

Gloucestershire County Council Pension Fund

Performance Report to June 30, 2018





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Gloucestershire

The second quarter of 2018 proved more rewarding for equity investors than the preceding three months. Overall, the MSCI AC World Index returned 7.0% for a GBP investor. Developed country stock markets led the global index higher; Italy was a clear exception as investors digested a surprise coalition government agreement – Italian equities and bonds both slipped. Emerging markets lost over 2% in GBP terms as a stronger US dollar and trade war rhetoric hit assets. Among commodities, oil was a standout performer as the renewal of US sanctions on Iran helped boost Brent crude prices by 13%.

At home, the MSCI UK Index rose 9.4% in Q2, its best quarterly outcome in five years. This was partly driven by shares of companies that derive significant USD revenues from international operations; the British pound fell 6% versus the dollar. Energy-related stocks were strong performers with more 'defensive' sectors such as telecoms underperforming. Brexit continues to cast a shadow as the UK government remains at odds with the EU, while Theresa May's cabinet is also deeply divided. The Bank of England kept interest rates unchanged, deciding the time was not right in May to implement a rate hike that had been fully anticipated just one month earlier.

In the US, the MSCI NA Index returned 10.1%; energy was the top-performing sector as oil prices climbed, while consumer discretionary and technology sectors also outperformed. Rising trade tensions weighed on sentiment towards industrials, while financials also underperformed as the declining gap between short and long-term rates raised some concerns about margins.

European market returns were largely positive in the quarter, the MSCI Europe ex UK Index recorded a return of 3.8%. Germany and France had a strong quarter and Spain posted only a modest gain as the market pondered what the latest change in government may mean.

In Japan the MSCI Index returned 3.3% and in the broader Asia-Pacific region, returns were mixed with an aggregate return of 2.5%. Australian and New Zealand markets were the best performing regions benefitting from flows out of Asian markets.

In fixed income, developed country government bond markets outperformed those of emerging markets, although in the eurozone there was a clear preference for core over peripheral sovereigns; Italian bonds were notably out of favour. In the UK Corporate Bonds returned -0.1% as measured by the BAML £ Non Gilt Index; the FTSE Gilts over 5 year Index return was flat and the FTSE Index Linked over 5 year Index returned -1.2%.

The 3 month GBP LIBOR returned 0.1% over the quarter.

GBP lost ground against other major currencies over the quarter, down 6.2% against the USD, 2.0% against the JPY and 0.8% against the EURO.

Property had another positive quarter, returning 2.1%, bringing the one year return to 10.8%.

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	393,804	425,270	31,466	18.33
Aberdeen Standard - GARS	Global Absolute Return	Benchmark	6M GBP LIBOR +5%	77,877	76,332	-1,545	3.29
Blackrock EM	Emerging Markets Passive	Benchmark	MSCI Emerging Markets	142,866	139,856	-3,010	6.03
Blackrock Global	Global Equities	B/M +1-2% gross	MSCI ACWI	600,996	635,992	34,996	27.41
Blackrock Aquila Life	Global Equities	Benchmark	Composite*	294,827	311,142	16,315	13.41
WAMCO	Global Fixed Interest	B/M +1% net	Composite**	308,536	305,840	-2,696	13.18
WAMCO GMS	Global Multi Strategy FI	Benchmark	3M GBP LIBOR +2%	184,098	177,231	-6,867	7.64
Hermes	Property	B/M +0.5% net	IPD UK PPF Bal PUT	131,618	134,752	3,134	5.81
CBREI - GMM	Property	B/M +0.5% net	IPD All Bal Property Fund	54,631	56,221	1,590	2.42
Golub	Private Debt	Benchmark	3M GBP LIBOR +5%	10,693	11,361	668	0.49
Blue Bay	Private Debt	Benchmark	3M GBP LIBOR +5%	6,166	14,652	8,486	0.63
Yorkshire Fund Manager/TVP	Venture Capital	n/a	n/a	5,350	5,589	239	0.24
Cash	Cash	n/a	n/a	21,897	25,974	4,077	1.12
Blackrock Cash	Cash	n/a	n/a	38	38	0	0
Gloucestershire CC				2,233,397	2,320,250	86,853	100.00

