

Appendix A: Market Background and Outlook

Market background for the quarter

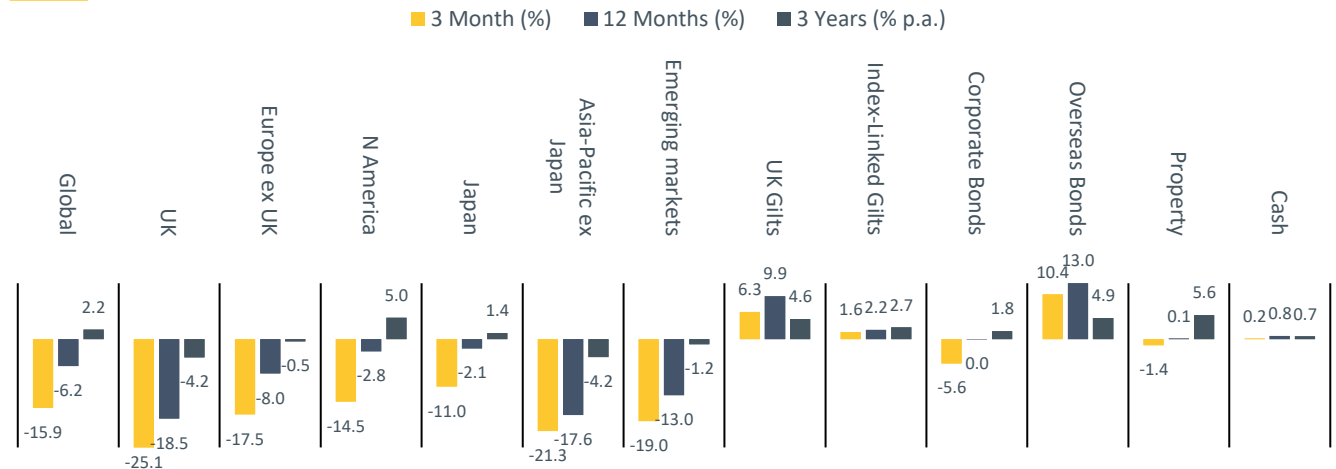
Developed market sovereign bond yields have been pushed near record lows, though have not been immune to volatility as investors liquidated bonds in a dash for cash in March. Sterling investment grade spreads rose 1.34% p.a., more than offsetting any benefit from falling underlying government bond yields.

Unsurprisingly, speculative grade credit spreads underperformed their investment grade counterparts with high yield energy bonds particularly hard hit. Leveraged loans underperformed within speculative-grade markets as a collapse in interest rate expectations weighed on floating-rate loans.

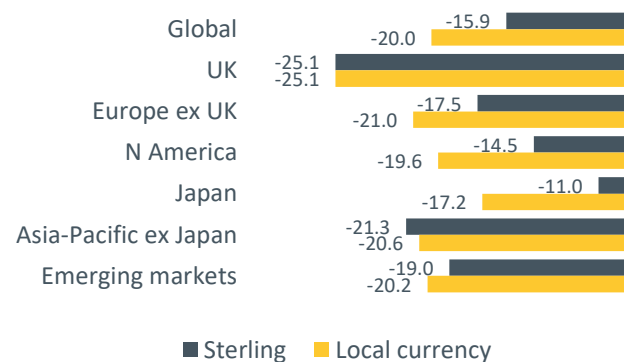
Global equity markets fell 20% in local currency terms and 15.9% in sterling terms, as weakening sterling benefited unhedged investors. The UK equity market was the worst performer with the FTSE 100 posting its biggest fall since 1987 as its sectoral composition and exposure to oil & gas hurt performance. Global equities did recover some losses towards the end of the quarter, as market sentiment improved on the back of fiscal and monetary support measures. Volatility levels, as measured by the VIX Index, hit levels not seen since the global financial crisis.

Several UK property funds have suspended dealing as property valuers have been unable to accurately value the underlying assets with any certainty, inserting material uncertainty clauses into their valuations.

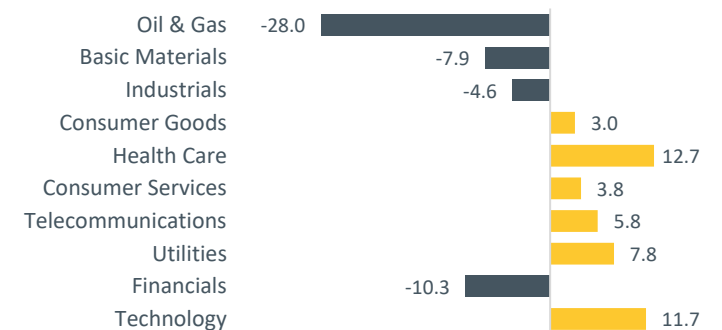
Historic returns for world markets



Regional equity returns ^[2]



Global equity sector returns (%) ^[3]



^[1] All returns are in Sterling terms. Indices shown (from left to right) are as follows: FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, S&P/IFCI Composite, FTSE Fixed Gilts All Stocks, FTSE Index-Linked Gilts All Maturities, iBoxx Corporates All Investment Grade All Maturities, JP Morgan GBI Overseas Bonds, MSCI UK Monthly Property Index; UK Interbank 7 Day. ^[2] FTSE All World Indices ^[3] Relative to FTSE All World Indices.

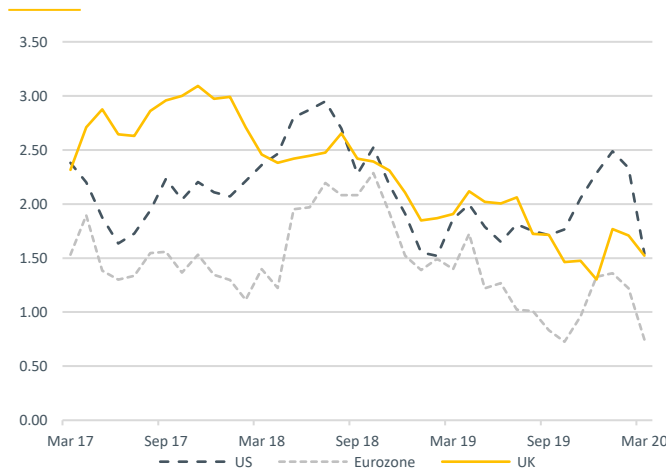
Q4 GDP numbers were broadly in-line with recent trends - a modest slowdown year-on-year. The global spread of Coronavirus, and the impact on supply and demand from necessary containment measures, will inevitably impact the rate of global economic growth in 2020 and possibly beyond.

