



# Gloucestershire County Council Pension Fund

Performance Report to December 31, 2018



# Gloucestershire County Council Pension Fund

## Report to December 31, 2018

### Table of Contents



|                               |      |
|-------------------------------|------|
| <b>Market Overview</b>        |      |
| Market Commentary .....       | 1    |
| <b>Client Information</b>     |      |
| Market Value by Manager ..... | 2    |
| <b>Total Client</b>           |      |
| Performance Overview .....    | 3    |
| Performance Summary .....     | 4-6  |
| Manager Attribution .....     | 7-8  |
| Ex Post Risk .....            | 9-10 |
| <b>Disclaimer Page</b> .....  | 11   |



### Gloucestershire Market Commentary Q4 2018

Volatility marked the final quarter of 2018 as a broad-based equity sell-off accelerated through to the end of December. The FTSE World Developed Index was down 11.2%, the worst quarterly outcome since 2011, as investors sought the relative safety of more 'defensive' assets amid concerns around US interest rates, trade tensions, geopolitical uncertainty and downgrades to economic growth forecasts. Emerging markets outperformed Developed Markets, returning -5.2%.

The FTSE UK Index posted a negative return of -10.2%, reflecting deteriorating international trends and the continuing challenges of Brexit. The large energy sector weighed heavily as oil prices fell, while consumer discretionary stocks were weaker as consumers proved reluctant to spend. More 'defensive' stocks such as telecoms and consumer staples outperformed – sectors where earnings are less sensitive to economic cycles. The Bank of England left rates unchanged and cut its growth forecast to 0.2% for both Q4 2018 and Q1 2019. Inflation slowed to 2.3% amid declining fuel prices.

Brexit, amongst other political skirmishes dominated the landscape in Europe and the Europe (ex UK) equity index dropped 10.9% over the quarter.

Having outperformed through 2018, the US stock market lagged in Q4 as the Federal Reserve's monetary policy came under scrutiny from the market (and President Trump). The Fed raised interest rates in December as expected and the equity market posted a negative return of -11.4%. The technology stocks that fuelled the market's prior outperformance were among the major decliners in Q4, alongside industrials and energy shares. Utilities and consumer staples benefitted from investors seeking less economically sensitive earnings.

The Japanese stock market had held up relatively well until it was swept up in the October global sell-off: the Q4 Index return was -12.7% to a GBP investor (-17.6% in local currency terms). In the wider Asia-Pacific region, negative returns were standard with the exceptions of India and Indonesia; in aggregate markets were down 6.6%.

The defensive stance of investors was reflected in positive returns by developed government bond markets. UK gilts recovered the losses from earlier in the year as heightened uncertainty around Brexit – as well as international trade tensions, tumbling oil prices and economic growth downgrades – stoked investor risk aversion. Investment grade credit spreads widened through Q4 as investors sought the relative safety of sovereigns. High-yield bonds performed more poorly as investors adopted a 'safety-first' approach. The FTSE UK Gilts Index over 5-year index returned 2.5% and Index Linked over 5 years 2.0%. The ICE BOAML £ Non Gilt Index return was flat and Overseas Bonds had the best return of the major asset classes, returning 4.6% in GBP terms.

Over the quarter, sterling lost ground, down 6% against the Japan's yen as the currency benefitted (as it usually does) from reduced investor risk appetite. The pound also lost 2.4% against the US Dollar and 0.8% against the Euro. Cash rates moved higher in quarter 4, 2018, the three-month LIBOR returned 0.2%, its highest level in more than six years. Property had another positive quarter, returning 1.1%, bringing the one-year return to 7.5%.

