

# Gloucestershire County Council Pension Fund

Performance Report to December 31, 2017





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#### Quarter Ended December 2017

From both an economic and financial perspective, 2017 finished on a relatively high note. Solid economic data enabled some of the major central banks to tighten monetary policy and taper asset purchases. There were issues to overcome, notably an uncertain outcome to the German federal elections, ongoing tensions between Spain and Catalonia and continuing Brexit negotiations (which culminated in a breakthrough in December when the UK and EU agreed a deal to move forward). However, markets shrugged off these concerns and, in general, risk assets pushed higher, with agreement on tax reform in the US adding to momentum in that region.

As measured by the MSCI AC World Index, global equities returned 4.9%, while the MSCI Emerging Markets Index posted an even stronger return of 6.6%.

A breakthrough on the difficult Brexit negotiations in early December was seen as an important development and UK equity markets posted healthy gains in the immediate aftermath. The economy has continued to make steady, if unremarkable, progress with GDP growth of 0.4% for the third quarter. However, with headline inflation of 3.1% in November and average weekly earnings growing at an annual rate of 2.5%, consumers are going to continue to face real income pressures that are expected to weigh on the economy.

Data out of the US was generally strong, tax reform boosted markets and oil prices pushed higher, with the S&P 500 Index posting positive gains for the quarter on the back of continued strong corporate profitability. Sector leadership came from consumer discretionary, IT and financials; defensive sectors such as utilities, health care and real estate were the poorest performers.

European markets, on the other hand lagged behind as political tensions weighed on the region despite Eurozone economic data continuing its positive trend, with GDP growing by 0.6% in Q3 for annual year-on-year growth of 2.6%. Eurozone stock markets generally had a poor quarter on the back of the uncertain outcome of the German elections and political tensions between Spain and Catalonia.

Longer dated government bond yields entered a period of consolidation in Q4 as the Fed, Bank of England and ECB raised rates or announced the tapering of asset purchases. The UK Government Bond >5 years index returning 2.8%. Global Bond market performance was flat for a UK investor, the Index Linked Gilts >5 year issues returned 3.9%.

The euro's strong performance in 2017 continued in Q4 as it gained 0.7% against the pound. Sterling however gained 0.9% versus the JPY and 0.8% against the USD over Q4 2017; representing gains of 5.4% and 8.7% respectively over the year.

Rising interest rates in the US and UK fed through into higher money market rates; three-month USD LIBOR rose to 1.7% from 1.3%, while three-month GBP LIBOR rose to 0.5% from 0.3%.

Property had another steady quarter returning over 3%.

Market Value by Manager



Fund Structure By Mandate

Manager	Mandate	Performance Target	Benchmark Indices	BMV '000s	EMV '000s	Difference	Actual Weight
Aberdeen Standard	UK Equity	B/M +2% net	FTSE All Share 2% Capped	403,856	421,230	17,374	18.44
Aberdeen Standard - GARS	Global Absolute Return	Benchmark	6M GBP LIBOR +5%	77,679	79,247	1,568	3.47
Blackrock EM	Emerging Markets Passive	Benchmark	MSCI Emerging Markets	137,213	146,605	9,392	6.42
Blackrock Global	Global Equities	B/M +1-2% gross	MSCI ACWI	587,013	624,563	37,550	27.34
Blackrock Aquila Life	Global Equities	Benchmark	Composite*	359,854	305,315	-54,539	13.37
WAMCO	Global Fixed Interest	B/M +1% net	Composite**	302,484	310,864	8,380	13.61
WAMCO GMS	Global Multi Strategy FI	Benchmark	3M GBP LIBOR +2%	127,223	184,778	57,555	8.09
Hermes	Property	B/M +0.5% net	IPD UK PPF Bal PUT	103,640	130,796	27,156	5.73
CBREI - GMM	Property	B/M +0.5% net	IPD All Bal Property Fund	45,736	53,448	7,712	2.34
Golub	Private Debt	Benchmark	3M GBP LIBOR +5%	11,180	11,089	-91	0.49
Blue Bay	Private Debt	Benchmark	3M GBP LIBOR +5%	4,030	6,110	2,080	0.27
Yorkshire Fund Manager/TVP	Venture Capital	n/a	n/a	5,458	5,249	-209	0.23
Cash	Cash	n/a	n/a	149	4,751	4,602	0.21
Blackrock Cash	Cash	n/a	n/a	38	38	0	
Gloucestershire CC				2,165,559	2,284,083	118,524	100.01

