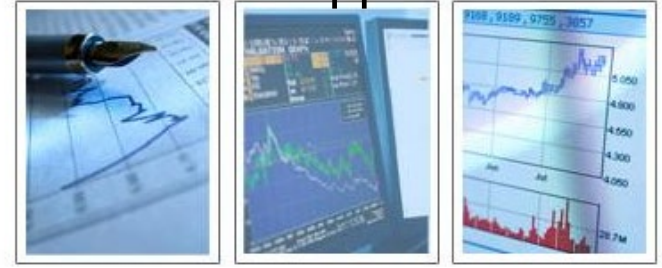


PORTFOLIO  
EVALUATION  
LIMITED

Appendix A

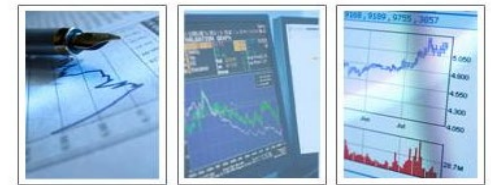


Specialists in Investment Risk and Return Evaluation

Quarterly Risk and Return Analysis

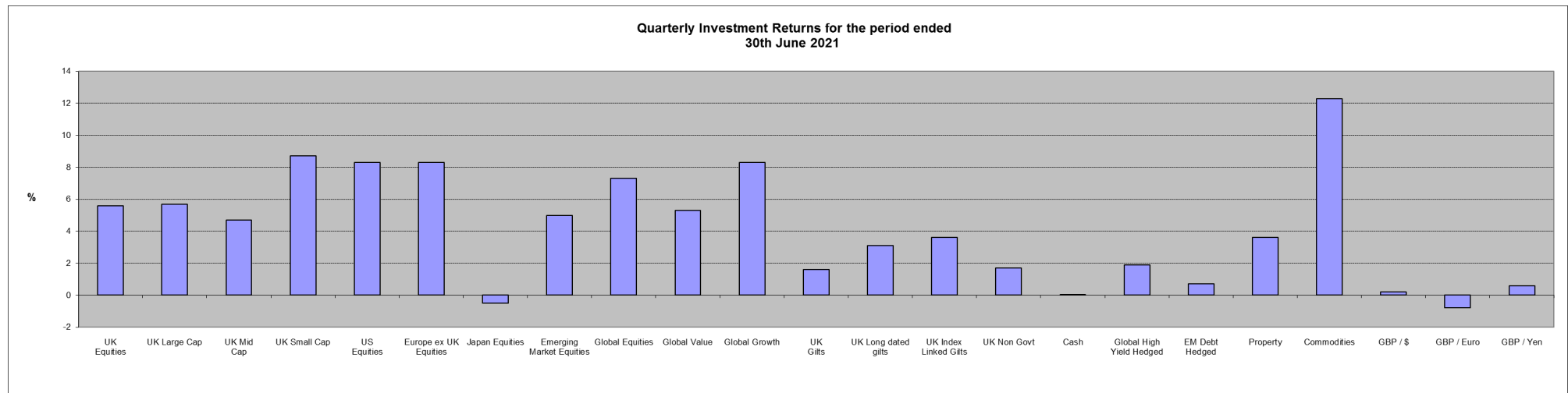
Leicestershire County Council Pension Fund

Period ending 30<sup>th</sup> June 2021



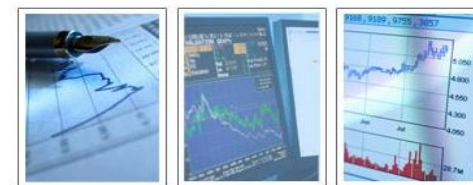
## Portfolio Evaluation Ltd Market Commentary Q2 2021 (Sterling)

Quarter 2 has witnessed markets continuing to perform strongly; in fact excluding Japanese equities all asset classes have had positive returns. Looking at the year results we can also see strong market returns with the exception of UK government bonds.



