REDINGTON

Hackney

MANAGER PERFORMANCE REPORT

Q4 2023

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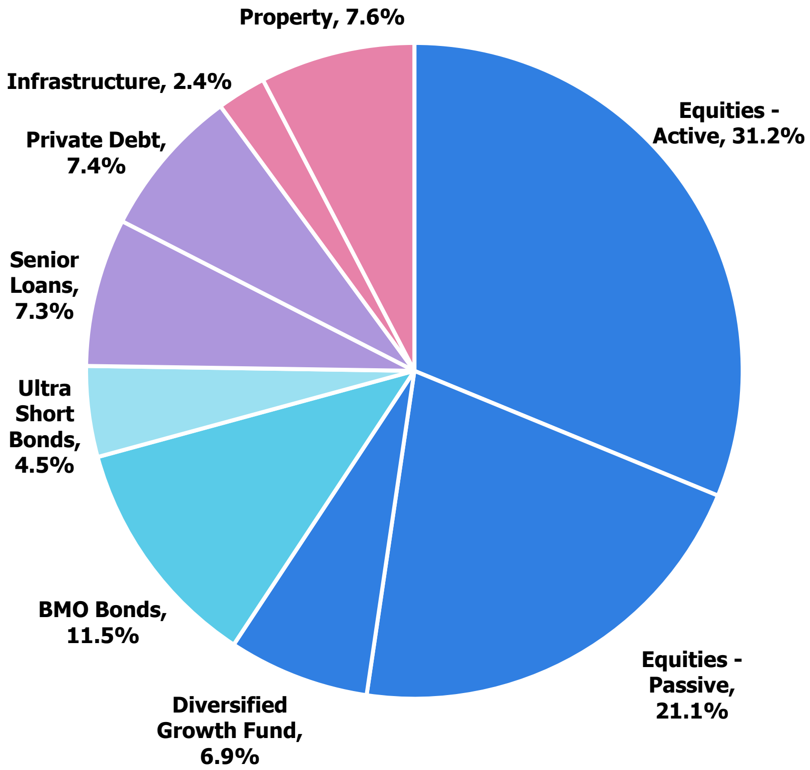
bsi. ISO/IEC 27001 Information Security Management

