



Glasgow City Council

Strathclyde Pension Fund Committee

Report by Director of Strathclyde Pension Fund

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Item 7

4th September 2019

## Investment Performance to 30<sup>th</sup> June 2019

### Purpose of Report:

To advise the Committee of the investment performance of the Strathclyde Pension Fund during Quarter 2 2019 and the longer-term performance record as at 30<sup>th</sup> June 2019.

### 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

### PLEASE NOTE THE FOLLOWING:

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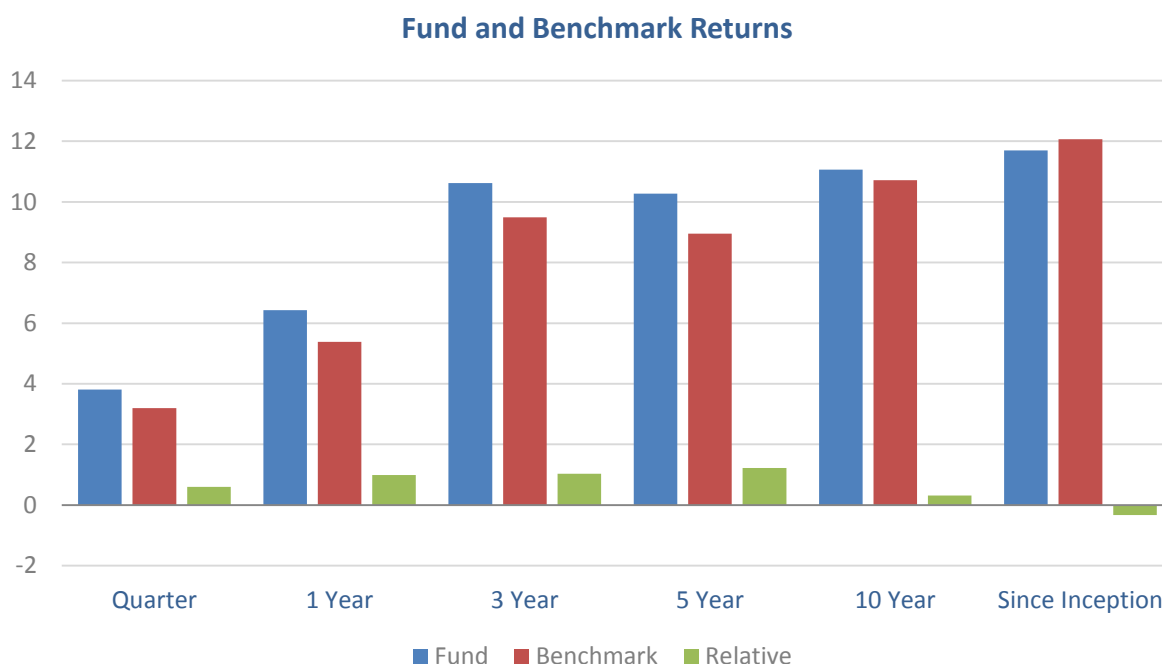
## 1 Background

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 **3.8%**, **+0.6%** ahead of the benchmark return of **3.2%**.



The **Fund's value** at 30<sup>th</sup> June 2019 was **£22,720m**. (Fund value at 31<sup>st</sup> March was **£21,896m**).

### 2.2 Market Performance

Despite weak performance in May, Quarter 2 2019 was very positive for equity markets globally. The FTSE All Share and FTSE World indices returned **+3.3%** and **+6.5%** respectively over the quarter, while emerging markets returned **+3.1%** in sterling terms. Global government 10 year bond yields fell, with the yield on UK 10 year Gilts falling from **+1.0%** to **+0.8%**. Credit markets also performed positively, primarily driven by the strength in underlying government bonds. Sterling declined against both the US dollar and Euro (**-2.3%** and **-3.7%** respectively) while the UK commercial real estate market performed positively (**+0.4%**).

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 2:

- 13 managers outperformed their benchmark; and
- 7 managers underperformed.