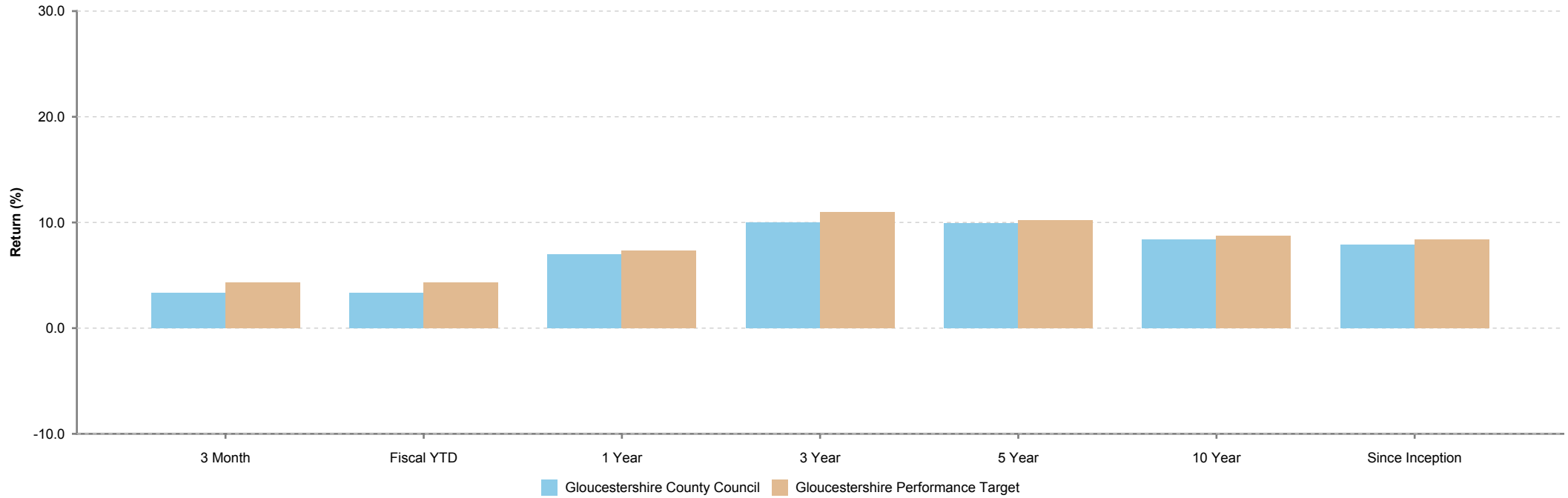
Blackrock Aquila Life - Global Equities Composite Benchmark*	Weighting
MSCI World Index Net Total Return GBP	Fund %
MSCI World Net TR 95% Hedged to GBP	Fund %
WAMCO - Global Fixed Interest Composite Benchmark**	Weighting
FTSE A Gilts Over 5 Years Index (Gross)	25%
ICE BoAML Sterling Non Gilts Index (Gross)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

	Beginning Market Value as of Mar 31 2018	Quarterly Ending Market Value as of Jun 30 2018	Difference	Actual Weight
Blackrock Aquila Unhedged	106,887,957	115,827,576	8,938,175	4.99
Blackrock Aquila Hedged	187,938,672	195,314,391	7,370,846	8.42

Client Overview compared with Performance Target



Fund Performance - Net



	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	3.3	3.3	7.0	10.0	9.9	8.4	7.9
Gloucestershire Performance Target	4.3	4.3	7.3	11.0	10.2	8.7	8.4
Excess	-1.0	-1.0	-0.3	-1.0	-0.3	-0.2	-0.5

