious path out of lockdown is not far behind. Unlike normal recessions where savings are consumed due to lack of income, aggregate incomes have remained stable and savings have been accumulated due to the inability to spend. Chart 5 below show how much economists estimate, households have saved in excess of normal.

In addition, to the excess savings, governments are planning increase fiscal spending by 9% in the US, and roughly 6% of GDP, in the UK and Europe. While much of the fiscal spending will take time to work its way into the economy, roughly 5% of GDP of the USA's stimulus package will be distributed directly to households between now and September. Add these numbers together and developed economies are looking at stimulus measures of roughly 17%, 12% and 10% of GDP respectively in Fiscal year 2021/22. It could be that some of the "excess savings" will not get spent, but the fiscal measures on their own and the pent-up demand should be enough to generate a really significant boost to growth in marked contrast to the austerity measures that were introduced after the Global Financial Crisis.

Chart 5: - Excess Household savings as a % of GDP in 2020.



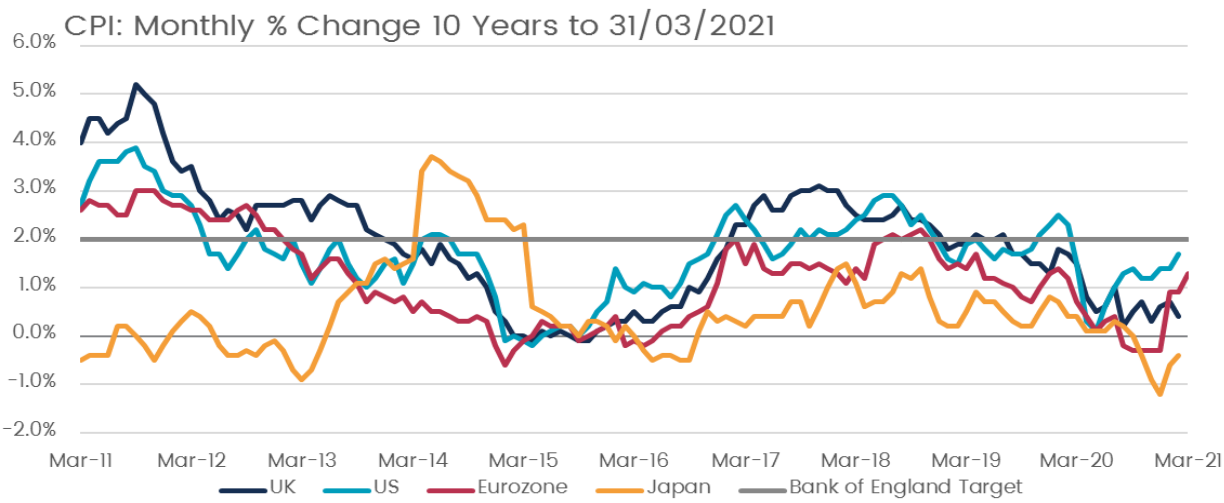
Source: BEA, Bloomberg, Eurostat, ONS, Refinitiv Datastream, J.P. Morgan Asset Management. Excess household savings are defined as the aggregate amount that the consumer saved in 2020, in excess of typical annual savings for a given economy. Data as of 30 April 2021.

The picture in the emerging economies is much more mixed. While GDP in China and south east Asia is well ahead of the pre-pandemic levels the same cannot be said for India and Brazil in particular. The main beneficiaries of the pickup in growth will be Europe and Asia because of the pro-cyclical nature of their economies.

Inflation

All this optimism on growth has led to increased fears of permanently higher inflation as chart 6, shows inflation has already ticked up from the lows of the last 10 years.

Chart 6: **-** Inflation – Annual rate versus Central Bank Target

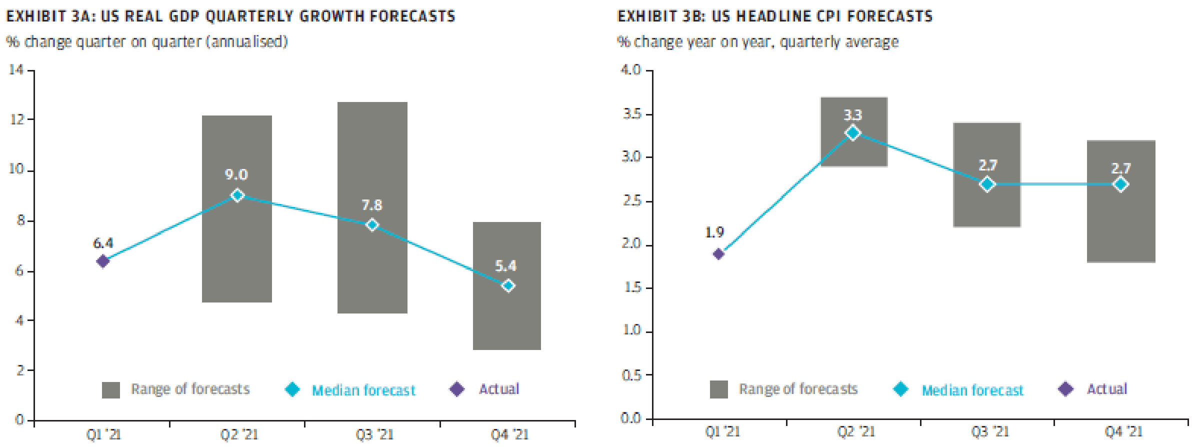


Source: - Bloomberg

Chart 7 shows the range of estimates for US quarterly growth and inflation in 2021. As can be seen by the end of 2021 growth and inflation are lower and as can be seen in the consensus estimates on tables 4 and 5 later in this report, growth and inflation is expected to be lower in 2022.

While I expect growth and inflation to probably remain stronger for longer, mainly due to a combination of the pent-up demand and base effects from 12 months ago. I do not expect inflation to continue to accelerate or be permanently higher once the pent-up demand and short term supply shortages have been satisfied. Mainly because I do not see continuing above trend growth in incomes, and because of the high level of total debt and the long term trends in the demographics of developed economies.

Chart 7: **-** Quarterly growth and inflation forecasts for 2021.



Source: Bloomberg. J.P. Morgan Asset Management. CPI is consumer price index. Data as of 30 April 2021.

To summarise I believe that we may have seen the nadir in the rate of inflation, but I agree with the central banks that the current increase in inflation is transitory and in my opinion by this time next year inflation will be much closer to the 2% long term target rate.

Central Banks

It is clear that the central banks have decided to "keep calm and carry on". At their most recent meetings all the leading officials have confirmed that they see the current inflation blip as transient and directly a response to base effects from the enforced collapse in activity last year and short term supply pressures as a result of getting the workforce back into the workplace. Following the meeting of the US Federal Reserve (Fed) in May Jerome Powell, reiterated that 3 conditions that need to be met before monetary policy will be changed. First the rate of inflation has risen to 2%, secondly it is on track to moderately exceed 2% for some time and thirdly that the labour market had reached maximum employment. While one could argue the first 2 conditions have been met, employment is a long way away from its maximum. Central banks have been trying to reduce overnight support to money markets and have announced a reduction (tapering) of bond purchases (QE), but these actions are consistent with already announced policy and the re-opening of the economies and do not represent a change in their easy money policies.

Politics

After the drama of Mr Trump's presidency and the conclusion of the UK / EU trade negotiations the media's obsession with politics seems to have calmed somewhat. Sadly, the world will still be dealing with the legacy the Trump presidency for some time. Hence the actions of authoritarian regime's like China, Russia, Israel and most recently Belarus are likely to continue.

In the US the new Biden administration exceeded most of its first 100 days pledges, unified the covid response and vaccinated well over 100 million people. The US$ 1.9 Trillion American (covid) rescue plan was easily passed and the Presidency has announced 2 new packages the $2.3 Trillion American Jobs Plan, essentially a plan to invest in the country's Infrastructure and the $1.8 Trillion American Families Plan, which will aim to secure a more equitable recovery. This latter plan seeks to permanently enshrine many of the temporary tax credits in the rescue plan. All of these spending pledges are to be paid for by increasing corporate, top marginal income and capital gains tax rates. Unlike the rescue plan, these 2 new packages are currently held up in congress and the Democrats are trying to wield the power of their "on paper" majorities in both houses to get them passed. The result will be interesting to see, because it could mark the end of the political gridlock that has hampered US domestic policy actions for most of the last 20 years.

In the UK, the local government elections and the Hartlepool by-election result have confirmed the popularity of Mr Johnson, despite the Government's overall poor handling of the response to the pandemic, the distraction of who paid for the redecoration of the Downing Street apartment and the recent efforts of Mr Cummings. The UK's relationship with the EU remains febrile to say the least, while it would appear that trade between most of the UK and the EU has returned to normal levels, problems remain in Northern Ireland. Also, in Jersey a ridiculous escalation in tensions over the slow- paced issue of fishing licenses, led to a threat from the French Maritime Minister to cut off the island's electricity supply. The EU also continues to propose unreasonable and potentially unworkable conditions in its negotiations over the future of trade in Services, which are far more important to the UK economy.

Finally, the legacy of the referendum result continues to effect politics in Scotland, Wales and Northern Ireland, with parties seeking greater control over their regional assemblies increasing their representation.

Government bonds

As can be seen in Table 2 above this quarter to date, Government bond yields, have been more mixed after the sharp and uniform increase we saw in the 1st quarter of 2021 as shown in Chart 8 below. At the time of writing, UK and Japanese yields are unchanged, in the US they are lower and in Germany (Europe) they are higher.

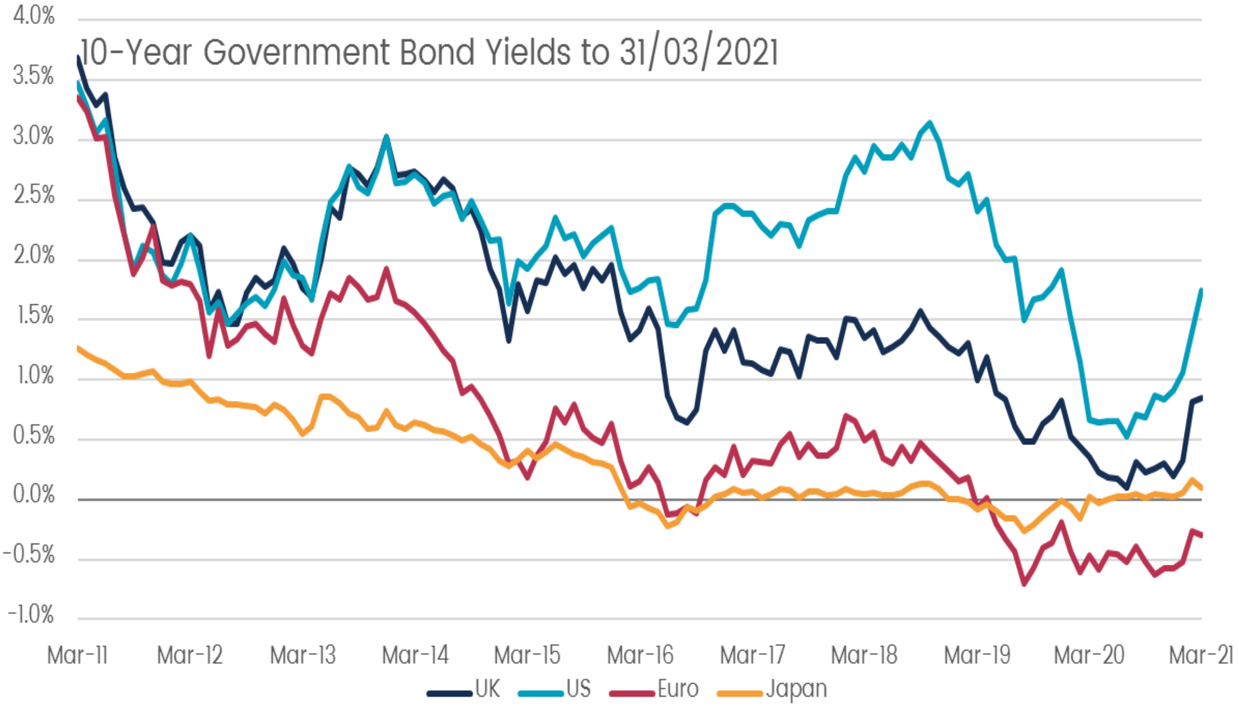
I continue to believe that government bond yields will trend higher, notwithstanding short-term bouts of falling yields in the medium term they will be higher.

I expect government bonds yields to continue to rise over the next couple of years and in the case of the US they could easily be higher than 2% by this time next year. Yields will rise either because of the expectation of higher inflation, the size of deficits or because the global economy is in recovery. It should not be forgotten that at some point central banks will stop buying more bonds and the responsibility for funding the increased government spending will fall back completely to the investment community.

At the moment the main objective of all central banks is to keep government bond yields low. It should be remembered that even if US 10 year yields reached 2%, that is still below the average of the last 10 years. Prior to the recent period, the only time in modern history that US yields were around 2% was in 1940.

It is highly likely that government bonds could deliver a near zero or even negative returns in the next 12 months.

Chart 8: **-** Government bond yields, last 10 years.



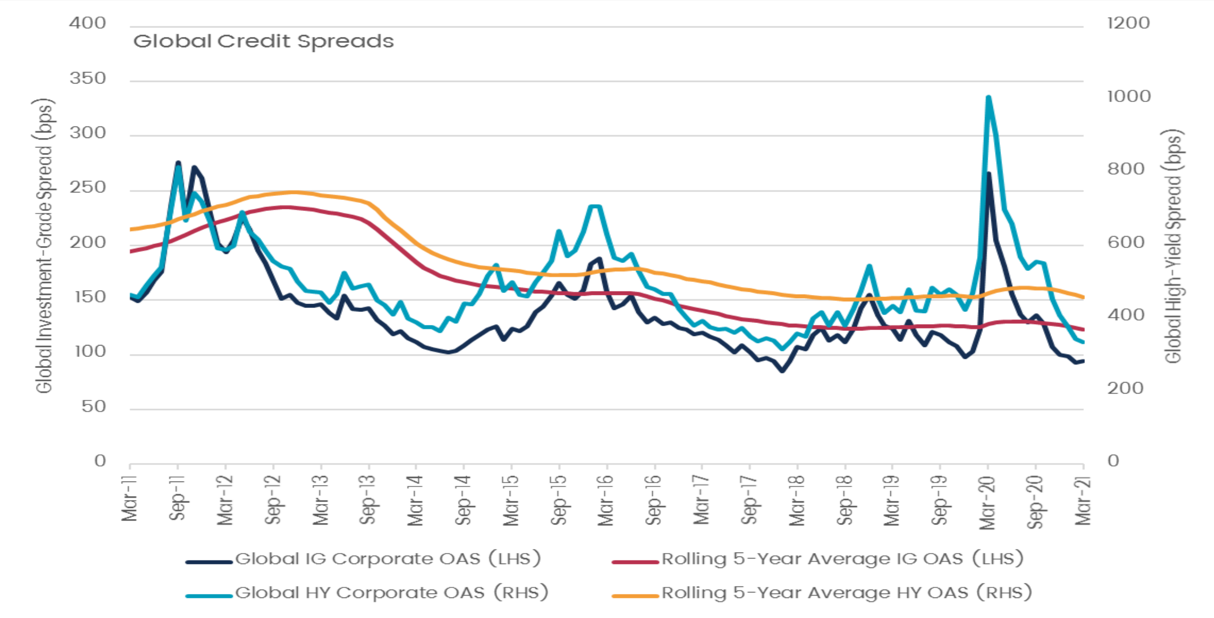
Source: - Bloomberg

MJ HUDSON Allenbridge

Non-government bonds

As can be seen in Chart 9 below, the excess yield spread for both investment grade non-government and high yield bonds continued to narrow in the 1st quarter of 2021. In part because central banks continued to buy investment grade corporate debt as part of their QE programmes.

Chart 9: **-** Credit spreads, extra yield over government bonds, last 10 years.



Source: - Bloomberg

Yield spreads have continued to narrow in 2021 but this is mainly because government yields have started to rise rather than because investment grade non-government yields have fallen. However, the all-in yield, for the average of global high yield bonds is now close to a new all-time low.

On average it is fair to say that yield spreads are becoming unattractive, there is still some scope for spread narrowing but the opportunity is now limited. Investment grade bond yields are close to their all-time lows and their interest rate sensitivity has increased as companies have issued longer dated debt. But as always, and especially for a MAC manager in the high yield market, there are relative value opportunities in the sectors that don't qualify to be bought by central banks, such as corporate hybrid debt, sub-ordinated bank capital bonds and Asset-backed securities.

If my comments above, about an extended period of low interest rates and government bond yields are correct then both investment grade and sub-investment grade bonds will deliver better returns because of their higher yield and lower interest rate sensitivity, than government bonds provided defaults remain low.

At this level of yields returns are much more dependent on active management and manager skill, rather than just buying the market, but I still believe returns from non-government bonds will be higher than from government bonds.

MJ HUDSON
Allenbridge

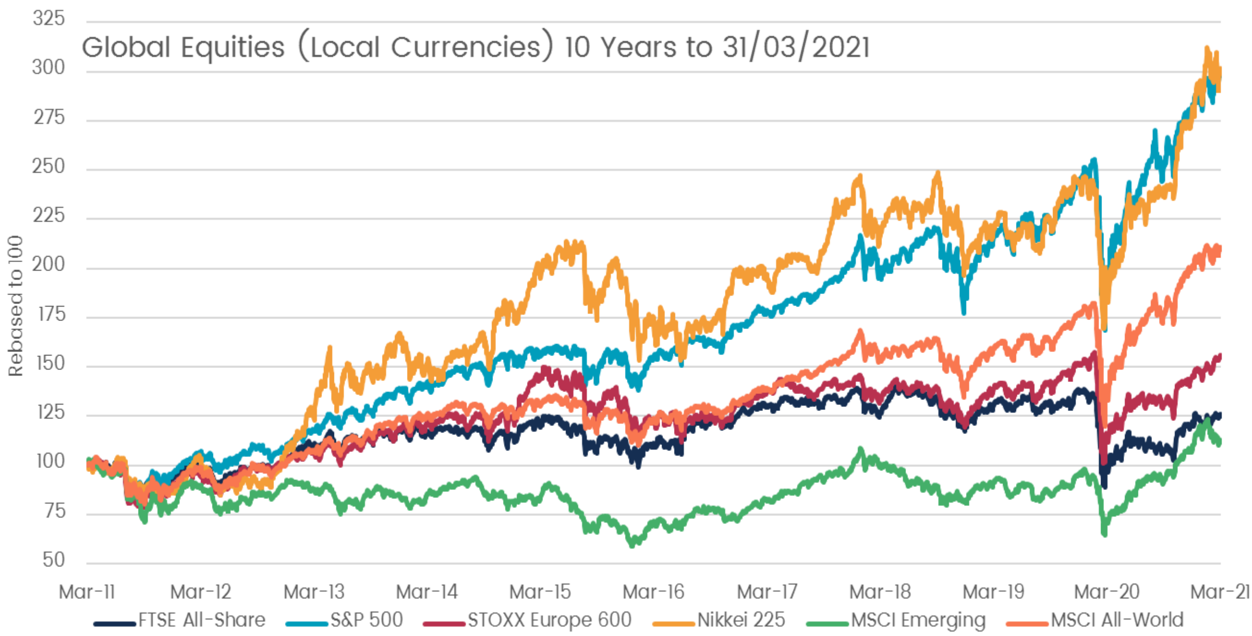
Equities

While the prospects for government bond market may not be that good over the next 12 months the outlook for equities remains positive. As can be seen in Table 1 above, performance has been strong in April. Chart 10 below show the performance of a number of market indices in local currency over the last 10 years. The rebound in all markets from 12 months ago has been very strong. All markets with the exception of the UK have made new highs. The trouble is they were already quite expensive prior to the pandemic, with high absolute and relative valuations.

As discussed above there is a lot of pent-up demand and excess savings to fund it and accommodative monetary and fiscal policy, but this is largely in the price, therefore I find it difficult to see a continuation of this strong performance. Once the novelty of our re-discovered freedom has worn off, are people really going to consume at the same rate once their excess savings are spent and the workforce returns to a more normal travel, and work / life balance? I suspect not, yes by then the promised government infrastructure spending should have started to flow but the benefits of this will not be felt for some time to come.

As we move forward over the next 12 months, the potential for rising interest rates, a bit more inflation and less disposable income should begin to pinch at consumer spending and company earnings could rotate from over to under performing expectations and this could lead to more generalised market volatility as well.

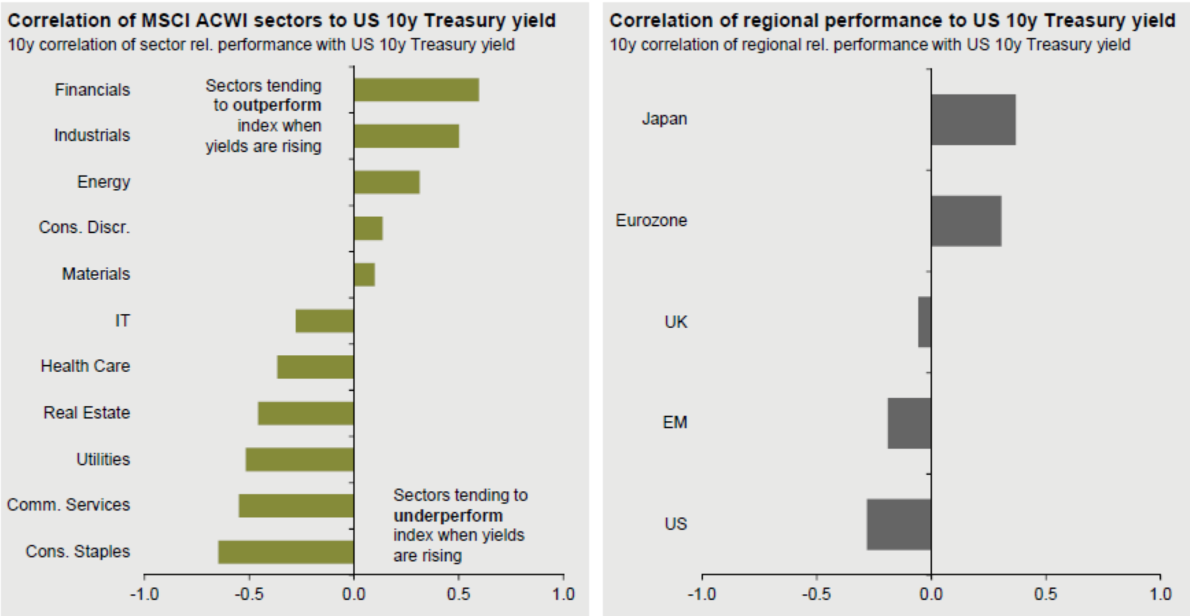
Chart 10: - Global equity indices, last 10 years.



Source: - Bloomberg

The other feature I expect to see over the next 12 months is the continued rotation from growth to value stocks. Up until the 4th quarter of 2020, growth stocks had hugely outperformed value stocks, not just in 2020 for more than the last 5 years. Since November 2020, value stocks have outperformed, indeed since the beginning of the year, the MSCI ACWI is 9.7% higher but the value component is 15.1% higher and the growth component is only up 4.3%. Chart 11 below shows when US government bond yields are rising, whether it be the result of stronger growth or inflation sector performance leadership changes from growth and defensive sectors to cyclical and value sectors. In terms of regional indices this could lead to a further improvement in the performance of the UK and European equity indices compared to the US, as these have a higher weight to financial, industrial, energy and commodity companies.

Chart 11: **-** Correlations of Sector and Regional equity indices to the US 10y government bond yield.



Source: (All charts) Refinitiv Datastream, MSCI, J.P. Morgan Asset Management. Sector correlation is calculated between the six-month change in US 10-year Treasury yield, and the six-month relative performance of each sector to the MSCI All-Country World Index. Regional correlation is calculated between the six-month change in US 10-year Treasury yield, and the six-month relative performance of each sector to the MSCI All-Country World Index. Past performance is not a reliable indicator of current and future results. *Guide to the Markets - UK*. Data as of 30 April 2021.

GDP

Table 4 shows the consensus forecasts for GDP growth in calendar 2021 and 2022 and my expectations in January and May 2021.

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

% CHANGE YOY	2021				2022			
	JANUARY		MAY		JANUARY		MAY	
	Consensus	AF	Consensus	AF	Consensus	AF	Consensus	AF
US	4.4	**4.6**	6.2	**7.0**	3.4	**3.6**	4.1	**4.1**
UK	4.3	**4.5**	5.4	**6.0**	5.8	**5.0**	5.6	**5.6**
Japan	2.4	**2.4**	2.8	**3.0**	2.2	**2.0**	2.4	**2.4**
EU 28	4.3	**4.5**	4.0	**4.5**	3.9	**3.5**	4.1	**4.1**
China	8.3	**8.5**	8.7	**9.0**	5.4	**5.4**	5.5	**5.5**
SE Asia	6.3	**6.5**	5.2	**5.5**	5.5	**5.5**	5.7	**5.7**

Source: - Consensus Economics April 2021

As I suggested last time the consensus is still trying to catch up with the actual data on GDP. I wouldn't be surprised to see the 2021 estimates being revised higher again as the year proceeds. Next year is a little more difficult to predict. I would expect after the initial surge in activity as the world comes out Covid restrictions, that personal consumption activity will return to more normal levels in 2022. However, the outlined increases in longer term government spending may drive investment to levels that could offset the fall to more normal levels of consumption. I remain more optimistic on growth than the consensus in 2021, but more inline in 2022.

This optimism of course may be dampened by the ability of Covid to mutate, thus far the scientific evidence appears to suggest that while the new Indian variant is more transmittable, it may not be more deadly to a vaccinated population. At the moment we also do not know what the long term effects of the virus will be on those it does not kill, nor do we know if the population will require a regular vaccination.

