Agenda Item No. 4(a)

DERBYSHIRE COUNTY COUNCIL

PENSIONS AND INVESTMENTS COMMITTEE

11 December 2019

Report of the Director of Finance & ICT

INVESTMENT REPORT

1 Purpose of the Report

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

2 Information and Analysis

(i) Report of the External Adviser

A copy of Mr Fletcher's report, incorporating his view on the global economic position, factual information for global market returns, the performance of the Fund and his recommendations on investment strategy and asset allocation, is attached as Appendix 1.

(ii) Asset Allocation and Recommendations Table

The Fund's latest asset allocation as at 31 October 2019 and the recommendations of the Director of Finance & ICT and Mr Fletcher, in relation to the Fund's new strategic asset allocation benchmark.

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 £290m. Whilst the timing of drawdowns will be lumpy and difficult to predict, the In-house Investment Management Team (IIMT) believes that these are likely to occur over the next 18 to 36 months.

Asset Category	Old Benchmark	New Benchmark	Fund Allocation	Fund Allocation	Permitted Range	Benchmark Relative Recommendation		Recommendation		Adjusted for Commitments (1)	Benchmark Sterling Return	Benchmark Sterling Return
			31/7/19	31/10/19		AF 11/12/19	DPF 11/12/19	AF 11/12/19	DPF 11/12/19	DPF 11/12/19	3 Months to 30/9/19	3 Months to 31/10/19
Growth Assets	**62.0%**	**57.0%**	**56.0%**	**55.7%**	**+/- 8%**	**-**	**(1.3%)**	**57.0%**	**56.0%**	**57.8%**	**n/a**	**n/a**
UK Equities	25.0%	16.0%	17.4%	17.3%	+/- 4%	-	+1.3%	16.0%	17.5%	17.5%	1.3%	(2.1%)
Overseas Equities:	33.0%	37.0%	35.6%	35.4%	+/- 6%	-	(1.6%)	37.0%	35.4%	35.4%	n/a	n/a
North America	12.0%	12.0%	10.1%	10.5%	+/- 4%	(1.0%)	(2.0%)	11.0%	10.0%	10.0%	4.9%	(3.3%)
Europe	9.0%	8.0%	8.6%	8.5%	+/- 3%	-	(0.6%)	8.0%	7.5%	7.5%	1.5%	(1.8%)
Japan	5.0%	5.0%	6.5%	6.6%	+/- 2%	-	+1.0%	5.0%	6.0%	6.0%	6.6%	2.3%
Pacific ex-Japan	4.0%	4.0%	5.3%	5.0%	+/- 2%	-	-	4.0%	4.0%	4.0%	(0.8%)	(4.1%)
Emerging Markets	3.0%	5.0%	5.1%	4.8%	+/- 2%	+1.0%	-	6.0%	5.0%	5.0%	(0.5%)	(4.6%)
Global Sustainable	-	3.0%	-	-	+/- 2%	-	-	3.0%	3.0%	3.0%	3.5%	(2.8%)
Private Equity	4.0%	4.0%	3.0%	3.0%	+/- 2%	-	(1.0%)	4.0%	3.0%	4.8%	1.5%	(1.9%)
Income Assets	**18.0%**	**23.0%**	**19.5%**	**20.5%**	**+/- 6%**	-	**(1.9%)**	**23.0%**	**21.1%**	**24.5%**	**n/a**	**n/a**
Multi-Asset Credit	4.0%	6.0%	5.5%	6.1%	+/- 2%	-	0.3%	6.0%	6.3%	8.2%	0.9%	0.9%
Infrastructure	5.0%	8.0%	6.0%	6.4%	+/- 3%	-	(1.2%)	8.0%	6.8%	8.0%	0.7%	0.7%
Direct Property (3)	5.0%	5.0%	4.7%	4.7%	+/- 2%	+1.0%	(0.3%)	5.0%	4.7%	4.7%	0.4%	0.4% (2)
Indirect Property (3)	4.0%	4.0%	3.3%	3.3%	+/- 2%	(1.0%)	(0.7%)	4.0%	3.3%	3.6%	0.4%	0.4% (2)
Protection Assets	**18.0%**	**18.0%**	**17.3%**	**17.3%**	**+/- 5%**	**(2.0%)**	**(0.7%)**	**16.0%**	**17.3%**	**17.3%**	**n/a**	**n/a**
Conventional Bonds	5.5%	6.0%	5.5%	5.5%	+/- 2%	(1.0%)	(0.5%)	5.0%	5.5%	5.5%	6.2%	2.2%
Index-Linked Bonds	6.5%	6.0%	5.8%	5.7%	+/- 2%	(1.0%)	(0.2%)	5.0%	5.7%	5.7%	7.8%	(1.5%)
Corporate Bonds	6.0%	6.0%	6.0%	6.1%	+/- 2%	-	-	6.0%	6.1%	6.1%	4.0%	1.3%
Cash	**2.0%**	**2.0%**	**7.2%**	**6.5%**	**0 – 8%**	**+2.0%**	**+3.9%**	**4.0%**	**5.6%**	**0.4%**	**0.1%**	**0.1%**

Total Investment Assets totaled £5,133.5m at 31 October 2019

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

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

(3) The maximum permitted range in respect of Property is +/- 3%.

The table above reflects the following three categorisations:

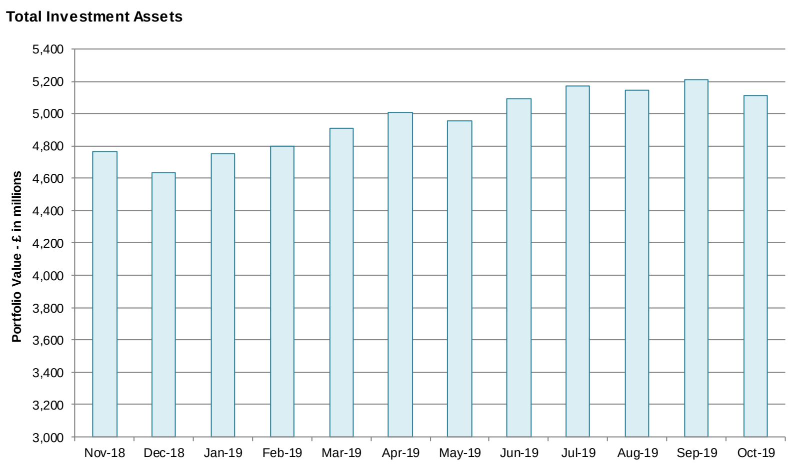
- **Growth Assets**: largely equities plus other volatile higher return assets such as private equity;
- **Income Assets**: assets which are designed to deliver an excess return, but with more stable return patterns than Growth Assets because income represents a large proportion of the total return of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

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

If all of the Fund's commitments (existing plus any new commitments recommended in this report) were drawn-down, the cash balance would reduce by 5.2% to 0.4%. However, in practice as these commitments are drawn-down, they will be partly offset by new net cash inflows from dealing with members, investment income, distributions from existing investments and changes in the wider asset allocation.

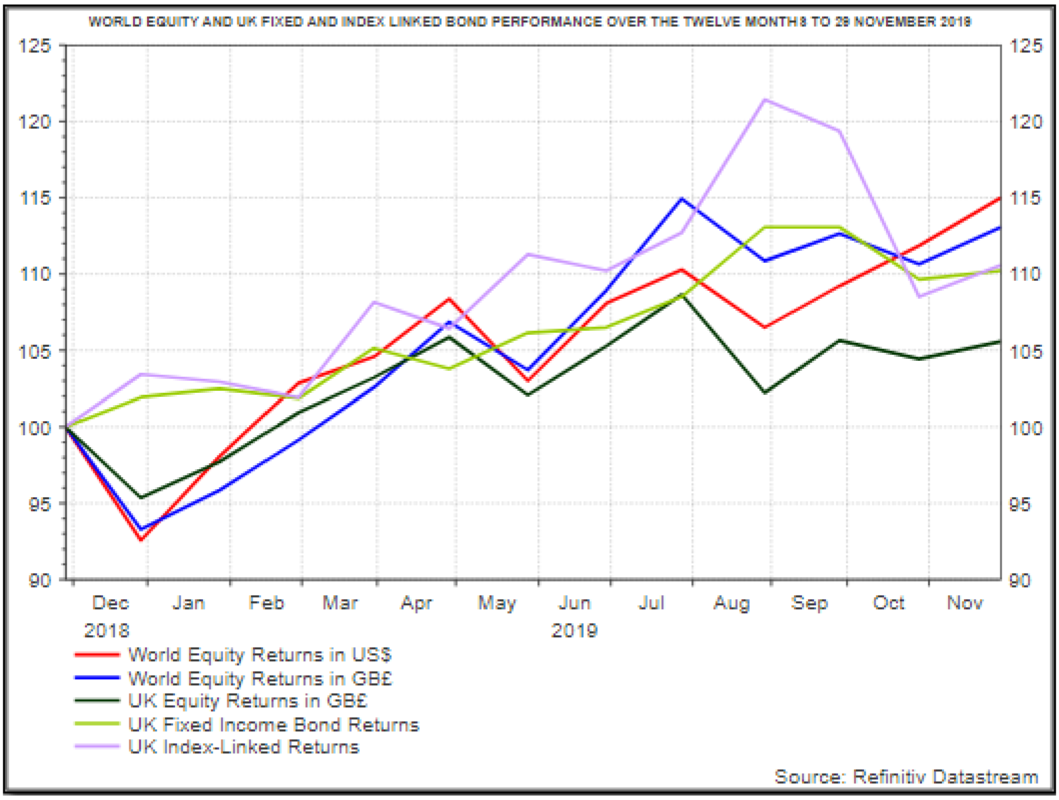
(iii) Total Investment Assets

The value of the Fund's investment assets fell by £40.5m (-0.8%) between 31 July 2019 and 31 October 2019 to just over £5.1bn, comprising a non-cash market loss of around £60m and cash inflows from dealing with members & investment income of around £20m. Over the twelve months to 31 October 2019, the value of the Fund's investment assets has risen by £360.5m (7.6%), comprising a non-cash market gain of around £260m and cash inflows from dealing with members & investment income of around £100m. A copy of the Fund's valuation is attached at Appendix 2.



The Fund's valuation can fluctuate significantly in the short term, reflecting market conditions, and supports the Fund's strategy of focusing on the long term.

(iv) Market returns over the last 12 months



The chart above shows market returns for Global Equities in Sterling and the US dollar, UK Equities, UK Fixed Income and UK Index Linked bonds for the twelve months to 29 November 2019.

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

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

Equity markets generally rose in Q2 2019 (FTSE All World +3.8% in local currency terms), and sterling investors also benefited from a weaker pound (FTSE All World +6.2% in sterling terms).

The FTSE All World index was largely unchanged in local currency terms in Q3 2019, returning 0.2%. However, sterling investors continued to benefit from a weaker pound, with a global equity return in sterling terms of 3.5% for the quarter.

Whilst the global equity market has risen in Q4 2019 to date (to 29 November 2019, FTSE All World +5.3% in local currency terms), a stronger pound has largely offset most of the gains (FTSE All World +0.4% in sterling terms). The fourth quarter of the year has also experienced a sizeable rotation out of relatively expensive 'growth' stocks exhibiting low corporate earnings volatility and strong share price momentum into cheaper 'value' stocks, often in less fashionable sectors.

Following positive performance in the first half of 2019, government bond valuations moved to unprecedented levels in Q3 2019, as central banks reacted to deteriorating global economic growth. Having kept target interest rates unchanged at 2.0% -2.25% since the start of the year, the US Federal Reserve reduced the target range twice in the third quarter of the year.

The European Central Bank also cut its deposit rate from -0.4% to a record low of -0.5% in September and announced that it would be restarting its quantitative easing programme, with a commitment to purchase €20bn of bonds a month until inflation expectations came 'sufficiently close to, but below, 2%, at which point interest rates could also start rising again'. The Governing Council of the ECB signalled that eurozone interest rates were likely to stay lower for longer than previously expected. Bond markets were also supported in Q3 2019 by the on-going trade tensions between the US and China which escalated in August following the announcement by President Trump of an additional 10% tariff on $300bn of Chinese imports, prompting retaliatory measures.

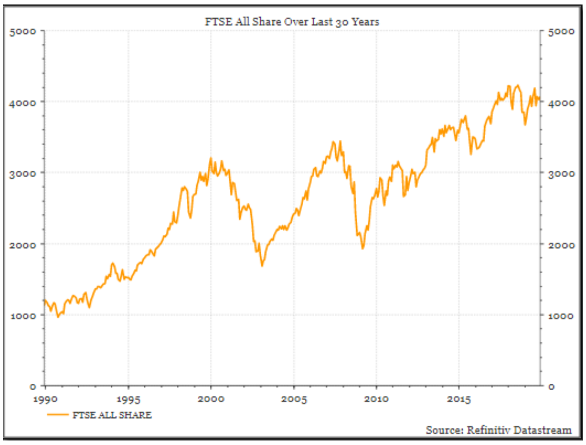
UK Conventional bonds returned 6.2% in Q3 2019, with longer dated gilt yields falling sharply (and prices, therefore rising), outperforming shorter dated maturities as the curve flattened. Having started the quarter at 0.83%, 10-year gilt yields ended the quarter at 0.49%, a record new low.

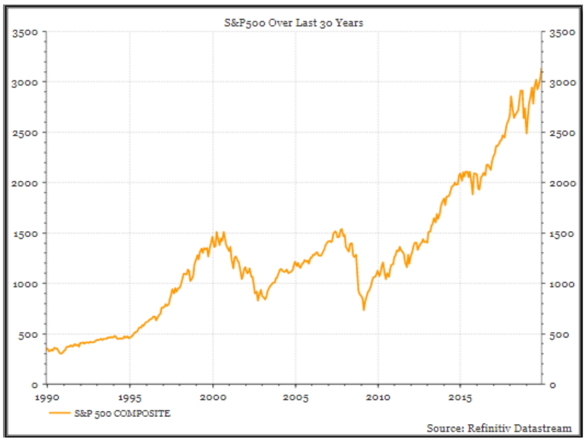
UK Index-Linked bonds returned 7.8% in Q3 2019, outperforming UK conventional bonds by 1.6%. 10-year real yields, which had hit a record low in the previous quarter, fell a further 0.56% to -3.01% at 30 September 2019.

Globally, the economic outlook is regarded as having stabilised in Q4 2019 to date, and the appetite for riskier assets has increased, pushing down demand for sovereign bonds. The US Federal Reserve cut rates for a third time this year in October, lowering the target for the federal funds rate range to 1.5% - 1.75%, which almost reversed all of the increases in US rates seen the previous year. However, the statement that accompanied the cut suggested that further reductions were not expected at that stage.

UK bond yields have risen sharply in Q4 to date (with prices falling), as fears over a ‘no-deal’ Brexit have receded and investors have become increasingly concerned that UK public spending is likely to increase significantly following the upcoming General Election with a significant accompanying increase in public sector borrowing.

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





(v) Longer Term Performance

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

Per annum	DPF	Benchmark Index
1 year	5.7%	5.8%
3 year	7.8%	7.3%
5 year	9.0%	8.4%
10 year	8.8%	8.7%

The Fund under-performed slightly over the one year period but out-performed over all other time periods.

(vi) Category Recommendations

	Old Benchmark	New Benchmark	Fund Allocation	Permitted Range	Recommendation		Benchmark Relative Recommendation	
			31 Oct-19		AF	DPF	AF	DPF
Growth Assets	62.0%	57.0%	55.7%	± 8%	57.0%	56.0%	-	(1.0%)
Income Assets	18.0%	23.0%	20.5%	± 6%	23.0%	21.1%	-	(1.9%)
Protection Assets	18.0%	18.0%	17.3%	± 5%	16.0%	17.3%	(2.0%)	(0.7%)
Cash	2.0%	2.0%	6.5%	0 – 8%	4.0%	5.6%	+2.0%	+3.6%

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

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

The IIMT recommendations reflected in this report: marginally increase Growth Assets to 56.0% (1% underweight), albeit the regional composition is changed from the current allocation as follows: North American Equities -0.5%; European Equities -1%; Japanese Equities -0.6%; Asia-Pacific Ex-Japan -1.0%; Emerging Markets +0.2%; and Global Sustainable Equities +3.0%); increase Income Assets by 0.6% (Infrastructure +0.4% and Multi-Asset Credit +0.2%); hold Protection Assets at 17.3%; and reduce Cash by 0.9%. The IIMT notes that the recommendations are subject to market conditions, which could be significantly impacted in the short term by the UK General Election, Brexit uncertainty and developments in the US – China trade negotiations, and flexibility will be required to respond to the resultant market conditions. Furthermore, the majority of the regional equity sales will be dependent on the investment of the proposed new 3.0% allocation to Global Sustainable Equities which is subject to the completion of satisfactory due diligence, including the finalisation of the non-DCC framework by the provider.

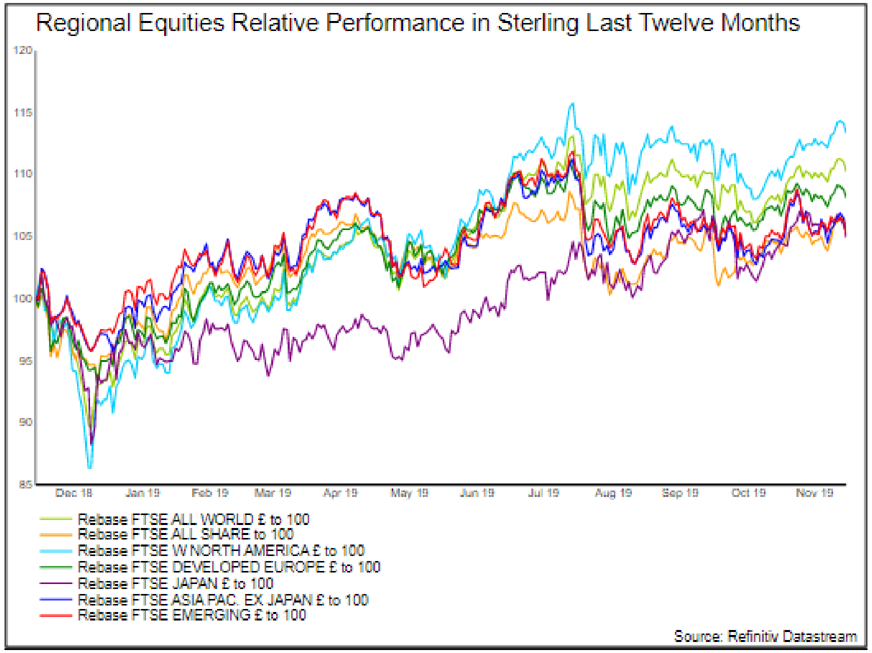
The IIMT continues to recommend a defensive cash allocation. Public markets, supported by accommodative monetary policy, continue to trade on rich valuations, at the same time as lower nominal GDP forecasts point to pressure on revenue growth and at the same time as reduced earnings forecasts still appear to be too optimistic. Despite the apparent economic stabilisation suggested by recent data, global trade and investment remain weak and global political risk has shown no sign of abating. Furthermore, as noted above, the cash weighting will be reduced as the Fund's current commitments are drawn down.

(vii) Growth Assets

At 31 October 2019, the overall Growth Asset weighting was 55.7%, down from 56% at 31 July 2019, reflecting relative market weakness.

The IIMT recommendations below marginally increase the overall Growth Asset weighting to 56.0%, 1% underweight relative to the benchmark. The IIMT believes that a small underweight position is warranted due to continued rich equity valuations, the late cycle nature of the global economy and the continued heightened level of political risk.

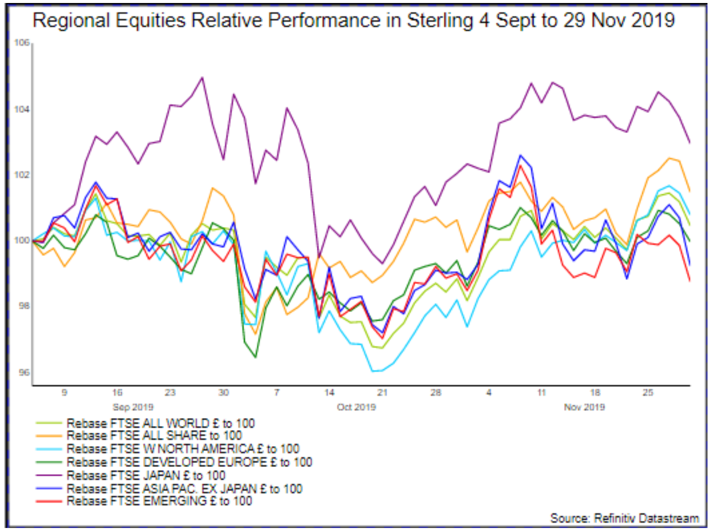
The Chart opposite shows the relative regional equity returns in sterling terms over the last twelve months, and the charts overleaf show the returns since the last Investment Report was presented to Committee and in Q4 2019 to date. Over the last twelve months, the US market has provided the strongest returns in sterling terms, closely followed by returns from Developed Europe.

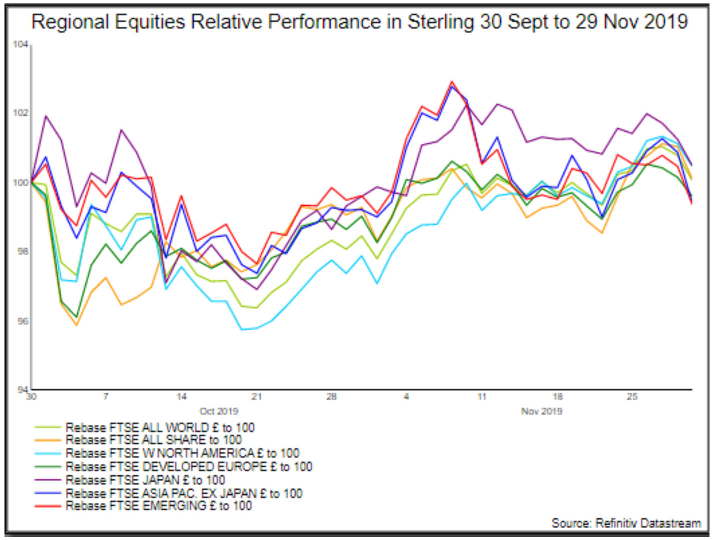


In local currency terms, Japanese Equities were the best performer in Q3 2019, returning 3.5%, whereas Asia Pacific Ex-Japan was the worst performing region with a return of -3.9%. Sterling returns in Q3 2019 benefited from a weaker pound, with Japanese and Asia Pacific Ex-Japan Equities returning 6.6% and -0.8% over the quarter in sterling terms.