Summary of Performance - Net



Actual Performance v Target Performance

	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	425.3	18.3%	8.0	8.0	8.7	6.8	7.4	6.8	7.0	Mar-05
Aberdeen Standard Performance Target	-	-	9.2	9.2	10.6	11.1	10.7	9.7	9.8	Mar-05
Excess	-	-	-1.2	-1.2	-1.9	-4.2	-3.3	-3.0	-2.8	-
Aberdeen Standard GARS	76.3	3.3%	-2.2	-2.2	-2.3	-0.9	2.2	-	2.8	Nov-12
Aberdeen Standard GARS Performance Target	-	-	1.4	1.4	5.6	5.6	5.6	-	5.6	Nov-12
Excess	-	-	-3.6	-3.6	-7.9	-6.5	-3.4	-	-2.8	-
Blackrock Emerging Markets	139.9	6.0%	-2.1	-2.1	6.4	12.4	8.4	-	7.9	Jan-12
Blackrock EM Performance Target	-	-	-2.2	-2.2	6.5	11.9	8.0	-	7.6	Jan-12
Excess	-	-	0.1	0.1	-0.0	0.5	0.5	-	0.3	-
Blackrock Global Equity	636.0	27.4%	5.8	5.8	11.0	15.2	14.0	11.0	10.4	Apr-05
Blackrock Global Equity Performance Target	-	-	7.2	7.2	10.6	16.4	14.2	11.7	11.4	Apr-05
Excess	-	-	-1.5	-1.5	0.4	-1.1	-0.2	-0.7	-0.9	-
Blackrock Aquila Life	311.1	13.4%	5.5	5.5	10.1	-	-	-	11.6	Feb-17
Blackrock Aquila Life Performance Target	-	-	5.2	5.2	7.7	-	-	-	8.8	Feb-17
Excess	-	-	0.3	0.3	2.5	-	-	-	2.8	-
WAMCO	305.8	13.2%	-0.9	-0.9	1.0	6.5	7.1	7.7	6.3	Apr-05
WAMCO Performance Target	-	-	-0.1	-0.1	2.5	7.6	8.2	8.6	7.8	Apr-05
Excess	-	-	-0.8	-0.8	-1.5	-1.1	-1.1	-0.9	-1.5	-
WAMCO GMS	177.2	7.6%	-3.8	-3.8	-3.0	2.7	3.3	-	3.3	Sep-11
WAMCO GMS Performance Target	-	-	0.7	0.7	2.5	2.5	2.5	-	2.6	Sep-11
Excess	-	-	-4.5	-4.5	-5.5	0.2	0.8	-	0.8	-