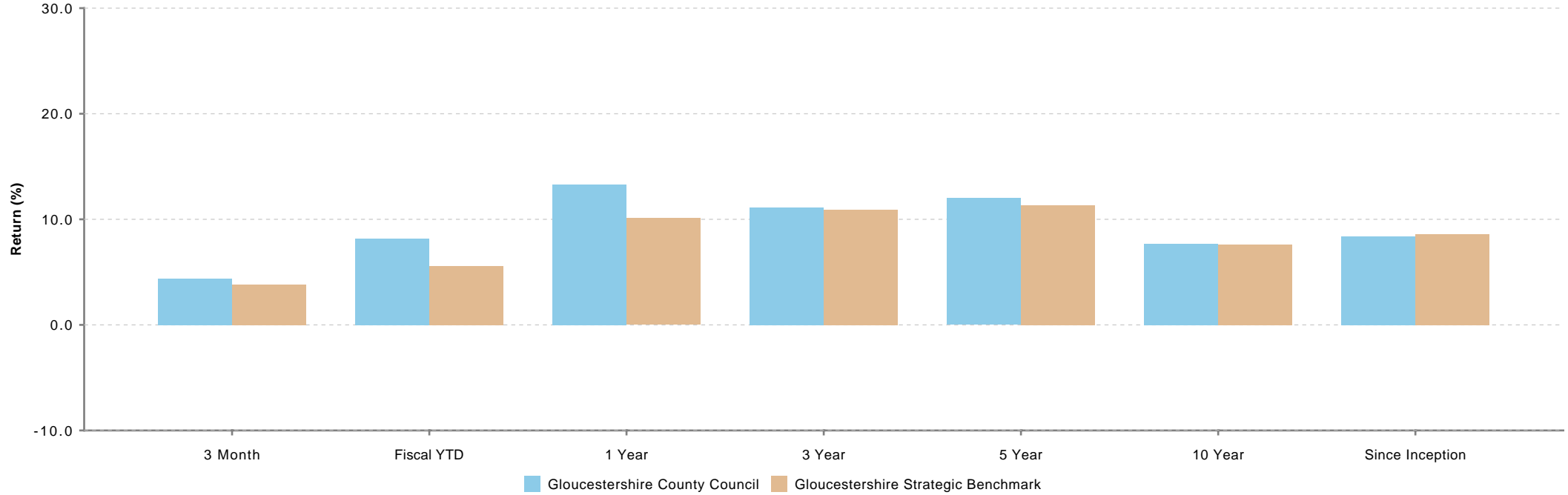
<b>Blackrock Aquila Life - Global Equities Composite Benchmark*</b>	<b>Weighting</b>
MSCI World Index Net Total Return GBP	Fund %
MSCI World Net TR 95% Hedged to GBP	Fund %
<b>WAMCO - Global Fixed Interest Composite Benchmark**</b>	<b>Weighting</b>
FTSE A Gilts Over 5 Years Index (Gross)	25%
ICE BoAML Sterling Non Gilts Index (Gross)	50%
FTSE A Index Linked Gilts Over 5 Years (Gross)	25%

	Quarterly Ending Market Value as of Dec 31 2017	Actual Weight
Blackrock Aquila Unhedged	112,224,555	4.91
Blackrock Aquila Hedged	193,089,968	8.45

