Agenda Item No.4 (a)

DERBYSHIRE COUNTY COUNCIL

PENSIONS AND INVESTMENTS COMMITTEE

11 September 2018

Report of the Director of Finance & ICT

INVESTMENT REPORT

1 Purpose of the Report

To review the Fund's asset allocation, investment activity since the last meeting, long term performance analysis and to approve the investment strategy in the light of recommendations from the Director of Finance & ICT and the Fund's independent adviser.

2 Information and Analysis

(i) Report of the External Adviser

A copy of Mr Fletcher's report, incorporating his view on the global economic position, factual information for global market returns, the performance of the Fund and his recommendations on investment strategy and asset allocation, is attached as Appendix 1.

(ii) Asset Allocation and Recommendations Table

The Fund's latest asset allocation as at 31 July 2018 and the recommendations of the Director of Finance & ICT and Mr Fletcher, in relation to the Fund's benchmark, are shown in the table below.

The table also shows the recommendations of the Director of Finance & ICT, adjusted to reflect the impact of future investment commitments. These commitments largely relate to Alternatives, Multi-Asset Credit and Property and totalled around £341m at 31 July 2018. Whilst the timing of drawdowns will be lumpy and difficult to predict, the In-house Investment Team (IIT) believes that these are likely to occur over the next 18 to 36 months.

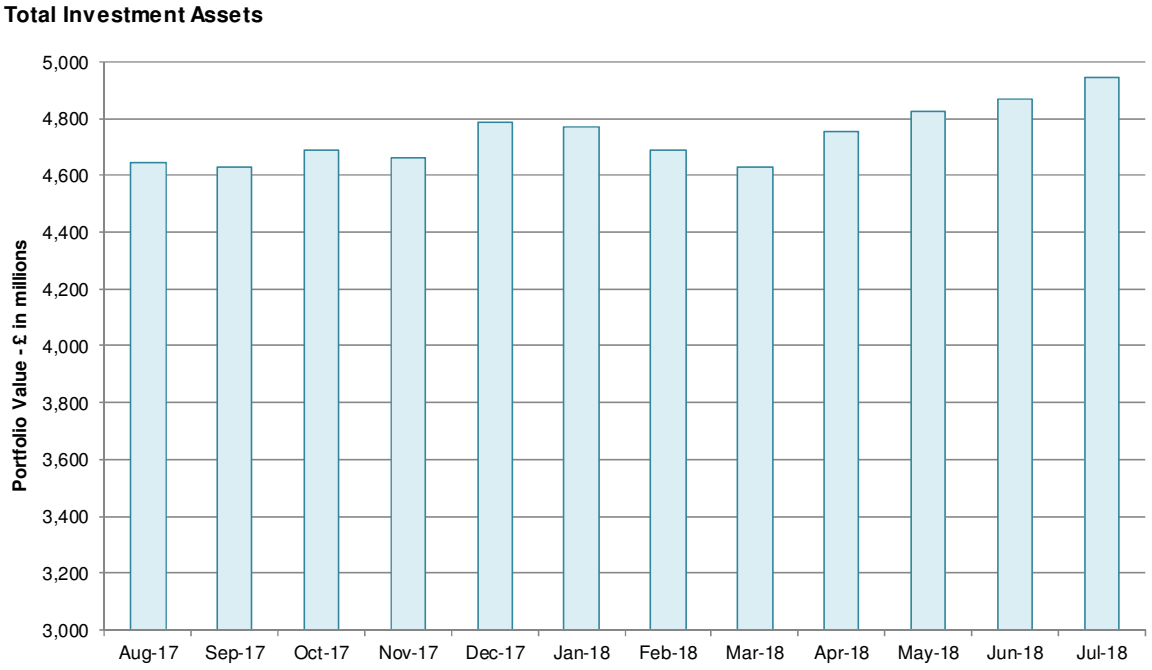
Asset Category	Benchmark	Fund Allocation	Fund Allocation	Permitted Range	Benchmark Relative Recommendation		Recommendation		Recommendation Adjusted for Commitments (1)	Benchmark Return	Benchmark Return
		30/4/18	31/7/18		AF 11/9/18	DPF 11/9/18	AF 11/9/18	DPF 11/9/18	DPF 11/9/18	3 Months to 30/6/18	3 Months to 31/7/18
Equities	**58.0%**	**62.9%**	**61.4%**	**+/- 8%**	**+2.0%**	**+1.4%**	**60.0%**	**59.4%**	**59.4%**	**6.9%**	**7.7%** (3)
UK Equities	25.0%	24.7%	22.4%	+/- 6%	-2.0%	-3.1%	23.0%	21.9%	21.9%	9.2%	3.9%
Overseas Equities	33.0%	38.2%	39.0%	+/- 6%	+4.0%	+4.5%	37.0%	37.5%	37.5%	5.2%	n/a
N. America	12.0%	11.1%	12.0%	+/- 4%	-1.0%	-1.0%	11.0%	11.0%	11.0%	10.0%	12.0%
Europe	9.0%	10.4%	10.5%	+/- 4%	+1.0%	+1.0%	10.0%	10.0%	10.0%	3.6%	4.7%
Japan	5.0%	7.2%	6.9%	+/- 2%	+1.0%	+1.9%	6.0%	6.9%	6.9%	3.2%	1.7%
Pacific ex-Japan	4.0%	5.5%	5.3%	+/- 2%	+1.0%	+1.3%	5.0%	5.3%	5.3%	2.3%	1.4%
Emerging Markets	3.0%	4.0%	4.3%	+/- 2%	+2.0%	+1.3%	5.0%	4.3%	4.3%	(2.4%)	0.7%
Bonds	**22.0%**	**18.9%**	**18.7%**	**+/- 5%**	**-2.0%**	**-0.4%**	**20.0%**	**21.6%**	**22.2%**	**(0.2%)**	**n/a**
Conventional	5.5%	5.3%	5.0%	+/- 3%	-1.5%	-0.1%	4.0%	5.4%	5.4%	0.2%	0.8%
Index-Linked	6.5%	5.5%	5.4%	+/- 3%	-1.5%	-1.1%	5.0%	5.4%	5.4%	(1.0%)	2.1%
Corporate	6.0%	5.2%	5.4%	+/- 3%	-	-0.2%	6.0%	5.8%	5.8%	(0.4%)	(0.1%)
Multi-Asset Credit	4.0%	2.9%	2.9%	+/- 2%	+1.0%	+1.0%	5.0%	5.0%	5.6%	0.9%	0.9%
Property	**9.0%**	**7.2%**	**7.1%**	**+/- 3%**	**-**	**-1.9%**	**9.0%**	**7.1%**	**7.8%**	**1.7%**	**1.7%** (2)
Direct	5.0%	4.2%	4.1%	+/- 2%	+1.0%	-0.9%	6.0%	4.1%	4.1%	1.7%	1.7% (2)
Indirect	4.0%	3.0%	3.0%	+/- 2%	-1.0%	-1.0%	3.0%	3.0%	3.7%	1.6%	1.6% (2)
Alternatives	**9.0%**	**5.4%**	**5.8%**	**+/- 3%**	**-**	**-3.0%**	**9.0%**	**6.0%**	**10.0%**	**4.5%**	**n/a**
Infrastructure	5.0%	3.2%	3.5%	+/- 2%	-	-1.4%	5.0%	3.6%	5.1%	0.7%	0.7%
Private Equity	4.0%	2.2%	2.3%	+/- 2%	-	-1.6%	4.0%	2.4%	4.9%	9.4%	4.6%
Cash	**2.0%**	**5.6%**	**7.0%**	**0 – 8%**	**-**	**+3.9%**	**2.0%**	**5.9%**	**0.6%**	**0.1%**	**0.1%**

(1) Recommendation adjusted for investment commitments at 31 July 2018
(2) Benchmark Return for the three months to 30 June 2018
(3) FTSE All World Index

Relative to the benchmark, the Fund as at 31 July 2018, was overweight in Equities and Cash, and underweight in Bonds, Property and Alternative investments.

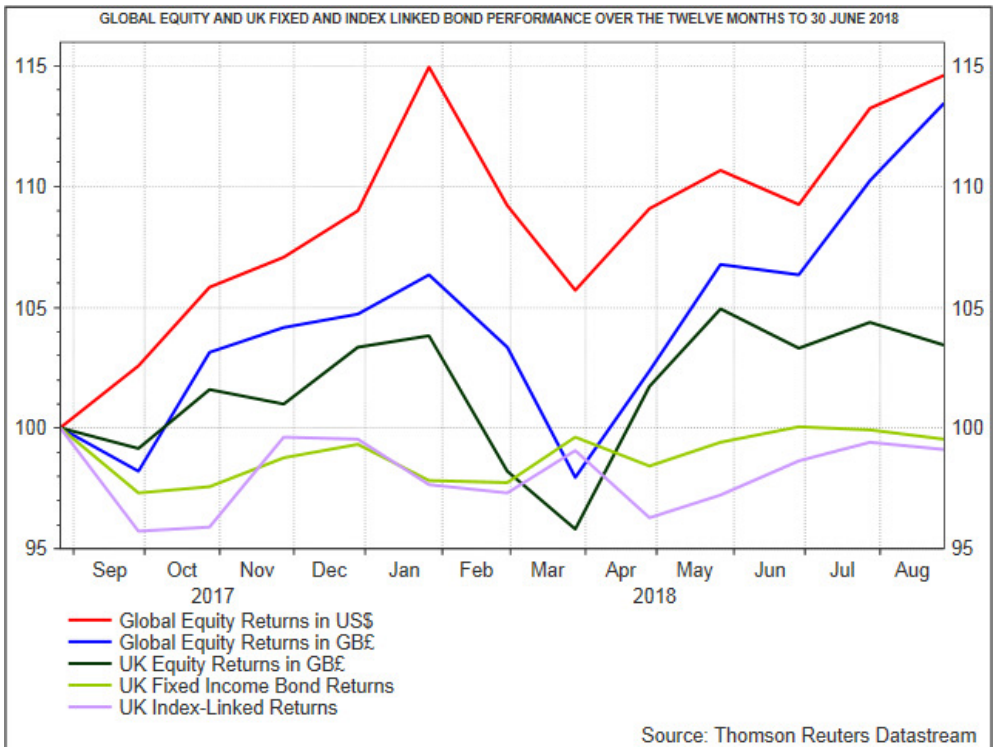
(iii) Total Investment Assets

The value of the Fund's investment assets rose by £187.4m (3.9%) between 30 April 2018 and 31 July 2018 to just under £5bn, comprising an unexpected advanced contribution payment of £40m, net divestment of around £33m, cash inflows from dealing with members & investment income of around £15m and a market gain of around £100m. Over the twelve months to 31 July 2018, the value of the Fund's investment assets has risen by £372.0m (+8.1%), comprising the unexpected advanced contribution payment of £40m, net investment of around £25m, cash inflows from dealing with members and investment income of around £80m and a market gain of around £225m. A copy of the Fund's valuation is attached at Appendix 2.



The Fund's valuation can fluctuate significantly in the short term, reflecting market conditions and supports the Fund's strategy of focusing on the long term.

Market returns over the last 12 months



The chart above shows market returns for Global Equities in sterling and the US dollar, UK Equities, UK Fixed Income and UK Index Linked bonds for the last twelve months.

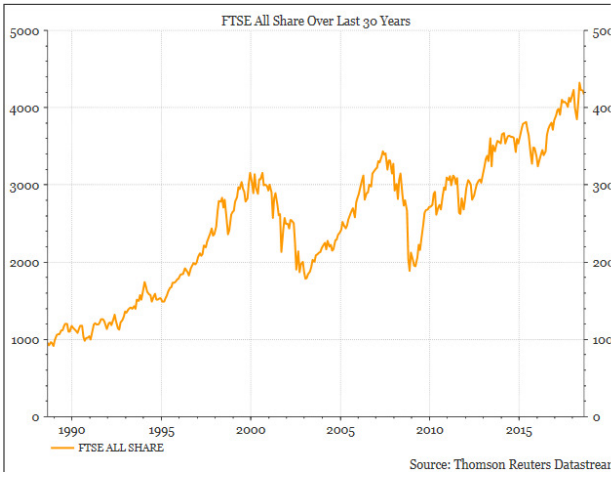
Global Equity markets climbed higher throughout 2017, with growth being supported by accommodative monetary policy, modest inflation expectations, low unemployment and steady and synchronised global economic growth. However, some of the benefit for sterling investors was offset by a recovery in the value of sterling, after the sharp devaluation in the pound in 2016/17, following the EU Referendum. UK Equity returns in 2017 were lower, affected by the on-going uncertainty following the EU Referendum.

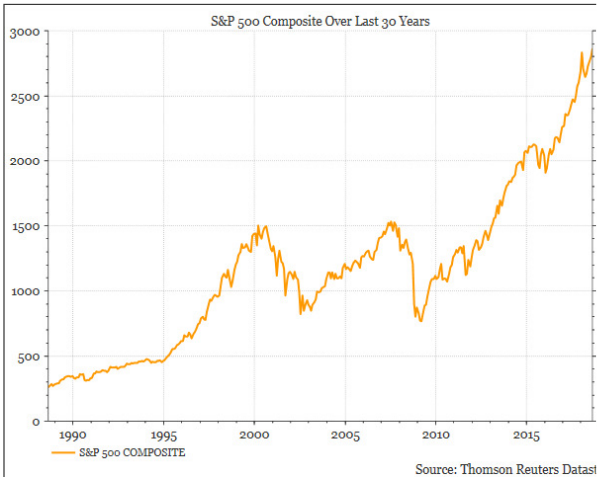
Global Equity markets weakened in the first quarter of 2018, experiencing increased volatility as investors became concerned about the path of interest rates, US protectionism and growing barriers to global trade. Markets recovered strongly in April and May 2018, reflecting robust US earnings growth and some easing in the trade tensions between the US and China, with returns for sterling investors also benefiting from a stronger US$. Following a subdued period in June 2018, global equity returns moved positive again in July and August 2018, reflecting momentum in the US which represents around 53% of the global equity index. However, returns in other regional markets were much more mixed, with heightened volatility, as

concerns over trade wars, the continued strength of the US$ and signs of a slowdown in China weighed on investor sentiment.

Bonds have largely traded sideways for much of the last 12 months. Global bond yields rose slightly in the quarter to June 2018, but increased equity market volatility increased flows into "safe-haven" developed market bonds, with events in Italy dominating overseas bond markets.

Asset class weightings and recommendations are based on values at the end of July 2018. Despite the increased volatility, many global stock markets are still trading at, or close to all-time highs, despite the recent bouts of volatility and it should be noted that recent asset class returns (see charts below which show the long term performance of the FTSE All Share and S&P 500 Composite) are well in excess of long term averages.





(v) Longer Term Performance

Figures provided by Portfolio Evaluation Limited show the Fund's performance over 1, 3, 5 and 10 years to 30 June 2018.

Per annum	The Fund	Benchmark Index
1 year	6.8%	6.8%
3 year	10.4%	9.8%
5 year	9.6%	9.2%
10 year	8.6%	8.0%

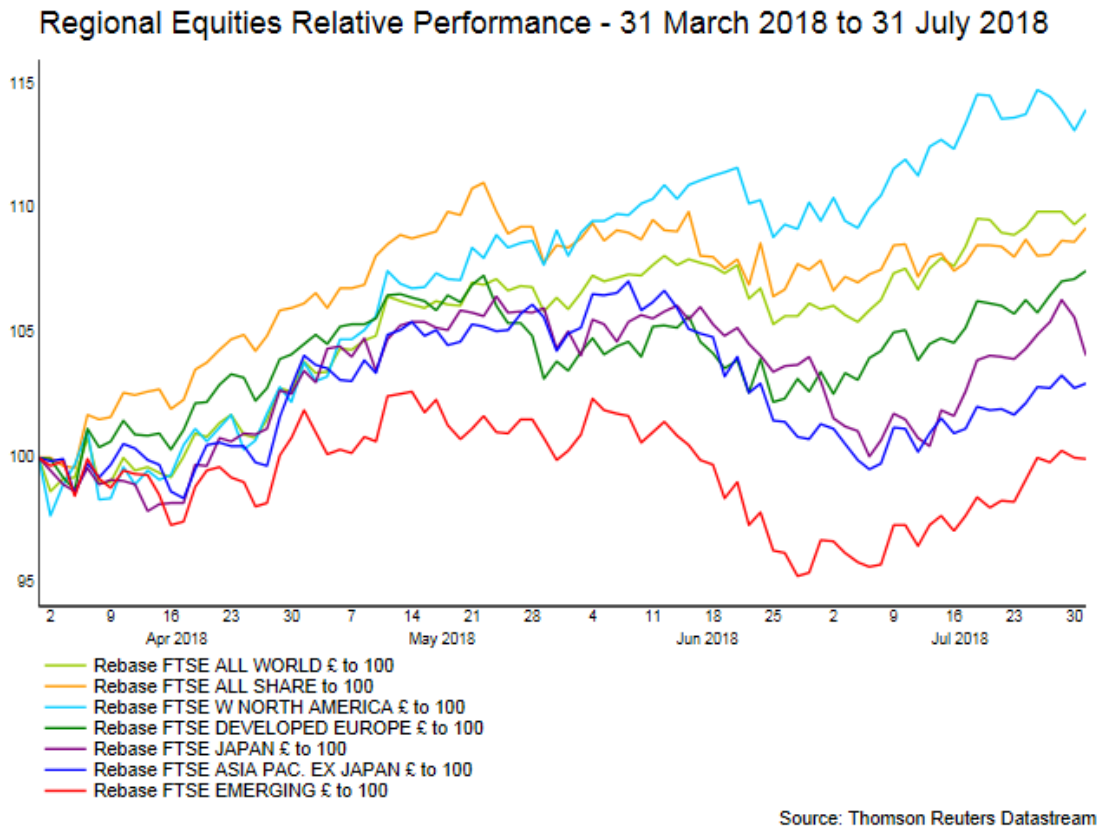
The Fund performed in line with the benchmark over the last twelve months, and outperformed the benchmark over the last three, five and ten year periods.

(vi) Asset Class Recommendations

Equities

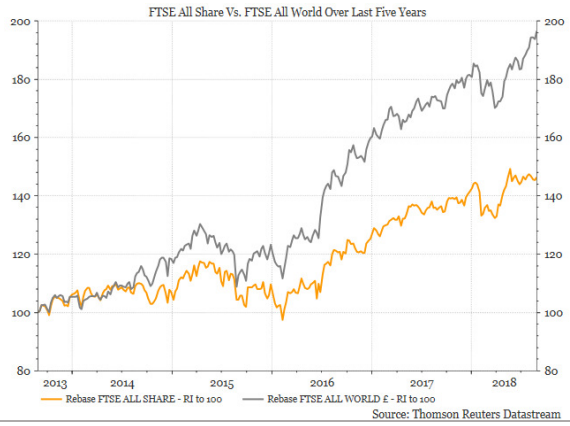
At the last meeting it was agreed to reduce the overall weighting in Equities to 60.9%, a 2.9% overweight position against the benchmark. At 31 July 2018, the overall equity weighting was 61.4%. Net divestment of £70m (£95m out of UK Equities at the end of June 2018 and £25m into Emerging Market Equities at the end of July 2018) was partly offset by strong equity returns over the quarter, with the FTSE All World returning 7.7% in sterling terms in the three months to 31 July 2018. The IIT recommendations below would take the overall equity weighting to 59.4%, 1.4% overweight.

The Chart below shows the relative regional equity returns since 31 March 2018 to 31 July 2018. Global Equity markets were mixed in the quarter to 31 July 2018. US Equities benefited from evidence of strong Q2 economic growth, allowing the market to shrug off concerns of a possible trade war as China, the EU, Mexico and Canada all announced that they would retaliate against US tariffs, whereas Emerging Markets were broadly flat.



UK Equities

DPF Weightings	
Neutral	25.0%
Approved 13.06.18	22.7%
Actual 31.07.18	22.4%
AF Recommendation	23.0%
IIT Recommendation	21.9%
Benchmark Returns	
Q2 18/19 to date	-
Q1 18/19	9.2%
1 Year	9.0%
3 Years (pa)	9.6%
5 Years (pa)	8.8%

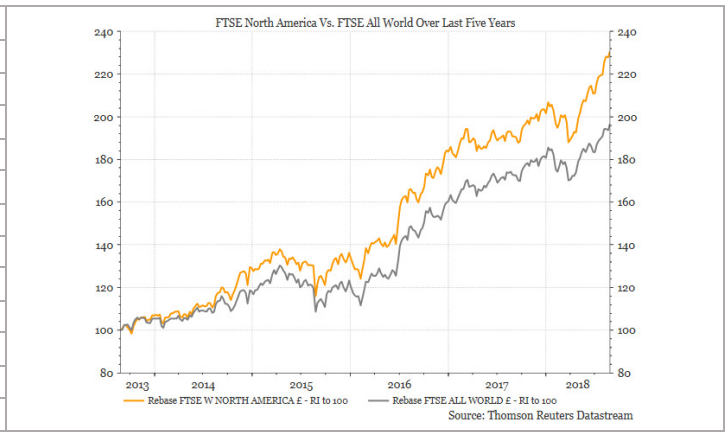


It was agreed at the last meeting that the Fund would reduce its UK Equity weighting from 24.7% to 22.7%. Divestment of £95m at the end of June 2018, together with relative market weakness, reduced the weighting to 22.4% at 31 July 2018.

Mr Fletcher continues to recommend a 2% underweight allocation to UK Equities because of concerns about the macro economy and the impact of the uncertainty over Brexit. The IIT continues to believe that the UK is likely to experience periods of volatility related to the Brexit negotiations in the months ahead (particularly if there is a ‘‘no-deal outcome’’), which could be compounded by any increase in concern on the impact of Brexit on financial institutions. The position of the coalition government in the UK also continues to increase the likelihood of politically induced market volatility in the short to medium term. The FTSE All Share rose by 9.2% in Q2 2018, a significant proportion of which came through in April 2018, and was the best performing region in local currency terms, reflecting the high proportion of income which is denominated in US$ and the flow through of a stronger US dollar. The UK market has been the worst performing region in Q2 2018/19 to date. The IIT recommends that the current allocation is reduced by a further 0.5% to 21.9%, 3.1% underweight against the benchmark, over the next quarter, to ‘‘lock-in’’ some of the YTD market strength and to reduce the Fund’s exposure to any Brexit related volatility.