# Gloucestershire County Council Pension Fund

## Report to December 31, 2018

### Market Value by Manager



#### Fund Structure By Mandate

| Manager                    | Mandate                  | Performance Target | Benchmark Indices         | EMV '000s | EMV '000s | Difference | Actual Weight |
|----------------------------|--------------------------|--------------------|---------------------------|-----------|-----------|------------|---------------|
| Aberdeen Standard          | UK Equity                | B/M +2% net        | FTSE All Share 2% Capped  | 419,827   | 1,193     | -418,634   | 0.05          |
| Brunel - Fundrock          | UK Active Equity         | Benchmark +        | FTSE All Share            | 0         | 333,557   | 333,557    | 15.17         |
| Blackrock EM               | Global Absolute Return   | Benchmark          | 6M GBP LIBOR +5%          | 76,669    | 75,219    | -1,450     | 3.42          |
| Blackrock Global           | Emerging Markets Passive | Benchmark          | MSCI Emerging Markets     | 492,148   | 132,891   | -7,271     | 6.04          |
| Brunel - LGIM              | Global Equities          | B/M +1 -2% gross   | MSCI ACWI                 | 51,915    | 431,158   | -60,990    | 19.61         |
| Brunel - LGIM              | Passive Low Carbon Eq    | Benchmark          | MSCI World Low Carbon     | 130,742   | 46,080    | -5,835     | 2.10          |
| Brunel - LGIM              | Passive Developed Eq     | Benchmark          | FTSE World Developed      | 128,779   | 116,104   | -14,638    | 5.28          |
| Brunel - LGIM              | Passive Dev. Eq Hedged   | Benchmark          | FTSE World Dev Hedged     | 219,163   | 111,531   | -17,248    | 5.07          |
| WAMCO                      | Passive Smart Beta       | B/M +1% net        | SciBeta Multifactor B/M   | 302,509   | 199,606   | -19,557    | 9.08          |
| WAMCO GMS                  | Global Fixed Interest    | Benchmark          | Composite**               | 176,795   | 329,793   | 27,284     | 15.00         |
| Hermes                     | Global Multi Strategy FI | Benchmark          | 3M GBP LIBOR +2%          | 138,327   | 174,932   | -1,863     | 7.96          |
| CBREI - GMM                | Property                 | B/M +0.5% net      | IPD UK PPF Bal PUT        | 60,100    | 139,735   | 1,408      | 6.36          |
| Colub                      | Property                 | B/M +0.5% net      | IPD All Bal Property Fund | 11,503    | 60,995    | 895        | 2.77          |
| Blue Bay                   | Private Debt             | Benchmark          | 3M GBP LIBOR +5%          | 14,800    | 11,778    | 275        | 0.54          |
| Yorkshire Fund Manager/TVP | Venture Debt             | Benchmark          | 3M GBP LIBOR +5%          | 5,584     | 18,286    | 3,486      | 0.83          |
| Cash                       | Venture Capital          | n/a                | n/a                       | 4,978     | 4,863     | -721       | 0.22          |
| Brunel - PM                | Cash                     | n/a                | n/a                       | 0         | 8,941     | 3,963      | 0.41          |
| Blackrock Cash             | Cash                     | n/a                | n/a                       | 36        | 1,975     | 1,975      | 0.09          |
| Gloucestershire CC         |                          |                    |                           | 2,374,040 | 2,198,676 | -175,364   | 100.00        |

#### WAMCO - Global Fixed Interest Composite Benchmark\*\*

FTSE A Gilts Over 5 Years Index (Gross)  
 ICE BoAML Sterling Non Gilts Index (Gross)  
 FTSE A Index Linked Gilts Over 5 Years (Gross)

