



# Gloucestershire County Council Pension Fund

Performance Report to December 31, 2018



# Gloucestershire County Council Pension Fund

## Report to December 31, 2018

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#### 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	1,193	-418,634	0.05	
Brunel - Fundrock	UK Active Equity	Benchmark +	FTSE All Share	333,557	333,557	15.17	
Aberdeen EM	Global Absolute Return	Benchmark	6M GBP LIBOR +5%	75,219	-1,450	3.42	
Blackrock Global	Emerging Markets Passive	Benchmark	MSCI Emerging Markets	132,891	-7,271	6.04	
Brunel - LGIM	Global Equities	B/M +1 -2% gross	MSCI ACWI	431,158	-60,990	19.61	
Brunel - LGIM	Passive Low Carbon Eq	Benchmark	MSCI World Low Carbon	46,080	-5,835	2.10	
Brunel - LGIM	Passive Developed Eq	Benchmark	FTSE World Developed	116,104	-14,638	5.28	
Brunel - LGIM	Passive Dev. Eq Hedged	Benchmark	FTSE World Dev Hedged	111,531	-17,248	5.07	
WAMCO	Passive Smart Beta	Benchmark	SciBeta Multifactor B/M	199,606	-19,557	9.08	
WAMCO GMS	Global Fixed Interest	B/M +1% net	Composite**	329,793	27,284	15.00	
Hermes	Global Multi Strategy FI	Benchmark	3M GBP LIBOR +2%	174,932	-1,863	7.96	
CBREI - GMM	Property	B/M +0.5% net	IPD UK PPF Bal PUT	139,735	1,408	6.36	
Goldub	Property	B/M +0.5% net	IPD All Bal Property Fund	60,100	895	2.77	
Blue Bay	Private Debt	Benchmark	3M GBP LIBOR +5%	11,778	275	0.54	
Yorkshire Fund Manager/TVP	Venture Debt	Benchmark	3M GBP LIBOR +5%	18,286	3,486	0.83	
Cash	Venture Capital	n/a	n/a	5,584	-721	0.22	
Brunel - PM	Cash	n/a	n/a	8,941	3,963	0.41	
Blackrock Cash	Cash	n/a	n/a	1,975	0	0.09	
Blackrock Cash	Cash	n/a	n/a	38	0	0.00	
Gloucestershire CC				2,374,040	-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