Over 5 years:

- the **Legal and General, Baillie Gifford, Lazard, Veritas, JP Morgan, Pantheon, Partners Group (Private Equity and Global Real Estate)** and **DTZ** portfolios have outperformed their benchmarks; and
- **Oldfield, Henderson, Genesis** and **PIMCO** have underperformed. Genesis outperformed in the recent quarter, but the **Oldfield, Henderson, and PIMCO** portfolios 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	31 Mar 2019 (£m)	31 Mar 2019 (%)	30 Jun 2019 (£m)	30 Jun 2019 (%)	Alt 2 Target (%)
Equity	12,788	58.4	13,426	59.1	52.5
Hedging & insurance	319	1.5	326	1.4	1.5
Credit	1,241	5.7	1,286	5.7	6.0
Short Term enhanced yield	3,249	14.8	3,362	14.8	20.0
Long Term enhanced yield	3,471	15.9	3,665	16.1	20.0
Cash	826	3.8	655	2.9	
<b>Total</b>	<b>21,896</b>	<b>100.0</b>	<b>22,720</b>	<b>100.0</b>	<b>100.0</b>

The change in allocation between asset classes during Quarter 2 is a result of relative market movements and manager performance, with the exception of the allocations to long term enhanced yield and cash. Investment of the second and final tranche (£200m) of the Fund's commitment to the JP Morgan International Infrastructure accounts for the increase in the amount invested in long term enhanced yield, and the decrease in the Fund's cash balance over the quarter.

### 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 20 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**

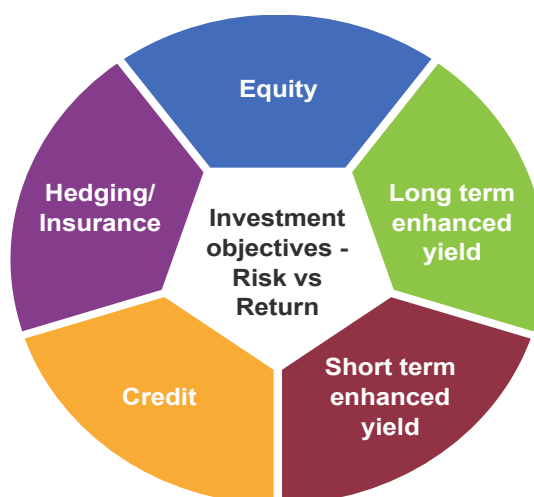
**Schedule 4 Manager Structure and Current Allocations**

**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 years. Steps 3 and 4 are for future consideration.

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

## Fund and Market Performance

## 1 Fund Performance

## 1.1 Returns to 30 June 2019

	Quarter %	1 Year %	3 Years (% p.a.)	5 Years (% p.a.)	10 Years (% p.a.)	Since Inception (% p.a.) <sup>(1)</sup>
Fund Return	3.8	6.4	10.6	10.3	11.1	11.5
Benchmark Return	3.2	5.4	9.5	8.9	10.7	11.8
Relative Return	0.6	1.0	1.0	1.2	0.3	(0.3)
<i>PIRC Local Authority Universe</i> <sup>(2)</sup>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	