During Q4 2019 to date, equity returns have generally been positive in local currency terms, ranging from 6.9% in Japan to 0.8% in the United Kingdom. However, sterling's strength against both the euro and the dollar over the period has limited the gains from overseas equities in sterling terms.

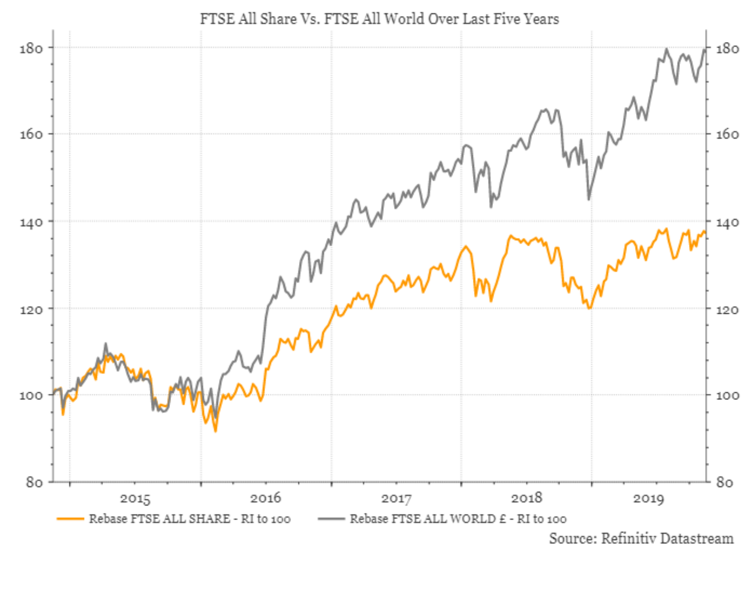
UK Equities have underperformed other global equity markets in Q4 2019 to date, in local currency terms, up 0.8% versus a FTSE All World return of 5.3%, affected by heighted political uncertainty and a stronger pound (which weighed on the internationally-exposed large cap stocks). However, the stronger pound has resulted in broadly comparable regional returns in sterling terms.





United Kingdom Equities

DPF Weightings	
Old Neutral	25.0%
New Neutral	16.0%
Actual 31.10.19	17.3%
AF Recommendation	16.0%
IIMT Recommendation	17.5%
Benchmark Returns (GB£)	
Q3 19/20 to 29 Nov-19	0.8%
Q2 19/20	1.3%
1 Year to Sept-19	2.7%
3 Years to Sept-19 (pa)	6.8%
5 Years to Sept-19 (pa)	6.8%



Whilst there were no transactions in the period, relative market weakness reduced the weighting in UK Equities from 17.4% at 31 July 2019 to 17.3% at 31 October 2019; 1.3% overweight relative to the benchmark. The transition to a passive UK Equity product was largely completed during November 2019.

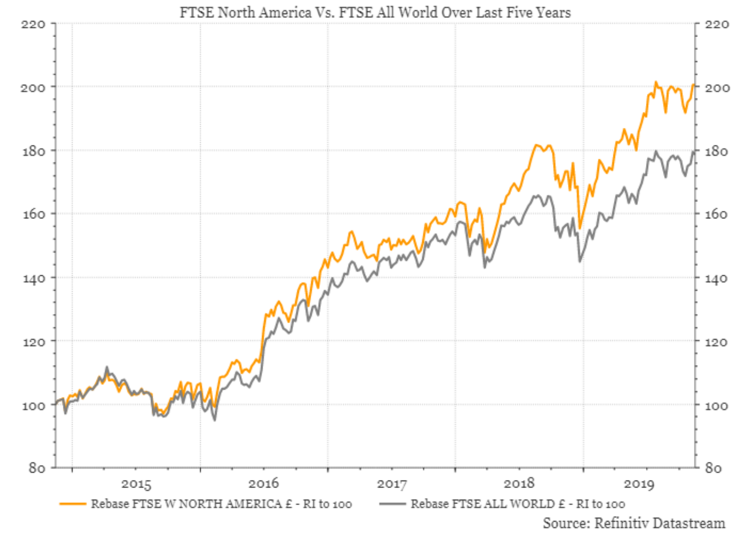
Mr Fletcher recommends a neutral weighting of 16% in UK Equities and notes that the prolonged uncertainty over Brexit has caused the UK market to underperform the rest of the world, and as a result the UK equity market has become ‘‘cheap’’ on a relative valuation basis. Mr Fletcher notes that he would more cautious about a further reduction in the allocation unless there is a compelling opportunity to invest elsewhere.

The IIMT notes that UK GDP has slowed this year, albeit the UK avoided recession in Q3 2019 and the labour market remains reasonably robust. Political risk remains heightened in the run-up to the General Election in mid-December 2019 and on-going concerns around the Brexit negotiations continue to weigh on sentiment.

However, whilst the IIMT believes that UK Equity returns may be volatile in the short-term, over the longer-term UK Equity valuations and dividend yields are attractive on both an absolute basis and on a relative basis compared to other equity markets. With around 70% of the earnings of the UK market generated overseas, investors are currently able to access those earnings at attractive levels. As a result, the IIMT recommends a marginal addition to the UK weighting to return it to 17.5%.

North American Equities

DPF Weightings	
New Neutral	12.0%
Old Neutral	12.0%
Actual 31.10.19	10.5%
AF Recommendation	11.0%
IIMT Recommendation	10.0%
Benchmark Returns (GB£)	
Q3 19/20 to 29 Nov-19	0.8%
Q2 19/20	4.9%
1 Year to Sept-19	10.4%
3 Years to Sept-19 (pa)	15.1%
5 Years to Sept-19 (pa)	16.4%



There were no transactions in the period but relative market strength increased the Fund's North American Equity weighting to 10.5% at 31 October 2019, 1.5% underweight.

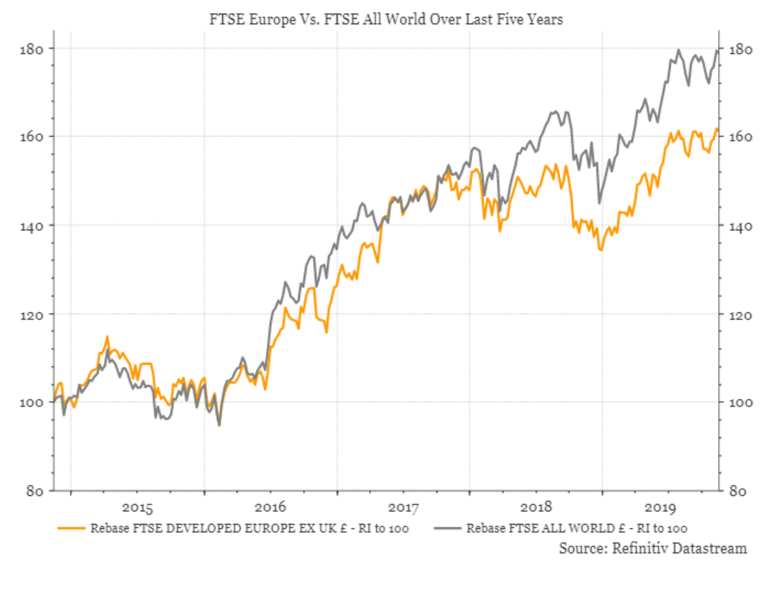
Mr Fletcher notes that the US continues to have a higher growth rate than other developed markets and the direct benefit of actual interest rate cuts, but this is more than fully priced into the current level of valuations. Therefore, Mr Fletcher recommends that the Fund remains 1% underweight in US Equities.

It is thought unlikely that President Trump's signature on the recent bills supporting the protestors in Hong Kong will do lasting damage to relations with China. However, the market appears to have priced in a successful conclusion to the 'Phase One' trade negotiations between the US and China which, it should be noted, would still leave tariffs between the two countries at far higher levels than before the start of the trade war. Political uncertainty in the US is also likely to increase over the next year as the rhetoric surrounding the US Presidential race steps up.

The IIMT believes that the increasingly late cycle nature of the US economy, coupled with rich equity valuations, increasing political risk and the sharp rise in the US equity market in the calendar year to date (+27.7% in local currency; 25.8% in sterling) support an underweight position, and recommends that the Fund's position is reduced by 0.5% to 10% (2% underweight).

European Equities

DPF Weightings	
Old Neutral	9.0%
New Neutral	8.0%
Actual 31.10.19	8.5%
AF Recommendation	8.0%
IIMT Recommendation	7.5%
Benchmark Returns (GB£)	
Q3 19/20 to 29 Nov-19	-0.2%
Q2 19/20	1.5%
1 Year to Sept-19	6.0%
3 Years to Sept-19 (pa)	9.9%
5 Years to Sept-19 (pa)	9.7%



Whilst there were no transactions in the period, relative market weakness reduced the Fund’s allocation to European Equities to 8.5% at 31 October 2019.

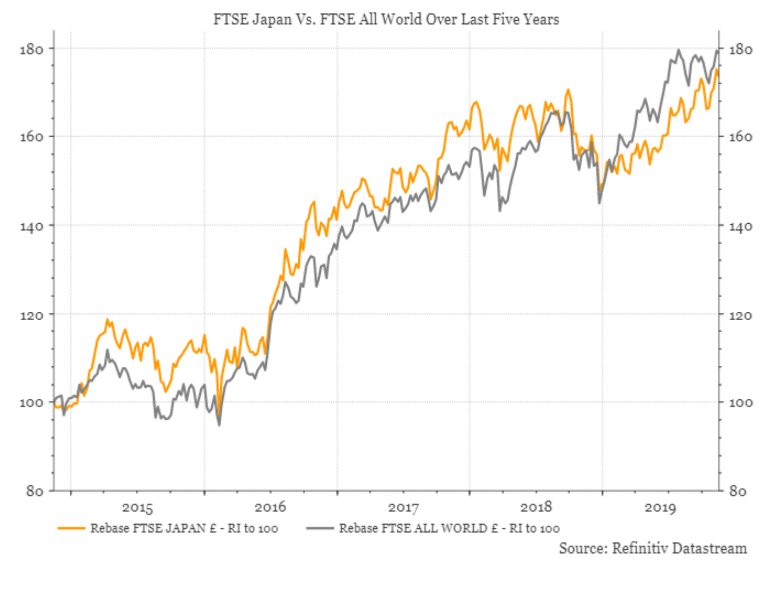
Mr Fletcher recommends a neutral position of 8%, noting that the US – China trade negotiations have had a marked impact on European manufacturing growth.

Whilst the European Central Bank has provided further monetary policy support to the eurozone economy (the eurozone economy has slowed significantly over the last year with growth falling to 0.2% in both Q2 & Q3 2019) and has indicated that rates are likely to remain lower for longer than expected, the effectiveness of monetary policy, as interest rates have moved further into negative territory, has been questioned. The ECB itself has stated that an expansion in fiscal policy will be required to support the economy and lift inflation back towards its target level.

The IIMT believes that the sharp rise in the European Equity market (up 25.5% in local currency terms and 19.2% in sterling since the start of the calendar year) represents an opportunity to ‘lock-in’ some further profit against an uninspiring background and recommends reducing the current weighting by 1% to 7.5% (0.5% underweight).

Japanese Equities

DPF Weightings	
Old Neutral	5.0%
New Neutral	5.0%
Actual 31.10.19	6.6%
AF Recommendation	5.0%
IIMT Recommendation	6.0%
Benchmark Returns (GB£)	
Q3 19/20 to 29 Nov-19	0.5%
Q2 19/20	6.6%
1 Year to Sept-19	0.3%
3 Years to Sept-19 (pa)	8.4%
5 Years to Sept-19 (pa)	12.2%



Whilst there were no transactions in the three months to October 2019, relative market strength increased the weighting by 0.1% to 6.6% at 31 October 2019; 1.6% overweight against the benchmark.

Mr Fletcher believes that the slowdown in global trade and industrial production is having a marked impact on the Japanese economy. As a result, Mr Fletcher has retained his neutral recommendation in respect of Japanese Equities.

The IIMT notes that Japanese economic growth has slowed throughout 2019 (Q1 0.6%; Q2 0.4% & Q3 0.1%). The Japanese service sector has outperformed the weaker manufacturing sector which has struggled in the face of lower exports. Japanese industry has been affected by global trade tensions including a dispute with South Korea and a slowdown in growth in China, which is Japan's biggest trading partner.

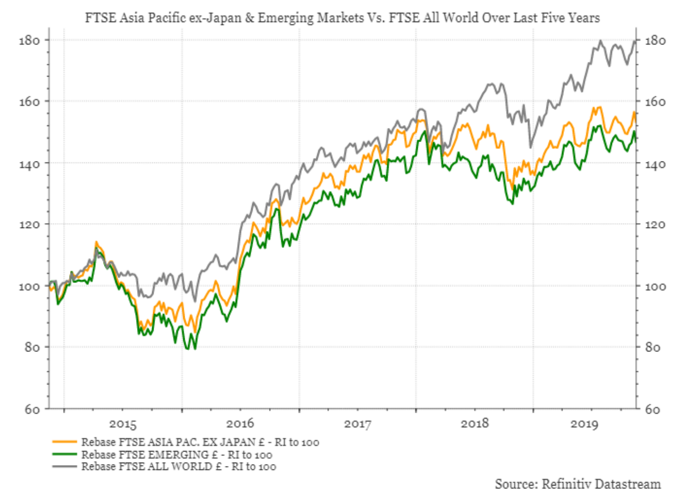
It is unclear at this stage what impact the upcoming planned increase in sales tax from 8% to 10% will have on domestic consumption. The Prime Minister Shinzo Abe has given orders for Japan's first economic stimulus package since 2016 to attempt to counter the effect of the global slowdown, any potential impact from the higher consumption tax, and the risk of a slowdown in spending after next year's Tokyo Olympics.

Notwithstanding the 2019 slowdown, the IIMT believes that the long term story in Japan remains intact, with structural changes in governance, the labour market and productivity. Furthermore, valuations remain attractive relative both to their historical ranges and other developed markets, and the diversifying and defensive qualities of the Japanese market (e.g. the safe-haven status of the ¥) provide investment support.

Whilst the IIMT believes that an overweight position remains appropriate, recent market strength presents an opportunity to take some profit and recommends that the allocation is reduced by 0.6% to 6.0%; 1.0% overweight.

Asia Pacific Ex-Japan and Emerging Market Equities

DPF Weightings	Asia-Pac	EM
Old Neutral	4.0%	3.0%
New Neutral	4.0%	5.0%
Actual 31.10.19	5.0%	4.8%
AF Recommendation	4.0%	6.0%
IIMT Recommendation	4.0%	5.0%
Benchmark Returns (GB£)	**Asia-Pac**	**EM**
Q3 19/20 to 29 Nov-19	(0.4%)	(0.4%)
Q2 19/20	(0.8%)	(0.5%)
1 Year to Sept-19	4.1%	7.1%
3 Years to Sept-19 (pa)	8.2%	8.4%
5 Years to Sept-19 (pa)	9.2%	8.7%



Relative market weakness reduced the Fund's allocation to both Asia Pacific Ex-Japan Equities and Emerging Market Equities by 0.3%, respectively, to 5% and 4.8% at 31 October 2019.

Mr Fletcher has continued to recommend a neutral weighting of 4% in Asia Pacific Equities as this region is also affected by the slowdown in global trade and industrial production.

Whilst the IIMT continues to believe in the long term growth potential of these regions, the short term outlook is less clear, as evidenced by the negative returns over recent months. Economic data in the region has continued to disappoint, with no convincing signs of improvement in either China or South Korea. The divergence in the performance of the services sector and the manufacturing sector noted elsewhere, is also apparent in China. Recent monetary stimulus measures from the Chinese central bank have, to date, been met with lacklustre demand.

Both South Korea and Taiwan have experienced weak export demand caused by slowing smartphone demand as well as the spill over from the US-China trade war. The political protests in Hong Kong have affected economic activity in the area and concerns remain about the potential response from the Chinese government.

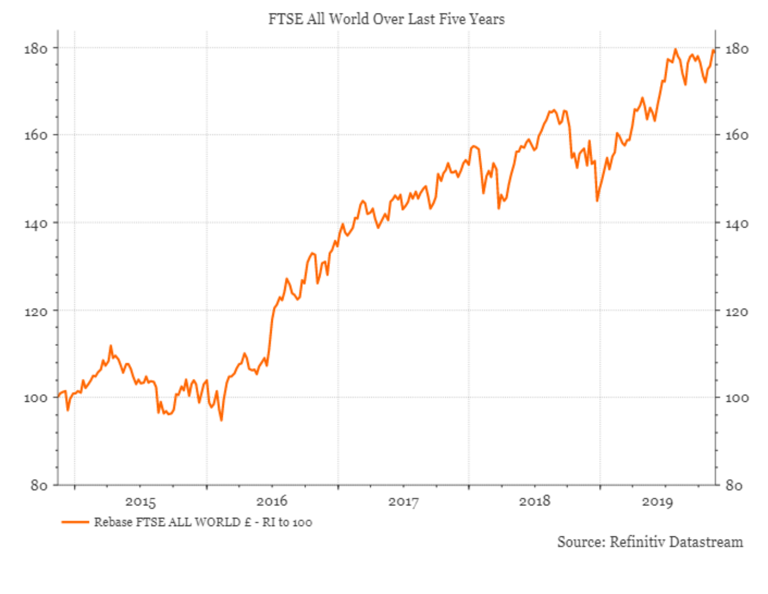
In India, the central bank has provided monetary stimulus via lower interest rates this year, and the government has announced a range of new policies to boost supply and demand, as economic growth has slowed. Brazilian pension reforms (including increasing retirement ages from 56 to 65 for men and from 53 to 62 for women), seen as vital in the effort to control public finances and restore confidence in the economy, and continuing monetary easing are expected to provide support for the economy in Brazil.

As doubts grow in the developed markets about the ability of further monetary measures to stimulate demand, the emerging economies are still seen as having monetary 'firepower' available to support slowing economies and the long term potential for the emerging markets remains.

The IIMT recommends that the Fund reduces the Asia Pacific Ex-Japan Equity weighting by 1.0% to take it to a neutral position of 4%, whilst adding marginally to Emerging Market Equities to return the region to a neutral weighting of 5%.

Global Sustainable Equities

DPF Weightings	
Old Neutral	-
New Neutral	3.0%
Actual 31.10.19	-
AF Recommendation	3.0%
IIMT Recommendation	3.0%
Benchmark Returns (GB£)	
Q3 19/20 to 29 Nov-19	0.4%
Q2 19/20	3.5%
1 Year to Sept-19	7.8%
3 Years to Sept-19 (pa)	12.2%
5 Years to Sept-19 (pa)	13.3%



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

The IIMT remains positive about the long term growth prospects for the asset class and recommends a neutral allocation of 3.0%. Whilst noting that completion of the necessary due diligence, and call-off from the non-DCC framework should result in investments being made into the asset class in early January 2019, some flexibility will be required around the timing of any investment.

Private Equity

DPF Weighting					
Old New	New Neutral	Actual 31.10.19	Committed 31.10.19	AF Recommendation	IIMT Recommendation
4.0%	4.0%	3.0%	4.8%	4.0%	3.0%
Benchmark Returns (GB£)					
Q3 19/20 to 29 Nov 19	Q2 19/20	1 Year to Sept-19	3 Years to Sept-19 (pa)	5 Years to Sept-19 (pa)	
1.1%	1.5%	3.7%	7.8%	7.6%	

The Private Equity allocation remained flat between 31 July 2019 and 31 October 2019 at 3.0%; 4.8% on a committed basis.

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

Private equity earnings multiples have increased over the last few years, and are now approaching record highs, particularly in respect of large and mega cap deals, making it difficult to find attractive opportunities at this stage in the cycle, albeit there remains some scope to invest in small and mid-cap private equity funds, which offer better relative value. Consideration is also being given to investing in listed small-cap stocks as an alternative, and this is currently under review as part of a LGPS Central Pool collaboration exercise.

(viii) Income Assets

At 31 October 2019, the overall weighting in Income Assets was 20.5%, up from 19.5% at 31 July 2019, principally reflecting net investment of around £30m. The IIMT recommendations below would take the overall Income Asset weighting to 21.1%, and the committed weighting to 24.5%.

Multi Asset Credit

DPF Weighting				
Old Neutral	New Neutral	Actual 31.10.19	AF Recommendation	IIMT Recommendation
4.0%	6.0%	6.1%	6.0%	6.3%
Benchmark Returns (GB£)				
Q3 19/20 to 29 Nov-19	Q2 19/20	1 Year to Sept-19	3 Years to Sept-19 (pa)	5 Years to Sept-19 (pa)
0.5%	0.9%	3.8%	3.6%	n/a

Net investment of £30m in September 2019 increased the invested weighting from 5.5% at 31 July 2019 to 6.1% at 31 October 2019; 8.2% on a committed basis versus a neutral weight of 6%. Whilst this implies the pension fund will be 2.2% 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).

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

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

The IIMT recommends increasing the invested weighting by 0.2% to 6.3% in the upcoming quarter (0.3% overweight) to cover existing commitment draw-downs.

Property

DPF Weighting				
Old Neutral	New Neutral	Actual 31.10.19	AF Recommendation	IIMT Recommendation
9.0%	9.0%	8.0%	9.0%	8.0%
Benchmark Returns (GB£)				
Q3 19/20 to 29 Nov-19	Q2 19/20	1 Year to Sept-19	3 Years to Sept-19 (pa)	5 Years to Sept-19 (pa)
Not Available	0.4%	2.3%	6.3%	7.6%

The Fund's allocation to Property remained at 8.0%. Direct Property accounted for 4.7% (0.3% underweight) and Indirect Property accounted for 3.3% (0.7% underweight). The committed weight was 8.3% at 31 October 2019.

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

The IIMT recommends maintaining the current 4.7% allocation to Direct Property while the Property Manager continues to seek out attractive propositions. The Property Manager notes that investment transaction levels remained at low levels during Q3 2019 as the political situation continued to dampen investment decisions. Transaction levels are expected to improve as and when some Brexit clarity occurs as investors have significant capital to invest and the UK remains a major target for investors.

The IIMT continues to assess indirect property opportunities, with a focus on vehicles invested in specialist areas which provide strong covenants and sustainable rental growth. The IIMT recommends maintaining the Indirect Property weighting at 3.3% (3.6% on a committed basis), whilst actively investigating further investment opportunities in this asset class.