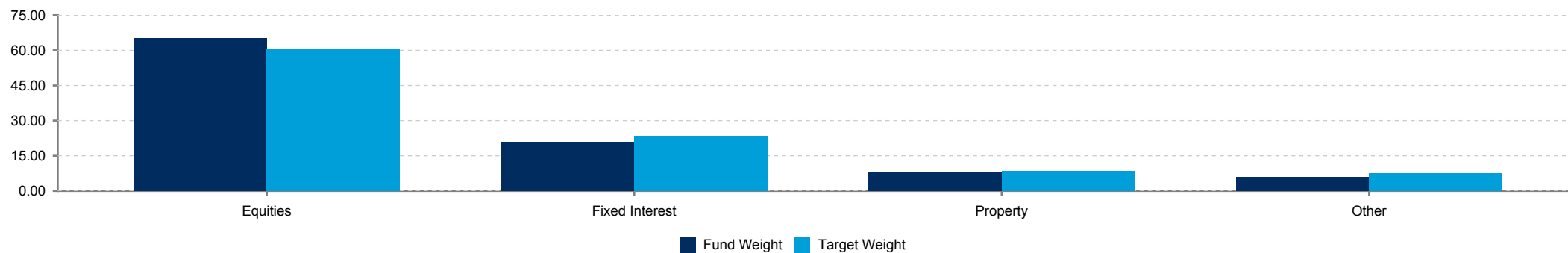
Summary of Performance - Net



Actual Performance v Target Performance

	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	134.8	5.8%	2.4	2.4	10.9	9.8	12.8	7.1	6.9	Apr-05
Hermes Performance Target	-	-	2.3	2.3	10.8	8.8	11.6	5.4	5.7	Apr-05
Excess	-	-	0.0	0.0	0.1	1.0	1.1	1.7	1.2	-
CBREI	56.2	2.4%	2.9	2.9	9.6	8.0	10.0	-	9.4	Jun-11
CBREI Performance Target	-	-	2.2	2.2	10.6	9.0	11.6	-	9.3	Jun-11
Excess	-	-	0.7	0.7	-1.0	-1.0	-1.7	-	0.0	-
Golub	11.4	0.5%	9.0	9.0	7.5	-	-	-	7.5	Jul-17
Golub Performance Target	-	-	1.4	1.4	5.5	-	-	-	5.5	Jul-17
Excess	-	-	7.6	7.6	2.0	-	-	-	2.0	-
Bluebay	14.7	0.6%	1.2	1.2	-	-	-	-	5.2	Aug-17
Bluebay Performance Target	-	-	1.4	1.4	-	-	-	-	5.1	Aug-17
Excess	-	-	-0.2	-0.2	-	-	-	-	0.1	-
Yorkshire Fund Managers	5.6	0.2%	4.5	4.5	-	-	-	-	-	Oct-17
Cash	26.0	1.1%	0.1	0.1	-	-	-	-	-	Oct-17