Northern American Equities

DPF Weightings	
Neutral	12.0%
Approved 13.06.18	11.1%
Actual 31.07.18	12.0%
AF Recommendation	11.0%
IIT Recommendation	11.0%
Benchmark Returns	
Q2 18/19 to date	8.5%
Q1 18/19	10.0%
1 Year	12.5%
3 Years (pa)	18.1%
5 Years (pa)	16.1%

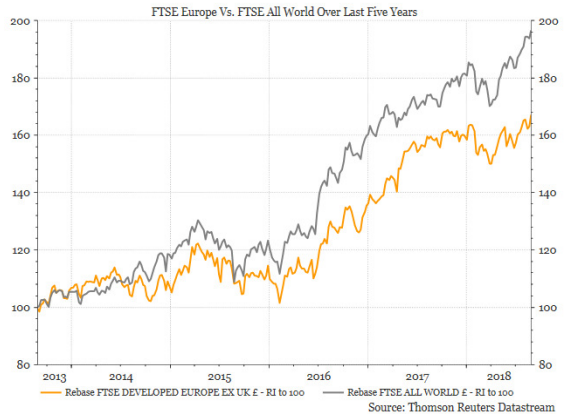


At the last meeting it was agreed to maintain the weighting at 11.1%, 0.9% underweight against the benchmark of 12%. Whilst there were no transactions in the period, relative market strength increased the weighting to 12.0% at 31 July 2018.

Mr Fletcher notes that the US equity market remains the most overvalued equity market, even when higher forecast earnings growth is taken into consideration. The US Federal Reserve (the Fed) has continued to raise rates and the yield curve has continued to flatten, both of which in the past have not been good macro-economic indicators for the equity market. To date the market has been sanguine about Mr Trump's rhetorical style and approach to geo-politics, but political risks remain heightened. Given the recent strong performance, Mr Fletcher recommends a 1% reduction in the allocation to US Equities; a 1% underweight position. The IIT continues to believe that current valuations leave little room for disappointment in earnings. Recent returns have been strong, with a calendar year to date sterling return of 9.5% (6.1% in local currency terms), of which 84% is attributable to three FAANG stocks (FAANG stocks comprise: Facebook, Apple, Amazon, Netflix and Alphabet's Google) and Microsoft. Company profit margins already stand at cyclical highs (meaning revenue growth will be required to drive earnings growth) and there is little slack in the economy, increasing the risk of higher inflation and higher bond yields, which are likely to weigh on equity valuations. Whilst the US economy continues to show good momentum (Q2 2018 annualised GDP growth of 4.1%), and is currently supported by tax cuts, less regulation and the repatriation of cash, the IIT also recommend a 1% underweight position of 11.0%, reflecting the heightened political risk and stretched valuations.

European Equities

DPF Weightings	
Neutral	9.0%
Approved 13.06.18	10.4%
Actual 31.07.18	10.5%
AF Recommendation	10.0%
IIT Recommendation	10.0%
Benchmark Returns	
Q2 18/19 to date	5.0%
Q1 18/19	3.6%
1 Year	2.7%
3 Years (pa)	11.9%
5 Years (pa)	10.6%

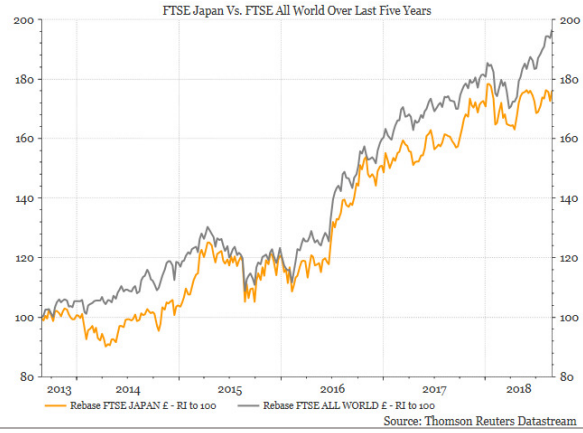


It was agreed at the last meeting that the Fund would maintain a 1.4% overweight position of 10.4%. Whilst there were no transactions in the period, relative market strength increased the weighting to 10.5% at 31 July 2018.

Mr Fletcher has noted for some time that if the Fund managed the European portfolio actively, he would recommend an overweight position. After the poor news and poor performance of the market over the last twelve months, Mr Fletcher now believes that there is a relative value opportunity, so notwithstanding the fact that the portfolio is managed passively, Mr Fletcher recommends a 1% overweight position of 10%. The IIT also recommend a weight of 10% in Europe, and believes that whilst an overall overweight position is warranted because the Eurozone economy is growing steadily, and the European Central Bank (ECB) continues to support the Eurozone economy through low interest rates, the current overweight position should be reduced from 1.5% to 1.0% because of ongoing political concerns which could lead to further periods of volatility.

Japanese Equities

DPF Weightings	
Neutral	5.0%
Approved 13.06.18	6.7%
Actual 31.07.18	6.9%
AF Recommendation	6.0%
IIT Recommendation	6.9%
Benchmark Returns	
Q2 18/19 to date	1.4%
Q1 18/19	3.2%
1 Year	9.3%
3 Years (pa)	13.5%
5 Years (pa)	11.3%

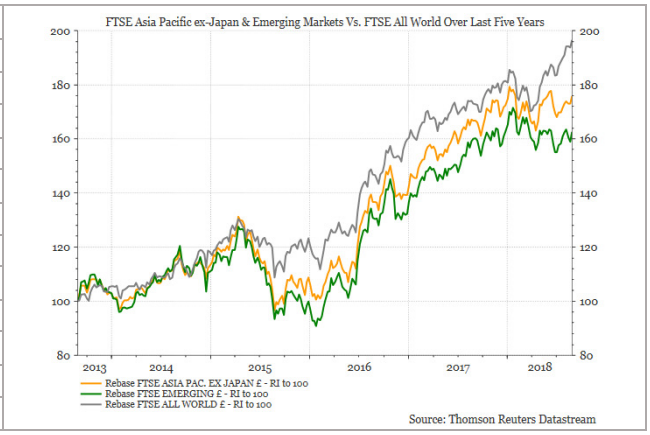


At the last meeting it was agreed to reduce the weighting by 0.5% to 6.7%. Whilst there were no transactions in the period, relative market weakness reduced the weighting to 6.9% at 31 July 2018.

Mr Fletcher notes that the Japanese market recovered in Q2 2018, despite the slowdown in the economy. On a fundamental value basis, the market is now fair value, but cheap relative to the rest of the world and relative to its own longer term history. The political risk surrounding Mr Abe has subsided and his reforms remain on track. Mr Fletcher continues to recommend a 1% overweight position of 6%. The IIT note that whilst the Japanese economy remains sluggish, the long-term outlook for Japanese equities remains upbeat, supported by the strong recent company reporting season (sales ahead by 7% and Earnings Per Share by 17%), continued improvement in corporate governance arrangements, and increasing dividend pay-outs. As a result, the IIT recommend maintaining the current 1.9% overweight position of 6.9%.

Asia Pacific Ex-Japan and Emerging Markets

DPF Weightings	Asia-Pac	EM
Neutral	4.0%	3.0%
Approved 13.06.18	5.5%	4.5%
Actual 31.07.18	5.3%	4.3%
AF Recommendation	5.0%	5.0%
IIT Recommendation	5.3%	4.3%
Benchmark Returns		
Q2 18/19 to date	2.1%	2.5%
Q1 18/19	2.3%	(2.4%)
1 Year	7.0%	5.9%
3 Years (pa)	13.9%	10.9%
5 Years (pa)	9.4%	8.0%



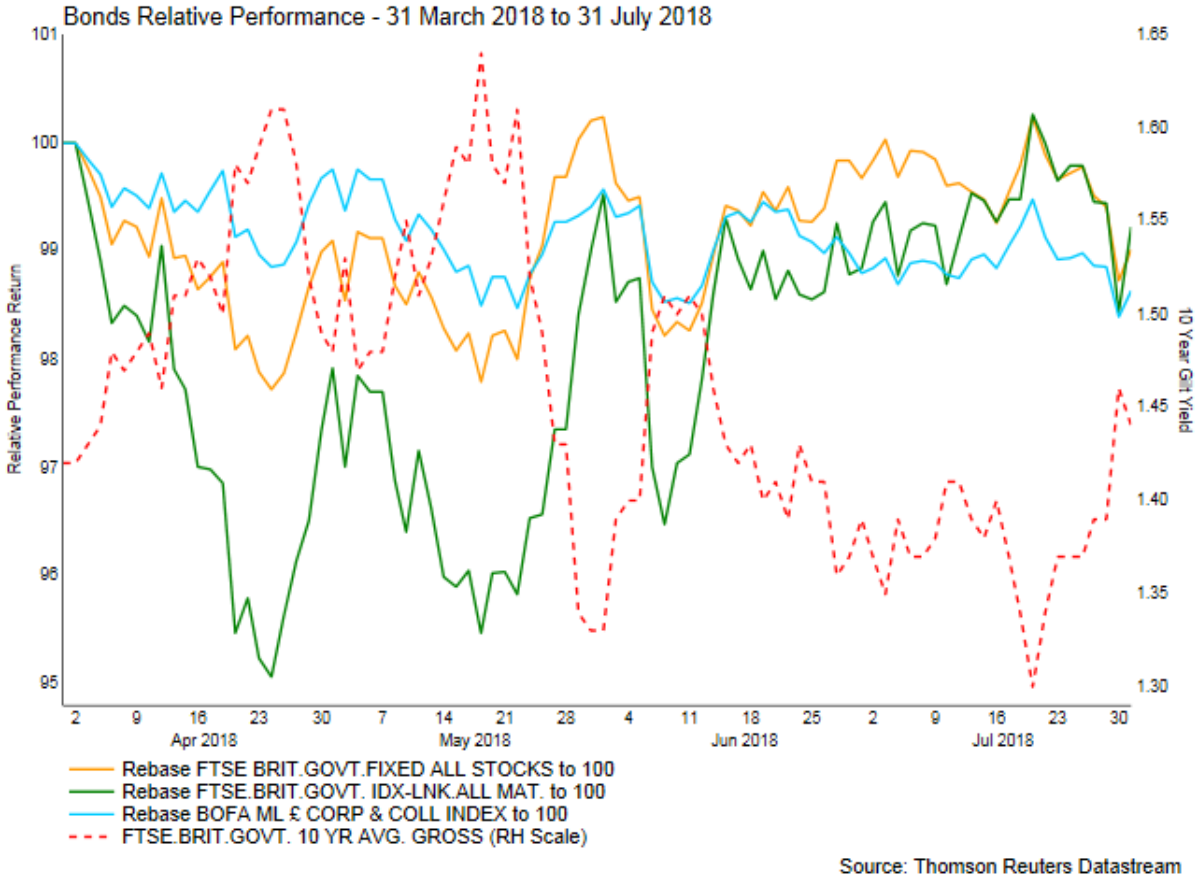
It was agreed at the last meeting that the Fund would retain the Asia Pacific Ex-Japan weight at 5.5% (1.5% overweight) and increase the Emerging Market weight by 0.5% to 4.5% (1.5% overweight). Whilst there were no transactions in the period in respect of Asia Pacific Ex-Japan Equities, and £25m was invested in to Emerging Market Equities at the end of July 2018, relative market weakness reduced the Asia Pacific Ex-Japan and the Emerging Market weightings to 5.3% and 4.3%, respectively.

Mr Fletcher notes that these economies represent a significant proportion of global growth and are growing, on average, roughly twice as fast as developed economies and have positive domestic macro fundamentals. In addition, valuations appear reasonable. Mr Fletcher recommends a 1% overweight position in Asia Pacific Ex-Japan, and a 2% overweight position in Emerging Markets (i.e. 3% on a combined basis). The IIT continue to believe in the long term growth potential of these regions, but note that the outlook in the short-term appears uncertain, reflecting the threat of a global trade war, the strength of the US$ and concerns about a potential slow-down in the Chinese economy. The IIT recommend that the current overweight allocations of 1.3%, respectively, are maintained (i.e. 2.6% on a combined basis).

Bonds

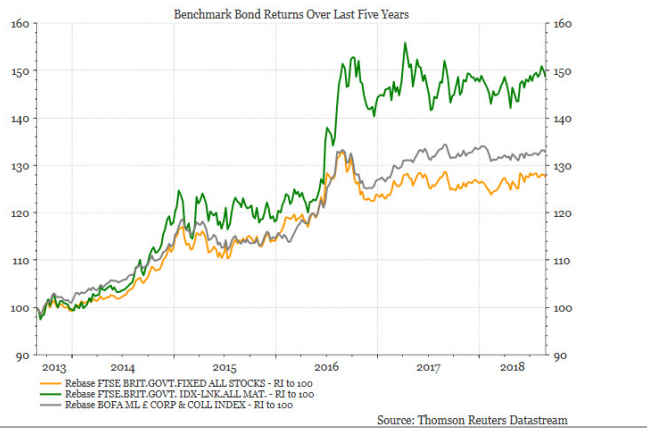
At the last meeting it was agreed to increase the overall weighting in Bonds to 20.7%, a 1.3% underweight position. At 31 July 2018, the overall weighting in Bonds was 18.7%, reflecting lower than expected Multi-Asset Credit investment and relative market weakness over the period. The IIT recommendations below would take the overall Bond weighting to 21.6%.

The Chart below shows the relative regional bond returns since 31 March 2018. UK sovereign bond yields fell (and prices rose) in May and June 2018, reflecting weaker than expected inflation, which negated the need for a Bank Rate rise, and a more dovish tone from the Bank of England. In addition, increased political uncertainty in Europe towards the end of May compounded the fall in UK sovereign yields, with the UK bond market viewed as a "safe haven". Yields rose in July 2018, as stronger UK economic data and minutes from the June Monetary Policy Committee meeting pointed towards an August rate increase. The Bank of England subsequently increased the UK's Bank Rate by 0.25% to 0.75% in August 2018. Corporate Bond returns generally trended downwards over the period.



Conventional Bonds

DPF Weightings	
Neutral	5.5%
Approved 13.06.18	5.3%
Actual 31.07.18	5.0%
AF Recommendation	4.0%
IIT Recommendation	5.4%
Benchmark Returns	
Q2 18/19 to date	(0.1%)
Q1 18/19	0.2%
1 Year	1.9%
3 Years (pa)	4.7%
5 Years (pa)	5.0%



It was agreed at the last meeting to maintain the allocation at 5.3%, 0.2% underweight against the benchmark. A £5m bond maturity in the quarter, together with relative market weakness, reduced the weighting to 5.0% at 31 July 2018.

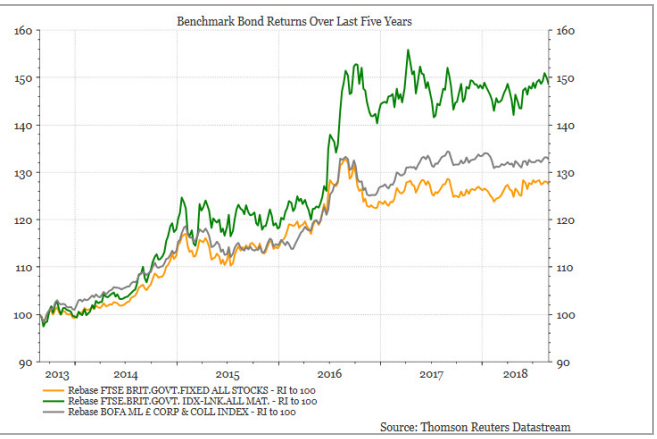
Mr Fletcher recommends a 1.5% underweight position of 4.0% against the benchmark. Mr Fletcher anticipates that the overall direction of global bond yields will continue to rise, led by the US, noting that whilst the US Federal Reserve (the Fed) declined to change rates in August, it indicated rates will probably be increased by 0.25% in September and again by the end of the year. In its forward guidance, the Fed said that there will be three further 0.25% rate increases in 2019. The markets had expected the Bank of England to raise rates in May, but weaker Q1 2018 growth and falling inflation caused the Bank to wait and see whether the slowdown was temporary; as it transpired, better economic growth and further falls in unemployment encouraged the Bank of England to raise rates by 0.25% at its August meeting. The ECB have said there will be no changes in interest rates before the summer of 2019 and the ECB confirmed the end of Quantitative Easing will be slightly later than expected in December 2018. The Bank of Japan also confirmed the continuance of its negative interest rate policy, but introduced some flexibility, stating that whilst it would target a 10 year yield of 0.0%, it would allow yields to rise as high as 0.20% (rather than 0.10% as before), it will continue to buy bonds, to maintain the high level of monetary accommodation, but it will be more variable in terms of timings and amounts.

The IIT believe that despite sovereign bonds struggling to appear attractive in a rising rate environment, they are diversifying assets and continue to afford greater protection than other asset classes in periods of market uncertainty.

Although equities have continued to rise, volatility has increased and bonds have ably demonstrated their stabilising characteristics in recent months. As a result, the IIT recommends increasing the weighting from 5.0% to 5.4%, 0.1% underweight.

Index-Linked Bonds

DPF Weightings	
Neutral	6.5%
Approved 13.06.18	5.5%
Actual 31.07.18	5.4%
AF Recommendation	5.0%
IIT Recommendation	5.4%
Benchmark Returns	
Q2 18/19 to date	0.7%
Q1 18/19	(1.0%)
1 Year	1.8%
3 Years (pa)	7.7%
5 Years (pa)	8.2%

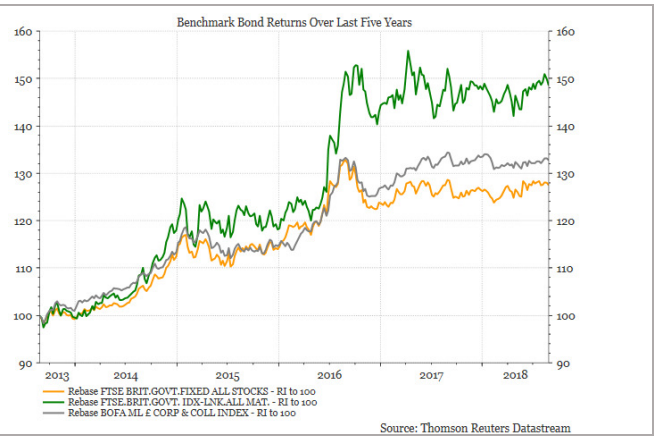


At the last meeting it was agreed to hold a 1.0% underweight position of 5.5%. Relative market weakness reduced the weighting to 5.4% at 31 July 2018.

Mr Fletcher notes that UK Index-Linked gilts remain some of the most expensive in the world in absolute terms when compared to inflation linked government bonds elsewhere. However, demand remains high from corporate pension schemes and insurance companies looking for safe long term inflation linked returns. Mr Fletcher continues to recommend a 1.5% underweight position of 5.0% and believes that it is appropriate to continue to be overweight in US TIPS and underweight in UK Index-Linked. Although he notes that the cost of hedging the currency risk needs to be taken into consideration when investing in bonds outside the UK. The IIT agrees with Mr Fletcher regarding the current value of UK Index-Linked bonds and recommends that the current 1.1% underweight position of 5.4% is maintained, with the current exposure to US TIPS (around 20% of the Index-Linked portfolio) being maintained due to the yield uplift available compared to UK Index-Linked bonds.

Corporate Bonds

DPF Weightings	
Neutral	6.0%
Approved 13.06.18	5.5%
Actual 31.07.18	5.4%
AF Recommendation	6.0%
IIT Recommendation	5.8%
Benchmark Returns	
Q2 18/19 to date	0.8%
Q1 18/19	(0.4%)
1 Year	0.5%
3 Years (pa)	5.5%
5 Years (pa)	6.1%



At the last meeting it was agreed to increase the weighting by 0.3% to 5.5%. Investment of £20m in June 2018 was partly offset by relative market weakness, and the actual weighting at 31 July 2018 fell slightly short of the recommendation at 5.4%.

Mr Fletcher states that he is surprised by the continued weakness of non-government bond markets. Mr Fletcher believes that investing in shorter duration non-government bond sectors (i.e. investment-grade corporate bonds, sub-investment grade high-yield bonds and emerging market debt) could protect the pension fund from the potential scale of negative returns that gilts could experience should interest rates rise. This lower interest rate risk, combined with the recent widening of investment grade, high yield and emerging debt market debt spreads, has made these asset classes more attractive. However, until the ECB Quantitative Easing programme has truly ended and the increased volatility in peripheral European government bond markets (particularly Italy) subsides, there is a risk that investment grade spreads could widen. Mr Fletcher recommends that a neutral allocation of 6.0% to Corporate Bonds is sufficient at this stage.

The IIT believes that, following a period of underperformance, Corporate Bond yields now represent better value relative to other asset classes, and recommend increasing the weighting by 0.5% to 5.8%. The IIT continues to believe that a slightly underweight position is warranted because there remains a risk that the current yield pick-up of less than 1.0% is insufficient to compensate for the increased default risk. It is intended that a relatively defensive position will be maintained in the asset class.

Multi-Asset Credit

DPF Weighting				
Neutral	Approved 13.06.18	Actual 31.07.18	AF Recommendation	IIT Recommendation
4.0%	4.4%	2.9%	5.0%	5.0%
Benchmark Returns				
Q2 18/19 to date	Q1 18/19	1 Year	3 Years (pa)	5 Years (pa)
0.6%	0.9%	3.5%	n/a	n/a

At the last meeting it was agreed to increase the weighting by 1.5% to 4.4%. Investment in the period was significantly lower than anticipated (£5m versus £70m). Due diligence was carried out on a number of investment opportunities in this asset class against a background of heightened market volatility. The IIT still has several other opportunities to evaluate in this area and the weighting at 31 July 2018 remained at 2.9%.

In order to increase the diversified sources of bond market risk and return in the portfolio, Mr Fletcher recommends an increased allocation of 5% to Multi-Asset Credit, which would represent a 1% overweight position against the benchmark. The IIT continues to remain positive about the long-term attractions of this asset class, and prefers a bias towards defensive forms of credit (e.g. senior secured debt with low default rates) with strong covenants, floating rate protection and a yield pick-up. As noted above, due diligence on a number of possible investments is on-going, and the IIT recommend increasing the invested weighting by 2.1% to 5.0%, and the committed weighting to 5.6%.