QAS Institute and Faculty of Actuaries Quality Assurance Scheme

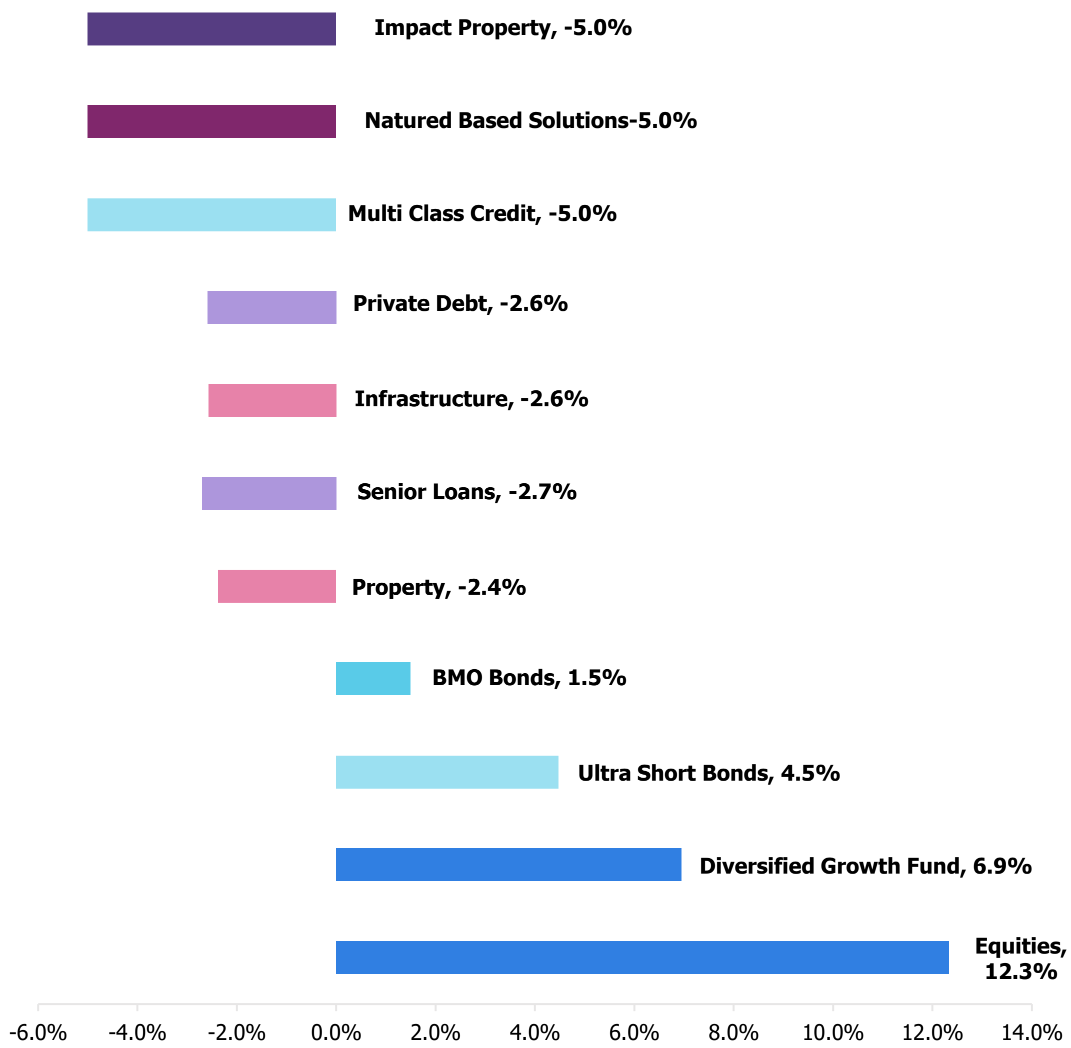
CONTENTS

CURRENT PORTFOLIO POSITION

Asset Allocation (31 Dec 23)



Asset class holdings relative to SAA (31 Dec 23)



WHAT HAS HAPPENED IN THE MARKETS?

Pete Drewienkiewicz (CIO, Global Assets)

Market Summary

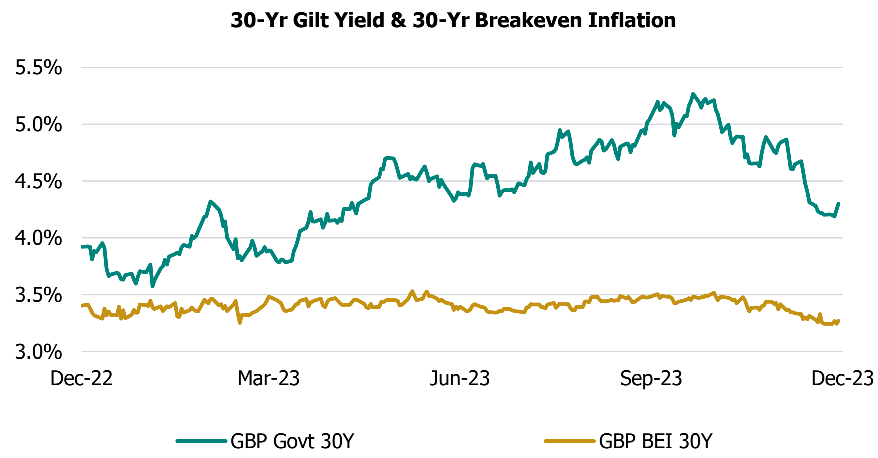
Q4 2023 was defined by a single data point – the US CPI release in mid-November. This came in below expectations, further strengthening market conviction in the Federal Reserve pulling off a "soft landing". Both stocks and bonds rallied strongly in response, although the asset classes remain highly correlated, emphasising the importance of forthcoming inflation data. All major central banks put further rate hikes on pause throughout the quarter, and markets are now pricing numerous rate cuts for 2024, beginning as early as March.

