



Glasgow City Council

Strathclyde Pension Fund Committee

Report by Director of Strathclyde Pension Fund

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Item 11

6th March 2019

Investment Performance to 31st December 2018

Purpose of Report:

To advise the Committee of the investment performance of the Strathclyde Pension Fund during Quarter 4 2018 and the longer-term performance record as at 31st December 2018.

Recommendations:

The Committee is asked **TO NOTE** the contents of the report.

Ward No(s):

Citywide: ✓

Local member(s) advised: Yes No consulted: Yes No

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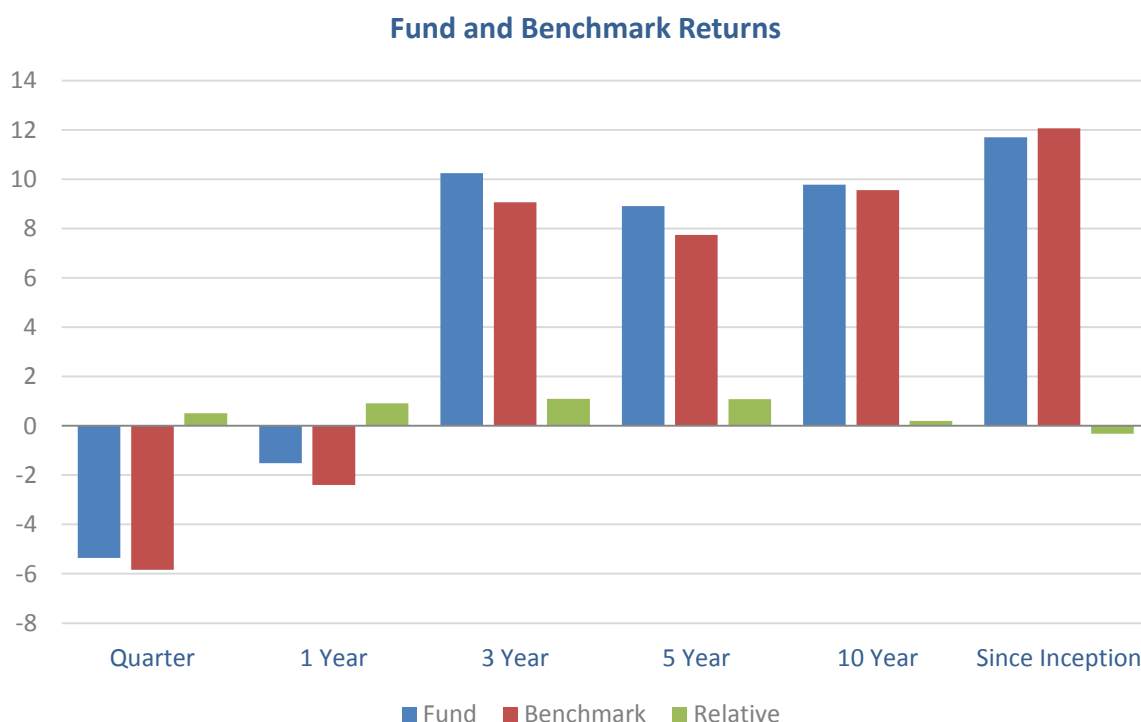
1 Background

The Fund's investment objective is to support the funding strategy by adopting an investment strategy and structure which incorporate an appropriate balance between risk and return. The Fund's current investment objectives and strategy are detailed in **Schedule 1**. The strategy is reflected in the Fund's strategic benchmark and individual portfolio benchmarks. Investment performance is measured by the Fund's global custodian, Northern Trust.

2 Fund Performance

2.1 Total Fund Performance

The Fund's total return for the quarter was **-5.4%**, **+0.5%** ahead of the benchmark return of **-5.8%**.



The Fund's value at 31st December 2018 stood at approximately **£20,763m**. (Fund value at 30th September was **£21,977m**).

2.2 Market Performance

October 2018 was the worst month for global equities since 2012, and markets fell again sharply in December. The FTSE All Share and FTSE World indices returned **-10.3%** and **-10.9%** respectively over the quarter, while emerging markets ended down **-5.2%** in sterling terms. Global government 10 year bond yields fell but, while investment grade corporate bonds performed well, high yield bonds sold off sharply. Sterling declined against both the US dollar and Euro (**-2.3%** and **-0.8%** respectively) while the UK commercial real estate market continued to perform positively (**+1.0%**).

Detailed Fund and market performance information is provided in **Schedule 2**.

2.3 Investment Manager Performance

Each of the Fund's investment managers has an individual portfolio benchmark. In quarter 4:

- 8 managers outperformed their benchmark; and
- 10 managers underperformed.