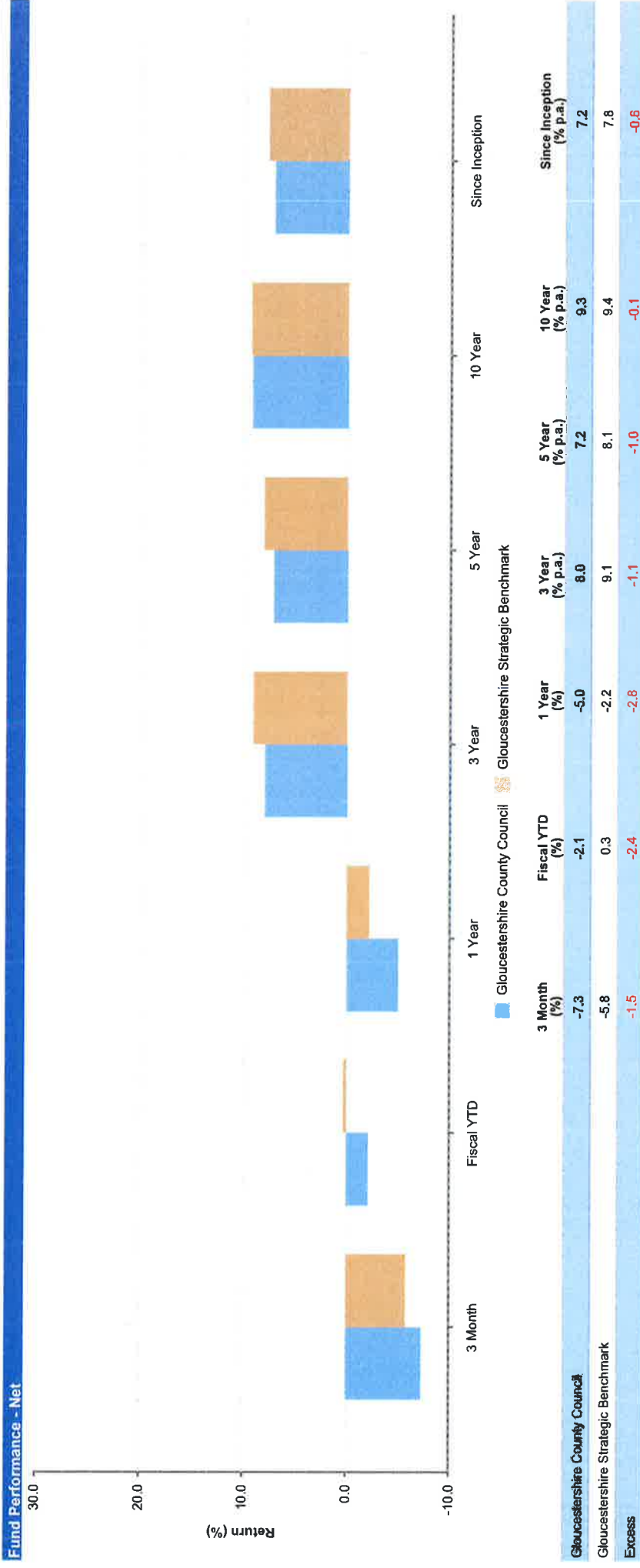
#### Weighting

25%  
 50%  
 25%

|                                  | Beginning Market Value as of Sep 30 2018 | Quarterly Ending Market Value as of Dec 31 2018 | Difference  | Actual Weight |
|----------------------------------|--|---|-------------|---------------|
| SciBeta Multi Factor Asia Pac    | 8,959,393                                | 8,612,903                                       | -490,490    | 0.39          |
| SciBeta Multi Factor Japan       | 18,781,822                               | 17,187,595                                      | -1,769,227  | 0.78          |
| SciBeta Multi Factor Nth America | 142,932,620                              | 129,446,874                                     | -12,335,745 | 5.89          |
| SciBeta Multi Factor EMEA Ex UK  | 35,365,452                               | 32,154,578                                      | -3,738,874  | 1.46          |
| SciBeta Multi Factor UK          | 13,123,746                               | 12,203,670                                      | -1,223,076  | 0.56          |

