Agenda Item No. 4(a)

DERBYSHIRE COUNTY COUNCIL

PENSIONS AND INVESTMENTS COMMITTEE

12 March 2019

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 seek approval for 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 January 2019 and the recommendations of the Director of Finance & ICT and Mr Fletcher, in relation to the Fund's new strategic asset allocation benchmark, which became effective on 1st January 2019, are shown in the table overleaf.

The table also shows the recommendations of the Director of Finance & ICT, adjusted to reflect the impact of future investment commitments. These commitments (existing plus any new commitments recommended in this report) relate to Private Equity, Multi-Asset Credit, Property and Infrastructure and total around £465m. Whilst the timing of drawdowns will be lumpy and difficult to predict, the In-house Investment Management Team (IIMT) believe that these are likely to occur over the next 18 to 36 months.

Asset Category	Old Benchmark	New Benchmark	Fund Allocation	Fund Allocation	Permitted Range	Benchmark Relative Recommendation		Recommendation		Adjusted for Commitments (1)	Benchmark Sterling Return	Benchmark Sterling Return
			31/10/18	31/1/19		AF 12/3/19	DPF 12/3/19	AF 12/3/19	DPF 12/3/19	DPF 12/3/19	3 Months to 31/12/18	3 Months to 31/1/19
Growth Assets	**62.0%**	**57.0%**	**60.8%**	**57.9%**	**+/- 8%**	**+2.0%**	**+0.5%**	**59.0%**	**57.5%**	**59.8%**	**n/a**	**n/a**
UK Equities	25.0%	16.0%	20.9%	17.9%	+/- 4%	-	+0.5%	16.0%	16.5%	16.5%	(10.2%)	(1.4%)
Overseas Equities:	33.0%	37.0%	37.3%	40.0%	+/- 6%	+2.0%	+1.2%	39.0%	38.2%	38.2%	n/a	n/a
North America	12.0%	12.0%	11.2%	10.9%	+/- 4%	-2.0%	-1.3%	10.0%	10.7%	10.7%	(11.5%)	(2.4%)
Europe	9.0%	8.0%	10.0%	9.8%	+/- 3%	-	-	8.0%	8.0%	8.0%	(11.1%)	(2.3%)
Japan	5.0%	5.0%	6.7%	6.4%	+/- 2%	+1.0%	+1.4%	6.0%	6.4%	6.4%	(12.4%)	(3.4%)
Pacific ex-Japan	4.0%	4.0%	5.1%	5.1%	+/- 2%	+1.0%	+1.1%	5.0%	5.1%	5.1%	(6.5%)	5.7%
Emerging Markets	3.0%	5.0%	4.3%	5.0%	+/- 2%	+2.0%	-	7.0%	5.0%	5.0%	(3.9%)	6.7%
Global Sustainable	-	3.0%	-	-	+/- 2%	-	-	3.0%	3.0%	3.0%	(10.5%)	(1.1%)
Private Equity	4.0%	4.0%	2.6%	2.8%	+/- 2%	-	-1.2%	4.0%	2.8%	5.1%	(9.9%)	(1.1%)
Income Assets	**18.0%**	**23.0%**	**14.8%**	**15.9%**	**+/- 6%**	-	**-3.6%**	**23.0%**	**19.4%**	**24.9%**	**n/a**	**n/a**
Multi-Asset Credit	4.0%	6.0%	3.6%	3.7%	+/- 2%	-	-0.6%	6.0%	5.4%	7.7%	1.0%	1.0%
Infrastructure	5.0%	8.0%	3.8%	4.0%	+/- 3%	-	-2.2%	8.0%	5.8%	8.5%	0.7%	0.7%
Direct Property (3)	5.0%	5.0%	4.3%	4.8%	+/- 2%	+1.0%	-0.2%	5.0%	4.8%	4.8%	1.0%	1.0% (2)
Indirect Property (3)	4.0%	4.0%	3.1%	3.4%	+/- 2%	-1.0%	-0.6%	4.0%	3.4%	3.9%	0.9%	0.9% (2)
Protection Assets	**18.0%**	**18.0%**	**17.2%**	**17.5%**	**+/- 5%**	**-2.0%**	**-0.5%**	**16.0%**	**17.5%**	**17.5%**	**n/a**	**n/a**
Conventional Bonds	5.5%	6.0%	5.6%	5.7%	+/- 2%	-1.0%	-0.3%	5.0%	5.7%	5.7%	1.9%	2.1%
Index-Linked Bonds	6.5%	6.0%	5.6%	5.7%	+/- 2%	-1.0%	-0.3%	5.0%	5.7%	5.7%	1.9%	(0.3%)
Corporate Bonds	6.0%	6.0%	6.0%	6.1%	+/- 2%	-	+0.1%	6.0%	6.1%	6.1%	(0.3%)	1.3%
Cash	**2.0%**	**2.0%**	**7.2%**	**8.7%**	**0 – 8%**	**-**	**+3.6%**	**2.0%**	**5.6%**	**(2.2%)**	**0.1%**	**0.1%**

(1) Recommendation adjusted for investment commitments at 31 January 2019 and presumes all commitments are funded from cash.
(2) Benchmark Return for the three months to 31 December 2018.
(3) The maximum permitted range in respect of Property is +/- 3%.

The table above reflects the following three categorisations:

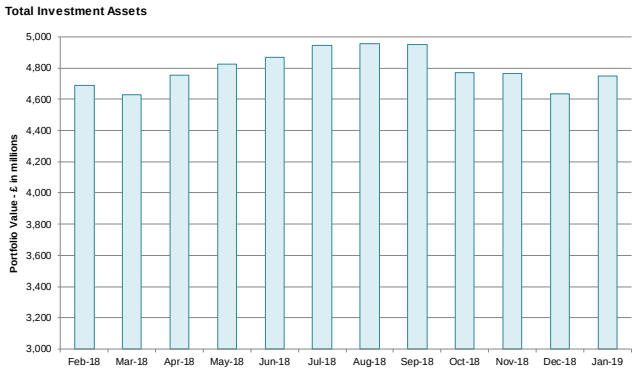
- **Growth Assets**: largely equities plus other volatile higher return assets such as private equity;
- **Income Assets**: assets which are designed to deliver an excess return, but with more stable return patterns than Growth Assets because income represents a large proportion of the total return of these assets; and
- **Protection Assets**: lower risk government or investment grade bonds.

Relative to the new benchmark, the Fund as at 31 January 2019, was overweight in Growth Assets and Cash, and underweight in Income Assets and Protection Assets.

If all of the Fund's commitments (existing plus any new commitments recommended in this report) were drawn-down, the cash balance would reduce by 10.9% to -2.2%. However, in practice as these commitments are drawn-down, they will be partly offset by new net cash inflows from dealing with members, investment income, distributions from existing investments and changes in the wider asset allocation.

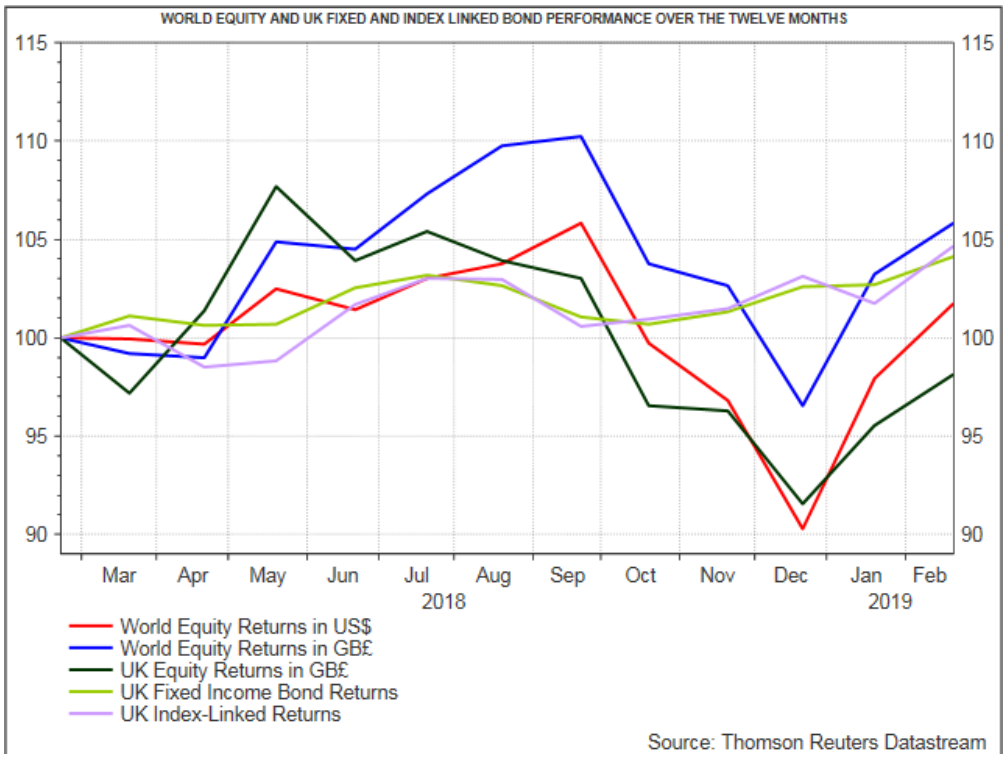
(iii) Total Investment Assets

The value of the Fund's investment assets fell by £22.1m (-0.5%) between 31 October 2018 and 31 January 2019 to £4.8bn, comprising a non-cash market loss of around £40m, partly offset by cash inflows from dealing with members & investment income of around £20m. Over the twelve months to 31 January 2019, the value of the Fund's investment assets has fallen by £21m (-0.4%), comprising an unexpected advanced contribution payment of £40m and cash inflows from dealing with members & investment income of around £90m, partly offset by a non-cash market loss of around £150m. 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.

(iv) 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 twelve months to 21 February 2019.

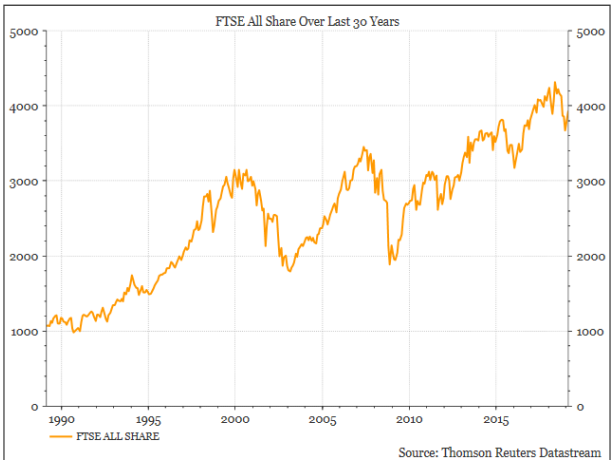
Global Equity markets generally rose between March and August 2018, reflecting robust US earnings growth and some easing in the trade tensions between the US and China, with returns for sterling investors also benefiting from a stronger US$. Global Equity markets sold-off sharply in Q4 2018, with the quarter recording a 10.5% fall in sterling terms. Investor confidence was impacted by a number of factors, including concerns over the sustainability of US economic growth; an indication from the US Federal Reserve that there was scope for further interest rate rises; worries over a slowdown in China; and fears of a global trade war.

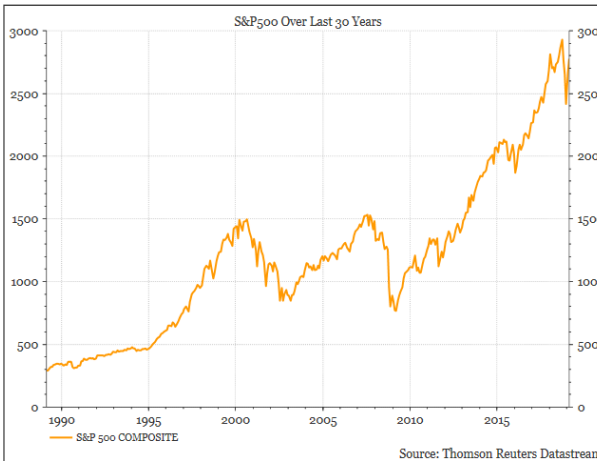
Equity markets have recovered strongly in Q1 2019 to date (1 January 2019 to 21 February 2019). The FTSE All World Equity Index is up +10.2% in US dollar terms;+7.5% in sterling terms. Whilst economic data has continued to moderate, optimism that US – China trade relations may improve, together with a more dovish tone from the US Federal Reserve, has lifted equity markets. The UK Equity market has performed well in Q1 2019 to date, but has lagged global equities on a local currency basis as sterling strengthened on hopes that the UK would avoid a disorderly exit from the European Union. Notwithstanding the recovery, investor confidence remains fragile, with

heightened levels of volatility and corporate earnings forecasts remain under pressure.

Bonds largely traded sideways between March and September 2018. Core government bond yields fell (i.e. prices rose) in Q4 2018, with UK (-0.29%), US (-0.38%), German (-0.23%) and Japanese (-0.13%) yields all falling over the quarter. The quarter also witnessed a marked widening in credit spreads (i.e. prices fell relative to government bonds), prompted by the ''risk-off'' environment. High yield bonds under-performed relative to investment grade bonds, as they were most affected by the ''risk-off'' sentiment. Global government bond yields fell further early in Q1 2019 to-date (i.e. prices rose), but have risen more recently.

Asset class weightings and recommendations are based on values at the end of January 2019, and are relative to the new strategic asset allocation benchmark which will became effective on 1st January 2019. Many global stock markets are still trading close to all-time highs, despite the weakness in Q4 2018, 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) remain 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 31 December 2018.

Per annum	**DPF**	**Benchmark Index**
1 year	(3.6%)	(3.6%)
3 year	8.6%	7.9%
5 year	7.3%	6.8%
10 year	9.0%	8.9%

The Fund either out-performed, or in line with, the benchmark over all the above time periods.

(vi) Category Recommendations

	Old Benchmark	New Benchmark	Fund Allocation	Permitted Range	Recommendation		Benchmark Relative Recommendation	
			31 Jan-19		AF	DPF	AF	DPF
Growth Assets	62.0%	57.0%	57.9%	± 8%	59.0%	57.5%	+2.0%	+0.5%
Income Assets	18.0%	23.0%	15.9%	± 6%	23.0%	19.4%	-	-3.6%
Protection Assets	18.0%	18.0%	17.5%	± 5%	16.0%	17.5%	-2.0%	-0.5%
Cash	2.0%	2.0%	8.7%	0 – 8%	2.0%	5.6%	-	+3.6%

*Presumes all commitments are funded from cash

The new strategic asset allocation benchmark reflects a re-balancing of the Fund's assets from Growth Assets to Income Assets, and also introduces a new 3% allocation to Global Sustainable Equities.

At an overall level, the Fund was overweight in Growth Assets at 31 January 2019, and underweight in Income Assets and Protection Assets, although if commitments waiting to be drawn down were taken into account, the Fund would move to an overweight position in Income Assets. The table on page 3 assumes that all new commitments will be funded out of the current cash weighting; in practice as private market commitments are drawn down they are likely to be funded partially out of cash and partially by distributions (income and capital) from existing investments and sales of public market assets. The Fund has progressively reduced its exposure to Growth Assets over the last two years, as equity valuations have become increasingly stretched, and increased the allocation to Income Assets and Protection Assets.

The IIMT recommendations reflected in this report, continue to build on this trend, with a further 0.4% reduction in Growth Assets (UK Equities -1.4%; North American Equities -0.2%; European Equities -1.8%; and Global Sustainable Equities +3.0%), and a 3.5% increase in Income Assets (Multi-Asset Credit +1.7%; and Infrastructure +1.8%). The IIMT note that the recommendations are subject to market conditions, which could be significantly impacted in the short term by the outcome of the on-going UK parliamentary votes in respect of the Brexit deal, and flexibility will be required to respond to the resultant market conditions. Furthermore, the proposed new 3% allocation to Global Sustainable Equities is subject to the completion of satisfactory due diligence on several potential products.

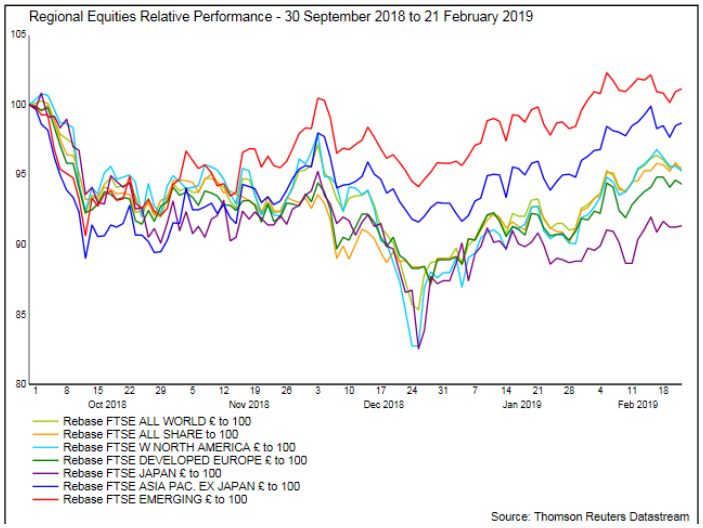
The IIMT continue to recommend a defensive cash allocation, believing that public markets continue to trade on rich valuations and appear too sanguine about the level of global political risk. Furthermore, as noted above, the cash weighting will be reduced as the Fund's current commitments are drawn down.

(vii) Growth Assets

At 31 January 2019, the overall equity weighting was 57.9%, down from 60.8% at 31 October 2018, following net divestment of £122m over the previous three months (principally £112m out of UK Equities in January; £14m out of Asia Pacific Equites in January; and £16m into Emerging Market Equities in January) and relative market weakness.

The IIMT recommendations below would take the overall Growth Asset weighting down by a further 0.4% to 57.5%, 0.5% overweight relative to the benchmark.

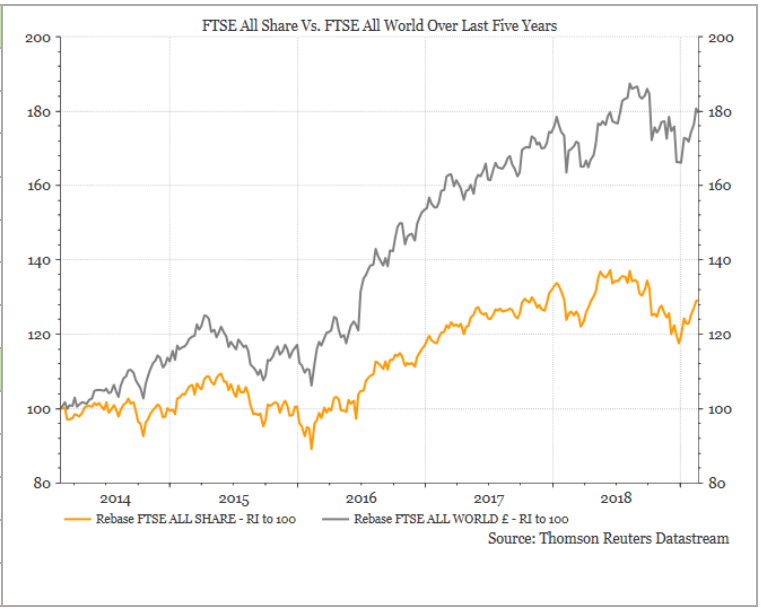
The Chart opposite shows the relative regional equity returns since 1st October 2018. Global Equity markets returned -10.5% in sterling terms in Q4 2018. For 2018 as a whole, Global Equities returned -3.4% in sterling terms.



Q4 2018 returns were negative across all regions. In local currency terms, Emerging Market Equities were the best performer, returning -6.1%. Several regions reported double-digit declines including UK Equities (-10.3%), North American Equities (-13.6%), European Equities (-11.7%) and Japanese Equities (-17.4%). Volatility in equity markets was elevated against a backdrop of slowing global growth, rising US interest rates and continued concern about US-China trade relations. Equity markets have recovered strongly in Q1 2019 to date. Whilst economic data has continued to moderate, optimism that US – China trade relations may improve, together with a more dovish outlook from the US Federal Reserve, has lifted equity markets. Notwithstanding the recovery, investor confidence remains fragile, with heightened levels of volatility and corporate earnings forecasts remain under pressure.

United Kingdom Equities

DPF Weightings	
Old Neutral	25.0%
New Neutral	16.0%
Actual 31.1.19	17.9%
AF Recommendation	16.0%
IIMT Recommendation	16.5%
Benchmark Returns	
Q4 18/19 to date	7.6%
Q3 18/19	(10.2%)
1 Year	(9.5%)
3 Years (pa)	6.1%
5 Years (pa)	4.1%



The Fund sold £112m of UK Equities into market strength in January 2019. This divestment, combined with relative market weakness in November and December 2018, reduced the UK Equity weighting to 17.9% at 31 January 2019; 1.9% overweight against the benchmark.