**Client Overview compared with Strategic Benchmark**



**Fund Performance**

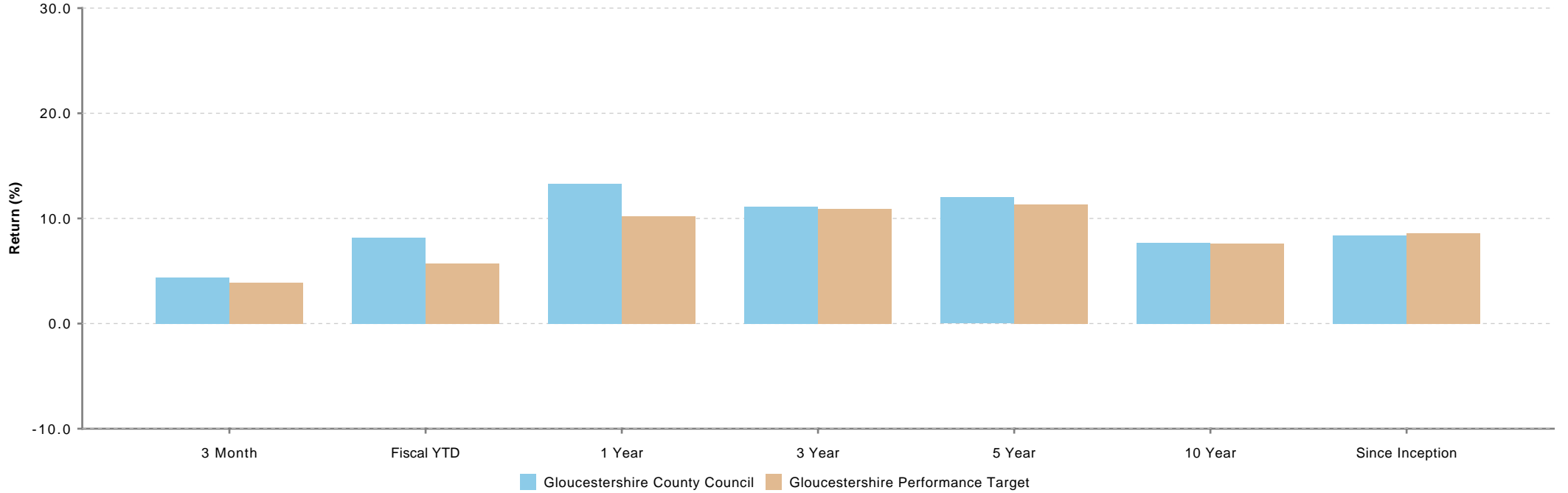


	3 Month (%)	Fiscal YTD (%)	1 Year (%)	3 Year (% p.a.)	5 Year (% p.a.)	10 Year (% p.a.)	Since Inception (% p.a.)
Gloucestershire County Council	4.4	8.2	13.3	11.1	12.0	7.7	8.4
Gloucestershire Strategic Benchmark	3.8	5.6	10.1	10.9	11.3	7.6	8.6
Excess	0.6	2.6	3.2	0.3	0.7	0.1	-0.1

**Client Overview compared with Performance Target**



**Fund Performance**



	3 Month (%)	Fiscal YTD (%)	1 Year (%)	3 Year (% p.a.)	5 Year (% p.a.)	10 Year (% p.a.)	Since Inception (% p.a.)
Gloucestershire County Council	4.4	8.2	13.3	11.1	12.0	7.7	8.4
Gloucestershire Performance Target	3.9	5.7	10.2	10.9	11.3	7.6	8.6
Excess	0.5	2.6	3.1	0.2	0.7	0.1	-0.2