Infrastructure

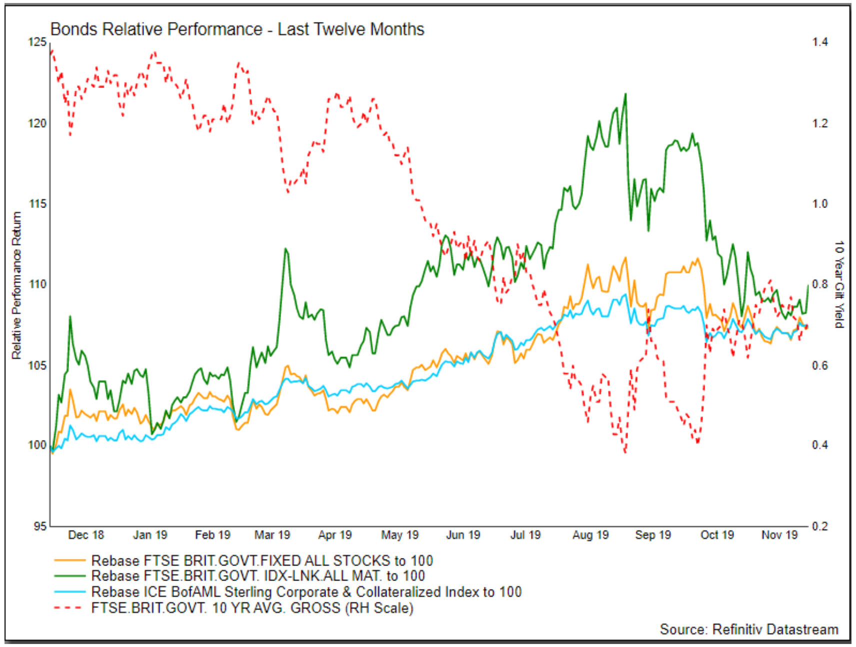
DPF Weighting					
Old Neutral	New Netural	Actual 31.10.19	Committed 31.10.19	AF Recommendation	IIMT Recommendation
5.0%	8.0%	6.4%	8.0%	8.0%	6.8%
Benchmark Returns (GB£)					
Q2 19/20 to 29 Nov-19	Q2 19/20	1 Year to Sept-19	3 Years to Sept-19 (pa)	5 Years to Sept-19 (pa)	
0.5%	0.7%	2.8%	2.6%	2.2%	

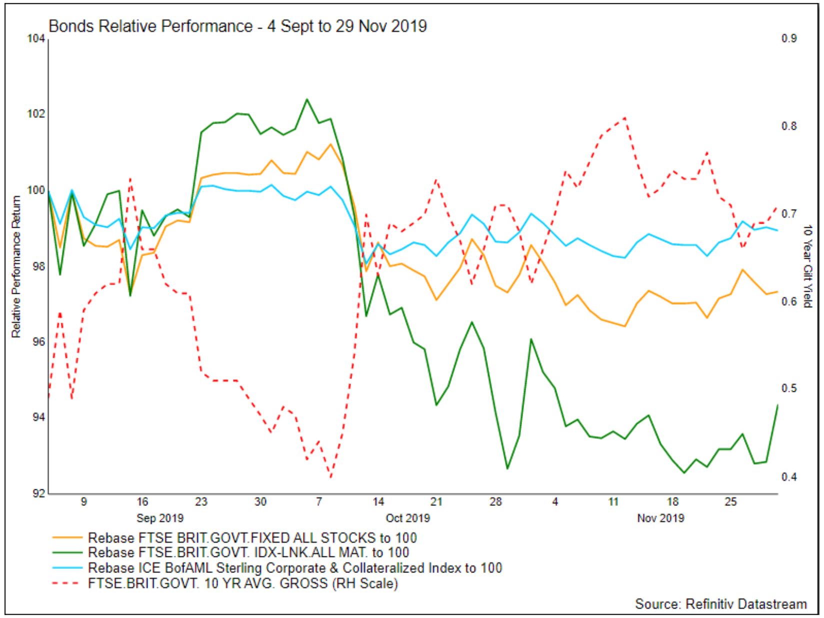
Investment in the three months to October 2019 totalled £23m, and the invested weighting increased to 6.4%; 8.0% on a committed basis.

Mr Fletcher recommends a neutral weighting of 8% relative to the benchmark, acknowledging that this will take time to achieve. The IIMT continues to believe that Infrastructure is an attractive asset class, with a bias towards core infrastructure assets which offer favourable risk-adjusted returns, predictable long term cash flows which are often linked to inflation, and low correlation to other major asset classes. Future investment opportunities, which are in line with these objectives, continue to be assessed. It is recommended that rising levels of political and regulatory risk are managed through increased levels of geographical diversification.

The IIMT recommends increasing the invested weighting by 0.4% to 6.8% in the upcoming quarter, in anticipation of existing commitment draw-downs. Due diligence is also ongoing on a number of closed-ended fund opportunities, and it is anticipated that these will lead to future commitments over the coming months.

(ix) Protection Assets





The weighting in Protection Assets at 31 October 2019 was 17.3%, the same as reported at 31 July 2019.

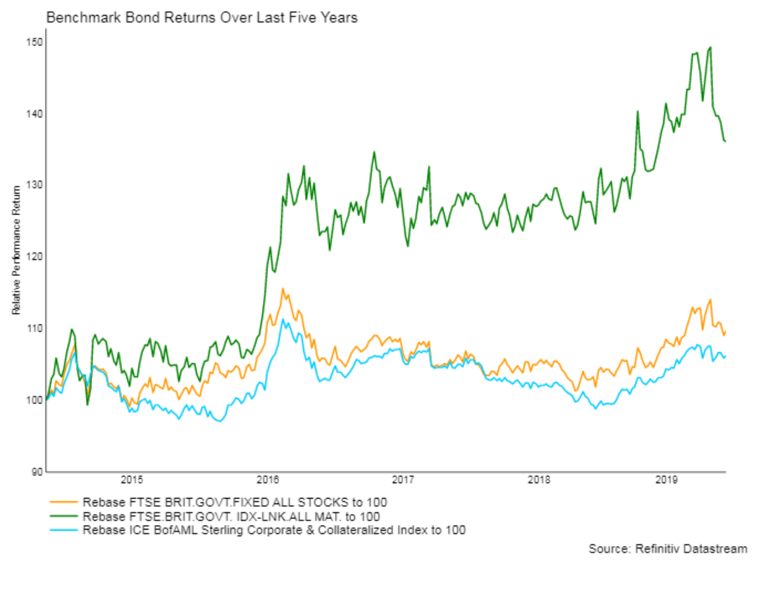
The IIMT recommendations below maintain the weighting at 17.3%.

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

The UK 10 year government bond yield fell sharply (i.e. prices rose) between May 2019 and September 2019 as UK economic activity slowed and uncertainty about the UK's departure from the EU intensified. However, bond yields have risen in Q4 2019 to date as fears over a ''no-deal'' Brexit have receded and investors have focussed on concerns that UK public spending is likely to increase significantly following the upcoming General Election.

Conventional Bonds

DPF Weightings	
Old Neutral	5.5%
New Neutral	6.0%
Actual 31.10.19	5.5%
AF Recommendation	5.0%
IIMT Recommendation	5.5%
Benchmark Returns (GB£)	
Q3 19/20 to 29 Nov-19	(2.6%)
Q2 19/20	6.2%
1 Year to Sept-19	13.4%
3 Years to Sept-19 (pa)	3.2%
5 Years to Sept-19 (pa)	6.0%



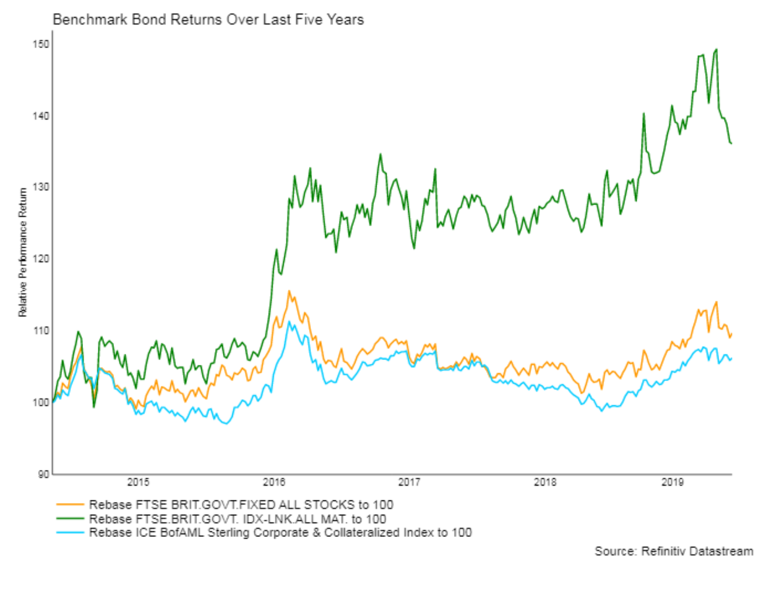
There were no transactions in the period, and the weighting in Conventional Bonds remained flat at 5.5%; 0.5% underweight.

Mr Fletcher recommends a 1.0% underweight position of 5.0% against the benchmark. Mr Fletcher notes that bond markets have, over the last few months, fully priced in the decision by the world's major central banks to return to monetary accommodation. Recently yields have started to rise as some of the ''irrational exuberance'' over the level of yields has dissipated. Mr Fletcher believes that government bond yields are still too low and expects them to continue to rise.

Whilst the IIMT agrees that conventional sovereign bonds do not appear to offer good value at current levels, they are diversifying assets and continue to afford greater protection than other asset classes in periods of market uncertainty – as demonstrated in Q3 2019 when Brexit uncertainty increased. The IIMT recommends maintaining the current weighting of 5.5%, 0.5% underweight relative to the benchmark.

Index-Linked Bonds

DPF Weightings	
Old Neutral	6.5%
New Neutral	6.0%
Actual 31.10.19	5.7%
AF Recommendation	5.0%
IIMT Recommendation	5.7%
Benchmark Returns (GB£)	
Q3 19/20 to 29 Nov-19	(6.9%)
Q2 19/20	7.8%
1 Year to Sept-19	18.4%
3 Years to Sept-19 (pa)	4.9%
5 Years to Sept-19 (pa)	9.6%



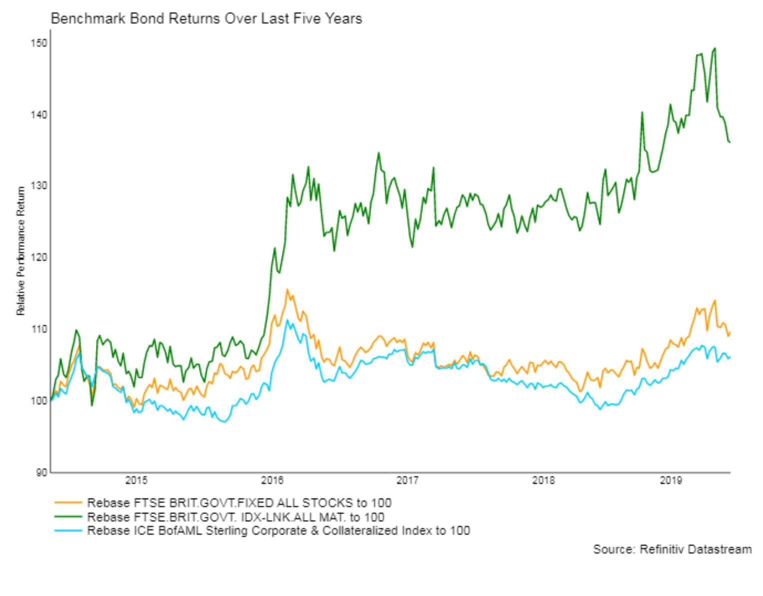
Relative market weakness reduced the Fund's weighting in Index Linked Bonds to 5.7% at 31 October 2019; 0.3% underweight. There were no transactions in the period.

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

The IIMT agrees with Mr Fletcher regarding the current value of UK Index-Linked Bonds. It is also noted that the proposed consultation (due to begin in January 2020) on the proposal of the UK Statistics Authority (UKSA) to align the Retail Prices Index (RPI) with the Consumer Prices Index including owner occupiers' housing costs (CPIH) is likely to lead to increased volatility in UK Index Linked Bonds. The IIMT recommends that the current 0.3% underweight position of 5.7% against the benchmark is maintained, with the current exposure to US TIPS (around 20% of the Index-Linked portfolio) being maintained due to the greater potential for price appreciation in US Index Linked Bonds.

Corporate Bonds

DPF Weightings	
Old Neutral	6.0%
New Neutral	6.0%
Actual 31.10.19	6.1%
AF Recommendation	6.0%
IIMT Recommendation	6.1%
Benchmark Returns (GB£)	
Q3 19/20 to 15 Nov-19	(0.8%)
Q2 19/20	4.0%
1 Year to Sept-19	11.5%
3 Years to Sept-19 (pa)	3.7%
5 Years to Sept-19 (pa)	6.2%



Whilst there were no transactions in the period, relative market strength increased the weighting in Corporate Bonds at 31 October 2019 to 6.1%; 0.1% overweight.

Mr Fletcher notes that the current outlook for the investment grade non-government bond market is uncertain. Mr Fletcher believes that government bond yields are likely to rise, and that this will likely lead to an increase in investment grade bond yields, resulting in negative returns. Investment grade credit is also vulnerable because of the high leverage, low interest cover (particularly in the US) and falling liquidity. Mr Fletcher continues to believe that corporate bonds should be held at a 6% neutral position because the main risk in the bond market comes from the direction of yields and this will have the biggest impact on the returns of longer duration government bonds.

The IIMT concurs with Mr Fletcher and recommend a maintained 6.1% allocation to Corporate Bonds, whilst noting that the current average credit spread, of around 120 to 130 basis points over sovereign bonds, is increasingly insufficient to compensate for the increased default and volatility risk.

It should be noted that the Fund may transition its legacy UK corporate bond portfolio into a global investment grade corporate bond fund developed by LGPS Central Limited over the next few months. Should such a transition take place, it is proposed that the Fund's corporate bond benchmark is realigned to that of the underlying LGPS Central Limited product.

(x) Cash

The Cash weighting at 31 October 2019 was 6.5%, 4.5% overweight relative to the benchmark. Mr Fletcher has maintained his 2% overweight allocation of 4% to Cash, noting that if bond yields continue to rise from their current low level, this additional allocation to cash could be deployed to the bond market if the prospects for equities markets do not improve.

Public markets continue to trade on rich valuations despite the late cycle nature of the global economy, heightened levels of global political risk and the continuing uncertainty surrounding the US-China trade negotiations. Furthermore, the on-going political uncertainty in the United Kingdom, in particular with regard to the General Election in December 2019 and the scheduled departure from the European Union on 31 January 2020, is likely to weigh on investor sentiment over the next few months. Attractively priced opportunities in private markets continue to be difficult to source.

Against this background, the IIMT recommends a defensive cash allocation of 5.6%. Furthermore, it should be noted that the cash weighting will reduce as private market commitments are drawn down.

3 Other Considerations

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

4 Background Papers

Files held by the Investment Section.

5 Officer’s Recommendations

5.1 That the report of the external adviser, Mr Fletcher, be noted.

5.2 That the asset allocations, total assets and long term performance analysis in this report be noted.

5.3 That the strategy outlined in the report be approved.

PETER HANDFORD

Director of Finance & ICT

Third Quarter 2019 Investment Report

PREPARED FOR:

Derbyshire County Council Pension Fund: Pensions and Investment Committee Meeting

DECEMBER 2019

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 11th December 2019
Date of paper 15th November 2019

1. Market Background (Third quarter 2019)

The third quarter saw a continuation of the themes established earlier in the year. After a difficult July and August, investors returned from their holidays in bullish mood and drove the equity markets higher in September, as a result the quarter ended with more modest returns than we had seen in previous quarters. Bond markets enjoyed broadly stronger returns, especially the long duration government bond markets. Economic data continued to weaken but this was offset by monetary easing in the US and Europe.

Responding to weaker jobs data, lower aggregate hours worked and falling consumer confidence the Fed responded by cutting interest rates by 0.25% in July and again in September. In Europe the ECB's response to weaker growth and inflation was to cut its refinancing rate to zero and its deposit rate to -0.5%. The ECB also restarted it's QE programme, committing itself to continue asset purchases until it achieves its 2% inflation target.

Global equity markets were volatile over the quarter mainly because of Mr Trump's unilateral announcement of tariffs on Chinese electrical goods, but markets still managed to end the quarter higher helped by lower interest rates. The S&P 500 ended the quarter up 1.7%, in local currency terms. European stocks did slightly better, with the MSCI Europe ex UK index gaining 2.5% in local currency terms over the course of the quarter. The ongoing trade talks and weaker Chinese growth caused emerging equity markets to underperform over the quarter.

In the UK, the FTSE 100 made gains of 1.0% and the FTSE All Share 1.3%. Once again politics dominated the quarter, Boris Johnson succeeded Teresa May as Prime Minister. Parliament passed legislation forcing the government to ask for an extension if no deal with Europe can be reached by the end of October and Boris Johnson illegally Prorogued Parliament. This caused the currency to be volatile, but over the quarter Sterling was slightly stronger as the markets believe a deal is still a more likely outcome.

Helped by central bank easing and rising concerns about the global growth outlook, government bonds outperformed most equity markets with long duration UK government bonds delivering some of the strongest returns. Non-government bond yield spreads were broadly unchanged over the quarter and remain below their long run averages. Global investment grade credit delivered 1.2%, global high yield and emerging market debt each returned a much more modest 1.3%.

House prices in the UK rose by 0.2% (seasonally adjusted), and commercial property returns recovered from the previous quarter's weakness posting a 0.5% gain. The sector is struggling with significant skills shortages but over 230,000 new homes have been built in the UK in the last year.

The US dollar and the Euro were slightly weaker over the quarter as central banks cut rates, Sterling was volatile on Brexit news but finished the quarter stronger against most of the major currencies. According to Mr Trump, the Chinese opened a new front in the trade war with the US by allowing it's currency to weaken below 7RMB to the Dollar.

Weaker global growth caused most commodity prices to fall again, Oil prices were nearly 9% lower over the quarter, but the weakness of the US dollar, lower interest rates and the continuing trade tensions helped Gold rally by a further 3.7% over the quarter.

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 October and the 3 and 12 months to the end of September 2019.

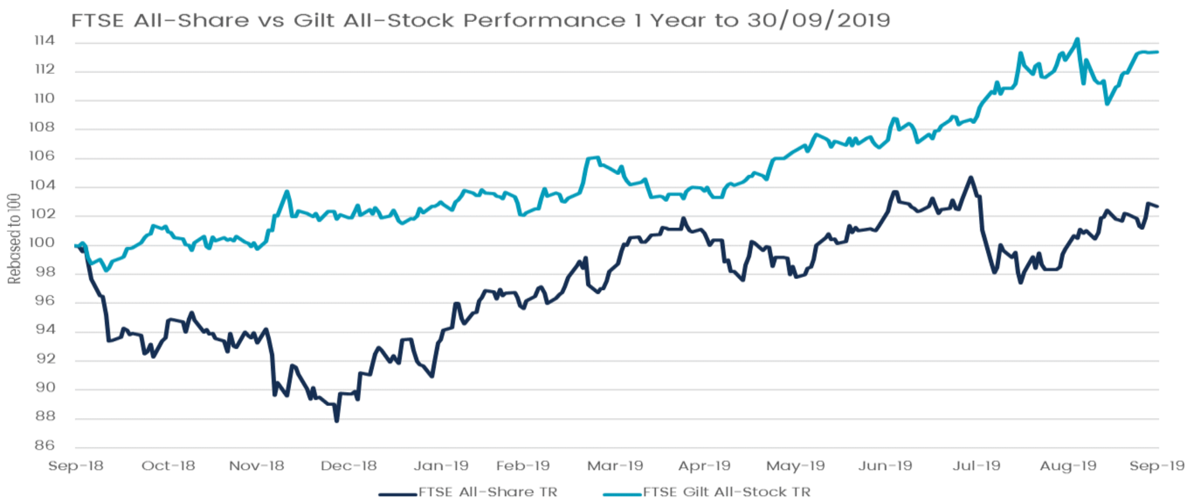
% TOTAL RETURN DIVIDENDS REINVESTED

MARKET RETURNS

		Period end 30th September 2019	
	October 2019	3 months	12 months
Global equity ACWI^	-2.3	4.0	8.4
Regional indices			
UK All Share	-1.4	1.3	2.7
North America	-2.8	4.9	10.4
Europe ex UK	-1.4	1.6	6.4
Japan	-0.1	6.6	0.3
Pacific Basin	-1.0	-0.0	3.9
Emerging Equity Markets	-0.8	-0.5	7.1
UK Gilts - Conventional All Stocks	-1.8	6.2	13.4
UK Gilts - Index Linked All Stocks	-5.3	7.8	18.4
UK Corporate bonds*	-0.2	3.7	11.0
Overseas Bonds**	-0.4	2.5	9.6
UK Property quarterly^	-	0.4	2.3
Sterling 7 day LIBID	0.06	0.18	0.7

