



**FOR PUBLICATION**

**DERBYSHIRE COUNTY COUNCIL**

**PENSIONS AND INVESTMENTS COMMITTEE**

**9 June 2021**

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

**Investment Report**

**1. Purpose**

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

**2. Information and Analysis**

**2.1 Report of the External Adviser**

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

**2.2 Asset Allocation and Recommendations Table**

The Fund's latest asset allocation as at 30 April 2021 and the recommendations of the Director of Finance & ICT and Mr Fletcher, in relation to the Fund's new intermediate strategic asset allocation benchmark, are set out overleaf.

The table also shows the recommendations of the Director of Finance & ICT, adjusted to reflect the impact of future investment commitments. These commitments (existing plus any new commitments recommended in this report) relate to Private Equity, Multi-Asset Credit, Property and Infrastructure and total around £400m. Whilst the timing of drawdowns will be lumpy and difficult to predict, the In-house Investment Management Team (IIMT) believes that these are likely to occur over the next 18 to 36 months.

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

Investment Assets totaled £5,884m at 30 April 2021.

(1) Intermediate benchmark effective 1 January 2021; Final benchmark effective by 1 January 2022 at the latest. Recommendations are relative to the Intermediate benchmark

(2) Adjusted for investment commitments at 30 April 2021, together with commitments placed post period-end. Presumes all commitments funded from cash.

(3) Benchmark Return for the three months to 31 March 2021.

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

The table above shows the old benchmark, together with the intermediate and final benchmarks approved by Committee November 2020. The intermediate benchmark came into effective from 1 January 2021, and the final Benchmark will become effective by 1 January 2022 at the latest. The table above reflects the following three categorisations:

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

Relative to the current benchmark, the Fund as at 30 April 2021, was overweight Cash and Growth Assets and underweight in Protection Assets and Income Assets. However, if all of the Fund’s commitments were drawn-down, the cash balance would reduce by 7.9% to -0.7%. However, in practice as these commitments are drawn-down, they will be partly offset by new net cash inflows from investment income, distributions from existing investments and changes in the wider asset allocation.

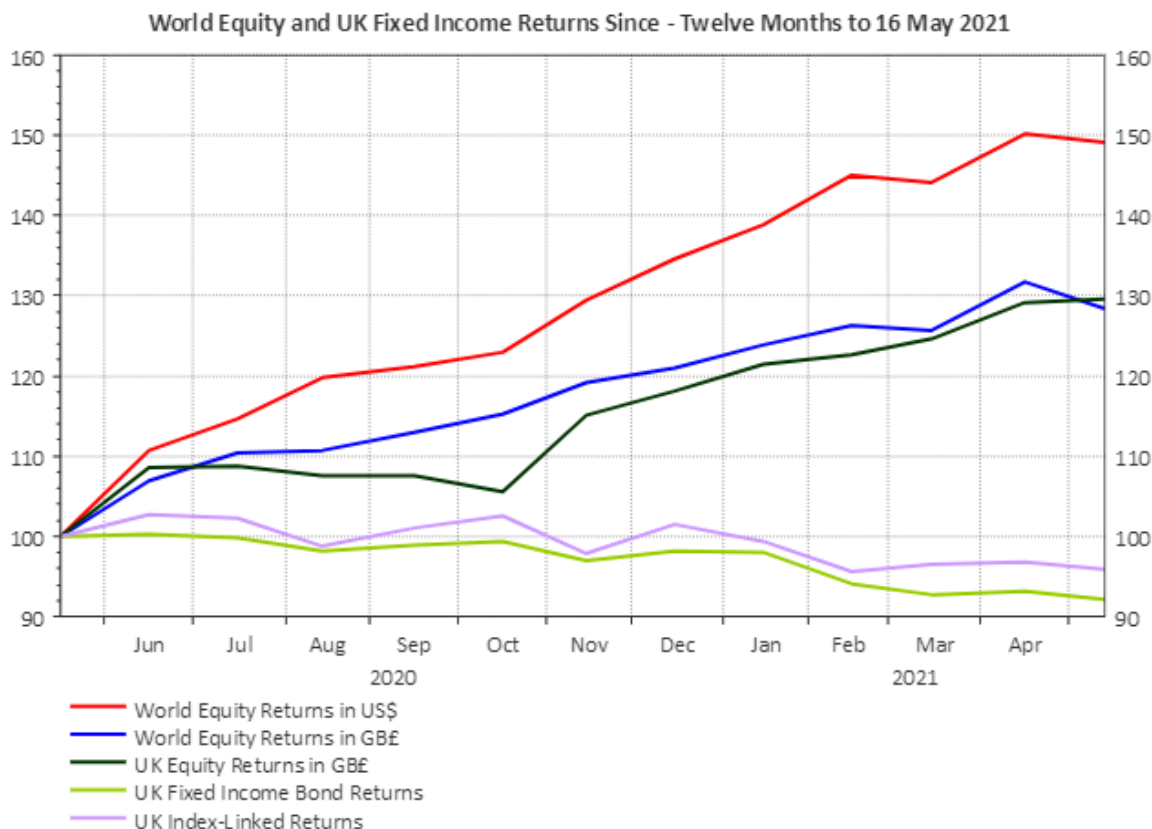
### 2.3 Total Investment Assets

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



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

## 2.4 Market returns over the last 12 months



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

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

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

Risk markets (i.e. equities) received a further boost in November 2020 when it was announced that the Pfizer/BioNTech vaccine appeared to be effective against Covid-19. This was followed by similar announcements by AstraZeneca and Moderna. The development of efficient vaccines tempered

market uncertainty surrounding the future course of the pandemic and created an expectation that social distancing measures would be eased in response to vaccine rollout programmes. Global Equity markets rose sharply, returning almost 9% for sterling investors in November 2021 alone, with many regional indices reporting their best ever one month returns.

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

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

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

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

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

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<sup>1</sup> Month to 16 May 2021  
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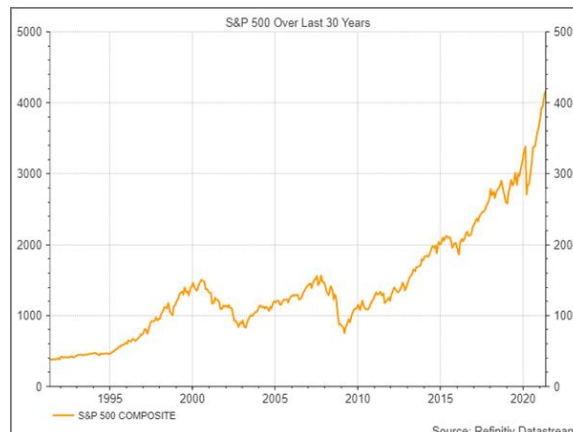
technology stocks) into value and pro-cyclical stocks (e.g. energy, industrial, mining and financial stocks). Value and pro-cyclical stocks tend to perform strongly at the beginning of a new economic cycle. UK Equities also benefitted from the success of the UK's vaccine rollout programme.

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

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

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

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



## 2.5 Longer Term Performance

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

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

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

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



## 2.6 Category Recommendations

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

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

At an overall level, the Fund was overweight Cash and Growth Assets at 30 April 2021, underweight Income Assets and Protection Assets, although if commitments waiting to be drawn down were taken into account, the Fund would move to an overweight position in Growth and Income Assets. The table on page 4 assumes that all new commitments will be funded out of the current cash weighting; in practice as private market commitments are drawn down they are likely to be funded partially out of cash and partially by distributions (income and capital) from existing investments and sales of public market assets. The Fund has progressively reduced its exposure to Growth Assets over the last two to three years, as equity valuations have become increasingly stretched, and increased the allocation to Income Assets and Protection Assets.

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

## 2.7 Growth Assets

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

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

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

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



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

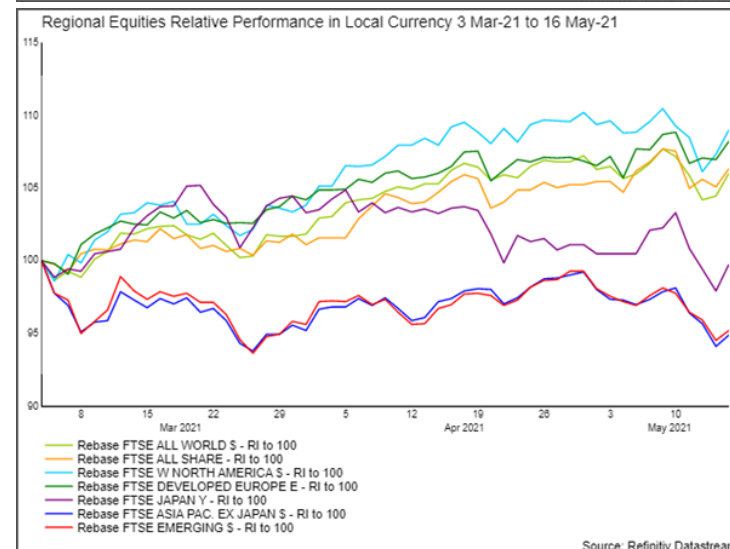
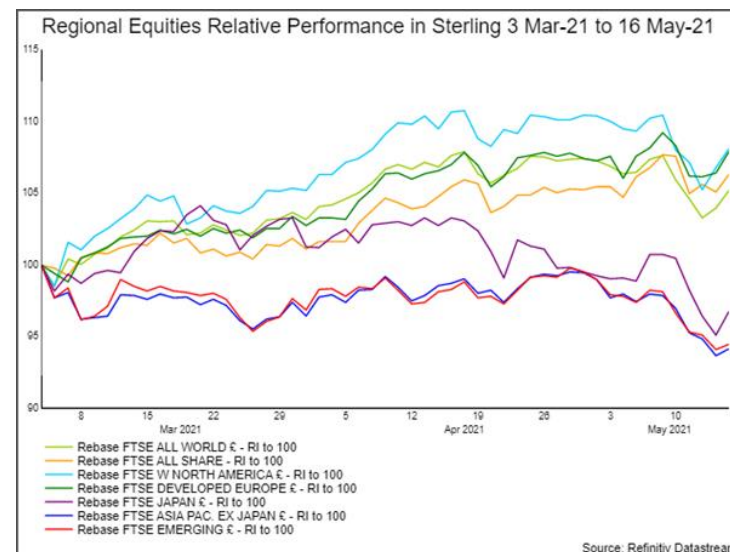
Source: Performance Evaluation Limited & DPF analysis

