Investment Performance

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Agenda

- Whole Fund investment returns
- Management arrangements
- Benchmarks
- Individual manager returns
- Asset allocation
- Summary

Investment returns
to 31 March 2020

	1 year		3 years		5 years	
	Fund	**BM**	**Fund**	**BM**	**Fund**	**BM**
	%	%	% pa	% pa	% pa	% pa
Equities	-13.8	-11.9	-1.6	-0.7	3.6	5.3
Property	1.1	6.5	5.1	6.5	5.1	6.5
Bonds	5.4	9.9	3.0	4.6	3.8	4.7
Total Fund	**-6.4**	**5.1**	**1.0**	**1.6**	**4.6**	**5.6**

Source: Performance Evaluation

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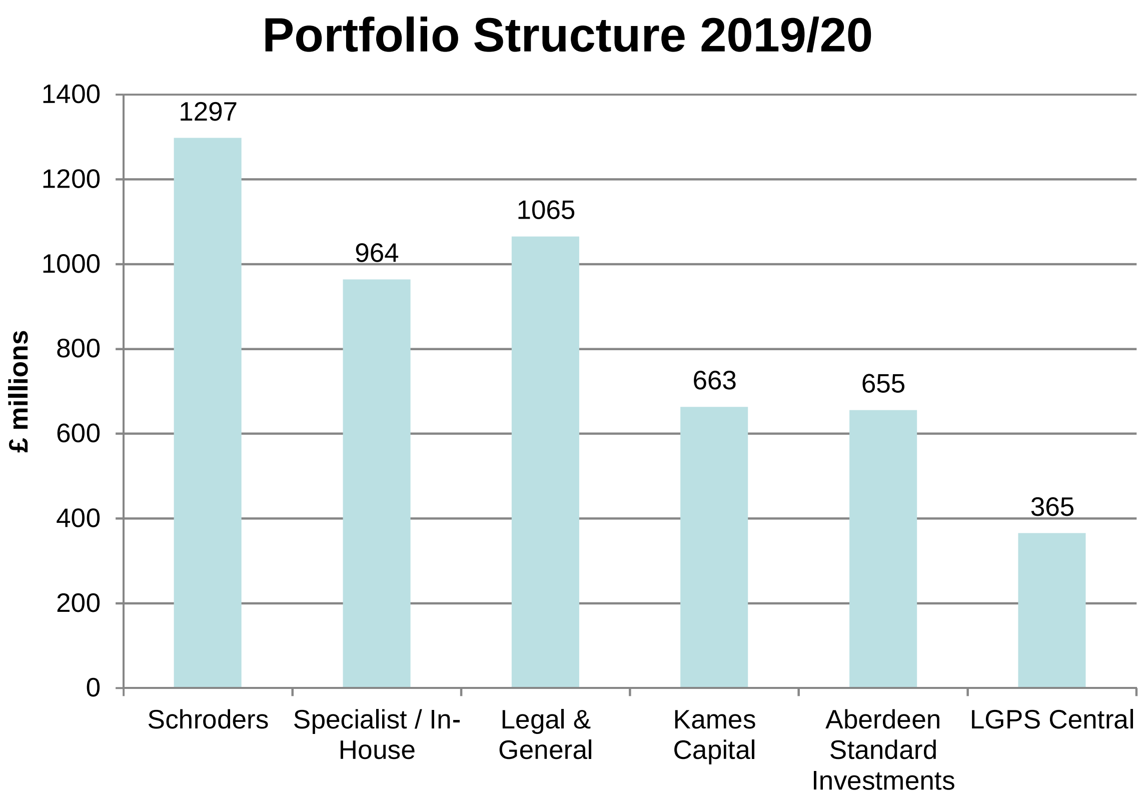
Target return on assets following the last valuation was 5.8% p.a.