Over 5 years:

- the **Legal and General, Baillie Gifford, Veritas, Henderson JP Morgan, Pantheon, Partners Group (Private Equity and Global Real Estate)** and **DTZ** portfolios have outperformed their benchmarks; and
- **Lazard, Oldfield, Genesis** and **PIMCO** have underperformed. Lazard, Oldfield and Genesis outperformed in the recent quarter, but the PIMCO portfolio continued to underperform.

A detailed breakdown of manager performance is provided in **Schedule 3**.

3 Allocation

3.1 Asset Allocation

The Fund's asset allocation can be summarised as follows.

Asset Class	30 Sep 2018 (£m)	30 Sep 2018 (%)	31 Dec 2018 (£m)	31 Dec 2018 (%)	Alt 2 Target (%)
Equity	12,993	59.1	11,814	56.9	52.5
Hedging & insurance	261	1.2	300	1.4	1.5
Credit	1,218	5.5	1,184	5.7	6.0
Short term enhanced yield	2,948	13.4	2,944	14.2	20.0
Long Term enhanced yield	3,044	13.9	3,465	16.7	20.0
Cash	1,514	6.9	1,056	5.1	
Total	21,977	100.0	20,763	100.0	100.0

Amidst broader market volatility, all of the Fund's listed equity mandates fell in value during quarter 4 2018, resulting in an overall decline in total Fund value of £1.2 billion.

£300m was dis-invested from Legal and General Cash funds at the end of December to fund the first tranche of a £500m investment into JP Morgan's International Infrastructure Fund (IIF). The remaining £200m commitment to IIF is expected to be drawn down over the first half of 2019.

The Fund's cash balance further reduced as a result of net drawdowns to private market investments, the UK direct property portfolio, the Direct Investment Portfolio, and the transfer of £35m to fund benefits cash-flow.

3.2 Portfolio Allocation

A summary of allocations to investment manager portfolios at the quarter end is provided in **Schedule 4**.

3.3 Direct Investment Portfolio

A detailed breakdown of the Fund's Direct Investment Portfolio (DIP) is provided in **Schedule 5**.

4 **No.3 Fund**

A summary of the investment strategy, structure and performance of the No.3 Fund is provided in **Schedule 6**.

5 **Policy and Resource Implications**

Resource Implications:

Financial: None

Legal: None

Personnel: None

Procurement: None

Council Strategic Plan: Strathclyde Pension Fund aligns with the theme of a well governed city.

Equality and Socio Economic Impacts:

Does the proposal support the Council's Equality Outcomes 2017-22 Equalities issues are addressed in the Fund's Responsible Investment strategy, in the scheme rules which are the responsibility of Scottish Government and in the Fund's Communications Policy which has been the subject of an Equalities Impact Assessment.

What are the potential equality impacts as a result of this report? No specific equalities impacts.

Please highlight if the policy/proposal will help address socio economic disadvantage. ESG (Environmental Social and Governance), and local impacts are addressed in the Fund's Responsible Investment strategy.

Sustainability Impacts:

Environmental: ESG (Environmental Social and Governance), and local impacts are addressed in the Fund's Responsible Investment strategy.

Social, including Article 19 opportunities: ESG (Environmental Social and Governance), and local impacts are addressed in the Fund's Responsible Investment strategy.

Economic: ESG (Environmental Social and Governance), and local impacts are addressed in the Fund's Responsible Investment strategy.

Privacy and Data Protection impacts: None.

6 RECOMMENDATIONS

The Committee is asked to note the contents of this report.

Appendices

Schedule 1 Investment Objectives and Strategy

Schedule 2 Fund and Market Performance

Schedule 3 Manager Performance

Schedule 4 Manager Structure and Current Allocations

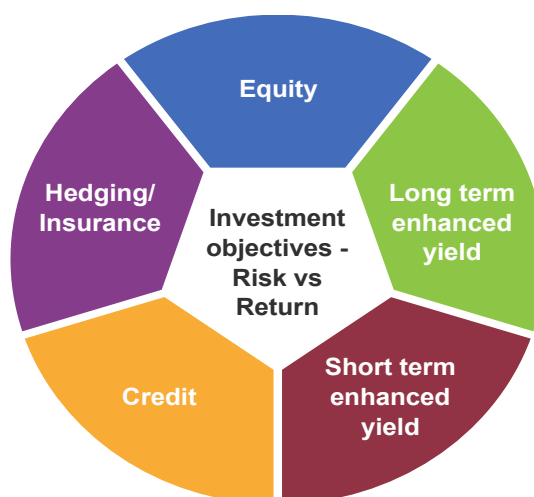
Schedule 5 Direct Investment Portfolio

Schedule 6 No.3 Fund

Investment Objectives and Strategy

- The Fund's investment objective is to support the funding strategy by adopting an investment strategy and structure which incorporate an appropriate balance between risk and return. The current objectives of the investment strategy should be to achieve:
 - a greater than 2/3 probability of being 100% funded over the average future working lifetime of the active membership (14 years at the 2017 actuarial valuation); and
 - a less than 10% probability of falling below 70% funded over the next three years.