Falling domestic demand globally and steep oil price declines are disinflationary. The slump in global demand for oil has been compounded by a price war between OPEC (led by Saudi Arabia) and Russia, Brent crude falling to its lowest level since 2002. Inflation, which was already below target in the major advanced economies, is forecast to slow in 2020, with some Eurozone countries and Japan expected to enter deflation.

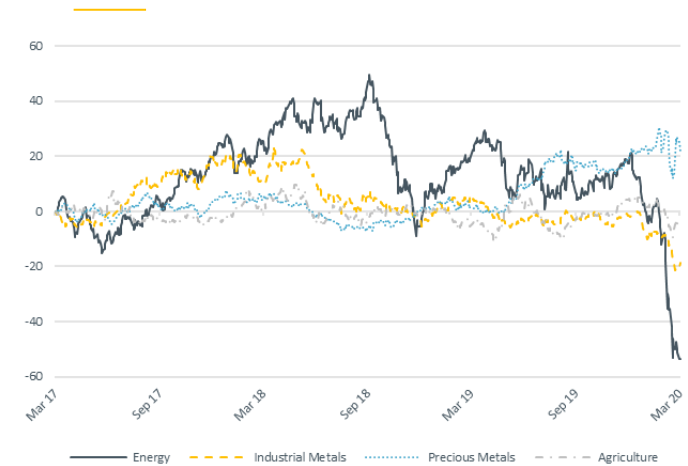
The US Federal Reserve (Fed) and the Bank of England (BoE) have cut rates to record lows and the Bank of Japan and the European Central Bank have joined the Fed and BoE in restarting and expanding their quantitative easing programs. The Fed's now unlimited purchase program will, for the first time, include corporate debt.

Currency markets were typical of a period of increased risk. The haven appeal of the dollar and yen was apparent and, in line with their less defensive reputation, sterling and emerging market currencies fell.

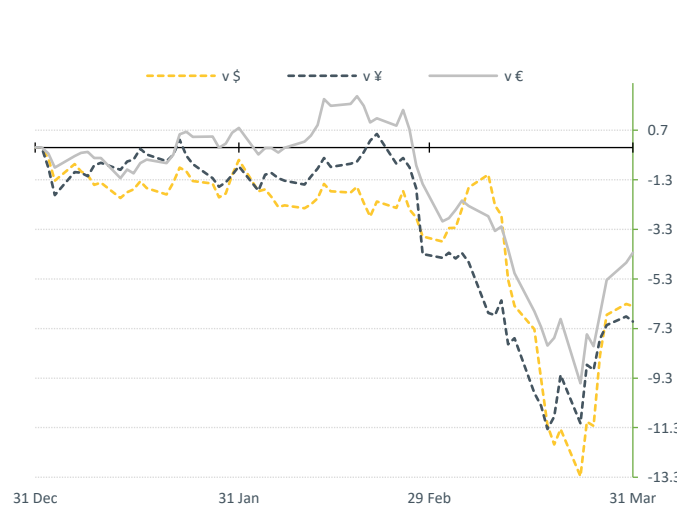
Annual CPI Inflation (% p.a.)



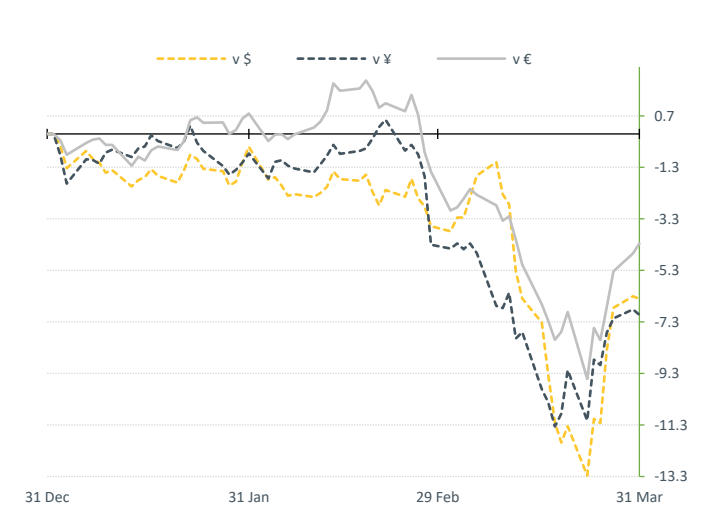
Commodity Prices



Gilt yields chart



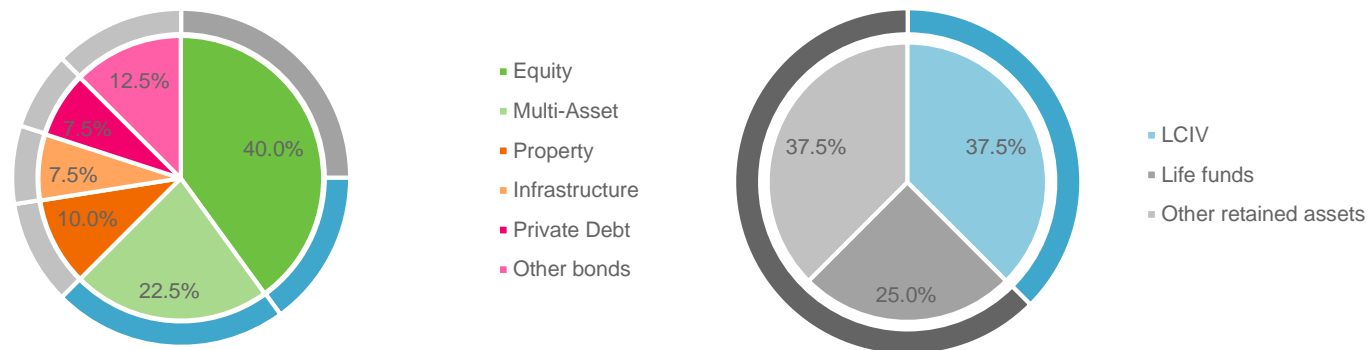
Sterling trend chart (% change)