Management arrangements
as at 31 March 2020

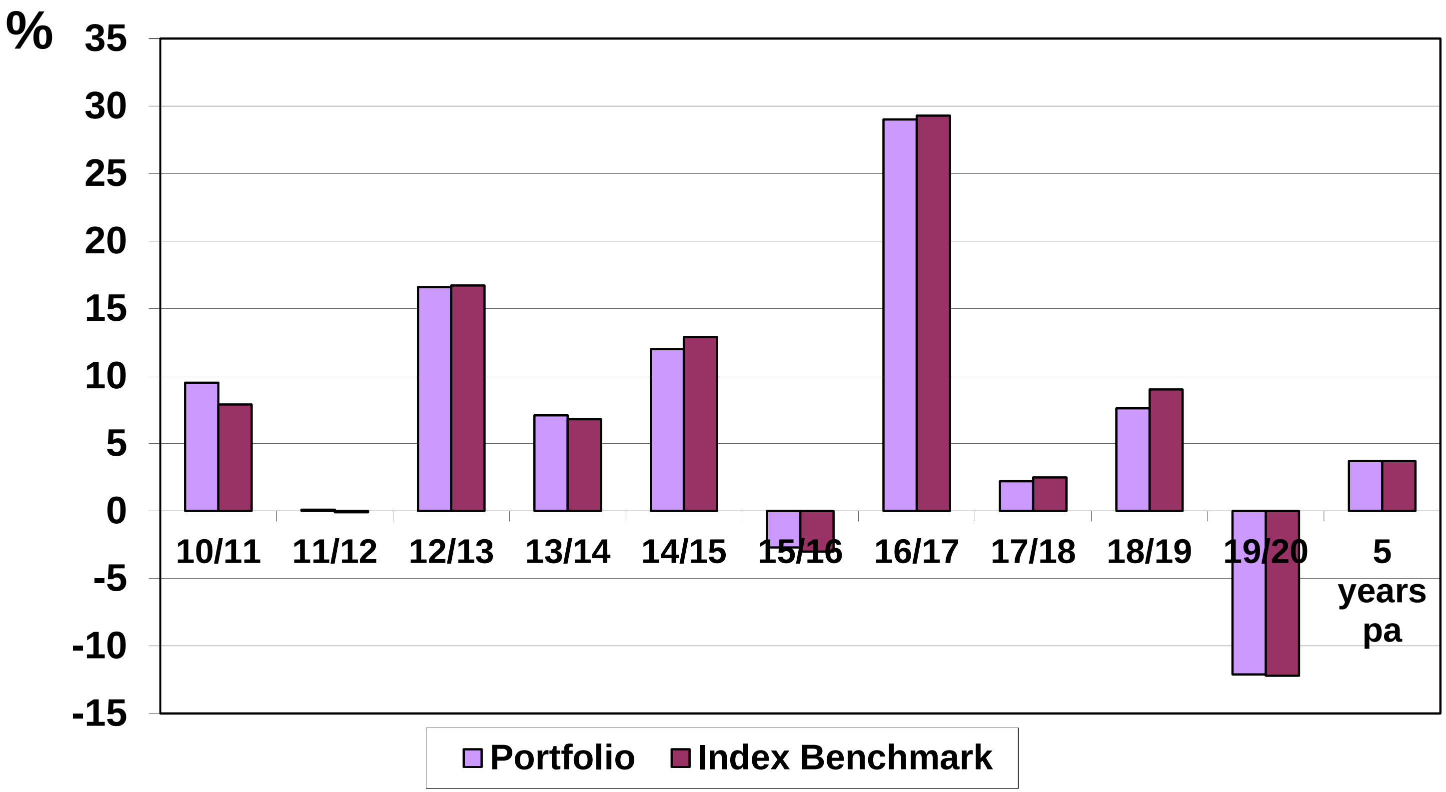


Strategic benchmark

- The Fund's strategic benchmark is based on its agreed asset allocation strategy
- It uses a high level market index for each asset class and this helps to inform decisions regarding asset management