Chinese growth has continued to broaden out across all sectors of the economy. Growth estimates for the 3rd and 4th quarters of 2020 have been revised higher to over 3%, however 1st quarter was lower than expected at +0.6%. In the 12 months to the end of March 2021, GDP expanded by 18.3%.

In the US, fourth quarter 2020 growth was revised higher to +4.3% and 1st quarter 2021 growth was estimated at +6.4%, despite the increase in infections, all parts of the economy except inventory investment and exports expanded, as the economy continued to re-open. Over 12 months the annual rate of growth was only +0.4%.

In the UK, fourth quarter growth was only +1.3%, but third quarter growth was revised higher to +16.9%. Given the renewed Covid related restrictions in the 1st quarter of 2021, it is not surprising that growth was estimated at -1.5%. The promising news in the 1q21 data was that on a monthly basis there was an improving trend. Based on the most recent ONS data the UK economy was estimated to be 6.1% smaller than it was a year ago in March 2020.

The Japanese economy also contracted in the 1st quarter of 2021 by 1.3% amid a resurgence in Covid cases and the slow vaccine roll-out. The contraction was fairly uniform across the economy with even government spending falling. The economy is 1.4% smaller than it was 12 months ago.

The Euro-area entered a "double-dip" recession with growth falling again the 1st quarter of 2021 after a revised more negative outcome in the fourth quarter. The only major economy to escape the contraction was France, but they have paid for this with higher infection and hospitalisation rates as they delayed their lockdown and prevaricated over the roll out of the vaccination programme. At the end of March 2021, the Euro-area economy is 1.8% smaller than it was 12 months ago.

Consumer Price Inflation

Table 5 shows the consensus forecasts for Consumer Price Inflation in calendar 2021 and 2022 and my expectations in January and May 2021.

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

% CHANGE YOY	2021				2022			
	JANUARY		MAY		JANUARY		MAY	
	Consensus	**AF**	Consensus	**AF**	Consensus	**AF**	Consensus	**AF**
US	2.0	1.8	2.6	**3.0**	2.2	**2.2**	2.3	**2.5**
UK	1.5	1.3	1.6	**2.0**	2.0	**2.0**	2.1	**2.5**
Japan	0.0	0.0	0.0	**0.5**	0.5	**0.5**	0.5	**0.8**
EU 28	1.1	1.0	1.6	**2.0**	1.4	**1.4**	1.4	**1.7**
China	1.9	2.0	1.5	**2.0**	2.1	**2.1**	2.2	**2.5**
SE Asia	2.0	2.0	2.2	**2.4**	2.4	**2.4**	2.4	**2.5**

Source: - Consensus Economics April 2021

Once again, the consensus forecasts for inflation in calendar 2021 and 2022 are broadly unchanged. Which seems a little at odds with the increased volume of noise on the concerns, especially in the bond markets, about inflation. I have no doubt that inflation reports over the next few months will be surprisingly high, but I believe this is mainly driven by, base effects from 12 months ago, initial shortages in the supply of goods, services and workers, combined with "pent up demand". As we go forward over the next 12 months, I expect inflation to settle back down to a higher rate than we have been used to over the last 5 to 10 years but not so high that it is a concern for expected central bank policy.

As expected, the annual rate of US headline inflation has picked up each month year to date from 1.4% in December and January to 2.6% in March and 4.2% in April. The largest increases were in energy costs which were sharply higher from the negative reports 12 months ago. Ex food and energy, core inflation was also surprisingly higher at 3% in April mainly due to increased housing costs.

The UK headline inflation rate (CPIH) which includes housing costs was 1.5% in April up from just 0.6% p.a. in December, the increase is almost solely due to higher energy and petrol costs. Core inflation rate which excludes food, energy, alcohol and tobacco, was 1.3% p.a. roughly around the same level as in the 4th quarter of 2020.

Euro Area inflation spiked higher to 1.6% in April after spending most of the 2nd half of 2020 at minus 0.3% p.a. once again energy costs were the main driver with most other components falling. Core inflation which jumped higher to 1.4% in January from 0.2% in the 4th quarter fell back to 0.7% in April.

Japan remains in deflationary territory, with the 8th month in a row of falling headline and core prices. April's fall was only -0.4% better than December's, headline deflation of -1.2% p.a. All components of inflation except housing were negative, the core rate that excludes fresh food was -0.1% p.a.

4. The outlook for the securities markets

The beginning of the first quarter of 2021 was marked by economic uncertainty over of the future recovery from Covid19 as hospitalisation and death rates surpassed their second quarter 2020 highs. Outside of China, economic activity slumped again as Covid restrictions had to be re-introduced. At the same time economists were looking through the bad news and citing huge "excess" savings and pent up demand as key drivers of the economic recovery over the rest of the year.

As we moved into April and May expectations for spectacular economic growth turned from forecast to fact. While some of this improvement is due to the measured removal restrictions on activity it should not be forgotten that there are some very powerful base effects, with recent activity compared to the almost total shut down of economic activity in March to June 2020. The improvement has raised fears of higher inflation and a worry that central banks are being at the same time too complacent and that they will increase rates sooner than currently expected. Hence the negative performance of government bond markets, while equity markets have steadily gone up.

Governments remain concerned about the recovery and have extended their support programmes to the 3rd and in some cases 4th quarter of 2021 in order to support the broader recovery. In the US, The Biden administration is going for broke with 2 further economic support packages which if passed total nearly US$ 4 Trillion, on top of the US$ 1.9 Trillion already being distributed to the working population. Central banks have also made it clear that they see the current "surge" in the inflation data as temporary and that they will remain supportive well into the recovery.

The success of the vaccination programme in the UK and the US, and after a slow start in Europe is also supporting markets. The bad news to set against all this good news in the Covid tragedy unfolding most notably in India and Brazil, which underlines the importance of a global vaccination response.

Just like last quarter, equity markets are well ahead of the economy and actual earnings therefore I am only cautiously optimistic, for the following reasons; while most of the growth and inflation can be explained by base effects if US workers are not encouraged back to work because the unemployment benefits are more attractive, then this either slows the pace of recovery or leads to wage cost inflation, which will be more difficult for the Fed to control. The Fiscal stimulus plans outlined by the Biden administration may be too big for the Senate in particular and may be not be delivered or significantly reduced, and finally until we are all (globally) vaccinated, global re-opening remains someway off. We only have to look at the caution in our own government's re-opening of overseas leisure travel to see how slow and expensive this could be.

In the long term, the global economy has turned a corner on climate change and sustainable development with the more constructive and engaging approach of the new Biden Presidency and China. The changes in the global economy that have been accelerated by Covid are also constructive for global sustainable equity, emerging markets and to a lesser extent credit markets, but remain negative developed market government bonds. In terms of regions the more procyclical and industrial sectors of Europe and the UK with their leadership in "green technology" could be beneficiaries over the US "information technology" and "social media" consumption led sectors.

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 May 2021.

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

%	CURRENT	DECEMBER 2021	JUNE 2022
UNITED STATES			
3month LIBOR	0.20	0.25	0.25
10 year bond yield	1.65	2.0	2.25
UNITED KINGDOM			
3month LIBOR	0.04	0.10	0.10
10 year bond yield	0.86	1.0	1.25
JAPAN			
3month LIBOR	-0.09	-0.10	-0.10
10 year bond yield	0.08	0.10	0.10
GERMANY			
3month EURIBOR	-0.56	-0.50	-0.50
10 year bond yield	-0.11	0.0	0.0

Source: - Trading Economics; 18th Mary 2021

Government bond yields have been rising from their all-time lows (0.07% for 10 year Gilts) in August 2020. The increase was steady at first but began to accelerate in December 2020 as the vaccination roll out got started in the UK and US. The pace accelerated again in the first quarter of 2021 as the new Biden administration announced a series of large fiscal spending packages and markets worried about an uptick in inflation. Ironically now we are actually seeing higher inflation data bond yields have gone sideways rather than up! It is worth noting that yields have only increased to the levels seen prior to the start of the pandemic. As can be seen in table 6 (and chart 7) above government bond yields remain very low by historical standards.

I expect government bond yields to remain low in the near term because, central banks are still buying bonds, they have said they will not increase rates until they are certain of a return to full employment and because central banks have given themselves more flexibility around the 2% target rate of Inflation. While I expect inflation data in 2021 to be volatile due to base effects, from the collapse in activity last year, it is likely to remain low by historical standards.

In my forecasts it can be seen that I expect government bond yields to rise and there is the risk that yield curves could continue to steepen if inflation becomes more of a concern, but for now central banks will continue to do all they can to keep government yields around their current levels.

Low central bank policy rates, low refinancing costs and low government bond yields mean the extra yield spread for non-government bond and high yield bonds and loans could be attractive, but spreads in aggregate are now back to the lows seen post the global financial crisis. There are sectors where yields are more attractive but investors need to be careful because as the global economy recovers, it is highly likely that the level of defaults in credit markets could increase, especially in those sectors of the economy that are more at risk from the pace of recovery. Active management, dynamic asset allocation and security selection skills will now, more than ever will be the key to success for investment in this asset class.

Bond Market (Protection Assets) Recommendations

The total allocation to Protection assets in the strategic benchmark is 18%. I have not changed my recommendations for government or corporate bonds. Last quarter I suggest a 2% underweight, in favour of holding a higher weight in cash, because I believe government bond yields have further to rise, leading to the possibility of further negative returns from the asset class. In light of low level of yield spread above government bonds I suggest maintaining a neutral allocation to global corporates.

So far this year government yields have risen by over 0.6% and global corporates by only 0.3%, I do not expect this outperformance to continue. If government yields rise, I would expect corporate bond yields to also rise at roughly the same pace, which could lead to negative returns from global corporates as well.

I recognise the benefit of holding government bonds as protection against a selloff in equity markets and Scheme's liabilities but at their current low level of yield these bonds neither provide the income or the level of protection they did in the past.

As usual in table 7 below I have updated the data and recalculated my estimates of the total return impact of rising yields for government and non-government bond indices based on their yield and interest rate sensitivity (Duration) over 3 and 12 months. The estimates show that there is very little income protection even for small increases in yield at current durations and spreads.

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

INDEX	YIELD TO MATURITY %	DURATION	YIELD INCREASE %	% TOTAL RETURN, HOLDING PERIOD	
				3 MONTH	12 MONTHS
All Stock Gilts	0.89	12.6	0.5	-6.1	-5.4
Over 15 year Linkers	-2.03	19.9	0.5	-9.9	-9.6
Global IG Corporate	1.64	7.2	0.5	-3.2	-2.0
Global High Yield	4.28	3.9	0.5	-0.8	+2.3

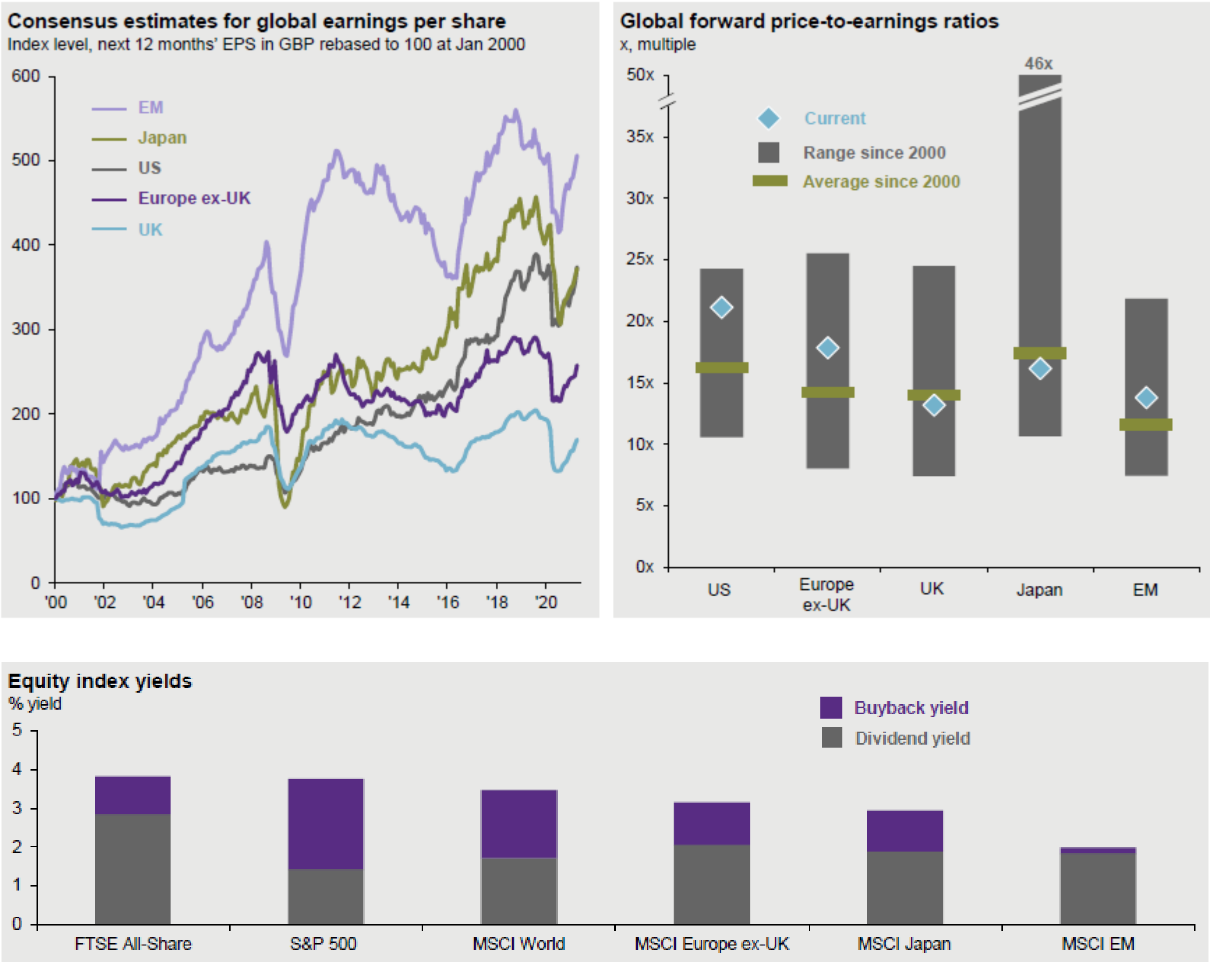
Source: - ICE Indices 18th May 2021

In my last report I suggested closing the tactical allocation to US TIPS. In local currency terms TIPS have outperformed Index Linked Gilts, but I find it difficult for this outperformance to continue because TIPS are no longer cheap relative to expected US inflation. I have not changed my mind on UK ILG, I still believe they are overvalued and long-term investors should look elsewhere for inflation protection, but I believe the relative value of US TIPS over UK ILG has fallen significantly, hence I would take profits on this position.

Equity Markets

Chart 12 below, shows the earnings per share estimates, the forward estimates of price / earnings ratio and the expected yield from equity indices for the next 12 months, provided by JP Morgan Asset Management.

Chart 12: - Earnings per Share, Price/Earnings Ratios and yield from equity indices,



Source: - JPM Asset Management., May 2021

As can be seen EPS is recovering strongly from the collapse 12 months ago and while forecast to be higher than 2019, this may not be achieved before 2022. The top right chart shows that p/e ratios are well above the 20 year average in the US, above average in Europe and around fair value in the UK and emerging markets, Japan also looks cheap but this could be due to the extreme valuation of the market in the early part of the period.

What these charts suggest to me is that a lot of the good news on the earnings recovery is already in the price especially in the US. Which raises the possibility of disappointment if the pace of economic recovery slows as suggested by the recent topping out of US housing starts or the value of earnings growth is eroded by higher inflation. That said the yield on equity remains attractive when normal buyback activity is included, but higher bond yields especially in the US, with guaranteed coupons rather than discretionary dividends are providing increased competition for yield investors. The yield on US 10 year government bonds is around 1.7% compared to the dividend yield of only 1.5% from the S&P 500.

Taken together the 3 charts suggest to me that the UK and possibly Japan and Emerging market equities present the most reasonable value in an environment of expensive equity markets.

The strong growth rebound that started in the US in the later part of 2020 has continued into 2021, at the time of writing 91% of S&P 500 companies have reported first quarter earnings and 86% reported actual Earnings per Share (EPS) above estimates. My normal caveat applies here, given the pandemic analysts have probably, on average, underestimated the pace of recovery and pent up demand, and don't forget the base effects, calculating from last years forced reduction in activity. Judging by the increase in consensus GDP and Inflation estimates in the last 3 months, I believe analysts are still playing catch-up. Also, it should be remembered that while US equity market indices are higher than the peak seen in February 2020, the actual earnings of most companies are not, which suggests that valuations are again being stretched.

It is a similar story in the UK and to a lesser extent Europe, earnings are coming in generally better than forecast and the UK in particular is benefiting from the rapid pace of the vaccine rollout. As mentioned in my last report similar arguments to those in the US on savings and demand are being made in support of UK and European equity markets. It is also clear that European and especially UK equity markets are benefitting from a rotation from "growth" to "value" stocks as can be seen on the MSCI ACWI indices where value stocks are 15.1% higher year to date compared to growth stocks only which are only 4.3% higher on average.

While a lot of good news has been priced in, if Mr Biden's extra fiscal and infrastructure plans are passed into law there could be more good news to come even if it is inflationary, equity markets tend to perform well against a backdrop of moderate inflation.

Equity Market (Growth Assets), Recommendations

It was agreed in November 2020 that substantial changes in the investment strategy and geographic distribution within growth assets should be made to fit with the Funds new Investment Strategy Statement, Climate Strategy and the Responsible Investment Framework.

In order to smooth the path of change it was agreed that the new strategic benchmark should be phased in over time, with an interim benchmark coming into effect 1st January 2021. The final change to the new strategic benchmark is expected to take place on 1st January 2022. The in-house team working with their external managers has moved quickly to change the asset allocation to fit with the new interim benchmark.

At this stage the quanta of the changes are so large that I would not suggest trying to overweight or underweight any particular country or strategy versus another. As markets evolve over the year and the Fund gets closer to the next change in the strategic benchmark, I believe it may be worth paying attention to "events" that may provide opportunities to change the asset allocation in line with the direction of travel to the new benchmark. These events could be economic, valuation based or the result of sector rotation as the global economy continues to re-open. I would encourage the in-house team to use the ranges around the strategic benchmark to take advantage of these tactical opportunities.

As mentioned in my last report I believe developed equity markets are expensive relative to the state of the economy, but I also believe the support provided by central banks and governments will remain in place and fiscal spending may even be increased over the next couple of years. Therefore, I suggest keeping the overall growth asset allocation at neutral.

Income Assets

In November the strategic allocation to income assets was increased from 23% to 24%, funded by a reduction in growth assets. The extra money will be used to increase the exposure to Infrastructure. Because of the nature of the investment process and the time taken to get invested I would recommend that commitment to a new fund or increasing the current commitments to an existing fund if possible, should be considered as soon as reasonably possible.

The spread available from high yield bonds and loans, and emerging market debt has continued to narrow as can be seen in table 2 above, providing strong returns over the last 12 months in particular. There are still opportunities in certain sectors of credit markets but overall, it is not as attractive as it was before, so I would suggest keeping the allocation to Multi asset Credit (MAC) at neutral for the time being.

I continue to believe Property should remain neutral overall, but over the next couple of years, I believe the uncertainty over the future use of buildings created by Covid has increased the potential volatility of the returns from this asset class. In terms of sectors, I expect residential and industrial to be most resilient, with some impact on the office sector due to the possible permanent change in working practices and occupation density. Retail remains under most pressure with certain types of building and locations needing to be re-purposed. At a minimum the office, retail and leisure property sectors could see a medium term de-rating with the lower income generated by rents having an impact beyond the short term. As a long-term investor, the Fund can afford to "look through" the volatility and in a low yield environment, property probably remains an attractive income asset class.

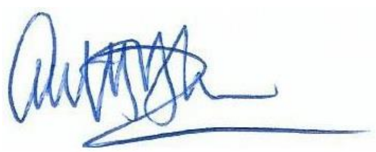
As noted above in "protection assets" I would suggest a 2% overweight to cash from Gilts because of the extremely low yield and the high duration risk currently attached to the asset class. At the end of March, the Fund was still holding around 6% in cash, but more than 3% of this figure is already promised for future private market investments. Given the current valuation of all investment markets I am not in hurry to reduce the cash allocation.

The asset allocation set out in table 9 below, shows the new Interim Benchmark and my suggested asset allocation weights relative to this benchmark as of the 12th February and 18th May 2021. These allocations represent an ideal objective for the Fund based on my expectations for economic growth and market performance, but they do not take into consideration the difficulty 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 Strategic Benchmark.

The 2 righthand columns show my suggested allocations relative to the interim benchmark that came into effect on the 1st January 2021.

% ASSET CATEGORY	DERBYSHIRE STRATEGIC WEIGHT 1ST JANUARY 2021	ANTHONY FLETCHER 12TH FEBRUARY 2021	ANTHONY FLETCHER 18TH MAY 2021
Growth Assets	**56**	**0**	**0**
UK Equity	**14**	**0**	**0**
Overseas Equity	**42**	**0**	**0**
North America	6	**0**	**0**
Europe ex UK	4	**0**	**0**
Japan	5	**0**	**0**
Pacific ex Japan	2	**0**	**0**
Emerging markets	5	**0**	**0**
Global Sustainable	16	**0**	**0**
Private Equity	4	**0**	**0**
Income Assets	**24**	**0**	**0**
Property	9	**0**	**0**
Infrastructure	9	**0**	**0**
Multi-asset Credit	6	**0**	**0**
Protection Assets	**18**	**-2**	**-2**
Conventional Gilts	6	**-1**	**-1**
UK index Linked	6	**-1**	**-1**
US TIPS	0	**0**	**0**
UK corporate bond	6	**0**	**0**
Cash	2	**+2**	**+2**



Anthony Fletcher

Senior Adviser

DD: +44 20 7079 1000

anthony.fletcher@mjhudson.com

Appendix

References

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

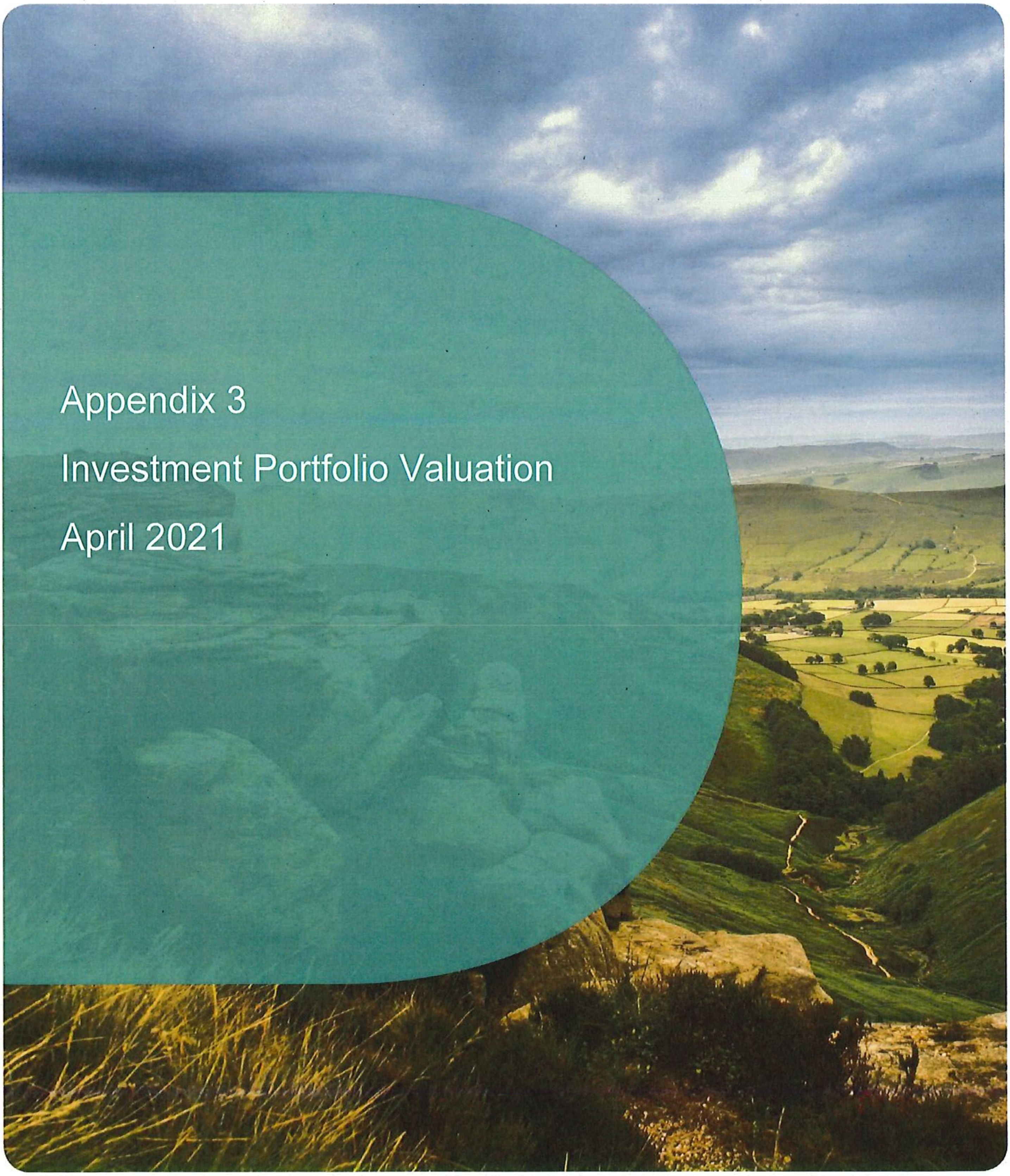
- Derbyshire Pension Fund, PEL performance services
- FTSE, Citigroup, IPD, Barclay's Global and ICE Indices
- M&G and JP Morgan, Asset Management
- Bank of England, UK Debt Management Office, UK OBR, UK Treasury, ONS
- US Bureau of Labour Statistics, US Commerce Dept. The US Federal Reserve.
- Bank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