Appendix B: Strategic Overview

Strategic overview

The Fund's investment approach is implemented through the London Common Investment Vehicle ("LCIV"), and retained assets including life funds (with fee structures aligned with LCIV). The following charts summarise the approach agreed for the implementation of the Fund's longer-term strategy. We have indicated ongoing governance responsibilities in blue for LCIV and grey for the Committee:



The following table summarises the Fund's longer-term strategic target and expected implementation approach:

Asset class	Long term target	LCIV		Life funds		Other retained assets	
		Manager(s)	%	Manager(s)	%	Manager(s)	%
Equity	40.0	Baillie Gifford	15.0	LGIM	25.0		
Multi-Asset	22.5	Baillie Gifford, Ruffer	22.5				
Property	10.0					UBS, CBRE	10.0
Infrastructure	7.5					JP Morgan, Stafford	7.5
Private Debt	7.5					Permira, Churchill	7.5
Other bonds*	12.5					RLAM	12.5
Total	100.0	-	37.5	-	25.0	-	37.5

*The structure of the other bonds allocation is being finalised

The implementation of the Fund's longer-term strategy progressed significantly during 2019, with the drawdown into the private debt and Stafford mandates expected to extend into 2020/21. The target allocation to LCIV and life funds totals 75% of Fund assets. Other retained assets will be delivered through external managers, with the position reviewed periodically.

Current investment implementation

Manager	Implementation	Previous Quarter	Cashflows	Current Quarter	Actual %	Target %	Difference
Equity		310.3	0.0	260.2	35.6%	35.0%	0.6%
LGIM Global Equity	LCIV aligned	61.0	0.0	51.3	7.0%	7.5%	-0.5%
LGIM Fundamental Equity	LCIV aligned	57.8	0.0	44.6	6.1%	7.5%	-1.4%
LGIM Emerging Markets	LCIV aligned	34.5	0.0	27.9	3.8%	5.0%	-1.2%
Baillie Gifford Global Equity	LCIV	157.0	0.0	136.3	18.7%	15.0%	3.7%
Multi-Asset		201.5	-1.9	182.8	25.0%	27.5%	-2.5%
Ruffer Absolute Return	LCIV	100.0	0.0	97.7	13.4%	15.0%	-1.6%
Baillie Gifford DGF	LCIV	93.1	0.0	80.0	11.0%	12.5%	-1.5%
GMO Global Real Return	Retained	8.4	-1.9	5.1	0.7%	0.0%	0.7%
Real-Assets		105.4	-1.2	114.9	15.7%	17.5%	-1.8%
UBS Property	Retained	41.8	-0.7	41.5	5.7%	6.0%	-0.3%
JP Morgan Infrastructure	Retained	26.0	-1.9	27.0	3.7%	4.0%	-0.3%
CBRE Global Property	Retained	26.1	0.0	29.0	4.0%	4.0%	0.0%
Stafford Global Infrastructure	Retained	11.5	1.4	17.4	2.4%	3.5%	-1.1%
Bonds and Cash		167.1	3.4	172.8	23.7%	20.0%	3.7%
RLAM Bonds	Retained	133.3	-3.6	124.6	17.1%	12.5%	4.6%
Churchill Private Debt	Retained	7.4	3.4	14.0	1.9%	3.0%	-1.1%
Permira Private Debt	Retained	4.3	-0.2	5.6	0.8%	4.5%	-3.7%
Cash	Retained	22.1	3.8	28.5	3.9%	0.0%	3.9%
Currency Hedging P/L	Retained	-0.1	2.7	-0.7	-0.1%	0.0%	-0.1%
Total		784.3	0.3	730.0	100.0%	100%	-

Source: Northern Trust; LGIM Global Equity and Fundamental Equity mandates were managed by SSGA prior to November 2017. Figures may not tally due to rounding. The total asset value includes the effect of the currency hedging mandate which was implemented by Russell over the quarter.

The total value of the Fund's assets fell by c. £54m over the quarter to c. £730m as at 31 March 2020 as global equities and other major asset classes fell sharply as a result of the global coronavirus pandemic. The target proportions listed represent the current implementation of the Fund's longer-term strategic allocation, following the addition of Real Assets and Private Debt. Allocations to these new asset classes are to be funded from existing cash balances, from Multi-Asset funds (Real Assets) and the Royal London bond corporate bonds mandate (Private Debt). The Committee agreed to implement an allocation to multi-asset credit with Royal London in January 2020, facilitated through a restructure of the existing bond mandate.

Over the quarter the Fund paid capital calls to Churchill (£3.4m) and Stafford (£1.4m). These were funded from existing cash and redemptions from the GMO mandate.

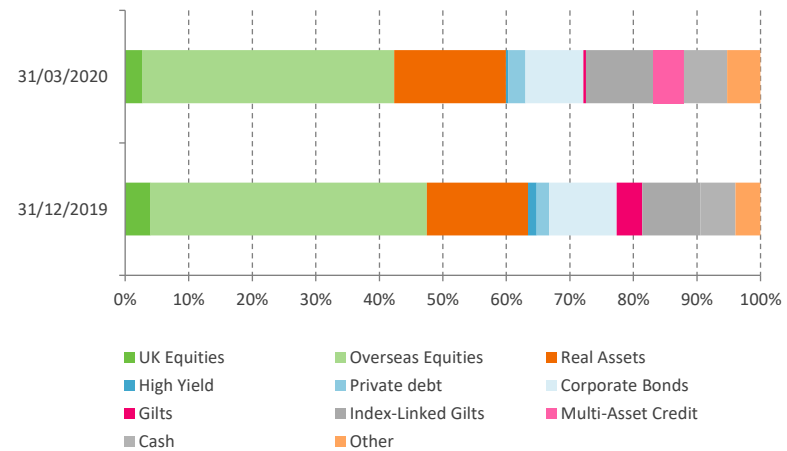
Asset Allocation

The chart illustrates the underlying asset allocation of the Fund, i.e. taking account of the underlying holdings in the three multi-asset funds on a 'look through' basis.