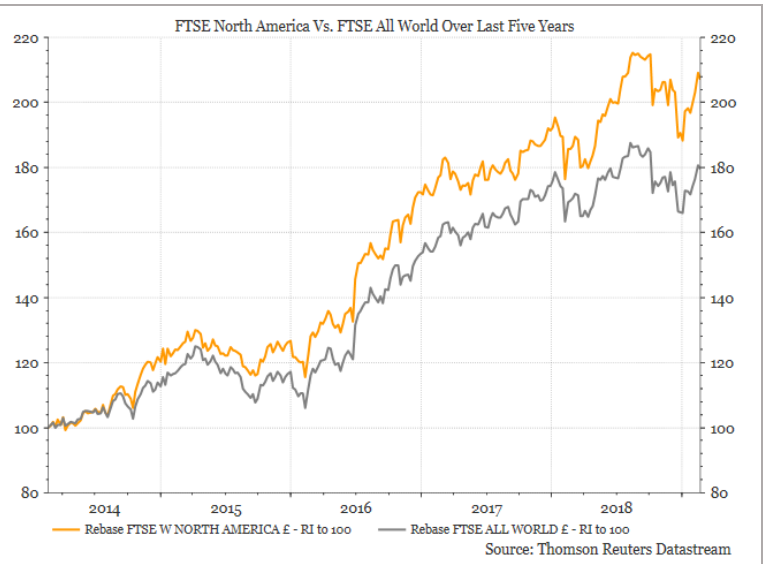
Mr Fletcher notes the significant reduction in the new neutral strategic allocation to UK Equities (25% to 16.0%), and recommends a neutral 16.0% weighting, acknowledging that it in practice, it will take time to move to a neutral allocation.

The IIMT continue to believe that the UK is likely to experience periods of volatility in the months ahead related to the Brexit negotiations. The potential for the UK Brexit negotiations, and the UK parliamentary Brexit votes, to have a significant impact on the UK market remains, with a continued increased risk of political and economic uncertainty. Against this backdrop, the IIMT believe that the current overweight position relative to the new benchmark is difficult to justify. As a result, the IIMT recommend reducing the current allocation by a further 1.4% to 16.5%, 0.4% overweight against the new benchmark. The IIMT believe however that a modest overweight position is justifiable because despite the on-going political concerns, current UK equity valuations are attractive on a relative basis.

The IIMT note that the recommendation is subject to market conditions, which could be heavily impacted in the short term by Brexit developments and flexibility will be required to respond to the resultant market conditions.

North American Equities

DPF Weightings	
New Neutral	12.0%
Old Neutral	12.0%
Actual 31.1.19	10.9%
AF Recommendation	10.0%
IIMT Recommendation	10.7%
Benchmark Returns	
Q4 18/19 to date	8.6%
Q3 18/19	(11.5%)
1 Year	0.8%
3 Years (pa)	14.6%
5 Years (pa)	13.6%



There were no transactions in the three months to January 2019, but relative market weakness reduced the weighting to 10.9% at 31 January 2019, 1.1% underweight.

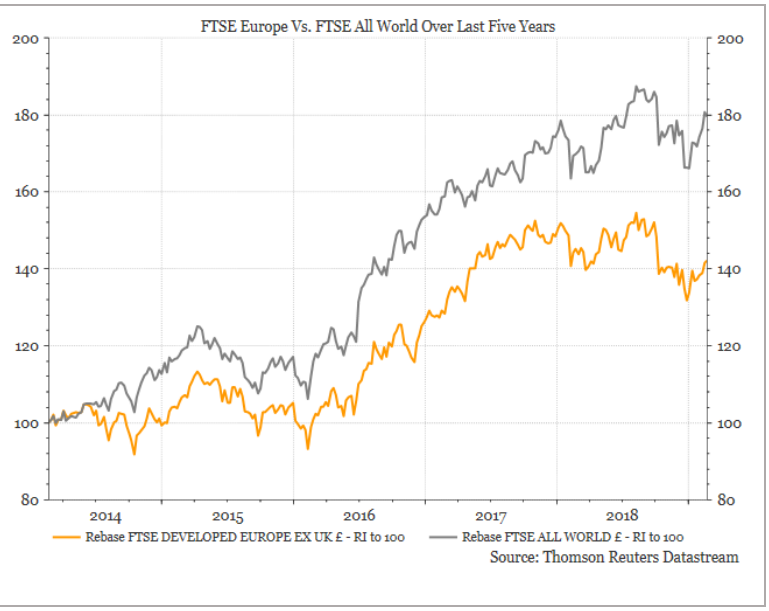
Mr Fletcher notes that because of the past strong performance of the US market on both an absolute and relative basis, and the relatively weaker future prospects, profits should be taken from the region. As a result, Mr Fletcher recommends that the weighting is reduced to 10% (2.0% underweight).

The IIMT believe that whilst the US continues to show reasonable momentum (Q3 2018 annualised GDP growth of 3.5%), supported by tax cuts, less regulation and the repatriation of cash, US equity valuations appear stretched. Company profit margins already stand at cyclical highs, and GDP growth slowed in Q4 2018 (annualised growth of 2.6%), reflecting some fading of the boost to investment from corporate tax cuts.

The IIMT believe that the recent sharp rise in the US equity market following the weakness in Q4 2018 (+11.4% in local currency terms, 8.6% in sterling terms since 1st January 2019) represents an opportunity to ‘‘lock-in’’ in some profit, and recommend reducing the current weighting by 0.2% to 10.7%, a 1.3% underweight position.

European Equities

DPF Weightings	
Old Neutral	9.0%
New Neutral	8.0%
Actual 31.1.19	9.8%
AF Recommendation	8.0%
IIMT Recommendation	8.0%
Benchmark Returns	
Q4 18/19 to date	5.9%
Q3 18/19	(11.1%)
1 Year	(9.3%)
3 Years (pa)	8.2%
5 Years (pa)	6.0%



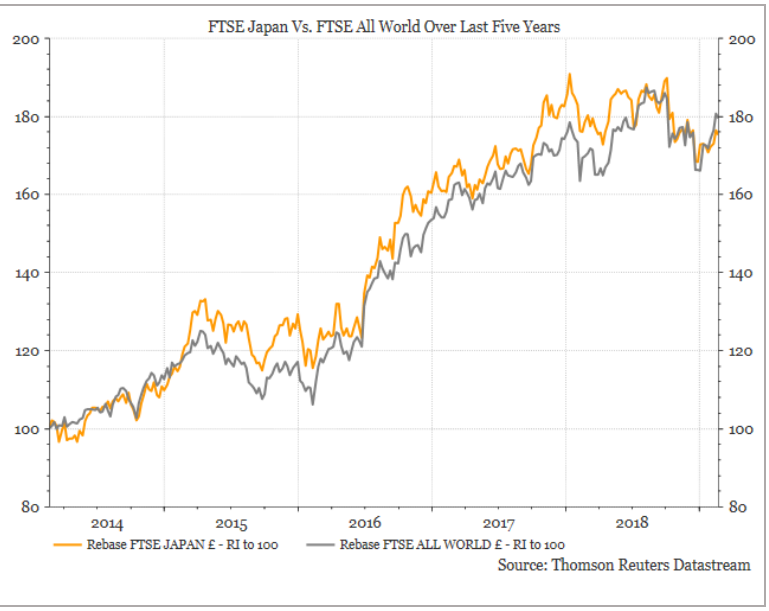
There were no transactions in the three months to January 2019, but relative market weakness reduced the weighting to 9.8% at 31 January 2019, 1.8% overweight against the benchmark.

Mr Fletcher recommends a neutral position of 8%. Mr Fletcher notes that the Eurozone economy has slowed, and growth in Q3 2018 was only 0.2%. The German economy has just avoided another negative quarter unlike Italy which is now in a technical recession. France (and Spain) continue to support growth, but for how long is uncertain, with the impact of the ‘‘Gillet Jaune’’ movement causing disruption every weekend.

The IIMT agree with Mr Fletcher and also recommend a neutral position of 8%. Whilst the European Central Bank continues to support the Eurozone economy through low interest rates, there are signs of a slow-down in economic growth, and on-going political concerns, together with uncertainty caused by Brexit, are likely to periods of heightened uncertainty and volatility.

Japanese Equities

DPF Weightings	
Old Neutral	5.0%
New Neutral	5.0%
Actual 31.1.19	6.6%
AF Recommendation	6.0%
IIMT Recommendation	6.4%
Benchmark Returns	
Q4 18/19 to date	4.5%
Q3 18/19	(12.4%)
1 Year	(7.6%)
3 Years (pa)	9.1%
5 Years (pa)	9.4%



Whilst there were no transactions in the previous three months, relative market weakness reduced the weighting to 6.4% at 31 January 2019; 1.4% overweight against the benchmark.

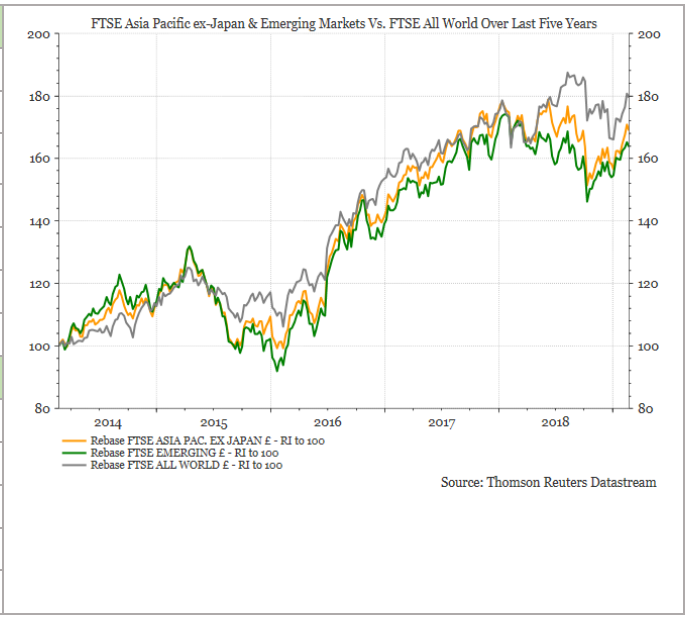
Mr Fletcher notes that whilst the Japanese market dramatically gave back its strong performance from the first nine months of 2018 in Q4 2018, this is not a reason to change his 1% overweight allocation of 6%. Furthermore, Mr Fletcher notes that Japanese equities, together with the Japanese ¥, tend to have defensive characteristics.

The IIMT note that after a sluggish third quarter (annualised growth fell by 2.5%), economists expect the fourth quarter to show a rebound, supported by the findings of the Q4 Tankin Survey and December 2018 Manufacturing PMIs. The longer term outlook remains positive, and the market is further supported by on-going political reforms, continued improvement in corporate governance arrangements, and increasing dividend pay-outs.

The IIMT recommend maintaining the current 1.4% overweight position of 6.4%.

Asia Pacific Ex-Japan and Emerging Market Equities

DPF Weightings	Asia-Pac	EM
Old Neutral	4.0%	3.0%
New Neutral	4.0%	5.0%
Actual 31.1.19	5.1%	5.0%
AF Recommendation	5.0%	7.0%
IIMT Recommendation	5.1%	5.0%
Benchmark Returns	**Asia-Pac**	**EM**
Q4 18/19 to date	6.3%	5.7%
Q3 18/19	(6.5%)	(3.9%)
1 Year	(8.5%)	(7.6%)
3 Years (pa)	13.2%	14.8%
5 Years (pa)	7.7%	7.9%



The Fund's allocation to Asia Pacific Ex-Japan Equities remained flat between October 2018 and January 2019 at 5.1%; 1.1% overweight relative to the benchmark. The impact of an unexpected opportunity to sell one of the pension funds pooled investment vehicles at a premium to its book value was offset by relative market strength.

Net investment of £14m, together with relative market strength, increased the Emerging Market Equity weighting from 4.3% at 31 October 2018 to 5.0% at 31 January 2019; a neutral weighting relative to the benchmark.

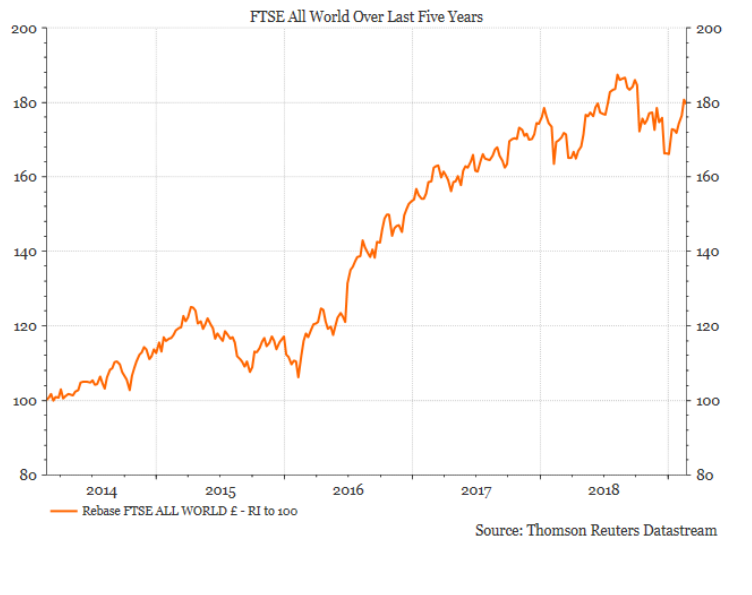
Mr Fletcher notes that whilst both Asia Pacific Ex-Japan and Emerging Markets reported negative returns in Q4 2018 (6.5% and 3.9% respectively), both regions outperformed other developed equity markets on a relative basis. Mr Fletcher notes that the reasons for being overweight in these two markets (i.e. 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) have not gone away, and the sell-off provides a cheaper entry level. As a result, 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), albeit Mr Fletcher acknowledges that in the short term this may seem a little aggressive, he believes that over the longer term this is a significant relative value opportunity.

The IIMT continue to believe in the long term growth potential of these regions but believe that the short-term outlook 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. As a result, the IIMT recommend that in the short-term the Fund maintains the Asia Pacific Ex-Japan weighting at 5.1% (1.1% overweight) and the Emerging Market weighting at 5.0% (neutral).

Global Sustainable Equities

DPF Weightings	
Old Neutral	-
New Neutral	3.0%
Actual 31.1.19	-
AF Recommendation	3.0%
IIMT Recommendation	3.0%
Benchmark Returns	
Q4 18/19 to date	7.5%
Q3 18/19	(10.5%)
1 Year	(3.4%)
3 Years (pa)	12.5%
5 Years (pa)	10.5%



The new strategic asset allocation benchmark includes a 3% allocation to Global Sustainable Equities, and Mr Fletcher recommends a 3% neutral allocation. The IIMT is currently carrying out due diligence on several potential products, including both active mandates and factor based products, and recommend a 3% neutral allocation, whilst noting that the completion of the necessary due diligence is likely to take several months, and request some flexibility around the timing of any investment. Furthermore, the Fund's custody service provider has recently issued notice to terminate the service, and the process to appoint a replacement may impact on the delivery date of a sustainable solution.

Private Equity

DPF Weighting					
Old New	New Neutral	Actual 31.1.19	Committed 31.1.19	AF Recommendation	IIMT Recommendation
4.0%	4.0%	2.8%	5.1%	4.0%	2.8%
Benchmark Returns					
Q4 18/19 to date	Q3 18/19	1 Year	3 Years (pa)	5 Years (pa)	
7.8%	(9.9%)	(8.5%)	7.1%	4.7%	

Existing net commitment draw-downs in the three months to 31 January 2019 increased the invested weighting to 2.8%; 5.1% on a committed basis.

Mr Fletcher recommends a neutral weighting of 4% in Private Equity. The IIMT continue to seek out opportunities which offer higher returns than public markets, including co-investment and secondary funds, and recommend maintaining the invested weighting at 2.8%, 5.1% on a committed basis.

(viii) Income Assets

At 31 January 2019, the overall weighting in Income Assets was 15.9%. The IIMT recommendations below would take the overall Income Asset weighting to 19.4%, and the committed weighting to 24.9%.

Multi Asset Credit

DPF Weighting				
Old Neutral	New Neutral	Actual 31.1.19	AF Recommendation	IIMT Recommendation
4.0%	6.0%	3.7%	6.0%	5.4%
Benchmark Returns				
Q4 18/19 to date	Q3 18/19	1 Year	3 Years (pa)	5 Years (pa)
0.6%	1.0%	3.7%	n/a	n/a

Net investment of £7m in the period, together with relative market strength, increased the weighting to 3.7% at 31 January 2019; 7.7% on a committed basis.

Mr Fletcher recommends a neutral 6% allocation to Multi-Asset Credit relative to the new benchmark in order to increase the diversified opportunity set going forward. Mr Fletcher believes that investing in shorter duration sub-investment grade high-yield bonds and emerging market debt could protect the 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 credit spreads has made these assets more attractive.

The IIMT continue to remain positive about the long-term attractions of this asset class, but believe that the current market volatility increases the risk that some parts of the Multi-Asset Credit portfolio will under-perform in a ‘‘risk-off’’ environment. As a result, the IIMT continue to prefer 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. Subsequent to the January 2019 period-end, due diligence was completed on a diversified liquid multi-asset credit fund, and £40m was invested into the fund in early February 2019, increasing the invested weighting to 4.5%.

The IIMT recommend increasing the invested weighting by a further 0.8% in the upcoming quarter to 5.4%; 7.7% on a committed basis, albeit the IIMT note that this recommendation should be subject to the market conditions at the time. Whilst this implies the pension fund will be 1.7% overweight should all the commitments be drawn-down, in practice it is unlikely that the commitments will be fully drawn, and some of the existing closed-ended investments have now entered their distribution phase (i.e. returning cash to investors).

The Fund's current Multi-Asset Credit benchmark is Libor + 3%. Whilst the IIMT believe that the current benchmark is appropriate for the Fund's private debt investments (i.e. because these loans are floating rate in nature), the benchmark is not suitable for the Fund's diversified credit fund investment (i.e. because these are more akin to corporate bonds), and in periods of heightened market volatility may significantly under-perform the Libor + 3% benchmark. As a result, the IIMT propose that the Fund uses a blended benchmark going forward to better reflect the underlying characteristics of the Multi-Asset Credit portfolio.

Property

DPF Weighting				
Old Neutral	New Neutral	Actual 31.1.19	AF Recommendation	IIMT Recommendation
9.0%	9.0%	8.2%	9.0%	8.2%
Benchmark Returns				
Q4 18/19 to date	Q3 18/19	1 Year	3 Years (pa)	5 Years (pa)
Not Available	1.0%	5.9%	6.3%	10.2%

Investment over the previous three months of £40m, together with relative market strength, increased the weighting to 8.2% at 31 January 2019, with Direct Property accounting for 4.8% (0.2% underweight) and Indirect Property accounting for 3.4% (0.6% underweight). A further £10m was added to Indirect Property commitments in the period, increasing the committed weighting to 8.7%.

Mr Fletcher notes that the property market has again delivered strong diversified returns for the Fund and that the direct property manager has outperformed. 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 it will take time to build the property allocation to a neutral position.

The IIMT note that Colliers Capital, the Discretionary Direct Property Manager, has successfully completed several property purchases over the last six months, and the direct property portfolio is now only 0.2% underweight. The IIMT recommend maintaining the current 4.8% allocation while Colliers continue to seek out attractive propositions.

The IIMT continue to assess indirect property opportunities, with a focus on vehicles invested in specialist areas which provide strong covenants and sustainable rental growth. The IIMT recommend maintaining the Indirect Property weighting at 3.4%, 3.9% on a committed basis.

Infrastructure

DPF Weighting					
Old Neutral	New Netural	Actual 31.1.19	Committed 31.1.19	AF Recommendation	IIMT Recommendation
5.0%	8.0%	4.0%	8.5%	8.0%	5.8%
Benchmark Returns					
Q4 18/19 to date	Q3 18/19	1 Year	3 Years (pa)	5 Years (pa)	
0.5%	0.7%	2.7%	2.5%	1.8%	

Investment in the three months to January 2019 totalled £7m, and the invested weighting increased to 4.0%. A further £75m was added to commitments in period, increasing the committed weighting to 8.5%.

Mr Fletcher recommends a neutral weighting of 8% relative to the benchmark, acknowledging that this will take time to achieve.

The IIMT believe that Infrastructure is an attractive asset class, with a bias towards core infrastructure assets which offer favourable risk-adjusted returns, predictable long term cash flows which are often linked to inflation, and low correlation to other major asset classes. The IIMT recommend increasing the invested weighting to 5.8% in the upcoming quarter, in anticipation that the recent £85m (i.e. a 1.8% weighting impact) commitment to an open-ended global infrastructure fund will be drawn-down in April 2019.

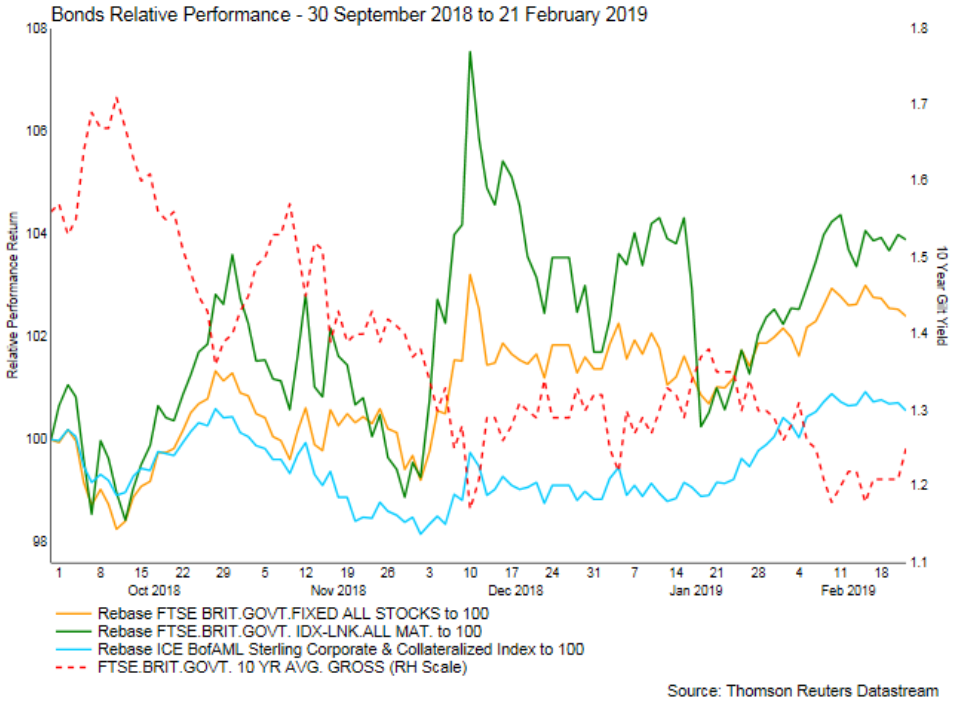
(ix) Protection Assets

The weighting in Protection Assets at 31 January 2019 was 17.5%, up from 17.2% at 31 October 2018, reflecting relative market strength. There were no transactions in the period.