(1) Inception: 31/12/1975

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

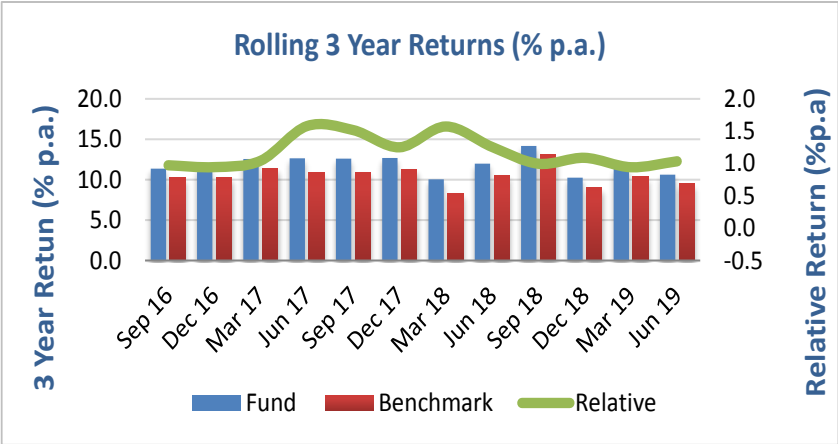
## 1.2 Returns by Asset Class

Asset	Latest Quarter			1 Year			Since Inception		
	Fund %	Benchmark %	Relative %	Fund %	Benchmark %	Relative %	Fund %	Benchmark %	Relative %
Equity	5.4	4.7	0.7	7.7	6.0	1.6	10.1	8.5	1.5
Hedging & insurance	2.0	2.0	(0.0)	9.1	9.1	0.0	4.2	4.2	0.0
Credit	3.6	3.5	0.1	8.6	8.4	0.2	4.2	4.1	0.1
Short term enhanced yield	1.3	1.2	0.0	3.1	4.0	(0.9)	2.3	3.4	(1.1)
Long term enhanced yield	1.0	1.2	(0.3)	5.0	5.5	(0.5)	7.7	6.8	0.9

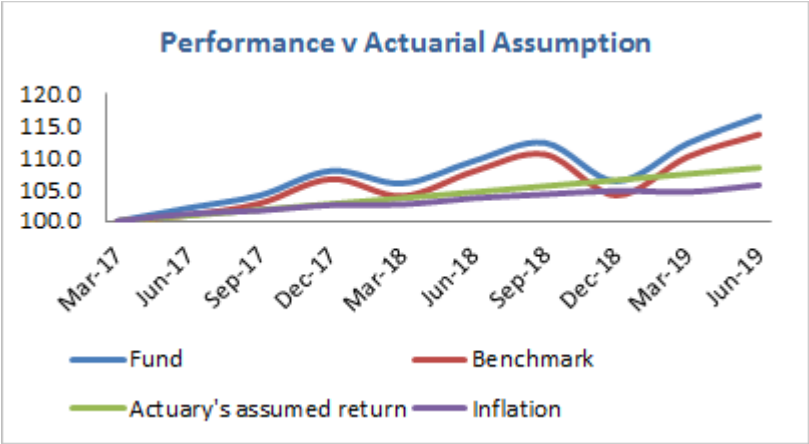
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Fund and Market Performance

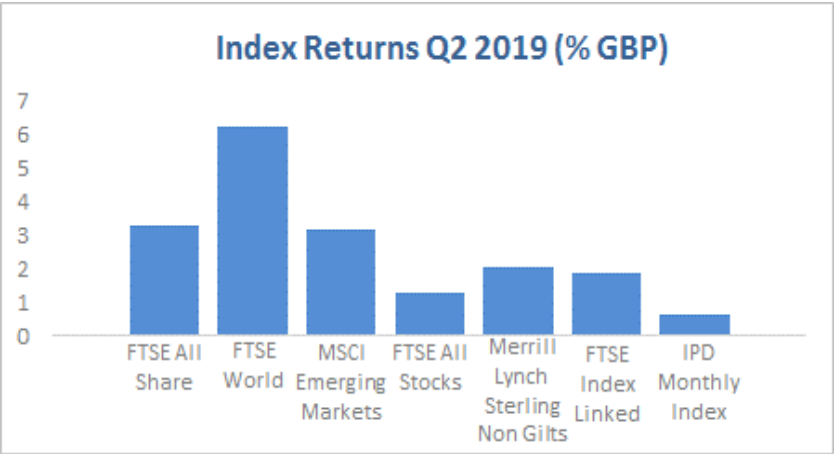
1.3 Rolling 3 Year Returns



1.4 Performance v Actuarial Assumption



1.5 Market Performance Summary



**Equity** Despite a weak May, April and June were positive for markets. Sentiment was fuelled by the prospect of US interest rate cuts and hopes that the US-China trade conflict could be resolved. The UK equity market underperformed global indices as political developments dominated the headlines.