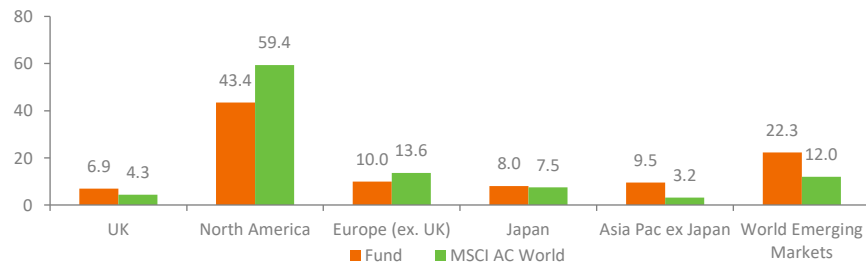
The Fund's allocation to equities fell over the quarter to c.42% at 31 March 2020 (c.48% at 31 December 2019). The allocation to real assets increased to c.18% of Fund assets as at 31 March 2020 (c.16% as at 31 December 2019). These movements were driven principally by significant equity market falls which resulted from the global coronavirus pandemic.

The Fund's strategic asset allocation is due to be reviewed in 2020, reflecting the results of the 2019 actuarial valuation.

Look through asset allocation as at 31 March 2020



Regional Equity Allocation

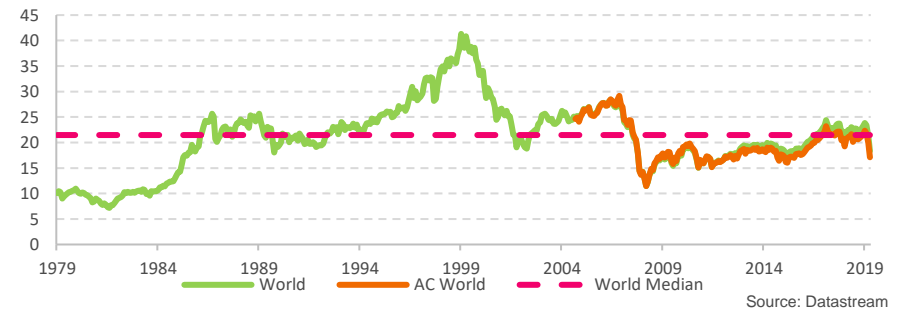


The Committee is due to review the Fund's equity structure in 2020.

At the beginning of the year, the outlook for equity markets was relatively positive. However, the sudden economic shock of the coronavirus outbreak has resulted in a substantial adjustment to future outlook and caused a widespread sell-off in equity markets as investors looked to reduce risk.

The marked falls across equity markets in March 2020 have led to valuations moving to more attractive relative to historic levels. However, the huge uncertainties over the duration of the economic shutdown across major economies and the impact of policy support measures mean the rate of recovery is very hard to predict.

Long term Shiller PE at 31 March 2020



Appendix C: Manager Performance

Manager Performance Summary

The table below sets out the performance of each mandate against their respective benchmarks. The LGIM mandates tracked their respective benchmarks over the quarter, whilst the majority of the Fund's other mandates contributed positively to relative returns.

	Quarter			1 Year			3 Years			5 Years		
	Fund	B'Mark	Relative	Fund	B'Mark	Relative	Fund	B'Mark	Relative	Fund	B'Mark	Relative
EQUITY												
LGIM Global Equity	-15.9	-16.0	0.0	-6.2	-6.3	0.0	2.2	2.2	0.0	7.1	7.1	0.0
LGIM Fundamental Equity	-22.8	-23.0	0.2	-15.4	-15.5	0.2	-3.0	-3.0	0.0	-	-	-
LGIM Emerging Markets	-19.0	-19.0	0.0	-13.3	-13.2	-0.1	-	-	-	-	-	-
Baillie Gifford Global Equity (CIV)	-13.2	-15.9	3.2	-1.3	-6.2	5.3	6.6	2.3	4.2	10.2	7.2	2.8
MULTI-ASSET												
Ruffer Absolute Return (CIV)	-2.3	0.2	-2.4	3.2	0.8	2.4	0.5	0.8	-0.3	2.0	0.8	1.2
Baillie Gifford DGF (CIV)	-14.0	1.0	-14.9	-8.8	3.9	-12.3	-1.4	4.0	-5.2	0.8	4.0	-3.0
GMO Global Real Return	-18.5	1.3	-19.6	-14.7	6.2	-19.6	-4.5	6.0	-9.9	-2.6	6.0	-8.1
REAL-ASSETS												
UBS Property	0.0	-1.3	1.3	2.0	0.1	1.9	6.3	4.9	1.3	6.8	5.8	1.0
JP Morgan Global Infrastructure	16.6	1.3	15.1	19.3	6.5	12.0	-	-	-	-	-	-
CBRE Global Property	10.9	1.3	9.4	10.9	6.5	4.1	-	-	-	-	-	-
Stafford Capital Global Infrastructure	9.8	1.3	8.4	-	-	-	-	-	-	-	-	-
BONDS AND CASH												
RLAM Bonds	-3.8	-3.7	-0.1	1.9	1.1	0.8	3.3	2.6	0.7	5.5	4.9	0.6
Permira	1.2	1.2	0.0	-	-	-	-	-	-	-	-	-
Churchill Private Debt	7.2	1.2	5.9	7.2	1.2	5.9	-	-	-	-	-	-
Total	-8.3	-6.3	-2.2	-1.6	-0.3	-1.2	2.2	2.6	-0.4	4.4	4.4	0.0

Source: Northern Trust. Please note that benchmark performance for Baillie Gifford DGF, Ruffer Absolute Return and GMO Real Return funds is inclusive of outperformance targets. In addition, longer term performance for Baillie Gifford Global Equity, Baillie Gifford DGF and Ruffer Absolute Return funds is inclusive of performance prior to their transfer in to the London CIV. LGIM Global and Fundamental Equity mandates were managed by SSGA prior to November 2017 and we have retained the performance history for these allocations. Performance figures for the private market investments was not available at the time of preparation. The Fund performance figure includes the effect of the currency hedging mandate which was implemented by Russell over the quarter. Performance for RLAM Bonds does not include the Multi-Asset Credit portfolio – this will be included from Q2 2020 when a full quarter's data will be available.