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

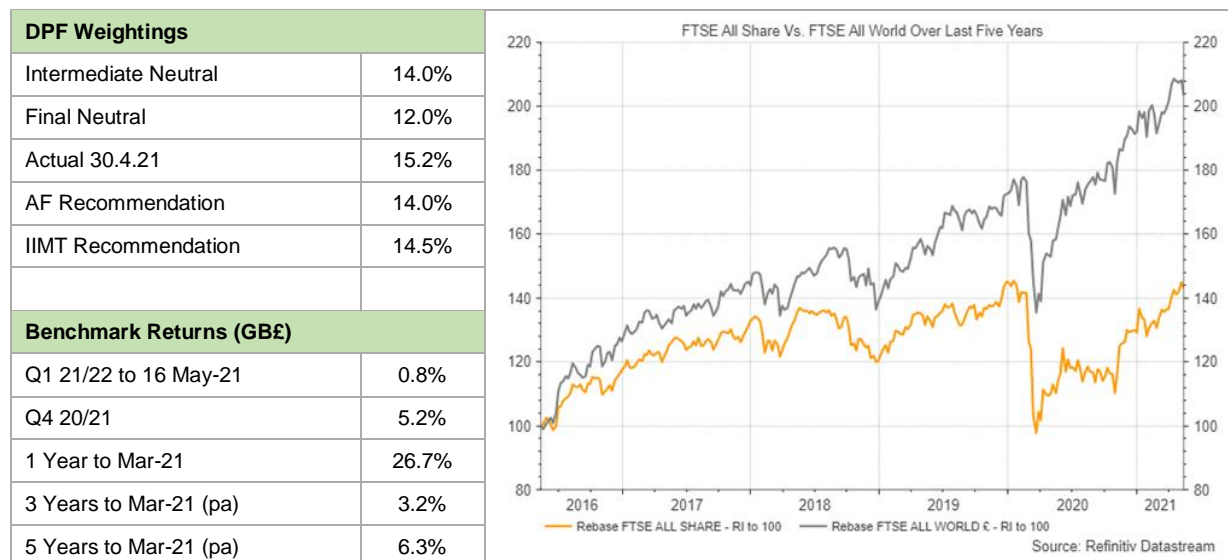
Equity markets were relatively volatile in Q1 2021, as fears over share price bubbles and vaccine nationalism tussled with the momentum driving the recovery/reopening trade. Eventually, the approval of a \$1.9 trillion stimulus package in the US, and the growing success of the UK and US vaccine rollout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

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

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



## 2.8 United Kingdom Equities



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

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

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

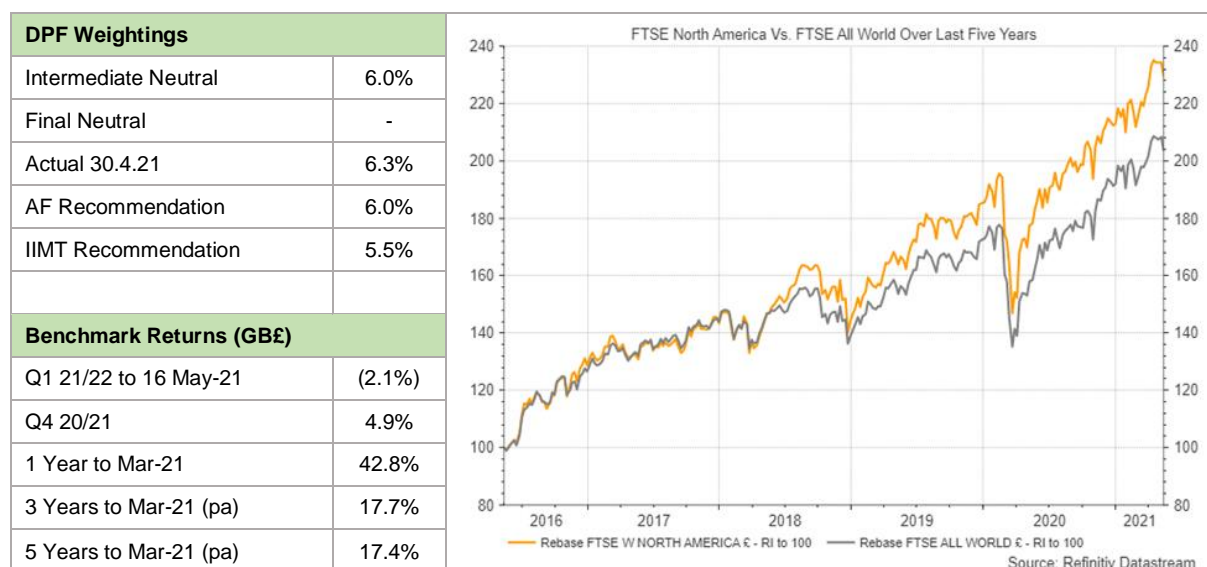
UK Equities have performed strongly year-to-date. The Bank of England recently upgraded the UK's growth outlook to 7.3% in 2021, an increase on the 5% projected in February 2021. The Bank of England now expects GDP to recover to its pre-pandemic level by the end of the year. It had previously been expected that it would take until the end of the first quarter of 2022 to reach pre-pandemic levels. The UK's vaccination programme has been one of the most successful in the world to date. Over 72% of the adult population have now received at least one dose (43% two doses). The UK economy has

also proven to be more resilient than expected. Although GDP declined by -1.5% in Q1 2021, GDP rebounded sharply in March (+2.1% month-on-month) and high-frequency indicators point to a rapid rebound in consumer spending in April and May 2021.

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

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

## 2.9 North American Equities



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

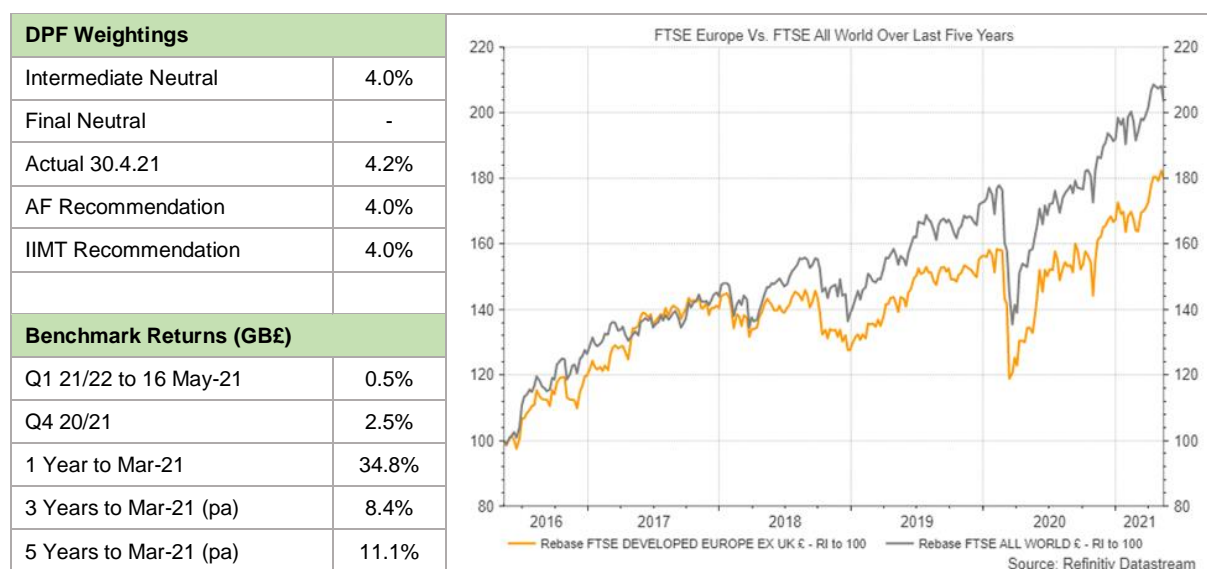
Mr Fletcher recommends a neutral weighting relative to the intermediate benchmark across all of the Fund's regional equity allocations; 6% in respect of North American Equities.

US Equities were the best performing region in 2020, as the US index is dominated by growth orientated technology stocks. However, the US index struggled to add meaningful performance in Q4 2020, reflecting a sizeable

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

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

## 2.10 European Equities



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

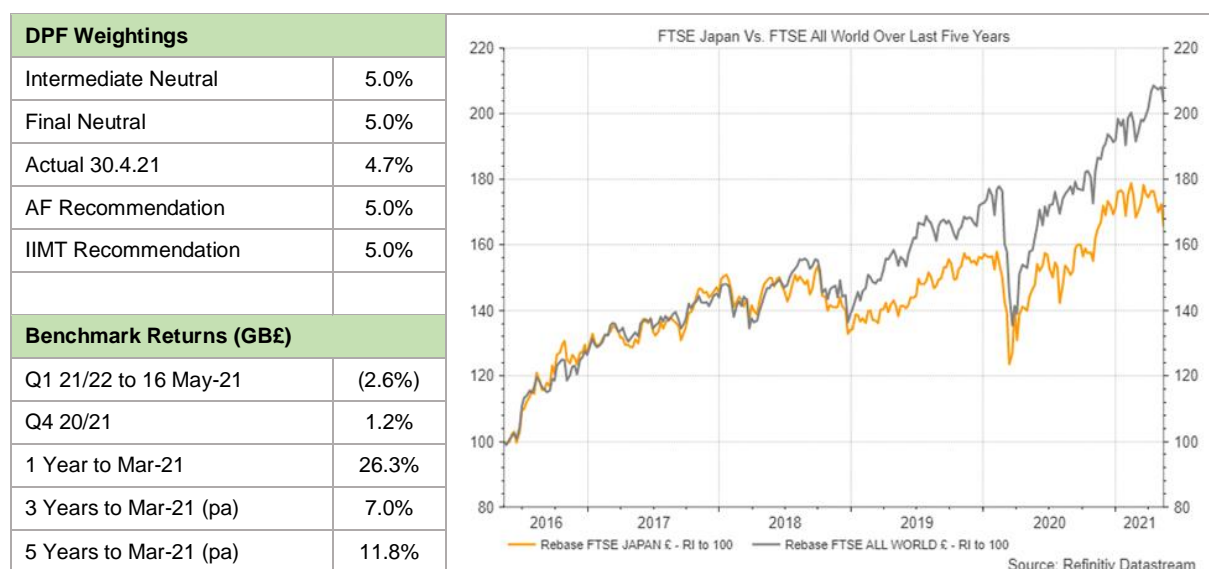
Mr Fletcher recommends a neutral weighting relative to the intermediate benchmark across all of the Fund's regional equity allocations; 4% in respect of European Equities.

European Equities struggled to keep pace with the FTSE All World throughout Q1 2021, as the region's vaccination programme was adversely impacted by manufacturing and supply issues. By the end of March 2021, France, Germany and Italy had only managed to vaccinate 13%, 12% and 11% of

their populations, respectively, compared to 46% in the UK and 29% in the US. However, in April the region's vaccination programme began to accelerate, with France, Germany and Italy now close to tripling the amount of vaccinations that have been given, having each now vaccinated more than 30% of the population. At the same time, European companies have been reporting strong earnings growth.