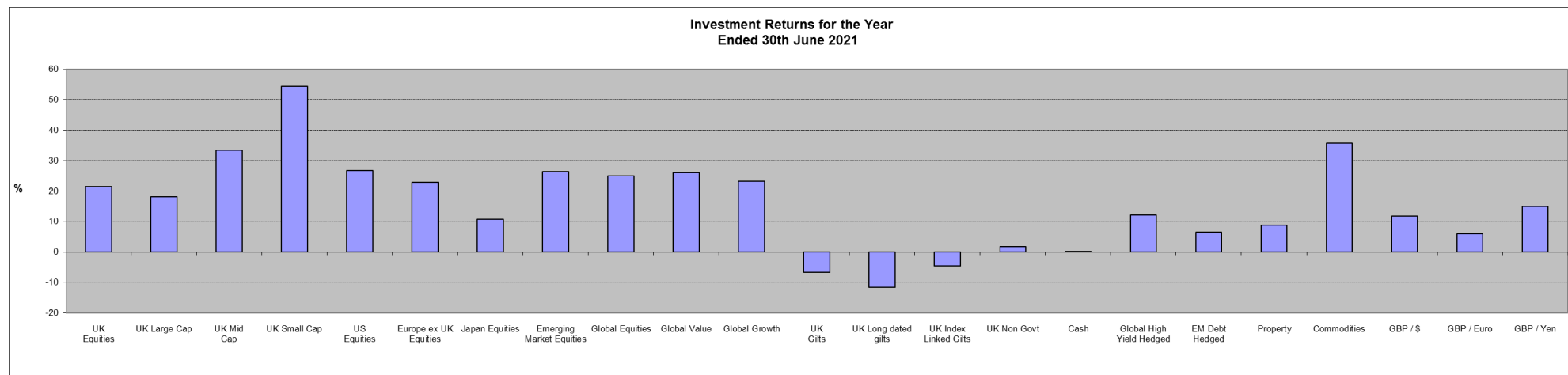
Much of the rise in markets can be attributed towards relief that the problems caused by COVID-19 have receded. This has been largely due to the rollout of vaccines, large scale fiscal and central bank responses that have led many companies and individuals to have had limited impact on finances, and that the role of government and politicians has altered as they have become more led by interventionist demand management. The global economy is now witnessing a broad based economic recovery with many commentators now expecting a stronger recovery than initially forecast. Both people and companies have adapted to new circumstances; in fact many economic sectors have already rebounded strongly. Among the largest economies China, the US, Canada have been the quickest to recover, this is a reflection of the amount and speed of economic support. Global growth is now occurring in Europe as monetary support policies are confirmed and extended. Going forwards markets remain optimistic as vaccine rollouts ease worries, economies are reopening coupled with significant demand from people and companies, saving buffers are high and people want to spend money, we are also continuing to see supportive monetary and fiscal policy. High levels of global growth are expected to continue into 2022 after which growth should normalise. This has led market commentators to expect that many will remain over weight equities in 2021.

As always there are risks to the upside. These include a number of themes. In respect of COVID-19, the impact of variants, and vaccine efficacy, the lack of vaccine rollout in many emerging markets and the resistance of some demographic groups to vaccine uptake. Also at some time we must all start paying for government largesse in



respect of COVID-19, this will probably be achieved by higher levels of taxation. Higher Inflation which although viewed as under control and the increase viewed as temporary, does remain a potential problem as monetary policy is expected to remain loose for the foreseeable future. Additionally geo political risk is larger now than in recent previous years. The 'imperfections' in the Brexit deal still need to be addressed.

Finally last but not least we are approaching a tipping point in respect of global warming, the increase in natural problems be they drought, high temperatures, flooding or fires etc. is causing problems on a global scale. The lack of solutions is worrying and apart from the big polluters not having a clear path to clean energy the lack of agreement between world leaders is concerning. After the fiasco of not keeping to the UNFCC agreements made at the 2015 Paris (COP 21) conference we can only hope that the UNCCC (COP 26) to be held in Glasgow in 2021 will be more successful. Given the publicly stated policies and planning status of many states perhaps we should not expect too much. As always it may well come down to tax, for example both Europe and the US are contemplating carbon taxes on imports.



Risk within asset classes and multi asset class portfolios has increased significantly over the year. Correlations between asset classes increased up to June 2020 resulting in additional increases in risk for multi asset class funds but reduced a little in the autumn but increased again towards the end of the year and have remained stable in 2021 so far. This is not unusual in these types of circumstances. However we would expect a decrease in volatility and correlations later in 2021 as the markets and the world stabilise but they will remain higher than the levels seen in 2019.