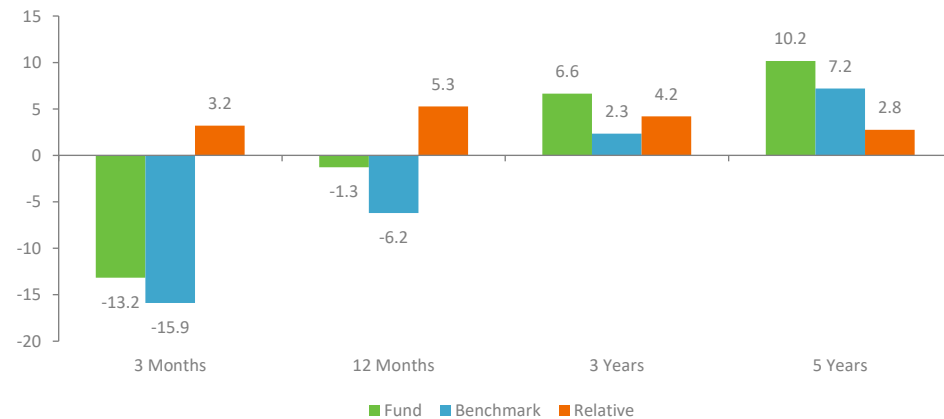
LCIV funds

The Fund accesses global equity and multi-asset sub-funds through LCIV. In this section we provide an overview of performance and positioning of the sub-funds in which the Fund invests. LCIV are responsible for the ongoing monitoring and governance of the underlying investment managers. For more information, please refer to ongoing reporting from LCIV.

LCIV Global Alpha Growth Fund

The sub-fund is managed by Baillie Gifford. The objective of the sub-fund is to exceed the rate of return of the MSCI All Country World Index by 2-3% per annum on a gross of fees basis over rolling five-year periods.

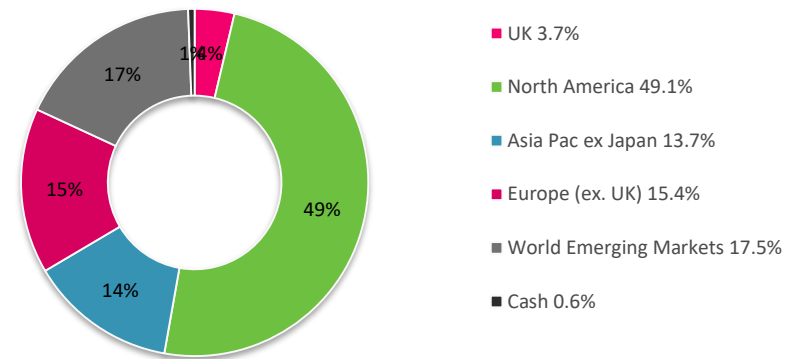
Performance to 31 March 2020



*Date of inception 25 April 2012

Source: Northern Trust

Regional allocation as 31 March 2020



Source: Baillie Gifford

LCIV Diversified Growth Fund

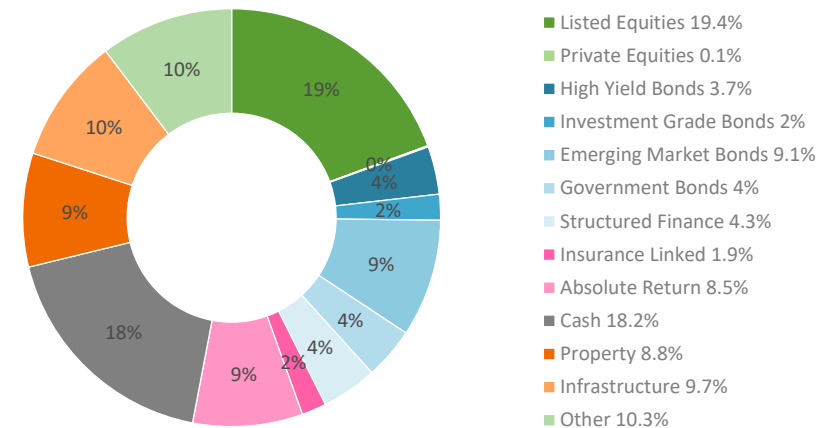
The sub-fund is managed by Baillie Gifford through their Diversified Growth strategy. The sub-fund's objective is to achieve long term capital growth at lower risk than equity markets.

Performance to 31 March 2020

	3 Months (%)	12 Months (%)	3 Years (p.a.) (%)
Fund	-14.0	-8.8	-1.4
Base Rate + 3.5% (net)	1.0	3.9	4.0
Relative (to Target)	-14.9	-12.3	-5.2
<i>Multi Asset Composite</i>	-7.4	-1.9	2.0
<i>Relative (to composite)</i>	-7.1	-7.1	-3.4

Source: Northern Trust. Inception date: 26/11/2013

Asset Allocation as at 31 March 2020 (Source: Baillie Gifford)



LCIV Absolute Return Fund

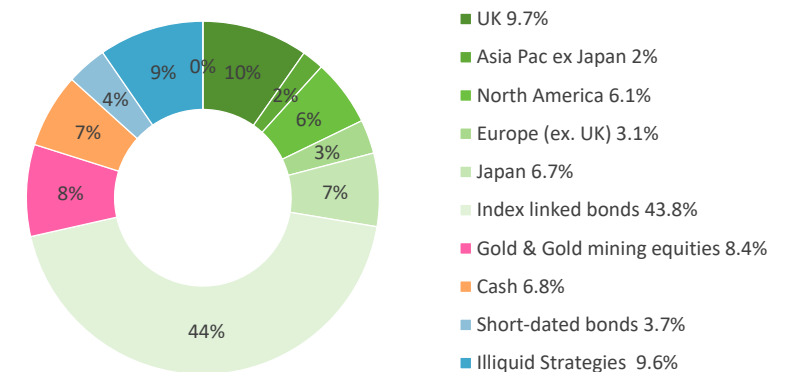
The sub-fund is managed by Ruffer. The sub-fund's objective is to achieve low volatility and positive returns in all market conditions.