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

## 2.11 Japanese Equities



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

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

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

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

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

## 2.12 Asia Pacific Ex-Japan and Emerging Market Equities

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

Source: Refinitiv Datastream

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

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

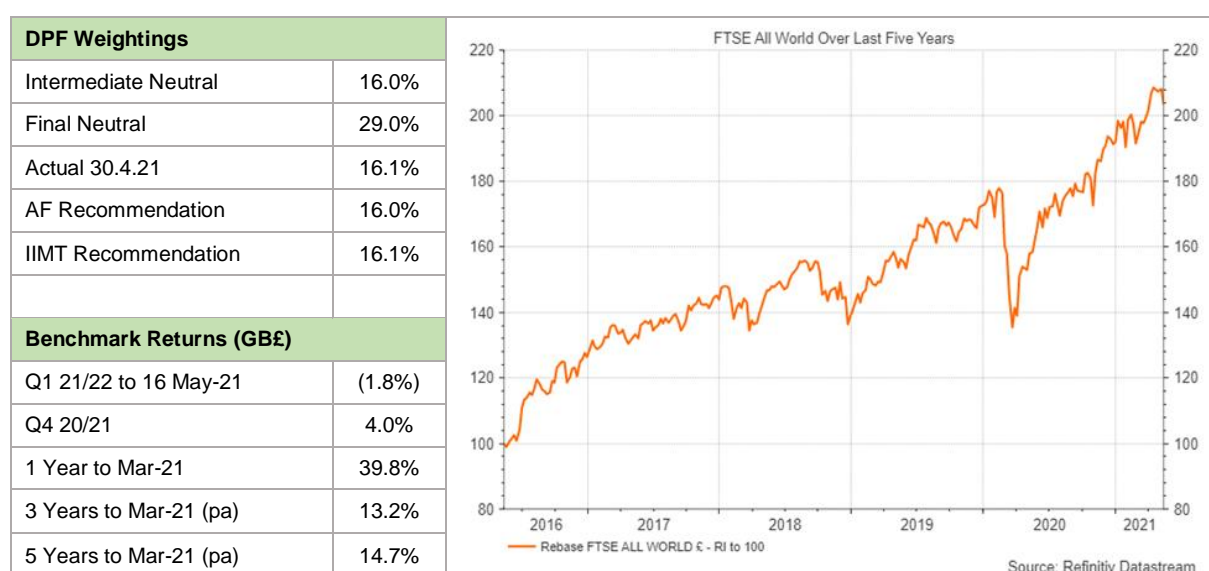
The IIMT continues to believe in the long-term growth potential of these regions, noting that these regions have accounted for well over half of global growth over the last ten years. The Chinese economy expand by around 2% in 2020, benefitting from being first into, and first out of, the Covid-19



pandemic. Whilst China experienced its first ever decline in GDP in Q1 2020, it went on to post positive growth in the remaining three quarters of the year.

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

## 2.13 Global Sustainable Equities



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

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

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

## 2.14 Private Equity

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

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

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

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

## 2.15 Income Assets

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

## 2.16 Multi Asset Credit

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

Net investment of £11m was offset by relative market weakness, with the Fund's allocation to Multi-Asset Credit remaining flat at 6.7% between 31 January 2021 and 30 April 2021. The Fund finalised a €30m commitment to a low-cost private debt co-investment fund in the quarter, taking the committed weight to 8.1%. The co-investment fund is linked to an existing fund and investment manager. Whilst the committed weight of 8.1% implies the pension fund will be 2.1% overweight should all the commitments be drawn-down, in practice it is unlikely that the commitments will be fully drawn, and some of the existing closed-ended investments have now entered their distribution phase (i.e. returning cash to investors). The time-critical commitment to the co-investment fund was approved by the Director of Finance & ICT in consultation with the Chair of the Pensions & Investments Committee.

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

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

## 2.17 Property

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

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

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

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

The IIMT recommends that in the short term the Fund's current allocations to Direct Property (4.3%; 1.7% underweight) and Indirect Property (3.1%; 0.1% overweight) are maintained but liquidity of up to £75m is made available to

the Direct Property manager to make further investments at the right time should suitable investment opportunities be identified.

## 2.18 Infrastructure

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

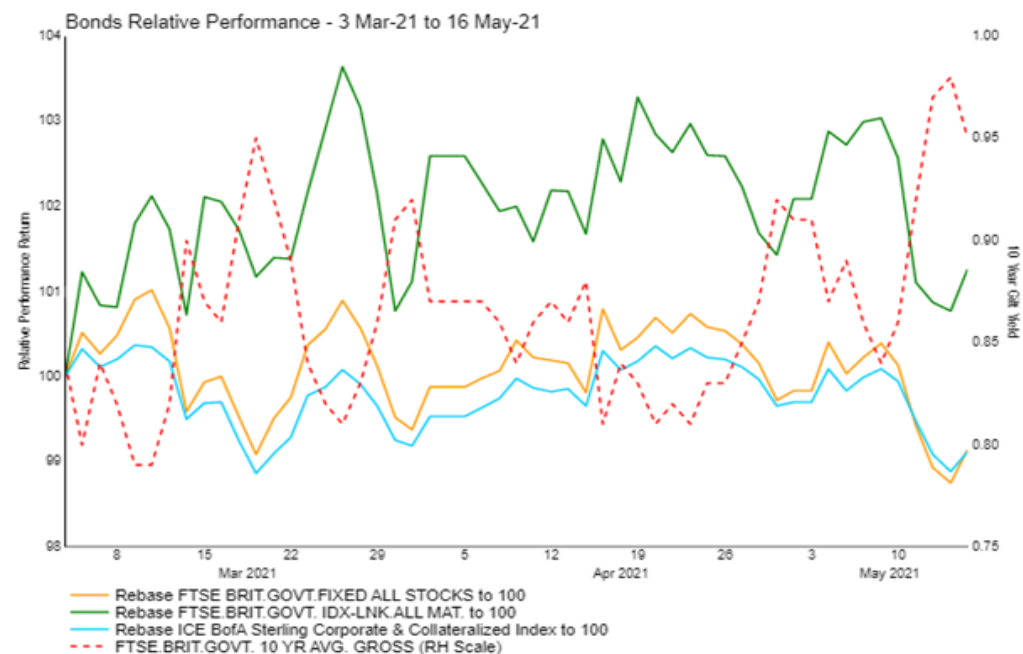
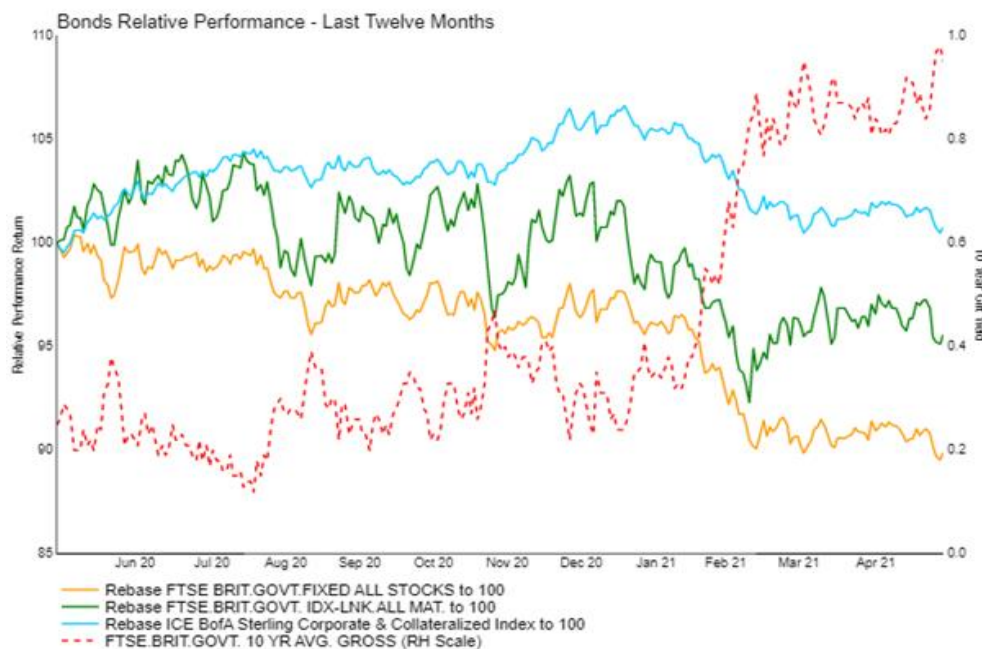
Relative market weakness reduced the Fund's allocation to Infrastructure from 6.3% at 31 January 2021 to 6.0% at 30 April 2021. The Fund finalised a £75m commitment to a renewable energy infrastructure fund in March 2021, increasing the committed weighting to 10.7%. The commitment was approved by the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

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

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

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

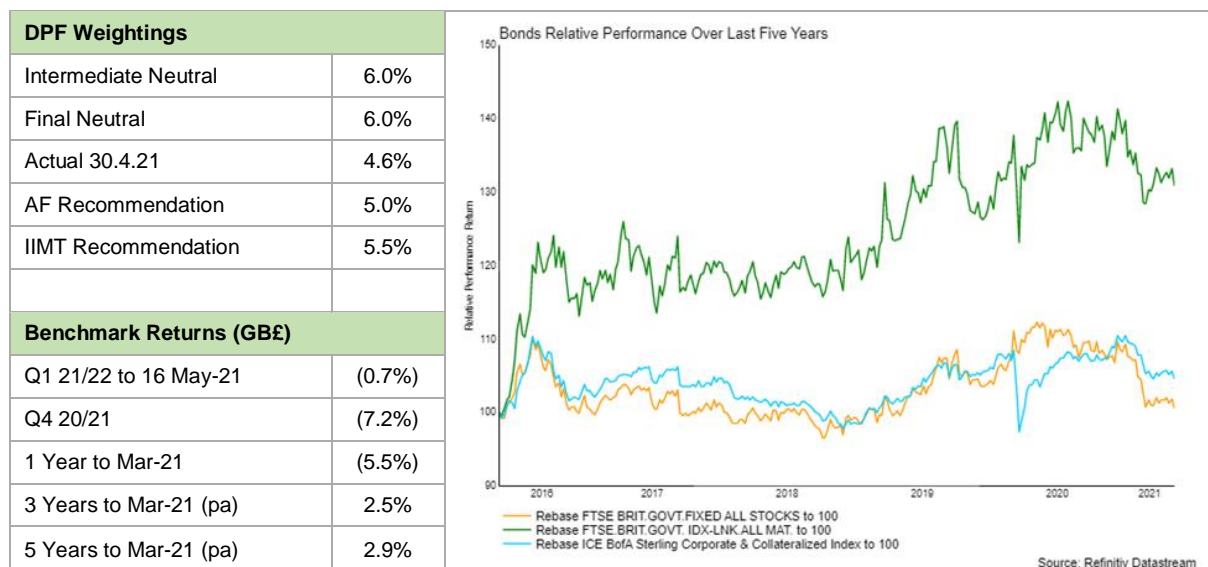
## 2.19 Protection Assets



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

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

## 2.20 Conventional Bonds

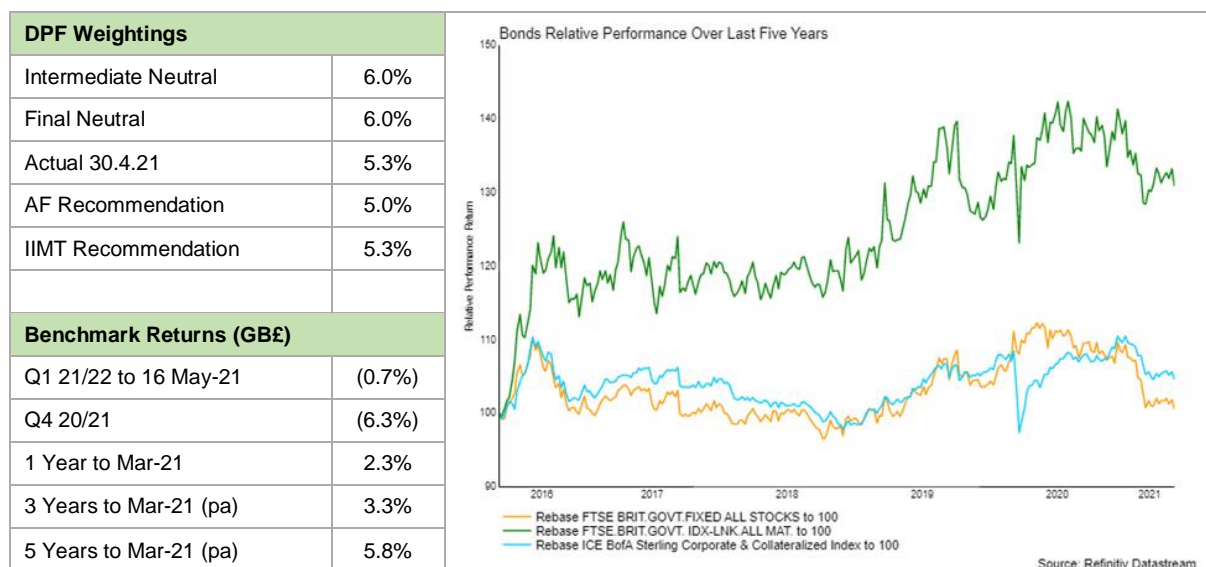


The Fund's allocation to Conventional Bonds fell from 5.1% at 31 January 2021 to 4.6% at 30 April 2021, reflecting relative market weakness; 1.4% underweight.