**Bonds** Government bond yields fell further on the expectation of central bank action as global trade friction continues to cloud economic outlook. Political developments, particularly in relation to Brexit, drove risk-averse buying of gilts. Credit markets enjoyed a strong quarter as investors factored in headwinds to global economic growth.

**Property Commentary** The UK property market ended the quarter positively with weakness in the retail sector being offset by capital growth in the industrial sector and the continuing stable income return.



## Manager Performance

1 Performance to 30<sup>th</sup> June 2019

Equity						
Manager		Current Quarter (%)	1 Year (% p.a)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (% p.a)
Baillie Gifford	Actual	8.4	8.1	15.3	12.8	9.3
	Relative	2.6	2.4	3.2	3.6	1.7
Lazard	Actual	9.4	16.7	14.7	13.3	9.8
	Relative	3.2	6.4	1.1	0.6	1.2
Oldfield	Actual	1.6	3.2	13.6	10.7	11.2
	Relative	-4.5	-6.4	-0.0	-2.1	-2.5
Veritas	Actual	6.3	14.5	14.5	14.4	14.8
	Relative	0.2	4.4	1.0	1.6	1.4
Henderson	Actual	0.1	-7.5	11.2	4.6	6.2
	Relative	-2.0	1.5	1.7	-0.6	1.6
JP Morgan	Actual	5.8	1.9	16.2	16.3	12.4
	Relative	1.3	2.6	2.8	3.8	2.1
Genesis	Actual	5.6	10.5	13.1	8.6	10.4
	Relative	2.3	5.3	0.3	-0.9	-
Pantheon	Actual	7.7	15.4	16.4	17.0	13.7
	Relative	4.3	14.7	6.8	10.1	4.4
Partners Group	Actual	8.4	14.2	15.0	17.9	11.2
	Relative	5.0	13.6	5.5	10.9	4.9
L&G EM <sup>(1)</sup>	Actual	1.0	-7.2	10.8	2.5	2.8
L&G Equity <sup>(2)</sup>	Actual	3.3	4.5	11.7	9.1	9.8
	Relative	0.0	-0.1	-	-	-
L&G RAFI	Actual	4.4	5.9	12.4	10.4	10.4
	Relative	-0.0	-0.3	-0.2	-0.2	-0.2
Total	Actual	5.4	7.7	-	-	10.1
	Relative	0.7	1.6	-	-	1.5

## Notes:

- (1) L&G EM: Legal and General hold an Emerging Markets 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 Year (% p.a.)	5 Year (% p.a.)	Since Inception (% p.a)
Legal & General	Actual	3.6	8.6	3.8	5.4	6.0
	Relative	0.1	0.2	0.5	0.3	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	0.0	0.8	0.3	0.8	2.0
	Relative	-1.0	-3.3	-3.5	-1.8	0.3
Barings (multi-asset)	Actual	1.0	2.4	n/a	n/a	3.8
	Relative	-0.2	-2.5	n/a	n/a	-0.8
Oakhill Advisors	Actual	1.8	3.4	n/a	n/a	3.4
	Relative	0.6	-1.5	n/a	n/a	-1.3
Barings (private debt)	Actual	1.1	3.9	5.2	n/a	5.0
	Relative	-0.1	-1.1	0.4	n/a	0.2
Alcentra	Actual	2.0	6.6	7.4	n/a	7.0
	Relative	0.7	1.5	2.5	n/a	2.2
Ashmore	Actual	4.0	9.7	n/a	n/a	3.1
	Relative	0.6	2.2	n/a	n/a	0.6
Ruffer	Actual	1.6	n/a	n/a	n/a	2.3
	Relative	0.6	n/a	n/a	n/a	0.8
Total	Actual	1.3	3.1	n/a	n/a	2.3
	Relative	0.0	-0.9	n/a	n/a	-1.1