Performance to 31 March 2020

	3 Months (%)	12 Months (%)	3 Years (p.a.) (%)
Fund	-2.3	3.2	0.5
GBP 3 Month LIBOR	0.2	0.8	0.8
Relative (to LIBOR)	-2.4	2.4	-0.3
<i>Multi Asset Composite</i>	-7.4	-1.9	2.0
<i>Relative (to composite)</i>	5.5	5.2	-1.5

Source: Northern Trust. Inception date: 13/09/2010

Asset Allocation as at 31 March 2020 (Source: Ruffer)



LGIM Global Equity

LGIM were appointed from November 2017 to manage the Fund's index tracking global equity portfolio, with the mandate being split equally between investment in a fund tracking a market cap weighted index and a fund tracking a fundamentally weighted index. The mandate was previously managed by SSGA. The objective of this mandate is to match the performance of the respective benchmark indices. As shown below, performance from the mandate has been broadly in line with underlying benchmarks over all periods considered.

All World Equity Index Fund: Performance to 31 March 2020

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception (% p.a.)
Fund	-15.9	-6.2	2.2	9.7
Benchmark	-16.0	-6.3	2.2	9.7
Relative	0.0	0.0	0.0	0.0

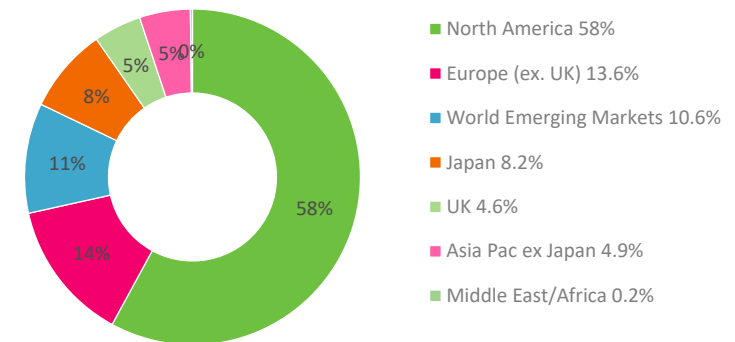
Source: Northern Trust. Inception date: 23/02/2011.

FTSE RAFI All World 3000 Equity Index Fund: Performance to 31 March 2020

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception (% p.a.)
Fund	-22.8	-15.4	-3.0	5.6
Benchmark	-23.0	-15.5	-3.0	5.7
Relative	0.2	0.2	0.0	0.0

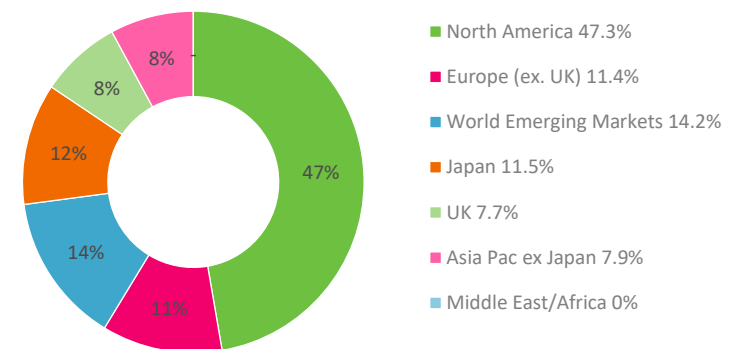
Source: Northern Trust. Inception date: 19/08/2015.

Regional Allocation as at 31 March 2020



Source: LGIM

Regional Allocation as at 31 March 2020



Source: LGIM

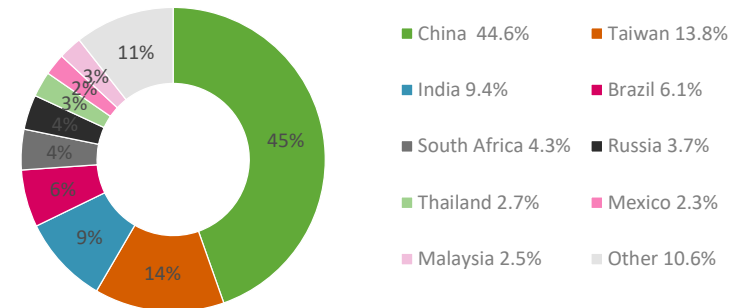
Performance information reflects performance from LGIM from November 2017, and SSGA prior to this date.

**World Emerging Markets Equity Index Fund:
Performance to 31 March 2020**

	3 Months (%)	12 Months (%)	Since Inception (%)
Fund	-19.0	-13.3	0.0
Benchmark	-19.0	-13.2	0.0
Relative	0.0	-0.1	0.0

Source: Northern Trust. Inception date: 01/01/2019.

Regional Allocation as at 31 March 2020

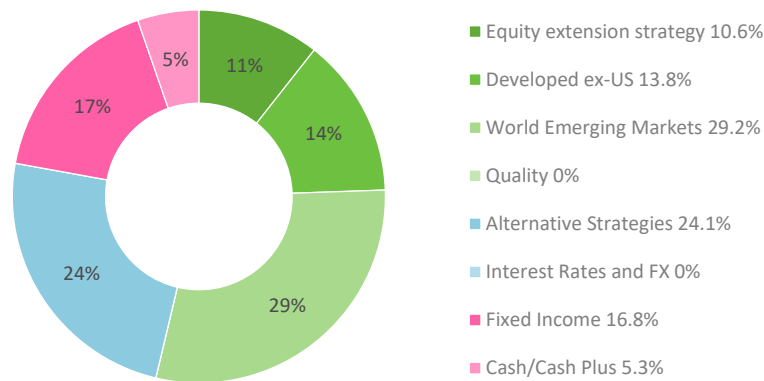


Source: LGIM

GMO Real Return Fund

GMO was appointed in January 2015 to manage a multi-asset mandate within their Real Return Fund. The Fund targets returns over the long-term of 5% p.a. in excess of CPI, after fees. GMO believe that by the application of their process, they will achieve this target whilst realising volatility in the range 5-10%. The manager seeks to achieve this through a value-based approach to investing across a range of asset classes. This mandate is in the process of being terminated, with redemptions funding capital calls to the Fund's real assets mandates. As a result, a modest allocation to the mandate (less than 1% as at 31 March 2020) has significantly reduced the impact of recent performance at a total Fund level.