**For further information** If you would like further information about the topics contained in this newsletter or would like to discuss your investment performance requirements please contact Nick Kent or Deborah Barlow Tel: +44 (0)1937 841434 (e-mail: [nick.kent@portfolioevaluation.net](mailto:nick.kent@portfolioevaluation.net)) or visit our website at [www.portfolioevaluation.net](http://www.portfolioevaluation.net). Please note that all numbers, comments and ideas contained in this document are for information purposes only and as such are not investment advice in any form. Please remember that past performance is not a guide to future performance.

Client: Leicestershire County Council Pension Fund  
 Manager: Multi-manager  
 Mandate: Total Fund  
 Asset Class: Combined Assets  
 Benchmark: LCC - Total Fund Index  
 Inception: 31-Mar-2016  
 Mkt Val: £5.4bn

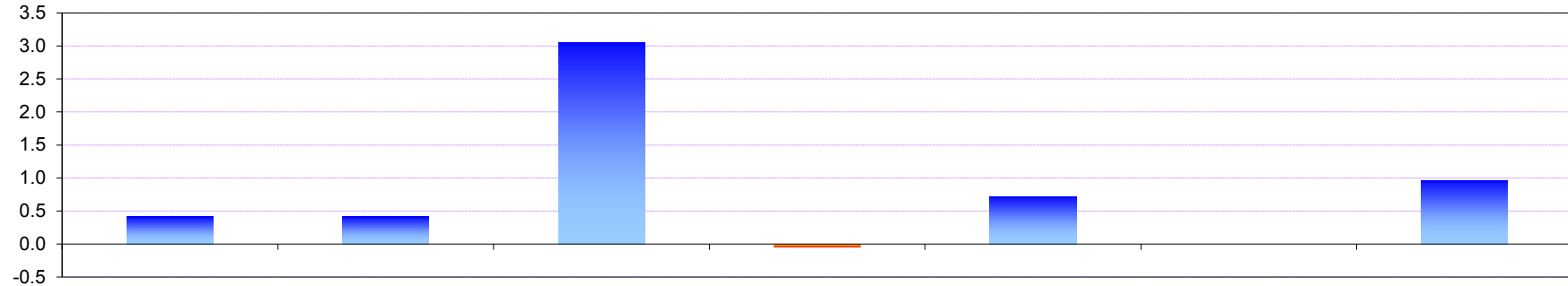
## Total Fund Overview

### Leicestershire County Council Pension Fund

Report Period: Quarter Ending June 2021



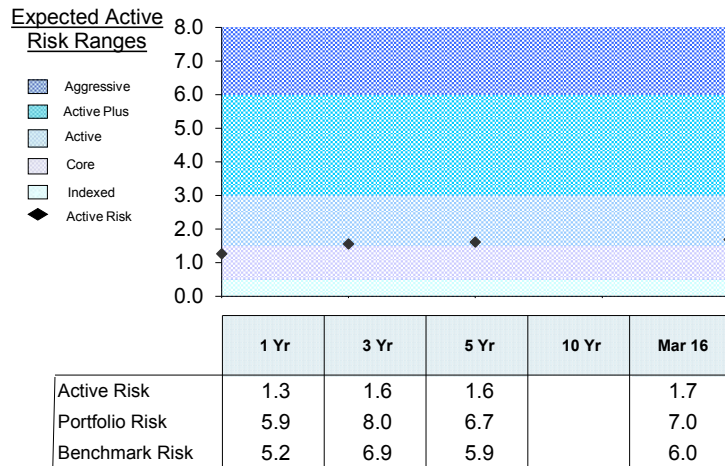
#### Excess Return Analysis (%)