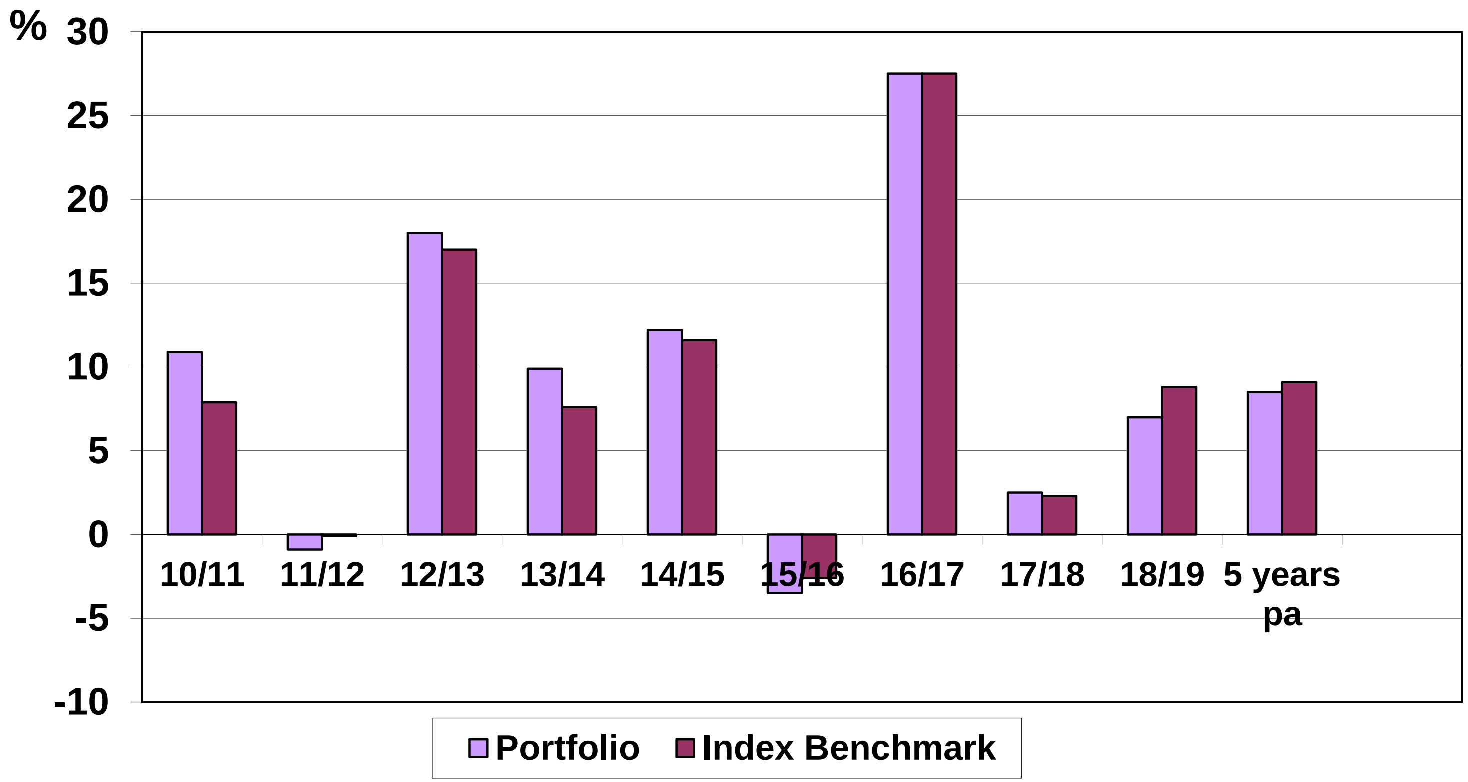
Outcome	Asset Class	Allocation Ranges	Strategic Benchmark	
Growth	Listed and Private Equity	57.5% to 67.5%	45% FTSE All Share 55% FTSE All World	60%
Income and inflation protection	Property and Infrastructure	15% to 25%	IPD annual	23%
Income only	Fixed income	5% to 15%	FTSE UK All Stock	10%
Inflation protection only	Index linked fund	3% to 15%	RPI	5%
Liquidity	Cash, short term bonds	0% to 10%	LIBID 7 Day	2%