The IIMT recommendations below maintain the weighting at 17.5%.

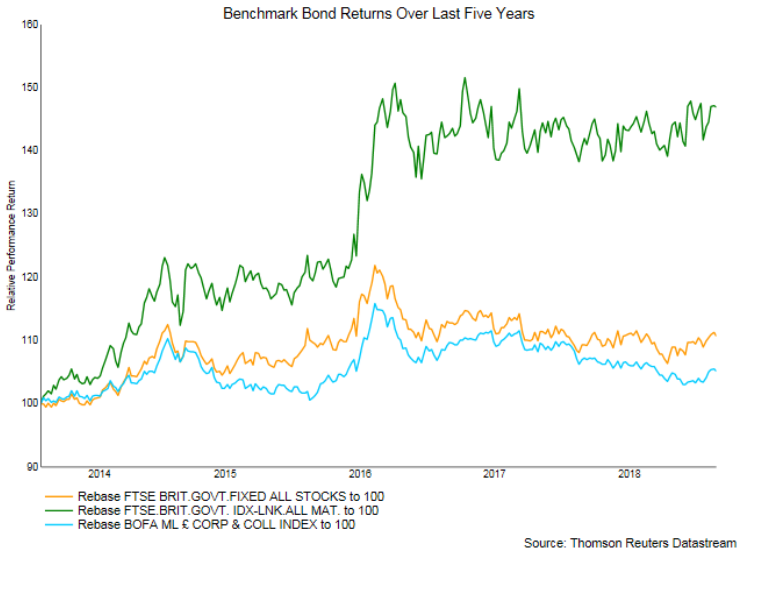
The Chart opposite shows the relative bond returns in respect of UK Conventional Bonds, UK Index-Linked Bonds and UK Corporate between 1 October 2018 and 21 February 2019.

The fourth quarter of 2018 was a positive quarter for government bonds. Both Conventional and Index-Linked bonds demonstrated their defensive qualities over the quarter and reported positive returns (0.7% and 1.0%), which were in sharp contrast to the negative equity returns noted earlier (FTSE All World down 10.5%).



Conventional Bonds

DPF Weightings	
Old Neutral	5.5%
New Neutral	6.0%
Actual 31.1.19	5.7%
AF Recommendation	5.0%
IIMT Recommendation	5.7%
Benchmark Returns	
Q4 18/19 to date	1.3%
Q3 18/19	1.9%
1 Year	0.6%
3 Years (pa)	4.1%
5 Years (pa)	5.2%



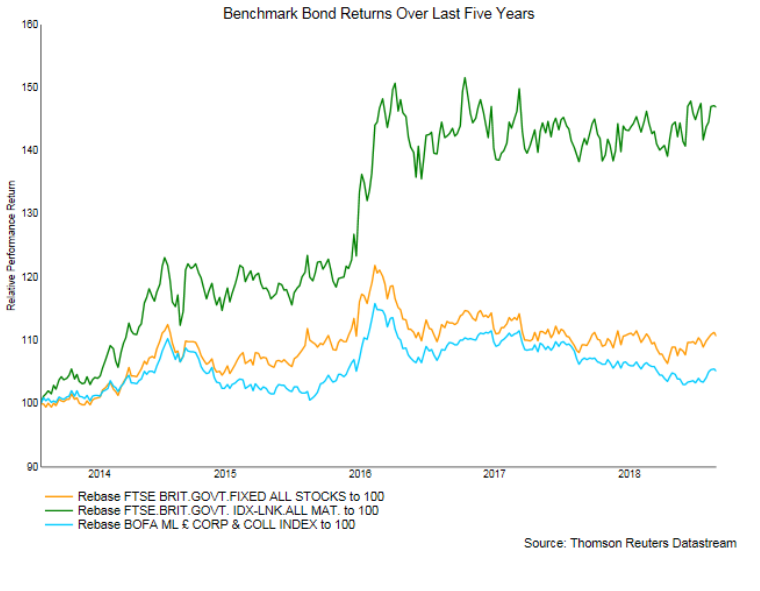
Whilst there were no transactions in the period, relative market strength increased the weighting in Conventional Bonds to 5.7% at 31 January 2019.

Mr Fletcher recommends a 1.0% underweight position of 5.0% against the benchmark. Mr Fletcher notes that the fall in global equity markets in Q4 2018, and December 2018 in particular, has resulted in the US Federal Reserve pausing its cycle of rate increases and quantitative tightening. However, Mr Fletcher notes that recent economic data shows that the global economy is still growing and it is only a matter of time before the bond markets start to worry about the US Federal Reserve ending its pause and bond yields start to rise again. Central Banks remain on a path to less monetary accommodation; the rate has slowed, not yet stopped or gone into reverse. Mr Fletcher expects to see higher Libor rates and higher 10 year bond yields. Yield curves are currently fairly flat and Mr Fletcher expects to see steeper yield curves going forward, which means bonds with longer maturity dates could produce lower returns.

The IIMT 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 – as demonstrated in the recent Q4 2018 equity market sell-off. The IIMT recommend maintaining the current weighting of 5.7%, 0.3% underweight relative to the benchmark.

Index-Linked Bonds

DPF Weightings	
Old Neutral	6.5%
New Neutral	6.0%
Actual 31.1.19	5.7%
AF Recommendation	5.0%
IIMT Recommendation	5.7%
Benchmark Returns	
Q4 18/19 to date	2.2%
Q3 18/19	1.9%
1 Year	(0.3%)
3 Years (pa)	8.3%
5 Years (pa)	8.4%



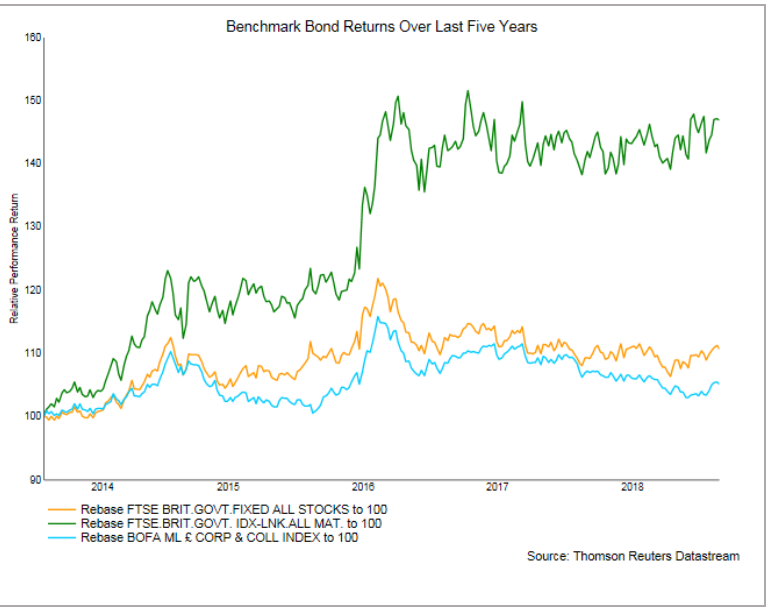
Relative market strength increased the weighting in Index Linked Bonds to 5.7% at 31 January 2019.

Mr Fletcher notes that UK Index-Linked gilts have now become even more expensive. Mr Fletcher believes that it is appropriate to be underweight in this asset class, and recommends a 1.0% underweight position of 5%, and that the Fund should continue to hold some US TIPS as well as UK Index Linked. Although Mr Fletcher notes that the cost of hedging the currency risk needs to be taken into consideration when investing in bonds outside the UK.

The IIMT agrees with Mr Fletcher regarding the current value of UK Index-Linked bonds and recommends that the current 0.3% underweight position of 5.7% against the benchmark 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	
Old Neutral	6.0%
New Neutral	6.0%
Actual 31.1.19	6.1%
AF Recommendation	6.0%
IIMT Recommendation	6.1%
Benchmark Returns	
Q4 18/19 to date	2.3%
Q3 18/19	(0.3%)
1 Year	(2.3%)
3 Years (pa)	4.8%
5 Years (pa)	5.5%



Whilst there were no transactions in the period, relative market strength increased the weighting in Corporate Bonds at 31 January 2019 to 6.1%; 0.1% overweight relative to the benchmark.

Mr Fletcher believes that investing in shorter duration investment-grade corporate bonds could protect the 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 credit spreads has made these bonds more attractive. As a result, Mr Fletcher believes that a neutral allocation of 6% to investment grade corporate bonds is appropriate.

The IIMT concur with Mr Fletcher and recommend that the current 0.1% overweight allocation of 6.1% is maintained.

(x) Cash

The cash weighting at 31 January 2019 was 8.7%, 6.7% overweight relative to the benchmark. The cash weighting at 31 January 2019 was 0.7% higher than the permitted maximum of 8.0%, reflecting the impact of a short-term timing difference between the sale of some UK equities (immediately pre-period end), and subsequent reinvestment into a diversified Multi-Asset Credit fund (immediately post-period end). On an adjusted basis, the cash weighting was 7.9%.

Mr Fletcher notes that the high cash balance has helped moderate the poor performance of markets over 2018, and in particular the fourth quarter. However, Mr Fletcher further notes that the Fund is cash flow positive and has no requirement to carry such a high cash balance, but acknowledges that much of the cash held is committed to fund managers that have yet to draw-down their allocations for investments, and further draw-downs will reduce the level of cash.

The IIMT notes that markets experienced a significant bout of volatility in Q4 2018, following on from the volatility experienced in Q1 and Q2 2018. The IIMT believe that 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 IIMT recommend a defensive cash allocation of 5.6%, with a continued emphasis on making commitments to more attractively priced illiquid markets and noting that the cash weighting will reduce as private market commitments are drawn down.

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

Fourth Quarter 2018 Investment Report

PREPARED FOR:

Derbyshire County Council Pension Fund: Pensions and Investment Committee Meeting

MARCH 2019

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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 12th March 2019
Date of paper 14th February 2019

1. Market Background

In the fourth quarter of 2018 the global economy continued to show signs of a possible slowdown as many major economies are advancing towards the latter stages of the business cycle. As a result global equity markets suffered sharp declines as the impact of higher US interest rates started to be felt; growth concerns, trade tensions and political uncertainty increased. US equities declined steeply in December, and the S&P 500 fell by 13.8% over the quarter; disappointing corporate earnings from tech stocks, particularly Amazon and Alphabet, which missed revenue targets and gave rise to investor concerns over the risk of a broader earnings slowdown.

European stocks also declined on concerns over Italy and lower global growth. UK equities continued to underperform as uncertainties surrounding Brexit and the stability of the UK government continued to act as a drag on the market. The FTSE 100 and FTSE All-Share fell by 9.4% and 10.2% respectively over Q4.

Despite the equity market volatility in December, the Federal Reserve increased rates by 25 basis points to a range of 2.25%-2.50%, its fourth rate hike in 2018. The Bank of England kept interest rates at 0.75%.

Government Bond yields declined (prices rose), as uncertainty over the outlook for global growth increased, equity markets became more volatile and investors became more risk averse. 10 year US Treasury yields were 0.4% lower and the 2 to 10 year yield curve flattened. 10-year UK government yields fell from 1.59% to 1.28% over the same period, reflecting the lower US yield but also as response to increased Brexit induced, macroeconomic uncertainty.

Non-government bond yields increased causing spreads to widen on the back of equity market volatility. Investment grade corporate bond spreads were further impacted by the downgrade of General Electric's debt laden balance sheet. This is turn gave rise to a concern over the higher % of BBB rated bonds in the market leading some to speculate about widespread downgrades to high yield. This combination of concerns led high yield bonds to significantly underperform.

Over the quarter the US dollar strengthened, as interest rates were again increased and trade tensions looked to be easing with the meeting of Presidents Trump and Xi at the G20 summit. Sterling weakness continued as unease over the potential Brexit withdrawal agreement persisted, whereas the Japanese yen strengthened, as investors looked for a safe haven.

The perceived weakness of the global economy caused the price of Brent crude oil to fall from $83 in September to $54 per barrel at the end of December as oversupply dominated the market.

At the time of our last meeting in December, global equity markets were down around 5% in the quarter to date. The last 2 weeks of the year saw an almost perfect storm for asset markets as the tensions and worries that had been in the background throughout the year and that had increased in October and November reached a crescendo. December a month notorious for poor market liquidity delivered highly volatile trading conditions and at the close of the year sharply negative equity market returns, but Government bonds a traditional offsetting asset class only produced modest positive returns over the quarter.

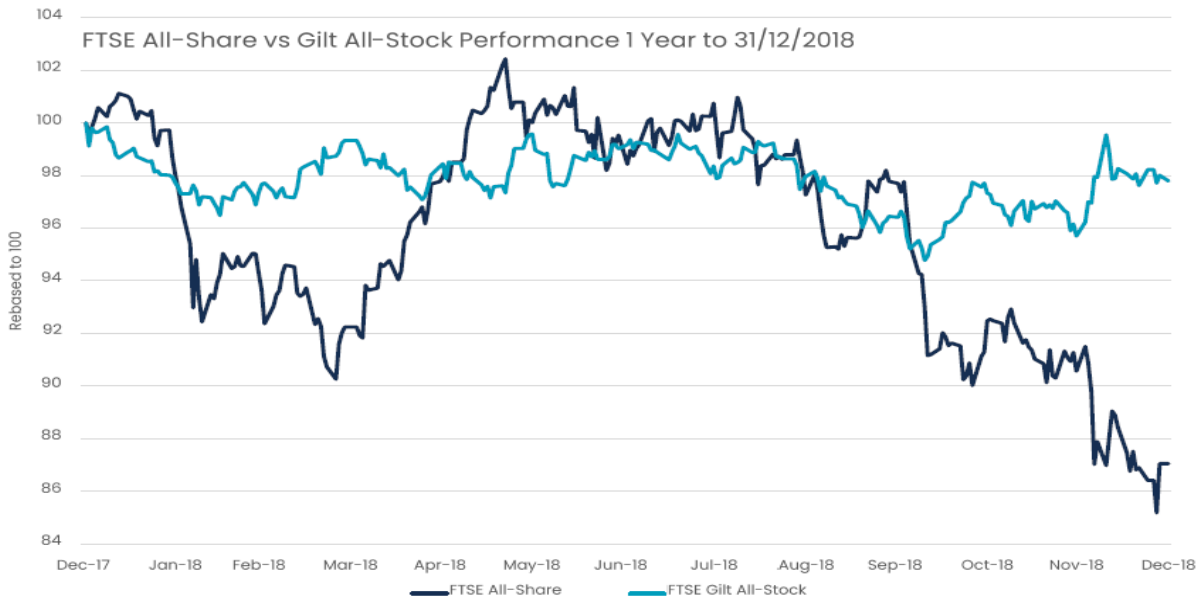
Table 1, below shows the total investment return in pound Sterling for the major asset classes, using FTSE indices except where noted; for the month of January 2019, 3 and 12 months to the end of December 2018.

% TOTAL RETURN DIVIDENDS REINVESTED

	MARKET RETURNS		
		Period end 31st December 2018	
	January 2019	**3 months**	**12 months**
FTSE All-Share	4.2	-10.3	-9.5
FTSE World ex UK	4.4	-10.6	-3.1
North America	4.9	-11.5	0.8
Europe ex UK	3.4	-10.8	-9.1
Japan	2.7	-12.4	-7.6
Pacific Basin	4.7	-8.1	-6.8
Emerging Equity Markets	4.8	-3.9	-7.6
UK Gilts - Conventional All Stocks	1.1	1.9	0.6
UK Gilts - Index Linked All Stocks	0.6	2.5	-0.3
UK Corporate bonds*	2.1	-0.2	-2.0
Overseas Bonds**	0.7	1.9	1.0
Property IPD quarterly	-	0	0
Cash 7 day LIBID	0.06	0.15	0.5

* iBoxx £ Corporate Bond; **Citigroup WGBI ex UK hedged

Chart 1: - UK bond and Equity market prices since 31st December 2017



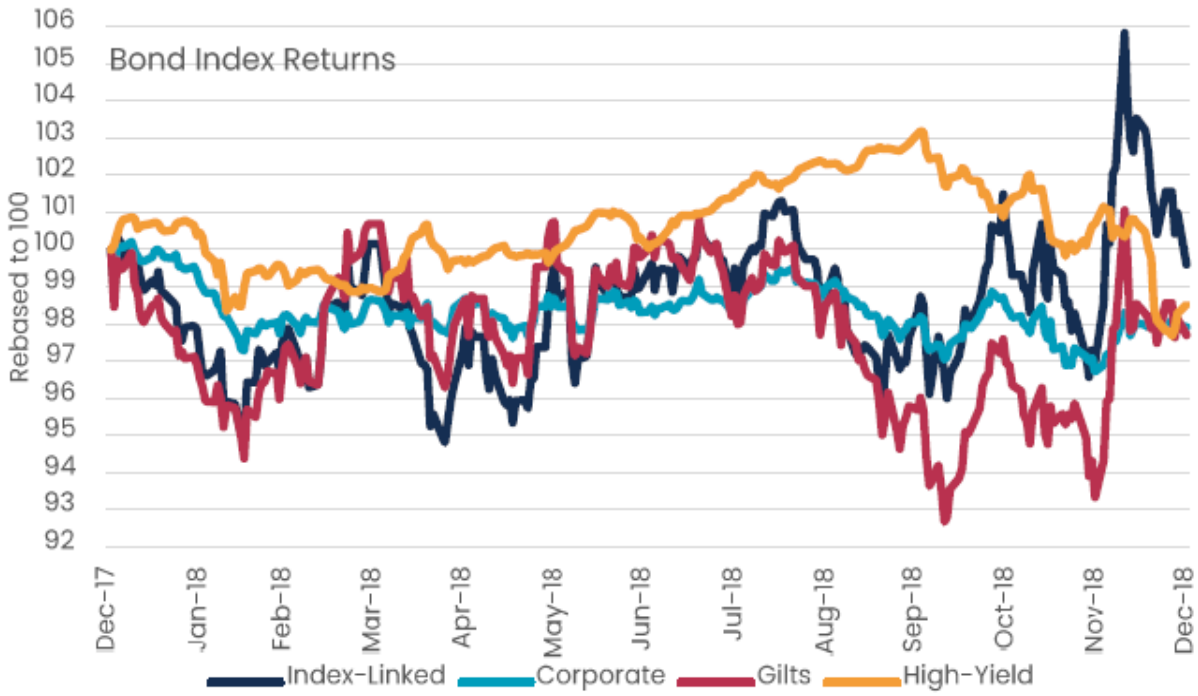
Source: - Bloomberg

Table 2: - Change in Bond Market yields over the quarter and 12 months.

BOND MARKET % YIELD TO MATURITY	30th September 2018	31st December 2018	Change	30th December 2017	Current 22nd February 2019
UK GOVERNMENT BONDS (GILTS)					
10 year	1.57	1.28	**-0.29**	1.24	1.16
30 year	1.91	1.82	**-0.11**	1.76	1.68
Over 15y Index linked	-1.50	-1.57	**-0.07**	-1.65	-1.69
OVERSEAS GOVERNMENT BONDS					
10 US Treasury	3.06	2.69	**-0.37**	2.45	2.65
10 Germany	0.47	0.24	**-0.23**	0.42	0.09
10 Japan	0.13	-0.01	**-0.14**	0.04	-0.04
NON-GOVERNMENT BONDS					
UK corporates	2.85	3.01	**+0.16**	2.35	2.77
Global High yield	6.06	7.46	**+1.40**	5.25	6.27
Emerging markets	5.04	5.35	**+0.41**	4.07	4.86

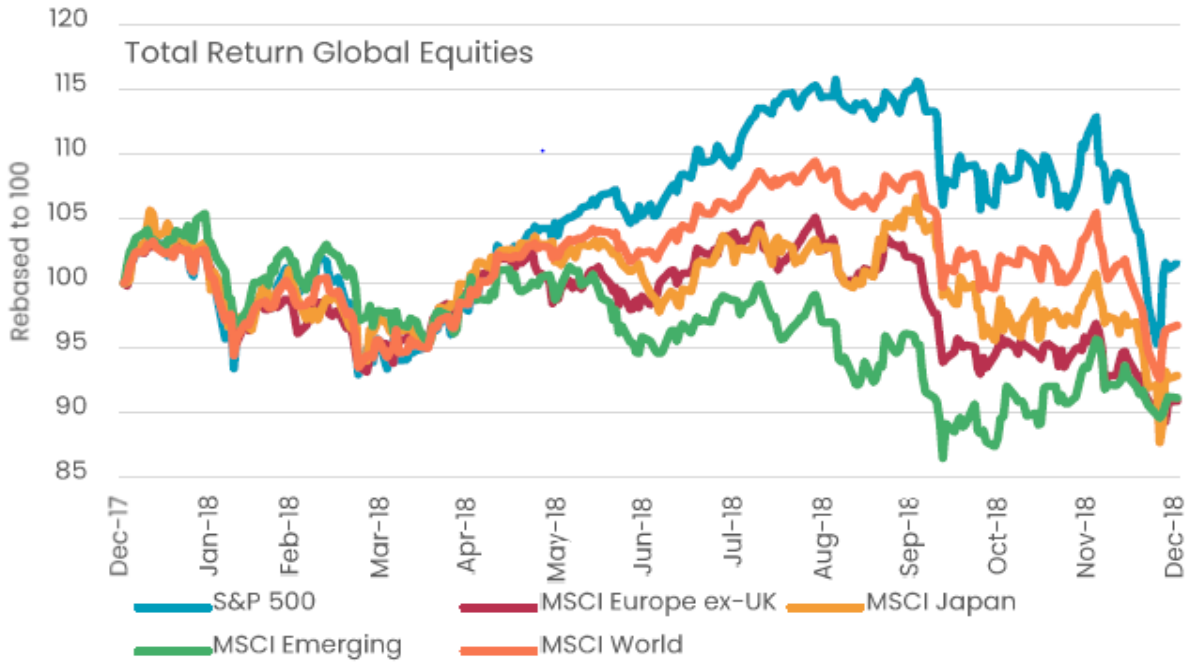
Source: - Bloomberg, G8LI, UC00, HW00, EMGB, ICE indices 22nd February 2019.