Property

DPF Weighting				
Neutral	Approved 13.06.18	Actual 31.07.18	AF Recommendation	IIT Recommendation
9.0%	7.3%	7.1%	9.0%	7.1%
Benchmark Returns				
Q2 18/19 to date	Q1 18/19	1 Year	3 Years (pa)	5 Years (pa)
n/a	1.7%	9.0%	7.7%	11.4%

At the last meeting it was agreed to increase the overall allocation to Property by 0.1% to 7.3%; a 1.7% underweight position. Investment in the period of £2m was offset by relative market weakness, and the weighting fell by 0.1% to 7.1% at 31 July 2018, with Direct Property accounting for 4.1% (0.9% underweight) and Indirect Property accounting for 3.0% (1.0% underweight). The IIT recommendations below maintain the weighting at 7.1%.

Mr Fletcher notes that the property market has again delivered strong diversified returns for the pension fund and that the direct property manager has outperformed. Whilst all the focus has been on the weakness of currency and the strength of traded equity markets, property values have steadily improved, without exhibiting short term volatility. Mr Fletcher continues to recommend a neutral overall allocation to Property, with a preference for a 1% overweight position in Direct Property and a 1% underweight in Indirect Property. Mr Fletcher recognises that the approach of buying well researched quality properties at the right price and minimising voids can lead to delays in sourcing new property investments, but it is likely to continue to be a successful strategy in the future.

The IIT recommends maintaining the Direct Property weighting at 4.1% as the external discretionary manager continues to seek out attractive propositions, whilst noting that yields are expected to fall going-forward, and the discretionary manager has reported that market yields are already starting to fall. The IIT continues to assess indirect property opportunities, with a focus on vehicles invested in specialist areas which provide strong covenants and sustainable rental growth, and recommends maintaining the weighting at 3.0%. On a committed basis, the Indirect Property weighting is 3.7% against the benchmark weighting of 4%.

Alternatives

It was agreed at the last meeting to increase the overall allocation to Alternatives to 5.5% on an invested basis (9.8% on a committed basis), against the neutral benchmark of 9%. At 31 July 2018, the invested weighting had increased to 5.8%, and the committed weighting had risen to 10.0%. Subsequent to 31 July 2018, the Committee approved a £80m commitment to an open-ended global infrastructure fund, increasing the committed weighting to 11.6%. The IIT recommendations set out below increase the invested weighting to 6.0%, and maintain the committed weighting at 11.6%. Whilst this implies that the Fund is over-committing, compared to the neutral benchmark of 9%, some of the existing portfolio investments have now entered their distribution phase and it is also unlikely that the full commitment value will be fully drawn-down by the managers. In addition, the Fund intends to unwind some of its listed infrastructure and private equity investments as the commitments to unquoted vehicles are drawn-down.

Infrastructure

DPF Weighting					
Neutral	Approved 13.06.18	Actual 31.07.18	Committed 31.07.18	AF Recommendation	IIT Recommendation
5.0%	3.3%	3.5%	4.9%	5.0%	3.6%
Benchmark Returns					
Q2 18/19 to date	Q1 18/19	1 Year	3 Years (pa)	5 Years (pa)	
0.5%	0.7%	2.5%	2.3%	1.6%	

It was agreed at the last meeting to increase the invested weightings to 3.3% (4.9% on a committed basis), against a neutral position of 5%. Investment in the period totalled £2m, and the invested weighting increased to 3.5% at 31 July 2018. The committed weighting increased by 0.2% to 5.1%. As noted above, subsequent to 31 July 2018, the Committee approved a £80m commitment to an open-ended global infrastructure fund, increasing the committed weighting to 6.7%.

Mr Fletcher has maintained his recommendation of a neutral weighting of 5%, acknowledging that whilst he would like to see the allocation increased, it is more important to source the right opportunities than fill the allocation with potentially expensive low yielding assets. The IIT expect the recent £80m open-ended commitment to be drawn-down in January 2019 (i.e. outside of the time frame built into the recommendations for this report). The IIT continue to assess opportunities, and recommends increasing the invested to 3.6%; 6.7% on a committed basis.

Private Equity

DPF Weighting					
Neutral	Approved 13.06.18	Actual 31.07.18	Committed 31.07.18	AF Recommendation	IIT Recommendation
4.0%	2.2%	2.3%	4.9%	4.0%	2.4%
Benchmark Returns					
Q2 18/19 to date	Q1 18/19	1 Year	3 Years (pa)	5 Years (pa)	
0.2%	9.4%	2.5%	2.3%	1.6%	

At the last meeting it was agreed to maintain the invested Private Equity weighting at 2.2%; 4.9% on a committed basis. Existing net commitment draw-downs in the period totalled £13m, and the invested weighting increased to 2.3%; 4.9% on a committed basis.

Mr Fletcher recommends a neutral weighting of 4% in Private Equity. The ITT continues to seek out opportunities which offer higher returns than public markets, including co-investment and secondary funds, and recommends

increasing the invested weighting to 2.4%, and maintaining the committed weighting at 4.9%, while this work is completed.

Cash

The cash weighting at 31 July 2018 was 7.0%, 1.4% higher than that recommended at the last meeting, principally reflecting lower than anticipated Multi-Asset Credit investment and an unexpected advanced contribution payment of £40m. Mr Fletcher notes that the pension fund is cash flow positive and has no requirement to carry the currently "quite high" cash balance, but acknowledges that cash has declined over the year as committed funds have been taken up and that much of the remaining cash is committed to fund managers who have yet to draw-down their allocations.

Markets have recently experienced another bout of volatility, following on from the volatility experienced in Q1 2018. Over the summer months, concerns about the trade conflict between the US and China resurfaced, and contagion from the Turkish currency crisis spread to European markets already weakened by heightened political risks in Italy. Public markets continue to trade on rich valuations and continue to appear too sanguine about the level of global political risk. Against this background, the IIT recommends maintaining a defensive cash allocation of 5.9%, with a continued emphasis on making commitments to more attractively priced illiquid markets. Should all the current commitments be drawn-down, the cash balance would reduce to 0.6%; -1.0% after taking into account the recent commitment to an open-ended global infrastructure fund. However, in practice as the commitments are drawn-down, they will be partly offset by distributions and changes in the wider asset allocation.

3 Other Considerations

In preparing this report the relevance of the following factors has been considered: financial, legal and human rights, human resources, equality and diversity, health, environmental, transport, property and prevention of crime and disorder.

4 Background Papers

Files held by the Investment Section.

5 Officer's Recommendations

5.1 That the report of the external adviser, Mr Fletcher, be noted.

5.2 That the asset allocations, total assets and long term performance analysis in this report be noted.

5.3 That the strategy outlined in the report be approved.

PETER HANDFORD

Director of Finance & ICT

Appendix 1

MJ HUDSON Allenbridge

Second Quarter 2018 Investment Report

PREPARED FOR:

Derbyshire County Council Pension Fund: Pensions and Investment Committee Meeting

JUNE 2018

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MJ HUDSON
Allenbridge

Investment Report for Derbyshire County Council Pension Fund

This report has been prepared by Anthony Fletcher "External Investment Advisor" of Derbyshire County Council Pension Fund (the Fund). At the request of the Pension and Investment Committee the purpose of the report is to fulfil the following aims: -

- Provide an overview of market returns by asset class over the last quarter and 12 months.
- An analysis of the Fund's performance by asset class versus the Fund specific benchmark for the last quarter and the last 12 months.
- An overview of the economic and market outlook by major region, including consideration of the potential impact on the Fund's asset classes
- An overview of the outlook for each of the Funds asset classes for the next two years; and recommend asset class weightings for the next quarter together with supporting rationale.

Since the contents of this report have been dictated by the Pension and Investment Committee it does not contain performance data for longer periods in accordance with the requirements of the FCA Rules.

The report is expected to lead to discussions with the in-house team on findings and recommendations as required. The advisor is expected to attend quarterly meetings of the Pensions and Investment Committee to present his views and actively advise committee members.

Meeting date 11th September 2018
Date of paper 24th August 2018

1. Market Background

The global economy recovered from its stumble in the first quarter of the year as growth picked up in most developed markets, although volatility remained heightened relative to 2017. Global equity markets had a mixed quarter, with developed markets recovering from the correction in Q1 to various degrees; in contrast, emerging markets suffered considerable losses, especially in local currency terms.

In June, the Federal Reserve increased rates by 25 basis points, to a range of 1.75 to 2.0%. Corporate earnings remained robust in the US, still bolstered by the effects of President Trump's tax reforms. Brexit continued to act as a drag in the UK and, despite faster growth predicted for Q2, the Bank of England revised its predictions for growth in 2018 downwards. UK equities, having been relative underperformers, experienced a stronger quarter as interest rates remained unchanged and sterling weakened.

Global bond markets experienced significant bouts of volatility: US 10-year Treasury yields reached a seven-year high, then fall back significantly due to growing risk aversion. Corporate bond spreads continued to widen reflecting not just the greater uncertainty and prospect of further interest rate hikes, but also due to the very large supply of new bonds to the market.

Italian bond yields shot up at the end of May, as a coalition government formed of two populist parties on either side of the political spectrum took power. Concerns grew over the coalition's plans to cut taxes and boost spending, in a country where government debt is over 130% of GDP. Following the proposed appointment of a Eurosceptic finance minister, and news of the possible introduction of a parallel currency for some government transactions, markets panicked and fears grew that Italy might leave the Euro. However, the candidate was vetoed by the Italian President, and the plans for a parallel currency cancelled. The government subsequently reaffirmed its commitment to staying in the Euro. It is worth noting that while Italy has a Euro-sceptic government 61% of the population support membership of the currency. Italian yields have subsequently subsided as government policies proved less radical than expected and the feared contagion to other European bond markets was confined to Spain, having said that German government bond yields fell a reflection of their "safe haven" status.

Following a period of weakness, the dollar strengthened significantly as the Fed increased interest rates while other major central banks maintained very loose monetary policy, and a widely anticipated Bank of England (BoE) rate rise failed to materialise.

Commodity prices had a mixed time, but overall ended the quarter up. Fears of a trade war remained the key influence over performance. The price of oil continued to rise due to strong demand along with supply disruptions in the Middle East, while gold prices fell because of a stronger dollar.

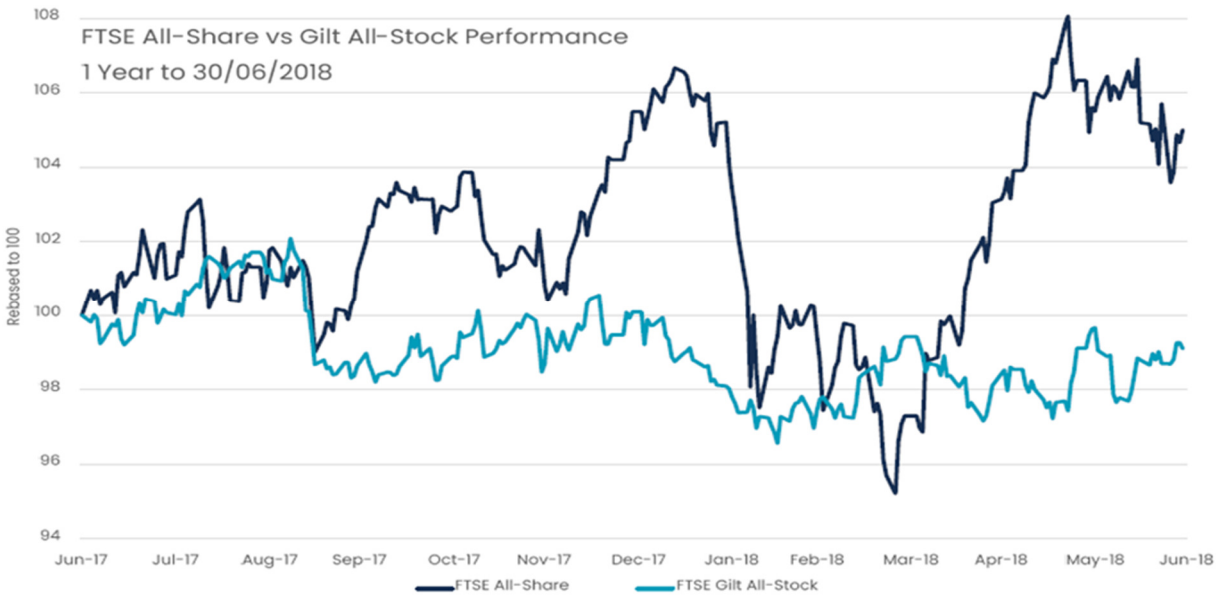
Table 1, below shows the total investment return in pound Sterling for the major asset classes, using FTSE indices except where noted; for the month of July 2018, 3 and 12 months to the end of June 2018.

% TOTAL RETURN DIVIDENDS REINVESTED

	MARKET RETURNS		
		Period end 30th June 2018	
	July 2018	**3 months**	**12 months**
FTSE All-Share	1.3	9.2	9.0
FTSE World ex UK	3.9	6.7	9.4
North America	4.2	10.0	12.5
Europe ex UK	5.1	3.3	3.0
Japan	1.0	3.2	9.3
Pacific Basin	2.1	2.3	7.0
Emerging Equity Markets	4.1	-2.4	5.9
UK Gilts - Conventional All Stocks	-0.4	0.2	1.9
UK Gilts - Index Linked All Stocks	0.5	-1.0	1.8
UK Corporate bonds*	0.2	-0.2	0.6
Overseas Bonds**	-0.4	-0.3	0.7
Property IPD quarterly		1.7	9.0
Cash 7 day LIBID		0.09	0.28

* Merrill Lynch £ Corporate Bond; **Citigroup WGBI ex UK hedged

Chart 1: - UK bond and Equity markets since 30th June 2017



Source: - Bloomberg

Table 2: - Change in Bond Market yields over the quarter

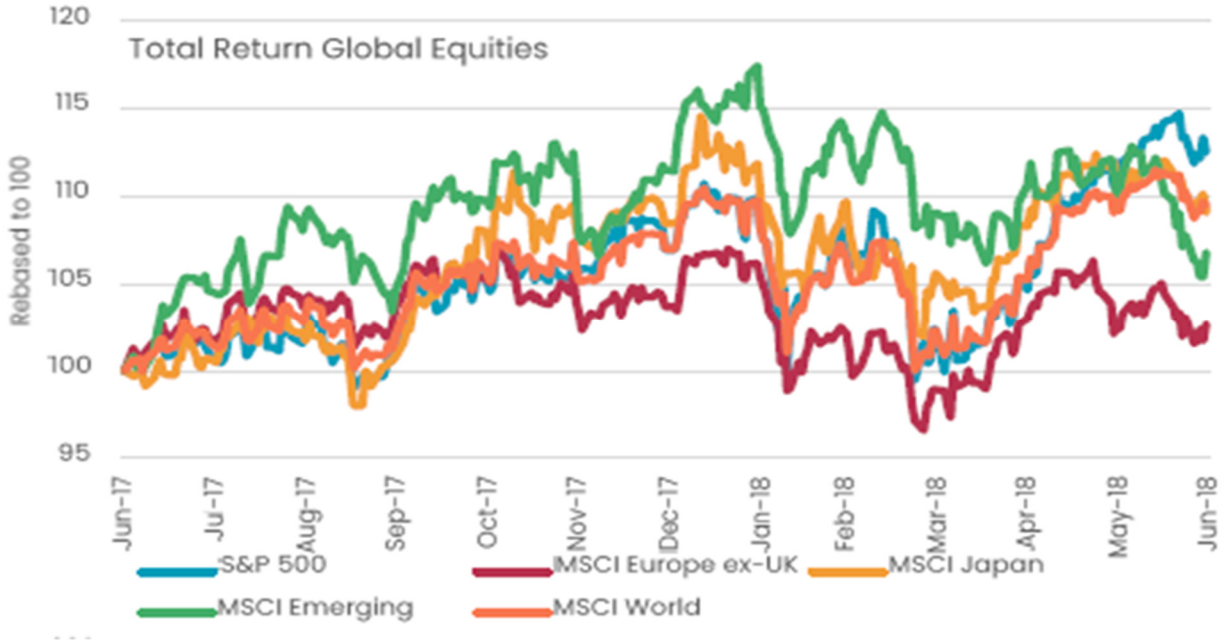
BOND MARKET % YIELD TO MATURITY	31ST March 2018	30th June 2018	CHANGE	30th June 2017	CURRENT 21st August 2018
UK GOVERNMENT BONDS (GILTS)					
10 year	1.35	1.28	-0.07	1.26	1.28
30 year	1.71	1.73	+0.02	1.86	1.75
10 Index linked	-1.73	-1.76	-0.03	-1.77	-1.79
30 Index linked	-1.63	-1.54	+0.09	-1.67	-1.59
OVERSEAS GOVERNMENT BONDS					
10 US Treasury	2.74	2.86	**+0.12**	2.31	2.82
10 Germany	0.49	0.30	**-0.19**	0.47	0.35
10 Japan	0.04	0.03	**-0.01**	0.08	0.10
NON-GOVERNMENT BONDS					
UK corporates	2.64	2.72	**+0.12**	2.41	2.67
Global High yield	5.68	6.20	**+0.52**	5.37	6.06
Emerging markets	4.48	5.11	**+0.63**	4.50	5.13

Source: - BofE DMO; Bloomberg and Merrill Lynch, indices 18th May 2018.

Chart 2: - Bond index returns in Sterling terms, since 30th June 2017.

Source: - Bloomberg

Chart 3: - Total return of overseas equity markets in Sterling terms, last 12 months.



Source: - Bloomberg

Recent developments.

The unusually hot weather and the football World Cup provided plenty of excitement in July, but markets were just as interesting. Trade tensions remained acute but ultimately the strength of corporate earnings was enough to push equity markets higher across the developed world. Over the course of the month, the S&P 500 gained nearly 4% and European equities rose over 5%.

The US continued to report above-trend economic data and markets responded to a raft of strong company earnings reports. Consumers remain optimistic about the future and are spending with gusto, Retail sales grew 6.6% year on year for the month of June. This is the fastest pace of spending growth since 2012. Businesses are similarly optimistic; the manufacturing purchasing managers' index (PMI) was also higher. GDP in the second quarter rose at an annualised pace of 4.1% over the previous quarter. Inflation rose to 2.9% in June, well above the Federal Reserve's (Fed's) target, though some of this strength is attributed to the rise in oil prices and should prove temporary. US equity earnings in the second quarter were very strong, almost 90% of companies beat expectations.

Brexit dominated the UK headlines; the Prime Minister Theresa May assembled her cabinet at Chequers to try to agree a common position for the formal negotiations with the European Union (EU). Two cabinet members, David Davis and Boris Johnson did not support the plan and tendered their resignations. A white paper, which sets out the UK's desired future relationship, aims for a customs partnership, as a solution for avoiding a border between Northern Ireland and the Republic of Eire. In the paper the UK government acknowledges that it will have to respect the regulatory framework imposed and overseen by the EU, while maintaining that it must regain control of migration. The market clearly remains nervous about the prime minister's ability to strike a deal with Europe that will be sufficient to appease her own party. In August the government published its contingency plans for a "no deal" scenario. A no deal outcome remains possible, but it is risky for

both sides given the economic ties. Sterling fell 0.6% over the month against the dollar, although this in part was due to broad-based dollar strength. The FTSE 100 rose 1.5% over the month and the FTSE 250 rose 0.4%.

The rebound in the UK's economy in the second quarter gave the BoE the opportunity to raise rates by 0.25% to 0.75%, at their August MPC meeting and the publication of the Inflation report gave Mr Carney the opportunity to outline the policy required to keep inflation at the 2% target throughout the next three years. The BoE suggested this will need require 3 more 0.25% increases in the Base Rate. Mr Carney went on to cite Brexit as the biggest uncertainty driving the timing of potential future increases and reiterated his desire to see a normalisation of interest rate policy.

In July, the eurozone's composite PMI was slightly lower, but the headwinds of higher oil prices and trade tensions eased, which may support business sentiment over the remaining months of the year. Germany's manufacturing PMI in July showed encouraging signs of improvement, which was surprising given the industrial exposure of the economy to any proposed tariffs on autos. At the European Central Bank's (ECB's) Monetary Policy Committee meeting all key interest rates remained unchanged and the ECB reaffirmed its intention to end quantitative easing by the end of the year but hold interest rates at their current levels at least through the summer of 2019. Trade tensions de-escalated between the US and EU after EU President Jean-Claude Juncker visited Washington. It was agreed that the US and EU would work together "toward zero tariffs on industrial goods". Plans for new tariffs on other EU goods, including autos are on hold while talks take place. European markets were cheered by the news, and the FTSE Europe ex-UK rallied after the announcement to end the month 5.1% higher.

In contrast, trade relations between the US and China deteriorated further. On 10 July, the US Trade Representative listed 200 billion US dollars' worth of Chinese goods that could be eligible for 10% tariffs. Several days later, China announced tariffs on US agricultural products. In response, the US said it may be prepared to further increase the tariffs on the full range of goods imported to the US from China (approximately 450 US billion dollars' worth). US businesses are becoming increasingly vocal about the detrimental impact of potential tariffs, which may limit the administration's final actions. But with the US mid-term elections in November and Mr Trump claiming the recent improvement in the US economy is down to his good management, it is unclear how these policies will play into the political rhetoric.

Meanwhile the Chinese central bank cut its Reserve Requirement Ratio (RRR), to encourage bank lending and a fiscal stimulus package was also announced by Beijing's authorities. This included tax reductions and expansion of R&D deductible policies for a wide range of Chinese companies. The yuan fell 2.9% against the dollar over the course of the month. Elsewhere in the emerging world, the news remained mixed. The Central Bank of Turkey surprised markets by not raising its 17.75% policy rate. This raised concerns about the credibility of the authorities in Turkey and their commitment to economic stability. Turkey is one of the economies that is vulnerable to rising US interest rates and a strong dollar, given its large current account deficit and recent growth in external debt. Argentina and South Africa are similarly exposed, these economies' currencies have also fallen significantly against the dollar over the course of the year.

2. Investment Performance

Table 3, shows the performance of the Derbyshire Pension Fund versus the fund specific benchmark for the 3 and 12 month periods to the end of June 2018. The performance data has been provided by Portfolio Evaluation Limited (PEL) using their own data for the period since the end of March 2017 and a combination of PEL and WM data over longer periods. The analysis shows that the Fund performed in line with its benchmark over 3 and 12 months, but continues to outperform on rolling 3,5,10 years and since inception on a net of fees basis. The PEL attribution data suggests a negative contribution from Asset Allocation, but an equally offsetting positive contribution from Stock Selection over the second quarter of 2018.