Summary of Performance



Performance Results versus Target 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
Aberdeen Standard Investments	421.2	18.4%	4.3	8.3	14.0	8.2	9.6	5.8	7.4	Mar-05
Aberdeen Standard Performance Target	-	-	4.8	9.4	15.1	11.5	12.0	8.2	9.9	Mar-05
Excess	-	-	-0.5	-1.0	-1.0	-3.4	-2.4	-2.4	-2.5	-
Aberdeen Standard GARS	79.2	3.5%	2.0	3.8	3.8	2.4	4.5	-	4.6	Nov-12
Aberdeen Standard GARS Performance Target	-	-	1.3	4.1	5.5	5.6	5.6	-	5.6	Nov-12
Excess	-	-	0.7	-0.3	-1.7	-3.2	-1.1	-	-1.0	-
Blackrock Emerging Markets	146.6	6.4%	6.8	14.2	25.1	14.8	8.7	-	9.4	Jan-12
Blackrock EM Performance Target	-	-	6.6	13.9	25.4	14.4	8.2	-	9.0	Jan-12
Excess	-	-	0.3	0.4	-0.3	0.4	0.4	-	0.4	-
Blackrock Global Equity	624.6	27.3%	6.4	11.4	19.0	16.0	17.6	10.1	11.1	Apr-05
Blackrock Global Equity Performance Target	-	-	5.2	8.4	14.9	16.3	16.7	10.3	11.6	Apr-05
Excess	-	-	1.2	3.1	4.1	-0.3	0.9	-0.2	-0.6	-
Blackrock Aquila Life	305.3	13.4%	5.3	9.7	-	-	-	-	14.6	Feb-17
Blackrock Aquila Life Performance Target	-	-	4.4	6.1	-	-	-	-	10.9	Feb-17
Excess	-	-	0.9	3.5	-	-	-	-	3.7	-
WAMCO	310.9	13.6%	2.8	2.2	4.4	6.9	7.4	7.6	6.9	Apr-05
WAMCO Performance Target	-	-	2.9	1.8	4.1	7.5	8.0	8.6	8.1	Apr-05
Excess	-	-	-0.0	0.5	0.3	-0.6	-0.6	-1.0	-1.2	-
WAMCO GMS	184.8	8.1%	-0.2	3.7	7.0	5.2	3.6	-	4.7	Sep-11
WAMCO GMS Performance Target	-	-	0.6	1.7	2.3	2.5	2.5	-	2.6	Sep-11
Excess	-	-	-0.8	2.0	4.7	2.7	1.1	-	2.1	-