Chart 2: - Bond index returns in Sterling terms, since 31st December 2017.



Source: - Bloomberg

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



Source: - Bloomberg

Recent developments.

The markets experienced two significant changes in January which have helped equity and credit markets recover their composure after a highly volatile December. First, the Fed's move to a more neutral stance regarding its rate guidance and attitude to QT, has helped to ease the market's fears about interest rates continuing to rise when the pace of global growth looks to be slowing. Second, the rhetoric from the US administration towards China has also softened. The trade tensions have hurt China and Europe but as I have said before it has also hurt the US. Mr Trump appears to be following his usual pattern of behaviour, making a big theatrical noise, which then leads to a small concession allowing him to claim what a great deal maker he is, in the case of the Chinese they have decided to called his bluff. As usual from the markets point of view pretty much any deal would be a welcome relief, but the US and China are still some way from striking a deal, so some risks remain.

While it would be normal at this stage in the cycle, for macroeconomic data to be more mixed, December's US jobs report showed some strength and not surprisingly the Government shutdown had a negative impact on business and consumer sentiment. US equity markets were further buoyed by the fourth quarter earnings running ahead of expectations. At its most recent meeting the Fed added to it's more dovish January comments by stating that, it can afford to be patient as the inflation rate continues to fall.

In Europe, weaker Chinese demand is still hurting German exports and the Gillet Jaune movement in France has dampened spending and sentiment. On the bright side European aggregate unemployment has fallen to 7.9%, but this hides significant country and generational variations. The European Commission and the Italian Government managed to avoid getting into budget sanctions, by agreeing

a lower deficit projection, but the main features of Italy's plans for income and pensions reform still look fiscally unsustainable.

In the UK, the Bank of England left rates unchanged, reduced it GDP and inflation forecasts and cited Brexit uncertainty as the major potential risk to the economy. After a month's delay parliament voted and rejected the Government's EU withdrawal Agreement (WA). There have been various votes on amendments and there are more to come before the 29th March. The irony is while parliament rejected the WA, if the Backstop was removed or time limited, it would now probably vote to accept it, as most MP's have a greater fear leaving the EU with "no deal". The problem is this majority is split across the various parties and there is still scope for "political manoeuvres" and then we get into possibilities of delaying article 50 or a second referendum. Meanwhile the clock ticks down and the risk of departure with no deal increases, because there is no time to pass amending legislation. The market response would be most likely be felt initially by Sterling, weaker on no deal, stronger with a deal and no change if the can is kicked further down the road.

2. Investment Performance

Table 3, shows the performance of the Derbyshire Pension Fund versus the old fund specific benchmark for the 3 and 12 month periods to the end of December 2018. The analysis shows that the Fund experienced its first negative annual total return for some time. The Fund slightly underperformed its benchmark over 3 months and slightly outperformed over 12 months. Measured against longer time horizons, more appropriate for Pension Fund performance, the Fund continues to deliver positive returns and has outperformed the strategic benchmark on rolling 3,5,10 years and since inception on a net of fees basis. Over the 10 years the Fund has achieved a total return of 9% per annum. The PEL attribution data suggests a negative contribution from Asset Allocation, but a larger positive contribution from Stock Selection over the 12 months to the end of December.

Table 3: - Derbyshire Pension Fund and Benchmark returns

% TOTAL RETURN (NET) 31ST DECEMBER 2018	3 MONTHS		12 MONTHS	
	Derbyshire Pension Fund	**Benchmark**	**Derbyshire Pension Fund**	**Benchmark**
UK Equity	-10.9	-10.2	-9.9	-9.5
Overseas Equity	-10.6	-10.2	-6.5	-5.1
North America	-13.3	-11.5	-0.2	0.8
Europe	-11.0	-11.1	-9.2	-9.3
Japan	-15.6	-12.4	-13.3	-7.6
Pacific Basin	-3.4	-6.5	-6.2	-8.5
Emerging markets	-2.3	-3.9	-8.0	-7.6
UK Gilts	2.0	1.9	1.1	0.6
UK & Overseas Inflation Linked	2.0	1.9	0.1	-0.3
UK Corporate bonds	-0.2	-0.3	-1.7	-2.3
Multi-asset Credit	-0.1	1.0	3.0	3.7
Alternatives (all sectors)	-0.1	-4.1	6.8	-2.3
Property (all sectors)	1.5	1.0	9.7	5.8
Cash	0.1	0.1	0.4	0.5
Total Fund	**-6.1**	**-6.0**	**-3.5**	**-3.6**

Total fund value at 31st December 2018 £4,634 million

Month on month market volatility reached a peak in December and the poor market conditions produced negative returns from all growth assets, with the developed market equities experiencing the biggest negative returns. In the fourth quarter the worst performance came from Japan followed by Europe, the US and the UK, returns from pacific basin and emerging equities were also negative but less so. With the exception of the US all equity markets produced negative returns in 2018.

Over the quarter Government bond markets delivered positive returns but with yields already at very low levels they failed to provide much protection. Other diversifiers such as corporate bonds, Multi-asset credit and Alternatives delivered returns close to zero but property produced positive returns.

Diversification does not gaurantee a positive return, but overall the Fund did benefit from the diversified nature of its investments with a smaller negative return than equity markets over 3 and 12 months.

Equity performance

Over the quarter, UK equity market exposure was further reduced to 19.8% as the allocation is bought into line with the new strategic allocation of 16%. When compared to the old strategic weight of 25% the allocation was relatively underweight. The absolute return of the UK equity portfolio was worse than the benchmark, but the attribution analysis suggests that this underweight produced a small positive contribution to returns. All other equity allocations were broadly unchanged.

Like the UK, the rest of the world equity markets all produced negative returns in the fourth quarter, the only equity market to achieve a positive return over 12 months was the USA. On an absolute basis all the developed overseas equity investments underperformed there performance benchmarks, over both 3 and 12 months. The exceptions to this was Pacific Basin equities which outperformed over 3 and 12 months and Emerging equities which outperformed over 3 months but were just behind benchmark over 12 months.

North American equity, actively managed in a segregated portfolio, by Wellington, underperformed in 4Q18 and over 12 months. This recent performance has taken the 3 year numbers down to 13%pa but this is now 1.6% behind benchmark and it has reduced the longer term outperformance, over the longer term the portfolio is now +0.7% and +1.5% pa ahead of benchmark 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 and 5 year returns.

The other equity assets are invested in Japan, the Pacific Basin and Emerging Markets equities, via pooled funds selected by the in-house team. The allocation to Japan underperformed its benchmark over 3 and 12 months but remains ahead over 3 years and is 2%pa ahead of benchmark over 10 years.

Over all periods Pacific Basin equity has outperformed delivering better returns in both down and up markets, Over 10 year this allocation is +1.6%pa ahead of benchmark. The Emerging equity allocation continues to have mixed relative returns but again over 10 years the allocation has outperformed by +0.7%pa.

Fixed Income Performance

Taken in total Bond markets produced small positive returns that helped reduce the Fund's overall negative return. The UK government (Gilts) and index linked bond portfolios delivered positive returns and outperformed their respective benchmarks. Investment grade corporate bonds were impacted by the equity market volatility and returns were negative as spreads widened. The external

managers outperformed producing a lower negative return, over 3 years the managers have slightly outperformed the benchmark. The allocation to Multi-Asset Credit slightly underperformed its LIBOR + 3% benchmark over the year but still produced highest absolute returns. Over 3 years the allocation has outperformed the benchmark.

Over the year, most of the active decisions taken relative to the benchmark added value, exposure to hedged US bonds helped and the underweight duration exposure of the overall portfolio helped government bonds outperform the overall 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 slightly negative in the fourth quarter but over the year both Infrastructure and Private Equity allocations produced positive returns well ahead of both bonds and equity and the portfolio outperformed the benchmark. Over the year and 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. Notwithstanding recent poor performance of equity markets in general and being overweight higher growth regions like the Pacific Basin 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 has probably been better, to use the money generated by being underweight bonds in general to invest in being overweight equity. The Fund has also been successful with its allocations to Property and Alternatives and it has 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

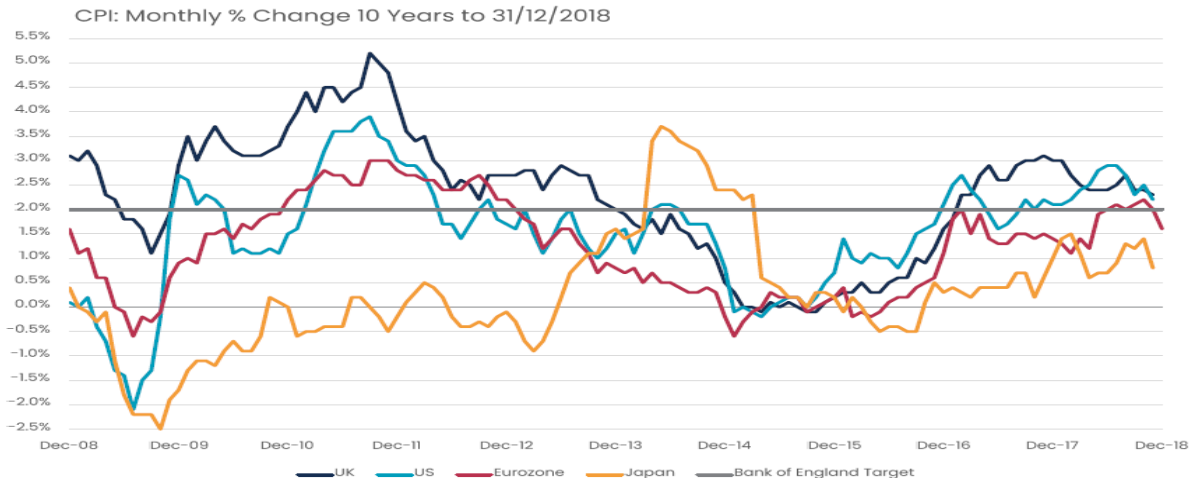
Economic background

The global economic themes are broadly unchanged, the expansion continued through the fourth quarter although at slower pace and less synchronised than last year, we are a result closer to the potential end of the business cycle. The global economy is now feeling the effects of the Fed's less accommodative monetary policy stance as is the slowdown in Chinese growth as it shifts towards consumption. These macro changes, along with the concerns over the trade negotiations and a major disruptive shift in the automotive industry are growing concerns for the stability of growth and this was to some extent behind the volatility we saw in 2019.

In the US, we are still waiting for the fourth quarter estimate of GDP because the Department of Commerce, responsible for the calculation was impacted by the Government shutdown, the longest in history at 35 days long from 22nd December to the 25th January. The shutdown will have an impact on US growth and the Atlanta Fed has estimated that 4Q18 growth will only be 1.5% compared to its previous forecast of 2.7%. They cite the sharp fall in personal spending in December as the main reason. The shutdown and very cold winter weather is also likely to have an impact on 1Q19 growth. In Europe growth remains weak, due to slower growth in China and weaker domestic consumption despite lower unemployment. Germany narrowly avoided a technical recession by delivering positive growth in the fourth quarter but Italy is now in recession. In the UK, GDP grew at a much slower rate as personal consumption was lower. The Bank of England has revised down growth prospects for the UK.

Lower oil prices and lower consumption has reduced headline inflation, over the quarter there was a marked reduction in the rate of inflation and this has continued in to January 2019, see chart 4 below. While the short term trend seems to be for lower inflation, since its trough in 2014 the medium term trend for the rate of inflation is still higher and towards a normalisation around central bank target rates of 2%.

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



Source: - Bloomberg

Central Banks

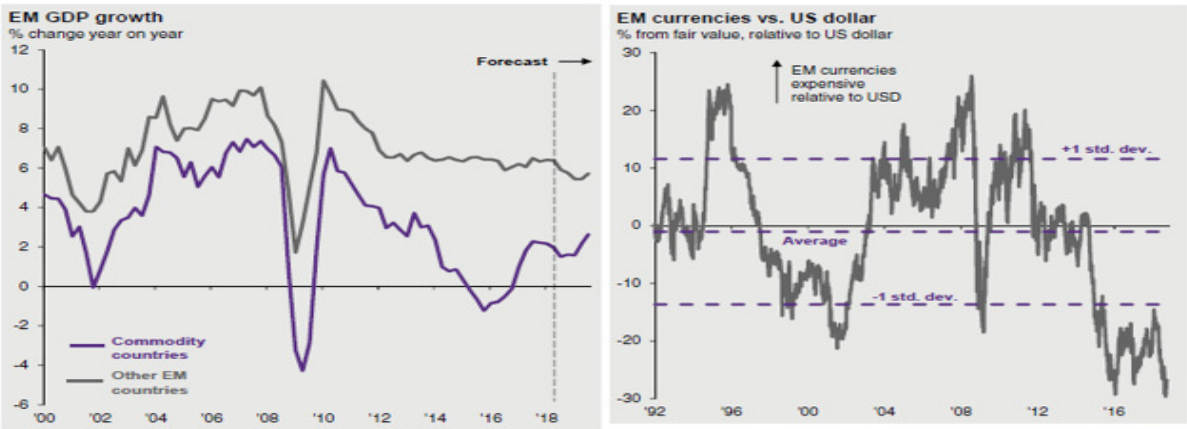
Despite the volatility in markets and pressure from President Trump the US Fed chose to raise rates as expected by 0.25% to a new policy range of 2.25 to 2.5% and continue QT in December. In their forward guidance they talked about the need for further gradual increases in rates, but revised down the number of rate hikes in 2019 from 3 to just 2. However, by the end of the month the Fed had changed its tune and at the January meeting the Fed was talking about a pause in rate hikes and making QT contingent and not on "auto pilot". The softer tone from the Fed has helped the recovery in markets we have seen year to date. It would now appear that the Fed considers US monetary policy as being very close to "neutral" and it has belatedly realised the impact QT was also having in tightening monetary conditions. If the Fed is at neutral the implication is that the next change in rates could be down or up! This is therefore a marked change in policy.

Following the February, Inflation Report the Bank of England decided to make no further changes to policy and cited Brexit as the main reason, it also revised down expectations of UK growth and inflation over the next couple of years. There were no changes to ECB or Bank of Japan monetary policy.

Emerging economies

The recent slowdown in China has been caused by a reduction in total lending, the authorities have chosen to focus on increasing the quality of loans rather than the quantity of loans, China want to stabilise Loan growth not expand it as it did in 2015. As a result growth is likely to be lower but the quality and resilience of that growth should lead to a stronger economy in the medium term. While Chinese growth was probably lower than the officially reported 6% annualised rate in the fourth quarter emerging market economies in aggregate continued to grow at a healthy rate and unlike the developed economies they remain "mid cycle" despite the slowdown in global growth. The potential change in US monetary policy should soften the US dollar and more optimistic noises from Mr Trump on the trade negotiations with China are also reasons for cautious optimism. Add to this the last 12 months of relative underperformance of equity markets and the weakening of local currencies, there is a tactical opportunity to increase exposure as well as the strategic reasons I have given in my past reports.

Chart 5: - Emerging market average GDP growth rates and currencies versus the US dollar.



Source: JP Morgan Asset Management

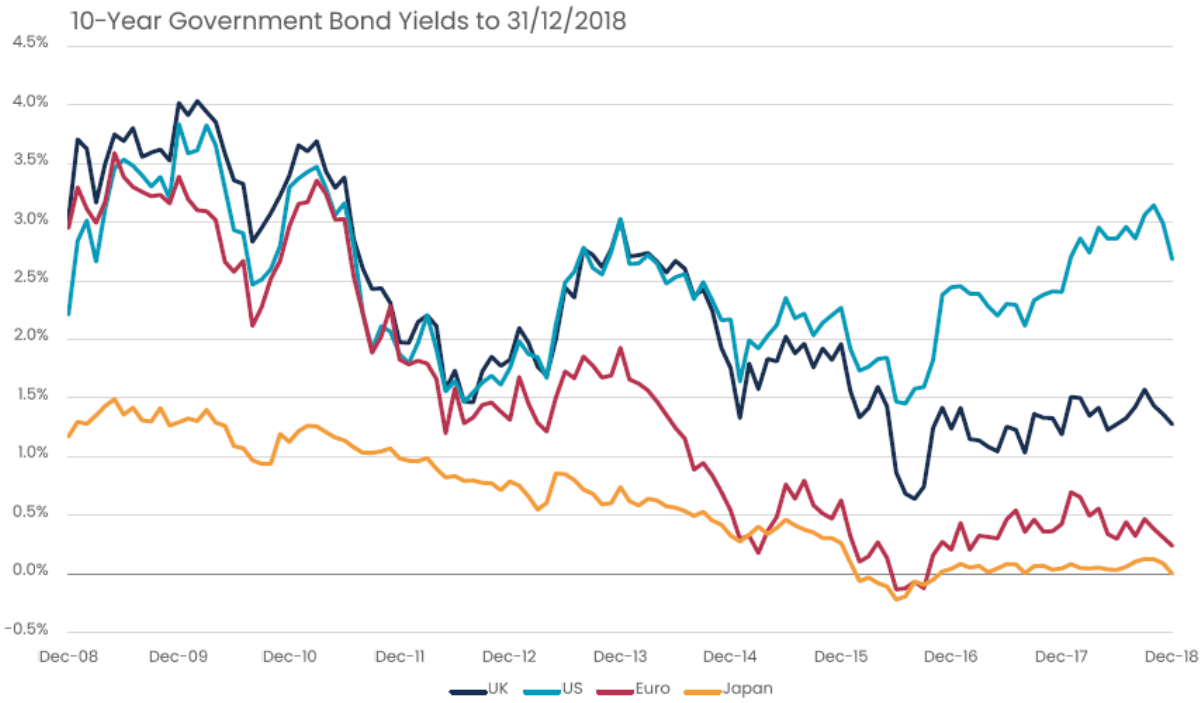
Politics

Political turmoil continued to trouble markets as trade tensions between the US and China remained unresolved, and uncertainties over Brexit negotiations continued to prevail. In December and January because Congress refused to give the President extra funding for the "wall", Mr Trump refused to sign the budget, thus causing the partial shutdown of the US government for 35 days. This gives an indication of the likely future difficulties between a Democrat dominated House of Representatives and the President. In recent weeks Mr Trump has sounded more conciliatory on trade and has agreed to meet the North Korean leader again probably to distract from his difficulties at home. In Europe the situation in Italy has not really improved, now the economy is in recession questions are beginning to asked about the affordability of its government debt and by contagion the sustainability of the Italian and wider European banking system. This needs a change at the political level in the European Union allowing a more flexible approach to Fiscal policy.

Government bonds

The main implications of a change in the Fed's interest rate policy is to remove one of the forces driving US yields higher. While it is the strongest force, the growing budget deficit and the need to finance it through the issue of more and more US government bonds is still there. At the moment inflation remains under control but the renewed optimism of equity markets and very low levels of unemployment could cause questions to be asked about why the Fed is leaving rates unchanged. Outside of the US, government bond yields remain extremely low and this low level of yield makes them unattractive and unsuitable as a protection asset or a store of value at current levels of inflation and uncertainty. As can be seen in Chart 6 below we are well past the trough in yields seen in 2016 and I believe ultimately the trend remains up in yield, this has just been delayed by the recent bout of volatility. I merely see the fall in yields as a bear market rally which presents an opportunity to exit government bonds at a better level before they resume their upward trend later in the year. I continue to expect, that global government bond yields led by the US to trend higher, leading to further quarters of negative return interspersed with quarters of low positive return.

Chart 6: - Government bond yields, last 10 years.