Table 3: - Derbyshire Pension Fund and Benchmark returns

% TOTAL RETURN (NET) 30TH JUNE 2018	3 MONTHS		12 MONTHS	
	Derbyshire Pension Fund	**Benchmark**	**Derbyshire Pension Fund**	**Benchmark**
UK Equity	8.9	9.2	8.5	8.6
Overseas Equity	4.9	5.2	8.0	8.1
North America	10.4	10.0	11.0	12.5
Europe	3.5	3.6	2.7	2.7
Japan	3.9	3.2	13.7	9.3
Pacific Basin	3.1	2.3	7.1	7.0
Emerging markets	-2.8	-2.4	3.8	5.9
UK Gilts	0.4	0.2	1.8	1.9
UK & Overseas Inflation Linked	-0.7	-1.0	2.2	1.8
UK Corporate bonds	0.0	-0.4	1.6	0.5
Multi-asset Credit	1.1	0.9	4.4	3.9
Alternatives (all sectors)	4.2	4.5	5.3	5.9
Property (all sectors)	3.1	1.7	10.7	9.0
Cash	0.1	0.1	0.6	0.3
Total Fund	**4.5**	**4.5**	**6.8**	**6.8**

Total fund value at 30th June 2018 £4,866 million

The rebound in market performance in the second quarter helped the Fund deliver a positive return of 4.5% in line with the benchmark, the total return over 12 months recovered to 6.8% again in line with benchmark. Over the quarter the stronger US dollar and a generalised weakness in emerging markets, meant that outside of the US, overseas equity markets underperformed the UK. Bond markets continued to have a difficult time with investment grade Government bond and credit market returns close to zero. Other diversifiers such as Multi-asset credit, Alternatives and property produced positive returns, albeit lower than equity. Over 12 months all returns were positive and the DPF's investments in most asset classes produced positive returns relative to the benchmark, however a

slightly negative aggregate contribution from both UK and Overseas equity (the largest combined asset weight in the Fund) meant that performance was only in line with the benchmark.

Equity performance

Over the quarter, UK equity market exposure was further reduced to 22.5% and is now relatively underweight compared to the strategic benchmark. This may go some way to explaining the relative underperformance over 3 and 12 months. Over the longer term the UK equity portfolio has consistently outperformed the benchmark.

Like the UK overseas equity returns were positive over the quarter but less so than the UK. Overseas equity continues to make a very strong positive contribution to the total return of the Fund, outperforming UK equities over longer periods in part due to the weakness of Sterling.

North American equity, actively managed in a segregated portfolio, by Wellington, outperformed in 2Q18 but still lags the benchmark over 12 months, as a result the 3 year numbers remain flat to benchmark, but the portfolio has delivered +1.5% and +2% over 5 and 10 years respectively.

The continental European equity portfolio is passively managed by UBS. The 3 and 12 month returns are in-line with the benchmark as are the 3 year returns. The 5 year returns continue to reflect a period of poor results from active management and remain 0.5% behind benchmark.

The other equity assets are invested in Japan, the Pacific Basin and Emerging Markets equities, via pooled funds selected by the in-house team. In 2Q18, allocations to Japan and Pacific ex Japan underperformed the UK but were better than benchmark. Over longer periods both these allocations were well ahead of benchmark. Emerging Markets equity had a difficult quarter producing negative returns due to poor sentiment caused by sabre rattling over trade tariffs by the US and the problems in Argentina and Turkey.

Fixed Income Performance

The UK government bond market (Gilts) achieved a small positive return as yields fell slightly, long dated gilts in particular had the best returns. Index Linked Gilts produced negative returns but the Fund's allocation to US TIPS and the shorter duration meant the Fund lost less than the benchmark.

The returns from corporate bonds were flat but ahead of the benchmark. The corporate bond market struggled to absorb the large supply of new bonds issued over the first half of the year, High yield debt very slightly outperformed investment grade corporates due to their higher yield. The allocation to Multi-Asset Credit produced positive returns and the fund outperformed its benchmark.

Again, over the year, with the exception of conventional gilts, all the active decisions taken relative to the benchmark added value, exposure to outperforming US TIPS helped inflation linked bond portfolio outperform the benchmark. As did the allocations to Investment Grade and Multi-asset credit.

Alternatives

The absolute return of the in-house team's portfolio of Alternative investments was positive and well ahead of bonds, but behind that of equities over the quarter, the portfolio slightly underperformed the benchmark. Over the year it is similar pattern, but over longer term periods, Alternatives continue to enjoy excellent absolute and relative returns despite the underweight allocation.

Property

Over the quarter and the year the total allocation to all property produced positive returns with the allocation to direct property outperforming the indirect property funds. Over the longer term direct property investments have helped the allocation outperform the benchmark whereas indirect property returns have been more mixed. Total return from the sector remains strong and positive on an absolute and relative basis.

Asset Allocation

At the asset allocation level, the DPF's in-house team has made some excellent decisions. In general, over the medium to long term, being overweight "growth" assets like equities at the expense of "income" assets like bonds, has been a good decision. Within equity, being overweight higher growth regions like Asia Pacific and Emerging Markets has in absolute terms increased Fund performance. Within bonds the Fund could have benefitted from a higher allocation to non-government sectors, but this would have increased risk. On balance in terms of total return it is has probably been better, to use the money generated by being underweight bonds in general to invest it in being overweight equity. The Fund has also been successful with its allocations to Property and Alternatives and it also identified good managers that have outperformed their benchmarks, the contribution to overall Fund return would have been even more significant if the Alternatives managers had invested all the DPF's committed cash.

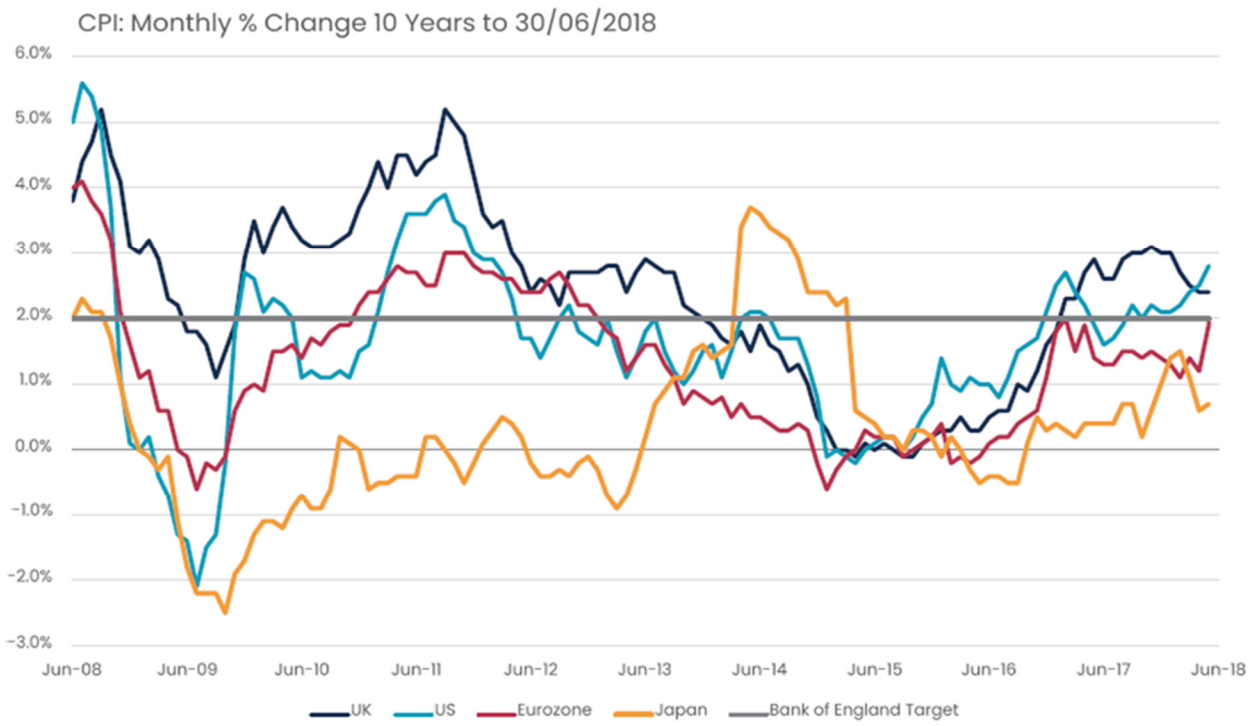
3. Economic and Market outlook

Economic background

Following signs of a slowdown in the synchronized global expansion observed in the first quarter of 2018, growth was stronger in the second quarter, as US consumption picked up and temporary effects, such as poor weather in the UK and a significant flu outbreak in Germany, dropped out of the figures. US retail sales grew by over 6% year-on-year and unemployment fell to 3.8%, the lowest level since 1969. A strong US economy gave the Federal Reserve (Fed) the confidence to raise interest rates again in June to a new range of 1.75 to 2% and signal two further hikes to come this year, followed by three more next year. A bounce back in UK retail sales, combined with the lowest unemployment since 1975 and surveys indicating firming wage pressure, gave the BoE the opportunity to increase rates in August. Europe saw a further slight slowdown in growth not helped by political developments in Italy and to a lesser extent Spain.

Over the quarter there was a generalised increase in headline inflation driven by higher oil prices, see chart 4 below.

Chart 4: - Inflation outside of Japan is getting closer to the central bank target rate of 2%.



Source: - Bloomberg

Central Banks

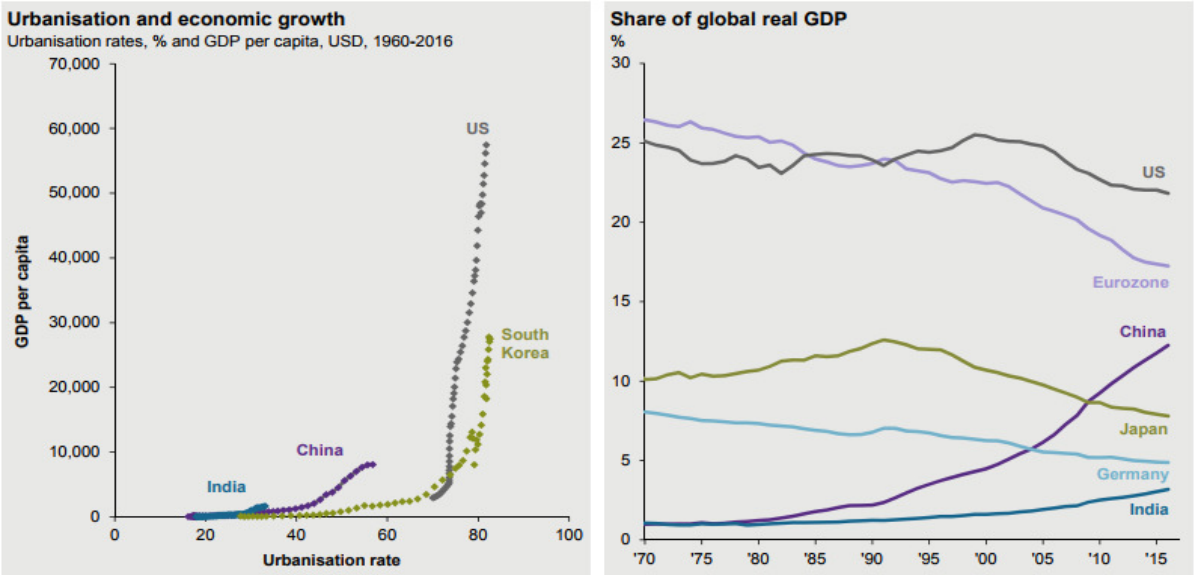
At its meeting in June the US Fed raised rates by 0.25% to a range of 1.75 to 2.0%, it declined to change rates in August but in has indicated that it will probably raise rates by 0.25% in September and again by the end of the year. In its forward guidance the Fed said that there will be 3 further 0.25%

hikes in 2019. The markets had expected the Bank of England to raise rates in May, but weaker 1Q18 growth caused the Bank to wait and see if the slowdown was temporary, as it transpired better growth and further falls in unemployment encouraged the BoE to raise rates by 0.25% at its August meeting. Following the guidance given by the BoE, the markets are now expecting a further rate hike this year and 2 more in 2019. The ECB said there will be no changes in interest rates before the summer of 2019 and they confirmed that QE will end by December 2018. The Bank of Japan confirmed no change to it's negative interest rate policy but introduced some flexibility to its yield curve policy, stating that while it would target a 10 year yield of 0.0%, it would allow yields to rise as high as 0.2% (rather than 0.1% as before), it will continue to buy bonds (QE), to maintain the current high level of monetary accommodation, but it will be more variable in terms of timing and amount. The US Fed is still the only central bank to be actively using Quantitative Tightening (QT) to reduce its balance sheet of bonds bought as part of their QE programme.

Emerging economies

In general, emerging economies achieved good growth in the second quarter with Chinese, Indian and Asian outperforming expectations, but Argentina, Brazil and Turkey grabbed the headlines and the strength of the US dollar caused equity markets to underperform in aggregate. As mentioned before the long-term drivers of secular expansion remain in place, the left-hand graph on chart 5, shows that as the urbanisation rate increases, it is accompanied by higher incomes and this drives domestic consumption. The irony over the discussions on trade tariffs, is China is already moving from expanding its export led growth to domestic growth, so the US may be picking the wrong fight. For the emerging economies the demographics are also more favourable, in general their debt burdens are lower, which means they can probably continue to sustain higher growth rates. As emerging economies switch to domestic demand they are becoming less internationally dependent and increasingly able to finance activity from their own domestic savings and growth. The right-hand graph on chart 5 also shows how the share of global real GDP has changed over time, China already outstrips the contribution from developed economies like the UK, Germany and Japan.

Chart 5: - Emerging market structural economic dynamics and share of global GDP.



Source: (Left) IMF, J.P. Morgan Asset Management. Urbanisation rate refers to the proportion of the total population living within an urban area defined by national statistical offices. (Right) Thomson Reuters Datastream, World Bank, J.P. Morgan Asset Management. Past performance is not a reliable indicator of current and future results. *Guide to the Markets - UK.* Data as of 31 March 2018.

Politics

As already mentioned Political turmoil further troubled markets with trade tensions between the US and China, EU and Canada escalating. The Italian election results generating panic amongst investors and, in Spain, Mariano Rajoy's scandal-plagued tenure coming to an end with Pedro Sánchez of the left-leaning Spanish Socialist Workers' Party becoming Prime Minister on 2nd June.

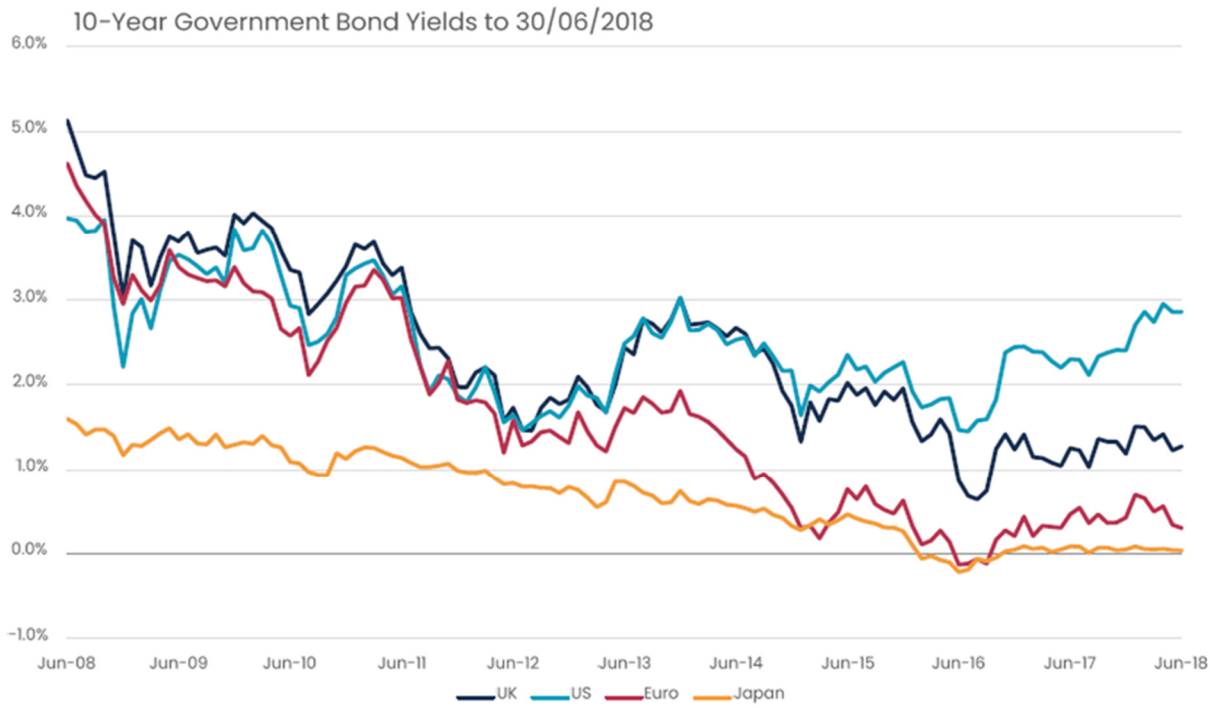
With Europe pretty much closed for the summer holiday's the Brexit negotiations have rumbled on with a decidedly Conservative party focus, David Davis and Boris Johnson decided they could not accept "cabinet collective responsibility" and quit the Front benches. Dominic Raab has replaced David Davis as Secretary of State for Exiting the European Union and Jeremy Hunt replaced Boris Johnson.

At the time of writing as part of the investigations into Russian interference in the US presidential election campaign, Mr Trump's former personal lawyer Michael Cohen pleaded guilty to eight federal crimes and said Mr Trump had directed him to make two hush-money payments to women in violation of campaign finance laws. In a separate case his Campaign Chief, Paul Manafort has been found guilty of bank fraud, tax fraud and failure to report a foreign bank account, linked to the presidential election campaign. Mr Trump has of course decried the news as a "witch hunt" and "fake news".

Government bonds

The UK Government bond market produced a small positive return in 2Q18 and yields have continued to fall despite the rate hike from the Bank of England. In May US 10-year yields hit a 7 year high as economic data improved and the markets feared a more activist Fed. The US yield curve flattened with two-year yields increasing from 2.27% to 2.53%. The spread between two and 10-year yields reached its lowest point since 2007. In Europe government bond yields were much more mixed, the formation of a populist coalition government in Italy with some radical, expansionary economic plans, caused Italian 10-year yields to increase from 1.79% to 2.68%, and two-year yields increased from -0.33% to 0.72%. Spanish yields also rose on news that Prime minister Mariano Rajoy had been forced out of office in June. At the same time, a flight to quality was triggered with significant flows into German government bonds, causing their yields to fall. I continue to expect that global government bond yields led by the US, are likely to trend higher, which may lead to further quarters of very low positive or even negative returns.

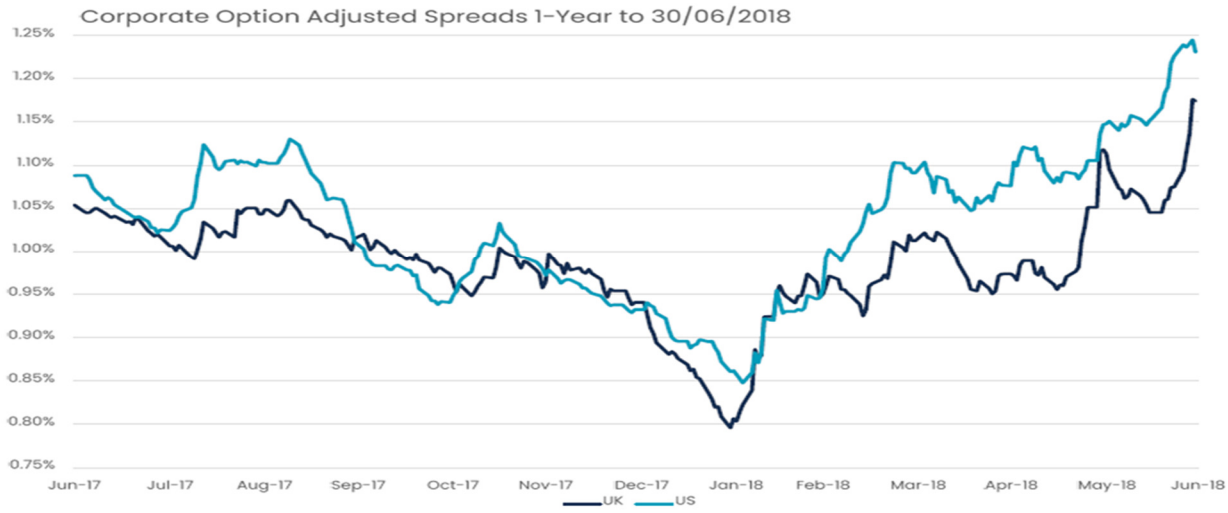
Chart 6: - Government bond yields, last 10 years



Source: - Bloomberg

Non-government bonds

Chart 7: - Investment grade credit spreads, extra yield over government bonds.