MJ HUDSON Allenbridge

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

Derbyshire
Pension
Fund

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



Appendix 3

Investment Portfolio Valuation

April 2021

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

DERBYSHIRE PENSION FUND

	SAAB	DPF 30/04/2021 £m
Growth Assets	**56.0%**	**3345.5**
UK	14.0%	889.9
US	6.0%	373.3
Europe	4.0%	244.4
Japan	5.0%	277.6
Pacific (ex Japan)	2.0%	119.4
Emerging Markets	5.0%	271.7
Global Sustainable	16.0%	950.2
Private Equity	4.0%	219.1
Income Assets	**24.0%**	**1178.6**
Infrastructure	9.0%	352.9
Property	9.0%	433.8
Direct	6.0%	252.2
Indirect	3.0%	181.6
Multi-Asset Credit	6.0%	392.0
Protection Assets	**18.0%**	**936.3**
Government	6.0%	272.6
UK		230.1
Overseas		42.5
Index Linked	6.0%	312.2
UK		
Overseas		
Non Government	6.0%	351.5
Cash	**2.0%**	**421.9**
LGPSC Regulatory Capital	**0.0%**	**2.0**
Total	**100.0%**	**5884.3**

DERBYSHIRE PENSION FUND
APRIL 2021 PORTFOLIO VALUATION - BID

UK EQUITIES	Company name	Number held	Mkt price in local currency	Mkt Price GBP	Value in Sterling £
UK EQUITIES FUND					
LGIM UK EQUITY INDEX FUND					
UK EQUITIES FUND	LGIM UK EQUITY INDEX FUND	57,614,096.34	**14.28**	**14.28**	822,821,478
UK EQUITIES TOTAL					**822,821,478**

DERBYSHIRE PENSION FUND
APRIL 2021 PORTFOLIO VALUATION - BID
NEW SECTORS
UK EQUITIES

Sector	Company Name	Number held	Mkt Price Pence	Total £
EQUITY INVESTMENT COMPANIES				
UK Investment Co's	ABERFORTH SML 1P	939,000	1498.00	14,066,220
UK Investment Co's	BLACKROCK SMALLER COMPANIES TRUST PLC	157,881	1904.00	3,006,054
UK Investment Co's	MONTANARO UK SMALLER CO'S 10P	11,996,285	156.50	18,774,186
UK Investment Co's	STRATHDON INVESTMENTS PLC	20	1000.00	20,000
UK Equity Investment Companies Total				**35,866,460**
UNIT TRUSTS & OEICs				
UK Unit Trusts	LIONTRUST UK SMALLER COMPANIES FUND1	1,456,480.02	2140.36	31,173,916
UK Unit Trusts & OEICs Total				**31,173,916**
TOTAL UNITED KINGDOM				**67,040,376**

DERBYSHIRE PENSION FUND						
APRIL 2021 PORTFOLIO VALUATION - BID						
US EQUITIES						
Sector	Company Name	sedol	Number held	Mkt price USD/ CAN$	Mkt Price GBP	Value in Sterling £
OIL & GAS PRODUCERS						
US Oil & Gas	CHEVRON CORP	2838555	7136	103.04	74.59	532,279
US Oil & Gas	CONOCOPHILLIPS	2685717	48032	51.13	37.01	1,777,809
US Oil & Gas	EOG RESOURCES INC	2318024	15004	73.64	53.31	799,833
US Oil & Gas	EXXON MOBILE CORP	2326618	15908	57.27	41.46	659,510
US Oil & Gas	MARATHON PETROLEUM CORP	B3K3L40	29790	55.58	40.23	1,198,582
US Oil & Gas	PIONEER NATURAL RESOURCES CO	2690830	5141	153.83	111.36	572,489
US Oil & Gas	ROYAL DUTCH SHELL ADR-A	B03MM62	84782	38.00	27.51	2,332,200
US Oil & Gas	ROYAL DUTCH SHELL ADR-B	B03MM73	55391	35.80	25.92	1,435,492
US Oil & Gas Producers Total						**9,308,194**
OIL & GAS SERVICES						
US Oil & Gas Services	SCHLUMBERGER LTD	2779201	39655	27.05	19.58	776,504
US Forestry & Paper Total						**776,504**
CHEMICALS						
US Chemicals	CABOT CORP	2162500	26563	54.90	39.74	1,055,670
US Chemicals	CELANESE CORP	B05MZT4	13582	156.63	113.38	1,539,988
US Chemicals	FMC CORP	2328603	16958	118.20	85.56	1,451,011
US Chemicals	INGEVITY CORP	BD4LHG4	9964	77.93	56.41	562,104
US Chemicals	LINDE PLC	BZ12WP8	12409	285.78	206.88	2,567,126
US Chemicals	PPG INDUSTRIES INC	2698470	16993	171.23	123.95	2,106,340
US Chemicals Total						**9,282,239**
INDUSTRIAL METALS						
US Industrial Metals	LIVENT CORP	BD9PM00	16538	17.98	13.02	215,254
US Industrial Metals Total						**215,254**
AEROSPACE						
US Aero defence	BOEING CO/THE	2108601	12089	234.36	169.65	2,050,938
US Aero defence	LOCKHEED MARTIN CORP COM	2522096	9858	380.37	275.35	2,714,399
US Aero defence	RAYTHEON TECHNOLOGIES CORP	BM5M5Y3	54105	83.25	60.26	3,260,620
US Aerospace Total						**8,025,957**
GENERAL INDUSTRIAL						
US Div Ind	BALL CORP	2073022	9408	93.63	67.78	637,663
US Div Ind	DANAHER CORP	2250870	17567	253.91	183.81	3,228,910
US Div Ind	DYCOM INDUSTRIES INC	2289841	3435	93.81	67.91	233,268
US Div Ind	INGERSOLL-RAND PLC	BL5GZ82	59991	49.41	35.77	2,145,752
US Div Ind	JOHNSON CONTROLS INTERNATIONAL	BY7QL61	44055	62.29	45.09	1,986,516
US Div Ind	KENNAMETAL INC	2488121	20277	40.15	29.06	589,343
US Div Ind	MERITOR INC	2608349	23735	26.98	19.53	463,564
US Div Ind	OTIS WORLDWIDE CORP	BK531S8	12184	77.83	56.34	686,460
US Div Ind	PARKER HANNIFIN CORP	2671501	1370	313.64	227.04	311,050
US Div Ind	REXNORD CORP	B4NPMX6	27531	49.86	36.09	993,694
US Div Ind	TRANE TECHNOLOGIES PLC	BK9ZQ96	9712	173.77	125.79	1,221,693
US Div Ind	WABTEC CORP	2955733	31071	82.07	59.41	1,845,943
US General Industrial Total						**14,343,856**
ELECTRONIC EQUIPMENT						
US Electricity	3M CO	2595708	1241	197.03	142.63	177,004
US Electricity	FORTIVE CORP	BYT3MK1	45111	70.79	51.24	2,311,708
US Electricity	GENERAL ELECTRIC CO	2380498	69772	13.12	9.50	662,664
US Electronic Equipment Total						**3,151,376**
INDUSTRIAL TRANSPORT						
US Transportation	CSX Corp	2160753	11601	100.75	72.93	846,095
US Transportation	FEDEX CORP	2142784	8168	290.48	210.28	1,717,555
US Transportation	HUNT (JB) TRANSPORT SERVICES	2445416	2298	170.47	123.40	283,581
US Transportation	KNIGHT-SWIFT TRANSPORTATION	BF0LKD0	15752	47.11	34.10	537,189
US Transportation	UBER TECHNOLOGIES INC	BK6N347	8596	54.79	39.66	340,939

US Industrial Transport Total						**3,725,358**
SUPPORT SERVICES						
US Support Services	GENPACT LTD	B23DBK6	34746	47.39	34.31	1,191,983
US Support Services	TRANSUNION	BYMWL86	3761	104.57	75.70	284,701
US Support Services	TRINET GROUP INC	2693914	21421	78.69	56.96	1,220,219
US Support Services	WASTE MANAGEMENT	2937667	14617	137.98	99.88	1,460,000
US Support Services Total						**4,156,904**
AUTOMOBILES & PARTS						
US Automobiles & Par	TESLA INC	B616C79	4915	709.70	513.75	2,525,090
US Automobiles & Parts Total						**2,525,090**
BEVERAGES						
US Beverages	BOSTON BEER COMPANY INC-A	2113393	2115	1,216.49	880.62	1,862,505
US Beverages	CONSTELLATION BRANDS INC-A	2170473	20104	240.32	173.97	3,497,446
US Beverages	MONSTER BEVERAGE	BZ07BW4	36213	97.05	70.25	2,544,126
US Beverages Total						**7,904,077**
FOOD PRODUCTION/PROCESS						
US Food Prod & Proce	BUNGE LTD	2788713	27562	84.37	61.08	1,683,361
US Food Prod & Proce	LAMB WESTON HOLDINGS INC	BDQZFJ3	41800	80.47	58.25	2,434,943
US Food Prod & Proce	UTZ BRANDS INC	BL989M6	29911	29.26	21.18	633,554
US Food Production & Processing Total						**4,751,859**
PERSONAL GOODS						
US Personal Care / H	ESTEE LAUDER COMPANIES-CL A	2320524	14674	313.80	227.16	3,333,343
US Personal Care / H	PVH CORP	B3V9F12	21443	113.18	81.93	1,756,846
US Personal Care / H	TAPESTRY INC	BF09HX3	66080	47.84	34.63	2,288,441
US Personal Goods Total						**7,378,631**
HEALTHCARE EQUIPMENT & SERVICES						
US Healthcare Equipm	AGILON HEALTH INC	BLR4TK4	29200	31.34	22.69	662,461
US Healthcare Equipm	ALIGN TECHNOLOGY INC	2679204	2627	595.52	431.10	1,132,492
US Healthcare Equipm	ANTHEM INC	BSPHGL4	8059	379.46	274.69	2,213,736
US Healthcare Equipm	BOSTON SCIENTIFIC CORP	2113434	95945	43.59	31.55	3,027,525
US Healthcare Equipm	EDWARDS LIFESCIENCES CORP	2567116	28313	95.52	69.15	1,957,757
US Healthcare Equipm	ELANCO ANIMAL HEALTH INC	BF5L3T2	58394	31.71	22.95	1,340,427
US Healthcare Equipm	HCA HOLDINGS INC	B4MGBG6	7486	200.98	145.49	1,089,134
US Healthcare Equipm	HUMANA INC	2445063	4018	444.78	321.98	1,293,701
US Healthcare Equipm	INSULET CORP	B1XGNW4	4624	295.22	213.71	988,194
US Healthcare Equipm	INTUITIVE SURGICAL INC	2871301	3842	865.35	626.43	2,406,732
US Healthcare Equipm	LABORATORY CRP OF AMER HLDGS	2586122	4471	265.87	192.46	860,503
US Healthcare Equipm	MCKESSON CORP	2378534	4134	187.47	135.71	561,023
US Healthcare Equipm	QUEST DIAGNOSTICS INC	2702791	4641	131.84	95.44	442,932
US Healthcare Equipment & ServicesTotal						**17,976,616**
PHARMACEUTICAL, BIOTECH						
US Healthcare	AGILIENT TECHNOLOGIES INC	2520153	21158	133.65	96.75	2,047,020
US Healthcare	ALNYLAM PHARMACEUTICALS INC	B00FWN1	1364	140.64	101.81	138,868
US Healthcare	APELLIS PHARMACEUTICALS INC	BYTQ6X1	4257	50.58	36.61	155,869
US Healthcare	ARENA PHARMACEUTICALS INC	BF3N4P3	2882	68.54	49.62	142,994
US Healthcare	ASCENDIS PHARMA A/S - ADR	BV9G6B8	1257	144.97	104.94	131,914
US Pharm, Biotech	ASTRAZENECA PLC-SPONS ADR	2989044	59015	53.04	38.40	2,265,920
US Healthcare	BAXTER INTERNATIONAL INC	2085102	40782	85.66	62.01	2,528,862
US Healthcare	BIOATLA INC	BNC5F86	1626	49.44	35.79	58,194
US Healthcare	BIOGEN INC	2455965	2563	267.33	193.52	495,992
US Healthcare	BLACK DIAMOND THERAPEUTICS I	BKTV702	2856	26.64	19.28	55,077
US Healthcare	BRISTOL-MYERS SQUIBB CO	2126335	45668	62.42	45.19	2,063,547
US Healthcare	CELLDEX THERAPEUTICS INC	BJLV8T9	3195	30.25	21.90	69,964
US Pharm, Biotech	ELI LILLY & CO	2516152	29753	182.73	132.28	3,935,675
US Pharm, Biotech	EXACT SCIENCES CORP	2719951	6969	131.64	95.29	664,105
US Pharm, Biotech	FORMA THERAPEUTICS HOLDINGS	BLB2Y98	2831	26.84	19.43	55,005
US Pharm, Biotech	GLOBAL BLOOD THERAPEUTICS IN	BZ05388	2721	40.78	29.52	80,326
US Pharm, Biotech	ICON PLC	B94G471	2389	216.64	156.83	374,657
US Pharm, Biotech	ILLUMINA INC	2613990	5477	392.83	284.37	1,557,493
US Pharm, Biotech	IMMUNOCORE HOLDINGS PLC-ADR	BLCD809	2370	40.29	29.17	69,123
US Pharm, Biotech	INCYTE CORP	2471950	5039	85.38	61.81	311,443
US Pharm, Biotech	KODIAK SCIENCES INC	BFXC933	1863	120.47	87.21	162,469
US Healthcare	MERSANA THERAPEUTICS INC	BF3NP05	7689	15.89	11.50	88,445

US Healthcare	MIRATI THERAPEUTICS INC	BBPK0J0	1163	165.74	119.98	139,536
US Healthcare	MYOVANT SCIENCES LTD	BD3WG49	96750	20.88	15.12	1,462,379
US Healthcare	NOVARTIS AG-SPONSORED ADR	2620105	16937	85.24	61.71	1,045,102
US Healthcare	NOVAVAX INC	BJDQXG4	423	236.61	171.28	72,452
US Healthcare	OLEMA PHARMACEUTICALS INC	BMZ4LN0	2719	27.96	20.24	55,033
US Pharm, Biotech	PFIZER INC	2684703	143270	38.66	27.99	4,009,550
US Pharm, Biotech	PTC THERAPEUTICS INC	B17VCN9	1842	41.03	29.70	54,710
US Pharm, Biotech	REATA PHARMACEUTICALS INC-A	BYY9FX8	984	101.17	73.24	72,065
US Pharm, Biotech	REGENERON PHARMACEUTICALS	2730190	1765	480.88	348.11	614,412
US Pharm, Biotech	REVOLUTION MEDICINES INC	BL71K91	4082	33.17	24.01	98,016
US Pharm, Biotech	ROCKET PHARMACEUTICALS INC	BDFKQ07	3219	45.73	33.10	106,562
US Pharm, Biotech	ROYALTY PHARMA PLC-CL A	BMVP7Y0	4660	43.99	31.84	148,395
US Pharm, Biotech	SAGE THERAPEUTICS INC	BP4GNK9	1529	78.76	57.01	87,175
US Pharm, Biotech	SEATTLE GENETICS INC	BLPK4D2	2317	143.76	104.07	241,125
US Pharm, Biotech	SYNEOS HEALTH INC	BFMZ4V6	13683	84.82	61.40	840,153
US Pharm, Biotech	TCR2 THERAPEUTICS INC	BJ2JSX6	5647	22.67	16.41	92,672
US Pharm, Biotech	THERAVANCE BIOPHARMA INC	BMNDK09	70563	19.68	14.25	1,005,265
US Pharm, Biotech	TG THERAPEUTICS INC	B828K63	1193	44.69	32.35	38,595
US Pharm, Biotech	TURNING POINT THERAPEUTICS I	BJXBP30	1842	75.99	55.01	101,327
US Healthcare	VERTEX PHARMACEUTICALS INC	2931034	6157	218.20	157.95	972,529
US Healthcare	UNITEDHEALTH GROUP INC	2917766	13756	399.20	288.98	3,975,221
US Pharmaceutical, Biotech Total						**32,685,236**
FOOD RETAIL						
US Retail Food & Drug	CARNIVAL CORP	2523044	33383	27.95	20.23	675,438
US Retail Food & Drug	CAESARS ENTERTAINMENT	BMWWGB(	22697	97.81	70.80	1,607,053
US Retail Food & Drug	CHIPOTLE MEXICAN GRILL INC	B0X7DZ3	1738	1,492.29	1,080.27	1,877,507
US Retail Food & Drug	DARDEN RESTAURANTS INC	2289874	12054	146.72	106.21	1,280,263
US Retail Food & Drug	HOUGHTON MIFFLIN HARCOURT CO	BGCBBK9	63951	9.07	6.57	419,888
US Retail Food & Drug	HYATT HOTELS CORP-CL A	B5B82X4	37847	82.27	59.56	2,253,988
US Retail Food & Drug	MCDONALD'S CORP	2550707	7701	235.90	170.77	1,315,084
US Retail Food & Drug	PERFORMANCE FOOD GROUP CORP	BYVYD43	118692	58.67	42.47	5,040,993
US Retail Food & Drug	SYSCO CORP	2868165	42964	84.73	61.34	2,635,242
US Retail Food & Drug	US FOOD HOLDING CORP	BYVFC94	42064	41.45	30.01	1,262,158
US Food Retail Total						**18,367,614**
RETAILERS - GENERAL						
US Retailers Gen	AMAZON.COM INC	2000019	7645	3,468.47	2,510.83	19,195,260
US Retailers Gen	BOOKING HOLDINGS INC	BDRXDB4	1504	2,465.08	1,784.47	2,683,845
US Retailers Gen	LOWE'S COS INC	2536763	16071	196.20	142.03	2,282,551
US Retailers Gen	ROSS STORES INC	2746711	17819	130.95	94.79	1,689,147
US Retailers Gen	TJX COMPANIES INC	2989301	48884	70.99	51.39	2,512,132
US Retailers Gen	ULTA BEAUTY INC	B28TS42	4333	329.34	238.41	1,033,027
US Retailers Gen	URBAN OUTFITTERS INC	2933438	29317	35.88	25.97	761,466
US Retailers - General Total						**30,157,429**
MEDIA						
US Media & Photo	CHARTER COMMUNICATIONS INC-A	BZ6VT82	11016	673.44	487.50	5,370,335
US Media & Photo	DISH NETWORK CORP-A	2303581	39055	44.77	32.41	1,265,734
US Media & Photo	ELECTRONIC ARTS INC	2310194	20157	142.03	102.82	2,072,452
US Media & Photo	FACEBOOK INC	B7TL820	39122	325.07	235.32	9,206,118
US Media & Photo	MATCH GROUP INC	BK80XH9	16081	155.59	112.63	1,811,229
US Media & Photo	NETFLIX INC	2857817	6541	513.52	371.74	2,431,533
US Media & Photo	NEW YORK TIMES CO-A	2632003	22366	45.41	32.87	735,222
US Media & Photo	OMNICOM GROUP	2279303	78788	82.24	59.53	4,690,528
US Media & Photo	SNAP INC-A	BD8DJ71	33792	61.81	44.74	1,511,998
US Media & Photo	TWITTER INC	BFLR866	22088	55.21	39.97	882,780
US Media Total						**29,977,929**
TRAVEL & LEISURE						
US Hotels Leisure	JETBLUE AIRWAYS CORP	2852760	55788	20.35	14.73	821,833
US Travel & Leisure Total						**821,833**
TELECOMS						
Telecoms	T-MOBILE US INC	B94Q9V0	19001	132.13	95.65	1,817,425
US Telecoms Total						**1,817,425**
ELECTRICITY						

US Electricity	DUKE ENERGY CORP	B7VD3F2	42768	100.70	72.90	3,117,647
US Electricity	EDISON INTERNATIONAL	2829515	44756	59.44	43.03	1,925,789
US Electricity	EXELON CORP	2670519	68954	44.93	32.52	2,242,717
US Electricity	FIRSTENERGY CORP	2100920	101562	37.92	27.45	2,787,906
US Electricity	SOUTHERN CO/THE	2829601	8278	66.17	47.90	396,520
US Electricity Total						**10,470,579**
BANKS, RETAIL						
US Banks Retail	BANK OF AMERICA CORP	2295677	300967	40.53	29.34	8,830,272
US Banks - Retail Total						**8,830,272**
NON-LIFE INSURANCE						
US Insurance	AMERICAN FINANCIAL GROUP INC	2134532	10187	122.90	88.97	906,310
US Insurance	AMERICAN INTERNATIONAL GROUP	2027342	55356	48.45	35.07	1,941,498
US Insurance	ASSURANT INC	2331430	20075	155.56	112.61	2,260,643
US Insurance	ASSURED GUARANTY LTD	B00V7H8	35652	50.85	36.81	1,312,361
US Insurance	CHUBB LTD	B3BQMF6	18080	171.59	124.21	2,245,789
US Insurance	HARTFORD FINANCIAL SVCS GRP	2476193	22785	65.90	47.71	1,086,959
US Insurance	MARSH & MCLENNAN COS INC COM	2567741	11538	135.65	98.20	1,132,997
US Insurance	OSCAR HEALTH-CLASS-A	BKY83Q6	35752	22.73	16.45	588,272
US Insurance	TRUPANION INC	BP3YM85	15979	81.12	58.72	938,331
US Non-Life Insurance Total						**12,413,162**
REAL ESTATE						
US Real Estate	AMERICAN TOWER CORP	B7FBFL2	8733	254.64	184.33	1,609,788
US Real Estate	ALEXANDRIA REAL ESTATE EQUIT	2009210	9552	180.99	131.02	1,251,490
US Real Estate	DOUGLAS EMMETT INC	B1G3M58	59216	33.53	24.27	1,437,312
US Real Estate	REXFORD INDUSTRIAL REALTY IN	BC9ZHL9	39502	55.53	40.20	1,587,908
US Real Estate	RYMAN HOSPITALITY PROPERTIES	B8QV5C9	28695	78.58	56.88	1,632,288
US Real Estate Total						**7,518,787**
GENERAL FINANCIAL						
US Special Finance	AMERICAN EXPRESS CO	2026082	34867	153.34	111.00	3,870,336
US Special Finance	ARES MANAGEMENT CORP - A	BF14BT1	55650	52.49	38.00	2,114,561
US Special Finance	CHARLES SCHWAB CORP	2779397	138236	70.40	50.96	7,044,860
US Special Finance	CME GROUP INC	2965839	16480	201.99	146.22	2,409,715
US Special Finance	EQUITABLE HOLDINGS INC	BKRMR96	64497	34.23	24.78	1,598,177
US Special Finance	EQUIFAX INC	2319146	1717	229.21	165.93	284,893
US Special Finance	FLEETCOR TECHNOLOGIES INC	B4R28B3	8650	287.96	208.45	1,803,129
US Special Finance	GLOBAL PAYMENTS INC	2712013	33802	214.52	155.29	5,249,147
US Special Finance	HAMILTON LANE INC-CLASS A	BF0SR29	14361	90.38	65.43	939,584
US Special Finance	IHS MARKIT LTD	BD0Q558	26844	107.55	77.86	2,089,952
US Special Finance	LPL FINANCIAL HOLDINGS	B75JX34	14761	156.78	113.49	1,675,271
US Special Finance	ONEMAIN HOLDINGS INC	BYSZB89	35297	56.86	41.16	1,452,858
US Special Finance	PAYPAL HOLDINGS INC	BYW36M8	17221	262.29	189.87	3,269,781
US Special Finance	S&P GLOBAL INC	BYV2325	8325	390.39	282.60	2,352,673
US Special Finance	STEPSTONE GROUP INC-CLASS A	BLFDXF6	28503	33.21	24.04	685,233
US Special Finance	VISA INC CL A SHS	B2PZN04	15939	233.80	169.25	2,697,641
US Special Finance	VOYA FINANCIAL INC	BKWQ2N2	20990	67.84	49.11	1,030,806
US Special Finance	WEX INC	B8383P2	5656	205.05	148.44	839,552
US General Financial Total						**41,408,170**
SOFTWARE						
US Software & Comp	ADOBE SYSTEMS INC	2008154	4058	508.34	367.99	1,493,293
US Software & Comp	ALPHABET INC - CL A SHARES	BYVY8G0	10998	2,354.23	1,704.23	18,743,090
US Software & Comp	AVALARA INC	BZ1NVP4	3493	141.61	102.51	358,073
US Software & Comp	COGNIZANT TECH SOLUTIONS-A	2257019	11116	80.42	58.22	647,129
US Software & Comp	GODADDY INC - CLASS A	BWFRFC6	29878	86.79	62.83	1,877,154
US Software & Comp	GUIDEWIRE SOFTWARE INC	B7JYSG3	7108	105.48	76.36	542,745
US Software & Comp	MICROSOFT CORP	2588173	105012	252.18	182.55	19,170,266
US Software & Comp	OLO INC - CLASS A	BMFNRG2	3100	28.85	20.88	64,742
US Software & Comp	Q2 HOLDINGS INC	BKM4KV0	7511	104.01	75.29	565,525
US Software & Comp	RAPID7 INC	BZ22CY6	4324	81.20	58.78	254,168
US Software & Comp	SALESFORCE.COM INC	2310525	19652	230.31	166.72	3,276,409
US Software & Comp	SCIENCE APPLICATIONS INTERNATIONA	BDTZZG7	9563	89.34	64.67	618,470
US Software & Comp	SERVICENOW INC	B80NXX8	3437	505.68	366.06	1,258,154
US Software & Comp	SHOPIFY INC-CLASS A	BXDZ9Z0	1932	1,182.53	856.03	1,653,857
US Software & Comp	SNOWFLAKE INC-CLASS A	BN134B7	847	231.30	167.44	141,820
US Software & Comp	UIPATH INC-CLASS A	BMD02L5	1285	72.01	52.13	66,985