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

Chart 1: - UK bond and equity market returns - 12 months to 30th September 2019



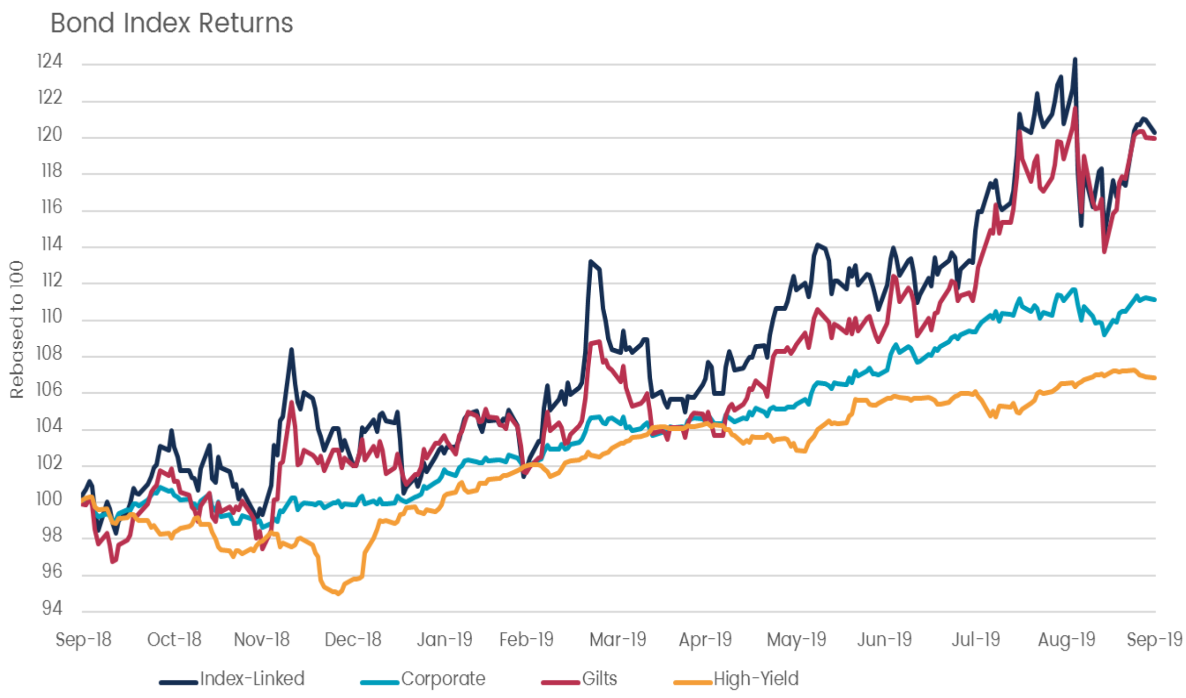
Source: - Bloomberg

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

BOND MARKET % YIELD TO MATURITY	30th June 2019	30th September 2019	Quarterly Change	30th September 2018	Current 15th November 2019
UK GOVERNMENT BONDS (GILTS)					
10 year	0.83	0.49	**-0.34**	1.57	0.73
30 year	1.47	0.97	**-0.50**	1.92	1.26
Over 15y Index linked	-1.88	-2.22	**-0.34**	-1.50	-1.84
OVERSEAS 10 YEAR GOVERNMENT BONDS					
US Treasury	2.01	1.66	**-0.35**	3.06	1.83
Germany	-0.33	-0.57	**-0.24**	0.53	-0.33
Japan	-0.16	-0.21	**-0.05**	0.13	-0.07
NON-GOVERNMENT BOND INDICES					
UK corporates	2.37	2.05	**-0.34**	2.85	2.17
Global High yield	5.59	5.48	**-0.11**	6.06	5.48
Emerging markets	4.36	4.45	**+0.09**	5.04	4.56

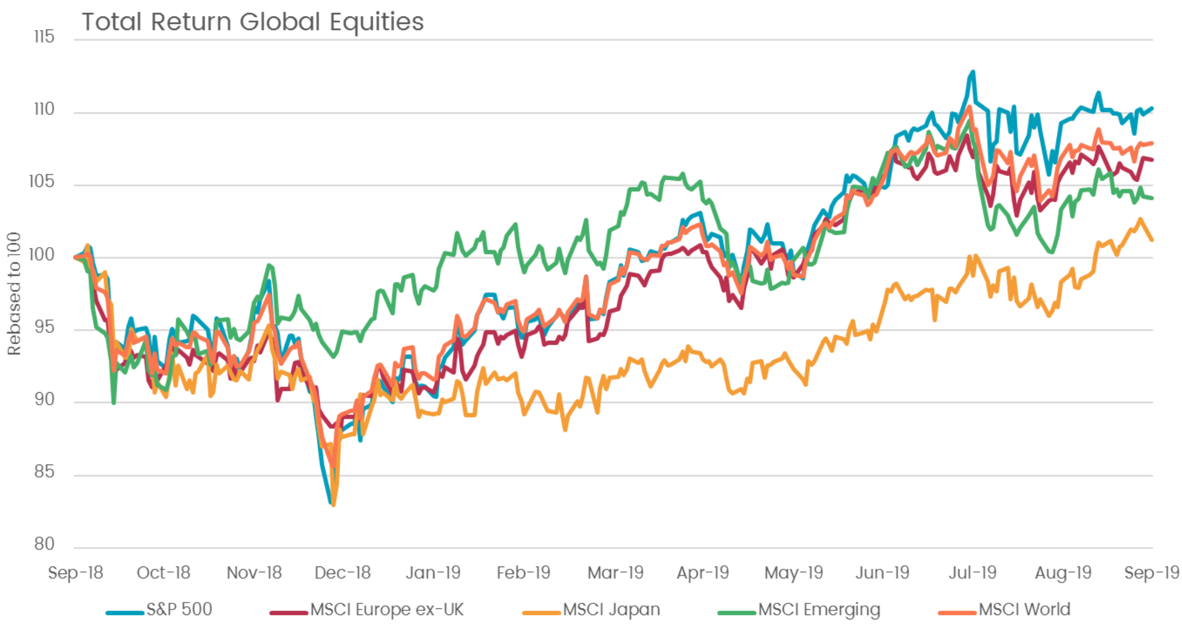
Source: - Bloomberg, G8LI, UC00, HW00, EMGB, ICE indices 15th November 2019.

Chart 2: - Bond index returns in Sterling terms, since 30th June 2018.



Source: - Bloomberg

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



Source: - Bloomberg

Recent developments (October to the 15th November 2019)

Capital markets responded to signs of agreement between the US and China on trade with a return to "risk on". Emerging equity outperformed developed markets in local currency terms and bonds markets produced negative returns. How much of the unexpected announcement of a Phase one Trade deal by Mr Trump was an attempt to distract from the Impeachment hearings is a matter of some debate. But it is notable how cautious China has been since the announcement, maybe because they feel they now have the stronger hand, or because we have been here before and all could be undone by the next presidential tweet.

Meanwhile the global economy continues to lose momentum, Manufacturing is in recession in Europe and now the US, and the slowdown is showing signs of broadening out with consumer confidence and jobs growth lower, having said that third quarter GDP data has been slightly better than expected with US GDP reported at 1.9 and the UK and Germany narrowly avoiding a second quarter of negative growth. The loss of growth momentum and a falling rate of inflation has allowed central banks to maintain their easing policy, the Fed cut rates for the third time this year in October but did say they would now be in a wait and see mode. Mr Draghi gave his last ECB press conference as President, before handing over to Christine Lagarde. With the ECB deposit rate at -0.5% and QE at Euro 20 billion a month until inflation hits 2%, it is difficult to see what she can do to further ease monetary policy, given her background at the IMF it is widely anticipated that she will push for a Fiscal Policy response from Germany in particular.

To the surprise of markets, Prime Minister Boris Johnson was able to agree a new Brexit deal with the European Union (EU). This was made possible by agreeing to a customs border in the Irish Sea and for Northern Ireland to remain more closely tied to the EU than the rest of the UK, thus avoiding the need for a hard border on the island of Ireland. The new deal gained more support in the House of Commons; but MP's refused to pass enabling legislation because of the lack of time available to allow for an appropriate level of scrutiny. Hence the 31st October deadline was missed and an extension to the 31st January 2020 has been agreed. Once the 31st October was out of the way Parliament agreed to hold a general election 12th December.

Notwithstanding the unknown outcome of the General Election the markets have taken the view that some sort of deal will be agreed, whichever government we have. As a result, Sterling has rallied by about 5% which means that the return on global equity investments in sterling terms has fallen by 2.3%.

2. Investment Performance

Table 3 shows the performance of the Derbyshire Pension Fund versus the new fund specific benchmark for the 3 months to the end of September 2019 and compared to a combination of the New and Old benchmarks over 12 months. The Fund underperformed its benchmark over both 3 and 12 months. Measured against longer time horizons, more appropriate for Pension Fund performance, the Fund continues to deliver positive returns and has outperformed the strategic benchmark on rolling 3,5,10 years and since inception on a net of fees basis. Over 10 years the Fund has achieved a total return of 8.8% per annum. Over 3 months the PEL attribution data suggests Stock Selection was the main contributor to the underperformance whereas asset allocation was responsible over 12 months.

Table 3: - Derbyshire Pension Fund and Benchmark returns

% TOTAL RETURN (NET) 30TH SEPTEMBER 2019	3 MONTHS		12 MONTHS	
	Derbyshire Pension Fund	**Benchmark**	**Derbyshire Pension Fund**	**Benchmark**
Total Growth Assets	**1.8**	**2.4**	**4.7**	**5.1**
UK Equity	1.0	1.3	1.6	2.7
Total Overseas Equity	**1.8**	**2.9**	**5.6**	**6.4**
North America	3.7	4.9	8.5	10.4
Europe	1.6	1.5	6.1	6.0
Japan	4.6	6.6	-2.4	0.3
Pacific Basin	-1.5	-0.8	7.4	4.1
Emerging markets	-1.3	-0.5	9.2	7.1
Global Sustainable Equity	0.0	3.5		
Global Private Equity	5.2	1.5	11.5	3.7
Total Protection Assets	**4.7**	**6.0**	**12.5**	**13.4**
UK Gilts	3.9	6.2	10.7	12.9
UK & Overseas Inflation Linked	6.6	7.8	16.7	18.4
UK Corporate bonds	3.7	4.0	10.5	11.5
Total Income Assets	**2.0**	**0.6**	**6.3**	**3.2**
Multi-asset Credit	0.8	0.9	4.3	3.8
Infrastructure	5.0	1.2	11.4	2.8
Property (all sectors)	0.5	1.3	4.2	5.9
Internal Cash	0.0	0.1	0.2	0.6
Total Fund	**2.3**	**2.6**	**5.7**	**5.8**

Total fund value at 30th September 2019 £5,206 million

The third quarter saw more modest returns for equity and income assets with outsize performance coming from protection assets as the bond markets priced in a recession and more rate cuts.

Local currency overseas equity returns in the third quarter were higher than reported above. In sterling terms as shown above total returns were lower due to a recovery in the value of the Pound. This has continued to impact Fund returns into the fourth quarter as clearly markets now believe that the UK will get a deal rather no deal from Brexit. Unusually with the exception of Pacific basin and Emerging equity over 12 months, all our active managers underperformed their respective equity indices.

Growth assets – Equity performance

Over the quarter UK direct equity exposure was reduced to broadly in line with the benchmark allocation of 16%. This part of the Fund which is managed by LGPS Central performed in-line with the market over the last 3 months but underperformed slightly over 12 months. The fund still has a small exposure to listed investment companies and this is where most of the underperformance seems to have been generated in both periods.

As can be seen in the table above absolute returns from overseas equities were stronger than UK equities over 3 and 12 months despite the renewed strength of the Pound but, relative returns were negative to their respective benchmarks.

North American equity actively managed in a segregated portfolio (by Wellington) unperformed over the quarter and 12 months. The Fund has reduced its allocation taking profits, but stock selection seems to be the main driver of underperformance. As a result, 3 year returns at 14.3% pa, have slipped behind the benchmark. Over 5 and 10 years, Wellington remains 0.9% and 1.3% ahead of benchmark.

The continental European equity portfolio is passively managed by UBS. The 3 and 12 month returns are slightly ahead of benchmark due to the overweight allocation. The allocation was reduced over the quarter to bring it more in line with the benchmark.

The other equity assets are invested in Japan, the Pacific Basin and Emerging Markets equities, via pooled funds selected by the in-house team, there were no significant changes in allocation. The performance of Japanese and Pacific ex Japan equity remains volatile over the short term but over longer periods, both allocations have delivered above benchmark returns over 3, 5 and 10 years. The allocation to emerging equity has delivered more modest absolute returns but again over the longer term it is ahead of benchmark in all periods except rolling 5 years.

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

As yet no allocation has been made to Sustainable Global Equity, which is causing a drag on overall growth asset performance.

Protection assets - Fixed Income Performance

In the third quarter the bond portfolio delivered strong positive absolute returns but because the Fund is slightly underweight relative to the strategic allocation and the Fund's assets have lower aggregate duration (interest rate sensitivity) compared to the benchmark, performance was behind benchmark, over 3 and 12 months. The allocation Index Linked Gilts was increased slightly over the quarter.

Income assets – Property, MAC and Infrastructure

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

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

The Multi-Asset Credit (MAC) allocation a combination of private debt, high yield and emerging market debt has outperformed in all periods. The 3y returns are 5% pa compared to 3.6% for the LIBOR based benchmark.

Over the quarter the allocation to both Infrastructure and MAC were increased, the Fund now has a neutral allocation to MAC but remains underweight Infrastructure and Property.

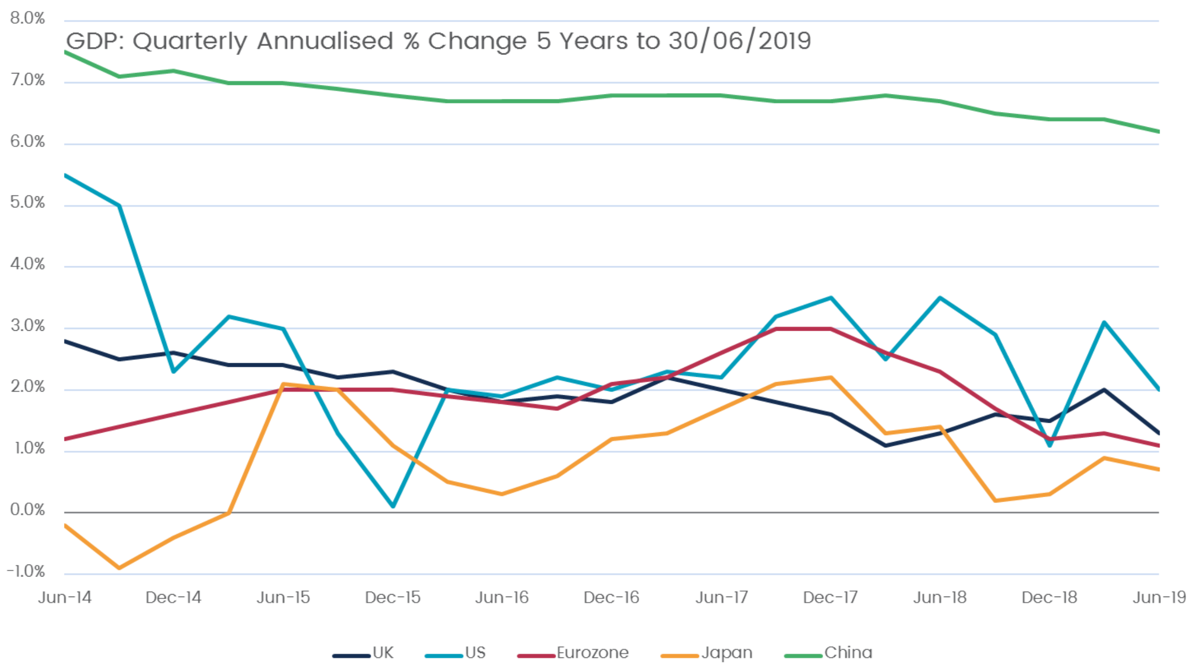
Asset Allocation

At the asset allocation level, the DPF's in-house team has made some excellent long term decisions. In general, over the medium to long term, being overweight "growth" assets like equities at the expense of "protection" assets like bonds, has been a good decision as would be expected given the higher levels of risk. In the last year the increased volatility of equity markets due to the slowing economy, increased political uncertainty and the change from tighter to easier monetary policy by the central banks has shown the benefits of having a diversified portfolio, with a mix of assets where the drivers of return are different.

3. Economic and Market outlook

Economic outlook

The global economy slowed in the third quarter and has lost more momentum as we have moved into the fourth quarter. It would appear that the global economy will avoid going into recession, but the risks have increased. Global manufacturing and trade are in recession but consumption that makes up a large part of developed market aggregate growth appears to be holding up despite the broadening of weakness into the consumer and services sectors. The trade negotiations between the US and China remain a potential source of uncertainty that could increase the risk of an unintended outcome. The longer the negotiations take the more corrosive they become for the economic outlook and the more likely they are to threaten growth. As chart 4 below shows reported annualised growth in the second quarter slowed and advance data for the third quarter and the consensus forecasts in table 4 below confirm this trend.



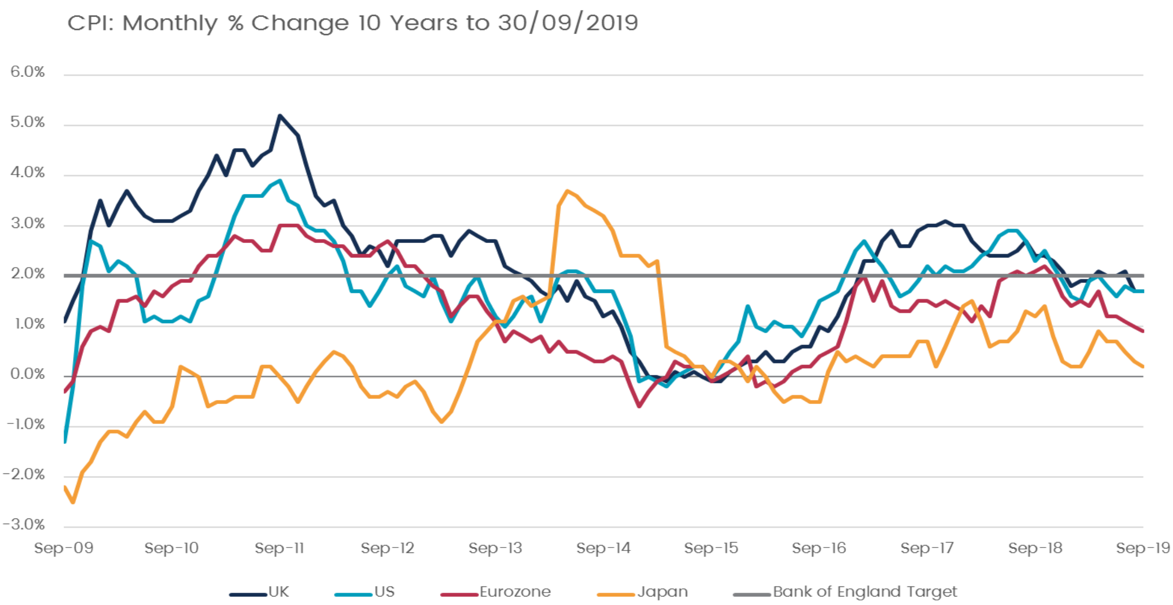
Source: - Bloomberg

The prompt action of central banks by cutting rates, returning to QE and forward guidance indicating that interest rates will remain lower for longer appears to have reduced the chance of recession. The central banks have also been helped by lower than expected inflation outcomes. What seems to be clear is that there is a growing global consensus that Monetary Policy is fully played out and expansionary Fiscal Policy will be required to keep the global economy growing.

In the UK the issue of Brexit still dominates the economy, investment spending continues to fall and employment growth that had been supporting domestic consumption has stalled and gone into reverse. In August and September employment fell, the unemployment rate increased and the number of vacancies fell. For those in work falling inflation and an increase in wages has helped maintain the level of retail sales but consumer confidence has fallen. The Bank of England has stated that the uncertainty around the Brexit outcome remains the biggest source of uncertainty for the economy. In data released by the Treasury the economy is expected to shrink over the medium term by at least 6% even if there is a deal with the EU.

As can be seen in chart 5 below, despite the late stage nature of the business cycle, which is exhibiting less slack in the major economies and an increase in real wages, the medium-term trend for inflation remains lower and central banks seem unable to achieve normalisation around their stated target inflation rates of 2%.

Chart 5: **-** Inflation – Annual rate versus Central Bank Target



Source: - Bloomberg

Central Banks

In my last report I mentioned that the US had cuts rates and ended their QT programme, so far this year they have cut rates by 0.75% to a range of 1.5% to 1.75%, at their last meeting in October the Fed said they were now on hold, which is understandable while inflation is lower, growth is still around trend at 2% pa. In response the widespread weakness of growth and inflation in Europe the ECB cut the repo rate back to zero and reduced their deposit rate to -0.5% at the same time they announced Euro 20billion of asset purchases per month (QE), it is difficult to see what else they could do to stimulate growth and inflation. Christine Lagarde the incoming President of the ECB is expected to put pressure on European governments, most notably Germany to end fiscal austerity and expand fiscal policy in order to stimulate growth. The bank of Japan decided not to join in by leaving rates and QE policy unchanged, they have decided to wait and see what effect a sales tax increase will have. Elsewhere across the world, 43 central banks have cut interest rates a total of 67 times in Q3, as global economic growth has weakened.

In November the BoE's Inflation Report was renamed the Monetary Policy Report, other than the name change it was pretty much a repeat of the August meeting. The Bank Rate was maintained at 0.75% and Brexit was cited as the main source of uncertainty for the UK economy.

Politics

The US-China trade war negotiations took a significant change to a more constructive outlook in October, with the announcement of what President Trump has called a "Phase One Trade Deal". The deal involves China committing to significantly increase purchases of US agricultural products, accelerate the opening up of its financial sector, and more transparency regarding the currency markets. While this announcement of the first phase of a deal between China and the US is a small breakthrough, it is unlikely to lead to a resolution of the trade war for two key reasons: first, polls suggest that US voters across all political parties remain sceptical about the relative fairness of Chinese trade practices; and second, both sides harbour ambitions to be the number one player in global technology. It is just as likely that if Mr Trump needed in the short term to distract attention from the Impeachment hearings or in support of his presidential election campaign, he could decide to ramp up anti-China rhetoric to boost support.