# Gloucestershire County Council Pension Fund Report to December 31, 2018

## Client Overview compared with Strategic Benchmark





# Gloucestershire County Council Pension Fund

## Report to December 31, 2018

### Summary of Performance - Net



| Actual Performance v Strategic Benchmark |                               |            |             |                |            |                 |                 |                  |                          |                |
|--|-------------------------------|------------|-------------|----------------|------------|-----------------|-----------------|------------------|--------------------------|----------------|
|  | Ending Market Value (Million) | Weight (%) | 3 Month (%) | Fiscal YTD (%) | 1 Year (%) | 3 Year (% p.a.) | 5 Year (% p.a.) | 10 Year (% p.a.) | Since Inception (% p.a.) | Inception Date |
| Brunel UK Active Equity                  | 333.6                         | -          | -           | -              | -          | -               | -               | -                | -3.3                     | Nov-18         |
| FTSE All Share                           | -                             | -          | -           | -              | -          | -               | -               | -                | -3.1                     | Nov-18         |
| Excess                                   | -                             | -          | -           | -              | -          | -               | -               | -                | -0.2                     | -              |
| Aberdeen Standard GARS                   | 75.2                          | 3.4%       | -2.0        | -3.7           | -5.5       | -1.5            | 1.1             | -                | 2.3                      | Nov-12         |
| Aberdeen Standard GARS Benchmark         | -                             | -          | 1.5         | 4.5            | 6.0        | 5.7             | 5.7             | -                | 5.7                      | Nov-12         |
| Excess                                   | -                             | -          | -3.5        | -8.2           | -11.5      | -7.2            | -4.6            | -                | -3.3                     | -              |
| Blackrock Emerging Markets               | 132.9                         | 6.0%       | -5.2        | -7.0           | -9.4       | 15.4            | 7.5             | -                | 6.5                      | Jan-12         |
| Blackrock EM Benchmark                   | -                             | -          | -5.3        | -7.2           | -9.3       | 14.7            | 7.1             | -                | 6.2                      | Jan-12         |
| Excess                                   | -                             | -          | 0.1         | 0.2            | -0.1       | 0.7             | 0.3             | -                | 0.3                      | -              |
| Blackrock Global Equity                  | 431.2                         | 19.6%      | -12.4       | -2.1           | -5.9       | 12.3            | 10.7            | 11.1             | 9.4                      | Apr-05         |
| Blackrock Global Equity Benchmark        | -                             | -          | -10.7       | 0.7            | -3.8       | 11.9            | 9.9             | 10.2             | 8.9                      | Apr-05         |
| Excess                                   | -                             | -          | -1.8        | -2.8           | -2.1       | 0.4             | 0.8             | 0.9              | 0.5                      | -              |
| Passive Developed Equities               | 116.1                         | 5.3%       | -11.2       | -              | -          | -               | -               | -                | -8.1                     | Jul-18         |
| FTSE World Developed                     | -                             | -          | -11.2       | -              | -          | -               | -               | -                | -8.1                     | Jul-18         |
| Excess                                   | -                             | -          | 0.0         | -              | -          | -               | -               | -                | -0.0                     | -              |
| Passive Developed Equities (Hedged)      | 111.5                         | 5.1%       | -13.4       | -              | -          | -               | -               | -                | -11.2                    | Jul-18         |
| FTSE World Developed Hedged              | -                             | -          | -13.4       | -              | -          | -               | -               | -                | -11.1                    | Jul-18         |
| Excess                                   | -                             | -          | -0.0        | -              | -          | -               | -               | -                | -0.1                     | -              |
| Passive Low Carbon Equities              | 46.1                          | 2.1%       | -11.2       | -              | -          | -               | -               | -                | -8.2                     | Jul-18         |
| MSCI Low Carbon Target                   | -                             | -          | -11.2       | -              | -          | -               | -               | -                | -8.1                     | Jul-18         |
| Excess                                   | -                             | -          | -0.0        | -              | -          | -               | -               | -                | -0.1                     | -              |

# Gloucestershire County Council Pension Fund

## Report to December 31, 2018

### Summary of Performance - Net



#### Actual Performance v Strategic Benchmark

|                               | Ending Market Value (Million) | Weight (%) | 3 Month (%) | Fiscal YTD (%) | 1 Year (%) | 3 Year (% p.a.) | 5 Year (% p.a.) | 10 Year (% p.a.) | Since Inception (% p.a.) | Inception Date |
|-------------------------------|-------------------------------|------------|-------------|----------------|------------|-----------------|-----------------|------------------|--------------------------|----------------|
| Passive Smart Beta            | 199.6                         | 9.1%       | -8.9        | -              | -          | -               | -               | -                | -7.2                     | Jul-18         |
| SciBeta Multifactor Composite | -                             | -          | -8.8        | -              | -          | -               | -               | -                | -7.0                     | Jul-18         |
| Excess                        | -                             | -          | -0.1        | -              | -          | -               | -               | -                | -0.1                     | -              |
| WAMCO                         | 329.8                         | 15.0%      | -0.4        | -2.4           | -3.2       | 5.8             | 6.6             | 7.8              | 6.0                      | Apr-05         |
| WAMCO Benchmark               | -                             | -          | 1.2         | -0.3           | -0.7       | 6.2             | 7.1             | 7.0              | 6.5                      | Apr-05         |
| Excess                        | -                             | -          | -1.6        | -2.1           | -2.5       | -0.4            | -0.5            | 0.9              | -0.5                     | -              |
| WAMCO GMS                     | 174.9                         | 8.0%       | -1.1        | -5.1           | -5.5       | 4.2             | 2.4             | -                | 2.9                      | Sep-11         |
| WAMCO GMS Benchmark           | -                             | -          | 0.7         | 2.1            | 2.8        | 2.5             | 2.5             | -                | 2.6                      | Sep-11         |
| Excess                        | -                             | -          | -1.9        | -7.2           | -8.3       | 1.7             | -0.1            | -                | 0.3                      | -              |
| Hermes                        | 139.7                         | 6.4%       | 1.0         | 6.2            | 8.1        | 8.5             | 11.8            | 9.8              | 6.9                      | Apr-05         |
| Hermes Benchmark              | -                             | -          | 1.3         | 5.3            | 7.4        | 7.2             | 10.3            | 7.5              | 5.2                      | Apr-05         |
| Excess                        | -                             | -          | -0.3        | 0.8            | 0.7        | 1.3             | 1.5             | 2.2              | 1.7                      | -              |
| CBREI                         | 61.0                          | 2.8%       | 1.5         | 6.2            | 8.7        | 6.7             | 9.4             | -                | 9.2                      | Jun-11         |
| CBREI Benchmark               | -                             | -          | 1.1         | 4.9            | 7.0        | 7.3             | 10.2            | -                | 8.6                      | Jun-11         |
| Excess                        | -                             | -          | 0.4         | 1.2            | 1.6        | -0.6            | -0.8            | -                | 0.6                      | -              |
| Golub                         | 11.8                          | 0.5%       | 4.9         | 18.8           | 17.5       | -               | -               | -                | 11.1                     | Jul-17         |
| Golub Benchmark               | -                             | -          | 1.5         | 4.4            | 5.8        | -               | -               | -                | 5.7                      | Jul-17         |
| Excess                        | -                             | -          | 3.4         | 14.4           | 11.7       | -               | -               | -                | 5.5                      | -              |
| Bluebay                       | 18.3                          | 0.8%       | 4.2         | 6.6            | 7.5        | -               | -               | -                | 7.5                      | Aug-17         |
| Bluebay Benchmark             | -                             | -          | 1.5         | 4.4            | 5.8        | -               | -               | -                | 5.7                      | Aug-17         |
| Excess                        | -                             | -          | 2.8         | 2.2            | 1.7        | -               | -               | -                | 1.8                      | -              |