- The Fund's investment strategy broadly defines the types of investment to be held and the balance between different types of investment. The strategy reflects the Fund's key investment principles, is agreed by the Committee and reviewed regularly. In 2015, the Committee agreed that the Fund should adopt the risk-return framework illustrated below.



- Target allocations to each of the 5 asset categories are outlined below. The Fund fully implemented Step 1 during 2016-2018. Step 2 forms the current strategic benchmark for the Fund. It is anticipated that this will be fully implemented over the next 2 to 3 years. Steps 3 and 4 are for future consideration.

Asset	Step 1 %	Step 2 %	Step 3 %	Step 4 %
Equity	62.5	52.5	42.5	32.5
Hedging & insurance	1.5	1.5	1.5	1.5
Credit	6.0	6.0	6.0	6.0
Short term enhanced yield	15.0	20.0	25.0	30.0
Long term enhanced yield	15.0	20.0	25.0	30.0
	100	100	100	100
Return (% p.a.)	6.0	5.9	5.8	5.5
Volatility (% p.a.)	12	11	10	9

Fund and Market Performance

1 Fund Performance

1.1 Returns to 31 December 2018

	Quarter %	1 Year %	3 Years (% p.a.)	5 Years (% p.a.)	10 Years (% p.a.)	Since Inception (% p.a.) ⁽¹⁾
Fund Return	(5.4)	(1.5)	10.3	8.9	9.8	11.4
Benchmark Return	(5.8)	(2.4)	9.1	7.7	9.6	11.7
Relative Return	0.5	0.9	1.1	1.1	0.2	(0.3)
PIRC Local Authority Universe ⁽²⁾	(4.7)	(0.9)	9.0	7.7	9.2	

(1) Inception: 31/12/1975

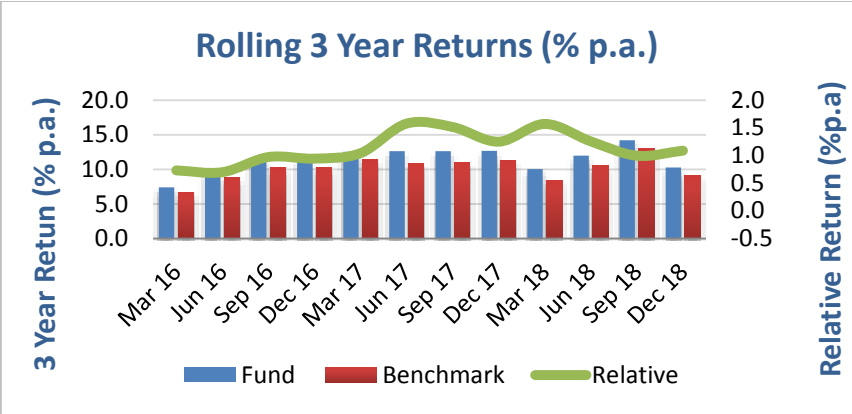
(2) The PIRC Local Authority Universe currently comprises 62 LGPS funds, inc SPF, with a total value of £180bn.

1.2 Returns by Asset Class

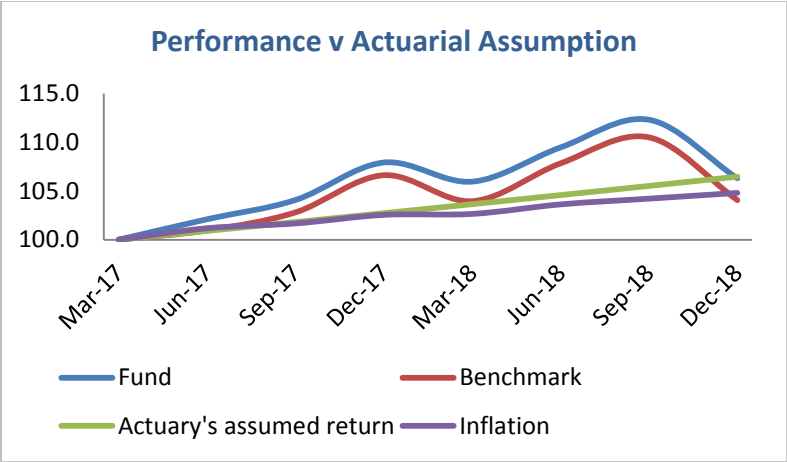
Asset	Latest Quarter			1 Year			Since Inception		
	Fund %	Benchmark %	Relative %	Fund %	Benchmark %	Relative %	Fund %	Benchmark %	Relative %
Equity	(9.2)	(10.9)	1.9	(3.5)	(6.4)	3.2	5.6	3.4	2.2
Hedging & insurance	2.0	2.0	(0.0)	(0.4)	(0.4)	(0.0)	1.1	1.1	(0.0)
Credit	0.0	(0.1)	0.1	(3.5)	(3.7)	0.2	1.0	0.9	0.1
Short term enhanced yield	(1.2)	0.7	(1.9)	(1.1)	2.4	(3.5)	1.1	3.0	(1.8)
Long term enhanced yield	2.2	1.7	0.5	7.9	7.8	0.1	9.0	7.4	1.4