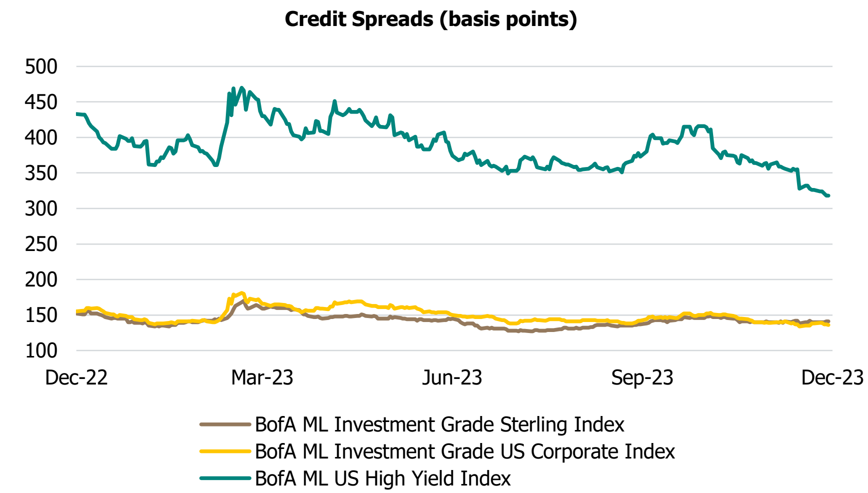
Sustainable Investment Update

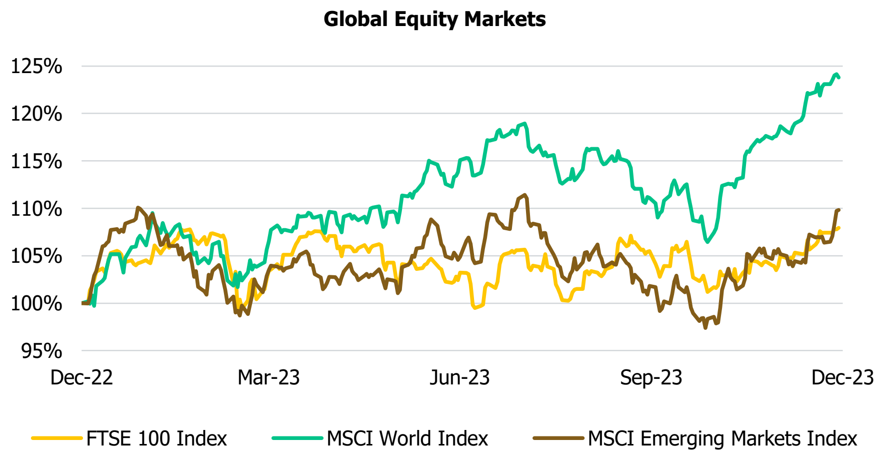
The final text from COP28 encouragingly mentions the projection of peak global emissions between 2020-2025 and calls on parties to "transition away from fossil fuels in energy systems". This is the strongest global agreement on a peak in fossil fuel use yet. However, the "how" remains uncertain. The outcome reinforced themes for investors such as renewables, nature-based solutions, sustainable food systems and more.

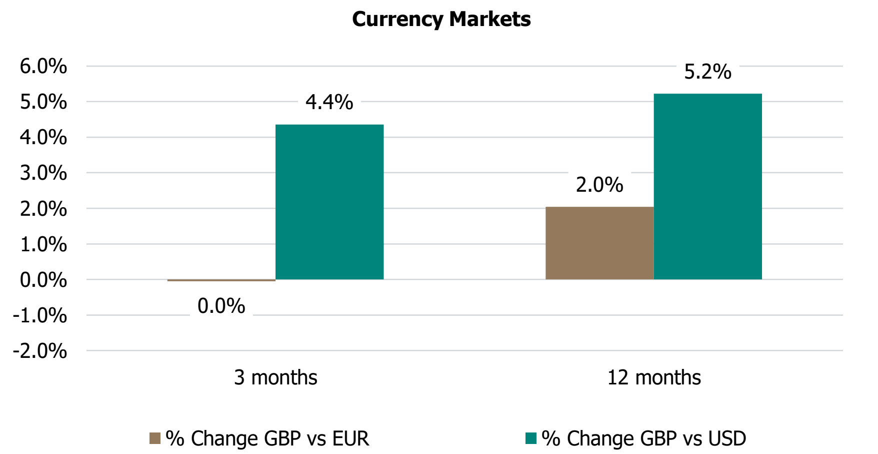
UK Sustainability Disclosure Requirements ("SDR") were published to combat greenwashing by introducing stricter requirements as to what constitutes a "sustainable" investment product.