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	0.6	4.8	7.2	10.2	8.4
	Relative	0.2	0.2	0.7	0.7	-0.5
JP Morgan IIF	Actual	1.3	n/a	n/a	n/a	1.3
	Relative	-0.6	n/a	n/a	n/a	n/a
Partners Group RE <sup>(1)</sup>	Actual	4.8	7.3	9.7	13.1	8.9
	Relative	-0.1	-3.8	2.6	3.6	-0.0
Total	Actual	1.0	5.0	n/a	n/a	7.7
	Relative	-0.3	-0.5	n/a	n/a	0.9

(1) Partners Group RE = Partners Group Real Estate  
n/a: Mandate not initiated

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## Manager Performance

Direct Investment Portfolio						
Manager		Current Quarter (%)	1 Year (% p.a)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (% p.a)
Direct Investment Portfolio	Actual	-0.1	4.1	6.6	7.0	8.2
	Relative	-1.3	1.1	5.2	5.9	7.1

## 2 Quarterly Performance Commentary

Manager	Relative Performance (%)	Commentary
Baillie Gifford	+2.6	Stock selection was the main driver of relative outperformance. All regions delivered positive returns, with Europe the stand out performer. On a relative basis, the portfolio's two largest overweight positions, in industrials and information technology, were the strongest contributors, whilst underweight positions in energy and healthcare were also beneficial.
Lazard	+3.2	The Lazard portfolio rose sharply in value, as all themes except Gas & Oil produced positive returns. Extreme Risks, driven by the break out in the gold price, produced the strongest return, with First World Health, Networks and Profits, Software as Standard, Distribution Footprints, Digital Runway, Asset Heavy and Ignoring the Short Term also performing well.
Oldfield	-4.5	The largest negative contributors to performance were Kansai Electric, Korea Electric Power, BT Group, Lloyds Bank and Tesco. Underperformance was only partially offset by positive contributions from Allergan, Barrick Gold, Siemens, Bayer and Citigroup.
Veritas	+0.2	Marginal outperformance in the quarter was a result of positive performance of positioning in the Healthcare and Communication Services sectors, whilst holdings in Consumer Staples, Industrial and a high cash balance detracted the most.
Henderson	-2.0	Performance of the Henderson portfolio was held back by disappointing performance at Nanoco and Tremor International. Positive contributors at stock level included Futura Medical, Renalytix and CareTech Holdings.
JP Morgan	+1.3	Stock selection in the Healthcare and Technology sectors drove outperformance in the quarter, while holdings in Consumer Discretionary and Financials detracted. All regions outperformed their respective benchmarks, with positive stock selection in Hong Kong / China and in Korea resulting in strong performance in Asia ex Japan in particular.
Genesis	+2.3	Three stocks Sberbank (Russia), Wuliangye (China) and BTG Pactual (Brazil) were the standout contributors to portfolio return. Gains were also attributable to relative positioning in

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Manager Performance

		China, Thailand, Turkey, and Russia, while Indonesian and South Korean holdings detracted from return. At a sector level, the portfolio added meaningful value in the financials and consumers sectors with IT and communication services sectors detracting from relative performance.
<b>Pantheon</b>	<b>+4.3</b>	Returns from the Pantheon programme since inception are +0.7% above its target return of the FTSE All Share +5% per annum. During the quarter, distributions outpaced drawdowns, with £51m distributed back to SPF and £38m drawn down to fund new investment.
<b>Partners Group</b>	<b>+5.0</b>	24 out of 28 Partners Group private equity programmes were positively revalued in the quarter. The investment multiple increased, largely driven by valuation uplift in direct investments, The largest positive driver of performance was Foncia, a French real estate services company.