Source: - Bloomberg

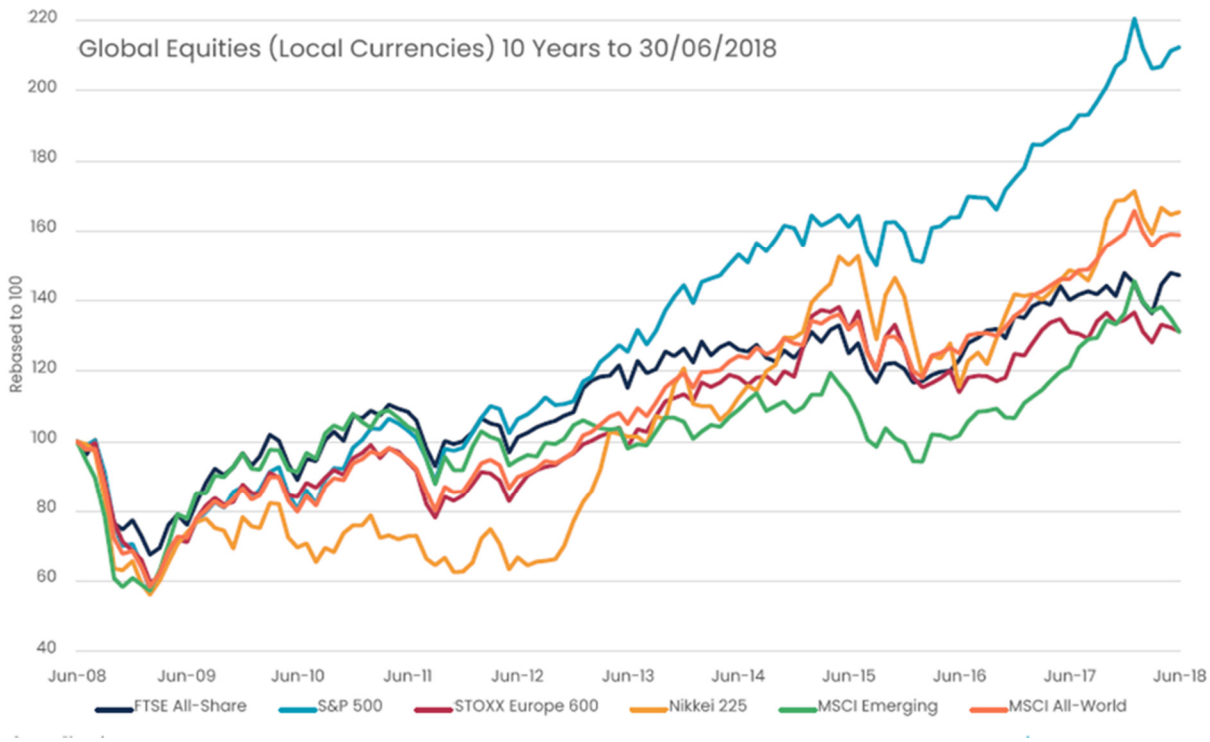
As you can see in Chart 7, above the excess supply and increased uncertainty weighed on the non-government bond market well into the second quarter with the yield spread widening. Since the end of the quarter yield spreads have stabilised, while the extra yield may not be an argument for being overweight exposure just yet, it is a case for maintaining exposure. The overall yield is still higher and the interest rate risk lower, so non-government bonds could resume their outperformance of

government bonds whichever the direction of the market. As I am not expecting a generalised credit event or a sharp increase in default rates, I believe the extra yield especially from higher yielding non-government and emerging market debt could outperform government bonds over the year ahead. See Table 7, below for an estimate of the impact of rising bond yields on Government and non-government bond markets.

Equities

Chart 8, below shows the performance of representative equity market indices in local currency terms over the last 10 years. The US market represented by the S&P 500 index has had the strongest returns since the GFC and Europe (STOXX Europe 600) and emerging markets the poorest.

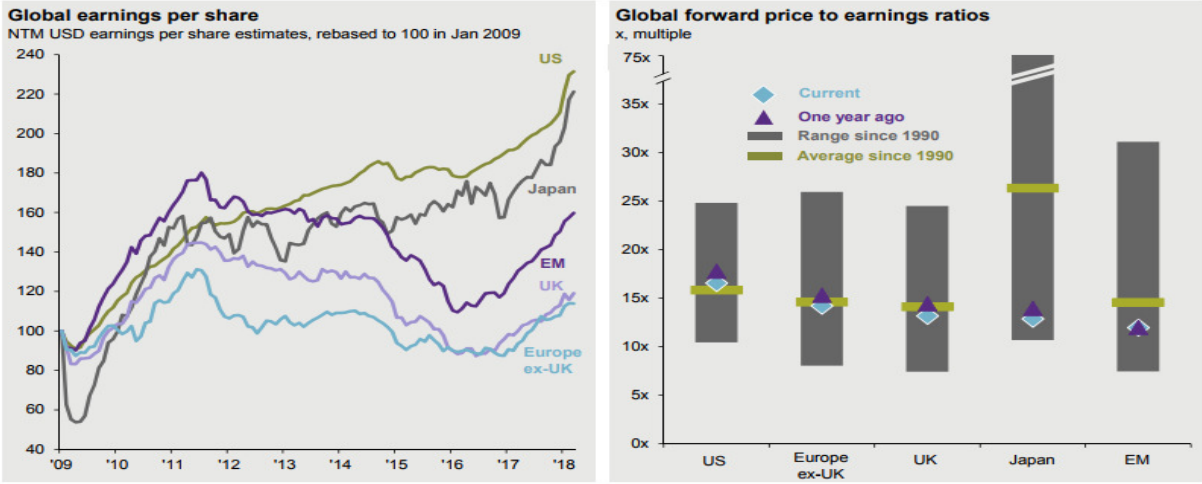
Chart 8: - Global Equity returns, last 10 years.



Source: - Bloomberg

Chart 9, below shows on the left hand side (LHS) shows estimated Earnings per Share (EPS) for the next 12 months this would support the idea of further positive price developments but I am increasingly concerned that there is a lot of good news already priced in at these levels, especially in the US where the market looks fully valued not just for EPS but also for leading indicators. In other words, it would appear that the US market has fully priced in the current optimistic outlook and should there be any bad news it may be vulnerable. Outside the US price to earnings ratios look most attractive in Japan and emerging equity markets.

Chart 9: - LHS - Global Earnings per Share estimates, in US dollars since January 2009; RHS – Global forward P/E's.



Source: - MSCI, DataStream, JP Morgan Asset Management, June 2018

The continued poor performance of Europe over the last year reflects the strength of the Euro but also the residual effects of political uncertainty in Germany earlier in the year and more recently in Italy and Spain. But the recent weakening of the Euro versus the US dollar and a softening of the tone on the trade negotiations with the US, combined with clarity from the ECB on their interest rate policy should help certain European equities perform well on an absolute and relative basis.

As mentioned above and in my last report the long-term fundamentals (chart 5) for most emerging economies remain positive, growth is stronger and their valuations (charts 9) remain attractive. As they develop, the positive demographics and the rise of the "middle classes" means they are becoming more domestically orientated, hence policy decisions taken in the US may not have such a lasting negative impact on emerging countries as they did in the past.

UK equity

Since the US dollar started to strengthen in April and combined with higher Oil prices, the UK market has been one of the best performing markets recovering its large losses in the 1st quarter. However, I suspect the performance is quite narrow and has been enjoyed by only a few sectors and individual stocks. The current strength may provide the tactical opportunity to reduce UK exposure and increase allocations elsewhere.

While I believe a lower weight to the UK equity market may be appropriate, the UK is the Home Market and the pensions are paid to UK residents. The UK has very high standards in terms of governance, accounting and the rule of law especially when compared to some emerging markets. The UK stock market indices have a high weight of global companies with international earnings, so for this reason the UK equity market can be seen as a proxy for global equity, thus justifying a higher weight in a portfolio. In terms of how to be positioned between domestic versus overseas earnings, I continue to believe the performance of the UK domestic economy looks more uncertain. UK growth

continues to slow relative to the rest of the world and the Bank of England's forecasts for 2018 and beyond support a further underperformance of the UK economy.

The Fund is already underweight the UK equity market but a further redistribution towards overseas markets especially outside the very expensive US market and towards those markets with better demographics and higher growth rates may be worthy of further consideration.

GDP Forecasts

Table 4, shows the consensus forecasts for GDP growth in calendar 2018 and 2019 and my expectations in May and July 2018.

Table 4: - GDP forecasts - Consensus versus Advisor expectations

% CHANGE YOY

	2018				2019			
	MAY 2018		JULY 2018		MAY 2018		JULY 2018	
	Consensus	**AF**	Consensus	**AF**	Consensus	**AF**	Consensus	**AF**
US	2.8	**3.0**	2.9	**3.0**	2.6	**3.0**	2.6	**3.0**
UK	1.4	**1.4**	1.3	**1.4**	1.5	**1.5**	1.5	**1.5**
Japan	1.3	**1.5**	1.1	**1.5**	1.1	**1.5**	1.1	**1.5**
EU 28	2.2	**2.4**	2.1	**2.4**	1.9	**2.2**	1.8	**2.2**

Source: - Consensus Economics May 2018

Consensus estimates for 2018 have been marked higher in the USA and down elsewhere, the consensus for 2019 is lower for all countries. After the weakness of the 1st quarter growth the second quarter has been somewhat stronger. Notwithstanding the tensions being caused by Mr Trump's rhetoric on trade, I continue to believe that the period of synchronised growth that the global economy is experiencing may continue into 2019 and result in growth being generally higher than consensus. In the UK I believe the consensus is probably about right, the recent increase in Oil prices will dampen growth but employment growth remains strong and real earnings have improved slightly as the past weakness of Sterling falls out of the inflation index, however, the impact of the continued uncertainty generated by Brexit makes UK growth very difficult to forecast.

The advance estimate of US GDP showed an annualised rate of 4.1% in the second quarter of 2018, well above an upwardly revised 2.2 percent expansion in 1q18. It was the strongest growth rate since the third quarter of 2014 driven by higher consumer spending and exports while business spending slowed. Personal consumption expenditure (PCE) contributed 2.7% to growth, compared to 0.4% in the first quarter. Spending on durable goods rebounded (9.3% compared to -2%), spending on services was also higher. Fixed investment, outside of residential, was higher and inventories were lower. The balance of trade also improved with exports higher and imports lower and finally Government spending and investment was also positive. Naturally enough Mr Trump was quick to claim that all this was due to his excellent management of the economy.

The preliminary estimate of UK growth in the second quarter was 0.4% quarter on quarter and first quarter growth was revised higher from 0.1% to 0.2%, making the annual growth rate 1.3%. The main contributors were stronger household consumption and fixed investment rebounded firmly, while net trade subtracted from growth. Household consumption growth improved by 0.1% and gross fixed capital formation increased 0.8% from -1.3% in Q1, driven by rises in business investment. The balance trade sharply deteriorated with both imports falling 0.8%, but exports slumped 3.6%! As a result, the trade deficit widened sharply to £7.2 billion from £3.2 billion in the previous period. While services output was higher, industrial production and manufacturing were lower.

The preliminary estimate of Japanese growth was 0.5% in the three months to June 2018, after -0.2% in Q1, beating market consensus forecast of 0.3%, boosted by a strong rebound in household consumption and a faster rise in business spending. Private demand increased by 0.7% in Q2, compared to a 0.4% fall in Q1, capital expenditure expanded by 1.3%, much faster than the 0.5% growth rate in Q1, this was the steepest increase in business spending since the first quarter 2015. At an annualised rate the economy grew 1.9% the second quarter, bouncing back from an upwardly revised 0.9% contraction in Q1.

The second estimate of the Eurozone's second quarter growth rate was 0.4%, matching the growth rate seen in the first quarter of 2018. Among the bloc's largest economies, GDP growth continued to slow in France, slowed in Italy and Spain and was higher in Germany. The annualised growth rate slowed from 2.4% in Q1 to 2.2% in Q2, somewhat slower than the 2.8% seen in 2017.

Consumer Price Inflation

Table 5, shows the consensus forecasts for Consumer Price Inflation in calendar 2018 and 2019 and my expectations in May and July 2018.

Table 5: - Consumer Price Inflation forecasts - Consensus versus Advisor expectations

% CHANGE YOY								
	2018				2019			
	MAY 2018		JULY 2018		MAY 2018		JULY 2018	
	Consensus	**AF**	Consensus	**AF**	Consensus	**AF**	Consensus	**AF**
US	2.5	**2.7**	2.5	**2.7**	2.2	**2.5**	2.2	**2.5**
UK	2.5	**2.5**	2.5	**2.5**	2.2	**2.5**	2.1	**2.5**
Japan	1.0	**1.2**	1.0	**1.2**	1.1	**1.2**	1.1	**1.2**
EU 28	1.7	**2.0**	1.8	**2.0**	1.7	**2.0**	1.8	**2.0**

Source: - Consensus Economics May 2018

The latest prints on inflation were all higher as the impact of higher oil prices and a generally stronger economy work their way thought the system. Inflation in the US remained at a 6 year high of 2.9% in July, driven by higher fuel oil and gasoline prices, food prices were stable, ex food and energy US core inflation increased to 2.4% the highest rate seen since 2008. In the UK, inflation ticked up to

2.5% in July from 2.4% in June, the first monthly increase in the rate since November last year, energy prices were the main driver, core inflation remained at 1.9%. Europe and Japan both saw a 0.2% uptick in the rate of inflation over the previous month. I still expect that inflation will come in above the consensus expectations, but I do not believe that this will be a surprise to any of the major central banks, therefore I do not see any unexpected changes in policy.

Notwithstanding the recent uptick in the cost of energy the inflation outlook remains benign while the trend in US inflation is higher, the US Fed is responding with measured increases in rates and a further bout of QT. The Bank of England has been proved correct that inflation would fall as the impact of currency depreciation fell out of the system. I therefore believe Central banks remain comfortable with the level of inflation and are unlikely to respond unexpectedly. Outside the US and the UK, most developed economies have some way to go before growth will put pressure on inflation.

Having said that I believe the secular outlook for inflation globally has changed after a long period of low inflation driven by weak economic activity in the developed economies and the deflationary influence on global goods prices from emerging economies. If the noise on trade tariffs is translated into meaningful change this is likely to have the strongest impact on the prices of goods and ironically translate into higher US inflation.

4. The outlook for the securities markets

Bond Markets

In table 6, below I have set out my expectations for 3 month LIBOR interest rates and benchmark 10 year government bond yields, over the next 3 and 12 months. They are not meant to be accurate point forecasts, more an indication of the likely direction of yields from August 2018.

Despite rate hikes from the US and the UK and the ECB announcing an end to QE by the end of the year, bond yields have continued to move lower since the end of the quarter. 10 year yields are around 25bps lower than they were when I made my forecasts in May. While there is heightened uncertainty the global economy is still growing and Central Banks are on a path to higher rates and less monetary accommodation, therefore I expect to see higher LIBOR rates and 10 year bond yields, although it is highly possible that we will see a flatter yield curve going forward into next year.

At its meeting in June the US Fed raised rates by 0.25% to a range of 1.75 to 2.0%, it declined to change rates in August but in has indicated that it will probably raise rates by 0.25% in September and again by the end of the year. In its forward guidance the Fed said that there will be 3 further 0.25% hikes in 2019. The markets had expected the Bank of England to raise rates in May, but weaker 1Q18 growth caused the Bank to wait and see if the slowdown was temporary, as it transpired better growth and further falls in unemployment encouraged the BoE to raise rates by 0.25% at its August meeting. Following the guidance given by the BoE, the markets are now expecting a further rate hike this year and 2 more in 2019. The ECB said there will be no changes in interest rates before the summer of 2019 and they confirmed that QE will end by December 2018. The Bank of Japan confirmed no change to its negative interest rate policy but introduced some flexibility to its yield curve policy, stating that while it would target a 10 year yield of 0.0%, it would allow yields to rise as high as 0.2% (rather than 0.1% as before), it will continue to buy bonds (QE), to maintain the high level of monetary accommodation, but it will be more variable in terms of timing and amount.

The US Fed is the only Central Bank to have started Quantitative Tightening (QT) and because tax revenues are likely to decline due to tax cuts, a new buyer for US government bonds needs to be found. Japanese and German (the benchmark for Europe) government bond yields are still negative out to 5 years in Germany and 7 years in Japan and very low in longer maturities, this has encouraged a flow of capital into the US bond market attracted by the over 2.5% yield pick-up, but with the costs of hedging the currency beginning to offset the extra yield this flow could also come to an end. All of which is likely to make financing the US governments debt more difficult.

Table 6: - Interest rate and Bond yield forecasts

%	CURRENT	DECEMBER 2018	SEPTEMBER 2019
UNITED STATES			
3month LIBOR	2.32	2.80	3.25
10 year bond yield	2.82	3.25	3.75
UNITED KINGDOM			
3month LIBOR	0.80	0.80	1.30
10 year bond yield	1.28	1.80	2.25
JAPAN			
3month LIBOR	-0.03	0.00	0.00
10 year bond yield	0.10	0.10	0.10
GERMANY			
3month EURIBOR	-0.33	-0.25	-0.25
10 year bond yield	0.35	0.75	1.00

Source: - Bloomberg, Trading Economics; 21st August 2018

Bond Market Recommendations

As mentioned above I expect global government bond yields to continue to rise, led by the US. The surprise for me so far this year has been the continued weakness of non-government bond markets. This was caused by the glut of new issuance in the corporate market and the lower quality standards in the high yield market. Since the end of the quarter the new supply has been absorbed by investors as a result investment grade credit and emerging bond yields are unchanged and high yield spreads have narrowed outperforming both investment grade credit and government bonds.

In table 7 below I have updated the data and recalculated my estimates of the total return impact of rising yields for government and non-government bond indices based on their yield and interest rate sensitivity (Duration) over 3 and 12 months. The estimates do not take into consideration any widening of spread over the holding period. If the yield spread on investment grade corporates and global high yield widened by 0.3% and 2% respectively then all 3 indices would have a similar negative return to gilts over 12 months.

Table 7: - Total returns from representative bond indices

INDEX	YIELD TO MATURITY %	DURATION	YIELD INCREASE %	% TOTAL RETURN, HOLDING PERIOD	
				3 MONTH	12 MONTH
All Stock Gilts	1.67	10.8	0.5	-5.0	-3.7
UK Corporate Bonds	2.67	8.2	0.5	-3.4	-1.4
Global High Yield	6.06	3.9	0.5	-0.5	+4.1

Source: - BofA Merrill Lynch Indices 21st August 2018

In table 7 above I have shown how investing in non-government bond sectors could protect the DPF from the scale of negative returns that investment in gilts could result in. The recent spread widening of investment grade, high yield and emerging market debt, combined with the lower interest rate risk has made these asset classes more attractive. However, until the ECB QE programme has truly ended and the increased volatility in peripheral Euro government bond markets (particularly Italy) subsides there has to be a risk that investment grade spreads could widen, on the other hand the much higher yields available from global high yield and emerging market debt, make these asset classes worthy of consideration in a diverse fixed income portfolio. Having highlighted the opportunity, I think a neutral allocation to corporates and a full allocation to Multi-asset Credit is probably sufficient at this stage. I also know the DPF is underweight duration, this combined with an underweight to bonds in general has and will continue to reduce the negative impact of higher gilt yields relative to the strategic benchmark allocation.

I continue to suggest increasing the allocation to Multi-asset Credit from 3% to neutral at 4% as soon as is reasonably possible and ideally, I would like to be 1% overweight this asset class. Strategically I maintain my view that the fund should have a neutral weight to corporate bonds.

UK Index Linked gilts remain some of the most expensive bond assets in the world in absolute terms and when compared to inflation linked government bonds elsewhere. However, demand remains high from corporate pension schemes and Insurance companies looking for safe long-term Inflation linked returns. The in-house team has maintained their position in US TIPS and this has added value both on an absolute and relative return basis. Overall, I believe it is appropriate to be underweight this asset class and to continue to hold the position in US TIPS instead of UK Index Linked gilts. Although as noted above the cost of hedging the currency risk needs to be taken into consideration when investing in bonds outside the UK and may merit closing the positions in US government bonds.

Equity Markets

Table 8 below, shows the dividend yield, earnings growth and price / earnings ratio forecasts, for 2018 and 2019 provided by Citi Research.

Table 8: - Dividend yield, Earnings growth and Price/Earnings Ratios

COUNTRY	DIVIDEND YIELD	EARNINGS GROWTH		PRICE/EARNINGS RATIO	
FORECAST PERIOD	2018	2018	2019	2018	2019
United Kingdom	4.3	11.5	7.2	13.8	12.9
United States	1.9	22.2	10.5	17.9	16.2
Europe ex UK	3.3	10.2	9.8	15.1	13.7
Japan	2.2	9.1	4.3	14.0	12.9

Source: - Citi Research, Global Equity Strategist, 3rd August 2018

Analysts extrapolated the weakness of the first quarter and were clearly too bearish when making their forecasts in May because earnings growth for 2018 has been revised higher in all regions, including Japan, which has been revised 2.5% higher. However, as in May the positive sentiment for 2018 does not rollover into next year as estimates have again been revised lower for 2019. There is a generalised and well publicised concern about the prospects for 2019, driven by the belief that the US expansion is looking late cycle, supported by one off measures like the tax cuts and the impending deregulation of the banking system. The one thing we can be also sure of is the Fed is going to carry on tightening monetary policy, just at a time when issuance of new government bonds is likely to increase to offset the fall in taxes collected. The downward revision of Europe and Japan is less understandable as their expansions are less mature. The estimates for 2018 are consistent with a continuation of global synchronised growth and with my expectation of slightly stronger than consensus growth. However, they appear rather poorer than I would have expected for 2019.

Equity markets have performed extremely well over the last 10 years and maybe the analysts are right to be more concerned about 2019, it is clear that the impact of the US tax cuts will be subsiding by then, but there is some evidence that companies are beginning to invest more after a long period of caution. Rhetoric on trade from the US administration is not helping but as seems to be the usual pattern with Mr Trump; he makes a very big noise and then receives a fairly light concession enabling him to claim a victory or a great deal for America and not much seems to happen. However, this style of diplomacy comes with high risk and could by mistake lead to an unexpected outcome.

Outside of this risk the global economy continues to grow, but after such a long period of growth the high level of average long term returns is unlikely to be sustained into the future and forecasters are expecting average equity market returns to be around 4% for developed markets, but maybe as high as

7% for developing markets. As I mentioned in my last report the other factor supporting equity markets has been the uncharacteristically low volatility over the last 5 years, this is another market feature that is unlikely to persist. Lower aggregate returns and higher uncertainty are both strong arguments for active rather than passive investment, they are also arguments for diversification. In terms of the macro-economic factors investor should focus their asset allocation on markets where the secular as well as the cyclical factors still have upside potential and secondly on active asset managers with a proven ability to add value in all market conditions. I still believe equity markets can go higher, but the total return over the next 12 months is likely to be lower and more volatile than we have become used to.

Equity Market Recommendations

In summary, I have not significantly changed my position since the last report and PIC meeting. I continue to suggest a 2% overweight to equity funded from bonds mainly because while I do not expect a continuation of the strong equity returns we have seen in the last couple of years, I believe equities will outperform bonds. My problem is how to deploy it? The recent strong performance of the US suggests that maybe some profits should be taken and the position reduced to underweight. The strategic weight to UK equities has already been reduced to underweight; The underperformance of Europe provides an opportunity to benefit from a rebound post the weakness seen earlier this year. While I would prefer this was actively managed rather than passive, I think Europe provides a better opportunity than the US and suggest a +1% position; despite the strong performance over the last year I continue to recommend a +1% overweight to Japan and Asia-Pacific. The recent poor performance of emerging equity provides an opportunity to add to this allocation therefore I continue to recommend a +2% overweight to Emerging Markets.