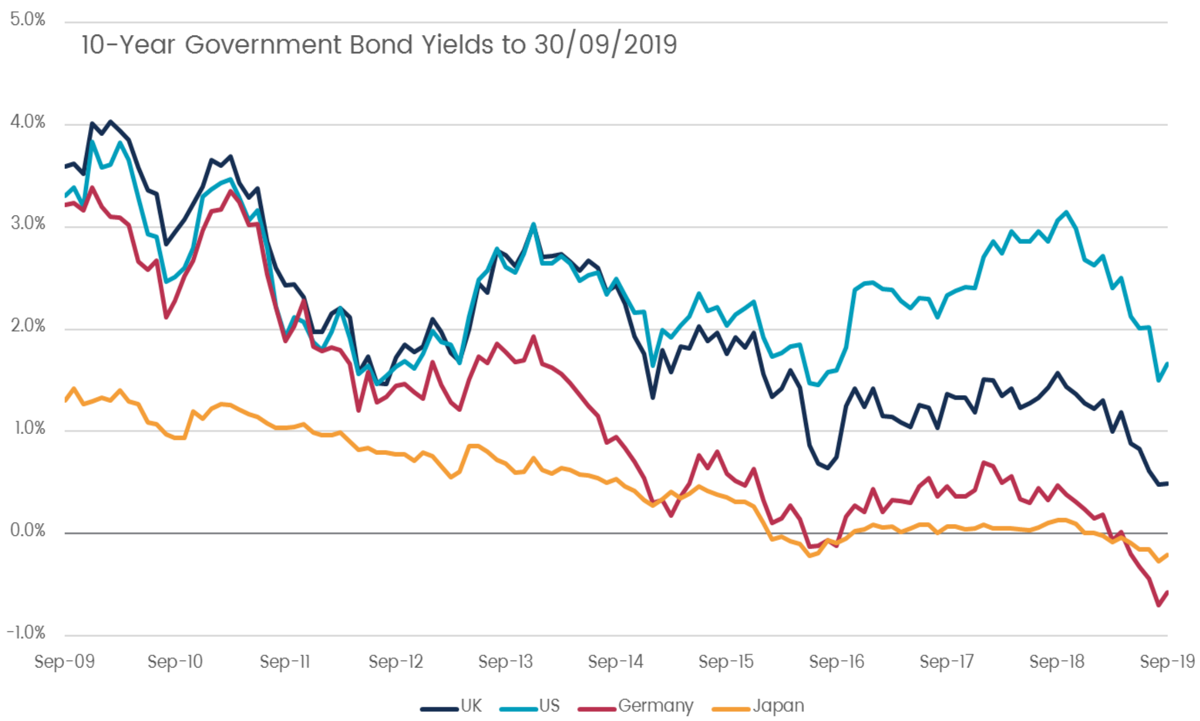
UK politics dissolved in farce in September and October, as the conservative government tried and failed to get its new deal over the line before the 31st October. After withdrawing the Whip from a number of eminent but remain leaning conservative colleagues and various other failed manoeuvres the Prime Minister was forced into asking for an extension of the deadline for confirming the Withdrawal Agreement to the end of January 2020. We are now in the middle of a General Election campaign, which is just as likely to lead to another "hung parliament" as a clear outcome. One thing that all parties seem to agree on is Fiscal Policy is going to be expanded whatever the shape of the next government.

Government bonds

As can be seen in chart 6 below, 10 year government bond yields have made new all-time lows in September as the prospects for growth looked at their bleakest and central banks were most active in cutting rates. Since the end of the quarter government bond yields have risen as growth data has turned out to be better than expected and the turnaround in the trade talks. Government yield curves are no longer inverted with 10 year yields now above 2 year yields in all major markets, but cash interest rates are still higher than 10 year bond yields. After its decision to cut rates for the third time in October the Fed announced it would "wait and see" before making any further changes to monetary policy. They still characterise their recent moves as a "mid-course correction / insurance cut to rates" in response to a temporary weakening of growth. If the Fed is right and this is just a temporary slowdown then their timely action will have increased the likelihood of a soft landing and an extension of the current 10 year long US economic expansion. In which case government bond yields should continue to rise, leading to negative returns for investors. Either way I view the current level of government yields, especially outside the US as an extreme and expect yields to rise in both the short and medium term.

The main risk to this outcome remains the US – China trade negotiations; the protracted nature of the talks has caused the global economy to become much weaker and potentially more vulnerable. While the consumer appears OK for now, trade and manufacturing are in recession and outside the US there is not much more room for monetary policy action to stimulate growth, while a recession looks less likely the risks remain high.

Chart 6: **-** Government bond yields, last 10 years.



Source: - Bloomberg

Non-government bonds

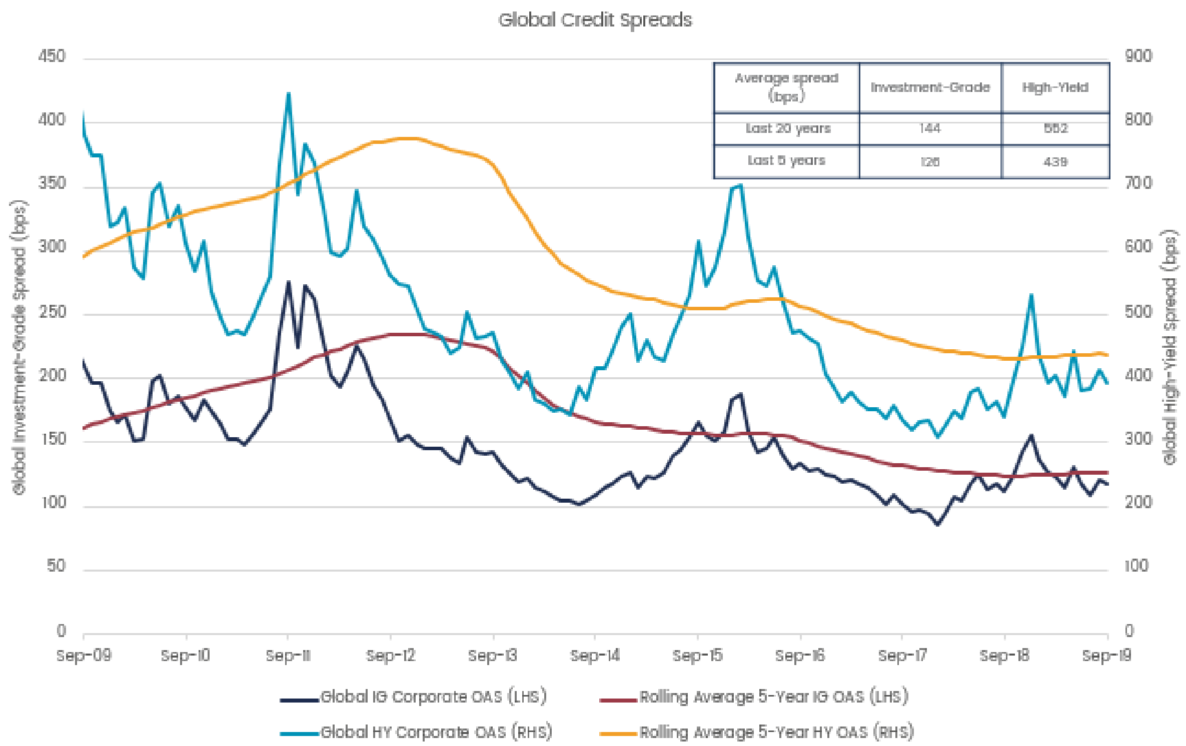
As can be seen in Chart 7 below, the excess yield spread for both investment grade non-government and high yield bonds has fallen significantly since the beginning of the year. The current yield spread in both markets is lower than the long run 20 year and 5 year average shown on the chart.

Since the end of the quarter spreads have remained broadly unchanged as yields have been driven by changes in government yields and not the result of a worsening of the outlook for credit. The cuts in interest rates and return of QE should mean borrowing conditions for corporates have improved, thereby further extending the period of low aggregate default rates.

As mentioned in my last report, the fears of increased corporate leverage (particularly in the US) and the lower average credit quality have been dissipated by the change in monetary policy. I don't believe that spreads can narrow much from their current levels unless it is the result of an increase in government yields.

Just as for Government bonds there is also the chance that total returns from investment grade credit could be flat or even negative. But. I haven't changed my mind on holding high yield bonds, because of their higher yield and lower duration they can deliver reasonable returns. For the time being the higher the coupon or yield, the higher the return, albeit with increased credit risk. See Table 7 below for an estimate of the impact of rising bond yields on UK Government and non-government bond markets.

Chart 7: **-** Credit spreads, extra yield over government bonds.



Source: - Bloomberg

Equities

After the dip in August caused by Mr Trump's announcement of new tariffs on Chinese goods to be implemented in September. Equity markets moved sideways to finish the quarter little changed. Since the end of the quarter equity markets have performed reasonably well in local currency terms especially following announcement of the "Phase one Trade deal" with China. Just as with bond markets the main source of volatility remains the trade negotiations.

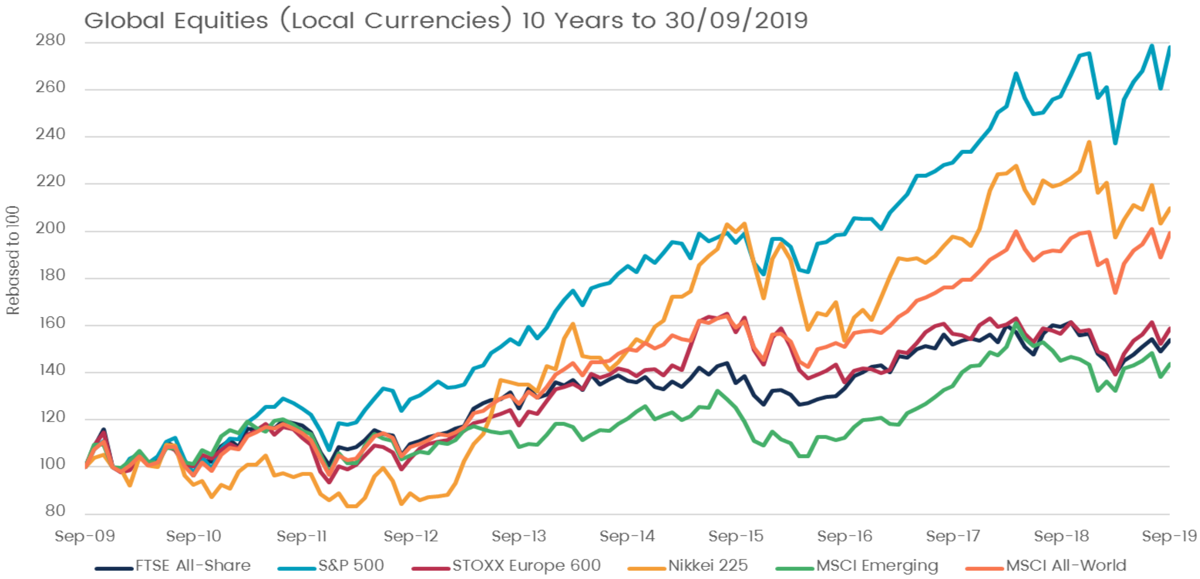
Away from the trade talks growth is slowing and the weakness is broadening out into the services and consumer sectors. While 3rd quarter earnings are holding up company forward guidance is suggesting that profit growth in 2020 will be lower than in 2019.

For now, at least the Fed is on hold but clearly the equity markets believe that central banks will respond to a further slowdown in growth with easier monetary policy. An environment of relatively easy monetary policy, moderate growth and low inflation is not bad for equity markets, but with the uncertainty around the trade talks it may not be an argument for being overweight in the short term.

While it may not be prudent to be overweight the asset class there are opportunities to vary the regional allocation, that could lead to a relatively stronger return. As chart 8 below shows the US has had the strongest performance over the last 10 years and as global equity is composed of about 60% US equity, it may be worth looking elsewhere for excess returns. As I have mentioned before the relative growth rates of developed versus developing markets favours emerging equity markets. Not only are the growth rates better but the underlying long term fundamentals of demographics and low levels of debt means there is more scope to use either monetary or fiscal policy to stimulate activity. The forward looking estimates of risk and return for various asset classes are set out on chart 9 this shows that while the volatility of returns from emerging equity is higher so are the expected returns.

In the short to medium term I believe much of the good news is in the price and global equity returns could be volatile and lacklustre. Having said that over the long term I remain positive on equity markets expecting them to outperform overvalued government bond markets in particular.

Chart 8: **-** Global equity indices, last 10 years.



Source: - Bloomberg

UK equity

I mentioned above that it is the returns of equity markets in local terms that has been positive in October. When these returns are looked at from the perspective of a Sterling based investor, they have been slightly negative (see table 1), this is because Sterling has risen in value by about 5% versus the US dollar. For instance, the MSCI World index was up 2.6% in US dollar and Japanese yen terms and in the local currency of each of the components up 1.9%, but for a Sterling based investor the total return was -2.3% due only to the change in the value of the currency. Because most of the earnings of companies in the main UK equity indices come from overseas, they were also negative; the FTSE 100 index, where over 70% of earnings are from overseas, returned -1.9%; the FTSE All share, less than 60% overseas -1.4% and the FTSE Mid 250 which lists a greater value of companies that derive their earnings from the UK domestic economy +0.6%, but it should be noted that these returns are better than from global equity.

In recent years Sterling has been weak which means investing outside the UK has delivered an extra positive contribution to total return. If Sterling continues to strengthen it will reduce the return from investing outside the UK and while the component of overseas earners in the UK indices is high, the total return from investing in UK equity markets could be higher. Add to this the view of some asset managers that the UK equity market is cheap on a relative basis, as evidenced by chart 8 above which clearly shows that since the referendum the FTSE All share has underperformed the MSCI All World index, and finally because pensions need to be paid in Sterling it may not be worth reducing the UK equity exposure any further, despite the level of political uncertainty at the moment.

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

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

% CHANGE YOY								
	2019				2020			
	JULY 2019		OCTOBER 2019		JULY 2019		OCTOBER 2019	
	Consensus	**AF**	Consensus	**AF**	Consensus	**AF**	Consensus	**AF**
US	2.5	**2.5**	2.3	**2.3**	1.9	**1.9**	1.8	**1.8**
UK	1.3	**1.2**	1.2	**1.0**	1.3	**1.2**	1.0	**1.0**
Japan	0.7	**0.7**	1.0	**0.7**	0.3	**0.3**	0.2	**0.2**
EU 28	1.4	**1.3**	1.3	**1.2**	1.4	**1.3**	1.2	**1.2**

Source: - Consensus Economics October 2019

Consensus estimates for growth in 2019 have, with the exception of Japan been revised down and for 2020 they have all been revised lower again. I believe they now reflect the increased risk posed by the manufacturing and trade slowdown caused by the uncertainty around the result of the US trade negotiations with China. The distraction of the Impeachment hearings against Mr Trump and a harder line being adopted by the Chinese suggests that the process of reaching deal will be more drawn out. Mr Trump would like to be able to announce a positive outcome for the US as we start the presidential election campaign, hence the noise around the so called “Phase one Trade deal”. The longer the trade talks take the more the risks rise of the manufacturing slowdown impacting the currently more resilient consumer and service sectors. At the moment the US Fed believes that it has done enough reduce the risk of a US recession and has announced a pause in rate cuts. I have not revised my expectations for GDP as I think the consensus is now closer to my more cautious outlook and because of the increased potential of a deal on trade tariffs. In the UK third quarter growth was reported at +0.3% thereby avoiding a technical recession. Brexit and now General Election uncertainty has dramatically increased and is impacting UK investment. The recession in global manufacturing and Trade is making life very difficult for the German economy. Chinese growth is also being impacted but as mentioned before they have plenty of scope to ease fiscal and monetary policy, whereas the major developed economies do not.

In the US, first quarter 2019 growth was confirmed at 3.1% annualised. The estimate of second quarter growth was revised down from 2.1%, to 2% and the advance estimate of third quarter growth was a better than expected 1.9%. The economy was supported by continued strength in personal consumption and government expenditure, but the growth rates of these components were lower than in the second quarter. Business investment was negative despite a further increase in inventory accumulation.

UK GDP data confirmed the -0.2% contraction in the second quarter of 2019, however the preliminary estimate of third quarter growth was +0.3%. This means the annual rate of growth at 1.0%, was lower than market expectations. While the consumer, construction and service sectors remain resilient, manufacturing and business investment remain negative, partly the result of the global slowdown but mainly the result of Brexit uncertainty. I anticipate that growth in the UK will be lower over the rest of the year weighed down by the general election campaign and uncertainty over Brexit.

The Japanese economy grew by 0.1% in the third quarter, when added to the revised higher second quarter growth rate of 0.4% this brings the annual growth rate up to 1.4% for the year to the end of September. In the third quarter capital expenditure increased but all other components of growth were weaker.

Euro Area GDP was confirmed at 0.2% in the second quarter and growth in the third quarter was an equally weak 0.2%, confirming the previous quarters annual growth rate of only 1.1%. The German economy grew by 0.1% narrowly avoiding a recession after the -0.2% growth rate seen in the second quarter. In the third quarter all Euro area member countries saw a similar or a slight improvement in growth except Finland and Portugal.

Consumer Price Inflation

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

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

% CHANGE YOY	2019				2020			
	JULY 2019		OCTOBER 2019		JULY 2019		OCTOBER 2019	
	Consensus	**AF**	Consensus	**AF**	Consensus	**AF**	Consensus	**AF**
US	1.9	**2.5**	1.8	**2.0**	2.1	**2.3**	2.1	**2.0**
UK	1.9	**2.5**	1.9	**2.0**	2.0	**2.2**	2.1	**2.0**
Japan	0.6	**1.1**	0.6	**1.1**	0.8	**1.1**	0.7	**0.6**
EU 28	1.5	**1.9**	1.5	**1.9**	1.4	**1.9**	1.6	**1.5**

Source: - Consensus Economics October 2019

The consensus forecasts for inflation in 2019 have been nudged lower which at this point of the year probably reflects a more complete sample set than anything else. The consensus also points to a lower outcome for 2020. I have been surprised by the low level of inflation given the very low levels of unemployment and with wages rising at a pace ahead of inflation in most of the developed economies. As I mentioned last quarter there would appear to be two factors keeping inflation lower than expected in the current environment; increased employment costs are being absorbed by company margins and profits and reduced investment may also be keeping prices down. Lower inflation outcomes are good news for Central Banks helping them remain accommodative.

Over the 3 months to October US headline inflation has been stable at 1.8% whereas, ex food and energy US core inflation moved lower from 2.4% to 2.3%.

Since July the UK headline inflation rate (CPI) has fallen from 2.1% to 1.5% mainly due to a slowdown in housing & utilities prices as the regulator's tariff cap pushed down electricity and gas cost increases. Core inflation which excludes food, energy, alcohol and tobacco in the UK, was also lower at 1.7% p.a. CPIH a measure that includes housing costs and could become more important in the future if the Chancellor accepts the suggested abandonment of RPI also increased at a rate of 1.5% compared to RPI that increased at 2.1%.

Inflation in the Euro Area that peaked in April at 1.7% p.a. has collapsed to 0.7% in October, a 3 year low! Core inflation, which like the UK excludes food, energy, alcohol and tobacco, nudged higher to 1.1% from a previously reported rate of 1%. This has been cited by the ECB as a major concern given the amount of monetary easing over the last 8 years.

The Japanese inflation rate also peaked in April at 0.9%, despite an increase in sales tax the rate of inflation fell to 0.2% in October due to falling energy and transportation costs. Core inflation is currently subject to a periodic calculation revision and was not reported but it is likely that the core inflation rate was also lower.

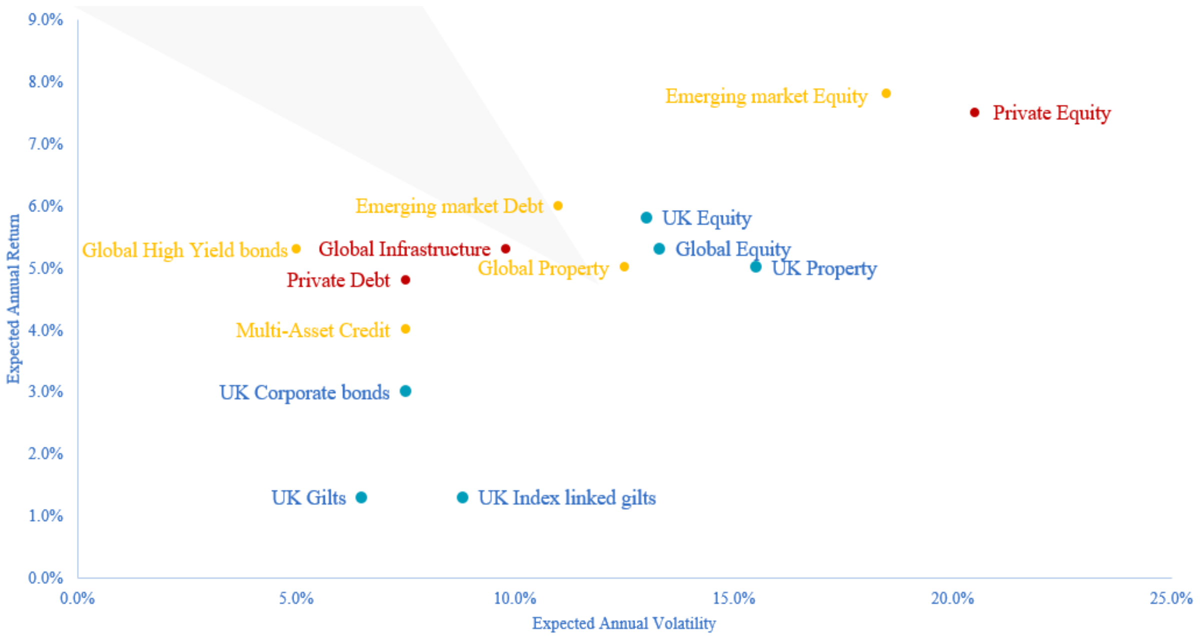
4. The outlook for the securities markets

In my last report I highlighted the worsening outlook for markets mainly because of the worsening outlook for growth and the increasing political uncertainty. Four months on and very little has changed. I have therefore decided to leave my recommendations for the next 12 the 18 months unchanged, see table 9 below. Over the medium to long term (more than 5 years), I believe equity markets especially emerging equity will probably deliver better returns than government bond markets, I also believe private markets can also deliver stronger returns.

The allocation to Growth assets remains at neutral, I have also decided to keep the regional allocations unchanged, neutral for UK, Europe, Japan and Asia-pacific; 1% underweight the US and 1% overweight emerging. As I expected in my last report bond markets have sold off and government bond yields are now somewhat higher. The extremely low yields we saw in the summer reflected the extreme optimism of the bond markets over the direction of interest rates and QE. The Fed's recent announcement that it will shift to a wait and see approach should lead to further increases in yields over the coming months. Therefore, I would suggest remaining 2% underweight Protection assets and 2% overweight cash. As I suggested last time the near-term risks for the securities markets remain to the downside from here as the markets have overly discounted the ability of the Central Banks to stimulate growth through further increases in easy monetary policy. At their current extremely low levels of yield and high interest rate sensitivity, government bonds and Index Linked Gilts in particular look extremely poor value. While they may fulfil their role of protecting the Fund during an equity sell off, they will not provide the Fund with reasonable level of income. I believe the priority for the Fund remains increasing the allocation to Income assets, therefore I continue to recommend a neutral allocation.

To enable a comparison of the possible risk and return of various securities / asset classes, in chart 9 below I have shown JP Morgan Asset Management's forecasts of expected annual returns and volatility over the next 10 to 15 years.

Chart 9: **-** Asset class expected returns and volatility over the next 10 to 15 years.