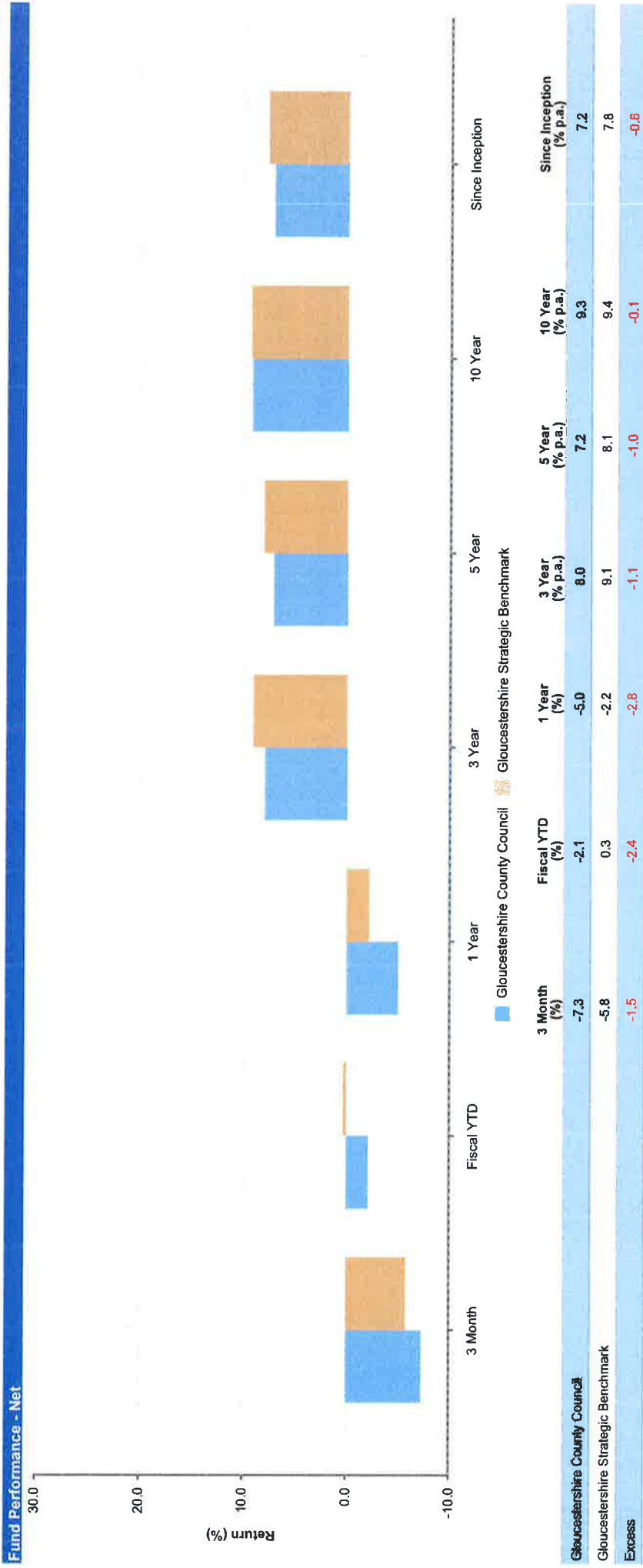
SciBeta Multi Factor Asia Pac	8,959,393	8,612,903	Difference	-490,490	Actual Weight	0.39
SciBeta Multi Factor Japan	18,781,822	17,187,595	Difference	-1,769,227	Actual Weight	0.78
SciBeta Multi Factor Nth America	142,932,620	129,446,874	Difference	-12,335,745	Actual Weight	5.89
SciBeta Multi Factor EMEA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

#### Quarterly Ending Market Value as of Dec 31 2018

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

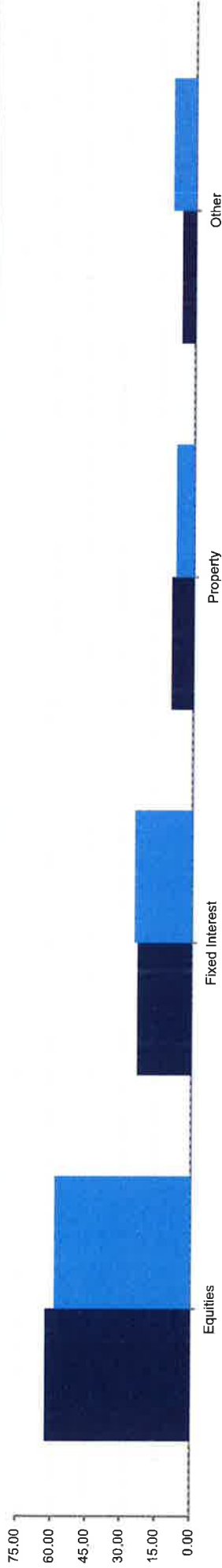


Actual Performance v Strategic Benchmark										
	Ending Market Value (Million)	Weight (%)	3 Month (%)	Fiscal YTD (%)	1 Year (%)	3 Year (% p.a.)	5 Year (% p.a.)	10 Year (% p.a.)	Since Inception (% p.a.)	Inception Date
Yorkshire Fund Managers	4.9	0.2%	-13.5	-9.1	-7.1	-	-	-	-	Oct-17
Cash	8.9	0.4%	0.3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