WHAT HAS HAPPENED IN THE MARKETS?









VIEWS FROM THE ASSET CLASS SPECIALISTS

 **Kate Mijakowska** **UK Gilts and Inflation**	In Q4 2023, UK 30-year nominal gilt yields fell by 74bps. Breakeven inflation at the same tenor fell by 18bps, which brings UK 30-year real yields 56bps lower. This followed meaningful yield decreases in the US. This move was driven by the market significantly revising its expectations about the speed and number of rate cuts in 2024, based partly on data and partly on the Fed's communication. In the UK, both the November and December Consumer Price Index ("CPI") prints came in below expectations, at 3.9% and 4.0% respectively. At the end of December 2023, the market was pricing in over 150bps of cumulative rate cuts in the UK over the course of 2024. Nominal z-spreads (a measure reflecting the relative attractiveness of gilts versus swaps) remain high, at 78ps at the 30-year tenor. Meanwhile, repo spreads have increased slightly, albeit from very low levels, and now sit in the high teens.
 **Oliver Wayne** **Liquid Markets (Equities)**	Developed markets ("DM") posted strong returns over Q4, spurred by growing excitement that the US Federal Reserve could cut interest rates sooner than expected. US shares fared best, with the S&P 500 ending the quarter near its all-time high, while UK and European equities were also buoyed by optimism over possible rate cuts. Top-performing sectors included those most sensitive to interest rates, including technology and real estate, while industrials also outperformed. The energy sector lagged amid lower oil prices, and healthcare was also behind. Emerging markets ("EM") lagged DM, though still delivered strong gains. Rising geopolitical tensions in the Middle East and ongoing concerns about China's real estate sector weighed on sentiment, partly offset by strong performance from Latin America, which was boosted by hopes of a soft landing for the global economy. From a style factor perspective, quality managers did best, though most ships were lifted by the rising tide. From a size perspective, smaller companies outperformed in both DM and EM.
 **Alex Robinson** **Liquid Markets (Multi-Asset)**	It was a strong quarter for risk assets over Q4 as investors became increasingly optimistic following dovish tones from central banks that brought forward expectations of rate cuts in early 2024. Bond yields were significantly lower through the quarter and equity and fixed income markets rallied. These moves benefited long-only multi-asset managers, particularly those who had stuck with significant duration exposure throughout the year. Commodities had a weak quarter, driven primarily by energy as gas and oil prices moved sharply lower. For risk parity strategies, the positive performance in equities and fixed income helped offset some underperformance in commodities. Broadly, trend-following strategies had a disappointing Q4, with the majority of poor performance coming in November from short fixed income and long US Dollar positions. Event-driven strategies broadly had a more positive end to the year, following a tough 2023 when headwinds from an onerous regulatory environment, prominent deal breaks, an opaque interest rate outlook and stunted levels of M&A activity presented a challenging environment for the strategy.