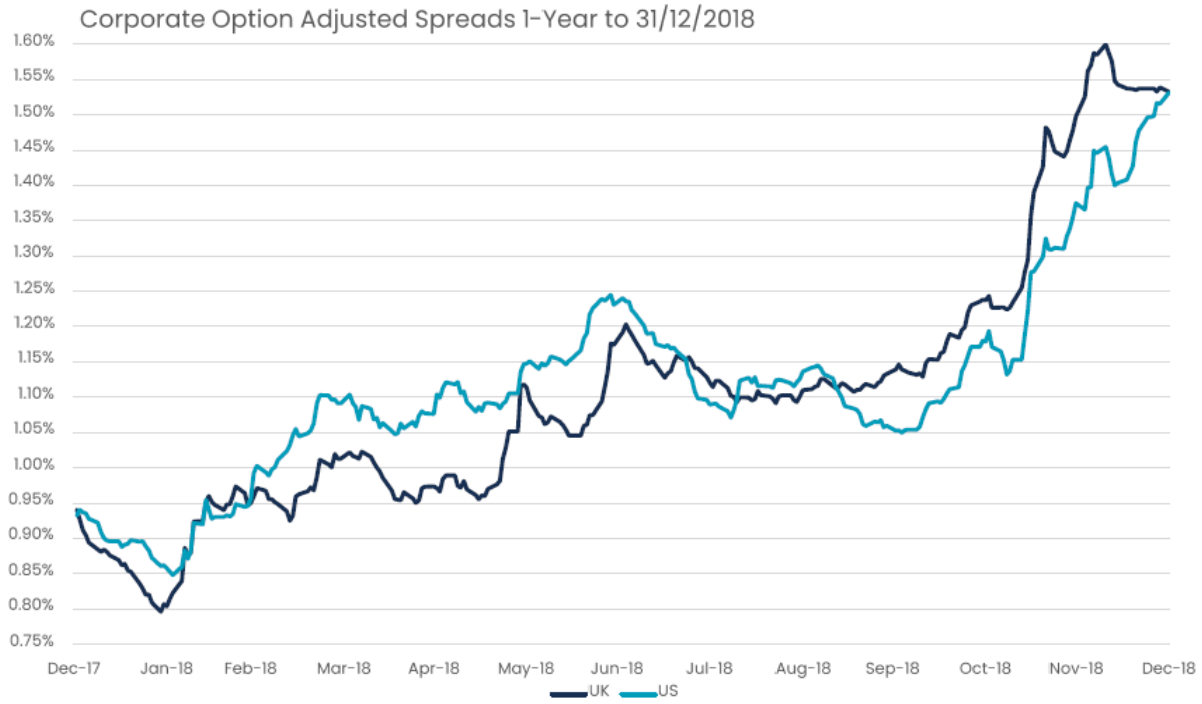
Source: - Bloomberg

Non-government bonds

As can be seen in Chart 7 below, the excess yield spread for investment grade non-government bonds increased again in the fourth quarter which means that non-government bonds underperformed government bonds. The increased volatility of equity markets and the poorer average quality of investment grade credit has become a cause for concern. Even at this increased level of spread investment grade corporates with their higher duration and lower average credit quality may not offer much better protection than government bonds. I still believe there is a good reason for holding high

yield bonds because their higher yield and lower duration can deliver reasonable returns. At the moment I am not expecting a generalised credit event or a sharp increase in default rates, therefore I believe the extra yield especially from high yield, emerging market and private debt especially as part of a Multi-asset Credit strategy could continue to outperform investment grade non-government and especially government bonds over the year ahead. See Table 7, below for an estimate of the impact of rising bond yields on UK Government and non-government bond markets.

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



Source: - Bloomberg

Equities

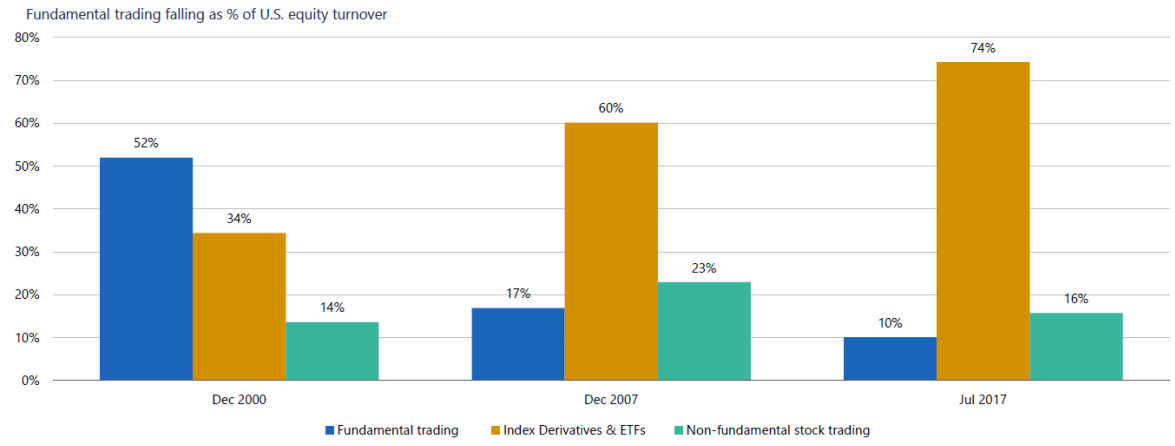
Global equities had their worst quarter for 3 years with substantial negative returns from all markets leading to a negative annual returns from all equity markets in local currency terms. The main drivers of performance were not new, the Fed has been raising rates all year, growth has become less synchronised, but the political uncertainties and fear of a further escalation of trade tensions, increased rhetoric from Mr Trump and his negative comments about the Fed, combined to create a perfect storm in the final weeks of the quarter.

December is month where trading activity and liquidity tends to be lower due to the Christmas holidays and as chart 8 below shows over the last 20 years, markets have become increasingly dominated by derivative and ETF (exchange traded funds) trading run by models rather than people. Once certain levels in these models are hit it can lead sharp movements in price, in December it led to a sharp correction (selloff) in prices.

Once we got into January there were more medium and long term investors (people) around to look at the prices of assets, add to this the fact that not much had really changed with the growth and inflation outlook and one of the main concerns of the market, higher Fed interest rates appeared to have been

removed. Markets saw prices move strongly higher, no doubt supported by those same model driven derivative and ETF traders, now buying! So far this year equity markets are between 4 and 8% higher than their lows at the end of the year.

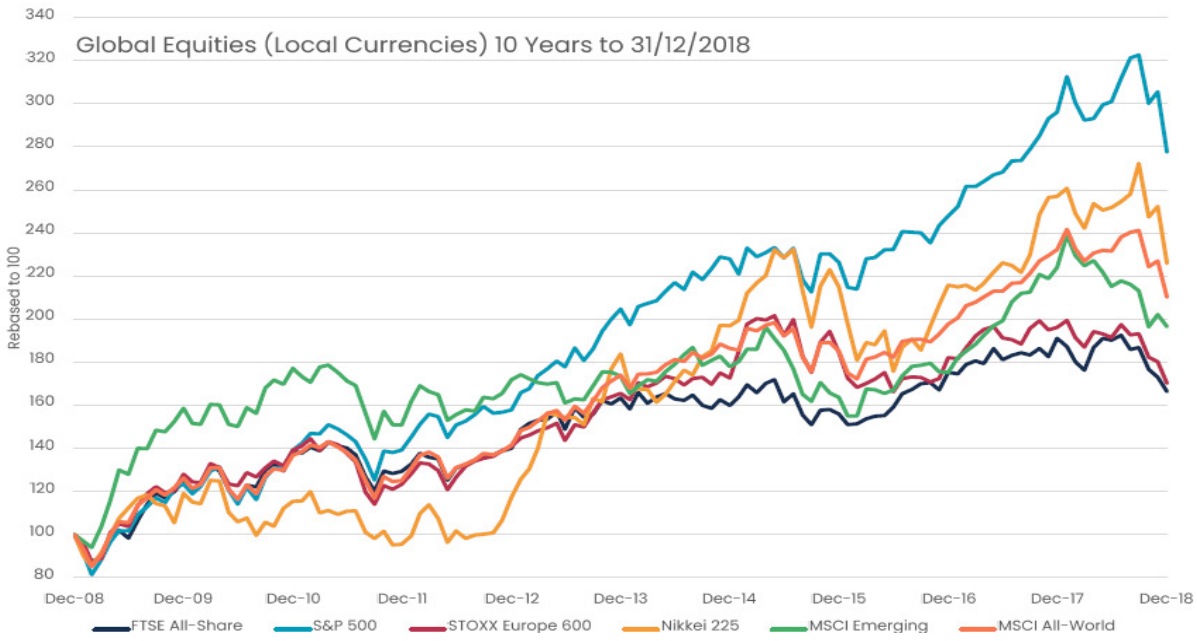
Chart 8: - The growth of derivative and ETF trading.



Source: - JP Morgan Research and PIMCO

When I look at the long term local currency performance of the equity markets as shown in Chart 9. The US market is still the market to sell, because of its exceptional outperformance relative to all other markets since the GFC. Add to this the fading positive impact of the tax cuts from last year and the expected fall of earnings growth from over 20% in 2018 to around 10% in 2019 and 2020 (see table 8 below) and a potentially weaker US dollar this all more than justifies the Fund's underweight exposure to the USA.

Chart 9: - Global equity indices, last 10 years.



Source: - Bloomberg

UK equity

Brexit remains the biggest drag on UK equity market performance resulting in bigger losses and smaller gains than other markets. Most asset managers are expecting a deal to be agreed at the last minute but as we get closer to the 29th March the activity in parliament is generating more heat than light. What the markets need is a decision, but with every day that goes by a decision looks further away, until we have decision the UK equity market will continue to underperform. Outside of Brexit the fundamentals of the UK economy are reasonable, while growth is expected to be lower, earnings growth is picking up and despite record high levels of employment, inflation is falling as a result the equity market could on some measures be described as undervalued. Unfortunately, this value is not likely to be realised until parliament has agreed something with the EU. The Fund is moving to a lower strategic weight in UK equity, which should increase the diversification of risk and give the Fund more exposure to other markets.

GDP Forecasts

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

Table 4: - GDP forecasts - Consensus versus Advisor expectations.

% CHANGE YOY								
	2018				2019			
	OCTOBER 2018		JANUARY 2019		OCTOBER 2018		JANUARY 2019	
	Consensus	**AF**	Consensus	**AF**	Consensus	**AF**	Consensus	**AF**
US	2.9	**3.0**	2.9	**3.0**	2.6	**3.0**	2.5	**2.3**
UK	1.3	**1.4**	1.4	**1.4**	1.5	**1.5**	1.5	**1.2**
Japan	1.1	**1.5**	0.8	**0.8**	1.2	**1.5**	1.0	**1.0**
EU 28	2.0	**2.4**	1.9	**1.9**	1.8	**2.2**	1.7	**1.5**

Source: - Consensus Economics January 2019

Consensus estimates for growth in 2018 and 2019 have been lowered since last October, expectations for 2020 have also been lowered. In general I continue to think global growth will be lower and more uncertain in 2019 and 2020 than it was in 2018. A combination of slower Chinese growth, the US generated trade tensions, an earlier than expected impact of the Fed tightening cycle are the main reasons, but issues like Brexit for the UK and Europe, increased tensions in the Eurozone and technology disruption for instance in the automotive industry is also having an impact on growth in the developed economies.

Growth in the US is expected to be lower this year as the boost from the tax cuts fade, but I do not think the growth that has been lost as a result of the US government shut down in January 2019 has been taken sufficiently into consideration. As I mentioned in my last report the US is very late in its growth cycle, in 2019 the much smaller tax cut contribution is more than doubly offset by the Fed rate hikes already delivered. Some economists are starting to talk of a recession in late 2019 and more are predicting it will happen in 2020. At the moment the consensus for US growth in 2020 is +1.8% which is possible if the pause in Fed policy has been well timed but it is too early to tell. Because of the uncertainty I have changed my directional view of expecting more than consensus growth to now expecting less than consensus growth.

The advance estimate of third quarter US GDP was revised down from an annualised rate of 3.5% to 3.4% the second quarter growth rate was confirmed at 4.2%. Personal consumption and exports were revised down while inventory accumulation was revised up. As noted before the imposition of Trade tariffs reduced exports of Soybeans to China and imports surged ahead of the full impact of US trade tariffs. Please note we don't have the fourth quarter estimate because of the "shutdown", this is now expected to be announced on the 28th February.

The preliminary estimate of UK growth in the fourth quarter was 0.2% quarter on quarter and third quarter growth was confirmed at 0.6%, making the annual growth rate 1.3%. The estimate was in line

with expectations, which reflected poor consumption in November and December, uncertainty generated by Brexit related concerns remains a key driver.

The preliminary estimate of Japanese growth in the three months to the end of December 2018 was +0.3%, a strong and expected rebound in both household consumption and business investment after the natural disasters that impacted growth of the third quarter, which was revised downs to -0.7% from -0.3%. This suggests that growth for 2018 was close to zero for Japan.

The Euro Area's GDP matched the poor performance seen in the third quarter achieving only 0.2% growth, second quarter growth was left unrevised at 0.4%, making the annual rate 1.0%. The German economy just avoided another negative quarter unlike Italy which is now in a technical recession. France (and Spain) continued to support growth, but for how long is uncertain with the impact of the "Gillet Jaune" movement causing disruption every weekend.

Consumer Price Inflation

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

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

% CHANGE YOY								
	2018				2019			
	OCTOBER 2018		JANUARY 2019		OCTOBER 2018		JANUARY 2019	
	Consensus	**AF**	Consensus	**AF**	Consensus	**AF**	Consensus	**AF**
US	2.5	**2.7**	2.4	**2.5**	2.3	**2.6**	1.9	**2.1**
UK	2.5	**2.5**	2.4	**2.5**	2.2	**2.5**	2.0	**2.2**
Japan	0.9	**1.2**	1.0	**1.1**	1.1	**1.2**	0.9	**1.1**
EU 28	1.9	**2.0**	1.8	**1.9**	1.8	**2.0**	1.7	**1.9**

Source: - Consensus Economics January 2019

While October's headline inflation reports were all higher than in September in the rest of the quarters headline inflation prints were all lower reflecting the impact of mainly lower energy prices, as a result the consensus estimates of headline inflation has been reduced. Over the quarter US inflation fell and in January was only 1.6%, ex food and energy US core inflation has ticked up slightly to 2.2%. In the UK, inflation was 2.4% in October but in January it is only 1.8%, core inflation remains at 1.9%. Inflation in the Euro Area and Japan also fell to 1.4% and 0.3% respectively.

I have been surprised by the fall in the rate of inflation but lower energy prices, weaker consumption and global growth, have all been contributors. While the consensus is now lower reflecting this I still believe that in the US and the UK in particular inflation is likely to be higher than the revised lower consensus expectations. 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, from an inflation point of view. Outside the US, most developed economies have some way to go before growth will put pressure on inflation.

I continue to 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. Tariffs on trade for the US and Brexit for the UK remain key inflationary risks, the recent moderating of the US Fed reflects fears for growth not a moderation in the inflation rate.

4. The outlook for the securities markets

I have not made any changes to my recommended asset allocation as set out in table 9. This because the Derbyshire Pension Fund has only recently adopted a revised Investment Strategy Statement (ISS). This document has made significant changes to the strategic asset allocations and allows for new investment strategies to be considered. In my last report I made some significant changes to reflect this, but I made them on the understanding that the changes were for the medium to long term and would need time to be implemented. I believe that the short term gyrations of the markets in the last few months should not distract from the objective of strategically rebalancing the Fund to fit better with the new ISS.

I have maintained my bias for a 2% overweight to Growth from Protection assets and a desire for more exposure to developing market equity at the expense of developed market equity in particular the US. I accept the Fund is structurally underweight the US from a Global benchmark point of view, but the Fund allocates to overseas equity based on a regional benchmark allocation.

After an extended period where returns have come predominantly from equities, the more volatile and lower return outlook for this asset class supports a stronger focus on harvesting returns from a higher allocation to Income assets. I am therefore supportive of moving to a neutral allocation to Income assets and note the progress made in this area with the increased allocation to Multi-asset Credit.

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 January 2019.

The fall of global equity markets in the fourth quarter and December in particular has caused the Fed to pause its cycle of rate hikes and quantitative tightening. They raised rates for the fourth time in 2018 to 2.5% in December, but shortly after and again in January 2019 they have sought to calm the markets fears about further monetary tightening by talking down the chances of further rate hikes in 2019. As a result the bond markets have gone from expecting 3 further rate hikes in 2019 to expecting no more than one, with some economists predicting a cut in rates later this year! 10 year bond yields have fallen by as much 0.4% and remain around these levels.

But as can be seen from the recent economic data the global economy is still growing. Therefore it is only a matter of time before the bond markets start to worry about the Fed ending its pause and bond yields start to rise again. Central Banks remain on a path to less monetary accommodation, the rate has only slowed, not yet stopped or gone into reverse. I therefore expect to see higher LIBOR rates and 10 year bond yields, with the yield curves already fairly flat I also expect to see steeper yield curves going forward, which means bonds with longer maturity dates could produce lower returns.

It is still possible the BoE may increase rates this year but having just revised down their expectations for UK growth and inflation and the uncertainty generated by Brexit I do not believe the bank are likely to raise rates until the second half of the year if at all. The ECB and the Bank of Japan made no changes to policy and are very unlikely to change monetary policy in the next 12 months.

The US Fed started using Quantitative Tightening (QT) to reduce the size of its balance sheet last year but this has had a marked influence on demand for US government bonds which has had a knock on effect into other areas of borrowing and has contributed to the reasons for equity market volatility. I believe the Fed underestimated the impact QT would have on the demand for US Government debt, effectively their role as the marginal buyer of supply has not been substituted, going forward QT will be data dependent and not automatic. In addition because of the tax cuts, there is no shortage of supply and the government debt ceiling may have to be increased to allow the continued issuance of new bonds. In the past international investors have been willing to buy US government bonds because of the higher yield but now the cost of hedging the currency risk and the possibility of a weaker US dollar makes this look less attractive. This does not bode well for the financing the US government's deficit.

Table 6: - Interest rate and Bond yield forecasts

%	CURRENT	SEPTEMBER 2019	MARCH 2020
UNITED STATES			
3month LIBOR	2.64	2.75	3.00
10 year bond yield	2.65	3.00	3.25
UNITED KINGDOM			
3month LIBOR	0.87	1.00	1.30
10 year bond yield	1.18	1.50	1.75
JAPAN			
3month LIBOR	-0.08	-0.10	0.00
10 year bond yield	0.10	0.10	0.10
GERMANY			
3month EURIBOR	-0.31	-0.25	-0.25
10 year bond yield	0.34	0.50	0.50

Source: - Bloomberg, Trading Economics; 20th February 2019

Bond Market (Protection Assets) Recommendations

UK government bonds have become very expensive as a result of the recent fall in yields and because of their already very low yield they did not provide much protection against the recent bout of equity market volatility. As suggested in the table above I expect global government bond yields, led by the US, to start to rise again as it becomes clear that global growth is going to continue. I therefore propose remaining underweight government bonds.

Non-government bond markets had a very difficult year in the first half they struggled due to the glut of new issuance and in the second half they were impacted by equity market volatility. At the end of the year both Investment grade and high yield spreads were substantially higher, meaning that both sectors underperformed government bonds and delivered negative returns. So far this year spreads have narrowed, at these higher levels of yield it is possible that non-government bonds can continue to

outperform over the medium term due to their extra yield and lower duration especially high yield, I am less confident about investment grade credit, but if I am right about the shape of the yield curve it is the long dated government bond market that will produce the lowest returns.

As usual 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.

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	1.26	11.13	0.5	-6.2	-5.2
UK Corporate Bonds	2.79	8.15	0.5	-3.4	-1.3
Global High Yield	6.30	3.71	0.5	-0.3	+4.5

Source: - BofA Merrill Lynch Indices 20th February 2019

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. As a result I believe a neutral allocation to investment grade corporate bonds is appropriate. I also know the DPF is underweight duration, this combined with an underweight to bonds in general should reduce the negative impact of higher gilt yields relative to the new strategic benchmark allocation.

I have not changed my view of UK Index Linked gilts with the recent fall in yields these bonds are now even more expensive. 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 some US TIPS instead of UK Index Linked gilts. However when holding US bonds the cost of hedging the currency risk needs to be taken into consideration so on a total return basis this investment may be less compelling than it was in the past.

Equity Markets

Table 8 below, shows the dividend yield, earnings growth and price / earnings ratio forecasts, for 2019 and 2020 provided by Citi Research.

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

COUNTRY	DIVIDEND YIELD	EARNINGS GROWTH		PRICE/EARNINGS RATIO	
FORECAST PERIOD	2019	2019	2020	2019	2020
United Kingdom	5.2	7.0	6.9	11.3	10.6
United States	2.2	8.7	10.9	15.3	13.8
Europe ex UK	4.0	9.3	8.5	12.3	11.3
Japan	2.6	3.0	4.6	12.0	11.4

Source: - Citi Research, Global Equity Strategist, 13th December 2018

Analyst's forecasts in December for the year 2018 were not materially different to those in August, or October after 3 quarters of reported corporate earnings data in 2018, they should be reasonably accurate. It is really noticeable how US earnings growth is expected to fall in 2019 and 2020 as the tax cuts drop out of the system. US earnings growth goes from 23% in 2018 to 8.7% in 2019!