Core Index – Equities



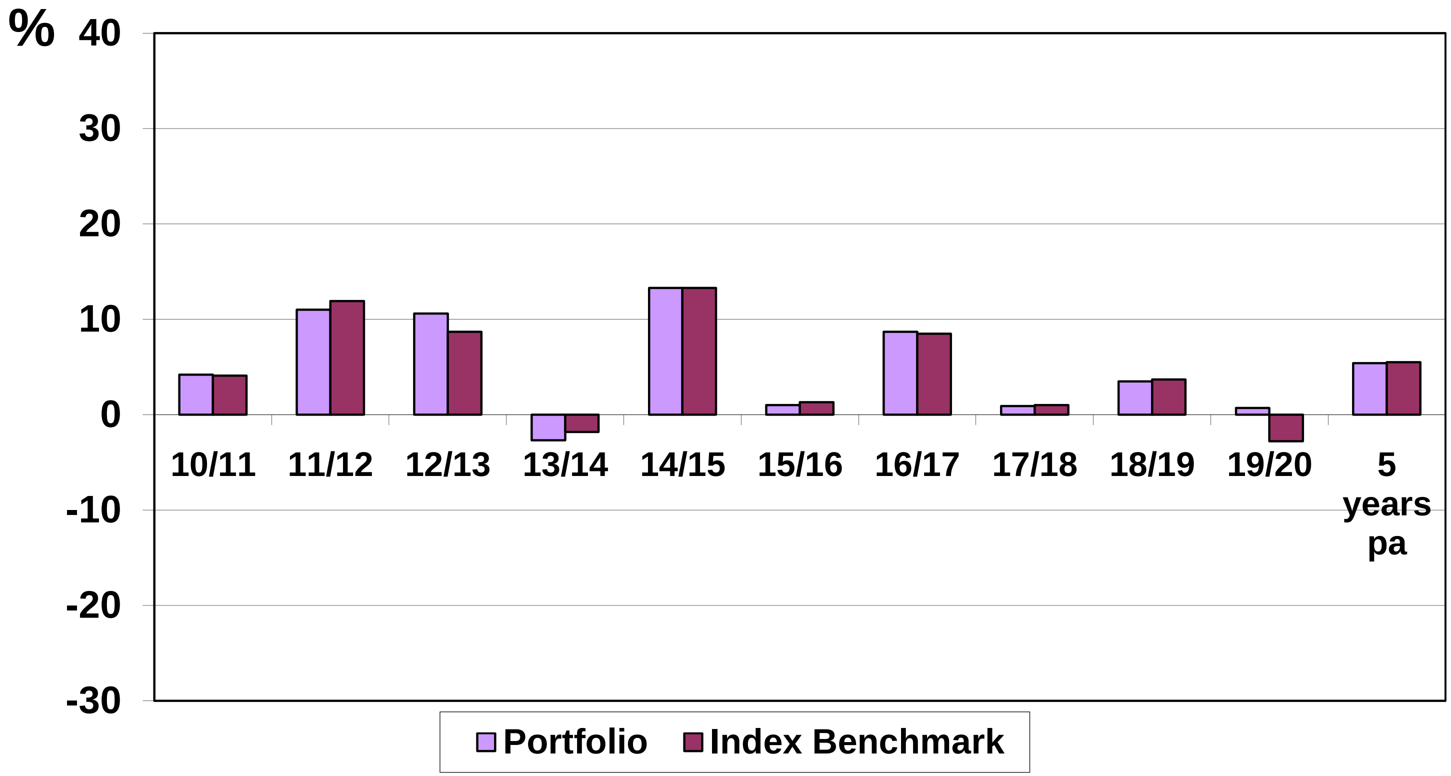
Performance target – to be within ± 0.3% of benchmark