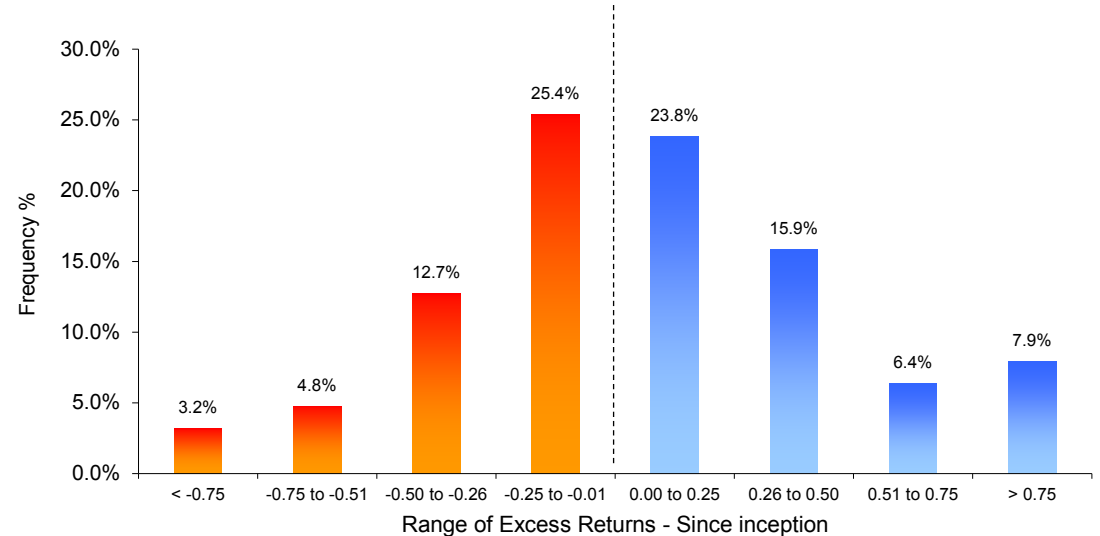
	QTR	Fin YTD	1 Yr	3 Yr	5 Yr	10Yr	Since Mar 16 (p.a.)
Excess Return	0.4	0.4	3.0	0.0	0.7		1.0
Portfolio Return	4.8	4.8	17.8	7.8	9.1		10.0
Benchmark Return	4.4	4.4	14.7	7.8	8.4		9.0

All returns for periods in excess of 1 year are annualised. The portfolio return is net.

#### Ex-Post Active Risk Analysis (%)



#### Excess Return Consistency Analysis



**Ex-Post Active Risk** measures the volatility of the actual excess returns achieved by the Portfolio/Fund.  
**Excess Return Consistency Analysis** measures the frequency of the Portfolio/Fund's outperformance (Blue) and underperformance (Red) versus its benchmark, calculated using monthly (or quarterly if indicated) returns since inception.

**Attribution to Total Fund Excess Return Analysis - Gross**  
**Leicestershire CC Pension Fund**  
**for Quarter Ended 30th June 2021**

Market Value: £5.4bn



The Returns Summary details the Portfolio, Benchmark and Excess Returns. The Excess Returns are plotted. The Asset Allocation Summary details the weights held by the portfolio and benchmark in each asset class/manager. The green plots are the overweight exposures of the Fund (v Fund benchmark) at the beginning and end of the period. The Attribution to Excess Return, identifies how each asset class/manager has contributed to the overall excess return of the Total Fund. It is broken down into Asset Allocation (how successful the decision to over/underweight each asset class was) and then into Stock Selection (how well each manager's decisions have performed). The Asset Allocation plus the Stock Selection excess returns are all additive and equal the Total Excess Return of the Fund.

**Attribution to Total Fund Excess Return Analysis - Gross  
Leicestershire CC Pension Fund  
for Year Ended 30th June 2021**

Market Value: £5.4bn



The Returns Summary details the Portfolio, Benchmark and Excess Returns. The Excess Returns are plotted. The Asset Allocation Summary details the weights held by the portfolio and benchmark in each asset class/manager. The green plots are the over/underweight exposures of the Fund (v Fund benchmark) at the beginning and end of the period. The Attribution to Excess Return, identifies how each asset class/manager has contributed to the overall excess return of the Total Fund. It is broken down into Asset Allocation (how successful the decision to over/underweight each asset class was) and then into Stock Selection (how well each manager's decisions have performed). The Asset Allocation plus the Stock Selection excess returns are all additive and equal the Total Excess Return of the Fund.