Dividend yields have been revised higher in all regions a reflection of lower equity prices not higher dividend distributions. What the earnings growth forecasts confirm is the tax cut boost was a one off, the troubling thing for me is as I noted in my last report, is the forecast US P/E ratio for 2019 has only fallen from 16.6x to 15.3x! This means the price has to go a lot higher if earnings fall by 50%. The recent sell off has reduced the market's P/E to around 13x which does make the market more attractive if growth is to be maintained, but the earnings growth and economic outlook do not support this level of optimism.

Over the last year I have mentioned some of the risks to markets; the late cycle nature of the US expansion, the trade negotiations and tighter monetary conditions. I have also talked about the unusually low level of volatility and high correlation of markets and suggested that in future these conditions may not continue. In the fourth quarter the markets woke up to all these issues with a "start" and because so much more of the "market activity" is driven by Index derivatives and ETF's, than it was in the past, the response was dramatic and while just as perverse as the extended period of low volatility it may be indicative of what we can expect at times of stress in the future. The challenge for long term investors like pension funds is to try and look through these short term periods of volatility.

Despite the market correction and recent recovery, after 10 years of positive equity market performance, (officially the longest Bull market for US equity in history) the US remains expensive and overvalued compared to its history and relative to other markets. Add to this the impact of lower

earnings, higher corporate debt, higher interest rates and trade tariffs, I find it difficult to see equity markets, especially the US, delivering the high returns of recent years, I also expect the a higher level of market volatility to continue.

Lower aggregate returns and higher uncertainty are both strong arguments for active rather than passive investment, they are also arguments for diversification, but it has to be said that diversification does not guarantee a positive return. 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 few years is likely to be lower and more uncertain than we have become used to.

Equity Market (Growth Assets), Recommendations

Despite my more cautious outlook for equity markets going forward I still believe the global economy will grow albeit at a lower aggregate rate and in a less synchronised fashion. I also believe that government bonds in particular do not provide much protection or diversification at their current level of yield. Therefore while the new strategic benchmark has a lower overall allocation to equity (growth assets), I continue to propose a 2% overweight funded from government bonds, because I expect equity over the medium term to outperform.

Looking regionally, because of the past strong performance of the US on an absolute and relative basis and the relatively poorer future prospects, I continue to believe profits should be taken and I suggest the position is reduced to 2% underweight. I accept the Fund is structurally underweight the US from a Global benchmark point of view, but the Fund allocates to overseas equity based on a regional benchmark allocation. The strategic weight to UK equities has been reduced to 16% and while progress is being made to reduce exposure getting to the new lower weight will take time. Japan dramatically gave back it's 2018 outperformance in December 2018 but this short term performance is not a reason to change the allocation, Japan and the Japanese yen tend to have defensive characteristics in a global asset allocation, I continue to recommend a +1% overweight to Japan.

Nobody likes a negative absolute return but, in the fourth quarter; pacific ex Japan and emerging equity both outperformed developed market equity on an absolute and relative basis delivering smaller negative returns. The reasons I highlighted for being overweight these markets in the past have not gone away, the sell off just provides a cheaper entry level. The new strategic benchmark has increased the neutral allocation of emerging equity from 3% to 5%, while the recent relative performance has been better than other markets over the year the underperformance of this market relative to the US, presents a tactical as well as strategic opportunity to increase exposure. I therefore recommend a +2% overweight, in the short term this may seem a little aggressive but over the longer term I believe this is a significant relative value opportunity.

As the asset allocation to Private Equity remains underweight relative to benchmark, I continue to recommend that investments are sought to get the allocation to neutral as opportunities arise. The new allocation to Global Sustainable Equity has yet to be finalised, I suggest a 3% neutral allocation should be seen as an initial investment.

Property and Alternatives

The new ISS reclassifies Property and Alternatives as Income Assets, with the exception of Private Equity which has been reclassified as a "Growth Asset" class.

Income Assets

The allocation to Income Assets has been increased from 18% to 23% mainly funded by a reduction in Growth Assets, given the strong medium term returns from equity markets and the increased opportunities in Infrastructure and Multi-Asset Credit, I believe this provides the Fund with a more diverse opportunity set going forward. Both of these asset classes have had their weight increased significantly and because of the nature of the investment process it will take time to fill up these allocations therefore I have taken the pragmatic view to leave the suggested allocation at neutral. I know the In-house team are working hard on finding suitable investment vehicles and have shown progress over the last few months.

The Property market has again delivered strong diversified returns for the Fund and the direct property manager has outperformed. 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 high cash balance has helped moderate to poor performance of the markets over 2018 and in particular the fourth quarter, but 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. As said before, where there is excess cash above the committed balances the recent volatility may provide the opportunity to re-allocate 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 new Strategic benchmark allocations for the Derbyshire Pension Fund and my recommended relative weights as of 25th November 2018 and 14th February 2019. My suggested asset allocation weights are relative to the new classification of assets and strategic benchmark ranges. They 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 by the In Hose Team and their investment managers to find correctly priced assets for inclusion in the Fund.

Table 9: - Recommended asset allocation against the new Strategic Benchmark that come into effect on the 1st January 2019.

% ASSET CATEGORY	DERBYSHIRE STRATEGIC WEIGHT 1ST JANUARY 2019	ANTHONY FLETCHER 25TH NOVEMBER 2018	DERBYSHIRE STRATEGIC WEIGHT 1ST JANUARY 2019	ANTHONY FLETCHER 14TH FEBRUARY 2019
Growth Assets	57	**+2**	**57**	**+2**
UK Equity	16	**0**	**16**	**0**
Overseas Equity	41	**+2**	**41**	**+2**
North America	12	**-2**	12	**-2**
Europe ex UK	8	**0**	8	**0**
Japan	5	**+1**	5	**+1**
Pacific ex Japan	4	**+1**	4	**+1**
Emerging markets	5	**+2**	5	**+2**
Global Sustainable	3	**0**	3	**0**
Private Equity	4	**0**	4	**0**
Income Assets	23	**0**	**23**	**0**
Property	9	**0**	9	**0**
Infrastructure	8	**0**	8	**0**
Multi-asset Credit	6	**0**	6	**0**
Protection Assets	20	**-2.0**	**20**	**-2.0**
Conventional Gilts	6	**-1.0**	6	**-1.0**
UK index Linked	6	**-2.0**	6	**-2.0**
US TIPS	0	**+1**	0	**+1**
Non-government	6	**0**	6	**0**
Cash	2	**0**	**2**	**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

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Appendix 2

Investment Portfolio Valuation

January 2019

County Hall, Matlock, Derbyshire, DE4 3AH
Administered by Derbyshire County Council

lgps

DERBYSHIRE PENSION FUND

BENCHMARK	DCC 31/01/2019 £m
Growth Assets	**2750.3**
UK	851.9
US	517.2
Europe	467.5
Japan	303.2
Pacific (ex Japan)	241.2
Emerging Markets	237.1
Global Sustainable	0.0
Private Equity	132.2
Income Assets	**758.6**
Infrastructure	190.9
Property	392.6
Direct	229.5
Indirect	163.1
Multi-Asset Credit	175.1
Protection Assets	**829.0**
Government	270.7
UK	228.8
Overseas	41.9
Index Linked	270.2
UK	
Overseas	
Non Government	288.1
Cash	**413.0**
Total	**4750.9**

DERBYSHIRE PENSION FUND
JANUARY 2019 PORTFOLIO VALUATION - BID

EQUITIES		UK	US	Europe	Total Europe	Japan	Other Asia	Emerging Mrkts
Oil & Gas Producers	142,068,936	117,420,854	24,648,082					
Oil & Gas Services	8,205,339	4,356,660	3,848,679					
Chemicals	15,558,738	4,944,875	10,613,863					
Forestry & Paper	1,809,181	0	1,809,181					
Industrial Metals	1,368,875		1,368,875					
Mining	57,221,912	57,221,912	0					
Construction	7,800,530	7,032,900	767,630					
Aerospace	28,581,276	10,719,948	17,861,328					
General Industrial	27,647,717	8,501,056	19,146,661					
Electronic Equipment	11,575,617	4,616,700	6,958,917					
Industrial Engineering	12,621,717	12,621,717	0					
Industrial Transport	5,189,503	0	5,189,503					
Support Services	36,988,986	29,720,756	7,268,230					
Automobiles	0	0	0					
Beverages	43,521,849	32,409,755	11,112,094					
Food Producers	15,337,689	8,545,460	6,792,229					
Household Goods	40,413,948	31,110,790	9,303,158					
Leisure Goods	0							
Personal Goods	27,804,984	17,962,730	9,842,254					
Tobacco	40,400,091	37,614,595	2,785,496					
Healthcare Equipment & Servic	14,767,427		14,767,427					
Pharmaceutical / Biotech	127,669,203	68,615,584	59,053,619					
Food Retail	20,188,946	9,963,640	10,225,306					
General Retail	47,126,367	4,629,326	42,497,041					
Media	55,481,425	23,096,333	32,385,092					
Travel & Leisure	34,794,379	30,615,740	4,178,638					
Telecoms	40,495,452	31,002,715	9,492,737					
Electricity	21,411,302	5,590,210	15,821,092					
Gas & Water	35,949,834	31,393,996	4,555,838					
Banks	118,293,466	99,864,721	18,428,745					
Non-Life Insurance	38,743,954	16,138,576	22,605,378					
Life Insurance	40,037,372	40,037,372	0					
Real Estate Investment Trusts	33,595,946	16,129,480	17,466,466					
Real Estate Investment Service	0	0	0					
General Financial	57,934,314	15,609,814	42,324,501					
Investment Companies	268,033,720	44,372,325				64,488,700	72,128,100	87,044,595
Software	71,129,703	13,045,589	58,084,114					
Technology Hardware	25,970,976	0	25,970,976					
Unit Trusts & OEICs	391,247,062	16,952,121				188,106,066	148,666,175	37,522,700
Investment Entities	118,000,254	0				50,571,129	20,410,483	47,018,641
Life Policies	65,515,770							65,515,770
Passive tracker fund	467,539,948			467,539,948	467,539,948			
Total Equities	**2,618,043,706**	**851,858,249**	**517,173,151**	**467,539,948**	467,539,948	**303,165,895**	**241,204,758**	**237,101,706**

DERBYSHIRE PENSION FUND
JANUARY 2019 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	8,756,000	520.10	45,539,956
UK Oil & Gas	ROYAL DUTCH SHELL A' SHARES	536,000	2361.50	12,657,640
UK Oil & Gas	ROYAL DUTCH SHELL 'B' SHARES	2,346,000	2368.50	55,565,010
UK Oil & Gas	TULLOW OIL PLC	1,788,000	204.60	3,658,248
UK Oil & Gas Producers Total				**117,420,854**
OIL & GAS SERVICES				
UK Const Build Ma	WOOD GROUP (JOHN) PLC	805,000	541.20	4,356,660
UK Oil & Gas Services Total				**4,356,660**
CHEMICALS				
UK Chemicals	JOHNSON MAT ORD£1	162,500	3043.00	4,944,875
UK Chemicals Total				**4,944,875**
MINING				
UK Mining	ANGLO AMER US$0.50	402,000	1942.80	7,810,056
UK Mining	BHP BILLITON PLC	916,000	1690.20	15,482,232
UK Mining	GLENCORE PLC	6,121,000	309.40	18,938,374
UK Mining	RIO TINTO 10P	358,000	4187.50	14,991,250
UK Mining Total				**57,221,912**
CONSTRUCTION				
UK Engin Mach	BREEDON GROUP PLC	2,000,000	67.20	1,344,000
UK Engin Mach	KIER GROUP PLC	447,000	515.00	2,302,050
UK Engin Mach	MELROSE INDUSTRIES PLC	2,010,000	168.50	3,386,850
UK Construction Total				**7,032,900**
AEROSPACE				
UK Aero defence	BAE ORD 2.5P	1,323,000	511.60	6,768,468
UK Aero defence	COBHAM PLC	-	107.85	-
UK Aero defence	ROLLS ROYCE 20P	447,000	884.00	3,951,480
UK Aerospace Total				**10,719,948**
GENERAL INDUSTRIAL				
UK General Industr	DS SMITH PLC	1,296,000	337.10	4,368,816
UK General Industr	SMURFIT KAPPA GROUP PLC	188,000	2198.00	4,132,240
UK General Industrial Total				**8,501,056**
ELECTRONIC EQUIPMENT				
UK Electronic equi	HALMA PLC	330,000	1399.00	4,616,700
UK Eelectronic Equipment Total				**4,616,700**
INDUSTRIAL ENGINEERING				
UK Engin Mach	HILL & SMITH HOLDINGS PLC	320,266	1104.00	3,535,737
UK General Industr	ROTORK PLC	1,385,000	274.80	3,805,980
UK Engin Mach	SPIRAX-SARCO 25P	82,500	6400.00	5,280,000
UK Industrial Engineering Total				**12,621,717**

SUPPORT SERVICES				
UK Support Servic	BABCOCK INT'L	1,341,000	530.80	7,118,028
UK Support Servic	BUNZL PLC	268,000	2399.00	6,429,320
UK Support Servic	ESSENTRA PLC	1,161,000	372.00	4,318,920
UK Const Build Ma	FERGUSON PLC	121,000	5094.00	6,163,740
UK Support Servic	G4S PLC	2,212,000	195.40	4,322,248
UK Support Servic	KEYWORDS STUDIOS PLC	115,000	1190.00	1,368,500
UK Support Services Total				**29,720,756**
BEVERAGES				
UKBeverages	DIAGEO 28 101/108P	1,117,000	2901.50	32,409,755
UK Beverages Total				**32,409,755**
FOOD PRODUCERS				
UKFoods	ASSOCIATED BRITISH FOODS PLC	358,000	2387.00	8,545,460
UK Food Producers Total				**8,545,460**
HOUSEHOLD GOODS				
UK Housebuilders	BOVIS HOMES GROUP PLC	393,000	1012.50	3,979,125
UK Housebuilders	BELLWAY PLC	247,500	2837.00	7,021,575
UK Hous Gds Txtil	PETER GEESON 2nd PREFERRED OF	16,487	0.00	-
UK Personal Care	RECKITT BENCKISER	343,000	5863.00	20,110,090
UK Household Goods Total				**31,110,790**
PERSONAL GOODS				
UK Housebuilders	PZ CUSSONS PLC	200,000	178.90	357,800
UK Retailers Gen	TED BAKER PLC	201,000	1861.00	3,740,610
UK Food Prod & P	UNILEVER ORD 1.4P	348,000	3984.00	13,864,320
UK Personal Goods Total				**17,962,730**
TOBACCO				
UK Tobacco	BRIT AMER TOBC 25P	939,000	2685.50	25,216,845
UK Tobacco	IMPERIAL BRANDS PLC	491,000	2525.00	12,397,750
UK Tobacco Total				**37,614,595**
PHARMACEUTICAL & BIOTECH				
UK Pharm, Biotech	ASTRAZENECA ORD	630,000	5528.00	34,826,400
UK Pharm, Biotech	GLAXOSMITHKLINE25P	2,288,000	1476.80	33,789,184
UK Pharmaceutical & Biotech Total				**68,615,584**
FOOD RETAIL				
UK Retail Food & D	TESCO ORD 5P	4,468,000	223.00	9,963,640
UK Food Retail Total				**9,963,640**
GENERAL RETAIL				
UK Retailers Gen	JD SPORTS FASHION PLC	539,932	462.40	2,496,646
UK Retailers Gen	NEXT PLC	44,000	4847.00	2,132,680
UK General Retail Total				**4,629,326**
MEDIA				
UK Media & Photo	INFORMA PLC	1,184,000	676.40	8,008,576
UK Media & Photo	ITV ORD	6,859,000	129.30	8,868,687
UK Media & Photo	WPP GRP ORD 10P	715,000	869.80	6,219,070
UK Media Total				**23,096,333**
TRAVEL & LEISURE				
UK Travel & Leisur	COMPASS GRP ORD10P	807,976	1630.00	13,170,009

UK Travel & Leisur	GREENE KING PLC	925,000	600.00	5,550,000
UK Travel & Leisur	GVC HOLDINGS PLC	655,000	672.00	4,401,600
UK Travel & Leisur	INTERCONTINENTAL HOTELS GRP	94,115	4340.50	4,085,062
UK Travel & Leisur	MARSTON'S	1,463,913	94.30	1,380,470
UK Travel & Leisur	MERLIN ENTERTAINMENT	600,000	338.10	2,028,600
UK Travel & Leisure Total				**30,615,740**
TELECOMS				
UK Fixed-Line Tele	BT ORD GBP 5P	5,408,000	232.35	12,565,488
UK Mobile Telecom	VODAFONE GRP COM	13,314,000	138.48	18,437,227
UK Telecoms Total				**31,002,715**
ELECTRICITY				
UK Electricity	SCOT & SOUTH 50P	478,000	1169.50	5,590,210
UK Electricity Total				**5,590,210**
GAS & WATER				
UK Electricity	NAT GRID PLC ORD 10P	2,386,000	825.20	19,689,272
UK Water	PENNON GP ORD £1	447,000	762.80	3,409,716
UK Water	SEVERN TR 65 5/19P	211,000	1998.00	4,215,780
UK Water	UNITED UTILITIES GROUP PLC	491,000	830.80	4,079,228
UK Gas & Water Total				**31,393,996**
BANKS, RETAIL				
UK Banks Retail	BARCLAYS ORD 25P	5,141,000	158.18	8,132,034
UK Banks Retail	HSBC HLDG $0.50	6,094,000	638.80	38,928,472
UK Banks Retail	LLOYDS BANKING GROUP PLC	45,303,000	57.90	26,230,437
UK Banks Retail	ROYAL BANK OF SCOTLAND GROUP	4,200,000	240.90	10,117,800
UK Banks Retail	STANDARD CHARTERED ORD	2,681,000	613.80	16,455,978
UK Banks - Retail Total				**99,864,721**
NON-LIFE INSURANCE				
UK Insurance	BEAZLEY PLC	1,430,000	493.40	7,055,620
UK Insurance	HISCOX	358,000	1417.00	5,072,860
UK Insurance	RSA INSURANCE GROUP	782,000	512.80	4,010,096
UK Non-Life Insurance Total				**16,138,576**
LIFE INSURANCE				
UK Insurance Life	AVIVA ORD 25P	1,742,000	414.00	7,211,880
UK Insurance Life	LEGAL&GEN GRP 2.5P	4,468,000	259.40	11,589,992
UK Insurance Life	PRUDENTIAL ORD 5P	1,430,000	1485.00	21,235,500
UK Life Insurance Total				**40,037,372**
REAL ESTATE INVESTMENT TRUSTS				
UK Real Estate	LAND SECS ORD £1	536,000	865.00	4,636,400
UK Real Estate	LONDONMETRIC PROPERTY PLC	1,788,000	187.70	3,356,076
UK Real Estate	SEGRO PLC	893,000	646.80	5,775,924
UK Real Estate	SHAFTESBURY PLC	268,000	881.00	2,361,080
UK Real Estate Total				**16,129,480**
FINANCIAL SERVICES				
UK Special Financ	STANDARD LIFE ABERDEEN PLC	1,758,750	251.45	4,422,377
UK Special Financ	RATHBONE BROTHERS PLC	115,085	2314.00	2,663,067
UK Special Financ	SCHRODERS ORD GBP1	291,000	2607.00	7,586,370
UK Special Financ	ST JAMES'S PLACE PLC	100,000	938.00	938,000
UK General Financial Total				**15,609,814**
EQUITY INVESTMENT COMPANIES				

UK Investment Co'	ABERFORTH SML 1P	939,000	1224.00	11,493,360
UK Investment Co'	BLACKROCK SMALLER COMPANIES '	1,124,000	1295.00	14,555,800
UK Investment Co'	LOW CARBON ACCELERATOR LTD	3,868,000	0.00	-
UK Investment Co'	MONTANARO UK SMALLER CO'S 10P	12,716,285	103.02	13,100,317
UK Investment Co'	RIVER & MERCANTILE UK MICRO	3,182,170	163.50	5,202,848
UK Investment Co'	STRATHDON INVESTMENTS PLC	20	1000.00	20,000
UK Equity Investment Companies Total				**44,372,325**
SOFTWARE & COMPUTER SERVICES				
UK Elect electron	MICRO FOCUS INTERNATIONAL	295,000	1451.00	4,280,450
UK Elect electron	NCC GROUP PLC	947,000	127.70	1,209,319
UK Software & Cor	SAGE GROUP ORD 1P	1,207,000	626.00	7,555,820
UK Software & Computer Services Total				**13,045,589**
UNIT TRUSTS & OEICs				
UK Unit Trusts	LIONTRUST UK SMALLER COMPANIE	1,277,544	1326.93	16,952,121
UK Unit Trusts & OEICs Total				**16,952,121**
TOTAL UNITED KINGDOM				**851,858,249**