Fund and Market Performance

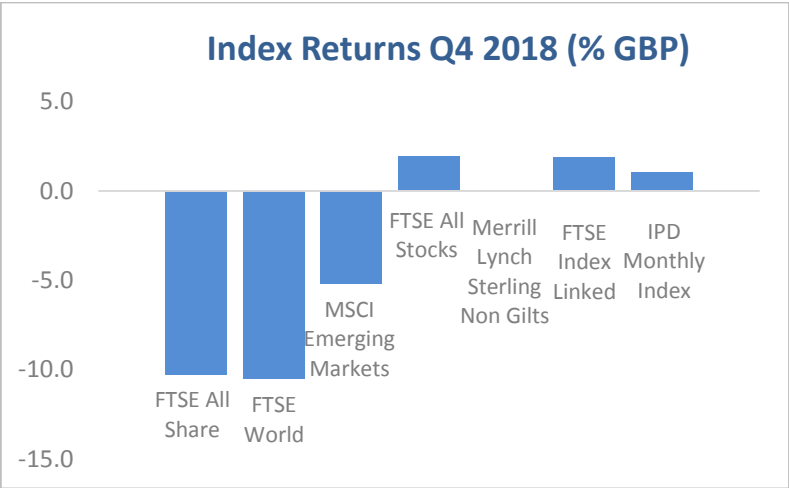
1.3 Rolling 3 Year Returns



1.4 Performance v Actuarial Assumption



1.5 Market Performance Summary



Equity Global equity markets fell over the quarter. UK Equities suffered from fears of a no-deal Brexit, while in the US worries over the economic outlook and the partial government shutdown weighed on markets. Although emerging market equities fell over the year, they proved more resilient than developed markets in the final quarter.

Bonds Government bonds delivered positive returns, underpinned by softer economic growth indicators and easing inflationary expectations. Credit spreads widened with US and Euro credit underperforming government bonds. In the UK high yield corporate spreads rose sharply.

Property The UK property market ended the quarter positively despite negative capital growth, led by falls in the retail market. Hotels were the top performing sector, followed by industrials and offices.

Manager Performance

1 Performance to 31st December 2018

Equity						
Manager		Current Quarter (%)	1 Year (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (% p.a.)
Baillie Gifford	Actual	-11.9	-11.2	11.5	8.7	8.6
	Relative	-2.9	-3.0	1.2	2.0	1.5
Lazard	Actual	-9.3	0.1	12.0	9.7	8.4
	Relative	1.5	4.1	0.1	-0.2	0.8
Oldfield	Actual	-7.1	-4.1	14.6	9.1	10.8
	Relative	4.8	-1.1	2.7	-1.0	-1.4
Veritas	Actual	-9.8	1.2	12.8	12.1	13.2
	Relative	1.0	5.2	0.8	2.0	1.4
Henderson	Actual	-9.9	-7.1	4.9	4.2	6.0
	Relative	6.4	10.6	0.2	0.6	1.8
JP Morgan	Actual	-16.6	-7.6	13.4	12.0	11.9
	Relative	-1.9	1.8	1.3	1.8	2.0
Genesis	Actual	-3.7	-9.7	13.6	6.3	9.8
	Relative	1.1	-0.9	-1.1	-1.7	1.9
Pantheon	Actual	5.3	21.9	19.4	17.5	13.8
	Relative	17.3	34.7	12.5	12.9	4.8
Partners Group	Actual	3.5	16.6	19.6	17.7	11.3
	Relative	15.3	28.8	12.7	13.1	5.8
L&G EM ⁽¹⁾	Actual	-18.2	-33.8	7.2	-	-0.3
L&G Equity ⁽²⁾	Actual	-12.5	-6.7	8.5	6.5	9.2
	Relative	-0.0	1.5	-	-	-
L&G RAFI	Actual	-10.4	-7.0	13.2	8.5	8.9
	Relative	-0.2	-0.2	-0.4	-0.2	-0.2
Total	Actual	-9.2	-3.5	-	-	5.6
	Relative	1.9	3.2	-	-	2.2

Hedging & Insurance						
Manager		Current Quarter (%)	1 Year (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (% p.a.)
Legal & General	Actual	2.0	-0.4	9.2	9.3	7.8
	Relative	-0.0	-0.0	0.0	0.0	0.0

Notes:

- (1) L&G EM: Legal and General hold an Emerging Market Future for the Fund.
- (2) Prior to Q1 2017, L&G market cap equity held in account with bond holdings, so separate equity and bond performance not available.