**Attribution to Total Fund Excess Return Analysis - Gross**  
**Leicestershire CC Pension Fund**  
**for 3 Year Period Ending 30th June 2021**

Market Value: £5.4bn

	Total Fund Inc Hedge	Total Fund ex Hedge	Total Growth Assets	Total Equity Fund ex Hedge	L&G Total Passive Equity Fund	L&G UK Equity Fund	L&G North American Equity Fund	L&G Japanese Equity Fund	L&G European Equity Fund	L&G Pacific Ex Japan Equity Fund	L&G Emerging Markets Equity Fund	LGPSC Global Eq Active Multi Mgr Fund	LGPSC Global Active EMM Eq Active	LGPSC AW Eq Climate Multi Factor Fund	Total Targeted Return	Total Private Equity	Total Income Assets	Total Infrastructure	Property	Total Emerging Market Debt	Liquid Multi Asset Credit (JPM)	Total Global Credit Private Debt	LGPSC Global Active MAC Fund	Total Protection Assets	Aegon (was Kames) Index-Linked	Aegon Short Dated Inv Grade Bond Fund	LGPSC Investment Grade Credit Fund	Cash	Kames Currency Hedge Impact	
<b>Returns Summary (%)</b>																														
Excess Return	0.2	0.0	0.0	-1.2	0.1	0.9	0.2	0.0	0.1	0.1	0.0	-0.6	-0.6	0.1	1.0	6.0	-0.3	1.2	0.1	-0.2	0.0	-1.6	0.0	-0.3	0.2	0.1	-2.2	1.0	1.0	
Portfolio Return	8.0	7.6	9.8	9.7	9.3	2.9	14.2	5.7	8.1	9.3	10.1	15.4	9.5	11.5	5.4	19.3	3.8	5.6	3.5	3.2	4.4	3.1	1.0	5.3	5.1	0.5	7.1	1.4	0.0	
Benchmark Return	7.8	7.6	9.9	10.9	9.2	2.0	14.0	5.7	8.0	9.2	10.1	16.0	10.1	11.4	4.4	13.3	4.2	4.4	3.4	3.4	4.4	4.7	1.0	5.6	4.9	0.4	9.3	0.5	0.0	
<b>Asset Allocation Summary (%)</b>																														
Portfolio Start	100.0	99.2	62.7	46.2	34.0	7.5	13.7	2.7	5.5	2.7	1.9	0.0	0.0	0.0	12.3	4.2	28.2	8.3	9.0	2.4	0.6	7.9	0.0	7.0	7.0	0.0	0.0	1.3	0.8	
Portfolio End	100.0	98.7	60.6	45.8	17.4	3.6	6.6	1.2	2.8	1.3	1.8	9.0	4.1	15.3	8.2	6.7	27.3	7.1	7.4	2.1	0.6	6.5	3.7	6.9	4.5	0.5	2.0	3.9	1.3	
Benchmark Start	100.0	100.0	63.0	46.0	34.0	7.5	13.2	2.8	5.7	2.8	2.0	0.0	0.0	0.0	13.0	4.0	29.5	7.2	10.1	2.5	0.8	9.0	0.0	7.5	7.5	0.0	0.0	0.0	0.0	
Benchmark End	100.0	99.5	55.3	42.0	15.5	3.5	6.0	1.3	2.5	1.3	1.0	7.5	4.0	15.0	7.5	5.8	36.8	9.8	10.0	2.5	0.5	10.5	3.5	7.5	4.5	0.5	2.5	0.0	0.5	
<b>Attribution to Excess Return (%)</b>																														
Excess Return	0.2	0.0	-0.1	-0.4	-0.2	-0.2	0.0	0.0	0.0	0.0	0.0	0.1	0.1	-0.2	0.0	0.4	0.2	0.2	0.1	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.2	
Asset Allocation	-0.4	-0.3	-0.4	-0.3	-0.2	-0.3	0.0	0.0	0.0	0.0	0.0	0.1	0.1	-0.2	-0.1	0.0	0.3	0.1	0.0	0.0	0.0	0.1	0.0	0.0	-0.1	0.0	0.0	-0.2	-0.1	
Stock Selection	0.6	0.3	0.3	-0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.4	0.0	0.1	0.0	0.0	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.3	

The Returns Summary details the Portfolio, Benchmark and Excess Returns. The Excess Returns are plotted. The Asset Allocation Summary details the weights held by the portfolio and benchmark in each asset class/manager. The green plots are the over/underweight exposures of the Fund (v Fund benchmark) at the beginning and end of the period. The Attribution to Excess Return, identifies how each asset class/manager has contributed to the overall excess return of the Total Fund. It is broken down into Asset Allocation (how successful the decision to over/underweight each asset class was) and then into Stock Selection (how well each manager/s decisions have performed). The Asset Allocation plus the Stock Selection excess returns are all additive and equal the Total Excess Return of the Fund.