Summary of Performance

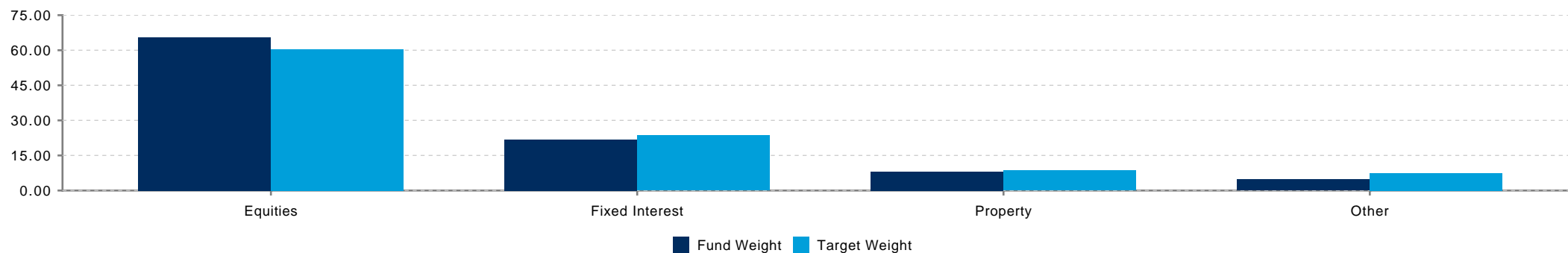


Performance Results versus Target Benchmark

	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
Hermes	130.8	5.7%	3.5	9.2	11.3	10.8	12.8	6.0	7.1	Apr-05
Hermes Performance Target	-	-	3.4	8.7	11.1	9.5	11.2	4.1	5.6	Apr-05
Excess	-	-	0.1	0.5	0.1	1.3	1.6	1.8	1.5	-
CBREI	53.4	2.3%	1.7	5.6	6.3	8.1	10.1	-	9.6	Jun-11
CBREI Performance Target	-	-	3.4	8.8	11.2	9.8	11.2	-	9.4	Jun-11
Excess	-	-	-1.7	-3.2	-4.9	-1.7	-1.1	-	0.3	-
Golub	11.1	0.5%	3.4	-	-	-	-	-	-0.3	Jul-17
Golub Performance Target	-	-	1.3	-	-	-	-	-	2.6	Jul-17
Excess	-	-	2.1	-	-	-	-	-	-2.9	-
Bluebay	6.1	0.3%	1.1	-	-	-	-	-	3.0	Aug-17
Bluebay Performance Target	-	-	1.3	-	-	-	-	-	2.2	Aug-17
Excess	-	-	-0.2	-	-	-	-	-	0.8	-
Yorkshire Fund Managers	5.2	0.2%	-	-	-	-	-	-	-	Oct-17
Cash	4.8	0.2%	-	-	-	-	-	-	-	Oct-17