Manager Performance

Credit						
Manager		Current Quarter (%)	1 Year (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (% p.a.)
Legal & General	Actual	0.0	-3.5	3.4	4.5	5.6
	Relative	0.1	0.2	0.4	0.2	0.0

Short term enhanced yield						
Manager		Current Quarter (%)	1 Year (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (% p.a.)
PIMCO	Actual	-1.0	-1.6	0.0	0.9	2.0
	Relative	-2.1	-5.5	-3.3	-1.4	0.4
Barings (multi-asset)	Actual	-4.4	-1.9	n/a	n/a	2.1
	Relative	-5.5	-6.4	n/a	n/a	-2.3
Oakhill Advisors	Actual	-3.9	-2.5	n/a	n/a	1.6
	Relative	-5.0	-7.0	n/a	n/a	-2.9
Barings (private debt)	Actual	1.1	5.1	n/a	n/a	5.3
	Relative	-0.2	0.2	n/a	n/a	0.6
Alcentra	Actual	0.9	7.2	n/a	n/a	7.1
	Relative	-0.3	2.2	n/a	n/a	2.4
Ashmore	Actual	-0.8	-7.2	n/a	n/a	-1.4
	Relative	-0.5	-0.9	n/a	n/a	-0.2
Total	Actual	-1.2	-1.1	n/a	n/a	1.1
	Relative	-1.9	-3.5	n/a	n/a	-1.8

Long term enhanced yield						
Manager		Current Quarter (%)	1 Year (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (% p.a.)
DTZ	Actual	2.4	7.2	7.4	11.8	8.7
	Relative	0.9	-1.0	0.0	0.7	-0.5
Partners Group RE ⁽¹⁾	Actual	2.5	12.4	14.5	12.7	9.2
	Relative	-1.5	-0.7	7.6	2.3	0.2
Total	Actual	2.2	7.9	n/a	n/a	9.0
	Relative	0.5	0.1	n/a	n/a	1.4

Direct Investment Portfolio						
		Current Quarter (%)	1 Year (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (% p.a.)
Direct Investment Portfolio	Actual	1.6	7.4	7.6	7.0	8.7
	Relative	1.4	6.5	6.9	6.3	7.8

(1) Partners Group RE = Partners Group Real Estate

n/a: Mandate not initiated

Manager Performance

2 Quarterly Performance Commentary

Equity		
Manager	Relative Performance (%)	Commentary
Baillie Gifford	-2.9	In a quarter where markets fell globally, stock selection was the main driver of relative underperformance, most notably in the UK and Europe. However, the portfolio's zero weighting in the energy sector was helpful during a period where the oil price fell significantly.
Lazard	+1.5	Outperformance over the quarter was largely attributable to the portfolio's defensive positioning. Gold and gold mining stocks rose, but all other themes declined in value. Reducing exposure to themes relating to technology benefitted relative performance.
Oldfield	+4.8	Banks were the main detractors from performance over the quarter, but this underperformance was offset by positive contributions from individual holdings in each of the telecom, gold and energy sectors to the extent that overall, the portfolio outperformed its benchmark.
Veritas	+1.0	The portfolio produced a positive relative return over the quarter, largely due to its defensive positioning. Exposure to energy stocks and to Japan, together with a high cash balance, were all beneficial. The portfolio's underweight in consumer discretionary was also helpful, while holdings in consumer staples, healthcare and industrials detracted from relative performance.
Henderson	+6.4	In a quarter which saw the UK smaller companies index fall by 15%, Henderson's policy of avoiding crowded areas of the market, typically high growth companies with valuations inflated by low interest rates, benefitted the portfolio. At a stock level, holdings in BATM, Nanoco and Amigo contributed most to performance, while Gulf Marine Services and Sportech were the largest detractors.
JP Morgan	-1.9	In North America, stock selection in technology and materials & processing drove outperformance, while holdings in financial services and healthcare detracted from return. In Europe, the portfolio underperformed its regional benchmark, but stock selection in healthcare helped offset underperformance in technology. In Japan, technology stocks were the main contributors to underperformance. In Asia-Pacific, the portfolio performed in line with benchmark as negative stock selection was offset by positive asset allocation, notably allocations to the Philippines and India, an overweight position in China and an underweight position in Australia.