# Gloucestershire County Council Pension Fund

## Report to December 31, 2018

### Summary of Performance - Net

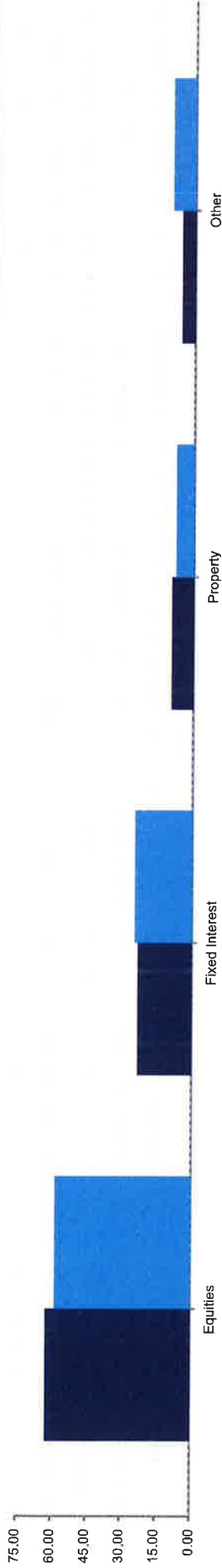


| Actual Performance v Strategic Benchmark |                               |            |             |                |            |                 |                 |                  |                          |                |
|--|-------------------------------|------------|-------------|----------------|------------|-----------------|-----------------|------------------|--------------------------|----------------|
|  | Ending Market Value (Million) | Weight (%) | 3 Month (%) | Fiscal YTD (%) | 1 Year (%) | 3 Year (% p.a.) | 5 Year (% p.a.) | 10 Year (% p.a.) | Since Inception (% p.a.) | Inception Date |
| Yorkshire Fund Managers                  | 4.9                           | 0.2%       | -13.5       | -9.1           | -7.1       | -               | -               | -                | -                        | Oct-17         |
| Cash                                     | 8.9                           | 0.4%       | 0.3         | 0.6            | 0.6        | -               | -               | -                | -                        | Oct-17         |



