REDINGTON

Hackney

MANAGER PERFORMANCE REPORT

Q3 2023

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QAS Institute and Faculty of Actuaries Quality Assurance Scheme

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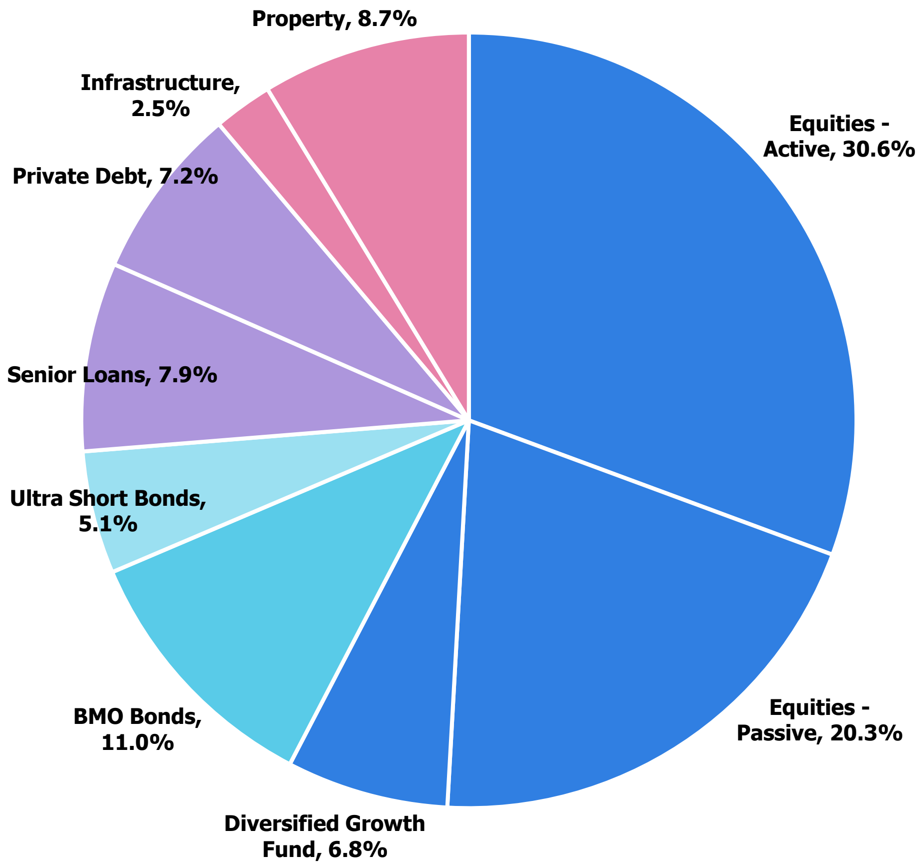
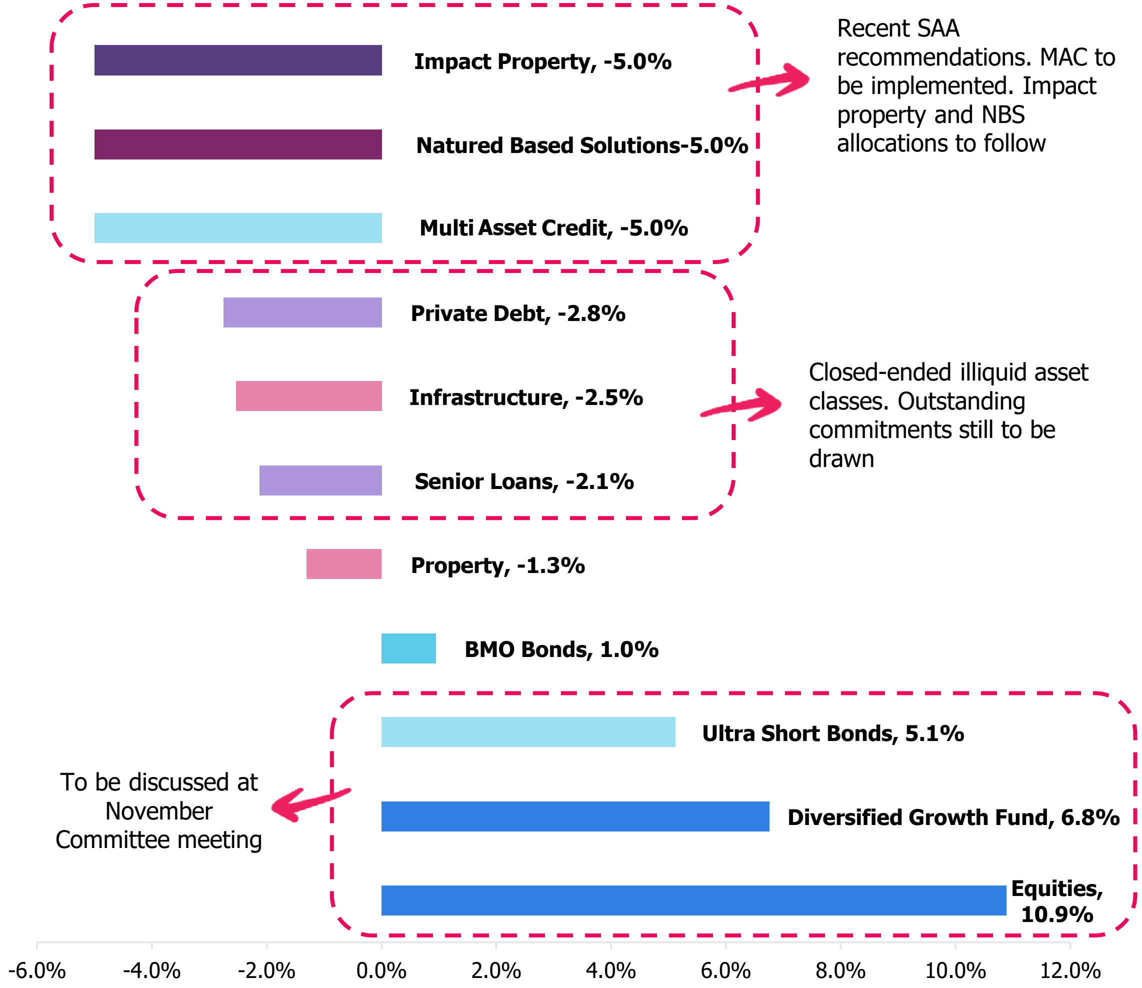
CURRENT PORTFOLIO POSITION