Manager Performance

Equity (cont'd)		
Manager	Relative Performance (%)	Commentary
Genesis	+1.1	Brazil was the main contributor to portfolio return, while the main detractors were Asian technology stocks. On a sector basis, financials were the strongest contributor and communication services was the weakest. In relative terms the portfolio made gains on holdings in Brazil and Turkey, but several Chinese, Russian and Polish stocks underperformed.
Partners Group (Private Equity)	+15.3	Over the quarter 23 out of 28 funds were positively revalued. However, the investment multiple of the Fund's portfolio reduced slightly as a result of the dilutive effect of new capital deployment (£100.4m over quarter 3 2018). Key value drivers were Action, the European non-food discount retailer, and the education specialist, Permotio International Learning.

Short Term Enhanced Yield		
Manager	Relative Performance (%)	Commentary
PIMCO	-2.1	The main detractors from performance were interest rates, commodity related debt as the oil price fell and FX hedging costs. The FX strategy performed well, as did emerging market exposure, which partially offset losses elsewhere.
Barings (multi-credit)	-5.5	The US high yield market produced a significant negative return in December, while European issues fell more modestly. Exposure to the US was the main driver of underperformance in the Barings portfolio, and in particular exposure to the energy sector which suffered from declines in the price of crude oil. Negative performance was mitigated slightly as the cable and wireless and transport sectors held up relatively well.
Oakhill	-5.0	The portfolio suffered from volatile market conditions, particularly in December. The worst performing sectors were services, oil and gas, and structured finance. Only holdings in the Ecological sector achieved a positive return.
Alcentra	-0.3	Clareant European Direct Lending Fund II is now fully invested and the performance of the portfolio remains on target. Clareant Direct Lending Fund III now has positions in 11 assets and the pipeline of new investments is strong across geographies and sectors.

Manager Performance

Short Term Enhanced Yield (cont'd)		
Manager	Relative Performance (%)	Commentary
Barings (Private Debt)	-0.2	Barings Global Private Loan Fund I is 92% committed, with remaining unfunded commitments to be invested in follow-ons to existing portfolio companies. Barings Global Private Loan Fund II continues its build up, with investments in 15 new issues in the most recent quarter. The Fund completed its commitment to Barings Global Private Loan Fund III in December 2018.
Ashmore	-0.5	The off-benchmark position in corporate debt was the main driver of underperformance over the quarter. On a country basis, largest contributors were Brazil and Venezuela. The main detractors were the overweight position in Ecuador, the underweight position in Turkey and a single corporate issue in Jamaica.

Long Term Enhanced Yield		
Manager	Relative Performance (%)	Commentary
DTZ	+0.9	Industrial properties led performance, more than offsetting falls in the retail sector. The bias of the portfolio's retail allocation to London retail provided some insulation from the worst impacts of the retail downturn.
Partners Group (Real Estate)	-1.5	£5.3 million was deployed during quarter 3. The investment multiple of the Fund's portfolio remained stable and 7 out of 9 funds saw positive revaluations over the quarter. One of the key value drivers was the German property portfolio, Sopranos.

Manager Structure and Current Allocations

	Equity		Hedging & Insurance		Credit		Short Term Enhanced Yield		Long Term Enhanced Yield		Total		Target
	£m	%	£m	%	£m	%	£m	%	£m	%	£m	%	%
L&G	5,183	25.0%	300	1.4%	1,184	5.7%					6,668	32.1%	31.5%
Baillie Gifford	1,500	7.2%									1,500	7.2%	7.5%
Lazard	661	3.2%									661	3.2%	2.5%
Oldfield	664	3.2%									664	3.2%	2.5%
Veritas	649	3.1%									649	3.1%	2.5%
Henderson	238	1.1%									238	1.1%	1.0%
JP Morgan	686	3.3%							300	1.4%	986	4.7%	5.5%
Genesis	376	1.8%									376	1.8%	1.5%
Pantheon	1,064	5.1%									1,064	5.1%	5.0%
Partners Group	740	3.6%							454	2.2%	1,194	5.7%	5.0%
PIMCO							1,044	5.0%			1,044	5.0%	5.0%
Ruffer							0	0.0%			0	0.0%	1.0%
Barings (multi-credit)							638	3.1%			638	3.1%	2.8%
Oak Hill Advisors							419	2.0%			419	2.0%	1.8%
Barings (private debt)							147	0.7%			147	0.7%	0.8%
Alcentra							163	0.8%			163	0.8%	0.8%
Unallocated (private debt)							0	0.0%			-	-	3.0%
Ashmore							475	2.3%			475	2.3%	2.5%
Unallocated (STEY)							0	0.0%			-	-	1.0%
DTZ									2,095	10.1%	2,095	10.1%	10.0%
DIP	52	0.2%					58	0.3%	616	3.0%	725	3.5%	4.5%
Unallocated (LTEY)									0	0.0%	-	-	2.5%
Cash							1,056	5.1%			1,056	5.1%	-
Total	11,814	56.9%	300	1.4%	1,184	5.7%	4,000	19.3%	3,465	16.7%	20,763	100.0%	100.0%
Target		52.5%		1.5%		6.0%		20.0%		20.0%		100.0%	