DERBYSHIRE PENSION FUND					
JANUARY 2019 PORTFOLIO VALUATION - BID					
US EQUITIES					
Sector	Company Name	Number	Mkt price	Mkt Price	Value in Sterling
		held	USD/	GBP	£
			CAN$		
OIL & GAS PRODUCERS					
US Oil & Gas	CHEVRON CORP	47491	114.56	87.39	4,150,066
US Oil & Gas	CONCHO RESOURCES INC	9999	119.83	91.41	913,972
US Oil & Gas	CONOCOPHILIPS	4031	67.68	51.63	208,106
US Oil & Gas	DEVON ENERGY CORP	5146	26.65	20.33	104,611
US Oil & Gas	DIAMONDBACK ENERGY INC	9705	103.12	78.66	763,395
US Oil & Gas	ENCANA CORP	153164	6.88	5.25	803,814
US Oil & Gas	EOG RESOURCES INC	1320	99.18	75.65	99,864
US Oil & Gas	EXXON MOBILE CORP	182859	73.27	55.89	10,220,055
US Oil & Gas	KOSMOS ENERGY LTD	95669	5.13	3.91	374,368
US Oil & Gas	MARATHON PETROLEUM CORP	58608	66.28	50.56	2,963,126
US Oil & Gas	NOBLE ENERGY INC	24851	22.33	17.03	423,295
US Oil & Gas	OCCIDENTAL PETROLEUM CORP	4002	66.75	50.92	203,769
US Oil & Gas	TRANSCANADA CORP	105433	42.52	32.43	3,419,641
US Oil & Gas Producers Total					**24,648,082**
OIL & GAS SERVICES					
US Oil & Gas Services	BAKER HUGHES A GE CO	83407	23.55	17.96	1,498,318
US Oil & Gas Services	HALLIBURTON CO	43290	31.36	23.92	1,035,558
US Oil & Gas Services	ONEOK INC	26844	64.21	48.98	1,314,803
US Oil & Gas Services Total					**3,848,679**
CHEMICALS					
US Chemicals	CABOT CORP	35667	46.87	35.75	1,275,182
US Chemicals	CELANESE CORP	18387	95.76	73.05	1,343,092
US Chemicals	DOWDUPONT INC	36757	53.81	41.05	1,508,738
US Chemicals	FMC CORP	26358	79.79	60.86	1,604,248
US Chemicals	LINDE PLC	18485	163.02	124.35	2,298,640
US Chemicals	PPG INDUSTRIES INC	32127	105.44	80.43	2,583,963
US Chemicals Total					**10,613,863**
FORESTRY & PAPER					
US Industrial Metals	INTERNATIONAL PAPER CO	49995	47.44	36.19	1,809,181
US Forestry & Paper Total					**1,809,181**
INDUSTRIAL METALS					
US Industrial Metals	ALCOA CORP	11558	29.65	22.62	261,408
US Industrial Metals	CARPENTER TECHNOLOGY	8244	47.26	36.05	297,196
US Industrial Metals	FREEPORT-MCMORAN INC	21609	11.64	8.88	191,866
US Industrial Metals	MARTIN MARIETTA MATERIALS	780	176.68	134.77	105,122
US Industrial Metals	SOUTHERN COPPER CORP	4845	33.59	25.62	124,141
US Industrial Metals	STEEL DYNAMICS INC	13950	36.57	27.90	389,144
US Industrial Metals Total					**1,368,875**
CONSTRUCTION					
US Industrial Metals	ARDAGH GROUP SA	41159	12.11	9.24	380,207
US Industrial Metals	VULCAN MATERIALS CO	4998	101.62	77.52	387,424
US Construction Total					**767,630**
AEROSPACE					
US Aero defence	BOEING CO/THE	31019	385.36	293.95	9,118,116
US Aero defence	GENERAL DYNAMICS	25958	171.10	130.52	3,387,910
US Aero defence	LOCKHEED MARTIN CORP COM	24239	289.64	220.94	5,355,301
US Aerospace Total					**17,861,328**

GENERAL INDUSTRIAL					
US Div Ind	AGCO CORP	6102	64.19	48.96	298,779
US Div Ind	BALL CORP	77670	52.29	39.89	3,098,009
US Div Ind	CATERPILLAR INC	16529	133.07	101.51	1,677,789
US Div Ind	DANAHER CORP	39659	110.90	84.59	3,354,934
US Div Ind	DEERE & CO	14488	164.04	125.13	1,812,879
US Div Ind	GRANITE CONSTRUCTION INC	14969	43.19	32.95	493,159
US Div Ind	GREENBRIER COMPANIES INC	18280	42.40	32.34	591,225
US Div Ind	HARRIS CORP	24700	153.17	116.84	2,885,900
US Div Ind	ILLINOIS TOOL WORKS INC	24350	137.23	104.68	2,548,935
US Div Ind	INGERSOLL-RAND PLC	21136	100.00	76.28	1,612,254
US Transportation	TRITON INTERNATIONAL LTD/BER	28181	35.95	27.42	772,798
US General Industrial Total					**19,146,661**
ELECTRONIC EQUIPMENT					
US Electricity	3M CO	13456	200.34	152.82	2,056,337
US Electricity	AMETEK INC	29088	72.88	55.59	1,617,085
US Electricity	FORTIVE CORP	23661	74.98	57.19	1,353,285
US Electricity	GENERAL ELECTRIC CO	248826	10.18	7.77	1,932,210
US Electronic Equipment Total					**6,958,917**
INDUSTRIAL TRANSPORT					
US Transportation	HUNT (JB) TRANSPORT SERVICES	2641	107.04	81.65	215,638
US Transportation	KIRBY CORP	9340	74.86	57.10	533,344
US Transportation	NORFOLK SOUTHERN CORP	26212	167.72	127.94	3,353,480
US Transportation	UNION PACIFIC CORP	8961	159.03	121.31	1,087,042
US Industrial Transport Total					**5,189,503**
SUPPORT SERVICES					
US Support Services	CERIDIAN HCM HOLDING INC	12115	41.20	31.43	380,742
US Support Services	GENPACT LTD	60096	29.85	22.77	1,368,361
US Support Services	TRANSUNION	17995	60.79	46.37	834,439
US Support Services	TRINET GROUP INC	29095	45.64	34.81	1,012,919
US Support Services	WASTE MANAGEMENT	50314	95.67	72.98	3,671,769
US Support Services Total					**7,268,230**
BEVERAGES					
US Beverages	COCA-COLA CO/THE	223433	48.30	36.84	8,231,996
US Beverages	MONSTER BEVERAGE CORP	65974	57.23	43.66	2,880,098
US Beverages Total					**11,112,094**
FOOD PRODUCTION/PROCESS					
US Food Prod & Proce	ARCHER-DANIELS-MIDLAND CO	29911	44.92	34.26	1,024,900
US Food Prod & Proce	HOSTESS BRANDS INC	116240	11.49	8.76	1,018,794
US Food Prod & Proce	MONDELEZ INTERNATIONAL INC-A	48170	46.27	35.29	1,700,148
US Food Prod & Proce	POST HOLDINGS INC	43073	92.78	70.77	3,048,388
US Food Production & Processing Total					**6,792,229**
HOUSEHOLD GOODS					
US Hous Gds Txtiles	INSTALLED BUILDING PRODUCTS	44610	42.07	32.09	1,431,579
US Hous Gds Txtiles	IROBOT CORP	9258	89.79	68.49	634,097
US Hous Gds Txtiles	NIKE INC -CL B	57260	81.86	62.44	3,575,475
US Hous Gds Txtiles	TAPESTRY INC	35694	38.69	29.51	1,053,427
US Hous Gds Txtiles	UNDER ARMOUR INC-CLASS A	74573	20.73	15.81	1,179,211
US Hous Gds Txtiles	UNDER ARMOUR INC-CLASS C	98988	18.93	14.44	1,429,367
US Household Goods Total					**9,303,158**
PERSONAL GOODS					
US Personal Care / Ho	PROCTOR & GAMBLE CO/THE	80200	96.49	73.60	5,902,926
US Personal Care / Ho	UNILEVER N V -NY SHARES	96547	53.49	40.80	3,939,327
US Personal Goods Total					**9,842,254**

TOBACCO					
US Tobacco	PHILIP MORRIS INTERNATIONAL	47585	76.74	58.54	2,785,496
US Tobacco Total					**2,785,496**
HEALTHCARE EQUIPMENT & SERVICES					
US Healthcare Equipm	BOSTON SCIENTIFIC CORP	218264	38.12	29.08	6,346,667
US Healthcare Equipm	ELANCO ANIMAL HEALTH INC	14800	29.17	22.25	329,313
US Healthcare Equipm	HCA HOLDINGS INC	25724	139.41	106.34	2,735,540
US Healthcare Equipm	THERMO FISHER SCIENTIFIC	28591	245.58	187.33	5,355,907
US Healthcare Equipment & ServicesTotal					**14,767,427**
PHARMACEUTICAL, BIOTECH					
US Healthcare	ABBOTT LABORATORIES	81292	72.96	55.65	4,524,216
US Healthcare	AERIE PHARMACEUTICALS INC	11723	46.97	35.83	420,020
US Healthcare	ALLERGAN PLC	48869	143.98	109.83	5,367,182
US Healthcare	ALNYLAM PHARMACEUTICALS INC	3253	83.53	63.72	207,270
US Pharm, Biotech	AMNEAL PHARMACEUTICALS INC	61624	12.27	9.36	576,773
US Healthcare	ARCUS BIOSCIENCES INC	10866	10.17	7.76	84,295
US Pharm, Biotech	ASSEMBLY BIOSCIENCES INC	7199	22.78	17.38	125,094
US Pharm, Biotech	ASTRAZENECA PLC-SPONS ADR	147238	36.58	27.90	4,108,415
US Pharm, Biotech	AUDENTES THERAPEUTICS INC	8234	24.78	18.90	155,641
US Healthcare	BAXTER INTERNATIONAL INC	39288	72.46	55.27	2,171,546
US Healthcare	BIOGEN INC	2642	333.58	254.45	672,270
US Healthcare	BIOHAVEN PHARMACEUTICAL HOLD	28662	38.09	29.06	832,776
US Healthcare	BLUEBIRD BIO INC	5781	133.23	101.63	587,511
US Healthcare	BRISTOL-MYERS SQUIBB CO	154283	49.38	37.67	5,811,388
US Healthcare	CALITHERA BIOSCIENCES INC	13274	4.44	3.39	44,957
US Healthcare	CELGENE CORP	2633	88.41	67.44	177,567
US Healthcare	COHERUS BIOSCIENCES INC	37354	13.44	10.25	382,954
US Healthcare	CYTOMX THERAPEUTICS INC	12600	16.97	12.94	163,103
US Pharm, Biotech	DERMIRA INC	54830	6.60	5.03	276,041
US Pharm, Biotech	ELI LILLY & CO	5672	119.83	91.41	518,457
US Pharm, Biotech	FORTY SEVEN INC	23100	14.68	11.20	258,672
US Pharm, Biotech	GLOBAL BLOOD THERAPEUTICS IN	8786	47.90	36.54	321,024
US Pharm, Biotech	GLYCOMIMETICS INC	18311	11.19	8.54	156,298
US Pharm, Biotech	G1 THERAPEUTICS INC	11094	21.34	16.28	180,590
US Pharm, Biotech	HERON THERAPEUTICS INC	8044	26.89	20.51	164,996
US Pharm, Biotech	INCYTE CORP	6262	80.58	61.47	384,903
US Pharm, Biotech	IRONWOOD PHARMACEUTICALS INC	32097	13.65	10.41	334,201
US Pharm, Biotech	JOUNCE THERAPEUTICS INC	7242	4.19	3.20	23,146
US Pharm, Biotech	KALA PHARMACEUTICALS INC	15900	5.52	4.21	66,949
US Pharm, Biotech	KARYOPHARM THERAPEUTICS INC	26246	8.46	6.45	169,373
US Pharm, Biotech	LOXO ONCOLOGY INC	1730	234.52	178.89	309,483
US Healthcare	MEDICINES COMPANY	6300	23.09	17.61	110,962
US Healthcare	MEDTRONIC INC	101474	88.59	67.58	6,857,253
US Healthcare	MOMENTA PHARMACEUTICALS INC	16300	11.85	9.04	147,339
US Healthcare	MYLAN NV	97190	29.94	22.84	2,219,648
US Healthcare	MYOKARDIA INC	11431	41.33	31.53	360,380
US Healthcare	NEKTAR THERAPEUTICS	31195	42.31	32.27	1,006,790
US Healthcare	NEON THERAPEUTICS INC	6315	4.22	3.22	20,328
US Pharm, Biotech	RADIUS HEALTH INC	11904	18.25	13.92	165,717
US Pharm, Biotech	RA PHARMACEUTICALS INC	27222	20.52	15.65	426,097
US Pharm, Biotech	REVANCE THERAPEUTICS INC	25568	17.26	13.17	336,626
US Pharm, Biotech	RIGEL PHARMACEUTICALS INC	37337	2.15	1.64	61,233
US Pharm, Biotech	SEATTLE GENETICS INC	16923	76.37	58.26	985,850
US Pharm, Biotech	SPARK THERAPEUTICS INC	3993	47.81	36.47	145,623
US Pharm, Biotech	SYNDAX PHARMACEUTICALS	24029	5.59	4.26	102,461
US Pharm, Biotech	TEVA PHARMACEUTICAL-SP ADR	182058	19.84	15.13	2,755,257
US Pharm, Biotech	TRICIDA INC	17300	21.94	16.74	289,530
US Healthcare	VERTEX PHARMACEUTICALS INC	5043	190.86	145.59	734,200
US Healthcare	UNITEDHEALTH GROUP INC	61894	270.08	206.02	12,751,218
US Pharmaceutical, Biotech Total					**59,053,619**

FOOD RETAIL					
US Retail Food & Drug	ARAMARK	21569	32.94	25.13	541,956
US Retail Food & Drug	HOUGHTON MIFFLIN HARCOURT CO	66183	10.46	7.98	528,067
US Retail Food & Drug	HYATT HOTELS CORP-CL A	41500	69.91	53.33	2,213,085
US Retail Food & Drug	MCDONALD'S CORP	43546	179.17	136.67	5,951,470
US Retail Food & Drug	MGM RESORTS INTERNATIONAL	44102	29.45	22.46	990,728
US Food Retail Total					**10,225,306**
RETAILERS - GENERAL					
US Retailers Gen	AMAZON.COM INC	17370	1,718.74	1,311.05	22,773,023
US Retailers Gen	EXPEDIA INC	37907	119.25	90.96	3,448,169
US Retailers Gen	FRESHPET INC	30813	35.97	27.44	845,445
US Retailers Gen	LOWE'S COS INC	41012	96.18	73.37	3,008,891
US Retailers Gen	NATIONAL VISION HOLDINGS INC	93381	31.75	24.22	2,261,585
US Retailers Gen	PERFORMANCE FOOD GROUP CO	29660	34.14	26.04	772,405
US Retailers Gen	ROSS STORES INC	15448	92.11	70.26	1,085,400
US Retailers Gen	TJX COMPANIES INC	105902	49.64	37.87	4,010,021
US Retailers Gen	US FOODS HOLDING CORP	63561	33.70	25.71	1,633,922
US Retailers Gen	WAYFAIR INC-CLASS A	31836	109.46	83.50	2,658,181
US Retailers - General Total					**42,497,041**
MEDIA					
US Media & Photo	CHARTER COMMUNICATIONS INC-A	14115	330.93	252.43	3,563,097
US Media & Photo	COMCAST CORP CL A	294280	36.55	27.88	8,204,626
US Media & Photo	ELECTRONIC ARTS INC	34458	92.24	70.36	2,424,488
US Media & Photo	FACEBOOK INC	86342	166.63	127.11	10,974,531
US Media & Photo	INTERPUBLIC GROUP OF COS INC	24175	22.73	17.34	419,157
US Media & Photo	LIBERTY MEDIA CORP-MEDIA C	43425	31.37	23.93	1,039,118
US Media & Photo	NETFLIX INC	10698	339.52	258.99	2,770,631
US Media & Photo	NEW YORK TIMES CO-A	25133	25.71	19.61	492,898
US Media & Photo	TWENTY-FIRST CENTURY FOX	27316	49.22	37.55	1,025,580
US Media & Photo	VIACOM INC-CLASS B	21102	29.42	22.44	473,562
US Media & Photo	WALT DISNEY COMPANY	11728	111.49	85.04	997,403
US Media Total					**32,385,092**
TRAVEL & LEISURE					
US Hotels Leisure	JETBLUE AIRWAYS CORP	121903	17.98	13.72	1,671,917
US Hotels Leisure	BOOKING HOLDINGS INC	1793	1,832.80	1,398.06	2,506,721
US Travel & Leisure Total					**4,178,638**
TELECOMS					
Telecoms	VERIZON COMMUNICATIONS INC	226142	55.03	41.98	9,492,737
US Telecoms Total					**9,492,737**
ELECTRICITY					
US Electricity	AVANGRID INC	54100	49.87	38.04	2,058,009
US Electricity	EDISON INTERNATIONAL	67725	56.95	43.44	2,942,073
US Electricity	EXELON CORP	89123	47.76	36.43	3,246,869
US Electricity	NEXTERA ENERGY INC	28408	178.95	136.50	3,877,779
US Electricity	NRG ENERGY INC	106131	40.91	31.21	3,311,940
US Electricity	PG&E CORP	38856	12.97	9.89	384,422
US Electricity Total					**15,821,092**
GAS & WATER					
Gas	SEMPRA ENERGY	51069	116.95	89.21	4,555,838
US Gas & Water Total					**4,555,838**
BANKS, RETAIL					
US Banks Retail	BANK OF AMERICA CORP	731161	28.45	21.70	15,867,407
US Banks Retail	MGIC INVESTMENT CORP	110441	12.47	9.51	1,050,528
US Banks Retail	SVB FINANCIAL GROUP	8487	233.37	178.01	1,510,810

US Banks - Retail Total					**18,428,745**
NON-LIFE INSURANCE					
US Insurance	AMERICAN INTERNATIONAL GROUP	99623	43.23	32.98	3,285,153
US Insurance	ASSURANT INC	27660	96.37	73.51	2,033,315
US Insurance	ASSURED GUARANTY LTD	93005	40.55	30.93	2,876,788
US Insurance	ATHENE HOLDING LTD-CLASS A	73403	42.90	32.72	2,402,049
US Insurance	HARTFORD FINANCIAL SVCS GRP	87356	46.90	35.78	3,125,189
US Insurance	MARSH & MCLENNAN COS INC COM	51054	88.17	67.26	3,433,692
US Insurance	METLIFE INC	52202	45.67	34.84	1,818,565
US Insurance	PROGRESSIVE CORP	21481	67.27	51.31	1,102,266
US Insurance	PRUDENTIAL FINANCIAL INC	22786	92.10	70.25	1,600,805
US Insurance	TRUPANION INC	45800	26.55	20.25	927,557
US Non-Life Insurance Total					**22,605,378**
REAL ESTATE					
US Real Estate	AMERICAN TOWER CORP	55671	173.10	132.04	7,350,837
US Real Estate	ALEXANDRIA REAL ESTATE EQUIT	20413	131.69	100.45	2,050,550
US Real Estate	CAMDEN PROPERTY TRUST	31767	96.91	73.92	2,348,310
US Real Estate	EQUINIX INC	6313	393.90	300.47	1,896,848
US Real Estate	PUBLIC STORAGE	9164	212.48	162.08	1,485,299
US Real Estate	SIMON PROPERTY GROUP INC	16810	182.07	138.88	2,334,623
US Real Estate Total					**17,466,466**
GENERAL FINANCIAL					
US Special Finance	AMERICAN EXPRESS CO	36028	102.68	78.32	2,821,868
US Special Finance	AXA EQUITABLE HOLDINGS INC	71071	18.54	14.14	1,005,108
US Special Finance	EQUIFAX INC	9388	106.99	81.61	766,173
US Special Finance	FACTSET RESEARCH SYSTEMS INC	15580	218.63	166.77	2,598,292
US Special Finance	FLEETCOR TECHNOLOGIES INC	15461	201.76	153.90	2,379,487
US Special Finance	GLOBAL PAYMENTS INC	41429	112.29	85.65	3,548,593
US Special Finance	HAMILTON LANE INC-CLASS A	80552	36.26	27.66	2,227,998
US Special Finance	IHS MARKIT LTD	68757	51.92	39.60	2,723,092
US Special Finance	NORTHERN TRUST CORP	26139	88.44	67.46	1,763,390
US Special Finance	ONEMAIN HOLDINGS INC	63197	29.87	22.78	1,439,933
US Special Finance	PAYPAL HOLDINGS INC	44368	88.75	67.70	3,003,647
US Special Finance	RAYMOND JAMES FINANCIAL INC	25872	80.48	61.39	1,588,286
US Special Finance	TD AMERITRADE HOLDING CORP	132710	55.94	42.67	5,662,873
US Special Finance	TOTAL SYSTEM SERVICES INC	12736	89.60	68.35	870,466
US Special Finance	VISA INC CL A SHS	62917	134.96	102.95	6,477,147
US Special Finance	VOYA FINANCIAL INC	61300	46.43	35.42	2,171,050
US Special Finance	WEX INC	10386	161.20	122.96	1,277,097
US General Financial Total					**42,324,501**
SOFTWARE					
US Software & Comp S	ADOBE SYSTEMS INC	9072	247.82	189.04	1,714,945
US Software & Comp S	ALPHABET INC - CL A SHARES	18978	1,126.05	858.95	16,301,171
US Software & Comp S	ATLASSIAN CORP PLC-CLASS A	1808	98.40	75.06	135,708
US Software & Comp S	AUTODESK INC	7136	147.20	112.28	801,260
US Software & Comp S	BLUCORA INC	109918	29.51	22.51	2,474,279
US Software & Comp S	GODADDY INC - CLASS A	54111	68.60	52.33	2,831,525
US Software & Comp S	GUIDEWIRE SOFTWARE INC	13862	86.69	66.13	916,654
US Software & Comp S	MICROSOFT CORP	225213	104.41	79.64	17,936,852
US Software & Comp S	SALESFORCE.COM INC	30962	151.88	115.85	3,587,074
US Software & Comp S	SERVICENOW INC	6419	220.09	167.88	1,077,652
US Software & Comp S	SPLUNK INC	6141	124.74	95.15	584,326
US Software & Comp S	SPOTIFY TECHNOLOGY SA	4339	135.45	103.32	448,311
US Software & Comp S	SS&C TECHNOLOGIES HOLDINGS	124549	51.47	39.26	4,889,958
US Software & Comp S	VERISIGN INC	19621	169.24	129.10	2,532,998
US Software & Comp S	WORKDAY INC-CLASS A	13374	181.48	138.43	1,851,402
US Software Total					**58,084,114**
TECHNOLOGY HARDWARE					
US IT Hardware	ADVANCED MICRO DEVICES	149112	24.43	18.64	2,778,733