Manager Attribution



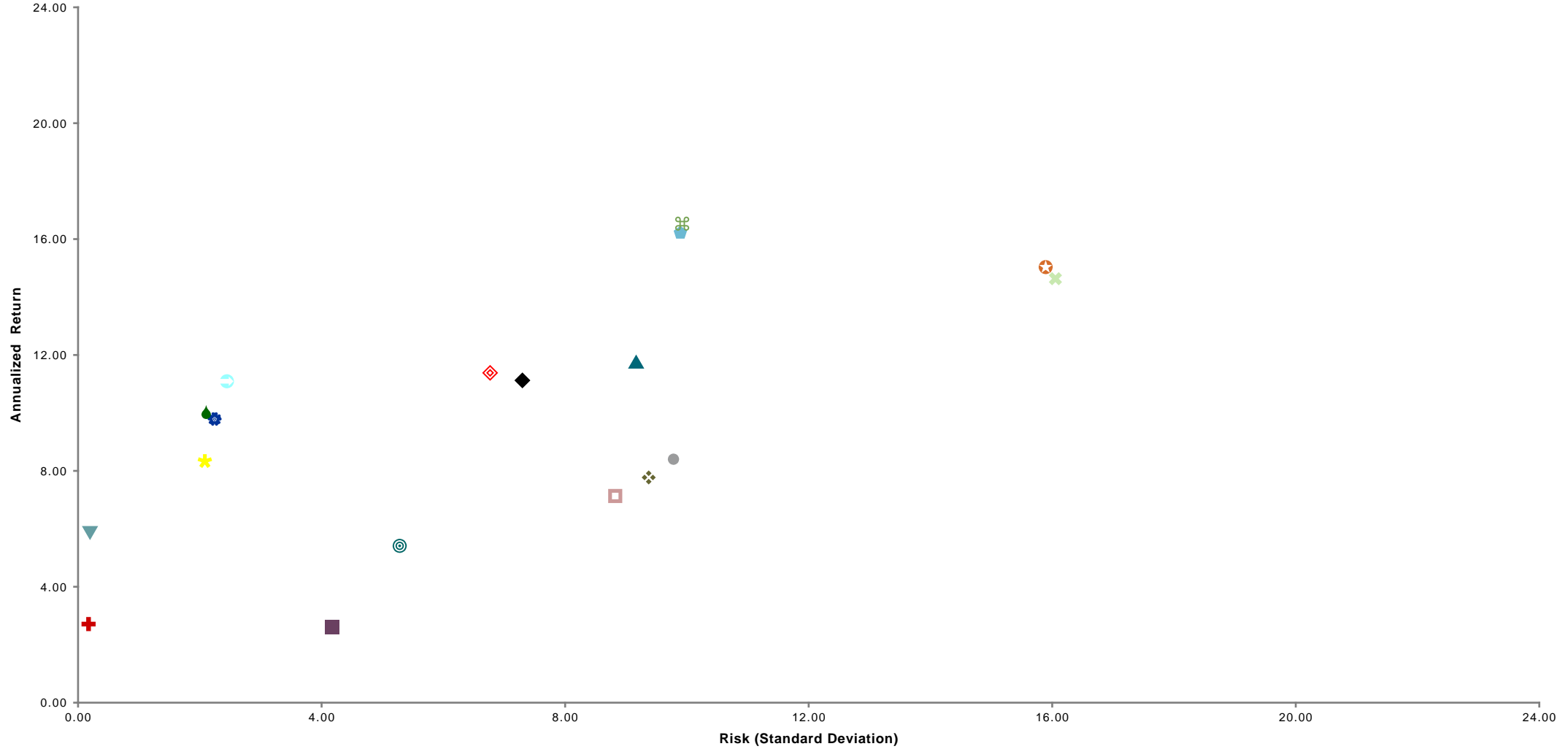
Quarter Ending 31 December 2017

	Market Value at End of Quarter (£000)	Actual % Allocation at End of Quarter	Strategic Asset Allocation %	% Difference
Gloucestershire County Council	2,284,784	100.00	100.00	0.00
Equities	1,497,750	65.55	60.50	5.05
Aberdeen Standard Investments	421,230	18.44	18.50	-0.06
Blackrock Emerging Markets	146,605	6.42	4.00	2.42
Blackrock Global Equity	624,563	27.34	22.50	4.84
Blackrock Aquila Life	305,315	13.36	15.50	-2.14
Blackrock Cash	38	0.00	0.00	0.00
Fixed Interest	496,249	21.72	23.50	-1.78
WAMCO	311,480	13.63	19.50	-5.87
WAMCO GMS	184,778	8.09	4.00	4.09
Property	184,338	8.07	8.50	-0.43
Hermes	130,796	5.73	6.00	-0.27
CBREI	53,448	2.34	2.50	-0.16
Other	106,446	4.66	7.50	-2.84
Aberdeen Standard GARS	79,247	3.47	4.00	-0.53
Golub	11,089	0.49	1.90	-1.41
Bluebay	6,110	0.27	1.60	-1.33
Yorkshire Fund Managers	5,249	0.23	0.00	0.23
Cash	4,751	0.21	0.00	0.21

Ex Post Risk



Risk v Return - over 3 years



- ◆ Gloucestershire County Council    ◆ Gloucestershire Strategic Benchmark    ● Aberdeen Standard Investments    ▲ Aberdeen Standard Performance Target    ■ Aberdeen Standard GARS
- ▼ Aberdeen Standard GARS Performance Target    ⚙ Blackrock Emerging Markets    ✖ Blackrock EM Performance Target    ⚡ Blackrock Global Equity    ✖ Blackrock Global Equity Performance Target    □ WAMCO
- ◆ WAMCO Performance Target    ● WAMCO GMS    + WAMCO GMS Performance Target    ☁ Hermes    ● Hermes Performance Target    ✖ CBREI    ● CBREI Performance Target

**Ex Post Risk**



**Risk Statistics by Manager - over 3 years**

	<b>Annualized Return</b>	<b>Standard Deviation</b>	<b>Benchmark Return</b>	<b>Benchmark Standard Deviation</b>
Gloucestershire County Council	11.1	6.6	10.9	7.1
Aberdeen Standard Investments	8.2	9.7	11.5	9.0
Aberdeen Standard GARS	2.4	4.0	5.6	0.0
Blackrock Emerging Markets	14.8	15.7	14.4	15.9
Blackrock Global Equity	16.0	9.8	16.3	9.8
Blackrock Aquila Life				
WAMCO	6.9	8.7	7.5	9.2
WAMCO GMS	5.2	5.1	2.5	0.0
Hermes	10.8	2.3	9.5	2.1
CBREI	8.1	1.9	9.8	2.0
Golub				
Bluebay				
Yorkshire Fund Managers				
Cash				
Blackrock Cash				

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