Schroders – Equities



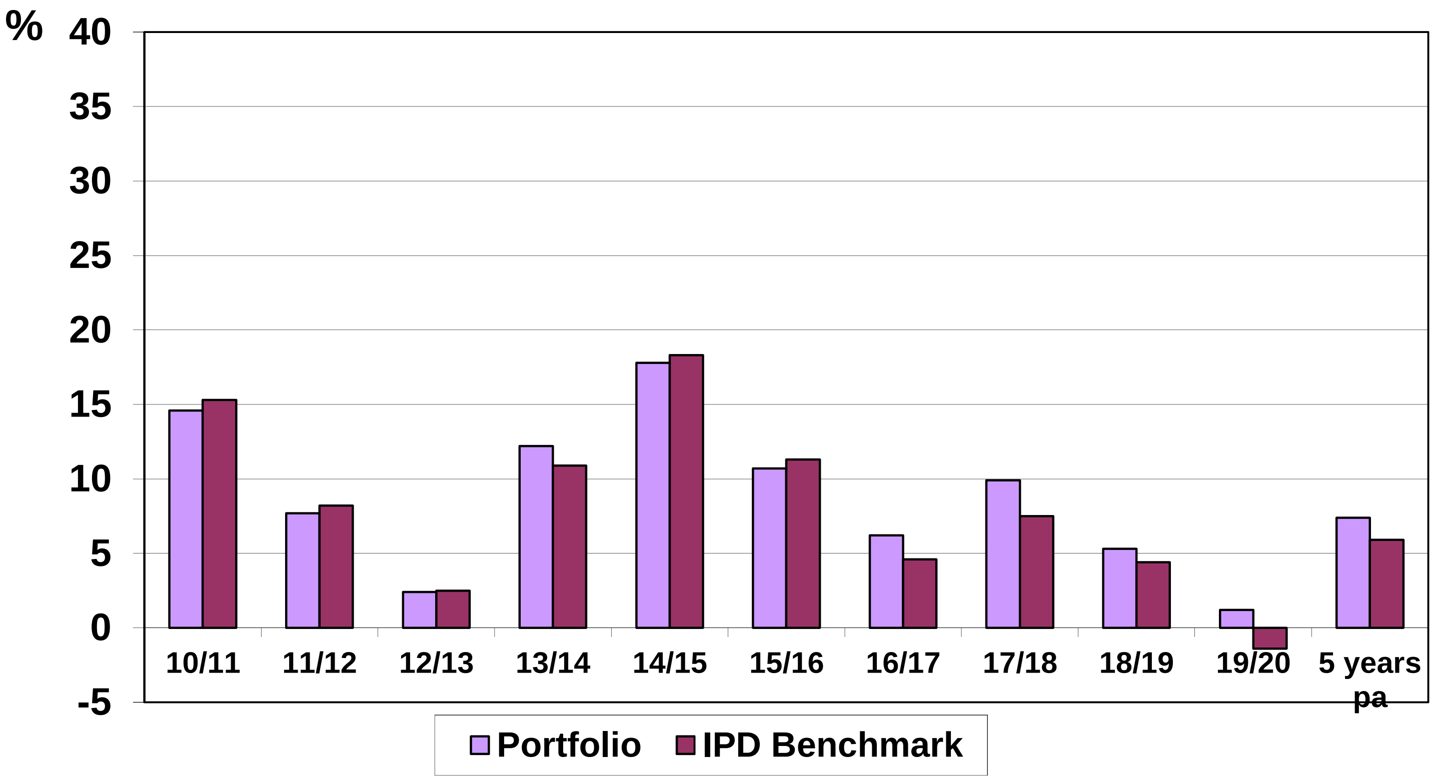
Performance target – to beat benchmark by 1% (net of fees)

Kames – Bonds



Performance target – to beat benchmark by 0.4% over rolling 3 year periods

Aberdeen – Property



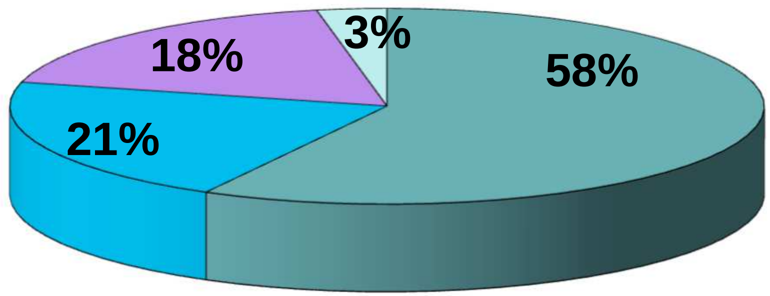
Performance target (since 2014) – to achieve 6.5% pa on long-term basis

Asset allocation

It is widely recognised that asset allocation is the most important factor in driving long term investment returns.

Asset Class	Allocation Ranges
Equities	57.5% to 67.5%
Property & Infra	15% to 25%
Bonds	8% to 30%
Cash	0% to 10%

Actual Allocation
31 March 2020



Summary

- Valuations reduced at year end due to the market fluctuations caused by the global pandemic.
- Consequently the fund's net assets decreased during 19/20
- Equity returns are behind the Fund's strategic benchmark largely due to the lower weighting to US equities which have performed exceptionally well
- Despite last year's reductions, total returns over 5 years are only slightly behind the actuary's assumed return
- Asset allocation is the most important factor in driving long term investment returns