US Software & Comp	VARONIS SYSTEMS INC	BJZ2ZR5	7695	52.90	38.29	294,675
US Software & Comp	WORKDAY INC-CLASS A	B8K6ZD1	6740	246.99	178.80	1,205,085
US Software Total						**52,231,638**
TECHNOLOGY HARDWARE						
US IT Hardware	ADVANCED MICRO DEVICES	2007849	54018	81.60	59.07	3,190,856
US IT Hardware	APPLE INC	2046251	146864	131.51	95.20	13,981,466
US IT Hardware	KLA-TENCOR CORP	2480138	6830	315.35	228.28	1,559,165
US IT Hardware	LATTICE SEMICONDUCTOR CORP	2506658	30166	50.30	36.41	1,098,410
US IT Hardware	MARVELL TECHNOLOGY GROUP LTD	BNKJSM5	64695	45.22	32.73	2,117,775
US IT Hardware	MICRON TECHNOLOGY INC	2588184	54583	86.07	62.31	3,400,852
US IT Hardware	SKYWORKS SOLUTIONS INC	2961053	8469	181.32	131.26	1,111,620
US IT Hardware	TAIWAN SEMICONDUCTOR-SP ADR	2113382	19710	116.74	84.51	1,665,654
US IT Hardware	TERADYNE INC	2884183	17194	125.07	90.54	1,556,713
US IT Hardware	TEXAS INSTRUMENTS INC	2885409	25836	180.53	130.69	3,376,395
US Technology Hardware Total						**33,058,907**
TOTAL UNITED STATES						**373,280,896**

DERBYSHIRE PENSION FUND
APRIL 2021 PORTFOLIO VALUATION - BID

EUROPEAN EQUITIES	Company name	Number held	Mkt price in local currency	Mkt Price GBP	Value in Sterling £
EUROPEAN					
PASSIVE TRACKER FUND					
EUROPEAN	UBS LIFE EUROPE EX-UK EQUITY TRACKER	60,073,538	**4.07**	**4.07**	244,421,205
EUROPEAN EQUITIES TOTAL					**244,421,205**

DERBYSHIRE PENSION FUND
APRIL 2021 PORTFOLIO VALUATION - BID

OTHER EQUITIES	Company name	Number held	Mkt price in local currency	Mkt Price GBP	Value in Sterling £
JAPAN					
Investment Companies					
Japan	CC Japan Income & Growth Trust	5,000,000	143.00	143.00	7,150,000
Japan	CC Japan Income & Growth Trust-RIGHTS	1,000,000	6.00	6.00	60,000
Japan	JPMF japs smoc	2,109,500	506.00	506.00	10,674,070
J Investment Companies Total					17,884,070
Unit Trusts & OEICs					
Japan	Baillie Gifford OGF - Japanese B Acc Shares	4,528,234.86	2,082.00	2,082.00	94,277,850
Japan	Barings Jap Growth Trst-IGBA	5,282,832.62	279.60	279.60	14,770,800
Japan	Invesco Japan FD-UKNTACC	4,597,155.98	199.87	199.87	9,188,336
Japan	JPMorgan Jap Fd A Acc	3,000,000.00	639.00	639.00	19,170,000
J Unit Trusts Total					137,406,985
Life Policies					
International	LGIM Japan Equity Index Fund	44,815,274.570	2.25	2.25	100,997,047
International Life Policies					100,997,047
Investment Entities					
Japan	Aberdeen Global - JAP Smaller Cos Fund D£	1,662,639.78	12.81	12.81	21,306,563
J Investment Entities Total					21,306,563
JAPAN TOTAL					277,594,665
OTHER ASIA					
Unit Trusts & OEICs					
Asian	JPMorgan Asia Fund A Ac	20,000,000	326.00	326.00	65,200,000
Asian	Schroder Instl PAC Fd Ac	2,000,000	2,006.00	2,006.00	40,120,000
OA Unit Trusts Total					105,320,000
Investment Entities					
Asian	Barings Australia Fund-IUSDA $	109,543.282	177.48	128.48	14,073,877
OA Investment Entities Total					14,073,877
OTHER ASIA TOTAL					119,393,877
EMERGING MARKETS					
Unit Trusts & OEICs					
International	Stewart Investors Global Emerging Markets Funf	3,000,000	885.88	885.88	26,576,400
Latin America	Thd ndle Lnamer Gwth	3,500,000	262.68	262.68	9,193,800
Int'l Unit Trusts Total					35,770,200
Life Policies					
International	LGIM World Emerging Markets Index Fund	42,671,867.080	4.26	4.26	181,893,527
International Life Policies					181,893,527
Investment Entities					
Latin America	JPMorgan LNAMER A U$	86,085.904	47.18	34.15	2,940,144
International	POLUNIN FUNDS-DEVEL CNTY-B	47,502.659	1,486.32	1,075.95	51,110,346
LatAm Investment Entities Total					54,050,490
EMERGING MARKETS TOTAL					271,714,217
OTHER EQUITIES TOTAL					668,702,759

DERBYSHIRE PENSION FUND
APRIL 2021 PORTFOLIO VALUATION - BID

GLOBAL SUSTAINABLE FUNDS	Company name	Number held	Mkt price in local currency	Mkt Price GBP	Value in Sterling £
GLOBAL SUSTAINABLE FUNDS					
GLOBAL SUSTAINABLE FUND	Baillie Gifford positive Change Fund B Acc	34,630,581.28	**361.20**	**3.61**	125,085,660
GLOBAL SUSTAINABLE FUND	RBC Global Equity Focus Fund	2,500,960.28	**160.16**	**160.16**	400,553,798
GLOBAL SUSTAINABLE FUND	LGIM MSCI World Low Carbon Target Index Fund	196,789,759.95	**2.16**	**2.16**	424,528,645
TOTAL GLOBAL SUSTAINABLE EQUITIES					**950,168,103**

DERBYSHIRE PENSION FUND
APRIL 2021 PORTFOLIO VALUATION - BID

OTHER EQUITIES	Company name	Number held	Mkt price in local currency	Value in Sterling £
PRIVATE EQUITY				
Quoted Private Equity				
UK Investment Co's	APAX GLOBAL ALPHA LTD	3,000,000	205.50	6,165,000
UK Investment Co's	HARBOURVEST GLOBAL PRIVATE	925,000	2055.00	19,008,750
UK Investment Co's	HGCAPITAL TRUST PLC	7,053,150	334.50	23,592,787
UK Investment Co's	ICG ENTERPRISE TRUST PLC	181,795	1082.00	1,967,022
UK Investment Co's	NB PRIVATE EQUITY PARTNERS Ltd (A)	1,500,000	19.00	20,631,150
UK Investment Co's	PANTHEON INTERNATIONAL PLC	345,000	2650.00	9,142,500
UK Investment Co's	PRINCESS PRIVATE EQUITY HOLDING LTD	500,000	12.95	5,633,962
UK Investment Co's	STANDARD LIFE PRIVATE EQUUITY	900,000	465.00	4,185,000
UK Investment Co's	SCHRODER UK PUBLIC PRIVATE	5,000,000	31.45	1,572,500
UK Quoted Private Equity Total				**91,898,671**
Unquoted Private Equity				
UK Unclassified	ADAM STREET PARTNERS (FEEDER) 2017 FU	30,000,000	0.85	18,367,313
UK Unclassified	BAIRD CAPITAL PARTNERS EUROPE FUND L	4,300,000	0.01	41,943
UK Unclassified	CAPITAL DYNAMICS GLOBAL SECONDARIES	20,000,000	0.72	10,491,799
UK Unclassified	CAPITAL DYNAMICS MID-MARKET DIRECT FE	25,000,000	1.15	25,006,828
UK Unclassified	CAPITAL DYNAMICS LGPS COLLECTIVE PE V	20,000,000	0.76	15,153,213
UK Unclassified	CAPITAL DYNAMICS CPEP LGPS	25,000,000	0.34	8,488,583
UK Unclassified	CATAPULT GROWTH FUND UNITS	3,000,000	0.19	568,196
UK Unclassified	EAST MIDLANDS VENTURE	3,000,000	0.08	248,140
UK Unclassified	EPIRIS FUND II	25,000,000	0.49	12,243,933
UK Unclassified	GRAPHITE CAPITAL PARTNERS FUND 1X A	11,250,000	0.28	3,204,174
UK Unclassified	GRAPHITE CAPITAL PARTNERS FUND 1X C	11,250,000	0.28	3,179,995
UK Unclassified	MOBEUS EQUITY PARTNERS IV LP	10,000,000	0.37	3,732,585
UK Investment Co's	PANORAMIC ENTERPRISE CAPITAL UNITS	1,428,486	1.27	1,815,596
UK Investment Co's	PANORAMIC GROWTH FUND 2 LP	10,000,000	0.41	4,100,995
UK Investment Co's	PARTNERS GROUP GLOBAL VALUE 2008	7,500,000	0.34	2,250,881
UK Investment Co's	STAR CAPITAL STRATEGIC ASSETS III LP	12,500,000	0.64	6,948,474
UK Unclassified	VESPA CAPITAL II LLP	10,000,000	1.13	11,325,345
UK Unquoted Private Equity Total				**127,167,994**
PRIVATE EQUITY TOTAL				**219,066,665**
INFRASTRUCTURE				
UK Infrastructure Quoted				
Closed-end Funds	FORESIGHT SOLAR FUND LTD	4,000,000	96.50	3,860,000
Closed-end Funds	GREENCOAT UK WIND PLC	13,835,000	134.20	18,566,570
Closed-end Funds	HICL INFRASTRUCUTRE CO LTD	6,060,872	170.60	10,339,848
Closed-end Funds	INTERNATIONAL PUBLIC PARTNERSHIP LTD	20,462,823.00	168.60	34,500,319.58
Closed-end Funds	3I INFRASTRUCTURE PLC	2,249,999.00	297.00	6,682,497.03
Closed-end Funds	RENEWABLES INFRASTRUCTURE GR	8,111,111.00	125.80	10,203,777.64
UK Infrastructure Quoted Total				**84,153,012**
UK Infrastructure Unquoted				
UK Unclassified	BlackRock Global Renewable Power Fund III LP	65,000,000	0.09	4,115,143
UK Unclassified	DALMORE CAPITAL 3 LP	25,000,000	1.04	26,028,427
UK Unclassified	EQUITIX FUND 1 LTD P'SHIP	7,500,000	1.66	12,477,227
UK Unclassified	Equitix Fund IV Ltd P'ship	25,000,000	1.21	30,229,876
UK Unclassified	First Sentier Investors EDIF II	20,000,000	1.09	18,922,793
UK Unclassified	IMPAX NEW ENERGY INVESTORS II UNITS	10,000,000	0.02	137,384
UK Unclassified	JP Morgan Infrastructure Investment Fund UK LI	160,000,000	0.70	80,760,884
UK Unclassified	MEIF 5 Co-Invest LP	12,600,000	0.60	6,587,638
UK Unclassified	MEIF 6 Co-Invest LP	28,000,000	0.00	244
UK Unclassified	Macquarie European Infrastructure Fund 5 LP	14,400,000	1.08	13,584,094
UK Unclassified	Macquarie European Infrastructure Fund 6 SCSp	56,000,000	0.46	22,552,928
UK Unclassified	Macquarie Green Infrastructure Fund (Euro)	59,000,000	0.11	5,736,655
UK Unclassified	PIP Multi Strategy Infrastructure LP	25,000,000	0.76	18,978,526
UK Unclassified	SL CAPITAL INFRASTRUCTURE 1LP	15,000,000	1.15	17,209,351
UK Unclassified	SL Capital Infratructure II SCSP	25,000,000	0.52	11,413,486
UK Infrastructure Total				**268,734,655**
INFRASTRUCTURE TOTAL				**352,887,667**
ALTERNATIVES TOTAL				**571,954,332**

DERBYSHIRE PENSION FUND				30/04/2021
APRIL 2021 PORTFOLIO VALUATION - BID				**Valuation at 31.3.21**
Real Property				**£**
Property	Southampton Property			7,400,000
Property	Retail Unit Tamworth			7,350,000
Property	15-17 Jockeys Field London			11,950,000
Property	D'Arblay House, London			14,400,000
Property	Bristol Odeon Development			6,350,000
Property	Quintins Centre, Hailsham			6,300,000
Property	Caledonia House, London			24,000,000
Property	Chelsea Fields Ind Est, London			15,350,000
Property	Planet Centre, Feltham			15,850,000
Property	Hill St, Mayfair			15,300,000
Property	Birmingham - Travelodge developm't			13,500,000
Property	Saxmundham, Tesco developm't			9,800,000
Property	Roundhay Road, Leeds			6,100,000
Property	Premier Inn, Rubery, Birmingham			5,650,000
Property	South Normanton Warehouse, Alfreton			17,300,000
Property	Loddon Centre, Basingstoke			15,800,000
Property	Parkway, Bury St Edmunds			8,550,000
Property	Waitrose, York			13,550,000
Property	Link 95, Haywood Manchester			10,850,000
Property	Car Park, Welford Rd Leicester			12,600,000
Property	Leamington Spa, Heathcote Industrial Estate			14,250,000
Total Real Property				**252,200,000**

Property Managed Funds			**Number held**	**Mkt price**	
Property	**Pence**	Assura PLC	6,000,000	74.4000	4,464,000
Property	**GBP**	Aviva Pooled Property Fund - cla	595,748	16.7926	10,004,123
Property	**GBP**	Aviva Pooled Property Fund - cla	543,067	16.9280	9,193,062
Property	**GBP**	Bridges Property Alternatives Fu	10,000,000	0.5978	5,977,683
Property	**GBP**	Bridges Property Alternatives Fu	10,000,000	0.5026	5,026,244
Property	**EUR**	Fidelity Eurozone Select Real Es	4,486	6150.0763	24,007,228
Property	**GBP**	Hearthstone Residential Fund 1 I	25,000,000	0.8928	22,318,885
Property	**GBP**	Igloo Regeneration P'ship Prope	4,644,493	0.0317	147,156
Property	**EUR**	Invesco Real Estate-European F	44,569	108.8780	4,222,266
Property	**Pence**	Target Healthcare REIT Ltd	4,085,000	118.2000	4,828,470
Property	**GBP**	M&G PP UK Property Fund (Inc)	27,124	691.8800	18,766,553
Property	**EUR**	M&G European Property Fund S	25,000,000	1.0258	22,314,983
Property	**GBP**	Threadneedle Pensions Property	1,647,730	6.2312	10,267,338
Property	**Pence**	Tritax Big Box Indirect Pooled Fu	10,000,000	190.3000	19,030,000
Property	**GBP**	Unite UK Student Accommodatic	15,584,567	1.3470	20,992,412
Total Property Funds					**181,560,404**

Regulatory Capital	LGPS Central	**0.00**		2,000,000
Cash	***Updated to 30 April 2021***			
Cash	Northern Trust	*UK*		24,272,396
Cash		*Wellington*		2,502,492
Cash	Cash - Lloyds bank Superfund			44,615,000
Cash	Cash Temporary Loans	230,500,000		
	Aberdeen Standard Life	30,000,000		
	BlackRock - DERA	30,000,000		
	Federated Hermes	30,000,000		
	DWS	30,000,000		
	Certs of Deposit	0		
	Treasury Bills	0		350,500,000
Total Cash			Total Cash	**421,889,888**

DERBYSHIRE PENSION FUND
APRIL 2021 PORTFOLIO VALUATION - BID

	Number held	Mkt Price in local currenc (Clean) use Calc & IL Valuation	Mkt Price in local currency (Dirty) use for Non IL Valuation	Mkt Price pence GBP	Total £ GBP
UK GILTS					
TSY 1.75% 7/9/2022	13,490,000	102.28	102.56	102.56	13,835,049
TSY 4% 7/3/2022	10,995,000	103.34	103.97	103.97	11,431,439
TSY 2.25% 7/9/2023	15,400,000	105.05	105.40	105.40	16,231,695
TSY 5% 7/3/2025	5,500,000	118.16	118.95	118.95	6,542,197
TSY 2% 7/9/2025	7,000,000	107.38	107.69	107.69	7,538,525
TSY 1.5% 7/22/2026	5,650,000	105.58	106.01	106.01	5,989,376
TSY 4.25% 7/12/2027	18,000,000	123.91	125.64	125.64	22,615,024
TSY 4.75% 7/12/2030	13,162,000	135.95	137.88	137.88	18,147,281
TSY 4.25% 7/6/2032	12,370,000	134.41	136.14	136.14	16,840,768
TSY 4.5% 7/9/2034	16,373,000	142.44	143.15	143.15	23,437,170
TSY 4.25% 7/3/2036	11,400,000	142.37	143.04	143.04	16,306,997
TSY 1.75% 7/9/2037	11,800,000	107.83	108.11	108.11	12,756,486
TSY 4.75% 7/12/2038	7,934,000	156.38	158.31	158.31	12,560,579
TSY 4.25% 7/9/2039	4,050,000	149.69	150.35	150.35	6,089,371
TSY 1.25% 22/10/2041	9,200,000	98.94	98.98	98.98	9,105,882
TSY 3.25% 1/22/2044	8,000,000	137.86	138.78	138.78	11,102,380
TSY 4.25% 7/12/2046	3,900,000	163.13	164.85	164.85	6,429,268
TSY 0.625% 22/10/2050	15,900,000	82.60	82.62	82.62	13,136,181
001 UKGB Total					**230,095,670**
US GOVERNMENT BONDS					
T 2.75% 31/8/2023	26,191,000	105.87	106.35	76.99	20,164,157
T 2.25% 15/11/2024	21,000,000	106.20	107.26	77.65	16,305,521
T 2.75% 15/11/2042	7,500,000	109.36	110.65	80.10	6,007,509
004 USGB Total					**42,477,187.32**
NON GOVERNMENT BONDS					
LGPS Central Global Active Corp Bı	3,463,222	101.50	101.50	101.50	351,517,022
Non Govt Bonds Total					**351,517,022**
MULTI ASSET CREDIT					
AMP Capital Infrastructure Debt Fur	17,000,000	0.67	0.67	0.67	9,880,896
Barings Global Private Loan Fund	40,000,000	0.42	0.42	0.42	16,778,299
Barings Global Private Loan Fund 2	40,000,000	0.74	0.74	0.74	29,478,602
Barings Global Private Loan Fund 3	50,000,000	0.77	0.77	0.77	38,415,459
CQS Credit Multi Asset Fund Class	132,737	1,124.06	1,124.06	1,124.06	149,204,221
CVC Credit PARTNERS European I	76,000,000	0.55	0.55	0.55	36,594,916
Janus Henderson Multi Asset Credit	98,772,904	1.13	1.13	1.13	111,629,679
Multi Asset Credit Total					**391,982,072**
UK INDEX LINKED					
TREAS 4.125% IL STK 22/7/2030	6,510,000	367.38	369.90	369.90	24,080,688
TREAS 2% IL STK 26/1/2035	8,000,000	287.22	288.13	288.13	23,050,511
002 UKGIL Total					**47,131,199**

INDEX LINKED (3 monthers)

	Number held	Clean Price	Index Ratio	Gross	Accrued Interest	Total
UK INDEX LINKED (3monthers)						
TREAS 0.125% IL STK 22/3/2024	9,230,000	109.5480	1.221380	12,349,715.65	1,348.13	12,351,064
TREAS 1.25% IL STK 22/11/2027	7,400,000	129.2210	1.525700	14,589,283.50	41,650.55	14,630,934
TREAS 0.125% IL STK 22/3/2029	5,325,000	124.3320	1.247100	8,256,648.78	777.77	8,257,427
TREAS 1.25% IL STK 22/11/2032	2,777,000	150.6290	1.363630	5,704,019.74	15,630.21	5,719,650
TREAS 0.75% IL STK 22/3/2034	11,465,000	147.6400	1.274980	21,581,492.11	10,047.45	21,591,540
TREAS 1.125% IL STK 22/11/2037	5,580,000	169.8450	1.464020	13,875,031.41	28,266.09	13,903,298
TREAS 0.625% IL STK 22/3/2040	5,600,000	166.7260	1.367470	12,767,596.98	4,089.67	12,771,687
TREAS 0.625% IL STK 22/11/2042	5,950,000	175.9630	1.393580	14,590,501.79	16,744.65	14,607,246
TREAS 0.125% IL STK 22/3/2044	11,470,000	164.9950	1.221370	23,114,337.48	1,675.31	23,116,013
TREAS 0.125% IL STK 22/3/2046	8,730,000	170.7320	1.148560	17,119,176.08	1,275.10	17,120,451
TREAS 0.75% IL STK 22/11/2047	6,500,000	199.4630	1.425090	18,476,427.23	21,950.97	18,498,378
TREAS 0.125% IL STK 10/08/2048	5,300,000	178.9120	1.077490	10,217,122.22	1,518.99	10,218,641
TREAS 0.5% IL STK 22/3/2050	5,000,000	198.5940	1.387470	13,777,160.86	2,921.20	13,780,082
TREAS 1.25% IL STK 22/11/2055	4,200,000	261.0010	1.540520	16,887,244.94	23,639.50	16,910,884
UK INDEX LINKED (3monthers) TOTAL						**203,477,294**

US INDEX LINKED	Number held	Clean Price	Index Ratio	Gross $	Accrued Interest $	Total $	Total £
TII0.125% 15/1/2023	7,000,000	104.742188	1.139990	8,358,353.24	2,634.67	8,360,988	6,052,519.15
TII3.625% 15/4/2028	4,045,000	135.742188	1.626900	8,932,936.13	7,612.00	8,940,548	6,472,062.79
TII1.750% 15/1/2028	5,550,000	121.515625	1.256030	8,470,813.51	29,244.82	8,500,058	6,153,192.23
TII2.5% 15/1/2029	7,000,000	129.281250	1.225590	11,091,206.50	52,693.37	11,143,900	8,067,069.12
TII2.125% 15/2/2040	4,095,000	145.265625	1.217430	7,242,037.39	18,749.90	7,260,787	5,256,083.91

DERBYSHIRE PENSION FUND
APRIL 2021 PORTFOLIO VALUATION - BID

	Number held	Mkt Price in local currenc (Clean) use	Mkt Price in local currency (Dirty)	Mkt Price pence GBP			Total £ GBP
TII0.75% 15/2/2042	20,300,000	117.367188	1.164510	27,745,078.49	32,805.25	27,777,884	20,108,410.04
TII0.625% 15/2/2043	10,000,000	114.601563	1.144500	13,116,148.83	13,466.85	13,129,616	9,504,528.79
0045 USGB IL Total							**61,613,866**

TOTAL BONDS	**1,328,294,310**
Index linked-total	**312,222,359**
Conventional-total	**272,572,857**
Non gov-total	**743,499,094**

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

PENSIONS AND INVESTMENTS COMMITTEE

9 June 2021

Report of the Director of Finance & ICT

Stewardship Report

1. Purpose

1.1 To provide the Pensions & Investments Committee with an overview of the stewardship activity carried out by Derbyshire Pension Fund's (the Fund) external investment managers in the quarter ended 31 March 2021.

2. Information and Analysis

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

- Q1 2021 LGIM ESG Impact Report (Appendix 2)
- Q4 2020/21 LGPSC Quarterly Stewardship Report (Appendix 3).

LGIM manages around £1.5bn of assets on behalf of the Fund through passive products covering: UK Equities; Japanese Equities; Emerging Market Equities; and Global Sustainable Equities. LGPSC currently manages around £0.4bn of assets on behalf of the Fund through its Global Emerging Market Equities Sub-Fund and Global Investment Grade Bonds Sub-Fund. It is expected that LGPSC will manage a growing proportion of the Fund's assets going forward as part of the LGPS pooling project.

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

3 Implications

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

4 Background Papers

4.1 Papers held in the Investment Section.

5 Appendices

5.1 Appendix 1 - Implications.
5.2 Appendix 2 - Q1 2021 LGIM ESG Impact Report.
5.3 Appendix 3 - Q4 2020/21 LGPSC Quarterly Stewardship Report.

6 Recommendation(s)

That Committee:

a) note the stewardship activity of LGIM & LGPSC.

Report Author: Peter Handford
Director of Finance & ICT

Appendix 1

<u>Implications</u>

Financial

1.1 None

Legal

2.1 None

Human Resources

3.1 None

Information Technology

4.1 None

Equalities Impact

5.1 None

Corporate objectives and priorities for change

6.1 None

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

7.1 None

ESG Impact Report

Q1 2021

Active ownership means using our scale and influence to bring about real, positive change to create sustainable investor value

LGIM

Our mission

To use our influence to ensure that:

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

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

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

Page 95

Our focus

Holding boards to account

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

Creating sustainable value

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

Promoting market resilience

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

Action and impact

In the first quarter of 2021, we continued to focus our engagements with companies on the issues of executive pay and climate change, while also highlighting that the pandemic and growing global awareness of racial injustice have brought other societal inequalities to the fore.

First lead independent director (LID) on a German board

Following on our experience of engaging with companies, regulators and other stakeholders globally, we believe the presence of a LID is indispensable to a well-run board as they play a key role in supporting the supervisory board chair and are also an independent counter-power. In 2018, LGIM initiated an engagement campaign with the supervisory board chairs of 18 DAX 30 companies to formally request that they appoint a LID on their supervisory boards. In addition, LGIM made the same request directly to the German Commission in charge of the review of the code of governance (Regierungskommission Deutscher Corporate Governance Kodex) during its last consultation in 2019, to ask for the recommendation to appoint a LID on supervisory boards to be introduced.