Direct Investment Portfolio (DIP)

- In December 2009, the Strathclyde Pension Fund Committee agreed to establish a New Opportunities Portfolio (NOP) with a broad remit to invest in assets for which there was an attractive investment case but to which the current structure did not provide access. The NOP was re-branded the Direct Investment Portfolio in 2015.
- The Direct Investment Portfolio has a target allocation of **5%** of total Fund based on NAVs, and a range of **2.5% to 7.5%**. DIP investment proposals are assessed on their own merits within an agreed implementation framework based on SPF's overall risk-return objectives and specific DIP parameters agreed by the Committee after a review in 2018.
- A complete list of current Direct Investment Portfolio commitments and their progress to date is shown below.
- During Quarter 4 2018, **net drawdowns** into DIP amounted to **£53m**. Together with a net increase in the underlying value of DIP investments, these brought the **Net Asset Value** of DIP to **£711m** at the end of the quarter.

Fund	Vintage Year	Sector	Asset Category	SPF Commitment (£m)	Cumulative Drawdowns (£m)	Undrawn Commitment (£m)	Cumulative Distributions (£m)	Net Asset Value (£m)
SEP II	2004	VENTURE CAPITAL	Equity	5	5	0	4	1
SEP III	2006	GROWTH CAPITAL	Equity	5	5	0	18	1
Panoramic Enterprise Capital Fund 1 LP	2010	GROWTH CAPITAL	Equity	3	3	0	4	0
SEP IV LP	2011	GROWTH CAPITAL	Equity	5	5	0	4	4
Epidarex Fund II	2012	VENTURE CAPITAL	Equity	5	4	1	0	4
Albion Community Power PLC	2014	RENEWABLE ENERGY	Equity	20	20	0	1	23
Panoramic Growth Fund 2 LP	2015	GROWTH CAPITAL	Equity	15	6	9	0	5
SEP V LP	2016	GROWTH CAPITAL	Equity	20	8	12	0	6

Direct Investment Portfolio (DIP)

Fund	Vintage Year	Sector	Asset Category	SPF Commitment (£m)	Cumulative Drawdowns (£m)	Undrawn Commitment (£m)	Cumulative Distributions (£m)	Net Asset Value (£m)
Maven Regional Buyout Fund	2017	GROWTH CAPITAL	Equity	20	7	13	1	6
Pentech Fund III	2017	VENTURE CAPITAL	Equity	10	1	9	0	1
Epidarex Fund III	2018 (Legals)	VENTURE CAPITAL	Equity	15	0	15	0	0
Par Equity Healthtech Fund LP	2018 (Legals)	VENTURE CAPITAL	Equity	20	0	20	0	0
Iona Environmental Infrastructure LP	2014	RENEWABLE ENERGY	LTEY	10	10	0	0	14
Clydebuilt Fund LP	2013	PROPERTY	LTEY	75	75	0	5	83
PPP Equity PIP LP (Dalmore)	2013	INFRASTRUCTURE	LTEY	50	50	0	10	52
SEP Environmental Capital Fund LP	2014	RENEWABLE ENERGY	LTEY	4	4	0	1	7
Aviva Investors PIP Solar PV LP	2015	RENEWABLE ENERGY	LTEY	20	4	16	0	3
Green Investment Group Offshore Wind Fund LP	2015	RENEWABLE ENERGY	LTEY	80	80	0	19	80

Direct Investment Portfolio (DIP)