Source: S&P, Bloomberg, JPMorgan Asset Management of September 2019

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 3 and 12 months. They are not meant to be accurate point forecasts, more an indication of the possible direction of yields from November 2019.

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

%	CURRENT	JUNE 2020	DECEMBER 2020
UNITED STATES			
3month LIBOR	1.91	1.75	1.75
10 year bond yield	1.83	1.75	2.00
UNITED KINGDOM			
3month LIBOR	0.79	0.75	0.75
10 year bond yield	0.73	1.0	1.25
JAPAN			
3month LIBOR	-0.11	-0.10	-0.10
10 year bond yield	-0.09	0.10	0.10
GERMANY			
3month EURIBOR	-0.41	-0.25	-0.25
10 year bond yield	-0.34	0.0	0.0

Source: - Bloomberg, Trading Economics; 15th November 2019

Since the summer, the global economy has seen slightly stronger but nonetheless levels of growth are low and inflation data has also remained benign. Government bond yields remain below cash rates in most of the developed economies. As can be seen in table 2 above yields have risen by between 10 and 25bps since the end of the quarter but I believe they remain unsustainably low. The decision by the Fed to signal a pause in the easing cycle after it's October rate cut, suggests to me that government bond yields can continue to rise from here. I therefore expect government bond markets to potentially produce negative returns over the next couple of quarters unless the economy weakens sufficiently for the Fed to start cutting rates again. A neutral monetary policy outlook in the US is supportive of high yield bond markets, as it reduces the possibility of defaults caused by higher borrowing costs, while spreads may not narrow by much the higher the yield, the higher the potential return.

Bond Market (Protection Assets) Recommendations

The bond markets have over the last few months fully priced in the decision by the world's major central banks to return to monetary accommodation. Recently yields have started to rise as some of the "irrational exuberance" over the level of yields has dissipated. In my opinion government bond yields are still too low and I expect them to continue to rise, I therefore propose remaining underweight government bonds.

Since the end of September government bonds yields have risen but investment grade non-government bond yields have risen by less, hence they have outperformed. This is because performance is being driven by a change in the direction of yields (interest rate sensitivity / duration) and is not related to a worsening of credit conditions. Spreads have broadly moved sideways for both investment grade and high yield bond markets. If I am right that government bond yields continue to rise, I believe investment grade non-government bonds are likely to start to match that increase and deliver a similar level of negative return, equally if the economy slows, spreads could widen resulting in even higher negative returns. Investment grade credit is also vulnerable because of the high leverage, low interest cover particularly in the US and falling liquidity in all markets. The high yield bond market may continue to deliver reasonable returns because duration risk is lower and ironically compared to history, leverage is lower and interest cover higher. In an environment where government bond yields are rising the lower the yield and the longer the duration the lower the total return conversely the higher the yield and the lower the duration the better the result will be provided defaults do not increase.

As usual in table 7 below I have updated the data and recalculated my estimates of the total return impact of rising yields for government and non-government bond indices based on their yield and interest rate sensitivity (Duration) over 3 and 12 months. The estimates do not take into consideration any widening of spread over the holding period.

Table 7: - Total returns from representative bond indices

INDEX	YIELD TO MATURITY %	DURATION	YIELD INCREASE %	% TOTAL RETURN, HOLDING PERIOD	
				3 MONTH	12 MONTHS
All Stock Gilts	0.89	13.1	0.5	-6.3	-5.6
UK Corporate Bonds	2.17	8.4	0.5	-3.6	-2.0
Global High Yield	5.48	3.4	0.5	-0.3	+3.8

Source: - BofA Merrill Lynch Indices 15th November 2019

Despite my reservations about the level of yield expressed above I still believe corporate bonds should be held at neutral in the Fund, mainly because I believe the biggest risk is in longer duration, lower yielding government bonds especially index linked gilts, as can be seen in table 7 above gilts provide little protection in a rising yield environment. In terms of the allocation to index linked gilts I would prefer to remain underweight by holding US TIPS and seeking index linked returns from investments in other asset classes like infrastructure and real assets.

I have in the past mentioned why I believe the index linked market may be overvalued. Recently inflation expectations have fallen resulting in sharp negative returns in October see table 1 above.

Also, in September the Chancellor announced that the UK Statistics Authority (UKSA) had passed on guidance that changes should be made to the indexation of Index Linked Gilts changing it from RPI to CPIH. The UKSA only has responsibility for the integrity of the statistic and it believes RPI is not a good measure of inflation. If the Chancellor accepts the recommendation this could lead to major disruption in the price of bonds with a maturity beyond 2030. Some fund managers believe that the change could lead to a major re-valuation lower of the order of 10%, it is estimated that less than 1% has been priced into the market at current levels. A consultation on the change will begin in January 2020, and the Government and UKSA will publish a response before the Spring Statement and the end of the financial year.

Equity Markets

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

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

COUNTRY	DIVIDEND YIELD %	EARNINGS GROWTH		PRICE/EARNINGS RATIO	
FORECAST PERIOD	2019	2019	2020	2019	2020
United Kingdom	4.9	2.8	8.4	13.1	12.1
United States	1.9	2.1	10.9	18.8	17.0
Europe ex UK	3.4	5.5	9.8	15.3	13.9
Japan	2.3	-2.7	5.1	13.8	13.1

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

Earnings growth estimates for 2019 have been revised down as have estimates for 2020. The estimates for 2019 look much more realistic, but despite the downward revisions for 2020 still look overly optimistic. In the US third quarter earnings growth results followed the pattern of the last 2 quarters, with most companies outperforming the low forecast expectations, however now companies are suggesting that profits growth in 2020 will lower than in 2019. The main theme driving down outcomes as well as future estimates is the trade negotiations between the US and China. While Mr Trump hailed the agreement of a “Phase one Trade deal” this has yet to be signed off by both parties, suggesting that the Chinese may have the upper hand at the moment and speaks volumes about the need for Mr Trump to distract attention from the Impeachment hearings. The weakness of manufacturing caused by the slowdown in global trade seems to have stabilised, but the weakness in activity has broadened out into services and consumer consumption. The recent reduction in US interest rates should go some way to reducing the risks of a further slowdown and a recession but the risks have increased. The UK and Germany narrowly avoided a technical recession with 3rd quarter growth coming in just above zero after a negative report in the 2nd quarter but the same pattern of weaker manufacturing activity spreading out into the services and consumer sectors can be seen. With economic growth in the developed economies showing no signs of improvement it is difficult to see a continuation of the strong performance of equity markets we have seen in the last few years.

Equity Market (Growth Assets), Recommendations

I suggest keeping the allocation to growth assets neutral to the strategic benchmark.

Looking regionally, the US continues to have a higher growth rate and the direct benefit of actual interest rate cuts, but this is more than fully priced into the current level of valuations therefore, I believe the Fund should maintain an underweight position. The slowdown in global trade and industrial production caused by the US, China trade negotiations has led to a fall in the growth rate of manufacturing worldwide, this is having a marked impact on Europe, Japan and Asia pacific. As a result, I believe Europe should be held at neutral and Japan and Asia Pacific reduced from 1% overweight to neutral. I continue to have confidence in the long-term growth prospects of the emerging economies, so I recommend that the Fund should have an overweight allocation. The prolonged uncertainty over Brexit has caused the UK market to underperform the rest of the world as a result the equity market has become "cheap" to the rest of the world on a relative valuation basis, therefore I would be more cautious about a further reduction in the allocation unless there is a compelling opportunity to invest elsewhere.

As the asset allocation to Private Equity remains underweight relative to benchmark, I continue to recommend that investments are sought to increase the allocation to neutral.

The Fund has had a 3% benchmark allocation to Global Sustainable Equity since the beginning of the year, this is a topical area of investment currently and an opportunity that should not be missed, I suggest a 3% neutral allocation should be seen as an initial investment.

Income Assets

In the last year the allocation to Income Assets has been increased from 18% to 23%. The allocation to both Infrastructure and Multi-Asset Credit has been increased over the quarter as the in-house team have found managers to invest an increasing amount of Derbyshire's allocated capital.

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

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

The asset allocation set out in table 9 below, shows the new Strategic benchmark allocations for the Derbyshire Pension Fund and my recommended relative weights as of 9th of August and he 15th November 2019. My suggested asset allocation weights are relative to the classification of assets and strategic benchmark ranges. 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 new Strategic Benchmark that came into effect on the 1st January 2019.

% ASSET CATEGORY	DERBYSHIRE STRATEGIC WEIGHT 1ST JANUARY 2019	ANTHONY FLETCHER 9TH AUGUST 2019	DERBYSHIRE STRATEGIC WEIGHT 1ST JANUARY 2019	ANTHONY FLETCHER 15TH NOVEMBER 2019
Growth Assets	57	**0**	**57**	**0**
UK Equity	16	**0**	**16**	**0**
Overseas Equity	41	**0**	**41**	**0**
North America	12	**-1**	12	**-1**
Europe ex UK	8	**0**	8	**0**
Japan	5	**0**	5	**0**
Pacific ex Japan	4	**0**	4	**0**
Emerging markets	5	+1	5	+1
Global Sustainable	3	**0**	3	**0**
Private Equity	4	**0**	4	**0**
Income Assets	23	**0**	**23**	**0**
Property	9	**0**	9	**0**
Infrastructure	8	**0**	8	**0**
Multi-asset Credit	6	**0**	6	**0**
Protection Assets	18	**-2.0**	**18**	**-2.0**
Conventional Gilts	6	**-1.0**	6	**-1.0**
UK index Linked	6	**-2.0**	6	**-2.0**
US TIPS	0	+1	0	+1
UK corporate bond	6	**0**	6	**0**
Cash	2	+2	**2**	+2

Anthony Fletcher
Senior Adviser

DD: +44 20 7079 1000
anthony.fletcher@mjhudson.com

Appendix

References

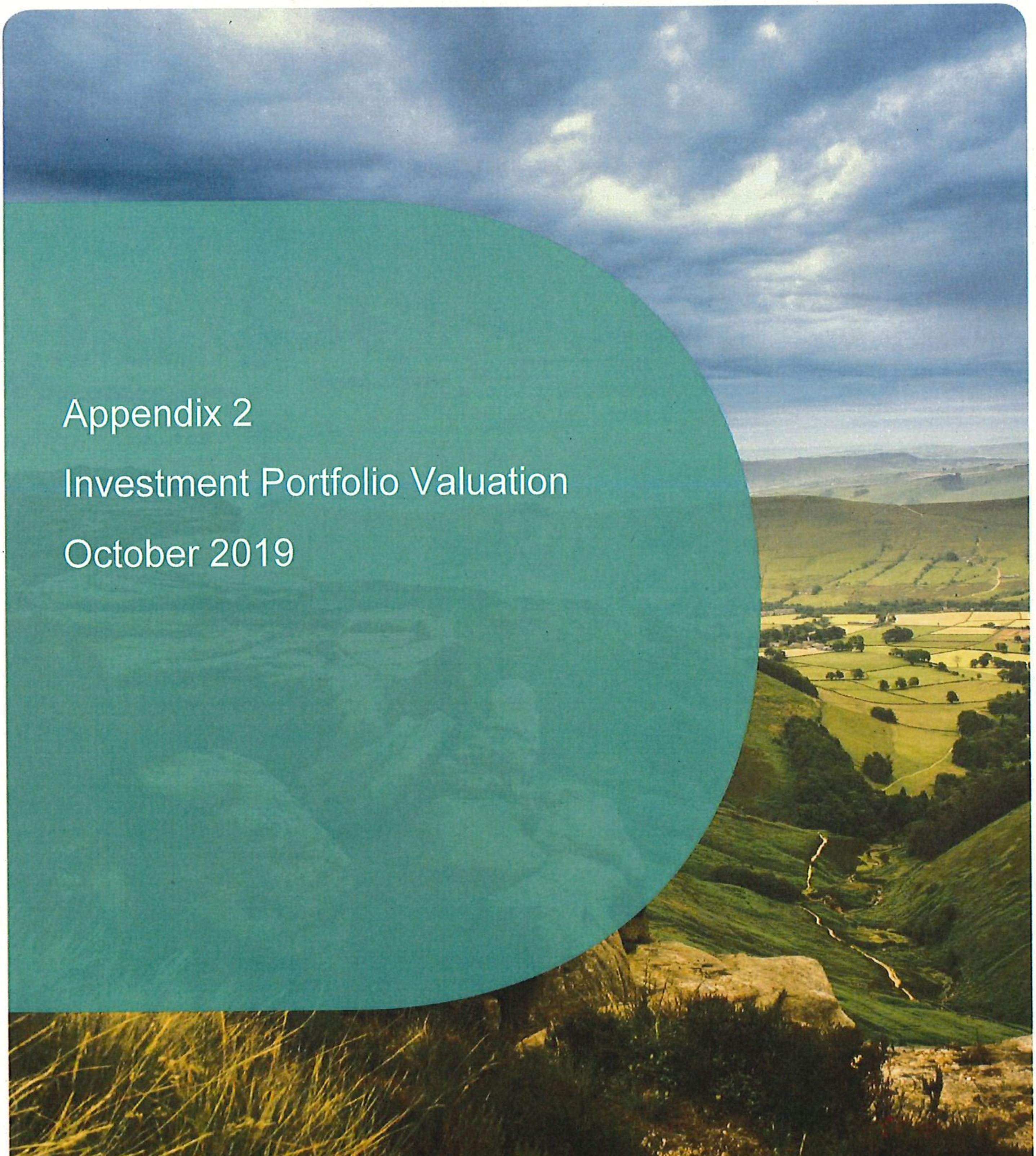
Source material was provided by, including but not limited to, the following suppliers:-

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

8 Old Jewry, London EC2R 8DN, United Kingdom | +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 2

Investment Portfolio Valuation

October 2019

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

DERBYSHIRE PENSION FUND

	DCC 31/10/2019 £m
Growth Assets	**2859.0**
UK	888.1
US	541.5
Europe	434.8
Japan	337.3
Pacific (ex Japan)	255.0
Emerging Markets	247.3
Global Sustainable	0.0
Private Equity	155.0
Income Assets	**1049.4**
Infrastructure	326.6
Property	411.7
Direct	240.2
Indirect	171.5
Multi-Asset Credit	311.1
Protection Assets	**889.5**
Government	282.7
UK	238.0
Overseas	44.7
Index Linked	294.0
UK	
Overseas	
Non Government	312.8
Cash	**333.5**
LGPSC Regulatory Capital	**2.0**
Total	**5133.5**

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

Sector	Company Name	Number held	Mkt Price Pence	Total £
OIL & GAS PRODUCERS				
UK Oil & Gas	BP PLC USD$0.25	8,560,000	489.30	41,884,080
UK Oil & Gas	Diversified Gas & Oil PLC	4,748,553	107.00	5,080,952
UK Oil & Gas	ROYAL DUTCH SHELL A' SHARES	536,000	2232.50	11,966,200
UK Oil & Gas	ROYAL DUTCH SHELL 'B' SHARES	2,434,000	2218.00	53,986,120
UK Oil & Gas	TULLOW OIL PLC	2,425,000	205.90	4,993,075
UK Oil & Gas Producers Total				**117,910,427**
OIL & GAS SERVICES				
UK Const Build Ma	WOOD GROUP (JOHN) PLC	1,030,000	338.20	3,483,460
UK Oil & Gas Services Total				**3,483,460**
CHEMICALS				
UK Chemicals	JOHNSON MAT ORD£1	245,750	3069.00	7,542,068
UK Chemicals Total				**7,542,068**
MINING				
UK Mining	ANGLO AMER US$0.50	377,000	1981.20	7,469,124
UK Mining	BHP BILLITON PLC	856,000	1634.60	13,992,176
UK Mining	GLENCORE PLC	6,671,000	232.60	15,516,746
UK Mining	RIO TINTO 10P	343,000	4014.00	13,768,020
UK Mining Total				**50,746,066**
CONSTRUCTION				
UK Engin Mach	BREEDON GROUP PLC	3,175,000	66.00	2,095,500
UK Engin Mach	MELROSE INDUSTRIES PLC	1,900,000	213.10	4,048,900
UK Construction Total				**6,144,400**
AEROSPACE				
UK Aero defence	BAE ORD 2.5P	1,323,000	576.20	7,623,126
UK Aero defence	BABCOCK INTL GROUP PLC	1,391,000	553.40	7,697,794
UK Aero defence	ROLLS ROYCE 20P	660,000	708.80	4,678,080
UK Aerospace Total				**19,999,000**
GENERAL INDUSTRIAL				
UK General Industr	DS SMITH PLC	1,527,000	357.20	5,454,444
UK General Industrial Total				**5,454,444**
ELECTRONIC EQUIPMENT				
UK Electronic equi	HALMA PLC	145,000	1873.50	2,716,575
UK Eelectronic Equipment Total				**2,716,575**
INDUSTRIAL ENGINEERING				
UK Engin Mach	HILL & SMITH HOLDINGS PLC	283,000	1310.00	3,707,300
UK General Industr	ROTORK PLC	1,385,000	301.40	4,174,390
UK Engin Mach	SPIRAX-SARCO 25P	65,000	7920.00	5,148,000
UK Industrial Engineering Total				**13,029,690**

SUPPORT SERVICES

UK Support Servic€	BUNZL PLC	131,000	2008.00	2,630,480
UK Support Servic€	ESSENTRA PLC	1,261,000	381.40	4,809,454
UK Const Build Ma	FERGUSON PLC	93,000	6580.00	6,119,400
UK Support Servic€	G4S PLC	3,350,000	206.60	6,921,100
UK Support Servic€	HOWDEN JOINERY GROUP PLC	805,000	577.40	4,648,070
UK Support Servic€	KEYWORDS STUDIOS PLC	200,000	1109.00	2,218,000
UK Support Services Total				**27,346,504**
BEVERAGES				
UKBeverages	DIAGEO 28 101/108P	1,100,000	3164.50	34,809,500
UK Beverages Total				**34,809,500**
FOOD PRODUCERS				
UKFoods	ASSOCIATED BRITISH FOODS PLC	300,000	2226.00	6,678,000
UK Food Producers Total				**6,678,000**
HOUSEHOLD GOODS				
UK Housebuilders	BARRATT DEVELOPMENTS PLC	945,000	631.20	5,964,840
UK Housebuilders	BELLWAY PLC	247,500	3160.00	7,821,000
UK Hous Gds Txtil€	PETER GEESON 2nd PREFERRED OF	16,487	0.00	-
UK Personal Care ,	RECKITT BENCKISER	302,000	5963.00	18,008,260
UK Household Goods Total				**31,794,100**
PERSONAL GOODS				
UK Retailers Gen	TED BAKER PLC	326,000	406.60	1,325,516
UK Food Prod & Pı	UNILEVER ORD 1.4P	326,000	4622.00	15,067,720
UK Personal Goods Total				**16,393,236**
TOBACCO				
UK Tobacco	BRIT AMER TOBC 25P	896,000	2702.00	24,209,920
UK Tobacco	IMPERIAL BRANDS PLC	591,000	1692.40	10,002,084
UK Tobacco Total				**34,212,004**
PHARMACEUTICAL & BIOTECH				
UK Pharm, Biotech	ASTRAZENECA ORD	630,000	7501.00	47,256,300
UK Pharm, Biotech	GLAXOSMITHKLINE25P	2,323,000	1768.60	41,084,578
UK Pharmaceutical & Biotech Total				**88,340,878**
FOOD RETAIL				
UK Retail Food & [	TESCO ORD 5P	5,725,000	235.20	13,465,200
UK Food Retail Total				**13,465,200**
GENERAL RETAIL				
UK Retailers Gen	JD SPORTS FASHION PLC	597,000	768.40	4,587,348
UK Retailers Gen	NEXT PLC	87,500	6582.00	5,759,250
UK General Retail Total				**10,346,598**
MEDIA				
UK Media & Photo	INFORMA PLC	1,100,000	775.00	8,525,000
UK Media & Photo	ITV ORD	6,859,000	133.70	9,170,483
UK Media & Photo	WPP GRP ORD 10P	500,000	963.00	4,815,000
UK Media Total				**22,510,483**
TRAVEL & LEISURE				
UK Travel & Leisur	CINEWORLD GROUP PLC	2,210,000	222.70	4,921,670
UK Travel & Leisur	COMPASS GRP ORD10P	807,976	2056.00	16,611,987
UK Travel & Leisur	GVC HOLDINGS PLC	1,195,000	889.80	10,633,110
UK Travel & Leisur	INTERCONTINENTAL HOTELS GRP	75,000	4660.00	3,495,000

UK Travel & Leisure Total				**35,661,767**
TELECOMS				
UK Fixed-Line Tele	BT ORD GBP 5P	6,200,000	204.70	12,691,400
UK Mobile Telecon	VODAFONE GRP COM	13,314,000	157.40	20,956,236
UK Telecoms Total				**33,647,636**
ELECTRICITY				
UK Electricity	SCOT & SOUTH 50P	748,000	1283.50	9,600,580
UK Electricity Total				**9,600,580**
GAS & WATER				
UK Electricity	NAT GRID PLC ORD 10P	2,234,000	901.30	20,135,042
UK Water	PENNON GP ORD £1	447,000	898.00	4,014,060
UK Water	SEVERN TR 65 5/19P	211,000	2255.00	4,758,050
UK Water	UNITED UTILITIES GROUP PLC	591,000	870.00	5,141,700
UK Gas & Water Total				**34,048,852**
BANKS, RETAIL				
UK Banks Retail	BARCLAYS ORD 25P	5,976,000	167.80	10,027,728
UK Banks Retail	HSBC HLDG $0.50	6,025,000	583.00	35,125,750
UK Banks Retail	LLOYDS BANKING GROUP PLC	39,950,000	56.79	22,687,605
UK Banks Retail	ROYAL BANK OF SCOTLAND GROUP	4,465,000	212.70	9,497,055
UK Banks Retail	STANDARD CHARTERED ORD	2,581,000	700.60	18,082,486
UK Banks - Retail Total				**95,420,624**
NON-LIFE INSURANCE				
UK Insurance	BEAZLEY PLC	885,000	586.50	5,190,525
UK Insurance	HISCOX	358,000	1488.00	5,327,040
UK Insurance	RSA INSURANCE GROUP	1,020,000	522.00	5,324,400
UK Non-Life Insurance Total				**15,841,965**
LIFE INSURANCE				
UK Insurance Life	AVIVA ORD 25P	1,734,000	415.10	7,197,834
UK Insurance Life	LEGAL&GEN GRP 2.5P	4,163,000	263.60	10,973,668
UK Insurance Life	M&G PLC	1,457,000	213.60	3,112,152
UK Insurance Life	PRUDENTIAL PLC	1,457,000	1348.00	19,640,360
UK Insurance Life	ST JAMES'S PLACE PLC	640,000	1040.50	6,659,200
UK Life Insurance Total				**47,583,214**
REAL ESTATE INVESTMENT TRUSTS				
UK Real Estate	LAND SECS ORD £1	443,000	940.00	4,164,200
UK Real Estate	LONDONMETRIC PROPERTY PLC	1,788,000	231.80	4,144,584
UK Real Estate	SEGRO PLC	793,000	844.20	6,694,506
UK Real Estate	SHAFTESBURY PLC	268,000	944.50	2,531,260
UK Real Estate Total				**17,534,550**
FINANCIAL SERVICES				
UK Special Financ	STANDARD LIFE ABERDEEN PLC	1,690,000	303.50	5,129,150
UK Special Financ	LONDON STOCK EXCHANGE GROUP	74,000	6954.00	5,145,960
UK Special Financ	SCHRODERS ORD GBP1	120,000	3095.00	3,714,000
UK General Financial Total				**13,989,110**
EQUITY INVESTMENT COMPANIES				
UK Investment Co's	ABERFORTH SML 1P	939,000	1300.00	12,207,000
UK Investment Co's	BLACKROCK SMALLER COMPANIES	830,000	1462.00	12,134,600
UK Investment Co's	LOW CARBON ACCELERATOR LTD	3,868,000	0.00	-
UK Investment Co's	MONTANARO UK SMALLER CO'S 10P	11,996,285	111.00	13,315,876