Page 96

At its 2021 Annual General Meeting (AGM), Siemens Energy submitted to shareholders the appointment of Mr Hans Hubert Lienhard to the innovative new position of special independent director on its supervisory board, in a role with responsibilities which correspond to those of a LID.

LGIM pre-declared our voting intention to publicly support the decision taken by Siemens Energy* and also encourage this practice among other German companies.

Holding caterer company Compass* to account on income inequality-related issues

Following the negative media coverage in the UK in January in relation to the content of free school meals distributed by Chartwells, a Compass Group subsidiary, LGIM joined an investor collaboration to hold the food and support services company to account. In a letter signed by investors representing a total of £3 trillion of assets under management, we publicly[1] wrote to Compass' CEO to demand an explanation and commitments from the company on the matter.

The CEO responded directly to us outlining the company's response, and we received some comfort about the various initiatives mentioned in the letter. We are monitoring the company's actions and will continue to engage with them.

UK board effectiveness reviews

In January, the Chartered Governance Institute (ICSA), released a report[2] on board effectiveness reviews of listed companies, to which LGIM's Investment Stewardship team contributed, with our Director of Investment Stewardship sitting on the Steering Committee.

*References to any securities are for illustrative purposes only
1. https://citywire.co.uk/funds-insider/news/esg-managers-raise-rashford-meal-concerns-with-compass/a1450007
2. https://www.icsa.org.uk/assets/files/pdfs/Publications/board-evaluation_full-report.pdf

Many of our suggestions were taken into account and this document broadly aligns with LGIM's guide on board effectiveness reviews.[3] The report introduces:

- A code for board reviewers undertaking the review for FTSE 350 companies
- Principles of good practice for listed companies and other organisations using the services of external board reviewers
- Reporting on board performance reviews: Guidance for listed companies

We believe this development will further encourage and support the efficiency of board effectiveness reviews in the UK, a key mechanism of corporate-governance best practice.

Taskforce on Nature-related Financial Disclosures (TNFD)

LGIM joined the TNFD Observer Group as a member in the first quarter of 2021. The TNFD seeks to provide a framework for corporates and financial institutions to assess, manage and report on their dependencies and impacts on nature. It also seeks to aid in the appraisal of nature-related risk and the redirection of global financial flows away from nature-negative outcomes and towards nature-positive outcomes. As an observer member, our primary contribution is to provide feedback on the output of the working groups, so as to help support the preparatory phase of the TNFD.

3. https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/board-effectiveness-reviews.pdf

Q1 2021 | ESG Impact Report

Collaborative engagement on sustainable aquaculture

LGIM signed on to support the FAIRR investor engagement on sustainable aquaculture: managing biodiversity and climate risks in feed supply chains. As part of this initiative, we will encourage the world's largest salmon companies to develop strategic, science-based approaches to diversify their feed ingredient sources to better manage ESG risks associated with sourcing wild forage fish and soy. Companies will also be asked to disclose their strategies to diversify their feed ingredients towards lower impact and more sustainable alternatives.

Aquaculture remains the fastest-growing food-production sector, and accounts for over half of all fish consumed by humans. It, however, relies on the products of wild forage fish, where there is currently a lack of consensus on the extent to which fisheries can be exploited, which presents risks. We have written letters to the companies with our expectations and will follow these up with engagements, which will be discussed in future.

UK executive pay

Every year LGIM undertakes multiple engagements related to the structure and quantum of executive pay. Executive pay structures raise concerns over income inequality, considering that on average CEO pay was 144x the average UK worker in 2019.[4]

We have provided some specific named examples of engagements on executive pay in this report. However, many of our most successful engagements on pay-related issues remain behind closed doors, given the sensitivity of the discussions. We would like to highlight one of these engagements and the outcome during the quarter.

Over the last two quarters we have engaged with a FTSE 100 company whose remuneration committee thought it was essential to grant a one-off award to an executive director. We have concerns regarding the use of this type of pay structure at our investee holdings, where total pay is already significant and in particular when a single person is rewarded, rather than a whole team, for a achieving a set goal. We engaged with the company multiple times to dissuade the committee to make such an award, including escalating our discussions to the Chair of the Board and putting our concerns in writing. We were relieved when the company wrote to us and other shareholders to confirm that they would not be proceeding with the additional one-off award.

Voting policy changes

As part of an annual process, this year we updated our global policies to require company boards to comprise at least 30% female representation. Our UK and North American policies take this one step further requiring the board to include at least one person with an ethnic minority background.

Other important updates include a requirement to ensure that the Chair of the Audit Committee has relevant financial expertise, regular rotation of the external audit partner and for a regular auditor tender process to be carried out with auditor refreshment every 20 years.

We ask all companies to help reduce global poverty by paying at least the living wage to employees and by ensuring their Tier 1 suppliers do likewise. The living wage is usually higher than the minimum wage set by local regulation, to ensure that a sufficient wage is being earned to meet basic household needs.

COVID-19 has disrupted a company's ability to hold a physical AGM. We believe the physical AGM is an important shareholder right and platform for any shareholder to be able to be attend, be heard by the entire board and hold the board accountable for their actions. Historically, LGIM has been opposed to virtual-only AGMs but is supportive of a hybrid model. In light of the pandemic, LGIM has relaxed its views to support a virtual-only AGM, where regulations make it illegal to hold a physical meeting. However, in these circumstances, we would encourage companies to take every effort to give all shareholders an opportunity to pose questions via any electronic means and to have those answered at the AGM.

There are other changes to our policies, which can be found on our website.

4. CIPD in Association with the High Pay Centre "Executive Pay in the FTSE 100 – Is Everyone Getting a Fair Slice of the Cake".

Significant votes

We have adapted our approach to provide detailed information to our clients on significant votes on a quarterly basis.

Company name: Walgreens Boots Alliance, Inc.*

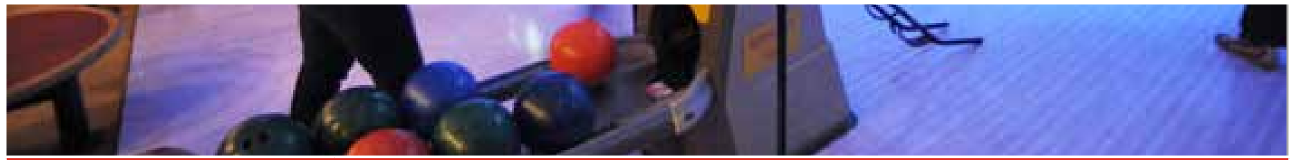
Sector: Food and staples retailing	**market cap.** $46.1 billion (Source: Refinitiv, as at /04/2021)

Issue identified:	The company's compensation committee applied discretion to allow a long-term incentive plan award to vest when the company had not even achieved a threshold level of performance. This is an issue because investors expect pay and performance to be aligned. Exercising discretion in such a way during a year in which the company's earnings per share (EPS) declined by 88% caused a significant misalignment between pay and performance.
Summary of the resolution:	'Resolution 3 – Advisory vote to ratify named executive officer's compensation'. AGM date – 28 January 2021
How LGIM voted:	We voted against the resolution.
Rationale for the vote decision:	LGIM had a constructive engagement with the company in November 2020; however, it failed to mention the application of discretion during that call. We found this surprising given the significant impact it had on compensation, which was discussed, giving the company an opportunity to raise this. LGIM does not generally support the application of retrospective changes to performance conditions. Although the company was impacted by COVID-19, many of its shops remained open as they were considered an essential retailer. The company did not provide sufficient justification for the level of discretion applied which resulted in the payment of 94,539 shares or approximately $3.5m to the CEO in respect of the 2018-2020 award, which would otherwise have resulted in zero shares vesting.
Outcome:	The resolution failed to get a majority support as 52% of shareholders voted against.
Why is this vote significant?	It was high-profile and controversial.

Page 98

*Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.

Q1 2021 | ESG Impact Report



Company name: Hollywood Bowl Group*

Sector: Travel & Leisure	**market cap.** £389 million (Source: Refinitiv, as at 21/04/2021)

Issue identified:	The bowling alley operator has been financially impacted by the COVID-19 pandemic. This resulted in staff being furloughed and the company not paying dividends to shareholders. Despite this, the remuneration committee decided to exercise its discretion to allow for the performance period of the 2017 Long Term Incentive Plan (LTIP) award to be reduced from September 2020 to February 2020, to avoid having to factor in the financial consequences of the pandemic into the incentive plan. This resulted in the pro-rated LTIP vesting at 81% of salary.
Summary of the resolution:	Resolution 2 – approve remuneration report Resolution 3 – re-elect Nick Backhouse as director Resolution 7 – re-elect Ivan Schofield as director Resolution 8 – re-elect Claire Tiney as director AGM date - 27 January 2021.
How LGIM voted:	We voted against the remuneration report and escalated our concerns by a vote against all the members of the remuneration committee.
Rationale for the vote decision:	The remuneration committee did not consult with LGIM before taking the decision to retrospectively reduce the performance period of the LTIP. We applied our policy and sanctioned this practice by a vote against the remuneration report. Given the seriousness of our concerns and the precedent this could set, we decided to escalate our vote sanction by a rare vote against all members of the remuneration committee.
Outcome:	47.7% of shareholders opposed the remuneration report (resolution 2) and 15.8% the re-election of the chair of the remuneration committee (resolution 8).
Why is this vote significant?	We voted against the remuneration report and escalated our concerns by a vote against all the members of the remuneration committee.
	The remuneration committee did not consult with LGIM before taking the decision to retrospectively reduce the performance period of the LTIP. We applied our policy and sanctioned this practice by a vote against the remuneration report. Given the seriousness of our concerns and the precedent this could set, we decided to escalate our vote sanction by a rare vote against all members of the remuneration committee.
	47.7% of shareholders opposed the remuneration report (resolution 2) and 15.8% the re-election of the chair of the remuneration committee (resolution 8). The other members of the remuneration committee (resolution 3 and 7) were only opposed by 4.2% and 4.0% of shareholders respectively. LGIM will continue to monitor the company.
	We took the rare step of escalating our vote against all members of the remuneration committee given the seriousness of our concerns. This highlights the importance of ensuring that executive remuneration remains in line with stakeholder experience.

*Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.

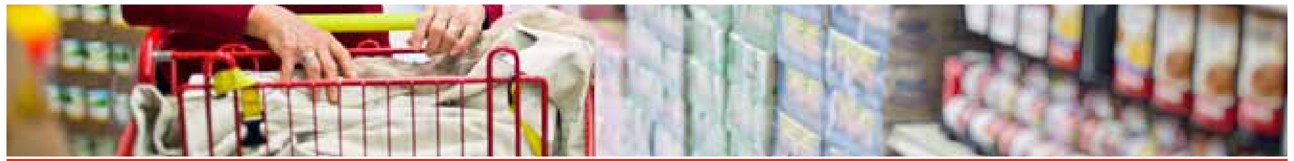
Company name: AmerisourceBergen Corporation*

Sector: Pharmaceuticals | **market cap.** $24.7 billion (Source: Refinitiv, as at 21/04/2021)

Issue identified:	During the same year the company recorded a $6.6 billion charge related to opioid lawsuits, its CEO's total compensation was approximately 25% higher than the previous year. By excluding the settlement costs, the Compensation Committee ensured executive pay was not impacted by an operating loss of $5.1 billion (on unadjusted basis). LGIM has in previous years voted against executives' pay packages due to concerns over the remuneration structure not comprising a sufficient proportion of awards assessed against the company's performance.
Summary of the resolution:	Resolution 3 - Advisory Vote to Ratify Named Executive Officers' Compensation AGM date - 11 March 2021
How LGIM voted:	We voted against the resolution.
Rationale for the vote decision:	We voted against the resolution to signal our concern over the overall increased compensation package during a year that the company recorded a $6.6bn charge related to opioid lawsuits and a total operating loss of $5.1 billion.
Outcome:	The resolution encountered a significant amount of opposing votes from shareholders, with 48.36% voting against the resolution and 51.63% supporting the proposal. LGIM continues to engage with US companies on their pay structures and has published specific pay principles for US companies.
Why is this vote significant?	LGIM considers it imperative that pay structures are aligned with company performance and that certain expenses over which directors have control and influence should not be allowed to be excluded in the calculation of their pay, in particular if these would be detrimental to the executive director(s) in question.

Page 99

*Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.



Company name: Imperial Brands plc*

Sector: Consumer Goods | **market cap.** £13.9 billion (Source: Refinitiv, as at 01/04/2021)

Issue identified:	The company appointed a new CEO during 2020, who was granted a significantly higher base salary than his predecessor. A higher base salary has a consequential ripple effect on short- and long-term incentives, as well as pension contributions. Further, the company did not apply best practice in relation to post-exit shareholding guidelines as outlined by both LGIM and the Investment Association.
Summary of the resolution:	Resolutions 2 and 3, respectively, Approve Remuneration Report and Approve Remuneration Policy AGM date - 3 February 2021
How LGIM voted:	We voted against both resolutions.
Rationale for the vote decision:	An incoming CEO with no previous experience in the specific sector, or CEO experience at a FTSE 100 company, should have to prove her or himself beforehand to be set a base salary at the level, or higher, of an outgoing CEO with multiple years of such experience. Further, we would expect companies to adopt general best practice standards. Prior to the AGM, we engaged with the company outlining what our concerns over the remuneration structure were. We also indicated that we publish specific remuneration guidelines for UK-listed companies and keep remuneration consultants up to date with our thinking.
Outcome:	Resolution 2 (Approve Remuneration Report) received 40.26% votes against, and 59.73% votes of support. Resolution 3 (Approve Remuneration Policy) received 4.71% of votes against, and 95.28% support. LGIM continues to engage with companies on remuneration both directly and via IVIS, the corporate governance research arm of The Investment Association. LGIM annually publishes remuneration guidelines for UK listed companies.
Why is this vote significant?	We are concerned over the ratcheting up of executive pay; and we believe executive directors must take a long-term view of the company in their decision-making process, hence the request for executives' post-exit shareholding guidelines to be set.

*Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.

Company name: Toshiba Corp.*	
Sector: Industrials Conglomerates	**market cap.** ¥1.91 trillion (Source: Refinitiv, as at 21/04/2021)

Issue identified:	Toshiba Corp's extraordinary general meeting (EGM) was precipitated by a significant decline in trust between its shareholders and management team following recent controversies, including allegations of abnormal practices and behaviour by the company surrounding its July 2020 AGM. As a result, the company faced two independent shareholder resolutions at the EGM calling for it to introduce remedies that would restore confidence and trust in the company's governance, management and strategy.
Summary of the resolution:	Resolution 1- Appoint Three Individuals to Investigate Status of Operations and Property of the Company Resolution 2 - Amend Articles to Mandate Shareholder Approval for Strategic Investment Policies including Capital Strategies EGM date - 18 March 2021
How LGIM voted:	We voted for the resolutions.
Rationale for the vote decision:	LGIM supported the resolution calling for the appointment of investigators to address doubts over the company's 2020 AGM conduct and vote tallying. We believe the enquiry, which is unlikely to be a burden on the company, will be an important step in rebuilding trust between shareholders and the company's executive team and board. We also supported the shareholder resolution mandating the company to present its strategic investment policy to a shareholder vote in order to send a clear message to the Toshiba Board and executive team: shareholders expect increased transparency and accountability.
Outcome:	Resolution 1 was passed with 57.9% of participating shareholders in support. The company promptly put investigators in place and set up a confidential hotline for any individuals who are willing to provide information. Resolution 2, in respect to the company's capital allocation and strategic investment policy received 39.3% support and did not pass. However, the vote serves to send a clear signal to the board and executive team that shareholders expect increased transparency and accountability.
Why is this vote significant?	The vote was high profile and controversial.

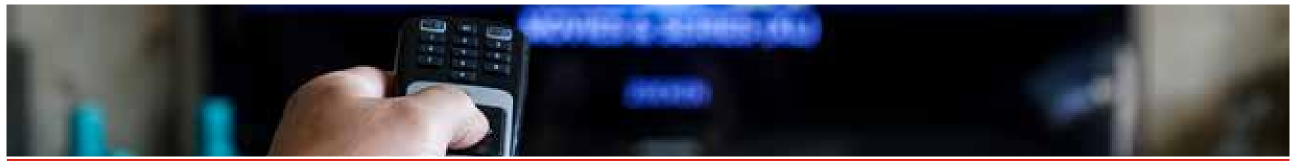
Page 100

*Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.

Company name: Tyson Foods*	
Sector: Food Producer	**market cap.** $28.6 billion (Source: Refinitiv as at 21/04/2021)

Issue identified:	A shareholder-led resolution requested that the company produce a report on Tyson's human rights due diligence process. The pandemic highlighted potential deficiencies in the application of its human rights policies. The following issues have been highlighted as giving grounds to this assessment: strict attendance policies, insufficient access to testing, insufficient social distancing, high line speeds and non-comprehensive COVID-19 reporting. Furthermore, according to the ISS AGM Benchmark report, there have been over 10,000 positive cases and 35 worker deaths. As such, the company is opening itself up to undue human rights and labour rights violation risks. Tyson is already subject to litigation for wrongful death of an employee filed by the family of the deceased. Additionally, there is a United States Department of Agriculture complaint for failure to protect employees of colour who are disproportionately affected by Covid-19, and two Federal Trade Commission (FTC) complaints for misleading representations about worker treatment, the nature of relationships with farmers, and conditions at poultry farms in its supply chain.
Summary of the resolution:	Resolution 4 – Report on Human Rights Due Diligence AGM date - 11 February 2021
How LGIM voted:	LGIM supported the resolution.
Rationale for the vote decision:	LGIM believes that companies in which we invest our clients' capital should uphold their duty to ensure the health and safety of employees over profits. While the company has health and safety, and code of conduct, policies in place and may have introduced additional policies to protect employees during the pandemic, there was clearly more it could have done. This is indicated by the reported complaints and rates of infection among its employee population. We believe that producing this report is a good opportunity for the board to re-examine the steps they have taken and assess any potential shortfalls in safety measures so that they can improve controls and be better prepared for any future pandemic or similar threat.
Outcome:	The resolution failed to get a majority support as only 17% of shareholders supported it.
Why is this vote significant?	Our clients were particularly interested in the outcome of this vote.

*Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.



Company name: Future plc*

Sector: Media & Entertainment	**market cap.** £2.8 billion (Source: Refinitiv, as at 21/04/2021)
Issue identified:	The company proposed a bonus scheme that could award its chief executive just over £40 million. The Value Creation Plan could pay out up to £95 million in stock-based awards annually over three years to employees, based on total shareholder return and dividends. We had concerns around the potential increase in total quantum, as the proposed plan does not comply with LGIM's pay policy.
Summary of the resolution:	Resolution 3 – Approve Remuneration Report Resolution 4 – Approve Remuneration Policy Resolution 10 – Re-elect Hugo Drayton Resolution 18 – Approve Value Creation Plan AGM date - 11 February 2021
How LGIM voted:	We voted against the resolutions.
Rationale for the vote decision:	We did not engage with the company as we have clearly set out our expectations on remuneration in our principles document. We voted against the remuneration report and policy as we did not consider there to be sufficient justification for the proposed increase to the LTIP, and the proposed plan does not comply with LGIM's published pay policy. We voted against the value creation plan due to the potential increase in total quantum of pay. We voted against the chair of the remuneration committee as we have current and previous concerns with the remuneration plans.
Outcome:	The resolutions received the below in votes against: Resolution 3 – 35% Resolution 4 – 27% Resolution 10 – 10% Resolution 18 – 35% Whilst all resolutions passed, the company did receive significant votes against a number of these resolutions.
Why is this vote significant?	This was a high-profile vote, which has such a degree of controversy that there is high client and/or public scrutiny.

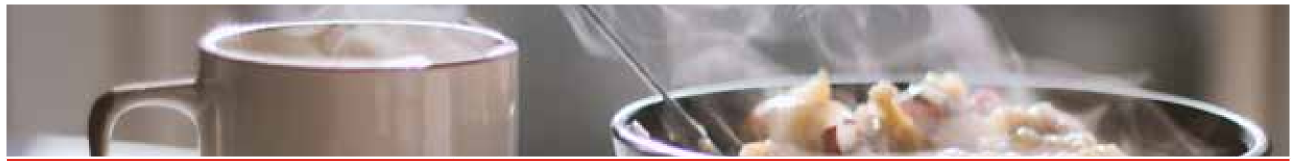
Page 101

*Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.

Company name: Samsung Electronics*

Sector: Technology	**market cap.** ₩564.1 trillion (Source: Refinitiv, as at 21/04/2021)
Issue identified:	In January 2021, Lee Jae-yong, the vice chairman of Samsung Electronics and only son of the former company chairman, was sentenced to two years and six months in prison for bribery, embezzlement and concealment of criminal proceeds worth about ₩8.6 billion. Lee Jae-yong was first sentenced to five years in prison in August 2017 for using the company's funds to bribe the impeached former President Park Geun-hye. While Lee was released from prison, he was not acquitted of the charges. Based on the court's verdict, Lee actively provided bribes and implicitly asked then president Park to use her power to help his smooth succession. The court further commented that the independent compliance committee established in January 2020 has yet to become fully effective.
Summary of the resolution:	Resolution 2.1.1 – Elect Park Byung-gook as Outside Director Resolution 2.1.2 – Elect Kim Jeong as Outside Director Resolution 3 – Elect Kim Sun-uk as Outside Director to Serve as an Audit Committee Member AGM date: 17 March 2021
How LGIM voted:	We voted against all three resolutions.
Rationale for the vote decision:	LGIM engaged with the company ahead of the vote. However, we were not satisfied with the company's response that ties have been severed. We are concerned that Lee Jae-yong continues to make strategic company decisions from prison. Additionally, we were not satisfied with the independence of the company board and that the independent directors are really able to challenge management. LGIM voted against the resolutions as the outside directors, who should provide independent oversight, have collectively failed to remove criminally convicted directors from the board. The inaction is indicative of a material failure of governance and oversight at the company.
Outcome:	The meeting results are not yet available.
Why is this vote significant?	This was a high-profile vote, which has such a degree of controversy that there is high client and/or public scrutiny and the sanction vote was a result of a direct or collaborative engagement.

*Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.



Company name: Mitchells & Butlers*

Sector: Travel and Leisure | **market cap.** £1.7 billion (Source: Refinitiv, as at 21/04/2021)

Issue identified:	Given the current COVID-19 restrictions and their impact on this pub & restaurant company's financials, the company sought shareholder approval for an equity raise through an underwritten Open Offer in March 2021. Three of the company's major shareholders came together and consolidated their holdings under a new holding company, Odyzean Limited. They together hold approximately 55% of the issued share capital of Mitchells & Butlers and therefore the majority of votes. As well as taking up their own share of the Open Offer, the concert party committed to underwrite any remaining offer shares not taken up by existing shareholders.
Summary of the resolution:	Resolution 1: Authorise Issue of Equity in Connection with the Open Offer Resolution 2: Authorise Issue of Shares Pursuant to the Open Offer at a Discount to Middle Market Price Resolution 3: Authorise Implementation of Open Offer These resolutions were presented at the company's special shareholder meeting held on 11 March 2021.
How LGIM voted:	We voted against all three resolutions.
Rationale for the vote decision:	We opposed Open Offer given our concerns about the influence of the newly incorporated holding company, Odyzean Limited, over our investee company's governance and the interests of minority investors. This concern was heightened by the announcement of expected changes to the structure and independence of the board as stated in the prospectus. LGIM would have expected a fair traditional rights issue to protect minority investors. We also noted that the concert party was able to buy deeply discounted shares without paying a control premium through their underwriting of the open offer.
Outcome:	Only 6.8% of shareholders opposed these resolutions. LGIM will continue to monitor the company closely.
Why is this vote significant?	We have taken the rare step of opposing a capital raise given our serious concerns for minority shareholders' rights.

Page 102

*Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.

Company name: SSP Group plc*

Sector: Consumer Discretionary - Travel and Leisure | **market cap.** £2.5 billion (Source: Refinitiv, as at 21/04/2021)

Issue identified:	**Issue 1 – remuneration-based** Many companies, especially those operating in sectors particularly hard-hit by COVID-19, have in the last year sought to introduce alternative long-term share incentives. Where performance-based awards are replaced with time-vested shares (restricted shares), which exhibit a higher likelihood of vesting, we expect the award opportunity to be significantly reduced to take account of the increased value. Institutional guidelines note a minimum 50% discount as an appropriate starting point. However, best market practice has since evolved to take account of any substantial reduction in the share price year-on-year to ensure that potential windfall gains when the market recovers are avoided. At SSP Group, whilst the remuneration committee proposed a 50% discount, it did not further reduce the award size despite the share price not having sufficiently recovered, lingering below 50% of the pre-pandemic price. Thus, the proposed award size would actually be larger than the number of pre-COVID-19 shares previously offered under the LTIP, despite its likelihood of vesting having increased dramatically. **Issue 2 – share issuances without adequate shareholder protections** At a capital raising by SSP Group in June 2020 – in the height of the coronavirus pandemic – the company issued additional capital through a legal structure that bypassed shareholder pre-emption rights.
Summary of the resolution:	Resolutions 3 and 4 – Approve Remuneration Policy and Restricted Share Plan (RSP) Resolutions 15-17 – Approve general share issuance authorities AGM date - 25 March 2021
How LGIM voted:	LGIM voted against the introduction of the RSP (Item 4) and the Remuneration Policy (Item 3). We also voted against the share issuance authorities (Items 15-17) given that we considered that the company had misused similar authorities during the previous year.
Rationale for the vote decision:	The proposed RSP award size (in number of shares) represented a potential increase in time-vested shares offered compared to the pre-COVID-19 award of performance-based LTIPs, this is not in line with our policy and did not warrant support. We were involved in the pre-vote consultation and fed back our views accordingly. Additionally, we believe that the SSP Board took advantage of a loophole in the UK Companies Act that was possible within its general share issuance authority approved by shareholders at the 2020 AGM. A vote against the renewal of such authority was therefore warranted.
Outcome:	Resolution 3: 9.79% votes against, with a further substantial number of abstain votes. Resolution 4: 10.25% votes against. Resolution 15: 21.77% votes against.
Why is this vote significant?	Ahead of the AGM, there had been rumblings from investors regarding the proposed RSP award size. But more importantly, the move away from performance-based share incentive to time-based awards, which vest subject to no further performance targets, is concerning and can set a dangerous precedent if not appropriately discounted. The high vote against the standard share issuance authority (Item 15) demonstrates shareholders' concern with capital raises that may lead to shareholders suffering dilution.

*Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.

Q1 2021 | ESG Impact Report

Case study: Amazon*

Sector: Communications.
Market cap: $1.68 trillion (source: Refinitiv, as at 21/04/2021)

What was the issue?

It came to our attention through some of our asset-management peers that Amazon had been accused of interfering with efforts by its workers to unionise, ahead of a vote by workers in an Alabama facility on unionisation.

What did LGIM do?

We signed a letter to Amazon along with more than 70 other investors with collective assets under management (AUM) of $6.4 trillion, to emphasise the role that worker representation plays in supporting companies in identifying and managing operating risks. We highlighted that Amazon should meet the expectations set out in the UN Guiding Principles on Business and Human Rights, and that as an internationally recognised human right, workers should be free to exercise their freedom of association and right to collective bargaining.

We set out the expectation that Amazon should have in place policies and processes appropriate to its size and circumstances, including:

(a) A policy commitment to meet their responsibility to respect human rights

(b) A due diligence process to identify, prevent, mitigate and account for how the company addresses its potential impacts on human rights

(c) Processes to enable the remediation of any adverse human rights impacts Amazon causes or to which it contributes

Outcome

It is against this background and with these expectations, that we applaud the launch by Amazon of its Global Human Rights Principles. Through this policy, we have taken note of the company's commitment to The UN Guiding Principles on Business and Human Rights, which in turn recognise the fundamental right of workers to exercise their right to organise, should they choose to do so. We are also encouraged by the announcement that Amazon has commissioned a human rights impact assessment by an external consultant.

However, in spite of these initiatives that have been announced and following discussions with Amazon's Head of ESG Engagement, we remain concerned that the company has yet to demonstrate how it meets the commitments that it has set, not only with respect to human rights but also to transparency and stakeholder engagement. Our engagement with the company continues.

*Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.

LGIM's engagement campaign on ESG transparency

As a long-term investor with an active ownership approach, LGIM is an advocate for greater ESG transparency. Given the growing consensus on the financial materiality of ESG factors, many investors like LGIM are increasingly seeking to integrate them within their investment processes. In order to accurately understand risks and opportunities, investors need access to relevant, comparable, consistent, and verifiable ESG data across markets regardless of size, geography or asset class; in other words, better transparency from companies on their ESG performance.

However, access to what is considered 'non-financial' and ESG information has been traditionally overlooked, mostly because such information was rarely included in the annual reports or seen by the auditors. We believe ESG transparency is a responsibility which belongs to the board of directors. They need to ensure their company's ESG credentials can be appropriately used by markets so they can efficiently price in this information.

Page 104

Therefore, as previously announced, LGIM is stepping up its commitment to foster greater ESG transparency within markets. From 2022, LGIM will be voting against the chair of the board of all LGIM Transparency score laggards (LGIM ESG Score).

This means that we will sanction companies not providing an overall minimum level of disclosures on the following metrics:

- ESG reporting standards
- Verification of ESG reporting
- Scope of greenhouse gas (GHG) emissions
- Tax disclosure
- Director disclosure
- Remuneration disclosure

Performance on each of these metrics is assessed by third-party provider Sustainalytics. For further information on each of these key criteria, please refer to our public ESG score methodology document. Our investee company scores are publicly available on our website.

Engagement before sanction

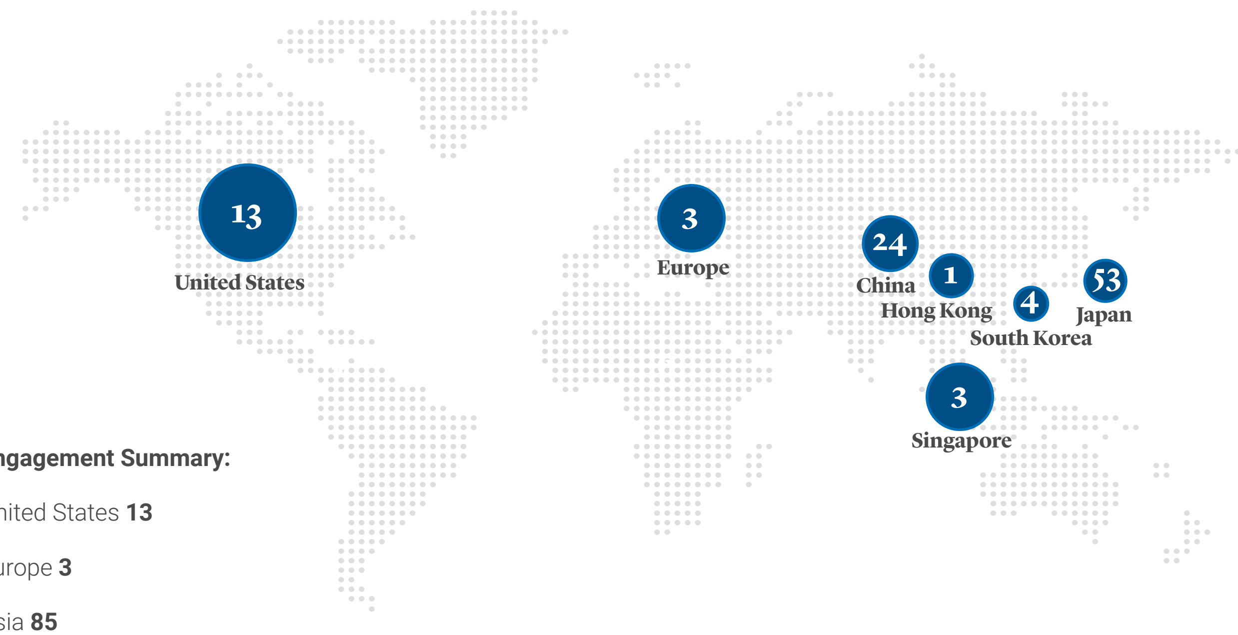
Whilst the expected disclosures are very standard ESG requirements, we chose to give our investee companies one year following our sanction announcement so that they can improve their disclosures and/ or check the data held by our third-party provider. We have sent engagement letters to 101 investee companies, a target group of the biggest companies we hold which have a low Transparency score ('T score').

The financial community and various stakeholders increasingly rely on ESG data provided by third party providers. Inaccurate ESG information held by a third-party provider and used by the investment community might result in markets inaccurately pricing company shares or bonds. ESG laggards are likely to be penalised by the markets; it is therefore important that boards step up on this issue and make sure the information third-party providers have on their companies is accurate and that investors can use it.

Our engagement campaign aims at creating this awareness among boards and the sanction to incentivise them to improve the quality of their ESG disclosure, including both the company's own ESG reporting and ESG data held on them by data providers.

Q1 2021 | ESG Impact Report

Engagement Universe



Engagement Summary:

United States **13**

Europe **3**

Asia **85**

Measuring the impact of our engagement

Using a similar approach as for our previous transparency campaign in 2019 and 2020, we aim to report on the result of our engagement to our clients.

Focus on corporate ESG disclosures in Asia

As part of this engagement campaign, LGIM sent engagement letters to 81 investee companies listed in five Asian markets – China, Hong Kong, Japan, Singapore and South Korea.

In the first of a series of blogs, we provide further details as to why our engagement with our investee companies in this region on the topic of ESG transparency matters:

A closer look at Asia
https://www.lgimblog.com/categories/esg-and-long-term-themes/lgim-s-engagement-on-esg-transparency-a-closer-look-at-asia/

Sustainability engagements

We continue to engage with companies, policymakers and other investors to promote sustainability.

Investors renew push for EU methane emissions standard on gas: letter[5]

Zeroing in on net zero

We continue our engagement with high-carbon industries around their strategies for the energy transition.

BP*, with whom LGIM co-leads engagements under the multi-trillion-dollar Climate Action 100+ investor coalition, has made a series of new announcements detailing their expansion into clean energy. These include projects to develop solar energy in the US, partnerships with Volkswagen (on fast electric vehicle charging) and Qantas Airways (on reducing emissions in aviation), and winning bids to develop major offshore wind projects in the UK and US.

Page 105

As a reminder, our recommendation for the oil and gas industry is to primarily focus on reducing its own emissions (and production) in line with global climate targets before considering any potential diversification into clean energy. BP had previously announced that it would be reducing its oil and gas output by 40% over the next decade, with a view to reaching net-zero emissions by 2050.

In an update on their net-zero strategies, **Royal Dutch Shell*** has also announced they expect their overall carbon emissions to have peaked in 2019, with oil production expected to decline every year from now on. Fellow oil major Total* has pledged that all future bond issuance from the company will be linked to externally audited climate targets, with the company paying higher interest rates if they are not met.

We will continue to engage with oil and gas companies around the strength of their targets and the credibility of their planning assumptions in this area.

We also recognise the importance of policy in creating the right incentives for companies. With methane emissions in 2020 seeing the highest increase in four decades, LGIM and other investors managing over £30 trillion in assets have called on the EU to set standards for this aggressive planet-warming gas.[5]

In a different part of the natural resources industry, we have ongoing engagements with mining companies not just on their environmental strategies, but also the 'S' and 'G' of ESG.

Embroiled in a scandal after the destruction of a 46,000-year old heritage site in Western Australia, LGIM and other investors have continued to press **Rio Tinto*** for more accountability, believing that the initial responses (and the board oversight) were inadequate. After the departure of three directors (including the CEO) were announced last year, the chairman has declared he will now step down. We were pleased to see the media comment favourably on our public stance, with the Australian Financial Review noting that, "To its enduring credit, Legal & General stood alone in challenging [the chairman] from the outset.[6] Other City investors urged [him] to act, but only once momentum had shifted and apathy had abruptly become unfashionable."

5 https://www.reuters.com/article/us-eu-methane-letter/investors-renew-push-for-eu-methane-emissions-standard-on-gas-letter-idUSKBN2BN3MN

*References to any securities are for illustrative purposes only

Legal & General investment arm demands votes on FTSE 100 firms' climate plans[7]

We have opposed the pay package at the 2021 AGM, and will continue to engage with the company on how it plans to reform its culture and renew its social licence to operate, as well as on other governance concerns. In particular, we remain concerned with the treatment of minority investors at its majority-owned subsidiary, **Turquoise Hill*.**

On a more positive note, however, we welcome the growing number of extractive companies – including Rio Tinto*, Glencore*, Woodside Petroleum*, Santos*, Total* and Royal Dutch Shell* – announcing they will be offering shareholders an advisory vote on their climate strategies. We believe this 'say on climate' is well-aligned with LGIM's existing engagement on climate, including and the use of voting to exercise clients' shareholders rights.

Throughout the 2021 AGM season, LGIM will support all 'say on climate' resolutions which it believes are crucial to the business and will pre-announce its votes, where such an announcement would send a strong message to key stakeholders.

Legal & General: Give the city a say on firms' climate change plans[8]

6 Financial Review, 9 March 2021, article available here

7 https://uk.finance.yahoo.com/news/legal-general-net-zero-votes-climate-change-environment-110650551.html; https://www.thetimes.co.uk/article/legal-amp-general-investment-arm-demands-votes-on-ftse-100-firms-climate-plans-zzncq0zbr

8 https://www.thetimes.co.uk/article/legal-amp-general-investment-arm-demands-votes-on-ftse-100-firms-climate-plans-zzncq0zbr

Q1 2021 | ESG Impact Report

Public policy update

LGIM has a responsibility to ensure that global markets operate efficiently, to protect the integrity of the market, and to foster sustainable and resilient economic growth. In this regard, LGIM focuses its ESG policy engagements on issues that we believe are key to achieving this.

Page 106

United Kingdom

LGIM continues to engage with stakeholders on the UK Listing Review which has been led by Lord Hill. The review is part of a wider push from the government on ensuring the UK market remains attractive to both international investors and innovative growth companies looking to list. Areas of focus for Lord Hill have been on i) allowing dual class share structures in the premium listing segment; ii) reducing the free-float requirements; iii) rebranding the standard listing segment; iv) liberalising rules regarding special-purpose acquisition companies; and v) recommending review of the prospectus regime.

LGIM and the Investment Association have been actively engaging with Lord Hill's team. While supportive of many of Lord Hill's recommendations, there are some concerns about how far to go to ensure that the strong position on, and reputation for, good corporate governance currently held by the UK is maintained. For example, dual-class share structures in the Premium Indices will not sufficiently protect minority and end investors against potential poor management behaviour. This can potentially lead to value destruction and avoidable investor loss. As a result of our stance on this issue, LGIM did not participate in the IPO of Deliveroo* via either our active or index funds.

2021 has brought a step-change in focus on industry regulation as we see increasing signs of countries and governments reviewing the gig economy status. We take our role as a responsible steward of our clients' capital very seriously and engage with several companies in this sector on ESG concerns, like the rights of employees and proposed share-class structures. We believe in the active ownership of the companies in which we invest and think change from within can be the most impactful way to influence positive change in a company, for employees and shareholders alike. LGIM will now engage with the Financial Conduct Authority as they now consider Lord Hill's recommendations.

LGIM has also engaged with the Financial Reporting Council on various topics, including the future of corporate reporting, which is looking at ensuring that reporting continues to meet the needs of all stakeholders in the economy. There are several formal consultations on ESG issues (audit reform, social factors and climate-related disclosures) that have recently been released by the UK's Government that the LGIM team will be engaging with.

*References to any securities are for illustrative purposes only

European Union

As part of our focus on supporting governments to meet their Paris Agreement and net-zero commitments, LGIM has co-authored a paper with policy experts from Chatham House on the European Commission can align the reformed Common Agricultural Policy (CAP) with the Green Deal and EU Climate Law. We brought together an alliance of policy experts, business groups, and investors (representing €2 trillion of assets under management) who have publicly supported our recommendations to the EU. Our recommendations include:

1. Encourage use of enforceable performance-based targets that link support to member states and farmers, commensurate with the cost of delivering public good or environmental services;

2. Shift away from incentives that prioritise yields at the expense of the climate and environment, and balance this with new monetary incentives that put a value on sustainable agriculture;

3. Decouple support from production metrics for single commodity transfers with high associated greenhouse gas emissions (e.g. beef and dairy);

4. Apply the Just Transition Mechanism to support farmers' social and economic well-being, where impacted by CAP reforms.

Agricultural subsidies constitute a third of the EU's total budget and are pivotal in determining how land across Europe is utilised and which commodities are produced. Reforming the CAP is therefore essential for climate mitigation, negative emissions, and long-term environmental resilience in terms of climate adaptation, biodiversity improvements, and food security. We believe these recommendations will be broadly supported by both markets and regulators.

LGIM also continues to engage with various aspects of the EU's Sustainable Finance Action Plan, including the implementation of Sustainable Finance Disclosure Regulation and the subsequent Regulatory Technical Standards.

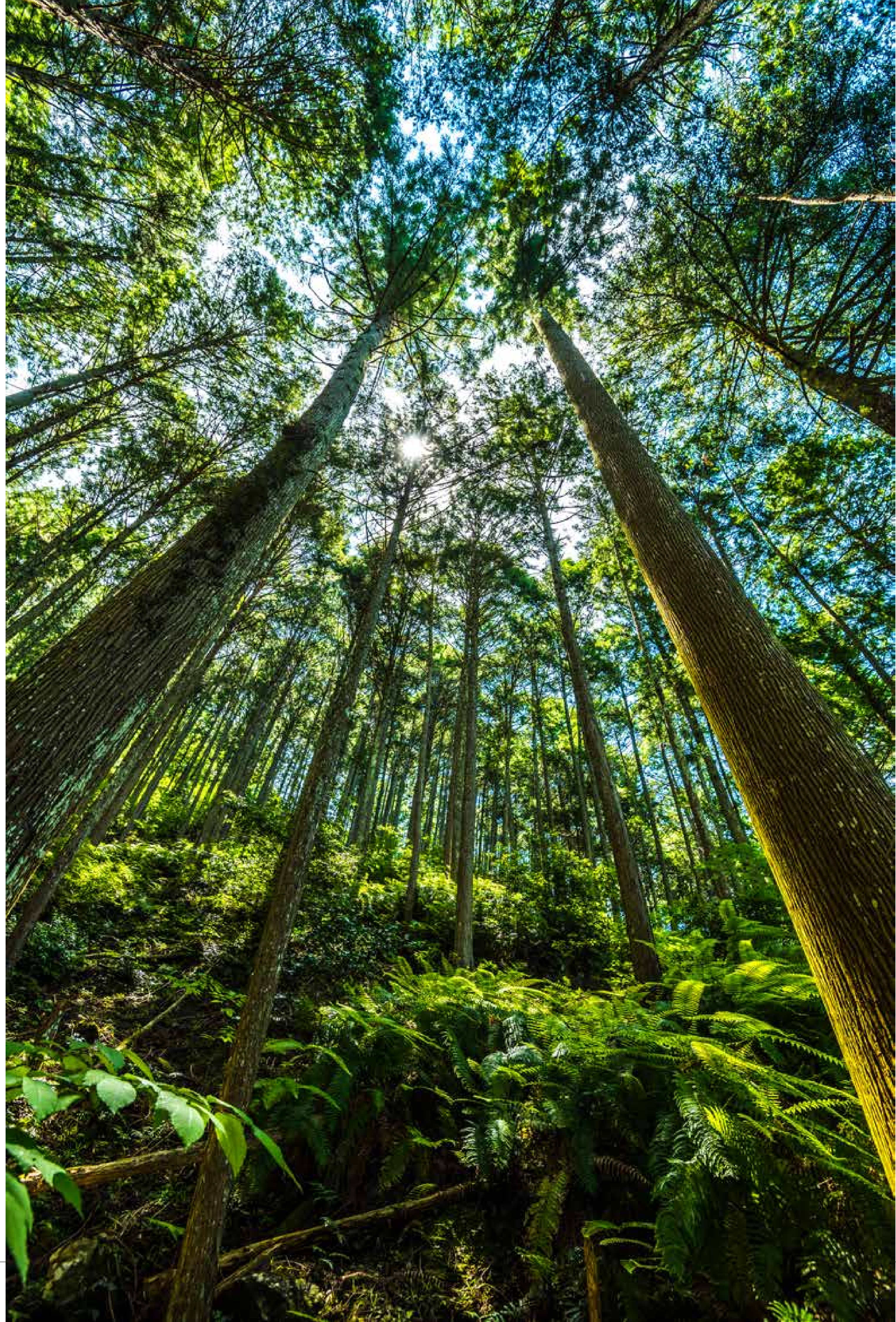
Japan

LGIM has continued to work with the International Corporate Governance Network to provide input into the revision of the Japan Corporate Governance Code. We have expressed our views across several topics e.g. board independence and diversity, timing of the securities report and other issues related to the AGM, and disclosures in line with the Task Force on Climate-related Financial Disclosures (TCFD). LGIM will engage in the public consultation.

LGIM has engaged with the Japan Association of Corporate Executives on climate change and energy policy. We encouraged strengthening their position on climate and energy policies, and highlighted the increasing need for companies to align with the goals of the Paris Agreement.

LGIM was also invited to participate in two government studies on stewardship and ESG. The first was led by the Cabinet Office which looked into how investors were approaching gender diversity. The second, commissioned by the Ministry of Economy, Trade and Industry, aimed to explore the views of investors on corporate governance issues in Japan. Full reports of both projects will be published in the coming months.

Page 107



United States

The election of a new administration in the United States has – almost overnight – taken the ESG and climate change discussion from 'why' to 'how'. During the election, Joe Biden spoke on a podcast about climate change, saying it is the "number one issue facing humanity. And it's the number one issue for me". The US president is living up to his word. Almost within minutes of arriving in the oval office Biden started signing the executive orders, announcing non-enforcement on Department of Labor Rules that would have hampered ESG fund selection, and re-joined the Paris Agreement. It is a huge policy U-turn from the world's second largest emitter, and the positive implications will be felt not only across the US but also far beyond its borders. LGIM and LGIMA are already stepping up engagements and supporting with the new administration on several ESG topics.

Other markets

LGIM continues to closely follow and engage with the ESG disclosures landscape. Most recently, we have been pleased to see the IFRS have confirmed their intent to launch a Sustainability Standards Board by the end of the year. It will be important that an ESG disclosure standard is developed quickly and provides decision-useful information for investors. Harmonisation between markets will be important, particularly with regard to the EU's reform on the Non-Financial Reporting Directive.

Q1 2021 | ESG Impact Report

Regional updates

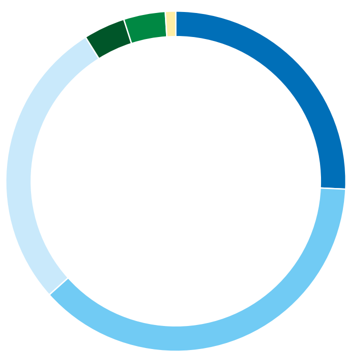
UK - Q1 2021 voting summary

Proposal category	For	Against	Abstain
Antitakeover-related	50	0	0
Capitalisation	315	26	0
Director-related	468	38	0
Remuneration-related	89	28	0
Reorganisation and Mergers	24	4	0
Routine/Business	352	4	0
Shareholder Proposal - Compensation	0	0	0
Shareholder Proposal - Corporate Governance	0	0	0
Shareholder Proposal - Director-related	0	0	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	0	0	0
Shareholder Proposal - Other/Miscellaneous	1	1	0
Shareholder Proposal - Routine/Business	0	0	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	1299	101	0
Total resolutions	1400		
No. AGMs	75		
No. EGMs	70		
No. of companies voted on	127		
No. of companies where voted against management on at least one resolution	44		
% of companies with at least one vote against	35%		

Page 108

Source for all data LGIM March 2021. The votes above represent voting instructions for our main FTSE pooled index funds

Votes against management



- Antitakeover-related - 0
- Capitalisation - 26
- Director-related - 38
- Remuneration-related - 28
- Reorganisation and Mergers - 4
- Routine/Business - 4
- Shareholder Proposal - Compensation - 0
- Shareholder Proposal - Corporate Governance - 0
- Shareholder Proposal - Director-related - 0
- Shareholder Proposal - General Economic Issues - 0
- Shareholder Proposal - Health/Environment - 0
- Shareholder Proposal - Other/Miscellaneous - 1
- Shareholder Proposal - Routine/Business - 0
- Shareholder Proposal - Social/Human Rights - 0
- Shareholder Proposal - Social - 0

Number of companies voted for/against

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

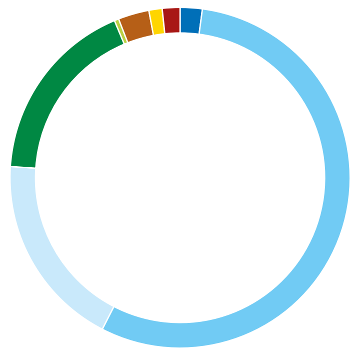
LGIM voted against at least one resolution at **35%** of UK companies over the quarter

Europe - Q1 2021 voting summary

Proposal category	For	Against	Abstain
Antitakeover-related	1	0	0
Capitalisation	97	5	0
Director-related	659	91	41
Remuneration-related	89	44	0
Reorganisation and Mergers	10	0	0
Routine/Business	422	37	5
Shareholder Proposal - Compensation	0	1	0
Shareholder Proposal - Corporate Governance	0	0	0
Shareholder Proposal - Director-related	8	6	1
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	5	3	0
Shareholder Proposal - Other/Miscellaneous	2	0	0
Shareholder Proposal - Routine/Business	3	4	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	1296	191	47
Total resolutions	1534		
No. AGMs	63		
No. EGMs	21		
No. of companies voted on	83		
No. of companies where voted against management on at least one resolution	63		
% of companies with at least one vote against	76%		

Source for all data LGIM March 2021. The votes above represent voting instructions for our main FTSE pooled index funds

Votes against management/ abstentions



- Antitakeover-related - 0
- Capitalisation - 5
- Director-related - 132
- Remuneration-related - 44
- Reorganisation and Mergers - 0
- Routine/Business - 42
- Shareholder Proposal - Compensation - 1
- Shareholder Proposal - Corporate Governance - 0
- Shareholder Proposal - Directors-related - 7
- Shareholder Proposal - General Economic Issues - 0
- Shareholder Proposal - Health/Environment - 3
- Shareholder Proposal - Other/Miscellaneous - 0
- Shareholder Proposal - Routine/Business - 4
- Shareholder Proposal - Social/Human Rights - 0
- Shareholder Proposal - Social - 0

Number of companies voted for/against

- No. of companies where we supported management
- No. of companies where we voted against management (including abstentions)

LGIM voted against at least one resolution at **76%** of European companies over the quarter