US IT Hardware	APPLE INC	49695	166.27	126.83	6,302,854
US IT Hardware	BROADCOM LTD	2475	268.07	204.48	506,097
US IT Hardware	FLEX LTD	357669	9.60	7.32	2,619,167
US IT Hardware	INTEL CORP	101165	47.11	35.94	3,635,416
US IT Hardware	KLA-TENCOR CORP	12630	106.52	81.25	1,026,231
US IT Hardware	MARVELL TECHNOLOGY GROUP LTD	54685	18.52	14.13	772,538
US IT Hardware	MICRON TECHNOLOGY INC	56553	38.21	29.15	1,648,327
US IT Hardware	NVIDIA CORP	6530	143.74	109.64	715,981
US IT Hardware	TERADYNE INC	43549	35.99	27.45	1,195,558
US IT Hardware	TEXAS INSTRUMENTS INC	35077	100.68	76.80	2,693,868
US IT Hardware	WESTERN DIGITAL CORP	3200	44.99	34.32	109,819
US IT Hardware	XILINX INC	23033	111.92	85.37	1,966,387
US Technology Hardware Total					**25,970,976**
TOTAL UNITED STATES					**517,173,151**

DERBYSHIRE PENSION FUND
JANUARY 2019 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	299.78	3.00	467,539,948
EUROPEAN EQUITIES TOTAL				**467,539,948**

DERBYSHIRE PENSION FUND
JANUARY 2019 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	138.00	138.00	6,900,000
Japan	JPMorgan JAP IT 25P	7,730,000	374.00	374.00	28,910,200
Japan	JPMF Japs smoc	2,250,000	348.00	348.00	7,830,000
Japan	Schroder Japan Growth Fund 10p ords	11,300,000	184.50	184.50	20,848,500
J Investment Companies Total					64,488,700
Unit Trusts & OEICs					
Japan	Baillie Gifford OGF - Japanese B Acc Shares	4,516,534.66	1,521.00	1,521.00	68,726,912
Japan	Baring Japan Growth Trust	5,500,000.00	196.00	196.00	10,780,000
Japan	Invesco Japan FD-UKNTACC	4,541,032.09	202.05	202.05	9,175,155
Japan	JPMorgan Jap Fd A Acc	3,000,000.00	416.00	416.00	12,480,000
Japan	Legg Mason IF Martin Currie Japan Alpha Fund X.	31,076,861.03	159.50	159.50	49,565,998
Japan	Schroder UT Tokyo Ac	11,000,000.00	339.80	339.80	37,378,000
J Unit Trusts Total					188,106,065
Investment Entities					
Japan	Aberdeen Global - JAP Smaller Cos Fund DE	1,662,639.78	10.11	10.11	16,806,129
Japan	JO Hambro - Japan Fd GBP-A	15,000,000.00	2.25	2.25	33,765,000
J Investment Entities Total					50,571,129
JAPAN TOTAL					303,165,895
OTHER ASIA					
Investment Companies					
Asian	ABERDEEN ASIAN INCOME FUND ORDS	3,000,000	201.00	201.00	6,030,000
Asian	ABERDEEN NDIT 25P	7,780,000	225.00	225.00	17,505,000
Asian	EDINBURGH DT 20P	8,610,000	365.00	365.00	31,426,500
Asian	INVESCO ASIA TRUST 10P	6,358,000	270.00	270.00	17,166,600
OA Investment Companies Total					72,128,100
Unit Trusts & OEICs					
Asian	Stewart Investors Asia Pacific Fund (First State As	5,250,000	1,485.07	1,485.07	77,966,175
Asian	JPMorgan Asia Fund A Ac	20,000,000	205.20	205.20	41,040,000
Asian	Schroder Insil PAC Fd Ac	2,000,000	1,483.00	1,483.00	29,660,000
OA Unit Trusts Total					148,666,175
Investment Entities					
Asian	Baring Int'l Australia $	130,000.000	112.03	85.46	11,109,343
Asian	Legg Mason-Martin Currie Greater China Fund-AA	421,043.494	28.96	22.09	9,301,140
OA Investment Entities Total					20,410,483
OTHER ASIA TOTAL					241,204,758
EMERGING MARKETS					
Investment Companies					
Internatio	ABERDEEN EMERGING MARKETS	2,788,425	536.00	536.00	14,945,958
Internatio	ABERDEEN FRONTIER MARKETS	4,250,000	46.60	46.60	1,980,500
Internatio	BLACKROCK FRONTIERS INV TRUST	3,200,000	135.00	135.00	4,320,000
Latin Ame	Blackrock Latin American Investment Trust plc	862,529	472.00	472.00	4,071,137
Internatio	GENESIS EMERGING MKTS FUND LTD	4,300,000	674.00	674.00	28,982,000
Internatio	JP Morgan EMER IT25P	3,700,000	885.00	885.00	32,745,000
Int'l Investment Companies Total					87,044,595
Unit Trusts & OEICs					
Internatio	Stewart Investors Global Emerging Markets Fund	3,000,000	917.23	917.23	27,516,900
Latin Ame	Thd ndle Lnamer Gwth	3,500,000	285.88	285.88	10,005,800
Int'l Unit Trusts Total					37,522,700
Life Policies					
Internatio	LGIM World Emerging Markets Index Fund	19,723,922.380	3.32	3.32	65,515,770
International Life Policies					65,515,770
Investment Entities					
Internatio	FPP GLOBAL EMERGING MKTS	82,057.980	103.89	79.24	6,502,572
Latin Ame	JPMorgan LNAMER A U$	86,085.904	48.43	36.94	3,180,220
Internatio	POLUNIN FUNDS-DEVEL CNTY-B	47,502.659	1,030.38	785.97	37,335,849
LatAm Investment Entities Total					47,018,641
EMERGING MARKETS TOTAL					237,101,706
OTHER EQUITIES TOTAL					781,472,359

DERBYSHIRE PENSION FUND
JANUARY 2019 PORTFOLIO VALUATION - BID

OTHER EQUITIES Company name	Number held	Mkt price in local currency	Value in Sterling £
PRIVATE EQUITY			
Quoted Private Equity			
UK Invest APAX GLOBAL ALPHA LTD	3,000,000	141.00	4,230,000
UK Invest HARBOURVEST GLOBAL PRIVATE	925,000	1426.00	13,190,500
UK Invest HGCAPITAL TRUST PLC	705,315	1990.00	14,035,769
UK Invest ICG ENTERPRISE TRUST PLC	181,795	816.00	1,483,447
UK Invest NB PRIVATE EQUITY PARTNERS Ltd (A)	1,500,000	14.00	16,018,800
UK Invest PANTHEON INTERNATIONAL PLC	345,000	2100.00	7,245,000
UK Invest PRINCESS PRIVATE EQUITY HOLDING LTD	500,000	9.22	4,025,498
UK Invest STANDARD LIFE PRIVATE EQUUITY	900,000	335.00	3,015,000
UK Invest WOODFORD PATIENT CAPITAL TRUST	5,000,000	85.80	4,290,000
UK Quoted Private Equity Total			**67,534,014**
Unquoted Private Equity			
UK Uncla ADAM STREET PARTNERS (FEEDER) 2017 FI	30,000,000	0.33	7,618,151
UK Uncla BAIRD CAPITAL PARTNERS EUROPE FUND I	4,300,000	0.03	117,318
UK Uncla CAPITAL DYNAMICS GLOBAL SECONDARIES	20,000,000	0.82	12,470,547
UK Uncla CAPITAL DYNAMICS MID-MARKET DIRECT FI	25,000,000	0.64	14,053,305
UK Uncla CAPITAL DYNAMICS LGPS COLLECTIVE PE \	20,000,000	0.20	4,018,125
UK Uncla CATAPULT GROWTH FUND UNITS	3,000,000	0.15	443,036
UK Uncla EAST MIDLANDS VENTURE	3,000,000	0.02	71,352
UK Uncla EPIRIS FUND II	25,000,000	0.28	7,081,459
UK Uncla MOBEUS EQUITY PARTNERS IV LP	10,000,000	0.52	5,191,424
UK Invest PANORAMIC ENTERPRISE CAPITAL UNITS	1,428,486	0.08	118,537
UK Invest PANORAMIC GROWTH FUND 2 LP	10,000,000	0.33	3,280,340
UK Invest PARTNERS GROUP GLOBAL VALUE 2008	7,500,000	0.52	3,402,918
UK Invest STAR CAPITAL STRATEGIC ASSETS III LP	12,500,000	0.25	2,778,697
UK Uncla VESPA CAPITAL II LLP	10,000,000	0.41	4,067,717
UK Unquoted Private Equity Total			**64,712,924**
PRIVATE EQUITY TOTAL			**132,246,938**
INFRASTRUCTURE			
UK Infrastructure Quoted			
Closed-er FORESIGHT SOLAR FUND LTD	4,000,000	113.00	4,520,000
Closed-er GREENCOAT UK WIND PLC	11,875,000	133.80	15,888,750
Closed-er HICL INFRASTRUCUTRE CO LTD	6,060,872	165.90	10,054,987
Closed-e INTERNATIONAL PUBLIC PARTNERSHIP LTI	20,462,823.00	154.00	31,512,747.42
Closed-e 3I INFRASTRUCTURE PLC	2,249,999.00	265.05	5,963,622.35
Closed-e RENEWABLES INFRASTRUCTURE GR	7,300,000.00	118.00	8,614,000.00
UK Infrastructure Quoted Total			**76,554,106**
UK Infrastructure Unquoted			
UK Uncla DALMORE CAPITAL 3 LP	25,000,000	0.63	15,760,529
UK Uncla EQUITIX FUND 1 LTD P'SHIP	7,500,000	1.77	13,242,055
UK Uncla Equitix Fund IV Ltd P'ship	25,000,000	0.95	23,737,144
UK Uncla FIRST STATE EDIF II	20,000,000	0.54	9,364,231
UK Uncla IMPAX NEW ENERGY INVESTORS II UNITS	10,000,000	0.02	192,566
UK Uncla MEIF 5 Co-Invest LP	12,600,000	0.57	6,264,598
UK Uncla Macquarie European Infrastructure Fund 5 LP	14,400,000	0.77	9,700,018
UK Uncla PIP Multi Strategy Infrastructure LP	25,000,000	0.92	22,927,401
UK Uncla SL CAPITAL INFRASTRUCTURE 1LP	15,000,000	0.88	13,207,181
UK Infrastructure Total			**114,395,723**
INFRASTRUCTURE TOTAL			**190,949,829**
ALTERNATIVES TOTAL			**323,196,767**

DERBYSHIRE PENSION FUND **31/12/2018**
JANUARY 2019 PORTFOLIO VALUATION - BID **Value**
Real Property **£**

Property	Southampton Property	5,300,000
Property	Retail Unit Tamworth	10,150,000
Property	15-17 Jockeys Field London	11,600,000
Property	D'Arblay House, London	16,500,000
Property	Bristol Odeon Development	5,700,000
Property	Quintins Centre, Hailsham	5,800,000
Property	Caledonia House, London	23,500,000
Property	Chelsea Fields Ind Est, London	13,450,000
Property	Planet Centre, Feltham	13,200,000
Property	Hill St, Mayfair	16,400,000
Property	Birmingham - Travelodge developm't	17,200,000
Property	Saxmundham, Tesco developm't	10,000,000
Property	Roundhay Road, Leeds	8,000,000
Property	Premier Inn, Rubery, Birmingham	6,200,000
Property	South Normanton Warehouse, Alfreton	15,600,000
Property	Loddon Centre, Basingstoke	13,350,000
Property	Parkway, Bury St Edmunds	13,650,000
Property	Waitrose, York	13,550,000
	Link 95, Haywood Manchester	10,385,000
Total Real Property		**229,535,000**

Property Managed Funds			**Number held**	**Mkt price**	
Property	**Pence**	Assura PLC	6,000,000	59.8000	3,588,000
Property	**GBP**	Aviva Pooled Property Fund - cla	614,868	16.3542	10,055,654
Property	**GBP**	Aviva Pooled Property Fund - cla	524,338	16.4667	8,634,100
Property	**GBP**	Bridges Property Alternatives Fu	664	14140.0843	9,390,713
Property	**GBP**	Bridges Property Alternatives Fu	10,000,000	0.2234	2,233,922
Property	**EUR**	Fidelity Eurozone Select Real Es	4,486	5811.8024	22,767,581
Property	**GBP**	Hearthstone Residential Fund 1 I	15,000,000	0.5118	7,677,333
Property	**GBP**	Igloo Regeneration P'ship Propei	4,644,493	0.1296	601,829
Property	**EUR**	Invesco Real Estate-European F	44,569	119.8250	4,663,344
Property	**Pence**	Target Healthcare REIT Ltd	4,085,000	113.0000	4,616,050
Property	**GBP**	M&G PP UK Property Fund (Inc)	27,124	778.7700	21,123,357
Property	**EUR**	M&G European Property Fund	25,000,000	0.9970	21,764,399
Property	**GBP**	Threadneedle Pensions Property	1,647,730	6.5041	10,717,004
Property	**Pence**	Tritax Big Box Indirect Pooled Fu	10,000,000	139.6000	13,960,000
Property	**GBP**	Unite UK Student Accommodatic	15,584,567	1.3655	21,281,385
Total Property Funds					**163,074,670**

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

Cash	***Updated to 31 January 2019***			
Cash	BNP Paribas	*UK*		25,950,605
Cash		*Euro*		0
Cash		*Wellington*		13,086,379
	BNP Paribas	*LGPS Cent-Capital & Income*		51,921,518
		-Includes £47m UK Equity sales income due to timing diff		
Cash				
Cash	Cash - Lloyds bank Superfund			2,200,000
Cash	Cash Temporary Loans	205,200,000		
	Santander 95 Day Notice	10,000,000		
	Lloyds 95 Day Notice	35,977		
	Leeds City Council 2D/N	10,000,000		
	Aberdeen Standard Life	20,000,000		
	Federated Prime Rate	15,000,000		
	Blackrock MMF	20,000,000		
	Deutsche Global MMF	20,000,000		
	Treasury Bills	19,594,964		319,830,942
Total Cash			Total Cash	**412,989,444**

DERBYSHIRE PENSION FUND
JANUARY 2019 PORTFOLIO VALUATION - BID

	Number held	Mkt Price in local currenc (Clean) use Calc & IL Valuation	Mkt Price in local currenc (Dirty) use for Non IL Valuation	Mkt Price pence GBP	Total £ GBP
UK GILTS					
TSY 3.75% 7/9/2020	10,322,000	104.73	106.26	106.26	10,967,826
TSY 4.75% 7/3/2020	10,000,000	104.32	106.25	106.25	10,624,887
TSY 1.75% 7/9/2022	13,490,000	103.29	104.00	104.00	14,029,551
TSY 4% 7/3/2022	10,995,000	109.85	111.47	111.47	12,256,161
TSY 2.25% 7/9/2023	15,400,000	106.22	107.14	107.14	16,498,894
TSY 5% 7/3/2025	5,500,000	123.95	125.98	125.98	6,928,756
TSY 2% 7/9/2025	7,000,000	106.62	107.44	107.44	7,520,461
TSY 1.5% 7/22/2026	5,650,000	103.41	103.45	103.45	5,844,724
TSY 4.25% 7/12/2027	18,000,000	126.36	127.02	127.02	22,862,852
TSY 4.75% 7/12/2030	13,162,000	137.50	138.23	138.23	18,193,276
TSY 4.25% 7/6/2032	12,370,000	134.14	134.80	134.80	16,674,494
TSY 4.5% 7/9/2034	16,373,000	141.17	142.99	142.99	23,412,901
TSY 4.25% 7/3/2036	11,400,000	139.93	141.65	141.65	16,148,650
TSY 1.75% 7/9/2037	11,800,000	101.66	102.37	102.37	12,079,735
TSY 4.75% 7/12/2038	7,934,000	152.93	153.66	153.66	12,191,445
TSY 4.25% 7/9/2039	4,050,000	145.21	146.94	146.94	5,950,942
TSY 3.25% 1/22/2044	8,000,000	130.90	130.99	130.99	10,478,862
TSY 4.25% 7/12/2046	3,900,000	155.82	156.48	156.48	6,102,558
001 UKGB Total					**228,766,374**
US GOVERNMENT BONDS					
T 2.75% 31/8/2023	26,191,000	101.36	102.53	78.21	20,483,804
T 2.25% 15/11/2024	21,000,000	98.73	99.21	75.68	15,892,471
T 2.75% 15/11/2042	7,500,000	96.16	96.75	73.80	5,534,998
004 USGB Total					**41,911,273**
NON GOVERNMENT BONDS					
Karnes UK Corp Bond Fund	48,259,584	291.43	291.43	291.43	140,642,907
Royal London UK Corporate Bond F	57,514,694	256.46	256.46	256.46	147,502,185
Non Govt Bonds Total					**288,145,092**
MULTI ASSET CREDIT					
AMP Capital Infrastructure Debt Fur	17,000,000	0.72	0.72	0.72	10,725,598
Barings Global Private Loan Fund	40,000,000	0.71	0.71	0.71	28,265,769
Barings Global Private Loan Fund 2	40,000,000	0.85	0.85	0.85	33,859,628
Janus Henderson Multi Asset Credit	97,744,133	1.05	1.05	1.05	102,211,040
Multi Asset Credit Total					**175,062,032**
UK INDEX LINKED					
TREAS 4.125% IL STK 22/7/2030	6,510,000	368.43	368.67	368.67	24,000,094
TREAS 2% IL STK 26/1/2035	8,000,000	275.12	275.18	275.18	22,014,268
002 UKGIL Total					**46,014,362**

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	112.1190	1.174000	12,149,237.26	4,207.04	12,153,444
TREAS 1.25% IL STK 22/11/2027	7,400,000	131.6770	1.466510	14,289,817.16	18,142.27	14,307,959
TREAS 0.125% IL STK 22/3/2029	5,325,000	122.8200	1.198720	7,839,826.59	2,427.14	7,842,254
TREAS 1.25% IL STK 22/11/2032	2,777,000	149.2360	1.310720	5,431,995.56	6,808.25	5,438,804
TREAS 0.75% IL STK 22/3/2034	11,465,000	144.5960	1.225510	20,316,420.71	31,354.56	20,347,775
TREAS 1.125% IL STK 22/11/2037	5,560,000	164.3450	1.407220	12,904,842.06	12,312.22	12,917,154
TREAS 0.625% IL STK 22/3/2040	5,600,000	158.6020	1.314410	11,674,211.07	12,762.43	11,686,974
TREAS 0.625% IL STK 22/11/2042	5,950,000	168.4550	1.339520	13,266,703.20	7,293.68	13,273,997
TREAS 0.125% IL STK 22/3/2044	11,470,000	153.2140	1.173980	20,631,108.70	5,228.04	20,636,337
TREAS 0.125% IL STK 22/3/2046	8,730,000	157.3060	1.104000	15,161,026.44	3,979.14	15,165,006
TREAS 0.75% IL STK 22/11/2047	6,500,000	184.6600	1.369810	16,441,692.45	9,561.46	16,451,254
TREAS 0.125% IL STK 10/08/2048	5,300,000	163.2140	1.035690	8,959,072.71	-162.02	8,958,911
TREAS 0.5% IL STK 22/3/2050	5,000,000	182.4210	1.333650	12,164,288.33	9,116.02	12,173,404
UK INDEX LINKED (3monthers) TOTAL						**171,353,272**

US INDEX LINKED	Number hel	Clean Price	Index Ratio	Gross $	Accrued Interest $	Total $	Total £
TII0.125% 15/1/2023	7,000,000	97.781250	1.091910	7,473,782.73	410.91	7,474,194	5,701,314.91
TII3.625% 15/4/2028	4,045,000	125.023438	1.558290	7,880,581.14	43,908.81	7,924,490	6,044,800.94
TII1.750% 15/1/2028	5,550,000	108.375000	1.203070	7,236,240.47	4,561.12	7,240,802	5,523,283.46
TII2.5% 15/1/2029	7,000,000	116.320313	1.173910	9,558,470.46	8,218.23	9,566,689	7,297,470.14
TII2.125% 15/2/2040	4,095,000	120.914063	1.166090	5,773,814.01	40,198.88	5,814,013	4,434,929.03
TII0.75% 15/2/2042	20,300,000	93.750000	1.115410	21,227,646.56	70,332.88	21,297,979	16,246,098.72
TII0.625% 15/2/2043	10,000,000	90.687500	1.096240	9,941,526.50	28,872.28	9,970,399	7,605,420.19
0045 USGB IL Total							**52,853,317**

TOTAL BONDS	**1,004,105,723**
Index linked-total	**270,220,952**
Conventional-total	**270,677,647**
Non gov-total	**463,207,124**