Asset Allocation (30 Sep 23)



Asset class holdings relative to SAA (30 Sep 23)



WHAT HAS HAPPENED IN THE MARKETS?

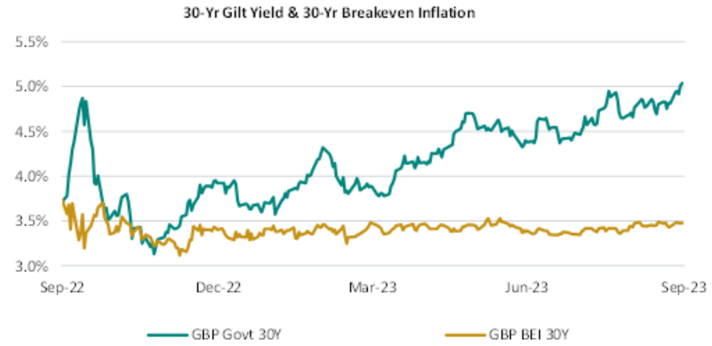
Pete Drewienkiewicz (CIO, Global Assets)

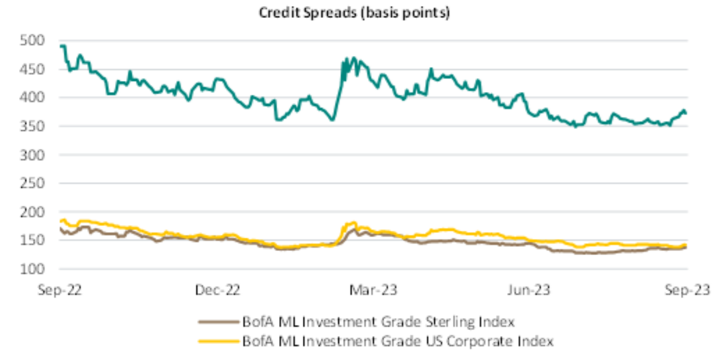
Market Summary

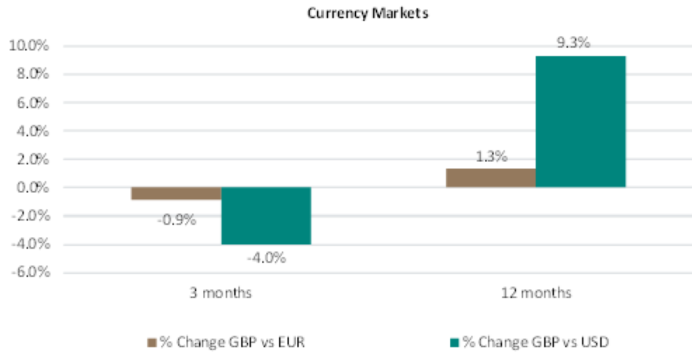
After a strong first half of the year, risk assets saw a more challenging Q3 as markets finally digested the “higher for longer” message from global central banks. Yield curves across developed markets moved meaningfully higher over the quarter even as the pace of rate hikes slowed, helping high yield bonds to outperform higher-quality corporate debt. The Fed and Bank of England now appear to be close to the end of their respective hiking cycles, although a prolonged period of above-target inflation or even stagflation remains a risk.

Sustainable Investment Update

The UK Government announced U-turns on several key climate change targets, claiming that the policy shifts will prevent excessive costs for the British population. One of the most notable changes was the delay in banning the sale of new petrol and diesel cars to 2035. The Taskforce on Nature-related Financial Disclosures (TNFD) final framework was published in September, while Nature Action 100 (a cousin of the already established Climate Action 100+) released their target list of companies identified for engagement on nature loss. Both initiatives aim to help asset owners and managers better consider nature and biodiversity within their investment activities.







VIEWS FROM THE ASSET CLASS SPECIALISTS

 **Kate Mijakowska** **UK Gilts and Inflation**	In Q3 2023, UK 30-year nominal gilt yields rose 48bps. Breakeven inflation at the same tenor fell 5bps, bringing UK 30-year real yields 53bps higher. Despite both the US Federal Reserve ('Fed') and Bank of England ('BoE') pausing rate hikes in September, the market repriced for "higher for longer" rates expectations. This is driven by factors including: the Fed's messaging, continued resilience of labour markets, upcoming high net government debt supply, and in the US a higher than expected CPI print for August. In Q3, yield curve slopes also exhibited significant volatility. At the end of September 2023 in the UK, the 2-year yield sat 47bps higher than the 10-year yield. This is materially steeper than at the end of June, when the difference was 88bps. In late September, the BoE's Andrew Hauser made a speech which indicated the Bank's intention to launch a lending facility directly for non-bank financial institutions, which would include pension schemes, to aid financial stability in periods of market stress.
 **Oliver Wayne** **Liquid Markets (Equities)**	Developed markets ('DM') delivered modest positive returns in GBP over Q3, primarily due to the devaluation of GBP vs USD. The information technology sector – which includes the tech companies: Apple, Microsoft, Alphabet, Amazon, Tesla, Nvidia, and Meta, collectively known as the "Magnificent Seven" – experienced a challenging quarter, with most of these companies seeing declines in their stock prices. Despite the broader market challenges, energy stocks delivered strong positive returns. This was driven by significantly higher energy prices after Russia and Saudi Arabia cut oil production. Emerging markets ('EM') moderately outperformed DM, albeit with some dispersion from a single country perspective. From a style factor basis it was generally a good market for value managers and a more challenging market for growth investors. There was no material size effect in DM, but smaller sized companies continued to materially outperform in EM.
 **Alex Robinson** **Liquid Markets (Multi-Asset)**	It was a fairly disappointing Q3 for risk assets as investors digested the scenario of a higher for longer interest rate environment following generally stronger than expected US economic data. Equity and fixed income markets sold off as interest rates continued to climb. This move hurt a number of long-only multi-asset managers, particularly those that have been increasing duration in anticipation of a central bank pivot on interest rates. Commodities had a very strong quarter, driven by significantly higher energy prices after Saudi Arabia and Russia cut oil production. For diversified risk premia strategies, the positive performance in commodities should have helped to offset some of the poorer performance in equity and fixed income. Trend-following strategies were broadly positive, and strong performance from the value factor will have benefited those with style focused market neutral equity exposure as well. In the 'event driven' space, merger arbitrage saw strong performance in Q3 as the Amgen/Horizon Therapeutics and Activision Blizzard/Microsoft lawsuits were resolved and both deals closed, providing improved sentiment to the broader M&A space.