Short Term Enhanced Yield		
Manager	Relative Performance (%)	Commentary
<b>PIMCO</b>	<b>-1.0</b>	Absolute performance was flat over Quarter 2. Overall, rates strategies and fx hedging were the main detractors from performance, in particular the portfolio's US Treasury auction, short front-end duration, U.S. long-dated rate vega and short intermediate UK swaps strategies. Positive contributors were select high quality credits, long positions in in several frontier currencies, short positions in AUD, EUR and NZD and commodities.
<b>Barings (multi-credit)</b>	<b>-0.2</b>	Credits in the US were the largest contributor to positive absolute portfolio performance in the second quarter, followed by European Issuers. Single-B rated holdings were the largest contributor to positive performance from a rating perspective, followed by double-Bs while triple-Cs were a detractor. The Financial and Services sectors led the Fund contribution to positive returns while the Food & Drug and the Gaming and Leisure sectors were notable detractors from performance.
<b>Oakhill</b>	<b>+0.6</b>	All industries except mining contributed positively to performance over the quarter, with top performers including Structured Finance, Services and High Tech. The Utilities, Ecological and Consumer Products – Durable contributed least. Top performing holdings were Bristow, Brand Energy & Infrastructure and Numericable Group.
<b>Alcentra</b>	<b>+0.7</b>	Alcentra's European Direct Lending Fund II is now fully invested and performance remains on target. Fund III now has 22 positions, which are all performing strongly. The largest exposures are across Healthcare & Pharmaceuticals, Business Services and Insurance and the manager continues to see a strong pipeline of opportunity.
<b>Ashmore</b>	<b>+0.6</b>	The portfolio outperformed its reference benchmark in the quarter. On a country basis, the largest contributors to outperformance were Brazil, Ukraine and Ecuador whereas the largest detractors were Jamaica and Mexico. On an

## Manager Performance

		investment theme basis, local currency and external debt were the main drivers of outperformance.
<b>Ruffer</b>	<b>+0.6</b>	Both equities and index-linked bonds contributed to the outperformance of the Ruffer portfolio during quarter 2. The standout contributors were gold equity holdings, with Walt Disney and Sony also adding value. As Brexit uncertainty hurt consumer confidence, UK stocks Ocado, Dixons and Carphone lost ground.

<b>Long Term Enhanced Yield</b>		
<b>Manager</b>	<b>Relative Performance (%)</b>	<b>Commentary</b>
<b>DTZ</b>	<b>+0.2</b>	The portfolio attained an income return of +1.1% and a capital return of -0.4% in the quarter, the latter comparing favourably to the MSCI index capital return of -0.7%. Consistent with the wider market, the standout performing sectors were Industrials and 'Other' which returned +2.5% and +2.0% over the 3 months. The Retail and Office sectors returned -0.3% and -0.1% respectively. Top contributors to absolute return were Springfield Quay, Glasgow and Southernwood Retail Park, London, while poorer performing assets included Villiers Street, London and Clumber Street Nottingham.
<b>JP Morgan IIF</b>	<b>-0.6</b>	Fund asset performance in Q1 2019 was +1.9% in local currency terms. \$1.9 billion was deployed to further diversify over geography and sector including investment in Coastal States Wind (US), North Sea Midstream Partners (UK), Ventient Energy (UK), Nieuport Aviation (Canada) and Sonnedix, the Fund's solar energy platform.
<b>Partners Group</b>	<b>-0.1</b>	9 out of 10 Partners Group real estate programmes were positively revalued over the quarter. Overall the investment multiple remained stable and the largest value driver over the portfolio was the investment in Lloyd Center, a 1.3 million sqft shopping centre in Oregon, USA.