VIEWS FROM THE ASSET CLASS SPECIALISTS

 **Chris Bikos** **Liquid & Semi-Liquid Credit**	Q4 2023 can be best described as an "everything rally" environment. This market rally coincided with a sharp decline in government bond yields and credit spreads moving tighter across the board. All major central banks kept rates unchanged and inflation rates came in lower than market expectations. Throughout 2023, these have been the two main drivers of yields and asset prices. High yield outperformed investment grade on a spread basis. More specifically, the US high yield market outperformed its European counterpart by c.1% on an excess return basis. In investment grade, long-duration outperformed other maturities from a total return perspective, driven by falling rates. Leveraged loans had another strong quarter and 2023 was the second strongest year from a return perspective on record. Emerging market debt ("EMD") produced positive performance across all segments, with currencies strengthening versus the U.S. dollar, interest rates falling in most economies worldwide, and credit spreads tightening. The Local Currency EMD index was top performing, followed by EM Corporates and Hard Currency Sovereigns.
 **Tricia Ward** **Illiquid Credit**	Performance remains broadly resilient, with Q3 senior-secured private credit yields reaching a high of 11.8% (source: Lincoln) and default rates at 1.41%, a continued decline from the Q1 level of 2.15% (source: Proskauer). By the end of Q3, private credit provided 86% of the loans for the leveraged buy-out market. Deal spreads in the upper-mid markets peaked 12 months ago, 75bps wider than the 575bps level typically executed in Q4 for equivalent credits. Q4 EBITDA (a measure of corporate profitability) growth year-over-year across US middle-market companies was the strongest for 8 years, excluding the post-COVID rebound in Q2 2021. Having focused on cost-cutting measures in Q2 to offset rising rates and inflation, strong borrowers have exerted pricing power, thereby contributing to improved EBITDA. Again, not all private credit is equal. We are aware of challenges in the US consumer and healthcare sectors. Experience in asset-based finance – where financing is secured against companies' cashflows or hard assets – is still relatively limited, and it remains to be seen how borrowers manage the continued pressure of the higher-for-longer rate environment and how that changes the opportunity set for junior and "payment-in-kind" debt issuance (where borrowers can make interest payments in forms other than cash).
 **Sarah Miller** **Illiquid Markets**	Across real assets, fundraising over 2023 reflected a c.40% drop vs 2022, according to Preqin, with a c.73% decline in infrastructure raising driving a 10-year low. Notably, two large infrastructure funds closed in Q4, helping the fundraising to rebound from what had been a 90% decline. In infrastructure, investors remained cautious, with deal volumes falling 40% year-on-year vs 2022 due to wide bid-ask spreads on underlying deals, despite $300bn of dry powder (cash-like reserves that are available for deployment when investment opportunities arise) available across the industry. High costs of debt have challenged the financial viability of new development projects, thereby also slowing deployment. The EDHEC Infra300 index (equally weighted, local currency) returned 10.5% year to date through November 2023. The falling equity risk premium has increased net asset values of unlisted infrastructure companies over the past year, partially offsetting the impacts of elevated interest rates. The real estate market continues to see capital declines across sectors, with offices seeing the most significant reduction as the sector falls out of favour with investors due to a divergence in stock quality and its impact on valuations.

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									
LCIV Global Alpha Growth Paris Aligned Fund	MSCI All Country World Gross Index (GBP)	September 2021	213.8	-6.2%	5.6%	-11.8%	-	-	-
LCIV Emerging Market Equity Fund	MSCI Emerging Market Index (TR Net)	September 2021	73.7	-6.3%	-3.9%	-2.4%	-	-	-
LCIV Sustainable Equity Fund	MSCI World (GBP)(TR Net)	June 2018	305.1	7.8%	10.0%	-2.2%	1.7%	9.8%	-8.1%
LCIV Diversified Growth Fund	SONIA + 3.5%	October 2021	131.9	-3.6%	6.4%	-10.0%	-	-	-
BlackRock World Equity	MSCI World Net Total Return 95% hedged to GBP	June 2018	137.2	9.8%	9.5%	0.3%	8.5%	8.0%	0.5%
BlackRock Low Carbon	MSCI World Low Carbon Target Reduced Fossil Fuel Select Index	June 2018	263.6	10.2%	9.8%	0.5%	9.5%	9.0%	0.5%
Liquid and Semi-Liquid Credit									
BMO Bonds	Bond Composite	September 2003	218.2	4.4%	4.0%	0.5%	-7.9%	-8.5%	0.5%
BlackRock Short Bond	3-month SONIA	February 2019	94.8	1.8%	1.7%	0.0%	1.9%	2.0%	-0.1%
Illiquid Credit									
Churchill Senior Loans	IRR (net of fees) of 6-7%	December 2018	53.7	6.4%	6.5%	-0.1%	-	-	-
Permira Senior Loans	IRR (net of fees) of 6-8%	December 2019	84.9	8.1%	7.0%	1.1%	-	-	-
LCIV Private Debt Fund	IRR (net of fees) of 6-8%	March 2021	140.6	-	-	-	-	-	-
Illiquid Markets									
LCIV Renewable Infrastructure Fund	IRR (net of fees) of 7-10%	March 2021	46.1	-	-	-	-	-	-
Columbia Threadneedle Pension Property (TPEN)	MSCI/AREF UK 'All Balanced Open-Ended' Property Fund Index	March 2004	142.6	7.5%	6.5%	0.9%	2.9%	2.1%	0.8%
Columbia Threadneedle Low Carbon Property	-	May 2016	2.2	-4.3%	-	-	-15.6%	-	-