At the end of the quarter the allocation to the UK equity market was 22.5% versus 25% for the benchmark. Which I think is about right, the economy rebounded from the weak 1st quarter and for good reason the BoE raised rates, but due to the weakness of sterling the market produced a good return. I remain concerned about macro economy and the impact of the uncertainty over Brexit, I continue to believe a lower allocation is prudent.

The US equity market remains the most overvalued, even when higher earnings growth is taken into consideration. The Fed continues to raise rates and the yield curve continues to flatten, these have in the past not been good macro-economic indicators for the equity market. For now, despite Mr Trump's rhetorical style, approach to geo-politics and trade negotiations, the market remains sanguine. Given the recent strong performance I think now is the time to start to reduce exposure and suggest -1% relative to benchmark.

I have said in the past that I would like the European equity investments to be actively managed but the poor news and poor performance of the market over the last 12 months presents a relative value opportunity, so despite the passive allocation I suggest a +1% position. Overall, I believe the economy will again surprise with stronger growth in 2018.

The Japanese equity market has recovered strongly in the 2nd quarter, despite the recent slowdown in the economy. On a fundamental value basis, the market is fair value, but cheap relative to the rest of the world and relative to its own longer term history. The political risk surrounding Mr Abe has

subsided and his reforms remain on track. One of which could have strong implications for the distribution of cash being held on company balance sheets, which are the highest in the world. The domestic and regional economic fundamentals underpinning the Japanese equity market have not changed. I therefore continue to recommend an overweight position of 1%.

Based on research on the contribution to global growth, the DPF is more underweight developing equity markets than it is to any other source of growth. The economies represented in the Pacific ex Japan and Emerging market equity indices are growing on average, roughly twice as fast as developed economies and have positive domestic macro fundamentals. The secular trends are intact and cycle is less mature, in addition relative to developed markets the valuation appears reasonable. I believe that a 1% overweight to Asia-Pacific and given its recent relative underperformance of emerging market equity this is an opportunity to increase the weight to +2% relative to benchmark.

Property, Alternatives and Cash

The Strategic benchmark is well diversified and contains an allocation to Property and Alternatives. These areas of investment tend to be less liquid (more difficult to buy and sell) and require high levels of due diligence to ensure only the best opportunities are acquired. The manager selection process is resource intensive, can be slow and once the manager is selected, deployment of committed cash can take a long time. Despite this, the assets purchased have many desirable attributes for pension funds whose long term liabilities have call for a balanced portfolio of long term assets whose performance is dependent on diverse sources of risk and return to more traditional tradable asset classes such as bonds and equities. For instance alternatives can provide a cheaper way to access long term inflation linked cash flows than through index linked gilts. Asset Allocation is increasing but remains below benchmark. It is also more appropriate to judge the performance of these asset classes on a longer term time horizon.

The Property market has again delivered strong diversified returns for the Fund and the direct property manager has outperformed. While all the focus has been on the weakness of currency and the strength of traded equity markets, property values have steadily improved without exhibiting short term volatility. Which again emphasises the need to be more long term in the approach to investment in property to avoid bouts of short term volatility. I continue to recommend that a neutral overall weight to property be maintained and express a preference for being 1% overweight direct, against being 1% underweight indirect property. The in-house team continues to add to its property investments by using the approach of buying well researched, quality properties at the right price and minimising “voids” is likely to continue to be successful in future.

Alternatives; the Strategic weight of Infrastructure has been increased from 3 to 5% and the in house team has added to selected fund managers over the year. As the allocation is still underweight I am therefore happy to be neutral both Infrastructure and Private Equity. Should the demand / supply imbalance improve I would like to see the allocation increased to overweight but it is more important to get the right opportunities than it is to fill the allocation with potentially expensive low yielding assets.

Finally, cash because the Fund is cash flow positive there is no requirement to carry a large cash balance. The current balance appears to still be quite high but it has declined over the year as

committed funds have been taken up. Much of the cash held is committed to fund managers that have yet to "draw down" their allocations for investments, further drawdowns will see the excess cash balance fall. Where there is excess cash above the committed balances the recent sell off may provide the opportunity to re-allocate to some cash to the market, especially as it would now appear that the Bank of England is unlikely to raise rates this year.

The asset allocation set out in table 9 below, shows the Derbyshire Pension Fund's Strategic benchmark allocations and my recommended relative weights as of 27th May and 21st August 2018. My suggested asset allocation weights represent an ideal objective for the Fund based on my expectations for economic growth and market performance, but they do not take into consideration the difficulty in reallocating between asset classes and the time needed to be taken by the investment managers to find correctly priced assets for inclusion in the Fund.

Table 9: - Recommended asset allocation against the new strategic benchmark set on 1st April 2017

% ASSET CATEGORY	DERBYSHIRE STRATEGIC WEIGHT 1ST APRIL 2017	ANTHONY FLETCHER 21ST MAY 2018	ANTHONY FLETCHER 21ST AUGUST 2018
Total Equity	**58**	**+2**	**+2**
UK Equity	**25**	**-2**	**-2**
Overseas Equity	**33**	**+4**	**+4**
North America	12	**0**	**-1**
Europe ex UK	9	**0**	**+1**
Japan	5	**+1**	**+1**
Pacific ex Japan	4	**+1**	**+1**
Emerging markets	3	**+2**	**+2**
Total Bonds	**22**	**-2**	**-2**
Conventional Gilts	5.5	**-1.5**	**-1.5**
UK index Linked	6.5	**-2.5**	**-2.5**
US TIPS	0	**+1**	**+1**
Non-government	6	**0**	**0**
Multi-asset Credit	4	**+1**	**+1**
Total Alternatives	**18**	**0**	**0**
Infrastructure	5	**0**	**0**
Private Equity	4	**0**	**0**
Direct Property	5	**+1**	**+1**
Indirect Property	4	**-1**	**-1**
Cash	**2**	**0**	**0**

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Appendix

References

Source material was provided by, including but not limited to, the following suppliers:-

- Derbyshire Pension Fund, PEL and WM performance services
- GFC Economics, Citi Research,
- FTSE, Citigroup, IPD, Barclay's Global and Interbank Indices
- Kames, Blackrock, , M&G and JP Morgan, Asset Management
- Bank of England, UK Debt Management Office, UK OBR, UK Treasury, ONS
- US Bureau of Labour Statistics, US Commerce Dept. Executive office of the President of the United States.
- Bank of Japan, Japan MITI
- ECB, Eurostat
- Bloomberg, Markit, Trading Economics, DataStream and S&P
- Financial Times, Daily Telegraph, Guardian, Wall Street Journal, New York Times, Washington Post

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APPENDIX 2

DERBYSHIRE PENSION FUND

Portfolio Valuation

31/7/18

DERBYSHIRE PENSION FUND
JULY 2018 PORTFOLIO VALUATION - BID

Fixed Interest	
UK Government Bonds	227,728,113
UK Government Index Linked	213,783,129
Corporate Bonds	264,952,577
Corporate Index Linked	0
Multi Asset Credit	141,642,308
US Govt	20,983,262
US Govt Index Linked	53,348,679
France	0
French Govt Index Linked	0
Germany	0
German Govt Index Linked	0
Total Fixed Interest	**922,438,068**
Total Equities	**3,033,797,687**
Alternatives	
Private Equity - quoted	64,677,144
Private Equity - unquoted	47,475,710
Infrastructure - quoted	74,757,929
Infrastructure - unquoted	97,873,014
Total Alternatives	**284,783,797**
Miscellaneous	
Real Property	202,625,000
Property Funds	147,037,284
Local Authority Deposits	866
Cash (incl USA)	351,454,716
Total Miscellaneous	**701,117,866**
TOTAL PORTFOLIO	**4,942,137,419**

DERBYSHIRE PENSION FUND
JULY 2018 PORTFOLIO VALUATION - BID

	Number held	Mkt Price in local currency (Clean) use Calc & IL Valuation	Mkt Price in local currency (Dirty) use for Non IL Valuation	Mkt Price pence GBP	Total £ GBP
UK GILTS					
TSY 3.75% 7/9/2020	10,322,000	106.25	107.75	107.75	11,121,745
TSY 4.75% 7/3/2020	10,000,000	106.40	108.30	108.30	10,829,742
TSY 1.75% 7/9/2022	13,490,000	103.23	103.93	103.93	14,020,164
TSY 4% 7/3/2022	10,995,000	111.09	112.69	112.69	12,390,466
TSY 2.25% 7/9/2023	15,400,000	105.97	106.87	106.87	16,457,792
TSY 5% 7/3/2025	5,500,000	124.36	126.36	126.36	6,949,706
TSY 2% 7/9/2025	7,000,000	105.63	106.43	106.43	7,449,954
TSY 1.5% 7/22/2026	5,650,000	101.75	101.79	101.79	5,751,065
TSY 4.25% 7/12/2027	18,000,000	125.59	126.22	126.22	22,720,439
TSY 4.75% 7/12/2030	13,162,000	136.13	136.85	136.85	18,011,907
TSY 4.25% 7/6/2032	12,370,000	132.88	133.52	133.52	16,516,753
TSY 4.5% 7/9/2034	16,373,000	139.90	141.70	141.70	23,200,632
TSY 4.25% 7/3/2036	11,400,000	138.65	140.35	140.35	15,999,865
TSY 1.75% 7/9/2037	11,800,000	99.98	100.68	100.68	11,879,774
TSY 4.75% 7/12/2038	7,934,000	151.73	152.44	152.44	12,094,732
TSY 4.25% 7/9/2039	4,050,000	143.89	145.58	145.58	5,896,180
TSY 3.25% 1/22/2044	8,000,000	129.57	129.66	129.66	10,372,985
TSY 4.25% 7/12/2046	3,900,000	154.85	155.49	155.49	6,064,214
001 UKGB Total					**227,728,113**
US GOVERNMENT BONDS					
T 2.25% 15/11/2024	21,000,000	96.20	97.06	73.95	15,529,641
T 2.75% 15/11/2042	7,500,000	94.39	95.44	72.71	5,453,621
004 USGB Total					**20,983,262**
NON GOVERNMENT BONDS					
Kames UK Corp Bond Fund	44,826,489	287.69	287.69	287.69	128,961,326
Royal London UK Corporate Bond F	53,595,146	253.74	253.74	253.74	135,991,251
Non Govt Bonds Total					**264,952,577**
MULTI ASSET CREDIT					
AMP Capital Infrastructure Debt Fu	17,000,000	0.35	0.35	0.35	5,286,175
Barings Global Private Loan Fund	40,000,000	0.93	0.93	0.93	37,119,837
Barings Global Private Loan Fund 2	40,000,000	0.55	0.55	0.55	22,121,040
Janus Henderson Multi Asset Credit	73,888,685	1.04	1.04	1.04	77,115,256
Multi Asset Credit Total					**141,642,308**
UK INDEX LINKED					
TREAS 4.125% IL STK 22/7/2030	6,510,000	361.29	361.52	361.52	23,535,140
TREAS 2% IL STK 26/1/2035	8,000,000	267.82	267.87	267.87	21,429,418
002 UKGIL Total					**44,964,558**

INDEX LINKED (3 monthers)

	Number hel	Clean Price	Index Ratio	Gross	Accrued Interest	Total
UK INDEX LINKED (3monthers)						
TREAS 0.125% IL STK 22/3/2024	9,230,000	111.6370	1.157910	11,931,214.76	4,138.45	11,935,353
TREAS 1.25% IL STK 22/11/2027	7,400,000	130.0400	1.446410	13,918,745.57	17,846.47	13,936,592
TREAS 0.125% IL STK 22/3/2029	5,325,000	120.5870	1.182290	7,591,788.83	2,387.57	7,594,176
TREAS 1.25% IL STK 22/11/2032	2,777,000	147.4480	1.292760	5,293,375.12	6,697.25	5,300,072
TREAS 0.75% IL STK 22/3/2034	11,465,000	142.6290	1.208720	19,765,490.88	30,843.34	19,796,334
TREAS 1.125% IL STK 22/11/2037	5,580,000	162.4800	1.387940	12,583,597.01	12,111.48	12,595,708
TREAS 0.625% IL STK 22/3/2040	5,600,000	158.0590	1.296400	11,474,830.51	12,554.35	11,487,385
TREAS 0.625% IL STK 22/11/2042	5,950,000	166.5140	1.321160	13,089,502.36	7,174.76	13,096,677
TREAS 0.125% IL STK 22/3/2044	11,470,000	154.1170	1.157900	20,468,452.92	5,142.80	20,473,596
TREAS 0.125% IL STK 22/3/2046	8,730,000	158.5680	1.088870	15,073,212.60	3,914.27	15,077,127
TREAS 0.75% IL STK 22/11/2047	6,500,000	186.4210	1.351030	16,370,923.64	9,405.57	16,380,329
TREAS 0.125% IL STK 10/08/2048	5,300,000	165.0860	1.021490	8,937,586.00	3,147.79	8,940,734
TREAS 0.5% IL STK 22/3/2050	5,000,000	185.4310	1.315370	12,195,518.72	8,967.39	12,204,486
UK INDEX LINKED (3monthers) TOTAL						**168,818,570**

US INDEX LINKED	Number hel	Clean Price $	Index Ratio	Gross $	Accrued Interest $	Total $	Total £
TII0.125% 15/1/2023	7,000,000	96.960938	1.089970	7,397,915.91	1,861.19	7,399,777	5,637,890.17
TII3.625% 15/4/2028	4,045,000	125.437500	1.555510	7,892,575.10	68,078.79	7,960,654	6,065,222.21
TII1.750% 15/1/2028	5,550,000	107.898438	1.200920	7,191,545.23	20,659.19	7,212,204	5,494,978.55
TII2.5% 15/1/2029	7,000,000	116.054688	1.171810	9,519,583.04	37,223.76	9,556,807	7,281,331.09
TII2.125% 15/2/2040	4,095,000	123.851563	1.164010	5,903,534.53	11,057.63	5,914,592	4,506,327.76
TII0.75% 15/2/2042	20,300,000	96.203125	1.113420	21,744,240.14	19,346.69	21,763,587	16,581,676.80
TII0.625% 15/2/2043	10,000,000	93.257813	1.094280	10,205,015.91	7,941.99	10,212,958	7,781,252.62
0045 USGB IL Total							**53,348,679**

TOTAL BONDS	**922,438,068**
Index linked-total	**267,131,808**
Conventional-total	**248,711,375**
Non gov-total	**406,594,885**

EQUITIES		UK	US	Europe	Japan	Other Asia	Emerging Mrkts
Oil & Gas Producers	177,829,737	149,633,000	28,196,737				
Oil & Gas Services	11,948,091	5,848,200	6,099,891				
Chemicals	18,695,765	5,074,650	13,621,115				
Forestry & Paper	2,046,259	0	2,046,259				
Industrial Metals	1,794,969		1,794,969				
Mining	66,417,400	66,417,400	0				
Construction	7,577,688	6,653,564	924,123				
Aerospace	37,266,884	17,365,800	19,901,084				
General Industrial	37,888,459	14,776,144	23,112,315				
Electronic Equipment	15,357,385	4,921,000	10,436,385				
Industrial Engineering	15,730,875	15,730,875	0				
Industrial Transport	6,145,251	0	6,145,251				
Support Services	38,544,151	34,018,703	4,525,448				
Automobiles	0	0	0				
Beverages	48,551,065	36,426,000	12,125,065				
Food Producers	20,438,467	9,816,000	10,622,467				
Household Goods	48,228,055	38,095,400	10,132,655				
Leisure Goods	0						
Personal Goods	33,410,061	27,504,500	5,905,561				
Tobacco	74,319,538	60,181,500	14,138,038				
Healthcare Equipment & Servic	14,322,928		14,322,928				
Pharmaceutical / Biotech	168,563,601	101,433,710	67,129,891				
Food Retail	17,915,506	9,891,400	8,024,106				
General Retail	53,584,420	11,091,000	42,493,420				
Media	68,295,604	35,627,631	32,667,973				
Travel & Leisure	35,013,259	33,038,064	1,975,195				
Telecoms	50,171,019	40,210,250	9,960,769				
Electricity	23,435,113	5,625,000	17,810,113				
Gas & Water	38,229,913	33,980,310	4,249,603				
Banks	150,249,832	124,045,300	26,204,532				
Non-Life Insurance	47,897,229	25,916,000	21,981,229				
Life Insurance	58,548,295	58,548,295	0				
Real Estate Investment Trusts	36,922,677	18,864,400	18,058,277				
Real Estate Investment Service	0	0	0				
General Financial	73,435,930	26,130,066	47,305,864				
Investment Companies	321,041,881	56,456,740			77,189,200	86,978,100	100,417,841
Software	78,897,457	14,083,000	64,814,457				
Technology Hardware	44,772,756	0	44,772,756				
Unit Trusts & OEICs	418,413,606	19,616,198			208,303,434	153,129,775	37,364,200
Investment Entities	128,370,821	0			57,526,850	22,323,202	48,520,769
Life Policies	25,236,077						25,236,077
Passive tracker fund	518,289,664			518,289,664			
Total Equities	**3,033,797,687**	**1,107,020,101**	**591,498,475**	**518,289,664**	**343,019,484**	**262,431,077**	**211,538,886**

DERBYSHIRE PENSION FUND
JULY 2018 PORTFOLIO VALUATION - BID
NEW SECTORS
UK EQUITIES

Sector	Company Name	Number held	Mkt Price Pence	Total £
OIL & GAS PRODUCERS				
UK Oil & Gas	BP PLC USD$0.25	10,000,000	573.00	57,300,000
UK Oil & Gas	ROYAL DUTCH SHELL A' SHARES	600,000	2615.00	15,690,000
UK Oil & Gas	ROYAL DUTCH SHELL 'B' SHARES	2,700,000	2671.00	72,117,000
UK Oil & Gas	TULLOW OIL PLC	2,000,000	226.30	4,526,000
UK Oil & Gas Producers Total				**149,633,000**
OIL & GAS SERVICES				
UK Const Build Ma	WOOD GROUP (JOHN) PLC	900,000	649.80	5,848,200
UK Oil & Gas Services Total				**5,848,200**
CHEMICALS				
UK Chemicals	JOHNSON MAT ORD£1	135,000	3759.00	5,074,650
UK Chemicals Total				**5,074,650**
MINING				
UK Mining	ANGLO AMER US$0.50	450,000	1731.80	7,793,100
UK Mining	BHP BILLITON PLC	1,050,000	1754.60	18,423,300
UK Mining	GLENCORE PLC	7,000,000	334.50	23,415,000
UK Mining	RIO TINTO 10P	400,000	4196.50	16,786,000
UK Mining Total				**66,417,400**
CONSTRUCTION				
UK Engin Mach	KIER GROUP PLC	230,614	965.50	2,226,578
UK Engin Mach	MELROSE INDUSTRIES PLC	2,050,480	215.90	4,426,986
UK Construction Total				**6,653,564**
AEROSPACE				
UK Aero defence	BAE ORD 2.5P	1,900,000	653.20	12,410,800
UK Aero defence	ROLLS ROYCE 20P	500,000	991.00	4,955,000
UK Aerospace Total				**17,365,800**
GENERAL INDUSTRIAL				
UK General Industi	DS SMITH PLC	1,272,727	504.00	6,414,544
UK General Industi	RPC GROUP PLC	450,000	814.80	3,666,600
UK General Industi	SMURFIT KAPPA GROUP PLC	150,000	3130.00	4,695,000
UK General Industrial Total				**14,776,144**
ELECTRONIC EQUIPMENT				
UK Electronic equi	HALMA PLC	350,000	1406.00	4,921,000
UK Eelectronic Equipment Total				**4,921,000**
INDUSTRIAL ENGINEERING				
UK Engin Mach	HILL & SMITH HOLDINGS PLC	250,000	1507.00	3,767,500
UK General Industi	ROTORK PLC	1,250,000	359.80	4,497,500
UK Engin Mach	SPIRAX-SARCO 25P	107,500	6945.00	7,465,875
UK Industrial Engineering Total				**15,730,875**
SUPPORT SERVICES				

UK Support Servic	BABCOCK INT'L	1,400,000	714.60	10,004,400
UK Support Servic	BUNZL PLC	300,000	2265.00	6,795,000
UK Support Servic	ESSENTRA PLC	665,000	481.20	3,199,980
UK Const Build Ma	FERGUSON PLC	114,631	6010.00	6,889,323
UK Support Servic	G4S PLC	1,500,000	276.00	4,140,000
UK Const Build Ma	TRAVIS PERKINS 10P	250,000	1196.00	2,990,000
UK Support Services Total				**34,018,703**
BEVERAGES				
UKBeverages	DIAGEO 28 101/108P	1,300,000	2802.00	36,426,000
UK Beverages Total				**36,426,000**
FOOD PRODUCERS				
UKFoods	ASSOCIATED BRITISH FOODS PLC	400,000	2454.00	9,816,000
UK Food Producers Total				**9,816,000**
HOUSEHOLD GOODS				
UK Housebuilders	BOVIS HOMES GROUP PLC	440,000	1153.50	5,075,400
UK Housebuilders	BELLWAY PLC	200,000	2916.00	5,832,000
UK Hous Gds Txtil	PETER GEESON 2nd PREFERRED OF	16,487	0.00	-
UK Personal Care	RECKITT BENCKISER	400,000	6797.00	27,188,000
UK Household Goods Total				**38,095,400**
PERSONAL GOODS				
UK Housebuilders	PZ CUSSONS PLC	1,500,000	233.00	3,495,000
UK Retailers Gen	TED BAKER PLC	200,000	2206.00	4,412,000
UK Food Prod & Pı	UNILEVER ORD 1.4P	450,000	4355.00	19,597,500
UK Personal Goods Total				**27,504,500**
TOBACCO				
UK Tobacco	BRIT AMER TOBC 25P	1,050,000	4201.00	44,110,500
UK Tobacco	IMPERIAL BRANDS PLC	550,000	2922.00	16,071,000
UK Tobacco Total				**60,181,500**
PHARMACEUTICAL & BIOTECH				
UK Pharm, Biotech	ASTRAZENECA ORD	700,000	5862.00	41,034,000
UK Pharm, Biotech	GLAXOSMITHKLINE25P	2,540,000	1581.40	40,167,560
UK Pharm, Biotech	SHIRE PHARMA ORD5P	465,000	4351.00	20,232,150
UK Pharmaceutical & Biotech Total				**101,433,710**
FOOD RETAIL				
UK Retail Food & [	TESCO ORD 5P	3,800,000	260.30	9,891,400
UK Food Retail Total				**9,891,400**
GENERAL RETAIL				
UK Retailers Gen	INCHCAPE PLC	100,000	705.50	705,500
UK Retailers Gen	KINGFISHER	2,500,000	296.70	7,417,500
UK Retailers Gen	NEXT PLC	50,000	5936.00	2,968,000
UK General Retail Total				**11,091,000**
MEDIA				
UK Media & Photo	INFORMA PLC	1,182,307	789.40	9,333,131
UK Media & Photo	ITV ORD	8,000,000	164.85	13,188,000
UK Media & Photo	WPP GRP ORD 10P	1,100,000	1191.50	13,106,500
UK Media Total				**35,627,631**
TRAVEL & LEISURE				