Manager Attribution - Net



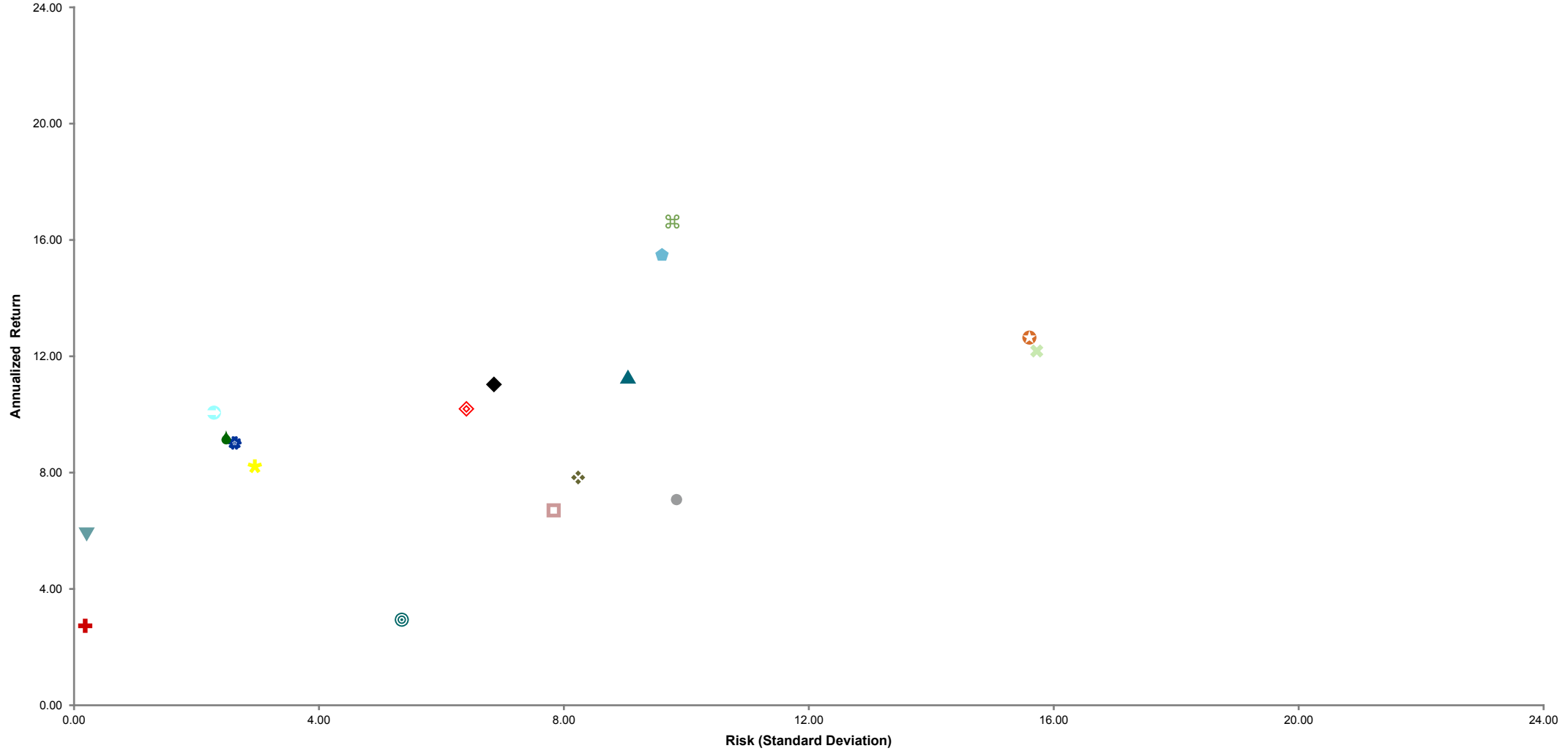
Quarter Ending 30 June 2018

	Market Value at End of Quarter (£000)	Actual % Allocation at End of Quarter	Strategic Asset Allocation %	% Difference
Gloucestershire County Council	2,320,250	100.00	100.00	0.00
Equities	1,512,299	65.18	60.50	4.68
Aberdeen Standard Investments	425,270	18.33	18.50	-0.17
Blackrock Emerging Markets	139,856	6.03	4.00	2.03
Blackrock Global Equity	635,992	27.41	22.50	4.91
Blackrock Aquila Life	311,142	13.41	15.50	-2.09
Blackrock Cash	38	0.00	0.00	0.00
Fixed Interest	483,070	20.82	23.50	-2.68
WAMCO	305,840	13.18	19.50	-6.32
WAMCO GMS	177,231	7.64	4.00	3.64
Property	190,973	8.23	8.50	-0.27
Hermes	134,752	5.81	6.00	-0.19
CBREI	56,221	2.42	2.50	-0.08
Other	133,908	5.77	7.50	-1.73
Aberdeen Standard GARS	76,332	3.29	4.00	-0.71
Golub	11,361	0.49	1.90	-1.41
Bluebay	14,652	0.63	1.60	-0.97
Yorkshire Fund Managers	5,589	0.24	0.00	0.24
Cash	25,974	1.12	0.00	1.12

Ex Post Risk - Net



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 - Net



Risk Statistics by Manager - over 3 years

	Annualized Return	Standard Deviation	Benchmark Return	Benchmark Standard Deviation	Tracking Error	Information Ratio
Gloucestershire County Council	10.0	6.2	10.8	6.7	1.9	-0.5
Aberdeen Standard Investments	6.8	9.7	11.1	8.9	4.2	-1.0
Aberdeen Standard GARS	-0.9	4.0	5.6	0.0	4.0	-1.6
Blackrock Emerging Markets	12.4	15.5	11.9	15.6	1.4	0.3
Blackrock Global Equity	15.2	9.5	16.4	9.6	1.7	-0.7
Blackrock Aquila Life						
WAMCO	6.5	7.7	7.6	8.1	1.1	-1.0
WAMCO GMS	2.7	5.2	2.5	0.0	5.2	0.0
Hermes	9.8	2.1	8.8	2.5	2.7	0.4
CBREI	8.0	2.8	9.0	2.4	3.0	-0.3
Golub						
Bluebay						
Yorkshire Fund Managers						
Cash						
Blackrock Cash						

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