UK Investment Co's	RIVER & MERCANTILE UK MICRO	2,902,170	165.00	4,788,581
UK Investment Co's	STRATHDON INVESTMENTS PLC	20	1000.00	20,000
UK Equity Investment Companies Total				**42,466,057**
SOFTWARE & COMPUTER SERVICES				
UK Elect electron	MICRO FOCUS INTERNATIONAL	263,800	1060.00	2,796,280
UK Elect electron	NCC GROUP PLC	947,000	187.20	1,772,784
UK Software & Cor	SAGE GROUP ORD 1P	1,020,000	719.80	7,341,960
UK Software & Computer Services Total				**11,911,024**
UNIT TRUSTS & OEICs				
UK Unit Trusts	LIONTRUST UK SMALLER COMPANIE	1,201,544.47	1457.95	17,517,918
UK Unit Trusts & OEICs Total				**17,517,918**
TOTAL UNITED KINGDOM				**888,145,928**

DERBYSHIRE PENSION FUND					
OCTOBER 2019 PORTFOLIO VALUATION - BID					
US EQUITIES					
Sector	**Company Name**	**Number held**	**Mkt price USD/ CAN$**	**Mkt Price GBP**	**Value in Sterling £**
OIL & GAS PRODUCERS					
US Oil & Gas	BP PLC-SPONS ADR	47689	37.91	29.30	1,397,137
US Oil & Gas	CHEVRON CORP	45628	116.12	89.74	4,094,544
US Oil & Gas	CONCHO RESOURCES INC	14114	67.52	52.18	736,461
US Oil & Gas	DIAMONDBACK ENERGY INC	16685	85.77	66.28	1,105,933
US Oil & Gas	ENCANA CORP	279378	3.93	3.04	848,500
US Oil & Gas	EXXON MOBILE CORP	156444	67.57	52.22	8,169,208
US Oil & Gas	MARATHON PETROLEUM CORP	64414	64.00	49.46	3,185,865
US Oil & Gas	NOBLE ENERGY INC	73061	19.26	14.88	1,087,449
US Oil & Gas	PIONEER NATURAL RESOURCES CO	8691	123.02	95.07	826,252
US Oil & Gas	TC ENERGY CORP	79600	50.34	38.90	3,096,659
US Oil & Gas Producers Total					**24,548,009**
OIL & GAS SERVICES					
US Oil & Gas Services	SCHLUMBERGER LTD	93701	32.68	25.26	2,366,428
US Forestry & Paper Total					**2,366,428**
CHEMICALS					
US Chemicals	CABOT CORP	56994	43.59	33.69	1,919,920
US Chemicals	CELANESE CORP	16777	121.15	93.62	1,570,742
US Chemicals	FMC CORP	29051	91.49	70.70	2,054,007
US Chemicals	INGEVITY CORP	22124	84.21	65.08	1,439,774
US Chemicals	LINDE PLC	20882	198.33	153.27	3,200,572
US Chemicals	PPG INDUSTRIES INC	28919	125.12	96.69	2,796,257
US Chemicals Total					**12,981,272**
FORESTRY & PAPER					
US Industrial Metals	INTERNATIONAL PAPER CO	43957	43.68	33.76	1,483,808
US Forestry & Paper Total					**1,483,808**
INDUSTRIAL METALS					
US Industrial Metals	LIVENT CORP	42162	6.85	5.29	223,192
US Industrial Metals Total					**223,192**
AEROSPACE					
US Aero defence	BOEING CO/THE	18255	339.96	262.72	4,795,973
US Aero defence	LOCKHEED MARTIN CORP COM	23390	376.54	290.99	6,806,259
US Aero defence	UNITED TECHNOLOGIES CORP	74270	143.51	110.90	8,236,879
US Aerospace Total					**19,839,111**
GENERAL INDUSTRIAL					
US Div Ind	BALL CORP	57253	69.97	54.07	3,095,831
US Div Ind	CATERPILLAR INC	513	137.77	106.47	54,618
US Div Ind	DANAHER CORP	37150	137.85	106.53	3,957,607
US Div Ind	DOVER CORP	5786	103.88	80.28	464,491
US Div Ind	DYCOM INDUSTRIES INC	21691	45.58	35.22	764,049
US Div Ind	GARDNER DENVER HOLDINGS INC	121755	31.83	24.60	2,994,957
US Div Ind	GREENBRIER COMPANIES INC	18280	29.27	22.62	413,491
US Div Ind	ILLINOIS TOOL WORKS INC	17766	168.49	130.21	2,313,294
US Div Ind	INGERSOLL-RAND PLC	29614	126.80	97.99	2,901,907
US Div Ind	PACCAR INC	19009	76.05	58.77	1,117,186
US Div Ind	REXNORD CORP	11869	28.24	21.82	259,028
US Div Ind	TRITON INTERNATIONAL LTD/BER	28181	36.67	28.34	798,609
US Div Ind	WABTEC CORP	16459	69.37	53.61	882,353
US General Industrial Total					**20,017,421**

Sector	Company Name	Number held	Mkt price USD/ CAN$	Mkt Price GBP	Value in Sterling £
ELECTRONIC EQUIPMENT					
US Electricity	3M CO	1912	164.96	127.48	243,744
US Electricity	AMETEK INC	8387	91.64	70.82	593,962
US Electricity	FORTIVE CORP	53487	68.96	53.29	2,850,445
US Electricity	GENERAL ELECTRIC CO	127432	9.98	7.71	982,825
US Electricity	NVENT ELECTRIC PLC	87782	23.05	17.81	1,563,664
US Electronic Equipment Total					**6,234,640**
INDUSTRIAL TRANSPORT					
US Transportation	FEDEX CORP	7777	152.66	117.98	917,497
US Transportation	HUNT (JB) TRANSPORT SERVICES	4526	117.53	90.83	411,084
US Transportation	NORFOLK SOUTHERN CORP	20365	182.01	140.66	2,864,486
US Transportation	SCHNEIDER NATIONAL INC-CL B	10613	22.85	17.66	187,409
US Transportation	UBER TECHNOLOGIES INC	102944	31.47	24.32	2,503,600
US Industrial Transport Total					**6,884,076**
SUPPORT SERVICES					
US Support Services	CERIDIAN HCM HOLDING INC	6321	48.24	37.28	235,646
US Support Services	GENPACT LTD	54404	39.16	30.26	1,646,420
US Support Services	TRANSUNION	13005	82.65	63.87	830,654
US Support Services	TRINET GROUP INC	32219	53.00	40.96	1,319,639
US Support Services Total					**4,032,359**
BEVERAGES					
US Beverages	COCA-COLA CO/THE	282332	54.42	42.06	11,873,691
US Beverages Total					**11,873,691**
FOOD PRODUCTION/PROCESS					
US Food Prod & Proce	MONDELEZ INTERNATIONAL INC-A	165418	52.47	40.55	6,707,504
US Food Production & Processing Total					**6,707,504**
HOUSEHOLD GOODS					
US Hous Gds Txtiles	UNDER ARMOUR INC-CLASS A	262223	20.65	15.96	4,184,639
US Hous Gds Txtiles	UNDER ARMOUR INC-CLASS C	208537	18.50	14.30	2,981,412
US Household Goods Total					**7,166,050**
PERSONAL GOODS					
US Personal Care / Ho	PROCTOR & GAMBLE CO/THE	122461	124.51	96.22	11,783,360
US Personal Goods Total					**11,783,360**
HEALTHCARE EQUIPMENT & SERVICES					
US Healthcare Equipm	ANTHEM INC	40372	269.10	207.96	8,395,780
US Healthcare Equipm	EDWARDS LIFESCIENCES CORP	21137	238.33	184.18	3,893,043
US Healthcare Equipm	ELANCO ANIMAL HEALTH INC	18278	27.02	20.88	381,664
US Healthcare Equipm	HCA HOLDINGS INC	24203	133.49	103.16	2,496,807
US Healthcare Equipm	NUVASIVE INC	55895	70.54	54.51	3,047,022
US Healthcare Equipm	THERMO FISHER SCIENTIFIC	26128	302.12	233.48	6,100,322
US Healthcare Equipment & ServicesTotal					**24,314,638**
PHARMACEUTICAL, BIOTECH					
US Healthcare	ABBOTT LABORATORIES	134274	83.61	64.61	8,675,954
US Healthcare	AERIE PHARMACEUTICALS INC	11723	22.18	17.14	200,940
US Healthcare	ALNYLAM PHARMACEUTICALS INC	3253	86.73	67.02	218,032
US Healthcare	APELLIS PHARMACEUTICALS INC	2400	29.39	22.71	54,510
US Pharm, Biotech	ASSEMBLY BIOSCIENCES INC	7199	16.46	12.72	91,573
US Pharm, Biotech	ATRECA INC-A	9538	11.22	8.67	82,702
US Pharm, Biotech	ASTRAZENECA PLC-SPONS ADR	179432	49.03	37.89	6,798,747
US Pharm, Biotech	AUDENTES THERAPEUTICS INC	6588	26.91	20.80	137,004
US Healthcare	BAXTER INTERNATIONAL INC	54471	76.70	59.27	3,228,701
US Healthcare	BIOGEN INC	2048	298.71	230.84	472,767

Sector	Company Name	Number held	Mkt price USD/ CAN$	Mkt Price GBP	Value in Sterling £
US Healthcare	BIOHAVEN PHARMACEUTICAL HOLD	13673	45.91	35.48	485,108
US Healthcare	BLUEBIRD BIO INC	5011	81.01	62.60	313,711
US Healthcare	BRISTOL-MYERS SQUIBB CO	102329	57.38	44.34	4,537,602
US Healthcare	COHERUS BIOSCIENCES INC	33106	17.35	13.41	443,888
US Pharm, Biotech	DERMIRA INC	65058	6.69	5.17	336,352
US Pharm, Biotech	ELI LILLY & CO	37135	113.97	88.08	3,270,703
US Pharm, Biotech	FORTY SEVEN INC	28766	6.91	5.34	153,612
US Pharm, Biotech	GLOBAL BLOOD THERAPEUTICS IN	8786	47.91	37.02	325,300
US Pharm, Biotech	GLYCOMIMETICS INC	18311	5.27	4.07	74,574
US Pharm, Biotech	G1 THERAPEUTICS INC	16294	21.15	16.34	266,321
US Pharm, Biotech	HERON THERAPEUTICS INC	10636	21.24	16.41	174,582
US Pharm, Biotech	INCYTE CORP	6262	83.94	64.87	406,209
US Healthcare	MEDICINES COMPANY	21797	52.51	40.58	884,516
US Healthcare	MADRIGAL PHARMACEUTICALS INC	3085	92.43	71.43	220,361
US Healthcare	MOMENTA PHARMACEUTICALS INC	16300	15.47	11.96	194,870
US Healthcare	MYOKARDIA INC	11431	57.31	44.29	506,269
US Healthcare	MYOVANT SCIENCES LTD	23146	5.45	4.21	97,485
US Healthcare	NEKTAR THERAPEUTICS	27826	17.12	13.23	368,147
US Healthcare	ODONATE THERAPEUTICS INC	12709	31.76	24.54	311,931
US Pharm, Biotech	PFIZER INC	273846	38.39	29.67	8,124,406
US Pharm, Biotech	PHASEBIO PHARMACEUTICALS INC	7900	4.11	3.18	25,092
US Pharm, Biotech	PORTOLA PHARMACEUTICALS INC	24881	28.90	22.33	555,690
US Pharm, Biotech	RADIUS HEALTH INC	11904	28.41	21.96	261,355
US Pharm, Biotech	REATA PHARMACEUTICALS INC-A	1782	206.15	159.31	283,895
US Pharm, Biotech	REVANCE THERAPEUTICS INC	26757	15.68	12.12	324,228
US Pharm, Biotech	RIGEL PHARMACEUTICALS INC	37337	2.04	1.58	58,862
US Pharm, Biotech	SATSUMA PHARMACEUTICALS INC	5500	11.18	8.64	47,519
US Pharm, Biotech	SEATTLE GENETICS INC	12321	107.30	82.92	1,021,675
US Pharm, Biotech	SYNDAX PHARMACEUTICALS	24029	6.71	5.19	124,602
US Pharm, Biotech	TRICIDA INC	13578	37.37	28.88	392,126
US Healthcare	VERTEX PHARMACEUTICALS INC	5738	195.40	151.01	866,467
US Healthcare	WAVE LIFE SCIENCES LTD	7997	25.29	19.54	156,294
US Healthcare	UNITEDHEALTH GROUP INC	12367	252.66	195.26	2,414,727
US Pharmaceutical, Biotech Total					**47,989,416**
FOOD RETAIL					
US Retail Food & Druc	HOUGHTON MIFFLIN HARCOURT CO	102894	6.45	4.98	512,881
US Retail Food & Druc	HYATT HOTELS CORP-CL A	45991	74.71	57.74	2,655,331
US Retail Food & Druc	MCDONALD'S CORP	87712	196.63	151.96	13,328,335
US Retail Food & Druc	MGM RESORTS INTERNATIONAL	38486	28.49	22.02	847,349
US Food Retail Total					**17,343,897**
RETAILERS - GENERAL					
US Retailers Gen	AMAZON.COM INC	14067	1,776.83	1,373.13	19,315,879
US Retailers Gen	BURLINGTON STORES INC	28220	192.17	148.51	4,190,923
US Retailers Gen	EXPEDIA INC	41244	136.66	105.61	4,355,814
US Retailers Gen	LOWE'S COS INC	47674	111.57	86.22	4,110,514
US Retailers Gen	TJX COMPANIES INC	163022	57.66	44.56	7,264,203
US Retailers - General Total					**39,237,333**
MEDIA					
US Media & Photo	CHARTER COMMUNICATIONS INC-A	12898	467.73	361.46	4,662,134
US Media & Photo	COMCAST CORP CL A	268920	44.82	34.64	9,314,554
US Media & Photo	ELECTRONIC ARTS INC	39287	96.42	74.51	2,927,407
US Media & Photo	FACEBOOK INC	78167	191.68	148.13	11,578,901
US Media & Photo	LIBERTY MEDIA CORP-MEDIA C	37174	42.50	32.84	1,220,943
US Media & Photo	NETFLIX INC	12550	287.43	222.13	2,787,680
US Media & Photo	NEW YORK TIMES CO-A	21175	30.90	23.88	505,649
US Media & Photo	PINTEREST INC-CLASS A	24373	25.11	19.41	472,958
US Media & Photo	WALT DISNEY COMPANY	18433	129.92	100.40	1,850,713

Sector	Company Name	Number held	Mkt price USD/ CAN$	Mkt Price GBP	Value in Sterling £
US Media Total					**35,320,939**
TELECOMS					
Telecoms	VERIZON COMMUNICATIONS INC	206655	60.48	46.74	9,658,836
US Telecoms Total					**9,658,836**
ELECTRICITY					
US Electricity	AVANGRID INC	25800	50.04	38.67	997,710
US Electricity	DUKE ENERGY CORP	34548	94.23	72.82	2,515,818
US Electricity	EDISON INTERNATIONAL	22194	62.90	48.61	1,078,831
US Electricity	EXELON CORP	138237	45.49	35.15	4,859,676
US Electricity	NATIONAL GRID PLC-SP ADR	31230	58.37	45.11	1,408,733
US Electricity	NRG ENERGY INC	124435	40.12	31.00	3,858,074
US Electricity	PPL CORP	85769	33.48	25.87	2,219,131
US Electricity Total					**16,937,973**
GAS & WATER					
Gas	SEMPRA ENERGY	46713	144.50	111.67	5,216,422
Gas	UGI CORP	36367	47.67	36.84	1,339,738
US Gas & Water Total					**6,556,160**
BANKS, RETAIL					
US Banks Retail	BANK OF AMERICA CORP	528918	31.27	24.17	12,781,545
US Banks Retail	MGIC INVESTMENT CORP	95949	13.71	10.60	1,016,588
US Banks Retail	SVB FINANCIAL GROUP	7338	221.41	171.11	1,255,573
US Banks - Retail Total					**15,053,706**
NON-LIFE INSURANCE					
US Insurance	AMERICAN INTERNATIONAL GROUP	91038	53.00	40.96	3,728,771
US Insurance	ASSURANT INC	34249	126.03	97.40	3,335,715
US Insurance	ASSURED GUARANTY LTD	94809	46.91	36.25	3,437,020
US Insurance	ATHENE HOLDING LTD-CLASS A	68759	43.34	33.49	2,302,956
US Insurance	HARTFORD FINANCIAL SVCS GRP	81167	57.06	44.10	3,579,137
US Insurance	MARSH & MCLENNAN COS INC COM	46655	103.61	80.07	3,735,657
US Insurance	PROGRESSIVE CORP	31255	69.70	53.86	1,683,524
US Insurance	PRUDENTIAL FINANCIAL INC	20785	91.11	70.41	1,463,468
US Insurance	TRUPANION INC	38711	23.71	18.32	709,305
US Non-Life Insurance Total					**23,975,553**
REAL ESTATE					
US Real Estate	AMERICAN TOWER CORP	36638	218.08	168.53	6,174,684
US Real Estate	ALEXANDRIA REAL ESTATE EQUIT	21966	158.66	122.61	2,693,305
US Real Estate	CAMDEN PROPERTY TRUST	24781	114.49	88.48	2,192,570
US Real Estate	EQUINIX INC	11787	566.78	438.01	5,162,795
US Real Estate	HEALTHPEAK PROPERTIES INC	57622	37.62	29.07	1,675,229
US Real Estate	STORE CAPITAL CORP	37995	40.50	31.30	1,189,183
US Real Estate Total					**19,087,766**
GENERAL FINANCIAL					
US Special Finance	AMERICAN EXPRESS CO	33748	117.29	90.64	3,058,976
US Special Finance	ARES MANAGEMENT CORP - A	100637	29.59	22.87	2,301,282
US Special Finance	THE BLACKSTONE GROUP INC-A	100788	53.16	41.08	4,140,577
US Special Finance	EQUIFAX INC	9250	136.73	105.66	977,401
US Special Finance	FLEETCOR TECHNOLOGIES INC	14456	294.16	227.33	3,286,237
US Special Finance	GLOBAL PAYMENTS INC	50526	169.26	130.80	6,609,009
US Special Finance	HAMILTON LANE INC-CLASS A	35785	59.61	46.07	1,648,494
US Special Finance	IHS MARKIT LTD	71210	69.99	54.09	3,851,626
US Special Finance	ONEMAIN HOLDINGS INC	57648	39.99	30.90	1,781,569
US Special Finance	PAYPAL HOLDINGS INC	37681	104.10	80.45	3,031,379

Sector	Company Name	Number held	Mkt price USD/ CAN$	Mkt Price GBP	Value in Sterling £
US Special Finance	RAYMOND JAMES FINANCIAL INC	18742	83.49	64.52	1,209,254
US Special Finance	S&P GLOBAL INC	12905	257.93	199.33	2,572,332
US Special Finance	TD AMERITRADE HOLDING CORP	90100	38.37	29.65	2,671,675
US Special Finance	VISA INC CL A SHS	53411	178.83	138.20	7,381,391
US Special Finance	VOYA FINANCIAL INC	43061	53.95	41.69	1,795,323
US Special Finance	WEX INC	10536	189.35	146.33	1,541,730
US General Financial Total					**47,858,255**
SOFTWARE					
US Software & Comp {	ADOBE SYSTEMS INC	7706	277.95	214.80	1,655,247
US Software & Comp {	ALPHABET INC - CL A SHARES	21622	1,258.81	972.81	21,034,063
US Software & Comp {	BLUCORA INC	100778	21.60	16.69	1,682,235
US Software & Comp {	GODADDY INC - CLASS A	63447	65.04	50.26	3,189,031
US Software & Comp {	GUIDEWIRE SOFTWARE INC	8923	112.74	87.13	777,421
US Software & Comp {	MICROSOFT CORP	210067	143.39	110.81	23,277,901
US Software & Comp {	SALESFORCE.COM INC	31876	156.49	120.94	3,854,939
US Software & Comp {	SERVICENOW INC	4509	247.26	191.08	861,591
US Software & Comp {	SLACK TECHNOLOGIES INC-CL A	26302	21.99	16.99	446,973
US Software & Comp {	SPLUNK INC	7199	119.92	92.67	667,161
US Software & Comp {	SPOTIFY TECHNOLOGY SA	6881	144.19	111.43	766,750
US Software & Comp {	SS&C TECHNOLOGIES HOLDINGS	113817	52.03	40.21	4,576,443
US Software & Comp {	SVMK INC	129518	18.40	14.22	1,841,684
US Software & Comp {	TAKE-TWO INTERACTIVE SOFTWARE	8517	120.37	93.02	792,268
US Software & Comp {	WORKDAY INC-CLASS A	12867	162.11	125.28	1,611,960
US Software Total					**67,035,666**
TECHNOLOGY HARDWARE					
US IT Hardware	ADVANCED MICRO DEVICES	167711	33.95	26.24	4,400,160
US IT Hardware	APPLE INC	64452	248.81	192.28	12,392,854
US IT Hardware	FIRST SOLAR INC	8934	51.79	40.02	357,568
US IT Hardware	INTEL CORP	43203	56.54	43.69	1,887,717
US IT Hardware	KLA-TENCOR CORP	12255	169.05	130.64	1,601,016
US IT Hardware	LATTICE SEMICONDUCTOR CORP	111384	19.57	15.12	1,684,538
US IT Hardware	MARVELL TECHNOLOGY GROUP LTD	98772	24.38	18.84	1,860,950
US IT Hardware	MICRON TECHNOLOGY INC	75209	47.55	36.75	2,763,678
US IT Hardware	TAIWAN SEMICONDUCTOR-SP ADR	41745	51.61	39.88	1,664,966
US IT Hardware	TERADYNE INC	20048	61.21	47.30	948,332
US IT Hardware	TEXAS INSTRUMENTS INC	32743	118.01	91.20	2,986,100
US IT Hardware	WESTERN DIGITAL CORP	61272	51.64	39.91	2,445,206
US Technology Hardware Total					**34,993,085**
TOTAL UNITED STATES					**541,504,147**