Partners Group Private Debt Fund - MAC 2016	SONIA 1 Month + 4%	Jan-20	31.5	0.6	3.2	0.9	2.3	3.2	0.9	2.3	7.1	4.0	3.2					4.2	4.1	0.1		
Partners Group Private Debt Fund - MAC 2017	SONIA 1 Month + 4%	Jan-20	88.3	1.6	1.4	0.9	0.4	1.4	0.9	0.4	5.9	4.0	1.9					3.5	4.1	-0.6		
Partners Group Private Debt Fund - MAC 2014	SONIA 1 Month + 4%	Jan-20	24.5	0.5	18.4	0.9	17.4	18.4	0.9	17.4	16.3	4.0	12.3					6.9	4.1	2.7		
<b>LGPSC Global Active MAC Fund</b>	<b>3 Month SONIA +4%</b>	<b>Apr-21</b>	<b>202.0</b>	<b>3.7</b>	<b>1.0</b>	<b>1.0</b>	<b>0.0</b>											<b>1.0</b>	<b>1.0</b>	<b>0.0</b>		
<b>Total Protection Assets</b>	<b>Client Weighted Index</b>	<b>Jan-14</b>	<b>376.8</b>	<b>6.9</b>	<b>2.9</b>	<b>3.1</b>	<b>-0.2</b>	<b>2.9</b>	<b>3.1</b>	<b>-0.2</b>	<b>-1.9</b>	<b>-1.2</b>	<b>-0.7</b>	<b>5.3</b>	<b>5.6</b>	<b>-0.3</b>	<b>5.4</b>	<b>5.4</b>	<b>0.0</b>	<b>9.9</b>	<b>9.7</b>	<b>0.2</b>
Aegon (formally Kames) Index-Linked Fund	FTSE All Stocks Index Linked Index	Dec-13	243.2	4.5	3.4	3.6	-0.2	3.4	3.6	-0.2	-3.9	-4.0	0.1	5.1	4.9	0.2	5.2	4.9	0.3	9.8	9.4	0.4
Aegon Short Dated Inv Grade Bond Fund	3 Month GBP SONIA +1.25% (GBP)	Mar-21	25.1	0.5	0.5	0.3	0.2	0.5	0.3	0.2										0.5	0.4	0.1
LGPSC Investment Grade Credit Fund	LGPSC Corp Index	Mar-20	108.5	2.0	2.2	2.3	0.0	2.2	2.3	0.0	3.5	2.9	0.6							7.4	9.7	-2.3
<b>Cash Fund</b>	<b>SONIA 1 Month</b>	<b>Mar-16</b>	<b>209.1</b>	<b>3.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1.4</b>	<b>0.5</b>	<b>1.0</b>	<b>0.9</b>	<b>0.4</b>	<b>0.5</b>	<b>0.9</b>	<b>0.4</b>	<b>0.5</b>
<b>Aegon (formally Kames) Currency Hedge Fund</b>	<b>SONIA 1 Month</b>	<b>Mar-16</b>	<b>70.9</b>	<b>1.3</b>																		
Leicestershire CC Pension Fund ex Hedge(Gross)	Client Weighted Index	Mar-16	0.0	0.0	4.8	4.3	0.5	4.8	4.3	0.5	15.8	13.2	2.6	7.6	7.6	0.0	9.2	8.4	0.8	10.2	9.1	1.1
Leicestershire CC Pension Fund ex Hedge (Net)	Client Weighted Index	Mar-16	0.0	0.0	4.8	4.3	0.5	4.8	4.3	0.5	15.8	13.2	2.5	7.3	7.6	-0.2	8.9	8.4	0.5	9.8	9.1	0.7
Leicestershire County Council Pension Fund (Gross)	Client Weighted Index	Mar-16	5,426.4	100.0	4.8	4.4	0.4	4.8	4.4	0.4	17.8	14.7	3.1	8.0	7.8	0.2	9.4	8.4	1.0	10.3	9.0	1.3
Leicestershire County Council Pension Fund (Net)	Client Weighted Index	Mar-16	5,426.4	100.0	4.8	4.4	0.4	4.8	4.4	0.4	17.8	14.7	3.0	7.8	7.8	0.0	9.1	8.4	0.7	10.0	9.0	1.0