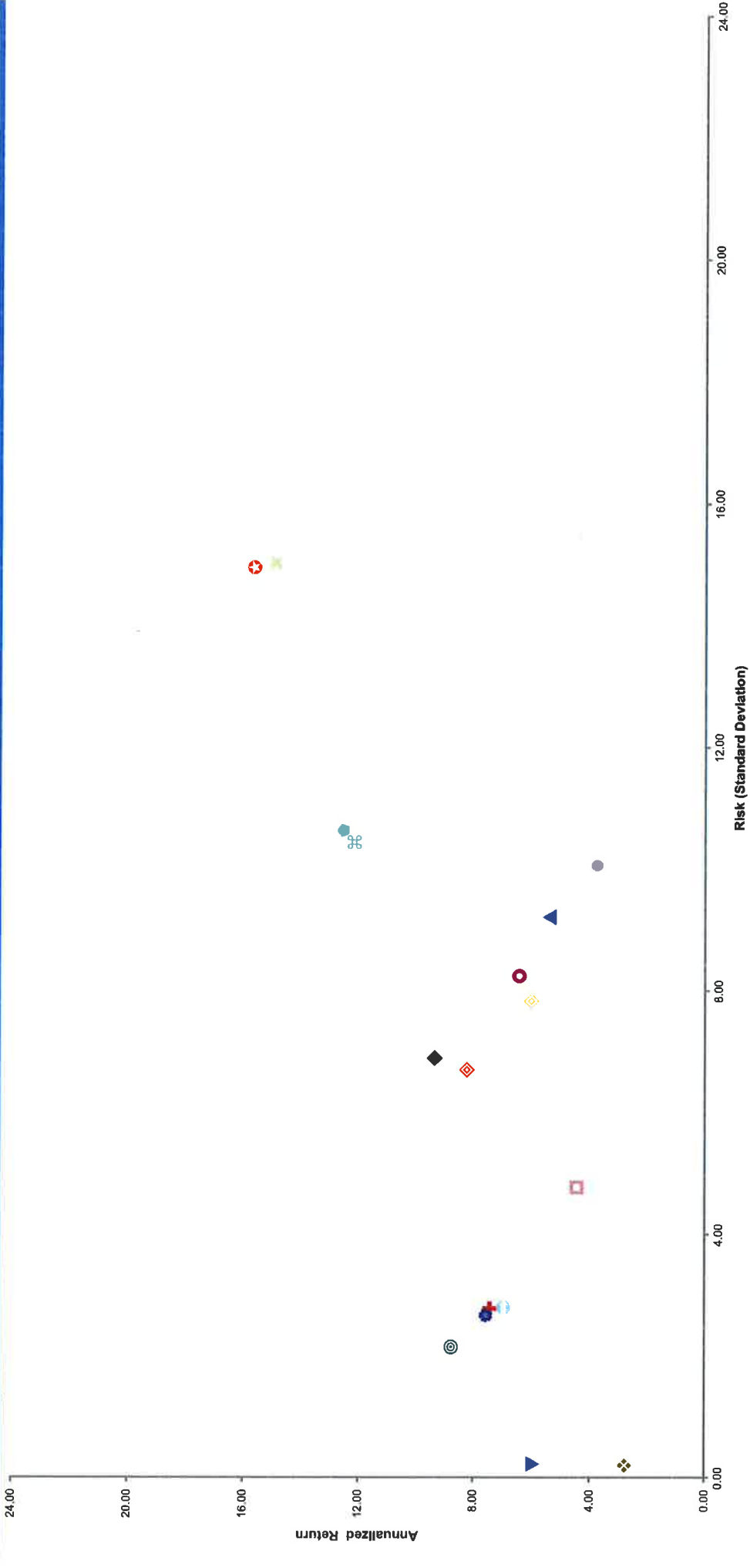
Quarter Ending 31 December 2018	Market Value at End of Quarter (£000)	Actual % Allocation at End of Quarter	Strategic Asset Allocation %	% Difference
Bluebay	18,286	0.83	2.00	-1.17
Brunel - Gloucestershire PM	1,975	0.09	2.00	-1.91
Yorkshire Fund Managers	4,563	0.22	0.00	0.22
Cash	8,941	0.41	0.00	0.41

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

## Ex Post Risk - Net



Risk v Return - over 3 years



# 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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