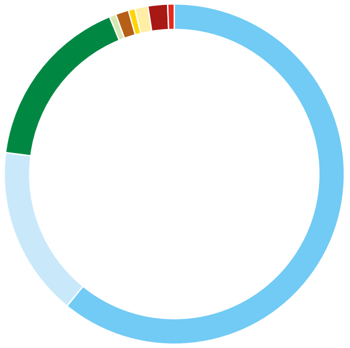
Page 109

North America - Q1 2021 voting summary

Proposal category	For	Against	Abstain
Antitakeover-related	3	0	0
Capitalisation	9	0	0
Director-related	324	98	0
Remuneration-related	37	26	0
Reorganisation and Mergers	9	0	0
Routine/Business	37	27	0
Shareholder Proposal - Compensation	3	0	0
Shareholder Proposal - Corporate Governance	0	1	0
Shareholder Proposal - Director-related	3	2	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	0	1	0
Shareholder Proposal - Other/Miscellaneous	0	2	0
Shareholder Proposal - Routine/Business	0	3	0
Shareholder Proposal - Social/Human Rights	0	1	0
Shareholder Proposal - Social	0	0	0
Total	425	161	0
Total resolutions	586		
No. AGMs	44		
No. EGMs	9		
No. of companies voted on	53		
No. of companies where voted against management on at least one resolution	44		
% of companies with at least one vote against	83%		

Source for all data LGIM March 2021. The votes above represent voting instructions for our main FTSE pooled index funds

Votes against management



- Antitakeover-related - 0
- Capitalisation - 0
- Director-related - 98
- Remuneration-related - 26
- Reorganisation and Mergers - 0
- Routine/Business - 27
- Shareholder Proposal - Compensation - 0
- Shareholder Proposal - Corporate Governance - 1
- Shareholder Proposal - Directors-related - 2
- Shareholder Proposal - General Economic Issues - 0
- Shareholder Proposal - Health/Environment - 1
- Shareholder Proposal - Other/Miscellaneous - 2
- Shareholder Proposal - Routine/Business - 3
- Shareholder Proposal - Social/Human Rights - 1
- Shareholder Proposal - Social - 0

Number of companies voted for/against

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

LGIM voted against at least one resolution at **83%** of North American companies over the quarter

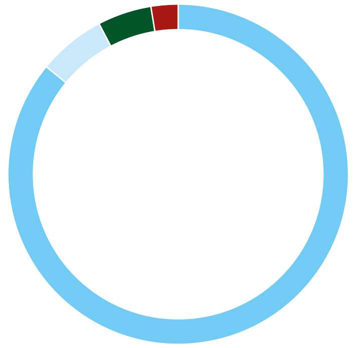
Q1 2021 | ESG Impact Report

Japan - Q1 2021 voting summary

Proposal category	For	Against	Abstain
Antitakeover-related	0	0	0
Capitalisation	1	0	0
Director-related	530	67	0
Remuneration-related	32	5	0
Reorganisation and Mergers	9	4	0
Routine/Business	48	0	0
Shareholder Proposal - Compensation	0	0	0
Shareholder Proposal - Corporate Governance	0	0	0
Shareholder Proposal - Director-related	0	0	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	0	0	0
Shareholder Proposal - Other/Miscellaneous	0	0	0
Shareholder Proposal - Routine/Business	0	2	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	620	78	0
Total resolutions	698		
No. AGMs	67		
No. EGMs	4		
No. of companies voted on	71		
No. of companies where voted against management on at least one resolution	45		
% of companies with at least one vote against	63%		

Source for all data LGIM March 2021. The votes above represent voting instructions for our main FTSE pooled index funds

Votes against management



- Antitakeover-related - 0
- Capitalisation - 0
- Director-related - 67
- Remuneration-related - 5
- Reorganisation and Mergers - 4
- Routine/Business - 0
- Shareholder Proposal - Compensation - 0
- Shareholder Proposal - Corporate Governance - 0
- Shareholder Proposal - Directors-related - 0
- Shareholder Proposal - General Economic Issues - 0
- Shareholder Proposal - Health/Environment - 0
- Shareholder Proposal - Other/Miscellaneous - 0
- Shareholder Proposal - Routine/Business - 2
- Shareholder Proposal - Social/Human Rights - 0
- Shareholder Proposal - Social - 0

Number of companies voted for/against

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

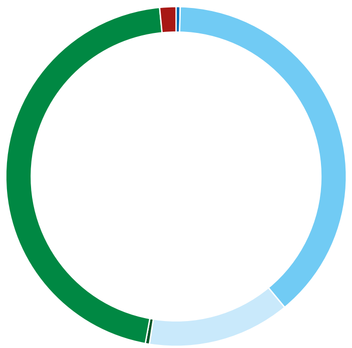
LGIM voted against at least one resolution at **63%** of Japanese companies over the quarter

Asia Pacific - Q1 2021 voting summary

Proposal category	For	Against	Abstain
Antitakeover-related	0	0	0
Capitalisation	11	1	0
Director-related	348	100	0
Remuneration-related	135	35	0
Reorganisation and Mergers	9	1	0
Routine/Business	208	118	0
Shareholder Proposal - Compensation	0	0	0
Shareholder Proposal - Corporate Governance	0	0	0
Shareholder Proposal - Director-related	1	0	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	0	0	0
Shareholder Proposal - Other/Miscellaneous	0	0	0
Shareholder Proposal - Routine/Business	1	4	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	713	259	0
Total resolutions	972		
No. AGMs	131		
No. EGMs	11		
No. of companies voted on	138		
No. of companies where voted against management on at least one resolution	125		
% of companies with at least one vote against	91%		

Source for all data LGIM March 2021. The votes above represent voting instructions for our main FTSE pooled index funds

Votes against management



- Antitakeover-related - 0
- Capitalisation - 1
- Director-related - 100
- Remuneration-related - 35
- Reorganisation and Mergers - 1
- Routine/Business - 118
- Shareholder Proposal - Compensation - 0
- Shareholder Proposal - Corporate Governance - 0
- Shareholder Proposal - Directors-related - 0
- Shareholder Proposal - General Economic Issues - 0
- Shareholder Proposal - Health/Environment - 0
- Shareholder Proposal - Other/Miscellaneous - 0
- Shareholder Proposal - Routine/Business - 4
- Shareholder Proposal - Social/Human Rights - 0
- Shareholder Proposal - Social - 0

Number of companies voted for/against

- No. of companies where we supported management
- No. of companies where we voted against management (including abstentions)

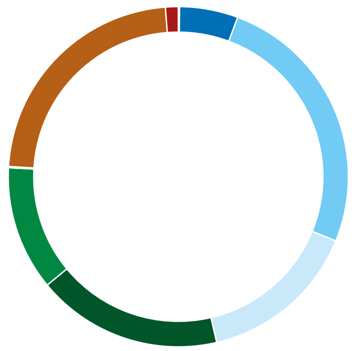
LGIM voted against at least one resolution at **91%** of Asia Pacific companies over the quarter

Emerging markets - Q1 2021 voting summary

Proposal category	For	Against	Abstain
Antitakeover-related	0	1	0
Capitalisation	771	46	0
Director-related	771	152	59
Remuneration-related	62	126	0
Reorganisation and Mergers	481	146	0
Routine/Business	795	98	0
Shareholder Proposal - Compensation	2	0	0
Shareholder Proposal - Corporate Governance	0	1	0
Shareholder Proposal - Director-related	19	189	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	0	0	0
Shareholder Proposal - Other/Miscellaneous	0	0	0
Shareholder Proposal - Routine/Business	10	10	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	2911	769	59
Total resolutions	3739		
No. AGMs	104		
No. EGMs	328		
No. of companies voted on	417		
No. of companies where voted against management on at least one resolution	190		
% of companies with at least one vote against	46%		

Source for all data LGIM March 2021. The votes above represent voting instructions for our main FTSE pooled index funds. The abstentions were due to technical reasons which prevented us from voting. Where we have the option to vote, it is our policy to not abstain.

Votes against management / abstentions



- Antitakeover-related - 1
- Capitalisation - 46
- Director-related - 211
- Remuneration-related - 126
- Reorganisation and Mergers - 146
- Routine/Business - 98
- Shareholder Proposal - Compensation - 0
- Shareholder Proposal - Corporate Governance - 1
- Shareholder Proposal - Directors-related - 189
- Shareholder Proposal - General Economic Issues - 0
- Shareholder Proposal - Health/Environment - 0
- Shareholder Proposal - Other/Miscellaneous - 0
- Shareholder Proposal - Routine/Business - 10
- Shareholder Proposal - Social/Human Rights - 0
- Shareholder Proposal - Social - 0

Number of companies voted for/against abstentions

- No. of companies where we supported management
- No. of companies where we voted against management (including abstentions)

LGIM voted against at least one resolution at **46%** of emerging markets companies over the quarter

Global voting summary

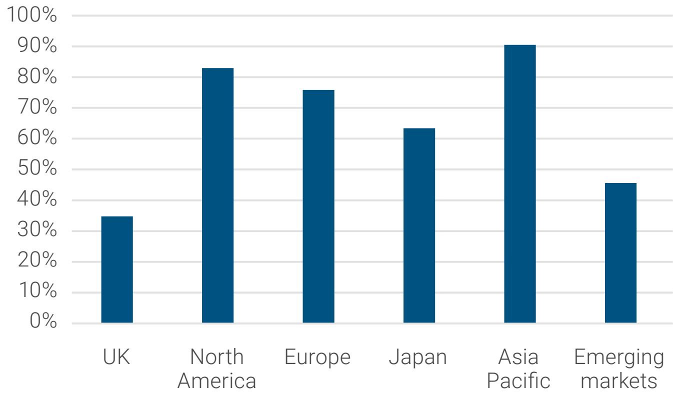
Voting totals

Proposal category	For	Against	Abstain	Total
Antitakeover-related	54	1	0	55
Capitalisation	1204	78	0	1282
Director-related	3100	546	100	3746
Remuneration-related	444	264	0	708
Reorganisation and Mergers	542	155	0	697
Routine/Business	1862	284	5	2151
Shareholder Proposal - Compensation	5	1	0	6
Shareholder Proposal - Corporate Governance	0	2	0	2
Shareholder Proposal - Directors-related	31	197	1	229
Shareholder Proposal - General Economic Issues	0	0	0	0
Shareholder Proposal - Health/Environment	5	4	0	9
Shareholder Proposal - Other/Miscellaneous	3	3	0	6
Shareholder Proposal - Routine/Business	14	23	0	37
Shareholder Proposal - Social/Human Rights	0	1	0	1
Shareholder Proposal - Social	0	0	0	0
Total	7264	1559	106	8929
No. AGMs	484			
No. EGMs	443			
No. of companies voted on	889			
No. of companies where voted against management on at least one resolution	511			
% of companies with at least one vote against	57%			

Number of companies voted for/against abstentions

- No. of companies where we supported management
- No. of companies where we voted against management (including abstentions)

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



Source for all data LGIM March 2021. The votes above represent voting instructions for our main FTSE pooled index funds

Q1 2021 | ESG Impact Report

Global engagement summary

Key engagement numbers

234
Total number of engagements during the quarter

216
Number of companies engaged with

Number of engagements on

42
Environmental topics

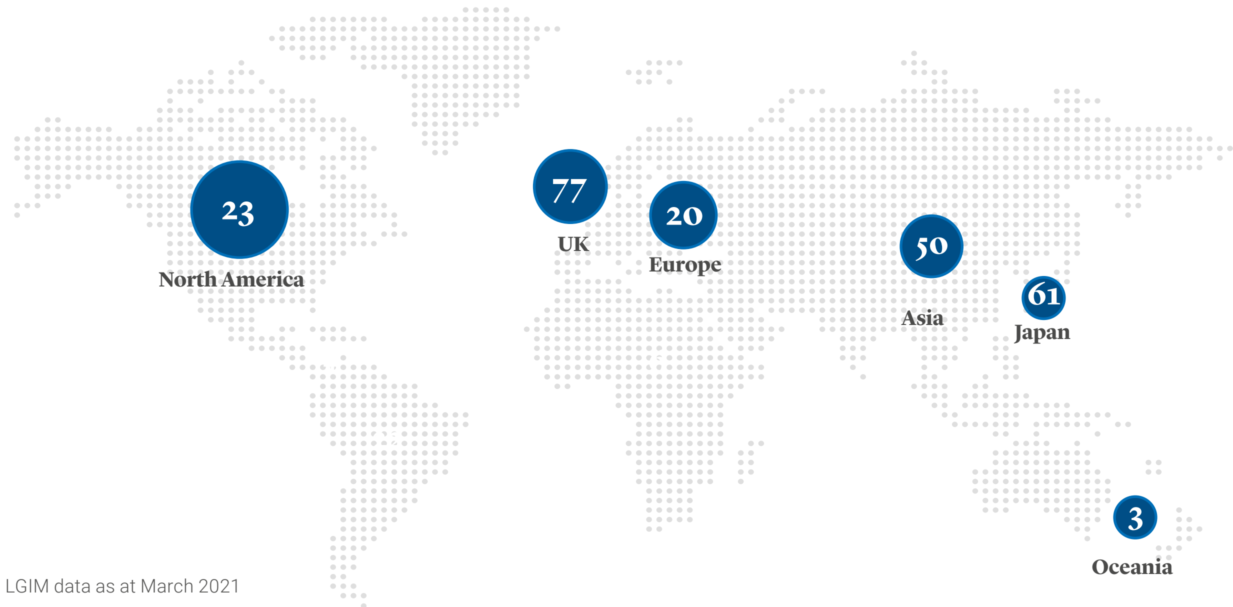
139
Other topics (e.g. financial and strategy)

193
Governance topics

43
Social topics

Page 112

Breakdown of our engagements by market

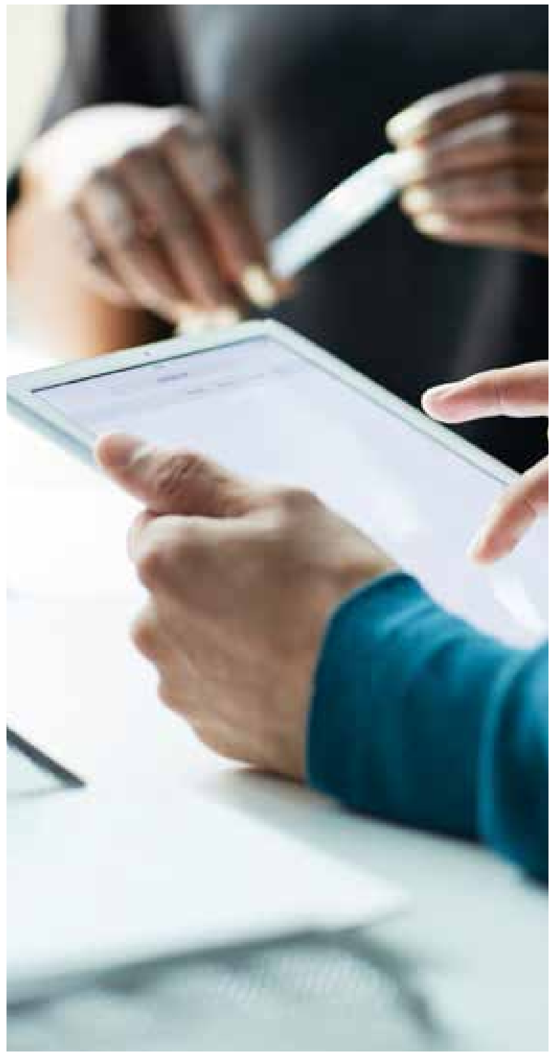


LGIM data as at March 2021

Engagement type

91
Conference calls

143
Email/letter



Top five engagement topics

1. ESG disclosures (including LGIM ESG score)
108 engagements

2. Remuneration
55 engagements

3. Climate Change
38 engagements

4. Board composition
26 engagements

5. Strategy
19 engagements

LGIM data as at March 2021

Contact us

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

Important information
Views expressed are of Legal & General Investment Management Limited as at March 2021.

The information contained in this document (the 'Information') has been prepared by LGIM Managers Europe Limited ('LGIM Europe'), or by its affiliates ('Legal & General', 'we' or 'us'). Such Information is the property and/or confidential information of Legal & General and may not be disclosed by you to any other person without the prior written consent of Legal & General.

No party shall have any right of action against Legal & General in relation to the accuracy or completeness of the Information, or any other written or oral information made available in connection with this publication. Any investment advice that we provide to you is based solely on the limited initial information which you have provided to us. No part of this or any other document or presentation provided by us shall be deemed to constitute 'proper advice' for the purposes of the Investment Intermediaries Act 1995 (as amended). Any limited initial advice given relating to professional services will be further discussed and negotiated in order to agree formal investment guidelines which will form part of written contractual terms between the parties.

Past performance is no guarantee of future results. The value of an investment and any income taken from it is not guaranteed and can go down as well as up; you may not get back the amount you originally invested.

The Information has been produced for use by a professional investor and their advisors only. It should not be distributed without our permission.

The risks associated with each fund or investment strategy are set out in this publication, its KIID, the relevant prospectus or investment management agreement (as applicable) and these should be read and understood before making any investment decisions. A copy of the relevant documentation can be obtained from your Client Relationship Manager.

Confidentiality and limitations:
Unless otherwise agreed by Legal & General in writing, the Information in this document (a) is for information purposes only and we are not soliciting any action based on it, and (b) is not a recommendation to buy or sell securities or pursue a particular investment strategy; and (c) is not investment, legal, regulatory or tax advice. Any trading or investment decisions taken by you should be based on your own analysis and judgment (and/or that of your professional advisors) and not in reliance on us or the Information. To the fullest extent permitted by law, we exclude all representations, warranties, conditions, undertakings and all other terms of any kind, implied by statute or common law, with respect to the Information including (without limitation) any representations as to the quality, suitability, accuracy or completeness of the Information.

Any projections, estimates or forecasts included in the Information (a) shall not constitute a guarantee of future events, (b) may not consider or reflect all possible future events or conditions relevant to you (for example, market disruption events); and (c) may be based on assumptions or simplifications that may not be relevant to you.

The Information is provided 'as is' and 'as available'. To the fullest extent permitted by law, Legal & General accepts no liability to you or any other recipient of the Information for any loss, damage or cost arising from, or in connection with, any use or reliance on the Information. Without limiting the generality of the foregoing, Legal & General does not accept any liability for any indirect, special or consequential loss howsoever caused and, on any theory, or liability, whether in contract or tort (including negligence) or otherwise, even if Legal & General has been advised of the possibility of such loss.

Third party data:
Where this document contains third party data ('Third Party Data'), we cannot guarantee the accuracy, completeness or reliability of such Third-Party Data and accept no responsibility or liability whatsoever in respect of such Third-Party Data.

Publication, amendments and updates:
We are under no obligation to update or amend the Information or correct any errors in the Information following the date it was delivered to you. Legal & General reserves the right to update this document and/or the Information at any time and without notice.

Although the Information contained in this document is believed to be correct as at the time of printing or publication, no assurance can be given to you that this document is complete or accurate in the light of information that may become available after its publication. The Information may not take into account any relevant events, facts or conditions that have occurred after the publication or printing of this document.

Telephone recording:
As required **under** applicable laws Legal & General will record all telephone and electronic communications and conversations with you that result or may result in the undertaking of transactions in financial instruments on your behalf. Such records will be kept for a period of five years (or up to seven years upon request from the Central Bank of Ireland (or such successor from time to time)) and will be provided to you upon request.
In the United Kingdom and outside the European Economic Area, it is issued by Legal & General Investment Management Limited, authorised and regulated by the Financial Conduct Authority, No. 119272. Registered in England and Wales No. 02091894 with registered office at One Coleman Street, London, EC2R 5AA.

In the European Economic Area, it is issued by LGIM Managers (Europe) Limited, authorised by the Central Bank of Ireland as a UCITS management company (pursuant to European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011 (S.I. No. 352 of 2011), as amended) and as an alternative investment fund manager with "top up" permissions which enable the firm to carry out certain additional MiFID investment services (pursuant to the European Union (Alternative Investment Fund Managers) Regulations 2013 (S.I. No. 257 of 2013), as amended). Registered in Ireland with the Companies Registration Office (No. 609677). Registered Office: 33/34 Sir John Rogerson's Quay, Dublin, 2, Ireland. Regulated by the Central Bank of Ireland (No. C173733).

LGIM Managers (Europe) Limited operates a branch network in the European Economic Area, which is subject to supervision by the Central Bank of Ireland. In Italy, the branch office of LGIM Managers (Europe) Limited is subject to limited supervision by the Commissione Nazionale per le società e la Borsa ("CONSOB") and is registered with Banca d'Italia (no. 23978.0) with registered office at Via Uberto Visconti di Modrone, 15, 20122 Milan, (Companies' Register no. MI - 2557936). In Germany, the branch office of LGIM Managers (Europe) Limited is subject to limited supervision by the German Federal Financial Supervisory Authority ("BaFin"). In the Netherlands, the branch office of LGIM Managers (Europe) Limited is subject to limited supervision by the Dutch Authority for the Financial Markets ("AFM") and it is included in the register held by the AFM and registered with the trade register of the Chamber of Commerce under number 74481231.Details about the full extent of our relevant authorisations and permissions are available from us upon request. For further information on our products (including the product prospectuses), please visit our website.

D000260_052021

LGPS Central Limited

Quarterly Stewardship Update

FOURTH QUARTER, 2020-21 (JANUARY - MARCH 2021)

CHESHIRE PENSION FUND

Derbyshire Pension Fund

Leicestershire County Council PENSION FUND

Nottinghamshire County Council

SHROPSHIRE COUNTY PENSION FUND

Staffordshire Pension Fund Local Government Pension Scheme

West Midlands Pension Fund

Worcestershire Pension Fund

Responsible Investment & Engagement

LGPS Central's approach

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

OBJECTIVE #1

Support investment objectives

OBJECTIVE #2

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

These objectives are met through three pillars:

*Our **Selection** of assets*

*Our **Stewardship** of assets*

*Our commitment to **Transparency and Disclosure***

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

ADDITIONAL DISCLOSURES

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

Signatory of:

PRI Principles for Responsible Investment

LGPS ADVISORY BOARD CODE OF TRANSPARENCY

01 Engagement and Stewardship Themes

The UN Framework Convention on Climate Change (UNFCCC) issued a report in February 2021 analysing the updated climate action plans submitted by 75 nations ahead of COP26[1]. This analysis found that current policies will not come close to meeting the goals of the Paris Agreement. According to the UN Intergovernmental Panel on Climate Change, the population must reduce its 2030 CO_2 emissions by approximately 45% from 2010 levels and reach net zero by 2050. The report showed that the revised climate action plans, which cover 40% of countries party to the 2015 Paris Agreement and account for 30% of global emissions, would only deliver a combined emissions reduction of 0.5% from 2010 levels by 2030. This highlights a critical need for heavy emitting countries to ramp up their efforts to decarbonise.

Governments, industries and individual companies' ability to take drastic measures in light of the COVID-19 health pandemic seems unprecedented. Whether we are equally able to take necessary action against the pressing and longer-term climate change crisis, is yet unclear. During 2020, LGPSC signed IIGCC-coordinated letters to EU and UK leaders calling for a sustainable recovery from the COVID 19 pandemic. Over the last quarter, we have seen the UK Government launch its build back better plan which sets out pathways for sustainable growth post COVID-19 and investment in climate friendly infrastructure, skills and innovation to enable the transition to a lower carbon economy. The plan includes the Government's 10-point agenda for a Green Industrial Revolution. The Government intends to support investment through the new UK Infrastructure Bank to encourage investment in the Net Zero transition and to boost innovation through a new £375 million Future Fund. These are encouraging steps and in line with investor requests. An investor group including LGPS Central have also asked the COP26 President (The Rt. Hon Alok Sharma) to support investors by seeking publication of key underlying assumptions tied to the International Energy Agency's (IEA's) Net Zero Emissions 2050 scenario[2]. Further clarity from IEA on underlying assumptions and commodity price projections for this scenario will provide a basis on which to conduct further analysis into the implications of climate change for investment portfolios and asset allocation decisions.

Below, we give examples of ongoing or new engagements which relate to the four Stewardship Themes that have been identified in collaboration with our Partner Funds. While the bulk of our engagement effort is centred around these themes, we also regularly cover other key ESG issues such as fair remuneration, board composition, and human rights. We have included two such examples in this update.

Our Stewardship Themes over the current three-year period (2020 – 23) are:

- Climate change
- Plastic
- Fair tax payment and tax transparency
- Technology and disruptive industries

This quarter our engagement set[3] comprised 605 companies. There was engagement activity on 1,563 engagement issues and objectives[4]. Our stewardship provider, EOS, carried out the majority of these engagements. Engagement issues are not necessarily tied in with ongoing engagements or with specific engagement objectives. Against 579 specific engagement objectives set by EOS, there was achievement of some or all on 137 occasions. Most engagements were conducted through letter issuance or remote company meetings, where we, our partners or our stewardship provider in a majority of cases met or wrote to the Chair, a Board member or a member of senior management.

[1] The 26th UN Climate Change Conference of the Parties (COP26) will be hosted by the UK Government in Glasgow 1 – 12 November 2021
[2] IEA published "Net-zero by 2050 – A Roadmap for the Global Energy Sector" on 18 May 2021
[3] This includes engagements undertaken directly, in collaboration, and via our contracted Stewardship Provider.
[4] There can be more than one engagement issue per company, for example board diversity and climate change.

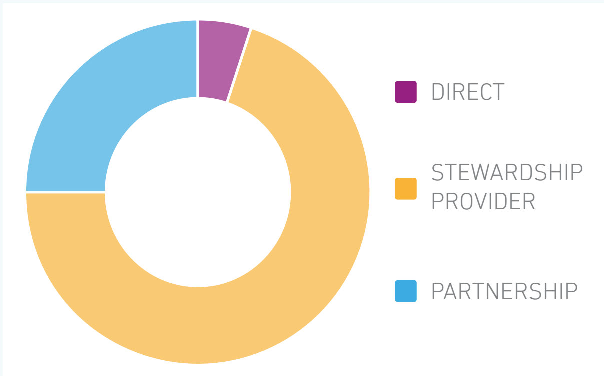
CLIMATE CHANGE ENGAGEMENTS

This quarter, our climate change engagement set comprised 252 companies with 324 engagements issues[5]. There was engagement activity on 315 engagement issues and achievement of some or all specific engagement objectives on 102 occasions.