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

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

## 2.21 Index-Linked Bonds



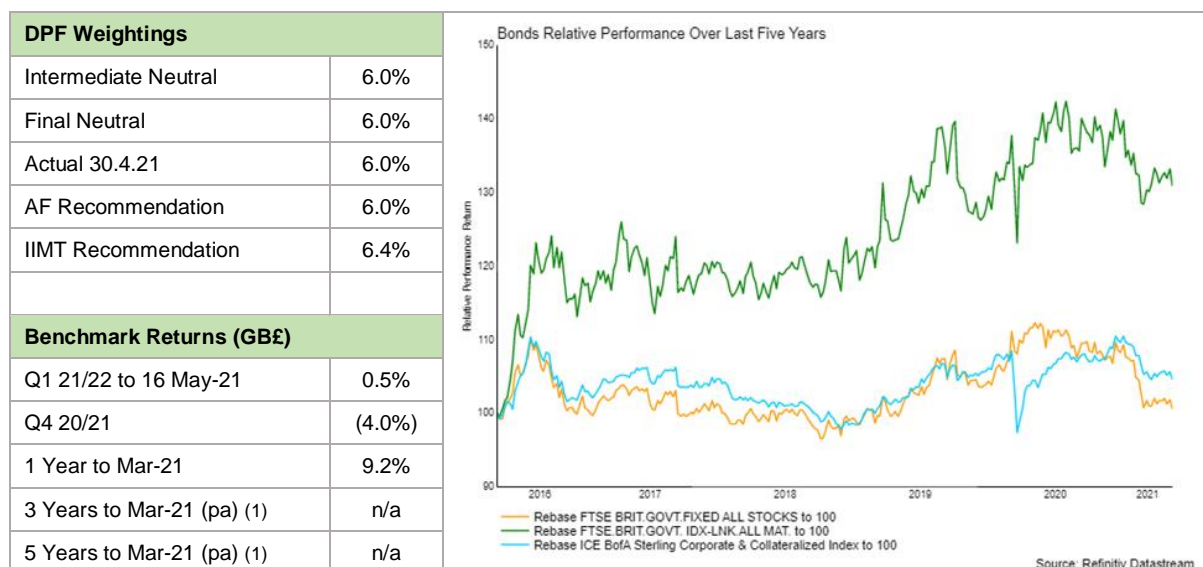
The Fund's allocation to Index-Linked Bonds fell by 0.5% to 5.3% at 30 April 2021 (0.7% underweight), reflecting relative market weakness. The Fund's allocation at 30 April 2021 comprised 77% UK Index-Linked Bonds (UK Linkers) and 23% US Treasury Inflation Protected Bonds (US TIPS).

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

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



## 2.22 Corporate Bonds



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

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

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

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

## 2.23 Cash

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

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

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

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

likelihood that cash inflows into the Fund, particularly, from investment income, will reduce as a result of the Covid-19 pandemic.

### **3 Implications**

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

### **4 Background Papers**

4.1 Papers held in the Investment Section.

### **5 Appendices**

5.1 Appendix 1 – Implications.

5.2 Appendix 2 – Report of independent external adviser.

5.2 Appendix 3 – Portfolio Valuation Report at 30 April 2021.

### **6 Recommendation(s)**

That Committee:

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

### **7 Reasons for Recommendation(s)**

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

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

**Report Author: Peter Handford**  
**Director of Finance & ICT**

**Implications**

**Financial**

1.1 None

**Legal**

2.1 None

**Human Resources**

3.1 None

**Information Technology**

4.1 None

**Equalities Impact**

5.1 None

**Corporate objectives and priorities for change**

6.1 None

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

7.1 None

# First Quarter 2021 Investment Report

## PREPARED FOR:

Derbyshire County Council Pension Fund: Pensions and  
Investment Committee Meeting

**JUNE 2021**

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# Investment Report for Derbyshire County Council Pension Fund

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

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

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 9<sup>th</sup> June 2021

Date of paper 24<sup>th</sup> May 2021

## 1. Market Background (First quarter 2021)

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

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

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

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

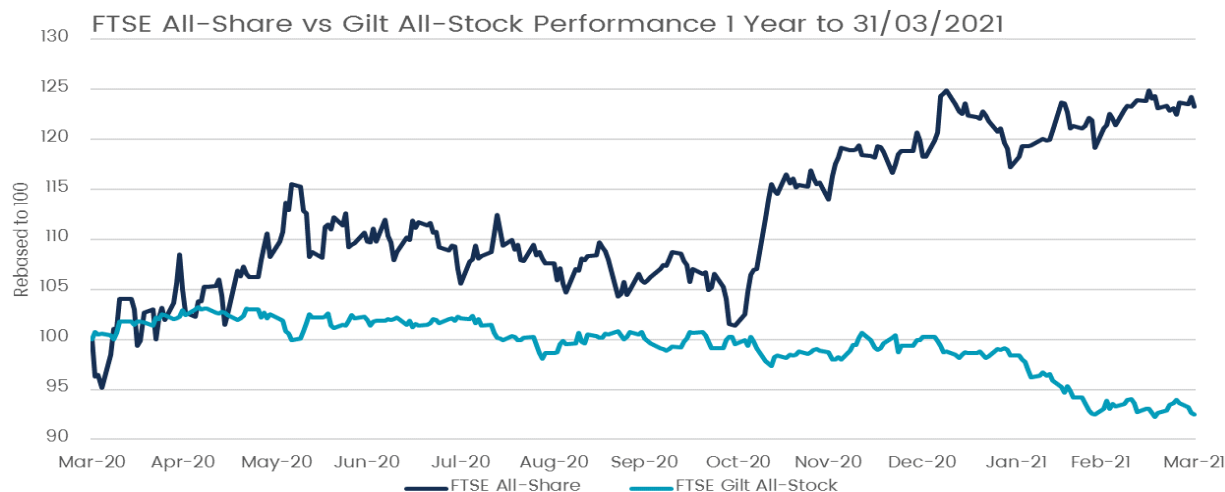
**% TOTAL RETURN DIVIDENDS REINVESTED**

**MARKET RETURNS**

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

<sup>^</sup> MSCI indices \* iBoxx £ Corporate Bond; \*\*Citigroup WGBI ex UK hedged

**Chart 1:** - UK bond and equity market returns - 12 months to 31<sup>st</sup> March 2021



Source: - Bloomberg

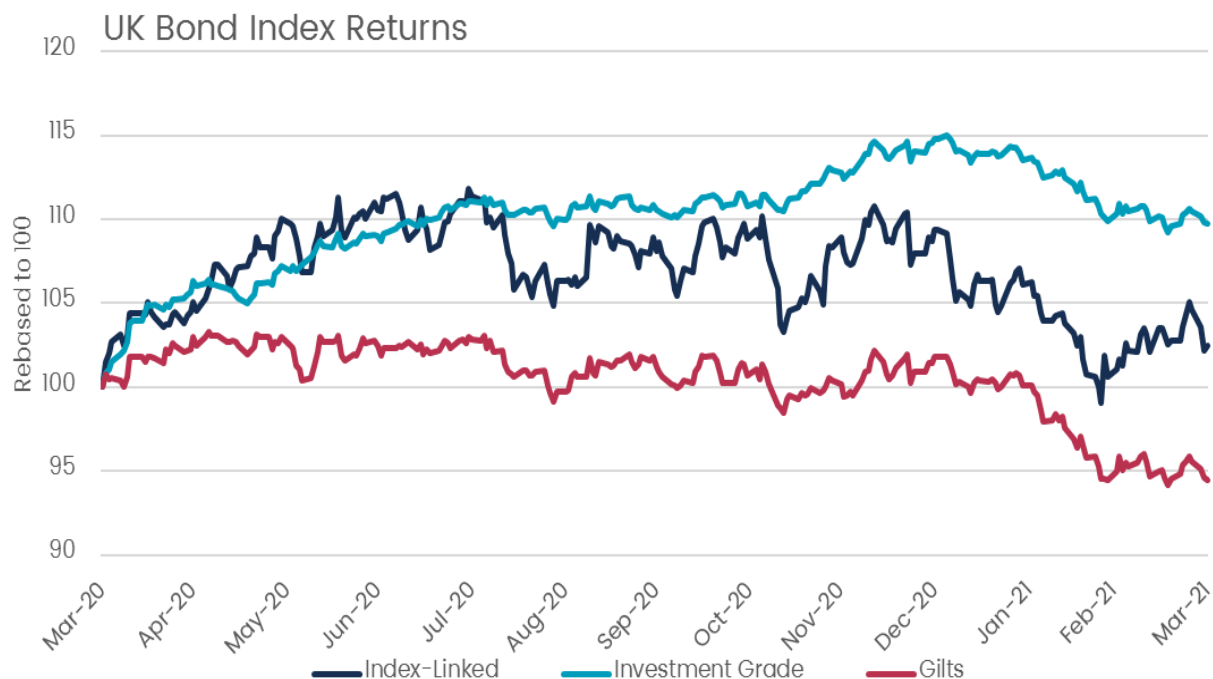


**Table 2:** - Change in Bond Market yields over the quarter and 12 months.

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

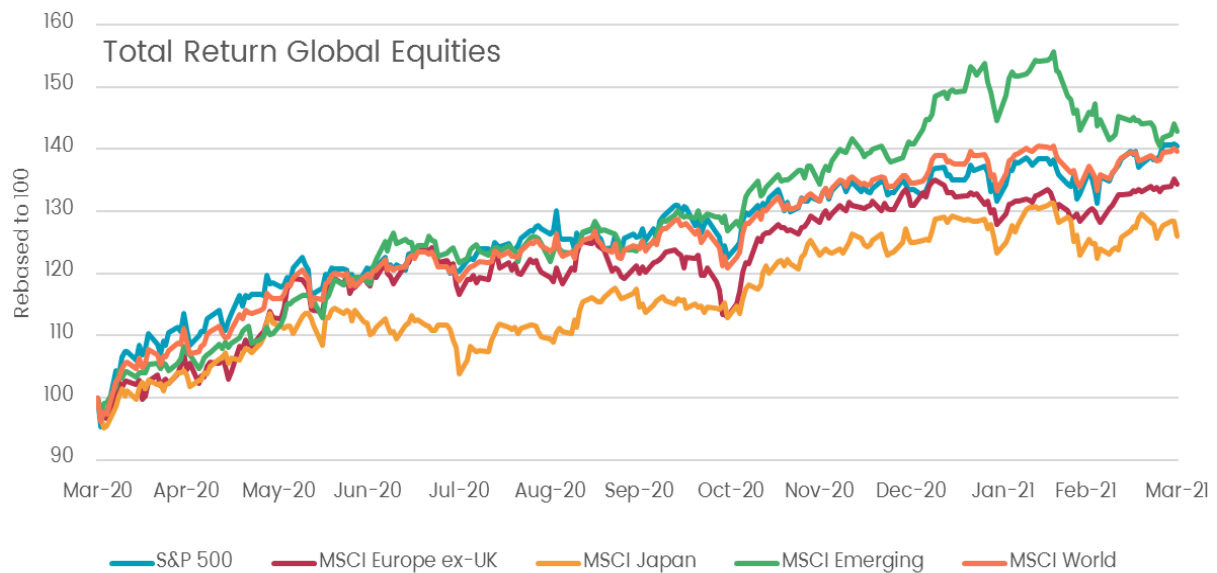
Source: - Bloomberg, Trading economics and ICE Indices G8LI, G0BC, HW00, EMGB, 14<sup>th</sup> May 2021.