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										
LCIV Global Alpha Growth Paris Aligned Fund	MSCI All Country World Gross Index (GBP)	September 2021	213.8	197.9	11.6%	16.4%	-4.8%	8.1%	6.3%	1.8%
LCIV Emerging Market Equity Fund	MSCI Emerging Market Index (TR Net)	September 2021	73.7	72.2	0.4%	3.6%	-3.2%	2.1%	3.3%	-1.2%
LCIV Sustainable Equity Fund	MSCI World (GBP)(TR Net)	June 2018	305.1	289.2	4.6%	16.8%	-12.3%	5.5%	6.7%	-1.1%
LCIV Diversified Growth Fund	SONIA + 3.5%	October 2021	131.9	123.4	4.6%	8.3%	-3.7%	6.9%	2.1%	4.8%
BlackRock World Equity	MSCI World Net Total Return 95% hedged to GBP	June 2018	137.2	125.2	22.9%	22.2%	0.7%	9.6%	9.5%	0.1%
BlackRock Low Carbon	MSCI World Low Carbon Target Reduced Fossil Fuel Select Index	June 2018	263.6	244.7	17.4%	16.8%	0.5%	7.7%	7.6%	0.2%
Liquid and Semi-Liquid Credit										
BMO Bonds	Bond Composite	September 2003	218.2	199.9	4.7%	4.8%	-0.1%	9.2%	8.5%	0.7%
BlackRock Short Bond	3-month SONIA	February 2019	84.9	93.5	4.5%	4.7%	-0.2%	1.4%	1.3%	0.1%
Illiquid Credit										
Churchill Senior Loans	IRR (net of fees) of 6-7%	December 2018	53.7	61.2	-	-	-	-	-	-
Permira Senior Loans	IRR (net of fees) of 6-8%	December 2019	84.9	82.6	-	-	-	-	-	-
LCIV Private Debt Fund	IRR (net of fees) of 6-8%	March 2021	140.6	132.3	-	-	-	-	-	-
Illiquid Markets										
LCIV Renewable Infrastructure Fund	IRR (net of fees) of 7-10%	March 2021	46.1	45.0	-	-	-	-	-	-
Columbia Threadneedle Pension Property (TPEN)	MSCI/AREF UK 'All Balanced Open-Ended' Property Fund Index	March 2004	142.6	144.1	0.2%	-1.4%	1.7%	-1.3%	-1.2%	-0.1%
Columbia Threadneedle Low Carbon Property	-	May 2016	2.2	14.7	-29.7%	-	-	-7.6%	-	-
Fund-level metrics			**1,908.4**	**1,825.8**	**6.8%**	**8.3%**	**-1.6%**	**5.1%**	**4.6%**	**0.5%**