UK Travel & Leisur	COMPASS GRP ORD10P	904,976	1639.00	14,832,557
UK Travel & Leisur	GREENE KING PLC	725,000	514.20	3,727,950
UK Travel & Leisur	GVC HOLDINGS PLC	375,000	1170.00	4,387,500
UK Travel & Leisur	INTERCONTINENTAL HOTELS GRP	111,701	4705.00	5,255,532
UK Travel & Leisur	LADBROKES CORAL G TV 18-311249	2,100,000	0.00	-
UK Travel & Leisur	MARSTON'S	2,750,000	94.55	2,600,125
UK Travel & Leisur	STAGECOACH ORD0.5P	1,400,000	159.60	2,234,400
UK Travel & Leisure Total				**33,038,064**
TELECOMS				
UK Fixed-Line Tele	BT ORD GBP 5P	5,750,000	233.50	13,426,250
UK Mobile Telecon	VODAFONE GRP COM	14,400,000	186.00	26,784,000
UK Telecoms Total				**40,210,250**
ELECTRICITY				
UK Electricity	SCOT & SOUTH 50P	450,000	1250.00	5,625,000
UK Electricity Total				**5,625,000**
GAS & WATER				
UK Electricity	NAT GRID PLC ORD 10P	2,670,000	813.10	21,709,770
UK Water	PENNON GP ORD £1	500,000	750.80	3,754,000
UK Water	SEVERN TR 65 5/19P	236,000	1934.00	4,564,240
UK Water	UNITED UTILITIES GROUP PLC	550,000	718.60	3,952,300
UK Gas & Water Total				**33,980,310**
BANKS, RETAIL				
UK Banks Retail	BARCLAYS ORD 25P	12,000,000	193.96	23,275,200
UK Banks Retail	HSBC HLDG $0.50	7,000,000	730.50	51,135,000
UK Banks Retail	LLOYDS BANKING GROUP PLC	52,000,000	62.38	32,437,600
UK Banks Retail	STANDARD CHARTERED ORD	2,500,000	687.90	17,197,500
UK Banks - Retail Total				**124,045,300**
NON-LIFE INSURANCE				
UK Insurance	BEAZLEY PLC	1,600,000	560.50	8,968,000
UK Insurance	HISCOX	400,000	1598.00	6,392,000
UK Insurance	JARDINE LLOYD THOMPSON GROUP	350,000	1406.00	4,921,000
UK Insurance	RSA INSURANCE GROUP	875,000	644.00	5,635,000
UK Non-Life Insurance Total				**25,916,000**
LIFE INSURANCE				
UK Insurance Life	AVIVA ORD 25P	1,950,000	500.00	9,750,000
UK Insurance Life	LEGAL&GEN GRP 2.5P	5,500,000	262.70	14,448,500
UK Special Financ	OLD MUTUAL LTD	3,400,000	174.38	5,928,920
UK Insurance Life	PRUDENTIAL ORD 5P	1,575,000	1804.50	28,420,875
UK Life Insurance Total				**58,548,295**
REAL ESTATE INVESTMENT TRUSTS				
UK Real Estate	LAND SECS ORD £1	600,000	942.40	5,654,400
UK Real Estate	LONDONMETRIC PROPERTY PLC	2,000,000	188.20	3,764,000
UK Real Estate	SEGRO PLC	1,000,000	665.00	6,650,000
UK Real Estate	SHAFTESBURY PLC	300,000	932.00	2,796,000
UK Real Estate Total				**18,864,400**
FINANCIAL SERVICES				
UK Special Financ	STANDARD LIFE ABERDEEN PLC	2,250,000	312.30	7,026,750
UK Special Financ	MAN GROUP	2,400,000	173.45	4,162,800
UK Special Financ	QUILTER PLC	1,133,333	154.70	1,753,266

UK Special Financ	RATHBONE BROTHERS PLC	125,000	2456.00	3,070,000
UK Special Financ	SCHRODERS ORD GBP1	325,000	3113.00	10,117,250
UK General Financial Total				**26,130,066**
EQUITY INVESTMENT COMPANIES				
UK Investment Co'	ABERFORTH SML 1P	1,050,000	1374.00	14,427,000
UK Investment Co'	BLACKROCK SMALLER COMPANIES	1,300,000	1515.00	19,695,000
UK Investment Co'	LOW CARBON ACCELERATOR LTD	3,868,000	0.00	-
UK Investment Co'	MONTANARO UK SMALLER CO'S 10P	13,424,285	117.26	15,741,317
UK Investment Co'	RIVER & MERCANTILE UK MICRO	3,254,170	202.00	6,573,423
UK Investment Co'	STRATHDON INVESTMENTS PLC	20	1000.00	20,000
UK Equity Investment Companies Total				**56,456,740**
SOFTWARE & COMPUTER SERVICES				
UK Elect electron	MICRO FOCUS INTERNATIONAL	330,000	1250.00	4,125,000
UK Elect electron	NCC GROUP PLC	1,000,000	219.80	2,198,000
UK Software & Cor	SAGE GROUP ORD 1P	1,250,000	620.80	7,760,000
UK Software & Computer Services Total				**14,083,000**
UNIT TRUSTS & OEICs				
UK Unit Trusts	LIONTRUST UK SMALLER COMPANIE	1,348,544	1454.62	19,616,198
UK Unit Trusts & OEICs Total				**19,616,198**
TOTAL UNITED KINGDOM				**1,107,020,101**

DERBYSHIRE PENSION FUND
JULY 2018 PORTFOLIO VALUATION - BID

US EQUITIES

Sector	Company Name	Number held	Mkt price USD/ CAN$	Mkt Price GBP	Value in Sterling £
OIL & GAS PRODUCERS					
US Oil & Gas	ANDEAVOR	16437	150.10	114.36	1,879,755
US Oil & Gas	CABOT OIL & GAS CORP	48958	23.50	17.90	876,576
US Oil & Gas	CHEVRON CORP	93899	126.25	96.19	9,032,133
US Oil & Gas	CONCHO RESOURCES INC	12294	145.82	111.10	1,365,867
US Oil & Gas	ENBRIDGE INC	17424	128.92	98.22	1,711,458
US Oil & Gas	EXXON MOBILE CORP	117341	81.51	62.10	7,287,166
US Oil & Gas	MARATHON PETROLEUM CORP	29842	80.83	61.58	1,837,801
US Oil & Gas	NEWFIELD EXPLORATION CO	44235	28.71	21.87	967,603
US Oil & Gas	NOBLE ENERGY INC	36511	36.09	27.50	1,003,942
US Oil & Gas	TRANSCANADA CORP	65244	44.95	34.25	2,234,438
US Oil & Gas Producers Total					**28,196,737**
OIL & GAS SERVICES					
US Oil & Gas Services	BAKER HUGHES A GE CO	81240	34.58	26.35	2,140,390
US Oil & Gas Services	HALLIBURTON CO	77934	42.41	32.31	2,518,217
US Oil & Gas Services	ONEOK INC	26844	70.47	53.69	1,441,284
US Oil & Gas Services Total					**6,099,891**
CHEMICALS					
US Chemicals	CABOT CORP	23565	66.10	50.36	1,186,771
US Chemicals	CELANESE CORP	23353	118.10	89.98	2,101,312
US Chemicals	DOWDUPONT INC	64424	68.77	52.40	3,375,551
US Chemicals	FMC CORP	17593	89.87	68.47	1,204,627
US Chemicals	PPG INDUSTRIES INC	33452	110.65	84.30	2,820,145
US Chemicals	PRAXAIR INC	15972	167.49	127.61	2,038,197
US Chemicals	WESTLAKE CHEMICAL CORP	10952	107.20	81.68	894,512
US Chemicals Total					**13,621,115**
FORESTRY & PAPER					
US Industrial Metals	INTERNATIONAL PAPER CO	49995	53.72	40.93	2,046,259
US Forestry & Paper Total					**2,046,259**
INDUSTRIAL METALS					
US Industrial Metals	ALCOA CORP	16801	43.26	32.96	553,757
US Industrial Metals	ARCELORMITTAL-NY REGISTERED	2434	31.85	24.27	59,065
US Industrial Metals	MARTIN MARIETTA MATERIALS	2509	199.42	151.94	381,213
US Industrial Metals	SOUTHERN COPPER CORP	4845	49.36	37.61	182,208
US Industrial Metals	STEEL DYNAMICS INC	17249	47.08	35.87	618,726
US Industrial Metals Total					**1,794,969**
CONSTRUCTION					
US Industrial Metals	ARDAGH GROUP SA	41159	15.87	12.09	497,668
US Industrial Metals	VULCAN MATERIALS CO	4998	111.99	85.33	426,455
US Construction Total					**924,123**
AEROSPACE					
US Aero defence	BOEING CO/THE	39187	356.41	271.55	10,641,182
US Aero defence	LOCKHEED MARTIN CORP COM	37287	325.95	248.34	9,259,902
US Aerospace Total					**19,901,084**
GENERAL INDUSTRIAL					
US Div Ind	AGCO CORP	6102	63.00	48.00	292,894
US Div Ind	AIR LEASE CORP	13500	43.95	33.49	452,054
US Div Ind	BALL CORP	84998	38.95	29.68	2,522,401

US Div Ind	CATERPILLAR INC	16529	143.79	109.55	1,810,811
US Div Ind	DANAHER CORP	44071	102.57	78.15	3,444,064
US Div Ind	DEERE & CO	13665	144.78	110.31	1,507,357
US Div Ind	GREENBRIER COMPANIES INC	18280	56.60	43.12	788,298
US Div Ind	HARRIS CORP	26979	164.92	125.65	3,389,980
US Div Ind	HONEYWELL INTERNATIONAL INC	48507	159.62	121.61	5,899,153
US Div Ind	ILLINOIS TOOL WORKS INC	14260	143.33	109.20	1,557,237
US Div Ind	JACOBS ENGINEERING GROUP INC	6718	67.64	51.53	346,212
US Div Ind	PENTAIR LTD	32404	44.63	34.00	1,101,853
US General Industrial Total					**23,112,315**
ELECTRONIC EQUIPMENT					
US Electricity	3M CO	18318	212.27	161.73	2,962,543
US Electricity	AMETEK INC	19629	77.78	59.26	1,163,226
US Electricity	EATON CORP	28690	83.15	63.35	1,817,568
US Electricity	FORTIVE CORP	24974	82.05	62.51	1,561,222
US Electricity	GENERAL ELECTRIC CO	282529	13.62	10.38	2,931,825
US Electronic Equipment Total					**10,436,385**
INDUSTRIAL TRANSPORT					
US Transportation	FEDEX CORP	3625	245.86	187.32	679,038
US Transportation	KIRBY CORP	3322	83.40	63.54	211,088
US Transportation	NORFOLK SOUTHERN CORP	22728	169.04	128.79	2,927,175
US Transportation	UNION PACIFIC CORP	20386	149.88	114.19	2,327,950
US Industrial Transport Total					**6,145,251**
SUPPORT SERVICES					
US Support Services	ACCENTURE LTD	6334	159.31	121.38	768,810
US Support Services	GENPACT LTD	51733	30.38	23.15	1,197,439
US Support Services	TRANSUNION	24603	72.36	55.13	1,356,390
US Support Services	TRINET GROUP INC	29322	53.84	41.02	1,202,809
US Support Services Total					**4,525,448**
BEVERAGES					
US Beverages	COCA-COLA CO/THE	165154	46.62	35.52	5,866,233
US Beverages	CONSTELLATION BRANDS INC-A	22469	210.20	160.15	3,598,441
US Beverages	MONSTER BEVERAGE CORP	58177	60.02	45.73	2,660,390
US Beverages Total					**12,125,065**
FOOD PRODUCTION/PROCESS					
US Food Prod & Proce	ARCHER-DANIELS-MIDLAND CO	43025	48.25	36.76	1,581,671
US Food Prod & Proce	FRESH DEL MONTE PRODUCE INC	32988	36.29	27.65	912,097
US Food Prod & Proce	HORMEL FOODS CORP	27228	35.96	27.40	745,991
US Food Prod & Proce	HOSTESS BRANDS INC	137963	14.01	10.67	1,472,647
US Food Prod & Proce	MCCORMICK & CO-NON VTG SHRS	15807	117.53	89.55	1,415,455
US Food Prod & Proce	POST HOLDINGS INC	59971	86.55	65.94	3,954,634
US Food Prod & Proce	SKECHERS USA INC-CL A	25567	27.72	21.12	539,972
US Food Production & Processing Total					**10,622,467**
HOUSEHOLD GOODS					
US Hous Gds Txtiles	INSTALLED BUILDING PRODUCTS	24658	54.55	41.56	1,024,827
US Hous Gds Txtiles	LENNAR CORP-A	57825	52.27	39.82	2,302,852
US Hous Gds Txtiles	NIKE INC -CL B	75743	76.90	58.59	4,437,791
US Hous Gds Txtiles	TAPESTRY INC	35184	47.11	35.89	1,262,863
US Hous Gds Txtiles	UNDER ARMOUR INC-CLASS A	29568	19.97	15.22	449,881
US Hous Gds Txtiles	UNDER ARMOUR INC-CLASS C	45860	18.73	14.27	654,440
US Household Goods Total					**10,132,655**
PERSONAL GOODS					
US Personal Care / Hc	COTY INC-CL A	270827	13.41	10.22	2,767,061
US Personal Care / Hc	UNILEVER N V -NY SHARES	71690	57.46	43.78	3,138,500
US Personal Goods Total					**5,905,561**

TOBACCO					
US Tobacco	ALTRIA GROUP INC	131309	58.67	44.70	5,869,601
US Tobacco	BRITISH AMERICAN TOB-SP ADR	165871	54.78	41.74	6,922,938
US Tobacco	PHILIP MORRIS INTERNATIONAL	20468	86.28	65.74	1,345,499
US Tobacco Total					**14,138,038**
HEALTHCARE EQUIPMENT & SERVICES					
US Healthcare Equipm	BOSTON SCIENTIFIC CORP	242548	33.61	25.61	6,211,038
US Healthcare Equipm	HCA HOLDINGS INC	25724	124.22	94.64	2,434,602
US Healthcare Equipm	THERMO FISHER SCIENTIFIC	31772	234.53	178.69	5,677,288
US Healthcare Equipment & ServicesTotal					**14,322,928**
PHARMACEUTICAL, BIOTECH					
US Healthcare	ABBOTT LABORATORIES	90335	65.53	49.93	4,510,183
US Healthcare	ADURO BIOTECH INC	31612	5.80	4.42	139,694
US Healthcare	AERIE PHARMACEUTICALS INC	11723	67.50	51.43	602,893
US Healthcare	ALDER BIOPHARMACEUTICALS INC	29266	18.90	14.40	421,428
US Healthcare	ALLERGAN PLC	48207	184.09	140.26	6,761,426
US Healthcare	ALNYLAM PHARMACEUTICALS INC	6095	94.99	72.37	441,113
US Pharm, Biotech	AMNEAL PHARMACEUTICALS INC	61624	19.16	14.60	899,587
US Healthcare	APTINYX INC	10500	21.92	16.70	175,359
US Healthcare	ARCUS BIOSCIENCES INC	10866	11.68	8.90	96,696
US Pharm, Biotech	ASSEMBLY BIOSCIENCES INC	5200	44.08	33.58	174,640
US Pharm, Biotech	ASTRAZENECA PLC-SPONS ADR	160715	39.12	29.81	4,790,195
US Pharm, Biotech	AUDENTES THERAPEUTICS INC	8234	37.64	28.68	236,134
US Healthcare	BAXTER INTERNATIONAL INC	41093	72.42	55.18	2,267,380
US Healthcare	BIOGEN INC	649	334.37	254.76	165,337
US Healthcare	BIOHAVEN PHARMACEUTICAL HOLD	25133	34.51	26.29	660,826
US Healthcare	BLUEBIRD BIO INC	3135	154.85	117.98	369,868
US Healthcare	BRISTOL-MYERS SQUIBB CO	136100	58.74	44.75	6,091,020
US Healthcare	CALITHERA BIOSCIENCES INC	13274	4.40	3.35	44,499
US Healthcare	CARDINAL HEALTH INC	36421	49.92	38.03	1,385,238
US Healthcare	CELGENE CORP	7656	90.08	68.63	525,446
US Healthcare	CLEARSIDE BIOMEDICAL INC	7900	8.90	6.78	53,569
US Healthcare	COHERUS BIOSCIENCES INC	37354	19.00	14.48	540,740
US Pharm, Biotech	DERMIRA INC	54830	9.73	7.41	406,471
US Pharm, Biotech	EVOLUS INC	11438	19.59	14.93	170,719
US Pharm, Biotech	FIVE PRIME THERAPEUTICS INC	5143	14.89	11.34	58,346
US Pharm, Biotech	FORTY SEVEN INC	23100	16.28	12.40	286,526
US Pharm, Biotech	GLOBAL BLOOD THERAPEUTICS IN	8786	41.75	31.81	279,477
US Pharm, Biotech	GLYCOMIMETICS INC	37179	14.68	11.18	415,836
US Pharm, Biotech	G1 THERAPEUTICS INC	8211	51.33	39.11	321,118
US Pharm, Biotech	HERON THERAPEUTICS INC	7313	37.40	28.50	208,384
US Pharm, Biotech	INCYTE CORP	6262	66.53	50.69	317,416
US Pharm, Biotech	IRONWOOD PHARMACEUTICALS INC	32097	19.27	14.68	471,242
US Pharm, Biotech	JOUNCE THERAPEUTICS INC	7242	7.05	5.37	38,900
US Pharm, Biotech	KALA PHARMACEUTICALS INC	15900	12.67	9.65	153,487
US Pharm, Biotech	KARYOPHARM THERAPEUTICS INC	26246	17.77	13.54	355,344
US Pharm, Biotech	LOXO ONCOLOGY INC	5439	167.45	127.58	693,908
US Healthcare	MCKESSON CORP COM	15729	125.59	95.69	1,505,061
US Healthcare	MEDTRONIC INC	112121	90.22	68.74	7,707,043
US Healthcare	MOMENTA PHARMACEUTICALS INC	26811	29.55	22.51	603,627
US Healthcare	MYLAN NV	105922	37.30	28.42	3,010,184
US Healthcare	MYOKARDIA INC	15530	57.30	43.66	677,991
US Healthcare	NEKTAR THERAPEUTICS	8532	52.60	40.08	341,928
US Healthcare	NEON THERAPEUTICS INC	6315	11.05	8.42	53,166
US Pharm, Biotech	OTONOMY INC	27176	3.30	2.51	68,328
US Pharm, Biotech	RA PHARMACEUTICALS INC	27222	10.98	8.37	227,730
US Pharm, Biotech	REGENERON PHARMACEUTICALS	1012	367.93	280.33	283,690
US Pharm, Biotech	REVANCE THERAPEUTICS INC	19468	28.70	21.87	425,698
US Pharm, Biotech	RIGEL PHARMACEUTICALS INC	37337	2.81	2.14	79,936
US Pharm, Biotech	SEATTLE GENETICS INC	14716	70.38	53.62	789,109
US Pharm, Biotech	SYNDAX PHARMACEUTICALS	24029	6.73	5.13	123,211

US Pharm, Biotech	TESARO INC	6520	34.81	26.52	172,922
US Pharm, Biotech	TEVA PHARMACEUTICAL-SP ADR	114499	23.94	18.24	2,088,449
US Pharm, Biotech	TREVENA INC	49635	1.53	1.17	57,860
US Pharm, Biotech	TRICIDA INC	16300	23.49	17.90	291,722
US Healthcare	UNITEDHEALTH GROUP INC	67861	253.21	192.92	13,091,792
US Pharmaceutical, Biotech Total					**67,129,891**
FOOD RETAIL					
US Retail Food & Drug	CHIPOTLE MEXICAN GRILL INC	2174	433.66	330.41	718,302
US Retail Food & Drug	HILTON WORLDWIDE HOLDINGS INC	36179	78.66	59.93	2,168,246
US Retail Food & Drug	MCDONALD'S CORP	35771	157.53	120.02	4,293,311
US Retail Food & Drug	MGM RESORTS INTERNATIONAL	35323	31.37	23.90	844,248
US Food Retail Total					**8,024,106**
RETAILERS - GENERAL					
US Retailers Gen	AMAZON.COM INC	16172	1,777.44	1,354.23	21,900,632
US Retailers Gen	COSTCOWHOLESALE CORP	19632	218.71	166.64	3,271,381
US Retailers Gen	US FOODS HOLDING CORP	83212	33.80	25.75	2,142,894
US Retailers Gen	FRESHPET INC	30813	28.90	22.02	678,469
US Retailers Gen	NATIONAL VISION HOLDINGS INC	106115	40.64	30.96	3,285,704
US Retailers Gen	SYSCO CORP	39910	67.20	51.20	2,043,379
US Retailers Gen	TJX COMPANIES INC	75953	97.25	74.09	5,627,720
US Retailers Gen	WAYFAIR INC-CLASS A	42736	108.82	82.91	3,543,240
US Retailers - General Total					**42,493,420**
MEDIA					
US Media & Photo	ALLIANCE DATA SYSTEMS CORP	6033	224.85	171.31	1,033,533
US Media & Photo	CHARTER COMMUNICATIONS INC-A	18798	304.58	232.06	4,362,255
US Media & Photo	CINEMARK HOLDINGS INC	11693	35.91	27.36	319,918
US Media & Photo	COMCAST CORP CL A	304352	35.78	27.26	8,296,874
US Media & Photo	FACEBOOK INC	82342	172.58	131.49	10,827,043
US Media & Photo	INTERPUBLIC GROUP OF COS INC	65304	22.54	17.17	1,121,480
US Media & Photo	LIBERTY MEDIA CORP-MEDIA C	37908	35.24	26.85	1,017,805
US Media & Photo	NETFLIX INC	8775	337.43	257.09	2,255,946
US Media & Photo	NEW YORK TIMES CO-A	15564	24.75	18.86	293,491
US Media & Photo	OUTFRONT MEDIA INC	32683	21.24	16.18	528,901
US Media & Photo	TWENTY-FIRST CENTURY FOX	30610	45.00	34.29	1,049,479
US Media & Photo	VIACOM INC-CLASS B	29039	29.05	22.13	642,726
US Media & Photo	WALT DISNEY COMPANY	10618	113.54	86.51	918,522
US Media Total					**32,667,973**
TRAVEL & LEISURE					
US Hotels Leisure	JETBLUE AIRWAYS CORP	66696	18.00	13.71	914,682
US Transport	SPIRIT AIRLINES INC	32050	43.43	33.09	1,060,513
US Travel & Leisure Total					**1,975,195**
TELECOMS					
Telecoms	VERIZON COMMUNICATIONS INC	253266	51.62	39.33	9,960,769
US Telecoms Total					**9,960,769**
ELECTRICITY					
US Electricity	AVANGRID INC	39323	50.04	38.13	1,499,208
US Electricity	EDISON INTERNATIONAL	114554	66.62	50.76	5,814,507
US Electricity	EXELON CORP	86820	42.48	32.37	2,809,974
US Electricity	NEXTERA ENERGY INC	35824	167.52	127.63	4,572,342
US Electricity	NRG ENERGY INC	129017	31.68	24.14	3,114,082
US Electricity Total					**17,810,113**
GAS & WATER					
Gas	SEMPRA ENERGY	48262	115.57	88.05	4,249,603
US Gas & Water Total					**4,249,603**
BANKS, RETAIL					