VIEWS FROM THE ASSET CLASS SPECIALISTS

 **Chris Bikos** **Liquid & Semi-Liquid Credit**	Credit spreads across the quality spectrum tightened over Q3, but for long-duration assets this was not enough to compensate for the losses caused by the increase in interest rates. Sterling credit outperformed its US counterparts, and the top-performing space was short-dated sterling credit (1 to 10 years corporate credit) at c.3.5%. In July, the Fed and the European Central Bank ('ECB') raised rates by 0.25%, with the ECB continuing to hike in September. The Bank of England raised the base rate to 5.25% in August but kept rates unchanged in its September meeting. Moving to emerging markets ('EM'), EM Local was the worst-performing asset class, delivering -3.3% over the period. Performance in EM corporates was negative, but dispersion in the asset class was high, with high yield posting positive returns outperforming investment grade. The performance of EM sovereigns was negative at -2.2%, as spreads moved wider. Leveraged loans had another positive quarter, delivering positive returns in both the US and Europe despite the slight uptick in defaults. The asset class continues to benefit from its floating-rate nature and high income generation.
 **Tricia Ward** **Illiquid Credit**	Private credit dry powder exceeds $0.5tn and fundraising is down 12% year on year (Preqin). This is markedly stronger than the ~30% YoY fundraising decline across private markets in aggregate, reflecting the relative opportunity and appetite for credit. The velocity of deployment and realisation has decreased. Disciplined lenders look to high-quality borrowers able to adapt to inflationary and rate pressures to minimise margin contraction. Demand for larger deals has led to spreads narrowing by 25-50 bps. Slower realisation of capital from primary funds is driving the growth in secondary market funds, with the key objective of generating liquidity. A question raised regularly is whether the asset class has been tested – private loans were originated by the likes of CIT and GE (finance companies) prior to the 2008 Financial Crisis and tested throughout. With the increased presence of institutional investors, and increased scale and breadth of offerings, the more pertinent question is whether managers have been tested. Our expectation is for dispersion in performance.
 **Sarah Miller** **Illiquid Markets**	Across private markets, fundraising has remained well below expectations (c.26% less than Q1-Q3 2022 according to Preqin) and is currently trending to be lower than it has been for 10 years. Global M&A is also down to $2 trillion, 27% down on Q1-Q3 2022. The UK energy market has been through a period of elevated power prices over the last 18 months, which has contributed positively to infrastructure asset performance. However, this has started to come back in line with historical averages, with a number of regulatory schemes implemented to bring stability back to the market. In September, the UK Offshore Wind auction received no bids as a result of market participants believing that the maximum price set by the government for Contract for Difference contracts was too low, making projects financially unfeasible in an environment of high rates and inflation (with costs expected to have increased by 40%). UK residential property funds took stock of the scrapping of proposed updates to Minimum Energy Efficiency Standards by the UK Government, with most saying they will stick to the target of EPC C for new tenancies by 2025 and 2028 for existing tenancies.