## 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	5,964	26.3%	326	1.4%	1,286	5.7%					7,577	33.3%	31.5%
Baillie Gifford	1815	8.0%									1,815	8.0%	7.5%
Lazard	804	3.5%									804	3.5%	2.5%
Oldfield	715	3.1%									715	3.1%	2.5%
Veritas	759	3.3%									759	3.3%	2.5%
Henderson	252	1.1%									252	1.1%	1.0%
JP Morgan	815	3.6%							0	0.0%	815	3.6%	3.0%
Genesis	446	2.0%									446	2.0%	1.5%
Pantheon	1086	4.8%									1,086	4.8%	5.0%
Partners Group	713	3.1%							427	1.9%	1,140	5.0%	6.0%
PIMCO							1055	4.6%			1,055	4.6%	5.0%
Ruffer							205	0.9%			205	0.9%	1.0%
Barings (multi-credit)							672	3.0%			672	3.0%	2.8%
Oak Hill Advisors							444	2.0%			444	2.0%	1.8%
Barings (private debt)							185	0.8%			185	0.8%	1.3%
Alcentra							204	0.9%			204	0.9%	1.3%
Ashmore							519	2.3%			519	2.3%	2.5%
ICG Longbow							0	0.0%			0	0.0%	1.0%
Unallocated (STEY)							0	0.0%			0	0.0%	1.0%
DTZ									2,109	9.3%	2,109	9.3%	10.0%
DIP	56	0.2%					78	0.3%	623	2.7%	757	3.3%	4.5%
JP Morgan IIF									507	2.2%	507	2.2%	2.5%
Unallocated (LTEY)									0	0.0%	0	0.0%	2.5%
Cash							655	2.9%			655	2.9%	-
<b>Total</b>	<b>13,426</b>	<b>59.1%</b>	<b>326</b>	<b>1.4%</b>	<b>1,286</b>	<b>5.7%</b>	<b>4,017</b>	<b>17.7%</b>	<b>3,665</b>	<b>16.1%</b>	<b>22,720</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Target</b>		<b>52.5%</b>		<b>1.5%</b>		<b>6.0%</b>		<b>20.0%</b>		<b>20.0%</b>		<b>100.0%</b>	

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## 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 2 2019, **net drawdowns** into DIP amounted to **£39m**. Together with a net increase in the underlying value of DIP investments, these brought the **Net Asset Value** of DIP to **£746m** 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	0
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	5
Epidarex Fund II	2012	VENTURE CAPITAL	Equity	5	4	1	0	5
Albion Community Power Ltd	2014	RENEWABLE ENERGY	Equity	40	20	20	1	23
Panoramic Growth Fund 2 LP	2015	GROWTH CAPITAL	Equity	15	7	8	1	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)
SEP V LP	2016	GROWTH CAPITAL	Equity	20	10	10	0	10
Maven Regional Buyout Fund	2017	GROWTH CAPITAL	Equity	20	8	12	1	5
Pentech Fund III	2017	VENTURE CAPITAL	Equity	10	2	8	0	1
Epidarex Fund III	2018	VENTURE CAPITAL	Equity	15	0	15	0	0
Par Equity Healthtech Fund LP	2018 (Legals)	VENTURE CAPITAL	Equity	20	0	20	0	0
Pensions Infrastructure Limited	2012	INFRASTRUCTURE	LTEY	1	1	0	0	1
Clydebuilt Fund LP	2013	PROPERTY	LTEY	75	75	0	5	83
PPP Equity PIP LP (Dalmore)	2013	INFRASTRUCTURE	LTEY	50	50	0	12	52
Alpha Social Long Income Fund	2014	SUPPORTED LIVING	LTEY	15	15	0	1	17
Iona Environmental Infrastructure LP	2014	RENEWABLE ENERGY	LTEY	10	10	0	0	8
Resonance British Wind Energy Income Ltd	2014	RENEWABLE ENERGY	LTEY	10	10	0	3	9



## 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)
SEP Environmental Capital Fund LP	2014	RENEWABLE ENERGY	LTEY	4	4	0	11	0
Aviva Investors PIP Solar PV LP	2015	RENEWABLE ENERGY	LTEY	20	3	17	0	3
Green Investment Group Offshore Wind Fund LP	2015	RENEWABLE ENERGY	LTEY	80	80	0	23	77
NTR Wind I LP (Project Gael)	2015	RENEWABLE ENERGY	LTEY	41	36	5	15	32
Temporis Renewable Energy LP (Offshore Wind)	2015	RENEWABLE ENERGY	LTEY	30	30	0	1	35
Equitix Fund IV LP	2016	INFRASTRUCTURE	LTEY	30	25	5	2	31
PIP Multi-Strategy Infrastructure LP	2016	INFRASTRUCTURE	LTEY	130	126	4	13	117
Dalmore Capital Fund 3 LP	2017	INFRASTRUCTURE	LTEY	50	43	7	0	43
Hermes Infrastructure Fund II	2017	INFRASTRUCTURE	LTEY	50	28	22	1	28
Iona Environmental Infrastructure LP 3	2017	RENEWABLE ENERGY	LTEY	20	9	11	0	13