Portfolio positioning at 31 March 2020 (Source: GMO)

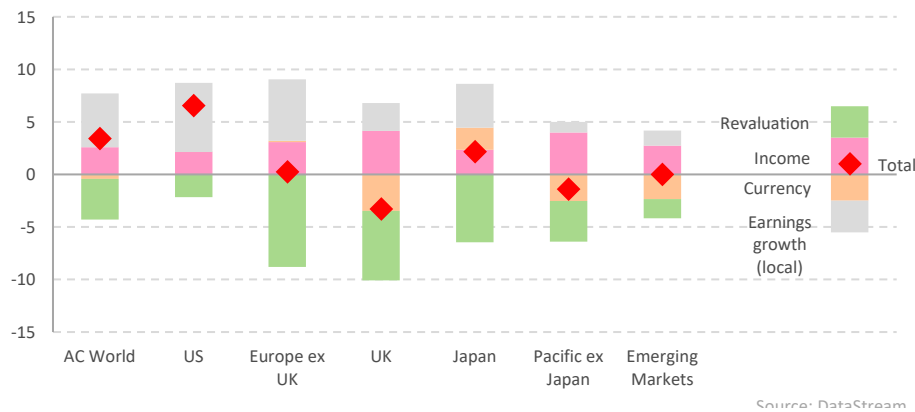


Performance to 31 March 2020

	3 Months (%)	12 Months (%)	Since inception
Fund	-18.5	-14.7	2.9
OECDG7 CPI	1.3	6.2	5.9
Relative (to benchmark)	-19.6	-19.6	-2.9
<i>Multi Asset Composite</i>	-7.4	-1.9	5.9
<i>Relative (to composite)</i>	-12.0	-13.0	-2.9

Source: Northern Trust.

MSCI Index performance (\$ total return 31.03.15 – 31.03.20, % p.a.)



In the short-term, an earnings recession across major equity markets in the first half of the year looks inevitable, given the widespread containment measures in place. As a result, we would treat the current valuations with caution and do not believe they are sufficiently low to compensate for the level of uncertainty of earnings or significant fundamental risks that now face equity markets.

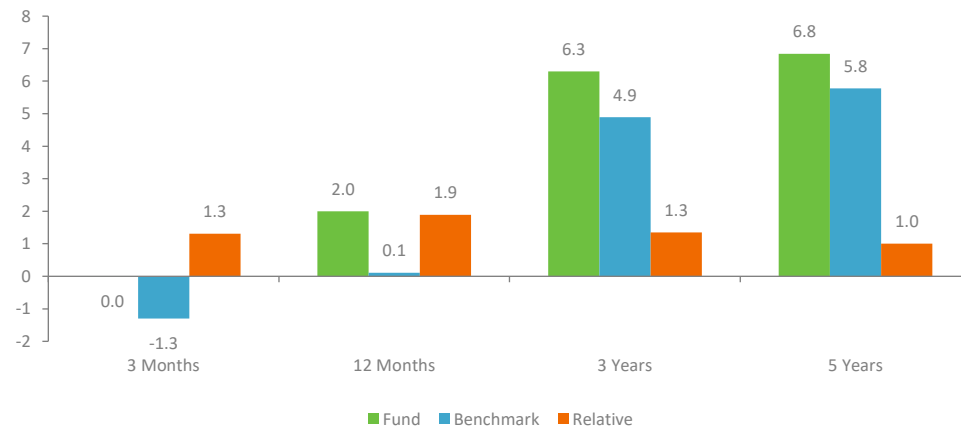
Despite falls, the US remains at a premium to other regions, but the defensive characteristics of the market may mean it remains in favour in the short-term.

The large global technology related exposure in the US market is also supportive (Amazon, Microsoft, Apple, Google and Facebook now at 20% of total US stock market) - demand appears more insulated from the pandemic and demand for technological solutions has increased amid social distancing.

UBS Triton Property Fund

UBS were appointed in February 2005 to manage a UK property mandate within the Triton Property Fund. The objective of the fund is to deliver returns broadly in line with a peer group of other UK property funds. The fund invests directly in UK properties with returns generated through the collection of rental income and growth in both rental levels and capital values.

Performance to 31 March 2020



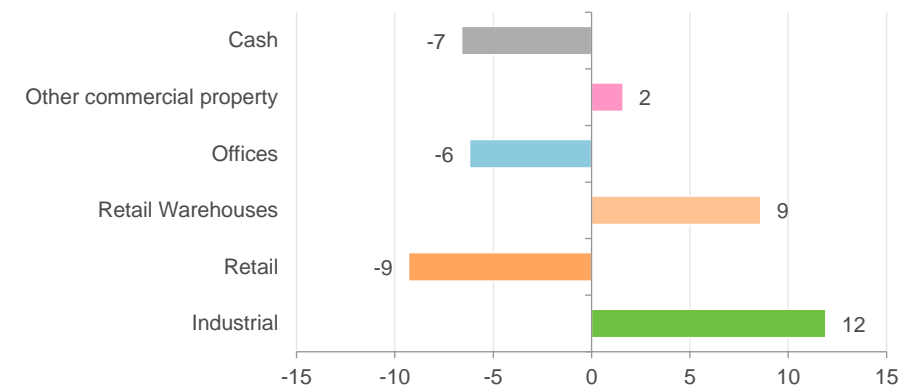
Source: Northern Trust

The UBS property mandate has outperformed the broader peer group of UK property funds over all time periods considered. Longer term performance has been supported by the portfolio's underweight allocation to the retail sector, which underperformed the broader market.