DERBYSHIRE PENSION FUND
OCTOBER 2019 PORTFOLIO VALUATION - BID

EUROPEAN EQUITIES Company name	Number held	Mkt price in local currency	Mkt Price GBP	Value in Sterling £
EUROPEAN				
PASSIVE TRACKER FUND				
EUROPEAN UBS LIFE EUROPE EX-UK EQUITY T	127,335,613	**341.46**	**3.41**	434,800,184
EUROPEAN EQUITIES TOTAL				**434,800,184**

DERBYSHIRE PENSION FUND
OCTOBER 2019 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	**149.00**	**149.00**	7,450,000
Japan	JPMorgan JAP IT 25P	7,730,000	**444.00**	**444.00**	34,321,200
Japan	JPMF japs smoc	2,250,000	**408.00**	**408.00**	9,180,000
Japan	Schroder Japan Growth Fund 10p ords	11,300,000	**190.50**	**190.50**	21,526,500
J Investment Companies Total					**72,477,700**
Unit Trusts & OEICs					
Japan	Baillie Gifford OGF - Japanese B Acc Shares	4,521,496.91	**1,727.00**	**1,727.00**	78,086,252
Japan	Baring Japan Growth Trust	5,500,000.00	**225.00**	**225.00**	12,375,000
Japan	Invesco Japan FD-UKNTACC	4,559,533.10	**203.11**	**203.11**	9,260,868
Japan	JPMorgan Jap Fd A Acc	3,000,000.00	**498.70**	**498.70**	14,961,000
Japan	Schroder UT Tokyo Ac	11,000,000.00	**361.00**	**361.00**	39,710,000
J Unit Trusts Total					**154,393,119**
Life Policies					
Internatioı	LGIM Japan Equity Index Fund	26,144,067.250	**2.04**	**2.04**	53,300,956
International Life Policies					**53,300,956**
Investment Entities					
Japan	Aberdeen Global - JAP Smaller Cos Fund D£	1,662,639.78	**12.04**	**12.04**	20,025,499
Japan	JO Hambro - Japan Fd GBP-A	15,000,000.00	**2.47**	**2.47**	37,080,000
J Investment Entities Total					**57,105,499**
JAPAN TOTAL					**337,277,274**
OTHER ASIA					
Investment Companies					
Asian	ABERDEEN ASIAN INCOME FUND ORDS	3,000,000	**208.00**	**208.00**	6,240,000
Asian	ABERDEEN NDIT 25P	7,780,000	**244.00**	**244.00**	18,983,200
Asian	ASIA DRAGON TRUST 20P	8,610,000	**398.00**	**398.00**	34,267,800
Asian	INVESCO ASIA TRUST 10P	6,358,000	**266.00**	**266.00**	16,912,280
OA Investment Companies Total					**76,403,280**
Unit Trusts & OEICs					
Asian	Stewart Investors Asia Pacific Fund (First State As	5,250,000	**1,455.13**	**1,455.13**	76,394,325
Asian	JPMorgan Asia Fund A Ac	20,000,000	**229.90**	**229.90**	45,980,000
Asian	Schroder Instl PAC Fd Ac	2,000,000	**1,666.00**	**1,666.00**	33,320,000
OA Unit Trusts Total					**155,694,325**
Investment Entities					
Asian	Baring Int'l Australia $	130,000.000	**118.51**	**91.58**	11,905,989
Asian	Legg Mason-Martin Currie Greater China Fund-AA	423,709.979	**33.63**	**25.99**	11,011,911
OA Investment Entities Total					**22,917,899**
OTHER ASIA TOTAL					**255,015,504**
EMERGING MARKETS					
Investment Companies					
Internatioı	ABERDEEN EMERGING MARKETS	2,788,425	**556.00**	**556.00**	15,503,643
Internatioı	ABERDEEN FRONTIER MARKETS	4,250,000	**46.00**	**46.00**	1,955,000
Internatioı	BLACKROCK FRONTIERS INV TRUST	3,200,000	**126.00**	**126.00**	4,032,000
Latin Ame	Blackrock Latin American Investment Trust plc	862,529	**450.00**	**450.00**	3,881,381
Internatioı	JP Morgan EMER IT25P	3,700,000	**964.00**	**964.00**	35,668,000
Int'l Investment Companies Total					**61,040,024**
Unit Trusts & OEICs					
Internatioı	Stewart Investors Global Emerging Markets Funf	3,000,000	**882.83**	**882.83**	26,484,900
Latin Ame	Thd ndle Lnamer Gwth	3,500,000	**300.07**	**300.07**	10,502,450
Int'l Unit Trusts Total					**36,987,350**
Life Policies					
Internatioı	LGIM World Emerging Markets Index Fund	29,006,553.890	**3.50**	**3.50**	101,484,070
International Life Policies					**101,484,070**
Investment Entities					
Internatioı	FPP GLOBAL EMERGING MKTS	82,057.980	**99.17**	**76.64**	6,288,807
Latin Ame	JPMorgan LNAMER A U$	86,085.904	**49.02**	**37.88**	3,261,163
Internatioı	POLUNIN FUNDS-DEVEL CNTY-B	47,502.659	**1,042.53**	**805.67**	38,271,334
LatAm Investment Entities Total					**47,821,303**
EMERGING MARKETS TOTAL					**247,332,747**
OTHER EQUITIES TOTAL					**839,625,524**

DERBYSHIRE PENSION FUND
OCTOBER 2019 PORTFOLIO VALUATION - BID

OTHER EQUITIES Company name	Number held	Mkt price in local currency	Value in Sterling £
PRIVATE EQUITY			
Quoted Private Equity			
UK Invest APAX GLOBAL ALPHA LTD	3,000,000	161.50	4,845,000
UK Invest HARBOURVEST GLOBAL PRIVATE	925,000	1660.00	15,355,000
UK Invest HGCAPITAL TRUST PLC	7,053,150	240.50	16,962,826
UK Invest ICG ENTERPRISE TRUST PLC	181,795	932.00	1,694,329
UK Invest NB PRIVATE EQUITY PARTNERS Ltd (A)	1,500,000	14.20	16,460,640
UK Invest PANTHEON INTERNATIONAL PLC	345,000	2260.00	7,797,000
UK Invest PRINCESS PRIVATE EQUITY HOLDING LTD	500,000	10.05	4,329,992
UK Invest STANDARD LIFE PRIVATE EQUUITY	900,000	348.00	3,132,000
UK Invest WOODFORD PATIENT CAPITAL TRUST	5,000,000	37.00	1,850,000
UK Quoted Private Equity Total			**72,426,787**
Unquoted Private Equity			
UK Uncla ADAM STREET PARTNERS (FEEDER) 2017 FI	30,000,000	0.43	9,986,846
UK Uncla BAIRD CAPITAL PARTNERS EUROPE FUND I	4,300,000	0.03	124,559
UK Uncla CAPITAL DYNAMICS GLOBAL SECONDARIES	20,000,000	0.75	11,626,565
UK Uncla CAPITAL DYNAMICS MID-MARKET DIRECT FI	25,000,000	0.86	18,615,955
UK Uncla CAPITAL DYNAMICS LGPS COLLECTIVE PE \	20,000,000	0.31	6,261,771
UK Uncla CATAPULT GROWTH FUND UNITS	3,000,000	0.07	210,807
UK Uncla EAST MIDLANDS VENTURE	3,000,000	0.07	197,722
UK Uncla EPIRIS FUND II	25,000,000	0.36	8,880,337
UK Uncla GRAPHITE CAPITAL PARTNERS FUND 1X A	11,250,000	0.02	193,881
UK Uncla GRAPHITE CAPITAL PARTNERS FUND 1X C	11,250,000	0.02	193,881
UK Uncla MOBEUS EQUITY PARTNERS IV LP	10,000,000	0.55	5,477,042
UK Invest PANORAMIC ENTERPRISE CAPITAL UNITS	1,428,486	1.17	1,678,199
UK Invest PANORAMIC GROWTH FUND 2 LP	10,000,000	0.47	4,748,046
UK Invest PARTNERS GROUP GLOBAL VALUE 2008	7,500,000	0.48	3,118,742
UK Invest STAR CAPITAL STRATEGIC ASSETS III LP	12,500,000	0.46	5,004,418
UK Uncla VESPA CAPITAL II LLP	10,000,000	0.62	6,223,415
UK Unquoted Private Equity Total			**82,542,188**
PRIVATE EQUITY TOTAL			**154,968,975**
INFRASTRUCTURE			
UK Infrastructure Quoted			
Closed-er FORESIGHT SOLAR FUND LTD	4,000,000	117.00	4,680,000
Closed-er GREENCOAT UK WIND PLC	11,875,000	145.80	17,313,750
Closed-er HICL INFRASTRUCUTRE CO LTD	6,060,872	171.20	10,376,213
Closed-e INTERNATIONAL PUBLIC PARTNERSHIP LTI	20,462,823.00	157.80	32,290,334.69
Closed-e 3I INFRASTRUCTURE PLC	2,249,999.00	286.50	6,446,247.14
Closed-e RENEWABLES INFRASTRUCTURE GR	8,111,111.00	130.80	10,609,333.19
UK Infrastructure Quoted Total			**81,715,878**
UK Infrastructure Unquoted			
UK Uncla DALMORE CAPITAL 3 LP	25,000,000	0.96	23,989,390
UK Uncla EQUITIX FUND 1 LTD P'SHIP	7,500,000	1.68	12,571,857
UK Uncla Equitix Fund IV Ltd P'ship	25,000,000	1.12	27,946,291
UK Uncla FIRST STATE EDIF II	20,000,000	0.83	14,332,579
UK Uncla IMPAX NEW ENERGY INVESTORS II UNITS	10,000,000	0.00	41,281
UK Uncla JP Morgan Infrastructure Investment Fund UK L	110,000,000	1.00	85,161,065
UK Uncla MEIF 5 Co-Invest LP	12,600,000	0.61	6,597,213
UK Uncla MEIF 6 Co-Invest LP	28,000,000	0.00	-
UK Uncla Macquarie European Infrastructure Fund 5 LP	14,400,000	0.90	11,212,345
UK Uncla Macquarie European Infrastructure Fund 6 SCS|	56,000,000	0.18	8,818,905
UK Uncla PIP Multi Strategy Infrastructure LP	25,000,000	0.85	21,146,800
UK Uncla SL CAPITAL INFRASTRUCTURE 1LP	15,000,000	1.12	16,845,009
UK Uncla SL Capital Infratructure II SCSP	25,000,000	0.75	16,195,714
UK Infrastructure Total			**244,858,449**
INFRASTRUCTURE TOTAL			**326,574,327**
ALTERNATIVES TOTAL			**481,543,302**

DERBYSHIRE PENSION FUND
OCTOBER 2019 PORTFOLIO VALUATION - BID

					31/10/2019 Value £
Real Property					
Property		Southampton Property			6,500,000
Property		Retail Unit Tamworth			8,750,000
Property		15-17 Jockeys Field London			11,700,000
Property		D'Arblay House, London			16,900,000
Property		Bristol Odeon Development			5,250,000
Property		Quintins Centre, Hailsham			6,000,000
Property		Caledonia House, London			24,000,000
Property		Chelsea Fields Ind Est, London			13,800,000
Property		Planet Centre, Feltham			13,800,000
Property		Hill St, Mayfair			15,350,000
Property		Birmingham - Travelodge developm't			17,200,000
Property		Saxmundham, Tesco developm't			9,900,000
Property		Roundhay Road, Leeds			6,900,000
Property		Premier Inn, Rubery, Birmingham			6,200,000
Property		South Normanton Warehouse, Alfreton			15,600,000
Property		Loddon Centre, Basingstoke			13,700,000
Property		Parkway, Bury St Edmunds			11,700,000
Property		Waitrose, York			13,550,000
Property		Link 95, Haywood Manchester			10,650,000
Property		Car Park, Welford Rd Leicester			12,750,000
Total Real Property					**240,200,000**
Property Managed Funds			**Number held**	**Mkt price**	
Property	**Pence**	Assura PLC	6,000,000	74.7000	4,482,000
Property	**GBP**	Aviva Pooled Property Fund - cla	609,181	16.4475	10,019,517
Property	**GBP**	Aviva Pooled Property Fund - cla	529,748	16.5672	8,776,456
Property	**GBP**	Bridges Property Alternatives Fu	10,000,000	0.7479	7,479,180
Property	**GBP**	Bridges Property Alternatives Fu	10,000,000	0.2238	2,238,003
Property	**EUR**	Fidelity Eurozone Select Real Es	4,486	5965.2876	23,060,556
Property	**GBP**	Hearthstone Residential Fund 1 I	25,000,000	0.6493	16,231,632
Property	**GBP**	Igloo Regeneration P'ship Propei	4,644,493	0.0419	194,641
Property	**EUR**	Invesco Real Estate-European F	44,569	117.9430	4,529,545
Property	**Pence**	Target Healthcare REIT Ltd	4,085,000	112.0000	4,575,200
Property	**GBP**	M&G PP UK Property Fund (Inc)	27,124	745.2100	20,213,076
Property	**EUR**	M&G European Property Fund S	25,000,000	1.0120	21,799,748
Property	**GBP**	Threadneedle Pensions Property	1,647,730	6.5545	10,800,049
Property	**Pence**	Tritax Big Box Indirect Pooled Fu	10,000,000	150.3000	15,030,000
Property	**GBP**	Unite UK Student Accommodatic	15,584,567	1.4161	22,069,774
Total Property Funds					**171,499,377**
Regulatory Capital		LGPS Central			2,000,000
			Mellon USD		
Cash		***Updated to 31 October 2019***			
Cash		Mellon UBS - Core	*DCOF10030002*		392
Cash		Mellon UBS - Sat	*DCOF10040002*		0
Cash					
Cash		Northern Trust	*UK*		20,000,607
Cash			*Wellington*		9,010,964
Cash		Northern Trust	*LGPS Cent-Capital & Income*		2,912,207
Cash		Cash - Lloyds bank Superfund			11,191,000
Cash		Adjustments for timing differences *-Greene King Buyout Trade 31.10.19 & Settled 13.11.19*			1,360,000
Cash		Cash Temporary Loans	189,000,000		
		Lloyds 95 Day Notice	10,008,744		
		Santander 180 Day Notice	10,000,000		
		Rotherham City Council 14 D/N	20,000,000		
		Federated Prime Rate	30,000,000		
		Insight MMF	30,000,000		
		Certs of Deposit	0		
		Treasury Bills	0		289,008,744
Total Cash				Total Cash	**333,483,915**

DERBYSHIRE PENSION FUND
OCTOBER 2019 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 3.75% 7/9/2020	10,322,000	102.60	103.17	103.17	10,649,271
TSY 4.75% 7/3/2020	10,000,000	101.39	102.11	102.11	10,210,572
TSY 1.75% 7/9/2022	13,490,000	103.70	103.96	103.96	14,024,666
TSY 4% 7/3/2022	10,995,000	108.29	108.89	108.89	11,972,939
TSY 2.25% 7/9/2023	15,400,000	106.94	107.28	107.28	16,520,962
TSY 5% 7/3/2025	5,500,000	124.22	124.97	124.97	6,873,597
TSY 2% 7/9/2025	7,000,000	109.35	109.66	109.66	7,675,864
TSY 1.5% 7/22/2026	5,650,000	107.21	107.62	107.62	6,080,686
TSY 4.25% 7/12/2027	18,000,000	130.21	131.92	131.92	23,745,594
TSY 4.75% 7/12/2030	13,162,000	144.05	145.96	145.96	19,211,096
TSY 4.25% 7/6/2032	12,370,000	141.97	143.68	143.68	17,772,841
TSY 4.5% 7/9/2034	16,373,000	150.61	151.29	151.29	24,771,194
TSY 4.25% 7/3/2036	11,400,000	150.06	150.70	150.70	17,179,591
TSY 1.75% 7/9/2037	11,800,000	111.75	112.01	112.01	13,217,112
TSY 4.75% 7/12/2038	7,934,000	165.10	167.00	167.00	13,250,160
TSY 4.25% 7/9/2039	4,050,000	157.60	158.24	158.24	6,408,848
TSY 3.25% 1/22/2044	8,000,000	144.91	145.81	145.81	11,664,705
TSY 4.25% 7/12/2046	3,900,000	172.82	174.53	174.53	6,806,513
001 UKGB Total					**238,036,211**
US GOVERNMENT BONDS					
T 2.75% 31/8/2023	26,191,000	104.53	105.00	81.14	21,252,356
T 2.25% 15/11/2024	21,000,000	103.39	104.43	80.70	16,947,740
T 2.75% 15/11/2042	7,500,000	110.80	112.07	86.61	6,495,418
004 USGB Total					**44,695,514**
NON GOVERNMENT BONDS					
Kames UK Corp Bond Fund	48,216,874	317.41	317.41	317.41	153,045,181
Royal London UK Corporate Bond F	57,530,371	277.74	277.74	277.74	159,787,154
Non Govt Bonds Total					**312,832,335**
MULTI ASSET CREDIT					
AMP Capital Infrastructure Debt Fur	17,000,000	0.92	0.92	0.92	13,512,554
Barings Global Private Loan Fund	40,000,000	0.61	0.61	0.61	24,324,929
Barings Global Private Loan Fund 2	40,000,000	0.92	0.92	0.92	36,755,102
Barings Global Private Loan Fund 3	50,000,000	0.27	0.27	0.27	13,465,709
CQS Credit Multi Asset Fund Class	105,489	1,054.45	1,054.45	1,054.45	111,233,321
CVC Credit PARTNERS European I	76,000,000	0.08	0.08	0.08	4,997,346
Janus Henderson Multi Asset Credil	98,083,098	1.09	1.09	1.09	106,826,520
Multi Asset Credit Total					**311,115,480**
UK INDEX LINKED					
TREAS 4.125% IL STK 22/7/2030	6,510,000	383.71	386.15	386.15	25,138,589
TREAS 2% IL STK 26/1/2035	8,000,000	293.07	293.96	293.96	23,516,662
002 UKGIL Total					**48,655,251**

INDEX LINKED (3 monthers)

UK INDEX LINKED (3monthers)	Number held	Clean Price	Index Ratio	Gross	Accrued Interest	Total
TREAS 0.125% IL STK 22/3/2024	9,230,000	112.0870	1.203290	12,448,793.24	1,267.86	12,450,061
TREAS 1.25% IL STK 22/11/2027	7,400,000	134.4410	1.503090	14,953,692.28	40,971.47	14,994,664
TREAS 0.125% IL STK 22/3/2029	5,325,000	128.0590	1.228620	8,378,133.94	731.46	8,378,865
TREAS 1.25% IL STK 22/11/2032	2,777,000	156.6880	1.343420	5,845,523.71	15,375.37	5,860,899
TREAS 0.75% IL STK 22/3/2034	11,465,000	152.4810	1.256090	21,958,898.37	9,449.18	21,968,348
TREAS 1.125% IL STK 22/11/2037	5,580,000	174.2680	1.442330	14,025,439.62	27,805.23	14,053,245
TREAS 0.625% IL STK 22/3/2040	5,600,000	169.0220	1.347200	12,751,560.55	3,846.15	12,755,407
TREAS 0.625% IL STK 22/11/2042	5,950,000	178.6060	1.372940	14,590,311.64	16,471.64	14,606,783
TREAS 0.125% IL STK 22/3/2044	11,470,000	166.0840	1.203270	22,922,094.72	1,575.55	22,923,670
TREAS 0.125% IL STK 22/3/2046	8,730,000	171.1630	1.131540	16,908,070.28	1,199.18	16,909,269
TREAS 0.75% IL STK 22/11/2047	6,500,000	199.9300	1.403980	18,245,351.89	21,593.07	18,266,945
TREAS 0.125% IL STK 10/08/2048	5,300,000	177.7710	1.061530	10,001,590.23	1,494.23	10,003,084
TREAS 0.5% IL STK 22/3/2050	5,000,000	198.1120	1.366920	13,540,162.75	2,747.25	13,542,910
UK INDEX LINKED (3monthers) TOTAL						**186,714,151**

US INDEX LINKED	Number held	Clean Price	Index Ratio	Gross $	Accrued Interest $	Total $	Total £
TII0.125% 15/1/2023	7,000,000	99.398438	1.111500	7,733,695.43	2,591.71	7,736,287	5,978,602.70
TII3.625% 15/4/2028	4,045,000	128.320313	1.586240	8,233,468.57	6,810.74	8,240,279	6,368,087.85
TII1.750% 15/1/2028	5,550,000	112.460938	1.224640	7,643,691.02	28,768.00	7,672,459	5,929,276.33
TII2.5% 15/1/2029	7,000,000	120.867188	1.194960	10,110,201.81	51,834.24	10,162,036	7,853,221.46
TII2.125% 15/2/2040	4,095,000	131.796875	1.187000	6,406,336.37	18,444.19	6,424,781	4,965,070.42
TII0.75% 15/2/2042	20,300,000	104.843750	1.135410	24,165,250.36	32,270.38	24,197,521	18,699,844.03
TII0.625% 15/2/2043	10,000,000	102.015625	1.115900	11,383,923.59	13,247.28	11,397,171	8,807,733.65
0045 USGB IL Total							**58,601,836**

TOTAL BONDS	**1,200,650,778**
Index linked-total	**293,971,238**
Conventional-total	**282,731,725**
Non gov-total	**623,947,815**