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	197.9	-10.4%	3.2%	-13.6%	-	-	-
LCIV Emerging Market Equity Fund	MSCI Emerging Market Index (TR Net)	September 2021	72.2	-8.0%	-6.0%	-2.1%	-	-	-
LCIV Sustainable Equity Fund	MSCI World (GBP)(TR Net)	June 2018	289.2	7.1%	9.2%	-2.1%	3.7%	10.2%	-6.4%
LCIV Diversified Growth Fund	SONIA + 3.5%	October 2021	123.4	-7.2%	6.1%	-13.3%	-	-	-
BlackRock World Equity	MSCI World Net Total Return 95% hedged to GBP	June 2018	125.2	8.7%	-	-	9.3%	8.8%	0.5%
BlackRock Low Carbon	MSCI World Low Carbon Target Reduced Fossil Fuel Select Index	June 2018	244.7	9.3%	8.9%	0.4%	9.5%	9.1%	0.4%
Liquid and Semi-Liquid Credit									
BMO Bonds	Bond Composite	September 2003	200.0	4.0%	3.6%	0.4%	-9.9%	-10.4%	0.6%
BlackRock Short Bond	3-month SONIA	February 2019	93.5	1.9%	1.7%	0.2%	1.6%	1.5%	0.1%
Illiquid Credit									
Churchill Senior Loans	IRR (net of fees) of 6-7%	December 2018	61.2	6.1%	6.0%	0.1%	-	-	-
Permira Senior Loans	IRR (net of fees) of 6-8%	December 2019	82.6	7.9%	7.0%	0.9%	-	-	-
LCIV Private Debt Fund	IRR (net of fees) of 6-8%	March 2021	132.3	-	-	-	-	-	-
Illiquid Markets									
LCIV Renewable Infrastructure Fund	IRR (net of fees) of 7-10%	March 2021	45.0	-	-	-	-	-	-
Columbia Threadneedle Pension Property (TPEN)	MSCI/AREF UK 'All Balanced Open-Ended' Property Fund Index	March 2004	144.1	5.6%	5.0%	0.6%	3.7%	3.2%	0.5%
Columbia Threadneedle Low Carbon Property	-	May 2016	14.7	-3.5%	-	-	-13.2%	-	-

Source: Fund Managers. Please note, BlackRock Short Bonds performance is gross of fees.
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	197.9	206.8	4.5%	10.7%	-6.2%	-4.3%	0.7%	-5.1%
LCIV Emerging Market Equity Fund	MSCI Emerging Market Index (TR Net)	September 2021	72.2	73.5	0.6%	2.2%	-1.6%	-1.7%	1.1%	-2.9%
LCIV Sustainable Equity Fund	MSCI World (GBP)(TR Net)	June 2018	289.2	292.1	-1.4%	11.5%	-12.9%	-1.0%	0.6%	-1.5%
LCIV Diversified Growth Fund	SONIA + 3.5%	October 2021	123.4	126.1	-0.7%	7.7%	-8.4%	-2.2%	2.1%	-4.3%
BlackRock World Equity	MSCI World Net Total Return 95% hedged to GBP	June 2018	125.2	128.2	19.7%	19.2%	0.5%	-2.4%	-2.5%	0.1%
BlackRock Low Carbon	MSCI World Low Carbon Target Reduced Fossil Fuel Select Index	June 2018	244.7	242.9	9.5%	9.1%	0.4%	0.7%	0.7%	0.0%
Liquid and Semi-Liquid Credit										
BMO Bonds	Bond Composite	September 2003	200.0	202.0	-2.4%	-2.4%	0.0%	-1.1%	-1.0%	-0.0%
BlackRock Short Bond	3-month SONIA	February 2019	93.5	92.2	4.1%	4.1%	0.1%	1.3%	1.3%	0.0%
Illiquid Credit										
Churchill Senior Loans	IRR (net of fees) of 6-7%	December 2018	61.2	59.9	-	-	-	-	-	-
Permira Senior Loans	IRR (net of fees) of 6-8%	December 2019	82.6	83.4	-	-	-	-	-	-
LCIV Private Debt Fund	IRR (net of fees) of 6-8%	March 2021	132.3	123.9	-	-	-	-	-	-
Illiquid Markets										
LCIV Renewable Infrastructure Fund	IRR (net of fees) of 7-10%	March 2021	45.0	39.8	-	-	-	-	-	-
Columbia Threadneedle Pension Property (TPEN)	MSCI/AREF UK 'All Balanced Open-Ended' Property Fund Index	March 2004	144.1	143.6	-12.2%	-14.3%	2.5%	0.2%	-0.4%	0.6%
Columbia Threadneedle Low Carbon Property	-	May 2016	14.7	17.3	-30.7%	-	-	-14.2%	-	-
Fund-level metrics			**1,826.0**	**1,831.7**	**1.6%**	**3.8%**	**-2.2%**	**-1.1%**	**-0.3%**	**-0.8%**