PF = Portfolio Return BM = Benchmark Return ER = Excess Return

<b>Total Fund Benchmark</b>	CLIENT SPECIFIC:																						
	3.5 FTSE All Share Index	4.5 FTSE All Stocks Index Linked Index																					
	6.0 FTSE World N America NetTax (UKPN)	2.5 50% ICE BofAML Ster Non-Gilt (ex-EMM issues)& 50% ICE BofAML Global Corporate Index (ex-GBP and emerging market issues) hedged to GBP																					
	1.3 FTSE Japan NetTax (UKPN)	0.5 Cash (sonia) + 1.25% pa																					
	2.5 FTSE Dev Europe ex UK NetTax (UKPN)	9.8 SONIA 1 Month + 4%																					
	1.3 FTSE Dev Asia Pac ex Japan NetTax (UKPN)	10.0 MSCI UK Monthly Property Index (GBP)																					
	1.0 FTSE Emerging NetTax (UKPN)	2.5 JP Morgan EMBI GIB Diversified																					
	7.5 FTSE All World Index	4.0 3 Month SONIA +4%																					
	4.0 FTSE All World Emerging Market Index	10.5 9.52 Absolute Return +7.5% 90.48 SONIA 1 Month + 4%																					
	15.0 FTSE AW Climate Balanced	0.5 SONIA 1 Month																					
	5.8 FTSE All World Index	*Note that equity assets are hedged																					
	7.5 SONIA 1 Month + 4%																						

**Notes:**  
**Q2 2021:** Investment into LGPSC Global Active MAC Fund. Updated all LIBOR benchmarks to SONIA equivalent.  
**Q1 2021:** Total Fund has been restructured with current assets moving into different pools, the introduction of new pools and some pools have ceased. We have updated all the history back to 31.03.2016.

**Lagged Portfolios:**  
**Adams Street:** Data is on a quarterly lag  
**Catapult:** Data is on a quarterly lag  
**M&G DOF II:** Data is on a quarterly lag  
**Christofferson Robb & Company:** Data is on a 1 month lag  
**JP Morgan Global Credit Fund:** Data is on a quarterly lag  
**Stafford Timberland:** Data is on a quarterly lag