Fund	Vintage Year	Sector	Asset Category	SPF Commitment (£m)	Cumulative Drawdowns (£m)	Undrawn Commitment (£m)	Cumulative Distributions (£m)	Net Asset Value (£m)
Resonance British Wind Energy Income Ltd	2014	RENEWABLE ENERGY	LTEY	10	10	0	2	9
Temporis Renewable Energy LP (Offshore Wind)	2015	RENEWABLE ENERGY	LTEY	30	30	0	1	33
Alpha Social Long Income Fund	2014	SUPPORTED LIVING	LTEY	15	15	0	0	16
Equitix Fund IV LP	2016	INFRASTRUCTURE	LTEY	30	25	5	1	30
NTR Wind I LP (Project Gael)	2015	RENEWABLE ENERGY	LTEY	42	35	6	15	31
Pensions Infrastructure Limited	2012	INFRASTRUCTURE	LTEY	1	1	0	0	1
PIP Multi-Strategy Infrastructure LP	2016	INFRASTRUCTURE	LTEY	130	115	15	9	112
Dalmore Capital Fund 3 LP	2017	INFRASTRUCTURE	LTEY	50	32	18	0	31
Hermes Infrastructure Fund II	2017	INFRASTRUCTURE	LTEY	50	16	34	1	16

Direct Investment Portfolio (DIP)

Fund	Vintage Year	Sector	Asset Category	SPF Commitment (£m)	Cumulative Drawdowns (£m)	Undrawn Commitment (£m)	Cumulative Distributions (£m)	Net Asset Value (£m)
Iona Environmental Infrastructure LP 3	2017	RENEWABLE ENERGY	LTEY	20	6	14	0	5
Temporis Operational Renewable Energy Strategy LP Fund II	2017	RENEWABLE ENERGY	LTEY	30	30	0	1	29
Equitix Fund V LP	2018	INFRASTRUCTURE	LTEY	50	29	21	0	49
Greencoat Solar Fund II	2018	RENEWABLE ENERGY	LTEY	50	0	50	0	0
Resonance British Wind Energy Income Ltd II	2017 (Legals)	RENEWABLE ENERGY	LTEY	20	0	20	0	0
Scottish Loans Fund	2010	CREDIT	STEY	6	6	0	5	2
GAM(formerly Renshaw Bay)	2014	CREDIT	STEY	10	7	3	7	3
Healthcare Royalties Partners III LP	2014	CREDIT	STEY	20	15	5	7	9
Muzinich UK Private Debt Fund	2015	CREDIT	STEY	20	13	7	4	10

Direct Investment Portfolio (DIP)

Fund	Vintage Year	Sector	Asset Category	SPF Commitment (£m)	Cumulative Drawdowns (£m)	Undrawn Commitment (£m)	Cumulative Distributions (£m)	Net Asset Value (£m)
Pemberton UK Mid-Market Direct Lending Fund	2017	CREDIT	STEY	40	18	22	10	18
Tosca Debt Fund	2017	CREDIT	STEY	30	14	16	0	14
Beechbrook UK SME Credit II Fund	2018	CREDIT	STEY	30	0	30	0	0
GAM REFF II	2018	CREDIT	STEY	20	0	20	0	0
Total as at 31/12/2018				1,085	703	382	133	711
Total as at previous quarter 30/09/2018				1,069	650	419	122	635

Strathclyde No.3 Pension Fund

1 No.3 Fund Investment Strategy

At its meeting in September 2013 the committee approved the following revised de-risking plan.

Structure	Start (%)	Step 1 Funding ≥ 95% (%)	Step 2 Funding ≥ 100% (%)
Growth Portfolio	45.0	30.0	15.0
Equities	13.5	11.5	7.5
Absolute Return	26.5	18.5	7.5
Property	5.0	-	-
Matching Portfolio	55.0	70.0	85.0
LDI Bonds	55.0	70.0	85.0
Total	100.0	100.0	100.0
Interest Rate Hedge	60.0	80.0	85.0
Inflation Hedge	80.0	80.0	85.0

2 Investment Structure

The Step 1 trigger level was reached in late 2013 and the consequent de-risking measures were initiated. Results of the 31st March 2017 valuation concluded that the funding level had exceeded the Step 2 trigger and the transition to Step 2 was completed during Q1 2018. At 31st December 2018 the Fund structure was as follows:

Structure	Investment Manager	Portfolio Value (£m)	Portfolio Weight (Actual) (£m)	Portfolio Weight (Target) (%)
Growth Portfolio		28	14.1	15.0
Equities	Legal & General	14	7.1	7.5
Absolute Return	Ruffer	14	7.0	7.5
Matching Portfolio		173	85.9	85.0
LDI Bonds	Legal & General	129	64.2	85.0
Cash		44	21.7	
Total		202		100.0

3 Investment Performance

Returns to 31st December 2018

	Quarter %	1 Year %	3 Years (% p.a.)	5 Years (% p.a.)	10 Years (% p.a.)	Since Inception (% p.a.) ⁽¹⁾
No 3 Fund Return	0.6	(1.2)	7.7	8.1	9.5	7.9
Benchmark Return	0.4	(0.2)	7.6	8.3	8.4	7.6
Relative Return	0.2	(1.0)	0.1	(0.2)	1.0	0.3