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 -4.3% over Q3 2023, underperforming the benchmark by 5.1%. The fund's underperformance this quarter was largely due to its tilt towards growth-oriented stocks, which see their future cashflows discounted by a greater amount when interest rates rise. At the stock level, the largest detractors were Chewy (pet food online retailer), a payments processing company Adyen, and two luxury goods companies, Pernod Ricard and Richemont.
LCIV Emerging Market Equity Fund	September 2021	The fund delivered a return of -1.7% over Q3 2023, underperforming the benchmark by 2.9%. Across sectors, both stock selection and sector allocation detracted from the fund's performance. The largest underperformance driver was weak stock selection within financials. The portfolio's exposure to China was also a key driver of underperformance both on an absolute and relative basis.
LCIV Sustainable Equity Fund	June 2018	The fund delivered a return of -1% over Q3 2023, underperforming the benchmark by 1.5%. As with the previous quarter the main driver of underperformance in Q3 was negative attribution effects from stock selection. These effects were mainly determined by broader market forces, namely uncertainty about the path of interest rates, shorter time horizons of mainstream investors and an 'ESG intangibles' headwind. At the stock level, the biggest detractors from relative performance in Q3 were holdings in Adyen, the Dutch-based payment solutions company, Estée Lauder, the cosmetics and beauty company and AIA, Asia's leading insurance company.
LCIV Diversified Growth Fund	October 2021	The fund delivered a return of -2.2% over Q3 2023. The loss in Q3 was incurred late in the quarter, reflecting the sensitivity of the fund to the big increases in yields on government bonds in September. The manager has increased exposure to bonds this year, expecting a slower pace in monetary policy tightening. Although this has not worked well to this point, the investment manager added more capital to interest rate sensitive assets during the quarter.
BlackRock World Equity	June 2018	The fund delivered a return of -2.4% over Q3 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 0.7% over Q3 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 -1.1% over Q3 2023, marginally underperforming the benchmark by 0.1%. Sterling credit assets outperformed government bonds. 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 1.3% over Q3 2023, performing in line with the benchmark. The fund holdings remain highly liquid, with overnight liquidity standing at around 20-25% and weekly liquidity at approximately 30%.

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 6.1% over Q3 2023, with the fund having drawn c.96% 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 Q3 2023, with the fund having drawn c.87% of its commitments as at 30 June 2023.
LCIV Private Debt Fund	March 2021	As of 30 June 2023, the fund had drawn c.67% 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.
Illiquid Markets		
LCIV Renewable Infrastructure Fund	March 2021	As of 30 June 2023, the fund had drawn c.40% 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 0.2% over Q3 2023, outperforming the benchmark by 0.6%.
Columbia Threadneedle Low Carbon Property	May 2016	The fund delivered a return of -14.2% over Q3 2023. The fund is in wind down, with the valuations reflecting the sales prices that will be realised. Over the quarter three properties were sold at a realised gain of c.0.6% on book cost.

APPENDICES

ASSET CLASS GROUPINGS

UK Gilts and Inflation

- 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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