**Total Fund Reconciliation  
Leicestershire CC Pension Fund  
for Quarter Ended 30th June 2021**

Market Value: £5.4bn

	31st March 2021		Net Exp 30th June 2021	Total Gain/Loss (£000s)	30th June 2021	
	Market Val (£000s)	Exposure (%)			Market Val (£000s)	Exposure (%)
<b>Total Growth Assets</b>	<b>3,194,092</b>	<b>62.1</b>	<b>5.3</b>	<b>194,409</b>	<b>3,286,952</b>	<b>60.6</b>
<b>Total Equity Ex Hedge</b>	<b>2,328,497</b>	<b>45.3</b>	<b>3.8</b>	<b>154,158</b>	<b>2,482,655</b>	<b>45.8</b>
Total Passive Equity -L&G	884,222	17.2	1.9	57,973	942,195	17.4
UK Equities	186,478	3.6	0.1	10,318	196,796	3.6
North American Equities	328,561	6.4	0.6	28,553	357,113	6.6
Japanese Equities	66,664	1.3	0.0	-343	66,320	1.2
European Equities	141,658	2.8	0.3	11,438	153,095	2.8
Pacifix ex Japan Equities	66,085	1.3	0.0	3,254	69,340	1.3
Emerging Markets Equities	94,777	1.8	0.8	4,753	99,530	1.8
LGPSC Global	454,474	8.8	1.5	31,223	485,698	9.0
LGPS Central Emerging Markets Eq Active	214,708	4.2	0.1	7,106	221,815	4.1
LGPS Central Multi Factor Fund	775,092	15.1	0.3	57,856	832,948	15.3
<b>Total Targeted Return</b>	<b>536,212</b>	<b>10.4</b>	<b>0.7</b>	<b>8,060</b>	<b>442,688</b>	<b>8.2</b>
Aspect Capital Partners	146,741	2.9	0.0	2,776	149,933	2.8
Pictet	183,248	3.6	0.0	22,928	144,176	2.7
Ruffer	206,048	4.0	0.0	-17,644	148,404	2.7
<b>Total Private Equity</b>	<b>329,383</b>	<b>6.4</b>	<b>0.9</b>	<b>32,191</b>	<b>361,609</b>	<b>6.7</b>
UK - Catapult Ventures (L)	619	0.0	0.0	12	631	0.0
Overseas - Adams Street (L)	303,864	5.9	0.0	30,428	334,327	6.2
LGPS Central Private Equity Fund	0	0.0	0.0	0	0	0.0
Aberdeen Standard	24,899	0.5	0.0	1,750	26,650	0.5
<b>Total Income Assets</b>	<b>1,290,270</b>	<b>25.1</b>	<b>-9.4</b>	<b>31,188</b>	<b>1,482,664</b>	<b>27.3</b>
<b>Total Infrastructure</b>	<b>381,841</b>	<b>7.4</b>	<b>-2.7</b>	<b>5,932</b>	<b>383,713</b>	<b>7.1</b>
JPMorgan Infrastructure	83,570	1.6	0.0	30,782	114,384	2.1
IFM Global Infrastructure	106,671	2.1	0.0	-70,533	34,585	0.6
KKR Infrastructure	38,038	0.7	0.0	45,983	81,784	1.5
Stafford Timberland (L)	135,411	2.6	0.0	-984	134,124	2.5
Infracapital	18,152	0.4	0.0	684	18,836	0.3
<b>Total Property</b>	<b>391,374</b>	<b>7.6</b>	<b>-2.6</b>	<b>10,262</b>	<b>401,636</b>	<b>7.4</b>
Colliers Indirect Pooled Property	23,303	0.5	0.0	0	23,303	0.4
Colliers Direct Property	105,765	2.1	0.0	0	105,765	1.9
La Salle Property Fund	194,529	3.8	0.0	8,766	203,296	3.7
Kames Capital I	22,468	0.4	0.0	217	22,686	0.4
Kames Capital II	45,308	0.9	0.0	1,278	46,586	0.9
<b>Total Emerging Market Debt</b>	<b>107,762</b>	<b>2.1</b>	<b>-0.4</b>	<b>4,604</b>	<b>112,366</b>	<b>2.1</b>
LGPS Central Global Active Emerging Market Bond Fund	107,762	2.1	-0.4	4,604	112,366	2.1
<b>JPMorgan Global Credit (L)</b>	<b>30,723</b>	<b>0.6</b>	<b>0.0</b>	<b>-93</b>	<b>30,661</b>	<b>0.6</b>
<b>Total Global Credit Private Debt</b>	<b>378,571</b>	<b>7.4</b>	<b>-4.0</b>	<b>8,523</b>	<b>352,327</b>	<b>6.5</b>
Christofferson (L)	40,001	0.8	0.0	341	36,472	0.7
M&G	72,655	1.4	0.0	-12	70,832	1.3
Partners Group Private Debt	265,915	5.2	0.0	8,193	245,024	4.5
<b>LGPSC Global Active MAC Fund</b>	<b>0</b>	<b>0.0</b>	<b>0.0</b>	<b>1,960</b>	<b>201,960</b>	<b>3.7</b>
<b>Total Protection Assets</b>	<b>366,272</b>	<b>7.1</b>	<b>-0.6</b>	<b>13,028</b>	<b>376,823</b>	<b>6.9</b>
Aegon (formally Kames) IL	235,162	4.6	0.0	10,536	243,220	4.5
Aegon Short Dated Inv Grade Bond Fund	25,000	0.5	0.0	110	25,111	0.5
LGPSC Investment Grade Credit Fund	106,111	2.1	-0.5	2,381	108,492	2.0
<b>Cash</b>	<b>169,859</b>	<b>3.3</b>	<b>3.9</b>	<b>39,290</b>	<b>209,149</b>	<b>3.9</b>
<b>Aegon (formally Kames) Currency Hedge</b>	<b>118,981</b>	<b>2.3</b>	<b>0.8</b>	<b>1,878</b>	<b>70,859</b>	<b>1.3</b>
<b>Leicestershire County Council Pension Fund ex Hedge</b>	<b>5,020,494</b>	<b>97.7</b>	<b>-0.8</b>	<b>277,914</b>	<b>5,355,587</b>	<b>98.7</b>
<b>Leicestershire County Council Pension Fund</b>	<b>5,139,475</b>	<b>100.0</b>	<b>0.0</b>	<b>279,792</b>	<b>5,426,446</b>	<b>100.0</b>