As a result of the coronavirus pandemic, all major UK property funds, including UBS Triton, suspended trading as a result of significant uncertainty in pricing. As such, the full implications of the pandemic on pricing are not currently known, and performance information should therefore be regarded as illustrative at this time.

Whilst significant uncertainty remains, our general expectation is that the retail and office sectors will be impacted heavily by the lockdown. The UBS mandate offers a degree of protection given underweight allocations to each of these sectors.

Relative sector allocation as at 31 March 2020



Source: UBS

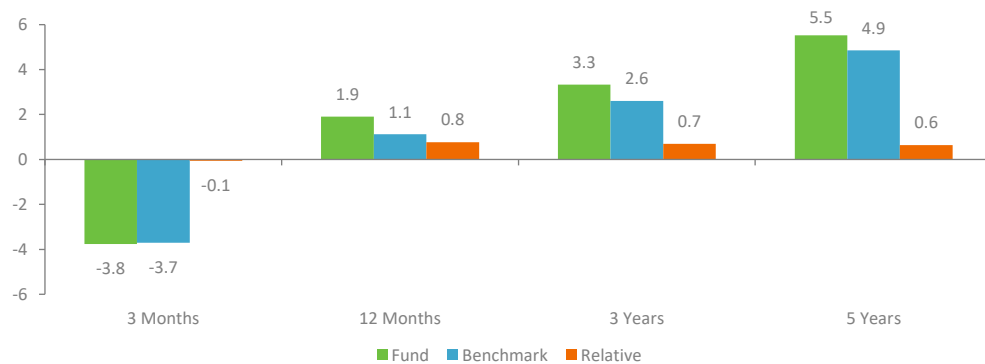
Royal London Asset Management – Bonds

Royal London Asset Management (RLAM) was appointed in February 2005 to manage the Fund's bond mandate. RLAM manage the portfolio against a composite benchmark consisting of investment grade corporate bonds, fixed interest and index linked gilts. With effect from 1 November 2015, the return objective was increased to 1.25% p.a. (previously 0.75% p.a.), and the investment universe broadened to allow exposure to high yield bonds.

During January 2020, Royal London have implemented changes to the mandate structure, including the introduction of multi-asset credit. This reflects the direction of travel towards the Fund's longer-term strategic asset allocation.

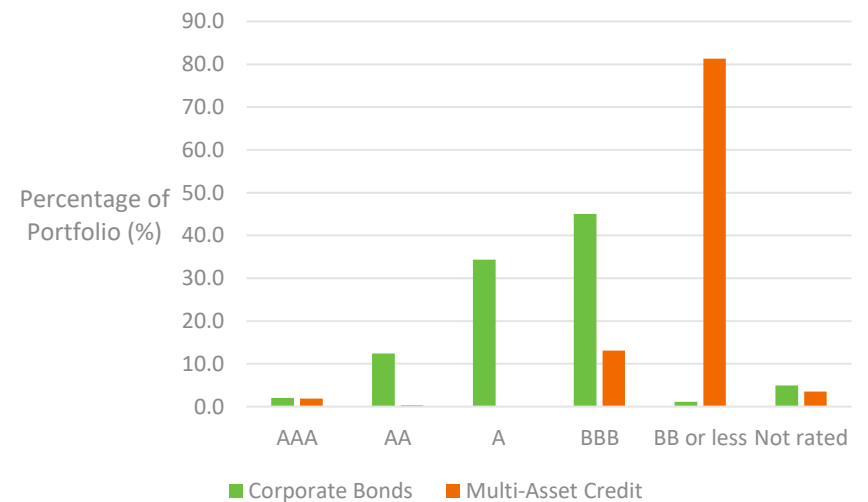
The chart below right compares the credit rating breakdown of the multi-asset credit portfolio against the corporate bond portfolio at the end of the quarter. We will report on the performance of the multi-asset credit portfolio from our Q2 2020 reporting, when a full quarter's data is available.

Performance to 31 March 2020



Source: Northern Trust

Credit rating breakdown by sector as at 31 March 2020



Source: RLAM

Private Markets investments

Since March 2018, the Fund has made commitments to five private markets funds as outlined below. The table below provides a summary of the commitments and drawdowns to 31 March 2020.

Mandate Vehicle	Infrastructure		Global Property	Private Debt	
	Stafford Infrastructure Secondaries Fund II	JP Morgan Infrastructure Investments Fund	CBRE Global Investment Partners Global Alpha Fund	Churchill Middle Market Senior Loan Fund II	Permira Credit Solutions IV Senior Fund
Commitment Date	25 April 2018	31 July 2018	30 September 2018	December 2018	December 2018
Fund currency	EUR	USD	USD	USD	EUR
Gross commitment	c. £26m (EUR 28.5m)	c. £26.1m (USD 34.0m)	c. £26.1m (USD 34m)	c. £23.8 m (USD 31m)	c. £36 m
Net capital called during quarter (Payments less returned capital)	c. £1.4m (EUR 1.7m)	-	-	c. £3.4m (USD 4.4m)	N/A
Net capital drawn to date (Payments less returned capital)	EUR 19.8m (c. £17.5m)	c. £26.1m (USD 34.0m)	c. £26.1m (USD 34.0m)	c. £13.5m (USD 17.1m)	c. £5.4m (EUR 6.1m)
Other distributions to date (Includes income and other gains)	EUR 3.0m (c. £2.7m)	-	-	-	N/A
NAV at quarter end	EUR 19.6m (c. £17.4m)	USD 34.1m (c. £27.0m)	USD 35.3m (c. £29m)	USD 18.0m (c. £14m)	£5.6m
Net IRR since inception (in fund currency)	8.3% p.a. (vs. 8-9% target)	4.2%	7.0%	N/A	N/A
Net cash yield since inception (in fund currency)	4.3% p.a. (vs. 5% target)	11.9%	3.2%	N/A	N/A
Number of holdings	21 funds, 285 underlying assets*	18 companies, 534 assets*	50 investments, 2,484 properties	N/A	N/A

Source: Investment managers. Based on information available as at 31 March 2020.