**Chart 2:** - UK Bond index returns, 12 months to 31<sup>st</sup> March 2021.



Source: - Bloomberg

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



Source: - Bloomberg

### Recent developments (April and May 2021)

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

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

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

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

## 2. Investment Performance

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

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

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

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

**Total fund value at 31<sup>st</sup> March 2021 £5,676 million**

Overall market and Fund performance was much more modest in the first quarter of 2021 and the Fund was slightly behind benchmark. Equity markets delivered lower returns as economies were

forced back into restricting activity as Covid infection rates dramatically increased. By the end of the quarter markets were beginning to look forward to a rebounding economy and government bond market began to worry about inflation resulting in a marked sell off. The rotation from growth to value stocks that started in November also continued hence the stronger performance of the UK compared to other regional equity indices.

## Growth assets – Equity performance

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

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

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

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

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

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

## Protection assets - Fixed Income Performance

There were no changes in asset allocation over the quarter. Government bond yields doubled over the period, but because the Fund is underweight its allocation and is less interest rate sensitive than the benchmark it outperformed delivering -5% relative to -5.9% for the benchmark. Over the year the

strong performance of US bonds and global corporate bonds help the allocation outperform delivering +3% compared to the benchmark return of +1.9%.

### Income assets – Property, Infrastructure and MAC

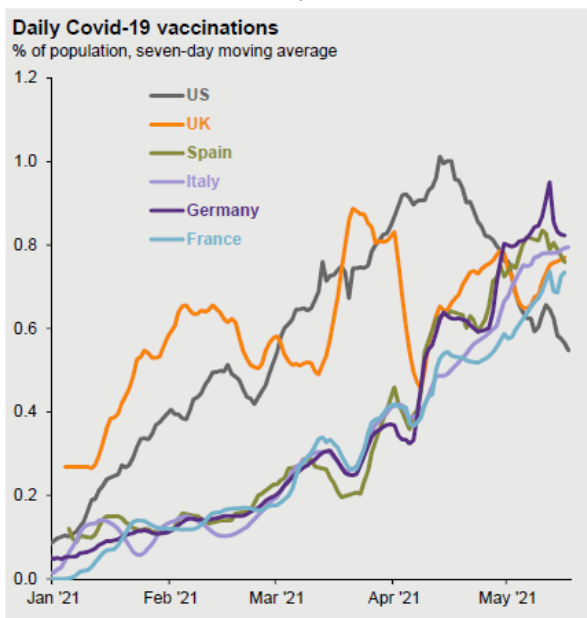
As a result of the change in strategic benchmark the allocation to income assets was increased by 1% to 24%, this extra allocation was assigned to Infrastructure. However, there were no changes in the actual asset allocation over the quarter. Over the year, the combined portfolio of income assets has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

### 3. Economic and Market outlook

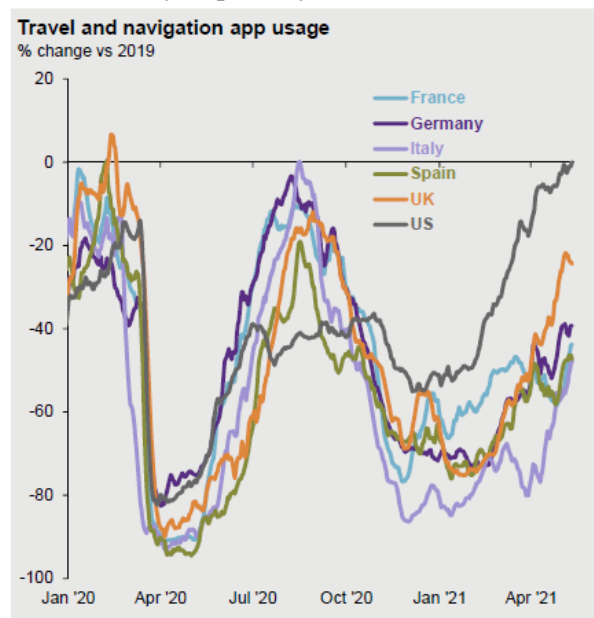
#### Economic outlook

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

**Chart 4: - LHS.** The daily vaccination rate.



**RHS.** Activity implied by the level of travel.



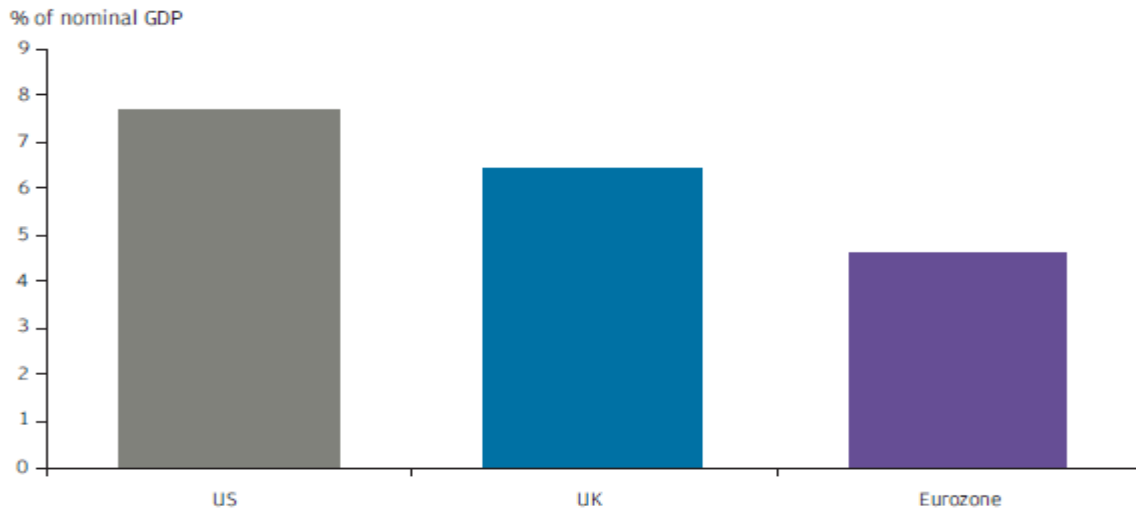
Source: (Left) Our World in Data, J.P. Morgan Asset Management. Data as of 17 May 2021. (Right) App Annie, J.P. Morgan Asset Management. Data is sourced from App Annie with over 600 travel and navigation apps globally, including Google Maps, Uber, Airbnb and Booking.com. Data as of 11 May 2021.

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

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

significant boost to growth in marked contrast to the austerity measures that were introduced after the Global Financial Crisis.

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



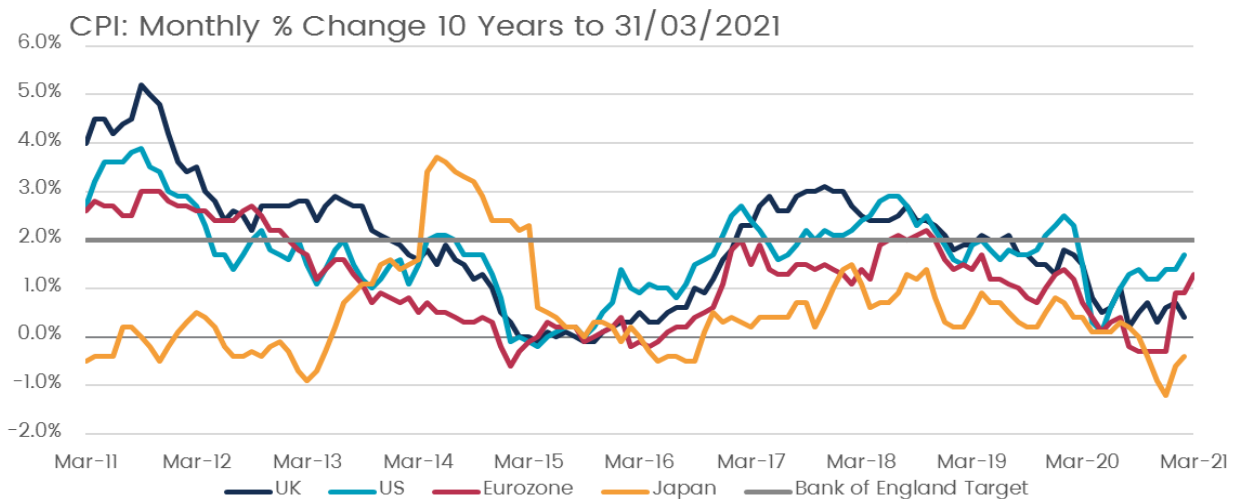
Source: BEA, Bloomberg, Eurostat, ONS, Refinitiv Datastream, J.P. Morgan Asset Management. Excess household savings are defined as the aggregate amount that the consumer saved in 2020, in excess of typical annual savings for a given economy. Data as of 30 April 2021.

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

## Inflation

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

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

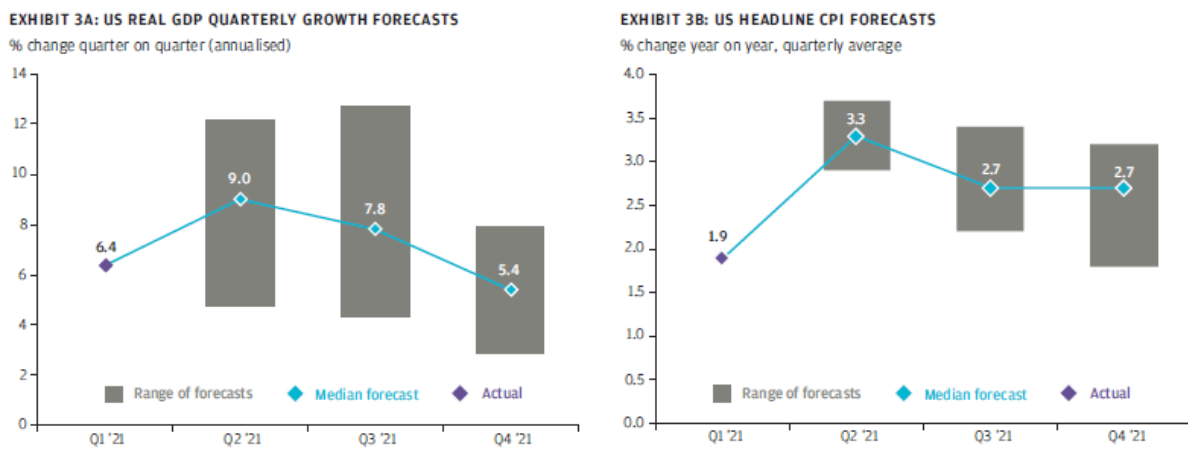


Source: - Bloomberg

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

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

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



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

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

## Central Banks

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



## Politics

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

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

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

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

## Government bonds

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

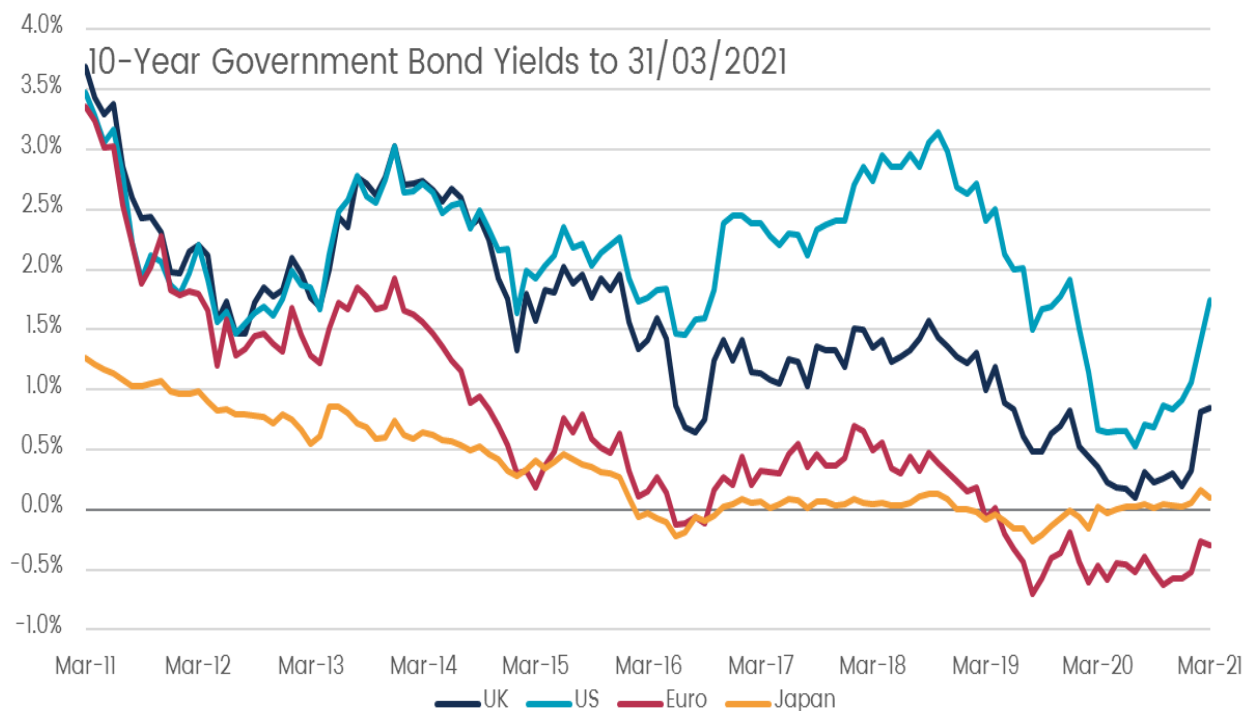
I continue to believe that government bond yields will trend higher, notwithstanding short-term bouts of falling yields in the medium term they will be higher.

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

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

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

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

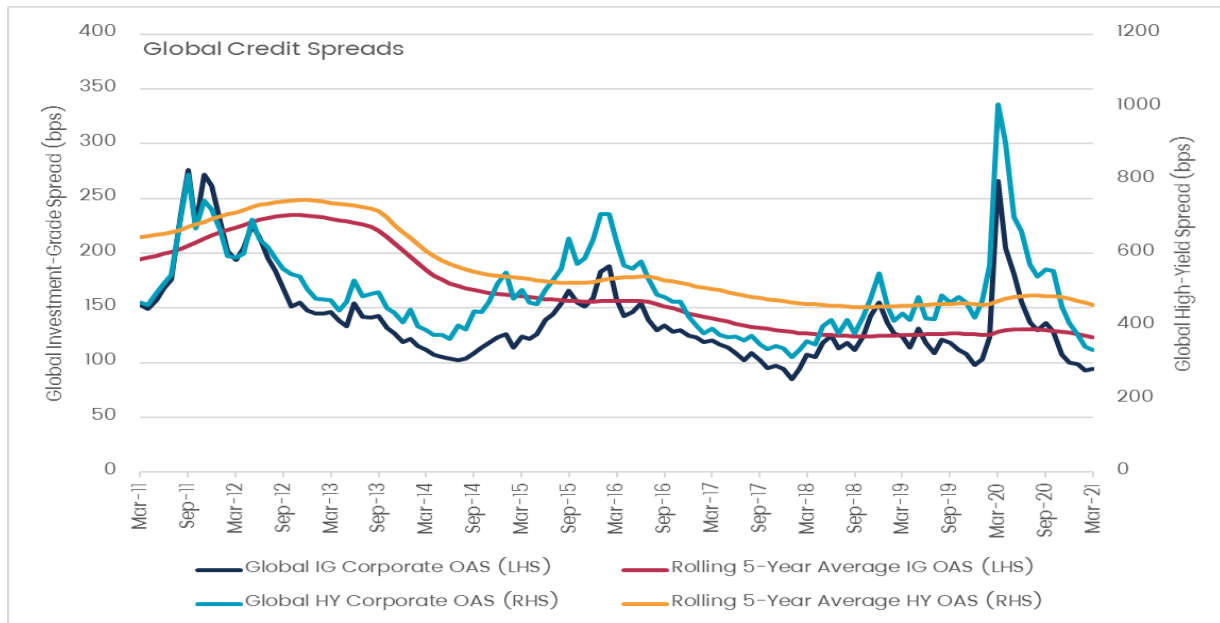


Source: - Bloomberg

## Non-government bonds

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

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



Source: - Bloomberg

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

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

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

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

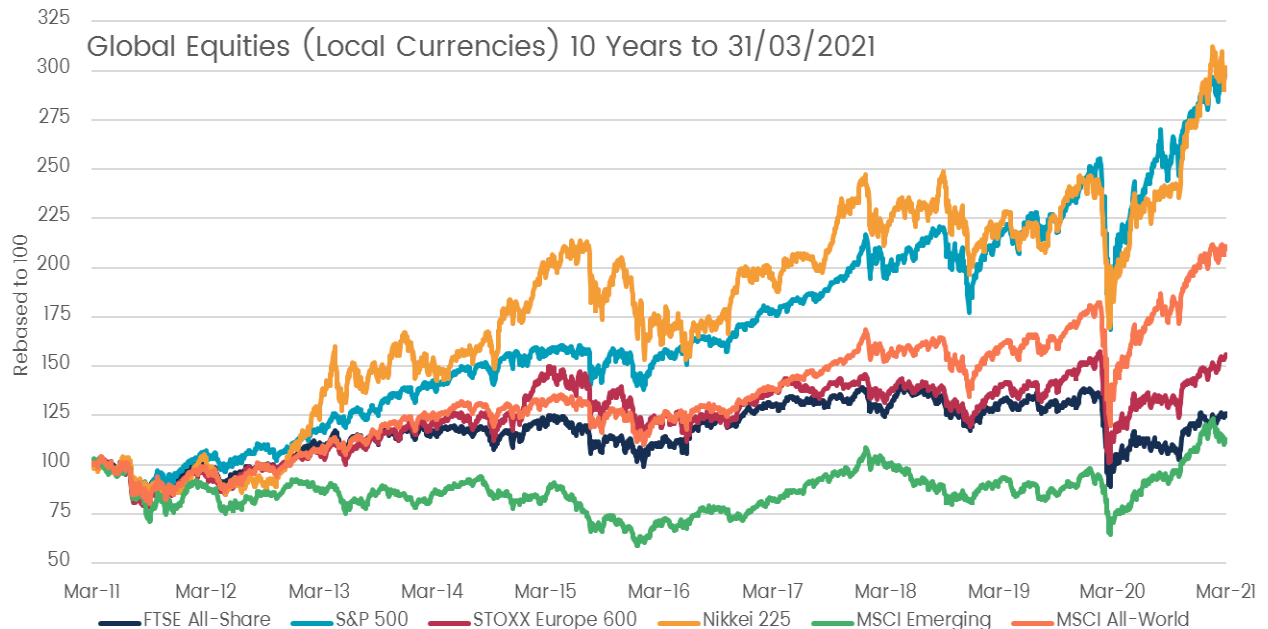
## Equities

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

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

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

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

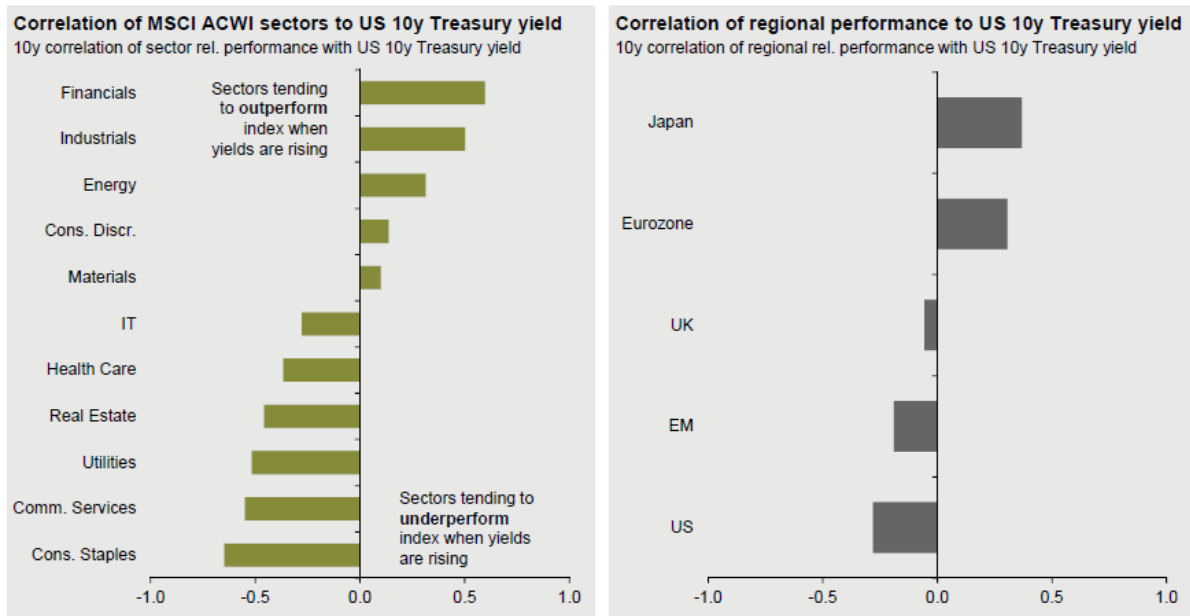


Source: - Bloomberg

The other feature I expect to see over the next 12 months is the continued rotation from growth to value stocks. Up until the 4<sup>th</sup> quarter of 2020, growth stocks had hugely outperformed value stocks, not just in 2020 for more than the last 5 years. Since November 2020, value stocks have outperformed, indeed since the beginning of the year, the MSCI ACWI is 9.7% higher but the value

component is 15.1% higher and the growth component is only up 4.3%. Chart 11 below shows when US government bond yields are rising, whether it be the result of stronger growth or inflation sector performance leadership changes from growth and defensive sectors to cyclical and value sectors. In terms of regional indices this could lead to a further improvement in the performance of the UK and European equity indices compared to the US, as these have a higher weight to financial, industrial, energy and commodity companies.

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



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

## GDP

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

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

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

Source: - Consensus Economics April 2021

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

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

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

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

In the UK, fourth quarter growth was only +1.3%, but third quarter growth was revised higher to +16.9%. Given the renewed Covid related restrictions in the 1<sup>st</sup> quarter of 2021, it is not surprising that growth was estimated at -1.5%. The promising news in the 1q21 data was that on a monthly basis

there was an improving trend. Based on the most recent ONS data the UK economy was estimated to be 6.1% smaller than it was a year ago in March 2020.

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

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

## Consumer Price Inflation

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

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

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

Source: - Consensus Economics April 2021

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

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

energy, core inflation was also surprisingly higher at 3% in April mainly due to increased housing costs.

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

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

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



## 4. The outlook for the securities markets

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

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

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

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

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

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

## Bond Markets

In table 6, below I have set out my expectations for 3 month LIBOR interest rates and benchmark 10 year government bond yields, over the next 6 and 12 months. They are not meant to be accurate point forecasts, more an indication of the possible direction of yields from May 2021.

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

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

Source: - Trading Economics; 18<sup>th</sup> May 2021

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

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

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

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

## Bond Market (Protection Assets) Recommendations

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

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

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

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

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

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

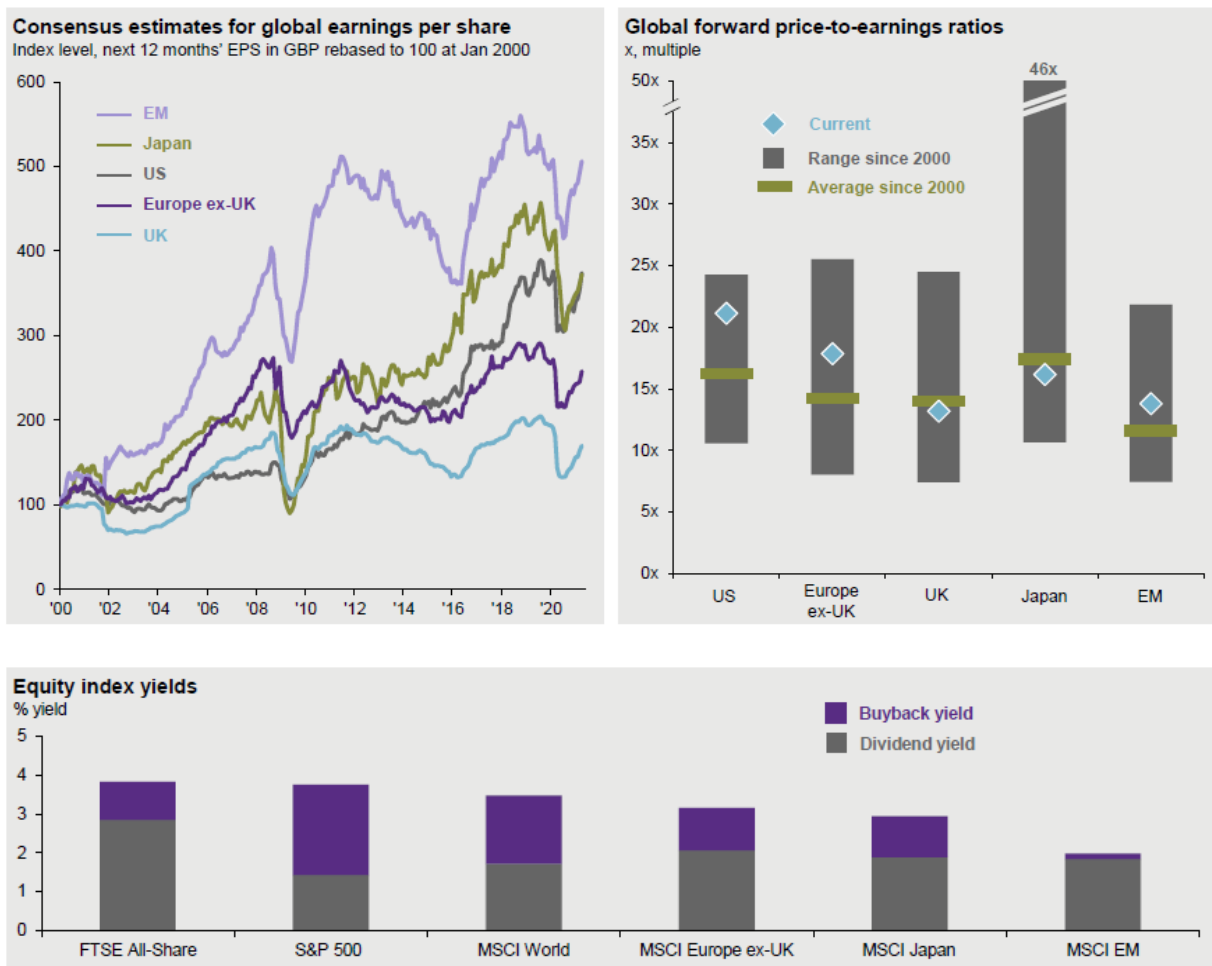
Source: - ICE Indices 18<sup>th</sup> May 2021

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

## Equity Markets

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

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



Source: - JPM Asset Management., May 2021

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

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

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

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

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

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

## Equity Market (Growth Assets), Recommendations

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

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

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

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

## Income Assets

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

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

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

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

The asset allocation set out in table 9 below, shows the new Interim Benchmark and my suggested asset allocation weights relative to this benchmark as of the 12<sup>th</sup> February and 18<sup>th</sup> May 2021. These

allocations represent an ideal objective for the Fund based on my expectations for economic growth and market performance, but they do not take into consideration the difficulty in reallocating between asset classes and the time needed by the In-house Team and their investment managers to find correctly priced assets for inclusion in the Fund.

**Table 9:** - Recommended asset allocation against the Strategic Benchmark.

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

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



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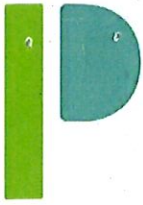
## Appendix

### References

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

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





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Appendix 3

Investment Portfolio Valuation

April 2021



## DERBYSHIRE PENSION FUND

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



DERBYSHIRE PENSION FUND  
APRIL 2021 PORTFOLIO VALUATION - BID

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



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

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





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

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

US Healthcare	MIRATI THERAPEUTICS INC	BBPK0J0	1163	165.74	119.98	139,536
US Healthcare	MYOVANT SCIENCES LTD	BD3WG49	96750	20.88	15.12	1,462,379
US Healthcare	NOVARTIS AG-SPONSORED ADR	2620105	16937	85.24	61.71	1,045,102
US Healthcare	NOVAVAX INC	BJDQXG4	423	236.61	171.28	72,452
US Healthcare	OLEMA PHARMACEUTICALS INC	BMZ4LN0	2719	27.96	20.24	55,033
US Pharm, Biotech	PFIZER INC	2684703	143270	38.66	27.99	4,009,550
US Pharm, Biotech	PTC THERAPEUTICS INC	B17VCN9	1842	41.03	29.70	54,710
US Pharm, Biotech	REATA PHARMACEUTICALS INC-A	BYY9FX8	984	101.17	73.24	72,065
US Pharm, Biotech	REGENERON PHARMACEUTICALS	2730190	1765	480.88	348.11	614,412
US Pharm, Biotech	REVOLUTION MEDICINES INC	BL71K91	4082	33.17	24.01	98,016
US Pharm, Biotech	ROCKET PHARMACEUTICALS INC	BDFKQ07	3219	45.73	33.10	106,562
US Pharm, Biotech	ROYALTY PHARMA PLC-CL A	BMVP7Y0	4660	43.99	31.84	148,395
US Pharm, Biotech	SAGE THERAPEUTICS INC	BP4GNK9	1529	78.76	57.01	87,175
US Pharm, Biotech	SEATTLE GENETICS INC	BLPK4D2	2317	143.76	104.07	241,125
US Pharm, Biotech	SYNEOS HEALTH INC	BFMZ4V6	13683	84.82	61.40	840,153
US Pharm, Biotech	TCR2 THERAPEUTICS INC	BJ2JSX6	5647	22.67	16.41	92,672
US Pharm, Biotech	THERAVANCE BIOPHARMA INC	BMNDK09	70563	19.68	14.25	1,005,265
US Pharm, Biotech	TG THERAPEUTICS INC	B828K63	1193	44.69	32.35	38,595
US Pharm, Biotech	TURNING POINT THERAPEUTICS I	BJXBP30	1842	75.99	55.01	101,327
US Healthcare	VERTEX PHARMACEUTICALS INC	2931034	6157	218.20	157.95	972,529
US Healthcare	UNITEDHEALTH GROUP INC	2917766	13756	399.20	288.98	3,975,221
<b>US Pharmaceutical, Biotech Total</b>						<b>32,685,236</b>
<b>FOOD RETAIL</b>						
US Retail Food & Drug	CARNIVAL CORP	2523044	33383	27.95	20.23	675,438
US Retail Food & Drug	CAESARS ENTERTAINMENT	BMVWGB0	22697	97.81	70.80	1,607,053
US Retail Food & Drug	CHIPOTLE MEXICAN GRILL INC	B0X7DZ3	1738	1,492.29	1,080.27	1,877,507
US Retail Food & Drug	DARDEN RESTAURANTS INC	2289874	12054	146.72	106.21	1,280,263
US Retail Food & Drug	HOUGHTON MIFFLIN HARCOURT CO	BGCBBK9	63951	9.07	6.57	419,888
US Retail Food & Drug	HYATT HOTELS CORP-CL A	B5B82X4	37847	82.27	59.56	2,253,988
US Retail Food & Drug	MCDONALD'S CORP	2550707	7701	235.90	170.77	1,315,084
US Retail Food & Drug	PERFORMANCE FOOD GROUP CORP	BYVYD43	118692	58.67	42.47	5,040,993
US Retail Food & Drug	SYSCO CORP	2868165	42964	84.73	61.34	2,635,242
US Retail Food & Drug	US FOOD HOLDING CORP	BYVFC94	42064	41.45	30.01	1,262,158
<b>US Food Retail Total</b>						<b>18,367,614</b>
<b>RETAILERS - GENERAL</b>						
US Retailers Gen	AMAZON.COM INC	2000019	7645	3,468.47	2,510.83	19,195,260
US Retailers Gen	BOOKING HOLDINGS INC	BDRXDB4	1504	2,465.08	1,784.47	2,683,845
US Retailers Gen	LOWE'S COS INC	2536763	16071	196.20	142.03	2,282,551
US Retailers Gen	ROSS STORES INC	2746711	17819	130.95	94.79	1,689,147
US Retailers Gen	TJX COMPANIES INC	2989301	48884	70.99	51.39	2,512,132
US Retailers Gen	ULTA BEAUTY INC	B28TS42	4333	329.34	238.41	1,033,027
US Retailers Gen	URBAN OUTFITTERS INC	2933438	29317	35.88	25.97	761,466
<b>US Retailers - General Total</b>						<b>30,157,429</b>
<b>MEDIA</b>						
US Media & Photo	CHARTER COMMUNICATIONS INC-A	BZ6VT82	11016	673.44	487.50	5,370,335
US Media & Photo	DISH NETWORK CORP-A	2303581	39055	44.77	32.41	1,265,734
US Media & Photo	ELECTRONIC ARTS INC	2310194	20157	142.03	102.82	2,072,452
US Media & Photo	FACEBOOK INC	B7TL820	39122	325.07	235.32	9,206,118
US Media & Photo	MATCH GROUP INC	BK80XH9	16081	155.59	112.63	1,811,229
US Media & Photo	NETFLIX INC	2857817	6541	513.52	371.74	2,431,533
US Media & Photo	NEW YORK TIMES CO-A	2632003	22366	45.41	32.87	735,222
US Media & Photo	OMNICOM GROUP	2279303	78788	82.24	59.53	4,690,528
US Media & Photo	SNAP INC-A	BD8DJ71	33792	61.81	44.74	1,511,998
US Media & Photo	TWITTER INC	BFLR866	22088	55.21	39.97	882,780
<b>US Media Total</b>						<b>29,977,929</b>
<b>TRAVEL &amp; LEISURE</b>						
US Hotels Leisure	JETBLUE AIRWAYS CORP	2852760	55788	20.35	14.73	821,833
<b>US Travel &amp; Leisure Total</b>						<b>821,833</b>
<b>TELECOMS</b>						
Telecoms	T-MOBILE US INC	B94Q9V0	19001	132.13	95.65	1,817,425
<b>US Telecoms Total</b>						<b>1,817,425</b>
<b>ELECTRICITY</b>						