## 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)
Temporis Operational Renewable Energy Strategy LP Fund II	2017	RENEWABLE ENERGY	LTEY	30	24	6	0	28
Equitix Fund V LP	2018	INFRASTRUCTURE	LTEY	50	36	14	0	34
Greencoat Solar Fund II	2018	RENEWABLE ENERGY	LTEY	50	0	50	0	0
Scottish Loans Fund	2010	CREDIT	STEY	6	6	0	5	2
GAM (formerly Renshaw Bay)	2014	CREDIT	STEY	10	7	3	8	3
Healthcare Royalties Partners III LP	2014	CREDIT	STEY	20	18	2	8	12
Muzinich UK Private Debt Fund	2015	CREDIT	STEY	20	14	6	4	10
Pemberton UK Mid-Market Direct Lending Fund	2017	CREDIT	STEY	40	22	18	11	22
Tosca Debt Capital Fund II LP	2017	CREDIT	STEY	30	15	15	1	16
Beechbrook UK SME Credit II Fund	2018	CREDIT	STEY	30	5	25	0	5

## 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)
GAM REFF II	2018	CREDIT	STEY	20	9	11	0	9
<b>Total as at 30/06/2019</b>				<b>1,225</b>	<b>769</b>	<b>456</b>	<b>159</b>	<b>746</b>
<b>Total as at 31/03/2019</b>				<b>1,103</b>	<b>730</b>	<b>373</b>	<b>152</b>	<b>724</b>

## 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% (%)
<b>Growth Portfolio</b>	<b>45.0</b>	<b>30.0</b>	<b>15.0</b>
Equities	13.5	11.5	7.5
Absolute Return	26.5	18.5	7.5
Property	5.0	-	-
<b>Matching Portfolio</b>	<b>55.0</b>	<b>70.0</b>	<b>85.0</b>
LDI Bonds	55.0	70.0	85.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
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 31<sup>st</sup> 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 30<sup>th</sup> June 2019 the Fund structure was as follows:

Structure	Investment Manager	Portfolio Value (£m)	Portfolio Weight (Actual) (%)	Portfolio Weight (Target) (%)
<b>Growth Portfolio</b>		<b>31</b>	<b>14.6</b>	<b>15.0</b>
Equities	Legal & General	16	7.6	7.5
Absolute Return	Ruffer	15	7.0	7.5
<b>Matching Portfolio</b>		<b>182</b>	<b>85.4</b>	<b>85.0</b>
LDI Bonds	Legal & General	139	65.6	85.0
Cash		42	19.9	
<b>Total</b>		<b>213</b>		<b>100.0</b>

### 3 Investment Performance: Returns to 30<sup>th</sup> June 2019

	Quarter %	1 Year %	3 Years (% p.a.)	5 Years (% p.a.)	10 Years (% p.a)	Since Inception (% p.a) <sup>(1)</sup>
<b>Fund Return</b>	<b>2.4</b>	<b>7.2</b>	<b>5.2</b>	<b>8.9</b>	<b>10.3</b>	<b>8.1</b>
<b>Benchmark Return</b>	<b>2.4</b>	<b>6.7</b>	<b>5.2</b>	<b>8.7</b>	<b>9.3</b>	<b>7.8</b>
<b>Relative Return</b>	<b>0.0</b>	<b>0.4</b>	<b>0.0</b>	<b>0.1</b>	<b>0.9</b>	<b>0.3</b>

The process of winding up the No. 3 Fund and transferring the assets and liabilities to the NESPF will begin in Quarter 3 2019 as agreed in the 2019/20 Business Plan.