Climate Action 100+ (CA100+) released its Net Zero Company Benchmark which assesses the world's largest corporate greenhouse gas emitters on their progress in the transition to a net zero future. This will be a valuable resource for investors attempting to assess and engage with corporations on their progress. However, results show that only a quarter of these companies have included scope 3 emissions in their Net Zero commitments. There is also a need for companies to set shorter term targets consistent with their longer-term ambitions, in order to avoid "back-loading" the decarbonisation. Back-loading would mean that a greater share of the total decarbonisation is left to happen closer to 2050 and potentially, greater reliance on yet unproven carbon abatement technologies such as Carbon Capture, Utilisation and Storage (CCUS). We would like to see companies embrace 1.5-degree scenarios in their scenario analysis and commit to aligning their future capital expenditure with their long-term emissions reduction targets. While much has been achieved, the CA100+ Benchmark tool sheds critical light on gaps in companies' practices and reporting. There is a shared sense among many investors that the next decade is a critical "transition decade" and we will continue to press companies to close gaps.

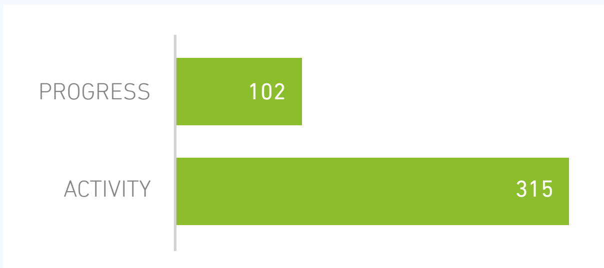
LGPS Central is co-leading or in the focus group of engagements with eight CA100+ companies, the majority of which are oil & gas and mining companies. Through a combination of direct engagement and collaborative engagement via the CA100+ focus group, we have engaged with an **electric utility** on the topics of Paris Alignment and corporate lobbying practices. The Company lacks top-line statements on climate policy and its industry association relationships are generally at odds with positive advocacy on climate policy. Recently, the Company has made more progress on its corporate lobbying transparency. Amongst other things, the Company has agreed to conduct an annual review of its trade association memberships alongside committing to an annual disclosure update 180 days after the end of the calendar year. They have also hired a new staff member with a focus on investor relations and disclosures. It is hoped that this signals a further commitment to transparency and disclosure as, despite improvements, current disclosures are not enough to assure investors that the company's lobbying activities are fully aligned with the Paris Agreement. In terms of Paris Alignment, the company has set a target for reducing its GHG emissions up to 2025. This target covers at least 95% of scope 1 and 2 emissions and the most relevant scope 3 emissions, and it is aligned with the goal of limiting global warming to 1.5°C. LGPS Central and fellow investors would like to see a stronger climate ambition, including a commitment to clear medium and long-term GHG reduction targets.

ENGAGEMENT VOLUME BY **TYPE**



- 324 engagements in progress
- Majority of engagements undertaken via CA100+
- CA100+ companies assessed through new Benchmark Framework, highlighting need for short-term targets in line with Net Zero by 2050 ambitions

ENGAGEMENT VOLUME BY **OUTCOME**



[5] There can be more than one climate-related engagement issue per company.

PLASTIC ENGAGEMENTS

This quarter our single-use plastics engagement set comprised 33 companies with 41 engagement issues[6]. There was engagement activity on 39 engagements and achievement of some or all engagement objectives on 11 occasions.

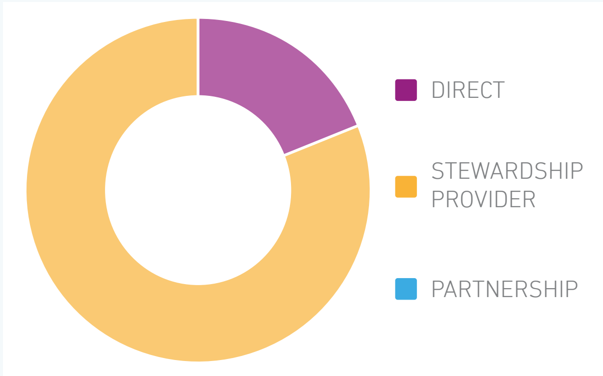
We have continued our engagement with six **packaging companies** through a sub-group of the PRI plastics working group led by Dutch investors Achmea Investment Management and Actiam. With increasing attention from governments on the negative impacts of plastic use and consumers calling for less harmful alternatives, investee companies in the plastic value chain are exposed to increasing regulatory risks, environmental risks, reputational risks and the risk of missing out to market developments. The investor group has put forward expectations of companies to: set targets for their use of sustainable materials and clearly disclose progress against those targets; clearly outline the initiatives they are using to reduce plastic pollution; ensure full alignment between the company's sustainable materials strategy and carbon emissions reduction strategy; and include sustainability-related performance KPIs in executive remuneration.

As part of the collaborative project, we met with a **US-based packaging company** to discuss their progress against the identified expectations. The call was constructive, and the company outlined several steps they are taking to improve their management of plastic waste. This includes enhancing their target for the total amount of solutions made from recycled content; improving their transparency by committing to publish a sustainability report; and exploring the use of natural-based solutions as part of their initiative to improve recycled content. We will continue the dialogue to ensure the company remain aligned with their targets, whilst continuing to push for further action against the stated expectations.

PLASTIC PELLET INDUSTRY STANDARD

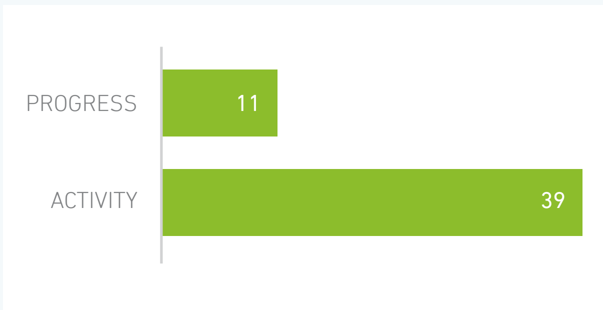
Billions of plastic pellets or "nurdles" make their way into the natural environment each year, which poses a serious threat to the ecosystem and potentially also a health threat to people. LGPSC is collaborating with the Investor Forum, peer investors and other stakeholders including Marine Scotland, the British Plastics Federation and the British Standards Institute to sponsor and create the first industry specification to prevent plastic pellet pollution. The new specification, a so-called Publicly Available Specification (PAS), will set out measures to prevent plastic pellet leakage and help companies demonstrate good practice in pellet loss prevention across their supply chains. The overarching goal of the PAS is to help companies achieve and maintain zero pellet loss across their pellet handling operations. After 9 months of preparation, an expert group with representatives from 23 organisations (plastic pellet producers, plastic manufacturers, recyclers, retailers, trade associations, NGOs and government agencies) proposed a plastic pellet PAS which went out for consultation during Q1 of 2021. Fauna & Flora International, the investor-sponsor group's representatives, are pleased that the expert group achieved consensus on the following key points; the need for the PAS to be a performance standard, allowing verification of efficacy of the pellet management measures being used, and continual improvement in performance by companies. We intend to use the plastic pellet PAS as a direct reference in engagement with relevant industries including plastics manufacturers, transportation, retailing and recycling organisations once it is made public.

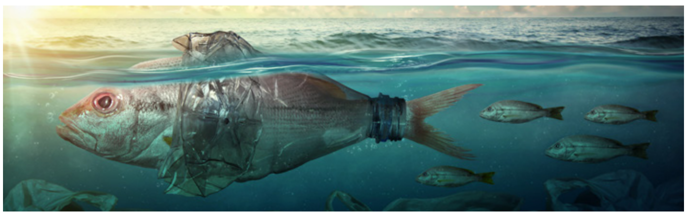
ENGAGEMENT VOLUME BY *TYPE*



- 41 engagements during the quarter
- Sub-group of PRI Plastics Working Group engages packaging producers to support and encourage "Plastic transition" in the form of reduction, re-use and replacement of fossil-fuel based plastics
- Engagement with six companies on their global sustainable packaging targets continues

ENGAGEMENT VOLUME BY *OUTCOME*





[6] There can be more than one plastic-related engagement issue per company.

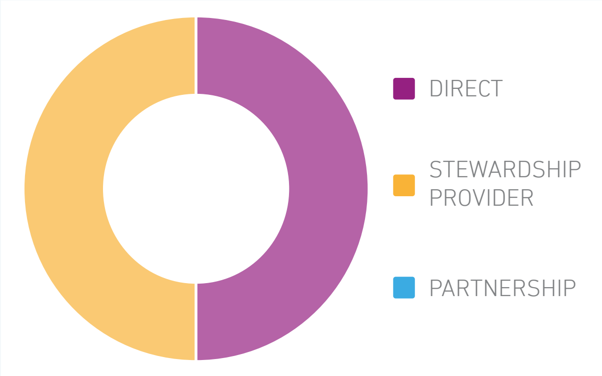
FAIR TAX PAYMENT AND TAX TRANSPARENCY ACTIVITY/ENGAGEMENT

This quarter, our tax transparency engagement set comprised 14 companies with 14 engagement issues. There was engagement activity on 9 engagements and achievement of some or all engagement objectives on three occasions.

Governments continue to provide tax relief to businesses during this ongoing health pandemic and we anticipate pressure from the public to ensure that businesses that benefit from government support contribute more responsibly to society. This is likely to translate into more scrutiny of tax arrangements, employment law, worker health and safety, and executive pay against a backdrop of high unemployment and inequality. In tandem, we think investor interest and scrutiny on companies' responsible tax behaviour and their willingness to pay ther fair share of tax will increase.

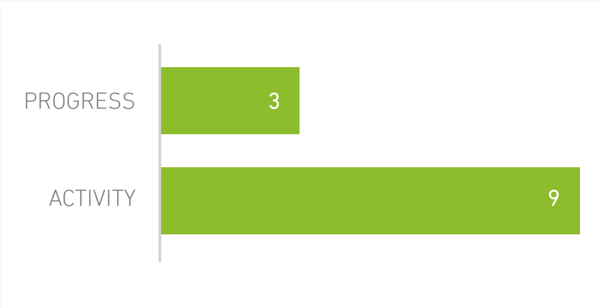
During 2020, we collaborated with five fellow European investors to engage a selection of companies across technology, telecommunication, finance and mining sectors. During the last quarter, we have held discussions to assess progress for these engagements and whether to expand the scope of the project. One of the six companies that we engaged during 2020 is a clear leader both in terms of overall approach to responsible tax behaviour and level of transparency. Further engagement is not needed. Another company showed that it takes a holistic approach to tax and to paying its fair share by achieving a broad economic contribution in host countries where it operates through taxes paid. We will follow up with this company in relation to a tax policy it has established after a recent merger. The other companies are largely lacking in tax transparency and there are "red flags" on issues like companies having subsidiaries incorporated in one jurisdiction but which are tax residents in another jurisdiction paying zero tax. This does not appear to be in line with OECD's Base Erosion and Profit Shifting Framework, which we see as a standard that is relevant to assessing responsible tax behaviour. We will continue engagement with the four "laggard" companies and we are assessing the inclusion of some more companies that appear to pursue particularly aggressive tax strategies and/or lack a tax policy, and/or pay the lowest effective rate of tax. At the end of the quarter we reached out to one of the companies (**an American technology company**) which did not respond to our initial outreach last year. While the company has come back with a response which references amongst others the Audit & Risk Oversight Committe's Charter, we are pressing for a meeting with the Board Committee so that we can learn more and discuss/probe the detail of the Board's oversight on tax related issues.

*ENGAGEMENT VOLUME BY **TYPE***



- 14 engagements during the quarter
- Collaboration with peer European investors to engage a selection of companies across vulnerable sectors continues
- We expect continued scrutiny from investors and other stakeholders on responsible tax behaviour in a situation of prolonged COVID 19 pandemic

*ENGAGEMENT VOLUME BY **OUTCOME***



TECHNOLOGY AND DISRUPTIVE INDUSTRIES

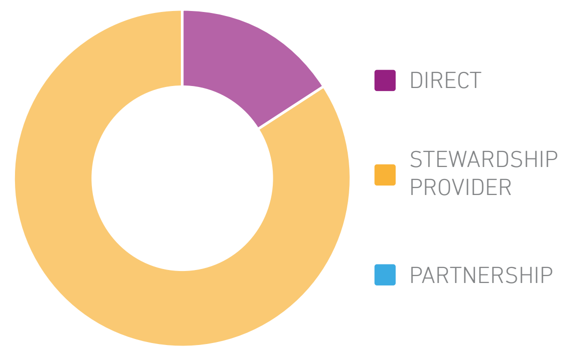
This quarter our technology and disruptive industries engagement set comprised 31 companies with 52 engagements issues. There was engagement activity on 49 engagement issues and achievement of some or all engagement objectives on eight occasions.

LGPSC has joined a collaborative investor engagement, led by the Council on Ethics to the Swedish National Pension Funds discussing human rights risks with a group of American technology companies. This engagement is part of a broader project to engage technology companies on a wide range of human rights risks including privacy and data protection; freedom of expression; disinformation in public and political discourse; and discrimination and hate speech. The collaboration has developed a set of human rights expectations which were shared and discussed with the identified technology companies in Q4 2020. These expectations are designed to provide a baseline for ongoing engagement and a means for more constructive and effective dialogue.

In March 2021, we met with one of the **American Technology** companies to discuss the progress they have made against the articulated expectations. Encouragingly, the company appear to be taking the expectations on board and have outlined a number of steps they are taking to ensure greater responsibility and oversight of human rights risks. This includes conducting human rights training for all members of staff; developing a Code of Conduct; establishing a Human Rights Defender Working Group which now meets regularly; and producing an annual Human Rights Disclosure Report. We will continue to work with the company to ensure they remain committed to these actions.

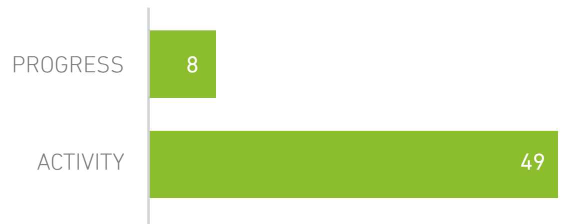
On our behalf, EOS engaged an **Asian Technology Hardware & Equipment** company on several ESG related matters including the treatment of the Uyghur people and climate change. Data analysis showed that the Company may have sourced from a chemical company whose supplier is blacklisted for its involvement in forced labour practices in Xinjiang. The Company said that, aside from an external investigation, it had carried out a supplier survey of over 400 China-based first-tier suppliers. It found that two of the surveyed suppliers had three Uyghur workers who were not related to the government programme in Xinjiang. No suppliers of the Company source from Xinjiang. EOS was satisfied with the company's response to this issue. EOS further asked for science-based carbon reduction targets to be set in line with the government's 2050 carbon neutrality commitment. The development of renewable energy in the region is in its early stages and the regulatory framework is the most important consideration for the Company in responding to climate change, from a long-term perspective. Encouragingly, the Company has made progress on the uptake of renewable energy. EOS expressed an expectation of the company to drive climate change leadership.

*ENGAGEMENT VOLUME BY **TYPE***



- 52 engagements in progress
- Development of Human Rights expectations for technology companies
- Encouraging steps taken by one technology company in line with expectations

*ENGAGEMENT VOLUME BY **OUTCOME***



Examples of engagement outside of stewardship themes

Alan Fraser Images / Shutterstock.com

COMBATTING MODERN SLAVERY

In the course of 2020, LGPS Central joined a collaborative investor-initiative convened by Rathbones Brothers Plc (Rathbones) to press 22 laggard **FTSE 350 companies** that had failed to meet the reporting requirements of Section 54 of the Modern Slavery Act 2015. According to the Act, companies over a certain size (turnover of more than £36 million per year) have to post a modern slavery statement on their website. Furthermore, they must have a process in place by which the statement is approved by the board; signed by a director; and reviewed annually. The project has a two-fold objective of highlighting the importance of eradicating modern slavery in supply chains of FTSE 350, and across businesses globally, as well as encouraging a greater degree of challenge from investors on social issues. The engagement was a success and 20 out of 22 companies have become compliant with the Modern Slavery Act during 2020 due to investor pressure. A phase II engagement project has been launched by Rathbones during Q1 of 2021, to engage a further 62 FTSE350 companies asking for Modern Slavery Act compliance. As per end April 2021, all companies have responded and 45 are now compliant. Initial positive responses have given an opening for future meetings to discuss companies' approaches to modern slavery. This is an important step beyond the initial ask of compliance with the Modern Slavery Act, to focus on the content of the statement and to enable investors an understanding of the key risks facing individual companies.

[7] Alstom SA, Altice Europe NV, Bank Hapoalim, Bank Leumi, Booking Holdings, Delek Group, Expedia Group, First International Bank, General Mills, Israel Discount Bank, Mizrahi Tefahot Bank, Motorola Solutions Inc., Paz Oil Co., Trip advisor Inc., Indorama, and Yes Bank

HUMAN RIGHTS IN AREAS OF CONFLICT

We expect businesses that operate in areas of war and conflict to take particular care to respect human rights. The Israeli-Palestinian conflict poses a complex set of human rights risks for companies and we are partnered with organisations such as Local Authority Pension Fund Forum (LAPFF) who actively engage on this. In a report published by the UN High Commissioner for Human Rights in February 2020, more than 100 companies have been identified as having business activities in the Israeli Occupied Territories (IOT). LAPFF has identified a core list of companies from the UN list that, in its view, give rise to a clearly defined set of concerns in the IOT, and that has a significant number of LAPFF member pension fund holdings. That core list comprises 16 global and Israeli companies[7]. Alongside direct engagement with these companies, LAPFF is also in dialogue with the Special Rapporteur on the Palestinian Territories at the UN and is looking to have further meetings with the UN Human Rights Council. This is in order to stay abreast of evolving international law relating to this issue.

LGPS Central is in dialogue with one of these companies, Motorola Inc. asking that the company disclose information on how human rights issues are managed, including but not limited to, disclosure on their corporate human rights policy and their human rights impact assessments. If companies do not respond or provide sufficient information, there are several different avenues LGPS Central can take to escalate the engagement including voting against the Board/Board members. Further to this, LGPS Central's external stewardship provider, EOS, is engaging 10 companies with activities of concern in the IOT, which may impact upon the basic freedoms of Palestinians. The companies have so far provided EOS with information on their due diligence and how investigations have been strengthened to reflect the high-risk region and an overview of the grievance mechanisms in place. One company has confirmed a cessation of activities linked to the construction of illegal or contested settlements. These engagements commenced in 2020 and continue in 2021. The engagement approach is apolitical, while distinguishing between those situations that contravene international law and those that do not.

02 Voting

POLICY

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

During this quarter, we revised our LGPSC Voting Principles reflecting our heightened expectations on companies in two areas. Firstly, we would like to see stronger diversity on Boards both in terms of gender and ethnicity based on our long-held view that diversity is integral to sound decision-making. We expect FTSE 100 and 250 companies to have at least 33% women on their Boards and will consider voting against the Chair of companies with materially less female representation unless there are clear and justifiable reasons why 33% is not achievable in an interim period. Furthermore, we expect any FTSE 100 company to disclose information on ethnic minority representation at board level in line with the Parker Review report with the aim of having at least one director from an ethnic minority background. Secondly, we reinforce our view that companies should align their operations and business strategy with the Paris Agreement. Should a company's response to the risks and opportunities presented by climate change appear to be materially misaligned with the Paris Agreement, we will consider voting against the Chair, and other relevant directors or resolutions. Specifically, if a company is assessed by the Transition Pathway Initiative (TPI)'s Management Quality Framework to be at a level 3 or below (where 4 is maximum score), LGPSC will consider voting against the company Chair, and other relevant directors or resolutions.

COMMENTARY

Between January and March 2021, we:

- Voted at 523 meetings (5,376 resolutions) globally
- Opposed one or more resolutions at 217 meetings
- Voted with management by exception at 18 meetings and abstained at four meetings.
- Supported management on all resolutions at the remaining 284 meetings.

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

EXAMPLES OF VOTING DECISIONS

We voted for all resolutions including the executive compensation as well as the Chair of the Compensation Committee, Andrea Jung, at the AGM of **Apple**. Despite leading the largest company in the world, the CEO's 2020 granted compensation was modest by comparison at 0.51x of its US peer median and exemplary relative to the US technology sector, particularly in light of the company's performance. Overall compensation is driven by a high share ownership structure strongly aligned with long-term shareholder returns that, despite concerns about quantum, is reasonable within the US technology sector. The 2020 short-term incentive was based on 50/50 net sales and operating income targets. It is preferable that compensation is linked to strategic metrics, rather than purely financial ones and it is pleasing to note that the short-term incentive will be adjusted by a 10% ESG modifier starting in 2021. The introduction of the ESG modifier demonstrates responsiveness to 12.1% shareholder support, including from LGPS Central, for a shareholder proposal last year to assess the feasibility of including sustainability as a performance measure for senior executive compensation.

At the AGM of German consumer services company **TUI AG**[8] we voted against the election of Jutta Doenges (resolution 8.1) and Alexey Mordashov (resolution 8.4) to the Supervisory Board because of the failure to establish a sufficiently independent Board. Jutta Doenges is identified as non-independent by the company and Aleksei Mordashov is a significant shareholder, owning 30.1 percent of the Company's issued share capital, and is equally not considered independent. As stated in the LGPS Central Voting Principles we expect the majority of board members to be independent. As a concession to the German legal requirement that one-half of the supervisory board must be made up of employee representatives, it is accepted practice that the supervisory boards of German companies be at least one-third composed of independent non-executive members. Requiring one-third of the board to consist of independent directors minimises the potential for conflicts of interest and enhances the quality of board oversight. At TUI AG, the board is only 30 percent independent, which is below market practice. We voted for the independent directors Edgar Ernst and Janina Kugel in order to emphasise the expectation of stronger independence on the Board. Resolution 8.1 was opposed by 12.6% of shareholders, while resolution 8.4 was opposed by 24.4%, showing that lack of independence is a concern among a relatively large group of shareholders.

At **Ping An Insurance Company of China, Ltd**'s AGM we voted against the election of Ng Sing Yip due to concerns over lack of board gender diversity (resolution 8.11 at the AGM). As stated in LGPS Centrals' Voting Principles, we believe the most effective boards include a diversity of skills, experiences and perspectives. This is a view we uphold across markets. Resolution 8.11 passed but was opposed by 4.9% of shareholders. We also voted against the approval of issuance of equity or equity-linked securities without pre-emption rights for H shares (resolution 11 at the AGM). We are concerned that this would lead to excessive dilution of existing shareholders. In correspondence with the company ahead of the AGM, EOS expressed on our behalf opposition to the request made by the board for the authority to issue shares without pre-emptive rights, up to 20% of the share capital. While we understand the need for flexibility, we are concerned about the dilution of shareholder positions and would only support such a general authority up to 10% of the share capital, unless there is a specific purpose, which is not the case. Although resolution 11 was passed by the Ping An AGM, a clear opposition was voiced by 30% of shareholders who voted against.

We voted against management remuneration at the AGM of **Sul America**, a Brazilian Insurance company due to concerns over poor disclosure and the failure to link pay and appropriate performance (resolution 15 at the AGM). As per LGPS Central's voting principles we expect companies to clearly disclose how remuneration is related to business strategy and company performance. Such performance conditions should ensure that there is no reward for failure, nor for luck, and any performance award granted should be clearly linked to disclosed targets. Sul America's disclosure lacked transparency regarding certain key remuneration figures, including the remuneration of its highest paid executive. The figure reported by the company did not appear inclusive of all elements of the executive's pay. We also voted against electing company directors due to concerns over gender diversity (resolution 5 at the AGM). Only 18% of the Sul America Board is female, which is incongruous with our belief that, to be effective, boards should include a diversity of skills, experiences and perspectives.

We voted for all resolutions at **Daimler's** (Automobiles & Components) AGM. This included resolution 5 on the appointment of the auditor. Daimler has commenced a selection and proposal process for the auditor rotation, which will lead to the appointment of a new audit firm for the 2024 financial year at the latest. Given the forthcoming separation of the industrial businesses and the majority listing of Daimler Trucks & Buses (Extraordinary Shareholder Meeting planned in the autumn of 2021), an accelerated change of the audit firm would not be in the interest of shareholders. Due to the ongoing Covid-19 crisis, Daimler's AGM was held in the form of a virtual meeting, which our stewardship provider, EOS, joined via a live video stream. The CEO announced that the Company wants to accelerate the electrification of its product portfolio and play its role in expanding the necessary public charging network. EOS posed questions during the virtual meeting focused on the Company's alignment with the Paris Agreement in its strategy and lobbying activities. It is of particular interest and concern how the Company will align its future capital expenditure with the Agreement's objective of limiting global warming to 1.5° Celsius, predominantly through the development of fully electric platforms.

[8] TUI AG is listed on the London Stock Exchange

LGPS CENTRAL LIMITED'S

Partner Organisations

LGPS Central currently contributes to the following investor groups:

- 30% Club – GROWTH THROUGH DIVERSITY
- BVCA – British Private Equity & Venture Capital Association
- CDP – DISCLOSURE INSIGHT ACTION
- Climate Action 100+ – Global Investors Driving Business Transition
- Federated Hermes
- IIGCC – Institutional Investors Group on Climate Change
- ICGN – International Corporate Governance Network
- Local Authority Pension Fund Forum
- PENSIONS FOR PURPOSE
- PRI – Principles for Responsible Investment
- Transition Pathway Initiative
- THE INVESTOR FORUM

LGPS Central Limited

This page is intentionally left blank

By virtue of paragraph(s) 1 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank