REDINGTON

Hackney

MANAGER PERFORMANCE REPORT

Q2 2023

Private and Confidential

CONTENTS

WHAT HAS HAPPENED IN THE MARKETS?

Pete Drewienkiewicz
(CIO, Global Assets)

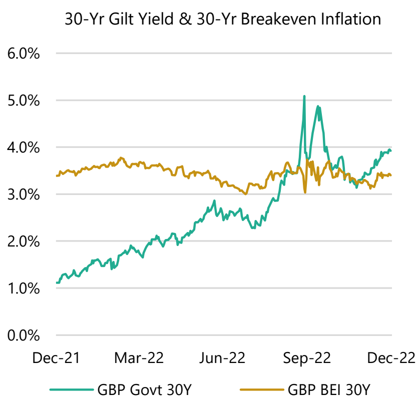
Market Summary

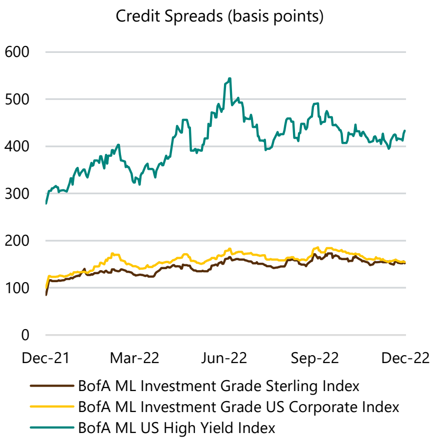
Q2 saw markets shrug off the banking sector turmoil seen in Q1, with risk assets performing strongly as inflation moderated meaningfully in the US and Europe. Technology stocks also saw a resurgence, led by a wave of Artificial Intelligence enthusiasm. The ECB, Fed and Bank of England continued to hike interest rates in response to inflation prints above their respective targets. The BoE hiked rates by 75bps over the quarter relative to 25bps and 50bps moves in the US and Europe, a likely response to the slower fall in UK inflation. This put pressure on UK markets which performed poorly relative to other developed market counterparts over the quarter.

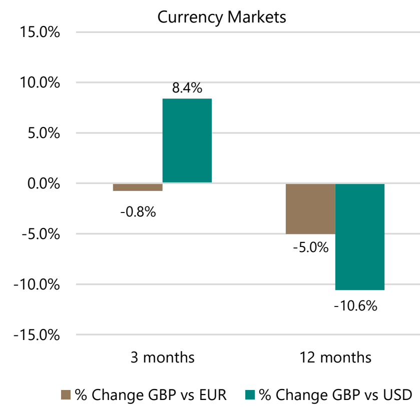
Sustainable Investment Update

A report by the Institute and Faculty of Actuaries (IFoA) and the University of Exeter found that climate scenario models used in financial services significantly underestimate climate risk. The study highlighted the potential for severe economic and financial impacts if the models fail to accurately capture the risks associated with climate change.

The International Sustainability Standards Board (ISSB) released its first sustainability disclosure standards, the Science Based Targets Network (SBTN) released its first science-based targets for nature, and the Taskforce on Nature-related Financial Disclosures (TNFD) published its final beta framework, with its final recommendations set to be published in September.







VIEWS FROM THE ASSET CLASS SPECIALISTS

 **Kate Mijakowska** **UK Gilts and Inflation**	The second quarter of 2023 saw a significant increase in yields, particularly in May, as the UK labour market proved surprisingly resilient to the central bank rate hikes, but inflation prints remained elevated. Over the quarter, UK 30-year nominal gilt yields rose 50bps, while 20-year index-linked gilt yields increased 63bps. Bank of England hiked the base rate by 25bps in May, and another 50bps in June. UK CPI May year-on-year figure printed at 8.7%, above expectations and more than double the US CPI of 4.0% for that month. That said, in June, UK CPI fell to 7.9% which was below market expectations. In April, TPR published guidance around resilience of LDI portfolios. This was in line with the recommendations published in March by the Bank of England Financial Policy Committee. We saw a few LDI managers re-adjust their collateral buffer frameworks, including levels at which notifications are sent to clients.
 **Oliver Wayne** **Liquid Markets (Equities)**	Developed markets ("DM") delivered positive returns over Q2, largely attributed to the strong performance of mega-cap tech names that were boosted by enthusiasm over Artificial Intelligence ("AI"). This created an exceptionally narrow market leadership, with the vast majority of DM market returns generated by a small number of companies. Emerging markets ("EM") generated moderately negative returns, primarily driven by China which was the worst-performing market. Despite the removal of pandemic-related restrictions, the economic rebound has disappointed investors. On a style factor basis, there has been contrasting performance across DM and EM. Growth and Quality factors performed strongly in DM but poorly within EM. Value and Momentum underperformed within DM and outperformed within EM. From a size perspective, larger cap names outperformed within DM but underperformed with EM. Overall, this backdrop was more supportive for active EM managers whereas active DM managers faced headwinds.
 **Tom Wake-Walker** **Liquid Markets (Multi-Asset)**	It was a mixed second quarter for multi-asset performance. Global equities rose, led by the US, global investment grade corporates were broadly flat whilst high yield gained. Interest rates rose over the quarter causing pain for those long government bonds. Broad commodities had a volatile quarter and also ended in negative territory. This combination has led to varying results for long only multi-asset strategies as they try to navigate this macro-driven environment, with fairly mixed results across the board both positively and negatively depending on risk allocation. Diversified Risk Premia ("DRP") strategies had a positive quarter, helped by strong performance from trend following after what was a historically challenging Q1 as a result of the banking turmoil in March. Most style factors also performed well, benefitting style premia strategies.

VIEWS FROM THE ASSET CLASS SPECIALISTS

 **Chris Bikos** **Liquid & Semi-Liquid Credit**	From a credit perspective, the second quarter proved resilient as corporate balance sheets remained relatively strong, despite some uptick in default rates. Consequently, credit spreads tightened across the board. However, the volatility in interest rates remained elevated with all the major developed market central banks raising interest rates. More specifically, the Federal Reserve (Fed) raised interest rates by 25 basis points (bps) in May, European Central Bank (ECB) hiked twice in the quarter, as did the Bank of England (BoE). With that in mind, corporate credit outperformed government bonds with high yield outperforming its investment grade counterparts. Long-duration assets, such as long-dated corporate bonds, suffered the most. On the other hand, floating-rate assets such as structured credit and leveraged loans benefited from the high income on offer due to the high level of rates. Dispersion within emerging market debt picked up, with South Africa being among the worst performers as the country’s power situation continued to deteriorate.
 **Tricia Ward** **Illiquid Credit**	Infrastructure had a relatively resilient Q2, with the Infra300 index returning 0.89% driven primarily by renewables. Infrastructure equity valuations remained stable over the quarter despite major central bank rate rises. Despite positive returns, infrastructure fundraising continued to suffer, with Preqin reporting only c.$7bn raised over the quarter, a c.88% decrease against Q2 last year. A surprise rise in UK core inflation caught the Real Estate market off-guard leading to further falls, albeit marginal ones, in commercial property values in May and June, with the MSCI UK Quarterly Property Index showing capital returns of -0.03% and -0.48%. This was offset by steady income returns, with only June showing a negative total return (-0.03%). The decline in capital values continued to be led by offices, with yields on prime city offices expanding 0.25% over the quarter, and market sentiment around offices more broadly remaining negative due to ongoing concerns around working from home and asset stranding resulting from minimum energy efficiency standards.
 **Sarah Miller** **Illiquid Markets**	Private credit issuance in Q2 continued to outpace broadly syndicated loan financing - taking 85%, by count, of LBO deals (LCD, Pitchbook). Default rates declined marginally in Q2, per Proskauer, to 1.64%, suggesting stability. However, interest and fixed charge coverage ratios declined to ~1.1x as interest expenses have almost doubled, reflecting the potential stress for existing loans. Concurrently, continued higher rates constrain the amount of debt lenders will offer and companies can support for new loans, typically resulting in larger equity cushions and a stronger relative positioning for lenders. Current credit market activity is driven by refinancings and loan extensions (Pitchbook, KKR), addressing near-term maturities. Larger private credit facilities would historically have been replaced by cheaper public credit at maturity, but private lenders now provide the refinancing, owing to their certainty of capital. As pressure on bank lending continues, opportunity is created for corporate direct lending and for asset-based lending – either as replacement capital to banks or for private lenders to finance collateralised loans sitting on bank balance sheets.

HOW HAVE YOUR MANAGERS PERFORMED FOR YOU?

Long Term (Since Inception and 3 Year Returns)

Fund	Benchmark	Inception Date	Current Holdings £m	Since Inception Return (Annualised if >12m)			3 Year Return (Annualised)		
				Fund	Bmk	Excess	Fund	Bmk	Excess
Liquid Markets: Equities									
LCIV Global Alpha Growth Paris Aligned Fund	MSCI All Country World Gross Index (GBP)	September 2021	206.8	-9.6%	3.2%	-12.8%	-	-	-
LCIV Emerging Market Equity Fund	MSCI Emerging Market Index (TR Net)	September 2021	73.5	-8.2%	-7.4%	-0.9%	-	-	-
LCIV Sustainable Equity Fund	MSCI World (GBP)(TR Net)	June 2018	292.1	7.7%	9.5%	-1.8%	6.2%	11.1%	-4.9%
LCIV Diversified Growth Fund	SONIA + 3.5%	October 2021	126.1	-7.0%	5.7%	-12.7%	-	-	-
BlackRock World Equity	MSCI World Net Total Return 95% hedged to GBP	June 2018	128.2	9.5%	-	-	12.4%	11.9%	0.5%
BlackRock Low Carbon	MSCI World Low Carbon Target Reduced Fossil Fuel Select Index	June 2018	242.9	9.6%	9.1%	0.5%	10.7%	10.2%	0.5%
Liquid and Semi-Liquid Credit									
BMO Bonds	Bond Composite	September 2003	202.0	4.1%	3.7%	0.4%	-9.6%	-10.3%	0.8%
BlackRock Short Bond	3-month SONIA	February 2019	92.2	1.9%	1.6%	0.2%	1.2%	1.1%	0.1%
Illiquid Credit									
Churchill Senior Loans	IRR (net of fees) of 6-7%	December 2018	59.9	5.7%	6.0%	-0.3%	-	-	-
Permira Senior Loans	IRR (net of fees) of 6-8%	December 2019	83.4	7.9%	7.0%	0.8%	-	-	-
LCIV Private Debt Fund	IRR (net of fees) of 6-8%	March 2021	123.9	-	-	-	-	-	-
Illiquid Markets									
LCIV Renewable Infrastructure Fund	IRR (net of fees) of 7-10%	March 2021	39.8	-	-	-	-	-	-
Columbia Threadneedle Pension Property (TPEN)	MSCI/AREF UK 'All Balanced Open-Ended' Property Fund Index	March 2004	143.6	5.7%	5.1%	0.6%	3.8%	3.4%	0.4%
Columbia Threadneedle Low Carbon Property	-	May 2016	17.3	-1.5%	-	-	-8.6%	-	-

Source: Fund Managers

The information above describes the past performance of the investment. Past performance is not a reliable indicator of the future results or performance of any investment. If the investment described above is not denominated in pounds sterling, the return generated by the investment may increase or decrease as a result of fluctuations in exchange rates between currencies.

HOW HAVE YOUR MANAGERS PERFORMED FOR YOU?

Short Term (12 Month and 3 Month Returns)

Fund	Benchmark	Inception Date	Current Holdings £m	Previous Holdings £m	12 Month Return			3 Month Return		
					Fund	Bmk	Excess	Fund	Bmk	Excess
Liquid Markets: Equities										
LCIV Global Alpha Growth Paris Aligned Fund	MSCI All Country World Gross Index (GBP)	September 2021	206.8	200.5	11.0%	12.2%	-1.2%	3.2%	3.3%	-0.1%
LCIV Emerging Market Equity Fund	MSCI Emerging Market Index (TR Net)	September 2021	73.5	75.5	3.8%	-2.8%	6.6%	-2.6%	-1.9%	-0.8%
LCIV Sustainable Equity Fund	MSCI World (GBP)(TR Net)	June 2018	292.1	292.4	1.1%	13.2%	-12.1%	-0.1%	3.9%	-4.0%
LCIV Diversified Growth Fund	SONIA + 3.5%	October 2021	126.1	128.8	-1.8%	7.0%	-8.7%	-2.1%	2.1%	-4.2%
BlackRock World Equity	MSCI World Net Total Return 95% hedged to GBP	June 2018	128.2	119.8	17.2%	16.7%	0.4%	7.0%	6.8%	0.2%
BlackRock Low Carbon	MSCI World Low Carbon Target Reduced Fossil Fuel Select Index	June 2018	242.9	231.7	12.9%	11.4%	1.6%	4.8%	4.7%	0.1%
Liquid and Semi-Liquid Credit										
BMO Bonds	Bond Composite	September 2003	202.0	214.0	-11.9%	-13.0%	1.3%	-5.6%	-5.2%	-0.4%
BlackRock Short Bond	3-month SONIA	February 2019	92.2	100.1	3.1%	3.1%	0.0%	1.0%	1.1%	-0.1%
Illiquid Credit										
Churchill Senior Loans	IRR (net of fees) of 6-7%	December 2018	59.9	61.9	-	-	-	-	-	-
Permira Senior Loans	IRR (net of fees) of 6-8%	December 2019	83.4	79.7	-	-	-	-	-	-
LCIV Private Debt Fund	IRR (net of fees) of 6-8%	March 2021	123.9	117.4	-	-	-	-	-	-
Illiquid Markets										
LCIV Renewable Infrastructure Fund	IRR (net of fees) of 7-10%	March 2021	39.8	37.3	-	-	-	-	-	-
Columbia Threadneedle Pension Property (TPEN)	MSCI/AREF UK 'All Balanced Open-Ended' Property Fund Index	March 2004	143.6	142.1	-16.9%	-17.4%	0.6%	0.9%	0.4%	0.5%
Columbia Threadneedle Low Carbon Property	-	May 2016	17.3	17.3	-25.9%	-	-	0.9%	-	-

Source: Fund Managers

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YOUR FUND DETAILS AND COMMENTS

Fund	Inception Date	Commentary on the Quarter
Liquid Markets: Equities		
LCIV Global Alpha Growth Paris Aligned Fund	September 2021	The fund delivered a return of 3.2% over Q2 2023, underperforming the benchmark by 0.1%. At the stock level, the largest positive contributors to relative performance were B3, the Trade Desk and Entegris. The fund has been a long-term holder of Alphabet, Amazon and Microsoft, all of which have performed exceptionally well this year.
LCIV Emerging Market Equity Fund	September 2021	The fund delivered a return of -2.6% over Q2 2023, underperforming the benchmark by 0.8%. At the sector level, an overweight to financials, led by Indian and Indonesian banks, and underweights in materials and consumer discretionary proved beneficial. However, underweight to energy detracted from performance; this was due to one single stock, Petrobras.
LCIV Sustainable Equity Fund	June 2018	The fund delivered a return of -0.1% over Q2 2023, underperforming the benchmark by 4%. After the 2022 drawdowns, the investment manager had taken a more cautious approach to portfolio construction and positioning, favouring stocks with defensive and low beta characteristics. In Q2, underperformance was wide across the portfolio as several high conviction positions are currently not favoured by the market. These are typically companies with longer term investment horizons and a high level of intangibles which given the current environment of macroeconomic uncertainty and high interest rates are being penalised.
LCIV Diversified Growth Fund	October 2021	The fund delivered a return of -2.1% over Q2 2023. The investment manager increased exposure to developed market government and corporate bonds this year in the expectation that the pace of tightening of monetary policy would decelerate. This segment of the Subfund, which was biggest source of profits in Q1, accounted for about 60% of the loss reported in Q2. These losses were partially offset by gains on emerging market local and hard currency bonds (+0.9%), another of the segments which has been built up this year.
BlackRock World Equity	June 2018	The fund delivered a return of 7.0% over Q2 2023, performing roughly in line with the benchmark, as expected for a passive fund.
BlackRock Low Carbon	June 2018	The fund delivered a return of 4.8% over Q2 2023, performing roughly in line with the benchmark, as expected for a passive fund.
Liquid and Semi-Liquid Credit		
BMO Bonds	September 2003	The fund delivered a return of -5.6% over Q2 2023, underperforming the benchmark by 0.4%. Tactical duration and cross market positioning in the UK detracted from performance, along with curve steepeners. Longs in government-related and, in particular, EU issues added to performance. The fund was overweight in duration, which proved unfavourable as gilt yields rose strongly. Against this, a slight overweight in overall credit risk helped performance as credit spreads tightened.
BlackRock Short Bond	February 2019	The fund delivered a return of 1.0% over Q2 2023, performing roughly in line with the benchmark, as expected for a passive fund.

YOUR FUND DETAILS AND COMMENTS

Fund	Inception Date	Commentary on the Quarter
Illiquid Credit		
Churchill Senior Loans	December 2018	The net internal rate of return of the fund was 5.7% over Q2 2023, with the fund having drawn 94% of its commitments as at 30 June 2023.
Permira Senior Loans	December 2019	The net internal rate of return of the fund was 7.9% over Q1 2023, with the fund having drawn c.87% of its commitments as at 31 March 2023.
LCIV Private Debt Fund	March 2021	Overall, the Fund was drawn c.63% as at 31 March 2023. In accordance with the trust deed, the performance of the Fund is not formally assessed against its objective until after the fourth year of the investment period.
Illiquid Markets		
LCIV Renewable Infrastructure Fund	March 2021	As of 31 March 2023, the fund had drawn c.34% of its commitments. In accordance with the trust deed, the performance of the Fund is not formally assessed against its objective until after the fourth year of the investment period.
Columbia Threadneedle Pension Property (TPEN)	March 2004	The fund delivered a return of 0.9% over Q2 2023, outperforming the benchmark by 0.4%.
Columbia Threadneedle Low Carbon Property	May 2016	The fund delivered a return of 0.9% over Q2 2023.

APPENDICES

ASSET CLASS GROUPINGS

Government Bonds & LDI

- Manage unrewarded interest rate and inflation risk through efficient use of entire universe of hedging instruments.
- Examples: gilt portfolios, swap overlay strategies, LDI pooled funds.

Liquid Markets

- Highly marketable asset classes that generate returns through market risk premia.
- Examples: equities, commodities, liquid multi-asset strategies.

Liquid & Semi-Liquid Credit

- Steady income via regular coupon payments.
- Bulk of excess returns are compensation for credit risk.
- Examples: investment grade and high yield corporate bonds, "go-anywhere" credit.

Illiquid Credit

- Long-dated, hold-to-maturity instruments that pay an illiquidity premium.
- Potential for inflation-linked cashflows.
- Examples: infrastructure debt, secured leases, direct lending.

Illiquid Markets

- High potential returns but often difficult to access and relatively complex.
- Generally aim to take advantage of market dislocation and more exotic risk premia.
- Examples: private equity, property, infrastructure equity.

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2021 FINANCIAL NEWS **INVESTMENT CONSULTANT OF THE YEAR**

2021 PIPA AWARDS **INVESTMENT CONSULTANT OF THE YEAR**

2020 PROFESSIONAL PENSIONS UK PENSIONS AWARDS **DC INNOVATION OF THE YEAR**

2018 CEO MONTHLY MAGAZINE **CEO OF THE YEAR: LONDON**

2017 PENSION INSIGHT DC AWARDS **BEST INNOVATION IN DC**

2017 EUROPEAN PENSIONS AWARDS **RISK MANAGEMENT FIRM OF THE YEAR**

2017 FINANCIAL NEWS AWARDS FOR EXCELLENCE **INVESTMENT CONSULTANT OF THE YEAR**

2017 INVESTMENT WEEK WOMEN IN INVESTMENT AWARDS **YOUNG INVESTMENT WOMAN OF THE YEAR**

2016 LONDON STOCK EXCHANGE **1000 COMPANIES TO INSPIRE BRITAIN**

2016 EUROPEAN PENSIONS AWARDS **CONSULTANCY OF THE YEAR**

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