# Gloucestershire County Council Pension Fund Report to December 31, 2018

## Manager Attribution - Net



### Quarter Ending 31 December 2018

|                                     | Market Value at End of Quarter (£000) | Actual % Allocation at End of Quarter | Strategic Asset Allocation % | % Difference |
|-------------------------------------|---------------------------------------|---------------------------------------|------------------------------|--------------|
| Gloucestershire County Council      | 2,198,676                             | 100.00                                | 100.00                       | 0.00         |
| Equities                            |                                       |                                       |                              |              |
| Aberdeen Standard Investments       | 1,372,159                             | 62.41                                 | 58.50                        | 3.91         |
| Brunel UK Active Equity             | 1,193                                 | 0.05                                  | 0.00                         | 0.05         |
| Blackrock Emerging Markets          | 333,557                               | 15.17                                 | 13.00                        | 2.17         |
| Blackrock Global Equity             | 132,891                               | 6.04                                  | 4.00                         | 2.04         |
| Blackrock Low Carbon Equities       | 431,158                               | 19.61                                 | 19.00                        | 0.61         |
| Passive Low Carbon Equities         | 46,080                                | 2.10                                  | 2.00                         | 0.10         |
| Passive Developed Equities          | 116,104                               | 5.28                                  | 5.50                         | -0.22        |
| Passive Developed Equities (Hedged) | 111,531                               | 5.07                                  | 5.50                         | -0.43        |
| Passive Smart Beta                  | 199,606                               | 9.08                                  | 9.50                         | -0.42        |
| Blackrock Cash                      | 38                                    | 0.00                                  | 0.00                         | 0.00         |
| Fixed Interest                      |                                       |                                       |                              |              |
| WAMCO                               | 504,725                               | 22.96                                 | 24.50                        | -1.54        |
| WAMCO GMS                           | 329,793                               | 15.00                                 | 17.00                        | -2.00        |
| Property                            |                                       |                                       |                              |              |
| Hermes                              | 174,932                               | 7.96                                  | 7.50                         | 0.46         |
| CBREI                               | 200,730                               | 9.13                                  | 7.50                         | 1.63         |
| Hermes                              | 139,735                               | 6.36                                  | 5.00                         | 1.36         |
| Other                               |                                       |                                       |                              |              |
| CBREI                               | 60,995                                | 2.77                                  | 2.50                         | 0.27         |
| Other                               | 121,062                               | 5.51                                  | 9.50                         | -3.99        |
| Aberdeen Standard GARS              | 75,219                                | 3.42                                  | 4.00                         | -0.58        |
| Golub                               | 11,778                                | 0.54                                  | 1.50                         | -0.96        |