US Banks Retail	BANK OF AMERICA CORP	793038	30.88	23.53	18,658,179
US Banks Retail	KEYCORP	176227	20.86	15.89	2,800,817
US Banks Retail	MGIC INVESTMENT CORP	110441	12.48	9.51	1,050,130
US Banks Retail	STERLING BANCORP/DE	97900	22.20	16.91	1,655,898
US Banks Retail	ZIONS BANCORPORATION	51777	51.70	39.39	2,039,508
US Banks - Retail Total					**26,204,532**
NON-LIFE INSURANCE					
US Insurance	AMERICAN INTERNATIONAL GROUP	114062	55.19	42.05	4,796,223
US Insurance	ALLSTATE CORP	11714	95.09	72.45	848,668
US Insurance	ASSURED GUARANTY LTD	103124	38.93	29.66	3,058,737
US Insurance	ATHENE HOLDING LTD-CLASS A	62166	45.87	34.95	2,172,599
US Insurance	HARTFORD FINANCIAL SVCS GRP	43381	52.69	40.14	1,741,509
US Insurance	MARSH & MCLENNAN COS INC COM	58275	83.34	63.50	3,700,273
US Insurance	METLIFE INC	75175	45.73	34.84	2,619,224
US Insurance	PRUDENTIAL FINANCIAL INC	23943	100.89	76.87	1,840,453
US Insurance	TRUPANION INC	38000	41.57	31.67	1,203,543
US Non-Life Insurance Total					**21,981,229**
REAL ESTATE					
US Real Estate	AMERICAN TOWER CORP	53788	148.26	112.96	6,075,855
US Real Estate	ALEXANDRIA REAL ESTATE EQUIT	32216	127.42	97.08	3,127,571
US Real Estate	EQUINIX INC	4502	439.24	334.66	1,506,626
US Real Estate	HOST HOTELS & RESORTS INC	60852	20.93	15.95	970,380
US Real Estate	INVITATION HOMES INC	112686	23.11	17.61	1,984,120
US Real Estate	PUBLIC STORAGE	14523	217.53	165.74	2,406,985
US Real Estate	SIMON PROPERTY GROUP INC	14800	176.19	134.24	1,986,740
US Real Estate Total					**18,058,277**
GENERAL FINANCIAL					
US Special Finance	AMERICAN EXPRESS CO	40176	99.52	75.82	3,046,317
US Special Finance	AXA EQUITABLE HOLDINGS INC	76000	21.97	16.74	1,272,160
US Special Finance	CAPITAL ONE FINANCIAL CORP	31850	94.30	71.85	2,288,332
US Special Finance	COHEN & STEERS INC	59233	41.88	31.91	1,890,029
US Special Finance	EQUIFAX INC	14413	125.49	95.61	1,378,039
US Special Finance	FLEETCOR TECHNOLOGIES INC	14908	216.97	165.31	2,464,433
US Special Finance	GLOBAL PAYMENTS INC	45562	112.56	85.76	3,907,373
US Special Finance	IHS MARKIT LTD	75570	53.02	40.40	3,052,721
US Special Finance	NORTHERN TRUST CORP	46703	109.21	83.21	3,886,021
US Special Finance	ONEMAIN HOLDINGS INC	67600	33.24	25.33	1,712,008
US Special Finance	PAYPAL HOLDINGS INC	48220	82.14	62.58	3,017,727
US Special Finance	RAYMOND JAMES FINANCIAL INC	55833	91.59	69.78	3,896,162
US Special Finance	TD AMERITRADE HOLDING CORP	97273	57.15	43.54	4,235,518
US Special Finance	TOTAL SYSTEM SERVICES INC	7391	91.53	69.74	515,424
US Special Finance	VISA INC CL A SHS	72219	136.72	104.17	7,522,834
US Special Finance	VOYA FINANCIAL INC	48195	50.52	38.49	1,855,083
US Special Finance	WEX INC	9445	189.78	144.59	1,365,684
US General Financial Total					**47,305,864**
SOFTWARE					
US Software & Comp	ADOBE SYSTEMS INC	7760	244.68	186.42	1,446,632
US Software & Comp	ALPHABET INC - CL A SHARES	24195	1,227.13	934.95	22,621,124
US Software & Comp	ATLASSIAN CORP PLC-CLASS A	3463	72.41	55.17	191,051
US Software & Comp	AUTODESK INC	10403	128.44	97.86	1,018,021
US Software & Comp	BLUECORA INC	109918	34.80	26.51	2,914,379
US Software & Comp	EBAY INC	58839	33.45	25.49	1,499,545
US Software & Comp	GODADDY INC - CLASS A	52488	73.60	56.08	2,943,309
US Software & Comp	GUIDEWIRE SOFTWARE INC	24533	86.18	65.66	1,610,850
US Software & Comp	HUBSPOT INC	1567	124.05	94.51	148,103
US Software & Comp	MICROSOFT CORP	212185	106.10	80.84	17,152,524
US Software & Comp	PTC INC	9354	91.91	70.03	655,025
US Software & Comp	SALESFORCE.COM INC	35694	137.11	104.46	3,728,742

US Software & Comp	SERVICENOW INC	9940	175.95	134.06	1,332,520
US Software & Comp	SPLUNK INC	2410	96.08	73.20	176,420
US Software & Comp	SPOTIFY TECHNOLOGY SA	4339	182.76	139.24	604,183
US Software & Comp	SS&C TECHNOLOGIES HOLDINGS	125106	53.06	40.43	5,057,587
US Software & Comp	WORKDAY INC-CLASS A	18144	124.02	94.49	1,714,442
US Software Total					**64,814,457**
TECHNOLOGY HARDWARE					
US IT Hardware	ADVANCED MICRO DEVICES	341907	18.33	13.97	4,774,946
US IT Hardware	APPLE INC	96452	190.55	145.18	14,002,906
US IT Hardware	BROADCOM LTD	26961	221.76	168.96	4,555,302
US IT Hardware	FLEX LTD	399530	13.95	10.63	4,246,407
US IT Hardware	INTEL CORP	101130	48.11	36.66	3,706,921
US IT Hardware	IPG PHOTONICS CORP	6583	164.00	124.95	822,556
US IT Hardware	KLA-TENCOR CORP	12630	117.40	89.45	1,129,716
US IT Hardware	MARVELL TECHNOLOGY GROUP LTD	42633	21.30	16.23	691,868
US IT Hardware	MICRON TECHNOLOGY INC	56784	52.77	40.21	2,283,027
US IT Hardware	NVIDIA CORP	15243	244.83	186.54	2,843,368
US IT Hardware	TERADYNE INC	94015	43.25	32.95	3,097,999
US IT Hardware	TEXAS INSTRUMENTS INC	30867	111.31	84.81	2,617,740
US Technology Hardware Total					**44,772,756**
TOTAL UNITED STATES					**591,498,475**

DERBYSHIRE PENSION FUND
JULY 2018 PORTFOLIO VALUATION - BID

EUROPEAN EQUITIES Company name	Number held	Mkt price in local currency	Mkt Price GBP	Value in Sterling £
EUROPEAN PASSIVE TRACKER FUND				
EUROPEAN UBS LIFE EUROPE EX-UK EQUITY T	155,961,021	**332.32**	**3.32**	518,289,664
EUROPEAN EQUITIES TOTAL				**518,289,664**

DERBYSHIRE PENSION FUND
JULY 2018 PORTFOLIO VALUATION - BID

OTHER EQUITIES	Company name	Number held	Mkt price in local currency	Mkt Price GBP	Value in Sterling £
JAPAN					
Investment Companies					
Japan	CC Japan Income & Growth Trust	5,000,000	162.00	162.00	8,100,000
Japan	JPMorgan JAP IT 25P	7,730,000	459.00	459.00	35,480,700
Japan	JPMF japs smoc	2,250,000	429.00	429.00	9,652,500
Japan	Schroder Japan Growth Fund 10p ords	11,300,000	212.00	212.00	23,956,000
J Investment Companies Total					**77,189,200**
Unit Trusts & OEICs					
Japan	Baillie Gifford OGF - Japanese B Acc Shares	4,516,331.57	1,692.00	1,692.00	76,416,330
Japan	Baring Japan Growth Trust	5,500,000.00	214.90	214.90	11,819,500
Japan	Invesco Perpetual Japan-NTA	4,528,376.73	208.52	208.52	9,442,571
Japan	JPMorgan Jap Fd A Acc	3,000,000.00	485.90	485.90	14,577,000
Japan	Legg Mason IF Martin Currie Japan Alpha Fund X	31,075,861.03	178.00	178.00	55,315,033
Japan	Schroder UT Tokyo Ac	11,000,000.00	370.30	370.30	40,733,000
J Unit Trusts Total					**208,303,434**
Investment Entities					
Japan	Aberdeen Global - JAP Smaller Cos Fund D£	1,662,639.78	11.38	11.38	18,916,850
Japan	JO Hambro - Japan Fd GBP-A	15,000,000.00	2.57	2.57	38,610,000
J Investment Entities Total					**57,526,850**
JAPAN TOTAL					**343,019,484**
OTHER ASIA					
Investment Companies					
Asian	ABERDEEN ASIAN INCOME FUND ORDS	3,000,000	206.00	206.00	6,180,000
Asian	ABERDEEN NDIT 25P	7,780,000	232.00	232.00	18,049,600
Asian	EDINBURGH DT 20P	12,300,000	368.00	368.00	45,264,000
Asian	INVESCO ASIA TRUST 10P	6,358,000	275.00	275.00	17,484,500
OA Investment Companies Total					**86,978,100**
Unit Trusts & OEICs					
Asian	Stewart Investors Asia Pacific Fund (First State As	5,250,000	1,513.71	1,513.71	79,469,775
Asian	JPMorgan Asia Fund A Ac	20,000,000	212.50	212.50	42,500,000
Asian	Schroder Instl PAC Fd Ac	2,000,000	1,558.00	1,558.00	31,160,000
OA Unit Trusts Total					**153,129,775**
Investment Entities					
Asian	Baring Int'l Australia $	130,000.000	121.80	92.80	12,063,925
Asian	Legg Mason-Martin Currie Greater China Fund-AA	419,351.792	32.11	24.46	10,259,278
OA Investment Entities Total					**22,323,202**
OTHER ASIA TOTAL					**262,431,077**
EMERGING MARKETS					
Investment Companies					
Internatio	ABERDEEN EMERGING MARKETS	2,788,425	578.00	578.00	16,117,097
Internatio	ABERDEEN FRONTIER MARKETS	5,000,000	54.00	54.00	2,700,000
Internatio	BLACKROCK FRONTIERS INV TRUST	3,200,000	152.50	152.50	4,880,000
Internatio	BLACKROCK EMERGING EUROPE PL	2,780,175	338.00	338.00	9,396,992
Latin Ame	Blackrock Latin American Investment Trust plc	862,529	441.00	441.00	3,803,753
Internatio	GENESIS EMERGING MKTS FUND LTD	4,300,000	720.00	720.00	30,960,000
Internatio	JP Morgan EMER IT25P	3,700,000	880.00	880.00	32,560,000
Int'l Investment Companies Total					**100,417,841**
Unit Trusts & OEICs					
Internatio	Stewart Investors Global Emerging Markets Fund	3,000,000	932.83	932.83	27,984,900
Latin Ame	Thd ndle Lnamer Gwth	3,500,000	267.98	267.98	9,379,300
Int'l Unit Trusts Total					**37,364,200**
Life Policies					
Internatio	LGIM World Emerging Markets Index Fund	7,368,197.680	3.43	3.43	25,236,077
International Life Policies					**25,236,077**
Investment Entities					
Internatio	FPP GLOBAL EMERGING MKTS	82,057.980	108.18	82.43	6,763,673
Latin Ame	JPMorgan LNAMER A U$	86,085.904	43.74	33.33	2,868,856
Internatio	POLUNIN FUNDS-DEVEL CNTY-B	47,502.659	1,074.49	818.65	38,888,239
LatAm Investment Entities Total					**48,520,769**
EMERGING MARKETS TOTAL					**211,538,886**
OTHER EQUITIES TOTAL					**816,989,448**

DERBYSHIRE PENSION FUND
JULY 2018 PORTFOLIO VALUATION - BID

OTHER EQUITIES	Company name	Number held	Mkt price in local currency	Value in Sterling £
PRIVATE EQUITY				
Quoted Private Equity				
UK Investment Cc	APAX GLOBAL ALPHA LTD	3,000,000	134.50	4,035,000
UK Investment Cc	HARBOURVEST GLOBAL PRIVATE	925,000	1290.00	11,932,500
UK Investment Cc	HGCAPITAL TRUST PLC	705,315	1900.00	13,400,985
UK Investment Cc	ICG ENTERPRISE TRUST PLC	181,795	852.00	1,548,893
UK Investment Cc	NB PRIVATE EQUITY PARTNERS Ltd (A)	1,500,000	13.46	15,382,761
UK Investment Cc	PANTHEON INTERNATIONAL PLC	345,000	2040.00	7,038,000
UK Investment Cc	PRINCESS PRIVATE EQUITY HOLDING LTD	500,000	9.90	4,410,005
UK Investment Cc	STANDARD LIFE PRIVATE EQUUITY	900,000	331.00	2,979,000
UK Investment Cc	WOODFORD PATIENT CAPITAL TRUST	5,000,000	79.00	3,950,000
UK Quoted Private Equity Total				**64,677,144**
Unquoted Private Equity				
UK Unclassified	ADAM STREET PARTNERS (FEEDER) 2017 FI	30,000,000	0.13	2,916,756
UK Unclassified	BAIRD CAPITAL PARTNERS EUROPE FUND L	4,300,000	0.05	183,544
UK Unclassified	CAPITAL DYNAMICS GLOBAL SECONDARIES	20,000,000	0.68	10,323,779
UK Unclassified	CAPITAL DYNAMICS MID-MARKET DIRECT FI	25,000,000	0.47	10,464,315
UK Unclassified	CAPITAL DYNAMICS LGPS COLLECTIVE PE \	20,000,000	0.10	2,000,000
UK Unclassified	CATAPULT GROWTH FUND UNITS	3,000,000	0.15	445,751
UK Unclassified	EAST MIDLANDS VENTURE	3,000,000	0.08	234,303
UK Unclassified	EPIRIS FUND II	25,000,000	0.22	5,401,436
UK Unclassified	MOBEUS EQUITY PARTNERS IV LP	10,000,000	0.36	3,634,999
UK Investment Cc	PANORAMIC ENTERPRISE CAPITAL UNITS	1,428,486	0.34	492,774
UK Investment Cc	PANORAMIC GROWTH FUND 2 LP	10,000,000	0.24	2,362,884
UK Investment Cc	PARTNERS GROUP GLOBAL VALUE 2008	7,500,000	0.51	3,389,219
UK Unclassified	PHILDREW VENTURES 4TH	820,000	0.40	3,280
UK Investment Cc	STAR CAPITAL STRATEGIC ASSETS III LP	12,500,000	0.24	2,666,851
UK Unclassified	VESPA CAPITAL II LLP	10,000,000	0.30	2,955,819
UK Unquoted Private Equity Total				**47,475,710**
PRIVATE EQUITY TOTAL				**112,152,854**
INFRASTRUCTURE				
UK Infrastructure Quoted				
Closed-end Funds	FORESIGHT SOLAR FUND LTD	4,000,000	111.50	4,460,000
Closed-end Funds	GREENCOAT UK WIND PLC	11,875,000	124.80	14,820,000
Closed-end Funds	HICL INFRASTRUCUTRE CO LTD	6,060,872	159.80	9,685,273
Closed-end Fund	INTERNATIONAL PUBLIC PARTNERSHIP LTI	20,462,823.00	157.40	32,208,483.40
Closed-end Fund	3I INFRASTRUCTURE PLC	2,249,999.00	248.15	5,583,372.52
Closed-end Fund	RENEWABLES INFRASTRUCTURE GR	7,300,000.00	109.60	8,000,800.00
UK Infrastructure Quoted Total				**74,757,929**
UK Infrastructure Unquoted				
UK Unclassified	DALMORE CAPITAL 3 LP	25,000,000	0.45	11,289,494
UK Unclassified	EQUITIX FUND 1 LTD P'SHIP	7,500,000	1.84	13,833,609
UK Unclassified	Equitix Fund IV Ltd P'ship	25,000,000	0.78	19,478,443
UK Unclassified	FIRST STATE EDIF II	20,000,000	0.11	1,883,334
UK Unclassified	IMPAX NEW ENERGY INVESTORS II UNITS	10,000,000	0.03	263,042
UK Unclassified	MEIF 5 Co-Invest LP	12,600,000	0.54	6,089,032
UK Unclassified	Macquarie European Infrastructure Fund 5 LP	14,400,000	0.74	9,520,404
UK Unclassified	PIP Multi Strategy Infrastructure LP	25,000,000	0.91	22,862,627
UK Unclassified	SL CAPITAL INFRASTRUCTURE 1LP	15,000,000	0.84	12,653,028
UK Infrastructure Total				**97,873,014**
INFRASTRUCTURE TOTAL				**172,630,943**
ALTERNATIVES TOTAL				**284,783,797**

DERBYSHIRE PENSION FUND **30/06/2018**
JULY 2018 PORTFOLIO VALUATION - BID **Value**

Real Property			**£**
Property		Southampton Property	5,300,000
Property		Retail Unit Tamworth	10,700,000
Property		15-17 Jockeys Field London	11,000,000
Property		D'Arblay House, London	15,500,000
Property		Bristol Odeon Development	5,900,000
Property		Quintins Centre, Hailsham	5,700,000
Property		Caledonia House, London	22,800,000
Property		Chelsea Fields Ind Est, London	12,500,000
Property		Planet Centre, Feltham	13,000,000
Property		Hill St, Mayfair	17,100,000
Property		Birmingham - Travelodge developm't	16,800,000
Property		Saxmundham, Tesco developm't	10,000,000
Property		Roundhay Road, Leeds	8,250,000
Property		Premier Inn, Rubery, Birmingham	6,200,000
Property		South Normanton Warehouse, Alfreton	14,900,000
Property		Loddon Centre, Basingstoke	12,900,000
Property		Parkway, Bury St Edmunds	14,075,000
Total Real Property			**202,625,000**

Property Managed Funds			**Number held**	**Mkt price**	
Property	**Pence**	Assura PLC	6,000,000	56.6000	3,396,000
Property	**GBP**	Aviva Pooled Property Fund - cla	628,506	15.9247	10,008,776
Property	**GBP**	Aviva Pooled Property Fund - cla	510,792	16.0300	8,188,009
Property	**GBP**	Bridges Property Alternatives Fu	763	12556.0599	9,578,713
Property	**GBP**	Bridges Property Alternatives Fu	271	6232.2219	1,688,552
Property	**EUR**	Fidelity Eurozone Select Real Es	3,961	5749.5785	20,290,629
Property	**GBP**	Hearthstone Residential Fund 1	15,000,000	0.3002	4,502,476
Property	**GBP**	Igloo Regeneration P'ship Prope	4,644,493	0.1373	637,838
Property	**EUR**	Invesco Real Estate-European F	44,569	118.7690	4,715,940
Property	**Pence**	Target Healthcare REIT Ltd	4,085,000	110.5000	4,513,925
Property	**GBP**	M&G PP UK Property Fund (Inc)	27,124	777.2900	21,083,214
Property	**EUR**	M&G European Property Fund	25,000,000	0.5161	11,494,615
Property	**GBP**	Threadneedle Pensions Property	1,647,730	6.3653	10,488,299
Property	**Pence**	Tritax Big Box Indirect Pooled Fu	10,000,000	152.3000	15,230,000
Property	**GBP**	Unite UK Student Accommodatic	15,584,567	1.3616	21,220,298
Total Property Funds					**147,037,284**

Local Authority Depo	Chesterfield Borough Council	16,074	**866**

Cash	***Updated to 31 July 2018***		**Mellon USD**	**Exch rate**	
Cash		BNP Paribas	*UK*		23,302,247
Cash			*Euro*		0
Cash			*Wellington*		4,425,245
		BNP Paribas	*LGPS Central-Capital-042673401*		5,055,699
			LGPS Central-Income-042673491		2,627,403
Cash		Cash - Lloyds bank Superfund			5,067,000
Cash		Cash Temporary Loans	136,000,000		
		Santander 95 Day Notice	10,000,000		
		Leeds City Council 2D/N	20,000,000		
		Nottingham City Council 2 D/N	10,000,000		
		Thurrock Council 7 D/N	15,000,000		
		Standard Life	20,000,000		
		Federated Prime Rate	20,000,000		
		Blackrock MMF	20,000,000		
		Treasury Bills	59,977,122		310,977,122
Total Cash				Total Cash	**351,454,716**