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

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



DERBYSHIRE PENSION FUND  
APRIL 2021 PORTFOLIO VALUATION - BID

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





DERBYSHIRE PENSION FUND  
APRIL 2021 PORTFOLIO VALUATION - BID

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



DERBYSHIRE PENSION FUND  
 APRIL 2021 PORTFOLIO VALUATION - BID

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



DERBYSHIRE PENSION FUND  
APRIL 2021 PORTFOLIO VALUATION - BID

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



## DERBYSHIRE PENSION FUND

## APRIL 2021 PORTFOLIO VALUATION - BID

30/04/2021

Valuation at 31.3.21

## Real Property

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

## Property Managed Funds

		Number held	Mkt price		
Property	Pence	Assura PLC	6,000,000	74.4000	4,464,000
Property	GBP	Aviva Pooled Property Fund - cla	595,748	16.7926	10,004,123
Property	GBP	Aviva Pooled Property Fund - cla	543,067	16.9280	9,193,062
Property	GBP	Bridges Property Alternatives Fui	10,000,000	0.5978	5,977,683
Property	GBP	Bridges Property Alternatives Fui	10,000,000	0.5026	5,026,244
Property	EUR	Fidelity Eurozone Select Real Es	4,486	6150.0763	24,007,228
Property	GBP	Hearthstone Residential Fund 1 I	25,000,000	0.8928	22,318,885
Property	GBP	Igloo Regeneration P'ship Proper	4,644,493	0.0317	147,156
Property	EUR	Invesco Real Estate-European F	44,569	108.8780	4,222,266
Property	Pence	Target Healthcare REIT Ltd	4,085,000	118.2000	4,828,470
Property	GBP	M&G PP UK Property Fund (Inc)	27,124	691.8800	18,766,553
Property	EUR	M&G European Property Fund S	25,000,000	.10258	22,314,983
Property	GBP	Threadneedle Pensions Property	1,647,730	6.2312	10,267,338
Property	Pence	Tritax Big Box Indirect Pooled Fu	10,000,000	190.3000	19,030,000
Property	GBP	Unite UK Student Accommodatic	15,584,567	1.3470	20,992,412
<b>Total Property Funds</b>					<b>181,560,404</b>

Regulatory Capital	LGPS Central	0.00	2,000,000
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Cash *Updated to 30 April 2021*

Cash	Northern Trust	UK	24,272,396
Cash		Wellington	2,502,492

Cash	Cash - Lloyds bank Superfund		44,615,000
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Cash	Cash Temporary Loans	230,500,000	
	Aberdeen Standard Life	30,000,000	
	BlackRock - DERA	30,000,000	
	Federated Hermes	30,000,000	
	DWS	30,000,000	
	Certs of Deposit	0	
	Treasury Bills	0	350,500,000

<b>Total Cash</b>		<b>Total Cash</b>	<b>421,889,888</b>
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DERBYSHIRE PENSION FUND  
APRIL 2021 PORTFOLIO VALUATION - BID

	Number held	Mkt Price in local currenc (Clean)	Mkt Price in local currenc (Dirty)	Mkt Price pence GBP	Total £ GBP
		Calc & IL Valuation	use for Non IL Valuation		
<b>UK GILTS</b>					
TSY 1.75% 7/9/2022	13,490,000	102.28	102.56	102.56	13,835,049
TSY 4% 7/3/2022	10,995,000	103.34	103.97	103.97	11,431,439
TSY 2.25% 7/9/2023	15,400,000	105.05	105.40	105.40	16,231,695
TSY 5% 7/3/2025	5,500,000	118.16	118.95	118.95	6,542,197
TSY 2% 7/9/2025	7,000,000	107.38	107.69	107.69	7,538,525
TSY 1.5% 7/22/2026	5,650,000	105.58	106.01	106.01	5,989,376
TSY 4.25% 7/12/2027	18,000,000	123.91	125.64	125.64	22,615,024
TSY 4.75% 7/12/2030	13,162,000	135.95	137.88	137.88	18,147,281
TSY 4.25% 7/6/2032	12,370,000	134.41	136.14	136.14	16,840,768
TSY 4.5% 7/9/2034	16,373,000	142.44	143.15	143.15	23,437,170
TSY 4.25% 7/3/2036	11,400,000	142.37	143.04	143.04	16,306,997
TSY 1.75% 7/9/2037	11,800,000	107.83	108.11	108.11	12,756,486
TSY 4.75% 7/12/2038	7,934,000	156.38	158.31	158.31	12,560,579
TSY 4.25% 7/9/2039	4,050,000	149.69	150.35	150.35	6,089,371
TSY 1.25% 22/10/2041	9,200,000	98.94	98.98	98.98	9,105,882
TSY 3.25% 1/22/2044	8,000,000	137.86	138.78	138.78	11,102,380
TSY 4.25% 7/12/2046	3,900,000	163.13	164.85	164.85	6,429,268
TSY 0.625% 22/10/2050	15,900,000	82.60	82.62	82.62	13,136,181
<b>001 UKGB Total</b>					<b>230,095,670</b>

	Number held	Mkt Price in local currenc (Clean)	Mkt Price in local currenc (Dirty)	Mkt Price pence GBP	Total £ GBP
<b>US GOVERNMENT BONDS</b>					
T 2.75% 31/8/2023	26,191,000	105.87	106.35	76.99	20,164,157
T 2.25% 15/11/2024	21,000,000	106.20	107.26	77.65	16,305,521
T 2.75% 15/11/2042	7,500,000	109.36	110.65	80.10	6,007,509
<b>004 USGB Total</b>					<b>42,477,187.32</b>

	Number held	Mkt Price in local currenc (Clean)	Mkt Price in local currenc (Dirty)	Mkt Price pence GBP	Total £ GBP
<b>NON GOVERNMENT BONDS</b>					
LGPS Central Global Active Corp B	3,463,222	101.50	101.50	101.50	351,517,022
Non Govt Bonds Total					<b>351,517,022</b>

	Number held	Mkt Price in local currenc (Clean)	Mkt Price in local currenc (Dirty)	Mkt Price pence GBP	Total £ GBP
<b>MULTI ASSET CREDIT</b>					
AMP Capital Infrastructure Debt Fur	17,000,000	0.67	0.67	0.67	9,880,896
Barings Global Private Loan Fund	40,000,000	0.42	0.42	0.42	16,778,299
Barings Global Private Loan Fund 2	40,000,000	0.74	0.74	0.74	29,478,602
Barings Global Private Loan Fund 3	50,000,000	0.77	0.77	0.77	38,415,459
CQS Credit Multi Asset Fund Class	132,737	1,124.06	1,124.06	1,124.06	149,204,221
CVC Credit PARTNERS European I	76,000,000	0.55	0.55	0.55	36,594,916
Janus Henderson Multi Asset Credit	98,772,904	1.13	1.13	1.13	111,629,679
Multi Asset Credit Total					<b>391,982,072</b>

	Number held	Mkt Price in local currenc (Clean)	Mkt Price in local currenc (Dirty)	Mkt Price pence GBP	Total £ GBP
<b>UK INDEX LINKED</b>					
TREAS 4.125% IL STK 22/7/2030	6,510,000	367.38	369.90	369.90	24,080,688
TREAS 2% IL STK 26/1/2035	8,000,000	287.22	288.13	288.13	23,050,511
<b>002 UKGIL Total</b>					<b>47,131,199</b>

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

	Number held	Clean Price	Index Ratio	Gross \$	Accrued Interest \$	Total \$	Total £
<b>US INDEX LINKED</b>							
TI10.125% 15/1/2023	7,000,000	104.742188	1.139990	8,358,353.24	2,634.67	8,360,988	6,052,519.15
TI13.625% 15/4/2028	4,045,000	135.742188	1.626900	8,932,936.13	7,612.00	8,940,548	6,472,062.79
TI11.750% 15/1/2028	5,550,000	121.515625	1.256030	8,470,813.51	29,244.82	8,500,058	6,153,192.23
TI12.5% 15/1/2029	7,000,000	129.281250	1.225590	11,091,206.50	52,693.37	11,143,900	8,067,069.12
TI12.125% 15/2/2040	4,095,000	145.265625	1.217430	7,242,037.39	18,749.90	7,260,787	5,256,083.91

DERBYSHIRE PENSION FUND  
 APRIL 2021 PORTFOLIO VALUATION - BID

	Number held	Mkt Price in local currenc (Clean) use	Mkt Price in local currenc; (Dirty)	Mkt Price pence GBP			Total £ GBP
TI10.75% 15/2/2042	20,300,000	117.367188	1.164510	27,745,078.49	32,805.25	27,777,884	20,108,410.04
TI10.625% 15/2/2043	10,000,000	114.601563	1.144500	13,116,148.83	13,466.85	13,129,616	9,504,528.79
<b>0045 USGB IL Total</b>							<b>61,613,866</b>

TOTAL BONDS

1,328,294,310

Index linked-total  
 Conventional-total  
 Non gov-total

312,222,359  
 272,572,857  
 743,499,094