# Gloucestershire County Council Pension Fund

## Report to December 31, 2018

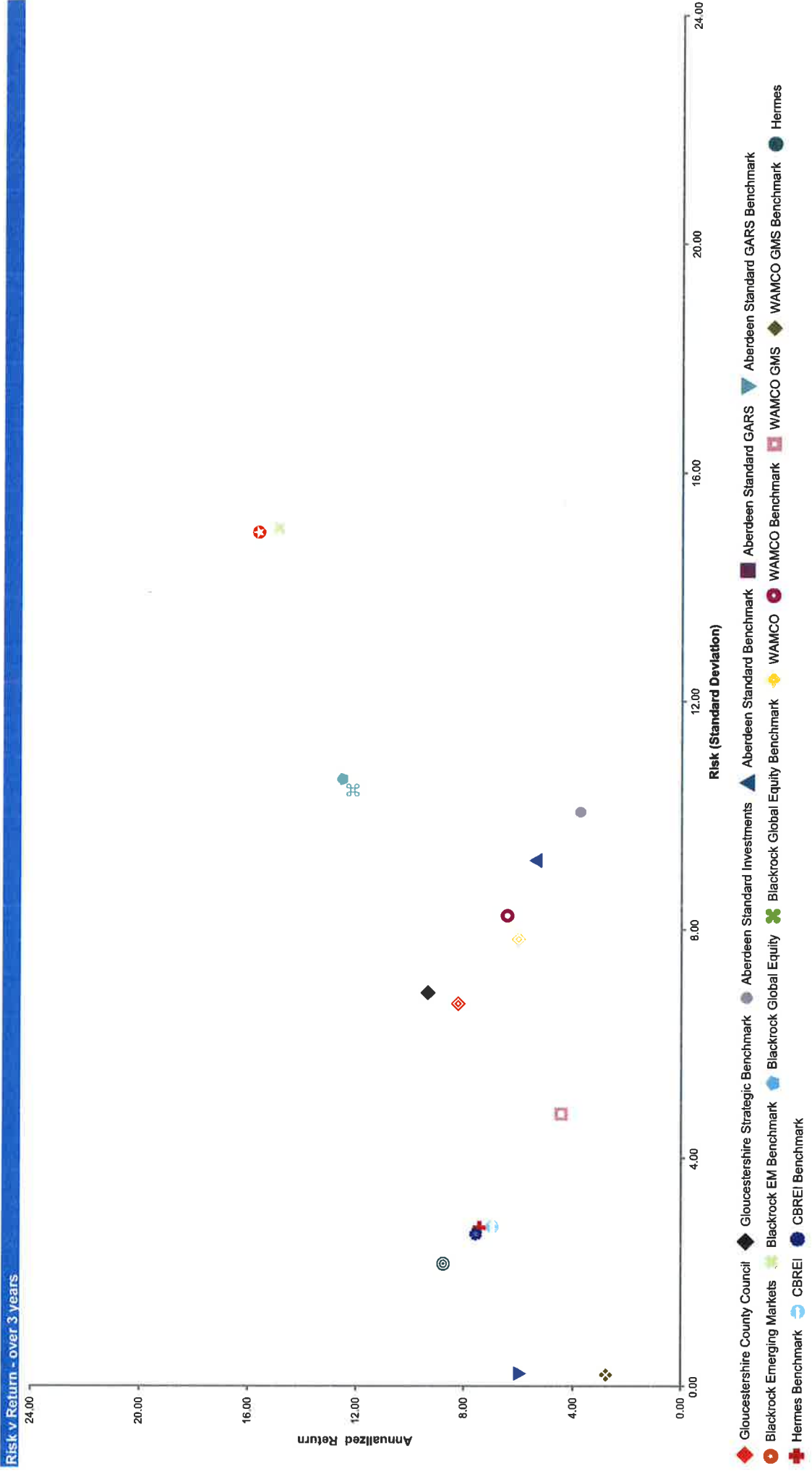
### Manager Attribution - Net



| Quarter Ending 31 December 2018 | Market Value at End of Quarter<br>(£000) | Actual % Allocation at End of<br>Quarter | Strategic Asset Allocation % | % Difference |
|---------------------------------|--|--|------------------------------|--------------|
| Bluebay                         | 18,286                                   | 0.83                                     | 2.00                         | -1.17        |
| Brunel - Gloucestershire PM     | 1,975                                    | 0.09                                     | 2.00                         | -1.91        |
| Yorkshire Fund Managers         | 4,563                                    | 0.22                                     | 0.00                         | 0.22         |
| Cash                            | 8,941                                    | 0.41                                     | 0.00                         | 0.41         |

# Gloucestershire County Council Pension Fund Report to December 31, 2018

## Ex Post Risk - Net



# Gloucestershire County Council Pension Fund

## Report to December 31, 2018

### Ex Post Risk - Net



| Risk Statistics by Manager - over 3 years |                   |                    |                  |                              |                |                   |
|---|-------------------|--------------------|------------------|------------------------------|----------------|-------------------|
|   | Annualized Return | Standard Deviation | Benchmark Return | Benchmark Standard Deviation | Tracking Error | Information Ratio |
| <b>Gloucestershire County Council</b>     | 8.0               | 6.6                | 9.1              | 6.7                          | 1.8            | -0.6              |
| Aberdeen Standard Investments             | 3.5               | 9.9                | 5.2              | 9.1                          | 4.8            | -0.3              |
| <b>Aberdeen Standard GARS</b>             | -1.5              | 3.8                | 5.7              | 0.1                          | 3.8            | -1.9              |
| Blackrock Emerging Markets                | 15.4              | 14.8               | 14.7             | 14.9                         | 1.2            | 0.6               |
| <b>Blackrock Global Equity</b>            | 12.3              | 10.5               | 11.9             | 10.3                         | 1.6            | 0.2               |
| WAMCO                                     | 5.8               | 7.7                | 6.2              | 8.1                          | 1.2            | -0.3              |
| <b>WAMCO GMS</b>                          | 4.2               | 4.6                | 2.5              | 0.1                          | 4.6            | 0.4               |
| Hermes                                    | 8.5               | 2.0                | 7.2              | 2.6                          | 2.9            | 0.5               |
| <b>CBREI</b>                              | 6.7               | 2.7                | 7.3              | 2.5                          | 3.2            | -0.2              |
| Golub                                     |                   |                    |                  |                              |                |                   |
| <b>Bluebay</b>                            |                   |                    |                  |                              |                |                   |
| Yorkshire Fund Managers                   |                   |                    |                  |                              |                |                   |
| <b>Cash</b>                               |                   |                    |                  |                              |                |                   |
| Blackrock Cash                            |                   |                    |                  |                              |                |                   |

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