YOUR FUND DETAILS AND COMMENTS

Fund	Inception Date	Commentary on the Quarter
Liquid Markets		
LCIV Global Alpha Growth Paris Aligned Fund	September 2021	The fund delivered a return of 8.1% over Q4 2023, outperforming the benchmark by 1.8%. The outperformance shown demonstrates the volatility of the market and the need for caution, with the fund underperforming the benchmark by 5.1% over Q3 2023. The improved performance has been strengthened by the more favourable market for growth stocks paired with better stock execution. The core area of weakness remains the fund's exposure and stock selection within China, where 3 out of the 5 top detractors for the fund in Q4 had direct exposure to China or indirect exposure to the Chinese consumer.
LCIV Emerging Market Equity Fund	September 2021	The fund delivered a return of 2.1% over Q4 2023, underperforming the benchmark by 1.2%. Over both Q4 and 2023, outperformance of value stocks compared to growth equities, the strong performance of Indian small cap stocks contributed positively to the fund's performance. Information Technology was a positive contribution in Q4, accelerating due to its positive inflection point on the hardware demand cycle and demands in AI. The fund's key detractor was China, where the fund's top five detractors at stock level were Chinese holdings.
LCIV Sustainable Equity Fund	June 2018	The fund delivered a return of 5.5% over Q4 2023, underperforming the benchmark by 1.1%. Despite market conditions being ripe for value strategies, the fund demonstrated underperformance due to the stock selection. In particular, it was the holding in First Quantum Minerals which detracted c.1%.
LCIV Diversified Growth Fund	October 2021	The fund delivered a return of 6.9% over Q4 2023, outperforming the benchmark by 4.8%. The positive returns in this quarter resulted from strong investments in developed and emerging market government debt, recovery of other interest-rate sensitive assets and investments in property REITS. Despite the strong quarter, the fund will still be put on 'Enhanced' monitoring, with another in depth review scheduled to take place no later than June 2024.
BlackRock World Equity	June 2018	The fund delivered a return of 9.6% over Q4 2023, performing broadly in line with the benchmark, as expected for a passive fund.
BlackRock Low Carbon	June 2018	The fund delivered a return of 7.7% over Q4 2023, performing broadly 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 9.2% over Q4 2023, outperforming the benchmark by 0.7%. Sterling credit assets outperformed government bonds. The fund was overweight in duration and credit risk, which proved favourable in a market where yields fell and credit spreads tightened.
BlackRock Short Bond	February 2019	The fund delivered a return of 1.4% over Q4 2023, outperforming the benchmark by 0.1%. The fund holdings remain highly liquid, with overnight liquidity at c. 20-25%, and weekly liquidity at c. 30%. The fund has increased exposure to A2/P2 issuers at the very front end of the curve, offering a favourable spread against A1/P1 issuers.

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 -4.3% over Q4 2023, with the fund having drawn c.96% of its commitments as at 31 December 2023.
Permira Senior Loans	December 2019	The net internal rate of return of the fund was 8.1% over Q4 2023, with the fund having drawn c.87% of its commitments as at 31 December 2023.
LCIV Private Debt Fund	March 2021	As at 30 September 2023, the fund had drawn 96% of its commitments. In accordance with the trust deed, the performance of the fund is not formally assessed against its objectives until after the fourth year of the investment period.
Illiquid Markets		
LCIV Renewable Infrastructure Fund	March 2021	As at 30 September, the fund had drawn 78% of its commitments. In accordance with the trust deed, the performance of the fund is not formally assessed against its objectives until after the fourth year of the investment period.
Columbia Threadneedle Pension Property (TPEN)	March 2004	The fund delivered a return of -1.3% over Q4 2024, underperforming the benchmark by 0.1%.
Columbia Threadneedle Low Carbon Property	May 2016	The fund delivered a return of -7.6% over Q4 2024. The fund is in wind down, with the valuations reflecting the sales prices that will be realised. Over the quarter, one property was sold, Grove House, at a realised loss of 31.5% 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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2023 LAPF INVESTMENTS AWARDS **INVESTMENT ADVISORY SERVICE OF THE YEAR**

2023 INVESTMENT MARKETING & INNOVATION AWARDS **CONTENT MARKETING CAMPAIGN OF THE YEAR**

2023 EUROPEAN PENSIONS **EUROPEAN PENSIONS CONSULTANCY OF THE YEAR**

2022 FINANCIAL NEWS **INVESTMENT CONSULTANT OF THE YEAR 2022**

2022 FINANCIAL TIMES **TRAILBLAZING COMPANY OF THE YEAR - DIVERSITY IN FINANCE**

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

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

2021 PENSIONS FOR PURPOSE **BEST BLOG CONTENT**

2021 CORPORATE ADVISER **BEST DC INVESTMENT ADVISER**

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

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**

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

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

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